DoD 7000.14 - R

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 1-16

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

"INTRODUCTION"

SUMMARY OF MAJOR CHANGES

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

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

Unless otherwise noted, volumes referenced are contained in this Regulation.

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

The previous version dated December 2021 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Administrative updates in accordance with Department of Defense Financial Management Regulation (FMR) Revision Standard Operating Procedures.	Revision

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INTRODUCTION

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

VOLUMES

No.	Title
1	General Financial Management Information, Systems, and Requirements
2A	Budget Formulation and Presentation (Chapters 1-3)
2B	Budget Formulation and Presentation (Chapters 4-19)
3	Budget Execution – Availability and Use of Budgetary Resources
4	Accounting Policy
5	Disbursing Policy
6A	Reporting Policy
6B	Form and Content of the Department of Defense Audited Financial Statements
7A	Military Pay Policy – Active Duty and Reserve Pay
7B	Military Pay Policy – Retired Pay
8	Civilian Pay Policy
9	Travel Policy
10	Contract Payment Policy
11A	Reimbursable Operations Policy
11B	Reimbursable Operations Policy – Working Capital Funds (WCF)
12	Special Accounts, Funds and Programs
13	Nonappropriated Funds Policy
14	Administrative Control of Funds and Antideficiency Act Violations
15	Security Cooperation Policy
16	Department of Defense Debt Management
00	Glossary

APPLICABILITY

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

PARAGRAPH STRUCTURE

The paragraph numbering system is consistent across the Regulation. The section and paragraph levels are 2-digits, and there are five additional subparagraph level designators formulated as follows:

SECTION	PARAGRAPH	SUBPARAGRAPHS
1.0	1.1	1.1.1.1.1

INFORMATION REQUIREMENTS

DoD Components should forward recommended changes to this Regulation through appropriate channels to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), Office of the Deputy Chief Financial Officer (ODCFO). Requests for deviations from or exceptions to this Regulation must be submitted via formal memorandum through your organization's appropriate coordination and approval process to the OUSD(C), ODCFO. The memorandum must provide justification and supporting documentation as applicable. Mailing address:

OUSD(C), ODCFO
Financial Management Policy and Reporting
1100 Defense Pentagon
Washington, DC 20301-1100

DoD 7000.14 - R

DEPARTMENT OF DEFENSE
FINANCIAL MANAGEMENT REGULATION

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

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

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All	Administrative updates to include clarifying language in accordance with Department of Defense Financial Management Regulation (FMR) Revision Standard Operating Procedures.	Revision
7.1	The Office of Deputy Comptroller (Program/Budget) reorganized the Directorate for Integration from a directorate to an office.	Revision
7.2	Added Deputy Comptroller for Enterprise Financial Transformation	Addition
7.3.2	Language for the Focus Leadership Execution Team was incorporated into paragraph 7.3.2.	Revision
Figure 1-1	Updated the Under Secretary of Defense (Comptroller)/CFO Structure.	Revision
1.2.10, 7.3.2	This revision incorporated part of the Deputy Chief Financial Officer memorandum titled, "Department of Defense Component Level Accounts Responsibilities (FPM24-03)," dated April 9, 2024.	Revision

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CHAPTER 1

CHIEF FINANCIAL OFFICER OF THE DEPARTMENT OF DEFENSE

1.0 GENERAL

1.1 Purpose

This chapter describes the establishment, roles, responsibilities, and authority of the Department of Defense (DoD) Chief Financial Officer (CFO) as established by the ***CFO Act of 1990***. The DoD CFO is also the Under Secretary of Defense (Comptroller) (USD(C). The USD(C)/CFO is responsible for developing and implementing DoD-wide financial management systems and overseeing financial management activities relating to CFO programs and operations.

1.2 Authoritative Guidance

The CFO establishment, roles, responsibilities, and authority prescribed are in accordance with the applicable provisions of the following sources:

1.2.1. Title 10, United States Code, section 192 ***(10 U.S.C. § 192)***, "Defense Agencies and Department of Defense Field Activities: oversight by the Secretary of Defense";

1.2.2. ***10 U.S.C. § 2222***, "Defense business systems: business process reengineering; enterprise architecture; management";

1.2.3. ***31 U.S.C. § 3515***, "Financial statements of agencies";

1.2.4. ***31 U.S.C. § 901***, "Establishment of agency Chief Financial Officers";

1.2.5. ***31 U.S.C. § 902***, "Authority and functions of agency Chief Financial Officers";

1.2.6. ***31 U.S.C. § 903***, "Establishment of agency Deputy Chief Financial Officers";

1.2.7. DoD Directive ***(DoDD) 5105.36***, "Defense Contract Audit Agency";

1.2.8. ***DoDD 5118.03***, "Under Secretary of Defense (Comptroller)/Chief Financial Officer, Department of Defense (USD(C)/CFO)";

1.2.9. ***DoDD 5118.05***, "Defense Finance and Accounting Service (DFAS)"; and

* 1.2.10. ***DoD Instruction 7000.14***, "DoD Financial Management Policy".

2.0 CHIEF FINANCIAL OFFICER APPOINTMENT

The CFO Act designates DoD as an agency whose CFO is either appointed by the President, by and with the advice and consent of the U.S. Senate; or designated by the President, in consultation

with the head of the agency, from among officials of the agency who are required by law to be so appointed. The USD(C), who is appointed by the President and confirmed by the U.S. Senate, is also the DoD CFO. The USD(C)/CFO must be appointed or designated, as applicable, from among individuals who possess demonstrated ability in general management of, knowledge of, and extensive practical experience in financial management practices in large governmental or business entities.

3.0 ROLES AND RESPONSIBLITIES

The USD(C)/CFO is the Principal Staff Assistant and advisor to the Secretary of Defense for budgetary and fiscal matters including financial management, accounting policy and systems, managers' internal control systems, budget formulation and execution, contract audit administration and organization, and general management improvement programs. See Figure 1-1 for the DoD Chief Financial Officer Structure. Consistent with the CFO Act, the following roles and responsibilities are assigned to the USD(C)/CFO:

3.1 Financial Management

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

3.1.1. Establish DoD policies including its component parts. Ensure compliance with applicable accounting policy and standards.

3.1.2. Establish, review, and enforce internal controls, standards, and compliance guidelines.

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

3.1.4. Prepare and annually revise the DoD plan to implement the 5-year financial management plan prepared by the Director of the Office of Management and Budget (OMB) and to comply with the audited financial statements provisions of the CFO Act.

3.1.5. Recruit, select, and train personnel to execute financial management functions.

3.2 Financial Management Systems

Develop and maintain an integrated agency accounting and financial management system, including but not limited to financial reporting, internal controls, cash management, credit management, debt collection, and property and inventory management. In coordination with the Director of Administration and Management (DA&M), provide for the design, development, and installation of financial systems (as defined in the Glossary) and for management improvement programs, especially those related to financial management. Ensure system:

3.2.1. Compliance with applicable accounting principles, standards and requirements, and internal control standards.

3.2.2. Compliance with Director of OMB policies and requirements.

3.2.3. Provides for:

3.2.3.1. Complete, reliable, consistent, and timely budgetary and proprietary transaction-level information in accordance with the ***Standard Financial Information Structure***; and recorded in general ledgers of the accounting systems of record to produce auditable budgetary, proprietary, and managerial cost accounting reports for external and internal stakeholder use, and which is responsive to DoD management information needs. All such financial management systems must establish an Advancing Analytics (Advana) data sharing agreement, see Chapter 10.

3.2.3.2. Development and reporting of cost information.

3.2.3.3. Integration of accounting and budgeting information.

3.2.3.4. Financial and/or program performance data used in budget and financial statement preparation.

3.2.3.5. Adequate controls over real property, equipment, and inventories.

3.2.3.6. Systematic measurement of performance.

3.3 Agency Financial Report

As required by ***OMB Circular A-136***, DoD must prepare and transmit an Agency Financial Report (AFR) to the Secretary of Defense, OMB, U.S. Department of the Treasury (Treasury), the Government Accountability Office, and the Congress. The Department's AFR preparation and reporting requirements are identified in Volume 6B.

3.4 Budget Execution

3.4.1. Monitor the financial execution of the DoD budget in relation to actual expenditures, and prepare and submit to the Secretary of Defense timely performance reports.

3.4.2. Administer and provide analysis and recommendations for the budgeting and execution phases of the DoD Planning, Programming, Budgeting, and Execution process, utilizing advice from the Director, Cost Assessment and Program Evaluation and the DA&M.

3.4.3. Direct the formulation and presentation of DoD budgets, the interactions with the OMB and Congress on budgetary and fiscal matters, and the execution and control of approved budgets. Maintain effective control and accountability over the use of all DoD financial resources. In coordination with the DA&M, conduct analyses to increase the efficiency of defense spending.

3.5 Biennial Review

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

4.0 CHIEF FINANCIAL OFFICER AUTHORITY

4.1 Title 10 United States Code

In accordance with 10 U.S.C. § 2222, the USD(C) in conjunction with the DA&M must, in consultation with the Defense Business Council (DBC), document and maintain any common enterprise data for their respective areas of authority. Under this authority, they may also:

4.1.1. Participate in any related data governance process;

4.1.2. Extract defense business systems data as needed for priority activities and analyses;

4.1.3. When appropriate, ensure the source data is the same as that used to produce the financial statements subject to annual audit;

4.1.4. Provide access, except as otherwise provided by law or regulation, to such data to the Office of the Secretary of Defense, the Joint Staff, the military departments, the combatant commands, the Defense Agencies, the DoD Field Activities, and all other DoD offices, agencies, activities, and commands; and

4.1.5. Maintain consistent common enterprise data of their respective organizations.

4.2 Title 31 United States Code

To carry out CFO duties and responsibilities, the USD(C)/CFO has the authority to:

4.2.1. Access all records, reports, audits, reviews, documents, papers, recommendations, or other material that are DoD property, are available to the DoD, and which relate to programs and operations with respect to DoD CFO responsibilities.

4.2.2. Request such information or assistance from any Federal, State, or local governmental entity as may be necessary.

4.2.3. To the extent and in such amounts as may be provided in advance by appropriations Acts, the USD(C)/CFO may enter into contracts and other arrangements with public agencies and with private persons for the preparation of financial statements, studies, analyses, and other services; and make such payments as may be necessary.

5.0 CHIEF FINANCIAL OFFICERS COUNCIL

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

6.0 ESTABLISHMENT OF THE DEPUTY CHIEF FINANCIAL OFFICER

The CFO Act requires the establishment of DoD Deputy Chief Financial Officer (DCFO), who must report directly to the DoD CFO on financial management matters. The position of DCFO must be a career-reserved position in the Senior Executive Service. Consistent with qualification standards developed by, and in consultation with, the DoD CFO and the Director of OMB, the Secretary of Defense must appoint as DoD DCFO an individual with demonstrated ability and experience in accounting, budget execution, financial and management analysis, systems development, and not less than 6 years practical experience in financial management at large governmental entities.

7.0 DEPARTMENT OF DEFENSE STAFF ORGANIZATIONS

*7.1 Deputy Comptroller (Program/Budget)

The Deputy Comptroller (Program/Budget) is responsible for overseeing and implementing budgetary functions within the DoD on a day-to-day basis. The Office of the Deputy Comptroller (Program/Budget) is organized into four directorates:

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

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

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

7.1.4. The Directorate for Program and Financial Control is responsible for budget review tracking, the submission of the automated defense budget for the President's budget, maintenance of

the budget databases, apportionment of funds, reprogramming and transfer of funds, obligation and outlay forecasting and tracking, budget concepts and scorekeeping, and information system support.

*7.2 Deputy Comptroller for Enterprise Financial Transformation

The Deputy Comptroller for Enterprise Financial Transformation (EFT) is responsible for improving enterprise-wide performance and data-driven decision making by accelerating digital transformation, process improvement, and the use of data and analytics. The Office for EFT is organized into two directorates:

7.2.1. The Directorate for Digital Transformation (DT) is responsible for the oversight and management of DoD's financial management systems environment, including system audit compliance, and other digital transformation efforts which leverage data, data standards, technology, and analytics to automate and improve business processes. In alignment to the National Defense Strategy, DT also leads the development and implementation of DoD CFO's Financial Management Functional Strategy to drive alignment with 21st century mission requirements and re-investment of savings to core DoD missions.

7.2.2. The Directorate for Financial Management Operations and Analysis is responsible for Defense-wide Working Capital Funds, the Pentagon Reservation Maintenance Revolving Fund, the Building Maintenance Fund, the Conventional Ammunition Working Capital Fund, the National Defense Stockpile Transaction Fund, and the Military Services' Management and Trust Funds. The directorate also supports the migration of all legacy DoD Fund Balance with Treasury (FBwT) reconciliations into the Advana platform, the ongoing development, operation, and maintenance of the Department's FBwT reconciliations with Advana, developing, implementing, and sustaining the Dormant Account Review Quarterly process, producing a supportable Universe of Transactions for financial statement line-item balances, analysis and reporting on budgetary and financial execution data, and executing other Financial Management Analytics missions as needed.

7.3 Deputy Chief Financial Officer

The DCFO is responsible for overseeing and implementing accounting policy, improvements in financial management, as well as other financial management functions for the DoD on a day-to-day basis. The Office of the DCFO is organized into two directorates:

7.3.1. The Directorate for FIAR is responsible for audit oversight, management, and liaison functions; supporting Components to remediate findings and achieve post-audit sustainment. FIAR develops and annually revises a detailed FIAR Plan that identifies financial process, system, and statement deficiencies and provides detailed corrective actions to address those deficiencies. Additionally, FIAR manages the Defense-wide Statement of Assurance process by monitoring and reporting the status of auditor and manager-identified material weaknesses and corrective action plans; implementing the Federal Manager's Financial Integrity Act program for DoD to include ***OMB Circular A-123, Appendix A***, "Management of Reporting and Data Integrity Risk;" managing the Improving Financial Performance Initiative of the President's Management Agenda; and advocating for the USD(C)/CFO on various interagency forums and internal DoD councils, boards, committees, and external organizations as required.

* 7.3.2. The Directorate for Financial Management Policy and Reporting (FMPR) is responsible for developing, promulgating, implementing, and interpreting DoD-wide accounting and finance policies; supporting the USD(C)/CFO and DCFO on various interagency forums; advocating for the USD(C)/CFO on various interagency organizations, and representing the USD(C)/CFO on various internal DoD councils, boards and committees pertaining to financial management policy. In addition, FMPR provides oversight of and liaisons with DoD Components on financial management operations, systems, responses to audit reports, policy clarifications, and other financial matters; and administers this Regulation. The Directorate develops and issues the DoD AFR (see Volume 6B), oversees the DoD-wide consolidated financial statements and notes—to include Component Level Account transactions—and manages the DoD Payment Integrity and Antideficiency Act programs, and other external financial reporting. Additionally, the Directorate supports the CFO and DCFO's strategic vision for a strong internal control environment by facilitating DoD implementation of large-scale, end-to-end financial and business process and/or system adoption, and removing barriers from DoD, other federal, and industry stakeholders for more efficient interoperable systems, data standards, and Government-wide accounting best practices.

7.4 Director, Defense Finance and Accounting Service

The Director of DFAS is the principal DoD executive for finance and accounting requirements, systems, and functions under the authority and direction of the USD(C). DFAS:

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

7.4.2. Establishes and enforces requirements, principles, standards, systems, procedures, processes, and practices necessary to comply with finance and accounting statutory and regulatory requirements applicable to the DoD.

7.4.3. Provides professional finance and accounting services for DoD Components and other Federal agencies, as designated by the USD(C)/CFO.

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

7.4.5. Executes statutory and regulatory financial reporting requirements and provides financial statements, pursuant to 31 U.S.C. § 3515, to include supporting customers' audit assertions and audit execution.

7.4.6. Provides advice and recommendations to the USD(C)/CFO on finance and accounting matters and provides documentation that discloses the internal controls within DFAS-assigned systems that may impact customers' control environment in supporting auditability.

7.4.7. Coordinates on the establishment of all DoD finance and accounting activities independent of the DFAS and supports the development and implementation of a compliant business solution with common business processes and data standards for horizontal end-to-end processes in the Business Enterprise Architecture.

7.5 Director, Defense Contract Audit Agency

The Director of Defense Contract Audit Agency (DCAA) is under the authority, direction, and control of the USD(C)/CFO, pursuant to 10 U.S.C. § 192, DoDD 5118.03, and DoDD 5105.36. The Director exercises authority, direction, and control over DCAA and all assigned resources. DCAA performs all necessary DoD contract audits and provides accounting and financial advisory services regarding contracts and subcontracts. DCAA executes the following:

7.5.1. Assists procurement and contract administration officials in achieving the objective of prudent contracting by providing financial information and advice on proposed or existing contracts and contractors, as appropriate.

7.5.2. In accordance with Government Auditing Standards, the Federal Acquisition Regulation, the Defense Federal Acquisition Regulation Supplement (DFARS), and other applicable laws and regulations, to the extent and manner considered necessary, to permit proper performance of the other functions; DCAA audits, examines, and reviews:

7.5.2.1. Contractors' and subcontractors' records, documents, and other evidence;

7.5.2.2. Systems of internal control;

7.5.2.3. Compliance with regulations; and

7.5.2.4. Accounting, costing and general business practices and procedures.

7.5.3. Audits compliance with DFARS Contractor Business Systems Clauses for contractors' accounting, material management and accounting, and estimating systems.

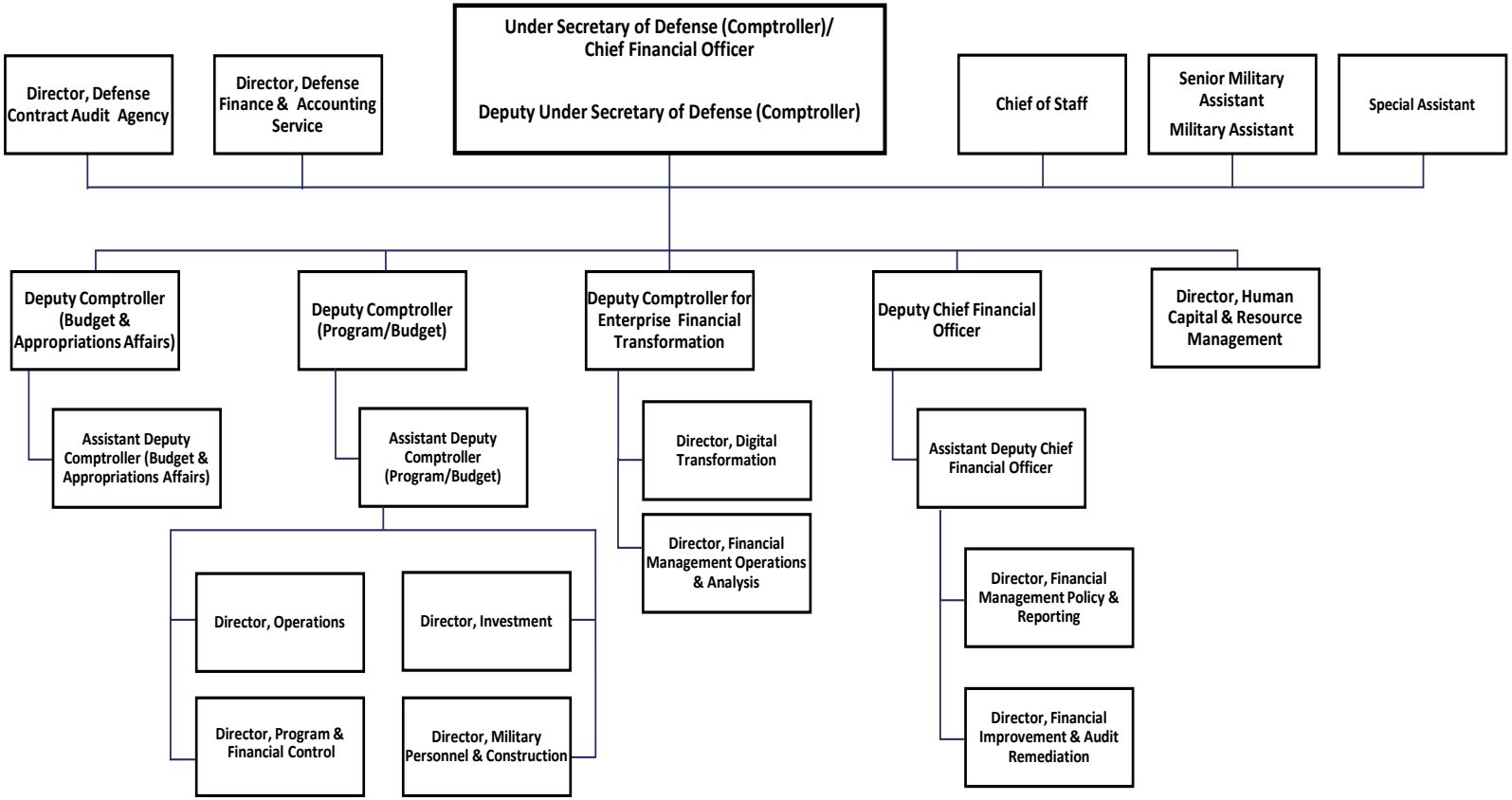
7.5.4. Directs audit reports to the Government management level having authority and responsibility to act on the audit findings and recommendations.

7.5.5. As an advisor, attends and participates, as appropriate, in contract negotiation and other meetings where contract costs, audit reports, or related financial matters are under consideration.

8.0 DEPARTMENT OF DEFENSE COMPONENTS

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

*Figure 1-1: UNDER SECRETARY OF DEFENSE (COMPTROLLER)/CHIEF FINANCIAL OFFICER STRUCTURE



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

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All	This chapter is certified as current. No revision necessary.	Current

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CHAPTER 2

FEDERAL ACCOUNTING STANDARDS HIERARCHY

1.0 GENERAL

1.1 Overview

The Federal Accounting Standards Advisory Board (FASAB) is the body designated by the American Institute of Certified Public Accountants (AICPA) as the source of generally accepted accounting principles (GAAP) for federal reporting entities. As such, the FASAB is responsible for identifying the sources of accounting principles and providing federal entities with a framework for selecting the principles used in the preparation of general purpose financial reports that are presented in conformity with GAAP. FASAB promulgates accounting standards for U.S. government agencies after considering financial and budgetary information needs of Congress, executive agencies, and other users of federal financial information. FASAB considers comments from the public on its proposed Statements, which are widely distributed as "exposure drafts." FASAB publishes adopted statements as Statement of Federal Financial Accounting Standards (SFFAS) that become GAAP for federal government entities. FASAB Standards and other FASAB authoritative publications, including FASAB Interpretations, Technical Bulletins, and Technical Releases are published on the ***FASAB*** website. Documents recently issued and not yet codified are also presented at this location.

1.2 Purpose

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

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

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

1.3 Authoritative Guidance

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

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

1.3.3. The ***AICPA Code of Professional Conduct***, Part 1.320.020 recognized FASAB as the board that promulgates GAAP for federal entities.

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

1.3.5. The ***Government Management Reform Act of 1994 (GMRA)*** mandates executive agencies prepare their financial statement in accordance with GAAP.

2.0 HIERARCHY

2.1 Hierarchy of Accounting Standards

2.1.1. The SFFASs are GAAP applicable to the federal government and must be followed by all federal agencies in reporting under the GMRA. DoD Components must adhere to the GAAP hierarchy prescribed in SFFAS 34. The sources of accounting principles that are generally accepted are categorized in descending order of authority as follows:

2.1.1.1. FASAB SFFAS and Interpretations;

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

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

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

2.1.2. If the accounting treatment for a transaction or event is not specified by a pronouncement or established in practice as described in subparagraph 2.1.1., a federal reporting entity should first consider accounting principles for similar transactions or events within categories in subparagraphs 2.1.1 before considering Other Accounting Literature discussed in paragraph 2.2.

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

2.2 Other Pronouncements and Practices

2.2.1. Other Accounting Literature includes

2.2.1.1. FASAB Concepts Statements;

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

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

2.2.1.4. Publications of professional associations or regulatory agencies; and

2.2.1.5. Accounting textbooks, handbooks, and articles.

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

3.0 COMMUNICATION AND COORDINATION

3.1 Guidance and Clarification

To ensure the consistent application of SFFAS throughout DoD, the OUSD(C), Office of the Deputy Chief Financial Officer (ODCFO), Financial Management Policy and Reporting (FMPR) Directorate must be contacted when clarification, technical guidance, implementation guidance or other information regarding federal accounting standards is needed.

3.2 Correspondence

3.2.1. Formal and informal requests addressed to FASAB or the AAPC for an interpretation, clarification, technical guidance, implementation guidance or other information regarding SFFAS must be submitted through the OUSD(C), ODCFO, FMPR Directorate.

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

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

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

3.3 Task Force Participation

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

3.3.2. To ensure complete coverage by DoD, Task Force participants should notify the OUSD(C), ODCFO, Financial Improvement and Audit Remediation, and FMPR Directorates of membership in FASAB and AAPC Task Forces. Task Force participants should also remain alert to the fact that many issues will impact multiple DoD Components. Coordination with the FMPR Directorate and other DoD components will ensure that DoD is properly represented as government-wide accounting standards are formulated.

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

SUMMARY OF MAJOR CHANGES

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

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

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

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

The previous version dated September 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Streamlined chapter to remove instructional language.	Revision
1.1	Added interdependencies between Federal Financial Management Improvement Act (FFMIA) and other compliance requirements.	Addition
1.3	Added the following to the Authoritative Guidance section: Title 10, United States Code, Section 2222; Government Accountability Office, Financial Audit Manual, Volumes 1, 2, and 3; and the Department of Defense (DoD) Instruction 5000.75.	Addition
2.0	Added and revised definitions.	Revision
3.0	Added and revised FFMIA compliance requirements.	Revision
4.0	Added and revised responsible entities.	Revision
Table 4-1	Added table for the DoD Information Technology Investment Portal (DITIP) DoD Auditability Requirements Compliance assertion criteria.	Addition

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CHAPTER 3

FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT COMPLIANCE

1.0 GENERAL

*1.1 Overview

1.1.1. The Federal Financial Management Improvement Act of 1996 (***FFMIA)*** is intended to ensure Federal financial systems provide reliable, consistent, and uniform disclosure of financial data using accounting standards. FFMIA requires the Department of Defense (DoD) to implement and maintain financial management (FM) systems that substantially comply with Federal Financial Management System Requirements (FFMSR), applicable Federal accounting standards, and the United States Standard General Ledger (USSGL) at the transaction level. FFMIA requires DoD management to annually assess and document the Department's compliance with FFMIA and report the results to the Office of Management and Budget (OMB), accomplished through the annual Statement of Assurance (SOA) processes. Generally Accepted Government Auditing Standards (GAGAS), the Financial Audit Manual (FAM), and OMB Bulletin 24-02 require the Department's financial statement auditors to evaluate and report on whether the agency's financial management systems comply with FFMIA requirements, accomplished through the Agency Financial Report (AFR) process. Financial statement auditors use the results of DoD management's internal control assessments, including FFMIA and other compliance assessments, to inform the scope and rigor of their testing. The results of management's own assessment and the auditors' independent evaluation determine whether the Department's financial management systems substantially comply with FFMIA. If not, management is responsible for developing and implementing remediation and risk management plans as applicable.

1.1.2. While FFMIA compliance centers on these three requirements, it is not limited to them. Other relevant standards and requirements include the Federal Managers' Financial Integrity Act, the Agency Chief Financial Officers Act, the Federal Information Security Management Act of 2002 (FISMA), and OMB Circular A-123 requirements.

1.2 Purpose

This chapter prescribes the Department's policy for achieving substantial compliance with FFMIA. It provides the basis for the implementation of FFMIA for the Department to generate timely, accurate, and useful financial information with which the Department leadership can make informed decisions and ensure accountability on an ongoing basis.

*1.3 Authoritative Guidance

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

1.3.1. Title 10, United States Code, section 2222 ***(10 U.S.C. § 2222)***, "Defense business systems: business process reengineering; enterprise architecture; management."

1.3.2. ***10 U.S.C. § 2223 (a) & (b)***, "Information technology: additional responsibilities of Chief Information Officers."

1.3.3. ***31 U.S.C. § 1115***, "Federal Government and agency performance plans."

1.3.4. ***31 U.S.C. § 3512,*** "Executive agency accounting and other financial management reports and plans"; with emphasis on sections 801 – 807 (FFMIA)."

1.3.5. ***31 U.S.C. Chapter 9***, "Agency Chief Financial Officers."

1.3.6. ***44 U.S.C. Chapter 35, Subchapter III***, "Confidential Information Protection and Statistical Efficiency."

1.3.7. ***44 U.S.C. § 3601,*** "Definition."

1.3.8. ***OMB Bulletin No. 24-02***, "Audit Requirements for Federal Financial Statements."

1.3.9. ***OMB Circular A-123, Memorandum M-23-06, Appendix D,*** "Management of Financial Management Systems – Risk and Compliance."

1.3.10. ***OMB Circular A-130, Appendix I,*** "Responsibilities for Protecting and Managing Federal Information Resources."

1.3.11. Statement on Standards for Attestation Engagements No. 18, ***(SSAE No. 18 Examinations, AT-C Section 320)***, "Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting."

1.3.12. National Institute of Standards and Technology ***(NIST) Special Publication 800-53,*** Revision 5, "Security and Privacy Controls for Information Systems and Organizations."

1.3.13. U.S. Department of Treasury Financial Manual (TFM), Volume 1, Part 6, Chapter 9500 ***(1 TFM 6-9500)***, "Fiscal Year 2024 Revised Federal Financial Management System Requirements for Fiscal Reporting."

1.3.14. Government Accountability Office (GAO), Financial Audit Manual (FAM), Volume 1 (***GAO-24-107278***), "Audit Methodology", Section 350 and 360."

1.3.15. GAO, FAM, Volume 2 (***GAO-24-107279***), "Detailed Implementation Guidance", Section 701 – 710."

1.3.16. GAO, FAM, Volume 3 (***GAO-24-107280***), "Federal Financial Reporting Checklist."

1.3.17. GAO, Federal Information System Controls Audit Manual (FISCAM), (***GAO-24-107026***)

1.3.18. ***DoD Instruction (DoDI) 5000.75,*** "Business Systems Requirements And Acquisition."

1.3.19. ***DoDI 5010.40***, "DoD Enterprise Risk Management and Risk Management and Internal Control Program"

1.3.20. ***DoDI 8510.01,***"Risk Management Framework (RMF) for DoD Systems."

1.3.21. DoD Internal Control Over Reporting - Financial Reporting and Financial Systems (***ICOR-FR & FS***).

1.3.22. DoD Statement of Assurance Executive Handbook (***SOA Executive Handbook***)

*2.0 DEFINITIONS

The definitions outlined in this section cover both the Federal and DoD vernaculars. Paragraphs 2.1 through 2.3 are the Federal vernacular contained in OMB Circular A-123, Memorandum M-23-06, Appendix D, while paragraphs 2.4 through 2.6 conform to the vernacular the Department uses to categorize DoD-owned financial management systems based on the functions the system supports. DoD Components should utilize the definitions in 2.4 through 2.6 to meet the requirements of paragraph 4.4.2.1 of this chapter.

2.1 Financial Management Systems

FM systems include the core financial systems and the financial portions of mixed systems necessary to support financial management, including automated and manual processes, procedures, controls, data hardware, software, and support personnel dedicated to the operation and maintenance of system functions. Both financial systems and mixed systems may directly or indirectly trigger a financial event within the system itself or in another system and may be required to comply with some or all FFMIA requirements. The ICOR-FR & FS systems recorded in the FIAR Systems Database (FSD) will be used to identify DoD FM Systems that are subject to FFMIA requirements and compliance reviews.

2.2 Core Financial Systems

2.2.1. Core financial systems and financial systems are synonymous terms and consist of six functional areas: general ledger management, funds management, payment management, receivable management, cost management, and financial reporting.

2.2.2. Core financial systems are comprised of one or more software programs (commonly referred to as applications), that are used for:

2.2.2.1. Collecting, processing, maintaining, transmitting, or reporting data about financial events;

2.2.2.2. Supporting financial planning or budgeting activities;

2.2.2.3. Accumulating and reporting costs information; or

2.2.2.4. Supporting the preparation of financial statements.

2.3 Mixed Systems

Mixed systems are information systems that support both financial and nonfinancial functions of the federal government or components thereof. FFMIA requirements apply only to the financial portion of mixed systems.

2.4 Accounting Systems

Accounting systems are core financial systems configured to post transactions to an internal USSGL-compliant subsidiary or general ledger. Depending on the functions performed, accounting systems may be required to comply with some or all FFMIA requirements.

2.5 Financial Business Feeder Systems

Financial business feeder systems may be core financial or mixed systems. Financial business feeder systems create or process transactions with financial or accounting impacts and exchange financial/accounting data with another business feeder system(s) and/or accounting system(s). The term financial business feeder system is synonymous with feeder systems. Depending on the functions performed, financial feeder systems may be required to comply with some or all FFMIA requirements.

2.6 No (Neither) Systems

No (Neither) systems are FM systems that do not fit into the accounting system or financial business feeder system categories. These systems do not directly handle financial transactions but play significant roles in supporting the overall system functionalities and user interactions. They serve purposes such as access and identity management or data visualizations. Advanced Analytics (ADVANA) is an example of a no (neither) system.

2.7 Service Providers

Service Providers refer to external parties that perform the operational process(es) for an entity. Service Providers providing services to user entities that are likely to be relevant to those user entities' internal control over reporting – financial reporting and financial systems may undergo an SSAE No. 18 Examination covering systems used and common controls performed uniformly for user entities. The results of the examination are captured in a System and Organization Control (SOC 1) Report. The SOC 1 Report is specifically intended to meet the needs of entities that use service organizations (user entities) and the independent public accountants (IPAs) that audit the user entities' financial statements (user auditors). It assists them in understanding the control environment and evaluating the effectiveness of the controls at the service organization and their impact on the user entities' financial statements.

2.8 Hosting Organization

Hosting Organizations provide application hosting services for systems owned by DoD. Examples of hosting organizations include the Defense Information Systems Agency (DISA) and commercial Cloud Service Providers.

*3.0 FFMIA COMPLIANCE REQUIREMENTS

3.1 FFMIA Compliance

3.1.1. In determining whether the Department's financial management systems substantially comply with FFMIA, management and auditors must consider the degree to which a system's performance prevents the Department from meeting the specific requirements of FFMIA as listed in paragraph 1.1.

3.1.1.1. DoD management may use OMB Circular A-123, Appendix D, Attachment 1, "FFMIA Compliance Determination Framework", to determine whether a system is substantially compliant with FFMIA.

3.1.1.2. Financial statement auditors apply OMB Bulletin 24-02 or the latest version and the GAO FAM Volumes 2 and 3 in combination with the results of their own independent testing and documentation provided by DoD management to determine DoD management's overall compliance with FFMIA.

3.1.2. The DoD strategy for FFMIA compliance is integrated with related efforts to achieve auditability and maintain effective Internal Control over Reporting (ICOR) including ICOR-FR & FS systems. Documentation that supports these related requirements also supports FFMIA compliance and may be used to avoid duplication of efforts.

3.1.3. The DoD ICOR-FR & FS Guide serves as a standard reference for users involved in financial reporting internal control activities within the DoD. This includes the annual requirements prescribed in the OMB Circular A-123, the FFMIA, and other applicable laws, regulations, and guidance. A system is subject to FFMIA if it is determined to be ICOR-FR & FS relevant as defined in the DoD ICOR-FR & FS Guide and performs any business functions with FFMIA compliance controls.

3.1.4. The DoD ICOR-FR & FS Guide identifies the Federal Information System Controls Audit Manual (FISCAM) as the methodology to be used for performing IT control assessments and audits. It groups IT controls into two categories, General Controls (GC) and Business Process Controls (BP). See section 3.5 for additional details.

3.1.5. The selection of applicable FISCAM controls is governed by the application of the FM Overlay developed by OUSD(C). All DoD Components are required to implement the FM Overlay for each system that is relevant to ICOR-FR & FS. Compliance is enforced in the controls selection phase of assessment and authorization processes in the Enterprise Mission Assurance Support Service (eMASS) system or other software/tools implemented for this purpose. Components must consider the results of control assessments, regardless of who performs them, when evaluating federal financial systems' compliance with laws and regulations, such as FFMIA and FISMA.

3.1.6. The Defense Business Systems (DBS) annual Certification Guidance memorandum identifies the annual FFMIA requirements as DoD Auditability Requirements consistent with 10 U.S.C. § 2222(g) and requires DoD Components with priority or covered ICOR-FR & FS DBS to comply or plan to comply with applicable requirements, to include FFMIA controls in financially relevant business events (operational activities) within the DoD business enterprise architecture (BEA). The ***ADVANA FM Functions – Requirements Matrix*** (requires ADVANA Qlik access) provides the financially relevant business events associated with BEA operational activities.

3.1.7. The GAO FAM Volumes 1 and 2 and OMB Bulletin 24-02 provide guidance to auditors for the assessment of FFMIA compliance and state the requirements for auditors to report whether an agency's financial management systems comply substantially with FFMIA requirements. The auditor's report should include the nature and extent of the noncompliance, including areas in which there is substantial but not full compliance; the primary reason or cause of noncompliance; the entity or organization responsible for the noncompliance, any relevant comments from any responsible officer or employee, and a statement with respect to the recommended remedial actions and the time frames for implementing those actions.

3.2 USSGL at the Transaction Level

3.2.1. The Department's financial management systems must maintain accounting data at the transaction level. Financial management systems include both financial and mixed systems. Every DoD financial event (budgetary and proprietary) must be recorded by applying the requirements of the USSGL guidance in the TFM, and DoD USSGL transaction library (See Chapters 4 and 7 for additional guidance).

3.2.2. Every financial relevant business event that results in an automated or manual transaction in a core financial system must generate accurate and compliant postings to all relevant budgetary and proprietary general ledger accounts according to the rules defined in the DoD USSGL transaction library guidance and website. The GAO FAM provides procedural guidance for testing compliance with USSGL.

3.3 Federal Accounting Standards

DoD financial events (budgetary and proprietary) must be recorded by applying the requirements of the Federal accounting standards governed by the Federal Accounting Standards Advisory Board. (See Chapter 2 for additional guidance). Applicable Standard Federal Financial Accounting Standard (SFFAS) requirements have been integrated into the DoD BEA operational activities. The GAO FAM provides procedural guidance for testing compliance with federal accounting standards.

3.4 Federal Financial Management System Requirements

3.4.1. The FFMSRs were originally developed to support the adoption of uniform financial systems, standards, and reporting required by the FFMIA. Subsequently, the FFMSRs were incorporated into the Federal Financial Management (FFM) Federal Integrated Business Framework (FIBF) Business Capabilities and their use was expanded beyond compliance with FFMIA.

3.4.2. The FFM FIBF Business Capabilities are a component of the Financial Management Capability Framework, which provides a common set of standards and capabilities that are the foundation for all offerings in the Financial Management Quality Service Management Office Marketplace. The FFMSRs are maintained by the U.S. Department of the Treasury in the TFM, Volume 1, Part 6, Chapter 9500. The GAO FAM provides procedural guidance for testing compliance with FFMSRs.

3.5 Information System Controls

3.5.1. GC are policies, procedures, and controls that apply to all or large segments of an entity's information systems and to individual systems and applications. General control categories include security management, access control, segregation of duties, configuration management, and contingency planning. The Financial Management Overlay leverages the audit methodology and criteria found in the GAO FISCAM and NIST SP 800-53 respectively to provide

the NIST-to-FISCAM control mapping used during controls selection and hybrid assessment procedures that help to ensure that controls are tested to the same rigor as is used by auditors.

3.5.1.1. Security Management provides the foundation of a security-control structure and reflects senior management's commitment to addressing security and privacy risks and provides a framework and continuous cycle of activity for managing risk, developing and implementing effective security policies, assigning and communicating responsibilities, and monitoring the adequacy of the entity's IS controls over the infrastructure, data processing environment and applications.

3.5.1.2. Access Control limits access or detects inappropriate logical access to information resources (e.g., data, systems, files, and other resources), thereby protecting these resources against unauthorized modification, loss, and disclosure, and restricting physical access to information resources and facilities.

3.5.1.3. Segregation of Duties relates to the policies, procedures, and organizational structure for managing who can control key aspects of computer-related operations and thereby prevent unauthorized actions or unauthorized access to assets or records.

3.5.1.4. Configuration Management relates to identifying and managing security features for information technology (e.g., hardware, software, firmware, equipment, media, and services) at a given point and systematically controlling changes to that configuration during the system's life cycle.

3.5.1.5. Contingency Planning provides for the continuation of critical or essential mission and business functions in the event of a system disruption, compromise, or failure and the restoration of the information system following a system disruption.

3.5.2. Business Process Controls include the structure, policies, and procedures for the input, processing, storage, retrieval, and output of data that operate over individual transactions; activities across business processes; and events between business process applications, their components, and other systems. They relate to the completeness, accuracy, validity, and confidentiality of transactions and data during application processing. The Financial Management Overlay leverages the audit methodology and criteria found in the GAO FISCAM and NIST SP 800-53 respectively to provide the NIST-to-FISCAM control mapping used during controls selection and hybrid assessment procedures that help to ensure that controls are tested to the same rigor as is used by auditors. Specific control areas of business process controls are:

3.5.2.1. Input: relates to controls over data that is entered into the application (e.g., data validation and edit checks).

3.5.2.2. Processing: relates to controls over data integrity within the application (e.g., review of transaction processing logs).

3.5.2.3. Output: relates to controls over data output and distribution (e.g., output reconciliation and review).

3.5.2.4. Master Data Setup and Maintenance relates to controls over master data, the key information that is relatively constant and shared between multiple functions or applications (e.g., vendor file).

3.6 Compliance Determination Framework

The FFMIA Compliance Determination Framework (Framework) assists in determining whether the Section 803(c) requirements of FFMIA are followed. The Framework is a risk and evidence-based assessment model that leverages existing audit tests, evaluations, and reviews that auditors, agency management, and others already perform. This work may include the external audit report and internal reports prepared by the agency in providing any assurances over the financial statements. Consistent with OMB Circular A-123, Appendix D, Attachment 1, the Department has developed an auditor perspective within the FM Systems – FFMIA Scorecard within ADVANA to identify systems associated with internal and external auditor evaluations and other findings.

*4.0 RESPONSIBILITIES

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

4.1 Office of the Under Secretary of Defense (Comptroller)

4.1.1. The Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) is supported by the Deputy Comptroller for Enterprise Financial Transformation (EFT) and Deputy Chief Financial Officer (DCFO), through its subordinate organizations (the Financial Improvement and Audit Remediation (FIAR) Directorate and the Financial Management Policy and Reporting (FMPR) Directorate). OUSD(C) is responsible for providing Department-wide oversight of substantial compliance with the FFMIA requirements.

4.1.1.1. If the DoD Component's financial management systems do not substantially comply with the requirements of Section 803(c), the FFMIA requires that a remediation plan be developed, in consultation with OMB that describes the resources, remedies, and milestones for achieving substantial compliance, and/or a risk management plan to meet management assurance requirements.

4.1.1.2. OUSD(C) must annually report to OMB the progress made towards resolving identified deficiencies and such progress must be discussed in the DoD Components remediation plan, capital planning and investment control plans, risk management plan, and other

planning documents, when applicable. The findings or analysis of noncompliance must be included with a discussion of ongoing remediation activities. Progress towards resolving the deficiencies must not be construed as substantial compliance with FFMIA.

4.1.1.3. Remediation plans are expected to bring the Department's financial management systems into substantial compliance no later than three years after the date a noncompliance determination is made by OUSD(C) or its auditors. However, if OUSD(C), with the concurrence of OMB, determines that the Department's financial management systems cannot be brought into substantial compliance within three years, the DoD Component (in consultation with OUSD(C)) may specify a longer period. In either case, the DoD Component must designate a DoD Component official responsible for bringing the DoD Component's financial management systems into substantial compliance by the date specified in the DoD Information Technology Portfolio Repository (DITPR) and for reporting progress to EFT (acting on behalf of the Defense Business Council) on a scheduled basis.

4.1.2. The EFT governs the enterprise FFMIA oversight program. Annually, EFT will publish the oversight schedule and other FFMIA substantially compliance details, consistent with OMB Circular 123, Appendix D, and the DoD SOA Execution Handbook. for DoD Components to execute in support of FFMIA compliance. EFT utilizes the ICOR-FR & FS system inventory established by the FIAR Directorate to identify systems that are required to comply with FFMIA. EFT uses transaction-level data from ICOR-FR & FS systems ingested into ADVANA to support oversight of FFMIA compliance. EFT develops and utilizes ADVANA tools to enable governance and oversight of the DoD-owned financial management system environment. These tools and governance capabilities inform the Department's annual business system investment decisions and other management actions. EFT is responsible for reporting the progress of the DoD financial management information technology roadmap and overall FFMIA compliance progress within the SOA section of the DoD AFR.

4.1.3. The Office of the DCFO (ODCFO) is responsible for developing and implementing financial improvement audit strategies, monitoring auditors' findings, and providing internal control training to improve the quality and security of financial information. Additionally, the ODCFO develops and interprets DoD-wide accounting and finance policies, ensuring consistency with laws and regulations, and oversees financial integrity initiatives such as the Standard Financial Information Structure (SFIS) USSGL program. Ultimately, both FIAR and FMPR Directorates work to support the DoD's financial management and audit requirements, with the goal of achieving accurate and reliable financial information and unmodified audit opinions.

4.1.3.1. FIAR Directorate. The FIAR Directorate develops, publishes, and issues detailed financial improvement audit strategies, methodologies, and implementation guidance. The FIAR Directorate establishes the ICOR-FR & FS systems inventory subject to FFMIA compliance reporting, monitors auditors' findings and recommendations around FFMIA compliance, provides internal control training to reporting entities on improving the design and operating effectiveness of IT controls, publishes the results of the Department's SOA for FFMIA within the DoD AFR. As a result, the FIAR Directorate, improves the quality and security of the financial information, with an unmodified audit opinion as the desired outcome.

4.1.3.2. FMPR Directorate. The FMPR Directorate develops, publishes, implements, and interprets DoD-wide accounting and finance policies and ensures the DoD Financial Management Regulation (DoD 7000.14-R) is consistent with laws and other applicable guidance. The FMPR Directorate leads and oversees DoD financial integrity to include the DoD SFIS USSGL program. As a result, FMPR develops, publishes, and interprets DoD-wide financial management improvements and guidance that supports statutory requirements for the Department to audit its full set of financial statements.

4.2 DoD Chief Information Officer

4.2.1. The DoD Chief Information Officer (CIO) executes and governs information technology oversight.

4.2.2. Deputy CIO for Information Enterprise (IE) establishes information technology policy and guidance for the infrastructure components of the DoD IE to include networks, computers, and software. The IE directorate also maintains the DoD BEA and oversees DBS compliance with all applicable laws, including Federal accounting, financial management, and reporting requirements. See 10 U.S.C. § 2222 for additional guidance.

4.2.3. Deputy CIO for Cybersecurity (CS) is responsible for providing expert policy, technical, program, and Defense-wide oversight on all aspects and matters related to DoD CS. The CS Directorate oversees the risk management framework for DoD systems. See DoDI 8501.01 for additional guidance.

4.2.4. Deputy CIO for Resources and Analysis provides guidance on the information technology/cyberspace activities budget submission. See Volume 2B, Chapter 18 for additional guidance.

4.3 Director of Administration and Management

The Director of Administration and Management (DA&M) is the principal management office for the Secretary of Defense responsible for optimizing the business environment across the DoD enterprise. DA&M executes the DoD Enterprise Risk Management and Internal Controls Over Reporting - Operations programs, providing resources and assistance with evaluating and managing risk associated with systems non-compliance with applicable FFMIA requirements. The DA&M delivers program management, oversight, security services, and support functions that enable uninterrupted operations of the Department Headquarters.

4.4 DoD Components

4.4.1. DoD Components must establish and maintain financial management systems that substantially comply with FFMIA Section 803(c) requirements. DoD-owned ICOR-FR & FS relevant systems must be developed and maintained to generate reliable, timely, and consistent information necessary for the Department to comply with FFMIA requirements and enable the

preparation of accurate, reliable, and timely financial statements and other required financial and budget reports using information generated by the financial management systems. DoD Component management must annually test and report financial management systems for FFMIA compliance.

4.4.2. DoD Components must maintain records of systems and transactional data that substantially comply with applicable FFMIA requirements. Applicable FM systems (see definitions section) must annually assess/test compliance to maintain complete and accurate data in:

4.4.2.1. DoD Information Technology Portfolio Repository (DITPR). DoD Components must ensure their financial system portfolio is accurately reported in DITPR. DoD financial systems must review, report, and update appropriately all applicable DITPR FFMIA reporting requirements and DoD business enterprise architecture operational activity aligned to federal financial management functions (see the FM Functions – Requirements Matrix) on an annual basis in accordance with 10 U.S.C. § 2222(g). DoD Components must ensure their FM systems align to applicable financial events represented in the DoD BEA as operational activities, end-to-end processes, and capabilities; and ensure the system complies with the controls associated with the DoD BEA operational activity. DoD Component FFMIA oversight officials and system owners must ensure their FM system's current level of compliance with each of the applicable FFMIA requirements is recorded in DITPR and consistent with their Annual SOA reporting.

4.4.2.2. FSD. DoD Components must utilize FSD to identify, capture, and report on the universe of financially relevant systems to support internal controls, financial audits, executive leadership, and Congressional reporting requirements. DoD Component FFMIA oversight officials and system owners must ensure their FM system's current overall compliance with FFMIA is recorded in the FSD and asserted in their Annual SOA reporting.

4.4.2.3. ADVANA. DoD Components must provide budgetary and proprietary transactional data to ADVANA from FM systems and ensure their ADVANA common data models remain complete and accurate. See Chapter 10 for additional guidance.

4.4.2.4. DoD Information Technology Investment Portal (DITIP). DoD Components must report compliance with the DoD Auditability Requirements in the investment certification module of DITIP as required by 10 U.S.C. § 2222 and consistent with the DBS Annual Certification Guidance memorandum. For ICOR-FR & FS DBS, Table 4-1 provides the applicable reporting criteria.

4.4.2.5. Notice of Findings and Recommendations (NFR) Database. DoD Components must ensure complete, accurate, and timely CAPs are established and recorded in the NFR Database. This includes IT and non-IT NFRs from stand-alone financial statement audits and SSAE No. 18 Examinations. Intelligence community DoD Components with stand-alone financial statement audits are exempted from this requirement. DoD Component officials must ensure their IT budget reflects the funding needed to complete all milestones identified in the CAP to address/close potential vulnerabilities identified by the open IT NFRs.

4.4.2.6. eMASS and FM Overlay. eMASS is a comprehensive solution used to support FISMA compliance and cybersecurity oversight and management. Features include dashboard reporting, control scorecard measurement, and the generation of a system security authorization package to support system authorization decisions. The FM Overlay helps DoD Components to efficiently and consistently meet the RMF and controls-based financial statement audit expectations for ICOR-FR & FS-relevant systems. DoD Components that use eMASS are required to apply the FM Overlay to all ICOR-FR & FS systems eMASS records. DoD Components that use other software or tools to support FISMA compliance and cybersecurity oversight and management are likewise required to implement and apply the reporting requirements of the FM Overlay to all ICOR-FR & FS relevant systems.

4.4.3. DoD Components must ensure the applicable FFMIA requirements are included in their pre-acquisition requirements documentation, and applicable FFMIA requirements are implemented with the deployment of new financial management solutions (manual or automated) as well as included in acquisition strategies for commercial off-the-shelf and software-as-a-service solutions consistent with DoDI 5000.75.

4.4.4. DoD Component must ensure the system portfolio and remediation plans are consistent with modernization priorities identified in 44 U.S.C. §3601.

4.4.5. DoD Components are required to perform an assessment to identify all Service Providers that are relevant to their internal control over financial reporting and obtain copies of the applicable SOC 1 Reports. DoD Components are also required to design, document, and implement effective controls to address the applicable Complementary User Entity Controls and when relevant, the applicable Complementary Subservice Organization Controls in the applicable SOC 1 Reports. This includes reviewing the Service Providers' and Hosting Organizations' FFMIA assessment results and addressing any deficiencies identified by the Service Providers / Hosting Organizations that may impact the DoD Component's internal controls.

4.4.6. DoD Component oversight officials must ensure all DBS, both priority/non-priority and covered/non-covered that are not substantially compliant with FFMIA are conditioned and remediated consistent with 10 U.S.C. § 2222, and/or have substantiated compensating controls for areas of non-compliance.

4.5 Service Providers

Service Providers must develop and maintain FFMIA compliance assessment and remediation plans in coordination with using DoD Components (user entities). For each financial system and mixed system managed by a Service Provider, a Memorandum of Agreement (MOA) or other suitable agreement, must be established with each using DoD Component. As part of the MOA, compliance testing must be conducted to support DoD Component (user entity) end-to-end business process testing. For systems covered by an SSAE No. 18 Examinations, Service Providers must provide DoD Components (user entities) with a Report on Controls at a Service

Providers Relevant to User Entity's ICOR-FR & FS also known as a Service SOC 1 Report. The SOC 1 Report documents management's description of the control environment and the design and operating effectiveness of the controls in place at the service organization and/or subservice organizations. It describes the user entities' responsibilities for certain controls, known as Complementary User Entity Controls and Complementary Subservice Organization Controls.

4.6 Hosting Organizations

Hosting Organizations, internal to DoD (e.g., DISA) and external to DoD (e.g., commercial Cloud Service Providers), provide application hosting services for systems owned by DoD. As a result, hosting organizations are responsible for most of the ITGC over the computing environment in which many financial, personnel, and logistics applications reside and often provide a SOC 1 Report. For Service Providers and DoD Components to rely on automated controls and documentation within these applications, controls must be appropriately and effectively designed and operated effectively.

4.7 Inspector General

4.7.1. The Office of the Inspector General (IG) performs FFMIA compliance evaluations as part of financial statement audits and/or oversees evaluations performed by IPA firms during financial statement audits. This includes identifying in writing the nature and extent of non-compliance when appropriate. The IG reports to Congress instances and reasons when the Department has not met the intermediate target dates established in the remediation plan required under FFMIA Section 803(c).

4.7.2. The IG oversees many of the DoD's financial statement audits performed by the IPAs. Oversight includes monitoring the IPAs' adherence to the FAM requirements, GAGAS, and OMB Bulletin 24-02.

*Table 4-1 DITIP DoD Auditability Requirements Compliance Reporting Criteria for DoD ICOR-FR & FS systems

Assertion Category	Assertion Criteria
Y-Assessed Compliant	The system does not have open IT NFRs, and the system is substantially compliant with applicable FFMIA requirements: -Applicable SFIS business rules, FFMSR, and/or SFFAS (accounting and feeder systems) -Chart of Accounts; Posting Logic and Trial Balance requirements (accounting systems)
P-Assessed Planned Compliant	DoD Component has reported planned compliance dates for each applicable FFMIA requirement that is not substantially compliant in DITPR and/or validate corrective action plan (CAP) with milestone dates for each open IT and system-impacting BP NFR.
N-Assessed Not Compliant	Non-reporting of levels of compliance and planned compliance dates and/or compliance levels below published substantial compliance thresholds for any of the FFMIA requirements in DITPR and/or system has open GC and BP-impacting NFRs in the NFR Database without a validate CAP.
X-Assessment Not Completed	Not applicable for enduring ICOR-FR & FS systems. All ICOR-FR & FS systems must be assessed and reported annually.
Z-Not Applicable	Not applicable for enduring ICOR-FR & FS systems

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

SUMMARY OF MAJOR CHANGES

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

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

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

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

The previous version dated October 2020 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Administrative updates in accordance with Department of Defense Financial Management Regulation Revision Standard Operating Procedures.	Revision

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CHAPTER 4

STANDARD FINANCIAL INFORMATION STRUCTURE

1.0 GENERAL

1.1 Overview

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

1.2 Purpose

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

1.3 Authoritative Guidance

1.3.1. Title 10, United States Code (U.S.C.), section 2222(e)(3) (***10 U.S.C. § 2222(e)(3)***), *Defense business systems: business process reengineering; enterprise architecture; management*, requires the DoD Business Enterprise Architecture (BEA) include an information infrastructure that, at a minimum, enables DoD to:

1.3.1.1. Comply with all applicable law, including Federal accounting, financial management, and reporting requirements;

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

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

1.3.1.4. Identify whether each existing business system is a part of the business system environment outlined by the Defense BEA, will become a part of that environment with appropriate modification, or is not a part of that environment.

1.3.2. 10 U.S.C. § 2222(e)(3)(A) requires establishment of policies, procedures, business data standards, business performance measures, and business system interface requirements that are applied uniformly throughout DoD.

1.3.3. ***31 U.S.C. § 902(a)(3)***, *Authority and functions of agency Chief Financial Officer*, requires agencies to develop and maintain an integrated agency accounting and financial management system, including financial reporting and internal controls that:

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

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

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

1.3.3.4. Provides for:

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

1.3.3.4.2. The development and reporting of cost information;

1.3.3.4.3. The integration of accounting and budgeting information; and

1.3.3.4.4. The systematic measurement of performance.

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

1.3.5. The ***Government Performance and Results Act of 1993*** (GPRA), as amended by the ***GPRA Modernization Act of 2010***, requires annual performance reporting that links performance planned to performance achieved.

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

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

1.3.8. The Treasury Bureau of the Fiscal Service publishes the USSGL which is updated annually in the ***Treasury Financial Manual*** (TFM). The TFM Volume 1, Supplements includes the latest USSGL Bulletin and seven major sections that comprise the Treasury USSGL guidance: (I) Chart of Accounts, (II) Accounts and Definitions, (III) Account Transactions, (IV) Account Attributes for USSGL Proprietary Account and Budgetary Account Reporting, (V) Crosswalks to Standard External Reports for Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) Reporting, (VI) Crosswalks to Reclassified Statements for Reporting, and (VII) GTAS Validations and Edits for Reporting. The USSGL standardizes federal agency accounting and supports the preparation of standard external reports required by the OMB and Treasury.

2.0 DEFINITIONS

2.1 Business Enterprise Architecture

The BEA is the enterprise architecture for the DoD business mission area that guides and constrains implementation of interoperable Defense business system solutions as required by 10 U.S.C. § 2222. The BEA defines the DoD business transformation priorities, the business capabilities required to support those priorities, and the combinations of enterprise systems and initiatives that enable those capabilities. It is used to determine compliance for systems reviewed by the Defense Business Council (DBC) and includes the SFIS requirements. The BEA structure/framework was developed using a set of integrated DoD Architecture Framework products to include the All View, Operational View, Systems and Services View, and Technical Standards View. It includes activities, processes, data, information exchanges, business rules, system functions, system data exchanges, terms, and linkages to laws, regulations, and policies.

2.2 Financial Management System Types

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

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

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

2.2.3. Legacy Accounting System. Same definition as paragraph 2.2.1 except it has a retirement plan and date.

2.2.4. Legacy Financial Business Feeder System. Same definition as paragraph 2.2.2 except it has a retirement plan and date.

2.3 Investment Review Process

DoD implemented a business systems investment review process through the DBC. The DBC is the principal subsidiary governance body to the Deputy's Management Action Group (DMAG) for defense business operations. The DBC also assumes the role of the Department's Investment Review Board (IRB) for Defense Business Systems investments. A primary goal of the IRB process is to facilitate development and implementation of integrated business systems across DoD business functions and capabilities; thereby providing a framework for effective investment decision-making and enabling the Department's senior leadership to guide investments to maximize the impact to the warfighter. SFIS/SLOA is a critical part of this process.

2.4 SFIS Business Rules

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

2.5 SFIS Compliance Checklist

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

2.6 SFIS Values Library Service

The SFIS Values Library Service houses allowable SFIS values for specific SFIS data elements. Systems must be compliant with the value lists as outlined in the data elements authoritative source. The SFIS Values Library Service is located on the OUSD(C)/Chief Financial Officer SFIS webpage.

2.7 Standard Data

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

transmitting, and receiving information. It simplifies the aggregation of data, limiting crosswalks and mapping procedures.

2.8 SLOA/Accounting Classification

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

3.0 COMPLIANCE REQUIREMENTS

3.1 SFIS

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

3.1.2. Systems must meet all applicable SFIS Business Rules. SFIS data element transactions are required to be posted to the financial accounting system using the required USSGL accounts and accounting standards. DoD Component program managers are required to use the SFIS checklist to determine SFIS compliance and to guide implementation and configuration efforts.

3.2 SLOA/Accounting Classification

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

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

3.3 Interoperability of Data between Systems

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

3.4 Defense Departmental Reporting System SFIS Trial Balance

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

4.0 ROLES AND RESPONSIBILITIES

4.1 Office of the Under Secretary of Defense (Comptroller)

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

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

4.1.2. Is responsible for providing stewardship for SFIS financial data elements, and serves as a primary representative on the DMAG and DBC (reference paragraph 2.3).

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

4.1.4. Is responsible for publishing and maintaining the SFIS resources repository.

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

4.2 Office of the Chief Information Officer

The Office of the Chief Information Officer leads the extraction and analysis of data to support business reform as well as lead the operation of a DoD-wide data governance body to oversee the preparation, extraction, and provision of common, transparent enterprise data throughout the business enterprise, including coordination on all data standards, to include SFIS, cost management, and overall data management.

4.3 DoD Components

DoD Components are responsible for:

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

4.3.2. Ensuring that all financial management systems (as defined in the Glossary) provide complete, reliable, consistent and timely budgetary and proprietary transaction-level information in accordance with SFIS; and are recorded in general ledgers of the accounting systems of record to produce auditable budgetary, proprietary, and managerial cost accounting reports for use by external and internal stakeholders.

4.4 Defense Finance and Accounting Service

The Defense Finance and Accounting Service is responsible for maintaining the SFIS values library and ensuring all service provider applications and enterprise systems are compliant with SFIS.

5.0 SFIS RESOURCES

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

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

5.0.2. SFIS Compliance Checklist.

5.0.3. SFIS/Standard Line of Account/Accounting Classification.

5.0.4. SFIS Values Library Service.

5.0.5. SFIS Enterprise Resource Planning Standard Configurations.

5.0.6. DoD Accounting Scenarios.

5.0.7. DoD USSGL Transaction Library.

5.0.8. DoD Standard Chart of Accounts Implementation Guidance.

5.0.9. DoD Chart of Accounts Tie-Points Standard.

5.0.10. Defense Departmental Reporting System Chart of Account Guidance and Account Attribute Alignment Guidance

5.0.11. Archived DoD Chart of Account Guidance.

5.0.12. Authoritative Guidance Pertaining to SFIS (External Links).

Table 4-1. SFIS Compliance Summary

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

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 5: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

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

SUMMARY OF MAJOR CHANGES

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

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Administrative updates in accordance with the Department of Defense Financial Management Regulation Revision Standard Operating Procedures.	Revision
4.4	Added individual and team award nomination responsibilities.	Addition

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CHAPTER 6

UNDER SECRETARY OF DEFENSE (COMPTROLLER) FINANCIAL MANAGEMENT AWARDS PROGRAM

1.0 GENERAL

1.1 Overview

The Under Secretary of Defense (Comptroller) (USD(C)) Financial Management Awards Program is a respected program that recognizes and acknowledges the significant contributions of both civilian and military members of the financial management (FM) community. This chapter outlines award categories and descriptions, award criteria, and individual responsibilities associated with the program.

1.2 Purpose

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

1.3 Authoritative Guidance

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

1.3.2. ***10 U.S.C. § 240b*** (Statutory Notes and Related Subsidiaries) provides that "the Under Secretary of Defense (Comptroller), acting through the Deputy Chief Financial Officer of the Department of Defense, will develop and issue guidance to provide incentives for the achievement by each department, agency, and other Component of the Department of Defense of unqualified audit opinions on their financial statements".

2.0 POLICY

2.1. Military and Civilian Members

Military and civilian members who make outstanding contributions to the improvement of Department of Defense (DoD) FM may be recognized.

2.2. Awards

Recognition for their significant contribution(s) during the preceding calendar year, in the form of a memento such as an engraved plaque, will be presented to, and retained by, the individual and team within each award category. Awards are conferred in the following categories:

2.2.1. Contributions to Workforce Development:

2.2.1.1. Individual at Headquarters and Major Command Level

2.2.1.2. Individual below Headquarters and Major Command Level

2.2.1.3. Team at Headquarters and Major Command Level

2.2.1.4. Team below Headquarters and Major Command Level

2.2.2. Contributions to Taxpayer Dollar Optimization:

2.2.2.1. Individual at Headquarters and Major Command Level

2.2.2.2. Individual below Headquarters and Major Command Level

2.2.2.3. Team at Headquarters and Major Command Level

2.2.2.4. Team below Headquarters and Major Command Level

2.2.3. Contributions to Financial Integrity and Audit Results:

2.2.3.1. Individual at Headquarters and Major Command Level

2.2.3.2. Individual below Headquarters and Major Command Level

2.2.3.3. Team at Headquarters and Major Command Level

2.2.3.4. Team below Headquarters and Major Command Level

2.2.4. Contributions to End-to-End Business Environment Optimization:

2.2.4.1. Individual at Headquarters and Major Command Level

2.2.4.2. Individual below Headquarters and Major Command Level

2.2.4.3. Team at Headquarters and Major Command Level

2.2.4.4. Team below Headquarters and Major Command Level

2.2.5. Contributions to Data-Driven Decision-Making:

2.2.5.1. Individual at Headquarters and Major Command Level

2.2.5.2. Individual below Headquarters and Major Command Level

2.2.5.3. Team at Headquarters and Major Command Level

2.2.5.4. Team below Headquarters and Major Command Level

2.2.6. Contributions to Financial Management in a Contingency Operation:

2.2.6.1. Individual at any level

2.2.6.2. Team at any level

2.3. USD(C) Salute to Excellence in Government Service

2.3.1. These awards specifically allow the USD(C) to recognize exceptional contributions made throughout the past calendar year in Savings and Innovation. The Board members will recommend to USD(C) for selection winners of these awards from among the nominations submitted in the categories in subparagraphs 2.2.1 through 2.2.6.

2.3.2. USD(C) Salute to Excellence in Government Service – Exceptional Savings. This category recognizes actions which resulted in a significant savings to the taxpayer.

2.3.3. USD(C) Salute to Excellence in Government Service – Exceptional Innovation. This category recognizes actions which resulted in significant innovations in Financial Management.

2.4. Program Applicability

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

2.5. Nomination Categories

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

3.0 AWARD LEVELS, TYPES, AND CATEGORIES

3.1. Award Levels

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

3.1.1. Headquarters level and Major Command level.

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

3.1.1.2. Major Command Level is defined as the highest level of command below headquarters level within the Military Department. For the Defense Agencies and Field Activities, Major Command level is based on the organization's structure, not the nature of the work covered by the award. Major Command level refers to the next level of subordinate organizations to the Headquarters location. Table 6-1 provides examples.

3.1.2. Below Major Command level includes any organization not meeting the requirements to be considered Headquarters and Major Command level. For Defense Agencies and Field Activities, this includes regional offices or other organizations subordinate to the Headquarters or Major Command level. Table 6-1 provides examples.

Table 6-1. Award Level Matrix

Organizational Level Performing the Work	**Award Level**
Headquarters	Headquarters and Major Command
Military Department Major Command	Headquarters and Major Command
Combatant Command Headquarters	Headquarters and Major Command
Brigade/Afloat Command/Group	Below Major Command
Regional Office	Below Major Command
Examples	
DFAS Headquarters	Headquarters and Major Command
DFAS Major Center (Cleveland, Columbus, Indianapolis)	Headquarters and Major Command
DFAS Other (Rome, Limestone, Japan, Europe, Non-Appropriated Funds, to include Support Offices)	Below Major Command
DCAA (HQ, Regional and Corporate Offices)	Headquarters and Major Command
DCAA (Field Offices and Sub Offices)	Below Major Command
DLA (Headquarters)	Headquarters and Major Command
DLA (Major Subordinate Command and Below)	Below Major Command

3.2. Award Types

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

3.2.1. Individual awards may be rewarded at the Headquarters and Major Command level and Below Major Command level.

3.2.2. Team awards may be rewarded to teams at the Headquarters and Major Command level and the Below Major Command level. Teams are made up of 2 to 20 individuals brought together to perform a specific task within a specific time frame. Teams of greater than 20 individuals are not eligible for these awards. The team lead must be one of the 20 members of the team. Contractors cannot comprise more than 20 percent of the team. Contractors cannot use these awards as support for performance clauses in contracts.

3.3. Award Categories

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

3.3.1. Contributions to Workforce Development. This category recognizes one individual and one team, at each of the two award levels, who have made significant contributions to building and maintaining a premier FM workforce; optimizing and evolving FM training solutions: or fostering an FM community of practice. Improvements may be in areas such as workforce development, innovative practices in recruiting and retention, and training and information sharing. Examples of appropriate efforts include:

3.3.1.1. Establishing an innovative training program to improve workforce proficiency in a key area of critical competencies.

3.3.1.2. Establishing a program to improve recruiting, employee engagement, satisfaction, and retention.

3.3.1.3. Establishing forums to implement best practices and accomplishments.

3.3.1.4. Instituting a mentorship or partnership program to help guide the future development of workforce members.

3.3.2. Contributions to Taxpayer Dollar Optimization. This category recognizes one individual and one team, at each of the two award levels, who have made significant contributions to optimizing support to the budget and execution process; innovating cost, performance, and risk management; or fostering a high integrity funds control environment. Improvements may be in areas such as budget formulation, budget execution, cost management, or accountable financial stewardship. Examples of appropriate efforts include:

3.3.2.1. Refining the budget to execution process to optimize mission capability with agility.

3.3.2.2. Creating efficiencies through new guidance and/or reducing outdated regulations, processes, and policies.

3.3.2.3. Delivering innovative financial cost, performance, and enterprise risk management insights to improve resource budgeting and forecasting activity.

3.3.2.4. Improving fiscal control over assets, dissemination of funds, budget execution tracking, and funds realignment through innovative solutions.

3.3.3. Contributions to Financial Integrity and Audit Results. This category recognizes one individual and one team, at each of the two award levels, who have made significant contributions toward remediating material weaknesses aligned with the Department's audit priorities to accelerate its path to an unmodified audit opinion. Improvements may be in areas such as increasing the number of favorable (unmodified or qualified) financial statement or Statement on Standards for Attestation Engagements No. 18 audit opinions, implementing end-to-end business process reengineering efforts leading to improved auditability for a priority area, innovating processes and improving controls to reduce undistributed disbursements and or collections in a timely manner, and developing innovations to achieve unmodified audit opinions. When considering this category, reference 10 U.S.C. § 240b "Incentives for the Achievement by the Components of the Department of Defense of Unqualified Audit Opinions on the Financial Statements." Examples of appropriate efforts include:

3.3.3.1. Developing innovations to support achieving unmodified audit opinions.

3.3.3.2. Closing a notice of finding and recommendation related to a priority area.

3.3.3.3. Closing or downgrading a material weakness related to a priority area.

3.3.3.4. Implementing effective improvements to controls over financial reporting for a priority area.

3.3.4. Contributions to End-to-End Business Environment Optimization. This category recognizes one individual and one team, at each of the two award levels, who have made significant contributions to automating FM operations and the identification of business processes that will form tomorrow's environment. Improvements may be in areas such as system security, leveraging innovative digital and automation solutions, or simplifying FM regulation and policy. Examples of appropriate efforts include:

3.3.4.1. Retiring legacy systems and accelerating optimization of modern enterprise solutions.

3.3.4.2. Increasing automation of repeatable processes and interfaces between enduring systems.

3.3.4.3. Simplifying regulations or policies that address barriers to fully enable standardization.

3.3.5. Contributions to Data-Driven Decision-Making. This category recognizes one individual and one team, at each of the two award levels, who have made significant contributions to innovating and empowering data-driven, fiscally informed decision-making; driving universal use of secure, single-source reporting; or instilling confidence in FM data for decision-making. Improvements may be in areas such as improving financial data management standards, increasing data analytics capabilities, and enhancing the usage of real-time data to support decision-making through innovative practices. Examples of appropriate efforts include:

3.3.5.1. Improving the quality of data and universal data management and modeling standards.

3.3.5.2. Developing innovative methods to increase access to real-time data.

3.3.5.3. Supporting a Universe of Transaction balance as a percentage of financial statement balances.

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

3.3.6.1. Implementing controls that improve auditability of funds managed in the contingency operation.

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

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

3.3.7. USD(C) Salute to Excellence in Government Service. These awards specifically allow the USD(C) to recognize exceptional contributions throughout the past calendar year have made exceptional contributions in Savings and Innovation. The Board members will recommend to USD(C) for selection winners of these awards from among the nominations submitted in the categories in paragraph 2.3.

3.3.7.1. USD(C) Salute to Excellence in Government Service - Exceptional Savings. This category recognizes actions which resulted in a significant savings to the taxpayer.

3.3.7.2. USD(C) Salute to Excellence in Government Service - Exceptional Innovation. This category recognizes actions which resulted in significant innovations in Financial Management.

4.0 RESPONSIBILITIES

4.1 The USD(C)

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

4.1.2. May select one or more recipients for the USD(C) Salute to Savings Award from among the pool of nominations submitted in the other six categories.

4.1.3. Will present awards to each recipient.

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

4.2 The OUSD(C) Human Capital Resource Management Director (HCRM)

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

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

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

4.2.4. Will ensure OUSD(C) Financial Improvement and Audit Remediation Director (FIAR) is represented on the FM Awards Program Board.

4.3 Heads of the Military Departments and DFAS

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

*4.4 DoD Component Heads

4.4.1. Will encourage the nomination of individuals and teams for the Financial Management Awards in accordance with the procedures and criteria in section 5.0.

4.4.2. Will appoint a Final Reviewer by email for all nominations submitted by members of their Component in accordance with the annual call memorandum.

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

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

4.5 The Financial Management Awards Program Board

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

4.5.2. Is comprised of one voting representative from each of the Military Departments, DFAS, one from the Defense-wide community, which encompasses all other Defense Agencies and DoD Field Activities, and the OUSD(C) FIAR Director. Members will not delegate attendance of the Board Member meeting. Members will not serve more than two consecutive years with exception of the OUSD(C) FIAR Director.

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

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

4.5.5. Is convened annually to evaluate nominations and make recommendations for winners in each award category based on the criteria in paragraph 5.1.

4.6 Final Reviewers

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

4.6.2. May not be a Nominating Official.

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

4.7 The Nominating Official

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

4.7.2. Will certify, by electronic signature, that each submission complies with the nomination submission instructions outlined on ***FM Online***.

4.8 The Supervisor

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

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

4.9 The Submitter

4.9.1. Will input all data into the nomination template for the appropriate nomination in accordance with the procedures and criteria in this chapter and on FM Online as directed by the Nominating Official.

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

5.0 AWARD CRITERIA AND NOMINATION INFORMATION

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

5.1 Award Criteria

5.1.1. Nominations for DoD Financial Management Awards must be based on individual or team achievements during the preceding calendar year. Board Members will evaluate nominations, assigning a numeric score, after considering the following criteria:

5.1.2. Scope and Significance, examples include:

5.1.1.1. DoD Enterprise / Warfighter / Mission Impact

5.1.1.2. Fiscal Stewardship (cost/manpower savings, cost avoidance)

5.1.1.3. Results were Actionable and Repeatable

5.1.1.4. FM Workforce Development and or Strategic Partnering Improvement

5.1.1.5. Focused on Outcomes – maximizing dollars spent and funding priorities

5.1.1.6. Embraced innovation by streamlining automation solutions

5.2 Nomination Information

For specifics on procedures for submitting nominations refer to FM Online. Information included in the nominations is used for formal recognition.

5.2.1. Nominations should be written to a broad and diverse audience.

5.2.2. Nominations should be written in a concise manner that clearly describes the impact. Limit use of acronyms or superlative wording.

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

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

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

5.2.4. For Team awards, DoD Components may identify additional personnel from other DoD Components who participated in the actions leading to the recognized achievements. The addition of other DoD Components to an award does not affect the nomination restrictions set in paragraph 5.3.

5.3 Submission of Nominations

5.3.1. Heads of DoD Components must submit nominations to the OUSD(C) HCRM Director via the OUSD(C) awards nomination site.

5.3.2. OUSD(C) HCRM must receive nominations by the date designated in the memorandum sent to the Components.

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

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

5.3.4.1. DoD Components with an FM workforce of at least 1,000 personnel can submit up to two nominations per Category, Type, and Level; allowing a maximum of 44 nominations.

5.3.4.2. DoD Components with an FM workforce of fewer than 1,000 personnel can submit up to one nomination per Category, Type, and Level; allowing a maximum of 22 nominations.

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

5.3.5. Components may not submit nominations for the USD(C) Salute to Savings award category. The USD(C) will select winners for this category from among the pool of nominations submitted in the other six award categories.

5.4 Nomination Responsibilities

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

5.5 Individual and Team Awards

Each individual award recipient will receive a memento such as an engraved plaque. Each team will receive a single memento such as an engraved plaque, while team members will each receive a memento such as a certificate.

VOLUME 1, CHAPTER 7: "DEPARTMENT OF DEFENSE STANDARD CHART OF ACCOUNTS"

SUMMARY OF MAJOR CHANGES

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

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

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

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

The previous version dated October 2020 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
4.4.3	Combined with paragraph 4.4.2.	Deletion
All	Administrative updates in accordance with Department of Defense Financial Management Regulation (FMR) Revision Standard Operating Procedures.	Revision

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CHAPTER 7

DEPARTMENT OF DEFENSE STANDARD CHART OF ACCOUNTS

1.0 GENERAL

1.1 Purpose

This chapter prescribes the Department of Defense (DoD) Standard Chart of Accounts (SCOA) requirements that are based on United States Standard General Ledger (***USSGL***) general requirements. The SCOA prescribes the mandatory general ledger accounts for all DoD accounting systems and all budgetary and proprietary transactions.

1.2 Authoritative Guidance

1.2.1. The Federal Financial Management Improvement Act of 1996 ***(FFMIA)*** requires agencies to implement and maintain financial management systems that comply with the USSGL at the transaction-level. See Chapter 3 for FFMIA compliance information.

1.2.2. The United States Department of the Treasury (Treasury) Financial Manual ***(TFM)*** prescribes the USSGL requirements. The USSGL is a TFM Supplement that prescribes the structure for budgetary and proprietary accounts at the 6-digit USSGL account level. Because central agency reporting requires a lower level of detail, the USSGL Board developed attributes containing domain values that, when added to a basic 6-digit USSGL account, provide the appropriate level of detail needed for central agency reporting. Treasury issues bulletins at least annually notifying agencies of changes to the USSGL Supplements that are effective immediately and later codified in the TFM. As part of the overall Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) reporting requirements, the USSGL guidance contains seven major sections:

I. Chart of Accounts,
II. Accounts and Definitions,
III. Account Transactions,
IV. Account Attributes for USSGL Proprietary Account and Budgetary Account Reporting,
V. Crosswalks to Standard External Reports for FY 20XX[1] GTAS Reporting,
VI. Crosswalks to Reclassified Statements for FY 20XX Reporting, and
VII. GTAS Validations and Edits for FY 20XX Reporting.

1.2.3. Office of Management and Budget ***(OMB) Circular A-123 Appendix D***, "Compliance with the Federal Financial Management Improvement Act," requires that agencies record financial events in the core accounting systems, applying the requirements of the USSGL.

[1] "XX" represents the applicable fiscal year.

2.0 DEFINITIONS

2.1 Standard Financial Information Structure

2.1.1. The ***Standard Financial Information Structure*** (SFIS) is a comprehensive data structure that supports requirements for budgeting, financial accounting, cost/performance, and external reporting needs. The SCOA is a key element in the SFIS data structure. The SCOA and other SFIS products are published on the SFIS web page. Also, see Chapter 4.

2.2 DoD Standard Chart of Accounts SFIS Attribute Alignment File

The SFIS Attribute Alignment File ("FY20XX DoD SCOA Account Attribute Alignment File") identifies standard interface file format requirements for the Defense Departmental Reporting System (DDRS), providing a means to determine which SFIS data element and value combinations are necessary for consistent financial reporting. For each Standard General Ledger (SGL) account, the Attribute Alignment File identifies additional SFIS data elements required for financial reporting and which value combinations are permissible for SFIS attributes. The file and corresponding instructions are available on the SFIS web page.

2.3 Tie-Point Reconciliations

Tie-Point Reconciliations, also referred to as "Tie-Points," are a series of standard USSGL accounting relationships, i.e., financial management equations that facilitates the validation of trial balance data. The SCOA Tie-Points are revised annually and published on the SFIS web page. Tie-Points indicate whether certain account balances within a general ledger trial balance are consistent with other account balances. Components and accounting service providers must combine budgetary and proprietary general ledgers to a self-balancing trial balance and conduct edits and Tie-Point validations prior to reporting data in the DDRS. Components must expeditiously resolve unreconciled Tie-Points in support of accurate and reliable agency-wide trial balances to Treasury via GTAS for consolidation into the Governmentwide financial statements.

2.4 Financial System

A financial system is an information system or set of applications that maintains all summary and detailed financial events resulting from budgetary and proprietary activity. The system must record at the transaction-level to the appropriate general ledger accounts. See FFMIA section 803(a) and OMB Circular A-123, Appendix D.

3.0 ACCOUNT DESIGN

3.1 DoD SCOA

The SCOA is comprised of budgetary and proprietary USSGL accounts and related DoD standard account extensions required for consistent USSGL implementation, Component trial balance consolidation, and compliance with OMB and Treasury budgetary and financial reporting

requirements. The Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer (OUSD(C)/CFO) issues enterprise-wide implementation guidance to:

3.1.1. Reduce customization of accounting systems,

3.1.2. Eliminate departmental reporting system translations and account value crosswalks,

3.1.3. Improve comparability of data across accounting systems, and

3.1.4. Improve consolidation of data across accounting systems for DoD-wide reporting.

3.2 Account Structure

The basic SCOA structure consists of a 6-digit USSGL account number followed by a period and a 4-digit DoD account extension. SGL accounts with an extension of ".9000" (e.g., 101000.9000, 211000.9000) are identified as Treasury level USSGL accounts. SGL accounts with extensions other than .9000 are DoD specified accounts. The basic structure of the DoD SCOA follows that of the USSGL. The basic 6-digit structure of the USSGL consists of:

100000	Assets
200000	Liabilities
300000	Net Position
400000	Budgetary
500000	Revenue and Other Financing Sources
600000	Expenses
700000	Gains/Losses/Miscellaneous Items
800000	Memorandum

3.3 DoD USSGL Transaction Library

3.3.1. The Library establishes enterprise-wide implementation requirements and provides a framework with detailed transaction and posting rules for updating existing financial systems and deploying new accounting systems.

3.3.2. The Library is a decomposition of the accounting transactions from the TFM, Part 1, Section III USSGL Supplement, that provides both budgetary and proprietary accounting entries for events occurring throughout the federal government. The Library organizes generalized Treasury USSGL business event transactions into appropriate pairings of budgetary, proprietary, and memorandum accounts uniquely identified by DoD Transaction Codes (DTCs).

3.3.3. Components must not group multiple DTCs into one transactional posting, so that the individual transaction posts separately and supports each business event and is uniquely identified in the business process. While Component financial systems are not required to store and maintain the exact DTC reference used in the Library for each posted transaction, Component or agency financial systems must maintain a chart of accounts and utilize general ledger posting logic that produces the same business event result as the DoD USSGL Transaction Library.

3.3.4. The SCOA, USSGL Transaction Library, Account Attribute Alignment File, and Tie-Points are updated as applicable following each corresponding Treasury update to ensure DoD policy aligns with the current USSGL Supplement.

3.4 Reporting

3.4.1. All DoD accounting systems must report financial transactions to DDRS using the account structure of the SCOA. Detailed attribute alignment at the SGL account level is updated concurrently with the SCOA.

3.4.2. Components must implement the SCOA to satisfy both internal and external reporting requirements. For external reporting, all budgetary and proprietary financial reporting data are summarized in DDRS into the six-digit USSGL accounts and GTAS standard attributes.

3.4.3. Components must ensure systems provide complete, reliable, consistent, and timely budgetary and proprietary transaction-level information and are recorded in accounting systems of record general ledgers to produce auditable budgetary, proprietary, and managerial cost accounting reports for internal and external stakeholders.

4.0 ACCOUNT RELATIONSHIPS

4.1 Budgetary and Proprietary Accounts

4.1.1. The SGL account structure provides a self-balancing set of budgetary accounts to record the appropriation, apportionment, allotment, allocation, commitment, obligation, and expenditure process. The SCOA is driven by debit and credit normal balance indicators, so debits should always equal credits. The budgetary total and budgetary resources accounts should always equal the total status of budgetary resources accounts.

4.1.2. The SGL account structure provides a self-balancing set of proprietary accounts to report the results of operations and net position. Proprietary asset and liability accounts cover the collection and disbursement of funds, the proper classification of assets (e.g., Fund Balance with Treasury, receivables, advances and prepayments, inventory, and fixed assets), and the recognition and proper classification of liabilities. Revenue and expense accounts measure the realization of revenues from the sale of goods and services, and the recognition of costs, including gains and losses through the use and consumption of assets. Total asset accounts should always equal total liability accounts plus net position.

4.1.3. Accurate posting of budgetary and proprietary transactions to the SGL enables budgetary, proprietary, and managerial cost accounting essential for good stewardship, proper financial control over resources, and financial reporting.

4.2 Accounts Applicable to Fund Type

4.2.1. The SCOA identifies SGL accounts applicable to General Fund, Working Capital Fund (WCF), and Special and Trust Funds. The SCOA also identifies those USSGL accounts that are not applicable to the DoD.

4.2.2. Component accounting systems must incorporate, at a minimum, those SGL accounts and posting logic for applicable business processes and transactions. For example, general fund accounting systems must include, at a minimum, accounts designated as applicable to general funds, and not those restricted to working capital or special/trust fund systems. Similarly, WCF accounting systems must include accounts designated as applicable to WCF but not those accounts restricted to general or special/trust fund systems. Combined systems handling both general and WCF must include both general and working capital general ledger accounts, but not those accounts restricted to special/trust fund systems. Components are not required to add accounts designated as not applicable for DoD.

4.3 Account Attributes

4.3.1. The account attributes required for Treasury reporting of both budgetary and proprietary account information are defined in the TFM USSGL Supplement, Section IV, USSGL Account Attributes.

4.3.2. The data structure for each SGL account attribute is defined in the SFIS Matrix, to include syntax and allowable values. The SFIS Matrix and the SFIS Values Library are located on the SFIS web page.

4.3.3. When including specific general ledger accounts in an accounting system, all attributes assigned to the specific general ledger accounts must also be included and correctly aligned to those accounts.

4.3.4. Allowable values for each SGL account attribute are identified and defined at the SGL account level in the SCOA Attribute Alignment File published on the SFIS web page.

4.4 Request for Account Exemption

4.4.1. A Component's specific mission area may allow for an accounting system exemption to certain SGL accounts. Components must request an exemption from standard DoD account alignment based on business processes and transactions within a specific fund type.

* 4.4.2. The SCOA is re-published annually with updates. Component system owners must review existing accounts and submit any changes or revisions to the OUSD(C)/CFO) within 30 days of the SCOA update.

4.5 DoD Assigned USSGL Accounts

The SCOA includes five specific accounts for recording internal fund distributions within direct program authority (see Figure 7-1). Refer to Volume 3, Chapters 13, 14, and 15 for policy on the use and application of these accounts at the Department and execution levels. Funds distribution guidance for the Military Services and Office of the Secretary of Defense Treasury Index-97 organizations is located at SFIS under the "DoD Accounting Scenarios" section.

Figure 7-1. DoD Assigned Accounts for Internal Fund Distributions

Account Number:	454000.9000
Account Title:	Internal Fund Distributions Issued
Normal Balance:	Credit

Definition: The amount of direct budgetary authority allotted from department, headquarters, or Office of the Secretary of Defense (OSD) level to intermediate or execution level, as determined by organizational funding structure.

Account Number:	455000.9000
Account Title:	Internal Fund Distributions Received
Normal Balance:	Debit

Definition: The amount of direct budgetary authority received from department, headquarters, or OSD level by an intermediate level component.

Account Number:	456000.9000
Account Title:	Funds Available for Allotment
Normal Balance:	Credit

Definition: The amount of direct budgetary authority available at an intermediate level component for allotment to execution level component(s) or for suballotment to other intermediate level component(s).

Account Number:	457000.9000
Account Title:	Allotments Issued
Normal Balance:	Credit

Definition: The amount of direct budgetary authority either allotted by an intermediate level component to an execution level component(s), or suballotted between two or more intermediate or execution level components.

Account Number:	458000.9000
Account Title:	Allotments Received
Normal Balance:	Debit

Definition: The amount of direct budgetary authority received by an execution level component through either allotment or suballotment of authority.

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 8: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 1, CHAPTER 9: "FINANCIAL RECORDS RETENTION"

SUMMARY OF MAJOR CHANGES

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

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

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

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

The previous version dated February 2021 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Administrative updates in accordance with Department of Defense Financial Management Regulation (FMR) Revision Standard Operating Procedures.	Revision

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CHAPTER 9

FINANCIAL RECORDS RETENTION

1.0 GENERAL

1.1 Purpose

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

1.2 Authoritative Guidance

1.2.1. The National Archives and Records Administration (NARA) promulgates requirements for the management and disposal of all United States (U.S.) Government records.

1.2.1.1. Title 36, Code of Federal Regulations (CFR), Chapter XII, Subchapter B, Parts 1220-1239 (***36 CFR §§ 1220 – 1239***) provides NARA general policies.

1.2.1.2. NARA's disposal guidance for administrative records are outlined in ***General Records Schedule (GRS) 5.7***, "Administrative Management and Oversight Records."

1.2.2. ***Federal Acquisition Regulations (FAR), Part 4.805*** provides procedures and schedules for storage, handling, and disposal of contracting office records.

1.2.3. The DoD records management policy and responsibilities are outlined in ***DoD Instruction 5015.02***, "DoD Records Management Program."

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

1.2.3.2. The ***DoD Directive 3210.06***, "Defense Grant and Agreement Regulatory System," provides for the collection, retention, and dissemination of management and fiscal data related to grants activities.

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

2.0 RETENTION REQUIREMENTS

2.1 Record Retention Requirements

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

2.1.2. NARA GRS 1.1, "***Financial Management and Reporting Records***"

2.1.2.1. GRS 1.1 provides disposition authority for records created and received in the course of carrying out an agency's financial management and reporting responsibilities. Financial management includes procuring goods and services, paying bills, collecting debts, accounting for all financial transactions, and monitoring net worth.

2.1.2.1.1. GRS 1.1 covers financial records of grants and cooperative agreements. The administrative records of grants and agreements are covered in GRS 1.2.

2.1.2.1.2. GRS 1.1 covers financial transactions and reporting records. Records for financial planning (i.e., budgeting records) are covered under GRS 1.3.

2.1.2.1.3. GRS 1.1 covers contract records maintained by Federal agencies. Contractor-maintained contract records are governed by ***FAR, Part 4, Subpart 4.7.***

2.1.2.1.4. GRS 1.1 covers financial transactions as an administrative function common to all agencies, but not administrative records documenting unique agency missions, such as student loan collection or seeking reimbursement for Superfund cleanups.

2.1.2.2. Each record noted within the GRS includes the item number, the records description, the disposition instructions that describe the point at which an item can be destroyed (unless longer retention is authorized and required for "business use"), and the disposition authority for records created and received in the course of carrying out an agency's financial management and reporting responsibilities.

2.1.3. Figure 9-1 provides general guidelines for minimum retention periods by assessable unit in support of the DoD-wide financial statement audit. Supporting a financial statement audit is an example of "business use" where documentation must be retained for a longer period of time than required by NARA in order to preclude a scope limitation. During an audit, management must furnish a written representation as to the availability of all financial records and related data and the auditors must obtain a reasonable basis for an opinion. These guidelines must be supplemented by professional judgment that considers the specific circumstances related to each financial transaction. For records supporting financial statement audits and held for purposes other than a financial statement audit that require a longer retention period, continue to follow appropriate document retention guidance. At a minimum, Components must comply with NARA and the DoD Records Management Program requirements.

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

2.2 Documentation Requirements

Component financial transaction records must be prepared, retained, and, at a minimum, support the following:

2.2.1. Authority. Evidence the transaction was approved and/or certified in accordance with established requirements.

2.2.2. Amount. Evidence of transactions dollar values.

2.2.3. Date. Evidence of transaction dates to ensure transactions are recorded in the proper accounting period.

FIGURE 9-1. MINIMUM RETENTION PERIODS

Assessable Unit(s)	Type of Documentation	Minimum Retention Period
Contract Pay / Vendor Pay / Interfund / Intragovernmental	Financial transaction records related to procuring goods and services, paying bills, collecting debts, and accounting. Retain key supporting documents (KSDs) for the following financial statement line items (FSLIs): • Accounts Payable • Accounts Receivable • Uncollected payments, federal sources, brought forward • Unpaid obligations, brought forward • Unobligated balance, brought forward • Other liabilities • Revenue • Gross Cost	Ten years after the final invoice or Intra-Government Payment and Collection or other similar documentation. Note: This is an increase over the NARA six-year minimum retention standards, is applicable to contract payment offices, and includes obligation document records.
Financial Reporting / Accounting	Records supporting compilation of agency financial statements and related audit, and all records of all other reports. Retain KSDs for the following FSLIs: • Financial Reporting • Other Adjustments	Two years after completion of financial statement audit for which the records were initially prepared. Note: The remaining categories are consistent with the NARA minimums. As these documents will not be required to support more than the year under, and subsequent year audit(s), no more than a two-year retention period is necessary.

FIGURE 9-1. MINIMUM RETENTION PERIODS (Continued)

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

VOLUME 1, CHAPTER 10: "ADVANA – COMMON ENTERPRISE DATA REPOSITORY FOR THE DEPARTMENT OF DEFENSE"

SUMMARY OF MAJOR CHANGES

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

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

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

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

The previous version dated November 2020 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Administrative updates in accordance with Department of Defense Financial Management Regulation Revision Standard Operating Procedures.	Revision
2.2	Additional clarifying language.	Revision

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CHAPTER 10

ADVANA – COMMON ENTERPRISE DATA REPOSITORY FOR THE DEPARTMENT OF DEFENSE

1.0 GENERAL

1.1 Overview

Advana (derived from the term "Advancing Analytics") is a common enterprise data repository for the Department of Defense (DoD), required by the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2018. Advana is a centralized data and analytics platform that provides DoD users with common business data, decision support analytics, and data tools. It was developed by the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), through the Directorate for Enterprise Financial Transformation (EFT), and is now maintained by the Chief Digital and Artificial Intelligence Office. The Advana platform and program supports the National Defense Strategy by amassing data that is accessible, understandable, and usable across the Defense enterprise, and by advancing analytic capabilities to address the complex challenges of the Department.

1.2 Purpose

This chapter establishes Advana as an official DoD repository of common enterprise data and the roles and responsibilities of OUSD(C) and DoD Components in the development, maintenance, and use of Advana within the supported business domain areas. The use of Advana will ensure that any performance measure or data product that relies on DoD data originates from an authoritative source of transaction-level detail.

1.3 Authoritative Guidance

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

1.3.1. Title 10, United States Code, sections 135 and 2222 as amended by the NDAA for FY 2018 (sections 911 – 913).

1.3.2. Public Law 113-101, Digital Accountability and Transparency Act of 2014.

1.3.3. Statement of Federal Financial Accounting Standards 4, "Managerial Cost Accounting Standards and Concepts."

1.3.4. DoD National Defense Strategy, issued by the Secretary of Defense.

1.3.5. DoD Annual Performance Plan, issued by the Director of Administration and Management.

1.3.6. OUSD(C), Financial Management Strategy.

1.3.7. Acting Assistant Deputy Chief Financial Officer (DCFO) memorandum (December 2020), "Advancing Analytics (Advana) Financial Reconciliations for the Fourth Estate."

2.0 ROLES AND RESPONSIBILITIES

2.1 OUSD(C) Responsibilities

The Department's vision of "Financial Management (FM) Analytics" outlines the expectations of tomorrow's financial management professionals, leveraging the foundation of auditable data to drive more meaningful, data-informed decisions of the future. Using Advana as an enabler and accelerator for FM Analytics, OUSD(C) will:

2.1.1. Leverage data as a strategic asset, connecting it with advancing technology to continuously advance analytic capabilities across the Department. Any data contained in a Defense business system related to business operations and management is an asset of the Department, and a strategy must be developed for making the data discoverable in Advana.

2.1.2. Maintain alignment of Advana capabilities and products with the functional requirements of its customers by communicating and validating regularly with the user community as continuous development occurs, partnering with the appropriate officials to establish enterprise standards.

2.1.3. Acquire, incorporate, and standardize data to support the business domain areas that align with the organizational structure of the Department and the responsibilities of DoD Components.

2.1.4. Manage data sharing agreements with system owners to ensure data is timely and accurate. Extract data from the relevant systems to facilitate DoD-wide analysis and management of business operations, and execute controls over data management.

2.1.5. Provide reasonable assurance to data consumers that data controls are clearly defined and executed in accordance with control objectives.

2.1.6. Maintain regulated security over the system and its data and ensure compliance with user access security requirements and DoD continuity of operations policy and planning.

2.1.7. Ensure sensitive activity data is secure and comply with DoD security classification guidance.

*2.2 DoD Component Responsibilities

DoD Components (i.e., the Office of the Secretary of Defense, the Military Departments, the Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Combatant Commands, the Defense Agencies and DoD Field Activities, and all other organizational entities within DoD with the exception of the DoD Office of Inspector General) must:

2.2.1. Provide authoritative source-level transactional data to Advana from all DoD business systems daily, using the most cost effective and secure methods available. The authoritative source-level transactional data must be obtained and imported by Advana from the business system in which the data originated (i.e., not a separate data warehouse or data lake but the system that originated the transaction). Where a strategy does not exist to provide such data, one must be developed in partnership with OUSD(C) EFT.

2.2.2. Sign agreements that govern accurate and timely transmission of data. DoD Components are responsible for defining business rules that map source data elements to the Advana common data model. The Advana common data model includes but is not limited to the Standard Financial Information Structure, Procurement Data Standard, and subsequent domain-specific data models under development.

2.2.3. Use Advana for delivery of their Universe of Transactions to any entity that issues an audit request, data call request, or other bona fide requirement for reconciled transaction details.

2.2.4. Use the Advana Feeder to General Ledger Reconciliations Audit Workbooks – Monthly reconciliations between disbursing, obligation, funding, and entitlement financial management systems to general ledger accounting systems.

2.2.5. Use the General Ledger to Unadjusted Trial Balance Reconciliations Audit Workbooks – Quarterly reconciliations between general ledger accounting systems and their unadjusted trial balance.

2.2.6. Use the Unadjusted Trial Balance to Adjusted Trial Balance Reconciliations Audit Workbooks – Quarterly reconciliations between the unadjusted trial balance and the adjusted trial balance within the Defense Departmental Reporting System.

2.2.7. Use Advana to reconcile Fund Balance with Treasury and retire all legacy micro-applications no later than December 2024.

2.2.8. Use the Advana Dormant Account Review – Quarterly tool to conduct all DoD dormant account reviews unless otherwise approved by OUSD(C) EFT and DCFO.

2.2.9. Provide functional assistance to the Advana program, when necessary, to reconcile DoD Components' general ledger data to outputs from the Defense Departmental Reporting System and other required data reconciliations.

3.0 BUSINESS DOMAIN AREAS

A business domain represents a line of business for DoD and its corresponding business events. Advana will acquire, incorporate, and standardize data to support the various business domain areas across the Department including, but not limited to:

3.0.1. Acquisition Analytics

3.0.2. Budget Analytics

3.0.3. Cost Management Analytics

3.0.4. Executive Analytics

3.0.5. Financial Management, Reporting, and Accounting Analytics

3.0.6. Health Analytics

3.0.7. Information Technology Analytics

3.0.8. Logistics and Supply Chain Analytics

3.0.9. People Analytics

3.0.10. Policy Analytics

3.0.11. Procurement Analytics

3.0.12. Readiness Analytics

3.0.13. Real Property Analytics

VOLUME 1, APPENDIX A: "OBJECT CLASSIFICATION"

SUMMARY OF MAJOR CHANGES

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

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

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

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

The previous version dated April 2020 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated the hyperlinks and formatting to comply with the Department of Defense Financial Management Regulation Revision Standard Operating Procedures.	Revision

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OBJECT CLASSIFICATION

1.0 GENERAL

1.1 Purpose

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

1.2 Basic Concepts

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

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

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

2.0 MAJOR OBJECT CLASSIFICATION

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

2.01. 10 Personnel compensation and benefits

2.02. 20 Contractual services and supplies

2.03. 30 Acquisition of assets

2.04. 40 Grants and fixed charges

2.05. 90 Other

DoD 7000.14 - R

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

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

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

Budget Formulation and Presentation

Volume 2 Structure

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

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

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VOLUME 2A, CHAPTER 1: "GENERAL INFORMATION"

SUMMARY OF MAJOR CHANGES

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

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

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

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

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Overall	Formatting and room location changes	Revision
1.7 (010107)	Paragraph 1.7.2.28 – Expanded explanation of the full funding policy	Addition
2.2 (010202)	Expanded explanation of full funding of procurement	Addition
2.24 (010224)	Glossary of Terms – Expanded explanation of full funding	Addition
3.6 (010306)	Disaster Situations and Management of Disaster/Contingency Supplemental funds	Addition

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CHAPTER 1

GENERAL INFORMATION

1.0 GENERAL POLICIES (0101)

1.1 Purpose (010101)

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

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

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

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

1.2 Organization (010102)

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

1.3 Changes to Volume 2 (010103)

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

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

1.4 Reports Control Symbol (010104)

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

1.5 Requests for Exceptions to *OMB Circular A-11* (010105)

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

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

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

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

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

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

1.6 Proposed Changes in Budget Structure and Appropriation Language (010106)

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

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

1.6.1.2. Changes in the methods of funding a program.

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

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

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

1.7 Budget Terminology/Definitions (010107)

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

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

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

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

1.7.2.3. Appeal. A request for reconsideration of an action taken to adjust, reduce, or delete funding for an item during the congressional review of the Defense budget (authorization and appropriation). This process is discussed in Section 4.6.

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

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

1.7.2.6. Authorization (Authorizing Legislation). Basic substantive legislation enacted by the Congress which sets up or continues the legal operation of a Federal program or agency either indefinitely or for a specific period of time or sanctions a particular type of obligation or expenditure within a program. Such legislation is normally a prerequisite for subsequent appropriations or other kinds of budget authority to be contained in appropriation acts. It may limit the amount of budget authority to be provided subsequently or may authorize the appropriation of "such sums as may be necessary."

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

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

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

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

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

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

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

1.7.2.14. Closed (Canceled) Appropriations. An appropriation that is no longer available for the adjustment or payment of obligations. Appropriation accounts are closed (canceled) after being in the expired status for five years. A Comptroller General opinion has provided the DoD with authority to make disbursement adjustments to closed appropriations to correct errors only. (See Expired Appropriation.)

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

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

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

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

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

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

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

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

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

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

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

Normal Life Cycle of Appropriations:

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

* Extended to 15-years under certain circumstances.

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

1.7.2.27. Fiscal Year. Any yearly accounting period without regard to its relationship to a calendar year. The fiscal year for the Federal Government begins on October 1 and ends on September 30. The fiscal year is designated by the calendar year in which it ends. Fiscal years are further designated as follows:

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

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

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

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

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

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

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

* 1.7.2.28. Full Funding Policy. The practice of funding the total cost of major procurement and construction projects in the fiscal year in which they will be initiated. The full funding policy requires the total estimated cost of a complete, military useable end item or construction project funded in the year in which the item is procured. If a future year's appropriation is required for delivery of an end item, the end item is not fully funded. It prevents funding programs incrementally and provides a disciplined approach for program managers to execute their programs within cost. See Section 2.2 for further information.

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

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

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

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

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

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

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

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

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

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

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

1.7.2.40. Outlays. The amount of checks issued or other payments made (including advances to others), net of refunds and reimbursements collected. Outlays are net of amounts that are adjustments to obligational authority. The terms "expenditure" and "net disbursement" are frequently used interchangeably with the term "outlay." Gross outlays are disbursements and net outlays are disbursements (net of refunds) minus reimbursements collected.

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

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

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

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

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

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

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

1.7.2.48. Reconciliation Process. A process used by the Congress to reconcile amounts determined by tax, spending, and debt legislation for a given fiscal year with the ceilings enacted in the second and required concurrent resolution on the budget for that year. Section 310 of the Congressional Budget and Impoundment Control Act of 1974 provides that the second required concurrent resolution on the budget, which sets binding totals for the budget, may direct committees to determine and recommend changes to laws, bills, and resolutions, as required to conform with the binding totals for budget authority, revenues, and the public debt.

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

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

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

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

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

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

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

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

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

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

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

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

1.8 Security Classifications (010108)

1.8.1. General

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

1.8.1.2. Instructions concerning security classification of the program and budget review submissions to OSD are contained in Section 3.5.

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

1.8.1.4. Instructions concerning security classification of congressional justification material are contained in Section 4.1.

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

1.8.2.1. The Military Personnel Programs (M-1) is designed to be an unclassified document. See Section 5.1 for instructions.

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

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

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

1.8.2.5. The Construction Programs (C-1) is designed to be an unclassified document. See Section 5.5 for instructions.

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

1.9 Budget and Performance Integration (010109)

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

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

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

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

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

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

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

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

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

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

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

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

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

1.10.2.1. Mission Funding (one or more SAGs);

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

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

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

2.0 FUNDING POLICIES (0102)

2.1 Criteria for Determining Expense and Investment Costs (010201)

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

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

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

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

2.1.3. Policy for Expense and Investment Costs

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

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

2.1.3.3. Costs budgeted in the Operation and Maintenance (O&M) and Military Personnel appropriations are considered expenses. Costs budgeted in the Procurement and Military Construction appropriations are considered investments. Costs budgeted in the Research, Development, Test and Evaluation (RDT&E), Base Realignment and Closure (BRAC), and Family Housing appropriations include both expenses and investments. Definitions for costs within the Defense Working Capital Funds are provided in Chapter 9 and in Section 2.14.

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

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

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

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

2.1.4.1.2. Rental charges for equipment and facilities.

2.1.4.1.3. Food, clothing, and fuel.

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

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

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

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

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

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

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

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

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

2.1.4.2.3. Construction, including the cost of land and rights therein (other than leasehold). Construction includes real property equipment installed and made an integral part of such facilities, related site preparation, and other land improvements. (See paragraph 2.1.4.2.6 below for special guidance concerning real property facilities.)

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

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

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

2.1.4.3. Conditional Cases. The following are conditional cases that take precedence over the criteria contained in paragraphs 2.1.4.1 and 2.1.4.2 above:

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

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

2.1.4.3.3. Maintenance, repair, overhaul, and rework of equipment are funded in the operation and maintenance appropriations. However, maintenance of equipment used exclusively for research, development, test, and evaluation efforts will be funded by the RDT&E appropriations. Continuous technology refreshment is the intentional, incremental insertion of newer technology to improve reliability, improve maintainability, reduce cost, and/or add minor performance enhancement, typically in conjunction with depot or field level maintenance. The insertion of such technology into end items as part of maintenance is funded by the operation and maintenance appropriations. However, technology refreshment that significantly changes the performance envelope of the end item is considered a modification and, therefore, an investment (See section on "Product Improvement" 2.13.3.7). This definition applies equally to technology insertion by commercial firms as part of contractor logistics support, prime vendor, and similar arrangements and to technology insertion that is performed internally by the Department.

2.1.4.3.4. Initial outfitting of an end item of investment equipment, such as a ship or aircraft, with the furnishings, fixtures, and equipment necessary to make it complete and ready to operate is a part of the initial investment cost. Material procured through the Defense Working Capital Funds for initial outfitting will be financed by procurement appropriations when drawn from the supply system. This concept includes changes to the allowance lists of ships, vehicles, and other equipment. Changes to allowance lists will be budgeted as investment costs. Procurement appropriations are not required to satisfy initial outfitting requirements if assets are available for issue through reuse/redistribution programs, such as the Navy's Consumable Asset Reutilization Program.

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

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

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

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

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

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

2.1.5. Special Guidance Concerning Real Property Facilities

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

2.1.5.2. Items of equipment that are movable in nature and not affixed as an integral part of a facility are not normally considered construction costs, except for initial outfitting of family housing, as detailed in paragraph D3 above. This equipment includes all types of production, processing, technical, information systems, communications, training, servicing and RDT&E equipment. The cost of this equipment is an expense or an investment according to the policy criteria above. In addition, modifications to an existing facility required to support the installation of movable equipment, such as the installation of false floors or platforms, prefabricated clean rooms, or utilities, will be considered an integral part of the equipment costs. As such, the costs are either expense or investment, as long as the modifications do not include structural changes to the building. If the modifications include structural changes, they will be considered investment costs and budgeted as construction.

2.1.6. Expense/Investment Cost Determination

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

*2.2 Full Funding of Procurement Programs (010202)

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

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

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

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

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

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

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

2.2.3. Procedures for Full Funding

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

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

2.2.3.3. Advance Procurement (Long Lead-time Items). Advance procurement requests for long lead-time items shall be limited to the end items in major procurement appropriations. Long lead-time procurements shall be for components, parts, and material whose

lead-times are greater than the life of the appropriation (3-5 years). In some circumstances, Advance Procurement is also warranted when items have significantly longer lead-times than other components, parts, and material of the same end item or when efforts must be funded in an advance procurement timeframe in order to maintain a planned production schedule. For new development programs, the planned production schedule should be based on a full funding basis without the use of long lead material. Planning the program content this way provides additional flexibility should development delays arise. When advance procurement is part of the program, however, the cost of components, material, parts, and effort budgeted for advance procurement shall be relatively low compared to the remaining portion of the cost of the end item. Each budget request for advance procurement shall represent, at a minimum, the termination liability associated with the total cost of the long lead-time components, material, parts, and effort for which the advance procurement request is being made. The termination liability should not cover the cost of the end item budgeted in the following fiscal year(s). The full cost of components, material, parts, and effort included in the advance procurement request should be budgeted in the FYDP consistent with full funding procedures. The budget requests will properly debit and credit advance procurement budget requests as defined in Exhibits P-1, P-5, P-10 and P-40 instructions.

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

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

2.3 Multiyear Procurement (010203)

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

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

2.3.2.1. MYP approval is predicated on:

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

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

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

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

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

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

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

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

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

2.3.2.2.3. Funds appropriated for the purchase of an end item under a multi-year contract may only be used for a complete and usable end item.

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

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

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

2.3.2.2.7. A multi-year procurement contract must provide for production at not less than the minimum economic rate given the existing tooling and facilities.

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

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

2.3.2.2.10. Multi-year procurement contracts may provide for cancellation provisions to the extent that such provisions are necessary and in the best interests of the United States. The cancellation provisions may include consideration of both recurring and nonrecurring costs of the contractor associated with the production of the items to be delivered under the contract, but may not include recurring costs associated with unfunded units. The Agency Head and the USD(C) must approve the inclusion of recurring costs in a cancellation ceiling (see paragraph 2.2.3 below).

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

cancellation ceiling for that contract to the congressional defense committees. The contract may not be awarded until the end of a 30-day waiting period beginning on the date of such notification.

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

2.3.3. DoD Requirements.

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

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

2.3.3.3. With the exception of funding for economic order quantity (EOQ) procurement and advance procurement for long lead-time items as defined in section 2.2, multi-year procurement contracts will comply with full funding. The full funding policy shall apply to each individual year of the multiyear contract. Multi-year contracts shall not be used as a vehicle for incrementally funding the items across the fiscal years covered by the contract. The production lots on the contract shall be the same as those described in the budget and advance procurement shall not be used to achieve a higher production rate for the end item. Funds shall not be "borrowed" from the amounts budgeted for items in the early fiscal years of a multi-year contract to begin work on items not budgeted until later fiscal years of the contract.

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

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

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

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

2.4 Buy-to-Budget for Acquisition of End Items (010204)

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

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

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

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

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

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

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

2.5 Transportation (010205)

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

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

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

2.5.3. Budgeting Responsibilities for Transportation

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

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

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

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

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

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

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

2.6 Engineering Change Orders (010206)

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

2.7 Factory Training (010207)

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

2.8 Interim Contractor Support (010208)

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

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

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

2.10 Spares and Repair Parts (010210)

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

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

2.10.1.2. War Reserve Spares and Repair Parts. War reserve material (WRM) spares and repair parts for initial stockage will be budgeted in replenishment except for whole spare engines in accordance with the above definitions. See Section 2.17, Defense Working Capital Funds - War Reserve Materiel, for additional budgeting WRM policies.

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

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

2.11 Direct and Reimbursable Budget Plans (010211)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.12 Budgeting for Information Technology and Automated Information Systems (010212)

2.12.1. Information Technology and Automated Information Systems that are not embedded in weapons systems and/or major end item procurements are budgeted according to the investment and expense criteria (see 2.1) and the appropriation or fund's purpose.

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

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

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

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

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

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

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

2.12.2.4. Procurement appropriations: Acquiring and deploying a complete system with a cost of $250,000 or more is an investment and should be budgeted in a Procurement appropriation. Complete system cost is the aggregate cost of all components (e.g., equipment, integration, engineering support and software) that are part of, and function together, as a system to meet an approved documented requirement. For modification efforts, only the cost of the upgrade (e.g., new software, hardware, and technical assistance) is counted towards the investment threshold. The total cumulative cost of the system is not considered when deciding what appropriation to use to fund modernization.

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

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

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

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

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

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

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

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

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

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

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

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

2.13.2.1. RDT&E Appropriations.

2.13.2.1.1. RDT&E will finance research, development, test and evaluation efforts performed by contractors and government installations, including procurement of end items, weapons, equipment, components, materials and services required for development of equipment, material, or computer application software; its Development Test and Evaluation (DT&E); and its Operational Test and Evaluation (OT&E) as provided for in paragraph 2.13.3.5 (Test Articles and Test Support) below.

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

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

2.13.2.2. Related Appropriations

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

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

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

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

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

2.13.3.1. Organizational Funding Criteria.

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

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

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

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

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

2.13.3.1.3. Expenses of R&D management and administrative organizations at major systems commands, headquarters organizations and administrative organizations at DoD component departmental headquarters levels (except for the Defense Advanced Research Projects Agency and the Missile Defense Agency) will be financed in the Operation and Maintenance (O&M) appropriations.

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

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

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

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

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

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

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

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

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

2.13.3.2.3.1. A provision to reimburse the government for the fair value of the facilities;

2.13.3.2.3.2. An option for the government to acquire the underlying land; or

2.13.3.2.3.3. An alternative provision that protects the interests of the United States in the facilities.

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

2.13.3.2.5. The Family Housing appropriation will provide for Family Housing construction and Family Housing O&M at R&D installations and activities.

2.13.3.3. Equipment. RDT&E appropriations will finance the development, design, purchase, installation, and acceptance testing of equipment or instrumentation required to support RDT&E activities. Costs of specialized equipment and instrumentation required for the support of research, development, test and evaluation contractor effort at government-owned, contractor-operated (GOCO) activities will be financed in RDT&E. DoD Directive 4275.5 applies. Installation costs include directly related foundations, shielding, environmental control, weather protection, structural adjustments, utilities and assets. Installation costs are excluded from RDT&E financing if the effort is accomplished concurrently with a military construction project, and in these instances, the military construction appropriation finances the installation cost. To the extent that the equipment installation occurs at a government activity and the cost exceeds $500,000, no new facility or physical outer dimension expansion to an existing facility shall result from an RDT&E-funded equipment installation project.

2.13.3.4. Establishment of Pilot Line and Tooling Requirements

2.13.3.4.1. The costs associated with establishing an initial pilot line, which are necessary to acquire a limited number of representative items for test purposes, including the test items, will be financed by RDT&E. All items and costs associated with maintaining the initial pilot line beyond the quantity sufficient to test for operational acceptability will be financed from other appropriations.

2.13.3.4.2. When an end item under development has also been approved for procurement, operational use, or included in the force structure, then hard tooling requirements common to both the development and procurement phases will be financed by Procurement appropriations. When an end item under development has not been approved for procurement, operational use, or included in the force structure, then tooling and other preliminary production facilities required to produce realistic development items for test and evaluation will be financed by RDT&E, even though such tooling and facilities might later be used for production.

2.13.3.5. Test Articles and Test Support

2.13.3.5.1. As a general rule, the procurement of test articles and test support, including "Special Support" costs and "Command Support" costs (see Glossary), for all RDT&E tests preceding and leading to acceptance for operational use will be RDT&E funded. Test articles and components or materials to be assembled into test articles shall be budgeted in accordance with the need for them in the development and test program. Purchases of fully configured or near fully configured test articles (e.g., off-the shelf drones) should be budgeted in accordance with the need for full units to test.

2.13.3.5.1.1. Development and preproduction prototypes (RDT&E financed) will be used for Developmental Test and Evaluation (DT&E), including scientific, technical and weapons effects tests. DT&E programs must provide complete and reliable data that can be used to estimate the military utility of new items as a basis for considering decisions to continue engineering development. To this end, it is essential to plan, program, budget and fund for an adequate number of R&D articles for development, test and evaluation that will be fabricated, manufactured or produced in a realistic preliminary production manner and thus provide such data.

2.13.3.5.1.2. Development and preproduction prototypes (RDT&E financed) will be used for OT&E. When so used, they must be sufficiently representative of the expected production items' to provide from OT&E a valid estimate of production items operational effectiveness and suitability (including compatibility, interoperability, reliability, maintainability, and logistic and training requirements).

2.13.3.5.1.3. Low Rate Initial Production (LRIP) assets. LRIP, as defined in DoD 5000.2-R, is to provide production configured or representative articles for operational test (RDT&E funded, see paragraph (2)); establish an initial production base for the system (procurement funded); and permit an orderly increase in production rate for the system (procurement funded). If the asset will be used for developmental or operational testing by an independent operational test agency, then it should be procured with RDT&E funds. The LRIP quantity will be determined as part of the Production and Deployment approval (Milestone C). RDT&E funds will be budgeted to procure the items required for operational test to facilitate the testing of LRIP assets. LRIP test articles must be specifically identified in the budget documentation. Should LRIP items beyond the test quantity be required, they would need to be included in the Milestone C decision and a determination made at that time. Ships and space systems do not have LRIP periods like other systems. Special guidance relating to the transition of ships and space systems from RDT&E to Procurement is provided in paragraph 2.13.3.9 of this section.

2.13.3.5.2. Conduct of testing that is not associated with RDT&E, or testing conducted after fielding or acceptance for operational use, such as the examples noted below, will be financed in the Procurement or O&M appropriations, as appropriate.

2.13.3.5.2.1. Acceptance, quality control and surveillance testing of articles obtained for other than RDT&E purposes.

2.13.3.5.2.2. Routine testing in connection with logistic support.

2.13.3.5.2.3. Testing related to the operation and maintenance of equipment and material acquired for use under appropriations other than RDT&E.

2.13.3.5.2.4. Testing required to prove the capability of facilities to produce items which have been approved for production will be funded by procurement as part of the initial acquisition cost.

2.13.3.5.3. The acquisition of commercial or nondevelopmental items for testing and operational evaluation that do not require RDT&E engineering, design or integration effort will be financed by O&M or Procurement appropriations (as determined by the Expense and Investment criteria). O&M appropriations will finance personnel and command support costs for test and evaluation of commercial and nondevelopmental items by field units for doctrine, operational, or organizational purposes. If the commercially available item is modified and requires testing prior to approval for service use or inventory it is to be funded in RDT&E as are all developmental items.

2.13.3.5.4. Articles (including end items, weapons, equipment, major test vehicles such as ballistic missile boosters or upper stages, components and materials) of types regularly procured to meet established general requirements such as operational training, operational use, or inventory which are assigned or allocated on a priority basis for use in support of approved R&D programs and which are not consumed in testing, may be financed by Procurement or O&M appropriations using the expense and investment criteria. In addition, excess items that can be made available on a priority basis from existing inventory will be reassigned for use in R&D test and evaluation programs without reimbursement. However, all items, expected to be consumed in R&D test and evaluation will be financed by RDT&E appropriations.

2.13.3.5.5. Consumable rounds of ammunition or rounds of similar tactical missiles otherwise procured in quantity for inventory under existing procedures, may be issued on a priority basis for use in R&D testing without reimbursement.

2.13.3.5.6. The acquisition of test articles will be financed by O&M or Procurement appropriations (as determined by the Expense and Investment criteria), and personnel and command support costs will be financed by O&M appropriations for all test and evaluation (T&E) subsequent to acceptance for operational use and T&E to demonstrate the operational employment or develop operational tactics (i.e., subsequent to RDT&E efforts).

2.13.3.6. Modification and Refurbishment of Test Articles.

2.13.3.6.1. Costs associated with modifying or reconfiguring an existing item for R&D test purposes will be funded in RDT&E. When an item that has been diverted from another use is not consumed in R&D testing, any costs necessary to return the item to serviceable condition or to its pre-existent configuration will be financed in RDT&E.

2.13.3.6.2. If an article initially acquired with RDT&E funds as part of an RDT&E test effort is still available at the completion of the test program, it may be reassigned for operational use or inventory. The cost to modify such an article for operational use would be borne by the Procurement and O&M appropriations, as appropriate.

2.13.3.7. Product Improvement.

2.13.3.7.1. "Product improvement" of major end items and major components of major end items currently in production or in the operational inventory, is subject to the following:

2.13.3.7.1.1. Redesign of an item to increase the current performance envelope, including related development, test and evaluation effort, will be financed in RDT&E.

2.13.3.7.1.2. Engineering services or related manufacturing efforts applied to an item currently in production to extend its useful military life within the current performance envelope should be funded by Procurement appropriations as long as no developmental testing (DT) or operational test and evaluation (OT&E) by an independent operational test agency is required. If DT or OT&E by an independent operational test agency is required, RDT&E finances the improvement. The phrase "an item currently in production" implies that the item has end item procurement funding in the year the product improvement effort is to take place.

2.13.3.7.1.3. Engineering services or related manufacturing efforts applied to an out-of-production, but still operational item to extend its useful military life within the current performance envelope should be financed by O&M appropriations as long as no developmental testing (DT) or operational test and evaluation (OT&E) by an independent operational test agency is required. If DT or OT&E is required by an independent operational test agency, RDT&E finances the improvement.

2.13.3.7.1.4. In both cases (2) and (3) above, the determination that the improvement is “within the current performance envelope” and that “no development testing (DT) or operational test and evaluation (OT&E) by an independent operational test and evaluation agency is required” should be determined after formal coordination with the Director, Operational Test and Evaluation.

2.13.3.7.2. While existing off-the-shelf equipment may be procured with Procurement funds, items that require engineering design, integration, test, or evaluation effort shall be procured with RDT&E funds in sufficient numbers to support such effort.

2.13.3.7.3. Costs of fully developed and tested modification kits and associated installation costs should be financed from Procurement appropriations. If DT or OT&E by an independent operational test agency is required, RDT&E finances the RDT&E effort and the kits required for RDT&E testing. Procurement funds would then be used to procure the follow-on kits.

2.13.3.7.4. Aircraft engine component improvement costs are budgeted in the RDT&E appropriations to provide for continuing improvements in the aircraft engines in the areas of reliability, maintainability, durability, correction of Service-revealed deficiencies, safety of flight, time-between-overhaul, etc. "Component Improvement" is established at the point in time when:

2.13.3.7.4.1. There has been a Government acceptance of the first procurement funded engine, and

2.13.3.7.4.2. The engine has successfully completed stringent qualification or verification testing to demonstrate initial production suitability subject to:

2.13.3.7.4.2.1. Compliance with contractual specifications, performance guarantees and military specifications, as applicable to individual Service requirements;

2.13.3.7.4.2.2. Completion of endurance testing representative of the anticipated Service use to include completion of specified post test inspections, certification, and penalty runs;

2.13.3.7.4.2.3. Demonstration of prescribed performance capability; and

2.13.3.7.4.2.4. Accomplishment of prescribed durability, reliability, and environmental testing.

2.13.3.8. Ships and Ship-type Vehicles.

2.13.3.8.1. An experimental test bed type of ship or an experimental ship will be financed by RDT&E appropriations. This will include all such experimental ships required to support an approved R&D program or for the purpose of experimenting with new or radical ship concepts or to demonstrate the military usefulness of new ship designs, configurations or fabrication techniques, when the ship-type test vehicle itself can be predicted to be consumed or expended in testing, or to have little or no operational usefulness in the force structure. Prototype ships, when designated by the Secretary of Defense, are included.

2.13.3.8.2. A ship of demonstrated, conventional concept and design having a high probability of military usefulness and inclusion in the force structure, even though first of a class, will be constructed using procurement funds. A ship of demonstrated conventional concept and design temporarily or permanently assigned from inventory to support R&D effort will be furnished without reimbursement, but the cost of providing all R&D types of equipment or instrumentation, the cost of "nonstandard" modifications of the ship required to make the ship suitable for R&D support, as well as the cost of any related restoration to conventional or operational ship conditions upon release from assignment to R&D, will be financed by RDT&E appropriations.

2.13.3.8.3. Preliminary or contract design for new ship construction will be financed by RDT&E appropriations, including contractor and "field activity" effort costs. Detail design for ships appropriate for procurement funding will be funded by procurement accounts.

2.13.3.8.4. Land-based or sea-based combat system test installations will be financed by RDT&E appropriations.

2.13.3.9. Space Systems. The following guidance describes the circumstances in which RDT&E funds may be used for the acquisition of operational space systems.

2.13.3.9.1. Expendable launch vehicles. The first rocket of a new design is normally used to launch an operational satellite into orbit. This rocket may be financed with either RDT&E or Procurement appropriations. The second and subsequent expendable launch vehicles shall in all cases be financed with Procurement appropriations. The full funding policy shall apply to all expendable launch vehicles budgeted in Procurement appropriations.

2.13.3.9.2. Satellites. The first satellite of a new design is normally placed into operational use. For programs in which satellites are launched individually, the first two satellites may be financed with either RDT&E or Procurement appropriations. The third and subsequent satellites shall in all cases be financed with Procurement appropriations. For programs in which multiple satellites are launched with a single rocket, the satellites comprising the first launch may be financed with either RDT&E or Procurement appropriations depending upon which budgetary approach is most consistent with the contract structure. Satellites for the second and subsequent launches shall in all cases be financed with Procurement appropriations. The full funding policy shall apply to all satellites budgeted in Procurement appropriations. It is expected that satellite programs will make frequent use of advance procurement, combined parts buys, and multiyear contracts to efficiently use funds within the context of the full funding policy. To achieve these efficiencies, advance procurement funding may be budgeted two years (and, in rare instances, three years) prior to the year of full funding. The total advance procurement funding for a satellite should not exceed 20 percent of the unit cost of the satellite.

2.13.3.9.3. Ground Control and Ground Processing Systems. The design and implementation of ground control and ground processing systems is an integral part of the development of new satellite systems. The entire cost of the primary ground system (including off-the-shelf workstations, power supplies, etc., but not including military construction) shall normally be financed with RDT&E appropriations. The cost of backup ground systems shall be financed with Procurement appropriations, and the full funding policy shall apply.

2.13.3.9.4. User Terminals. User terminals for space systems shall transition from RDT&E to Procurement in the same manner as non-space-related communications and electronics equipment.

2.13.3.10. Training Devices. A training device is composed of components and software that have been designed or modified to demonstrate or illustrate a concept or simulate an operational circumstance or environment. The initial or prototype training device and all its support costs through service acceptance for operational use will be funded in RDT&E. RDT&E will not fund beyond the initial system unless more than one full system is required to demonstrate the training device performance. The initial or prototype training device that employs new or off-the-shelf computers and system components, but has training system unique software and interface components, will be developed and procured with RDT&E funds. Typically, these training devices have small quantity requirements and the initial or prototype device is used for operational training. Modifications or updates to existing training devices will normally be funded in the applicable Procurement or O&M appropriation, subject to the expense and investment

criteria. Any necessary development effort for these modifications or updates will be funded in RDT&E.

2.13.3.11. Joint Test and Evaluation.

2.13.3.11.1. The Joint Test and Evaluation (JT&E) program provides quantitative information used for analyses of joint military capabilities and to develop potential options for increasing military effectiveness. The program is complimentary to, rather than part of the acquisition process. A JT&E project brings two or more Military Services or other Components together to: assess Service system interoperability in joint operations; evaluate joint technical and operational concepts, and recommend improvements; increase joint mission capability, using quantitative data for analysis; validate testing methodologies that have joint applications; improve modeling and simulation validity with field exercise data; provide feedback to the acquisition and joint operations communities; and improve joint tactics, techniques, and procedures. JT&E projects focus on improving the warfighter's capability to conduct joint military operations with existing equipment. DOT&E manages the JT&E program and coordinates with Combatant Commanders, the Joint Staff, and the Services to ensure warfighter involvement.

2.13.3.11.2. The JT&E program is financed in the Operational Test and Evaluation (OT&E), Defense appropriation (program element 0605804D). DOT&E funds the costs incurred for the direction, supervision, and performance of activities that are unique to the needs of the JT&E projects. When directed as Executive Agent for a particular JT&E project, the Component, Service or COCOM is responsible for ensuring that all resources necessary for the successful accomplishment of the JT&E project are available to the Joint Test Director (JTD). This includes administrative, management and facilities support for the JTD. The Executive Agent support costs (O&M, Procurement, and RDT&E) are to be programmed and budgeted in accordance with established procedures.

2.13.3.12. Manufacturing Technology. The Department of Defense Manufacturing Technology program, which demonstrates factory application of new or improved technology in producing defense items, will be financed in the RDT&E appropriations.

2.13.3.13. Development Efforts Related to Future Leased Services. When the provider of a leased service that will ultimately be financed in O&M requires initial funding in order to design or develop major changes or improvements to meet the government's requirement for that service, then the costs of such development efforts will be financed in RDT&E.

2.13.3.14. Subsystem Integration into Weapon Systems. Research and development necessary for the integration of subsystems into weapon systems should be financed from the weapon system program. For example, the R&D cost of integrating an electronic warfare black box into an aircraft should be borne by the aircraft R&D program.

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

2.14 RDT&E - Incremental Programming and Budgeting Basis (010214)

2.14.1. Purpose.

This Chapter specifies the principles to be followed, and establishes the criteria and definitions to be used, in the preparation of the annual Research, Development, Test and Evaluation (RDT&E) budget estimates on an incrementally funded basis. The incremental budgeting policy provides that only those funds required for work in a given fiscal year shall be included in the RDT&E budget request for that fiscal year for most classes of effort.

2.14.2. Policy.

The annual budget estimates for Research, Development, Test and Evaluation (RDT&E) projects and programs, including developmental and operational test and evaluation programs, are to be prepared on an incrementally programmed basis (as opposed to the fully funded program basis used in preparing procurement budget estimates.)

2.14.3. Guidance.

2.14.3.1. The budget request for DoD projects and programs will be developed and presented in accordance with the following principles:

2.14.3.1.1. Annual estimates of initial financing needed for new major weapon systems and other development programs and projects requiring several years to complete, and which involve contracts spanning more than one year, should be formulated to cover costs expected to be incurred during each fiscal year. Generally this will represent a 9-month or lesser period for the initial, first year increment of a new start program due to the nature and timing of the congressional budget approval. The second and succeeding increments will be programmed and financed for the entire fiscal year. However, the Service or Defense Agency Comptroller must approve extensions of up to 3 months beyond the end of the fiscal year for which funds are requested. In this regard, DoD components should make every effort to align subsequent years' funding requirements on an annual basis coincident with the fiscal year, although it is recognized that there may be circumstances where this will not be feasible. The estimate of the financing required in the budget year to continue development projects must always take into account any changes (such as slippage's) that have occurred. RDT&E funding requirements should be based on forecasted obligations that consider costs and timelines for each milestone and other programmatic event.

2.14.3.1.2. There are requirements in which there is no logical way to divide the work; it is clearly unfeasible to limit the contract to a shorter period; or the planned technical effort is such that no responsible contractor can be found who will accept a contract for a less-than-completion increment. For these type efforts that take longer than 12 months but less than 18 months, the Service or Defense Agency Comptroller may approve financing the total requirement in one fiscal year.

2.14.3.1.3. While it is intended that the foregoing guidelines will be applicable to program execution as well as program formulation, there may be circumstances that could delay the start of an annual increment (such as legal, administrative, or technical problems). The 2-year availability of funds authorized for the Research, Development, Test and Evaluation appropriation provides the necessary flexibility for program execution in those circumstances.

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

2.14.3.2. Budgeting for Termination Liability on Incrementally Funded RDT&E Contracts. The legal requirements of the Anti-Deficiency Act and the long-standing policy of not committing a successor Congress to a course of action both make it necessary that the unliquidated obligation for an incrementally-funded, multiple-year contract be sufficient at all times to cover the cost of terminating that contract for the convenience of the Government. Budgeting to cover termination liability will not increase the total amount budgeted for the program. It will require that the distribution of funds by fiscal year be shifted more towards the earlier years of the contract than if funds had been budgeted only to cover the actual bill to be paid in each year. The distribution of funds by fiscal year shall be such that, if a contract is terminated at any point during the fiscal year, all termination costs can be financed from the unliquidated obligation on the contract without recourse to reprogramming of funds, supplemental appropriations, or awaiting the appropriation of funds for the succeeding fiscal year's funding increment. All programs shall adhere to this policy with the following two exceptions, both of which are to be used rarely.

2.14.3.2.1. Special Termination Cost Clause (STCC). DoD FAR Parts 249.50170 and 252.249-7000 permit the use of STCC in fixed-price incentive contracts and incrementally funded cost reimbursement contracts. If contracts containing an STCC are terminated before completion, the special termination charges are covered by the unobligated balance of the applicable appropriation, subject to any congressional approval required for reprogramming. The extent to which the STCC can be used is limited to the ability of the Service or Agency to cover expected termination costs from unobligated balances. A recordable obligation under the STCC arises when the contract is actually terminated. If a proposed STCC would require an above threshold reprogramming action when a program is terminated, the approval to use the STCC shall be obtained from the USD (Comptroller) before the contract or contract modification is awarded. All STCCs, regardless of dollar amount, require prior notification of the House and Senate Appropriations Committees.

2.14.3.2.2. Statutory Waivers. The Department is not required to budget for, or obligate funds sufficient to cover, termination liability in connection with an incrementally-funded RDT&E contract if Congress has expressed exempted the program or contract from that requirement. When this situation arises, however, the budget exhibits for the program shall clearly indicate the value of the unfunded termination liability by year for the current year, budget year, and the outyears covered by the FYDP.

2.15 Defense Working Capital Funds - Operating Budget (010215)

The operating budget represents the annual operating costs of an Activity or Component, including depreciation and amortization expenses. Detailed requirements and guidance can be found in Chapter 9.

2.16 Defense Working Capital Funds - Mobilization/Surge Costs (010216)

2.16.1. Separate funding is provided for those costs related to mobilization and wartime surge capacity that would not otherwise be incurred to meet peacetime requirements. The prices of services and products provided to peacetime customers exclude these costs to more appropriately reflect consistent pricing between competing activities. Similarly, better visibility of surge or readiness requirements is provided to decision makers at every level. These "mobilization" costs, although funded and justified as direct appropriations to Component budgets, are elements of business area costs and must be fully justified on the SM-3 and/or Fund-30 schedules. Detailed requirements and guidance can be found in Chapter 9, section 090103.

2.16.2. Unutilized capacity that is associated with the ability to satisfy a projected surge capability is considered a mobilization requirement that is to be funded by appropriated funds provided by the DoD Component having management responsibility for the Fund activity. Costs applicable to unutilized plant and equipment, such as depreciation, or maintenance, are not to be charged to the customers of the Fund activity.

2.16.3. The justification for costs related to mobilization and wartime surge capacity must identify the scenario assumptions or other basis for the requirement under which these costs were calculated. Additionally, a description of how these costs will be collected and accounted for in execution must be provided. The UPC Funding Exhibit Fund-30 will be used to support the request for UPC Funding.

2.16.4. Chapter 9 provides additional guidance and instructions associated with mobilization/surge requirements.

2.17 Defense Working Capital Funds - War Reserve Materiel (010217)

War reserves are procured and maintained to meet wartime requirements as determined by the Strategic Planning Guidance (SPG). These costs will be funded with direct Working Capital Fund appropriations in the Components' budgets, not through customer rates. However, since the war reserve materiel will be under the management of supply management businesses, war reserve requirements will also be described and justified on the SM-3. In addition, exhibit SM-6 War Reserve Material, will be prepared by the Components to justify WRM Requirements. Detailed requirements and guidance can be found in Chapter 9.

2.18 Defense Working Capital Funds - Military Personnel Costs (010218)

2.18.1. Military personnel costs have been included in revolving funds since FY 1991. This change was made to ensure that the total costs of the business were being captured. The cost

of military personnel assigned to DWCF activities will be included in the total cost of operations of DWCF activities at civilian equivalent rates and reflected in the stabilized rates charged to customers. This policy is based on the concept of total costing, which is designed to ensure that the total cost of producing products and services is being identified to both DWCF activities and customers.

2.18.2. The amount expensed for military personnel by DWCF activities and the amount reimbursed to the appropriate military personnel will be the same as the amount budgeted. The budget amount will equal the average end strength multiplied by the civilian equivalency rate for each grade. The average end strength for the budget year(s) will be calculated using the average fill rate for the three prior years. The fill rate is calculated by dividing actual average strength by the authorized end strength for each grade. No adjustments will be made to the DWCF cost of operations to reflect the actual cost of military personnel employed by DWCF activities.

2.18.3. See Chapter 9; section 090103G, for budget formulation, execution, and reimbursement procedures.

2.19 Defense Working Capital Funds - Full Recovery of Costs/Setting Prices (010219)

2.19.1. General Guidelines.

2.19.1.1. All business areas in the Fund are required to set their prices based upon full cost recovery, including all general and administrative support provided by others. Prices are established through the budget process. Except for Depot Maintenance Groups, and under special circumstances as specified in Volume 2B, Chapter 9, 090103H, prices remain fixed during the year of execution; actual costs are evaluated against revenue generated by workload at established prices; and the financial condition of the business assessed accordingly. Volume 2B, Chapter 9, paragraph 090105, specifies pricing guidance for sales by DoD depot maintenance activities to private sector entities as part of depot maintenance public-private partnership agreements. Subparagraph C. below summarizes that guidance. Profits or losses will be determined at the end of the year and will be employed as a basis for evaluating operating efficiency.

2.19.1.2. Prices for every Defense Component business activity are established for each fiscal year. Once established, these prices are held constant (stabilized) through program execution unless fund balances require an out-of-cycle rate change. This stabilized rate policy serves to protect customers from unforeseen inflationary increases and other cost uncertainties and better assures customers that they will not have to reduce programs to pay for potentially higher than anticipated prices. In turn, this policy allows activities to execute the budgeted program level and permits a more effective utilization of Fund resources.

2.19.1.3. Prices for the budget year(s) will be set to recover costs over the long run. This means that prices will be set to achieve an Accumulated Operating Result (AOR) of zero. During budget execution, business areas will have either a positive or negative Net Operating Result. Accordingly, prices in the budget year will be set to either make up actual/projected losses or to give back actual/projected gains in the budget year(s).

2.19.1.4. An activity group may request that AOR *variances* be recovered outside the budget year. This request must be included in the budget submission, and must demonstrate that the delay in the recovery of *variances* will not adversely affect the cash balance of the activity group. A phased recovery schedule must be provided with the budget. The Director for Revolving Funds will provide final approval for any extended AOR *variances* recovery plans.

2.19.1.5. In the supply management businesses, the price setting process will be consistent with the rate changes approved during the budget review.

2.19.2. Unplanned Gains/Losses.

2.19.2.1. Under Special Circumstances the DWCF rules for pricing and operating loss recovery or gain distribution may be waived if one or more of the following conditions exist.

2.19.2.1.1. Fund Liquidity. Fund managers are expected to maintain a monthly total fund cash balance between 7-10 days of operations (plus 6 months outlay for capital purchases). However, several factors could cause the Funds to operate outside the target area. Therefore, in order to prevent the build-up of excess cash balances, or ensure fund solvency the Director for Revolving Funds or Fund Managers, with the written permission of the Director for Revolving Funds, may direct out of cycle rate adjustments at any time during the fiscal year.

2.19.2.1.2. Depot Maintenance Additional Requirements. As long as Fund cash balances are within 10% of targeted levels depot maintenance activities will recoup losses and return gains in the budget year. However, if cash balances are outside the target areas the Director for Revolving Funds or Service Fund Managers, with the written permission of the Director for Revolving Funds, may direct out of cycle rate adjustments or surcharges at any time during the fiscal year to restore cash to the targeted levels. Also unplanned depot losses recouped in subsequent years may be financed with prior year funds provided all other criteria associated with prior year upward obligations are met.

2.19.2.1.3. Contingency or Emergency Operations. DWCF pricing and financing requirements may be waived by Fund managers in order to facilitate Department operations during times of war or other national emergencies. Notification of Fund Managers actions must be provided in writing to the Director for Revolving Funds within 30 days of the event.

2.19.3. Public-Private Partnerships at Defense Working Capital Fund Depot Maintenance Activities.

2.19.3.1. Pricing guidance for sales of goods and services by DoD depot maintenance activities to private entities engaged in public-private partnerships is set forth in Volume 2B, Chapter 9, paragraph 090105. In general, such prices are subject to the requirements of Chapter 9, with the exception that the prices may be based upon the most recent actual and projected costs applicable to the workload, rather than upon approved stabilized billing rates. Rates and prices to private entity partners may also be tailored to include only those direct and

indirect production overhead costs that contribute to the finished product or service. However, full General and Administrative (G&A) costs shall continue to be allocated on the same basis as for DoD customers.

2.19.3.2. Fixed pricing of sales to private party entity partners, including multiyear fixed price agreements, is authorized when production costs can be reasonably predicted and the risk of future operating losses is not significant. Such fixed prices may include provisions for adjustments to accommodate the effect of scope-of-work changes, annual inflation, and specified contingencies. When future production costs or risks cannot be reasonably predicted, cost reimbursable pricing is more appropriate.

2.19.4. Detailed requirements and guidance can be found in Chapter 9.

2.20 Defense Working Capital Funds - Capital Budgeting (010220)

2.20.1. Budgetary resources for capital investments will be separately identified in an approved capital budget. Beginning in FY 2007, the Capital Budget will have two thresholds. For Real Property (Land, Buildings, and Minor Construction), capital assets with a useful life of two years or more, the capital threshold is $100,000 and above. For all other capital assets including depreciable plant, equipment, and software developed, manufactured, transferred or acquired during a fiscal year with a useful life of two years or more, the capital threshold is $250,000 or more. Once assets are capitalized by the DWCF activity, they will continue to be reported as a capital asset and depreciated until the book value of the asset reaches zero or its salvage value, as appropriate. Changes in the capitalization threshold will not impact assets already capitalized unless directed by higher authority. These limits are consistent with accounting guidance published in Volume 4, Chapter 6.

2.20.2. Minor Construction.

2.20.2.1. Minor Construction projects costing $100,000 but less than or equal to $750,000 will be funded through the capital budget and depreciated.

2.20.2.2. In the year of execution the Director of OUSD (Comptroller) Revolving Funds may approve a capital investment reprogram request for Minor Construction projects costing up to $1,500,000 if the project is required to correct a deficiency that is life-threatening, health threatening, or safety threatening.

2.20.2.3. Project planning and design costs are considered a capital investment cost that is capitalized by the DWCF activity and financed in the minor construction portion of the capital budget. Planning and design costs are not included as part of the statutory threshold for minor construction projects.

2.20.2.4. See Chapter 9, section 090103, for budget formulation and execution procedures.

2.20.3. Depreciation.

All capital assets owned by activities in the Fund will be depreciated or amortized by the individual Component business area. Depreciation will be on a straight-line basis and based on the acquisition cost, less residual value when residual value is expected to be 10 percent or more of the acquisition cost, including installation and related costs. Depreciation schedules may be found in Volume 4, Chapter 6, paragraph 060206I.

2.21 Defense Working Capital Funds - Base Support (010221)

2.21.1. Interservice and intragovernmental support, as identified in DoDI 4000.19, is reimbursable by the DWCF activity to the extent that the specified support for the DWCF activity increases the host activity's direct costs (i.e., incremental direct cost). Costs associated with common use infrastructure are non-reimbursable, except for support provided solely for the benefit of one or more tenants. Support costs that are charged to a tenant DWCF activity (i.e., reimbursable cost) must be measurable and directly attributable to the DWCF activity. Indirect costs will not be included in reimbursement charges, except those included in stabilized rates charged for DWCF mission products and services. Host activities (suppliers of base support) are permitted to waive reimbursement from tenants who use or benefit from available support without appreciably increasing the host activities' costs (i.e., revenues would be less than the anticipated expense of billing and disbursing funds).

2.21.2. DWCF activities that use any of the common base support functions identified in DoDI 4000.19 (Interservice and Intragovernmental Support) are to reimburse host activities for this support. Reimbursement for DWCF mission products and services (e.g., depot supply, depot maintenance, public works center services, information processing, communications, and software development) shall be based on the approved stabilized rate. Other support incidental to the DWCF activity's primary mission or purpose is to be budgeted and reimbursed based on direct costs measurable and directly attributable to the DWCF activity. Only the incremental change in cost attributable to the DWCF activity (incremental direct cost) shall be chargeable to the DWCF activity. Indirect costs are not to be included as a cost to the DWCF activity.

2.21.3. Chapter 9 provides budget formulation and execution procedures.

2.22 Defense Working Capital Funds - Dual Funded Organizations (010222)

2.22.1. A dual funded organization is an organization that is funded (including reimbursable funding) by both the DWCF and other appropriations or accounts. In those instances where a function is funded with a combination of both DWCF and appropriated funds, the function initially will be funded in its entirety either by the DWCF or by appropriated funds. The determination of whether the particular function initially is to be funded by the DWCF or appropriated funds will be based on the predominance of definable units of measure for the function. Examples of definable units of measure include work load, productive hours, outputs, or ultimate use. The appropriation or account initially funding the function shall be reimbursed by the other account(s) at the same unit of measure as was used to determine the initial funding source.

The amount of reimbursement shall be determined based on the relative portion of that unit of measure attributable to each part of the organization (or funding source) involved.

2.22.2. This policy does not change the policy for reimbursement for base support services provided by the DWCF to tenant activities. The DoDI 4000.19 and sections 0102021 and 090103K provide guidance for funding base support services.

2.23 Defense Working Capital Funds - Customer Mandated Schedule (010223)

2.23.1. When a job order is canceled or reduced in scope, after a DWCF activity has commenced work or incurred costs on the order, the costs incurred plus the applied overhead (that is indirect and other normally allocated overhead (G&A) costs)) plus costs associated with the cancellation or reduction shall be charged to the customer.

2.23.2. Examples of directly associated cancellation or reduction costs to be charged to customers are advance planning costs, non-creditable direct material, special test equipment, necessary preservation and/or shipment effort, and any additional effort necessitated by the cancellation and/or reduction (e.g., salvaging of material). In addition, costs charged to customers should include the costs of salaries payable to employees hired specifically to work on the canceled order until the employees are or could have been separated through a reduction in force or other appropriate action (taking into account appropriate administrative lead time), or reassigned to other direct jobs. Costs which are indirectly associated with the cancellation or reduced customer orders, under-applied overhead costs that may result in a DWCF activity as a whole from a reduced work load base shall not be charged to the customer canceling or reducing their order but shall be recorded against the net operating results of the performing DWCF activity.

2.24 Glossary of Terms – Procurement (010224)

Term	Meaning/Funding Connotation
Advance Procurement (Long Lead Items)	A pre-approved exception to the full funding policy that allows procurement of long lead-time components, material, parts, and effort in a fiscal year before that in which the related end item is to be procured.
Cancellation	Cancellation means the cancellation (within a contractually specified time) of the total requirements of all remaining program years. Cancellation results when the contracting officer notifies the contractor of nonavailability of funds for contract performance for any subsequent program year or fails to notify the contractor that funds are available for performance of the succeeding program year requirement.
Cancellation Ceiling	The maximum cancellation charge that the contractor can receive in the event of cancellation (reference Federal Acquisition Regulation (FAR) 17.103).
Cancellation Charge	The amount of unrecovered costs that would have been recouped through amortization over the full term of the contract, including the term canceled.
Contingent Liability	As a budgetary term, contingent liability represents variables that cannot be recorded as valid obligations. Such variables include: (1) outstanding fixed price contracts containing escalation, price redetermination, potential liability under incentive clause; or (2) contracts authorizing variations on quantities to be delivered; or (3) contracts where allowable interest may

Term	Meaning/Funding Connotation
	become payable by the U.S. government on contractor claims supported by written appeals pursuant to the DISPUTES clause contained in the contract.
Construction	The erection, installation, or assembly of a new facility; the addition, expansion, extension, alteration, conversion, or replacement of an existing facility; the acquisition of a facility; or the relocation of a facility from one installation to another.
Detail Design Costs	The final design effort on ships normally performed in conjunction with lead ship construction, is called "detail design." This effort is procurement funded (SCN).
Economic Order Quantity (EOQ) Procurement	An exception to the full funding policy that allows the use of advance procurement to purchase more than one fiscal year's program increment of components, materials, and parts in order to obtain the economical advantages, sustain a production line, etc.
Facility Modernization	The alteration or replacement of facilities solely to implement new or higher standards, to accommodate new functions, or to replace building components that typically last more than 50 years (such as the framework or foundation).
Facility Restoration	The restoration of real property to such a condition that it may be used for its designated purpose. Restoration includes repair or replacement work to restore facilities damaged by inadequate sustainment, excessive age, natural disaster, fire accident, or other causes
Facility Sustainment	The maintenance and repair activities necessary to keep an inventory of facilities in good working order. Examples include regular roof replacement, refinishing of wall surfaces, repair and replacement of heating and cooling systems, and replacement of tile and carpeting.
Full Funding	Requires the total estimated cost of a complete, military useable end item or construction project funded in the year in which the item is procured. If a future year's appropriation is required for delivery of an end item, the end item is not fully funded. It prevents funding programs incrementally and provides a disciplined approach for program managers to execute their programs within cost.
Funded Delivery Period (FDP)	A funded delivery period encompasses a 12-month period that begins when the contractor delivers the first item of a fiscal year procurement. Confusion exists regarding this time period because, in many instances, accurate administrative and production lead-times (ALT/PLT) have not been included in the calculation. The calculation should begin with October 1. From this point in time, the ALT and PLT should be added. This amount of time plus the next 12 months are included in the funded delivery period. When excessive lead-times are included in the calculation, additional quantities are procured that could have been funded in the following fiscal year with no change in the delivery schedule.
Maintenance	The routine, recurring effort conducted to maintain an end item of investment equipment at its intended capability or designed performance level.
Nonrecurring Costs	Nonrecurring costs are generally incurred on a one-time basis. Costs may include: plant or equipment relocation; plant rearrangement; special tooling and test equipment; preproduction engineering; initial spoilage and rework; pilot runs; allocable portions of the costs of facilities acquired or established to conduct the work; costs incurred for the assembly, training, and

Term	Meaning/Funding Connotation
	transportation of a specialized work force to and from the job site; and unrealized labor learning.
Production Rates	Minimum Sustaining Rate is the production rate for each budget year that is necessary to keep production lines open while maintaining a base of responsive vendors and suppliers; the quantity that will preclude start-up costs in the case of a production break; or the quantity that the contractor is willing to accept and produce at a reasonable cost. Economical Production Rate is the most efficient production rate for each budget year at which the item can be produced with existing or planned plant capacity and tooling, with one shift a day running for eight hours a day and five days a week (1-8-5). Maximum Production Rate is the maximum capacity rate that a contractor can produce with extant or prior year funded tooling.
Recurring Costs	Production costs that vary with the quantity being produced, such as labor and materials.
System	The combination of a number of components that are functioning with the context of a whole to satisfy a documented requirement.
Termination	The right of the government to terminate the performance of work in whole or part under a contract as specified by the contract's Termination for Convenience or Default provisions. Unlike cancellation, which is effected between fiscal years and must apply to all subsequent fiscal years' quantities of items, termination may be effected at any time during the life of a contract and may apply to the total quantity or to a partial quantity of items.

2.25 Glossary of Terms – RDT&E (010225)

Term	Meaning/Funding Connotation
Accepted for Service Use	This is the major milestone in a development program that represents the formal acceptance of an item for operational use by the Service. In some instances items are approved for Service use with qualifying restrictions or provisions pending completion of specific development deficiencies. In such instances the appropriation to fund the correction and test must be determined on a case-by-case basis, according to the expense and investment criteria. Typically, all post-Service acceptance effort will be funded in Procurement appropriations.
Command Support Costs	This term also is used in the context of the T&E programs. It refers to the "people-related" costs of the command and operational units providing collateral support to the T&E effort. These are additional costs incurred because of this test support. Examples are per diem pay, travel allowances, overtime, etc.
Contract Design Costs	The contract design phase of shipbuilding programs follows the preliminary design phase and results in a design that carries the equipment specifications necessary to meet the Navy requirements. These costs are RDT&E-funded.
Developmental Test and Evaluation (DT&E)	DT&E is that test and evaluation conducted to assist the engineering design and development process and to verify attainment of technical performance specifications and objectives.
Government Acceptance of the First Procurement-Funded Engine	This term, which is one of the two minimum requirements for initiation of engine component improvement funding, refers to the date the Government formally accepts delivery (DD Form 250) of the first engine funded under procurement appropriations.

Term	Meaning/Funding Connotation
Initial Operational Test and Evaluation (IOT&E)	It is DoD policy that there shall be conducted, before commitment of a system to production, at least an initial phase of operational test and evaluation (OT&E) adequate to provide a valid estimate of expected system operational effectiveness and suitability (including compatibility, interoperability, reliability, maintainability, and logistic and training requirements). This early phase of the normally longer, overall OT&E program is known as IOT&E.
Operational Test and Evaluation (OT&E)	OT&E is that test and evaluation conducted to estimate a system's operational suitability, identify needed modifications, and provide information on tactics, doctrine, organization, and personnel requirements.
Performance Envelop	The demonstrated capability of a system, system components, and special purpose software to perform its mission in relation to essential characteristics such as: speed, range, payload, altitude, rate of fire, etc.
Preliminary Design Costs	This term refers to those costs incurred in shipbuilding programs in the early stages of the cycle. They should result in a design that, on a performance or requirement basis, approaches the Navy's goal. These costs are RDT&E funded.
Product Improvement	This term embraces all efforts of a research, development, design, or engineering nature that have the objective of improving major end items or major components of major end items. The improvement may involve expanding the useful life of the end item or component, or it may increase the performance capability.
Prototype	This term connotes an item from an R&D program and also connotes RDT&E financing.
R&D Installation or Activity	This term refers to those installations or activities whose support and operating costs are financed predominantly with RDT&E funds.
Special Support Costs	This term, as used in the context of test and evaluation programs, refers to those acquisition or hardware costs, other than those associated with the item that is the subject of the test, which are incurred in direct support of the T&E effort. A good example would be special range instrumentation costs.
Test Article	A system representative prototype designed to obtain, verify or provide data for the evaluation of research and development or evaluate progress in accomplishing development objectives.
Unique Joint Test and Evaluation (JT&E) Costs	This refers to costs such as: feasibility determinations of proposed joint tests; the provision for test design and planning support for joint tests selected; the development, procurement, installation, and operation of special instrumentation; transportation, travel, and per diem costs for the Test Director's staff; the modification of test articles as surrogates and to permit obtaining test data; transportation of equipment from permanent bases to the test site and return; and the provision for data collection/collectors, data reduction, analysis, and test reporting services. Transportation and per diem of participating personnel and maintenance and supply costs are not considered unique.

2.26 Prohibition on Parking of Funds (010226)

Section 1053 of the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2007, to be codified in title 10, United States Code, specifically prohibits an officer or employee of the Department of Defense (DoD) from directing the designation of funds for a particular purpose in the President's budget submission, or in the budget justification materials

submitted in support of the budget, with the knowledge or intent that such funds will not be used for the designated purpose. Further, violation of this prohibition will be treated as a violation of the Anti-Deficiency Act (section 1341(a)(1)(A) of title 31, United States Code).

2.27 Use of Operation and Maintenance Funds under Contingency Construction Authority (CCA) (010227)

The criteria and procedures for the use of O&M funds under CCA (also known as Section 2808 Authority) are listed in Volume 3, Chapter 17, Section 170102(L).

3.0 PROGRAM AND BUDGET REVIEW SUBMISSION (0103)

3.1 General (010301)

3.1.1. This section provides guidance for the development and submission of the biennial budget estimates to OSD as part of the program and budget review process. The internal 2-year Planning, Programming, Budgeting, and Execution (PPBE) process will guide the Department's strategy development, identification of needs for military capabilities, program planning, resource estimation and allocation, acquisition, and other decision processes. The Quadrennial Defense Review (QDR) will continue to serve as the department's major statement of defense strategy and business policy. It also will continue to be the single link throughout DoD that integrates and influences all internal decision processes.

3.1.1.1. The first year of the 2-year cycle will include the Strategic Planning Guidance (SPG), a Joint Programming Guidance (JPG), a Program Objective Memorandum (POM), and a Budget Estimate Submission (BES). Program Decision Memoranda (PDMs) will implement POM decisions; Program Budget Decisions (PBDs) will implement BES decisions.

3.1.1.2. The second year of the internal Defense Department 2-year cycle, or the off-year, will include an SPG, if the Secretary of Defense decides an SPG is necessary. If an off-year SPG is issued, it will not introduce major changes to the defense program, except as specifically directed by the Secretary or Deputy Secretary of Defense. Rather than a POM during the off-year, the Components will submit Change Proposals to accommodate real world changes, and as part of the continuing need to align the defense program with the defense strategy. Instead of full budget documentation, the change proposals will accommodate fact-of-life changes (e.g., cost increases, schedule delays, management reform savings, workload changes, etc.) as well as changes resulting from congressional actions. The off-year also includes execution reviews that will provide the opportunity to make assessments concerning current and previous resource allocations and whether the Department achieved its planned performance goals. Performance metrics will be the analytical underpinning to ascertain whether an appropriate allocation of resources exists in current budgets.

3.1.2. The USD(Comptroller) guidance memorandum, transmitted in June of each year will provide specialized instructions such as program basis for the estimates, key assumptions to be used, and special supporting material requirements. In addition, "supplementary instructions" memoranda issued on an "as needed" basis (usually in July/August) will be limited to specific

instructions which amplify guidance included in the OUSD (Comptroller) memorandum and in this volume. The use of other memoranda to transmit program and budget guidance will be restricted to new or nonrecurring requirements.

3.1.3. Guidance for development of the National Intelligence Program and budget review submission will be issued by the Director of National Intelligence. Additional detail is found in Chapter 16.

3.1.4. The instructions for submitting certain summary schedules are provided in Section 3.5. The instructions for back-up material tailored to each appropriation or fund category are provided in subsequent chapters. Materials required by OMB Circular A-11, which are not otherwise required by this manual, will be submitted in accordance with that Circular, unless specific exception is granted by the OMB. This is covered in Section 1.5.

3.1.5. A budget work schedule will be forwarded by a separate memorandum at the beginning of each budget formulation cycle. This schedule will show the dates to be used for planning the various phases involved in the formulation process.

3.1.6. Common Program and Budget Review Exhibits – a number of exhibits will be identified subsequent chapters and in the annual call memorandum that will be common to both the program and budget review. In most cases this will involve Web based input through the Select and Native Programming (SNaP) data Input System. The process is addressed in section 9.0.

3.1.7. Budget Material

3.1.7.1. As stated in section 3.2, limited paper copies of unclassified budget documents will be provided to the primary OUSD (Comptroller) reviewing Directorate and to OMB. This section also provides detailed distribution guidance on classified material as well as certain summary material.

3.1.7.2. All budget material required in a paper format for the budget submission will be prepared in the formats prescribed in this section. Also, while the unclassified material is to be posted on the Internet, the format size/margins described below should be adhered to. Material submitted in accordance with OMB Circular A-11 will follow the format prescribed by that Circular. All material, with the exception of fold-in charts and tables which may be included, will be prepared on 8.5" x 11" paper. Material fulfilling Circular A-11 requirements will be bound on the left side. All exhibit books, except for Military Construction, Family Housing, Base Closure, and Information Technology, will be printed horizontally (landscape) on 11” x 8½” paper. Addressees will reduce all larger pages to the standard 11” x 8.5” size. All pages in each book are to be consistent in size. The following identifies specific requirements:

3.1.7.2.1. Military Personnel - Material to be printed on both sides of the page with a maximum range of 600-650 pages where possible (300-325 sheets of paper printed on both sides.) Print horizontally (landscape) on 11”x8.5” paper using a 1” margin on the side to be bound and 1/2” for other edges. Use at least font size 10. All material will be printed head to toe

with 3 holes punched across the top margin with staples, screw posts or ACCO fasteners. Use of adhesive binding (glue or tape) is discouraged because it may prevent recycling.

3.1.7.2.2. Operation and Maintenance (to include the Defense Health Program) - Material to be printed on both sides of the page with a maximum range of 600-650 pages where possible (300-325 sheets of paper printed on both sides.) Print horizontally (landscape) on 11"x8.5" paper using a 1" margin on the side to be bound and 1/2" for other edges. Use at least font size 10. All material will be printed head to toe with 3 holes punched across the top margin with staples, screw posts or ACCO fasteners. Use of adhesive binding (glue or tape) is discouraged because it may prevent recycling.

3.1.7.2.3. Research, Development, Test and Evaluation - Material to be printed on both sides of the page with a maximum range of 600-650 pages where possible (300-325 sheets of paper printed on both sides.) Begin each program element on a facing page. Print horizontally (landscape) on 11"x8.5" paper using a 1" margin on the side to be bound and 1/2" for other edges. All material will be printed head to toe with 3 holes punched across the top margin with staples, screw posts or ACCO fasteners. Use of adhesive binding (glue or tape) is discouraged because it may prevent recycling.

3.1.7.2.4. Procurement. Material to be printed on both sides of the page with a maximum range of 600-650 pages where possible (300-325 sheets of paper printed on both sides.) Print horizontally (landscape) on 11"x8.5" paper using a 1" margin on the side to be bound and 1/2" for other edges. All material will be printed head to toe with 3 holes punched across the top margin with staples, screw posts or ACCO fasteners. Use of adhesive binding (glue or tape) is discouraged because it may prevent recycling.

3.1.7.2.5. Military Construction. The justification material for Military Construction will be provided on 8.5" x 11" paper, typed across the short dimension of the paper (portrait) with 3 holes punched on the left margin and bound with screw posts or Acco fasteners. Material is to be printed on both sides of the page using 1" margins. Use of adhesive binding (glue or tape) is not acceptable because it may prevent recycling.

3.1.7.2.6. Family Housing. The justification material for Family Housing will be provided on 8.5" x 11" paper, typed across the short dimension of the paper (portrait) with 3 holes punched on the left margin and bound with screw posts or Acco fasteners. Material is to be printed on both sides of the page using 1" margins. Use of adhesive binding (glue or tape) is not acceptable because it may prevent recycling.

3.1.7.2.7. Base Closure. The justification material for Base Closure will be provided on 8.5" x 11" paper, typed across the short dimension of the paper (portrait) with 3 holes punched on the left margin and bound with screw posts or Acco fasteners. Material is to be printed on both sides of the page using 1" margins. Use of adhesive binding (glue or tape) is not acceptable because it may prevent recycling.

3.1.7.2.8. Facility Sustainment, Restoration and Modernization (FSRM). Provide justification material in accordance with Chapter 8.

3.1.7.2.9. Revolving Funds. Material submitted for the budget estimate submission for **revolving funds** is to be submitted by business area on 8.5"x 11" paper, with 3 holes punched along the 11 inch side to fit standard three-hole binders. Capital Investment Program exhibits will be prepared in landscape format. Budget submitting offices should ensure that all narrative type is consistent. Revolving funds justification books prepared by the Components are to be unclassified. Classified exhibits will be submitted under separate cover.

3.1.7.2.10. Information Technology. Provide justification material in accordance with Chapter 18, Section 180202.

3.1.7.3. Whenever revisions or correction sheets are necessary, the revised pages showing the date of the change will be inserted in each budget book by a staff member of the DoD Component submitting the change. OUSD (Comptroller) Program/Budget staff will instruct the DoD Component's staff member as to the location of the budget books. Corrections should be held to a minimum and are not necessary for minor typographical errors which make no material difference in the analysis and evaluation of the estimates.

3.1.8. Second Year of the Department's Two-year Budget Review Cycle - Budget Material. Budget documentation will be limited in the second year of the 2-year cycle. The primary budget document is the Change Proposal. Other budget exhibit requirements will be determined as this review process evolves. The specific requirements will be identified in the annual Program and Budget Review call memorandum.

3.2 Distribution (010302)

Limited paper copies of unclassified budget documents will be provided to the primary OUSD (Comptroller) reviewing Directorate and to OMB. Additionally, classified budget exhibits, the transmittal memorandum with attachments to the Secretary of Defense, and the budget overview booklets, will be provided in paper format. Submitting Components will also post all unclassified budget material to an access controlled Internet site unless provided for otherwise in the annual budget call memorandum. This will allow all OSD staff offices access to Component budgets while minimizing the need for hard copies of the submissions. Under current procedures, each submitting Component will individually post unclassified budget justification material on an OUSD (Comptroller) hosted NIPRNET site. Additional guidance on accessing this site and content guidance and restrictions will be provided annually. Paper copy distribution of classified/unclassified program and budget review submission material will be made in accordance with the charts on the following pages for the first year of the 2-year budget cycle. Guidance for distribution of paper copies of Component BCPs in the second year of the 2-year budget review cycle will be provided in the annual call memorandum. All required copies will be delivered directly by each Military Department/Defense Agency to the appropriate offices at the room numbers listed on the following page unless guidance elsewhere in this volume or in the annual call memorandum indicates otherwise. However, because of numerous room changes during the Pentagon Renovation and building access changes at non-Pentagon locations, call the listed office prior to delivery of budget material:

* Distribution Delivery Points

Organization	Room	Phone Number
SecDef (OSD Correspondence Control)	3A1066	
USD(Comptroller)		
Budget & Appropriations Affairs (BAA)	3D755	(703) 697-1101
Operations	3C710	(703) 697-2609
Investment (INV)	3C749	(703) 695-2235
Military Personnel & Construction (MPC)	3C654	(703) 697-9198
Revolving Funds (REV FUNDS)	3D755	(703) 697-4210
Program & Financial Control (P&FC)	3C689	(703) 697-0021
Office of the Deputy Chief Financial Officer	3C653A	(703) 695-7000
Director, PA&E	2D309	(703) 697-0395
USD(Acquisition, Technology & Logistics) Mail Room	3C136	(703) 695-4060
USD(Policy)	5E635	(703) 571-9248
ASD(NII)/DoD CIO) Resource Program Budget Office	3D228	(703) 695-3937
USD(Intelligence) Requirements and Resources	2E258	(703) 692-5186
USD(Personnel & Readiness)	3D258	(703) 614-5133
ASD(Health Affairs)	3E1082	(703) 697-2111
ASD(Reserve Affairs)	2E195	(703) 693-7495
The Joint Staff (J-8)	1E963	(703) 695-7066

DOT&E
Attn: Resource Manager
4850 Mark Center Dr
Suite 1000
Alexandria, VA 22301
(703) 681-4012/13

OIG, DoD
Attn: Comptroller Room 470
400 Army Navy Drive
Arlington, VA 22202-2884
(703) 604-9761 /62

DARPA
Comptroller
3701 North Fairfax Drive., 9th Floor
Arlington, VA 22203-1714
(703) 696-2393

Executive Office of the President
Office of Management and Budget (OMB)
National Security Division
NEOB, Room 10001
725 17th St
Washington, D.C. 20503
(202) 395-3777

Office of the Director of National Intelligence
Chief Financial Officer (CFO)
Washington, D. C. 20511
(202) 201-1835

Because of numerous room changes during the Pentagon Renovation and building access changes at non-Pentagon locations, call the listed office prior to delivery of budget material.

Because of mail handling procedures, many offices require courier delivery/pickup in lieu of U.S. Postal Service delivery. Please call offices prior to mailing any material to the above organizations.

Table 1. Justification Material Supporting the OSD/OMB Budget Submission Summary

*** JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION SUMMARY DATA REQUIREMENTS**

	CHAPTER	USD(Comptroller)						Other Organizations												TOTAL
		BAA	OPS	INV	MPC	REVFUNDS	P&FC	PA&E	OMB	AT&L	USD(P)	NII	P&R	HA	USD(I)	RA	TJS	DOT&E	SECDEF	3A948
Transmittal Memorandum to SecDef with each of the following attachments: **Fiscal Guidance Track- TOA in Millions of Dollars (PB-1A)** **Current Year Reprogrammings/Transfers (PB-3)** **Schedule of Military and Civilian Personnel (PB-4),** **Supplemental Appropriation Requirements (PB-8)**	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1		6	22
Overview Booklets	1	5	5	1	1	1	1	5	4	1	1	1	5	1	1	1	1	1		36
Additional Budget Submission (PB-10)	1	1	2	2	1	1	1	1	2	1	1	1	1		1	1	1			18
Automation Submission Requirements	1						**													**

**** See Section 1.5 for the Budget Automation Submission requirements.**

Note: Defense Agencies material must be packaged in sets with the originating agency clearly identified on each page of each exhibit.

Based on exhibit requirements, it is expected that all submissions will be unclassified, "For Official Use Only" with the exception of submissions by CIFA, NGA, NSA, and DIA

Table 2. Justification Material Supporting the OSD/OMB Budget Submission Operation and Maintenance, and Military Personnel Budget Material

JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION
OPERATION AND MAINTENANCE, AND MILITARY PERSONNEL BUDGET MATERIAL

Appropriation	CHAPTER	USD(Comptroller)						Other Organizations										TOTAL
		BAA	OPS	INV	MPC	REVFUND	P&FC	PA&E	OMB	AT&L	USD(P)	NII	P&R	HA	USD(I)	RA	TJS	
MilPers Title Appropriations	*2*																	
Classified budget material		1			2	*1*		*1*	*1*	*1*	*1*	*1*	*1*		*1*	*1*	*1*	*13*
Unclassified budget material					2				*1*									*3*
O&M Title Appropriations	**3/8**																	
Classified budget material		1	2		1	1		1	1	1	1	1	1		1	1	1	14
Unclassified budget material			2		1				1									4
Drug Interdiction & Counterdrug Activities	**14**																	
Classified budget material		1	2	1		1		1	1	1	1	1	1	1	1	1	1	15
Unclassified budget material			2						1									3
Overseas Contingencies Operations Transfer Fund	**17**																	
Classified budget material		1	2	1		1		1	1	1	1	1	1	1	1	1	1	15
Unclassified budget material			2						1									3

Note: Defense Agencies material must be packaged in sets with the originating agency clearly identified on each page of each exhibit.

Classified exhibits should be submitted only when adequate information cannot be provided in an unclassified format to support budget estimates Based on exhibit requirements, it is expected that all submissions will be unclassified, "For Official Use Only" with the exception of submissions for Drug Interdiction and Counterdrug Activities, Overseas Contingencies Operations Transfer Fund, and Defense Agency submissions by CIFA, NGA, NSA, and DIA.

Table 3. Justification Material Supporting the OSD/OMB Budget Submission Procurement Account Budget Material

JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION PROCUREMENT ACCOUNT BUDGET MATERIAL

Appropriation	CHAPTER	USD(Comptroller)						Other Organizations										TOTAL
		BAA	OPS	INV	MPC	REVFUNDS	P&FC	PA&E	OMB	AT&L	USD(P)	NII	P&R	USD(I)	RA	TJS	DOT&E	
Procurement Title Appropriations	4																	
Classified budget material		1		2				1	1	1	1	1	1	1	1	1	1	13
Unclassified budget material				2					1									3

Classified submissions should include all associated exhibits for an individual P-1 line item whether associated exhibit is classified or unclassified.

Defense Agencies classified material must be packaged in sets with the originating agency clearly identified on each page of each exhibit.

Table 4. Justification Material Supporting the OSD/OMB Budget Submission Research, Development Test & Evaluation Account Budget Material

JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION RESEARCH, DEVELOPMENT TEST & EVALUATION ACCOUNT BUDGET MATERIAL

Appropriation	CHAPTER	USD(Comptroller)						Other Organizations										TOTAL
		BAA	OPS	INV	MPC	REVFUNDS	P&FC	PA&E	OMB	AT&L	USD(P)	NII	P&R	USD(I)	RA	TJS	DOT&E	
RDT&E Appropriation Title	**5**																	
Classified budget material		**1**		**2**	**1**	**1**		**1**	**1**	**1**	**1**	**1**	**1**	**1**	**1**	**1**	**1**	**15**
Unclassified budget material				**3**					**1**									**4**

Classified submissions should include all associated exhibits for an individual R-1 line item whether associated exhibit is classified or unclassified.

Defense Agencies material must be packaged in sets with the originating agency clearly identified on each page of each exhibit.

Table 5. Justification Material Supporting the OSD/OMB Budget Submission Revolving and Management Fund Budget Material

JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION REVOLVING AND MANAGEMENT FUND BUDGET MATERIAL

Appropriation	CHAPTER	USD(Comptroller)						Other Organizations											TOTAL
		BAA	OPS	INV	MPC	REVFUNDS	P&FC	PA&E	OMB	AT&L	USD(P)	NII	P&R	HA	USD(I)	RA	TJS	DOT&E	
Revolving Fund Title	9																		
Classified budget material																			
Unclassified budget material						3		1		1									5

Defense Agencies material must be packaged in sets with the originating agency clearly identified on each page of each exhibit.

Table 6. Justification Material Supporting the OSD/OMB Budget Submission Military Construction & Family Housing Account Budget Material

JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION MILITARY CONSTRUCTION & FAMILY HOUSING ACCOUNT BUDGET MATERIAL

Appropriation	CHAPTER	USD(Comptroller)						Other Organizations											TOTAL
		BAA	OPS	INV	MPC	REVFUNDS	P&FC	PA&E	OMB	AT&L	USD(P)	NII	P&R	HA	USD(I)	RA	TJS	DOT&E	
Revolving Fund Title	6																		
Classified budget material		1			2 2			1 1	1	1	1	1	1	1	1	1	1		13 3

Classified submissions should include all associated exhibits for an individual C-1 line item/family Housing Projects whether associated exhibit is classified or unclassified.

Defense Agencies material must be packaged in sets with the originating agency clearly identified on each page of each exhibit.

Table 7. Justification Material Supporting the OSD/OMB Budget Submission Special Interest Requirements Budget Material

JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION
SPECIAL INTEREST REQUIREMENTS BUDGET MATERIAL

PROGRAM	CHAPTER	USD(Comptroller)						Other Organizations											TOTAL
		BAA	OPS	INV	MPC	REV FUND	P&FC	PA&E	OMB	AT&L	USD(P)	NII	P&R	HA	USD(I)	RA	TJS	DOT&E	
Intelligence Programs (NIP & MIP) (IP-1)	16	1		1	1			1	1	1	1		1		1		1		10
Special Interest Exhibits Chapter 19	19																		
Classified budget material		1	2	2	1	1		1	1	1	1	1	1	1	1	1	1	1	19
Unclassified budget material			1	1	1	1			1										5

Note: Defense Agencies material must be packaged in sets with the originating agency clearly identified on each page of each exhibit.

3.3 Preparation of the Biennial Budget Estimates (010303)

3.3.1. General Guidance

3.3.1.1. The Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) will send, in June or July, a budget guidance memorandum establishing submission requirements not included in this volume. Included in this guidance will be budget material due dates and instructions for preparing estimates for the prior year (PY), current year (CY), budget years BY1, and BY2 (in the biennial budget year), and the outyears.

3.3.1.2. Estimates for the biennial budget years and outyears will be based upon the force levels, program decisions, and the TOA levels contained in the Program Objective Memorandums (POMs). The current review schedule provides for concurrent program and budget reviews. If the program review ever precedes the budget review, the TOA levels should reflect the POM levels as modified by any Program Decision Memorandums (PDMs).

3.3.1.3. At various organizational levels throughout the Department of Defense, a systematic cost-benefit analysis of proposed expenditures can be of significant value in program formulation. Investments and expenditures in each appropriation category will normally be supported by an analysis which matches estimated costs with benefits (outputs), subject to the following criteria:

3.3.1.3.1. Funding is, for the first time, shown as required in the period covered by the fiscal guidance, or

3.3.1.3.2. Previously established funding requirements in these years are significantly altered by changed program or project plans.

3.3.1.3.3. The criteria in DoDI 7041.3, "Economic Analysis for Decisionmaking," will apply. Budget submissions will, as a minimum, be accompanied by a statement that (1) the submission is supported by an economic analysis, or (2) an economic analysis is not required, citing the reason. Submission of detailed backup information to OSD will be on "as requested" basis.

3.3.1.4. Transfers of functions between DoD Components will not be reflected in the program and budget review submissions unless they have been approved by the Component Head and the dollar amounts and personnel spaces to be transferred in the current year are fully decided upon by all DoD Components concerned when the estimates are prepared. Under these circumstances, both the gaining and losing Components will reflect the decisions in their estimates with equal and offsetting manpower and dollar amounts. The gaining DoD Component is responsible to confirm that this is the case. If this cannot be confirmed, then neither Component will reflect the transfer in their budget estimates. The exhibit PB-14, Functional Transfers, found in Chapter 19 will identify all functional transfers included in the budget. Each Component will also notify OUSD (Comptroller) Program/Budget of the planned functional transfers not reflected in the budget.

3.3.1.5. Adjustments necessary to properly reflect functional transfers agreed upon by the parties, but not included in the Program and budget review submission, may be accomplished in the budget review process. Functional transfers not submitted in the program and budget review submission or incorporated during the budget review process will be financed by transfer in the current year and the budget year. Necessary exceptions to this general rule will be authorized on a case-by-case basis. Functional transfers during the budget review process should be kept to a minimum.

3.3.1.6. Material should be "Unclassified" and "For Official Use Only" unless contents otherwise require a higher classification. All Program and budget review submission material is subject to DoD 5400.7-R, DoD Freedom of Information Act Program, Chapter II, Exemptions and in particular exemption number 5. Hard copy revised Procurement (P-1 exhibit) and RDT&E Program (R-1 exhibit) must be submitted by the DoD Components with a certification, signed by the Security Officer, confirming that all line items are classified properly.

3.3.2. Pricing in the Biennial Budget Estimates

3.3.2.1. It is DoD policy to reflect the most likely or expected full costs (including military and civilian personnel pay) for the current year, the biennial budget years, and outyear estimates for all appropriations.

3.3.2.2. Estimated price level changes will be based on data provided by OUSD (Comptroller). These indices, which will be updated as economic conditions warrant, will be used to (1) determine the amount of price escalation for a procurement line item, major RDT&E system, or construction item over a given time period, and (2) project inflation in other noncompensation areas of all other appropriations.

3.3.2.3. Military and civilian personnel compensation will be fully funded in the biennial budget estimates using the rates provided by the OUSD (Comptroller).

3.3.2.4. Biennial budget estimates for goods and services will in all cases reflect the following considerations:

3.3.2.4.1. Cost-quantity relationships as they affect unit prices -- e.g., the unit price forecast in the biennial budget estimates will be higher or lower than the unit price current when the estimates are prepared, if differences in the quantities involved are price-significant.

3.3.2.4.2. The state of development or production and the learning curve.

3.3.2.4.3. Specific price changes, to take effect at a future date -- e.g., a specific and authoritative rate or tariff schedule to take effect on a definite future date, which may involve higher or lower prices than those in effect at the time estimates are prepared.

3.3.2.4.4. Predictable cost increases due to risk.

3.3.3. Preparation of Biennial Budget Estimates - Multiple Appropriations

3.3.3.1. Section 10.0 contains formats for those exhibits applicable to more than one appropriation.

3.3.3.2. In addition to those exhibits identified in Section 10.0, there are exhibits required by other chapters which require identification of budget estimates/requirements for more than one appropriation. This is particularly true of requirements discussed in Chapter 19 and personnel exhibits required in Chapter 3. Offices responsible for budget submissions must ensure that all such exhibits reflect total requirements for all appropriations.

3.3.4. Preparation of Biennial Budget Estimates - Operations

3.3.4.1. Separate identification and justification (including cost- benefit studies) is required for management actions such as data automation and systems engineering. The development, implementation and expansion of automated data systems will be based on an economic analysis which should show that the proposed management action will produce an early and demonstrably high return on investment or result in substantial increases in mission performance and effectiveness. Savings from previously approved investments and management actions will be separately identified.

3.3.4.2. The Dependents' Education Program in the budget years would be based on the best estimate of student load and planned at the current year program level in accordance with the criteria for the regular school program established by USD(P&R).

3.3.5. Preparation of Biennial Budget Estimates - Procurement

3.3.5.1. In development of requirements for procurement of modern equipment to offset consumption or attrition of older items, all assets of the older items, as well as acceptable substitutes, will be applied against gross requirements in determining net procurement requirements.

3.3.5.2. Administrative lead-time requirements in the budget years for any principal item should not exceed the lead-time used in the development of the current year budget program.

3.3.5.3. Production lead-times utilized in preparation of estimates for the budget years should be based on the latest contract experience and current conditions, and generally should not be greater than those used for the same item in the development of the current year budget program. Any increases should be clearly identified and accompanied by an explanation of the reason along with an identification of the pricing components/manufacturers used causing the increase.

3.3.5.4. Use of long lead-time component procurement will be consistent with the full funding policy expressed in OMB Circular A-11. In this regard, long lead-time component procurement will be limited to those few critical components whose lead-times exceed the obligation availability of the appropriation or are significantly longer than other components of the same end item.

3.3.5.5. Budget estimates will reflect economic production rates, unless there is strong justification (other than funding constraints) for the use of other rates.

3.3.6. Preparation of Biennial Budget Estimates - Research, Development, Test and Evaluation

3.3.6.1. In the development and review of RDT&E programs, special attention will be devoted to the numbers of civilian and military personnel required for support of those programs.

3.3.6.2. Increased emphasis will be placed on application of standards and austere limitations to housekeeping and support activities including facilities sustainment, facilities operations, equipment replacement and maintenance, and supply inventory levels.

3.3.7. Preparation of Biennial Budget Estimates - Revolving Funds

3.3.7.1. Revolving fund programs and biennial budget estimates will be consistent with, and justified by, related support requirements; that is, program and budget estimates will be based on anticipated customer needs for associated supplies, equipment, and services, loan purchase requirements for production guarantee accounts, scope of operations to be financed through management funds, etc. Biennial budget estimates will be consistent with the anticipated customer needs that can be financed by the related program included in the customers' budget estimates. Increased emphasis should be directed toward assuring that customers are getting maximum value for their appropriated funds.

3.3.7.2. Appropriations funded requirements for the Defense Working Capital Fund will be computed under the same guidance as outlined above for the specific appropriations.

3.4 Second Year of the Department's Two-year Budget Review Cycle - Budget Material. (010304)

Budget documentation will be limited in the second year of the 2-year cycle. The specific requirements will be identified in the annual Program and Budget Review call memorandum.

3.5 Budget Estimates Summaries and Transmittal (010305)

3.5.1. Budget Estimates Transmittal

3.5.1.1 The budget estimates will be transmitted by memorandum to the Secretary of Defense from the Secretary of each Military Department, the Director of each Defense Agency, the Under Secretary, Assistant Secretary or Deputy Assistant Secretary of Defense submitting a Defense-wide budget estimate, and the Director, The Joint Staff. While it is mandatory that the exhibits below be submitted in the precise formats specified, any explanations or highlight information that the submitting official considers appropriate may accompany the transmittal. Exhibits PB-1A, PB-3, PB-4, and PB-8 include budget estimates summary data and will be "Unclassified" "For Official Use Only" unless the contents otherwise require a higher classification.

PB-1A. Fiscal Guidance Track – TOA in Millions of Dollars. (FY 20BY1 thru 20BY2+4) [Section 10.0]

PB-3. Current Year Reprogramming/Transfers Between Appropriations – TOA in Thousands of Dollars [Section 10.0]

PB-4 FY 20BY1and 20BY2 Budget Estimates – Schedule of Civilian and Military Personnel (FY 20PY through 20BY2+4) [Section 10.0]

PB-8. FY 20CY Supplemental Appropriation Requirements (Described in Section 3.6) [Section 10.0]

3.5.1.2. The specified exhibits, transmittal memorandum to the Secretary of Defense, and other explanatory or highlight information will be submitted as follows:

3.5.1.2.1. Secretary of Defense transmittal memorandum, with exhibits PB-1A, PB-3, PB-4, and PB-8 attached. Deliver six copies to OSD Correspondence Control, Room 3A948. Other copy requirements are identified in Section 3.2.

3.5.1.2.2. Overview booklets, such as the Air Force "Highlights," Navy "Blue Book," etc. Copy requirements are identified in Section 3.2.

3.5.1.3. Budget estimates for the Defense portion of the National Intelligence Program will be submitted as prescribed by the Director of National Intelligence (DNI). In addition to budget exhibits specified by the DCI, the Office of the Secretary of Defense requires certain other materials as outlined in Chapter 16.

3.5.1.4. Electronic data will be submitted to support Exhibit PB-4 (see Section 5.5). Extreme care must be exercised to assure that the submission and the exhibits are identical in data content. As described in Section 5.6, the electronic data submissions are the basis for the OSD budget review.

3.5.2. Program and Financing (P&F) Schedules

3.5.2.1. The P&F schedule consists of a budget plan, obligations by object class, and an expenditure tail. For multi-year accounts, the P&F schedule will also include an obligation plan. See Section 5.6, CIS Automation Requirements for the Biennial Budget Submission, for guidance on submitting a P&F schedule.

3.5.2.2. Program data will be presented in the Program and Financing schedule on an obligation basis consistent with the presentation in the President's Budget of previous years, unless other directions are transmitted by separate memorandum.

3.5.2.3. Components will not submit prior year data in the program and budget review submission. Components will submit an actual prior year object class and manpower data update when available in accordance with specific update instructions issued separately.

3.5.2.4. Special Program Categories will be shown on Program and Financing schedules in all cases as they appear in the CIS Budget Structure Listing referenced in Section 5.7.

3.5.2.5. Special care should be taken to assure that data presented in the object classification schedule (Section 5.7) is consistent with information required on special exhibits. For example, object class data provided for advisory and assistance services (CIS Object Class Direct/Reimb. 25110) is the basis for Exhibit PB-15 (Chapter 19).

*3.6 Supplemental Appropriations Submissions (010306)

3.6.1. Budget Estimates Transmittal

3.6.1.1. Supplemental appropriations are normally allowed to meet unforeseen contingencies or national emergencies of a magnitude that cannot be absorbed or accommodated through reprogrammings and transfers. Specific guidance on this will be provided on a case-by-case basis.

3.6.1.2. OMB Circular A-11 provides additional policy guidance on supplemental estimates.

3.6.2. Supplemental appropriation requirements will be submitted on a schedule in the format of Exhibit PB-8, provided in Section 10.0 or as prescribed in specific or separate guidance. This exhibit will be transmitted in the same manner as the budget estimate summaries (see Section 3.5).

3.6.3. Material Included for Informational Purposes

3.6.3.1. Under the 41 U.S. Code authorizations (formerly Section 3732 of the revised statute), the law provides that the President may exempt appropriations, funds, and contract authorizations which are available for military functions under the Department of Defense from the antideficiency provisions of 31 U.S. Code 1517 (formerly Section 3679 of the revised statute) whenever he deems such action necessary in the interests of national defense. Upon determination by the President, that such action is necessary, the Secretary of Defense is authorized to provide for the cost as an accepted expense. For example, if the President determines that it is necessary to increase the number of military personnel on active duty beyond the number for which funds are provided in the annual appropriation act, the Secretary of Defense is authorized to provide for the cost of such increased military personnel as an accepted expense. Obligations are then authorized to be incurred in excess of amounts appropriated. After substantially all obligations have been liquidated, an appropriation is requested to liquidate any unfinanced balances.

3.6.3.2. The law provides essentially that, notwithstanding the balances available, revolving funds may incur obligations to provide for making issues through the production lead-time period (10 U.S.C. 2210(b)). As a technical matter, this constitutes a form of contract authority, and is so displayed in the President's Budget.

3.6.4. Disaster Situations and Management of Disaster/Contingency Supplemental Funds

3.6.4.1. In the event of a disaster or emergency situation, Components will notify OUSD(C), as soon as possible, of needs resulting from the event. Components must be able to quantify the need for disaster relief by providing the OUSD(C) with adequate information for determining that funds are needed to protect people, restore facilities, and/or save lives. If required, OUSD(C) will issue specific guidance and instruction for collecting requirements information. OUSD(C) will review cost and requirements data submitted by the Components to determine if the Department requires additional funding and/or if the appropriate spending authorities are available to support the emergency situation.

3.6.4.2. Supplemental appropriations provided to the Department for war-related costs, and/or costs associated with international or domestic disasters will often have unusual periods of availability for a particular appropriation (for example, Operation and Maintenance appropriations may have a period of availability of more than one year). The emergency funds may be provided in a transfer account that would have an extended period of availability (for example, a three year transfer account). Funds control issuing agents and appropriation managers should ensure that the period of availability of the funds is optimized, to include obligating the amounts in a timely manner, and returning unused or unneeded funds to a transfer account immediately upon becoming available. For example, funds transferred from a three year transfer account to an Operation and Maintenance appropriation will take on the period of availability of the account where transferred, which is one year for Operation and Maintenance. If the funds are not used before the end of the period of availability and if statutory transfer authority is available, the Component's funds control agent should initiate a reprogramming action to transfer those funds back to the transfer account where they, once again, take on the remainder of the three-year period of availability. This practice ensures the funds provided by the Congress are optimized and are

available to support the disaster or emergency event in subsequent years in accordance with Congressional intent.

3.7 Additional Budget Submissions (ABS) (010307)

3.7.1. General Guidance. Following the initial program and budget review submission (initial submit), Additional Budget Submissions may be made, where warranted by specific changes in circumstances, within approved TOA control totals established by the USD(Comptroller) and under the following restrictions:

3.7.1.1. Additional Budget Submissions must be submitted as adjustments to, not substitutes for, the initial submit.

3.7.1.2. Unless otherwise directed by the USD(Comptroller), Additional Budget Submissions must be offset with equal or greater cost tradeoffs, and must clearly indicate the areas of increase and decrease consistent with the justifications submitted as part of the initial submit.

3.7.1.3. Proposed decreases may not consist of reductions already effected or imminently planned to be effected as part of the budget review.

3.7.1.4. Additional Budget Submissions may not be used to compensate for incomplete or inadequate initial submits.

3.7.1.5. Additional Budget Submissions may not be used to appeal budget decisions.

3.7.1.6. If an additional budget submission results in an impact on revolving funds, those related requirements must be incorporated in the additional budget submission.

3.7.2. Submission Requirements. In order to be considered during the budget review, all additional budget submissions must be received no later than the date specified in the annual guidance. Additional budget estimates for the biennial years 1 and 2 will be accompanied by Exhibit PB-10, provided in Section 10.2, plus the necessary justification material. This should take the form of a complete narrative justification and may be included on the transmittal memorandum or as an attachment to Exhibit PB-10. The applicable out-year impact of the Additional Budget Submission will also be shown on Exhibit PB-10. The additional estimates will be transmitted in two copies (plus two additional copies for each appropriation affected) by memorandum to the USD(Comptroller) and signed by the same official who submitted the initial budget estimates or his appointed deputy. All Additional Budget Submissions will be hand carried to the Office of the USD(Comptroller), Directorate for Program and Financial Control, Room 3C689, for OSD processing. The Additional Budget Submission will be addressed in subsequent budget decision document(s).

3.8 Major Budget Issues (MBIs) (010308)

Near the end of the budget review process, the Secretary of Defense and the Deputy Secretary of Defense may provide for the review of Component major policy or budget issues that have not yet been resolved. Resolution of these issues may displace other programs within the fixed DoD topline. Copy requirements of Component issues will be provided if an MBI review is scheduled. A general format is provided in Section 10.2.

3.9 Budget Review Procedures (010309)

3.9.1. Comptroller Information System (CIS). The automated CIS is the official OSD record of the budget estimates as submitted by the DoD Components and adjusted by Secretary of Defense decisions known as Program Decision Memorandums (PDMs) and Program Budget Decisions (PBDs). The data contained in the CIS is the base for data required for the OMB MAX Budget System, as required by OMB Circular No. A-11. CIS data is electronically transmitted to OMB for preparation of the President's Budget. In addition, CIS is used to prepare a comprehensive set of management information summaries to support the budget press release, statements to the Congress and other information requirements. Financial data, military end strength, and civilian full time equivalent (FTE) data are provided. Program and Budget Review Submissions are entered into the system through electronic submissions from the DoD Components or through on-line interaction with the system. During the joint OMB/OSD Program and Budget Review, program and budget decision documents are recorded into CIS and the current status of the program and budget review is readily available soon after the data are processed.

3.9.2. Development of Out-year Data During the Program and Budget Review

3.9.2.1. Throughout the Program and Budget Review a continuing update of the out-year TOA and manpower is performed to reflect the extension of CY, BY1, and BY2 decisions made during the budget review.

3.9.2.2. TOA, military end strength and civilian FTE data for the initial out-year database are provided by each of the DoD Components. During the program and budget review, as program and budget decision documents are approved and recorded into CIS, the TOA and manpower out-year impact of each decision is addressed on the decision document and is also entered into CIS. The program and budget decision document will contain one of the following descriptors of out-year impact:

3.9.2.2.1. The estimated out-year impact for each year in thousands of dollars and full-time equivalents/end strength.

3.9.2.2.2. Substantive program direction for the out-years as a basis for DoD Component determination of dollar amounts and manpower involved (to be used if out-years are not specifically addressed in a budget decision document).

3.9.2.2.3. No known out-year impact

3.9.2.3. As with the CY, BY1, and BY2 decisions, the out-year adjustments approved in the Secretary of Defense decisions are entered into the CIS. TOA adjustments are recorded at the appropriation account level, Budget Activity/Special Program Category, and by Program Budget Decision number. Manpower data is recorded at the appropriation account level, by Program Budget Decision number and special program code with active military manpower detailed by officer, enlisted and cadets; selected reserve manpower detailed by officer and enlisted personnel category; and civilian FTE detailed by U.S. direct hire (direct and reimbursable), foreign national direct hire (direct and reimbursable), and foreign national indirect hire (direct and reimbursable).

3.9.2.4. The CIS produces Out-year Impact Status Reports on a recurring basis throughout the *program and* budget review. These reports, which are *available* to the applicable DoD Components, show TOA & manpower data by appropriation, special program code and personnel category for the budget submission base and all adjustments to the base resulting from decisions made during the budget review. The final reports at the conclusion of the budget review reflect the out-year numbers (TOA and manpower) which are the control numbers for the President's Budget update of the Future Years Defense Program (FYDP). It is essential that the Out-year Impact Status Reports be reviewed by the DoD Components on a recurring basis during the budget review so the out-year numbers are under continuous scrutiny and the President's Budget update for the FYDP may proceed in a timely manner.

3.9.3. Printing Schedule for Budget Material

3.9.3.1. OMB Circular No. A-11 prescribes the requirements for materials to be included in the President's Budget document. Annually, the ODC(P/B), OUSD (Comptroller) publishes instructions on the procedures to be followed during the budget review. These instructions detail the sequence of events necessary to finalize the budget review and complete the printing phase of the budget. All actions concerning printing of budget material will be accomplished in accordance with these references and the following paragraphs.

3.9.3.2. Electronic galleys

3.9.3.2.1. The OMB will provide OUSD (Comptroller) and Office of the Deputy General Counsel (Fiscal) within the OSD, General Counsel with an electronic copy of the galleys based on the previous year's President's Budget document. The OMB electronic galley version is divided into two parts, Appropriation Language and Narrative Language. The OSD, General Counsel is responsible for all Appropriation Language galleys (except for the dollar amounts); the OUSD (Comptroller) is responsible for all Narrative Language galleys. The Narrative Language galleys include any "text tables" such as Active/Reserve End Strength Forces tables and Defense Health Program Eligible Beneficiary Category tables.

3.9.3.2.2. The dollar amounts contained in the Appropriation Language galleys such as the amount to be appropriated are the responsibility of the OUSD (Comptroller), Program and Financial Control Directorate. In most cases, these dollar amounts are generated electronically from the Comptroller Information System (CIS) and loaded directly into OMB budget system. However, amounts for Emergencies and Extraordinary Expenses need to be posted

to the electronic galleys. The Program and Financial Control Directorate (P&FC) will identify these items, coordinate with other OUSD (Comptroller) Directorates, and ensure that accurate dollar amounts are reflected in the OSD, General Counsel version submitted to OMB.

3.9.3.2.3. Both Appropriation Language and Narrative Language galleys are updated and submitted electronically to OMB. The Appropriation Language galleys will be electronically updated by the OSD, General Counsel and coordinated with the OUSD (Comptroller) around mid-December. The Narrative Language galleys are updated within OUSD (Comptroller) in the same timeframe. New accounts, accounts with supplementals requiring separate schedules, rescission proposals and other material to be presented in the President's Budget document will also be accomplished electronically. The submission of electronic galleys is intended to fill technical budget preparation needs (i.e., determine that all lines, account titles, text, and appropriation language are correct and that all required schedules are in print). The OMB will post the electronic submission along with OMB-initiated changes for OSD, General Counsel, and OUSD (Comptroller) review until the Department has made the final submission to OMB's MAX system in early January.

4.0 CONGRESSIONAL JUSTIFICATION/PRESENTATION (0104)

4.1 General (010401)

4.1.1. Purpose

4.1.1.1. This section provides instructions for the preparation of justification material for presentation to congressional committees. Justification material should be developed using the guidelines established herein as the minimum requirements to be included in the Justification Books. Any exception to these minimum requirements must be cleared with OUSD (Comptroller) Program/Budget.

4.1.1.2. Justification of proposed supplemental appropriations and budget amendments are covered in OMB Circular A-11 and Section 4.2; however, separate instructions will be issued by OUSD (Comptroller) Program/Budget as the need arises.

4.1.1.3. General preparation and submission instructions pertaining to individual appropriations, Intelligence Programs and Communications, Command and Control (C^3) Programs are contained in Chapters 2 thru 7, 9, 10, 12, 13, 16 and 19.

4.1.1.4. All congressional budget/presentation material is subject to DoD 5400.7-R, DoD Freedom of Information Act (FOIA) Program requirements. Chapter 3, Exemptions, should be reviewed carefully before denial of any FOIA request. Exemptions will generally fall into exemption 5. Use of For Official Use Only (FOUO) must meet the requirements of DoD 5400.7-R, Chapter 4.

4.1.2. Preparation of Material

4.1.2.1. Separate Justification Books will be furnished for each appropriation relating to each Military Department. Material prepared by individual Defense Agencies and Office of the Secretary of Defense organizations will be consolidated by OUSD (Comptroller) Program/Budget into a single Justification Book for each appropriation. Material for the Operation and Maintenance, Defense-wide; U.S. Court of Appeals for the Armed Forces, Defense; Environmental Restoration, Defense; Office of the Inspector General; Overseas Humanitarian Disaster and Civic Aid; and other operation and maintenance type appropriations will be consolidated into a single Justification Book. The OUSD (Comptroller) Program/Budget will also develop an O&M Overview book as well as a consolidated overview of Multiyear Procurement programs based on submissions of the Military Departments and Defense-wide components. Additionally, information technology budget material prepared by the Military Departments and other DoD Components will be consolidated by the Office of the ASD(NII)/DoD CIO Resource Management Directorate into a single Justification Book. Combating Terrorism budget material prepared by DoD Components will be consolidated into a single justification book by the assistant secretary of Defense for Special Operations and Low Intensity Conflict (SO/LIC). The Department of the Army will prepare a justification book for Chemical Demilitarization programs and will consolidate material for the Army Family Housing and Homeowners' Assistance Fund, Defense appropriations into a single Justification Book. Each Department will prepare a Justification Book for each Base Closure Account. In addition, separate Justification Books will be prepared for Intelligence-Related Activities and the Defense portion of the National Intelligence Program, the latter as prescribed by the Director of National Intelligence. All other Justification Books will be annotated as appropriate to indicate items and resources supported in Intelligence Program Justification Books. Also, separate Justification Books will be prepared for NIP/MIP program aggregations as prescribed in Chapter 16.

4.1.2.2. Classified and unclassified data will be included in the single volume or set of volumes for each appropriation with the classified pages bearing the appropriate security classification, except that all materials contained in the Military Personnel and Operation and Maintenance justification books will be unclassified. Classified exhibits will be submitted separately and explanation provided for their being classified. Fiscal data pertaining to explicitly identified portions of the National Intelligence Program shall be classified in accordance with instructions in Chapter 16.

4.1.2.3. The highest security classification of data included in Justification Books will be SECRET. Information requiring a higher classification will be discussed with OUSD (Comptroller) Program/Budget on an individual situation basis. All classified data will be bracketed by pencil [ ] to permit the congressional committees to publish an unclassified version. Data not bracketed will be assumed to be unclassified. In bracketing classified columnar data, each column will be individually bracketed. Care must be taken to assure that unclassified data are not bracketed. Security classification markings should be centered at the top and bottom of applicable pages to assure clarity. The appropriate automatic downgrading notation will be used in accordance with DoD 5200.1-R, Information Security Regulation. The appropriate classification cover sheet must be utilized.

4.1.2.4. Military Departments and Defense Agencies will be responsible for clearing the justification material with the Washington Headquarters Services, Directorate for Freedom of Information and Security Review, prior to transmittal to OMB and the congressional committees.

4.1.2.5. The Program and Financing, Object Classification and Personnel Summary schedules will reflect current year program supplemental appropriation requirements as directed by OMB.

4.1.2.6. Reports of the Program and Financing and Object Classification Schedules will be available from OUSD (Comptroller) Comptroller Information System (CIS) and will be used in the Justification and Backup Books as specified for each appropriation title in the following chapters.

4.1.2.7. Printing of Congressional Budget Material:

4.1.2.7.1. General. Tabs will be used only where specified by OSD; McCall (edge) indexing will be used as appropriate. Justification material should be printed on both sides of the page wherever feasible. Headings for an appropriation or budget activity will appear on the initial page of the subdivision and will not be repeated on subsequent pages, except RDT&E Program Element Listings. The Components will work with Defense Automation and Production Service (DAPS) to determine the most appropriate and quickest method of printing and fastening each of the books subject to the guidance by appropriation title below.

4.1.2.7.2. Military Personnel. Material to be printed on both sides of the page with a maximum range of 600-650 pages where possible (300-325 sheets of paper printed on both sides.) Print horizontally (landscape) on 11”x8.5” paper using a 1” margin on the side to be bound and 1/2” for other edges. All material will be printed head to toe with 3 holes punched across the top margin with staples, screw posts or ACCO fasteners. Use of adhesive binding (glue or tape) is discouraged because it may prevent recycling. Font size must be at least size 10.

4.1.2.7.3. Operation and Maintenance. Material to be printed on both sides of the page with a maximum range of 600-650 pages where possible (300-325 sheets of paper printed on both sides.) Print horizontally (landscape) on 11”x8.5” paper using a 1” margin on the side to be bound and 1/2” for other edges. All material will be printed head to toe with 3 holes punched across the top margin with staples, screw posts or ACCO fasteners. Use of adhesive binding (glue or tape) is discouraged because it may prevent recycling. Font size must be at least size 10.

4.1.2.7.4. Research, Development, Test and Evaluation. Material is to be printed horizontally (landscape) on both sides of the page on 11" x 8.5" paper using a 1” margin on the side to be bound and 1/2” for other edges. Components will request DAPS to reduce all larger pages to the standard 11" x 8.5" size so that all of the pages in each book are consistent in size. The material will be printed head to toe with 3 holes punched across the top margin. The following is the fastening preference: staples, screw posts, ACCO fasteners, etc. Use of adhesive binding (glue or tape) is discouraged because it may prevent recycling. Books are to be a

maximum range of about 600-650 pages where possible (300-325 sheets of paper printed both sides).

4.1.2.7.4.1. Since the justification material is printed double sided, then each PE package must begin on the front side of a new page. When the last page of a PE package does not end on the backside of the paper, then a blank page must be inserted with the wording "This page intentionally left blank" in bold letters, centered on the page. The reason for this is so that the justification material can be easily broken apart and sorted by PE with all of the pertinent exhibits.

4.1.2.7.4.2. For those Components that have a large number of PEs and printing the material all in one volume is impractical, it is preferred that the justification material be submitted by budget activity with the Science and Technology budget activities (BA 1 through BA 3) printed in one volume and the remaining budget activities printed in a separate volume or in individual volumes. Each separate book should include an R-1 listing and a table of content indicating which volume and page the applicable program element can be found.

4.1.2.7.5. Procurement. Material to be printed on both sides of the page with a maximum range of 600-650 pages where possible (300-325 sheets of paper printed on both sides.) Print horizontally (landscape) on 11"x8.5" paper using a 1" margin on the side to be bound and 1/2" for other edges. All material will be printed head to toe with 3 holes punched across the top margin with staples, screw posts or ACCO fasteners. Use of adhesive binding (glue or tape) is discouraged because it may prevent recycling.

4.1.2.7.6. Military Construction. The justification material for Military Construction will be provided on 8.5" x 11" paper, typed across the short dimension of the paper (portrait) with 3 holes punched on the left margin and bound with screw posts or Acco fasteners. Material is to be printed on both sides of the page using 1" margins. All exhibits will be printed utilizing white paper. Use of adhesive binding (glue or tape) is not acceptable because it may prevent recycling.

4.1.2.7.7. Family Housing. The justification material for Family Housing will be provided on 8.5" x 11" paper, typed across the short dimension of the paper (portrait) with 3 holes punched on the left margin and bound with screw posts or Acco fasteners. Material is to be printed on both sides of the page using 1" margins. Use of adhesive binding (glue or tape) is not acceptable because it may prevent recycling.

4.1.2.7.8. Base Closure. The justification material for Base Closure will be provided on 8.5" x 11" paper, typed across the short dimension of the paper (portrait) with 3 holes punched on the left margin and bound with screw posts or Acco fasteners. Material is to be printed on both sides of the page using 1" margins. Use of adhesive binding (glue or tape) is not acceptable because it may prevent recycling.

4.1.2.7.9. Revolving Funds. Justification books for revolving funds are to be submitted in one volume with 3 sections: Component Overview; Operating Budget and Capital Budget. Component Overview and Operating Budget sections are to be printed in portrait format

(vertically) on 8.5" x 11" paper head to head on 2 sides. Capital budget exhibits are to be printed in landscape format (horizontally) on 11" x 8.5" paper head to toe on 2 sides. Budget submitting offices should ensure that all narrative type is consistent. All justification material will be punched to fit standard three-hole binders. Use of adhesive binding (glue or tape) is not acceptable because it may prevent recycling.

4.1.2.7.10. Intelligence Programs. Instructions for these books are contained in Chapter 16.

4.1.2.7.11. Information Technology. Provide material in accordance with guidance contained in Chapter 18.

4.1.2.8. Justification book cover inserts will be 220 index stock using the following colors: **Army - green**; **Navy - buff**; **Air Force - blue**; **Defense-wide justification material (Agencies, Office of the Secretary of Defense, Defense Health Program, and Commander In Chiefs to include the U.S. Special Operations Command) - white**. Covers will bear the appropriate security markings, title of the volume as specified herein, the phrase "Submitted to Congress February 20...," and the appropriations included.

4.1.2.9. The use of acronyms and abbreviations in the justification material should be held to a minimum. However, where acronyms and abbreviations are used, they must be identified on the page on which they appear.

4.1.2.10. The exhibit numbers used in this section are for reference purposes only and should not be used in the Justification Books.

4.1.3. Submission of Justification Books for Review

4.1.3.1. Before the justification material can be released to the Congress, it must be reviewed by the appropriate OUSD (Comptroller) or OASD(NII) /DoD CIO to ensure that policies and decisions made by the President and Secretary of Defense are fully reflected. Accordingly, three advance sets of Justification Books will be forwarded to the appropriate OUSD (Comptroller) Directorate for review or for Information Technology exhibits as directed by OASD(NII)/DoD CIO. The following is a list of the directorates:

Directorate	**Room**	**Phone Number**
Directorate for Operations	3C710	697-2609
Directorate for Military Personnel and Construction	3C654	697-6359
Directorate for Investment	3C749	695-2235
Directorate for Revolving Funds	3D755	697-4210
Office of the ASD(NII)/DoD CIO Resource Management Directorate	3D228	695-3937 (For IT Justification)

4.1.3.1.1. In addition, one set of the Military Personnel and Operation and Maintenance Justification Books for the Reserve Components will be delivered to OASD(RA), Room 2E195.

4.1.3.1.2. The Military Departments should also send two copies of advance sets of justification books to Washington Headquarters Services, Directorate for Freedom of Information and Security Review ((703) 696-4538) for clearance. Clearing material through this Directorate should be accomplished piecemeal to expedite the final review. Clearance by OUSD (Comptroller) P/B will be evidenced by an approval from the applicable Program/Budget Directorate designated official, initialed on one of the advance copies of each Justification Book and returned to the applicable service. The OUSD (Comptroller) Directorate having cognizance over the budget material will obtain any necessary clearance from the Office of Management and Budget (OMB). Upon advice from OUSD (Comptroller) P/B and Washington Headquarters Services, Directorate for Freedom of Information and Security Review that the advance sets of justification books are acceptable, the DoD Components will complete preparation and assembly of Justification Books.

4.1.3.1.3. Under no circumstances will justification material be released to congressional committees or the public prior to receipt of these clearances.

4.1.3.2. Except as specified herein, submission dates will be provided in separate correspondence from OUSD (Comptroller) Program/Budget.

4.2 Supplemental and Amended Appropriations Requests (010402)

4.2.1. Organization of Supplemental Appropriations Requests Justification Books

4.2.1.1. Justification Books in support of supplemental appropriations requests will be prepared by OUSD (Comptroller) P/B, based on material furnished by the DoD Components. Justification materials will be addressed in separate correspondence from OUSD (Comptroller) P/B.

4.2.1.2. The Justification Book will generally be arranged as follows:

4.2.1.2.1. Table of Contents and Summaries. These items will be prepared by OUSD (Comptroller), P/B.

4.2.1.2.2. Section 1 – Narrative Justification. This section will contain narrative justifications, and any special exhibits in support of program supplemental requests. Supplemental appropriation requests related to all program supplementals will be supported by a narrative justification.

4.2.1.2.3. Section 2 – Appropriation Act language. This section will contain required appropriation act language. The appropriation language will be extracted by OUSD (Comptroller) P/B from the Budget Appendix.

4.2.2. Organization of Amended Appropriations Requests Justification Books

4.2.2.1. A separate abbreviated Justification Book will be prepared by OUSD (Comptroller) and/or each Military Department for each affected appropriation title; e.g., Operation and Maintenance; Procurement; RDT&E; etc. (Additional justification materials required of Defense Agencies and for Defense-wide accounts will be identified in separate correspondence from OUSD (Comptroller). Related Justification Books will be prepared by OUSD (Comptroller) P/B.) Justification books will be organized by supplemental category (e.g., contingencies, natural disasters, etc.) Each Book should be stapled but must contain holes punched to fit existing Justification Book binders. (NOTE: Depending on the magnitude of a particular budget amendment; i.e., number of DoD components and appropriation accounts affected, single Justification Books may be prescribed for each DoD Component, or a single Justification Book may be prepared by OUSD (Comptroller) P/B with input from the affected DoD Components.)

4.2.2.2. Each Justification Book will contain the following, as a minimum:

4.2.2.2.1. A single Table of Contents

4.2.2.2.2. By individual appropriation account:

4.2.2.2.2.1. Revised appropriation language (retyped from Budget Appendix to reflect revised request).

4.2.2.2.2.2. Budget Amendment Summary, in the format of Exhibit PB-37R (see Section 10.0), highlighting changes to the pending request.

4.2.2.2.2.3. Program and Financing Schedule (abbreviated) in the format of Exhibit PB-37S (see Section 10.0). Both the Budget Plan and Obligation Plan will be shown for multi-year accounts.

4.2.2.2.2.4. Narrative Justification by Budget Activity in the format of Exhibit PB-37T (see Section 10.0). Narrative will discuss dollar, quantity, personnel changes, etc., at least at the level of changes indicated on the Budget Amendment Summary (Exhibit PB-37R).

4.2.2.2.2.5. Existing P-1 and R-1 Exhibits will be marked up to indicate changes resulting from the proposed amendment.

4.2.2.2.2.6. Procurement and RDT&E Justification material will be retyped, where applicable, to encompass changes resulting from the proposed amendment.

4.2.2.3. When prepared by a Military department, three advance sets of materials will be forwarded to the Directorate for Budget and Appropriations Affairs, OUSD (Comptroller), Room 3D755. Two copies should also be submitted at that time to Washington Headquarters Services, Directorate for Freedom of Information and Security Review, (703) 696-4538, for

security clearance. Other appropriate provisions of Section 4.1 pertain. Military Departments will make the same distribution of above Books as for regular congressional justification materials.

4.2.3. References. Additional instructions are contained in OMB Circular A-11.

4.3 Distribution/Internet Posting of Budget Material (010403)

4.3.1. Copies of **OSD-generated** justification materials for congressional distribution will be delivered to OUSD (Comptroller), Budget & Appropriations Affairs, Room 3D755 for delivery to the congressional committees.

4.3.2. Each Military Department will deliver copies of its justification material to congressional committees, GAO, Library of Congress, CBO, and OMB, etc. The OUSD (Comptroller) (P/B) will distribute copies of the consolidated Defense-wide justification material unless assigned to a Military Department. The Office of the ASD(NII)/DoD CIO Resource Management Directorate will distribute copies of the consolidated Information Technology Justification.

4.3.3. Copies of classified material and other backup documentation for OSD will be delivered directly by each Military Department to the offices listed. Total distribution including the number of copies is also provided on the following tables. Advance books (40) are required to be produced by the due dates so that immediate distribution may be made to the congressional committees. The remaining quantities will be delivered/distributed 3 to 5 days thereafter.

4.3.4. Internet Posting of Unclassified Budget Justification Material

4.3.4.1. Justification material for the President's budget will have limited paper copy distribution as shown on the distribution charts. No internal DoD distribution will be made of unclassified justification material that is provided to the Congress, OMB and other non-DoD organizations. This justification material will be available solely through posting to Component Internet sites.

4.3.4.2. However, classified budget justification and budget backup material as identified in the distribution tables will be provided in paper copy to the organizations listed. Appropriate OUSD (Comptroller) directors should be consulted prior to distribution of material not listed.

4.3.4.3. Internet posting on Component Web Sites.

4.3.4.3.1. Web pages presenting Defense budget documents must be designed to facilitate user discovery of the information. These pages will be used extensively by Congressional staffs, the media, and the public, and the presentation of material reflects upon the organization sponsoring the site. Budget documentation should be logically grouped, and link names should be clear and concise, to allow the user to rapidly navigate to the document of interest. Graphical content should be limited, to allow reasonable download times when accessed via modem. The Military Departments must ensure that established web pages meet these criteria.

4.3.4.3.2. Defense Agencies and managers of Defense-wide accounts will be provided separate guidance for the submission of budget justification in an electronic format. OUSD (Comptroller) will consolidate Defense-wide justification and distribute/post to the Comptroller Internet site.

4.3.4.3.3. Posting of justification material on Component web pages should occur no later than 5 working days after delivery of the paper copies to the Congress, but not prior to delivery to the Congress.

4.3.4.3.4. As a reminder, for Freedom of Information requests received prior to posting the unclassified budget material on the Internet , it is the responsibility of the DoD component to comply with the request in accordance with DoD 5400.7-R.

4.3.5. CD-ROM Production. Upon completion of the posting of budget justification material to the Component Internet site, a CD-ROM containing all of this material will be produced and distributed in accordance with the distribution tables that follow. This CD-ROM should be distributed not later than 45 days after the Budget of the United States Government is presented to the Congress. This process will make budget material available for those that lack Internet access and for historical purposes.

*** Distribution Delivery Points**

Office	Room	Phone Number
SecDef (OSD Correspondence Control)	3A1066	
USD(Comptroller)		
Budget & Appropriations Affairs (BAA)	3D755	(703) 697-1101
Operations	3C710	(703) 697-2609
Investment (INV)	3C749	(703) 695-2235
Military Personnel and Construction (MPC)	3C654	(703) 697-6359
Revolving Funds (REV FUNDS)	3D755	(703) 697-4210
Program & Financial Control (P&FC)	3C689	(703) 697-0021
Office of the Deputy Chief Financial Officer	3C653A	(703) 695-7000
Director, PA&E	2D309	(703) 697-0395
USD(Acquisition, Technology & Logistics) Mail Room	3C136	(703) 695-4060
USD(Policy)	5E635	(703) 571-9248
ASD(NII)/DoD CIO) Resource Program Budget Office	3D228	(703) 695-3937
USD(Intelligence) Requirements and Resources	2E258	(703) 692-5186
USD(Personnel & Readiness)	3D258	(703) 614-5133
ASD(Health Affairs)	3E1082	(703) 697-2111
ASD(Reserve Affairs)	2E195	(703) 693-7495
The Joint Staff (J-8)	1E963	(703) 695-7066

DOT&E
Attn: Resource Manager
4850 Mark Center Dr
Suite 1000
Alexandria, VA 22301
(703) 681-4012/13

OIG, DoD
Attn: Comptroller Room 470
400 Army Navy Drive
Arlington, VA 22202-2884
(703) 604-9761/62

DARPA
Comptroller
3701 North Fairfax Drive., 9th Floor
Arlington, VA 22203-1714
(703) 696-2393

Executive Office of the President
Office of Management and Budget (OMB)
National Security Division
NEOB, Room 10001
725 17th St
Washington, D.C. 20503
(202) 395-3777

GAO
U.S. Government Accountability Office

NSIAD/TIC
Attn: Nadine Furr (DCM, Room 4035) (Unclassified Material)
Backup: Sharon Pickup (DCM Director, Room 4033)
US GAO
441 G Street, NW
Washington, DC 20548
(202) 512-4361
(202) 512-9619

NSIAD Document Control Office
Attn: Wanda Beasley (Classified Material)
441 G Street, NW --Room 4035
Washington, DC 20548
(202) 512-5810

Congressional Budget Office (CBO)
Ford House Office Building
Rm. 428 (Attn: Sarah Jennings)
2nd and D Streets, S.W.
Washington D.C. 20515
(202) 226-2840
(202) 225-3185 (FAX)

Library of Congress
Rm. LM-208 (stop 7500)
Attn: Bruce Krafte
James Madison Library Bldg.
101 Independence Ave., S.E.
Washington, D.C. 20540
(202) 707-8845

Because of numerous room changes during the Pentagon Renovation, call the listed office prior to delivery of budget material.

Because of mail handling procedures, many offices require courier delivery/pickup in lieu of U.S. Postal Service delivery. Please call offices prior to mailing any material to the above organizations.

Table 8. Justification Material Supporting The President's Budget Request Military Personnel Accounts

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
MILITARY PERSONNEL ACCOUNTS

Appropriation	CHAPTER	USD(Comptroller)						Other Organizations									DETOENTSAEL
		BAA	OPS	INV	MPC	REVFUND	P&FC	PA&E	AT&L	POLICY	NII	P&R	USD(I)	RA	TJS	OIG	
Military Personnel, Active, Guard and Reserve	2																
In-house Backup Exhibits (MP/MPR)		1			4			1	1	1	1	4	1	1	1	1	17
Justification Book					2												2

Table 8. Justification Material Supporting the President's Budget Request Military Personnel Accounts (Continued)

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
MILITARY PERSONNEL ACCOUNTS

Appropriation	CHAPTER			HAC				SAC												TOTAL
		OMB	GAO	DEF SUB	DEF MIN	QOL SUB	QOL MIN	DEF SUB	DEF MIN	MCN SUB	MCN MIN	HASC	SASC	HPSCI	SSCI	HBC	SBC	CBO	CLOINBRA GRERSY S	
Military Personnel, Army Justification Book	2	2	3	3	1	1	1	2	1			5	6	1	1	2	2	2	1	34
Military Personnel, Navy Justification Book	2	2	3	3	1	1	1	2	1			5	6	1	1	2	2	2	1	34
Military Personnel, MC Justification Book	2	2	3	3	1	1	1	2	1			5	6	1	1	2	2	2	1	34
Military Personnel, AF Justification Book	2	2	3	3	1	1	1	2	1			5	6	1	1	2	2	2	1	34
Reserve Personnel, Army Justification Book	2	2	2	3	1	1	1	2	1			5	6	1	1	2	2	2	1	34
Reserve Personnel, Navy Justification Book	2	2	2	3	1	1	1	2	1			5	6	1	1	2	2	2	1	34
Reserve Personnel, MC Justification Book	2	2	2	3	1	1	1	2	1			5	6	1	1	2	2	2	1	34
Reserve Personnel, AF Justification Book	2	2	2	3	1	1	1	2	1			5	6	1	1	2	2	2	1	34
Nat'l Guard Personnel, Army Justification Book	2	2	2	3	1	1	1	2	1			5	6	1	1	2	2	2	1	34
Nat'l Guard Personnel, AF Justification Book	2	2	2	3	1	1	1	2	1			5	6	1	1	2	2	2	1	34

Table 9. Justification Material Supporting the President's Budget Request Operation and Maintenance Accounts

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
OPERATION AND MAINTENANCE ACCOUNTS

Appropriation	CHAPTER	USD(Comptroller)						Other Organizations										DETAIL TOTAL
		BAA	OPS	INV	MPC	REVFUND	P&FC	PA&E	AT&L	POLICY	NII	P&R	USD(I)	LA	RA	TJS	OIG	
O&M, Active, Guard & Reserve	3																	
In-house Exhibits		1	5		1			1	1	1	1	3	1			1	1	16
All Justification Book Volumes (Volumes 1, 2, and 3)			2		1													2
O&M, Defense-wide	3																	
In-house Exhibits		1	3		1			1	1	1	1	3	1				1	13
*Classified Justification Book Volumes 1 (Classified DIA/NSA/DISA)***		1	3		1			1	1	1	1	3	1	1	1		1	14

**** Required distribution will be made by USD(Comptroller). Components should provide required exhibits directly to the appropriate USD(Comptroller) Directorate for consolidation and subsequent distribution.**

Table 9. Justification Material Supporting the President's Budget Request Operation and Maintenance Accounts (Continued)

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
OPERATION AND MAINTENANCE ACCOUNTS

Appropriation	CHAPTER			HAC				SAC												TOTAL
		OMB	GAO	DEF SUB	DEF MIN	QOL SUB	QOL MIN	DEF SUB	DEF MIN	MCN SUB	MCN MIN	HASC	SASC	HPSCI	SSCI	HBC	SBC	CBO	CONGRESS LIBRARY	
O&M, Army	3																			
Justification Book (Vol. 1)		2	3	3	1			2	1			10	6	1	1	2	2	2	1	37
Data Book (Vol. 2)		2	3	3	1			2	1			10	6	1	1	2	2	2	1	37
Facilities Sustainment, Restoration and Modernization (Vol. 3)		2	3	3	1	1	1	2	1			10	6	1	1	2	2	2	1	39
O&M, Navy	3																			
Justification Book (Vol. 1)		2	3	3	1			2	1			10	6	1	1	2	2	2	1	37
Data Book (Vol. 2)		2	3	3	1			2	1			10	6	1	1	2	2	2	1	37
Facilities Sustainment, Restoration and Modernization (Vol. 3)		2	3	3	1	1	1	2	1			10	6	1	1	2	2	2	1	39
O&M, Marine Corps	3																			
Justification Book (Vol. 1)		2	3	3	1			2	1			10	6	1	1	2	2	2	1	37
Data Book (Vol. 2)		2	3	3	1			2	1			10	6	1	1	2	2	2	1	37
Facilities Sustainment, Restoration and Modernization (Vol. 3)		2	3	3	1	1	1	2	1			10	6	1	1	2	2	2	1	39
O&M, Air Force	3																			
Justification Book (Vol. 1)		2	3	3	1			2	1			10	6	1	1	2	2	2	1	37
Data Book (Vol. 2)		2	3	3	1			2	1			10	6	1	1	2	2	2	1	37
Facilities Sustainment, Restoration and Modernization (Vol. 3)		2	3	3	1	1	1	2	1			10	6	1	1	2	2	2	1	39

Table 9. Justification Material Supporting the President's Budget Request Operation and Maintenance Accounts (Continued)

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
OPERATION AND MAINTENANCE ACCOUNTS

Appropriation	CHAPTER			HAC				SAC												TOTAL
		OMB	GAO	DEF SUB	DEF MIN	QOL SUB	QOL MIN	DEF SUB	DEF MIN	MCN SUB	MCN MIN	HASC	SASC	HPSCI	SSCI	HBC	SBC	CBO	CLIBRARY CONGRESS	
O&M, Defense-wide	3																			
Justification Book (Vol. 1)-Unclassified**		2	3	3	1			2	1			5	4					2	1	24
Justification Book (Vol. 1)-Classified**		2	3	3	1			2	1			5	4					2		23
Data Book (Vol. 2)**		2	3	3	1			2	1			5	4					2	1	24
Facilities Sustainment, Restoration and Modernization (Vol. 3)**		2	3	3	1	1	1	2	1			5	4					2	1	26
O&M, Army Reserve Justification Book	3	2	3	3	1			2	1			10	6	1	1	2	2	2	1	37
O&M, Navy Reserve Justification Book	3	2	3	3	1			2	1			10	6	1	1	2	2	2	1	37
O&M, Marine Corps Reserve Justification Book	3	2	3	3	1			2	1			10	6	1	1	2	2	2	1	37
O&M, Air Force Reserve Justification Book	3	2	3	3	1			2	1			10	6	1	1	2	2	2	1	37
O&M, Army National Guard Justification Book	3	2	3	3	1			2	1			10	6	1	1	2	2	2	1	37
O&M, Air National Guard Justification Book	3	2	3	3	1			2	1			10	6	1	1	2	2	2	1	37
Operation & Maintenance Overview**	3	10	3	5	1			5	1			10	10					1	2	48

** Required distribution will be made by USD(Comptroller). Components should provide required exhibits directly to the appropriate USD(Comptroller) Directorate for consolidation and subsequent distribution.

Table 10. Justification Material Supporting the President's Budget Request All Military Department Procurement Accounts

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
ALL MILITARY DEPARTMENT PROCUREMENT ACCOUNTS

Appropriation	CHAPTER	USD(Comptroller)						Other Organizations									
		BAA	OPS	INV	MPC	REVFUND	P&FC	PA&E	AT&L	POLICY	NII	P&R	USD(I)	RA	TJS	OIG	DETOENTSAEL
ALL Procurement Accounts *Unclassified Committee Staff Procurement Backup Book*	4			2													2

Table 11. Justification Material Supporting the President's Budget Request Procurement Accounts - Army

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
PROCUREMENT ACCOUNTS - ARMY

Appropriation	CHAPTER			HAC				SAC											TOTAL
		OMB	GAO	DEF SUB	DEF MIN	QOL SUB	QOL MIN	DEF SUB	DEF MIN	MCN SUB	MCN MIN	HASC	SASC	HPSCI	SSCI	HBC	SBC	CBO	
Aircraft Procurement, Army	4																		
Committee Staff Procurement Backup Book		2	3	4	1			3	1			6	6			2	2	2	32
Missile Procurement, Army	4																		
Committee Staff Procurement Backup Book		2	3	4	1			3	1			6	6			2	2	2	32
Proc of W&TCV, Army	4																		
Committee Staff Procurement Backup Book		2	3	4	1			3	1			6	6			2	2	2	32
Proc of Ammunition, Army	4																		
Committee Staff Procurement Backup Book		2	3	4	1			3	1			6	6			2	2	2	32
Other Procurement, Army	4																		
Committee Staff Procurement Backup Book		2	3	4	1			3	1			6	6			2	2	2	32

Table 12. Justification Material Supporting the President's Budget Request Classified Procurement Accounts -Navy

JUSTIFICATION MATERIAL SUPPORTING
THE PRESIDENT'S BUDGET REQUEST
CLASSIFIED PROCUREMENT ACCOUNTS -NAVY

Appropriation	CHAPTER	USD(Comptroller)						Other Organizations											DEFENSE TOTAL
		BAA	OPS	INV	MPC	REVFUND	P&FC	PA&E	AT&L	POLICY	NII	P&R	USD(I)	LA	PA*	RA	TJS	OIG	
Aircraft Procurement, Navy Classified Committee Staff Proc. Backup Book	4	1		3				2	2	1	1	1	1	1		1	1	1	16
Other Procurement, Navy Classified Committee Staff Proc. Backup Book	4	1		3				2	2	1	1	1	1	1		1	1	1	16

Table 13. Justification Material Supporting the President's Budget Request Procurement Accounts - Navy.

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
PROCUREMENT ACCOUNTS – NAVY

Appropriation	CHAPTER			HAC				SAC													TOTAL
		OMB	GAO	DEF SUB	DEF MIN	QOL SUB	QOL MIN	DEF SUB	DEF MIN	MCN SUB	MCN MIN	HASC	SASC	HPSCI	SSCI	HBC	SBC	CBO	LIBRARY	CONGRESS	
Aircraft Procurement, Navy Committee Staff Proc. Backup Book	4	2	3	4	1			3	1			6	6			2	2	2			32
Weapons Procurement, Navy Committee Staff Proc. Backup Book	4	2	3	4	1			3	1			6	6			2	2	2			32
Shipbuilding & Conversion, Navy Committee Staff Proc. Backup Book	4	2	3	4	1			3	1			6	6			2	2	2			32
Proc of Ammunition, Navy and MC Committee Staff Proc. Backup Book	4	2	3	4	1			3	1			6	6			2	2	2			32
Other Procurement, Navy Committee Staff Proc. Backup Book	4	2	3	4	1			3	1			6	6			2	2	2			32
Procurement, MC Committee Staff Proc. Backup Book	4	2	3	4	1			3	1			6	6			2	2	2			32
National Defense Sealift Fund Committee Staff Proc. Backup Book	4	2	3	4	1			3	1			6	6			2	2	2			32

Table 14. Justification Material Supporting the President's Budget Request Procurement Accounts - Air Force

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
PROCUREMENT ACCOUNTS - AIR FORCE

Appropriation	CHAPTER	USD(Comptroller)						Other Organizations									DEFENSE-WIDE
		BAA	OPS	INV	MPC	REVFUND	P&FC	PA&E	AT&L	POLICY	NII	P&R	USD(I)	RA	TJS	OIG	
Aircraft Procurement, AF Classified Committee Staff Proc. Backup Book	4	1		3				2	2	1	1	1	1	1	1	1	15
Missile Procurement, AF Classified Committee Staff Proc. Backup Book	4	1		3				2	2	1	1	1	1	1	1	1	15
Proc of Ammunition, AF Classified Committee Staff Proc. Backup Book	4	1		3				2	2	1	1	1	1	1	1	1	15
Other Procurement, AF Classified Committee Staff Proc. Backup Book	4	1		3				2	2	1	1	2	1	1	1	1	15

Table 14. Justification Material Supporting The President's Budget Request Procurement Accounts - Air Force (Continued)

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
PROCUREMENT ACCOUNTS - AIR FORCE

Appropriation	CHAPTER			HAC				SAC												TOTAL
		OMB	GAO	DEF SUB	DEF MIN	QOL SUB	QOL MIN	DEF SUB	DEF MIN	MCN SUB	MCN MIN	HASC	SASC	HPSCI	SSCI	HBC	SBC	CBO	CONGRESS LIBRARY	
Aircraft Procurement, AF	4																			
Committee Staff Procurement Backup Book		2	3	4	1			3	1			6	6			2	2	2		32
Missile Procurement, AF	4																			
Committee Staff Procurement Backup Book		2	3	4	1			3	1			6	6			2	2	2		32
Proc of Ammunition, AF	4																			
Committee Staff Procurement Backup Book		2	3	4	1			3	1			6	6			2	2	2		32
Other Procurement, AF	4																			
Committee Staff Procurement Backup Book		2	3	4	1			3	1			6	6			2	2	2		32

Table 15. Justification Material Supporting The President's Budget Request Procurement Accounts - Other

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST PROCUREMENT ACCOUNTS - OTHER

Appropriation	CHAPTER	USD(Comptroller)						Other Organizations										DEFENSE-WIDE TOTAL
		BAA	OPS	INV	MPC	REVFUND	P&FC	PA&E	AT&L	POLICY	NII	P&R	USD(I)	RA	TJS	DOT&E	OIG	
Procurement, Def-wide**	4																	
Classified Committee Staff Proc. Backup Book		1																1
Classified P-1, Procurement Programs**	1	1		17	4			2	2	1	1	1	1	1	1	1	1	34

** Required distribution will be made by USD(Comptroller). Components should provide required exhibits directly to the appropriate USD(Comptroller) Directorate for consolidation and subsequent distribution.

Table 16. Justification Material Supporting the President's Budget Request Procurement Accounts - Defense-Wide

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
PROCUREMENT ACCOUNTS - DEFENSE-WIDE

Appropriation	CHAPTER			HAC				SAC													TOTAL
		OMB	GAO	DEF SUB	DEF MIN	QOL SUB	QOL MIN	DEF SUB	DEF MIN	MCN SUB	MCN MIN	HASC	SASC	HPSCI	SSCI	HBC	SBC	CBO	LIBRARY	CONGRESS	
Procurement, Def-wide Committee Staff Procurement Backup Book**	4	2	3	4	1			4	1			4	4			1	1	1			26
Chemical Agents & Munitions Destruction Committee Staff Procurement Backup Book	4	2	3	4	1			2	1			3	3			2	2	2			25
Nat'l Guard & Reserve Eq Justification Book**	4	2		3	1			3	1									2	1		13
Defense Production Act Justification Book	4	2		2	1			2	1			3	3	1	1	2	2	2	1		23
Multiyear Procurement Justification Book**	4	2	3	5	1			3	1			7	5					2	1		32
P-1, Procurement Programs**	1	6	3	13	1	2	1	10	1	1	1	50	20	2	2	2	2	3	2		122
P-1, Classified **	1	6	3	5	1			5	1			5	5	2	2			3			38
P-1R**	1	6	3	3	1			3	1			10	10	2	2			3	1		45
Program Acquisition Costs by Weapon System **	1			13	1	2	1	10	1	1	1	50	20	2	2	2	2	3	1		112

**** Required distribution will be made by USD(Comptroller). Components should provide required exhibits directly to the appropriate USD(Comptroller) Directorate for consolidation and subsequent distribution.**

Table 17. Justification Material Supporting the President's Budget Request Research, Development Test & Evaluation Accounts

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
RESEARCH, DEVELOPMENT TEST & EVALUATION ACCOUNTS

Appropriation	CHAPTER	USD(Comptroller)						Other Organizations										DETOTAL
		BAA	OPS	INV	MPC	REVFUND	P&FC	PA&E	AT&L	POLICY	NII	P&R	USD(I)	RA	TJS	DOT&E	OIG	DARPA	
RDT&E, Army	5																		
Classified Budget Item Justification Book		1		3	1			2	2	1	1	1	1		1	1	1	1	17
Project Listing				2				2											4
Unclassified Budget Item Justification Book				2															2
RDT&E, Navy	5																		
Classified Budget Item Justification Book		1		3	1			2	2	1	1	1	1		1	1	1	1	17
Project Listing				2				2											4
Unclassified Budget Item Justification Book				2															2
RDT&E, AF	5																		
Classified Budget Item Justification Book		1		3	1			2	2	1	1	1	1		1	1	1	1	17
Project Listing				2				2											4
Unclassified Budget Item Justification Book				2															2
RDT&E, Defense Agencies	5																		
Classified Budget Item Justification Book**		1		3	1			2	2	1	1	1	1		1	1	1	1	17
Project Listing				2				2											4
Classified R-1, RDT&E Programs**	1	1		17	4			2	2	1	1	1	1		1	1	1	1	34

**** Required distribution will be made by USD(Comptroller). Components should provide required exhibits directly to the appropriate USD(Comptroller) Directorate for consolidation and subsequent distribution.**

Table 18. Justification Material Supporting the President's Budget Request Research, Development Test & Evaluation Accounts

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
RESEARCH, DEVELOPMENT TEST & EVALUATION ACCOUNTS

Appropriation	CHAPTER			HAC				SAC												TOTAL
		OMB	GAO	DEF SUB	DEF MIN	QOL SUB	QOL MIN	DEF SUB	DEF MIN	MCN SUB	MCN MIN	HASC	SASC	HPSCI	SSCI	HBC	SBC	CBO	CLIBRARY	CONGRESS	
RDT&E, Army Budget Item Justification Book	5	3	3	4	1			3	1			10	6	1	1	2	2	3	1		41
RDT&E, Navy Budget Item Justification Book	5	3	3	4	1			3	1			10	6	1	1	2	2	3	1		41
RDT&E, AF Budget Item Justification Book	5	3	3	4	1			3	1			10	6	1	1	2	2	3	1		41
RDT&E, Defense Agencies Budget Item Justification Book**	5	3	3	2	1			2	1			5	4					2	1		24
R-1, RDT&E Programs**	1	6	3	13	1	2	1	10	1	1	1	50	20	2	2	2	2	3	2		122
R-1, Classified	1	6	3	5	1			5	1			5	5	2	2			3			38

** Required distribution will be made by USD(Comptroller). Components should provide required exhibits directly to the appropriate USD(Comptroller) Directorate for consolidation and subsequent distribution.

Table 19. Justification Material Supporting the President's Budget Request All Military Department Working Capital Fund Accounts

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
ALL MILITARY DEPARTMENT WORKING CAPITAL FUND ACCOUNTS

Appropriation	CHAPTER	USD(Comptroller)						Other Organizations									DEFENSE-WIDE TOTAL
		BAA	OPS	INV	MPC	REVFUND	P&FC	PA&E	AT&L	POLICY	NII	P&R	USD(I)	RA	TJS	OIG	
Defense Working Capital Funds																	
Justification Book -Army, Navy, Air Force	9					3		1	1								5

Table 20. Justification Material Supporting the President's Request Revolving and Management Funds

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S REQUEST REVOLVING AND MANAGEMENT FUNDS

Appropriation	CHAPTER			HAC				SAC													TOTAL
		OMB	GAO	DEF SUB	DEF MIN	QOL SUB	QOL MIN	DEF SUB	DEF MIN	MCN SUB	MCN MIN	HASC	SASC	HPSCI	SSCI	HBC	SBC	CBO	LIBRARY	CONGRESS	
Defense Working Capital Funds Justification Book -Army, Navy, Air Force, Defense-wide	9	2	3	3	1			3	1			10	5					3	1		32
Public Enterprise, Management Fund, and Trust Fund Justification Book	10	2	3	2	1			2	1			5	2					2	1		21

Table 21. Justification Material Supporting the President's Budget Request All Military Department Military Construction, Family Housing and BRAC Accounts

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
ALL MILITARY DEPARTMENT MILITARY CONSTRUCTION, FAMILY HOUSING AND BRAC ACCOUNTS

Appropriation	CHAPTER	USD(Comptroller)						Other Organizations									DETAIL TO OSD
		BAA	OPS	INV	MPC	REVFUND	P&FC	PA&E	AT&L	POLICY	NII	P&R	USD(I)	RA	TJS	OIG	
Military Construction/Family Housing/BRAC Justification Book -Army, Navy, Air Force	2				2												2

Table 22. Justification Material Supporting the President's Request Military Construction & Family Housing Accounts

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S REQUEST
MILITARY CONSTRUCTION & FAMILY HOUSING ACCOUNTS

Appropriation	CHAPTER			HAC				SAC													TOTAL
		OMB	GAO	DEF SUB	DEF MIN	QOL SUB	QOL MIN	DEF SUB	DEF MIN	MCN SUB	MCN MIN	HASC	SASC	HPSCI	SSCI	HBC	SBC	CB0	LIBRARY	CONGRESS	
MilCon, Family Hsg, Homeowners Assist, Army - Justification Book	6	2	3			1	1			1	1	7	2	1	1	2	2	2	1		27
Mil Const & Family Housing, N & MC Justification Book	6	2	3			1	1			1	1	7	2	1	1	2	2	2	1		27
Mil Const & Family Housing, AF Justification Book	6	2	3			1	1			1	1	7	2	1	1	2	2	2	1		27
Mil Const & Family Housing, Defense-wide - Justification Book **	6	2	2			2	1			1	1	7	5					2	1		24
Military Construction, Army Reserve Justification Book	6	2	2			1	1			1	1	7	2	1	1	2	2	2	1		26
Military Construction, N & MC Reserve - Justification Book	6	2	2			1	1			1	1	7	2	1	1	2	2	2	1		26
Military Construction, AF Reserve Justification Book	6	2	2			1	1			1	1	7	2	1	1	2	2	2	1		26
Military Const, Army National Guard Justification Book	6	2	2			1	1			1	1	7	2	1	1	2	2	2	1		26
Military Const, Air National Guard Justification Book	6	2	2			1	1			1	1	7	2	1	1	2	2	2	1		26
Chemical Demilitarization Construction, Defense *Justification Book*	*6*	*2*	*2*			*1*	*1*			*1*	*1*	*7*	*2*	*1*	*1*	*2*	*2*	*2*	*1*		*26*

Table 22. Justification Material Supporting the President's Request Military Construction & Family Housing Accounts (Continued)

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S REQUEST
MILITARY CONSTRUCTION & FAMILY HOUSING ACCOUNTS

Appropriation	CHAPTER			HAC				SAC													TOTAL
		OMB	GAO	DEF SUB	DEF MIN	QOL SUB	QOL MIN	DEF SUB	DEF MIN	MCN SUB	MCN MIN	HASC	SASC	HPSCI	SSCI	HBC	SBC	CB0	LIBRARY	CONGRESS	
NATO Security Investment Program Justification Book	6					2	1			1	1							3	1		9
C-1, Construction Program	1	2	3		1	5	1		1	5	1	15	7					2	1		44

** Required distribution will be made by USD(Comptroller). Components should provide required exhibits to the appropriate USD(Comptroller) Directorate for consolidation and subsequent distribution.

Table 23. Justification Material Supporting the President's Request Base Realignments And Closures (BRAC)

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S REQUEST
BASE REALIGNMENTS AND CLOSURES (BRAC)

Appropriation	CHAPTER			HAC				SAC												TOTAL
		OMB	GAO	DEF SUB	DEF MIN	QOL SUB	QOL MIN	DEF SUB	DEF MIN	MCN SUB	MCN MIN	HASC	SASC	HPSCI	SSCI	HBC	SBC	CBO	CLIBRARY CONGRESS	
BRAC - Army Justification Book	7	2		2	1	2	1	2	1	1	1	8	10					3	1	35
BRAC - Navy Justification Book	7	2		2	1	2	1	2	1	1	1	8	10					3	1	35
BRAC - Air Force Justification Book	7	2		2	1	2	1	2	1	1	1	8	10					3	1	35
BRAC - DLA Justification Book	7	2		2	1	2	1	2	1	1	1	8	10					3	1	35
BRAC - DISA Justification Book	7	2		2	1	2	1	2	1	1	1	8	10					3	1	35

Table 24. Justification Material Supporting The President's Request Other Account Requirements

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S REQUEST
OTHER ACCOUNT REQUIREMENTS

PROGRAM	CHAPTER	USD(Comptroller)						Other Organizations									DEFENSE TOTAL
		BAA	OPS	INV	MPC	REVFUND	P&FC	PA&E	AT&L	POLICY	NII	P&R	USD(I)	RA	TJS	OIG	
Intelligence Programs (NIP/MIP) Classified Justification	16	1		1	2			1	1	1		1	1		1	1	11
Drug Interdict. & Counter-drug Actys Classified Justification Book	14	1	2	1	1			1			1	1	1	1	1	1	12
CD-ROM: All unclassified budget material that has been posted to Internet site	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	15

Table 25. Justification Material Supporting the President's Request Special Interest Requirements

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S REQUEST
SPECIAL INTEREST REQUIREMENTS

PROGRAM	CHAPTER			HAC				SAC													TOTAL
		OMB	GAO	DEF SUB	DEF MIN	QOL SUB	QOL MIN	DEF SUB	DEF MIN	MCN SUB	MCN MIN	HASC	SASC	HPSCI	SSCI	HBC	SBC	CBO	LIBRARY	CONGRESS	
Information Technology Distribution made by NII/DOD CIO Justification Book	18	2		1				1				1	1								6
Intelligence Programs (NIP/MIP) (IP-1) Justification Book	16			1	1			1	1			2	2	1	1			1	1		12
Defense Health Programs Justification Book	12	2				2	1	2	1									3	1		12
Drug Interdiction & Counter-drug Actvs - Justification Book	14	2		2	1			2	1									3	1		12
Overseas Cost Report (OP-53) Report**	15	2		3	1			3	1			10	5					3	1		29
Overseas Contingency Operations	17	2		2	1			2	1			2	2					3	1		16
Advisory and Assistance Services (PB-15) Exhibit **(incl. in O&M Data Book, Vol. II)**	19																				
Military Department Overview Booklets Army, Navy, and Air Force	1	2		2	1	1	1	2	1	1	1	5	2	1	1	2	2	1	1		27
Combating terrorism Justification Book	19	2		2	1	1	1	2	1	1	1	2	2	1	1	2	2	1			23
CD-ROM: All unclassified budget material that has been posted to Internet site	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1		18

**** Required distribution will be made by USD(Comptroller). Components should provide required exhibits to the appropriate USD(Comptroller) Directorate for consolidation and subsequent distribution.**

Table 26. Justification Material Supporting The President's Request Special Interest Requirements

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S REQUEST SPECIAL INTEREST REQUIREMENTS

PROGRAM	CHAPTER	USD(Comptroller)						Other Organizations									DEFENSE TOTAL
		BAA	OPS	INV	MPC	REVFUND	P&FC	PA&E	AT&L	POLICY	NII	P&R	USD(I)	LA	TJS	OIG	
Functional Transfers (PB-14) In-house Backup Exhibit	19	1	1				1										3
Advisory and Assistance Services (PB-15) In-house Backup Exhibit	19	1	1														2
Legislative Proposals (PB-16) In-house Backup Exhibit	19	1	1		1							1					4
Employee Relocation Expenses (PB-17) In-house Backup Exhibit	19	1	2									1					4
Foreign Currency Exch. Data (PB-18) In-house Backup Exhibit	19	1	2					1				2			2	1	9
Major DoD HQ Activities (PB-22) In-house Backup Exhibit	19	1	1					1	1			1					5
AT&L Workforce Transformation Prg. (PB-23) In-house Backup Exhibit	19	1	1					1	1			1					5
Professional Military Education (PB-24) In-house Backup Exhibit	19	1	1					1	1			1					5
Host Nation Support Costs (PB-25) In-house Backup Exhibit	19	1	3					1				1			1	1	8
Environmental Quality/Security/Mgt (PB-28/28A/28B) In-house Backup Exhibit	19	1	1	1				1	1								5

Table 26. Justification Material Supporting The President's Request Special Interest Requirements (Continued)

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S REQUEST
SPECIAL INTEREST REQUIREMENTS

PROGRAM	CHAPTER	USD(Comptroller)						Other Organizations									
		BAA	OPS	INV	MPC	REVFUND	P&FC	P A & E	AT&L	POLICY	NII	P & R	USD (I)	LA	TJS	OIG	DETOTAL DEFENSE
Competition and Privatization (PB-42) In-house Backup Exhibit	19	1	2					1	1			2			1	1	10
Administrative Motor Vehicle Operations (PB-41) In-house Backup Exhibit	19	1	2					1	1			1			1	1	9
Child Dev., School Age Care, Family Centers, and Family Advocacy Programs (PB-50) In-house Backup Exhibit	19	1	2					1				2			1	1	9
Aeronautical & Space Programs (PB-52A/B) In-house Backup Exhibit	19	1		2				1	1			1			1	1	8
Budgeted Mil & Civilian Pay Raise (PB-53) In-house Backup Exhibit	19	1	1		1			1				2			1	1	10
Civilian Personnel Hiring Plan (PB-54) In-house Backup Exhibit	19	1	2													1	4
International Military Headquarters (PB-55) In-house Backup Exhibit	19	1	1									1	1			1	5
Combatant Command Direct Funding (PB-58) In-house Backup Exhibit	19	1	1	1								1				1	5
DoD Overseas Staffing Report (PB-59) In-house Backup Exhibit	19	1	2									1					4

4.4 Witness Statements (010404)

4.4.1. Purpose. This section provides instructions for preparation of witness statements for testimony at hearings before congressional committees.

4.4.2. Preparation

4.4.2.1. Each witness statement should contain a cover page that includes the name, grade/rank, and position title of the witness; the full title of the congressional committee or subcommittee before which the witness is to appear; the date the witness is to testify; the subject of the hearing; and an embargo statement "Not for Publication Until Released by the Committee" (or Subcommittee, if applicable).

4.4.2.2. The various congressional committees publish instructions for preparation of witness statements for their committee. These instructions, unique to each committee, are available from the following offices:

4.4.2.2.1. House and Senate Defense, House Military Quality of Life and Veterans Affairs and Related Agencies, and Senate Military Construction Appropriations Subcommittees – Budget and Appropriations Affairs Directorate, USD(Comptroller) and Service Budget Liaison offices.

4.4.2.2.2. House and Senate Armed Services Committees and House and Senate Budget Committees - Office of the Assistant Secretary of Defense (Legislative Affairs) and Service Legislative Affairs offices.

4.4.2.2.3. Other congressional committees - Instructions are normally included in the letter requesting the hearing. First time before the committee.

4.4.3. Security Review

4.4.3.1. DoD Directive 5400.4 calls for DoD witnesses to submit their prepared statements to Washington Headquarters Services, Office of Security Review, (703) 696-4538, for clearance.

4.4.3.2. This should be done as far in advance of the required date of transmittal to a congressional committee as possible, usually 5 or more working days prior to the date clearance is desired.

4.4.4. Number of Copies

4.4.4.1. Upon completion of the security review process, the originating office should ensure that 75 copies of unclassified statements are delivered to the Directorate for Defense Information, Office of the Assistant to the Secretary of Defense (Public Affairs), Room 2E565, Pentagon. This should be done at least 24 hours in advance of the scheduled appearance of the witness before the congressional committee. Be prepared to provide additional copies on short notice.

4.4.4.2. These procedures will allow the Office of the Assistant Secretary of Defense (Public Affairs) to meet news media requirements as soon as statements are released by the congressional committee or subcommittee.

4.4.4.3. A chart identifying the various oversight committees' copy requirements for witness statements and the date that the statements are due to the committee is republished periodically by the Budget and Appropriations Affairs Directorate, USD(Comptroller), as committee requirements change. Be careful to use the most recent chart.

4.4.4.4. Special care should be exercised to ensure that specified due dates are met. The committees use the witness statement in preparing for the hearing and so suspense dates are important. Committees will routinely predicate cooperation in discussing or releasing possible hearing questions or topics on the timely delivery of these statements.

4.4.4.5. Offices responsible for arranging the attendance of principal and supporting witnesses at a hearing normally prepare a listing of witnesses known as the Witness List. These offices will contact all involved parties to obtain the names and positions of the witnesses for the Witness List.

4.5 Transcript Processing (010405)

4.5.1. Purpose. This section provides instructions for processing transcripts of witness testimony at hearings before congressional committees.

4.5.2. Initial Receipt

4.5.2.1. The House and Senate Appropriations Subcommittees on Defense, the House Subcommittee on Military Quality of Life and Veterans Affairs and Related Agencies, and the Senate Military Construction Appropriations Subcommittee provide hearing transcripts directly to Budget Liaison offices of the Services and to the Director for Budget and Appropriations Affairs, Under Secretary of Defense (Comptroller). All other hearing transcripts are provided directly to the Legislative Affairs office of the Services and to the Office of the Assistant Secretary of Defense (Legislative Affairs).

4.5.2.2. The original copy of the transcript is then provided to the office of the principal witness utilizing DD Form 1587, Record of Congressional Transcript Review, as the transmittal document. To meet committee requirements and allow time for final review by Washington Headquarters Services, Security Review, each element in the review process must give cooperative consideration to the time requirements of all elements in meeting due out dates. DoD Directive 5400.4 provides guidance in utilizing DD Form 1587. Instructions are also printed on DD Form 1587.

4.5.2.3. The various committees publish instructions for processing transcripts for their committee hearings. These instructions, unique to each committee, are available from the following offices:

4.5.2.3.1. House and Senate Defense, House Military Quality of Life and Veterans Affairs and Related Agencies, and Senate Military Construction Appropriations Subcommittees - Directorate for Budget and Appropriations Affairs, USD(Comptroller) and Service Budget Liaison offices.

4.5.2.3.2. House and Senate Armed Services Committees and House and Senate Budget Committees - Office of the Assistant Secretary of Defense (Legislative Affairs) and Service Legislative Affairs offices.

4.5.2.3.3. Other congressional committees - Instructions are normally included in the letter requesting the hearing.

4.5.3. Processing Procedures

4.5.3.1. Upon receipt of the transcript in the office of the primary witness, that office will review and edit the transcript and prepare the necessary inserts including questions for the record. At the same time, those staff offices required to provide input to the transcript should be tasked, in writing, for their specific portion. Page and line number/question number should be referenced when tasking inserts for the record.

4.5.3.2. Offices providing input to transcripts should clear their internal security review office prior to providing their input to the principal witness' office. After consolidation of the edit/review of the transcript and inclusion of necessary inserts, the office of the principal witness will then need to obtain the proper security clearance for the transcript and inserts from Washington Headquarters Services, Directorate for Freedom of Information and Security Review. A DD 1790, Prepared Testimony Review must be used. DoD Directive 5400.4 provides instructions to be followed in processing the transcript through the security review process.

4.5.3.3. Plain bond (8.5” x 11.0” with left and right margins of 1.5”) Insert for the Record, will be utilized for all inserts to congressional testimony and questions/answers for the record. Formats for completing these for the four oversight committees are provided in Section 10.0.

4.5.3.4. After completing the security review process and required coordination's, the completed transcript should be returned to the office from which the transcript was received (Transcript Action Monitor) for final review and delivery to the congressional committee.

4.5.3.5. Special care should be exercised to ensure that transcript processing suspense dates are met. The committees emphasize that the deadline dates imposed by them must be met. As the committees approach mark-up, the importance of meeting deadlines becomes even more critical. Transcripts should not be unduly delayed while gathering information for the record. If a delay is encountered, a note that the data will be furnished at some specified date should accompany the transcript and processing should proceed.

4.5.4. Congressional Hearings and Reporting Requirements Tracking System (CHARRTS). CHARRTS is an OUSD (Comptroller) web based application for tasking Hearing transcripts, inserts for the record, and questions for the record. Components will be notified by email for each tasking for which they are responsible to complete. CHARRTS is a controlled site accessed through https://charrts.osd.mil/ and requires an access password for each user. Components will input all responses to both inserts and questions for the record directly into CHARRTS. Formats have been established within CHARRTS for each Committee for these responses and must be used. Input that does not follow the established standards will be rejected by the system. Contact the OUSD (Comptroller), Budget and Appropriations Affairs Directorate at (703) 697-1101 for all questions related to CHARRTS.

4.5.5. Page Proofs/Galleys. Often committees allow DoD to review page proof/galleys of congressional testimony to ensure that changes have been incorporated and that if classified data has been included that it be deleted from the version that will be made public. Extreme care must be exercised to ensure that all classified data have been excised.

4.6 Appeal Process on Congressional Actions (010406)

4.6.1. Purpose. Each year the actions taken by congressional committees during consideration of the DoD authorization and appropriation bills are reviewed by DoD components. This Section provides policy guidance and procedures for appealing such congressional actions.

4.6.2. Scope of Material

4.6.2.1. DoD appeals to congressional committees may be in the form of a letter to the appropriate committee chairman (or chairmen in the case of appeals to joint conferees), which sets forth the Department's position on the most significant programs/items impacted by congressional actions. This letter is prepared for the signature of the Secretary of Defense. Only the Secretary will provide the Department's position on appeal items.

4.6.2.2. DoD appeals also may be in the form of an appeal package consisting of one page for each action being appealed. This package is submitted to the appropriate committee by the USD(Comptroller). It is not submitted as an enclosure to an appeal letter, but may be referred to in the letter.

4.6.2.3. The submission of appeal material can vary each year and is primarily dependent upon the timing of each committee's actions on the budget request. The preparation of appeal items begins when the actions of the committees become known, usually with release of the committee's report. Normally, appeal material will be modified to reflect final floor action since amendments adopted on the floor can significantly change positions reported out by the committees. In most cases, the process is as follows:

4.6.2.3.1. To Authorization Conferees. This appeal is based on the actions of both the House and Senate Armed Services Committees, as modified by House and Senate floor action.

4.6.2.3.2. To Appropriations Conferees. This appeal is based on the actions of both the House and Senate Appropriations Committees, as modified by House and Senate floor actions.

4.6.3. Preparation of Appeals

4.6.3.1. Once the actions of an oversight committee become known, DoD components normally will be requested to provide input on high priority items for incorporation into the Secretary's appeal letter or appeal package. Appeal input will be submitted in the general format of Exhibit PB-39A-1 and PB-39A-2 (provided in Section 10.0) in both hard copy and by e-mail in Microsoft Word format (with no graphics). Components may be asked to assign a priority to the actions they want appealed.

4.6.3.2. All appeal materials must be unclassified. Verification that materials are entirely unclassified must be obtained by the DoD component from the component's security review prior to submission to OSD. USD(Comptroller) will obtain clearance of the consolidated appeal package from the Washington Headquarters Services, Directorate for Freedom of Information and Security Review, (703) 696-4538.

4.6.4. Policy Guidance, Preparation and Coordination of Budget Appeals

4.6.4.1. By memorandum of May 27, 1983, Subject: "Congressional Justification of the President's Annual Defense Budget," the Secretary of Defense charged the Comptroller with the responsibility to coordinate all justification actions for his consideration that may be interpreted as reprogramming, supplementals, amendments, or appeals to the Defense budget. Therefore, in order to ensure that the Department speaks to the Congress in this area with one voice and remains consistent with the Secretary's policy direction, all appeals to congressional committees will be prepared by the USD(Comptroller).

4.6.4.2. The Directorate for Budget and Appropriations Affairs, within the Office of the USD(Comptroller) (Program/Budget), will issue instructions for submission of appeal input. Along with other Comptroller directorates, Budget and Appropriations Affairs will review the input and prepare a draft appeal letter and appeal package. Normally, these drafts will be sent for comments to the appropriate DoD offices. Clearance on all appeal materials will be requested from the Office of Management and Budget.

4.6.4.3. While responsibility for consolidation and coordination of appeal materials resides with the USD(Comptroller), all offices are responsible for ensuring that the materials they submit remain up to date. Submitting components, e.g. The Joint Staff, should provide only one position on each issue submitted.

4.6.5. Classified Appeals. Actions of congressional committees documented in classified annexes (such as by the Intelligence Committees) to reports or classified letters may be addressed in classified appeals prepared by the OUSD(I). Further guidance is contained in Chapter 16.

5.0 BUDGET AUTOMATION REQUIREMENTS (0105)

5.1 Automated Military Personnel Programs Database (010501)

5.1.1. Purpose and Objectives. The purpose of the Military Personnel Programs database is to provide supporting budgetary documentation to the Congress, OMB and the public with each year's President's Budget. Data submission is through the Program Resources Collection Process (PRCP) System. The Military Personnel Programs database supports, and must be consistent with, other budgetary data in the Comptroller Information System (CIS). This section provides for the maintenance of the Military Personnel Programs as an automated database that is the primary structure for budget activity and budget subactivity level of detail. The Military Personnel Programs (M-1) (unclassified) is produced from the Military Personnel Programs database.

5.1.2. Applicability. The provisions of this section apply to the Office of the Secretary of Defense (OSD) and the Military Departments.

5.1.3. Reporting Requirements. The automated database was established for the FY 2005 President's budget. Subsequent updates will be required coincident with the (1) Program and Budget Review and (2) the President's Budget. Specific guidance relative to approved changes, due dates and special requirements is provided in a memorandum from the Office of the Under Secretary of Defense (Comptroller) announcing each update.

5.1.4. General Instructions - Preparing the Detailed Military Personnel Programs (M-1). The Military Personnel Programs provide resources in a budget activity and budget subactivity line item level of detail with appropriation identification consistent with other budgetary data in the CIS database. A detailed description of line item entries is listed in Volume 2A, Chapter 2. The minimum information required in the Military Personnel Programs is as follows:

5.1.4.1. A summary by appropriation account with subtotals for DOD Components.

5.1.4.2. A summary of each appropriation account by budget activity/budget subactivity with budget activity subtotals and an appropriation total.

5.1.4.3. Entries for the individual line items should be on the same basis as that used for program and budget submissions.

5.1.4.4. Costs of prior year programs will be adjusted annually to reflect actual obligations, including deobligations, recoveries of prior year obligations, upward obligation adjustments, transfers, and rescissions, as appropriate, and must match prior year values in the Comptroller Information System.

5.1.4.5. The OUSD(C) P/B Military Personnel and Construction Directorate will obtain the Security classification review certification.

5.1.5. General Instructions - Preparing the Military Personnel Programs (M-1). The M-1 document is derived from and consistent with other budgetary data in the CIS database. The M-1 is provided annually to the DoD oversight committees of the Congress coincident with the transmittal of the President's Budget. The minimum information required in the M-1 is as follows:

5.1.5.1. Identification codes and a detailed description of line item entries are explained in paragraph F below.

5.1.5.2. The line item data provided is PY, CY, BY1 (and BY2 if biennial submission).

5.1.5.3. The security classification will be in accordance with the criteria set forth in Section 1.8.

5.1.6. Military Personnel Data Elements and Record Formats

5.1.6.1. Appropriation codes, Component codes, and budget activity codes are as specified in the Budget Structure Listing which can be viewed on the SIPRNet home page of the OUSD (Comptroller).

5.1.6.2. Other Military Personnel Data Elements and Record Formats. Components must follow the guidance and use the data elements and record layouts for submission of updates to the Military Personnel Programs database as prescribed in the instructions on the SIPRNet home page of the OUSD (Comptroller).

5.2 Automated Operation and Maintenance Programs Databases (010502)

5.2.1. Purpose and Objectives. The purpose of the Operation and Maintenance Programs databases are to provide supporting budgetary documentation to the Congress, OMB and the public with each year's President's Budget. Data submission is through the Program Resources Collection Process (PRCP) System. The Operation and Maintenance Programs databases support, and must be consistent with, other budgetary data in the Comptroller Information System (CIS). This section provides for the maintenance of the Operation and Maintenance Programs as an automated database that is the primary structure for budget activity and activity group cost at the Program Element and expense aggregate level of detail. The O-1 reports are produced from the Operation and Maintenance Programs database. Operation and Maintenance Programs data extracts are provided to the Office of the Director, Program Analysis and Evaluation (hereafter referred to as "OD,PA&E") to update the Future Years Defense Program database. In addition,

the Civilian Personnel Costs and O&M Summary of Price and Program Changes automated exhibits are processed through this system. The Civilian Personnel Costs exhibit is required for each appropriation/fund, not limited to O&M appropriations, in which civilian personnel are funded. Updates and documents produced include:

5.2.1.1. Operation and Maintenance Programs (O-1) (classified)

5.2.1.2. Operation and Maintenance Programs (O-1) (unclassified)

5.2.1.3. Future Years Defense Program Update Data for OD,PA&E

5.2.1.4. Civilian Personnel Costs (OP-8) (classified)

5.2.1.5. Civilian Personnel Costs (OP-8) (unclassified)

5.2.1.6. Summary of Price and Program Changes (OP-32) (classified)

5.2.1.7. Summary of Price and Program Changes (OP-32) (unclassified)

5.2.2. Applicability. The provisions of this section apply to the Office of the Secretary of Defense (OSD), the Military Departments, the Defense Agencies, and any other DoD Component that contribute data to the Operation and Maintenance Programs.

5.2.3. Reporting Requirements. The initial Operation and Maintenance Programs automated database was established for the FY 2005 President's budget. Subsequent updates will be required coincident with the (1) Program and Budget Review and (2) the President's Budget. Specific guidance relative to approved changes, due dates and special requirements is provided in a memorandum from the Office of the Under Secretary of Defense (Comptroller) announcing each update.

5.2.4. General Instructions - Preparing the Detailed Operation and Maintenance Programs. The Operation and Maintenance Programs provide resources in a budget activity and activity group line item level of detail with appropriation identification consistent with other budgetary data in the CIS database. A detailed description of line item entries is listed in Volume 2B, Chapter 3, Section 030402. The minimum information required in the Operation and Maintenance Programs is as follows:

5.2.4.1. A summary by appropriation account with subtotals for DOD Components.

5.2.4.2. A summary of each appropriation account by budget activity/activity group/sub-activity group with budget activity/activity group subtotals and an appropriation total.

5.2.4.3. A detailed sub-activity group by program element and expense aggregate listing in budget activity/activity group sequence.

5.2.4.4. Entries for the individual line items should be on the same basis as that used for program and budget submissions.

5.2.4.5. Costs of prior year programs will be adjusted annually to reflect actual obligations, including deobligations, recoveries of prior year obligations, upward obligation adjustments, transfers, and rescissions, as appropriate, and must match prior year values in the Comptroller Information System.

5.2.4.6. Security classification of line items is determined by the submitting Component subject to OSD Security review. DoD Components must provide a security classification review certification to OUSD(C) P/B P&FC. Except for information published in the unclassified version of the O-1 Report, data contained in the Operation and Maintenance Programs may not be released outside the DoD without the expressed written consent of the Under Secretary of Defense (Comptroller).

5.2.5. General Instructions - Preparing the Operation and Maintenance Programs (O-1). The O-1 document is derived from and consistent with other budgetary data in the CIS database. The O-1 is provided annually to the DoD oversight committees of the Congress coincident with the transmittal of the President's Budget. An unclassified version is provided to OASD(PA) for use by non-DoD activities. The minimum information required in the O-1 is as follows:

5.2.5.1. Identification codes and a detailed description of line item entries are explained in paragraph 5.2.6 below.

5.2.5.2. The line item data provided is PY, CY, BY1 (and BY2 if biennial submission) for the O-1 production, and outyears for the FYDP update.

5.2.5.3. The security classification will be in accordance with the criteria set forth in Section 1.8.

5.2.6. Operation and Maintenance Data Elements and Record Formats

5.2.6.1. Appropriation codes, Component codes, and budget activity codes are as specified in the Budget Structure Listing which can be viewed on the SIPRNet home page of the OUSD (Comptroller).

5.2.6.2. Program element codes and titles are as prescribed by DoD 7045.7-H (FYDP Program Structure Handbook. This publication is available at http://www.dtic.mil/whs/directives under "Publications," and in approved decision documents posted to the FYDP Resource Structure Management (RSM) web site (see Section 7.2) but not yet reflected in DoD 7045.7-H. A listing of expense aggregate codes is available at the SIPRNET home pages of the OUSD (Comptroller) and OD, PA&E.

5.2.6.3. Other Operation and Maintenance Program Data Elements and Record Formats. Components must follow the guidance and use the data elements and record layouts for submission of updates to the Operation and Maintenance Programs database as prescribed in the instructions on the SIPRNet home page of the OUSD (Comptroller).

5.2.7. Instructions on OP-32 and OP-8 are at Section 030201.G. Automated Submission and 0304 Operation and Maintenance Appropriation Submission Formats. Detailed guidance on the automated submission is provided on the OUSD (Comptroller) home page of the SIPRNET at http://cisweb.ousdc.osd.smil.mil.

5.3 Automated Procurement Programs Database (010503)

5.3.1. Purpose and Objectives. The purpose of the Procurement Programs database is to provide supporting budgetary documentation to the Congress, OMB and the public with each year's President's Budget. Data submission is through the Program Resources Collection Process (PRCP) System. The Procurement Programs database supports, and must be consistent with, other budgetary data in the Comptroller Information System (CIS). This section provides for the maintenance of the Procurement Programs as an automated database that is the primary structure for quantity and program cost at the line item and Program Element level of detail for a number of related Procurement Program documents. The following are produced from the Procurement Programs database:

5.3.1.1. Detailed Procurement Programs (classified)

5.3.1.2. Procurement Programs (P-1) (classified)

5.3.1.3. Procurement Programs (P-1/P-1R) (unclassified)

5.3.1.4. Program Acquisition Costs by Weapon System (unclassified)

5.3.1.5. P-1/P-1R database for the Senate Appropriations Committee, the House Appropriations Committee, the Senate Armed Services Committee, and the House Armed Services Committee.

5.3.1.6. Future Years Defense Program Update Data for OD,PA&E

5.3.1.7. Data for USD(AT&L), USD(I), ASD(NII)/DoD CIO, Director, PA&E, The Joint Staff, OMB, and GAO.

5.3.2. Applicability. The provisions of this section apply to the Office of the Secretary of Defense (OSD), the Military Departments, the Defense Agencies, and any other DoD Component that contribute data to the Procurement Programs.

5.3.3. Reporting Requirements. The initial automated database was established consistent with the procurement data submitted to the Congress in support of the FY 1974 Budget. Since that time subsequent updates have been required coincident with submission of the (1) Program and Budget Review and (2) the President's Budget. Specific guidance relative to approved changes, due dates and special requirements is provided in a memorandum from the Office of the Under Secretary of Defense (Comptroller) announcing each update.

5.3.4. General Instructions - Preparing the Detailed Procurement Programs. The Procurement Programs provide resources in a line item level of detail with appropriation identification consistent with other budgetary data in the CIS database. A detailed description of line item entries is listed in Volume 2B, Chapter 4, Section 0402. The minimum information required in the Procurement Programs is as follows:

5.3.4.1. A summary by appropriation account with subtotals for DOD Components.

5.3.4.2. A summary of each appropriation account by budget activity with an appropriation total.

5.3.4.3. A detailed line item listing in budget activity/budget subactivity sequence.

5.3.4.4. Entries for the individual line items should be on the same basis as that used for budget submissions. Multiyear procurements (MYP) are identified for P-1 line items with MYP as defined in Section 2.3. Advance procurement entries should be used as specified in Volume 2B, Section 040502. Initial spares listed with the procurement item (post-delivery and outfitting costs for Shipbuilding and Conversion, Navy) should be shown immediately following the line as a memorandum entry--non-add to the budget activity total.

5.3.4.5. Costs of prior year programs will be adjusted annually to reflect actual obligations, including deobligations, recoveries of prior year obligations, upward obligation adjustments, transfers, and rescissions, as appropriate.

5.3.4.6. The cost to complete column provides the data necessary to obtain the total procurement cost for acquisition of weapon items. It is necessary to estimate the cost of completing the approved program for major weapon systems included in the Selected Acquisition Report (SAR) reporting system and for multiyear contracts utilizing economic order quantity advance procurement. Such costs will be entered in the "cost to complete" column of the Procurement Programs. Entries in the "cost to complete" column are not required for other procurement line entries. The "cost to complete" estimate will include: (1) the portion of the "approved quantity" to be procured beyond the FYDP, and (2) costs to complete acquisition of units procured in prior years such as outfitting and post-delivery requirements for ships which will not deliver during the FYDP.

5.3.4.7. Security classification of line items is determined by the submitting Component subject to OSD Security review. DoD Components must provide a security classification review certification to OUSD(C) P/B P&FC. Except for information published in the unclassified version of the P-1 Report, data contained in the Procurement Programs may not be released outside the DoD without the expressed written consent of the Under Secretary of Defense (Comptroller).

5.3.5. General Instructions - Preparing the Procurement Programs (P-1). The P-1 document is derived from and consistent with other budgetary data in the CIS database. The P-1 is provided annually to the DoD oversight committees of the Congress coincident with the transmittal of the President's Budget. An unclassified version is provided to OASD(PA) for use by non-DoD activities. The minimum information required in the P-1 is as follows:

5.3.5.1. Identification codes and a detailed description of line item entries are explained in paragraph 5.3.6 below.

5.3.5.2. The line item data provided is PY, CY, BY1 (and BY2 if biennial submission).

5.3.5.3. The security classification will be in accordance with the criteria set forth in Section 1.8.

5.3.6. Procurement Data Elements and Record Formats

5.3.6.1. Appropriation codes, Component codes, and budget activity codes are as specified in the Budget Structure Listing which can be viewed on the SIPRNet home page of the OUSD (Comptroller).

5.3.6.2. Program element codes and titles are as prescribed by DoD 7045.7-H (FYDP Program Structure Handbook. This publication is available at http://www.dtic.mil/whs/directives under "Publications," and in approved decision documents posted to the FYDP Resource Structure Management (RSM) web site (see Section 7.2) but not yet reflected in DoD 7045.7-H.

5.3.6.3. Other Procurement Program Data Elements and Record Formats. Components must follow the guidance and use the data elements and record layouts for submission of updates to the Procurement Programs database as prescribed in the instructions on the SIPRNet home page of the OUSD (Comptroller).

5.4 Automated RDT&E Programs Database (010504)

5.4.1. Purpose and Objectives. The purpose of the RDT&E Programs database is to provide supporting budgetary documentation to the Congress, OMB and the public with each year's President's Budget. Data submission is through the Program Resources Collection Process (PRCP) System. The RDT&E Programs database supports, and must be consistent with, other budgetary data in the Comptroller Information System (CIS). This section provides for the maintenance of the RDT&E Programs as an automated database that will be the primary structure for program element and project level detail for a number of related RDT&E Program documents. The following are produced from the RDT&E Programs database:

5.4.1.1. Detailed RDT&E Programs (classified)

5.4.1.2. RDT&E Programs (R-1) (classified)

5.4.1.3. RDT&E Programs (R-1) (unclassified)

5.4.1.4. R-1 database for the Senate Appropriations Committee, the House Appropriations Committee, the Senate Armed Services Committee, and the House Armed Services Committee.

5.4.1.5. Future Years Defense Program Update Data for OD,PA&E

5.4.1.6. Data for USD (AT&L), USD(I), ASD (NII)/DoD CIO, Director, PA&E, The Joint Staff, OMB, and GAO.

5.4.2. Applicability. The provisions of this section apply to the Office of the Secretary of Defense (OSD), the Military Departments, the Defense Agencies, and any other DoD Component that contribute data to the Procurement Programs.

5.4.3. Reporting Requirements. The initial automated database was established consistent with the RDT&E data submitted to the Congress in support of the FY 1976/197T Budget. Since that time subsequent updates have been required coincident with submission of the (1) Program and Budget Review, and (2) President's Budget. Specific guidance relative to approved changes, due dates and special requirements is provided in a memorandum from the Office of the Under Secretary of Defense (Comptroller) announcing each update.

5.4.4. General Instructions - Preparing the Detailed RDT&E Programs. The RDT&E Programs is consistent with the program element identification of resources contained in the Future Years Defense Program Summary and Program Element Detail. Data in the RDT&E Programs is summarized by appropriation account with recaps by budget activity and FYDP programs. Security classification of line items is determined by the submitting Component subject to OSD Security review. DoD Components must provide a security classification review certification to OUSD(C) P/B P&FC.

5.4.5. General Instructions - Preparing the R-1 Document. The R-1 document is derived from, and consistent with, other budgetary data in the CIS database. The R-1 is provided annually to the DoD Oversight Committees of the Congress coincident with the transmittal of the President's Budget. An unclassified version is provided to OASD(PA) for use by non-DoD activities. The unclassified R-1 is the only document from the RDT&E Programs database available for public distribution. The minimum information required in the R-1 is as follows:

5.4.5.1. The program element line item data provided is PY, CY, BY1 (and BY2 if biennial submission).

5.4.5.2. The security classification shall be in accordance with the criteria set forth in Section 1.8.

5.4.5.3. A detailed program element listing in budget activity sequence.

5.4.6. RDT&E Data Elements and Record Formats

5.4.6.1. Appropriation codes, Component codes, and budget activity codes are as specified in the Budget Structure Listing which can be viewed on the SIPRNet home page of the OUSD (Comptroller).

5.4.6.2. Other RDT&E Program Data Elements and Record Formats. Components must follow the guidance and use the data elements and record layouts for submission of updates to the RDT&E Programs database as prescribed in the instructions on the SIPRNet home page of the OUSD (Comptroller).

5.5 Automated Construction Program Database (010505)

5.5.1. Purpose and Objectives. This section provides guidelines for the Automated Construction Program Database to supplement the Defense Components' military construction justification materials. Data submission is through the Program Resources Collection Process (PRCP) System. The Construction Program also will be used to track Program Budget Decisions at the project level, track congressional action on the President's Budget submission, and provide the baseline data required for special analysis such as the facilities recapitalization metric.

5.5.2. Applicability. The provisions of this section apply to all requirements financed by the Military Construction, NATO Security Investment Program, Base Realignment and Closure, Family Housing, DoD Family Housing Improvement Fund and Homeowners Assistance appropriations of the DoD Components as applicable.

5.5.3. Responsibilities. The DoD Components will submit Construction Program data for their Active, Guard and Reserve Forces construction projects, their portions of the Family Housing, DoD Family Housing Improvement Fund and Homeowners Assistance programs. DoD Components will also submit Construction Programs data for multi-service or national level projects for which they are the executive agent as described in Volume 2B, Chapter 6, Section 060301.

5.5.4. Reporting Requirements. Update submissions will coincide with the Program and Budget Review submissions and the January budget presentation. Detailed requirements not contained herein will be specified by memorandum for all update submissions. Data will be consistent with budgetary data in the CIS database.

5.5.5. Construction Data Elements and Record Formats

5.5.5.1. Appropriation codes, Component codes, and budget activity codes are as specified in the Budget Structure Listing which can be viewed on the SIPRNet home page of the OUSD (Comptroller).

5.5.5.2. Program element codes and titles are as prescribed by DoD 7045.7-H (FYDP Program Structure Handbook. This publication is available at http://www.dtic.mil/whs/directives under "Publications," and in approved decision documents posted to the FYDP Resource Structure Management (RSM) web site (see Section 7.2) but not yet reflected in DoD 7045.7-H.

5.5.5.3. Other Construction Program Data Elements and Record Formats. Components must follow the guidance and use the data elements and record layouts for submission of updates to the Construction Programs database as prescribed in the instructions on the SIPRNet home page of the OUSD (Comptroller).

5.5.6. Level of Detail

5.5.6.1. Data will be reported at the level specified for the justification material [(DD Form 1391) in Volume 2B, Chapters 6 and 7]. A summary of the levels required follows:

5.5.6.2. Military Construction 1

5.5.6.2.1. Major Construction - project detail

5.5.6.2.2. Minor Construction - lump-sum for exigent minor construction

5.5.6.2.3. Planning and Design - lump-sum

5.5.6.2.4. Supporting Activities - project detail

5.5.6.2.5. Program Element

5.5.6.3. NATO Security Investment Program - lump-sum 1

5.5.6.4. Base Realignment and Closure - lump-sum 1

5.5.6.5. Family Housing Construction 1

5.5.6.5.1. Construction of new housing - project detail. A separate data element will be used to identify the number of units being constructed for each project.

5.5.6.5.2. Construction Improvements - lump-sum.

5.5.6.5.3. Planning and Design - lump-sum.

5.5.6.6. Family Housing, Operation & Maintenance 1/ Lump-sum for each budget activity except the Operating Expenses budget activity will be reported by subaccount. The Family Housing Operation and Maintenance entries are shown below:

5.5.6.6.1. Management Account

5.5.6.6.2. Services Account

5.5.6.6.3. Furnishings Account

5.5.6.6.4. Miscellaneous Account

5.5.6.6.5. Utilities Account

5.5.6.6.6. Leasing

5.5.6.6.7. Maintenance of Real Property

5.5.6.6.8. Interest Payments

5.5.6.6.9. Mortgage Insurance Premiums

5.5.6.6.10. Housing Privatization Support

5.5.6.7. Homeowners Assistance Fund 1/

5.5.6.7.1. Payment to Homeowners

5.5.6.7.2. Other Operating Costs

5.5.6.7.3. Acquisition of Real Property

5.5.6.7.4. Mortgages Assumed

5.5.6.8. DoD Family Housing Improvement Fund - lump sum 1/

5.5.6.8.1. Nomenclature records for all lump-sum values will be generated by the automated Construction Programs database system; DoD Components should not submit nomenclature records for lump-sum values.

5.5.7. Security Classification. A project may be classified due to the nature of the project, the location of the project, or both. Since the Construction Programs (C-1) is an unclassified document generated from an unclassified database, use the conventions provided in the instructions for submission of updates to the Construction Programs database on the SIPRNet home page of the OUSD (Comptroller).

5.6 CIS Automation Requirements for the Biennial Program and Budget Review Submission (010506)

5.6.1. Purpose. Electronic data are the basis for the OSD budget review. Components' program and budget review submission form the baseline from which all Program Budget Decision dollar and manpower deltas are made. The program and budget review submission is entered into Comptroller Information System (CIS) by the Military Departments and Defense Agencies. This chapter outlines the requirements for submission of the data.

5.6.2. Requirement for the CIS Budget Structure. DoD must comply with the budget submission requirements in OMB Circular A-11, "Preparation, Submission, and Execution of the Budget," which applies to all Executive Branch agencies. OMB's MAX budget system provides the structure for the data that must be submitted to OMB for each appropriation and receipt account. The data is published annually in the Budget of the United States Government, commonly referred to as the President's Budget. OMB publishes detailed account data for each Federal agency in a separate "Appendix" of the Budget. The OUSD (Comptroller)'s CIS database is designed to satisfy the annual submission of Defense Budget data to OMB's automated MAX budget system. The CIS budget structure for an account is the Program and Financing (P&F) Schedule. The P&F Schedule consists of a budget plan, object class, and expenditure tail for all accounts, except for multi-year accounts that also have a separate obligation plan in addition to the budget plan.

5.6.3. Submission Requirements:

5.6.3.1. Submission of Budget Estimates for Budget Years (BY1) and BY2:

5.6.3.1.1. Budget Submission (Dollars). Military Departments and Defense Agencies, as applicable, will submit budget plan, and object class data entries for all applicable appropriation and receipt accounts which are consistent with and reconcilable to hard copy submission of budget estimates exhibits required by other sections of the Financial Management Regulation. Budget plan data must be submitted for all years by period of obligational availability. Object class entries will be at the summary level (not by period of obligational availability) and exclude the outyears. Detailed data entries only will be submitted since subtotals and summary totals are CIS computer generated. All TOA values by Component by fiscal year will agree with budget submission TOA dollars on Exhibit PB-1A.

5.6.3.1.2. Budget Submission (Personnel Data). Budget submission of on-board year end personnel data entries for military end strength and civilian full-time equivalents (FTEs) will be in exact agreement with the PB-4 exhibit.

5.6.3.1.3. Budget Submission for Prior Year (PY). The Directorate for Program and Financial Control, OUSD (Comptroller)(P/B) will replicate PY from the CY column of the previous year's budget. Components may make limited changes as part of the program and budget review submission. The PY will be updated once accounting and manpower actuals are available.

5.6.3.1.4. Obligation Plan Data for Multi-Year Accounts. Obligation plans for the program and budget review submissions will be computer generated in CIS once PY accounting actuals are input and as budget adjustments are recorded in CIS. Components will be asked to review obligations by budget activity after the updated rates have been implemented in CIS.

5.6.3.1.5. Expenditure Tail Data. Components are not required to submit expenditure tail data. Expenditure tail data for the program and budget review submissions will be computer generated in CIS. Outlay rates used in the previous year's Defense Budget will generate outlays as part of the baseline submission. The Directorate for Program and Financial Control will adjust outlay rates later in the budget review process once PY accounting actuals are available.

5.6.3.2. Submission of Outyear Estimates:

5.6.3.2.1. Budget Submission (Dollars). The submission of TOA (Direct Program) for appropriation accounts (general fund and revolving fund) and concept obligations for trust revolving fund, trust fund, special fund, and receipt accounts for BY2+1 through BY2+4 will be made at the same time as the budget submission. Input to the database for the outyears will be formatted in accordance with the CIS Budget Structure, by appropriation account at the budget activity/special program category level. Budget plan outyear entries for TOA for applicable appropriation accounts and concept obligations for trust revolving fund, trust fund, special fund, and receipt accounts are the only dollar data to be submitted by Components for the outyears. TOA dollars must agree with Exhibit PB-1A.

5.6.3.2.2. Budget Submission (Personnel Data). Budget estimates for BY2+1 through BY2+4 military end strength and civilian full-time equivalents (FTEs) will be made coincident with the budget submission. Input to the database for the outyears will be formatted in accordance with the CIS Budget Structure Listing and will be in exact agreement with the PB-4 exhibit.

5.6.3.3. Account Data Elements and Account Structure. Program and budget review submissions will be in thousands of dollars for all data elements for each account's budget plan, obligation plan, and object classification schedules and must be submitted in accordance with the CIS Budget Structure Listing. (Expenditure tail for CY through the outyears will be computer generated in CIS.) Personnel data for applicable accounts will be submitted for all years in accordance with the detail prescribed by the CIS Budget Structure Listing. The Budget Structure Listing may be generated by running the BATF1 through BATF6 reports from the CIS Report Processor subsystem. Questions and changes to the CIS Budget Structure Listing should be

directed to the Directorate for Program and Financial Control, OUSD (Comptroller)(P/B), phone 703-697-7564.

5.6.3.4. Data Submission. Guidance is provided on the SIPRNET home page of the OUSD (Comptroller) on "Coding CIS Transactions for FY BY1/BY2 Budget." Components must use the record layouts and file formats prescribed in this guidance.

5.7 CIS Budget Structure Listing (BSL) (010507)

5.7.1. Purpose. The BSL reflects the official Department of Defense budget account structure for Component submission of the budget estimates in machine readable form. The BSL contains the following sections:

5.7.1.1. Appropriation Account Names/Codes. This section lists all the valid and active codes in the CIS database. Appropriation accounts have four-digit to six-digit numeric plus one-digit Treasury agency alpha account code. Receipt accounts have six-digit numeric plus one-digit Treasury agency alpha account code. Account coding in CIS agrees with codes used in OMB's MAX automated budget system for compatibility in the Department's electronic submission of the Defense Budget to OMB.

5.7.1.2. Budget Plan and Obligation Plan Name Codes. This section provides the detailed budget structure for data elements in the budget plan and obligation plan of all appropriation and receipt accounts in CIS. In this section of the BSL, the presence of a "P" and/or "$" in the "PER/$$ Inputs" column indicates those budget activities/special program codes against which resources ($ or personnel) may be entered in the CIS database. Requests to add "P" or a "$" to an existing line may be made to the Directorate for Program and Financial Control, OUSD (Comptroller)(P/B), through the respective Program/Budget Directorate responsible for that appropriation.

5.7.1.3. Financing, Budget Authority, and Expenditure Tail Name/Codes. This section lists the financing (FIN), budget authority breakout (BAB), and expenditure tail (EXP) codes used in the Program and Financing Schedule for each appropriation and receipt account.

5.7.1.4. Object Classification Codes. OMB Circular A-11 requires agencies to report account obligations by object class for PY, CY, BY1 and BY2. This section aligns Program and Financing Schedule obligations with the object class codes in OMB Circular A-11.

5.7.2. Input Requirements

5.7.2.1. Input coding for all budget estimates will be entered in accordance with guidance provided on the SIPRNET OUSD (Comptroller) home page. Features that should be considered in the preparation of data are:

5.7.2.1.1. Military Personnel Accounts:

5.7.2.1.1.1. The Military Departments will prepare and submit the military personnel account data (see Budget Structure Listing on the SIPRNET home page of the OUSD (Comptroller)). Input for military personnel dollars should not be submitted by Defense Agencies.

5.7.2.1.1.2. The Military Departments will prepare and submit end strength data on a Component basis; i.e., Army submits data on personnel assigned to Army as well as Army personnel assigned to each Defense Agency (see Budget Structure Listing on the SIPRNet home page of the OUSD (Comptroller)). The Defense Agencies must coordinate their end strength requirements with the Military Departments prior to the Military Departments' data submissions.

5.7.2.1.2. Input coding for Working Capital Fund must include the appropriate three-position special program code assigned to each business area for operating and capital expenses, civilian full-time equivalents (FTEs), and military end strengths.

5.7.3. Object Classification Schedules

5.7.3.1. Object class definitions are provided in OMB Circular A-11, Section 83. The major object class categories are:

5.7.3.1.1. 10 Personnel compensation and benefits

5.7.3.1.2. 20 Contractual services and supplies

5.7.3.1.3. 30 Acquisition of assets

5.7.3.1.4. 40 Grants and fixed charges

5.7.3.1.5. 90 Other

5.7.3.2. DoD-unique object class major/minor codes include:

5.7.3.2.1. 12.210 Military – accrued retirement benefits

5.7.3.2.2. 12.220 Military – other personnel benefits

5.7.3.2.3. 12.230 Military – accrued health care Military benefit categorization guidance for the three above is provided in Chapter 2, Section 020202.

5.7.3.2.4. 25.320 Payments to foreign national indirect hire

5.7.3.2.5. 25.330 Purchases from revolving funds. Obligations for purchases from Defense Working Capital Funds and other DoD revolving and management accounts. Differentiate from object class 25.310 purchases of goods and services from other government agencies (examples include non-revolving fund support agreement obligations).

5.7.3.3. The object classification codes specified in OMB Circular A-11 are augmented in CIS by type that identifies Direct Obligations (type = "1"), Reimbursable Obligations (type = "2"), Allocation Accounts (type = "3"), and Receipt Obligations (type = "4").

5.7.3.4. All revolving and management accounts will be coded in the reimbursable (type = "2") object class series followed by the appropriate object class number.

5.7.3.5. Object class data will be submitted for all accounts (including concept obligations) in the Program and Financing schedules in the PY, CY, BY1 or BY2.

5.7.3.6. Object Class Default Major/Minor Codes. When an obligation adjustment occurs in CIS and an object class is not specified for the obligation change, CIS will automatically make an adjustment in the amount of the obligation to the default object class for the account. For example, if a TOA delta is made to an annual account in a Program Budget Decision (PBD) and if an object class obligation delta is not coded and included as part of the PBD transaction, CIS will automatically generate an object class delta in the default object class code for the account. Components must redistribute obligations by object class for each of their accounts after PY actuals are available, and before the budget review process has been completed, to provide consistent and explainable object class amounts from PY through BY2. A chart displaying CIS object class default Major/Minor code for each account is available on the SIPRNet home page of the OUSD (Comptroller).

5.7.4. CIS P&F Schedule Diagnostics Rules and Report. CIS Report 22 has been developed to provide diagnostic and balancing checks for appropriation and receipt accounts. Report 22 provides a listing of balance diagnostic errors and warnings for each appropriation account and supplemental account as well as for each defense agency within a defense-wide account where appropriate. An example of a balancing requirement checked in this report is: Total Direct Program (Total Obligational Authority (TOA)) in the P&F section must equal total Direct Obligations in the Object Classification section for each year within a defense agency or appropriation account (for annual accounts).

5.7.5. Update of the PY Column

5.7.5.1. OMB Circular A-11 requires agencies to submit PY data to OMB's MAX budget system which is based on Treasury certified accounting actuals. The update of PY dollars in CIS is accomplished using data from the SF Form 133 and the DD Comp 1002 plus AR 1307 for Revolving Funds. PY amounts must reconcile to Treasury's yearend annual report called the Treasury Alignment Statement.

5.7.5.2. Components will be requested to validate budget activity data and update object class obligations and manpower actuals once accounting data has been certified by Treasury for each Defense account. All PY actuals updates for budget plans, obligations plans and expenditure tail data will be done electronically by the Directorate for Program and Financial Control. Business rules used by CIS for updating PY actuals for an account's budget plan, obligation plan and expenditure tail are available on the SIPRNet home page of the OUSD (Comptroller).

6.0 UNIFORM BUDGET AND FISCAL ACCOUNTING CLASSIFICATIONS (0106)

6.1 General (010601)

6.1.1. This Section establishes the functional title classifications and subdivisions by which appropriation and fund accounts of the Department of Defense are required to be arranged, grouped, or classified in budgetary and fiscal presentations. These classifications are designed to permit consolidation of budget and fiscal data for the several Components of the Department of Defense into over-all Departmental summaries.

6.1.2. These instructions cover all appropriation and receipt accounts for military functions of the Department of Defense. Detailed DoD budget account structure used in the Comptroller Information System is displayed in the Budget Structure Listing available on the SIPRNet home page of the OUSD (Comptroller).

6.2 Functional Titles – Military Functions (010602)

The following functional titles are to be used in appropriate budgetary and fiscal presentations:

6.2.1. Military Personnel

6.2.2. Operation and Maintenance

6.2.3. Procurement

6.2.4. Research, Development, Test, and Evaluation

6.2.5. Military Construction

6.2.6. Family Housing

6.2.7. Revolving and Management Funds

6.2.8. Defense-Wide Contingencies

6.2.9. Offsetting Receipts

6.2.10. Trust and Trust Revolving Funds

6.2.11. Interfund Transactions

6.3 Definitions of Functional Titles and Subdivisions – Military (010603)

This Section lists currently active appropriations within each functional title. Budget activities for Procurement and RDT&E titles are also listed. Budget activities for other appropriations are displayed in the Budget Structure Listing available on the SIPRNet home page of the OUSD (Comptroller).

6.3.1. Functional Title - Military Personnel

6.3.1.1. The functional title "Military Personnel" for military functions is defined as comprising the accounts listed below.

6.3.1.1.1. Active Forces

21_2010	Military Personnel, Army
21_1004	Medicare-Eligible Retiree Health Fund Contribution, Army
17_1453	Military Personnel, Navy
17_1000	Medicare-Eligible Retiree Health Fund Contribution, Navy
17_1105	Military Personnel, Marine Corps
17_1001	Medicare-Eligible Retiree Health Fund Contribution, Marine Corps
57_3500	Military Personnel, Air Force
57_1007	Medicare-Eligible Retiree Health Fund Contribution, Air Force

6.3.1.1.2. Reserve and Guard Forces

21_2070	Reserve Personnel, Army
21_1005	Medicare-Eligible Retiree Health Fund Contribution, Reserve Personnel, Army
17_1405	Reserve Personnel, Navy
17_1002	Medicare-Eligible Retiree Health Fund Contribution, Reserve Personnel, Navy
17_1108	Reserve Personnel, Marine Corps

17_1003	Medicare-Eligible Retiree Health Fund Contribution, Reserve Personnel, Marine Corps
57_3700	Reserve Personnel, Air Force
57_1008	Medicare-Eligible Retiree Health Fund Contribution, Reserve Personnel, Air Force
21_2060	National Guard Personnel, Army
21_1006	Medicare-Eligible Retiree Health Fund Contribution, National Guard Personnel, Army
57_3850	National Guard Personnel, Air Force
57_1009	Medicare-Eligible Retiree Health Fund Contribution, National Guard Personnel, Air Force
97 0041	Concurrent Receipt Accrual Payments to the Military Retirement Fund

6.3.1.2. Lower level subdivisions susceptible to consolidation are available under the uniform budget and accounting structure prescribed for these appropriations in Chapter 2 of Volume 2A.

6.3.2. Functional Title - Operation and Maintenance

The functional title "Operation and Maintenance" for military functions is defined as comprising the accounts listed below:

21_2020	Operation and Maintenance, Army
17_1804	Operation and Maintenance, Navy
17_1106	Operation and Maintenance, Marine Corps
57_3400	Operation and Maintenance, Air Force
97_0100	Operation and Maintenance, Defense-Wide
21_2080	Operation and Maintenance, Army Reserve
17_1806	Operation and Maintenance, Navy Reserve
17_1107	Operation and Maintenance, Marine Corps Reserve
57_3740	Operation and Maintenance, Air Force Reserve
21_2065	Operation and Maintenance, Army National Guard
57_3840	Operation and Maintenance, Air National Guard
97_0104	United States Court of Appeals for the Armed Forces
97_0105	Drug Interdiction and Counter-Drug Activities, Defense
97_/_0107	Office of the Inspector General
97X0118	Overseas Contingency Operations Transfer Fund
97_/_0130	Defense Health Program
97_/_0134	Former Soviet Union Threat Reduction
97_0141	Iraq Freedom Fund
97_/_0143	Strategic Reserve Readiness Fund
97X0801	Foreign Currency Fluctuations, Defense
21X0810	Environmental Restoration, Army
17X0810	Environmental Restoration, Navy
57X0810	Environmental Restoration, Air Force

97X0810	Environmental Restoration, Defense
97X0811	Environmental Restoration, Formerly Used Defense Sites
97_/_0819	Overseas Humanitarian, Disaster and Civil Aid
97X0833	Emergency Response Fund
97X0838	Support for International Sporting Competitions
97_/_0839	Quality of Life Enhancements
97X0840	OPPLAN 34A - 35 P.O.W. Payments
97X0842	Defense Vessels Transfer Program Account
17X1236	Payment to Kaho'olawe Island Conveyance, Remediation, and Environmental Restoration Fund
21_/_2091	Afghanistan Security Forces Fund
21_/_2092	Iraq Security Forces Fund
97X4965	Emergency Response Fund
21X5098	Restoration of the Rocky Mountain Arsenal
17X5185	Kaho'Olawe Island Conveyance Remediation, and Environmental Restoration Fund
97X5187	Defense Cooperation Account
97X5188	Disposal of Department of Defense Real Property
97X5189	Lease of Department of Defense Real Property
97X5193	Overseas Military Facility Investment Recovery Account
21X5194	DoD 50th Anniversary of World War II Commemoration
97X5195	Use of Proceeds from the Transfer or Disposal of Commissary Facilities
21X5286	National Science Center, Army
97X5394	Use of Proceeds from Cash Equalization Payments from Acquisition of Facilities
97X5441	Burdensharing Contribution

6.3.3. Functional Title - Procurement

The functional title "Procurement" for military functions is defined as comprising the following appropriations and budget activities:

21_/_2031	Aircraft Procurement, Army -Aircraft -Modification of Aircraft -Spares and Repair Parts -Support Equipment and Facilities
21_/_2032	Missile Procurement, Army -Other Missiles -Modification of Missiles -Spares and Repair Parts -Support Equipment and Facilities

21_/_2033	Procurement of Weapons and Tracked Combat Vehicles, Army -Tracked Combat Vehicles -Weapons and Other Combat Vehicles -Spares and Repair Parts
21_/_2034	Procurement of Ammunition, Army -Ammunition -Ammunition Production Base Support
21_/_2035	Other Procurement, Army -Tactical and Support Vehicles -Communications and Electronics Equipment -Other Support Equipment -Spares and Repair Parts
21_/_2093	Joint Improvised Explosive Device Defeat Fund
17_/_1506	Aircraft Procurement, Navy -Combat Aircraft -Airlift Aircraft -Trainer Aircraft -Other Aircraft -Modification of Aircraft -Aircraft Spares and Repair Parts -Aircraft Support Equipment and Facilities
17_/_1507	Weapons Procurement, Navy -Ballistic Missiles -Other Missiles -Torpedoes and Related Equipment -Other Weapons -Other Ordnance -Spares and Repair Parts
17_/_1508	Procurement of Ammunition, Navy and Marine Corps -Procurement of Ammunition, Navy -Procurement of Ammunition, Marine Corps

6.3.4. Functional Title - Procurement (Continued)

17_/_1611 Shipbuilding and Conversion, Navy
-Fleet Ballistic Missile Ships
-Other Warships
-Amphibious Ships
-Mine Warfare and Patrol Ships
-Auxiliaries, Craft and Prior-Year Program Costs

17_/_1810 Other Procurement, Navy
-Ships Support Equipment
-Communications and Electronics Equipment
-Aviation Support Equipment
-Ordnance Support Equipment
-Civil Engineering Support Equipment
-Supply Support Equipment
-Personnel and Command Support Equipment
-Spares and Repair Parts

17_/_0380 Coastal Defense Augmentation
-Coast Guard Support

17_/_1109 Procurement, Marine Corps
-Weapons and Combat Vehicles
-Guided Missiles and Equipment
-Communications and Electronics Equipment
-Support Vehicles
-Engineer and Other Equipment
-Spares and Repair Parts

57_/_3010 Aircraft Procurement, Air Force
-Combat Aircraft
-Airlift Aircraft
-Trainer Aircraft
-Other Aircraft
-Modification of In-Service Aircraft
-Aircraft Spares and Repair Parts
-Aircraft Support Equipment and Facilities

57_/_3011 Procurement of Ammunition, Air Force
-Procurement of Ammunition, Air Force
-Weapons

57_/_3020 Missile Procurement, Air Force
-Ballistic Missiles
-Other Missiles
-Modification of In-Service Missiles
-Spares and Repair Parts
-Other Support
-Munitions and Related Equipment

57_/_3080 Other Procurement, Air Force
-Munitions and Associated Equipment
-Vehicular Equipment
-Electronics and Telecommunications Equipment
-Other Base Maintenance and Support Equipment
-Spares and Repair Parts

97_/_0300 Procurement, Defense-Wide
-Major Equipment
-Special Operations Command
-Chemical/Biological Defense

97_/_0303 Rapid Acquisition Fund

97_/_0350 National Guard and Reserve Equipment
-Reserve Equipment
-National Guard Equipment

97_/_0360 Defense Production Act Purchases

97_/_0390 Chemical Agents and Munitions Destruction, Defense
-Operation and Maintenance
-Research, Development, Test, and Evaluation
-Procurement

6.3.5. Functional Title – Research, Development, Test and Evaluation

The functional title "Research, Development, Test and Evaluation" for military functions is defined as comprising the following accounts and budget activities:

21_/_2040 Research, Development, Test, and Evaluation, Army
17_/_1319 Research, Development, Test, and Evaluation, Navy
57_/_3600 Research, Development, Test, and Evaluation, Air Force
97_/_0400 Research, Development, Test, and Evaluation, Defense-Wide
97_/_0460 Operational Test and Evaluation, Defense
57_/_3024 Tanker Replacement Transfer Fund, Air Force

Budget Activities for RDT&E Accounts

01 - Basic Research
02 - Applied Research
03 - Advanced Technology Development
04 - Advanced Component Development and Prototypes
05 - System Development and Demonstration
06 - RDT&E Management Support
07 - Operational System Development

6.3.6. Functional Title – Military Construction

6.3.6.1. The functional title "Military Construction" for military functions is defined as comprising the accounts listed below.

21_/_2050	Military Construction, Army
17_/_1205	Military Construction, Navy
57_/_3300	Military Construction, Air Force
97_/_0500	Military Construction, Defense-Wide
97X0510	Base Realignment and Closure Account, Part II, Defense
051001	Base Realignment and Closure Account, Army
051002	Base Realignment and Closure Account, Navy
051003	Base Realignment and Closure Account, Air Force
051004	Base Realignment and Closure Account, Defense
97X0512	Base Realignment and Closure Account, 2005
051201	Base Realignment and Closure Account, 2005, Army
051202	Base Realignment and Closure Account, 2005, Navy
051203	Base Realignment and Closure Account, 2005, Air Force
051204	Base Realignment and Closure Account, 2005, Defense
97X0803	Foreign Currency Fluctuations, Construction, Defense
97X0804	North Atlantic Treaty Organization Security Investment Program
21_/_2085	Military Construction, Army National Guard
57_/_3830	Military Construction, Air National Guard
21_/_2086	Military Construction, Army Reserve
17_/_1235	Military Construction, Naval Reserve
57_/_3730	Military Construction, Air Force Reserve
97_/_0391	Chemical Demilitarization Construction, Defense

6.3.6.2. Lower level subdivisions susceptible to consolidation are available under the uniform accounting classifications prescribed for these appropriations in Chapter 6, Section 0602, and Chapter 7, Section 0702.

FUNCTIONAL TITLE - FAMILY HOUSING

The functional title "Family Housing" for military functions is defined as comprising the accounts listed below:

97X0834	Department of Defense Family Housing Improvement Fund
97X0836	Department of Defense Military Unaccompanied Housing Improvement Fund
21_/_0720	Family Housing, Construction, Army
21_0725	Family Housing, Operation and Maintenance, Army
17_/_0730	Family Housing, Construction, Navy and Marine Corps
17_0735	Family Housing, Operation and Maintenance, Navy and Marine Corps
57_/_0740	Family Housing, Construction, Air Force
57_0745	Family Housing, Operation and Maintenance, Air Force
97_/_0760	Family Housing, Construction, Defense-Wide
97_0765	Family Housing, Operation and Maintenance, Defense-Wide
97X4090	Homeowners' Assistance Fund, Defense
97X4166	Family Housing Improvement Fund, Direct Loan, Financing Account
97X4167	Family Housing Improvement Fund, Guaranteed Loan, Financing Account

FUNCTIONAL TITLE - REVOLVING AND MANAGEMENT FUNDS

The functional title "Revolving and Management Funds" for military functions is defined as comprising the accounts listed below. Since each account, in its entirety, is classified within a single first level subdivision of the functional title, the accounts are grouped by the subdivisions.

Public Enterprise Funds

97X4555	National Defense Stockpile Transaction Fund
97X4950	Pentagon Reservation Maintenance Revolving Fund
17X4557	National Defense Sealift Fund
21X4275	Arms Initiative, Guaranteed Loan Financing Account, Army
97X4282	Defense Coalition Support Fund

Intragovernmental Funds

97X493001	Defense Working Capital Fund, Army
97X493002	Defense Working Capital Fund, Navy
97X493003	Defense Working Capital Fund, Air Force
97X493004	Defense Working Capital Fund, Defense Agencies
97X493005	Defense Working Capital Fund, Defense Commissary Agency
97X4179	Reserve Mobilization Income Insurance Fund
21X4528	Army Conventional Ammunition Working Capital Fund *
97X4931	Buildings Maintenance Fund

*Closing after existing orders are completed

FUNCTIONAL TITLE - DEFENSE-WIDE CONTINGENCIES

The functional title "Defense-Wide Contingencies" for military functions is defined as comprising the accounts listed below:

97 9912	Other Legislation (including Management Improvements)
97 9918	General Transfer Authority Outlay Allowance

FUNCTIONAL TITLE - OFFSETTING RECEIPTS

The functional title "Offsetting Receipts" for military functions is defined as comprising the accounts listed below:

General Fund Proprietary Offsetting Receipts

184000A	Offsetting Receipts, Rent of Equipment and Other Personal Property, Army
184000N	Offsetting Receipts, Rent of Equipment and Other Personal Property, Navy
184000F	Offsetting Receipts, Rent of Equipment and Other Personal Property, Air Force
184000D	Offsetting Receipts, Rent of Equipment and Other Personal Property, Defense
246200A	Offsetting Receipts, Deposits for Survivors Annuity Benefits, Army
246200N	Offsetting Receipts, Deposits for Survivors Annuity Benefits, Navy
246200F	Offsetting Receipts, Deposits for Survivors Annuity Benefits, Air Force
246200D	Offsetting Receipts, Deposits for Survivors Annuity Benefits, Defense
223600D	Sales of Certain Material in National Defense Stockpile
264400D	Defense Vessels Transfer Receipt Account
265100D	Sale of Scrap and Salvaged Materials, Defense
262100D	Sale of Lands, Etc., Mil Post Construction Fund

301900A	Offsetting Receipts, Recoveries for Government Property Lost or Damaged, Army
301900N	Offsetting Receipts, Recoveries for Government Property Lost or Damaged, Navy
301900F	Offsetting Receipts, Recoveries for Government Property Lost or Damaged, Air Force
301900D	Offsetting Receipts, Recoveries for Government Property Lost or Damaged, Defense
304100A	Offsetting Receipts, Recoveries Under FMS Program, Army
304100N	Offsetting Receipts, Recoveries Under FMS Program, Navy
304100F	Offsetting Receipts, Recoveries Under FMS Program, Air Force
304100D	Offsetting Receipts, Recoveries Under FMS Program, Defense
321000A	Offsetting Receipts, General Fund Propriety Receipts, Army
321000N	Offsetting Receipts, General Fund Propriety Receipts, Navy
321000F	Offsetting Receipts, General Fund Propriety Receipts, Air Force
321000D	Offsetting Receipts, General Fund Propriety Receipts, Defense

Special Fund Proprietary Offsetting Receipts

509810A	Rocky Mountain Arsenal Offsetting Receipts
518510N	Offsetting Receipts, Kaho' Olawe Island Fund
518710D	Defense Cooperation Receipts
518720D	Earnings on Investments, Defense Cooperation Account (Non-051)
518821D	Offsetting Receipts, Disposal of DoD Real Property, Army
518817D	Offsetting Receipts, Disposal of DoD Real Property, Navy
518857D	Offsetting Receipts, Disposal of DoD Real Property, Air Force
518897D	Offsetting Receipts, Disposal of DoD Real Property, Defense Agencies
518921D	Offsetting Receipts, Lease of DoD Real Property, Army
518917D	Offsetting Receipts, Lease of DoD Real Property, Navy
518957D	Offsetting Receipts, Lease of DoD Real Property, Air Force
518997D	Offsetting Receipts, Lease of DoD Real Property, Defense Agencies
519321D	Deposits, DoD Overseas Military Facility Investment Recovery Account, Army
519317D	Deposits, DoD Overseas Military Facility Investment Recovery Account, Navy
519357D	Deposits, DoD Overseas Military Facility Investment Recovery Acct, Air Force
519397D	Deposits, DoD Overseas Military Facility Investment Recovery Account
519410A	Royalties for Use of DoD Military Insignia and Trademarks
519510D	Proceeds from the Transfer or Disposition of Commissary Facilities
528610A	Fees Collected for the Use of the National Science Center
539421A	Cash Equalization Proceeds from Acquisition of Facilities, Army
539417N	Cash Equalization Proceeds from Acquisition of Facilities, Navy

539457F	Cash Equalization Proceeds from Acquisition of Facilities, Air Force
539497D	Cash Equalization Proceeds from Acquisition of Facilities, Defense
544110D	Burdensharing Contribution, Defense, Kuwait
544130D	Burdensharing Contribution, Defense, Japan
544140D	Burdensharing Contribution, Defense, South Korea
544150D	Burdensharing Contribution, Defense, Qatar
544210D	Proceeds DoD Korean War Commemoration Account
556210N	Ford Island Improvement Account, Net Sale of Assets

Trust Fund Receipts (Non-Function 051)

806310A Bequest of Major General Fred C. Ainsworth, Library, Walter Reed General Hospital Trust Fund

806320A	Earnings on Investments, Ainsworth Library Trust Fund
817410A	Collections for the National Science Center Gift Fund
892710A	Deposits, Dept. of the Army General Gift Fund
892720A	Earnings on Investments, Dept. of the Army General Gift Fund
873310N	Contributions to U.S. Naval Academy Gift and Museum Fund
873320N	Earnings on Investments, U.S. Naval Academy Gift and Museum Fund
871610N	Deposits, Dept. of the Navy General Gift Fund
871620N	Earnings on Investments, Dept. of the Navy General Gift Fund
892810F	Deposits, Dept. of Air Force General Gift Fund
892820F	Earnings on Investments, Dept. of Air Force General Gift Fund
833710D	Contributions from Kuwait, Host Nation Support for U.S. Relocation Activities
833720D	Earnings on Investments, Host Nation Support for U.S. Relocation Activities
833730D	Contributions from Japan, Host Nation Support for U.S. Relocation Activities
833740D	Contributions from S. Korea, Host Nation Support for U.S. Relocation Activities
833750D	Contributions from Qatar, Host Nation Support for U.S. Relocation Activities
816310D	Contributions to the DoD General Gift Fund
835810D	Contributions from Japan, Support for U.S. Relocation to Guam Activities
835820D	Earnings on Investments, Support for U.S. Relocation to Guam Activities

FUNCTIONAL TITLE - TRUST AND TRUST REVOLVING FUNDS

The functional title "Trust Funds" for military functions is defined as comprising the accounts listed below:

21X8063	Ainsworth Library (Trust)
97X8335	Voluntary Separation Incentive Fund
21X8927	Army General Gift Fund
17X8733	USN Academy Gift and Museum Fund
17X8716	Navy General Gift Fund
17X8723	Ships Stores Profit, Navy
57X8928	Air Force General Gift Fund
17X8423	Midshipmen's Store, USN Academy (Trust Revolving)
57X8418	Air Force Cadet Fund (Trust Revolving)
97X8164	Surcharge Collections, Sales of Commissary Stores, Defense (Trust Revolving)
97X8165	Foreign National Employees Separation Pay, Defense
97X8168	National Security Education Trust Fund, Defense
21X8174	National Science Center Gift Fund, Army
97X8337	Host Nation Support for U.S. Relocation Activities, Defense
97X8163	Department of Defense General Gift Fund
97X8358	Support for U.S. Relocation to Guam Activities

FUNCTIONAL TITLE - INTERFUND TRANSACTIONS

The functional title "Interfund Transactions" for military functions is defined as comprising the accounts listed below:

872310N	Interfund Transactions, Profits from Sales of Ship Stores, Navy
816810D	Interfund Transactions, Payment from General Fund, National Security Education Trust Fund, Defense
816820D	Interfund Transactions, Earnings on Investments, National Security Education Trust Fund, Defense (Non-051)
816830D	Interfund Transactions, Recoveries, National Security Education Trust Fund, Defense
816510D	Interfund Transactions, Employing Agency Contributions, Foreign National Employee Separation Pay, Defense
833510D	Interfund Transactions, Employing Agency Contributions, Voluntary Separation Incentive, Defense
833520D	Interfund Transactions, Earnings on Investments, Voluntary Separation Incentive Trust Fund, Defense (Non-051)

6.4 Functional Titles and Definitions – Other Defense Civil Programs (010604)

FUNCTIONAL TITLE – OTHER DEFENSE CIVIL PROGRAMS

The function title "Other Defense Civil Programs" is defined as comprising the accounts listed below:

97X8097	Military Retirement Fund
97 0040	Payments to Military Retirement Fund, Defense
97 0041	Concurrent Receipt Accrual Payments to the Military Retirement Fund
97X8098	Education Benefits Fund
97X5472	Uniformed Services Retiree Health Care Fund
97 0850	Payment to DoD Medicare Eligible
21X5095	Wildlife Conservation, etc., Military Reservation, Army
17X5095	Wildlife Conservation, etc., Military Reservation, Navy
57X5095	Wildlife Conservation, etc., Military Reservation, Air Force
21X5285	Department of Defense, Forest Products Program, Army

Trust Fund Receipts and Special Fund Offsetting Receipts include:

809710D	Employing Agency Contributions, DoD Military Retirement Fund
809720D	Earnings on Investments, DoD Military Retirement Fund
809730D	Federal Contribution, DoD Military Retirement Fund
809740D	Offsetting Receipts, Payment to Military Retirement Fund
809810D	Employing Agency Contribution, DoD Education Benefits Fund
809820D	Earnings on Investments, DoD Education Benefits Fund
547210D	Employing Agency Contributions, DoD Retiree Health Care Fund
547220D	Earnings on Investment, DoD Retiree Health Care Fund
547230D	Federal Contribution, DoD Retiree Health Care Fund
509510A	Sale of Hunting and Fishing Permits, Military Reservations, Army
509510N	Sale of Hunting and Fishing Permits, Military Reservations, Navy
509510F	Sale of Hunting and Fishing Permits, Military Reservations, Air Force
528510A	Reserve Account, Department of Defense, Forest Products Program, Army

7.0 AUTOMATED FUTURE YEARS DEFENSE PROGRAM (FYDP) DATABASES (0107)

7.1 Standard Data Collection System (SDCS) (010701)

7.1.1. Purpose and Objectives.

7.1.1.1. This Section provides for the maintenance of the FYDP. The FYDP is a series of reports that record and display resource decisions made during the biennial Planning, Programming, Budgeting and Execution (PPBE) cycle. The FYDP contains defense resources—people, forces (equipment and organizations), and dollars—categorized by programs and related to the budget's appropriation structure. The FYDP provides a record of past decisions that assists senior leaders in deciding on future issues such as operations tempo, force structure size and composition, and investment strategies.

7.1.1.2. Data are entered into the FYDP through the SDCS system. SDCS allows all DoD organizations to submit FYDP data electronically, receiving real-time feedback on their inputs. SDCS is a web-based application hosted on the Secret Internet Protocol Router Network (SIPRNet). It allows users to update, correct, and view their organization's portion of the FYDP.

7.1.1.3. The OUSD (Comptroller) maintains databases consisting of Operation and Maintenance TOA data, Procurement TOA data, RDT&E TOA data and Military Construction TOA data at a more detailed level than used in the FYDP. All DoD organizations reporting FYDP data will submit these appropriations through the OUSD (Comptroller) automated programs databases as outlined in sections 5.2, 5.3, 5.4, and 5.5. The SDCS will rollup up these appropriations to the proper level for inclusion in the FYDP report. Formats for Operation and Maintenance TOA, Procurement TOA data, RDT&E TOA data and Military Construction TOA data are the same as required for the automated programs databases, covered in sections 5.2, 5.3, 5.4, and 5.5.

7.1.1.4. Amounts entered for TOA, military endstrength, and civilian Full-Time Equivalents (FTE's) by Program Element must agree with the amounts submitted for the budget. POM submissions for TOA must adhere to controls established by Fiscal Guidance or other controls as announced in subsequent guidance.

7.1.2. Applicability and Scope.

The provisions of this Section apply to the Office of the Secretary of Defense (OSD), the Military Departments, the Combatant Commands and the Defense Agencies/Field Activities (hereafter referred to as "DoD Components") that contribute data to the FYDP. The Office of the Director, Program Analysis and Evaluation (hereafter referred to as "OD, PA&E") administers updating and general management of the FYDP. OD, PA&E controls access to SDCS, for the purpose of providing data.

7.1.3. Reporting Requirements.

Updates to the FYDP are required coincident with the (1) Program and Budget Review and (2) the President's Budget (PB), and (3) for major restructures of the FYDP itself when directed by the OD, PA&E. Specific guidance relative to approved changes, due dates, and special requirements is provided in a memorandum from OD, PA&E announcing each update. In the Program and Budget Review FYDP submissions, acceptable update years are normally limited to the budget years and programming years (generally six years for TOA and manpower, and nine years for forces). In the PB FYDP submission, acceptable update years include the most recent prior year of the budget cycle to the end of the programming cycle (generally eight years for TOA and manpower, and 11 years for forces). Since some appropriations—procurement, RDT&E, and military construction—are authorized for obligation over multiple years, it is periodically necessary to update historical years (the years prior to the first year of a PB FYDP update). Historical changes will be accepted once during the PPBE cycle—usually during the President's Budget FYDP update—but only when explicitly directed by OD, PA&E. These updates enable the FYDP to reflect transfers, rescissions, supplemental appropriations, reappropriations, and other authorized adjustments to total obligational authority, which might occur in multi-year appropriations, as well as to reflect actual accounting data. Particular instructions for conducting historical-year updates will be issued by OD, PA&E as required.

7.1.4. Publication of FYDP Related-Information.

7.1.4.1. Section 221 of Title 10 of the United States Code (U.S.C.) requires that:

7.1.4.2. "The Secretary of Defense shall submit to Congress each year, at or about the time that the President's budget is submitted to Congress that year under section 1105(a) of title 31, a future-years defense program (including associated annexes [now called "programs"]) reflecting the estimated expenditures and proposed appropriations included in that budget."

7.1.4.3. In accordance with the U.S.C., OD, PA&E will prepare the President's Budget FYDP Summary and Program Element Detail for transmission to the Congress. In addition, OD PA&E will provide FYDP-related information at all other updates for within DoD. Historical updates, if collected at the time of the President's Budget FYDP update, will be issued with the subsequent PPBE cycle.

7.1.5. Other Databases Related to the FYDP. Consistent with the FYDP are separate but related databases and documents constituting, the Operation and Maintenance Program, the Procurement Program, the RDT&E Program and the Military Construction Program. These databases produce the Operation and Maintenance programs Report (O-1), the Procurement Programs Report (P-1), the RDT&E Programs Report (R-1) and the Military Construction Programs report (C-1). Detailed information regarding these databases is provided in section 5.0. The FYDP Resource Structure Management (RSM) database maintains information about the program elements and other related attributes critical to the production of the FYDP. Detailed information regarding this database is provided in Section 7.2.

7.1.6. Instructions for Updating the FYDP.

7.1.6.1. General.

7.1.6.1.1. FYDP Forces, Manpower, Military Pay Rates, and remaining appropriations data not elsewhere submitted shall be submitted by DoD Components to the Programming and Fiscal Economics Division, OD, PA&E, over the SIPRNet, as directed.

7.1.6.1.1.1. Operation and Maintenance, Procurement, RDT&E, and Military Construction appropriations data included in the FYDP will be submitted to OUSD (Comptroller) and forwarded to OD, PA&E for inclusion in the FYDP. Reference section 5.0 for further instructions.

7.1.6.1.1.2. All FYDP data provided directly to OD, PA&E will be input into the SDCS system on the SIPRNet. The following file formats may be used to submit data to SDCS. Specific information and examples of these formats may be found on the SDCS web page located on the SIPRNet at https://dpd.pae.osd.smil.mil.

7.1.6.1.1.2.1. Standard ASCII text file, fixed record length, with either single year per row or multiple years per row.

7.1.6.1.1.2.2. Excel spreadsheet file with either single year per row or multiple years per row.

7.1.6.1.2. All resource changes to the data file shall be on a net change basis; that is, data currently in the file shall be revised (plus or minus) by an incremental amount to reflect the new approved position.

7.1.6.1.3. Program element codes and titles, resource identification codes, and DoD Component identifier codes are as prescribed by DoD 7045.7-H (FYDP Program Structure Handbook). This publication is available at http://www.dtic.mil/whs/directives under "Publications," and in approved decision documents posted to the FYDP Resource Structure Management (RSM) web site (see Section 7.2) but not yet reflected in DoD 7045.7-H.

7.1.6.2. Submission of Changes. Changes submitted for net change/add record resource data (Data Format as prescribed in Section 7.1.6.1) must provide specific identification of quantitative resource information by program element, resource identification code, and fiscal year.

7.1.6.3. Military Pay Rates. Submission of each FYDP update should include average annual military pay rates which shall include permanent change of station (PCS) data, rounded to the nearest dollar for each fiscal year for each military personnel end-strength category identified in the FYDP. Pay rates are used in updating the FYDP, and are also a FYDP data end-product in their own right. It is the intent of OD, PA&E to reflect the most accurate pay rates available in each update to the FYDP.

7.2 FYDP Resource Structure Management (RSM) System (010702)

7.2.1. Purpose and Objectives. This section provides for the maintenance of the automated database of the FYDP's structure, and describes the procedures used for requesting changes to the FYDP's structure, such as establishing new program element codes and definitions or changing program element titles and definitions. The primary information resource in the DoD for FYDP structure is the FYDP Resource Structure Management (RSM) website ***https://rsm.pae.osd.smil.mil/RSM*** located on the SIPRNet.

7.2.2. Applicability and Scope. The provisions of this section apply to the Office of the Secretary of Defense (OSD), the Military Departments, the Combatant Commands and the Defense Agencies/Field Activities (hereafter referred to as "DoD Components") that contribute data to the FYDP. Updating and general management of the FYDP structure is administered by OD, PA&E.

7.2.3. Reporting Requirements. New program elements must be created when PPBE decisions shift resources among DoD Components or fund new programs. It is the responsibility of the DoD Components and the OUSD (Comptroller), Program/Budget to recommend changes to the FYDP structure via the RSM web site as the need arises. In addition, OUSD (Comptroller), Program/Budget will work with OD, PA&E in the establishment of new TOA Resource Identification Codes (RICs) to coincide with new Treasury Codes created by the Office of Management and Budget, or as otherwise required by PPBE decisions.

7.2.4. Update and Publication of FYDP Structure Management Handbook, DoD 7045.7-H. DoD 7045.7-H will be revised periodically (typically *two* times a year or with each update of the FYDP), as specified in DoDI 7045.7, Implementation of the Planning, Programming, and Budgeting System (PPBS), May 23, 1984. The RSM and DefenseLink web site will contain the most recent version to 7045.7-H, updated to reflect the Program and Budget Review, and President's Budget phases of the PPBE. FYDP Structure Coordination Documents (which are approved and placed on the RSM web site) should be used to supplement the most recent version of DoD 7045.7-H; they reflect the latest approved changes to the FYDP's structure.

7.2.5. Other Databases Related to RSM. The FYDP report, which is managed by OD, PA&E and updated by the components via the SDCS system, is referenced in Section 7.1. The Operation and Maintenance Program, the Procurement Program, the RDT&E Program and the Military Construction Program are referenced in Section 5.0.

7.2.6. Instructions for Making Changes to the FYDP Structure on RSM. Requests for changes to the FYDP's program structure, such as establishing new program element codes and definitions or clarifying program element titles and definitions, shall be submitted to OD, PA&E for coordination with the DoD Components. The primary instrument for submitting change requests is the RSM web site. The RSM web site provides instructions for formatting and submitting change requests. Each DoD Component has a designated representative authorized to submit change requests. Coordination cycles run continually throughout the year. Approved changes are reported periodically in the FYDP Structure Coordination Documents. These

documents are posted on the RSM web site, and the approved structure changes are incorporated in the RSM database.

8.0 AUTOMATED BUDGET, INTELLIGENCE, AND RELATED DATABASE (BIRD) (0108)

The Budget, Intelligence, and Related database (BIRD) maintained by OUSD(I) is the most complete, automated source of resource data for Intelligence and related activities for use by the Office of the Secretary of Defense and the Joint Staff. The BIRD database is essential to the preparation of the Military Intelligence Program (MIP) justification books. It facilitates functional analyses for OSD and the Joint Staff, and is compatible with the NIP resources database used by the Director of National Intelligence. It is also fully consistent with data contained in the FYDP, R&D and Procurement Annexes, and budget databases, and is electronically matched to relevant data in these databases prior to use. OUSD(I) collects MIP narrative data to support Program Budget Review and publication of the MIP Congressional Justification Book (CJB). Specific instructions for the update of the BIRD database are contained in Chapter 16, Volume 2B.

9.0 SELECT AND NATIVE PROGRAMMING (SNaP) DATA INPUT SYSTEM (0109)

Basic guidance for input through SNaP of programming detail data and selected budget exhibits for joint use of the program and budget review.

9.1 Select and Native Programming (SNaP) Data Collection System (010901)

9.1.1. Purpose. This section provides the instructions for electronic submission of all programming detail data; and certain budget data requirements that have been combined with the corollary programming requirement. The combined program/budget requirements are identified in the FMR issued by the OUSD (Comptroller), and the Programming and Budgeting Data Requirements (PBDR) instruction issued by the Office of the Director, Program Analysis and Evaluation, (OD, PA&E). SNaP is a web based data collection and review system designed to collect and validate designated data for the combined Program and Budget review, and in some cases it is used to update the program and budget detail for the President's Budget. SNaP is available on the SIPRNet at https://SNaP.pae.osd.smil.mil; and the unclassified NIPRNet at ***https://SNaP.pae.osd.mil***.

9.1.2. Applicability and Scope. The provisions of this section apply to the Office of the Secretary of Defense (OSD), the Military Departments, the Combatant Commands, and the Defense Agencies/Field Activities (here after referred to as "DoD Components") that provide either a POM or a Budget to OSD. Updating and general management of the data collected through SNaP is administered by the OD, PA&E. OD, PA&E, Program Resources and Information Systems Management (PRISM) Division controls access to SNaP, for the purpose of submitting data.

9.1.3. Reporting Requirements. Updates to SNaP are required coincident with the Program and Budget Review, and for some requirements the President's Budget (PB). Specific guidance relative to approved changes, due dates, and special requirements is provided in a memorandum announcing each update. In all submissions, acceptable update years may include the two most recent prior years of the budget cycle to the end of the programming cycle (generally nine years for TOA and manpower, and 12 years for forces).

9.1.4. Instructions for submitting designated programming and budgeting data in SNaP.

9.1.4.1. System and Software Requirements. To interface with SNaP, users must have access to the NIPRNet and the SIPRNet (If the DoD Components' submission is classified). Windows 95 or higher, and either the Microsoft Internet Explorer 4.x or Netscape Communicator 4.x or higher browser. All narrative files must be in Microsoft Word format. Any supporting files such as the cover letter or executive summary must be in Microsoft Word, Excel, or PowerPoint.

9.1.4.2. Submission. SNaP will be available through password and user id to all those designated by the Primary Point of Contact (POC) from your organization. You may submit, edit, and share your data with other members of your organization for a set period of time prior to the Program/Budget due date. Once your data requirements are complete, (or by the due date) the Primary POC for your organization is responsible for making the submission official. This action is completed on-line.

9.1.4.3. Your work-in-progress. Your work-in-progress is only available to your organization. Programming and Budgeting Data requiring edits after the official due date will occur through permission granted by the system administrator.

9.1.4.4. Preparing Data Structure and Format. SNaP provides pre-formatted Microsoft Excel data files and on-line standard formats to assist you in building your data submission. Wherever possible you are given a standard option menu to describe the data you are providing. Each SNaP data requirement outlined in the PBDR and FMR identifies the data elements, and provides data definitions, instructions and business rules that will assist you in filling out the data tables accurately. All required narrative is submitted as Microsoft Word documents, unless an alternative is specified in the specific data requirement.

9.1.4.5. Each of the data requirements collected. SNaP has specific formats that will be used throughout this information management process. Use of the pre-formatted data tables and on-line upload minimizes error. Data ownership is created as soon as you log in and upload a file or submit data on-line.

9.1.4.6. Review & Edit. SNaP validates and verifies the information and rejects incorrect records. A transaction summary is available for each batch upload submitted and an instant message is provided for each on-line transaction. Once data is submitted it is instantly available for review in the format in which it will be displayed. This may include any necessary data calculations or regroupings. Users can go back and edit any part of their submission prior to official submission, and other members of the organization can also review it.

9.1.4.7. Final Displays. Official Program/Budget submissions through SNaP are available for the Program and Budget Review in the password protected Defense Programming Database Warehouse (DPD DW).

10.0 GENERAL GUIDANCE SUBMISSION FORMATS (0110)

10.1 Purpose (011001)

The formats provided on the following pages reflect guidance presented in previous sections. Unless modified in a submission budget call, these formats should be adhered to.

10.2 Exhibits in Support of Section 3.0 – Program and Budget Review Submission (011002)

Exhibit PB-1A. Fiscal Guidance Track 163
Exhibit PB-3. Reprogramming/Transfers Between Appropriations 164
Exhibit PB-4. Schedule of Civilian and Military Personnel 166
Exhibit PB-8. FY 20CY. Supplemental Appropriation Requirements 170
Exhibit PB-10. Additional FY 20BY Budget Estimates 172
Major Budget Issue Format 174

10.3 Exhibits in Support of Section 4.0 – Congressional Justification/Presentation (011003)

PB-37A Justification of Supplemental Requirements 175
PB-37R Budget Amendment Summary 176
PB-37S Program and Financing Schedule (Abbreviated) 177
PB-37T Narrative Justification 178
PB-39A-1 Format - Appeal Input (Program Adjustments) 179
PB-39A-2 Format - Appeal Input (Language Items) 180
DD 1587 Record of Congressional Transcript Review 181
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HAC QFR 183
HASC QFR 184
SAC QFR 185
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10.4 Exhibits in Support of Section 5.0 (011004)

Budget Automation Requirements (See Section 5.0)

10.5 Exhibits in Support of Section 7.0 (011005)

Automated FYDP Databases Requirements (See Section 7.0)

Exhibit PB-1A. Fiscal Guidance Track

Fiscal Guidance Track
(See Note 4)
DoD Component_____

(TOA in millions of dollars)

	FY 20BY1	FY 20BY2	FY 20BY2+1	FY 20BY2+2	FY 20BY2+3	FY 20BY2+4
POM FISCAL GUIDANCE						
FUNCTIONAL TRANSFERS (See Note 1)						
OTHER (See Note 2)						
TOTAL PROGRAM AND BUDGET REVIEW SUBMISSION (See Note 3)						
APPROPRIATION TITLE						
Mil Pers						
Operation and Maintenance						
Procurement						
RDT&E						
Military Construction						
Family Housing						
Revolving Funds						
Total by Appropriation						

Notes:
1. **Must be identified by appropriation and totals must agree with PB-14.**
2. **Use of this entry must be fully explained. Use "Other" to identify Military Personnel Appropriations**
3. **Totals must agree with TOA in PB-1 Exhibit. Totals should be separately displayed by Appropriation.**
4. **This exhibit not required for President's Budget submission.**

Exhibit PB-3. Reprogramming/Transfers Between Appropriations

FY CY REPROGRAMMING/TRANSFERS BETWEEN APPROPRIATIONS
FY BY Program and Budget Review Submission

Component: _____

FY CY

PROPOSED REPROGRAMMING INCREASES*:

Appropriation

Program (Identify each program by P-1, R-1, O-1, M-1, C-1 line item. For Procurement programs identify the applicable quantities; for the RDT&E programs identify the applicable project; for personnel programs include military and civilian end strength, military average strength, and civilian full-time equivalents; for O&M programs include applicable force data, etc.)

Justification for Increase: Provide a detailed explanation as to why the increase is required and include an impact statement on the program if reprogramming is not approved.

Program

Justification for Increase**:**

Total for Appropriation

Appropriation

Program

Justification for Increase**:**

Program

Justification for Increase**:**

Total for Appropriation

TOTAL PROPOSED REPROGRAMMING INCREASES

* **Use financing code 42000 for proposed budget authority transfer to an appropriation (increase)**

Exhibit PB-3. Reprogramming/Transfers Between Appropriations (Continued)

FY CY REPROGRAMMING/TRANSFERS BETWEEN APPROPRIATIONS
FY BY Program and Budget Review Submission

Component: _____

FY CY

PROPOSED REPROGRAMMING DECREASES:**

Appropriation

Program (Identify each program by P-1, R-1, O-1, M-1, C-1 line item. For Procurement programs identify the applicable quantities; for the RDT&E programs identify the applicable project; for personnel programs include military and civilian end strength, military average strength, and civilian full-time equivalents; for O&M programs include applicable force data, flying hours, etc.)

Justification for Decrease: Provide a detailed explanation as to why the reduction is possible.

Program

Justification for Increase:

Total for Appropriation

Appropriation

Program

Justification for Decrease:

Program

Justification for Decrease:

Total for Appropriation

TOTAL PROPOSED REPROGRAMMING DECREASES

For these proposed reprogrammings/transfers, Components must also update the OUSD (Comptroller) automated budget system database with the necessary adjustments to include financing adjustments.

**** Use financing code 41000 for proposed budget authority transfers from an appropriation (decrease)**

(Page 2 of 2)

Exhibit PB-4. Schedule of Civilian and Military Personnel

(DoD Component - Army is Illustrated)
FY BY Budget Estimates

SCHEDULE OF CIVILIAN AND MILITARY PERSONNEL

	FY PY	FY CY	FY BY1	FY BY2	FY BY2+1	FY BY2+2	FY BY2+3	FY BY2+4
I. CIVILIAN PERSONNEL (Full-time Equivalents (FTEs))								
Operation and Maintenance, Army								
Direct Funded								
U.S. Direct Hire								
Foreign National Direct Hire								
Total Direct Hire								
Foreign National Indirect Hire								
Total, Direct O&M Army								
Reimbursable								
U.S. Direct Hire								
Foreign National Direct Hire								
Total Direct Hire								
Foreign National Indirect Hire								
Total, Reimbursable O&M Army								
O&M Total								
U.S. Direct Hire								
Foreign National Direct Hire								
Total Direct Hire								
Foreign National Indirect Hire								
Total, O&M Army								
RDT&E, Army								
Direct Funded								
U.S. Direct Hire								
Foreign National Direct Hire								
Total Direct Hire								

Exhibit PB-4. Schedule of Civilian and Military Personnel (Continued)

(DoD Component - Army is Illustrated
FY BY Budget Estimates

SCHEDULE OF CIVILIAN AND MILITARY PERSONNEL

	FY PY	FY CY	FY BY1	FY BY2	FY BY2+1	FY BY2+2	FY BY2+3	FY BY2+4
I. CIVILIAN PERSONNEL FTEs (Cont'd)								
Foreign National Indirect Hire								
Total, Direct RDT&E Army								
Reimbursable								
U.S. Direct Hire								
Foreign National Direct Hire								
Total Direct Hire								
Foreign National Indirect Hire								
Total, Reimbursable RDT&E, Army								
RDT&E Total								
U.S. Direct Hire								
Foreign National Direct Hire								
Total Direct Hire								
Foreign National Indirect Hire								
Total, RDT&E Army								
List appropriations/accounts in the normal budget order on the basis of where personnel are budgeted.								
ARMY TOTAL CIVILIAN PERSONNEL FTEs								
U.S. Direct Hire								
Foreign National Direct Hire								
Total Direct Hire								
Foreign National Indirect Hire								
Total Army								
II. ACTIVE MILITARY PERSONNEL (End Strength)								
Military Personnel, Army								
Officers								
Enlisted								
Cadets								
Total Military Personnel								

(page 2 of 4)

Exhibit PB-4. Schedule of Civilian and Military Personnel (Continued)

(DoD Component - Army is Illustrated)
FY BY Budget Estimates

SCHEDULE OF CIVILIAN AND MILITARY PERSONNEL

	FY PY	FY CY	FY BY1	FY BY2	FY BY2+4
III. SELECTED RESERVE PERSONNEL (End Strength)					
Reserve Personnel, Army					
Trained in Units					
Officers					
Enlisted					
Total Trained in Units					
Individual Mobilized Augmentees					
Officers					
Enlisted					
Total Individual Mobilized Augmentees					
Training Pipeline					
Officers					
Enlisted					
Total Training Pipeline					
Full-time Active Duty					
Officers					
Enlisted					
Total Full-time Active Duty					
TOTAL ARMY RESERVE PERSONNEL					
Officers					
Enlisted					
Total Reserve Personnel, Army					

(page 3 of 4)

Exhibit PB-4. Schedule of Civilian and Military Personnel (Continued)

(DoD Component - Army is Illustrated)
FY BY Budget Estimates

SCHEDULE OF CIVILIAN AND MILITARY PERSONNEL

	FY PY	FY CY	FY BY1	FY BY2	FY BY2+1	FBY2+4
III. SELECTED RESERVE PERSONNEL (Cont'd)						
National Guard Personnel, Army						
Trained in Units						
Officers						
Enlisted						
Total Trained in Units						
Training Pipeline						
Officers						
Enlisted						
Total Training Pipeline						
Full-time Active Duty						
Officers						
Enlisted						
Total Full-time Active Duty						
TOTAL ARMY NATIONAL GUARD PERSONNEL						
Officers						
Enlisted						
Total National Guard Personnel, Army						
ARMY TOTAL SELECTED RESERVE						
Officers						
Enlisted						
Total						

(page 4 of 4)

Exhibit PB-8. FY 20CY. Supplemental Appropriation Requirements

(Component)
FY 20CY SUPPLEMENTAL APPROPRIATION REQUIREMENTS
($ Thousands)

Appropriation Account Title	Existing Availability FY 20CY	Supplemental Budget Authority (BA) Requirements			
		Military Pay	Civilian Pay	Other	Total
(1)	(2)	(3)	(4)	(5)	(6)
Mil. Pers., Army					
Budget Authority ($)					
Outlays ($)					
Military E/S					
O&M, Army					
Budget Authority ($)					
Outlays ($)					
Civilian FTE					
RDT&E, Army					
Budget Authority ($)					
Outlays ($)					
Civilian FTE					

INSTRUCTIONS

Column (1): Stub lines will be the same as those on Exhibit PB-1 on a budget basis. Three lines of data (BA, outlays and military/civilian personnel impacts) are required for each account included in the supplemental proposal.

Column (2): The dollar amounts in this column for BA and outlays must agree with FY 20CY amounts submitted in the automated Comptroller Information System (CIS) database for the Program and budget review submission. Likewise, civilian FTE and Military E/S data must agree with amounts reported in the Component's automated CIS for the Program and budget review submission.

(Page 1 of 2)

Exhibit PB-8. FY 20CY Supplemental Appropriation Requirements (Continued)

Columns (3), (4) and (5): ..... Show supplemental requirements (BA, military E/S, and civilian FTE) by program.

Column (6): Represents the sum of Columns (3), (4) and (5). The BA, outlay, military E/S and civilian FTE amounts in these columns represent the total supplemental request impacting FY 20CY.

TOTALS
BA ($)
Outlays ($)
Mil E/S
Civ FTE

Exhibit PB-10. Additional FY 20BY Budget Estimates

(Name of Component)

ADDITIONAL FY 20BY BUDGET ESTIMATES

Date_____
Component Control No._____
USD (Comptroller) Serial No._____

Appropriation / Budget Subactivity Number / Line Items	Change ($000)			Change Personnel										
					20CY Change			20BY1 Change			20BY2Change			
	20CY	20BY1	20BY2	Category	ES	AS/FTE	Rate	ES	AS/FTE	Rate	ES	AS/FTE	Rate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
INCREASES													
Military Personnel, Army													
777 Budgeted Amounts (ES & AS)	-	XX	XX	XX	-	-	-	XX	XX	XX	XX	XX	XX
540 Retired Pay Accrual ($)	-	XX	XX										
Operation and Maintenance, Army													
350 Info Security ($ and FTE)													
777 Budgeted Amounts ($ and FTE)													
Total Increases													
DECREASES													
Other Procurement, Army													
777 Budgeted Amounts ($)													
Maintenance Kit, MK-673													
Total Decreases													
Outyear Impact													

	Change $000			
	20BY2+1	20BY2+2	20BY2+3	20BY2+4
INCREASES				
Military Personnel, Army				
777 Budgeted Amounts (ES)				
540 Retired Pay Accrual ($)				
Operation & Maintenance, Army				
350 Info Security ($ and FTE)				
Total Increases				
DECREASES				
Other Procurement, Army				
777 Budgeted Amounts ($)				
Total Decreases				

Notes:
ES = Military end-strengths
FTE = Civilian full time equivalents
$ = Dollars in thousands

(page 1 of 2)

Exhibit PB-10. Additional FY 20BY Budget Estimates (Continued)

INSTRUCTIONS FOR PREPARATION
OF EXHIBIT PB-10

The following instructions apply to all appropriations and funds:

Indicate in the heading the name of the submitting component, subject, date, and component submission control number. Leave "USD (Comptroller) Serial No." blank.

Column (1): List the appropriation or fund and the Budget Subactivity Number. For the procurement appropriations, P-1 line items will be shown. For the RDT&E appropriations, program elements will be shown.

Columns (2), (3) and (4): List the TOA changes. If there are also changes in financing adjustments, show these separately and then show the change in budget authority. The military personnel amount to be used here will be the sum of the products of the workyears/$ rates shown to the right, using the standard rate.

Column (5): List the military or civilian personnel categories affected by the change. Military personnel change will be in end-strength (E/S) and civilian personnel change in full time equivalent (FTE). Use the categories illustrated in Exhibit PB-4.

Columns (6), (7), (9), (l0), (l2) and (l3): List the military end strength and workyear changes, by activity. Likewise, list civilian FTE changes by activity.

Columns (8), (11) and (14): Show the average salary at which these changes were priced.

If there are no personnel changes, Columns (5) through (14) will be left blank.

Show a total for increases and decreases.

The outyear impact of the additional budget submission will be included at the end of Exhibit PB-10. This will show the net change by appropriation budget subactivity number for each of the applicable outyears.

Narrative justification must also accompany Exhibit PB-10.

Major Budget Issue Format

DEPARTMENT/AGENCY _____

MAJOR BUDGET ISSUE

PBD No. _____ **Subject** _____

(BA, $ in Millions)

	FY BY1	FY BY2	FY BY2+1	FY BY2+2	FY BY2+3	FY BY2+4
Component Budget (As Adjusted by PDM)	xx	xx	xx	xx	xx	xx
PBD Adjustment	xx	xx	xx	xx	xx	xx
Amount Approved in PBD	xx	xx	xx	xx	xx	xx
Amount Appealed (Change to amount approved in PBD)	xx	xx	xx	xx	xx	xx

Brief Description of Issue:

(Limit entire issue to one page.)

Component Recommendation:

Exhibit PB-37A. Justification of Supplemental Requirements

Department of the _____
Military Personnel,_____

(Dollars in Thousands)

FY CY Presently Available
FY CY Revised Estimate
FY CY Proposed Supplemental

Budget Activity: Subsistence of Enlisted Personnel

Justification of Supplemental Requirements.

For increased feeding costs resulting from rising food prices. Ration rates increased from $x.xx to $x.xx in CONUS, and from $x.xx to $x.xx Overseas.

Exhibit PB-37R. Budget Amendment Summary

DEPARTMENT OF THE AIR FORCE

WEAPONS PROCUREMENT, AIR FORCE
BUDGET AMENDMENT SUMMARY
(Dollars in Thousands)

FY BY Pending Request

SRAM

ALCM

FY BY Revision _____

FY BY Revised Request

Exhibit PB-37S. Program and Financing Schedule (Abbreviated)

DEPARTMENT OF THE AIR FORCE

WEAPONS PROCUREMENT, AIR FORCE
PROGRAM AND FINANCING SCHEDULE (abbreviated)
(Dollars in thousands)

	BUDGET PLAN			OBLIGATION PLAN		
Program by Activities	FY BY Pending Request	FY BY Proposed Amendment	FY BY Revised Request	FY BY Pending Request	FY BY Proposed Amendment	FY BY Revised Request
Direct:						
1. Ballistic Missiles						
2. Other Missiles						
3. Modification of In-Service Missiles						
4. Spares and Repair Parts						
5. Other Support						
6. Ammunition						
TOTAL DIRECT						
Reimbursable (Total)						
TOTAL						
Financing (Net)						
BUDGET AUTHORITY						
OUTLAYS						
1/ Object Class 31.0: Equipment						

Exhibit PB-37T. Narrative Justification

DEPARTMENT OF AIR FORCE
WEAPONS PROCUREMENT, AIR FORCE
NARRATIVE JUSTIFICATION

(Dollars in Thousands)

FY BY Pending Request

FY BY Proposed Amendment

FY BY Revised Request

Budget Activity: Other Missiles

Justification of proposed amendment.

AGM-69B SRAM. Deletes the $xx,xxx,xxx FY BY requirement. Due to the recent evolution of the Air Launch Cruise Missile (ALCM) as an effect weapon system and the continued ability to use the B-52 bomber well into the 1980's, the President directed the B-1 production be halted. With the decision to not deploy the B-1, the Air Force requirement for the SRAM-B which was to be used on the B-1 is no longer valid.

Air Launched Cruise Missile. The Air Launched Cruise Missile (ALCM) is an aerodynamic air-to-ground strategic missile propelled by a turbo-fan engine. It has a high degree of accuracy through the combination of inertial guidance and terrain correlation update. The missile is designed to be carried internally and/or externally on the B-52. The ALCM is to be employed from a stand-off position against a wide variety of pre-selected lightly or undefended ground hard targets. This budget amendment requests an additional $xx,xxx,xxx to accelerate the ALCM Initial Operating Capability (IOC).

Exhibit PB-39A-1. Format - Appeal Input (Program Adjustments)

Department of Defense Appeal
FY ____ Defense (Authorization or Appropriation) Bill
Appeal

Subject:

Appropriation(s):

Summary:

Briefly describe the congressional action and the apparent reasons behind it.

Item	Budget Authority (Dollars in Millions) Request	House	Senate	Appeal

DoD Position:

The Department urges…

Concise description of our rationale for restoration.
Continuations and supplements are not necessary and will not be used.

Comptroller Internal Control Notes
Submitter:
Page/Section References:
Reviewing Directorate/Analyst:
Director's Recommendation:

Exhibit PB-39A-2. Format - Appeal Input (Language Items)

Department of Defense Appeal
FY ____ Defense (Authorization or Appropriation) Bill

Subject:

Language/Provision:

Briefly describe language or general provision and its apparent intent.

DoD Position:

The Department opposes…
The Department urges the exclusion of this provision.

Concise description of our rationale for revision or removal of language/general provision item as proposed.

Comptroller Internal Control Notes
Submitter:
Page/Section References:
Reviewing Directorate/Analyst:
Director's Recommendation:

Exhibit DD 1587. Record of Congressional Transcript Review

RECORD OF CONGRESSIONAL TRANSCRIPT REVIEW

TRANSCRIPT ACTION MONITOR *(Name, agency and telephone number)*	DATE RECEIVED FROM CONGRESS

To: *(In turn)*	DATE ACTION MUST BE COMPLETED
1. _____	1. _____
2. _____	2. _____
3. DIRECTOR, FREEDOM OF INFORMATION AND SECURITY REVIEW	3. _____

DESCRIPTION OF DOCUMENT COMMITTEE/SUBCOMMITTEE	HEARING DATE AND SUBJECT	PAGES _____ THRU _____
		HEARING:
		CLASSIFICATION

The attached transcript of testimony is forwarded for editorial and security review in accordance with DoD Directive 5400.4. To meet committee requirements and allow time for final review by the Directorate for Freedom of Information and Security Review, OASD(PA), your action must be completed as indicated. Each element in the review process must give cooperative consideration to the time requirements of all elements in meeting due out dates. An advance copy of this DD Form has been sent to DFOISR, OASD(PA).

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I. SECURITY

A. GENERAL. Review must be accomplished by officials competent to judge the security aspects of the subjects involved and to provide a consistent and defensible security position.

B. MARKING
1. Use black lead pencil.
2. Enclose with brackets [ ] information to be deleted.
3. Make deletions as limited as possible, considering whether the total context may contain clues to the information deleted.

II EDITORIAL

A. GENERAL. Edit to correct inaccuracies.

B. MARKING.
1. Use black lead pencil.
2. Line through all words or figures for which substitute language or figures are entered. Do *not* use brackets.
3. Print or write all entries legibly.
4. Use standard proofreaders markings.
5. Do not change statements by committee members. Note inaccuracies in the margin.

REMARKS

FORWARDING CERTIFICATE

TO: Director, Freedom of Information and Security Review **Date:** _____

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DD Form 1587, MAR 78 REPLACES DD FORM 1587, 1 APR 74, WHICH IS OBSOLETE.
DD 1587 Record of Congressional Transcript Review

Exhibit DD 1790. Prepared Testimony Review

PREPARED TESTIMONY REVIEW	
TO: DIRECTOR, FREEDOM OF INFORMATION AND SECURITY REVIEW	**DATE**
The attached document is forwarded for review in accordance with paragraph D.2.a.(2), DoD Directive 5400.4.	
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ATTACHMENT	**SIGNATURE**

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DD 1790 Prepared Testimony Review

HAC QFR

Committee: HAC Defense Subcommittee
Hearing Date:
Hearing:
Member:
Witness:
Question #:

Subtitle

Question:

Answer:

All input is via CHARRTS

HASC QFR

Committee: House Armed Services
Hearing Date:
Subject:
Member:
Witness
Question #:

Question:

Answer:

All input is via CHARRTS
when tasked by OUSD (Comptroller)

SAC QFR

Committee: SAC, Defense Subcommittee
Hearing Date:
Hearing:
Member:
Witness:
Question #

[Subject]

Question.
Answer.

All input is via CHARRTS

SASC QFR

Committee: Senate Armed Services
Hearing Date:
Subject:
Question #:

Senator:
Witness:

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Committee:
Hearing Date:
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Member:
Witness:
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The information follows:

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VOLUME 2A, CHAPTER 2: "MILITARY PERSONNEL APPROPRIATIONS"

SUMMARY OF MAJOR CHANGES

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

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

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

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

The previous version dated September 2014 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
2.4, 3.3, 6.2, & 6.3 (020204, 020303, 020602 & 020603)	The following back-up exhibits are eliminated or replaced: MP-2, Part 1 Dependents, Housing and BAH Estimates; MP-7, Aviation Retention Bonus; MP-14, Selected Officer Occupation Specialties; MPR-1, IADT Program and Prior Service Enlistments; and MPR-9, Selected Officer Occupation Specialties	Deletion
2.2 through 6.3 (020202 through 020603)	Narrative and exhibit updates due to Blended Retirement System	Revision

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CHAPTER 2

MILITARY PERSONNEL APPROPRIATIONS

1.0 GENERAL (0201)

1.1 Purpose (020101)

1.1.1. This Chapter prescribes the justification materials required for the Military Personnel and Medicare-Eligible Retiree Health Fund Contribution appropriations for both the Active and the Reserve Forces to support the program and budget review submission and the presentation of the President's budget submission to the Congress.

1.1.2. The following appropriations and accounts are covered:

1.1.2.1. In Section 2.0: Active Personnel, Army, Navy, Marine Corps, Air Force and Medicare-Eligible Retiree Health Fund Contribution, Army, Navy, Marine Corps, Air Force.

1.1.2.2. In Section 3.0: Reserve Personnel, Army, Navy, Marine Corps, Air Force; National Guard Personnel, Army, Air Force; Medicare-Eligible Retiree Health Fund Contribution, Reserve Personnel, Army, Navy, Marine Corps, Air Force and Medicare-Eligible Retiree Health Fund Contribution, National Guard Personnel, Army, Air Force.

1.1.2.3. In Section 4.0: Military Personnel Retirement Requirements.

1.1.2.4. In Section 5.0: Military Retirement Fund, Education Benefits Fund, and Retiree Health Care Fund.

1.1.3. Fund requirements for the Military Personnel and Medicare-Eligible Retiree Health Fund Contribution appropriations will be presented using the budget and fiscal accounting classifications as set forth below in sections 2.0 and 3.0. Program and Budget estimates will be based upon approved military personnel/strength programs as contained in the exhibits required in this Chapter, and in accordance with such special instructions as may be issued by the Office of the Under Secretary of Defense (P&R) as part of the call for the services' military strength programs.

1.1.4. Budgeting for Inflation. Anticipated inflation will be included in the Program and Budget Review Submission for clothing, subsistence-in-kind, basic allowances for housing and subsistence, the commercial portions of permanent change of station travel, and temporary lodging allowances overseas. The inflation rates to be used will be based upon approved price escalation indices provided as an enclosure to the annual FY 20CY revised and FY 20BY Program and Budget Review Guidance memorandum.

2.0 ACTIVE MILITARY PERSONNEL AND MEDICARE-ELIGIBLE RETIREE HEALTH FUND CONTRIBUTION APPROPRIATIONS (0202)

2.1. General (020201)

2.1.1. The purpose of this section is to provide general information applicable to the Active Military Personnel and Medicare-Eligible Retiree Health Fund Contribution appropriations including funding policies, classifications, and definitions unique to these accounts. Generic policies and requirements are addressed in Volume 2A, Chapter 1. The Military Components should consult all of the other chapters for exhibit requirements that are not specifically addressed in this chapter including the Other Special Analysis chapter (See Volume 2A, Chapter 1 and Volume 2B, Chapter 19).

2.1.2. This section provides the budget and fiscal accounting classifications for the military personnel and Medicare-Eligible Retiree Health Fund Contribution appropriations for uniform application by the Military Departments and the Office of the Secretary of Defense, pursuant to the provisions of Title 10, United States Code (U.S.C.), section 115. The objective is to establish the basis for uniform budget presentations and a standard budget and fiscal accounting classification, which shall be used on a uniform basis for the military personnel and Medicare-Eligible Retiree Health Fund Contribution appropriations throughout the Department of Defense in submitting budget estimates and in accounting and reporting on the status of funds for the Military Personnel and Medicare-Eligible Retiree Health Fund Contribution appropriations.

*2.2 Uniform Budget and Fiscal Accounting Classification (020202)

2.2.1. The budget and accounting classification prescribed herein shall be the official classification for use in preparing budget estimates, accounting for budgetary and financial transactions, and in submitting reports on the applicable appropriation accounts. Individual budget activity and subactivity accounts shall be established as required for the accounts listed in paragraph 1.1, above. Variations in the activity and subactivity classification and titles shall not be made, except that additional accounts consistent with this budget and accounting classification may be established in order to meet administration requirements of the various elements of the Military Departments. The scope of each account is described below.

2.2.2. Symbol numbers shall be assigned to each of the budget activities and subactivities listed below in the same manner and the same sequence and will be consistent with the fiscal codes for all appropriations and funds, as published in the respective Military Department fiscal code manuals.

2.2.3. Chart of Accounts - The chart of accounts that follows represents a summary of the accounting and reporting structure under the Active Military Personnel and Medicare-Eligible Retiree Health Fund Contribution appropriations. However, for purposes of presentation of budget estimates, as distinguished from monthly reporting, additional statistical breakdown will be required as shown in paragraph 2.3, below.

CHART OF ACCOUNTS DEFINITIONS/DESCRIPTIONS

Budget Activity (BA) and Budget Subactivity (BSA) [a/]

BA/BSA – Active Military Personnel Appropriations

1 Pay and Allowances of Officers
1-A Basic Pay
1-B Retired Pay Accrual
1-C TSP Matching Contributions
1-D Incentive Pay for Hazardous Duty
1-E Special Pay
1-F Basic Allowance for Housing
1-G Basic Allowance for Subsistence
1-H Station Allowances, Overseas
1-I CONUS COLA
1-J Clothing Allowances
1-K Family Separation Allowances
1-L Separation Payments
1-M Special Compensation for Assistance with Activities of Daily Living - Officer
1-N Social Security Tax - Employer's Contribution

2 Pay and Allowances of Enlisted Personnel
2-A Basic Pay
2-B Retired Pay Accrual
2-C TSP Matching Contributions
2-D Incentive Pay for Hazardous Duty
2-E Special Pay
2-F Special Duty Assignment Pay
2-G Reenlistment Bonus
2-H Enlistment Bonus
2-I Education Benefits (College Fund)
2-J Loan Repayment Program
2-K Basic Allowance for Housing
2-L Station Allowances, Overseas
2-M CONUS COLA
2-N Clothing Allowances
2-O Family Separation Allowances
2-P Separation Payments
2-Q Special Compensation for Assistance with Activities of Daily Living - Enlisted
2-R Social Security Tax - Employer's Contribution

3 Pay and Allowances of Cadets and Midshipmen
3-A Academy Cadets and Midshipmen

4 Subsistence of Enlisted Personnel
4-A Basic Allowance for Subsistence
4-B Subsistence in Kind
4-C Family Subsistence Supplemental Allowance (FSSA)

5 Permanent Change of Station Travel
5-A Accession Travel
5-B Training Travel
5-C Operational Travel Between Duty Stations (within CONUS and within Overseas)
5-D Rotational Travel to and from Overseas
5-E Separation Travel

5-F Travel of Organized Units

6 Other Military Personnel Costs
6-A Apprehension of Military Deserters, Absentees, and Escaped Military Prisoners
6-B Interest on Uniformed Services Savings Deposits
6-C Death Gratuities
6-D Unemployment Benefits
6-E Education Benefits
6-F Adoption Expenses
6-G Mass Transportation Benefit
6-H Partial Dislocation Allowance
6-I Reserve Income Replacement
6-J Servicemembers' Group Life Insurance (SGLI)
6-K Reserve Officers Training Corps (ROTC)
6-L Junior Reserve Officers Training Corps (JROTC)

BA/BSA – Medicare-Eligible Retiree Health Fund Contribution Appropriations

1 Officers
2 Enlisted

a/ Proper coding will be assigned to each Military Department in accordance with fiscal codes for all appropriation activities.

2.2.4. Chart of Accounts Budget Activities and Subactivities Definitions/Descriptions are provided on the following pages.

2.2.5. Object Classification - The object classifications that follow the Chart of Accounts Budget Activities and Subactivities Definitions/Descriptions shall be the official classifications for use in preparing budget estimates, accounting for budgetary and financial transactions, and in submitting reports on the applicable appropriation accounts.

BA/BSA – Active Military Personnel Appropriations

1. Pay and Allowances of Officers - For the pay and allowances authorized by law to be paid to officers, including commissioned and warrant of the Regular Forces and officers of the Reserve Components on extended active duty. In accordance with the provisions of 31 U.S.C. 371(b), officers may not receive a bonus or incentive pay under both subchapter I and subchapter II of Chapter 5 of title 37, USC (37 U.S.C. §§301-330 and 31 U.S.C. §§331-355, respectively) for the same activity, skill, or period of service.

1 -A. Basic Pay: For basic compensation of officers, including length of service increments, under provisions of Title 37, United States Code (U.S.C.), sections 201, 203 and 205.

1 -B. Retired Pay Accrual: For the Department of Defense's Contribution to its Military Retirement Fund under provisions of 10 U.S.C. 1466. Retired pay accrual amounts will be precisely the specified percent of basic pay. Retired pay accrual does not apply to academy cadets or midshipmen.

1 -C. Thrift Savings Plan (TSP) Matching Contributions: For the Department of Defense's contribution to the Thrift Savings Fund for the benefit of the member under provisions of 5 U.S.C. 8432. For those member's participating in the blended retirement plan, the amount

contributed shall not be more than 5 percent of the member's basic pay for such pay period.

1 -D-1. Incentive Pay for Hazardous Duty: For pay of officers for performance of hazardous duty required by competent authority under provisions of 37 U.S.C. 301 or 37 U.S.C. 351. Includes:

a. Duty as a crew member as determined by the Secretary concerned, involving frequent and regular participation in aerial flight.

b. Duty involving frequent and regular participation in aerial flights not as a crew member pursuant to paragraph a, above.

c. Duty involving parachute jumping as an essential part of military duty.

d. Duty involving the demolition of explosives as a primary duty, including training for such duty.

e. Duty inside a high or low pressure chamber.

f. Duty as a human acceleration or deceleration experimental subject.

g. Duty as human test subject in thermal stress experiments.

h. Duty involving frequent and regular participation in flight operations on the flight deck of an aircraft carrier or of a ship other than an aircraft carrier from which aircraft are launched.

i. Duty involving service as an air weapons controller.

j. Duty involving use of toxic fuel or waste.

k. Duty involving highly toxic pesticides or live, hazardous organisms.

l. Duty involving visit, board, search and seizure.

1 -D-2. Incentive and Special Pay for Aviation Career Duty: For pay of officers for performance of aviation duty required by competent authority under provisions of 37 USC 301a, 301b, and 334. Includes:

a. For the frequent and regular performance of operational or proficiency flying duty required by orders.

b. For the written agreement to remain on active duty in aviation service for at least 1 year in an aviation specialty designated as critical.

1 -D-3. Incentive Pay for Submarine Duty: For pay of officers for performance of duty required by competent authority under provision of 37 USC 301c. while attached under competent orders to a submarine, while serving as an operator or crew member of an operational submersible (including an undersea exploration or research vehicle), while undergoing training preliminary to assignment to a nuclear-powered submarine, while undergoing rehabilitation after assignment to a nuclear-powered submarine, or, in the case of a member qualified in submarines, while

attached as a member of a submarine operational command staff whose duties require serving on a submarine during underway operations.

1 -E. Special Pay: For special and incentive pay to officers on active duty as physicians, dentists, optometrists, pharmacists, veterinarians, nurses and psychologists under the provisions of 37 U.S.C. 301d, 301e, 302, 302a, 302b, 302c, 302c-1, 302d, 302e, 302h, 302i, 302j, 302k, 302l, 303, and 335; certain designated officers in positions of unusual responsibility which are of a critical nature to the Service concerned under provisions of 37 U.S.C. 306; officers on duty subject to hostile fire or imminent danger under provisions of 37 U.S.C. 310 or 37 U.S.C. 351; personal money allowance to certain Generals and Admirals under provisions of 37 U.S.C. 414; for diving duty pay under the provisions of 37 U.S.C. 304; for hardship duty pay while assigned to locations or duties designated by the Secretary of Defense under the provisions of 37 U.S.C. 305; for career sea pay under the provisions of 37 U.S.C. 305a; for nuclear officer incentive pay under the provisions of 37 U.S.C. 312, 312b, 312c, or 333; for members extending duty at designated overseas locations under the provisions of 37 U.S.C. 314; for engineering and scientific duty performed by officers under the provisions of 37 U.S.C. 315; for foreign language proficiency under the provisions of 37 U.S.C. 316 or 353; for special warfare officers extending period of active duty under the provisions of 37 U.S.C.318; for surface warfare continuation pay under the provisions of 37 U.S.C. 319; for judge advocate continuation pay under the provisions of 37 U.S.C. 321; for assignment incentive pay under the provisions of 37 U.S.C. 307a or 352; for skill incentive pay or skill proficiency bonus under the provisions of 37 U.S.C. 353; for retention incentives for members qualified in critical military skills under the provisions of 37 U.S.C. 332 or 355; for accession bonus for new officers in critical skills under the provisions of 37 U.S.C. 324, 330, 332, or 336; for incentive bonuses to transfer between armed forces under the provisions of 37 U.S.C. 327 or 332; for continuation of pays during hospitalization and rehabilitation under the provisions of 37 U.S.C. 372; and for continuation pay authorized under the provisions of 37 U.S.C. 356.

1 -F. Basic Allowance for Housing: For housing allowances payable to officers under the provisions of 37 U.S.C. 403. BAH is comprised of BAH-Domestic and BAH-Overseas.

1 -G. Basic Allowance for Subsistence: For subsistence allowances payable to officers under the provisions of 37 U.S.C. 402.

1 -H. Station Allowances, Overseas: For per diem allowances payable to officers stationed outside the Continental United States or in Hawaii or Alaska based on cost of living for members stationed outside the United States as prescribed by Joint Federal Travel Regulations and authorized under the provisions of 37 U.S.C. 475.

1 -I. CONUS Cost of Living Allowance: For payments to eligible officers assigned to high cost areas under the provisions of 37 U.S.C. 403b.

1 -J. Clothing Allowances: For payments to officers for purchase of required uniform under the provisions of 37 U.S.C. 415 - 419

1 -K. Family Separation Allowances: For family separation allowances payable to officers under the provision of 37 U.S.C. 427.

1 -L. Separation Payments:

a. For payments to officers for accumulated annual leave under the provisions of 37 U.S.C. 501.

b. For severance pay to officers, including elimination severance pay to officers not eligible for retirement under any provision of law on the date of elimination by promotion list passover, under the provisions of 10 U.S.C. 1174; elimination severance pay for cause under the provisions of 10 U.S.C. 1181; disability severance pay under the provisions of 10 U.S.C. 1212.

c. For lump sum readjustment payments to Reserve officers under the provisions of 10 U.S.C. 12312.

d. Voluntary Separation Incentive (VSI) - For payment of an annuity to officers voluntarily separating from active duty during the drawdown under the provisions of 10 U.S.C. 1175.

e. Voluntary Separation Pay (VSP) – For a lump sum payment to officers who have served on active duty or full-time National Guard duty for more than 6 years but not more than 12 years and voluntarily separate under the provisions of 10 U.S.C. 1175a.

f. Special Separation Benefit (SSB) - For a lump sum payment to officers separating from active duty during the drawdown under the provisions of 10 U.S.C. 1174a.

g. Temporary Early Retirement Authority (TERA) - For payment of retired pay to selected active duty officers who retire with between 15 and 20 years of service under the provisions of 10 U.S.C. 1293, 3911, 3914, 6323, 6330, 8911 and 8914. Section 504(b) of the FY 2012 National Defense Authorization Act (NDAA), P.L. 112-81, reinstates temporary retirement authorities in section 4403 of the FY 1993 NDAA (P.L. 102-484) from fiscal year 2012 to December 31, 2018.

h. $30,000 Lump Sum Bonus – For payment to service members who entered the uniformed service on or after August 1, 1986, who opt to retire under the Redux retirement plan (40 percent retirement benefit at 20 years of service with partial COLA) under the provisions of 37 U.S.C. 354.

1 -M. Special Compensation for Assistance with Activities of Daily Living – Officer: For payment of monthly compensation to an officer with catastrophic injuries or illnesses requiring assistance in everyday living under the terms and conditions specified by 37 U.S.C. 439.

1 -N. Social Security Tax Employer's Contribution: For payment of tax of employer to Social Security Administration as provided by Federal Insurance Contributions Act (FICA).

2. Pay and Allowances of Enlisted Personnel - For the pay and allowances authorized by law to be paid to enlisted personnel of the Regular forces and enlisted members of the Reserve Components on extended active duty. In accordance with the provisions of 31 U.S.C. 371(b), enlisted members may not receive a bonus or incentive pay under both subchapter I and subchapter II of Chapter 5 of title 37, USC (37 U.S.C. §§301-330 and 31 U.S.C. §§331-355, respectively) for the same activity, skill, or period of service.

2 -A. Basic Pay: For basic compensation of enlisted personnel, including length of service increments, under the provisions of 37 U.S.C. 201, 203 and 205.

2 -B. Retired Pay Accrual: For the Department of Defense's Contribution to its Military Retirement Fund, under provisions of 10 U.S.C. 1466. Retired pay accrual amounts will be precisely the specified percent of basic pay.

2 -C. Thrift Savings Plan (TSP) Matching Contributions: For the Department of Defense's contribution to the Thrift Savings Fund for the benefit of the member under provisions of 5 U.S.C. 8432. For those member's participating in the blended retirement plan, the amount contributed shall not be more than 5 percent of the member's basic pay for such pay period.

2 -D-1. Incentive Pay for Hazardous Duty: For pay of enlisted personnel for performance of hazardous duty required by competent authority under the provisions of 37 U.S.C. 301 and 37 U. S.C. 351. Includes:

a. Duty as a crew member as determined by the Secretary concerned, involving frequent and regular participation in aerial flight.

b. Duty involving frequent and regular participation in aerial flights not as a crew member pursuant to paragraph a, above.

c. Duty involving parachute jumping as an essential part of military duty.

d. Duty involving the demolition of explosives as a primary duty, including training for such duty.

e. Duty inside a high or low pressure chamber.

f. Duty as a human acceleration or deceleration experimental subject.

g. Duty as human test subject in thermal stress experiments.

h. Duty involving frequent and regular participation in flight operations on the flight deck of an aircraft carrier or of a ship other than an aircraft carrier from which aircraft are launched.

i. Duty involving service as an air weapons controller.

j. Duty involving use of toxic fuel or waste.

k. Duty involving highly toxic pesticides or live, hazardous organisms.

l. Duty involving Visit, Board, Search and Seizure.

2 -D-2. Career Enlisted Flyer Incentive Pay: For career enlisted flyer pay under the provisions of 37 U.S.C. 320. To be paid to an enlisted member of the armed forces who holds an enlisted military occupational specialty or enlisted military rating designated as career enlisted flyer specialty or rating by the Secretary concerned, performs duty as a dropsonde system operator, or is in training leading to qualification and designation of such a specialty or rating or the performance of such duty and meets the other requirements as designated in 37 U.S.C. 320 or 353 outlined in DoD Instruction 7730.67.

2 -D-3. Incentive Pay for Submarine Duty: For enlisted submarine pay under provision of 37 USC 301c. for performance of duty while attached under competent orders to a submarine, while serving as an operator or crew member of an operational submersible (including an undersea exploration or research vehicle), while undergoing training preliminary to assignment to a nuclear-powered submarine, while undergoing rehabilitation after assignment to a nuclear-powered submarine, or, in the case of a member qualified in submarines, while attached as a member of a submarine operational command staff whose duties require serving on a submarine during underway operations.

2 -E. Special Pay: For hardship duty pay while assigned to locations or duties designated by the Secretary of Defense under the provisions of 37 U.S.C. 305; for career sea pay under the provisions of 37 U.S.C. 305a; for diving duty pay under the provisions of 37 U.S.C. 304; for assignment incentive pay under the provisions of 37 U.S.C. 307a; for duty subject to hostile fire or imminent danger under the provisions of 37 U.S.C. 310 or 37 U.S.C. 351; for nuclear-trained and qualified, and for nuclear career accession and annual incentive bonuses under the provisions of 37 U.S.C. 312b; for qualified enlisted members extending duty at designated locations overseas under the provisions of 37 U.S.C. 314; for foreign language proficiency under the provisions of 37 U.S.C. 316 or 353; for retention incentives for members qualified in a critical military skill under the provisions of 37 U.S.C. 355; for conversion to military occupational specialty to ease personnel shortage under the provisions of 37 U.S.C. 326; for transfer between armed forces under the provisions of 37 U.S.C. 327; for continuation of pays during hospitalization and rehabilitation under the provisions of 37 U.S.C. 372; and for continuation pay authorized under the provisions of 37 U.S.C. 356.

2 -F. Special Duty Assignment Pay: For pay to enlisted personnel for possessing special proficiency in a military skill, under the provisions of 37 U.S.C. 307 or 352.

2 -G. Reenlistment Bonus: For payment to enlisted personnel of a bonus for reenlistment, under the provisions of 37 U.S.C. 308 or 331.

2 -H. Enlistment Bonus: For payment to enlisted personnel of a bonus for enlistment (or extension) in a skill designated as critical, in accordance with the provisions of 37 U.S.C. 309 or 331.

2 -I. Education Benefits: For payment to the Department of Defense Education Benefits Fund, a trust fund, in accordance with 38 U.S.C. Chapter 30. This program funds the additional and supplemental benefit payments above a basic benefit (the Montgomery GI Bill) to be budgeted by the Department of Veteran Affairs (DVA). The program is budgeted on an accrual basis by the Department of Defense.

2 -J. Loan Repayment Program: For payment to enlisted personnel to repay education loans, in accordance with the provisions of 10 U.S.C. 2171.

2 -K. Basic Allowance for Housing: For housing allowances payable to enlisted personnel under the provisions of 37 U.S.C. 403. BAH is comprised of BAH-Domestic and BAH-Overseas.

2 -L. Station Allowances, Overseas: For per diem allowances payable to enlisted personnel stationed outside the United States or in Hawaii or Alaska based on cost of living for members stationed outside the Continental United States as prescribed by Joint Federal Travel Regulations and authorized under the provisions of 37 U.S.C. 475.

2 -M. CONUS Cost of Living Allowance: For payments to eligible members assigned to high cost areas under the provisions of 37 U.S.C. section 403b**.**

2 -N. Clothing Allowances**:** For payment to enlisted personnel of cash allowance for purchase of prescribed clothing, for cost of clothing issued in kind, and for cash payment of maintenance allowances for clothing under the provisions of 37 U.S.C. 418. (Excludes replacement of clothing lost, damaged, or destroyed.)

2 -O. Family Separation Allowances: For family separation allowances payable to enlisted personnel under the provisions of 37 U.S.C. 427.

2 -P. Separation Payments:

a. For payments to enlisted personnel for accumulated unused annual leave under the provisions of 37 U.S.C. 501.

b. For severance pay to enlisted personnel who are denied retention or continuation for non-disability reasons under the provisions of 10 U.S.C. 1174; for disability severance pay under the provisions of 10 U.S.C. 1212.

c. For authorized donations for discharge under certain conditions under the provisions of 10 U.S.C. 1048.

d. Voluntary Separation Incentive (VSI) - For payment of an annuity to enlisted members voluntarily separating from active duty under the provisions of 10 U.S.C. 1175.

e. Special Separation Benefit (SSB) - For a lump sum payment to enlisted members separating from active duty under the provisions of 10 U.S.C. 1174a.

f. Temporary Early Retirement Authority (TERA) - For payment of retired pay to selected active duty enlisted members who retire with between 15 and 20 years of service under the provisions of 10 U.S.C. 1293, 3911, 3914, 6323, 6330, 8911 and 8914. Section 504(b) of the FY 2012 National Defense Authorization Act (NDAA), P.L. 112-81, reinstates temporary retirement authorities in section 4403 of the FY 1993 NDAA (P.L. 102-484) from fiscal year 2012 to December 31, 2018.

g. $30,000 Lump Sum Bonus – For payment to service members who entered the uniformed service on or after August 1, 1986 who opt to retire under the Redux retirement plan (40 percent retirement benefit at 20 years of service with partial COLA) under the provisions of 37 U.S.C. 354.

2 -Q. Special Compensation for Assistance with Activities of Daily Living – Enlisted: For payment of monthly compensation to an enlisted service member with catastrophic injuries or illnesses requiring assistance in everyday living under the terms and conditions specified by 37 U.S.C. 439.

2 -R. Social Security Tax - Employer's Contribution: For payment of tax on employer to Social Security Administration as provided by Federal Insurance Contributions Act (FICA).

3. Pay and Allowances of Cadets and Midshipmen - For the pay and allowances of cadets and midshipmen at the United States Military Academy, United States Naval Academy, and the United States Air Force Academy.

3 -A. Academy Cadets and Midshipmen: For basic pay, commuted ration allowance, and employer's share of FICA tax for cadets and midshipmen appointed to the United States Military Academy, United States Naval Academy, and United States Air Force Academy, under the provisions of 37 U.S.C. 203 and 422.

a. For payment of nuclear accession bonus under the provisions of 37 U.S.C. 312b.

b. For the difference between the value of the commuted ration allowance and the cost of operational rations.

4. Subsistence of Enlisted Personnel - For the payment of authorized basic allowances for subsistence to enlisted personnel and for the cost of procuring food and beverage supplies for issue as rations to enlisted personnel on extended active duty, including emergency and operational rations; also includes the payment of meals furnished under contract (when approved by competent authority) at commercial facilities where the payment of commuted rations would create an individual hardship and/or the costs for establishment of a Government mess facility are prohibitive or the contract feeding of enlisted personnel is determined to be more economical or advantageous.

4 -A. Basic Allowance for Subsistence: For subsistence allowances payable to enlisted personnel under the provisions of 37 U.S.C. 402.

4 -B. Subsistence in Kind: For cost of subsistence issued as rations to enlisted personnel, including emergency and operational rations, and for payment of meals furnished under contract by commercial facilities under the provisions of 10 U.S.C. 4561, 6081 and 9561.

4 -C. Family Subsistence Supplemental Allowance (FSSA): For members eligible for food stamps, a supplemental allowance is provided not to exceed $500 per month under the provisions of 37 U.S.C. 402a.

5. Permanent Change of Station (PCS) Travel - For expenses incident to permanent change of station travel of military personnel, individually or as part of organized units. The PCS travel costs include mileage; monetary allowance in lieu of transportation; transportation by common carrier (rail, bus, air, or water, including Air Mobility Command and Military Sealift Command); per diem allowances, actual and necessary expenses and cost of subsistence while in a PCS travel status; issue of meal tickets in lieu of subsistence; temporary lodging expense; travel of dependents and transportation of baggage and household goods, port handling charges for personnel, their household goods, baggage and privately owned automobiles passing through CONUS MTMC terminals; payments of dislocation allowances; authorized transportation of dependents and personal and household effects of deceased military personnel; costs of contract packing, crating, handling and temporary storage of household goods; cost of non-temporary storage of household goods; cost of trailer allowances; travel incident to organizational movements on permanent change of station whether for training or non-training purposes; expenses incident to PCS movement of any military group traveling under one order from the same point of origin to the same destination; minor supplies and services incident to troop or organizational PCS movements; expenses and allowances incident to separation travel, discharge or release. Also included are all authorized Temporary Duty Travel directly related to and an integral part of PCS movement of individuals or organizational units. Excludes Temporary Duty Travel other than that directly related to and an integral part of PCS movements. All authorized PCS travel expenses provided for under this budget program account shall be charged to the same subprogram account cited in PCS travel order of the military member. The term "CONUS" (Continental United States) referred to herein applies to the United States Territory, "including the adjacent territorial waters located within the North American Continent between Canada and Mexico."

5 -A. Accession Travel:

a. Officers. Covers PCS movements of (1) officers appointed to a commissioned grade from civil life, military academies or ROTC/NROTC, Reserve and National Guard officers called or recalled to extended active duty from home or a point where orders were received to first permanent duty station or training school of 20 weeks or more duration and (2) officers or warrant officers appointed or recalled from enlisted status from station where they served as enlisted to new permanent duty station or training school of 20 weeks or more duration. (Includes officers appointed from enlisted status upon graduation from Officer Candidate School (OCS), Officer Training School (OTS), or basic flying training.) (Marine Corps basic military training for officers

will be a part of an accession move; this is the only exception to the 20-week rule.)

b. Enlisted. Covers PCS movements of (1) enlistees, reenlistees, and prior service personnel from recruiting station or place of enlistment to first permanent duty station or training school of 20 weeks or more duration and (2) recalled enlisted reservists from home to first permanent duty station or training school of 20 weeks or more.

c. Cadets and Midshipmen. Covers PCS movements of (1) individuals selected as academy cadets or midshipmen upon entry into the academies and (2) individuals who travel to the academies but fail to pass the entrance physical examinations and are required to return home.

5 -B. Training Travel:

a. Officers. Covers PCS movements of (1) officers and warrant officers from previous CONUS permanent duty station to formal service or civilian schools, including technical schools, flying training schools, factory training, and other approved courses of instruction of 20 weeks' duration or more; and (2) officer and warrant officer school graduates and eliminates from school to their next permanent CONUS duty station. (Excludes academy graduates, OCS or OTC graduates, flying training graduates, ROTC graduates and others chargeable to Accession Travel.)

b. Enlisted. Covers PCS movements of (1) enlisted personnel from previous CONUS permanent duty station to formal service or civilian schools, including technical schools, flying training schools, factory training, and other approved courses of instruction, of 20 weeks duration or more; (2) enlisted school graduates and eliminates from school to their next CONUS permanent duty station; and (3) enlisted personnel ordered to training leading to a commission if such training period is of 20 weeks duration or more.

5 -C. Operational Travel: Between Duty Stations (within CONUS and within Overseas):

a. Officers. Covers PCS movements of (1) officers, and warrant officers to and from permanent duty stations located within the United States; (2) officers and warrant officers to and from permanent duty stations located within an overseas area when no transoceanic travel is involved; and (3) dependents, household goods, personal effects and privately owned vehicles of officers and warrant officers who are interned, missing, or captured when no transoceanic travel is involved.

b. Enlisted. Covers PCS movements of (1) enlisted personnel to and from permanent duty stations located within the United States; (2) enlisted personnel to and from permanent duty stations located within an overseas area when no transoceanic travel is involved; and (3) dependents, household goods, personal effects and privately owned vehicles of enlisted personnel who are interned, missing, or captured when no transoceanic travel is involved.

5 -D. Rotational Travel to and from Overseas:

a. Officers. Covers PCS movements of (1) officers and warrant officers from permanent duty stations in CONUS, or training of 20 weeks or more duration, to permanent duty stations overseas; (2) officers and warrant officers from permanent duty stations overseas to permanent duty stations in CONUS, or training of 20 weeks or more duration; (3) officers and warrant officers from permanent duty stations in one overseas area to permanent duty stations in another overseas area when transoceanic travel is involved; and (4) dependents, household goods, personal effects and privately owned vehicles of officers and warrant officers who are interned, missing or captured when transoceanic travel is involved.

b. Enlisted. Covers PCS movements of (1) enlisted personnel from permanent duty stations

in CONUS, or training of 20 weeks or more duration, to permanent duty stations overseas; (2) enlisted personnel from permanent duty stations overseas to permanent duty stations in CONUS, or training of 20 weeks or more duration; (3) enlisted personnel from permanent duty stations in one overseas area to permanent duty stations in another overseas area when transoceanic travel is involved; and (4) dependents, household goods, personal effects, and privately owned vehicles of enlisted personnel who are interned, missing, or captured when transoceanic travel is involved**.**

5 -E. Separation Travel:

a. Officers. Covers PCS movements of (1) officers and warrant officers upon release or separation from the Service from last permanent duty station to home of record or point of entry into service, or to home of selection when authorized by law; and (2) dependents, household goods, trailer allowances, and personal effects of officers and warrant officers who are deceased.

b. Enlisted. Covers PCS movements of (1) enlisted personnel upon release or separation from the Service from last permanent duty station to home of record or point of entry into service or to home of selection when authorized by law; and (2) dependents, household goods, trailer allowances, and personal effects of enlisted personnel who are deceased**.**

c. Cadets and Midshipmen. Covers PCS movements of eliminated academy cadets/midshipmen to home of record or point of entry into service.

5 -F. Travel of Organized Units:

a. Officers. Covers PCS movements of (1) officers and warrant officers directed to move as members of an organized unit movement; and (2) officer and warrant officer fillers and replacements directed to move as part of the unit move.

b. Enlisted. Covers PCS movements of (1) enlisted personnel directed to move as members of an organized unit movement; and (2) enlisted fillers and replacements directed to move as part of the unit move.

6. Other Military Personnel Costs **-** For costs incident to the apprehension of military deserters, absentees, and escaped prisoners; interest on uniformed services savings deposits*;* death gratuities; unemployment benefits; education benefits; adoption expenses; mass transportation benefits; partial dislocation allowance payments; servicemembers' group life insurance; reserve officer training corps; and junior reserve officer training corps.

6.-A. Apprehension of Military Deserters, Absentees, and Escaped Military Prisoners: For the expenses of apprehension and delivery of military deserters, absentees, and escaped military prisoners, including the payment for travel of guards; payment of rewards or reimbursement of reasonable and actual expenses to persons or agencies apprehending and detaining or delivering absentees or deserters to military control.

6.-B. Interest on Uniformed Services Savings Deposits: For the payment of interest at a rate not to exceed 10 percent per annum on any sum of not less than $5 deposited by members of the uniformed services under the provisions of 10 U.S.C. 1035.

6.-C. Death Gratuities: For the payment of death gratuities to beneficiaries of military personnel under the provisions of 10 U.S.C. 1475-80.

6.-D. Unemployment Benefits: For the payment of unemployment benefits to ex-service members who are discharged or released under honorable conditions under the provisions of Title 5, United States Code (U.S.C.), section 8521.

6.-E. Education Benefits: For amortization payments to the DoD Education Benefits Fund, a trust fund, as prescribed by 10, U.S.C., 2006. This program is governed by 38 U.S.C. Chapter 30 and is budgeted on an accrual basis by the Department of Defense.

6.-F Adoption Expenses: To provide reimbursement for qualifying adoption expenses under the provisions of 10 U.S.C. 1052.

6.-G. Mass Transportation Benefit: For payment of mass transportation benefits as required by Executive Order 13150 on federal workforce transportation, dated April 21, 2000.

6.-H. Partial Dislocation Allowance: To provide payment for either vacating or moving into quarters for renovation purposes under the provision of the FY 2002 National Defense Authorization Act, Section 636.

6.-I. Reserve Income Replacement: For the payment of monthly active-duty income differential of a Reserve Component member when the total monthly military compensation of the member is less than the average monthly civilian income of the member under the provisions of 37 U.S.C 910.

6.-J. Servicemembers' Group Life Insurance: To provide Extra Hazard reimbursement for Servicemembers' Group Life Insurance (SGLI) under the provisions of 38 U.S.C. 1969, payment for Traumatic Injury Protection Coverage under the SGLI (T-SGLI) program under the provisions of 37 U.S.C. 437, and payment for SGLI/T-SGLI insurance premium allowance under provisions of 37 U.S.C. 437.

6.-K. ROTC: All the military personnel-type costs associated with the Senior Reserve Officers' Training Corps (except the scholarship program) of an armed force, provided for in 10 U.S.C. 2101-2111. All the military personnel costs associated with the financial assistance program for specially selected members of the Senior R.O.T.C. program. This program is intended to offer regular commissions to cadets and midshipmen successfully completing the academic and military requirements of the 4-year program. Authority for the program is contained in 10 U.S.C. 2107. Retired pay accrual does not apply to R.O.T.C. personnel. Costs include the subsistence allowance per month authorized by 37 U.S.C. 209, costs of uniform clothing authorized by 10 U.S.C. 2109-2110, pay and allowances authorized by 37 U.S.C. 209, incentive pay for members of precommisioning programs pursuing foreign language proficiency under the provisions of 37 U.S.C. 316a, and the cost of subsistence issued as rations to enlisted personnel including emergency and operational rations authorized by 10 U.S.C. 2109-2110.

6.-L. JROTC: All the military personnel costs associated with the Junior R.O.T.C. units at public and private secondary educational institutions provided for in 10 U.S.C. 2031. Retired pay accrual does not apply to J.R.O.T.C. personnel.

BA/BSA – Medicare-Eligible Retiree Health Fund Contribution Appropriations

1. Officers - For the Department of Defense's contribution to the Medicare-Eligible Retiree Health Care Fund for the future Medicare-Eligible health care costs for current military officers in accordance with 10 U.S.C. Chapter 56. Defense Health Care Accrual amounts are to be paid into the fund based upon approved actuarial rate multiplied by the expected average force strength for each fiscal year. The Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 (P.L. 108-375) provided permanent, indefinite appropriations to finance the cost of accruing TRICARE benefits for uniformed service member. These costs are included in the DoD discretionary total.

2. Enlisted - For the Department of Defense's contribution to the Medicare-Eligible Retiree Health Care Fund for the future Medicare-Eligible health care costs for current military enlisted personnel in accordance with 10 U.S.C. Chapter 56. Defense Health Care Accrual amounts are to be paid into the fund based upon approved actuarial rate multiplied by the expected average force strength for each fiscal year. The Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 (P.L. 108-375) provided permanent, indefinite appropriations to finance the cost of accruing TRICARE benefits for uniformed service member. These costs are included in the DoD discretionary total.

OBJECT CLASSIFICATION
ACTIVE MILITARY PERSONNEL APPROPRIATIONS

Budget Subactivity	Object Class
Accrued Retirement Benefits	12.210
Accrued Health Care Benefits (Medicare-Eligible Retiree Health Fund Contributions)	12.230
Adoption Expenses	12.220
Apprehension of Military Deserters, Absentees, and Escaped Military Prisoners: Rewards and Expenses	11.810
Travel of Guards	21.010
Basic Allowance for Housing	11.610
Basic Allowance for Subsistence	11.710
Basic Pay	11.710
CONUS Cost of Living Allowance	11.710
Death Gratuities	42.010
Education Benefits	12.220
Enlistment Bonuses	12.220
Family Separation Allowances	12.220
Family Subsistence Supplemental Allowance	11.710
Incentive Pay for Hazardous Duty (to include Hostile Fire, Hardship Duty, Diving, and Sea Duty Pay)	11.710
Interest on Uniformed Services Savings Deposits	43.010
Loan Repayment Program	12.220
Mass Transit Subsidy	21.010
Permanent Change of Station, Travel:	
Dislocation Allowance	12.220
Global POV Storage	25.710
Non-temporary Storage	25.710
Port Handling Charges	25.710
Trailer Allowances	22.010
Transportation of Household Goods	22.010
Transportation of POVs	22.010
Travel of Military Members and Dependents	21.010
Temporary Lodging Expense	12.220
Monetary Allowance in Lieu of Transportation	21.010
Reenlistment Bonuses	12.220
Separation Payments: Lump Sum Terminal Leave Payments	11.710
All Others	12.220
SGLI (Extra Hazard Payments for survivor claims)	42.010
SGLI/T-SGLI Insurance Premium Allowance	42.010
T-SGLI	42.010
TSP Matching Contributions	12.220
Social Security Tax-Employer's Contribution	12.220
Special Compensation for Assistance with Activities of Daily Living	12.220
Special Duty Assignment Pay	11.710
Special Pay: Medical, Dental, Nurse, Optometrists and Veterinarians Pay, Nuclear Officer Incentive Pay, Nuclear Accession Bonus, Aviation Retention Bonus, Scientific/Engineering Bonus, and Personal Money Allowances for General/Flag Officers, Continuation Pays, etc.	12.220
Station Allowances, Overseas	12.220
Stop Loss Special Pay	13.010
Subsistence Allowance (ROTC)	11.710

OBJECT CLASSIFICATION
ACTIVE MILITARY PERSONNEL APPROPRIATIONS (continued)

Budget Subactivity	Object Class
Subsistence: In Kind	11.710
Monetary Allowances	11.710
Unemployment Compensation	13.010
Uniform and Clothing Allowances: In Kind	26.010
Monetary Allowances	12.220
$30,000 Lump Sum Bonus	11.710

*2.3 Budget Presentation Structure Requirements (020203)

2.3.1. For purposes of preparing certain material for presentation and justification of program and budget estimates, the following budget activities will be used for the Active Military Personnel Appropriations:

2.3.1.1. Pay and Allowances of Officers

2.3.1.2. Pay and Allowances of Enlisted

2.3.1.3. Pay and Allowances of Cadets and Midshipmen

2.3.1.4. Subsistence of Enlisted Personnel

2.3.1.5. Permanent Change of Station Travel

2.3.1.6. Other Military Personnel Costs

2.3.2. The following additional breakdown of each budget activity is required to be shown in the applicable justification exhibits:

BA/BSA

1. Pay and Allowances of Officers:

a. Basic Pay
b. Retired Pay Accrual
c. Thrift Savings Plan – Matching Contributions
d. Incentive Pay for Hazardous Duty
(1) Flying Duty
(a) Crew
(b) Noncrew
(c) Aviation Continuation Pay
(d) Crew (Nonrated)
(2) Submarine Duty
(3) Parachute Jumping
(a) Parachute Jumping (regular)
(b) Parachute Jumping (High Altitude/Low Opening)
(c) Other Incentive Pay
(4) Duty inside a high or low pressure chamber inside observer, human acceleration or deceleration, experimental subject and test subject in thermal stress

experiments

(5) Demolition Duty
(6) Flight Deck Duty
(7) Air Weapons Controller Duty
(8) Duty Involving Toxic Fuel/Waste
(9) Duty Involving Live/Hazardous Biological Organisms
(10) Visit, Board, Search and Seizure

e. Special Pay
(1) Medical Pay
(a) Variable Special Pay
(b) Additional Special Pay
(c) Board Certified Pay
(d) Medical Incentive Pay
(e) Multi-Year Retention Bonus
(f) Critically Short Wartime Specialties Accession Bonus
(2) Dental Pay
(a) Variable Special Pay
(b) Additional Special Pay
(c) Board Certified Pay
(d) Accession Bonus
(e) Multi-Year Retention Bonus
(f) Dental Critical Skills Retention Bonus
(3) Nurse Pay
(a) Accession Bonus
(b) Anesthetist Pay
(4) Special Pay for Optometrists
(5) Special Pay for Pharmacists
(a) Accession Bonus
(b) Special Pay
(6) Special Pay for Veterinarians
(7) Board Certified Pay for Non-Physician Health Care Providers
(8) Personal Money Allowances - General/Flag Officers
(9) Responsibility Pay
(10) Diving Duty
(11) Special Pay - Nuclear Officer Incentive Pay
(12) Scientific/Engineering Bonus
(13) Sea Duty Pay
(a) Career Sea Pay
(b) Premium Sea Pay
(14) Overseas Extension Pay
(15) Foreign Language Proficiency Pay
(16a) Hostile Fire Pay
(16b) Imminent Danger Pay
(17) Hardship Duty Pay
(18) Judge Advocate Continuation Pay
(19) Special Warfare Officer Pay (extend period of active duty)
(20) Surface Warfare Officer Continuation Pay
(21) Critical Skills Retention Bonus
(22) New Officers in Critical Skills Accession Bonus
(23) Transfer between Armed Forces Incentive Bonus
(24) Hospitalization and Rehabilitation Pay
(25) Assignment Incentive Pay

(26) Continuation Pay

f. Basic Allowance for Housing
(1) With Dependents – Domestic
(2) Without Dependents – Domestic
(3) Partial Allowance – Bachelor – Domestic
(4) Substandard Housing - Domestic
(5) With Dependents – Overseas
(6) Without Dependents – Overseas

g. Basic Allowance for Subsistence

h. Station Allowances, Overseas
(1) Cost of Living
(2) Temporary Lodging

i. CONUS Cost of Living Allowances

j. Clothing Allowances
(1) Initial Military Allowance
(2) Additional Military Allowance
(3) Civilian Clothing Allowance

k. Family Separation Allowances
(1) On permanent change of station with dependents not authorized, Government quarters not available.
(2) On permanent change of station with dependents not authorized.
(3) On board ship for more than 30 days.
(4) On temporary duty for more than 30 days with dependents not residing near temporary duty station.

l. Separation Payments
(1) Lump sum terminal leave payments.
(2) Lump sum readjustment payments.
(3) Lump sum payments to reservists
(4) Severance pay, failure of promotion.
(5) Severance pay, disability.
(6) Severance pay, non-disability
(7) Voluntary Separation Incentive (VSI)
(8) Voluntary Separation Pay (VSP)
(9) Special Separation Benefit (SSB)
(10) 15 Year Temporary Early Retirement Authority
(11) $30,000 Lump Sum Bonus

m. Special Compensation for Assistance with Activities of Daily Living

n. Social Security Tax - Employer's Contribution

2. Pay and Allowances of Enlisted Personnel:
a. Basic Pay
b. Retired Pay Accrual
c. Thrift Savings Plan – Matching Contribution
d -1. Incentive Pay for Hazardous Duty
(1) Flying Duty
(a) Crew
(b) Noncrew
(2) Submarine Duty
(3) Parachute Jumping
(a) Parachute Jumping (regular)
(b) Parachute Jumping (High Altitude/Low Opening)
(c) Other Incentive Pay

(4) Duty inside a high or low pressure chamber inside observer, human acceleration or deceleration, experimental subject and test subject in thermal stress experiments
(5) Demolition Duty
(6) Flight Deck Duty
(7) Air Weapons Controller Duty
(8) Duty Involving Toxic Fuel/Waste
(9) Duty Involving Live/Hazardous Biological Organisms
(10) Visit, Board, Search, and Seizure

d-2. Career Enlisted Flyer Pay

e. Special Pay
(1) Diving Duty
(2) Sea Duty Pay
(a) Career Sea Pay
(b) Premium Sea Pay
(3) Overseas Extension Pay
(4) Nuclear Accession Bonus
(5) Foreign Language Proficiency Pay
(6a) Hostile Fire Pay
(6b) Imminent Danger Pay
(7) Hardship Duty Pay
(8) Critical Skill Retention Bonus
(9) Conversion to Military Occupational Specialty to ease personnel shortage
(10) Transfer Between Armed Forces Incentive Bonus
(11) Hospitalization and Rehabilitation Pay
(12) Assignment Incentive Pay
(13) Continuation Pay

f. Special Duty Assignment Pay

g. Reenlistment Bonus

h. Enlistment Bonus
(1) New Payments
(2) Residual New
(3) Anniversary

i. Education Benefits (College Fund)

j. Loan Repayment Program

k. Basic Allowance for Housing
(1) With Dependents – Domestic
(2) Without Dependents – Domestic
(3) Partial Allowance – Bachelor – Domestic
(4) Substandard Housing - Domestic
(5) With Dependents – Overseas
(6) Without Dependents - Overseas

l. Station Allowances, Overseas
(1) Cost of Living
(2) Temporary Lodging

m. CONUS Cost of Living Allowances

n. Clothing Allowances
(1) Initial
(a) Military
(b) Civilian
(2) Maintenance Allowances
(a) Basic Allowance
(b) Standard Allowance

(c) Special Allowance
(3) Supplementary Allowances
(4) Other Allowances
o. Family Separation Allowances
(1) FSA-R - On permanent change of station with dependents not authorized.
(2) FSA-S - On board ship for more than 30 days.
(3) FSA-T - On temporary duty for more than 30 days with dependents not residing near temporary duty station.
p. Separation Payments
(1) Lump sum terminal leave payments.
(2) Severance pay, disability
(3) Severance pay, non-disability
(4) Authorized donations
(5) Voluntary Separation Incentive (VSI)
(6) Special Separation Benefit (SSB)
(7) 15 Year Temporary Early Retirement Authority
(8) $30,000 Lump Sum Bonus
q. Special Compensation for Assistance with Activities of Daily Living
r. Social Security Tax - Employer's Contribution

3. Pay and Allowances of Cadets and Midshipmen: Academy Cadets and Midshipmen
a. Basic Pay
b. Subsistence - Commuted Ration
c. Operational rations
d. Social Security Tax - Employer's Contribution
e. Nuclear Accession Bonus
4. Subsistence of Enlisted Personnel:
a. Basic Allowance for Subsistence
(1) When Authorized to Mess Separately
(2) When Rations in Kind Not Available
(3) Augmentation of Commuted Ration Allowance for Meals Taken Separately
(4) Less Collections
b. Subsistence in Kind
(1) Subsistence in Messes
(a) Trainee/NP Status
(b) Members Taking Meals in Mess
(c) Reimbursable
(2) Operational Rations
(a) MREs
(b) Unitized Rations
(c) Other Package of Rations
(d) Reimbursable
(3) Augmentation Rations/Other Programs
(a) Augmented Rations
(b) Other - Region
(c) Other – Messing
c. Family Subsistence Supplemental Allowance
5. Permanent Change of Station Travel:
a. Summary of Move Requirements. For each type of move reflected in c through h below, show the number of moves and the dollar amount for the PY, CY, and BY

at the aggregate level (combine officers, enlisted and officer candidates).

b. Summary of Requirements by Types of Costs. Show the number and amount of the following entries for the PY, CY, and BY, regardless of the type of move.

(1) Travel of Military Members (include cadets and midshipmen)
Mileage and Per Diem 1/
AMC 2/
Commercial Air 3/
(2) Travel of Dependents (family)
Mileage 4/
AMC 5/
Commercial Air 6/
(3) Transportation of Household Goods
M Tons - MSC
S Tons - AMC
Other Shipments
(4) Dislocation Allowance
(5) Trailer Allowance
(6) Transportation of POVs
(7) Port Handling Charges
(8) Non-temporary storage
(9) Temporary Lodging Expense
(10) Pet Quarantine Fees
(11) Total Obligations
(12) Less Reimbursements
(13) Total Direct Obligations

c. Accession Travel 7/
(1) Officers
(2) Enlisted
(3) Officer Candidates

d. Training Travel 7/
(1) Officers
(2) Enlisted

e. Operational Travel Between Duty Station 7/
(1) Officers
(2) Enlisted

f. Rotational Travel to and from Overseas 7/
(1) Officers
(2) Enlisted

g. Separation Travel 7/
(1) Officers
(2) Enlisted
(3) Officer Candidates

h. Travel of Organized Units 7/
(1) Officers
(2) Enlisted

6. Mileage and Per Diem - The costs of travel relating to use of privately owned vehicle or commercial modes other than air or sea. Includes per diem paid to the individual member. It excludes movement of mobile trailers even if the trailer is moved by the member. The unit of measurement is number of member moves.

7. Air Mobility Command (AMC) - The costs of travel for movement of an

8. Commercial Air - The costs for movement of an individual member paid directly to a commercial company. (Excludes any costs paid to AMC.) The unit of measurement is number of member moves.

9. Mileage - The costs of travel relating to the use of privately owned vehicles or commercial modes other than air or sea for the dependents of an individual member. Includes per diem paid to dependents. The unit of measurement is number of family moves.

10. Air Mobility Command (AMC) - The costs of travel for movement of dependents reimbursed to AMC. The unit of measurement is number of dependents.

11. Commercial Air - The costs for movement of dependents paid directly to a commercial company (excludes any costs paid to AMC). The unit of measurement is number of dependents.

12. For each permanent change of station travel account, the following data will be shown, as applicable, for officers, enlisted and cadets/midshipmen:

a. Member Travel - Costs related to the movement of each member of a military service making a permanent change of station move.

b. Dependent Travel - Costs related to the movement of dependents when authorized as part of a permanent change of station of a member of a military service. The number of dependent moves should reflect the number of families moved as a unit of measure.

c. Transportation of Household Goods - Costs related to movement of household goods as authorized by Joint Federal Travel Regulations including shipment of unaccompanied baggage.

(1) Land Shipments, CONUS and Overseas - The costs of shipment of goods for the portion in CONUS and overseas of shipments other than International Through Government Bill of Lading (ITGBL). The unit of measurement is member move.

(2) ITGBL - The costs of shipment from point of origin to destination on ITGBL. Includes both land and overwater portion of the movement. The unit of measurement is member move.

(3) Overseas - The costs of shipments, including unaccompanied and excess baggage, either reimbursed to the Military Sealift Command (MSC), Air Mobility Command (AMC), or paid directly to a commercial company.

d. Dislocation Allowance - The costs of dislocation allowance as authorized in the JTR. The unit of measurement is number of members paid.

e. Trailer Allowance - The costs of movement of mobile trailers whether moved by commercial contract or moved by the individual member. The unit of measurement is number of trailer moves.

f. Privately Owned Vehicles (POV) - The costs to the Government of transporting or storing a POV to or from overseas.

(1) Military Sealift Command (MSC) - The cost of shipping POVs reimbursed to MSC. The unit of measurement is number of POVs shipped. If number of

POVs shipped is not available, use 11.2 measurement tons per vehicle to convert measurement tons to vehicles.

(2) Military Traffic Management Command (MTMC) – The cost of storing POVs reimbursed to MTMC. The unit of measurement is number of POVs stored.

(3) Port Handling (Military Traffic Management Command) - The cost of port processing of vehicles reimbursed to MTMC. The unit of measurement is number of POVs processed. If number of POVs processed is not available, use 11.2 measurement tons per vehicle to convert measurement tons to vehicles.

g. Port Handling Costs (HHGs) - The port handling costs for household goods and unaccompanied baggage reimbursed to MTMC. The unit of measure is measurement tons.

h. Non-temporary Storage - The costs to the government of placing goods in storage or moving them to another specified destination under the provisions of 37 U.S.C. 476 when a member entitled to a PCS move is ordered to a duty station to which the shipment of household goods is not authorized. No unit of measure will be shown for non-temporary storage, only costs.

i. Temporary Lodging Expense (TLE) - The cost of reimbursing the member for expenses incurred as a result of a PCS move, not to exceed $290 per day for up to 10 days under the provisions of 37 U.S.C. 474a. TLE requirements should reflect members paid as the unit of measure.

j. Pet Quarantine Fees – The cost of reimbursing the member for mandatory pet quarantine fees incident to a Permanent Change of Station under the provisions of 37 U.S.C. 476(a)(1).

13. Other Military Personnel Costs:
- a. Apprehension of Military Deserters, Absentees, and Escaped Military Prisoners
- b. Interest on Uniformed Services Savings Deposits
- c. Death Gratuities
  - (1) Officers
  - (2) Enlisted
  - (3) Cadets and Midshipmen
- d. Unemployment Benefits
- e. Education Benefits (Amortization Payments)
- f. Adoption Expenses
- g. Mass Transportation Benefit
- h. Partial Dislocation Allowance
- i. Reserve Income Replacement
- j. SGLI/T-SGLI
  - (1) SGLI Extra Hazard Payments
  - (2) Traumatic Injury Protection Coverage (T-SGLI)
  - (3) SGLI/T-SGLI Insurance Premium Allowance
- k. ROTC
- l. JROTC

*2.4 Program and Budget Review Submission (020204)

2.4.1. This section prescribes the justification materials required for the Active Military

Personnel appropriations to support budget estimates. Fund requirements for these appropriations will be presented using those budget and accounting classifications set forth in paragraphs 2.2 and 2.3, above.

2.4.2. Exhibits in Support of Program and Budget Estimates - The following justification exhibits will be prepared and submitted in support of the program and budget review for the OSD/OMB program and budget review submission. These exhibits will be organized by Service military personnel account. Examples of the required exhibits are provided in paragraph 6.2. The required justification material will be organized in a single unclassified volume with the unclassified data displayed in the sequence shown below:

Table of Contents

Section 1 - Summary of Requirements by Budget Program (PB-30A)

The Summary of Requirements will include a Medicare-Eligible Retiree Health Fund Contribution Appropriation line displaying the total amounts budgeted as shown in section 6.2 of this chapter. These amounts will be supported by detailed calculations provided in the MP-13 Exhibit included in the separate backup justification book.

Section 2 – Introduction, Summary of Economic Assumptions, and Performance Measures

1. The Introduction will include an Introductory Statement that should provide the highlights of the budget submission and a general discussion of the relationship of the resources requested to the proposed military strength program. This should include a discussion of the military strength characteristics in terms of gains and losses and promotion and assignments policies. It also should address strength changes in programmatic terms such as force structure gains and losses and other matters of an overall nature as considered appropriate by the Service. For those Services ordering Selected Reserve members to active duty for preplanned missions in support of Combatant Commands (12304b authority), active Military Personnel budget justification material must include a description of the mission for which such units are anticipated to be ordered to active duty and the anticipated length of time of the order of such units to active duty on an involuntary basis. Finally, the Introduction will include the following statement:

"The Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 (P.L. 108-375) provided permanent, indefinite appropriations to finance the cost of TRICARE benefits accrued by uniformed service members. Since these costs are actually borne in support of the Department of Defense, they will be shown as part of the DoD discretionary total. The appropriations requested for the military personnel accounts exclude retiree health accrual funding. Total obligations on behalf of military personnel include both the amounts requested for appropriation and amounts paid from the permanent, indefinite authority."

2. Economic Assumptions will summarize funding projections, end strength, average strength, retired pay accrual (full-time and part-time), military pay raise, and inflation rates assumed for Basic Allowance for Housing (BAH), Basic Allowance for Subsistence (BAS), and non-pay funding items. This summary can be formatted to summarize by fiscal year or by element of expense as preferred by the Service.

3. The Dwell Time Assessment directed by the FY 2013 NDAA should include a statement

on the estimated dwell time for both the active and reserve components in the prior year (PY), current year (CY), and budget year (BY). The assessment should identify military occupational specialties and types of units that did not achieve the Service's dwell time goals. In addition, the assessment should include a statement of whether requested reductions in active duty end-strength are reversible within 1 year. This section of the Introductory Statement is required through the FY 2017 President's Budget.

4. Performance Measures and Evaluation Summary (PB-30Y) (example provided in paragraph 6.2).

Section 3 - Summary Tables (examples provided in paragraph 6.2, below)

1. Personnel Summaries (PB-30B through PB-30F)
2. Summary of Entitlements by Subactivity (PB-30J)
3. Analysis of Appropriation Changes and Supplemental Requirements (PB-30K)
4. Schedule of Increases and Decreases Summary (PB- 30O)

Section 4 - Detail of Military Personnel Entitlements

Justification materials will be provided for each entitlement as prescribed in paragraphs 2.2 and 2.3, above for each of the following six budget activities for military personnel:

1. Pay and Allowances of Officers
2. Pay and Allowances of Enlisted Personnel
3. Pay and Allowances of Cadets/Midshipmen
4. Subsistence of Enlisted Personnel
5. Permanent Change of Station Travel
6. Other Military Personnel Costs

Each of the military personnel budget activities above will be introduced by a schedule of increases and decreases (PB-30P). The Incentive/Bonus Payment Stream exhibit (PB-30V) will be included in Section 4, Detail of Military Personnel Entitlements (See paragraph 6.2, below for format).

Section 5 - Special Analyses (examples provided in paragraph 6.2, below)

1. Schedule of Military Assigned Outside DoD (PB-30Q)
2. Reimbursable Programs (PB-30R)
3. Reserve Officer Training Corps Enrollment (PB-30S)
4. Reserve Officer Training Corps Program (PB-30T)

5. Monthly End Strength by Pay Grade (PB-30Z)

2.4.3. Justification material for each subactivity will contain a purpose and scope as well as a justification of funds requested. The requirements for each entitlement under each military personnel category will be justified on a gross basis to include total obligations for both direct and reimbursable personnel. For each subactivity/entitlement, include an explanation to justify the requested change. The explanation should be specific with regard to what the increases will provide for (i.e., statutory, program enhancements, solving deficiencies, etc.). Also provide a general explanation for each type of entitlement. The computation for each entitlement will display data for the prior year (PY), current year (CY), and budget year (BY). An example of the exhibit to meet this requirement is Exhibit PB-30X in section 6.2.

2.4.4. The following exhibits will be provided in a separate backup justification book in support of the budget estimate. Examples of these exhibits are provided in paragraph 6.2, below:

MP-2 Basic Allowance for Housing Costs Summary
MP-3 Summary of Outyear Data
MP-4 Military Personnel by Region and Country
MP-6 Education Benefits - Additional Basic Benefits (38, U.S.C. Chapter 30)
MP-9 Summary of Basic Pay and Retired Pay Accrual Costs
MP-11 Gains Phased by Month
MP-12 Pay Raise Data
MP-13 Medicare-Eligible Retiree Health Fund Contributions

For the Department of Defense's contribution to the Medicare-Eligible Retiree Health Care Fund for the future Medicare-Eligible health care costs for current military personnel in accordance with 10 U.S.C. Chapter 56. Defense Health Care Accrual amounts are to be paid into the fund based upon approved actuarial rates.

MP-15 Monthly Obligation Phasing Plan
MP-16 Summary of Recruiting and Retention Data
MP-17 Reimbursable Program (Reimbursing Customers)
PB-16 Legislative Proposals (See Volume 2B, Chapter 19, paragraph 191205 for format)
PB-18 Foreign Currency Exchange Data (See Volume 2B, Chapter 19, paragraph 191205 for format)

A submission is **required** for all components approved to participate in the foreign currency account. These components must submit a PB-18 for all appropriations to include an estimate of military spendable income, COLA and OHA estimates, and troop strength. It is submitted in conjunction with and in support of the OSD Program and Budget Review Submission and the President's Budget submission for the four active military personnel appropriations.

2.5 Congressional Justification/Presentation (020205)

2.5.1. Justification books will be organized by Service military personnel account.

2.5.2.ustification Book, other exhibit requirements, and electronic data submissions in support of the congressional submission are identical to what is shown in paragraph 2.4, Program and Budget Review Submission. Exhibits provided to OUSD(C), consistent with subparagraph 2.4.4, above will **not** be provided to Congress but will be provided under separate cover to OUSD(C) at the time of the President's budget submission.

2.5.3. M-1 Exhibit. Since FY 1998, appropriations language has required the submission of an M-1 exhibit in support of the President's budget. The Military Departments are required to submit M-1 data through the Program Resources Collection Process (PRCP) system consistent with paragraph 010501 of Chapter 1.

3.0 RESERVE MILITARY PERSONNEL AND MEDICARE-ELIGIBLE RETIREE HEALTH FUND CONTRIBUTION APPROPRIATIONS (0203)

3.1 General (020301)

3.1.1. The purpose of this chapter is to provide general information applicable to the Reserve Military Personnel and Medicare-Eligible Retiree Health Fund Contribution appropriations including funding policies, classifications, and definitions unique to these accounts. Generic policies and requirements are addressed in Chapter 1. The Military Components should consult all of the other chapters for exhibit requirements that are not specifically addressed in this chapter including the Other Special Analysis chapter (See Volume 2B, Chapter 19).

3.1.2. This section provides the budget and fiscal accounting classifications for the Reserve and National Guard Personnel and Medicare-Eligible Retiree Health Fund Contribution appropriations for uniform application by the Military Departments and the Office of the Secretary of Defense, pursuant to the provisions of 10 U.S.C. 115. The objective is to establish the basis for uniform budget presentations and a standard budget and fiscal accounting classification, which shall be used on a uniform basis for the Reserve Component personnel and Medicare-Eligible Retiree Health Fund Contribution appropriations throughout the Department of Defense in submitting budget estimates and in accounting and reporting on the status of funds for the Reserve and National Guard Personnel and Medicare-Eligible Retiree Health Fund Contribution appropriations.

*3.2 Uniform Budget and Fiscal Accounting Classification (020302)

3.2.1. The budget and accounting classification prescribed herein shall be the official classification for use in preparing budget estimates, accounting for budgetary and financial transactions, and in submitting reports on the applicable appropriation accounts. Individual budget activity and subactivity accounts shall be established as required for the accounts listed in this section. Variations in the budget program, activity, and subactivity classification and titles shall not be made, except that additional accounts consistent with this budget and accounting classification may be established in order to meet administration requirements of the various elements of the Military Departments. The scope of each account is described below.

3.2.2. Symbol numbers shall be assigned to each of the budget activities and subactivities listed below in the same manner and in the same sequence and will be consistent with the fiscal

codes for all appropriations and funds, as published in the respective Military Department fiscal code manuals.

3.2.3. Chart of Accounts - The chart of accounts represents a summary of the accounting and reporting structure under the Reserve Components' Personnel and Medicare-Eligible Retiree Health Fund Contribution appropriations. Obligations and disbursements for individual clothing and uniform allowances, and for subsistence of enlisted personnel may be allocated by activity on a statistical basis if not reported by the different types of training. Subactivities may be combined in reporting on the status of funds, provided the subactivity is maintained for program and budget review and presentation purposes:

CHART OF ACCOUNTS DEFINITIONS/DESCRIPTIONS
Budget Activity (BA) and Budget Subactivity (BSA)

BA/BSA – Reserve and National Guard Personnel Appropriations

The joint explanatory statement accompanying the DoD Appropriations Act, 2009 (P.L. 110-329, Division C) requested that the DoD make permanent the consolidated budget structure for Reserve and Guard personnel appropriations; therefore, the budget justification material shall reflect only one budget activity.

1. Reserve Component Training and Support

1-A Training - Pay Group A

1-A-1 Basic pay, active duty for training, officers
1-A-2 Other pay and allowances, active duty for training, officers
1-A-3 Basic pay, active duty for training, enlisted
1-A-4 Other pay and allowances, active duty for training, enlisted
1-A-5 Basic pay, inactive duty training, officers
1-A-6 Basic pay, inactive duty training, enlisted
1-A-7 Individual clothing and uniform allowances, officers
1-A-8 Individual clothing and uniform allowances, enlisted
1-A-9 Subsistence of enlisted personnel
1-A-10 Travel, active duty for training, officers
1-A-11 Travel, active duty for training, enlisted
1-A-12 Retired pay accrual, officers
1-A-13 Retired pay accrual, enlisted

1-B Training - Pay Group B

1-B-1 Basic pay, active duty for training, officers
1-B-2 Other pay and allowances, active duty for training, officers
1-B-3 Basic pay, active duty for training, enlisted
1-B-4 Other pay and allowances, active duty for training, enlisted
1-B-5 Basic pay, inactive duty training, officers
1-B-6 Basic pay, inactive duty training, enlisted
1-B-7 Individual clothing and uniform allowances, officers
1-B-8 Individual clothing and uniform allowances, enlisted
1-B-9 Subsistence of enlisted personnel
1-B-10 Travel, active duty for training, officers
1-B-11 Travel, active duty for training, enlisted
1-B-12 Retired pay accrual, officers
1-B-13 Retired pay accrual, enlisted

1-C Training - Pay Group F

1-C-1 Basic pay, active duty for training, enlisted
1-C-2 Other pay and allowances, active duty for training, enlisted
1-C-3 Individual clothing and uniform allowances, enlisted
1-C-4 Subsistence of enlisted personnel
1-C-5 Travel, active duty for training, enlisted
1-C-6 Retired pay accrual, enlisted

1-D Training - Pay Group P

1-D-1 Basic pay, inactive duty training, enlisted
1-D-2 Individual clothing and uniform allowances, enlisted
1-D-3 Subsistence of enlisted personnel
1-D-4 Retired pay accrual, enlisted

1-E Mobilization Training

1-E-1 Basic pay, active duty for training, officers
1-E-2 Other pay and allowances, active duty for training, officers
1-E-3 Basic pay, active duty for training, enlisted
1-E-4 Other pay and allowances, active duty for training, enlisted
1-E-5 Individual clothing and uniform allowances, officers
1-E-6 Individual clothing and uniform allowances, enlisted
1-E-7 Subsistence of enlisted personnel
1-E-8 Travel, active duty for training, officers

1-E-9 Travel, active duty for training, enlisted
1-E-10 Retired pay accrual, officers
1-E-11 Retired pay accrual, enlisted
1-E-12 Muster pay stipend, officers
1-E-13 Muster pay stipend, enlisted

1-F School Training

1-F-1 Basic pay, active duty for training, officers
1-F-2 Other pay and allowances, active duty for training, officers
1-F-3 Basic pay, active duty for training, enlisted
1-F-4 Other pay and allowances, active duty for training, enlisted
1-F-5 Individual clothing and uniform allowances, officers
1-F-6 Individual clothing and uniform allowances, enlisted
1-F-7 Subsistence of enlisted personnel
1-F-8 Travel, active duty for training, officers
1-F-9 Travel, active duty for training, enlisted
1-F-10 Retired pay accrual, officers
1-F-11 Retired pay accrual, enlisted

1-G Special Training

1-G-1 Basic pay, active duty for training, officers
1-G-2 Other pay and allowances, active duty for training, officers
1-G-3 Basic pay, active duty for training, enlisted
1-G-4 Other pay and allowances, active duty for training, enlisted
1-G-5 Individual clothing and uniform allowances, officers

1-G-6 Individual clothing and uniform allowances, enlisted
1-G-7 Subsistence of enlisted personnel
1-G-8 Travel, active duty for training, officers
1-G-9 Travel, active duty for training, enlisted
1-G-10 Retired pay accrual, officers
1-G-11 Retired pay accrual, enlisted

1-H Administration and Support

1-H-1 Basic pay of officers
1-H-2 Other pay and allowances of officers
1-H-3 Basic pay of enlisted
1-H-4 Other pay and allowances of enlisted
1-H-5 Subsistence of enlisted personnel
1-H-6 Permanent change of station travel
1-H-7 Death gratuities, officers
1-H-8 Death gratuities, enlisted
1-H-9 Disability and hospitalization benefits, officers
1-H-10 Disability and hospitalization benefits, enlisted
1-H-11 Reenlistment Bonus
1-H-12 Enlistment Bonus
1-H-13 Educational Assistance (Other than Montgomery G.I. Bill)
1-H-14 Loan Repayment
1-H-15 NROTC Nuclear Bonus
1-H-16 Affiliation Bonus
1-H-17 Individual Ready Reserve Enlistment/Reenlistment Bonus (PS)
1-H-18 Individual Ready Reserve Enlistment Program Bonus (NPS)
1-H-19 Critical Skills Retention Bonus (CSRB)
1-H-20 Health Professionals Stipend (SELRES)
1-H-21 Health Professionals Stipend (IRR)
1-H-22 Health Professionals Loan Repayment
1-H-23 Specialized Training Assistance Program (STRAP)
1-H-24 Health Professionals Medical Officer Recruiting Program (HPMORP)
1-H-25 Retired pay accrual, officers
1-H-26 Retired pay accrual, enlisted
1-H-27 Adoption Expenses
1-H-28 $30,000 Lump Sum Bonus, officers
1-H-29 $30,000 Lump Sum Bonus, enlisted
1-H-30 CONUS Cost of Living Allowances (COLA)
1-H-31 Mass Transportation Benefit, Officer
1-H-32 Mass Transportation Benefit, Enlisted
1-H-33 Continuation Pay, Officer
1-H-34 Continuation Pay, Enlisted

1-I Education Benefits

1-I-1 MGIB-SR (Chap 1606), Per Capita Normal Cost
1-I-2 MGIB-SR (Chap 1606), Critical Skill or Critical Unit Benefit
1-I-3 MGIB-SR (Chap 1606), Amortization
1-I-4 Reserve Educational Assistance Program (REAP) (Chap 1607), Per Capita Normal
1-I-5 REAP (Chap 1607), Amortization

1-J Platoon Leaders Class or Reserve Officer Candidates

1-J-1 Uniforms -- issue in kind
1-J-2 Basic pay (Summer training camp)
1-J-3 Other pay and allowances (Summer training camp)
1-J-4 Subsistence of reserve officer candidates
1-J-5 Travel of reserve officer candidates
1-J-6 Retired pay accrual

1-K Branch Officer Basic Course

1-K-1 Basic pay, active duty for training
1-K-2 Other pay and allowances, active duty for training
1-K-3 Uniform allowances
1-K-4 Travel and per diem
1-K-5 Retired pay accrual

1-L Armed Forces Health Professions Scholarship/Financial Assistance Program

1-L-1 Stipend
1-L-2 Individual clothing and uniform allowances, officers
1-L-3 Basic pay, active duty for training, officers
1-L-4 Other pay and allowances, active duty for training, officers
1-L-5 Travel, active duty for training, officers
1-L-6 Retired pay accrual, officers
1-L-7 Financial Assistance Grant
1-L-8 Nurse Candidate Bonus
1-L-9 Accession Bonus

1-M Chaplain Candidate Program

1-M-1 Basic pay, active duty for training
1-M-2 Other pay and allowances, active duty for training
1-M-3 Uniform allowances
1-M-4 Travel
1-M-5 Retired pay accrual

1-N Thrift Savings Plan (TSP) Matching Contributions

1-N-1 TSP Matching Contributions, Officer
1-N-2 TSP Matching Contributions, Enlisted

BA/BSA – Medicare-Eligible Retiree Health Fund Contribution Appropriations

1. Reserve Component Training and Support

A. Chart of Accounts, Budget Activities, and Subactivities Definitions/Descriptions are provided on the following pages.

B. Object Classification - The object classifications that follow the Chart of Accounts, Budget Activities, and Subactivities Definitions/Descriptions shall be the official classifications for use in preparing budget estimates, accounting for budgetary and financial transactions, and in submitting reports on the applicable appropriation accounts.

CHART OF ACCOUNTS DEFINITIONS/DESCRIPTIONS

A. Budget Program

There will be a separate budget program for each Reserve Component of the Department of Defense and for each military service having those programs listed in paragraph 3.2, as appropriate.

B. Budget Activities

The budget activities are established to present all of the military type costs associated with a particular type of training within the unit and individual training or other training and support programs. The following descriptions are for the chart of accounts listed in paragraph 3.2.

BA/BSA – Reserve and National Guard Personnel Appropriations

The joint explanatory statement accompanying the DoD Appropriations Act, 2009 (P.L. 110-329, Division C) requested that the DoD make permanent the consolidated budget structure for Reserve and Guard personnel appropriations; therefore, the budget justification material shall reflect only one budget activity.

1. Reserve Component Training and Support

a. Training, Pay Groups A, B, F and P

The Pay Group activities contained in paragraph 3.2 are for costs, including retired pay accrual associated with the uniform training/pay categories within the National Guard and Reserve Personnel programs as defined in DoD Instruction 1215.06, "Uniform Reserve, Training and Retirement Categories."

b. Mobilization Training

Costs, including retired pay accrual, associated with the readiness training and mission support training of the Individual Ready Reserve (IRR) and Merchant Marine Training. Also included are costs associated with the allowance for annual muster duty as provided by 37 U.S.C. 433.

c. School Training

Include tours of paid active duty for training as students at regular, refresher and technical courses of service schools, area schools, unit schools, officer candidate schools, and other schools that provide training. Retired pay accrual costs are included.

d. Special Training

Include all authorized paid active duty for training, other than those covered by pay groups, mobilization, and school training. These include the staff and faculty for schools; special field, fleet and joint exercises; indoctrination training; promoting or policy boards; administrative support of training programs; and tours of not more than 45 days for failure to perform reserve training duty satisfactorily. Retired pay accrual costs are included.

e. Administration and Support

Include the costs, including retired pay accrual, of active duty military

personnel authorized to be funded in the Reserve Component personnel appropriations, death and disability gratuities for officer and enlisted Reserve Component personnel injured or killed while in a Reserve or Guard training status, continuation pays, and reserve incentive and bonus programs.

f. Platoon Leaders Class (PLC)

All military personnel costs, including retired pay accrual, associated with the Marine Corps Reserve PLC.

g. Branch Officer Basic Course

Costs associated with ROTC graduates designated for Reserve Forces Duty, including retired pay accrual, to attend full-length resident Branch Officer Basic Courses of the active components.

h. Armed Forces Health Profession Scholarship and Financial Assistance Program

All the military personnel costs, including retired pay accrual, associated with the financial assistance program to obtain adequate numbers of officers for the active forces who are qualified in various health professions. Qualifications are that the candidate be a citizen of the United States, be accepted for or be enrolled in an accredited institution in a course of study designated for a health profession, and meet moral and physical qualifications for an officer. Such recipients are commissioned as a Second Lieutenant and remain in that grade for the duration of the scholarship program. Authority for the program is contained in 10 U.S.C. 2120-2128. In addition to the stipend, also provides for the annual grant authorized under 10 U.S.C. 2121 and financial assistance to nurse officer candidates under 10 U.S.C. 2130a.

i. Chaplain Candidate Program

All military personnel costs, including retired pay accrual, for the Chaplain Officer Basic Course and Chaplain Active Duty for Training Practicum to qualify officers commissioned as Chaplain Candidates for future service as chaplains in either the Active or Reserve Component.

j. Education Benefits (New G.I. Bill)

Includes funds for payment to the DoD Education Benefits Fund, a trust fund, as prescribed by 10 U.S.C. 2006. The program is governed by 10 U.S.C. Chapter 1606 and 1607 and is budgeted on an accrual basis. Also includes payments for vocational/technical training under the Reserve Compensation G.I. Bill as provided by 10 U.S.C. 2131.

k. Thrift Savings Plan (TSP) Matching Contributions

Includes costs associated with the blended retirement system, to include an automatic 1 percent of basic pay government contribution to a member's TSP account beginning 60 days following entry, and Department of Defense's matching contributions up to 4 percent from the 3rd through the 26th year of service. Authority for the program is contained in 5 U.S.C. 8432. For those member's participating in the blended retirement plan, the amount contributed shall not be more than 5 percent of the member's basic pay for such pay period.

C. Budget Subactivities

The budget subactivities are grouped to present all of the military personnel-type costs for

the particular activity. Rather than repeat the same definitions for each activity, the descriptions of the subactivities are shown below by their various titles:

1. Pay and Allowances, Active Duty for Training, Officers

For the pay and allowances of commissioned and warrant officers of the Reserve Components on active duty for training. These include:

a. Basic Pay

For basic compensation, including length of service increments, under the provision of 37 U.S.C. 201 and 203-205.

b. Retired Pay Accrual

For the Department of Defense contribution to its Military Retirement Fund, under the provisions of 10 U.S.C. 1466. Retired pay accrual amounts will be precisely the specified percent of basic pay.

c. Incentive Pay for Hazardous Duty

Refer to the descriptions of the subactivities in paragraph 2.2, 1-C, as applicable, as well as involving use of ski-equipped aircraft on the ground in Antarctica or the Arctic ice-pack. Also includes incentive pay for hazardous duty for members of a Weapons of Mass Destruction Civil Support Team under the provisions of 37 U.S.C. 305b.

d. Special Pay

Refer to the descriptions of the subactivities in paragraph 2.2, 1-D as applicable. Includes selected reserve officers receiving an affiliation bonus under the provisions of 37 U.S.C. 308j and 332; also includes selected reserve health care professionals in critically short wartime specialties under provisions of 37 U.S.C. 302g.

e. Basic Allowance for Housing

For housing allowances payable to officers under the provisions of 37 U.S.C. 403.

f. Family Separation Allowances

For family separation allowances payable to officers under the provisions of 37 U.S.C. 427.

g. Basic Allowance for Subsistence

For subsistence allowances payable to officers under the provisions of 37 U.S.C. 402.

h. Separation Payments

Payments for accumulated annual leave under the provisions of 37 U.S.C. 501.

i. Social Security (FICA Tax) -- Employers' Share

For payment of tax of employer to the Social Security Administration as provided by the Federal Insurance Contributions Act.

2. Pay and Allowances, Active Duty for Training, Enlisted

For the pay and allowances of enlisted personnel of the Reserve Components on active duty for training. These include:

a. Basic Pay

For basic compensation, including length of service increments, under the provision of 37 U.S.C. 203-205.

b. Retired Pay Accrual

For the Department of Defense contribution to its Military Retirement Fund, under the provisions of 10 U.S.C. 1466. Retired pay accrual amounts will be precisely the specified percent of basic pay.

c. Incentive Pay for Hazardous Duty

Refer to the descriptions of the subactivities in paragraph 2.2, 2-C-1 and 2-C-2 as applicable as well as involving use of ski-equipped aircraft on the ground in Antarctica or the Arctic ice-pack. Also includes incentive pay for hazardous duty for members of a Weapons of Mass Destruction Civil Support Team under the provisions of 37 U.S.C. 305b.

d. Special Pay

Refer to the descriptions of the subactivities in paragraph 2.2, 2-D and 2-E, as applicable. Includes affiliation, enlistment, and reenlistment bonuses for selected reserve enlisted members under the provisions of 37 U.S.C. 308b, 308c, 308d, 308g, 308h, 308i, and 331.

e. Basic Allowance for Housing

For housing allowances payable to enlisted personnel under the provisions of 37 U.S.C. 403.

f. Family Separation Allowances

For family separation allowances payable to enlisted personnel under the provisions of 37 U.S.C. 427.

g. Separation Payments

For accumulated unused annual leave under the provisions of 37 U.S.C. 501.

3. Pay, Inactive Duty Training, Officers

a. Basic Pay

For basic compensation, including length of service increments, under the provisions of 37 U.S.C. 201-203, 205, and 206.

b. Retired Pay Accrual

For the Department of Defense contribution to its Military Retirement Fund, under the provisions of 10 U.S.C. 1466. Retired pay accrual amounts will be precisely the specified percent of basic pay.

c. Incentive Pay for Hazardous Duty

For performance of hazardous duty required by competent authority under the provisions of 37 U.S.C. 301 or 37 U.S.C. 351. Also includes incentive pay for hazardous duty for members of a Weapons of Mass Destruction Civil Support Team under the provisions of 37 U.S.C. 305b.

d. Social Security (FICA Tax) -- Employers' Share

For payment of tax of employer to the Social Security Administration as provided by the Federal Insurance Contributions Act.

4. Pay, Inactive Duty Training, Enlisted

a. Basic Pay

For basic compensation, including length of service increments, under the provisions of 37 U.S.C. 203 and 206.

b. Retired Pay Accrual

For the Department of Defense contribution to its Military Retirement Fund, under the provisions of 10 U.S.C. 1466. Retired pay accrual amounts will be precisely the specified percent of basic pay.

c. Incentive Pay for Hazardous Duty

For performance of hazardous duty required by competent authority under the provisions of 37 U.S.C. 301 or 37 U.S.C. 351. Also includes incentive pay for hazardous duty for members of a Weapons of Mass Destruction Civil Support Team under the provisions of 37 U.S.C. 305b.

d. Social Security (FICA Tax) -- Employers' Share

For payment of tax of employer to the Social Security Administration as provided by the Federal Insurance Contributions Act.

5. Individual Clothing and Uniform Allowances, Officers

Payments of allowances to officers for the purchase of required uniforms under the

provisions of 37 U.S.C 415-417.

6. Individual Clothing and Uniform Allowances, Enlisted

For the costs of uniform clothing authorized to be issued in kind to enlisted personnel under the provisions of 37 U.S.C. 418.

7. Subsistence of Enlisted Personnel

For the cost of subsistence issued as rations to enlisted personnel including emergency and operational rations under the provisions of 37 U.S.C. 402.

8. Travel, Active Duty Training, Officers, and Travel, Active Duty for Training, Enlisted

For expenses incident to training travel of Reserve Component officer or enlisted member, individually or as an organized unit. Travel costs include mileage; per diem; transportation by common carrier (rail, bus, air, water including Air Mobility Command and Military Sealift Command); actual and necessary expenses and costs of subsistence while in a travel status; issue of meal tickets; transportation of baggage; port handling charges; and expenses incident to movement of any military group traveling under one order from the same point of origin to the same destination.

9. Pay and Allowances of Officers, Enlisted and Permanent Change of Station Travel for Active Guard and Reserve (AGR)

These subactivities are to provide for the AGR military personnel expenses financed from the Reserve Components personnel appropriations. The descriptions of these subactivities are identical to those shown for the activities with the same titles in paragraph 2.2, above.

10. Death Gratuities, Officers, and Death Gratuities, Enlisted

For the payment of death gratuities to beneficiaries of Reserve Component personnel under the provisions of 10 U.S.C. 1475-1480.

11. Disability and Hospitalization Benefits, Officers, and Disability and Hospitalization Benefits, Enlisted

For payment of disability and hospitalization benefits for Reserve Component personnel, except for costs covered by orders to active duty for training or inactive duty training under the provisions of 37 U.S.C. 204 and 206.

12. Reserve Incentives

For Reenlistment Bonus for Selected Reserves under the provisions of 37 U.S.C. 308b; Affiliation or Enlistment in the Selected Reserves under the provisions of 37 U.S.C. 308c; Non-Prior Service Enlistment Bonus for the Individual Ready Reserve under the provisions of 37 U.S.C. 308g; Individual Ready Reserve Enlistment, Reenlistment or Extension Bonus under the provisions of 37 U.S.C 308h; Prior Service Enlistment Bonus under the provisions of 37 U.S.C 308i; Accession or Affiliation Bonus for New Reserve Component Officers under the provisions of 37 U.S.C. 308j; Continuation Pay for Reserve Component personnel under the provisions of 37 U.S.C. 356; and any other bonus incentive listed in section 2.2, as applicable.

13. Other

Items that are not accounted for in numbers 1 through 12.

14. Health Professions Scholarship Program

a. Stipend

For the allowances of commissioned officers while attending school under the Armed Forces Health Professions Scholarship Program under the provisions of 10 U.S.C. 2120-2122. This includes a monthly allowance (stipend) as authorized by 10 U.S.C. 2121 and payment of FICA tax of employer to the Social Security Administration as provided by the Federal Insurance Contributions Act.

b. Financial Assistance Grant

For an annual grant for persons participating in specialized training under the provisions of 10 U.S.C. 2127.

c. Accession Bonus

Bonus to persons entering into an agreement under 10 U.S.C. 2122(a)(2).

d. Nurse Candidate Bonus Program

For an accession bonus paid in periodic installments and a monthly stipend for nurse officer candidates under the provisions of 10 U.S.C. 2130a.

e. Individual Clothing and Uniform Allowances, Officers

Payments of allowances for the purchase of required uniforms under the provisions of 37 U.S.C. 415-417.

f. Pay and Allowances, Active Duty for Training, Officers

For the pay and allowances of commissioned officers of the Reserve Components on active duty for training.

g. Travel, Active Duty Training, Officers

For expenses incident to travel of Reserve Component officers.

BA/BSA – Medicare-Eligible Retiree Health Fund Contribution Appropriations

1. Reserve Component Training and Support - For the Department of Defense's contribution to the Medicare-Eligible Retiree Health Care Fund for the future Medicare-Eligible health care costs for current military personnel in accordance with 10 U.S.C. Chapter 56. Defense Health Care Accrual amounts are to be paid into the fund based upon approved actuarial rate multiplied by the expected average force strength for each fiscal year. The Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 (P.L. 108-375) provided permanent, indefinite appropriations to finance the cost of accruing TRICARE benefits for uniformed service member. These costs are included in the DoD discretionary total.

OBJECT CLASSIFICATION
RESERVE PERSONNEL APPROPRIATIONS

In addition to the object classifications prescribed in paragraph 2.2, above, the object classifications prescribed herein shall be the official classifications for use in preparing budget estimates, accounting for budgetary and financial transactions, and in submitting reports on the applicable appropriation accounts:

Object Class	
Disability and Hospitalization Benefits (See the various components of this pay, i.e., basic pay, BAH, BAS, etc.)	-
Education Benefits (MGIB-SR and Reserve Education Assistance Program (REAP)	12.220
Financial Assistance Grant	41.010
Inactive Duty Pay (Exclusive of Incentive and Special Pays)	11.710
Reserve Incentives (Reenlistment, Enlistment, Continuation Pays and Educational Bonuses)	12.220
Stipend (Health Professions Scholarship Program)	11.710
Subsistence Allowance (Platoon Leaders Course (PLC), etc.)	11.710
TSP Matching Contributions	12.220
Uniform, Commutations	26.010

*3.3 Program and Budget Review Submission (020303)

3.3.1. This section prescribes the justification materials required for the Reserve Components' Military Personnel appropriations to support budget estimates. Fund requirements for these appropriations will be presented using those budget and accounting classifications set forth in paragraph 3.2, above.

3.3.2. Exhibits in Support of Budget Estimates - The following justification exhibits will be prepared and submitted in support of program and budget review submission for the OSD/OMB program and budget review. These exhibits will be organized by Service military personnel account. Examples of the required exhibits are provided in paragraph 6.2 and 6.3, below. The required justification material will be organized in a single unclassified volume with the unclassified data displayed in the sequence shown below:

Table of Contents

Section 1 - Summary of Requirements by Budget Program (PB-30A)

The Summary of Requirements will include a Medicare-Eligible Retiree Health Fund Contribution Appropriation line displaying the total amounts budgeted as shown in section 6.2 of this chapter. These amounts will be supported by detailed calculations provided in the

MPR-8 Exhibit included in the separate backup justification book.

Section 2 - Introduction and Performance Measures.

1. The statement should provide the highlights of the budget submission and a general discussion of the relationship of the resources requested to the proposed military strength program. This should include a discussion of the military strength characteristics in terms of gains and losses and promotion and assignment policies. It also should address strength changes in programmatic terms such as force structure and other matters of an overall nature as considered appropriate by the Service.

2. Performance Measures and Evaluation Summary (PB-30Y) (example provided in paragraph 6.3)

Section 3 - Summary Tables (examples provided paragraphs 6.2 and 6.3, below)

1. Personnel Summaries (PB-30G, PB-30H, PB-30I, PB-30F)
2. Summary of Entitlements by Subactivity (PB-30J)
3. Analysis of Appropriation Changes and Supplemental Requirements (PB-30K)
4. Summary of Basic Pay and Retired Pay Accrual Costs (Reserve Components Only) (PB-30L)
5. Summary of Basic Allowance for Housing (BAH) Costs (Reserve Components Only) (PB-30M)
6. Summary of Travel Costs (Reserve Components Only) (PB-30N)
7. Schedule of Increases and Decreases (PB-30O)

Section 4 - Detail of Reserve Personnel Entitlements

Justification materials will be provided in support of entitlements for each of the following applicable Reserve Component activities:

1. Training - Pay Group A
2. Training - Pay Group B
3. Training - Pay Group F
4. Training - Pay Group P
5. Mobilization Training
6. School Training
7. Special Training
8. Administration and Support
9. AGR Personnel
10. Death and Disability Gratuities
11. Reserve Incentives and Bonuses
12. Education Benefits
13. Platoon Leaders Class
14. Reserve Officer Candidates
15. Branch Officers Basic Course
16. Health Professions Scholarship
17. Chaplain Candidate Program
18. TSP Matching Contributions

Justification material for each activity will contain a purpose and scope section, a schedule of increases and decreases (PB-30P), as well as data in support of the funds requested. Generally, this data will include appropriate narrative comments relative to program/pricing as well as supporting computational data. For each subactivity/entitlement, include an

explanation to justify the requested change. The explanation should be specific with regard to what the increases will provide for (i.e., statutory change, program enhancements, solving deficiencies, etc.) and should also explain decreases programmatically. Also provide a general explanation for each type of entitlement. Data should be shown for the prior year (PY), current year (CY), and budget year (BY). School, Special, and Mobilization Training data will be grouped by similar types of training and will be fully explained and justified. At the end of each section for School, Special, and Mobilization Training provide a total that summarizes the training categories. Within the Administration and Support subactivity, subtotals are required for AGR personnel and for total incentives and bonuses. See paragraph 6.3, below for format.

Section 5 - Special Analyses (examples provided in paragraph 6.2 and 6.3, below)

1. Reimbursable Programs (PB-30R)

2. Selective Reenlistment Bonuses (PB-30V) Use this form for other applicable bonus programs.

3. Full-Time Support Personnel (PB-30W)

3.3.3. Justification material for each subactivity will contain a purpose and scope section as well as a justification of funds requested. The requirements for each entitlement under each military personnel category will be justified on a gross basis to include total obligations for both direct and reimbursable personnel. For each subactivity/entitlement, include an explanation to justify the requested change. The explanation should be specific with regard to what the increases will provide for, i.e., statutory, program enhancements, solving deficiencies, etc. and should also explain decreases programmatically. Also provide a general explanation for each type of entitlement. The computation for each entitlement will display data for the prior year (PY), current year (CY), and budget year (BY). An example of the exhibit to meet this requirement is Exhibit PB-30X in section 6.3.

3.3.4. The following exhibits will be provided in a separate backup justification book in support of the budget estimate. Examples of these exhibits are provided in paragraph 6.3, below:

MPR-2	Basic Allowance for Housing Costs
MPR-3	Summary of Outyear Data
MPR-4	Education Benefits (Title 10 USC, Chapter 1606 and 1607)
MPR-5	Retired Pay Accrual Costs
MPR-6	Active Guard and Reserve (AGR) Costs
MPR-7	Pay Raise Data
MPR-8	Medicare-Eligible Retiree Health Fund Contributions
MPR-10	Monthly Obligation Phasing Plan
MPR-11	Summary of Recruiting and Retention Data
MPR-12	Reimbursable Program (Reimbursing Customers)
PB-16	Legislative Proposals (See Volume 2B, Chapter 19, paragraph 191205 for format)

3.4 Congressional Justification/Presentation (020304)

3.4.1. Justification books will be organized by Service military personnel account.

3.4.2. Justification Book and other exhibit requirements in support of the congressional submission are identical to those shown above in paragraph 3.2 and 3.3, Program and Budget Review Submission. Exhibits provided to OUSD(C), consistent with paragraph 3.3.4. will **not** be provided to Congress but will be provided under separate cover to OUSD(C) at the time of the President's budget submission.

3.4.3. M-1 Exhibit. Since FY 1998, appropriations language has required the submission of an M-1 exhibit in support of the President's budget. The Military Departments are required to submit M-1 data through the Program Resources Collection Process (PRCP) system consistent with paragraph 010501, above.

4.0 DoD MILITARY PERSONNEL RETIREMENT REQUIREMENTS (0204)

4.1 Uniform Budget and Fiscal Accounting Classifications (020401)

4.1.1. This Section prescribes the budget and fiscal accounting classifications for the Military Retirement Fund for uniform application by the Military Departments and the Office of the Secretary of Defense, pursuant to the provisions of 10 U.S.C. 1461-1467.

4.1.2. The objective is to establish the basis for uniform budget presentations and a standard budget and fiscal accounting classification which shall be used on a uniform basis for military retired pay throughout the Department of Defense in submitting budget estimates and in accounting and reporting on the status of funds under this Trust Fund as required by Volume 4, of this Regulation.

4.1.3. The budget and accounting classification prescribed herein shall be the official classification for use in preparing budget estimates, accounting for budgetary and financial transactions, and in submitting reports on the applicable accounts. Individual budget activity and subactivity accounts shall be established as required for the accounts listed in paragraph 4.1.5 below. Variations in the activity and subactivity classification and titles shall not be made except that additional accounts consistent with this budget and accounting classification may be established in order to meet administrative requirements of the various elements of the Military Departments. The scope of each account is described in later in this section.

4.1.4. Symbol numbers shall be assigned to each of the budget activities and subactivities listed below in the same manner and in the same sequence as will be consistent with the fiscal codes for all appropriations and funds, as published in the respective Military Department fiscal code manuals.

4.1.5. The chart of accounts represents a summary of the accounting and reporting structure under the Military Retirement Fund arranged in the order and in the detail for which reporting in accordance with DoD 7000.14R, Financial Management Regulation, is required.

Budget Activity and Subactivity

1. Nondisability

1-A - Regular Officers
1-B - Regular Enlisted
1-C - Nonregular Officers
1-D - Nonregular Enlisted

2. Temporary Disability

2-A - Regular Officers
2-B - Regular Enlisted
2-C - Nonregular Officers
2-D - Nonregular Enlisted

3. Permanent Disability

3-A - Regular Officers
3-B - Regular Enlisted
3-C - Nonregular Officers
3-D - Nonregular Enlisted

4. Fleet Reserve

4-A - Regular Enlisted
4-B - Nonregular Enlisted

5. Survivors' Benefits

5-A - Old Plan, Retired Servicemen's Family Protection Plan (RSFPP)
5-B - New Plan, Survivor Benefits Plan (SBP)
5-C - Guaranteed Minimum Income
5-D – Dependence and Indemnity Compensation (DIC) Supplemental Payments

BA/BSA

4.1.6. Budget Activities. The budget activities are established to present the retirement benefits associated with a particular type of retirement. The following descriptions are for the chart of accounts as listed above.

4.1.6.1. Nondisability retirements, under applicable statutes, are given on the following basis:

4.1.6.1.1. Voluntarily on or after completion of the required length of service.

4.1.6.1.2. Involuntarily because of attainment of statutory age or completion of the maximum length of service authorized by law for the several grades.

4.1.6.1.3. Automatically upon completion of 30 years of combined active service and service in the Fleet Reserve.

4.1.6.2. Temporary Disability retirements, under Title IV of the Career Compensation Act of 1949 (10, U.S.C., 1201-1221), are given on the following basis:

Interim classification in cases where there is doubt as to the degree or permanence of disability. Persons on temporary disability rolls are given periodic physical examinations at least once every 18 months and may be:

4.1.6.2.1. Restored to active duty.

4.1.6.2.2. Separated from the service with severance pay.

4.1.6.2.3. Transferred to permanent disability retired list.

4.1.6.2.4. Continued on temporary list for another 18-month period.

4.1.7. Final determination is required within 5 years of initial classification and temporary disability retirement.

4.1.7.1. Permanent Disability retirements, under Title IV of the Career Compensation Act of 1949 (10, U.S.C., 1201-1221), are given when:

4.1.7.1.1. There is no doubt as to the degree or permanence of the disability at the time of initial retirement.

4.1.7.1.2. By periodic examination of temporary disability and Fleet Reserve rolls, it is determined that permanent disability exists.

4.1.7.2. Fleet Reserve status, under Title II of the Naval Reserve Act of 1938, as amended (10 U.S.C., 6330, 6331), is given when: Enlisted personnel of the Navy and Marine Corps having 20 but less than 30 years' service may be transferred to the inactive Fleet Reserve with retainer pay at rates prescribed by law. They remain in the Fleet Reserve until their status is changed by reason of:

4.1.7.2.1. Completion of 30 years' service.

4.1.7.2.2. Recall to active duty.

4.1.7.2.3. Physical unfitness for further military service.

4.1.7.2.4. Death.

4.1.7.3. Survivors' Benefits payments, under the old Retired Serviceman's Family Protection Plan, and the new Survivor Benefit Plan (SBP), are provided on the following basis:

4.1.7.3.1. Two of the benefits are contributory: the old Serviceman's Family Protection Plan and the new Survivor Benefit Plan (SBP). Under both of the contributory benefits, a member of the uniformed services may elect to receive a reduced amount of any retired pay that may be awarded him/her in order to provide one or more annuities to his/her survivors, as specified by law. The basic options include the choice of annuities to provide for (1) surviving spouse, (2) surviving children, (3) surviving family, including both spouse and children, or (4) other persons with insurable interest (under the new plan only).

4.1.7.3.2. The other two benefits are noncontributory, both the Guaranteed Minimum Income and the Dependency and Indemnity Compensation (DIC) Supplemental Payments. The Guaranteed Minimum Income has a special provision benefiting women who are now widows of deceased members of the Uniformed Services who were receiving, or were entitled to receive, retired pay. The provision that guarantees these widows annual incomes will not fall below a certain amount. The DIC Supplemental Payments provide supplemental payments to widows of retirement-eligible members who die on active duty if DIC payments (by VA) are less than the maximum payments that the widow would have received if the member had been retired. The SBP payments covering the difference between the two will be paid.

4.1.8. Budget Subactivities. The budget subactivities are established to show the

retirement benefits associated with a particular personnel classification. Subactivities for Regular Officers, Regular Enlisted, Nonregular Officers, and Nonregular Enlisted are used for Budget Activities 1, 2 and 3; Budget Activity 4 has only the two enlisted classifications; and Budget Activity 5 now has four subactivities showing survivors covered under (1) the Old Plan (RSFPP), (2) the New Plan (SBP), (3) Guaranteed Minimum Income (to current widows), and (4) DIC Supplemental Payments (to future widows).

5.0 DoD MILITARY PERSONNEL - CIVIL FUNCTIONS (0205)

5.1 Purpose (020501)

This Section prescribes the justification material required for the Military Personnel civil function trust fund accounts.

5.2 Military Retirement Fund/Education Benefits Fund/Retiree Health Care Fund (020502)

5.2.1. Appropriate exhibits and schedules will be prepared by OUSD(C) P/B, Military Personnel and Construction Directorate unless specified otherwise in the annual OUSD(C) guidance memorandum.

5.2.2. Unless otherwise specified, exhibit requirements will only include the Program and Financing Schedule and a Status of Fund for the Military Retirement Fund, the Education Benefits Fund, and the Uniformed Services Retiree Health Care Fund.

6.0 BASELINE MILITARY PERSONNEL APPROPRIATION SUBMISSION FORMATS (0206)

6.1 Purpose (020601)

The formats provided on the following pages reflect guidance presented in previous sections of this chapter. Unless modified in a submission budget call, these formats should be adhered to.

*6.2 Exhibits in Support of Section 2.0 – Active Military Personnel Appropriations (020602)

Exhibit PB-30A Summary of Requirements by Budget Program (Active)……54
Exhibit PB-30B Summary of Military Personnel Strength (Active)……..56
Exhibit PB-30C Military Personnel End Strength by Grade (Active)……58
Exhibit PB-30D Military Personnel Average Strength by Grade (Active)……59
Exhibit PB-30E Active Duty Strengths by Month (Active)……..60
Exhibit PB-30F Gains and Losses by Source and Type (Active)……61
Exhibit PB-30J Summary of Entitlements by Subactivity (Active)……63
Exhibit PB-30K Analysis of Appropriation Changes and Supplemental Requirements (Active)……..68
Exhibit PB-30O Schedule of Increases and Decreases Summary (Active & Reserve)……...72
Exhibit PB-30P Schedule of Increases and Decreases (Active & Reserve)……73
Exhibit PB-30Q Military Personnel Assigned Outside DoD (End Strength) (Active)……74
Exhibit PB-30R Reimbursable Program (Active & Reserve)……76
Exhibit PB-30S Reserve Officer Candidates (ROTC) Enrollment (Active)……...77
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Exhibit PB-30X Subactivity Detailed Justification (Active)……81
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Exhibit PB-30A Summary of Requirements by Budget Program (Active)

MILITARY PERSONNEL, _____
SUMMARY OF REQUIREMENTS BY BUDGET PROGRAM
($ in Thousands)

	FY 20PY Actual	FY 20CY Estimate	FY 20BY Estimate
DIRECT BASELINE PROGRAM FUNDING			
Pay and Allowances of Officers			
Pay and Allowances of Enlisted Personnel			
Pay and Allowances of Cadets and Midshipmen			
Subsistence of Enlisted Personnel			
Permanent Change of Station Travel			
Other Military Personnel Costs			
Total Direct Baseline Program Funding			
REIMBURSABLE BASELINE PROGRAM FUNDING			
Pay and Allowances of Officers			
Pay and Allowances of Enlisted Personnel			
Subsistence of Enlisted Personnel			
Permanent Change of Station Travel			
Total Reimbursable Baseline Program Funding			
TOTAL BASELINE PROGRAM FUNDING			
Pay and Allowances of Officers			
Pay and Allowances of Enlisted Personnel			
Pay and Allowances of Cadets and Midshipmen			
Subsistence of Enlisted Personnel			
Permanent Change of Station Travel			
Other Military Personnel Costs			
Total Baseline Program Funding			

Exhibit PB-30A Summary of Requirements by Budget Program (Active) (Continued)

MILITARY PERSONNEL, _____
SUMMARY OF REQUIREMENTS BY BUDGET PROGRAM
($ in Thousands)

	FY 20PY Actual	FY 20CY Estimate	FY 20BY Estimate
OCO Funding -- FY 200X (P.L. XXX-XXX); FY 200X (P.L. XXX-XXX)			
Pay and Allowances of Officers			
Pay and Allowances of Enlisted Personnel			
Pay and Allowances of Cadets and Midshipmen			
Subsistence of Enlisted Personnel			
Permanent Change of Station Travel			
Other Military Personnel Costs			
Total OCO Program Funding			
TOTAL PROGRAM FUNDING			
Pay and Allowances of Officers			
Pay and Allowances of Enlisted Personnel			
Pay and Allowances of Cadets and Midshipmen			
Subsistence of Enlisted Personnel			
Permanent Change of Station Travel			
Other Military Personnel Costs			
Total Program Funding			
Medicare-Eligible Retiree Health Fund Contribution, (Army, Navy, etc.)			
TOTAL MILITARY PERSONNEL PROGRAM COST			

LEGISLATIVE PROPOSALS:
The following legislative proposals are included in the above estimate and submitted for FY BY consideration.
(List proposals and funding requested.)

Exhibit PB-30B Summary of Military Personnel Strength (Active)

MILITARY PERSONNEL, _____
SUMMARY OF MILITARY PERSONNEL STRENGTH

	FY 20PY Actual		FY 20CY Planned		FY 20BY Planned	
	Average Strength	End Strength 30 Sep 20PY	Average Strength	End Strength 30 Sep 20CY	Average Strength	End Strength 30 Sep 20BY
DIRECT BASELINE PROGRAM						
Officers						
Enlisted						
Academy (Cadets/Midshipmen)						
Total Direct Program						
REIMBURSABLE PROGRAM						
Officers						
Enlisted						
Total Reimbursable						
TOTAL BASLINE PROGRAM						
Officers						
Enlisted						
Academy (Cadets/Midshipmen)						
Total Program						
OCO PROGRAM 1/ 2/						
Officers						
Enlisted						
OCO Funded Strength						
REVISED TOTAL PROGRAM						
Officers						
Enlisted						
Academy (Cadets/Midshipmen)						
Revised Total Program						

End strength on this exhibit and in supporting budget exhibits must match the end strength in the Comptroller Information System (CIS) by category of personnel.

/1 FY PY average strength includes # officer and # enlisted mobilized Reserve Component personnel in support of OEF or OND
/2 FY CY (if applicable) average strength includes # officer and # enlisted mobilized Reserve Component personnel in support of OEF or OND

MILITARY PERSONNEL, _____
SUMMARY OF MILITARY PERSONNEL STRENGTH

***The [Service name] is required to document the number of Reserve and National Guard members who have performed operational support duty for the [Service name] for 1) a period greater than 1,095 consecutive days, or 2) cumulatively for 1,095 days out of the previous 1,460 days (and thereby exceed the threshold).**

	FY 20 PY Actuals	FY 20 CY Projected	FY 20 BY Projected
XXXX Reserve			
XXXX Guard			

These totals are/are not part of the end strength figures that are displayed throughout the justification material.

Exhibit PB-30B Summary of Military Personnel Strength (Active) Continued

(Page 2 of 2)

Exhibit PB-30C Military Personnel End Strength by Grade (Active)

MILITARY PERSONNEL, _____
END STRENGTH BY GRADE 1/
TOTAL PROGRAM

	FY 20PY		FY 20CY		FY 20BY	
	Total	Reimb Incl 2/	Total	Reimb Incl 2/	Total	Reimb Incl 2/
Commissioned Officers						
0-10 (enter rank)						
0-9 " "						
0-8 " "						
0-7 " "						
0-6 " "						
0-5 " "						
0-4 " "						
0-3 " "						
0-2 " "						
0-1 " "						
Total						
Warrant Officers						
W-4 (enter rank)						
W-3 " "						
W-2 " "						
W-1 " "						
Total						
Total Officers						
Enlisted Personnel						
E-9 (enter rank)						
E-8 " "						
E-7 " "						
E-6 " "						
E-5 " "						
E-4 " "						
E-3 " "						
E-2 " "						
E-1 " "						
Total Enlisted						
Cadets/Midshipmen						
Total End Strength						

1/ Excludes active duty personnel paid from Civil Functions, Reserve, and Guard appropriations.
2/ Show the total number of reimbursable end strength included in the total end strength.

Exhibit PB-30D Military Personnel Average Strength by Grade (Active)

MILITARY PERSONNEL, _____
AVERAGE STRENGTH BY GRADE 1/
TOTAL PROGRAM

	FY 20PY		FY 20CY		FY 20BY	
	Total	Reimb Incl 2/	Total	Reimb Incl 2/	Total	Reimb Incl 2/
Commissioned Officers						
0-10 (enter rank)						
0-9 " "						
0-8 " "						
0-7 " "						
0-6 " "						
0-5 " "						
0-4 " "						
0-3 " "						
0-2 " "						
0-1 " "						
Total						
Warrant Officers						
W-4 (enter rank)						
W-3 " "						
W-2 " "						
W-1 " "						
Total						
Total Officers						
Enlisted Personnel						
E-9 (enter rank)						
E-8 " "						
E-7 " "						
E-6 " "						
E-5 " "						
E-4 " "						
E-3 " "						
E-2 " "						
E-1 " "						
Total						
Cadets/Midshipmen						
Total Average Strength						

1/ Excludes active duty personnel paid from Civil Functions, Reserve, and Guard appropriations.
2/ Separately display the total number of average strength included in the total average strength.

Exhibit PB-30E Active Duty Strengths by Month (Active)

MILITARY PERSONNEL, _____
ACTIVE DUTY STRENGTHS BY MONTHS 1/

	FY 20PY[2/]FY FY 20BY[2/3/]				20CY[2/3/]			
	Off	Enl	Cadet/Mid	Total	Off	Enl	Cadet/Mid	
Total	Off	Enl	Cadet/Mid	Total				
September								
October								
November								
December								
January								
February								
March								
April								
May								
June								
July								
August								
September								
Average End Strength *Calculation: (PY SEP + (CY OCT through CY AUG)*2 + CY SEP)/24								
Active Duty for Operational Support (ADOS) *formerly known as Active Duty for Special Work (ADSW), Temporary Tour of Active Duty (TTAD), or Manday Program								
Average Strength								
Dollars in Millions								
Total Average Strength *Average End Strength plus ADOS Average Strength								

Selected Reserve 12304b Authority (if applicable) – Introduction section must include a description of the mission for which such units are anticipated to be ordered to active duty and the anticipated length of time of order.
Average Strength
Dollars in Millions
Total Average Strength *Average End Strength plus ADOS Average Strength plus 12304b Average Strength

*Strength in the FY CY and FY BY Baseline Request
End Strength
Average Strength

1/ Includes reimbursable active duty military pay strengths, but excludes active duty personnel paid from Civil Functions, Reserve, and National Guard Appropriations.
2/ Table must be footnoted to indicate the month through which actual data is contained.
*3/ Table should include OCO funded active duty strength.
Note: Do not round strength figures

Exhibit PB-30F Gains and Losses by Source and Type (Active)

MILITARY PERSONNEL, _____
GAINS AND LOSSES BY SOURCE AND TYPE

OFFICERS

	FY 20PY	FY 20CY	FY 20BY
BEGINNING STRENGTH			
GAINS			
Service Academies			
Reserve Officers Training Corps			
Senior ROTC	( )	( )	( )
Scholarship	( )	( )	( )
Health Professions Scholarships			
Platoon Leaders Class			
Reserve Officer Candidates			
Other Enlisted Commissioning Programs			
Voluntary Active Duty			
Direct Appointments			
Warrant Officer Programs			
Other			
Gain Adjustments			
TOTAL GAINS			
LOSSES			
Expiration of Contract/Obligation			
Normal Early Release			
Disability	( )	( )	( )
Nondisability	( )	( )	( )
Voluntary Separations - VSI			
Voluntary Separations - SSB			
Involuntary Separation - Reserve Officers			
Involuntary Separation - Regular Officers			
15-Year Temporary Early Retirement			
Reduction-in-Force			
Attrition			
Other			
Loss Adjustments			
TOTAL LOSSES			
END STRENGTH			

MILITARY PERSONNEL,
GAINS AND LOSSES BY SOURCE AND TYPE

ENLISTED

	FY 20PY	FY 20CY	FY 20BY
BEGINNING STRENGTH			
GAINS			
Non-prior Service Enlistments			
Male ( )	( )	( )	( )
Female ( )	( )	( )	( )
Prior Service Enlistments			
Reenlistments			
Reserves			
Officer Candidate Programs			
Returned from Dropped from Rolls			
Other			
Gain Adjustments			
TOTAL GAINS			
LOSSES			
Expiration of Term of Service (ETS)			
Normal Early Release			
Programmed Early Release			
Separations – VSI			
Separations - VSP			
Separations - SSB			
To Commissioned Officer			
To Warrant Officer			
Reenlistment			
Retirement			
15-Year Temporary Early Retirement			
Dropped from Rolls (Deserters)			
Attrition (Adverse Causes)			
Attrition (Other)			
Reserve Components			
Other			
Loss Adjustments			
TOTAL LOSSES			
END STRENGTH			

CADETS/MIDSHIPMEN

BEGINNING STRENGTH	
GAINS	
Entering Cadets/Midshipmen	
LOSSES	
Attrition	
Graduates	
TOTAL LOSSES	
END STRENGTH	

Exhibit PB-30F Gains and Losses by Source and Type (Active) Continued
(Page 2 of 2)

*Exhibit PB-30J Summary of Entitlements by Subactivity (Active)

MILITARY PERSONNEL, _____
SUMMARY OF ENTITLEMENTS BY SUBACTIVITY
($ in Thousands)

	FY 20PY			FY 20CY			FY 20BY		
	Officers	Enlisted	Total	Officers	Enlisted	Total	Officers	Enlisted	Total
1. Basic Pay									
2. Retired Pay Accrual									
3. TSP Matching Contributions									
4. Basic Allowance for Housing									
a. With Dependents – Domestic									
b. Without Dependents - Domestic									
c. Substandard Family Housing - Domestic									
d. Partial – Domestic									
e. With Dependents – Overseas									
f. Without Dependents – Overseas									
5. Subsistence									
a. Basic Allowance for Subsistence									
1. Authorized to Mess Separately									
2. Leave Rations									
3. BAS II									
4. Augmentation for Separate Meals									
b. Subsistence-In-Kind									
1. Subsistence in Messes									
2. Special Rations									
3. Operational Rations									
4. Augmentation Rations									
5. Other Programs									
6. Less Cash Collections									
c. Family Subsistence Supplemental Allowance									

NOTE: Line items to include both direct and reimbursable costs.

MILITARY PERSONNEL, _____
SUMMARY OF ENTITLEMENTS BY SUBACTIVITY (Continued)
($ in Thousands)

	FY 20PY			FY 20CY			FY 20BY		
	Officers	Enlisted	Total	Officers	Enlisted	Total	Officers	Enlisted	Total
6. Incentive Pay, Hazardous Duty, and Aviation Career									
a. Flying Duty Pay									
1. Aviation Career, Officers									
2. Crew Members, Enlisted									
3. Noncrew Member									
4. Aviation Continuation Pay									
5. Career Enlisted Flyer Pay									
b. Submarine Duty Pay									
c. Parachute Jumping Pay									
d. Demolition Pay									
e. Other Pays									
7. Special Pays									
a. Medical Pay									
b. Dental Pay									
c. Optometrists Pay									
d. Veterinarians Pay									
e. Board Certified Pay for Non-Physician Health Care Providers									
f. Nurses Pay									
g. Nuclear Officer Incentive Pay									
h. Nuclear Accession Bonus									
i. Scientific/Engineering Bonus									
j. Responsibility Pay									
k. Sea and Foreign Duty, Total									
1. Sea Duty									
2. Duty at Certain Places									
3. Overseas Extension Pay									
l. Diving Duty Pay									
m. Foreign Language Proficiency Pay									
n. Hostile Fire Pay									
o. Hardship Duty Pay									
p. Judge Advocate Continuation Pay									
q. Special Warfare Officer Pays (extend period of active duty)									
r. Surface Warfare Officer Continuation Pays									

Exhibit PB-30J Summary of Entitlements by Subactivity (Active) Continued
(Page 2 of 5)

MILITARY PERSONNEL, _____
SUMMARY OF ENTITLEMENTS BY SUBACTIVITY (Continued)
($ in Thousands)

	FY 20PY			FY 20CY			FY 20BY		
	Officers	Enlisted	Total	Officers	Enlisted	Total	Officers	Enlisted	Total
s. Critical Skill Retention Bonus									
t. Conversion to Military Occupational Specialty to ease personnel shortage									
u. New Officers in Critical Skills Accession Bonus									
v. Transfer Between Armed Forces Incentive Bonus									
w. Reenlistment Bonus									
1. Regular									
2. Selective									
x. Special Duty Assignment Pay									
y. Enlistment Bonus									
z. Education Benefits (College Fund)									
aa. Loan Repayment Program									
bb. Assignment Incentive Pay									
cc. Continuation Pays									
dd. Other Special Pays									
. Allowances									
a. Uniform or Clothing Allowances									
1. Initial Issue									
1. Military									
2. Civilian									
2. Additional									
3. Basic Maintenance									
4. Standard Maintenance									
5. Supplementary									
6. Civilian Clothing Maintenance									
b. Station Allowance Overseas									
1. Cost-of-Living									
2. Temporary Lodging									

Exhibit PB-30J Summary of Entitlements by Subactivity (Active) Continued
(Page 3 of 5)

MILITARY PERSONNEL, _____
SUMMARY OF ENTITLEMENTS BY SUBACTIVITY (Continued)
($ in Thousands)

	FY 20PY			FY 20CY			FY 20BY		
	Officers	Enlisted	Total	Officers	Enlisted	Total	Officers	Enlisted	Total
c. Family Separation Allowance									
1. On PCS, Dependents Not Authorized (FSA-R)									
3. Afloat (FSA-S)									
4. On TDY (FSA-T)									
d. Special Comp for Assist with Act of Daily Living (SCAADL)									
e. Personal Money Allowance, General & Flag Officers									
f. CONUS COLA									
8. Separation Payments									
a. Terminal Leave Pay									
b. Lump-Sum Readjustment Pay									
c. Donations									
d. Severance Pay, Disability									
e. Severance Pay, Nonpromotion									
f. Severance Pay, Invol Half (5%)									
g. Severance Pay, Invol Full (10%)									
h. Severance Pay, VSI									
i. Severance Pay, VSP									
j. Severance Pay, SSB									
k. 15-Year Temporary Early Retirement									
l. $30,000 Lump Sum Bonus									
9. Social Security Tax Payment									
10. Permanent Change of Station Travel									
11. Other Military Personnel Costs									
a. Apprehension of Deserters									
b. Interest on Uniformed Services Savings Deposits (MIA)									
c. Death Gratuities									
d. Unemployment Compensation									
e. Education Benefits									
f. Adoption Expenses									

Exhibit PB-30J Summary of Entitlements by Subactivity (Active) Continued
(Page 4 of 5)

MILITARY PERSONNEL, _____
SUMMARY OF ENTITLEMENTS BY SUBACTIVITY (Continued)
($ in Thousands)

	FY 20PY			FY 20CY			FY 20BY		
	Officers	Enlisted	Total	Officers	Enlisted	Total	Officers	Enlisted	Total
g. Mass Transportation Benefit									
h. Partial Dislocation Allowance									
i. SGLI									
j. T-SGLI									
k. ROTC									
l. JROTC									
12. Cadets/Midshipmen									
Military Personnel Appropriation Total									
13. Less Reimbursables: Retired Pay Accrual									
Other									
Military Personnel Appropriation Total, Direct									

Exhibit PB-30J Summary of Entitlements by Subactivity (Active) Continued
(Page 5 of 5)

*Exhibit PB-30K Analysis of Appropriation Changes and Supplemental Requirements (Active)

MILITARY PERSONNEL, _____
ANALYSIS OF APPROPRIATION CHANGES AND SUPPLEMENTAL REQUIREMENTS
FY 20CY
($ in Thousands)

	FY 20CY PRESIDENT'S BUDGET	CONGRES-SIONAL ACTION	APPRO-PRIATION	INTERNAL REALIGNMENT/ REPROGRAMMING	SUBTOTAL	PROPOSED DD 1415 ACTIONS	FY 20CY COLUMN FY 20BY PRES. BUDGET
PAY AND ALLOWANCES OF OFFICERS							
Basic Pay							
Retired Pay Accrual							
TSP Matching Contributions							
Incentive Pay							
Special Pay							
Basic Allowance for Housing							
Basic Allowance for Subsistence							
Station Allowances Overseas							
CONUS Cost of Living Allowances							
Uniform Allowances							
Family Separation Allowances							
SCAADL - Officer							
Separation Payments							
Social Security Tax-Employer's Contribution							
Reimbursables							
Total Obligations							
Less Reimbursements							
Total Direct Obligations							
PAY AND ALLOWANCES OF ENLISTED PERSONNEL							
Basic Pay							
Retired Pay Accrual							
TSP Matching Contributions							
Incentive Pay							
Special Pay							
Special Duty Assignment Pay							
Reenlistment Bonus							
Enlistment Bonus							
Education Benefits (College Fund)							
Loan Repayment Program							
Basic Allowance for Housing							

*Note: Budget Subactivity values reflect **direct** dollars only.*
Reimbursable funding should be reflected as shown on this exhibit as a separate line for each budget activity.

(Page 1 of 4)

MILITARY PERSONNEL, _____
ANALYSIS OF APPROPRIATION CHANGES AND SUPPLEMENTAL REQUIREMENTS (Continued)
FY 20CY
($ in Thousands)

	FY 20CY PRESIDENT'S BUDGET	CONGRES-SIONAL ACTION	APPRO-PRIATION	INTERNAL REALIGNMENT/ REPROGRAMMING	SUBTOTAL	PROPOSED DD 1415 ACTIONS	FY 20CY COLUMN FY 20BY PRES. BUDGET
Station Allowances Overseas							
CONUS Cost of Living Allowances							
Clothing Allowances							
Family Separation Allowances							
SCAADL - Enlisted							
Separation Payments							
Social Security Tax-Employer's Contribution							
Reimbursables							
Total Obligations							
Less Reimbursements							
Total Direct Obligations							
PAY AND ALLOWANCES OF CADETS/MIDSHIPMEN							
Academy Cadets/Midshipmen							
SUBSISTENCE OF ENLISTED PERSONNEL							
Basic Allowance for Subsistence							
Subsistence-In-Kind							
Family Subsistence Supplemental Allowance							
Reimbursables							
Total Obligations							
Less Reimbursements							
Total Direct Obligations							
PERMANENT CHANGE OF STATION TRAVEL							
Accession Travel							
Training Travel							
Operating Travel							
Rotational Travel							
Separation Travel							

*Note: Budget Subactivity values reflect **direct** dollars only.*
****Reimbursable funding should be reflected as shown on this exhibit as a separate line for each budget activity.***

Exhibit PB-30K Analysis of Appropriation Changes and Supplemental Requirements (Active) Continued
(Page 2 of 4)

MILITARY PERSONNEL, _____
ANALYSIS OF APPROPRIATION CHANGES AND SUPPLEMENTAL REQUIREMENTS (Continued)
FY 20CY
($ in Thousands)

	FY 20CY PRESIDENT'S BUDGET	CONGRES-SIONAL ACTION	APPRO-PRIATION	INTERNAL REALIGNMENT/ REPROGRAMMING	SUBTOTAL	PROPOSED DD 1415 ACTIONS	FY 20CY COLUMN FY 20BY PRES. BUDGET
Travel of Organized Units							
Non-temporary Storage							
Temporary Lodging Expense							
Reimbursables							
Total Obligations							
Less Reimbursements							
Total Direct Obligation							
OTHER MILITARY PERSONNEL COSTS							
Apprehension of Military Deserters, Absentees and Escaped Military Prisoners							
Interest on Uniform Svcs Savings (MIA)							
Death Gratuities							
Unemployment Compensation							
Education Benefits							
Adoption Expenses							
Mass Transportation Benefit							
Partial Dislocation Allowance							
SGLI/T-SGLI							
ROTC							
JROTC							
Reimbursables							
Total Obligations							
Less Reimbursements							
Total Direct Obligations							
Total Direct Obligations							
Amounts Available to Finance Increased Costs							
Supplemental Request(s)/Transfers							

*Note: Budget Subactivity values reflect **direct** dollars only.*
Reimbursable funding should be reflected as shown on this exhibit as a separate line for each budget activity.

Exhibit PB-30K Analysis of Appropriation Changes and Supplemental Requirements (Active) Continued
(Page 3 of 4)

INSTRUCTIONS FOR COMPLETION OF EXHIBIT
ANALYSIS OF APPROPRIATION CHANGES AND SUPPLEMENTAL REQUIREMENTS

FY 20CY President's Budget - Show costs as included in the original FY 20CY President's Budget request. The total of all such costs should equal the FY 20CY appropriation request.

Congressional Action - Show the delta(s) associated with final congressional action on the FY 20CY appropriations request.
Appropriation – Show the final funding level appropriated by Congress for the FYCY. This value should tie explicitly by budget activity and total to the values reported on the DD 1414 Base for Reprogramming.

Internal Realignment/Reprogramming - Include those adjustments, which are necessary to align the amounts shown in the appropriation column of this exhibit with the FY 20CY column of the FY 20BY President's Budget exclusive of other price/program changes described below.

Subtotal – Should include the appropriated amount plus or minus internal realignments/reprogrammings.

Proposed DD 1415 Actions - Amounts shown in this column would include approved reprogrammings/transfers.

FY 20CY Column of FY 20BY President's Budget - Show amounts as included in the FY 20BY President's Budget request. These amounts should be equal to the sum of the amounts shown in the preceding two columns.

NOTE: An explanation should be provided for each adjustment in excess of $1 million included in the column showing realignments and reprogramming. Such explanation should not be included as part of this exhibit, but rather should be submitted separately to the OUSD(C) (P/B) Military Personnel and Construction Directorate, Room 3C654, Pentagon.

Exhibit PB-30K Analysis of Appropriation Changes and Supplemental Requirements (Active) Continued
(Page 4 of 4)

Exhibit PB-30O Schedule of Increases and Decreases Summary (Active & Reserve)

MILITARY PERSONNEL, _____
SCHEDULE OF INCREASES AND DECREASES - SUMMARY
($ in Thousands)

FY 20CY Direct Program [1/]	BA 1	BA 2	BA 3	BA 4	BA 5	BA 6	Amount $
Increases:							
Pricing Increases (List separately):							
Annualization of CY Pay Raise (Identify rate and effective date)							
BY Pay Raise (Identify rate and effective date)							
Inflation Rate (Identify rate)							
BAH Rates (Identify rate)							
FICA Rates (Identify ceiling and rate changes)							
Other Pricing Increases (List separately)							
Total Pricing Increases							
Program Increases (List separately):							
Strength Related							
New or Projected Increases to Programs/Compensation							
Other (List separately, include grade structure and longevity, if significant)							
Total Program Increases							
Total Increases							
Decreases:							
Pricing Decreases (List separately):							
Retired Pay Accrual (Percentage change)							
Other Pricing Decreases (List separately)							
Total Pricing Decreases							
Program Decreases (List separately):							
Strength Related							
Other (List separately)							
Total Program Decreases							
Total Decreases							
FY 20BY Direct Program							

NOTE: This schedule will address principal pricing and program changes as well as other actions resulting in increases or decreases between the current year and budget year funds in the applicable categories shown above. Show increases and decreases at the Total Direct Program (appropriation) level. Each increase and decrease should be followed by a narrative statement explaining the change.

1/ The funding shown for the FY 20CY Direct Program is the amount included in the FY 20CY column of the FY 20BY President's budget submission.

Exhibit PB-30P Schedule of Increases and Decreases (Active & Reserve)

MILITARY PERSONNEL, _____
SCHEDULE OF INCREASES AND DECREASES – (Budget Activity or Pay Group Summary)
($ in Thousands)

	Amount
FY 20CY Direct Program 1/	$
Increases:	
Pricing Increases (List separately):	
Annualization of CY Pay Raise (Identify rate and effective date)	
BY Pay Raise (Identify rate and effective date)	
Inflation Rate (Identify rate)	
BAH Rates (Identify rate)	
FICA Rates (Identify ceiling and rate changes)	
Other Pricing Increases (List separately)	
Total Pricing Increases	
Program Increases (List separately):	
Strength Related	
New or Projected Increases to Programs/Compensation	
Other (List separately, include grade structure and longevity, if significant)	
Total Program Increases	
Total Increases	
Decreases:	
Pricing Decreases (List separately):	
Retired Pay Accrual (Percentage change)	
Other Pricing Decreases (List separately)	
Total Pricing Decreases	
Program Decreases (List separately):	
Strength Related	
Other (List separately)	
Total Program Decreases	
Total Decreases	
FY 20BY Direct Program	

NOTE: This schedule will address principal pricing and program changes as well as other actions resulting in increases or decreases between the current year and budget year funds in the applicable categories shown above. Show increases and decreases at the Total Direct Program (appropriation) level. Each increase and decrease should be followed by a narrative statement explaining the change.

1/ The funding shown for the FY 20CY Direct Program is the amount included in the FY 20CY column of the FY 20BY President's Budget submission.

Exhibit PB-30Q Military Personnel Assigned Outside DoD (End Strength) (Active)

MILITARY PERSONNEL, _____
MILITARY PERSONNEL ASSIGNED OUTSIDE DoD

	(End Strength)		
	FY 20PY	FY 20CY	FY 20BY
Assigned Outside DoD			
Non-reimbursable Personnel			
Executive Office of the President			
Vice President's Office			
State Department			
State Department (U.N. Truce Supervision)			
Transportation Department			
Commerce Department (NOAA)			
Justice Department			
Interior Department			
Labor Department			
Environmental Protection Agency			
Energy Department			
Federal Emergency Management Agency			
National Aeronautics & Space Administration			
National Oceanic & Atmospheric Administration			
National Intelligence Board			
National Science Council			
National Narcotics Border Interdiction			
Radio Technical Committee on Aeronautics			
Classified Activities			
Subtotal - Non-reimbursable Program			
Reimbursable Personnel			
Executive Office of the President (OMB)			
Agency for International Development			
State Department			
U.S. Arms Control & Disarmament Agency			
Transportation Department			
Commerce Department			
Interior Department			
Energy Department			
Federal Emergency Management Agency			
Justice Department			
National Aeronautics & Space Administration			
Canal Zone Government			
Selective Service System			
American Battle Monuments Commission			
U.S. Soldiers' & Airmen's Home			
Environmental Protection Agency			
Office of the Attending Physician to Congress			
Classified Activities			
Subtotal - Reimbursable Personnel			
Total Outside DoD			

(Page 1 of 2)

MILITARY PERSONNEL, _____
MILITARY PERSONNEL ASSIGNED OUTSIDE DOD (Continued)

	(End Strength)		
	FY 20PY	FY 20CY	FY 20BY
Assigned Outside DoD Activities in Support of Non-DoD Functions			
Non-reimbursable Personnel			
State Department			
(Embassy Security Guards)			
Subtotal Non-reimbursable Non-DoD Functions			
Reimbursable Personnel			
State Department			
(Construction Battalions)			
Justice Department (LEAA)			
National Science Foundation			
(Antarctic Program)			
Memorial Affairs			
(Cemeterial Expense, Army)			
General Services Administration (FEDSIM)			
Foreign Military Sales			
Military Assistance Program			
Subtotal Reimbursable Non-DoD Functions			
Total Assigned Outside DoD Activities in Support of Non-DoD Functions			
Assigned to DoD Activities in Support of Non-DoD Functions (Reimbursable)			
NASA			
Foreign Military Sales			
Subtotal Assigned to DoD Activities in Support of Non-DoD Functions			
Assigned to Working Capital Fund Organizational Elements of DoD Activities in Support of DoD Functions (Reimbursable)			
Working Capital Funds (WCF)			
Information Services Activity Group (ISAG)			
HQ US Transportation Command (TRANSCOM)			
Military Traffic Management Command (MTMC)			
Defense Courier Service (DCS)			
Defense Commissary Agency (DeCA)			
Defense Finance & Accounting Service (DFAS)			
Defense Information Systems Agency (DISA)			
Defense Logistics Agency (DLA)			
Depot Maintenance Activity Group (DMAG)			
Joint Logistics Systems Center (JLSC)			
Supply Management Activity Group (SMAG)			
Subtotal Assigned to DoD Activities in Support of DoD Functions			
Grand Total Reimbursable			
Grand Total Non-reimbursable			
Grand Total			

Exhibit PB-30Q Military Personnel Assigned Outside DoD (End Strength) (Active)
(Page 2 of 2)

Exhibit PB-30R Reimbursable Program (Active & Reserve)

MILITARY PERSONNEL, _____
REIMBURSABLE PROGRAM
($ in Thousands)

	FY 20PY	FY 20CY	FY 20BY
SUBSISTENCE			
(Specify source-Reserves, individual, etc.)			
MEDICAL			
FOREIGN MILITARY SALES			
OTHER NON-STRENGTH			
*(Specify source-surcharge, clothing, etc.)			
STRENGTH RELATED			
Officer Basic Pay			
Other Pays and Allowances			
Enlisted Basic Pay			
Other Pays and Allowances			
Retired Pay Accrual (Officer and Enlisted)			
PCS Travel			
SUBTOTAL			
TOTAL PROGRAM			

* Include reimbursements from administrative surcharge, training cases, etc. Exclude Technical Assistance Field Teams (TAFTS) or other programs for which end strength is specifically programmed. These should be included in the strength-related entry.

Exhibit PB-30S Reserve Officer Candidates (ROTC) Enrollment (Active)

MILITARY PERSONNEL, _____

RESERVE OFFICER CANDIDATES (ROTC) ENROLLMENT

	FY 20PY Actual			FY 20CY Estimate			FY 20BY Estimate		
	Begin	Average	End	Begin	Average	End	Begin	Average	End
Senior ROTC (Excluding Scholarship Program)									
First Year									
Second Year									
Total Basic ROTC									
Third Year									
Fourth Year									
Total Advanced ROTC									
Total Senior ROTC Enrollment									
Scholarship Program									
First Year									
Second Year									
Total Basic ROTC									
Third Year									
Fourth Year									
Total Advanced ROTC									
Total Scholarship Enrollment									
Total Enrollment									
First Year									
Second Year									
Total Basic ROTC									
Third Year									
Fourth Year									
Total Advanced ROTC									
Total ROTC Enrollment									
Completed ROTC and Commissioned:									
Completed ROTC Commission Deferred:									

Exhibit PB-30T Reserve Officer Candidates (ROTC) Program (Active)

MILITARY PERSONNEL, _____
RESERVE OFFICER CANDIDATES (ROTC) PROGRAM

Number of schools and the civilian and military personnel associated with the ROTC program follow:

	FY 20PY	FY 20CY	FY 20BY
Schools			
Civilian Personnel (End Strength)			
Military Personnel (End Strength)			

Note: Civilian personnel are funded by Active O&M and military personnel are funded by Active Military Personnel appropriations.

Exhibit PB-30V Incentive/Bonus Payment Stream (Active & Reserve)

MILITARY PERSONNEL, _____

SELECTED REENLISTMENT BONUS (SRB)
($ in Thousands)

	FY 20PY		FY 20CY		FY 20BY		FY 20BY+1		FY 20BY+2 thru 4*	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Prior Obligations	xxx	300.0	xxx	300.0	xxx	250.0	xxx	250.0	-	-
Accelerated Payments		5.0		5.0		5.0		-		-
Prior Year										
Initial Payments	xxx	40.0	-	-	-	-	-	-	-	-
Anniversary Payments	-	-	xxx	10.0	xxx	10.0	xxx	10.0	xxx	10.0
Current Year										
Initial Payments	-	-	xxx	40.0	-	-	-	-	-	-
Anniversary Payment	-	-	-	-	xxx	10.0	xxx	10.0	xxx	10.0
Budget Year										
Initial Payments	-	-	-	-	xxx	60.0	-	-	-	-
Anniversary Payments	-	-	-	-	-	-	xxx	20.0	xxx	20.0
Total										
Initial Payments	xxx	40.0	xxx	40.0	xxx	60.0	xxx	-0	-	-
Anniversary Payments	xxx	305.0	xxx	315.0	xxx	275.0	xxx	290.0	xxx	40.0
Total SRB		345.0		355.0		335.0		290.0		40.0

- A ***separate*** similar exhibit must be prepared for enlistment bonuses and other incentive/bonuses not covered by other formats (i.e., Active bonuses exceeding $5,000 and Reserve component incentives and bonuses addressed in the Administration and Support subactivity).
  Examples: Enlistment Bonus (EB), Critical Skills Retention Bonus (CSRB), Assignment Incentive Pay (AIP), Loan Repayment Program (LRP)
- This exhibit should be incorporated into the detailed justification material within the appropriate subactivity detail (i.e., Active within BA 2, Pay and Allowances of Enlisted, and Reserve Component within BA 2, Administration and Support subactivity).

* **Additional columns must show thru FY 20BY+4 so that the outyear payment stream of bonus contracts granted in FY 20PY thru FY 20BY is shown.**

(Page 1 of 2)

MILITARY PERSONNEL, _____

SELECTED REENLISTMENT BONUS (SRB)
($ in Thousands)

NOTE: 1. Prior obligations are only anniversary payments associated with contracts entered into during preceding years.
2. Number of bonus recipients (initial or anniversary payments) must be entered in any year funds are entered.
3. Add additional BY columns as required for the total bonus contract period.
4. Initial payments are not to be shown in the outyears.
5. Accelerated payments are the remainder of entitlements due to enlisted personnel when separating early (not due to voluntary reasons or misconduct) and for advance payments related to financial hardship.

Exhibit PB-30V Incentive/Bonus Payment Stream (Active & Reserve) Continued
(Page 2 of 2)

Exhibit PB-30X Subactivity Detailed Justification (Active)

Program: * (e.g., Basic Pay)

($ in Thousands)
FY 20BY Estimate $xxx,xxx
FY 20CY Estimate $xxx,xxx
FY 20PY Estimate $xxx,xxx

***A separate exhibit must be prepared for each M-1 line item reflecting subactivity detail. See sections 2.4.3 and 3.3.3 for more guidance.**

Part I – Purpose and Scope

Include a description of what the funds requested are for to include any references to legislative authorities.

Part II – Justification of Funds Required

Include an explanation to justify the requested change. The explanation should be specific with regard to what the increases will provide for (i.e., statutory, program enhancements, solving deficiencies, etc.).

	FY 20PY			FY 20CY Est			FY 20BY Est		
	Number	Rate	Amount	Number	Rate	Amount	Number	Rate	Amount
Program (e.g., Basic Pay)									
Total									

Note: Average number may represent the number of workyears or average number of personnel budgeted to receive a particular type of pay.
For the Retired Pay Accrual (RPA) exhibit, each active military personnel account must include a breakout of the RPA costs by Active Duty Component (Full-Time) soldiers and Reserve Component (Part-time) soldiers who are mobilized or on active duty for operational support.

Exhibit PB-30Y Performance Measures and Evaluation Summary

MILITARY PERSONNEL, _____
Performance Measures and Evaluation Summary

Activity: Active Military Personnel

Activity Goal: Maintain the correct Active Military Personnel to execute the National Strategy.

Description of Activity: The Active Military Personnel appropriations provide resources necessary to compensate military personnel required to man approved force structure and support infrastructure, which include pay, allowances, individual clothing, subsistence, and permanent change of station.

PERFORMANCE MEASURES:

	PY Actual	CY Planned	BY Planned
Average Strength	xxx,xxx	xxx,xxx	xxx,xxx
End Strength	xxx,xxx	xxx,xxx	xxx,xxx
Authorized End Strength	xxx,xxx		

Include a narrative section after each measure to provide any important information concerning the data reflected, explanations for variances from targets, and a subjective assessment of the program's performance and outlook. The narrative should also explain any differences in how the Services define these items. Include a statement referencing that this display provides the information to meet the Office of Management and Budget requirement for PART - Program Assessment Rating Tool.

Recruiting			
1. Numeric goals	xx,xxx	xx,xxx	xx,xxx
Actual	xx,xxx		
- Total recruiting mission is compared to actual accessions for the fiscal year. The percent of goal accomplished is the measurement.			
2. Quality goals			
a. HSDG percent	xx%	xx%	xx%
Actual	xx%		
b. Test Score Category I-IIIA percent	xx%	xx%	xx%
Actual	xx%		

a. The percent Tier 1 High School Degree Graduate (HSDG) is the measure, which is a measure of educational achievement - Total number of Tier 1 HSDG non-prior service accessions + Delayed Entry Program (DEP) is compared to total number of non-prior service accessions + DEP for the fiscal year. (DoD target is 90%)

b. The percent CAT I-IIIA is the measure - Total number of non-prior service accessions + DEP who scored at or above 50th percentile (CAT I-IIIA) is compared to total number of non-prior service accessions + DEP for the fiscal year. (DoD target is 60%. CAT I-IIIA - scores at or above 50 on the Armed Forces Qualification Test (measure of aptitude). CAT IV - percentages are not shown as the Services historically have no difficulty meeting the 4% limitation.)

The narrative for recruiting should explain that the numeric goals will change between budget and fiscal year completion and why Services resource to quality levels while the DoD benchmarks are lower.

Exhibit PB-30Z Monthly End Strengths by Pay Grade (Active)

MILITARY PERSONNEL, _____
MONTHLY END STRENGTHS BY PAY GRADE
FY 20XX [1/]

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Commissioned Officers												
O-10 (enter rank)												
O-9 " "												
O-8 " "												
O-7 " "												
O-6 " "												
O-5 " "												
O-4 " "												
O-3 " "												
O-2 " "												
O-1 " "												
Total												
Warrant Officers												
W-5 (enter rank)												
W-4 " "												
W-3 " "												
W-2 " "												
W-1 " "												
Total												
Total Officers												
Enlisted Personnel												
E-9 (enter rank)												
E-8 " "												
E-7 " "												
E-6 " "												
E-5 " "												
E-4 " "												
E-3 " "												
E-2 " "												
E-1 " "												
Total Enlisted												
Cadets/Midshipmen												
Total End Strength												

[1/] A separate exhibit should be prepared for each fiscal year presented in the Justification Book.

Exhibit MP-2 Basic Allowance for Housing Costs Summary

MILITARY PERSONNEL, _____
BASIC ALLOWANCE FOR HOUSING COSTS SUMMARY

($ in Thousands)

	PY	CY	BY	BY+1	BY+2	BY+3	BY+4
DIRECT BASELINE PROGRAM FUNDING							
Basic Allowance for Housing Officers							
Domestic							
Overseas							
Total Officer							
Basic Allowance for Housing Enlisted							
Domestic							
Overseas							
Total Enlisted							
Basic Allowance for Housing Total							
Domestic							
Overseas							
Grand Total							
REIMBURSABLE BASELINE PROGRAM FUNDING							
Basic Allowance for Housing Officers							
Domestic							
Overseas							
Total Officer							
Basic Allowance for Housing Enlisted							
Domestic							
Overseas							
Total Enlisted							
Basic Allowance for Housing Total							
Domestic							
Overseas							
Grand Total							

(Page 1 of 3)

MILITARY PERSONNEL, _____
BASIC ALLOWANCE FOR HOUSING ESTIMATES

($ in Thousands)

	PY	CY	BY	BY+1	BY+2	BY+3	BY+4
TOTAL BASELINE PROGRAM FUNDING							
Basic Allowance for Housing Officers							
Domestic							
Overseas							
Total Officer							
Basic Allowance for Housing Enlisted							
Domestic							
Overseas							
Total Enlisted							
Basic Allowance for Housing Total							
Domestic							
Overseas							
Grand Total							
OCO FUNDING							
Basic Allowance for Housing Officers							
Domestic							
Overseas							
Total Officer							
Basic Allowance for Housing Enlisted							
Domestic							
Overseas							
Total Enlisted							
Basic Allowance for Housing Total							
Domestic							
Overseas							
Grand Total							

Exhibit MP-2, Basic Allowance for Housing Costs Summary (Continued)
(Page 2 of 3)

MILITARY PERSONNEL, _____
BASIC ALLOWANCE FOR HOUSING ESTIMATES

($ in Thousands)

	PY	CY	BY	BY+1	BY+2	BY+3	BY+4
TOTAL PROGRAM FUNDING							
Basic Allowance for Housing Officers							
Domestic							
Overseas							
Total Officer							
Basic Allowance for Housing Enlisted							
Domestic							
Overseas							
Total Enlisted							
Basic Allowance for Housing Total							
Domestic							
Overseas							
Grand Total							

Exhibit MP-2, Basic Allowance for Housing Costs Summary (Continued)
(Page 3 of 3)

Exhibit MP-3 Summary of Outyear Data

MILITARY PERSONNEL, _____
SUMMARY OF OUTYEAR DATA

	*PY	*CY	BY	BY+1	BY+2	BY+3	BY+4
End Strength							
Officer							
Enlisted							
Cadets/Midshipmen							
Total							
Average Strength							
Officer							
Enlisted							
Cadets/Midshipmen							
Total							
Gains							
Officer							
Academy							
ROTC							
OCS/OTS							
HPSP							
Other							
Total Officer Gains							
Enlisted							
Non Prior Service							
Prior Service							
Other							
Total Enlisted Gains							
Total Officer and Enlisted Gains							
Losses							
Officer							
Voluntary Separation							
Retirement							
15-Year Temporary Early Retirement							
Other							
Total Officer Losses							
Enlisted							
ETS							
Retirement							
15-Year Temporary Early Retirement							
Attrition							
Other							
Total Enlisted Losses							
Total Officer and Enlisted Losses							
Obligations ($ in Thousands) (Provide by Budget Activity and in total)							
Direct							
Reimbursable							
Total							

Note: "Do not round strength numbers". Strength numbers should agree with request in the applicable budget submission.

Note: Gains and Losses on this exhibit should agree with the Gains and Losses on PB-30F.

Exhibit MP-4 Military Personnel by Region and Country (End Strength)

MILITARY PERSONNEL, _____
MILITARY PERSONNEL BY REGION AND COUNTRY (END STRENGTH)

	FY 20PY			FY 20CY Est			FY 20BY Est		
	Off	Enl	Total	Off	Enl	Total	Off	Enl	Total
Western & Southern Europe									
Austria									
Belgium									
Cyprus									
Denmark									
Finland									
France									
Germany									
Gibraltar									
Greece (including Crete)									
Greenland									
Iceland									
Ireland									
Italy									
Luxemburg									
Malta									
Netherlands									
Norway									
Portugal (including Azores)									
Spain									
Sweden									
Switzerland									
Turkey									
United Kingdom (excluding Ireland)									
Afloat									
Total									
Africa, Near East, & South Asia									
Afghanistan									
Algeria									
Bahrain									
Bangladesh									
Botswana									
Burundi									
British Indian Ocean Territory (Includes Diego Garcia)									
Cameroon									

(Page 1 of 6)

MILITARY PERSONNEL, _____
MILITARY PERSONNEL BY REGION AND COUNTRY (END STRENGTH)

	FY 20PY			FY 20CY Est			FY 20BY Est		
	Off	Enl	Total	Off	Enl	Total	Off	Enl	Total
Chad									
Congo									
Djibouti									
Egypt									
Eritrea									
Ethiopia									
Gabon									
Ghana									
Guinea									
India									
Israel									
Ivory Coast									
Jordan									
Kenya									
Kuwait									
Lebanon									
Liberia									
Madagascar									
Malawi									
Mali									
Mauritius									
Morocco									
Mozambique									
Nepal									
Niger									
Nigeria									
Oman									
Pakistan									
Qatar									
St. Helena (Includes Ascension Island)									
Saudi Arabia									
Senegal									
Seychelles									
Somalia									
South Africa									
Sri Lanka									
Sudan									

Exhibit MP-4 Military Personnel by Region and Country (End Strength) Continued
(Page 2 of 6)

MILITARY PERSONNEL, _____
MILITARY PERSONNEL BY REGION AND COUNTRY (END STRENGTH)

	FY 20PY			FY 20CY Est			FY 20BY Est		
	Off	Enl	Total	Off	Enl	Total	Off	Enl	Total
Syria									
Tanzania, United Republic of									
Togo									
Tunisia									
Uganda									
United Arab (Emirates)									
Burkina Faso									
Yemen (Sanaa)									
Zaire									
Zambia									
Zimbabwe									
Afloat									
Total									
East Asia & Pacific									
Australia									
Burma									
Cambodia									
China									
Figi									
Hong Kong									
Indonesia									
Japan (Including Okinawa)									
Laos									
Malaysia									
New Zealand									
Philippines									
Republic of Korea									
Singapore									
Thailand									
Tonga									
Vietnam									
Afloat									
Total									

Exhibit MP-4 Military Personnel by Region and Country (End Strength) Continued
(Page 3 of 6)

MILITARY PERSONNEL, _____
MILITARY PERSONNEL BY REGION AND COUNTRY (END STRENGTH)

	FY 20PY			FY 20CY Est			FY 20BY Est		
	Off	Enl	Total	Off	Enl	Total	Off	Enl	Total
Western Hemisphere									
Antigua									
Argentina									
Bahamas, The									
Barbados									
Belize									
Bermuda									
Bolivia									
Brazil									
Canada									
Chile									
Colombia									
Costa Rica									
Cuba (Guantanamo)									
Dominican Republic									
Ecuador									
El Salvador									
Grenada									
Guatemala									
Guyana									
Haiti									
Honduras									
Jamaica									
Mexico									
Nicaragua									
Panama									
Paraguay									
Peru									
St. Christopher-Nevis-Anguilla									
Suriname									
Uruguay									
Venezuela									
Afloat									
Total									

Exhibit MP-4 Military Personnel by Region and Country (End Strength) Continued
(Page 4 of 6)

MILITARY PERSONNEL, _____
MILITARY PERSONNEL BY REGION AND COUNTRY (END STRENGTH)

	FY 20PY			FY 20CY Est			FY 20BY Est		
	Off	Enl	Total	Off	Enl	Total	Off	Enl	Total
Antarctica									
Eastern Europe									
Albania									
Bosnia and Herzegovinia									
Bulgaria									
Croatia									
Czech Republic									
Estonia									
Hungary									
Lithuania									
Macedonia									
Poland									
Romania									
Serbia (includes Kosovo)									
Slovenia									
Total									
Former Soviet Union									
Armenia									
Azerbaijan									
Belarus									
Georgia									
Kazakhstan									
Kyrgyzstan									
Moldova									
Russia									
Tajikistan									
Turkmenistan									
Ukraine									
Uzbekistan									
Total									

Exhibit MP-4 Military Personnel by Region and Country (End Strength) Continued
(Page 5 of 6)

MILITARY PERSONNEL, _____
MILITARY PERSONNEL BY REGION AND COUNTRY (END STRENGTH)

	FY 20PY			FY 20CY Est			FY 20BY Est		
	Off	Enl	Total	Off	Enl	Total	Off	Enl	Total
U. S. Territory and Special Locations									
Continental United States (CONUS)									
Alaska									
Hawaii									
American Samoa									
Guam									
Kwajalein Atoll									
Midway Islands									
Puerto Rico									
Trust Territory of the Pacific Islands									
Virgin Islands of the U.S.									
Wake Island									
Transients, Patients									
Prisoners									
Afloat									
Total									
Total End Strength (to include reimbursable end strength)									
- Total End Strength should match PB-30B Exhibit									

Exhibit MP-4 Military Personnel by Region and Country (End Strength) Continued
(Page 6 of 6)

Exhibit MP-6 Education Benefits

MILITARY PERSONNEL, _____
EDUCATION BENEFITS
(Title 38 USC, Chapter 30)
($ in Thousands)

COLLEGE FUND	FY 20PY	FY 20CY	FY 20BY	FY 20BY+1	FY 20BY+2	FY 20BY+3	FY 20BY+4
(Army Specific "X" – Insert "2", "3", "4", "5," or "6" Year Enlistment)							
(Navy Specific "X" – Insert "4" Year Enlistment)							
(Marine Corps Specific "X" – Insert "4" or "5" Year Enlistments)							
"X" Year Enlistment							
# of Participants							
$150 per month							
Amount							
"X" Year Enlistment							
# of Participants							
$250 per month							
Amount							
"X" Year Enlistment							
# of Participants							
$350 per month							
Amount							
"X" Year Enlistment							
# of Participants							
$450 per month							
Amount							
"X" Year Enlistment							
# of Participants							
$550 per month							
Amount							
"X" Year Enlistment							
# of Participants							
$650 per month							
Amount							
"X" Year Enlistment							
# of Participants							
$750 per month							
Amount							

MILITARY PERSONNEL, _____
EDUCATION BENEFITS
(Title 38 USC, Chapter 30)
($ in Thousands)

	FY 20PY	FY 20CY	FY 20BY	FY 20BY+1	FY 20BY+2	FY 20BY+3	FY 20BY+4
"X" Year Enlistment							
# of Participants							
$850 per month							
Amount							
"X" Year Enlistment							
# of Participants							
$950 per month							
Amount							
TOTAL COLLEGE FUND							
# of Participants							
Amount							
Amortization Payment – Unfunded Liability							
Amortization Payment – Involuntary Separatees							
NATIONAL CALL TO SERVICE							
# of Participants							
Rate							
Amount							
TOTAL EDUCATION BENEFITS							
(Total of College Fund, Amortization and National Call to Service)							

NOTE: Per capita cost rates will be provided annually subsequent to approval of the DoD Education Benefits Board of Actuaries. Total program cost must match data provided in PB Exhibits including justification for Budget Activity 2 and Budget Activity 6, Education Benefits. Format may be altered to account for categories not listed.

Exhibit MP-6 Education Benefits (Continued)

(Page 2 of 2)

*Exhibit MP-9 Summary of Basic Pay and Retired Pay Accrual Costs

MILITARY PERSONNEL, _____
SUMMARY OF BASIC PAY AND RETIRED PAY ACCRUAL COSTS
($ in Thousands)

	FY 20PY		FY 20CY		FY 20BY		FY 20BY+1	
	Basic Pay	Retired Pay	Basic Pay	Retired Pay	Basic Pay	Retired Pay	Basic Pay	Retired Pay
Total Direct Program								
Officer								
Enlisted								
Total ADOS Program								
Officer								
Enlisted								
Total Reimbursable Program								
Officer								
Enlisted								
Total Program								
Officer								
Enlisted								

	FY 20PY	FY 20CY	FY 20BY	FY 20BY+1
Blended Retirement Plan				
Continuation Pay				
TSP Matching Contributions				

	FY 20BY+2		FY 20BY+3		FY 20BY+4	
	Basic Pay	Retired Pay	Basic Pay	Retired Pay	Basic Pay	Retired Pay
Total Direct Program						
Officer						
Enlisted						
Total ADOS Program						
Officer						
Enlisted						

	FY 20BY+2		FY 20BY+3		FY 20BY+4	
	Basic Pay	Retired Pay	Basic Pay	Retired Pay	Basic Pay	Retired Pay
Total Reimbursable Program						
Officer						
Enlisted						
Total Program						
Officer						
Enlisted						

	FY 20BY+2	FY 20BY+3	FY 20BY+4
Blended Retirement Plan			
Continuation Pay			
TSP Matching Contributions			

Note: Retired pay accrual amounts, as a percentage of basic pay, should agree with the Normal Cost Percentages (NCPs) provided in the budget guidance. Beginning in FY 2018, the continuation pays and TSP costs should agree with the anticipated costs resulting from the blended retirement system authorized in the FY 2016 NDAA, P.L. 114-92.

Exhibit MP-11 Gains Phased by Month

MILITARY PERSONNEL, _____

GAINS PHASED BY MONTH

(End Strength)

	FY 20PY	FY 20CY	FY 20BY
OFFICER GAINS PHASED BY MONTH			
September			
October			
November			
December			
January			
February			
March			
April			
May			
June			
July			
August			
September			
Total			
ENLISTED NON-PRIOR SERVICE (NPS) ACCESSIONS PHASED BY MONTH			
September			
October			
November			
December			
January			
February			
March			
April			
May			
June			
July			
August			
September			
Total			

*Exhibit MP-12 Pay Raise Data

MILITARY PERSONNEL, _____
PAY RAISE DATA
($ in Thousands)

	FY 20PY	FY 20CY	FY 20BY
DIRECT AND REIMBURSABLE			
Basic Pay (including Cadets/Midshipmen)			
Retired Pay Accrual			
TSP Matching			
FICA			
Separation Pay **Minus VSI & $30K Bonuses**			
SRB – **New Payments Only**			
Station Allowances –COLA only			
PCS – Dislocation Allowance			
TOTAL			
DIRECT			
Basic Pay (including Cadets/Midshipmen)			
Retired Pay Accrual			
TSP Matching			
FICA			
Separation Pay **Minus VSI & $30K Bonuses**			
SRB – **New Payments Only**			
Station Allowances –COLA only			
PCS – Dislocation Allowance			
TOTAL			
REIMBURSABLE			
Basic Pay			
Retired Pay Accrual			
FICA			
Separation Pay **Minus VSI & $30K Bonuses**			
SRB – **New Payments Only**			
Station Allowances –COLA only			
PCS – Dislocation Allowance			
TOTAL			

NOTE: This exhibit should reflect only the amounts budgeted that are affected by the pay raise. The numbers in this exhibit will be used to develop pay raise estimates. The total should not add to the total appropriation amount.

Exhibit MP-13 Medicare-Eligible Retiree Health Fund Contributions

Medicare-Eligible Retiree Health Fund Contribution, (Army, Navy, …)_____
(In Thousands of Dollars)

	FY 20PY Actual			FY 20CY Estimate			FY 20BY Estimate		
	Number	Avg. Rate	Amount	Number	Avg. Rate	Amount	Number	Avg. Rate	Amount
Officer									
Enlisted									
Subtotal									
CIS Control									
Delta from CIS									

	FY 20BY+1 Estimate			FY 20BY+2 Estimate			FY 20BY+3 Estimate		
	Number	Avg. Rate	Amount	Number	Avg. Rate	Amount	Number	Avg. Rate	Amount
Officer									
Enlisted									
Total									
CIS Control									
Delta from CIS									

	FY 20BY+4 Estimate		
	Number	Avg. Rate	Amount
Officer			
Enlisted			
Total			
CIS Control			
Delta from CIS			

NOTE: NUMBER SHOULD REFLECT TOTAL AVERAGE STRENGTH MINUS AVERAGE STRENGTH FOR THE MANDAY/ADOS PROGRAM.

Exhibit MP-15 Monthly Obligation Phasing Plan

MONTHLY OBLIGATION PHASING PLAN (FY CY)
Appropriation: _____

(Dollars in Thousands)

Budget Activity	Description	Budget Subactivity (Example)		OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP
01	Pay and Allowances of Officers	**Basic Pay**	Month												
			Cum.												
		Retired Pay Accrual	Month												
			Cum.												
		Total	Month												
			Cum.												
02	Pay and Allowances of Enlisted	Total	Month												
			Cum.												
03	Pay and Allowances of Cadets/ Midshipmen	Total	Month												
			Cum.												
04	Subsistence of Enlisted Personnel	Total	Month												
			Cum.												
05	Permanent Change of Station	Total	Month												
			Cum.												
06	Other Military Personnel Costs	Total	Month												
			Cum.												
Total	Direct Program		Month												
			Cum.												
Total	Reimbursable Program		Month												
			Cum.												
Total	Gross Program		Month												
			Cum.												

Directions:

For each military personnel appropriation, provide estimated monthly **direct** obligations for the current year **by each budget subactivity**.

Include lines for both incremental monthly obligations and cumulative (Cum.) obligations year-to-date for each budget subactivity.

Include a monthly phasing of reimbursable obligations and a total gross program at the bottom of the phasing.

Budget activity totals must match the current year (CY) amounts reflected in the Comptroller Information System (CIS).

Exhibit MP-16 Recruiting and Retention Data

MILITARY PERSONNEL, _____
SUMMARY OF RECRUITING AND RETENTION DATA

Recruiting and Retention Goals:

	FY 20PY	FY 20CY	FY20BY	FY20BY+1	FY20BY+2	FY20BY+3	FY20BY+4
Number of Recruiters							
Number of Accessions							
Officer							
Enlisted							
Non-Prior Service							
Prior Service							
Number of Reenlistments							
Initial							
Mid-Career							
Career							

Recruiting and Retention Funding:
(Dollars in Thousands)

Main Category	Appropriation	Officer/ Enlisted	Entitlement	Entitlement Sub-Category	New, Anniversary or Lump Sum Payment	FY 20PY through FY20BY+4 Number	Amount
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)

(1) Main Category: This should list either Recruiting or Retention.
(2) Appropriation: MPA, MPN, MPMC or MPAF
(3) Officer/Enlisted: This should list the applicable personnel receiving the recruiting/retention funding – Officer, Enlisted or Cadets/Midshipmen
(4) Entitlement: The following is a list of recruiting and retention programs previously reported to OUSD(C) Military Personnel and Construction Directorate (MPC). Please use this list and include any additional programs not identified that should be captured under recruiting and retention. These additional items should be highlighted to the OSD analyst for future inclusion.

College First
College Fund
Critical Skills Accession Bonus
Critical Skills Retention Bonus
Enlistment Bonus
Health Profession (HP) Accession Bonus
Health Profession (HP) Retention Bonus
Loan Repayment Program
Matching Thrift Saving Plan
Montgomery GI Bill (MGIB)
National Call to Service
Recruitment Referral Bonus
Selective Reenlistment Bonus

(5) Entitlement Sub-Categories: The following is a list of examples of further breakout of specific entitlements previously reported to OUSD(C) Military Personnel and Construction Directorate (MPC). Please use this list and include any additional breakouts not identified that should be captured under each entitlement.

Critical Skills Accession Bonus	Critical Skills Retention Bonus	HP Accession Bonus	HP Retention Bonus
Dentist	Medical CSRB	Dentist Accession Bonus	Dental Multi-Year Retention Bonus
Nuclear Accession Bonus	Dental CSRB	Nurse Accession Bonus	Optometrist Multi-Year Retention Bonus
SPECWAR	Physician Asst CSRB	Pharmacy Accession Bonus	Optometry Retention
Warrant Officers, CID	Psych Diplomate & Non-Physician	Physician Accession Bonus	Physician Multi-Year Special Pay
Warrant Officers, Military Intel	Company Grade/Captain CSRB	Physician – Critical War Skills Accession Bonus	
Warrant Officers, Special Forces	Enlisted Supervisor Retention Pay	Psychologist Accession Bonus	
	EOD/Seal/Master Diver	Public Health Officer Accession Bonus	
	Intel		
	NSW		

Additional Instructions: This exhibit is to be included in the backup justification book. Additionally, OSD(C) will provide each Component with their specific MP-16 spreadsheet and each Component must submit it electronically to OUSD(C) Military Personnel and Construction Directorate.

Exhibit MP-16 – Recruiting and Retention Data (Continued)
(Page 2 of 2)

Exhibit MP-17 Reimbursable Program (Reimbursing Customers)

MILITARY PERSONNEL, _____
Reimbursable Program (Reimbursing Customers)
($ in Thousands)

Category	Customer	Mission Description [1/]	Reimbursing Account [2/]	FY 20PY Number	FY 20PY Rate	FY 20PY Amt	FY 20CY Number	FY 20CY Rate	FY 20CY Amt	FY 20BY Number	FY 20BY Rate	FY 20BY Amt
Examples												
Pay and Allowances	Army Working Capital Fund	Supply Management	WCF, Army									
Pay and Allowances	DIA	Intelligence Related	O&M, Defense-Wide									
Subsistence-in-Kind	Dept of State	MREs for Humanitarian Mission (specify)	Dept of State									
Total [3/]												

[1/] Mission Description must be unclassified. For intelligence related activities, the mission description should simply state "Intelligence Related".
[2/] Only specify account if within DoD (e.g., Army Working Capital Fund), otherwise specify reimbursing organization.
[3/] Total must match CIS controls and Justification Book amounts for reimbursable authority.

Guidance on Military Personnel Reimbursables.
A direct appropriation is provided for paying military personnel; therefore, the cost of military labor shall not be charged to another DoD entity except for:

- Military personnel assigned to the Defense Working Capital Fund activities;
- If provided in the annual DoD Appropriations Act, National Guard and Reserve members who provide intelligence or counterintelligence support to Combatant Commands, Defense Agencies and Joint Intelligence Activities, including the activities and programs included within the National Intelligence Program and the Military Intelligence Program; and
- National Guard and Reserve personnel conducting military-to-military contacts as authorized in 10 U.S.C. 168 and utilizing funds specifically appropriated for that purpose.

Military labor shall be charged to non-DoD organizations on the basis of the actual hours worked or assigned.

Exhibit PB-30A Summary of Requirements by Budget Program (Reserves)

RESERVE PERSONNEL, _____
SUMMARY OF REQUIREMENTS BY BUDGET PROGRAM
($ in Thousands)

	FY 20PY Actual	FY 20CY Estimate	FY 20BY Estimate
Reserve Component Training and Support			
Direct Program			
Reimbursable Program			
OCO Funding			
Subtotal Reserve Personnel, xxxx			
Medicare-Eligible Retiree Health Fund Contribution, (Army, Navy, etc.)			
TOTAL PROGRAM COST			

LEGISLATIVE PROPOSALS:
The following legislative proposals are included in the above estimate and submitted for FY BY consideration:
(List proposals and funding requested for each fiscal year.)

RESERVE PERSONNEL, _____
TOTAL RESERVE PAY AND BENEFITS FUNDED FROM MILITARY PERSONNEL ACCOUNTS
($ in Thousands)

The following information is submitted in accordance with the FY 2008 Appropriation Conference Report 110-434 and the FY 2008 House appropriation Committee Report 110-279.

	FY 20PY Actual	FY 20CY Estimate	FY 20BY Estimate
RESERVE PERSONNEL, XXX (RPX)			
DIRECT PROGRAM			
REIMBURSABLE PROGRAM			
OCO AND OTHER SUPPLEMENTAL FUNDING 1/			
TOTAL RESERVE PERSONNEL, XXX (RPX)			
MEDICARE-ELIGIBLE RETIREE HEALTH FUND CONTRIBUTION (MERHFC)			
TOTAL RESERVE PERSONNEL, XXX PROGRAM COST			
MILITARY PERSONNEL, XXX (MPX)			
OCO PAY AND ALLOWANCES, MOBILIZATION			
ACTIVE DUTY FOR OPERATIONAL SUPPORT (ADOS) PAY AND ALLOWANCES			
TOTAL FUNDING FROM ACTIVE MILITARY PERSONNEL, XXX			
TOTAL RESERVE PAY AND BENEFITS FUNDED FROM MILITARY PAY ACCOUNTS			

1/ FY 20CY and FY 20BY reflects amounts requested in the FY 20CY OCO request and the FY 20BY OCO request.

Exhibit PB-30F Schedule of Gains and Losses to Selected Reserve Strength

RESERVE PERSONNEL, _____
SCHEDULE OF GAINS AND LOSSES TO SELECTED RESERVE STRENGTH

OFFICERS

	FY 20PY	FY 20CY	FY 20BY
BEGINNING STRENGTH			
GAINS			
Non-prior Service Personnel			
Male			
Female			
Prior Service Personnel			
Civilian Life			
Active Component			
Enlisted Commissioning Programs			
Pay Group B (IMA)			
Other Reserve Status/Component			
All Other			
Full-Time Active Duty			
TOTAL GAINS			
LOSSES			
Civilian Life			
Active Component			
Retired Reserves			
Pay Group B (IMA)			
Other Reserve Status/Component			
All Other			
Full-Time Active Duty			
TOTAL LOSSES			
Accounting Adjustment			
END STRENGTH			

NOTE: This exhibit should include both part-time and full-time personnel.

Exhibit PB-30F Schedule of Gains and Losses to Selected Reserve Strength (Continued)

RESERVE PERSONNEL, _____
SCHEDULE OF GAINS AND LOSSES TO SELECTED RESERVE STRENGTHS

ENLISTED

	FY 20PY	FY 20CY	FY 20BY
BEGINNING STRENGTH			
GAINS			
Non-prior Service Personnel			
Male			
Female			
Prior Service Personnel			
Civilian Life			
Active Component			
Reenlistments/Extensions			
Pay Group B (IMA)			
Other Reserve Status/Component			
All Other			
Full-Time Active Duty			
TOTAL GAINS			
LOSSES			
Expiration of Selected Reserve Service			
Active Component			
To Officer Status			
Retired Reserves			
Reenlistments/Extensions			
Attrition			
Pay Group B (IMA)			
Other Reserve Status/Component			
All Other			
Full-Time Active Duty			
TOTAL LOSSES			
Accounting Adjustment			
END STRENGTH			

NOTE: This exhibit should include both part-time and full-time personnel.

Exhibit PB-30G Summary of Personnel (Reserves)

RESERVE PERSONNEL, _____
SUMMARY OF PERSONNEL

	No. of Drills	No. of A/D Days Training	(Strength) FY 20PY Begin	FY 20PY Average	FY 20PY End	FY 20CY Begin	FY 20CY Average	FY 20CY End	FY 20BY Begin	FY 20BY Average	FY 20BY End
Paid Drill/Individual Training											
Pay Group A - Officers	48	1/									
Pay Group A - Enlisted	48	1/									
Subtotal Pay Group A											
Pay Group B - Officers	2/	1/									
Pay Group B - Enlisted	2/	1/									
Subtotal Pay Group B											
Pay Group F - Enlisted	--	1/									
Pay Group P - Enlisted- Paid	3/	--									
Pay Group P - Enlisted- Non Paid											
Subtotal Pay Group F/P											
Subtotal Paid Drill/Indiv Tng											
Full-time Active Duty											
Officers											
Enlisted											
Subtotal Full-time											
Total Selected Reserve											
Officers											
Enlisted											
Total											
Individual Ready Reserve/Inactive National Guard											
Officers											
Enlisted											
Total											
GRAND TOTAL											

End strength data must agree by category of personnel with the end strength data reflected in the Comptroller Information System (CIS).

Averages are computed as follows: **(PY SEP + (CY OCT through CY AUG)*2 + CY SEP)/24**

1/ Show average length of training in days for the budget year (BY).
2/ Combine all IMAs into training category B. Components should reflect weighted average of drills performed by all IMAs under "No. of Drills" that support the funds requested.
3/ Show average number of drills for the budget year (BY).

NOTE: Data should reflect total direct and reimbursable funded end strength.

Exhibit PB-30H Reserve On Active Duty - Strength by Grade (Reserves)

RESERVE PERSONNEL, _____
RESERVE COMPONENT PERSONNEL ON TOURS OF FULL-TIME ACTIVE DUTY
STRENGTH BY GRADE

	FY 20PY		FY 20CY		FY 20BY	
	Average	End	Average	End	Average	End
Commissioned Officers						
0-8 (enter rank)						
0-7 " "						
0-6 " "						
0-5 " "						
0-4 " "						
0-3 " "						
0-2 " "						
0-1 " "						
Total						
Warrant Officers						
W-4 (enter rank)						
W-3 " "						
W-2 " "						
W-1 " "						
Total						
Total Officers						
Enlisted Personnel						
E-9 (enter rank)						
E-8 " "						
E-7 " "						
E-6 " "						
E-5 " "						
E-4 " "						
E-3 " "						
E-2 " "						
E-1 " "						
Total Enlisted						
Total Personnel on Active Duty						

Exhibit PB-30I Strength by Month (Reserves)

RESERVE PERSONNEL, _____
FY 20___ STRENGTH

	Pay Group A			Pay Group B (IMA)			Pay	Pay Group P		Total	Full-Time			Total Selected
	Officer	Enlisted	Total	Officer	Enlisted	Total	Group F	Paid	Non-Paid	Drill	Officer	Enlisted	Total	Reserve
September 30, 20__														
October														
November														
December														
January														
February														
March														
April														
May														
June														
July														
August														
September 30, 20__														
Average														

Note: A separate Exhibit will be prepared for the prior year, current year, and budget year. The Exhibit displaying current data will be footnoted to indicate the month through which actual date is reflected.

RESERVE COMPONENT MEMBERS PERFORMING OPERATIONAL SUPPORT DUTY AND EXCEEDING 1,095 DAY THRESHOLD
(ACTUAL, FY 20XX)

AC FUNDED	RC FUNDED	TOTAL	Primary Missions Being Performed
Count Against Active Component End Strength	Count Against Reserve Component (AGR) End Strength	Count Against AD (AC + AGR) End Strength	
-	-	-	1.
-	-	-	2.
-	-	-	3.
-	-	-	4.
-	-	-	5.

Congressional Reporting Requirement

*Exhibit PB-30J Summary of Entitlements by Subactivity (Reserves)

RESERVE PERSONNEL, _____
SUMMARY OF ENTITLEMENTS BY SUBACTIVITY
($ in Thousands)

	FY 20PY			FY 20CY			FY 20BY		
	Officers	Enlisted	Total	Officers	Enlisted	Total	Officers	Enlisted	Total
RESERVE COMPONENT TRAINING AND SUPPORT									
PAY GROUP A									
Active Duty Training									
Inactive Duty Training									
Unit Training Assemblies									
Flight Training									
Training Preparation									
Military Funeral Honors									
Civil Disturbance									
Jump Proficiency									
Clothing									
Subsistence of Enlisted Personnel									
Travel									
TOTAL DIRECT OBLIGATIONS									
PAY GROUP B									
Active Duty Training									
Inactive Duty Training									
Clothing									
Subsistence of Enlisted Personnel									
Travel									
TOTAL DIRECT OBLIGATIONS									
PAY GROUP F									
Active Duty Training									
Clothing									
Subsistence of Enlisted Personnel									
Travel									
TOTAL DIRECT OBLIGATIONS									
PAY GROUP P									
Inactive Duty Training									
Clothing									
Subsistence of Enlisted Personnel									
TOTAL DIRECT OBLIGATIONS									

The PB-30J data, **to include outyear** data, will be submitted via the Select and Native Programming Data Input System (SNaP) located at https://snap.pae.osd.mil. The most current version of this exhibit will be found at this site.

(Page 1 of 5)

RESERVE PERSONNEL, _____
SUMMARY OF ENTITLEMENTS BY SUBACTIVITY
($ in Thousands)

	FY 20PY			FY 20CY			FY 20BY		
	Officers	Enlisted	Total	Officers	Enlisted	Total	Officers	Enlisted	Total
MOBILIZATION TRAINING									
IRR Muster/Screening									
IRR Mission Support									
IRR Readiness Training									
Merchant Marine Training									
TOTAL DIRECT OBLIGATIONS									
SCHOOL TRAINING									
Career Development Training									
Initial Skill Acquisition Training									
Officer Candidate/Training School									
Refresher and Proficiency Training									
Undergraduate Pilot/Navigator Training									
Unit Conversion Training									
TOTAL DIRECT OBLIGATIONS									
SPECIAL TRAINING									
Competitive Events									
Command/Staff Supervision									
Drug Interdiction Activity									
Exercises									
Management Support									
Operational Training									
Recruiting/Retention									
Service Mission/Mission Support									
Unit Conversion Training									
Active Duty for Operational Support (ADOS)									
Active Duty Special Training (ADST)									
TOTAL DIRECT OBLIGATIONS									

Exhibit PB-30J Summary of Entitlements by Subactivity (Reserves) Continued
(Page 2 of 5)

RESERVE PERSONNEL, _____
SUMMARY OF ENTITLEMENTS BY SUBACTIVITY
($ in Thousands)

	FY 20PY			FY 20CY			FY 20BY		
	Officers	Enlisted	Total	Officers	Enlisted	Total	Officers	Enlisted	Total
ADMINISTRATION AND SUPPORT									
Full Time Pay and Allowances									
Clothing									
Subsistence									
Travel/PCS									
Death Gratuities									
Disability and Hospitalization Benefits									
Reserve Incentive Programs									
Transition Benefits									
Adoption Expenses									
$30,000 Lump Sum Bonus									
Continuation Pays									
TOTAL DIRECT OBLIGATIONS									
EDUCATION BENEFITS									
Basic Benefit									
Kicker Program									
Amortization Payment									
TOTAL DIRECT OBLIGATIONS									

Exhibit PB-30J Summary of Entitlements by Subactivity (Reserves) Continued
(Page 3 of 5)

RESERVE PERSONNEL, _____
SUMMARY OF ENTITLEMENTS BY SUBACTIVITY
($ in Thousands)

	FY 20PY			FY 20CY			FY 20BY		
	Officers	Enlisted	Total	Officers	Enlisted	Total	Officers	Enlisted	Total
PLATOON LEADERS' CLASS OR RESERVE OFFICER CANDIDATES									
Subsistence Allowance (Stipend)									
Uniforms									
Commutation									
Issue-In-Kind									
Summer Camp Training									
Subsistence-in-Kind									
Travel									
Tuition Assistance Program									
TOTAL DIRECT OBLIGATIONS									
BRANCH OFFICER BASIC COURSE -RESERVE COMPONENTS									
Active Duty Training									
Uniform Allowance									
Travel									
TOTAL DIRECT OBLIGATIONS									
HEALTH PROFESSIONS SCHOLARSHIP PROGRAM									
Stipend									
Uniform Allowance									
Active Duty Training									
Travel									
TOTAL DIRECT OBLIGATIONS									
MEDICAL FINANCIAL ASSISTANCE PROGRAM (FAP)									
Stipend									
Financial Assistance Grant									
Uniform Allowance									
Active Duty Training									
Travel									
TOTAL DIRECT OBLIGATIONS									

Exhibit PB-30J Summary of Entitlements by Subactivity (Reserves) Continued
(Page 4 of 5)

RESERVE PERSONNEL, _____
SUMMARY OF ENTITLEMENTS BY SUBACTIVITY
($ in Thousands)

	FY 20PY			FY 20CY			FY 20BY		
	Officers	Enlisted	Total	Officers	Enlisted	Total	Officers	Enlisted	Total
NURSE CANDIDATE BONUS PROGRAM									
Nurse Candidate Bonus									
Accession Bonus									
TOTAL DIRECT OBLIGATIONS									
CHAPLAIN CANDIDATE PROGRAM									
Active Duty Training									
Uniform Allowance									
Travel									
TOTAL DIRECT OBLIGATIONS									
TSP MATCHING CONTRIBUTIONS									
TOTAL DIRECT OBLIGATIONS									
TOTAL DIRECT PROGRAM									

Exhibit PB-30J Summary of Entitlements by Subactivity (Reserves) Continued
(Page 5 of 5)

*Exhibit PB-30K Analysis of Appropriation Changes (Reserves)

RESERVE PERSONNEL, _____
ANALYSIS OF APPROPRIATION CHANGES AND SUPPLEMENTAL REQUIREMENTS
FY 20CY ($ in Thousands)

	FY 20CY PRESIDENT'S BUDGET	CONGRES-SIONAL ACTION	APPROPRI-ATION	INTERNAL REALIGNMENT/ REPROGRAMMING	SUB TOTAL	PROPOSED DD 1415 ACTIONS	FY 20CY COL. FY 20BY PRES. BUDGET
RESERVE COMPONENT TRAINING AND SUPPORT							
PAY GROUP A							
Active Duty Training							
Inactive Duty Training							
Unit Training Assemblies							
Flight Training							
Training Preparation							
Military Funeral Honors							
Civil Disturbance							
Jump Proficiency							
Clothing							
Subsistence of Enlisted Personnel							
Travel							
TOTAL DIRECT OBLIGATIONS							
PAY GROUP B							
Active Duty Training							
Inactive Duty Training							
Clothing							
Subsistence of Enlisted Personnel							
Travel							
TOTAL DIRECT OBLIGATIONS							
PAY GROUP F							
Active Duty Training							
Clothing							
Subsistence of Enlisted Personnel							
Travel							
TOTAL DIRECT OBLIGATIONS							
PAY GROUP P							
Inactive Duty Training							
Clothing							
Subsistence of Enlisted Personnel							
TOTAL DIRECT OBLIGATIONS							

(Page 1 of 5)

RESERVE PERSONNEL,
ANALYSIS OF APPROPRIATION CHANGES AND SUPPLEMENTAL REQUIREMENTS
FY 20CY ($ in Thousands)

	FY 20CY PRESIDENT'S BUDGET	CONGRES-SIONAL ACTION	APPROPRI-ATION	INTERNAL REALIGNMENT/ REPROGRAMMING	SUB TOTAL	PROPOSED DD 1415 ACTIONS	FY 20CY COL. FY 20BY PRES. BUDGET
MOBILIZATION TRAINING							
IRR Muster/Screening							
IRR Mission Support							
IRR Readiness Training							
Merchant Marine Training							
TOTAL DIRECT OBLIGATIONS							
SCHOOL TRAINING							
Career Development Training							
Initial Skill Acquisition Training							
Officer Candidate/Training School							
Refresher and Proficiency Training							
Undergraduate Pilot/Navigator Training							
Unit Conversion Training							
TOTAL DIRECT OBLIGATIONS							
SPECIAL TRAINING							
Competitive Events							
Command/Staff Supervision							
Drug Interdiction Activity							
Exercises							
Management Support							
Operational Training							
Recruiting/Retention							
Service Mission/Mission Support							
Unit Conversion Training							
Active Duty for Operational Support (ADOS)							
Active Duty Special Training (ADST)							
TOTAL DIRECT OBLIGATIONS							

Exhibit PB-30K Analysis of Appropriation Changes (Reserves) Continued
(Page 2 of 5)

RESERVE PERSONNEL, _____
ANALYSIS OF APPROPRIATION CHANGES AND SUPPLEMENTAL REQUIREMENTS
FY 20CY ($ in Thousands)

	FY 20CY PRESIDENT'S BUDGET	CONGRES-SIONAL ACTION	APPROPRI-ATION	INTERNAL REALIGNMENT/ REPROGRAMMING	SUB TOTAL	PROPOSED DD 1415 ACTIONS	FY 20CY COL. FY 20BY PRES. BUDGET
ADMINISTRATION AND SUPPORT							
Full Time Pay and Allowances							
Clothing							
Subsistence							
Travel/PCS							
Death Gratuities							
Disability and Hospitalization Benefits							
Reserve Incentive Programs							
Transition Benefits							
Adoption Expenses							
$30,000 Lump Sum Bonus							
Continuation Pays							
TOTAL DIRECT OBLIGATIONS							
EDUCATION BENEFITS							
Basic Benefit							
Kicker Program							
Amortization Payment							
TOTAL DIRECT OBLIGATIONS							
PLATOON LEADERS' CLASS OR RESERVE OFFICER CANDIDATES							
Subsistence Allowance (Stipend)							
Uniforms							
Commutation							
Issue-In-Kind							
Summer Camp Training							
Subsistence-in-Kind							
Travel							
Tuition Assistance Program							
TOTAL DIRECT OBLIGATIONS							
BRANCH OFFICER BASIC COURSE -RESERVE COMPONENTS							
Active Duty Training							
Uniform Allowance							
Travel							
TOTAL DIRECT OBLIGATIONS							

Exhibit PB-30K Analysis of Appropriation Changes (Reserves) Continued
(Page 3 of 5)

RESERVE PERSONNEL,
ANALYSIS OF APPROPRIATION CHANGES AND SUPPLEMENTAL REQUIREMENTS
FY 20CY ($ in Thousands)

	FY 20CY PRESIDENT'S BUDGET	CONGRES-SIONAL ACTION	APPROPRI-ATION	INTERNAL REALIGNMENT/ REPROGRAMMING	SUB TOTAL	PROPOSED DD 1415 ACTIONS	FY 20CY COL. FY 20BY PRES. BUDGET
HEALTH PROFESSIONS SCHOLARSHIP PROGRAM							
Stipend							
Uniform Allowance							
Active Duty Training							
Travel							
TOTAL DIRECT OBLIGATIONS							
MEDICAL FINANCIAL ASSISTANCE PROGRAM (FAP)							
Stipend							
Financial Assistance Grant							
Uniform Allowance							
Active Duty Training							
Travel							
TOTAL DIRECT OBLIGATIONS							
NURSE CANDIDATE BONUS PROGRAM							
Nurse Candidate Bonus							
Accession Bonus							
TOTAL DIRECT OBLIGATIONS							
CHAPLAIN CANDIDATE PROGRAM							
Active Duty Training							
Uniform Allowance							
Travel							
TOTAL DIRECT OBLIGATIONS							
TSP MATCHING CONTRIBUTIONS							
TOTAL DIRECT OBLIGATIONS							
TOTAL DIRECT PROGRAM							

Exhibit PB-30K Analysis of Appropriation Changes (Reserves) Continued
(Page 4 of 5)

INSTRUCTIONS FOR COMPLETION OF EXHIBIT
ANALYSIS OF APPROPRIATION CHANGES AND SUPPLEMENTAL REQUIREMENTS

FY 20CY President's Budget - Show costs as included in the original FY 20CY President's Budget request. The total of all such costs should equal the FY 20CY appropriation request for each line item.

Congressional Action - Show the delta(s) associated with final congressional action on the FY 20CY appropriations request.

Appropriation – Show the final funding level appropriated by Congress for the FY CY. This value should tie explicitly by budget activity and total to the values reported on the DD 1414 Base for Reprogramming.

Internal Realignment/Reprogramming - Include those adjustments, which are necessary to align the amounts shown in the appropriation column of this exhibit with the FY 20CY column of the FY 20BY President's Budget exclusive of other price/program changes described below.

Subtotal – Should include the appropriated amount plus or minus internal realignments/reprogrammings.

Proposed DD 1415 Actions - Amounts shown in this column would include approved reprogrammings/transfers.

FY 20CY Column of FY 20BY President's Budget - Show amounts as included in the FY 20BY President's Budget request. These amounts should be equal to the sum of the amounts shown in the preceding two columns.

NOTE: An explanation should be provided for each adjustment in excess of $1 million included in the column showing realignments and reprogramming. Such explanation should not be included as part of this exhibit, but rather should be submitted separately to the OUSD(C) (P/B) Military Personnel and Construction Directorate, Room 3C654, Pentagon.

Exhibit PB-30K Analysis of Appropriation Changes (Reserves) Continued
(Page 5 of 5)

Exhibit PB-30L Summary of Basic Pay and Retired Pay Accrual Costs (Reserves)

RESERVE PERSONNEL, _____
SUMMARY OF BASIC PAY AND RETIRED PAY ACCRUAL COSTS
($ in Thousands)

	FY 20PY		FY 20CY		FY 20BY	
	Basic Pay	Retired Pay	Basic Pay	Retired Pay	Basic Pay	Retired Pay
Pay Group A						
Officers						
Enlisted						
Subtotal						
Pay Group B						
Officers						
Enlisted						
Subtotal						
Pay Group F						
Officers						
Enlisted						
Subtotal						
Pay Group P						
Enlisted						
Mobilization Training						
Officers						
Enlisted						
Subtotal						
School Training						
Officers						
Enlisted						
Subtotal						
Special Training						
Officers						
Enlisted						
Subtotal						
Administration and Support						
Officers						
Enlisted						
Subtotal						

NOTE: Retired pay accrual amounts, as a percentage of basic pay, should agree with the Normal Cost Percentages (NCPs) provided in the budget guidance. Retired and Basic Pay should match the amounts on the MPR-5.

(Page 1 of 2)

RESERVE PERSONNEL, _____
SUMMARY OF BASIC PAY AND RETIRED PAY ACCRUAL COSTS (Continued)
($ in Thousands)

	FY 20PY		FY 20CY		FY 20BY	
	Basic Pay	Retired Pay	Basic Pay	Retired Pay	Basic Pay	Retired Pay
Full-time Support (Non-Add)						
(Officer)						
(Enlisted)						
Subtotal						
Other						
Platoon Leaders Class (Enlisted)						
Branch Officers Basic Course (Officer)						
Health Professions Scholarship (Officer)						
Financial Assistance Program (Officer)						
Chaplain Candidate Program (Officer)						
Subtotal						
Total Direct Program						
Officers						
Enlisted						
Total						
Total Reimbursable Program						
Officers						
Enlisted						
Total						
Total Program						
Officers						
Enlisted						
Total						

NOTE: Accrual costs as a percent of basic pay to be used for each year will be provided separately.

Exhibit PB-30L Summary of Basic Pay and Retired Pay Accrual Costs (Reserves) Continued
(Page 2 of 2)

Exhibit PB-30M Summary of BAH Costs (Reserves)

RESERVE PERSONNEL, _____
SUMMARY OF BASIC ALLOWANCE FOR HOUSING (BAH)
($ in Thousands)

	FY 20PY BAH	FY 20CY BAH	FY 20BY BAH
Pay Group A			
Officers			
Enlisted			
Subtotal			
Pay Group B			
Officers			
Enlisted			
Subtotal			
Pay Group F			
Officers			
Enlisted			
Subtotal			
Pay Group P			
Enlisted			
Mobilization Training			
Officers			
Enlisted			
Subtotal			
School Training			
Officers			
Enlisted			
Subtotal			
Special Training			
Officers			
Enlisted			
Subtotal			
Administration and Support			
Officers			
Enlisted			
Subtotal			

(Page 1 of 2)

RESERVE PERSONNEL,
SUMMARY OF BASIC ALLOWANCE FOR HOUSING (BAH) (Continued)
($ in Thousands)

	FY 20PY BAH	FY 20CY BAH	FY 20BY BAH
Other			
Branch Officers Basic Course			
Health Professions Scholarship			
Financial Assistance Program			
Chaplain Candidate Program			
Subtotal			
Total Direct Program			
Officers			
Enlisted			
Other			
Total			
Total Reimbursable Program			
Officers			
Enlisted			
Other			
Total			
Grand Total Program			
Officers			
Enlisted			
Other			
Total			

Exhibit PB-30M Summary of BAH Costs (Reserves) Continued
(Page 2 of 2)

Exhibit PB-30N Summary of Travel Costs (Reserves)

RESERVE PERSONNEL, _____
SUMMARY OF TRAVEL COSTS
($ in Thousands)

	FY 20PY	FY 20CY	FY 20BY
Pay Group A			
Officers			
Enlisted			
Subtotal			
Pay Group B			
Officers			
Enlisted			
Subtotal			
Pay Group F			
Officers			
Enlisted			
Subtotal			
Pay Group P			
Enlisted			
Mobilization Training			
Officers			
Enlisted			
Subtotal			
School Training			
Officers			
Enlisted			
Subtotal			
Special Training			
Officers			
Enlisted			
Subtotal			

(Page 1 of 2)

RESERVE PERSONNEL,
SUMMARY OF TRAVEL COSTS (Continued)
($ in Thousands)

	FY 20PY	FY 20CY	FY 20BY
Administration and Support			
Officers			
Enlisted			
Subtotal			
Other			
Branch Officers Basic Course			
Health Professions Scholarship			
Financial Assistance Program			
Chaplain Candidate Program			
Subtotal			
Total Direct Travel			
Officers			
Enlisted			
Other			
Total			
Total Reimbursable Travel			
Officers			
Enlisted			
Other			
Total			
Grand Total Reimbursable Travel			
Officers			
Enlisted			
Other			
Total			

Exhibit PB-30N Summary of Travel Costs (Reserves) Continued
(Page 2 of 2)

Exhibit PB-30U Summary of BAS AND SIK Costs (Reserves)

RESERVE PERSONNEL, _____
SUMMARY OF BASIC ALLOWANCE FOR SUBSISTENCE (BAS) AND SUBSISTENCE-IN-KIND (SIK)
($ in Thousands)

	FY 20PY BAS	FY 20PY SIK	FY 20CY BAS	FY 20CY SIK	FY 20BY BAS	FY 20BY SIK
Pay Group A						
Officers						
Enlisted						
Subtotal						
Pay Group B						
Officers						
Enlisted						
Subtotal						
Pay Group F						
Officers						
Enlisted						
Subtotal						
Pay Group P						
Enlisted						
Mobilization Training						
Officers						
Enlisted						
Subtotal						
School Training						
Officers						
Enlisted						
Subtotal						
Special Training						
Officers						
Enlisted						
Subtotal						
Administration and Support						
Officers						
Enlisted						
Subtotal						

(Page 1 of 2)

RESERVE PERSONNEL,
SUMMARY OF BASIC ALLOWANCE FOR SUBSISTENCE (BAS) AND SUBSISTENCE-IN-KIND (SIK)
($ in Thousands)

	FY 20PY BAS	FY 20PY SIK	FY 20CY BAS	FY 20CY SIK	FY 20BY BAS	FY 20BY SIK
Other						
Branch Officers Basic Course						
Health Professions Scholarship						
Financial Assistance Program						
Chaplain Candidate Program						
Subtotal						
Total Direct Program						
Officers						
Enlisted						
Other						
Total						
Total Reimbursable Program						
Officers						
Enlisted						
Other						
Total						
Grand Total Program						
Officers						
Enlisted						
Other						
Total						

Exhibit PB-30U Summary of BAS AND SIK Costs (Reserves) Continued

(Page 2 of 2)

Exhibit PB-30W Full-Time Support Personnel (Reserves)

RESERVE PERSONNEL, _____
FULL-TIME SUPPORT PERSONNEL
(End Strength)

FY

ASSIGNMENT	AGR/TAR OFFICERS	AGR/TAR ENLISTED	AGR/TAR TOTAL	MILITARY TECHNICIANS*	MILITARY	CIVILIAN	TOTAL
Individuals							
Pay/Personnel Centers							
Recruiting/Retention							
Units:							
Units							
RC Unique Mgmt Hqs							
Unit Spt-Navy RC							
Maint Act (non-unit)							
Subtotal							
Training:							
RC Non-unit Institutions							
RC Schools							
Subtotal							
Headquarters:							
Service Hqs							
AC Hqs							
AC Instal/Activities							
RC Chiefs Staff							
Others							
Subtotal							
Other							
TOTAL							

*Excludes military technicians assigned to USSOCOM who are associated with the Special Operations Forces.

Notes: Exhibit should be provided for each Reserve Component justification book. Data must be provided for prior year (PY), current year (CY), and budget year (BY). Civilian end strength should exclude military technicians.

Exhibit PB-30X Subactivity Detailed Justification (Reserve)

Program: * (e.g., Special Training)

($ in Thousands)
FY 20BY Estimate $xxx,xxx
FY 20CY Estimate $xxx,xxx
FY 20PY Estimate $xxx,xxx

***A separate exhibit must be prepared for each M-1 line item reflecting subactivity detail. See section 3.3.3 for more guidance.**

Part I – Purpose and Scope

Include a description of what the funds requested are for to include any references to legislative authorities.

Part II – Justification of Funds Required

Include an explanation to justify the requested change. The explanation should be specific with regard to what the increases will provide for (i.e., statutory, program enhancements, solving deficiencies, etc.).

	FY 20PY			FY 20CY Est			FY 20BY Est		
	Number	Rate	Amount	Number	Rate	Amount	Number	Rate	Amount
Program (e.g., Exercises)									
Program (e.g., Operational Training)									
Program (e.g., Competitive Events)									
Total									

Note: Average number may represent the number of workyears or average number of personnel budgeted to receive a particular type of pay.

Exhibit PB-30Y Performance Measures and Evaluation Summary (Reserves)

RESERVE PERSONNEL, _____
Performance Measures and Evaluation Summary

Activity: Active Reserve/Guard Military Personnel

Activity Goal: Maintain the correct Reserve/Guard Active Military Personnel to execute the National Strategy.

Description of Activity: The Reserve/Guard Active Military Personnel appropriations provide resources necessary to compensate military personnel required to provide trained units and qualified personnel in the Armed Forces in time of war, or national emergency, and at such other times as the national security requires. The Reserve/Guard also fills the needs of the Armed Forces whenever more units and persons are needed than are in the Active component to achieve the planned mobilization.

PERFORMANCE MEASURES:

	FY 20xx Actual	FY 20xx Planned	FY 20xx Planned
Average Strength	xxx,xxx	xxx,xxx	xxx,xxx
End Strength	xxx,xxx	xxx,xxx	xxx,xxx
Authorized End Strength	xxx,xxx		

Include a narrative section after each measure to provide any important information concerning the data reflected, explanations for variances from targets, and a subjective assessment of the program's performance and outlook. The narrative should also explain any differences in how the Services define these items. Include a statement referencing that this display provides the information to meet the Office of Management and Budget requirement for PART - Program Assessment Rating Tool.

Exhibit MPR-2 Basic Allowance for Housing Costs Summary

RESERVE OR NATIONAL GUARD PERSONNEL, _____
BASIC ALLOWANCE FOR HOUSING COSTS SUMMARY

($ in Thousands)

	PY	CY	BY	BY+1	BY+2	BY+3	BY+4
DIRECT BASELINE PROGRAM FUNDING							
Officers							
Enlisted							
Total							
REIMBURSABLE BASELINE PROGRAM FUNDING							
Officers							
Enlisted							
Total							
TOTAL BASELINE PROGRAM FUNDING							
Officers							
Enlisted							
Total							
OCO FUNDING							
Officers							
Enlisted							
Total							
TOTAL PROGRAM FUNDING							
Officers							
Enlisted							
Total							

Exhibit MPR-3 Summary of Outyear Data

RESERVE PERSONNEL, _____
SUMMARY OF OUTYEAR DATA

	PY	CY	BY	BY+1	BY+2	BY+3	BY+4
End Strength							
Pay Group A Officers							
Pay Group A Enlisted							
Subtotal Pay Group A							
Pay Group B Officers							
Pay Group B Enlisted							
Subtotal Pay Group B							
Pay Group F Enlisted							
Pay Group P Enlisted – Paid							
Pay Group P Enlisted – Non Paid							
Subtotal Pay Group F/P							
Subtotal Drill/Individual Training							
Full Time Active Duty							
Officers							
Enlisted							
Subtotal Full-Time							
Total Selected Reserve							
Officers							
Enlisted							
Total							
Individual Ready Reserve/Inactive National Guard							
Officers							
Enlisted							
Total							
GRAND TOTAL							

Note: "Do not round strength numbers". Strength numbers should agree with request in the applicable budget submission.

(Page 1 of 2)

RESERVE PERSONNEL, _____
SUMMARY OF OUTYEAR DATA

	PY	CY	BY	BY+1	BY+2	BY+3	BY+4
Average Strength							
Pay Group A Officers							
Pay Group A Enlisted							
Subtotal Pay Group A							
Pay Group B Officers							
Pay Group B Enlisted							
Subtotal Pay Group B							
Pay Group F Enlisted							
Pay Group P Enlisted – Paid							
Pay Group P Enlisted – Non Paid							
Subtotal Pay Group F/P							
Subtotal Drill/Individual Training							
Full Time Active Duty							
Officers							
Enlisted							
Subtotal Full-Time							
Total Selected Reserve							
Officers							
Enlisted							
Total							
Individual Ready Reserve/Inactive National Guard							
Officers							
Enlisted							
Total							
GRAND TOTAL							
Obligations ($ in Thousands)							
Direct							
Reimbursable							
Total							

Note: "Do not round strength numbers". Strength numbers should agree with request in the applicable budget submission.

Exhibit MPR-3 Summary of Outyear Data (Continued)
(Page 2 of 2)

Exhibit MPR-4 Education Benefits (Title 10 USC, Chapter 1606 & 1607)

RESERVE PERSONNEL, _____
EDUCATION BENEFITS
(Title 10 USC, Chapter 1606 and 1607)
($ in Thousands)

	PY	CY	BY	BY+1	BY+2	BY+3	BY+4
MGIB-SR (CHAPTER 1606)							
PER CAPITA NORMAL COST							
Enlistments (6-Year Contracts)							
Reenlistments (6-Year Contracts)							
Extensions (6-Year Contracts)							
Total Six Year Commitments							
Per Capita Rate ($)							
Total Per Capita Amount ($000)							
CRITICAL SKILL OR CRITICAL UNIT BENEFIT							
Participants ($100 Kicker)							
Per Capita Rate							
Amount ($000)							
Participants ($200 Kicker)							
Per Capita Rate							
Amount ($000)							
Participants ($350 Kicker)							
Per Capita Rate							
Amount ($000)							
Participants (Total)							
Amount (Total)							
Chapter 1606 Amortization							
Amount ($000)							

(Page 1 of 2)

RESERVE PERSONNEL, _____
EDUCATION BENEFITS
(Title 10 USC, Chapter 1606 and 1607)
($ in Thousands)

	PY	CY	BY	BY+1	BY+2	BY+3	BY+4
RESERVE EDUCATIONAL ASSISTANCE PROGRAM (REAP) (CHAPTER. 1607)							
Eligibles (Mobilized 90 days)							
Per Capita Rate							
Amount ($000)							
Eligibles (Mobilized 1 Year)							
Per Capita Rate							
Amount ($000)							
Eligibles (Mobilized 2 Years)							
Per Capita Rate							
Amount ($000)							
Chapter 1607 Amortization							
Amount ($000)							

NOTE: Per capita cost rates for the Basic Benefit and Critical Skill/Critical Unit Benefit and the amortization payment amount will be provided annually subsequent to approval of the DoD Education Benefits Board of Actuaries. Total program cost must match data provided in PB Exhibits. Additionally, even if the normal cost per capita rate for a program is zero dollars, Components must still assess and report counts of new eligibles.

Exhibit MPR-4 Education Benefits (Title 10 USC, Chapter 1606 & 1607) Continued
(Page 2 of 2)

*Exhibit MPR-5 Summary of Basic Pay and Retired Pay Accrual Costs

RESERVE PERSONNEL,
SUMMARY OF BASIC PAY AND RETIRED PAY ACCRUAL COSTS
($ in Thousands)

FY 20BY+1	FY 20PY						FY 20CY						FY 20BY								
	Basic Pay			Retired Pay			Basic Pay			Retired Pay			Basic Pay			Retired Pay			Basic Pay		
Retired Pay	Off	Enl	Total	Off	Enl	Total	Off	Enl	Total	Off	Enl	Total	Off	Enl	Total	Off	Enl	Total	Off	Enl	Total
Total Direct Program																					
Full-time																					
Part-time																					
Total																					
Total Reimbursable Program																					
Full-time																					
Part-time																					
Total																					
Total Program																					
Full-time																					
Part-time																					
Total																					

	FY 20PY	FY 20CY	FY 20BY	FY 20BY+1
Blended Retirement Plan Continuation Pay				

	FY 20BY+2						FY 20BY+3						FY 20BY+4					
	Basic Pay			Retired Pay			Basic Pay			Retired Pay			Basic Pay			Retired Pay		
	Off	Enl	Total	Off	Enl	Total	Off	Enl	Total	Off	Enl	Total	Off	Enl	Total	Off	Enl	Total
Total Direct Program																		
Full-time																		
Part-time																		
Total																		
Total Reimbursable Program																		
Full-time																		
Part-time																		
Total																		

	FY 20BY+2						FY 20BY+3						FY 20BY+4					
	Basic Pay			Retired Pay			Basic Pay			Retired Pay			Basic Pay			Retired Pay		
	Off	Enl	Total	Off	Enl	Total	Off	Enl	Total	Off	Enl	Total	Off	Enl	Total	Off	Enl	Total
Total Program																		
Full-time																		
Part-time																		
Total																		

	FY 20BY+2	FY 20BY+3	FY 20BY+4
Blended Retirement Plan			
Continuation Pay			
TSP Matching Contributions			

Note: Retired pay accrual amounts, as a percentage of basic pay, should agree with the Normal Cost Percentages (NCPs) provided in the budget guidance. Beginning in FY 2018, the continuation pay and TSP costs should agree with the anticipated costs resulting from the blended retirement system authorized in the FY 2016 NDAA, P.L. 114-92.

Exhibit MPR-6 Active Reserve/Guard (AGR) Personnel Cost

RESERVE PERSONNEL, _____ 1/
ACTIVE RESERVE/GUARD (AGR) PERSONNEL COSTS
($ in Thousands)
OFFICERS

	PY Actual			CY Estimate			BY Estimate		
	Average Strength	Rate	Amount	Average Strength	Rate	Amount	Strength	Rate	Amount
Basic Pay By Grade									
0-8									
0-7									
0-6									
etc.									
Subtotal									
Retired Pay 2/									
Special/Incentive									
Pay 2/									
Clothing Allowances 2/									
BAS 2/									
BAH 2/									
FICA 2/									
Other (Specify by listing separately) 2/									
Subtotal									
TOTAL DIRECT 3/									
REIMBURSABLE									
TOTAL PROGRAM									

ENLISTED (Same format as for Officers)

1/ Required for Reserve and Guard personnel appropriations.
2/ Composite total. By grade data not required except for basic pay.
3/ Total must be consistent with total Pay and Allowances included in Administration and Support section of justification book.

*Exhibit MPR-7 Pay Raise Data

RESERVE PERSONNEL, _____

PAY RAISE DATA
($ in Thousands)

	FY 20PY	FY 20CY	FY 20BY
DIRECT AND REIMBURSABLE			
Basic Pay			
Retired Pay Accrual			
TSP Matching			
FICA			
Separation Pay			
SRB – New Payments			
Station Allowances –COLA			
PCS – Dislocation Allowance			
Health Profession Scholarship Program (HPSP) Stipend and Financial Assistance Program (FAP) Grant			
TOTAL			
DIRECT			
Basic Pay			
Retired Pay Accrual			
TSP Matching			
FICA			
Separation Pay			
SRB – New Payments			
Station Allowances –COLA			
PCS – Dislocation Allowance			
Health Profession Scholarship Program (HPSP) Stipend and Financial Assistance Program (FAP) Grant and Stipend			
TOTAL			
REIMBURSABLE			
Basic Pay			
Retired Pay Accrual			
FICA			
Separation Pay			
SRB – New Payments			
Station Allowances –COLA			
PCS – Dislocation Allowance			
Health Profession Scholarship Program (HPSP) Stipend and Financial Assistance Program (FAP) Grant and Stipend			
TOTAL			
REIMBURSABLECOUNTERDRUG (MEMO ENTRY ONLY)			
Basic Pay			
Retired Pay Accrual			
FICA			
Separation Pay			
Station Allowances –COLA			
PCS – Dislocation Allowance			
TOTAL			

NOTE: This exhibit should reflect only the amounts budgeted that are affected by the pay raise. The numbers in this exhibit will be used to develop pay raise estimates. The total should not add to the total appropriation amount.

Exhibit MPR-8 Medicare-Eligible Retiree Health Fund Contributions

Medicare-Eligible Retiree Health Fund Contribution, (Army, Navy, …)_____
(In Thousands of Dollars)

	FY 20PY Actual			FY 20CY Estimate			FY 20BY Estimate		
	Number	Avg. Rate	Amount	Number	Avg. Rate	Amount	Number	Avg. Rate	Amount
Pay Group A									
Officer									
Enlisted									
Total									
Pay Group B									
Officer									
Enlisted									
Total									
Pay Group F									
Officer									
Enlisted									
Total									
Pay Group P									
Officer									
Enlisted									
Total									
Part-Time - Summary									
Officer									
Enlisted									
Total									
Full-Time									
Officer									
Enlisted									
Total									
Total									
Officer									
Enlisted									
Total									
CIS Controls									
Delta from Controls									

(Page 1 of 3)

Medicare-Eligible Retiree Health Fund Contribution, (Army, Navy, …)_____

(In Thousands of Dollars)

	FY 20BY+1 Estimate			FY 20BY+2 Estimate			FY 20BY+3 Estimate		
	Number	Avg. Rate	Amount	Number	Avg. Rate	Amount	Number	Avg. Rate	Amount
Pay Group A									
Officer									
Enlisted									
Total									
Pay Group B									
Officer									
Enlisted									
Total									
Pay Group F									
Officer									
Enlisted									
Total									
Pay Group P									
Officer									
Enlisted									
Total									
Part-Time - Summary									
Officer									
Enlisted									
Total									
Full-Time									
Officer									
Enlisted									
Total									
Total									
Officer									
Enlisted									
Total									
CIS Controls									
Delta from Controls									

Exhibit MPR-8 Medicare-Eligible Retiree Health Fund Contributions (Continued)
(Page 2 of 3)

Medicare-Eligible Retiree Health Fund Contribution, (Army, Navy, …)
(In Thousands of Dollars)

	FY 20BY+4 Estimate		
	Number	Avg. Rate	Amount
Pay Group A			
Officer			
Enlisted			
Total			
Pay Group B			
Officer			
Enlisted			
Total			
Pay Group F			
Officer			
Enlisted			
Total			
Pay Group P			
Officer			
Enlisted			
Total			
Part-Time – Summary			
Officer			
Enlisted			
Total			
Full-Time			
Officer			
Enlisted			
Total			
Total			
Officer			
Enlisted			
Total			
CIS Controls			
Delta from Controls			

Exhibit MPR-8 Medicare-Eligible Retiree Health Fund Contributions (Continued)

(Page 3 of 3)

Exhibit MPR-10 Monthly Obligation Phasing Plan

MONTHLY OBLIGATION PHASING PLAN (FY CY)
Appropriation:

(Dollars in Thousands)

Budget Activity	Description	Budget Subactivity (Example)		OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP
01	Reserve Component Training & Support	**Pay Group A**	Month												
			Cum.												
		Pay Group B	Month												
			Cum.												
		Pay Group F	Month												
			Cum.												
		Mob. Training	Month												
			Cum.												
		School Training	Month												
			Cum.												
		Special Training	Month												
			Cum.												
		Admin and Support	Month												
			Cum.												
		Etc.	Month												
		Total	Cum.												
Total	Direct Program		Month												
			Cum.												
Total	Reimbursable Program		Month												
			Cum.												
Total	Gross Program		Month												
			Cum.												

Directions:

For each military personnel appropriation, provide estimated monthly **direct** obligations for the current year **by each budget subactivity**.

Include lines for both incremental monthly obligations and cumulative (Cum.) obligations year-to-date for each budget subactivity.

Include a monthly phasing of reimbursable obligations and a total gross program at the bottom of the phasing.

Budget activity totals must match the current year (CY) amounts reflected in the Comptroller Information System (CIS).

(Page 1 of 1)

Exhibit MPR-11 Recruiting and Retention Data

RESERVE PERSONNEL, _____
SUMMARY OF RECRUITING AND RETENTION DATA

Recruiting and Retention Goals:

	FY 20PY	FY 20CY	FY20BY	FY20BY+1	FY20BY+2	FY20BY+3	FY20BY+4
Number of Recruiters							
Part-Time							
Full-Time							
Number of Accessions							
Officer							
Non-Prior Service							
Prior Service							
Enlisted							
Non-Prior Service							
Prior Service							
Number of Reenlistments							
Attrition Rate							

Recruiting and Retention Funding:
(Dollars in Thousands)

Main Category	Appropriation	Officer/ Enlisted	Entitlement	Entitlement Sub-Category	New, Anniversary or Lump Sum Payment	FY 20PY through FY20BY+4 Number	Amount
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)

(Page 1 of 2)

(1) Main Category: This should list either Recruiting or Retention.
(2) Appropriation: RPA, RPN, RPMC, RPAF, NGPA, or NGPAF
(3) Officer/Enlisted: This should list the applicable personnel receiving the recruiting/retention funding – Officer or Enlisted
(4) Entitlement: The following is a list of recruiting and retention programs previously reported to OUSD(C) Military Personnel and Construction Directorate (MPC). Please use this list and include any additional programs not identified that should be captured under recruiting and retention. These additional items should be highlighted to the OSD analyst for future inclusion.

Accession Bonus
Affiliation Bonus
AFHPSP Critical Skills Accession Bonus (CSAB)
College First
College Fund
Critical Skill Retention Bonus (CSRB)
Critically Short Wartime Health Specialist
Reserve Educational Assistance Program (REAP) (Chapter 1607)
Enlistment Bonus (EB)
Health Professional (HP) Cash Bonus
Health Professional (HP) Loan Repayment Program
Health Professional Medical Officer Recruiting Program (HPMORP)
Health Professional (HP) Stipend Bonus
IRR Bonus
Loan Repayment Program
Medical Recruiting Bonus
Medical Stipend/Recruiting Bonus Test
Montgomery GI Bill Selected Reserve (MGIB-SR) (Chapter 1606)
MOS Conversion Bonus
Nurse Candidate Program (Bonus & Stipend)
Nurse Candidate Program Accession Bonus
Officer Deferment Bonus
Prior Service Bonus (new payments)
Prior Service Bonus (anniversary payments)
Recruitment Referral Bonus
Specialized Training Assistance Program
Selective Reenlistment Bonus (SRB)
Tuition Assistance

(5) Entitlement Sub-Categories: The following is a list of examples of further breakout of specific entitlements previously reported to OUSD(C) Military Personnel and Construction Directorate (MPC). Please use this list and include any additional breakouts not identified that should be captured under each entitlement.

Critical Skills Accession Bonus	Enlistment Bonus	Selective Reenlistment Bonus (SRB)	Chapter 1606/1607
AGR	Non-Prior Service	3 yr and 6 yr	Basic Benefit
Physicians	Non-Prior Service (FTS)	AGR	Kickers
FTS NSW	Non-Prior Service (SELRES)	FTS	Amortization
FTS SWO – Junior	Prior Service	SELRES	
FTS SWO – LCDR		SELRES – Prior Service	
FTS SWO – Senior			
Nurses			

Additional Instructions: This exhibit is to be included in the backup justification book. Additionally, OSD(C) will provide each Component with their specific MPR-11 spreadsheet and each Component must submit it electronically to OUSD(C) Military Personnel and Construction Directorate.

Exhibit MPR-11 – Recruiting and Retention Data (Continued)
(Page 2 of 2)

Exhibit MPR-12 Reimbursable Program (Reimbursing Customers)

RESERVE PERSONNEL,
Reimbursable Program (Reimbursing Customers)
($ in Thousands)

Category	Customer	Mission Description [1/]	Reimbursing Account [2/]	FY 20PY Mandays	FY 20PY Rate	FY 20PY Amt	FY 20CY Mandays	FY 20CY Rate	FY 20CY Amt	FY 20BY Mandays	FY 20BY Rate	FY 20BY Amt
Examples												
Special Training	FEMA	Disaster Support	FEMA									
Special Training	DIA	Intelligence Related	O&M, Defense-Wide									
Total [3/]												

[1/] Mission Description must be unclassified. For intelligence related activities, the mission description should simply state "Intelligence Related".
[2/] Only specify account if within DoD, otherwise specify reimbursing organization.
[3/] Total must match CIS controls and Justification Book amounts for reimbursable authority.

Guidance on Military Personnel Reimbursables.
A direct appropriation is provided for paying military personnel; therefore, the cost of military labor shall not be charged to another DoD entity except for:

- Military personnel assigned to the Defense Working Capital Fund activities;
- If provided in the annual DoD Appropriations Act, National Guard and Reserve members who provide intelligence or counterintelligence support to Combatant Commands, Defense Agencies and Joint Intelligence Activities, including the activities and programs included within the National Intelligence Program and the Military Intelligence Program; and
- National Guard and Reserve personnel conducting military-to-military contacts as authorized in 10 U.S.C. 168 and utilizing funds specifically appropriated for that purpose.

Military labor shall be charged to non-DoD organizations on the basis of the actual hours worked or assigned.

*7.0OVERSEAS CONTINGENCY OPERATIONS (OCO) MILITARY PERSONNEL APPROPRIATION SUBMISSION FORMATS (0207)

7.1 Purpose (020701)

7.1.1. The formats provided on the following pages reflect required exhibits for the Overseas Contingency Operations (OCO) justification book. Unless modified in a submission budget call, these formats should be adhered to. Justification material for the OCO Request is to be submitted under separate cover.

7.1.2. In addition to deployed strength, estimates should include required levels of Reserve Component personnel who are called to active duty in support of approved contingency operations, but not deployed OCONUS. This includes not only those preparing for deployment (e.g., training) but personnel in a leave status upon return.

7.1.3. Operational changes driving force level changes from the current year budgeted OCO level to the budget year OCO estimate must be fully explained and consistent with the approved troop strength planning assumptions (provided in separate guidance).

7.1.4. Each Service is required to provide a single justification book, with sections for the Active, Reserve, and National Guard appropriations. The M-1 exhibits and overview explanations must include all Components (i.e., Active, Reserve, and National Guard).

7.1.5. Microsoft Excel tables reflecting all of the tables in the submission must be provided for OSD analysts review. The justification books must include the following:

7.1.5.1. Table of Contents

7.1.5.2. Overview

7.1.5.3. M-1 Detail

7.1.5.4. Detailed exhibits by the following major categories in the order of the M-1 line items.

7.1.5.4.1. Reserve and Guard Mobilization

7.1.5.4.2. Active Deployment Costs

7.1.5.4.3. Overstrength Costs

7.1.5.4.4. Subsistence-in-Kind

7.1.5.4.5. Permanent Change of Station (PCS)

7.1.5.4.6. Casualty and Disability Benefits

7.1.5.4.7. Additional Mobilization/Deployment Costs

7.1.5.4.8. Pre and Post Mobilization Training

7.1.5.5. The justification material for the OCO estimate must be presented at the M-1 line item level and further broken down by major category such as mobilization, active deployment, and overstrength. Generally, the exhibits will mirror the regular justification book submission for the Active Components. One exception is that by-grade-level detail will not be required.

7.1.5.6. Costs for mobilization, Active deployment, and overstrength must be separately identified on each exhibit as applicable (e.g., basic pay, retired pay accrual, basic allowance for housing, etc.). All Active special pays will be categorized as active deployment costs in the summary tables.

7.1.5.7. For the Reserve Components, the level of detail is also at the M-1 level. For all budget line items, Part II, Justification of Funds Required, must describe specific details of the OCO requirements and should not be general in nature.

7.1.5.8. Each OCO exhibit will reflect prior year, current year, and budget year. The prior year amount should match projected obligations that will be reported on the Cost of War report for the Program/Budget submission (BES) and actual obligations on the Cost of War report for the President's Budget submission. The current year column will reflect total projected obligations in support of approved contingency operations. The budget year column will reflect the total requested amount for approved contingency operations. The budget year request must display total requirements for approved contingency operations consistent with the Program Resources Collection Process (PRCP) system.

7.2 Exhibits in support of Military Personnel OCO Request. (020702)

The following exhibit formats are provided for the combined Active Military Personnel and Reserve Component Personnel Appropriations justification book.

Exhibit OCO-1 – OCO Military Personnel Overview……...…153
Exhibit OCO-2 – OCO M-1 Exhibit……..…157
Exhibit OCO-3 – OCO Subactivity Detailed Justification……159

Exhibit OCO-1 – OCO Military Personnel Overview

MILITARY PERSONNEL OVERVIEW

Introduction
Provide explanation of why this request is necessary.

The FY 20BY request includes $x,xxx million for the (Service) military personnel costs as shown in the following table:

Summary by Appropriation ($ in Thousands)

	FY 20PY Actuals	FY 20CY Estimate	FY 20BY Request
Military Personnel, xxxx			
Reserve Personnel, xxxx			
National Guard Personnel, xxxx			
Total			

Average Strength

	FY 20PY Actuals	FY 20CY Estimate	FY 20BY Request
Active Deployment by IDP Payment			
Reserve Component Deployment by IDP Payment			
Total Imminent Danger Pay			
Reserve Mobilization			
National Guard Mobilization			
Total Reserve Component Mobilization			
Active Overstrength			

(Page 1 of 4)

FY 20PY Summary by Appropriation by Category ($ in Thousands)

	Active	Reserve	Guard	Total
FY 20PY Actuals				
Reserve & Guard Mobilization				
AC Deployment Costs				
Additional Mobilization/Deployment Costs *				
Active Component Overstrength				
Subsistence-in-Kind (SIK)				
Permanent Change of Station				
Casualty and Disability				
Pre and Post Mobilization Training				
Subtotal				
Stop Loss Special Pay (Note: this is a 2009/XXXX year account)				
Total Military Personnel				

* Includes Unemployment Compensation, Reserve Income Replacement Program (RIRP) and Interest on Uniformed Services Savings Deposits.

FY 20CY Summary by Appropriation by Category ($ in Thousands)

	Active	Reserve	Guard	Total
FY 20CY Estimate				
Reserve & Guard Mobilization				
AC Deployment Costs				
Additional Mobilization/Deployment Costs *				
Active Component Overstrength				
Subsistence-in-Kind (SIK)				
Permanent Change of Station				
Casualty and Disability				
Pre and Post Mobilization Training				
Subtotal				
Stop Loss Special Pay (Note: this is a 2009/XXXX year account)				
Total Military Personnel				

* Includes Unemployment Compensation, Reserve Income Replacement Program (RIRP) and Interest on Uniformed Services Savings Deposits.

Exhibit OCO-1
(Page 2 of 4)

FY 20BY Summary by Appropriation by Category ($ in Thousands)

	Active	Reserve	Guard	Total
FY 20BY Request				
Reserve & Guard Mobilization				
AC Deployment Costs				
Additional Mobilization/Deployment Costs *				
Active Component Overstrength				
Subsistence-in-Kind (SIK)				
Permanent Change of Station				
Casualty and Disability				
Pre and Post Mobilization Training				
Subtotal				
Stop Loss Special Pay (Note: this is a 2009/XXXX year account)				
Total Military Personnel				

* Includes Unemployment Compensation, Reserve Income Replacement Program (RIRP) and Interest on Uniformed Services Savings Deposits.

Exhibit OCO-1
(Page 3 of 4)

FY 20BY Request Summary
The FY BY military personnel request of $x,xxx million is comprised of the following major costs:

Reserve & Guard Mobilization ($x,xxx million)
Provide explanation of why this request is necessary.

AC Deployment Costs ($x,xxx million)
Provide explanation of why this request is necessary.

Other Mobilization and Deployment Costs ($x,xxx million)
Provide explanation of why this request is necessary.

Active Component Overstrength ($x,xxx million)
Provide explanation of why this request is necessary.

Subsistence-in-Kind (SIK) ($x,xxx million)
Provide explanation of why this request is necessary.

Permanent Change of Station ($x,xxx million)
Provide explanation of why this request is necessary.

Casualty and Disability($x,xxx million)
Provide explanation of why this request is necessary.

Pre and Post Mobilization Training($x,xxx million)
Provide explanation of why this request is necessary.

Exhibit OCO-1
(Page 4 of 4)

Exhibit OCO-2 – OCO M-1 Exhibit

M-1 Exhibit

MILITARY PERSONNEL, XXXX

BUDGET ACTIVITY 1: PAY AND ALLOWANCES OF OFFICERS
BASIC PAY
RETIRED PAY ACCRUAL
BASIC ALLOWANCE FOR HOUSING
BASIC ALLOWANCE FOR SUBSISTENCE
INCENTIVE PAYS
SPECIAL PAYS
ALLOWANCES
SEPARATION PAY
SOCIAL SECURITY TAX

TOTAL BUDGET ACTIVITY 1

BUDGET ACTIVITY 2: PAY AND ALLOWANCES OF ENLISTED
BASIC PAY
RETIRED PAY ACCRUAL
BASIC ALLOWANCE FOR HOUSING
BASIC ALLOWANCE FOR SUBSISTENCE
INCENTIVE PAYS
SPECIAL PAYS
ALLOWANCES
SEPARATION PAY
SOCIAL SECURITY TAX

TOTAL BUDGET ACTIVITY 2

BUDGET ACTIVITY 4: SUBSISTENCE OF ENLISTED PERSONNEL
BASIC ALLOWANCE FOR SUBSISTENCE
SUBSISTENCE-IN-KIND
TOTAL BUDGET ACTIVITY 4

BUDGET ACTIVITY 5: PERMANENT CHANGE OF STATION TRAVEL
ACCESSION TRAVEL
OPERATIONAL TRAVEL
SEPARATION TRAVEL
TOTAL BUDGET ACTIVITY 5

RESERVE INCOME REPLACEMENT PROGRAM
UNEMPLOYMENT COMPENSATION
DEATH GRATUITIES
SGLI EXTRA HAZARD PAYMENTS
TRAUMATIC SGLI
STOP-LOSS RETROACTIVE PAY
TOTAL BUDGET ACTIVITY 6

TOTAL MILITARY PERSONNEL, XXXX

RESERVE PERSONNEL, XXXX

BUDGET ACTIVITY 1: RESERVE COMPONENT TRAINING AND SUPPORT
PAY GROUP A TRAINING
SCHOOL TRAINING
SPECIAL TRAINING

TOTAL BUDGET ACTIVITY 1

TOTAL RESERVE PERSONNEL, XXXX

NATIONAL GUARD PERSONNEL, XXXX

BUDGET ACTIVITY 1: RESERVE COMPONENT TRAINING AND SUPPORT
PAY GROUP A TRAINING
SCHOOL TRAINING
SPECIAL TRAINING

TOTAL BUDGET ACTIVITY 1

TOTAL NATIONAL GUARD PERSONNEL, XXXX

GRAND TOTAL XXXX MILITARY PERSONNEL

Exhibit OCO-2
(Page 2 of 2)

Exhibit OCO-3 – OCO Subactivity Detailed Justification

Appropriation: **FY 20BY**
Budget Activity x: Title (e.g. Budget Activity 1: Pay and Allowance of Officers) **($ in Thousands)**
Budget Line Item: * (e.g., Basic Pay) **$xxx,xxx**

***A separate exhibit must be prepared for each M-1 line item. See M-1 exhibit (Exhibit OCO-2)**

Part I – Purpose and Scope

Include a description of what the funds requested are for to include any references to legislative authorities.

Part II – Justification of Funds Required

Include an explanation to justify the requested change. The explanation should be specific with regard to what the increases will provide for (i.e., statutory, program enhancements, solving deficiencies, etc.).

	FY 20PY Actual			FY 20CY Estimate			FY 20BY Estimate		
	Number	Rate	Amount	Number	Rate	Amount	Number	Rate	Amount
M-1 line (e.g., Basic Pay)									
Guard/Reserve Mobilization									
Active Component Overstrength									
Total									

Note: Average number may represent the number of workyears or average number of personnel budgeted to receive a particular type of pay.

(Page 1 of 1)

VOLUME 2A, CHAPTER 3: "OPERATION AND MAINTENANCE APPROPRIATIONS"

SUMMARY OF MAJOR CHANGES

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

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

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

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

The previous version dated June 2007 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Overall	Formatting and room location changes.	Revision
3.3 (030303)	Added Volume III to the Justification Books for the Overseas Contingency Operations request for O-1, OP- 5, and OP-32	Revision
3.3 (030303)	Removed PB-22 from the Volume II – Data Book	Deletion
3.3 (030303)	Added PBA-27 Psychological Operations	Revision
3.3 (030303)	Added PBA 28 Body Armor and Other Protective Gear	Revision
4.3 (030403)	Updated OP-32 Exhibit Instructions and added Crosswalk of OP-32 Line Items to CIS Object Classes	Revision

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CHAPTER 3

OPERATION AND MAINTENANCE APPROPRIATIONS

1.0 GENERAL (0301)

1.1 Purpose (030101)

1.1.1. This Chapter covers the budget formulation and congressional justification requirements for operation and maintenance appropriations for the baseline and overseas contingency operations (OCO) requirements. Volume 12 chapter 23 section 2309 provides the guidelines for determining war/overseas contingency operations costs

1.1.2. The following appropriations and accounts are covered:

Paragraph 2.1

Operation and Maintenance, Army
Operation and Maintenance, Army Reserve
Operation and Maintenance, Army National Guard
Operation and Maintenance, Navy
Operation and Maintenance, Navy Reserve
Operation and Maintenance, Marine Corps
Operation and Maintenance, Marine Corps Reserve
Operation and Maintenance, Air Force
Operation and Maintenance, Air Force Reserve
Operation and Maintenance, Air National Guard
Operation and Maintenance, Defense-Wide
Office of the Inspector General
Defense Health Program
Former Soviet Union Threat Reduction
Overseas Contingency Operations Transfer Fund
Overseas Humanitarian, Disaster Assistance, and Civic Aid
Support of International Sporting Competition, Defense

Paragraph 2.2

United States Court of Military Appeals for the Armed Forces

1.2 Submission Requirements (030102)

1.2.1. General guidance with regard to submission requirements is presented in Chapter 1. Chapter 3 covers specific back-up material requirements for the above accounts. The Components should also consult all of the other chapters for exhibit requirements for the above appropriations/accounts that are not specifically addressed in this chapter including Chapter 19-Other Special Analyses. (See Volume 2A, Chapter 1, and Volume 2B, Chapter 19)

1.2.2. For designated exhibits, the Department will collect both POM and budget data through the SNaP (Select & Native Programming Data Input System) process. In addition, the Military Departments and applicable Defense Agencies shall develop and submit to the Comptroller separate narrative justification material (including any program increases and decreases) for their respective programs as part of their Program and Budget Review Submission.

1.3 Preparation of Material (030103)

General guidance with regard to format and preparation of material is presented in Chapter 1. Chapters 8 (Facilities Sustainment and Restoration/Modernization), 12 (Defense Health Program), and 19 provide additional specific guidance with regard to the back-up material required in this section of the manual. (See Volume 2A, Chapter 1 and Volume 2B, Chapters 8, 12 and 19)

1.4 References (030104)

Paragraph 010212 provides policies and definitions concerning costs that are to be financed by the O&M appropriations as opposed to other appropriations in the Research, Development, Test and Evaluation (RDT&E) area. Paragraph 010201 provides policies and definitions regarding the application of expense and investment criteria for budgetary purposes.

2.0 PROGRAM AND BUDGET REVIEW SUBMISSION (0302)

2.1 Operations Accounts (030201)

2.1.1. Purpose. This Section prescribes justification materials required to support the budget estimates for the following operations accounts:

Operation and Maintenance, Army; Army Reserve; and Army National Guard
Operation and Maintenance, Navy and Navy Reserve
Operation and Maintenance, Marine Corps and Marine Corps Reserve
Operation and Maintenance, Air Force; Air Force Reserve; and Air National Guard
Operation and Maintenance, Defense-Wide
Office of the Inspector General
Defense Health Program
Former Soviet Union Threat Reduction
Support for International Sporting Competitions, Defense
U.S. Court of Appeals for the Armed Forces
Overseas Contingency Operations Transfer Fund
Overseas Humanitarian, Disaster Assistance, and Civic Aid

2.1.2. Submission Requirements. All Operation and Maintenance appropriations are required to submit the back-up exhibits listed in the following table, if appropriate. An exception is that the OP 50 and OP 78 exhibits will be submitted on an as needed basis. Examples of these exhibits, along with instructions for their preparation, are provided in Section 4.0. The Components should also consult all of the other chapters for exhibit requirements which are not specifically addressed in this chapter including Chapter 19 - Other Special Analyses. (See section 4.0, below and Chapter 19)

OPERATIONS ACCOUNTS EXHIBITS

Exhibit Number	Exhibit Title	Components Required to Submit
*O-1	O&M Funding by Budget Activity/Activity Group/Subactivity Group	All including DW, baseline and OCO
OP-5	Detail by Subactivity Group	All
OP-5	Attachment 1 Flying Hours	All
OP-5	Attachment 2 Ship Operations	All
OP-5	Attachment 3 Land Forces	All
OP-5	Attachment 4 Facilities Sustainment and Restoration/ Modernization (Chapter 8)	All
OP-5	Attachment 5 Depot Maintenance	All
OP-5	Attachment 6 Defense Health Program	All
OP-5	Attachment 7 JCS Exercise Program	All
OP-5	Attachment 8 Base Operation Support	All
OP-5	Attachment 9 Transportation Costs	All
OP-5	Attachment 10 Training	All
OP-5	Attachment 11 Navy Shipyards	Navy
*OP-5	Attachment 12 Overseas Contingency Operations	All
OP-8	Civilian Personnel Costs	All**
OP-8	Reimbursable Civilian Personnel Costs, Part 2	All**
OP-9	Analysis of Changes in Full-Time Equivalent (FTE) Costs	All**
OP-14	Individual Training Data (Parts A – F, Attachments 1 & 2)	All
OP-15,A,B	Department of Defense Overseas Dependents' Schools	OUSD(P&R)
OP-16	Department of Defense Section 6 Schools	OUSD(P&R)
OP-20	Analysis of Flying Hour Program	All
OP-24	Emergency and Extraordinary Expense Limitation	All
OP-25	Ground Vehicles Operation	Army/Navy
OP-26	POL Consumption and Costs	All**
OP-30	Depot Maintenance Program	All
OP-30S	Ship Depot Maintenance Program	Navy
OP-31	Spares and Repair Parts	All
*OP-32	Summary of Price and Program Changes, baseline and OCO	All
OP-34	Appropriated Fund Support for Morale, Welfare, & Recreation (MWR) Activities	All
OP-40	Ship Fuel and Operating Tempo Data	Navy
OP-41	Ship Operating Cost Data	Navy
OP-50	Operation and Maintenance, Air Force – Units by Program Element	Air Force
OP-53	Overseas Cost Report for the OSD Program/Budget Estimates Submission	All***
OP-58	Operation and Maintenance, Air Force – Analysis of Air Force POL	Air Force
OP-73	Repair Parts	Army Reserve/Guard
OP-78	Force Structure Data	Air Force
OP-80	Aircraft Repair/Modification and Engine Overhaul	Air Force
OP-81	O&M Monthly Obligation Phasing Plan	All
PB-20	Aircraft Inventory	All
PB-31D	Summary of Increases and Decreases	All
PB-31R	Personnel Summary	All
PB-58	Combatant Command Direct Funding	All****
PBA-7	Facilities Sustainment and Restoration/Modernization and *Demolition Programs*	All

* In instances where a specific component is designated as required to submit, this includes the Reserve Components of that Service. (e.g. The OP-80 should be submitted by Active Air Force, Air Force Reserve and Air National Guard.)
** Also required to be submitted by applicable RDT&E, Military Construction, Family Housing, Defense Working Capital Fund, etc., accounts.
*** Refer to Volume 2B, Chapter 15.
****COCOM should only submit if unable to provide OP-5.

Note: Additional budget exhibit requirements can be found in other chapters to include Chapters 8 and 19. (See Volume 2B, Chapters 8 and 19)

2.1.3. Preparation of Material. The following instructions pertain to the back-up material required by this Section.

2.1.3.1. The information will cover the prior year (PY), current year (CY), and budget year (BY), unless otherwise indicated.

2.1.3.2. Operation and Maintenance data will be submitted in terms of obligations.

2.1.3.3. Additional data may be provided by expanding the prescribed formats and exhibits, or by cross-referencing to additional exhibits, where prescribed material is considered inadequate to justify requested programs or estimates. No prescribed material may be omitted unless inapplicable or unless the omission is specifically approved by the OUSD (Comptroller) P/B. The inapplicable stubs and column headings may be omitted but will not be redesignated when completing standard exhibits.

2.1.3.4. The purpose of the back-up exhibits is to describe the program and justify the estimates. If the data collection systems or management systems utilized provide for cost accounts or program units or workload indicators different from those specified in this section, Components should request OUSD (Comptroller) P/B to change the provisions of this regulation.

2.1.3.5. The use of annex exhibits to reduce bulk is encouraged providing the required material is fully covered and presented in a logical manner. Machine printouts of required data will be accepted but should be designed to minimize bulk. Narrative data related to machine printouts should be assembled with the most appropriate page of the printout in a consistent manner.

2.1.4. OMB Circular No. A-11

The Components must submit any additional exhibits required by OMB Circular No. A-11. Consult OMB Circular No. A-11 for instructions pertaining to the completion of the required exhibits.

2.1.5. Facilities Sustainment and Restoration/Modernization (FSRM) and Demolition

Each Component must ensure that the OP-5, Attachment 4 (Facilities Sustainment and Restoration/Modernization (SRM), and Demolition) and PBA-7 FSRM and Demolition in section 4.2 of this chapter are submitted to the Military Personnel and Construction Directorate (Room 3C654) on the same date as all other submissions required under this chapter. (See Volume 2B, Chapter 8) Each Defense Agency is required to complete these exhibits. Data used to

develop estimates should be consistent with data identified in the automated OP-32 for the Facilities Sustainment, Restoration & Modernization subactivity and data contained in the Facilities Data Quality Assurance.

2.1.6. Copies of back-up material in support of budget estimates will be submitted as identified in Section 3.2. Two additional copies of the OP-5 exhibits for Security Programs will be delivered to Director for Military Personnel and Construction, OUSD (COMPTROLLER) P/B, Room 3C654, Pentagon, on the same date as all other submissions required under this Chapter.

2.1.7. Automated Submissions

2.1.7.1. Automated submissions are required for the following exhibits for both the OSD/OMB Budget Estimate Submission and the President's budget request:

O-1 O&M Funding by Budget Activity/Activity Group/Subactivity Group (PRCP)
OP-8 Civilian Personnel Costs (PRCP)
OP-20 Flying Hours Program (SNaP)
OP-30 Depot Maintenance Program (SNaP)
OP-32 Price and Program Growth by Subactivity Group (PRCP)
OP-41 Ship Operating Cost Data (SNaP)
PB-20 Aircraft Inventory (Excel Spreadsheet)

Additional guidance on the automated submission requirements is provided in Chapter 1, sections 010502 and 0109 and in this chapter, section 4.0.

2.1.7.2. In addition to the appropriations and accounts listed in paragraph 2.1, an OP-32, Price and Program Growth Exhibit for BOTH the OSD/OMB submission and the President's budget request will be submitted for the following appropriations and accounts with the Program Managers annotated in parentheses:

Environmental Restoration, Army (Department of Army)
Environmental Restoration, Navy (Department of Navy)
Environmental Restoration, Air Force (Department of Air Force)
Environmental Restoration, Defense-Wide (ODASD(ES), OUSD(AT&L)
Environmental Restoration, Formerly Used Defense Sites (Department of Army)
Defense Against Weapons of Mass Destruction (OUSD(C)/PB/O&P)
Emergency Response Fund, Defense (OUSD(C)/PB/O&P)
OPPLAN 34 A-35 P.O.W. (OUSD(C)/PB/O&P)
Special Olympics World Games (Department of Army)
Quality-of-Life Enhancements, Defense (OUSD(C)/PB/MILCON)
Drug Interdiction/Counterdrug Activities, Defense
Payment to Kaho'Olawe (Department of Navy)
Pentagon Renovation Transfer Fund (Washington Headquarters Service)

2.1.7.3. The electronic submission will be the official submission of these exhibits. Hard copies of the exhibits should be generated from the PRCP or SNaP electronic database.

2.2 U.S. Court of Military Appeals for the Armed Forces (030202)

2.2.1. Purpose. This Chapter prescribes budget justification backup requirements for the appropriation "United States Court of Appeals for the Armed Forces."

2.2.2. Submission Requirements

2.2.2.1. See Chapter 1 for general guidance concerning submission requirements. Submit separate exhibits for each of the following: (See Volume 2A, Chapter 1)

Appropriation Language. Submit justification for proposed changes.

Purpose and Scope. Describe the missions and functions of the Court of Military Appeals.

Summary of Obligations by Object Classification.

Summary of Personnel by Grades. Show the number of civilian positions in each grade, the number of statutory positions, total permanent positions, lapse, and workyears.

Summary of Price and Program Changes.

Explanation of Estimate. Explain changes in costs and provide a statement of case workload and opinions rendered.

Also include applicable exhibits required by Section 2.1 and any of the other chapters of this regulation including Chapter 19 – Other Special Analyses. (See Volume 2B, Chapter 19)

2.2.2.2. Chapter 1 identifies copies of the above material required.

2.3 Civil Functions-Operation and Maintenance (030203)

2.3.1. Purpose. This Chapter prescribes budget justification backup requirements for the civil functions appropriations.

2.3.2. Cemeterial Expenses (Department of the Army).

2.3.2.1. See Chapter 1 for general guidance concerning submission requirements. Submit separate exhibits for each of the following. All data will be provided for the past (PY), current (CY), and budget year (BY) fiscal years. (See Volume 2A, Chapter 1)

2.3.2.1.1. Appropriation Language. Submit justification for proposed changes.

2.3.2.1.2. Multiyear Financial Plans. Show budget authority and outlays by budget project and in total for the past (PY), current (CY), and budget year (BY) fiscal years and for 4 subsequent fiscal years. Also show planned end-of-year employment (permanent positions and other positions) by budget project and in total for the same years.

2.3.2.1.3. Analysis of Budget Authority (BA) and Outlays. Show BA and outlays by budget project and in total. Also show the difference between the budget year (BY) and the current year (CY) and the outlays in the budget year (BY) resulting from BA in the budget year (BY).

2.3.2.1.4. Program and Performance. Describe the major workload considerations and activity factors on which the estimates for each budget project have been based.

2.3.2.1.5. Summary of Obligations by Object Classification.

2.3.2.1.6. Statement Relating Past Year (PY), Current Year (CY), Budget Year (BY) Programs. List the increases and decreases necessary to reconcile the obligations incurred in each year with an analysis by budget project showing the obligations for each year and the related increases and decreases between each year.

2.3.2.1.7. Project 0861 - Operation and Maintenance. Provide narrative justification and amounts for each project classification within the project. Separately identify yearend employment (end strength) and workyears for supervisory, interment and maintenance categories.

2.3.2.1.8. Project 0864 - Administration. Provide narrative justification and amounts for each object classification within the project. Separately identify yearend employment (end strength) and workyears for National Cemetery activities, headstone activities, and administrative services and staff planning.

2.3.2.1.9. Project 0865 - Special Construction, Arlington National Cemetery.

2.3.2.1.9.1. Provide amounts by each object classification within the project. Separately identify yearend employment (end strength) and workyears.

2.3.2.1.9.2. List and provide a narrative justification and amount for each planned construction or development project.

2.3.2.1.10. Report of Motor Vehicle Data. Provide the following summary:

2.3.2.1.10.1. Fleet as of October 1.

2.3.2.1.10.2. Acquisitions:

2.3.2.1.10.2.1. New orders placed

2.3.2.1.10.2.2. By forfeiture

2.3.2.1.10.2.3. By transfer

2.3.2.1.10.3. Number disposed of (deduct):

2.3.2.1.10.3.1. Disposals accomplished (carryover)

2.3.2.1.10.3.2. Disposals accomplished (newly scheduled)

2.3.2.1.10.4. Vehicles replaced (newly scheduled).

2.3.2.1.10.5. Active fleet, September 30 (a + b + c).

2.3.2.1.10.6. Vehicles unused on a term basis (add).

2.3.2.1.10.7. Total vehicles available full-time (e + f).

2.3.2.1.10.8. Obligations for vehicles ordered.

Personnel Justification. Submit Exhibit OP-8 and OP-9 which are described in Section 2.1 and an example of which is found in Section 4.0. (See section 2.1, above and section 4.0, below)

2.3.2.2. Chapter 1 identifies copies required of the above material.

2.3.3. Wildlife Conservation, Etc., Military Reservations; Forestry Program (Department of Army).

2.3.3.1. In addition to the Program and Financing Schedule and Personnel Summary, submit an Exhibit OP-5 prescribed in Section 2.1 and an example of which is provided in Section 4.0. (See section 2.1, above and section 4.0, below)

2.3.3.2. Chapter 1 identifies copies required of the above material.

3.0 CONGRESSIONAL JUSTIFICATION/PRESENTATION (0303)

3.1 Purpose (030301)

This Section presents the justification book organization and the exhibit requirements for submission to Congress. Examples of budget exhibits can be found in Section 4.0.

3.2 Submission Requirements (030302)

For designated exhibits, the Military Departments and applicable Defense Agencies will update the SNaP immediately upon completion of the Program Budget Decisions and budget lock by the Department. In addition, the Military Departments and applicable Defense Agencies shall provide the USD(Comptroller) with a revised narrative justification for their respective programs reflecting any changes from the program and budget review. The SNaP system will reformat the data into congressional justification exhibits, which can be printed out by the respective Components and included in their justification materials.

All O&M overview exhibits are to be submitted via email to ***OPSMAIL@osd.mil*** in a MICROSOFT WORD format. Submit each Overview exhibit as a separate file. Embedded Excel Spreadsheets should be used for tables included in the Word document as required.

*3.3 Organization of Justification Books (030303)

3.3.1. Justification Books will be organized into separate books for each appropriation. The only exceptions to organizing justification books into separate books for each appropriation are for the United States Court of Military Appeals for the Armed Forces and the Office of the Inspector General appropriations. These should be included in the same book as the Defense-Wide. The Defense Health Program (DHP) will be a separate justification book. The procurement and RDT&E DHP budget activities will follow the organization prescribed for the procurement and RDT&E appropriations in Chapters 4 and 5, respectively. (See Volume 2B, Chapters 4 and 5)

3.3.2. Justification books for the Active Component of each Military Service should be organized into three volumes (in separate books) as follows:

3.3.2.1. Volume I - “Justification of Estimates”

3.3.2.2. Volume II - “Data Book”

3.3.2.3. Volume III – “Overseas Contingency Operations Request” for Operations Enduing Freedom and Operations New Dawn

3.3.2.4. Reserve and National Guard Components should combine the above volumes into one book for each Component.

3.3.3. The justification books for the Operation and Maintenance, Defense-Wide appropriation will include a Volume III classified volume in addition to the volumes for “Justification of Estimates” and “Data Book”.

3.3.4. Volume I - Justification of O&M Estimates. The Operation and Maintenance (O&M) Justification Books will be submitted on an operations basis to include active military force personnel strength, Reserve and National Guard personnel strength, and civilian personnel. (Related dollars financed from the active and Reserve military personnel appropriations, however, should not be included.) The content and arrangement of exhibits for the operations accounts are indicated at the end of this section. Applicable exhibits for the Reserve and Guard Component operations accounts will be consistent with the active operations accounts. Exhibit formats are provided in Section 4.0. Separate volumes for active and reserve component operation appropriations will be submitted. Funds for the National Intelligence Program (NIP) or Military Intelligence Program (MIP) will be specifically identified. Justification classification will not exceed that required for other operations funds. (See section 4.0, below)

3.3.5. Volume II - Data Book. The Data Book will include summary and special interest exhibits as well as the Facilities Sustainment and Restoration/Modernization (FSRM), and Demolition exhibits. The content and arrangement of exhibits for the operations accounts are included at the end of this section.

Two copies of the FSRM OP-5 and FSRM PBA-7 exhibits will be submitted to the Directorate for Military Personnel and Construction, OUSD (COMPTROLLER), P/B, Pentagon, Room 3C654 for review and approval.

3.3.6. Volume III – Overseas Contingency Operation (OCO). The OCO request will include the O-1 Line Item Summary, the OP-32 Price and Program Growth by Appropriation summary, the OCO OP-5, performance criteria, and the OP-32 Price and Program Growth by Subactivity Group for the operations defined in Volume 12 Chapter 23 Section 2309 or in the budget guidance.

3.3.7. Additional Accompanying Exhibits. Although not to be included in any of the Justification Books submitted to Congress, the exhibits at the end of this section are required to be submitted to the OUSD (Comptroller) P/B Directorate for Operations, Pentagon, Room 3C749, simultaneously with the submission of the other budget justification material. THESE EXHIBITS ARE NOT TO BE INCLUDED IN JUSTIFICATION BOOKS SUBMITTED TO THE CONGRESS. Examples are provided in Section 4.0 (O&M), Chapter 13 (Defense Environmental Restoration Program), or Chapter 19 (Other Special Analyses). (See Volume 2B, Chapters 13 and 19) (See section 4.0, below)

3.3.8. O&M Overview. The Operation and Maintenance Overview exhibits (PBA-xx) are required for submission to the OUSD (Comptroller) P/B Directorate for Operations, Pentagon, Room 3C749, and the OUSD (Comptroller) P/B Military Personnel and Construction Directorate, Pentagon, Room 3C654. Specific suspense dates will be furnished in the annual budget justification call memorandum supporting the President's budget request. The parent service is responsible for ensuring that ALL required data including Reserve Component appropriations are submitted.

3.3.8.1. Exhibit formats are provided in Section 4.0. Each exhibit must provide narrative data to explain price and program changes between all fiscal years displayed. In addition, Components are responsible for cross checking data among the exhibits to ensure data provided is consistent among all PBA exhibits and all other exhibits supporting the President's budget request, including the backup exhibits. (See section 4.0, below)

3.3.8.2. Two copies of each exhibit are required and will identify the Component, exhibit number and title, date prepared, and name/telephone number of the responsible point of contact for the exhibit. The exhibits will be consolidated at the Operation & Maintenance title level for printing and submission to the Congress. The Defense Agencies should provide as a minimum the PBA-7, PBA-19 and the PBA-20 exhibits and address resource requirements in one or more of the major mission categories as appropriate.

ORGANIZATION/EXHIBIT REQUIREMENTS
(Exhibits should be ordered as shown below)

VOLUME I - JUSTIFICATION OF O&M ESTIMATES

Table of Contents

Introductory Statement (use the PBA 19 exhibit - Appropriation Highlights)

O-1*	O&M Funding by Budget Activity/Activity Group/Subactivity Group
OP-32*	Appropriation Summary of Price/Program Growth
PB-31R	Personnel Summary
PB-31D	Summary of Funding Increases and Decreases
OP-5	Operation and Maintenance Detail by Subactivity Group (Exhibit formats are provided in Section 4.0)
PB-58	Combatant Command Direct Funding (Only submit if unable to provide OP-5).

VOLUME II - DATA BOOK

Table of Contents

PB-31Q**	Manpower Changes in FTEs	
PB-55	International Military Headquarters	(CH. 19)
PB-24	Professional Military Education	(CH. 19)
PB-15	Advisory and Assistance Services	(CH. 19)
OP-34	Appropriated Fund Support for MWR Activities (SNaP Budget Years only)	
OP-30*	Depot Maintenance Program (SNaP Summary exhibit only)	
Env-30A-C	Defense Environmental Restoration Program	(CH. 13)
PB-28/28A	Summary of Budgeted Environmental Projects	(CH. 19)
OP-31	Spares and Repair Parts	
PB-34A	Revenue from Leasing Out DoD Assets	(CH. 8)
PB-34B	Proceeds from Transfer or Disposal of DoD Real Property	(CH. 8)

* Automated submission is also required.
** Input from Reserve and Guard organizations are to be consolidated by the parent Component (i.e., Army, Navy, Air Force) for submission to OSD. Guard and Reserve organizations should not include these exhibits in their submission.

*VOLUME III – OVERSEAS CONTINGENCY OPERATIONS REQUEST

Table of Contents

O-1* O&M Funding by Budget Activity/Activity Group/Subactivity Group
OP-32* Price and Program Growth by Appropriation
OP-5 O&M Detail by Overseas Operation, Subactivity Group and Cost Breakdown Structure
OP-32 Price and Program Growth by Subactivity Group

ADDITIONAL ACCOMPANYING EXHIBITS *
(Submission is required in both hard copy and electronic formats)

OP-8**	Civilian Personnel Costs (All Appropriations/Funds)	
OP-9	Analysis of Changes in FTE Costs (All Appropriations/Funds)	
OP-14	Individual Training Data (Parts A – F, Attachments 1 & 2)	
OP-15,A,B	Department of Defense Overseas Dependents' Schools	
OP-16	Department of Defense Section 6 Schools	
OP-20**	Analysis of Flying Hour Program	
OP-24	Emergency and Extraordinary Expense Limitation	
OP-25	Ground Vehicle Operations	
OP-26	POL Consumption and Costs (All Appropriations/Funds)	
OP-30S**	Ship Depot Maintenance Program	
OP-34	Appropriated Fund Support for Morale, Welfare, and Recreation Activities	
OP-40	Ship Fuel Data	
OP-41**	Ship Operating Data	
OP-50	Operation and Maintenance, Air Force – Units by Program Element	
OP-53, 53A	Overseas Cost Report	(CH. 15)
OP-58	Operation and Maintenance, Air Force – Units by Program Element	
OP-73	Repair Parts – Army Reserve	
OP-78	Force Structure Data	
OP-80	Aircraft Repair/Modification & Engine Overhaul	
OP-81	O&M Monthly Obligation Phasing Plan	
PB-14	Functional Transfers	(CH. 19)
PB-16	Legislative Proposals	(CH. 19)
PB-18	Foreign Currency Exchange Data	(CH. 19)
PB-20**	Aircraft Inventory	
PB-23	Acquisition and Technology Work Force	(CH. 19)
PB-25	Host Nation Support	(CH. 19)
PB-28b	Operational Range Sustainment and Environmental Management	(CH. 19)
PB-50	Child Development, School-Age Care (SAC), Family Centers, and Family Advocacy Programs	(CH. 19)
PB-53	Budgeted Military and Civilian Pay Raise	(CH. 19)
PB-54	Civilian Personnel Hiring Plan	(CH. 19)

* To be submitted separately to OUSD (COMPTROLLER) P/B, Operations Directorate (Pentagon, Room 3C749)
** Automated submission is also required.

O&M OVERVIEW

PBA #	TITLE
PBA-2	Air Operations
PBA-3	Ship Operations
PBA-4	Land Forces
PBA-5	Depot Maintenance Program
PBA-7	Facilities Sustainment and Restoration/Modernization (FSRM), and Demolition Programs (Chapter 8)
PBA-8	Training and Education
PBA-9	Defense Health Program
PBA-10	Base Support
PBA-11	Reserve Forces
PBA-12	Command, Control, and Communications
PBA-13	Transportation
PBA-17	Recruiting, Advertising, and Examining
PBA-19*	Appropriation Highlights
PBA-20A	Manpower Data (Civilian)
PBA-22	Mobilization
PBA-26	Special Operations Forces (USSOCOM only)
*PBA-27	Psychological Operations
*PBA-28	Body Armor and Other Protective Gear

* Every Component (Active, Guard, Reserve and Defense Agency) is required to submit.
** All O&M overview exhibits are to be submitted via email to ***OPSMAIL@osd.mil*** in a MICROSOFT WORD format. Embedded Excel Spreadsheets should be used for tables included in the Word document as required. Submit each Overview exhibit as a separate file.

4.0 OPERATION AND MAINTENANCE APPROPRIATION SUBMISSION FORMATS (0304)

4.1 Purpose (030401)

The formats provided on the following pages reflect guidance presented in previous sections of this chapter. Unless modified in submission budget call memoranda, these formats should be utilized.

4.2 Exhibits in Support of Section 2.0 - Program and Budget Review Submission (030402)

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Exhibit OP-5 Detail by Subactivity Group……25
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Exhibit OP-5 Ship Operations (Attachment 2)……...…37
Exhibit OP-5 Land Forces – Army Ground & Air OPTEMPO (Attachment 3)…….39
Exhibit OP-5 Facilities Sustainment and Restoration/Modernization (Attachment 4)…...…43
Exhibit OP-5 Depot Maintenance (Attachment 5)……..44
Exhibit OP-5 Defense Health Program (Attachment 6)……..46
Exhibit OP-5 Base Support Program (Attachment 8)……50

Exhibit OP-5 Transportation Program (Attachment 9)……..53
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Exhibit OP-26A POL Consumption and Costs (Flying Hours)……...…127
Exhibit OP-26B POL Consumption and Costs (Unit Cost)……..128
Exhibit OP-26C Sources of Purchases for POL Consumption……129
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Exhibit OP-30S Ship Depot Maintenance Program……..133
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PBA-13 Transportation 216
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Exhibit O-1 O&M Funding by Budget Activity/Activity Group/Subactivity Group

FY ___ Budget Estimates
Operation and Maintenance, _____

($ in Thousands)

	FY PY	FY CY	FY BY
Budget Activity 1, Operating Forces			
Activity Group			
Subactivity			
Subactivity			
etc.			
Subtotal			
Total Activity Group			
Activity Group			
Subactivity			
Subactivity			
etc.			
Subtotal			
Total Activity Group			
Budget Activity 2, Mobility Operations			
etc.			
Budget Activity 3, Training and Recruiting			
etc.			
Budget Activity 4, Administration and Servicewide Support			
etc.			
Total Operation and Maintenance, _____			

Provide Budget Activity, Activity Group, and Subactivity subtotals funding levels.

All O&M Components including Defense Agencies must submit an automated O-1 for both the OSD/OMB and congressional submissions through the Program Resources Collection Process (PRCP). Components will submit data that shows the prior year (PY) through budget year +4 (BY+4). Automated submission requirements for the PCRP are provided in Chapter 1, section 5.2.

Exhibit O-1 O&M Funding by Budget Activity/Activity Group/Subactivity Group
(Page 1 of 2)

Exhibit OP-5 Instructions

INSTRUCTIONS FOR PREPARATION OF OP-5

1. Agencies/Activities are required to submit this exhibit at the lowest level of their budget structure. The purpose of the OP-5 is to provide a summary of and justification for changes in the level of resources required for each SAG.

2. The Combat Support Agent will submit an OP-5 for the new SAGs created by the Military Service, in accordance with the Joint Task Assignment Process business rules, for its Combatant Commands. Each Combat Support Agent will create two new SAGs, one SAG for Combatant Command Headquarters Functions and one for Combatant Command Missions. These SAGS will include only Combatant Command justification data and will include all Combatant Commands under the purview of the Combat Support Agent. Do not create separate SAGs for each Combatant Command. Price and Program changes will be reported separately by COCOM.

3. Each of the O&M appropriations listed below, will be supported by OP-5 Exhibits.

   Operation & Maintenance, Army, Army Reserve, and Army National Guard
   Operation & Maintenance, Navy and Navy Reserve
   Operation & Maintenance, Marine Corps and Marine Corps Reserve
   Operation & Maintenance, Air Force, Air Force Reserve, and Air National Guard
   Operation & Maintenance, Defense-Wide
   Defense Health Program
   Former Soviet Union Threat Reduction
   Office of the Inspector General
   United States Court of Military Appeals for the Armed Forces
   Wildlife Conservation, Etc., Military Reservations
   Overseas Humanitarian, Disaster, and Civic Aid
   Support of International Sporting Competition, Defense

4. The OP-5 provides essential information for justification of the OSD and President's budget estimates. The "Reconciliation of Increases and Decreases" portions of Section III should identify what changes are occurring and provide programmatic reason for the changes and explain why they are necessary.

5. The FY PY estimate column of the OSD submit should reflect actual data through the first three quarters plus a realistic projection for the remaining quarter. For the PB submit, the FY PY column will reflect actuals and agree with the data reflected in the certified DD Comp 1002 report for September.

6. The "Reconciliation of Increases and Decreases" section will be included in the OP-5 for both the OSD budget submission and the President's budget submission. Reconciliations will show all changes from fiscal year to fiscal year and, for the current year, a track from the estimate requested in the previous President's budget. Specifically display:

   - The FY BY estimate included in the previous President's budget submission to the current FY CY estimate included in this submission,
   - The current FY CY estimate to FY BY estimate reflected in this submission.

(Page 1 of 2)

INSTRUCTIONS FOR PREPARATION OF OP-5

7. Performance criteria must be provided for each OP-5 at the subactivity level and should support the dollar amounts being requested in the subactivity. Performance criteria for some subactivity groups are specified in the attachments to the OP-5 but additional criteria and metrics are encouraged. These data and metrics are critical to the successful defense of the budget request.

8. Personnel summaries are required for each subactivity group and for each Defense Agency.

9. With the exception of selected Defense Agencies, all Components will submit unclassified O&M justification materials.

Exhibit O-1 O&M Funding by Budget Activity/Activity Group/Subactivity Group
(Page 2 of 2)

Exhibit OP-5 Detail by Subactivity Group

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

I. Description of Operations Financed: Provide a narrative explanation characterizing the mission and major functions funded in the subactivity group. Include a separate explanation for each subactivity shown in Section IIIA. below. These explanations should address significant program initiatives/actions included in the budget.

II. Force Structure Summary: Provide a narrative explanation and identification of force structure supported by funding in this subactivity group.

III. Financial Summary ($ in Thousand)

		FY CY				
	FY PY	Budget	Congressional Action		Current	FY BY
A. Subactivity Group	**Actuals**	**Request**	**Amount**	**Percent**	**Appropriation**	**Estimate**
Estimate						
1. Subactivity (example, COCOM X)						
2. Subactivity						
3. Etc.						
Total						

B. Reconciliation Summary:	**Change FY CY/FY CY**	**Change FY CY/FY BY**
Baseline Funding		
Congressional Adjustments (Distributed)	.....	**n/a**
Congressional Adjustments (Undistributed)		n/a
Adjustments to Meet Congressional Intent		n/a
Congressional Adjustments (General Provisions)		n/a
Subtotal Appropriated Amount		*n/a*
Fact-of-Life Changes (CY to CY Only)		n/a
Subtotal Baseline Funding		n/a
Anticipated Overseas Contingency Operations		n/a
Reprogrammings		n/a
Price Changes		
Functional Transfers	n/a	
Program Changes	n/a	
Current Estimate		

Reconciliation Summary Instructions: For the changes in the Current Fiscal Year (FY CY), provide information from the President's budget request for that fiscal year to the current estimate in this submission for that same fiscal year. For the changes from the FY CY to the FY BY, use the current estimate in this submission.

* The O&M budget is generally stratified into three levels: Level 1, Budget Activity (BA); Level 2, Budget Activity Group (BAG); and Level 3, Subactivity Group (SAG) (also referred to as O-1 line items). The O&M budget structure for some Defense Agencies/Activities stops at the BA or BAG level. The Defense Agencies/Activities are required to submit this exhibit at the lowest level of their budget structure.

Exhibit OP-5 Detail by Subactivity Group
(Page 1 of 9)

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

C. Reconciliation of Increases And Decreases: Provide a trail of changes from the previous President's budget request for the current fiscal year in this submission to the appropriated amount for the current FY CY in this submission to the current estimate for FY CY in this submission; and from the FY CY current estimate to the FY BY estimate. Provide a single entry in each year for price changes. Itemize and justify the major program changes in each year (**provide the baseline in dollars to which the increase or decrease applies**). Such justification should clearly explain **programmatic** changes in resource levels including why increases are required or decreases occur. Additionally, the narrative justification should relate cost to force structure changes, performance criteria, workload and manpower data, as well as identify the impact if requested changes are not funded. The DoD Components should report in thousands.

In the reconciliation of changes from the previous President's budget request for the FY CY to the estimate for FY CY in the current submission, the DoD Components should include the following adjustments:

- Distributed Congressional Adjustments: Adjustments that Congress specifically makes to the President's budget request. These adjustments must match the Appropriation Conference Report table and the FY CY Rebaseline Report (for Active Military Components only) at the subactivity group level.
- Undistributed Congressional Adjustments: Adjustments outlined on the tables contained in the statement of managers accompanying the appropriations conference report. The Components must use discretion as to how these adjustments are applied to minimize negative impacts on force readiness. These adjustments must match the Appropriation Conference Report table and the FY CY Rebaseline Report at the appropriation level and subactivity group level, respectively.
- Adjustments to Meet Congressional Intent: Adjustments that are required in order to align funding for a congressionally approved program into the proper budget activity and subactivity in order to carry out the intent of the Congress. These adjustments must match the FY CY Rebaseline Report at the subactivity group level.
- General Provisions: Adjustments directed by the Congress in appropriations law, the distribution of which is not explicitly stated. The OP-5 should separately display each General Provision adjustment. These adjustments must match the FY CY Rebaseline Report at the subactivity group level.
- Fact-of-Life Changes: The Operation and Maintenance (O&M) fact of life changes are programmatic, intra-appropriation adjustments made by DoD Components to address significant, unforeseen operational readiness issues within the following categories:
  1. Functional Transfers – Funding realignments to reflect a transfer of function, responsibility, or duty from one major command to another within each Military Department or Defense Agency. These adjustments do not change the purpose for which the funds were appropriated.
  2. Technical Adjustments – Accounting adjustments to properly align funding with the appropriate O&M subactivity group (SAG) where costs are actually accrued and executed. These adjustments do not change the purpose for which the funds were appropriated.

Exhibit OP-5 Detail by Subactivity Group
(Page 2 of 9)

3. Emergent Requirements – Adjustments to funding requirements resulting from changes in policy, legal direction, or other unforeseen (e.g., operational readiness, health or safety, etc. related) events that occurred after the submission of the President's Budget.

These adjustments must not change the congressional priorities and are subject to congressional review as reported in the Rebaseline Report. The Rebaseline Report, as amended by any congressional action, will be used to develop the DD 1414, Base for Reprogramming Actions. See Volume 3, Chapter 6 regarding the policies for the reprogramming of O&M funds subsequent to the establishment of the base for reprogramming actions.

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

($ in Thousands)

	Amount	Totals

C. Reconciliation of Increases and Decreases:

FY CY President's Budget Request (Amended, if applicable)

1. Congressional Adjustment (List Items) (Provide the baseline amount for each programmatic change.) (Separate amounts for Combatant Commands.)
   a) Distributed Adjustments (List Items)
   b) Undistributed Adjustments (List Items)
   c) Adjustments to Meet Congressional Intent (List Items)
   d) General Provisions (List Items)

Appropriated Amount (subtotal)

2. Fact-of-Life Changes (Note: Specify each item separately. For each adjustment, identify the sources (at the subactivity group level) from which funds were transferred into that activity, and identify the recipients (at the subactivity group level) of the funds transferred out of that activity. See previous instructions for a definition of the type of changes (emergent requirements, functional transfers, and technical adjustment) included in this section.)
   a) Functional Transfers
      i) Transfers In (List and explain the reason for each functional transfer.)
      ii) Transfers Out (List and explain the reason for each functional transfer.)
   b) Emergent Requirements
      i) One-Time Costs (List and provide complete and sufficiently detailed programmatic justification for each item.)
      ii) Program Growth (List and provide complete and sufficiently detailed programmatic justification for each item.)
      iii) Program Reductions (List and provide complete and sufficiently detailed programmatic justification for each item.)

Baseline Funding (subtotal) (Must agree with the "Revised Baseline" column of the FY CY Rebaseline Report.)

3. Reprogrammings/Overseas Contingency Operations
   a) Anticipated Overseas Contingency Operations
   b) Reprogrammings (Requiring 1415 Actions)
      i) Increases
      ii) Decreases

Revised FY CY Estimate (Must agree with the CY column of the FY BY President's budget.)

Exhibit OP-5 Detail by Subactivity Group
(Page 4 of 9)

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

($ in Thousands)

	Amount	Totals

C. Reconciliation of Increases and Decreases:

4. Price Change
5. Transfers (Note: Must explain the reason for each transfer in and out.)
   a) Transfers In
      i)
      ii)
      iii) etc.
   b) Transfers Out
      i)
      ii)
      iii) etc.
6. Program Increases (Note: Each change must show the CY baseline and include complete and sufficiently detailed, programmatic explanation.)
   a) Annualization of New FY CY Program
      i)
      ii)
      iii) etc.
   b) One-Time FY BY Costs
      i)
      ii)
      iii) etc.
   c) Program Growth in FY BY
      i)
      ii)
      iii) etc.
7. Program Decreases (Note: Each change must show the CY baseline and include complete and sufficiently detailed, programmatic explanation.)
   a) One-Time FY CY Costs
      i)
      ii)
      iii) etc.

Exhibit OP-5 Detail by Subactivity Group
(Page 5 of 9)

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

($ in Thousands)

	Amount	Totals

C. Reconciliation of Increases and Decreases:

b) Annualization of FY CY Program Decreases
   i)
   ii)
   iii) etc.

c) Program Decreases in FY BY
   i)
   ii)
   iii) etc.

FY BY Budget Request

NOTE: Substitute appropriate fiscal years to show current year (CY) and budget year (BY).

Exhibit OP-5 Detail by Subactivity Group
(Page 6 of 9)

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

Performance Criteria and Evaluation Summary: The Performance Criteria and Evaluation Summary (OP-5, Part IV) must provide supporting detail sufficient to demonstrate how the budgeted resources for each subactivity group contribute to the Department's mission. The Components must provide meaningful performance and work load data by SAG for each year FY PY, FY CY, and FY BY, where appropriate. Performance criteria must be displayed for each subactivity group. The goal is for the performance criteria to justify the budget request. If no performance criteria are provided, then a statement must be included explaining why there is no performance criteria.

The House of Representatives Report (Report 108-106, page 303) on the National Defense Authorization Act for Fiscal Year 2004 directed the Office of the Secretary of Defense (Comptroller) and the service's assistant secretaries of financial management to improve the current performance criteria to reflect measurable metrics. In response, the Department modified the performance criteria for some SAGs supporting the O&M and DHP justification materials and reported the improvements in a report to the Congress in January 2004 and the FY 2005 President's Budget submission in February 2004. The Components must continue to report these improved performance measures in the Performance Criteria section of the OP-5 justification book. The following subactivity groups have specific performance criteria required.

Flying Hour Program (Attachment 1)
Ship Operations (Attachment 2)
Land Forces (Attachment 3)
FSRM (Attachment 4)
Depot Maintenance (Attachment 5)
Defense Health Program (Attachment 6)

The following programs also have specific performance criteria required (See attachments 1-4 to the OP-5 in the FMR):

JCS Exercise Program (Attachment 7)

Base Operations Support (Attachment 8)

Transportation (Attachment 9)

Training (includes multiple subactivity groups) (Attachment 10)

Exhibit OP-5 Detail by Subactivity Group
(Page 7 of 9)

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

	FY PY	FY CY	FY BY	Change FY CY/FY BY

V. Personnel Summary:

Active Military End Strength (E/S) (Total)
Officer
Enlisted

Reserve Drill Strength (E/S) (Total)
Officer
Enlisted

Reservists on Full Time Active Duty (E/S) (Total)
Officer
Enlisted

Active Military Average Strength (A/S) (Total)
Officer
Enlisted

Reserve Drill Strength (A/S) (Total)
Officer
Enlisted

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

V. Personnel Summary (Cont'd):	FY PY	FY CY	FY BY	Change FY CY/FY BY
Reservists on Full Time Active Duty (A/S) (Total)				
Officer				
Enlisted				
Civilian FTEs (Total)				
U.S. Direct Hire				
Foreign National Direct Hire				
Total Direct Hire				
Foreign National Indirect Hire				
(Military Technician Included (Memo))				
(Reimbursable Civilians Included Above (Memo))				
*Contractor FTEs (Total)				

VI. Outyear Summary:	FY BY+1	FY BY+2	FY BY+3	FY BY+4
O&M ($ in Thousands)				
Military End Strength				
Reserve Drill End Strength				
Reservists on Full Time Active Duty (E/S)			(Include Part VI in the OSD/OMB submission only)	
Civilian FTEs				
*Contractor FTEs				

VII. OP 32 Line Items as Applicable (Dollars in Thousands):

	Change from FY PY to FY CY				Change from FY CY to FY BY			
FY PY Actuals	Foreign Currency Rate Diff	Price Growth	Program Growth	FY CY Estimate	Foreign Currency Rate Diff	Price Growth	Program Growth	FY BY Estimate

1. List each applicable OP-32 line item number and title.

2. Do not include the percentage of price growth.

To be submitted for both the OSD and President's budget submissions. For the President's budget submission, number the OP-32 section "VI" since the "Outyear Summary" is not provided.

Exhibit OP-5 Detail by Subactivity Group
(Page 9 of 9)

Exhibit OP-5 Flying Hours (Attachment 1)

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

(FY PY, FY CY, FY and BY)

IV. Performance Criteria and Evaluation (Flying Hours)

	FY PY		FY CY		FY BY
	Budgeted*	Actual	Budgeted	Estimate	Estimate

Program Data (All Services) * Information for the Prior Year (FY PY) Budgeted will reflect the amount requested in the President's Budget for that fiscal year, not the updated column reflecting congressional adjustments.

Total Aircraft Inventory (TAI) (End of FY) [1/] Total of all aircraft in the inventory including Primary Authorized Aircraft, Back-up Aircraft Inventory, and the Attrition Reserve.

Primary Aircraft Authorized (PAA) (End of FY) [1/] Aircraft authorized for the performance of the unit's mission. The PAA forms the basis for allocation of operating resources including manpower, support equipment, and flying hour funding.

Backup Aircraft Inventory (BAI) (End of FY) [1/] Aircraft above the primary aircraft inventory that permits scheduled and unscheduled depot level maintenance, modifications, inspections and repairs, and other circumstances without reduction of aircraft available for the assigned mission.

Attrition Reserve (AR) (End of FY) [1/] Aircraft required to replace anticipated losses of primary authorized aircraft due to peacetime accidents or wartime action. Also includes aircraft stored or on the ramp that are planned for return to the operating forces in the event of mobilization, replacement, or reconstitution

[1/]Memo entry detail should show breakout by major platform.

Flying Hours Percent Executed	n/a	n/a	n/a	n/a
Flying Hours Percent Executed	n/a	n/a	n/a	n/a

Exhibit OP-5 Flying Hours (Attachment 1)
(Page 1 of 3)

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

	FY PY		FY CY		FY BY
	Budgeted*	Actual	Budgeted	Estimate	Estimate
Crew Ratio (Average)		Crew Ratio: The average number of pilots required to staff an aircraft.			
Bombers					
Fighters					
OPTEMPO (Hrs/Crew/Month)					
Bombers					
Fighters					
Navy Average T-Rating		T Rating: T-rating (or C rating) is the training component of SORTS (Status of Resources and Training System). The average required readiness level throughout the year is determined by the number of Prioritized Primary Mission Area (PRMAR) points achieved per training interval.			
ICBM Inventory					
Minuteman I					
Minuteman II					
Peacekeeper					

Army Aviation Battalions [1/]
[1/]Memo entry detail should show breakout by major platform.

Army (Joint Air Ground Center)
Number of Deep Attack Rotations
Combat Maneuver Training Center (CMTC) (Victory Strike-Battalions)
Western Army National Guard Aviation Training Site (WAATS) (Battalions)
National Training Center (NTC) (Battalions)
Joint National Training Capability (JNTC) (Battalions)

Variance Reporting: Describe all variances in quantities and dollars from the original President's Budget submission for both the Prior Year and the Current Year. In addition to the explanations as to the reasons for the variances, this area should also be used to discuss how the variances contributed to/hindered achievement of activity goal.

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

Explanation of Performance Variances

Prior Year:

Current Year:

Exhibit OP-5 Flying Hours (Attachment 1)
(Page 3 of 3)

Exhibit OP-5 Ship Operations (Attachment 2)

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity
Activity Group_____
Detail by Subactivity Group

(FY PY, FY CY, and FY BY)

IV. Performance Criteria and Evaluation (Ship Operations)

	FY PY		FY CY		FY BY
	Budgeted*	Actual	Budgeted	Estimate	Estimate
Ship Years Supported					
OPTEMPO (Days Underway per Quarter)					
Deployed					
Non-Deployed					
Ship Operating Months Supported					
Deployed					
Non-Deployed					
Ship Steaming Days Per Quarter					
Deployed					
Non-Deployed					
Barrels of Fossil Fuel Required (000)					
Nuclear Material Consumption ($000)					
MSC Charter Inventory					
Per Diem Days Chartered					
Full Operating Status					
Reduced Operating Status					

* Information for the Prior Year (FY PY) Budgeted will reflect the amount requested in the President's Budget for that fiscal year, not the updated column reflecting congressional adjustments.

Variance Reporting: Describe all variances in quantities and dollars from the original President's Budget submission for both the Prior Year and the Current Year. In addition to the explanations as to the reasons for the variances, this area should also be used to discuss how the variances contributed to/hindered achievement of activity goal.

Exhibit OP-5 Ship Operations (Attachment 2)
(Page 1 of 2)

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

Explanation of Performance Variances

Prior Year:

Current Year:

Exhibit OP-5 Ship Operations (Attachment 2)
(Page 2 of 2)

Exhibit OP-5 Land Forces – Army Ground & Air OPTEMPO (Attachment 3)

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

(FY PY, FY CY, and FY BY)

IV. Performance Criteria and Evaluation (Army Ground OPTEMPO)

	FY PY		FY CY		FY BY	
Tactical Unit MTOE Systems	**Qty**	**$000**	**Qty**	**$000**	**Qty**	**$000**
a. Tracked Combat Vehicles (Memo Entry [1])						
b. Combat Support Pacing Teams (Memo Entry [1])						
c. Maneuver Battalions/Squadrons (Memo Entry [1])						
d. Combat Support Battalions (Memo Entry [1])						

* Information for the Prior Year (FY PY) Budgeted will reflect the amount requested in the President's Budget for that fiscal year, not the updated column reflecting congressional adjustments.

Ground OPTEMPO Measures	FY PY	FY CY	FY BY
Average Tank Miles Budgeted			
Average Tank Miles Executed			
Percent of Tank Miles Executed			
Ground OPTEMPO Funds Budgeted ($000)			
Ground OPTEMPO Funds Executed ($000)			
Percent of Ground OPTEMPO Funds Executed			

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

(FY PY, FY CY, and FY BY)

IV. Performance Criteria and Evaluation (Army Air OPTEMPO)

	FY PY		FY CY		FY BY	
Aircraft (Memo Entry 1/)	**Qty**	**$000**	**Qty**	**$000**	**Qty**	**$000**
Aviation Battalions (Memo Entry 1/)						

	FY PY	FY CY	FY BY
Air OPTEMPO Measures			
Flying Hours Budgeted (000)			
Flying Hours Executed (000)			
Percent of Budgeted Hours Executed			
Air OPTEMPO Funds Budgeted ($000)			
Air OPTEMPO Funds Executed ($000)			
Percent of Air OPTEMPO Funds Executed			

1/ Memo entry detail should show the systems under each category.

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

(FY PY, FY CY, and FY BY)

IV. Performance Criteria and Evaluation (Army Combat Training Center Training)

	FY PY		FY CY		FY BY	
Combat Training Centers (CTCs)	**Qty**	**$000**	**Qty**	**$000**	**Qty**	**$000**
a. Throughput (Inventory Numbers)						
• BCTP (Divisions/Corps)						
• CMTC (Battalions)						
• JRTC (Battalions)						
• NTC (Battalions)						
• JNTC (Battalions)						
b. Rotations (Number of Rotations)						
• BCTP (Divisions/Corps)						
• CMTC (Battalions)						
• JRTC (Battalions)						
• NTC (Battalions)						
• JNTC (Battalions)						

Notes: BCTP – Battle Command Training Program, CMTC – Combat Maneuver Training Center, JRTC – Joint Readiness Training Center, NTC – National Training Center, JNTC – Joint National Training Capability

Variance Reporting: Describe all variances in quantities and dollars from the original President's Budget submission for both the Prior Year and the Current Year. In addition to the explanations as to the reasons for the variances, this area should also be used to discuss how the variances contributed to/hindered achievement of activity goal.

Explanation of Performance Variances

Prior Year:

Current Year:

Exhibit OP-5 Land Forces – Army Ground & Air OPTEMPO (Attachment 3)
(Page 3 of 4)

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

(FY PY, FY CY, and FY BY)

IV. Performance Criteria and Evaluation (Marine Corps Land Forces)

	FY PY		FY CY		FY BY
	Budgeted*	Actual	Budgeted	Estimate	Estimate
Funds Allocated to Training & Equipment Maintenance					
Combat Ready Days (Equipment and Training) CRED-ET					
Cost per CRED-ET					
Total Possible Combat Ready Days					
Percent Achieved					

* Information for the Prior Year (FY PY) Budgeted will reflect the amount requested in the President's Budget for that fiscal year, not the updated column reflecting congressional adjustments.

Variance Reporting: Describe all variances in quantities and dollars from the original President's Budget submission for both the Prior Year and the Current Year. In addition to the explanations as to the reasons for the variances, this area should also be used to discuss how the variances contributed to/hindered achievement of activity goal.

Explanation of Performance Variances

Prior Year:

Current Year:

Exhibit OP-5 Facilities Sustainment and Restoration/Modernization (Attachment 4)

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

(FY PY, FY CY, and FY BY)

***IV. Performance Criteria and Evaluation (Facilities Sustainment and Restoration/Modernization)**

	FY PY		FY CY		FY BY
	Actual[1]	OCO Funding[2]	Estimate[1]	OCO Funding[2]	Estimate
Funding Levels ($ in thousands)					
Sustainment[3/]					
Narrative justification of sustainment funding; this section should provide a greater level of detail than that provided in the description of operations financed (Part I of the OP-5).					
Restoration/Modernization[3/]					
Narrative justification of restoration/modernization funding; this section should provide a greater level of detail than that provided in the description of operations financed (Part I of the OP-5).					
Demolition					
Narrative justification of demolition funding; this section should provide a greater level of detail than that provided in the description of operations financed (Part I of the OP-5).					
TOTAL O&M FUNDING[4/]	**$**	**$**	**$**	**$**	**$**

[1/]Should exclude Overseas Contingency Operations (OCO) funding and Title IX funds.
[2/]Memo entry which reflects any OCO funding received or requested. Metric data does not need to be provided for this entry, only provide funding levels.
[3/]Must be consistent with information contained within the Facilities Data Quality Assurance application.
[4/]Total funding for Facilities Sustainment and Restoration/Modernization must be consistent with estimates identified for the Facilities Sustainment and Restoration/Modernization subactivity group in the automated OP-32 submit.

NOTE: Information on this exhibit must be consistent with information on the PBA-7 Exhibits, Facilities Sustainment and Restoration/ Modernization, and Demolition Programs, as well as information contained within the Facilities Data Quality Assurance website.

Exhibit OP-5 Facilities Sustainment and Restoration/Modernization (Attachment 4)
(Page 1 of 1)

Exhibit OP-5 Depot Maintenance (Attachment 5)

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

(FY PY, FY CY, and FY BY)

IV. Performance Criteria and Evaluation (Depot Maintenance)

	Prior Year (FY PY)						Current Year (FY CY)					FY BY	
	Budget		Actual Inductions		Completions		Budget		Estimated Inductions		Carry-In	Budget	
	Qty	($ in M)	Qty	($ in M)	Prior Yr	Cur Yr	Qty	($ in M)	Qty	($ in M)	Qty	Qty	($ in M)
Type of Maintenance													
Commodity (Aircraft, Combat Vehicles, etc)	**0**	**0**	**0**	**0**	**n/a**	**n/a**	**0**	**0**	**0**	**0**	**n/a**	**0**	
(Memo Entry[2/])	0	0	0	0	0	0	0	0	0	0	0	0	
Commodity	**0**	**0**	**0**	**0**	**n/a**	**n/a**	**0**	**0**	**0**	**0**	**n/a**	**0**	
(Memo Entry[2/])	0	0	0	0	0	0	0	0	0	0	0	0	
Commodity	**0**	**0**	**0**	**0**	**n/a**	**n/a**	**0**	**0**	**0**	**0**	**n/a**	**0**	
(Memo Entry[2/])	0	0	0	0	0	0	0	0	0	0	0	0	
DEPOT MAINTENANCE TOTAL[1/]	**0**	**0**	**0**	**0**	**n/a**	**n/a**	**0**	**0**	**0**	**0**	**n/a**	**0**	**0**

[1/]Commodity totals should match the commodity totals on the service OP-30 exhibit
[2/]Memo entry detail should show the substantial, major systems being repaired under each commodity category, not necessarily EVERY system.

Exhibit OP-5 Depot Maintenance (Attachment 5)
(Page 1 of 2)

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____
(FY PY, FY CY, and FY BY)

Variance Reporting: Describe all variances in quantities and dollars from the original President's Budget submission for both the Prior Year and the Current Year. In addition to the explanations as to the reasons for the variances, this area should also be used to discuss how the variances contributed to/hindered achievement of activity goal.

Explanation of Performance Variances

Prior Year:

Current Year:

Instructions and Definitions
Exhibit Scope:
Report detailed information only on major end items of equipment. Use the other category for minor items. Fill in only the area for funding for the other category.

Definitions:
Budget Qty (Columns B, H, M and O): The quantities contained in the President's budget submission for the fiscal year indicated. Info for the Prior Year will reflect the amount requested in the President's Budget for that fiscal year, not the updated column reflecting congressional adjustments.
Budget $ (Columns C, I, N and P): The funding requested in the President's Budget submission for the fiscal year indicated. Info for the Prior Year will reflect the amount requested in the President's Budget for that fiscal year, not the updated column reflecting congressional adjustments.
Actual Inductions Qty (Column D): The number of units actually funded for induction during the Prior Year.
Actual Inductions $ (Column E): The cost of the items contained in Column D.
Completions Prior Year (Column F): Items completed during the Prior Year that were funded in a previous fiscal year.
Completions Current Year (Column G): Items in Column D that were completed during the Prior Year.
Estimated Inductions Qty (Column J): Revised Current Year quantity estimate.
Estimated Inductions $ (Column K): The cost of the items contained in Column J.
Carry-In QTY (Column L): The number of items funded in prior years that have not been delivered.

Exhibit OP-5 Depot Maintenance (Attachment 5)
(Page 2 of 2)

Exhibit OP-5 Defense Health Program (Attachment 6)

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____
(FY PY, FY CY, and FY BY)

IV. Performance Criteria and Evaluation (Defense Health Program)

	FY PY		FY CY	FY BY
	Budgeted*	Actual	Budgeted	Estimate
Beneficiary Satisfaction with Health Plan				
Inpatient Production Targets (Relative Weighted Products) *				
Outpatient Production Targets (Relative Value Units)				
Primary Care Productivity				
Medical Per Member Per Year - Annual Cost Growth*				

Information for the Prior Year (FY PY) Budgeted will reflect the amount requested in the President's Budget for that fiscal year, not the updated column reflecting congressional adjustments

* As compared with private sector health care plan increases

Variance Reporting: Describe all variances in quantities and dollars from the original President's Budget submission for both the Prior Year and the Current Year. In addition to the explanations as to the reasons for the variances, this area should also be used to discuss how the variances contributed to/hindered achievement of activity goal.

Explanation of Performance Variances

Prior Year:

Current Year:

These performance metrics will be used to focus on the overall performance of the health benefit plan offered to DoD beneficiaries. Measuring performance to goals allows the DHP to track internal effectiveness as well as effectiveness relative to other health plan benefits in the private sector. Results of these performance metrics will be reported annually in Defense Health Program O&M Overview Exhibit.

Questions	Ans.	Explanation	Evidence/Data
Is the satisfaction with the TRICARE Health Plan increasing, decreasing, or staying the same?	Increasing = 10, Steady = 5, Decreasing = 0	An increase in the satisfaction with the TRICARE Health Plan indicates that actions being taken are improving the overall functioning of the plan from the beneficiaries perspective. Goal is to improve overall satisfaction level to that of civilian plans using a standardized survey instrument.	Satisfaction with the TRICARE Health Plan is related to two primary functional areas: timeliness of claims adjudication and access to medical services for beneficiaries. Improvements in either of these functions generally improves the measures, whereas problems will cause a decline.
Did the DHP achieve its inpatient production targets (number of Relative Weighted Products (RWPs))?	At or above target = 10, = or > 95% target = 5, Below 95% target = 0	Achieving the production targets ensures that the initial plans for allocation of personnel and resources are used appropriately in the production of inpatient workload	Failing to achieve production target suggests that facilities may not be appropriately using their resources and may signal need to align assets to other areas within the facility or other facilities that are not at capacity. Surpassing the target signifies opportunities to achieve saving through recapture of purchased care workload.
Did the DHP achieve its outpatient production targets (number of Relative Value Units (RVU's))?	At or above target = 10, = or > 95% target = 5, Below 95% target = 0	Achieving the production targets ensures that the initial plans for allocation of personnel and resources are used appropriately in the production of outpatient workload	Failing to achieve production target suggests that facilities may not be appropriately using their resources and may signal need to align assets to other areas within the facility or other facilities that are not at capacity. Surpassing the target signifies opportunities to achieve saving through recapture of purchased care workload.

Exhibit OP-5 Defense Health Program (Attachment 6)
(Page 2 of 3)

Questions	Ans.	Explanation	Evidence/Data
Is the productivity of the Primary Care Providers increasing, decreasing, or staying the same?	Increasing = 10, Steady = 5, Decreasing = 0	In order to run a premier Health Maintenance Organization (HMO), the critical focus area is primary care. The primary care provider frequently represents the first medical interaction between the beneficiary and the HMO. In this role the primary care provider is responsible for the majority of the preventive care to keep beneficiaries healthy and away from more costly specialty care.	This metric looks at the complexity of care and the number of patients seen by the primary care providers each day, with a goal of increasing the complexity and/or number of patients seen each day by the provider. As more care is provided by the direct care facilities, there is better utilization of the assets, and the average cost per encounter will decrease. Goal is to increase productivity to levels comparable to the civilian sector while still maintaining readiness.
Is the Medical Per Member Per Year (PMPY) cost growth rate at or below private sector health care plan rate increases?	At or below Nat'l Rate = 10, Up to 105% of Nat'l Rate = 5, Above 105% of Nat'l Rate = 0	The medical cost per member per year looks at the overall cost of the Prime enrollees for the DHP. This tracks all costs related to care delivered to enrollees. The objective is to keep the rate of cost growth for the treatment of TRICARE enrollees to a level at or below the civilian health care plan rate increases at the national level.	The cost has multiple components that all must be operating properly to effectively deliver the appropriate health care services to the enrollee. This measure incorporates the cost of producing the care in the direct care facilities, as well as issues of utilization for both direct care and purchased care. If the cost to produce the individual units of care in the direct care system is high, then the cost per enrollee will increase. Similarly, if the enrollees receive high numbers of encounters, then the cost will also increase. The objective is to properly manage both the production of care in the direct care facilities, and the utilization of health care services for the enrollees to effectively keep the enrollee healthy.

Exhibit OP-5 CE2T2 Program (Attachment 7)

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

(FY PY, FY CY, and FY BY)

IV. Performance Criteria and Evaluation (Combatant Commander's Exercise Engagement and Training Transformation (CE2T2) Program

Exercise Name & Location [1/]	Time Period of Exercise	Work Load Measure [2/]	Cost ($ in Thousands) Transportation	Other	Total [3/]
Directed Exercises (List by exercise)					
Total					
Coordinated Exercises (List by exercise)					
Total					
Total Directed and Coordinated Exercises					

1/ Identify each initiative by category, CINC, and exercise name.

2/ Airlift: Reflect C-130, C-141, C-17, or C-5 hours, as appropriate, for transportation costs. Separately identify C-130, C-141, C-17, or C-5 hour requirements, as appropriate, for commercial augmentation effort. Indicate in footnote JCS Exercise rate used for pricing.

Sealift: Express work measurement tons (differentiate between break bulk and containers) to be transported via MSC and MSC per diem ship days as applicable. In footnote indicate rates used for each.

Land Transportation: Express program values, in measurement tons to be transported overland. Indicate rates used in footnote.

Port Operations:

CONUS: Express work load in terms of measurement tons to be transported through CONUS Ports. Indicate rates used in footnote.

Overseas: Express work load in terms of measurement tons to be transported through Overseas Ports. Indicate rates used in footnote.

3/ For FY PY and FY CY: Show by footnote both the amount appropriated for FY PY and the amount requested for the FY CY in the FY CY President's budget. For FY CY, explain the difference between the amount requested in the President's budget and the current estimate.

For FY BY: Briefly describe changes in the program from that of the previous year. To the extent that specific exercises have not been approved at the time of the budget submission, estimate total program levels. Estimated amounts should be distributed between transportation and other costs, as applicable, and should be related to estimated work load. Explanations of changes in both costs and work load are required between the FY CY and FY BY. This information should be provided in sufficient detail to justify the budget estimate.

Exhibit OP-5 CE2T2 Program (Attachment 7)
(Page 1 of 1)

Exhibit OP-5 Base Support Program (Attachment 8)

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

IV. Performance Criteria and Evaluation: (Base Operations)

	FY PY	FY CY	FY BY
A. Administration ($000)			
Military Personnel Average Strength			
Civilian Personnel FTEs			
Number of Bases, Total			
(CONUS)			
(Overseas)			
Population Served, Total			
(Military, Average Strength)			
(Civilian, FTEs)			
B. Retail Supply Operations ($000)			
Military Personnel Average Strength			
Civilian Personnel FTEs			
C. Bachelor Housing Ops/Furn. ($000)			
Military Personnel Average Strength			
Civilian FTEs			
No. of Officer Quarters			
No. of Enlisted Quarters			
D. Other Morale, Welfare and Recreation ($000)			
Military Personnel Average Strength			
Civilian FTEs			
Population Served, Total			
(Military, Average Strength)			
(Civilian/Dependents, FTEs)			

Exhibit OP-5 Base Support Program (Attachment 8)
(Page 1 of 3)

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

IV. **Performance Criteria and Evaluation**:	**FY PY**	**FY CY**	**FY BY**
E. Maintenance of Installation Equipment ($000)			
Military Personnel Average Strength			
Civilian Personnel FTEs			
F. Other Base Services ($000)			
Military Personnel Average Strength			
Civilian Personnel FTEs			
Number of Motor Vehicles, Total			
(Owned)			
(Leased)			
G. Other Personnel Support ($000)			
Military Personnel Average Strength			
Civilian Personnel FTEs			
Population Served, Total			
(Military, Average Strength)			
(Civilian, FTEs)			
H. Payments to Defense Finance and Accounting Service ($000)			
I. Payments to GSA ($000)			
Leased Space (000 sq. ft)			
Recurring Reimbursements ($000)			
One-time Reimbursements ($000)			
J. Non-GSA Lease Payments for Space			
Leased Space (000 sq. ft)			
Recurring Reimbursements ($000)			
One-time Reimbursements ($000)			
K. Other Engineering Support ($000)			
Military Personnel Average Strength			
Civilian Personnel FTEs			

Exhibit OP-5 Base Support Program (Attachment 8)
(Page 2 of 3

COMPONENT NAME *
Operation and Maintenance,
Budget Activity_____
Activity Group
Detail by Subactivity Group_____

IV.	**Performance Criteria and Evaluation**:	**FY PY**	**FY CY**	**FY BY**
L.	Operation of Utilities ($000)			
	Military Personnel Average Strength			
	Civilian Personnel FTEs			
	Electricity (MWH)			
	Heating (MBTU)			
	Water, Plants & Systems (000 gals)			
	Sewage & Waste Systems (000 gals)			
	Air Conditioning and Refrigeration (Ton)			
M.	Environmental Services ($000)			
N.	Child and Youth Development Programs			
	Number of Child Development Centers			
	Number of Family Child Care (FCC) Homes			
	Total Number of Children Receiving Care			
	Percent of Eligible Children Receiving Care			
	Number of Children on Waiting List			
	Total Military Child Population (Infant to 12 years)			
	Number of Youth Facilities			
	Youth Population Serviced (Grades 1 to 12)			

Total Base Support (The sum of A –N amounts must match the Base Support total in O-1, O&M Funding by Budget Activity/Activity Group/Subactivity Group Exhibit.)

ADDITIONAL INSTRUCTIONS

This schedule should exclude those funds supporting maintenance and repair of real property and minor construction (which should be reported on Attachment 4).

- Additional performance criteria and work load indicators may be included for any of the above functional categories as applicable. Additional criteria/indicators are
- Especially encouraged for “Other Base Services” and "Other Personnel Support" categories as they relate to more important or unique support functions.

Include direct Operation and Maintenance funds only. (Exclude amounts funded from Military Personnel appropriations.)

- This format should be followed in preparing an OP-5 Exhibits for Base Support.

NOTE: Information on this exhibit must be consistent with information on Exhibit PBA-10, Base Support.

Exhibit OP-5 Base Support Program (Attachment 8)
(Page 3 of 3)

Exhibit OP-5 Transportation Program (Attachment 9)

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

IV. Performance Criteria and Evaluation (Transportation)

	FY PY		FY CY		FY BY	
	Units	($ in 000)	Units	($ in 000)	Units	($ in 000)
First Destination Transportation (FDT) (by Mode of Shipment):						
This should include only FDT supporting O&M purchases.						
Military Traffic Management Command:						
Port Handling (MT)						
Military Sealift Command:						
Regular Routes (MT)						
Per Diem (SD)						
Air Mobility Command:						
Regular Channel (ST)						
SAAM (MSN)						
Commercial:						
Air (ST)						
Surface (ST)						
TOTAL FDT						

NOTE: Abbreviate units of measure as follows:
Short Tons= ST
Measurement Tons = MT
Missions = MSN
Ship Days = SD

Provide subtotals for all modes of shipment (MTMC, MSC, AMC & Commercial)

Amounts should be consistent with amounts shown in applicable OP-5 Exhibits in each Service's/Components budget justification books and agree with amounts provided in PBA-13, Transportation.

Exhibit OP-5 Transportation Program (Attachment 9)
(Page 1 of 2)

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

IV. Performance Criteria and Evaluation (continued)	**FY PY**		**FY CY**		**FY BY**	
	Units	**($ in 000)**	**Units**	**($ in 000)**	**Units**	**($ in 000)**
Second Destination Transportation (SDT) (by Mode of Shipment):						
Military Traffic Management Command: Provide subtotals for all modes of shipment (MTMC, MSC, AMC & Commercial)						
Port Handling (MT)						
Military Sealift Command:						
Regular Routes (MT)						
Per Diem (SD)						
Air Mobility Command:						
Regular Channel (ST)						
SAAM (MSN)						
Commercial:						
Air (ST)						
Surface (ST)						
TOTAL SDT						
Second Destination Transportation by Selected Commodities):						
Cargo (Military Supplies and Equipment) For each commodity, show amounts separately by Short Tons (ST),						
Base Exchanges Measurement Tons (MT), Missions (MSN), or Ship Days of Per Diem (SD),						
Subsistence as applicable.						
Overseas Mail						
TOTAL FDT AND SDT						

Exhibit OP-5 Transportation Program (Attachment 9)
(Page 2 of 2)

Exhibit OP-5 Training (Attachment 10)

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

IV. Performance Criteria and Evaluation (Training)

	FY PY			FY CY			FY BY		
	Input	Output	Work Load	Input	Output	Work Load	Input	Output	Work Load
Recruit Training:									
Active									
Guard									
Reserve									
Other									
Subtotal									
One Station Unit Training:									
Active									
Guard									
Reserve									
Other									
Subtotal									
Specialized Skill Training:									
Initial Skill									
Active									
Guard									
Reserve									
Other									
Subtotal									
Skill Progression									
Active									
Guard									
Reserve									
Other									
Subtotal									
Functional									
Active									
Guard									
Reserve									
Other									
Subtotal									

For each training category, an explanation of how work load is calculated should be included and an example or explanation should be provided to demonstrate the relevance of the relationship between workload and funding.

Exhibit OP-5 Training (Attachment 10)
(Page 1 of 4)

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

IV. Performance Criteria and Evaluation (continued):

	FY PY			FY CY			FY BY		
	Input	Output	Work Load	Input	Output	Work Load	Input	Output	Work Load
Specialized Skill Training (continued):									
Other									
Active									
Guard									
Reserve									
Other									
Subtotal									
Officer Acquisition:									
Officer Candidate School/ Officer Training School									
Academy Preparatory School									
BOOST (Navy)									
Flight Screening (AF)									
Other College Commissioning Programs									
Senior ROTC:									
Scholarship									
College									
Service Academy:									

	FY PY	FY CY	FY BY
Beginning End Strength (1 October)			
Attrition			
Graduates			
Entries			
End Strength (30 September)			
Average Onboard			

Exhibit OP-5 Training (Attachment 10)
(Page 2 of 4)

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

IV. Performance Criteria and Evaluation (continued):

	FY PY			FY CY			FY BY		
	Input	Output	Work Load	Input	Output	Work Load	Input	Output	Work Load
Specialized Skill Training (continued):									
Professional Military Education: (Identify schools separately)									
Active									
Guard									
Reserve									
Other									
Subtotal									
Flight Training:									
Undergraduate Pilot Training - Active									
STRIKE/Jet									
Helicopter									
Maritime									
Subtotal									
Undergraduate Pilot Training - Guard									
STRIKE/Jet									
Helicopter									
Maritime									
Subtotal									
Undergraduate Pilot Training - Reserve									
STRIKE/Jet									
Helicopter									
Maritime									
Subtotal									
Undergraduate NFO/Navigator Training (by type):									

Exhibit OP-5 Training (Attachment 10)
(Page 3 of 4)

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

IV. Performance Criteria and Evaluation (continued):

	FY PY			FY CY			FY BY		
	Input	Output	Work Load	Input	Output	Work Load	Input	Output	Work Load
Specialized Skill Training (continued):									
Flight Training (cont):									
Advanced Flight Training									
Active									
Guard									
Reserve									
Other									
Subtotal									
Other Flight Training									
Active									
Guard									
Reserve									
Other									
Subtotal									

	FY PY	FY CY	FY BY
Flying Hours			
Undergraduate Pilot Tng			
STRIKE/Jet			
Helicopter			
Maritime			
Undergraduate NFO/Navigator Tng			
(by type)			
Other Flying Hours			

NOTE: Information on this exhibit must be consistent with information on Exhibit PBA-8, Training and Education.

Exhibit OP-5 Training (Attachment 10)
(Page 4 of 4)

Exhibit OP-5 Navy Shipyards (Attachment 11)

Navy Shipyards (Direct Funded)
Integrated Intermediate & Depot Level Maintenance

Description
Activity Group Function: Provide a narrative explanation of mission and major functions being performed.

Activity Group Composition: Provide a list of activities and location.

Exhibit OP-5 Navy Shipyards (Attachment 11)
(Page1 of 10)

Navy Shipyards (Direct Funded)
Integrated Intermediate & Depot Level Maintenance

Activity

Provide the location of Activity and its function.

1. **Funding Summary**

SOURCE OF FUNDING ($000)

	FY PY	FY CY	FY BY
Department of the Navy			
Direct			
Operation &Maintenance, Navy (Fleet)			
Reimbursable			
Operation &Maintenance, Navy (NAVSEA)			
Shipbuilding & Conversion, Navy			
Other Procurement, Navy			
Other Department of Navy			
Department of Defense			
Other Orders			
Other Federal Agencies			
Foreign Military Sales			
Other			

Navy Shipyards (Direct Funded)
Integrated Intermediate & Depot Level Maintenance

Performance Metrics (See glossary for definitions)

2. METRICS

Item	FY PY	FY CY	FY BY
Quality of Work			
Unit Cost ($ per manday)			
Administrative efficiency			
CNO Availabilities Complete			
CNO Availabilities in process at end of FY			
Homeported Aircraft Carriers Supported (non-depot)			
Homeported Submarines Supported (non-depot)			
Homeported Surface Ships Supported (non-depot)			
Capacity Utilization Rate			

3. Performance Information (See glossary for definitions)

Estimates ($ 000)	FY PY	FY CY	FY BY
Direct Civilian Labor			
Direct Military Labor			
Direct Material			
Direct Contracts			
Other Direct Costs			
Overhead Civilian Labor			
Overhead Military Labor			
Overhead Non-Labor			
Total			

Note: Direct Contracts and Other Direct Costs included in Direct Material.

Navy Shipyards (Direct Funded)
Integrated Intermediate & Depot Level Maintenance

4. Workload

Provide a narrative explanation of increases and decreases from fiscal year to fiscal year.

Mandays	FY PY	FY CY	FY BY
Total Direct Mandays			
Shipbuilding and Conversion, Navy (ERO, RCOH, etc.…)			
Surface Ship			
Submarines			
Inactivation Work			
Non-CNO availability Depot Work (RA/TA, CM, Emergent Repair, etc.…)			
Regional Maintenance Center (Non-Depot)			
Total Indirect Mandays			
Production and General Overhead			
Total Mandays			
Straight Time Mandays			
Overtime Mandays			

Navy Shipyards (Direct Funded)
Integrated Intermediate & Depot Level Maintenance

Workload Schedule											
FY	Hull	Name	Planned Start Date	Planned End Date	Actual Start Date	Actual End Date	Avail Type	Budgeted Mission Direct Labor MD	Budgeted Reimb Direct Labor MD	Actual Mission Direct Labor MD	Actual Reimb Direct Labor MD
FY PY											
FY CY											
FYBY1											
FYBY2											
	Maximum Average	Percent Late		Maximum Average			Percent Over Manday Budget				
		Percent Late					Percent Over Manday Budget				

Exhibit OP-5 Navy Shipyards (Attachment 11)
(Page 5 of 10)

Navy Shipyards (Direct Funded)
Integrated Intermediate & Depot Level Maintenance

5. Workforce
Provide a narrative explanation and identification of workforce.

WORKFORCE

Item	FY PY	FY CY	FY BY
Civilian End Strength			
Military End Strength			
Total Workforce			

Apprentice Program
Provide a narrative explanation.

Item	FY PY	FY CY	FY BY
First year apprentices			
Second year apprentices			
Third year apprentices			
Fourth year apprentices			
Total Workforce			

$K	FY PY	FY CY	FY BY
Apprentice Program Cost			

Apprentice program costs include apprentice salaries while in a training status, tuition, books, and other instructional costs:

Navy Shipyards (Direct Funded)
Integrated Intermediate & Depot Level Maintenance

6. Infrastructure Accounts (See glossary for definitions)

INFRASTRUCTURE SUPPORT ACCOUNT SUMMARY ($K)			
Estimates ($000))	**FY PY**	**FY CY**	**FY BY**
Base Operating Support (OMN)			
Capital Equipment (OPN)			
Facilities Sustainment, Restoration, & Modernization (OMN)			
Military Construction (MILCON)			
Total			

Provide the following information for each Capital Equipment and MILCON project by fiscal year (FY 2006 – 2009):

CAPITAL EQUIPMENT PROJECT SUMMARY ($K)

Project Title	**FY**	**COST**

Navy Shipyards (Direct Funded)
Integrated Intermediate & Depot Level Maintenance

MILCON PROJECTS SUMMARY ($K)

Project Title	FY	COST
FY TOTAL		

Exhibit OP-5 Navy Shipyards (Attachment 11)
(Page 8 of 10)

Navy Shipyards (Direct Funded)
Integrated Intermediate & Depot Level Maintenance

Glossary

Performance Metrics:

Schedule Adherence: Two metrics, Average Percentage Late and Maximum Percentage Late. The percentage late is calculated by dividing the availability actual duration by the scheduled duration (as stated in the last Presidential Budget).

Manday Budget Performance: Two metrics, Average Percentage Over Manday Budget and Maximum Percentage Over Manday Budget. The percentage over manday budget is calculated by dividing the availability actual mandays by the budgeted mandays (as stated in the last Presidential Budget).

Quality of Work: This metric reports the number of post-delivery discrepancies per 1,000 mandays of actual expenditures.

Unit Cost: This metric reports the total cost less direct material, direct contract, other direct, and MILCON per direct labor manday delivered. CY and BY reflect the budgeted values.

Administrative Efficiency: This metric reports the total cost less direct material and direct labor divided by total cost less direct material. CY and BY reflect the budgeted values.

CNO Availabilities Complete: This metric reports the total number of CNO availabilities completed during the PY.

CNO Availabilities in Progress at end of FY**:** The metric reports the number of CNO availabilities in progress at the end of the PY.

Homeported Aircraft Carriers Supported: Number of homeported aircraft carriers supported by activity. Determines activities non-depot workload.

Homeported Submarines Supported: Number of homeported submarines supported by activity. Determines activities non-depot workload.

Homeported Surface Ships Supported: Number of homeported surface ships supported by activity. Determines activities non-depot workload.

Shipyard Capacity Utilization: This metric reports the total workload compared to the modified dry-dock capacity index. CY and BY reflect the budgeted values.

Navy Shipyards (Direct Funded)
Integrated Intermediate & Depot Level Maintenance

Performance Information:
Direct Civilian Labor: Includes actual direct civilian labor cost (accelerated by benefits) plus direct overtime cost.

Direct Military Labor: Total military salary cost times percentage of military mandays spent on direct work.

Direct Material: Actual material (piece-part) costs.

Direct Contracts: Includes all contract labor costs.

Other Direct Costs: Includes direct costs not included in direct material and direct contracts. Examples include travel costs and equipment rental costs.

Overhead Civilian Labor: Includes actual overhead civilian labor cost (accelerated by benefits), overhead overtime, differential costs, bonuses, lump sum leave costs, and transportation incentive program costs. .

Overhead Military Labor: Total military salary cost less that reported as direct military labor.

Overhead Non-Labor: Includes such non-labor costs as overhead travel, telecommunications, office, shop, and furniture purchases less than OPN $250,000 threshold, crane maintenance, and Janitorial services. …

Infrastructure Accounts: These accounts provide the funding for infrastructure operation, maintenance, and replacement as follows:

Base Operating Support (OMN): Base Operating Support finances utilities, maintenance, security, transportation, and port operations costs required to support industrial operations.

Capital Expenditures (OPN): The Capital Budget Authority reflects the financing of essential fleet support equipment and other capital improvements critical to sustaining shipyard operations, improving productivity, meeting health, safety and environmental requirements and lowering production costs.

Facilities Sustainment, Restoration, & Modernization (OMN): The Sustainment, Restoration, and Modernization Budget Authority reflect the financing of essential infrastructure maintenance and modernization.

Military Construction (MILCON): Budget Authority reflects the financing of essential infrastructure replacement critical to sustaining shipyard operations, improving productivity, meeting health, safety and environmental requirements and lowering production costs.

Exhibit OP-5 Overseas Contingency Operations (Attachment 12)

COMPONENT NAME
Summary Information
Overseas Contingency Operation(s): Operation Enduring Freedom (OEF) and Operation Iraqi Freedom/Operation New Dawn (OIF/OND)
Operation and Maintenance, _____

I. Description of Operations Financed: Provide a narrative explanation for each contingency operation (Operation Enduring Freedom (OEF) and Operation Iraqi Freedom/Operation New Dawn (OIF/OND)), characterizing the mission and major functions funded in this appropriation.

II. Force Structure Summary: Provide a narrative explanation and identification of force structure (e.g., quantity number of operational and support units, numbers of Active, Reserve and Guard personnel deployed, or in-training for rotation into theater-of-operation, and other types of assistance) supported by funding in this appropriation.

III. O-1 Line Item Summary: Provide a tabular O-1 line item summary.

IV. OP-32 Summary: Provide a summary OP-32 for the appropriation.

COMPONENT NAME
Overseas Contingency Operation(s): Operation Enduring Freedom (OEF) and Operation Iraqi Freedom/Operation New Dawn (OIF/OND)
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

I. Description of Operations Financed by Subactivity Group: Provide a narrative explanation for each contingency operation (Operation Enduring Freedom (OEF), Operation Iraqi Freedom/Operation New Dawn (OIF/OND)), characterizing the mission and major functions funded in this subactivity group.

II. Financial Summary ($ in Thousand) by Cost Breakdown Structure (CBS)

CBS No.	CBS Title	FY PY Actual	FY CY Total	Delta	FY BY Total
OEF					
1.XX	Personnel	$	$	$	$
2.XX	Personnel Support	$	$	$	$
3.XX	Operating Support	$	$	$	$
4.XX	Transportation	$	$	$	$
	Total	$	$	$	$
OIF/OND	(FY 2010 will be OIF/OND)				
1.XX	Personnel	$	$	$	$
2.XX	Personnel Support	$	$	$	$
3.XX	Operating Support	$	$	$	$
4.XX0	Transportation	$	$	$	$
	Total	$	$	$	$
	SAG Total	$	$	$	$

COMPONENT NAME
Overseas Contingency Operation(s): Operation Enduring Freedom (OEF) and Operation Iraqi Freedom/Operation New Dawn (OIF/OND)
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

III. Description of Operations Financed by Operation and CBS: Provide a separate narrative explanation by Operation and CBS for each CBS category as shown in Section II. Additionally, these explanations should address significant program initiatives/actions included in the budget.

OEF	FY PY Actual	FY CY Total	Delta	FY BY Total
1. Cost Breakdown Structure (CBS) Category/Subcategory 1.XX Personnel	$	$	$	$

a. Narrative Justification: Explanation of what is purchased. Provide narrative justification in the CBS format detailing what specific activities are supported by funding in this subactivity group, itemizing and justifying major category and subcategory changes within each subactivity group. Provide sufficient narrative justification and other details (comparable to the baseline budget) to fully explain the underlying program dynamics and cost drivers. The narrative justification should relate cost to force structure changes, performance criteria, and workload and manpower data. These force structure changes, performance criteria, workload and manpower data can be extracts from the baseline budget OP-5 exhibit attachments, but tailored to this contingency operation.

b. Explanation of Change Between FY CY and FY BY: Explain year to year changes, itemizing and justifying major financial changes within each operation, subactivity group, and CBS.

OND (FY2010 will be OIF/OND)	FY PY Actual	FY CY Total	Delta	FY BY Total
2. Cost Breakdown Structure (CBS) Category/Subcategory 1.0 Personnel	$	$	$	$

a. Narrative Justification: Explanation of what is purchased. Provide narrative justification in the CBS format detailing what specific activities are supported by funding in this subactivity group, itemizing and justifying major category and subcategory changes within each subactivity group. Provide sufficient narrative justification and other details (comparable to the baseline budget) to fully explain the underlying program dynamics and cost drivers. The narrative justification should relate cost to force structure changes, performance criteria, and workload and manpower data. These force structure changes, performance criteria, workload and manpower data can be extracts from the baseline budget OP-5 exhibit attachments, but tailored to this contingency operation.

b. Explanation of Change Between FY CY and FY BY: Explain year to year changes, itemizing and justifying major financial changes within each operation, subactivity group, and CBS.

COMPONENT NAME

Overseas Contingency Operation(s): Operation Enduring Freedom (OEF) and Operation Iraqi Freedom/Operation New Dawn (OIF/OND)

Operation and Maintenance, _____

Budget Activity_____

Activity Group_____

Detail by Subactivity Group_____

IV. Performance Criteria:

Overseas Contingency Operations Performance Evaluation

		Base					OCO				Total Force Costs (000,000)
Budget Activity	Platform	# of Flying Hours	Flying Hour Program (000,000)	Inventory	DPEM, CLS, SE & TO (000,000)	Total Base Costs (000,000)	# of Flying Hours	Flying Hour Costs (000,000)	Reconsitution (DPEMs, CLS) (000,000)	Total OCO Costs (000,000)	
BA1											
	A-10										
	XXX										
BA2											
	C-5										
	XXX										
Other											
	ISR										
	Missiles										
	Others										
TOTALS											

		Base						OCO					Total Force Costs (000,000)
		# of Ship Steaming Days Deployed	# of Ship Steaming Days Non-Deployed	Steaming Days Program (000,000)	Inventory	DPEM, CLS, SE & TO (000,000)	Total Base Costs (000,000)	# of Ship Steaming Days Deployed	# of Ship Steaming Days Non-Deployed	Steaming Days Costs (000,000)	Reconsituti on (PDEMs, CLS) (000,000)	Total OCO Costs (000,000)	
BA1													
	Aircraft Carrier												
	XXX												
TOTALS													

Exhibit OP-5 Overseas Contingency Operations (Attachment 12)
(Page 4 of 5)

COMPONENT NAME

Overseas Contingency Operation(s): Operation Enduring Freedom (OEF) and Operation Iraqi Freedom/Operation New Dawn (OIF/OND)

Operation and Maintenance, _____

Budget Activity_____

Activity Group_____

Detail by Subactivity Group_____

IV. **Price and Program Changes, OP-32:** Provide an OP-32 by subactivity group.

Exhibit OP-5 Overseas Contingency Operations (Attachment 12)
(Page 5 of 5)

Exhibit OP-8 Part 1, Civilian Personnel Costs

Appropriation Title **Date: Month Year**

DEPARTMENT OF _____ or _____ AGENCY
CIVILIAN PERSONNEL COSTS
FY BY1/FY BY2 Budget Submit/President's Budget
(FY PY, FY CY, FY BY, FY BY2 as appropriate)

($ in Thousands)

	a Begin Strength	b End Strength	c FTEs	d Basic Comp	e Overtime Pay	f Holiday Pay	g Other O.C.11	e + f + g h Total Variables	d + h i Comp O.C.11	j Benefits O.C.12/13	i + j k Comp & Benefits	Rates d/c l Basic Comp	i/c m Total Comp	k/c n Comp & Benefits	h/d o % BC Variables	j/d p % BC Benefits
Direct Funded Personnel (includes OC 13)	**142,506**	**140,612**	**141,402**	**6,333,785**	**186,733**	**12,222**	**182,829**	**381,784**	**6,715,568**	**1,864,020**	**8,579,588**	***$44,793***	***$47,493***	***$60,675***	***6.0%***	***29.4%***
D1. US Direct Hire (USDH)	**117,401**	**115,904**	**116,505**	**5,830,599**	**176,937**	**11,697**	**180,562**	**369,196**	**6,199,794**	**1,755,851**	**7,955,645**	*$50,046*	*$53,215*	*$68,286*	*6.3%*	*30.1%*
D1a. Senior Executive Schedule	194	191	188	24,719	-	-	4,954	4,954	29,673	4,472	34,145	*$131,484*	*$157,835*	*$181,622*	*20.0%*	*18.1%*
D1b. General Schedule	104,778	104,940	105,369	5,361,835	138,728	9,563	159,360	307,651	5,669,485	1,632,285	7,301,770	*$50,886*	*$53,806*	*$69,297*	*5.7%*	*30.4%*
D1c. Special Schedule	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
D1d. Wage System	12,429	10,773	10,948	444,045	38,209	2,134	16,248	56,591	500,636	119,094	619,730	*$40,559*	*$45,729*	*$56,607*	*12.7%*	*26.8%*
D1e. Highly Qualified Experts								-			-	-	-	-	-	-
D1f. Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
D2. Direct Hire Foreign Nationals (DHFN)	**7,587**	**7,631**	**7,597**	**84,825**	**4,085**	**525**	**2,267**	**6,877**	**91,702**	**20,354**	**112,056**	*$11,166*	*$12,071*	*$14,750*	*8.1%*	*24.0%*
D3. Total Direct Hire	**124,988**	**123,535**	**124,102**	**5,915,424**	**181,022**	**12,222**	**182,829**	**376,073**	**6,291,496**	**1,776,205**	**8,067,701**	*$47,666*	*$50,696*	*$65,009*	*6.4%*	*30.0%*
D4. Indirect Hire Foreign Nationals (IHFN)	**17,518**	**17,077**	**17,300**	**418,361**	**5,711**	**-**	**-**	**5,711**	**424,072**	**-**	**424,072**	*$24,183*	*$24,513*	*$24,513*	*1.4%*	*0.0%*
Subtotal - Direct Funded (excludes OC 13)	***142,506***	***140,612***	***141,402***	***6,333,785***	***186,733***	***12,222***	***182,829***	***381,784***	***6,715,568***	***1,776,205***	***8,491,773***	***$44,793***	***$47,493***	***$60,054***	***6.0%***	***28.0%***
D5. Other Object Class 13 Benefits										**87,815**	**87,815**					
D5a. USDH - Benefits of Former Employees										66,071	66,071					
D5b. DHFN - Benefits of Former Employees										1,586	1,586					
D5c. Voluntary Separation Incentive Pay (VSIP)										-	-					
D5d. Foreign National Separation Liability Accrual										20,158	20,158					
Reimbursable Funded Personnel (includes OC 13)	**41,246**	**45,340**	**45,253**	**2,098,909**	**64,297**	**4,514**	**61,575**	**130,386**	**2,186,606**	**601,907**	**2,788,513**	***$46,382***	***$48,320***	***$61,621***	***6.2%***	***28.7%***
R1. US Direct Hire	**39,400**	**39,565**	**39,615**	**2,000,654**	**61,796**	**4,396**	**61,337**	**127,529**	**2,085,494**	**589,078**	**2,674,572**	*$50,502*	*$52,644*	*$67,514*	*6.4%*	*29.4%*
R1a. Senior Executive Schedule	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R1b. General Schedule	35,000	35,153	35,200	1,802,595	45,540	3,155	53,102	101,797	1,870,930	538,421	2,409,351	*$51,210*	*$53,151*	*$68,447*	*5.6%*	*29.9%*
R1c. Special Schedule	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R1d. Wage System	4,400	4,412	4,415	198,059	16,256	1,241	8,235	25,732	214,564	50,657	265,221	*$44,860*	*$48,599*	*$60,073*	*13.0%*	*25.6%*
R1e. Highly Qualified Experts								-			-	-	-	-	-	-
R1f. Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R2. Direct Hire Foreign Nationals	**587**	**2,064**	**2,042**	**28,535**	**1,889**	**118**	**238**	**2,245**	**30,780**	**5,195**	**35,975**	*$13,974*	*$15,073*	*$17,618*	*7.9%*	*18.2%*
R3. Total Direct Hire	**39,987**	**41,629**	**41,657**	**2,029,189**	**63,685**	**4,514**	**61,575**	**129,774**	**2,116,274**	**594,273**	**2,710,547**	*$48,712*	*$50,802*	*$65,068*	*6.4%*	*29.3%*
R4. Indirect Hire Foreign Nationals	**1,259**	**3,711**	**3,596**	**69,720**	**612**	**-**	**-**	**612**	**70,332**	**-**	**70,332**	*$19,388*	*$19,558*	*$19,558*	*0.9%*	*0.0%*
Subtotal - Reimbursable Funded (excludes OC 13)	*41,246*	*45,340*	*45,253*	*2,098,909*	*64,297*	*4,514*	*61,575*	*130,386*	*2,186,606*	*594,273*	*2,780,879*	*$46,382*	*$48,320*	*$61,452*	*6.2%*	*28.3%*
R5. Other Object Class 13 Benefits										**7,634**	**7,634**					
R5a. USDH - Benefits of Former Employees										7,463	7,463					
R5b. DHFN - Benefits of Former Employees										171	171					
R5c. Voluntary Separation Incentive Pay (VSIP)										-	-					
R5d. Foreign National Separation Liability Accrual																
Total Personnel (includes OC 13)	**183,752**	**185,952**	**186,655**	**8,432,694**	**251,030**	**16,736**	**244,404**	**512,170**	**8,902,174**	**2,465,927**	**11,368,101**	***$45,178***	***$47,693***	***$60,904***	***6.1%***	***29.2%***
T1. US Direct Hire	**156,801**	**155,469**	**156,120**	**7,831,253**	**238,733**	**16,093**	**241,899**	**496,725**	**8,285,288**	**2,344,929**	**10,630,217**	*$50,162*	*$53,070*	*$68,090*	*6.3%*	*29.9%*
T1a. Senior Executive Schedule	194	191	188	24,719	0	0	4,954	4,954	29,673	4,472	34,145	*$131,484*	*$157,835*	*$181,622*	*20.0%*	*18.1%*
T1b. General Schedule	139,778	140,093	140,569	7,164,430	184,268	12,718	212,462	409,448	7,540,415	2,170,706	9,711,121	*$50,967*	*$53,642*	*$69,084*	*5.7%*	*30.3%*
T1c. Special Schedule	0	0	0	0	0	0	0	0	0	0	0	-	-	-	-	-
T1d. Wage System	16,829	15,185	15,363	642,104	54,465	3,375	24,483	82,323	715,200	169,751	884,951	*$41,795*	*$46,553*	*$57,603*	*12.8%*	*26.4%*
T1e. Highly Qualified Experts	0	0	0	0	0	0	0	0	0	0	0	-	-	-	-	-
T1f. Other	0	0	0	0	0	0	0	0	0	0	0	-	-	-	-	-
T2. Direct Hire Foreign Nationals	**8,174**	**9,695**	**9,639**	**113,360**	**5,974**	**643**	**2,505**	**9,122**	**122,482**	**25,549**	**148,031**	*$11,761*	*$12,707*	*$15,358*	*8.0%*	*22.5%*
T3. Total Direct Hire	**164,975**	**165,164**	**165,759**	**7,944,613**	**244,707**	**16,736**	**244,404**	**505,847**	**8,407,770**	**2,370,478**	**10,778,248**	*$47,929*	*$50,723*	*$65,024*	*6.4%*	*29.8%*
T4. Indirect Hire Foreign Nationals	**18,777**	**20,788**	**20,896**	**488,081**	**6,323**	**0**	**0**	**6,323**	**494,404**	**0**	**494,404**	*$23,358*	*$23,660*	*$23,660*	*1.3%*	*0.0%*
Subtotal - Total Funded (excludes OC 13)	***183,752***	***185,952***	***186,655***	***8,432,694***	***251,030***	***16,736***	***244,404***	***512,170***	***8,902,174***	***2,370,478***	***11,272,652***	***$45,178***	***$47,693***	***$60,393***	***6.1%***	***28.1%***
T5. Other Object Class 13 Benefits										**95,449**	**95,449**					
T5a. USDH - Benefits of Former Employees										73,534	73,534					
T5b. DHFN - Benefits of Former Employees										1,757	1,757					
T5c. Voluntary Separation Incentive Pay (VSIP)										0	0					
T5d. Foreign National Separation Liability Accrual										20,158	20,158					

Example

Example

CIVILIAN PERSONNEL COSTS)

CIVILIAN PERSONNEL COSTS
OP-8 Instructions

All Components, to include the classified components, must submit an automated OP 8 Civilian Personnel Costs exhibit for all appropriations that fund civilian personnel (e.g., RDT&E appropriations, DWCF). For this year's budget submission, funding requirements related to personnel under the National Security Personnel System (NSPS) must be identified. Therefore, separate OP-8 data must be submitted for the NSPS and non-NSPS personnel and the PRCP system will create the Component appropriation total OP-8.

Separate OP-8 exhibits must be prepared for PY, CY, BY for each Military Department in total and for each appropriation/fund in which civilian personnel are funded. Each Defense Agency, including those Defense Agencies that have only RDT&E funded civilian personnel must also provide a separate exhibit. If a Defense Agency has civilian personnel financed in more than one appropriation/fund, then a total for the Defense Agency must be provided.

The same level of detail will be reflected for direct funded and reimbursable funded civilian personnel. For each fiscal year covered by the budget submission, a "direct funded" section, a "reimbursable funded" section, and a "total (direct + reimbursable)" funded section will be included.

OP-8 Automated Exhibit. The Program Resources Collection Process (PRCP) System is used as the central collection point for the OP-8. Submission of the OP-8 will be through the PRCP System.

To calculate the required rate data, use the formulas displayed on the OP-8 exhibit. Show the average rates for Basic Compensation, Total Compensation, and Compensation and Benefits. Also show rates reflecting total variables and benefits as a percentage of basic compensation.

End strength onboard as of September 30 vice end strength authorizations will be displayed for all beginning and ending end strengths. The beginning end strength must agree with previous FY's September 30 end strength. For the PY supporting the FY BY President's budget request, the end strength data must agree with the SF-113A, Monthly Report of Federal Civilian Employment, provided to OPM to report military functions employment levels as of September 30.

In accordance with OMB Circular A-11, full-time equivalent (FTE) employment is the total number of hours (worked or to be worked) divided by the number of compensable hours applicable to each fiscal year. FTE is synonymous with workyear.

Total full-time equivalents must agree with the amounts reflected in the Comptroller Information System (CIS).

Include in the OP-8 the category of US Direct Hire personnel for Highly Qualified Experts as authorized in Section 9903 of title 5, United States Code (U.S.C.), as enacted by section 1101 of the National Defense Authorization Act for FY 2004, P.L. 108-136. The total number of highly qualified experts DoD-wide may not exceed 2,500 at any one time. The Deputy Under Secretary of Defense (Civilian Personnel Policy) will manage allocation reserves and approve cross leveling of allocations.

CIVILIAN PERSONNEL COSTS
OP-8 Instructions
(Continued)

In accordance with the Federal Employees Part-time Career Employment Act of 1978 (Public Law 95-437), part-time permanent employees are counted on a full time equivalent basis, i.e., an individual working 30 hours a week becomes .75 of an FTE. There is no adjustment for other part-time or intermittent employees - these employees would be counted on an individual basis not on a fractional basis.

All Benefits for Former Employees must be reported under the Object Class 13 sections (D5. for direct funded and R5. for reimbursable funded). Voluntary separation incentives must be reported in Benefits for Former Employees (Object Class 13).

Do not include overtime workyears in FTE totals. The FTEs on the OP-8 are for straight time workyears only.

FTEs (direct and reimbursable) in the OP-8 exhibits must agree with the FTEs reported in the OMB galleys used for the printed budget. (OMB Circular A-11.)

Direct hire end strength data on the OP-8 must agree with data provided on the September 30th supplement to the SF-113A report. This supplement is entitled, Report of Part-Time Permanent Employees on a Fractional Basis. Indirect hire end strength data must agree with the Indirect Hire supplement to the September 30th SF-113A report.

The OP-8, Part 2, Reimbursable Civilian Personnel Costs will provide reimbursable sources by appropriation, and by Component/Agency.

Department of Defense Education Activity (DoDEA) will submit separate OP-8 exhibits for: Department of Defense Dependents Schools (DoDDS) and DoD Domestic Dependent Elementary and secondary Schools (DDESS), in addition to providing a consolidated OP-8 exhibit for the total Department of Defense Dependents Education (DoDDE) program. For the required automated submission, DoDEA is only required to submit the consolidated DoDDE OP-8 exhibit, not individual exhibits for DoDDS and DDESS.

Reimbursable Civilian Personnel Costs, Part 2

Fiscal Year: FY _____ (PY, CY, BY)
Appropriation Account _____

A. SUMMARY OF CIVILIAN PAY: **($ in Thousands)**

1. Total Civilian Pay _____

2. Reimbursable Civilian Pay _____

B. REIMBURSABLE CIVILIAN PAY DISTRIBUTION BY SOURCE:

3. INTRA ACCOUNT _____

4. INTRA SERVICE _____
   4a. _____
   4b. _____
   4c. _____

5. INTER SERVICE _____
   5a. _____
   5b. _____
   5c. _____

6. ALL OTHER _____
   6a. _____
   6b. _____

C. CIVILIAN PAY REIMBURSED TO OTHER SERVICES/DEFENSE-WIDE AGENCIES:

7. Civilian Pay REIMBURSED from _____ to _____
   7a. _____
   7b. _____
   7c. _____

Reimbursable Civilian Personnel Costs, Part 2

Instructions for Preparation of the OP-8 Part 2 Reimbursable Pay

This is mandatory for the Military Departments and the Defense Agencies. If a Service shows that civilian pay is to be reimbursed from a Defense Agency that does not submit this form, then the agency coordination must be shown on this form. This is required only for the Program and Budget Review Submission (BES).

Each appropriation account in the prior year (PY), current year (CY), and budget year (BY) for which civilian pay is reimbursed must identify the following in thousands of dollars:

On line 1, total civilian pay *.

On line 2, total reimbursable pay *.

On line 3, the amount of line 2 that is reimbursed within the account.

On line 4, the amount by account of line 2 that is reimbursed from accounts within the Service or Defense Agency. The sum of all accounts must equal the total intra service.

On line 5, the amount by account of line 2 that is reimbursed from other Services or Defense Agency accounts. The sum of all accounts must equal the total inter service.

On line 6, the amount of line 2 that is reimbursed from all other sources. The sum from all accounts must equal the total all other.

On line 7, the total civilian pay that is reimbursed to other Services or Defense Agencies **.

Notes:

* Lines 1 and 2 MUST agree with the totals reported by the Service or Defense Agency on the OP-8 and the sum of lines 3 through 6 of this must equal line 2.

** Any amounts identified on line 5 **MUST** appear on line 7 of the reimbursing Service or Defense Agency submission of this exhibit.

Exhibit OP-8 Part 2, Reimbursable Civilian Personnel Costs (Continued)

Reimbursable Civilian Personnel Costs, Part 2
SAMPLE
Fiscal Year: FY 20XX

Appropriation Account: Operation & Maintenance, Army

A.	SUMMARY OF CIVILIAN PAY:	
	1. Total Civilian Pay	7,599,374
	2. Reimbursable Civilian Pay	2,086,470
B.	REIMBURSABLE CIVILIAN PAY DISTRIBUTION BY SOURCE:	
	3. INTRA ACCOUNT	1,500,000
	4. INTRA SERVICE	286,470
	4a. O&M, Army Reserve	136,470
	4b. O&M, Army Guard	50,000
	4c. RDT&E, Army	50,000
	4d. Mil Con, Army	50,000
	5. INTER SERVICE	200,000
	5a. Defense Health Program (DHP)	50,000
	5b. RDT&E, Navy	50,000
	5c. Mil Con, Air Force	50,000
	5d. USSOCOM	50,000
	6. ALL OTHER	100,000
	6a. GSA	50,000
	6b. OPM	50,000
C.	CIVILIAN PAY REIMBURSED TO OTHER SERVICES/DEFENSE AGENCIES:	
	7. Civilian Pay REIMBURSED from O&M Army to	650,000
	7a. O&M, Navy Reserve	200,000
	7b. O&M, Air Force Guard	250,000
	7c. RDT&E, Defense Mapping Agency	150,000
	7d. OMB	50,000

Exhibit OP-8 Part 1, Civilian Personnel Costs
(Page 6 of 6)

Exhibit OP-9 Analysis of Changes in FTE Costs

Appropriation **DEPARTMENT OF _____** **Date: _____**

ANALYSIS OF CHANGES IN FULL-TIME EQUIVALENT (FTE) COSTS

	SES/GS		WS		FNDH	
FY PY (No. Compensable Days)	**Amount**	**Rate**	**Amount**	**Rate**	**Amount**	**Rate**
1. End Strength						
A. Budgeted	XX					
B. Actual	XX					
2. FTEs						
A. Budgeted	XX					
B. Actual	XX					
3. Basic Compensation ($ in Thousands)						
A. Budgeted	XX					
B. Actual	XX					
4. Average Basic Annual Salary (Basic Comp)						
A. Budgeted	XX					
B. Actual	XX					
5. Average Other OC-11 Variables Adjustments						
A. Budgeted	XX	XX 1/				
B. Actual	XX	XX 1/				
6. Overall Average Annual Salary (OC-11)						
A. Budgeted	XX					
B. Actual	XX					
7. Average Benefits						
A. Budgeted	XX	XX 1/				
B. Actual	XX	XX 1/				
8. Average FTE Cost (OC-11 & OC-12)						
A. Budgeted	XX					
B. Actual	XX					
9. Separately identify factors that account for changes in average basic salary, other OC-11 variables, benefits, and workyear cost between the budgeted rates and the actual rates.						

Exhibit OP-9 Analysis of Changes in FTE Costs
(Page 1 of 5)

Appropriation

DEPARTMENT OF _____ Date:_____

ANALYSIS OF CHANGES IN FULL-TIME EQUIVALENT (FTE) COST

	SES/GS		WS		FNDH	
	Amount	**Rate**	**Amount**	**Rate**	**Amount**	**Rate**
Adjustment to PY Average Salary						
10 + Annualization of PY Pay Raise(s)	XX	XX 2/				
11. +/- Extra Day	XX	XX 3/				
12. Total Other Adjustments (if applicable)	XX	XX 3/				
12a. Within Grade Adjustments	(XX)					
12b. High Grade Reduction	(XX)					
12c. Separately identify other factors that account for changes in the basic average salary from the PY to the CY.	(XX)					
13. Subtotal Adj. to PY Basic Average Salary	XX	(Total of lines 10, 11, and 12)				
14. Adjusted Basic Average Salary for CY	XX	(Total of lines 4B and 13)				
Other Adjustments to Derive FY CY FTE Cost						
15. CY Pay Raise (Basic Comp)	XX	XX 2/	(Rate times line 14)			
16. Other OC-11 Variables Adjustments 4/	XX	XX 1/				
17. Benefits 4/	XX	XX 1/				
17a. Health Insurance Increase	(XX)					
17b. FERS	(XX)					
17c. Separately identify other factors that account for major changes in benefits from the PY to the CY.	(XX)					
18. Change in Foreign Currency Budget Rates	XX					
19. Total CY Adjustments to FTE Cost	XX	(Total of lines 15, 16, 17, and 18)				
20. Average FTE Cost in CY	XX	(Total of lines 8, 13, and 19)				
21. Total FTE Cost in CY (¤ in Thousands) (line 23 x line 20)	XX					
FY CY (No. Compensable Days)						
22. End Strength	XX					
23. FTEs	XX					
24. Average Basic Annual Salary (Basic Comp)	XX	(Total of lines 14 and 15)				
25. Overall Average Annual Salary (OC-11)	XX	(Total of lines 6, 13, 15 and 16)				
26. Average FTE Cost (OC-11 & OC-12)	XX	(Same as line 20)				

Exhibit OP-9 Analysis of Changes in FTE Costs
(Page 2 of 5)

Appropriation

DEPARTMENT OF _____ **Date: _____**

ANALYSIS OF CHANGES IN FULL-TIME EQUIVALENT (FTE) COST

		SES/GS		WS		FNDH	
		Amount	**Rate**	**Amount**	**Rate**	**Amount**	**Rate**
Adjustment to CY Average Salary							
27	+ Annualization of CY Pay Raise(s)	XX	XX 2/				
28.	+/- Extra Day	XX	XX 3/				
29.	Total Other Adjustments (if applicable)	XX	XX 3/				
29a.	Within Grade Adjustments	(XX)					
29b.	High Grade Reduction	(XX)					
29c.	Separately identify other factors that account for changes in the basic average salary from the CY to the BY.	(XX)					
30	Subtotal Adj. to CY Basic Average Salary	XX	(Total of lines 27, 28, and 29)				
31.	Adjusted Basic Average Salary for BY	XX	(Total of lines 24 and 30)				
Other Adjustments to Derive FY BY FTE Cost							
32.	BY Pay Raise (Basic Comp)	XX	XX 2/	(Rate times line 31)			
33.	Other OC-11 Variables Adjustments 4/	XX	XX 1/				
34.	Benefits 4/	XX	XX 1/				
34a.	Health Insurance Increase	(XX)					
34b.	FERS	(XX)					
34c.	Separately identify other factors that account for major changes in benefits from the CY to the BY.	(XX)					
35.	Change in Foreign Currency Budget Rates	XX					
36.	Total BY Adjustments to WY Cost	XX	(Total of lines 32, 33, 34, and 35)				
37.	Average FTE Cost	XX	(Total of lines 26, 30, and 36)				
38.	Total FTE Cost in BY (¤ in Thousands) (line 37 x line 40)	XX					
FY BY (No. Compensable Days)							
39.	End Strength	XX					
40.	FTEs	XX					
41.	Average Basic Annual Salary (Basic Comp)	XX	(Total of lines 31 and 32)				
42.	Overall Average Annual Salary (OC-11)	XX	(Total of lines 25, 30, 32, and 33)				
43.	Average FTE Cost	XX	(Same as line 37)				

Exhibit OP-9 Analysis of Changes in FTE Costs
(Page 3 of 5)

Appropriation

DEPARTMENT OF
ANALYSIS OF CHANGES IN FULL-TIME EQUIVALENT (FTE) COST

Date: _____

		SES/GS		WS		FNDH	
		Amount	**Rate**	**Amount**	**Rate**	**Amount**	**Rate**
Adjustment to BY Average Salary							
44	+ Annualization of BY Pay Raise(s)	XX	XX 2/				
45.	+/- Extra Day	XX	XX 3/				
46.	Total Other Adjustments (if applicable)	XX	XX 3/				
46a.	Within Grade Adjustments	(XX)					
46b.	High Grade Reduction	(XX)					
47	Subtotal Adj. to BY Basic Average Salary	XX	(Total of lines 44, 45, and 46)				

Exhibit OP-9 Analysis of Changes in FTE Costs
(Page 4 of 5)

ANALYSIS OF CHANGES IN FULL-TIME EQUIVALENT (FTE) COST
INSTRUCTIONS

1. The intent of the OP-9 is to identify the factors that have an impact on changes in average salary and average FTE cost from fiscal year to fiscal year.
2. Prepare separately for each appropriation and Fund account for U.S. direct hire, classified and wage system, and Foreign National Direct Hire (FNDH). Complete amounts and rates for WS, etc., as in SES/GS column.
3. All end strength will be displayed as actual or planned to be onboard as of September 30. Do not use end strength authorizations.
4. Cost, FTEs, and end strength should be consistent with those shown on OP-8, Analysis of Civilian Personnel Costs.
5. Show each classified pay raise in separate stub.
6. Data is to be reflected at appropriation or account.
7. The "Average Basic Annual Salary" for a FY is computed by dividing the "Basic Compensation" total by the number of straight time workyears.
8. The "Overall Average Annual Salary" for a FY is computed by dividing the "Total Compensation" (Object Class 11) by the number of straight time workyears.
9. The "Average FTE Cost" for a FY is computed by dividing "Total Compensation and Benefits" (Object Class 11 and 12) by the number of straight time FTEs.
10. The OP-9 will be prepared for both the Budget Submission and the President's budget. However, for the latter, the OP-9 will be submitted separately to OSD and will not be included in the congressional justification material.

Footnotes

1/ Reflect as % rate of basic compensation.
2/ Express as decimal to five places. Develop effective pay raise as ratio of No. of applicable days to total compensable days in year times pay raise percentage. Identify computation in footnote.
3/ Show computation - derivation of rate.
4/ Provide an explanation if the rate is different from the previous fiscal year rate, e.g. changes in overtime rate, changes in health benefits, FERS, etc.

Exhibit OP-9 Analysis of Changes in FTE Costs
(Page 5 of 5)

Exhibit OP-14 Part A: Service Academy Attrition by Class

INDIVIDUAL TRAINING DATA FOR FY __ BUDGET (SERVICE
PART A: SERVICE ACADEMY ATTRITION BY CLASS

	PY Actual			CY Estimate			BY Estimate		
	Entrs	Grads	Loads	Entrs	Grads	Loads	Entrs	Grads	Loads
ACADEMY NEW ENTRANTS									
New Entrants Lost Before Autumn Term									
Fourth Class Loss									
Fourth Class Carryover									
Third Class Loss									
Third Class Carryover									
Second Class Loss									
Second Class Carryover									
First Class Loss									
Graduates									
Graduates Commissioned									
Cadet/Midshipman End Strength									
Graduation Load									
Autumn Load									
PREP SCHOOL									
Entrants To Prep School									
Grads Entered Academy									
Prep School Load									
Prep School Grads Attrit As Fourth Classmen									

NOTE: Carryover is to be calculated as of graduation (unless another time is specified uniformly for an academy).
"Graduation Load" is the sum of carryover for each class plus graduates.
"Autumn Load" is the sum of carryover for each class plus net new entrants at the beginning of the autumn term.
Reconcile and explain in footnotes differences between Autumn Load and "Cadet/Midshipman End Strength" reflected here and in the FYDP update.
"Prep School Load" is to be a forecast of average onboard students on a "best estimate" basis (specify formula).
If this table is presented on an academic year basis, so state.

Exhibit OP-14 Part B: Training Manpower
(Page 1 of 16)

Exhibit OP-14 Part B: Training Manpower

INDIVIDUAL TRAINING DATA FOR FY __ BUDGET
(Service)
PART B: TRAINING MANPOWER

Page _____

Program Element:_____

	Actual (PY)			Estimated (CY)			Estimated (BY)		
	Off.	Enl.	Civ.	Off.	Enl.	Civ.	Off.	Enl.	Civ.
FTEs/AS*									
Instructors									
Trng And Ed Supp									
Total FTEs									

NOTE: A basic Part B format will be submitted for each of the other Program Elements listed at Attachment 1 in Mission Program Elements (Load-Related) and for institutions in Attachment 2.

* Report full-time equivalents (FTEs) for civilians and average strength (AS) for military personnel.

Exhibit OP-14 Part C: Undergraduate Flight Training Requirements

INDIVIDUAL TRAINING DATA FOR FY __ BUDGET (SERVICE)
PART C-1: UNDERGRADUATE FLIGHT TRAINING REQUIREMENTS (End Strength)

	ACTUAL (PY)	ESTIMATE (CY)	ESTIMATE (BY)
Pilot, Navigators/Naval Flight Office (NFO) (Specify)			
Authorized Rated Wartime Requirements (0-5 and below; yearend)			
Force			
Seat factor flying billets 1/			
Other flying billets 2/			
Training 3/			
Supervision/staff 4/			
Individuals			
Students 5/			
Others			
Total Requirement			
Inventories (0-5 and below; end strength basis)			
Active force			
Reserve			
National Guard			
Total Inventory			

Undergraduate Pilot Training (UPT)/Undergraduate Navigator Training (UNT) Graduates of Year Included in Inventory

1/ Based upon aircraft x pilots per crew x crew ratio.
2/ Other operational flying includes overhead operational flying, miscellaneous support logistics, and research and development (R&D).
3/ Includes instructor and staff positions in undergraduate and advanced flight training.
4/ Includes non-flying billets requiring aviation expertise in administration, command/control and operational supervision/staff above the squadron level.
5/ Include advance flight students only.

INDIVIDUAL TRAINING DATA FOR FY __ BUDGET (SERVICE)
PART C-2: FLIGHT TRAINING

	Syllabus Course Length (In calendar days)	Number of Flight Instructors			Output			
		Mil	Civ	Contractor	Active Duty	Reserve	Guard	Other (Specify)
A. Undergraduate Training								
Jet								
Propeller (including turbo prop)								
Rotary Wing								
TOTAL								
B. Advanced Training								
First Seat (i.e., post-UFT training prior to first operational unit assignment)								
Transition (i.e., conversion from one aircraft type to another or upgrading of skills in the same aircraft type)								
Instructor Training Course								
Other (Specify)								
TOTAL								

Notes: (1) Display pilot and navigator/NFO training separately.
(2) Submit data for PY, CY, BY.
(3) If instructors for any course are other than U.S. active duty military, so indicate.
(4) Separately indicate output of another Service's personnel or foreign military. For the Navy and Marine Corps, this should be on consolidated undergraduate flight training displays. "Instructor" means instructor pilots and navigator/NFO instructors only.
(5) For advanced training, show a weighted average syllabus course length for each subcategory (first seat, transition, etc.)

Exhibit OP-14 Part C: Undergraduate Flight Training Requirements
(Page 4 of 16)

INDIVIDUAL TRAINING DATA FOR FY __ BUDGET (SERVICE)
PART C-3: UNDERGRADUATE PILOT TRAINING PHASE FACTORS
(LINE: Specify Jet, Prop, Helo)
(YEAR: Provide data for PY, CY, BY)

	PREFLIGHT	PRIMARY	BASIC	PRIMARY	ADVANCED	TOTAL
Student Calendar Days to Complete						
Student Flight Hours to Complete						
Aircraft (Specify Model)						
Simulator (Specify Model)						
Student Input *						
Student Output *						
Percent Phase Attrition						
Average Load *						
Instructor Pilots *						
Other Officers *						
Enlisted *						
Aircraft Hours*						
O&M Cost/Hour						
Instructor Hours Per Student						

NOTE: Omit phases not applicable.

* Factors per graduate (final completion)

INDIVIDUAL TRAINING DATA FOR FY __ BUDGET (SERVICE)

PART C-4: FLIGHT TRAINING RESOURCE DATA
(LINE)

	ACTUAL (PY)	ESTIMATE (CY)	ESTIMATE (BY)
AIRCRAFT AND FLYING HOURS BY TYPE/MODEL/SERIES			
Authorized			
Assigned			
Flying Hours			
Total Flying Hours			

Exhibit OP-14 Part D: ROTC Program Data

INDIVIDUAL TRAINING DATA FOR FY __ BUDGET (SERVICE)

PART D: ROTC PROGRAM DATA (PE 847230)

ROTC (Note: Parenthetical numbers refer to paragraphs in instructions following this portion of Exhibit.)

	(2)	FY PY Avg. No. ($000)	FY CY Avg. No. ($000)	(1) ROTC FY BY Avg. No. ($000)	
A.	ROTC Unit Staff				
	Officers			(3)	(4)
	Enlisted Personnel			(3)	(4)
	Civilians			(3)	(4)
	Total (3)			(4)	
	Avg. Staff/Cost per Unit			(5)	(5)
B.	ROTC Command Level Staff				
	Officers			(3)	(4)
	Enlisted Personnel			(3)	(4)
	Civilians			(3)	(4)
	Total (3)			(4)	
	Avg. Staff/Cost per Unit			(5)	(5)
C.	Units (6)				
D.	ROTC Program Costs				
	1. O&M				(7)
	a. Scholarships				(8)
	b. Administrative Expense				
	(1) Unit Operating. Expense				
	(2) Unit Texts and Ref.				(9)
	(3) Admin. Travel				(9)
	2. Reserve Personnel				(10)
	a. Scholarships				(11)
	b. Summer Training				(12)
	c. Other				(13)
	3. Other				(14)
	TOTAL				(15)

Exhibit OP-14 Part D: ROTC Program Data
(Page 7 of 16)

INDIVIDUAL TRAINING DATA FOR FY __ BUDGET (SERVICE)

PART D: ROTC PROGRAM DATA (PE 847230)

ROTC (Note: Parenthetical numbers refer to paragraphs in instructions following this portion of Exhibit.)

	(2)	FY PY Avg. No. ($000)	FY CY Avg. No. ($000)	(1) ROTC FY BY Avg. No. ($000)	
E.	Flight Instruction Program			(16)	(16)
F.	Aviation Indoctrination Program			(16)	(16)
G.	Average Enrollment				
	1. Scholarship				(17)
	MS I				(17)
	II				(17)
	III				(17)
	IV				(17)
	Subtotal				(17)
	2. Non-Scholarship				
	MS I				(17)
	II				(17)
	III				(17)
	IV				(17)
	Subtotal				(17)

INDIVIDUAL TRAINING DATA FOR FY __ BUDGET (SERVICE)

PART D: ROTC PROGRAM DATA (PE 847230)
(Continued)

($000)	FY PY Avg. No. ($000)	FY CY	FY BY	Avg. No. ($000) Avg. No.
H. Total Costs			(18)	
I. Cost Per Graduate				
Scholarship			(19)	
Non-Scholarship			(19)	
Combined			(19)	
J. Cost Per Grad Commissioned				
Scholarship			(19)	
Non-Scholarship			(19)	
Combined			(19)	

Instructions for Completion of Preceding

1. Enter Army, Navy, or Air Force, as applicable.
2. Enter the appropriate fiscal year (data should be shown for the Prior, Current, and Budget fiscal years).
3. Enter the average number (average strength) of officers, enlisted personnel, civilians (Full-Time Equivalents), and combined total, respectively, assigned to ROTC units and ROTC command level staffs, respectively. The ROTC command level staff should include all personnel up to the departmental level who are associated with the ROTC program but are not assigned to a ROTC unit.
4. Enter the total costs of pay and allowances/salary of military and civilian personnel, as applicable, plus any related O&M support costs. Pay and allowances/salaries will be determined through the use of standard rates for military and civilian personnel, respectively.
5. Enter the average staff and the average cost of the staff per unit. Average staff will be determined by dividing the applicable total staff (unit or command level) by the number of units shown in item C (see paragraph 6, below). The average cost of staff per unit will be arrived at by dividing the applicable total costs for the unit and command level staffs, respectively, by the number of units shown in item C.
6. Enter the applicable number of operating units.
7. Enter the total ROTC costs, other than those shown in A or B, included in the Service's O&M appropriation(s). (This should be equal to the sum of D.1.a and b discussed below in paragraphs 8 and 9.)
8. Show in parenthesis ( ) the total applicable costs of ROTC scholarships (include only tuition, fees, books, and other related student expenses).
9. Show in parenthesis ( ) the applicable O&M administrative costs, by categories shown, related to the ROTC program.

Exhibit OP-14 Part D: ROTC Program Data
(Page 9 of 16)

INDIVIDUAL TRAINING DATA FOR FY __ BUDGET (SERVICE)

PART D: ROTC PROGRAM DATA (PE 847230)
(Continued)

10. Enter the total ROTC costs included in the Service's applicable Reserve Component appropriations. This should be equal to the sum of D.2.a, b, and c, as discussed in paragraphs. 11, 12, and 13 below.

11. Enter in parenthesis ( ) the total costs relative to the monthly subsistence allowance paid to college freshmen and sophomores who are recipients of ROTC scholarships.

12. Enter in parenthesis ( ) the aggregate sum included in the Service's applicable Reserve Component appropriations for ROTC Pay and Allowance (Summer Training), Subsistence of Reserve Officer Candidates (Summer Training), and Travel of Reserve Officer Candidates (Summer Training).

13. Enter in parenthesis ( ) all costs of the ROTC program, other than those discussed in paragraphs. 11 and 12, above, included in the Service's Reserve Component appropriations.

14. Enter and detail by appropriation, and explain by footnote, any costs attributable to the ROTC program which have not been included in either A, B, or D (1 and 2).

15. Enter the total cost data shown in D.1, 2, and 3.

16. Enter in parenthesis ( ) the number of candidates participating in and total costs of Flight Instruction Program and the Aviation Indoctrination Program, respectively, included in the above data.

17. Enter by the scholarship and non-scholarship programs, respectively, the average number of candidates participating in MS I, II, III, IV, and applicable totals, respectively. Leave dollar columns blank.

18. Enter the total costs of the ROTC program. Total costs should be equal to the aggregate sum of A, B, and D, above.

Exhibit OP-14 Part E: Junior ROTC Data

INDIVIDUAL TRAINING DATA FOR FY __ BUDGET (SERVICE)

PART E: JUNIOR ROTC PROGRAM DATA (PE 897210)

(1) JUNIOR ROTC (HIGH SCHOOL) PROGRAM

	(2)	FY PY	FY CY	FY BY
A.	Average Enrollment			
	Freshman		(3)	
	Sophomore			
	Junior			
	Senior			
	Total			
B.	Number of Units		(4)	
C.	Total Program Cost		(5)	
D.	Average Cost/Unit		(6)	

Instructions for Completion of Preceding

1. Enter Army, Navy, Marine Corps, or Air Force, as applicable.
2. Enter the appropriate fiscal year (data should be shown for the Prior-1, Prior, Current, and Budget years).
3. Enter the average enrollment during the year by year (of high school) and in total.
4. Enter the number of JROTC units.
5. Enter by appropriation, and in the total, the costs to DoD of the JROTC program.
6. Enter the average costs per JROTC unit. (Total costs in 5 divided by units in 4.)

Exhibit OP-14 Part F: Off Duty and Voluntary Education

INDIVIDUAL TRAINING DATA FOR FY ___ (SERVICE)
PART F: OFF DUTY AND VOLUNTARY EDUCATION
PROGRAM DATA (PE 897320)

	PY/CY/BY *	
	Number	**Funding ($000)**
Post-Secondary Programs		
Tuition Assistance		
Graduate Level Course Enrollments		
Undergraduate Level Course Enrollments		
Vocational/Technical Course Enrollments		
Totals		
Instructor Hire (Group Study)		
Enrollments	X	
Instructor Funding	X	
Other Funding	X	
Total Funding	X	
Contract Education (e.g., PACE)		
(Detail by program)		
Education Services Personnel (counselors, ESOs, enlisted clerical, etc.)		
Full-time equivalent Civilian		
Average Strength Military		
Testing – DANTES		
CLEP Tests Administered		
DSST Tests Administered		
Other (Specify) Test Administered		
Other Education-Related Supplies and Materials		
Total Post-Secondary Program Funding	X	X
High School Programs		
Tuition Assistance		
Free/Nominal Course Enrollments		
Group Study Course Enrollments		
Other (Specify) Course Enrollments		
GED Tests Administered		
Total		

Exhibit OP-14 Part F: Off Duty and Voluntary Education

(Page 12 of 16)

INDIVIDUAL TRAINING DATA FOR FY ___ (SERVICE)
PART F: OFF DUTY AND VOLUNTARY EDUCATION
PROGRAM DATA (PE 897320)

(Continued)

	PY/CY/BY*	
	Number	**Funding ($000)**
High School Programs (Continued)		
Basic Skills Development		
Free/Nominal Course Enrollments		
Group Study Course Enrollments		
Other (Specify) Course Enrollments		
Total		
Total High School Program Funding		

New Educational Levels Reported Achieved During Past Year (FY) Through Voluntary Programs	**Officer**	**Enlisted**
High School Completion		
Diploma		
GED		
2-Year College		
Baccalaureate Degree		
Masters Degree		
Doctorate Degree		
Professional Degree (e.g., JD)		
Other (Specify)		

* Provide the required data for each fiscal year.

Exhibit OP-14 Attachment 1: Individual Training Program Elements

PROGRAM 8 INDIVIDUAL TRAINING ELEMENTS
Mission Program Elements (Load Related)

08047110	Recruit Training Units
08047210	Service Academies
08047220	Officer Candidate/Training Schools (OCS/OTS)
08047230	Reserve Officers Training Corps (ROTC)
08047240	Other College Commissioning Programs
08047310	General Skill Training
08047330	General Intelligence Skill Training
08047340	Crypto/SIGINT-Related Skill Training
08047350	Undergraduate Space Training
08047410	Undergraduate Pilot Training (UPT)
08047420	Undergraduate Navigator/NFO Training (UNT)
08047430	Other Flight Training
08047440	Euro-NATO Jet Joint Pilot Training
08047450	Undergraduate Pilot Training (UPT) Strike
08047460	Undergraduate Pilot Training (UPT) Maritime
08047470	Undergraduate Pilot Training (UPT) Rotary
08047480	Flight Screening
08047510	Professional Military Education
08047520	Other Professional Education
08047530	Acquisition Training
08047610	Integrated Recruit and Skill Training Units

Submitting Components should refer to the FYDP Structure Management (FSM) System as described in section 010702 of Chapter 1 of this volume to ensure that training program elements listed above are current.

Exhibit OP-14 Attachment 2: DoD Institutions

DOD PROFESSIONAL DEVELOPMENT EDUCATION INSTITUTIONS

Service Institutions

Army

Sergeants Major Academy, Ft Bliss, TX
Command and General Staff College, Ft Leavenworth, KA
War College, Carlisle, PA
Army Management Staff College, Ft Belvoir, VA

Navy

College of Naval Command and Staff, Newport, RI
College of Naval Warfare, Newport, RI
Naval Postgraduate School, Monterey, CA*
Senior Enlisted Academy, Newport, RI

Marine Corps

Staff NCO Academy, Quantico, VA
Command and Staff College, Quantico, VA

Air Force

Senior NCO Academy, Gunter AFS, AL
Air Command and Staff College, Maxwell AFB, AL
Air War College, Maxwell AFB, AL
Air Force Institute of Technology, Dayton, OH*

Other Defense Institutions (Component Providing Budgetary Support)

Africa Center for Security Studies, Arlington, VA
Armed Forces Staff College, Norfolk, VA
Asia-Pacific Center for Security Studies, Honolulu, HI
Center for Civil-Military Relations, Monterey, CA
Center for Hemispheric Defense Studies, Ft McNair, DC
Defense Acquisition University, Alexandria, VA
Defense Contract Audit Institute, Memphis, TN
Defense Equal Opportunity Employment Institute, Patrick AFB, FL
Defense Information School, Ft Meade, MD
Defense Institute of International Legal Studies, Newport RI
Defense Institute of Security Assistance Management, Dayton, OH
Defense Language Institute - English Language Center, Lackland AFB, TX

DOD PROFESSIONAL DEVELOPMENT EDUCATION INSTITUTIONS

Other Defense Institutions (Component Providing Budgetary Support) (continued)

Defense Language Institute - Foreign Language Center, Monterey, CA
Defense Polygraph Institute, Ft Jackson, SC
Defense Resources Management Institute, Monterey, CA
Defense Security Service Academy, Linthicum, MD
George C. Marshall European Center for Security Studies, Germany
Industrial College of the Armed Forces, Ft McNair, DC
Information Resources Management College, Ft. McNair, DC
Institute for National Strategic Studies, Ft. McNair, DC
Interagency Training Center, Ft Washington, MD
Joint Military Intelligence College, Washington DC
Joint Military Intelligence Training Center, Washington DC
Joint Military Packaging Training Center, Aberdeen, MD
National Cryptologic School, Ft Meade, MD
National Geospatial-Intelligence College, Ft Belvoir, VA
National War College, Ft McNair, DC
Near East-South Asia Center for Security Studies, Falls Church, VA
Uniformed Services University of the Health Services, Bethesda, MD

*Prepare separate exhibits for resident and civilian institution programs.

Exhibit OP-15 DoD Dependents Education Cost Summary

DEPARTMENT OF DEFENSE OVERSEAS DEPENDENTS EDUCATION
COST SUMMARY
($ in Thousands)

Administrative Costs	FY PY	FY CY	FY BY	Change FY CY/BY
1. A. Salaries of Personnel Above School Level				
B. Personnel Benefits				
C. Temporary Duty Travel (TDY)				
(1) Per Diem				
(2) Other Travel Costs				
(3) AMC Passenger				
D. Supplies & Materials (non-ADP)				
E. Equipment Purchases (non-ADP)				
(1) Furniture				
(2) All Others				
F. Rental & Contractual Services (non-ADP)				
(1) Rents				
(2) Maintenance Contracts				
(3) Other Service Contracts				
G. ADP-Management Information System				
(1) Supplies & Materials				
(2) Equipment Purchases				
(3) Equipment Rental Contracts				
(4) Maintenance Contracts				
(5) Software Purchases				
(6) Contract Consultants				
(7) Studies & Analysis Contracts				
(8) Professional & Management Services and Contracts				
H. Special Analyses (non-ADP)				
(1) Contract Consultants				
(2) Studies & Analysis Contracts				
(3) Professional & Management Services and Contracts				
I. Other				
(1) Training				
(2) Advertising				
(3) Other				

DEPARTMENT OF DEFENSE OVERSEAS DEPENDENTS EDUCATION
COST SUMMARY
($ in Thousands)

Administrative Costs	FY PY	FY CY	FY BY	Change FY CY/BY
2. A. Salaries of Teaching Personnel				
(1) Teaching Personnel				
(2) Substitutes				
B. Salaries of Principals				
C. Salaries of Clerical Personnel				
(1) Clerical Personnel				
(2) Paraprofessionals				
D. Salaries of Others				
E. Personnel Benefits				
F. Textbooks and Library Books				
(1) Textbooks				
(2) Library Books (Newspaper/Periodicals)				
G. Educational Supplies				
(1) Educational Supplies				
(2) Audiovisual Supplies				
(3) ADP-School Administration				
(4) ADP-Classroom				
H. Educational Equipment				
(1) Educational Equipment				
(a) Equipment Rental				
(b) Equipment Purchases				
(c) Maintenance Contracts				
(2) Audiovisual Equipment				
(a) Equipment Rental				
(b) Equipment Purchases				
(c) Maintenance Contracts				
(3) ADP-School Administration				
(a) Equipment Rental				
(b) Equipment Purchases				
(c) Maintenance Contracts				
(4) ADP-Classroom				
(a) Equipment Rental				
(b) Equipment Purchases				
(c) Maintenance Contracts				

Exhibit OP-15 DoD Dependents Education Cost Summary
(Page 2 of 11)

DEPARTMENT OF DEFENSE OVERSEAS DEPENDENTS EDUCATION
COST SUMMARY
($ in Thousands)

Administrative Costs	FY PY	FY CY	FY BY	Change FY CY/BY
2. I. Contractual Services				
(1) Contract Instructional Services				
(2) Non-Instructional Contract Services				
(a) Contract Consultants				
(b) Studies & Analysis Contracts				
(c) Professional & Management Services				
(d) Contract Engineering & Technical Services Contracts				
(e) Other Contracts (Specify)				
J. Research & Innovation				
(1) TDY				
(a) Per Diem				
(b) Other Travel Costs				
(c) AMC Passenger				
(2) Projects (Specify)				
K. Summer School				
(1) Salaries of Teaching Personnel				
(2) Educational Activities				
L. Other Temporary Duty Travel				
(1) Itinerant Education Services				
(a) Per Diem				
(b) Other Travel Costs				
(c) AMC Passenger				
(2) Recruiting				
(a) Per Diem				
(b) Other Travel Costs				
(c) AMC Passenger				
(3) Accreditation				
(a) Per Diem				
(b) Other Travel Costs				
(c) AMC Passenger				

Exhibit OP-15 DoD Dependents Education Cost Summary
(Page 3 of 11)

DEPARTMENT OF DEFENSE OVERSEAS DEPENDENTS EDUCATION
COST SUMMARY
($ in Thousands)

Administrative Costs	FY PY	FY CY	FY BY	Change FY CY/BY
2. L. (4) Curriculum Review				
(a) Per Diem				
(b) Other Travel Costs				
(c) AMC Passenger				
(5) Union Deliberation/Negotiation				
(a) Per Diem				
(b) Other Travel Costs				
(c) AMC Passenger				
(6) Other				
(a) Per Diem				
(b) Other Travel Costs				
(c) AMC Passenger				
M. In-Service Training				
(1) Temporary Duty Travel				
(a) Per Diem				
(b) Other Travel Cost				
(c) AMC Passenger				
(2) Contracts				
(a) Contract Consultant				
(b) Professional & Management Services Contracts				
(c) Other Contracts (Specify)				
(3) Tuition Assistance				
(4) Other (Specify)				
N. Other Costs & Compensation				
(1) Compensation for Extra-Curricular School Activities				
(2) Cost for Correspondence Courses				
(3) Other (Specify)				

Exhibit OP-15 DoD Dependents Education Cost Summary
(Page 4 of 11)

DEPARTMENT OF DEFENSE OVERSEAS DEPENDENTS EDUCATION
COST SUMMARY
($ in Thousands)

Administrative Costs	FY PY	FY CY	FY BY	Change FY CY/BY
3. A. Salaries				
(1) Salaries of Logistics Personnel				
(2) Benefits				
B. Custodial/Maintenance				
(1) Contracts				
(2) Non-Contract Supplies				
C. Repair and Maintenance				
(1) R&M of School Facilities				
(a) Less than $100,000				
(b) More than $100,000				
(2) Minor Construction Projects				
(b) More than $100,000				
(a) Less than $100,000				
(3) Recurring R&M				
(4) Other (Specify)				
D. Transportation Services				
(1) Transportation of Things				
(a) AMC Cargo				
(b) MSC Cargo				
(c) Commercial Land				
(d) Commercial Ship				
(e) Commercial Air				
(f) Other				
(2) Second Destination Transportation				
(a) AMC Cargo				
(b) MSC Cargo				
(c) Commercial Land				
(d) Commercial Ship				
(e) Commercial Air				
(f) Other				
(3) Transportation of People				
(a) Per Diem				
(b) Other Travel Costs				
(c) AMC Passengers				

Exhibit OP-15 DoD Dependents Education Cost Summary
(Page 5 of 11)

DEPARTMENT OF DEFENSE OVERSEAS DEPENDENTS EDUCATION
COST SUMMARY
($ in Thousands)

Administrative Costs	FY PY	FY CY	FY BY	Change FY CY/BY
3. D. (4) Daily Student Commuting				
(a) Reimbursable				
(b) Contract				
(5) Bus Monitors				
E. Rents, Communications and Utilities				
(1) Rents & Leases				
(2) Utilities				
(3) Communications				
F. Local Costs and Purchases				
(1) Supplies & Materials				
(2)Equipment				
(a) Furniture				
(b) All Others				
(3) Printing & Reproduction				
(4) Other				
G. Reimbursable for Services Received				
(1) ADP Automated Supply System				
(2) Accounting/Payroll				
(3) Civilian Personnel Services				
(4) Other Base Support				
(5) NATO/SHAPE/AFCENT Contributions				
(6) Furniture Maintenance				
(7) Equipment Maintenance				
(8) Section Six Schools				
4. DoDDS-Unique Costs				
A Salaries for Host Nation Personnel				
(1) Salaries				
(2) Benefits				
B. Allowance				
(1) Cost of Living Allowance				
(2) Housing Allowance				
(3) Area Differentials				

Exhibit OP-15 DoD Dependents Education Cost Summary
(Page 6 of 11)

DEPARTMENT OF DEFENSE OVERSEAS DEPENDENTS EDUCATION
COST SUMMARY
($ in Thousands)

Administrative Costs CY/BY	FY PY	FY CY	Change FY BY	FY
4. C. Permanent Change of Station Costs				
(1) Transportation of People				
(a) Per Diem				
(b) Other Travel Costs				
(c) AMC Passengers				
(2) Transportation of Things				
(a) AMC Cargo				
(b) MSC Cargo				
(c) Commercial Land				
(d) Commercial Ship				
(e) Commercial Air				
(f) Other				
D. DoDDS-Operated Dormitories				
(1) Salaries of Dormitory Personnel				
(a) Dormitory Counselors				
(b) Dormitory Aides				
(c) Compensation for Irregular Hours				
(2) Benefits				
(3) Student Room & Board				
(4) Transportation Services				
(a) Activity Transportation				
(b) To/Fro 5-day Dormitories				
(c) To/From 7-day Dormitories				
(5) Equipment				
(a) Furniture				
(b) All Others				

Exhibit OP-15 DoD Dependents Education Cost Summary
Page 7 of 11)

Exhibit OP-15A DoD Dependents Education: Schools and Enrollment Data

DEPARTMENT OF DEFENSE DEPENDENTS EDUCATION
NUMBER OF SCHOOLS AND ENROLLMENT DATA*

		0 to 124	125 to 349	350 to 499	500 to 749	750 to 999	1,000 to 1,299	1,300 to 1,599	1,600 to 1,899	1,900 to 2,199	TOTAL
Elementary Schools (K-8)											
No. of Schools	FY PY										
	FY CY										
	FY BY										
Total Enrollment	FY PY										
	FY CY										
	FY BY										
Middle Schools (4-8)											
No. of Schools	FY PY										
	FY CY										
FY BY											
Total Enrollment	FY PY										
	FY CY										
FY BY											
Junior High Schools (7-10, must have 9th grade)											
No. of Schools	FY PY										
	FY CY										
FY BY											
Total Enrollment	FY PY										
	FY CY										
	FY BY										

*Excludes Tuition-Fee Schools and Section Six Schools

DEPARTMENT OF DEFENSE DEPENDENTS EDUCATION
NUMBER OF SCHOOLS AND ENROLLMENT DATA*

		0 to 124	125 to 349	350 to 499	500 to 749	750 to 999	1,000 to 1,299	1,300 to 1,599	1,600 to 1,899	1,900 to 2,199	TOTAL
Secondary Schools (7-12)											
No. of Schools	FY PY										
	FY CY										
	FY BY										
Total Enrollment	FY PY										
	FY CY										
	FY BY										
High Schools (9 or 10-12)											
No. of Schools	FY PY										
	FY CY										
	FY BY										
Total Enrollment	FY PY										
	FY CY										
	FY BY										
Combined Schools (K-9, K-10) or K-12)											
No. of Schools	FY PY										
	FY CY										
	FY BY										
Total Enrollment	FY PY										
	FY CY										
	FY BY										

Exhibit OP-15A DoD Dependents Education: Schools and Enrollment Data
(Page 9 of 11)

DEPARTMENT OF DEFENSE DEPENDENTS EDUCATION
NUMBER OF SCHOOLS AND ENROLLMENT DATA*

		0 to 124	125 to 349	350 to 499	500 to 749	750 to 999	1,000 to 1,299	1,300 to 1,599	1,600 to 1,899	1,900 to 2,199	TOTAL
Junior College (Non-Add)											
No. of Locations	FY PY										
	FY CY										
	FY BY										
Total Enrollment*	FY PY										
	FY CY										
	FY BY										
Kindergarten (Memo Entry)											
No. of Locations	FY PY										
	FY CY										
	FY BY										
Total Enrollment	FY PY										
	FY CY										
	FY BY										
Summary											
No. of Locations	FY PY										
	FY CY										
	FY BY										
Total Enrollment	FY PY										
	FY CY										
	FY BY										

* Provide data in terms of Full-Time Equivalents

Exhibit OP-15A DoD Dependents Education: Schools and Enrollment Data
(Page 10 of 11)

Exhibit OP-15B DoD Dependents Education: Pupil/Teacher Ratio

DEPARTMENT OF DEFENSE DEPENDENTS EDUCATION
PUPIL ENROLLMENT TO TEACHER RATIOS
(Full-Time Equivalents (FTEs))

		PY	CY	BY	Change CY/BY
I.	Summary				
	Elementary School (K-8)				
	Middle School (4-8)				
	Jr. High (7-10, must have 9th grade)				
	Secondary Schools (7-12)				
	High Schools (9 or 10-12)				
	Combined (K-9, K-10 or K-12)				
	Special Education Program (Self-Contained)				
	Junior College				
	TOTAL				
II.	Detail of Special Education Classes				
	Self-Contained Environment				
	Physically Handicapped				
	Hearing Impaired				
	Mentally Handicapped (Educ./Trainable)				
	Emotionally Handicapped				
	Multi-handicapped (at least two categories)				
	Pre-School Handicapped				
	TOTAL				
	Non-Self Contained Environment				
	Physically Handicapped				
	Hearing Impaired				
	Visually Handicapped				
	Learning Disabled				
	Mildly Handicapped				
	Mentally Handicapped (Educ./Trainable)				
	Emotionally Handicapped				
	Multi-handicapped				
	TOTAL				
III.	Certain Special Programs Teachers				
	Speech Therapist				
	ESL				
	Compensatory Education				
	Talented & Gifted				
	TOTAL				

Exhibit OP-15B DoD Dependents Education: Pupil/Teacher Ratio
(Page 11 of 11)

Exhibit OP-16 DoD Defense Agencies Section 6 Schools

DEPARTMENT OF DEFENSE DEPENDENTS EDUCATION
SECTION 6 SCHOOLS COST SUMMARY
($ in Thousands)

	PY	CY	BY	Change CY/BY
1. ADMINISTRATION COST				
a. Salaries for Administration				
(1) Superintendent				
(2) Associate Superintendent				
(3) Other Administrators				
(4) Secretaries and Clerks				
b. Other Expenses for Administration				
(1) TDY Travel				
(2) Supplies				
2. INSTRUCTION COSTS				
a. Salaries of Principals				
(1) Supervising Principals				
(a) Elementary				
(b) Secondary				
(2) Assistant Principals				
b. Salaries of Teachers				
(1) Elementary				
(a) Kindergarten				
(b) Specialists (Special Subject matter Areas)				
(c) Classroom Teachers				
(2) Secondary				
(3) Special Education Teachers				
(4) Summer School				
c. Salaries of Other Instructional Staff				
(1) Librarian Salaries				
(a) Librarians				
(b) Assistant Librarians				
(2) Counselors				

DEPARTMENT OF DEFENSE DEPENDENTS EDUCATION
SECTION 6 SCHOOLS COST SUMMARY
($ in Thousands)

	PY	CY	BY	Change CY/BY
2. INSTRUCTION COSTS (continued)				
d. Salaries of Secretarial and Clerical Staff				
(1) Principal's Office Secretarial and Clerical Staff				
(2) Library Clerks				
e. Other Salaries for Instruction				
(1) Teacher Aides				
(2) Substitute Teachers				
f. Student Fees				
(1) Special Education (EMR) and Special Education (LD)				
(2) Reading & Motor Perception Program				
g. School Library & Audio Visual Materials				
(1) Library Books				
(a) Replacement				
(b) Rebinding				
(2) Periodicals and Newspapers				
(3) Audio Visual Materials				
(4) Library Supplies				
h. Teaching Supplies				
(1) Kindergarten				
(2) Elementary School				
(3) Secondary School				
(4) Special Education Supplies				

Exhibit OP-16 DoD Defense Agencies Section 6 Schools
(Page 2 of 5)

DEPARTMENT OF DEFENSE DEPENDENTS EDUCATION
SECTION 6 SCHOOLS COST SUMMARY
($ in Thousands)

	PY	CY	BY	Change CY/BY

2. INSTRUCTION COSTS (continued)
- i. Other Expenses for Instruction
  - (1) Professional Library
  - (2) Supplies (Office Supplies Related to Instruction)
  - (3) Workshop
  - (4) Outdoor Education Program Supplies
  - (5) TDY for Instruction

3. AUXILIARY
- a. Health Services
  - (1) Salaries
  - (2) Supplies and expenses
- b. School Lunch Service Salaries (Cafeteria Manager)

4. PUPIL TRANSPORTATION SERVICES
- a. Salaries for Pupil Transportation
- b. Contracted Services for Pupil Transportation

5. OPERATION OF PLANT
- a. Salaries for Operation of Plant
  - (1) Salary of Head Custodian
  - (2) Salaries of Assistant Custodians
- b. Contracted Services for Operation of Plant

Exhibit OP-16 DoD Defense Agencies Section 6 Schools
(Page 3 of 5)

DEPARTMENT OF DEFENSE DEPENDENTS EDUCATION
SECTION 6 SCHOOLS COST SUMMARY
($ in Thousands)

	PY	CY	BY	Change CY/BY
5. OPERATION OF PLANT (continued)				
c. Utilities				
(1) Heat				
(2) Water				
(3) Electricity				
(4) Gas				
(5) Sewage and/or Trash Removal Service				
(6) Phone				
d. Supplies for Operation of Plant				
6. MAINTENANCE OF PLANT				
a. Salaries for Maintenance of School Plant				
b. Contracted Services for Maintenance				
(1) Pest Control				
(2) Rug, Mop, and Linen				
(3) Fire Control				
c. Replacement of Equipment				
(1) Administrative Equipment				
(2) Instructional Equipment				
(3) Non-Instructional Equipment				
(4) Audio Visual Equipment				
d. Supplies for Maintenance of Plant				
(1) Supplies for Building Maintenance				
(2) Supplies for Equipment Maintenance				
7. FIXED CHARGES				
a. Government Contribution to Retirement				
(1) Civil Service Retirement (CSRS and FERS)				
(2) FICA				

Exhibit OP-16 DoD Defense Agencies Section 6 Schools
(Page 4 of 5)

DEPARTMENT OF DEFENSE DEPENDENTS EDUCATION
SECTION 6 SCHOOLS COST SUMMARY
($ in Thousands)

	PY	CY	BY	Change CY/BY
7. FIXED CHARGES (continued)				
b. Government Contribution to Insurance				
(1) FEGLI				
(2) FEHB				
(3) Fidelity Bond Premiums				
c. Workmen's Compensation				
d. Rental of Land and Buildings				
(1) Rent for Instructional Purposes				
(2) Rent for Non-Instructional Purposes				
SUBTOTAL (costs for Section 6 Schools)				
Less reimbursements for non-Section 6 School pupils (This Pertains to Puerto Rico Schools Only)				
NET Section 6 Schools Costs				
(Estimated number of pupils in Section 6 Schools)				
(Costs per pupil)				
8. COSTS UNIQUE TO SECTION 6 SCHOOLS (Puerto Rico Schools Only)				
a. Overseas Allowances (cost of living, quarters, and post differential)				
b. Permanent Change of Station (PCS) Costs				
TOTAL SECTION 6 SCHOOLS COSTS				
Estimated Number of Pupils (including Tuition Paying Pupils)				
Per Pupil Cost				

INSTRUCTIONS: Exhibit OP-16 in its entirety will be submitted for both the OSD and the President's budget submissions. This exhibit will be incorporated into the OP-5 Exhibit for the Section 6 Schools.

Exhibit OP-16 DoD Defense Agencies Section 6 Schools
(Page 5 of 5)

Exhibit OP-20 Flying Hours Program

Exhibit OP-20
Flying Hours Program
Operation and Maintenance, Component

	PY-1	PY	CY	BY	BY+1	BY+2	BY+3	BY+4
Component, derived from Treasury Code, Bold								
F-16 Weapon System, Underline								
Quantity Weapon System Detail				sum of all quantities by SAG and PE				
Flying Hours Required Weapon System Detail				sum of all required flying hours by SAG and PE				
Flying Hours Funded Weapon System Detail				sum of all funded flying hours by SAG and PE				
Flying Hour Difference				Required less Programmed +/-, **Bold**				
Flying Hours Funded/Crew/Month Weapon System Detail				sum of all reported by SAG and PE				
Number of Crews Weapon System Detail				sum of all reported by SAG and PE				
Crew Ratio Weapon System Detail				sum of all reported by SAG and PE				
Fuel Funded Weapon System Detail				sum of all fuel funded by SAG and PE				
Reparables Funded Weapon System Detail				sum of all reparables funded by SAG and PE				
Consumables Funded Weapon System Detail				sum of all consumables funded by SAG and PE				
Contract Funded Weapon System Detail				sum of all contracts funded by SAG and PE				
Maintenance Funded Weapon System Detail				sum of all maintenance funded by SAG and PE				
Other Funded Weapon System Detail				sum of all other funded by SAG and PE				
Total Direct Funded				Sum all direct funded types above, **Bold**				
Indirect Funded Weapon System Detail				sum of all indirect funded by SAG and PE				
Total Funded				Sum all funded types above, **Bold**				
Total TOA Required				sum of all reported by SAG and PE, **Bold**				

Instructions for creating the display
The OP-20 data will be **submitted via the Select and Native Programming Data Input System (SNaP) located at https://snap.cape.osd.mil. The most current version of this exhibit will be found at this site**. Once loaded the data will be available in the Operations & Support Data Center. Program/Budget data displays will be produced through the Data Center. Questions regarding the OP-20 should be referred to (703) 697-3248. Questions about the SNaP interface should be referred to the Office of the Director (Program Analysis & Evaluation) Programming and Fiscal Economics Division (703) 693-0223.

1) Display the Organization and Component under the report title
2) For each Weapon System display the weapon system detail as organized above
3) Sum all weapon detail reported by SAG and PE at weapon system level

Data Center: Operations and Support, Program/Budget
Display Variations for Warehouse: In addition to Organization breaks create one Department wide Display including all organizations, no grand totals.
Database Requirement: One XLS of all data for all organizations as provided-- no calculations

Exhibit OP-20 Flying Hours Program
(Page 1 of 3)

OP-20 Flying Hours Summary

Appropriation	SAG	Program Element	Weapon System Type	Weapon System Detail	PY-1	PY	CY	BY	BY+1	BY+2	BY+3	BY+4
Treasury Code List Provided	List Provided		Type/Model/Series	Quantity	#	#	#	#	#	#	#	#
	Add Capability		List Provided with add capability	Flying Hours Required	#	#	#	#	#	#	#	#
				Flying Hours Funded	#	#	#	#	#	#	#	#
				Flying Hours Funded/Crew/Month	#	#	#	#	#	#	#	#
				Number of Crews	#	#	#	#	#	#	#	#
				Crew Ratio	#	#	#	#	#	#	#	#
				Utilization Rate	#	#	#	#	#	#	#	#
				Fuel Funded (Direct)	$	$	$	$	$	$	$	$
				DLRs Funded (Direct)	$	$	$	$	$	$	$	$
				Consumables Funded (Direct)	$	$	$	$	$	$	$	$
				Contract Funded (Indirect)	$	$	$	$	$	$	$	$
				Maintenance Funded (Indirect)	$	$	$	$	$	$	$	$
				Other Funded (Indirect)	$	$	$	$	$	$	$	$
				Total TOA Required	$	$	$	$	$	$	$	$

Instructions for Completing the Weapon Systems Readiness-Flying Hour Summary

1) For Army, Navy and Air Force, provide the funding level--by Active, Reserve, and Guard--for the Flying Hour Program (FHP) by SAG, PE, Treasury Code and weapon system type. The funding levels reported here should be the same as those reported in Budget Exhibit OP-20.
2) Provide Narrative in a Word Document that discusses reasons for cost growth from the PB 03 position for any major weapons systems whose cost per flying hour increased more than 10 percent. Discuss any accounting changes in the flying hour program made since the PB 03 position.
3) For Navy, provide a list of Program Elements included in each of the following: TACAIR/ASW, Fleet Training, and Fleet Air Support

Definitions:
Organization: The Military Departments, All components
Appropriation: Treasury Code, Defined set of four-digit numeric codes from the Comptroller that identifies resources by type, organization and component.

Exhibit OP-20 Flying Hours Program
(Page 2 of 3)

OP-20 Flying Hours Summary (Continued)

SAG: Sub-Activity Group, budget term denoting groupings of resources
- Army SAGs: 111, 112, 113, 114, 121, 135, 311, 321, 322, 423, 434, and 441.
- Navy SAGs: 1A1A, 1A2A, and 1C1C
- Air Force SAGs: By appropriate SAGs.

Program Element: Identify the PE containing the weapon system described by the detail.

Weapon System Type: Provide Type/Model/Series detail for the weapon system described by the detail.

Weapon System Detail:
- Quantity-Identify the number of weapon system type used to determine flying hour program funding
- Flying Hours: - flying hour per Aircraft per Month, required and funded
- Utilization Rate:
- Crew Ratio: - number of crews funded per weapon system
- Funded: Identify direct funding level for Fuel, DLRs, Consumables, and Indirect funding for Contract, Maintenance and Other OPTEMPO.
  - Army -- See definition of Indirect OPTEMPO in Notes section below.
  - Navy--Special Interest Codes
  - Air Force--Consumables (General Support (GS) + System Support (SS))
- Total TOA Required: Provide total TOA required to meet the flying hour requirement

Notes:
1) Indirect OPTEMPO is the portion of the Army's total OPTEMPO that is structure based, or those costs that are based on the number of personnel supported rather than the costs that vary directly with training activities/events (called Direct OPTEMPO). Some examples of Indirect OPTEMPO costs include organizational clothing and equipment, civilian pay, and contract logistic support. If it is not possible to report Indirect OPTEMPO costs by PE and weapon system, report total Indirect OPTEMPO costs for the Army flying hour program and include a narrative in a word document explaining how this number is achieved and what steps will be taken to provide more detailed data in the next POM submission
2) For each PE/Treasury Code/SAG combination, the sum of DLRs and Consumables will be compared with the O&M FYDP Expense Aggregate, Repair Parts, for the same combination.
3) For each PE/Treasury Code/SAG combination, the Fuel entered will be compared with the O&M FYDP Expense Aggregate, Fuel, for the same combination.

Technical Issues: If you are having difficulty with the data collection system—SNaP, contact the SNaP administrators via the email link at the web site.

Exhibit OP-20 Flying Hours Program
(Page 3 of 3)

Exhibit OP-24 Emergency and Extraordinary Expense Limitation

INSTRUCTIONS FOR OP-24

Emergency and Extraordinary Expense Limitation

A. Purpose

1. This section provides guidance for the submission of Exhibit OP-24 (Emergency and Extraordinary Expense Limitation) and the quarterly emergency and extraordinary expenses expenditure report required by section 127 of Title 10, United States Code.

2. This section supersedes OASD(C) memorandum, 14 August 1975, subject: Quarterly Reporting of Emergency and Extraordinary Expenses, and OASD(C) memorandum, 6 August 1976, subject: Quarterly Reporting of Emergency and Extraordinary Expenses.

B. Submission Requirements

1. General. In the annual DoD appropriations acts, Congress provides the Secretary of Defense, secretaries of the military departments, DoD Inspector General, and the US Court of Appeals for the Armed Forces, the authority to make obligations and expenditures for emergency and extraordinary expenses. These authorities are provided in terms of dollar limitations and are available for the fiscal year in which they are provided in the DoD appropriations act. Defense agencies, the office of the Secretary of Defense, the office of the Joint Chiefs of Staff, and Combatant Commands are allocated (usually via a Deputy Secretary of Defense memorandum) a portion of the Secretary of Defense's annual emergency and extraordinary expenses authority.

The use of emergency and extraordinary expenses authority is limited to those expenditures which cannot be anticipated or classified, or are not specifically appropriated for such purposes, and includes expenditures for emergent confidential military requirements and official representation activities.

In order to strengthen the management of, and budgeting for, emergency and extraordinary expense authority, and continue to comply with 10 USC 127 for the submission of required reports to Congress, it is necessary to improve the emergency and extraordinary expense data collection process. Therefore, the following guidance is provided:

2. OP-24

a. This exhibit will be submitted by each military department and Defense activity that require emergency and extraordinary expense authority, or authority to expend funds for official representation activities, for both the OSD budget review and the President's budget submit. In addition to the budgetary data, the OP-24 must include a full and complete narrative justification to support the request.

b. If more space is required, the justification material may be continued on a second page, or additional information may be attached to OP-24, as appropriate.

c. The Defense components that submit an OP-24 with only the budgetary data, but inadequate or no narrative justification risk not receiving any, or significantly reduced, emergency and extraordinary expense authority.

d. For the President's budget submission, the OP-24 should be submitted concurrently but separately to OUSD (Comptroller) Operations Directorate (Pentagon, Room 3C749).

3. Quarterly Reports

a. 10 USC 127 requires the Secretary of Defense to submit an annual report of expenditures made under the authority of this statute. (Although Congress requires an annual submission, quarterly inputs are required for management purposes.)

b. The categories of expenditure for reporting the quarterly emergency and extraordinary expenses were defined in the 14 August 1975 ASD(Comptroller) memorandum, and are shown below (Mapping and Charting Activity has been changed to Geospatial Intelligence):

Emergency and Extraordinary Expenses
Expenditures through _____

	Obligation	Expenditure
1.Cryptologic Intelligence	x	x
2.HUMINT	x	x
3.Counterintelligence and Investigative Activities	x	x
4. Scientific and Technical	x	x
5. Intelligence and Management Support	x	x
6. Geospatial Intelligence	x	x
7. Attaché Activities	x	x
8. Tactical Intelligence	x	x
9. Other Intelligence *	x	x
10. Representation Allowance	x	x
11. Criminal Investigations	x	x
12. Other Non-Intelligence Activities *	x	x
Total	xx	xx

* "Other" categories should be specifically identified with their related expenditures in separate lines below lines 9 and/or 12.

c. The quarterly expenditure amounts reported are expenditures made against recorded obligations for the fiscal year being reported. If current fiscal year expenditures being reported are expenditures made against prior year obligations, provide a separate expenditure listing for each fiscal year for which expenditures in the current fiscal year are being reported. The quarterly expenditure amounts will be on a cumulative basis for the fiscal year for which the expenditures are being reported.

Exhibit OP-24 Emergency and Extraordinary Expense Limitation
(Page 2 of 4)

d. In addition, the Defense components shall also report to the Office of the Under Secretary of Defense (Comptroller) the obligation amounts made against the emergency and extraordinary expense authority for the fiscal year being reported.

e. The military departments, DoD Inspector General, and the US Court of Appeals for the Armed Forces shall submit quarterly reports of all emergency and extraordinary expense obligation and expenditures to the Office of the Under Secretary of Defense (Comptroller) no later than 31 days following the close of the quarter being reported.

f. Defense agencies and other DoD activities that receive their emergency and extraordinary expense authority from the Secretary of Defense (usually via a Deputy Secretary of Defense memorandum) shall continue to submit their quarterly expenditure data for official representation activities to the Director of Administration and Management no later than 25 days following the close of the quarter, in accordance with DoD Directive 7250.13 (Official Representation Funds). Defense agencies and DoD activities must also include their obligation data for official representation activities, in addition to the expenditure data, in their quarterly submissions to the Director of Administration and Management.

g. Relative to the emergency and extraordinary expense expenditures for confidential military purposes, Defense agencies and other DoD activities, including the Washington Headquarters Services, that receive their emergency and extraordinary expense authority from the Secretary of Defense, shall submit their quarterly obligation and expenditure report for confidential military purposes directly to the Office of the Under Secretary of Defense (Comptroller) no later than 31 days following the close of the quarter being reported.

Operation and Maintenance, _____

EMERGENCY AND EXTRAORDINARY EXPENSE LIMITATION

Scope: Covers all expenses subject to the congressional limitation on "Emergency and Extraordinary Expenses"

	FY PY	FY CY	FY BY
1.Cryptologic Intelligence			
2.HUMINT			
3.Counterintelligence and Investigative Activities			
4. Scientific and Technical			
5. Intelligence and Management Support			
6. Geospatial Intelligence			
7. Attaché Activities			
8. Tactical Intelligence			
9. Other Intelligence *			
Subtotal, Intelligence Type			
10. Representation Allowance			
11. Criminal Investigations			
12. Other Non-Intelligence Activities *			
Total			

* "Other" categories should be specifically identified with their related purpose as a footnote. The DoD Components are invited to provide additional appropriate standard categories in lieu of using "Other" category.

NARRATIVE EXPLANATION OF CHANGE. Provide written explanation/justification for changes from one FY to the next.

Exhibit OP-24 Emergency and Extraordinary Expense Limitation
(Page 4 of 4)

Exhibit OP-25 Ground Vehicle Operations

NEW Exhibit OP-25
Ground Vehicle Operations
Operation and Maintenance, Component

	PY-1	PY	CY	BY	BY+1	BY+2	BY+3	BY+4
Component, derived from Treasury Code, Bold								
M-1 Weapon System, Underline								
Quantity Weapon System Detail		sum of all quantities by SAG and PE						
Barrels of Fuel Weapon System Detail		sum of all quantities by SAG and PE						
Tank Miles Required Weapon System Detail		sum of all reported by SAG and PE						
Tank Miles Funded Weapon System Detail		sum of all reported by SAG and PE						
Tank Miles Difference		Required less Programmed +/-, **Bold**						
Fuel Funded Weapon System Detail		sum of all reported by SAG and PE						
Reparable Parts Funded Weapon System Detail		sum of all reported by SAG and PE						
Consumables Funded Weapon System Detail		sum of all reported by SAG and PE						
Contract/Other Funded Weapon System Detail		sum of all reported by SAG and PE						
Total Direct Funded		Sum all funded types above, **Bold**						
Indirect Funded Weapon System Detail		sum of all indirect funded by SAG and PE						
Total Funded		Sum all funded types above, **Bold**						
Total Requirement		sum of all reported by SAG and PE, **Bold**						

Instructions for creating the display
The OP-25 data will **be submitted via the Select and Native Programming Data Input System (SNaP) located at https://snap.cape.osd.mil. The most current version of this exhibit will be found at this site**. Once loaded the data will be available in the Operations & Support Data Center. Program/Budget data displays will be produced through the Data Center. Questions regarding the OP-20 should be referred to the Operations Directorate at OPSDirectorate@osd.mil. Questions about the SNaP interface should be referred to the Office of the Director (Program Analysis & Evaluation) Programming and Fiscal Economics Division (703) 693-7825. Technical questions regarding SNaP should be referred to the Information Management and Analysis Group (703) 604-6349.
1) Display the Organization and Component under the report title
2) For each Weapon System display the weapon system detail as organized above
3) Sum all weapon detail reported by SAG and PE at weapon system level
Crystal Reports Sort Order: Organization, Component then Weapon System
Data Center: Operations and Support, Program/Budget
Data Source: SNaP
Display Variations for Warehouse: In addition to Organization breaks create one Department wide Display including all organizations, no grand totals.
Database Requirement: One XLS of all data for all organizations as provided-- no calculations

Exhibit OP-25 Ground Vehicle Operations
Page 1 of 3)

Appropriation	SAG	Program Element	Weapon System Type	Weapon System Detail	PY-1	PY	CY	BY	BY+1	BY+2	BY+3	BY+4
Treasury Code List	List Provided		Major Fighting Vehicle	Quantity	#	#	#	#	#	#	#	#
	Add Cap.		List Provided with add capability	Barrels of Fuel	#	#	#	#	#	#	#	#
				OPTEMPO Miles Required	#	#	#	#	#	#	#	#
				OPTEMPO Miles Funded	#	#	#	#	#	#	#	#
				Fuel Funded	$	$	$	$	$	$	$	$
				DLRs Funded	$	$	$	$	$	$	$	$
				Consumables Funded	$	$	$	$	$	$	$	$
				Contract Funded	$	$	$	$	$	$	$	$
				Indirect Funded	$	$	$	$	$	$	$	$
				Total TOA Required	$	$	$	$	$	$	$	$

Instructions for Completing the Weapon Systems Ground Vehicle Operations Summary

1) For Army, Marine Corps and SOCOM, provide the funding level--by Active, Reserve, and Guard--for Ground Vehicle Operations. Provide as much of the PE, Treasury Code, SAG and Weapon System Type information as possible
2) Provide a list of Weapon Systems and the type of OPTEMPO miles (Tank, Battalion, etc.). Include a definition for each type of OPTEMPO mile with the derivation/calculations used. Can be in either Word or Excel.

Definitions:

Organization: The POM reporting entities directed to submit this data requirement. For a complete list of organizations by data requirement see Appendix A of the PDR.
Appropriation: Treasury Code, Defined set of four-digit numeric codes from the Comptroller that identifies resources by type, organization and component.
SAG: Sub-Activity Group, budget term denoting groupings of resources
Program Element: Identify the PE containing the weapon system described by the detail.

Exhibit OP-25 Ground Vehicle Operations
(Page 2 of 3)

Weapon System Type: Provide Major Fighting Vehicles by type for the weapon system described by the detail. For each type of major combat vehicle in an Excel document, provide the average number of annual tank miles budgeted and executed, and cost per average tank mile for Fuel, DLRs and Consumables by the warfighting units in the following training/operational categories:

- Combatants (exclude CCTT, CTCs & Contingency Operations)
- Close Combat Tactical Training (CCTT)
- National Training Center (NTC)
- Other Combat Training Centers (CTCs)
- Contingency Operations (i.e., Bosnia)
- Other (Please specify)
- Total Ground OPTEMPO (should be consistent with Weapon System Readiness total)

Include direct Operation and Maintenance funds only. (Exclude amounts funded from other appropriations or other source of funding (e.g. reimbursement from foreign government).)

Weapon System Detail:

Quantity-Identify the number of major fighting vehicle weapon systems by type used to determine the tank miles program funding
OPTEMPO Miles: -Annual number of OPTEMPO Miles driven for Major Fighting Vehicles, required and funded
Funded: Identify funding level for Fuel, DLRs, Consumables, and Contract Funding and Indirect OPTEMPO costs (Army only).
Total TOA Required: Provide total TOA required to meet the ground vehicle operations requirement

Business Rules:
For Ground Vehicles only, for each PE/Treasury Code/SAG combination, include vehicles not on the starter list or considered major combat vehicles in Weapon System Type = Other Vehicles.

Notes:
1) Indirect OPTEMPO is the portion of the total OPTEMPO that is structure based, or those costs that are based on the number of personnel supported rather than the costs that vary directly with training activities/events (called Direct OPTEMPO). Some examples of Indirect OPTEMPO costs include organizational clothing and equipment, civilian pay, and contract logistic support. If it is not possible to report Indirect OPTEMPO costs by PE and weapon system, report Indirect OPTEMPO costs for the Army ground operations program by cost category and include a narrative in a word document explaining how this number is achieved and what steps will be taken to provide more detailed data in the next POM submission
2) For each PE/Treasury Code/SAG combination, the sum of DLRs and Consumables will be compared with the O&M FYDP Expense Aggregate, Repair Parts, for the same combination.
3) For each PE/Treasury Code/SAG combination, the Fuel entered will be compared with the O&M FYDP Expense Aggregate, Fuel, for the same combination.

Technical Issues: If you are having difficulty with the data collection system – SNAP, contact the SNAP administrators via the email link at the web site.

Exhibit OP-25 Ground Vehicle Operations
(Page 3 of 3)

Exhibit OP-26A POL Consumption and Costs (Flying Hours)

DEPARTMENT of_____
FY BY OSD Submit/President's Budget
POL Consumption and Costs
(Flying Hours, Barrels and $ in Thousands)

Appropriation/Fund

Activity	FY PY Actual			FY CY Estimate			FY BY Estimate		
	F/H	BBLs	$	F/H	BBLs	$	F/H	BBLs	$
Aircraft Operations									
Separately identify each petroleum product									
Ship Operations									
Separately identify each petroleum product									
Vehicle Operations									
Separately identify each petroleum product									
Other (Identify each activity separately)									
Separately identify each petroleum product									
Total									
Separately identify each petroleum product									

Instructions: This exhibit will be submitted by each Military Department and Defense Agency. Complete for each appropriation and fund, including the Defense Working Capital Fund, family housing, and RDT&E accounts. Customer accounts should include direct consumption only and should not include Working Capital Fund (WCF) consumption. Provide for each type of petroleum product consumed (for example: JP-4, MOGAS, Leaded, Navy Reclaim, distillate, etc.). Provide for each of the following appropriations/funds and when more than one appropriation/fund provides a total for the Component.

1. Subtotals
   a. Operation and Maintenance Appropriations
   b. Research, Development, Test and Evaluation Appropriations
   c. Family Housing Appropriations
   d. Defense Working Capital Fund (Provide a breakout for each Working Capital Fund activity group and a total for the Working Capital Fund.)
      (1) Depot Maintenance
      (2) MSC
      (3) Other Working Capital Fund Activities (Separately identify each Defense Working Capital Fund activity group.)
2. Total Military Service or Defense Agency

The OP-26A exhibit will also be submitted by each Military Department and Defense Agency concurrently with the submission of congressional justification materials. The OP-26A exhibit will not be included in justification material forwarded to the Congress.

Exhibit OP-26A POL Consumption and Costs (Flying Hours)

Exhibit OP-26B POL Consumption and Costs (Unit Cost)

Department of _____

FY BY OSD Submit President's Budget
POL Consumption and Costs
(Barrels, Unit Cost and $ in Thousands)

Appropriation/Fund

	FY PY Actual			FY CY Estimate			FY BY Estimate		
Activity	**BBLs**	**Unit Cost**	**$**	**BBLs**	**Unit Cost**	**$**	**BBLs**	**Unit Cost**	**$**
Aircraft Operations									
Separately identify each petroleum product									
Ship Operations									
Separately identify each petroleum product									
Vehicle Operations									
Separately identify each petroleum product									
Other (Identify each activity separately)									
Separately identify each petroleum product									
Total									
Separately identify each petroleum product									

Instructions: This exhibit will be submitted by each Military Department and Defense Agency. Complete for each appropriation and fund, including Defense Working Capital Fund, family housing and RDT&E accounts. Customer accounts should include direct consumption only and should not include Defense Working Capital Fund consumption. Provide for each type of petroleum product consumed (for example: JP-4, MOGAS, Leaded, Navy Reclaim, distillate, etc.). Provide for each of the following appropriations/funds and when more than one appropriation/fund provides a total for the Component.

1. Subtotals
   a. Operation and Maintenance Appropriations
   b. Research, Development, Test and Evaluation Appropriations
   c. Family Housing Appropriations
   d. Defense Working Capital Fund (Provide a breakout for each Defense Working Capital Fund activity group and a total for the Defense Working Capital Fund.)
      (1) Depot Maintenance
      (2) MSC
      (3) Other Defense Working Capital Fund Activities (Separately identify each Defense Working Capital Fund activity group.)
2. Total Military Service or Defense Agency

The OP-26B exhibit will also be submitted by each Military Department and Defense Agency concurrently with the submission of congressional justification materials. The OP-26B exhibit will not be included in justification material forwarded to the Congress.

Exhibit OP-26C Sources of Purchases for POL Consumption

Department of
FY BY OSD Submit/President's Budget
Source of Purchases for POL Consumption
(Barrels in Thousands)

Appropriation/Fund

	FY PY Actual			FY CY Estimate			FY BY Estimate		
Activity	**WCF**	**Local Sources**	**Total**	**WCF**	**Local Sources**	**Total**	**WCF**	**Local Sources**	**Total**
Aircraft Operations									
Separately identify each petroleum product									
Ship Operations									
Separately identify each petroleum product									
Vehicle Operations									
Separately identify each petroleum product									
Other (Identify each activity separately)									
Separately identify each petroleum product									
Total									
Separately identify each petroleum product									

Instructions: This exhibit will be submitted by each Military Department and Defense Agency for both the OSD Submit and the President's budget submit. Complete for each appropriation and fund, including working capital funds, family housing and RDT&E accounts. Customer accounts should include direct consumption only and should not include industrial fund consumption. Provide for each type of petroleum product consumed (for example: JP-4, MOGAS, Leaded, Navy Reclaim, distillate, etc.). Provide for each of the following appropriations/funds and when more than one appropriation/fund provides a total for the Component. **The total purchases will agree with the barrels consumed or planned for consumption reflected on the OP-26 exhibit.**

1. Subtotals
   a. Operation and Maintenance Appropriations
   b. Research, Development, Test and Evaluation Appropriations
   c. Family Housing Appropriations
   d. Defense Working Capital Fund (Provide a breakout for each Defense Working Capital Fund activity group and a total for the Defense Working Capital Fund.)
      (1) Depot Maintenance
      (2) MSC
      (3) Other Defense Working Capital Fund Activities (Separately identify each Defense Working Capital Fund activity group.
2. Total Military Service or Defense Agency

The OP-26C exhibit will also be submitted by each Military Department and Defense Agency concurrently with the submission of congressional justification materials. The OP-26C exhibit will not be included in justification material forwarded to the Congress. **Include a copy of the Fund 15, Fuel Data, exhibit.**

Exhibit OP-26C Sources of Purchases for POL Consumption

Exhibit OP-30 Depot Maintenance Program

Depot Maintenance Program
Operation and Maintenance, Component

	PY-1	PY	CY	BY	BY+1	BY+2	BY+3	BY+4
Active Component derived from Treasury Code **Aircraft** Maintenance Activity, **Bold** F-16 Weapon System, Underline								
Airframe Maintenance Type								
Units	Data provided							
Programmed	Data provided							
Required	Data provided							
Delta	**Calculate: Programmed TOA less Required TOA**							
Engine Maintenance Type								
Units	Data provided							
Programmed	Data provided							
Required	Data provided							
Delta	**Calculate: Programmed TOA less Required TOA**							

Instructions for creating the display

The OP-30 data will be **submitted via the Select and Native Programming Data Input System (SNaP) located at https://snap.cape.osd.mil. The most current version of this exhibit will be found at this site**. Once loaded the data will be available in the Operations & Support Data Center. Program/Budget data displays will be produced through the Data Center. Questions regarding the OP-30 should be referred to (703) 697-3248. Questions about the SNaP interface should be referred to the Office of the Director (Program Analysis & Evaluation) Programming and Fiscal Economics Division (703) 693-0223.

1) Display the Organization and Component under the report title
2) For each Maintenance Activity report Resource Type and Maintenance Types by Weapon System
3) Display Units as reported
4) Display TOA as follows—Programmed then Required, and a delta line (Programmed less Required)

Data Center: Operations and Support, Program/Budget
Data Source: SNaP
Display Variations for Warehouse: In addition to Organization breaks create one Department wide Display, do not break on Organization, no grand totals
Database Requirement: One XLS of all data for all organizations as provided-- no calculations

Exhibit OP-30 Depot Maintenance Program
(Page 1 of 3)

Component	Maintenance Activity	Weapon System	Maintenance Type	Resource Type	PY-1	PY	CY	BY	BY+1	BY+2	BY+3	BY+4
Active	Closed List Provided	List Provided with Add Capability	Closed List Provided	Required	$K	$K	$K	$K	$K	$K	$K	$K
Reserve				Funded	$K	$K	$K	$K	$K	$K	$K	$K
Guard				Units	#	#	#	#	#	#	#	#

Instructions for Completing the Depot Level Maintenance Database

1) For each component provide resource type for each maintenance type within each maintenance activity.

Definitions

Organization: The POM reporting entities directed to submit this data requirement. For a complete list of organizations by data requirement see Appendix A of the PDR.

Component: Identify Active, Guard or Reserve

Resource Level

Required: The portion of the total requirement that could be executed if funds were available. Do not include work that cannot be performed due to operational commitments, capacity constraints, or any other constraints except funding.

Funded: This reflects funding, by appropriation, for work that is programmed to be available. Includes both contract orders and organic maintenance activities.

Units: Number of systems being overhauled

Business Rules:

Where Maintenance Activity = Aircraft, Maintenance Type = Airframe, Engine, Software and Other
Where Maintenance Activity = Combat Vehicles, Maintenance Type = Vehicle, Software and Other
Where Maintenance Activity = Ships, Maintenance Type = Overhauls, Selected Restricted Availability, Phased Maintenance Availability, Software and Other
Where Maintenance Activity = Missiles, Maintenance Type = Strategic Missiles, Tactical Missiles, Software and Other
Where Maintenance Activity = Ordnance, Maintenance Type = Ordnance, Engine, Software and Other
Where Maintenance Activity = Other, Maintenance Type = Other End-item, Software, Other, Missiles, Non-DWCF Exchangeables

Maintenance Activity and Type Relationship Matrix	
Maintenance Activity	**Maintenance Type**
Aircraft	Airframe
	Engine
	Software
	Other
Combat Vehicles	Vehicle
	Software
	Other
Ships	Overhauls Selected
	Restricted Availability
	Phased Maintenance Availability
	Software
	Other
Missiles	Strategic Missile
	Tactical Missile
	Software
	Other
Ordnance	Ordnance
	Engine
	Software
	Other
Other	Other End-Item
	Other Missiles
	Non-DWCF Exchangeables
	Software
	Other

Exhibit OP-30S Ship Depot Maintenance Program

New Exhibit OP-30S

Navy Ship Depot Maintenance
Operation and Maintenance,

Ship Depot Maintenance Detail

Weapon System	Appropriation	SAG	PE	Funding Level	Resource Type		PY	CY	BY	BY+1	BY+2	BY+3	BY+4
Ship Class	Treasury Code List Provided	List Provided	List Provided	Required	Funding	$K	$K	$K	$K	$K	$K	$K	$K
				Programmed	Man Days	$K	$K	$K	$K	$K	$K	$K	$K
					Man Day Rate								
					Labor								
					Material								
					Other Material								
					Advanced Planning								
					Induction Year Requirement								

Ship Detail

Ship Type	Hull Number	Name	Avail Type	Start Date	End Date	Prev Avail End date	Prev Avail Type	Yard	Repair Act'y

Instructions for creating the display

The OP-30S data will be **submitted via the Select and Native Programming Data Input System (SNaP) located at https://snap.cape.osd.mil. The most current version of this exhibit will be found at this site**. Once loaded, the data will be available in the Operations & Support Data Center. Program/Budget data displays will be produced through the Data Center. Questions regarding the OP-30S should be referred to (703) 697-3248. Questions about the SNaP interface should be referred to the Office of the Director (Program Analysis & Evaluation) Programming and Fiscal Economics Division (703) 693-0223.

1) Display the Organization and Component under the report title
2) For each Weapon System display the weapon system detail as organized above
3) Sum all weapon detail reported by SAG and PE at weapon system level

Data Center: Operations and Support, Program/Budget
Data Source: SNaP
Display Variations for Warehouse: In addition to Organization breaks create one Department wide Display including all organizations, no grand totals.
Database Requirement: One XLS of all data for all organizations as provided-- no calculations

Definitions

Organization: The POM reporting entities directed to submit this data requirement. For a complete list of organizations by data requirement see Appendix A of the PDR.
Component: Identify Active, Guard or Reserve
Resource Level **Definitions (All funding in $ thousands except Manday Rate in dollars, Manyears in thousands)**
APPN : OMN or OMNR
FY: Fiscal Year of ship induction
Ship Type: Ship class
Hull: Ship hull number
Availability Type: SRA, PMA, PIA, Overhaul, Other (Describe)
Start Date: Induction date
End Date: Completion date
Previous Availability End date:
Previous Availability Type: SRA, PMA, PIA, Overhaul, Other (Describe)
Yard: Public/Private Shipyard where availability is accomplished (Abbreviation)
Repair Activity: As appropriate
Total Mandays: Total number of required mandays (in thousands) to accomplish availability
Unfunded Mandays: Total number of mandays (in thousands) not funded in current request
Funded Mandays: Total Mandays minus Unfunded Mandays
Manday Rate: Budgeted manday rate
Labor Costs: Total Mandays times Manday Rate
Material Costs:
Other Costs:
Advanced Planning: Design and other costs associated with preparations for availability
Total Requirement: Labor Costs + Material Costs + Other Costs + Advanced Planning
PY Funding: Sum of prior year funds expended in support of availability (Including advanced planning)
Induction Year Requirement: Total funding required in induction FY (equals budget request amount)
Unfunded: Total unfunded requirement in induction FY

Exhibit OP-30S Ship Depot Maintenance Program
(Page 2 of 2)

Exhibit OP-31 Spares and Repair Parts

DEPARTMENT OF _____
OPERATION AND MAINTENANCE, _____
SPARES AND REPAIR PARTS
(Dollars in Millions)

	FY PY		FY CY		FY BY		CY-BY CHANGE	
	Qty	($ in M)	Qty	($ in M)	Qty	($ in M)	Qty	($ in M)
DEPOT LEVEL REPARABLES (DLRs)								
COMMODITY: (As appropriate for each Component)								
SHIPS								
AIRFRAMES								
AIRCRAFT ENGINES								
COMBAT VEHICLES								
OTHER								
MISSILES								
COMMUNICATIONS EQUIPMENT								
OTHER MISC.								
TOTAL								
CONSUMABLES								
COMMODITY: (As appropriate for each Component)								
SHIPS								
AIRFRAMES								
AIRCRAFT ENGINES								
COMBAT VEHICLES								
OTHER								
MISSILES								
COMMUNICATIONS EQUIPMENT								
OTHER MISC.								
TOTAL								

The FY PB estimate column of the OSD submit should reflect actual data through the first three quarters plus a realistic projection for the remaining quarter. For the PB submit, the FY PY column will reflect actuals as of September 30th. Include an explanation of changes in quantity and funding between years and deviations between actual and program data.

Provide the quantity and funding for each commodity group within each O&M appropriation used to purchase depot level reparables and consumable supplies from the Defense Working Capital Fund

Exhibit OP-31 Spares and Repair Parts

Exhibit OP-32 Summary of Price and Program Change

OPERATION AND MAINTENANCE _____ (1)
SUMMARY OF PRICE AND PROGRAM CHANGES
FY ___(2)
($ in Thousands)

		FY ___(3) Program (4)	Foreign Currency Rate Difference (5)	Price Growth Percent (6)	Price Growth Amount (7)	Program Growth (8)	FY ___(3) Program (9)
	CIVILIAN PERSONNEL COMPENSATION						
101	Executive, General and Special Schedules			(11)			
103	Wage Board			(11)			
104	Foreign National Direct Hire (FNDH)			(11)			
106	Benefits to Former Employees			(11)			
107	Voluntary Separation Incentive Pay			(11)			
110	Unemployment Compensation			(11)			
111	Disability Compensation			(11)			
121	Permanent Change of Station (PCS)			(11)			
199	Total Civilian Personnel Compensation			(10)			
	TRAVEL						
308	Travel of Persons			(12)			
399	Total Travel			(10)			
	DEFENSE WORKING CAPITAL FUND SUPPLIES & MATERIALS PURCHASES						
401	DLA Energy (Fuel Products)			(15)			
402	Service Fund Fuel			(15)			
411	Army Managed Supplies & Materials			(16)			
412	Navy Managed Supplies & Materials			(16)			
413	Marine Corps Supply			(16)			
414	Air Force Consolidated Sustainment Activity Group (Supply)			(16)			
415	DLA Managed Supplies & Materials			(16)			
416	GSA Managed Supplies & Materials			(17)			
417	Local Purchase Managed Supplies & Materials			(16)			
418	Air Force Retail Supply			(16)			
499	Total Fund Supplies & Materials Purchases			(10)			

All O&M Components including Defense Agencies must submit an automated OP-32 for both the OSD/OMB and congressional submissions through the Program Resources Collection

Exhibit OP-32 Summary of Price and Program Change
(Page 1 of 13)

OPERATION AND MAINTENANCE _____ (1)
SUMMARY OF PRICE AND PROGRAM CHANGES
FY ___(2)
($ in Thousands)

		FY ___(3) Program (4)	Foreign Currency Rate Difference (5)	Price Growth Percent (6)	Price Growth Amount (7)	Program Growth (8)	FY ___(3) Program (9)
	DEFENSE WORKING CAPITAL FUND EQUIPMENT PURCHASES						
502	Army Fund Equipment			(18)			
503	Navy Fund Equipment			(18)			
505	Air Force Fund Equipment			(18)			
506	DLA Fund Equipment			(18)			
507	GSA Managed Equipment			(19)			
599	Total Fund Equipment Purchases			(10)			
	OTHER FUND PURCHASES (EXCLUDE TRANSPORTATION)			(23), (13)			
601-699	(As applicable/see schedule for Element of Expense for Purchases from DWCF)			(24)			
699	Total Purchases			(10)			
	TRANSPORTATION						
701	AMC Cargo (Fund)			(13)			
702	AMC SAAM (Fund) (Now 703)			(13)			
703	JCS Exercises			(14)			
705	AMC Channel Cargo			(13)			
706	AMC Channel Passenger			(13)			
707	AMC Training			(13)			
708	MSC Chartered Cargo			(13)			

Exhibit OP-32 Summary of Price and Program Change
(Page 2 of 13)

OPERATION AND MAINTENANCE _____ (1)
SUMMARY OF PRICE AND PROGRAM CHANGES
FY ___(2)
($ in Thousands)

		FY ___(3) Program (4)	Foreign Currency Rate Difference (5)	Price Growth Percent (6)	Price Growth Amount (7)	Program Growth (8)	FY ___(3) Program (9)
711	MSC Cargo (Fund)			(13)			
714	MSC POL Tankership			(13)			
715	MSC APF (Army, DLA & Air Force Preposition)			(13)			
716	MSC Surge Sealift (FSS & LMSR)			(13)			
717	SDDC Global POV			(13)			
718	SDDC Liner Ocean Transportation			(13)			
719	SDDC Cargo Operations (Port Handling)			(13)			
720	DSC Pounds Delivered			(13)			
721	SDDC (Port Handling-Fund)			(13)			
725	SDDC (Liner Ocean Transportation)			(22)			
771	Commercial Transportation			(28)			
799	Total Transportation			(10)			
	OTHER PURCHASES						
901	Foreign National Indirect Hire (FNIH)			(29)			
902	Separation Liability (FNIH)			(29)			
912	Rental Payments to GSA (SLUC)			(30)			
913	Purchased Utilities (non-Fund)			(31), (32)			
914	Purchased Communications (Non-Fund)			(31), (33)			
915	Rents (Non-GSA)			(31), (34)			
917	Postal Services (U.S.P.S.)			(31), (35)			
920	Supplies & Materials (Non-Fund)			(36)			
921	Printing & Reproduction			(37)			
922	Equipment Maintenance by Contract			(38)			
923	Facility Sustainment, Restoration, and Modernization by Contract			(39)			
924	Pharmaceutical Drugs			(52)			
925	Equipment Purchases (Non-Fund)			(40)			

Exhibit OP-32 Summary of Price and Program Change
(Page 3 of 13)

OPERATION AND MAINTENANCE _____ (1)
SUMMARY OF PRICE AND PROGRAM CHANGES
FY ___(2)
($ in Thousands)

		FY ___(3) Program (4)	Foreign Currency Rate Difference (5)	Price Growth Percent (6)	Price Growth Amount (7)	Program Growth (8)	FY ___(3) Program (9)
926	Other Overseas Purchases			(41)			
927	Air Defense Contracts & Space Support (AF)			(42)			
928	Ship Maintenance by Contract			(43)			
929	Aircraft Reworks by Contract			(44)			
930	Other Depot Maintenance (Non-Fund)			(45)			
932	Management & Professional Support Services			(46)			
933	Studies, Analysis, & Evaluations			(46)			
934	Engineering & Technical Services			(46)			
937	Locally Purchased Fuel (Non-Fund)			(15), (51)			
940	Defense Security Service			(59)			
955	Other Costs (Medical Care)			(60)			
957	Lands and Structures			(60)			
959	Insurance Claims and Indemnities			(60)			
960	Interest and Dividends			(60)			
964	Subsistence and Support of Persons			(60)			
984	Equipment Contracts			(40)			
986	Other Contracts (Medical Care)			(57)			
987	Other Intra-government Purchases			(56)			
988	Grants			(47)			
989	Other Services			(48)			
990	IT Contract Support Services			(58)			
991	Foreign Currency Variance			(49)			
998	Other Costs (SOCOM only)			(61)			
999	Total Other Purchases			(10)			
9999	**TOTAL**			(50)			

Note: Include support for value engineering in applicable line item elements of expense.

Exhibit OP-32 Summary of Price and Program Change
Page 4 of 13)

Elements of Expense for Purchases from Defense Working Capital Fund (Fund)*

	Element of Expense
DEPOT MAINTENANCE	
Army Industrial Operations (Armament)	601
Army Industrial Operations (Depot Maintenance)	602
DLA Distribution	603
Naval Fleet Readiness Centers (Aviation)	613
Marine Corps Depot Maintenance	640
Air Force Consolidated Sustainment Activity Group (Maint)	(25) 661
Depot Maintenance (Air Force): Contract	662
BASE SUPPORT	
Navy Base Support (NAVFEC:Utilities & Sanitation)	634
Navy Base Support (NAVFEC: Other Support Services)	635
RESEARCH AND DEVELOPMENT ACTIVITIES	
Naval Air Warfare Center	610
Naval Surface Warfare Center	611
Naval Undersea Warfare Center	612
Space & Naval Warfare Center	614
Naval Research Laboratory	630
Navy Base Support (NFESC)	631
INFORMATION SERVICES	
DISA Telecommunications/Enterprise Acquisition Services	(53) 671
DISA Enterprise Computing Centers	647
Communication Services (DISA) Tier 2	677

Elements of Expense for Purchases from Defense Working Capital Fund (Fund)*

		Element of Expense
TRANSPORTATION		
Military Sealift Command (MSC):		
Fleet Auxiliary Force (Navy Transportation)		620
Afloat Prepositioning Ships (Navy Transportation)		621
Special Mission Support (Navy Transportation)		623
PRINTING AND PUBLICATION SERVICES		
DLA Document Services		633
FINANCIAL OPERATIONS		
Financial Operations (DFAS)		673
OTHER		
Purchases from Pentagon Reservation Maintenance Revolving Fund	672	
DLA Disposition Services		675
Defense Commissary Operations		676
Industrial Mobilization Capacity	(55)	682
Cost Reimbursable Purchases	(27)	679
Purchases from the Buildings Maintenance Fund	(27)	680
Other Activity Groups (List)		680-689

* These lines should include only Defense Working Capital Fund purchases made at stabilized rates. Cost reimbursable purchases should be included in line 679.

Exhibit OP-32 Summary of Price and Program Change
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INSTRUCTIONS FOR COMPLETION OF OP-32

(1) Enter the applicable component, i.e., Army, Navy, Marine Corps Reserve, Air National Guard, etc.

(2) Enter the fiscal year for which this exhibit is being prepared.

NOTE: A separate exhibit should be submitted for each O&M appropriation at the total appropriation level for the President's Budget

(3) Enter the prior year (PY), current year (CY), and budget year (BY), as applicable.

(4) For the CY exhibit, amounts entered in this column should agree with the prior year actual costs as shown in the prior year column of the applicable budget submission. For the BY exhibit, these amounts should agree with the far right hand column of the CY exhibit.

(5) This column should show the rate (percent) of price growth for various items. The price escalation indices prescribed by OSD (and rates provided by OMB) should be used for all lines, particularly fuel and civilian pay. Other price growth rates may be used for other items when actual experience supports a rate of increase different from that prescribed for the OSD/OMB submit. In those instances, supporting documentation for the rate used should be provided. If the rate is approved during the budget review, the revised rate may be used in the President's budget. To the extent that a separate rate of increase is used for any portion of a line item, for example, Equipment Maintenance by Contract, the applicable item should be subdivided into appropriate subcategories for each separate rate of increase used. The rate of price change for lines 401, 402, 411-415, 502-506, 601-693, and 701-721 should agree with applicable rates approved by OSD. Applicable rates of price growth, as prescribed by OSD, or as estimated and justified, as appropriate, should be shown for all items where there is a price change. The rate of price growth included in the President's budget will in all instances reflect the rate of increase approved during the OSD budget review.

(6) The amount shown for each appropriate line (exclusive of line 991), the Foreign Currency Rate Difference column will reflect the difference in the budgeted foreign currency exchange rates between the two years. For the prior and current years, the budgeted foreign currency exchange rates are the exchange rates that have been approved for recording obligations during execution. If the current year execution rates have not yet been established by the Congress in time for the budget submission, the foreign currency exchange rates reflected in that fiscal year's President's budget request will be used – unless changed by subsequent guidance from the OUSD (COMPTROLLER). For the biennial budget years, the budgeted foreign currency exchange rates are the exchange rates reflected in the OUSD (C) budget call memorandum for the budget submission or in the PBD issued during the budget review in the formulation of the President's budget request. (Note: Variances from the budgeted rates will be reflected only on line 991. These variances do not enter into the calculation on any of the other lines.) The column total, including line 991, will reflect (1) for the PY to the CY: the difference between prior year actuals and the current year budgeted rates, and (2) for the CY to the BY: the difference between budgeted rates in each year. If transfers are approved for the current year, the column total will reflect (1) for the PY to the CY: the difference between PY actuals and CY anticipated expenditures and (2) for the CY to the BY: the difference between the CY anticipated expenditures and the BY budgeted rates. No foreign currency rate difference will be shown for Defense Working Capital Fund Purchases and Travel or Transportation for AMC, MSC or MTMC. Only in unusual circumstances should an amount for foreign currency rate difference shown for other travel and/or transportation costs. (See end notes for further discussion of foreign currency entries.)

Exhibit OP-32 Summary of Price and Program Change
(Page 7 of 13)

INSTRUCTIONS FOR COMPLETION OF OP-32 (CONTINUED)

(7) The price growth column should show the amount of price growth for various items. **Where a percent increase by line item is shown in column 6, the amount included in column 7 will be the sum/difference of the previous fiscal year's program amount (column 4) and the foreign currency rate difference amount (column 5) times the percent shown in column 6.** The amount of the price growth will be consistent with the rate of change prescribed by OSD. The price increase for all items should be the additional/reduced funds, as a result of price changes, that would be required to accomplish the previous year's program at applicable fiscal year rates.

(8) Enter the amount of program growth for each item. Program growth is to be priced in current year dollars for the current year exhibit, biennial budget year 1 dollars for the biennial budget year 1 exhibit, and biennial budget year 2 dollars for the biennial budget year 2 exhibit.

(9) Enter the sum of (4), (5), (7) and (8) for each item.

(10) Subtotals should be included in (4), (5), (7), (8) and (9) for Civilian Personnel, Travel, Defense Working Capital Fund Supplies and Materials Purchases, Defense Working Capital Fund Equipment Purchases, Other Defense Working Capital Fund Purchases, Transportation, and Other Purchases, as applicable.

(11) Program amounts for Civilian Personnel compensation should be consistent with amounts shown in both the object class distribution reflected in the Program and Financing Schedules for Object Classes 11, 12 and 13 (Direct Obligations only) and in the OP-8 Exhibit, Civilian Personnel Costs (Direct Funded), Chapter 3 of the Financial Management Regulation for the applicable fiscal year. Payments made to the Department of Labor for expenses associated with employee's disability compensation are included in Object Class 12. Change in the number of compensable days per fiscal year will be reflected as program growth, not price growth. The annualization of the prior year's pricing changes (i.e., the previous fiscal year's pay raise), merit pay, bonuses, FERS participation, etc. will be reflected as changes in price growth. (See Volume 2A, Chapter 3)

(12) Program amounts for travel should be consistent with amounts shown in Object Class 21 (including subclasses), for the applicable fiscal year.

(13) AMC, MSC, and MTMC costs displayed for items; 701, 702, 703, 705, 706, 707, 708, 711, 714, 715, 716, 717, 718, 719, 720, 721, 725, and 771 should include all purchases from these transportation funds. These amounts should exclude all non-Defense Working Capital Fund purchases such as reimbursement to MTMC of non-Defense Working Capital Fund (overseas) port operations.

(15) Line 703 JCS Exercises includes only those services in support of JCS exercises and paid only by The Joint Staff (TJS).

(16) The total of the program amounts for Defense Energy Support Center (DESC) Fuel, Defense Working Capital Fund Fuel, and Locally Procured Fuel (Non-Fund) line items must agree with the amounts shown on the OP-26 Exhibit, POL Consumption and Costs, Chapter 3, Financial Management Regulation.

Exhibit OP-32 Summary of Price and Program Change
(Page 8 of 13)

INSTRUCTIONS FOR COMPLETION OF OP-32 (CONTINUED)

(17) Include Object Class 26 supplies and materials purchased from each Defense Working Capital Fund, including DLA.

(18) Include Object Class 26 supplies and materials purchased from GSA.

(19) Include all equipment (including furniture) purchased from Defense Working Capital Fund, including DLA.

(20) Include all equipment (including furniture) purchased from GSA.

(21) Include amounts to be paid for motor vehicles leased from both commercial services and the General Services Administration (GSA) Interagency Fleet Management System (IFMS). .

(22) Includes centrally managed items procured by the Defense Working Capital Fund from sources other than Defense Working Capital Fund or non-Defense Stock Funds.

(23) Include purchases of MTMC services for non-Fund services such as overseas port terminal operations.

(24) Program amounts should be consistent with Fund purchases included in Object Class 25.3.

(25) Budget year (BY program amounts should reflect stabilized rates as requested by the Service (OSD submission) or as approved by OSD (President's Budget), as applicable, to include the impact of biennial budget years' pay raises. Cost reimbursable purchases should be included on line 679. Separate elements of expense for each Defense Working Capital Fund activity group are shown on page 3. Include only those elements of expense for Defense Working Capital Fund activity groups from which purchases were made or are planned, as applicable.

(26) Includes the Aerospace Maintenance & Regeneration Center (AMARC).

(27) Line 653, Airlift Services, Other AMC Purchases, includes Medical Evacuation Operations, Training, Search and Rescue, and other AMC costs not provided for in lines 701, or 702.

(28) Includes all Defense Working Capital Fund purchases made on a cost reimbursable (rather than stabilized rate) basis.

INSTRUCTIONS FOR COMPLETION OF OP-32 (CONTINUED)

(29) Includes contractual charges for transportation of things via commercial air, sea, or surface mode and payments for commercial port operations and other transportation services exclusive of payments to the Defense Working Capital Fund.

(30) Program amounts should be consistent with direct obligation amounts shown in the OP-8 Exhibit, Civilian Personnel Costs, Chapter 3. (See Volume 2A, Chapter 3)

(31) Charges for rental of space and related services assessed by GSA as Standard Level User Charge (SLUC) charges. Program amounts will be consistent with the amount shown in Object Class 23.1.

(32) Program amounts included for items 913-915 and 917 will be consistent with the amounts shown in Object Class 23.

(33) Purchases from non-Defense Working Capital Fund sources heat, light, power, water, gas, electricity and other utility services, exclusive of transportation and communication services.

(34) Purchases of communication services from non-Defense Working Capital Fund sources.

(35) Payments for possession and use of land, structures, and equipment (other than transportation equipment) owned by another, except for SLUC charges assessed by GSA.

(36) Purchases from the U.S. Postal Service including postage (other than Parcel Post), rental of post office boxes, postage meter machines and mailing machines. Also includes payments made to the U.S. Postal Service for handling of officially franked mail (i.e., Indicia Mail).

(37) Includes supplies and materials purchased from other than Defense and non-Defense Working Capital Fund.

(38) Program amounts should be consistent with the amounts shown in Object Class 24.

(39) Covers contractual equipment maintenance other than depot level (e.g., ADP/office equipment, etc.) not otherwise covered under IT Contract Support Services.

(40) Includes costs for sustainment and restoration/modernization of buildings, facilities, pavement, airfields and like items when done by contracts with the private sector.

(41) Equipment purchased from the private sector, including equipment included in Federal Supply Group 71, Furniture. Program amounts should be consistent with amounts reported under Object Class 31.01.

INSTRUCTIONS FOR COMPLETION OF OP-32 (CONTINUED)

(42) Covers overseas contractor operated installation costs when covered in a single contractual agreement or when service is provided by a single contractor (excludes separate contracts for specific, limited services such as contract ADP services).

(43) Covers contracted service cost of Air Force Air Defense Systems (e.g., BMEWS, DEW Line, Spacetrack, Thule AFB base maintenance contracts, DSP) and Space Support programs.

(44) Includes the cost of ship related repair and the performance of regularly scheduled ship overhauls at commercial shipyards.

(45) Includes the cost to Depot Maintenance to purchase aircraft maintenance from commercial sources.

(46) Includes payments for all other non-Defense Working Capital Fund depot maintenance costs whether performed in-house or by contracts which have not been reported under lines 928 or 929.

(47) Program amounts should be consistent with Exhibit PB-15, (Advisory and Assistance Services), Chapter 19 of the Financial Management Regulation). The amounts reflected should agree with Object Class 25.1.

(48) Program amounts should be consistent with the amounts shown in Object Class 41.

(49) Charges for contractual services not otherwise reported elsewhere and consistent with amounts shown in Object Class 25.2.

(50) Amounts on line 991 will reflect variances from budgeted rates, as prescribed by OUSD (COMPTROLLER) guidance, which have actually occurred in the prior year or which have been approved (by DD-1415 or PBD) for the current year. There will be no amounts reflected on line 991 in the price and program growth columns. For the President's budget, the amount in the prior year column will be the realized variance on the 30 Sep DD Comp(M) 1506 report. Under no circumstances will there be an entry on line 991 in the biennial budget year. (For a further discussion, see Foreign Currency notes at the end of these instructions).

(51) Total program amounts, in (4) and (9), will be equal to the total direct program for prior year (PY), current year (CY), and budget year (BY), as applicable.

(52) Includes fuel purchased from sources other than the Defense Working Capital Fund.

(53) Includes funds for the purchase of pharmaceutical drugs budgeted in the Defense Health Program.

(54) Usage of long distance communications comparable to commercial services.

Exhibit OP-32 Summary of Price and Program Change
(Page 11 of 13)

INSTRUCTIONS FOR COMPLETION OF OP-32 (CONTINUED)

(55) Include costs of long distance communications mandated by military readiness, security and interoperability.

(56) Funding supports critical Army production capabilities and maintains essential infrastructure to meet mobilization surge requirements for ammunitions processing, ordnance, and depot maintenance activities during national emergencies.

(57) Other Intra-government purchase includes purchases between other Components not already included in another OP-32 line item.

(58) Program amounts should be consistent with the amounts shown in Object Class 25.6

(59) Program amounts should be consistent with Section 803 of Public Law 111-84 (FY 2010 National Defense Authorization Act).

(60) Program amounts should reflect reimbursements to the Defense Security Service for personal security investigations.

(61) Includes amounts reported, respectively, under Object Classes: 25.6, 25.8; 32.0; 42.0; 43.0; and 91.0.

(62) For use by SOCOM only to record MFP-11 civilian pay reimbursements.

Note: In order to be consistent with the OMB A-11, all Components are required to comply with the Crosswalk of OP-32 Line Items to CIS Object Classes.

INSTRUCTIONS FOR COMPLETION OF OP-32 (CONTINUED)

Foreign Currency Notes

A. The Total for Foreign Currency Rate Difference (Column 2) must reflect the difference between:

1. PY to CY: Prior year actuals and current year budgeted rates or anticipated expenditures in the current year if transfers have also been approved for the Current Year. (For the latter, individual line items in column 2 (except for line 991) will reflect the difference in budgeted rates and line 991 in column 2 will reflect the transfer amount.)

2. CY to BY: Current year budgeted rates or anticipated expenditures in the current year if transfers have also been approved for the current year, and biennial budget year 1 budgeted rates.

B. Individual line items in Column 2 (except for line 991) must reflect the difference in program costs that are caused only by a difference in budgeted foreign currency exchange rates between fiscal years.

C. Line 991 - Foreign Currency Variance

1. Prior Year (PY) to Current Year (CY)

a. PY column equal Realized variance (DD Comp (M) 1506 Report 30 Sep). Column 2 equal Reverse the realized variance amount in the PY column. CY column equal zero

b. If transfers have been approved in the CY, PY column equal Realized variance (DD Comp (M) 1506 Report 30 Sep). Column 2 equal Reverse the realized variance amount in the PY column and add the transfer amount approved for the CY to determine the total. CY column equal the transfer amount approved for the CY.

2. Current Year (CY) to Budget Year (BY)

a. If the budgeted rates change between the CY and the BY and transfers from the Foreign Currency Fluctuations, Defense (FCF, D) appropriation are not reflected in the budget, then the CY column, Column 2 , and the BY column for line 991 are all zero.

b. If budgeted rates change between the CY and the BY and the FCF,D transfers have been reflected in the budget for the CY, then the CY column for line 991 will reflect the value of the transfers and Column 2 for line 991 will reflect the reversal of the transfers. The BY column for line 991 will be zero.

CROSSWALK OF OP32 LINE ITEMS/CIS OBJECT CLASS

OP32 - Lines		CIS Lines Relationship	
	CIVILIAN PERSONNEL COMPENSATION		
101	Executive, General and Spec. Schedules	11.11	Full-time permanent
101	Executive, General and Spec. Schedules	11.31	Other than full-time permanent
101	Executive, General and Spec. Schedules	11.51	Other personnel compensation
101	Executive, General and Spec. Schedules	11.81	Special personal services payments
101	Executive, General and Spec. Schedules	12.11	Civilian Personnel Benefits
103	Wage Board	11.11	Full-time permanent
103	Wage Board	11.31	Other than full-time permanent
103	Wage Board	11.51	Other personnel compensation
103	Wage Board	12.11	Civilian Personnel Benefits
104	Foreign National Direct Hire (FNDH)	11.11	Full-time permanent
104	Foreign National Direct Hire (FNDH)	11.31	Other than full-time permanent
104	Foreign National Direct Hire (FNDH)	11.51	Other personnel compensation
104	Foreign National Direct Hire (FNDH)	12.11	Civilian Personnel Benefits
106	Benefits to Former Employees	13.01	Benefits for Former Personnel
107	Voluntary Separation Incentive Pay	13.01	Benefits for Former Personnel
110	Unemployment Compensation	13.01	Benefits for Former Personnel
111	Disability Compensation	12.11	Civilian Personnel Benefits
121	Permanent Change of Station (PCS)	12.11	Civilian Personnel Benefits
199	Total Civilian Personnel Compensation		
	TRAVEL		
308	Travel of Persons	21.01	Travel and transportation of persons
399	Total Travel		

CROSSWALK OF OP32 LINE ITEMS/CIS OBJECT CLASS (Continued)

OP32 - Lines		CIS Lines Relationship	
	DEFENSE WORKING CAPITAL FUND (WCF) SUPPLIES & MATERIALS PURCHASES		
401	DLA Energy (Fuel Products)	26.01	Supplies and Materials
402	Service Fund Fuel	26.01	Supplies and Materials
411	Army Managed Supplies & Materials	26.01	Supplies and Materials
412	Navy Managed Supplies & Materials	26.01	Supplies and Materials
413	Marine Corps Supply	26.01	Supplies and Materials
418	Air Force Retail Supply	26.01	Supplies and Materials
414	Air Force Consolidated Sustainment Activity Group (Supply)	26.01	Supplies and Materials
415	DLA Managed Supplies and Materials	26.01	Supplies and Materials
416	GSA Managed Supplies & Materials	26.01	Supplies and Materials
417	Locally Purchased Managed Supplies and Materials	26.01	Supplies and Materials
499	Total Fund Supplies & Materials Purchases		
	DEFENSE WCF EQUIPMENT PURCHASES		
502	Army Fund Equipment	31.01	Equipment
503	Navy Fund Equipment	31.01	Equipment
505	Air Force Fund Equipment	31.01	Equipment
506	DLA Fund Equipment	31.01	Equipment
507	GSA Managed Equipment	31.01	Equipment
599	Total Fund Equipment Purchases		
	OTHER FUND PURCHASES (EXCLUDE TRANSPORTATION)		
	DEPOT MAINTENANCE		
601	Army Industrial Operations (Armament)	25.33	Purchases from revolving funds (WCF)
602	Army Industrial Operations (Depot Maintenance)	25.33	Purchases from revolving funds (WCF)

CROSSWALK OF OP32 LINE ITEMS/CIS OBJECT CLASS *(Continued)*

OP32 - Lines		CIS Lines Relationship	
603	DLA Distribution	25.33	Purchases from revolving funds (WCF)
613	Naval Fleet Readiness Centers (Aviation)	25.33	Purchases from revolving funds (WCF)
640	Marine Corps Depot Maintenance	25.33	Purchases from revolving funds (WCF)
661	Air Force Consolidated Sustainment Activity Group (Maint)	25.33	Purchases from revolving funds (WCF)
662	Air Force Contract Depot Maintenance	25.33	Purchases from revolving funds (WCF)
	BASE SUPPORT		
634	Navy Base Support (NAVFEC:Utilities & Sanitation)	25.33	Purchases from revolving funds (WCF)
635	Navy Base Support (NAVFEC:Other Services)	25.33	Purchases from revolving funds (WCF)
	RESEARCH AND DEVELOPMENT ACTIVITIES		
610	Naval Air Warfare Center	25.33	Purchases from revolving funds (WCF)
611	Naval Surface Warfare Center	25.33	Purchases from revolving funds (WCF)
612	Naval Undersea Warfare Center	25.33	Purchases from revolving funds (WCF)
614	Space & Naval Warfare Center	25.33	Purchases from revolving funds (WCF)
630	Naval Research Laboratory	25.33	Purchases from revolving funds (WCF)
631	Navy Base Support (NFESC)	25.33	Purchases from revolving funds (WCF)
	INFORMATION SERVICES		
671	DISA Telecommunications/Enterprise Acquisition Services)	25.33	Purchases from revolving funds (WCF)
677	Communication Services (DISA) Tier 1	23.31	Communications, Utilities and Misc Charges
647	DISA Enterprise Computing Centers	25.33	Purchases from revolving funds (WCF)
	TRANSPORTATION		
	Military Sealift Command (MSC):		
620	Navy Transportation (Fleet Auxiliary Force)	25.33	Purchases from revolving funds (WCF)
621	Navy Transportation (Afloat Prepositioning Ships)	25.33	Purchases from revolving funds (WCF)

CROSSWALK OF OP32 LINE ITEMS/CIS OBJECT CLASS *(Continued)*

OP32 - Lines		CIS Lines Relationship	
623	Navy Transportation (Special Mission Ships)	25.33	Purchases from revolving funds (WCF)
	PRINTING AND PUBLICATIONS SERVICES		
633	DLA Document Services	25.33	Purchases from revolving funds (WCF)
	FINANCIAL OPERATIONS		
673	Defense Finance & Accounting Svc	25.33	Purchases from revolving funds (WCF)
	OTHER		
672	Pentagon Reservation Maintenance Revolving Fund	25.33	Purchases from revolving funds (WCF)
675	DLA Disposition Services	25.33	Purchases from revolving funds (WCF)
676	Defense Commissary Operations	25.33	Purchases from revolving funds (WCF)
682	Industrial Mobilization Capacity	25.33	Purchases from revolving funds (WCF)
679	Cost Reimbursable Purchases	25.33	Purchases from revolving funds (WCF)
680	Purchases from Building Maintenance Fund	25.33	Purchases from revolving funds (WCF)
699	Total Purchases		
	TRANSPORTATION		
701	AMC Cargo (Fund)	25.33	Purchases from revolving funds (WCF)
702	AMC SAAM (Fund)	25.33	Purchases from revolving funds (WCF)
703	JCS Exercises	25.33	Purchases from revolving funds (WCF)
705	AMC Channel Cargo	25.33	Purchases from revolving funds (WCF)
706	AMC Channel Passenger	25.33	Purchases from revolving funds (WCF)
707	AMC Training	25.33	Purchases from revolving funds (WCF)
708	MSC Chartered Cargo	25.33	Purchases from revolving funds (WCF)
711	MSC Cargo (Fund)	25.33	Purchases from revolving funds (WCF)

CROSSWALK OF OP32 LINE ITEMS/CIS OBJECT CLASS *(Continued)*

OP32 - Lines		CIS Lines Relationship	
714	MSC POL Tankership	25.33	Purchases from revolving funds (WCF)
715	MSC APF (Army, DLA & Air Force Preposition)	25.33	Purchases from revolving funds (WCF)
716	MSC Surge Sealift (FSS & LMSR)	25.33	Purchases from revolving funds (WCF)
717	SDDC Global POV	25.33	Purchases from revolving funds (WCF)
718	SDDC Liner Ocean Transportation	25.33	Purchases from revolving funds (WCF)
719	SDDC Cargo Operations (Port Handling)	25.33	Purchases from revolving funds (WCF)
720	DSC Pounds Delivered	25.33	Purchases from revolving funds (WCF)
721	SDDC (Port Handling-Fund)	25.33	Purchases from revolving funds (WCF)
725	SDDC (Other-Non-Fund)	25.33	Purchases from revolving funds (WCF)
771	Commercial Transportation	22.01	Transportation of things
799	Total Transportation		
	OTHER PURCHASES		
901	Foreign National Indirect Hire	25.32	Payments to Foreign National IH Personnel
902	Separation Liability FNIH	25.32	Payments to Foreign National IH Personnel
912	Rent Payments to GSA (SLUC)	23.11	Rental Payments to GSA
913	Purchased Utilities (Non-Fund)	23.31	Communications, Utilities and Misc Charges
914	Purchased Communications (Non-Fund)	23.31	Communications, Utilities and Misc Charges
915	Rents (Non-GSA)	23.21	Rental payments to others (for space, land and structures)
917	Postal Services (U.S.P.S.)	23.31	Communications, Utilities and Misc Charges
920	Supplies & Materials (Non-Fund)	26.01	Supplies and Materials
921	Printing & Reproduction	24.01	Printing and reproduction
922	Equipment Maintenance - Contract	25.71	Operation and maintenance of equipment
923	Facility Maintenance - Contract	25.41	Operation and maintenance of facilities
924	Pharmaceutical Drugs	26.01	Supplies and Materials

CROSSWALK OF OP32 LINE ITEMS/CIS OBJECT CLASS *(Continued)*

OP32 - Lines		CIS Lines Relationship	
925	Equipment Purchases (Non-Fund)	31.01	Equipment
926	Other Overseas Purchases	25.21	Other Services
927	Air Defense Contracts & Space Support (AF)	25.71	Operation and maintenance of equipment
928	Ship Maintenance by Contract	25.71	Operation and maintenance of equipment
929	Aircraft Reworks by Contract	25.71	Operation and maintenance of equipment
930	Other Depot Maintenance (Non-Fund)	25.71	Operation and maintenance of equipment
932	Management & Professional Spt Svc	25.11	Advisory and Assistance Services
933	Studies, Analysis & Eval	25.11	Advisory and Assistance Services
934	Engineering & Technical Services	25.11	Advisory and Assistance Services
937	Locally Purchased Fuel (Non-Fund)	26.01	Supplies and Materials
940	Defense Security Service	25.31	Purchase of goods/services from government accounts
955	Other Costs (Medical Care)	25.61	Medical Care
957	Lands and Structures	32.01	Lands and structures
959	Insurance Claims and Indemnities	42.01	Insurance Claims and indemnities
960	Interest and Dividends	43.01	Interest and dividends
964	Subsistence and Support of Persons	25.81	Subsistence and support of persons
984	Equipment Contracts	31.01	Equipment
986	Medical Care	25.61	Medical Care
987	Other Intra-government Purchases	25.31	Purchase of goods/services from government accounts
988	Grants	41.01	Grants, subsidies, and contributions
989	Other Services	25.21	Other Services
990	IT Contract Support Services	25.21	Other Services
991	Foreign Currency Variance	25.21	Other Services
998	Other Costs (SOCOM Only)	25.31	Purchase of goods/services from government accounts
999	Total Other Purchases		
9999	**TOTAL**		

Exhibit OP-34 Fund Support for Selected Quality of Life Activities

Fund Support for Selected Quality of Life Activities

Program	Category	Fund Source	Activity	Appropriation	Resource Type	PY-1	PY	CY	BY	BY+1	BY+2	BY+3	BY+4
Closed See List Below	Closed See List Below	Direct Program Operation	Closed See List Below	Treasury Code List Provided	Funding	$K	$K	$K	$K	$K	$K	$K	$K
		Direct Overhead (Category level only)			Civilian Direct FTE	#	#	#	#	#	#	#	#
		Indirect Support (Category level only)			Civilian Foreign Direct FTE	#	#	#	#	#	#	#	#
		URD Practice (Memo entry – Category only)			Civilian Foreign Indirect FTE	#	#	#	#	#	#	#	#
		USA Practice (Memo entry – Category only)			Civilian URD/USA FTE	#	#	#	#	#	#	#	#
					Officer	#	#	#	#	#	#	#	#
					Enlisted	#	#	#	#	#	#	#	#

Definitions

Component: All DoD Military Departments, active and reserve components, including the Defense Activities and Agencies that have Selected Quality of Life resources, are to submit the OP-34 Exhibit each year.

Programs:

Military MWR Program -- as defined in DoDI 1015.10, “Programs for Military Morale, Welfare, and Recreation (MWR)"

Civilian MWR Program -- as defined in DoDD 1015.8, “DoD Civilian Employee Morale, Welfare, and Recreation (MWR) Activities and Supporting Non-Appropriated Fund Instrumentalities (NAFIs)”

Lodging Program -- as defined in DoDI 1015.12, “Lodging Program Resource Management”

Overseas Contingency Operations Mission NAFI -- as defined in DoDD 1015.1, "Establishment, Management and Control of NAFIs"

Armed Services Exchange -- as defined in DoDD 1015.1, "Establishment, Management and Control of NAFIs" and DoDD 1330.9, “Armed Services Exchanges”

Family Support -- as defined in DoDI 1342.22, “Family Centers”

Off Duty and Voluntary Education -- as defined in DoDI 1322.25, “Voluntary Education Programs” includes tuition assistance and other voluntary education programs.

Exhibit OP-34 Fund Support for Selected Quality of Life Activities
(Page 1 of 7)

Exhibit OP-34 Fund Support for Selected Quality of Life Activities (Continued)

Category:

Military MWR Category A -- Mission Sustaining Programs
Military MWR Category B -- Basic Community Support Programs
Military MWR Category C -- Revenue-Generating Programs
TDY Lodging -- Temporary Duty (TDY) Lodging is official travel quarters for TDY personnel
PCS Lodging -- Permanent Change of Station (PCS) Lodging is official travel quarters for PCS personnel and their families and normally provides some type of kitchen facilities.
Tuition Assistance -- Funds provided solely for direct, enrollment-related military tuition assistance
Other Voluntary Education -- Other costs not identified or captured under the tuition assistance category above; voluntary education-related personnel, equipment, supplies, travel and conference attendance should be included here. PACE, DANTES, VEAP, eArmyU and any other similar programs not paid for directly from tuition assistance funding should be included here.

Fund Source: Direct Support is direct program operation and direct overhead as defined below.

Direct Program Operation: All appropriated fund costs (in-house and contract) provided to directly operate an individual MWR program, such as physical fitness, libraries, or recreation (as defined in enclosure 4 of DoDI 1015.10 for military MWR programs). Costs include military and civilian personnel including benefits; travel; training; supplies; equipment (includes rental and maintenance); contracted services; and Family Child Care subsidy. For Overseas Contingency Operations Mission NAFIs include only the appropriated funds related directly to the operation of the NAFI. Do not include appropriated fund costs of the mission program.
Direct Overhead: At installation and headquarters, overhead is appropriated fund direct costs that are attributable to more than one MWR program and are associated with the general management or administrative support of MWR programs. Overhead costs include military and civilian personnel including benefits; travel; training; supplies; equipment (includes rental and maintenance); contracted services; and other support related to all levels of managerial staff functions and positions located above the direct program managerial and operational level of individual MWR programs. These resources support planning, organizing, directing, coordinating, and controlling the overall operations of MWR programs. It consists of program, fiscal, logistical, and other managerial functions that are required to ensure oversight.
Indirect Support: All appropriated fund Base Operations support costs to MWR programs and activities. Base Operation costs are budgeted and executed by a non-MWR activity that supports installation-wide services. Costs include military personnel support; civilian personnel services; facility and infrastructure support (including fire, health, safety); equipment operation; financial and accounting services; installation procurement and common warehousing; communication; installation information systems; legal services; transportation services; second destination transportation; utilities and real property rents; refuse collection; custodial and janitorial services.

Activity: Individual MWR programs within Military MWR Categories listed above.
Appropriation: Treasury Code, defined set of four-digit numeric codes from the Comptroller that identifies funding resources by type, organization and components.
Resource Type: Identify Funding by Appropriation (i.e., O&M and dollars in thousands) or Appropriation and Manpower type (i.e., O&M and Civilian FTE and number)

Exhibit OP-34 Fund Support for Selected Quality of Life Activities
(Page 2 of 7)

Exhibit OP-34 Fund Support for Selected Quality of Life Activities (Continued)

Instructions for Completing the Quality of Life Resources Database

1) For PY-1 through BY provide direct funding for Fund Source=Direct Program Operation by QOL Category, **Activity**, Appropriation and Resource Type. Provide funding for all other Fund Sources where specified in the matrix below by QOL Category, Appropriation, and Resource Type. Provide Manpower using Fund Source= Direct Program Operation by QOL Category , Appropriation and Resource Type. Do not enter any cost more than once.
2) For BY+1 through BY+4 provide direct funding for Fund Source =Direct Program Operation by Appropriation and Resource Type rolled up at the QOL Category level except for the following Activities in the matrix below—A.3, and B.1.1 through B.1.5. Provide funding for all other Fund Sources where specified in the matrix below by QOL Category, Appropriation, and Resource Type. Provide Manpower using Fund Source= Direct Program Operation, by QOL Category, Appropriation and Resource Type. Do not enter any cost more than once.
3) Choose an appropriation with each resource type reported on -- for example O&M and funding for dollars or O&M and Civilian FTES, and Military Personnel and Officer and Military Personnel and TOA for funding.
4) Provide Indirect Support at the MWR Category level for PY-1 to BY.
5) Provide URD Practice and USA Practice (considered memo entries) dollars at the MWR Category level for PY-1 to BY.
6) In preparing the OP-34 detail the Services/Defense Agencies should use the program definitions contained in the DoDI 1015.10, “Programs for Military Morale, Welfare, and Recreation (MWR)"; DoDI 1015.12, “Lodging Program Resource Management”; DoDD 1015.8, “DoD Civilian Employee Morale, Welfare, and Recreation (MWR) Activities and Supporting Non-Appropriated Fund Instrumentalities (NAFIs)”; DoDD 1015.1, "Establishment, Management and Control of NAFIs"; DoDI 1342.22, “Family Centers”; and DoDI 1322.25, “Voluntary Education Programs.”
7) **MWR only**: Provide in Microsoft Word document a short narrative description of resource changes between CY, and BY, identified separately by MWR category, if 10 percent above or below inflation.

The OP-34 Budget Exhibit must be included in the Budget Estimates Submission and the Congressional justification book each year. The OP-34 data will be **submitted via the Select and Native Programming Data Input System (SNaP) located at https://snap.cape.osd.mil. The most current version of this exhibit will be found at this site**. Once loaded the data will be available in the Operations & Support Data Center. Program/Budget data displays will be produced through the Data Center. Questions regarding the OP-20 should be referred to (703) 697-3101. The **SNaP system will generate this display** from the data provided for MWR programs (military, civilian, lodging, Overseas Contingency Operations mission NAFIs, and armed services exchanges) that includes a title page with the following description of the exhibit: “The Exhibit OP-34 displays total appropriated fund support for the Department of _____ managed Morale, Welfare, and Recreation (MWR) programs.” The title page will also include the following definition of MWR programs (from DoDI 1015.10): “The MWR programs are vital to mission accomplishment and form an integral part of the non-pay compensation system. These programs provide a sense of community among patrons and provide support services commonly furnished by other employers, or other State and local governments to their employees and citizens. The MWR programs encourage positive individual values, and aid in recruitment and retention of personnel. They provide the physical, cultural, and social needs, and general well-being of Service members and their families, providing community support systems that make DoD bases temporary hometowns for a mobile military population.”

Business Rules

Refer to the table below to identify Program, Category, Fund Source, and Activity Relationships
Indirect Support, URD Practice (memo), and USA Practice (memo) are reported at the MWR Category level only
Subject Matter Experts: Questions regarding this data requirement should be directed to Ms. Carol Potter 703-602-4997 and Major Greg Wise 703-692-8046.
Technical Issues: If you are having difficulty with the data collection system—SNaP, contact the SNaP administrators via the email link at the Web site: https:\\snap.cape.osd.mil

Exhibit OP-34 Fund Support for Selected Quality of Life Activities
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Exhibit OP-34 Fund Support for Selected Quality of Life Activities (Continued)

Program, Category, Fund Source and Activity Relationship Matrix			
Program	**Category**	**Fund Source**	**Activity**
Military MWR Programs	A--Mission Sustaining Programs	Direct Program Operation	A.1. Armed Forces Professional Entertainment Overseas
Military MWR Programs	A--Mission Sustaining Programs	Direct Program Operation	A.2. Free Admission Motion Pictures
Military MWR Programs	A--Mission Sustaining Programs	Direct Program Operation	A.3. Physical Fitness and Aquatic Training
Military MWR Programs	A--Mission Sustaining Programs	Direct Program Operation	A.4. Library Programs & Information Services (Recreation)
Military MWR Programs	A--Mission Sustaining Programs	Direct Program Operation	A.5. On-Installation Parks and Picnic Areas
Military MWR Programs	A--Mission Sustaining Programs	Direct Program Operation	A.6. Basic Social Recreation (Center) Programs
Military MWR Programs	A--Mission Sustaining Programs	Direct Program Operation	A.7. Shipboard, Company, and/or Unit Level Programs
Military MWR Programs	A--Mission Sustaining Programs	Direct Program Operation	A.8. Sports and Athletics
Military MWR Programs	A--Mission Sustaining Programs	Direct Program Operation	A.9. Single Service Member Program
Military MWR Programs	A--Mission Sustaining Programs	Direct Overhead	N/A
Military MWR Programs	A--Mission Sustaining Programs	Indirect Support	N/A
Military MWR Programs	A--Mission Sustaining Programs	URD Practice (memo)	N/A
Military MWR Programs	A--Mission Sustaining Programs	USA Practice (memo)	N/A
Military MWR Programs	B-- Basic Community Support Programs	Direct Program Operation	B.1.1 Child Development Centers
Military MWR Programs	B-- Basic Community Support Programs	Direct Program Operation	B.1.2 Family Child Care
Military MWR Programs	B-- Basic Community Support Programs	Direct Program Operation	B.1.3 Overseas Contingency Operations Program/Resource & Referral/Other
Military MWR Programs	B-- Basic Community Support Programs	Direct Program Operation	B.1.4 School Age Care
Military MWR Programs	B-- Basic Community Support Programs	Direct Program Operation	B.1.5 Youth Program
Military MWR Programs	B-- Basic Community Support Programs	Direct Program Operation	B.2.1 Cable and/or Community Television (TV)
Military MWR Programs	B-- Basic Community Support Programs	Direct Program Operation	B.2.2 Recreation Information, Tickets, and Tours Services
Military MWR Programs	B-- Basic Community Support Programs	Direct Program Operation	B.2.3 Recreational Swimming
Military MWR Programs	B-- Basic Community Support Programs	Direct Program Operation	B.3.1 Directed Outdoor Recreation
Military MWR Programs	B-- Basic Community Support Programs	Direct Program Operation	B.3.2 Outdoor Recreation Equipment Checkout
Military MWR Programs	B-- Basic Community Support Programs	Direct Program Operation	B.3.3 Boating w/o Resale or Private Berthing
Military MWR Programs	B-- Basic Community Support Programs	Direct Program Operation	B.3.4 Camping (Primitive and/or tents)

Exhibit OP-34 Fund Support for Selected Quality of Life Activities
(Page 4 of 7)

Exhibit OP-34 Fund Support for Selected Quality of Life Activities (Continued)

Program, Category, Fund Source and Activity Relationship Matrix			
Program	**Category**	**Fund Source**	**Activity**
Military MWR Programs	B-- Basic Community Support Programs	Direct Program Operation	B.3.5 Riding Stables, Government-owned or -leased
Military MWR Programs	B-- Basic Community Support Programs	Direct Program Operation	B.4.1 Amateur Radio (MARS)
Military MWR Programs	B-- Basic Community Support Programs	Direct Program Operation	B.4.2 Performing Arts (Music, Drama, and Theater)
Military MWR Programs	B-- Basic Community Support Programs	Direct Program Operation	B.4.3 Arts and Crafts Skill Development
Military MWR Programs	B-- Basic Community Support Programs	Direct Program Operation	B.4.4 Automotive Crafts Skill Development
Military MWR Programs	B-- Basic Community Support Programs	Direct Program Operation	B.4.5 Bowling (12 lanes or less)
Military MWR Programs	B-- Basic Community Support Programs	Direct Program Operation	B.5. Sports Programs (Above Intramural Level)
Military MWR Programs	B-- Basic Community Support Programs	Direct Overhead	N/A
Military MWR Programs	B-- Basic Community Support Programs	Indirect Support	N/A
Military MWR Programs	B-- Basic Community Support Programs	URD Practice (memo)	N/A
Military MWR Programs	B-- Basic Community Support Programs	USA Practice (memo)	N/A
Military MWR Programs	C-- Revenue-Generating Programs	Direct Program Operation	C.1.1 Military Open Mess (Clubs)
Military MWR Programs	C-- Revenue-Generating Programs	Direct Program Operation	C.1.2 Restaurants, snack bars, & other food outlets
Military MWR Programs	C-- Revenue-Generating Programs	Direct Program Operation	C.2.1 PCS Lodging
Military MWR Programs	C-- Revenue-Generating Programs	Direct Program Operation	C.2.2 Recreational Lodging
Military MWR Programs	C-- Revenue-Generating Programs	Direct Program Operation	C.2.3 Joint Service Facilities and/or AFRCs
Military MWR Programs	C-- Revenue-Generating Programs	Direct Program Operation	C.3.1 Flying Program
Military MWR Programs	C-- Revenue-Generating Programs	Direct Program Operation	C.3.2 Parachute and Sky Diving Program
Military MWR Programs	C-- Revenue-Generating Programs	Direct Program Operation	C.3.3 Rod and Gun Program
Military MWR Programs	C-- Revenue-Generating Programs	Direct Program Operation	C.3.4 Scuba and Diving Program
Military MWR Programs	C-- Revenue-Generating Programs	Direct Program Operation	C.3.5 Horseback Riding
Military MWR Programs	C-- Revenue-Generating Programs	Direct Program Operation	C.3.6 Video Program

Exhibit OP-34 Fund Support for Selected Quality of Life Activities
(Page 5 of 7)

Exhibit OP-34 Fund Support for Selected Quality of Life Activities (Continued)

Program, Category, Fund Source and Activity Relationship Matrix			
Program	**Category**	**Fund Source**	**Activity**
Military MWR Programs	C-- Revenue-Generating Programs	Direct Program Operation	C.4.1 Resale activities (i.e., audio, photo, recycling, car wash, etc.)
Military MWR Programs	C-- Revenue-Generating Programs	Direct Program Operation	C.4.2 Amusement & Recreation Machines and/or Gaming
Military MWR Programs	C-- Revenue-Generating Programs	Direct Program Operation	C.4.3 Bowling (Over 12 lanes)
Military MWR Programs	C-- Revenue-Generating Programs	Direct Program Operation	C.4.4 Golf
Military MWR Programs	C-- Revenue-Generating Programs	Direct Program Operation	C.4.5 Boating (with resale or private boat berthing)
Military MWR Programs	C-- Revenue-Generating Programs	Direct Program Operation	C.4.6 Equipment Rental (other than outdoor recreation equipment rental)
Military MWR Programs	C-- Revenue-Generating Programs	Direct Program Operation	C.4.7 Unofficial Commercial Travel Services
Military MWR Programs	C-- Revenue-Generating Programs	Direct Program Operation	C.4.8 Other
Military MWR Programs	C-- Revenue-Generating Programs	Direct Overhead	N/A
Military MWR Programs	C-- Revenue-Generating Programs	Indirect Support	N/A
Military MWR Programs	C-- Revenue-Generating Programs	URD Practice (memo)	N/A
Military MWR Programs	C-- Revenue-Generating Programs	USA Practice (memo)	N/A
Civilian MWR		Direct Program Operation	N/A
Civilian MWR		Direct Overhead	N/A
Civilian MWR		Indirect Support	N/A
Lodging Program	TDY Lodging	Direct Program Operation	N/A
Lodging Program	TDY Lodging	Direct Overhead	N/A
Lodging Program	TDY Lodging	Indirect Support	N/A
Lodging Program	PCS Lodging (Not MWR Category C)	Direct Program Operation	N/A
Lodging Program	PCS Lodging (Not MWR Category C)	Direct Overhead	N/A
Lodging Program	PCS Lodging (Not MWR Category C)	Indirect Support	N/A

Exhibit OP-34 Fund Support for Selected Quality of Life Activities
(Page 6 of 7)

Exhibit OP-34 Fund Support for Selected Quality of Life Activities (Continued)

Program, Category, Fund Source and Activity Relationship Matrix			
Program	**Category**	**Fund Source**	**Activity**
Overseas Contingency Operations Mission NAFIs		Direct Program Operation	N/A
Overseas Contingency Operations Mission NAFIs		Direct Overhead	N/A
Overseas Contingency Operations Mission NAFIs		Indirect Support	N/A
Armed Services Exchange		Direct Program Operation	N/A
Armed Services Exchange		Direct Overhead	N/A
Armed Services Exchange		Indirect Support	N/A
Armed Services Exchange		URD Practice (memo)	N/A
Armed Services Exchange		USA Practice (memo)	N/A
Family Support	N/A	Direct Program Operation	N/A
Off Duty and Voluntary Education Programs	Tuition Assistance	Direct Program Operation	N/A
	Other Voluntary Education Programs	Direct Program Operation	N/A

Exhibit OP-34(MWR) Appropriated Fund Support for Morale, Welfare and Recreation (MWR) Activities

APPROPRIATED FUND SUPPORT FOR MORALE, WELFARE AND RECREATION ACTIVITIES (MWR)
($ in Thousands)

INSTRUCTIONS:

1. The OP-34 must contain a title page that includes the following description of the exhibit: "The Exhibit OP-34 displays total appropriated fund support (APF) for Dept. of the _____ managed Morale, Welfare, and Recreation (MWR) programs and joint services managed programs."

The title page must also include the following definition of MWR programs (from DoDI 1015.10): "The MWR programs are vital to mission accomplishment and form an integral part of the non-pay compensation system. These programs provide a sense of community among patrons and provide support services commonly furnished by other employers, or other State and local governments to their employees and citizens. The MWR programs encourage positive individual values, and aid in recruitment and retention of personnel. They provide for the physical, cultural, and social needs, and general well-being of Service members and their families, providing community support systems that make DoD bases temporary hometowns for a mobile military population."

The title page must also include a short narrative description of all major program changes, identified separately by MWR category.

2. In preparing the OP-34 Exhibit, the Services/Defense Agencies must use the program definitions contained in the DoD Directive 1015.10, subject: Programs for Military Morale, Welfare, and Recreation (MWR), DoDI 1015.12, subject: Lodging Program Resource Management; and DoDD 1015.8, subject: DoD Civilian Employee Morale, Welfare, and Recreation (MWR) and Supporting Nonappropriated Fund Instrumentalities (NAFIs).

3. APF support should include both direct and indirect APF support provided to MWR activities and should include the cost categories reported on the Appropriated and Nonappropriated Fund Expense Summary required by DoDI 7000.12. Direct costs include those costs that can be directly attributable to the activity and include civilian and military pay and benefits, travel, training, supplies and equipment, contracts, and Family Child Care subsidy. Indirect costs include costs that are attributed to more than one activity and include rents, utilities, communications, minor construction, repair and maintenance, contracts, engineering support, etc.

4. APF Common Support - That appropriated fund support, identified as APF support used in the management, administration and operation of more than one MWR program, however, that support or cost is not easily nor readily identifiable to a specific MWR program.

Some examples of APF common support would include: managerial operational functions and positions at an installation, major command or Service, executive and upper management supervision that is functionally located above the operating program manager level and having responsibility for several MWR programs; an installation's civilian personnel functions; and central accounting office functions.

5. The OP-34 Exhibits must be submitted for the OSD/OMB budget submission each year. The OP-34 exhibit should also be included in the congressional justification books (Volume II - Data Book) each year.

Exhibit OP-34 Appropriated Fund Support for Morale, Welfare and Recreation (MWR) Activities
(Page 1 of 7)

APPROPRIATED FUND SUPPORT FOR MORALE, WELFARE AND RECREATION ACTIVITIES (MWR)

($ in Thousands)

FY: **Prior Year**	Appropriations				Total APF Oper.	Mil Constr.	Total APF Spt
MWR CATEGORY							
Category A							
Direct	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Indirect	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Category B							
Direct	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Indirect	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Category C							
Direct	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Indirect	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Category D							
Direct	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Indirect	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Total APF Support	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Direct Support	$_____	$_____		$_____ $_____	$_____	$_____	$_____
Indirect	$_____	$_____	$_____	$_____	$_____	$_____	$_____

FY: **Current Year**	Appropriations				Total APF Oper.	Mil Constr.	Total APF Spt
MWR CATEGORY							
Category A							
Direct	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Indirect	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Category B							
Direct	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Indirect	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Category C							
Direct	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Indirect	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Category D							
Direct	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Indirect	$_____	$_____	$_____	$_____	$_____	$_____	$_____

Exhibit OP-34 Appropriated Fund Support for Morale, Welfare and Recreation (MWR) Activities
(Page 2 of 7)

Exhibit OP-34(MWR) Appropriated Fund Support for Morale, Welfare and Recreation (MWR) Activities(Continued)

Total APF Support	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Direct	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Indirect	$_____	$_____	$_____	$_____	$_____	$_____	$_____

	FY: **Budget**				Total		Total
		Appropriations			APF Oper.	Mil Constr.	APF Spt
MWR CATEGORY							
Category A							
Direct	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Indirect	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Category B							
Direct	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Indirect	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Category C							
Direct	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Indirect	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Category D							
Direct	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Indirect	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Total APF Support	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Direct	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Indirect	$_____	$_____	$_____	$_____	$_____	$_____	$_____

Exhibit OP-34 Appropriated Fund Support for Morale, Welfare and Recreation (MWR) Activities
(Page 3 of 7)

APPROPRIATED FUND SUPPORT FOR MORALE, WELFARE AND RECREATION ACTIVITIES (MWR)
($ in Thousands)

Provide for PY, CY, & BY

MWR CATEGORY	Appropriations				Total APF Oper.	Mil Constr.	Total APF Spt
Category A	$_____	$_____	$_____	$_____	$_____	$_____	$_____
MISSION SUSTAINING PROGRAMS							
A.1 Armed Forces Prof. Entertainment O/S	$_____	$_____	$_____	$_____	$_____	$_____	$_____
A.2 Physical Fitness	$_____	$_____	$_____	$_____	$_____	$_____	$_____
A.3 Free Admission Motion Picture	$_____	$_____	$_____	$_____	$_____	$_____	$_____
A.4 Libraries (REC)	$_____	$_____	$_____	$_____	$_____	$_____	$_____
A.5 Rec Centers Prog.	$_____	$_____	$_____	$_____	$_____	$_____	$_____
A.6 Parks/Picnic areas	$_____	$_____	$_____	$_____	$_____	$_____	$_____
A.7 Shipboard/Company/ Unit level prog./activities	$_____	$_____	$_____	$_____	$_____	$_____	$_____
A.8 Sports/Athletics-self directed, unit level and intramural	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Common Support	$_____	$_____	$_____	$_____	$_____	$_____	$_____
TOTAL APF SUPPORT	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Direct	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Indirect	$_____	$_____	$_____	$_____	$_____	$_____	$_____

Exhibit OP-34 Appropriated Fund Support for Morale, Welfare and Recreation (MWR) Activities
(Page 4 of 7)

APPROPRIATED FUND SUPPORT FOR MORALE, WELFARE AND RECREATION ACTIVITIES (MWR)

($ in Thousands)

Provide for PY, CY, & BY

MWR CATEGORY		Appropriations			Total APF Oper.	Mil Constr.	Total APF Spt
Category B	$_____	$_____	$_____	$_____	$_____	$_____	$_____
BASIC COMMUNITY SUPPORT PROGRAMS							
B.1 Child Care Programs							
Child Dev. Centers	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Family Child Care	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Supp Program/Resource & Referral/Other	$_____	$_____	$_____	$_____	$_____	$_____	$_____
School Aged Care	$_____	$_____	$_____	$_____	$_____	$_____	$_____
B.2 Youth Activities							
B.3 Community Programs							
Cable/Community TV	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Rec/tickets/tour	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Rec Swimming	$_____	$_____	$_____	$_____	$_____	$_____	$_____
B 4 Outdoor Recreation							
Outdoor Recreation	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Outdoor Rec Equip Checkout	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Boating w/o Resale	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Camping (Primitive)	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Riding Stables (Gov't owned/ or Leased	$_____	$_____	$_____	$_____	$_____	$_____	$_____
B.5 Individual Skill Recreation							
Amateur Radio	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Performing Arts	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Arts and Crafts	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Automotive Crafts	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Bowling <12 lanes	$_____	$_____	$_____	$_____	$_____	$_____	$_____
B.6 Sports Programs (Above Intramural)	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Common Support	$_____	$_____	$_____	$_____	$_____	$_____	$_____
TOTAL APF SUPPORT	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Direct	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Indirect	$_____	$_____	$_____	$_____	$_____	$_____	$_____

Exhibit OP-34 Appropriated Fund Support for Morale, Welfare and Recreation (MWR) Activities
(Page 5 of 7)

APPROPRIATED FUND SUPPORT FOR MORALE, WELFARE AND RECREATION ACTIVITIES (MWR)

($ in Thousands)

Provide for PY, CY, & BY

MWR CATEGORY		Appropriations			Total APF Oper.	Mil Constr.	Total APF Spt
Category C	$_____	$_____	$_____	$_____	$_____	$_____	$_____
REVENUE-GENERATING PROGRAMS							
C.1 Food, Beverage, & Entertainment							
Military Open Mess (Clubs)	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Other Food Outlets	$_____	$_____	$_____	$_____	$_____	$_____	$_____
C.2 Lodging Programs (Part of MWR NAFI)							
Joint Service/Armed Forces/Serv Rec Ctrs	$_____	$_____	$_____	$_____	$_____	$_____	$_____
PCS Lodging	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Recreational Lodging	$_____	$_____	$_____	$_____	$_____	$_____	$_____
C.3 Special Interest Clubs:							
Flying Program	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Parachute/Sky Diving	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Rod and Gun Program	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Scuba/Diving Program	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Horseback Riding	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Video Program	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Other	$_____	$_____	$_____	$_____	$_____	$_____	$_____
C.4 Other Revenue Generating Activities							
Resale	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Amusement/Rec Machines	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Bowling (over 12 lanes)	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Golf	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Boating (With Resale or Private Boat Berthing	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Equipment Rental	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Unofficial Comm Tvl Service	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Other	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Common Support	$_____	$_____	$_____	$_____	$_____	$_____	$_____
TOTAL APF SUPPORT	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Direct	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Indirect	$_____	$_____	$_____	$_____	$_____	$_____	$_____

Exhibit OP-34 Appropriated Fund Support for Morale, Welfare and Recreation (MWR) Activities
(Page 6 of 7)

APPROPRIATED FUND SUPPORT FOR MORALE, WELFARE AND RECREATION ACTIVITIES (MWR)

($ in Thousands)

Provide for PY, CY, & BY

	Appropriations			Total APF Oper.	Mil Constr.	Total APF Spt
Other MWR And NAFI Programs Category D						
D.2 Armed Serv Exchange	$_____	$_____	$_____	$_____	$_____	$_____	$_____
D.3 Civilian MWR Programs	$_____	$_____	$_____	$_____	$_____	$_____	$_____
D.4 Stars and Stripes	$_____	$_____	$_____	$_____	$_____	$_____	$_____
D.5 TDY Lodging	$_____	$_____	$_____	$_____	$_____	$_____	$_____
D.6 PCS Lodging	$_____	$_____	$_____	$_____	$_____	$_____	$_____
D.7 Mission Overseas Contingency Operations Programs	$_____	$_____	$_____	$_____	$_____	$_____	$_____
TOTAL APF SUPPORT	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Direct	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Indirect	$_____	$_____	$_____	$_____	$_____	$_____	$_____

Exhibit OP-34 Appropriated Fund Support for Morale, Welfare and Recreation (MWR) Activities
(Page 7 of 7)

Exhibit OP-40 Ship Fuel and Operating Tempo Data

Department of the Navy
OPERATION AND MAINTENANCE, NAVY/NAVY RESERVE
SHIP FUEL AND OPERATING TEMPO DATA

	Deployed Fleet			Non-Deployed Fleet		
	FY PY	FY CY	FY BY	FY PY	FY CY	FY BY
Operating Tempo (Hours/Quarter)						
Conventional						
Total Steaming Hours						
Cost of Fuel Consumed ($000)						
Nuclear						
Total Steaming Hours						
Cost of Fuel Expended ($000)						

At the end of the OP-40 exhibit, provide a memo entry reflecting the amounts provided or programmed in support of the drug interdiction program for conventional and nuclear ships.

Exhibit OP-40 Ship Fuel and Operating Tempo Data

Exhibit OP-41 Ship Operations Program

Exhibit OP-41
Ship Operations
Operation and Maintenance, Component

	PY-1	PY	CY	BY	BY+1	BY+2	BY+3	BY+4
SBN Weapon System, Underline								
Quantity Weapon System Detail			sum of all quantities by SAG and PE					
Steaming Days Required Weapon System Detail			sum of all reported by SAG and PE					
Steaming Days Funded Weapon System Detail			sum of all reported by SAG and PE					
Ship Op Months Funded Weapon System Detail			sum of all reported by SAG and PE					
Repair Parts1 (SR) Weapon System Detail			sum of all reported by SAG and PE					
Fuel (SF) Weapon System Detail			sum of all reported by SAG and PE					
Consumables (SO) Weapon System Detail			sum of all reported by SAG and PE					
Utilities (SU)) Weapon System Detail			sum of all reported by SAG and PE					
Nuclear Fuel (SN)) Weapon System Detail			sum of all reported by SAG and PE					
Charter (SC)) Weapon System Detail			sum of all reported by SAG and PE					
Other (NSI) Weapon System Detail			sum of all reported by SAG and PE					
Total Funded			Sum all funded types above, **Bold**					
Total Requirement			sum of all reported by SAG and PE, **Bold**					

Instructions for creating the display Instructions for creating the display
The OP-41 data will be **submitted via the Select and Native Programming Data Input System (SNaP) located at https://snap.cape.osd.mil. The most current version of this exhibit will be found at this site**. Once loaded the data will be available in the Operations & Support Data Center. Program/Budget data displays will be produced through the Data Center. Questions regarding the OP-20 should be referred to (703) 697-2609. Once loaded the data will be available in the Operations & Support Data Center. Program/Budget data displays will be produced through the Data Center. Questions regarding the OP-30S should be referred to the Operations Directorate at OPSDirectorate@osd.mil. Questions about the SNaP interface should be referred to the Office of the Director (Program Analysis & Evaluation) Programming and Fiscal Economics Division (703) 693-7825. Technical questions regarding SNaP should be referred to the Information Management and Analysis Group (703) 604-6349.

1) Display the Organization and Component under the report title
2) For each Weapon System display the weapon system detail as organized above
3) Sum all weapon detail reported by SAG and PE at weapon system level

Crystal Reports Sort Order: Organization, Component then Weapon System
Data Center: Operations and Support, Program/Budget
Data Source: SNaP
Database Requirement: One XLS of all data for all organizations as provided-- no calculations

OP-41 Ship Operations Program

Component	SAG	Program Element	Weapon System Type	Weapon System Detail	PY-1	PY	CY	BY	BY+1	BY+2	BY+3	BY+4
Active			Type	Quantity	#	#	#	#	#	#	#	#
Reserve	Starter List Provided in SNaP		Starter List Provided in SNaP to be updated by owning org	Steaming Days Required	#	#	#	#	#	#	#	#
				Steaming Days Funded	#	#	#	#	#	#	#	#
				Ship Op Months Funded	#	#	#	#	#	#	#	#
				Repair Parts[1] (SR)	$K	$K	$K	$K	$K	$K	$K	$K
				Fuel (SF)	$K	$K	$K	$K	$K	$K	$K	$K
				Consumables (SO)	$K	$K	$K	$K	$K	$K	$K	$K
				Utilities (SU)	$K	$K	$K	$K	$K	$K	$K	$K
				Nuclear Fuel (SN)	$K	$K	$K	$K	$K	$K	$K	$K
				Charter (SC)	$K	$K	$K	$K	$K	$K	$K	$K
				Other (NSI)	$K	$K	$K	$K	$K	$K	$K	$K
				Total TOA Required	$K	$K	$K	$K	$K	$K	$K	$K

Instructions for Completing the Weapon Systems Readiness Database--Ship Operations

1) For Navy only, provide the funding level--by Active and Reserve--for Ship Operations as defined by the Budget Exhibit OP-41 (described in the DoD Financial Management Regulation). Identify the relevant Navy SAG for Ship Operations.
2) If OPTEMPO Types are constant for all ships across the program, provide narrative in a word document explaining why.

Definitions:
Organization: The POM reporting entities directed to submit this data requirement. For a complete list of organizations see by data requirement see Appendix A of the PDR.
Component: Active, Guard, and Reserve
SAG: Sub-Activity Group, budget term denoting groupings of resources e.g., Navy SAG: 1B1B.
Program Element: Identify the PE containing the weapon system described by the detail.
Weapon System Type: Provide Ship Type detail for the weapon system described by the detail.

Exhibit OP-41 Ship Operations
(Page 2 of 3)

OP-41 Ship Operations Program (Continued)

Weapon System Detail:

Quantity-Identify the number of ships per Ship Type used to determine the steaming days program funding
Steaming Days: -This OPTEMPO Type is the number of steaming days per Ship per Quarter for Deployed and Non-Deployed for both required and funded. For inventory, PEs will be pulled from the Forces FYDP and compared to the Inventory values provided by the Navy.)
Ship Operational (Op) Months - This OPTEMPO Type is the number of months a ship is "operational" (i.e., not in a major repair period)
Funded: Identify funding level for Repair Parts (including reparable parts), Fuel, Consumables, Utilities, Nuclear Fuel, Charter and Other using the OP-41 guidelines, generally defined by Navy Special Interest Codes
Total TOA Required: Provide total TOA required to meet the funded steaming days.

Technical Issues: If you are having difficulty with the data collection system—SNaP, contact the SNaP administrators via the email link at the web site.

Exhibit OP-41 Ship Operations
(Page 3 of 3)

Exhibit OP-50 Units by Program Element

Operation and Maintenance, Air Force
FY ESTIMATE
UNITS BY PROGRAM ELEMENT
($ in Thousands)

Program Element: _____

	PY-1 Actuals	PY Actuals	CY Estimate	BY Estimate	BY+1 Estimate	BY+2 Estimate	BY+3 Estimate	BY+4 Estimate
Program Units								
Forces Wings								
Forces Squadrons								
Unit Equipment								
Flying Hour Total								
Manpower (End Strength)								
Officers								
Enlisted								
Academy Cadets								
Total Military Personnel								
U.S. Direct Hire								
FN Direct Hire								
FN Indirect Hire								
Total Civilian Personnel								
Manpower (Average Strength/FTE)								
Officers								
Enlisted								
Academy Cadets								
Total Military Personnel								
U.S. Direct Hire								
FN Direct Hire								
FN Indirect Hire								
Total Civilian Personnel								
Cost Data								
Operation and Maintenance								
Provide by DoD Element of Expense								
Total Operation and Maintenance								
Total Military Personnel								
Total O&M and Military Personnel								

This Exhibit should be provided for:
1. **Total Operations Air Force**
2. **Major Force Program**
3. **Program Element**

Exhibit OP-58 Analysis of Aircraft POL

Operation and Maintenance, Air Force
ANALYSIS OF AIRCRAFT POL
($ in Thousands)

Analysis of Aircraft Petroleum, Oil and Lubricants (POL)

		FY PY	FY CY	FY BY
A.	Flying Hour Program Requirements:			
	1. Number of Flying Hours			
	a. Active Forces (excl. FGO and SOF)			
	b. Foreign Gov't Owned			
	2. Flying Hours at Std. Price			
	Adjustments: (Explain)			
	3. Funding for Flying Hour Program			
	a. Active Forces (excl. FGO and SOF)			
	b. Foreign Gov't Owned			
B.	Non-Fly			
C.	Special Fuels			
D.	Grand Total-Aircraft POL			
	1. Direct			
	2. Reimbursements			

Exhibit OP-58 Analysis of Aircraft POL
(Page 1 of 2)

Operation and Maintenance, Air Force
ANALYSIS OF AIRCRAFT POL
FY_____ Estimate
($ in Thousands)

Analysis of Non-Fly Program

	FY PY		FY CY		FY BY	
	QTY(bbls)	Cost	QTY(bbls)	Cost	QTY(bbls)	Cost
Major Force Program:						
1. a. Offensive Forces						
b. Defensive Forces						
Total Strategic Forces						
2. General Purpose Forces						
3. a. Intelligence						
b. Communications						
c. Other						
Total Program 3						
4. Airlift						
5. Reserves						
7. Central Supply and Maintenance						
8.						
a. Training						
b. Other						
Total Program 8						
9. Administration						
10. Support of Other Nations						
TOTAL						

Exhibit OP-58 Analysis of Aircraft POL
(Page 2 of 2)

Exhibit OP-73 Repair Parts, Army Reserve Components

Operation and Maintenance
Repair Parts, Army Reserve Components 1/
($ in Millions)

ITEM	FY PY	FY CY	FY BY	FY BY+1	FY BY+2	FY BY+3	FY BY+4
1. Backlog carried forward from prior years							
Less:							
2. Backlog of obsolete parts							
Add:							
3. Inflation							
4. Adjusted prior year backlog							
Add:							
5. Recurring requirements	( )	( )	( )	( )	( )	( )	( )
a. Annual consumption							
b. Change in equipment inventories							
c. Change in stockage levels							
6. Nonrecurring requirements	( )	( )	( )	( )	( )	( )	( )
a. Force modernization initiatives							
b. Introduction of other new equipment							
7. Total funding required							
Less:							
8. Funds budgeted for repair parts							
9. Backlog, end of year							

Exhibit OP-73 Repair Parts, Army Reserve Components
(Page 1 of 2)

INSTRUCTIONS FOR COMPLETION OF OP-73

1. **Backlog carried forward from prior years -** unfunded requirements at the end of the previous fiscal year.

2. **Backlog of obsolete parts -** backlog of repair parts associated with equipment that is being retired from the Reserve Forces.

3. **Inflation** - backlog carried over from prior years less backlog associated with equipment being retired from the Reserve Forces times the OSD rate for "general purchases inflation--O&M" or the Defense Working Capital Fund, whichever is applicable.

4. **Adjusted prior year backlog** - backlog carried over from prior years less backlog associated with equipment being retired from the Reserve Forces plus inflation (1-2+3)

5. **Recurring requirements** - annual repair parts requirements to support equipment fielded in previous years.

   a. **Annual consumption** - those parts consumed annually to support weapons systems fielded in previous years.

   b. **Change in equipment inventories** - increases or decreases in annual consumption requirements necessary to reflect changes in equipment inventory levels (e.g., retirement of equipment).

   c. **Change in stockage levels** - increases or decreases in requirements due to changes in the level of repair parts support required annually for a particular equipment.

6. **Nonrecurring requirements** - one time requirements associated with introduction of new equipment to the Reserve Force.

   a. **Force modernization initiatives** - initial inventory of repair parts associated with fielding of force modernization systems.

   b. **Introduction of other new equipment** - introduction of other equipment not previously provided to the Reserve Force.

7. **Total funding required** - adjusted prior year backlog plus recurring requirements and nonrecurring requirements.

8. **Funds budgeted for repair parts** - amount budgeted for repair parts each year.

9. **Backlog, end of year** - "total funding required" less "funds budgeted for repair parts".

Exhibit OP-78 Force Structure Data

OPERATION AND MAINTENANCE
FORCE STRUCTURE DATA

PE	MDS	CMD	PURPOSE											
PY	CY1				BY				BY+1	BY+2	BY+3	BY+4		
	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4						

INSTRUCTIONS

Report force structure for each model/design/series (MDS) aircraft within each program element. Also identify the command to which the equipment is assigned and the purpose code for the equipment. The force structure should be reported at end of year for the prior year and the outyears and at the end of each quarter for the current year and the budget year (BY). Totals should be provided for MDS and each PE.

Separate exhibits are required for Active Air Force, Air Force Reserve, and Air National Guard.

Exhibit OP-80 Aircraft Repair/Modification and Engine Overhaul

AIRCRAFT REPAIR/MODIFICATION AND ENGINE OVERHAUL
OPERATION AND MAINTENANCE, _____
Aircraft Type/Summary _____

	Number of Aircrafts			Depot Hours			Cost ($ of Thousands)		
	PY	CY	BY	PY	CY	BY	PY	CY	BY
ACI Tasks									
PDM Tasks									
Strip/Paint									
Other									
Total									
Depot Rates Per Hour									

Provide a brief explanation of changes between the CY and BY. Summary totals should agree with the OP-30.

AIRCRAFT REPAIR/MODIFICATION AND ENGINE OVERHAUL
OPERATION AND MAINTENANCE, _____
Engine Overhauls/Other Depot Maintenance

	Number of Engines			Depot Hours			Cost ($ of Thousands)		
	PY	CY	BY	PY	CY	BY	PY	CY	BY
Engine Type									
Total									
Depot Rates Per Hour									

Provide an explanation of changes between the CY and the BY. Totals should agree with the OP-30.

Exhibit OP-81 O&M Monthly Obligation Phasing Plan

Monthly Obligation PHASING Plan
Current year (CY)

Appropriation: _____
Component: _____

Total Obligation Authority
(Dollars in Thousands)

Budget Activity	Description	Subactivity Group	Description		OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP
		(Example)														
01	Operating Forces	**1A5A**	**Air Depot Main.**	Month												
				Cum.												
		BSS1	**Base Op. Support**	Month												
				Cum.												
		Total		Month												
				Cum.												
02	Mobilization	Total		Month												
				Cum.												
03	Training & Recruiting	Total		Month												
				Cum.												
04	Admin. & Servicewide	Total		Month												
				Cum.												
					___	___	___	___	___	___	___	___	___	___	___	___
Total				Month												
				Cum.												

Directions: For each appropriation in the Operation and Maintenance Title, submit a monthly phased obligation plan by Subactivity Group.

OP-81 O&M Monthly Obligation Phasing Plan
(Page 1 of 2)

Monthly Obligation Phasing Plan
Current Year (CY)
(continued)

Definitions:

Appropriation: Submit a separate exhibit for each appropriation in the O&M Title. Enter the name of the appropriation in this line.

Component: DoD Component that is the holder of the appropriation.

Total Obligation Authority (TOA): Provide the phased obligation plan for anticipated current year (CY) obligation authority using the TOA as shown in the Comptroller Information System (CIS).

Budget Activity: The phased monthly obligation plan by Budget Activity matching the Budget Activity TOA shown in CIS.

Subactivity Group: Provide all phased monthly obligation plans by relevant Subactivity Group. Totals for Subactivity Groups should reconcile to the phased monthly obligation plan by Budget Activity matching the Budget Activity TOA shown in CIS.

Month: Enter the estimated monthly obligations.

Cum.: Enter the cumulative obligations (current month's obligations plus the sum of previous month's obligations).

Exhibit PBA-2 Air Operations

AIR OPERATIONS
COMPONENT TITLE
($ in Millions)

Army	FY PY Actual	Price Change	Program Change	FY CY Estimate	Price Change	Program Change	FY BY Estimate
Army Reserve							
Army National Guard							
Navy							
Navy Reserve							
Air Force							
Air Force Reserve							
Air National Guard							
USSOCOM							
Defense Health Program							
Total							

(Report on this exhibit all flying hours costs direct funded in the O&M appropriations including those funded in the Air Operations Activity Groups as well as those funded in the flying hour programs of the Army, USSOCOM, and the Defense Health Program. Include all other direct funded flying hour-related costs (fuel, supplies/DLRs, consumables). Do not include indirect support costs such as Base Operations, Facilities Sustainment Repair and Modernization etc. Price and Program changes should agree with those on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5.)

Description of Operations Financed: (Provide an explanation of the air operations financed by each Component. Break out each component by Budget Activity, Activity Group, and Subactivity Group. List each subactivity group for Air Operations Activity Groups and include separate lines for Mobility Operations, Training Operations, and Other to identify all the flying hour-related costs (fuel, supplies/DLRs, depot maintenance) included in all other Activity Groups that are direct funded in the O&M appropriation. See example below.)

Budget Activity 1
  Activity Group: Air Operations
    Mission/Flight Operations
    Intermediate Maintenance
Budget Activity 3
  Activity Group: Basic Skills and Advance Training
    Flight Training
    Training Support
  Total

Exhibit PBA-2 Air Operations
(Page 1 of 3)

AIR OPERATIONS
COMPONENT TITLE
(Cont'd)

PROGRAM DATA	FY PY Actual	Change	FY CY Estimate	Change	FY BY Estimate
Primary Aircraft Authorized (PAA) (End of FY)					
Bombers					
Fighters					
Training					
Mobility					
Other (e.g., Army Flight Pgm)					
Total Aircraft Inventory (TAI) (End of FY)					
Bombers					
Fighters					
Training					
Mobility					
Other (e.g., Army Flight Pgm)					
O&M Funded Flying Hours (000)					
Cost of O&M Funded Flying Hours					
Average Cost of O&M Funded Flying Hour					
Tac Fighter Wing Equivalents					
Crew Ratio (Average)					
Bombers					
Fighters					
OPTEMPO (Hrs/Crew/Month)					
Bombers					
Fighters					
Total					
Primary Mission Readiness (%)					
ICBM Inventory					
Minuteman I					
Minuteman II					
Peacekeeper					

Exhibit PBA-2 Air Operations
(Page 2 of 3)

AIR OPERATIONS
COMPONENT TITLE
(Cont'd)

	FY PY Actual	Change	FY CY Estimate	Change	FY BY Estimate
PERSONNEL DATA					
Active Force Personnel	**End Strength**				
Officer					
Enlisted					
Cadets					
Total					
Selected Reserve and Guard Personnel	**End Strength**				
Officer					
Enlisted					
Total					
Civilian Personnel	**Full-Time Equivalents**				
U.S. Direct Hires					
Foreign National Direct Hire					
Total Direct Hire					
Foreign National Indirect Hire					
Total					

Narrative Explanation of Changes: (Explain/describe/narrate by subactivity, the major program changes reflected in the budget (for $ provide in nearest tenths of millions). Separately identify major transfers among appropriations, budget activities, activity groups, and subactivity groups. Explain changes in price and program from the current estimate (CY) to the BY, as appropriate. The narrative should agree with the explanation of changes and functional transfers shown in the (OP-5). Identify on the bottom of the exhibit the preparation date and a point of contact (with telephone number) who is knowledgeable about the content of the data reflected on the exhibit. Data entered on this exhibit must match the corresponding data entered on the Reserve Components (PBA-11), Appropriation Highlights (PBA-19), Key Activity Indicators (PBA-21), and Special Operations Forces (PBA-26) Exhibits. In addition, the data contained in the O&M Overview should match the data reported in other budget justification material such as the performance criteria of the Detail by Budget Activity and Activity Group (OP-5), Analysis of Flying Hour Program (OP-20), Funding for Depot Level Reparables (OP-31), and Special Operations Forces (OP 52).)

DATE PREPARED:
POC:
TELEPHONE:

Exhibit PBA-2 Air Operations
(Page 3 of 3)

Exhibit PBA-3 Ship Operations

SHIP OPERATIONS
COMPONENT TITLE
($ in Millions)

FY PY Actual	Price Change	Program Change	FY CY Estimate	Price Change	Program Change	FY BY Estimate

Appropriation Summary
Active Forces
(List by subactivity group Operation and Maintenance, Navy funding for Activity Group Ship Operations. Total O&M,N funding (including price and program changes) must match the O-1 total for Ship Operations.)

Reserve Forces
(List by subactivity group Operation and Maintenance, Navy Reserve funding for Activity Group Ship Operations. Total O&M,NR funding (including price and program changes) must match the O-1 total for Ship Operations.)

Grand Total

Description of Operations Financed: (Provide narrative explanation of activities included and succinctly describe significant price and program changes from the current year (CY) to budget year (BY) for each subactivity group).

PROGRAM DATA
(Provide applicable program data and explain program changes.)

FY PY Actual	Change	FY CY Estimate	Change	FY BY Estimate

Ship Inventory (End of Year)
Navy Active
MSC Charter/Support
Battle Force Ships (Active)

Reserve Battle Force
Reserve Non Battle Force

Battle Force Ships (Active plus Reserve Battle Force)

SHIP OPERATIONS
COMPONENT TITLE
(Con't)

Battle Force Ships Inventory Adjustments by Category

Between FY CY and FY BY

	FY CY Inventory	Gains	Losses	FY BY Inventory
Strategic				
Carriers				
Surface Combatants				
Submarines				
Amphibious				
Mine Warfare, Patrol				
Support Ships				
Total				

Exhibit PBA-3 Ship Operations
(Page 2 of 4)

SHIP OPERATIONS
COMPONENT TITLE
(Con't)

	FY PY Actual	Change	FY CY Estimate	Change	FY BY Estimate
Operating Tempo (Days per Quarter)					
Non-Deployed Fleet					
Deployed Fleet					
Reserve Fleet (except CV)					
Reserve Fleet (CV)					
Shipyears					
Conventional, O&M, N					
Nuclear, O&M, N					
Conventional, O&M, NR					
Operating Months (Less Charter Ships)					
Conventional, O&M, N					
Nuclear, O&M, N					
Conventional, O&M, NR					
Deployed Operating Months (%)					
Conventional, O&M, N					
Nuclear, O&M, N					
Conventional, O&M, NR					
Ship Operating Tempo					
Days Underway Per Quarter:					
Deployed					
Non-Deployed					
Steaming Days ($ Millions)					
Depot Maintenance					
Active					
Overhauls					
Selected Restricted Availabilities					
Phased Maintenance Availabilities					
Reserve					
Overhauls					
Selected Restricted Availabilities					
Phased Maintenance Availabilities					

Note: Deployed Operating Months (%) captures the ratio of deployed months to the total number of operating months. This illustrates trends in the employment of the fleet and is normalized to account for fluctuations in repair schedule or force structure changes.

Exhibit PBA-3 Ship Operations
(Page 3 of 4)

SHIP OPERATIONS
COMPONENT TITLE
(Con't)

Instructions

Reflect program data under "Description of Operations Financed" and "Program Data" sections.

Narrative Explanation of Changes: Provide a succinct narrative explanation of total resource changes (for $ provide in nearest tenth of a million) between the Current Year (CY) and Budget Year 1 (BY) by relating it to program changes (force structure, end strength, etc.) for the period. Also, identify any applicable major pricing changes between years. Explanation of price and program changes should be provided separately for the Active Fleet as well as the Reserve Fleet. Include all other direct ship operations related costs (fuel, supplies/DLRs, consumables). Do not include indirect support costs such as Base Operations, Facilities Sustainment Repair and Modernization etc.

Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits. Data entered on this exhibit must match the corresponding data entered on the Reserve Components (PBA-11), Appropriation Highlights (PBA-19), Key Activity Indicators (PBA-21), and Special Operations Forces (PBA-26) Exhibits. In addition, the data contained in the O&M Overview should match the data reported in other budget justification material such as the OP-5 (performance criteria), Ship Fuel Data and OPTEMPO Data (OP-40), Ship Operating Cost Data (OP-4), Funding for Depot Level Reparables (OP-31), and Special Operations Forces (OP-52).

Identify on the bottom of the exhibit the preparation date and a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

DATE PREPARED:
POC:
TELEPHONE:

Exhibit PBA-3 Ship Operations
(Page 4 of 4)

Exhibit PBA-4 Land Forces

LAND FORCES
COMPONENT TITLE
($ in Millions)

FY PY Actual	Price Change	Program Change	FY CY Estimate	Price Change	Program Change	FY BY Estimate

Appropriation Summary

List by Budget Activity, Activity Group, and Subactivity Group.

Description of Operations Financed: Provide a narrative explanation of the land operations financed by each Component. List each subactivity group and include separate descriptions for each functional program within the subactivity group. Identify land forces operating costs by major category of costs (repair parts, fuel, contractor logistics support, etc.) and explain changes for specific program increases/decreases (for $ provide in nearest tenth of a million).

PROGRAM DATA
ARMY Ground Operating Tempo (OPTEMPO) MILES

	FY-PY		FY-CY		FY-BY	
	T-1/T-2 Reqmnt	Actual	T-1/T-2 Reqmnt	Budgeted	T-1/T-2 Reqmnt	Budgeted
Live Training (Home Station & National Training Center)						
OPTEMPO Miles						
Current Funding Estimate						
Virtual Training (Close Combat Tactical & Unit Conduct of Fire Trainers)						
OPTEMPO Miles						
Current Funding Estimate						
Other Training (be specific)						
OPTEMPO Miles						
Current Funding Estimate						
Total Ground OPTEMPO (Must equal the sum of Live, Virtual, and Other categories above.)						
OPTEMPO Miles						
Current Funding Estimate (Must total the President's Budget estimates.)						

Exhibit PBA-4 Land Forces
(Page 1 of 3)

LAND FORCES
COMPONENT TITLE (Con't)

MARINE CORPS COMBAT READY DAYS

	FY-PY		FY-CY		FY-BY
	Budgeted	Actual	Budgeted	Estimate	Estimate
Funds Allocated to Training & Equipment ($M)					
Combat Ready Days-Equipment & Training (CRED-ET)					
Cost per CRED-ET ($000)					
Total Possible CRED-ETs					
% Achieved					

	FY PY Actual	Change	FY CY Estimate	Change	FY BY Estimate
PERSONNEL DATA					
Active Force Personnel	**End Strength**				
Officer					
Enlisted					
Total					
Selected Reserve and Guard Personnel	**End Strength**				
Officer					
Enlisted					
Total					
Civilian Personnel	**Full-Time Equivalents**				
U.S. Direct Hires					
Foreign National Direct Hire					
Total Direct Hire					
Foreign National Indirect Hire					
Total					

Exhibit PBA-4 Land Forces
(Page 2 of 3)

LAND FORCES
COMPONENT TITLE (Con't)

Narrative Explanation of Changes:
Provide a succinct narrative explanation of total resource changes (for $ provide in nearest tenth of a million) between the current year (CY) and budget year (BY) by relating it to program changes (force structure, end strength, etc.) for the period. Also, identify any applicable major pricing changes between years. For program and personnel data, explain the changes in terms of programs affected and identify changes in functional requirements. . Include all other direct funded land forces-related costs (fuel, supplies/DLRs, consumables). Do not include indirect support costs such as Base Operations, Facilities Sustainment Repair and Modernization etc.

Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Subactivity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits). Data entered on this exhibit must match the corresponding data entered on the Reserve Components (PBA-11), Appropriation Highlights (PBA-19), Key Activity Indicators (PBA-21), and Special Operations Forces (PBA-26) Exhibits as appropriate. In addition, the data contained in the O&M Overview should be consistent with the data reported in the performance criteria of the Detail by Subactivity Group (OP-5).

Identify on the bottom of the exhibit preparation date and a point-of-contact who is knowledgeable about the content of the data reflected on the exhibit, as well as a telephone number for the individual.

DATE PREPARED:
POC:
TELEPHONE:

Exhibit PBA-4 Land Forces
(Page 3 of 3)

Exhibit PBA-5 Depot Maintenance

DEPOT MAINTENANCE PROGRAM
COMPONENT TITLE
($ in Millions)

	Funded Executable Rqmt*	Executable Unfunded Deferred Rqmt*	Change in Unfunded Rqmt	Funded Executable Rqmt*	Executable Unfunded Deferred Rqmt*	Change in Unfunded Change	Funded Executable Rqmt*	Executable Unfunded Deferred Rqmt*	Change in Unfunded Change	Funded Executable Rqmt*	Executable Unfunded Deferred Rqmt*

*Requirements

Description of Operations Financed: (Provide a narrative explanation of activities included.)

Operation & Maintenance (2)
Aircraft
Combat Vehicles
Ships (3)
Other (Specify)
Missiles, Software, Ordnance, Other end-item maintenance, other
Total

(1) Follow the general guidelines that apply to the OP-30 Exhibit, Chapter 3 of the DoD Financial Management Regulation.
(2) Indicate appropriation (Army, Army Reserve, etc.). Show amounts for each appropriation separately.
(3) Navy and Navy Reserve only. Ship maintenance for all other Components should be included in "Other".
% of Requirement Funded
$ in Millions

Exhibit PBA-5 Depot Maintenance
(Page 1 of 2)

DEPOT MAINTENANCE PROGRAM
COMPONENT TITLE
($ in Millions)

Narrative Explanation of Changes: Show changes in the funded requirement by price and program using the following format:

($ in Millions)

Category	FY PY Actual	Price Change	Program Change	FY CY Estimate	Price Change	Program Change	FY BY Estimate
Aircraft							
Combat Vehicles							
Ships							
Other							
Total							

Succinctly explain any program change of plus or minus $5 million in any category (for $ provided in nearest tenth of a million) between the current year (CY) and the budget year (BY). Relate the change to the number of units if applicable. For example, "Aircraft depot maintenance increase of $11.2 million funds an additional ten airframes required because of the increasing average age of the aircraft inventory." Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits and with the corresponding data entered on the Appropriation Highlights (PBA-19 exhibit). In addition, data contained in the O&M Overview should match the data reported in other budget justification material such as the OP-5 and the OP-30 exhibits. Identify on the bottom of the exhibit preparation date and a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

DATE PREPARED:
POC:
TELEPHONE:

Exhibit PBA-5 Depot Maintenance
(Page 2 of 2)

Exhibit PBA-7 Facilities Sustainment and Restoration/Modernization and Demolition Programs

FACILITIES SUSTAINMENT AND RESTORATION/MODERNIZATION AND DEMOLITION PROGRAMS
COMPONENT TITLE
($ in Thousands)

	FY PY		FY CY		FY BY
	Actual[1/]	OCO Funding[2/]	Actual[1/]	OCO Funding[2/]	Estimate
Appropriation Summary					
Military Personnel[3/]					
Operation and Maintenance[4/]					
Defense Health Program					
RDT&E					
Revolving Funds					
Military Construction					
Host Nation Support[5/]					
Non-Federal Domestic Funding[6/]					
TOTAL					

Description of Operations Financed:

Sustainment – Component should provide a **detailed** description of resources supporting sustainment. Include relevant data such as number of facilities or installations

Restoration/modernization – Component should provide a **detailed** description of resources supporting sustainment.

Demolition.- Component should provide a **detailed** description of resources supporting sustainment.

PROGRAM DATA
($ in Thousands)

	FY PY Actual	FY PY OCO Funding	FY CY Actual	FY CY OCO Funding	FY BY Estimate
Facilities Sustainment	$				
Appropriation Summary					
Military Personnel[3/]					
Operation and Maintenance[4/]					
Defense Health Program					
RDT&E					
Revolving Funds					
Military Construction					
Host Nation Support[5/]					
Non-Federal Domestic Funding[6/]					
TOTAL					
Category Summary					
Life Safety/Emergency repairs	$				
Critical infrastructure maintenance	$				
Admin facilities/Headquarters maint	$				
Other preventive maintenance	$				
Facilities Sustainment Model Requirement[7/]		$			
Component Sustainment Metric[8/]	%				
Department Sustainment Goal	%				

Exhibit PBA-7 Facilities Sustainment and Restoration/Modernization and Demolition Program
(Page 2 of 5)

	FY PY		FY CY		FY BY
	Actual	OCO Funding	Actual	OCO Funding	Estimate
Facilities Restoration/Modernization					
Appropriation Summary					
Military Personnel[3/]					
Operation and Maintenance[4/]					
Defense Health Program					
RDT&E					
Revolving Funds					
Military Construction					
Host Nation Support[5/]					
Non-Federal Domestic Funding[6/]					
TOTAL					
Category Summary					
Repair work for damaged facilities					
Building component replacement					
Enhanced force protection standards					
New mission modernization					
Plant Replacement Value of Inventory Recapitalized					
Demolition Costs					
Total[9/]					

Exhibit PBA-7 Facilities Sustainment and Restoration/Modernization and Demolition Program
(Page 3 of 5)

Narrative Explanation of Changes: Provide a succinct narrative explanation of total resource changes (for $ provide in nearest tenth of a million) between the current year (CY) and budget year (BY) by relating it to program changes (force structure, end strength, etc.) and pricing changes for the period. Also, identify any applicable major pricing changes between years. Identify on the bottom of the exhibit the preparation date and a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

PERSONNEL DATA

	FY PY Actual	Change	FY CY Estimate	Change	FY BY Estimate
Active Force Personnel	**End Strength**				
Officer					
Enlisted					
Cadets					
Total					
Selected Reserve and Guard Personnel	**End Strength**				
Officer					
Enlisted					
Total					
Civilian Personnel	**Full-Time Equivalents**				
U.S. Direct Hires					
Foreign National Direct Hire					
Total Direct Hire					
Foreign National Indirect Hire					
Total					

DATE PREPARED:
POC:
TELEPHONE:

Exhibit PBA-7 Facilities Sustainment and Restoration/Modernization and Demolition Program
(Page 4 of 5)

[1/] Should include Overseas Contingency Operations (OCO) funding and Title IX funds.

[2/] Memo entry which reflects any Overseas Contingency Operations funding received or requested. Metric data does not need to be provided for this entry, only provide funding levels.

[3/] Use 49% of any military pay appropriations programmed in the facilities sustainment FYDP program elements.

[4/] Total funding for Facilities Sustainment and Restoration/Modernization must be consistent with estimates identified for the Facilities Sustainment and Restoration/Modernization subactivity group in the automated OP-32 submit.

[5/] Include any sustainment funding received or expected from foreign governments or international organizations.

[6/] Include any sustainment funding received or expected from state governments or other domestic entity.

[7/] Should reflect requirement generated from the Facility Sustainment Model.

[8/] Displayed as percent of requirement funded. Component must provide explanation for variances greater or less than 5% from the Department goals for sustainment and recapitalization. Definitions for sustainment and recapitalization metrics can be found in Chapter 8, Facilities Sustainment and Restoration/Modernization.

[9/] Should match appropriation summary. Must also be consistent with information contained within the Facilities Data Quality Assurance application.

Exhibit PBA-7 Facilities Sustainment and Restoration/Modernization and Demolition Program
(Page 5 of 5)

Exhibit PBA-8 Training and Education

TRAINING AND EDUCATION
COMPONENT TITLE
($ in Millions)

	FY PY Actual	Price Change	Program Change	FY CY Estimate	Price Change	Program Change	FY BY Estimate
Appropriation Summary:							
Operation and Maintenance,	SEPARATE FORMAT IS REQUIRED FOR EACH APPLICABLE APPROPRIATION.						

Description of Operations Financed: (List each subactivity group and include separate descriptions for each functional program within the subactivity group.)

Individual Training by Category by Service
($ in Millions)

	FY PY Actual	Price Change	Program Change	FY CY Estimate	Price Change	Program Change	FY BY Estimate
Recruit Training							
Army (1)							
Navy							
Marine Corps							
Air Force							
Total							
Specialized Skill Training							
Army							
Navy							
Marine Corps							
Air Force							
Defense Health Program							
SOCOM							
Total							
Professional Development							
Army							
Navy							
Marine Corps							
Air Force							
Defense Health Program							
SOCOM							
Defense-Wide (i.e. AFIS, DAU, DFAS, DHRA, DTRA, and DSS)							
Total							

Exhibit PBA-8 Training and Education
(Page 1 of 4)

TRAINING AND EDUCATION
COMPONENT TITLE
($ in Millions)

	FY PY Actual	Price Change	Program Change	FY CY Estimate	Price Change	Program Change	FY BY Estimate
Officer Acquisition							
Army							
Navy							
Marine Corps							
Air Force							
Defense Health Program (2)							
Total							
Flight Training							
Army							
Navy							
Marine Corps							
Air Force							
Total							
Training Support							
Army							
Navy							
Marine Corps							
Air Force							
Total							
Senior ROTC							
Army							
Navy							
Air Force							
Total							
Base Operating Support (3)							
Army							
Navy							
Marine Corps							
Air Force							
SOCOM							
Total							

(1) Includes Army One Station Unit Training (OSUT).
(2) Includes Uniformed Services University of Health Sciences (USUHS).
(3) Includes Base Operations and Real Property Maintenance in support of training.

Exhibit PBA-8 Training and Education
(Page 2 of 4)

TRAINING AND EDUCATION
COMPONENT TITLE
(Hours in Thousands)

	FY PY Actual	Change	FY CY Estimate	Change	FY BY Estimate
Flying Hours (Include hours flown in Flight Training.)					
Army					
Navy					
Air Force					
Total					

(Student/Trainee Workyears)

	FY PY Actual	Change	FY CY Estimate	Change	FY BY Estimate

(Include data by Component for Army, Navy, Marine Corps, Air Force, Defense Health Program, SOCOM, American Forces Information Services, Defense Acquisition University, Defense Financial Accounting Service, Defense Human Resources Activity, Defense Security Service, and Defense Threat Reduction Agency)

Recruit Training
One Station Unit Training
Specialized Skill 2/
Officer Acquisition 3/
Flight Training
Professional Development

TRAINING AND EDUCATION
COMPONENT TITLE

1. / Training workload should agree with the Military Manpower Training Report (MMTR) and reflect direct and reimbursable workload associated with the dollars reported under training and education.

2. / Specialized skill includes initial skill, skill progression, and functional training for both officer and enlisted.

3. / Officer Acquisition includes Service academies, Platoon Leaders Course, Officer Candidate/Training Schools, and other enlisted commissioning programs. Also includes USUHS and the Health Professional Scholarship Program..

Narrative Explanation of Changes: Provide a succinct narrative explanation of total resource changes (for $ provide in nearest tenth of a million) between the current year (CY) and budget year (BY) by relating it to program changes (force structure, end strength, etc.) and pricing changes for the period. Also, identify any applicable major pricing changes between years. Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits and with the corresponding data entered on the Appropriation Highlights (PBA-19),. Identify on the bottom of the exhibit the preparation date and a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual**.**

DATE PREPARED:
POC:
TELEPHONE:

Exhibit PBA-8 Training and Education
(Page 4 of 4)

Exhibit PBA-9 Defense Health Program

DEFENSE HEALTH PROGRAM
COMPONENT TITLE
($ in Millions)

	FY PY Actual	Price Change	Program Change	FY CY Estimate	Price Change	Program Change	FY BY Estimate
Operation and Maintenance							
Procurement							
RDT&E							
Total Defense Health Program							

Description of Operations Financed: (Provide narrative explanation of activities)

WORKLOAD AND PERFORMANCE INDICATORS

	FY PY Actual	Change	FY CY Estimate	Change	FY BY Estimate
Direct Care System					
Hospitals/Medical Centers					
Operating Beds					
Medical Clinics					
Inpatient Admissions (000)					
Occupied Bed Days (000)					
Inpatient Relative Weighted Product (WPGs)					
Ambulatory Visits (000)					
Average Length of Stay (Days)					
Outpatient Relative Value Units (RVUs)					
Outpatient Ambulatory Patient Groups (APGs)					
Private Sector Workload					
Managed Care Support Contracts (TRICARE Prime)					
Inpatient Admissions (000)					
Inpatient Relative Weighted Product (RWPs)					
Outpatient Visits (000)					

Exhibit PBA-9 Defense Health Program
(Page 1 of 4)

DEFENSE HEALTH PROGRAM
COMPONENT TITLE

WORKLOAD AND PERFORMANCE INDICATORS

	FY PY Actual	Change	FY CY Estimate	Change	FY BY Estimate
TRICARE Extra/Standard					
Inpatient Admissions (000)					
Inpatient Relative Weighted Product (RWPs)					
Outpatient Visits (000)					
Overseas CHAMPUS					
Inpatient Admissions (000)					
Inpatient Relative Weighted Product (RWPs)					
Outpatient Visits (000)					
Training Workloads					
USUHS					
Other Education and Training					
Health Professionals Scholarship Program/ Financial Assistance Program					
Managed Care Support (MCS) Contracts (000)					
Total CHAMPUS Eligibles					
Total CHAMPUS Users					

Exhibit PBA-9 Defense Health Program
(Page 2 of 4)

DEFENSE HEALTH PROGRAM
COMPONENT TITLE

PERSONNEL DATA

	FY PY Actual	Change	FY CY Estimate	Change	FY BY Estimate
Active Force Personnel			**End Strength**		
Officer					
Enlisted					
Cadets					
Total					
Selected Reserve and Guard Personnel			**End Strength**		
Officer					
Enlisted					
Total					
Civilian Personnel			**Full-Time Equivalents**		
U.S. Direct Hires					
Foreign National Direct Hire					
Total Direct Hire					
Foreign National Indirect Hire					
Total					

Exhibit PBA-9 Defense Health Program
(Page 3 of 4)

DEFENSE HEALTH PROGRAM
COMPONENT TITLE

PERSONNEL DATA

	FY PY Actual	Change	FY CY Estimate	Change	FY BY Estimate
Eligible Beneficiary Population (000)					
Active Duty Personnel					
Dependents of Active Duty Personnel					
Dependents of Retirees Under 65					
Retirees Under 65					
Beneficiaries Over 65					
Total					
User Population (000)					
Active Duty Personnel					
Dependents of Active Duty Personnel					
Dependents of Retirees Under 65					
Retirees Under 65					
Beneficiaries Over 65					
Total					

PROGRAM NARRATIVE EXPLANATION OF CHANGES. For all DHP, O&M programs, provide a succinct narrative explanation of total resource changes (for $ provide in nearest tenth of a million) between the current year and biennial budget year 1 and between biennial budget year 1 and biennial budget year 2 by relating it to program changes (force structure, end strength, etc.) and pricing changes for the period. Also, identify any applicable major pricing changes between years. Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and OP-5 exhibits and with data included in other justification material. Identify on the bottom of the exhibit the preparation date and a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

NOTE: Procurement, RDT&E and Major OT&E justification material should be presented in accordance with the requirements in the applicable chapters of the Financial Management Regulation.

NOTE: Information on this exhibit must be consistent with information on PB 11, PB 11A, and PB 11B (Defense Health Program Summary Data).

DATE PREPARED:
POC:
TELEPHONE:

Exhibit PBA-9 Defense Health Program
(Page 4 of 4)

Exhibit PBA-10 Base Operations Support

BASE SUPPORT
COMPONENT TITLE
($ in Millions)

FY PY Actual	Price Change	Program Change	FY CY Estimate	Price Change	Program Change	FY BY Estimate

Appropriation (Submit a separate exhibit for each O&M appropriation.)
Operation and Maintenance, _____ (Breakout by Base Support subactivity group (SAG).)
SAG _____
SAG _____
Etc.
Total Base Support (The total funding must match the sum of all Base Support SAGs identified in the O-1 exhibit.))

Description of Operations Financed - Discuss by BOS functional categories. Note that Facilities Sustainment and Restoration/Modernization (FSRM) functions are excluded from this exhibit. The FSRM functions are reflected in Exhibit PBA-7. Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Subactivity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits and with the corresponding data entered on the Appropriation Highlights (PBA-19 exhibit).

PROGRAM DATA

	FY PY		FY CY		FY BY	
Number of Installations	CONUS	Overseas	CONUS	Overseas	CONUS	Overseas
Active Forces						
Reserve Forces						

Narrative Explanation of Changes: Provide succinct narrative explanation of the changes in the number of installations between fiscal years. Be specific.

BASE OPERATIONS SUPPORT (BOS)
COMPONENT TITLE

PERSONNEL DATA

	FY PY Actual	Change	FY CY Estimate	Change	FY BY Estimate
Active Force Personnel	**End Strength**				
Officer					
Enlisted					
Cadets					
Total					
Selected Reserve and Guard Personnel	**End Strength**				
Officer					
Enlisted					
Total					
Civilian Personnel	**Full-Time Equivalents**				
U.S. Direct Hires					
Foreign National Direct Hire					
Total Direct Hire					
Foreign National Indirect Hire					
Total					

Narrative Explanation of Changes: Provide succinct narrative explanation of the changes in the number of personnel between fiscal years.

Exhibit PBA-10 Base Operations Support
(Page 2 of 3)

BASE OPERATION SUPPORT (BOS)

Narrative Explanation of Changes: Explain/describe/narrate by functional category of Base Support and provide succinct narrative explanation of total resource changes reflected in the budget (for $ provide in nearest tenths of millions). Separately identify major transfers among appropriations, budget activities, activity groups, and subactivity groups and provide programmatic reason for each transfer. Specifically identify by base, name and location, any change in the number of installations. Explain changes in price and program from the current estimate (CY) to the budget year (BY) as appropriate. The narrative should agree with the explanation of changes and functional transfers shown in the OP-5 exhibit. Data entered on this exhibit must match the corresponding data entered on the Reserve Components (PBA-11), Appropriation Highlights (PBA-19), Key Activity Indicators (PBA-21), and Special Operations Forces (PBA-26) Exhibits. In addition, the data contained in the O&M Overview should match the data reported in the performance criteria of the Detail by Subactivity Group (OP-5)). The total price and program changes must match the sum of Base Support subactivity groups (O-1 line items). Identify on the bottom of the exhibit the preparation date and a point of contact (POC) (with telephone number) who is knowledgeable about the content of the data reflected on the exhibit.

1/ This category includes those Operation and Maintenance program elements normally ending as follows: "95", Base Communications; "96", Base Operating Support; "19", Child Development Centers; "20", Family Centers; "90", Visual Information Activities; "53", Environmental Conservation; and "54" Pollution Prevention. This includes those costs associated with utility operations and Other Engineering Support. This category specifically excludes those activities associated with FSRM, as reported in the PBA-7, FSRM exhibit.

DATE PREPARED:
POC:
TELEPHONE:

Exhibit PBA-10 Base Operations Support
(Page 3 of 3)

Exhibit PBA-11 Reserve Forces

RESERVE FORCES
COMPONENT TITLE
($ in Millions)

	FY PY Actual	Price Change	Program Change	FY CY Estimate	Price Change	Program Change	FY BY Estimate

Appropriation Summary
A SEPARATE FORMAT IS REQUIRED FOR EACH APPLICABLE APPROPRIATION.

Description of Operations Financed: (Provide narrative explanation of activities.)

PROGRAM DATA
(Provide applicable program data)

Primary Aircraft Authorized (PAA) (End FY)
Total Aircraft Inventory (TAI) (End FY)
Flying Hours
Air Wings
Air Squadrons
Flying Units
Operating Tempo (List separately applicable ground, flying, steaming)
Ship Inventory (End FY)
Steaming Hours (000)
Divisions
Brigades
Student Training Loads
Major Installations
Reserve Centers
Training Centers
Other Operating Locations

Depot Maintenance Repair Backlog ($)
Backlog of Maintenance and Repair ($)
Backlog of Repair Parts
Backlog of Organizational Clothing and Equipment

RESERVE FORCES
COMPONENT TITLE

PERSONNEL DATA

	FY PY Actual	Change	FY CY Estimate	Change	FY BY Estimate
Military Selected Reserve and National Guard Personnel				(End Strength)	
Drill Strength (Pay Groups A, F and P)					
Individual Mobilization Augmentees					
Full Time Duty					
Total					
Selected Reserve				(Average Strength)	
Full-time Included (Memo)					
Civilian Personnel				(Full-Time Equivalents(FTEs)	
U.S. Direct Hires					
Foreign National Direct Hire					
Total Direct Hire					
Foreign National Indirect Hire					
Total					
(Military Technicians Included (Memo)					
Military Technicians Assigned to USSOCOM (FTEs)					
Civilian Personnel				(End Strength)	
U.S. Direct Hires					
Foreign National Direct Hire					
Total Direct Hire					
Foreign National Indirect Hire					
Total					
(Military Technicians Included (Memo)					
Military Technicians Assigned to USSOCOM (E/S)					

Exhibit PBA-11 Reserve Forces
(Page 2 of 3)

RESERVE FORCES
COMPONENT TITLE

Summary of Increases/Decreases	CY-BY Change
Total Changes	

Instructions: Identify specific increases/decreases to the Component's military end strength levels by major program. The total for each column will be the difference between fiscal years. **Stub entries such as "OSD/OMB reduction" are not acceptable.**

Narrative Explanation of Changes: (Provide a succinct narrative explanation of total resource changes reflected in the budget (for $ provide in nearest tenths of millions). Separately identify major transfers among appropriations, budget activities, activity groups, and subactivity groups. Explain changes in price and program from the current estimate (CY) to the budget year (BY) as appropriate. The narrative should agree with the explanation of changes and functional transfers shown in the (OP-5). Data entered on this exhibit must match the corresponding data entered on the Appropriation Highlights (PBA-19), Key Activity Indicators (PBA-21), and Special Operations Forces (PBA-26) Exhibits. In addition, the data contained in the O&M Overview should match the data reported in other budget justification material such as the performance criteria of the Detail by Budget Activity and Activity Group (OP-5), Civilian Personnel Costs (OP-8); Analysis of Flying Hour Program (OP-20), Funding for Depot Level Reparables (OP-31), and Special Operations Forces (OP-52). Identify on the bottom of the exhibit the preparation date and a point of contact (POC) (with telephone number) who is knowledgeable about the content of the data reflected on the exhibit.

DATE PREPARED:
POC:
TELEPHONE:

Exhibit PBA-11 Reserve Forces
(Page 3 of 3)

Exhibit PBA-12 Command, Control, and Communications

COMMAND, CONTROL, AND COMMUNICATIONS (C3)
COMPONENT TITLE
($ in Millions)

	FY PY Actual	Price Change	Program Change	FY CY Estimate	Price Change	Program Change	FY BY Estimate
Appropriation Summary							
Operation and Maintenance, _____							

Description of Operations Financed: A separate format is required for each appropriation which has C^3 identifiable costs. Provide narrative explanation of activities by category as listed below. Explain each category and associated funding and identify by Budget Activity, Activity Group, and Subactivity Group. Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits. Data should be consistent with the guidance provided in Chapter 19, Section 1910.

PROGRAM DATA

	FY PY Actual	Change	FY CY Estimate	Change	FY BY Estimate
• Communications					
-- Sustaining Base Communications					
-- Long Haul Communications					
-- Deployable and Mobile Communications					
• Command and Control					
-- National					
-- Operational					
-- Tactical					
• C3 Related					
-- Navigation					
-- Meteorology					
-- Combat Identification					
-- Information Assurance Activities					
Total					

Exhibit PBA-12 Command, Control, and Communications
(Page 1 of 2)

COMMAND, CONTROL, AND COMMUNICATIONS
COMPONENT TITLE

Narrative Explanation of Changes: Provide a succinct narrative explanation of total resource changes reflected in the budget (for $ provide in nearest tenths of millions). Separately identify major transfers among appropriations, budget activities, activity groups, and subactivity groups. Explain changes in price and program from the current estimate (CY) to the budget year (BY). The narrative should agree with the explanation of changes and functional transfers shown in the (OP-5). In addition, the data contained in the O&M Overview should match the data reported in other budget justification material such as the performance criteria of the Detail by Budget Activity and Activity Group (OP-5) and the data provided to support preparation of the C^3 Congressional Justification Book. Identify on the bottom of the exhibit the preparation date and a point of contact (POC) (with telephone number) who is knowledgeable about the content of the data reflected on the exhibit.

DATE PREPARED:
POC:
TELEPHONE:

Exhibit PBA-12 Command, Control, and Communications
Exhibit PBA-11 Reserve Forces
(Page 2 of 2)

Exhibit PBA-13 Transportation

TRANSPORTATION
COMPONENT TITLE
($ in Millions)

FY PY Actual	Price Change	Program Change	FY CY Estimate	Price Change	Program Change	FY BY Estimate

Appropriation Summary
Operation and Maintenance, _____ (Separately identify each appropriation)

Description of Operations Financed. Provide a separate exhibit for each O&M appropriation (including Guard, Reserve, and Defense-wide). For purposes of this exhibit, transportation amounts for the active components include only those funded from the Servicewide Transportation Subactivity Group (SAG) in Budget Activity 4 of the operation and maintenance appropriations.

($ in Millions)

FY PY Actual	Price Change	Program Change	FY CY Estimate	Price Change	Program Change	FY BY Estimate
FIRST DESTINATION TRANSPORTATION (FDT)			Only FDT supporting O&M purchases should be included.			
Major Commodity (Commodity Transported)						
Military Supplies and Equipment						
Mode of Shipment						
Military Commands						
Military Traffic						
Surface						
Sealift						
Airlift						
Commercial						
Surface						
Sea						
Air						
Total Mode of Shipment FDT						

Exhibit PBA-13 Transportation
(Page 1 of 2)

TRANSPORTATION
COMPONENT TITLE
($ in Millions)

	FY PY Actual	Price Change	Program Change	FY CY Estimate	Price Change	Program Change	FY BY Estimate
SECOND DESTINATION TRANSPORTATION (SDT) JCS exercises are included in Second Destination Transportation.							
Major Commodity (Commodity Transported)							
Military Supplies & Equipment							
Mail Overseas							
Subsistence							
Base Exchanges							
Total Major Commodity SDT							
Mode of Shipment							
Military Commands							
Military Traffic							
Surface							
Sealift							
Airlift							
Commercial							
Surface							
Sea							
Air							
Total Mode of Shipment SDT							

Narrative Explanation of Changes: Provide a succinct narrative explanation of total resource changes (for $ provide in nearest tenth of a million) between the Current Year (CY) and Budget Year (BY) by relating it to program changes (force structure, end strength, etc.) for the period. Also, identify any applicable major pricing changes between years. Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits. Identify on the bottom of the exhibit the preparation date and a point of contact (POC) who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

DATE PREPARED:
POC:
TELEPHONE:

Exhibit PBA-13 Transportation
(Page 2 of 2)

Exhibit PBA-17 Recruiting, Advertising, and Examining

RECRUITING, ADVERTISING, AND EXAMINING
COMPONENT TITLE
($ in Millions)

FY PY Actual	Price Change	Program Change	FY CY Estimate	Price Change	Program Change	FY BY Estimate

Appropriation Summary
Operation and Maintenance A SEPARATE FORMAT IS REQUIRED FOR EACH APPLICABLE APPROPRIATION.

Description of Operations Financed: Provide narrative description of Recruiting, Advertising, and Examining activities. In addition, provide brief description of the principal functions performed under each category.

PROGRAM DATA

FY PY Actual	Change	FY CY Estimate	Change	FY BY Estimate

The following program data shows workload indicators for Recruiting, Advertising and Examining.

A. Recruiting:
Show enlisted accession plan, by appropriation, included in the O&M congressional justification books. Include non-prior and prior service in the same detail as for the O&M Congressional Justification books.

B. Advertising: Provide total advertising dollars.

C. Examining: Provide Production Testing Workload and Medical Testing Workload (# in 000) for each Service)

RECRUITING, ADVERTISING, AND EXAMINING
COMPONENT TITLE

Narrative Explanation of Changes: Provide narrative explanation of total resource change (tenths of $ millions) between the current year (CY) and budget year (BY) by relating it to program changes (force structure, average strength, etc.) for the period. Also identify any applicable major pricing changes between years. The discussion of program growth should address recruiting, advertising and examining separately. Financial data excludes Command, Control, Communications; Real Property Maintenance; and Base Operations costs that are reflected separately in the overview. Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits. Identify on the bottom of the exhibit the preparation date and a point of contact (POC) who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

DATE PREPARED:
POC:
TELEPHONE:

Exhibit PBA-17 Recruiting, Advertising, and Examining
(Page 2 of 2

Exhibit PBA-19 Appropriation Highlights

APPROPRIATION HIGHLIGHTS
COMPONENT TITLE
($ in Millions)

FY PY Actual	Price Change	Program Change	FY CY Estimate	Price Change	Program Change	FY BY Estimate

Appropriation Summary
Operation and Maintenance, _____

A separate exhibit must be provided for each appropriation included in the O&M Title.

Description of Operations Financed: Provide a narrative description of the type of functions financed by the Appropriation, explain the major reasons for price growth, and separately identify significant inter-appropriation transfers-in and transfers-out of program growth.

($ in Millions)

FY PY Actual	Price Change	Program Change	FY CY Estimate	Price Change	Program Change	FY BY Estimate

Budget Activity 1: Operating Forces

Budget Activity 2: Mobilization

Budget Activity 3: Training and Recruiting

Budget Activity 4: Administration and Servicewide Activities

Narrative Explanation of Changes: For each budget activity, provide a succinct narrative explanation of total resource change (for $ provide in nearest tenth of a million) between the current year (CY) and budget year (BY) by relating it to program changes (force structure, average strength/FTEs, etc.) for the period. Also, identify any applicable major pricing changes between years. Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32), O&M Funding by Budget Activity/Activity Group/Subactivity Group (O-1), and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits.

Identify on the bottom of the exhibit the preparation date and a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

NOTE: Every Component is required to submit the PBA-19 Exhibit.

DATE PREPARED:
POC:
TELEPHONE:

Exhibit PBA-19 Appropriation Highlights

Exhibit PBA-20A Civilian Manpower Tables

MANPOWER TABLES
DEPARTMENT OF _____

Civilian Personnel

Instructions: Civilian Personnel data is to be displayed by U.S. Direct Hire, Foreign Direct Hire, Foreign National, and Indirect Hire, and by type of appropriation. All civilian personnel are to be shown as full-time equivalents.

	(Full-Time Equivalents (FTEs)				
	FY PY Actual	Change	FY CY Estimate	Change	FY BY Estimate
By Appropriation and Type of Hire					
Operation and Maintenance, Active					
U.S. Direct Hire					
Foreign National Direct Hire					
Total Direct Hire					
Foreign National Indirect Hire					
Total					
Operation and Maintenance, Reserve					
U.S. Direct Hire					
Foreign National Direct Hire					
Total Direct Hire					
Foreign National Indirect Hire					
Total					
Operation and Maintenance, National Guard					
U.S. Direct Hire					
Foreign National Direct Hire					
Total Direct Hire					
Foreign National Indirect Hire					
Total					

MANPOWER TABLES
DEPARTMENT OF _____

Civilian Personnel (Full-Time Equivalents (FTEs))	FY PY Actual	Change	FY CY Estimate	Change	FY BY Estimate
Defense Working Capital Fund					
U.S. Direct Hire					
Foreign National Direct Hire					
Total Direct Hire					
Foreign National Indirect Hire					
Total					
Research, Development, Test and Evaluation					
U.S. Direct Hire					
Foreign National Direct Hire					
Total Direct Hire					
Foreign National Indirect Hire					
Total					
Etc. (Identify all appropriations/funds that finance civilian personnel.)					
Component Total					
U.S. Direct Hire					
Foreign National Direct Hire					
Total Direct Hire					
Foreign National Indirect Hire					
Total					

Exhibit PBA-20A Civilian Manpower Tables
(Page 2 of 3)

MANPOWER TABLES
DEPARTMENT OF _____

Civilian Personnel

Summary of Increases/Decreases	CY-BY Change
Total Changes	

Instructions: Identify specific increases/decreases to the Component's civilian full-time equivalent strength levels by major program (e.g. B-1B, TRIDENT, MICOM, etc.). Do **not** provide changes by Defense Planning and Programming Category (DPPC). Changes are to address all appropriations/funds that finance civilian personnel as well as direct and indirect hires employees. The total for each column will be the difference between fiscal years. All numbers shown will be full-time equivalent strength. **Stub entries such as "OSD/OMB reduction" are not acceptable.** Identify on the bottom of the exhibit the preparation date and a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

DATE PREPARED:
POC:
TELEPHONE:

Exhibit PBA-20A Civilian Manpower Tables
(Page 3 of 3)

Exhibit PBA-22 Mobilization

MOBILIZATION
COMPONENT TITLE
Operation and Maintenance, (Service)
($ in Millions)

FY PY Actual	Price Change	Program Change	FY CY Estimate	Price Change	Program Change	FY BY Estimate

This exhibit includes all of Budget Activity 2, Mobilization plus the Marine Corps Prepositioning activity group included in Budget Activity 1. Dollar amounts for Army, Navy, and Air Force shown in this table should match the total of Budget Activity 2.

Army
Navy
Marine Corps
Air Force
Defense-Wide
Total

Narrative Description: Provide a succinct narrative explanation of total resource changes (for $ provide in nearest tenth of a million) between the current year (CY) and budget year (BY) by relating it to program changes (force structure, end strength, etc.) for the period. Also, identify any applicable major pricing changes between years. For personnel data, explain the changes in terms of programs affected and identify changes in functional requirements.

Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Subactivity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits). Data entered on this exhibit must match the corresponding data entered on the Reserve Components (PBA-11), Appropriation Highlights (PBA-19), Key Activity Indicators (PBA-21), and Special Operations Forces (PBA-26) Exhibits as appropriate. In addition, the data contained in the O&M Overview should match the data reported in other budget justification material such as the OP-5 performance criteria.

($ in Millions)

	FY PY Actual	Change	FY CY Estimate	Change	FY BY Estimate
AIRLIFT AND SEALIFT PROGRAMS					
Airlift Forces:					
AIR FORCE:					
Show the amount of the direct payment (subsidy) made for airlift to the U.S. Transportation Command.					
Sealift Forces:					
ARMY:					
Afloat Prepositioned Fleet (#/$) 1/					
Training Exercises (#/$) 2/					
Other					
Total					

Exhibit PBA-22 Mobilization
(Page 1 of 5)

MOBILIZATION
COMPONENT TITLE
Operation and Maintenance, (Service)

($ in Millions)

		FY PY Actual	Change	FY CY Estimate	Change	FY BY Estimate
NAVY:						
Maritime Prepositioned Ships (#/$)	1/					
Fast Sealift Ships (#/$)	1/					
Hospital Ships (#/C)	1/					
Aviation Logistics Support (#/$)	1/					
Prepositioned Fleet Hospital (#/$)	1/					
Training Exercises (#/$)	2/					
Other						
AIR FORCE:						
Afloat Prepositioned Fleet (#/$)	1/					
Training Exercises (#/$)	2/					
Other	3/					
Total (There is no corresponding subactivity group within the Air Force O-1 structure.)						
DEFENSE-WIDE:						
Afloat Prepositioned Fleet (#/$)	1/					
Training Exercises (#/$)	2/					
Other	3/					
Total (There is no corresponding subactivity group within the Defense-Wide O-1 structure.)						

Exhibit PBA-22 Mobilization
(Page 2 of 5)

MOBILIZATION
COMPONENT TITLE
Operation and Maintenance, (Service)

($ in Millions)

	FY PY Actual	Change	FY CY Estimate	Change	FY BY Estimate

OTHER MOBILIZATION PROGRAMS - Budget Activity 2

(Do not include dollars in this section that are shown in the Airlift or Sealift Forces above.)

Activations/Inactivations
War Reserve Activities
Industrial Preparedness
Fleet Hospital Program
Industrial Readiness
Coast Guard Support
Airlift Operations
Airlift Operations C3I
Airlift Operations Training
Mobilization Preparedness
Base Support

Memo Entries - Not Funded in Mobilization Budget Activity

Show as a memo entry funding in other than Budget Activity 2 for the maintenance or replacement of equipment and supplies on board prepositioned ships or POMCUS. Also show funding (outside of BA 2) for exercises of the fast sealift ships, the hospital ships, the aviation logistics support ships, or any of the prepositioning ships.

USMC Prepositioning
Joint Exercise Program
Other (e.g., preposition exercises)

Exhibit PBA-22 Mobilization
(Page 3 of 5)

MOBILIZATION
COMPONENT TITLE
Operation and Maintenance, (Service)

	FY PY Actual	Change	FY CY Estimate	Change	FY BY Estimate
PERSONNEL DATA					
Active Force Personnel	**End Strength**				
Officer					
Enlisted					
Cadets					
Total					
Selected Reserve and Guard Personnel	**End Strength**				
Officer					
Enlisted					
Total					
Civilian Personnel	**Full-Time Equivalents**				
U.S. Direct Hires					
Foreign National Direct Hire					
Total Direct Hire					
Foreign National Indirect Hire					
Total					

Exhibit PBA-22 Mobilization
(Page 4 of 5)

MOBILIZATION
COMPONENT TITLE
Operation and Maintenance, (Service)

Footnotes/Additional Guidance:

1/ Show the total number of ships (at the end of the fiscal year) for this category and the total amount of per diem payments made to the National Defense Sealift Fund (NDSF) or the U.S. Transportation Command. The Defense Logistics Agency (DLA) should report the cost of afloat prepositioned tankers used by the Defense Fuel Supply Center.

2/ Show the number of planned exercises and the total amount budgeted. Do not include JCS funded exercises in the Service submissions. JCS exercises and funding will be reported as Defense-Wide.

3/ Show Service-funded costs not included as part of the per diem payment to the NDSF but which are directly related to the sealift program. This would include enhancements and modifications to on-board systems.

Identify on the bottom of the exhibit the preparation date and a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

DATE PREPARED:
POC:
TELEPHONE:

Exhibit PBA-22 Mobilization
(Page 5 of 5)

Exhibit PBA-26 Special Operations Forces

SPECIAL OPERATIONS FORCES
($ in Millions)

FY PY Actual	Price Change	Program Change	FY CY Estimate	Price Change	Program Change	FY BY Estimate

Description of Operations Financed:

(Provide narrative explanation of activities included.)

PROGRAM FUNDING DATA

FY PY Actual	Price Change	Program Change	FY CY Estimate	Price Change	Program Change	FY BY Estimate

Instruction: Operation and Maintenance funding by Budget Activity and Budget Activity Group

Budget Activity 1 – Operating Forces

Special Operations Operational Forces
Flight Operations
Ship/Boat Operations
Combat Development Activities
Other Operations

SPECIAL OPERATIONS FORCES
($ in Millions)

	FY PY Actual	Price Change	Program Change	FY CY Estimate	Price Change	Program Change	FY BY Estimate
Special Operations Operational Support							
Force Related Training							
Operational Support							
Intelligence & Communication							
Management/Operational Headquarters							
Depot Maintenance							
Base Support							
Budget Activity 3 – Training and Recruiting							
Skill and Advanced Training							
Specialized Skill Training							
Professional Development Education							
Base Support							
Budget Activity 4 – Administrative and Servicewide Activities							
Logistics Operations							
Acquisition/Program Management							
Total Special Operations Command							

Narrative Explanation of Changes:
Instruction: Provide a succinct narrative explanation of resource changes ($ in tenths of millions) between current year (CY) and budget year (BY). Explanations are to be provided in terms of price and program. Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Subactivity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits). This explanation is to be provided by Budget Activity and by Budget Activity Group as appropriate. Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5).

Exhibit PBA-26 Special Operations Forces
(Page 2 of 3)

SPECIAL OPERATIONS FORCES

USSOCOM FLYING OPERATIONS

Instruction: Provide a succinct narrative explanation of total SOF dedicated aviation assets.

	FY PY Actual	Change	FY CY Estimate	Change	FY BY Estimate
Aircraft Inventory (End FY)					
Air Force Special Operations Command (AFSOC)					
Tactical/Mobility					
Training					
Total					
United States Army Special Operations Command (USASOC)					
Aircraft (PAA End FY)					
Tactical/Mobility					
Training					
Total					

DATE PREPARED:
POC:
TELEPHONE:

Exhibit PBA-26 Special Operations Forces
(Page 3 of 3)

Exhibit PBA-27 Psychological Operations

Instructions
Exhibit PBA-27 Psychological Operations (Information Operations)

1. Purpose. This exhibit identifies funding for Psychological Operations (Information Operations) programs. The data is used to prepare the overall Psychological Operations (Information Operations) budget exhibit for the O&M Overview Book.

2. Submission.

a. Exhibit PBA-27 should identify all Psychological Operations (Information Operations) funding by Combatant Command for all PSYOP activities. PSYOPS are planned operations to convey selected information and indicators to foreign audiences to influence their emotions, motives, objective reasoning, and ultimately the behavior of foreign governments, organizations, groups, and individuals. The execution of the PSYOP includes conducting research on various foreign audiences; developing, producing, and disseminating products to influence these audiences; and conducting evaluations to determine the effectiveness of the PSYOPS activities.

b. Data are to be provided in millions of dollars, using 3 decimal points and will include both Baseline and Overseas Contingency Operation funding for all appropriations.

c. Submission of the required exhibit will be made in hard paper copy and in an Excel format.

d. The submission of the completed exhibit is required for both the Program Budget Review and with the President's Budget submissions. Both submissions must be provided and emailed to the OUSD(Comptroller), Operations Directorate, at OPSMAIL@OSD.MIL . The President's Budget Submit must be submitted no later than January 15 in order to be included in the "Operations and Maintenance Overview" Justification Book.

3. Entries.

Exhibit PB-27 Psychological Operations (Information Operations)

a. Header: Classification of the Document: Unclassified, if at all possible keep the information unclassified if not indicate what portions of the document is classified.

b. Description of Operations Financed. Brief description of items funded, i.e., COCOM Voice Programs, MIST, Media/Video Print Production, Web initiatives, surveys, audience/media analysis, radio broadcasting.

c. Appropriation/COCOM. List the COCOM that has oversight of the funding and the appropriation. Also indicate if the funds are budgeted in OCO or Baseline programs.

d. Sub Activity Group (SAG). List the SAG where the funding is budgeted.

e. Comments: Provide detail explanations of the changes from FY CY to FY BY1 and FY BY1 to FY2 for each COCOM.

Exhibit PBA-27 Psychological Operations
(Page 2 of 4)

Unclassified
Department of XXXXXX
Psychological Operations (Information Operations)

I. **Description of Operations Financed:**

Appropriation/COCOM	SAG	FY PY	Program Change+/-	FY CY	Program Change+/-	FY BY	FY BY+1	FY BY+2	FY BY+3	FY BY +4	FY BY +5
O&M Army											
USAFRICOM											
USEUCOM											
USSOUTHCOM											
O&M Army, OCO											
USAFRICOM											
USEUCOM											
USSOUTHCOM											
USCENTCOM											
Afghanistan											
Iraq											
O&M Air Force											
USCENTCOM											
USNORTHCOM											
O&M Air Force, OCO											
USCENTCOM											
USNORTHCOM											
O&M Navy											
USJFCOM											
USPACOM											
O&M, Navy OCO											
USJFCOM											
USPACOM											
Totals											

Exhibit PBA-27 Psychological Operations (Continued)

II. Comments: Provide detail explanation of the changes from FY CY to FY BY1 and FY BY1 to FY BY2 for each COCOM.

Exhibit PBA-28 Body Armor and Other Personal Protective Gear

Department of _____

Body Armor and Other Personal Protective Gear

I. **Description of Operations Financed:** Body Armor and Other Personal Protective Gear

	$ Thousands	Appropriation	PY Base	PY OCO	PY Supplemental	CY Base	CY OCO	BY Base	BY OCO
	Body Armor ($)	O&M							
	Body Armor ($)	Other Procurement							
Note 1.	**Body Armor Set (Quantities)**								
Note 2.	**Body Armor Set Requirements**								
	Other Personal Protective Gear	O&M							
	Other Personal Protective Gear	Other Procurement							
	Total $		0	0	0	0	0	0	0

Note 1: Include Quantities : Body armor is purchased in both individual sets and replacement parts/components. The specific composition of individual sets also varies according to operational specialty.

Note 2: Include Total Body Armor Requirements (Quantities)

Comments: Provide comments that describe the changes to the program. New type of body armor? Congressional Interest?

Exhibit PB-20 Aircraft Inventory

Aircraft Inventory
Component _____
(use for Army and Air Force)

Type Aircraft/TMS*	Category	Prior Year (PY) Active	Reserve	Guard	Current Year (CY) Active	Reserve	Guard	Budget Year 1 (BY) Active	Reserve	Guard

Automated submission required in Excel format.

* TMS = Type Model Series

Exhibit PB-20 Aircraft Inventory
(Page 1 of 2)

Aircraft Inventory
Component _____

Type Aircraft/TMS*	Category	Prior Year (PY) Active Navy	Navy Reserve	Marine Corps	MC Reserve	Current Year (CY) Active Navy	Navy Reserve	Marine Corps	MC Reserve	Budget Year 1 (BY) Active Navy	Navy Reserve	Marine Corps	MC Reserve

Automated submission required in Excel format.

* TMS = Type Model Series

Exhibit PB-20 Aircraft Inventory
(Page 2 of 2)

Exhibit PB-31D Summary Increases/Decreases

Operation and Maintenance, _____
Summary of Increases and Decreases
($ in Thousands)

	BA 1	BA 2	BA 3	BA 4	Total
FY CY President's Budget Request					
1. Congressional Adjustment (List items)					
a) Distributed					
b) Undistributed					
c) Adjustments to Meet Congressional Intent					
d) General Provisions					
FY CY Appropriated Amount					
2. Program Changes (CY to CY only)					
FY CY Baseline Funding					
3. Reprogrammings/Overseas Contingency Operations (OCO)					
a) Anticipated OCO (Show Pay Separately)					
b) Reprogrammings					
Revised FY CY Estimate					
4. Price Change					
5. Transfers					
a) Transfers In					
b) Transfers Out					
6. Program Increases					
a) Annualization of New FY CY Program					
b) One-Time FY BY Costs					
c) Program Growth in FY BY					
7. Program Decreases:					
a) One-Time FY CY Costs					
b) Annualization of FY CY Program Decreases					
c) Program Decreases in FY BY					
FY BY Budget Request					

NOTE: Substitute appropriate fiscal years to show current year and budget year.

Exhibit PB-31D Summary Increases/Decreases
(Page 1 of 2)

Operation and Maintenance, _____
SUMMARY OF INCREASES AND DECREASES

INSTRUCTIONS:

1. Report by Budget Activity and total for the appropriation ($ in Thousands).

2. Line 7 will reflect the FY CY column of the FY BY President's budget including Overseas Contingency Operations requests.

3. Detailed explanations of specific increases and decreases are not required on this exhibit. The document is submitted in hardcopy and electronically in Microsoft Excel format.

Exhibit PB-31D Summary Increases/Decreases
(Page 2 of 2)

Exhibit PB-31Q Manpower Changes in Full-Time Equivalent

DEPARTMENT OF_____
FY BY PRESIDENT'S BUDGET
MANPOWER CHANGES IN FULL-TIME EQUIVALENT
FY PY through FY BY

	US Direct Hire	Foreign National Direct Hire	Foreign National Indirect Hire	Total
1. FY PY FTEs a/ b/				
--				
-- (changes)				
--				
--				
2. FY CY FTEs				
--				
--				
--				
3. FY BY FTE				

a/Civilian personnel data includes both direct and indirect full time equivalent (FTE) end strength for all appropriations.

b/FTEs reported under Direct Hire will include full-time equivalent end strength financed on a direct and reimbursable basis.

(changes)

Changes must be in sufficient detail to give the Congress an idea as to what specific programs are being impacted (e.g. TRIDENT, B-1B, MICOM Support, etc.). Do not provide data by Defense Planning, Programming Category (DPPC) or in broad generic categories (e.g., Force Modernization). Identify military-to-civilian conversions, insourcing actions, and transfers separately. Stub entries such as "OSD/OMB Directed Reduction" are unacceptable. A narrative explanation is required for all changes in Direct and Indirect hires.

4. SUMMARY (Summarize FTEs by Fiscal Year, by Appropriation/Fund, and Total.)
FY PY
O&M Total
Direct Funded
Reimbursable Funded
Other appropriations (Reserve, Guard, RDT&E, Defense Working Capital Fund, etc. Identify each appropriation/fund separately.)
Direct Funded
Reimbursement Funded
Total Component
Direct Funded
Reimbursable Funded
(Repeat for FY CY, and FY BY)

NOTE: The Full-Time Equivalent (FTE) on this exhibit will agree with the FTE data provided on the OP-8, Civilian Personnel Costs.

Exhibit PB-31Q Manpower Changes in Full-Time Equivalent

Exhibit PB-31R Personnel Summary

OPERATION AND MAINTENANCE, _____
PERSONNEL SUMMARY

	FY PY	FY CY	FY BY	Change FY CY/FY BY
Active Military End Strength (E/S) (Total)				
Officer				
Enlisted				
Reserve Drill Strength (E/S) (Total)				
Officer				
Enlisted				
Reservists on Full Time Active Duty (E/S) (Total)				
Officer				
Enlisted				
Civilian End Strength (Total)				
U.S. Direct Hire				
Foreign National Direct Hire				
Total Direct Hire				
Foreign National Indirect Hire				
(Military Technician Included Above (Memo))				
(Reimbursable Civilians Included Above (Memo))				
Additional Military Technicians Assigned to USSOCOM				
Active Military Average Strength (A/S) (Total)				
Officer				
Enlisted				
Reserve Drill Strength (A/S) (Total)				
Officer				
Enlisted				
Reservists on Full Time Active Duty (A/S) (Total)				
Officer				
Enlisted				
Civilian FTEs (Total)				
U.S. Direct Hire				
Foreign National Direct Hire				
Total Direct Hire				
Foreign National Indirect Hire				
(Military Technician Included (Memo))				
(Reimbursable Civilians Included Above (Memo))				
*Contractor FTEs (Total)				

Civilian end strength and Full-Time Equivalent (FTE) data will agree with the direct and reimbursable funded data reflected on lines 1 through 5 of the OP-8 entitled, "Civilian Personnel Costs." The reimbursable civilian end strength and FTE data will agree with the data reflected on line 6 of the OP-8 exhibit.

military technicians are included in the civilian end strength and average strength to USSOCOM.

Provide an explanation of changes between the years for military and civilian personnel for the BES submission only.

Exhibit PB-31R Personnel Summary
(Page 1 of 2)

Exhibit PB-31R Personnel Summary (Continued)

OPERATION AND MAINTENANCE, _____
PERSONNEL SUMMARY

Outyear Summary:	**FY BY+1**	**FY BY+2**	**FY BY+3**	**FY BY+4**
(Include Outyear Summary in the OSD/OMB submission only)				
Military End Strength				
Reserve Drill End Strength				
Reservists on Full Time Active Duty (E/S)				
Civilian FTEs				
(Military Technician Included (Memo))				
(Reimbursable Civilians Included Above (Memo))				
*Contractor FTEs				

Exhibit PB-31R Personnel Summary
(Page 2 of 2)

Exhibit PB-58 COCOM Direct Funding

Combatant Command Direct Funding
Instructions for completing the PB-58 Exhibit

The PB-58 will not be required for either the Budget Estimate Submission or the President's Budget if the Joint Task Assignment Process Business Rules have been incorporated to include the Military Service's creation of a SAG for the Combatant Commands headquarters functions and a SAG for the mission set.

Component/Agencies are required to submit this exhibit for programs funded in Operation and Maintenance appropriations and obligated by the Commanders of the Combatant Command (COCOMs). The purpose of the PB-58 is to provide program and budget justification and visibility for changes in the level of resources required for each COCOM.

The PB-58 provides essential information for justification of the OSD/OMB Program and Budget Review Submission and the President's budget. Section III; The "Reconciliation of Increases and Decreases" should identify changes that are occurring. Each change must be explained with programmatic reasons and an explanation as to why the change is necessary.

The PY column of the OSD/OMB Program and Budget Review submission should reflect actual data through the first three quarters plus a realistic projection for the remaining quarter. For the PB submission, the PY column will reflect actuals and agree with the data reflected in the certified annual yearend DD Comp 1002 report.

The "Reconciliation of Increases and Decreases" section will be included in the PB-58 for both the OSD/OMB Program and Budget Review Submission and the President's budget submission. Reconciliations will show all changes from fiscal year to fiscal year and, for the current year, a track from the estimate requested in the previous President's budget. Specifically display:

The BY estimate included in the previous President's budget submission to the current CY estimate included in this submission,
The current FY CY estimate to BY estimate reflected in this submission.

Personnel summaries are required for each subactivity group and for each Defense Agency.

Copy requirements are identified in Chapter 1. In addition, one electronic copy (each) of the PB-58 Exhibit is to be provided to the OUSD(C) P/B Operations directorate, (OPSMAIL@osd.mil).

This exhibit includes five sections:

I. Financial Summary: (O&M and Other Appropriations)
II. Individual COCOM Financial/Program Data

III. Reconciliation of Increases and Decreases:
  A. COCOM level of detail
IV. Personnel Summary
  A. COCOM level of detail
  B. Financial Summary: Non-O&M (COCOM Appropriation, Budget Activity (BA) and sub-BA level of detail)

Exhibit PB-58 COCOM Direct Funding
(Page 2 of 10)

COCOM Direct Funding

COMPONENT/AGENCY NAME _____

I. Total O&M Sub Activity (SAG) Financial Summary ($ in Thousand)

Exhibit PB-58, Budget Item Justification										Budget (BES, Congressional, Mid Year) and Date (MM/YR)
Appropriation: Budget Activity										
O-1 SAG Number: (For O&M portions, if more than one SAG, state all involved) O-1 SAG Title: (")				Program Elements						
Category/CoCom Detail	Approp	PY FY	CY FY	BY FY	BY+1 FY	BY+2 FY	BY+3 FY	BY+4 FY		Total
Total Cost										
Total HQ Support										
Total Mission Programs Spt										
CoCom A										
HQ Support										
Mission Programs Spt										
Total CoCom A										
CoCom B										
HQ Support										
Mission Programs Spt										
Total CoCom B										
CoCom C										
HQ Support										
Mission Programs Spt										
Total CoCom C										
Description: (Use continuation pages, as necessary)										

COCOM Direct Funding

COMPONENT/AGENCY NAME _____

I. Individual CoCom Financial Summary ($ in Thousand)

CoCom: _____											Budget (BES, Congressional, Mid Year) and Date (MM/YR)	
Appropriation: Budget Activity												
O-1 SAG Number: (For O&M portions, if more than one, state all involved) O-1 SAG Title: (")					Program Elements							
	Approp	PY FY	CY FY	BY FY	BY+1 FY	BY+2 FY	BY+3 FY	BY+4 FY		Total		
Total Cost COCOM A												
Total HQ Support												
Total Mission Programs Spt												
COCOM A Mission One												
COCOM A Mission Two												
COCOM A Mission Three												
Description: Provide a description of each mission for each COCOM being supported. COCOM A Mission One: COCOM A Mission Two: Notes: 1. Provide P-58 Section II detail for each COCOM separately. 2. Use continuation pages, as necessary for mission descriptions. 3. The CY/BY amounts include all funds appropriated/budgeted in this appropriation for execution by this COCOM.												

Exhibit PB-58 COCOM Direct Funding
(Page 4 of 10)

COCOM O&M Direct Funding

COMPONENT/AGENCY NAME _____
Operation and Maintenance, _____

I. Reconciliation of Increases And Decreases (O&M only): (Provide Section IIIA as a total summary of all COCOMs supported, and a separate one for each COCOM)

Provide a trail of changes from the previous President's budget request for the current fiscal year in this submission to the appropriated amount for the CY in this submission to the CY in this submission; and from the CY current estimate to the FY BY estimate. Provide a single entry in each year for price changes. Itemize and justify the major program changes in each year (**provide the baseline in dollars to which the increase or decrease applies**). Such justification should clearly explain programmatic changes in resource levels including why increases are required or decreases occur. The DoD Components should report in thousands.

In the reconciliation of changes from the previous President's budget request for the CY to the estimate for CY in the current submission, the DoD Components should include the following adjustments:

Distributed Congressional Adjustments: Adjustments that Congress specifically makes to the President's budget request.

Undistributed Congressional Adjustments: Adjustments outlined on the tables contained in the statement of managers accompanying the appropriations conference report. The Components must use discretion as to how these adjustments are applied to minimize negative impacts on force readiness.

Adjustments to Meet Congressional Intent: Adjustments that are required in order to align funding for a congressionally approved program into the proper budget activity and subactivity to carry out the intent of the Congress.

General Provisions: Adjustments directed by the Congress in appropriations law, the distribution of which is not explicitly stated. The PB-58 should separately display each General Provision adjustment.

Program Increases and Decreases: The Operation and Maintenance (O&M) fact of life changes (functional transfers and emergent requirements) are programmatic, intra-appropriation adjustments made by DoD Components to address significant, unforeseen operational readiness issues.

This section needs to be provided by Military Department for each COCOM supported.

COCOM O&M Direct Funding

COMPONENT/AGENCY NAME _____
Operation and Maintenance, _____

($ in Thousands)

III. Reconciliation of Increases and Decreases (O&M Only):	**Amount**	**Totals**
FY CY President's Budget Request (Amended, if applicable)		
Congressional Adjustment (List Items) (Provide the baseline amount for each programmatic change.)		
Distributed Adjustments (List Items)		
Undistributed Adjustments (List Items)		
Adjustments to Meet Congressional Intent (List Items)		
General Provisions (List Items)		
Appropriated Amount (subtotal)		
Program Increases and Decreases (Specify each item separately.)		
Transfers		
Transfers In (List Items)		
Transfers Out (List Items)		
Program Increases		
One-Time Costs (List Items)		
Program Growth (List Items)		
Program Decreases		
One-Time Costs (List Items)		
Program Reductions (List Items)		
Baseline Funding (subtotal)		
Reprogrammings/Overseas Contingency Operations		
Anticipated Overseas Contingency Operations		
Reprogrammings (Requiring 1415 Actions)		
Increases		
Decreases		
Revised CY Estimate (Must agree with the CY column of the BY President's budget.)		

Exhibit PB-58 COCOM Direct Funding
(Page 6 of 10)

COCOM O&M Direct Funding

COMPONENT/AGENCY NAME _____
Operation and Maintenance, _____

($ in Thousands)

III. Reconciliation of Increases and Decreases (O&M Only):	**Amount**	**Totals**
Price Change		
Transfers		
Transfers In		
etc.		
Transfers Out		
etc.		
Program Increases (Note: Each programmatic change must show the CY baseline.)		
Annualization of New FY CY Program		
etc.		
One-Time BY Costs		
etc.		
Program Growth in BY		
etc.		
Program Decreases: (Note: Each programmatic change must show the CY baseline.)		
One-Time CY Costs		
etc.		

Exhibit PB-58 COCOM Direct Funding
(Page 7 of 10)

COCOM O&M Direct Funding

COMPONENT/AGENCY NAME _____
Operation and Maintenance, _____

($ in Thousands)

III. Reconciliation of Increases and Decreases (O&M Only):	**Amount**	**Totals**
Annualization of CY Program Decreases		
etc.		
Program Decreases in BY		
etc.		
BY Budget Request		

NOTE: Substitute appropriate fiscal years to show current year (CY) and budget year (BY).

Exhibit PB-58 COCOM Direct Funding
(Page 8 of 10)

COCOM Personnel

COMPONENT/AGENCY NAME _____

IV. Personnel Summary:

COCOM		PY FY	CY FY	BY FY	BY+1 FY	BY+2 FY	BY+3 FY	BY+4 FY		Total
Active Military End Strength (E/S) (Total)										
Officer										
Enlisted										
Reserve Drill Strength (E/S) (Total)										
Officer										
Enlisted										
Active Duty Full Time Reservists (E/S) (Total)										
Officer										
Enlisted										
Civilian End Strength (Total)										
U.S. Direct Hire										
Foreign National Direct Hire										
Total Direct Hire										
Civilian Full-Time Equivalents										
Contractor Strength										
Individual Augmentees										
Other Manpower (List)										

This section needs to be provided by Military Department as a summary and one for each COCOM supported.

Exhibit PB-58 COCOM Direct Funding
(Page 9 of 10)

COCOM Non-O&M Direct Funding

COMPONENT/AGENCY NAME _____

V. Non-O&M Funding Summary:

COCOM: _____							Budget (BES), Congressional), Mid Year and Date (MM/YR)				
Appropriation: Budget Activity							Related Program Elements:				
Appropriation	BA	PY FY	CY FY	BY FY	BY+1 FY	BY+2 FY	BY+3 FY	BY+4 FY		To Complete	Total

This section needs to be provided by Military Department for each COCOM supported.
A roll up of all CoCom related data must also be provided.

Exhibit PB-58 COCOM Direct Funding
(Page 10 of 10)

DoD 7000.14 - R

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 2B: "BUDGET FORMULATION AND PRESENTATION (CHAPTERS 4-19)"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

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VOLUME 2B, CHAPTER 4: "PROCUREMENT APPROPRIATIONS"

SUMMARY OF MAJOR CHANGES

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

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

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

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

The previous version dated December 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
2.2 (040202)	Restores the threshold for submitting procurement budget exhibits to $5.0 million in the Budget Year (BY).	Revision
2.2. (040402)	Revises guidance for the P-3a budget exhibit, restoring the requirement to submit outyear cost element detail.	Revision

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CHAPTER 4

PROCUREMENT APPROPRIATIONS

1.0 GENERAL (0401)

1.1 Purpose (040101)

This chapter provides instructions applicable to budget formulation and congressional justification for procurement and production activities. Unless otherwise specified, these instructions apply to all procurement appropriations and to all budgets.

1.2 References (040102)

Volume 2A, Chapter 1, Section 0102, provides policies and definitions concerning costs that are to be financed by the procurement appropriations.

1.3 Submission Requirements (040103)

1.3.1. General guidance with regard to submission requirements is presented in Volume 2A, Chapter 1. This chapter provides guidance for the preparation of procurement appropriation backup material required to support the Budget Estimates Submission (BES) and the President's budget request. The procurement accounts should also submit applicable exhibits required by other chapters in the Financial Management Regulation. The Components will also submit any exhibits required by the Office of Management and Budget (OMB) Circular A-11, Preparation and Submission of Budget Estimates.

1.3.2. Military Departments and Defense Agencies are responsible for clearing the justification material with the Washington Headquarters Services, Directorate for Freedom of Information and Security Review, prior to transmittal to OMB and the congressional committees.

1.4 Classification (040104)

The budget justification material should be unclassified. All classified material shall be submitted separately. Components must include a P-40 Budget Justification exhibit for special access programs (SAPs) that are not labeled as secret. The P-40 exhibits for SAPs must only include funding streams and cite the following justification: "This program is reported in accordance with Title 10, United States Code, Section 119(a)(1) in the Special Access Program Annual Report to Congress." All other (non-intel and non-SAP) classified funding requests must be identified (submit a one page P-40 exhibit) within unclassified justification budget materials.

2.0 PROCUREMENT EXHIBIT REQUIREMENTS (0402)

2.1 Purpose (040201)

This section prescribes instructions for the preparation and submission of procurement appropriations budget material to support the BES and the President's budget request. See Volume 2A, Chapter 1, Section 0104, for specific printing requirements.

SUMMARY OF EXHIBIT REQUIREMENTS

Exhibit		Appropriation
P-1	Procurement Program	All
P-1M	Procurement Program - Modification Summary	Aircraft/Missiles
P-1R	Procurement Program - Reserve Components	All, except SCN
P-3a	Individual Modification Program	All, except SCN
P-5	Cost Analysis	All
P-5a	Procurement History and Planning	All, except SCN
P-8a	Analysis of Ship Cost Estimates - Major Equipment	SCN
P-10	Advance Procurement Requirements Analysis	All, as applicable
P-18	Initial and Replenishment Spares Requirements	All, except SCN
P-20	Requirements Study	All, as applicable
P-21	Production Schedule	All
P-27	SCN Ship Production Schedule	SCN
P-29	SCN Outfitting Costs	SCN
P-30	SCN Post Delivery Costs	SCN
P-35	Major Ship Component Fact Sheet	SCN
P-40	Budget Item Justification Sheet	All
P-40a	Budget Item Justification for Aggregated Items	All
MYP-1	Multiyear Procurement Criteria (SNaP)	All, as applicable
MYP-2	Total Program Funding Plan (SNaP)	All, as applicable
MYP-3	Contract Funding Plan (SNaP)	All, as applicable
MYP-4	Present Value Analysis (SNaP)	All, as applicable

2.2 Submission Requirements (040202)

2.2.1. Extensible Markup Language (XML) Exhibits. All Components must submit required budget exhibits as PDFs with the source XML file embedded. These PDFs will be generated by one of the following two processes:

2.2.1.1. Submit an XML file to the XML Tools section of the Comptroller XML Exhibits web site, ***https://exhibits.dtic.mil/r2/app*** (for Components capable of building an XML file from an internal system). The XML files submitted through the XML Tools section must be compliant with the latest Procurement XML schema, located within the same section of the web site; or,

2.2.1.2. Create a Procurement exhibit manually within the "Create New P-40" section of the Comptroller XML Exhibits web site, ***https://exhibits.dtic.mil/p40***.

2.2.1.3. The result of either process will be a PDF file with an XML file embedded. All Procurement exhibit PDFs/XMLs must be assembled into a Justification Book(s) within the same website using one of the Justification Book tools and posted to the SIPRNET website ***https://cisweb.ousdc.osd.smil.mil/***.

2.2.1.4. Formats and examples of the exhibits are contained in Section 3.0.

2.2.2. Each backup book will include an Exhibit P-1, Procurement Program, an index of procurement lines (including P-1 line number, line item title, line item number, and backup book page number), and specific exhibits for those items covered by the backup book.

* 2.2.3. All applicable budget exhibits will be prepared for those programs with a budget year (BY) funding value of $5 million or greater. For non- Major Defense Acquisition Programs (MDAPs)/Major Automated Information Systems (MAIS) programs with a BY funding value less than $5 million, only the P-40 exhibit is required. No other subordinate exhibits will be submitted for those programs with a total BY funding value less than $5 million. MDAP/MAIS programs must submit all required budget exhibits regardless of BY funding value.

2.2.4. Periodically, changes to standard budget exhibit formats may be directed through separate guidance (for example, through the Budget Estimates Submission guidance). This guidance may precede formal adoption of exhibit changes into the Financial Management Regulation, or direct temporary exhibit changes, such as including funding for Overseas Contingency Operations (OCO). These changes will be incorporated into the applicable XML exhibit templates.

2.2.5. The exhibits will be aggregated in the following order for each P-1 line item, as applicable to that line item and submitted in P-1 line item order.

Arrangement of Exhibits – General (except as noted below)

P-1	Procurement Program
P-40	Budget Item Justification
P-40a	Budget Item Just for Aggregated Items
MYP 1-4	Multiyear Procurement
P-10	Advance Procurement Requirements Analysis
P-5	Cost Analysis
P-5a	Procurement History and Planning
P-21	Production Schedule
P-25	Production Support and Industrial Facilities Cost Analysis
P-18	Initial and Replenishment Spares Requirements
P-20	Requirements Study (BES only, as applicable)

Arrangement of Exhibits for Modifications

P-1	Procurement Program
P-1M	Modification Summary
P-40	Budget Item Justification
MYP 1-4	Multiyear Procurement
P-3a	Individual Modification Program
P-40a	Budget Item Just for Aggregated Items

Arrangement for Ship Procurement Accounts

P-1	Procurement Program
P-40	Budget Item Justification
MYP 1-4	Multiyear Procurement
P-10	Advance Procurement Requirements Analysis
P-5	Cost Analysis
P-27	Ship Production Schedule
P-8a	Analysis of Ship Cost Estimates - Major Equipment
P-29	Outfitting Costs
P-30	Post Delivery Estimates
P-35	Major Ship Component Fact Sheet

Arrangement for Ammunition Accounts

P-1	Procurement Program
P-40	Budget Item Justification
P-40a	Budget Item Just for Aggregated Items
P-5	Cost Analysis
P-5a	Procurement History and Planning
P-21	Production Schedule
MYP 1-4	Multiyear Procurement
P-18	Initial and Replenishment Spares Requirements
P-20	Requirements Study (BES only, as applicable)

Chemical Agents and Munitions Destruction

The Chemical Agents and Munitions Destruction, Defense appropriation contains multiple types of funds (Operation and Maintenance (O&M), Research, Development, Test and Evaluation (RDT&E), and Procurement) in separate budget activities. While the RDT&E and O&M efforts may be incrementally funded, the Procurement program must comply with the full funding policy. The Army is required to provide the justification book in the following order:

Table of Contents	
Appropriation Language	
Appropriation Justification	
Part I	Purpose and Scope
Part II	Justification of Funds Required
Part III	Milestones

Budget Activity 1: Operation and Maintenance

Part I	Purpose and Scope
Part II	Justification of Funds Required
Part III	Financial Summary

Budget Activity 2: Research, Development, Test and Evaluation

Part I	Purpose and Scope
Part II	Justification of Funds Required
Part III	Financial Summary
RDT&E	RDT&E Exhibits (See Chapter 5)

Budget Activity 3:	Procurement
Part I	Purpose and Scope
Part II	Justification of Funds Required
Part III	Financial Summary
P-40	Budget Item Justification
P-5	Cost Analysis
P-5a	Procurement History & Planning
OP-5 (Pt 1)	Budget Activity Summary (See Volume 2A, Chapter 3)
OP-5 (Pt 2)	Activity Group Detail, Including a Reconciliation of Increases and Decreases (See Volume 2A, Chapter 3)
OP-32	Summary of Price and Program Changes (See Volume 2A, Chapter 3)

2.2.6. P-Series Major Platform Quantities

Congress requires that all Major Platform end items, including Service Life Extension Programs, Major Defense Acquisition Programs (MDAPs), and Major Automated Information Systems (MAIS), reflect quantities on all P-series (i.e., P-1, P-40, P-5, etc.) budget exhibits. For those Major Platform end items where there are different variants being procured (e.g., Family of Medium Tactical Vehicles), total quantities should not be entered on the P-1 exhibit or in the Program Resources Collection Process (PRCP) database, but specific quantities by variant must be provided on all other P-series documents. Major Platform end items are defined as the new procurement of:

- Aircraft
- Unmanned Air Vehicles
- Ships
- Missiles
- Tanks
- Combat and Tactical Vehicles
- Satellites

For programs that are not considered Major Platforms, quantities are to be included in all P-series exhibits (e.g., P-40, P-5, P-5a, etc.) with the exception of the P-1 exhibit.

2.2.7. Major Defense Acquisition Programs (MDAPs)/Major Automated Information Systems (MAIS)

2.2.7.1. Joint budget guidance from the Under Secretaries of Defense for Acquisition, Technology & Logistics (AT&L) and Comptroller directs that all MDAPs or MAIS will be budgeted in separate, dedicated Procurement (P-1) line items, and associate all of the funding for a given MDAP/MAIS with a PRCP Program Number (PNO).

2.2.7.2. For all MDAP/MAIS programs, the P-40 Budget Item Justification exhibit must include the PNO. Components must also ensure that all applicable years of the PRCP and FYDP annex data bases are updated to reflect the program budget estimates for all MDAP/MAIS programs, including all prior years and cost-to-complete columns. Each MDAP/MAIS subprogram is a component that will be identified by appropriation, budget line item, and budget activity under the End Item P-1 Line Item header.

2.2.8. Multiyear Procurements (MYP)

2.2.8.1. Volume 2A, Chapter 1, section 010203, provides guidance for MYP programs. The MYP exhibits are required for new candidate systems seeking MYP funding in the budget year (BY); multiyear contracts approved in prior years that have been significantly restructured; and MYP candidates that are requesting BY advance procurement funding in support of a later year MYP contract. Any changes to the MYP budget justification and backup materials, as approved by OUSD(C), must be re-submitted via SNaP. The approved MYP exhibits must be included in the Justification book along with the other procurement exhibits for that program.

2.2.8.2. Annual Congressional Multiyear Reporting Requirement. Section 2306b(l) of Title 10, United States Code (Multiyear Contracts) directs the Secretary of Defense to submit an annual report to the congressional defense committees regarding multiyear contracts. The OUSD(C) is responsible for coordinating the consolidated report.

2.2.9. Subsystem Budget Estimates

Any platform that includes funding for subsystems that are designated as Defense Acquisition Executive Summary or Selected Acquisition Reporting programs must identify the specific subsystem funding by fiscal year and by subsystem on the P-5 exhibits (or P-35 exhibit for SCN). The program must be labeled "MDAP/MAIS Subprogram: Program Name" and include the associated PNO. For example, "MDAP/MAIS Subprogram: Air Missile Defense Radar (AMDR), PNO: 384."

2.2.10. Congressionally authorized and requested Advance Procurement funds for major end items must be clearly identified on all P-series exhibits for each end item by fiscal year for the program. Programs authorized to execute advance construction labor within their advance procurement must cite in the P-10 Exhibits description that "advance procurement items, including advance construction labor, is limited to components whose long-lead times require purchase early in order to reduce the overall procurement leadtime of the major end item."

2.2.11. If an amended budget is submitted, applicable revised budget exhibits are required.

2.2.12. Guard and Reserve Procurement

2.2.12.1. Exhibit P-1R, Procurement Program - Reserve Components, shows all investment funding allocated for National Guard and Reserve Component equipment, to include quantities and costs of procurement items. The Military Departments are required to identify the applicable memo entries by P-1 Budget Line Item those lines that include quantity and funding for the National Guard and Reserve Components for each fiscal year (PY, CY, BY, BY+1 through BY+4, To Complete). The Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) generates the P-1R based on the FYDP data in PRCP.

2.2.12.2. All supporting procurement justification documentation must clearly annotate equipment allocated to the National Guard and Reserves. Specifically, the P-40 Budget Item Justification exhibit and the P-21 Production Schedule exhibit must contain a non-add memo entry indicating the funding and delivery schedule for all of the items being procured for allocation

to the National Guard and Reserve Components. This data must balance to the data in the PRCP database.

2.2.13. Dual-Use Equipment

All Components must include the following statement on their P-40 exhibit for all Army, Navy, Marine Corps, and Air Force Active and Reserve dual-use equipment items: "In accordance with section 1815 of the FY 2008 National Defense Authorization Act (P.L. 110-181), this item is necessary for use by the active and reserve components of the Armed Forces for homeland defense missions, domestic emergency responses, and providing military support to civil authorities."

3.0 CONGRESSIONAL JUSTIFICATION/PRESENTATION (0403)

This Section presents the backup book organization and the exhibit requirements for submission to Congress. See Volume 2A, Chapter 1, Section 0104 for specific printing requirements. Justification material will be organized into a Committee Staff Procurement Backup Book. Volume 2A, Chapter 1, Section 010403 provides a detailed distribution schedule for the procurement backup books. A separate congressional committee backup book will be prepared for the President's budget request for each procurement appropriation.

Department of Defense
FY 20BY President's Budget Submission
Justification Book Volume X of X
Appropriation

Section 1 - Summary Material
Table of Contents
P-1 listing (P-1 Exhibits will be prepared using the OUSD(C) automated system with input from the Services and Defense Agencies)

Section 2 - Budget Appendix Extract Language

Section 3 - P-1 Line Item Detail. Procurement budget exhibits will be organized as discussed in paragraph 040203.D.

4.0 PROCUREMENT APPROPRIATION BUDGET EXHIBIT FORMATS (0404)

4.1 Standardized budget exhibit formats. (040401)

Section 4.2 describes the use of XML budget exhibits for procurement appropriations. In addition to the key attribute of making budget exhibit data electronically searchable, the XML exhibits standardize the various budget displays, enabling more effective and efficient budget formulation, review, analysis, and submission.

4.1.1. The exhibit formats provided on the following pages reflect guidance presented in previous sections.

4.1.2. The use of XML exhibits is mandatory for BES and President's budget request backup justification material.

4.1.3. XML exhibits will automatically standardize formatting, to include:

4.1.3.1. Exhibits displayed on 8 1/2 inch by 11 inch paper in landscape format.

4.1.3.2. Actual fiscal years (e.g., FY 2016, FY 2017, etc.) rather than the template entries (i.e., Prior Years (PYs), Prior Year (PY), Current Year (CY), Budget Year (BY), BY+1, BY+2, BY+3, and BY+4 and "to complete" where applicable).

4.1.3.3. Annotating the applicable P-1 line item number (using the number shown on the OSD-generated P-1 exhibit from PRCP) and page number within the line item (e.g., Item 1-1 of 5, 2-1 of 1, 3-1 of 20, etc.) at the bottom center of each exhibit page.

4.1.3.4. Properly paginate the backup book.

*4.2 Procurement exhibit formats (040402)

There are 22 procurement exhibits that support the formulation and submission of the BES and the President's budget request. The exhibits provide data and information that justifies budgetary requirements for the various procurement appropriations. The exhibit formats follow. Volume 2B, Chapter 19, Other Special Analyses, also identifies budget exhibits that may be required.

Exhibit P-1, Procurement Program

Exhibit P-1, Procurement Program

Department of the _____

Appropriation: _____ **Date: _____**

Budget Activity: _____

			TOA, $ in Millions									
P-1 Line Item No	Item Nomenclature	Ident Code	Prior Year Qty	Prior Year Cost	Current Year Qty	Current Year Cost	Budget Year Qty	Budget Year Cost	Budget Year OCO Qty	Budget Year OCO Cost	Budget Year Total Qty	Budget Year Total Cost
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)

Exhibit P-1M, Procurement Programs - Modification Summary

Exhibit P-1M, Procurement Programs - Modification Summary
(TOA, $ in Millions)

System/ Modification EXAMPLE:	Prior Years	PY	CY	BY	BY+1	BY+2	BY+3	BY+4
A-10 Modifications								
AIM-9L Capability				*x.x*	*x.x*			
Chem/Bio Protection				-	x.x	x.x		
Outer Wing Fatigue Reskin					*x.x*	*x.x*		
Integrated Drive Generator					*x.x*	*x.x*	*x.x*	
ALE-40 Correction of Def					*x.x*	*x.x*		
Engine Monitoring Sys				*xx.x*	*xx.x*	*xx.x*		
Skin & Lgnrn Strengthening					*x.x*	*x.x*		
Total for A-10				*xx.x*	*xx.x*	*xx.x*	*x.x*	
S-3 Modifications								
AIM-9L Capability				*x.x*	*x.x*			
Chem/Bio Protection				-	*x.x*			
Total for S-3				*x.x*	*xx.x*			

Exhibit P-1M, Procurement Program - Modification Summary
(Exhibit P-1, page 2 of 6)

Exhibit P-1R, Procurement Program - Reserve Components

Exhibit P-1R Procurement Program - Reserve Components

Department of the _____

Appropriation: _____ **Date: _____**

Budget Activity: _____

			TOA, $ in Millions											
P-1 Line	Item	Ident	PY		CY		BY		BY +1		BY +2		BY +3		BY +4	
Item No	Nomenclature	Code	Qty	Cost	Qty	Cost	Qty	Cost	Qty	Cost	Qty	Cost	Qty	Cost	Qty	Cost

Examples:
F-16 Modifications
National Guard
Reserve

Exhibit P-1R, Procurement Program- Reserve Components
(Exhibit P-1, page 3 of 6)

Instructions – Procurement Program

Exhibit P-1, Procurement Program
Exhibit P-1M, Procurement Program - Modification Summary
Exhibit P-1R, Procurement Program - Reserve Components

General.

A. A summary by budget project/activity will be prepared for each appropriation, showing the amount for each project/activity and the total program for each appropriation. The detail of the consolidated line items in this entry should be available upon request. There should be no consolidation into a "Less than $5.0 million" line item for any line item requiring specific quantity authorization and for any Code B item (i.e., items not approved for Service use).

B. Unless otherwise prescribed for a specific commodity area, only procurement line items with funding of $5.0 million or more in the Prior Year (PY), Current Year (CY) or Budget Year (BY) will be listed individually. Items less than $5.0 million should be consolidated into a single line item entry, "Items less than $5.0 million," under each budget activity.

Exhibit P-1, Procurement Program Instructions. Provide funding and applicable quantities by budget activity and line item. Data must match submission to the PRCP data base.

Advance Procurement. Advance procurement should be debited and credited according to the lead-times of the advance procurement. For instance, if FY *2015* and FY *2016* Advance Procurement funds are required for a FY *2017* procurement, the FY *2015* Advance Procurement funds would be debited in FY *2015*, the FY *2016* Advance Procurement funds would be debited in FY *2016*, and the total of the FY *2015* and FY *2016* Advance Procurement funds would be credited in FY *2017*.

Advance Procurement

FY TOA	**FY *2015***	**FY *2016***	**FY *2017***	**FY *2018***	**FY *2019***	**FY *2020***
FY *2015* for FY *2017* (memo)	*x*					
FY *2016* for FY *2017* (memo)		*x*				
FY *2016* for FY *2018* (memo)		*x*				
FY *2017* (memo)			-*x*			
FY *2017* for FY *2018* (memo)			*x*			
FY *2017* for FY *2019* (memo)			*x*			
FY *2018*(memo)				-*x*		
FY *2018* for FY 2019 (memo)				*x*		
FY *2018* for FY 2020 (memo)				*x*		
FY *2019*(memo)					-*x*	
FY *2019* for FY 2020 (memo)					*x*	
FY *2019* for FY 2021 (memo)					*x*	
FY *2020*(memo)						-*x*
FY *2020* for FY 2021 (memo)						*x*
FY *2020* for FY 2022 (memo)						*x*

Exhibit P-1 Instructions (Continued)

List each aircraft and missile type and model separately, for both new procurement and modifications. Each ship type, Outfitting, Post Delivery, Cost Growth, Escalation, Service Craft, and Landing Craft will be listed as separate line items.

Include initial and replenishment spares financed in procurement appropriations in a single line item. Indicate the amounts included for initial and replenishment spares separately as subentries. For this purpose, all spare aircraft engines shall be considered initial spares.

All line items will be double spaced.

Costs will be expressed in millions of dollars using one decimal place, i.e.:

($ in Millions)
15.6

List the following Support Equipment and Facilities as separate line items:

Common Ground Equipment
Industrial Facilities
War Consumables
Other Production Charges
Classified Projects
Production Base Support
Space Programs (list separately)
Astronautics

Specific instructions.

Appropriation. Include the title and number of the appropriation, i.e., 2034A, Procurement of Ammunition, Army.

Budget Activity. Include the number and title of the budget activity, i.e., Budget Activity 04, Spare and Repair Parts.

Column 1: Include the P-1 line item number (generated from the OSD PRCP database).

Column 2: Item Nomenclature. Identify the name of the program. This must match what is shown in PRCP.

Exhibit P-1 Instructions (Continued)

Column 3: Identification Code. The letter "A" or "B" will be entered in this column. Line items will be appropriately coded according to the status of the item at the time the exhibit is prepared as follows:

Code "A". Line items of material that have been approved for Service use. The term "approved for service use" means that:

Army. The item has been type-classified as Standard (STD) and excludes Limited Procurement (LP) type-classification that is included in the development category.

Navy. The item has been approved for full rate production.

Air Force. The item has been approved for full rate production.

USSOCOM. The system is effective, suitable, safe, and logistically supportable. Release for Special Operations Forces is in conjunction with full rate production decision.

Code "B". Line items or material that has not been approved for Service use.

Columns 4-11: Self-explanatory.

Exhibit P-1M, Procurement Program - Modification Summary Instructions

This exhibit will be prepared for all years reflected on the sample P-1M exhibit and will represent a summary by weapon system of all individual modifications that are requested for that weapon system.

Show the total procurement cost in millions using at least one decimal place for each individual modification and total cost for that weapon system or family of models of that weapon system. For example, all models of the F-4 aircraft would be included in the F-4 line (e.g., RF-4B, F-4B, F-4E, F-4G, etc.), and all models of the AIM-7 missile would be included in the AIM-7 line (e.g. AIM-7E, AIM-7F, AIM-7M, etc.). Total modification cost will include only those costs budgeted in the individual P-1 line item, including installation costs.

Exhibit P-1R, Procurement Program - Reserve Components Instructions

In addition to the instructions for the P-1, Procurement Program, the P-1R line item entries will be exactly the same line item entries as the P-1. The Exhibit P-1R line items will include 2 sub-line items. One is for the National Guard and one is for the Reserve. Subtotal of the two lines is not required, but the total for the Reserve Components cannot exceed the amount of funding included in the P-1 line item. All procurement line items having funding for National Guard and Reserve requirements, including advance procurement, ammunition, and spares and repair parts, will be included in the P-1R exhibit and be provided for all years (i.e., for PY, BY, BY+1 – BY+4). Each Military Department is required to update the PRCP database for this information supporting the National Guard and Reserve for both the BES and the President's Budget submissions.

(Exhibit P-1, page 6 of 6)

Exhibit P-3a, Individual Modification

Exhibit P-3a, Individual Modification

MODELS OF SYSTEMS AFFECTED: _____ TYPE MODIFICATION: _____ MODIFICATION TITLE: _____

DESCRIPTION/JUSTIFICATION:

DEVELOPMENT STATUS/MAJOR DEVELOPMENT MILESTONES:

FINANCIAL PLAN: (TOA, $ in Millions)

	Prior Yrs		PY-1		PY		CY		BY		BY+1		BY+2		BY+3		BY+4		TC		Total	
	Qty	$	Qty	$	Qty	$	Qty	$	Qty	$	Qty	$	Qty	$	Qty	$	Qty	$	Qty	$	Qty	$
RDT&E																						
PROC																						
A Kit NRE			25	2.0	10	1.0	15	1.5	15	1.5	25	2.0	25	2.0	25	2.0	90	7.5			255	21.5
A Kit			25	2.0	10	1.0	15	1.5	15	1.5	25	2.0	25	2.0	25	2.0	90	7.5			255	21.5
Comp A			25	2.5	10	1.0	15	1.5	15	1.5	25	2.5	25	2.5	25	2.5	90	9.0			255	25.5
Comp B			50	1.0	20	0.4	30	0.6	30	0.6	50	1.0	50	1.0	50	1.0	180	3.6			510	10.2
Comp C			75	3.6	30	1.5	45	2.2	45	2.2	45	2.2	45	2.2	45	2.2	270	13.0			765	36.7
Eqpt NRE																						
Eqpt																						
Eqpt A																						
Eqpt B																						
ECP 1 Gp A																						
ECP 1 Gp B																						
ECP 2 Gp A																						
ECP 2 Gp B																						
ECP 3 Gp A																						
ECP 3 Gp B																						
Data																						
Training Eq																						
SE																						
Other																						
Other																						
Other																						
ICS																						
Install Cost					25	.3	10	.1	15	.2	25	.3	25	.3	25	.3	115	1.5			255	3.2
Total Proc																						

P-1 Line- Item No X
(Page X of X)

(Exhibit P-3a, page 1 of 5)

Exhibit P-3a, Individual Modification (Continued)

Exhibit P-3a, Individual Modification (Continued)

MODELS OF SYSTEMS AFFECTED: _____ MODIFICATION TITLE: _____

INSTALLATION INFORMATION:

METHOD OF IMPLEMENTATION: _____

ADMINISTRATIVE LEADTIME: Months PRODUCTION LEADTIME: Months

CONTRACT DATES: Prior Year:_____ Current Year:_____ Budget Year 1: _____ Budget Year 2: _____

DELIVERY DATES: Prior Year:_____ Current Year:_____ Budget Year 1: _____ Budget Year 2: _____

($ in Millions)

Cost:	Prior Yrs		PY-1		PY		CY		BY		BY+1		BY+2		BY+3		BY+4		TC		Total	
	Qty	$	Qty	$	Qty	$	Qty	$	Qty	$	Qty	$	Qty	$	Qty	$	Qty	$	Qty	$	Qty	$
(PY-25 kits)					15	0.2	10	0.1														
(FY(CY) 10 kits)									10	0.2												
(FY(BY) - 15 kits)											5	0.1										
(FY(BY+1) - 25 kits)													10	0.2	15	0.3						
etc.																						
					15	0.2	10	0.1	10	0.2	10	0.2	20	0.4	15	0.3						

Installation Schedule

	PY	CY				BY				BY+1				BY+2				BY+3				BY+4				TC
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	
In																										
Out																										

P-1 Line Item No X
(Page X of X)

Instructions - Exhibit P-3a, Individual Modification

* This exhibit will be submitted for all individual modifications whose costs are greater than $5.0 million in the budget year. Except as noted, individual modifications whose costs are less than $5.0 million in the budget year will not submit this exhibit.

For Other Procurement appropriations, when only a simple modification kit is being procured and installation is being performed at the organizational level, there is no need to submit an Exhibit P-3a as long as the P-5 and P-21 include the necessary information.

The sample exhibit displays additional line items for equipment and Group A installation kits. Tailor line item entries to the modification content. Use additional lines when quantities for these components differ from the quantity of end items being procured or when a unit cost comparison between years cannot be performed.

Model. Enter the model and series designation (e.g., A-10, AGM-86, F/A-18, etc.).

Classification. Enter the modification classification or type (e.g., safety, reliability, added capability, etc.), as applicable.

Modification No. And Title: Identify the modification number and title.

Description/Justification: Provide a description of what additional capability is added to the system by this modification, and why the modification is necessary (i.e., to increase reliability, maintainability, or mission capability). If the modification is related to reliability and maintainability, indicate the current Mean-Time Between Failure (MTBF) rate of the system, what MTBF will be specified in the development/production contract, and the estimated annual savings. Identify all engineering change proposals included in the modification and provide a brief description of each and how they relate to the particular overall effort. Identify the operational requirement document (ORD) that validates the modification. Identify the quantity of aircraft in the inventory and the quantity that will receive the modification, as identified in the ORD. For example, the total objective for a radar modification might be 75 units at an estimated unit cost of $300,000 each or total cost of $23.5 million. Twenty units have been procured in prior years, 10 units are included in the budget year leaving 45 units to be procured in subsequent years. Identify when a different number of Group A and Group B kits are being procured (the ORD should also include this information). Identify the applicable quantity of National Guard and Reserve end items ensuring quantities and costs match the P-1R. Do not use abbreviations or acronyms of a highly technical nature. Spell the acronyms the first time and abbreviate thereafter.

Development Status/Major Development Milestones: Provide status of engineering effort testing and data package availability as of the budget submission date. Provide significant accomplished and planned milestone dates such as Preliminary Design Review (PDR), Critical Design Review

Exhibit P-3a Instructions (Continued)

(CDR), completion of Contractor Test and Evaluation (CTE), completion of Development Test and Evaluation (DTE), completion of Initial Operational Test and Evaluation (IOT&E), etc.

Financial Plan:

Note: Prior year column includes all funding from beginning of program through the Prior Year-2 (PY-2). Quantities and costs should be provided for all applicable line items. PY-1, PY, and CY are the fiscal years currently available for obligation.

RDT&E: Enter programmed RDT&E resources by fiscal year. These resources should be consistent with the Program Element Summary Data Sheets for RDT&E programs.

* Procurement: Categories of cost shall be tailored to the individual system consistent with the program's approved work breakdown structure (WBS) elements or modification content. Use as many line items as necessary to show this data. Enter the recurring and nonrecurring cost of the installation kits. Installation kits (Group A kits) are the provisions (e.g., cables, brackets, interface devices) necessary to prepare the system to accept the new equipment. Enter the recurring and nonrecurring cost of the equipment (Group B kits) to be installed (e.g., radar, ECM, engine etc.). If different quantities of kits are being procured for various engineering change proposals within a modification (or operational system improvement program), list the ECP A kit and ECP B kit as separate line item entries (i.e., a line item for the A kit and a line item for the B kit). Do not use an asterisk to indicate that the quantity cannot be shown because a mix of end items with different procurement quantities is being procured. This precludes the need for an addendum and presents all cost information together. Exhibits should reflect all costs and quantities from prior years (PYs) through To Complete (TC).

Installation. The installation costs should be portrayed in the year of actual installation so that the total cost of the installation is portrayed for each year's procurement of end items. Procurement quantities and installation quantities reflected in the procurement detail should equal the quantity displayed in the installation schedule.

Method of Implementation: Indicate how installation will be accomplished (e.g., Contractor, Depot field team, Depot modification line, etc.).

Contract Date: Enter the actual/estimated contract date (month/year, not quarter) for the item with the longest lead time.

Production Delivery Date: Enter the actual/estimated production delivery dates (month/year, not quarter) for the initial item of installed equipment for the current year and budget year.

Exhibit P-3a Instructions (Continued)

Installation Schedule: For modifications procured through the Budget Year (BY), show system inductions and modification completions by quarter. An installation schedule is required for all programs requiring installation funds. However, if the modification is being installed organically (i.e., by service managed and operated depots or field activities) and no installation funds are required, then no schedule is required. The schedule will include completed inductions for total Prior Years, Prior Year, and planned inductions for all uninstalled equipment for CY, BY, BY+1, BY+2, BY+3, and BY+4, and To Complete, as necessary, to account for installation of all modifications procured through the BY. Input and output must equal each other, as well as equal the total quantity of kits procured. Input and output refer to the start and end date of the modification into the aircraft (or end item). This information is required to determine when kits need to be procured. The input and output date is used as a barometer to determine the feasibility of the schedule (and thus, the procurement profile). For ongoing programs, identify the separate program using alpha or alpha-numeric suffixes to the current modification number. Include separate installation schedules for those items that have more than one method of implementation.

Exhibit P-5, Cost Analysis

Exhibit P-5 Cost Analysis			Weapon System			Date:		
Appropriation (Treasury) Code/CC/BA/BSA/Item Control Number					D Code	P-1 Line Item Nomenclature		
WBS COST ELEMENTS (Tailor to System/Item Rqmts)	Prior Years Unit Cost	Prior Years Total Cost	PY Unit Cost	PY Total Cost	CY Unit Cost	CY Total Cost	BY Unit Cost	BY Total Cost
Quantity								
Airframes/CFE								
Engine/Accessories								
CFE Avionics								
GFE Avionics								
Armament								
ECO (Flyaway)								
Nonrecurring Costs								
Tooling								
Software Costs								
Other Costs								
Subtotal Flyaway								
Airframe PGSE								
Engine PGSE								
Avionics PGSE								
Peculiar Training Eqpt								
Publications/Tech Data								
ECO (Support Items)								
Other								
Subtotal Support Costs								
Gross-P-1 End Item Cost								
Less PY Adv Proc (by PY FY)								
Net P-1 Full Funding Cost								
Plus CY Adv Proc								
Other Non-P-1 Costs								
Initial Spares								
Total								

P-1 Line Item No X
(Page X of X)

Exhibit P-5, Cost Analysis
(Exhibit P-5, page 1 of 8)

Instructions - Exhibit P-5, Cost Analysis

Purpose. The purpose of this exhibit is to provide detailed cost information in support of Exhibit P-1 line items consistent with the appropriate work breakdown structure (WBS) elements for the program. It is essential that this exhibit be complete and accurate, as it is the most important exhibit in the backup book. Requirement exhibits and production schedules are related to the entries on this exhibit, and it is used as the framework for line item review. The program and budget review submission will include P-5 exhibits containing detailed cost element data for fiscal years (FYs) from prior years (PYs) through the Budget Year (BY). Out-year cost element data is no longer required and will not be submitted.

General. This exhibit will be prepared for all procurement programs for which funds are requested in the P-1 exhibit. If two or more Services procure the same system, the P-5 exhibit cost elements should be as identical as possible except for Service unique requirements. A P-5 exhibit is not required for those programs that use a P-40a exhibit to display items included in an aggregated line item or if an Exhibit P-3a Modification Summary, has been prepared for a line item.

Entries:

Heading. Insert Appropriation, Budget Activity, and identification code (as identified on the Exhibit P-1 generated from the OSD PRCP database) in the appropriate block. Insert the Exhibit P-1 line item title and add after the title the subhead number for the line item in parenthesis.

Elements of Cost. Categories of cost shall be tailored to the individual system consistent with the program's approved work breakdown structure (WBS) elements. Standard categories are to be used for similar type systems (i.e. aircraft, ships, missiles, tanks, satellites, ammunition, etc.).

Production Support Services. Use generic entries such as Production Engineering, Engineering Services, Quality Assurance, Acceptance Testing, Product Improvement, etc. Include the name of the performing activity (for example, Production Support - NOP Indian Head, or Material Handling - Iowa AAP) only when needed to further clarify the generic categories.

Quantity/Total Cost entries. The quantity related to any cost element will be stated in units (not thousands). Only those entries where quantitative measurement is applicable should have entries in the quantity column. For example, the term "1 set" should not be used for publications, entries, documentation, etc. If the item is not subject to quantitative measurement, leave the column blank. The total cost for a cost element entry will be shown in millions, using 3 decimal places, i.e., 1.225. All cost columns will be totaled.

Advance Procurement Funding. Add (debit) the advance procurement funding in each fiscal year and subtract the advance procurement funding (credit) from the fiscal year the advance procurement supports. Ensure the credit is against the correct fiscal year (check leadtimes). Generally, Advance Procurement debits and credits will net to zero in the "total costs" column. If they do not net to zero, Components must provide rational why they do not.

Initial Spares. Separately identify initial spares funding and include in the total for the net weapon system/end item cost.

Instructions - Exhibit P-5, Cost Analysis (Continued)

Unit Cost. The unit cost should be displayed for each flyaway cost element on the P-5 exhibit. This should be a manual entry, not computed. Otherwise, there could be lost budget authority if a reviewer (OSD, GAO, or congressional staff) asks to see the unit cost for a particular item from the contract. The last entry line, or overall weapon system unit cost, for each FY is the procurement unit cost.

Aircraft Cost Element Categories.

Airframes/Contractor Furnished Equipment (CFE): Enter estimate for recurring airframe cost, airframe contractor furnished equipment, and engineering changes.

Engine/Accessories: Enter total engine cost including accessories. As part of stub entry, enter quantity of engines per aircraft and indicate model designation including all "dash" designators (example: Engines (4) 53-L-13). Engine unit cost column will reflect the cost of one engine.

Avionics: Separately identify CFE and Government Furnished Equipment (GFE) avionics equipment.

Armament: Enter costs for all armament.

Software: Software costs are to be separately identified.

Other GFE: Enter costs for all Other GFE.

Engineering Change Orders (ECOs) - Flyaway: Include cost of anticipated, but unknown ECOs and value engineering changes for all installed aircraft components (CFE or GFE). Engineering Change Orders should be funded commensurate with the level of risk in the program.

Nonrecurring Costs: Enter total nonrecurring costs associated with production of the flyaway article. Identify and separately display funds budgeted for production tooling in the nonrecurring cost category.

Other Costs: Use as many line items as necessary to identify elements and associated costs.

Airframe Peculiar Ground Support Equipment (PGSE): Enter cost of peculiar airframe ground support equipment.

Engine PGSE: Enter cost of peculiar engine ground support equipment.

Peculiar Training Equipment: Enter cost of all peculiar training equipment.

Publications/Technical Data: Enter cost of all CFE/GFE publications and technical data.

ECOs - All Support Items. Enter cost of ECOs anticipated but unknown for all support and training equipment.

Other: Use as many line items as necessary (example: aerial cameras, or jammer transmitter sets, receiver sets or sensor sets for special mission aircraft). These items are not necessarily procured on a one-for-one basis with aircraft.

(Exhibit P-5, page 3 of 8)

Exhibit P-5 Instructions (Continued) Missile Cost Analysis

A missile P-5 exhibit will be submitted by all Services for each missile/drone type and model. If more than one model or configuration is procured in the same P-1 line item, then individual P-5 exhibits will be prepared for each model or configuration and a summary P-5 exhibit will also be prepared for the P-1 line item. Weapon systems that are composed of fire units or launchers that are procured in the same P-1 line item as the missile will provide separate cost identification for each vehicle of the fire unit or launching system (launcher, launch control center, radar set, vehicle, etc.). The cost categories on the P-5 exhibit represent a number of elements and the list should be tailored as appropriate to adequately depict the missile system cost. The flexibility exists to revise the elements to depict unique system characteristics, but a comparable cost detail to that shown in the P-5 exhibit format should be maintained.

Missile P-5 Cost Element Categories

Missile Hardware - Recurring
- Airframe
- Propulsion (By stage, where applicable)
- Target Detection Device
- Guidance & Control
- Warhead
- Fuze
- Safe & Arm
- Engineering Change Orders
- (Value Engineering)
- Government Costs
  - Integration & Assembly (Labs, etc.)
  - Acceptance Test Program
- Other (Specify)
- Subtotal Missile Hardware

Nonrecurring and Ancillary Equipment
- Tooling and Test Equipment
- Missile Ancillary Hardware
- (Containers, etc.)
- Total Missile Flyaway

Command and Launch Hardware
- Launcher
- Launch Control Center
- Radar Set
- Platform/Track Vehicle
- Engineering Change Orders
- Other (Specify)
- Subtotal Command and Launch Equipment

Exhibit P-5 Instructions (Continued)

Support Costs

Peculiar Support Equipment (Specify, e.g., test, handling, etc.)
Special Handling Equipment
Training Equipment
Publications/Technical Data
Engineering Change Orders
Other (Specify)
Subtotal Support
Gross P-1 End Cost
Less: Prior Year Adv. Procurement (Breakout by Prior FY of funding)
Net P-1 Full Funding Cost (Must equal FY amount displayed on the P-40 exhibit)
Plus Current Year Advance Procurement.
Other Non-P-1 Weapon System Costs
Initial Spares

Ship Cost Element Categories

Include the following format for every year from construction inception for which there are undelivered ships through the end of the FYDP:

Plan Costs
Basic Construction/Conversion
Change Orders
Electronics
Propulsion Equipment
HM&E
Other Cost
Ordnance
Escalation
Project Manager's Growth
Total Ship Estimate
Less: Advance Procurement FY (specify by individual fiscal year)
Net P-1 Line Item
Ship/Unit Cost

Space System Cost Analysis.

A P-5 exhibit is required for each space weapon system employing a launch vehicle or satellite.

Exhibit P-5 Instructions (Continued)

Satellite Cost Element Categories

Launch Vehicle:
- Airframe/Integ & Assembly
- Stage I
- Stage II
- Stage III
- Stage IV
- Guidance and Control
- Other (specify)
- Nonrecurring (specify)

Stage Vehicle:
- Airframe/Integ & Assembly
- Propulsion
- Guidance and Control
- Other (specify)
- Nonrecurring (specify)

Space Vehicle:
- Integration & Assembly
- Spacecraft
- Payload
- Reentry Vehicle
- Other (specify)
- Nonrecurring (specify)
- Engineering Change Orders (ECO)
- In-House Production Support
- Total Flyaway Cost

Checkout and Launch:
- Storage, Reactivation, and Transport
- Integration and Checkout
- Propellants
- Orbital Incentives
- Other (specify)
- Total Checkout and Launch

Support:
- Technical Support
- On-Orbit Support
- Flight Support
- Other Support (specify)
- Total Support

- Total Systems Cost
- Less Advance Procurement, Prior Year
- Net P-1 Line Item Cost

Exhibit P-5 Instructions (Continued)

Other Procurement Cost Analysis.

A. Unique entries will vary depending on the nature of the procurement item. Most line items require more than one procurement action to complete the program. If only one contract is involved, the line item is composed of several separate cost elements such as the end item itself, publications, engineering services, production support, etc. Each of these elements (called "building blocks" for simplicity) carries its own dollar value. The sum of the building block values equals the line item value. In general, entries on this form should be structured in the same way that procurement has been accomplished (or is planned) and/or the way that the cost estimate for the line item was derived. For new programs, it is not always possible to predict exactly how procurement will be accomplished but the cost estimate for the line item is built up through price out of separate cost elements that are known to be required.

B. Care should be taken to ensure that the building block title accurately describes the effort. Frequently, attempts are made to use the same building block entry for more than one year when the program effort in the following year is not exactly the same. For example, Model A of particular equipment is procured in one year and an improved Model B version planned for the following year. Separate stub entries should be used to avoid comparisons of unlike items.

Ammunition Procurement Cost Analysis.

A. For items to be procured through the Single Manager for Conventional Ammunition (SMCA), the P-5 will be used to display the program cost breakdown. The Service is responsible for justifying and defending its budget request for ammunition even if the item has transitioned to the SMCA for procurement. The production support section should depict the cost of production support materials and services that are included in the P-1 line item. When the developing Service retains configuration management responsibility for a SMCA-procured item, the developing Service will formulate the production engineering cost estimate, but all other estimates will be formulated by the SMCA.

B. Actual ammunition quantities will be displayed unless the quantities being procured are in the millions (the quantities will then be displayed in thousands). Dollars will be displayed in millions, using 3 decimal places, i.e., 1.225. Normal rounding methodology will be utilized.

C. The hardware section should include the full cost of hardware incorporated into the round or item that is included in the P-1 item line. The hardware section entries should be tailored to match the major components of the ammunition item and should reflect the acquisition strategy. If two or more Services procure the same ammunition/ordnance round, the P-5 Exhibit should be as identical as possible except for Service-unique requirements. If the round is to be procured using a component breakout strategy, the entries should include, as applicable, the following: load-assemble-pack, major metal parts, fuzes, explosives, propellants and shipping containers.

Exhibit P-5 Instructions (Continued)

Any small-dollar value components that are non-significant/non-problem can be rolled up into an Other, Miscellaneous line (the dollar amount of this line will not exceed 20 percent of the program value). Where an all-up round is to be delivered under a systems contract, the cost of the all-up round may be displayed as a single entry.

D. The production support section should depict the cost of production support materials and services that are included in the P-1 line item. The following standard entries should be used as applicable: production engineering, quality assurance, proof and acceptance testing, interim transportation and industrial stock support. Any other categories should be added as required and identified accordingly (e.g., special testing). When configuration management responsibility is retained by the Navy or Air Force as developing Service, the production engineering cost estimate will be formulated by the developing Service, but all other estimates will be formulated by the SMCA.

E. The nonrecurring cost section should depict the cost of such items as first article testing, product improvement, value engineering, tooling and test equipment, procurement technical data package updates, start-up/layaway costs and/or other special requirements identified accordingly. In the event that applying government-furnished material or components can reduce the cost of the round, the negative entry will be shown in this section.

F. Each section's subtotal should be displayed at the end of the subentries listing.

G. The total P-1 line item is equal to the sum of subtotal cost of hardware, procurement support and nonrecurring less the Government Furnished Material (GFM) applications. This entry must agree with the P-1 value for the ammunition item.

(Exhibit P-5, page 8 of 8)

Exhibit P-5a Procurement History and Planning

Exhibit P-5a, Procurement History and Planning

Exhibit P-5a, Procurement History and Planning (Page 1)			Weapon System			DATE:				
Appropriation (Treasury) Code/CC/BA/BSA/Item Control Number						P-1 Line Item Nomenclature				
WBS COST ELEMENTS Tailor to System/Item Requirements)	Qty	Unit Cost	Location of PCO	RFP Issue Date	Contract Method and Type	Contractor and Location	Award Date	Date of First Delivery	Tech Data Available Now?	Date Revisions Available
Prior Year (or last yr of proc)										
Airframes/CFE										
Engine/Accessories										
CFE Avionics										
GFE Avionics										
Armament										
Tooling										
Airframe PGSE										
Engine PGSE										
Avionics PGSE										
Peculiar Training Equipment										
Current Year										
Airframes/CFE										
Engine/Accessories										
CFE Avionics										
GFE Avionics										
Armament										
Tooling										
Airframe PGSE										
Engine PGSE										
Avionics PGSE										
Peculiar Training Equipment										

P-1 Line Item No X

Exhibit P-5a, Procurement History and Planning

Exhibit P-5a, Procurement History and Planning (Continued)

Exhibit P-5a, Procurement History and Planning (Continued)

Exhibit P-5a, Procurement History and Planning (Page 2)			Weapon System				DATE:		
Appropriation (Treasury) Code/CC/BA/BSA/Item Control Number					P-1 Line Item Nomenclature				
WBS COST ELEMENTS Tailor to System/Item Requirements)	Qty	Unit Cost	Location of PCO	Contract Method and Type	Contractor and Location	Award Date	Date of First Delivery	Tech Data Available Now?	Date Revisions Available
Budget Year									
Airframes/CFE									
Engine/Accessories									
CFE Avionics									
GFE Avionics									
Armament									
Tooling									
Airframe PGSE									
Engine PGSE									
Avionics PGSE									
Peculiar Training Equipment									

P-1 Line Item No X

Exhibit P-5a, Procurement History and Planning

Instructions - Exhibit P-5a, Procurement History and Planning

1. Purpose. This exhibit provides detailed information on the P-5 entries regarding all prior years having contracts with undelivered assets, current year (CY) and budget year (BY). Contract information is used to compare cost estimates between fiscal years by comparing unit costs on previous contracts. For example, if an item was awarded in FY 2015 using FY 2014 funding, is the FY 2017 cost based on an FY 2014 cost inflated 3 years, or to an FY 2016 cost inflated one year? The contract information is used to determine if there has been a problem awarding the contract early or late in the fiscal year and if it occurred as planned. The contract information also is used to identify potential current year assets and to answer congressional inquiries.

2. Submission. Exhibit P-5a will be submitted for all P-5 elements of cost (building block) entries involving quantities in the current or budget year. Information for PY, CY, and BY will be updated for each succeeding submission.

3. Entries.

Cost Elements (Building Blocks)/Fiscal Year. The cost element/building block title is to be taken from the Exhibit P-5 Cost Analysis for items meeting the criteria of paragraph 2. For each cost element, provide information for the PY, CY, and BY. The first fiscal year line will provide information on the last buy prior to the current year (if the item was procured in a fiscal year that is no longer available for obligation, identify the fiscal year for which the item was last procured. Update CY and PY entries to show actual contractor and contract award dates. For the BY, use best estimates.

If Advance Procurement funding is part of the program, then provide contract data for each subsequent year to support the leadtime of the advance procurement. For example, if advance procurement is required 2 years in advance of BY, then provide contract data through BY+2.

Quantity and Unit Cost. Insert PY actual quantity procured and actual unit cost. For the CY and BY lines, insert actual or estimated unit costs. The quantities and unit costs should agree with entries on the Exhibit P-5 Cost Analysis exhibit, except for the ammunition items that are fixed standard priced. For these ammunition items, the entries should be the actual unit costs that were negotiated and/or estimated. This update is necessary for the initial starting point for computing future fixed standard prices. Provide an explanation in the remarks block for all items for which the actual unit costs vary significantly with the forecasted unit costs.

Procurement Contracting Office (PCO) Location. Identify the organization that will award the contract. Also identify the organization preparing the purchase request, if different.

Contractor. For each fiscal year, insert actual contractor name, and facility or plant location (city and state). For the current year, insert contractor name if item is to be sole source or if procurement has been accomplished; otherwise insert "Unknown". For budget year, insert contractor name if sole source; otherwise use "Unknown". Identify the city/state location of the contractor plant.

Instructions - Exhibit P-5a, Procurement History and Planning (Continued)

Contract Method/Type. The following codes will be used to identify the "Contract Method/Type":

Contract Method
SS - Sole Source
C - Competitive
MIPR - Military Interdepartmental Purchase Request (use only if MIPR obligates funding)
PO - Project Order
WR - Work Request
Allot - Allotment
Reqn - Requisition
Other - Explain by footnote

Contract Type
FP - Fixed Price
CPIF - Cost Plus Incentive Fee
CPAF - Cost Plus Award Fee
FPI - Fixed Price Incentive
Option - Option to prior year contract
Other - Explain by footnote

Additionally, indicate those contracts that are multiyear procurements by placing the code “MYP” and a corresponding number to indicate the year of the MYP after the Contract Method/ Contract Type as in the following 5-year MYP example:

SS/FPIF/MYP-1 (indicates this is the first year of the MYP)
SS/FPIF/MYP-2
SS/FPIF/MYP-3
SS/FPIF/MYP-4
SS/FPIF/MYP-5

Follow the pattern of the "Contractor" block in displaying actual and estimated contract method and type. ”Option” refers to an existing contract that contains an option clause for future procurement. Identify whether the option is priced (already negotiated) or unpriced.

Award Date. For the last actual buy, provide the date that the contract was awarded. For the current year, provide the actual or estimated date. Provide estimated contract award dates for the BY. If the contract is a multiyear contract or a contract with options, identify the date that the option will be exercised.

Date of First Delivery. Same basis as Award Date.

Technical Data Package Available Now. Answer "yes" or "no" for the current year and budget year. No entry is required for prior year. The answer is to be provided as of the time the exhibit is prepared. The term “specifications” refers to full competitive specifications (or their equivalent in the case of a sole source contract).

Instructions - Exhibit P-5a, Procurement History and Planning (Continued)

Date Revisions Available. No entry is required for the prior year line if the contract has been awarded. If revisions are required, provide in last column the date or estimated date when they will be available.

Use Footnotes to provide reasons for Sole Source procurement; to provide reasons for use of letter contracts; to provide reasons why a multiyear contact cannot be used; to explain significant variations in unit cost from year to year, etc.

Exhibit P-8a, Analysis of Ship Cost Estimate - Major Equipment

Date: _____

Shipbuilding and Conversion, Navy (Continued)
Exhibit P-8a, Analysis of Ship Cost Estimate - Major Equipment

Ship Type: _____

	FY 20PY		FY 20CY		FY 20BY	
	Qty	Amt	Qty	Amt	Qty	Amt
Electronics Equipment						
Ordnance Equipment						
Propulsion Equipment						
HME Equipment						

Instructions: List the major eqiopment for each of these cost codes shown on the P-35 exhibit and include the next 10 high dollar value items. All other items can be summarized in one line item. System engineering, spares, documentation, and other equipment costs should be included in the equipment estimate. Value engineering changes should be included in the change order cost category.

Analysis of Ship Cost Estimate – Major Equipment
(Exhibit P-8a, page 1 of 1)

Exhibit P-10, Advance Procurement Requirements Analysis

Exhibit P-10 Advance Procurement Requirements Analysis			Date:			
Appropriation (Treasury) Code/CC/BA/BSA/Item Control Number			P-1 Line Item Nomenclature			
Weapon System	First System (BY1) Award and Completion Date		Interval between Systems			
	PLT	When Rqd	Prior Years	PY	CY	BY
End Item Qty						
CFE						
Engines						
GFE						
GFE						
GFE						
EOQ						
Design						
Term Liab						
Other*						
Total AP						

P-1 Line Item No X

Exhibit P-10, (Page 1 of 4)

Exhibit P-10, Advance Procurement Funding (Continued)

Exhibit P-10, Advance Procurement Funding

Exhibit P-10 Advance Procurement Requirements Analysis (Page 2 - Budget Justification)						Date:			
Appropriation (Treasury) Code/CC/BA/BSA/Item Control Number			Weapon System			P-1 Line Item Nomenclature			
(TOA, $ in Millions)									
	PLT	QPA	Unit Cost	BY QTY*	BY Contract Forecast Date	BY Total Cost Request			
End Item		N/A				N/A			
CFE									
GFE									
GFE									
GFE									
EOQ									
Design									
Termination Liability									
Other									
Other									
Other									
Other									
Total Advance Proc									

Description:

*When the advance procurement funding supports more than one subsequent program year end item, then the funding for each line item entry must be separately identified for each applicable end item fiscal year (i.e., when lead-times are greater than one year).

(Use continuation pages, as necessary)

P-1 Line Item No X

Exhibit P-10, Advance Procurement Funding
(Exhibit P-10, page 2 of 4)

Instructions - Exhibit P-10, Advance Procurement Requirements Analysis

Page 1 - Budget Justification entries.

This format will include funding for all Prior Years through the Budget Year (BY). Out-year data is not required and will not be submitted.

Appropriation (Treasury) Code/CC/BA/BSA/Item Control Number. This entry should match the procurement annex.

P-1 Line Item Nomenclature: Self-explanatory.

Weapon System Type: End item for which advance procurement is required.

First System Award and Completion Date: Enter the month/year (do not use quarters) of the projected contract award for the end item for which the funds in the budget year supports. For example: FY 2017 advance procurement funds are required in support of an FY 2018 procurement. The FY 2017 AP supporting the FY 2018 end item procurement will be awarded in March 2017 and the FY 2018 procurement will be awarded in January 2018. Enter March 2017. If the manufacturing processes require 24 months, then the item will be delivered in March 2019. Enter March 2019.

Interval Between Systems: Enter the time between end item deliveries.

Column 1. The first entry should be the procurement quantity budgeted for each year (specify the actual fiscal year rather than showing the template years) for the end item for which the advance procurement is requested. In addition, list the items that are required to be purchased ahead of the end item. Be specific as possible. Some examples are:

Contractor Furnished Equipment (CFE): This entry includes all advance procurement funding associated with effort accomplished by the prime weapon system contractor (e.g. airframe contractor for aircraft; guidance and control contractor for missiles, satellites; chassis contractor for tanks, engines, nuclear propulsion equipment for ships).

Government Furnished Equipment (GFE): This entry should include a separate entry for each major subcomponent furnished by the government (e.g. engines and radars for ships and aircraft; warhead, fuzes, and rocket motors for missiles; engines and major electronic subsystems for tanks, satellites).

Economic Order Quantity (EOQ): This entry includes items for which an economic order is justified. List each item separately. The entry will require additional justification showing the analysis that supports an EOQ procurement in an advance procurement line.

Instructions-Exhibit P-10, Advance Procurement Requirements Analysis (Continued)

Other Advance Funding. This would normally include non-EOQ funding that is requested in advance of authorization of the end item and is not based on leadtime considerations but based on price/cost considerations only.

Column 2. Production Leadtime (PLT). Enter the number of months required to manufacture the end item.

Column 3. Enter the number of months after the manufacturing process begins that the item is required for incorporation into the end item.

Columns 4-15. Enter the approved funding for all years of the program.

Page 2 Entries:

Column 1. List the items that need to be purchased ahead of the end item. This column should match the entries in column 1 on page 1.

Column 2. Production Leadtime (PLT): Enter the production leadtime of this particular item.

Column 3. Quantity Per Assembly (QPA): Indicate the quantity of the item required for each end item.

Column 4. Unit Cost: Enter the unit cost in tenths of millions.

Column 5. BY Qty: Enter the total quantity being procured in the BY. For the end item enter the quantity (qty) of end items being procured in subsequent years and identify by qty and year for which the advance procurement in the BY supports.

Column 6. BY Contract Forecast Date: Enter the date of the planned contract award for each of the items listed in column 1. For the end item enter the date of planned contract award of the end items being procured in subsequent years for which the advance procurement in the BY supports.

Column 7. Cost: Enter the cost in millions with one decimal place.

Description. Describe the technique used to estimate the termination liability request. If advance procurement funding is to be applied to years beyond the immediately succeeding year, the amounts and quantities by year should be specified and explained.

(Exhibit P-10, page 4 of 4)

Exhibit P-18, Initial and Replenishment Spares and Repair Parts Justification

Exhibit P-18 Initial and Replenishment Spare and Repair Parts Justification			Date: Month/Year	
Appropriation (Treasury) Code/CC/BA/BSA/Item Control No	Weapon System		P-1 Line Item Nomenclature	
End Item P-1 Line Item	Prior Years	PY FY	CY FY	BY FY
INITIAL				
B-1				
B-2				
F/A-18				
P-3				
UH-60				
Etc.				
TOTAL INITIAL				
REPLENISHMENT				
B-1				
B-2				
F-15				
Etc.				
TOTAL REPLEN				
Remarks (Use continuation pages, as necessary)				

P-1 Line Item No X
(Page X of X)

Exhibit P-18, Initial and Replenishment Spares and Repair Parts Justification
(Exhibit P-18, page 1 of 2)

Instructions - Exhibit P-18, Initial/Replenishment Spares Requirements

The purpose of this exhibit is to provide the funding requirements for the procurement of initial and replenishment spares and repair parts in support of end items of equipment and in support of modifications to existing end items of equipment where end items of equipment are being supported by procurement appropriations. A copy of this exhibit will be included in the budget justification book for the end item for the Budget Estimates Submission only.

Entries:

Column 1. Enter the budget Exhibit P 1 line item and end items of equipment for which the initial spares and repair parts are required.

Columns 3 through 13. Enter the total cost of the initial or replenishment spares and repair parts for each fiscal year displayed in support of the end items procured. Funding must be consistent with the P-1 and P-40 exhibits.

If some of the initial spares and repair parts are to be financed by the DWCF or for buy-out by a procurement appropriation, provide a memorandum entry to indicate the DWCF-financed portion or footnote accordingly.

Include the following information in the remarks block.

Procurement Requirement:

Funded Initial Spares.
Funded Replenishment Spares.
Funded Mobilization (War Reserve) Spares.
Total Funded.
Repair Turnaround time.

Exhibit P-20, Requirements Study

Exhibit P-20, Requirements Study			Appropriation (Treasury) Code/CC/BA/BSA/Item Control No		Date
P-1 Line Item Nomenclature (Include DODIC for Ammunition Items)			Admin Leadtime (after Oct 1): xx months		Prod Leadtime: xx months
Inventory Objective	Actual Training Expenditures	Other than Training Usage	Disposals (Vehicles/Other)	Vehicles Eligible for BY Replacement: 50	Aircraft: TOAI:

	PY FY	CY FY	BY FY
Quantity Budgeted	500	500	500
Unit Cost	.1	.1	.1
Total Cost	.5	.5	.5
Asset Dynamics			
Beginning Asset Position	500	545	545
Deliveries from all prior year funding	150	500	
Deliveries from CY funding			500
Deliveries from BY funding			
Deliveries from subsequent years' funding			
Other Gains	50	10	20
Combat Losses/Usage	0	0	0
Training Losses/Usage	-150	-500	-600
Test Losses/Usage	-5	-10	-5
Other Losses/Usage	0	0	0
Disposals/Retirements/Attritions/etc.			
End of Year Asset Position	**545**	**545**	**460**
Inventory Objective or Current Authorized Allowance	545	545	545

Assets Rqd for Combat Loads: 500	PY thru ____: 350	PY thru ____: 5	PY thru ____:: 50		PAA: TAI
WRM Rqmt: 500	PY-1: 450	PY-1: 4	PY-1: 40	Vehicle Augment: 50	Attrition Res:
Pipeline: 45	PY-2: 650	PY-2: 6	PY-2: 60		BAI
Other:	PY-3: 200	PY-3: 2	PY-3: 20		Inactive Inv:
TOTAL: 545					Storage:
REMARKS: For ammunition items, list all substitute items for the round.					

P-1 Line Item No X
(Page X of X)

Exhibit P-20, Requirements Study
(Exhibit P-20, page 1 of 4)

Instructions - Exhibit P-20, Requirements Study

1. Purpose. The purpose of this form is to provide detailed information with regard to the determination of asset availability and requirements.

2. Submission. The P-20 exhibit is required only for the Budget Estimates Submission (BES) for ammunition and weapons procurement accounts but can be used for other procurement accounts as determined by the Services and Defense Agencies. The P-20 exhibit is required for only those items costing $20.0 million or more in the budget year (BY).

3. Entries.

Leadtimes: Administrative leadtime is the amount of time after October 1 that is required to award a contract. Procurement leadtime is the amount of time from contract award until delivery of the first unit.

Quantity Budgeted. Show the quantities, unit cost, and funding approved for this program.

Asset Dynamics. This section will reflect the changing asset position starting with the assets on hand and adjusting for gains and losses. Tailor the entries to the program being represented.

Beginning Asset Position. Use the inventory position as of the end of the prior fiscal year or specify other date. As a memo entry in the remarks section, identify assets that are not in a serviceable condition.

Deliveries from all prior year funding and deliveries from CY and BY funding. Enter the quantity funded during all prior years that are not yet delivered. Show the deliveries or other gains in the fiscal year in which they will be received. The analyst can then compare these entries to the P-21 Production Schedule (deliveries and leadtimes).

Deliveries from subsequent years' funding. Enter the quantity in the appropriate fiscal year. The due-ins should match the P-21 Production Schedule and be reflective of the procurement leadtimes and planned delivery schedules to be included on the contract.

Other Gains. Quantity due in for loans to other Services, other receipts, etc.

Usage. Identify projected annual usage, disposals, retirements, etc. that are projected for each fiscal year. There should be some correlation of the projected usage to actual expenditures. For aircraft, usage equates to attrition, retirement, FMS sales, etc. For vehicles, usage equates to disposals (quantity of vehicles scheduled for disposal through sale, salvage or transfer to another agency).

End of Year Asset Position. Add the gains and subtract the losses from the beginning of the year asset position.

Exhibit P-20 Instructions (Continued)

Inventory Objective (IO). Identify the elements of the IO and the Approved Acquisition Objective, as applicable and approved through the Program Objective Memorandum process. For missiles, munitions, and munitions-related items, use the capabilities based munitions requirements process. Annotate in the Remarks block if the IO is different for any of the FYDP years. Cite the document and the date of the document that established the IO.

Actual Expenditures (for ammunition items). Identify actual expenditures for training and other than training for at least 3 years. For example, for the FY 2018 submission, FY 2017 will be the current year but no usage will have occurred. FY 2016 would be the Prior Year but data will probably not be available for the entire fiscal year prior to the submission. Therefore, show actual usage for FY 2016 through June 30, 2016 and the usage for 3 fiscal years (FY 2015 (Prior Year minus one, PY-1), FY 2014 (Prior Year minus two, PY-2), and FY 2013 (Prior Year minus three, PY-3)).

Authorized Allowances. Enter the authorized Vehicle allowances for units, installations, and activities supported by the appropriations of the service preparing the form. Replacement requirements will be excluded.

Vehicles Eligible for Replacement: Enter the quantity of vehicles eligible for replacement during the budget year funded leadtime based upon the age, repair limits and mileage criteria of DoD 4500.36-R, Acquisition, Management, and Use of DoD Non-Tactical Vehicles.

Vehicle Augmentation. Enter the quantity that represents an augmentation to the inventory. On a separate sheet, list the organizational units and quantities for each unit involved in the augmentation and include a full justification for the augmentation.

Aircraft. Include memo entries for each configuration of aircraft. Identify the acquisition objective determined by The Joint Staff (TJS) inventory category (see Chairman of the Joint Chiefs of Staff Instruction (CJCSI) 4410.01G, Standardized Terminology for Aircraft Inventory Management) for each FY. Explain the basis for the approved acquisition objective and identify the applicable requirements document and approval authority (e.g., TJS/Service) that provides the basis for the approved acquisition objective number.

Also each Service should submit documentation, by aircraft type, that provides the average age and average hours projected for the aircraft and the current age and hours. This documentation is required for all aircraft being procured and modified, as well as for the aircraft that are being replaced. Identify Active, National Guard and Reserve aircraft. Each Service may submit this documentation in formats currently used by each Service, as long as the above information is incorporated.

Entries should include: (1) total overall aircraft inventory; (2) active aircraft inventory, including primary aircraft inventory (with appropriate subcategories for mission aircraft, training aircraft, dedicated test aircraft, etc.), backup aircraft inventory, and attrition/reconstitution reserve; (3) inactive aircraft inventory, including bailment's, drones, foreign military sales or other transfers, leases, loans, maintenance training, reclamation, and storage; and (4) the Joint Staff approved inventory requirements.

Exhibit P-20, Requirements Study (Continued)

Not Installed Nonconsumables. Tailor the asset position to elements that pertain to this category. Include a brief explanation in the remarks block to explain why the entire quantity to meet the IO is not being procured. Include memo entries for those items that total to the entire program inventory objective. Where applicable, the IO will be supported by showing the number of units or activities, by type and quantity required per unit or activity. Example:

	Required
20 Units	40
30 Activities	60
Spares	10
Total IO	110

REMARKS: Identify any items that can be substituted and explain why substitutes cannot be used to satisfy the IO, why expenditures do not represent an accurate portrayal of usage, and any other anomalies.

Exhibit P-21, Production Schedule

Exhibit P-21, Production Schedule																			Date											
Appropriation (Treasury) Code/CC/BA/BSA/Item Control No																	Weapon System		P-1 Line Item Nomenclature											
								PRODUCTION RATE					PROCUREMENT LEADTIMES																		
Item		Manufacturer's Name and Location						MSR		ECON		MAX	ALT Prior to Oct 1		ALT After Oct 1		Initial Mfg PLT		Reorder Mfg PLT		Total		Unit of Measure							
List each end item																														
							Fiscal Year												**Fiscal Year**											
							Calendar Year												**Calendar Year**											
ITEM	FY	SVC	QTY	DEL	BAL	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	BAL
5.56	94	A	.5	.2	.3	.1	.1	.1																						
	95	A	.5	0	.5									.1	.1	.1	.1	.1												
	96	A	.5	0	.5																			.1	.1	.1	.1	.1		
	94	M	.5	0	.5				.1	.1	.1	.1	.1																	
	95	M	.5	0	.5														.1	.1	.1	.1	.1							
	96	M	.5	0	.5																								.1	.4
	96	F	.5	0	.5																									.5
							Fiscal Year												**Fiscal Year**											
							Calendar Year												**Calendar Year**											
ITEM	FY	SVC	QTY	DEL	BAL	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	BAL
5.56	94	A	.5	.2	.3	.1	.1	.1																						
	95	A	.5	0	.5									.1	.1	.1	.1	.1												
	96	A	.5	0	.5																			.1	.1	.1	.1	.1		
	95	M	.5	0	.5														.1	.1	.1	.1	.1							
	96	M	.5	0	.5																								.1	.4
REMARKS: Use continuation pages as necessary to complete all procurements. If only one component or item is being delivered, show deliveries on one page.																														

P-1 Line Item No X

Exhibit P-21, Production Schedule
(Exhibit P-21, page 1 of 3)

Instructions - Exhibit P-21, Production Schedule

1. Purpose. The purpose of this exhibit is to provide detailed information with regard to the monthly production of all applicable items.

*2. Submission. Exhibit P-21 will be submitted to show the planned contractual production deliveries for Exhibit P-5 cost elements that have a value of $5.0 million or more in the budget year (BY). Exhibit P-5 cost elements that have a value of less than $5.0 million in the BY will not submit Exhibit P-21. Each Service, whether a leader or follower, is to provide the delivery schedule for the entire program. This ensures that each Service has the opportunity to adjust procurement quantities in terms of contractor capability to deliver all assets during the funded delivery period.

3. Entries.

a. Entries will be displayed in the same order as they appear on the Exhibit P-5 Cost Analysis.

b. Use "E" for "each," "M" for "millions" and "K" for "thousands" for unit of measure.

c. Production rates should be yearly rates. The following definitions apply.

Minimum Sustaining Rate. This is the production rate that is necessary to keep production lines open while maintaining a base of responsive vendors and suppliers; the quantity that will preclude start-up costs in the case of a production break; or the quantity that the contractor is willing to accept and produce at a reasonable cost

Economical Production Rate. This is the most efficient production rate for each budget year at which the item can be produced with existing or planned plant capacity and tooling, with 1 shift a day running for 8 hours a day and 5 days a week (1-8-5).

Maximum Production Rate. This is the maximum capacity rate that a contractor can produce with extant or PY planned tooling. Indicate the number of shifts.

d. The following leadtime definitions apply.

Administrative Leadtime (ALT). This is the amount of time required to complete the administrative actions leading to contract award. Since these actions do not require funding, the ALT can be separately identified into prior to October 1 and after October 1. The ALT is used to forecast contract awards. Longer leadtimes require that a larger quantity be purchased to support yearly requirements. Leadtimes should therefore reflect an accurate assessment of the time required to process the administrative actions.

Production Leadtime (PLT). This is the amount of time required by a contractor to produce an item once a contract is awarded. Leadtimes should be based on a realistic projection of a contractor’s capability.

Exhibit P-21 Instructions (Continued)

Procurement Leadtime. This is the total of ALT (post October 1) and PLT.

e. Where procurements are being made for customers such as the FMS program or another Service, a separate line will be used to reflect each customer's planned buy and phased deliveries with a total provided by item by manufacturer. Use A for Army, N for Navy, AF for Air Force, F for FMS, and O for Other (and explain in the remarks section).

f. Enter respective schedules for all prior fiscal years with undelivered assets, for CY, and BY. Show detail of production by month so that analysis can be accurately performed.

g. Missile Delivery Schedule. A separate P-21 exhibit will be prepared for each missile system reflecting the latest actual deliveries and scheduled outyear requirements. When the missile system includes the procurement of fire units or launching systems within the P-1 line item, the missiles and the major components of the fire unit or launching system (launcher, launch control center, radar set, track vehicle) will be depicted on the P-21 exhibit.

h. Ammunition. The total production plan for hardware items should be displayed to include time-phased schedules for LAP and the major limiting or pacing component as applicable. For Improved Conventional Munitions, display schedules for all major components. Provide separate information in those cases where procurement leadtimes for LAP and major components differ.

(Exhibit P-21, page 3 of 3)

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Exhibit P-25, Production Support and Industrial Facilities Cost Analysis

Exhibit P-25, Production Support and Industrial Facilities Cost Analysis					Date					
Appropriation (Treasury) Code/CC/BA/BSA/Item Control Number					P-1 Line Item Nomenclature and Project Number					
Project Title/Type					End Item Supported Model					
Project Number			Annual Capacity Before Project (1-8-5)		Annual Capacity after Project (1-8-5)					
ELEMENT OF COST	PY FY	CY FY	BY FY		Facility Name: _____ Location: _____ Type: (GOGO, GOCO, COCO): _____					
Construction										
Equipment										
Equipment					Related Projects					
Equipment					Project # and Title	FY & Appn	Value	Facing	Start Date	Compl Date
Equipment										
Equipment Install										
Contract Support										
Corps of Engrs										
Other										
Total Fac Costs										
Other-Prove-out										
MILCON					Principal Milestones			Month & Year		
					Concept Design Complete:			_____		
					Final Design Complete:			_____		
					Initial/Final Project Award:			_____		
					Construction Complete:			_____		
					Equipment Installation Complete:			_____		
					Prove out begins:			_____		
					Prove out completes:			_____		
Narrative Explanation										

P-1 Shopping List - Item No 20-1 of 20-20

Exhibit P-25, Production Support and Industrial Facilities Cost Analysis
(Exhibit P-25, page 1 of 2)

Instructions - Exhibit P-25 Production Support and Industrial Facilities Cost Analysis

The P-25 exhibit will be used to display costs for each funded production facilities project at all government owned, government operated (GOGO) and government owned, contractor operated (GOCO) facilities. In addition the exhibit will display the costs associated with a facilities project for those government owned lines that are located at contractor owned, contractor operated (COCO) facilities. The cost categories on the P-25 exhibit represent a number of elements and the list should be tailored to adequately depict the production facility project cost. This exhibit is to be submitted only when funding for production support and facilities is part of the current year budget or requested for the budget year. The sections on the P-25 exhibit are to be completed as follows.

Entries:

Construction Cost. The Construction Cost depicts the cost for construction that is funded in this line. If construction funds are required that are programmed in another appropriation, these funds and the associated amount should be identified in the Other Costs section.

Equipment Cost. The Equipment Cost identifies the cost for individual equipment (list separately) costing more than $0.5 million and a cumulative cost line for all equipment costing less than $0.5 million.

Equipment Installation Cost. The Equipment Installation Cost identifies the cost to install all the equipment listed.

Contractor Support Cost. The Contractor Support Cost identifies any cost for contractor support included in the production facility project.

Corps of Engineers Support Cost. The Corps of Engineers Support Cost identifies any cost for the Corps of Engineers support included in the production facility project.

Other In-house Support Cost. Should identify any cost for other in-house support (excluding the Corps of Engineers support costs) included in the production facility project.

Other Cost. The Other Cost reflects other costs associated with the project such as facility prove-out cost, military construction appropriation costs, etc.

Facility. The Facility specifies the name, location, and type of facility.

Related Projects. The Related Projects include prior year and outyear funding required to complete the project.

Industrial Facilities - Provide specific line item identification for each project. Group projects under each appropriate subclassification, such as facility expansion, machine tool replacement, etc.

A DD Form 1391, Military Construction Project Data, is required for each project for proposed construction, alteration, expansion, or modernization of government owned facilities.

A Service-generated or Defense Agency-generated exhibit can be used in lieu of this exhibit as long as it includes all the information required by this exhibit.

(Exhibit P-25, page 2 of 2)

Exhibit P-27, SCN - Ship Production Schedule

Exhibit P-27, SCN - Ship Production Schedule				Date	
Appropriation (Treasury) Code/BA/BSA				P-1 Line Item Number	
Ship	Shipbuilder	Fiscal Year	Contract Award	Start of Construction	Delivery Date
Description					

Exhibit P-27, SCN - Ship Production Schedule
(Exhibit P-27, page 1 of 2)

Instructions - Exhibit P-27, SCN – Ship Production Schedule

Purpose. The purpose of this exhibit is to provide information concerning production of ships authorized for construction, but not yet delivered, and for each ship programmed for construction in the Future Years Defense Program (FYDP).

General. This exhibit will be prepared for all Ship Construction, Navy (SCN) programs for which ship construction funds are requested in the P-1 exhibit. Ships will be listed in chronological order by the year authorized, then date of contract award, and then by start of construction.

Entries:

Heading. Insert Appropriation, Budget Activity, and identification code (as identified on the Exhibit P-1 generated from the OSD PRCP database) in the appropriate block. Insert the Exhibit P-1 line item title and add after the title the subhead number for the line item in parenthesis.

Ship. Identify each individual ship by Ship Class and hull number (e.g., SSN 792, CVN 79) that has previously been authorized for construction, but has not yet delivered, and each ship that is programmed for construction in the FYDP.

Shipbuilder. Identify the shipbuilder(s) for each ship.

Fiscal Year. List the year funds were appropriated or are programmed for each ship.

Contract Award. Enter the month and year of the shipbuilding contract award (actual or planned) using "MMM YYYY" format (e.g., Dec 2017).

Start of Construction. Enter the month and year that construction began/is scheduled to begin using "MMM YYYY" format.

Delivery Date. Enter the month and year each ship is planned to deliver using "MMM YYYY" format.

Exhibit P-29, SCN Outfitting Costs

Exhibit P-29, Shipbuilding and Conversion (SCN) Outfitting Costs						Date:									
Appropriation (Treasury) Code/BA/BSA						P-1 Line Item Nomenclature									
Ship Class	Hull No	Prog Year	Contract Award	Start of Construction	Delivery Date	CFO Date	PSA Start	PSA Finish	OWL Date	Prior Years	PY	CY	BY	To Complete	Total
Comments															

P-1 Line Item No X

Instructions - Exhibit P-29, SCN – Outfitting Costs

Purpose. The purpose of this exhibit is to provide detailed information concerning Outfitting funds for ships authorized for construction, but not yet delivered, and for each ship programmed for construction in the Future Years Defense Program (FYDP).

General. This exhibit will be prepared for all Ship Construction, Navy (SCN) programs for which ship Outfitting funds are requested. Outfitting funds are used to acquire on board repair parts, other secondary items, equipage, recreation items, pre-commissioning crew support and general use consumables furnished to the shipbuilder or the fitting-out activity to fill the ship's initial allowances as defined by the baseline coordinated shipboard allowance list (COSAL). Outfitting funds are also budgeted for contractor-furnished spares, at lead-time away from delivery. The SCN funding for the initial fill of allowance list items are limited to those items on the COSAL and authorized requirements through the Obligation Work Limiting Date (OWLD). While most outfitting funds are executed prior to ships' completion of fitting out dates, some outfitting funding may be required in the fiscal year following the scheduled Delivery Date.

Ships will be listed by Ship Class, then in chronological order by the year authorized, then date of contract award, and then by start of construction.

Entries:

Heading. Insert Appropriation, Budget Activity, and identification code (as identified on the Exhibit P-1 generated from the OSD PRCP database) in the appropriate block. Insert the Exhibit P-1 line item title and add after the title the subhead number for the line item in parenthesis.

Ship Class and Hull Number. Identify each individual ship by Ship Class and hull number (e.g., SSN 792, CVN 79) that has previously been authorized for construction, but has not yet delivered, and each ship that is programmed for construction in the FYDP.

Program Year. List the year ship construction funds were appropriated or are programmed for each ship.

Contract Award. Enter the month and year of the shipbuilding contract award (actual or planned) using “MMM YYYY” format (e.g., Dec 2017).

Start of Construction. Enter the month and year that construction began/is scheduled to begin using “MMM YYYY” format.

Delivery Date. Enter the month and year each ship is planned to deliver using “MMM YYYY” format.

Completion of Fitting Out (CFO). Enter the month and year each ship is planned to complete fitting out using “MMM YYYY” format.

Post-Shakedown Availability (PSA) Start. Enter the month and year each ship is planned to begin PSA using “MMM YYYY” format.

PSA Finish. Enter the month and year each ship is planned to finish PSA using “MMM YYYY” format.

Obligation Work Limiting (OWL) Date. Enter the OWLD for each ship using "MMM YYYY" format.

Funding. Enter Outfitting funding for each ship. Annual funding will be provided in the Prior Year (PY), Current Year (CY) and Budget Year (BY) columns only. Total Outfitting funding received in all fiscal years before the Prior Year (PY) will be entered in the Prior Years column. All Outfitting funds programmed in the FYDP years (i.e., BY+1 through BY+4) will be entered in the To Complete column. The total Outfitting cost for each ship will be entered in the Total column.

(Exhibit P-29, page 3 of 3)

Exhibit P-30, SCN Post Delivery Costs

Exhibit P-30, Shipbuilding and Conversion (SCN) Post Delivery Costs							Date:							
Appropriation (Treasury) Code/BA/BSA							P-1 Line Item Nomenclature							
Ship Class	Hull No	Prog Year	Contract Award	Start of Construction	Delivery Date	CFO Date	PSA Start	PSA Finish	OWL Date	Prior Years	PY	CY	BY	To Complete	Total
Comments															

P-1 Line Item No X

Instructions - Exhibit P-30, SCN – Post Delivery Costs

Purpose. The purpose of this exhibit is to provide detailed information concerning Post Delivery funds for ships authorized for construction, but not yet delivered, and for each ship programmed for construction in the Future Years Defense Program (FYDP).

General. This exhibit will be prepared for all Ship Construction, Navy (SCN) programs for which ship Post Delivery funds are requested. Post Delivery funding covers the fixing of government-responsible items which were believed to have been complete to standard and/or operable at delivery, as well as funding to conduct tests and trials after delivery. The Post Shakedown Availability (PSA) is a shipyard availability assigned to commence after delivery and to be completed prior to the expiration of the SCN Obligation Work Limiting Date (OWLD). Funding is used for corrections authorized by the ship's Program Manager as a result of builders' trials (pre-delivery), acceptance or underway trials, final contract trials, trial board items, and correction of production-related defects or deficiencies which develop during the post delivery period. Although the majority of post-delivery funding occurs after ships' delivery dates, some funding is required prior to the delivery date in preparation for post-delivery events.

Ships will be listed by Ship Class, then in chronological order by the year authorized, then date of contract award, and then by start of construction.

Entries:

Heading. Insert Appropriation, Budget Activity, and identification code (as identified on the Exhibit P-1 generated from the OSD PRCP database) in the appropriate block. Insert the Exhibit P-1 line item title and add after the title the subhead number for the line item in parenthesis.

Ship Class and Hull Number. Identify each individual ship by Ship Class and hull number (e.g., SSN 792, CVN 79) that has previously been authorized for construction, but has not yet delivered, and each ship that is programmed for construction in the FYDP.

Program Year. List the year ship construction funds were appropriated or are programmed for each ship.

Contract Award. Enter the month and year of the shipbuilding contract award (actual or planned) using “MMM YYYY” format (e.g., Dec 2017).

Start of Construction. Enter the month and year that construction began/is scheduled to begin using “MMM YYYY” format.

Delivery Date. Enter the month and year each ship is planned to deliver using “MMM YYYY” format.

Completion of Fitting Out (CFO). Enter the month and year each ship is planned to complete fitting out using “MMM YYYY” format.

Post-Shakedown Availability (PSA) Start. Enter the month and year each ship is planned to begin PSA using “MMM YYYY” format.

PSA Finish. Enter the month and year each ship is planned to finish PSA using “MMM YYYY” format.

Obligation Work Limiting (OWL) Date. Enter the OWLD for each ship using "MMM YYYY" format.

Funding. Enter Post Delivery funding for each ship. Annual funding will be provided in the Prior Year (PY), Current Year (CY) and Budget Year (BY) columns only. Total Post Delivery funding received in all fiscal years before the Prior Year (PY) will be entered in the Prior Years column. All Post Delivery funds programmed in the FYDP years (i.e., BY+1 through BY+4) will be entered in the To Complete column. The total Post Delivery cost for each ship will be entered in the Total column.

(Exhibit P-30, page 3 of 3)

Exhibit P-35, Major Ship Component Fact Sheet

Exhibit P-35, Major Ship Component Fact Sheet
(TOA, $ in Millions)

Ship Type - (SSN-21) Equipment Item - (AN/BSY-2 Combat System) PARM Code - (NAVSEA PMS XXX)

Description/Characteristics/Purpose:

Current Funding	FY 20PY		FY 20CY		FY 20BY			
Major Hardware	Hull	Total FY	Hull	Total FY	Hull	Total FY	Hull	Total FY
Hardware								
Warranty								
Battle Spare/Trainer								
GFE								
Ancillary Equipment								
Test Equipment								
Shipping and Installation Fix								
Technical Data and Documentation								
Spares								
Installation & Checkout								
Installation & Sup Spt								
System Engineering								
Technical Engineering Services								
Contract Field Services								
Govt Field Services								
Other Costs (List separately)								
Other Costs								

Contract Data (major hardware)	Prime Contractor	Contract Award Date (indicate if estimated)	Contract Type	New/Option	Contract Qty	Contract Hardware Unit Cost
PY						
CY						
BY						

Delivery Data	Earliest Ship Delivery Date	Months Required before Delivery	Production Leadtime	Required Award Date
PY				
CY				
BY				

V. Competition/Second-Source Initiatives:

P-1 Line Item No X

Exhibit P-35, Major Ship Component Fact Sheet
(Exhibit P-35, page 1 of 2)

Instructions - Exhibit P-35, Major Ship Component Fact Sheet

Item: A separate sheet is to be submitted for each component having a unit cost of $3.0 million or more.

Description/Characteristics/Purpose. Self-explanatory.

Current Funding. The cost details will be provided for each ship type for which equipment is being procured on a hull basis for the prior year (PY), current year (CY), and budget year (BY).

Identify estimates on an end item cost basis. If equipment was procured in a prior year with advance procurement funds, it should be reflected on the exhibit next to the end cost estimates in parenthesis. The equipment costs in this section of the exhibit will include the building block elements listed below:

Major Hardware
Ancillary Equipment
Technical Data and Documentation
Spares
System Engineering
Technical Engineering Services
Other Costs

Major hardware costs in excess of $20 million must be broken down into sub-element hardware components that comprise the equipment cost estimate included on the P-5a cost analysis.

Contract Data. This section will be prepared for major hardware procurement. The exhibit will include the contract plans for the BY, the planned or actual contract information for the current year (CY) and the actual information for the last buy prior to the current year. The last buy should be included even though it is two or more years prior to the current year. The following codes should be used for indicating contract types: Fixed Price Incentive (FPI); Cost Plus Incentive Fee (CPIF); Fixed Price (FP); Sole Source (SS); and Competitive (C). Indicate whether it is a new contract or an option to an existing contract. Also indicate estimated or actual award dates and item delivery dates. List quantities for each fiscal year and the production leadtime associated for each type of equipment.

Delivery Data. This section should indicate delivery plans for BY, CY and Prior Year (PY) programs contained in Section II of this exhibit. The required award date entry is determined by subtracting the months required before delivery and production leadtime from the earliest ship delivery date.

Competition/Second Source Initiatives. Describe any competition or second source initiatives associated with major hardware items.

Exhibit P-40, Budget Item Justification

Exhibit P-40, Budget Item Justification							Date					
Appropriation (Treasury) Code/CC/BA/BSA/Item Control Number							P-1 Line Item Nomenclature					
Program Element for Code B Items:							Other Related Program Elements					
	ID Code	Prior Years	PY FY	CY FY	BY FY		BY+1 FY	BY+2 FY	BY+3 FY	BY+4 FY	To Complete	Total
Proc Qty												
Gross Cost												
Less PY Adv Proc												
Plus CY Adv Proc												
Net Proc (=P-1)												
Initial Spares												
Total Proc Cost												
Flyaway U/C												
Wpn Sys Proc U/C												
Description (Use continuation pages, as necessary)												

P-1 Line Item No X
(Page X of X)

Exhibit P-40, Budget Item Justification
(Exhibit P-40, page 1 of 4)

Instructions - Exhibit P-40, Budget Item Justification

1. Purpose. The purpose of this exhibit is to provide overall narrative justification and total procurement costs for each P-1 line item. Include all advance procurement, initial spares and repair parts for acquisition category 1 programs.

* 2. Submission. A separate P-40 exhibit will be submitted to support each P-1 line item with funding of $5.0 million or more in the budget year (BY) or $5.0 million or more in either the Prior Year (PY) or Current Year (CY). Funding will be provided for all years displayed on the P-40 exhibit for all programs for both the program and budget review submission and the President's budget submission. If the prior years and to complete data are not relevant (i.e., items have a continuing requirement such as vehicles or ammunition), then leave those fields blank. In order to ensure compliance with the Department's policy to fully fund procurement programs, exhibits must reflect all costs and quantities from prior years through to complete for those programs buying a finite quantity. Note: for non- Major Defense Acquisition Programs (MDAPs)/Major Automated Information Systems (MAIS) programs with a funding value less than $5.0 million, only the P-40 exhibit is required. No other budget exhibits will be submitted for programs with a funding level less than $5.0 million in the BY. MDAP/MAIS programs must submit all required budget exhibits if a P-40 exhibit is required.

3. Entries.

a. Enter the applicable information that identifies the appropriation number and title, budget activity, procurement line item number, and serial number (the combination of these codes should match the procurement annex). Include the P-1 line item title (must be identical to what is shown in PRCP for that line item) and identify nicknames in parenthesis. Identify the program element for all Code B items shown on the P-5. Also list all other Program Elements associated with this procurement.

b. Funding will be presented for all Prior Years before the current prior year (i.e., PY-1, PY-2, PY-3, etc.), the Prior Year, the Current Year, the Budget Year, the FYDP years, to complete, and total on all line items having a finite quantity requirement. It is not relevant to show funding or quantities for items that are continuing requirements such as ammunition or non-tactical vehicles. It is relevant to show funding for all fiscal years for items being procured to specified quantity, such as aircraft, missiles, tactical vehicles, or modifications. The funding should agree with the funding approved in the FYDP Procurement Annex. Omit line items that do not apply (for example, ammunition items would not include an initial spares line).

c. Procurement programs that include funding for National Guard and Reserve Components will list Secondary Distribution to Active, National Guard, and Reserve Components, as applicable. Secondary Distribution will include quantity and funding for each component for the Prior Year, the Current Year, the Budget Year, and the FYDP years. This data must match submission to the PRCP data base.

d. A complete narrative description of the line item will be provided. The description will include, but not be limited to, the nature, purpose and intended use of the item with sufficient depth of information to serve as a justification for funding.

e. If the item is a Code B item, provide the month and calendar year, actual or projected, for each applicable Developmental Test & Evaluation (DTE), Initial Operational Test & Evaluation (IOT&E), Operational Test & Evaluation (OTE), and technical data package (TDP) or performance specification milestone date. The TDP is assumed to be the date when all data necessary to initiate the procurement is available. Also provide the planned date for type classification as Standard or Alternate Standard (Army and Air Force) or approved by the Chief of Naval Operations (CNO) or other responsible official (Navy). Provide the nomenclature and model number of each item (as applicable) that will be replaced, as well as the comparative information in definitive terms with units of measure such as range, speed, cycle rate, meantime before failure, useful life, etc. Enter a brief but specific discussion of pertinent test results and development effort to date (i.e., successful firings, slippages, test failures, cost overruns, etc.).

f. For those programs that include advance procurement funds that support more than just the next or one subsequent FY program, specific FY detail needs to be provided to identify which FY programs are supported by prior year advance procurement. Advance procurement should be debited and credited according to the leadtimes of the advance procurement. For instance, if FY *2015* and FY *2016* Advance Procurement funds are required for a FY *2017* procurement, the FY *2015* Advance Procurement funds would be debited in FY *2015*, the FY *2016* Advance Procurement funds would be debited in FY *2016*, and the total of the FY *2015* and FY *2016* Advance Procurement funds would be credited in FY *2017*.

Advance Procurement

FY TOA	**FY *2015***	**FY *2016***	**FY *2017***	**FY *2018***	**FY *2019***	**FY *2020***
FY *2015* for FY *2017* (memo)	*.x*					
FY *2016* for FY *2017* (memo)		*.x*				
FY *2016* for FY *2018* (memo)		*x*				
FY *2017* (memo)			*-.x*			
FY *2017* for FY *2018* (memo)			*.x*			
FY *2017* for FY *2019* (memo)			*.x*			
FY *2018*(memo)				*-x*		
FY *2018* for FY 2019 (memo)				*x*		
FY *2018* for FY 2020 (memo)				*x*		
FY *2019*(memo)					*-x*	
FY *2019* for FY 2020 (memo)					*x*	
FY *2019* for FY 2021 (memo)					*x*	
FY *2020*(memo)						*-x*
FY *2020* for FY 2021 (memo)						*x*
FY *2020* for FY 2022 (memo)						*x*

(Exhibit P-40, page 3 of 4)

Instructions Exhibit P-40, Budget Item Justification (Continued)

4. Specific Guidance by Program Type.

a. Shipbuilding and Conversion, Navy Programs. Include the following information:

Mission
Characteristics (hull length overall, beam, displacement, draft)
Armament
Major Electronics
Production status, by hull
- Contract Award Planned (Month/Year)
- Months to Complete
  - a) Award to Delivery
  - b) Construction
- Start to Delivery
- Delivery Date
- Completion of Fitting Out
- Obligation Work Limiting Date (OWLD)

The P-40 exhibit must list all Service and Other Small Craft Items by types and provide funding for all years still being executed.

b. Modification Programs. For procurement modification programs the P-40 exhibit shall include the following information; a complete narrative description of the weapon system, its overall mission, number of aircraft in the inventory (include a breakout by Active, National Guard and Reserve), the designed service life, and the average service life remaining. The exhibit will, just below the narrative, include the specific modifications budgeted and programmed displayed in the format provided below:

Mod/	Total	(TOA, $ in Millions)			
OSIP No.	Title	PYs	PY	CY	BY

Mod/OSIP No. Enter the modification number as applicable. List each modification on the aircraft P-40 exhibit. All P-3a exhibits must be included in the budget backup book in this numerical order.

Exhibit P-40a, Budget Item Justification for Aggregated Items

Exhibit P-40a, Budget Item Justification for Aggregated Items														Date					
Appropriation (Treasury) Code/CC/BA/BSA/Item Control Number							P-1 Line Item Number							Aggregated Items Title					
Item Number/Title [DODIC]	ID Code	Prior Years			Past Year			Current Year			Budget Year			Budget Year OCO			Budget Year Total		
		Unit Cost	Qty	Total Cost	Unit Cost	Qty	Total Cost	Unit Cost	Qty	Total Cost	Unit Cost	Qty	Total Cost	Unit Cost	Qty	Total Cost	Unit Cost	Qty	Total Cost

Instructions - Exhibit P-40a, Budget Item Justification for Aggregated Items

1. Purpose. The purpose of this exhibit is to provide the quantities and funding covering the procurement programs included in aggregated P-1 line items such as "Items Less Than $5.0 million." A P-5 exhibit is not required for items included on a P-40a exhibit.

2. Entries.

a. Enter the applicable information that identifies the appropriation, budget activity, and title. There should be no Code B (not approved for service use) items on the P-40a exhibit. If an item is a Code B item, however, the item must be listed as separate line items in the P-1, P-5 and P-40 exhibits.

b. Unit Cost, Quantity and Total Cost will be presented for all Prior Years, Prior Year (PY), Current Year (CY), Budget Year (BY). The funding should agree with the funding approved in the FYDP Procurement Annex.

Exhibit MYP-1, Multiyear Procurement Criteria Content

Date: _____

Exhibit MYP-1, Multiyear Procurement Criteria Content

Program_____

1. Multiyear Procurement Description.
2. Benefit to the Government.
   a. Substantial Savings
   b. Stability of Requirement
   c. Stability of Funding
   d. Stable Configuration
   e. Realistic Cost Estimates
   f. National Security
3. Source of Savings — $ in Millions

Source of Savings	$ in Millions
Inflation	
Vendor Procurement	
Manufacturing	
Design/Engineering	
Tool Design	
Support Equipment	
Other	
Total	

P-1 Line Item No X
(Page X of X)

Exhibit MYP-1, Multiyear Procurement Criteria
MYP, page 1 of 8

Exhibit MYP-1, Multiyear Procurement Criteria Content

Exhibit MYP-1, Multiyear Procurement Criteria Content (Continued)

Program_____

4. Advantages of the MYP

5. Impact on Defense Industrial Base

6. Multiyear Procurement Summary — Annual Contracts — Multiyear Contract

Quantity		
Total Contract Price		
Cancellation Ceiling (highest point)		
Funded		
Unfunded		
$ Cost Avoidance Over Annual		
% Cost Avoidance Over Annual		

P-1 Line Item No X

Exhibit MYP-2, Total Program Funding Plan

Exhibit MYP-2, Total Program Funding Plan						Date				
Appropriation (Treasury) Code/CC/BA/BSA/Item Control No						P-1 Line Item Nomenclature				
	PY	BY	BY +1	BY +2	BY +3	BY+4	BY +5	BY +6	BY +7*	Total
Procurement Quantity										
Annual Procurement										
Gross Cost										
Less PY Adv Procurement										
Net Procurement (= P-1)										
Plus CY Adv Procurement										
Weapon System Cost										
Multiyear Procurement										
Gross Cost (P-1)										
Less PY Adv Procurement										
Net Procurement (= P-1)										
Advance Procurement										
For BY	*xx.x*									*xx.x*
For BY +1		*xx.x*	*xx.x*							*xxx.x*
For BY +2		*xx.x*	*xx.x*	*xx.x*						*xxx.x*
For BY +3		*xx.x*	*xx.x*	*xx.x*	*xx.x*					*xxx.x*
Plus CY Adv Procurement	*xx.x*	*xxx.x*	*xxx.x*	*xx.x*	*xx.x*					*xxx.x*
Weapon System Cost										
Multiyear Savings ($)										
Multiyear Savings (%) (total only)										
Cancellation Ceiling -Funded										
Cancellation Ceiling -Unfunded										
Outlays										
Annual										
Multiyear										
Savings										
Remarks.										

P-1 Line Item No X

Exhibit MYP-2, Total Program Funding Plan
MYP, page 3 of 8

Exhibit MYP-3, Contract Funding Plan

Exhibit MYP-3, Contract Funding Plan					Date					
Appropriation (Treasury) Code/CC/BA/BSA/Item Control No					P-1 Line Item Nomenclature					
	PY	BY	BY +1	BY +2	BY+3	BY +4	BY +5	BY +6	BY +7*	Total
Procurement Quantity										
Annual Procurement										
Gross Cost										
Less PY Adv Procurement										
Net Procurement (= P-1)										
Plus CY Adv Procurement										
Contract Price										
Multiyear Procurement										
Gross Cost (P-1)										
Less PY Adv Procurement										
Net Procurement (= P-1)										
Advance Procurement										
For BY	*xx.x*									*xx.x*
For BY +1		*xx.x*	*xx.x*							*xxx.x*
For BY +2		*xx.x*	*xx.x*	*xx.x*						*xxx.x*
For BY +3		*xx.x*	*xx.x*	*xx.x*	*xx.x*					*xxx.x*
Plus CY Adv Procurement	*xx.x*	*xxx.x*	*xxx.x*	*xx.x*	*xx.x*					*xxx.x*
Contract Price										
Multiyear Savings ($)										
Multiyear Savings (%) (total only)										
Cancellation Ceiling -Funded										
Cancellation Ceiling -Unfunded										
Outlays										
Annual										
Multiyear										
Savings										
Remarks. Explain assumptions (outlay rate, contractor termination liability, other - explain what's behind the numbers).										

P-1 Line Item No X

Exhibit MYP-4, Present Value Analysis

Exhibit MYP-4 Present Value Analysis						Date				
Appropriation (Treasury) Code/CC/BA/BSA/Item Control No						P-1 Line Item Nomenclature				
	PY	BY	BY +1	BY +2	BY +3	BY +4	BY +5	BY +6	BY +7	Total
Annual Proposal										
Then Year Cost										
Constant Year Cost										
Present Value										
Multiyear Procurement										
Then Year Cost										
Constant Year Cost										
Present Value										
Difference										
Then Year Cost										
Constant Year Cost										
Present Value										
Remarks Explain assumptions (outlay rate, contractor termination liability, other - explain what's behind the numbers).										

P-1 Line Item No X

Instructions - Exhibit Multiyear Procurement

1. Provide a narrative justification (MYP-1 Multiyear Procurement Criteria) for all proposed multiyear procurements candidates regardless of costs. Exhibits MYP-1, MYP-2 Total Program Funding, MYP-3 Total Contract Funding and MYP-4 Present Value Analysis will be included for all MYP candidate systems in the Program Budget Review submission. The President's Budget request will include a P-5a MYP-annotated entry for those multiyear programs not requiring congressional authorization and appropriation language and exhibits. Exhibits MYP-1 through MYP-4 are required for all multiyear candidate systems for which any of the following is true:

a. The anticipated multiyear procurement contract is $500 million or greater.

b. There are economic order quantity (EOQ) procurements in excess of $20 million in any one year.

c. There are EOQ procurements in advance of an MYP contract in excess of $20 million in any one year.

d. There will be an unfunded contingent liability in excess of $20 million in any one year.

e. The procurement quantities of a previously approved MYP have been adjusted.

2. Detailed instructions for filling out MYP exhibits are published in SNaP on the home page of the SNaP-Multiyear Procurement (MYP) application.

3. If a system proposed for a multiyear contract includes more than one P-1 line item, prepare combined MYP-1 and MYP-2 exhibits. Prepare separate exhibits for the remaining MYP exhibit formats. All the exhibits associated with the system will be combined in one package, and submitted in numerical order MYP-1, MYP-2, MYP-3[1], MYP-3[2], etc.

4. If multiple MYPs are proposed for components of the same P-1 line item, prepare a separate set of exhibits for each component. Note that the MYP-3 will be the same in each package.

5. If a joint Service program is proposed for multiyear procurement, the executive Service is responsible for submission of all multiyear exhibits and the congressional authorization language.

6. Provide the narrative description in sufficient detail to define the multiyear procurement, i.e., this multiyear procurement will procure "x" number of units over "x" number of fiscal years by using one (or more) multiyear contract.

7. Describe in detail the benefit to the government of the MYP. The process of deciding to use or not to use a multiyear procurement (MYP) for production programs as well as how best to tailor and structure the MYP requires management judgment. A MYP should yield substantial cost avoidance or other benefits when compared to conventional annual contracting methods. Any MYP alternatives with greater risk to the government should demonstrate increased cost avoidance or other benefits over those with lower risk. Savings can be defined as significant either in terms of dollars or percentage of total costs. Detailed descriptions of benefits justifying the MYP should cover the following: Substantial Savings, Stability of Requirements, Stability of Funding, Stable Design, Realistic Cost Estimates, and National Security.

8. Identify the Substantial Savings detailing the sources of savings to include, as appropriate, inflation, vendor procurement, manufacturing, design/engineering, tool design, and support equipment. Each identified source of savings must include a narrative description of the specific savings, an estimate for that specific source and how the estimate was derived. The sum of the detailed sources should equal the total savings.

9. The narrative justification for Stability of Requirement must contain the statement that "the minimum need for the property to be purchased is expected to remain substantially unchanged during the contemplated contract period in terms of production rate, procurement rate, and total quantities." The item should be technically mature, have completed RDT&E (including development testing, or equivalent) and Initial Operational, Test and Evaluation (IOT&E), with relatively few changes in item design anticipated. Deliveries of production items will indicate that the underlying technology is stable. This does not mean that changes will not occur but that the estimated cost of such changes is not anticipated to drive total costs beyond the proposed funding profile.

10. Identify the advantages the MYP will achieve and how they will achieve them. These advantages include: production of items in economic order quantities, thereby resulting in lower costs; enhancement of standardization; reduction of administrative burden in the placement and administration of contracts; substantial continuity of production or performance, thus avoiding annual startup costs, pre-production testing costs, make-ready expenses, and phase-out costs; stabilization of contractor and subcontractor work forces; avoiding the need to establish quality control techniques and procedures for a new contractor each year; broadening the competitive base with opportunity for participation by firms not otherwise willing or able to compete for lesser quantities, particularly in cases involving high startup costs; providing incentives to contractors to improve productivity through investment in capital facilities, equipment, and advanced technology; enhancing partnering efforts between contractors/government and prime contractor/subcontractor; providing stable environment; and enhancing best commercial practices.

11. Exhibit MYP-2, Total Program Funding Plan, will compare the funding for the annual proposal and the multiyear proposal and Exhibit MYP-3, Total Contract Funding Plan, will compare the funding for the annual proposal and the multiyear proposal for the multiyear contract.

12. All multiyear procurements (MYP), regardless of cost, require the use of a present value analysis to determine lowest cost compared to an annual procurement. This analysis will be completed by the SNaP based on funding plans provided and results displayed as Exhibit MYP-4, Present Value Analysis. Present value analysis will be calculated in accordance with DoD Instruction 7041.3, Economic Analysis for Decision Making, and OMB Circular A-94.

VOLUME 2B, CHAPTER 5: "RESEARCH, DEVELOPMENT, TEST, AND EVALUATION APPROPRIATIONS"

SUMMARY OF MAJOR CHANGES

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

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

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

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

The previous version dated November 2017 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and ensured compliance with administrative instructions.	Revision
1.2	Added Authoritative Guidance section in compliance with administrative instructions	Addition
1.5.8	Incorporated definition of BA 08 and cancelled the OUSD(C) "Software & Digital Technology Pilot Programs Interim Financial Management Regulation Policy" dated June 4, 2020.	Addition
Exhibit R-3	Updated required Test & Evaluation cost categories and updated instructions	Revision

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CHAPTER 5

RESEARCH, DEVELOPMENT, TEST, AND EVALUATION APPROPRIATIONS

1.0 GENERAL

1.1 Purpose

This chapter provides instructions applicable to budget formulation and congressional justification for Research, Development, Test, and Evaluation (RDT&E) appropriations. Unless otherwise specified, these instructions apply to all RDT&E appropriations and to all budgets.

*1.2 Authoritative Guidance

1.2.1. The instructions and related requirements prescribed in this chapter are derived primarily from, and in accordance with Title 10, United States Code, section 113 (***10 U.S.C. §113***).

1.2.2. The ***Office of Management and Budget (OMB) Circular A-11*** is the governing document for preparation, submission and execution of the budget.

1.2.3. Volume 2A, Chapter 1, Section 2.13 provides policies and definitions concerning costs that are to be financed in RDT&E appropriations.

1.3 Submission Requirements

1.3.1. General guidance on submission requirements is in Volume 2A, Chapter 1. This chapter provides guidance for the preparation of RDT&E appropriation backup material required to support the Budget Estimates Submission (BES) and the President's budget request. Other chapters in the Financial Management Regulation require additional exhibits. The Components will also submit any exhibits required by the Office of Management and Budget (OMB) Circular A-11, Preparation and Submission of Budget Estimates.

1.3.2. Military Departments and Defense Agencies will be responsible for clearing the justification material with the Washington Headquarters Services, Directorate for Office of Security Review, prior to transmittal to the OMB, the Office of the Secretary of Defense (OSD), and the congressional committees.

1.4 Classification

The budget justification material should be unclassified. All classified material must be submitted separately. Components must include a R-2 RDT&E Budget Justification exhibit for special access programs (SAPs) that are not labeled as secret. The R-2 exhibits for SAPs must only include funding streams and cite the following justification: "This program is reported in accordance with Title 10, United States Code, Section 119(a)(1) in the Special Access Program Annual Report to Congress." All other (non-intel and non-SAP) classified funding requests must be identified (i.e., submit a one page R-2 exhibit) within unclassified justification budget materials.

1.5 RDT&E Budget Activities

The RDT&E budget activities are broad categories reflecting different types of RDT&E efforts. The definitions are provided in section 1.5.1 through 1.5.8 below. The acquisition milestones identified in the definitions are established by Department of Defense Instruction 5000.02, "Operation of the Defense Acquisition System." Acquisition program developmental criteria and administrative requirements for each milestone are set forth in this instruction.

1.5.1. Budget Activity 1, Basic Research. Basic research is systematic study directed toward greater knowledge or understanding of the fundamental aspects of phenomena and of observable facts without specific applications towards processes or products in mind. It includes all scientific study and experimentation directed toward increasing fundamental knowledge and understanding in those fields of the physical, engineering, environmental, and life sciences related to long-term national security needs. It is farsighted high payoff research that provides the basis for technological progress. Basic research may lead to: (a) subsequent applied research and advanced technology developments in Defense-related technologies, and (b) new and improved military functional capabilities in areas such as communications, detection, tracking, surveillance, propulsion, mobility, guidance and control, navigation, energy conversion, materials and structures, and personnel support. Program elements in this category involve pre-Milestone A efforts.

1.5.2. Budget Activity 2, Applied Research. Applied research is systematic study to understand the means to meet a recognized and specific need. It is a systematic expansion and application of knowledge to develop useful materials, devices, and systems or methods. It may be oriented, ultimately, toward the design, development, and improvement of prototypes and new processes to meet general mission area requirements. Applied research may translate promising basic research into solutions for broadly defined military needs, short of system development. This type of effort may vary from systematic mission-directed research beyond that in Budget Activity 1 to sophisticated breadboard hardware, study, programming and planning efforts that establish the initial feasibility and practicality of proposed solutions to technological challenges. It includes studies, investigations, and non-system specific technology efforts. The dominant characteristic is that applied research is directed toward general military needs with a view toward developing and evaluating the feasibility and practicality of proposed solutions and determining their parameters. Applied Research precedes system specific technology investigations or development. Program control of the Applied Research program element is normally exercised by general level of effort. Program elements in this category involve pre-Milestone B efforts, also known as Concept and Technology Development phase tasks, such as concept exploration efforts and paper studies of alternative concepts for meeting a mission need.

1.5.3. Budget Activity 3, Advanced Technology Development (ATD). This budget activity includes development of subsystems and components and efforts to integrate subsystems and components into system prototypes for field experiments and/or tests in a simulated environment. Budget Activity 3 includes concept and technology demonstrations of components and subsystems or system models. The models may be form, fit, and function prototypes or scaled models that serve the same demonstration purpose. The results of this type of effort are proof of technological feasibility and assessment of subsystem and component operability and producibility

rather than the development of hardware for service use. Projects in this category have a direct relevance to identified military needs. Advanced Technology Development demonstrates the general military utility or cost reduction potential of technology when applied to different types of military equipment or techniques. Program elements in this category involve pre-Milestone B efforts, such as system concept demonstration, joint and Service-specific experiments or Technology Demonstrations and generally have Technology Readiness Levels of 4, 5, or 6. (For further discussion on Technology Readiness Levels, see the Assistant Secretary of Defense for Research and Engineering's Technology Readiness Assessment (TRA) Guidance.) Projects in this category do not necessarily lead to subsequent development or procurement phases but should have the goal of moving out of Science and Technology (S&T) and into the acquisition process within the Future Years Defense Program (FYDP). Upon successful completion of projects that have military utility, the technology should be available for transition.

1.5.4. Budget Activity 4, Advanced Component Development and Prototypes (ACD&P). Efforts necessary to evaluate integrated technologies, representative modes, or prototype systems in a high fidelity and realistic operating environment are funded in this budget activity. The ACD&P phase includes system specific efforts that help expedite technology transition from the laboratory to operational use. Emphasis is on proving component and subsystem maturity prior to integration in major and complex systems and may involve risk reduction initiatives. Program elements in this category involve efforts prior to Milestone B and are referred to as advanced component development activities and include technology demonstrations. Completion of Technology Readiness Levels 6 and 7 should be achieved for major programs. Program control is exercised at the program and project level. A logical progression of program phases and development and/or production funding must be evident in the FYDP.

1.5.5. Budget Activity 5, System Development and Demonstration (SDD). System Development and Demonstration (SDD) programs have passed Milestone B approval and are conducting engineering and manufacturing development tasks aimed at meeting validated requirements prior to full-rate production. This budget activity is characterized by major line item projects, and program control is exercised by review of individual programs and projects. Prototype performance is near or at planned operational system levels. Characteristics of this budget activity involve mature system development, integration, demonstration to support Milestone C decisions, conducting live fire test and evaluation, and initial operational test and evaluation of production representative articles. A logical progression of program phases and development and production funding must be evident in the FYDP consistent with the Department's full funding policy.

1.5.6. Budget Activity 6, RDT&E Management Support. This budget activity includes management support for research, development, test, and evaluation efforts and funds to sustain and/or modernize the installations or operations required for general research, development, test, and evaluation. Test ranges, military construction, maintenance support of laboratories, operation and maintenance of test aircraft and ships, and studies and analyses in support of the RDT&E program are funded in this budget activity. Costs of laboratory personnel, either in-house or contractor operated, would be assigned to appropriate projects or as a line item in the Basic Research, Applied Research, or ATD program areas, as appropriate. Military construction costs directly related to major development programs are included in this budget activity.

1.5.7. Budget Activity 7, Operational System Development. This budget activity includes development efforts to upgrade systems that have been fielded or have received approval for full rate production and anticipate production funding in the current or subsequent fiscal year. All items are major line item projects that appear as RDT&E Costs of Weapon System Elements in other programs. Program control is exercised by review of individual projects. Programs in this category involve systems that have received approval for Low Rate Initial Production (LRIP). A logical progression of program phases and development and production funding must be evident in the FYDP, consistent with the Department's full funding policy.

* 1.5.8. Budget Activity 8, Software and Digital Technology Pilot Programs.

1.5.8.1. Software and Digital Technology Pilot Program requirements for funding in BA 8 includes software, electronic tools, systems, applications, resources, acquisition of services, business process re-engineering activities, functional requirements development, technical evaluations, and other activities in direct support of acquiring, developing, deploying, sustaining, enhancing, and modernizing Software Digital Technology Pilot Programs.

1.5.8.2. Pilot programs may purchase Commercial off the Shelf (COTS) software, tools, and services necessary to meet the program's requirements.

1.5.8.3. Software and Digital Technology Pilot Programs may be nominated to Under Secretary of Defense (Acquisition & Sustainment). Approved pilot program nominations will be submitted with the President's Budget request.

1.5.8.4. A system project participating in the Pilot Program may be removed from BA 8 if the project has not been successful in meeting criteria established for the Pilot Program by the Secretary of Defense.

1.6 Establishing RDT&E Program Elements

1.6.1. The program element is the primary data element in the FYDP and is the major aggregation, at which RDT&E efforts are organized, budgeted, and reviewed. All funding associated with a major system new start must be identified in a unique program element. Requests to establish program elements should be forwarded to Office of the Secretary of Defense (OSD) Cost Assessment and Program Evaluation (CAPE) for coordination and approval.

1.6.2. In general, the coding symbology identifies the RDT&E budget activity for the program element. Program elements in RDT&E budget activities 1 through 6 will have "06" in the first two positions; "06"indicates it is part of Major Force Program 6, Research and Development. The third and fourth position will identify the specific budget activity (e.g., 0602 is an RDT&E budget activity 2 program element). Program elements in RDT&E budget activity 7 reflect the Major Program of the fielded system in the first two positions (e.g., "01" indicates a strategic system).

2.0 RDT&E EXHIBIT REQUIREMENTS

2.1 Purpose

This section prescribes instructions for the preparation and submission of RDT&E appropriations budget material to support the BES and the President's budget request. See Volume 2A, Chapter 1, Section 4.0, for specific printing requirements.

SUMMARY OF EXHIBIT REQUIREMENTS

Exhibit Reference	Exhibit	Appropriation
R-1	RDT&E Programs	All
R-2	RDT&E Budget Item Justification	All
R-2a	RDT&E Project Justification	All
R-3	Cost Analysis	All
R-4	RDT&E Program Schedule Profile	All
R-4a	RDT&E Program Schedule Detail	All

2.2 Submission Requirements

2.2.1. Extensible Markup Language (XML) Exhibits. All Components must submit required budget exhibits as PDFs with the source XML file embedded. These PDFs will be generated by one of the following two processes:

2.2.1.1. Submit an XML file to the XML Tools section of the Comptroller XML Exhibits web site, ***https://exhibits.dtic.mil/r2/app*** (for Components capable of building an XML file from an internal system). The XML files submitted through the XML Tools section must be compliant with the latest RDT&E XML schema, located within the same section of the website; or

2.2.1.2. Create a RDT&E exhibit manually within the "Create New R-2" section of the Comptroller XML Exhibits web site, ***https://exhibits.dtic.mil/r2***.

2.2.1.3. The result of either process will be a PDF file with an XML file embedded. All RDT&E exhibit PDFs/XMLs must be assembled into a Justification Book(s) within the same website using one of the Justification Book tools and posted to the SIPRNET website https://cisweb.ousdc.osd.smil.mil/.

2.2.1.4. Formats and examples of the exhibits are contained in Section 3.0.

2.2.2. Each backup book will include an Exhibit R-1, RDT&E Program, two indices of program elements (including R-1 line number, program element title, program element number, and backup book page number), one alphabetically by program element title and on by budget activity and R-1 line number, and specific exhibits for those items covered by the backup book.

2.2.3. The exhibits will be aggregated in the following order for each R-1 line item, as applicable to that line item and submitted in R-1 line item order.

Arrangement of Exhibits – General

R-1	RDT&E Programs
R-2	RDT&E Budget Item Justification
R-2a	RDT&E Project Justification
R-3	RDT&E Project Cost Analysis
R-4	RDT&E Program Schedule Profile
R-4a	RDT&E Program Schedule Detail

Note: The R-3/R-4/R-4a supporting each R-2a Project Justification will be arranged immediately following the R-2a.

2.2.4. Major Defense Acquisition Programs (MDAPs)/Major Automated Information Systems (MAIS)

2.2.4.1. Joint budget guidance from the Under Secretaries of Defense for Acquisition, Technology & Logistics (AT&L) and Comptroller directs that all MDAPs or MAIS will be budgeted in separate, dedicated Program Elements (R-1 line items), and associate all of the funding for a given MDAP/MAIS with a PRCP Program Number (PNO).

2.2.4.2. For all MDAP/MAIS programs, the R-2 RDT&E Budget Item Justification exhibit must include the PNO. Components must also ensure that all applicable fiscal years of the PRCP and FYDP annex data bases are updated to reflect the program budget estimates for all MDAP/MAIS programs, including all prior years and cost-to-complete columns. Each MDAP/MAIS subprogram is a component that will be identified by appropriation, budget line item, and budget activity under the End Item R-1 Line Item header.

2.2.5. If an amended budget is submitted, identify the revised budget exhibits accordingly.

2.2.6. Facilities Exhibit. For improvements to and construction of government-owned facilities funded in the RDT&E appropriation, a DD Form 1391, Military Construction Project Data, must be provided separately for each Budget Year (BY) project and any Prior Year (PY) or Current Year (CY) projects not previously reported. These exhibits will be included with the program element justification. In addition, a copy of all DD Forms 1391 should be packaged together and a copy provided to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) Program/Budget (P/B) Investment Directorate and to the Military Personnel and Construction Directorate. A copy of the form and the instructions are in Chapter 6.

3.0 CONGRESSIONAL JUSTIFIATION/PRESENTATION

This Section presents the backup book organization and the exhibit requirements for submission to Congress. See Volume 2A, Chapter 1, Section 4.0 for specific printing requirements. Justification material will be organized into a Committee Staff Procurement Backup Book. Volume 2A, Chapter 1, Section 4.3 provides a detailed distribution schedule for the procurement backup books. A separate congressional committee backup book will be prepared for the President's budget request for each RDT&E appropriation.

Cover
Department of Defense
FY 20BY President's Budget Submission
Justification Book Volume X of X
Appropriation Title

Section 1 - Summary Material
Table of Contents
R-1 listing (R-1 Exhibits will be prepared using the OUSD(C) automated system with input from the Services and Defense Agencies)

Section 2 - Budget Appendix Extract Appropriation Language

Section 3 - R-1 Line Item Detail. RDT&E budget exhibits will be organized as discussed in paragraph 2.2.3.

4.0 RDT&E APPROPRIATION BUDGET EXHIBIT FORMATS

4.1 Standardized budget exhibit formats

Section 2.2 describes the use of XML budget exhibits for RDT&E appropriations. In addition to the key attribute of making budget exhibit data electronically searchable, the XML exhibits standardize the various budget displays, enabling more effective and efficient budget formulation, review, analysis, and submission.

4.1.1. The exhibit formats provided on the following pages reflect guidance presented in previous sections.

4.1.2. The use of XML exhibits is mandatory for BES and President's budget request backup justification material.

4.1.3. XML exhibits will automatically standardize formatting, to include:

4.1.3.1. Exhibits displayed on 8 1/2 inch by 11 inch paper in landscape format.

4.1.3.2. Actual fiscal years (e.g., FY 2016, FY 2017, etc.) rather than the template entries (i.e., Prior Years (PYs), Prior Year (PY), Current Year (CY), Budget Year (BY), BY+1, BY+2, BY+3, and BY+4).

4.1.3.3. Annotating the applicable R-1 line item number and page number within the line item (e.g., Item 1-1 of 5, 2-1 of 1, 3-1 of 20, etc.) at the bottom center of each exhibit page.

4.1.3.4. Properly paginate the backup book.

4.2 RDT&E exhibit formats

There are six RDT&E exhibits that support the formulation and submission of the BES and the President's budget request. The exhibits provide data and information that justifies budgetary requirements for the various RDT&E appropriations. The exhibit formats follow. Volume 2B, Chapter 19, Other Special Analyses, also identifies budget exhibits that may be required.

Exhibit R-1: RDT&E Programs

Exhibit R-1, RDT&E Programs
Department of the _____

Appropriation: _____ **Date: _____**

TOA, $ in Millions

R-1 Line Item No	Program Element Number	Item	Budget Activity	Prior Year Cost	Current Year Cost	Budget Year Cost	Budget Year OCO Cost	Total Budget Year Cost

Exhibit R-1, RDT&E Programs

Exhibit R-1: RDT&E Programs (Continued)

Exhibit R-1: RDT&E Programs

A. General Instructions:

Unless otherwise specified, this format will be used to present the Research, Development, Test and Evaluation (RDT&E) program to:

1. The Office of the Under Secretary of Defense (Comptroller) in support of the OSD/OMB budget review and,

2. The Congress in support of the President's budget request.

B. RDT&E Line Item Content:

The basic document for presenting RDT&E requirements is the Exhibit R-1, RDT&E Programs. The R-1 line items are program elements, which define a development effort with specific design, cost, schedule and capability parameters. All costs of basic and applied scientific research, development, test, and evaluation, including maintenance, rehabilitation, and lease/operation of facilities and equipment will be included in appropriate R-1 line items. The R-1 exhibit will contain the following information:

1. Program element title and number. Appropriate security classification coding should be included as part of each program element title listed. All classified material should be bracketed.

2. Line items will be arranged in ascending program element order within each budget activity.

3. Approved funding for the Prior Year (PY), the Current Year (CY), and Budget Year (BY).

4. Subtotals by Budget Activity and total funding for the appropriation for the Prior Year (PY), the Current Year (CY), and Budget Year (BY).

Exhibit R-2: RDT&E Budget Item Justification

Exhibit R-2, RDT&E Budget Item Justification: BES/PB 20xx Service/Agency						DATE: Month/Year					
APPROPRIATION/BUDGET ACTIVITY Appropriation Code: Appropriation Name BA Number: Budget Activity Title						R-1 ITEM NOMENCLATURE Program Element Number: Program Element Title					
COST ($ in Millions)	FY PY	FY CY	FY BY Base	FY BY OCO	FY BY Total	FY BY+1	FY BY+2	FY BY+3	FY BY+4	Cost to Complete	Total Cost
Total Program Element											
Project Number: Project Title 1											
Project Number: Project Title N											

Note

Identify when a Program Element or a Project: 1) is a new start, 2) was terminated/completed, 3) was previously funded, or will be funded, in a different Program Element, or 4) has had a Title change.
For Program Element or Project transfers, include the current and previous Program Element number and title, and Project number and title, if applicable.

A. Mission Description and Budget Item Justification

The R-2 shall include a general decription and justification of the efforts included in the program element.
The R-2A shall include a detailed description and justification of the efforts included in the specific project.Every Project shall include an R-2A exhibit; including where a Project is an aggregate of Congressional Adds. An exception may be to create an R-2 without an R-2A for Single Project PEs.
For ACAT 1D programs, identify Cost to Complete and Total Cost for the program and all projects; otherwise, the appropriate value shall be "Continuing".
An R-3 Exhibit must be provided for Budget Activity 4, 5, and 7 Programs.

B. Program Change Summary ($ in Millions)	FY PY	FY CY	Base FY BY	OCO FY BY	Total FY BY
Previous President's Budget					
Current President's Budget					
Total Adjustments					
Congressional General Reductions					
Congressional Directed Reductions					
Congressional Rescissions					
Congressional Adds (appropriated)					
Congressional Directed Transfers					
Reprogrammings					
SBIR/STTR Transfer					
Other Adjustment Title 1					
Other Adjustment Title N					

Congressional Add Details ($ in Millions, and includes General Reductions)	FY PY	FY CY
Project Number, Project Title 1		
Congressional Add Title:		
Congressional Add Title:		
Subtotal for Project 1		
Project Number, Project Title N		
Congressional Add Title:		
Subtotal for Project N		
Total for all Projects		

Change Summary Explanation

R-2 Schema 3.4 Template as of 5-19-2010

Exhibit R-2a: RDT&E Budget Item Justification (Project)

Exhibit R-2, RDT&E Budget Item Justification: BES/PB 20XX Service/Agency									**Date:** Month Year			
Appropriation/Budget Activity Appropriation Code/BA Number					**R-1 Program Element (Number/Name)** Program Element Number/Title				**Project (Number/Name)** Project Number/Title			
COST ($ in Millions)	**Prior Years**	**FY 2014**	**FY 2015**	**FY 2016 Base**	**FY 2016 OCO**	**FY 2016 Total**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**Cost To Complete**	**Total Cost**
Project Number: Title												
Quantity of RDT&E Articles												
MDAP/MAIS Code: (if allplicable)												

A. Mission Description and Budget Item Justification

Provide a Project overview. For BAs 1,2, and 3, specify the technology area as defined in annual budget guidance. Provide a description and justification. Identify the military requirement(s) that this Project will meet.

Identify New Start efforts for the Budget Year (BY). New Start details shall be displayed on the R-2a rather than the R-2.

B. Accomplishments/Planned Programs ($ in Millions, Article Quantities in Each)	**FY PY**	**FY CY**	**FY BY Base**	**FY BY OCO**	**FY BY Total**
Title: Accomplishments/Planned Program Title 1 ***FY CY Justification:*** ***FY BY Base Justification:*** ***FY CY to FY BY Increase/Decrease Statement:*** ***FY BY OCO Plans:***					
Title: Accomplishments/Planned Program Title 2 ***FY CY Justification:*** ***FY BY Base Justification:*** ***FY CY to FY BY Increase/Decrease Statement:*** ***FY BY OCO Plans:***					

Exhibit R-2a: RDT&E Budget Item Justification (Project) (Continued)

C. Other Program Funding Summary ($ in Millions)

Product Development ($ in Millions)				FY PY		FY CY		FY BY Base		FY BY OCO		FY BY Total			
Cost Category Item	Contract Method	Performing Activity & Location	Prior Years	Cost	Award Date	Cost	Award Date	Cost	Award Date	Cost	Award Date	Cost	Cost To Complete	Total Cost	Target Value of
		Subtotal													

Remarks

Discuss Acquisition Strategy and items of interest. Acquisition Strategy is NOT required for BA 1, 2, 3, or 6.

Exhibit R-2a: RDT&E Budget Item Justification (Project) (Continued)

Exhibit R-2a: RDT&E Budget Item Justification (Project)
Exhibit R-2: RDT&E Budget Item Justification

A. General Instructions:

1. An Exhibit R-2 must be prepared for each program element. An Exhibit R-2a must be prepared for each RDT&E project, even if there is only one project and even if a project is funded only in a Prior Year (PY) and/or a Current Year (CY), regardless of funding amount. To provide full-funding visibility, every program, project, and activity specifically added by Congress to the President's Budget Request (a.k.a. Congressional Adds) must be identified within an Exhibit R-2a. The programs, projects, and activities may be treated as individual projects, grouped, but separately identified, in one or more "Congressional Adds" projects, and/or included within "core" projects. Classified material will be submitted separately.

2. All funding within any R-exhibit will be expressed in millions, with three decimal places, unless specifically noted otherwise.

3. Care should be taken to see that exhibits are clear and concise. Abbreviations must be identified on the page on which they occur.

B. Exhibit Instructions:

1. Date. Include the month and year of submission of the exhibit. If an Amended Budget is submitted, identify the date of the revised submission.

2. Exhibit R-2 RDT&E Budget Item Justification. Identify the Budget Cycle/Budget Year/Service Agency Name. Identify BES (Budget Estimates Submission) or PB (President's Budget) for Budget Cycle, the Budget Year, and the Service Agency Name. Information must match the Program Resources Collection Process (PRCP) (R-1) data base lock position.

3. Appropriation/Budget Activity. Identify Appropriation Code (Treasury Account Symbol) and Name/Budget Activity Number and Title. Identify the appropriation and budget activity. Information must match the RDT&E PRCP (R-1) data base lock position.

4. R-1 Item Nomenclature/Title (Program Element Name). Identify the name of the R-1 line item. Information must match the RDT&E PRCP (R-1) data base lock position.

5. Program Element Number. Identify the program element. Information must match the RDT&E PRCP (R-1) data base lock position.

6. Project Number and Nomenclature. Identify the project number and nomenclature.

Exhibit R-2a: RDT&E Budget Item Justification (Project) (Continued)

7. Resource Summary. The Exhibit R-2 must include a fiscal resource summary total for the total program element and, if there is more than one project in that program element, a fiscal resource summary for each project in that program element. Ensure the total funding for the program element matches the RDT&E PRCP (R-1) data base lock position by budget line item and that total costs for Acquisition Category 1 (ACAT) programs are consistent with Selected Acquisition Reports.

8. For ACAT 1 programs, identify Cost-to-Complete and Total Cost for the program and all projects; otherwise, the appropriate value must be "Continuing". The XML process will automatically insert "Continuing" if no data is submitted.

9. RDT&E Articles (R-2a only). Identify the test articles (engineering development models, test articles, low rate initial production test article, government furnished equipment articles) that are being procured and why. Test Articles can be identified for a project and/or for activities identified in Accomplishments/Planned Programs.

10. Program Element and Project Notes. Identify when a program element or project is: (1) a new start, (2) was terminated/completed, (3) was previously funded, or (4) will be funded in a different program element, or Title changes.

11. For program element or project transfers, include the current and previous program element number and names, and projected number and name if applicable.

12. Mission Description and Budget Item Justification. The R-2 will include a description and justification of the efforts included in the program element. The R-2a will include a description and justification of the efforts included in the specific project.

13. Program Change Summary. If there have been changes to the total funding, schedule, or technical parameters since the previous President's budget submission, the Exhibit R-2 must include a concise narrative summary explaining the changes in the total program element for the PY, CY, and BY. Further adjustments will be broken out into the following categories:

Congressional General Reductions
Congressional Directed Reductions
Congressional Rescissions
Congressional Adds
Congressional Directed Transfers
Reprogrammings
SBIR/STTR* Transfers
Total Other Adjustments – (unique titles may be added to describe the change)
Small Business Innovation Research (SBIR)/Small Business Technology Transfer (STTR)

Exhibit R-2a: RDT&E Budget Item Justification (Project) (Continued)

14. Congressional Add Details (Exhibit R-2). Each "Congressional Add" will be identified separately by project and may be included as: (1) an individual project, (2) as groups in one or more "Congressional Add" projects, and/or (3) within "core" projects. The title (provided by Congress) and the funding for PY and CY will be listed in a bullet format. Congressional Adds should include only the funding provided by Congress.

15. Change Summary Explanation. Provide a separate, concise narrative summary explaining the changes in the total program element in the Prior Year, the Current Year, and the Budget Year, as applicable.

* 16. Accomplishments/Planned Programs (Exhibit R-2a). Provide a concise narrative summary and associated funding for each project for CY, and BY in a bullet format. The PY narrative summary is deleted. The total funding reflected should match the total project funding. Briefly discuss why project funding changed from the CY to the BY in the Increase/Decrease Statement. The explanation must be sufficient to justify the BY request but should not be a restatement of Planned Program in the BY. (For example: "Funding increases $30 million due to procurement of 2 System Development Test Articles (STDA).") MINOR changes in funding from CY to BY need not be addressed. Each Software and Digital Technology Pilot Program will specifically identify Operation & Maintenance (O&M) efforts and Procurement efforts as separate entries.

17. Other Program Funding Summary (Exhibit R-2a). Development projects often lead to subsequent development phases, production, and military construction. Also, some projects may depend on concurrent development in other projects. These related efforts and the funding profiles for other appropriation efforts must be identified by appropriation, budget activity, R-1 line item and program element, and P-1 line item title and number. If there are funding dependencies among related research, development, test, and evaluation programs, then the funding profiles for these related programs must be included.

18. Acquisition Strategy (Exhibit R-2a). An explanation of acquisition, management, and contracting strategies must be provided for each project in the Remarks section. This section is not required for the program element budget line items in Budget Activities 1 (Basic Research), 2 (Applied Research), 3 (Advanced Technology Development) and 6 (RDT&E Management Support).

*Exhibit R-3: RDT&E Project Cost Analysis

Exhibit R-3, RDT&E Project Cost Analysis: BES & PB 20XX Service/Agency														DATE: Month/Year
APPROPRIATION / BUDGET ACTIVITY Appropriation Code / BA Number						R-1 ITEM NOMENCLATURE Program Element Number: Program Element Name								PROJECT NAME AND NUMBER Proejct Number: Project Title
Product Development ($ in Millions)				FY CY		FY BY Base		FY BY OCO		FY BY Total				
	Contract Method & Type	Performaing Activity & Location	Total Prior Year Costs	Cost	Award Date	Cost	Award Date	Cost	Award Date	Total Cost	Cost To Complete	Total Cost	Target Value of Contract	
Cost Category Item 1	See Notes Below	Activity/Location			Mon/Year		Mon/Year		Mon/Year					
Cost Category Item N	See Notes Below	Activity/Location			Mon/Year		Mon/Year		Mon/Year					
Subtotal:														
Remarks: Typical Cost Categories are: Primary Hardware Development, Ancillary Hardware Development, Systems Engineering Licenses, Tooling, GFE, and Award Fees.														
Support ($ in Millions)				FY CY		FY BY Base		FY BY OCO		FY BY Total				
	Contract Method & Type	Performaing Activity & Location	Total Prior Year Costs	Cost	Award Date	Cost	Award Date	Cost	Award Date	Total Cost	Cost To Complete	Total Cost	Target Value of Contract	
Cost Category Item 1	See Notes Below	Activity/Location			Mon/Year		Mon/Year		Mon/Year					
Cost Category Item N	See Notes Below	Activity/Location			Mon/Year		Mon/Year		Mon/Year					
Subtotal:														
Remarks: Typical Cost Categories are: Development Support, Software Support, Training Development, Integrated Logistics Support, Configuration Management, Technical Data, and GFE.														
Test & Evaluation ($ in Millions)				FY CY		FY BY Base		FY BY OCO		FY BY Total				
	Contract Method & Type	Performaing Activity & Location	Total Prior Year Costs	Cost	Award Date	Cost	Award Date	Cost	Award Date	Total Cost	Cost To Complete	Total Cost	Target Value of Contract	
Cost Category Item 1	See Notes Below	Activity/Location			Mon/Year		Mon/Year		Mon/Year					
Cost Category Item N	See Notes Below	Activity/Location			Mon/Year		Mon/Year		Mon/Year					
Subtotal:														
Remarks: Required Cost Categories are: Developmental Test & Evaluation (DT&E), Operational Test & Evaluation (OT&E), and Live Fire Test & Evaluation (LFT&E).														
Management ($ in Millions)				FY CY		FY BY Base		FY BY OCO		FY BY Total				
	Contract Method & Type	Performaing Activity & Location	Total Prior Year Costs	Cost	Award Date	Cost	Award Date	Cost	Award Date	Total Cost	Cost To Complete	Total Cost	Target Value of Contract	
Cost Category Item 1	See Notes Below	Activity/Location			Mon/Year		Mon/Year		Mon/Year					
Cost Category Item N	See Notes Below	Activity/Location			Mon/Year		Mon/Year		Mon/Year					
Subtotal:														
Remarks: Typical Cost Categories are: Contractor Engineering Support, Government Engineering Support, Program Management Support, Program Management Personnel, Travel, Labor (Research Personnel), and Overhead.														
				CY Cost		Cost		Total Cost	Cost	Total Cost	Cost To Complete	Total Cost		
Project Total Cost:														
Remarks: An R-3 Exhibit shall be provided for Budget Activity Number 4, 5, and 7 PE's. The Project Total Cost shall be equal to the Project Cost on the R-2A. Contract Method may be any one of C, SS, TBD, or Various. Contract Type may be any one of CPAF, DPFF, DPIF, FFP, FPI, TBD, or Various. Funding Vehicle may be any one of Allot, BPA, FFRDC, MIPR, PO, Reqn, RO, TM, of Various.														

Exhibit R-3: RDT&E Project Cost Analysis (Continued)

Exhibit R-3: RDT&E Project Cost Analysis

A. General Instructions:

1. The R-3 exhibit is required for programs funded in budget activities 4 (Advanced Component Development and Prototypes), 5 (System Development and Demonstration), and 7 (Operational System Development) only. A separate R-3 exhibit must be prepared for each project in an applicable R-1 line item.

2. These exhibits must be printed on 8 1/2 by 11 inch paper in landscape format. Classified material must be submitted separately.

3. All funding within any R-exhibit will be expressed in millions, with three decimal places.

B. Exhibit Instructions:

1. Identify the month and year of submission of the exhibit. If an Amended Budget is submitted, identify the date of the revised submission.

2. Appropriation Code (Treasury Account Symbol)/ and Name/Budget Activity Number and Title. Identify the appropriation and budget activity. This information must match the PRCP (R-1) lock position.

3. R-1 Item Nomenclature/Title (Program Element Name): Identify the name of the R-1 line item as identified in PRCP (R-1) lock position. This information must match the PRCP (R-1) lock position.

4. Program Element Number: The Program Element must be unique. An R-2 Exhibit with a Budget Activity Number that is different from the previous years should include PY and CY information within the current R-2 Exhibit.

5. Project Number and Nomenclature: Identify the project number and nomenclature as identified in PRCP (R-1) lock position.

6. Project Cost Categories. Cost information must be provided for each project regardless of funding amount, with project costs broken down into cost categories. Total of all project costs must equal the project funding for any funding years. Sample cost categories shown are typical of various types of defense research and development efforts. Costs must be distributed among categories in accordance with the project work breakdown structure (WBS) or other categories used by the project office in project execution.

Exhibit R-3: RDT&E Project Cost Analysis (Continued)

* a. For the T&E information category, the Project Cost Categories must be Developmental Test & Evaluation (DT&E), Operational Test & Evaluation (OT&E), and Live Fire Test & Evaluation (LFT&E).

* b. For the other information categories (Product Development, Support Costs, and Management Services), the illustrated sample cost categories may be used if they correspond to the project's work breakdown structure. There is no requirement to use Project Cost Categories other than those used by the project office in project execution.

Sample cost categories not used in project execution need not be included in the exhibit for that project.

7. If the program office tracks efforts by major contract, then display the information accordingly. The cost categories must be separated into 4 information categories as follows:

a. Product Development. Efforts associated with the delivery of a fully integrated system that are in direct support of the system and essential to the development, training, operation, and maintenance of the system. Include all efforts directly supporting system development and delivery to include primary contracts, major component contracts, contracted services, in-house support, and government furnished property. Contracts or government efforts greater than $1 million in any displayed budget year must be reported individually.

b. Support Costs. Efforts not directly associated with the delivery of the primary product, including technical engineering services, research studies, and technical support not related directly to product development or to testing and evaluation. Contracts or government efforts greater than $1 million in any displayed budget year must be reported individually.

c. Test and Evaluation. Efforts (other than those included within contracts or government efforts) associated with engineering or support activities to determine the acceptability of a system, subsystem, or component. Contracts or government efforts greater than $1 million in any displayed budget year must be reported individually. For the T&E information category, the Project Cost Categories must be Developmental Test & Evaluation (DT&E), Operational Test & Evaluation (OT&E), and Live Fire Test & Evaluation (LFT&E).

d. Management Services. Efforts associated with services provided in support of program office management and administration processes such as: program oversight, resource justification, budget and programming, milestone and schedule tracking. Federally Funded Research and Development Centers (FFRDCs) are in this category. Contracts or government efforts greater than $1 million in any displayed budget year must be reported individually.

Exhibit R-3: RDT&E Project Cost Analysis (Continued)

8. Government Furnished Property. Property, such as hardware, software, or information, which the government is contractually obligated to furnish a contractor or government performing activity must be identified. Provide a brief identification of the item to be provided, and the contractor or government activity providing the item. Provide the estimated date that the government furnished property will be provided to the requiring contractor or activity. Provide the name of the requiring contractor or activity.

9. Award Fees. Identify amounts budgeted for award fees and indicate contractor performance and percentage of award fees actually awarded in past award fee periods.

10. Contract Method/Type or Funding Vehicle. The following codes must be used to identify the contract method, contract type, and funding vehicle:

Contract Type	Contract Method
CPIF	Cost Plus Incentive
SS	Sole Source
TBD	To Be Determined
VAR	Various
FFP	Firm Fixed Price
FP	Fixed Price
FPI	Fixed Price Incentive
C	Competitive
CPAF	Cost Plus Award Fee
CPFF	Cost Plus Fixed Fee

Funding Vehicle (when a government agency is the performing activity)

MIPR	Military Interdepartmental Purchase Request
PO	Project Order
WR	Work Request
Allot	Allotment
Reqn	Requisition
BPA	Blanket Purchase Agreement
FFDC	Federally Funded Research and Development Center
VAR	Various

11. Performing Organizations. Identify each contractor and government or performing activity and the location for each effort greater than $1 million in any of the displayed years.

12. Total Prior Year (PY) Cost. Provide actual amounts for the total of all years before the Current Year (CY).

13. CY - BY. Provide actual or budget amounts for each year for the Current Year (CY) and the Budget Year (BY).

Exhibit R-3: RDT&E Project Cost Analysis (Continued)

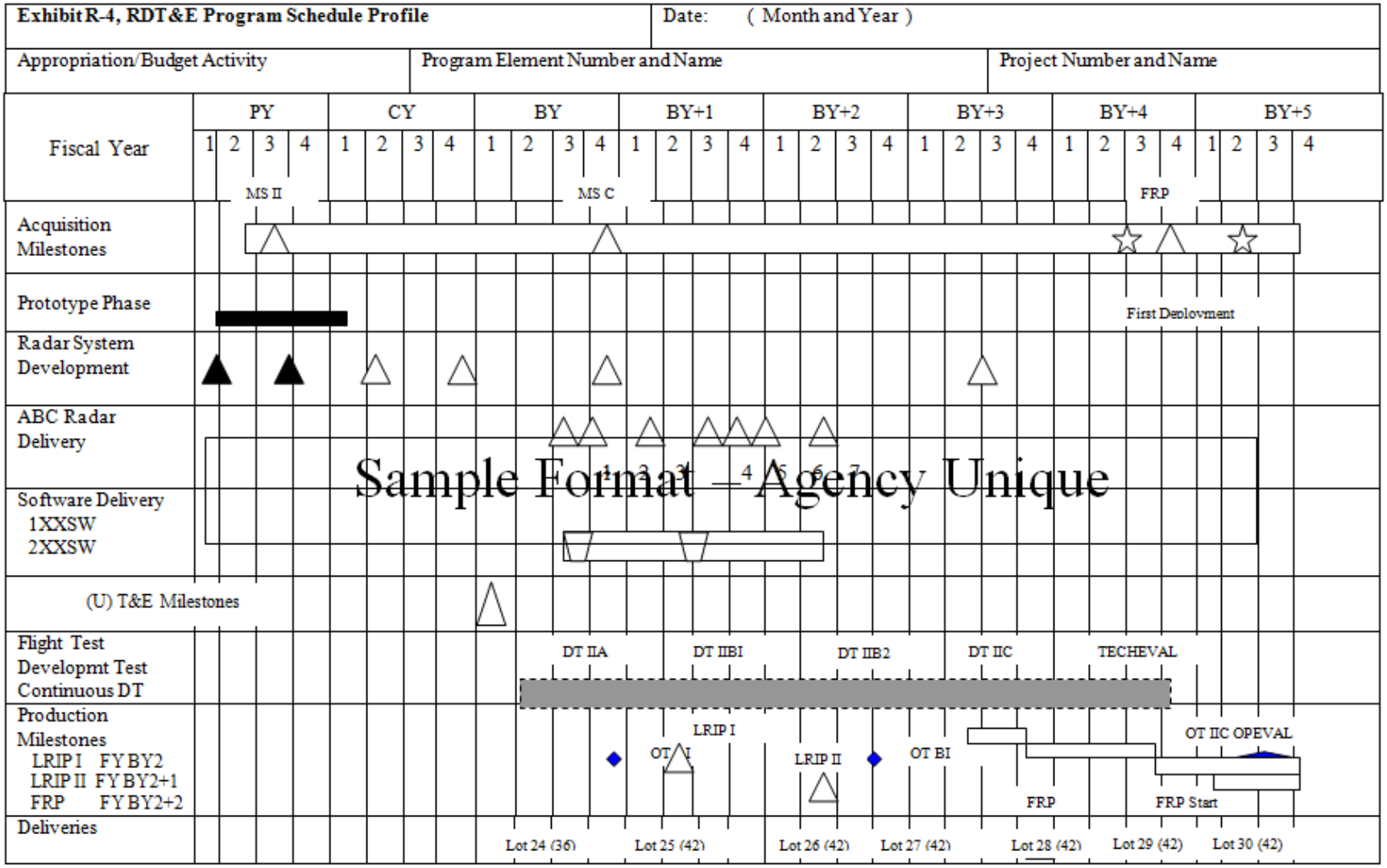
14. Award or Obligation Date. Provide actual or estimated date of contract award or the estimated date that funds will be obligated to government performing activities.

15. To Complete. Provide the amount required to complete this effort beyond.

16. Total Cost. Provide the cumulative total of all budgeted funds for the program (including funds obligated/budgeted for PY, CY, BY and to complete). Provide a comment in the Remarks section when the Project Office Estimate at Completion (EAC) differs from the total cost. Also provide a comment when the Performing Activity EAC differs from the Project Office EAC.

17. Target Value of Contract. Identify the target value of the contract and explain those cases where total cost differs significantly. For example, if the budget is at ceiling value of the contract vice target value or if budget is "program manager's best estimate" vice target value, then explain.

Exhibit R-4: RDT&E Schedule Profile



R-1 Line Item No. XX

(Page X of X) **R-4 Program Schedule Profile**

Exhibit R-4a: RDT&E Schedule Detail

Exhibit R-4A, RDT&E Project Cost Analysis: BES/PB 20xx Service/Agency		DATE: Month/Year
APPROPRIATION/BUDGET ACTIVITY	R-1 ITEM NOMENCLATURE	PROJECT NUNBER AND Title
Appropriation Code/BA Number	Program Element Number: Program Element Title	Project Number: Project Title

Schedule Details

	Start		End	
Event	Quarter	Year	Quarter	Year
Event Title	Q	YYYY	Q	YYYY
Event Title	Q	YYYY	Q	YYYY
Event Title	Q	YYYY	Q	YYYY
Event Title	Q	YYYY	Q	YYYY
Event Title	Q	YYYY	Q	YYYY
Event Title	Q	YYYY	Q	YYYY
Event Title	Q	YYYY	Q	YYYY
Event Title	Q	YYYY	Q	YYYY
Event Title	Q	YYYY	Q	YYYY
Event Title	Q	YYYY	Q	YYYY
Event Title	Q	YYYY	Q	YYYY
Event Title	Q	YYYY	Q	YYYY
Event Title	Q	YYYY	Q	YYYY
Event Title	Q	YYYY	Q	YYYY
Event Title	Q	YYYY	Q	YYYY
Event Title	Q	YYYY	Q	YYYY
Event Title	Q	YYYY	Q	YYYY

Within a Schedule Detail, the Start and End elements must be chronologically correct (value of Start <= value of End).
Within a Schedule Detail, the Start and End elements cannot refer to years before the PriorYear and after the last budget year (BudgetYear 5).

Exhibit R-4a: RDT&E Schedule Detail (Continued)

A. General Instructions:

1. The R-4 and R-4a exhibits are required for programs or projects funded in budget activities 4 (Advanced Component Development and Prototypes), 5 (System Development and Demonstration), and 7 (Operational System Development) only. Separate R-4 and R-4a exhibits must be prepared for each project in an applicable R-1 line item.

2. These exhibits must be printed on 8 1/2 by 11 inch paper in landscape format. If a program element is not divided into projects, then the program element itself is defined as a project for purposes of submitting R-4 and R-4a exhibits, and the exhibits and instructions apply to the entire program element. Classified material must be submitted separately.

B. Detail Instructions:

1. Date: Identify the month and year of submission of the exhibit. If an Amended Budget is submitted, identify the date of the revised submission.

2. Appropriation Code (Treasury Account Symbol) and Name/Budget Activity Number and Title. Identify the appropriation and budget activity. The budget activity title must match the RDT&E annex and the Program Resources Collection Process (PRCP) (R-1) locked position.

3. R-1 Item Nomenclature: Identify the name of the R-1 line item as identified in PRCP (R-1) locked position.

4. Program Element Number and Name: Identify the number and nomenclature of the program element as identified in PRCP (R-1) locked position.

5. Project Number and Nomenclature: Identify the project number and nomenclature on each page as identified in PRCP (R-1) locked position.

6. For the R-4, Schedule Profile, provide a schematic display (in image file format: tif, jpeg, gif, bmp, or png) of major program milestones that reflect engineering milestones, acquisition approvals, test and evaluation events, and other key milestones for the program events. Cover the program years, not just the budget year. Stub entries should be tailored to the events and activities of the reported program. Congressional “staffer day” briefing schematics are desired to minimize potential schedule display inconsistencies. However, the option to build the Schedule Profile using XML software is still available.

7. For the R-4a, Schedule Detail, provide a tabular display of the major program milestones identified on the R-4 as well as any additional programmatic events that contribute to and support the schedule profile identified on the R-4.

VOLUME 2B, CHAPTER 6: "MILITARY CONSTRUCTION/FAMILY HOUSING APPROPRIATIONS"

SUMMARY OF MAJOR CHANGES

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

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

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

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

The previous version dated June 2013 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated and changed paragraph numbering system throughout the chapter.	Revision
All	Changed "Planning & Design" to "Design" to reflect the Under Secretary of Defense for Acquisition and Sustainment's guidance.	Revision
All	Updated authoritative guidance references throughout the chapter.	Revision
1.0	Substantively revised the General paragraph to update the Purpose narratives and add the required list of Authoritative Guidance information. Added the Military Unaccompanied Housing Improvement Fund (MUHIF) and the Military Housing Privatization Initiative (MHPI) Investments and Credit Financing to the list of appropriations and accounts.	Revision/ Addition
2.0	Established the Policies and Procedures paragraph to capture policies and procedures previously included in paragraph 1.0. Updated narratives to reflect the current offices responsible for managing and/or overseeing the programs in this chapter. Added MUHIF to description of Treasury Accounts.	Revision/ Addition
3.0	Moved the Uniform Budget and Fiscal Accounting Classification paragraph from 2.0 to 3.0 and updated contents for relevancy. Updated the unspecified minor military construction (MILCON) thresholds and added the MUHIF as a Major Functional Category.	Revision/ Addition

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
4.0	Moved the Program and Budget Review Submission paragraph from 3.0 to 4.0. and updated contents for relevancy. Updated full funding policy, Economic Analysis requirements, and DD 1391 requirements. Added Exhibit UH-6 MHPI - Military Unaccompanied Housing Privatization to the submission for MILCON appropriations and updated narratives detailing the current process for MHPI credit financing and investment information reflected in the President's Budget. Added clarification for use of category codes applicable to MILCON. Added reference to Building Condition Index (BCI) and replaced Q-Ratings with BCI. Added the MUHIF.	Revision / Addition
3.2.2.13, 3.2.2.20.3, & 3.2.2.20.5 (previous version)	Removed requirement to report Family Housing (FH) maintenance and repair costs over $20,000 per unit. Removed Exhibits FH-6 Budget Estimate Submission (BES) and FH-13 Detail of Awarded Family Housing Privatization Projects because the consolidated Exhibit FH-6 replaced these exhibits.	Deletion
5.0	Moved the Congressional Justification/Presentation paragraph from 4.0 to 5.0. and updated contents for relevancy. Removed reference to Exhibit FH-6 BES because it is not applicable.	Revision/ Deletion
6.0	Established the MILCON/Family Housing Appropriation Exhibits paragraph to display the list of required exhibits.	Addition
Appendix A	Created appendix to capture detailed instructions and formats/templates for BES MILCON exhibits previously included in paragraph 5.2. Added the Exhibit UH-6 MHPI.	Revision/ Addition
Appendix B	Created appendix to capture detailed instructions and formats/templates for BES Family Housing exhibits previously included in paragraph 5.3. Replaced Exhibit FH-6 BES with the FH-6 Consolidated MHPI exhibit. Deleted FH-10, General and Flag Officer Quarters 6,000 Net Square Feet (NSF). Updated the FH-11 exhibit to include BCI. Removed Exhibit FH-13, Detail of Awarded FH Privatization Projects (replaced with consolidated FH-6 exhibit).	Revision/ Addition
Appendix C	Created appendix to capture detailed instructions and formats/templates for BES Homeowners Assistance exhibits previously included in paragraph 5.4.	Revision/ Addition
Appendix D	Created appendix to capture detailed instructions and formats/templates for BES NATO Security Investment exhibits previously included in paragraph 5.5.	Revision/ Addition

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CHAPTER 6

MILITARY CONSTRUCTION/FAMILY HOUSING APPROPRIATIONS

*1.0 GENERAL

1.1 Purpose

1.1.1. This chapter provides instructions for budget formulation and congressional justification of Military Construction (MILCON), Family Housing, Homeowners' Assistance Program (HAP), North Atlantic Treaty Organization (NATO) Security Investment Program, Family Housing Improvement Fund (FHIF), Military Unaccompanied Housing Improvement Fund (MUHIF), and Military Housing Privatization Initiative (MHPI) Investments and Credit Financing appropriations. This chapter covers specific back-up material requirements for these accounts and provides additional specific guidance for the back-up material required for MILCON, Family Housing, Homeowners' Assistance Program and NATO Security Investment Program appropriations.

Paragraph	Appropriations and Accounts
3.1:	MILCON
	MILCON, Army
	MILCON, Navy and Marine Corps
	MILCON, Air Force
	MILCON, Defense-Wide
	MILCON, Army National Guard
	MILCON, Air National Guard
	MILCON, Army Reserve
	MILCON, Navy Reserve
	MILCON, Air Force Reserve
	Chemical Demilitarization Construction, Defense
3.2:	Family Housing
	Family Housing, Army
	Family Housing, Navy and Marine Corps
	Family Housing, Air Force
	Family Housing, Defense-Wide
3.3:	Homeowners' Assistance Program
	Homeowners' Assistance Fund, Defense
4.4:	NATO Security Investment Program
4.5:	NATO Security Program Expansion Costs
4.6:	FHIF/MUHIF Program
4.7:	MHPI Investments and Credit Financing

1.1.2. Volume 2A, Chapter 1 provides general guidance for submission requirements, format, preparation of material, policies, and definitions concerning costs. The definitions clarify costs for MILCON appropriations to finance, as opposed to other appropriations for Research and Development facilities.

1.1.3. The covered appropriations/accounts will also submit any applicable exhibits required in Chapter 19.

1.2 Authoritative Guidance

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

1.2.1. Title 2, United States Code, Chapter 17A, SUBCHAPTER III, (***2 U.S.C., Chapter 17A, Subchapter III***), "Federal Credit Reform Act of 1990"

1.2.2. ***10 U.S.C. Chapter 169***, "Military Construction and Military Family Housing"

1.2.3. ***10 U.S.C. Chapter 169, Subchapter IV***, "Alternative Authority for Acquisition and Improvement of Military Housing"

1.2.4. ***10 U.S.C. § 114***, "Annual authorization of appropriations"

1.2.5. ***10 U.S.C. § 2667***, "Leases: non-excess property of military departments and Defense Agencies"

1.2.6. ***10 U.S.C. § 2672***, "Protection of buildings, grounds, property, and persons"

1.2.7. ***10 U.S.C. § 2686***, "Utilities and services: sale; expansion and extension of systems and facilities"

1.2.8. ***10 U.S.C. § 2801***, "Scope of chapter; definitions"

1.2.9. ***10 U.S.C. § 2802***, "Military construction projects"

1.2.10. ***10 U.S.C. § 2804***, "Contingency construction"

1.2.11. ***10 U.S.C. § 2805***, "Unspecified minor construction"

1.2.12. ***10 U.S.C. § 2806***, "Contributions for North Atlantic Treaty Organization's Security Investment"

1.2.13. ***10 U.S.C. § 2807***, "Architectural and engineering services and construction design"

1.2.14. ***10 U.S.C. § 2809***, "Long-term facilities contracts for certain activities and services"

1.2.15. ***10 U.S.C. § 2812***, "Lease-purchase of facilities"

1.2.16. ***10 U.S.C. § 2824***, "Authorization for acquisition of existing family housing in lieu of construction"

1.2.17. ***10 U.S.C. § 2828***, "Leasing of military family housing"

1.2.18. ***10 U.S.C. § 2835***, "Long-term leasing of military family housing to be constructed"

1.2.19. ***10 U.S.C. § 2836***, "Military housing rental guarantee program"

1.2.20. ***10 U.S.C. § 2837***, "Housing Requirements and Market Analysis"

1.2.21. ***10 U.S.C. § 2851a***, "Supervision of military housing by Chief Housing Officer"

1.2.22. ***10 U.S.C. § 2865***, "Work in Process Curve charts and outlay tables for military construction projects"

1.2.23. ***10 U.S.C. § 2884***, "Reports"

1.2.24. ***12 U.S.C. Chapter 13***: "National Housing"

1.2.25. ***31 U.S.C. SUBTITLE II, Ch 15, Subchapter III***, "Transfers and Reimbursements"

1.2.26. ***37 U.S.C. § 403***, "Basic allowance for housing"

1.2.27. Public Law 101-526 (***P.L. 101-526***), "Title II - Closure and Realignment of Military Installations"

1.2.28. ***P.L. 101-510***, "Title XXIX - Defense Base Closures and Realignments"

1.2.29. Fiscal Year 2009 National Defense Authorization Act, Section 2801 (***FY09 NDAA § 2805***), "Imposition of requirement that acquisition of reserve component facilities be authorized by low"

1.2.30. (***FY 96 NDAA § 2801***), " Alternative authority for construction and improvement of military housing"

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

1.2.32. ***OMB Circular A-76***, "Performance of Commercial Activities"

1.2.33. ***OMB Circular A-94***, "Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs"

1.2.34. DoD Directive 2010.05 (***DoDD 2010.05***), "The North Atlantic Treaty Organization Security Investment Program"

1.2.35. ***DoDD 4165.06***, "Real Property"

1.2.36. ***DoDD 4165.50E***, "Homeowners Assistance Program (HAP)"

1.2.37. ***DoDD 4270.5***, "Military Construction"

1.2.38. DoD Instruction 1225.08 (***DoDI 1225.08***), "Reserve Component (RC) Facilities Programs and Unit Stationing"

1.2.39. ***DoDI 4165.03***, "DoD Real Property Categorization"

1.2.40. ***DoDI 4165.63***, "DoD Housing"

1.2.41. ***DoDI 4165.71***, "Real Property Acquisition"

1.2.42. ***DoDI 7041.03***, "Economic Analysis for Decision-making"

1.2.43. DoD Manual 4165.63 (***DoDM 4165.63***), "DoD Housing Management"

*2.0 POLICIES AND PROCEDURES

2.1 Family Housing Program Policies and Guidelines

2.1.1. Policy

2.1.1.1. It is DoD Policy: 1) to provide Military Family Housing for military families and for eligible civilian families only when suitable housing in the community does not exist; 2) to provide for the housing and support services, as authorized by law, that are necessary to meet the requirements of the DoD; 3) that the program must be financed and managed in the most cost effective and efficient manner possible in order to support these requirements and to maximize the use of available program resources; 4) that the program must include the provision of assistance to all military personnel and certain eligible civilians in locating and utilizing privately owned housing including leasing; 5) that the program must include, within available resources, the provision of Government-owned or leased family housing and furnishings (referred to as Defense Family Housing Property); and 6) that the program must include the efficient and effective financial and program management of Defense Family Housing Property, including acquisition, privatization, operation, improvement, maintenance, debt financing, leasing, and family housing support programs.

2.1.1.2. The Family Housing Program encompasses Military Family Housing as defined and authorized by the provisions of 10 U.S.C. Chapter 169 and includes all DoD Component family housing in the Defense Family Housing Property Account, leases of real property utilized by DoD Components for family housing, and associated family housing support services programs.

2.1.2. Responsibilities

2.1.2.1. The Under Secretary of Defense for Acquisition and Sustainment (USD(A&S)) is responsible for program management as set forth in the DoDI 4165.63, and DoDM 4165.63, which also addresses Unaccompanied Housing. 10 U.S.C. § 2851a established the Assistant Secretary of Defense for Energy, Installations, and Environment (ASD(EI&E)) as the DoD Chief Housing Officer (CHO). The CHO oversees family and unaccompanied housing under the jurisdiction of the DoD or acquired or constructed under the MHPI. The Office of the Deputy Assistant Secretary of Defense for Housing (ODASD(H)) carries out the day-to-day responsibilities of the CHO with respect to the creation and administration of policies and processes regarding privatized, DoD-owned, and DoD-controlled family and unaccompanied housing. The ODASD(H) also has responsibility for overseeing the HAP. The Under Secretary of Defense (Comptroller) (USD(C)) is responsible for financial management, program budget policies, program accounting policies, and financial reporting. As prescribed by the USD(C), the Director, Defense Finance and Accounting Service, is responsible for central accounting and financial reporting for the program. As prescribed by DoDI 4165.63, the Secretaries of the Military Departments and the Directors of the Defense Agencies are responsible for execution of the program for personnel under their respective jurisdictions, including program and financial management, accounting and reporting.

2.1.2.2. In the financial management and execution of the program, DoD Components must conduct program budget formulation, presentation, and execution in accordance with the guidance and provisions contained in this chapter and adhere to the program accounting and financial reporting guidance and provisions contained in Volume 4.

2.1.3. Objectives and Procedures

2.1.3.1. Assistance in Locating and Utilizing Privately Owned Family Housing. Assistance provided to DoD personnel to obtain privately owned family housing under the program includes privatized housing referral service, including administration of private rental housing for DoD personnel overseas; DoD leasing of private housing; rental guarantee payments pursuant to 10 U.S.C. § 114 and service members' mortgage insurance payments on their privately owned housing made pursuant to 12 U.S.C. Chapter 13.

2.1.3.2. Defense Family Housing Property. The Family Housing Program will manage and control all DoD-owned or DoD-controlled physical property described in subparagraph 2.1.3.2.1. The properties will be recorded in a property account entitled the Defense Family Housing Property Account, which should be fully consistent with the DoD Real Property Inventory and Select & Native Programming (SNaP) databases. Guidance for the maintenance of property accounting records is contained in Volume 4. A continuing permanent accounting record

will be maintained of the real property included in each installation's Family Housing Property Account. Appropriate classifications will be entered on the records to distinguish between real and personal property. Property will be removed from the Defense Family Housing Property account when the property is disposed of as (DoD property), when it is transferred to DoD non-family housing use. The Report Control Symbol assigned to the special record keeping requirements is DD-COMP (AR)1501.

2.1.3.2.1. The Defense Family Housing Property Account includes the following properties, under the jurisdiction of the DoD, to which the Government has a right, title, or interest, with exceptions noted in paragraph 2.1.3.2.2.

2.1.3.2.1.1. All types of family dwelling units and mobile home park facilities, without regard to the military status of the occupant and including housing that is: located on or off station, owned or leased, occupied or unoccupied; situated in dispersed locations or in community-type areas; located at an active, inactive, standby, or reserve facility; or, operated or maintained by the Government, directly or by contract.

2.1.3.2.1.2. Non-dwelling buildings directly associated with family dwelling units or a family housing area, including structures outside the housing area required solely for family housing support.

2.1.3.2.1.3. Roads, driveways, walks, and utility systems which primarily serve family housing units or areas.

2.1.3.2.1.4. The grounds area of a group of family housing units and the yards of dispersed family housing units or areas.

2.1.3.2.1.5. Community facilities which are integral to a family housing area and are available for use only by family housing area residents and their house guests.

2.1.3.2.1.6. Fixtures and other appliances or equipment in a housing unit that are either integral components or movable items, such as: refrigerators, kitchen ranges and, when authorized, food freezers, room air conditioners, washing machines, clothes dryers, dishwashing machines, garbage disposals, exhaust fans, roof or attic television antennas; and those appliances provided for family housing rented privately by DoD personnel in areas outside the conterminous United States, pursuant to DoDM 4165.63.

2.1.3.2.1.7. Furniture, furnishings, and other personal property that are directly associated with providing and supporting family housing units, including personal property provided for use outside the conterminous United States, pursuant to DoDM 4165.63.

2.1.3.2.2. The Defense Family Housing Property Account excludes the following properties, irrespective of the Government's right, title, or interest therein:

2.1.3.2.2.1. Aerial roads, public walks, utility lines, and utility mains that may pass through or in front of family housing locations but serve those locations as an incidental or secondary purpose to other station requirements.

2.1.3.2.2.2. Facilities similar to hotels or motels, which are provided for temporary family occupancy.

2.1.3.2.2.3. Community facilities which are not integral to a family housing area or are available for use by other than family housing area residents and their house guests.

2.1.3.2.2.4. Educational facilities.

2.1.3.2.2.5. Telephone and other communication facilities for official use, and telephone facilities for unofficial use, installed in a family housing unit.

2.1.3.2.2.6. Community Antenna Television distribution service by other Government agency, commercial cooperative, or private enterprise.

2.1.3.2.2.7. Properties financed by and supporting the Defense Security Assistance Program.

2.1.3.2.2.8. Food service facilities.

2.1.3.2.2.9. Facilities used primarily for religious services or religious activities.

2.1.3.3. Management of Defense Family Housing Property. Management undertakings, which arise in connection with the DoD responsibility for and jurisdiction over Defense Family Housing Property, include:

2.1.3.3.1. The acquisition, privatization, construction, and replacement of family housing facilities and the preliminary design studies on prospective projects, including housing requirement surveys.

2.1.3.3.2. The conversion of other real property facilities to family housing quarters.

2.1.3.3.3. The upgrading to “adequate public quarters” of those family dwelling units designated as rental, substandard, or inadequate.

2.1.3.3.4. The alteration of, or addition, expansion, or extension to, family housing facilities.

2.1.3.3.5. The outfitting of family housing facilities, as defined in subparagraph 2.1.3.1.2., with fixtures and other equipment that are either integral components or

movable items of major equipment of a housing unit, including major appliances; and furniture, furnishings, and other personal property. This function includes maintenance and repair (M&R).

2.1.3.3.6. The M&R of family housing facilities.

2.1.3.3.7. The furnishing of the following services to family housing facilities: utilities services, except telephone service and cable television; refuse collection and disposal; insect and rodent control; snow removal; handling and moving Government-owned furnishings; police and fire protection; and administrative, supervisory and clerical services related to the performance of services rendered the family housing facilities.

2.1.3.3.8. The maintenance and security of family housing property declared excess to DoD needs, which rests with the DoD Component until the DoD is relieved of this responsibility. The following rules and principles apply:

2.1.3.3.8.1. If the General Services Administration (GSA) is disposing the property, the transfer of financial responsibility to GSA will be in accordance with Federal Property Management Regulations, Part 101-47, 402.

2.1.3.3.8.2. When the DoD recommends to GSA that disposal of excess property be delayed because of economic considerations and a contract has been made with a local agency to rent the property and to protect and maintain it, the residual financial responsibility for maintenance and security rests with the DoD.

2.1.3.3.8.3. It has been agreed with the GSA that, in interpreting property disposal regulations, the DoD will be deemed to have declared the property excess to GSA on the date that the protection and maintenance contact is discontinued.

2.2 Family Housing Procedures for Administration and Management of Program Funds

2.2.1. Treasury Accounts

For Family Housing Construction, funds are appropriated to remain available for five years. For Family Housing Operation and Maintenance (O&M), funds are appropriated with annual account limitations. For the DoD FHIF and MUHIF, funds are appropriated to support MHPI administrative program expenses, including accounting and financial reporting services, and remain available until expended. These and other funds made available for family housing are administered under the Treasury accounts outlined in Volume 2A, Chapter 1, paragraph 6.3.

2.2.2. Funding the Family Housing Program

2.2.2.1. The Family Housing Program will be financed from:

2.2.2.1.1. Those funds primarily appropriated for family housing purposes.

2.2.2.1.2. Authorized reimbursements and collections from housing rentals and services furnished as set forth in subparagraphs 2.2.2.1.2.1 through 2.2.2.1.2.8.

2.2.2.1.2.1. Charges will be made for rentals and services furnished certain occupants or users of family housing facilities. Determine the amount of rent charged in accordance with the provisions of DoDM 4165.63. Disposition of the proceeds of handling or disposal of excess family housing property is treated in subparagraph 2.2.2.1.3.

2.2.2.1.2.2. Collections for rents and services to finance family housing expenses in accordance with applicable statutes are listed in subparagraphs 2.2.2.1.2.3 through 2.2.2.1.2.8. Such reimbursements will be utilized within the financial authority issued by the USD(C) but limited to the amount of reimbursements earned.

2.2.2.1.2.3. Utilize the collections received for rental of Defense housing within the applicable DoD Component family housing account to defray O&M expenses. If the housing is rented with Government furniture provided, treat the combined total charge for shelter rent and furniture rent as indicated in subparagraph 2.2.2.1.2.2.

2.2.2.1.2.4. Utilize the collections from the sale of utilities and services within the appropriation currently available for the supply of that utility or service in accordance with the authority set forth in 10 U.S.C. § 2686.

2.2.2.1.2.5. Collections from other agencies related to O&M charges pursuant to ***31 U.S.C. Chapter 15, Subchapter III*** will be affected.

2.2.2.1.2.6. When non-excess family housing property is leased, pursuant to 10 U.S.C. § 2667, deposit the rental moneys received in a special account in the U.S. Treasury established for DoD Components for allocation as prescribed in 10 U.S.C. § 2667. Deposit the moneys received for utilities or services to the applicable DoD Component family housing account.

2.2.2.1.2.7. For accounting purposes, identify those reimbursements described in subparagraph 2.2.2.1.2 to be used for O&M purposes as financing the operations portion of the O&M expenses.

2.2.2.1.2.8. Deposit all collections for family housing rents or services, other than those described in subparagraph 2.2.2.1.2 and in subparagraph 2.2.2.1.3 to Treasury Miscellaneous Receipt Account 1830, "Rent of Real Property not Otherwise Classified," under a citation which includes the appropriate DoD Component two-digit prefix symbol. Such collections include those to cover costs of repairing damages to family housing facilities (including replacement of items) caused by family housing occupants.

2.2.2.1.3. Other funds which are available from disposal of excess family housing property as set forth in subparagraphs 2.2.2.1.3.1 through 2.2.2.1.3.4.

2.2.2.1.3.1. In the case of family housing in the United States disposed of pursuant to P.L. 101-526, Title II, the Defense Authorization Amendments and Base Closure and Realignment Act or P.L. 101-510, Defense Base Closure and Realignment Act of 1990, deposit the proceeds in the DoD Base Closure Account 1990.

2.2.2.1.3.2. In the case of family housing disposed of under authorities contained in 10 U.S.C. Chapter 169, Subchapter IV, as added by FY96 NDAA § 2801, for purposes of using the proceeds to carry out activities authorized under those provisions, deposit the proceeds in the DoD FHIF. 10 U.S.C. Chapter 169, Subchapter IV, § 2883(d) limits the funds that can be expended from the account to such amounts as provided in the appropriations act. Therefore, non-appropriated proceeds deposited into the FHIF account cannot be used to fund privatization projects, without it being appropriated, first.

2.2.2.1.3.3. In the case of family housing overseas disposed of under circumstances which fall within the provisions of P.L. 101-510, § 2921 as amended, the deposit the proceeds in the Defense Overseas Military Facility Investment Account.

2.2.2.1.3.4. In the case of family housing disposed of under other circumstances, deposit the proceeds in the appropriate military family housing account.

2.2.2.2. The DoD Component having responsibility for the Defense installation or housing area will program, budget, and account for Family Housing Program costs, regardless of the DoD Component of the housing occupant. Reimbursement for such costs will not be made between DoD Components.

2.2.2.3. Funding will be on a program-year basis. The detailed program-year criteria for the major functional categories and for the immediate subordinate accounts is set forth in subparagraphs 2.2.2.3.1 through 2.2.2.3.3.

2.2.2.3.1. The program year for the undertakings (projects for new construction, acquisition of housing, construction improvements, and minor construction) must be the same as the year of the applicable annual MILCON Authorization Act.

2.2.2.3.2. After the program year for a specific project is established, administer the related appropriation for that project under the designated program year, irrespective of when the work is undertaken. In the event there are savings due to lower bids or change in scope, these savings may be reprogrammed for projects authorized in different program years in accordance with guidance provided in Volume 3, Chapter 7, “Reprogramming of Military Construction and Family Housing Appropriated Funds.”

2.2.2.3.3. For design, which is a “level of effort” type activity, the following program year concept applies:

2.2.2.3.3.1. Budget estimates for the budget year (BY) and each future year will include the design work programmed to be placed on contract or intragovernmental order during the program year and the design work expected to be performed with in-house

capabilities during the program year. Determine the dollar value of a planned program on the basis of estimated obligations to be incurred during the program year for the program scope embraced by subparagraphs 2.2.2.3.1 and 2.2.2.3.2.

2.2.2.3.3.2. Request and issue obligation authorities by program year on the basis of obligations estimated to be incurred as a result of the issuance during the program year of contracts or other orders which constitute valid obligations pursuant to Volume 4 for design work, irrespective of when the work will be performed and the accomplishment during the program year of design work with in-house capability. Charge obligations by program year on these same bases.

2.2.2.3.3.3. Make adjustments to obligations charged against a prior program year only to the extent of an adjustment in the amount of an obligation recorded for specific work ordered in that prior program year or de-obligations to reflect cancellation of work ordered in that prior year (PY). New obligations for design work for a particular project which are in addition to that ordered in prior program years for that project are charges against the program year in which those new obligations are incurred.

2.2.2.3.3.4. For rental guarantee payments, the program year must be the fiscal year in which the rental guarantee payments are obligated. No new obligations may be incurred under a program year obligation authority after the close of that program fiscal year. Make necessary adjustments to obligations for rental guarantee payments to reflect actual obligations incurred during the fiscal program year in accordance with existing procedures covering adjustment to annual accounts.

2.2.2.3.3.5. The major functional categories of O&M and debt payment are considered “level of effort” type activities. Develop program planning and budget estimates for these categories in accordance with that concept. Request and issue obligational authority for O&M and debt payment by program year because the authority will not be available for new obligations after the close of the fiscal year for which such authority is issued. Make necessary adjustments to obligations for O&M and debt payment to reflect actual obligations incurred during the fiscal program year in accordance with existing procedures covering adjustment to annual accounts.

2.2.2.4. Apply economic analysis to all program investment proposals in accordance with this chapter which sets forth budget submission requirements.

2.2.2.5. Obtain apportionment of funds and issuance of financial authorities as follows: each DoD Component (except Defense Agencies) must submit to the OUSD(C) an apportionment request, as prescribed in Volume 3, Chapter 2, “Apportionment/Reapportionment and Funds Distribution.” The OUSD(C) will issue specific financial authority to the DoD Components concerned in such amounts and at such levels as appropriate for efficient and economical administration of the Family Housing Program.

2.2.2.6. For the Construction category, provide the Office of the Secretary of Defense (OSD) program approval and obligating authority by fiscal year, generally at the

construction element level (immediate subordinate account level) or at project level where circumstances warrant. Volume 3 defines the scope of realignment authority delegated to the DoD Components. Report all program/fund realignments in accordance with Volumes 2 and 4.

2.2.2.7. Record and report obligations, incurred costs, accrued expenditures, accrued revenues, disbursements and receipts in accordance with Volume 4. When another appropriation, e.g., O&M, initially incurs a funded cost, bill the applicable DoD Component family housing account at least monthly. Charge the obligations, incurred costs, accrued expenditures and disbursements to the applicable accounts.

2.2.2.8. The balance due on indebtedness previously assumed should be in a "Borrowing Account" in conformance with Federal budget concepts.

2.2.2.9. Record the acquisition of property in accordance with Volume 4. Record the amount of the mortgage assumed as an increase in the "Borrowing Account" and report it to the Treasury under Code (97).

2.3 Use of O&M Funds under Contingency Construction Authority

The criteria and procedures for the use of O&M funds under Contingency Construction Authority (also known as § 2804 Authority) are listed in Volume 3, Chapter 17, paragraph 3.3.

*3.0 UNIFORM BUDGET AND FISCAL ACCOUNTING CLASSIFICATION

3.1 MILCON Appropriations

Accomplish programming, budgeting, financing, and accounting for the MILCON Program under an account structure uniformly used for these purposes by all DoD Components. The uniform account structure and scope of each account prescribed for the administration of the MILCON Program are as follows:

3.1.1. Major Functional Category: Construction

3.1.1.1. Immediate Subordinate Account: Major Construction. Includes construction projects authorized under 10 U.S.C. § 2801 and § 2802 for the purposes of erection, installation, or assembly of a new facility; the addition, expansion, extension, alteration, conversion, or replacement of an existing facility; or the relocation of a facility from one installation to another. Includes equipment installed and made a part of such facilities, and related site preparation, demolition, excavation, filling and landscaping, or other land improvements.

3.1.1.2. Immediate Subordinate Account: Minor Construction. Includes any construction project not otherwise authorized by law having a cost equal to or less than $9,000,000. Minor construction projects costing more than $750,000 may not be carried out unless 10 U.S.C. § 2805 requirements are met. This includes advance approval by the Secretary concerned, and notification to the Congress if the project amount is more than $4,000,000. An

unspecified MILCON project costing not more than $4,000,000 may be funded from appropriations available for O&M.

3.1.1.3. Immediate Subordinate Account: Design. Includes architectural and engineering services, construction design, working drawings, specifications and estimates for construction projects. 10 U.S.C. § 2807 pertains to architectural and engineering services and construction design.

3.1.1.3.1. Design Status. Consider projects with parametric cost estimates and supporting documentation, e.g., site plan, economic analysis, and National Environment Policy Act (NEPA) documentation, at the 15 percent design level.

3.1.1.3.2. Projects using the traditional method of design, being designed in-house, using a standardized design, or site adapting a previous design should use the milestone chart to gauge their design status.

Milestone Chart	
Design Milestone	**Design Status**
1% Design Complete	Design instructions issued to major command.
2% Design Complete	Major command design instructions issued to design agent.
3% Design Complete	Notice to proceed issued to architect/engineering firm (A&E) by the design agent.
30% Design Complete	Concept plan, early preliminary working drawings, design analyses, and outline specifications issued by the designer.
35% Design Complete	Concept or early preliminary review comments forwarded to the design agent.
60% Design Complete	Regular preliminary working drawings, design analyses, and updated cost estimate and outline specifications issued by the designer
65% Design Complete	Regular preliminary review comments forwarded to the design agent.
90% Design Complete	Final design (working drawings, design analyses, cost estimates, and specifications) completed by the designer.
95% Design Complete	Final design review comments forwarded to the design agent
100% Design Complete	Corrected final design accepted by the DoD Component.

3.1.1.4. Immediate Subordinate Account: Supporting Programs. Includes Defense access roads and land acquisitions.

3.1.2. Major Functional Category: NATO Security Investment Program

Includes contributions for the United States share of the cost of multilateral programs for the acquisition and construction of military facilities and installations (including international military headquarters) and for the related expenses for the collective defense of the North Atlantic Treaty Area. 10 U.S.C. § 2806 pertains to contributions for NATO Security Investment Program.

3.2 Family Housing

DoD Components will use the uniform account structure established for programming, budgeting, financing and accounting for the family housing program. Administer the account structure so as to provide program and financial control of the family housing program consistent with applicable statutes. The uniform account structure and scope of each account for the family housing program are as follows:

3.2.1. Major Functional Category: Construction

3.2.1.1. Immediate Subordinate Account: New Construction (by Installation and Project). Includes the erection, installation, assembly, relocation or replacement of single or multifamily dwelling units, related land acquisition, site preparation, excavation, filling and landscaping, or other land improvements. Also included are the initial outfitting during construction of a dwelling unit with fixtures and other requirements which are either integral components or movable items of major equipment thereof, including major appliances, and architectural and engineering supervision and inspection of construction. Includes design costs of contractor to perform a turnkey contract. New construction also includes the construction of items included in subparagraphs 2.1.3.2.2.1 through 2.1.3.2.2.3 and 2.1.3.2.2.5.

3.2.1.2. Immediate Subordinate Account: Construction Improvements (formerly Post Acquisition Construction). Includes major construction projects (projects beyond those authorized under the minor construction program) for the following (by installation and project): upgrading inadequate public quarters, rental housing and acquired units to produce adequate public quarters; conversion of existing facilities to public quarters; alterations, additions-expansions-extensions; construction of family housing real property, other than dwelling units required subsequent to and because of previously acquired dwelling units; and the payments made to military personnel for telephone reconnection charges must be included in project costs under this subaccount when a construction project involves relocation, alteration, improvement, or other work necessitating Government directed, non-Permanent Change of Station moves between Government quarters. However, in cases where concurrent maintenance/repair work is involved, telephone reconnection costs must be charged to the maintenance account.

3.2.1.3. Immediate Subordinate Account: Design. Includes the design, working drawings, specifications and estimates for construction projects approved by the Secretary of Defense for inclusion in the President's Budget. Also includes consolidated DoD guide drawings, specifications, and design efforts on projects which are not subsequently constructed.

3.2.2. Major Functional Category: O&M

3.2.2.1. Immediate Subordinate Account: Operation. This account includes the costs associated with Management, Services, Furnishing, and Miscellaneous subaccount categories identified in subparagraphs 3.2.2.1.1 through 3.2.2.1.4.

3.2.2.1.1. Management. This account includes costs for management, administrative, and support-type services at the installation level, such as, inspection of

construction and administration of rental guarantee projects, housing referral administration, housing office base support costs, surveys, engineering studies, and other identifiable management costs.

3.2.2.1.2. Services. This account includes cost associated with refuse collection and disposal, fire protection, police protection, entomological services, custodial services, snow removal, street cleaning, and other municipal-type services.

3.2.2.1.3. Furnishings. This account includes initial acquisition, maintenance, repair and replacement of furniture, furnishings and other personal property (see subparagraph 2.1.3.2.1.7); the furnishing of services included in subparagraph 2.1.3.3.7.

3.2.2.1.4. Miscellaneous. This account includes other family housing program operational costs that do not fall into the other Operation categories.

3.2.2.2. Immediate Subordinate Account: Housing Privatization Support. Includes the costs that the government incurs in direct support of the family housing privatization program under the authorities of 10 U.S.C. Chapter 169, Subchapter IV, except for those costs that will be included as part of the privatization project. These costs include all administrative, planning, development, solicitation, award, transition, construction oversight, and portfolio management activities associated with military housing privatization and specifically for:

3.2.2.2.1. Site Assessment Costs. Includes all costs in direct support of the family housing privatization program for environmental baseline assessments, environmental assessments, environmental impact statements, and any efforts required to be accomplished by the government prior to privatization for, environmental mitigation, site surveys, or real estate costs.

3.2.2.2.2. Project Costs. Includes all costs in direct support of the family housing privatization program for project feasibility studies, concept development, consultant fees, solicitation, procurement, contracting, execution, transition, construction management (supervision, inspection and overhead), post award management/monitoring, and portfolio management.

3.2.2.2.3. Administrative Costs. Includes all costs in direct support of the family housing privatization program for civilian pay, travel, training, supplies, equipment, and for any services provided by a Component in support of the privatization program.

3.2.2.3. Immediate Subordinate Account: Maintenance of Real Property Facilities. This account includes M&R of buildings, roads, driveways, walks, exterior and interior utility systems and grounds care; and maintenance, repair and replacement of fixtures and other equipment which are integral components of a housing unit. This account also finances the costs of reimbursements made to military personnel for telephone reconnection charges when maintenance or repair work necessitates Government-directed, non-PCS moves. This includes such charges resulting from improvement/repair projects funded in part from the family housing construction account.

3.2.2.4. Immediate Subordinate Account: Leasing. This account includes leasing of family housing facilities by the Government as outlined in subparagraph 2.1.3.1.

3.2.2.5. Immediate Subordinate Account: Utilities. This account includes costs for utilities consumed in government-owned family housing, including electricity, water, sewage, natural gas, fuel oil, or other heating fuels. It excludes the costs associated with the M&R of utility systems covered under the Maintenance of Real Property Facilities Account.

3.2.2.6. Immediate Subordinate Account: Mortgage Insurance Premiums (or also known as Servicemen's Mortgage Insurance Premiums). This account includes payments of servicemen's mortgage insurance premiums pursuant to 12 U.S.C. Chapter 13, as amended.

3.2.3. Major Functional Category: DoD FHIF. Includes activities required for family housing in connection with the MHPI program planning, execution, accounting and financial reporting, and administration of contracts entered into under the authorities of 10 U.S.C. Chapter 169, Subchapter IV.

3.2.4. Major Functional Category: MUHIF. Includes activities required for unaccompanied housing in connection with the MHPI program planning, execution, accounting and financial reporting, and administration of contracts entered into under the authorities of 10 U.S.C. Chapter 169, Subchapter IV.

3.3 Homeowners' Assistance Fund, Defense

Exhibits HA-1 through HA-4 in Appendix C prescribe the program/budget account classification structure for the HAP.

*4.0 PROGRAM AND BUDGET REVIEW SUBMISSION

4.1 MILCON

4.1.1. General Guidance. Concurrently submit supporting data for each of the MILCON appropriation requests with all other DoD appropriation requests. To facilitate the review and decision-making process, it is essential that the packaging of justification materials conform to the uniform facility category structure established by DoDI 4165.03.

4.1.1.1. Determine construction requirements in consonance with Program Decision Memorandum (PDM) guidance and with applicable Executive Orders, OMB Circulars, and relevant DoD instructions and directives.

4.1.1.2. Support each proposed construction project with DD Form 1391/1391C, MILCON Project Data and a DoD Construction Agent assessment. Prepare these exhibits in accordance with guidance contained in Appendix A. Projects associated with intelligence or intelligence-related operations will be so identified. Block 5, Program Element, DD Form 1391, will include the annotation National Intelligence Program (NIP) or Military Intelligence Program (MIP) as appropriate. Prepare DD Form 1390, MILCON Program, for each installation at which

major construction is planned, utilizing the format prescribed in Appendix A. The Guard and Reserve Components will utilize DD Form 1390S, Guard and Reserve Forces MILCON. Additionally, for projects over $90 million each Component must submit a Work-in-Progress curve in accordance with 10 U.S.C. § 2865.

4.1.1.3. Each Component will also submit a Major Initiative code for every MILCON budget line item in the electronic Next Generation Resource Management System.

4.1.1.4. OMB is enforcing the full funding policy contained in OMB Circular A-11. The Components are required to ensure that all projects are fully funded in compliance with OMB Circular A-11. However, DoD Components may submit an exception request from the full funding policy with the Budget Estimate Submission (BES) to the OUSD(C) for construction projects over $250 million. OUSD(C) will request an exception to the full funding policy from OMB. If granted, components may budget increments for the construction project. Additionally, for projects costing less than $250 million, the Components may break projects down into complete and usable phases, with phases in multiple years.

4.1.1.5. In the case that OMB grants a waiver to allow budgeting for the incremental funding of a project, the Components have the flexibility to move funding between increment/years to allow for flexibility, but only if there is no increase in the total cost of the project or number of increments. When projects fully funded in a given year's President's Budget request are incrementally funded by Congress, the Components must fund the remaining amount within two subsequent increments (for a total of no more than three increments). Budget justification materials (1391/1391C) should include a chart depicting all outyear liabilities resulting from incremental funding decisions.

4.1.1.6. To ensure prudent and economic investments, a life cycle, net present value economic cost analysis is required to support all new construction or renovation projects estimated to cost in excess of the amount specified in 10 U.S.C. § 2805(a)(2), as adjusted by paragraph (f). DoD Components must retain copies of these studies and provide them, when requested, during the OSD - OMB program and budget review. In accordance with Volume 2A, Chapter 1, subparagraph 3.3.1.3.3, components are required to indicate on the justification page for each individual construction project whether or not an economic analysis is applicable or pertinent. If not applicable, a statement is required indicating why.

4.1.1.7. In accordance with guidance provided in DoDD 2010.05 Section 2.5.d, components are required to indicate on the justification page for each individual construction project for U.S. forces committed to NATO, a statement whether or not the project is planned for prefinancing, with appropriate explanation as to: (a) why U.S. unilateral financing is being proposed; and (b) as appropriate, follow-on actions planned to seek reimbursement through NATO channels. A similar statement is required for any other overseas construction, describing why the project is not eligible for host nation funding. DoDD 2010.05 provides more specific guidance.

4.1.1.8. Submit justification materials DD Forms 1390/1391/1391C in book form, with appropriate cover, bound on the left margin. Submit classified materials in separate volumes, with appropriate security classification markings on covers.

4.1.1.9. The following paragraphs outline the specific materials to be provided including special guidance as to formats to be followed. Volume 2A, Chapter 1 identifies the numbers of copies required. Volume 2B, Chapter 16 outlines other special materials required for intelligence activities.

4.1.1.10. All budget submissions for MILCON and family housing programs should include outyear project level detail in the format specified in Appendix A.

4.1.1.11. For any joint funded Guard or Reserve MILCON project, the lead component must submit a DD Form 1391 for the complete joint facility and a signed Memorandum of Agreement (MOA). Additionally, the lead component will submit the Guard and Reserve Joint MILCON Project Exhibit, MC-2, in accordance with the format contained in Appendix A.

4.1.2. Construction Programs for the Active Forces and Defense Agencies. Arrange the books containing the DD Forms 1391/1391C by facility category, following the guidelines established by DoDI 4165.03. For each project, the DD Form 1390 will immediately precede the DD Form 1391/1391C. In each DD Form 1391/1391C provided for the OSD submission, the following design status is required: (1) date of design or parametric cost estimate initiation; (2) percentage of design complete on the OSD submission date; (3) date on which 35 percent design or a parametric cost estimate (15 percent design level) will be or has been completed (including review and approval of 35 percent drawings); (4) projected or actual date of design completion; (5) percentage of design utilizing standard design, (6) if the project cost is based on parametric estimates, include the annotation "Parametric estimates have been used to develop project costs;" and (7) type of design contract, i.e. design-build, design-bid-build, or other. If other, provide a brief explanation of the design contract. The information should be displayed on the DD Form 1391, section 12, Supplemental Data. Projects proposed for alternative construction methods such as turnkey, or private financing alternatives, for which percent design is not appropriate, should be noted in place of the design status required for normal projects. Prior to the submission of the President' Budget to Congress, notify the OUSD(C) Military Personnel and Construction (MPC) Directorate of any projects in the request where the cost estimate is not based on either 35 percent design or a parametric cost estimate (15 percent design level).

4.1.2.1. Major Construction. For purposes of the OSD and OMB review:

4.1.2.1.1. The project will identify and list each distinct facility indicating the appropriate five- or six-digit Military Department category code adjacent to the item description. A distinct facility possesses a unique real property category code described by the functional requirement and a quantity in the unit measure for the category code. When a project includes multiple distinct facilities, the project title must correspond to the code of the predominant use for the facility. Components of distinct facilities, even if quantified, do not constitute distinct facilities. Items such as cost premium for design features (e.g., sustainable design) that are

represented by "lump sum" quantities do not constitute distinct facilities. See paragraph Appendix A for further instructions on submission formats.

4.1.2.1.2. Each DD Form 1391 for a major construction project must show the construction contract award date. Indicate month and year the contract is planned to be awarded to the construction firm. Indicate month and year construction is planned to start (construction start date) and indicate month and year construction is planned to be completed (construction completion date). The information should be displayed on the DD Form 1391, section 12, Supplemental Data.

4.1.2.1.3. All DD Forms 1391 for projects submitted in the BES must include the office and phone number of the installation responsible for the requested project. Display this information on the bottom left-hand corner of the last page of the DD Form 1391.

4.1.2.2. Minor Construction. The total minor construction program request should be submitted as a lump sum submission on a single Form DD Form 1391, specifying the amount proposed for unspecified (unforeseen) minor construction projects costing up to $9.0 million per project.

4.1.2.3. Supporting Activities. The funding request for Supporting Activities will continue to be reflected as a lump sum amount on DD Form 1391. Supporting detail (location/cost) will be shown parenthetically following the lump sum estimate. While this item will be addressed for decision making purposes in the document covering Utilities and Real Estate, it should be listed separately and not included in the indexes for either Utilities or Real Estate, which fall under different facility category codes.

4.1.2.4. Restrictions on Omnibus Construction Packages. Apart from the specific exceptions noted for the pollution abatement, energy conservation, and minor construction programs, which are discrete decisions, there are to be no other omnibus packages or breakouts in the DD Form 1391 justification books. List all other projects under the appropriate facility category. In this respect, the Marine Corps facilities program will be integrated with the Navy facilities program so that all Navy and Marine facilities are included in a single Department of Navy facility category listing covering the entire "MILCON, Navy and Marine Corps" appropriation request. However, a separate "non-add" listing or index of all Marine Corps unique facilities, similar to those provided in the past, is both useful and desired.

4.1.2.5. Budget Summary and Indexing. Each Component will provide a one-page Budget Summary at the front of the justification book that provides a summary of the total construction program request. The summary will show, by column, the Total Obligation Authority (TOA), Budget Authority (BA), and authorization requested with subtotals by budget activity. Additionally, the books containing the DD Forms 1391/1391C should provide, immediately preceding each category section, an index showing facility category code numbers, installation and location, project number and title, cost, and DD Form 1391 page number. The index should also identify each project as either new mission or current mission.

4.1.2.6. Multi-service and National Level Support Programs. Program/Budget projects providing multi-service or national level support under the appropriation "MILCON, Defense-Wide," or, in the case of NATO Security Investment Program, under the appropriation "NATO Investment Program." These are to be determined on a case-by-case basis and should be identified as early as possible in the program planning phase. Identify such items in the Program Objective Memorandum (POM) and PDM process with appropriate programmatic adjustment or treatment during that phase of the review.

4.1.2.7. Should, on rare occasions, other candidates surface outside of the POM/PDM process, they will require review in the budget review process. The following guidelines apply:

4.1.2.7.1. The individual military departments will serve in an executive agency capacity for support of those construction items. The military department assigned executive agency responsibility will continue to provide all necessary and appropriate management support for such projects, including preparation of budget justification materials, and will continue to fully manage and execute the program including the preparation of all budget justification materials and defense of estimates submitted to Congress.

4.1.2.7.2. For those projects which have been identified and programmed as multi-service or national level support programs during the POM and PDM process, the executive agent will provide, at the time of its own budget submission, a separate submission consisting of all justification materials (DD Forms 1391/1391C) necessary for OSD and OMB review. Such projects are not to be reflected (duplicated) in the submission covering the department's own program (i.e., financial program, facility category listings).

4.1.2.7.3. For those projects which may surface outside the POM and PDM process as possible additional candidates, the sponsoring military departments will include these in their own construction program submissions as outlined earlier in this chapter, within their own fiscal levels, and separately highlight such items, providing a narrative explaining the basis for change.

4.1.3. Construction Programs for the Guard and Reserve Forces. Submit justification materials for the Guard and Reserve construction programs on DD Forms 1391/1391C (Project Data). A separate justification book is required for each of the five Guard and Reserve appropriations.

4.1.3.1. The DD Forms 1391/1391C will be in a single volume covering total requirements for each appropriation. Sequence the materials in alphabetical order, by state and by installation within state. The justification pages covering the lump-sum amount requested for minor construction will appear last. The DD Form 1390S will be in a separate section following the DD Forms 1391/1391C. Each book must include an index in the front, showing the installation and location, project title, project cost, DD Form 1391 page number, and arranged in alphabetical order by state.

4.1.3.2. Each Guard and Reserve program submission must include separate listings identifying amounts requested in the budget year for: (a) air and water pollution abatement; and (b) energy conservation investment programs. Each listing must show the installation and location, project title, project cost, and DD Form 1391 page number. "Negative response" listings are required to assure complete coverage.

4.1.4. Construction Design. Identify and justify the annual estimates for design on DD Form 1391. In preparing the annual estimates, give full consideration to the lead-time required to meet the objective of having each construction project at the 35 percent design stage at the time the Budget is submitted to OSD. Guard and Reserve component construction projects will meet the design criteria established in DoDI 1225.08 at the time the budget request is submitted to OSD.

4.1.4.1. The Military Departments will develop and submit design estimates in support of the construction programs for the individual Active Forces, Guard and Reserve programs.

4.1.4.2. OSD will prepare a DD Form 1391, consolidating estimates to be submitted by the Defense Components having justified requirements for Defense Agencies design funds.

4.1.4.2.1. Each Defense Agency with a requirement for design funds during the current and BYs must submit its estimates on a DD Form 1391.

. 4.1.4.2.2. The individual Military Departments may have a justified requirement for use of Defense-Wide design funds under circumstances where the Military Departments serve as executive agents for certain multi-service or national-level support projects if funding is required to design a project which will be constructed using MILCON**,** Defense-Wide funds. Under such circumstances, the Military Department will submit its estimates on a separate DD Form 1391.

4.1.5. Automated Data Requirement. All MILCON estimates for the Active Forces, Defense Agencies, Guard and Reserve Components must be addressed in the Exhibit C-1 Construction Annex input prescribed in Volume 2A, Chapter 1.

4.1.6. Long-Term Facilities Contracts. Submit DD Forms 1390 and 1391 for each project proposed under the authorities of 10 U.S.C. Chapter 169. All additional supporting justification should be included in the DD Form 1390 and DD Form 1391 Justifications. These include 10 U.S.C. § 2809, § 2812, § 2835, § 2836, and other third party financed construction authorities. Closely review private financing initiatives to ensure their programmatic and budgetary viability. So that an informed decision regarding inclusion of the project in the budget may be made during the program and budget review, support proposed projects with an economic analysis. Submit a lease-versus-buy analysis, conducted in accordance with the provisions of OMB Circular A-94, as backup documentation for the DD Form 1391 to establish a reasonable expectation that the long-term facility project meets Congressional guidance and that all third party financed projects,

including proposed childcare facilities, will be at least five percent less expensive than regular MILCON appropriation.

4.1.6.1. In development of cost estimates, MILCON alternatives should not exceed the published DoD pricing guidance. Private sector construction estimates should be fully supported by documentation and include all pertinent cost factors.

4.1.6.2. DoDI 7041.03 contains the guidance for development of the basic economic analysis required to support these long-term facility contracts. The separate lease-versus-buy analysis must conform with OMB Circular A-94 and include full life-cycle costs and net present value discounting of each alternative.

4.1.6.3. Proposed childcare facilities should also include in their justification the results of a market survey of childcare services available in the local community, and the results of a need assessment and installation interest survey that documents and supports the need for the proposed project.

4.1.6.4. Authorization and appropriation procedures for long-term lease and lease-purchase contracts are special cases and may not be treated as regular MILCON in some respects. General guidance for the treatment of budget authority, outlays, and scorekeeping guidelines for lease-purchase and capital lease contracts is contained in OMB Circular A-11.

4.1.6.4.1. Under the provisions of public law, these contracts may, depending on the authority used, be for periods of up to thirty-two years exclusive of the period of construction. However, for projects proposed under the authority of 10 U.S.C. § 2809, § 2835, and § 2836, the obligation of the United States to make payments under the contract in any fiscal year is subject to appropriations being provided specifically for that fiscal year and specifically for that project.

4.1.6.4.2. Annual lease or annual lease-purchase payments commence at the time of beneficial occupancy, usually after the BY in which the project is proposed for authorization.

4.1.6.4.3. Components will request authorization for the full asset value of the contract (the estimated construction or acquisition cost, the differential cost of financing, and any contract termination liability costs). Components will request budget authority for each project in the amount equal to the full extent of the Government's first year liability under the contract (the sum of all cost and contract termination liability costs), in the BY the project is submitted for approval.

4.1.6.5. Components must submit proposals for long-term facilities contracts in a separate section in the OSD/OMB Justification books. The section must be entitled "Long-Term Facilities Contracts." The section will include all DD Form 1390 and DD Form 1391's for newly proposed projects and be preceded with an index showing facility category code numbers, installation and location, project number and title, estimated MILCON cost and DD Form 1391-page number. Long-term leases and lease-purchases will be separately summarized in the index.

To assess the long-term financial impact of these proposals, the section should also include a financial table that provides project data and cumulative totals for; total estimated project authorization, estimated annual lease payment, and year of planned beneficial occupancy.

4.1.6.6. Congressional budget presentation Justification Book guidance is provided in paragraph 5.0.

4.1.6.7. Following approval of projects for inclusion in the President's Budget, Components may then proceed with project development.

4.1.6.8. In accordance with 10 U.S.C. § 2809, these projects must be submitted to Congress for final review or approval 14 days in advance of contract award. Unless denied by Congress, Components may make contract award following the 14-day notification period.

4.1.6.8.1. Components will submit these projects for approval to the USD(A&S), and the OUSD(C), prior to congressional notification, and again prior to the final submission to Congress.

4.1.6.8.2. To ensure that only economical investments are approved, and that budget requests are sufficient to cover the full financing of the contract, only those projects demonstrated to be more cost effective than regular MILCON will be approved for submission to Congress.

4.1.7. Construction Programs for Working Capital Funds. The Working Capital Funds related capital construction projects costing over $750,000 will be included in the component MILCON appropriation (including budget authority) program and budget estimates submission for review.

4.1.7.1. MILCON projects supporting the Working Capital Funds must be clearly labeled as Working Capital Fund projects. The C-1 Annex will include the Working Capital Fund projects (annotated as such) with their associated budget authority.

4.1.7.2. Provide a separate copy of MILCON projects supporting the Working Capital Funds the OUSD(C) Revolving Funds Directorate, Pentagon Room 3D755.

4.1.7.3. Provide separate copies of associated economic analysis studies supporting the construction requirements for Fund projects to the OUSD(C) MPC Directorate, Pentagon Room 3C654.

4.1.8. Facilities Programming and Financing at DoD Installations Utilized by Two or More DoD Components. This paragraph establishes the policy for programming and financing facilities at DoD installations where utilization by more than one DoD Component is involved, including host-tenant relationships.

4.1.8.1. Responsibilities

4.1.8.1.1. To ensure joint use construction is considered when assessing the Department facilities' needs, each DD Form 1391 must include a certification by the Secretary of Defense Agency Director concerned that the proposed project has been considered for joint use potential; a recommendation for either joint use or unilateral construction; and the reason(s) for that recommendation if joint use is not recommended. The certification may be delegated not lower than the Assistant Secretary responsible for the project. This certification is not required for family housing construction and improvement projects.

4.1.8.1.2. Single-Use Facilities. The DoD Component requiring a facility for its own use must program and budget for the construction project involved.

4.1.8.1.3. Joint-Use Facilities. The DoD Component which has jurisdiction over the host command must program and budget for a facility which is planned for the joint use or joint occupancy of two or more DoD Components.

4.1.8.1.4. Common-Purpose Facilities. On a case-by-case basis, the individual DoD Components must function as executive agents for programs whose output directly and uniquely operates to the benefit of two or more DoD Components. The executive agent must be responsible for planning and programming all facilities.

4.1.8.1.5. Required Facilities. Generally, the host Military Department will program and budget an extension, expansion, and/or increase the capacity of the main utilities and communications or transportation systems, consistent with the master plan of the installation, to support any required facilities, including those required by a tenant. However, programming and budgeting for such connecting utilities and communications or transportation systems as an integral part of any single-use facility are the responsibilities of the DoD Components requiring the facility.

4.1.8.1.6. Siting Facilities. Siting of any facility for a tenant will conform to the master plan of the installation or will be in accordance with an agreed-upon location by the DoD Components concerned.

4.1.8.1.7. Design. Standards of design and construction will conform to those of the host Military Department, consistent with the master plan of the installation. However, exceptions will be made in those instances where tactical or other operational considerations requiring limited duration of occupancy economically would not justify construction of facilities to higher standards.

4.1.8.2. Utilization

4.1.8.2.1. The tenant DoD Component will have exclusive use of any facility constructed for the duration of the tenant's requirement. Upon termination of tenancy or use by the tenant, the facility will revert to the host Military Department for utilization without fee.

4.1.8.2.2. Should the tenant DoD Component, at a later date have a requirement for use of the same facility, the host Military Department will make the facility, or an acceptable existing facility, available within a reasonable time period to the tenant. The host Military Department will not reconstruct or acquire a new facility for the tenant instead of returning the original facility or an acceptable existing substitute. If the host Military Department is not able to make a facility available to the tenant without creating unacceptable conditions for the host, the tenant will be responsible for obtaining a new facility.

4.1.8.2.3. Maintenance and Service Support. Determination as to the levels of maintenance and service support and reimbursement therefore will be made by the DoD Components concerned consistent with DoD policies for host-tenant agreements.

4.1.9. Energy Resilience and Conservation Investment Program (ERCIP). Submit DD Forms 1391s for each ERCIP project requested in the budget. These forms will include the project title, location of the project, a brief description of the scope of work, and the project cost estimated. DD Forms 1391 for energy conservation, will also include savings-to-investment ratio and simple payback estimates and measurement and verification cost estimate. DD Forms 1391 for energy resilience or energy security projects must include the rationale for how the project would enhance mission assurance, support mission critical functions, and address known vulnerabilities. The Components will submit these forms to the OUSD(A&S) ERCIP Program Manager to allow sufficient time for the ERCIP Program Manager to review them prior to transmittal to OUSD(C).

4.1.10. Military Unaccompanied Housing Privatization (UH-6). Submit this exhibit with the budget justification material for the Services MILCON appropriations. It compares the OSD/OMB approved privatized project scoring with the actual/current project scoring. Include the all-military unaccompanied housing privatization projects (past, current and future); privatization date; MHPI project name; each installation and state in the project; funding sources for financing and investments by appropriation, fiscal year and project (include project number); number of units conveyed; number of end-state units, and MHPI authorities. This exhibit must reflect the OSD/OMB approved project scoring with the actual/current project scoring.

4.2 Family Housing

4.2.1. Budget Estimates. Each DoD Component must submit data to support the budget requirement for Family Housing based on the accounts and account structure set forth in the detail prescribed in subparagraph 4.2.3. In addition, each DoD Component will address Family Housing estimates in the Exhibit C-1 Construction Annex input prescribed in Volume 2A, Chapter 1, paragraph 5.5.

4.2.2. General Instructions

4.2.2.1. Provide all data (including the OP-5 exhibit) on 8-1/2 inch by 11-inch size paper, typed across the short dimension of the paper, except for the formal exhibits contained in paragraph 5.0. Bind all pages on the 11-inch side.

4.2.2.2. Bind the family housing budget data in separate books for the Army, Navy (including Marine Corps, with O&M Cost and Debt Payment for Marine Corps shown separately), Air Force, and Defense Agencies.

4.2.2.3. The number of required copies of material is specified in Volume 2A, Chapter 1, paragraph 3.2.

4.2.3. Preparation of Material. Submit data using forms and formats as indicated in subparagraphs 4.2.3.1. and 4.2.3.2. Submit separate tabbed sections for each of the categories.

4.2.3.1. Index. Provide a detailed index to the submission.

4.2.3.2. Summary

4.2.3.2.1. Provide a narrative summary describing the most significant features of the request. This summary need not cover every facet of the request and is intended to highlight those items of special significance. 10 U.S.C. § 2837 requires a listing of HRMA to be conducted in the BY. Include the following narrative as the last paragraph of "MAJOR FACTORS" under the "SUMMARY" exhibit: "In accordance with 10 U.S.C. § 2837, the [insert Military Department name here] plans to conduct the following Housing Requirements Market Analysis in FY 20BY: [insert military installation here], [insert military installation here]."

4.2.3.2.2. Provide a one-page financial summary of the entire request. This should include, as a minimum, the amounts requested for authorization and appropriation for the major programs and their immediate subordinate accounts (Construction: New Construction, Post Acquisition Construction, Design; O&M: Operating Expenses, Utilities, Maintenance, Leasing, Housing Privatization Support, Debt Payment, Servicemen's Mortgage Insurance Premium and Reimbursable Program).

4.2.3.2.3. Provide the summary metric tables, Exhibit FH-11, Inventory and Condition of Government-owned Family Housing Units, (which replaced the Summary of Inadequate Unit Elimination, FH-7 Exhibit) and Exhibit FH-8, Annual Inadequate Family Housing Elimination.

4.2.3.2.3.1. These exhibits support the measures and targets developed in the DoD Performance Budget, which are based on the Building Condition Index (BCI) and maintaining a minimum specified percentage level of adequate housing units.

4.2.3.2.3.2. All government-owned Family Housing inventory should be reflected in these exhibits, including transitional units. Inventory should be consistent with number of units and BCI contained in the Real Property Inventory database. Additional information on BCI is available from the ASD(EI&E).

4.2.4. Legislative Language. Provide the required authorization and appropriation language for the BY. The current year (CY) language should serve as the base, with changes and omissions bracketed.

4.2.5. New Construction

4.2.5.1. Summary. Provide a brief summary of the New Construction program. The summary should include, as a minimum: a short narrative highlighting the most significant features of the request, a comparison of the PY program with the request, and a listing of each project requested showing new construction or replacement, location, number of units and the estimated cost. The listing should also identify each project as either new mission or current mission requirement, as well as provide the major initiative category.

4.2.5.2. Project Justification. For each New Construction project, including the construction of mobile home spaces, the following forms and exhibits are required. Additionally, in accordance with Title 10 U.S.C. § 2824, provide documentation of consultations with the Department of Housing and Urban Development on the availability of suitable alternative housing at each construction location.

4.2.5.2.1. MILCON Project Data – DD Form 1391. Prepare form in accordance with the instructions contained in Appendix A. It is important to avoid the use of "boiler-plate" justification. Cost estimates for new construction projects will include the maximum level of detail practicable, including construction contract award date. Indicate month and year the contract is planned to be awarded to the construction firm. Include month and year construction is planned to start (construction start date) and indicate month and year construction is planned to be completed (construction completion date). Identify and fully justify any unusual features impacting the cost of the project. In order to ensure prudent and economic investments, a life-cycle net present value economic cost analysis is required to support all new construction projects estimated to the amount specified in 10 U.S.C. § 2805(a)(2) as adjusted by paragraph (f). Provide copies of these analyses with the Family Housing budget estimates. Each DD Form 1391 will (1) state if an economic analysis has been prepared and provide a summary of the results of that analysis, including the calculated savings-to-investment ratio, or (2) provide the specific reasons why an economic analysis is not required. Assemble the DD Form 1391's in the same sequence as the listing of projects on the summary page.

4.2.5.2.2. DD Form 1523, Military Family Housing Justification. Prepare form in accordance with DoDM 4165.63. Data supplied should be in agreement with the latest formal housing survey for the location, and with the information provided on the DD Form 1390. Specify the date of the survey. The form must include a statement indicating whether a private sector housing market analysis has been conducted and the date the market analysis was completed. When a market analysis has been conducted and is used as justification for new construction, a copy of the analysis must be available for review upon request. Since this form deals with housing deficit calculations, the DD Form 1523 is needed only for new requirements.

4.2.5.2.3. Tri-Service Family Housing Cost Model. Provide, for each housing project, the calculations on which the budget estimate is based, using Exhibit FH-1, the

"Tri-Service Family Housing Cost Model." Use the appropriate DoD cost factors in the calculations. In addition, prepare Tri-Service Family Housing Cost Models using metric units of measure.

4.2.6. Construction Improvements

4.2.6.1. Summary. Provide a general summary of the Construction Improvements program being requested. The summary should include, as a minimum, a short narrative highlighting the most significant features of the request, and a comparison of the PY program with the request. For consistency, the program should be referred to as "Construction Improvements" rather than "Post Acquisition Construction" or any other title.

4.2.6.2. Project Justification. Provide a DD Form 1391 covering the entire Construction Improvements program and DD Form 1391C listing each project requested. Project description should be specific with the work to be done. Specify the number of units to be improved by intended occupant grade: senior officer, junior officer, or enlisted. Show any planned concurrent, non-routine, maintenance costs, including construction contract award date. Indicate month and year the contract is planned to be awarded to the construction firm). Include month and year construction is planned to start (construction start date) and indicate month and year construction is planned to be completed (construction completion date). Arrange projects alphabetically by state and country. Provide separate totals for Federal Energy Management Program funding, if any. Identify projects, or portions of projects, for General and Flag Officer Quarters (GFOQ) separately. For improvement projects, where the unit improvement cost exceeds seventy percent of the replacement cost, the project must be supported by a life-cycle economic analysis which demonstrates that renovation is more cost effective than replacement construction or other available alternatives, such as demolition and reliance on housing allowances.

4.2.6.3. Projects in Excess of $50,000 Per Unit. A separate DD Form 1391 is required for each project for which the per unit cost exceeds $50,000, taking into consideration the applicable area cost factor. If the improvement is required to make the unit suitable for habitation by a handicapped person, the threshold is $60,000 multiplied by the applicable area cost factor. The cost estimate should also include concurrent repair to be funded under O&M. The justification for the project must detail the findings of an economic analysis and the resulting savings-to-investment ratio. Any unusual features impacting on the cost of the project must be clearly cited. Additionally, note the total Construction Improvements and non-routine maintenance for the unit or set of units over the past five years.

4.2.6.4. Restriction on the Amount Invested in Improving Foreign Source Housing Units. The three-year limitation on overseas units is $35,000. If the Services intend to program improvements to specific units which exceed $35,000 over a period of three years, total funding should be requested in one year. The justification for each unit should identify all improvements and major maintenance work done in the past three years, and all improvements and major maintenance planned in the following three years.

4.2.7. Rental Guarantee Housing. For each rental guarantee housing project, both foreign and domestic, provide a listing showing: (1) location, (2) number of units (by intended occupants

(senior officer, junior officer, enlisted), (3) term of contract, (4) FY and month of contract renewal, and (5) maximum termination costs.

4.2.8. Design. Submit all requirements for Design in the format prescribed for MILCON in paragraph 4.1.

4.2.9. O&M Summary

4.2.9.1. Narrative Summary. Provide a general summary of the entire O&M program being requested, excluding leasing, housing privatization support, debt, and servicemen's mortgage insurance premium, which are to be addressed elsewhere in the budget submission. The summary should include, as a minimum, a succinct narrative highlighting the significant features of the request and a comparison of the PY program with the budget request, particularly the reasons for any significant upward or downward shifts in funding levels.

4.2.9.2. Inventory and Funding Summary

4.2.9.2.1. Provide the data called for in Exhibit FH-2, Family Housing O&M Summary. Include for each fiscal year, as a subset of "Average Inventory for Year," the total number of units that are classified as historic (units that DoD must manage in accordance with the National Historic Preservation Act of 1966). Display the historic figures in parenthesis underneath the Average Inventory line.

4.2.9.2.2. Provide the total civilian personnel compensation for all U.S. Direct Hires, Foreign National Direct Hires and Foreign National Indirect Hires. Provide this information for the PY, CY and BYs in the format of Exhibit OP-8, Civilian Personnel Costs, shown in Volume 2A, Chapter 3, paragraph 4.2. This exhibit is only required for inclusion in the OMB and OSD review but should be provided separately for the President's Budget submission.

4.2.10. Operations. The sub-accounts of Operations are Management, Services, Furnishings and Miscellaneous. For each of these provide:

4.2.10.1. Summary. Provide a short narrative describing what the funds will be used for, how the budget was developed, major assumptions made, and highlighting the most significant features of the request. The summary should also explain the effect that the housing privatization program has on the budget estimates for each of the O&M accounts and subaccounts. For the Furnishings program only, provide additional information in the format of Exhibit FH-3, "Furnishings Summary."

4.2.10.2. Reconciliation of Increases and Decreases. Provide a reconciliation of increases and decreases, at the worldwide level, between the amounts requested in the President's Budget for the CY and BYs. The format of this reconciliation must be identical to the Exhibit OP-5 shown in Appendix B. For each program increase or decrease, provide quantitative and qualitative information relative to the proposed change. Increases and decreases should be supported by specific reasons why these adjustments in the program are necessary, particularly

changes in the number of family housing units being supported or changes in the FH-2 and FH-3 exhibits.

4.2.11. Utilities. For the Utilities program, separate from Operations, provide the following:

4.2.11.1. Provide a short narrative describing what the funds will be used for, how the budget was developed, major assumptions made, and highlighting the most significant features of the request. The summary should also explain the effect that the housing privatization program has on the budget estimates for the account. This section must address energy consumption reductions accomplished and progress made towards meeting Congressional and Defense energy conservation goals.

4.2.11.2. Include a table that breaks out, for each FY reflected in the budget submission, kilowatt hour of electricity, tons of coal, cubic feet of gas, barrels of oil, and other forms of energy that support the utilities budget request.

4.2.11.3. Reconciliation of Increases and Decreases. Provide a reconciliation of increases and decreases, at the worldwide level, between the amounts requested in the President's Budget for the CY and BYs. The format of this reconciliation must be identical to the Exhibit OP-5 shown in Appendix B. For each program increase or decrease, provide quantitative and qualitative information relative to the proposed change. Increases and decreases should be supported by specific reasons why these adjustments in the program are necessary, particularly changes in the number of family housing units being supported or changes in the FH-2 exhibit.

4.2.12. Maintenance

4.2.12.1. Provide a short narrative describing what the funds will be used for, how the budget was developed, major assumptions made, and highlighting the most significant features of the request. The summary should also explain the effect that the housing privatization program has on the budget estimates for the account.

4.2.12.2. Reconciliation of Increases and Decreases. Provide a reconciliation of increases and decreases, at the worldwide level, between the amounts requested in the President's Budget for the CY and BYs. The format of this reconciliation must be identical to the Exhibit OP-5 shown in Appendix B. For each program increase or decrease, provide quantitative and qualitative information relative to the proposed change. Increases and decreases should be supported by specific reasons why these adjustments in the program are necessary, particularly changes in the number of family housing units being supported or changes in the FH-2 exhibit.

4.2.12.3. Provide a summary on the backlog of deferred maintenance. Describe the plans for reducing the backlog to a manageable level. Provide an analysis of types of projects, type and accuracy of reporting and special efforts to reduce the backlog. Provide a table covering the Future Years Defense Program (FYDP) including: (1) backlog at beginning of year, (2) recurring maintenance arising during the year, (3) maintenance funds approved or planned, (4) backlog at end of year, and (5) backlog reduction (-) or growth (+) during the FY.

4.2.13. GFOQ M&R Cost Over $35,000 Per Unit

4.2.13.1. Provide a narrative summary, detailing efforts to control and reduce expenditures for the "high cost" GFOQ units.

4.2.13.2. Provide a listing of all GFOQ for which total M&R cost per unit exceeds $35,000 for the BY. Listing should include, for each unit: (1) state/country/location, (2) quarters identification, (3) size of unit, (4) age of unit, (5) total operations cost, (6) total utilities cost, (7) total M&R cost, (8) total O&M cost, and (9) a short narrative description and justification of the work, including results of economic analysis and savings-to-investment ratio. In addition, identify any Construction Improvements project and funding requested for any GFOQ in the listing.

4.2.13.3. This listing will include all GFOQ projects for which total M&R cost exceeds $35,000, including those listed in other sections of the submission.

4.2.13.4. Provide a similar listing for the PY and CY units with M&R costs over $35,000 and which were not included in the previous budget request.

4.2.13.5. To satisfy Congressional reporting requirements, provide:

4.2.13.5.1. A report identifying each family housing unit used, or intended for use, as a quarters for a general officer or flag officer for which the total operations, utilities, leasing, maintenance, and repair costs are anticipated to exceed $35,000 in the next fiscal year. For each family housing unit so identified, specify the total of such anticipated operation, utilities, leasing, maintenance, and repair costs for the unit. This must be reported in the format of Exhibit FH-5 General and Flag Officers Quarters (Anticipated expenditures for O&M exceeding $35,000).

4.2.13.5.2. A report specifying for each family housing unit used as quarters for a general officer or flag officer at any time during the most recently completed fiscal year, the total expenditures for O&M, utilities, leasing, maintenance, and repair costs of the unit during that fiscal year. This must be reported in the format of Exhibit FH-9 GFOQ (O&M Expenditures for FY 20XX). Provide this report to the OUSD(C) MPC Directorate in electronic excel format, no later than December 1.

4.2.13.5.3. As amended by the FY09 NDAA § 2805, 10 U.S.C. § 2884 requires annual reporting of privatized GFOQ units and the total operation, maintenance, and repair costs incurred by private sector developer/partners that exceed $50,000 per housing unit. Therefore, the Components are required to complete the Exhibit FH-12, Privatized GFOQ

Operation, M&R Costs Incurred by Private Sector Developer/Partner/Owner Exceeding $50,000 per Housing Unit, annually.

4.2.14. Reimbursable Program. Provide a detailed justification for the Reimbursable Authority requested. Include information on what precisely is funded through the reimbursable program and details on the sources of receipts for the PY, CY and BY.

4.2.15. Leasing

4.2.15.1. Provide a short narrative describing what the funds will be used for, how the budget was developed, major assumptions made, and highlighting the most significant features of the request. The summary must also explain the effect that the housing privatization program has on the budget estimates for the account. The summary must include a table reflecting the authorized number of leases, average number of leases supported and costs for each of the PY, CY, and BY, for Domestic Leasing, Section 801 and Section 802 leases, and foreign leasing.

4.2.15.2. For both domestic and foreign leases, provide a summary justification statement. Also provide data on the leasing program in the format of Exhibit FH-4, "Analysis of Leased Units." Information should be provided at the installation or community level, whichever is most applicable. For each new project requested, include a full justification and description, in the same format as for a New Construction project (see subparagraph 4.2.6.).

4.2.15.3. Reconciliation of Increases and Decreases. Provide a reconciliation of increases and decreases, at the worldwide level, between the amounts requested in the President's Budget for the CY and BYs. The format of this reconciliation must be identical to the Exhibit OP-5 shown in Appendix B. For each program increase or decrease, provide quantitative and qualitative information relative to the proposed change. Increases and decreases should be supported by specific reasons why these adjustments in the program are necessary, particularly changes in the number of family housing units being supported.

4.2.15.4. For each new 10 U.S.C. § 2828 lease project requested, include a full justification and description, in the same format as for a New Construction project (see paragraph 4.2.6.), including the results of the economic analysis.

4.2.15.5. Under 10 U.S.C. § 2828, the Components are allowed not more than 10,000 domestic (United States, Puerto Rico, or Guam) leased family housing units. The cost of domestic leases may not exceed $12,000 (including the cost of utilities, maintenance, and operation) per unit per year.

4.2.15.5.1. 10 U.S.C. § 2828 permits an exception for 500 of these domestic leased units that may exceed $12,000 per unit per year but cannot exceed $14,000 per unit per year as adjusted from time to time. At the beginning of each fiscal year, the Secretary concerned must adjust the maximum lease amount for domestic leases for the previous fiscal year by the percentage (if any) by which the national average monthly cost of housing (as calculated for purposes of determining rates of Basic Allowance for Housing under 37 U.S.C. § 403 for the preceding fiscal year exceeds the national average monthly cost of housing (as so calculated) for

the fiscal year before such preceding fiscal year.

4.2.15.5.2. The Army has authority to lease eight units in Miami, Florida for key and essential personnel, as designated by the Secretary, for the United States Southern Command. Total lease cost for all eight units may not exceed $280,000 per year as adjusted from time to time. The terms of any lease under this paragraph may not exceed 5 years. At the beginning of each FY, the Secretary of the Army must adjust the maximum aggregate amount for these leases for the previous FY by the percentage (if any) by which the annual average cost of housing for the Miami Military Housing Area (as calculated for purposes of determining Basic Allowance for Housing under 37 U.S.C. § 403 for the preceding FY) exceeds the annual average cost of housing for the Miami Military Housing Area (as so calculated) for the FY before such preceding FY. Additionally, not more than 600 domestic housing units may be leased by the Secretary of the Army for which the expenditure for the rental of such units does not exceed $35,000 per unit per year, as adjusted from time to time.

4.2.15.6. Under 10 U.S.C. § 2828, the Components are allowed not more than 55,775 foreign leased units. Foreign leases may not exceed $20,000 per unit per year (including the cost of utilities, maintenance, and operation). 10 U.S.C. § 2828 permits exceptions for 450 leased units that may exceed $20,000 but that cannot exceed $25,000 per unit per year and for 350 leases that may exceed $25,000 per unit per year.

4.2.15.6.1. In addition to the 450 units:

4.2.15.6.1.1. The Secretaries of the military departments may lease not more than 3,300 units of family housing in Italy that may not exceed $25,000 per unit per year.

4.2.15.6.1.2. The Army may lease not more than 1,175 units in Korea that may exceed $25,000. Also, the Army may lease not more than 2,800 units of family housing in Korea subject to a maximum lease amount of $35,000.

4.2.15.6.2. Per 10 U.S.C. § 2828, the maximum lease amounts for the previous FY will be adjusted at the beginning of each FY, by the percentage (if any) by which the Consumer Price Index (CPI) for all Urban Consumers, published by the Bureau of Labor Statistics, during the preceding FY exceeds such CPI for the FY before such preceding FY and for foreign currency fluctuations from October 1, 1987. To determine the impact of foreign currency fluctuation on the rental rate, these high cost "cap" rental rates must be computed for each foreign country, each year to adjust for the impact of foreign currency fluctuation (using October 1, 1987 as a baseline to compute from). After the caps of $20,000, $25,000 and $35,000 U.S. dollars are adjusted by country, the adjusted rates become the new cap for determining whether a lease must be counted against the exception limits for a given BY. Then, if a rental exceeds the adjusted maximum costs, it counts against the high-cost ceiling limitations of 450 and 350, units, respectively, DoD-wide. For each country, apply the following formula: $20,000 adjusted for CPI changes or $25,000 adjusted for CPI changes or $35,000 adjusted for CPI changes * [FY 1988 exchange rate / current budget exchange rate] = new cap limit.

4.2.15.6.2.1. Where the "FY 1988 exchange rate" is the exchange rate that USD(C) published for use in preparing the FY 1988 budget estimates, stated in units of foreign currency for one (1) U.S. dollar:

Country	Monetary Unit	FY 1988 Exchange Rate
Belgium	Franc	42.77
Canada	Dollar	1.39
Denmark	Krone	7.75
Germany	Mark	2.06
France	Franc	6.72
Greece	Drachma	139.90
Italy	Lira	1,423.00
Japan	Yen	163.10
Netherlands	Guilder	2.33
Norway	Krone	7.52
Portugal	Escudo	150.50
Spain	Peseta	137.60
Turkey	Lira	743.50
UK	Pound	0.70

For countries not listed, use the October 1, 1987 exchange rate.

4.2.15.6.2.2. Where the "current budget exchange rate" is the rate that USD(C) published for use in preparing the fiscal year budget estimates for which the lease funds are being requested, stated in units of foreign currency for one (1) U.S. dollar.

4.2.15.6.2.3. The new cap limit is the maximum amount in dollars that a lease may cost per unit per annum for each nation before that unit must count against the worldwide 350 and 450 unit limits on exceptions for high-cost leases for the fiscal year for which the budget resources are being requested.

4.2.15.6.2.4. Provide a summary table showing application of the formula for each nation where high-cost leases exist or are proposed, and the total number of such leases.

4.2.16. Mortgage Insurance Premium (also known as Servicemen's Mortgage Insurance Premium).

4.2.16.1. Provide a brief justification statement describing the requested program.

4.2.16.2. Provide a table identifying separately the total of the principal payments, and interest charges, and the totals for the Servicemen's Mortgage Insurance Premium program for the prior, current, and BYs.

4.2.16.3. For the Servicemen's Mortgage Insurance Premium program provide a listing for each fiscal year, showing: the number of terminations, the number of mortgages on

which payments are to be made, the average payment per mortgage, and the estimated payments for the year. This table should start with the PY, and end with BY+1.

4.2.17. Foreign Currency Exchange Data. All Family Housing O&M appropriations that participate in the Foreign Currency Fluctuations, Construction, Defense appropriation are required to prepare and submit a PB-18 Exhibit using the approved foreign currency exchange rates. The format for the PB-18 Exhibit is in Volume 2B, Chapter 19, paragraph 12.

4.2.18. Each Component will also submit a Major Initiatives exhibit which must include a general description of each of its major initiatives for the BY and what the Component plans to accomplish in the BY to support that initiative. Be specific, including the impact on force structure. Prepare this exhibit in accordance with the format contained in Appendix B.

4.2.19. Housing Privatization Support. The Components must add a separate tab and section called "Housing Privatization Support" (after the Leasing section) in the family housing justification book, and include, as a minimum, the following information in the new section:

4.2.19.1. Provide a narrative summary of the Component's overall family housing privatization efforts and accomplishments/progress to date. This summary will include the following narrative to meet the reporting requirement of 10 U.S.C. § 2884 (b) (2). The narrative must comprise the final two paragraphs of the Components' Privatization Summary exhibit and must read as follows:

4.2.19.1.1. "It is estimated that the [Component] will pay basic allowance for housing (BAH) under 37 U.S.C. § 403 to members living in privatized housing the amounts of [$] in FY 20CY and [$] in FY 20BY. The number of units of military family housing upon which these estimated payments are made is [X] in FY 20CY and [X] in FY 20BY. The number of units of military unaccompanied housing upon which these estimated payments are made is [X] in FY 20CY and [X] in FY 20BY.

4.2.19.1.2. These estimates meet the reporting requirement stipulated in 10 U.S.C. § 2884 (b) (2). However, it must be noted that it is difficult to project the true cost of BAH allowances provided to members living in privatized housing. BAH allowances for members in privatized housing are not specifically tracked in budget or execution data, as these members receive the same allowances as those who live on the economy. BAH accounting data is available for only the various categories of payments (e.g., domestic with and without dependents, partial, overseas housing allowances)."

4.2.19.2. Provide a summary list of privatization projects and associated funding requested in the Construction portion of the program and budget submission. DD Form 1391 for New Construction and Construction Improvement projects should indicate which projects are intended as a source of funding for privatization initiatives.

4.2.19.3. Family Housing Privatization (FH-6). This exhibit compares the OSD/OMB approved privatized project scoring with the actual/current project scoring. Include all the family housing privatization projects (past, current and future); privatization date; MHPI

project name; each installation and state in the project; funding sources for financing and investments by appropriation, fiscal year and project (include project number); number of units conveyed; number of end-state units, and MHPI authorities. This exhibit must reflect the OSD/OMB approved project scoring with the actual/current project scoring.

4.2.19.4. Reconciliation of Increases and Decreases (OP-5). Prepare this exhibit for the Housing Privatization Support (as defined previously in subparagraph 3.2.2.1) budget and include detailed explanation/justification for the request, and explanation for all increases and decreases from prior budget request. See paragraph 4.6.

4.3 Homeowners' Assistance Fund, Defense

4.3.1. Responsibilities

4.3.1.1. The Department of the Army, which has been assigned the overall responsibility for the administration and management of the DoD HAP by DoDD 4165.50E, will submit budget estimates.

4.3.1.2. Each Component is responsible for including sufficient resources in its budget to fund HAP costs related to the Component's actions associated with base closures, realignments, and force reductions. Develop the level of resources required to fund HAP costs in consultation with the Army, HAP executive agent. Separately identify and submit budget estimates for HAP costs in the Component' Base Realignment and Closure (BRAC) submissions for HAP costs associated with realignments and closures and in the O&M submission for non-BRAC related HAP costs.

4.3.2. Submission Requirements

4.3.2.1. Submit the following exhibits, as prescribed in paragraph Appendix C:

HA-1	Workload and Obligation Data
HA-2	Status of Accounts
HA-3	Work Unit Data
HA-4	Program and Financing

4.3.2.2. In addition, the Army will input Homeowners' Assistance Fund estimates for the C-1 Construction Annex input prescribed in Volume 2A, Chapter 1.

4.3.2.3. Volume 2A, Chapter 1 identifies the required copies of material.

4.3.2.4. For the biennial budget, provide separate sections or volumes for BY1 and BY2. For the BY2 section, consider BY1 as the PY and BY2 as the BY.

4.3.3. Preparation of Material. Provide all materials on 8-1/2 inch by 11 inch size paper and bind them on the long side. Type Exhibits HA-1, 2, 3, and 4 across the long dimension. Type all other narrative data across the short dimension of the paper.

4.4. NATO Security Investment Program

4.4.1. Responsibilities.

The OUSD(A&S) has been assigned the overall responsibility for the oversight and management of the NATO Security Investment Program by DoDD 2010.05, thereby responsible for submitting the corresponding budget estimates.

4.4.2. Submission Requirements.

4.4.2.1. Submit a detailed exhibit, NATO Security Investment Program-1 (NSIP-1), listing requirements at the project level for both construction and procurement requirements. The listing should be sufficiently detailed to identify discrete projects and initiatives. Aggregations at the capability package level i.e., Defense of the Mediterranean, are not sufficiently detailed and should be broken down further to show the individual projects/initiatives comprising the capability packages. Provide a narrative explanation and description of each of the requirements for the current and BYs. The NSIP-1 exhibit is provided in paragraph 6.5 for the NATO Security Investment Program to identify the following information: Location, Installation, Project Title, Description of Project, Budget Scheme (how many NATO Nations participating in the funding of the project), Project Cost, U.S. Cost Share, Other Nations Cost Share. This will be provided for both the CY and BY.

4.4.2.2. Submit a detailed exhibit, NSIP-2, listing each NSIP major construction project that are eligible for recoupment (reimbursement by other member countries for eligible costs). The NSIP-2 exhibit is provided in Appendix D for the NATO Security Investment Program to identify the following information: Component, Appropriation, FY, Location, Installation, Project Title, Slice/Serial (if known), Recoupment Budget Estimate, and Rate of Conversion.

4.4.3. Preparation of Material. Provide all material on 8-1/2 inch by 11 inch size paper and bind them on the long side. Type all narrative data across the short dimension of the paper.

4.5. NATO Security Investment Program Expansion Costs

Expansion Costs. Submit a list of all requirements, construction and procurement, associated with NATO expansion. The listing should be sufficiently detailed to identify discrete projects and initiatives. Aggregations at the capability package level i.e., Defense of the Southern Region, are not sufficiently detailed and should be broken down further to show the individual projects/initiatives comprising the capability packages. The NSIP-1 exhibit is provided in Appendix D for the NATO Security Investment Program to identify the following information of

projects associated with NATO Expansion: Location, Installation, Project Title, Description of Project, Budget Scheme (how many NATO Nations participating in the funding of the project), Total Project Cost, U.S. Cost Share, Other Nations Cost Share. Provide information for both the CY and BY. Provide a narrative explanation and description of each of the requirements for the BYs. Identify the budget estimate for NATO Expansion Costs in BA 02 as presented in Volume 2A, Chapter 1.

4.6 FHIF/MUHIF Program

4.6.1. This paragraph prescribes instructions for the preparation and submission of budget estimates for the DoD FHIF and MUHIF. The requirements submitted in the budget estimates will be for MHPI oversight and administrative program expenses, including accounting and financial reporting services.

4.6.2. Submission Requirements. The ODASD(H) must submit a memorandum, which includes a narrative overview of the MHPI, current status of the MHPI, and future plans for the program to the OUSD(C) MPC Directorate. In addition, the ODASD(H) memorandum must include funds required for the BY for administration and oversight of the MHPI program, including accounting and financial reporting services, and detailed justification for these funds. Complete the FHIF/MUHIF Admin Requirements Exhibit (FH-14) and provide electronically to OUSD(C) MPC, Family Housing.

4.7 MHPI Investments and Credit Financing

4.7.1. The Federal Credit Reform Act of 1990 and OMB Circular A-11 require credit financing and investment information for privatization projects to be reflected in the President's budget. OMB Circular A-11, Part 5, Section 85 (Federal Credit) explains the credit financing information required for the President's budget. On an annual basis, OMB sends out Budget Data Requests (BDR) for Credit Re-estimates, MAX Schedule updates, and Credit Supplemental Reporting information for the President's Budget (for PY, CY, and BY).

4.7.2. Annually, the OUSD(C), Program Budget, MPC and the ODASD(H) jointly issue a "Consolidated MHPI Data Call for the Fiscal Year 20BY President's Budget" that supports the upcoming OMB BDRs for both Federal credit and non-credit financing aspects of MHPI, including the development of the Fiscal Year (FY) 20CY Credit Subsidy Re-estimates, Credit Supplement Report Exercise information, and OMB MAX A-11 database inputs for the FY20 BY President's Budget (PB). OUSD(C) P/B MPC will retain responsibility for providing OMB with required MHPI Federal credit and non-Federal credit data for the FY 20BY PB. ODASD(H) will perform OSD-level reviews of MHPI programmatic data and related files, providing technical instructions with corresponding templates and feedback to the Services regarding their submissions to OUSD(C) P/B MPC.

4.7.3. Credit Re-estimates. Re-estimates are performed throughout the life of each cohort of direct loans or loan guarantees to account for differences between the original assumptions of cash flow and the actual cash flow or revised assumptions about future cash flow. There are two types of Re-estimates: Interest Rate Re-estimates and Technical Re-estimates.

4.7.3.1. Interest Rate Re-estimates (IRR) adjust for the effect on the subsidy of differences between the actual interest rate and the discount rates assumed when the estimates were made for budget formulation and obligation. IRR are performed once, in the fiscal year following the fiscal year in which the direct or guaranteed loan was "originally" estimated to be at least 90 percent disbursed.

4.7.3.2. Technical Re-estimates adjust for revised assumptions about loan performance, such as differences between assumed and actual default rates or new projections of repayments; and are performed annually for outstanding direct and guaranteed loans.

4.7.3.3. Re-estimates are used for yearend financial reporting and for the President's Budget.

4.7.3.4. OUSD(C) MPC Directorate and ODASD(H) jointly send out the Re-estimate Data Call as part of the "Consolidated MHPI Data Call for the FY 20BY President's Budget" and forward the associated direct loan and loan guarantee cash flow files and re-estimate timeline to the Services for review and completion, and coordination with DFAS. The FH-15 Re-estimate Cash Flow Status questionnaire format is incorporated in Appendix B. Electronically forward all files and completed questionnaire to the OUSD(C) MPC Family Housing Budget Analyst by the deadlines provided in the data call.

4.7.3.4.1. The Services are required to prepare cash flow files for new direct loans and loan guarantees, as needed; review all risk factors; substitute re-amortization schedules in the files for existing loans after coordination with DFAS, as needed; and complete the Re-estimate Questionnaire on the status of the cash flows.

4.7.3.4.2. DFAS is required to enter transactions with Treasury into the new and existing cash flow files and coordinate any re-amortization schedules with the Services before substitution into the cash flow files.

4.7.4. Federal Credit Budget (OMB MAX Schedules). For all privatization projects that have been awarded and those planned for award in the President's Budget, the Components must provide the relevant investment and credit financing data required for the preparation of credit financing schedules.

4.7.4.1. OUSD(C) MPC Directorate and ODASD(H) jointly send out the annual Federal Credit Budget Data Call and template to the Services for review and completion as part of the "Consolidated MHPI Data Call for the FY 20BY President's Budget." Use this data to update the MAX schedules for the FHIF Program, FHIF Financing for Direct Loan, and FHIF Financing for Loan Guarantee accounts.

4.7.4.2. A separate list by Component and FY will include, the installation name, state, type of financing, total number of end-state units in the privatized project (breakout total units conveyed, renovated, replaced, and/or new/added units, total scored amount for each type of financing, and source of funds. Break out the source of funds by FY of funds, account (new construction or construction improvements), project name, and amount.

4.7.4.3. Cash flows for future new direct or guaranteed loans will also be required. Provide the completed template and cash flows electronically, to OUSD(C) MPC Family Housing by the required deadline.

4.7.5. Credit Supplemental Reporting (CSR). OUSD(C) MPC Directorate and ODASD(H) jointly send out the annual CSR Data Call and template to the Services for completion as part of the "Consolidated MHPI Data Call for the FY 20BY President's Budget."

4.7.5.1. Additional project information, such as, subsidy percentage, financing, defaults, average contractual loan maturity (in years), average contractual loan interest rate, maximum grace period (in years) and other data are required to update the CSR for the President's Budget.

4.7.5.2. Provide the completed template electronically to OUSD(C) MPC Family Housing by the required deadline.

5.0 CONGRESSIONAL JUSTIFICATION/PRESENTATION

5.1 Guidance on Presentation

This paragraph presents the justification book organization and the exhibit requirement for submission to Congress. Paragraph 6.0 provides the list of budget exhibits.

5.2 Organization of Justification Book

5.2.1. Use the following justification material titles:

Supporting Data for Fiscal Year
20BY Budget Estimates
Descriptive Summaries

5.2.2. Divide the budget justification book into sections and organize it in the following sequence:

1. Organization

2. Table of Contents and Summary Data

3. The summary data will include a state list of all major, minor and family housing construction projects.

Section 1 Special Program Considerations

This section will include the following topics with a short narrative or summary table, and other special interest items as applicable.

Facilities Funded Through Other Than MILCON
Pollution Abatement Program
Energy Conservation Program
Drug Interdiction Program

Section 2 Budget Appendix Extract
Legislative Language

Section 3 Installation and Project Justification Data
DD Forms 1390 and 1391

Section 4 Architectural and Engineering Services and Construction Design

Section 5 Unspecified Minor Construction

Section 6 Defense Access Roads

Section 7 Family Housing

Section 8 Homeowners' Assistance (Army Only)

Section 9 Long-Term Facilities Contracts

Section 10 Working Capital Fund Capital Construction

5.2.3. Organize the volume by state/country and location. Show projects precisely in the same order as they appear in the State List portion of the Construction Annex (C-1).

5.2.4. Summarize all construction line items included in the funding program in support of the total obligational authority for the MILCON appropriations in the President's Budget on Installation and Project Justification Data, DD Forms 1390 and 1391/1391C. In addition to data provided on DD Forms 1390 and 1391, justification books submitted to the House and Senate Appropriations, the House Armed Services Committee**,** and the Senate Armed Services Committees in support of MILCON Program requests will contain supplemental data prepared in the formats prescribed in paragraphs 5.2.5. and 5.2.6. on the reverse of DD Form 1391. The Guard and Reserve Forces will use a DD Form 1390S continuation page in lieu of DD Form 1390. Group all forms required for a project and combine them in the same book arranged in category code order within state and station.

5.2.5. Section 5 will include an exhibit entitled "Long-Term Facilities Contracts," separately listing projects proposed under Title 10 U.S.C. §§ 2809 and 2812 authorities, arranged in the same order as they would appear in the State list portion of the Construction Annex (C-1). DD Forms 1390 and 1391 for each new project proposed will follow this exhibit. The section will

also include a special financing table reflecting both prior approved long-term facility contracts and new requests.

5.2.6. Appendix A contains detailed instructions for preparation of DD Forms 1390 and 1391/1391C. Detailed instructions for preparation of the supplementary justification material are given in paragraph 5.5. The following additional instructions apply:

5.2.6.1. In addition to other data requirements, components are required to indicate on the DD Form 1391C for each individual project a statement indicating whether or not an economic analysis has been utilized in evaluating the project. In those instances where an economic analysis has not been prepared, a statement is required indicating why such analysis is not applicable or pertinent.

5.2.6.2. Lump-sum requests for a number of construction projects at a single location or for related projects at several locations will not be considered.

5.2.6.3. Identify projects associated with intelligence or intelligence-related operation. Block 5, Program Element, DD Form 1391, will include the annotation NIP or MIP as appropriate.

5.2.6.4. All DD Forms 1391 should include the office and phone number of at the installation responsible for the requested project. Display this information on the bottom left-hand corner of the last page of the 1391.

5.2.6.5. The budget submission should include the Restoration and Modernization (R&M) unfunded requirement at all installations for which there is a requested construction project. Provide this information as subsection c. in block 9 of the DD Form 1390 (Block 10 for the Guard and Reserve 1390s) under the heading, "R&M Unfunded Requirement." In addition, for all unaccompanied housing project requests, the DD Form 1391 must show all unaccompanied housing R&M conducted in the past 2 years (BY-2 and BY-1) and all future R&M requirements (defined as R&M funding for unaccompanied housing included in the FYDP years) for unaccompanied housing at that installation. This information should appear as the last data in the DD Form 1391 under the heading "BY-2 Unaccompanied Housing R&M Conducted," "BY-1 Unaccompanied Housing R&M Conducted," and "Future Unaccompanied Housing R&M Requirements."

5.2.7. Justification Book Covers and Binding of Data

5.2.7.1. Provide justification materials on 8-1/2" x 11" white paper, typed across the short dimension of the paper (portrait) with 3 holes punched on the left margin and bound with Accor fasteners. Print material on both sides of the page using 1" margins. Print the DD Form 1390 on white paper, not on yellow paper as previously required.

5.2.7.2. Prepare separate justification books for those projects which require classified information on the DD Forms 1390 and 1391/1391C.

5.2.7.3. The individual Defense Agencies will submit either originals of DD Forms 1390 and 1391/1391C, or copies of a quality suitable for printing. Use these for preparation of consolidated justification books for submission to congress. Do not punch, bind, or use page numbers on these submissions. Covers are not required. Deliver one complete set of each justification book to the OUSD(C) MPC Directorate and the ASD(EI&E).

5.2.7.4. Each justification book (and each submission of the Defense Agencies described in paragraph 5.2.7.3) must include an index of installations and projects by state and country, arranged alphabetically, in precisely the same order as the projects appear in the State List portion of the Construction Annex (C-1).

5.3 Submission of MILCON Justification Books

5.3.1. OSD Review. The OUSD(C) must review the justification material to ensure it fully reflects the President's and the Secretary of Defense's policies and decisions before the Military Departments release to Congress. As requested, submit the Defense Agencies' prepared justification material to the OUSD(C) for preparation of consolidated justification books and submission to the Committees on Appropriations.

5.3.2. Security Clearances. Each Military Department will be responsible for the clearance of its justification books through OSD Security Review. The OUSD(C) will be responsible for the clearance of the Defense Agencies justification books through OSD Security Review.

5.3.3. Number of Copies. Forward three advance sets of justification books for review to the OUSD(C) MPC Directorate, Pentagon Room 3C654. See Volume 2A, Chapter 1 for the detailed instructions on number of copies and distribution of printed material.

5.3.4. Instructions for Preparation of Supplemental Justification Data in Support of Annual MILCON Programs. Fill in each data requirement as appropriate, including negative responses to indicate that the item has been addressed.

5.3.4.1. Instructions for Preparation of Summary Lists. Each Military Service and Defense Agency must prepare a State List and an Installation List. These lists must include every project for which funds have been requested.

5.3.4.2. Instructions for Preparation of DD Form 1390 Supplemental Installation Data. Provide the following data in an appropriate place on DD Form 1390:

5.3.4.2.1. Air Pollution. Enter cost of all air pollution abatement projects for the out years. Do not include cost of BY projects.

5.3.4.2.2. Water Pollution. Follow instructions for Air Pollution, 5.3.4.2.1.

5.3.4.2.3. Safety and Occupational Health Deficiencies. Provide information on any safety and occupational health deficiencies.

5.3.4.3. Instructions for Preparation of DD Form 1391 Supplemental (Facility) Data. Provide the following data for each facility in the program using the back of standard DD Form 1391.

5.3.4.3.1. Design Data (Estimates)

5.3.4.3.1.1. Status

5.3.4.3.1.1.1. Enter date design was started (i.e., date when all appropriate design contracting procedures have been completed and the designer directed to proceed with design).

5.3.4.3.1.1.2. Enter the percent of design completed as of January 1, of the year in which the budget is submitted to the Congress (e.g., January 2, 2000, for FY 2001 projects).

5.3.4.3.1.1.3. Enter date design expected to be 35% completed.

5.3.4.3.1.1.4. Enter date design will be completed (i.e., date when all reviews will be completed and construction contract ready for advertising).

5.3.4.3.1.1.5. Include the annotation “parametric estimates have been used to develop project cost” if the cost estimate is based on parametric estimates in lieu of the traditional 35% design.

5.3.4.3.1.1.6. Enter the type of design contract (design-bid, design-bid-build, or other, if other, provide a brief description of the design contract.

5.3.4.3.1.1.7. Indicate whether an energy study and a life-cycle analysis were performed in support of the design of the proposed facility.

5.3.4.3.1.2. Basis

5.3.4.3.1.2.1. Indicate whether or not design is based on a standard or definitive design.

5.3.4.3.1.2.2. If answer to (a) is affirmative, indicate where design was previously used.

5.3.4.3.1.3. Total Design Cost. Indicate total federal cost (all costs to be charged to the design account) as follows:

5.3.4.3.1.3.1. Cost of the production of plans and specifications (those costs included within the 6 percent statutory cost limitations).

5.3.4.3.1.3.2. All other costs of design.

5.3.4.3.1.3.3. Total Cost (a + b or d + e).

5.3.4.3.1.3.4. Amount of cost estimated to be spent on contracts.

5.3.4.3.1.3.5. Amount of cost to be spent in-house (total cost if design is all within house; overhead and administration costs if design is contracted out, or other breakout).

5.3.4.3.1.4. Construction Contract Award Date. Indicate month and year the contract is planned to be awarded to the construction firm.

5.3.4.3.1.5. Construction Start Date. Indicate month and year construction is planned to start.

5.3.4.3.1.6. Construction Completion Date. Indicate month and year construction is planned to be completed.

5.3.4.3.2. Equipment Associated with This Project Which Will be Provided from Other Appropriations. List only those items which support the cost shown in Block 9 of the DD Form 1391, for Equipment Provided from Other Appropriations. Enter the equipment nomenclature, procuring appropriation, fiscal year in which the equipment was appropriated or will be requested, and the cost in thousands of dollars.

5.3.4.3.3. Working Capital Fund Projects. Label DD Form 1391s submitted in support of Working Capital Fund Capital Budget requirements as such in Block 4, atop the project title.

5.3.5. FYDP Project Listing. Submit MILCON/Family Housing Outyear Project Data via the Automated Construction Program (C-1 Annex) at the time program and budget submissions are due to OSD for review. Volume 2A, Chapter 1, paragraph 5.5 provides additional guidance on the Automated Construction Program. Construction data elements and record formats for the Automated Construction Database are prescribed on the Secret Internet Protocol Router Network (SIPRNET) of the OUSD(C). The out-year project data exhibits for the Active Forces will not be included in the justification books provided to Congress. However, the justification book for each component of the National Guard and Reserve, as well as the Defense Agencies will contain a listing of all projects that are funded in the FYDP.

5.4 Submission of Family Housing Justification Books

5.4.1. Family Housing Justification, Military Departments. The format for the Congressional justification books for Family Housing will be identical to that detailed in paragraph 4.2 for the budget estimates, with the following exceptions:

5.4.1.1. Submission Requirements. For each military department, submit Family Housing Congressional justification material with the MILCON justification books. The Family Housing material will follow the instructions provided for MILCON in paragraph 4.2.

5.4.1.2. DD Form 1390, MILCON Program. Prepare the form in accordance with paragraph 5.2. One form is required for each location. Use the latest approved totals for the installation or area as basis for personnel data. Only include Family Housing assets on inventory data. Print the form on white paper. This form must precede the DD Form 1391.

5.4.1.3. Tri-Service Family Housing Cost Model. This form is not required. See subparagraph 4.2.5.2.3.

5.4.1.4. Civilian Personnel Costs -- Exhibit OP-8. This form is not required. See subparagraph 4.2.9.2.2.

5.4.1.5. Furnishings Summary -- Exhibit FH-3. This form is not required. See subparagraph 4.2.10.1.

5.4.1.6. Department of the Army Submission Only. Since the Department of the Army has been designated as the executive agent to execute the DoD HAP, only the Department of the Army will submit justification material as described in subparagraph 4.3.1.

5.4.2. Family Housing Justification, Defense Agencies

5.4.2.1. Component Responsibilities. Individual Defense Agencies will provide separate justification material, in the format described in paragraph 4.2 and similar to the format specified for the Military Departments. The submissions will provide separate Construction, O&M, and Leasing exhibits, as appropriate, for Defense Intelligence Agency, Defense Logistics Agency, and National Security Agency.

5.4.2.2. OSD Consolidation and Review. As requested, submit the individual Defense Agencies' original pages of justification material to the OUSD(C) Program/Budget MPC Directorate, Pentagon Room 3C654, for preparation of consolidated justification books and submission to Congress. Concurrently submit one copy of the justification material to the ASD(EI&E).

5.4.2.3. Justification Material Format. Do not bind the Defense Agencies' submitted justification material. Covers are not required. Pages will not be numbered. Provide all data on 8-1/2 inch by 11-inch paper. Type data for FH-2 and FH-4 exhibits across the long dimension. Type data for all others across the short dimension of the paper with 1-inch margins.

5.4.2.4. Classification. All justification material will be unclassified.

5.5 Submission of Justification Books for the Homeowners' Assistance Fund, Defense Appropriation

5.5.1. Organization of Justification Books. Justification data will include items detailed in paragraph 4.3 for the budget estimates. Incorporate material as the final section of the Army's MILCON/family housing justification book.

5.5.2. Department of the Army Submission Only. Since the Department of the Army has been designated as the executive agent to execute the HAP for the DoD, only the Department of the Army will submit justification data.

5.5.3. OSD Review. Before the justification material can be released to the Congress, the OUSD(C) must review to ensure that policies and decisions made by the President and Secretary of Defense are fully reflected.

5.5.4. Security Clearances. The Department of the Army will be responsible for obtaining clearance of the justification book through OSD Security Review.

5.5.5. Number of Copies. See Volume 2A, Chapter 1, paragraph 3.2 for instructions on the number of copies required and the distribution.

*6.0 MILCON/FAMILY HOUSING APPROPRIATION SUBMISSION EXHIBITS

The formats provided on the following Appendices reflect guidance presented in previous paragraphs. Unless modified in a submission budget call, adhere to these formats.

Appendix A: BES / MILCON Exhibits in Support of paragraph 4.1

DD 1390	MILCON Program
DD 1390S/1	Guard and Reserve MILCON
DD 1391/1391C	MILCON Project Data
MC-2	Guard and Reserve Joint MILCON Project
Exhibit UH-6 MHPI	Military Unaccompanied Housing Privatization

Appendix B: BES / Family Housing Exhibits in Support of paragraph 4.2

DD 1390	MILCON Program
DD 1390S/1	Guard and Reserve MILCON
DD 1391/1391C	MILCON Project Data
Exhibit FH-1	Tri-Service Family Housing Cost Model
Exhibit FH-2	Family Housing O&M
Exhibit FH-3	Furnishings Summary
Exhibit FH-4	Analysis of Leased Units
Exhibit FH-5	General and Flag Officer Anticipated Expenditures
Exhibit FH-6	MHPI – Family Housing Privatization
Exhibit FH-8	Inadequate Family Housing Elimination
Exhibit FH-9	General and Flag Officers Expenditures
FH-11	Inventory and Condition Gov't-Owned, Family Housing
FH-12	Privatized GFOQ O&M Cost Incurred Exceeding $50K
FH-14	HIF/MUHIF Admin Requirements
FH-15	Re-estimate Cash Flow
OP-5	Attachment 1: Reconciliation of Increases and Decreases

Appendix C: BES / Homeowners Assistance Exhibits in Support of paragraph 4.3

Exhibit HA-1	Homeowners Assistance - Workload and Obligation Data
Exhibit HA-2	Homeowners Assistance Status of Accounts
Exhibit HA-3	Homeowners Assistance Work Unit Data
Exhibit HA-4	Homeowners Assistance Program and Financing

Appendix D: BES / NATO Security Investment Program Exhibits in Support of paragraph 4.4

NSIP-1	NSIP Project Data
NSIP-2	Recoupment Estimates

*APPENDIX A: BES / MILCON EXHIBITS IN SUPPORT OF PARAGRAPH 4.1

DD 1390 MILCON Program

1. COMPONENT	FY 19___ MILITARY CONSTRUCTION PROGRAM	2. DATE 22 Apr 96
3. INSTALLATION AND LOCATION	4. COMMAND	5. AREA CONSTRUCTION COST INDEX

6. PERSONNEL	PERMANENT			STUDENTS			SUPPORTED			TOTAL
	OFFICER	ENLISTED	CIVILIAN	OFFICER	ENLISTED	CIVILIAN	OFFICER	ENLISTED	CIVILIAN	
a. AS OF										
b. END FY 19										

7. INVENTORY DATA ($000)

a. TOTAL ACREAGE.....

b. INVENTORY TOTAL AS OF.....

c. AUTHORIZATION NOT YET IN INVENTORY.....

d. AUTHORIZATION REQUESTED IN THIS PROGRAM.....

e. AUTHORIZATION INCLUDED IN THE FOLLOWING PROGRAM.....

f. PLANNED IN NEXT THREE PROGRAM YEARS.....

g. REMAINING DEFICIENCY.....

h. GRAND TOTAL.....

8. PROJECTS REQUESTED IN THIS PROGRAM:

CATEGORY CODE	PROJECT TITLE	SCOPE	COST ($000)	DESIGN STATUS START	DESIGN STATUS COMPLETE

9. FUTURE PROJECTS:

10. MISSION OR MAJOR FUNCTIONS:

11. OUTSTANDING POLLUTION AND SAFETY DEFICIENCIES:

DD Form 1 DEC 1390 PREVIOUS EDITIONS MAY BE USED INTERNALLY UNTIL EXHAUSTED PAGE NO. 1 OF 4

DD 1390 MILCON Program
(Page 1 of 4)

Instructions for Preparation of DD Form 1390, FY MILCON Program

The active services will use DD Form 1390 to list the projects proposed for inclusion in the MILCON Program, including requests for (1) new authorization, (2) funding of new authorization, and (3) funding of PYs' authorization. The Guard and Reserve Forces will use a DD Form 1390s instead of the DD Form 1390.

Instructions for preparation of DD Form 1390:

Items 1 and 2 - Component and Date: Self-explanatory. Date prepared or the date the budget justification material is due to OSD.

Item 3 - Installation and Location: Enter the official name of the installation. Enter the name of the state if within the United States or the name of the country or island chain if outside the United States. In the case of Guard and Reserve facilities, enter the city and state if the facility is not to be constructed on a military installation. Use "classified location" only when necessary to meet security classification guidelines.

Item 4 - Command: Enter the name of the host major command responsible for management control of the installation.

Item 5 - Area Construction Cost Index: Enter the construction cost index used in estimating the cost of the project(s). Consult the latest guidance published by ASD(EI&E).

Item 6 - Personnel Strength: Enter personnel strengths for permanent, student, and support activities. Include transient personnel where applicable.

a. As of: Enter September 30 of the year of submittal to OSD.

b. End FY 20: Enter end of the BY, plus 5 years.

Item 7 - Inventory Data ($000):

a. Total Acreage: Enter the number of acres owned and/or leased by the Government, under accountability of the Military Department concerned, as shown in the latest Inventory of Military Real Property.

b. Inventory Total As Of September 30, 20: Enter the date and the current real property inventory total (except land rent). These totals should include inventory amounts for family housing.

c. Authorization Not Yet In Inventory: Enter the amount of funded and unfunded authorization for the construction of facilities or acquisition of land which have not been included in the September 30 Inventory of Real Property. This amount will include only such authorization as is related to either the MILCON Program or the Family Housing Program as the case may be.

d. Authorization Requested In This Program: Enter the total cost for construction and land acquisition being requested for authorization in the BY.

Instructions for Preparation of DD Form 1390 (Continued)

e. Authorization Included in Following Program: Enter the total estimated cost of construction and land acquisition required for authorization for the program year following the BY.

f. Planned in Next Three Program Years: Enter the total estimated cost of construction and land acquisition required for the three years beyond the BY and following year programs (i.e., second, third, and fourth years beyond the BY). This amount should agree with the data used in the preparation of the MILCON or family housing estimates contained in the FYDP.

g. Remaining Deficiency: Enter the total estimated cost of construction and land acquisition required for existing facilities deficiencies remaining beyond the three program years covered in 7.f.

h. Grand Total: Enter the total of items 7.b. through 7.g.

Item 8 - Projects Requested In This Program: Installation or activity projects for the BY must be listed individually with attendant information provided in the appropriate column. Both major and minor construction projects are to be included as shown on the sample form.

a. Column 1 - Category Code: Enter the applicable category code consistent with the category code shown in Item 6 of the DD Form 1391 for the project.

b. Column 2 - Projects Title: Enter the project title consistent with the title shown in Item 4 of the DD Form 1391.

c. Column 3 - Scope: Enter the same quantity shown in Item 9 of the DD Form 1391, "Cost Estimates," and include the unit of measure (e.g., SM, SY, LF, PR, EA, CY). Immediately following or directly beneath the metric quantity and unit of measure, parenthetically include the English quantity and measurement. In those instances where a specific quantity cannot be satisfactorily identified, enter LS for lump sum.

d. Column 4 - Cost ($000): Enter the project cost consistent with the cost shown in Item 8 of the DD Form 1391. If two or more projects are listed, enter the total in this column, and use this figure in Item 7.d.

e. Column 5 - Design Status: Enter the most accurate possible dates for the start and completion of design using numerals (e.g., 6/94, 11/95).

Item 9 - Future Projects:

a. Included in Following Program (FY_): List all installation projects regardless of the number and include columnar data comparable to that provided in Item 8 but leave design status blank.

b. Planned Next Three Years: List projects planned for next three years in 9.b. and include columnar data comparable to that provided in Item 8 but leave design status blank. The total costs of the projects listed under Items 9.a. and 9.b. should be identical to the entries under Items 7.e. and 7.f., respectively. If additional space is required to list all projects under Items 9.a. and 9.b., a separate sheet of paper should be utilized.

Instructions for Preparation of DD Form 1390 (Continued)

c. Also include the R&M unfunded requirement in this block under the heading "R&M Unfunded Requirement."

Item 10 - Mission or Major Functions: Enter the principal types of peacetime units and/or functions assigned or scheduled for assignment to the installation that require facilities or substantially contribute to the base population. Also enter the current mission stating precisely what the activity will do and list the major functions performed. All entries should address the time period shown in Items 6.a. and 6.b.

Item 11 - Outstanding Pollution and Safety Deficiencies ($000): List all projects included in the budget request and planned for the next three years that are programmed for outstanding pollution and safety deficiencies. Use the format in Item 8.

Notes:

1. Space requirements for Items 8, 9, 10, and 11 may vary. Therefore, remaining space on the DD Form 1390 may be utilized as necessary for the specific entries and continued on a separate sheet of paper. A solid black line should be used to set Items 8, 9, 10, and 11 apart and individual item titles and subheadings should be added.

2. Projects that were authorized (but not appropriated) in prior years will be listed in the same manner as projects for which new authorization is requested. The fiscal year in which the project was authorized will be shown after the project title in Item 8.

DD1390S/1 Guard and Reserve MILCON

1. COMPONENT	FY 20__ GUARD AND RESERVE MILITARY CONSTRUCTION	2. DATE
3. INSTALLATION AND LOCATION		4. AREA CONSTR COST INDEX
5. FREQUENCY AND TYPE OF UTILIZATION		
6. OTHER ACTIVE/GUARD/RESERVE INSTALLATIONS WITHIN 15 MILES RADIUS		
7. PROJECTS REQUESTED IN THIS PROGRAM: CATEGORY CODE / PROJECT TITLE / SCOPE / COST $(000) / DESIGN STATUS START CMPL		
8. STATE RESERVE FORCES FACILITIES BOARD RECOMMENDATION (Date)		
9. LAND ACQUISITION REQUIRED (Number of Acres) _____		
10. PROJECTS PLANNED IN NEXT FOUR YEARS CATEGORY CODE / PROJECT TITLE / SCOPE / COST $(000)		

DD FORM 1390s, 1 DEC 76 Previous editions may be usedPage Page No
DD1390S/1 Guard and Reserve Military Construction

DD 1390S/2 Guard and Reserve MILCON (Continued)

1.	FY 20__ GUARD AND RESERVE MILITARY CONSTRUCTION	2. DATE

3. INSTALLATION AND LOCATION

11. PERSONNEL STRENGTH AS OF

	PERMANENT				GUARD/RESERVE		
	TOTAL	OFFICER	ENLISTED	CIVILIAN	TOTAL	OFFICER	ENLISTED
AUTHORIZED							
ACTUAL							

12. RESERVE UNIT DATA

UNIT DESIGNATION	STRENGTH AUTHORIZED	ACTUAL

13. MAJOR EQUIPMENT AND AIRCRAFT

TYPE	AUTHORIZED	ACTUAL

14. OUTSTANDING PLLUTION AND SAFETY DEFICIENCIES

($000)

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DD1390S/2 Guard and Reserve Military Construction

Instructions for Preparation of DD Form 1390s, FY__ Guard and Reserve Forces MILCON

The Guard and Reserve Forces will use the DD Form 1390 to supplement the data entered in the DD Form 1391, FY 20__ MILCON Program.

Instructions for preparation of DD Form 1390s follow:

Item 1 - Component: Enter the specific Guard or Reserve Forces component of the active services. Recognized abbreviations such as ARNG (Army National Guard) or ANG (Air National Guard) are acceptable.

Item 2 - Date: Date prepared or the date to OSD.

Item 3 - Installation and Location: For facilities not located at DoD installations or commercial airfields, enter the name of the city and State in which the projects are located. For other facilities, enter the name of the DoD installation and its geographical location to the extent that it is not included in the installation name.

Item 4 - Area Construction Cost Index: Enter the construction cost index used in estimating the cost of the project(s). Consult the latest guidance published by DUSD(IA&I).

Item 5 - Frequency And Type Of Utilization: Enter the type of utilization (e.g., weekend drill, weeknight drill, unit training activities, annual active duty for training) and indicate number of days the installation is used per month/year, as appropriate.

Item 6 - Other Active/Guard/Reserve Installations Within 15 Mile Radius: List the nearest six existing Active and existing or programmed (within the next five years) Reserve component facilities and their distances, within a fifteen-mile radius of the proposed construction site. If no facilities exist within the fifteen-mile radius, identify the three closest installations. Indicate the year the facilities were constructed and the size of the facility.

Item 7 - Projects Requested In This Program: Installation or activity projects for the BY must be listed individually with attendant information provided in the appropriate column. Both major and minor construction projects are to be included.

a. Column 1 - Category Code: Enter the applicable category code consistent with the category code shown in Item 6 of the DD Form 1391.

b. Column 2 - Project Title: Enter the project title consistent with the title shown in Item 4 of the DD Form 1391.

c. Column 3 - Scope: Enter the same quantity shown in Item 9 of the DD Form 1391, Cost Estimates, and include the unit of measure (e.g., SM, SY, LF, PR, EA, CY). Immediately following or directly beneath the metric quantity and unit of measure, parenthetically include the English quantity and measurement. In those instances where a specific quantity cannot be satisfactorily identified, enter LS for lump sum.

Instructions for Preparation of DD Form 1390s, FY__ Guard and Reserve Forces MILCON (Continued)

d. Column 4 - Cost ($000): Enter the project cost consistent with the cost shown in Item 8 of the DD Form 1391. If two or more projects are listed, enter the total in this column. In the case of Army National Guard projects where part of the financing is from other than Federal sources, enter only the Federal share.

e. Column 5 - Design Status: Enter the most accurate possible dates for the start and completion of design using numerals (e.g., 6/94, 11/95).

Item 8 - State Guard/Reserve Forces Facilities Board Recommendations (Date): Enter the following statement "facilities identified in Item 6 have been examined by the State Reserve Forces Facilities Board for possible joint use/expansion. The Board recommendations are _____." (Note: Project folders will contain justification data to support the recommendation.)

Item 9 - Land Acquisition Required (Number of Acres): Enter the acreage required for the project and the method of acquisition (e.g., fee, title, donation, lease). For all projects involving land acquisition, a site survey must be conducted in accordance with DoDI 4165.71, and the following statement must be entered, either in Item 9 or Item 10: "Site survey has been completed and site is suitable for constructing the proposed project at the estimated cost indicated."

Item 10 - Projects Planned In Next Four Years: Enter the Project Title and Estimated Cost for projects planned at the installation identified in Item 3 for the next four years beyond this program year. A maximum of five projects should be identified. For armory-type projects, list those facilities which are programmed for replacement within the next four years within a fifteen-mile radius of the proposed project as well as the year the facilities were constructed. If none are planned, so indicate. Items must contain columnar data comparable to that provided in Item 7 except for design status which should be left blank. Also include the restoration and modernization (R&M) unfunded requirement in this block under the heading "R&M Unfunded Requirement."

Item 11 - Personnel Strength As Of _____: In the appropriate columns, enter the number of authorized and actual personnel at this facility as of six months prior to project submission.

Item 12 - Reserve Unit Data: List the designated units assigned and/or scheduled to be trained in the requested facilities. Enter the corresponding authorized and actual strengths of each unit, indicating actual strength as of the date listed in Item 11.

Item 13 - Major Equipment and Aircraft: List the vehicular and/or other large equipment and aircraft which are to be accommodated at the installation and which have a bearing on the type and/or scope of the facility requirement. When vehicle maintenance shops are being requested, the Weighted Equipment Density (WED) for the vehicles to be maintained will be included in this item.

DD 1391/1391C MILCON Project Data

1.COMPONENT	FY 20__ MILITARY CONSTRUCTION PROJECT DATA	2. Date
3.INSTALLATION AND LOCATION		4. PROJECT TITLE
5. PROGRAM ELEMENT	6. CATEGORY CODE	7. PROJECT NUMBER	8. PROJECT COST ($000)
9. COST ESTIMATES				
ITEM	U/M	QUANTITY	Unit Cost	Cost ($000)
10. DESCRIPTION OF PROPOSED CONSTRUCTION				

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DD 1391/1391C Military Construction Project Data

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DD 1391/1391C MILCON Project Data (Continued)

1.COMPONENT	FY 20__ MILITARY CONSTRUCTION PROJECT DATA	2. Date
3.INSTALLATION AND LOCATION		4. PROJECT TITLE
5. PROGRAM ELEMENT	6. CATEGORY CODE	7. PROJECT NUMBER	8. PROJECT COST ($000)

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PREVIOUS EDITIONS MAY BE USED INTERNALLY
UNTIL EXHAUSTED

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Instructions for Preparation of DD Form 1391/1391C FY __MILCON Project Data

1. The DD Form 1391 will be used, as applicable, by the Active, Guard, and Reserve Forces to support each project proposed for inclusion in the MILCON Program. This includes both new authorization projects in the program as well has urgent unforeseen projects using emergency or contingency authorization. This form will also be used to transmit supporting data for the following types of projects:

a. Minor construction projects, 10 U.S.C. § 2805.

b. O&M type projects required to be submitted to OSD in accordance with the provisions of DoDD 4165.06.

c. Non-appropriated fund construction projects requiring OSD concurrence or approval.

d. Family housing projects.

2. The continuation sheet (DD Form 1391c) will be used as required for explanation of the requirement for the project (item 11.) and other mandatory statements concerning flood plains and wetlands environmental impact, accessibility to the handicapped, or fallout shelters. However, when submitting an annual MILCON Program, these mandatory statements may be included in the front of the program book.

3. Instructions for preparation of DD Form 1391:

a. ITEMS 1 and 2 - COMPONENT AND DATE: Self-evident.

b. ITEM 3 - INSTALLATION AND LOCATION: Enter the official name of the installation. Use code name or designations only when necessary to preclude security classification or when an official name is not available. Enter the name of the State if within the United States or the name of the country or island chain if outside the United States. In the case of Guard and Reserve Forces facilities, enter the city and State if the facility is not to be constructed on a military installation.

c. ITEM 4 - PROJECT TITLE: Enter the title used in item 8, column 2 of the DD Form 1390, assuring that it corresponds to the category code in item 6.

(1) The title of the project should reflect the facility provided by the project.

(2) The scope of a project or number of buildings involved will not be shown in the title (i.e., and "Enlisted Quarters" project will not be shown as "Two 250 Man Enlisted Quarters.")

(3) Avoid the inclusion of acronyms.

(4) If a project requires land acquisition estimated to cost in excess of $50,000, the project title will be suffixed with "With Land Acquisition."

d. ITEM 5 - PROGRAM ELEMENT: Enter the appropriate number as it relates to the "Future Years Defense Program," except when inclusion of this number would require classification of an otherwise unclassified form.

Instructions for Preparation of DD Form 1391/1391C (Continued)

e. ITEM 6 - CATEGORY CODE: Enter the applicable category code using no less than three or more than six digits consistent with item 8, column 1 on DD Form 1390, for the Active Forces and item 7, column 1 on DD Form 1390S2, for the Guard and Reserve Forces. When a project includes multiple distinct facilities, use the real property category code which corresponds to the predominant facility use.

f. ITEM 7 - PROJECT NUMBER: Enter the number of the project assigned by the Component concerned. If no number has been assigned, indicate N/A (not applicable).

g. ITEM 8 - PROJECT COST: Enter the estimated cost in thousands of dollars (excluding design except for family housing) for which funding is being requested. The amount indicated should be identical to that shown in item 8, column 4 of the DD Form 1390 and should include the costs of the primary facilities, supporting facilities, contingencies, supervision, inspection, and overhead. Figure will be the Total Request entered in item 9. and will not include the figure entered for "Equipment Provided From Other Appropriations."

h. ITEM 9 - COST ESTIMATES: This portion of the DD Form 1391 is comprised of several elements which collectively comprise the Total Request. Each element will be identified, quantified, and costed in a series of five column entries as follows:

(1) Item: Identity of the Primary or Supporting Facility. After each "Item" entry where the metric measurement (square meters) is used in the Unit of Measure column, include in parenthesis the size of the facility in the English measurement (Square Feet).

(2) U/M (unit of Measure): Each entry in the" item" column will be followed in the "U/M" column by the accepted two-character abbreviation for the unit of measure associated with the quantity of the item concerned (e.g., SM, SY, LF, KV). Where it is not feasible to show a specific unit of measure, use LS (Lump Sum).

(3) Quantity: Enter the required number of units of measure comprising the "item" entry. Where "LS" is the unit of measure, enter a dash (-).

(4) Unit Cost: Enter the appropriate unit cost for each "item" entry where a unit of measure is indicated. Where the unit of measure is "LS" enter a dash in the unit cost column.

(5) COST ($000):

(a) Enter the cost, in thousands of dollars, represented by the product of the "Quantity" and "Unit Cost" entries.

(b) When a single primary facility is listed enter the cost of the facility without parentheses. If unusual features or functional areas of the primary facility are listed, the cost of each must be enclosed with parentheses. The total cost of these features must equal the figure entered for the primary facility.

(c) When more than one primary facility is listed, the cost of each facility will be entered in the cost column without parentheses.

Instructions for Preparation of DD Form 1391/1391C (Continued)

(d) The cost entry for the item "Supporting Facilities" must be entered without parentheses and must be the total of the various supporting facilities listed. However, each of the individual supporting facility costs must be enclosed by parentheses.

(e) The cost entered for items such as "Subtotal," "Contingency," "Contract Cost," "SIOH," and "Total Request" must be entered without parentheses. However, the cost for Equipment Provided From Other Appropriations" must not be entered as an additive item.

(f) Projects in category Code 500 will have separately identified the equipment purchased for the Surgeons General as "Category Equipment" showing the total cost of such equipment added to the "Total Request." Labor cost for installation of "Category E" equipment should be included in the unit cost for the primary facility because it is part of the "Total Contract Cost."

(6) PRIMARY FACILITY: Enter the identity and required columnar data for the primary facility. When the primary facility consists of two or more components the cost of the primary facility will be the sum of the costs of the individual components. In addition, subordinate components will be entered under the primary facility after indenting two spaces.

(a) Normally, the cost of fixed equipment provided as part of the construction contract (e.g., cooling, heating, and electrical systems) will be included in the cost of the primary facility. However, when the primary facility includes unusual features of significant cost, such as hyperbaric vessels and standby cooling, such features should be identified under the primary facility.

(b) Land acquisition required specifically for the project and estimated to cost $50,000 or more must be listed in the same manner as an unusual feature. Conversely, land acquisitions estimated to cost less than $50,000 are to be accomplished under 10 U.S.C. § 2672 and should not be listed.

(c) For family housing new construction, the entry under primary facility will show the total number of units in the project. As subordinate components to the primary facility "Units to 5' line," "GFE," and "Land Acquisition" will be shown in parentheses in the cost column to add up to the cost of the primary facility shown. "Item 10 will be used to show the numbers and cost computations for the various types of living units which comprise the primary facility.

Instructions for Preparation of DD Form 1391/1391C (Continued)

(d) Lump-sum funding requests are prohibited. The only instance for which separate construction projects can be combined under a single DD Form1391 is when each of the projects is in the same general facility category (i.e., supply facilities, maintenance and production facilities, unaccompanied housing). Programs such as "facility upgrades," "ATB Beddown Facilities," and others combining a number of disparate construction efforts must be justified as separate projects. If it is planned, in execution, to construct several of these projects at a single location under one contract, a statement to that effect should be included in the "Additional" section of Item 10.

(e) Antiterrorism Force Protection/physical security measures: The entry under primary facility will show physical security improvements (e.g., special structural improvements, ballistic glass). Where land acquisition serves a specific purpose such as stand-off distance for force protection, the acquisition must be listed as an antiterrorism force protection subordinate component to the primary facility.

(7) SUPPORTING FACILITIES: List those items of construction directly related to and required for the support of the primary facility. Such items should include (a) special construction features (piles, spread footings, seismic, fill); (b) utilities (gas, oil, steam, electric, and water supply lines as well as sanitary and storm sewers); (c) site preparation; (d) roads, sidewalks, and parking; (e) site improvements (seeding, sodding, landscaping); (f) antiterrorism force protection/physical security measures such as physical security site improvements (e.g. fencing, perimeter/area lighting, blast mitigation barriers, berms and landscaping); and (g) demolition. All supporting facility items should be listed in terms of accepted units of measure and quantity whenever practicable. For family housing, design cost will be identified under "Supporting Facilities."

(8) ESTIMATED CONTRACT COST: Enter the sum of the costs shown for all primary and supporting facilities.

(9) CONTINGENCY: Enter the appropriate contingency rate, in parentheses, immediately following the item designation in column 1, and enter the cost equivalent in the proper column.

(10) SUBTOTAL: Enter the sum of the "Subtotal" and the "Contingency" costs. In the case of Army National Guard, armory projects which are funded, in part, from other than Federal funds, enter the Federal costs on the first line and the State or other cost on the next line.

(11) SUPERVISION, INSPECTION, AND OVERHEAD (SIOH): Enter the appropriate SIOH rate in column 1 after the item designation and reflect the cost equivalent in the proper column.

(12) DESIGN/BUILD: For major construction projects where the Design/Build contracting method is planned to be used, the design cost associated with the contract should be included in the Cost Estimates (Block 9) section of the DD Form 1391. The entry "Design/Build – Design Cost" will be used and should appear after the "SIOH" entry and before the "Total Request" entry with the associated cost in the proper column.

Instructions for Preparation of DD Form 1391/1391C (Continued)

(13) TOTAL REQUEST: Enter the sum of the "Total Contract Cost" and the "SIOH." This figure should be identical to the entry in item 8, "Project Cost ($1000)." Total request should be rounded-off to provide a more realistic approach to the presentation of MILCON programs.

(14) TOTAL REQUEST ROUNDED: The following guidance is provided for "rounding-off" a projects' total request:

Project (P) Estimate ($000)			Rounding Guidance ($000)	
	<	1,000	Nearest $	10K
1,000	to	5,000	Nearest $	50K
5,000	to	10,000	Nearest $	100K
10,000	to	15,000	Nearest $	200K
15,000	to	20,000	Nearest $	500K
	>	20,000	Nearest $	1,000K

(15) INSTALLED EQUIPMENT PROVIDED FROM OTHER APPROPRIATIONS: Enter the total cost of equipment which is procured with other than MILCON funds and which is essential to the mission of the facility. DD Form 1391 should reflect only the cost of equipment identified in the Associated Equipment Report. If no such major equipment is associated with the project, enter a "zero" in the appropriate space. Note that this figure is not included in the "Total Request." This excludes minor items procured with O&M funds, and in the case of Army National Guard, excludes equipment provided from other then Federal appropriations.

i. ITEM 10 - DESCRIPTION OF PROPOSED CONSTRUCTION:

(1) In a clear and concise manner, provide a complete outline of all principal features of the work and its correlation with the various data entered in item 9.

(2) State whether or not the proposed construction is in compliance with applicable antiterrorism force protection measures and antiterrorism force protection standards.

(3) Begin with an accurate description of the primary facility and the associated functions that will be supported in them. Continue with a description of the features of work identified in each line item of the Block 9. Avoid the use of generalities such as "most economical means" or "modern methods and materials."

(4) Provide only such additional descriptive details as are necessary for clarity.

(5) Identify and list the buildings or structures to be demolished in connection with the proposed construction, if applicable.

(6) For single person quarters projects, indicate the grade mix of personnel, officer or enlisted, who will occupy the facilities.

Instructions for Preparation of DD Form 1391/1391C (Continued)

(7) For projects involving additions, alterations, or conversions, describe the changes to be made.

j. ITEM 11 - REQUIREMENT: This portion of the DD Form 1391 is comprised of seven elements which are to be set forth in the following format:

(1) Immediately after the item title "Requirement" indicate, in appropriate units of measure, the total facility requirement (e.g., 5,500 SM), followed by two additional entries giving the status of the existing facility (e.g., adequate: 66,134 SF; substandard: -0-). For a project with multiple distinct facilities, include information for each facility category code.

(2) PROJECT: Provide a one-sentence statement indicating what this project provides.

(3) REQUIREMENT: Provide detailed, informative statements as to precisely why the project is needed. Use positive statements to support the requirement and avoid the use of such words as "inadequate," "uneconomical," and "necessary" unless they are fully explained. Similarly, when identifying contributing factors, assure that the presentation leaves no pertinent questions unanswered (e.g., vulnerability to terrorist threats (reference threat/vulnerability assessment); excessive maintenance (show cost comparison); self-liquidation (show amortization); or advanced deterioration (describe effects)). The requirements must establish maximum utilization of existing facilities and identify alternatives considered, along with reasons for their rejection. If the project is a result of the Integrated Global Posture and Basing study, include the phrase, "This project is associated with the global Defense posture changes."

(4) CURRENT SITUATION: Describe how and under what conditions the requirement is presently being met. Comments should support the stated requirement and include the identity and description of current assets as well as the reason they are considered unsuitable for continued use. For Guard and Reserve Forces projects which are to replace existing facilities, identify and describe the disposition to be made of them. Similarly, for Guard and Reserve Forces facilities to be constructed and/or utilized jointly with other Guard/Reserve components, include pertinent information and status of coordination or negotiations.

(5) IMPACT IF NOT PROVIDED: Describe the manner and extent to which mission accomplishment would be affected if the project were not approved.

(6) ADDITIONAL: If the project is justified on an economic basis (primary economic analysis), so state and indicate the projected payback period. As a minimum, all renovation, upgrade, and replacement projects must be supported by an economic analysis. For all other projects, state precisely why a primary economic analysis cannot be applied to the project. When providing supporting documentation for the OSD budget submission, enter appropriate statements on commercial/industrial operations.

OMB Circular A-76 and as required by applicable DoDI. Entry of this information on the DD 1391 or on a separate DD 1391c is optional. For all overseas projects, state whether or not the project is eligible for NATO Infrastructure or other host nation funding.

Instructions for Preparation of DD Form 1391/1391C (Continued)

(7) JOINT USE CERTIFICATION: Include the following certification: "The (enter the title of the certifying official) certifies that this project has been considered for joint use potential. Joint use construction is recommended." Or "The (enter the title of the certifying official) certifies that this project has been considered for joint use potential. Unilateral construction is recommended. The reasons for this recommendation are…" The Joint Use Certification is not required for family housing construction projects.

(8) For all unaccompanied housing project requests, the DD Form 1391 will show all unaccompanied housing restoration and modernization conducted in the past 2 years (BY-2 and BY-1) and all future R&M requirements (defined as R&M funding for unaccompanied housing included in the FYPD years) for unaccompanied housing at that installation. This information should appear as the last data in the DD Form 1391 under the heading "BY-2 Unaccompanied Housing R&M Conducted," "BY-1 Unaccompanied Housing R&M Conducted," and "Future Unaccompanied Housing R&M Requirements."

Space requirements for items 10 and 11 will vary. Therefore, remaining space on the DD Form 1391 may be used as necessary for the specific entries and continued on a DD Form 1391c as appropriate. A solid, black line should be used to set items 10 and 11 apart, and individual item titles and subheadings should be added.

k. ITEM 12 – SUPPLEMENTAL DATA: This portion of the DD Form 1391 is comprised of three elements which should be provided in the following format:

(1) A. EXECUTION DATA: Include (1) Acquisition Strategy, (2) Design data – start date, % of design completed; design complete date; total design cost ($000), energy studies and/or life cycle analysis performed (Yes or No); and standard or definitive design used (yes or no), and (3) Construction data - contract award date, construction start date and construction complete date.

(2) B. EQUIPMENT ASSOCIATED WITH THIS PROJECT: Include table listing equipment name, procuring appropriation, fiscal year appropriated of requested, and cost ($000).

(3) C. FUNDING PROFILE: include table listing history of authorizations and appropriations (1) fiscal year for enacted, cost variation, current budget request and future request, (2) authorization amount ($000), authorization of appropriation amount ($000), and (3) appropriated amount ($000). Totals for Authorized and Appropriated should be provided at the bottom of the table.

(4) D. PROJECT SPENDING PLAN WITH CHART: Provide table of monthly and cumulative costs ($000) of funding, obligations and outlays by month-year from construction start through construction completion, as follows:

PROJECT SPENDING PLAN
PROJECT: Project Tile, Installation, State
As of: Month Day, Year

All Costs in thousands ($000)

	FUNDING		OBLIGATIONS		OUTLAYS	
Month-Year	Monthly	Cumulative	Monthly	Cumulative	Monthly	Cumulative
Apr-24	$ -	$ -	$ -	$ -	$ -	$ -
May-24	$ -	$ -	$ -	$ -	$ -	$ -
Jun-24	$ 103,000	$ 103,000	$ 97,500	$ 97,500	$ 1,050	$ 1,050
Jul-24		$ 103,000	$ 130	$ 97,630	$ 1,175	$ 2,225
Aug-24		$ 103,000	$ 130	$ 97,760	$ 1,290	$ 3,515
Sep-24		$ 103,000	$ 130	$ 97,890	$ 1,425	$ 4,940
Oct-24		$ 103,000	$ 130	$ 98,020	$ 1,570	$ 6,510
Nov-24		$ 103,000	$ 130	$ 98,150	$ 1,880	$ 8,390
Dec-24		$ 103,000	$ 130	$ 98,280	$ 2,045	$ 10,435
Jan-25		$ 103,000	$ 130	$ 98,410	$ 2,210	$ 12,645
Feb-25		$ 103,000	$ 130	$ 98,540	$ 2,375	$ 15,020
Mar-25		$ 103,000	$ 130	$ 98,670	$ 25,400	$ 40,420
Apr-25		$ 103,000	$ 130	$ 98,800	$ 2,700	$ 43,120
May-25		$ 103,000	$ 130	$ 98,930	$ 2,850	$ 45,970
Jun-25		$ 103,000	$ 130	$ 99,060	$ 2,990	$ 48,960
Jul-25		$ 103,000	$ 130	$ 99,190	$ 3,125	$ 52,085
Aug-25		$ 103,000	$ 130	$ 99,320	$ 3,245	$ 55,330
Sep-25		$ 103,000	$ 130	$ 99,450	$ 3,350	$ 58,680
Oct-25		$ 103,000	$ 130	$ 99,580	$ 3,430	$ 62,110
Nov-25		$ 103,000	$ 130	$ 99,710	$ 3,500	$ 65,610
Dec-25		$ 103,000	$ 130	$ 99,840	$ 3,540	$ 69,150
Jan-26		$ 103,000	$ 130	$ 99,970	$ 3,565	$ 72,715
Feb-26		$ 103,000	$ 130	$ 100,100	$ 3,540	$ 76,255
Mar-26		$ 103,000	$ 130	$ 100,230	$ 3,500	$ 79,755
Apr-26		$ 103,000	$ 130	$ 100,360	$ 3,430	$ 83,185
May-26		$ 103,000	$ 130	$ 100,490	$ 3,350	$ 86,535
Jun-26		$ 103,000	$ 130	$ 100,620	$ 3,245	$ 89,780
Jul-26		$ 103,000	$ 130	$ 100,750	$ 3,130	$ 92,910
Aug-26		$ 103,000	$ 130	$ 100,880	$ 2,995	$ 95,905
Sep-26		$ 103,000	$ 130	$ 101,010	$ 2,850	$ 98,755
Oct-26		$ 103,000	$ 130	$ 101,140	$ 2,700	$ 101,455
Nov-26		$ 103,000	$ 130	$ 101,270	$ 2,540	$ 103,995
Dec-26		$ 103,000	$ 130	$ 101,400	$ 2,375	$ 106,370

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MC-2 Guard and Reserve Joint MILCON Project Exhibit

Joint Military Construction Project Exhibit
[Lead Componet]
FY ___ - FY ___ Program/Budget Review
(Dollars in Thousands)

Location:
Project Title:
Lead Component:

Funding Requirement	**BY**	**BY+1**	**BY+2**	**BY+3**	**BY+4**
Army Reserve					
Army National Guard					
Navy/MC Reserve					
Air Force Reserve					
Air National Guard					
Total Requirement	**0**	**0**	**0**	**0**	**0**

Budgeted Amount	**BY**	**BY+1**	**BY+2**	**BY+3**	**BY+4**
Army Reserve					
Army National Guard					
Navy/MC Reserve					
Air Force Reserve					
Air National Guard					
Total Requirement	**0**	**0**	**0**	**0**	**0**

Instructions:

1. For each joint project, fill in the information (each project should be identified separately).

2. In the "Funding Requirement" section, enter the amounts that each Component is expected to contribute to the joint project.

3. In the Budgeted Amount" section, enter the amount that has been included in the FY_____-FY_____ budget submission.

4. All dollars should be in thousands.

*Exhibit UH-6 Military Housing Privatization (MHPI) – Military Unaccompanied Housing Privatization

DEPARTMENT OF _____
Exhibit UH-6 Military Housing Privatization Initiative (MHPI) - Military Unaccompanied Housing Privatization
Fiscal Year 20XX

Privatization Date[1]	MHPI Project Name[2]	Installation/ State[3]	Approved by OSD & OMB[4]						Actual/Current Plan[8]							MHPI Authorities[13]
			No. Units Conveyed[5]	No. End State Units[6]	Funding Source(s)[7]				No. Units Conveyed[9]	No. End State Units[10]	Total No. Units in Current Inventory[11]	Funding Source(s)[12]				
					Amount ($M)[7a]	Budget Year(s)[7b]	Type of Funds[7c]	Source Project Name[7d]				Amount ($M)[12]	Budget Year(s)[12]	Type of Funds[12]	Source Project Name[12]	
Grand Totals[14]			0	0	$0				0	0	0	$0				

Notes:

1. The date the real property is transferred (land and family housing units) to the private owner/developer, and when service members become entitled to receive BAH.

2. Provide the name of the MHPI Project given to the privatization project, including the name given to integrated/grouped projects. The MHPI project name should be consistent with the MHPI project name used in the previously approved OSD/OMB Scoring report and/or subsequent notification to Congress.

3. List the MHPI project location by installation and state, including each installation/state incorporated into the integrated/grouped MHPI project.

4. This section relates the previously approved OSD/OMB project scope and funding amounts contained in the scoring package and/or subsequent Notification of Funds Transfer letters to Congress.

5. Provide the number of unaccompanied housing units to be conveyed by installation and state to the Developer, including each installation and state incorporated into the integrated/grouped MHPI project, as previously approved in the OSD/OMB Scoring report.

6. Provide the end state number of family housing units by installation and state to the Developer, including each installation/state incorporated into the integrated/grouped MHPI project, as previously approved in the OSD/OMB Scoring report.

7. Provide all of the funding source information for the MHPI project as reflected in the previously approved OSD/OMB report and consistent with the project summary details accompanying the Notification of Transfer letter to Congress, such as:

a. The amount of funds to be used for the Government's cost of the project (i.e., equity contribution, credit subsidy costs, differential lease payments).

b. The fiscal year(s) of the funding sources to be used to cover the Government's cost of the MHPI project.

c. The type of funds (e.g., MILCON) to be used to cover the Government's cost of the MHPI project.

d. The project(s) that are used to source the Government's cost of the privatization project.

8. This section relates to the Military Departments' actual and/or current plan, which might or might not be consistent with the details contained in the previously approved OSD/OMB Scoring report and project summary to Congress for the MHPI project due to extenuating circumstances.

9. Provide the actual and/or revised planned number of unaccompanied housing units conveyed to the Developer by installation and state, including each installation/state incorporated into the integrated/grouped MHPI project.

10. Provide the actual and/or revised, planned number of unaccompanied housing end state units by installation and state, including each installation/state incorporated into the integrated/grouped MHPI project.

11. Provide the total number of privatized unaccompanied housing units in the inventory for each MHPI project by installation/state, including each installation/state incorporated into the integrated/grouped MHPI project, regardless if they are currently occupied or not.

12. Provide all the "actual and/or current" funding sources used to fund the MHPI project, which might or might not be consistent with the details contained in the previous-approved OSD/OMB Scoring report and project summary (i.e., project amount, budget year of funds, source project, appropriation) to Congress for the MHPI project due to extenuating circumstances. If possible and/or available, provide the requested funding information by installation/state.

13. Provide the applicable MHPI authorities in 10 U.S.C. Chapter 169 Subchapter IV used and/or proposed to be used for the privatization project. Designators are as follows:

1 = 10 U.S.C. § 2873 - Government Direct Loans
2 = 10 U.S.C. § 2873 - Loan Guarantees
3 = 10 U.S.C. § 2875 - Investments, such as DoD Equity Contributions in non-governmental entities
4 = 10 U.S.C. § 2877 - Differential Lease Payments
5 = 10 U.S.C. § 2878 - Conveyance or Lease of Existing Property and Facilities

14. Totals of number of units conveyed, number of end state units, and funding amounts.

*APPENDIX B: BES / FAMILY HOUSING EXHIBITS IN SUPPORT OF PARAGRAPH 4.2

Exhibit FH-1 Tri-Service Family Housing Cost Model

TRI-SERVICE FAMILY HOUSING COST MODEL

Service _____ Activity and Location _____ Project Number _____ Fiscal Year _____

Harsh climate location? (Y/N) Overseas? (Y/N) Replacement? (Y/N) ___ ACF

DWELLING COSTS: Paygrade	Bedrooms	Size of House	$/GSM	# of units	Project Factor	=	Dwelling Cost (000)	Cumulative Project Cost (000)
_____	_____	(NSF/GSF/GSM)	( )	( )	( )	=	$_____	
_____	_____	(NSF/GSF/GSM)	( )	( )	( )	=	$_____	
		DWELLING TOTAL:	_____		$_____		$_____	

PROJECT FACTORS:
( ) ( ) = _
(ACF) (Proj Size Factor) = Project Factor

ADJUSTMENT TO DWELLING COSTS:

	Unit Cost	No. Units	Project Factor	= Adjustment (000)
Additional Fire Protection/Unit	( )	( )	( )	= $_____
Renewable Energy Source Cost/Unit	( )	( )	( )	= $_____
Other Special Construction/Unit	( )	( )	( )	= $_____

TOTAL ADJUSTMENTS: $_____ $_____

Avg. Unit Costs: = $_____

SUPPORT COSTS:

Lot Costs	$_____	
Site Improvements	$_____	
Utility Mains	$_____	
Streets	$_____	
Landscaping	$_____	
Recreation	$_____	
Environmental	$_____	
Demolition	$_____	
Special Construction Features	$_____	
Other (Specify)	$_____	
TOTAL SUPPORT COSTS:	$_____	$_____

SUMMARY:
( ) + ( ) + ( ) = $_____ $_____
(Dwelling Cost) + (Adjustment) + (Support Cost) = Subtotal

( ) + ( ) + ( ) + ( ) = $_____
(Subtotal) + (Contingency) + (SIOH) + (Design) = Project Cost

PROJECT SIZE:	NSF ( )	GSF ( )	GSM ( )	NSF Normalized Average Costs (ACF=1)	GSF	GSM
Adj. Dwelling Cost per Project Size:	$_____	$_____	$_____	$_____	$_____	$_____
Project Cost per Project Size:	$_____	$_____	$_____	$_____	$_____	$_____

The Unit Cost Per Gross Square Meter, Project Size Factors, and Area Cost Factors (ACF) will be provided in Unified Facilities Criteria (UFC) 3-701-03 each year.

Exhibit FH-1 Tri-Service Family Housing Cost Model

Exhibit FH-2 Family Housing O&M

Family Housing, _____
Operation and Maintenance Summary
(Excludes Leased Units and Costs)
FY ____

	FY(PY)		FY(CY)		FY(BY)	
	Unit Cost 2/	Total	Unit Cost 2/	Total	Unit Cost 2/	Total
A. Inventory Data						
Units in Beginning of Year						
Units at End of Year						
Average Inventory for Year						
a. Historic Units 1/						
Units Requiring O&M Funding:						
a. Conterminous U.S.						
b. U.S. Overseas						
c. Foreign						
d. Worldwide						
B. Funding Requirement						
1. Operations						
a. Management						
b. Services						
c. Furnishings						
d. Miscellaneous						
Subtotal-- Direct Obligations						
Anticipated Reimbursements						
Gross Obligations--Operations						
2. Utilities - Direct Obligations						
Anticipated Reimbursements						
Gross Obligations--Utilities						
3. Maintenance						
a. M&R, Dwellings						
b. M&R, Exterior Utilities						
c. M&R, Other Real Property						
d. Alterations & Additions						
Subtotal--Direct Obligations						
Anticipated Reimbursements						
Gross Obligations--Maintenance						
Grand Total, O&M - Direct Obligations						
Grand Total, Anticipated Reimbursements						
Grand Total, O&M - Gross Obligations						

1/ Show, as a subset of "Average Inventory for Year," the total number of units classified as historic (units that DoD must manage in accordance with the National Historic Act of 1966).

2/ Based on number of units requiring O&M funding

Exhibit FH-2 Family Housing O&M

Exhibit FH-3 Furnishings Summary

Family Housing, _____
Furnishings Summary
(Dollars in Thousands)
FY _____

	Furnishings less Household Equipment					Household Equipment				Total Furnishings					
	Movg/ Hdling	Maint/ Repair	Replace ment	Initial Issue	Total	Movg/ Hdling	Maint/ Repair	Replace ment	Initial Issue	Total	Movg/ Hdling	Maint/ Repair	Replace ment	Initial Issue	Total
(PY)															
CONUS															
US O/S															
Foreign															
Public															
Private															
Total															
(CY)															
CONUS															
US O/S															
Foreign															
Public															
Private															
Total															
(BY)															
CONUS															
US O/S															
Foreign															
Public															
Private															
Total															

Exhibit FH-3 Furnishings Summary (Page 1 of 2)

Instructions for Preparation of Family Housing Furnishings Summary Exhibit FH-3

General. Furnishings to be included in Exhibit FH-3 are defined in Enclosure 6 to DoDI 4165.63. For Unaccompanied Personnel Housing furnishings, see Exhibit OP-21, Chapter 232, this Manual.

PY Data. For the prior year, enter estimated end year obligations.

CY and BY Data. Estimates should be based on requirements determined to be in accordance with Section XI of DoDI 4165.63 and applicable experience data. Provide an explanation for differences of more than $1 million or 10%, whichever is less, between the total amount shown for furnishings in the CY and the BY.

Moving and Handling. All identifiable transportation, handling and storage costs should be included here.

Initial Issue. Certain initial issue movable equipment, such as stoves and refrigerators, is usually procured as part of a construction project with construction funds, instead of operation funds. Likewise, in some circumstances leasing funds are utilized for furnishings in leased quarters. The FH-3 should reflect all family housing resources applied to furnishings, with memo entries to indicate the amounts funded from accounts other than the Furnishings portion of Operations and Maintenance.

Exhibit FH-4 Analysis of Leased Units

Family Housing, _____
Analysis of Leased Units
FY____

Location	FY(PY) Unit Auth	FY(PY) Lease Months	FY(PY) Cost ($000)	FY(CY) Unit Auth	FY(CY) Lease Months	FY(CY) Cost ($000)	FY(BY) Unit Auth	FY(BY) Lease Months	FY(BY) Cost ($000)
Domestic Leases (list each location and month in which the annual award is exercised)									
Total Domestic Leases									
Foreign Leases (list each location and month in which the annual award is exercised)									
Total Foreign Leases									
Grand Total									

Exhibit FH-5 General and Flag Officers' Anticipated Expenditures

Department of the [1]_____
General and Flag Officers' Quarters (GFOQ)
Operations and Maintenance Expenditures Anticipated to Exceed $35,000 per Unit for Fiscal Year FYXX[2]
(Dollars in Thousands)

State/ Country[3]	Installation[4]	Quarters Address[5]	Year Built[6]	Size NSF[7]	Opns Cost[8]	Utilities Cost[9]	Maint Cost[10]	Leasing Cost[11]	Total Costs[12]
Total GFOQ Costs									
Total GFOQ # Units									

Footnotes[13]:

Instruction Notes:

1. Service name.
2. Budget year.
3. State name or foreign country.
4. Installation name.
5. Specific quarters address or unit identification.
6. Calendar year in which the dwelling unit or building (in case of multiple units) was built. Identify with an asterisk (*) next to the year built those units that are on the national, state and/or local historic registry.
7. Total net square footage of the dwelling unit.
8. Total operations (BA6) anticipated for the fiscal year.
9. Total utilities (BA5) anticipated for the fiscal year.
10. Total maintenance (BA10) expenditure anticipated for the fiscal year.
11. Total Leasing (BA7) expenditure for the fiscal year, if applicable.
12. Total Family Housing Operations and Maintenance expenditures anticipated for the GFOQ unit for the fiscal year.
13. Include any non- Family Housing O&M expenditures anticipated and a short description of these expenditures in a footnote.

Show these cost figures in thousands of dollars, carried out to no more than one decimal place.

Exhibit FH-6 Military Housing Privatization (MHPI) - Family Housing Privatization

DEPARTMENT OF _____

Exhibit FH-6 Military Housing Privatization Initiative (MHPI) - Family Housing Privatization

Fiscal Year 2019

			Approved by OSD & OMB[4]						Actual/Current Plan[8]							
					Funding Source(s)[7]							Funding Source(s)[12]				
Privatization Date[1]	MHPI Project Name[2]	Installation/ State[3]	No. Units Conveyed [5]	No. End State Units[6]	Amount ($M)[7a]	Budget Year(s)[7b]	Type of Funds[7c]	Source Project Name[7d]	No. Units Conveyed[9]	No. End State Units[10]	Total No. Units in Current Inventory[11]	Amount ($M)[12]	Budget Year(s)[12]	Type of Funds[12]	Source Project Name[12]	MHPI Authorities[13]
Grand Totals[14]			0	0	$0				0	0	0	$0				

Instructions:

1. The date the real property is transferred (land and family housing units) to the private owner/developer, and when service members become entitled to receive BAH.

2. Provide the name of the MHPI Project given to the privatization project, including the name given to integrated/grouped projects. The MHPI project name should be consistent with the MHPI project name used in the previously approved OSD/OMB Scoring report and/or subsequent notification to Congress.

3. List the MHPI project location by installation and state, including each installation/state incorporated into the integrated/grouped MHPI project.

4. This section relates the previously approved OSD/OMB project scope and funding amounts contained in the scoring package and/or subsequent Notification of Funds Transfer letters to Congress.

5. Provide the number of family housing units to be conveyed by installation and state to the Developer, including each installation and state incorporated into the integrated/grouped MHPI project, as previously approved in the OSD/OMB Scoring report.

6. Provide the end state number of family housing units by installation and state to the Developer, including each installation/state incorporated into the integrated/grouped MHPI project, as previously approved in the OSD/OMB Scoring report.

7. Provide all of the funding source information for the MHPI project as reflected in the previously approved OSD/OMB report and consistent with the project summary details accompanying the Notification of Transfer letter to Congress, such as:

a. The amount of funds to be used for the Government's cost of the project (i.e., equity contribution, credit subsidy costs, differential lease payments).

b. The fiscal year(s) of the funding sources to be used to cover the Government's cost of the MHPI project.

c. The type of funds (e.g., FH New Construction, FH Construction Improvements, FH Improvement Funds) to be used to cover the Government's cost of the MHPI project.

d. The project(s) that are used to source the Government's cost of the privatization project.

8. This section relates to the Military Departments' actual and/or current plan, which might or might not be consistent with the details contained in the previously approved OSD/OMB Scoring report and project summary to Congress for the MHPI project due to extenuating circumstances.

9. Provide the actual and/or revised planned number of family housing units conveyed to the Developer by installation and state, including each installation/state incorporated into the integrated/grouped MHPI project.

10. Provide the actual and/or revised, planned number of family housing end state units by installation and state, including each installation/state incorporated into the integrated/grouped MHPI project.

11. Provide the total number of privatized family housing units in the inventory for each MHPI project by installation/state, including each installation/state incorporated into the integrated/grouped MHPI project, regardless if they are currently occupied or not.

12. Provide all the "actual and/or current" funding sources used to fund the MHPI project, which might or might not be consistent with the details contained in the previous-approved OSD/OMB Scoring report and project summary (i.e., project amount, budget year of funds, source project, appropriation) to Congress for the MHPI project due to extenuating circumstances. If possible and/or available, provide the requested funding information by installation/state.

13. Provide the applicable MHPI authorities in 10 U.S.C. Chapter 169 Subchapter IV used and/or proposed to be used for the privatization project. Designators are as follows:

1 = 10 U.S.C. § 2873 - Government Direct Loans
2 = 10 U.S.C. § 2873 - Loan Guarantees
3 = 10 U.S.C. § 2875 - Investments, such as DoD Equity Contributions in non-governmental entities
4 = 10 U.S.C. § 2877 - Differential Lease Payments
5 = 10 U.S.C. § 2878 - Conveyance or Lease of Existing Property and Facilities

14. Totals of number of units conveyed, number of end state units, and funding amounts.

Exhibit FH-8 Inadequate Family Housing Elimination

Family Housing _____
Annual Inadequate Family Housing Elimination

Unit Description	Total Inventory	Total Inadequate Inventory	Total Inadequate Addressed
Total Units at beginning of FY 20XX	1/	2/	
FY 20XX total traditional MILCON projects to eliminate inadequate units	3/	3/	3/
project 1/installation	3/	3/	3/
project 2/installation	3/	3/	3/
FY 20XX total units privatized (no longer require FH O&M) to eliminate inadequate housing	3/	3/	3/
project 1/installation	3/	3/	3/
project 2/installation	3/	3/	3/
FY 20XX total units demolished/divested/ or otherwise permanently removed from family housing inventory	3/	3/	3/
project 1/installation			
project 2/installation			
Total Units at end of FY 20XX	1/	2/	
Note: The beginning total inventory and total inadequate inventory figures represent the total for all installations world-wide. The data listed for the individual projects/installations is a subset.			

1/ These total figures for the beginning and end of the fiscal year must cross-reference to the similar figures in Exhibit FH-2 and the FH-11 summary tables in the budget justification book.

2/ These total figures for the beginning and end of the fiscal year must cross-reference to the similar figures in Exhibit FH-11 summary table in the budget justification book.

3/ The Total Inventory data, Total Inadequate Inventory data, and Total Inadequate Addressed data should be included for each location in which the Service has a funded traditional Milcon project, will award a privatization project, or expects to demolish, divest, or otherwise permanently remove units from the family housing inventory.

Exhibit FH-9 General and Flag Officers' Expenditures

Department of the [1]_____
General and Flag Officers' Quarters (GFOQ)
Operations and Maintenance Expenditures for Fiscal Year XXXX[2]
(Dollars in Thousands*)

State/ Country[3]	Installation[4]	Quarters Address[5]	Year Built[6]	Size NSF[7]	Opns Cost[8]	Utilities Cost[9]	Maint Cost[10]	Leasing Cost[11]	Total Costs[12]
[13]									
Total GFOQ Costs									

Total GFOQ # Units
#Owned Units
Leased Units
Privatized Units[13]

Footnotes[14]:

Instruction Notes:

1. Service name.
2. Budget year.
3. Name of state or foreign country.
4. Installation name.
5. Specific quarters address or unit identification.
6. Calendar year in which the GFOQ unit was built. Identify with an asterisk (*) next to the year built those units that are on the national, state and/or local historic registry.
7. Total net square footage of the dwelling unit.
8. Total operations (BA6) anticipated for the fiscal year.
9. Total Utilities (BA5) anticipated for the fiscal year.
10. Total Maintenance (BA8) expenditure anticipated for the fiscal year.
11. Total Leasing (BA7) expenditure for the fiscal year, if applicable.
12. Total Family Housing Operations and Maintenance expenditures anticipated for the GFOQ unit for the fiscal year.
13. Annotate privatized units on the list with an asterisk after the installation location.
14. Include any non- Family Housing O&M expenditures anticipated and a short description of these expenditures in a footnote.

* Show these cost figures in thousands of dollars, carried out to no more than one decimal place.

FH-11 Inventory and Condition Government-Owned, Family Housing Units United States

DEPARTMENT OF _____
FH-11 Inventory and Condition of Government-Owned, Family Housing Units
UNITED STATES (CONUS plus Hawaii and Alaska)
(Number of Dwelling Units in Inventory)
Fiscal Year 20XX

	Number of Units - U.S.						
	PY	CY	BY	BY+1	BY+2	BY+3	BY+4
Beginning of FY Adequate Inventory Total	-	-	-	-	-	-	-
BCI - 90% to 100%							
BCI - 80% to 89%							
Beginning of FY Inadequate Inventory Total	-	-	-	-	-	-	-
BCI - 60% to 79%							
BCI - 59% and below							
Beginning of FY Total Inventory	-	-	-	-	-	-	-
Percent Adequate - Beginning of FY Inventory	%	%	%	%	%	%	%
Inadequate Inventory Reduced Through:	-	-	-	-	-	-	-
Construction (MilCon)							
Maintenance & Repair (O&M)							
Privatization							
Demolition/Divestiture/Diversion/Conversion							
Funded by Host Nation							
Adequate Inventory Changes:	-	-	-	-	-	-	-
Privatization							
Demolition/Divestiture/Diversion/Conversion							
End of FY Adequate Inventory Total	-	-	-	-	-	-	-
BCI - 90% to 100%							
BCI - 80% to 89%							
End of FY Inadequate Inventory Total	-	-	-	-	-	-	-
BCI - 60% to 79%							
BCI - 59% and below							
End of FY Total Inventory	-	-	-	-	-	-	-
Percent Adequate - End of FY Inventory	%	%	%	%	%	%	%
NOTES:							

FH-11 Inventory and Condition Government-Owned, Family Housing Units Foreign

DEPARTMENT OF _____
FH-11 Inventory and Condition of Government-Owned, Family Housing Units
FOREIGN (includes U.S. Territories)
(Number of Dwelling Units in Inventory)
Fiscal Year 20XX

	Number of Units - Foreign						
	PY	CY	BY	BY+1	BY+2	BY+3	BY+4
Beginning of FY Adequate Inventory Total	-	-	-	-	-	-	-
BCI - 90% to 100%							
BCI - 80% to 89%							
Beginning of FY Inadequate Inventory Total	-	-	-	-	-	-	-
BCI - 60% to 79%							
BCI - 59% and below							
Beginning of FY Total Inventory	-	-	-	-	-	-	-
Percent Adequate - Beginning of FY Inventory	%	%	%	%	%	%	%
Inadequate Inventory Reduced Through:	-	-	-	-	-	-	-
Construction (MilCon)							
Maintenance & Repair (O&M)							
Privatization							
Demolition/Divestiture/Diversion/Conversion							
Funded by Host Nation							
Adequate Inventory Changes:	-	-	-	-	-	-	-
Privatization							
Demolition/Divestiture/Diversion/Conversion							
End of FY Adequate Inventory Total	-	-	-	-	-	-	-
BCI - 90% to 100%							
BCI - 80% to 89%							
End of FY Inadequate Inventory Total	-	-	-	-	-	-	-
BCI - 60% to 79%							
BCI - 59% and below							
End of FY Total Inventory	-	-	-	-	-	-	-
Percent Adequate - End of FY Inventory	%	%	%	%	%	%	%
NOTES:							

FH-11 Inventory and Condition Government-Owned, Family Housing Units Worldwide

DEPARTMENT OF _____

FH-11 Inventory and Condition[1] of Government-Owned, Family Housing Units
WORLDWIDE
(Number of Dwelling Units in Inventory)
Fiscal Year 20XX

	Number of Units - Worldwide						
	PY	CY	BY	BY+1	BY+2	BY+3	BY+4
Beginning of FY Adequate Inventory Total	-	-	-	-	-	-	-
BCI - 90% to 100%	-	-	-		-	-	-
BCI - 80% to 89%	-	-	-	-	-	-	-
Beginning of FY Inadequate Inventory Total	-	-	-	-	-	-	-
BCI - 60% to 79%	-	-	-	-	-	-	-
BCI - 59% or less	-	-	-	-	-	-	-
Beginning of FY Total Inventory	-	-	-	-	-	-	-
Percent Adequate - Beginning of FY Inventory	%	%	%	%	%	%	%
Inadequate Inventory Reduced Through:	-	-	-	-	-	-	-
Construction (MilCon)	-	-	-	-	-	-	-
Maintenance & Repair (O&M)	-	-	-	-	-	-	-
Privatization	-	-	-	-	-	-	-
Demolition/Divestiture/Diversion/Conversion	-	-	-	-	-	-	-
Funded by Host Nation	-	-	-	-	-	-	-
Adequate Inventory Changes:	-	-	-	-	-	-	-
Privatization	-	-	-	-	-	-	-
Demolition/Divestiture/Diversion/Conversion	-	-	-	-	-	-	-
End of FY Adequate Inventory Total	-	-	-	-	-	-	-
BCI - 90% to 100%	-	-	-	-	-	-	-
BCI - 80% to 89%	-	-	-	-	-	-	-
End of FY Inadequate Inventory Total	-	-	-	-	-	-	-
BCI - 60% to 79%	-	-	-	-	-	-	-
BCI - 59% or less	-	-	-	-	-	-	-
End of FY Total Inventory	-	-	-	-	-	-	-
Percent Adequate - End of FY Inventory	%	%	%	%	%	%	%
DoD Performance Goal - At least 90% BCI		90%	90%	90%	90%	90%	90%

NOTES:

Include narrative describing the Service's funding and improvement strategy for maintaining at least 90% of the world-wide, government-owned Family Housing inventory at good or fair condition.

Exhibit FH-12 Privatized GFOQ Private Sector Cost Exceeding

AGENCY NAME
Privatized General and Flag Officers' Quarters
Operations, Maintenance and Repair Costs Incurred by Private Sector Developer/Partner/Owner
Exceeding $50K per Housing Unit
for Fiscal Year 2##
(Dollars in Thousands)

State/Country	Installation	Quarters ID	Year Built	Size NSF	Operations Cost	Maint & Repair Cost	Total FH O&M Cost
Total							

Notes:

1. Place an asterisk (*) by the GFOQ units, where Utility costs are included as part of Operation Costs.

2. This annual report complies with the FY09 NDAA § 2805 requirement, as amended.

Exhibit FH-12 Privatized GFOQ Private Sector Cost Exceeding $50K

Exhibit FH-14 FHIF Admin Requirements

Family Housing Improvement Funds (FHIF) Admin Requirements (FH-14)
Military Housing Privatization Initiative (MHPI) Program Support
Consolidated OSD and DFAS Requirements
FY 20XX
(Dollars in thousands)

CIS OCC[1]		FY 20XX (PY)	FY 20XX (CY)	FY 20XX (BY)	Comments
	CIVILIAN LABOR				
	Number of FTE[2] - Direct				
	Number of FTE[2] - Reimbursable				
11110	Full-Time Permanent Positions - Basic Compensation				
11310	Other Than Full-Time Permanent - Basic Compensation				
11510	Other Personnel Pay (overtime/comptime, awards, etc.)				
12110	Civilian Personnel Fringe Benefits				
	Total Labor	-	-	-	
21010	**Travel**				
25210	**Training - Non-Federal Sources**				
25310	**Training - Federal Sources**				
23010	**Rent, Communications & Utilities**				
24010	**Printing and Reproduction**				
26010	**Supplies & Material**				
31010	**Equipment Purchases (please specify if IT or non-IT)**				
	Other Contractual Services (Please list contracts and amounts):				
25110	**Advisory and Assistance Services:**				
25210	**Other Services from non-Federal Sources:**				
25310	**Other Goods and Services from Federal Sources:**				
	Total Non-Labor	-	-	-	
	Total FHIF Admin Request for OSD FE&P	-	-	-	

FH-14 FHIF Admin Requirements

Notes:
1 - CIS Object Class Codes (OCC), which can also be found in OMB Circular A-11.
2 - Provide number of Full-Time Equivalent (FTE) and type of support being provided by FTE in the comment column.

Exhibit FH-14 FHIF Admin Requirements (Continued)

Family Housing Improvement Funds (FHIF) Admin
Military Housing Privatization Initiative (MHPI) Program Support
For OSD Facilities Energy & Privatization (FE&P)
FY 20XX
(Dollars in thousands)

CIS		FY 20XX (PY)	FY 20XX (CY)	FY 20XX (BY)	Comments
OCC[1]	**CIVILIAN LABOR**				
	Number of FTE[2] - Direct				
	Number of FTE[2] - Reimbursable				
11110	Full-Time Permanent Positions - Basic Compensation				
11310	Other Than Full-Time Permanent - Basic Compensation				
11510	Other Personnel Pay (overtime/comptime, awards, etc.)				
12110	Civilian Personnel Fringe Benefits				
	Total Labor	-	-	-	
21010	**Travel**				
25210	**Training - Non-Federal Sources**				
25310	**Training - Federal Sources**				
23010	**Rent, Communications & Utilities**				
24010	**Printing and Reproduction**				
26010	**Supplies & Material**				
31010	**Equipment Purchases (please specify if IT or non-IT)**				
	Other Contractual Services (Please list contracts and amounts):				
25110	**Advisory and Assistance Services:**				
25210	**Other Services from non-Federal Sources:**				
25310	**Other Goods and Services from Federal Sources:**				
	Total Non-Labor	-	-	-	
	Total FHIF Admin Request for OSD FE&P	-	-	-	

FH-14 FHIF Admin Requirements

Notes:
1 - CIS Object Class Codes (OCC), which can also be found in OMB Circular A-11.
2 - Provide number of Full-Time Equivalent (FTE) and type of support being provided by FTE in the comment column.

Exhibit FH-14 FHIF Admin Requirements (Continued)

Family Housing Improvement Funds (FHIF) Admin
Military Housing Privatization Initiative (MHPI) Program Support
For Defense Finance and Accounting Services (DFAS) Indianapolis (IN)
FY 20XX
(Dollars in thousands)

CIS OCC[1]		FY 20XX (PY)	FY 20XX (CY)	FY 20XX (BY)	Comments
	CIVILIAN LABOR				
	Number of FTE[2] - Direct				
	Number of FTE[2] - Reimbursable				
11110	Full-Time Permanent Positions - Basic Compensation				
11310	Other Than Full-Time Permanent - Basic Compensation				
11510	Other Personnel Pay (overtime/comptime, awards, etc.)				
12110	Civilian Personnel Fringe Benefits				
	Total Labor	-	-	-	
21010	**Travel**				
25210	**Training - Non-Federal Sources**				
25310	**Training - Federal Sources**				
23010	**Rent, Communications & Utilities**				
24010	**Printing and Reproduction**				
26010	**Supplies & Material**				
31010	**Equipment Purchases (please specify if IT or non-IT)**				
	Other Contractual Services (Please list contracts and amounts):				
25110	**Advisory and Assistance Services:**				
25210	**Other Services from non-Federal Sources:**				
25310	**Other Goods and Services from Federal Sources:**				
	Total Non-Labor	-	-	-	
	Total FHIF Admin Request for DFAS-IN	-	-	-	

FH-14 FHIF Admin Requirements

Notes:
1 - CIS Object Class Codes (OCC), which can also be found in OMB Circular A-11.
2 - Provide number of Full-Time Equivalent (FTE) and type of support being provided by FTE in the comment column.

Exhibit FH-15 Re-estimate Cash Flow Status Exhibit

PBXX Reestimate CASH FLOW STATUS (FH-15)
DEPARTMENT OF THE _____
FOR FY 20XX[1]

File Name	Cash Flows	
	Correct As Is	Need Further Changes
DIRECT LOAN CASH FLOW FILES:		
LOAN GUARANTEE CASH FLOW FILES:		

Cash Flows Requiring Further Revision	
File Name	Revision/Comments

Point of Contact for Additional Information:
Name:
Telephone number:
Email address:

Note:
1 – Current Year (CY) of President's Budget

Exhibit OP-5 (Part 2) Attachment 1: Reconciliation of Increases and Decreases

Reconciliation of Increases and Decreases

($ in Thousands)

	Amount	Totals
FY 20CY President's Budget Request		
1. Congressional Adjustments		
FY 20CY Estimated / Appropriated Amount		
2. Supplemental Appropriations (if applicable)		
3. Fact-of-Life Changes		
FY 20CY Estimated / Appropriated and Supplemental Funding		
4. Anticipated Reprogramming		
Revised FY 20CY Estimate		
5. Less Supplemental Appropriations		
Normalized FY 20CY Current Estimate		
6. Price Change [1]		
7. Transfers [2]		
8. Program Increases [3]		
9. Program Decreases [3]		
FY 20BY Budget Request		

[1]Use inflation guidance as provided by OUSD (C).

[2]This category should be used only when a program function is transferred between activity groups or Military Departments.

[3]For each program increase or decrease, provide quantitative and qualitative information about these changes, and the baseline (in dollars) to which the increase or decrease applies. Increases and decreases must address specific adjustments in program such as changes in inventory, management initiatives, or statutory requirements.

Exhibit OP -5 (Part 2) Attachment 1: Reconciliation of Increases and Decreases
(page 1 of 1)

*APPENDIX C: BES / HOMEOWNERS ASSISTANCE EXHIBITS IN SUPPORT OF PARAGRAPH 4.3

Exhibit HA-1 Homeowners Assistance - Workload and Obligation Data

HOMEOWNERS' ASSISTANCE FUND, DEFENSE
WORKLOAD AND OBLIGATION DATA
FY____

	Actual FY (PY)			Estimated FY (CY)			Estimated FY (BY)		
	Units	Dollars (000)	Average ($)	Units	Dollars (000)	Average ($)	Units	Dollars (000)	Average ($)
1. Investment									
a. Equity Payments									
b. Liquidation of Second Mortgages									
c. Total Payments									
d. Mortgages Assumed									
e. Total Investment									
2. Expense - Corps of Engineers									
a. Payments - Private Sales									
b. Payments - Foreclosures									
c. Subtotal - Reimbursements to Homeowners									
d. Appraisals									
e. Administrative Expense									
f. Total Expense - CoE									
3. Expense - FHA									
a. Management & Maintenance of Homes									
b. Sales Expense									
c. Administrative Expense									
d. Total Expense - FHA									
4. Total Expense									
5. Total Program - Investment and Expense									

Exhibit HA-1 Homeowners Assistance – Workload and Obligation Data

Exhibit HA-2 Homeowners Assistance Status of Accounts

HOMEOWNERS' ASSISTANCE FUND, DEFENSE
STATUS OF ACCOUNTS

ITEM	Cash ($000)	Authority to Spend Agency Debt Receipts ($000)	Total ($000)
1. EXPENDITURE ACCOUNT - RESOURCES AND APPLICATIONS (OBLIGATION BASIS)			
a. Resources			
(1) Unobligated balance, start of year			
(2) Appropriations			
(3) New authorization to spend Agency debt receipts			
(4) Revenue			
(a) Sales (Cash)			
(b) Other Revenue			
(5) Principal payments on mortgages (retirement of debt)			
(6) Total			
b. Applications			
(1) Payments on acquisition of properties			
(2) Value of mortgages payable assumed			
(3) Expenses			
(4) Transfer to miscellaneous receipts			
(5) Total			
c. Unobligated balance, end of period (line 1a(6) minus 1b(5))			
2. PROPERTY ACCOUNT			
a. On hand, start of year			
b. Payments for equity and second mortgages on acquisition of properties			
c. Value of mortgages payable assumed			
d. Less acquisition price of properties sold or disposed of otherwise (line 5b(1) below)			
e. On hand; end of period			
3. BORROWING ACCOUNT (MORTGAGES PAYABLE)			
a. Balance payable, start of year			
b. Value of mortgages payable assumed			
c. Less payments on principal			
d. Less value of mortgages liquidated			
e. Subtotal - Principal payments (retirement of debt)			
f. Balance payable, end of period			
4. NET EQUITY IN PROPERTY (line 2e minus line 3f)			

	Total ($000)	Average ($)
5. RECAPITULATION FOR PROPERTIES SOLD		
a. Sales price		
b. Less:		
(1) Acquisition Price		
(2) FHA or ACE Administrative Expenses		
c. Net gain or (loss)		

* Excludes Corps of Engineers Expense and FHA Expense

Exhibit HA-2 Homeowners Assistance Status of Accounts

Exhibit HA-3 Homeowners Assistance Work Unit Data

HOMEOWNERS' ASSISTANCE FUND, DEFENSE
WORK UNIT DATA
FY____

	ITEM	MILITARY	CIVILIAN	TOTAL	
1.	APPLICATIONS FOR ASSISTANCE				
	a.	On hand - start of			
	b.	Received			
	c.	Less Actions Completed			
	(1)	Homes Acquired - For Outstanding Mortgage Balances			
	(2)	Homes Acquired - At 75%			
	(3)	Homes Acquired - No Mortgage			
	(4)	Reimbursements for Losses on Private Sales			
	(5)	Payments in Foreclosure Cases			
	(6)	Settlements - No Payment Due			
	(7)	Other (Not Eligible)			
	d.	On hand - end of period			
2.	ACQUIRED HOMES				
	a.	On hand - start of year			
	b.	Acquired			
	c.	Disposed of			
	d.	On hand - end of period			
3.	MORTGAGES PAYABLE				
	a.	On hand - start of year			
	b.	Assumed			
	c.	Less Liquidations			
	d.	On hand - end of period			
4.	OTHER DATA				
	a.	Second Mortgages Liquidated			
	b.	Appraisals Made			
	c.	Appeals processed			
	(Approved)				
	(Disapproved)				

Exhibit HA-3 Homeowners Assistance Work Unit Data

Exhibit HA-4 Homeowners Assistance Program and Financing

Homeowners' Assistance Fund, Defense
Program and Financing
FY _____

	FY PY Actual		FY CY Estimate		FY BY Estimate	
	Units	Obligations ($000)	Units	Obligations ($000)	Units	Obligations ($000)
Payments to homeowners 1/						
Other operating costs 2/						
Acquisition of properties 3/						
Mortgages assumed 4/						
Total program						
Available from prior year						
Estimated revenue 5/						
Available for other years						
Budget Authority						
Authorization to spend agency debt receipts						
Appropriation						

NOTES:

1/ Reimbursements to homeowners for losses; private sales or foreclosures. Work unit, "number of payments."

2/ DoD and FHA expenses. Work unit, "total number of applications processed, including rejections."

3/ Payments to homeowners for equity in properties acquired by the Government. Work unit, "number of properties."

4/ Value of mortgage balances assumed by the Government on properties acquired. Work unit "number of mortgages assumed."

5/ Recovery of Government's investment by the sale of properties. Work unit, "number of properties sold."

Exhibit HA-4 Homeowners Assistance Program and Financing

*APPENDIX D: BES / NATO SECURITY INVESTMENT PROGRAM EXHIBITS IN SUPPORT OF PARAGRAPH 4

Exhibit NSIP -1 NSIP Project Data

NATO Security Investment Program (NSIP) Project Data

Location	Installation	Project Title	Project Description	Budget Scheme	Project Cost	U.S. Cost Share	Other Nation Cost Share

Instructions:

1. This exhibit will identify the NSIP requirements, both MILCON and procurement, at the project level detail. The exhibit should be completed for both the normal NSIP requirements and NATO Expansion requirements. The listing should be sufficiently detailed to identify discrete projects and initiative; aggregation at the capability package level i.e., Defense of the Mediterranean, is NOT sufficiently detailed.

2. Submit data in hard copy and on a disk in a Microsoft Access format or in Microsoft Excel format.

3. Location: State or country where the project will be executed, i.e. Alaska, Turkey, or Italy.

4. Installation: Base where the project will be executed, i.e. Aviano AB.

5. Project Title.

6. Project Description: Explanation and description of each project.

7. Budgeted Scheme: Identify the number of NATO nations sharing in the cost of the project.

8. Project Cost: The total cost for the NSIP project. The project's cost should be displayed in thousands.

9. U.S. Cost Share: Identify the estimated U.S. share of the project cost. The U.S. share should be displayed in thousands.

10. Other NATO Cost Share: Identify the estimated share of the other NATO nations. The cost should be displayed in thousands.

11. This exhibit should be completed for the current year and budget year, i.e., current year FY 2001; budget Year FY 2002.

12. The hard copy and electronic submission should include a total that reflects the cost of normal NSIP requirements and NSIP Expansion requirements by fiscal year.

Exhibit NSIP-1 NSIP Project Data

Exhibit NSIP-2 NSIP Recoupment Estimates

North Atlantic Treaty Organization Security Investment Program Recoupment Estimates

Component	Appropriation	Fiscal Year	Location	Installation	Project Title	Slice/Serial (if known)	Recoupment Budget Estimate	Rate of Conversion

Instructions:

1. This exhibit will be executed at the project level for each NSIP major construction project that is eligible for recoupment (reimbursement by other member countries for eligible costs). No project level detail is required for minor construction, design, family housing improvement or BRAC.

2. Submit data in hard copy and on a disk in a Microsoft Excel format.

3. Component should be the specific Service Active, Guard or Reserve Force component or Defense Agency. A recognized abbreviation such as ARNG (Army National Guard) is acceptable.

4. Appropriation should be a four-digit number (treasury code).

5. Fiscal year should be a four-digit number.

6. Location is the two-digit state or country code.

7. Installation is the military base where the project is being built.

8. Slice/Serial, if known, or pre-financing notification reference number.

9. Recoupment budget estimate amount is in thousands.

10. The estimated budget recoupment should reflect the rate of conversion at the time of estimate.

11. For the hard copy, the data should be sorted by fiscal year, location and then by installation. The hard copy and should also include a total for each fiscal year.

Date
Point of Contact: Name, Organization, and Phone number

Exhibit NSIP-2 NSIP Recoupment Estimates

VOLUME 2B, CHAPTER 7: "BASE REALIGNMENT AND CLOSURE APPROPRIATIONS"

SUMMARY OF MAJOR CHANGES

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

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

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

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

The previous version dated December 2010 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
2.1 (070201)	Added information on the new BRAC account 0516. Deleted reference to implementation periods to BRAC IV & V.	Addition
3.2 (070302)	Updated section to reflect only one BRAC justification book is required.	Revision
070303 (deleted)	Deleted section – referenced BRAC 2005 only. BRAC 2005 submission requirements consolidated with other BRAC rounds under 3.2.	Deletion
070403 (deleted)	Deleted section – referenced BRAC 2005 only. BRAC 2005 submission organization consolidated with other BRAC rounds under 4.2.	Deletion
0706 (deleted)	Deleted section – referenced BRAC 2005 submission formats only. BRAC 2005 submission formats consolidated with other BRAC rounds under 5.0.	Deletion

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CHAPTER 7

BASE REALIGNMENT AND CLOSURE APPROPRIATIONS

1.0 GENERAL (0701)

1.1 Purpose (070101)

1.1.1. This chapter provides instructions applicable to budget formulation and congressional justification for Base Realignment and Closure (BRAC) appropriations.

1.1.2. The following appropriations and accounts are covered in Section 2.1:

DoD Base Closure Account (1988 Commission)

DoD Base Closure Account 1990 (1991, 1993 & 1995 Commissions)

DoD Base Closure Account 2005 (2005 Commission)

DoD Base Closure Account (Consolidated)

1.2 Submission Requirements (070102)

General guidance with regard to submission requirements is presented in Chapter 1. Chapter 7 covers specific back-up material requirements for the above accounts. Components should also submit any applicable exhibits required in Volume 2, Chapter 19 for the above appropriations/accounts, as applicable.

1.3 Preparation of Material (070103)

General guidance with regard to format and preparation of material is presented in Chapter 1. Chapter 7 provides additional specific guidance with regard to the back-up material required for the Base Realignment and Closure appropriations.

1.4 References (070104)

Chapter 3 provides guidance related to Operation and Maintenance costs and Chapter 6 provides guidance and formats related to Military Construction and Family Housing costs.

2.0 UNIFORM BUDGET AND FISCAL ACCOUNTING CLASSIFICATION (0702)

2.1 Base Closure Account, Defense Appropriations (070201)

2.1.1. Overview

Defense Authorization Amendments and Base Closure and Realignment Act, Public Law 100-526, established the Defense Base Closure Account (Part I) as a mechanism to provide the required funding to implement the approved recommendations of the Base Closure and Realignment Commissions. Public Law 101-510, Title XXIX, Defense Base Closure and Realignment Act of 1990, established Base Closure Account 1990 (Part II), the FY 2002 National Defense Authorization Act established the DoD Base Closure Account 2005 (BRAC 2005), and Section 2711 of the FY 2013 National Defense Authorization Act established the DoD Base Closure Account, which directed the transfer of remaining balances from all three previous BRAC accounts. Funding approved by Congress in these Accounts is appropriated and authorized in a lump sum amount and may be spent for construction, planning and design, civilian severance pay, civilian permanent change in station, transportation of things, and other costs related to the realignment or closure of the subject bases. The management structure of the program is described below.

2.1.2. Guidance

2.1.2.1. The Assistant Secretary of Defense (Sustainment) is responsible for issuing policy for management of the BRAC program and overseeing the DoD Components' execution of the program.

2.1.2.2. To properly account for and manage appropriated fund resources, the DoD Base Closure Accounts were established on the books of the Treasury to aid the DoD Components in the closure and realignment of certain military installations. Treasury has assigned account symbol 097-0103 to identify the DoD Base Closure Account - Part I, 097X0510 to identify DoD Base Closure Account 1990 - Part II, Part III, and Part IV, 097X0512 to identify DoD Base Closure Account 2005, and 097X0516 to identify DoD Base Closure Account (consolidated).

2.1.2.3. Funds made available to the DoD Components are subdivided and distributed to the activities responsible for base closure actions. Separate allocations are made for each of the accounts by program year. Each DoD Component distributes the base closure funds in accordance with its normal fund distribution procedures. The applicable reporting requirements include:

Military Construction
Construction
Planning and Design
Family Housing
Construction
Operations
Environmental

Operation and Maintenance
Homeowner's Assistance
Civilian Severance Pay
Civilian Permanent Change of Station (PCS) costs
Transportation of things
Facilities Maintenance
Program Management (civilian work years, TDY travel, and related support dedicated to implementation efforts)
Military Personnel (limited to PCS expenses dedicated to implementation efforts)
Other (including procurement type items)

2.1.2.4. The Under Secretary of Defense (Comptroller) makes funds available to the DoD Components based on their official financial plans. Financial plans are prepared by the DoD Components in cooperation with and at the direction of the program manager, the Assistant Secretary of Defense (Sustainment). The DoD Components' financial plans and the subsequent allocation of funds are supported by detailed, line-item military and family housing construction justification. Separate narrative explanations for other planned expenditures are also submitted to the Under Secretary of Defense (Comptroller) in sufficient detail to support the DoD Component's financial plan. Each DoD Component is allocated funds based upon its official budget justification and financial plan.

2.1.2.5. All closures and realignments must be completed no later than the end of the six-year implementation period beginning on the date on which the President transmitted to Congress the report containing the recommendations of such closures or realignments.

2.1.2.6. Section 2711 of the National Defense Authorization Act (NDAA) for FY 2013 established a new appropriation (097X0516) as DoD Base Closure Account. Funds in this account shall be available only to incur new obligations for environmental restoration, property management and disposal, and other caretaker costs at closed or realigned installations and for the purpose of recording, adjusting and liquidating obligations properly chargeable to the account under Title 31, United States Code, section 1553. With the enactment of the FY 2014 NDAA (Public Law 113-66, dated December 26, 2013), the previous DoD BRAC accounts (097X0510 and 097X0512) remain as no-year accounts, and must be accounted for similarly to an expired appropriation. Unobligated balances from the 0510 and 0512 accounts were transferred to the new BRAC account (0516) in January 2014.

2.1.3. Fiscal Accounting Classification

The account classification structure for the Base Closure Account, Defense is prescribed in Volume 12, Chapter 13. Treasury Code 097X0516 has been established as a single account on the books of the Treasury to execute actions for environmental restoration, property management and disposal, and other caretaker costs for all BRAC installations.

3.0 PROGRAM AND BUDGET REVIEW SUBMISSION (0703)

3.1 Purpose (070301)

3.1.1. This Section prescribes instructions for the preparation and submission of budget estimates for the Base Realignment and Closure appropriation.

3.1.2. Data submitted must be consistent with the budget estimate being supported.

3.1.3. Examples of budget exhibits can be found in Section 5.0.

3.2 Submission Requirements (070302)

3.2.1. General Guidance. Each Service will prepare a Base Closure justification book. The justification book will include a summary BC-02 exhibit showing cost and savings data for each prior round (BRAC Parts I, II, III, IV, V) covering the six-year implementation period for that respective closure round. The Services will also prepare a continuing environmental restoration and caretaker cost exhibit (BC-04) for funds requested in the budget year. The justification book will include BC-01, BC-02, BC-03 and BC-04 exhibits organized alphabetically by state only for those recommendations requesting budget year funding. Environmental Exhibits, BRAC ENV-30 will be submitted separately and not included in the bound justification book. These exhibits will be included in the Component's Environmental Summary justification material as mentioned in Chapter 13. For Base Closure Account-Part I, the summary BC-02 will include cost and savings data for FY 1990 through FY 1995. For Base Closure Account-Part II, the summary BC-02 will include cost and savings data for FY 1992 through FY 1997. For Base Closure Account-Part III, the summary BC-02 will include cost and savings data for FY 1994 through FY 1999. For Base Closure Account-Part IV, the summary BC-02 will include cost and savings data for FY 1996 through FY 2001. For Base Closure Account-Part V, the summary BC-02 will include cost and savings data for FY 2006 through FY 2011. Section 5.0 contains sample exhibits BC 01 through BC 04 and ENV-30 for use in preparing justification material. Included in the sample exhibits are instructions pertaining to the substance and format of the information to be displayed.

3.2.2. Base Realignment and Closure Service Overview Exhibit (BC-01). Each Service will prepare an overview exhibit (BC-01), as described in section 5.2, for the Base Closure-Account summarizing by fiscal year, the names and locations of the affected bases, and how much funding in the DoD Base Closure Account will be requested in that fiscal year. The BC-01 should separately identify the amount of funds expended for environmental restoration and caretaker functions at installation closed under prior rounds of base closure. The overview will also address mission impact and environmental considerations affecting closures and realignments.

3.2.3. Base Realignment and Closure Cost and Saving Exhibit (BC-02). Each Service will prepare a summary BC-02 Exhibit, as described in section 5.2, showing costs and savings data for each round of closure. Continuing environmental restoration and caretaker costs after the implementation period for all BRAC rounds will be separately displayed on the BC-04 exhibit as described below. BRAC saving estimates reported in Exhibit BC-02 must be based on the best

projection of what savings will actually accrue from approved realignments and closures. Prior year estimated savings must be updated to reflect actual savings when available.

3.2.4. Base Realignment and Closure Package Description Exhibit (BC-03). Each Service will prepare a short narrative exhibit (BC-03), as described in section 5.2, for each recommendation, for which funding is requested, describing the actions necessary to complete the realignment or closure at that location.

3.2.5. Continuing BRAC Environmental Restoration and Caretaker Cost Exhibit (BC-04). Each Service will prepare a summary continuing environmental and caretaker cost exhibit for all BRAC funding as well as a recommendation specific exhibit (for recommendations requiring funding in the budget year) , as described in Section 5.0.

3.2.6. Base Realignment and Closure Environmental Exhibits. Each service will prepare environmental progress and funding by priority exhibits BRAC ENV-30 as provided in section 5.2 below. These BRAC environmental exhibits include requirements by relative risk category and each phase of environmental restoration, as well as requirements for environmental compliance and planning. These exhibits will be prepared for the President's Budget and included in the Component's justification material for Environmental Restoration as provided in Chapter 13. The totals for these exhibits will match the Environmental totals submitted in the BC-01.

3.2.7. Budget Submission. Coincident with the hard copy submission of the Base Closure budget estimates, Military Departments and Defense Agencies, as applicable, will submit budgetary data via the Automated Construction Program Database as described in Volume 2, Chapter 1, paragraph 010504.

4.0 CONGRESSIONAL JUSTIFICATION/PRESENTATION FOR BRAC (0704)

4.1 Purpose (070401)

This Section presents the justification book organization and the exhibit requirements for submission to Congress for the BRAC account. Examples of budget exhibits can be found in Section 5.0, below and reflect those addressed in Section 3.0, above.

4.2 Organization of Justification Books for BRAC (Incorporating Prior Rounds of BRAC, Parts I, II, III, IV, V) (070402)

4.2.1. Justification material consolidated into a single volume entitled:

Department of Defense Base Closure Account

4.2.2. The justification book will be organized as shown below.

ORGANIZATION/EXHIBIT REQUIREMENTS FOR PRIOR ROUND BRACS

Organization

I. Table of Contents
II. Base Realignment and Closure Overview Exhibit BC-01
III. Financial Summary Continuing BRAC Environmental Restoration and Caretaker Costs Exhibit BC-04
IV. Financial Summary BRAC I Exhibit BC-02
V. Financial Summary BRAC II Exhibit BC-02
VI. Financial Summary BRAC III Exhibit BC-02
VII. Financial Summary BRAC IV Exhibit BC-02
VIII. Financial Summary BRAC V Exhibit BC-02
IX. Base Realignment and Closure Cost and Savings Data Exhibit BC-02 by Recommendation
X. Base Realignment and Closure Continuing BRAC Environmental Restoration and Caretaker Costs Exhibit BC-04 by Recommendation
XI. Base Realignment and Closure Package Description Exhibit BC-03 by Recommendation

5.0 BASE REALIGNMENT AND CLOSURE APPROPRIATION SUBMISSION FORMATS for the BRAC Account (0705)

5.1 Purpose (070501)

The formats provided on pages 7-13 through 7-22 reflect guidance presented in previous sections of this chapter. Unless modified in a submission budget call, these formats should be adhered to for the BRAC Account budget submissions.

5.2 Exhibits in Support of BRAC (070502)

BC-01 BRAC Service Overview 7-9
BC-02 BRAC Implementation Costs 7-10
BC-03 BRAC Package Description 7-12
BC-04 Continuing BRAC Environmental Restoration and Caretaker Costs 7-14
ENV 30 DERA and BRAC Funds for Environmental Cleanup 7-15

Exhibit BC-01 BRAC Service Overview

INSTRUCTIONS FOR PREPARATION OF EXHIBIT BC-01
"FY ____ BASE REALIGNMENT AND CLOSURE DATA"
19__ COMMISSION

Service Overview

Plan: Summarize by fiscal year, the names and locations of the affected bases, and how much of the DoD Base Closure Account will be expended in the fiscal year. Discuss possible problems in meeting the schedule.

Mission Impact: Describe possible mission impact in completing the realignment/closure.

Environmental Considerations: Describe potential problems in closing an installation due to the complexity in cleaning up environmental wastes and hazards.

Address any other items/issues appropriate for the overview section.

EXHIBIT BC-01 BRAC Service Overview
(Page 1 of 1)

Exhibit BC-02 BRAC Implementation Costs

BASE REALIGNMENT AND CLOSURE ACCOUNT - 19__ COMMISSION 1/
2/
(DOLLARS IN 3/)

	FY 1990	FY 1991	FY 1992	FY 1993
ONE-TIME IMPLEMENTATION COSTS:				
Military Construction				
Family Housing - Construction				
Operations				
Environmental				
Operation and Maintenance				
Military Personnel - PCS				
Other				
Homeowners Assistant Program				
TOTAL ONE-TIME COSTS				
Revenues From Land Sales(-)				
Budget Authority Request				
FUNDED OUTSIDE OF THE ACCOUNT:				
Military Construction				
Family Housing - Operations				
Operation and Maintenance				
Other				
Homeowners Assistant Program				
TOTAL OUTSIDE THE ACCOUNT				
SAVINGS:				
Military Construction				
Family Housing - Construction				
Operations				
Operation and Maintenance				
Military Personnel				
Other				
Homeowners Assistance Program				
Civilian ES				
Military ES				
TOTAL SAVINGS				
NET IMPLEMENTATION COSTS:				
Military Construction				
Family Housing - Construction				
Operations				
Environmental				
Operation and Maintenance				
Military Personnel				
Other				
Homeowners Assistance Program				
Revenues From Land Sales				
NET IMPLEMENTATION COSTS				
Less Estimated Land Revenues:				

EXHIBIT BC-02 BRAC Implementation Costs
(Page 1 of 2)

Exhibit BC-02 BRAC Implementation Costs (Continued)

BASE REALIGNMENT AND CLOSURE ACCOUNT - 19__ Commission 1/
2/
(DOLLARS IN 3/)

	FY 1994	FY 1995	Total FY 1990-1995
ONE-TIME IMPLEMENTATION COSTS:			
Military Construction			
Family Housing - Construction			
Operations			
Environmental			
Operation and Maintenance			
Military Personnel - PCS			
Homeowners Assistant Program			
Other			
TOTAL ONE-TIME COSTS			
Revenues From Land Sales(-)			
Budget Authority Request			
FUNDED OUTSIDE OF THE ACCOUNT:			
Military Construction			
Family Housing - Operations			
Operation and Maintenance			
Homeowners Assistance Program			
Other			
TOTAL OUTSIDE THE ACCOUNT			
SAVINGS:			
Military Construction			
Family Housing - Construction			
Operations			
Operation and Maintenance			
Military Personnel			
Other			
Civilian End Strength			
Military End Strength			
TOTAL SAVINGS			
NET IMPLEMENTATION COSTS:			
Military Construction			
Family Housing - Construction			
Operations			
Environmental			
Operation and Maintenance			
Military Personnel			
Other			
Homeowners Assistance Program			
Revenues From Land Sales			
NET IMPLEMENTATION COSTS			
Less Estimated Land Revenues:			

1/ 1988 Commission, 1991 Commission, 1993 Commission, etc.
2/ Identification, e.g., DoD Financial Summary, Army Summary or Pease AFB Package, etc.
3/ Dollars in thousands.

EXHIBIT BC-02 BRAC Implementation Costs
(Page 2 of 2)

Exhibit BC-03 BRAC Package Description

BASE REALIGNMENT AND CLOSURE
19__ COMMISSION
PACKAGE DESCRIPTION

Service/Location/Package: Cross-reference to standard terminology employed in the Commission's report.

Closure/Realignment Package: Brief description of the actions necessary to complete the realignment or closure at this location. A package is defined as all actions, costs and savings associated with the closing or realignment of a base or installation as recommended by the Commissions. Include how the physical plant will be affected and the missions that must be terminated or transferred to other locations. Reflect planning and design and management overhead costs in a separate package covering, overall one-time implementation cost. All military construction savings should also be addressed in this same package.

Costs:

Military Construction: New facilities that must be constructed to accommodate a realignment or closure action. List the construction projects associated with the package as follows:

Location/Project Title	Fiscal Year of Award	Amount ($ in 000)
Subtotal for Each Fiscal Year		

Family Housing Construction: Specify the number of units and location. As with military construction, list each family housing construction project.

Family Housing Operations: The one-time family housing operations costs associated with package implementation.

Operation and Maintenance: Includes PCS of civilian personnel, civilian severance costs, transportation of things, RPM and other one-time implementation costs as a result of closure or realignment. Program management costs should also be addressed, but only in the separate package covering overall one-time implementation costs.

Exhibit BC-03 BRAC Package Description (Continued)

Procurement Items: Items normally funded from procurement appropriations.

Revenues From Land Sales: Provide statistics and narrative to adequately describe the land being proposed for sale. Describe the method and date of appraisal.

Environmental: Indicate the environmental restoration actions that will occur at both the losing and gaining locations, the funding requirements and status of all such restoration actions.

Savings: Demonstrated savings that will accrue from the partial or complete closure of the base.

Military Construction: To be addressed in the single package addressing overall/program management costs.

Family Housing Construction: Self-explanatory.

Family Housing Operations: Savings (offset by increased recurring costs).

Operation and Maintenance: One-time and recurring savings (offset by increased recurring costs) in civilian personnel, base operations, and other costs as a result of closure or realignment. Be specific as to the category,

Military Personnel: One-time and recurring savings (offset by increased recurring costs) in military personnel as a result of closure or realignment. Be specific as to the category.

Other: Self-explanatory.

EXHIBIT BC-03 BRAC Package Description
(Page 2 of 2)

Exhibit BC-04 Continuing BRAC Environmental Restoration and Caretaker Costs

BASE REALIGNMENT AND CLOSURE ACCOUNT
Continuing Environmental restoration and Caretaker Cost
1/
(DOLLARS IN 2/)

	FY 20PY	FY20CY	FY20BY	FY20BY+1	FY20BY+2	FY20BY+3	FY20BY+4	Total 3/ 4/
CONTINUING ENVIRONMENTAL AND CARETAKER COSTS:								
Environmental								
Operation and Maintenance								
Homeowners Assistant Program								
TOTAL COSTS								
Revenues From Land Sales(-)								
Budget Authority Request								

1/ Identification, e.g., DoD Financial Summary, Army Summary or Pease AFB Package, etc.
2/ Dollars in thousands
3/ Reflect Prior Year (PY), Current Year (CY), Budget Year (BY) and FDYP for Program/Budget submission. Reflect PY & BY for President's Budget Submission
4/ Total = PY through BY+4

Exhibit BC-04
(Page 1 of 1)

ENV 30 DERA and BRAC Funds for Environmental Cleanup

Class	DoDComponent	FundSource	ActivityCategory	Activity	Resource Type	FY20 XX	FY20 XX	FY20 XX	FY20 XX	FY20 XX	FY20 XX	FY20 19	BalanceTo Complete

Instructions

1) The new ENV 30 exhibit replaces the former ENV 30 Part 1 DERA and BRAC Funds Budgeted for Environmental Clean-Up Program Management and Support and the former ENV 30 Part 2 DERA and BRAC Funds for Environmental Clean-Up Project Management. The new ENV 30 captures funding for DERP-eligible activities at IRP sites, MRSs, and BD/DR sites, including site-specific requirements and program management; funding for BRAC Planning and Compliance activities; funds generated from the sale of real property; obligations of prior year BRAC funds; and the number sites funded or to be funded with the total obligational authority (TOA) for the activity in the applicable fiscal year.
2) Provide by DoD Component (Active, Defense Agency/Defense Wide, and BRAC), the total costs (TOA) and total number of sites funded or to be funded with TOA by Fund Source, Activity Category and Activity for fiscal years 20XX (budget year) through 20XX (end of FYDP) and the balance to completion (i.e., beyond the FYDP).
3) Report TOA in $K (thousands) and the total number of sites in actual numbers. DO NOT report sites in thousands.
4) Only the Army will report Formerly Used Defense Sites (FUDS) data.
5) For Fund Sources "BRAC Planning" and "BRAC Compliance", provide the number of installations in lieu of the number of sites. For Fund Sources "Environmental Restoration-Management", "BRAC-Management", "BRAC-Land Sale Revenue", and "BRAC-Prior Year Funds", the reporting of the total number of sites is not required.
6) BRAC funding sources include both Legacy BRAC (BRAC Rounds I through IV) and BRAC 2005. For the POM/budget estimate and President's Budget submissions, provide separate breakouts of the funding for Legacy BRAC and BRAC 2005 in a Word document accompanying the ENV 30 exhibit (see #11 in the Instructions section for more information about the Word document).
7) Include land sale revenue and prior year BRAC funds applied to each applicable activity in the TOA. Report the total amount of land sale revenue and prior year BRAC funds applied to all activities against the "Land Sale Revenue" and "Prior Year Funds" Fund Sources; SNaP will deduct these amounts from the BRAC totals to calculate the BRAC appropriated funding.
8) Program adequate resources in each year of the FYDP to achieve program goals.
9) Provide to the DUSD(I&E) (in accordance with DUSD(I&E) data call schedules) updated DERP data for each site regarding status, schedule, and CTC, as required by DoDI 4715.07.
10) Ensure the Program/budget estimate and President's Budget submissions contain sufficient funding to annually update the inventory of defense sites that are known or suspected to contain UXO, DMM, or MC, as required by section 2710(a) of title 10 U.S.C. and as specified in DoDM 4715.20.
11) Provide a narrative in a Word document that includes the following information:

    a) A list of installations at which the Agency for Toxic Substances and Disease Registry (ATSDR) performed/will perform health assessments or health studies for fiscal years fiscal years 20XX (budget year) through 20XX (end of FYDP) and the balance to completion. Include the number of health assessments and health studies planned each year.

    b) The number of installations by state that received/will receive funding for the Defense State Memorandum of Agreement (DSMOA) program for fiscal years 20XX (budget year) through 20XX (FYDP) and the balance to completion. Include the amount of funding planned for each year.

c) An explanation of any significant fluctuations (i.e., 25% or more) in the funding for current year and budget year as compared to the funding for budget year in the previous year's Program/budget estimate and Presidents Budget submissions.
d) An explanation of any significant program increases or decreases (i.e., 25% or more) from current year to budget year.
e) An itemized list of "Other" program management requirements and funding amounts by fiscal year.
f) A list of sites where the CTC estimate is truncated at 30 years.
g) An explanation of program increases and decreases; reprogramming actions; cost recovery; and the use of prior year funds for cleanup work at BRAC installations.

12) See Appendix A on the SNaP Web site for reporting requirements for your organization.

Definitions

Class: System Field: Classification
C: CONFIDENTIAL
C/NF: CONFIDENTIAL//NOFORN
F: FOR OFFICIAL USE ONLY
S: SECRET
S/NF: SECRET//NOFORN
U: UNCLASSIFIED

FUDS: Closed List. Used by Army to identify FUDS data.
No:
Yes:

DoDComponent: Closed List. Identifies the Military Department or Defense Agency whose data are presented on the exhibit. For the Military Departments, report by Active (including Guard and Reserve) and BRAC. The Defense Agencies should select "Defense Agency/Defense Wide." The Army will report FUDS.
Active: Used by the Military Departments and includes Active Guard and Reserve Components
BRAC: Used by Military Departments to report BRAC
DADW: Defense Agency/Defense Wide. Used by non-service defense agencies.

FundSource:
BRAC-Compliance: Funded by the Base Realignment and Closure environmental sub-accounts within the MILCON appropriation. See DoDI 4715.6.
BRAC-IRP: Funded by the Base Realignment and Closure environmental sub-accounts within the MILCON appropriation. Identifies funding associated with sites that require response actions to address releases of hazardous substances and pollutants or contaminants; POLs (subject to the exception in subparagraph 2.a.(2)(b) of DoDM 4715.20); hazardous wastes or hazardous waste constituents; and explosive compounds released to soil, surface water, sediment, or groundwater as a result of ammunition or explosives production or manufacturing at ammunition plants; as well as response activities to address UXO, DMM, or MC posing an explosive, human health, or environmental hazard that are incidental to an existing IRP site.

BRAC-Land Sale Revenue: Identifies funds recovered from the sale of real property and used to offset cleanup funding requirements.
BRAC-Management: Funded by the Base Realignment and Closure environmental sub-accounts within the MILCON appropriation. Identifies administrative and overhead funding associated with the DERP that cannot be attributed to individual sites (e.g., manpower).
BRAC-MMRP: Funded by the Base Realignment and Closure environmental sub-accounts within the MILCON

appropriation. Identifies funding associated with sites (referred to as MRSs) that are known or suspected to contain UXO, DMM, or MC. This sub-element does not include funding for operational ranges, operating storage and manufacturing facilities, and munitions resulting from combat.

BRAC-Planning: Funded by the Base Realignment and Closure environmental sub-accounts within the MILCON appropriation. See DoDI 4715.9.

BRAC-Prior Year Funds: Identifies funds obligated/to be obligated from prior year BRAC appropriations.

Environmental Restoration-IRP: Funded by Environmental Restoration appropriations. Identifies funding associated with sites that require response actions to address releases of hazardous substances and pollutants or contaminants; POLs (subject to the exception in subparagraph 2.a.(2)(b) of DoDM 4715.20); hazardous wastes or hazardous waste constituents; and explosive compounds released to soil, surface water, sediment, or groundwater as a result of ammunition or explosives production or manufacturing at ammunition plants; as well as response activities to address UXO, DMM, or MC posing an explosive, human health, or environmental hazard that are incidental to an existing IRP site. Also identifies funding associated with the demolition and removal of unsafe buildings and structures and the removal of unsafe debris in accordance with the DERP general eligibility requirements in subparagraph 2.a.(2)(f) of DoDM 4715.20.

Environmental Restoration-Management: Funded by Environmental Restoration appropriations. Identifies administrative and overhead funding associated with the DERP that cannot be attributed to individual sites (e.g., manpower).

Environmental Restoration-MMRP: Funded by Environmental Restoration appropriations. Identifies funding associated with sites (referred to as MRSs) that are known or suspected to contain UXO, DMM, or MC. This sub-element does not include funding for operational ranges, operating storage and manufacturing facilities, and munitions resulting from combat.

Activity/Category: Closed List. The environmental activity category supporting the fund source.

Compliance:
Investigation:
Land Sale Revenue:
Management:
Planning:
Post RA:
Prior Year Funds:
Remedial Action (RA):

Activity: Closed List. The environmental activity associated to the activity category.

ATSDR: Captures funding requirements for ATSDR.

Building Demolition/Debris Removal: Refers to the demolition and removal of unsafe buildings and structures and the removal of unsafe debris in accordance with the DERP general eligibility requirements in subparagraph 2.a.(2)(f) of DoDM 4715.20.

Compliance: Refers to activities associated with closure-related procedures necessary to achieve compliance with applicable Executive Orders and Federal, State, inter-
state, regional, and local statutory and regulatory environmental requirements at BRAC installations.

DSMOA: Captures funding requirements for the DSMOA program.

EPA Funding: Captures requirements for payments to the U.S. Environmental Protection Agency (EPA) for support at Legacy BRAC installations per the memorandum of understanding with EPA.

Interim Remedial Actions: Refers to the interim remedial action (IRA) phase of cleanup. The IRA is a remedial action undertaken prior to the selection of the final remedy as a part of a larger remedy.

Land Sale Revenue: Identifies funds recovered from the sale of real property and used to offset cleanup funding requirements.

Long-Term Management: Refers to the long-term management (LTM) phase of cleanup. LTM involves environmental monitoring, review of site conditions, and maintenance of a remedial action to ensure continued protection as designed once a site achieves RC. LTM includes the operations and maintenance measures required to maintain the effectiveness of response actions. LTM should be used until no further environmental restoration response actions are appropriate or anticipated.

Manpower: Captures funding requirements for all recurring government (civilian and military manpower costs) and contractor costs applicable to the management of the environmental cleanup program but not directly attributable to sites.

Other: Captures all other administrative and overhead funding associated with the DERP that cannot be attributed to individual sites.

Planning: Refers to activities associated with the process of identifying and considering environmental factors that impact on, or are impacted by, planned DoD activities or operations at BRAC installations.

Potentially Responsible Parties: Refers to a site where DoD pursues a potentially responsible party when associated with the Investigation activity category. Refers to activities at a site where DoD may bear potential liability for hazards or hazardous substance releases along with other parties when associated with the RA activity category.

Preliminary Assessment/Site Inspection: Refers to the preliminary assessment (PA) and site inspection (SI) phases of cleanup. The PA is a review of existing information about a release such as information on pathways of exposure, exposure targets, and source and nature of release. The SI builds upon the PA and involves, as appropriate, on- and off-site field investigatory efforts including sampling.

Prior Year Funds: Identifies funds obligated/to be obligated from prior year BRAC appropriations.

Project Closeout: Refers to project closeout (PCO). PCO involves the shutting down/dismantling of remedial actions, seeking regulator concurrence, and closeout reports.

RABs/Community Relations: Captures funding requirements for support to restoration advisory boards and other community relations activities.

Remedial Action Construction: Refers to the remedial action construction (RA-C) phase of cleanup. The RA-C represents the period of time during which a response action is being implemented, but is not yet operating as designed. At the end of this phase of work, a remedy is in place.

Remedial Action Operations: Refers to the remedial action operation (RA-O) phase of cleanup. The RA-O represents the period of time that a selected remedy must operate before achieving remedial action objectives. At the end of this phase of work, the response is complete.

Remedial Design (including Records of Decision/Decision Documents): Refers to the remedial design (RD) phase of cleanup. The RD involves the development of the actual design of the selected remedy.

Remedial Investigation/Feasibility Study: Refers to the remedial investigation (RI) and feasibility study (FS) phases of cleanup. The RI involves collecting data to characterize site conditions, determine the nature of the waste, assess risk to human health and the environment, and conduct treatability testing to evaluate the potential performance and cost of the treatment technologies that are being considered. The FS is the mechanism for the development, screening, and detailed evaluation of alternative remedial actions.

ResourceType: Closed List. The type or resources (TOA or Number of Sites/Installations) associated to the Fund Source.

Sites: Total number of sites funded or to be funded for the activity with the TOA.

TOA: Total funding required to complete the activity.

Business Rules

1) For Fund Sources "Environmental Restoration-Management", "BRAC-Management", "BRAC-Land Sale Revenue", and "BRAC-Prior Year Funds", the reporting of the total number of sites is not required.

2) Only Army will provide "FUDS" data.

3) For DoDComponent "Active" the activity "EPA Funding" is not required when Funding Source Environmental Restoration-Management and Activity Category "Management" are selected.

Data Matrix: DoDComponent, FundSource, ResourceType Relationship

DoDComponent	FundSource	ResourceType
Active	Environmental Restoration – IRP	Sites
	Environmental Restoration – IRP	TOA
	Environmental Restoration – Management	TOA
	Environmental Restoration – MMRP	Sites
	Environmental Restoration – MMRP	TOA
BRAC	BRAC – Compliance	Sites
	BRAC – Compliance	TOA
	BRAC – IRP	Sites
	BRAC – IRP	TOA
	BRAC – Land Sale Revenue	TOA
	BRAC – Management	TOA
	BRAC – MMRP	Sites
	BRAC – MMRP	TOA
	BRAC – Planning	Sites
	BRAC – Planning	TOA
	BRAC – Prior Year Funds	TOA
DADW	BRAC – Compliance	Sites
	BRAC – Compliance	TOA
	BRAC – IRP	Sites
	BRAC – IRP	TOA
	BRAC – Land Sale Revenue	TOA
	BRAC – Management	TOA
	BRAC – MMRP	Sites
	BRAC – MMRP	TOA
	BRAC – Planning	Sites
	BRAC – Planning	TOA
	BRAC – Prior Year Funds	TOA
	Environmental Restoration – IRP	Sites
	Environmental Restoration – IRP	TOA
	Environmental Restoration – Management	TOA
	Environmental Restoration – MMRP	Sites
	Environmental Restoration – MMRP	TOA

DoDComponent	FundSource	ActivityCategory	Activity
Active	Environmental Restoration – IRP	Investigation	Potentially Responsible Parties
	Environmental Restoration – IRP	Investigation	Preliminary Assessment/Site Inspection
	Environmental Restoration – IRP	Investigation	Remedial Investigation/Feasibility Study
	Environmental Restoration – IRP	Post RA	Long-Term Management
	Environmental Restoration – IRP	Post RA	Project Closeout
	Environmental Restoration – IRP	Remedial Action (RA)	Building Demolition/Debris Removal
	Environmental Restoration – IRP	Remedial Action (RA)	Interim Remedial Actions
	Environmental Restoration – IRP	Remedial Action (RA)	Potentially Responsible Parties
	Environmental Restoration – IRP	Remedial Action (RA)	Remedial Action Construction
	Environmental Restoration – IRP	Remedial Action (RA)	Remedial Action Operations
	Environmental Restoration – IRP	Remedial Action (RA)	Remedial Design (including Records of Decision/Decision Documents)
	Environmental Restoration – Management	Management	ATSDR
	Environmental Restoration – Management	Management	DSMOA
	Environmental Restoration – Management	Management	EPA Funding
	Environmental Restoration – Management	Management	Manpower
	Environmental Restoration – Management	Management	Other
	Environmental Restoration – Management	Management	RABs/Community Relations
	Environmental Restoration – MMRP	Investigation	Potentially Responsible Parties
	Environmental Restoration – MMRP	Investigation	Preliminary Assessment/Site Inspection

DoDComponent	FundSource	ActivityCategory	Activity
Active	Environmental Restoration – MMRP	Investigation	Remedial Investigation/Feasibility Study
	Environmental Restoration – MMRP	Post RA	Long-Term Management
	Environmental Restoration – MMRP	Post RA	Project Closeout
	Environmental Restoration – MMRP	Remedial Action (RA)	Interim Remedial Actions
	Environmental Restoration – MMRP	Remedial Action (RA)	Potentially Responsible Parties
	Environmental Restoration – MMRP	Remedial Action (RA)	Remedial Action Construction
	Environmental Restoration – MMRP	Remedial Action (RA)	Remedial Action Operations
	Environmental Restoration – MMRP	Remedial Action (RA)	Remedial Design (including Records of Decision/Decision Documents)
BRAC	BRAC – Compliance	Compliance	Compliance
	BRAC – IRP	Investigation	Preliminary Assessment/Site Inspection
	BRAC – IRP	Investigation	Remedial Investigation/Feasibility Study
	BRAC – IRP	Post RA	Long-Term Management
	BRAC – IRP	Post RA	Project Closeout
	BRAC – IRP	Remedial Action (RA)	Interim Remedial Actions
	BRAC – IRP	Remedial Action (RA)	Remedial Action Construction
	BRAC – IRP	Remedial Action (RA)	Remedial Action Operations
	BRAC – IRP	Remedial Action (RA)	Remedial Design (including Records of Decision/Decision Documents)
	BRAC – Land Sale Revenue	Land Sale Revenue	Land Sale Revenue
	BRAC – Management	Management	ATSDR
	BRAC – Management	Management	DSMOA
	BRAC – Management	Management	EPA Funding
	BRAC – Management	Management	Manpower
	BRAC – Management	Management	Other
	BRAC – Management	Management	RABs/Community Relations
	BRAC – MMRP	Investigation	Preliminary Assessment/Site Inspection
	BRAC – MMRP	Investigation	Remedial Investigation/Feasibility Study
	BRAC – MMRP	Post RA	Long-Term Management
	BRAC – MMRP	Post RA	Project Closeout
	BRAC – MMRP	Remedial Action (RA)	Interim Remedial Actions

DoDComponent	FundSource	ActivityCategory	Activity
BRAC	BRAC – MMRP	Remedial Action (RA)	Remedial Action Construction
	BRAC – MMRP	Remedial Action (RA)	Remedial Action Operations
	BRAC – MMRP	Remedial Action (RA)	Remedial Design (including Records of Decision/Decision Documents)
	BRAC – Planning	Planning	Planning
	BRAC – Prior Year Funds	Prior Year Funds	Prior Year Funds
DADW	BRAC – Compliance	Compliance	Compliance
	BRAC – IRP	Investigation	Preliminary Assessment/Site Inspection
	BRAC – IRP	Investigation	Remedial Investigation/Feasibility Study
	BRAC – IRP	Post RA	Long-Term Management
	BRAC – IRP	Post RA	Project Closeout
	BRAC – IRP	Remedial Action (RA)	Interim Remedial Actions
	BRAC – IRP	Remedial Action (RA)	Remedial Action Construction
	BRAC – IRP	Remedial Action (RA)	Remedial Action Operations
	BRAC – IRP	Remedial Action (RA)	Remedial Design (including Records of Decision/Decision Documents)
	BRAC – Land Sale Revenue	Land Sale Revenue	Land Sale Revenue
	BRAC – Management	Management	ATSDR
	BRAC – Management	Management	DSMOA
	BRAC – Management	Management	EPA Funding
	BRAC – Management	Management	Manpower
	BRAC – Management	Management	Other
	BRAC – Management	Management	RABs/Community Relations
	BRAC – MMRP	Investigation	Preliminary Assessment/Site Inspection
	BRAC – MMRP	Investigation	Remedial Investigation/Feasibility Study
	BRAC – MMRP	Post RA	Long-Term Management
	BRAC – MMRP	Post RA	Project Closeout
	BRAC – MMRP	Remedial Action (RA)	Interim Remedial Actions
	BRAC – MMRP	Remedial Action (RA)	Remedial Action Construction
	BRAC – MMRP	Remedial Action (RA)	Remedial Action Operations

DoDComponent	FundSource	ActivityCategory	Activity
DADW	BRAC – MMRP	Remedial Action (RA)	Remedial Design (including Records of Decision/Decision Documents)
	BRAC – Planning	Planning	Planning
	BRAC – Prior Year Funds	Prior Year Funds	Prior Year Funds
	Environmental Restoration – IRP	Investigation	Potentially Responsible Parties
	Environmental Restoration – IRP	Investigation	Preliminary Assessment/Site Inspection
	Environmental Restoration – IRP	Investigation	Remedial Investigation/Feasibility Study
	Environmental Restoration – IRP	Post RA	Long-Term Management
	Environmental Restoration – IRP	Post RA	Project Closeout
	Environmental Restoration – IRP	Remedial Action (RA)	Building Demolition/Debris Removal
	Environmental Restoration – IRP	Remedial Action (RA)	Interim Remedial Actions
	Environmental Restoration – IRP	Remedial Action (RA)	Potentially Responsible Parties
	Environmental Restoration – IRP	Remedial Action (RA)	Remedial Action Construction
	Environmental Restoration – IRP	Remedial Action (RA)	Remedial Action Operations
	Environmental Restoration – IRP	Remedial Action (RA)	Remedial Design (including Records of Decision/Decision Documents)
	Environmental Restoration – Management	Management	ATSDR
	Environmental Restoration – Management	Management	DSMOA
	Environmental Restoration – Management	Management	EPA Funding
	Environmental Restoration – Management	Management	Manpower
	Environmental Restoration – Management	Management	Other

DoDComponent	FundSource	ActivityCategory	Activity
DADW	Environmental Restoration – Management	Management	RABs/Community Relations
	Environmental Restoration – MMRP	Investigation	Potentially Responsible Parties
	Environmental Restoration – MMRP	Investigation	Preliminary Assessment/Site Inspection
	Environmental Restoration – MMRP	Investigation	Remedial Investigation/Feasibility Study
	Environmental Restoration – MMRP	Post RA	Long-Term Management
	Environmental Restoration – MMRP	Post RA	Project Closeout
	Environmental Restoration – MMRP	Remedial Action (RA)	Interim Remedial Actions
	Environmental Restoration – MMRP	Remedial Action (RA)	Potentially Responsible Parties
	Environmental Restoration – MMRP	Remedial Action (RA)	Remedial Action Construction
	Environmental Restoration – MMRP	Remedial Action (RA)	Remedial Action Operations
	Environmental Restoration – MMRP	Remedial Action (RA)	Remedial Design (including Records of Decision/Decision Documents)

Subject Matter Experts: For questions regarding this exhibit, please submit a SIRS Functional issue in SNaP, or contact the Subject Matter Expert. A list of SMEs is available in SNaP by clicking the SME link on the Instructions/Data Requirements page.

Technical Issues: To report technical issues with the SNaP web site, please submit a SIRS Technical issue in SNaP, or contact the Technical Staff. A list of the SNaP Technical personnel is available on the SNaP Home page.

VOLUME 2B, CHAPTER 8 "FACILITIES SUSTAINMENT AND RESTORATION/MODERNIZATION"

SUMMARY OF MAJOR CHANGES

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

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

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

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

The previous version dated June 2013 is archived.

PARA	EXPLANATION OF CHANGE/REVISION	PURPOSE
Overall	Deleted the requirement to submit Exhibit PBA 7, Facilities Sustainment and Restoration/Modernization and Demolition Programs.	Deletion

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CHAPTER 8

FACILITIES SUSTAINMENT AND RESTORATION/MODERNIZATION

1.0 GENERAL (0801)

1.1 Purpose (080101)

1.1.1. This chapter provides instructions applicable to budget formulation and congressional justification for Facilities Sustainment and Restoration/Modernization (FSRM).

1.1.2. The following appropriations and accounts are covered:

Section 2.0
- Operation and Maintenance Appropriations
- Research, Development, Test, and Evaluation Appropriations
- Defense Working Capital Funds
- Military Construction
- Other Funds

Section 4.0
- Transfer or Disposal of DoD Real Property
- Lease of DoD Real Property

Section 5.0
- DoD Overseas Military Facility Investment Recovery Account

1.2 Submission Requirements (080102)

Volume 2, Chapter 1 provides general guidance on the formulation and submission of the budget requests to the Office of the Secretary of Defense for the program and budget review submission and the presentation and justification of the budget requests to Congress. Chapter 8 provides specific additional back-up material requirements for the above Facilities Sustainment and Restoration/Modernization accounts.

1.3 Preparation of Material (080103)

General guidance with regard to format and preparation of material is presented in Chapter 1. Chapter 8 provides additional specific guidance with regard to the back-up material required for Facilities Sustainment, Restoration and Modernization.

1.4 References (080104)

Chapter 3 provides guidance related to Operation and Maintenance costs and O&M exhibits. Chapter 5 provides guidance related to Research, Development, Test, and Evaluation appropriations, Chapter 6 provides guidance related to Military Construction, and Chapter 9 provides guidance related to the Defense Working Capital Fund.

1.5 Definition of Sustainment and Restoration/Modernization (080105)

1.5.1. Sustainment means the maintenance and repair activities necessary to keep an inventory of facilities in good working order. It includes regularly scheduled adjustments and inspections, preventive maintenance tasks, and emergency response and service calls for minor repairs. It also includes major repairs or replacement of facility components (usually accomplished by contract) that are expected to occur periodically throughout the life cycle of facilities. This work includes regular roof replacement, refinishing of wall surfaces, repairing and replacement of heating and cooling systems, replacing tile and carpeting, and similar types of work. It does not include environmental compliance costs, facility leases, or other tasks associated with facilities operations (such as custodial services, grounds services, waste disposal, and the provision of central utilities).

The DoD facilities sustainment model (FSM) is used as the standardized model for forecasting facilities sustainment resource requirements. The FSM uses the following formula to develop the sustainment requirement:

1.5.1.1. ***Annual sustainment requirement*** = **facility quantity** x **sustainment unit cost** x **location factor** x **inflation.**

1.5.1.2. **Facility quantity** – the facility size expressed in the Facility Analysis Category (FAC) unit of measure (such as square feet).

1.5.1.3. **Sustainment unit cost** – the average annual unit cost (in current year dollars) for sustaining the average size facility in the given FAC.

1.5.1.4. **Location factor** – a location adjustment based upon the local costs for labor, equipment, materials, and currency exchange rates (overseas) compared with an overall base-city average.

1.5.1.5. **Inflation** – factor to adjust current year prices to the target future year.

The Department uses a sustainment metric which is the comparison of sustainment funding to the requirement for a given year, expressed as a rate.

1.5.1.6. ***Sustainment rate (%)*** = sustainment funding/FSM requirement:

1.5.2. Restoration means the restoration of real property to such a condition that it may be used for its designated purpose. Restoration includes repair or replacement work to restore facilities damaged by inadequate sustainment, excessive age, natural disaster, fire, accident, or other causes.

1.5.3. Modernization means the alteration or replacement of facilities solely to implement new or higher standards, to accommodate new functions, or to replace building components that typically last more than 50 years (such as the framework or foundation)

1.5.4. Recapitalization means the major renovation or reconstruction activities (including facility replacements) needed to keep existing facilities modern and relevant in an environment of changing standards and missions. Recapitalization extends the service life of facilities or restores lost service life. It includes restoration and modernization of existing facilities, as well as replacement of existing facilities with new.

Plant replacement value (PRV) is used as a common measure of facility and inventory size, as well as the basis for generating facility condition index (FCI) values and estimating recapitalization requirements. The DoD standardized formula for calculating PRV is:

1.5.4.1. ***Plant Replacement Value*** = **facility quantity** x **replacement unit cost** x **location factor** x **planning & design (P&D) factor** x **historical factor** x **contingency factor** x **SIOH** x **inflation**

1.5.4.2. **Facility quantity** – the facility size expressed in the FAC unit of measure (such as square feet)

1.5.4.3. **Replacement unit cost** – the average annual unit cost (in current year dollars) for constructing the average size facility to current standards in the given FAC

1.5.4.4. **Location factor** – a location adjustment based upon the local costs for labor, equipment, materials, and currency exchange rates (overseas) compared with an overall base-city average

1.5.4.5. **P&D factor** – an adjustment to account for typical project planning and design costs

1.5.4.6. **Historical factor** – an adjustment for historical architecture and materials (when applicable)

1.5.4.7. **Contingency factor** – an adjustment for typical contingency costs during construction

1.5.4.8. **Supervision, Inspection, and Overhead (SIOH)** – an adjustment for supervision, inspection, and overhead costs associated with construction management

1.5.4.9. **Inflation** – factor to adjust current year prices to the target future year

1.6 Facilities Data Quality Assurance (FDQA) (080106)

1.6.1. The Facilities Data Quality Assurance website was implemented to improve the quality of facilities data used by the Department in its PPBE process, and it displays the data sources of record for all facilities data reporting. This application integrates and displays facilities data submitted by the Components to OSD via Program Resources Collection Process (PRCP), the Standard Data Collection System (SDCS), and Select and Native Programming (SNaP) systems. The data within the FDQAW subsequently produce facilities sustainment metric displays which are displayed in the performance criteria of the OP-5, Detail by Subactivity Group.

1.6.2. Components must ensure O&M exhibits are consistent with the PRCP and SDCS data submissions. Verification of the accuracy of the data contained within the FDQA application must be completed PRIOR to the final lock of these databases for preparation of the Program/Budget Review and President's Budget materials.

1.6.3. Standard operating procedures for the FDQA can be found at https://dpd.pae.osd.smil.mil.

1.7. Data Displays (080107)

Facility Sustainment, Restoration and Modernization exhibits must be consistent. The following list should be used as a reference for validating data:

- OP-5 Detail by Subactivity Group (Facility Sustainment, Restoration and Modernization)
- OP-32 Automated submission
- O-1 O&M funding by Budget Activity/Activity Group/Subactivity Group
- Facilities Data Quality Assurance application

To the extent a Component submits different estimates in any of the preceding displays; the automated OP-32 will serve as the prevailing display for O&M resources. For Defense Agencies, the object sub-class 923 will serve as the prevailing estimate.

2.0 PROGRAM AND BUDGET REVIEW SUBMISSION (0802)

2.1 Purpose (080201)

2.1.1. This Section prescribes instructions for the preparation and submission of budget estimates for Facilities Sustainment, Restoration and Modernization requirements.

2.1.2. Guidance covers all Facilities Sustainment and Restoration/Modernization (FSRM) costs. Facilities Sustainment and Restoration/Modernization include all recurring maintenance and repair projects costs, real property renovation project costs, and planning and design costs associated with projects; providing funding support to maintain, repair, and modernize buildings, structures, roadways, aprons, railway trackage, utility plants, distribution systems, and other real property.

2.1.3. Program funding submitted in Component justification materials must correspond to funding levels identified in the Facilities Sustainment and Restoration/Modernization Program Elements.

2.1.4. When budgeting for facilities sustainment and restoration/modernization, Components will consider the anticipated levels of military personnel monies that fund part of the labor for facilities sustainment and restoration/modernization. As appropriate, components will adjust the levels of either operations and maintenance or military construction funding for either facilities sustainment or facilities restoration/modernization to recognize the contribution of military personnel funds that help maintain the Department's facilities. When determining the military personnel contribution Components must use the method documented on page 12 of the Facilities Recapitalization Metric Front-End Assessment Report, dated August 2002. Additionally components must, for considering the effect of military personnel funds on operation and maintenance and military construction accounts, use the same personnel allocation information and cost rates they provide for the FYDP.

2.1.5. When budgeting for facilities sustainment, Components will consider the anticipated levels of Host Nation Support monies and Non-Federal Domestic Facilities Contributions that will be available to reduce the need for appropriated facilities sustainment funding. Components must identify in the FYDP the anticipated levels of both Host Nation Support monies and Non-Federal Domestic Facilities Contributions that are expected to fund facilities sustainment. Specifically, these funds must be booked in the appropriate FYDP facilities sustainment program elements using Resource Identification Code 0800.

2.1.6. When budgeting for facilities sustainment and restoration/modernization, Components will consider the anticipated levels of Defense Working Capital Fund (DWCF) monies that fund facilities sustainment and restoration and modernization. Components must identify DWCF facilities sustainment and facilities restoration/modernization funds in the appropriate FYDP facilities sustainment and facilities restoration/modernization program elements. Additionally, as appropriate, Components will adjust the levels of appropriated funding for either facilities sustainment or facilities restoration/modernization to recognize the contributions of DWCF monies that help maintain the Department's facilities.

2.1.7. When budgeting for facilities sustainment and restoration/modernization, Components will consider the anticipated levels of RDT&E monies that fund facilities sustainment and restoration/modernization. Components must identify RDT&E facilities sustainment and facilities restoration/modernization funds in the appropriate FYDP facilities sustainment and facilities restoration/modernization program elements. Additionally, as appropriate, components will adjust the levels of either operations and maintenance or military construction funding for either facilities sustainment or facilities restoration/modernization to recognize the contribution of RDT&E funds that help maintain the Department's facilities.

2.2 Submission Requirements (080202)

2.2.1. General Guidance: All Components (i.e., active forces, defense agencies, National Guard and reserve forces) shall submit the OP-5 Attachment 4: Facilities Sustainment, Restoration and Modernization (FSRM), and Demolition justification data to support budget estimates for Facilities Sustainment, Restoration and Modernization, in a separate bound attachment (see Chapter 3, Section 030201). Two copies of this attachment will be delivered to: Military Personnel & Construction Directorate, Program/Budget, OUSD(Comptroller) Room 3C654, Pentagon, on the same date as all other submissions required for O&M Appropriations. The OP-5 subtotal levels for a) sustainment, b) restoration and modernization, and c) demolition must correspond to funding levels identified in the Facilities Data Quality Assurance website.

NOTE: As demolition can be identified separately by program element, it should be broken out as such whenever the other two elements are separated, and it should be noted that it's included when it's part of the total.

2.2.2. Military and civilian personnel costs will include only those personnel assigned in support of FSRM accounts. It will include those personnel performing planning and design functions for both projects and installation FSRM surveys and FSRM master planning, but will exclude those involved in other base operating services or support services.

2.2.3. The format for the OP-5 exhibit is in Volume 2A, Chapter 3, section 0304 of this regulation.

2.3 Preparation of Material (080203)

All material will be provided on 8-1/2 inch by 11 inch size paper, and bound on the long side. All narrative data will be typed across the short dimension of the paper, while exhibits will be typed across the long dimension.

3.0 CONGRESSIONAL JUSTIFICATION/PRESENTATION (0803)

3.1 General (080301)

Components are required to conform to the PBD approved funding levels when submitting final budget exhibits to Congress.

3.2 Organization of Justification Books (080302)

See chapters covering specific appropriation (Operation and Maintenance - Chapter 3, RDT&E Chapter 5).

4.0 REVENUE FROM TRANSFER OR DISPOSAL OF DoD REAL PROPERTY AND REVENUE FROM LEASING OUT OF DOD ASSETS (0804)

4.1 General (080401)

Section 572 of 40 U.S.C. and Section 2667 of 10 U.S.C. provide for the receipt of proceeds from the disposal or lease of DoD real property and prescribe the use of these funds.

4.2 Revenue From Transfer or Disposal of DoD Real Property (40 U.S.C. 572) (080402)

When revenue from the transfer or disposal of DoD Real property is received, there is a statutory requirement to identify each transfer and disposal made during the fiscal year, including a detailed explanation of each such transfer and disposal and of the use of the proceeds received. An estimate for the current and budget year transfers or disposals should also be included.

4.3 Revenue From Leasing Out of DoD Assets (10 U.S.C. 2667) (080403)

The identification of each lease entered into during the fiscal year, including a detailed explanation of each lease and amendments, and of the use of the lease proceeds that were expended is no longer required by 10 U.S.C. 2667. However, the Military Departments will still provide the total actual receipts for the prior year, and an estimate of total receipts for the current year and budget year.

4.4 Deposit and Accounting Procedures (080404)

Cash receipts obtained from the transfer or disposal of real property will be deposited into the Disposal of DoD Real Property Account, 97X5188. Cash receipts obtained from leasing out of DoD assets will be deposited into the Lease of DoD Real Property, 97X5189. Accounting instructions are included in Volume 12, Chapter 14.

4.5 Funds Release Procedures (080405)

Funds deposited into the Disposal of DoD Real Property Account, 97X5188, are available only for purposes of maintenance and repair and environmental restoration at U.S. facilities as specified in 40 U.S.C. 572. Funds deposited into the Lease of DoD Real Property Account, 97X5189, are available for: A) maintenance, protection, alteration, repair, improvement or restoration (including environmental restoration) of facilities; B) construction or acquisition of new facilities; C) lease of facilities; and/or D) facilities operation Support. The Components may request release of funding, based on verifiable deposits, by memorandum to the USD Comptroller, Director for Military Personnel & Construction.

4.6 Budget Exhibits for Congressional Submission (080406)

The Military Departments will be complete a PB-34A Exhibit (Revenue from Leasing of DoD Real Property) and a PB-34B Exhibit (Proceeds from Disposal of DoD Real Property). Both the PB-34A and PB-34B will be included in the O&M Justification Book (Volume II) as described in Chapter 3 of Volume 2A of this regulation.

5.0 DOD OVERSEAS MILITARY FACILITY INVESTMENT RECOVERY ACCOUNT (0805)

5.1 General (080501)

Section 2921 of P.L. 101-510, FY 1991 National Defense Authorizations Act, established the Department of Defense Overseas Military Facilities Investment Recovery account. The purpose of the account is to collect payments from host nations for the value of new construction and improvements made by the United States at overseas military installations being returned.

5.2 Deposit and Accounting Procedures (080502)

Cash receipts obtained from return of overseas real property and improvements to host nations will be deposited into the DoD Overseas Military Facility Investment Recovery Account, 97X5193. For accounting instructions see Volume 12, Chapter 13.

5.3 Funds Release Procedures (080503)

Funds deposited into the DoD Overseas Military Facility Investment Recovery Account are available only for purposes of maintenance and repair and environmental restoration at U.S. facilities and maintenance and repair and environmental compliance at military facilities outside the U.S. that are anticipated to be occupied by U.S. Forces for an extended period of time. The Components may request release of funding, based on verifiable deposits, by memorandum to the USD (Comptroller), Director for Military Personnel & Construction.

5.4 Budget Estimate Submission Exhibit (080504)

Components returning overseas military facilities to host nations that have resulted in collections to this account must complete an OP-29 exhibit. This exhibit provides information on the cost and improvements, depreciation, residual value, and amount collected from the host nation that is necessary in accomplishing an annual report to the Congress. It also documents proposed sustainment, restoration and modernization or environmental restoration/compliance projects at military installations to be financed from the proceeds deposited into this account.

5.5 Budget Execution Oversight (080505)

In accordance with paragraph 080401 of Volume 3, Chapter 8, the Military Departments and designated fund holders are required to periodically review DoD Overseas Military Facility Investment Recovery Account (DOMFIRA) commitments and obligations, whether current or

dormant. Appropriate action should be taken to resolve any DOMFIRA unliquidated commitments and obligations, and minimize DOMFIRA unobligated balances resulting from prior year carryover funds.

6.0 FACILITIES SUSTAINMENT and RESTORATION/MODERNIZATION FORMATS (0806)

6.1 Purpose (080601)

The special formats provided on the following pages reflect guidance presented in previous sections of this chapter. Unless modified in a submission budget call, these formats should be adhered to.

6.2 Exhibits in Support of Section 0802 - Program and Budget Review Submission (080602)

The format for the FSRM OP-5 exhibit is in Volume 2A, Chapter 3, Section 0304.

6.3 Exhibit in Support of Section 0804 - Revenue From Transfer or Disposal of DoD Real Property and Revenue from Leasing out DoD Assets: Congressional Justification/Presentation (080603)

PB-34A Revenue from Leasing Out of Department of Defense Assets
PB-34B Proceeds from Disposal of Department of Defense Real Property

6.4 Exhibit in Support of Section 0805 - DoD Overseas Military Facility Investment Recovery Account: Program and Budget Review Submission (080604)

OP-29 Overseas Military Facility Investment Recovery Account

Exhibit PB-34A Revenue from Leasing Out of Department of Defense Assets

DEPARTMENT OF _____
Exhibit PB-34A: REVENUE FROM LEASING OUT OF DEPARTMENT OF DEFENSE REAL PROPERTY
FY XXXX PRESIDENT'S BUDGET

($ in Thousands)

	FY PY \1	FY CY \2	FY BY \2
Total Revenue from Lease of DoD Real Property	$XX,XXX	$XX,XXX	$XX,XXX

\1 Actual revenue received under 10 USC 2667, Leases: non-excess property
\2 Estimated revenue under 10 USC 2667, Leases: non-excess property.

Exhibit PB-34B Proceeds from Disposal of Department of Defense Real Property

DEPARTMENT OF _____
Exhibit PB-34B: PROCEEDS FROM DISPOSAL OF DEPARTMENT OF DEFENSE REAL PROPERTY
FY XXXX PRESIDENT'S BUDGET

	(Proceeds in $ Thousands)		
	FY PY \1	**FY CY \2**	**FY BY \2**
1. Disposal Action	$XX,XXX	XX,XXX	$XX,XXX
(a) Explanation of Disposal Action			
(b) Actual or Planned Use of Proceeds Generated from Disposal			
2. Disposal Action	$XX,XXX	XX,XXX	$XX,XXX
(a) Explanation of Disposal Action			
(b) Actual or Planned Use of Proceeds Generated from Disposal			
Total Department of_____	$XX,XXX	$XX,XXX	$XX,XXX

Instructions: Each disposal action should be listed above with the actual or estimated proceeds in each fiscal year in thousands of dollars. For **Explanation of Disposal Action**, include the name of the location, state, and a brief description/purpose of the disposal. For **Actual or Planned Use of Proceeds Generated from Disposal**, a description of anticipated uses of proceeds as authorized in 40 USC Sec. 485 is required.

1. Actual proceeds received under 40 USC Sec. 572
2. Estimated proceeds under 40 USC Sec. 572.

Exhibit OP-29 Overseas Military Facility Investment Recovery Account

DEPARTMENT OF _____
Exhibit OP-29: OVERSEAS MILITARY FACILITY INVESTMENT RECOVERY ACCOUNT

(Dollars in Thousands)

PART A: REAL PROPERTY ASSETS DISPOSED	**FY PY-1**	**FY PY**
Host nation providing consideration/payment		
1. Description of facility, location, and amount received:	$XX,XXX	
(a) Total amount of the investment (cost plus improvements) in the facility:	$XX,XXX	
(b) Depreciated value of facility (facility cost (a) adjusted for inflation and depreciation):	$XX,XXX	
(c) Explanation of any difference between amount received from host nation and the depreciated value:		
Total payments by host nation:	$XX,XXX	$XX,XXX
Total payments by all host nations:	$XX,XXX	$XX,XXX

PART B: PROPOSED FACILITIES SUSTAINMENT, RESTORATION AND MODERNIZATION (SRM) OR ENVIRONMENTAL RESTORATION/COMPLIANCE PROJECTS AT MILITARY INSTALLATIONS PROPOSED TO BE FUNDED FROM PROCEEDS:

VOLUME 2B, CHAPTER 9: "DEFENSE WORKING CAPITAL FUND BUDGET JUSTIFICATION ANALYSIS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated December 2014 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Changed the term "Budgetary Depreciation" to "Capital Investment Recovery"	Revision
All	Updated hyperlinks and formatting to comply with current administrative instructions	Revision
1.1	Identified other Revolving Funds separate from the DWCF.	Revision
1.2	Added Authoritative Guidance Section in compliance with administrative guidance.	Addition
Policy Memo	Incorporated DWCF cash policy and cancelled "Cash Management Policy for the Defense Working Capital Fund Activities (FPM21-03)" published June 25, 2021.	Cancellation
1.5	Clarified CIP using reimbursable authority. Clarified Fund-9c requirements. Updated Minor Construction Thresholds. Added new DBMSC certification requirement for CIP carryover.	Revision
1.6	Updated that budgeted rates are aggregate composite rates. Incorporated cash policy revision. Clarified CIP for software in dual funded organizations. Clarified unusual and infrequently occurring losses not affecting budgetary resources.	Revision
1.9.7	Updated that Direct Reimbursable Work is work performed outside the rate structure.	Revision
2.4.8	Updated the CIS database input requirements.	Revision
2.6.2	Updated the definitions of the terms "Replenishment Cost," "Provisioning Item" and "Variability Target."	Revision
2.7.1	Added the terms and definitions for "Mission Cost" and "Non-mission Cost."	Addition
Exhibit SM-16a	Added the SM-16a exhibit.	Addition
Exhibit Fund-1	Updated the term "CIS obligations".	Revision

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Exhibit Fund 1a	Updated definition that "All entries are obligations" to "All entries are expenses."	Revision
Exhibit Fund-11a	Updated the display for each approved carryover waiver separately. Updated the Carryover Calculation methodology.	Revision
Exhibit Fund-12	Added the Fund-12 exhibit.	Addition
Exhibit Fund-13b	Added the Fund-13b exhibit.	Addition
Exhibit Fund-14	Clarified that NOR may be retained to ensure availability of budgetary resources.	Revision
Exhibit PB-32	Added the PB-32 exhibit.	Addition

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CHAPTER 9

DEFENSE WORKING CAPITAL FUND BUDGET JUSTIFICATION ANALYSIS

1.0 GENERAL

*1.1 Purpose

This chapter describes and documents the policies and procedures for budget formulation and justification of the Department of Defense (DoD) Working Capital Funds (WCFs), the Defense Working Capital Fund (DWCF), Building Maintenance Fund (BMF), and the Defense Counterintelligence and Security Agency (DCSA) WCF. In addition, this chapter provides guidance for the National Defense Stockpile Fund and Pentagon Reservation Maintenance Revolving Fund (PRMRF), where applicable. The DWCF is also referred to as the "Fund" in this chapter.

*1.2 Authoritative Guidance

The National Security Act of 1947, as amended Title 10 United States Code, section 2208 (***10 U.S.C. § 2208***), and other provisions of ***10 U.S.C. § 131*** provide the Department's revolving fund authority. The BMF, and DCSA WCF were also established under 10 U.S.C. § 2208 as separate and distinct revolving funds and therefore are not part of the DWCF. The PRMRF was established by the 1991 National Defense Authorization Act (NDAA) and codified in ***10 U.S.C. § 2674***.

1.3 Background

1.3.1. The DWCF was established to satisfy recurring DoD requirements using a buyer-and-seller approach. The customers of the DWCF are the generators of requirements. Federal customers which operate using appropriated funds justify their budget requests to the Congress. The requiring activities (i.e. customers) place orders with DoD WCF organizations that have expertise in the service or product required, and operate under business management principles. Unlike profit-oriented commercial businesses, the WCF goal is to break even over the long term. The WCF establishes selling prices in the budget that are normally stabilized or fixed during execution to mitigate the impact of unforeseen fluctuations that would impact on customers' ability to execute the programs approved by the Congress. Exceptions to stabilized prices are listed in section 1.8 of this document.

1.3.2. The intent of the WCF is to operate as a self-supporting entity to fund business-like activities. The basic principle of the WCF structure is to create a customer-provider relationship between military operating units and other federal and non-federal customers and support organizations. This relationship is designed to make managers of support organizations funded through WCF and decision-makers at all levels more cost conscious.

1.3.3. Prior to the establishment of an activity as a WCF, the Secretary or Assistant Secretary of the Military Department or the Director for a Defense Agency, as applicable, must

prepare, sign, and submit a charter that sets forth the scope of the activity to the Under Secretary of Defense (Comptroller) (USD(C)) for approval. Four criteria are used in evaluating potential activities for inclusion into the Fund. The four criteria are: 1) identification of outputs that relate to products or services provided by the business to customers; 2) establishment of a cost accounting system to collect costs of producing outputs; 3) identification of customers so that resources can be aligned with the requirements; and 4) evaluation of buyer-seller advantages and disadvantages to include assessment of the customers' ability to influence cost by changing demand.

1.3.4. The DWCF evolved from two distinct types of activities. The first type, the Stock Funds that procured materiel from commercial sources and held an inventory, are now known as Supply activities. These activities sell the materiel to authorized customers who need the materiel to achieve weapon systems readiness or provide required personnel support items. The second type, known then and now as Industrial Funds, provide industrial and commercial goods and services such as depot maintenance, transportation, and research and development. Although both types of revolving funds are financed primarily by reimbursements from customers' appropriated accounts, Supply activities use contract authority (CA) and Industrial Funds use reimbursable authority.

1.3.5. The DoD expanded the use of business-like financial management practices through the establishment of the Defense Business Operations Fund (DBOF) on October 1, 1991. Building on Stock and Industrial Fund principles, cost and performance are linked and the Fund's managers are expected to operate within cost goals established in operating and capital budgets.

1.3.6. The DBOF combined existing operations that were previously managed as individual funds into a single Treasury account. On December 11, 1996, the USD(C) reorganized the DBOF, retaining the numerous benefits and improvements resulting from the implementation of DBOF while clearly establishing each DoD Component's responsibility for managing the functional and financial aspects of their respective WCF activities, by creating four DoD Component WCFs: Army, Navy, Air Force, and Defense-Wide. On December 16, 1997, a separate DoD Component WCF was established to consolidate the separate Military Departments' commissaries into the Defense Commissary Agency effective in FY 1999.

1.3.7. Prior to FY 1992, industrially-funded activities did not receive Annual Operating Budget (AOB) funding documents. All funding authority was provided through customer orders. With the implementation of the DBOF, the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) began to issue AOBs that provide official and administrative management cost goals and contract authority for the Capital Investment Program (CIP) for each WCF activity within a DoD Component. The Department has retained this process for the WCFs.

*1.4 Cash Management Policy

1.4.1. The Components will maintain a positive, daily cash balance at levels exceeding the minimum necessary to meet operating, capital investment, and other justified requirements throughout the year and to support continuing requirements into the subsequent year. Cash generated from operations is the primary means of maintaining adequate cash levels. The ability to maintain sufficient, appropriate cash levels is dependent on setting rates to recover full costs to

include prior year losses, projecting workload accurately, and meeting established operational goals.

1.4.2. Cash management and accountability are integral parts of operational and cost management. Each DoD Component is responsible for managing its cash at the activity group level and in compliance with applicable laws and guidelines. Components must manage cash at each subordinate DWCF sub-account, organization, and activity, since most cash transactions occur and cash is most effectively controlled at these levels. Components must submit budget exhibits (Fund-13, and Fund-13b) for each activity group that displays plans to maintain cash balances within the lower and upper operating range. The ending cash balance must be above the lower operating range at the end of each budget year. Decentralizing cash management to the activity group level provides the DoD Components with additional control, because each level of management becomes an accountable participant in the execution of the cash plan or policy.

1.4.3. In addition to proper rate setting, cash managers at all levels should employ the management mitigation strategies available to control cash flows and cash balances to the full extent possible. These cash management tools include, but are not limited to:

1.4.3.1. Negotiating the timing of customer order receipt, completion and the related collections;

1.4.3.2. Controlling the timing of delivered goods/services from the supplier/service provider and the related disbursements;

1.4.3.3. Requesting policy waivers when necessary from the OUSD(C) Program/Budget (P/B) Director or Deputy Director for Revolving Funds, for example: an approval for an out-of-cycle rate adjustment, or non-recoverable costs to maintain/reduce cash.

1.4.4. The DoD Components and cash managers at all levels should consider the following when determining appropriate levels of cash to budget and maintain.

1.4.4.1. Effective cash management is dependent on the availability of accurate and timely data on cash activity, demand planning, rate setting, and operational results.

1.4.4.2. Activities must budget to achieve an operating cash level that will maintain a positive cash balance throughout the year within the upper and lower operating range, and an adequate ending balance to support continuing operations into the subsequent year. In determining required cash levels, activities will document average disbursements and the expected range of cash balances, adjusted to accommodate seasonality, known changes in the business environment, and the inherent risk associated with estimation error and unplanned events outside management's control.

1.4.4.3. Each DoD Component and subordinate activity, command, or business line must establish a cash requirement based on business events, trends, activities, and risks relevant to its operations. The cash requirement will be developed based on four primary elements: 1) the rate of disbursements, 2) the range of operations, 3) risk mitigation, and 4) reserves. The

amount of cash needed for each of the four cash requirement elements will be determined by the DoD Component and presented by activity in the exhibit, Fund-13b, Cash Requirements, which will be reviewed and approved by Revolving Funds Directorate during the Program and Budget Review (PBR). The four cash requirement elements are explained further in the instructions to the Fund 13b and also in the following four paragraphs.

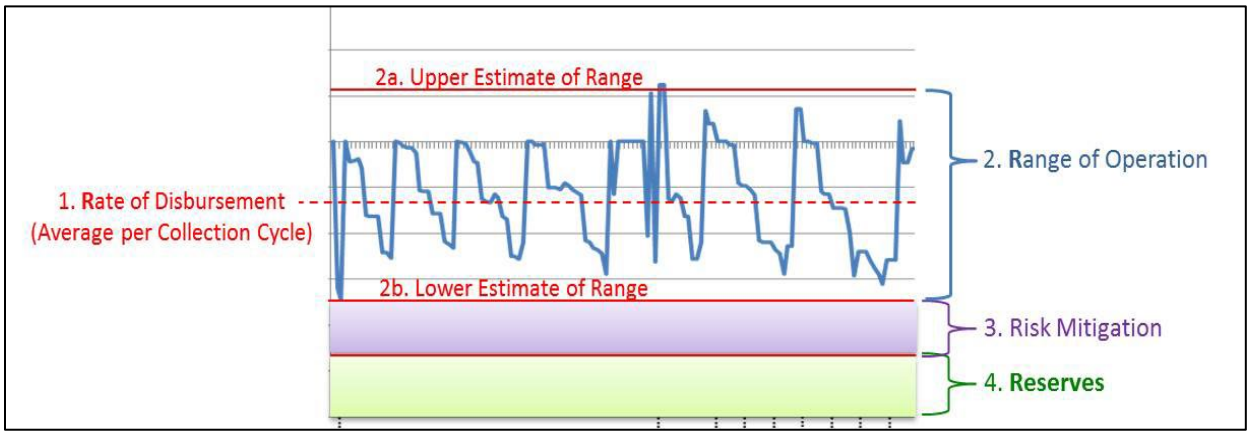
1.4.4.4. Rate of Disbursement. The rate of disbursement is the average amount disbursed between collection cycles. It is calculated by dividing the total amount of disbursements planned for the year by the number of collection cycles planned for the year. The rate describes the average amount of cash needed to cover disbursements from one collection cycle to the next. Changing the number of collection cycles can influence the amount of cash needed to cover the volatility created by cyclical collections. Both the average disbursements and the number of collection cycles will be based on authoritative, auditable data.

1.4.4.5. Range of Operations. The range of operations is the difference between the highest and lowest cash level required based on budget assumptions and past experience. Cash balances are not static and volatility can be expected due to annual, quarterly, and more frequent seasonal trends and significant one-time events. Historical trends should be normalized for such factors as Annual Operating Result (AOR) return/recovery, capital investments, the amount of work, and changes in operations, and used to estimate future fluctuations in cash flows and balances. Studying the causes of cash volatility enables the development of strategies for reducing the range of operation and the amount of cash required for normal operations.

1.4.4.6. Risk Mitigation. Some amount of cash is required, beyond the range of operation, to mitigate the inherent risk of unplanned and uncontrollable events. Examples of these risks are budget estimation error, commodity price fluctuation, and other contingency or response missions. The amount of cash held for risk mitigation will depend on the activity's sensitivity to anticipated types of risk, the effectiveness of other cash management and risk mitigation tools, and management's level of risk tolerance.

1.4.4.7. Reserves. Cash reserves are funds held for known future requirements. This element identifies cash on hand that must be kept for specific requirements that are not expected to disburse until subsequent fiscal years. Examples of reserve requirements include return of AOR, advances/pre-payments received, liquidation of unexpended appropriations, liquidation of unpaid obligations, and planned capital investments. Since reserves are only for specific known requirements, they may not be needed every year.

1.4.4.8. The following figure depicts how the four elements (rate, range, risk mitigation, and reserves) come together to build the complete cash requirement.



1.4.4.9. Components will develop monthly phased cash plans, incorporating collections, disbursements, appropriations, and other cash transactions based on Component estimates, to facilitate the cash management process. The plans will be initially developed during the budget process and will be an integral part of the budget document (Fund-13).

1.4.4.10. Components will monitor and control to the extent possible execution of collections and disbursements to ensure a sufficient cash balance is maintained throughout the year. Components will also monitor execution against monthly phased plans to increase management attention on reducing costs, emphasizing timely billing, collecting revenue, and disbursing. Components should consider leveraging the aforementioned available cash management tools when cash execution is trending below/above plan for more than three consecutive months of execution.

1.4.4.11. Components must be able to reconcile and explain variances between cash balances and AOR. In addition to explaining variances based on operations, components must also explain events that affect cash but not revenues and expenses.

1.4.5. Transfers of cash between DWCF activities, whether directed internally by the Components or as the result of audit, Departmental guidance, or Congressional direction, will be included in all the affected activities' budgets (Fund-13). Transfers between DoD Component WCFs (e.g., Army to Air Force) or between the DWCF and appropriation-funded activities require Congressional approval.

1.4.6. Advance Billings.

1.4.6.1. The term "advance billing" means a billing to a customer by the fund, or a requirement for a customer to reimburse or otherwise credit the fund, for the cost of goods or services provided (or for other expenses incurred) on behalf of the customer. The term "customer" means a requisitioning component or agency.

1.4.6.2. Except as provided in paragraph f, the total amount of advance billings executed by the Department for a fiscal year may not exceed the amount specified in 10 U.S.C. § 2208 (l) or as amended by public law.

1.4.6.3. Components may use advance billings of customers as a cash mitigation strategy. The OUSD(C) or the Military Department, as applicable, must submit written notification to Congress within 30 days after the end of the month in which the advance billing is made. The notification must include the reasons for the advance billing, an analysis of the effects of the advance billing on military readiness, and an analysis of the effects of the advance billing on the customer. Military Departments must provide the Revolving Fund Directorate copies of all advance billing notification letters provided to Congress. Defense agencies will submit their requests to the Revolving Fund Directorate, who will notify Congress on their behalf.

1.4.6.4. Advance billing requires authorization within the activity's Annual Operating Budget (AOB). Components will request this authority and, if approved, the Advanced Billing Authority will be added to their AOB.

1.4.6.5. Advance payments received from non-federal entities are not subject to 10 U.S.C. § 2208, advance billing limitations, and are required by Volume 11B, Chapter 11. The billing of customers by Supply Management Activities upon shipment rather than delivery also is not subject to paragraph (l) advance billing limitations.

1.4.6.5.1. 10 U.S.C. § 2208, paragraph (l)(4) provides that advance billing for background investigations and related services performed by the Defense Counterintelligence and Security Agency is not subject to section 2208's congressional notification requirements and dollar limitations.

*1.5 Capital Investment Program (CIP) Policy

These policy statements address preparation of the PBR submission.

1.5.1. The legal requirements related to the CIP are found in 10 U.S.C. § 2208, paragraphs (k), (m), and (o). The legal requirements for unspecified minor military construction projects are found in ***10 U.S.C. § 2805***.

1.5.2. The CIP may be used by WCF activities to purchase capital assets meeting the criteria in 10 U.S.C. § 2208**,** paragraph (k).

1.5.3. With the exception of major military construction and items listed in paragraphs 1.5.6 and 1.5.9 below, acquisition of all capital assets for use by activities within the Fund will be financed through the Fund using contract authority. Components may not use the CIP to establish a new or expand an existing organic capability except as specifically justified in the President's Budget Request (Exhibit Fund-9b, "Capital Investment Justification").

1.5.4. Revolving Fund activities outside the DWCF that are not authorized contract authority (e.g. the PRMRF) must build the full cost of capital investments into their rate structure to ensure funds are available prior to obligation.

1.5.5. The CIP consists of the following four major categories of assets: 1) Automated Data Processing Equipment (ADPE); 2) Non-ADPE Equipment; 3) Software Development, whether internally or externally developed; and 4) Minor Construction.

1.5.6. The WCF Capital Budget specifically excludes the following items, which must be financed by appropriated funds.

1.5.6.1. Major Range and Test Facility (MRTF) installations (equipment and minor construction) that meet the DoD Investment capitalization criteria in accordance with 10 U.S.C. § 2208, paragraph (k).

1.5.6.2. Military and tenant support functions

1.5.6.3. Major weapons systems (such as aircraft, ships, tanks, barges, etc.), and general-purpose passenger type vehicles

1.5.6.4. Equipment and minor construction projects for mobilization requirements, but not used during peacetime operations

1.5.6.5. Equipment initially procured and usually furnished as part of a weapons system and/or support system including modifications (includes initial common support equipment for depot maintenance support of new weapons systems)

1.5.6.6. Materiel normally funded by appropriated funds and provided to contractors as Government-Furnished Materiel (GFM). The GFM is incorporated into, used in conjunction with, or consumed in the production of an end product. The customer must use appropriated funds to purchase the GFM and provide it at no cost to the WCF

1.5.6.7. Minor construction projects for non-WCF activity or military support functions

1.5.6.8. Construction and facility investment projects that exceed the amount specified in 10 U.S.C. § 2805 for funding under Operation and Maintenance appropriations

1.5.6.9. Environmental projects financed or submitted for funding by the applicable Environmental Restoration Transfer appropriation

1.5.6.10. Capital Investments for morale, welfare, and recreation activities

1.5.6.11. Such other exclusions as may be approved by the USD(C).

1.5.7. The AOB permits a WCF activity to obligate contract authority to purchase capital assets prior to receiving funded customer orders and collecting cash from customers. Those

obligations must be funded by offsetting collections since cash does not come with contract authority.

1.5.8. As an administrative control of resources subject to the rules of ***31 U.S.C. § 1517***, the Anti-Deficiency Act, the AOBs provide a specific amount of CIP contract authority. Therefore, obligations may not exceed the amount provided on the AOB.

1.5.9. The WCF customers may procure capital assets through direct appropriations for use by a WCF activity. However, these assets remain the property of the customer and will not be recorded as Property, Plant and Equipment assets on revolving fund financial statements unless the asset is transferred to WCF ownership.

1.5.9.1. At the time of transfer, the WCF activity will record the asset at its net book value and depreciate it for accounting purposes over the remaining useful life. Depreciation does not have to be incorporated into the WCF rate structure if the WCF did not outlay any cash resources. If the asset is expected to be replaced at the end of its useful life, then a capital surcharge may be collected prior to the acquisition of the replacement asset.

1.5.9.2. The appropriate procurement account will continue to fund the purchase and installation costs for the initial procurement of depot maintenance capital equipment unique to newly introduced platforms or weapon systems (this includes modifications). The capital equipment becomes the property of the depot when it is transferred to or otherwise capitalized by the depot. The depot will treat the equipment as a capital asset and depreciate it for accounting purposes. Funding of subsequent replacement and maintenance of the equipment in the DWCF should be included in the DWCF capital and operating budgets.

1.5.10. WCF activities must recover costs to purchase capital assets by including a Capital Investment Recovery (CIR) factor in rates billed to customers. The CIR factor is the amount added to the rate to substitute and then liquidate contract authority obligated to purchase capital assets. To do this, the Component will allocate a portion of the collections from revenue on customer orders to liquidate the contract authority. This process allocates cash (i.e. FBwT) from the operating program to the capital program. The amount of collections used to liquidate contract authority will equal the amount of obligated contract authority at the end of each FY, net of any decreases to contract authority or contract authority withdrawn. If there are insufficient budgetary resources to liquidate the full amount of contract authority obligated, then at a minimum, the Activities must liquidate enough to cover outlays associated with CIP. This will ensure there is sufficient cash in the capital program to fund outlays associated with the obligated contract authority. The CIR factor will differ from the depreciation expense. Collections associated with the CIR fund capital outlays while depreciation expense is an allocation of costs over an asset's useful life.

1.5.10.1. In addition to the CIR, a capital surcharge may be used to collect cash for the capital outlay if minimum balances are not sufficient to provide adequate budgetary resources to offset budgetary claims (See Volume 3, Chapter 19).

1.5.11. Guidance on accounting for capital assets is contained in Volume 4, Chapter 24, Chapter 25, Chapter 26, and Chapter 27.

1.5.12. The following budget exhibits are required to document an activity's capital budget request.

1.5.12.1. Exhibit Fund-9a, "Capital Investment Summary," represents the summary data of the four asset categories (ADPE, Non-ADPE, Software, and Minor Construction) at the approved DoD Component aggregate project line item level. The exhibit displays data on annual capital obligations, cash outlays, and budgeted CIR. The prior-year column on the Exhibit Fund-9a will show all amounts approved in the most recent President's Budget, adjusted for actual project year obligations, additional authorizations and all reprogramming (as depicted on the Exhibit Fund-9c, "Capital Budget Execution").

1.5.12.2. Exhibit Fund-9b, "Capital Investment Justification," provides detailed cost data and narrative justification for each approved DoD Component aggregate project line item level. Components will provide a corresponding Exhibit Fund-9b for each aggregate project line item on the Fund-9a exhibit. The exhibit displays the Benefit to Investment Ratio, Savings to Investment Ratio and/or the Payback period. Exhibits Fund-9a and Fund-9b data should agree with, and also should be used for cross-referencing, Exhibit 53 of the Information Technology budget.

1.5.12.3. Exhibit Fund-9c, "Capital Budget Execution" compares and explains the differences between the most recent President's Budget and the current submission by the DWCF activity for the four asset categories (ADPE, Non-ADPE, Software, and Minor Construction). This includes prior year (PY) execution adjustments and adjustments to the current year (CY) due to unexecuted programs or new emerging requirements. Adjustments to project years not displayed in the budget submission are not recorded on the Fund-9c.

1.5.13. Each proposed CIP project must be reviewed to ensure that it satisfies the following criteria for justification and backup:

1.5.13.1. The acquisition of a capital asset meets the Department's long-range planning and programming objectives and satisfies a documented need for capability to perform valid operations, functions, or services that cannot be performed as effectively or economically by the use of existing equipment and facilities or by contract.

1.5.13.2. The acquisition of a capital asset complies with policies and regulations governing the acquisition and management of facilities, special tooling, and special test equipment as established by ***DoD Directive 4275.5***, "Acquisition and Management of Industrial Resources," as well as other applicable policies and regulations governing the lease and acquisition of equipment and facilities.

1.5.13.3. The workload projections used to justify capital purchases take into account the results of inter-service decisions, workload posture planning decisions, readily

available commercial alternatives, and other reasonable options available for accomplishing applicable work load.

1.5.13.4. The acquisition of a capital asset efficiently and effectively accomplishes the objective for which it is justified. The criteria are: improved efficiency (savings) or effectiveness of operations; replacement of unsafe (locally determined *by an authorized safety representative*), beyond economical repair, or inoperative and unusable assets; and environmental, hazardous waste reduction, or regulatory agency (state, local, or Federal) mandated requirements.

1.5.14. A formal pre investment analysis or a cost comparison is required to justify investment projects for capital budget submissions in the four investment categories (ADPE, Non-ADPE, Software, and Minor Construction).

1.5.14.1. Either an economic analysis or cost comparison will be used to support a project substitution or accomplish a reprogramming request. An economic analysis will be used for all projects with a cost of $5,000,000 or more. A cost analysis will be used for projects under $5,000,000.

1.5.14.2. Activities must complete this pre-investment analysis prior to including the capital asset in the capital budget submission, a reprogramming action, or a project substitution. The originating office of the DoD Component will maintain these analyses as project documentation support for the capital budget submission and program execution.

1.5.14.3. A cost comparison for investment projects under $5,000,000 will be prepared in constant base year dollars and present a differential cost display by year for up to a 6-year evaluation period, beginning with the budget year for which investment funds are requested.

1.5.14.3.1. Documentation for a cost comparison should describe the functional process performed; define the need/requirement/objective; identify workload projections; address feasible alternatives; present total costs attributed to each alternative and the differential costs/monetary benefits expected in constant and current dollars over the 6-year evaluation period; and provide significant assumptions, constraints, estimating methods, rationale, data sources.

1.5.14.3.2. The payback period should be the primary economic indicator used for cost comparisons to rank order within the investment categories of each activity.

1.5.14.4. A pre-investment economic analysis should be prepared to justify capital investment projects of $5,000,000 or more. The economic analysis should be prepared on a net present value (NPV) basis and must comply with applicable DoD or Component guidance and functional program guidance. The economic analysis initially should be prepared in constant base year dollars and should present a differential cost display by year over the project's expected economic life, beginning with the budget year of the investment fund request.

1.5.14.4.1. Documentation should describe the functional process performed; define the need/requirement/objective; present and explain workload projections;

identify feasible alternatives; present total costs and the differential costs/monetary benefits in constant, discounted, and current dollars over the expected economic life of the project; present estimating methods/relationships, and data sources; identify significant constraints, assumptions, and variables; treat sensitivity and uncertainty of key parameters; and address all other quantifiable benefits as well as any intangible benefits influencing the recommended course of action.

1.5.14.4.2. Quantifiable benefits are all outputs/results achieved in return for investment dollars associated with an alternative.

1.5.14.4.3. Benefit-to-Investment Ratio (BIR) should be the primary indicator used to rank order projects of $5,000,000 or more within the investment categories of each activity. Also consider the payback period in the ranking process.

1.5.14.4.4. Automated economic analysis programs and reports may be used if the programs provide comparable information to that of standard economic analysis reports.

1.5.14.5. Compute the payback period to compare the period of time, in years, necessary for an alternative to repay its investment cost based on the monetary benefits expected. Present this metric in tenths of years (for example, 7.2 years.)

1.5.14.6. Use the BIR to compare project alternatives in terms of all expected monetary benefits, inclusive of whole and partial manpower productivity savings resulting from increased efficiency and other cost avoidance achieved over the total project life under evaluation. Calculate the BIR using discounted constant dollars, as an index value and rounded to two decimal places. A BIR of greater than one indicates the project is cost-beneficial; the larger the ratio, the greater the advantage of the project.

1.5.14.7. Calculate the Savings-to-Investment Ratio (SIR) between actual savings in terms of funds no longer required and the investment cost for Automated Information Systems, using discounted dollars.

1.5.14.8. A post-investment analysis should also be done after project completion to assess the actual costs and benefits and inform future investments.

1.5.14.9. Exemptions to the investment analysis include environmental, hazardous waste reduction, or regulatory agency (state, local, or Federal) mandated requirements. This includes action directed by a higher DoD or Component authority that precludes a choice among alternatives, and DoD instruction or other directive that waives the requirement (e.g., equipment age or condition replacement criteria).

1.5.15. Internal Use Software as defined in ***DoDI 5000.76*** is: Acquired or developed to meet the entity's internal or operational needs (intended purpose); A standalone application, or the combined software components of an IT system that can consist of multiple applications, modules, or other software components integrated and used to fulfill the entity's internal or operational needs (software type); Used to operate an entity's programs (e.g. financial and administrative software, including that used for project management); Used to produce the entity's goods and to

provide services (e.g., maintenance work order management, loan servicing); or Developed or obtained for internal use and subsequently provided to other federal entities with or without reimbursement. This excludes software that is integrated into and necessary to operate general property, plant, and equipment.

1.5.15.1. Software that is integrated into hardware and is necessary to operate the hardware, rather than to perform an application, should be budgeted with and capitalized as part of the hardware. Systems application software, however, should be budgeted separately as either an expense or a capital investment, depending on whether it meets the criteria for a capital asset.

1.5.15.2. Budget for new acquisitions of and improvements to software by project. The full scope of a software development project may consist of costs incurred in: 1) Preliminary Design, 2) Software Development, and 3) Post Implementation. While all of these costs are part of the project, only the software development phase is capitalized. Refer to Volume 4, Chapter 27 for more information on the accounting requirements.

1.5.15.2.1. The preliminary design phase consists of conceptual formulation of alternatives, evaluation and testing of alternatives, determining the existence of needed technology, and final selection of an alternative. This phase consists of all functional actions, including source selection for COTS and all actions prior to Systems Requirements Specification for internally developed software. Expense the preliminary design phase costs as part of the operating budget and identify them on the Exhibit Fund-1a, "Details of Price and Program Changes - Costs

1.5.15.2.2. Capitalize the software development phase consisting of the design of a chosen alternative including software configuration and interfaces, coding, installation of software and related hardware, and testing, which may include parallel processing development of user manuals and training.

1.5.15.2.3. Expense the post implementation/operational phase costs of data conversion and application maintenance, including functional training and documentation, operational testing, and evaluations conducted after technical acceptance of the software.

1.5.15.3. Exclude from the capital budget all costs incurred prior to Milestone 0, Concept Exploration and Definition. Expense costs such as basic research, study, exploratory development establishing feasibility and practicality of proposed solutions and rough order of magnitude estimates. Also expense costs for technical software support and maintenance software support occurring after system installation.

1.5.15.4. Only include those software development or acquisition efforts for the benefit of the activity in the DWCF capital budget submissions. Software developed or acquired for a specific customer order should be charged to and reimbursed by the requesting customer. Types of cost to be included in a software development project include total labor and non-labor costs such as: 1) all direct costs for civilian and military personnel; 2) contractor labor; 3) supplies; 4) travel; 5) processing support for testing; 6) indirect production costs; and 7) general and

administrative (overhead) costs (e.g., base operations support, higher headquarters, and costs for central design activity-owned assets).

1.5.15.5. Software projects may be accomplished in modules. A module is an application that may be operated or used independent of other modules within a system. Where an entire system consists of more than one severable module, request funding for each severable module in the year that the module is started. Funding requests must be sufficient to complete the module. If several modules make up a complete ADP system, show the cost of all modules related to the system.

1.5.15.6. Separately identify ADP equipment and ADP software in the capital budget.

1.5.15.7. In accordance with ***10 U.S.C. § 2222***, paragraph (c) and ***DoDI 5000.75***, current services (CS), development and modernization (DevMod) to a business system with budget authority and/or spending of $250 million or more over the Future Years Defense Program (FYDP) for Priority Defense Business Systems or $25 million or more for Fourth Estate Defense Business Systems over the FYDP must be approved by the Defense Business Council (DBC) , tri-chaired by the Director, Administration and Management (DA&M), OUSD (C), and DoD CIO for certification prior to obligating funds.

1.5.16. Unspecified minor military construction projects costing more than the threshold established in 10 U.S.C. § 2805 must be funded within the DoD Component's Military Construction appropriation. Exceptions to this limitation are noted below in 1.5.16.1.

1.5.16.1. Authority provided by 10 U.S.C. § 2805, paragraph (c) to use funds available for operation and maintenance for unspecified minor construction projects costing not more than the threshold established therein is available for DWCF-funded unspecified minor construction. However, projects that have an estimated cost that exceed the thresholds established in 10 U.S.C. § 2208 that have not been documented in a corresponding budget exhibit (Exhibit Fund-9b, "Activity Capital Investment Summary") must be approved through the Congressional notification process or in a subsequent budget and displayed as an adjustment on the Exhibit Fund-9c, "Capital Budget Execution." The approval will be reflected in the Component's Annual Operating Budget.

1.5.16.2. In 10 U.S.C. § 2805, paragraph (d), Congress authorized a DoD Laboratory Revitalization Program that increases to the upper ceiling threshold for certain minor construction projects at DoD laboratories. The authority is not permanent, but is subject to periodic congressional extension. Laboratory Revitalization Program projects must be for the revitalization and recapitalization of Defense laboratories owned by the U.S. and under the jurisdiction of the Secretary of Defense or a Military Department. In accordance with 10 U.S.C. § 2805, paragraph (d)(3) any projects using the Laboratory Revitalization Program requires the concerned Secretary to provide the appropriate Congressional committees a 14 day notification prior to obligation of funds. Fund activities designated to participate in the DoD Laboratory Revitalization Program must obtain prior approval from the Director or Deputy Director for Revolving Funds for all

projects estimated to exceed the thresholds established in 10 U.S.C. § 2208 so that those projects can be specifically identified in the capital program within the AOB prior to project execution.

1.5.16.3. Capital investment costs financed in the minor construction portion of the capital budget include project planning and design costs associated with minor construction projects. Planning and design costs are not included as part of the statutory threshold for minor construction projects.

1.5.17. DoD Components may reprogram capital funds between DWCF activities, or categories or projects within a DWCF activity. There is no minimum or maximum limit on this type of reprogramming. Except as noted below, capital reprogramming does not require the written approval of the Director or Deputy Director for Revolving Funds in the form of a signed AOB. The following approval levels and dollar threshold apply to changes to projects approved in the capital budget including reprogramming, substitutions, cancellations, and additions:

1.5.17.1. Obtain certification from the approval authority as directed in the guidance displayed in DoDI 5000.75. All transfers between information technology capital projects (ADP Equipment and Software) must be documented in the Activity's next AOB, but will not require a new AOB solely for such documentation.

1.5.17.2. Fund managers may approve transfers between the Non-ADP Equipment and Minor Construction categories or among their individual projects. Components are required to document the transfers in the activity's next AOB, but will not require a new AOB solely for such documentation. CIP transfers between DWCF activities within a DoD Component (e.g., supply to non-supply) must be approved by the Director or Deputy Director for Revolving Funds, in the form of a signed AOB, before the transfer is executed.

1.5.17.3. Components must charge capital obligation adjustments to the program year cited in the President's Budget for the original project. The prior year capital investment program limitation is equal to actual obligations on September 30 of that fiscal year plus adjustments approved by the Director or Deputy Director for Revolving Funds to the prior year program. Fund managers may request approval to carry over authority for any unobligated capital projects before the end of the fiscal year.

1.5.17.4. Capital obligation authority may be adjusted for prior year within-scope increases provided that there is contract authority available to finance the increase. Before making such increases, the Component must have equal off reductions (deobligations) of current year capital authority to finance the prior year increase. Prior approval from the Director or Deputy Director for Revolving Funds is only required if cumulative adjustments exceed 20 percent of the total CIP budget of the current fiscal year. All adjustments should be documented in the activity's next AOB, but will not require a new AOB solely for such documentation.

1.5.17.5. For current fiscal year capital projects that will not obligate by September 30, components must request in writing permission to carry over these projects via a memo to the Director or Deputy Director for Revolving Funds. If the Director or Deputy Director for Revolving Funds approves the request in a signed memorandum, the approved carry over

amounts for projects not obligated by the end of the fiscal year will be carried forward to the next fiscal year's AOB.

1.6 Mobilization/Surge Costs and War Reserve Materiel

1.6.1. Mobilization capability costs include the costs to maintain a surge capacity; procure and maintain approved war reserve materiel levels; and/or maintain other assets, functions, or capabilities required to meet an operational contingency as documented in Defense planning guidance or operational plans.

1.6.2. The DWCF activities should identify all costs related to maintaining a capacity to meet mobilization requirements. These costs are not considered normal operating costs and may be reimbursed by direct appropriations so that customer rates are not burdened by contingency requirements.

1.6.2.1. War Reserve Materiel. Obligations for the procurement of war reserve materiel must be funded by a direct appropriation to the Fund with one exception; if Congress is notified, and a cost recovery rate is included in the rates, contract authority may be used. Such appropriated amounts for secondary items must be reflected as a separate goal within the applicable Supply Management or Commissary Resale activity AOB. Use the SM-6 "War Reserve Materiel" exhibit to justify War Reserve Materiel Requirements.

1.6.2.2. Unutilized and Underutilized Plant Capacity.

1.6.2.2.1. Unutilized/Underutilized Plant Capacity (UPC) represents costs associated with maintaining facilities to meet surge capacity needed for mobilization or war. The UPC is a mobilization requirement budgeted in and funded by Operation and Maintenance appropriated funds of the DoD Component responsible for the activity's management. Do not include UPC costs in the DWCF rate structure. As a general rule, UPC funding includes the pro-rata facilities support costs for any month in which 1) mobilization facilities are not used or 2) facilities are used 20 percent or less of available work days.

1.6.2.2.2. Mobilization expenses related to UPC may include both maintenance and labor costs related to mobilization.

1.6.2.2.3. Each non-supply DWCF activity should prepare a UPC Budget Exhibit (Fund-30). This exhibit documents total capacity, Unutilized Capacity Index, justification, and cost used in developing the request for UPC. All non-supply DWCF activities should complete the three capacity-index metrics found in Part I of the exhibit. Any non-supply activity requesting UPC funding will also complete the funded UPC line in Part I and the UPC justification in Part II of the exhibit.

1.6.3. Industrial Mobilization Costs. The Army established a category of costs that includes both UPC and underutilized facilities cost called "Industrial Mobilization Cost." The Army will use the Exhibit Fund-30, "Underutilized Plant Capacity" to justify their IMC costs.

1.6.4. Airlift Readiness Account (ARA). The U.S. Transportation Command (USTRANSCOM) must maintain sufficient airlift capability to respond to transportation requirements for a wide variety of mobilization conditions. This requirement exists in both peacetime and contingency environments. To the extent customer revenue is insufficient to support the costs of maintaining this capability; the Air Force must provide appropriated funds from the ARA. USTRANSCOM will coordinate with military services and Combatant Commanders to understand airlift workload requirements and adjustments to workload projections on a routine basis. USTRANSCOM must provide the Air Force with the budgeted ARA amount that will be part of the Transportation Working Capital Fund Budget Estimate Submission (BES) and President's Budget with enough lead time for the Air Force to incorporate in its budget submissions. The Air Force must submit a matching amount in its BES and President's Budget submission within its Operation & Maintenance account. USTRANSCOM must submit the Fund-8, "Air Mobility Command Common User Services" exhibit to justify the ARA requirement. The USTRANSCOM will record as a funded order and revenue.

1.7 Military Personnel

1.7.1. Components will use the civilian-equivalent rates provided by the OUSD(C) to price military labor at DWCF activities. The difference between the civilian-equivalent costs, included in the DWCF budget, and the actual military personnel cost will be budgeted directly in the appropriate military personnel appropriation. The number of military included in the budget should be the average strength of military assigned to the DWCF business, using the average fill rate for the 3 prior fiscal years, unless there is a significant change projected in the budget year. The fill rate is calculated by dividing actual average strength by the authorized strength for each grade. The budget amount will equal the average strength for each grade multiplied by the applicable civilian-equivalency rate.

1.7.2. The amount expensed for military personnel by DWCF activities and the amount reimbursed to the appropriate military personnel appropriation will equal the amount budgeted. No adjustments will be made to the DWCF cost of operations to reflect the actual cost of military personnel employed by DWCF activities. Military Departments having military personnel assigned to other Components will provide to each Component the number of work years that should be included in the DWCF budget submission. The DWCF activities that augment their manpower requirements with National Guard or Reserve personnel, to include those participating in the Personnel Force Innovation (PFI) program, will reimburse the appropriate military personnel appropriation at the DWCF civilian-equivalency rates.

1.7.3. The civilian-equivalent costs are provided by the OUSD(C) and are calculated in accordance with Volume 11A, Chapter 6.

1.7.4. See Volume 2A, Chapter 1 for active duty military personnel pricing policy.

*1.8 Full Recovery of Costs and the Setting of Prices

1.8.1. Managers of DWCF activities within each Component will set their prices based on full cost recovery, including all general and administrative support. Prices are established by the

budget process and are represented at the aggregate level in the form of a composite rate. Prices and corresponding rates should remain fixed during the year of execution (exceptions are listed in Volume 11B, Chapter 15). This stabilized price policy serves to protect customers from unforeseen inflationary increases and other cost uncertainties and better assures customers that they will not have to reduce programs to pay for potentially higher-than-anticipated prices. In turn, this policy allows activities to execute the budgeted program level and permits a more effective use of DWCF resources.

1.8.2. Except in unusual circumstances, prices for the budget year will be set to break even over the long run at the activity level. This means that prices will be set to achieve an AOR of zero in the budget year, provided that cash and budgetary resources are available to support AOR returns. In budget execution, activities will incur either a positive or negative operating result. Accordingly, activities will increase their budget year prices to make up actual or projected losses of budgetary resources or reduce their budget year prices to return actual excess cash resources or projected budgetary gains to customers.

1.8.3. An activity may request recovery of AOR outside the budget year. This request must be included in the budget submission, and must demonstrate that the alternative recovery period will not adversely affect the cash balance of the activity. A phased recovery schedule must be provided with the budget.

1.8.4. Special Circumstances: DWCF rules for pricing and operating loss recovery or gain distribution may be waived or deferred if one or more of the following conditions exist.

1.8.4.1. Fund Liquidity: Component fund managers must maintain a positive cash balance throughout the year. The cash requirement developed on the exhibit, Fund 13b, Cash Requirements, provides a management guide for maintaining cash sufficiency. Several factors, however, could cause activities to operate outside the requirement range. To prevent the buildup of excess cash balances, or to ensure fund solvency, the Director or Deputy Director for Revolving Funds may direct out-of-cycle rate adjustments at any time during the fiscal year.

1.8.4.2. Depot Maintenance Additional Requirements: If Component cash balances are projected to be sufficient (see paragraph 1.4) by the end of the budget year, depot maintenance activities will recoup losses and return gains in the budget year. However, if cash balances will be outside the cash requirement range, an out-of-cycle rate adjustment or surcharges may be directed, to restore cash to appropriate levels, at any time in accordance with paragraph 1 above. Also, unplanned depot losses recouped in subsequent years may be financed with prior year resources, provided all other criteria associated with prior year upward obligations are met.

1.8.4.3. Contingency or Emergency Operations: Fund managers may waive DWCF pricing and financing requirements to facilitate Department operations during times of war or other national emergencies. The DWCF activity must notify the Director and Deputy Director for Revolving Funds in writing within 30 days of this action.

1.8.4.4. Impact of Foreign Currency Exchange Rates: A DWCF activity operating overseas may experience significant operating losses or gains due to changes in foreign currency exchange rates.

1.8.4.4.1. While these operating losses and gains are normally recovered or returned through stabilized rate adjustments in budget years, fund managers may propose out-of-cycle rate adjustments to the Director and Deputy Director for Revolving Funds to address such losses and gains in execution. In calculating any gain or loss from foreign currency fluctuations, the DWCF must use the foreign currency exchange rates published as part of the Department's budget justification materials submitted to Congress in support of the President's budget request and follow applicable procedures in Volume 6A, Chapter 7.

1.8.4.4.2. The DWCF activities are not eligible to participate directly in the Foreign Currency Fluctuations, Defense (FCF,D) (97-X-0803) and the Foreign Currency Fluctuations – Construction, Defense (FCF-C,D) (97-X-0801) accounts.

1.8.4.5. In addition to spreading contract costs when developing rates for all customers, the DWCF activities may incur and recover costs for contracts awarded specifically to fill the requirements of one customer by charging that customer an amount equivalent to the DWCF activity's expense in funding, awarding, and administering the contract.

1.8.4.6. Unbillable costs and operational losses that cannot be billed to an identifiable customer or that were generated from unforeseen cost overruns are to be treated as costs in the fiscal year in which the costs were incurred. The resulting operating losses must be included in calculating net and accumulated operating results.

1.8.4.7. Unless approved in writing by the Director or Deputy Director for Revolving Funds as an out-of-cycle rate adjustment, the prices must be consistent with the rates set for all activity products, goods, or services approved during the budget review and documented in a memorandum signed by the USD(C), or designated representative.

1.8.4.8. Reimbursement procedures humanitarian efforts are as follows:

1.8.4.8.1. Users must pay for the goods and services provided by all DWCF activities, including deployment or other emergency response for military or humanitarian assistance.

1.8.4.8.2. See Volume 11B, Chapter 11, Section 2.7 for guidance.

1.8.4.8.3. Consistent with this policy, third party collections for transportation provided in response to a Request-for-Assistance (RFA) from another government agency are prohibited. The Military Department that controls the equipment or personnel is responsible for reimbursing USTRANSCOM. It is then the responsibility of the Military Department that accepted the RFA to collect any required reimbursements due that Military Department by the requesting government agency.

1.8.4.8.4. The sole exception to this policy occurs when the USTRANSCOM receives an order from the Joint Chiefs of Staff requiring transportation of non-U.S. owned equipment and/or non-U.S. personnel such as non-reimbursed efforts in support of the United Nations. In those instances, the Army will pay Surface Deployment and Distribution Command (SDDC) costs, the Navy will pay Military Sealift Command (MSC) costs, and the Air Force will pay Air Mobility Command (AMC) costs. Bills may be centralized for more convenient processing if appropriate; however, billings must be forwarded to the appropriate Military Department within 30 days from the commencement of service or humanitarian effort. The Military Departments must pay these bills, including transportation bills, in a timely manner.

1.8.4.8.5. This guidance does not address any contingency operation designated by the Secretary of Defense as a "National Contingency Operation" under the provision of the ***10 U.S.C. § 127***. Special rules apply for such an operation and those rules should be promulgated separately in conjunction with any designation by the Secretary under the provisions of that section.

1.8.4.9. Base Realignment and Closure (BRAC) cost reimbursement policies are as follows:

1.8.4.9.1. BRAC-Related Costs. Costs incurred in implementing the recommendations of the BRAC Commissions will be funded by the appropriate BRAC account and are not to be included in the rates and costs of businesses within the Fund. The DWCF activities may incur BRAC expenses prior to receiving an allocation of BRAC funding; however, all costs properly charged against the BRAC account must be reimbursed with BRAC funds. The DWCF activities may not expend funds prior to complying with the notification requirements imposed by law with respect to the obligation of BRAC funds. The BRAC account must reimburse all costs incurred by DWCF activities to carry out BRAC prior to the end of the fiscal year in which costs were incurred. Prior year, current year, or budget year operating losses in DWCF are not to be budgeted in the base closure accounts. Costs attributable to base closure actions at DWCF activities to be budgeted in BRAC may include:

1.8.4.9.1.1. BRAC directed reductions-in-force, separation incentives, plant closures, plant layaway or custody costs, or other BRAC-related expenses, such as all costs not associated with a valid work order during the year of closure

1.8.4.9.1.2. Environmental restoration and mitigation, to include reducing, removing, and recycling hazardous waste, and removing unsafe building debris

1.8.4.9.1.3. Planning, to include conducting such advance planning and design as may be required to transfer from an activity being closed to another military installation

1.8.4.9.1.4. Outplacement assistance in relocating, training, or providing other necessary assistance to civilian employees employed by the Department at installations being closed

1.8.4.9.1.5. Community programs, to include economic adjustment assistance to a community in which the closed base is located, or community planning assistance to the community to which functions will be transferred as a result of closure of a military installation.

1.8.4.9.2. BRAC and DWCF Rates. Overhead, not specific to BRAC and not in support of producing goods or services for customers, will be financed in the year the costs are incurred with the Components' Operation and Maintenance (O&M) appropriations. The DWCF losses occurring in years prior to closure will be recovered through the rate structure to the extent that there are new customer orders. When there are no new customer orders in the budget year, the Component responsible for the activity incurring the loss will finance, as a pass through from O&M appropriations to the DWCF, all overhead not included in rates supported by ongoing work or prior year losses to be recovered in the budget year. All costs at a closing activity in the year of closure that are not associated with a valid work order or are not valid BRAC costs are O&M costs and must be budgeted in the fiscal year when they will be incurred.

1.8.4.9.3. BRAC-Related Permanent Change of Station (PCS) Moves for DWCF Activities. Costs incurred to recruit and hire civilian personnel (including associated PCS costs) to fill vacant positions at an activity that is being transferred from a closing or realigning installation to another military installation in accordance with a BRAC recommendation may properly be considered BRAC costs under the Base Closure and Realignment Act of 1990. As a matter of Department policy, however, BRAC funds will not be used for such costs except in the case of DWCF activities, which may temporarily charge such costs against the DWCF, provided the DWCF is reimbursed with BRAC or O&M funds by the end of the fiscal year in which the costs are incurred.

1.8.4.10. Funding of Civilian Voluntary Separation Incentive Program will be financed and included in stabilized rates for civilian separation incentive requirements of assigned employees unless they must be offered as a result of directed BRAC action, in which case the appropriate BRAC account will fund the civilian separation incentive.

1.8.4.11. Any DWCF activities that use any of the services as listed in Exhibit Fund-22, "Summary of Base Support" as tenants must reimburse installation host activities in accordance with ***DoDI 4000.19*** (Support Agreements) to the extent that the specified support for the DWCF activity increases the host activity's direct costs. Costs for DWCF mission products and services (e.g., depot supply, depot maintenance, facility engineering services, information processing, communications, and software development) should be based on the approved stabilized rate. Other support incidental to the DWCF activity's primary mission or purpose must be budgeted based on direct costs measurable and directly attributable to the DWCF activity (e.g., incremental direct cost). Only the incremental direct cost attributable to the DWCF activity may be chargeable to the DWCF activity. Overhead costs are not to be included as a cost to the DWCF activity. The cost of operations budgeted for these services either as a host or tenant activity should be noted on Exhibit Fund-22, "Summary of Base Support" in the fall budget submission.

1.8.4.12. First line supervision is that position level immediately over non-supervisory workers. First line supervisors and above occupy an official supervisory designated position, and when acting in a supervisory capacity, should have their labor costs charged by the DWCF activity as an indirect production cost of the cost center supervised, unless all the supervisor's time is in direct support of a single project. First line supervisors may be borrowed and when used as direct labor, DWCF activities must classify the time of the first line supervisor as direct labor and charge it to the applicable job order rather than as an indirect production cost. "Crew chiefs," "snappers," "team leaders," and other subordinate job leaders are not first line supervisors. Volume 11B, Chapter 13 contains additional information related to charging labor costs.

1.8.4.13. Management Headquarters Costs for DWCF activities may be allocated using the following guidance:

1.8.4.13.1. A management headquarters is a discrete organization or part of an organization that has authority over the management of the DWCF activity. The OSD and Service Departmental activities normally do not have this direct responsibility. All the major systems/logistics organizations in the Services include headquarters elements directly supporting DWCF activities that should be funded or reimbursed by the DWCF activities.

1.8.4.13.2. Costs for discrete DWCF management headquarters organizations and parts of organizations that perform direct DWCF management headquarters functions can be financed directly in the DWCF or reimbursed by the DWCF activity (whichever is more practical). In addition, Components may allocate significant costs for common support functions, such as counsel or personnel services, at DWCF management headquarters to other users based on workload percentages in those functions.

1.8.4.14. Dual-Funded Organizations are organizations that are funded (including reimbursable funding) by both the DWCF and other appropriations or accounts.

1.8.4.14.1. Functions. In instances where a non-management headquarters function is funded with a combination of WCF and General Funds, the function initially will be funded in its entirety by either the DWCF or General Funds, based on the preponderance of definable units of measure for the function (e.g., workload, productive hours, outputs, or ultimate use).

1.8.4.14.1.1. The part of the organization (or funding source provided) initially funding the function should be reimbursed for appropriate amounts by other parts of the organization (or financing sources or customers) involved, based on the unit of measure that was used to determine which organization or funding source would provide initial funding; and the amount of reimbursement should be based on the relative portion of that unit of measure attributable to each part of the organization or funding source involved. If the part of an organization that is within the WCF accounts for more than 50 percent (e.g., 60 percent) of the unit of measure for a function shared with the part of the organization funded through appropriated funds, then the WCF portion of the organization initially would fund all of the costs of performing

that function. However, the applicable part of the organization funded through General Funds would reimburse the WCF for, and be allocated, the remainder of the costs (e.g., 40 percent).

1.8.4.14.1.2. Notwithstanding this policy, the amount of reimbursement for base support services provided by the DWCF to tenant activities must be determined in accordance with the policies in DoDI 4000.19 (Support Agreements).

1.8.4.14.2. Capital Investments. When a capital asset purchased by a WCF activity is also used by the part of the organization financed by appropriated funds, the Fund activity will capitalize the asset and bill the appropriated fund customer for the use of the capital asset. Such billings will use a rate that recoups both the CIR and operating costs. When a capital asset is financed by General Funds and also used by the DWCF part of the organization, the General Funds will capitalize the asset and may bill the DWCF for operating costs. General Funds activities do not bill DWCF activities for depreciation of capital assets.

1.8.4.15. Revenue Recognition Procedures for DWCF activities.

1.8.4.15.1. The DWCF activities must recognize revenue and associated costs in the same accounting period. There are two types of customer orders: (1) end-product (end-item) type orders which, at the completion of the customer order, produce a usable end-product (i.e., overhaul, repair, manufacture, construction, modification, supply transactions, etc.); and (2) service type orders that provide a service over a specified period of time. Revenue must be recognized in the same manner (that is, a standard policy for recognizing and reporting revenue must apply) for all activities within a DWCF activity. The policy varies based on the type of customer order, the length of time necessary to complete the order, and the value of the order; however, non-supply DWCF activities must use the "Percentage of Completion Method" for revenue recognition. The amount of revenue recognized cannot exceed the amount specified in the order.

1.8.4.15.2. Revenue recognition procedures must include gain and loss recognition in the same period in order for the activity managers to evaluate the performance of an organization. The revenue recognition policy does not encompass or establish policies for billings to customers or payments from customers.

1.8.4.15.3. Volume 11B, Chapter 11 provides specific revenue recognition guidance by DWCF activity.

1.8.4.16. Customer Workload Changes.

1.8.4.16.1. When a work order or project is canceled or reduced in scope after a DWCF activity has commenced work or incurred costs, the DWCF activity should charge the customer for the direct and indirect production costs incurred, plus the applied overhead plus costs associated with the cancellation or reduction.

1.8.4.16.2. Volume 11B, Chapter 11 provides specific guidance for the types of directly associated cancellation or reduction costs that can be charged to customers.

1.8.4.17. Write-offs of unusual or infrequently occurring losses are not chargeable against Accumulated Operating Results and should not be recovered through increases in customer rates unless recovery of a cash loss or outlays is required and in accordance with accounting policies. Examples of unusual or infrequently occurring losses not recovered in rates include losses resulting from the disposal or divestiture of capital budget items that have not been fully depreciated at the time they are taken out of service due to BRAC action; or losses associated with systematic inventory reductions by disposal of assets associated with force drawdowns. Only unusual or infrequently occurring write-offs that require a cash resource will be separately identified in the Component's budget submission using the Fund-14, "Revenue and Expenses" exhibit.

1.8.4.18. Net Operating Results (NOR) Adjustments. There are instances where additional adjustments to the Fund-14 and NOR are required. For example: Cash Transfers in and out of the fund not directly related to operational performance (Direct Appropriations associated with natural disasters, humanitarian relief, pandemics, cash infusions, and reprogramming actions e.g., transfers in/out) may use below-the-line adjustments to the NOR to adjust for transfers that are not directly related to operational performance and subsequently does not support returning or collecting AOR.

1.9 Rate Setting for DWCF Activities

1.9.1. In accordance with paragraph 1.8 above, stabilized rates reflecting full cost will be set during the budget process for all individual DWCF activities. The DWCF uses four methods for rate setting purposes based on the nature of an activity.

1.9.1.1. Percentage Markup on Cost. A cost recovery percentage is applied to the purchase or repair cost of secondary supply items to recover overhead costs and other pricing adjustments. This method is typically used for supply management DWCF activities.

1.9.1.2. Direct Labor Hour (DLH). A specific dollar value, including all direct costs, overhead, and other pricing adjustments, is charged per DLH associated with the completion of a customer order. This method is typically used for industrial DWCF activities (i.e., depot maintenance, ordnance, and research and development).

1.9.1.3. Specific Unit of Output. The DWCF activities that provide services via numerous outputs that do not have a common measure for calculation will establish separate rates for each output. When multiplied by projected customer workload for each output, the rates will produce revenue that approximates, to the extent possible, recovery of the full cost, including approved adjustments, of providing the specific outputs (e.g., transportation, finance and accounting, information systems, and base support). This includes direct systems reimbursement.

1.9.1.4. Standard Fuel Price (SFP). During the budget development cycle, the Revolving Funds Directorate will establish the standard fuel price (SFP) for use by the Defense agencies and military departments to develop their fuel estimates for the budget. The Revolving Funds Directorate will use the Office of Management and Budget (OMB) economic assumptions (EA) and the refined product costs experienced by the department to develop the SFP. The SFP

consists of the refined fuel cost and the non-product cost, which includes cost for Sustainment, Restoration and Modernization (SRM), terminal operations, transportation, operations and product losses. During the year of execution, the SFP may be set at the budgeted rate or may be adjusted due to updated economic assumptions from OMB, the latest refined product cost experienced by the Department, changes in projected product costs, or the DLA Energy cash balance. The OUSD(C) must approve the SFP that will be used for the budget and changes thereafter.

1.9.2. Definitions and Procedures

1.9.2.1. Stabilized Price. Under the stabilized price recovery method, customers are charged for products and services provided by a DWCF activity. Activities establish stabilized prices for the budget year that are adjusted and approved during the budget review process. The stabilized rate is determined by projecting workload and costs, including return/recovery of prior year AOR gains/losses. DWCF activities will charge this annual stabilized rate for all new customer orders received and accepted during that specific fiscal year, regardless of when the work is actually executed and billed.

1.9.2.2. Stabilized Price Exceptions. See paragraph 1.10 for guidance applicable to the sale of goods and services to public-private partnerships by DoD depot maintenance activities. In the Supply activities, customers are charged the price in effect when the item is dropped from inventory.

1.9.2.3. OP-32/PB-32 Rate Change. The annually published rate change for DWCF activities is the percentage change of prices between fiscal years.

1.9.3. Budgeted Rates. The OUSD(C) or designee will review and approve all final composite rates and prices developed for the President's budget and documented subsequent in the OUSD(C) Rates Memo.

1.9.4. Alternative Rate Development. Components may propose methods other than the standardized rates for recovering the cost of operations so long as they are mathematically equivalent to the standardized rate. Any alternative pricing methods must be fully documented and justified in the DoD Components' PBR. Any method (such as percentage of sales instead of markup on cost) must demonstrate recovery of all operating costs, provide a comparison of the current method to the method proposed, show the impact to customer funding requirements, and provide a timeline for implementation. Any change in the presentation of standardized rates for budget purposes must be approved in advance by the Director or Deputy Director for Revolving Funds and documented in the appropriate decision document.

1.9.5. Budget Formulation Rates and Prices. All DWCF activities will establish rates using the following multiple step process:

1.9.5.1. Each DoD Component must carefully review all projected costs for its projected operations for the fiscal year, and propose the most cost-efficient operation possible.

1.9.5.2. Customer requirements must be projected to include all anticipated workload programmed for accomplishment during the budget year based on identified outputs such as DLHs by product, tons shipped, line items received, and all other approved output measures for each activity. Prior year execution must also be factored into the projection of anticipated customer orders and overhead costs and significant deviations from prior year workload must be fully explained in both the activity's and the customer's budget justification materials.

1.9.5.3. Components will include adjustments required to comply with OSD and OMB guidance on the impact of inflation, projected pay changes, and other programmatic and policy changes in developing proposed rates.

1.9.5.4. Components will propose costs, program levels, and rate changes by DWCF activity in their Program/Budget estimate submissions. Components may propose exclusion of customer unique, non-labor direct costs from the stabilized rates, and charge these costs on an actual cost reimbursable basis. Components must show the impact the change in rates structure would have on overall stabilized rates. In other words, all costs must be accounted for and reconciled on the corresponding budget exhibit. Final composite rate and price adjustments will be documented in a memorandum signed by the USD(C), or designated representative, at the completion of the budget review. Afterward, any internal realignment of rates within the composite rate structure must be approved as an out-of-cycle rate adjustment by the Director or Deputy Director for Revolving Funds.

1.9.5.5. Final approved costs, program levels, and rate changes will be established by decision documents, after adjustments required to balance changes to customer funding with anticipated Fund costs, inter-Fund sales and transactions, and adjustments for NOR to bring the AOR to zero for the budget year for each DWCF activity.

1.9.6. Financing of Unusual or Infrequently Occurring Losses. Alternatives exist for financing sunk costs when activities terminate capital investments before a project is completed. These costs may be funded through one-time capital surcharges to operating costs or through the normal budgeted CIR previously established. If charged to operating costs through a capital surcharge and depending on the size of the charge, the loss may be recovered through rates over a 2-year period. If a usable product is produced, even though it is less than the planned product, costs may be reasonably assigned to that product and those costs may be appropriately recovered through the CIR.

* 1.9.7. Direct Reimbursable Work, Service Level Billings and Other Income. Work performed may be billable outside the rate structure as approved in the President's budget. In these cases, revenue generated by direct reimbursable work, service level billings and any additional form of "other income" is subtracted from total revenue before the rates are developed. Forms of direct reimbursable work may include materiel purchases for non-supply activities, provisioning purchases for supply activities, work performed outside the mission scope of the activity, or if the customer has a centralized billing process to pay for a significant number of multiple outputs.

1.10 Public-Private Partnerships at Depot Maintenance Activities

1.10.1. Public-private partnerships are agreements between organic depot maintenance activities and private industry or other entities to perform work and/or to utilize facilities and equipment. Partnerships improve utilization of DoD facilities, equipment, and personnel and enhance support to the warfighter. To advance the goal of increased partnering between DoD and private industry, this section provides guidance for the pricing of DWCF depot maintenance goods and services to private sector entities in partnering arrangements. Conditions for the sale of goods and services to non-DoD entities must be based on specific statutory authority.

1.10.2. In accordance with the authority granted to the Secretary of Defense by 10 U.S.C. § 2208, paragraph (h) to prescribe regulations governing the operation of DWCF activities and the use of inventories, this guidance is intended to clarify existing legal authority applicable in certain specific circumstances. The guidance set forth in this section:

1.10.2.1. May not be used to compete for non-defense related work.

1.10.2.2. Does not apply when otherwise precluded by public law.

1.10.2.3. Does not apply to products or services produced under work-share arrangements in which a DoD sponsor assigns work and separately funds the DoD depot maintenance activity and the private sector entity.

1.10.2.4. May be used for sales to private sector entities only when the transaction is part of an arrangement that is officially recognized as a depot maintenance public-private partnership.

1.10.3. Sales Prices

1.10.3.1. In order to minimize potential DoD operating losses or gains, sales prices to private sector entities in depot maintenance public-private partnership relationships may be tailored to the most recent actual and projected costs, rather than the approved stabilized billing rates charged to DoD customers (***10 U.S.C. § 2474***).

1.10.3.2. Tailored rates or prices charged for sales to private sector partners, if used, must ensure full cost recovery for the work involved in producing the specific products and services. Such tailored rates and prices must include: (a) all direct costs, (b) production or shop overhead costs that contribute to the final product and (c) a full allocation of General and Administrative (G&A) overhead costs, distributed on the same basis as for DoD customers. (Since G&A overhead costs cannot be attributed to specific products or services, there is no basis to include or exclude specific items of cost from prices charged to customers.)

1.10.3.3. Exceptions to WCF pricing policy for sales to private sector parties in depot maintenance partnership arrangements, as addressed in subparagraphs 1 and 2 above, do not change the requirement that sales prices include unfunded costs, as prescribed in Volume 11B, Chapter 11.

1.10.4. Fixed Pricing

1.10.4.1. Sales of DoD goods and services to private sector entities on a fixed price basis are authorized when the work is well defined and there is a reasonable basis upon which to predict costs. This mirrors private sector practice, improves the ability of private sector partners to predict production costs, and serves to constrain unit cost by more fully utilizing the production capacity of DoD maintenance depots. Cost reimbursable pricing is appropriate when future production costs cannot be reasonably predicted.

1.10.4.2. Multiyear fixed price agreements are authorized when future production costs can be reasonably predicted and the potential for future operating losses and gains are minimal. Prices may be fixed at a predetermined level taking into account future year escalation factors like pay rate changes, general inflation, and the number of units produced. Multiyear fixed price agreements may also incorporate other pricing techniques such as establishment of a base price with provisions for economic price adjustments to accommodate inflation.

1.10.5. Advance Payment. When appropriate to the scope of, and risks associated with, a prospective contract, the DoD partner may elect to accept incremental advance payments.

1.11 Military Clothing Items and Individual Equipment

1.11.1. The Defense Logistics Agency (DLA) Supply Management Activity procures military clothing requirements and bills users at standard prices. This includes uniforms, combat equipment, tents, tool sets and kits, hand tools, and cleaning equipment and supplies. The Military Services must include the costs of new clothing bag items in the Military Personnel appropriation budget request and new organizational items in the Operation and Maintenance appropriation budget request. A replacement item must be deemed a new item for the purposes of this policy if the cost of a replacement item exceeds the cost of the prior item by more than 10 percent in constant dollars.

1.11.2. The Military Personnel appropriation budget and the Operation and Maintenance appropriation budget should be sufficient to fund the quantity of the initial buy of an item of clothing including the establishment of wholesale inventory levels. New clothing items required prior to receipt of appropriated funds may be funded in these same accounts by reprogramming action.

*2.0 BUDGET JUSTIFICATION PRESENTATION

2.1 Purpose

This section provides guidance for preparation and submission of budget justification material and execution review estimates for the DWCF activities.

2.2 Preparation of Materials

General guidance with regard to format and preparation of material is presented in Volume 2A, Chapter 1. This chapter provides specific guidance with regard to the back-up material required for the DWCF and other unit cost budget areas.

2.3 References

Volume 2A, Chapter 1 provides funding policies to include those that impact other appropriations and accounts. Volume 2A, Chapter 2 provides guidance related to military personnel costs. Chapter 8 provides guidance related to Real Property Maintenance and Minor Construction and Volume 2A, Chapter 3 provides guidance related to Operation and Maintenance costs.

2.4 General

2.4.1. Each DoD Component will submit operating and CIP budget justification material to the OUSD(C), Revolving Funds Directorate, in preparation for submitting the President's budget request to the Congress following a review and approval by the OUSD(C) and the Office of Management and Budget. Each Defense Agency will prepare and submit their portion of the Defense-wide volume material to OUSD(C), Revolving Funds Directorate, for review and approval prior to submission to DLA for incorporation into the Defense-wide justification book. The DLA may require support from the submitting organizations to assemble the final justification book containing the Defense-wide DWCF activities. The DLA will supervise printing and distribution of the Defense-wide justification book for the President's budget.

2.4.1.1. The DWCF Program Budget/Review focuses on an integrated set of budgetary schedules for evaluating progress towards meeting cost and productivity targets. Unit cost goals and customer prices are set for each DWCF activity for the budget year to ensure resources are available to finance all costs.

2.4.1.2. The Budget Call letter may request updates for selected schedules that have not yet been documented in this regulation.

2.4.1.3. The documentation supporting the President's budget should be consistent with approved costs, work load and productivity assumptions.

2.4.1.4. The DWCF justification books submitted to Congress will be unclassified, in one volume organized into three sections: Component Overview, Operating Budget, and Capital Budget. All congressional budget material will be submitted electronically and posted on the respective Service's unclassified web site.

2.4.2. The following table lists all required budget justification exhibits.

2.4.2.1. The "Exhibit Requirements" column lists the universe of budget exhibits for DWCF activities.

2.4.2.2. The "WCF Activity" column identifies, for each exhibit, which activities are required to submit the exhibit. Activities must provide the exhibits as follows: "All" indicates all DWCF activities; "S" indicates Supply activities; "NS" indicates non-Supply activities; "I" indicates industrial activities; and "D" indicates depot maintenance activities.

2.4.2.3. The remaining three columns are marked "Y" or "N" to indicate that submission of the exhibit is required ("Y") or not required ("N"), respectively, to support the PBR, for the Revolving Funds Directorate's internal use (the exhibit will not be published) to support the President's budget ("Backup to PB") request, and for publication as part of the congressional justification materials for the President's budget request ("President's Budget"). The single exception is the Fund-28 Execution Performance Analysis, which must be submitted for budget execution reviews only.

						4930.1		4930.2				4930.3				4930.4		4930.5					4932	4950	4931	4955
						Army		Navy / USMC				Air Force				DeCA				DLA				WHS		
Exhibit	Exhibit Requirements	Activity	PBR	PB Back up	PB	Supp.	IO	Supp.	Depot	R&D	MSC	Depot	CSAG-S	SMAG-R	TWCF	Resale	Ops.	DFAS	DISA	SCM	Energy	Docs.	DCSA	PRMRF	BMF	NDSTF
SM-1	Supply Management Summary by Division	S	N	N	Y	X		X					X	X		X				X	X					
SM-3b	Weapon System Requirements	S	Y	N	Y	X		X					X													
SM-4	Inventory Status	S	Y	N	Y	X		X					X	X		X				X	X					
SM-5a	Markup on Materiel Cost	S	Y	Y	N	X		X					X	X						X						
SM-5b	OP-32 Price Change	S	Y	Y	N	X		X					X	X						X						
SM-6	War Reserve Materiel	S	Y	N	Y	X							X	X						X	X					
SM-16	Unit Cost Summary	S	Y	Y	N	X		X					X	X						X	X					
Fund-1	Summary of Price, Program and Other Changes All	All	Y	N	N	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Fund-1a	Details of Price, Program and Other changes (OP- 32)	All	Y	N	N	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Fund-2	Changes in Cost of Operations	NS	Y	N	Y		X		X	X	X	X			X		X	X	X			X	X	X	X	X
Fund-5	Total Cost Per Output Summary	NS	Y	Y	N		X		X	X	X	X			X		X	X	X			X	X			
Fund-6	Depot Maintenance 0.06 Capital Investment Plan	D	Y	N	Y		X		X	X		X														
Fund-7	Customer Rate Computations	I	Y	N	N		X		X	X		X														
Fund-8	Air Mobility Command (USTRANSCOM)	-	Y	N	N										X											
Fund-9a	Capital Investment Summary	All	Y	N	Y	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X		
Fund-9b	Capital Investment Justification	All	Y	N	Y	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X		
Fund-9c	Capital Budget Execution	All	Y	N	Y	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X		
Fund-11	Source of New Orders & Revenue	All	Y	N	Y	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Fund-11a	Carryover Calculation Reconciliation	I	Y	N	Y		X	X	X	X	X	X														
Fund 12	Customer Orders to Customer Funding Reconciliation Exhibit	All	Y	Y	N	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
Fund-13	Cash Management Plan	All	Y	Y	N	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
Fund-13b	Cash Requirements	All	Y	Y	N	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
Fund-13c	Summary of Cash Flows	All	Y	Y	N	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
Fund-14	Revenue and Costs	All	Y	N	Y	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
Fund-15	Fuel Data	S	Y	N	Y		X		X	X	X	X			X						X					
Fund-16	Materiel Inventory Data	I	Y	N	Y		X	X	X			X														
Fund-19	Military Personnel by End Strength	All	Y	N	N	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
Fund-22	Summary of Base Support	All	Y	N	N	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
Fund-24	Summary of Personnel Data	NS	Y	N	N		X		X	X	X	X			X			X	X				X			
Fund-28	Execution Performance Analysis	All	BERs Only			X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
Fund-30	Unutilized/Underutilized Plant Capacity	I	Y	Y	N		X					X														
OP-8	Civilian Personnel Costs	All	Y	Y	N	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
OP-32	Operation & Maintenance	All	Y	Y	N	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
PB-15	Advisory and Assistance Services	All	Y	Y	N	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
PB-22	Headquarters Costs	All	Y	Y	N	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
PB-54	Civilian Personnel Hiring Plan	All	Y	Y	N	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
Fund-23	Statement of Financial Condition	S	Y	N	Y																					X
PR-1	Cost of Services	-	Y	N	Y																			X	X	
SP-1	Stockpile Financial Status Report	S	Y	N	Y																					X
Fund-4	Summary of General and Administrative Costs	S	Y	Y	N																					X
PB-2	Program Financing Summary	S	Y	Y	N																	X				X
PB-2a	Program Financing Detail	S	Y	Y	N																	X				X
PB-32	Summary of Price and Program Changes	S	Y	Y	N																					X
OP-9	Analysis of FTE Costs	-	Y	Y	N													X								

[1/] OUSD(C) RF electronic format required.

[2/] USTRANSCOM must submit separate Fund-15 exhibits for its Commercial and Military airlift augmentation efforts.

2.4.3. Component Narrative. A component narrative is required for the President's budget submission to the Congress. Each DoD Component will provide a Summary by Component in table form consisting of cash and net outlays; revenue, expenses, and operating results; civilian full-time equivalents and military end strength; unit costs, rates, and other key indicators. In addition, each Component will provide a summary table for each of its DWCF activities. Discuss any planned changes in DWCF activity make up, location, or product lines. Provide short explanatory bullets where significant changes occur.

2.4.4. WCF Activity Narrative. For each DWCF activity, the DoD Component will submit a narrative analysis that, as a minimum, addresses the following areas:

2.4.4.1. A general description of the DWCF activity to include names and locations of subordinate commands, its outputs and customers, and performance and quality metrics. Discuss any planned changes in the DWCF activity make up, location, or product lines. Display cash and net outlays, revenue and expenses, operating results, civilian full-time equivalents and military end strength, unit costs and rates and other key indicators in tabular form. If a section of the narrative, an exhibit or set of exhibits is not required by a specific activity, please provide an explanatory statement. Provide short explanatory bullets where significant changes occur.

2.4.4.2. The analysis should focus on the changes from year to year and how these changes are related to work load and productivity trends; an analysis of any special business-type schedules requested in the Budget Call letter; and a discussion of work load and manpower trends, productivity initiatives/cost reductions, unit costs, and customer prices incorporated in the DWCF activity budget.

2.4.5. Copies. Numbers of copies of the required materials to be submitted with the annual budget estimates are identified in Volume 2A, Chapter 1. In addition, for the PBR, an electronic copy of the justification material for each DWCF activity will be provided to the respective Revolving Fund analyst and an electronic copy will be made available to the OUSD(C) Program and Financial Control Directorate on the SIPRNET. The OUSD(C) will notify Fund Managers if additional copies are required. The Budget Call Letter will provide any additional submission instructions, such as posting of the electronic copy to the internet.

2.4.6. Classification. The DWCF justification books prepared by the Components are to be unclassified. Submit any classified exhibits under separate cover.

2.4.7. Formats. Paper copies of justification material will be submitted on 8-1/2 x 11-inch paper. Variations in format to facilitate printing are permissible. Additionally, modifications may be made to exhibit formats with the approval of the respective Revolving Fund analyst to eliminate redundant information or provide further clarification.

* 2.4.8. Database Requirements. Consistent with the guidance contained in Volume 2A, Chapter 1, the DWCF budget estimates for financing and civilians will be entered into the Comptroller Information System (CIS). The CIS is typically loaded in August before the review of the justification material. The CIS entries are in obligations, as opposed to expenses. The financing entries for federal and non-federal orders correspond to new orders displayed on the Fund-11 and must be entered. System requirements may affect the minimum amount of required

financing entered into the database. Specific instructions on entering CIS data can be found on the SIPRNET CIS website.

2.4.8.1. The DWCF Operating Budgets will be entered into the CIS as new obligations. However, certain budget exhibits may reflect expense rates where applicable. Each component is responsible for ensuring that expenses and obligations reconcile in the budget justification and that each depicts a reasonable estimate of costs. For non-supply activities, inconsistencies will become apparent in the final rate worksheet reconciliation to CIS entries.

2.4.8.2. The DWCF Capital Budgets will be entered into the CIS as the amount of contract authority expected to be obligated in that fiscal year. This amount should be equal to the program totals displayed on the Fund-9c "Capital Budget Execution" exhibit. The CIP prior year carryover request amounts are not entered into CIS for the CY. The actuals for CIP PY Obligations in CIS must reflect the total obligations from AR(M) 1307 Statement of Operations, Part VI – Capital Program, Obligations This Fiscal Year Column, inclusive of all program years.

2.4.8.3. Enter estimates of civilian full-time equivalents (FTEs) for civilian personnel data and military end strength for military personnel data.

2.4.8.4. Changes to CIS data submitted by the DoD Components will be recorded in a decision document or technical adjustment. Technical adjustments may be used when a DoD Component requests minor changes due to new information or correction of errors during the PBR. The changes to the budget reflected in the final decision document will be expressed as obligations, FTEs for civilian personnel, and end strength for military personnel, and adjusting entries will be generated. Final composite rate and price adjustments will be documented in a memorandum signed by the USD(C), or designee, at the completion of the PBR.

2.4.9. Special Schedules - For the Supply Management activities, the narrative must include a section on workload and economic assumptions. These assumptions must include the following data for the prior, current, and budget fiscal years: items managed (#), requisitions received (#), receipts (#), issues (#), contracts executed (#), and supply materiel availability (%).

2.5 DWCF Application of Commonly Used Financial Management Terms

2.5.1. Commitment. A firm administrative reservation of funds, based on firm procurement directives, orders, requisitions, authorizations to issue travel orders, or requests which authorize the recipient to create obligations without further recourse to the official responsible for certifying the availability of funds. The recording of a commitment reserves funds for future obligations. The DWCF activities are not limited to the amount of commitments that can be incurred in the course of operations (unlike other DoD appropriations). Annual Operating Budgets (AOBs) provide legal and administrative restrictions only on the amount of contract authority that may be obligated in a given fiscal year.

2.5.2. Direct Appropriations. Amounts appropriated by the Congress to the DWCF for war reserve materiel, Defense Commissary Agency, or other purposes.

2.5.3. End of Period (EOP). The last day of a specified fiscal year, normally September 30, used to determine the closing status of resources.

2.5.4. Outlays. Disbursements issued from the U.S. Treasury for goods and services received. Gross outlays are equal to the cumulative amount of disbursements made for the fiscal period to date. Net outlays are equal to gross outlays less the cumulative amount of collections received for the fiscal period to date, plus/minus transfers out/in, minus Direct Appropriations received.

2.6 Supply Management DWCF Activity Definitions

2.6.1. This section provides standard definitions to Supply Management terminology associated with the development of budget justification material. The category of the term, Financial Management (FM), Logistics, or both is indicated in parenthesis.

* 2.6.2. Definition of Terms Used in Supply Management DWCF Activities

2.6.2.1. Acquisition Leadtime (Logistics). The interval in months between the initiation of procurement action and the receipt into the supply system of the production model (excludes prototypes) purchased as the result of such actions. Acquisition Leadtime is composed of two elements, production leadtime and administrative leadtime.

2.6.2.2. Administrative Leadtime (Logistics). That portion of the Acquisition Leadtime that begins with the identification of the need to buy and the contract award. The time between the initiation of paperwork and contract.

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

2.6.2.4. Beginning of Period (BOP) (both). The start of a specified fiscal year, normally on October 1, used to determine the opening "snapshot" status of resources. Typically, the end of period accounting balances from the previous fiscal year become the BOP balances of the current FY; BOP balances may be adjusted for price changes.

2.6.2.5. Capitalized Inventory (Both). On-hand and on-order inventories of supplies funded by other appropriations and funds are considered as contributed capital as of the date when management responsibility for the items is undertaken (see Provisioning).

2.6.2.6. Capitalization (Both). The process whereby the Fund assumes management responsibility and ownership of assets (such as inventory) without reimbursing other DoD appropriations or funds.

2.6.2.7. Contingency Retention Stock (Logistics). That portion of the quantity of an item excess to the Approved Acquisition Objective for which there is no predictable demand or

quantifiable requirement and that normally would be allocated as potential reutilization stock, except for a determination that the quantity will be retained for possible contingencies. This is a budget stratification category and is not the same as "War Reserve Materiel," which is held for immediate use of military deployments.

2.6.2.8. Cost of Goods (Materiel) Sold (COGS) (FM). The COGS is the expensed value of the items sold at the standard or exchange price, respectively. The COGS cannot be recorded until a sale occurs even though the purchase and cash outlay occurred in a previous fiscal year. The COGS is based on inventory valuation that may not be directly related to actual cash required to purchase inventory for the continuity of operations (see Materiel Cost Adjustment).

2.6.2.9. Cost Recovery Elements/Surcharges (FM). Factors added to the acquisition cost or repair cost price of an item to arrive at the customer's standard or exchange price. Cost Recovery Elements/Surcharges include: (1) transportation deliveries from production site to points of use or storage (Second Destination Transportation (SDT)); (2) inventory obsolescence and loss, for the costs of pilferage, damage, deterioration, physical inventory shortages and excess; (3) inventory maintenance; (4) supply operations support costs; (5) inventory augmentation; (6) CIR factor; (7) cash surcharge; and (8) Depot Level Reparable (DLR) carcass attrition costs, if applicable.

2.6.2.10. Decapitalization (Both). The transfer of DWCF assets (such as inventory) to other appropriations or funds without reimbursement. Transfers of on order inventory between DWCF DoD Components are not considered de-capitalizations. Gains and losses of cash, relative to continuing operations at the DWCF activity level, should be taken into consideration to establish an acceptable reimbursement process based on validated undelivered orders (dues in).

2.6.2.11. Demand (Customer Order) (Both). Demand is an indication of a requirement (i.e., requisition, request, issue, reparable generation, etc.) for issue of serviceable materiel. Demands are categorized as either recurring or nonrecurring and are also referred to as funded orders. Demands for reparable items should indicate whether or not a carcass will be returned.

2.6.2.12. Economic Retention Stock (Logistics). That portion of the quantity of an item greater than the Approved Acquisition Objective determined to be more economical to retain for future peacetime issue than to dispose and satisfy projected future requirements through procurement or repair. To warrant economic retention, items must have a reasonably predictable demand rate. The use of available resources for replenishment and growth of economic retention stock should be evaluated relative to the need to reduce potential inventory shortages in other commodities that have higher reoccurring demands.

2.6.2.13. Exchange Price (EP) (FM). In a system that supports exchange pricing, this is the price charged to customers returning a DLR part that needs repair and purchasing a serviceable one (new or repaired). Equates to the latest repair price plus wash out costs (condemnations) per item plus pricing elements necessary to recover other operating costs. (Note: If no carcass (unserviceable item) is returned, the customer must be charged the full standard

price.) The discount the customer receives for exchanging a DLR part that needs repair will be the same for all items in the same Interchangeable and Substitutable (I&S) family, with the exception of any obsolete items that are no longer suitable substitutes in an I&S family. This applies to both exchange sales and primary inventory control activity (PICA) / secondary inventory control activity (SICA) transactions where the customer pays full price and then receives a payment for returning the DLR.

2.6.2.14. Expendable Supplies and Materiel (Logistics). Supplies, sometimes referred to as consumable supplies and materiel, that are consumed (e.g., paint, fuel, cleaning, preserving materiel, surgical dressings, drugs, and medicines) or lose their identity in use.

2.6.2.15. Initial Spare and Repair Parts (both). Those spares and repair parts introduced through the provisioning process to establish inventory levels prior to reoccurring demands for that item. These inventory levels must be provided or funded by other DoD appropriations (see Volume 4, Chapter 4). Components may request, subject to approval by the Director or Deputy Director for Revolving Funds a cost recovery element in the pricing structure to cover these requirements (See Volume 11B Chapter 15).

2.6.2.16. Insurance Item (Logistics). A non-demand-based stocked essential item for which no failure is predicted through normal usage. However, if a failure were to be experienced or a loss occur through accident, abnormal equipment or system failure, or other unexpected occurrence, lack of replacement would seriously hamper the operational capability of a weapon system.

2.6.2.17. Inventory (Supply) (both). Materiel titled to the U.S. Government, held for sale or issue, held for repair, or held pending transfer to disposal.

2.6.2.17.1. Consumer Level of Materiel and Supplies: Materiel and Supplies, usually of limited range and depth, held only by the final element in an established supply distribution system for the sole purpose of internal consumption. Materiel and Supplies at the consumer level is normally no longer considered DWCF inventory.

2.6.2.17.2. Intermediate Level of Inventory (Local): Materiel and Supplies held between the wholesale and consumer levels, regardless of funding source.

2.6.2.17.3. Wholesale Level of Inventory (National): Inventory, regardless of funding sources, over which the inventory manager at the inventory control point level has asset knowledge and exercises unrestricted asset control to meet worldwide inventory management responsibilities.

2.6.2.17.4. Inventory Augmentation (Both). A growth in inventory beyond initial stockage levels that is not demand based. This includes changes in engineering estimates resulting in higher stockage levels. Costs may be recouped by direct appropriation or a cost recovery element in the pricing structure to cover these requirements (See Volume 11B, Chapter 15).

2.6.2.17.5. Retail Inventory. Supplies/materiel held at a second point of sale below the wholesale level (e.g., management of DLA inventory purchases within a specific Military Department).

2.6.2.18. Inventory Cost Categories (FM)

2.6.2.18.1. Operating Costs. All costs not associated with the purchase or repair of materiel that must be incurred in order for the DoD Components to manage a supply DWCF activity. Does not include materiel-related costs, which constitute the basis for cost of goods sold.

2.6.2.18.2. War Reserves. Direct appropriation funding is required to procure items for war reserve stocks. These materiels are required to support approved force mobilization objectives. The approved force mobilization objective is the quantity required, in addition to peacetime assets normally available on any given date, to equip and support the approved force structure.

2.6.2.18.3. Historic Cost. The price paid for an item at the time it was purchased from a supplier.

2.6.2.18.4. Moving Average Cost (MAC): A historical cost method of valuing inventory. Each time a new quantity is purchased, the average value of all items on hand is recalculated. This value is used for accounting purposes including the COGS value on the Fund-14 "Revenue and Costs."

2.6.2.18.5. Replenishment Cost. The current price of an item from a vendor that will result in a cash outlay resulting from an obligation in the current fiscal year.

2.6.2.19. Numeric Stockage Objective (NSO) Item (Logistics). A non-demand-based, stocked, essential item for which, although failure may be predicted, the probability of demand is so low that it does not meet the stockage criteria at a given activity and, as a demand-based item, would not be stocked. Since the lack of a replacement item would seriously hamper the operational capability of a weapon or weapon systems, the item is therefore stocked; using direct appropriations, as non-demand-based. Also included in this category are:

2.6.2.19.1. Items needed to support particular programs of a nonrecurring or sporadic nature (e.g., set assembly, non-repetitive overhaul programs) where re-procurement is not required once the particular program has been completed.

2.6.2.19.2. Items that are procured on a life-of-type basis or which are "bought out" at the termination of a production program.

2.6.2.19.3. Items that are not fully consumed during a one-time or non-repetitive program but which should be retained for possible future need on a similar program.

2.6.2.20. Inventory on Order (Logistics). The quantities of materiel required to sustain operations in the interval between requisitions and the arrival of successive shipments; the amount of inventory required to satisfy current demands when leadtimes are taken into account. These quantities should be based on the established replenishment period (i.e., monthly, quarterly, etc.). This is also referred to as the "Pipeline," "Undelivered Orders," or "Due ins from Procurement and Repair."

2.6.2.21. Other War Reserve Materiel Requirements (Logistics). The total war reserve materiel requirement less the sum of the pre-positioned war reserve requirements. These are also known as non-prepositioned requirements.

2.6.2.22. Pre-positioned War Reserve Materiel Requirement (PWRMR) (Logistics). That portion of the war reserve stocks required to be on hand on M-Day which approved Defense Guidance dictates be reserved and/or positioned at or near the point of planned use or issued to the user prior to hostilities, to reduce reaction time and to assure timely support of a specific force/project until replenishment can be effected.

2.6.2.23. Price Stabilization (FM). The Department's policy that requires components to maintain the standard price of each cataloged supply item throughout each fiscal year except for correction of errors (See Volume 11B Chapter 15).

2.6.2.24. Materiel Cost Adjustment (MCA) (FM). The amount of cost increase realized from suppliers above the MAC, used on the SM-5b "OP-32 Price Change." (MAC + Inflation + MCA = Replenishment Costs.) This amount is typically above the standard rate of inflation. Standard inflation should be accounted for in the "Materiel Inflation Adjustment" recovery element; it should not be double counted in the MCA. For example, if a new part has been upgraded by the manufacturer, the price may increase by 10 percent. In this case, 2 percent may be "normal inflation" and 8 percent can be attributable to the MCA. In some cases, normal inflation may be the only recovery element required. For pricing purposes, inflation and an MCA may have to be applied as a cost recovery element to ensure receipt of sufficient budgetary resources to support the cash outlays required for replenishment.

2.6.2.25. Production Lead Time (Logistics). The time interval between the letting of a contract or the placing of an order and the first significant receipt into the supply system of materiel purchased as a result of such action.

2.6.2.26. Provisioning Item (Logistics). Spares and repair parts required as both demand and non-demand-based levels in the supply system to support new fielding of end items. Typically, these are new inventory requirements or increased requirements for system modifications or service life extensions (including clothing and textiles) that require direct appropriations by other DoD Components to establish the supply chain. This includes required safety stocks and other inventory stratification categories. In some cases, upon approval by the Director or Deputy Director for Revolving Funds, customers may be charged for the establishment of new inventory as a recovery element. An agreement between the program manager and the DWCF activity should be made prior to the obligation of any DWCF resources (See Volume 11B, Chapter 15).

2.6.2.27. Provisioning Item (Outfitting) (Both). That portion of Provisioning consisting of items for which a sale is anticipated to an appropriated outfitting (buy-out) account. Direct appropriations are required to establish inventory levels for these items until requirements can be forecast based on actual demands for their replenishment using obligation authority.

2.6.2.28. Reclassification (Logistics). The logistics term referring to the transfer of assets between inventory strata (e.g., from Economic Retention to Contingency), used on the SM-4 "Inventory Status.

2.6.2.29. Repair Cycle Level (Logistics). The quantity of reparable items required to sustain operations during the repair cycle that commences when a maintenance replacement takes place and ends when the unserviceable asset is returned to stock in a serviceable condition. This includes such stages as removed, awaiting shipment, in transit, in pre-repair screening, in process of repair, and being returned to serviceable stock. Any extraordinary awaiting-parts delays and any intentional extended-transit, storage, or repair-process delays should be excluded from the repair cycle.

2.6.2.30. Reparable Item (Logistics). An item of supply subject to economical repair and for which the repair (at either depot or field level) is considered in satisfying computed requirements at any inventory level.

2.6.2.31. Replenishment Spare and Repair Parts (Logistics). Demand-based spare and repair parts required for re-supplying current inventory levels. Inventory levels may increase above initial stockage when there is a concurrent increase in customer orders. Fewer inventories will be required when there is a decrease in customer orders. These include both reparable and consumable parts in support of fielded items.

2.6.2.32. Requisitioning Objective (also known as the "Authorized Acquisition Objective") (Logistics). The maximum quantities of materiel to be maintained on hand and on order to sustain current operations and core war reserve. It will consist of the sum of stocks represented by the operating level, safety level, and the order and shipping time or procurement time, as appropriate.

2.6.2.33. Safety Level of Supply (Logistics). The quantity of materiel required to be on hand to permit continuous operations in the event of minor interruption of normal replenishment or unpredictable fluctuations in demand.

2.6.2.34. Standard Price (both). The price that customers are charged for DoD Inventory Control Point (ICP)-managed items (excluding subsistence). The standard price remains constant (stabilized price) throughout a fiscal year except for the correction of significant errors. The standard price is computed based on various factors, including the replenishment cost of the item plus surcharges to recover costs for transportation; inventory loss, obsolescence and maintenance; CIR; and supply operations. (Note: See Exchange Price for prices of Depot Level Reparables in systems that support exchange prices.)

2.6.2.35. Stockage Objective (Logistics). The maximum authorized quantity of materiel on hand to sustain current operations. It consists of the sum of stock represented by the operating level, the safety level, the repair cycle level, and authorized additive levels.

2.6.2.36. Stratification Process (Both). A uniform portrayal of requirements and asset application that is a computer-generated simulation of actions causing changes in the supply position, e.g., procurement, repair, receipt, issue, terminations, and disposal of materiel.

2.6.2.37. Unfunded Requirement for Spares (both). The difference between the spare and/or repair parts requirement computed in accordance with DoD Policy (e.g., ***DoDI 4140.01***, "DoD Supply Chain Materiel Management Policy") and the amount of that requirement that is funded.

2.6.2.38. Unobligated Commitments (FM). Amount of commitments incurred this fiscal year to date that have not resulted in obligation at the end of the report period.

2.6.2.39. Variability Target (FM). The projected amount of additional contract authority reflected on the SM-1 "Supply Management Summary" exhibit to allow supply activities to respond to variances in costs and/or unexpected changes in recurring customer demands during the execution year. The release of the variability target is associated with increased mission requirements due to the operating tempo of the military departments. Budgetary resources are provided by increased sales associated with customer purchases and the accompanying cash flow. The variability target may not be used as a source for inventory augmentation or provisioning because these requirements should be supported by appropriated funds or a cash surcharge element of the cost recovery rate in follow-on years, to ensure the needed balance between budgetary and proprietary resources.

2.6.2.40. Anticipated Recoveries of Prior Year Contract Authority. Components must estimate additional contract authority requirements and include on SM-1 Supply Management Summary by Division exhibit.

2.6.2.41. War Reserves (both). Stocks of materiel amassed in peacetime to meet the increase in military requirements forecasts contingent on an outbreak of war. War reserves are intended to provide the interim support essential to sustain operations until re-supply can be effected.

2.7 Non-Supply Definitions

* 2.7.1. Definitions Used in Non-Supply Activities

2.7.1.1. Maintenance Depot. Industrial DWCF facilities whose primary missions are to overhaul, manufacture, and re-manufacture weapon systems, ordnance, or other forms of equipment. These activities include Army and Marine Corps Maintenance Depots, Ordnance Depots, Arsenals, Navy Fleet Readiness Centers, and Air Force Aviation Depots.

2.7.1.2. DLH Rate. The stabilized rate method that assigns revenue per DLH. The DLH rate is computed by dividing the sum of all direct and indirect production labor, non-labor,

and materiel, and general and administrative expenses, adjusted for direct reimbursements, NOR, and Capital Investment Program (CIP) or Cash surcharges, by the total number of DLHs (or other outputs) anticipated to be accomplished during the fiscal year.

2.7.1.3. DLH. The DLHs, sometimes referred to as Direct Product Standard Hours, are the hours required to perform the direct work on a product, or to perform a billable service for customers. The DLHs generally include the hands-on maintenance, repair, overhaul, test, and related direct production effort that follows the established sequence and content of work necessary to accomplish the billable job. The DLHs do not include the support work or man-hours identified as either indirect production (such as supervisory) or general and administrative in nature. The DLHs are estimated for budget purposes by product or service, based on industrial or management engineering standards developed using time, method, and motion studies, historical usage averages, or professional estimating and evaluation (E&E) techniques.

2.7.1.4. Fixed Price Catalogs. Depot Maintenance activities may maintain a catalog of products and services (major end items, componentry, depot level reparable, modification kits, etc.) with their associated rework, repair, overhaul, installation, etc., based on the Standard Depot Level Maintenance (SDLM) or Planned Depot Maintenance (PDM) work package DLHs. The DLHs associated with the product or service multiplied by the stabilized composite rate for a fiscal year constitutes the firm fixed price for the catalog item. Catalogs may be maintained in hard copy or in electronic databases accessible to customers.

2.7.1.5. Total Cost of Goods Sold. The total expenses incurred in the operating budget of the activity associated with the revenue planned to be recognized for the budgeted fiscal year.

2.7.1.6. Carryover. The dollar value of work that has been ordered and funded (obligated) by customers, typically using other DoD appropriations, but not yet completed by DWCF activities at the end of the fiscal year. Carryover consists of the unfinished portion of work accepted but not yet completed.

2.7.1.7. Mission Costs. Total costs incurred to support the mission (repair of end items; selling of inventory; providing payroll services) of the DWCF activity.

2.7.1.8. Non-mission Costs. Additional costs incurred to provide services related to, but not essential to, the function of the DWCF activity. Income associated with these additional costs should be recognized as “Other Income” (Installation services; system implementation; other supply reimbursable operations).

2.7.2. Clarification of Rate Estimation. During the budget review process, each non-supply DWCF activity will use proposed new customer orders for each budget year to establish rates that will remain stabilized through the execution year. Accurate customer order projections are essential in determining the annual increase or decrease in rates.

2.7.2.1. Industrial activities (to include the maintenance and repair function of base support activities) will identify total DLHs required to accomplish the budget year’s work

program. The work program is the total number of DLHs planned to be executed in support of known and projected customer requirements during execution of the budget. All DLHs should be identified in the budget, even though some workload may be direct reimbursable rather than rate based.

2.7.2.2. Total costs estimated to be incurred in execution of this workload will be projected. This process should include application of general inflation, pay raise, and other inflation or OUSD(C)-directed price adjustments, as specified in the OUSD (Comptroller) budget formulation Budget Guidance. The sum of all these costs (including supplies, materiel, pay, CIR, and other charges, etc.) is the estimate of the total costs.

2.7.2.3. Customer requirements must be projected and separately identified to include: current (on hand) unfilled customers' orders expected to be executed during the budget year (carry-in or backlog), and work in process that will be completed; new orders anticipated to be accepted and executed during the budget year; and orders anticipated to be accepted but not executed during the year (anticipated carry-over).

2.7.2.4. Workload mix (outputs), availabilities, and production schedules must be assessed, along with any other factors that may impact program outputs such as policy changes, productivity initiatives, planned workload competitions, plant capacity, and other factors. Based on these factors, the work counts associated with each major workload category (output or product) will be identified and reported.

2.7.2.5. Total costs required to execute the planned program to produce the outputs in the approved execution program will be identified and reported in budget exhibits, with significant changes from the prior year highlighted in the Exhibit Fund-2, "Changes in the Costs of Operations."

*3.0 DWCF ACTIVITY EXHIBIT FORMATS

3.1 Purpose

The formats provided on the following pages reflect guidance presented in previous sections of this chapter. Adhere to these formats unless they are modified in a submission budget guidance. Modifications may be made to exhibit formats with the approval of the respective Revolving Fund analyst to eliminate redundant information or provide further clarification.

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*Formats and Instructions for these exhibits are in Volume 2B, Chapter 3 for the OP-8 exhibits and Volume 2B, Chapter 19 for the PB-15, PB-22 and PB-54 exhibits. These exhibits should be included as part of the DoD Component's Appropriated Budget Justification

Exhibit SM-1 Supply Management Summary

FY BUDGET _____ SUPPLY MANAGEMENT BY ACTIVITY DIVISION (DoD Component) (Dollars in Millions)										
			Obligation Targets							
Business Division	Net Customer Orders	Net Sales	Operating	Mobilization	Direct Appn	Total Operating Obligations	Total Capital Obligations	Variability Target	Anticipated Recoveries of PY Obligations	Target Total

Exhibit SM-1 Supply Management Summary (Continued)

INSTRUCTIONS FOR PREPARATION OF
SUPPLY MANAGEMENT SUMMARY (EXHIBIT SM-1)

The purpose of the SM-1, Supply Management Summary by Activity Division exhibit, is to provide summary obligation justification for the DoD Component DWCF activity. This exhibit is also used to reconcile CIS data for supply activities. Instructions for preparation of SM-1 exhibit follow:

1. Prepare the SM-1 exhibit for each year being reviewed (i.e., prior year, current year, and budget year).

2. Present dollars in millions to the third decimal place for CIS reconciliation.

3. The current year request should represent current identified requirements and may not be equal to previous amounts approved in prior year budget submissions. The minimum information required for each activity division is as follows:

Net Customer Orders (New orders from Fund-11 less Credit Returns)

Net Sales

Operating Obligations

Mobilization Obligations

Direct Appropriations

Total Operating Obligations- This amount is entered into the program line in the CIS.

Total Capital Obligations- This amount is entered into the capital line in CIS.

Variability Target- This amount is not entered into CIS but is documented on the budget exhibit for inclusion in the apportionment from OMB.

Anticipated recoveries of prior year contract authority

Target Total

Exhibit SM-3a Requirements to Budget

FY (DoD Component) BUDGET SUPPLY MANAGEMENT Requirements to Budget	DIVISION		DATE
	(Dollars in Millions)		
	PY	CY	Budget Year (BY)
A. CUSTOMER DEMANDS			
1. Total New Demands (Sales/Exchanges in FY)			
2. Stock Due Out (Backorders) (BOP)			
3. New Items (excluding provisioning)			
4. Provision (SM-5a element)			
5. Other Demands (Specify) (Non-reoccurring)			
Total Customer Demands			
B. ASSETS AVAILABLE TO SATISFY CUSTOMER DEMANDS			
1. Serviceable On Hand (BOP)			
2. Projected Deliveries			
3. Projected Funded Repairs			
4. Other Serviceable Asset Deliveries			
Total Serviceable Assets Available			
C. FUNDING REQUIREMENT			
1. Unfunded Demands (A-B)			
2. Transportation (FDT)			
3. Repair Costs			
4. Other Costs (Specify) (Reconcile to SM-1)			
Total Funding Requirement			
Deferred Funding Adjustments			
1. Requirement deferred/eliminated (-)			
2. Deferred requirement added (+)			
Funding Requirement with Adjustments			
D. Non-WCF Initial Spares from other DoD Appropriations (Memo Entry)			

Exhibit SM-3a Requirements to Budget (Continued)

INSTRUCTIONS FOR PREPARATION OF
REQUIREMENTS TO BUDGET (EXHIBIT SM-3a)

The purpose of the SM-3a Requirements to Budget exhibit provides backup information to support obligations based on inventory requirements determined by customer demand. That is, the SM-3a Requirements to Budget exhibit identifies resources required to replenish sales of inventory for each fiscal year (i.e., prior year, current year, budget year).

1. Prepare an SM-3a exhibit for each DWCF Supply activity (not each division). Non-inventory costs, as reflected on the Fund-1/1a Summary/Details of Price, Program and Other Changes exhibits, are considered "Overhead and Other Management Costs". Total obligations reported on this exhibit represent obligations for inventory procurement and repair. Present dollars in millions to the third decimal place.

2. Use the latest inventory cycle available since the exhibit is due in September. Instead of using the standard price, it is recommended that MAC value be used and the MCA applied as a growth factor to the MAC for each fiscal year. This will represent the projected price change over time. If a standard price is used, the overhead costs (surcharge) must be removed as part of this exhibit to get to a more representative cost of inventory and the MCA will not be added.

3. The exhibit does not reconcile to the total inventory; rather, it will focus on the time-phased customer demands (sales or exchanges) including any backorders. Inventory available (i.e., on hand and projected serviceable deliveries from buy or repair), that will satisfy those demands will be applied against the customer requirements. Finally, the portion of the customer demands that will not be satisfied with the current projected funded deliveries will be calculated so they can be satisfied through funding for new purchases or repairs. Documented unfunded requirements will also include the other projected funding needs (e.g., first destination transportation and projected repair cost increases). This exhibit will only reflect mobilization requirements to reconcile to the SM-1 exhibit; it will not include unfunded WRM demands.

4. The exhibit will include new requirements (e.g., initial provision and establishing a new stock number to replace an existing one) paid through the DWCF and reimbursed by including a cost recovery element in prices. It will also require all DoD Components to show (as a memo entry) other requirements (sponsor-owned stock, BP 28, etc.) not in the DWCF. Note: the memo entry on this exhibit provides reconciliation for other inventory purchased outside of the DWCF that may later migrate into DWCF.

5. Section A of the exhibit will reflect the Customer Demands (historical & projected for the first fiscal year and projected for the following 2 fiscal years). Section B of the exhibit will reflect the inventory (serviceable on hand and projected deliveries from buy or repair) for each of the 3 fiscal years. Section C of the exhibit will reflect the funding requirements (part of the budget) and any other unfunded (deferred) requirements. Section D of the exhibit will reflect the initial provision (memo entry) that is not funded through the DWCF. It is the total initial provisioning dollar value not under DWCF that is on hand or projected to be delivered by the BOP.

Exhibit SM-3b By Weapon System Requirements

FY___ (DoD Component) BUDGET SUPPLY MANAGEMENT By Weapon System			WEAPON SYSTEM REQUIREMENTS/CATEGORY FY____ (Dollars in Millions)			
Weapon System	Special Purchases	Basic Purchases	Basic Rework/Repair	Initial Spares	Total Program	Non-MCRS Percent

Exhibit SM-3b By Weapon System Requirements (Continued)

INSTRUCTIONS FOR PREPARATION OF
WEAPON SYSTEM REQUIREMENTS (EXHIBIT SM-3B)

The SM-3B Weapon System Requirements exhibit provides a breakout of the operating obligation request by type of supply system action (procurement versus repair) and by weapon system or category.

1. For the OSD/OMB budget review, prepare the SM-3B for each DWCF Supply activity (wholesale division) that provides military spare parts (excludes fuel, medical/dental, subsistence, etc.). For each division, prepare one Exhibit SM-3B for each fiscal year (CY, BY).

2. Definitions.

a. Special Purchases column includes outfitting, special programs and any initial spares financed through a cost recovery element on the SM-5a Markup on Materiel Cost exhibit.

b. Basic Purchases column consists of replacement spares *based on demand*s.

c. Basic Rework column is repair obligations for sales replacement.

d. Initial Spares column includes any new inventory levels financed through other DoD appropriations in this column. In theory, this column should reconcile with the P-18 exhibits provided with the Initial Spares Budget Activity of the DoD Component's procurement appropriations.

e. Total Program column shows the total operating obligation request for each weapon system.

f. Non-MCRS Percent (Non-Mission Capable Rate Supply) column shows the percentage, by weapon system, that is not mission capable due to the lack of spare parts. Report this rate target for each budgeted fiscal year.

3. Present dollars in millions to the third decimal place. Weapon systems, as defined by the applicable Service, may be aggregated into categories when individual systems are less than $25 million. The Director or Deputy Director for Revolving Funds will approve appropriate levels of aggregation. Common parts may be grouped by category such as radios or may be allocated to specific systems such as F-16 aircraft. Obligation authority requests for non-weapon system-related requirements, such as reverse engineering and forging & casting, must be separately identified.

4. Estimated data may be used and noted as such until accurate systems can be developed to provide accurate data.

5. This form will be prepared at replenishment cost or repair cost as appropriate.

Exhibit SM-4 Inventory Status

FY BUDGET	DIVISION			DATE
SUPPLY MANAGEMENT	(Dollars in Millions)			
(DoD Component) INVENTORY STATUS	TOTAL	DEMAND BASED	MOBILIZATION	NON-DEMAND BASED
1. Inventory BOP				
2. BOP Inventory Adjustments				
A. Reclassification Change (Memo)				
B. Price Change Amount (Memo)				
C. Inventory Reclassified and Repriced				
3. Purchases				
4. Gross Sales at MAC Value				
5. Inventory Adjustments				
A. Capitalizations (Net) + or (-)				
B. Returns From Customers For Credit +				
C. Returns From Customers Without Credit				
D. Returns To Suppliers (-)				
E. Transfers To Property Disposal (-)				
F. Issues/Receipts Without Reimbursement + or (-)				
G. Other (List/Explain)				
H. Total Adjustments				
6. Inventory EOP				
7. Inventory EOP, Revalued (MAC, Discounted)				
A. Economic Retention (Memo)				
B. Contingency Retention (Memo)				
C. Potential DoD Reutilization (Memo)				
8. Inventory On Order EOP (Memo)				
9. NARRATIVE (Explanation of unusual changes)				

Exhibit SM-4 Inventory Status (Continued)

The SM-4 Inventory Status exhibit shows estimated inventory levels that will result from the proposed budgets and operating levels. Prepare the SM-4 at the MAC value for the prior fiscal year, current year, and budget year for each supply management DWCF activity for each Program/Budget and President's Budget submission. A consolidated summary for the total Supply activity will be prepared for the OSD/OMB Review. The TOTAL column in the prior fiscal year exhibit must reflect the amount from supply management general ledgers used in preparation of fiscal and accounting reports. Amounts in the DEMAND BASED, MOBILIZATION, and NON-DEMAND BASED columns may be statistically derived from related inventory reports. Instructions for preparation of SM-4 Inventory Status are as follows:

1. Inventory, BOP. Amounts of inventory on hand and in transit reported must equal amounts reported as of the end of the prior year. If not, explain any difference in a footnote. The DoD Component must have title to all inventory listed here.

2. BOP Inventory Adjustments. Enter any adjustments required to the beginning position.

3. Purchases. Add the amount of inventory value on which title has passed or will pass to the reporting supply management division during the period of the report.

4. Gross Sales at MAC value. Materiel sold to customer during the period of the report. Should match the Cost of Goods Sold base value.

5. Inventory Adjustments.

a. Capitalizations (Net). Report the inventory value of materiel capitalized or de-capitalized during the period of the report. Show a net de-capitalization with (-) preceding value.

b. Returns from Customers for Credit. Show the cumulative amount of materiel returned from customers on which title has passed to the reporting supply management division during the period of the report for which credit has been given. *For fuel returns, show the cumulative amount of fuel returned based on market price valuation of current inventory.*

c. Returns from Customers without Credit. Show the cumulative amount of materiel returned from customers on which title has passed to the reporting supply management division during the period of the report for which credit was not given.

d. Returns to Suppliers. Show as a negative number the cumulative amount of materiel returned to supplier during the period of the report.

e. Transfers to Property Disposal. Show the net amount of materiel transferred to/from the DLA Disposition Service on which title has been passed to DLA.

Exhibit SM-4 Inventory Status (Continued)

f. Issues/Receipts without Reimbursement. Show the net cumulative amount of materiel issued or received without reimbursement during the period of the report. This item could include transfers from other divisions or materiel categories, etc., as required. Show net issued with (-) preceding value.

g. Other. Identify and report the amounts of other adjustments to inventory. Include all other adjustments to inventory such as adjustments for physical inventory count and unusual or infrequently occurring losses (fire, weather). Explain with footnotes if necessary. Show (+) or (-) as appropriate.

h. Total Adjustments. Add 5a through 5g.

6. Inventory EOP. Report the amount of inventory available at the end of the reporting period, including all on hand, in transit, work-in-process, and other stocks to which the reporting stock fund division holds title.

7. Inventory EOP, Revalued (MAC, Discounted). Enter any adjustments required to the ending position.

8. Inventory on Order, EOP (memo). Report the amount of demand based and mobilization undelivered orders (excluding in transit) for materiel outstanding at the end of the period.

9. Narrative. Provide additional information and description as needed.

Exhibit SM-5a Markup on Materiel Cost

Supply Management Activities – Standardized Rate
Markup on Materiel Cost (Wholesale) Cost Recovery Calculation

Cost Category	($M) CY Approved	($M) CY Requested	($M) BY
Materiel Costs Section			
a. Materiel Costs without Inflation			
b. Materiel Inflation (normal inflation)			
c. Material Cost Adjustment (includes obsolescence, losses and washouts)			
1. Total Materiel Costs			
Overhead Costs (Fund-1/1a) Section			
a. Personnel Costs (Military and Civilian)			
b. Operating Equipment and Supplies (Lines 400 & 500)			
c. Transportation (Lines 300 & 700)			
d. Other Purchased Services (Line 900)			
e. DLA Distribution			
f. DLA Disposition			
g. DLA Other			
h. DFAS			
i. DISA (All)			
j. Other DWCF Purchases (Remainder of Line 600)			
2. Total Overhead Costs			
Price Adjustments Section			
a. Capital Investment Recovery			
b. Capital Outlay Recovery (Surcharge)			
c. AOR Recovery			
d. Cash Adjustment			
3. Total Pricing Adjustments			
Markup on Materiel Cost Section			
a. Line 2 + Line 3 (Overhead Costs + Pricing Adjustments)			
b. Line 1 (Total Materiel Costs)			
c. Total Wholesale Revenue (a + b)			
4. Total Markup on Materiel Cost (Standardized Rate) (a / b)			

Exhibit SM-5a Markup on Materiel Cost (Continued)

INSTRUCTIONS FOR PREPARATION OF EXHIBIT SM-5a
MARKUP ON MATERIEL COST

The SM-5a Markup on Materiel Cost exhibit shows how to calculate the Standardized Rate for Supply DWCF activities. Each Service/Agency will provide a consolidated exhibit for the sum of all wholesale divisions managed by that Service/Agency. All Components will report expenses. The CY requested on this exhibit will match all CY data represented on all other reconciling budget exhibits (Fund-14, Fund-1). The CY approved represents what was submitted in previous budgets; in theory, all adjustments from previous budgets will be reflected in the AOR adjustment line of the budget year (BY).

Materiel Costs Section. There are three factors that make up materiel costs. Total Materiel Costs is the denominator in the Markup on Materiel Cost calculation.

a. Materiel Costs without Inflation. This is a representation of the historic value of inventory (and repair costs). The official valuation methodology for the DWCF is MAC, based on proprietary accounting. However, valuing inventory solely at the MAC value for budget purposes will not generate sufficient resources for cash outlays to maintain current inventory levels.

b. Materiel Inflation (normal inflation). This line represents the amount of "normal inflation" as approved by OMB and OUSD(C) in published memoranda. The line must be used by the DoD Component to break out this normal inflation separately from any other materiel cost growth for reconciliation purposes; it is a mandatory line and these costs must not be included in line C as part of the "MCA". Do not double count "normal inflation" on both lines.

c. Materiel Cost Adjustments (MCAs) (includes obsolescence, losses and washouts). All other adjustments involving the actual purchase or repair of inventory above that of the previous year. This line must not include normal inflation. Materiel costs associated with losses, obsolescence and wash out (condemnation) of reparable are also included in this line.

Overhead Costs (Fund-1/1a) Section. Total overhead costs should reconcile to the Fund-1 Summary of Price, Program and Other Changes exhibit less the amount displayed (if any) on the Fund-14 Revenue and Costs exhibit for direct reimbursable revenue. In theory, direct reimbursable revenue should not include a cost recovery rate and should cover all costs involved for the work performed. CIR is shown as a price adjustment instead of an overhead cost because it is a cash recovery element for capital obligations. Overhead categories directly relate to the corresponding line on the Fund-1/1a Summary/Detail of Price, Program and Other Changes exhibit.

Exhibit SM-5a Markup on Materiel Cost (Continued)

Pricing Adjustments Section. Pricing adjustments increase or decrease budgetary resources but are not related to Materiel or Overhead costs. There are three types of price adjustments.
Exhibit SM-5a Markup on Materiel Cost (Continued)

a. Capital Investments. Represents the amount of cost incurred to purchase capital assets through the CIP. This is a mandatory line.

b. AOR Recovery. This amount should be equal to the NOR for the respective year on the Fund-14. This is a mandatory line.

c. Cash Adjustment. May be used to adjust the cash resources available to that specific DWCF activity (not as an adjustment to the cash available at the DoD Component level). All cash adjustments at the DWCF activity level should reconcile to the Fund-13, Cash Management Plan. This is not a mandatory line.

Markup on Materiel Cost Section. Line 4. Total Markup on Materiel Cost (Standardized Rate (a/b) equals (Line 2. Total Overhead Costs + Line 3. Total Pricing Adjustments) divided by Line 1. Total Materiel Costs, displayed as a percentage. Adding Materiel Costs, Total Overhead Costs, and Total Pricing Adjustment equals total wholesale revenue as displayed on the SM-16 Unit Cost Summary exhibit. Total wholesale revenue, retail revenue and direct reimbursables equals total Gross Sales as displayed on the Fund-14 Revenue and Costs and SM-16 Unit Cost Summary exhibits.

Exhibit SM-5b OP-32 Price Change to Customers

OP-32 Price Change to Customers	CY (Approved)	BY
A. Total Materiel Costs without Inflation (Line 1a)		
Price Growth for OP-32		
Materiel Inflation (if used) plus MCA (Line 1b + Line 1c)		
Total Overhead Costs plus Total Pricing Adjustments (Line 2 + Line 3)		
B. Total Additional Price to Customer		
C. Additional Price Percentage (B/A)		
D. OP-32 Price Change (Percent Change in Additional Price Percentage from CY (Approved) to BY)		

Exhibit SM-5b OP-32 Price Change to Customers (Continued)

INSTRUCTIONS FOR PREPARATION OF EXHIBIT SM-5b
OP-32 PRICE CHANGE TO CUSTOMERS

The OP-32 Price Change to Customers exhibit may be presented on the same page as the SM-5a Markup on Materiel Cost exhibit. For the President's Budget Justification Book, the published OP-32 Price Change to Customers exhibit for the PY, CY, and BY will be presented in the narrative section with a brief explanation of the change from the previous year. The SM-5b OP-32 Price Change to Customers exhibit will be required as a backup exhibit to the President's Budget. All figures for the OP-32 Price Change are depicted in the SM-5a Markup on Materiel Cost exhibit.

A. Total Materiel Costs without Inflation (Line 1a). These are the amounts displayed on the SM-5a Markup on Materiel Cost exhibit that represent changes in purchases without inflation or pricing factors.

B. Total Additional Price to Customer.

Materiel Inflation plus MCA. The amount of "normal inflation" (SM-5a Line 1b) plus other Materiel Costs not accounted for by "normal inflation" (SM-5a Line 1c).

Total Overhead Costs plus Pricing Adjustments. This should be equal to the SM-5a Markup on Materiel Cost exhibit Line 4a.

C. Additional Price Percentage. This represents the composite cost recovery rate (CRR) for the activity, this divides the Total Additional Price to Customer (B) by the Total Materiel Costs without Inflation (A) and is displayed as a percentage.

D. OP-32 Price Change. The OP-32 price change is the percentage of change from the prior year approved CRR to the current budget year's CRR. The formula for the percentage change to customers is: ((1+BY Line C) divided by (1+ CY (Approved) Line C)) minus 1.

This change represents the change in price at the item level that were affected by both price and program changes in the customer budget.

Exhibit SM-6 War Reserve Materiel

WAR RESERVE MATERIEL (WRM)
STOCKPILE ($ in Millions)

STOCKPILE STATUS FOR FY_____			
	Total	WRM Protected	WRM Other
1. Inventory BOP			
2. Price Change			
3. Reclassification			
Inventory Changes			
a. Receipts			
(1). Purchases			
(2). Returns from customers			
Issues			
(1). Sales			
(2). Returns to suppliers			
(3). Disposals			
c. Adjustments			
(1). Capitalizations			
(2). Gains and losses			
(3). Other			
Inventory EOP			
STOCKPILE COSTS			
1. Storage			
2. Management			
3. Maintenance/Other			
Total Cost			
WRM BUDGET REQUEST			
1. Obligations @ cost			
a. Additional WRM Investment			
b. Replenishment/Repair WRM – Reinvestment			
c. Stock Rotation/Obsolescence			
d. Assemble/Disassemble			
e. Other			
Total Request			

Exhibit SM-6 War Reserve Materiel (Continued)

WAR RESERVE MATERIEL (WRM)
EXHIBIT SM-6

The purpose of the WRM exhibit is to notify Congress of the Department's intentions regarding the management of secondary item war reserves. Stockpile status and costs sections show the current and budgeted amounts for the inventory and the costs associated with maintaining these levels. The budget request section notifies Congress of the amounts of obligations to be used to acquire or maintain war reserve items and quantities. "Protected status" applies to items that may not be sold. "Other" applies to WRM that must be sold and replenished due to stock rotation or shelf-life issues. Exhibit instructions are as follows:

1. Stockpile Status (Same instructions as the SM-4 Inventory Status exhibit). Components should use the "reclassification" line to transfer inventory into the "protected" WRM category from "WRM Other," if desired.

2. Stockpile Costs. The WRM stockpile costs are those incurred in the WCF to store WRM materiel, to manage WRM stocks to include a portion of total Inventory Control Point costs (normally based on surcharges for purchased/repaired items funded with the obligations identified below), and any other DWCF costs to maintain the WRM inventory.

3. WRM Budget Request. This area addresses the amounts of obligation authority to be used specifically for WRM items or WRM quantities, whether from an appropriation, from cash balances, or from future sales.

a. Additional WRM Investment. (Normally reimbursed or funded by an appropriation.) The amount of obligations to purchase or repair new or additional items that will increase the value of the total WRM inventory.

b. Replenishment/Repair WRM Reinvestment. The amount of obligation authority to be used to replenish or repair WRM inventory that is sold, and the amount to be used to reinvest in new inventory with the funds from the sale of old inventory. Should normally be a one for one or dollar for dollar (excluding surcharges) replacement.

c. Stock Rotation/Obsolescence. (Separate from the stock replenishment from sales above). This is to replace stocks that are not sold but must be rotated or replaced periodically because of shelf life or obsolescence (can be related to an appropriation, if required, but normally maintains, and not increases, the value of the WRM inventory).

d. Assemble/Disassemble. The amount of obligations to be used to change the configuration of WRM inventory items.

e. Other. As appropriate.

Exhibit SM-16 Total Cost Per Unit Summary

Supply Management
Total Cost per Output Summary

Category	Unit Cost	Sales ($M)	Obligations ($M)
Wholesale Sales@Cost			
Retail Sales@Cost			
Wholesale Overhead			
Other Reimbursable Overhead (Direct Reimbursables)			
Direct Appropriation			
Less Credit			
Less CIR			
PY Total Operating Obligation Authority (SM-1)			
Wholesale Sales@Cost			
Retail Sales@Cost			
Wholesale Overhead			
Other Reimbursable Overhead (Direct Reimbursables)			
Direct Appropriation			
Less Credit			
Less CIR			
CY Total Operating Obligation Authority (SM-1)			
Wholesale Sales@Cost			
Retail Sales@Cost			
Wholesale Overhead			
Other Reimbursable Overhead (Direct Reimbursables)			
Direct Appropriation			
Less Credit			
Less CIR			
BY Total Operating Obligation Authority (SM-1)			

Instructions: This exhibit is a backup that reconciles the Budget Authority request to the SM-1 Supply Management Summary by fiscal year. Unit cost is calculated by dividing total obligations by sales associated with the obligations incurred. All amounts displayed must correspond to the applicable budget exhibit for reconciliation purposes.

*Exhibit SM-16a Unit Cost Ratio by Month and Fiscal Year

Supply Management

FY 2022 - Supply Management - Unit Cost Ratio												
Monthly	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Obligations												
Net Sales												
Cumulative	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Obligations												
Net Sales												
Unit Cost Ratio												

FY 2023 - Supply Management - Unit Cost Ratio												
Monthly	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Obligations												
Net Sales												
Cumulative	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Obligations												
Net Sales												
Unit Cost Ratio												

FY 2024 - Supply Management - Unit Cost Ratio												
Monthly	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Obligations												
Net Sales												
Cumulative	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Obligations												
Net Sales												
Unit Cost Ratio												

Instructions: This exhibit is a backup that reconciles the SM-16, Total Cost Per Unit Summary to the SM16a the monthly and cumulative executed and planned Unit Cost Ratio. The Unit cost is calculated by dividing total monthly obligations by monthly net sales associated with the obligations incurred. All amounts displayed must correspond to the applicable budget exhibit for reconciliation purposes.

*Exhibit Fund-1 Summary of Price and Program Changes – Costs

Summary of Price, Program, and other Changes (Operating Budget) - Costs
Component:
Activity:
Date:
($ in Millions)

	Cost of Ops FY PY	Cost of Ops FY CY	Price Growth	Program & Other Changes	Cost of Ops FY BY
Military Personnel Compensation (Fund-1a lines 010-050)					
Civilian Personnel Compensation and Benefits (including FNIH personnel) (Fund- 1a lines 101-121)					
Inventory (Fund-1a line 201-203)					
Travel and Transportation of Personnel (Fund-1a line 308)					
Material & Supplies (For Internal Operations) (Fund-1a lines 401-426)					
Equipment (non-CIP) (Fund-1a lines 502-507)					
Other Purchases from Revolving Funds (Fund-1a lines 601-699, except 633, 634, and 671)					
Transportation of Things (Fund-1a lines 702-771)					
General Property, Plant & Equipment (CIP) (Fund-1a lines 801-804)					
Printing and Reproduction (Fund-1a lines 633 and 921)					
Advisory and Assistance Services (Fund-1a line 932-935)					
Rent, Communications, Utilities, and Miscellaneous Charges (Fund-1a lines 634, 671, 912, 913, 914, and 915)					
Other Purchased Services (All other Fund-1a lines)					
Total Obligations					

Exhibit Fund-1 Summary of Price and Program Changes – Costs (Continued)

Instructions for Preparation of Exhibit Fund-1
Summary of Price, Program, and Other Changes

This exhibit reflects the total obligations (including direct reimbursements from non-rate based work) to accomplish the DWCF activity mission. The Fund-1 is the Summary Exhibit that consolidates the information from the Fund-1A Details of Price, Program and Other Changes exhibit. The Components are required to address changes in cost between fiscal years as either price or program. Price changes are restricted by the inflation index published in OUSD(C) guidance with the exception of price increase resulting from another DWCF activity's rate changes.

*Exhibit Fund-1a Details of Price and Program Changes – Costs

Details of Price, Program, and Other Changes (Operating Budget) - Costs
($ in Millions)

		Cost of Operations FY --	Annualization of Pay Raises	Price Growth Percent	Price Growth Amount	Program & Other Changes	Cost of Operations FY --
	MILITARY PERSONNEL COMPENSATION						
010	Officer Composite – Civilian Equivalent Rates						
050	Enlisted Composite – Civilian Equivalent Rates						
	Total Military Personnel Compensation						
	CIVILIAN PERSONNEL COMPENSATION						
101	Executive, General, and Special Schedule						
103	Wage Board						
104	Foreign National Direct Hire (FNDH)						
105	Separation Liability (FNDH)						
106	Benefits to Former Employees						
107	Voluntary Separation Incentive Program						
110	Unemployment Compensation						
111	Disability Compensation						
112	Retirement Fund Offset (**15%** of Employee's final basic pay)						
121	Permanent Change of Station (PCS)						
	Total Civilian Personnel Compensation						
	COST OF GOODS SOLD						
201	Cost of Goods Sold						
	TRAVEL						
301	Per Diem						
302	Other Travel Costs						
307	Leased Vehicles						
308	Travel of Persons						
	Total Travel						

Exhibit Fund-1a Details of Price and Program Changes - Costs (Continued)

Details of Price, Program, and Other Changes (Operating Budget) - Cost
($ in Millions)

		Cost of Operations FY --	Annualization of Pay Raises	Price Growth Percent	Price Growth Amount	Program & Other Changes	Cost of Operations FY --
	MATERIAL & SUPPLIES						
401	DLA Energy Fuel Products						
411	Army Managed						
412	Navy Managed						
413	Marine Corps						
414	Air Force Managed						
416	GSA Managed						
417	Locally Purchased						
418	Air Force Retail (General Support Division)						
419	Air Force Retail (Medical-Dental Division)						
420	Air Force Retail (AF Academy Division)						
421	DLA (Clothing and Textiles)						
422	DLA (Medical)						
423	DLA (Subsistence)						
424	DLA (Weapon Systems)						
425	- Flying Hour Air Force Supply						
426	- Flying Hour AF Retail Supply (General Support Division)						
	Total Material & Supplies						

Exhibit Fund-1a Details of Price and Program Changes - Costs (Continued)

Details of Price, Program, and Other Changes (Operating Budget) - Cost
($ in Millions)

	Cost of Operations FY --	Annualization of Pay Raises	Price Growth Percent	Price Growth Amount	Program & Other Changes	Cost of Operations FY --
General Property, Plant & Equipment non-capital						
451 ADPE						
452 Non-ADPE Equipment						
453 Software						
454 Real Property						
OTHER REVOLVING FUND PURCHASES						
601 Army Industrial Operations						
603 DLA Distribution Services						
610 Naval Air Warfare Center						
611 Naval Surface Warfare Center						
612 Naval Undersea Warfare Center						
613 Naval Fleet Readiness Centers (Aviation Depots)						
614 Space and Naval Warfare Center						
630 Naval Research Laboratory						
Transportation:						
620 Navy Transportation (Combat Logistics Force)						
621 Navy Transportation (Afloat Prepositioning Force, Navy)						

Exhibit Fund-1a Details of Price and Program Changes - Costs (Continued)

Details of Price, Program, and Other Changes (Operating Budget) - Cost
($ in Millions)

	Cost of Operations FY --	Annualization of Pay Raises	Price Growth Percent	Price Growth Amount	Program & Other Changes	Cost of Operations FY --
623 Navy Transportation (Special Mission Ships)						
624 Navy Transportation (Joint High Speed Vessels)						
625 Navy Transportation (Service Support)						
653 Transportation (Airlift Services (Training))						
Navy Base Support Services:						
631 Navy Base Support (NFESC)						
634 Navy Base Support (NAVFEC: Utilities & Sanitation)						
635 Navy Base Support (NAVFEC: Other Support Services)						
639 Facility Engineering (Composite Rate)						
Other Depot Maintenance:						
640 Marine Corps Depot Maintenance						
661 Air Force Depot Maintenance						
DLA						
633 Document Services						
669 WAWF						
670 DAAS						
675 Disposition Services						

Exhibit Fund-1a Details of Price and Program Changes - Costs (Continued)

Details of Price, Program, and Other Changes (Operating Budget) - Cost
($ in Millions)

	Cost of Operations FY --	Annualization of Pay Raises	Price Growth Percent	Price Growth Amount	Program & Other Changes	Cost of Operations FY --
DISA						
647 DISA Computing Services						
671 DISA DISN Subscription Services (DSS)						
677 DISA Telecomm Services – Other						
678 DISA IT Contracting Services						
672 Purchases from Pentagon Reservation Maintenance Revolving Fund						
679 Cost Reimbursable Purchases						
OTHER						
680 Purchases from the Buildings Maintenance Fund						
682 Industrial Mobilization Capacity						
DFAS						
673 DFAS Financial and Accounting Service						
691 DFAS Financial Operations – Army						
692 DFAS Financial Operations – Navy						
693 DFAS Financial Operations – Air Force						
694 DFAS Financial Operations – Marine Corps						
695 DFAS Financial Operations – DLA						
696 DFAS Financial Operations – Other Defense Agencies						
Total Other Fund Purchases						

Exhibit Fund-1a Details of Price and Program Changes - Costs (Continued)

Details of Price, Program, and Other Changes (Operating Budget) - Cost
($ in Millions)

	Cost of Operations FY --	Annualization of Pay Raises	Price Growth Percent	Price Growth Amount	Program & Other Changes	Cost of Operations FY --
TRANSPORTATION						
702 AMC SAAM						
703 AMC Joint Exercise Transportation Program (JETP) Exercises						
704 Airlift Readiness Account (ARA)						
705 AMC Channel Cargo						
706 AMC Channel Passenger						
707 AMC Training						
708 MSC Chartered Cargo						
709 MSC Surge Sealift (Reduced Operation Status)						
714 MSC POL Tanker ships						
718 SDDC Liner Ocean Transportation						
719 SDDC Cargo Operations (Port Handling)						
720 Defense Courier Service						
722 MSC Afloat Prepositioning (Army)						
723 MSC Afloat Prepositioning (Air Force)						
727 SDDC Other						
771 Commercial Transportation						
Total Transportation						
OCONUS Transportation-Supply Mgt only (Memo)						

Exhibit Fund-1a Details of Price and Program Changes - Costs (Continued)

Details of Price, Program, and Other Changes (Operating Budget) - Cost
($ in Millions)

	Cost of Operations FY --	Annualization of Pay Raises	Price Growth Percent	Price Growth Amount	Program & Other Changes	Cost of Operations FY --
General Property, Plant & Equipment Depreciation						
801 ADPE						
802 Non-ADPE Equipment						
803 Software						
804 Minor Construction (real property)						
OTHER PURCHASED SERVICES						
901 Foreign National Indirect Hire (FNIH)						
902 Separation Liability (FNIH)						
912 Rental Payments to GSA (SLUC)						
913 Purchased Utilities (non-Fund)						
914 Purchased Communications (non-Fund)						
915 Rents & Leases (non-GSA)						
917 Postal Services (U.S.P.S.)						
920 Supply & Materiels (non-Fund)						
921 Printing & Reproduction						
922 Equipment Maintenance by Contract						
923 Facility Sustainment, Restoration, and Modernization by Contract						
925 Equipment Purchases (non-Fund)						
927 Air Defense Contracts and Space Support (AF)						
928 Ship Maintenance by Contract						
929 Aircraft Rework by Contract						

Exhibit Fund-1a Details of Price and Program Changes - Costs (Continued)

Details of Price, Program, and Other Changes (Operating Budget) - Cost
($ in Millions)

	Cost of Operations FY --	Annualization of Pay Raises	Price Growth Percent	Price Growth Amount	Program & Other Changes	Cost of Operations FY --
930 Other Depot Maintenance (non-Fund)						
932 Management and Professional Support Services						
933 Studies, Analysis, and Evaluation						
934 Engineering and Technical Services						
935 Training and Leadership Development (Advisory and Assistance Services)						
936 Training and Leadership Development (Other Contracts)						
937 Locally Purchased Fuel						
941 Technical Drawings (Supply Operations only)						
942 Forgings & Castings (Supply Operations only)						
969 Other Engineering Services & Support						
984 Equipment Contracts						
985 R&D Contracts						
987 Other Goods and Services from Federal Sources						
989 Other Contracted Services						
Total Other Purchases						
TOTAL						

Exhibit Fund-1a Details in Price and Program Changes – Costs (Continued)

Definitions of Fund-1a Categories - Cost
Details of Price, Program, and Other Changes (Operating Budget)

General. The Fund-1a exhibit reflects the total costs of supporting the applicable activity for each fiscal year PY, CY, and BY. Components must address changes in cost between years as price- or program-driven for each line item. All entries are expenses. Round data to at least the nearest tenth of a million (e.g., show $10.4 million, not $10 million).

Military Personnel Compensation - Chapter 26 depicts cost elements for Military Personnel.

Civilian Personnel Compensation - The cost elements include VERA and RIF as well as the costs to offset the short-term costs of buyouts. Line 112 Retirement Fund Offset (15 percent of Employee's final basic pay) applies to employees who take a buyout and voluntary early retirement under the Civil Service Retirement System (CSRS).

Cost of Goods Sold – This element represent the cost of goods sold for Supply Activities

Travel – These elements represent the cost of transportation of people.

Materiel & Supplies - These elements support internal materiel, equipment, and supply costs associated with operations. Distinguish between costs associated with materiel purchased from Fund businesses and that purchased from non-Fund businesses.

General Property, Plant & Equipment non-capital – These elements are for equipment purchases made with operating funds for non-capital assets.

Other Revolving Fund Purchases - Purchases from other DoD WCF activities (to include the PRMRF and BMF) to support the internal operations of the activity. Include purchases by supply activities from depot maintenance activities in the respective 600 Other Revolving Fund Purchases category. Report purchases from the DWCF supply activities to support internal General and Administrative operations (not consumed as part of direct or indirect business operations) in category 400. Lines 601-675 should include purchases made at stabilized rates.

Transportation – These elements represent the transportation of things.

General Property, Plant, and Equipment (Depreciation) – These elements are for the depreciation of general property, plant, and equipment.

Other Purchased Services

Line 941 Technical Drawings (Supply Operations only) - The amount entered for Technical Drawings represent purchases from contractors.

Line 942 Forgings & Castings (Supply Operations only)- The amount entered for Forgings and Castings represent purchases from contractors.

Purchases of engineering services, other than those shown on lines 932-934, should be included on line 969, Other Engineering Services and Support.

Delete lines for which there are no costs, for any of the included years (PY, CY, BY), from the submitted exhibit (rather than including them with an amount of zero).

Exhibit Fund-2 Changes in Costs of Operations

Changes in the Costs of Operation
Component/Activity:
Date:
(Dollars in Millions)

	Costs
FY PY Estimated Actual	
FY CY Estimate in President's Budget:	
Estimated Impact in FY CY of Actual	
FY PY Experience:	
List	
Pricing Adjustments:	
Civilian Personnel	
Fuel Price	
Program Changes:	
List	
FY CY Current Estimate:	
Pricing Adjustments:	
Annualization of Prior Year Pay Raises	
FY BY Pay Raise	
Civilian Personnel	
Military Personnel	
Fund Price Changes	
General Purchase Inflation	
Other Price Changes (list)	
Productivity Initiatives and Other Efficiencies:	
Productivity Initiative 1	
Fund Productivity	
Etc.	
Program Changes:	
Change 1	
Etc.	
Other Changes:	
Capital Investment Recovery	
Other (list)	
FY BY Estimate:	

Exhibit Fund-2 Changes in Costs of Operations (Continued)

Instruction for the Preparation of the Fund-2 Exhibit
Changes in the Cost of Operations

The Fund-2 exhibit will explain the changes in the operating budget (costs) from one fiscal year to the next (i.e., FY to CY to BY) at a meaningful level of detail, relating program changes to changes in the level of work load (Unit Cost outputs) to the maximum extent possible. A Fund-2 exhibit for each non-supply DWCF activity is required. Strategies and plans to improve activity productivity and quality are of particular interest. Reform initiatives which impact changes in costs and rates should also be documented. Accordingly, the cost impacts of productivity initiatives should be separately identified on this schedule. Each DWCF activity should include a paragraph outlining major productivity improvement plans and associated resources including but not limited to capital investment, education and training initiatives, process improvements, consolidation and streamlining, work force motivations, and incentives.

Provide a narrative explanation for changes. Round data to at least the nearest tenth of a million (e.g., show $ 10.4 million, not $ 10 million).

For changes in cost due to productivity initiatives, list the detailed initiatives and amounts for each. Distinguish the cost reductions associated by individual productivity initiatives.

Exhibit Fund-3 Labor and Manpower Breakdown

Labor and Manpower Breakdown
Component: _____
Activity: _____
Date: _____

	($ in Millions)		
	PY	**CY**	**BY**
Direct Labor			
Direct Non-Labor			
Direct Materiels			
Direct Contracts			
Direct CIR			
Direct Other			
Total Direct			
Indirect Labor			
Indirect Non-Labor			
Indirect Materiels			
Indirect Contracts			
Indirect CIR			
Indirect Other			
Total Indirect			
G&A Labor			
G&A Non-Labor			
G&A Materiels			
G&A Contracts			
G&A CIR			
G&A Other (Installation Management Costs)			
Total G&A			
Total Cost of Operations (reconciles to Fund-1/1a)			
Manpower			
Direct Civilian FTEs			
Indirect Civilian FTEs			
G&A Civilian FTEs			
Total Civilian FTEs			
Direct Military E/S			
Indirect Military E/S			
G&A Military E/S			
Total Military E/S			

Exhibit Fund-3 Labor and Manpower Breakdown (Continued)

Instruction for the Preparation of Exhibit Fund-3
Labor and Manpower Breakout

The Fund-3 exhibit stratifies, by fiscal year (i.e., PY, CY, BY), the total DWCF activity costs in the operating budget by Direct, Indirect Production, and General and Administrative (G&A) (overhead) categories. For the G&A category, only the military and civilian personnel carried in and paid for by the DWCF activity should be reflected in the personnel FTE and end strength numbers. This includes personnel paid from the activity payroll such as assigned security guards and personnel working in the office of the DWCF activity director. However, this does not include the personnel assigned to a general & administrative activity that provides base operations support to the activity unless they are carried in the end strength of the DWCF activity.

For installations owned and operated by a DWCF activity whose primary mission is other than installation management, costs associated specifically with installation management should be identified as G&A Other. These costs will be considered separate and distinct from mission G&A costs.

Compute FTEs by dividing the applicable total number of hours by the number of hours in a work year (e.g., 2080; see OMB Circular A-11 for the correct hours for each year).

Exhibit Fund-5 Total Cost Per Output Summary

Total Cost Per Output Summary
Component: _____
Activity: _____
Date: _____
($ Millions)

	Workload PY CY BY	Unit Cost PY CY BY	Total Cost PY CY BY
Output Operating Budget			
List each output whether measured or not.	Estimated workload for measured outputs.	Estimated unit cost for measured outputs.	Estimated total cost for measured and unmeasured outputs. O&M functions must include reimbursable outputs.
Total Operating Budget	No Data Entry	No Data Entry	Sum the total estimated cost for all outputs. O&M-funded activities must include reimbursable outputs.
Capital Budget	No Data Entry	No Data Entry	List the estimated total capital budget.

Exhibit Fund-5 Total Cost Per Output Summary (Continued)

Instruction for the Preparation of Exhibit Fund-5
Total Cost Per Output Summary

The Fund-5 is required for all activities except supply activities. Only a single line is required for industrial activities summarizing the cost rate (not the standardized rate for revenue collection) per DLH for the PY, CY and BY. Activities that have multiple outputs and use a standardized rate based on a revenue per specific unit of output (Transportation, Base Support, DFAS, DISA) should report the cost per specific unit of output (not revenue rate) as depicted on the DWCF activity's respective annual operating budget (AOB).

Exhibit Fund-6 Depot Maintenance-6 Percent Capital Investment Plan

COMPONENT:_____
DEPOT MAINTENANCE 6 PERCENT CAPITAL INVESTMENT PLAN

(Dollars in Millions)

	REVENUE (Maintenance, Repair, Overhaul) 3 year average			BUDGETED CAPITAL (Modernization, Efficiency)		
	Prior Year	Current Year	Budget Year	Prior Year	Current Year	Budget Year
	PY(-1)	CY(-1)	BY(-1)			
	PY(-2)	CY(-2)	BY(-2)			
	PY(-3)	CY(-3)	BY(-3)			
Revenue (Avg)	*	*	*			
Working Capital Fund	*	*	*			
Appropriations (if applicable)	*	*	*			
WCF Depot Maintenance Capital Investment				*	*	*
Facilities/ Work Environment				*	*	*
Equipment				*	*	*
Processes				*	*	*
Appropriated Funding - List by Appropriation				*	*	*
MILCON						
Procurement						
Operation & Maintenance						
Component Total				*	*	*
Minimum 6% Investment				*	*	*
Investment Over/Under Requirement				*	*	*

Narrative:

Exhibit Fund-6 Depot Maintenance -6 Percent Capital Investment Plan (Continued)

Instructions for the Preparation of Exhibit Fund-6,
Depot Maintenance –6 Percent Capital Investment Plan

Minimum Capital investment for certain depots is required in accordance with ***10 U.S.C. § 2476***. Instructions for preparation of Exhibit Fund-6 are as follows:

A. Prepare a Summary Exhibit Fund-6 that provides the total for the activity and a separate Fund-6 for each maintenance depot to include Army Depots, Navy Aviation Depots, Navy Shipyards, Marine Corps Depots, and Air Force Depots.

B. Dollars in millions and tenths of a million.

C. The following will be defined:

1. Revenue (Avg): Only revenue for Maintenance, Repair and Overall will be included in accordance with amendment (1).

2. Revenue (3 Year Average): The preceding 3 years of actual or estimated revenue divided by three for Prior Year, Current Year, and Budget Year columns.

3. Categories of applicable capital investment:

a. Modernization. Typically refers to upgrades associated with the available current technology.

b. Efficiency. Typically refers to efforts to improve workflow and increase throughput while maintaining or reducing current costs. Also may refer to improved quality of work performed.

c. If a modernization leads to an efficiency, then the investment is still considered a modernization. An efficiency not dependent on a modernization is classified an efficiency. If an investment has elements of both, the DoD Component should record the best representation that can be determined.

d. A narrative should be included with the Exhibit Fund-6 to address the following:

1. A specification of any statutory, regulatory, or operational impediments to achieving the minimum percentage requirement.

2. A description of the benchmarks for capital investment established for each covered depot and military department and the relationship of the benchmarks to applicable performance measurement methods used in the private sector.

Exhibit Fund-6 Depot Maintenance -6 Percent Capital Investment Plan (Continued)

3. If the minimum percentage requirement is not met for a military department for the fiscal year covered by the report, a statement of the reasons why the requirement was not met and a plan of actions for meeting the requirement for the fiscal year beginning in the year in which the report is submitted.

e. The legislation provides waiver authority for the Secretary of Defense if the Secretary determines that the waiver is necessary for reasons of national security and notifies congressional defense committees.

Exhibit Fund-7 Customer Rate Computations

CUSTOMER RATE COMPUTATIONS
Department of (Component Name)
Activity: _____

Part I: Stabilized Revenue Rate:	**CY Stabilized Rate**	**DLHs**	**($)**	
Revenue (Fund-14)		XXX	XXX	
Less Direct Reimbursables (Non-Rate Based)		XXX	XXX	
Revenue from Rates		**XXX**	**XXX**	
Revenue from CY Orders	XXX	XXX	XXX	
Revenue from BY Orders		**XXX**	**XXX**	
BY Stabilized Revenue Rate			**XXX**	
Part II: Stabilized Cost Rate:				
Revenue from Rate Based Orders			XXX	
Less NOR Adjustment			XXX	
Other Adjustments (List and Explain)			XXX	
Total Rate Based Costs		**XXX**	**XXX**	
BY Cost Rate (Fund-5)			**XXX**	
Part III: Fund-1 Reconciliation				
Total Rate Based Costs		XXX	XXX	
Direct Reimbursables			XXX	
Total Fund-1 Summary of Price, Program, and Other Changes			**XXX**	
Percentage rate Change from CY (BY Stabilized Revenue Rate / PY Stabilized Revenue Rate) -1				**XXX**

Exhibit Fund-7 Customer Rate Computations (Continued)

Instructions for the Preparation of Exhibit Fund-7,
Customer Rate Computations

The purpose of this exhibit is to establish a standardized rate to customers that reconciles Revenue, Total Costs, and NOR for industrial DWCF activities using DLHs.

For industrial activities, program financing (revenue) is a function of the estimated of the total cost of goods sold (total expenses) adjusted for NOR, Capital Requirements and other surcharges, divided by the programmed output (total DLHs), to identify an initial revenue rate per DLH.

The number of military and civilian DLHs associated with carry-in workload (unfilled customer orders on hand at the start of the current year) times the prior year stabilized rate (rate in effect when the carry-in orders were accepted) will be identified as revenue earned in the current fiscal year. The DLHs and associated dollars will be subtracted from the BY total DLHs and revenue as identified above.

Part I: All revenue associated with direct reimbursable costs (non-rate based workload) and orders received in the current year must be removed with the associated DLHs in order to forecast a BY Revenue Rate for new orders. Total revenue must cover all projected costs and NOR adjustments as depicted on the Fund-14. The BY revenue rate is the revenue expected from new orders divided by the DLHs associated with that workload.

Part II: The NOR adjustment must be subtracted from the total rate based revenue (not just the new order revenue) because total expenses in the BY will be a combination of CY and BY workload. Subtracting a negative NOR will add to the costs reflecting costs greater than revenue as depicted on the Fund-14. The BY cost rate is total rate based costs divided by total rate based DLHs (not just new order revenue DLHs). The BY cost rate, total rate based costs, and total rate based DLHs should reconcile to the Fund-5.

Part III: Total Fund-1 Summary of Price, Program, and Other Changes costs should reconcile with total rate based costs and direct reimbursables.

Exhibit Fund-8 Air Mobility Command Common User Services

COMMON USER TRANSPORTATION SERVICES TRANSPORTATION WORKING CAPITAL FUND ($ in Millions)			
	FY PY	FY CY	FY BY
1. Beginning Accumulated Operating Results			
2. Cost of Operations			
a. Channel Passenger			
b. Channel Cargo			
c. Special Assignment Airlift Mission (SAAM)/JETP			
d. Training			
Total Costs			
3. A. Rate and Reimbursable Revenue			
a. Channel Passenger			
b. Channel Cargo			
c. SAAM/JETP			
d. Training			
3A. Total Rate and Reimbursable Revenue			
B. Airlift Readiness Revenue			
a. Channel Passenger			
b. Channel Cargo			
c. SAAM/JETP			
d. Training			
e. AOR Recovery			
3B. Total Airlift Readiness Revenue			
Total Revenue			
4. Net Operating Results			
5. Ending Accumulated Operating Results			

Exhibit Fund-8 Air Mobility Command Common User Services (Continued)

Instruction for the Preparation of Exhibit Fund-8
Common User Transportation Services

This exhibit displays the costs, revenues, NOR, and AOR of USTRANSCOM's operations, with emphasis on the explanation of item 3B, Total Airlift Readiness Revenue. The USTRANSCOM must include a narrative outlining reasons for variances greater than 20 percent for each line of Airlift Readiness Revenue from one year to the next.

For changes in Airlift Readiness Revenue, distinguish the factor(s) that causes the change (e.g., utilization factors, airlift rates set to compete with private sector rates, commercial transportation prices, aircraft maintenance prices).

Round data to the nearest tenth of a million.

Exhibit Fund-9a Activity Capital Investment Summary

Line Number	Item Description	PY		CY		BY	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
	Non-ADPE Equipment - Vehicles - Materiel Handling - Installation Security - Quality Control/Testing - Medical Equipment - Machinery ADPE & Telecom Equip Computer Hardware (Production) Computer Hardware (Network) Computer Software (Operating System) Telecommunications Other Support Equipment Software Development List Separately Internally Developed Externally Developed Minor Construction Capabilities - Replacement - New Construction - Environmental **TOTAL OBLIGATIONS***						
	Total Capital Outlays Total Capital Investment Recovery						

**Fund 9a Summary exhibit must reconcile to the Fund 9b project justification.*

Exhibit Fund-9a Activity Capital Investment Summary (Continued)

Instructions for the Fund-9a Exhibit
Capital Investment Summary

General - The aggregate project line items listed for each major category are the minimum submission requirements. Projects may be added or modified to meet the specific requirements of the DWCF activity as long as there is a corresponding Fund-9b that describes what is being purchased and the reason for the requirement. The summary item description and the aggregate project amounts on the Fund-9a must correspond to the individual Fund-9b. All Prior Year projects will be shown by line item detail cross-referenced to the corresponding Fund-9b. In addition, the ADPE and Telecommunications equipment and software development Fund-9b Exhibit line number assigned should also be used for cross-referencing within the Information Technology Exhibits as outlined in Chapter 18 of this regulation. Use the approved DWCF activity name. The four major categories for Capital Investment Programs are as follows:

(1) Non-ADPE & Telecommunication Equipment > $250K: Equipment, other than ADPE and Telecommunications Resources. A separate Fund-9b will be provided for each aggregate project. Each project will include cost estimates for at least the subcategories shown above (unless no equipment of that kind is purchased). Other project categories may be added.

(2) ADPE & Telecommunications > $250K: ADPE and Telecommunications Equipment Component will provide a Fund-9b for each of the aggregate projects listed above (unless no equipment of that kind is being purchased). Other project categories may be added. One Fund-9b narrative may address all projects under $5,000,000 by category (e.g. “Other ADPE Support Equipment under $5,000,000”). Items that exceed $5,000,000 will be addressed separately in the narrative.

(3) Software Development > $250K

a. Software Development must be shown on a separate Fund-9b by item detail for projects equal to or greater than $5,000,000. All software projections must comply with DoD Chief Information Officer (CIO) requirements/approvals.

b. One Fund-9b may be submitted for software development under $5,000,000 that does not need DoD CIO approval. This Fund-9b may be submitted with a general statement of the enhancements that will be provided. In addition, the Fund-9bs must include a system delivery date/s. If it is a spiral development, all delivery dates and amounts to be capitalized will be included in the Fund-9bs.

(4) Minor Construction within the thresholds contained in 10 U.S.C. § 2805.

a. Minor Construction may be combined into one Fund-9b as long as each project listed is below the threshold. The Fund-9b must contain a statement that no Minor Construction project exceeds the current MILCON threshold.

Exhibit Fund-9a Activity Capital Investment Summary (Continued)

b. All special categories of minor construction will be listed and justified separately (such as Navy R&D). 10 U.S.C. § 2805, paragraph (d) authorizes activities to use up to of funds available for operation and maintenance for unspecified minor construction projects for laboratory revitalization and recapitalization. However, Congressional notification is still required for projects exceeding the threshold.

1. Section 1.4, Policy, provides specific guidelines for inclusion or exclusion of an item in the capital budget, and the necessary analysis required to substantiate a capital budget request.

2. Definitions for these capital budget categories are provided below:

A. Non-ADPE Equipment exceeding the capitalization threshold will be capitalized and depreciated. Equipment should be aggregated into projects by like-types. There is no limit on the number of projects that may be used.

B. ADPE and Telecommunications Equipment having a system unit cost exceeding the capitalization threshold will be capitalized and depreciated.

(1) ADPE and telecommunications resources consist of computer hardware, operating system software (including utility and communications software) and telecommunications equipment as defined in OMB Circular A-11.

(2) ADPE costs will be displayed in five parts: (1) Computer Hardware (Production), (2) Computer Hardware (Network) (3) Computer Software (Operating System), (4) Telecommunications, and (4) Other Support Equipment. The last category includes investments such as uninterrupted power sources and air conditioning that must be purchased to support computer and telecommunications resources.

C. Software Development/Modernization with a system unit or lifecycle cost exceeding the capitalization threshold will be capitalized and depreciated. Internally developed software and externally developed Software will be listed separately.

(1) Software development includes the actual development and acquisition of the information system as defined in OMB circular A-11. This category does not include software developed for a customer for use in a weapon system.

(2) Software development/modernization will be budgeted by project. A project is defined as any change, modernization, or improvement to a system, subsystem or severable module of a system that by itself will provide an economic benefit or improvement in a business process. This must include all changes or improvements needed to interface or integrate with other ancillary systems. A project has a start and stop date, a specific amount of funds, and results in a usable end product.

Exhibit Fund-9a Activity Capital Investment Summary (Continued)

(3) Software development/modernization projects will exclude CIP ADPE investments. These will be identified separately in the ADPE and telecommunications section of the Fund-9a and Fund-9b.

D. Minor Construction projects financed by the activity and exceeding the capitalization threshold will be capitalized and depreciated.

E. Column Entries

(1) Item Description. Enter the projects/item descriptive title of Software projects to be procured.

(2) Quantity. As applicable, enter the quantity of items procured/estimated to be procured during, as FY PY, FY CY, and FY BY.

(3) Amount should reflect all costs associated with program changes through the date of preparation of the exhibit regardless of whether such changes have been previously reported. Costs will be expressed in millions of dollars to at least the nearest tenth (i.e., $2.6 million).

F. Capital Outlays – For each fiscal year, indicate the estimated total cash outlays for all capital budgeted items (above and below threshold) expended in that fiscal year regardless of the year in which the project was originally obligated.

G. Capital Investment Recovery (CIR) – For each fiscal year, show the estimated budget CIR that will be included in customer rates for all capital assets in that year. This amount will agree with the CIR reported on the Revenue and Expense Statement (Fund-14) and in the CIR Section of the Fund-1a.

Exhibit Fund-9b Activity Capital Purchase Justification

* ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION ($ in Thousands)			A. Budget Submission								
B. Component / Business Area / Date			C. Line No. & Item Description						D. Activity Identification		
Element of Cost	FY PY			FY CY			FY BY				
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost		
Non-ADPE & Telecom											
ADPE and Telecommunications											
Software Development (line item -- by project)											
Minor Construction											

Narrative Justification:

This exhibit will provide detailed justification by line item in support of summary capital investment purchases shown on the Fund-9a Exhibit.

- Describe the enhancement afforded by the existing equipment/ADPE and telecommunications resources/software development/facility and the shortcomings inherent in the current situation.
  - -- Describe the benefits to be realized from the proposed capital investment.
  - -- Indicate whether an economic analysis or cost analysis has been performed and, if not, why not. Summarize the net present value advantages of the proposed investment over alternatives considered and discarded. Be prepared to provide a copy of supporting economic analysis upon request.
  - -- For MILCON projects, provide a copy of the supporting Form 1391 for new projects not previously submitted or identified.
  - -- Describe the impact of not making the proposed capital investment.
  - -- For computer software, separately identify license fees.
  - -- Alternatively, dollars in millions may be used out to three decimal places.

Exhibit Fund-9b Activity Group Capital Purchase Justification

Exhibit Fund-9b Activity Capital Investment Justification (Continued)

Instructions for the Preparation of Exhibit Fund-9b
Capital Investment Justification

I. General

A. The purpose of this exhibit is to provide narrative justification in support of each project/line item detailed on the Fund-9a. A separate Fund-9b justification is required for each applicable software investments. For ADPE Telecommunication Equipment items that are equal to or greater than $5,000,000, a separate Fund-9b is not required and may be summarized into the categories displayed in the Fund-9a. Software projects over $5,000,000 and/or that need DoD CIO approval must be line itemed with individual Fund-9bs. It is important that the Fund-9b be completed and accurate as it is the primary justification for activity's capital purchases.

B. Separate Fund-9b exhibits will be submitted for each project/line item on the Fund-9a where there is an entry in either the current year or budget year(s) columns. Prior year capital investments do not require Fund-9bs for projects with only a PY entry.

II. Headings

A. For the PBR, insert "FY XX OSD/OMB submission" (XX is used for illustration purposes only. Insert the applicable fiscal year in lieu of XX).

B. Identify the applicable DoD Component/DWCF activity for the proposed capital investment. Use the approved DWCF activity name. Identify the activity that will benefit from the capital item, if possible.

C. For each project/line item (e.g., forklifts), indicate the item description contained in Exhibit Fund-9a.

D. Project/Item Description. Enter a line item identification number to cross-reference the corresponding entry on the Fund-9a along with a description of the investment.

III. Column Entries

A. Element of Cost. For items purchased under the Project/Line Item, provide applicable subcategories (i.e., vehicles may be broken down into cars, trucks, buses, etc.). For Software provide the item, and if applicable, break into module delivery subcategories.

B. Quantity. Provide the approximate number of items to be purchased under the subcategory or as applicable for software.

C. Per Unit Cost. Enter the actual or estimated unit cost, when appropriate, for each element listed. Express unit costs in thousands of dollars, to the nearest tenth (i.e., $20.1 thousand). Unit costs should be expressed in terms of "the year" costs.

Exhibit Fund-9b Activity Capital Investment Justification (Continued)

D. Total Costs. Enter the total cost of Element of Cost and where applicable, taking into consideration the quantity to be estimated to be procured and the unit costs.

IV. Narrative Justification

A. Provide complete narrative description for each applicable project/line item. This narrative justification should include sufficient information to serve as the sole justification for funding the project/line item. Include a brief description for special interest items such as ADPE Equipment equal to or great than $5,000,000. The narrative description should include, but not be limited to:

1. The nature, purpose, and intended use of the project or item(s).

2. Indicate whether an economic analysis was performed (all items within a project require the appropriate analysis).

3. Indicate the dollar value of estimated savings/cost avoidance after the equipment is installed or the project is complete and the fiscal year when the savings/cost avoidance should begin. If no savings/cost avoidance should result from the purchase, an explanation must be provided to indicate why.

Exhibit Fund-9c Capital Budget Execution

Department of (Component Name)
Activity: _____
FY 20__
FY 20__ _____ Program/Budget Submission

(Dollars in Millions)

Major Category	Initial Request	Current Proj Cost	Approved Change	Explanation
Non-ADPE				
ADPE and Telcom				
Software Development				
Minor Construction				
Total FY ___				

Instructions:

Complete for each fiscal year required in the Program/Budget Submission (i.e., PY, CY, and FY preferably all on one page), summarized by major category. The "Current Projected Column" is the program approved in the current President's Budget submission.

Initial Request. For the PY, this will be the CY column of the previous year's President's Budget. For the CY, this will be the BY column of the previous year's President's Budget. For the BY, only the "Initial Request Column" will be filled in (the BY will be displayed for comparison purposes).

Current Projected Costs. For the PY, this is the amount approved at the end of the fiscal year. For the CY, this is the amount in the current President's budget. The delta between the Initial Request and Current Projected Costs will be displayed in the "Approved Change" column. The BY is only used for display purposes.

Explanation. Provide a brief and concise explanation why the changes needed to occur.

Exhibit Fund-11 Source of New Orders & Revenue

ACTIVITY ANALYSIS
COMPONENT/ACTIVITY:
SOURCE OF NEW ORDERS AND REVENUE
(Dollars in Millions)

	FY PY	FY CY	FY BY
1. New Orders			
a. Orders from DoD Components:			
Own Component			
Appn 1			
Continue List by Appropriation			
Other Services (List by Appropriation)			
b. Orders from other Fund Activities (List by Activity)			
c. Total DoD			
d. Other Orders:			
Other Federal Agencies			
Trust Fund			
Non Federal Agencies			
Foreign Military Sales			
Total for New Orders			
2. Carry-In Orders			
3. Total Gross Orders			
4. Revenue (-)			
5. End of Year Work-in-Process (-) (a)			
6. Foreign Military Sales, Base Realignment and Closure, Other Federal, and Non-Federal orders (-) (b)			
7. Funded Carry-over			

(a) The application of the percentage-of-completion method of revenue recognition should result in the elimination of most work-in-process. Please give a detailed explanation why Work In Process would not have been billed by September 30th.

(b) See exhibit 11a for a complete list of orders to be excluded.

Supply activities use the following: to complete the Fund - 11

4. Carry-Out Orders (-)			
5. Gross Sales (-)			
6. Credit (-)			
7. Net Sales			

Exhibit Fund-11 Source of New Orders & Revenue (Continued)

Instructions for the Preparation of Exhibit Fund-11
Source of New Orders & Revenue

This Exhibit will identify the customers of each DWCF activity by DoD Component and the appropriation level. Be specific as to the source of funding by listing the appropriation name. Entries such as OSD or Army are not acceptable on this Exhibit. Lack of specificity will indicate that the funding source is unknown and may not be considered as a legitimate source of funding. The identification will be on the basis of funded orders so that DWCF activity may be linked to the appropriations for goods and services.

For line 1.a (Orders from DoD Components), show the amounts by appropriation (i.e., Operation and Maintenance, Army National Guard; RDT&E, Army; etc.) for orders accepted within the submitting Service/Component. For orders accepted from other DoD Components, show the appropriation detail for significant customers.

For line 1.b (Orders from Other Fund Activities), show the orders accepted from other Defense WCF activities. Be specific as to the activity.

The Total for New Orders on Line 1 must match data provided on other reconciling exhibits.

For line 2, Carry-In Orders, display the carry-in orders from prior fiscal years. For the Supply Management activities, carry-in orders represent back orders. This is line 3090 on the SF-133 "Uncollected Federal Payments" less accounts receivable. Accounts receivable is typically displayed on the sub-activity SF-133 as supplemental information.

For line 3, Total Gross Orders, add the sum of lines 1, Total for New Orders, and line 2, Carry-In Orders.

Line 4, Revenue, will equal total gross sales shown on the Revenue and Expense Statement.

Line 5, End of Year Work-in-Process, should equal orders from line 3, Total Gross Orders that will not be sold in the current year. For Supply Management activities, this line should equal backorders.

Components will submit summary Fund-11 exhibits for activities that have subdivisions and will submit a summary Fund 11 at the Component level.

*Exhibit Fund-11a Carryover Reconciliation

ACTIVITY ANALYSIS
COMPONENT/ACTIVITY:
CARRYOVER RECONCILIATION
(Dollars in Millions)

	FY PY	FY CY	FY BY
Part A. Carryover Calculation Categories			
1. Total New Orders			
2. Net Carry-In Orders			
3. **Total Gross Orders (Line 1 + 2)**			
4. Revenue			
5. **Carryout (Line 3 - 4)**			
6. Workload Completed per Month (Line 4 ÷ 12)			
7. **Months of Carryover (Line 5 ÷ Line 6)**			

Carryover Legend:	≤3	>3 and <5	≥5 and <7	≥7 and <8	≥8

	FY PY	FY CY	FY BY
	$ months	$ months	$ months
Part B. Carryover $ Value & Months by Location			
1. Activity 1			
2. Activity 2			
3. Activity 3			
1. Total (Sum of all Activities)			

	FY PY	FY CY	FY BY
Part C. Carryover $ Value by Appropriation & Service			
1. Operation & Maintenance			
a. Army			
b. Navy			
c. Marine Corps			
d. Air Force			
e. Other			
2. Procurement			
3. Research & Development			
4. Other DoD			
5. Non DoD			
6. No-Year Appropriation			
7. Total (Sum of all Appropriations)			

Narrative Justification:

Note: Carryover $ Value by Service & Appropriation – Include orders from other Services and Customers.

Exhibit Fund-11a Carryover Reconciliation (Continued)

Instructions for Carryover Calculations
for the Preparation of Exhibit Fund-11a, Carryover Reconciliation

The reporting of carryover will be accomplished on the Fund 11a exhibit, Carryover Reconciliation. The Fund-11a exhibit, Carryover Outlay Calculation, displays and reconciles the detail of the Fund-11 exhibit by providing revenue, customer orders, and months of carryover by fiscal year, appropriation.

Carryover calculation. All DoD Components should pay close attention to their carryover amounts as reported on the AR(M) 1307 as "unfilled customer orders". Components must budget to end each fiscal year with between five and seven months of carryover. The following metrics will be used to assess each fiscal year in the budget exhibit: ≥5 and <7 of carryover is green (within range); >3 and <5 and ≥7 and <8 months of carryover is yellow (at risk); ≤3 or ≥ 8 months of carryover is red (out of range). Components must include justification for carryover that is rated yellow or red. The justification for a yellow or red rating for each year must include the mitigating actions that will be taken to get to green including a timeline for when that will occur.

PART A - Carryover Calculation Categories.

Line 1 (Total New Orders) displays the new orders projected to be received during the fiscal year.
Line 2 (Net Carry-in Orders) displays the orders projected to be carried into the fiscal year from the prior fiscal year.
Line 3 (Total Gross Orders) is the sum of lines 1 and 2.
Line 4 (Revenue) displays the revenue projected to be earned during the fiscal year.
Line 5 (Carryout) equals line 3 minus line 4 and displays the carryout projected at the end of the fiscal year.
Line 6 (Workload Completed Per Month) equals line 4 divided by 12 and calculates the average revenue per month.
Line 7 (Months of Carryover)

PART B.- Carryover $ Value & Months by Location Activity

Line 1 (Activity 1) Enter the Fund-11 projected dollar value of carryover and months of carryover for Activity 1
Line 2 (Activity 2) Enter the Fund-11 projected dollar value of carryover and months of carryover for Activity 2
Line 3 (Activity 3) Enter the Fund-11 projected dollar value of carryover and months of carryover for Activity 3
Continue with as many Activities that are within your Component.
Total. Sum the projected dollar value of carryover for all Activities

PART C. - Carryover $ Value by Appropriation & Service

On each line, enter the projected dollar value of carryover for the appropriation.
Total. Sum the projected dollar value of carryover for all appropriations.
The total value of carryover from Part C and Part B must equal the total value of carryout from Line 5 of Part A.

*Exhibit Fund-12 Customer Orders to Customer Funding Reconciliation

	Source of New Orders			Customer Funding			Delta					
1. New Orders	PY	CY	BY	PY	CY	BY	PY	PY	CY	CY	BY	BY
a. Orders from DoD Components:	$	$	$	$	$	$	$	%	$	%	$	%
Army	$	$	$	$	$	$	$	%	$	%	$	%
Operations & Maintenance	$	$	$	$	$	$	$	%	$	%	$	%
Army	$	$	$	$	$	$	$	%	$	%	$	%
Recovery Act, Army	$	$	$	$	$	$	$	%	$	%	$	%
Army Reserve	$	$	$	$	$	$	$	%	$	%	$	%
Recovery Act, Army Reserve	$	$	$	$	$	$	$	%	$	%	$	%
Army National Guard	$	$	$	$	$	$	$	%	$	%	$	%
Research Development Testing & Evaluation	$	$	$	$	$	$	$	%	$	%	$	%
Army	$	$	$	$	$	$	$	%	$	%	$	%
Recovery Act, Army	$	$	$	$	$	$	$	%	$	%	$	%
Procurement	$	$	$	$	$	$	$	%	$	%	$	%
Aircraft Procurement, Army	$	$	$	$	$	$	$	%	$	%	$	%
Missile Procurement, Army	$	$	$	$	$	$	$	%	$	%	$	%
Weapons & Tracked Vehicles, Army	$	$	$	$	$	$	$	%	$	%	$	%
Ammunition, Army	$	$	$	$	$	$	$	%	$	%	$	%
Other, Army	$	$	$	$	$	$	$	%	$	%	$	%
Military Construction	$	$	$	$	$	$	$	%	$	%	$	%
Army	$	$	$	$	$	$	$	%	$	%	$	%
Army Reserve	$	$	$	$	$	$	$	%	$	%	$	%
Army National Guard	$	$	$	$	$	$	$	%	$	%	$	%
Military Personnel	$	$	$	$	$	$	$	%	$	%	$	%
Army	$	$	$	$	$	$	$	%	$	%	$	%
Army Reserve	$	$	$	$	$	$	$	%	$	%	$	%
Army National Guard	$	$	$	$	$	$	$	%	$	%	$	%
Family Housing	$	$	$	$	$	$	$	%	$	%	$	%
Construction, Army	$	$	$	$	$	$	$	%	$	%	$	%
Operations & Maintenance, Army	$	$	$	$	$	$	$	%	$	%	$	%
Other	$	$	$	$	$	$	$	%	$	%	$	%
Salaries and Expenses, Cemeterial Expenses	$	$	$	$	$	$	$	%	$	%	$	%
Wildlife Conservation, etc., Military Reserve	$	$	$	$	$	$	$	%	$	%	$	%
Chemical Agents and Munitions Destruction, Army	$	$	$	$	$	$	$	%	$	%	$	%
National Science Center, Army	$	$	$	$	$	$	$	%	$	%	$	%
Afghanistan Infrastructure Fund	$	$	$	$	$	$	$	%	$	%	$	%
Iraq Security Forces Fund	$	$	$	$	$	$	$	%	$	%	$	%
Iraq Train and Equip Fund, Army	$	$	$	$	$	$	$	%	$	%	$	%
Foreign Military Financing, Funds	$	$	$	$	$	$	$	%	$	%	$	%
Appropriated to the President	$	$	$	$	$	$	$	%	$	%	$	%
Army Other	$	$	$	$	$	$	$	%	$	%	$	%

Exhibit Fund-12 Customer Orders to Customer Funding Reconciliation (Continued)

	Source of New Orders			Customer Funding			Delta					
Navy	**$**	**$**	**$**	**$**	**$**	**$**	$	%	$	%	$	%
Operations & Maintenance	**$**	**$**	**$**	**$**	**$**	**$**	$	%	$	%	$	%
Navy	$	$	$	$	$	$	$	%	$	%	$	%
Navy Reserve	$	$	$	$	$	$	$	%	$	%	$	%
Research Development Testing & Evaluation	**$**	**$**	**$**	**$**	**$**	**$**	$	%	$	%	$	%
Navy	$	$	$	$	$	$	$	%	$	%	$	%
Procurement	**$**	**$**	**$**	**$**	**$**	**$**	$	%	$	%	$	%
Aircraft Navy	$	$	$	$	$	$	$	%	$	%	$	%
Weapons Navy	$	$	$	$	$	$	$	%	$	%	$	%
Ammunition, Navy & Marine Corps	$	$	$	$	$	$	$	%	$	%	$	%
Navy Other	$	$	$	$	$	$	$	%	$	%	$	%
Military Construction	**$**	**$**	**$**	**$**	**$**	**$**	$	%	$	%	$	%
Construction, Navy & Marine Corps	$	$	$	$	$	$	$	%	$	%	$	%
Shipbuilding, Navy	$	$	$	$	$	$	$	%	$	%	$	%
Military Personnel	**$**	**$**	**$**	**$**	**$**	**$**	$	%	$	%	$	%
Navy	$	$	$	$	$	$	$	%	$	%	$	%
Navy Reserve	$	$	$	$	$	$	$	%	$	%	$	%
Family Housing	**$**	**$**	**$**	**$**	**$**	**$**	$	%	$	%	$	%
Operations & Maintenance, Navy & Marine Corps	$	$	$	$	$	$	$	%	$	%	$	%
Other	**$**	**$**	**$**	**$**	**$**	**$**	$	%	$	%	$	%
Other Navy Appropriations	$	$	$	$	$	$	$	%	$	%	$	%
National Defense Sealift Fund, Navy	$	$	$	$	$	$	$	%	$	%	$	%
General Gift Fund, Navy	$	$	$	$	$	$	$	%	$	%	$	%
Wildlife Conservation, etc. Military	$	$	$	$	$	$	$	%	$	%	$	%
Reservations, Navy	$	$	$	$	$	$	$	%	$	%	$	%
Air Force	**$**	**$**	**$**	**$**	**$**	**$**	$	%	$	%	$	%
Operations & Maintenance	**$**	**$**	**$**	**$**	**$**	**$**	$	%	$	%	$	%
Air Force	$	$	$	$	$	$	$	%	$	%	$	%
Air Force Reserve	$	$	$	$	$	$	$	%	$	%	$	%
Air National Guard	$	$	$	$	$	$	$	%	$	%	$	%
Research Development Testing & Evaluation	**$**	**$**	**$**	**$**	**$**	**$**	$	%	$	%	$	%
Research, Development, Testing & Evaluation, Air Force	$	$	$	$	$	$	$	%	$	%	$	%
Procurement	**$**	**$**	**$**	**$**	**$**	**$**	$	%	$	%	$	%
Air Force Procurement Accounts	$	$	$	$	$	$	$	%	$	%	$	%
Aircraft, Air Force	$	$	$	$	$	$	$	%	$	%	$	%
Missile, Air Force	$	$	$	$	$	$	$	%	$	%	$	%
Other, Air Force	$	$	$	$	$	$	$	%	$	%	$	%
Military Construction	**$**	**$**	**$**	**$**	**$**	**$**	$	%	$	%	$	%
Military Personnel	**$**	**$**	**$**	**$**	**$**	**$**	$	%	$	%	$	%
Air Force	$	$	$	$	$	$	$	%	$	%	$	%
Air Force Reserve	$	$	$	$	$	$	$	%	$	%	$	%
Air Force National Guard	$	$	$	$	$	$	$	%	$	%	$	%
Family Housing	**$**	**$**	**$**	**$**	**$**	**$**	$	%	$	%	$	%
Other	**$**	**$**	**$**	**$**	**$**	**$**	$	%	$	%	$	%
International Military Education and Training	$	$	$	$	$	$	$	%	$	%	$	%
Air Force Other	$	$	$	$	$	$	$	%	$	%	$	%

Exhibit Fund-12 Customer Orders to Customer Funding Reconciliation (Continued)

	Source of New Orders			Customer Funding			Delta					
Marine Corps	**$**	**$**	**$**	**$**	**$**	**$**	$	%	$	%	$	%
Operations & Maintenance	**$**	**$**	**$**	**$**	**$**	**$**	$	%	$	%	$	%
Marine Corps	$	$	$	$	$	$	$	%	$	%	$	%
Marine Corps Reserve	$	$	$	$	$	$	$	%	$	%	$	%
Research Development Testing & Evaluation	$	$	$	$	$	$	$	%	$	%	$	%
Procurement	$	$	$	$	$	$	$	%	$	%	$	%
Military Construction	$	$	$	$	$	$	$	%	$	%	$	%
Military Personnel	**$**	**$**	**$**	**$**	**$**	**$**	$	%	$	%	$	%
Military Personnel	$	$	$	$	$	$	$	%	$	%	$	%
Reserve Personnel	$	$	$	$	$	$	$	%	$	%	$	%
Family Housing	$	$	$	$	$	$	$	%	$	%	$	%
Other	$	$	$	$	$	$	$	%	$	%	$	%
Defense-Wide	**$**	**$**	**$**	**$**	**$**	**$**	$	%	$	%	$	%
Operations & Maintenance	$	$	$	$	$	$	$	%	$	%	$	%
Research Development Testing & Evaluation	$	$	$	$	$	$	$	%	$	%	$	%
Procurement	**$**	**$**	**$**	**$**	**$**	**$**	$	%	$	%	$	%
Procurement, Defense-wide	**$**	**$**	**$**	**$**	**$**	**$**	$	%	$	%	$	%
National Guard and Reserve Equipment, Defense-	**$**	**$**	**$**	**$**	**$**	**$**	$	%	$	%	$	%
Military Construction	$	$	$	$	$	$	$	%	$	%	$	%
Military Personnel	$	$	$	$	$	$	$	%	$	%	$	%
Family Housing	$	$	$	$	$	$	$	%	$	%	$	%
Other	**$**	**$**	**$**	**$**	**$**	**$**	$	%	$	%	$	%
Defense Health Program, Defense-wide	$	$	$	$	$	$	$	%	$	%	$	%
DoD, Base Closure Account, 1990	$	$	$	$	$	$	$	%	$	%	$	%
DoD, Base Closure Account, 2005	$	$	$	$	$	$	$	%	$	%	$	%
DoD, Base Closure Account	$	$	$	$	$	$	$	%	$	%	$	%
Defense Emergency Response Fund, Defense-wide	$	$	$	$	$	$	$	%	$	%	$	%
Support for International Sporting Competitions, Defense-wide	$	$	$	$	$	$	$	%	$	%	$	%
Employee & Employer Contributions, Foreign	$	$	$	$	$	$	$	%	$	%	$	%
Government Social Security & Related Programs,	$	$	$	$	$	$	$	%	$	%	$	%
Chemical Agent & Munitions Destruction, Defense-	$	$	$	$	$	$	$	%	$	%	$	%
OSD Appropriated	$	$	$	$	$	$	$	%	$	%	$	%
DoD, Acquisition Workforce Development Fund	$	$	$	$	$	$	$	%	$	%	$	%

Exhibit Fund-12 Customer Orders to Customer Funding Reconciliation (Continued)

	Source of New Orders			Customer Funding			Delta					
b. Orders from other Fund Activities	**$**	**$**	**$**	**$**	**$**	**$**	$	%	$	%	$	%
Army	**$**	**$**	**$**	**$**	**$**	**$**	$	%	$	%	$	%
Army Working Capital Funds	$	$	$	$	$	$	$	%	$	%	$	%
Navy	**$**	**$**	**$**	**$**	**$**	**$**	$	%	$	%	$	%
Navy Working Capital Funds	$	$	$	$	$	$	$	%	$	%	$	%
Air Force	**$**	**$**	**$**	**$**	**$**	**$**	$	%	$	%	$	%
Air Force Working Capital Funds	$	$	$	$	$	$	$	%	$	%	$	%
Marine Corps	**$**	**$**	**$**	**$**	**$**	**$**	$	%	$	%	$	%
Defense-wide	**$**	**$**	**$**	**$**	**$**	**$**	$	%	$	%	$	%
Civil Corps of Engineers	$	$	$	$	$	$	$	%	$	%	$	%
OSD, Defense Working Capital Fund	$	$	$	$	$	$	$	%	$	%	$	%
Defense Agencies, Defense Working Capital Fund	$	$	$	$	$	$	$	%	$	%	$	%
DLA, Defense Working Capital Fund	$	$	$	$	$	$	$	%	$	%	$	%
DFAS, Defense Working Capital Fund	$	$	$	$	$	$	$	%	$	%	$	%
DECA, Defense Working Capital Fund	$	$	$	$	$	$	$	%	$	%	$	%
National Defense Stockpile Transaction Fund	$	$	$	$	$	$	$	%	$	%	$	%
Pentagon Reservation Maintenance Revolving Fund	$	$	$	$	$	$	$	%	$	%	$	%
Other	**$**	**$**	**$**	**$**	**$**	**$**	$	%	$	%	$	%
Other Working Capital Funds	$	$	$	$	$	$	$	%	$	%	$	%
Global HIV/AIDS Initiative	$	$	$	$	$	$	$	%	$	%	$	%
Global Health Programs, State	$	$	$	$	$	$	$	%	$	%	$	%
DoD-VA Health Care Sharing Incentive Fund	$	$	$	$	$	$	$	%	$	%	$	%
Lease of DoD Real Property	$	$	$	$	$	$	$	%	$	%	$	%
Other DoD	$	$	$	$	$	$	$	%	$	%	$	%
c. Total DoD	**$**	**$**	**$**	**$**	**$**	**$**	$	%	$	%	$	%
d. Other Orders:	**$**	**$**	**$**	**$**	**$**	**$**	$	%	$	%	$	%
Exchange Activities	$	$	$	$	$	$	$	%	$	%	$	%
Trust Funds	$	$	$	$	$	$	$	%	$	%	$	%
Non-Federal Agencies												
Federal Agencies												
Foreign Military Sales												
Total for New Orders	**$**	**$**	**$**	**$**	**$**	**$**	$	%	$	%	$	%

Exhibit Fund-12 Customer Orders to Customer Funding Reconciliation (Continued)

Instructions for the Preparation of Exhibit Fund-12

The source of new orders section displays data directly from the Fund-11. The customer funding section displays data from the Program Resources Collection Process (PRCP) system entered by the DoD Components consisting of funding levels for each sub-object class related to each Component's Working Capital Fund Activity Group. The delta section displays the value and percentage difference between the source of new orders section and the customer funding section. Customer funding – source of new orders = delta ($). Delta ($) / customer funding = delta (%).

Exhibit Fund-13 Cash Management Plan

CASH MANAGEMENT PLAN
Component:
Activity Group:
(Dollars in Millions)

Incremental	Fiscal Year:							
Cumulative	Operations			Financing			Total Change in Cash	Cash Balance
	Disbursements	Collections	Net Outlays	Transfers Out	Transfers In	Appropriation		
Balances:								
October								
November								
December								
January								
February								
March								
April								
May								
June								
July								
August								
September								

Provide a monthly and cumulative phasing for each and every activity group displaying disbursements, collections, transfers in, transfers out, appropriations, net outlays, and beginning and ending cash balances for the prior, current, and budget year(s). Put each year on a separate page.

Cash balance at the beginning of the FY (+/-) Total Change in Cash = Cash Balance at the end of the FY.

Submit Excel workbook (by activity including total fund roll up) to the OUSD(C) Revolving Funds Directorate's cash manager.

*Exhibit Fund-13b Cash Requirements

CASH REQUIREMENT
Component:
Activity Group:
(Dollars in Thousands)

	Cash Requirement	Fiscal Year:_____
1.	**Rate of Disbursement** (Average Amount Disbursed per Collection Cycle)	
1a.	Total Disbursements	
1b.	Number of Collection Cycles	
2.	**Range of Operation**	
2a.	Upper Estimate of Expected Operating Range	
2b.	Lower Estimate of Expected Operating Range	
3.	**Risk Mitigation** (Identify amounts held to mitigate specified risk categories)	
3a.		
3b.		
4.	**Reserves** (Identify amounts held to meet specified future requirements)	
4a.		
4b.		

The Fund 13b exhibit provides each activity group's average rate of disbursement and stratifies its cash requirement based on the amount of cash held for current year operations, subsequent operations and risk mitigation.

Submit Excel workbook to the OUSD(C) Revolving Funds Directorate's cash manager.

Exhibit Fund-13b Cash Requirements (Continued)

Instructions for Cash Requirements

1. Rate of Disbursement (Average Amount Disbursed per Collection Cycle) = Result of dividing Line 1a divided by Line 1b.

1a. Total Disbursements – total amount budgeted for disbursement from the exhibit Fund-13.

1a. Number of Collection Cycles – the total number of collections cycles planned for the year.

2. Range of Operation – header, no entry required

2a. Upper Estimate of Expected Operating Range – The maximum cash level expected based on budgeted assumptions and historical trends.

2b. Lower Estimate of Expected Operating Range – The lowest cash level expected based on budgeted assumptions and historical trends. Provide an explanation if the lower bound does not equal the sum of Line 3 and Line 4.

3. Risk Mitigation (Cash held to mitigate specified risks) – Total amount of cash held for risk mitigation. The specific risks for which cash is being reserved should be provided along with amounts on lines 3a., 3b., etc. Examples of specified risks include, but are not limited to, items such as budget estimation error and commodity price fluctuation.

4. Reserves (Cash held to meet specified future requirements) – Total amount of cash held through the fiscal year to meet specified requirements in subsequent years. A description of the requirements for which cash is being held should be provided along with amounts on lines 4a., 4b., etc. Examples include, but are not limited to, unexpended appropriations, planned capital investments, and funds retained to support the return of accumulated operating results (AOR) in subsequent fiscal years.

5. For further explanation of each of the four major elements of the cash requirement, see paragraphs 090103.A.4.d-g.

6. A narrative is required describing the methodology and makeup of 1 through 4 above as appropriate.

Note: A graphic display of the elements included in the exhibit, Fund-13b, Cash Requirements, is provided on the following page.

Exhibit Fund-13b Cash Requirements (Continued)

Graphic Display of Elements included in Exhibit 13b, Cash Requirements

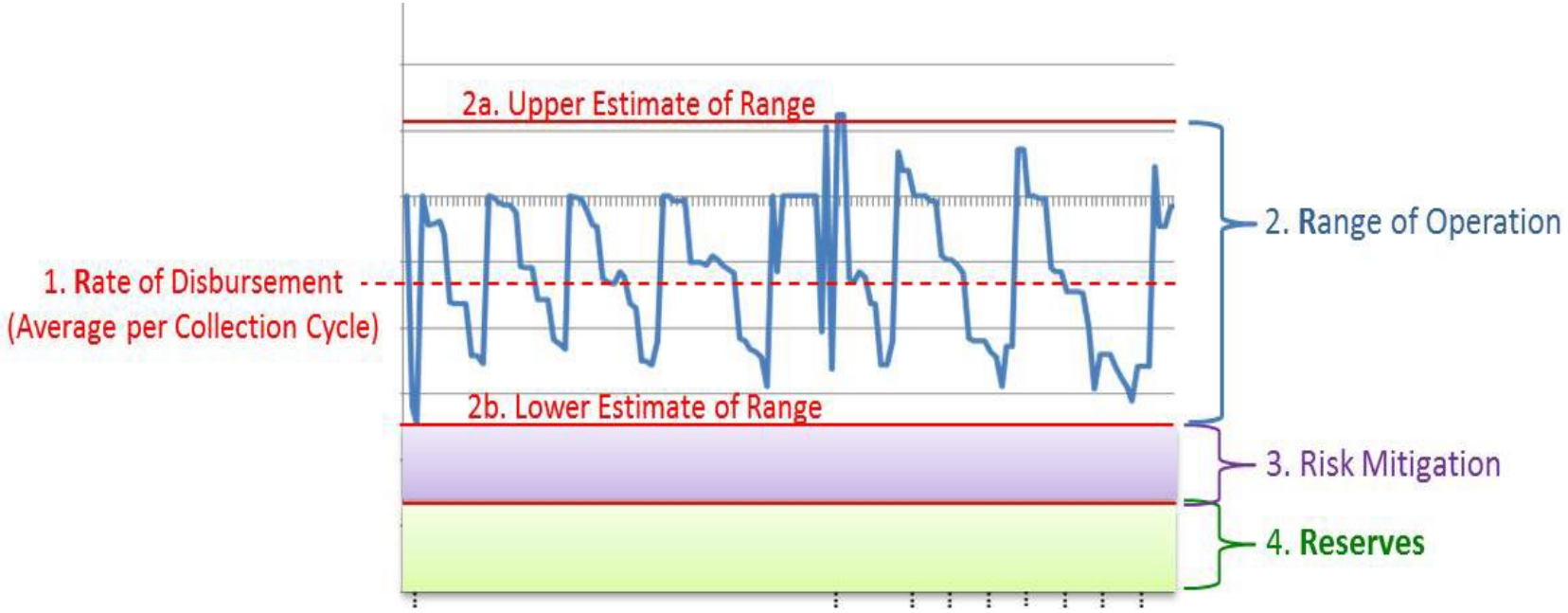

*Exhibit Fund-14 Revenue and Expenses

DEFENSE WORKING CAPITAL FUND
COMPONENT/ACTIVITY
REVENUE AND COSTS

	(Dollars in Millions)			*Do not print this column for instructions*
	FY PY	FY CY	FY BY	*Note*
Revenue				
Gross Sales	125.0			A
Operations	110.0			
Capital Surcharge	5.0			B
Capital Investment Recovery	10.0			
Other Income	6.0			C
Refunds/Discounts (-)	-25.0			
Total Income	**106.0**			
Costs				
Cost of Materiel Sold from Inventory	65.0			D
Salaries & Wages	10.0			
Military Personnel Compensation & Benefits	2.0			
Civilian Personnel Compensation & Benefits	8.0			
Travel & Transportation of Personnel	5.0			
Materials & Supplies for internal operations	1.0			
Equipment	2.0			
Other Purchases from Revolving Funds	1.0			
Transportation of Things	5.0			
Capital Investment Recovery	10.0			E
Printing & Reproduction	0.5			
Advisory & Assistance Services	0.5			
Rent, Communication, Utilities & Misc. Charges	2.0			
Other Purchased Services	1.0			
Total Expenses	**103.0**			
Operating Result	**3.0**			F
Adjustments affecting NOR (specify)	-5.0			G
Capital Surcharge	-5.0			
Net Operating Result	**-2.0**			H
PY AOR	2.0			
Other Changes Affecting AOR				
Non-Recoverable AOR	-1.0			
Deferred AOR				
AOR for Budget Purpose				

Exhibit Fund-14 Revenue and Expenses (Continued)

Instructions for Statement of Revenue and Costs
Keyed to Statement Footnotes

Note: Information on this exhibit should reconcile to other exhibits that display Revenue and Costs (Fund-7, Customer Rate Computations; SM-5a, OP-32 Price Change; Fund-11, Source of Revenue; Fund-1/1a, Summary/Details of Price, Program, and Other Changes).

A. For supply management activities, the line should reflect **Gross** sales. Credit returns should be displayed in the Refunds/Discounts line.

B. Capital Surcharge represents the increase in prices (and projected revenue) due to surcharging the capital budget requirement to provide sufficient cash to support the capital budget. This line is blank if a capital surcharge is not included in price (also see note F).

C. Other income is to include pass-through revenue such as direct reimbursable.

D. Cost of materiel sold from inventory includes the MAC value of materiel sold from inventory and the cost of repair. Both wholesale and retail costs should be included. For Supply activities, this figure does not represent required budgetary resources for inventory. If additional resources are required, a surcharge pricing element should be added on the SM-5a and an "Inventory Retention" category as an operating adjustment should be identified on the Fund-14. At the discretion of the Supply activity, "Inventory Retention" may also be used to display the difference of Total Materiel Costs on the SM-5a and Materiel Costs without inflation. In either case, the final NOR should be the same.

E. Capital Investment Recovery (CIR) reflects the estimated recoupment of all assets defined by the capital program in terms of recoupment of outlays.

F. This represents the "gross" result from operations, prior to adjustments.

G. Includes all "Other Adjustments" to NOR; multiple lines may be used. For example, Capital Surcharge reservation here should offset capital surcharge in revenue. Include any appropriations realized to offset current period costs (e.g., pass-through appropriations to cover underutilized plant capacity). Appropriations for war reserve materiel do not offset current period expenses, do not affect NOR, and should be subtracted if reported as part of revenue or be reported as an adjustment below NOR. This includes:

Transfers to correct for prior period over- or under-pricing;

1. Other approved transfers for collections from customers for which an expense has not been recorded;
2. Other collections (that are not transferred out, but placed in some sort of reserve) from customers for which an expense has not been recorded; or,
3. Unfunded expenses resulting from a policy change, which must be deleted prior to determining NOR.
4. Changes in Work-in-Process or Inventory for activity retention.

Exhibit Fund-14 Revenue and Expenses (Continued)

H. The NOR is the fiscal year gain or loss from operations. The NOR will be carried into Accumulated Operating Results (inception to date) in the equity portion of the balance sheet. NOR and AOR are key performance indicators. Sufficient unobligated and cash resources must be available to return AOR. If not, then the minimum cash retention becomes a non-recoverable adjustment. Likewise, non-supply activities must have sufficient PY unobligated balances to return AOR. If not, then AOR must be retained and a non-recoverable cash surcharge may be required in order to generate sufficient budgetary resources. In addition, CIR for DWCF activities do not typically represent the total CIP cash requirement.

I. The Deferred AOR are revenue, expenses, gains, or loss transactions that impact WCF cash and are temporarily deferred in the budget to be recovered/returned in a future year.

J. The Non-Recoverable AOR are revenue, expenses, gains, or loss transactions that do not impact WCF cash and are permanent (though they could be reversed if necessary). Common examples of non-recoverable is the depreciation of real property purchased with MILCON and reported by the WCF activity or equipment purchased with appropriated funds and then transferred without reimbursement to a Depot for use. The Depot records the depreciation but does not include those costs when developing their rates.

Exhibit Fund-15 Fuel Data

FY ___ BUDGET FUEL DATA	PROCURED FROM DLA ENERGY			PROCURED BY SERVICE			DATE
PRODUCT	BARRELS (millions)	COST PER BARREL ($)	EXTENDED PRICE ($M)	BARRELS (millions)	COST PER BARREL ($)	EXTENDED PRICE ($M)	STABILIZED PRICE
TOTAL							

Use as many rows as necessary

AEROSPACE ENERGY – For DLA use only

FY _____				
DOD SALES	UNIT	PRICE PER UNIT	UNIT PRODUCT COST	EXTENDED PRICE
PRODUCTS				
TOTAL DOD SALES				
NON-DOD SALES				
PROUCTS				
TOTAL NON-DOD SALES				
TOTAL				

Exhibit Fund-15 Fuel Data (Continued)

Instructions for the Preparation of Exhibit Fund-15 Fuel Data

The purpose of Fund-15, Fuel Data, exhibit is to provide reconciliation between the Defense Logistics Agency (DLA) Energy activity, and the customer budgets. Prepare the Fund-15 exhibit for the prior year actual, current year, and budget year. The DLA Energy activity will prepare the exhibits for both petroleum and aerospace fuel products. Prepare the exhibit for each division that procures petroleum fuel products and a consolidated exhibit. Instructions for preparation of Fund-15, Fuel Data:

1. Barrels. Use 42 gallons per barrel. Show barrels in nearest tenth of million barrels.

2. Cost per Barrel. Use cost in dollars and cents per barrel.

3. Extended Price. Multiply number of barrels by cost per barrel. Use dollars in millions and display results in tenths of a million.

4. Product. List by product.

5. Stabilized Price. Show current approved stabilized price.

The USTRANSCOM must submit separate Fund 15 exhibits for its Organic, Commercial and Military airlift missions.

Exhibit Fund-16 Materiel Inventory Data

DEFENSE WORKING CAPITAL FUND
COMPONENT/DWCF ACTIVITY:

MATERIEL INVENTORY DATA

(Dollars in Millions)
FISCAL YEAR

		------- Peacetime ------	
Total	**Mobilization**	**Operating**	**Other**

Materiel Inventory BOP

Purchases

A. Purchases to Support Customer Orders (+)
B. Purchase of long lead items in advance of customer orders (+)
C. Other Purchases (list) (+)
D. Total Purchases

Materiel Inventory Adjustments

A. Materiel Used in Maintenance (and billed/charged to customer orders) (-)
B. Disposals, theft, losses due to damages (-) *
C. Other reductions (list) (-)
D. Total inventory adjustments

Materiel Inventory EOP

Materiel inventory for the purposes of this exhibit is inventory that will be consumed in production to complete a finished product (i.e., bolts, screws, clamps, metal plates, etc.). It does not include operating materiels such as pens, pencils, paper, staples and toner cartridges.

Complete one exhibit for each fiscal year (i.e., PY, CY, and BY) for the non-supply activities (i.e., depot maintenance, etc.). Inventory pricing will be based on current policy on inventory valuation.

*This would also include reductions due to obsolescence. All other reasons for inventory reductions would be listed in item C.

Exhibit Fund-19 Military Personnel Strength

Military Personnel
By Average Strength

Service or Agency: _____

Activity: _____

Personnel Summary:

	FY PY	FY CY	FY BY	Change CY/BY
Active Military Average Strength				
Army				
Officer				
Enlisted				
Navy				
Officer				
Enlisted				
Marine Corps				
Officer				
Enlisted				
Air Force				
Officer				
Enlisted				
Total Active Military Average Strength				

Instructions: For each fiscal year, show the average strength of active military personnel, including those participating in the Personnel Force Innovation program, performing work for the WCF. Display the increase or decrease in average strength from the current year to the budget year in the "Change CY/BY" column.

Exhibit Fund-22 Summary of Base Support

DEPARTMENT OF (COMPONENT NAME)
Activity: _____

Summary of Base Support
($ in Millions)

	FY PY	FY CY	FY BY
Chapel & Chaplain Services			
Command Element			
Common Use Facility Operations, Maintenance, Repair, & Construction			
Disaster Preparedness			
Environmental Compliance			
Fire Protection			
Libraries			
Morale & Fitness Support			
Police Services			
Safety			
Shuttle Services			
Admin Services			
Audio/Visual Services			
ADP/Automation Services			
Civilian Personnel Services			
Clubs			
Communication Services			
Community Support Services			
Confinement & Detention Centers			
Custodial Services			
Education Services			
Engineering Support			
Equipment, Operation, Maintenance, & Repair			
Explosive Ordnance			
Facilities & Real Property Support			
Facility Maintenance & Repair			
Finance & Accounting			
Food Services			
Health Services			
Housing & Lodging Services			
Information Services			
Installation Retail Supply & Storage Operation			
Laundry & Dry Cleaning			
Legal Services			
Military Personnel Support			
Mobilization Support			
Mortuary Services			
Printing & Reproduction			
Purchasing & Contracting Services			
Refuse Collection & Disposal			
Resource Management			
Training Services			
Transportation Services			
Utilities			
Weather Services			
Other Support			
TOTAL			

Provide narrative explanations of changes in levels of support that, as a tenant, is a reimbursable cost of operation paid to a host activity or, as the host activity, is financed as a direct cost of operation.

Exhibit Fund-24 Summary of Personnel Data

DEPARTMENT OF (COMPONENT NAME)
ACTIVITY: _____

Summary of Civilian Personnel Data - Part I

	FY PY	FY CY	FY BY
Direct Labor Production:			
Regular Hours			
Paid Leave Hours			
Overtime Hours			
Total Hours			
FTEs			
Indirect Labor Production:			
Regular Hours			
Paid Leave Hours			
Overtime Hours			
Total Hours			
FTEs			
General & Administrative (G&A) (Overhead):			
Regular Hours			
Paid Leave Hours			
Overtime Hours			
Total Hours			
Full-time Equivalencies (FTEs)			
Total:			
Regular Hours			
Paid Leave Hours			
Overtime Hours			
Total Hours			
Total FTEs:			
Percent Direct Labor			
Percent Production Overhead			
Percent G&A Labor			
Percent Production Overhead and General and Administrative			
Hours per FTE			

Show civilian personnel data in hours, Compute FTEs by dividing the applicable total number of hours by the number of hours in a work year.

Show the percent of total FTEs which are direct labor, production overhead, general & administrative, and the sum of production overhead plus general and administrative FTEs.

Show the number of hours per FTE used to convert hours to FTEs for each fiscal year.

Exhibit Fund-28 Execution Performance Analysis

EXECUTION PERFORMANCE ANALYSIS

Quarter:_____
Page X of Y

(Component and Activity Name)

PERFORMANCE MEASURES	First Quarter Actual	Annual Plan	Projected End of Year	Projected Variance

UNIT COST ($)

TOTAL NEW ORDERS RECEIVED: **Actual through quarter and end-of-fiscal year projection only.**

ACCUMULATED OPERATING RESULTS: Actual through quarter and end-of-year projection. For all activities, including Supply, provide the reconciliation between December's AOR reported on the 1307 report and the amount you use for budget purposes.

NOR ($M)

Revenue ($M)
Costs ($M)

OUTLAYS

Collections
Disbursements

CASH BALANCE WITH TREASURY: **Actual through quarter and estimated end-of-year projection.**

Accounts Receivable
Total Unliquidated Advance Billings
(Liability)

ANALYSIS and RECOMMENDED ACTIONS
YEAREND PROJECTIONS AND ASSUMPTIONS

Exhibit Fund-28 Execution Performance Analysis (Continued)

EXECUTION PERFORMANCE ANALYSIS

Quarter:_____
Page X of Y

(Component and Activity Name)

MILITARY AND CIVILIAN PERSONNEL DATA	**END STRENGTH PLAN**	**END STRENGTH ACTUAL**	**WORK YEARS (FTE's) PLAN**	**WORK YEARS (FTE's) ACTUAL**
As of 9/30/PY				
As of 12/31/CY				
Projected 9/30/CY				
RIF's (E/S and date) (Cost $ in millions)				
VSIP/VERA (E/S and date) (Cost $M)				
ATTRITION RATE (Plan vs. Actual)				
Total DLHs Worked: Not required for Supply, DeCA, DISA, or USTRANSCOM Business Areas.				
Regular DLHs				
Overtime DLHs				

CAPITAL INVESTMENT PROGRAM OBLIGATIONS and OUTLAYS: **FY to date and end-of-year projection only.**
ANALYSIS and RECOMMENDED CORRECTIVE ACTIONS:

Exhibit Fund-28 Execution Performance Analysis (Continued)

Instructions for the Preparation of Exhibit Fund-28
Execution Performance Analysis

The OUSD(C) P/B Revolving Funds Directorate conducts first, second, and third quarter Budget Execution Reviews (BERs) each fiscal year for the DWCF, PRMRF/BMF, and DCSA WCF. Each Component is required to complete the Fund-28, Execution Performance Analysis, for each of their business areas and is expected to be prepared to discuss, by separate business areas on the items presented in the Fund-28. An official BER announcement memorandum is sent out each of the three quarters with instructions, suspense dates, and any changes to the list.

All Components must complete a Fund-28 Execution Performance Analysis, for each of their activity groups. The Accounting Report (Monthly) 1307 or Standard Form (SF) 133, Report on Budget Execution and Budgetary Resources, should be the source for the financial data. If another source is used, identify the source and provide the actual documents as supplemental information. Components will also identify any areas of concern and examples of improving efficiency or effectiveness of operations, either realized or planned. Use the narrative tab for your write-up.

BER Reporting will include the following:

1. The FY CY phasing plans for cash and NOR found in the FY BY President's Budget.
2. Must utilize the SF-133 and 1307 report data for the reporting periods December (Q1) /March (Q2)/June (Q3) for the FY.
3. Cash levels by business activity, and EOY projections as for the reporting period.
4. Total New Orders vs. Plan and EOY projections.
5. Financial data variances from plan and EOY projections.
6. Obligations, Revenues, Costs, Collections, Disbursement, Net Operating Result (NOR), and Accumulated Operating Result (AOR) actual data for the reporting period.

Exhibit Fund-30 Underutilized Plant Capacity

Unutilized and Underutilized Plant Capacity (UPC)
Industrial Mobilization Capacity (IMC)
Component:
ACTIVITY:_____ DATE:_____

	($ in Millions) FY PY	FY CY	FY BY
1 Ammunition Storage			
A. Required Maximum Containers			
B. Number of Funded Containers			
C. Non-Utilization Rate (1-B/A)			
D. Applicable Overhead			
E. Funding Requirement (C*D)			
F. Funded			
2 Ammunition Production			
A. Total Number of Production Lines			
B. Total Square Footage of all Production Lines			
C. Unutilized Production Lines (20% or less)			
D. Total Square Footage of Unutilized Production Lines			
E. Percent of Unutilized Square Footage (D/B)			
F. Applicable Overhead Costs			
G. Allowable Overhead Costs (E*F)			
H. Percent of Unutilized Production Lines (C/A)			
I. Funding Requirement (G*H)			
J. Funded			
3 Maintenance Facilities			
A. Total Number of Work Stations			
B. Unutilized Work Stations (20% or less)			
C. Non-Utilization Rate (B/A)			
D. Applicable Overhead			
E. Funding Requirement (C*D)			
F. Funded			
4 Manufacturing Facilities			
A. Total Number of Work Stations			
B. Unutilized Work Stations (20% or less)			
C. Non-Utilization Rate (B/A)			
D. Applicable Overhead			
E. Funding Requirement (C*D)			
F. Funded			
5 Real Property Maintenance			
6 Equipment Maintenance			
7 Utilities			
8 Other (specify)			
TOTAL			

Exhibit Fund-30 Underutilized Plant Capacity (Continued)

Instructions for the Preparation of Exhibit Fund-30
Unutilized and Underutilized Plant Capacity (UPC)

PART I.

The purpose of this exhibit is to determine capacity indices and mobilization funding requirements for DWCF industrial activities. Unutilized (Reserve), Underutilized Plant Capacity and Industrial Mobilization Capacity costs should be excluded from the DWCF rate structure. Overburdening the customer for costs associated with idle expansion capability is not a fair reflection of operating costs associated with workload. In many cases, these costs must be incurred by a federal facility where the private sector can choose to downsize its operations.

Appropriated funding supports equipment that is utilized 20 percent or less of capacity (hereafter referred to as "unutilized") and has a requirement to support surge and/or replenishment. It is not excess capacity; it is necessary to support core industrial maintenance requirements.

This exhibit may apply to all industrial activities (mostly Depots and Ordnance activities) whether or not the respective Service is identifying UPC funding as part of the topline submission in the O&M budget submission. Thus, at a minimum, the capacity-related indices for items numbered one through three should be completed for each industrial activity.

There are four types of facilities that may qualify:

1. Ammunition Storage
2. Ammunition Production
3. Maintenance
4. Manufacturing

Each qualifying facility must be identified and listed separately.

PART II.

For each activity with an amount in the Funded UPC (i.e., 1.F., 2.J., 3.F., 4.F.) category identified in the exhibit Fund 30 format, the following is required:

A. Narrative describing the nature of these UPC costs being incurred at the activity. Provide justification as to what is being accomplished with these funds.

B. Breakdown of costs by element.

*Exhibit PB-32 Summary of Price and Program Changes

INSTRUCTIONS FOR PREPARATION OF THE SUMMARY OF PRICE AND PROGRAM CHANGES (EXHIBIT PB-32)

The PB-32 Rates Changes exhibit provides a breakout of the detailed price and program that drive the rate changes from prior year (PY), current year (CY), and budget year (BY), by sub-object classification, as applicable.

1. For the OSD/OMB budget review, prepare the PB-32 to show the rate (percent) of price and program growth for the various object sub classifications.

2. The price growth column should show the amount of price growth for various object sub-classifications. The rate of price change for lines 401, 411-415, 502-506, 601-693, and 701-721 should agree with applicable rates approved by OSD.

3. Program amounts should be consistent with Fund purchases included in Object Class 25.3. For, AMC, MSC, and MTMC costs displayed for items; 702, 703, 705, 706, 707, 708, 711, 714, 718, 719, 720, and 771 should include all purchases from these transportation funds. These amounts should exclude all non-Defense Working Capital Fund purchases such as reimbursement to MTMC of non-Defense Working Capital Fund (overseas) port operations.

4. Line 703 JCS Exercises includes only those services in support of JCS exercises and paid only by The Joint Staff (TJS).

5. Includes centrally managed items procured by the Defense Working Capital Fund from sources other than Defense Working Capital Fund or non-Defense Stock Funds.

6. Budget year (BY program amounts should reflect stabilized rates as requested by the Service (OSD submission) or as approved by OSD (President's Budget), as applicable, to include the impact of biennial budget years' pay raises.

C. Exhibit PB-32 Summary of Price and Program Changes (Continued)

Object Sub-Class	Object Sub-Class Title	Prior Year (CY Actuals)	Price Growth Percent amount	Program and Other Changes	Current Year (CY)	Price Growth Percent amount	Program and Other Changes	Budget Year (BY)
101	Executive, General and Special Schedules							
103	Wage Board							
104	Foreign National Direct Hire (FNDH)							
105	Separation Liability (FNDH)							
106	Benefits to Former Employees							
107	Voluntary Separation Incentive Pay							
110	Unemployment Compensation							
111	Disability Compensation							
121	PCS Benefits							
308	Travel of Persons							
401	DLA Energy (Fuel Products)							
411	Army Supply							
412	Navy Managed Supplies & Materials							
413	Marine Corps Supply							
414	Air Force Consolidated Sustainment AG (Supply)							
416	GSA Managed Supplies & Materials							
417	Local Purchase Managed Supplies & Materials							
418	Air Force Retail Supply (General Support Division)							
419	Air Force Retail Supply (Medical-Dental Division)							
420	Air Force Retail Supply (AF Academy Division)							
421	DLA Materiel Supply Chain (Clothing & Textiles)							

Exhibit PB-32 Summary of Price and Program Changes (Continued)

Object Sub-Class	Object Sub-Class Title	Prior Year (CY Actuals)	Price Growth Percent amount	Program and Other Changes	Current Year (CY)	Price Growth Percent amount	Program and Other Changes	Budget Year (BY)
422	DLA Materiel Supply Chain (Medical)							
423	DLA Materiel Supply Chain (Subsistence)							
424	DLA Materiel Supply Chain (Weapon Systems)							
425	Flying Hour Air Force Consolidated Sustainment (Supply)							
426	Flying Hour AF Retail Supply Chain (General Support Divison)							
506	DLA Materiel Supply Chain (Construction and Equipment)							
507	GSA Managed Equipment							
601	Army Industrial Operations							
603	DLA Distribution							
610	Naval Air Warfare Center							
611	Naval Surface Warfare Center							
612	Naval Undersea Warfare Center							
613	Naval Fleet Readiness Centers (Aviation)							
614	Space & Naval Warfare Center							
620	Navy Transportation (Combat Logistics Force)							
621	Navy Transportation (Afloat Prepositioning Force Navy)							
623	Navy Transportation (Special Mission Ships)							
624	Navy Transportation (Joint High Speed Vessels)							
625	Navy Transportation (Service Support)							

Exhibit PB-32 Summary of Price and Program Changes (Continued)

Object Sub-Class	Object Sub-Class Title	Prior Year (CY Actuals)	Price Growth Percent amount	Program and Other Changes	Current Year (CY)	Price Growth Percent amount	Program and Other Changes	Budget Year (BY)
630	Naval Research Laboratory							
631	Naval Facilities Engineering and Expeditionary Warfare Center							
633	DLA Document Services							
640	Marine Corps Depot Maintenance							
647	DISA Enterprise Computing Centers							
661	Air Force Consolidated Sustainment Activity Group (Maintenance)							
671	DISN Infrastructure Services (DISN-IS)							
672	PRMRF Purchases							
675	DLA Disposition Services							
676	Defense Commissary Operations							
677	DISA Telecommunications Services - Reimbursable							
678	DISA IT Contracting Services							
680	Purchases from Building Maintenance Fund							
683	Purchases from DWCF Defense Counterintelligence & Security Agency							
691	DFAS Financial Operations (Army)							
692	DFAS Financial Operations (Navy)							
693	DFAS Financial Operations (Air Force)							
694	DFAS Financial Operations (Marine Corps)							

Exhibit PB-32 Summary of Price and Program Changes (Continued)

Object Sub-Class	Object Sub-Class Title	Prior Year (CY Actuals)	Price Growth Percent amount	Program and Other Changes	Current Year (CY)	Price Growth Percent amount	Program and Other Changes	Budget Year (BY)
695	DFAS Financial Operations (DLA)							
696	DFAS Financial Operation (Other Defense Agencies)							
697	Refunds							
702	AMC SAAM (Fund)							
703	JCS Exercises							
705	AMC Channel Cargo							
706	AMC Channel Passenger							
707	AMC Training							
708	MSC Chartered Cargo							
709	MSC Surge Sealift (Reduced Operating Status)							
710	MSC Surge Sealift (Full Operating Status)							
711	MSC Chartered Cargo (Fund)							
714	MSC Pol Tankership							
718	SDDC Liner Ocean Transportation							
719	SDDC Cargo Operation (Port Handling)							
720	DCS Pounds Delivered							
722	MSC Afloat Prepositioning Army							
723	MSC Afloat Prepositioning Air Force							
724	MSC Afloat Prepositioning DLA							
771	Commercial Transportation							
901	Foreign National Indirect Hire (FNIH)							
902	Separation Liability (FNIH)							
912	Rental Payments to GSA (SLUC)							

Exhibit PB-32 Summary of Price and Program Changes (Continued)

Object Sub-Class	Object Sub-Class Title	Prior Year (CY Actuals)	Price Growth Percent amount	Program and Other Changes	Current Year (CY)	Price Growth Percent amount	Program and Other Changes	Budget Year (BY)
913	Purchased Utilities (Non-Fund)							
914	Purchased Communications (Non-Fund)							
915	Rents (Non-GSA)							
917	Postal Services (U.S.P.S)							
920	Supplies & Materials (Non-Fund)							
921	Printing & Reproduction							
922	Equipment Maintenance By Contract							
923	Operation and Maintenance of Facilities							
924	Pharmaceutical Drugs							
925	Equipment Purchases (Non-Fund)							
926	Other Overseas Purchases							
927	Air Defense Contracts & Space Support (AF)							
928	Ship Maintenance By Contract							
929	Aircraft Reworks by Contract							
930	Other Depot Maintenance (Non-Fund)							
933	Studies, Analysis, & evaluations							
934	Engineering & Technical Services							
935	Training and Leadership Development (Advisory & Assistance Services)							
936	Training and Leadership Development (Other Contracts)							
937	Locally Purchased Fuel (Non-Fund)							
955	Medical Care							
957	Land and Structures							

Exhibit PB-32 Summary of Price and Program Changes (Continued)

Object Sub-Class	Object Sub-Class Title	Prior Year (CY Actuals)	Price Growth Percent amount	Program and Other Changes	Current Year (CY)	Price Growth Percent amount	Program and Other Changes	Budget Year (BY)
958	Investments and Loans							
959	Insurance Claims and Indemnities							
960	Interest and Dividends							
961	Unvouchered							
962	Undistributed							
964	Subsistence and Support of Persons							
984	Equipment Contracts							
985	Research and Development Contracts							
986	Medical Care Contracts							
987	Other Intra-Government Purchases							
988	Grants, Subsidies and Contributions							
989	Other Services							
990	IT Contract Support Services							
991	Foreign Currency Variance							
993	Other Services - Scholarships							
998	SOCOM Use Only							

VOLUME 2B, CHAPTER 10: "PUBLIC ENTERPRISE, MANAGEMENT, AND TRUST FUNDS"

SUMMARY OF MAJOR CHANGES

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

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

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

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

The previous version dated June 2010 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
1.1, 1.3, & 3.1 (100101, 100103, & 100301)	Removed reference to the closed Conventional Ammunition Working Capital Fund.	Deletion
1.2 (100102)	Replaced reference to tenants with customers.	Revision
1.4, 1.5, & 1.6 (100104, 100105, & 100106)	Updated references.	Revision
2.2, 3.1 (100202, 100301)	Updated list of budget exhibits required for the Pentagon Reservation Maintenance Fund and the Buildings Maintenance Fund.	Revision
4.2 (100402)	Replaced the word Costs with Expenses on the PR-2 exhibit to clarify the requirement. Revised the SP-1 exhibit to include prior year figures and update the format.	Revision

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CHAPTER 10

PUBLIC ENTERPRISE, MANAGEMENT, AND TRUST FUNDS

1.0 GENERAL (1001)

1.1 Purpose (100101)

1.1.1. This chapter highlights the policies and justification procedures underlying budget formulation and congressional justification. The provisions of Volume 11B "Reimbursable Operations, Policy and Procedures – Working Capital Funds (WCF),", and of Volume 2B, Chapter 9, apply to the Pentagon Reservation Maintenance Revolving Fund and Buildings Maintenance Fund.

1.1.2. The following accounts are covered:

Public Enterprise Funds
- National Defense Stockpile Transaction Fund
- Pentagon Reservation Maintenance Revolving Fund
- National Defense Sealift Fund
- Buildings Maintenance Fund

Management Funds
- None

Trust Funds
- National Security Education Trust Fund
- Surcharge Collections, Sales of Commissary Stores, Defense
- (see Volume 2A, Chapter 1, Section 010603 for listing of all current trust fund accounts)

1.2 Background (100102)

1.2.1. Public Enterprise Funds are expenditure accounts authorized by Congress to be credited with collections, primarily from the public, that are generated by, and earmarked to finance, a continuing cycle of business-type operations.

1.2.2. The Pentagon Reservation Maintenance Revolving Fund and Buildings Maintenance Funds are Enterprise Funds that operate in accordance with the provisions of Volume 11B of the DoD FMR "Reimbursable Operations Policy – Working Capital Funds (WCF)" and of Volume 2B, Chapter 9, "Defense Working Capital Funds Activity Group Analysis". These Funds satisfy recurring Department of Defense requirements by using a businesslike buyer-and-seller approach. Unlike profit-oriented commercial businesses, these activities budget to break even over the long term. Selling prices established in the budget are stabilized or fixed during execution to protect customers from unforeseen rate and price fluctuations that would impact customer ability to execute the programs approved by the Congress.

1.2.3. A basic principle of the enterprise fund structure is to create a customer-provider relationship designed to make activity managers and decision-makers at all levels more concerned

with the costs of goods and services. Requiring customers to pay for support they receive provides increased assurance that services supplied and paid for are actually needed.

1.2.4. Trust Funds. The following definitions apply to trust fund accounts.

1.2.4.1. Trust fund receipt account. Trust fund receipt accounts are credited with receipts generated by the terms of a trust agreement or statute. At the point of collection, these receipts are available for transfer to a trust fund expenditure account or are not available for transfer depending upon the terms of the trust agreement or statutory authority.

1.2.4.2. Trust fund expenditure account. Trust fund expenditure accounts are established to record amounts appropriated or otherwise made available by transfer from a trust fund receipt account to be obligated and expended in carrying out the specific purposes or programs in accordance with the terms of the trust agreement or statute. Funds transferred or appropriated to a trust fund expenditure account are normally available for obligation and expenditure within the limits imposed by the trust agreement or authorizing statute.

1.2.4.3. Trust revolving fund account. A trust revolving fund is a single account that is authorized to be credited with receipts and incur obligations and expenditures in support of a continuing cycle of business-type operations in accordance with the provisions of the trust agreement or statute. Trust revolving fund receipts are available for obligation and expenditure without further action by Congress.

1.2.4.4. Unavailable collections are either (1) unappropriated receipts or receipts that are precluded from obligation because of a provision of law, such as a benefit formula or limitation on obligations in PY, CY, or BY, or (2) collections unavailable for obligation because of limitations on obligations in PY, CY, or BY. Section 36.6 of ***OMB Circular A-11*** provides instructions on MAX Schedule N on unavailable collections for trust funds and O&M special funds which Federal agencies must include in their annual budget submission to OMB.

1.3 General (100103)

1.3.1. In general, DoD trust funds authorized to incur obligations and expend receipts have been exempted from apportionment by OMB. However, the Surcharge Collections, Sales of Commissary Stores, Defense trust revolving fund, and the National Security Education Trust Fund are subject to apportionment by OMB. Each trust fund must be viewed as a unique fund in light of any special provisions in the trust agreement or the enabling legislation.

1.3.2. Trust funds have been assigned account symbols between 8000 and 8999. Within this range trust revolving funds have been assigned symbols between 8400 and 8499. Some trust funds used by DoD are:

Surcharge Collections, Sales of Commissary Stores, Defense
National Security Education Trust Fund

1.4 Submission Requirements (100104)

General guidance with regard to submission requirements is presented in the DoD Financial Management Regulation (DOD 7000.14-R), Volume 2A, Chapter 1. Volume 2B, Chapters 9 and 19 cover specific back-up material requirements for the above areas.

1.5 Preparation of Material (100105)

General guidance with regard to format and preparation of material is presented in the DoD Financial Management Regulation (DOD 7000.14-R), Volume 2A, Chapter 1. Volume 2B, Chapters 9 and 19 provide additional specific guidance with regard to the back-up material required for Public Enterprise, Management Fund and Trust Fund accounts.

1.6 References (100106)

The DoD Financial Management Regulation (DOD 7000.14-R), Volume 2A, Chapter 1 provides funding policies, including those that impact other appropriations/accounts. Volume 2B, Chapter 9 provides guidance related to Defense Working Capital Fund accounts. Certain exhibits required by this chapter are found in Volume 2B, Chapters 9 and 19.

2.0 PROGRAM AND BUDGET REVIEW SUBMISSION (1002)

2.1 Purpose (100201)

This section highlights the policies and justification procedures underlying budget formulation for Public Enterprise, Management Fund, and Trust Fund accounts.

2.2 Submission Requirements (100202)

2.2.1. Public Enterprise Funds

2.2.1.1. The Defense Working Capital Fund schedules referenced here are in the DoD Financial Management Regulation (DOD 7000.14-R), Volume 2B, Chapter 9. The O&M type exhibits (PB, OP) are found in Volume 2A, Chapter 3 and Volume 2B, Chapter 19. Budget exhibits noted below should be submitted for the OSD/OMB budget review.

National Defense Stockpile Transaction Fund
Exhibits Fund-1, 1a, 2, 4, 11, 14, 17, 21, & 23.

Pentagon Reservation Maintenance Revolving Fund
Exhibits Fund-1, 1a, 2, 3, 9a, 9b, 9c, 11, 13, 13b, 13c, 14, and 26.
OP-8 and PB-22.

Building Maintenance Fund
Exhibits Fund-1, 1a, 2, 3, 9a, 9b, 9c, 11, 13, 13b, 13c, 14, and 26.
OP-8 and PB-22.

National Defense Sealift Fund (NDSF)
Exhibits Fund-1a, 2, 11, & 12.

2.2.1.2. The instructions and formats for the preparation of the NDSF required procurement and RDT&E exhibits are included in the DoD Financial Management Regulation (DoD 7000.14-R), Chapters 4 and 5, respectively.

Procurement/Ship Acquisition:

Budget Item Justification Sheet (P-40)
Weapon System Cost Analysis (P-5)
Analysis of Ship Cost Estimates (P-8a/8b)
Advance Procurement Analysis (P-10/10a)
Ship Production Schedule (P-27)
Ship Outfitting Costs (P-29)
Ship Post Delivery Estimates (P-30)

National Defense Features (NDF):

Budget Item Justification Sheet (P-40)

RDT&E:

Budget Item Justification Sheet (R-2)
Program Element/Project Cost Breakdown (R-3)
Program Schedule Profile (R-4)
Program Schedule Detail (R-4a)

2.2.1.3. Additional data required by OMB Circular ***A-11*** will be submitted in accordance with annual USD (Comptroller) budget guidance.

2.2.2. Management and Trust Funds - For Trust Funds, Trust Revolving Funds and other Management Funds, program and financing, and object classification schedules will be submitted for each account. The budget authority for each trust fund account must agree with the amounts reported against the applicable receipt accounts as required by DoD accounting guidance related to offsetting receipts. The receipt accounts are published in Treasury's Federal Account Symbols and Titles. For the Defense Commissary Agency, a footnote to the program and financing schedule will show the value of the obligations for renovation/construction of commissaries included in total obligations of the trust revolving fund.

2.2.3. Special Budget Exhibits - Unique data pertaining to a particular fund are required as follows:

National Defense Stockpile

Stockpile Financial Status Report (SP-1)

Pentagon Reservation Maintenance Revolving Fund

Cost of Services (PR-1)
Summary Statement (PR-2)

Buildings Maintenance Fund

Cost of Services (PR-1)
Summary Statement (PR-2)

Surcharge Collections, Sales of Commissary Stores, Defense

Summary (CT-1)
Facility Programs Justification (CT-2)

National Defense Sealift Fund (NDSF)

Ready Reserve Force (RRF):

Budget Item Justification Sheet (RRF-1)
Ship Composition Funding Requirements (RRF-2)
Ship Readiness Operational Status (ROS) Composition (RRF-3)

2.2.4. Budget exhibits will be submitted in accordance with the schedule published annually in DoD Comptroller budget guidance. Formats and instructions for preparation of the Special Exhibits are provided Section 4.0.

2.2.5. All NDSF related budget justification materials should be submitted directly to the Director for Investment, room 3C749. In addition to the DWCF schedules, procurement, and RDT&E exhibits referenced in paragraph 2.2 above, the special exhibits identified above must be included in the NDSF justification budget backup book for both the OSD and Congressional submissions. The backup book should include a table of contents, a computer generated FYDP funding report identifying each business area, and each business area/section should be tabbed.

3.0 CONGRESSIONAL JUSTIFICATION/PRESENTATION (1003)

3.1 Purpose (100301)

This chapter provides the policies and procedures to guide the development of budget justification and supporting narrative to be submitted by Components to the OUSD (Comptroller) in development of congressional justification material.

3.2 Submission Requirements (100302)

3.2.1. Guidance is applicable to the following DoD Public Enterprise, Management Funds, and Trust Funds:

Public Enterprise Funds

(1) National Defense Stockpile Transaction Fund
(2) Buildings Maintenance Fund
(3) Pentagon Reservation Maintenance Revolving Fund
(4) National Defense Sealift Fund

Management Funds

Trust Funds

(5) National Security Education Trust Fund
(6) Surcharge Collections, Sales of Commissary Stores, Defense

3.2.2. The following table presents the exhibit requirements to be submitted as part of the President's budget for the funds identified in paragraph 3.2.1, above. Additional budget justification material to accompany the President's budget may be prescribed by separate USD (Comptroller) budget guidance.

EXHIBIT/SCHEDULE REQUIREMENTS

Fund	Prog & Financ.	Rev & Exp.	Finan. Cond.	Obj Class	Pers Summary
(1)	X	X	X	X	
(2)	X	X	X	X	X
Fund-2, Fund-9a/9b/9c, Fund-11, Fund-13/13b/13c, PR-1, PR-2					
(3)	X	X	X	X	X
Fund-2, Fund-9a/9b/9c, Fund-11, Fund-13/13b/13c, PR-1, PR-2					
(4)	X			X	
P-5, P-8a/8b, P-10/10a, P-27, P-29, P-30, P-40, R-2, R-3, R-4, R-4a, RRF-1, RRF-2, RRF-3					
(5)	X			X	
(6)	X			X	

4.0 PUBLIC ENTERPRISE, MANAGEMENT AND TRUST FUND FORMATS (1004)

4.1 Purpose (100401)

The special formats provided on the following pages reflect guidance presented in previous sections of this chapter. Unless modified in a submission budget call, these formats should be adhered to.

4.2 Exhibits in Support of Section 1002 – Program and Budget Review Submission (100402)

CT-1 Surcharge Collections, Sales of Commissary Stores Summary 10
CT-2 Facility Programs Justification 11
PR-1 Pentagon Reservation Maintenance Revolving Fund Cost of Services 12
PR-2 Pentagon Reservation Maintenance Revolving Fund Summary Statement 13
SP-1 Stockpile Financial Status Report 14
RRF-1 Budget Item Justification.....15
RRF-2 Ship Composition Funding Requirements 16
RRF-3 Ship Readiness Operational Status (ROS) Composition.....17

Exhibit CT-1 Surcharge Collections, Sales of Commissary Stores Summary

Surcharge Collections, Sales of Commissary Stores, Defense

Summary

($ in Millions)

	FY PY col. of CY PB	FY PY	FY CY col. of CY PB	FY CY	FY BY
OBLIGATIONS					
Operating Expenses	Provide operations, equipment, and construction obligations for the PY column of the CY President's budget, the PY, the CY column of the CY President's budget, the CY, and the BY.				
Equipment					
Construction					
Total Obligations (a)					
DISBURSEMENTS					
Disbursement of Prior Year Obligations	Provide disbursements of prior year obligations and current year disbursements for the PY column of the CY President's budget, the PY, the CY column of the CY President's budget, the CY, and the BY.				
Current Year Disbursements					
Total Disbursements (*b*)					
COLLECTIONS					
Revenue (*c*)	Provide revenue for the five years above.				
NET OUTLAYS (*d*) (*b-c=d*)					
CASH: Begin Year (*e*)					
Net Outlays (*f*)	Provide cash estimates for the five years above.				
End Year (*g*) (*e-f*=g)					
Unliquidated Obligations	Provide year-end unliquidated obligations for the five years above.				
Unobligated Balance Beginning of Year (h*)*	Provide unfunded contract authority for the five years above.				
Unobligated Balance End of Year (i)					
Unfunded Contract Authority Requested (j) (a-c-h+I=j)					

Exhibit CT-1 Surcharge Collections, Sales of Commissary Stores Summary
(Page 1 of 1)

Exhibit CT-2 Facility Programs Justification

Surcharge Collections, Sales of Commissary Stores, Defense

Facility Programs Justification

($ in Millions)

LOCATION	DESCRIPTION	TOTAL COST	REMARKS

Provide a DD Form 1391 for each FY BY proposed project.

List the location of each proposed construction project for FY CY and FY BY.

Description should include whether each project is a new store, add/alter, minor construction, energy conservation, etc.

Total cost is self-explanatory.

Remarks should provide narrative justification for and a description of each project.

Exhibit PR-1 Pentagon Reservation Maintenance Revolving Fund Cost of Services

Pentagon Reservation Maintenance Revolving Fund
Cost of *Basic* Services
($ in Millions)

	FY PY	FY CY	FY BY
1. Operated Space (Average Square Feet) *			
2. Unit Cost of Operations ($) **			
Cleaning			
Maintenance			
Utilities & Fuel			
Protection			
Other Building Services			
Administration			
Total Unit Cost for Basic Services			
(Multiply by) Billable Space (Sq. Ft.)			
(Equals) Total Cost of Basic Services			

* Excludes reimbursable "above standard" services.

** Cleaning, maintenance, utilities and fuel, protection, other building services, and administration estimates should equal the cost of each function divided by the billable space square feet for the relevant fiscal year.

Exhibit PR-2 Pentagon Reservation Maintenance Revolving Fund Summary Statement

Pentagon Reservation Maintenance Revolving Fund
Summary Statement
($ in Millions)

	Obs.	Orders	Rev.	Exp.	(Disbursements by Fiscal Year) FYPY	FYCY	FYBY	FYBY+1	FYBY+2	FYBY+3	FYBY+4	FYBY+5
Pentagon Renovation												
FY PY												
FY CY												
FY BY												
Other Capital Purchases (specify each)												
FY PY												
FY CY												
FY BY												
Operating Budget												
FY PY												
FY CY												
FY BY												
Total												
FY PY												
FY CY												
FY BY												

Obligations, new customer orders, revenue, and expenses for the Pentagon Renovation, Other Capital Purchases, and Operating Budget (reimbursable services and basic services noted in Exhibit PR-1) should be provided.

Beginning of year (BOY) cash, collections, disbursements, and end of year (EOY) cash should also be provided.

Cash	BOY	Collections	Disbursements	EOY
FY PY				
FY CY				
FY BY				

Exhibit PR-2 Summary Statement
(Page 1 of 1)

Exhibit SP-1 Stockpile Financial Status Report

NATIONAL DEFENSE STOCKPILE TRANSACTION FUND
Stockpile Financial Status Report
YEAR (CY, BY)
(Dollars in Millions)

	PY	CY	BY
Treasury Cash Balance, Beginning of Year			
Plus Collections			
Minus Disbursements			
Labor			
Non-labor			
Other Program Costs			
Plus/Minus:			
Transfer 1 (label)			
Transfer 2 (label)			
.			
.			
Sub-Total Transfers			
Equals: Cash Balance, End of Year			
Selected Liabilities			
Accounts Payable			
Undelivered Orders			
-			
-			
Estimated Available Cash Balance			

1. Purpose. The purpose of this report is to provide information on the financial status of the National Stockpile Defense.

2. Submission. This exhibit will reflect information starting from the Prior Year (PY), the Current Year (CY), and the budget year (BY) in support of the OSD/OMB and President's budget submissions. End of year should be the actual amount reflected on approved accounting reports.

Exhibit RRF-1 Budget Item Justification

FY BY Submission
Month/Year
Exhibit RRF-1

Ready Reserve Force (RRF)
Budget Item Justification

RRF	FY PY-1	FY PY	FY CY	FY BY	FY BY+1	FY BY+2	FY BY+3	FY BY+4	FY BY+5
O&M									
Acquisition			Provide annual funding requirements for the RRF.						
Other (specify)									
Total RRF									

Purpose: Justification of the FYs BY-BY+5 budget request: Provide a narrative justification and sufficient justification for the funding requested

Exhibit RRF-1 Budget Item Justification

Exhibit RRF-2 Ship Composition Funding Requirements

Ready Reserve Force (RRF)
Ship Composition Funding Requirements

RRF	FY PY-1	FY PY	FY CY	FY BY	FY BY+1	FY BY+2	FY BY+3	FY BY+4	FY BY+5
O&M									
Ship Types									
Breakbulk									
ROS-4									
ROS-5									
etc.									
	Provide annual funding requirements for each ship type by ROS category. Specify funding by O&M, acquisition and other (specify Other categories consistent with the RRF-1 exhibit).								
Ro/Ros									
ROS-4									
ROS-5									
etc.									
Total O&M									
Acquisition									
Ship Types									
Total Acquisition									
Other									
Ship Types									
Total Other									
Total RRF									

Exhibit RRF-2 Ship Composition Funding Requirements
(Page 1 of 1)

Exhibit RRF-3 Ship Readiness Operational Status (ROS) Composition

FY BY Submission
Month/Year
Exhibit RRF-3

Ready Reserve Force (RRF)
Ship Readiness Operational Status (ROS) Composition

RRF Ship Types	FY PY-1	FY PY	FY CY	FY BY	FY BY+1	FY BY+2	FY BY+3	FY BY+4	FY BY+5
Ro/Ros									
(ROS Status ROS-4)									
(ROS Status ROS-5)									
(ROS Status etc.)									
Total Ro/Ros									
Breakbulk									
(ROS Status ROS-4)									
(ROS Status ROS-5)									
(ROS Status etc.)									
Total Breakbulk									
etc.									
	Provide the composition of the RRF by FY for each ship type, i.e.; Breakbulk, Ro/Ros Tankers etc. Specify ships consistent with the RRF-2 exhibit.								
Totals									
(ROS Status ROS-4)									
(ROS Status ROS-5)									
(ROS Status etc.)									
Total RRF Fleet									
New Acquisitions									
Retirements									

Exhibit RRF-3 Ship Readiness Operational Status (ROS) Composition
(Page 1 of 1)

VOLUME 2B, CHAPTER 11: "OFFSETTING RECEIPTS"

SUMMARY OF MAJOR CHANGES

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

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

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

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

The previous version dated September 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
1.2	Added the required Authoritative Guidance information.	Addition
2.1.1	Updated the source of information for the Department of Defense (DoD) budget account structure from the list of accounts in the DoD Financial Management Regulation to the Federal Account Symbols and Titles Book, Part II and III.	Revision

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1.1 Purpose 3
*1.2 Authoritative Guidance 3
2.0 PROGRAM AND BUDGET REVIEW SUBMISSION 3
2.1 General Instructions 3

CHAPTER 11

OFFSETTING RECEIPTS

1.0 GENERAL

1.1 Purpose

This chapter prescribes budget justification requirements for offsetting receipts consistent with the provisions of the Office of Management and Budget (OMB).

*1.2 Authoritative Guidance

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

1.2.1. ***OMB Circular No. A-11***, "Preparation, Submission, and Execution of the Budget"

1.2.2. OMB Annual Budget Data Request, "Preparation of the Fiscal Year (FY) 20XX Budget Appendix"

1.2.3. OMB MAX A-11 Database

1.2.4. ***Federal Account Symbols and Titles (FAST) Book***

1.2.5. Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) Annual Budget Guidance

2.0 PROGRAM AND BUDGET REVIEW SUBMISSION

2.1 General Instructions

* 2.1.1. Each Military Department will include offsetting receipts in their annual program and budget submission. See Volume 2A, Chapter 1, for general guidance on submission requirements. The detailed Department of Defense (DoD) budget account structure is displayed in the FAST Book, Part II and III, on the Department of Treasury (Treasury) page. Any new accounts will be available in the OUSD(C) budget formulation account reference reports.

2.1.2. Each Military Department will also submit estimated receipts in thousands of dollars for the current year, budget year, and the outyears. These estimates will include the impact of all proposed legislation. Upon OUSD(C)'s completion of the prior year update within the budget formulation system, each Military Department will also update their current year, budget year and outyear Budget Authority (BA) and outlay estimates for receipt and any receipt-related (special and trust fund) expenditure accounts. The Military Departments will upload the required transactions in the budget formulation system. The due date will be established by OUSD(C) based on certification to the Treasury of actual execution data for the prior fiscal year.

2.1.3. Amounts reported should include all collections credited to the component's receipt accounts, including "F" (clearing) accounts if applicable. Prior year clearing ("F") accounts except the undistributed intragovernmental payment account (3885) will be merged with the Military Department's General Fund Proprietary Receipts (3210). Exclude collections credited to receipt accounts of other DoD components. Receipts will be reported on the basis of collections credited to receipt accounts during the year, plus or minus any adjustments during the year. Amounts for the prior year will agree with receipts reported to Treasury on the Treasury Combined Statement. Only zero (0) estimates are permitted in the current year, budget year, and the outyears for "F" accounts. For indefinite appropriations of receipts (Wildlife Conservation, Military Reservations; special fund accounts; and trust fund accounts), the amount of estimated collections will be equal to the related estimates of appropriations BA.

2.1.4. Receipts data are required for DoD-Military and DoD-Civil accounts.

2.1.5. Components must refer to the Treasury FAST Book for any changes to the account listing.

VOLUME 2B, CHAPTER 12: "DEFENSE HEALTH PROGRAM"

SUMMARY OF MAJOR CHANGES

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

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

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

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

The previous version dated May 2014 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated to ensure compliance with administrative instructions.	Revision
All	Updated all references to the Comptroller Information System (CIS) to the Next Generation Resource Management System (NGRMS), replacing CIS as the program of record.	Revision
All	Updated all references to the Defense Health Agency Financial Operations Division to the Defense Health Agency Financial Operations Directorate, Programming Division.	Revision
All	Corrected minor wording and grammatical errors	Revision
1.2	Added Authoritative Guidance section in compliance with administrative instructions	Addition
3.2.5	Added directions for submitting Volume 4 (Service's Medical Readiness Activities) exhibit to ASD(HA)	Addition
4.2	Updated budget exhibit templates to reflect format changes and updates to individual program elements.	Revision
Exhibit Medical Readiness Activities	Added the Services Medical Readiness Activities Exhibit	Addition

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CHAPTER 12

DEFENSE HEALTH PROGRAM

1.0 GENERAL

1.1 Purpose

1.1.1. This chapter provides instructions applicable to budget formulation and congressional justification for the Defense Health Program (DHP).

1.1.2. The following appropriations are covered as subsections of the DHP appropriation:

1.1.2.1. Operation and Maintenance (O&M)

1.1.2.2. Procurement

1.1.2.3. Research, Development, Test and Evaluation (RDT&E)

*1.2 Authoritative Guidance

1.2.1. Title 10, United States Code, Section 1100 (***10 U.S.C. §1100***)

1.2.2. ***Department of Defense Directive (DoDD) 5136.01 Assistant Secretary of Defense for Health Affairs (ASD(HA))***

1.2.2. ***DoDD 5136.13 Defense Health Agency***

1.2.3. ***DoDD 3000.06 Combat Support Agencies (CSAs)***

1.2.4. DoD Financial Management Regulation (FMR), Volume 2A, Chapter 1 provides general funding and appropriation policies.

1.2.5. ***House Report 116-453*** – Department of Defense Appropriations Bill, 2021, Title IV, Page 337, "Reporting on Medical Readiness"

1.3 Submission Requirements

General guidance about submission requirements is in Volume 2A, Chapter 1. This chapter covers specific backup material requirements for the above accounts. The Assistant Secretary of Defense (Health Affairs) (ASD(HA)) should also consult all of the other chapters of this Regulation for exhibit requirements that are not specifically addressed in this chapter including Volume 2B, Chapter 19 – Other Special Analyses. The ASD(HA) is also responsible for providing data to update the Program and Budget data system and the Future Years Defense Program (FYDP) automated systems for the DHP appropriation. The Military Components must reconcile all DHP personnel data and submit all proposed military and civilian medical personnel changes to the

Defense Health Agency Financial Operations Directorate, DHP Programming Division before these changes will be accepted in these automated systems.

1.4 Preparation of Material

General guidance about the format and preparation of material is presented in Volume 2A, Chapter 1. Volume 2B, Chapter 12 provides additional specific guidance concerning the back-up material required for the DHP.

1.5 References

Volume 2A, Chapter 3 provides guidance related to O&M costs. Chapter 4 provides guidance and formats related to Procurement appropriations, and Chapter 5 provides guidance and templates related to RDT&E appropriations.

2.0 PROGRAM AND BUDGET REVIEW SUBMISSION

2.1 Purpose

This Section guides the preparation and submission of budget estimates for the DHP. The budget estimates consist of all O&M, procurement, and RDT&E resources that support the medical activities that were consolidated into the DHP.

2.2 Submission Requirements

2.2.1. The ASD(HA) is responsible for submitting all exhibits required for the O&M, procurement, and RDT&E appropriations as specified in Volume 2A, Chapter 3, and Chapters 4, and 5 respectively. The ASD(HA) is also responsible for submitting exhibit requirements specified in the other chapters of this Regulation including Chapter 19 – Other Special Analyses.

2.2.2. In addition, the Cost of Medical Activities Exhibit (PB-11, PB-11A, PB-11B) will be prepared and submitted to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) concurrent with the program and budget review submission. Formats for these exhibits are provided at the end of this chapter. Two printed copies and one electronic copy of each exhibit should be provided to the OUSD(C) Program/Budget (P/B) Military Personnel & Construction Directorate, Room 3C654, Washington, DC 20301-1100.

2.2.3. For all updates of the OUSD(C) automated budget system databases, DoD Components must reconcile all DHP personnel data with, and submit all proposed military and civilian medical personnel changes through the Defense Health Agency Financial Operations Directorate, DHP Programming Division.

3.0 CONGRESSIONAL JUSTIFICATION/PRESENTATION

3.1 Purpose

This section presents the exhibit requirements for submission to Congress. Examples of budget exhibits are in Section 4.0.

3.2 Submission Requirements

3.2.1. The ASD(HA) is responsible for submitting all exhibits required for the O&M, procurement, and RDT&E appropriation as specified in Volume 2A, Chapter 3, and Chapters 4, and 5 respectively. The ASD(HA) is also responsible for submitting exhibit requirements specified in the other chapters of this regulation including Chapter 19-Other Special Analyses.

3.2.2. In addition, the cost of Medical Activities Exhibit (PB-11, PB-11A, PB-11B) will be prepared and submitted to the OUSD (C) for the DHP. Formats for these exhibits are provided at the end of this chapter. Two printed copies and one electronic copy of each exhibit should be provided to the OUSD (C), P/B, Military Personnel Construction Directorate, Room 3C654, the Pentagon.

3.2.3. The required format for the PBA-9 is provided at Volume 2A, Chapter 3, Section 4.0.

3.2.4. The OP-5 exhibit and other supporting exhibits will be prepared for each of the following activities. Meaningful performance criteria should be displayed for each activity.

- In-House Care
- Private Sector Care
- Consolidated Health Support
- Information Management
- Management Activities
- Education and Training
- Base Operations/Communications

3.2.5. The ASD(HA) will prepare the DHP Volume 1 (Justification of Estimates), Volume 2 (Data Book), and Volume 3 (Services Medical Readiness Exhibits Activities). The Services will submit the data for Volume 3 (Service's Medical Readiness Activities) to ASD(HA), which will consolidate, and print the required exhibit. Prepare all exhibits and volumes following the annual President's Budget Submission Guidance instructions.

4.0 DEFENSE HEALTH PROGRAM SUBMISSION FORMATS

4.1 Purpose

The formats provided on the following pages reflect guidance presented in previous sections of this chapter. Unless modified in a submission budget call, the formats should be followed.

4.2 Unique Exhibits in Support of the Defense Health Program

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Exhibit PB-11 Defense Health Program Funding Summary

Defense Health Program
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2024 Budget Estimates
Cost of Medical Activities

prior year data used for illustration only

(Dollars in Thousands)		FY 2022 Actuals	FY 2023 Enacted	FY 2024 Request	FY 2022/2023 Change	FY 2022/2023 Percent	FY 2023/2024 Change	FY 2023/2024 Percent
In-House Care								
0807700DHA	Defense Medical Centers, Hospitals and Medical Clinics-CONUS	6,926,523	7,096,568	7,273,270	169,045	2.4%	177,702	2.5%
0807701DHA	Pharmaceuticals-CONUS	1,253,499	1,592,708	1,612,200	339,209	27.1%	19,492	1.2%
0807715DHA	Dental Care Activities-CONUS	461,459	474,257	467,875	12,798	2.8%	-6,382	-1.3%
0807900DHA	Defense Medical Centers, Hospitals and Medical Clinics-OCONUS	565,348	557,873	492,902	-7,475	-1.3%	-64,971	-11.6%
0807901DHA	Pharmaceuticals-OCONUS	122,201	158,432	158,701	36,231	29.6%	269	0.2%
0807915DHA	Dental Care Activities-OCONUS	46,917	40,335	39,394	-6,582	-14.0%	-941	-2.3%
	Subtotal In-House Care	**9,375,947**	**9,919,173**	**10,044,342**	**543,226**	**5.8%**	**125,169**	**1.3%**
Private Sector Care								
0807702DHA	Pharmaceuticals - Purchased Health Care	979,268	952,688	1,044,733	-26,580	-2.7%	92,045	9.7%
0807703DHA	Pharmaceuticals - National Retail Pharmacy	1,271,791	1,332,163	1,380,425	60,372	4.7%	48,262	3.6%
0807723DHA	TRICARE Managed Care Support (MCS) Contracts	7,566,388	7,558,535	8,170,552	-7,853	-0.1%	612,017	8.1%
0807738DHA	MTF Enrollees - Purchased Care	3,081,359	3,497,314	3,691,640	415,955	13.5%	194,326	5.6%
0807741DHA	Dental - Purchased Care	296,653	343,297	352,964	46,644	15.7%	9,667	2.8%
0807742DHA	Uniformed Services Family Health Program (USFHP)	591,573	635,869	661,735	44,296	7.5%	25,866	4.1%
0807743DHA	Supplemental Care - Health Care	1,870,090	1,870,603	2,096,437	513	0.0%	225,834	12.1%
0807745DHA	Supplemental Care - Dental	175,344	117,222	125,879	-58,122	-33.1%	8,657	7.4%
0807747DHA	Continuing Health Education/Capitalization of Assets Program	419,099	411,676	448,585	-7,423	-1.8%	36,909	9.0%
0807749DHA	Overseas Purchased Health Care	415,252	409,777	408,600	-5,475	-1.3%	-1,177	-0.3%
0807751DHA	Miscellaneous Purchased Health Care	1,242,386	1,337,863	1,392,941	95,477	7.7%	55,078	4.1%
0807752DHA	Miscellaneous Support Activities	109,989	110,870	118,537	881	0.8%	7,667	6.9%
	Subtotal Private Sector Care	**18,019,192**	**18,577,877**	**19,893,028**	**558,685**	**3.1%**	**1,315,151**	**7.1%**
Consolidated Health Support								
0801720DHA	Examining Activities	9,579	9,183	9,222	-396	-4.1%	39	0.4%
0807705DHA	Military Public/Occupational Health	462,003	555,123	604,306	93,120	20.2%	49,183	8.9%
0807714DHA	Other Health Activities	319,960	744,561	798,970	424,601	132.7%	54,409	7.3%
0807724DHA	Military Unique Requirements - Other Medical	510,697	554,158	559,054	43,461	8.5%	4,896	0.9%
0807725DHA	Aeromedical Evacuation System	22	395	379	373	1,695.5%	-16	-4.1%
0807730DHA	Service Support to Other Health Activities - TRANSCOM	0	493	502	493	0.0%	9	1.8%
0807760DHA	Veterinary Services	2,686	2,559	2,628	-126	-4.7%	69	2.7%
0807786DHA	Joint Pathology Center (JPC)	27,487	29,041	29,943	1,554	5.7%	902	3.1%
0903300DHA	Support to FACA Advisory Board Activities	0	2,023	2,008	2,023	0.0%	-15	-0.7%
	Subtotal Consolidated Health Support	**1,332,433**	**1,897,536**	**2,007,012**	**565,103**	**42.4%**	**109,476**	**5.8%**

PB-11 Exhibit
DHP

(Page 1 of 4)

Exhibit PB-11 Defense Health Program Funding Summary (Continued)

Defense Health Program
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2024 Budget Estimates
Cost of Medical Activities

prior year data used for illustration only

(Dollars in Thousands)		FY 2022 Actuals	FY 2023 Enacted	FY 2024 Request	FY 2022/2023 Change	FY 2022/2023 Percent	FY 2023/2024 Change	FY 2023/2024 Percent
Information Management								
0807746DHA	Joint Operational Medicine Information Systems (JOMIS)	118,293	138,576	230,759	20,283	17.1%	92,183	66.5%
0807758DHA	Cybersecurity	136,701	148,726	152,198	12,025	8.8%	3,472	2.3%
0807759DHA	Military Health System Desktop to Datacenter	259,539	433,721	444,140	174,182	67.1%	10,419	2.4%
0807781DHA	Service Medical Information Management/Information Technology (Non-Central)	213,639	196,787	211,995	-16,852	-7.9%	15,208	7.7%
0807783DHA	DHP Information Management/Information Technology Support Programs	31,602	36,432	37,798	4,830	15.3%	1,366	3.7%
0807784DHA	Integrated Electronic Health Record	10,050	21,169	22,761	11,119	110.6%	1,592	7.5%
0807787DHA	DoD Healthcare Management Systems	540,841	548,483	528,441	7,642	1.4%	-20,042	-3.7%
0807788DHA	DoD Medical Information Exchange and Interoperability	118,250	131,612	132,934	13,362	11.3%	1,322	1.0%
0807793DHA	MHS Tri-Service Information Management/Information Technology	842,925	660,064	566,790	-182,861	-21.7%	-93,274	-14.1%
	Subtotal Information Management	**2,271,840**	**2,315,570**	**2,327,816**	**43,730**	**1.9%**	**12,246**	**0.5%**
Management Activities								
0807704DHA	Defense Health Agency	266,406	253,495	260,471	-12,911	-4.8%	6,976	2.8%
0807798DHA	Management Activities	62,868	85,183	86,975	22,315	35.5%	1,792	2.1%
	Subtotal Management Activities	**329,274**	**338,678**	**347,446**	**9,404**	**2.9%**	**8,768**	**2.6%**
Education and Training								
0806721DHA	Uniformed Services University of the Health Sciences	187,229	206,964	191,435	19,735	10.5%	-15,529	-7.5%
0806761DHA	Other Education and Training	133,591	152,381	144,676	18,790	14.1%	-7,705	-5.1%
	Subtotal Education and Training	**320,820**	**359,345**	**336,111**	**38,525**	**12.0%**	**-23,234**	**-6.5%**
Base Operations/Communications								
0806276DHA	Facilities Restoration and Modernization - CONUS	306,337	345,213	334,046	38,876	12.7%	-11,167	-3.2%
0806278DHA	Facilities Sustainment - CONUS	516,307	531,627	506,413	15,320	3.0%	-25,214	-4.7%
0806376DHA	Facilities Restoration and Modernization - OCONUS	34,392	105,365	100,958	70,973	206.4%	-4,407	-4.2%
0806378DHA	Facilities Sustainment - OCONUS	95,066	169,544	162,905	74,478	78.3%	-6,639	-3.9%
0807754DHA	Pollution Prevention	121	304	310	183	151.2%	6	2.0%
0807756DHA	Environmental Compliance	15,566	19,042	18,796	3,476	22.3%	-246	-1.3%
0807779DHA	Facilities Operations - Health Care - CONUS	477,640	506,558	492,376	28,918	6.1%	-14,182	-2.8%
0807790DHA	Visual Information Systems	1,283	6,607	7,650	5,324	415.0%	1,043	15.8%
0807795DHA	Base Communications - CONUS	59,461	49,411	50,836	-10,050	-16.9%	1,425	2.9%
0807796DHA	Base Operations - CONUS	381,127	380,225	380,874	-902	-0.2%	649	0.2%
0807979DHA	Facilities Operations - Health Care - OCONUS	78,976	61,701	61,607	-17,275	-21.9%	-94	-0.2%
0807995DHA	Base Communications - OCONUS	12,659	2,251	2,609	-10,408	-82.2%	358	15.9%

PB-11 Exhibit
DHP

Exhibit PB-11 Defense Health Program Funding Summary (Continued)

Defense Health Program
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2024 Budget Estimates
Cost of Medical Activities

prior year data used for illustration only

(Dollars in Thousands)		FY 2022 Actuals	FY 2023 Enacted	FY 2024 Request	FY 2022/2023 Change	FY 2022/2023 Percent	FY 2023/2024 Change	FY 2023/2024 Percent
0807996DHA	Base Operations - OCONUS	12,401	23,104	25,171	10,703	86.3%	2,067	8.9%
	Subtotal Base Operations/Communications	**1,991,336**	**2,200,952**	**2,144,551**	**209,616**	**10.5%**	**-56,401**	**-2.6%**
	Subtotal DHP Operations and Maintenance	**33,640,842**	**35,609,131**	**37,100,306**	**1,968,289**	**5.9%**	**1,491,175**	**4.2%**
Procurement								
0807720DHA & 0807721DHA	Dental Equipment	0	406	422	406	0.0%	16	3.9%
0807720DHA & 0807721DHA	Food Service, Preventive Medicine, and Pharmacy Equipment	13,270	6,925	7,099	-6,345	-47.8%	174	2.5%
0807720DHA & 0807721DHA	Medical Information System Equipment	8,570	8,740	6,373	170	2.0%	-2,367	-27.1%
0807720DHA & 0807721DHA	Medical Patient Care Administrative Equipment	3,020	6,875	7,032	3,855	127.6%	157	2.3%
0807720DHA & 0807721DHA	Medical/Surgical Equipment	41,584	24,932	24,891	-16,652	-40.0%	-41	-0.2%
0807720DHA & 0807721DHA	Other Equipment	30,522	26,694	25,788	-3,828	-12.5%	-906	-3.4%
0807720DHA & 0807721DHA	Pathology/Lab Equipment	10,292	21,002	21,954	10,710	104.1%	952	4.5%
0807720DHA & 0807721DHA	Radiographic Equipment	164,034	160,208	167,220	-3,826	-2.3%	7,012	4.4%
0807746DHA	Joint Operational Medicine Information System	0	1,467	29,537	1,467	0.0%	28,070	1,913.4%
0807759DHA	Data to Desktop Center	72,302	72,601	74,055	299	0.4%	1,454	2.0%
0807787DHA	DoD Healthcare Management System Modernization	415,114	240,224	17,510	-174,890	-42.1%	-222,714	-92.7%
	Subtotal Procurement	**758,708**	**570,074**	**381,881**	**-188,634**	**-24.9%**	**-188,193**	**-33.0%**
Research, Development, Test & Evaluation								
0601117DHA	Basic Operational Medical Research Sciences	24,938	53,783	40,311	28,845	115.7%	-13,472	-25.0%
0602115DHA	Applied Biomedical Technology	160,265	258,734	177,395	98,469	61.4%	-81,339	-31.4%
0602787DHA	Medical Technology (AFRRI)	1,417	1,468	1,497	51	3.6%	29	2.0%
0603002DHA	Medical Advanced Technology (AFRRI)	351	366	373	15	4.3%	7	1.9%
0603115DHA	Medical Technology Development	2,020,169	2,307,376	326,667	287,207	14.2%	-1,980,709	-85.8%
0604110DHA	Medical Products Support and Advanced Concept Development	190,750	202,431	172,351	11,681	6.1%	-30,080	-14.9%
0605013DHA	Information Technology Development	10,471	9,834	10,033	-637	-6.1%	199	2.0%
0605026DHA	DoD Healthcare Management System Modernization (DHMSM)	15,176	12,024	12,264	-3,152	-20.8%	240	2.0%
0605039DHA	DoD Medical Information Exchange and Interoperability	0	10,156	8,013	10,156	0.0%	-2,143	-21.1%
0605045DHA	Joint Operational Medicine Information System (JOMIS)	51,016	18,082	18,731	-32,934	-64.6%	649	3.6%
0605145DHA	Medical Products and Support Systems Development	20,775	64,030	58,712	43,255	208.2%	-5,318	-8.3%
0605502DHA	Small Business Innovative Research	76,540	0	0	-76,540	-100.0%	0	0.0%
0606105DHA	Medical Program-Wide Activities	49,645	85,186	87,096	35,541	71.6%	1,910	2.2%
0607100DHA	Medical Products and Capabilities Enhancement Activities	16,976	17,971	18,330	995	5.9%	359	2.0%
	Subtotal RDT&E	**2,638,489**	**3,041,441**	**931,773**	**402,952**	**15.3%**	**-2,109,668**	**-69.4%**
	Total Defense Health Program	**37,038,039**	**39,220,646**	**38,413,960**	**2,182,607**	**5.9%**	**-806,686**	**-2.1%**

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Exhibit PB-11 Defense Health Program Funding Summary (Continued)

Defense Health Program
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2024 Budget Estimates
Cost of Medical Activities

prior year data used for illustration only

(Dollars in Thousands)		FY 2022 Actuals	FY 2023 Enacted	FY 2024 Request	FY 2022/2023 Change	FY 2022/2023 Percent	FY 2023/2024 Change	FY 2023/2024 Percent
Medicare Eligible Accrual Fund Receipts								
	Direct Care	1,830,400	1,885,200	1,948,900	54,800	3.0%	63,700	3.4%
	Military Personnel Accounts	552,300	571,500	586,500	19,200	3.5%	15,000	2.6%
	Private Sector Care	9,011,100	9,389,900	9,756,200	378,800	4.2%	366,300	3.9%
	Total Medicare Eligible Accrual Fund	**11,393,800**	**11,846,600**	**12,291,600**	**452,800**	**4.0%**	**445,000**	**3.8%**
Research, Development, Test & Evaluation By Program Title								
	Armed Forces Radiobiology Research Institute (AFRRI)	1,417	1,468	1,497	51	3.6%	29	2.0%
	Biomedical Technology	72,769	174,009	177,395	101,240	139.1%	3,386	1.9%
	Congressionally Directed Programs	1,943,912	2,121,460	0	177,548	9.1%	-2,121,460	-100.0%
	DHA Central Information Technology Development	10,471	9,834	10,033	-637	-6.1%	199	2.0%
	DoD Healthcare Management System Modernization (DHMSM)	15,176	12,024	12,264	-3,152	-20.8%	240	2.0%
	DoD Medical Information Exchange and Interoperability	0	10,156	8,013	10,156	0.0%	-2,143	-21.1%
	GDF Medical Research Enhancement	8,939	39,568	40,311	30,629	342.6%	743	1.9%
	Joint Operational Medicine Information System (JOMIS)	51,016	18,082	18,731	-32,934	-64.6%	649	3.6%
	Medical Advanced Technology (AFRRI)	351	366	373	15	4.3%	7	1.9%
	Medical Products and Capabilities Enhancement Activities	16,976	17,971	18,330	995	5.9%	359	2.0%
	Medical Products and Support Systems Development	20,775	64,030	58,712	43,255	208.2%	-5,318	-8.3%
	Medical Products Support and Advanced Concept Development	137,514	166,791	172,351	29,277	21.3%	5,560	3.3%
	Medical Program-Wide Activities	49,645	85,186	87,096	35,541	71.6%	1,910	2.2%
	Medical Technology Development	232,968	320,496	326,667	87,508	37.6%	6,171	1.9%
	Small Business Innovative Research	76,540			-76,540	-100.0%	0	0.0%
	Total Research, Development, Test and Evaluation	**2,638,489**	**3,041,441**	**931,773**	**402,952**	**15.3%**	**-2,109,668**	**-69.4%**

1. FY 2022 actuals include $227,726K for Overseas Operations Costs, transfers to FHCC ($137,000K) and JIF ($15,000K)
2. FY 2023 reflects enactment and includes $116,171K for Overseas Operations Costs
3. FY 2024 request includes $230,885K for Overseas Operations Costs

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Exhibit PB-11A Defense Health Program Personnel Summary

Defense Health Program
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2024 Budget Estimates
Personnel Summary

prior year data used for illustration only

	FY 2022 Actuals		FY 2023 Enacted		FY 2024 Request		FY 2023-2024 Change	
	End Strength	Avg Strength	End Strength	Avg Strength	End Strength	Avg Strength	End Strength	Avg Strength
Active Military – Assigned to DHP								
Army Total	**19,946**	**19,841**	**18,448**	**19,198**	**19,962**	**19,206**	**1,514**	**8**
Officers	8,879	8,882	8,940	8,910	9,252	9,097	312	187
Enlisted	11,067	10,959	9,508	10,288	10,710	10,109	1,202	-179
Navy Total	**23,489**	**23,748**	**25,583**	**24,537**	**26,052**	**25,818**	**469**	**1,281**
Officers *	7,853	7,857	7,946	7,900	8,071	8,009	125	109
Enlisted	15,636	15,891	17,637	16,637	17,981	17,809	344	1,172
Air Force Total	**26,681**	**27,130**	**26,685**	**26,683**	**26,529**	**26,607**	**-156**	**-76**
Officers	9,639	9,649	9,587	9,613	9,447	9,517	-140	-96
Enlisted	17,042	17,481	17,098	17,070	17,082	17,090	-16	20
Total Active Duty	**70,116**	**70,719**	**70,716**	**70,418**	**72,543**	**71,631**	**1,827**	**1,213**
Officers	26,371	26,388	26,473	26,423	26,770	26,623	297	200
Enlisted	43,745	44,331	44,243	43,995	45,773	45,008	1,530	1,013
* Includes one USMC DHP officer strength								
Active Military - Non DHP Medical								
Army Total	**24,937**	**23,932**	**25,764**	**25,351**	**25,775**	**25,770**	**11**	**419**
Officers	5,806	5,815	6,599	6,203	6,616	6,608	17	405
Enlisted	19,131	18,117	19,165	19,148	19,159	19,162	-6	14
Navy Total	**13,090**	**13,081**	**13,174**	**13,132**	**13,321**	**13,248**	**147**	**116**
Officers	2,829	2,824	2,905	2,867	2,995	2,950	90	83
Enlisted	10,261	10,257	10,269	10,265	10,326	10,298	57	33
Air Force Total	**3,161**	**3,113**	**3,266**	**3,214**	**3,266**	**3,266**	**0**	**52**
Officers	1,423	1,405	1,466	1,445	1,466	1,466	0	21
Enlisted	1,738	1,708	1,800	1,769	1,800	1,800	0	31
Total Active Duty	**41,188**	**40,126**	**42,204**	**41,697**	**42,362**	**42,284**	**158**	**587**
Officers	10,058	10,044	10,970	10,515	11,077	11,024	107	509
Enlisted	31,130	30,082	31,234	31,182	31,285	31,260	51	78

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Exhibit PB-11A Defense Health Program Personnel Summary (Continued)

Defense Health Program
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2024 Budget Estimates
Personnel Summary

prior year data used for illustration only

	FY 2022 Actuals		FY 2023 Enacted		FY 2024 Request		FY 2023-2024 Change	
	End Strength	FTEs	End Strength	FTEs	End Strength	FTEs	End Strength	FTEs
I. Civilian Personnel - US Direct Hire								
Army	1,331	27,554	202	195	165	158	-37	-37
Navy	9,090	8,843	213	166	213	166	0	0
Air Force	5,833	4,912	9	9	0	0	-9	-9
Defense Health Agency	39,535	13,327	57,311	54,730	57,273	54,692	-38	-38
Total	**55,789**	**54,636**	**57,735**	**55,100**	**57,651**	**55,016**	**-84**	**-84**
II. Civilian Personnel - Foreign National Direct Hire								
Army	498	488	0	0	0	0	0	0
Navy	363	340	363	340	363	340	0	0
Air Force	193	172	0	0	0	0	0	0
Defense Health Agency	830	830	931	879	930	878	-1	-1
Total	**1,884**	**1,830**	**1,294**	**1,219**	**1,293**	**1,218**	**-1**	**-1**
III. Civilian Personnel - Foreign National Indirect Hire								
Army	553	462	0	0	0	0	0	0
Navy	448	430	448	430	448	430	0	0
Air Force	167	161	1	1	0	0	-1	-1
Defense Health Agency	645	644	645	645	645	645	0	0
Total	**1,813**	**1,697**	**1,094**	**1,076**	**1,093**	**1,075**	**-1**	**-1**
IV. Total Civilian Personnel								
Army	2,382	28,504	202	195	165	158	-37	-37
Navy	9,901	9,613	1,024	936	1,024	936	0	0
Air Force	6,193	5,245	10	10	0	0	-10	-10
Defense Health Agency	41,010	14,801	58,887	56,254	58,848	56,215	-39	-39
Total *	**59,486**	**58,163**	**60,123**	**57,395**	**60,037**	**57,309**	**-86**	**-86**
V. Summary Civilian Personnel								
U.S. Direct Hire	55,789	54,636	57,735	55,100	57,651	55,016	-84	-84
Foreign National Direct Hire	1,884	1,830	1,294	1,219	1,293	1,218	-1	-1
Foreign National Indirect Hire	1,813	1,697	1,094	1,076	1,093	1,075	-1	-1
Total, Civilians *	**59,486**	**58,163**	**60,123**	**57,395**	**60,037**	**57,309**	**-86**	**-86**

* Includes reimbursable civilians - memo

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Exhibit PB-11A Defense Health Program Personnel Summary (Continued)

Defense Health Program
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2024 Budget Estimates
Personnel Summary

prior year data used for illustration only

	FY 2022 Actuals		FY 2023 Enacted		FY 2024 Request		FY 2023-2024 Change	
	End Strength	FTEs	End Strength	FTEs	End Strength	FTEs	End Strength	FTEs
SPECIAL INTEREST MANPOWER								
Defense Health Agency Management Headquarters (PE 0807898)								
Military	44	44	45	45	45	45	0	0
Civilian	480	207	256	256	256	256	0	0
Army Management Headquarters (PE 0807798)								
Military	0	0	0	0	0	0	0	0
Civilian	0	0	0	0	0	0	0	0
Navy Management Headquarters (PE 0807798)								
Military	10	5	5	8	8	6	3	-2
Civilian	111	108	0	0	0	0	0	0
Air Force Management Headquarters (PE 0807798)								
Military	64	73	1	33	1	1	0	-32
Civilian	0	0	0	0	0	0	0	0

Note: Some numbers might not add due to rounding

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Exhibit PB-11B Medical Workload and Productivity Data

Defense Health Program
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) XXXX Budget Estimates
Medical Workload data - DHP Summary

	FY PY Actual	FY CY Estimate	FY BY Estimate	PY - CY Change	CY - BY Change
Population - Eligible Beneficiaries, CONUS					
Active Duty					
Active Duty Family Members					
Retirees					
Family Members of Retirees					
Subtotal Eligible					
Medicare Eligible Beneficiaries					
Total Eligible Beneficiaries					
Population - Eligible Beneficiaries, OCONUS					
Active Duty					
Active Duty Family Members					
Retirees					
Family Members of Retirees					
Subtotal Eligible					
Medicare Eligible Beneficiaries					
Total Eligible Beneficiaries					
Population - Eligible Beneficiaries, Worldwide					
Active Duty					
Active Duty Family Members					
Retirees					
Family Members of Retirees					
Subtotal Eligible					
Medicare Eligible Beneficiaries:					
Active Duty Family Members					
Guard/Reserve Family Members					
Eligible Retirees					
Eligible Family Members of Retirees					
Survivors					
Others					
Total Medicare Eligible Beneficiaries					
Total Eligible Beneficiaries					

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Exhibit PB-11B Medical Workload and Productivity Data (Continued)

Defense Health Program
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) XXXX Budget Estimates
Medical Workload data - DHP Summary

	FY PY Actual	FY CY Estimate	FY BY Estimate	PY - CY Change	CY - BY Change
Enrollees - Direct Care					
TRICARE Region - East					
TRICARE Region - West					
TRICARE Region - Europe					
TRICARE Region - Pacific					
TRICARE Region - Latin America					
Alaska					
Sub-Total CONUS Regions					
Sub-Total OCONUS Regions					
Total Direct Care Enrollees					

	FY PY Actual	FY CY Estimate	FY BY Estimate	PY - CY Change	CY - BY Change
Infrastructure					
Inpatient Facilities					
Medical Clinics					
Dental Clinics					

	FY PY Actual	FY CY Estimate	FY BY Estimate	PY - CY Change	CY - BY Change
Direct Care System Workload (from M2 and Business Planning Tool)					
Inpatient Admissions, Non-Weighted (SIDR Dispositions-All)					
Inpatient Admissions, Weighted (MS-DRG RWPs, Non Mental Health)					
Inpatient Admissions, Occupied Bed Days (Mental Health Only)					
Average Length of Stay (ALL Bed Days/All Dispositions)					
Ambulatory Visits, Non-Weighted (Encounters, CAPER)					
Ambulatory Visits, Weighted (Adj Provider Aggregate RVUs, CAPER)					
Number of Outpatient Pharmacy Prescriptions (30-Day equivalents)					

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Exhibit PB-11B Medical Workload and Productivity Data (Continued)

Defense Health Program
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) XXXX Budget Estimates
Medical Workload data - DHP Summary

	FY PY Actual	FY CY Estimate	FY BY Estimate	PY - CY Change	CY - BY Change
Direct Care System Workload (from M2 and Business Planning Tool)					
Inpatient Admissions, Non-Weighted (SIDR Dispositions-All)					
Inpatient Admissions, Weighted (MS-DRG RWPs, Non Mental Health)					
Inpatient Admissions, Occupied Bed Days (Mental Health Only)					
Average Length of Stay (ALL Bed Days/All Dispositions)					
Ambulatory Visits, Non-Weighted (Encounters, CAPER)					
Ambulatory Visits, Weighted (Adj Provider Aggregate RVUs, CAPER)					
Number of Outpatient Pharmacy Prescriptions (30-Day equivalents)					

	FY PY Actual	FY CY Estimate	FY BY Estimate	PY - CY Change	CY - BY Change
Dental Workload (Dental Weighted Values (DWVs)(from Components)					
CONUS					
OCONUS					
Total DWVs					
CONUS					
Active Duty					
Non-Active Duty					
Total CONUS					
OCONUS					
Active Duty					
Non-Active Duty					
Total OCONUS					

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Exhibit PB-11B Medical Workload and Productivity Data (Continued)

Defense Health Program
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) XXXX Budget Estimates
Medical Workload data - DHP Summary

	FY PY Actual	FY CY Estimate	FY BY Estimate	PY - CY Change	CY - BY Change
Prime Enrollees - Managed Care Support Contract					
TRICARE Region - East					
TRICARE Region - West					
Total MCS Contracts					
TRICARE Select Enrollees					
TRICARE Region - East					
TRICARE Region - West					
Total Select					
TRICARE Region - Overseas - Europe, Pacific, Latin America					
Total MCSC, Select and TRICARE Overseas					

	FY PY Actual	FY CY Estimate	FY BY Estimate	PY – CY Change	CY - BY Change
Private Sector Care System Workload					
Outpatient-Visits					
Outpatient-Weighted (Relative Value Units, RVUs)					
Inpatient-Admissions					
Inpatient-Weighted (Relative Weighted Products, RWPs)					
Pharmacy					
Retail - Number of Scripts (30-day equivalents)					
Mail Order - Number of Scripts (30-day equivalents)					
TRICARE					
Dental Program Enrollment					
Uniformed Services Family Health Plan					
Enrollees (Non-Medicare eligible, DoD Only)					

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* Exhibit Medical Readiness Activities

Medical Readiness Activities
Fiscal Year (FY) 20XX President's Budget

Financial Summary:

	FY PY Actual	FY CY Enacted	FY BY Request
TOTAL , BA 01: Operating Forces	0	0	0
TOTAL , BA 02: Mobilization	0	0	0
TOTAL , BA 03: Training and Recruiting	0	0	0
TOTAL , BA 04: Admin & Srvwide Activities	0	0	0
Total Medical Readiness Activities:	**0**	**0**	**0**

Details:

BA 02: Mobilization

Medical Operations Support

3400F	21D	Mobilization Preparedness	0	0	0
Total Medical Operations Support			**0**	**0**	**0**

Medical Research and Development

			0	0	0
Total Medical Research and Development			**0**	**0**	**0**

Medical Facilities and Installation Support

			0	0	0
Total Medical Facilities and Installation Support			**0**	**0**	**0**

Medical Acquisition Support

			0	0	0
Total Medical Acquisition Support			**0**	**0**	**0**

Exhibit Medical Readiness Activities (Continued)

Medical Readiness Activities
Fiscal Year (FY) 20XX President's Budget

Medical Education and Training					
SAG	21D	Mobilization Preparedness	0	0	0
			0	0	0
Total Medical Education and Training			**0**	**0**	**0**

Notes:

Exhibit Medical Readiness Activities (Continued)

Medical Readiness Activities
Fiscal Year (FY) 20XX President's Budget

Reconciliation of Increases and Decreases:

FY CY Enacted			**$0**
1. Price Change			$0
2. Transfers			$0
a) Transfers In		$0	
b) Transfers Out		$0	
1) Title Description	$0		
3. Program Increases			$0
1) Title Description		$0	
2) Title Description		$0	
3. Program Decreases			$0
FY BY Budget Request			**$0**

Exhibit Medical Readiness Activities (Continued)

Medical Readiness Activities
Fiscal Year (FY) 20XX President's Budget

Performance Criteria and Evaluation Summary:

	FY PY	FY CY	FY BY
1) Medical Readiness[1]			
Medically Ready to Deploy[2]	-	-	-
Dentally Ready to Deploy[3]	-	-	-

	FY PY	FY CY	FY BY
2) Medical Education and Training			
Health Profession Scholarship	-	-	-
Officer/Enlisted Primary Training	-	-	-
Other Training - Medical Function Training[1]	-	-	-

Notes:

1)

2)

Exhibit Medical Readiness Activities (Continued)

Medical Readiness Activities
Fiscal Year (FY) 20XX President's Budget

Personnel Summary: Total

	FY PY	FY CY	FY BY	Change FY CY/BY
Active Military End Strength (E/S) (Total)	0	0	0	0
Officer	0	0	0	0
Enlisted	0	0	0	0
Active Military Average Strength (A/S) (Total)	0	0	0	0
Officer	0	0	0	0
Enlisted	0	0	0	0
Civilian FTEs (Total)	0	0	0	0
DIRECT FUNDED (DOES NOT INCLUDE MILITARY TECHNICIANS)	0	0	0	0
U.S. Direct Hire				0
Foreign National Direct Hire		0	0	0
Total Direct Hire	0	0	0	0
Foreign National Indirect Hire	0	0	0	0
REIMBURSABLE FUNDED	0	0	0	0
U.S. Direct Hire	0	0	0	0
Foreign National Direct Hire	0	0	0	0
Total Direct Hire	0	0	0	0
Foreign National Indirect Hire	0	0	0	0
Annual Civilian Salary Cost	0	0	0	0
Contractor FTEs (Total)	0	0	0	0

Exhibit Medical Readiness Activities (Continued)

Medical Readiness Activities
Fiscal Year (FY) 20XX President's Budget

OP-32A Line Items: Total

		FY PY Program	FC Rate Diff	Price Growth Percent	Price Growth	Program Growth	FY CY Program	FC Rate Diff	Price Growth Percent	Price Growth	Program Growth	FY BY Program
	CIVILIAN PERSONNEL COMPENSATION											
0101	EXECUTIVE, GENERAL AND SPECIAL SCHEDULES	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
0103	WAGE BOARD	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
0104	FOREIGN NATIONAL DIRECT HIRE (FNDH)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
0107	VOLUNTARY SEPERATION INCENTIVE PAY	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
0110	UNEMPLOYMENT COMPENSATION	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
0199	TOTAL CIVILIAN PERSONNEL COMPENSATION	$ -	$ -		$ -	$ -	$ -	$ -		$ -	$ -	$ -
	TRAVEL											
0308	TRAVEL OF PERSONS	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
0399	TOTAL TRAVEL	$ -	$ -		$ -	$ -	$ -	$ -		$ -	$ -	$ -
	DEFENSE WORKING CAPITAL FUND SUPPLIES AND MATERIALS											
0401	DLA ENERGY (FUEL PRODUCTS)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
0414	AF CONSOLIDATED SUSTAINMENT	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
0418	AF RETAIL SUPPLY	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
0499	TOTAL SUPPLIES AND MATERIALS PURCHASES	$ -	$ -		$ -	$ -	$ -	$ -		$ -	$ -	$ -
	DEFENSE WORKING CAPITAL FUND EQUIPMENT PURCHASES											
0505	AIR FORCE FUND EQUIPMENT	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
0599	TOTAL STOCK FUND EQUIPMENT PURCHASES	$ -	$ -		$ -	$ -	$ -	$ -		$ -	$ -	$ -
	OTHER PURCHASES											
0647	DISA ENTERPRISE COMPUTING CENTERS	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
0671	DISA DISN SUBSCRIPTION SERVICES	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
0679	COST REIMBURSABLE PURCHASE	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
0703	JCS EXERCISE	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
0705	AMC TRAINING	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
0771	COMMERCIAL TRANSPORTATION	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
0913	PURCHASED UTILITIES (NON-DWCF)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
0914	PURCHASED COMMUNICATIONS (NON-DWCF)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
0915	RENTS (NON-GSA)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
0917	POSTAL SERVICES (U.S.P.S)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
0920	SUPPLIES AND MATERIALS (NON-DWCF)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
0921	PRINTING AND REPRODUCTION	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
0922	EQUIPMENT MAINTENANCE BY CONTRACT	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
0923	FACILITY SUSTAIN, RESTORE MOD BY CT	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
0925	EQUIPMENT PURCHASES (NON-FUND)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
0932	MANAGEMENT AND PROFESSIONAL SUPPORT SERVICES	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
0933	STUDIES, ANALYSIS, AND EVALUATIONS	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
0934	ENGINEERING AND TECHNICAL SERVICES	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
0935	TRAINING AND LEADERSHIP DEVELOPMENT (OTHER CONTR)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
0955	MEDICAL CARE	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
0957	LAND AND STRUCTURES	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
0964	OTHER COSTS-SUBSIST SUPT OF PERS	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
0985	RESEARCH AND DEVELOPMENT CONTRACTS	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
0987	OTHER INTRA-GOVERNMENT PURCHASES	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
0989	OTHER SERVICES	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
0999	TOTAL OTHER PURCHASES	$ -	$ -		$ -	$ -	$ -	$ -		$ -	$ -	$ -
9999	GRAND TOTAL	$ -	$ -		$ -	$ -	$ -	$ -		$ -	$ -	$ -

VOLUME 2B, CHAPTER 13: "DEFENSE ENVIRONMENTAL RESTORATION"

SUMMARY OF MAJOR CHANGES

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

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

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

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

The previous version dated October 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with the current administrative instructions.	Revision
All	Updated text throughout for clarity and to reflect updated office names.	Revision
1.1.1.1 – 1.1.1.5 (previous version)	Removed Defense Environmental Restoration Program goals.	Deletion
1.0	This paragraph was substantively revised to add an Overview, update the Purpose narrative, and add the required list of Authoritative Guidance information.	Revision/ Addition
2.0	Created paragraph to capture and update the definitions listed in paragraph 1.5 of the previous version.	Addition/ Revision
3.0	Moved and updated the Program and Budget Review Submission narratives listed in section 2.0 of the previous version.	Revision
4.0	Moved and updated the Congressional Justification/ Presentation narratives listed in section 3.0 of the previous version. Removed ENV 30 Part 3 (Performance Metrics).	Revision
Appendix A	Modified and combined the ENV 30 Parts 1 and 2 and renamed it to match the previously modified ENV 30. Updated the instructions for completing the ENV 30; the definitions, and business rules to match the previously modified instructions, definitions, and data matrices.	Revision/ Addition
Appendix B	Added appendix for the data matrices.	Addition

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CHAPTER 13

DEFENSE ENVIRONMENTAL RESTORATION

*1.0 GENERAL

1.1 Overview

The Military Departments and applicable Defense Agencies with Defense Environmental Restoration Program (DERP) requirements use transfer account appropriations to fund DERP-eligible cleanup activities at active installations and Formerly Used Defense Sites (FUDS) properties. General funding policies are available in ***Volume 2A, Chapter 1***. Base Realignment and Closure (BRAC) appropriations to fund cleanup activities are addressed in ***Chapter 7***.

1.2 Purpose

1.2.1. This chapter provides instructions applicable to program and budget formulation for the Department's combined Program and Budget Review and congressional justification for Environmental Restoration Account (ERA) appropriations. This chapter contains instructions for providing the programming, budgeting, and performance data necessary to meet reporting requirements, respond to congressional concerns, and conform to Office of Management and Budget (OMB) guidance to link the Department's budget to the DERP performance goals for active installations and FUDS properties. This chapter also provides additional specific guidance for the required DERP backup material.

1.2.2. The appropriations eligible to receive funds from the Defense Environmental Restoration Transfer Accounts and their corresponding source for specific policies are listed below.

Operation and Maintenance (O&M) – ***Volume 2A, Chapter 3***
Procurement – ***Chapter 4***
Research, Development, Test, and Evaluation (RDT&E) – ***Chapter 5***

1.3 Authoritative Guidance

The Department's Environmental Restoration programs must comply with the requirements prescribed by this chapter, in accordance with the applicable provisions of:

1.3.1. Title 10, United States Code, Chapter 160, ***(10 U.S.C. Ch 160)***, "Environmental Restoration"

1.3.2. ***31 U.S.C.***, "Money and Finance"

1.3.3. ***42 U.S.C. Ch 103,*** "Comprehensive Environmental Response Compensation and Liability Act of 1980 (CERCLA)"

1.3.4. Resource Conservation and Recovery Act of 1976 ***(RCRA)***

1.3.5. Title 40, Code of Federal Regulations, Part 300 (***40 CFR 300***), "National Oil and Hazardous Substances Pollution Contingency Plan"

1.3.6. ***DoD Directive (DoDD) 4715.1E***, "Environment, Safety, and Occupational Health (ESOH)"

1.3.7. ***DoD Instruction (DoDI) 4715.07***, "Defense Environmental Restoration Program (DERP)"

1.3.8. ***DoD Manual (DoDM) 4715.20***, "Defense Environmental Restoration Program (DERP) Management"

*2.0 DEFINITIONS

2.1 Installation Restoration Program (IRP)

The IRP sub-element identifies funding associated with sites that require response actions to address releases of hazardous substances and pollutants or contaminants; petroleum, oil, or lubricants (POL) that create an imminent and substantial endangerment to the public health or to the environment; hazardous wastes or hazardous waste constituents; explosive compounds released to soil, surface water, sediment, or groundwater as a result of ammunition or explosives production or manufacturing at ammunition plants; and funding for response activities to address unexploded ordnance (UXO), discarded military munitions (DMM), or munitions constituents (MC) posing an explosive, human health, or environmental hazard that are incidental to an existing IRP site. This sub-element also identifies funding associated with the demolition and removal of unsafe buildings and structures and the removal of unsafe debris that meet the DERP general eligibility requirements in DoDM 4715.20.

2.2 Management

The Management sub-element identifies administrative and overhead funding associated with the DERP that cannot be attributed to individual sites (e.g., manpower).

2.3 Military Munitions Response Program (MMRP)

The MMRP sub-element identifies funding associated with sites (referred to as munitions response sites (MRSs)) that are known or suspected to contain UXO, DMM, or MC; and funding for response activities to address releases eligible under the IRP category that are incidental to an existing MRS. This sub-element does not include funding for operational ranges, operating storage and manufacturing facilities, and munitions resulting from combat, or facilities that are used for or were permitted for the treatment of disposal of military munitions.

*3.0 PROGRAM AND BUDGET REVIEW SUBMISSION

3.1 Guidance

This section provides guidance for the preparation and submission of the program objective memorandum (POM) and budget estimate submission (BES) for the DERP. The BES component consists of all O&M, Procurement, and RDT&E resources that support the DERP. The Military Departments and applicable Defense Agencies should consult all other relevant chapters for exhibit requirements that are not specifically addressed in this chapter, including Chapter 19, Other Special Analyses.

3.2 Submission Requirements

3.2.1. Volume 2A, Chapter 1 provides general submission guidance, including format, preparation of material, and copy requirements. This chapter covers specific backup material requirements for the DERP. Under the authority, direction, and control of the Under Secretary of Defense for Acquisition and Sustainment (USD(A&S)) and through the Deputy Assistant Secretary of Defense for Environmental Management and Restoration (DASD(EMR)), the Assistant Secretary of Defense for Energy, Installations, and Environment (ASD(EI&E)) is responsible for identifying all submission requirements to support the DERP. The Military Departments and applicable Defense Agencies are responsible for programming and budgeting for all cleanup requirements in their respective organizations.

3.2.2. The Department will collect both POM and BES data through the Select & Native Programming Data Input System (SNaP) process. For ERA appropriations, the Department will collect the Programming Data Requirements in the ENV 30 budget exhibit. In addition, the Military Departments and applicable Defense Agencies must develop separate narrative justification material (including program increases and decreases) for their respective programs as part of their POM/BES and upload these materials in SNaP. Under the authority, direction, and control of the USD(A&S) and through the DASD(EMR), the ASD(EI&E) is responsible for commenting on and compiling the ENV 30 budget exhibits and narrative justification materials for the FUDS ERA and the Defense-wide ERA, which include non-BRAC funding for the ASD(EI&E) and Defense Logistics Agency (DLA).

3.2.3. The Military Departments, applicable Defense Agencies, and the DASD(EMR) will submit data in accordance with the annual Office of Under Secretary of Defense (Comptroller) (OUSD(C)) guidance. Generally, POM/BES data are due in August or September each year.

3.2.4. In accordance with the schedule established by the DASD(EMR), the Military Departments and applicable Defense Agencies must provide appropriate updates to their DERP data as required by DoDI 4715.07, for each site regarding status, schedule, and cost to complete (CTC). The Military Departments and applicable Defense Agencies will submit updated data to the official central DoD-wide system of record (hereinafter referred to as the "DERP information system").

3.2.5. The Military Departments, applicable Defense Agencies, and the DASD(EMR) are also responsible for providing data to update the Next Generation Resource Management System (NGRMS) and the Future Years Defense Program (FYDP) automated systems for the various ERA appropriations as identified in Volume 2A, Chapter 1, and for updating the OP-32 exhibit (Summary of Price and Program Change) identified in Volume 2A, Chapter 3.

3.2.6. Appendices A and B contain instructions for completing the ENV 30 budget exhibit, along with definitions and data matrices.

*4.0 CONGRESSIONAL JUSTIFICATION/PRESENTATION

4.1 Guidance

This section provides guidance for the preparation and submission of the President's Budget data for the DERP to Congress. The President's Budget component consists of all O&M, Procurement, and RDT&E resources that support the DERP. The Military Department and applicable Defense Agencies should consult all other relevant chapters for exhibit requirements that are not specifically addressed in this chapter, including ***Chapter 19***, Other Special Analyses.

4.2 Submission Requirements

4.2.1. The Military Departments, applicable Defense Agencies, and the DASD(EMR) will update SNaP immediately upon completion of the Resource Management Decisions and the Department's budget lock. In addition, the Military Departments and applicable Defense Agencies must provide the OUSD(C) with a revised narrative justification for their respective programs reflecting any changes from the POM/BES review. The SNaP system will format the data into congressional justification exhibits, which the Military Departments and applicable Defense Agencies can print out and include in their justification materials. Under the authority, direction, and control of the USD(A&S), through the DASD(EMR), the ASD(EI&E) is responsible for review, final approval, and consolidation of the congressional justification material and ENV 30 budget exhibits for the FUDS ERA and the Defense-wide ERA, which includes non-BRAC funding for the ASD(EI&E) and DLA.

4.2.2. The Military Departments, applicable Defense Agencies, and the DASD(EMR) will submit data in accordance with the annual OUSD(C) guidance. Generally, President's Budget data are due in January each year.

4.2.3. In accordance with the schedule established by the DASD(EMR), the Military Departments and applicable Defense Agencies must provide appropriate updates to their DERP data, reflecting any changes from the POM/BES review, as required by DoDI 4715.07 for each site regarding status, schedule, and CTC. The Military Departments and applicable Defense Agencies will submit updated data to the DERP information system.

4.2.4. The Military Departments, applicable Defense Agencies, and the DASD(EMR) are responsible for providing data to update the FYDP automated systems for the various ERA appropriations as identified in Volume 2A, Chapter 1, and for updating the OP-32 exhibit (Summary of Price and Program Change) identified in Volume 2A, Chapter 3.

4.2.5. Appendix A provides detailed instructions for completing the ENV 30 budget exhibit, along with definitions and business rules. Refer to the OUSD(C) annual guidance for any updates to these instructions.

4.2.6. Appendix B provides data matrix for DoDComponent, FundSource, ActivityCategory, and Activity Relationship.

*APPENDIX A: INSTRUCTIONS, DEFINITIONS, AND BUSINESS RULES

ENV 30 DERA AND BRAC FUNDS FOR ENVIRONMENTAL CLEANUP

Class	FUDS	DoDComponent	FundSource	ActivityCategory	Activity	ResourceType	PY	EY	BY	BY+1	BY+2	BY+3	BY+4	BalanceToComplete

Instructions

1) The ENV 30 exhibit captures funding for DERP-eligible activities at IRP, MMRP, and Building Demolition/Debris Removal (BD/DR) sites, including site-specific requirements and program management; funding for BRAC Planning and Compliance activities; funds generated from the sale or lease of real property; obligations of prior year BRAC funds; reprogrammed funds; and the number sites funded or to be funded with the total obligational authority (TOA) for the activity in the applicable fiscal year.

2) Provide by DoD Component (Active, Defense Agency/Defense Wide, and BRAC), the total costs (TOA) and total number of sites funded or to be funded with the TOA by Fund Source, Activity Category, and Activity for the prior year (PY), execution year (EY), budget year (BY), BY+1 through BY+4, and the balance to complete (i.e., beyond the FYDP).

3) Report TOA in $K (thousands) and the total number of sites in actual numbers. DO NOT report sites in thousands.

4) Only the Army will report FUDS data.

5) For Fund Sources "BRAC Planning" and "BRAC Compliance," provide the number of installations in lieu of the number of sites. For Fund Sources "Environmental Restoration-Management," "BRAC-Management," "BRAC-Land Sale Revenue," "BRAC-Prior Year Funds," "Environmental Restoration-Reprogrammed Funds," and "Environmental Restoration-Lease Proceeds," reporting the total number of sites is not required.

6) BRAC Fund Sources include all rounds of BRAC.

7) Funding reported for the PY through BY+4 and the balance to complete should only include the reporting DoD Component's program requirements and not the program requirements of another DoD Component (e.g., for Defense and State Memorandum of Agreement (DSMOA) funding, the Army should only report its DSMOA requirements and not those of the other DoD Components).

8) Include land sale revenue and prior year BRAC funds applied to each applicable activity in the TOA for the PY through BY+4 and the balance to complete. Report the total amount of land sale revenue and prior year BRAC funds applied to all activities for the PY through BY+4 and the balance to complete against the "Land Sale Revenue" and "Prior Year Funds" Fund Sources; SNaP will deduct these amounts from the BRAC totals to calculate the BRAC appropriated funding. Note that the land sale revenue and prior year BRAC funding for the PY should only include obligations that occurred during the PY and should not reflect the de-obligation of funds obligated in previous fiscal years. The de-obligation of funds obligated in previous fiscal years should be explained in accordance with the Word document requirement in paragraph 14.c below.

APPENDIX A: INSTRUCTIONS, DEFINITIONS, AND BUSINESS RULES (continued)

9) Include proceeds from the lease of real property at non-BRAC excess locations applied to each applicable activity in the TOA for the PY through BY+4 and the balance to complete. Report the total amount of proceeds from the lease of real property at non-BRAC excess locations applied to all activities for the PY through BY+4 and the balance to complete against the "Lease Proceeds" Fund Source; SNaP will deduct these amounts from the Environmental Restoration totals to calculate the Environmental Restoration appropriated funding. The use of proceeds from the lease of real property should be explained in accordance with the Word document requirement in paragraph 14.c. below.

10) Use the "Reprogrammed Funds" line to identify funds returned to the transfer account during the PY; received from the transfer account during the PY; and received, or to be received, from the transfer account in the EY/BY that are above and beyond the annual appropriation. Report the total amount of reprogrammed funds applied to all activities in the TOA for the PY through the BY, as appropriate, against the "Environmental Restoration-Reprogrammed Funds" Fund Source; SNaP will deduct these amounts from the Environmental Restoration totals to calculate the Environmental Restoration appropriated funding. The reprogramming actions should be explained in accordance with the Word document requirement in paragraph 14.c. below.

11) Program adequate resources in each year of the FYDP to achieve program goals.

12) Provide to the ODASD(EMR) (in accordance with the ODASD(EMR) data call schedules) updated DERP data for each site regarding status, schedule, and CTC, as required by DoDI 4715.07.

13) Ensure the POM/BES and President's Budget submissions contain sufficient funding to annually update the inventory of defense sites that are known or suspected to contain UXO, DMM, or MC, as required by section 2710(a) of Title 10 U.S.C. and as specified in DoDM 4715.20.

14) Provide a narrative in a Word document that includes the following information:

a) An explanation of any significant fluctuations (i.e., +/- 25% or more) in the funding for the PY and EY as compared to the funding for those two years in the previous year's President's Budget submission. In addition, provide an explanation of any significant fluctuations (i.e., +/- 25% or more) in the balance to complete as compared to the balance to complete in the previous year's President's Budget submission. Provide a separate explanation for each of the following: Under the IRP category, the Investigation Subtotal, the Remedial Action (RA) Subtotal, and the IRP Subtotal; under the MMRP category, the Investigation Subtotal, the RA Subtotal, and the MMRP Subtotal; the Compliance Total; and the Management Subtotal. Include the calculated percent change in PY and EY funding, and the balance to complete, for each subtotal and total, regardless of whether the fluctuations were significant.

b) An explanation of any significant program increases or decreases (i.e., +/- 25% or more) from the EY to BY. Provide a separate explanation for each of the following: Under the IRP category, the Investigation Subtotal, the RA Subtotal, and the IRP Subtotal; under the MMRP category, the Investigation Subtotal, the RA Subtotal, and the MMRP Subtotal; the Compliance Total; and the Management Subtotal. Include the calculated percent change from the EY to BY for each subtotal and total, regardless of whether the program increases or decreases were significant.

c) An explanation of all reprogramming actions (including funds returned to the transfer account in the PY); cost recovery; lease proceeds; land sale revenue; the use of prior year funds for cleanup work at BRAC locations; and the de-obligation of land sale revenue and prior year BRAC funds obligated in previous fiscal years and that are now available to address future requirements.

APPENDIX A: INSTRUCTIONS, DEFINITIONS, AND BUSINESS RULES (continued)

d) A justification of why there is a need for appropriated funding in the BY, if the available unobligated balance for the BY exceeds the amount in the budget request.

e) An explanation of variances between the ENV 30 budget exhibit and the Environmental totals submitted in the BC-04 exhibit.

15) See Appendix A on the SNaP Website for reporting requirements for your organization.

Definitions

Class: System Field: Classification
C: CONFIDENTIAL
C/NF: CONFIDENTIAL//NOFORN
CUI: CONTROLLED UNCLASSIFIED INFORMATION
S: SECRET
S/NF: SECRET//NOFORN
U: UNCLASSIFIED

FUDS: Closed List. Used by the Army to identify FUDS data.
No
Yes

DoDComponent: Closed List. Identifies the Military Department or Defense Agency whose data are presented on the exhibit. For the Military Departments, report by Active (including Guard and Reserve) and BRAC. The Defense Agencies should select "Defense Agency/Defense Wide." The Army will report FUDS.
Active: Used by the Military Departments and includes Active Guard and Reserve Components.

BRAC: Used by the Military Departments to report BRAC.

DADW: Defense Agency/Defense Wide. Used by non-service defense agencies.

FundSource:
BRAC-Compliance: Funded by the Base Realignment and Closure environmental sub-accounts within the MILCON appropriation. Includes funding for hazardous waste permits and other similar permits that are not associated with site cleanup. See DoDI 4715.06, *Environmental Compliance in the United States*.

BRAC-IRP: Funded by the Base Realignment and Closure environmental sub-accounts within the MILCON appropriation. Identifies funding associated with sites that require response actions to address releases of hazardous substances and pollutants or contaminants; POLs that create an imminent and substantial endangerment to the public health or to the environment; hazardous wastes or hazardous waste constituents; and explosive compounds released to soil, surface water, sediment, or groundwater as a result of ammunition or explosives production or manufacturing at ammunition plants; and response activities to address UXO, DMM, or MC posing an explosive, human health, or environmental hazard that are incidental to an existing IRP site.

APPENDIX A: INSTRUCTIONS, DEFINITIONS, AND BUSINESS RULES (continued)

BRAC-Land Sale Revenue: Identifies funds recovered from the sale of real property and used to offset cleanup funding requirements.

BRAC-Management: Funded by the Base Realignment and Closure environmental sub-accounts within the MILCON appropriation. Identifies administrative and overhead funding associated with the DERP that cannot be attributed to individual sites (e.g., manpower). This sub-element excludes funding for requirements that are not associated with site cleanup, such as Compliance-related cleanup, hazardous waste and other similar permits, and National Environmental Policy Act (NEPA) activities.

BRAC-MMRP: Funded by the Base Realignment and Closure environmental sub-accounts within the MILCON appropriation. Identifies funding associated with sites (referred to as MRSs) that are known or suspected to contain UXO, DMM, or MC; and response activities to address releases eligible under the IRP category that are incidental to an existing MRS. This sub-element does not include funding for operational ranges, operating storage and manufacturing facilities, and munitions resulting from combat.

BRAC-Planning: Funded by the Base Realignment and Closure environmental sub-accounts within the MILCON appropriation. Includes funding for all NEPA requirements.

BRAC-Prior Year Funds: Identifies funds obligated/to be obligated from prior year BRAC appropriations.

Environmental Restoration-IRP: Funded by Environmental Restoration appropriations. Identifies funding associated with sites that require response actions to address releases of hazardous substances and pollutants or contaminants; POLs that create an imminent and substantial endangerment to the public health or to the environment; hazardous wastes or hazardous waste constituents; and explosive compounds released to soil, surface water, sediment, or groundwater as a result of ammunition or explosives production or manufacturing at ammunition plants; and response activities to address UXO, DMM, or MC posing an explosive, human health, or environmental hazard that are incidental to an existing IRP site. Also identifies funding associated with the demolition and removal of unsafe buildings and structures and the removal of unsafe debris that meet the DERP general eligibility requirements in DoDM 4715.20.

Environmental Restoration-Lease Proceeds: Identifies proceeds from the lease of real property at non-BRAC excess locations and used to offset cleanup funding requirements.

Environmental Restoration-Management: Funded by Environmental Restoration appropriations. Identifies administrative and overhead funding associated with the DERP that cannot be attributed to individual sites (e.g., manpower).

Environmental Restoration-MMRP: Funded by Environmental Restoration appropriations. Identifies funding associated with sites (referred to as MRSs) that are known or suspected to contain UXO, DMM, or MC; and response activities to address releases eligible under the IRP category that are incidental to an existing MRS. This sub-element does not include funding for operational ranges, operating storage and manufacturing facilities, and munitions resulting from combat, or facilities that are used for or were permitted for the treatment or disposal of military munitions.

Environmental Restoration-Reprogrammed Funds: Identifies funds returned to the transfer account during the PY; received from the transfer account during the PY; and received, or to be received, from the transfer account in the EY/BY that are above and beyond the annual appropriation.

APPENDIX A: INSTRUCTIONS, DEFINITIONS, AND BUSINESS RULES (continued)

ActivityCategory: Closed List. The environmental activity category supporting the fund source.

Compliance:
Investigation:
Land Sale Revenue:
Lease Proceeds:
Management:
Planning:
Post RA:
Prior Year Funds:
Remedial Action (RA):
Reprogrammed Funds:

Activity: Closed List. The environmental activity associated to the activity category.

Building Demolition/Debris Removal: Refers to the demolition and removal of unsafe buildings and structures and the removal of unsafe debris that meet the DERP general eligibility requirements in DoDM 4715.20.

Compliance: Refers to activities associated with closure-related procedures necessary to achieve compliance with applicable Executive Orders and Federal, State, inter-state, regional, and local statutory and regulatory environmental requirements at BRAC locations.

DSMOA: Includes funding for State support under the DSMOA. Also includes funding for alternative approaches to the DSMOA for reimbursing costs of State DERP related services, in accordance with the requirements in DoDM 4715.20.

EPA Funding: Includes payments from the Navy to the U.S. Environmental Protection Agency (EPA) for support at Hunters Point.

Interim Remedial Actions: Refers to the interim remedial action (IRA) phase of cleanup. The IRA is a remedial action undertaken prior to the selection of the final remedy as a part of a larger remedy.

Land Sale Revenue: Identifies funds recovered from the sale of real property and used to offset cleanup funding requirements.

Lease Proceeds: Identifies proceeds from the lease of real property at non-BRAC excess locations and used to offset cleanup funding requirements.

Long-Term Management: Refers to the long-term management (LTM) phase of cleanup. LTM involves environmental monitoring, review of site conditions, and maintenance of a remedial action to ensure continued protection as designed once a site achieves Response Complete. LTM includes the operations and maintenance measures required to maintain the effectiveness of response actions. LTM should be used until no further environmental restoration response actions are appropriate or anticipated.

Manpower - Contractor: Includes funding that is not directly attributable to sites for contractor employees who support the management of the environmental cleanup program.

Manpower - Government: Includes funding that is not directly attributable to sites for government civilian employees who support the management of the environmental cleanup program.

APPENDIX A: INSTRUCTIONS, DEFINITIONS, AND BUSINESS RULES (continued)

Other: Includes funding for all other Program Management requirements (i.e., management plans, base-wide studies, Information Technology, travel, training, Interstate Technology & Regulatory Council support, support for specialized technical issues, Agency for Toxic Substances and Disease Registry health assessments and health studies).

Planning: Refers to activities associated with the process of identifying and considering environmental factors that impact on, or are impacted by, planned DoD activities or operations at BRAC locations.

Potentially Responsible Parties: Refers to a site where DoD pursues a potentially responsible party when associated with the Investigation activity category. Refers to activities at a site where DoD may bear potential liability for hazards or hazardous substance releases along with other parties when associated with the RA activity category.

Preliminary Assessment/Site Inspection: Refers to the preliminary assessment (PA) and site inspection (SI) phases of cleanup. The PA is a review of existing information about a release such as information on pathways of exposure, exposure targets, and source and nature of release. The SI builds upon the PA and involves, as appropriate, on- and off-site field investigatory efforts including sampling.

Prior Year Funds: Identifies funds obligated/to be obligated from prior year BRAC appropriations.

Project Closeout: Refers to project closeout (PCO). PCO involves the shutting down/dismantling of remedial actions, seeking regulator concurrence, and closeout reports.

Remedial Action Construction: Refers to the remedial action construction (RA-C) phase of cleanup. The RA-C represents the period of time during which a response action is being implemented but is not yet operating as designed. At the end of this phase of work, a remedy is in place.

Remedial Action Operations: Refers to the remedial action operation (RA-O) phase of cleanup. The RA-O represents the period of time that a selected remedy must operate before achieving remedial action objectives. At the end of this phase of work, the response is complete.

Remedial Design: Refers to the remedial design (RD) phase of cleanup. The RD involves the development of the actual design of the selected remedy.

Remedial Investigation/Feasibility Study (including Records of Decision/Decision Documents): Refers to the remedial investigation (RI) and feasibility study (FS) phases of cleanup. The RI involves collecting data to characterize site conditions, determine the nature of the waste, assess risk to human health and the environment, and conduct treatability testing to evaluate the potential performance and cost of the treatment technologies that are being considered. The FS is the mechanism for the development, screening, and detailed evaluation of alternative remedial actions. Include the TOA associated with developing Records of Decision/Decision Documents with the TOA for the RI/FS phases.

Reprogrammed Funds: Identifies funds returned to the transfer account during the PY; received from the transfer account during the PY; and received, or to be received, from the transfer account in the EY/BY that are above and beyond the annual appropriation.

APPENDIX A: INSTRUCTIONS, DEFINITIONS, AND BUSINESS RULES (continued)

ResourceType: Closed List. The type or resources (TOA or Number of Sites/Installations) associated to the Fund Source.

Installations: Total number of installations funded or to be funded for the activity with the TOA. Applies to the "BRAC-Planning" and "BRAC-Compliance" Fund Sources only.

Sites: Total number of sites funded or to be funded for the activity with the TOA.

TOA: Total funding required to complete the activity.

Business Rules

1) For Fund Sources "Environmental Restoration-Management," "BRAC-Management," "BRAC-Land Sale Revenue," "BRAC-Prior Year Funds," "Environmental Restoration-Reprogrammed Funds," and "Environmental Restoration-Lease Proceeds," the reporting of the total number of sites is not required.
2) Only Army will provide "FUDS" data.
3) For DoD Components "Active" and "DADW," the Activity "EPA Funding" must be blank when Fund Source "Environmental Restoration-Management" and Activity Category "Management" are selected. For DoD Components "BRAC" and "DADW," the Activity "EPA Funding" must be blank when Fund Source "BRAC-Management" and Activity Category "Management" are selected by a DoD Component other than the Navy.

* APPENDIX B: DATA MATRICES

DoDComponent	FundSource	ResourceType
Active	Environmental Restoration-IRP	Sites
		TOA
	Environmental Restoration-Lease Proceeds	TOA
	Environmental Restoration-Management	TOA
	Environmental Restoration-MMRP	Sites
		TOA
	Environmental Restoration-Reprogrammed Funds	TOA
BRAC	BRAC-Compliance	Installations
		TOA
	BRAC-IRP	Sites
		TOA
	BRAC-Land Sale Revenue	TOA
	BRAC-Management	TOA
	BRAC-MMRP	Sites
		TOA
	BRAC-Planning	Installations
		TOA
	BRAC-Prior Year Funds	TOA
DADW	BRAC-Compliance	Installations
		TOA
	BRAC-IRP	Sites
		TOA
	BRAC-Land Sale Revenue	TOA
	BRAC-Management	TOA
	BRAC-MMRP	Sites
		TOA
	BRAC-Planning	Installations
		TOA
	BRAC-Prior Year Funds	TOA
	Environmental Restoration-IRP	Sites
		TOA
	Environmental Restoration-Lease Proceeds	TOA
	Environmental Restoration-Management	TOA
	Environmental Restoration-MMRP	Sites
		TOA
	Environmental Restoration-Reprogrammed Funds	TOA

APPENDIX B: DATA MATRICES (continued)

DoDComponent	FundSource	ActivityCategory	Activity
Active	Environmental Restoration-IRP	Investigation	Potentially Responsible Parties
			Preliminary Assessment/Site Inspection
			Remedial Investigation/Feasibility Study (including Records of Decision/Decision Documents)
		Post RA	Long-Term Management
			Project Closeout
		Remedial Action (RA)	Building Demolition/Debris Removal
			Interim Remedial Actions
			Potentially Responsible Parties
			Remedial Action Construction
			Remedial Action Operations
			Remedial Design
	Environmental Restoration-Lease Proceeds	Lease Proceeds	Lease Proceeds
	Environmental Restoration-Management	Management	DSMOA
			Manpower - Contractor
			Manpower - Government
			Other
	Environmental Restoration-MMRP	Investigation	Potentially Responsible Parties
			Preliminary Assessment/Site Inspection
			Remedial Investigation/Feasibility Study (including Records of Decision/Decision Documents)
		Post RA	Long-Term Management
			Project Closeout
		Remedial Action (RA)	Interim Remedial Actions
			Potentially Responsible Parties
			Remedial Action Construction
			Remedial Action Operations
			Remedial Design
	Environmental Restoration-Reprogrammed Funds	Reprogrammed Funds	Reprogrammed Funds

APPENDIX B: DATA MATRICES (continued)

DoDComponent	FundSource	ActivityCategory	Activity
BRAC	BRAC-Compliance	Compliance	Compliance
	BRAC-IRP	Investigation	Preliminary Assessment/Site Inspection
		Post RA	Remedial Investigation/Feasibility Study (including Records of Decision/Decision Documents)
			Project Closeout
		Remedial Action (RA)	Interim Remedial Actions
			Remedial Action Construction
			Remedial Action Operations
			Remedial Design
	BRAC-Land Sale Revenue	Land Sale Revenue	Land Sale Revenue
	BRAC-Management	Management	DSMOA
			EPA Funding
			Manpower - Contractor
			Manpower - Government
			Other
	BRAC-MMRP	Investigation	Preliminary Assessment/Site Inspection
			Remedial Investigation/Feasibility Study (including Records of Decision/Decision Documents)
		Post RA	Long-Term Management
			Project Closeout
		Remedial Action (RA)	Interim Remedial Actions
			Remedial Action Construction
			Remedial Action Operations
			Remedial Design
	BRAC-Planning	Planning	Planning
	BRAC-Prior Year Funds	Prior Year Funds	Prior Year Funds
DADW	BRAC-Compliance	Compliance	Compliance
	BRAC-IRP	Investigation	Preliminary Assessment/Site Inspection
			Remedial Investigation/Feasibility Study (including Records of Decision/Decision Documents)
		Post RA	Long-Term Management
			Project Closeout

APPENDIX B: DATA MATRICES (continued)

DoDComponent	FundSource	ActivityCategory	Activity
DADW (cont.)	BRAC-IRP (cont.)	Remedial Action (RA)	Interim Remedial Actions
			Remedial Action Construction
			Remedial Action Operations
			Remedial Design
	BRAC-Land Sale Revenue	Land Sale Revenue	Land Sale Revenue
	BRAC-Management	Management	DSMOA
			EPA Funding
			Manpower - Contractor
			Manpower - Government
			Other
	BRAC-MMRP	Investigation	Preliminary Assessment/Site Inspection
			Remedial Investigation/Feasibility Study (including Records of Decision/Decision Documents)
		Post RA	Long-Term Management
			Project Closeout
		Remedial Action (RA)	Interim Remedial Actions
			Remedial Action Construction
			Remedial Action Operations
			Remedial Design
	BRAC-Planning	Planning	Planning
	BRAC-Prior Year Funds	Prior Year Funds	Prior Year Funds
	Environmental Restoration-IRP	Investigation	Potentially Responsible Parties
			Preliminary Assessment/Site Inspection
			Remedial Investigation/Feasibility Study (including Records of Decision/Decision Documents)
		Post RA	Long-Term Management
			Project Closeout
		Remedial Action (RA)	Building Demolition/Debris Removal
			Interim Remedial Actions
			Potentially Responsible Parties
			Remedial Action Construction
			Remedial Action Operations
			Remedial Design

APPENDIX B: DATA MATRICES (continued)

DoDComponent	FundSource	ActivityCategory	Activity
DADW (cont.)	Environmental Restoration-Lease Proceeds	Lease Proceeds	Lease Proceeds
	Environmental Restoration-Management	Management	DSMOA
			Manpower - Contractor
			Manpower - Government
			Other
	Environmental Restoration-MMRP	Investigation	Potentially Responsible Parties
			Preliminary Assessment/Site Inspection
			Remedial Investigation/Feasibility Study (including Records of Decision/Decision Documents)
		Post RA	Long-Term Management
			Project Closeout
		Remedial Action (RA)	Interim Remedial Actions
			Potentially Responsible Parties
			Remedial Action Construction
			Remedial Action Operations
			Remedial Design
	Environmental Restoration-Reprogrammed Funds	Reprogrammed Funds	Reprogrammed Funds

Subject Matter Experts (SMEs): For questions regarding this exhibit, submit a SIRS Functional issue in SNaP, or contact the SME. A list of SMEs is available in SNaP by clicking the SME link on the Instructions/Data Requirements page.

Technical Issues: To report technical issues with the SNaP Website, submit a SIRS Technical issue in SNaP, or contact the Technical Staff. A list of the SNaP Technical personnel is available on the SNaP Home page (***https://snap.cape.osd.mil/***).

VOLUME 2B, CHAPTER 14: "DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES"

SUMMARY OF MAJOR CHANGES

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

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

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

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

The previous version dated January 2011 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated contents with relevant information and adopted required format changes.	Revision
1.0	This paragraph was substantively revised to add an Overview, update the Purpose narratives, and add the required list of Authoritative Guidance information.	Revision/ Addition
2.0	Updated to list the current office responsible for all submission requirements.	Revision
3.0	Updated the list of exhibits required for Program Budget Submission.	Revision
4.0	Updated the list of exhibits required for Congressional Justification/Presentation.	Revision
5.0	Updated the formats/templates for the required exhibits.	Revision

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CHAPTER 14

DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES, DEFENSE

*1.0 GENERAL

1.1 Overview

1.1.1. The Department of Defense (DoD) Counternarcotics program provides appropriation for four budget activities: Counter-Narcotics Support, Drug Demand Reduction Program, National Guard Counter-Drug Program, and National Guard Counter-Drug Schools. The funds are appropriated to the Department's Central Transfer Account (CTA) titled "Drug Interdiction and Counter-Drug Activities, Defense." This CTA is funded as an Operation and Maintenance (O&M) appropriation but can be executed in another appropriation (e.g., Research, Development, Test, and Evaluation or Procurement), as deemed appropriate. This CTA also supports centralized budgeting and oversight, while allowing funds to be executed across the entire range of DoD Military Departments, Combatant Commands, and Combat Support Agencies.

1.1.2. Counter-Narcotics Support budget activity includes detect and monitor of aerial and maritime transit, and counter the production, trafficking, and use of illegal drugs into the United States.

1.1.3. The Drug Demand Reduction Program budget activity includes prevention, education, and outreach to ensure the dangers of drug abuse and misuse within the DoD are understood, prevented, identified, and treated to keep the fighting force at the highest levels of readiness.

1.1.4. The National Guard Counter-Drug Program budget activity includessupport State National Guard assistance to Federal, State, tribal, and local law enforcement agencies, and community-based organizations in efforts to disrupt and degrade illicit drug production and trafficking within the United States.

1.1.5. The National Guard Counter-Drug Schools budget activity funds the operation of five National Guard counter-drug schools, which provide counter-drug and related counter transnational organized crime courses of instruction to Federal, State, local and community-based organizations from the 50 states, three territories, and the District of Columbia.

1.2 Purpose

This chapter provides instructions applicable to budget formulation and congressional justification for Drug Interdiction and Counter-drug Activities, Defense. This chapter also provides specific guidance and templates relative to the preparation of exhibits for budget presentation.

1.3 Authoritative Guidance

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

1.3.1. Title 5, United States Code, section 7301, (***5 U.S.C. § 7301***), "Presidential Regulations;"

1.3.2. ***10 U.S.C. § 124***, "Detection and Monitoring of Aerial and Maritime Transit of Illegal Drugs: Department of Defense to be Lead Agency;"

1.3.3. ***10 U.S.C. § 284***, "Support for Counterdrug Activities and Activities to Counter Transnational Organized Crime;"

1.3.4. ***10 U.S.C. § 978***, "Drug and Alcohol Abuse and Dependency: Testing of New Entrants;"

1.3.5. ***32 U.S.C. § 112***, "Drug Interdiction and Counter-Drug Activities;"

1.3.6. 2004 National Defense Authorization Act section 1022, (***2004 NDAA § 1022***), "Authority for joint task forces to provide support to law enforcement agencies conducting counter-terrorism activities," as amended;

1.3.7. ***2005 NDAA § 1021***, "Use of funds for unified counterdrug and counterterrorism campaign in Colombia," as amended; and

1.3.8. Executive Order 12333 (***E.O. 12333***), "United States Intelligence Activities."

*2.0 RESPONSIBILITIES

The Office of the Deputy Assistant Secretary of Defense (Counternarcotics Stabilization and Policy) (ODASD/CNSP) is responsible for all submission requirements for this program. The Components are responsible for providing all needed input to ODASD(CNSP) consistent with the submission requirements and due dates established by ODASD(CNSP).

*3.0 PROGRAM AND BUDGET REVIEW (PBR) SUBMISSION

3.1 Preparation of Material

Volume 2A, Chapter 1 provides general guidance for format and preparation of material. Volume 2B, Chapter 14 provides additional specific guidance for the required back-up materials.

3.2 References

Volume 2A, Chapter 1 provides general funding policies. Volume 2A, Chapter 3 provides specific policies and formats related to O&M appropriation. Volume 2B, Chapter 16 provides specific instructions applicable to budget formulation, implementation and congressional justification for intelligence program aggregations, and is applicable to the

Defense Intelligence Counternarcotics Program (DICP) of the Military Intelligence Program (MIP) aggregation. (See Volume 2A, Chapters 1 and 3, and Volume 2B, Chapter 16).

3.3 PBR Exhibits

The DoD counternarcotics program will be financed in a CTA appropriated with O&M funds. The following exhibits are required for the OSD PBR submission.

Volume 1 – Justification of O&M Estimates

PBA-19	Introductory Statement (Appropriation Highlights) (Chapter 3)
O-1	Appropriation Summary (Chapter 3)
OP-32A	Summary of Price and Program Changes (Chapter 3) (automated submission also required)
PB-31R	Personnel Summary (Chapter 3)
PB-31D	Summary of Funding Increases and Decreases (Chapter 3)
OP-5	Detail by Subactivity Group (Chapter 3)

Volume II – Data Book

OP-8 Part 1	Civilian Personnel Summary (Chapter 3)
PB-31Q	Manpower Changes in Full-Time Equivalents (Chapter 3)
PB-15	Contract Advisory and Assistance Services (Chapter 19)
OP-32E	Contract Services Reports (C-1) (Chapter 3)

Additional Accompanying Exhibits

PB-57	Office of National Drug Control Policy (Chapter 14)
PB-45	Project Codes by Component and Fiscal Year (Chapter 14)
PB-47	Project Definitions (Chapter 14)
PB-44	Authorities (Chapter 14)

*4.0 CONGRESSIONAL JUSTIFICATION/PRESENTATION

The ODASD(CNSP) must include the following exhibits in the justification material to Congress. Copy requirements are identified in Volume 2A, Chapter 1. Examples of budget exhibits can be found in paragraph 5.0 or as identified on this list:

Volume I – Justification of O&M Estimates

PBA-19	Introductory Statement (Appropriation Highlights) (Chapter 3)
O-1	Appropriation Summary (Chapter 3)
OP-32	Summary of Price and Program Changes (Chapter 3) (automated submission also required)
PB-31R	Personnel Summary (Chapter 3)
PB-31D	Summary of Funding Increases and Decreases (Chapter 3)
OP-5	Detail by Subactivity Group (Chapter 3)

Volume II – Data Book

OP-8 Part 1	Civilian Personnel Summary (Chapter 3)
PB-15	Contract Advisory and Assistance Services (Chapter 19)
OP-32E	Contract Services Reports (C-1) (Chapter 3)

Additional Accompanying Exhibits

PB-57	Office of National Drug Control Policy (Chapter 14)
PB-45	Project Codes by Component and Fiscal Year (Chapter 14)
PB-47	Project Definitions (Chapter 14)
PB-44	Authorities (Chapter 14)

*5.0 DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES SUBMISSION FORMATS

The formats provided on the following pages reflect guidance presented in paragraphs 3.0 and 4.0. Unless modified in a submission budget call, adhere to these formats.

5.1 PB-57 Office of National Drug Control Policy Template

Department of Defense
Fiscal Year (BY) Budget Estimates
Drug Interdictions and Counter-Drug Activities, Defense
Project Codes by Component and Fiscal Year
($ in Thousands)

Appropriation Summary by National Drug Control Function

Instructions: Provide a narrative. Example: The FY (BY) budget request of $XXX.X million represents a(n) (increase or decrease) of $XX.X million when compared to the FY (CY) enacted amount of $XXX.X million. The following is a summary of the FY (BY) Department of Defense request by the Office of National Drug Control Policy (ONDCP) National Drug Control Functions:

Drug Control Function	FY (PY) Enacted	FY (CY) Estimate/Enacted[1]	FY (BY) Estimate
Intelligence	*xxx,xxx*	xxx,xxx	xxx,xxx
- Intelligence: Domestic Law Enforcement	*xxx,xxx*	*xxx,xxx*	*xxx,xxx*
- Intelligence: Interdiction	*xxx,xxx*	*xxx,xxx*	*xxx,xxx*
- Intelligence: International	*xxx,xxx*	*xxx,xxx*	*xxx,xxx*
Interdiction	*xxx,xxx*	xxx,xxx	xxx,xxx
International	*xxx,xxx*	xxx,xxx	xxx,xxx
Prevention	*xxx,xxx*	xxx,xxx	xxx,xxx
State and Local Assistance	*xxx,xxx*	xxx,xxx	xxx,xxx
TOTAL	*xxx,xxx*	xxx,xxx	xxx,xxx

PB-57 Office of National Drug Control Policy

[1] *Column label will be "Estimate" if no appropriation is passed at time of submission; otherwise, this column label will be "Enacted".*

5.2 PB-45 Project Code by Component and Fiscal Year Template

Department of Defense
Fiscal Year (BY) Budget Estimates
Drug Interdictions and Counter-Drug Activities, Defense
Project Codes by Component and Fiscal Year
($ in Thousands)

PB-45 Project Code by Component and Fiscal Year

Component	Project	Project Title	FY (PY)	FY (CY)	CY (BY)
Component 1	XXXX	Title Here	xxx,xxx	xxx,xxx	xxx,xxx
Component 1 Total			xxx,xxx	xxx,xxx	xxx,xxx
Component 2	XXXX	Title Here	xxx,xxx	xxx,xxx	xxx,xxx
Component 2 Total			xxx,xxx	xxx,xxx	xxx,xxx
Grand Total			xxx,xxx	xxx,xxx	xxx,xxx

Exhibit PB-45 Project Code by Component and Fiscal Year

5.3 PB-47 Project Number Description Template

Department of Defense
Fiscal Year (BY) Budget Estimates
Drug Interdictions and Counter-Drug Activities, Defense
Project Number Description

PB-47 Project Code Definitions

Project Number	Project Title	Project Description

PB 47 Project Number Description

5.4 PB-44 Authorities Template

Department of Defense
Fiscal Year (BY) Budget Estimates
Drug Interdictions and Counter-Drug Activities, Defense
Authorities

PB-44 Authorities

A. 10 U.S.C. §124: Detection and Monitoring of Aerial and Maritime Transit of Illegal Drugs: Department of Defense to be Lead Agency
B. 10 U.S.C. §284: Military Support for Civilian Law Enforcement Agencies
C. 10 U.S.C. §978: Drug and Alcohol Abuse and Dependency: Testing of New Entrants
D. 32 U.S.C. §112: Drug Interdiction and Counter-drug Activities
E. 5 U.S.C. §7301: Presidential Regulations
F. §1021, 2005 National Defense Authorization Act, as amended
G. §1022, 2004 National Defense Authorization Act, as amended
H. Executive Order 12333

Instructions: Include the authorities listed in A-H on the following pages.

PB-44 Authorities

VOLUME 2B, CHAPTER 15: "OVERSEAS COST REPORT"

SUMMARY OF MAJOR CHANGES

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

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

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

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

The previous version dated June 2010 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and ensured compliance with administrative instructions.	Revision
1.2	Added Authoritative Guidance section in compliance with administrative instructions	Addition
3.2.3	Added submission to CAPE's SNaP database	Revision
3.2.4	Added OP-53 requirements for Military Departments, Defense Agencies, and Field Activities	Revision
4.2	Deleted Exhibit OP-53 Overseas Funding Military Personnel Overseas Funding.	Deletion
4.2	Deleted Exhibit OP-53 Overseas Funding Country and Appropriation Summary.	Deletion
4.2	Deleted Exhibit OP-53 Overseas Funding Operation and Maintenance Overseas.	Deletion
4.2	Deleted Exhibit OP-53 Overseas Funding Family Housing, Operation Maintenance.	Deletion
4.2	Deleted Exhibit OP-53 Overseas Funding Family Housing, Family Housing Construction.	Deletion
4.2	Deleted Exhibit OP-53 Overseas Funding Military Construction.	Deletion
Definitions	Formatted Definitions only.	Revision

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CHAPTER 15

OVERSEAS COST REPORT

1.0 GENERAL

1.1 Purpose

1.1.1. This chapter provides instructions applicable to congressional justification material for the Overseas Cost Report which consists of the OP-53 Exhibit (Overseas Funding).

1.1.2. The following appropriations and accounts are covered in the scope of the subsections of the Overseas Cost Report:

1.1.2.1. Military Personnel appropriations (including Reserves and National Guard)

1.1.2.2. Operation and Maintenance appropriations

1.1.2.3. Family Housing Construction and Family Housing Operations appropriations

1.1.2.4. Military Construction appropriations

*1.2 Authoritative Guidance

The instructions and related requirements prescribed in this chapter are derived primarily from, and in accordance with Title 10, United States Code, section 113 (***10 U.S.C. §113***).

1.3 Submission Requirements

Chapter 1 provides the general guidance about submission requirements for justification material. Chapter 15 covers specific material requirements for the Overseas Cost Report (See Volume 2A, Chapter 1 of this regulation).

1.4 Preparation of Material

Chapter 1 stipulates the general guidance concerning format and preparation of material. Chapter 15 provides additional specific guidance with regard to the material required for the Overseas Cost Report (See Volume 2A, Chapter 1 of this regulation).

1.5 References

Chapter 1 provides general funding policies, Chapter 2 provides specific policies related to Military Personnel appropriations, Chapter 3 provides specific policies related to Operation and Maintenance costs, Chapter 6 provides specific policies and formats related to Military Construction and Family Housing appropriations, and Chapter 9 provides specific policies and

formats related to Revolving Funds. (See Volume 2A, Chapters 1 - 3 and Volume 2B, Chapter 6, and 9-10).

2.0 PROGRAM AND BUDGET REVIEW SUBMISSION

2.1 General

General guidance with regard to submission requirements is presented in Chapter 1. Service components and Defense Agencies and Field Activities will submit the OP-53, Overseas Cost Report for the OSD Program/Budget Estimates Submission.

3.0 CONGRESSIONAL JUSTIFICATION/PRESENTATION

3.1 Purpose

This Section presents the exhibit requirement for submission to Congress and formats for the Overseas Cost report. Section 8125 of the FY 1989 DoD Appropriations Act (P.L. 100-463) as codified in 10 U.S.C. §113, requires that the Department of Defense separately identify the amounts necessary for payment of all personnel, operations, maintenance, facilities, and support costs for all DoD overseas military units and the costs of supporting all dependents who accompany DoD personnel outside the United States.

3.2 Submission Requirements

3.2.1. The Overseas Cost Report consists of the OP-53 exhibit (Overseas Funding). Chapter 1 contains general guidance on congressional justification material.

3.2.2. The OP-53 addresses all funding and personnel resources related to overseas activities as defined below.

* 3.2.3. The OP-53 data will be entered into and collected through the Office of the Director of Cost Assessment and Program Evaluation's (CAPE) Select & Native Programming Data Input System (SNaP). SNaP is available on unclassified network at ***https://snap.cape.osd.mil/*** and classified ***https://snap.cape.osd.smil.mil/home.aspx***. The electronic submission will be the official submission of this exhibit.

* 3.2.4. The Military Departments will report all military personnel permanently assigned overseas and associated costs to include those assigned to Defense Agencies and Field Activities. Therefore, the Defense Agencies should not report data citing military personnel appropriations or line items. All Military Departments, Defense Agencies, and Field Activities must complete the OP-53 input for each country regardless of total annual costs.

3.3 Definitions

The following definitions pertain to the costs to be included in Military Department and Defense Agency input:

3.3.1. Overseas costs will include amounts only from the following appropriations: military personnel; operation and maintenance; family housing operation and maintenance; family housing construction; and military construction.

3.3.2. Overseas amounts include the appropriated support of all DoD activities located outside the United States that are being performed on a permanent basis at U.S. military bases and other locations (U.S. Embassy, U.S. Consulates, U.S. Mission, etc). Components must ensure to report costs and number of United States Foreign and National Direct and Foreign National Indirect full-time equivalents.

3.3.3. Overseas amounts also include the cost of transporting personnel, material, and equipment to and from permanent overseas locations. The overseas amounts do not include incremental costs associated with contingency operations.

3.3.4. The United States includes all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, and the territories and possessions of the United States (e.g., Guam, U.S. Virgin Islands, Puerto Rico, and Northern Mariana Islands).

3.3.5. Military and civilian personnel amounts will be based on the number of personnel assigned to permanent duty ashore outside the United States. Accordingly, personnel on temporary duty outside the United States are not included in the overseas amounts. Because personnel assigned to the deployed fleet are excluded from overseas troop strengths, amounts for deployed steaming days are not included.

3.3.6. Generally, funding for DoD activities in the United States in support of overseas activities is excluded. For example, overseas amounts exclude the funding of depot maintenance performed in the United States on components/aircraft used by an overseas unit. Similarly, flight/specialized training that is conducted in the United States would be excluded.

4.0 OVERSEAS COST REPORT SUBMISSION FORMATS

4.1 Purpose

The information provided on the following pages reflect guidance presented in previous sections of this chapter. Unless modified in a submission budget call, these formats should be adhered to.

*4.2 Exhibits in Support of Overseas Cost Report

OP-53 Overseas Funding

*Exhibit OP-53 Overseas Funding

Class CountryCode ResourceType ManpowerType TreasuryCode BACode PY CY BY

Description of Data Elements: The Components should provide the following data elements for each appropriation and operation/activities financed with the funding identified. Updated guidance on the OP-53 exhibit can be found on the SNaP website by clicking the "Instructions" tab, then selecting the "Data Requirements." (***https://snap.cape.osd.mil***)

A. Class: The Class data element is the classification of the data entered in the row.

B. CountryCode: The Country Code is a three-digit alphabetical code used to represent a country name. The Country Code list can be found on the SNaP website within the OP-53 Overseas Report Instructions document.

C. ResourceType: Identify the resource type for each appropriation and operation/activity. The resource type will be either a Total Obligation Authority (TOA) or manpower. If the resource type is TOA, select manpower type N/A. If the resource type is manpower, then select the manpower type civilian, enlisted, or officer.

D. ManpowerType: Identify funding by appropriation and manpower type. The manpower type list includes civilian, enlisted, officer, or N/A. Select manpower type N/A only when the resource type is TOA.

E. TreasuryCode: Treasury Code is a defined set of four-to-six digit numeric codes from the Comptroller that identifies resource types. The list of Treasury Code values can be found on the SNaP web site website by clicking the "Instructions" tab, then selecting the "Documents". The document is named "Appropriations List". (***https://snap.cape.osd.mil***)

F. BA Code: Budget Activity is a two-digit identifier for the categories within each appropriation and fund account to identify the purposes, projects, or types of activities financed by the appropriation. Utilize applicable BA codes (e.g. Military Personnel appropriations should include costs associated with BA01 (Officer Pay and Allowance), BA02 (Enlisted Pay and Allowances), BA04 (Subsistence of Enlisted Personnel – Basic Allowance for Subsistence only), and BA05 (Permanent Change of Station Travel).

G. PY, CY, and BY: For Past Year (PY), Current Year (CY), and Budget Year (BY) provide direct funding by Country for payment of all military personnel, operation and maintenance, military construction, and family housing. of all DoD activities located outside the United States that are being performed on a permanent basis at U.S. Military bases and other locations (U.S. Embassy, U.S. Consulates, U.S. Mission, etc.) Overseas amounts also include the cost of transporting personnel, material, and equipment to and from permanent overseas locations. The overseas amounts do not include incremental costs associated with contingency operations.

Military construction costs will be computer generated from the Program Resources Collection Process for the OP-53 display. Data on this exhibit must match the Family Housing(Construction &

Operation and Maintenance) and Military Construction data in the Construction Programs (C-1) budget exhibit submitted in support of the President's budget.

*Definitions: Overseas Personnel and Related Costs Categories

U.S. Personnel
Categories Description

1. American Salaries: Includes salary costs for full-time U.S. direct hires overseas.

2. Benefits: Includes standard benefits costs for full-time U.S. direct hires overseas, such as retirement contributions, health insurance, life insurance, and Federal Insurance Contributions Act payments.

3. Overtime/Availability Pay: Includes costs for overtime pay and Law Enforcement availability pay for U.S. direct hires overseas.

4. Danger Pay: Includes costs for Danger Pay Allowance, calculated as a percentage of basic compensation (15, 20 or 25%) paid for imminently dangerous conditions when the official U.S. community is the target of political violence.

5. Language Incentive Pay: Includes costs of language incentive pay to U.S. direct hires overseas.

6. Post (Cost of Living) Allowance: Includes costs for Cost of Living Adjustments (COLA) for U.S. direct hires overseas.

7. Difficult to Staff Incentive Differential (DTSID): Includes costs for the DTSID allowance, which is calculated as a percentage of basic compensation (15%) for serving at a determined difficult to staff post which has a 15%, 20% or 25% Post ("Hardship") Differential.

8. Post ("Hardship") Differential: Includes costs for post differential allowance, which is calculated as a percentage of basic compensation (5%, 10%, 15%, 20% and 25%) for environmental conditions significantly worse than the U.S. In addition to being paid to permanently assigned personnel.

9. Separate Maintenance Allowance (SMA): Includes cost for involuntary and voluntary SMA, which is paid when family members are prohibited from residing at a foreign post or when family members may go to a foreign post but opt not to for personal reasons.

10. Special Differential: Special differentials are available to Foreign Service officers who are required because of the nature of their assignments to perform additional work on a regular basis in substantial excess of normal requirements (***22 U.S.C. § 3972***).

11. Pay and Allowance: Includes MILPERS costs for military personnel assigned overseas at a U.S. Embassy, U.S. Consulate or U.S. Mission.

12. Housing: Includes costs for overseas housing for U.S. direct hires, including rents, leases, housing pool costs, and/or allowances provided for private leased quarters in lieu of Government provided housing.

Definitions: Overseas Personnel and Related Costs Categories (Continued)

13. Residential furnishings/Equipment (DPC only): Includes costs of residential furnishings, equipment, and appliances.

14. Education Allowance (DPC only): Includes costs for the education expenses for U.S. direct hire dependents (K-12) overseas.

15. Educational Travel (DPC only): Includes costs for one round trip annually between school attended in the U.S. and the foreign post of assignment.

16. Permanent Change of Station (PCS) Travel (employee & family moving expenses): Includes costs associated with PCS travel of employees and eligible family members, shipment of household effects and privately-owned vehicles, and placement of household effects into storage.

17. Rest and Recuperation (R&R) Travel: Includes the costs of R&R travel provided for U.S. direct hires overseas.

18. Home Leave Travel: Includes costs of travel for U.S. Direct Hires overseas to provide overseas employees the opportunity to spend significant periods of time in the United States while pursuing careers overseas.

19. Office Furnishings/Equipment/Information Management: Includes agency costs for the purchase and maintenance of office furnishings and equipment, such as computers, phones, computer networks, copiers, and communications equipment, including classified networks.

20. Office Leases: Includes the costs of all leased office space (off embassy/consulate compound) overseas.

21. Miscellaneous Office Expenses: Includes non-programmatic miscellaneous office expenses, such as utilities and supplies.

22. International Cooperative Administrative Support Services (ICASS) Charges: Includes costs of participation in ICASS.

23. Field Travel: Includes costs of all field travel conducted by U.S. direct hires overseas.

24. Representation: Includes costs for representation overseas in furthering the interests of the United States.

25. Security: Includes the costs of guards, alarms, cameras, etc. NOT covered under ICASS.

26. Other: Includes costs not captured above, such as language and other training, vehicles, agency specific benefits or allowances not included above, medical costs (physicals), etc. Please identify the items calculated as part of this category.

Definitions: Overseas Personnel and Related Costs Categories (Continued)

Staffing Description

- Full-time Permanent U.S. Direct Hires: Full-time, permanent U.S. direct hire personnel

- US Military Personnel: U.S. military personnel (services members)

- US-contracted PSCs: Personal services contractors (PSCs) hired from the United States and stationed overseas, eligible for similar support benefits (i.e., travel, housing, etc.) as U.S. direct hires.

- Foreign Service National (FSN): An FSN employee is a non-U.S. citizen directly hired by a U.S. mission

- Local Personal Services Contractors (PSCs) or Personal Services Agreement (PSAs): Individuals contracted locally to perform an identifiable task under the supervision and control usual to government employees rather than to furnish an end item of supply (U.S. citizen hired locally as a PSC should be accounted for under category no. 31).

- Third Country Nationals (TCNs): Individuals who are neither citizens of the United States nor of the country in which employed, who are employed on a limited appointment or personal services contact, and who are eligible for return travel at U.S. Government expenses to their home country or country from which recruited.

- Locally Hired Americans, including Eligible Family Members: U.S. citizens (AMCITs) hired locally as temporary employees or PSC personnel.

- Long-term / rolling TDY positions: (A TDY position is defined as any position requiring workspace (desk or non-desk) for more than six months in a year or positions routinely filled by TDY personnel on a rotating basis, even though no individual ever stays for more than six months).

VOLUME 2B, CHAPTER 16: "INTELLIGENCE PROGRAMS/ACTIVITIES"

SUMMARY OF MAJOR CHANGES

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

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

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

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

The previous version dated July 2013 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated paragraph numbering system to consolidate classification, budget guidance requirements, and classified appeals information for the National Intelligence Program (NIP) and the Military Intelligence Program (MIP) in their own paragraphs.	Revision
All	Updated organizations, terminologies, and acronyms for relevancy.	Revision
1.0	Added the required Authoritative Guidance paragraph and moved the Definitions and Classification paragraph for the MIP and the NIP to their corresponding paragraphs.	Addition/ Revision
2.0	Created a new paragraph specific to the NIP. Modified guidance to reference all appropriations and clarify congressional requirement for whole, distinct NIP program elements. Incorporated all NIP-specific narratives from paragraphs in the previous version. Added Intelligence Community Directive 104 as reference.	Addition/ Revision
3.0	Created a new paragraph specific to the MIP. Modified guidance to reference all appropriations and clarify congressional requirement for whole, distinct MIP program elements. Incorporated all MIP-specific narratives from paragraphs in the previous version. Added the Department of Defense Financial Management for Sensitive Activities Security Classification Guide as reference.	Addition/ Revision

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CHAPTER 16

INTELLIGENCE PROGRAMS/ACTIVITIES

*1.0 GENERAL

1.1 Purpose

This chapter provides instructions applicable to budget formulation, implementation, and additional specific guidance regarding congressional justification material for the National Intelligence Program (NIP) and the Military Intelligence Program (MIP) Aggregations.

Volume 2A, Chapter 1 provides general guidance regarding classification of budget material.

1.2 Authoritative Guidance

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

1.2.1. Title 50, United States Code, ***(50 U.S.C.)***, "War and National Defense"

1.2.2. Public Law 235 (***P.L. 235***), "National Security Act"

1.2.3. Executive Order 12333, ***(EO 12333)***, "United States Intelligence Activities"

1.2.4. ***EO 12958***, "Classified National Security Information"

1.2.5. DoD Directive 5143.01, ***(DoDD 5143.01)***, "Under Secretary of Defense for Intelligence and Security (USD(I&S))"

1.2.6. ***DoDD 5205.12,*** "Military Intelligence Program"

1.2.7. Intelligence Community Directive 104, ***(ICD 104)***, "NIP Budget Formulation, Execution, and Performance Evaluation"

1.2.8. DoD Financial Management for Sensitive Activities Security Classification Guide (FM-SA SCG)

*2.0 NATIONAL INTELLIGENCE PROGRAM (NIP)

The NIP provides integrated intelligence that covers broad aspects of national policy and national security. The portion of the NIP contained in the Department of Defense (DoD) Budget contributes substantially to meeting Defense intelligence requirements and may also contain programs/activities in support of elements of the United States Government outside the DoD.

2.1 NIP Classification

2.1.1. The Office of the Director of National Intelligence (ODNI) determines classification of U.S. Intelligence funding and manpower information, pursuant to EO 12958, Section 1.5(c); EO 12333, Section 1.5(g), and the DNI's authorities under the National Security Act of 1947.

2.1.2. NIP resource information in all DoD databases must be classified as shown in paragraphs 2.1.2.1 thru 2.1.2.4 unless other specific NIP program guidance in effect requires higher classification. NIP resource information for military construction and family housing for defense agencies are exempt and must be maintained and presented as unclassified.

2.1.2.1. Information which, standing alone or in aggregate, reveals any Program Element (PE) total or DoD Component total funding or manpower requirements of any program in the NIP will be classified SECRET.

2.1.2.2. Information that permits the disclosure of any PE total or the funding or manpower requirements of any program in the NIP, for example, through a subtractive process, will be classified SECRET.

2.1.2.3. Whenever NIP funding and manpower information is combined with other unclassified programs in such a way as to effectively mask the NIP resource PE total, such combined resource PE total may be treated as unclassified.

2.1.2.4. Forward requests for clarification of the foregoing classification guidance to the Office of the Under Secretary of Defense for Intelligence and Security (OUSD(I&S)). The OUSD(I&S) will coordinate questions of application with the ODNI and disseminate responses to all interested DoD Components.

2.2 NIP Budget Submission Requirements

2.2.1. DoD Components with NIP Special Program Codes (SPCs) will prepare and provide NIP Congressional Budget Justification Books (CBJB) in accordance with guidance provided by the ODNI. Coordinate Decision Documents affecting elements of the NIP with the ODNI, the Office of the Under Secretary of Defense Comptroller (OUSD(C)) and the OUSD(I&S). The OUSD(C), Program/Budget (P/B), Investment Directorate will ensure that the DNI Chief Financial Officer (CFO) has an opportunity to review and provide comments.

2.2.2. The DoD Components will implement ODNI's ICD 104 and Military Personnel Resources Programming and Budgeting Policies and Procedures when developing NIP military personnel cost estimates for the budget submission.

2.2.3. The CBJB will incorporate an Intelligence Community (IC) project to PE crosswalk exhibit at the R-1, P-1, and OP-1 levels to help satisfy continuous congressional budget reconciliation and visibility requirements. DoD Components must continue to show steady, measurable progress toward achieving fully captured, whole, distinct, NIP data elements for all appropriations (Research, Development, Test, and Evaluation (RDT&E); Procurement (PROC); Operation and Maintenance (O&M); Military Construction (MILCON); and Military Personnel (MILPERS)) identified by NIP SPC. NIP resources will not be shared or aligned to Non-NIP PEs.

2.2.4. The ODNI will deliver one hardcopy and compact disk (CD) of NIP program and budget materials prescribed by the ODNI to the OUSD(C), P/B, Investment Directorate, Pentagon, Room 3C749, at the same time they are delivered to the Office of Management and Budget (OMB).

2.3 NIP Classified Appeals

2.3.1. Classified appeals may supplement actions included in the overall Defense Appeal where security considerations have dictated a less than complete justification. Prepare classified appeals at the appropriate level of classification to fully explain and justify the action. The ODNI will determine the appeals format and content.

2.3.2. Classified appeals will be consistent with the Secretary of Defense (SecDef) policy direction as articulated by the OUSD(C) and, in the case of appeals to legislative provisions, also as articulated by the Office or the General Counsel and the Deputy SecDef. Coordinate all NIP appeals with the OUSD(I&S), the OUSD(C) and the OMB before release to the House Permanent Select Committee on Intelligence (HPSCI), the Senate Select Committee on Intelligence, the House Appropriations Committee (HAC), and the Senate Appropriations Committee (SAC).

*3.0 MILITARY INTELLIGENCE PROGRAM (MIP)

The MIP consists of programs, projects, or activities that support the SecDef's intelligence, counterintelligence, and related responsibilities as outlined in DoD Directive 5205.12. This includes those intelligence and counterintelligence programs, projects, or activities that provide capabilities to meet warfighters' operational and tactical requirements more effectively. The term excludes capabilities associated with a weapons system whose primary mission is not intelligence, along with all, programs, projects, and activities under the NIP.

3.1 MIP Classification

3.1.1. MIP projects, individual PEs and line items may be classified or unclassified according to content, unless disclosure of such a total would allow derivation of classified totals. The total DoD funding for MIP is classified SECRET.

3.1.2. Intelligence project resource data will be sorted, aggregated, and used in different ways. It is essential that DoD Components comply with DoD FM-SA SCG and the OUSD(I&S) and the OUSD(C) receive DoD Component current SCGs to avoid inadvertent, unauthorized disclosure of classified information. Additionally, DoD Components are responsible to review and validate their project level classification and include SCG compliance statements in their Congressional Justification Book (CJB) validation memorandum submitted to OUSD(I&S).

3.2 MIP Budget Submission Requirements

3.2.1. The OUSD(I&S) will provide complementary MIP CJB guidance. The CJB is a functional aggregation of the MIP portion of the DoD request, containing program justification and resource highlights that must be consistent with and directly auditable to all DoD justification materials (e.g., R-2, P-40, OP-5) and any other DoD justification books that address the same resources.

3.2.2. The OUSD(I&S) will task DoD Components annually to provide SCG for each project, along with a citation of the source of classification and any other security classification guidance unique to the organization that may be pertinent to the MIP.

3.2.3. In accordance with Vol 2A/B, Chapters 3, 4 and 5, each DoD Component identified in DoDD 5205.12, with resources delineated by SPC 296, 355, 365, or 398 will prepare DoD justification materials for each appropriation. Classified justification materials will contain sufficient detail needed to fully justify the classified portion of the request, without the use of supplemental justification materials.

3.2.4. The CJB will incorporate a MIP project to PE crosswalk exhibit at the R-1, P-1, and O-1 levels to help satisfy continuous congressional budget reconciliation and visibility requirements. DoD Components must comply with achieving fully-captured, whole, distinct, MIP data elements for all appropriations (RDT&E, PROC, O&M, MILCON, and MILPERS) identified by SPC 296, 355, 365, or 398. MIP resources will not be shared or aligned to non-MIP PEs.

3.2.5. DoD Components will submit one hardcopy and PDFs of their classified R-2, P-40 or OP-5 and the OUSD(I&S) will deliver one final MIP hardcopy and PDFs of all volumes directly to the OUSD(C), P/B Investment Directorate, Pentagon, Room 3C749, at the same time as the unclassified details. The OUSD(C) will review and combine all DoD Component classified exhibits (SECRET and TOP SECRET) as a classified Defense-wide volume exhibit before releasing to OMB.

3.3 MIP Classified Appeals

3.3.1. Classified appeals may supplement actions included in the overall Defense Appeal where security considerations have dictated a less than complete justification. Prepare classified appeals at the appropriate level of classification necessary to fully explain and justify the action. Unclassified MIP appeals will follow normal procedures per additional guidance.

3.3.2. Classified Appeals will be completely consistent with the SecDef policy direction as articulated by the OUSD(C) and, in the case of appeals to legislative provisions, also as articulated by the Office or the General Counsel and the Deputy SecDef. The OUSD(I&S) will prepare classified appeals for the MIP and must coordinate with the OUSD(C), the ODNI CFO and the OMB before release to the House Armed Services Committee, Senate Armed Services Committee, HAC, and SAC, and HPSCI.

VOLUME 2B, CHAPTER 17: "CONTINGENCY OPERATIONS (BASE BUDGET)"

SUMMARY OF MAJOR CHANGES

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

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

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

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

The previous version dated August 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
1.1 (170101)	Updated Purpose	Revision
1.2 (170102)	Updated Submission Requirements	Revision
1.2 (170102)	Deleted Preparation of Materials	Deletion
1.3 (170103)	Updated References	Revision
2.2 (170202)	Updated Submission Requirements	Revision
3.0 (1703)	Updated Contingency Operations Submission Formats	Revision
3.1 (170301)	Purpose	Revision
3.2 (170302)	Updated Overseas Contingency Operations	Revision

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CHAPTER 17

CONTINGENCY OPERATIONS (BASE BUDGET)

1.0 GENERAL (1701)

1.1 Purpose (170101)

This chapter provides instructions applicable to budget formulation and congressional justification for contingency operations funded from the base budget. The information provided for contingency operations, as reflected in this chapter, is consistent with section 8074 of division A of Public Law 115-245, the Department of Defense Appropriations Act, 2019; which, requests the Department to include the same type of budget justification material for contingency operations as is provided for other DoD activities.

1.2 Submission Requirements (170102)

1.2.1. This chapter addresses the requirement to budget for new and ongoing contingency operations costs. This information will be used to justify resource requirements for directed contingency operations – specifically the justification of the incremental costs for supporting a designated operation. These incremental costs will become the basis for any funding requests forwarded to the Congress through the normal appropriations process or through emergency supplemental appropriation requests during the year of execution, if warranted. Incremental costs are additional costs to the DoD Component appropriations that would not have been incurred had the contingency operation not been supported. A more detailed discussion of contingency operations, as well as the methodology to be used to determine related incremental costs, is provided in Volume 12, Chapter 23, Contingency Operations.

1.2.2. In order to ensure that the requested funding is defensible and realistic, and the submitted data and justification material complies with congressional requirements, each Component is required to submit the contingency operations budget exhibits included in section 3.0. These exhibits provide detailed cost estimates and must be completed for each contingency operation. Each Component must submit an OP-5 Contingency Operations (Base Budget) Exhibit, a Contingency Operations Summary Exhibit for each contingency (e.g., Bosnia, Kosovo, Operation Juniper Shield), a Contingency Operations by Appropriations Exhibit that consolidates the Component's incremental costs for each contingency operation, and a CONOPS-1 Exhibit that displays incremental cost into cost categories. Each Component will include in its submission the incremental costs for contingency operations for all Military Intelligence Program (MIP) except for the incremental costs for National Foreign Intelligence Programs (NFIP). The Community Management Staff (CMS) will prepare and submit the required exhibits to report the incremental costs for contingency operations for all NFIP-related activities.

1.2.3. The Components will use the Select Native & Programming (SNaP) website at ***https://snap.cape.osd.mil*** to submit data and create exhibits.

1.3 References (170103)

Volume 2A, Chapter 1 contains general guidance with regarding submission requirements. Volume 2B, Chapter 17 specifies backup material required for contingency operations. Volume 12, Chapter 23 promulgates financial policy and procedures for contingency operations. The Components should also consult all of the other volumes and chapters for exhibit requirements that are not specifically addressed in this chapter, including Volume 2B, Chapter 19, *Other Special Analyses*.

2.0 PROGRAM AND BUDGET REVIEW SUBMISSION AND CONGRESSIONAL JUSTIFICATION AND PRESENTATION (1702)

2.1 Purpose (170201)

This Section provides guidance for preparation and submission of budget estimates for contingency operations. The budget estimates will separately identify the incremental costs for operation and maintenance, military personnel, and other applicable (e. g., procurement) resources required to support specified contingency operations. For the President's Budget request submitted to the Congress, all approved contingency operations incremental cost requirements will be reflected in the Overseas Contingency Operations Transfer Fund (OCOTF) justification book, and the level of detail provided must address the congressional concerns for adequate visibility and justification of requirements.

2.2 Submission Requirements (170202)

2.2.1. For the Budget Estimate Submission (BES), the Components will submit exhibit details on-line using the Select & Native Programming (SNaP) data input system located at ***https://snap.pae.osd.mil/Home.aspx***. The SNaP provided Program Data Requirements (PDR) for this exhibit will supersede the instructions identified in this chapter unless modified by the OUSD(C) budget guidance. The Components will update the force structure, budget (anticipated obligations, current and anticipated requests), and operational data.

2.2.2. For the President's Budget (PB), the Components will update the SNaP data input system on-line with any changes to the force structure, budget data (prior year obligations, current estimate, and request), and operational data. The base-funded contingency operations OP-5 exhibit is to be developed through the SNaP database. The Components will notify the OUSD(C) Operations Directorate via email (osd.pentagon.ousd-c.list.operations-directorate@mail.mil) upon completion of the OP-5 and SNaP OCOTF submissions.

2.2.3. In all instances, these exhibits will be prepared and submitted to OUSD(C) in accordance with the schedule defined in the annual budget guidance memorandum published by the OUSD(C) for the fall program and budget estimate submission (BES) and for the President's Budget submission. Each exhibit will be prepared separately for the BES and the congressional justification/presentation process.

3.0 CONTINGENCY OPERATIONS SUBMISSION FORMATS (1703)

3.1 Purpose (170301)

The formats provided on the following pages are in accordance with the guidance presented in sections 1.0 and 2.0. Unless modified by the OUSD(C) in a budget guidance memorandum, the formats must be followed.

3.2 Unique Exhibits in Support of Contingency Operations (170302)

Contingency Operations Summary
Contingency Operations by Appropriations
OP-5 Overseas Contingency Operations
CONOPS-1

Exhibit Contingency Operations Summary

COMPONENT NAME

CONTINGENCY OPERATIONS SUMMARY

FY Program and Budget Review Submission or FY President's Budget (as applicable)

OPERATION (Dollars in Thousands)	PY	CY	BY
Overseas Contingency Operations Transfer Fund (OCOTF)			
Bosnia Operations			
Kosovo Operations			
Joint Task Force – Bravo (Honduras)			
Operation Juniper Shield (OJS)			
Operation ENDURING FREEDOM – Horn of Africa (OEF-HOA)			
Operation NOBLE EAGLE (ONE)			
Operation SPARTAN SHIELD (OSS)			
TOTAL			

INSTRUCTIONS: Provide a summary page of applicable incremental costs for contingency operations that were funded with any portion of base funds plus any overseas contingency operation (OCO) funds used to supplement the operation. In the SNaP data input system, identify the planned obligations, enacted, or budgeted amounts by base or OCO.

Exhibit Contingency Operation by Appropriation Summary

COMPONENT NAME

CONTINGENCY OPERATIONS

FY Program and Budget Review Submission or FY President's Budget (as applicable)

(Dollars in Thousands)	O&M	MilPers	Procurement	Other	Total
PY					
Operation 1					
Operation 2					
Operation 3					
TOTAL	**0**	**0**	**0**	**0**	**0**
CY					
Operation 1					
Operation 2					
Operation 3					
TOTAL	**0**	**0**	**0**	**0**	**0**
BY					
Operation 1					
Operation 2					
Operation 3					
TOTAL	**0**	**0**	**0**	**0**	**0**

INSTRUCTIONS: Provide a summary page of applicable incremental costs for contingency operations that were funded with any portion of base funds plus any overseas contingency operation (OCO) funds used to supplement the operation. In the SNaP data input system, identify the planned obligations, enacted, or budgeted amounts by base or OCO.

Exhibit OP-5 Overseas Contingency Operations

COMPONENT NAME

OVERSEAS CONTINGENCY OPERATIONS
FY ____ Program and Budget Review Submission or FY ____ President's Budget (as applicable)
Name of Contingency Operation:

This exhibit must be submitted as an electronic copy via SNaP.

General Guidance: A separate exhibit should be prepared for (1) each contingency operation, (2) a summary exhibit for each region, and (3) a total exhibit for each Component. Each Component will include in its submission the incremental costs for contingency operations for all intelligence-related activities except for the incremental costs for National Foreign Intelligence Programs (NFIP). The Community Management Staff will be responsible for preparing and submitting the required exhibits to report the incremental costs for contingency operations for all NFIP-related activities.

I. Description of Operations Financed: Provide a narrative explanation characterizing the mission of this particular contingency operation and address the major cost drivers such as the number of base camps, the number of troop rotations, and the related troop strength supporting the contingency.

II. Force Structure Summary: Identify in tabular form by operation, the average annual troop strength for active duty, Guard and Reserve Components deployed for this contingency operation for prior year (PY), current year (CY), and budget year(s) (BY).

III. Financial Summary ($ in Thousands): Report incremental costs only. **Note:** Include only non-NFIP intelligence costs. The CMS is responsible for reporting incremental NFIP costs.

A. Contingency Operation Total

	Fiscal Year (FY) CY Program					
Cost Category	FY PY Actuals [1/]	Budget Request	Program Changes	Current Estimate [2/]	FY BY Estimate	FY BY1 Estimate
1. Personnel						
a. Military						
b. Civilians						
2. Personnel Support						
3. Operating Support						
4. Transportation						
Total						
Military Personnel						
Operation and Maintenance						
Other – Specify by appropriation (i.e., Procurement, RDT&E, etc.)						

Exhibit OP-5 Overseas Contingency Operation (Continued)

COMPONENT NAME
OVERSEAS CONTINGENCY OPERATIONS
FY ____Program and Budget Review Submission or FY ___ President's Budget (as applicable)
Name of Contingency Operation:

1/ Should be consistent with amounts reported in the cost report. (For BES, include anticipated amounts through the end of the fiscal year.)
2/ Include all incremental costs, regardless of appropriation. For example, if military personnel costs are appropriated directly to the military personnel accounts rather than to the OCOTF include the amount expected to be required for contingency operations.

B. PY Reconciliation Summary: **FY PY to FY PY Changes**

	Military Personnel	Operation & Maintenance	Other (Specify as Appropriate)
1. Direct Appropriation to Component			
2. Amount Transferred from OCOTF			
3. Change			
4. Actual Cost			

Exhibit OP-5 Overseas Contingency Operation (Continued)

COMPONENT NAME

OVERSEAS CONTINGENCY OPERATIONS
FY ____ Program and Budget Review Submission or FY ____ President's Budget (as applicable)
Name of Contingency Operation:

C. Reconciliation of Increases and Decreases: ($ in Thousands)

1. FY CY President's Budget		**X,XXX**
2. Program Increases in FY CY		+x,xxx
a) Describe each increase	+xxx	
b) Describe each increase	+xxx	
(List and narrate each change by relating changes in troop strength, Active/Reserve Component (AC/RC) mix, density of weapon systems, operating tempo, use of contractor support, number of base camps, etc.)		
3. Program Decreases in FY CY		-x,xxx
a) Describe each decrease	-xxx	
b) Describe each decrease	-xxx	
(List and narrate each change by relating changes in troop strength, AC/RC mix, density of weapon systems, operating tempo, use of contractor support, number of base camps, etc.)		
4. Revised FY CY Estimate of Requirements		**X,XXX**
5. Price Growth (Use factors included in the budget guidance unless deviation is warranted.)		+x,xxx

Exhibit OP-5 Overseas Contingency Operation (Continued)

COMPONENT NAME

OVERSEAS CONTINGENCY OPERATIONS

FY ____ Program and Budget Review Submission or FY ____ President's Budget (as applicable)
Name of Contingency Operation:

6. Program Increases		+x,xxx
a) Describe each increase	+xxx	
b) Describe each increase	+xxx	
(List and narrate each change by relating changes in troop strength, AC/RC mix, density of weapon systems, operating tempo, use of contractor support, number of base camps, etc.)		
7. Program Decreases		-x,xxx
a) Describe each decrease	-xxx	
b) Describe each decrease	-xxx	
(List and narrate each change by relating changes in troop strength, AC/RC mix, density of weapon systems, operating tempo, use of contractor support, number of base camps, etc.)		

Note: Sections five through seven will repeat for any required subsequent budget years, as determined in the annual program and budget guidance.

Exhibit OP-5 Overseas Contingency Operation (Continued)

COMPONENT NAME

OVERSEAS CONTINGENCY OPERATIONS

FY ____Program and Budget Review Submission or FY ____ President's Budget (as applicable)

Name of Contingency Operation:

IV. Performance Criteria and Evaluation Summary:

	Average Troop Strength			
Troop Strength	**Total**	**Active Duty**	**National Guard**	**Reserve**
Planned FY PY				
Change Plan vs. Actual for FY PY				
Actual FY PY				
Planned FY CY				
Change Plan vs. Revised Estimate for FY CY				
Revised FY CY Estimate				
Change Revised FY CY Estimate to FY BY1				
FY BY1 Budget Request				
Change FY BY1 to FY BY2				
FY BY2 Budget Request				

Exhibit OP-5 Overseas Contingency Operation (Continued)

COMPONENT NAME

OVERSEAS CONTINGENCY OPERATIONS

FY ____ Program and Budget Review Submission or FY ____ President's Budget (as applicable)

Name of Contingency Operation:

	Number Constructed	Number Maintained	Average Population	Other Data (Include other pertinent information)
Base Camps:				
Planned FY PY				
Actual FY PY				
Planned FY CY				
Planned FY BY1				
Planned FY BY2				

MAJOR WEAPONS SYSTEMS DEPLOYED		Average Number Deployed/Month	Total Days in Theater	Operational Usage *
Tracked Vehicles:(list by type/model)				(Track Miles)
System 1 (e.g. M1)	Planned FY PY			
	Actual FY PY			
	Planned FY CY			
	Planned FY BY1			
System 2 (e.g. M2)	Planned FY PY			
	Actual FY PY			
	Planned FY CY			
	Planned FY BY1			
System 3 (e.g. M113)	Planned FY PY			
	Actual FY PY			
	Planned FY CY			
	Planned FY BY1			
Helicopters: (list by type/model)				(Flying Hours))
System 1 (e.g. OH-58D)	Planned FY PY			
	Actual FY PY			
	Planned FY CY			
	Planned FY BY1			

Exhibit OP-5 Overseas Contingency Operation (Continued)

COMPONENT NAME

OVERSEAS CONTINGENCY OPERATIONS
FY ____ Program and Budget Review Submission or FY ____ President's Budget (as applicable)
Name of Contingency Operation

MAJOR WEAPONS SYSTEMS DEPLOYED		Average Number Deployed/Month	Total Days in Theater	Operational Usage *
Aircraft: (list by type/model)				(Flying Hours)
System 1 (e.g. F-117)	Planned FY PY			
	Actual FY PY			
	Planned FY CY			
	Planned FY BY1			
	Planned FY BY2			
System 2 (e.g. KC-135)	Planned FY PY			
	Actual FY PY			
	Planned FY CY			
	Planned FY BY1			
	Planned FY BY2			
System 3 (e.g. EA-6B)	Planned FY PY			
	Actual FY PY			
	Planned FY CY			
	Planned FY BY1			
	Planned FY BY2			
				(Steaming Hours)
Naval Vessels:				
System 1 (e.g. Combatants)	Planned FY PY			
	Actual FY PY			
	Planned FY CY			
	Planned FY BY1			
	Planned FY CY2			
System 2 (e.g. Auxiliaries/Support Ships)	Planned FY PY			
	Actual FY PY			
	Planned FY CY			
	Planned FY BY1			
	Planned FY CY2			

* Select appropriate operational metrics currently in use. These are representative examples only.

(Page 7 of 8)

Exhibit OP-5 Overseas Contingency Operation (Continued)

COMPONENT NAME

OVERSEAS CONTINGENCY OPERATION
FY ____ Program and Budget Review Submission or FY ____ President's Budget (as applicable)
Name of Contingency Operation:

V. OP 32 Line Items as Applicable (Dollars in Thousands):

	Change from FY PY to FY CY				Change from FY CY to FY BY				Change from FY BY to FY BY1				
		Foreign Currency	Price Growth	Program		Foreign Currency	Price	Program		Foreign Currency	Price	Program	
FY PY Actuals		Rate Diff	(%)	Growth ($)	FY CY Estimate	Rate Diff	Growth (%)	Growth ($)	FY BY Estimate	Rate Diff	Growth (%)	Growth ($)	FY BY1 Estimate

1. List each applicable OP-32 line item number and title. **To be submitted for both the OSD and President's budget submissions.**
2. Include the percentage of price growth.

Exhibit CONOPS-1

COMPONENT NAME

OVERSEAS CONTINGENCY OPERATIONS

FY ____ Program and Budget Review Submission or FY ____ President's Budget (as applicable)
Name of Contingency Operation:
(Dollars in Thousands)

COST CATEGORIES	FY PY Actual	Change	FY CY Estimate	Change	FY BY Estimate	Change	FY BY1 Estimate
PERSONNEL							
Military Personnel Pay & Allowances							
Reserve Components Called to Active Duty							
Imminent Danger or Hostile Fire Pay							
Family Separation Allowance							
Hardship Duty Pay - Location							
Subsistence							
Reserve Components Predeployment Training							
Other Military Personnel							
Active Component Over-Strength							
Subtotal							
Civilian Pay and Allowances							
Civilian Premium Pay							
Civilian Temporary Hires							
Other Civilian Personnel							
Other Personnel Support							
Subtotal							

The CONOPS-1 exhibit is to be submitted through SNaP.

Do not include NFIP program requirements. The Community Management Staff is responsible for submitting the required exhibits for all NFIP activities.

Exhibit CONOPS-1 (Continued)

COMPONENT NAME

OVERSEAS CONTINGENCY OPERATIONS

FY ____ Program and Budget Review Submission or FY ____ President's Budget (as applicable)
Name of Contingency Operation:

(Dollars in Thousands)

COST CATEGORIES	FY PY Actual	Change	FY CY Estimate	Change	FY BY Estimate	Change	FY BY1 Estimate
PERSONNEL SUPPORT (Continued)							
Temporary Duty/Temporary Additional Duty							
Clothing & Other Personnel Equip & Supplies							
Medical Support/Health Services							
Reserve Component Activation/Deactivation							
Other Personnel Support							
Subtotal							
OPERATING SUPPORT							
Training							
Operations OPTEMPO (Fuel, Other POL, Parts)							
Other Supplies & Equipment							

Exhibit CONOPS-1 (Continued)

COMPONENT NAME
OVERSEAS CONTINGENCY OPERATIONS
FY ____ Program and Budget Review Submission or FY ____ President's Budget (as applicable)
Name of Contingency Operation:
(Dollars in Thousands)

COST CATEGORIES	FY PY Actual	Change	FY CY Estimate	Change	FY BY Estimate	Change	FY BY1 Estimate
OPERATING SUPPORT (Continued)							
Facilities/Base Support							
Reconstitution							
C4I							
Other Services/Miscellaneous Contracts							
Subtotal							
TRANSPORTATION							
Airlift							
Ready Reserve Force/Fast Sealift Ship							
Port Handling/Inland Transportation							
Other Transportation							
Subtotal							
GRAND TOTAL							
Military Personnel							
Operation and Maintenance							
Other (specify by appropriation type (i.e., Procurement, RDT&E, etc.)							

NOTE: This information must be provided for each operation and in total.

Exhibit CONOPS-1
(Page 3 of 3)

VOLUME 2B, CHAPTER 18: "INFORMATION TECHNOLOGY (INCLUDING CYBERSPACE ACTIVITIES)"

SUMMARY OF MAJOR CHANGES

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

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

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

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

The previous version dated September 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Throughout the Volume 2B, Chapter 18	Extensive revisions due to evolving and new policies, guidance and statutes, including changing "Cyberspace Operations" to "Cyberspace Activities" and new Segments and definitions.	Addition/ Revision
1.2 (180102)	Re-organized based on guidance for a mandatory "Authoritative Guidance" section	Revision
2.0 (1802)	Re-organized Chapter based on guidance for Definitions to become the 2nd section vice a sub-section within GENERAL	Revision
1.4..8. (180104.H)	Added paragraph about new Security Operations Centers (SOC) reporting requirements	Addition
1.4.9. (180104.I)	Added paragraph about new Centrally Managed Enterprise Software License reporting requirements	Addition
1.4.10. (180104.J)	Added paragraph about new Cloud Environment Investments reporting requirements	Addition
1.4.11. (180104.K)	Revised paragraph based on new Cyberspace Activities definitions and reporting requirements	Addition
1.4.13. (180104.M)	Added paragraph about new Artificial Intelligence (AI) reporting requirements	Addition
1.5 (180105)	Updated the "Segment Architecture and Information Technology/Defense Information Infrastructure (DODIN) Reporting Structure" table	Addition

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CHAPTER 18

INFORMATION TECHNOLOGY (INCLUDING CYBERSPACE ACTIVITIES)

1.0 GENERAL (1801)

1.1 Purpose (180101)

1.1.1. This chapter provides instructions applicable to supporting budgetary material and congressional justification for Information Technology and Cyberspace Activities (IT/CA) investments, as well as discussing requirements for contributions to approved Electronic Government (E-Gov) investments. The Department of Defense (DoD) Chief Information Officer (CIO) Deputy Chief Information Officer for Resources and Analysis (DCIO(R&A)) is responsible for collecting, assembling, and reporting of the Departments IT/CA budget for the purposes of submitting complete and accurate IT/CA justification materials to the Office of Management and Budget (OMB) and the Congress. DoD CIO DCIO(R&A) will issue annual supplemental guidance to these instructions that address detailed and amplifying submission requirements, adjustments since publication of these instructions, and submission due dates.

1.1.2. These instructions apply to the Office of the Secretary of Defense (OSD), the Military Departments (including their National Guard and Reserve Components), the Joint Staff, Unified Commands, the Inspector General DoD, the Defense Agencies, the DoD Field Activities, the Joint Service Schools, the Defense Health Program, and the Court of Military Appeals, hereafter referred to as the DoD Components.

1.1.3. The budgetary materials developed in accordance with instructions in this and other applicable chapters in Volumes 11A and 11B represent the authoritative DoD IT/CA budget request.

*1.2 Authoritative Guidance (180102)

1.2.1. DoD Financial Management Regulation (FMR), Volume 2A, Chapter 1 provides general funding and appropriation policies, including expense and investment criteria (Section 010201) and Budgeting for Information Technology and Automated Information Systems guidance (Section 010212), as well as general preparation instructions and distribution requirements. The following table highlights DoD FMR references to the applicable appropriation.

Reference	Appropriation
Volume 2A, Chapter 3	Operation and Maintenance
Volume 2B, Chapter 4	Procurement
Volume 2B, Chapter 5	RDT&E
Volume 2B Chapter 6	Military Construction
Volume 2B Chapter 9	DWCF

Volume 2B, Chapter 16 discusses requirements for NIP and MIP justification materials. Additional CA justification guidance is provided in 180104.K and via an annual guidance letter.

1.2.2. DoD Directive (DoDD) 5000.01, "The Defense Acquisition System," DoD Instruction 5000.02, "Operation of the Defense Acquisition System," and the Defense Acquisition Guidebook discuss acquisition and program management (PM) requirements for preparation of acquisition program Capital Asset Plan and Business Cases.

1.2.3. OMB Circular No. A-11, "Preparation, Submission and Execution of the Budget," Section 51.19, "Budgeting for the acquisition of capital assets," and Section 25.5, "What do I include in the budget request to OMB?" provide the general Federal reporting requirements for IT resources.

1.2.4. The Paperwork Reduction Act of 1995 and the Public Law 104-106 (Clinger-Cohen Act of 1996, as amended) contain supporting definitions regarding IT.

1.2.5. OMB Circular A-130, "Managing Information as a Strategic Resource" provides guidance on governance requirements including the Documented Capital Planning and Investment Control (CPIC) process, Agency Enterprise Architecture and the Information Resource Management (IRM) Plan.

1.2.6. DoDD 8115.01, "Information Technology Portfolio Management" and DoD Instruction 8115.02, "Information Technology Portfolio Management Implementation," provide guidance and define responsibilities for DoD Mission Areas.

1.2.7. DoDD 7045.20, "Capability Portfolio Management," establishes policy and assigns responsibilities for the use of capability portfolio management.

1.2.8. DoDD 5205.12, "Military Intelligence Program (MIP)," Establishes policy and assigns responsibilities for the MIP in accordance with the authority in DoDD 5143.01 (Reference (a)) to provide visibility into Defense Intelligence resource data and capabilities and to create a means for effectively assessing Defense Intelligence capabilities.

1.2.9. Joint Publication 3-13, "Information Operations," dated November 20, 2014. This publication provides joint doctrine for the planning, preparation, execution, and assessment of information operations across the range of military operations.

1.2.10. Joint Publications 3-12, "Cyberspace Operations," dated June 8, 2018. This publication provides joint doctrine to plan, execute, and assess cyberspace operations.

1.2.11. NIST Special Publication 800-82, "Guide to Industrial Control Systems (ICS) Security," May 2015. This document provides guidance on how to secure ICS, including SCADA systems, Distributed Control Systems (DCS), and other control system configurations such as Programmable Logic Controllers (PLC), while addressing their unique performance, reliability, and safety requirements.

1.2.12. DoDD 8000.01, "Management of the Department of Defense Information Enterprise (DoD IE)," dated July 27, 2017. The directive establishes policy and assigns responsibilities for DoD IRM activities of the DoD CIO.

1.2.13. DoDI 8500.01, "Cybersecurity," dated March 14, 2014. Provides instruction to establish a DoD cybersecurity program to protect and defend DoD information and IT.

1.2.14. DoDI 5000.75, "Business Systems Requirements And Acquisition," January 24, 2020. Implements the statutory requirements of Title 10 USC Section 2222(c) and establishes policy for the use of business capability acquisition (BCAC) cycle for business systems requirements and acquisition.

1.3 Submission Requirements (180103)

1.3.1. General guidance for submission requirements is presented in Volume 2A, Chapter 1 of the DoD FMR and in the OSD Program/Budget guidance memos. This chapter covers specific submission and distribution instructions for the IT/CA Budget submission. All applicable automated database updates/formats will be submitted for both the OSD Program/Budget Estimates Submission and the Congressional Justification submission referred to in the DoD as the President's Budget (PB) request. DoD CIO will distribute information, as appropriate, to Congressional committees, Government Accountability Office (GAO) and Inspector General activities in accordance with OMB Circular A-11, Section 22 – "Communications With The Congress And The Public And Clearance Requirements" – only after the OMB database is updated and OMB has approved the information for release.

1.3.2. All DoD Components that program, budget, or execute (obligate) resources to/which support IT/CA in any fiscal year of the Future Years Defense Program (FYDP), Prior Year (PY) and Current Year (CY) will report IT/CA data in preparation for the DoD Component's inputs to the OMB Circular A-11 (Section 25.5 and Section 51.19), E-Gov reviews, governance documents as required by the OMB Circular A-130, "Managing Information as a Strategic Resource," budget analyses, special data calls, and Congressional displays. The product previously called the "Exhibit 300A" is now called the "Major IT Business Case" and the "Exhibit 300B" is now called the "Major IT Business Case Detail". All DoD appropriation accounts and funds including Defense Working Capital Fund (DWCF), Other Funding, and IT/CA portions of the Military Intelligence Program (MIP) are encompassed unless outlined in paragraph D. All MIP IT resource submissions shall be coordinated with the Office of the Under Secretary of Defense for Intelligence (OUSD(I))/Directors for Defense Intelligence (Intelligence Strategy, Programs & Resources) (DDI ISP&R/MIP Office)).

1.3.3. This chapter covers IT/CA submissions, including Defense Business Systems (DBS), National Security Systems (NSS), Command & Control (C2), Communications and related programs, Combat Identification, Joint Information Environment (JIE), National Leadership Command Capabilities, Cyberspace Operations, Cybersecurity, Artificial Intelligence (including Information Systems Security and machine learning), Cyber Mission Forces, Offensive Cyber Operations, Defensive Cyber Operations, Cyber Intelligence Surveillance and Reconnaissance, Operational Preparation of the Cyberspace Environment, Cyber Threat Detection and Analysis (including Insider Threat), meteorological systems, control systems, IT/CA associated Research, Development, Testing and Evaluations (RDT&E) and navigation systems/programs as well as budgeting for contributions to intergovernmental E-Gov investments. The IT/CA budget encompasses all DoD appropriation accounts and funds with the exception of nonappropriated funds as defined in DoD FMR Volume 13, Chapter 1.

1.3.4. This chapter's IT budget preparation and requirements do not apply to:

1.3.4.1. U.S. Army Corps of Engineers Civil Works (USACE-CW) appropriations.

1.3.4.2. IT acquired by a Federal Contractor "incidental" to performance of a Federal Contract.

1.3.4.3. Programs, projects, and activities embedded in non-C2 and non-Communications programs or weapon systems or embedded in Service force structure and, therefore, not readily identifiable in the budget. DoD CIO will have final determination on what systems, programs, projects, and activities will be reported.

1.3.4.4. Highly sensitive and special access programs whose resources are specifically exempted from budget reporting by the DoD CIO and other OSD authorities. In general, these resources are reviewed through separate budget processes.

1.3.4.5. National Intelligence Program (NIP) resources. The Office of the Director of National Intelligence staff submits NIP via separate mechanisms.

1.3.4.6. A Family of Systems (FoS) or System of Systems (SoS) recorded as such within the Department of Defense Information Technology Portfolio Registry (DITPR), systems within a FoS or SoS are subject to this chapter's requirements.

1.3.4.7. Resources related to systems with an inactive DITPR record (see DITPR Guidance[1], Section 9.4.g, for details).

1.3.5. All DoD Components and Enterprise Portfolio Mission Areas must prepare separate executive overviews for the Congressional Justification Submission. DoD CIO will provide guidance with specific areas of interest that must be addressed within the executive overview.

1.3.6. DoD CIO will designate investments required to submit a Major (see subparagraph 2.0.58) IT Business Case and Major IT Business Case Details to meet OMB Circular A-11, Sections 25.5 and 51.19 requirements. The Major IT Business Case Detail is designed to coordinate OMB's collection of Agency information for its reports to Congress, as required by the Federal Acquisition Streamlining Act of 1994 (FASA, Title V) and Clinger-Cohen Act of 1996. Currently, IT Business Cases are required for Part 1 (Mission Delivery – Segment 700) and Part 2 (Mission Support Systems – Segment 500) major IT Investments. OMB does not require IT Business Cases for Part 3 (IT Infrastructure, IT Security, and IT Management –Segments 600, 610, and 800). The Business Case and Business Case Detail submissions are not limited to acquisition or development and modernization programs.

1.3.7. Statement of Compliance (SoC) Requirement. The IT/CA submissions are transmitted electronically. For that reason, each Component is required to submit a coordinated

[1] DITPR Guidance v1.0 (May 2018), Available on RPB IT Budget Portal at https://dodcio.sp.pentagon.mil/sites/Collaboration/ITBudget/IT%20Budget%20Docs/DITPR%20Guidance%20-%2005302018.pdf

annual transmittal memo known as the "Statement of Compliance" memorandum with their IT/CA submissions, on the Submit/Certify due in accordance with the FY Budget Schedule. The SoC memorandum must be addressed to the DoD CIO and the DoD Chief Management Officer (CMO). Military Departments (MILDEP) must also include their MILDEP CMO as addressee on the SoC memorandum. The Component CIO and CFO, or individual(s) assigned with equivalent responsibilities, must jointly sign the SoC, which states their submissions are complete; accurately aligned with the submitting Component's primary budget, program and acquisition materials; and are consistent with:

- Subtitle III, title 40 (formerly called the Clinger-Cohen Act), as amended, and with 10 U.S.C.§2222 (Defense business systems only);
- OMB Circular A-11 and documented exceptions to the Circular;
- 40 U.S.C. §11319(b)(1)(B)(ii), which provides that the CIO of each covered agency certifies that information technology investments are adequately implementing incremental development, as defined in capital planning guidance issued by OMB;
- Federal Information Technology Acquisition Reform Act (FITARA) Title VIII, Subtitle D of the National Defense Authorization Act (NDAA) for Fiscal Year 2015;
- OMB A-130;
- The Privacy Act;
- DoD CIO IT/CA budget guidance memoranda;
- The Paperwork Reduction Act;
- Section 508 of the Rehabilitation Act of 1973, Pub. Law 93-112, as amended (29 U.S.C. § 794d); and
- Other applicable Acts and requirements.

The statement may be based on the Program Manager's SoC. The statement should also include explanations for investments that do not conform to DoD CIO budget guidance memorandum. DoD Components for which all IT resources are exempt from reporting based on Section 1.3.4 must still submit a SoC addressing the specific reasons for exemption.

1.3.8. If OMB requires additional governance information to accompany the IT/CA Budget, DoD CIO will determine how these requirements will be met, and provide direction to the Components. DoD CIO will also provide the Components documented guidance as well as training on any applicable changes to the Department of Defense Information Technology Information Portal (DITIP) and/or Select and Native Programming – Information Technology (SNaP-IT) systems which will be used to gather information requested by OMB (see 3.2).

1.3.9. Appointment of qualified project managers for investments listed in the IT/CA Budget is a matter of high-level interest to the OMB. Components are charged to provide complete Program Manager identification to comply with Project Manager reporting requirements for Major IT Business Case/Major IT Business Case Detail only.

1.3.10. 10 U.S.C §2432 requires that the Secretary of Defense submit, to the Congress, annual reports on all Major Defense Acquisition Programs (MDAP). This annual report, known as the Select Acquisition Report (SAR) will take the place of the OMB required Major Business Case and Major Business Case Detail exhibits for all MDAP IT programs.

1.3.10.1. All MDAP IT Programs, and Pre-MDAP IT Programs will be reported in DITIP/SNaP-IT (see paragraph 3.2) as single investments aligned to the Official MDAP Lists maintained in the Defense Acquisition Management Information Retrieval (DAMIR) Portal. Some programs may be broken out into increments with different Program Number (PNO) that may be associated with one Investment tied to the main or parent program. In such cases of one Investment to many PNO relationship, the valid one-to-one relationship for budget reporting purposes will continue to be in reference to the parent program.

1.3.10.2. For MDAP IT programs, Components must use the DAMIR program description within DITIP/SNaP-IT. The program description should be precisely worded to consider the Congressional staff audience. In addition, Components shall notify the Under Secretary of Defense for Acquisition and Sustainment (USD(A&S)) as soon as the Component anticipates that the program is within 10 percent of an Acquisition Categories (ACAT) I or IA program dollar threshold, as required by DoD Instruction (DoDI) 5000.02.

1.3.11. Components with investments deemed "Major" (see subparagraph 2.0.58) are required to provide updates to the Major IT Business Case and Major IT Business Case Detail, via SNaP-IT, that will be made available to the OMB Federal Information Technology Dashboard (ITDB). Updates include changes to Major IT Business Case Detail baselines, planned start/end dates, actual start/end dates, and planned/actual costs. Additional guidance for this process is promulgated in the DoD CIO's annual guidance (see subparagraph 1.4.1).

1.3.12. Components must account for resources to acquire, operate and maintain each data center identified in the Data Center Inventory Management (DCIM) System database. Each Core Data Centers (CDC), Component Enterprise Data Centers (CEDC), and Installation Processing Nodes (IPN) must be reported in a single investment within DITIP/SNaP-IT (see paragraph 3.2). Components may report multiple data centers under one investment for other types of data centers, typically Special Purpose Processing Nodes (SPPN), and are not required to segregate costs. DWCF investments delivering IT Services are not required to have separate investment for each Data Centers.

1.3.13. Components must identify which investments are resourced through a DWCF, as well as whether such investment is either an IT product or an IT service (vice an investment in a non-IT product or service). The SNaP-IT DWCF IT budget module for IT Working Capital Fund (WCF) requirements located on the Nonsecure Internet Protocol (IP) Router Network (NIPRNet or "NIPR") will forecast all planned revenue and revenue sources for the Investment to include any classified investment amounts residing in the Secret Internet Protocol Router Network (SIPRNet or "SIPR"). Refer to the annual OSD guidance for greater details.

1.3.14. Components are required to provide resourcing, within the timeframe being reported, that represents the total Life Cycle Cost Estimate (LCCE) of the investment.

1.3.15. Components must identify and break out resources applied to an investment as a result of directives associated with the annual Program Budget Review (PBR) process (e.g., DEPSECDEF Memorandum, Program Budget Decision (PBD), Program Decision Memorandum (PDM)). Refer to the annual OSD IT/CA budget guidance for greater details.

1.4 Preparation of Material (180104)

1.4.1. This section covers material reporting requirements for IT resources submission to the DoD CIO. The DoD CIO will provide augmenting guidance annually, by early August of the reporting year. The guidance will include changes to meet new or updated OMB A-11, OMB E-Gov, Congressional, and OSD submission requirements; special areas of emphasis; and a listing of the investments that require a Major IT Business Case/Major IT Business Case Detail.

1.4.2. All IT resources must be managed in accordance with appropriation guidance and applicable expense and investment criteria.

1.4.3. All IT resources will be reported within investments (see subparagraph 3.2.2). With the exception of DBS (see subparagraph 1.4.7.2), Major Automated Information Systems (MAIS) (see subparagraph 1.4.4), Approved Shared Services (see subparagraph 1.4.13), Data Centers (i.e., CDC, CEDC, IPN) (see subparagraph 1.3.13), centrally managed enterprise software license purchases (see paragraphs 1.4.9 and 2.10), Cloud projects (subparagraph 1.4.10), Artificial Intelligence projects (subparagraph 1.4.13), and Security Operations Centers (SOC) (see subparagraphs 1.4.8 and 2.0.75), investments can be systems, programs, projects, organizations, activities or grouping of systems with *related functionality*. Each Component will manage its classified and unclassified investments through the respective DITIP. Investments are registered with key categories of data required to meet internal and external reporting requirements. To register a new investment or amend/update existing investment data, DoD Components access DITIP's on-line investment registration capability. A Unique Investment Identifier (UII) is associated with each investment. The current and archived lists of investments are maintained on the DITIP web site. Additional guidance for the registration process is promulgated in the DoD CIO's annual guidance (see subparagraph 1.4.1).

DITIP provides a centralized location for IT investment portfolio data, is the authoritative data source for DoD IT Header information, and aligns IT systems information in DITPR with budget information in the SNaP-IT. DITIP provides for the entry and maintenance of common DITPR and SNaP-IT data elements, provides a mechanism to identify Data Center budget resource estimates and supports the DoD Chief Management Officer (CMO) DBS certification in accordance with the requirements of Title 10 U.S.C.§2222. DITIP is the system of record for the NDAA DBS data elements (i.e., Business Enterprise Architecture (BEA) Code, BEA Version, Business Process Re-engineering (BPR) Code, Requirements and Plan, Acquisition Strategy, and Auditability Requirement).

Components are responsible for verifying investment data entered in DITIP is consistent with that data entered into DITPR. At a minimum, each DITPR line item must be aligned against an active SNaP-IT UII or valid exception UII. Additional guidance for exception UII's is promulgated in the DoD CIO's annual guidance (see subparagraph 1.4.1).

1.4.4. All investments requiring a Major IT Business Case/Major IT Business Case Detail will be identified within the annual IT/CA Budget guidance (see subparagraph 1.4.1). Regardless of actual investment amount, all funding for MAIS and pre-MAIS programs (as designated in the authoritative MAIS list maintained by the Under Secretary of Defense for Acquisition and Sustainment (USD(A&S)) will be reported in the IT exhibit as major. Components that serve as

the executive or principal funding agent (a.k.a., "Owner") for investments must report all sections of the Major IT Business Case and Major IT Business Case Detail.

1.4.5. Investments with multiple participating DoD Components are joint investments. All information submitted for a joint investment is the responsibility of the investment owner registered in DITIP/SNaP-IT. The owner shall coordinate/validate investment data with each participating DoD Component of that joint investment.

1.4.6. Group of Systems. With the exception of DBS (see subparagraphs 1.4.7 and 2.0.27), MAIS, Approved Shared Services (see subparagraph 1.4.13), data centers (see subparagraph 1.3.12), centrally managed enterprise software license purchases (see paragraphs 1.4.9 and 2.10), Cloud projects (subparagraph 1.4.10), Artificial Intelligence projects (subparagraph 1.4.13), and Security Operations Centers (SOC) (see subparagraphs 1.4.8 and 2.0.75), investments can be groupings of systems with *related functionality* if all the systems are within the same Mission Area/Segment, managed under the same construct, and financed under the same resource construct (program/project/organization). All systems grouped into an IT Budget Investment must report that investment's UII in the appropriate DITPR system record.

1.4.7. Defense Business Systems (DBS).

1.4.7.1. In order to satisfy requirements of 10 U.S.C. §2222, for certification and approval of investments involving "defense business systems" as "covered defense business system programs," as well as for budget information in the materials that the Secretary of Defense submits to the Congress under 10 U.S.C. §2222(i)(1)(A), investments in defense business systems must be reported individually within the IT/CA Budget (see paragraph 3.2).

1.4.7.2. The definition of a DBS is provided in section 2.0.27. All DBS must: (a) be included within the IT/CA Budget at the system level, not as system of systems, group of systems, or bundle of systems (i.e., Defense Business System = Investment); and (b) maintain a one-to-one relationship between DITIP/SNaP-IT and DITPR unless a specific exception is approved by the DoD CIO DCIO(R&A) office. The DoD CMO or military department CMO certifies DBSs prior to obligation of funds in the applicable fiscal year, in accordance with their policies. In cases where the CMO certifies PY or CY resources for a DBS, Components must report the amount certified plus any amount not certified that remain programmed or budgeted for the investment (i.e., Obligations + Commitments + Uncommitted balance) in the appropriate resource line(s) in the budget.

* 1.4.8 Security Operation Centers (SOC). Components must establish each SOC (see paragraph 2.0.75) as an individual investment and report resources accordingly (see paragraph 3.2). All SOC investments and resources will be reported within 'Cyberspace Activities' Segment 610-000 and 'Cybersecurity Network Operation' category of the DoD CA Taxonomy. SOCs may take other names such as Cybersecurity Operation Center (CSOC), Joint Operation Center, Network and Security Operation Center, Cyberspace Operations and Integration Center (ACOIC).

* 1.4.9. Centrally Managed Enterprise Software License. Components must develop individual investments for each Centrally Managed Enterprise Software License and report

resources in the DoD IT/CA Budget accordingly (see paragraph 3.2). An enterprise license is an organization-wide (i.e., DoD-wide, Component-wide, Subcomponent-wide) software license that provides common usage rights within a defined community of users in the organization and may be customized to the organization's requirement (see paragraph 2.10). Typically, the defined community of users interface with the Software Publisher/Licensor under a single point of contact (i.e., centrally managed) including for acquisition, payments, inventory reporting, and other contractual actions. Examples of such Enterprise License include: Enterprise License Agreement (ELA), Joint ELA (JELA), Core Enterprise Technology Agreement (CETA), and purchasing agreements such as DoD Enterprise Software Initiative Enterprise Software Agreement (ESI ESA) (e.g. General Services Administration (GSA) IT Schedule 70 Blanket Purchase Agreement (BPA) and National Aeronautics and Atmospheric Administration Solutions for Enterprise Wide Procurement (NASA SEWP) agency catalog), Federal Category Management Leadership Council Best in Class (CMLC BIC) purchasing agreement (e.g. GSA IT Schedule 70 Software SINs and NASA SEWP), and DoD Component-level software purchasing vehicles.

* 1.4.10. Cloud Environment Investments. Components must develop individual investments for each General Purpose (GP), Fit-for-Purpose (F2P), and Internal cloud Projects and report resources in the DoD IT/CA Budget accordingly (see paragraphs 2.0.41, 2.0.45, 2.0.52). Register Cloud investments in DITIP (see paragraph 3.2.1).

* 1.4.11 Cyberspace Activities (CA).

1.4.11.1. DoD categorizes CA as a major reportable category of the DoD IT/CA budget. (see subparagraphs 2.0.22 and 2.2.23) There are three components within the CA budget: (1) Cybersecurity (also known as Information Assurance); (2) Cyberspace Operations (CO) - a. Offensive Cyberspace Operations (OCO), b. Defensive Cyberspace Operation (DCO), c. DODIN Operations; and (3) Research and Development of new applications to support the advancement of cybersecurity and cyberspace operations. Definitions are provided each budget year (BY) in OSD CA Implementation Guide.

1.4.11.2. Components with CA investments will report their resources through the SNaP-IT System (see paragraph 3.2). All CA resources will be reported within CA investments as prescribed by DoD CIO. Justification narratives to support the preparation of the DoD CA Congressional Justification Book (CJB) will be input directly into SNaP-IT (see subparagraph 4.3.2).

1.4.11.3. Components must align CA resources into specific CA budget lines identified in the DoD CIO DCIO(R&A) CA Appropriation Baseline (CAAB) database to comply with congressional direction for spending funding required for CA.[2] Within the IT/CA Budget submission, all: (a) Research, Development, Test, and Evaluation (RDT&E) CA resources must be programmed, budgeted, justified, and executed from unique RDT&E Projects; (b) Procurement CA resources must be programmed, budgeted, justified, and executed from unique Procurement Line-Items; and O&M CA resources must be programmed, budgeted, justified and executed from unique Operations and Maintenance (O&M) Activity/Sub-Activity Groups (AG/SAG). In order

[2] Fiscal Year 2019 House Appropriation Committee – Defense (HAC-D) report language.

to be included in the Department's CA budget, all projects, line-items, and AG/SAGs reporting CA resources must be approved by the DoD CIO and included within the CAAB. Additional CA guidance will be provided by the DoD CIO DCIO (R&A), as needed.

1.4.11.4. DoD CIO DCIO(R&A), in coordination with DCIO Cybersecurity and the offices of OSD Cost Assessment and Program Evaluation (CAPE), USD(C), OUSD(I), USD(A&S), USD(R&E), Principal Cyber Advisor (PCA), USCC, and Components as identified in subparagraph 1.1.2 will prepare a single DoD CA CJB containing materials supporting DoD's overall CA efforts. This information is collected simultaneously with the IT Budget utilizing SNaP-IT. Components must complete the SNaP-IT CA CJB submission for all investments identified in the 'Cyberspace Activities' Segment 610-000.

1.4.11.5. The Cyber Mission Forces were established in March 2013 and activated in January 2014. The Cyber Mission Forces have three main aspects: (a) Cyber National Mission Teams to help defend the nation against a strategic cyber-attack on U.S. interests including our critical infrastructure and key resources (CIKR); (b) Cyber Combat Mission Teams aligned with regional and functional Combatant Commanders to support their objectives; and (c) Cyber Protection Teams to help defend DoD information environment and the military cyber terrain. These cyber mission teams are the U.S. military's first joint forces dedicated to CA. They primarily support the Combatant Commands. In order to efficiently account for planned, programmed, and budgeted financial requirements, organizations are required to use the unique taxonomies and Program Elements (PEs) that SNaP-IT established for manning, training, and equipping of the Cyber Mission Forces. The PEs established for CMFs allow the Department to represent CMFs as a virtual Major Force Program (MFP) for reporting to Congress. OSD classified guidance and training will provide further details on managing UIIs with appropriate PEs and the OMB taxonomies.

1.4.12. Approved Shared Services. The DoD CIO Executive Board may occasionally authorize a DoD Approved Shared Service. In those cases, an Authorized Shared Service must be reported in a single SNaP-IT investment (see paragraph 3.2). The DoD CIO DCIO(R&A) will maintain a listing of Approved Shared Services and provide that listing within the DoD CIO's annual IT/CA Budget guidance (see subparagraph 1.1.1).

* 1.4.13. Artificial Intelligence (AI). Components must develop individual investments for each AI Project, register, tag as 'Artificial Intelligence', and report resources in the DoD IT/CA Budget accordingly (see paragraph 3.2). All AI investments that are stand-alone AI programs or projects and are not the sub-component of a specific end-item's software will be reported within the 'Artificial Intelligence' Segment 400-000 (see paragraph 2.2). All AI investments that are a sub-component of a specific end-item's software that enhances the capabilities of the end-item through AI technologies (e.g., an AI application that is a part of an operational or business system) will be reported in the Segment appropriate for that end-item.

1.4.14. Industrial Control Systems (ICS)/Platform Information Technology (PIT)/Supervisory Control and Data Acquisition (SCADA). As stated in National Institute of Standards and Technology (NIST) Special Publication 800-82, "ICS are typically used in industries such as electric, water and wastewater, oil and natural gas, transportation, chemical,

pharmaceutical, pulp and paper, food and beverage, and discrete manufacturing (e.g., automotive, aerospace, and durable goods). SCADA systems are generally used to control dispersed assets using centralized data acquisition and supervisory control. These control systems are vital to the operation of the U.S. critical infrastructures that are often highly interconnected and mutually dependent systems." These systems, while not generally considered a typical Information System, are just as vulnerable to interception, modification, interruption and fabrication that threaten typical IT Systems. Likewise, the defensive measures taken to protect ICS/PIT/SCADA systems are similar to the cybersecurity measures currently taken to protect IT systems: Firewalls, Intrusion Detection Systems, strong passwords, and encryption to name a few. Therefore, the documented planning, programming and budgeting of the costs of researching, procuring, operating and maintaining these defensive mechanisms (Converged Systems) used to protect ICS/PIT/SCADA from these vulnerability exploitations must be captured in the IT/CA budget using SNaP-IT (see paragraphs 2.14, 2.15, and 2.0.70). PIT Control Systems (CS) purchased as part of a weapons systems or some other turn-key non-IT solution (i.e., as part of an HVAC system) would not be reported in the IT/CA Budget.

In summary, if the turn-key solution is IT then the ICS/PIT/SCADA systems would be reported within the turn-key investments IT/CA budget. If the CS/PIT is being purchased on its own or upgraded to address cyber security shortfalls, it would be reported in the IT/CA budget. Lastly there is no need to register each PIT/CS as a separate IT investment -- it can be a part of a larger investment (see paragraph 3.2). However, each resource owner, at a minimum, is responsible for creating at least one single CS/PIT investment for Converged Systems. Components are required to use the unique taxonomies established for CS/PIT within the 'Cyberspace Activities' Segment 610-000. OSD classified guidance and training will provide further details on managing CS/PIT UIIs with appropriate taxonomies.

1.5 Reporting Structure (180105)

IT/CA investments shall be managed by enterprise portfolios divided into Mission Area portfolios which are defined as Warfighting, Business, DoD portion of Intelligence, and Enterprise Information Environment[3]. In addition, all IT/CA resources will be associated with a single DoD Segment and DoD Sub-Segment (where applicable) (see section 1.5 for definitions), the Federal Enterprise Architecture (FEA) Business Reference Model (BRM), and DoD Segment taxonomy. IT/CA investments are also reported by appropriation details (Appropriation, Budget Activity (BA), Program Element (PE), Budget Line Item (BLI), Investment Stage and Funding Source (Base/Overseas Contingency Operations (OCO)), and by "major" and "other" categories. CA investments must further be assigned the DoD & Federal Cyberspace Activities Taxonomy. SNaP-IT records these business rules. Investments that cross more than one functional area, including Cyberspace Activities, may need to be broken down by area and registered in the Master UII List maintained in DITIP/SNaP-IT by the DoD CIO. The reporting area will normally be based upon the preponderance of the mission/capability concept. The DoD CIO DCIO(R&A) will annually issue supplemental guidance for other data requirements directed by the DoD CIO, Congress, or OMB.

[3] Information Technology Portfolio Management (DoDD 8115.01) and Information Technology Portfolio Management Implementation (DoDI 8115.02)

*Segment Architecture and Information Technology/Defense Information Infrastructure (DODIN) Reporting Structure

Segment Code	Segment Title	Sub Segment Code	Sub Segment Title	Mission Area
400-000	Artificial Intelligence (AI)	400	Artificial Intelligence (AI)	WMA
500-000	Financial Management	500	Financial Management	BMA
510-000	Acquisition	510	Acquisition	BMA
520-000	Human Resources Management	520	Human Resources Management	BMA
530-000	Logistics and Supply Chain Management	530	Logistics and Supply Chain Management	BMA
540-000	Real Property Management (EI&E)	540	Real Property Management (EI&E)	BMA
550-000	Planning and Budgeting	550	Planning and Budgeting	BMA
560-000	Training and Readiness	560	Training and Readiness	BMA
570-000	Security Cooperation	570	Security Cooperation	BMA
580-000	Defense Security Enterprise	580	Defense Security Enterprise	BMA
599-000	Other Business Services	599	Other	BMA
600-000	DoD IT Infrastructure	010	Core Network Infrastructure	EIEMA
600-000	DoD IT Infrastructure	020	Non-Core Network Infrastructure	EIEMA
600-000	DoD IT Infrastructure	030	DoD Enterprise Services	EIEMA
610-000	Cyberspace Activities	TBD	TBD	EIEMA
620-000	Centrally Managed Enterprise Software License	620	Centrally Managed Enterprise Software License	EIEMA
700-000	Battlespace Awareness-ISR	700	Battlespace Awareness-ISR	DIMA
710-000	Battlespace Awareness-Environment	710	Battlespace Awareness-Environment	WMA
720-000	Battlespace Networks	720	Battlespace Networks	WMA
730-000	Command & Control	730	Command & Control	WMA
740-000	Force Application	740	Force Application	WMA
750-000	Protection	750	Protection	WMA
760-000	Defense Health	760	Defense Health	BMA
770-000	Force Management	770	Force Management	WMA
780-000	Force Training	780	Force Training	WMA
790-000	Building Partnerships	790	Building Partnerships	WMA
799-000	Core Mission	799	Core Mission	WMA
800-000	IT Management	800	IT Management	EIEMA

*2.0 DEFINITIONS (1802)

The definitions in this section provide relevant information for the chapter including, segment descriptions, technical capabilities and IT/CA Budget component terms.

2.0.1. Acquisition Segment (510-000). IT supporting the activities necessary to provide goods/services for DoD operations, including during the stages of conceptualization, initiation, design, development, test, contracting, production, deployment, modification, and disposal of weapons and other systems, supplies, or services (including construction) to satisfy DoD needs, intended for use in, or in support of, military missions. This does not include logistics support, which should be reported within the 'Logistics and Supply Chain Management' Segment (530-000).

2.0.2. Artificial Intelligence (AI) Segment (400-000). AI refers to the ability of machines to perform tasks that normally require human intelligence – recognizing patterns, learning from experience, drawing conclusions, making predictions, taking actions, and more – whether digitally or as the smart software behind autonomous physical systems. This segment includes any investments for AI programs or stand-along AI projects. This segment also includes AI supporting activities for creating a common foundation of shared data, reusable tools, frameworks and standards, and edge services, through decentralized development and experimentation such as research, longer-term technology creation, and innovative concepts. Do not include AI resources embedded within end-item software system/application investments; report AI embedded within applications as application costs within the appropriate application Investment.

2.0.3. Battlespace Awareness-Environment Segment (710-000). IT supporting the ability to collect, analyze, predict and exploit meteorological, oceanographic and space environmental data.

2.0.4. Battlespace Awareness-ISR Segment (700-000). IT supporting the ability to conduct activities to meet the intelligence needs of national and military decision-makers.

2.0.5. Battlespace Networks Segment (720-000). IT that extends DoD's "commercial like" IT Infrastructure to meet the unique connectivity and interoperability needs of deployed and mobile warfighting capabilities. Focuses on information transport, computing, enterprise services capabilities that supports the Combined Joint Task Force. NOTE: All investments aligned with the Battlespace Networks segment should be identified as NSS. If it is not an NSS system, then it probably should be aligned with the IT Infrastructure segment (600-000).

2.0.6. Budget Identification Number (BIN). See definition for Unique Investment Identifier (UII) (see paragraph 4.3 and subparagraph 2.0.84).

2.0.7. Building Partnerships Segment (790-000). This segment covers the IT supporting the capability for setting conditions for interaction with partner, competitor or adversary leaders, military forces, or relevant populations by developing and presenting information and conducting activities to affect their perceptions, will, behavior, and capabilities.

2.0.8. Business Mission Area (BMA). The BMA ensures that the right capabilities, resources, and materiel are reliably delivered to our warfighters: what they need, where they need it, when they need it, anywhere in the world. In order to cost-effectively meet these requirements, the DoD current business and financial management infrastructure - processes, systems, and data standards - are being transformed to ensure better support to the warfighter and improve accountability to the taxpayer. Integration of business transformation for the DoD business enterprise is led by the CMO of the Department.

2.0.9. Business Services Segment Group. This segment includes investments for foundational mechanisms and back-office services used to support the mission of the agency, which encompasses all the segments under the BMA. Segments included in this group are: Financial Management, Acquisition, Human Resources Management, Logistics and Supply Chain Management, Real Property Management (EI&E), Planning and Budgeting, Training and Readiness, Security Cooperation, Defense Security Enterprise, and Defense Health. NOTE: there could be a few defense business services related to IT investments that do not currently fit within the Other business service segments (see subparagraph 2.08).

2.0.10. Centrally Managed Enterprise Software License Segment (620-000). An organization-wide (i.e., DoD-wide, Component-wide, Subcomponent-wide) software license that provides common usage rights within a defined community of users in the organization and may be customized to the organization's requirement. Typically, the defined community of users interface with the Software Publisher/Licensor under a single point of contact (i.e., centrally managed) including for acquisition, payments, inventory reporting, and other contractual actions. Examples include: ELA, JELA, CETA, and purchasing agreements such as DoD ESI ESA (e.g. GSA IT Schedule 70 BPA and NASA SEWP agency catalog), Federal CMLC BIC purchasing agreement (e.g. GSA IT Schedule 70 Software SINs and NASA SEWP), and DoD Component level software purchasing vehicles.

2.0.11. Communications. Communications elements include fixed plant, sustaining base infrastructure in the U.S. and selected overseas locations; long haul transmissions via Defense-owned or leased terrestrial facilities; transmissions via satellite or other radio systems; and mobile, tactical transmission systems.

2.0.12. Command and Control (C2). Includes the facilities, systems, and manpower essential to a commander for planning, directing, coordinating and controlling operations of assigned forces. C2 capabilities cover the joint/tactical operations echelon and down to front line tactical elements.

2.0.13. Command and Control Segment (730-000). This segment provides the IT that facilitates the exercise of authority and direction over DoD-mission related activities supporting the joint warfighter.

2.0.14. Control System. A system in which deliberate guidance or manipulation is used to achieve a prescribed value for a variable. Control systems include supervisory control and data acquisition (SCADA), distributed control system (DCS), programmable logic controllers (PLCs)

and other types of industrial measurement and control systems. Examples: Utility monitoring and control systems, building control systems, microgrid control systems.

2.0.15. Converged System. A system of systems that includes a combination of traditional IT, control systems, and/or platform information technology.

2.0.16. Core Financial System. Is an information system, or system of system, that may perform all financial functions including general ledger management, funds management, payment management, receivable management, and cost management. The core financial system is the system of record that maintains all transactions resulting from financial events. It may be integrated through a common database or interfaced electronically to meet defined data and processing requirements. The core financial system is specifically used for collecting, processing, maintaining, transmitting, and reporting data regarding financial events. Other uses include supporting financial planning, budgeting activities, and preparing financial statements. Any data transfers to the core financial system must be: traceable to the transaction source; posted to the core financial system in accordance with applicable guidance from the Federal Accounting Standards Advisory Board (FASAB); and in the data format of the core financial system.

2.0.17. Core Mission Services Segment (799-000). Placeholder for those “few” core mission service related IT investments that do not currently fit into the existing core service segments.

2.0.18. Core Mission Services Segment Group. This segment group contains investments that directly support the Department’s core missions. Segments included in this group are; Battlespace Awareness – Environment, Battlespace Awareness – Intelligence, Surveillance, and Reconnaissance (ISR), Battlespace Networks, Command and Control, Force Application, Protection, Building Partnerships, Force Management, Force Training, and Health.

2.0.19. Cost. A monetary measure of the amount of resources applied to a cost objective. Within the DoD, "costs" are identified following the GAO accounting principles and standards as implemented in this Regulation. The fact that collections for some cost elements are deposited into Miscellaneous Receipts of the Treasury does not make those costs "extraneous." It simply means the Congress has not authorized such amounts to be retained by appropriation accounts. After costs have been identified, following the Comptroller general cost accounting rules, a DoD Component may proceed to eliminate cost elements, or process waivers, in accordance with legal authorities.

2.0.20. Cybersecurity. As referenced in DoDI 8500.01 “Prevention of damage to, protection of, and restoration of computers, electronic communications systems, electronic communications services, wire communication, and electronic communication, including information contained therein, to ensure its availability, integrity, authentication, confidentiality, and nonrepudiation.”

2.0.21. Cyberspace. A global domain within the information environment consisting of the interdependent networks of information technology infrastructures and resident data, including the Internet, telecommunications networks, computer systems, and embedded processors and

controllers.

2.0.22. Cyberspace Activities (CA). Employment of cyberspace capabilities for the primary purpose of achieving objectives in or through cyberspace. For the purposes of budget reporting within the SNaP-IT, there are three major components of CA: Cybersecurity, Cyberspace Operations, and Research & Development. Refer to definitions in subparagraphs 1.4.11 and 2.0.23. The DoD CIO DCIO(R&A) office will provide further guidance on CA budget reporting via classified channels.

2.0.23. Cyberspace Activities (CA) Segment (610-000). IT supporting the DoD's ability to maintain an appropriate level of confidentiality, integrity, authentication, non-repudiation and availability; the information and information assets; the documentation of threats and vulnerabilities; the trustworthiness of users and interconnecting systems; the impact of impairment or destruction to the DoD information system(s) and cyberspace; and cost effectiveness (see subparagraph 1.4.11). For the purposes of budget reporting within SNaP-IT, there are three major components of CA: Cybersecurity, Cyberspace Operations, and Research & Development (see subparagraph 2.0.22).

2.0.24. Cyber Mission Forces (CMF). The U.S. military's first joint tactical command with a dedicated mission focused on Cyberspace Activities and primarily support the Combatant Commands and U.S. Cyber Command (USCYBERCOM). The CMF consists of three elements: (1) the Cyber Protection Force (CPF), (2) Cyber National Mission Forces (CNMF), and (3) Cyber Combat Mission Force (CCMF). Further definition is available in Joint Staff Publication (JP 3-12). For IT/CA budget purposes, the CMF budget represents a virtual Major Force Program and consists of the resource to man, train and equip the CMF.

2.0.25. Data Administration. Program Area of Related Technical Activities. Activities reported in this area include: Data sharing and data standardization. Component data administration programs are defined in the Data Administration Strategic Plans.

2.0.26. Data Center Budget. All Data Centers reported in the DoD Data Center Optimization Initiative (DCOI)[4] inventory currently maintained in the DCIM System must maintain an appropriate budget estimate in DITIP at all times. Components must develop individual investments Core Data Center (CDC), Component Enterprise Data Centers (CEDC), and Installation Processing Nodes (IPN) data centers and report resources in the DoD IT/CA Budget accordingly. Working Capital Funds (WCF) Investments delivering IT Services are not required to have a separate Investment per data center. (see subparagraph 1.3.12).

2.0.27. Defense Business System (DBS). The term "defense business system" as defined in10 U.S.C §2222(i)(1)(A) means an information system operated by, for, or on behalf of the DoD, including: financial systems, financial data feeder systems, contracting systems, logistics systems, planning and budgeting systems, installations management systems, and human resource management systems. The term does not include NSS, or an information system used exclusively by and within the defense commissary system or the exchange systems or other instrumentality of

[4] OMB M-16-19, Data Center Optimization Initiative (DCOI), Aug 1, 2016 (https://datacenters.cio.gov/policy/m-16-19/)

the DoD conducted for the morale, welfare, and recreation of members of the armed forces using nonappropriated funds (see 10 U.S.C §2222(i)(1)(B)). The term "covered defense business system" as defined at 10 USC §2222(i)(2) means any defense business system that is expected to have a total amount of budget authority in excess of $50,000,000 over the period of the current future-years defense program submitted to the Congress under 10 U.S.C §221.

2.0.28. Defense Health Segment (760-000). IT systems and services that enable the Department's capabilities to maintain the health of military personnel, which includes the delivery of healthcare required during wartime. The Defense Health Program provides for worldwide medical and dental services (including delivery of TRICARE benefits) to active forces and other eligible beneficiaries, veterinary services, occupational and industrial health care, specialized services for the training of medical personnel, and medical command headquarters.

2.0.29. Defense Security Enterprise Segment (580-000). IT supporting the activities necessary to provide the organizations, infrastructure, and measures (to include policies, processes, procedures, and products) in place to safeguard DoD personnel, information, operations, resources, technologies, and facilities against harm, loss, or hostile acts and influences, in accordance with DoDD 5200.43. This includes any IT that supports Industrial Security Control systems and the National Security Investigation System. This does not include systems/applications that support CA, which doesn't belong within this business function or the 'Business Mission Area' domain.

2.0.30. Defensive Cyberspace Operations (DCO). Missions to preserve the ability to utilize blue cyberspace capabilities and protect data, networks, cyberspace-enabled devices, and other designated systems by defeating on-going or imminent malicious cyberspace activity. Also called DCO.

2.0.31. Department of Defense Information Network (DODIN). DODIN (as defined in DoDD 8000.01 as well as the Office of the Chairman of the Joint Chiefs of Staff, "DoD Dictionary of Military and Associated Terms)," is the set of information capabilities, and associated processes for collecting, processing, storing, disseminating, and managing information on-demand to warfighters, policy makers, and support personnel, whether interconnected or stand-alone, including owned and leased communications and computing systems and services, software (including applications), data, security services, other associated services, and NSS. The DODIN includes owned and leased communications and computing systems and services, software (including applications), data, security services, other associated services, and NSS. The DODIN consists of information capabilities that enable the access to, exchange, and use of information and services throughout the Department and with non-DoD mission partners. The principal function of the DODIN is to support and enable DoD missions, functions, and operations. The overarching objective of the D0DIN vision is to provide the National Command Authority (NCA), warfighters, DoD personnel, Intelligence Community, business, policy-makers, and non-DoD users with information superiority, decision superiority, and full-spectrum dominance.

2.0.32. Department of Defense Information Technology Portfolio Registry (DITPR). DITPR is the enterprise service composed of a centralized consolidated inventory of IT systems. DITPR provides a comprehensive inventory of mission critical and mission essential DoD information systems as required in 10 U.S.C. 2223(a)(5) and DoDD 5144.02. DITPR supports IT portfolio management (PfM) in accordance with the Office of Management and Budget (OMB) Circular A-130, "Managing Information as a Strategic Resource" and DoD enterprise architecture management under 44 U. S. C. 3601. DITPR is used to support portfolio management of the Defense Business Systems (DBS), Information Enterprise Mission Area (EIEMA), Warfighter Mission Area (WMA), and DoD Portion of the Intelligence Mission Area (DIMA).

2.0.33. Department of Defense Information Technology Investment Portal (DITIP). DITIP provides a centralized location for IT investment portfolio data and aligns IT systems information in the DITPR with budget information in the SNaP-IT. DITIP provides for the entry and maintenance of common DITPR and SNaP-IT data elements and supports the CMO DBS certification.

2.0.34. Development, Modernization, and Enhancement (DME). DME refers to projects and activities leading to new IT assets/systems, as well as projects and activities that change or modify existing IT assets to substantively improve capability or performance, implement legislative or regulatory requirements, or meet an agency leadership request. DME activity may occur at any time during a program's life cycle. As part of DME, capital costs can include hardware, software development and acquisition costs, commercial off-the-shelf acquisition costs, government labor costs, and contracted labor costs for planning, development, acquisition, system integration, and direct project management and overhead support. Technical Refresh is not included in Dev/Mod, but rather in O&S (see subparagraph 2.0.65).

2.0.35. DoD portion of Intelligence Mission Area (DIMA). The DIMA includes IT investments within the Military Intelligence Program and DoD component programs of the National Intelligence Program. The OUSD(I) has delegated responsibility for managing the DIMA portfolio to the Director, Defense Intelligence Agency, but OUSD(I) retains final signature authority. The DIMA management will require coordination of issues among portfolios that extend beyond the Department of Defense to the overall Intelligence Community.

2.0.36. Enterprise Information Environment Mission Area (EIEMA). The EIEMA represents the common, integrated information computing and communications environment. The Enterprise Information Environment (EIE) is composed of assets that operate as, provide transport for, and/or assure local area networks, campus area networks, tactical operational and strategic networks, metropolitan area networks, and wide area networks. The EIE includes computing infrastructure for the automatic acquisition, storage, manipulation, management, control, and display of data or information, with a primary emphasis on the DoD enterprise hardware, software operating systems, and hardware/software support. The EIE also includes a common set of enterprise services, called Core Enterprise Services, which provide awareness of, access to, and delivery of information.

2.0.37. Enterprise Services Segment Group. This segment group includes investments for IT services and infrastructure that support core mission and business services. Segments included in this group are; CA, IT Infrastructure, and IT Management.

2.0.38. Financial Event. Is any activity having financial consequences to the Federal government related to the receipt of appropriations or other financial resources; acquisition of goods or services; payments or collections; recognition of guarantees, benefits to be provided, or other potential liabilities; distribution of grants; or other reportable financial activities.

2.0.39. Financial Management (FM) Segment (500-000). IT supporting the facilitation and implementation of financial management solutions providing timely and accurate decision support data, stronger internal controls, establishing standards for acquiring and implementing FM systems through shared business processes, IT services, and data elements. This includes IT systems/applications that support the following core financial capabilities: fund the force, banking and disbursing, pay support, accounting support, cost management, financial operations, and management of financial internal controls. This does not include Planning and Budgeting systems/applications, which should be reported within the 'Planning and Budgeting' Segment (550-000).

2.0.40. Financial Management Systems. FM systems perform the functions necessary to process or support financial management activities. These systems collect, process, maintain, transmit, and/or report data about financial events or supporting financial planning or budgeting activities. These systems may also accumulate or report cost information, support preparation of financial transactions or financial statements or track financial events and provide information significant to the DoD Components financial management.

2.0.41. Fit-for-Purpose (F2P) Cloud. A cloud environment that meets highly specialized mission requirements that cannot easily be met through a General Purpose Cloud solution and is suitable for scaling to adopt new DoD customers at the enterprise level. Determination criteria include utility for mission, ease of management (including provisioning and reporting), and contract terms.

2.0.42. Force Application Segment (740-000). IT supporting the capability to integrate the use of maneuver and engagement in all environments, to creating the necessary effects for achieving DoD mission objectives.

2.0.43. Force Management Segment (770-000). IT supporting the ability to integrate new and existing human and technical assets from across the Joint Force and its mission partners to make the right capabilities available at the right time/place to support National Security.

2.0.44. Force Training Segment (780-000). IT supporting the ability to enhance the capacity to perform specific functions and tasks in order to improve the individual or collective performance of personnel, units, forces, and staffs.

2.0.45. General Purpose Cloud. Infrastructure and Platform as a Service (IaaS/PaaS) offerings that meet the majority of the DoD's cloud computing needs across all Components of the enterprise organization.

2.0.46. Human Resources Management Segment (520-000). IT supporting DoD human resource management, personnel and readiness ensuring human resources are recruited, capable, motivated, and ready to support the Department. Human Resources Management is the strategic and operational management of activities related to the performance of the human resources in an organization with functions that include: employee and labor/management relations, compensation and benefits, equal opportunity employment compliance, staffing, and human resource development. This does not include training systems/applications, which should be reported within the 'Training and Readiness' business function.

2.0.47. Information System (IS). (Reference section 3502 of title 44 U.S.C.) An information system is a discrete set of information resources organized for the collection, processing, maintenance, use, sharing, dissemination, or disposition of information. This includes automated information systems (AIS), enclaves, outsourced IT-based processes and platform IT interconnections. To operate information systems, Components must support related software applications, and necessary architectures and information security activities.

2.0.48. Information Technology (IT). (Reference section 11101 of title 40 U.S.C. and PL 113-291, Subtitle D –Federal Information Technology Acquisition Reform Act) The term "information technology" with respect to an executive agency is defined as:

2.0.48.1. Services or equipment, or interconnected system(s) or subsystem(s) of equipment, that are used in the automatic acquisition, storage, analysis, evaluation, manipulation, management, movement, control, display, switching, interchange, transmission, or reception of data or information by the agency; and

2.0.48.2. Services or equipment that are used by an agency if used by the agency directly or if used by a contractor under a contract with the agency that requires either use of the services or equipment or requires use of the services or equipment to a significant extent in the performance of a service or the furnishing of a product.

2.0.48.3. The term "information technology" includes computers, ancillary equipment (including imaging peripherals, input, output, and storage devices necessary for security and surveillance), peripheral equipment designed to be controlled by the central processing unit of a computer, software, firmware and similar procedures, services (including provisioned services such as cloud computing and support services that support any point of the lifecycle of the equipment or service), and related resources.

2.0.48.4. The term "information technology" does not include any equipment that is acquired by a contractor incidental to a contract that does not require use of the equipment.

2.0.48.4.1. With respect to an executive agency means any equipment or interconnected system or subsystem of equipment, used in the automatic acquisition, storage,

analysis, evaluation, manipulation, management, movement, control, display, switching, interchange, transmission, or reception of data or information by the executive agency, if the equipment is used by the executive agency directly or is used by a contractor under a contract with the executive agency that requires the use-- (i) of that equipment; or (ii) of that equipment to a significant extent in the performance of a service or the furnishing of a product;

2.0.48.4.2. Includes computers, ancillary equipment (including imaging peripherals, input, output, and storage devices necessary for security and surveillance), peripheral equipment designed to be controlled by the central processing unit of a computer, software, firmware and similar procedures, services (including support services), and related resources; but

2.0.48.4.3. Does not include any equipment acquired by a federal contractor incidental to a federal contract."

2.0.49. Information Technology/Cyberspace Activities (IT/CA) Investment. The IT/CA budget is collected and reported by IT/CA Investments. Each IT/CA Investment is assigned a Unique Investment Identifier (UII). An IT/CA investment may include a project or projects for the development, modernization, enhancement, or maintenance of a single IT asset or group of IT assets with *related functionality*, and the subsequent operation of those assets in a production environment. All IT/CA investments should have a defined life cycle with start and end dates, with the end date representing the end of the currently estimated useful life of the investment, consistent with the investment's most current alternatives analysis if applicable. When the asset(s) is essentially replaced by a new system or technology, the replacement should be reported as a new, distinct investment, with its own defined life cycle information.

2.0.50. Information Technology (IT) Resources. The term "information technology resources" is defined as:

2.0.50.1. Agency budgetary resources, personnel, equipment, facilities, or services that are primarily used in the management, operation, acquisition, disposition, and transformation, or other activity related to the lifecycle of IT;

2.0.50.2. Acquisitions or interagency agreements that include IT and the services or equipment provided by such acquisitions or interagency agreements; but

2.0.50.3. Does not include grants to third parties which establish or support IT not operated directly by the Federal Government.

2.0.51. Information Technology (IT) Portfolio. The DoD IT portfolio consists of investments representing a common collection of capabilities and services. The portfolios are an integral part of the Department's decision making process and are managed with the goal of ensuring efficient and effective delivery of capabilities while maximizing the return on Enterprise investments.

2.0.52. Internal Cloud. Specific F2P solutions for systems and applications that need to operate in a private, on-premises cloud environment due to security or operational reasons.

2.0.53. IT Infrastructure Segment (600-000). DoD IT Infrastructure represents the common, integrated information computing and communications environment of the DODIN and its assets that operate as, provide transport for, and/or assure local area networks, campus area networks, tactical operational and strategic networks, metropolitan area networks, and wide area networks. DoD IT infrastructure includes four major categories: Core Network Infrastructure; DoD Enterprise Services; Security (i.e., all defensive CA as which gets reported under 'Cyberspace Activities' Segment 610-000); Non-Core Network Infrastructure.

2.0.54. IT Management Segment (800-000). Facilitates planning, selection, implementation and assessment of IT investments and programs supporting the broader enterprise. This includes: IT strategic planning, promulgation of policy and direction governing the provisioning of services; establishing and maintaining enterprise architectures and transition strategies; cost analysis, performance measurement and assessment in order to best mitigate risks.

2.0.55. Joint Information Environment (JIE). JIE is a fundamental shift in the way the DoD will consolidate and manage IT infrastructure, services, and assets in order to realign, restructure, and modernize how the Department's IT networks and systems are constructed, operated, and defended. JIE will consolidate and standardize the design and architecture of the Department's networks. The JIE represents the DoD migration from military service-centric IT infrastructures and capabilities, with their mixture of disparate networks and applications, to enterprise capabilities based on common infrastructure and shared services to support Joint needs. These needs include networks, security services, cyber defenses, data centers, and operation management centers. Consolidation and standardization will result in a single, reliable, resilient, and agile information enterprise for use by the joint forces and mission partners. The vision of JIE is to ensure that DoD military commanders, civilian leadership, warfighters, coalition partners, and other non-DoD mission partners have access to information and data provided in a secure, reliable, and agile DoD-wide information environment. The ultimate beneficiary of JIE is the commander in the field, allowing for innovative integration of information technologies, operations, and cybersecurity at a tempo more appropriate to today's fast-paced operational conditions. The objective is for authorized users to access required information and resources from anywhere, at any time, using any approved device across the JIE, enabling warfighter information sharing and mission operations. Since JIE is not a Program of Record, it should be noted that the Department will utilize existing DoD Component programs, initiatives, technical refresh plans, acquisition processes, and funding to deploy and migrate the existing infrastructure to the JIE standards. OSD guidance and training will provide more details concerning the alignment of UIIs to achieving JIE goals and standards.

2.0.56. Life-Cycle Cost (LCC). LCC represents the total cost to the Government for an IS, weapon system, program and/or investment over its full life. It includes all developmental costs, procurement costs, Military Construction (MILCON) costs, operations and support costs, and disposal costs. LCC encompasses direct and indirect initial costs plus any periodic or continuing sustainment costs, and all contract and in-house costs, in all cost categories and all related appropriations/funds. LCC may be broken down to describe the cost of delivering a certain capability or useful segment of an IT investment. LCC normally includes 10 years of sustainment funding following Full Operational Capability (FOC) or Full Deployment for Automated

Information Systems. For investments with no known end date and that are beyond FOC, LCC estimate should include 10 years of sustainment.

2.0.57. Logistics and Supply Chain Management Segment (530-000). IT supporting the ability to project and sustain a logistically ready joint force to meet mission objectives and activities, including technical and management activities conducted to ensure supportability, and resources to sustain the system in the field. This includes IT systems/applications that support ordering, shipping, and tracking of materiel.

2.0.58. Major. A system or investment requiring special management attention because of its importance to an agency mission; its high development, operating, or maintenance costs; or its significant role in the administration of agency programs, finances, property or other resources. Systems or investments that have been categorized as "Major" can include resources that are associated with the planning, acquisition and /or sustainment life cycle phases.

2.0.59. Military Intelligence Program (MIP). The MIP consists of programs, projects, or activities that support the Secretary of Defense's intelligence, counterintelligence, and related intelligence responsibilities. This includes those intelligence and counterintelligence programs, projects, or activities that provide capabilities to meet warfighters' operational and tactical requirements more effectively. The term excludes capabilities associated with a weapons system whose primary mission is not intelligence. MIP resourcing used for IT or Cyberspace Activities (CA) must be included within Components'' IT/CA budget submission.

2.0.60. National Leadership Command Capabilities (NLCC). A capability encompassing the entirety of the DoD command, control, communications, computer, intelligence, surveillance, and reconnaissance systems and services that provides national leadership, regardless of location and environment, with diverse and assured access to integrated, accurate, and timely data, information, intelligence, communications, services, situational awareness, and warnings and indications from which planning and decision-making activities can be initiated, executed, and monitored. OSD guidance and training will provide more details concerning the alignment of UIIs to the NLCC.

2.0.61. National Security Systems (NSS). (Reference section 3552 of title 44 U.S.C.) NSS means any information system (including any telecommunications system) used or operated by an agency contractor of any agency or other organization on behalf of an agency: (1) the function, operation, or use of which- involves intelligence activities; involves cryptologic activities related to national security; involves command and control of military forces; involves equipment that is an integral part of a weapon or weapons system; or subject to subparagraph (B), is critical to the direct fulfillment of military or intelligence missions; or (2) is protected at all times by procedures established for information that have been specifically authorized under criteria established by an Executive order or an Act of Congress to be kept classified in the interest of national defense or foreign policy. NSS also includes equipment that is an integral part of a weapon or weapons system, or is critical to the direct fulfillment of military or intelligence missions. NSS DOES NOT include a system that is to be used for routine administrative and business applications (including payroll, finance, logistics, and personnel management applications).

2.0.62. Obligation. The amount representing orders placed, contracts awarded, services received, and similar transactions during an accounting period that will require payment during the same, or a future, period. Obligations include payments for which obligations previously have not been recorded and adjustments for differences between obligations previously recorded and actual payments to liquidate those obligations. The amount of obligations incurred is segregated into undelivered orders and accrued expenditures - paid or unpaid. For purposes of matching a disbursement to its proper obligation, the term obligation refers to each separate obligation amount identified by a separate line of accounting.

2.0.63. Offensive Cyberspace Operations. Joint Publication 3-12 defines Offensive Cyberspace Operations as "Mission intended to project power in and through Cyberspace.".

2.0.64. Office Automation (also referred to as "Desktop Processing"). Facilities that support file servers or desktop computers used for administrative processing (e.g. word processing or spreadsheets) rather than application processing, should be reported as Office Automation (listed as a separate function).

2.0.65. Operation and Sustainment (O&S) Costs. Operation Costs refers to the expenses required to operate and maintain an IT asset that is operating in a production environment. At the Federal level, is also Sustainment, O&S is also referred to as Steady State (SS). O&S costs represents the cost of operations at the current capability and performance level of the application, infrastructure program and/or investment when the budget is submitted. That is, the cost with no changes to the baseline other than fact-of-life reductions, termination or replacement. O&S costs include: (1) personnel whose duties relate to the general management and operations of information technology, including certain overhead costs associated with Program Management (PM) offices; (2) maintenance of an existing application, infrastructure program or investment; (3) corrective software maintenance, including all efforts to diagnose and correct actual errors (e.g., processing or performance errors) in a system; (4) maintenance of existing voice and data communications capabilities; (5) replacement of broken IT equipment needed to continue operations at the current service level; (6) business operations and commercial service; (7) Technical Refresh; and (8) all other related costs not identified as Development/Modernization (Dev/Mod).

2.0.66. Operational Preparation of the Environment (OPE). Non-intelligence enabling activities conducted to plan and prepare for potential follow-on military operations. OPE in cyberspace includes identifying data, software, systems, networks, and facilities to determine vulnerabilities and activities to assure future access or control during anticipated hostilities.

2.0.67. "Other" Category (also referred to as "All Other"). For those DME or O&S costs/obligations as well as investments not designated in the major categories. "Other" category investments are aligned with the applicable IT Reporting Structure functional/mission area (see Section 1.5).

2.0.68. Other Business Services Segment (599-000). This segment is applicable only in very limited cases, for those "few" defense business service related IT investments that do not currently fit within the other business segments. Business systems/applications that would fall

within this segment involve or provide inherently managerial functions or provide business functions or capabilities such as case/correspondence/workflow/records management/collaboration, or other staff functions.

2.0.69. Planning and Budgeting Segment (550-000). IT supporting the facilitation of Defense planning and budgeting functions, in accordance with the DoD Planning, Programming, and Budgeting Execution (PPBE) process (DoDD 7045.14), including: (1) developing a set of actions that have been thought of as a way to do or achieve Defense strategic goals, including a comprehensive financial plan encompassing the totality of receipts and outlays (expenditures); and (2) developing a plan of operations for a fiscal period in terms of estimated costs, obligations, and expenditures; source of funds for financing, including anticipated reimbursements and other resources; and history and workload data for the projected Defense program and activities.

2.0.70. Platform Information Technology (PIT). Computer resources, both hardware and software, that are physically part of, dedicated to, or essential in real time to the mission performance of special-purpose systems. PIT does not include general purpose systems. Examples: HVAC systems or electric vehicle fueling systems.

2.0.71. Program Cost. (also referred to as investment cost and total acquisition cost). The total of all expenditures, in all appropriations and funds, directly related to the IS, program, or investment's definition, design, development, and deployment; incurred from the beginning of the "Concept Exploration" phase through deployment at each separate site. For incremental and evolutionary program strategies, program cost includes all funded increments. Program cost is further discussed in DoD 5000 series documents.

2.0.72. Protection Segment (750-000). IT supporting the capability to prevent and/or mitigate adverse effects of attacks on personnel (combatant or non-combatant) and physical assets of the U.S, its allies and friends.

2.0.73. Real Property Management Segment (540-000). IT supporting the ability to provide and maintain installation real property assets necessary to support U.S. military forces in a cost effective, safe, sustainable, and environmentally sound manner. This includes the missions to: Improve DoD's use of Installation and Operational Energy in order to enhance military capability, reduce risk, and mitigate cost; Protect DoD mission capabilities from incompatible development from utility-scale energy projects, and other encroachment threats; Protect human health and the environment in an uninterrupted and cost effective manner to include systems acquisition, while ensuring the success of the Defense world-wide mission; Function as an independently appropriated DoD Headquarter Activity with unique capability to assist states and local governments impacted by base closures and realignments, expansions of military installations, or DoD decisions to cancel or reduce defense acquisition programs, as well as maintain a Compatible Land Use program. This does not include installation security access, which should be reported within the 'Defense Security Enterprise' business function.

2.0.74. Security Cooperation Segment (570-000). IT supporting the facilitation of Security Cooperation activities, in accordance with DoDD 5132.03, undertaken by the DoD to encourage and enable international partners to work with the U.S. to achieve strategic objectives.

Security Cooperation activities include all DoD interactions with foreign defense and security establishments, including all DoD-administered security assistance programs, that: build defense and security relationships that promote specific U.S. security interests, including all international armaments cooperation activities and security assistance activities; develop allied and friendly military capabilities for self-defense and multinational operations; and provide U.S. forces with peacetime and contingency access to host nations. This also includes any IT systems/applications that support Foreign Military Sales.

2.0.75. Security Operation Center (SOC). OMB Circular A-11 defines as, "a SOC defends an organization against unauthorized activity within computer networks, including, at a minimum, detecting, monitoring, and analyzing suspicious activity as well as leading the response to malicious activity, contributing to restoration activities, and providing a structure for users to report suspected cybersecurity events. A SOC would generally be composed of security analysts organized to detect, analyze, respond to, report on, and prevent cybersecurity incidents."

2.0.76. Segments. A portfolio management concept required by OMB Circular A-11. Segments serve as the basis for organizing IT investments for both budget management and performance management purposes. Three groups of segments have emerged to characterize the way in which their segments enable functional capabilities of the enterprise – and to differentiate the way in which investments are governed; Business Services Segment Group, Core Mission Services Segment Group, and Enterprise Services Segment Group.

2.0.77. Select & Native Programming-Information Technology (SNaP-IT). The electronic system used by the DoD CIO to collect IT/CA Budget data and generates reports mandated by the OMB and the Congress. SNaP-IT is a database application used to plan, coordinate, edit, publish, and disseminate IT budget justification books required by the Congress. SNaP-IT generates all forms, summaries, and pages used to complete the publishing of the IT Congressional Justification materials and the OMB submissions, such as the IT Investment Portfolio Summary, the IT Business Case, and monthly updates to the OMB ITDB. SNaP-IT provides users the ability to gain access to critical information needed to monitor and analyze the IT/CA Budget submitted by the DoD Components. SNaP-IT is the authoritative application used by the DoD to report and justify the IT/CA budget resources.

2.0.78. Special Interest Communications Programs. Electronic Commerce/ Electronic Data Interchange and Distance Learning Systems are special interest programs that should be reported in this area. The resource category "Other" may not be used with Special Interest Communications.

2.0.79. Steady State (SS). See definition for Operation & Sustainment (see subparagraph 2.0.65).

2.0.80. Technical Activities. This refers to activities that deal with testing, engineering, architectures and inter-operability.

2.0.81. Technology Refresh. Technology refreshment, as defined in FMR Volume 2A, Chapter 1, Section 010201.D.3.c, is the intentional, incremental insertion of newer technology to

improve reliability, improve maintainability, reduce cost, and/or add minor performance enhancement, typically in conjunction with depot or field level maintenance. The insertion of such technology into end items as part of maintenance is funded by the operation and maintenance appropriations. However, technology refreshment that significantly changes the performance envelope of the end item is considered a modification and, therefore, an investment.

2.0.82. Threat Detection and Analysis. This refers to activities that identify, characterize, examine, and track previously undefined types and sources of cyber threats against data, system, or network vulnerabilities to determine the risks to particular data, systems, networks, or operations.

2.0.83. Training and Readiness Segment (560-000). IT supporting the training and readiness of DoD employees performing routine administrative and business functions such as Acquisition, FM (PPBE, accounting and payroll), Human Resources (hire-to-retire and personnel management), Defense Health, logistics, and installation management. Training is the level of learning required to adequately perform the responsibilities designated to the function and accomplish the mission assigned to the system. Training and readiness systems and processes are those involved with teaching needed skills or keeping track of this training. This segment does not include the force mission training and combat readiness. IT supporting force mission training and readiness should be reported within Warfighting Mission Area (WMA)-Force Support.

2.0.84. Unique Investment Identifier (UII). Previously called a "Budget Identification Number (BIN)", the UII is a database index field automatically generated with the DITIP/SNaP-IT interface when registering or creating a new investment.

2.0.85. Warfighting Mission Area (WMA). The WMA provides life cycle oversight to applicable DoD Component and Combatant Commander IT investments (programs, systems, and investments). WMA IT investments support and enhance the Chairman of the Joint Chiefs of Staff's joint warfighting priorities while supporting actions to create a net-centric distributed force, capable of full spectrum dominance through decision and information superiority. WMA IT investments ensure Combatant Commands can meet the Chairman of the Joint Chiefs of Staff's strategic challenges to win the war on terrorism, accelerate transformation, and strengthen joint warfighting through organizational agility, action and decision speed, collaboration, outreach, and professional development.

2.0.86. Working Capital Fund (WCF) Investment. The Defense WCF (DWCF) authority at 10 U.S.C. § 2208 allows the DoD to finance inventories of supplies and provide working capital for industrial and commercial-type activities. DWCF activities are dependent on revenue, as are commercial businesses. DWCFs provide a mechanism for the DoD Components to finance those supply and commercial and industrial activities that have been chartered under Volume 11B, Chapter 2, or this Regulation. It enables such DoD Components to absorb risk in planning investment programs for maintenance and supply. The intent was to allow chartered commercial, industrial and supply management activities to make capital investments when needed and recoup the costs through future year pricing structure.

3.0 PROGRAM AND BUDGET ESTIMATES SUBMISSION (1803)

3.1 Purpose (180301)

This section provides guidance for preparation and submission of the IT/CA Budget Estimate Submission (BES) to the DoD CIO, and for preliminary updates to OMB resource exhibits in September in preparation for the OMB "draft guidance" and IT/CA Budget hearings. Resources reported in the IT/CA submission must be consistent with other primary appropriation justification and FYDP submissions. DoD CIO DCIO(R&A) will annually issue supplemental guidance for other data requirements directed by the DoD CIO, Congress, or OMB. Timelines for updates will be provided as information becomes available and will be designated in the program and budget call memorandum. Technical requirements and templates are provided in DITIP/SNaP-IT.

3.2 Submission Requirements (180302)

The following information is required. Unless modified in a subsequent budget call, Components shall use the formats in DITIP and on the SNaP-IT web page (NIPRNet ***https://snap.cape.osd.mil/snapit/*** or SIPRNet ***https://snap.cape.osd.smil.mil/snapit/***) to provide an automated submission. The OSD budget estimates material will be available electronically through the SNaP-IT site. Additional reporting requirements will be identified in the DoD CIO, DCIO for Resources and Analysis call memorandum, as necessary. Additional management and supporting data may be designated by the DoD CIO to support detailed justification requirements. All supporting program documentation not submitted with the budget submission must be made available to the DoD CIO within two business days of its request.

3.2.1. Investment Registration. Add, modify, retire, and un-retire investment and associated data to accurately represent the current environment for the IT investment and the Component using the DITIP investment registration (NIPRNet ***https://snap.cape.osd.mil/ITPortal/*** or SIPRNet https://snap.cape.osd.smil.mil/ITPortal/). This includes Titles, Descriptions, Type of IT, IT/NSS Classification, DoD Segment and FEA information, investment ownership and participation, and other investment unique information.

3.2.2. IT Investment Resources. Collection of resources by Component; Security Classification; Appropriation/Fund (Treasury Code); Investment Stage; BA/Line Item; OSD PE Code; Funding Source (Base/OCO); PY, CY, BY, BY+1, +2, +3, and +4 for submitting the IT Investment Portfolio Summary as required by the OMB A-11, Section 51.19 and 25.5. In addition, resources are reported in the Technology Business Management (TBM) framework by TBM Tower and Cost Pool.

3.2.3. IT Business Case. Capital Asset Plan and Business Case (IT) for major investments. The IT Business Case, is in accordance with the requirements outlined in OMB A-11 Section 51.19 and 25.5. DoD Components are required to complete an IT Business Case for those investments determined as Major by the DoD CIO. In addition to the IT investment resources information reported in the IT Investment Portfolio Summary (Section 3.2.2), IT Business Case investments will report associated Full Time Equivalent (FTE) personnel, and provide the Milestone Decision

Authority (MDA) approved program schedule and Life Cycle Cost Estimate (LCCE) of the investment.

3.3 Arrangement of Backup Exhibits (180303)

The SNaP-IT will provide an option to assemble information in the sequence shown in Section 3.2, as applicable. Components will be able to generate IT Investment Portfolio Summary level data outputs for internal review only.

4.0 CONGRESSIONAL JUSTIFICATION/PRESENTATION (1804)

4.1 Purpose (180401)

This section provides guidance on organizing the IT/CA resource justification materials submitted in support of the PB. The Department will submit draft and final consolidated outputs to the OMB in the January timeframe and for the Congress by the date set by the Comptroller, usually in the first week of March.

4.2 Justification Book Preparation (180402)

Justification information will be taken from the SNaP-IT system, reflecting the OMB requirements for IT Investment Portfolio Summary and IT Business Case. Special outputs will be designed for select investments and summaries based on Congressional requirements. DoD Component requirements and review of these outputs will be discussed in the final budget call memorandum. Congressional justification materials will be extracted or derived from materials developed for the OMB updates.

4.3 Submission Requirements (180403)

Submission requirements are as specified in Section 3.2, except the following:

4.3.1. IT Overview. IT Investment Portfolio Assessment Overview is an Executive summary of a DoD Component's and the Enterprise Portfolio Mission Area's IT Investments providing high-level justification of the portfolio selections and priorities. Information provided must be consistent with the Component's overall budget justification materials. CA section is required and must be consistent with information reported in CA justification materials and financial reporting. Format will be provided via the SNaP-IT web page or the DoD CIO budget guidance.

4.3.2. Congressional Justification Book. Beginning with the FY 2021 President's Budget submission, Congress directed the Department to submit the IT/CA Budget no later than 5 days after OMB releases the overall President's Budget submission to Congress. The unclassified Congressional justification submission will consist of the following elements: a) Overview of the IT Budget, b) IT-1 Spreadsheet, c) Cloud Report, and d) Standard Investment Reports. The classified Congressional justification submission will consist of the following elements: a) Overview of the IT/CA Budget; b) IT-1 Spreadsheet; c) Cloud Report; d) CJB for Cyberspace

Activities (including O&M OP-5/OP-32 docs, RDT&E R-2A docs, and Procurement P-1 docs); and e) Standard Investment Reports. The due date for these materials is based on OUSD(C) timelines governing the development and submission of the overall Department budget. The submission of the Cyberspace Activities Congressional Justification Book's supporting documents must be uploaded to DITIP. Due date details will be provided in the annual IT/CA Budget Schedule.

4.4 Input for Summary Information Technology Justification Books (180404)

4.4.1. All exhibit data shall be submitted in automated form and be consolidated in SNaP-IT (NIPRNet ***https://snap.cape.osd.mil/snapit/*** or SIPRNet ***https://snap.cape.osd.smil.mil/snapit/***). The DoD CIO is responsible for providing the DoD IT summary tables per Congressional direction. SNaP-IT will generate the OMB and Congressional PB reporting packages after the DoD Component IT Overview and IT Business Case documents have been submitted to the DoD CIO, DCIO(R&A) and/or posted to the SNaP-IT web page. SNaP-IT will generate correct identification information, a cover page, a table of contents, an overview and appendices; the IT Index, report, annex and appendix and the IT Business Case; or Congressional extract reports. These will generate a single, integrated submission in Adobe Acrobat Portable Document Format (PDF) that can be used for internal coordination. To accomplish this requirement, the DoD Components will populate the SNaP-IT to generate their submission. The DoD CIO will maintain (and make available to the DoD Components and OSD staff) the digital IT/CA Budget database. Other specific guidance for IT/CA Budget materials will be provided as required.

4.4.2. Once security and the OMB have released the justification books, summary and detail data will be transmitted to the Congress (House Defense Appropriations Subcommittee, Senate Defense Appropriations Subcommittee, House Armed Services Committee, and Senate Armed Services Committee). Any unclassified data made available to the Congress will be available on the public web page(s) in accordance with the format, table and media guidance (Justification Material Supporting the PB Request) in Volume 2A, Chapter 1.

5.0 INFORMATION TECHNOLOGY PROGRAM SUBMISSION FORMATS (1805)

5.1 Format Location (180501)

The required input formats are located on the SNaP-IT web page NIPRNet ***https://snap.pae.osd.mil/snapit*** or SIPRNet ***https://snap.cape.osd.smil.mil/snapit/***

VOLUME 2B, CHAPTER 19: "OTHER SPECIAL ANALYSES"

SUMMARY OF MAJOR CHANGES

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

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

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

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

The previous version dated July 2007 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Overall	Formatting and room location changes.	Revision
PB-18 Exhibit	Removed Troop Strength column from PB-18.	Deletion
PB-28 Exhibit	Update PB-28 Exhibit to included manpower, education and training.	Revision
PB-28 Exhibit	Update PB-28 Exhibit to include Environmental Management Systems.	Revision

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CHAPTER 19

OTHER SPECIAL ANALYSES

1.0 GENERAL (1901)

1.1 Purpose (190101)

1.1.1. This chapter provides instructions applicable to budget formulation and congressional back-up justification for various special interest areas not covered in preceding chapters.

1.1.2. The exhibit requirements cover resources crossing DoD appropriations and are generally functional in nature.

1.1.3. Areas covered in this chapter are as follows:

Section
2.0 Combating Terrorism
3.0 Major Range and Test Facility Base
4.0 Test and Evaluation Funding
5.0 Financial Management Activities
6.0 Government Performance and Results Act (GPRA)
8.0 Federal Credit Programs
9.0 Other Special Analyses
10.0 Classifications and Definitions Special Programs Major Force Program 3

1.2 Submission Requirements (190102)

Unless indicated in individual sections of this chapter and submission distribution in Chapter 1, exhibits are required for both the program and Budget Review Submission and for the Congressional Justification/Presentation submission. General guidance with regard to submission requirements is presented in Chapter 1.

1.3 Preparation of Material (190103)

General guidance with regard to format and preparation of material is presented in Chapter 1. Chapter 19 provides additional specific guidance with regard to the material required for these special exhibits.

1.4 References (190104)

Chapter 1 provides general funding policies, Chapter 3 provides specific policies related to Operation and Maintenance costs, Chapter 4 provides specific policies related to Procurement appropriations, Chapter 5 provides specific policies related to RDT&E, Chapter 6 provides specific policies related to Military Construction appropriations, and Chapter 9 provides specific policies

related to the Defense Working Capital Funds. Certain requirements are also addressed in OMB Circular No. A-11.

2.0 COMBATING TERRORISM (1902)

2.1 Purpose (190201)

2.1.1. This chapter provides instructions applicable to budget formulation for the DoD Combating Terrorism (CbT) funding requirements included in the DoD Components' budget requests. These instructions apply to all Components and all DoD appropriations and revolving funds.

2.1.2. The data collected through this reporting process will be used to comply with congressional and OMB reporting requirements. Data will also be used by the Department to evaluate Components' combating terrorism efforts during program and execution reviews.

2.2 Submission Requirements (190202)

2.2.1. Submission of exhibits is required for the Program and Budget Review Submission and an update (using an abbreviated exhibit format) is required for the President's budget submission. Each Component will complete the CbT-1 Exhibit, Combating Terrorism Detail, and the CbT-2 Exhibit, Combating Terrorism Narrative, for the Program and Budget Review Submission and for the President's budget submission. The CbT-3 Exhibit, Vulnerability Assessments, will be completed only during the Program and Budget Review Submission and is NOT required for the President's budget submission. The President's budget submission exhibits will be presented in a consolidated congressional justification book which will be prepared by OASD(SO/LIC). Specific instructions for completing these exhibits are included in Section 2.2.

2.2.2. The USD(I) Security Directorate will validate tactical counterintelligence resources identified by the Components and advise the OUSD (Comptroller) P/B Operations Directorate that reported resources are accurate.

2.2.3. Copy requirements are identified in Chapter 1. Components shall submit their exhibits through the Select and Native Programming (SNaP) Data Input System located on the NIPRNet at https://snap.pae.osd.mil. The most current version of this exhibit will be found at this site.

2.3 Special Instructions (190203)

2.3.1. The OASD (SO/LIC) will actively participate in the review of all budget submissions for combating terrorism activities and will offer recommendations to ensure approved CbT policies are reflected in the budget. The OASD(SO/LIC) will consolidate and provide to the Congress a single budget justification book detailing the Department's CbT efforts and associated funding requests.

2.3.2. The OASD (SO/LIC), Joint Staff Deputy Directorate for Antiterrorism/Homeland Defense, (J-34), Antiterrorism/Force Protection Division, and USD(I) will participate with representatives of the OUSD (Comptroller), OSD PA&E, and OMB in the review of all budget

submissions for combating terrorism to ensure that DoD combating terrorism activities are funded adequately.

2.3.3. The CbT-1 and CbT-2 exhibits in Section 12.2 are used to identify the Department's combating terrorism resources, dollars and personnel. They consist of tabular and narrative data as outlined below. These exhibits will report only those resources (including civilian and military pay) associated with DoD's Combating Terrorism Program. Combating terrorism within DoD includes 1) antiterrorism (defensive measures taken to reduce vulnerability to terrorist acts), 2) counterterrorism (offensive measures taken to prevent, deter, and respond to terrorism), 3) terrorism consequence management (preparation for and response to the consequences of a terrorist incident/event), and 4) intelligence related support (collection and dissemination of terrorism-related information) taken to oppose terrorism throughout the entire threat spectrum, to include terrorist use of WMD and/or high explosives. The four functional categories are described below:

2.3.3.1. Antiterrorism

2.3.3.1.1. Physical Security Equipment - Any item, device, or system that is used primarily for the protection of assets, personnel, information, or facilities to include alarms, sensors, protective lighting and their control systems, military working dogs, and the assessment of the reliability, accuracy, timeliness and effectiveness of those systems, such as (but not limited to): exterior surveillance and/or intrusion detection systems; lighting systems; access controls and alarms systems; residential security equipment; improvised explosive device defeat systems; commercially procured armored vehicles (both heavy and light); equipment for executive protection, to include added doors, increased ballistic protection at offices/residences, personal body armor, individual protective equipment, and armored vehicles; and detection devices.

2.3.3.1.2. Physical Security Site Improvements - Any facility improvements (using O&M or MILCON funding) or new construction whose purpose is to protect DoD assets, personnel, or information to include walls, fencing, perimeter/area lighting, doors, windows, ceilings, barricades, or other fabricated or natural impediments to restrict, limit, delay or deny entry into a Defense installation or facility, such as (but not limited to): acquisition of land for stand-off distance, installation perimeter barriers, vehicle barriers, mylar/fragment retention film, and interior barriers; safe havens; evacuation facilities; and surveillance platforms.

2.3.3.1.3. Physical Security Management and Planning - Personnel who manage physical security programs, resources, and assets such as, but not limited to, headquarters staff.

2.3.3.1.4. Security Forces/Technicians - All personnel and operating costs associated with protective forces whose primary or supporting mission is to safeguard assets, personnel or information. Included , but not limited to, are costs for: salaries, overtime, benefits, materials, supplies, travel, support equipment, facilities, vehicles, training, communications equipment, and management, for the personnel engaged in the following activities such as (but not limited to): dedicated response forces and security forces; locksmiths; perimeter, installation or facility access control; inspection and maintenance of barriers and security system components; antiterrorism training for security forces; and antiterrorism awareness programs and training.

2.3.3.1.5. Law Enforcement - All personnel and operating costs associated with law enforcement to include, but are not limited to, salaries, overtime, benefits, material and supplies, equipment and facilities, vehicles, helicopters, training, communications equipment, and management, such as (but not limited to): protective service details, including advance work; response forces; and military police.

2.3.3.1.6. Security and Investigative Matters Category - Includes Defense criminal investigative resources, conduct of vulnerability assessments (periodic high level reviews and physical security assessments), security and intelligence activities, and any cross-discipline security functions which do not easily fit into other security categories such as (but not limited to): terrorism investigations; executive antiterrorism training; surveillance and counter surveillance teams; protective service details including advance work; route surveys; and antiterrorism awareness programs and training.

2.3.3.1.7. RDT&E - Includes any RDT&E resources expended in the area of antiterrorism. Activities include (but are not limited to) are Defense Threat Reduction Agency, Counterterrorism Technical Support Program (CTTS), the Physical Security Equipment Action Group (PSEAG), the Technical Support Working Group (TSWG), Defense Advanced Research Projects Agency (DARPA) and Chemical Biological Defense Program (CBDP).

2.3.3.2. Counterterrorism

Offensive measures taken to prevent, deter, and respond to terrorism. The sensitive and compartmental programs of counterterrorism (CT) will be reported separately in the appropriate classified program submissions.

2.3.3.2.1. Special Operations Command Activities

2.3.3.2.2. Research Development Test and Evaluation (example, CTTS or TSWG)

2.3.3.2.3. DoD Rewards Program

2.3.3.3. Terrorism Consequence Management

DoD defines Consequence Management (CM) as those measures taken to protect public health and safety, restore essential government services, and provide emergency relief to governments, businesses, and individuals affected by the consequences of a chemical, biological, radiological, nuclear, and/or high-yield explosive (CBRNE) situation. The Department has a wide variety of unique warfighting support capabilities, both technical and operational, which could be used to provide assistance to state and local authorities in the event of a terrorist attack. The Department's role is to provide assistance emphasizing the unique resources and capabilities that are not found in other federal agencies, such as the ability to mass mobilize and to provide extensive logistical support. The Department supports the lead federal agency within existing required resources while not adversely affecting overall military preparedness. This also includes the activities of installation first responders. For clarity, descriptions of subcategories are as follows:

2.3.3.3.1. Consequence Management Response – Includes war fighting units and installation first responders within the Department that possess specialized equipment, knowledge, skills, and training that could be brought to bear after a WMD incident. Units would include, but are not limited to, the Defense Nuclear Advisory Team, 52nd Ordnance Group, Edgewood Chemical and Biological Forensic Analytical Center Modular On-site Laboratory, Medical Chemical Biological Advisory Team, US Army Medical Research Institute of Infectious Diseases, Radiological Control Teams, Radiological Advisory Medical Team, Response Task Force, 20th Support Command – Chemical Biological Radiological Nuclear and High Yield Explosives (CBRNE), and Chemical/Biological Incident Response Force. Also includes funding for Installation Emergency Responders such as fire departments, security forces, law enforcement, medical responders, civil engineers, medical surveillance, and explosive ordinance deposal. Funding includes training, exercises, and evaluation for base and headquarters personnel, support for formal and supplemental training courses, developing and evaluating response plans, and other associated activities. Funding in this category also includes procurement efforts for the Chemical Biological Installation Protection program and operations and maintenance for the Chemical, Biological, Radiological, and Nuclear Defense program. Funding also includes a pilot program to expand emergency responder capabilities to handle CBRNE emergencies through the procurement of specialized equipment, additional training, and exercises.

2.3.3.3.2. Weapons of Mass Destruction Civil Support Teams - Include the Joint Task Force Civil Support and the 55 congressionally mandated WMD Civil Support Teams (CSTs). Joint Task Force Civil Support is responsible for the planning and execution of military assistance to civil authorities for consequence management of WMD incidents within the United States, its territories and possessions. CST funds are used for unique individual and collective unit training. Funds also support operational deployments, equipment upgrades, and communications links.

2.3.3.3.3. Research Development Test and Evaluation - RDT&E support to the terrorism consequence management efforts. Includes, but is not limited to, the activities of OSD, and the portion of DARPA's Biological Warfare Defense Program that is dedicated to domestic terrorism consequence management.

2.3.3.4. Intelligence Related Support to Combating Terrorism- Collection, analysis, and dissemination of all-source intelligence on terrorist groups and activities intended to protect, deter, preempt, or counter the terrorist threat to US personnel, forces, critical infrastructures, and interests. THIS PORTION OF THE SNAP SUBMISSION IS NOT INCLUDED IN THE COMBATING TERRORISM JUSTIFICATION BOOK AND WILL ONLY BE COLLECTED DURING THE PROGRAM AND BUDGET REVIEW DATA COLLECTION CYCLE – IT WILL NOT BE COLLECTED DURING THE PRESIDENT'S BUDGET DATA COLLECTION CYCLE**.**

2.3.3.4.1. Counterintelligence (CI) - Includes personnel and funding associated with Military Intelligence Program (MIP). These activities include terrorism investigations, surveillance and counter surveillance teams, terrorism analysis and production, force protection source operations, threat assessments, terrorism collection, route surveys, and intelligence staff support to deployed forces. Only those counterintelligence resources directly supporting force protection/combating terrorism activities are to be reported in this resource summary. Army and Marine Corps tactical CI resources and Army Security and Intelligence Activities CI resources will be

reported by the Army and Marine Corps. The Counterintelligence Field Activity (CIFA) will report CIFA resources that directly support force protection/combating terrorism activities.

2.3.3.4.2. Research Development Test and Evaluation - For example, Counter Terrorism Technical Support Program.

2.3.4. Entries for CbT-1 Exhibit

2.3.4.1. General: DoD Components should prepare a separate summary for each applicable appropriation and revolving fund. Each summary will report resources (funding and personnel) by the combating terrorism functional categories described above.

2.3.4.2. Appropriation Summary: For each appropriation (O&M, Military Personnel and Military Construction) report budget authority by appropriation, budget activity, and applicable subactivity group level/program line item/project. Procurement, and RDT&E appropriations, report the total combating terrorism budget authority funds by budget activity and by program element. For Revolving Funds, report obligation authority at the Working Capital Fund business area.

2.3.4.3. Financial Summary Section:

2.3.4.3.1. Military Personnel. Report resources by CbT functional category and CbT activity group at the appropriation budget activity level.

2.3.4.3.2. Operation and Maintenance. Report resources by CbT functional category, CbT activity group, budget activity, and subactivity group level (O-1 line).

2.3.4.3.3. Procurement. Report resources by CbT functional category, CbT activity group, and Program Element (PE) (P1 line item).

2.3.4.3.4. RDT&E. Report resources by CbT functional category and CbT activity group, and PE (PE/R-1 line item).

2.3.4.3.5. Military Construction. Report resources by CbT functional category and CbT activity group, State/Country, and project title.

2.3.4.3.6. Revolving Funds. Report resources by CbT category and activity group by business area level.

2.3.4.4. Personnel Summary Section:

2.3.4.4.1. For each applicable appropriation, report civilian and contractor personnel full-time equivalents (FTEs) and military (active and reserve component) end strength by CbT functional category and CbT activity group.

2.3.4.4.2. The following generic Military Occupational Series (MOS) and civilian job series should be reported as full-time Combating Terrorism assets -- even if these persons

spend only a portion of their time on combating terrorism activities. Additionally, personnel not in these MOS's and/or job series who are assigned permanently or detailed to force protection offices and who spend at least 51% of their time directly supporting combating terrorism activities should be reported on this exhibit:

2.3.4.4.2.1. Military Career Fields/Occupational Series: Military Police, Law Enforcement Specialist and Security, Master at Arms, Security Forces, Criminal Investigator, Interrogator, Interpreter/Translator, Counterintelligence Officer, and Office of Special Investigations. Appropriate subspecialities/subfunctions/skills are to be captured in these career fields/occupational series, in support of combating terrorism, with the exception of military working dogs in counterdrug missions.

2.3.4.4.2.2. The following civilian Job Series are to be reported if responsibilities relate to CbT efforts: Physical Security Manager (GS-0080), Civilian Police (GS-0083), Security Guard (GS-0085), and those personnel in the Security Clerical and Assistance (GS-0086) series, and all associated wage grade positions that are in direct support of the previously aforementioned series.

2.3.4.4.2.3. Personnel data associated with classified combating terrorism programs will be reported as follows: Army and Marine Corps tactical counterintelligence resources and all Army security and intelligence activities and CIFA's counterintelligence resources will be reported in the CbT exhibits by the applicable components.

3.0 MAJOR RANGE AND TEST FACILITY BASE (1903)

3.1 Purpose (190301)

3.1.1. This Chapter provides instructions applicable to budget formulation for the DoD Major Range and Test Facility Base (MRTFB) funding requirements included in the DoD Components' budget requests. The exhibit formats submitted in support of the Program and Budget Review Submission (August timeframe) will be the same as those submitted to the Director, DoD Test Resource Management Center (TRMC) in support of the President's Budget (March timeframe) except that the President's Budget submission will not include updates to any of the Direct (User) funding or MILCON information on any Exhibit to include Exhibit 2D, Source of Direct Funds, in whole.

3.1.2. These instructions apply to the activities included in the MRTFB as defined in DoDD 3200.11 and listed below.

Army:
Aberdeen Test Center (ATC), Aberdeen Proving Ground, MD
Dugway Proving Ground, (DPG), Dugway Proving Grounds, UT
Electronic Proving Ground (EPG), Ft. Huachuca, AZ
High Energy Laser Systems Test Facility (HELSTF), White Sands Missile Range, NM
Ronald Reagan BMD Test Site (RTS), Kwajalein Atoll, Marshall Islands
White Sands Missile Range (WSMR), White Sands Missile Range, NM
Yuma Proving Ground (YPG), Yuma Proving Ground, AZ

Navy:
Atlantic Undersea T&E Center (AUTEC), Andros Island, Bahamas
Naval Air Warfare Center-Aircraft Division (NAWCAD), Patuxent River, MD
Naval Air Warfare Center-Weapons Division (NAWCWD), China Lake and Point Mugu, CA
Pacific Northwest Range Complex, (Nanoose and Dabob Ranges), Keyport, WA
Pacific Missile Range Facility (PMRF), Barking Sands, Kauai, HI

Air Force:
30th Space Wing (30SW), Vandenberg AFB, CA
45th Space Wing (45SW), Patrick AFB, FL
Arnold Engineering Development Center (AEDC), Arnold AFB, TN
Air Armament Center (AAC), 46 Test Wing (46TW), Eglin AFB, FL and 46th Test Group, (46TG), Holloman AFB, NM
Air Force Flight Test Center (AFFTC), Edwards AFB, CA
Nevada Test and Training Range (NTTR), Nellis AFB, NV
Utah Test and Training Range (UTTR), Hill AFB, UT

Defense Information System Agency:
Joint Interoperability Test Command (JTIC), Ft. Huachuca, AZ, Slidell, LA, and Arlington, VA

3.1.3. The TRMC is charged with administering OSD responsibilities for the MRTFB in accordance with DoDD 3200.11. Modifications to these instructions, requests for deviations from their provisions, or requirements for their clarification or applicability should be directed to and coordinated with the TRMC and OUSD (Comptroller) Program/Budget.

3.1.4. Budget estimates will be developed in accordance with guidance contained in Chapter 1 and the various chapters for appropriations and accounts.

3.2 Submission Requirements (190302)

Copies of the following exhibits will be submitted twice annually in support of the President's Budget (March timeframe) and the Program and Budget Review (August timeframe) for each major range and test facility. The same format and guidance are used for both submissions. However, the

Program and Budget Review submission shall include all the full budget exhibits, addressing both institutional and direct funding, whereas the President's Budget submission shall be an abbreviated version that needs only address updates to the institutional funding elements on each exhibit. Copy requirements are identified in Chapter 1. Exhibit formats are provided in Section 12.0.

3.2.1. MRTFB-1 Exhibit, (Activity Title) Financial Summary.

3.2.2. MRTFB-2 Exhibit Set, (Activity Title) Financial Details.

3.2.3. MRTFB-3 Exhibit Set, (Activity Title) Improvement and Modernization Analysis.

3.3 Preparation of Material (190303)

Budget estimate data submitted by each DoD Component for the MRTFB will be assembled separately and identified by a cover sheet specifically entitled "Major Range and Test Facility Base (Army/Navy/Air Force/DISA) Program Budget Estimate."

3.4 Special Instructions (190304)

Representatives of the OUSD (Comptroller), DOT&E, TRMC and OMB will participate in the review of all budget submissions for the major ranges and test facilities to ensure that:

3.4.1. Funding is adequate to maintain and sustain the DoD MRTFB test capability.

3.4.2. Excess capability is not being unnecessarily maintained in the MRTFB.

3.4.3. Unnecessary duplication does not exist within the MRTFB activities.

3.4.4. Test facility capability needed in the future is being planned and supported.

3.4.5. All new major test facilities are thoroughly coordinated prior to their approval to reflect the needs of all elements of DoD.

4.0 TEST AND EVALUATION FUNDING (1904)

4.1 Purpose (190401)

4.1.1. This Chapter provides instructions applicable to budget formulation for the Test and Evaluation Exhibit (T&E-1) needed for review and analysis of Test and Evaluation (T&E) funding requirements included in the DoD Components' requests. The instructions specify the requirements for the program and budget submission.

4.1.2. The Director, Operational Test and Evaluation (DOT&E), is charged with oversight of the DoD T&E resources and funding of T&E by each major DoD program. Modifications to these instructions, requests for deviations from their provisions, or requests for their clarification or applicability should be directed to and coordinated with DOT&E and OUSD (Comptroller) Program/Budget.

4.2 Submission Requirements (190402)

Each DoD Component will, for the Program and Budget Review only, complete an Exhibit T&E-1, Test and Evaluation for each of the Major Defense Acquisition Programs (MDAP) as listed on the Under Secretary of Defense for Acquisition, Technology, and Logistics (USD(AT&L)) website. This process is accomplished on-line using the Select & Native Programming Data Input System (SNaP) located at: http://snap.pae.osd.smil.mil. Note: The SNaP system operating instructions specified in the Programming and Budgeting Data Requirements on the SNaP system will supersede the instructions identified in this document if the instructions are different.

4.3 Special Instructions (190403)

The DOT&E will participate with representatives of OUSD (Comptroller), USD(AT&L), and OMB in the review of all budget submissions for T&E funding to ensure that:

4.3.1. Resources required for the test and evaluation of the MDAP and Special Interest Programs, as identified in the Test and Evaluation Master Plan (TEMP), are adequately funded.

4.3.2. Unwarranted test capability is not being maintained at private industry facilities.

4.3.3. Unwarranted duplication does not exist among DoD Component assets and private industry.

4.3.4. Test facilities and capabilities required are adequately funded and supported.

4.3.5. All new major test facilities are approved by the Defense Test and Evaluation Steering Group to ensure they are warranted and meet the needs of all DoD components.

5.0 FINANCIAL MANAGEMENT ACTIVITIES (1905)

5.1 Financial Management Activities (190501)

5.1.1. This Section provides guidance for presenting budget estimates related to Financial Management Activities. It is designed to fulfill the requirements of Section 52, Information on Financial Management, of OMB Circular A-11.

5.1.2. Information on funding levels for financial management activities is required for oversight and review of component resources devoted to these activities and to ensure that their use is in accordance with the government-wide 5-year financial management plan prepared by OMB as required by the Chief Financial Officers Act of 1990.

5.1.3. Submission of Exhibit 52—Information on Financial Management, as shown in OMB Circular A-11, is required for the Program and Budget Review and an update is required for the President's budget submission (Congressional Justification/Presentation). The exhibit should meet the definitions/descriptions contained in Section 52. Guidance for the automation of the data submission will be provided as part of the budget call for the Program and Budget Review.

5.1.4. Copies are to be provided directly to the OUSD (Comptroller), at the following address: Director, Accounting and Finance Policy and Analysis Directorate, Room 3E987, 1100 Defense Pentagon, Washington DC, 20301 (Commercial (703) 697-8283; DSN 277-8283).

5.2 Financial Improvement Initiative (formerly Financial Improvement Initiative, FII 52 (190502)

5.2.1. This section provides guidance for presenting program and budget estimates related to the Financial Improvement Initiative (FII). It supplements the information provided on the Exhibit 52 in the preceding section and also, supplements the PB-15, "Advisory and Assistance Services" exhibit.

5.2.2. Information on funding levels including budget and program years is required for oversight and review of component resources devoted to financial improvement and to respond to congressional questions about the amounts budgeted and programmed for financial improvement. The funding levels related to financial improvement include the amounts for the Financial Improvement and Audit Readiness report submitted to Congress and the amounts to achieve all of the milestones in the Financial Improvement Plan.

5.2.3. A Schedule 52, will be submitted for the Program and Budget Review and the update for the President's Budget submission. The schedule shows the resources that are programmed and budgeted for the Department to produce reliable, accurate, and timely information and to finance the costs of annual financial statements audits. (Click on the link for the format and guidance for Schedule 52.)

5.2.4. Copies are to be provided directly to the OUSD (Comptroller), Financial Improvement and Audit Readiness Directorate, 1550 Crystal Drive, Suite 212, Arlington, VA 22202, (703-607-0300), extension 138; DSN 327-0300, extension 122*).*

5.3 Preparation and Audit of Financial Statements (190503)

5.3.1. Sections 1008 (b) and (d) of the Fiscal Year 2002 Authorization Act, require the Under Secretary of Defense(Comptroller) to submit, with the annual budget justification, the following information:

5.3.1.1. An estimate of the resources that the Department of Defense is saving, or expects to save, as a result of actions taken or to be taken, with respect to the preparation and audit of financial statements (FS), and

5.3.1.2. A discussion of how resources saved in (1) above have been redirected or are redirected to improvement of systems, financial policies, procedures, and internal controls underlying financial management within the department. The Components should submit these costs for the preceding fiscal year, the current year, and the following fiscal year. Click on the link for the format and guidance for the Section 1008 report.

5.3.2. Copies are to be provided directly to the OUSD (Comptroller), Financial Improvement and Audit Readiness Directorate, 1550 Crystal Drive, Suite 212, Arlington, VA 22202 (703-607-0300), extension 138; DSN 327-0300, extension 122).

6.0 GOVERNMENT PERFORMANCE AND RESULTS ACT (GPRA) (1906)

6.1 Purpose (190601)

The purpose of this section is to establish basic guidance for aligning GPRA reporting requirements with the Department's budget development process and OMB Circular A-11's requirement to submit an annual performance budget.

6.2 Submission Requirements (190602)

6.2.1. The 1993 Government Performance and Results Act (GPRA) require the Department of Defense to submit a strategic plan (updated at least once every 4 years), an annual performance plan, and an annual performance report.

6.2.2. The Quadrennial Defense Review, issued every four years, serves as the Department's strategic plan; the QDR establishes strategic outcome goals for the Department.

6.2.3. The Secretary's Annual Defense Report (ADR) to the President and the Congress, in combination with the statutory reports of the Military Departments and budget justification materials serve as the Department's performance plan. The Military Departments' statutory reports describe how service-level strategies and associated performance goals support the Department's overall performance framework. The congressional budget justification materials, which list program-level goals and performance measures that support both Component-level and Departmental performance goals, serve as a performance budget. OMB Circular A-11, Section 220, provides additional details.

6.2.4. The Performance and Accountability Report (PAR), Section II, documents actual results against the Defense-wide performance goals established in the ADR, and thus serve as the Department's performance report.

6.2.5. The QDR, ADR, performance budget, and PAR satisfy the standards set forth by the 1993 Government Performance and Results Act. Together they serve as the Secretary's primary public record of how well the Department is managing to results.

7.0 INFORMATION ON OVERSEAS STAFFING (POSITIONS FILLED) (1907)

7.1 Purpose (190701)

The purpose of this section is to establish basic guidance for the annual reporting of the number of overseas employees assigned to the Chief of Mission staff as required by OMB Circular A-11 and the Department of State, Capital Security Cost Sharing (CSC) Program.

7.2 Submission Requirements (190702)

7.2.1. OMB Circular A-11, Section 25 requires the Department of Defense to submit an exhibit on Information on Staffing Overseas on an annual basis. Submission is required on overseas staffing if your agency assigns employees to overseas positions under a Chief of Mission, as defined below.

7.2.2. This information is required to analyze the number of overseas employees assigned to a Chief of Mission staff and the cost of new positions being assigned. Overseas employee means an American citizen employed outside the United States and its territories. Chief of Mission means the ranking officer in an embassy, permanent mission, legation, consulate general or consulate.

7.2.3. Information reported will be compared for accuracy against the Department of State reports. Discrepancies will be validated by the Component or Defense Agency.

7.2.4. The following types of positions are to be reported:

1. U.S. Hires
2. Full-time permanent (FTP) U.S. direct-hire positions (USDH)
3. U.S. – Contracted Personnel Services Contractors (PSC)
4. U.S. military positions
5. Locally Engaged Staff
6. Foreign Service National (FSN)
7. PSCs or Personnel Services Agreements (PSA)
8. Third Country Nationals (TCNs)
9. Locally Hired Americans, including eligible family members
10. TDY – long term/rolling TDY employees

7.2.5. Additional information and guidance can be found in OMB Circular A-11, Section 25 and the Department of State, Capital Cost Sharing Program (http:www.state.gov/obo/c11275.htm). The PB-59, DoD Overseas Staffing exhibit must be submitted in an EXCEL spreadsheet to OUSD (Comptroller) P/B, Operations Directorate, Room 3C710, the Pentagon.

8.0 FEDERAL CREDIT PROGRAMS (1908)

8.1 Purpose (190801)

This Section provides guidance for presentation of annual budget estimates for Federal credit programs. Credit programs in the Department of Defense consist of direct loans and guaranteed loans.

8.2 Submission Requirements (190802)

8.2.1. Military Departments and Defense Agencies, as appropriate, will submit to OSD in support of Federal credit programs all materials required by, and in the format specified in, OMB Circular No. A-11, Section 85. Copies of appropriate exhibits will be submitted in support of the Program and Budget Review Submission only.

8.2.2. Definitions: The following definitions apply to the credit account structure. Agencies should refer to OMB Circular A-34 and A-11 for a more detailed explanation of terminology and budget instructions.

8.2.2.1. A direct loan is a disbursement of funds by the Government to a non-Federal borrower under a contract that requires repayment of such funds with or without interest. The term includes the purchase of, or participation in, a loan made by a non-Federal lender. It also includes the sale of a Government asset on credit terms of more than 90 days duration.

8.2.2.2. A direct loan obligation is a legal or binding agreement by a Federal agency to make a direct loan when specified conditions are fulfilled by the borrower.

8.2.2.3. A loan guarantee is any guarantee, insurance, or other pledge with respect to the payment of all or part of the principal or interest on any debt obligation of a non-Federal borrower to a non-Federal lender, but does not include the insurance of deposits, shares, or other withdrawal accounts in financial institutions.

8.2.2.4. A loan guarantee commitment is a legally binding agreement by a Federal agency to make a loan guarantee when specified conditions are fulfilled by the borrower, the lender, or any other party to the guarantee agreement.

8.2.2.5. Financing Account is the non-budget account or accounts associated with each credit program account for post-1991 direct loans or loan guarantees. It holds balances, receives the subsidy cost payment from the credit program account, and includes all other cash flows to and from the Government. Separate financing accounts are required for direct loans and loan guarantees.

8.2.2.6. Modifications are any Government action that alters the estimated subsidy cost, compared to the estimate contained in the most recent budget submitted to Congress, of an outstanding direct loan (or direct loan obligation) or an outstanding loan guarantee (or loan guarantee commitment). Actions permitted within the terms of an existing contract are the only exception. Modifications to pre-1992 direct loans and loan guarantees are included in this definition, as well as modifications to post-1991 direct loans and loan guarantees. For pre-1992 direct loans and loan

guarantees, the loan asset or guarantee liability will be transferred from the liquidating account to the appropriate financing account. A one-time adjusting payment will be made between the liquidating and financing accounts. The subsequent cash flows will be recorded in the financing account.

8.2.2.7. Program Account is the budget account into which an appropriation to cover the subsidy cost of a direct loan or loan guarantee program is made and from which such cost is disbursed to the financing account. Usually, a separate amount for administrative expenses is also appropriated to the program account. Each program account is associated with one or two financing accounts, depending on whether the program account makes both direct loans and loan guarantees. The program account pays subsidies to the financing account for post-1991 direct loans and loan guarantees, for modifications, and for re-estimates. These subsidy payments are counted in calculating budget outlays and the deficit.

8.2.2.8. Subsidy is the estimated long-term cost to the Government of a direct loan or loan guarantee, calculated on a net present value basis, excluding administrative costs. In net present value terms, it is the portion of the direct loan disbursement that the Government does not expect to recover, or the portion of expected payments for loan guarantees that will not be offset by collections. The subsidy may be for post-1991 direct loan obligations or loan guarantee commitments, for re-estimates of post-1991 loans or guarantees, or for modifications of any direct loans or loan guarantees.

8.2.2.9. Re-estimates are the recalculation of the subsidy cost of each risk category within the cohort of direct loans or guaranteed loans. Re-estimates must be made at the beginning of each fiscal year following the year in which the initial disbursement was made and as long as the loans are outstanding unless a different plan is approved by OMB.

8.2.2.10. Cohort - Direct loans obligated or loan guarantees committed by a program in the same year, even if disbursements occur in subsequent years or the loans are modified. Modified pre-1992 direct loans will constitute a single cohort; modified pre-1992 loan guarantees will constitute a single cohort. For loans subsidized by no-year or multi-year appropriations, the cohort may be defined by the year of appropriation or the year of obligation. The Program and Financial Control Directorate of OUSD (Comptroller) P/B will contact OMB for proper determination.

8.2.3. Materials required by this Section will be provided for credit programs for the DoD Family Housing Improvement program, the Army ARMS Initiative Program, the Defense Export Loan Guarantee Program, and for any additional programs involved in direct loans or guaranteed loans.

8.2.4. Copies of these materials are required as part of the program and budget review submission in the quantities identified in Chapter 1.

9.0 OTHER SPECIAL INTEREST AREAS (1909)

9.1 Purpose (190901)

This Chapter prescribes instructions for the preparation and submission of budget justification backup data for special areas in which the Congress or OMB has expressed interest. Most of these requirements affect more than a single appropriation.

9.2 Submission Requirements (190902)

9.2.1. Data in the exhibit formats provided in Section 12.0 are required for the following program areas:

PB-14 Functional Transfers…….. 66
PB-15 Advisory and Assistance Services……. 67
PB-16 Legislative Proposals……. 71
PB-18 Foreign Currency Exchange Data……..72
PB-22 Major Department of Defense Headquarters Activities…… 73
PB-23 Acquisition and Technology Workforce Transformation Program……...75
PB-24 Professional Military Eduction…….. 77
PB-25 Host Nation Support…….. 80
PB 28 Funds Budgeted for Environmental Quality (Non-ER, Army, Navy, AF or Defense wide)…….95
PB 28A Funds Budgeted for Environmental Security Technology……..98
PB 28B - Operational Range Sustainment and Environmental Management…….. 99
PB-41, ADMINISTRATIVE MOTOR VEHICLE OPERATIONS……100
PB-42 Competitive Sourcing and Alternatives……101
FY BY1/BY2 OSD Submit/President's Budget……...103
PB-50 Child Development, School-Age Care, (SAC) Family Centers, and Family Advocacy Programs……..... 105
PB-52A DoD Aeronautics Budget……110
PB-52B DoD Space Budget……..112
PB-53 Budgeted Military and Civilian Pay Raise Amounts……113
PB-54, Civilian Personnel Hiring Plan……. 114
PB-55 International Military Headquarters……...115
PB-58 Combatant Command Direct Funding Removed……115
PB-59, DoD Overseas Staffing Report……. 116
PB-60 Life Cycle Sustainment ……117

9.2.2. Definitions are to be identical to those most recently used in furnishing data to the Congress.

9.2.3. All exhibits are required for the Program and Budget Review Submission and the congressional justification/presentation submission. Copies of exhibits are required with the submissions in the quantities identified in Chapter 1.

10.0 CLASSIFICATIONS AND DEFINITIONS – COMMAND, CONTROL, COMMUNICATIONS, AND INTELLIGENCE PROGRAMS (1910)

10.1 Purpose (191001)

The Office of the Director for Program Analysis and Evaluation maintains a listing of program elements (PEs) in the Future Years Defense Program (FYDP) making up these programs. For details,

please contact the POC for the FYDP Resource Structure Management (RSM) system. The RSM system and its Web site are described in FMR Volume 2A, Section 010702.

11.0 NOT USED (1911)

12.0 OTHER SPECIAL ANALYSES SUBMISSION FORMATS (1912)

12.1 Purpose (191201)

The formats provided on the following pages reflect guidance presented in previous sections of this chapter. Unless modified in a submission budget call, these formats should be adhered to.

12.2 Exhibits in Support of Section 1902 – Combating Terrorism (191202)

HCbT 1 Combating Terrorism Activities Detail - SNaP Format……23
CbT 2 Combating Terrorism Narrative – SNaP Format (PB Only)……27
CbT 2 Combating Terrorism Narrative – SNaP Format (Program/Budget Review Only)…....28
CbT 1&2: Data Matrix: CbTCategory, CbTActivityRollupName,
CbBTActivityGroup Relationship…….. 29
Combating Terrorism Supporting Detail Definitions…….. 31
HCbT 3 Vulnerability Assessments (Program/Budget Review Only)……..... 36

12.3 Exhibits in Support of Section 1903 - Major Range and Test Facility (191203)

MRTFB-1 Installation Financial Summary…….44
MRTFB-2a Source of Direct Funds…….. 47
MRTFB-2b MRTFB Activity Schedule of Increases & Decreases…… 48
MRTFB-2c Workyears……49
Instructions for Major Range and Test Facility Base (MRTFB) Budget Exhibits……. 56

12.4 Exhibits in Support of Section 1904 - Test (191204)

T&E 1…… 61

12.5 Exhibits in Support of Section 1909 - Other Special Interest Areas (191205)

Exhibit PB-14 Functional Transfers…… 66
Exhibit PB-15 Advisory and Assistance Services…… 67
Exhibit PB-16 Legislative Proposals…… 71
Exhibit PB-18 Foreign Currency Exchange Data……72
Exhibit PB-22 Major Department of Defense Headquarters Activities……73
Exhibit PB-23 Acquistion, Technology and Logistics Workfore Transformation Program….75
Exhibit PB-24 Professional Military Eduction Schools…….....77
Exhibit PB-25 Host Nation Support……..80
Exhibit PB 28 Funds Budgeted for Environmental Quality…… 95
Exhibit PB 28A Funds Budgeted for Environmental Security Technology…… 98

Exhibit PB 28B Operational Range Sustainment and Environmental Management…… 99
Exhibit PB-41 Administrative Motor Vehicle Operations……100
Exhibit PB-42 Competitive Sourcing and Alternatives…… 101
Exhibit PB-50 Child Development, School Age Care (SAC), Family Center, and Family Advocay Program……. 105
Exhibit PB-52A DoD Aeronautics Budget……... 110
Exhibit PB-52B DoD Space Budget…… 112
Exhibit PB-53 Budgeted Military and Civilian Pay Raise Amounts…… 113
Exhibit PB-54 Civilian Personnel Hiring Plan…… 114
Exhibit PB-55 International Military Headquarters……..115
Exhibit PB-59 Overseas Staffing Report…… 116

HCbT 1 Combating Terrorism Activities Detail - SNaP Format

HCbT 1 Combating Terrorism Activities Detail - SNaP Format

Class	Component	CBTCategory	CBTActivity Group	Program Title	Funding Source	Treasury Code	BACode	Budget Line Item	Resource Type

Occupation Service	Occupation Code	Personnel Assigned To	Program Element	CONUS-OCONUS	CONUS-OCONUS Rationale	Reason Code	Reason For Change	PBD_PDM _Num	PBD_PDM _Date

FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013

Instructions

1) For all fields listed above, please report the funded and levels of Manpower, Total Obligation Authority (TOA), and Quantity Procured for all combating terrorism activities. Reporting is required by Program Title, within CbT Activity Group, CbT Category, Component and Org. Please refer to the attached relationship table to properly identify CbT Categories and their associated CbT Activity Groups.
2) Under the field name ResourceType, select "Funding" to report appropriations not explicitly listed: e.g., MilCon, Procurement, RDT&E, and Revolving Funds.
3) Report $ in Thousands; Civilians and Contractors in FTEs; Military Personnel in Authorized End-Strength; and Quantity Procured in Units.

For Manpower:

1. For each applicable appropriation, report civilian and contractor personnel full-time equivalents (FTEs) and military (active, guard, and reserve component) end strength by CbT Category, CbTActivityGroup, and Program Title.
2. The following generic Military Occupational Series (MOS) and civilian job series should be reported as full-time Combating Terrorism assets -- even if these persons spend only a portion of their time on combating terrorism activities. Additionally, personnel not in these MOSs and/or job series who are assigned permanently or detailed to force protection offices and who spend at least 51% of their time directly supporting combating terrorism activities should be reported on this exhibit:

   A. Military Career Fields/Occupational Series: Military Police, Law Enforcement Specialist, Security, Master at Arms, Security Forces, Criminal Investigator, Interrogator, Interpreter/Translator, Counterintelligence Officer, and Office of Special Investigations. Appropriate subspecialities/subfunctions/skills are to be captured in these career fields/occupational series, in support of combating terrorism, with the exception of military working dogs in counterdrug missions.

   B. The following civilian Job Series are to be reported: Physical Security Manager (GS-0080), Civilian Police (GS-0083), Security Guard (GS-0085), and those personnel in the Security Clerical and Assistance (GS-0086) series, and all associated wage grade positions that are in direct support of the previously aforementioned series.

   C. Personnel data associated with classified combating terrorism programs will be reported as follows: Army and Marine Corps tactical counterintelligence resources and all Army Security and Intelligence Activities counterintelligence resources will be reported in the CbT exhibits by the applicable Components.

HCbT 1 Combating Terrorism Activities Detail - SNaP Format (Continued)

D. The services shall report all CbT military manpower ($ and End-strength) and annotate (using the OccupationService field) the Combatant Command, Defense Agency, or Field Activity that any personnel are detailed to.

E. The Combatant Command, Defense Agencies, and Field Activities shall report the military End Strength detailed to their organization and annotate (using the Occupation Service field) the service providing the manpower.

CbT 1 Definitions

Class: System Field: Classification. **All information for this exhibit must be submitted at the unclassified level on the unclassified network.**

U: UNCLASSIFIED

Component: Identifies the duty status for military service units and defense agencies.

Active:

DADW: Defense Area Defense Wide. Used by non-service defense agencies.

Guard:

Reserve:

JIEDDO: Joint IED Defeat Organization

CBTCategory: Antiterrorism (defensive measures), Counterterrorism (offensive measures), Terrorism Consequence Management (preparedness and response for mitigating the consequences of a WMD incident), and Intelligence Related Support.

CBTActivityGroup: A specified grouping of activities and functions that describe the type of CbT effort within a CbT Category. Refer to the CbTCategory & CbTActivityGroup Relationship Matrix.

Program Title: Descriptive name of your program: associated with the PE's and the resources for the CbTActivityGroup. This is a required field and must be entered through the data management segment of SNaP prior to entering Program Details.

Open List. Add entries to pick list.

Funding Source: Annotate if the original source of the funding was the Defense Emergency Response Fund (DERF '03), Supplemental Funding for FY 2007, FY 2008, or N/A for all other funding.

DERF '03

Supplemental '06

Supplemental '07

Supplemental '08

N/A:

Treasury Code: Identifies resources by type, organization and component. Select from the defined set of four to six-digit codes provided from the Comptroller.

HCbT 1 Combating Terrorism Activities Detail - SNaP Format (Continued)

BACode: The Budget Activity Code as defined by OUSD (Comptroller), in the Financial Management Regulation located in the "Publications" section of Defenselink. www.defenselink.mil/comptroller/fmr/
See Data Matrix

Budget Line Item: (Closed List) Provide the Activity Group (AG) and Sub-Activity Group (SAG) if the appropriation is O&M; the Project Number as used in the R2 report for RDT&E; Line Item if Procurement; Project Number if MilCon; and Activity Group (AG) N/A if Revolving funds. The list of Budget Line Item/Budget Line Item Name values is located on the PDR Info page of the SNaP website (https://SNaP.PAE.OSD.MIL).

Resource Type:

Civilian Pay - Direct Hire Civilian: Civilian Pay part of TOA in the identified PE that provides resources for the Direct Hire Civilians within the CbT Activity Group and Program Title.

Civilian Pay - Foreign Direct Civilian: Civilian Pay part of TOA in the identified PE that provides resources for the Foreign Direct Civilians within the CbT Activity Group and Program Title.

Civilian Pay - Foreign Indirect Civilian: Civilian Pay part of TOA in the identified PE that provides resources for the Foreign Indirect Civilians within the CbT Activity Group and Program Title.

Contractor: Number of Contractors designated as CbT in that CbT Activity Group, Program Title, and Program Element.

Contractor Pay: TOA portion of the identified PE that provides resources for contractor pay with the CbT Activity Group and Program Title.

Direct Hire Civilian: Number of Direct US civilians designated as CbT in that CbT Activity Group, Program Title, and Program Element

Enlisted: Report Enlisted end-strength carrying occupation codes designated as AT, CT, TCM, or INT at the individual occupational specialty code level for each CbT Activity Group, Program Title, and Program Element.

Foreign Direct Civilian: Number of Foreign Direct Civilians designated as CbT in that CbT Activity Group, Program Title, and Program Element

Foreign Indirect Civilian: Number of Foreign Indirect Civilians designated as CbT in that CbT Activity Group, Program Title, and Program Element

Funding: Identify funding for MILCON, Procurement, RDT&E, DWCF, and Revolving Funds

MilPay - Enlisted: Report funding for all Enlisted personnel carrying occupation codes designated as AT, CT, TCM, or INT for each CbT Activity Group, Program Title, and Program Element.

MilPay - Officers: Report funding for all Officers carrying occupation codes designated as AT, CT, TCM, or INT for each CbT Activity Group, Program Title, and Program Element.

Officers: Report Officer end-strength carrying occupation codes designated as AT, CT, TCM, or INT at the individual occupational specialty code level for each CbT Activity Group, Program Title, and Program Element.

Other O&M: Operations and Maintenance TOA portion of the identified PE that provides resources for the described program within the AT/FP activity (excludes Civilian Pay which will be reported separately)

Quantity Procured: Number in units of each piece of physical security equipment or Installation First Responder reported.

HCbT 1 Combating Terrorism Activities Detail - SNaP Format (Continued)

Occupation Service: Closed List. For defense agencies and field activities, identify the Service providing the manpower for Officer or Enlisted resource types. For the services, identify the service, defense agency or field activity the manpower is detailed to for Officer and Enlisted resource types. Select Civil Service for Direct Hire Civilian resource type. Select N/A for all other Resource Types.

Air Force:
Army:
Civil Service:
Navy:
Marine Corps:
DHP
DTRA
NDU
OSD
SOCOM
TRANSCOM
N/A

Occupation Code: Provide the occupational specialty code/civilian job series and title for all manpower (Officer, Enlisted, Direct Hire Civilian, Indirect Hire Civilian, Foreign Indirect Hire Civilian). For example: Civ 4804 Locksmith, Off 31A Military Police, or Enl 5822 Polygraph Examiner.
Occupation Codes are taken from the Defense Manpower Data Center (DMDC) DoD Occupation Database (ODB). The complete list of valid codes is available on the PDR info page of the SNaP website (https://SNaP.PAE.OSD.MIL)

***CONUS_OCONUS*:**
***CONUS*:** Select CONUS for CONUS assets (Equipment, funding, personnel)
***OCONUS*:** Select OCONUS for OCONUS assets.
***CONUS_OCONUS Rationale*:** Explain the methodology used to assign or derive the CONUS/OCONUS breakout.

ReasonCode: Select the reason necessitating the change to the data: PBD, PDM, Congressional Action or Other.

Congressional Action:
Other:
PBD:
PDM:

Reason For Change: If 'Other' was selected under ReasonCode, provide text explaining the reason for the change.

PBD_PDM_Num: Enter the PBD or PDM number that necessitated the change if applicable, else select N/A.

PBD_PDM_Date: Enter the date (Month and Year) of the PBD or PDM that necessitated the change if applicable, else select N/A.

CbT 2 Combating Terrorism Narrative – SNaP Format (PB Only)

CbT 2 Combating Terrorism Narrative – SNaP Format (PB Only)

Class	Organization	CbTActivityRollupName

Planned Activities	Reconciliation of Activities' Increases and Decreases (explanation for resource level changes)

Instructions

Provide the name, division of organization, phone number, and email address of the individual responsible for the information contained in the planned activities and reconciliation for each CbTActivityRollupName.

CbT 2 Definitions

Class: System Field: Classification. **All information for this exhibit must be submitted at the unclassified level on the unclassified network**.
U: UNCLASSIFIED

Organization: The POM reporting entities directed to submit this data requirement. For a complete list of organizations see by data requirement see Appendix A of the PDR.

CbTActivityRollupName: The name that all data will be aggregated to for the President's Budget Justification Book. Rollup supporting CbTActivityGroups to the CbTActivityRollupName as outlined in the Data Matrix below.

Planned Activities: Describe all activities planned for the budget year at the CbTActivityRollupName level of detail.

Reconciliation of Activities' Increases and Decreases: Explain any fiscal year to fiscal year changes in total program funding at the CbTActivityRollupName and appropriation level of detail.

CbT 2 Combating Terrorism Narrative – SNaP Format (PB Only) (Continued)

CbT 2 Combating Terrorism Narrative – SNaP Format (Program/Budget Review Only)

Class	Component	CbTActivityGroup	ProgramTitle	Description

POCFirstName	POCLastName	POCDivision	POCPhone

Instructions

1) Provide the Name, Division of Organization, Phone Number and email address of the Individual responsible for the information contained in the Program Title and Description. For each CbTActivityGroup and Program Title combination, provide a description of your program.

CbT 2 (Program Budget) Definitions

Class: System Field: Classification. **All information for this exhibit must be submitted at the unclassified level on the unclassified network**.
U: UNCLASSIFIED

Component: Identifies the duty status for military service units and defense agencies.
Active:
DADW: Defense Area Defense Wide. Used by non-service defense agencies.
Guard:
Reserve:

CbTActivityGroup:
A specified grouping of activities and functions that describe the type of CbT effort within a CbT Category. Refer to the CbTCategory, CbTActivityRollupName, & CbTActivityGroup Relationship Matrix below.

ProgramTitle: Descriptive name of your program: associated with the PE's and the resources for the CbTActivityGroup.
Description: Description of the Program described by the PE's and the resources for the CbTActivityGroup.
POCFirstName: First Name of Program POC.
POCLastName: Last Name of Program POC.
POCDivision: Division within the Organization responsible for the Program.
POCPhone: Phone Number for Program POC
POCEmail: Email address for Program POC

CbT 1&2: Data Matrix: CbT Category, CbT Activity Rollup Name, CbBT Activity Group Relationship

CbT 1&2: Data Matrix: CbT Category, CbT Activity Rollup Name, CbBT Activity Group Relationship

CBT Category	CbT Activity Rollup Name	CBTActivity Group
Antiterrorism	Physical Security Equipment	Physical Security Equipment (PSE) Blast Mitigation
	Physical Security Equipment	(PSE) Communication
	Physical Security Equipment	(PSE) Explosive Detection
	Physical Security Equipment	(PSE) Barriers
	Physical Security Equipment	(PSE) Intrusion Detection
	Physical Security Equipment	(PSE) Personal Protection
	Physical Security Equipment	(PSE) Patrol Boats
	Physical Security Equipment	(PSE) Up-Armored HMMV
	Physical Security Equipment	(PSE) Commercial Heavy Armored Vehicles
	Physical Security Equipment	(PSE) Commercial Light Armored Vehicles
	Physical Security Equipment	(PSE) Improvised Explosive Device (IED) Defeat
	Physical Security Equipment	(PSE) Other Special Equipment
	Physical Security Site Improvements	Physical Security, Site Improvements
	Physical Security Management and Planning	Physical Security, Management and Planning
	Security Forces and Technicians	Physical Security, Security Forces and Technicians
	Law Enforcement	Physical Security, Law Enforcement
	Security and Investigative Matters	Security and Investigative Matters
	AT Research, Development, Test, and Evaluation	Antiterrorism (AT) R&D, Technical Support R&D
	AT Research, Development, Test, and Evaluation	AT R&D, Physical Security and Other R&D
	AT Research, Development, Test, and Evaluation	AT R&D, COTS Product/Technology Integration
Counterterrorism	Individual Counterterrorism (CT) Programs	Individual Counterterrorism (CT) Programs
	CT Research, Development, Test, and Evaluation	Counterterrorism (CT) R&D, Technical Support R&D
	CT Research, Development, Test, and Evaluation	CT R&D, COTS Product/Technology Integration
	CT Research, Development, Test, and Evaluation	CT R&D, Other CT R&D
Terrorism Consequence Management	Assistance to State and Local Authorities	Assistance to State and Local Authorities Medical Elements
	Assistance to State and Local Authorities	Assistance to State and Local Decontamination Elements
	Assistance to State and Local Authorities	Assistance to State and Local Reconnaissance Elements

CBT Category	CbT Activity Rollup Name	CBTActivity Group
Terrorism Consequence Management	Weapons of Mass Destruction Civil Support Teams	Assistance to State and Local Weapons of Mass Destruction Civil Support Teams
	Consequence Management Response	Chemical and Biological Installation Protection (CBIP)
	Consequence Management Response	Chemical, Biological, Radiological, Nuclear (CBRN) Defense
	Consequence Management Response	Installation First Response Preparedness
	Consequence Management Response	Installation First Response Preparedness - Detectors
	Consequence Management Response	Installation First Response Preparedness - Firetrucks
	Consequence Management Response	Installation First Response Preparedness - Haz Mat Suits
	Consequence Management Response	Installation First Response Preparedness - Personal Protective Equipment for First Responders
	Consequence Management Response	Installation First Response Preparedness - Sensors
	Consequence Management Response	Installation First Response Preparedness - Thermal Imagers
	Consequence Management Response	Special Response Units (SRU) US Army
	Consequence Management Response	SRU Special Medical Augmentation Response Team (SMART)
	Consequence Management Response	SRU US Marine Corps Chem/Bio Incident Response Force (CBIRF)
	TCM Research, Development, Test, and Evaluation	DARPA Biological Warfare Defense Program
	TCM Research, Development, Test, and Evaluation	CM R&D, COTS Product/Technology Integration
	TCM Research, Development, Test, and Evaluation	CM R&D, Other R&D
	TCM Research, Development, Test, and Evaluation	Consequence Management (CM) R&D, Technical Support R&D
Intelligence Related Support	Counterintelligence	Counter-Intelligence
	IR Research, Development, Test, and Evaluation	Intelligence Related (IR) R&D, Technical Support R&D
	IR Research, Development, Test, and Evaluation	IR R&D, COTS Product/Technology Integration
	IR Research, Development, Test, and Evaluation	IR R&D, Other R&D

Combating Terrorism Supporting Detail Definitions

Combating Terrorism Supporting Detail Definitions

1) Antiterrorism: those defensive measures taken to reduce vulnerability to terrorist attacks.

Physical Security

Physical Security Equipment (PSE): Any item, device, or system that is used primarily for the protection of assets, personnel, information for facilities, to include alarms, sensors, protective lighting and their control systems and the assessment of the reliability, accuracy, timeliness and effectiveness of those systems, such as (but not limited to): Exterior surveillance and/or intrusion detection systems; lighting systems; access controls and alarms systems; residential security equipment; equipment for executive protection, to include added doors, increased ballistic protection at offices and residences, personal body armor, armored vehicles, and detection devices.

Blast Mitigation Consists of (but not limited to):

1) Fragmentation reduction film, blast walls, etc.
2) Explosive containers

Communication Consists of (but not limited to):

1) Personnel Alerting Systems
2) Pagers & Radios
3) Databases and assessment tools

Explosive Detection Consists of (but not limited to):

1) Portable & non portable detectors
2) Under Vehicle Surveillance Systems
3) Canine systems

Barriers Consists of (but not limited to):

1) Passive (cable reinforced fences, planters, jersey barriers, shrubs, trees, berms ditches, and inflatable booms)
2) Active (bollards, drums & sliding gate, cable beam)

Intrusion Detection Consists of (but not limited to):

1) Wide Area Security and Surveillance Systems
2) Detection devices (thermal, spectral, mechanical, etc.)
3) Special lighting
4) Biometrics
5) Sensors

Personal Protection Consists of (but not limited to):

1) Body Armor
2) Personnel protective equipment
3) Unarmored Vehicles/Sedans

Combating Terrorism Supporting Detail Definitions (Continued)

Patrol Boats
Up-Armored HMMWV
Commercial Heavy Armored Vehicles
Commercial Light Armored Vehicles
Improvised Explosive Device (IED) Defeat

Other Special Equipment: Specify Equipment Type. This is a required field and must be entered through the data management segment of SNaP prior to entering program details. Add equipment types to the CBTActivityGroup pick list. With format of (PSE) Other Special Equipment: <Equipment Type>.

Physical Security Site Improvements: Any facility improvements (or increment of improvements) (using O&M or MILCON funding) or new construction (or increment of new construction) that is for the purpose of the physical protection of assets, personnel or information. These include walls, fences, barricades or other fabricated or natural impediments to restrict, limit, delay or deny entry into a Defense installation or facility, such as (but not limited to):

1) Primary facility modification/features such as special structural improvements to walls, doors, windows, ceilings, etc.; interior barriers; or include any land acquisition for standoff distances)
2) Supporting facility modification features such as site improvements in fencing, perimeter/area lighting, blast mitigation barriers, vehicle barriers, special landscaping)
3) Safe havens
4) Evacuation facilities
5) Surveillance platforms

Physical Security Management and Planning: Personnel who manage physical security programs, resources, and assets such as but not limited to headquarters staff. CINC headquarters staff elements performing such functions should also be reported here.

Security Forces and Technicians: All personnel and operating costs associated with protective forces used to safeguard assets, personnel or information, to include (but not limited to) salaries overtime, benefits, materials and supplies, equipment and facilities, vehicles, helicopters, training, communications equipment, and management, such as (but not limited to):

1) Dedicated response forces and security forces
2) Locksmiths
3) Perimeter, installation or facility access control
4) Inspection and maintenance of barriers and security system components
5) Antiterrorism training for security forces
6) Antiterrorism awareness programs and training

Law Enforcement: All personnel and operating costs associated with law enforcement, to include but not limited to salaries, overtime, benefits, material and supplies, equipment and facilities, vehicles, helicopters, training, communications equipment, and management, such as (but not limited to):

1) Response forces
2) Military police
3) Protective service details, including advance work

Combating Terrorism Supporting Detail Definitions (Continued)

Security and Investigative Matters: Includes Defense criminal investigative resources, security and intelligence activities, and any cross-discipline security functions which do not easily fit into other security categories, such as (but not limited to):

1) Terrorism Investigations
2) Executive antiterrorism training
3) Surveillance and counter-surveillance teams
4) Protective service details, including advance work
5) Route surveys
6) Antiterrorism awareness programs and training

Antiterrorism R&D: Includes any RDT&E resources expended in the area of antiterrorism, showing the program and purpose

Antiterrorism (AT) Technical Support R&D
Physical Security and Other R&D
AT COTS Product/Technology Integration

2) Counterterrorism: Offensive measures taken to prevent, deter and respond to terrorism

Individual CT programs

Counterterrorism R&D- Includes any RDT&E resources expended in the area of counterterrorism showing the program and purpose.

Counterterrorism (CT) Technical Support R&D
CT COTS Product/Technology Integration
Other CT R&D

3) Terrorism Consequence Management: Preparation for and response to the consequences of a terrorist incident/event

Chemical and Biological Installation Protection (CBIP): Include all costs and personnel ($ and End Strength/FTE's) associated with these activities including procurement of equipment.

CBRN Defense: Include all costs and personnel ($ and End Strength/FTEs) associated with these activities. Also include the quantity of equipment procured of all CBRN assets.

Assistance to State and Local Authorities: The employment of DoD assets and expertise to assess suspected nuclear, biological, chemical, or radiological event in support at the local or state authority. DoD assets to be reported include:

Weapons of Mass Destruction Civil Support Teams
Decontamination Elements
Reconnaissance Elements
Medical Elements
Special Response Units US Army
US Marine Corps Chem/Bio Incident Response Force (CBIRF)
Special Medical Augmentation Response Team (SMART)

Installation First Response Preparedness: As a new initiative for FY 2001, the Services were directed to develop requirements, train personnel, and procure equipment for first response preparedness at DoD installations and facilities. These initiatives will be reported here, above the baseline.

Combating Terrorism Supporting Detail Definitions (Continued)

Include and itemize all equipment procurement for: fire trucks, thermal imagers, sensors, detectors, and haz mat suits. Also include ALL personnel ($ and end strength/FTE's) associated with these activities.

Consequence Management R&D: Includes any RDT&E resources expended in the area of CbT Terrorism Consequence Management showing the program and purpose.

Consequence Management (CM) Technical Support R&D
CM COTS Product/Technology Integration
Other CM R&D

DARPA Biological Warfare Defense Program: That portion dedicated to domestic terrorism consequence management. Applied research program to develop and demonstrate technologies to thwart the use of biological warfare agents (including bacterial, viral, and bioengineered organisms and toxins) by both military and terrorist opponents (against US assets at home and abroad). That portion dedicated to domestic terrorism consequence management is reported here. DARPA's primary strategy for accomplishing this goal is to create technologies applicable to broad classes of pathogens and toxins. Projects include:

1) real-time environmental sensing
2) external protection (including novel methods of protection, air and water purification, and decontamination)
3) consequence management tools
4) advanced medical diagnostics for the most virulent pathogens and their molecular mechanisms
5) pre- and post-exposure medical countermeasures
6) pathogen genome sequencing

4) Intelligence Related Support: Collection and dissemination of terrorism-related information taken to oppose terrorism throughout the entire threat spectrum to include terrorist use of WMD and/or high explosives. This category will only be reported in the combating terrorism formats during the Program/Budget Review data collection cycle – not during the President's Budget data collection.

Counter-Intelligence: All Army and Marine Corps tactical counterintelligence resources and all Army Security and Intelligence Activities CI resources will be reported in this tab. The Counterintelligence Field Activity will report CIFA resources that directly support force protection/combating terrorism activities. Counterintelligence is considered to include (but is not limited to) activities such as:

1) Terrorism Investigations
2) Surveillance and counter-surveillance teams
3) CI Terrorism analysis and production
4) Force protection source operations
5) Threat assessments
6) CI Terrorism collection
7) Route surveys
8) Intelligence staff support to deployed task forces

Intelligence Related R&D: Includes any DoD MIP RDT&E resources expended in the area of CbT Intelligence Related Support (counter-intelligence), showing the program and purpose.

Combating Terrorism Supporting Detail Definitions (Continued)

Intelligence Related (IR) Technical Support R&D/IR COTS Product/Technology Integration
Intelligence Related (IR) Technical Support R&D/Other IR R&D

CATEGORIES NOT TO BE REPORTED IN COMBATING TERRORISM DETAIL:

Intelligence - Not reported in this TAB: NIP or MIP funding and personnel, such as (but not limited to):

- Terrorism collection (generally HUMINT, possibly SIGINT)
- Terrorism analysis and production (excluding CI)
- Terrorism watch centers
- Terrorism indications and warning
- Intelligence staff support to deployed task forces

The Director, National Intelligence will report related intelligence support in accordance with the PPI, Section one, Part V, "Data Formatting and Economic Instructions," "Intelligence Programs" as part of the NIP instructions.

Information Assurance - Not reported in this Section: Includes assuring readiness, reliability, and continuity of information assets, systems, networks, and their functions, protecting information systems against penetration/exploitation, providing the means to re-establish vital information system capabilities effectively and efficiently. Examples include Computer Emergency Response Teams (CERTs), and computer network security "fire walls."

Counterproliferation - Not reported in this format: Chem/Bio Defense Program and WMD.

HCbT 3 Vulnerability Assessments (Program/Budget Review Only)

HCbT 3 Vulnerability Assessments (Program/Budget Review Only)

Class	CountryCode	State	Component	AssessmentDetail

FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013

Instructions

1) Report only those assessments addressing DoD standard 26, E3.1.1.26.4-.7 higher headquarters vulnerability assessments. Note that the standard requires an assessment of all installations at least once every three-(3) years.
2) Provide by country code and component the total number of installations.
3) DoDEA will report this information for all schools located off post.
4) Provide by country code and component the number of installations that contain family housing, VIP Housing, and or DoDES facilities. These will not add up to total installations.
5) Provide by country code and component the cost and number of assessments planned for future years and conducted in the prior and current years.
6) Provide total military, civilian and contractor manpower required to conduct assessments.
7) TOA is entered in dollars thousands ($000).
8) Military personnel are entered as End strength and Civilians and Contractors as FTEs.
9) See Appendix A for reporting requirements for your organization.

CbT 3 Definitions

Class: System Field: Classification. **All information for this exhibit must be submitted at the unclassified level on the unclassified network**.

U: UNCLASSIFIED

CountryCode: (Closed List)

AF	Afghanistan
AL	Albania
AG	Algeria
AN	Andorra
AO	Angola
AC	Antigua and Barbuda
AR	Argentina
AM	Armenia
AS	Australia
AU	Austria

AJ	Azerbaijan
BF	Bahamas, The
BA	Bahrain
BG	Bangladesh
BB	Barbados
BO	Belarus
BE	Belgium
BH	Belize
BN	Benin
BT	Bhutan
BL	Bolivia
BK	Bosnia and Herzegovina
BC	Botswana
BR	Brazil
BX	Brunei
BU	Bulgaria
UV	Burkina Faso
BM	Burma
BY	Burundi
CB	Cambodia
CM	Cameroon
CA	Canada
CV	Cape Verde
CT	Central African Republic
CD	Chad
CI	Chile
CH	China
CO	Colombia
CN	Comoros
CF	Congo (Brazzaville)
CG	Congo (Kinshasa)
CS	Costa Rica
IV	Côte d'Ivoire
HR	Croatia
CU	Cuba
CY	Cyprus
EZ	Czech Republic
DA	Denmark
DJ	Djibouti

DO	Dominica
DR	Dominican Republic
TT	East Timor
EC	Ecuador
EG	Egypt
ES	El Salvador
EK	Equatorial Guinea
ER	Eritrea
EN	Estonia
ET	Ethiopia
FJ	Fiji
FI	Finland
FR	France
GB	Gabon
GA	Gambia, The
GG	Georgia
GM	Germany
GH	Ghana
GR	Greece
GJ	Grenada
GT	Guatemala
GV	Guinea
PU	Guinea-Bissau
GY	Guyana
HA	Haiti
VT	Holy See
HO	Honduras
HU	Hungary
IC	Iceland
IN	India
ID	Indonesia
IR	Iran
IZ	Iraq
EI	Ireland
IS	Israel
IT	Italy
JM	Jamaica
JA	Japan
JO	Jordan
KZ	Kazakhstan

KE	Kenya
KR	Kiribati
KN	Korea, North
KS	Korea, South
KU	Kuwait
KG	Kyrgyzstan
LA	Laos
LG	Latvia
LE	Lebanon
LT	Lesotho
LI	Liberia
LY	Libya
LS	Liechtenstein
LH	Lithuania
LU	Luxembourg
MK	Macedonia
MA	Madagascar
MI	Malawi
MY	Malaysia
MV	Maldives
ML	Mali
MT	Malta
RM	Marshall Islands
MR	Mauritania
MP	Mauritius
MX	Mexico
FM	Micronesia, Federated States of
MD	Moldova
MN	Monaco
MG	Mongolia
MO	Morocco
MZ	Mozambique
WA	Namibia
NR	Nauru
NP	Nepal
NL	Netherlands
NZ	New Zealand
NU	Nicaragua
NG	Niger
NI	Nigeria

NO	Norway
MU	Oman
PK	Pakistan
PS	Palau
PM	Panama
PP	Papua New Guinea
PA	Paraguay
PE	Peru
RP	Philippines
PL	Poland
PO	Portugal
QA	Qatar
RO	Romania
RS	Russia
RW	Rwanda
SC	Saint Kitts and Nevis
ST	Saint Lucia
VC	Saint Vincent and the Grenadines
WS	Samoa
SM	San Marino
TP	Sao Tome and Principe
SA	Saudi Arabia
SG	Senegal
YI	Serbia and Montenegro
SE	Seychelles
SL	Sierra Leone
SN	Singapore
LO	Slovakia
SI	Slovenia
BP	Solomon Islands
SO	Somalia
SF	South Africa
SP	Spain
CE	Sri Lanka
SU	Sudan
NS	Suriname
WZ	Swaziland
SW	Sweden
SZ	Switzerland
SY	Syria

TI	Tajikistan
TZ	Tanzania
TH	Thailand
TO	Togo
TN	Tonga
TD	Trinidad and Tobago
TS	Tunisia
TU	Turkey
TX	Turkmenistan
TV	Tuvalu
UG	Uganda
UP	Ukraine
AE	United Arab Emirates
UK	United Kingdom
US	United States
UY	Uruguay
UZ	Uzbekistan
NH	Vanuatu
VE	Venezuela
VM	Vietnam
YM	Yemen
ZA	Zambia
ZI	Zimbabwe

State: (Closed List)

AK: ALASKA
AL: ALABAMA
AR: ARKANSAS
AZ: ARIZONA
CA: CALIFORNIA
CO: COLORADO
CT: CONNECTICUT
DC: DISTRICT OF COLUMBIA
DE: DELAWARE
FL: FLORIDA
GA: GEORGIA
HI: HAWAII
IA: IOWA
ID: IDAHO
IL: ILLINOIS

IN: INDIANA
KS: KANSAS
KY: KENTUCKY
LA: LOUISIANA
MA: MASSACHUSETTS
MD: MARYLAND
ME: MAINE
MI: MICHIGAN
MN: MINNESOTA
MO: MISSOURI
MS: MISSISSIPPI
MT: MONTANA
NA: Not Applicable
NC: NORTH CAROLINA
ND: NORTH DAKOTA
NE: NEBRASKA
NH: NEW HAMPSHIRE
NJ: NEW JERSEY
NM: NEW MEXICO
NV: NEVADA
NY: NEW YORK
OH: OHIO
OK: OKLAHOMA
OR: OREGON
PA: PENNSYLVANIA
RI: RHODE ISLAND
SC: SOUTH CAROLINA
SD: SOUTH DAKOTA
TN: TENNESSEE
TX: TEXAS
UT: UTAH
VA: VIRGINIA
VT: VERMONT
WA: WASHINGTON
WI: WISCONSIN
WV: WEST VIRGINIA
WY: WYOMING

Component: Identifies the duty status for military service units and defense agencies.

Active:
DADW: Defense Area Defense Wide. Used by non-service defense agencies.

Guard:
Reserve:

AssessmentDetail: (Closed List)

Assessment Capability: Number of Installations that can be assessed with the current teams.
Assessments Conducted: Number of assessments conducted by country for 200–5-2006.
Assessments Planned: Number of assessments planned by country for 2007-2013.
Civilian FTEs: Number of civilian personnel conducting assessments.
Contractor FTEs: Number of contractor personnel conducting assessments.
Installations with DoDES Facilities:
Installations with Family Housing:
Installations with VIP Housing:
Military End-Strength: Number of military personnel conducting assessments.
TOA: Total funding programmed to conduct vulnerability assessments by country code.
Total Installations: Total number of installations by component by country should be obtainable from the Installation Summary.

MRTFB 1 Installation Financial Summary

DoD Component
(MRTFB Activity Title) Financial Summary

($ Thousands)

Funding Source	**FY PY-1**	**FY PY**	**FY CY**	**FY BY**	**FY BY+1**
Total Institutional Funding: *(Header Only)*					
Institutional Funding PE (_____) Total					
In-House Effort					
Contractor Effort					
Military Personnel (Institutional and Direct)					
Total Institutional and Military Personnel Funding					
Direct (User Funding) *(Header Only)*					
Parent Service					
Other DoD					
Other U.S. Government					
FMS					
Foreign Government					
Commercial					
Total Customer Direct Funding					
Support to Training (Non-Add)					
Other Non T&E MRTFB Customer (Specify) (Non-add)					
Total Non-T&E Customer Direct (Non-add)					
Total Institutional and MilPers, and Direct					
Other Funds - T&E Mission *(Header Only)*					
T&E BOS					
T&E Mission SRM (Sustainment)					
T&E Mission SRM (Restoration & Modernization)					
Military Construction (MILCON)					
Minor Construction					
BRAC					
Improvement & Modernization (Total from Exhibit 3)					
Other Funds applicable to the Test Mission (Specify PE)					
(Add lines as required to identify additional PE's)					

(MRTFB Activity Title) Financial Summary
(Page 1 of 2)

MRTFB 1 Installation Financial Summary (Continued)

Sub-Total Other T&E Mission

Other Funds - Non-T&E Mission ***(Header Only)***
(Add lines as required to identify additional PE's)

Sub-Total Other Non-T&E Mission

Total MRTFB Activity

Exhibit 1-Financial Summary

MRTFB 2a Institutional Funding Element of Expense Listing

DOD Component

(MRTFB Activity Title) Institutional Funding Element of Expense Listing

($ Thousands)

DODEE	Description	FY PY-1	FY PY	FY CY	FY BY	FY BY+1
	Military Personnel					
01	Civilian Pay					
02	Travel of Persons					
03	Transportation of Things					
04/05	Utilities/Rental/Leases					
06	Communications					
07	Printing/Reproduction					
09	Purchased Equipment Maintenance					
10	Periodic Depot Level Maintenance (PDM)					
13	Other Purchased Services					
13a	Facility Projects (non add)					
13b	Critical Space Operations (non-add)					
14	Aircraft POL (flying)					
16	Other Supplies					
16a	Fuels (other than flying) (non-add)					
16b	Depot Level Reparable (DLR) (non-add)					
17	Purchased Equipment					
18	Other					
	Total Institutional Funding					

Exhibit 2a-Element of Expense

MRTFB 2a Institutional Funding Element of Expense Listing (Continued)

DOD Component
(MRTFB Activity Title) Direct Funding Element of Expense Listing

($ Thousands)

DODEE	Description	FY PY-1	FY PY	FY CY	FY BY	FY BY+1
	Military Personnel					
01	Civilian Pay					
02	Travel of Persons					
03	Transportation of Things					
04/05	Utilities/Rental/Leases					
06	Communications					
07	Printing/Reproduction					
09	Purchased Equipment Maintenance					
10	Periodic Depot Level Maintenance (PDM)					
13	Other Purchased Services					
13a	Facility Projects (non add)					
13b	Critical Space Operations (non-add)					
14	Aircraft POL (flying)					
16	Other Supplies					
16a	Fuels (other than flying) (non-add)					
16b	Depot Level Reparable (DLR) (non-add)					
17	Purchased Equipment					
18	Other					
	Total Direct Funding					

Exhibit 2a-Element of Expense

MRTFB 2b Schedule of Increases and Decreases

DOD Component

(MRTFB Activity Title) Schedule of Increases and Decreases
($ Thousands)

	FY PY-1	FY PY	FY CY	FY BY	FY BY+1
1. FY PY-1 to FY PY					
a. (Description/justification of increase and decrease)					
b.					
c.					
etc.					
2. FY PY to FY CY					
a. (Description/justification of increase and decrease)					
b.					
c.					
etc.					
3. FY CY to FY BY					
a. Inflation					
b. Civilian pay raise					
c. (Description/justification of increase and decrease)					
etc.					
4. FY BY to FY BY+1					
a. Inflation					
b. Civilian pay raise					
c. (Description/justification of increase and decrease)					
etc.					

Exhibit 2b-Schedule of Increases and Decreases

MRTFB 2c Workyears

DOD Component

(MRTFB Activity Title) Workyears

CATEGORY	FY PY-1				FY PY				FY CY				FY BY				FY BY+1			
	INST	DIR	OTH	TOT	INST	DIR	OTH	TOT	INST	DIR	OTH	TOT	INST	DIR	OTH	TOT	INST	DIR	OTH	TOT
Military																				
Officer																				
Enlisted																				
Civilian																				
Contractor																				
Total																				

Narrative Section:

Exhibit 2c-Workyears

MRTFB Source of Direct Funds

DOD Component

(MRTFB Activity Title) Source of Direct Funds
($ Thousands)

	FY PY-1	FY PY	FY CY	FY BY	FY BY+1
A. DIRECT FUNDING - CUSTOMER					
1. PARENT SERVICE					
Appn BAC PE Title					
RDT&E					
(List customers)					
BAC Total					
RDT&E Total					
Operation & Maintenance					
(List customers)					
BAC Total					
Operation & Maintenance Total					
Procurement Appropriations					
(List customers with subtotal by appropriation)					
Procurement Appropriation Total					
Other Appropriations					
(List customers with subtotal by appropriation)					
Other Appropriation Total					
TOTAL PARENT SERVICE					

(MRTFB Activity Title) Source of Direct Funds (Continued)
(Page 1 of 3)

MRTFB Source of Direct Funds (Continued)

2. OTHER DOD (Identify Service or OSD)
Service **Appropriation**
(List customers)

Appropriation Total _____

Service Total _____

TOTAL OTHER DOD _____

3. OTHER U.S. GOVERNMENT
(List Agencies)

TOTAL OTHER U.S. GOVERNMENT _____

4. FOREIGN MILITARY SALES
(List country or program)

TOTAL FOREIGN MILITARY SALES _____

5. FOREIGN GOVERNMENT
(List country or program)

TOTAL FOREIGN GOVERNMENT _____

(MRTFB Activity Title) Source of Direct Funds (Continued)
(Page 2 of 3)

MRTFB Source of Direct Funds (Continued)

6. COMMERCIAL
(List company or program)
TOTAL COMMERCIAL _____

TOTAL CUSTOMER DIRECT FUNDING _____

B. DIRECT FUNDING - NON-CUSTOMER
(List types)

TOTAL NON-CUSTOMER DIRECT FUNDING _____

(MRTFB Activity Title) Source of Direct Funds (Continued)
(Page 3 of 3)

MRTFB Improvement and Modernization (I&M) Projects Summary

DOD Component

(MRTFB Activity Title) I&M Summary

Improvement and Modernization Projects
($Thousands)

Appn	PE	Project Title	Total Est. Cost	Prior Years	FY PY-1	FY PY	FY CY	FY BY	FY BY+1	Cost To Complete
		(List Projects)								
SUBTOTAL										
TOTAL I&M										

* Asterisk indicates the project meets threshold required for submission of a Quad chart

Exhibit 3a-I&M Summary

MRTFB Improvement and Modernization (I&M) Listings Military Construction and BRAC

DOD Component

(MRTFB Activity Title) I&M Listings

Military Construction and Base Realignment and Closure Projects
($ Thousands)

MILCON PROJECTS

Appn	PE	Title	Programmed FY	Est Cost at Complete	Programmed Funds
Funded Projects:					
		(List projects)			
		Total Funded MILCON Projects			
Planned Projects:					
		(List projects)			
		Total Panned MILCON Projects			

Exhibit 3a-I&M Listing
(Page 1 of 2)

MRTFB Activity Title Improvement and Modernization (I&M) Listings Military Construction and BRAC (Continued)

BRAC PROJECTS

Appn	PE	Title	Programmed FY	Est Cost at Complete	Programmed Funds
Funded Projects:					
		(List projects)			
		Total Funded BRAC Projects			

Exhibit 3b-MILCON & BRAC

Instructions for Major Range and Test Facility Base (MRTFB) Budget Exhibits

MRTFB-1 FINANCIAL SUMMARY

The MRTFB-1 is the basic, central exhibit for the Major Range Test Facility Base program and budget review submission. All other exhibits are related to this exhibit. The MRTFB-1 reflects total funds from all sources to be expended at each MRTFB activity. The instructions for preparation and definitions are in the following paragraphs. For each line entry, a fully comparable figure will be entered in each of the five columns.

The amounts reflected in the institutional entries are to be directly related to those amounts included in the appropriation submission of budget estimates to OSD/OMB.

Definitions and Instructions:

Total Institutional Funding - This line is for header purposes only and denotes the section dealing with the institutional funds that support the MRTFB activity's mission.

Institutional (P.E.) - Denotes the funding which each Component provides directly to the activity for ongoing effort which cannot be ascribed to users of the activity. The financing program element number is to be entered in the parenthesis.

In-House Effort - The amount of the activity's T&E Institutional funding which is devoted to supporting efforts conducted by government personnel at the activity.

Contractor Effort - The amount of Institutional funding expended by any contractor in support of the activity's mission, either on-site or elsewhere.

Military personnel – Denotes the cost of the Military Personnel who are primarily assigned to the MRTFB activity for institutional and direct user support activities. This line does not include costs for Military Personnel assigned to non-T&E mission work.

Total Institutional and Military Personnel Funding – This line is the total of institutional funding, both-in-house and contractor, plus the cost of the Military Personnel which are assigned to the MRTFB activity for institutional and direct user support activities.

Direct (User Funding) - This line is for header purposes only, to denote the section dealing with funds received from customers for MRTFB activity mission efforts.

Parent Service - Funds that come to the activity from users who are from within the same service but distinguished from the institutional funds.

Other DoD - Funds from customers within DoD but not from the same service as the activity.

Other U.S. Government - Funds from other U.S. Government customers outside the DoD

Foreign Military Sales (FMS) - Funds received from FMS cases.

Foreign Government - Funds from foreign governments for other than FMS cases.

Commercial - Funds received from commercial customers, including DoD contractors that do not have a DoD program sponsor.

Support to Training (Non-add) – Customer funds from any source received by the activity to support any DoD training mission. These funds are reflected in the Total Customer Direct Funding line and are reflected here separately as a non-add line item only.

Other Non-T&E Support (Non-add) – Any other customer funds besides support to training that do not result in T&E work. The specific category of support should be reported if the funding level exceeds $1 million dollars in any given fiscal year. These funds are reflected in the Total Customer Direct Funding line and are reflected here separately as a non-add line item only.

Total Institutional, Military Personnel and Direct - The sum of the amounts in the Total Institutional, Military Personnel and Total Direct lines.

Other Funds-T&E Mission – This line is for header purposes only and denotes the section dealing with funding that directly supports the T&E mission but which is not included in the institutional, direct and military personnel items elsewhere on the exhibit. Additional lines may be added as required to identify all funds that directly support the T&E mission. The intent is to accurately reflect funds received from all sources to support the MRTFB's overall T&E mission and to facilitate comparability across the Services. If additional categories are required to reflect the total "institutional" funding that is required for the activity, such as Environmental Compliance, additional lines should be added.

T&E Base Operating Support (BOS) – Funds for T&E base operating support costs. Do not include costs already identified in the MRTFB institutional funding line above. Provide the program element number for each entry.

T&E Mission SRM (Sustainment) – Funds for T&E sustainment costs. Do not include costs already identified in the MRTFB institutional funding line above. Provide the program element number for each entry.

T&E Mission SRM (Restoration and Modernization) – Funds for T&E restoration and modernization costs. Do not include costs already identified in the MRTFB institutional funding line above. Provide the program element number for each entry. Do not include restoration and modernization costs paid from the Improvement and Modernization funding lines.

Military Construction (MILCON) –Total of MRTFB MILCON projects from Exhibit 3-b.

Minor Construction – Total of minor construction projects. Minor construction is defined as projects totaling $750K or less.

Base Re-alignment and Closure (BRAC) – Total of MRTFB BRAC projects from Exhibit 3-b.

Improvement and Modernization (I&M) – Total funding provided to the MRTFB activity for improvement and modernization efforts. Do not include costs already identified in the MRTFB institutional funding line above.

Other Funds Applicable to the T&E Mission – Any other funding received by the MRTFB for costs associated with the MRTFB T&E mission.

Other Funds – Non-T&E Mission – This line is for header purposes only and denotes the section dealing with any other funding received by the MRTFB for efforts not identified in previous categories. Report individual activities by PE, purpose, and amount.

Total MRTFB Activity – The sum of the amounts in the Total Institutional, Military Personnel and Direct line, Other Funds – T&E Mission line, and Other Funds – Non-T&E Mission line.

MRTFB-2a, ELEMENT OF EXPENSE LISTING

For the Total Institutional and Direct funds entered on MRTFB-1 Exhibit, Financial Summary, provide a breakout by element of expense. The cost of Military Personnel should reflect the Full Time Equivalent (FTE's) military personnel cost associated with the T&E mission. The sum of the institutional and direct military personnel costs should equal the total on the MRTFB-1, Military Personnel line.

MRTFB-2b, SCHEDULE OF INCREASES AND DECREASES

Provide a several sentence description/justification of each increase and/or decrease, covering year-to-year changes in the total institutional funding entry on the MRTFB-1 Exhibit. Changes should address any financial increase or decrease that exceeds $500 thousand. There may be more than one increase or decrease to any or all entries on the MRTFB-1. Separately identify inflation and civilian pay increases. Identify any changes in T&E capability regardless of the amount of funding, to include elimination of any facilities, moth balling, etc.

MRTFB-2c, WORKYEARS

Submit a numerical summary of military, civilian, and contractor Full Time Equivalent (FTE) workyears. Civilian and contractor workyears should be divided into those that are institutionally funded and those that are reimbursed by direct user funding. Military workyears should also be reported in the category of work that is supported whether the workyears are reimbursed or not from direct users, i.e. military workyears used to perform T&E customer work should be shown as direct workyears.

The workyears reported in the Institutional category should reflect only those workyears funded from the institutional program element of the MRTFB. Workyears funded by “Other Funds – T&E Mission”, such as BOS and SRM, should be reported as “Other” workyears. Workyears funded by sources identified on the MRTFB-1 as "Non-T&E Support Direct" should not be reported in this exhibit.

Changes in workyears between fiscal years that exceed 10 percent in any category should be addressed in the narrative section of this exhibit.

MRTFB-2d, SOURCE OF DIRECT FUNDS

Identify by major program, the source of the Direct Funds contained in MRTFB-1, Direct User Funding.

For Direct Funding – Customer, provide the following breakout: For the parent service RDT&E and O&M funds, the Program Element, title, Budget Activity Code (BAC), and appropriation descriptors must be provided. For Parent Service procurement appropriations, provide a list of customers greater than $1M for any FY and group smaller customers at the appropriation level. For Other DoD, provide a list of customers by appropriation and Service. For Other U.S. Government, provide a list of customers by Agency. For FMS and Foreign Government, provide a list of customers by country/program and for Commercial, provide a list of customers by

company or program. This section should reflect both test and non-test customer funds.

For Direct Funding – Non-Customer, provide a one-line summary by type of funding. Include Direct funding that is not customer related such as inter-organizational miscellaneous reimbursements as well as pass-through and transfers sent off the MRTFB. This section is not reflected on MRTFB-1.

For unidentified workload, enter estimates of Unidentified Workload in the appropriation (for RDT&E include data by budget activity) that best reflect historical workload. It is acceptable to group small efforts into one multiple line item, but groupings funded by Parent Service appropriations should not exceed ten percent of any category

MRTFB-3a, IMPROVEMENT & MODERNIZATION SUMMARY

Provide a project level listing covering fiscal years from PY-1 through the BY+1. For projects that extend beyond the BY+1, include the cost to complete. Ensure that the exhibit includes all improvement and modernization (I&M) anticipated for the activity, whether the funding source is institutional, the parent Service T&E program element(s), customer funding or CTEIP funding.

Report all I&M projects, regardless of funding source, which exceed $200 thousand in any single fiscal year or $1 million cumulatively. List each project by appropriation and program element.

For any project exceeding $1 million in any year or cumulative funding of $5 million, including the projects not funded, provide summary data that includes potential benefits, cost savings and capability improvements in the form of a quad chart. Use an asterisk to indicate the projects meeting this threshold on the total project-level listing. Quad charts should include the following detail:

Project Title:
(1) Description - Concise description of what is to be acquired, where it will be located, its relationship to other upgrades at this facility or other DoD facilities. Identify whether the effort is required to provide an enhanced capability or whether it modernizes an existing capability.
(2) Requirements/Payoffs - Specify the operational requirement being addressed by the project. If it is required to provide an enhanced capability, list the programs that will benefit and provide the required operating date. If required as an improvement to an existing capability, provide a payback date and the schedule for retirement of existing equipment that will become obsolete as a result of the upgrade. Discuss what other alternatives and what cross-service opportunities were considered in the review of this requirement.
(3) Tests to be Supported - List the programs and tests to be supported by the I&M project. Indicate the acquisition category for each program that will be using the upgraded equipment or facility.
(4) Schedule - Provide the critical milestones for the project. Include the approval date of the operational requirements document, the date of TERIB and TRMC review, the contract award dates, IOC and FOC.
(5) Funding Profile - Provide total funding plan, including all funding sources, for development through FOC and the follow-on sustainment costs. Funding should be consistent with that identified in the MRTFB-3a, Summary of I&M Projects, and with that included in the other R&D program and budget review submission exhibits.

Quad charts prepared for TRMC reviews can be used for the program and budget review submission as long as all of the requested information is included. Indicate the projects not funded in the Requirements section along with a statement indicating why it was not funded.

MRTFB-3b, MILITARY CONSTRUCTION AND BASE REALIGNMENT AND CLOSURE PROJECTS

Provide summary data for all Military Construction (MILCON) and Base Realignment and Closure (BRAC) projects that are programmed to support the MRTFB mission at the activity and are funded in either PY-1, PY, CY, BY and BY+1 of the Program Budget Submission.

For funded MILCON and BRAC projects, identify by fiscal year the individual funded projects with the same title as the approved DD Form 1391.

For Planned MILCON projects, identify by fiscal year the projects that are planned for the MRTFB through the FYDP period.

The total funded projects listed on this exhibit should match the MRTFB Exhibit-1 Military Construction and BRAC funding line.

Exhibit T&E 1, Test and Evaluation Funding

Test and Evaluation Funding

Exhibit T&E 1

PNO Title	T&E Type	TreasuryCode	BA Code	Budget LineItem	Program Element	Funding Source	Funding Type	PY-1	PY	CY	BY 1	BY 2	BY2+1	BY2+2	BY2+3	BY2+4
Select from pick list	DT&E	Treasury Code list provided	Select from pick list	Select from pick list	Select from pick list	Government	# of Articles	#	#	#	#	#	#	#	#	#
	OT&E					Contractor	Articles Funding	$	$	$	$	$	$	$	$	$
	LFT&E					Articles	Facilities	$	$	$	$	$	$	$	$	$
							Instrumentation	$	$	$	$	$	$	$	$	$
							Targets/ Threat Simulators	$	$	$	$	$	$	$	$	$
							Other T&E Funding	$	$	$	$	$	$	$	$	$

Exhibit T&E-1, Test and Evaluation
(Page 1 of 1)

Instructions for Exhibit T&E-1, Test and Evaluation

Instructions for Exhibit T&E-1, Test and Evaluation

1. Purpose.

A. The Exhibit T&E-1 is the Test and Evaluation (T&E) funding exhibit for the Program and Budget review. It consists of tabular and narrative data describing the funding for T&E of the Major Defense Acquisition Programs (MDAP) as specified in DoD 5000.1 and Special Interest Programs identified in the Program Objective Memorandum (POM) Instructions, Table C-1. This reporting process is accomplished on-line using the Select & Native Programming Data Input System (SNaP) located at: http://snap.pae.osd.smil.mil. **Note:** The SNaP system operating instructions as specified in the Programming and Budgeting Data Requirements on the SNaP system will supersede the instructions identified in this document if they are different.

B. This exhibit reflects total funds included in the above-specified systems/programs for T&E regardless of what organization performs the T&E. It does not include funds in T&E programs, such as Major Range and Test Facilities Base (MRTFB) direct funding, used to provide services on a nonreimbursable basis to weapon systems.

2. Entries.

A. Instructions for Completing the Test & Evaluation Database

(1) Provide Test and Evaluation Detail by Funding Type for Major Defense Acquisition Programs by Treasury Code, Budget Activity, Budget Line Item (BLI) and Program Element (PE), and Facility Type.

(2) Provide narrative for all detail provided in a Word Document organized by the following:

(a) Program Description: For each Program Element/Project provide a brief description of the major program and major changes from the most recent President's budget request and the reason for the changes.

(b) T&E Program/Project Description: For each major T&E Program/Project, exceeding $1 million in a single year or $5 million over the life of the program describe the program/project, provide major changes from the most recent budget baseline and the reasons for the changes. Divide the discussions into Development Test and Evaluation (DT&E), Operational Test and Evaluation (OT&E), and Live Fire Test and Evaluation (LFT&E). Within each T&E type, distinguish between contractor and government activities and include data on articles funding and the number of articles. For facilities provide a narrative to justify as required in the T&E Facilities entries in the Tabular Data Worksheet (above).

(c) T&E Milestones/Schedules: Identify by date, the major milestones and scheduled T&E events (PT 3A, OT2, etc.) for each T&E program, noting deviations and reasons from what is stated in the approved Test and Evaluation Master Plan (TEMP).

Instructions for Exhibit T&E-1, Test and Evaluation (Continued)

(d) Approved TEMP Funding: Provide the difference (delta) in funding from the funding included in the most recently approved TEMP and provide a brief discussion of the reason for the difference.

(e) Funding: Briefly describe the use of the funds.

(f) Facilities Justification: Describe the reason for use of government or contractor facility. If capability is duplicated provide reasoning.

B. Definitions

(1) Organization: The POM reporting entities are directed to submit this data requirement. For a complete list of organizations required to submit a T&E-1 Exhibit, see Appendix A of the Programming and Budgeting Data Requirements (PBDR).

(2) Program Control Numbers (PNO) Code: Three-digit numeric code that identifies MDAP programs. If program is not an MDAP program leave blank. PNO codes are listed on the Under Secretary of Defense for Acquisition, Technology, and Logistics (USD(AT&L)) website at: http://friends.acq.osd.mil/ara/dab_oipt/schedule/mdaplist.html.

(3) T&E Type:

(a) *DT&E:* Developmental Test and Evaluation (DT&E) is any engineering-type test used to verify status of technical progress, verify that design risks are minimized, substantiate achievement of contract technical performance, and certify readiness for initial operational testing. Development tests generally require instrumentation and measurements and are accomplished by engineers, technicians, or soldier operator-maintainer test personnel in a controlled environment to facilitate failure analysis.

(b) *OT&E:* Operational Test and Evaluation is the field test, under realistic combat conditions, of any item of (or key component of) weapons, equipment, or munitions for the purpose of determining the effectiveness and suitability of the weapons, equipment, or munitions for use in combat by typical military users.

(c) *LFT&E:* Live Fire Test and Evaluation is full-up, system-level survivability or lethality testing of a covered system, major munitions program, missile program, or product improvement to a covered system, major munitions program, or missile program before it can proceed beyond low-rate initial production.

(4) Treasury Code: The Treasury Code is a defined set of four-digit numeric codes provided by the Comptroller that identifies resource types.

(5) BA Code: The Budget Activity Code as defined by OUSD (Comptroller), in the Financial Management Regulation

Instructions for Exhibit T&E-1, Test and Evaluation (Continued)

(6) Budget Line Item Number: Provide the Activity Group and Sub-Activity Group (SAG) if the appropriation is O&M; the Project Number as used in the R2 report for RDT&E; Line Item if Procurement; Project Number if MilCon; and Activity Group and Customer if Revolving funds.

(7) Program Element (PE): The PE applies to RDT&E, Procurement and O&M appropriations. The PE is up to ten-digits in length, a seven-digit numeric identifier followed by up to three-digits alphanumeric code for Future Years Defense Program (FYDP) organization.

(8) Funding Source:

(a) *Government:* Resources, facilities, and capabilities that are owned by the U.S. Government.

(b) *Contractor:* Resources, facilities, and capabilities that are owned by a private company or firm.

(c) *Article:* An individual system or subsystem to be subjected to the test process

(9) Funding Type:

(a) *Facilities:* Includes all funding for provision of T&E capability through investment in plant and equipment (non-instrumentation) at facilities by funding source. For Government facilities these costs include all funding included as reimbursable orders (customer funding) to the Major Range and Test Facility Base and other installations.

(b) *Instrumentation:* Includes all funding for provision of T&E instrumentation (non-portable) by funding source.

(c) *Targets and Threat Simulators:* Includes all funding identified for targets and threat simulators by funding source.

(d) *Other Costs:* Include any additional funding not captured in the other Funding Types for performing T&E at facilities by funding source

(e) *Articles Funding:* Includes the funding for test articles to support the T&E planned for the system

(f) *# Articles:* Provide the number of test articles to support the T&E planned for the system by year of delivery of the article.

C. Business Rules

Instructions for Exhibit T&E-1, Test and Evaluation (Continued)

(1) Project or Line Item Number and Title relationship—A project or line item number can only have one title. When users add new numbers they will be prompted to add the corresponding title. The new title will only be valid with the new number.

(2) O&M --Requires funding entries for fiscal years only.

(3) Funding Source = Article, report a Funding Type = Articles funding and # of Articles.

Funding Source and Funding Type Relationship Matrix	
Funding Source	**Funding Type**
Government	Facilities
	Instrumentation
	Targets/Threat Simulators
	Other T&E Funding
Contractor	Facilities
	Instrumentation
	Targets/Threat Simulators
	Other T&E Funding
Articles	# of Articles
	Articles Funding

Exhibit PB-14 FUNCTIONAL TRANSFERS

FUNCTIONAL TRANSFERS
Component: _____

FY BY1	FY BY2	FY BY2+1	FY BY2+2	FY BY2+3	FY BY2+4

PART I

Adjustment as result of Functional Transfers:

(Show the total adjustment to Component topline as a result of inter-Component functional transfers included in the program and budget submission but not included in the Program Review. In addition, show the adjustment to each appropriation separately.)

PART II

(Show the following adjustments for each inter-Component functional transfer impacting all accounts included in Part I.)

Functional Transfer Title
Description: Provide succinct narrative explanation for each functional transfer.
Gaining Appropriation(s)/Budget Activity(s)/Subactivity Group(s)/line item/program
Civilian Full-Time Equivalent (FTE)
Military End Strength
Funding ($ 000)

Losing Appropriation (s)/Budget Activity(s)/Subactivity Group(s)/line item/program
Civilian Full-Time Equivalent (FTE)
Military End Strength
Funding ($ 000)

Exhibit PB-14 Functional Transfers

Exhibit PB-15 Advisory and Assistance Services

ADVISORY AND ASSISTANCE SERVICES

DEPARTMENT/AGENCY

(Dollars in Thousands)

Appropriation/Fund	FY PY Actuals	FY CY Estimate	FY BY1 Estimate	FY BY2 Estimate
1. Management & Professional Support Services				
FFRDC Work*				
Non-FFRDC Work*				
Subtotal				
2. Studies, Analysis & Evaluations				
FFRDC Work*				
Non-FFRDC Work*				
Subtotal				
3. Engineering & Technical Services				
FFRDC Work*				
Non-FFRDC Work*				
Subtotal				
TOTAL				
FFRDC Work*				
Non-FFRDC Work*				
Reimbursable				

Explanation of Funding Changes

*Provide a narrative explanation (in program terms) for any increase/decrease that is in excess of the estimated rate of inflation. This explanation of increase/decrease is required for changes between the PY and the CY, between the CY and the BY1, and between the BY1 and the BY2.

Notes:

1. All totals displayed must equal amounts reported in object class 25.1.
2. FFRDC - Federally Funded Research & Development Centers.
3. A separate PB-15 must be prepared for each appropriation/fund.
4. A summary PB-15 must be prepared when consulting services are funded from more than one appropriation/fund.

Instructions for Exhibit PB-15 Advisory and Assistance Services

ADVISORY AND ASSISTANCE SERVICES
Instructions for Exhibit PB-15

BACKGROUND: The purpose of the exhibit is to provide Congress with actual estimates on the amount spent by DoD on advisory and assistance services which are utilized to enhance, assist, or improve the ability of government employees to make decisions on governmental processes, program, and systems. Congressional concern stems from both the cost and nature of advisory and assistance services. When contractors provide advice or assistance that may affect decision-making, influence policy development, or provide support to project or program management, it is essential to ensure that the contractor's performance is free of potential conflicts of interest and does not impinge upon the performance of inherently governmental functions by government employees. As such, advisory and assistance services require an appropriate degree of enhanced management and oversight. When using contractor provided products, final decisions, or actions must reflect the independent conclusions of DoD officials. Advisory and Assistance Services (object class 25.1) include services acquired by contract from non-governmental sources that provide management and professional support services; studies, analyses, and evaluations; and engineering and technical services, as defined below.

The definitions indicated below have been substantially revised to incorporate the changes indicated in section 911 of the National Defense Authorization Act for FY 1999 (codified in section 2212(b) of title 10 U.S.C.).

ADVISORY AND ASSISTANCE SERVICES DEFINITION (Object Class 25.1): Obligations for advisory and assistance services acquired by contract from non-governmental sources (including Federally Funded Research and Development Centers (FFRDCs) and non-FFRDCs) to support or improve organization policy development, decision making, management, and administration; support program and/or project management and administration; provide management and support services for Research and Development (R&D) activities; provide engineering and technical support services; or improve the effectiveness of management processes or procedures. The products of advisory and assistance services may take the form of information, advice, opinions, alternatives, analyses, evaluations, recommendations, training, and technical support. Object class 25.1 consists of the following three categories:

Management and Professional Support Service: This category includes funding for contractual services that provide engineering or technical support, assistance, advice, or training for the efficient and effective management and operation of organizations, activities (including management and support services for R&D activities), or systems. These efforts are closely related to the basic responsibilities and mission of the using organization and contribute to improved organization of program management, logistics management, project monitoring and reporting, data collection, budgeting, accounting, performance auditing, and administrative/technical support for conferences and training programs.

Studies, Analyses, and Evaluations: This category includes funding for contractual services to provide organized, analytic assessments to understand or evaluate complex issues to improve policy development, decision making, management, or administration and that result in documents containing data or leading to conclusions or recommendations. Those services may include databases, models, methodologies, and related software created in support of a study, analysis, or evaluation.

Engineering and Technical Services: This category includes funding for contractual services that take the form of advice, assistance, training, or hands-on training necessary to maintain and operate fielded weapon systems, equipment, and components (including software when applicable) at design or required levels of effectiveness.

ADDITIONAL GUIDANCE: Section 911 of Public Law 105-261, “the FY 1999 National Defense Authorization Act” reinstated the exemptions allowed under DoD 4205.2, “DoD Directives Acquiring and Managing Contracted Advisory and Assistance Services (CAAS),” dated February 10, 1992. Therefore, the number of currently authorized exemptions exceeds the number of exemptions as stipulated in the latest OMB Circular A-11 (June 1999).

Instructions for Exhibit PB-15 Advisory and Assistance Services (Continued)

The following exemptions from DoD 4205.2 describe various contracted services that are not advisory and assistance services. Revisions to DoD 4205.2 may change these exemptions. Any such changes will be highlighted in supplemental guidance prior to the program and budget review submission.

- Activities that are reviewed and/or acquired in accordance with the OMB Circular A-76 program.

Architectural and engineering services for construction and construction management services procured in accordance with the Federal Acquisition Regulation (FAR), Part 36. Work not related to construction as defined by Part 36, and that meets the A&AS definition under existing architectural and engineering contracts, shall come under the purview of this Guidance.

Day-to-day operation of facilities (for example, the Arnold Engineering Development Center and related facilities) and housekeeping services and functions (for example, building and grounds maintenance, and physical security).

Routine maintenance of systems, equipment, and software; routine administrative services; printing services; and direct advertising (media) services.

Initial training services acquired as an integral part of the procurement of weapon systems, automated data processing systems, equipment or components, and training obtained for individual professional development.

Basic operation and management contracts for Government-owned, contractor-operated facilities (GOCOs); for example, the Holston Army Ammunition Plant in Kingsport, TN. Any contract action meeting the A&AS definition and procured under the GOCO basic contract shall come under the purview of this Guidance.

Clinical and medical services for direct healthcare.

The ADP and/or telecommunication functions and related services controlled in accordance with Title 41, Federal Information Resources Management Regulation (FIRMR), Code of Federal Regulations, Part 201.

The ADP and/or telecommunications functions and related services exempted from FIRMR control pursuant to Title 10, United States Code (U.S.C.), section 2315 and reported in Budget Exhibit 43a, "Report on Information Technology Systems," of DoD 7110.1-M.

Services supporting the policy development, management, and administration of the Foreign Military Sales Program that are not paid for with funds appropriated by the U.S. Congress. (Includes A&AS funded with appropriated funds and reimbursed by the foreign customer).

Services (for example, systems engineering and technical services) acquired by or for a program office to increase the design performance capabilities of existing or new systems or where they are integral to the logistics support and maintenance of a system or major component and/or end item of equipment essential to the operation of the system before final Government acceptance of a complete hardware system. Care must be exercised to avoid exempting services acquired to advise and assist the program office and/or manager for program and/or contractor oversight and administration processes, resource management, planning and programming, milestone and schedule tracking, or other professional or administrative services necessary in performing its mission.

Research on theoretical mathematics and basic medical, biological, physical, social, psychological, or other phenomena.

Auctioneers, realty-brokers, appraisers, and surveyors.

Services procured with funds from the Defense Environmental Restoration Account.

Instructions for Exhibit PB-15 Advisory and Assistance Services (Continued)

COVERAGE: This reporting requirement covers all DoD appropriations and funds. Consulting services acquired from contracts managed by other Government Agencies and paid for with DoD appropriations **must** be reported.

PREPARATION REQUIREMENTS FOR EXHIBIT PB-15: Each DoD Component must submit the PB-15 exhibit even if they are not procuring advisory and assistance services; negative replies are required. A separate exhibit is required for each appropriation and fund. For annual and multiyear appropriations, planned obligations should be shown in the year of the appropriation rather than the year the obligation is planned. Prior year columns should reflect actual obligations incurred plus additional obligations planned over the remaining life of that fiscal year appropriations. Current and budget year columns should reflect all obligations planned over the life of those appropriations. The Defense Working Capital Fund (DWCF) business areas should identify budgeted obligations in the year those obligations are planned for contracts in support of DWCF activity functions but not those in support of customer workload. The identification of advisory and assistance services in support of appropriations managed by one Component but executed by another Component, fund (e.g., DWCF), or through federally funded research and development centers is the responsibility of the appropriation fund manager. In determining whether a contract is for advisory and assistance services, the contracting or executing organization is not relevant. For example, advisory and assistance services in support of one of the Environmental Restoration transfer appropriations but executed by the Military Departments must be identified in appropriation exhibits submitted for that Environmental appropriation. Each Component will provide overall summary displays for their Component appropriations/funds totals.

SUBMISSION REQUIREMENTS: For the OSD/OMB program and budget review submission, the PB-15 exhibit will be submitted as a separate exhibit. For the President's budget submission to the Congress, the PB 15 exhibit will be included as an exhibit in Volume II - Data Book. Each Military Department and Defense Agency will provide an exhibit for each appropriation/fund. In addition, each Military Department and Defense Agency will provide a consolidated exhibit for all appropriations/funds under their control.

** The PB-15 exhibit should reflect the same resource amounts as identified in Object Class 25.1. Any discrepancies between the PB-15 and Object Class 25.1 must be fully explained. Each PB-15 exhibit is required to contain each appropriation manager's name and telephone number.**

Exhibit PB-16 Legislative Proposals

LEGISLATIVE PROPOSALS
(Dollars in Thousands)

Proposal Number	Proposal Title	APPN(s)	BY1	BY2	BY2+1	BY2+2	BY2+3	BY2+4

- Proposal number should reflect the number assigned via the Office of Legislative Council (OLC) and Unified Legislation and Budgeting (ULB) processes (e.g., MPP-01-B41A, OLC-100).
- Amounts should reflect cost or savings (-) included in the budget submission for proposals to be approved by the Congress.
- Provide a total for each proposal, a total for each appropriation/fund, and a grand total.
- The Component's Budget Review Submission should include all approved proposals submitted through the ULB process.
- The Component's Congressional Justification/Presentation submission should include all proposed legislation submitted through the OLC process, which have not been disapproved.
- The proposals must be fully funded for the budget year(s) and throughout FYDP.
- If the proposal impacts manpower, provide the end strength and workyear adjustments (average strength for military and FTE for civilians) by type of employment status.

Exhibit PB-18 Foreign Currency Exchange Data

Component:
Date: _____

FOREIGN CURRENCY EXCHANGE DATA
FY BY1/FY BY2 Budget Submit/President's Budget
Identify Appropriation
($ in Thousands)

	FY PY		FY CY		FY BY1		FY BY2	
Country	U.S. $ Requiring Conversion	Budgeted Execution Rates	U.S. $ Requiring Conversion	Budgeted Execution Rates	U.S. $ Requiring Conversion	Budgeted Execution Rates	U.S. $ Requiring Conversion	Budgeted Execution Rates
Denmark	1/2/	3/	1/2/	3/	1/2/	3/	1/2/	3/
Euro								
Japan								
Norway								
Singapore								
South Korea								
Turkey								
United Kingdom								
TOTAL								

1./ U.S. dollar value of program purchased with foreign currency at prescribed exchange rate. For the FY PY actual numbers, the value of the overseas program will agree with the obligations incurred at the budget rate reflected on the DD-Comp(M) 1506 report, and the Foreign Currency Fluctuations, Defense Report (MilPers) as of 30 September (See DoDFMR Volume 6A, Chapter 7).

2./ The amounts requiring conversion for military personnel Cost of Living Allowance (COLA) will be the Component's (by country at prescribed rates) amount of COLA payments. Prepare separate exhibits for O&M, COLA and Basic Allowance for Housing (BAH) Overseas estimates. Also include a summary exhibit for the COLA and BAH appropriations.

3./ As prescribed in OSD guidance issued by OUSD (Comptroller) P/B. Express the foreign currency exchange rates in terms of units of foreign currency that can be purchased with one (1) U.S. dollar (e.g., 125.4900 Japanese yen per one U.S. dollar).

Exhibit PB-18 Foreign Currency Exchange Data
(Page 1 of 1)

Exhibit PB-22 Major Department of Defense Headquarters Activities

MAJOR DEPARTMENT OF DEFENSE HEADQUARTERS ACTIVITIES

FY PY Actual					FY CY Estimate				FY BY1 Estimate				FY BY2 Estimate			
Military Avg. Strength	Civ FTEs	Total Mpwr	Total Obligation ($ 000)		Military Avg. Strength	Civ FTEs	Total Mpwr	Total Obligation ($ 000)	Military Avg. Strength	Civ FTEs	Total Mpwr	Total Obligation ($ 000)	Military Avg. Strength	Civ FTEs	Total Mpwr	Total ($ 000)

INSTRUCTIONS

Category/Organization/Appropriation/Fund: This exhibit provides manpower, payroll, and non-labor cost data directly related to the Major Headquarters mission. Data will be displayed by appropriation/fund (including Military Personnel) for all organizations listed in the DoD 5100.73, "DoD Directives Major Department of Defense Headquarters Activities." Deviations from the DoDD 5100.73 must be approved by OSD. Additionally, this exhibit will separately identify the manpower and cost data by Combatant and Non-Combatant Headquarters Activities. The Secretaries of the Military Departments shall provide personnel strength and operating costs in Major DoD Headquarters Activities under their management control. In addition, they shall provide strength and operating costs of Service-provided personnel and funding in the U.S. Combatant Command Headquarters Activities in accordance with Commander-in-Chief programmed and Joint Staff approved levels. Service personnel and funding for the U.S. Special Operations Command shall be coordinated with the Commander-in-Chief, Special Operations Command (CINCSOC). Resources for International Military Headquarters are **not** to be reported in this exhibit; these costs are to be reported on the PB-55, International Military Headquarters below. A narrative explanation is required for all increases and decreases. Non-labor costs that are not directly related to the Major Headquarters mission such as Pentagon Renovation should not be reported in this exhibit. Components should footnote the items that are excluded. Organizations will be displayed according to the following categorization of Major Headquarters Activities. Manpower and TOA will be identified by appropriation or fund for each major headquarters category.

I. Combatant Major Headquarters Activities
   1. Combatant Commands*
   2. Service Combatant Commands*

II. Non-Combatant Major Headquarters Activities
   Defense-Wide Activities
      a. Departmental Activities
      b. Departmental Support Activities
      c. Functional Activities (Defense Agencies, Other)

III. Military Department Activities*
      a. Departmental Activities
      b. Departmental Support Activities
      c. Functional Activities

Total Summary by Category (i.e., Combatant/non-Combatant Commands) and by appropriation.

Exhibit PB-22 MAJOR DEPARTMENT OF DEFENSE HEADQUARTERS ACTIVITIES (Continued)

IV. Reconciliation of Increases and Decreases

* To include direct reporting units, as appropriate.

Under "Total Obligations" TOA should be limited to costs directly in support of major headquarters and should not include operational elements of expense for programs centrally funded or managed at the headquarters but executed elsewhere in the Department. Classified data will be reported.

Under each appropriation/fund, manpower strengths and funds will be identified as direct or reimbursable.

Totals will be provided by categories listed above, e.g., Combatant Commands, Service Combatant Commands, etc.

Revolving funds that support headquarters activities will be reflected in the same fashion as appropriated funds.

A total summary by appropriation/fund and category (Combatant/Non-Combatant) must be provided.

National Guard and Reserve officers serving on active duty and performing duties described in 10 U.S.C. 10211 will be excluded from this exhibit.

Numbers reported in this exhibit must be consistent with the numbers reported in the Components' budgets and accompanying the FYDP, as identified by program elements designated as major headquarters activities.

THIS EXHIBIT IS REQUIRED WITH THE PROGRAM AND BUDGET REVIEW SUBMISSION AND WITH THE PRESIDENT'S BUDGET SUBMISSIONS. HOWEVER, FOR THE PRESIDENT'S BUDGET SUBMISSION, THIS EXHIBIT MUST BE PROVIDED TO THE OPERATIONS DIRECTORATE NO LATER THAN JANUARY 22 IN ORDER TO BE INCLUDED IN THE "OPERATION AND MAINTENANCE OVERVIEW" JUSTIFICATION BOOK.

POC: Phone No.

Exhibit PB-23 Acquisition, Technology and Logistics Workforce Transformation Program

Component
Acquisition and Technology Work Force Manpower
(Active-duty Military End Strength and Civilian Full-Time Equivalents (FTEs))

	PY-1		PY		CY		BY1		BY2		BY2+1		BY2+2		BY2+3		BY2+4	
Category	**Mil**	**Civ**	**Mil**	**Civ**	**Mil**	**Civ**	**Mil**	**Civ**	**Mil**	**Civ**	**Mil**	**Civ**	**Mil**	**Civ**	**Mil**	**Civ**	**Mil**	**Civ**
Program Management																		
Contracting																		
Industrial and Contract Property Management																		
Purchasing																		
Acquisition Logistics																		
Business, Cost Estimating, Financial Management																		
Auditing																		
Information Technology																		
Manufacturing, Production and Quality Assurance																		
Test and Evaluation																		
Systems Planning, Research, Development and Engineering																		
Facilities Engineering																		
Other																		
TOTAL																		

Acquisition, Technology and Logistics Workforce Transformation Program (Continued)
(TOA, Dollars in Thousands)

Military Personnel and Civilian Pay (TOA, Dollars in Thousands):
Military Personnel
Civilian Personnel
TOTAL

Targeted Workforce Improvement Initiatives (TOA, Dollars in Thousands)
1. Recruiting
2. Hiring
3. Career Development
4. Workforce Information
5. Retention

TOTAL

Explanation of Changes Between Fiscal Years: (Provide an explanation of increases and decreases between fiscal years.)

Exhibit PB-23 Acquisition, Technology and Logistics Workforce Transformation Program (Continued)

Acquisition, Technology and Logistics Workforce Transformation Program Exhibit Instructions

Background: Section 912(b) of the National Defense Authorization Act for FY 1998 required the DoD to adopt and implement a new definition of the Defense acquisition workforce. This new definition is based on specified organizational and occupational criteria that are described in the Jefferson Solutions technical report "Identification of the DoD Key Acquisition and Technology Workforce, DASW01-98-C-0010, May 1999." This report is available from the DoD Acquisition Education, Training, and Career Development office at (703) 681-3464.

The final report of the Defense Acquisition 2005 Task Force, entitled "Shaping the Civilian Acquisition Workforce of the Future," set forth many recommendations aimed at improving the workforce. The report included 31 initiatives, the first of which was to develop and implement human capital strategic plans. The Components have begun to develop strategic plans. Other important initiatives related to recruiting, hiring, career development, workforce information, and retention. In March 2002, the Department reported to the Congress on the status of these recommendations and indicated that many are now being implemented.

Display: In order to provide the required congressional reports, the acquisition, technology and logistics workforce must be identified. Therefore, each Component is required to submit the exhibit PB-23. This exhibit must be submitted for both the Program and Budget Review Submission and the President's Budget. This exhibit displays manpower categories (active-duty military end-strength (E/S) and civilian full-time equivalents (FTEs)) by career field for each fiscal year. In addition to meeting congressional reporting requirements, this information will provide insights about how the Components plan to transform their workforces consistent with the Department's overall transformation program. The exhibit also displays funding for a selected group of the Task Force's initiatives currently in implementation. This exhibit is submitted on-line using the Select & Native Programming Data Input System (SNaP) located at: http://snap.pae.osd.smil.mil. **Note:** The SNaP system operating instructions as specified in the Programming and Budgeting Data Requirements on the SNaP system will supersede the instructions identified in this document if they are different.

Each Component must provide manpower for the designated career fields for each fiscal year, along with the TOA associated with the workforce. In addition, the Components are encouraged, but not required, to provide funding information for the specified initiatives. However, a total funding level for the entire package of specified initiatives is required. Recruiting initiatives focus on marketing and the Student Educational Employment Program, along with administrative requirements to support the program. Hiring initiatives will address bonus programs, payments for permanent change of station, student loan repayment, and supporting administrative costs. Career development includes training, continuous learning, assignment and rotation programs, industry exchanges and related administrative costs. Workforce information initiatives relate to tracking and reporting systems and programs to promote workforce communications. Retention initiatives include bonuses, annual awards, telecommuting programs, programs to fund licenses, and supporting administrative programs.

Negative replies are required.

Exhibit PB-24 Professional Military Education Schools

PROFESSIONAL MILITARY EDUCATION SCHOOLS
SERVICE_____
SCHOOL_____

(Provide a separate exhibit for each school)

I. Narrative Description (Statement of Requirements and Mission):

II. Description of Operations Financed: Provide a description of what is funded below. Include the course length and frequency. Indicate whether or not short courses, correspondence courses, and non-resident courses are included. Indicate other activities funded by the school such as wargaming facilities and other support activities.

III. Financial Summary ($ Thousands):

		FY CY						
	FY PY	Budget Request	Appn	Current Estimate	FY BY1 Estimate	FY BY2 Estimate	FY CY/FY BY1 Change	FY CY/FY BY2 Change
Mission (O&M)								
Base Operations								
Military Personnel								
O&M								
Military Personnel 1/								
School Personnel								
Total Direct Program								
Total Reimbursable Program 2/								
Total Direct and Reimbursable								

1/Use standard rates (i.e. average cost per officer and average cost per enlisted) to calculate military personnel assigned.

2./As a minimum, include costs of courses that are being reimbursed from acquisition training funds and reimbursement from Foreign Military Sales (FMS). Identify reimbursements from acquisition training separately.

Provide a description of changes between the current year (CY) appropriation and current estimate as well as between the current year (CY) and the budget year 1 (BY1) and between the BY1 and budget year 2(BY2).

Exhibit PB-24 Professional Military Education Schools (Continued)

PROFESSIONAL MILITARY EDUCATION SCHOOLS (Continued)

SERVICE_____

SCHOOL_____

IV. Performance Criteria and Evaluation:

	FY PY	FY CY Estimate	FY BY1 Estimate	FY BY2 Estimate	FY CY/FY BY1 Change	FY CY/FY BY2 Change
Direct Funded:						
Student Input						
Student Load						
Graduates						
Reimbursable Funded:						
Student Input						
Student Load						
Graduates						

Average Cost per Student Load (Total Direct and Reimbursable from Part III divided by the total direct and reimbursable student load.)

Include student input, load, and graduates for resident course only.

III. Personnel Summary: (Exclude students)

		FY CY					
	FY PY	Budget Request	Appn	Current Estimate	FY BY1 Estimate	FY BY2 Estimate	FY CY/FY BY1 Change	FY CY/FY BY2 Change
Military End Strength (Total)								
Officers								
Enlisted								
Military Average Strength (Total)								
Officers								
Enlisted								
Civilian End Strength (Total)								
USDH								
Civilian FTEs (Total)								
USDH								

Exhibit PB-24 Professional Military Education Schools (Continued)

Instructions for Professional Military Education (PB-24) (Continued)

A Separate Exhibit is to be submitted for each of the following schools:

Industrial College of the Armed Forces
National War College
Army Sergeants Major Academy
Army Command and General Staff College
Army War College
Army Management Staff College
College of Naval Command and Staff
College of Naval Warfare
Naval Postgraduate School
Navy Senior Enlisted Academy
Marine Corps Staff NCO Academy
Marine Corps Command and Staff College
Air Force Senior NCO Academy
Air Command and Staff College
Air War College
Air Force Institute of Technology

In addition, the Army will provide a consolidated exhibit for the National Defense University.

This exhibit is required for the Program and Budget Review Submission and the President's budget submission.

Exhibit PB-25 Host Nation Support

HOST NATION SUPPORT (HNS) COST EXHIBIT 1/
FY BY1/FY BY2 PRESIDENT'S BIENNIAL BUDGET

COUNTRY (And SUMMARY) _____ DOD COMPONENT _____
($ in Millions)

I. GENERAL INFORMATION	FY PY	FY CY	FY BY1	FY BY2
A. Exchange Rate Used				
B. Inflation Rates Used				
1. Labor				
2. Non-Labor				
II. DIRECT SUPPORT				
A. Rent				
B. Labor				
1. Foreign National Labor Cost Sharing				
2. Percent of Labor Covered				
3. Katusa Labor (Korea Only)				
C. Utilities				
1. Dollar Value of Hns				
2. Percent of Utilities Covered				
D. Facilities				
1. Sustainment, Restoration and Modernization (SRM)				
2. Facilities Improvement Program				
3. Relocation Construction				
4. Other (List)				
E. Miscellaneous (List)				
Total				

Memo - Identify Amount Of Cash Contribution Included Above.

Exhibit PB-25 Host Nation Support (Continued)

HOST NATION SUPPORT (HNS) COST EXHIBIT 1/
FY BY1/FY BY2 PRESIDENT'S BIENNIAL BUDGET

COUNTRY (And SUMMARY) _____ DOD COMPONENT _____

	FY PY	FY CY	FY BY1	FY BY2
III. END STRENGTH (E/S)				
A. Foreign National Direct Hires				
1. E/S Funded Solely By U.S. 2/				
2. E/S Funded By Host Nation Cash Payments To U.S.				
3. E/S Funded By Host Nation Assistance-In-Kind				
B. Foreign National Indirect Hires				
1. E/S Funded Solely By U.S. 2/				
2. E/S Funded By Host Nation Cash Payments To U.S.				
3. E/S Funded By Host Nation Assistance-In-Kind				
C. U.S. Direct Hires				
1. E/S Funded Solely By U.S. 2/				
2. E/S Funded By Host Nation Cash Payments To U.S.				
3. E/S Funded By Host Nation Assistance-In-Kind				
D. Total Hires				
1. E/S Funded Solely By U.S. 2/				
2. E/S Funded By Host Nation Cash Payments To U.S.				
3. E/S Funded By Host Nation Assistance-In-Kind				

Exhibit PB-25 Host Nation Support (Continued)

HOST NATION SUPPORT (HNS) COST EXHIBIT 1/
FY BY1/FY BY2 PRESIDENT'S BIENNIAL BUDGET

COUNTRY (And SUMMARY) _____ DOD COMPONENT _____

	FY PY	FY CY	FY BY1	FY BY2
IV. FULL-TIME EQUIVALENTS (FTEs)				
A. Foreign National Direct Hires				
1. FTEs Funded Solely By U.S. 2/				
2. FTEs Funded By Host Nation Cash Payments To U.S.				
3. FTEs Funded By Host Nation Assistance-In-Kind				
B. Foreign National Indirect Hires				
1. FTEs Funded Solely By U.S. 2/				
2. FTEs Funded By Host Nation Cash Payments To U.S.				
3. FTEs Funded By Host Nation Assistance-In-Kind				
C. U.S. Direct Hires				
1. FTEs Funded Solely By U.S. 2/				
2. FTEs Funded By Host Nation Cash Payments To U.S.				
3. FTEs Funded By Host Nation Assistance-In-Kind				
D. Total Hires				
1. FTEs Funded Solely By U.S. 2/				
2. FTEs Funded By Host Nation Cash Payments To U.S.				
3. FTEs Funded By Host Nation Assistance-In-Kind				

Exhibit PB-25 Host Nation Support (Continued)

HOST NATION SUPPORT (HNS) COST EXHIBIT 1/
FY BY1/FY BY2 PRESIDENT'S BIENNIAL BUDGET

COUNTRY (And SUMMARY) _____ DOD COMPONENT _____
($ in Millions)

	FY PY	FY CY	FY BY1	FY BY2
V. TOTAL COMPENSATION 3/				
A. Foreign National Direct Hires				
1. FTEs funded solely by U.S. 2/				
2. FTEs funded by host nation cash payments to U.S.				
3. FTEs funded by host nation assistance-in-kind				
B. Foreign National Indirect Hires				
1. FTEs funded solely by U.S. 2/				
2. FTEs funded by host nation cash payments to U.S.				
3. FTEs funded by host nation assistance-in-kind				
C. U.S. Direct Hires				
1. FTEs funded solely by U.S. 2/				
2. FTEs funded by host nation cash payments to U.S.				
3. FTEs funded by host nation assistance-in-kind				
D. Total Hires				
1. FTEs funded solely by U.S. 2/				
2. FTEs funded by host nation cash payments to U.S.				
3. FTEs funded by host nation assistance-in-kind				

1./The HNS is defined as those amounts paid in cash to the U.S. or provided as assistance-in-kind by a Host Nation to defray the costs of U.S. forces permanently assigned in that country during peacetime. Assistance-in-kind (AIK) includes any support provided without charge by the Host Nation (i.e., Japanese local national labor cost sharing). This exhibit is to be completed by country. Part II of the Exhibit is to be completed by country by appropriation. Additionally, complete the exhibit summarizing data for all countries. Similarly, provide a summary of Part II by appropriation. Cost and civilian end strength estimates are to reflect host nation support contributions only for activities supported by appropriated funds.

2./ Excludes non-appropriated funded activities.

3./ Personnel costs are to be consistent with OP-8 budget exhibits.

Exhibit PB-25 Host Nation Support (Continued)

DEFINITIONS

Exchange Rate Used – Rates should be based on approved budgeted rates.

Inflation Rates Used - Indicate the inflation factor used in all calculations provided in the HNS exhibit. If there is a different rate used within non-labor categories, list the items separately. Be sure all amounts shown are adjusted for inflation.

DIRECT SUPPORT
Rents - The amount of lease/rental payments by the Host Nation Government for the use of private property by U.S. forces.

Labor - The amount of payments by the Host Nation for U.S. Direct Hires, Foreign National Direct Hires, and Foreign National Indirect Hires.

Percent of Labor Covered Under Agreement - Indicate the percentage of U.S. forces labor costs paid by HNS.

KATUSA Labor - This category is for Korea only and is the amount of payments made by Korea for Korean Augmentees to the U.S. Army.

Utilities - The amount of payments by the Host Nation for U.S. forces use of on-base and off-base electricity, heating fuels, water, and sewer. Indicate the percentage of U.S. forces utility costs paid by HNS.

Facilities - The amount of Host Nation payments for the planning, design, construction (PDC) and sustainment and repair of facilities used by U.S. forces. Host nation payment for residual value of property turned over to host nations due to base closures is not to be included as HNS.

Maintenance and Repair - The amount of Host Nation payments for the maintenance and repair of U.S. forces' facilities.

Facilities Improvement Program - The amount of Host Nation payments for facilities for the PDC of projects such as family and bachelor housing, community support and recreation facilities, and utilities upgrade. It also includes operational support facilities such as hangars and hardened aircraft shelters.

Relocation Construction - The amount of payments by the Host Nation for facilities for the PDC of projects associated with the relocation of U.S. forces primarily for the convenience of the Host Nation.

Instructions for completing the PB-28 Exhibits

1. Purpose.

The Department will collect both program and budget data through the SNaP (Select & Native Programming Data Input System) process. The Military Departments and applicable Defense Agencies will update the SNaP immediately upon completion of the program/budget decisions and budget lock by the Department. The SNaP system will reformat the data into congressional justification exhibits, which can be printed out by the respective Components and included in their justification materials. For Environmental Quality, Environmental Technology and Operational Range Sustainment and Environmental Management the Programming and Budgeting Data Requirements (PBDR) will be collected in PBDR exhibits PB- 28, PB-28A and PB-28B. Components shall submit their exhibits through the Select and Native Data (SNaP) Input System located on the NIPRNet at https://snap.pae.osd.mil and on the SIPRNet at https://snap.pae.osd.smil.mil. The most current version of this exhibit will be found at these sites.

2. Coverage.

For the PB-28, each Component will be asked to enter data for each appropriation/fund inside the United States and territories as well as for each appropriation/fund for foreign (i.e. outside the United States and Territories) for cleanup activities overseas. (That is, those activities that would be funded in the Environmental Restoration Accounts if they occurred inside the United States).

3. Submission Requirements.

The PBDR data is to be submitted for the joint program/budget review and the President's Budget Submission. The DoD Components shall prepare and submit separate narrative justification material for their respective programs. The narrative material shall describe significant and unique items contained in the material including at a minimum the following:

- justification supporting changes between fiscal years.
- amount of funds allocated for compliance actions related to operational, test and training ranges (e.g. Clean Water Act funds allocated to respond to compliance action at a training range)

For Environmental Technology funding, the SNaP system will obtain funding information from the FYDP database by program element and project number.

The data entry sheets required for the SNaP system for Environmental Quality are included on the following pages. Following the SNaP data entry sheets are examples of the PB-28, PB-28A and PB-28B exhibits produced by SNaP for congressional justification.

Exhibit PB-28 Funds Budgeted for Environmental Quality

Class	Component	Location	EnvironmentalActivityCostType	EnvironmentalCosts	ProgramElement TreasuryCode	TreasuryCode ProgramElement	FY2006	FY2007

FY2008	FY2009	FY2010	FY2011	FY2012	FY2013

Instructions

1) Provide domestic and foreign environmental quality costs for compliance, pollution prevention, and conservation by program element and resource type by Environmental Cost and Program categories described below.
2) Provide narrative in word document explaining program changes between fiscal years by compliance, pollution prevention, and conservation.
3) See Appendix A for reporting requirements for your organization

Definitions

Class: System Field: Classification

C: CONFIDENTIAL
C/NF: CONFIDENTIAL//NOFORN
F: FOR OFFICIAL USE ONLY
S: SECRET
S/NF: SECRET//NOFORN
U: UNCLASSIFIED

Component: Identifies the duty status for military service units and defense agencies.

Active:
DADW: Defense Area Defense Wide. Used by non-service defense agencies.
Guard:
Reserve:

Location:

Domestic: Inside the United States, District Of Columbia and U.S. Territories.
Foreign: All areas outside Domestic

EnvironmentalActivityCostType:

Compliance Non-Recurring: Compliance is as defined in DODI 4715.6, of April 24, 1996 Environmental Compliance. Include one-time costs associated with meeting federal, state, or locally directed requirements.
Compliance Recurring: Compliance is as defined in DODI 4715.6, of April 24, 1996 Environmental Compliance. Includes ongoing costs for items such as manpower; education and training; permits and fees; sampling analysis and monitoring; supplies; data management, and recurring reporting, etc.
Conservation Non-Recurring: Conservation is as defined in DODI 4715.3, of May 3, 1996 Environmental Conservation Program. Include one-time costs associated with meeting federal, state, or locally directed requirements.
Conservation Recurring: Conservation is as defined in DODI 4715.3, of May 3, 1996 Environmental Conservation Program. Include ongoing costs for manpower, education and training; permits and fees, supplies, travel, data management, recurring reporting, and recurring updates for plans.
Pollution Prevention Non-Recurring: Pollution Prevention is as defined in DODI 4715.4, of June 18, 1996 Pollution Prevention. Include one-time costs associated with meeting federal, state, or locally directed requirements.

Pollution Prevention Recurring: Pollution Prevention is as defined in DODI 4715.4, of June 18, 1996 Pollution Prevention. Include ongoing costs for manpower; education and training; supplies, travel, data management, recurring reporting, recurring updates for plans, and operating recycling facilities, etc.

EnvironmentalCosts:

Clean Air Act: Costs associated with this title are to be captured in Non-Recurring Compliance or Non-Recurring Pollution Prevention, as appropriate.

Clean Water Act: Costs associated with this title are to be captured in Non-Recurring Compliance or Non-Recurring Pollution Prevention, as appropriate.

Conservation Recurring: Include ongoing costs for manpower education and training at the aggregate level and at the program area. Include ongoing costs for permits and fees, supplies, travel, data management, and recurring reporting.

Education & Training: Costs associated with education and training of personnel in environmental programs (including compliance, pollution prevention and conservation).

Environmental Management Systems (EMS): Costs required to implement and maintain an EMS in accordance with DoD requirements. Includes cost for EMS audits, conformance declaration, and registration if applicable.

Hazardous Material Reduction: Efforts to reduce the use of pollutant-producing products and hazardous materials.

Historical & Cultural Resources: Baseline inventories of historic buildings, structures, and historical and archeological sites/environmental analyses to assess and mitigate potential cultural resource adverse actions. Mitigation to meet existing permit conditions or written agreements. Initial archeological materials curation. Development of integrated Cultural Resources Management Plans; and consultations with Native American Groups.

Manpower: All recurring government (civilian and Military manpower costs) and contractor costs applicable to management of the environmental quality program (including Compliance, Pollution Prevention, and Conservation).

Other Compliance Non-Recurring: Costs for Radon/Asbestos investigations and mitigation including facility demolition (if greater than 50% of the cost is required to meet Environmental Compliance standards). Also include Spill Response Plans, (other than Cleanup requirements, e.g. initial preparation of spill response plans); action to prevent pollution from ships; Toxic Substance Control Act compliance; and Federal Insecticide, Fungicide, Rodenticide Act Compliance (upgrade of pesticide storage facilities to meet regulatory standards).

Other Compliance Recurring: Those costs for supplies (Spill team equipment, labels, drums, updating recurring plans such as Spill Response Plans, manifests, etc.). It also includes travel, National Pollution Discharge Elimination System permit records/reporting; biannual Hazardous Waste reporting (Resource Conservation Recovery Act Subtitle C); Clean Air Act inventories (routine/recurring reporting); Federal Insecticide, Fungicide, Rodenticide Act reporting; and Environmental Self-Assessments, etc.

Other Natural Resources Non-Recurring: Management plans; develop other biological resource management plans; biodiversity conservation requirements; ecosystem management requirements; habitat restoration; public awareness/outreach related to specific legal requirements.

Other Pollution Prevention Non-Recurring: This includes efforts to prepare and implement an acquisition strategy for Alternative Fueled Vehicles, (excludes AFV purchases or lease); conversion of regular vehicles to alternative fuels; source protection plans for safe drinking water; and other P2 efforts that do not fit in other categories.

Other Pollution Prevention Non-Recurring: This includes efforts to prepare and implement an acquisition strategy for Alternative Fueled Vehicles, (excludes AFV purchases or lease); conversion of regular vehicles to alternative fuels; emerging contaminants initiatives; and other P2 efforts that do not fit in other categories

Overseas Clean-Up: One-time costs associated with meeting clean-up requirements directed in the Overseas Environmental Baseline Guidance Document and/or Final Governing Standards. (These costs would be paid for with Environmental Restoration Account funds if inside the United States. Additionally, they are a non-add memo entry only and are a subset of the foreign costs reported in the Non-Recurring Compliance headings.)

Permits & Fees: Costs of environmental permits, licenses and fees to operate the Environmental Compliance program.

Planning: Nonrecurring costs to meet federally directed requirements in the National Environmental Policy Act.

Pollution Prevention Recurring: Ongoing costs for supplies, travel, data management, and recurring reporting

RCRA C-Hazardous Waste: Costs associated with this title are to be captured in Non-Recurring Compliance or Non-recurring Pollution Prevention, as appropriate.

RCRA D-Solid Waste: Costs associated with this title are to be captured in Non-Recurring Compliance or Non-recurring Pollution Prevention, as appropriate.
RCRA I-Underground Storage Tanks: Costs associated with this title are to be captured in Non-Recurring Compliance or Non-recurring Pollution Prevention, as appropriate.
Safe Drinking Water Act: Costs associated with this title are to be captured in Non-Recurring Compliance or Non-recurring Pollution Prevention, as appropriate. Compliance may be upgrading drinking water systems to meet environmental standards, e.g., backflow preventers. Pollution Prevention efforts may be well head protection efforts to prevent pollution of drinking water sources.
Sampling, Analysis & Monitoring: The recurring cost that satisfy such requirements in environmental permits.
Threatened & Endangered Species: Threatened and Endangered Species and habitat inventories; biological assessments, surveys, or habitat protection for a specific listed species; mitigation to meet existing biological opinions/written agreements, including INRMPs; developing Endangered Species Management Plans.
Waste Disposal: The disposal of Federal and State regulated hazardous waste and disposal of excess depleting substances in the DLA stockpile. Include only those costs associated with packaging for transportation, treatment/disposal of hazardous waste and other special services that are paid for through a Hazardous Waste Disposal Vehicle (either through a Defense Reutilization and Marketing Service or directly). Do not include in-house costs such as manpower, supplies, or equipment purchase/maintenance
Wetlands: Inventory and delineation of wetlands; wetlands mitigation to meet permit conditions/written agreements; as well as enhancements to meet Executive Order 11990 provision for "no net loss".

TreasuryCode: Treasury Code is a defined set of four-to-six digit numeric codes from the Comptroller that identifies resource types. The list of Treasury Code values is located on the PDR Info page of the SNaP website (https://SNaP.PAE.OSD.MIL).

ProgramElement: The Program Element is a primary data element in the Future Years Defense Program (FYDP) and generally represents aggregations of organizational entities and related resources. The PE is up to ten-digits in length, a seven-digit numeric identifier followed by up to three-digits alphanumeric code for FYDP organizations.

Business Rules

Data Matrix: Environmental Activity Cost Type, Environmental Costs Relationship

Environmental Activity Cost Type	Environmental Costs
Compliance Recurring	Manpower
	Education & Training
	Environmental Management Systems
	Permits & Fees
	Sampling, Analysis & Monitoring
	Waste Disposal
	Other Compliance Recurring
Compliance Non-Recurring	RCRA C-Hazardous Waste
	RCRA D-Solid Waste
	RCRA I-Underground Storage Tanks
	Clean Air Act
	Clean Water Act
	Environmental Management Systems

Environmental Activity Cost Type	Environmental Costs
Compliance Non-Recurring	Planning
	Safe Drinking Water Act
	Other Compliance Non-Recurring
	Overseas Clean-Up
Pollution Prevention Recurring	Pollution Prevention Recurring
	Environmental Management Systems
	Manpower
	Education & Training
Pollution Prevention Non-Recurring	RCRA C-Hazardous Waste
	RCRA D-Solid Waste
	Clean Air Act
	Clean Water Act
	Environmental Management Systems
	Hazardous Material Reduction
	Safe Drinking Water Act
	Other Pollution Prevention Non-Recurring
Conservation Recurring	Conservation Recurring
	Manpower
	Education and Training
Conservation Non-Recurring	Threatened & Endangered Species
	Wetlands
	Other Natural Resources Non-Recurring
	Historical & Cultural Resources

***Subject Matter Experts*:** Questions regarding this data requirement should be directed to **Trish Huheey 703-604-1846** and **Mr. Shah Choudhury, 703-571-9067**. ***Technical Issues*:** If you are having difficulty with the data collection system—SNaP, contact the SNaP administrators via the SIRS button at the SNaP web site: https://snap.pae.osd.mil or call (703) 601-4860 EXT #107 OR #108.

Exhibit PB-28A Environmental Technology

Class	TreasuryCode	BACode	EnvironmentalProgram	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013

Instructions

1) Provide total costs by appropriation and Environmental Program (i.e., Cleanup, Pollution Prevention, Compliance, Conservation, and Unexploded Ordnance) associated with the Environmental Technology Program.
2) Separately identify appropriation amounts by the budget activity code (BA1, BA2, etc.) for each Environmental Program.
3) Provide explanatory narrative in word document explaining program changes between fiscal years by environmental program.
4) OSD will separately identify SERDP and ESTCP amounts and the Military Departments are not to include these amounts in their program.
5) See Appendix A for reporting requirements for your organization.

Definitions

Class: System Field: Classification

C: CONFIDENTIAL
C/NF: CONFIDENTIAL//NOFORN
F: FOR OFFICIAL USE ONLY
S: SECRET
S/NF: SECRET//NOFORN
U: UNCLASSIFIED

TreasuryCode: Treasury Code is a defined set of four-to-six digit numeric codes from the Comptroller that identifies resource types. The list of Treasury Code values can be found on the SNaP web site website by clicking the "Instructions" tab, then selecting the "Documents". (https://SNaP.PAE.OSD.MIL).

3400:
1319:
3020:
3010:
0400:
2040:
3600:

BACode: Budget Activity is a two-digit identifier for the categories within each appropriation and fund account to identify the purposes, projects, or types of activities financed by the appropriation fund. The list of BA Code values can be found on the SNaP web site website by clicking the "Instructions" tab, then selecting the "Documents" item. (https://SNaP.PAE.OSD.MIL).

05:
04:
03:
02:
20:
01:
07:
06:

EnvironmentalProgram: Environmental Technology Programs

Cleanup: Cleanup is as defined in DODI 4715.7 of April 22, 1996. Include funding for innovative environmental technologies that improve the restoration process.

Compliance: Compliance is as defined in DODI 4715.6, of April 24, 1996, Environmental Compliance. Include funding for innovative environmental technologies that improve Compliance.

Conservation: Conservation is as defined in DODI 4715.4, of May 3, 1996, Environmental Conservation Program. Include funding for innovative environmental technologies that enhance the protection of natural and cultural resources, thereby sustaining mission readiness.

Pollution Prevention: Pollution Prevention is as defined in DODI 4715.4, of June 18, 1996, Pollution Prevention. Include funding for innovative environmental technologies that reduce or eliminate pollution.

Unexploded Ordnance: Unexploded ordnance (UXO) is as defined in 10U.S.C. 101(e)(5). Include funding for innovative environmental technologies that improve the UXO screening, detection, discrimination and recovery process.

Business Rules

***Subject Matter Experts*:** Questions regarding this data requirement should be directed to **Ms. Trish Huheey, 703-604-1846** and **Mr. Shah Choudhury, 703-571-9067**.

***Technical Issues*:** If you are having difficulty with the data collection system—SNaP, contact the SNaP administrators via the SIRS button at the SNaP web site: https://snap.pae.osd.mil or call (703) 601-4860 ext. #107 or #108.

Exhibit PB-28B Munitions Response at Operational Ranges

Class	Component	RangeLocation	RangePrograms	RangeManagementActivities	RangeResourceDetail	FY2006	FY2007	FY2008	FY2009	FY2010

FY2011	FY2012	FY2013

Instructions

1) Report Range and Resource Detail for all operational test and training ranges to include active and inactive ranges as defined in Title 10USC, Section 101(e) (as revised by FY04 NDAA, Sec 1042).
2) For the Range Program -- Range inventory, report the following range detail—Number (#) of Ranges, Number (#) of Acres (Land Ranges), Number (#) of Square Miles (Water Ranges). Number (#) of Ranges with Environmental Range Assessments and Number (#) of Acres with Environmental Range Assessments (Land ranges), and Number (#) of Square Miles with Environmental Range Assessments (Water ranges).
3) The total number of Ranges Assessed cannot exceed the total number of Ranges. The total number of Acres Assessed cannot exceed the total number of Acres.
4) Enter the cumulative number of Ranges and Acres that either have been assessed or will be assessed by the end of each fiscal year shown.
5) Military Departments by Component and appropriate Defense Agencies report ranges in Acres and funds in $Thousands
6) Provide narrative in a Microsoft Word document that describes program changes and unfunded requirements.
7) This document is non-additive to the amounts displayed in Exhibit PB-28 Funds Budgeted for Environmental Quality. It displays the environmental funds dedicated to sustaining ranges but does not remove them from reporting under PB28.
8) The intent of this exhibit is to capture and display the identifiable environmental investments in Operational ranges, as part of the Training Range Sustainment Plan called for in Section 366 of the FY 2003 National Defense **Authorization Act. 7)**

Definitions

Class: System Field: Classification
- ***C***: CONFIDENTIAL
- ***C/NF***: CONFIDENTIAL//NOFORN
- ***F***: FOR OFFICIAL USE ONLY
- ***S***: SECRET
- ***S/NF***: SECRET//NOFORN
- ***U***: UNCLASSIFIED

Component: Military Departments report by Active, Guard and Reserve. Defense Agencies choose Defense Agency.
- ***Active***:
- ***DADW***: Defense Area Defense Wide. Used by non-service defense agencies.
- ***Guard***:
- ***Reserve***:

RangeLocation:
- ***Domestic***: United States, District of Columbia, and U.S. Territories.
- ***Foreign***: All areas outside Domestic.

RangePrograms:
- ***Range Assessments***: Any assessment to determine the extent of environmental effects due to operational range activities.
- ***Range Inventory***: Number and size of ranges total and those surveyed.

Range Response Actions: Actions to remediate munitions constituents or other contaminants that will have a deleterious effect on human health or the environment.

Range Sustainment Actions: Environmental Sustainment actions taken to preserve ranges over their perpetual life.

RangeManagementActivities:

All Environmental Range Response Actions: Any and all one-time actions to address the removal of munitions constituents or other environmental contamination on ranges, or to prevent release off of an operational range, including the design and implementation of response action. (Do not include cleanup actions covered under the Environmental Restoration Accounts – report these on Exhibit ENV 30).

Environmental Range Assessments: Any environmental assessment to determine the extent of environmental effects due to training and testing range activities, including any sampling, monitoring or analysis involved in the effort.

Integrated Natural Resource Management Plans: (including Sikes Act requirements) Identify any natural resource planning costs (including Integrated Natural Resource Management Plan (INRMP) costs) required to address Sustainment of operational ranges, including projects called for in signed INRMPs.

Land Ranges:

Other Range Assessment Costs: Any other assessment costs necessary to determine and document the extent of environmental effects of operational range activities

Other Sustainment Actions: Any other assessment costs necessary to determine and document the extent of environmental effects of operational range activities.

Water Ranges:

RangeResourceDetail:

 # Acres with Environmental Range Assessments: The total number of acres on ranges where environmental range assessments have occurred or will occur in the future by fiscal year.

# of Acres: The total number of acres on the operational ranges, as defined in 10USC, Section 101(e).

# of Ranges: The total number of operational ranges under the jurisdiction, custody or control of the Component. Includes all designated land and water areas set aside, managed and used for range activities.

# of Square Miles:

 # Ranges with Environmental Range Assessments: The total number of operational ranges where Environmental Range Assessments have or will occur, by fiscal year.

DWCF:

MilCon:

MilPers:

O&M:

Proc:

RDT&E:

Business Rules

1) MilCon is not an accepted resource type for the Range Program--Range Management.

2) Number of Ranges and Acres are reported with an Activity of Physical Detail and Range Program of Range Inventory only.

Data Matrix: Range Programs, Range Management Activities, Range Resources Detail Relationship

RANGE PROGRAMS	RANGE MANAGEMENT ACTIVITIES	RANGE RESOURCE DETAIL
Range Inventory	Land Ranges	# of Ranges
	Land Ranges	# of Acres
	Land Ranges	# Ranges with Environmental Range Assessments
	Land Ranges	# Acres with Environmental Range Assessments
	Water Ranges	# of Ranges
	Water Ranges	# of Square Miles
Range Assessments	Environmental Range Assessments	O&M
	Environmental Range Assessments	RDT&E
	Environmental Range Assessments	Proc
	Environmental Range Assessments	DWCF
	Environmental Range Assessments	MilPers
	Other Range Assessment Costs	O&M
	Other Range Assessment Costs	RDT&E
	Other Range Assessment Costs	Proc
	Other Range Assessment Costs	DWCF
	Other Range Assessment Costs	MilPers
Range Response Actions	All Environmental Range Response Actions	O&M
	All Environmental Range Response Actions	MilCon
	All Environmental Range Response Actions	DWCF
	All Environmental Range Response Actions	RDT&E
	All Environmental Range Response Actions	Proc
	All Environmental Range Response Actions	MilPers
Range Sustainment Actions	Integrated Natural Resource Management Plans	O&M
	Integrated Natural Resource Management Plans	MilCon
	Integrated Natural Resource Management Plans	RDT&E
	Integrated Natural Resource Management Plans	Proc
	Integrated Natural Resource Management Plans	DWCF
	Integrated Natural Resource Management Plans	MilPers
	Other Sustainment Actions	O&M
	Other Sustainment Actions	RDT&E
	Other Sustainment Actions	Proc
	Other Sustainment Actions	DWCF
	Other Sustainment Actions	MilPers
	Other Sustainment Actions	MilCon

***Subject Matter Experts*:** Questions regarding this data requirement should be directed to **Ms. Trish Huheey, 703-604-1846** and **Mr. Shah Choudhury**.

***Technical Issues*:** If you are having difficulty with the data collection system—SNaP, contact the SNaP administrators via the SIRS button at the SNaP web site: https://snap.pae.osd.mil or call (703) 601-4860 ext. #107 or #108.

Exhibit PB-28 Funds Budgeted for Environmental Quality

PB 28 Exhibit Display
DEPARTMENT OF _____
SUMMARY OF FUNDS BUDGETED FOR ENVIRONMENTAL PROJECTS
FY ____ BUDGET ESTIMATE
($ in Thousands)

Environmental Quality	PY Actual	CY Estimate	BY1 Estimate	BY2 Estimate	Change CY/BY1	Change BY1/BY2
Appropriation: _____						
Inside the United States and Territories _____ or Outside the U.S. and Territories _____						
1. Environmental Compliance - Recurring Costs (Class 0) (Enter Total of a + b + c + d + e + f)						
a. Manpower						
b. Education & Training						
c. Permits & Fees						
d. Sampling, Analysis, Monitoring						
e. Waste Disposal						
f. Other Recurring Compliance Costs						
3. Environmental Pollution Prevention - Recurring Costs (Class 0) (Enter Total of a + b + c)						
a. Manpower						
b. Education & Training						
c. Other Recurring Pollution Prevention Costs						
4. Environmental Conservation - Recurring Costs (Class 0) (Enter Total of a + b + c)						
a. Manpower						
b. Education & Training						
c. Other Recurring Conservation Costs						
Total Recurring Costs (Enter Total of 1+2+3+4)						
5. Environmental Compliance - Nonrecurring (Class I/II)						
a. RCRA Subtitle C - Hazardous Waste						
b. RCRA Subtitle D - Solid Waste						
c. RCRA Subtitle I - Underground Storage Tanks						
d. Clean Air Act						

Exhibit PB-28 Funds Budgeted for Environmental Quality (Continued)

Exhibit PB-28 Funds Budgeted for Environmental Quality (Continued)

PB 28 Exhibit Display
DEPARTMENT OF _____
SUMMARY OF FUNDS BUDGETED FOR ENVIRONMENTAL PROJECTS
FY ____ BUDGET ESTIMATE
($ in Thousands)

	PY Actual	CY Estimate	BY1 Estimate	BY2 Estimate	Change CY/BY1	Change BY1/BY2
e. Clean Water Act						
f. Safe Drinking Water Act						
g. Planning						
h. Other						
Total Nonrecurring (Class I/II)						
6. Pollution Prevention - Nonrecurring (Class I/II)						
a. RCRA Subtitle C - Hazardous Waste						
b. RCRA Subtitle D - Solid Waste						
c. Clean Air Act						
d. Clean Water Act						
e. Hazardous Material Reduction						
f. Other						
Total Nonrecurring (Class I/II)						
7. Environmental Conservation - Nonrecurring Costs - (Class I/II)						
a. T&E Species						
b. Wetlands						
c. Other Natural Resources						
d. Historical & Cultural Resources						
Total Nonrecurring (Class I/II)						
GRAND TOTAL ENVIRONMENTAL QUALITY						

Exhibit PB-28 Funds Budgeted for Environmental Quality (Continued)

Environmental Cleanup Program Outside the United States

(Memo entry for overseas cleanup amounts included above) (The amounts entered in this item shall not include any of the 50 states, District of Columbia, Guam, Puerto Rico, or other territories and possessions of the U. S.)

All Funds Budgeted for Environmental Security Technology are to be reported on PB-28A.

Exhibit PB-28A Display Summary of Funds Budgeted for Environmental Projects

Exhibit PB-28A - Display
DEPARTMENT OF _____
SUMMARY OF FUNDS BUDGETED FOR ENVIRONMENTAL PROJECTS
FY ____ BUDGET ESTIMATE

			($ in Thousands)			
Environmental Security Technology By Appropriation	**PY Actual**	**CY Estimate**	**BY1 Estimate**	**BY2 Estimate**	**Change CY/BY1**	**Change BY1/BY2**
1. Cleanup						
2. Compliance						
3. Pollution Prevention						
4. Conservation						
TOTAL						

1. Provide a summary sheet of all appropriations/funds.
2. Provide narrative justification for changes from year to year
3. For each appropriation, include applicable breakout categories. For example, for activities funded by RDT&E appropriations, separately identify the amounts for each budget activity (BA):
   BA1 - Basic Research, BA2 – Advanced Research, BA3 - Advanced Technology Development, BA4 - Demonstration/Validation, BA5 - Engineering and Manufacturing Development, BA6 - RDT&E Management Support, and BA7 - Operational Systems Development.

Exhibit PB-28A Funds Budgeted for Environmental Security Technology
(Page 1 of 1)

Exhibit PB-28B Operational Range Sustainment and Environmental Management

Display Example:

DEPARTMENT OF _____
SUMMARY OF FUNDS BUDGETED FOR ENVIRONMENTAL PROJECTS
FY ____ BUDGET ESTIMATE

	($ in Thousands)					
- Operational Range Sustainment and Environmental Management	PY Actual	CY Estimate	BY1 Estimate	BY2 Estimate	Change CY/BY1	Change BY1/BY2
Range Inventory						
Land Ranges						
Number of Ranges	#	#	#	#	#	#
Number of Acres	#	#	#	#	#	#
Number of Ranges with Environmental Range Assessments	#	#	#	#	#	#
Number of Acres with Environmental Range Assessments	#	#	#	#	#	#
Water Ranges						
Number of Ranges	#	#	#	#	#	#
Number of Square Miles	#	#	#	#	#	#
Range Assessments						
Environmental Range Assessments	$	$	$	$	$	$
Other Range Assessment Costs	$	$	$	$	$	$
Total Range Assessments	$	$	$	$	$	$
Range Response Actions						
All Environmental Range Response Actions	$	$	$	$	$	$
Total Range Response Actions	$	$	$	$	$	$
Range Sustainment Actions						
Integrated Natural Resource Management Plans	$	$	$	$	$	$
Other Sustainment Actions	$	$	$	$	$	$
Total Range Sustainment	$	$	$	$	$	$
Grand TOTAL	$	$	$	$	$	$

Operational Range Sustainment and Environmental Management (Page 1 of 1)

Exhibit PB-41 Administrative Motor Vehicle Operations

ADMINISTRATIVE MOTOR VEHICLE OPERATIONS (PB-41)
(Name of Component)

(Dollar in Thousands)

Cost Category	FY PY	FY CY	FY BY1	FY BY2	CY-BY1 Change	BY1-BY2 Change
1. Operating Costs for Non-Tactical Fleets						
2. Accident Damage (Net loss to Government)						
3. Vehicle Procurement Costs						
4. Commercial Leases						
5. Interagency Fleet Management System (IFMS) Leases						
6. Disposal Costs						
7. Capital Expenditures for Facilities and Equipment						
8. Privately Operated Vehicles (used for official business)						
Total						
Distribution by Appropriation/Fund						
(Identify the amounts included above by appropriation and fund.)						
Total						

BACKGROUND: Public Law 99-272, "Consolidated Omnibus Budget Reconciliation Act" of 1985, Subtitle C - Federal Motor Vehicle Expenditure Control of requires that each Federal Agency establish and operate a central monitoring system for motor vehicle costs and establish a data collection system and to report such data in support of the President's budget. Guidance as to the definition and coverage of this requirement is provided by the General Services Administration in Federal Property Regulations. The vehicles used for military training, combat or tactical purposes are specifically excluded.

PREPARATION REQUIREMENTS: Every Component of the Department is required to complete a PB-41 Motor Vehicle Operations Exhibit. Negative replies are required. These will be used by the Office of the Under Secretary of Defense (Comptroller), Operations Directorate, 3C710 Pentagon, to prepare a consolidated exhibit, which will be provided to the Office of Management and Budget as required by OMB Circular A-11 (Section 100 – Additional Information Required After Passback). In order to meet the OMB schedule and include this information in the printed President's budget request, the PB-41 exhibit for the Congressional Justification/Presentation must be submitted by **January 5th**. Include in the lower right hand corner, the date of preparation, and the name and telephone number of an individual responsible for answering questions concerning the submission.

Exhibit PB-42 Competitive Sourcing and Alternatives

DoD Component
FY BY1/BY2 OSD Submit/President's Budget
Competitive Sourcing and Alternatives

Instructions: Each Service and Defense Agency/Activity is to submit this exhibit in Select & Native Programming Data Input System (SNaP) located at https://snap.pae.osd.mil. The most current version of this exhibit will be available at this site. Once loaded the data will be available in the Operations & Support Data Center. Program/Budget data displays will be produced through the Data Center. Questions about the SNaP interface should be referred to the Office of the Director (Program Analysis & Evaluation) Programming and Fiscal Economics Division (703) 697-0223.

The exhibit is composed of three parts. Part I displays costs and savings associated with A-76 studies. Part II displays the same information for Approved Alternatives. Part III summarizes Parts I and II, presenting the total Competitive Sourcing and Alternatives savings generated by both A-76 and non A-76 initiatives. Part III will be calculated automatically from SNaP, so there is no need to enter summary data. Dollars and manpower are presented by appropriation throughout. Dollars are reported in thousands with all numbers as positive numbers (costs and savings). Manpower savings are reported as end strength (ES) for military and reserve personnel and Full Time Equivalents (FTEs) for civilian personnel.

PART I

STUDIES: Report baseline manpower and dollars for all studies started (in the one PY reflected on the budget exhibit) and scheduled (CY, BY1, etc.) for competitive sourcing. Each activity should be reported in the year that the study is scheduled to be initiated. The annual cost of positions studied (total estimated compensation) should be reported even if you plan to outsource during the fiscal year. Report positions studied and cost by appropriation (e.g., O&M, Revolving Funds).

COST TO CONDUCT STUDIES: The cost to conduct studies is the cost associated with conducting the competitive sourcing study. The costs should reflect actual costs in the PY and the amounts budgeted in the other years to conduct the studies. In the narrative description section, discuss the methodology used to develop study costs and provide justification for significant deviations from the nominal average of $5,000 per FTE. Costs should be reported by appropriation.

TRANSITION COSTS: Report costs of transition to Most Efficient Organization (MEO) or contract. Such costs include severance pay, Voluntary Separation Incentive Pay (VSIP), etc. In the narrative section, discuss the assumptions used to determine transition costs including the categories of cost included.

MANPOWER SAVINGS: For military and civilian manpower reflect net savings for that year (not cumulative).

GROSS DOLLAR SAVINGS: Gross dollar savings should reflect total compensation associated with billets saved in that fiscal year (not cumulative). Gross savings should not be offset by the cost of studies or transition costs. In the narrative description, include a discussion of the methodology used to develop both manpower and dollar savings.

Exhibit PB-42 Competitive Sourcing and Alternatives (Continued)

NET DOLLAR SAVINGS: Net savings are equal to gross savings, offset by the Cost to Conduct Studies and Transition Costs. [Note: Net Dollar Savings will be calculated automatically by SNaP, so there is no need to enter data for this section.]

PART II
Same as above for all categories except Studies should reflect the information by Alternative. Each Alternative must be approved by OSD(AT&L) Housing and Competitive Sourcing.

PART III
Summarizes all categories. [Note: The summary will be calculated automatically by SNaP, so there is no need to enter data for this section.]

Exhibit PB-42 Competitive Sourcing and Alternatives (Continued)

Part __ of III
(Part I – A-76 Studies, Part II – Non A-76 Studies, Part III – Total)
(Direct Dollars in Thousands, Military End Strength, Civilian Full-Time Equivalents)

	FY PY	FY CY	FY BY1	FY BY2	FY BY2+1	FY BY2+2	FY BY2+3	FY BY2+4	TOTAL
PART I									
A-76 STUDIES									
Total Positions Studied/To Be Studied									
Military									
Appropriation 1									
Appropriation 2, etc.									
Subtotal Military									
Civilian									
Appropriation 3									
Appropriation 4, etc.									
Subtotal Civilians									
Total Civilians and Military									
Cost of Positions studied									
Appropriation 1									
Appropriation 2, etc.									
Total Cost									
COST TO CONDUCT STUDIES									
Appropriation 1									
Appropriation 2, etc.									
Total Study Costs									
TRANSITION COSTS									
Appropriation 1									
Appropriation 2, etc.									
Total Transition Costs									
MANPOWER Savings									
Military End Strength									
Appropriation 1									
Appropriation 2, etc.									
Subtotal Military									
Civilian Full-Time Equivalents									
Appropriation 1									
Appropriation 2, etc.									
Subtotal Civilians									

Exhibit PB-42 Competitive Sourcing and Alternatives (Continued)
FY BY1/BY2 OSD Submit/President's Budget

Part __ of III
(Part I – A-76 Studies, Part II – Non A-76 Studies, Part III – Total Studies)
(Direct Dollars in Thousands, Military End Strength, Civilian Full-Time Equivalents)

GROSS DOLLAR SAVINGS
Appropriation 1
Appropriation 2, etc.
Total Gross Dollar Savings

NET DOLLAR SAVINGS
Appropriation 1
Appropriation 2, etc.
Total Net Dollar Savings

NARRATIVE:

DATE: _____

CHILD DEVELOPMENT, SCHOOL-AGE CARE, (SAC) FAMILY CENTERS, AND FAMILY ADVOCACY PROGRAMS
Identify Component

(TOA, $ in Millions)

	FY PY	FY CY	FY BY1	FY BY2

I. CHILD CARE PROGRAMS
(Child Development Program (CDP) & School Aged Care (SAC) Programs for children 0-12)

A. CHILD DEVELOPMENT CENTERS

Appropriation (Identify costs by appropriation (i.e., O&M, Mil Con, etc.) and total)
Total Direct Costs [1/]
Total Indirect Costs [2/]

Total (should include the expense elements in DoDI 7000.12)

Child Care Parent Fee Revenue

Non-Appropriated Fund Subsidy

Workload
No. of Child Care Spaces (operational capacity)

Personnel
Civilian FTEs (Appropriated Fund Employees)
Nonappropriated Fund (NAF) FTEs funded thru uniform resources programs with Appropriated Funds (APF)
Total

B. FAMILY CHILD CARE

Appropriation (Identify costs by appropriation and total)

Personnel
Civilian FTEs (Appropriated Fund Employees Only)
Nonappropriated Fund (NAF) FTEs funded thru uniform resources programs with Appropriated Funds (APF)
Total

Workload
No. of Child Care Spaces (operational capacity)

C. SUPPLEMENTAL PROGRAM SERVICES/RESOURCE & REFERRAL/OTHER

Appropriation (Identify costs by appropriation and total)

Personnel
Civilian FTEs (Appropriated Fund Employees Only)
Nonappropriated Fund (NAF) FTEs funded thru uniform resources programs with Appropriated Funds (APF)
Total

Workload
No. of Child Care Spaces (operational capacity)

Exhibit PB-50 Child Development, School Age Care (SAC), Family Centers, and Family Advocacy Programs (Continued)

CHILD DEVELOPMENT, SCHOOL-AGE CARE, (SAC) FAMILY CENTERS, AND FAMILY ADVOCACY PROGRAMS

Identify Component

	(TOA, $ in Millions)			
	FY PY	FY CY	FY BY1	FY BY2
SCHOOL-AGE CARE (SAC)				
Appropriation (Identify costs by appropriation (i.e., O&M, Mil Con, etc.) and total)				
Total Direct Costs [1/]				
Total Indirect Costs [2/]				
Total (should include the expense elements in DoDI 7000.12				
SAC Parent Fee Revenue				
Non-Appropriated Fund Subsidy				
Personnel				
Civilian FTEs (Appropriated Fund Employees)				
Nonappropriated Fund (NAF) FTEs reimbursed with Appropriated Funds (APF)				
Total				
Workload				
No. of SAC Spaces (operational capacity)				
No. of SAC Care Spaces Required (100%)				
% of Spaces to Required Spaces				
TOTAL CHILD CARE PROGRAM				
Appropriation				
Total Direct Costs [1/]				
Total Indirect Costs [2/]				
Total (should include the expense elements in DoDI 7000.12)				
Total Parent Fee Revenue				
NAF Subsidy				
Personnel				
Civilian FTEs (Appropriated Fund Employees Only)				
Workload				
No. of Child Care Spaces (operational capacity)				
No. of Child Care Spaces Required (100%)				
% of actual Spaces to Required Spaces				

Explanation of Changes: For each category, provide an explanation of the changes between current year (CY) and biennial budget year 1 (BY1) and between BY1 and biennial budget year 2 (BY2); identify price & program growth between each year.

1/ Direct costs include those costs that can be directly attributed to the activity and include civilian pay and benefits, travel, training, supplies and equipment, contracts, FCC subsidy, etc.

2/ Indirect cost includes costs that are attributed to more than one activity and include rents, utilities, communications, minor construction, repair and maintenance, contracts, and engineering support.

Exhibit PB-50 Child Development, School Age Care (SAC), Family Centers, and Family Advocacy Programs (Continued)

CHILD DEVELOPMENT, SCHOOL-AGE CARE, (SAC) FAMILY CENTERS, AND FAMILY ADVOCACY PROGRAMS
Identify Component

(TOA, $ in Millions)

	FY PY	FY CY	FY BY1	FY BY2
II. YOUTH PROGRAMS				
Appropriation (Identify costs by appropriation (i.e. O&M, Mil Con, etc.) and total)				
Total Direct Costs [1/]				
Total Indirect Costs [2/]				
Total (should include the expense elements in DoDI 7000.12)				
Estimated Youth Fee Revenue				
Non-Appropriated Fund Subsidy				
Personnel				
Civilian FTEs (Appropriated Fund Employees)				
Nonappropriated Fund (NAF) FTEs reimbursed with Appropriated Funds (APF)				
Total				

Narrative: Explain changes between the CY and BY1 and between BY1 and BY 2. Identify price and program growth between each year.

III. FAMILY CENTERS

Appropriation (Identify costs by appropriation and total)				
Personnel				
Military (E/S)				
Civilian FTEs				

Workload (Excludes workload supported by OSD funds (i.e. Relocation, Transition, Family Advocacy). These are documented separately.

A. The number of single transactions which take approximately 10-15 minutes or less.
B. Cases (assessment/case management/counseling) which take longer than 10-15 minutes (each session is counted as one).
C. Number of people involved in command consultation (briefings, meetings, unit visits).
D1. Number of classes
D2. Number of participants in classes.

Narrative: Explain changes between the CY and BY1 and between BY1 and BY 2. Identify price and program growth between each year.

IV. FAMILY ADVOCACY PROGRAM (To be completed by the DoD Dependent Schools) (Services should not fill in unless they have funds separate from DoD Dependent Schools funding.)

CORE FAMILY ADVOCACY PROGRAM (Prevention, Direct Services, Training, Evaluation and Administration)

Exhibit PB-50 Child Development, School Age Care (SAC), Family Centers, and Family Advocacy Programs (Continued)

CHILD DEVELOPMENT, SCHOOL-AGE CARE, (SAC) FAMILY CENTERS, AND FAMILY ADVOCACY PROGRAMS

Identify Component

	(TOA, $ in Millions)			
	FY PY	FY CY	FY BY1	FY BY2
A.1. Prevention Services				
Appropriation (Identify costs by appropriation and total)				
Personnel				
Military (E/S)				
Civilian FTEs				
Contract Employees FTEs				
Workload				
Number Served (Actual population contacts)				
Workload per Prevention Services Provider (Number Served divided by the Number (FTE) of Prevention Services Providers)				
A.2 Direct Services				
Appropriation (Identify costs by appropriation and total)				
Personnel				
Military (E/S)				
Civilian FTEs				
Contract Employees FTEs				
Workload				
Number Served (Actual population contacts)				
Workload per Direct Services Staff				
A.3. Training, Evaluation, and Administration				
Appropriation (Identify costs by appropriation and total)				
Personnel				
Military (E/S)				
Civilian FTEs				
Contract Employees FTEs				
B. NEW PARENT SUPPORT				
Appropriation (Identify costs by appropriation and total)				
Personnel				
Military E/S				
Civilian FTEs				
Contract Employees FTEs				
Workload				
Number Served				

Exhibit PB-50 Child Development, School Age Care (SAC), Family Centers, and Family Advocacy Programs (Continued)

CHILD DEVELOPMENT, SCHOOL-AGE CARE, (SAC) FAMILY CENTERS, AND FAMILY ADVOCACY PROGRAMS
Identify Component

	(TOA, $ in Millions)			
	FY PY	FY CY	FY BY1	FY BY2

C. YOUTH AT RISK

Appropriation (Identify costs by appropriation and total)

Personnel
Military E/S
Civilian FTEs
Contract Employees FTEs

Workload
Youth Served

TOTAL FAMILY ADVOCACY PROGRAM

Appropriation (by appropriation and total)

Personnel
Military E/S
Civilian FTEs
Contract Employees FTEs

Narrative: Explain changes between the CY and BY1 and between BY1 and BY2 at the total program level. Identify price and program growth between each year.

Exhibit PB-52A DoD Aeronautics Budget

DoD Aeronautics Budget
(Name of DoD Component)
($ Millions)

Appropriation Summary:	FY 20PY-2 Actual	FY 20PY-1 Actual	FY 20PY Actual	FY 20CY Estimate	FY 20BY1 Estimate	FY 20BY2 Estimate
Research, Development, Test, & Evaluation						

Program Data

Program: Title	Program Element	FY 20PY-2 Actual	FY 20PY-1 Actual	FY 20PY Actual	FY 20CY Estimate	FY 20BY1 Estimate	FY 20BY2 Estimate

Exhibit PB-52A DoD Aeronautics Budget
(Page 1 of 2)

Exhibit PB-52A DoD Aeronautics Budget (Continued)

Instructions
Exhibit PB-52A DoD Aeronautics Budget

1. Purpose. This exhibit identifies research and development funding for Aeronautics programs. The data are used to prepare the overall DoD input into the annual President's Aeronautics and Space Report which is prepared by the Office of Management and Budget (OMB). A copy of the final report is available for information in the OUSD (Comptroller) Investment Directorate.

2. Submission.

a. Exhibit PB-52A should separately identify all RDT&E program elements providing funds in support of the development of systems, subsystems and components used in rotary and fixed wing aircraft.

b. Data are to be provided in millions of dollars, using 3 decimal points.

c. Submission of the required exhibit will be made in hard paper copy and in a DOS/Excel format.

d. The submission of the completed exhibits to the OUSD (Comptroller) is due no later than 15 working days after transmission of the President's budget to the Congress.

3. Entries.

Exhibit PB-52A (Aeronautics Programs)

a. Program Title. Insert the official program title as reflected in the R-1 budget exhibit.

b. Program Element Number. Insert the official 7-digit plus organization program element designator as reflected in the R-1 budget exhibit.

c. Budget Estimate. The completed exhibits are to reflect the estimated cost, as funded in the Future Years Defense Program (FYDP), by fiscal year for the period FY 20PY-2 through FY 20BY2 (the three prior years, the current year and the budget years). All amounts should be in then years (TY)

Exhibit PB-52B DoD Space Budget

DoD Space Budget
(Name of DoD Component)

Purpose. This exhibit identifies all funding for Space programs. The data from the DoD exhibit is used to support a myriad of Space Budget Justification requirements including Congressional Space Budget Justification and the DoD input into the President's Aeronautics and Space Report which is prepared by the Office of Management and Budget (OMB). The data are also used to support congressional hearings on space programs and to fulfill other various information requests regarding space-related funding.

The PB-52B Space Budget will be compiled by the OUSD (Comptroller), Investment Directorate using Service/Agency input into the OD, PA&E-maintained FYDP database.

Exhibit PB-53 Budgeted Military and Civilian Pay Raise Amounts

DEPARTMENT OF _____
FY 20BY1/FY 20BY2 PRESIDENT'S BUDGET
BUDGETED MILITARY AND CIVILIAN PAY RAISE AMOUNTS ($ IN THOUSANDS)

		FY 20CY	FY 20BY1	FY 20BY2
MILITARY PERSONNEL				
Military Personnel, Army, Navy, MC, Air Force				
CY	(Specify date and percentage of pay raise)			
BY1	(Specify date and percentage of pay raise)			
BY2	(Specify date and percentage of pay raise)			
Total				
Reserve Personnel, Army, Navy, MC, Air Force				
CY	(Specify date and percentage of pay raise)			
BY1	(Specify date and percentage of pay raise)			
BY2	(Specify date and percentage of pay raise)			
Total				
National Guard Personnel, Army, Air Force				
CY	(Specify date and percentage of pay raise)			
BY1	(Specify date and percentage of pay raise)			
BY2	(Specify date and percentage of pay raise)			
Total				
TOTAL MILITARY PERSONNEL				
CIVILIAN PERSONNEL				
Operations and Maintenance, Army, Navy, MC, Air Force, Defense Agencies				
Classified				
CY	(Specify date and percentage of pay raise)			
BY1	(Specify date and percentage of pay raise)			
BY2	(Specify date and percentage of pay raise)			
Total				
Wage Board				
CY	(Specify date and percentage of pay raise)			
BY1	(Specify date and percentage of pay raise)			
BY2	(Specify date and percentage of pay raise)			
Total				
Foreign National				
CY				
BY1				
BY2				
Total				
Total Operation and Maintenance				
Research, Development, Test, and Evaluation (RDT&E), Defense Working Capital Fund, Family Housing, etc.				
TOTAL CIVILIAN PERSONNEL				

Exhibit PB-53 Budgeted Military and Civilian Pay Raise Amounts
(Page 1 of 1)

Exhibit PB-54 Civilian Personnel Hiring Plan

CIVILIAN PERSONNEL HIRING PLAN
COMPONENT _____
FY _____

APPROPRIATION: _____

Month	E/S Beginning	Gains	Separations				Net Change	E/S Revised	FTE
			Attrition	Retire	RIF	Total			
a	b	c	d	e	f	g	h	i	j
Oct									
Nov									
Dec									
Jan									
Feb									
Mar									
Apr									
May									
Jun									
Jul									
Aug									
Sep									
Total									

Definitions

Column	Title	Definition
a	Month	Month of the fiscal year
b	E/S Beginning	Civilian end strength at the beginning of the month
c	Gains	Civilian end strength hires during the month
	Separations	Column d-f; civilian personnel losses during the month
d	Attrition	Civilian end strength monthly losses not covered in columns e and f
e	Retire	Number of civilian employees who retired during the month
f	RIF	Number of civilian employees who separated due to reductions in force during the month.
g	Total	Sum of columns d-e; total number of civilian separations during month
h	Net Change	Net change of gains and separations (column c less column g)
i	E/S Revised	End Strength at the end of the month (column b plus column h)
j	FTE	Full time equivalents. Enter full time equivalent for month.

The October, E/S Beginning (column b) is the same as the September E/S Revised (column i) of the previous fiscal year.
The September E/S Revised (column i) must match the end strength reported on other budget exhibits (OP-5, OP-8).
The Total annual FTE (total of column j) must match FTE reported on other budget exhibits (OP-5, OP-8).

This exhibit must be provided for the current year (FY CY) and the budget years (FY BY1 and FY BY2) for both the OSD/OMB Program and Budget Review Submission and for the President's budget submission.

Exhibit PB-55 International Military Headquarters

INTERNATIONAL MILITARY HEADQUARTERS

FY PY Actual				FY CY Estimate				FY BY1 Estimate				FY BY2 Estimate			
Military Avg Obligation Strength	Civ FTEs	Total Mpwr	Total Obligation ($ 000)	Military Avg Strength	Civ FTEs	Total Mpwr	Total Obligation ($ 000)	Military Avg Strength	Civ FTEs	Total Mpwr	Total Obligation ($ 000)	Military Avg Strength	Civ FTEs	Total Mpwr	Total ($ 000)

INSTRUCTIONS

Category/Organization/Appropriation: This exhibit will provide manpower, payroll, and non-labor cost data directly related to DoD personnel serving in the International Military Headquarters mission. Data will be displayed by appropriation/fund (including Military Personnel). A narrative explanation is required for all increases and decreases.

Manpower and TOA will be identified by appropriation or fund as displayed in the following example:

	FY BY1 Estimate			
	Military A/S	Civilian FTEs	Total Mpwr	Total Obl. ($000)
International Military Headquarters	1,225	256	1,481	89,517
MPMC	255		255	15,600
MPN	970		970	59,031
OMN		256	256	14,886
(DIR)		(250)	(250)	(14,461)
(REIMB)		(6)	(6)	(425)

- Under "Total Obligations" TOA should be limited to costs directly in support of International Military headquarters and should not include operational elements of expense for programs centrally funded or managed at the headquarters but executed elsewhere in the Department.
- Under appropriation, manpower strengths and funds will be identified as direct or reimbursable.
- Revolving funds that support headquarters activities will be reflected in the same fashion as appropriated funds.
- A total summary by appropriation, as well as a grand total, will be provided.
- Classified data will be reported.
- National Guard and Reserve officers serving on active duty and performing duties described in 10 U.S.C. 10211 will be excluded from this exhibit.
- Attached an addendum to provide a listing of organizational acronyms and their meanings used in this exhibit.

POC:_____ Phone No. _____

Exhibit PB-59 DoD Overseas Staffing Report

DoD Overseas Staffing Report
(Name of DoD Component, COCOM or Defense Agency)

Country: _____ Post: [1/] _____

Category:	FY PY	FY CY	FY BY1	FY BY2	FY BY3	FY BY4	FY BY5
Controlled Access Area (CAA) [2/]							
U.S. Direct Hire							
U.S. Military Position							
Locally Engaged Staff							
Non-Controlled Access Area (Non-CAA) [3/]							
U.S. Direct Hire							
U.S. Military Position							
Locally Engaged Staff							
Non-Office [4/]							
U.S. Direct Hire							
U.S. Military Position							
Locally Engaged Staff							
Never Colocate [5/]							
U.S. Direct Hire							
U.S. Military Position							
Locally Engaged Staff							
Total							

1/ Identify Post (U.S. Embassy, U.S. Consulate or U.S. Mission)
2/ Controlled Access Area: Authorized office positions to work within an area authorized to handle classified information
3/ Non-Controlled Access Area: Authorized office positions that work outside the CAA area
4/ Non-Office: Authorized positions not assigned a desk, office or workstation (includes custodians, laborers, warehouse staff, drivers, etc.)
5/ Never-Collocate: Authorized positions that work in non-USG owned or leased facility or other non-mission facilities

Instructions for Completing:
1. Report personnel assigned overseas under the Chief of Mission as of January 1st for the year reporting.
2. All COCOMs, Components and Defense Agencies that have personnel assigned overseas under the Chief of Mission must complete this exhibit
3. Defense Agencies will report military personnel assigned to their agency
4. Components (Army, Navy, Marine Corps and Air Force) will consolidate input reported by field units.
5. Marine Corps must identify Guard and Non-Guard totals

DATE PREPARED:
POC:
TELEPHONE:

EXHIBIT PB-59 DoD
Overseas Staffing Report

Instructions for Preparation of PB-60

INSTRUCTIONS FOR PREPARATION OF PB-60

1. Services are required to submit this exhibit at the end item level for the selected pilot programs.

2. The PB-60 provides essential materiel readiness and sustainability information for justification of the OSD and President's budget estimates. The PB-60 metrics will incorporate all appropriations (i.e. Research and Development, Procurement, Operations and Maintenance) related to the specified end item.

3. "Materiel Availability" (MA) is a measure of the percentage of the total inventory of a system operationally capable of performing an assigned mission at a given time based on materiel condition. This can be expressed mathematically as the number of operational end items divided by the total population. Determining the optimum value for Materiel Availability requires a comprehensive analysis of the system and its planned use, including the planned operating environment, operating tempo, reliability alternatives, maintenance approaches, and supply chain solutions. Materiel Availability is primarily determined by system downtime, both planned and unplanned, requiring the early examination and determination of critical factors such as the total number of end items to be fielded and the major categories and drivers of system downtime. The Materiel Availability KPP (Key Performance Parameter) must include the total population of usable end items we have that is either functional or can be brought to functionality through maintenance/repair. The total life cycle timeframe, from placement into operational service through the planned end of service life, must be included. The service will express Materiel Availability on the exhibit as a number between 0 and 100. This metric should represent the average for the year that the entire population of systems is materially capable for operational use during the specified period (current year, budget year, budget year +1).

$$\text{Materiel Availability} = \frac{\text{Number of End Items Operational}}{\text{Total Population of End Items}}$$

4. "Materiel Reliability" is a measure of the probability that the system will perform without failure over a specific interval. Reliability must be sufficient to support the warfighting capability needed. Materiel Reliability is generally expressed in terms of a mean time between failure(s) (MTBF), and once operational, can be measured by dividing actual operating hours by the number of failures experienced during a specific interval. Reliability may initially be expressed as a desired failure-free interval that can be converted to MTBF for use as a KSA (Key System Attribute) (e.g. 95% probability of completing a 12-hour mission, free from mission-degrading failure; 90% probability of completing 5 sorties without failure, etc.). NOTE: Operating hours is operational hours and failure is not ready for issue. Single-shot systems and systems for which other units of measure are appropriate must provide supporting analysis and rationale. MTBF will be expressed on the exhibit as a numeric value representing time (hours) between failure during the specified period (current year, budget year, budget year +1, etc.).

$$\text{Materiel Reliability} = \text{Mean Time Between Failure} = \frac{\text{Total Operating Hours}}{\text{Total Number of Failures}}$$

5. "Ownership Cost" provides balance to the sustainment solution by ensuring that the Operations and Support (O&S) costs associated with materiel readiness are considered in making decisions. Use of the Cost Analysis Improvement Group's O&S Cost Estimating Structure will ensure consistency and proper capitalization of existing efforts in support of this KSA. Only the following cost elements are required for this assessment:

EXHIBIT PB-60 Life Cycle Sustainment
(Page1 of 3)

INSTRUCTIONS FOR PREPARATION OF PB-60 (Continued)

2.0 Unit Operations (2.1.1 (only) Energy (fuel, petroleum, oil, lubricants, electricity)); 3.0 Maintenance (All); 4.0 Sustaining Support (All except 4.1, System Specific Training); and 5.0 Continuing System Improvements (All). Base fuel cost on the full burdened cost of fuel. Costs are to be included regardless of funding source. The KSA value should cover the planned lifecycle timeframe, consistent with the timeframe used in the Materiel Availability KPP. Sources of reference data, cost models, parametric cost estimating relationships and other estimating techniques or tools must be identified in supporting analysis. Programs must plan for maintaining the traceability of costs incurred to estimates. The planned approach to monitoring, collecting, and validating operating and support cost data to supporting the KSA must be provided. For the purpose of this exhibit, Ownership Cost needs to be divided into annual ownership cost (dollars) for the specified period (current year, budget year, budget year +1).

Ownership Cost = O&S costs*

* Using the CAIG O&S Cost Estimating Structure Selected cost elements:
2.0 Unit Operations (2.1.1 (only) Energy (Fuel. POL, Electricity))
3.0 Maintenance (All)
4.0 Sustaining Support (All except 4.1, System Specific Training)
5.0 Continuing System Improvements (All)

6. "Mean Downtime" (MDT) is the average Total Downtime required to restore an asset to its full operational capabilities. MDT includes the time from reporting an asset down to the asset being available to unit to operate. MDT includes administrative time of reporting, logistics and materials procurement, and lock-out/tag-out of equipment for repair or preventative maintenance events. Criteria for failure must be consistent with criteria used for Materiel Reliability. MDT will be expressed on the exhibit as a numeric value representing the average number of hours between failures during the specified period (current year, budget year, budget year +1).

$$\text{Mean Down Time (MDT)} = \frac{\text{Total Down Time for All Failures}}{\text{Total Number of Failures}}$$

7. The metric sections of the exhibit must be populated with the sustainment goal for the associated metric in each fiscal year represented, the actual/projected metric based on the current budget submission in each fiscal year represented, and the associated data from which the metric is derived for each fiscal year represented (BSO must maintain traceability data for the Ownership Costs). The "Explanation" sections will provide, as necessary, what issues preclude reaching the sustainment goal including funding shortfalls by required year(s), appropriation, and line item/PE/SAG. The "Explanation" section should also be used to explain changes to metrics between submissions caused by external events, such as increased OPTEMPO, unplanned environment, etc.

EXHIBIT PB-60 Life Cycle Sustainment
(Page 2 of 3)

Instructions for Preparation of PB-60 (Continued)

CLASSIFICATION:

PB-60, Life Cycle Sustainment Exhibit		DATE:
APPROPRIATION/BUDGET ACTIVITY	P-1/R-1 Line Item/PE	Weapon System Name

Materiel Availability (MA)	**Prior FY**	**Current FY**	**Budget Year**	**Budget Year +1**
Number of End Items Operational				
Total Population of End Items				
Sustainment Goal				
*Actual/Projected				

Explanation (required if metric is less than goal): What precludes reaching the goal? (i.e. contractor availability, out of production parts, funding, etc) If funding is the issue, provide the amount required, by years(s)/appropriation/line item?

Materiel Reliability	**Prior FY**	**Current FY**	**Budget Year**	**Budget Year +1**
Total Operating Hours				
Total Number of Failures				
Sustainment Goal				
*Actual/Projected				

Explanation (required if metric is less than goal): What precludes reaching the goal? (i.e. contractor availability, out of production parts, funding, etc) If funding is the issue, provide the amount required, by years(s)/appropriation/line item?

Ownership Cost	**Prior FY**	**Current FY**	**Budget Year**	**Budget Year +1**
Sustainment Goal				
*Actual/Projected				

Explanation (required if metric is less than goal): What precludes reaching the goal? (i.e. contractor availability, out of production parts, funding, etc) If funding is the issue, provide the amount required, by years(s)/appropriation/line item?

Mean Down Time (MDT)	**Prior FY**	**Current FY**	**Budget Year**	**Budget Year +1**
Total Down Time for All Failures				
Total Number of Failures				
Sustainment Goal				
*Actual/Projected				

Explanation (required if metric is less than goal): What precludes reaching the goal? (i.e. contractor availability, out of production parts, funding, etc) If funding is the issue, provide the amount required, by years(s)/appropriation/line item?

* Based on current budget submission.

EXHIBIT PB-60 Life Cycle Sustainment
(Page 3 of 3)

DoD 7000.14 - R

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 3: "BUDGET EXECUTION - AVAILABILITY AND USE OF BUDGETARY RESOURCES"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

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DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 1: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 3, CHAPTER 2: "APPORTIONMENT/ REAPPORTIONMENT AND FUNDS DISTRIBUTION"

SUMMARY OF MAJOR CHANGES

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

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

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

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

The previous version dated January 2020 is archived.

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

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CHAPTER 2

APPORTIONMENT/ REAPPORTIONMENT AND FUNDS DISTRIBUTION

*1.0 GENERAL

1.1 Purpose

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

1.2 Authoritative Guidance

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

1.2.1. Title 2, United States Code, Section 683, (***2 U.S.C. § 683***), "Rescission of budget authority"

1.2.2. ***2 U.S.C. § 684***, "Proposed deferrals or budget authority"

1.2.3. ***10 U.S.C. § 114*** "Annual authorization of appropriations"

1.2.4. ***10 U.S.C. § 2685***, "Adjustment of or surcharge on selling prices in commissary stores to provide funds for construction and improvement of commissary store facilities"

1.2.5. ***22 U.S.C. § 2761*** "Sales from stocks"

1.2.6. ***31 U.S.C. § 1512***, "Apportionment and reserves"

1.2.7. ***31 U.S.C. § 1513***, "Officials controlling apportionments"

1.2.8. ***31 U.S.C. § 1516***, "Exemptions"

1.2.9. ***31 U.S.C. § 1553***, "Availability of appropriation accounts to pay obligations"

1.2.10. Public Law 90-629 Section 21, (***P.L. 90-629 § 21***), "Arms Export Control Act"

1.2.11. ***OMB Circular No. A-11***, "Preparation, Submission, and Execution of the Budget"

*2.0 DEFINITIONS

2.1 Legal Requirement

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

2.2 Apportionment Level

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

2.3 Funds Allocation

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

3.0 REQUIREMENTS

3.1 Accounts Requiring Apportionment

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

3.2 Accounts Requiring Reapportionment

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

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

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

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

3.4 Periodic Review/Apportionment Process

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

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

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

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

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

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

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

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

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

*3.5 Apportionments under Continuing Resolution

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

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

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

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

4.0 PROCEDURES

4.1 Preparation of Apportionment and Reapportionment Requests

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

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

4.1.2. Timing and minimum requirements:

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

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

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

4.1.3. Apportionment Categories:

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

4.1.3.1. Category A, Quarterly apportionments as follows:

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

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

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

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

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

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

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

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

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

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

4.1.4.2.4. "Temporary FYXX sequestered amounts restored in FYXX."

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

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

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

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

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

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

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

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

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

4.2 Supporting Information

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

4.3 File naming conventions

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

4.3.2. Examples of acceptable file names:

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

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

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

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

5.1 OUSD(C) Action

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

5.2 OMB Action

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

5.3 Notice to the DoD Component of OMB Action

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

6.0 SPECIAL INSTRUCTIONS

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

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

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

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

6.3 Letter Apportionments

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

6.4 Interim Apportionment Authority for Initial Appropriations Act

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

6.5 Apportionment Requirements under Continuing Resolution (CR)

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

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

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

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

*6.6 Apportionments and the Arms Export Control Act

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

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

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

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

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

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

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

6.6.4. Treatment of Proceeds from Materiel Sales under AECA Authority

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

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

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

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

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

7.0 RESCISSIONS AND DEFERRALS

7.1 Statutory and General Guidance

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

7.2 Reapportionment

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

7.3 Deferrals

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

7.4 Other Apportionment Actions

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

VOLUME 3, CHAPTER 3: "APPROPRIATION TRANSFER AUTHORITIES"

SUMMARY OF MAJOR CHANGES

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

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

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

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

The previous version dated February 2015 is archived.

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

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CHAPTER 3

APPROPRIATION TRANSFER AUTHORITIES

*1.0 GENERAL

1.1 Purpose

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

1.2 Authoritative Guidance

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

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

1.2.2. ***10 U.S.C. § 126***, "Transfer of funds and employees"

1.2.3. ***10 U.S.C. § 2215***, "Transfers of funds to other departments and agencies: limitation"

1.2.4. ***31 U.S.C. § 1531***, "Transfers of functions and activities"

1.2.5. Office of Management and Budget Circular No. A-11, section 120.5 (***OMB Circular No. A-11 section 120.5***), "What TAFS are exempt from apportionment?"

1.2.6. Department of Defense (DoD) Directive 5118.03 (***DoDD 5118.03***), "Under Secretary of Defense (Comptroller)/Chief Financial Officer, Department of Defense"

2.0 TYPES OF TRANSFER AUTHORITIES

2.1 Authority for Transfer

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

2.2 Authority for Transfers Affecting Budget Availability

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

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

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

2.2.4. Transfer of Funds for Intelligence Activities. See Chapter 6, paragraph 6.0 for intelligence-related transfer authorities.

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

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

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

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

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

3.0 STATUS REPORT ON TRANSFER ACTIONS

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

4.0 ACTIONS RELATED TO EXERCISE OF TRANSFER AUTHORITY

4.1 Proposals to Exercise Transfer Authority

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

4.2 SecDef Determination

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

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

4.3 OMB/Presidential Approval

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

4.4 Reprogramming Actions

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

4.5 Processing of Treasury Non-Expenditure Transfers (NETs)

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

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

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

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

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

4.5.2.1. Identity of the transferring office.

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

4.5.2.3. Amount of the transfer in dollars.

4.5.2.4. Statutory references for the transfer authority.

4.5.2.5. Reference to enclosure of a SecDef determination, if applicable.

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

4.5.2.7. Statement of whether the action is an appropriation transfer, a reappropriation, or obligated and unobligated balance transfer.

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

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

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

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

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

4.6 Notification to the Congress

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

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

4.7 Apportionment and Reapportionment Schedules

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

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

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

4.8 Guidance on SF 133 Treatment

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

4.9 Fund Authorization Documents

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

VOLUME 3, CHAPTER 4: "FUNCTIONAL TRANSFERS"

SUMMARY OF MAJOR CHANGES

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

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

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

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

The previous version dated February 2015 is archived.

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

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CHAPTER 4

FUNCTIONAL TRANSFERS

*1.0 GENERAL

1.1 Purpose

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

1.2 Authoritative Guidance

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

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

1.2.2. ***10 U.S.C. § 126***, "Transfer of funds and employees"

2.0 STATUTORY AUTHORITY

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

3.0 TYPES OF TRANSFER AUTHORITIES

3.1 Fund Adjustments

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

3.2 Transfer of Funds

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

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

VOLUME 3, CHAPTER 5: "SPECIAL MILITARY CONSTRUCTION/FAMILY HOUSING FUND RELEASE PROCEDURES"

SUMMARY OF MAJOR CHANGES

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

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

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

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CHAPTER 5

SPECIAL MILITARY CONSTRUCTION/FAMILY HOUSING FUND RELEASE PROCEDURES

1.0 GENERAL (0501)

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

2.0 OVERVIEW (0502)

2.1 Fund Approval (050201)

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

2.2 Defense-Wide Construction and Family Housing (050202)

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

2.3 OUSD(C) Review (050203)

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

2.4 Document Approval (050204)

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

3.0 SUBMISSION REQUIREMENTS (0503)

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

APPENDIX A

INSTRUCTIONS FOR FORMAT 460 "MILITARY CONSTRUCTION/FAMILY HOUSING PROGRAM FUND APPROVAL"

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

2.0 Entries. Columnar entries shall be as follows:

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

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

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

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

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

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

2.7 Proposed. This column represents the amount requested for allocation for the project.

2.8 Office of Secretary of Defense (OSD) Approved. OUSD(C) will indicate the amount approved in this column.

2.9 Delta from Previous Submission. This reflects the difference between the previously approved and the proposed amounts.

2.10 OSD Withhold. OUSD(C) will indicate the amount on withhold in this column.

2.11 Appropriation Title. Reflect the appropriate Military Construction or Family Housing Construction appropriation title.

2.12 Symbol. Enter the Treasury code for the account for which obligational authority is being sought. For example, 21 20/24 2050 would represent the FY 2020 Military Construction Army account.

2.13 Submission No. The first portion of the submission number should include the appropriation abbreviation, followed by the two-digit fiscal year of issuance including the period of availability or program year of the funds, and concluded with the sequential number of issuance for that period of availability. For example, MCN 21 (20/24) – 09 would represent the 9th Navy FAD issuance in FY 2021 using the FY 2020 period of availability.

2.14 Footnotes. Include footnotes related to Congressional adds and rescissions, formal reprogramming, split funding, and when the authorized amount differs from the appropriated amount to create an audit trail that ties back to legislation or specific justification documents.

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

460 Format

APPENDIX B

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

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

*APPENDIX C

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

FAMILY HOUSING CONSTRUCTION, (Enter Component) OBLIGATION LIMITATION PROGRAM YEAR #### OBLIGATION AUTHORITY			
OBLIGATION LIMITATION ($000)			
BUDGET ACTIVITY	PREVIOUSLY APPROVED	THIS ADJUSTMENT	REVISED APPROVED
NEW CONSTRUCTION			
CONSTRUCTION IMPROVEMENTS			
PLANNING AND DESIGN			
FOREIGN CURRENCY ALLOTMENT (CMA)			
TOTAL DIRECT PROGRAM			
REIMBURSABLE AUTHORITY			
TOTAL			

* The amounts shown in the revised approved column represent limitations subject to the provision of Title 31, United States Code, Section 1517, the Antideficiency Act. Obligations are not to be incurred beyond the revised amounts shown for each budget activity without the specific prior approval of the Office of the Under Secretary of Defense (Comptroller).

Authorization No.	Date	Approved

VOLUME 3, CHAPTER 6: "REPROGRAMMING OF DOD APPROPRIATED FUNDS"

SUMMARY OF MAJOR CHANGES

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The previous version dated March 2011 is archived.

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

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CHAPTER 6

REPROGRAMMING OF DOD APPROPRIATED FUNDS

1.0 PURPOSE (0601)

1.1 Department for the Reprogramming (060101)

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

1.2 Reprogramming Procedures (060102)

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

1.3 Reprogramming Policy (060103)

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

2.0 REPROGRAMMING DOCUMENTS IN GENERAL (0602)

2.1 DD 1414, Base for Reprogramming Actions (060201)

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

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

2.2 DD 1415, Reprogramming Action (060202)

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

2.3 DD 1416, Report of Programs (060203)

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

3.0 DETAILED PROCEDURES FOR BASE FOR REPROGRAMMING ACTIONS (0603)

3.1 General (060301)

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

3.2 Due Date (060302)

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

3.3 Transmittal (060303)

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

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

3.4 Security Classification (060304)

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

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

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

4.0 REPROGRAMMING ACTIONS (0604)

4.1 Reprogramming Actions Requiring Written Congressional Approval (060401)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4.1.6. Terminates Appropriated Programs:

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

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

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

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

4.2 Internal Reprogramming Actions (060402)

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

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

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

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

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

4.3 Letter Notifications to Congress (060403)

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

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

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

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

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

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

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

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

4.4 Failure to Provide Proper Notification (060404)

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

4.5 Transfer Authority (060405)

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

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

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

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

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

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

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

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

4.7 Submittal by Components (060407)

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

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

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

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

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

4.8 Signed DD 1415s (060408)

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

4.9 OMB Approval (060409)

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

4.10 Distribution of the DD 1415-1 (060410)

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

4.11 Congressional Committee Approval of DD 1415 Requests (060411)

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

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

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

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

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

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

4.12 Implementation Memorandums for Reprogramming Actions. (060412)

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

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

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

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

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

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

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

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

4.14 Withdrawal of Reprogramming Actions (060415)

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

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

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

5.0 DD 1416, REPORT OF PROGRAMS (0605)

5.1 General (060501)

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

5.2 Due Date (060502)

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

5.3 Procurement Line Items "Items Less Than $5 million (060503)

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

5.4 Program Base Columns Reflecting Congressional Action (060504)

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

5.5 Detailed Instructions for Preparation (060505)

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

6.0 REPROGRAMMING OF INTELLIGENCE RESOURCES (0606)

6.1 Intelligence Reprogramming Guidance (060601)

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

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

6.2 Oversight (060602)

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

6.3 Submission Procedures (060603)

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

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

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

6.4 Procedures (060604)

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

6.5 Below-Threshold Reprogrammings (060605)

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

7.0 REPROGRAMMING OF SPECIAL ACCESS PROGRAMS (0607)

7.1 Provision in Law (060701)

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

7.2 General (060702)

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

8.0 BELOW-THRESHOLD REPROGRAMMING ACTIONS (0608)

8.1 Purpose (060801)

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

8.2 Guidelines (060802)

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

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

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

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

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

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

9.0 REPLACEMENT OF ITEMS SOLD FROM INVENTORY (0609)

9.1 Policy (060901)

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

9.2 Guidelines (060902)

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

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

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

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

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

10.1 Definitions of Contract Changes for Reprogramming Purposes (061001)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11.1 General (061101)

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

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

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

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

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

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

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

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

*12.0 OPERATION AND MAINTENANCE QUARTERLY EXECUTION REPORT (0612)

*12.1 Purpose (061201)

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

12.2 Submission Requirements (061202)

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

12.3 Preparation of Material (061203)

The O&M Execution Report must:

12.3.1. Reflect the official DD COMP (M) 1002 Report as of the last day of the reporting quarter;

12.3.2. Explain any deviations from official budget data and accounting execution report data.

12.3.3. Control funds at the SAG/BLI level to prevent reflecting obligations in excess of program in the official DD COMP (M) 1002 Report; and

12.3.4. Avoid exceeding SAG/BLI thresholds for prior approval reprogrammings as set by Congress.

12.4 References (061204)

Volume 2A Chapter 1 provides general funding policies and Chapter 3 provides specific policies related to Operation and Maintenance costs. (See Volume 2A, Chapter 1 – 3)

12.5 Operation and Maintenance Quarterly Execution Report Exhibit (061205)

12.5.1. The O&M Report contains the following column data as displayed on the format presented in Appendix C to this chapter. Unless modified in a data call, this format should be adhered to.

12.5.1.1. Appropriation: Use this column to identify the Component's O&M account and display as follows:

12.5.1.1.1. Army O&M (Active/Reserve/National Guard)

12.5.1.1.2. Navy O&M (Active/Reserve)

12.5.1.1.3. Marine Corps O&M (Active/Reserve)

12.5.1.1.4. Air Force O&M (Active/Reserve/National Guard)

12.5.1.1.5. Defense-Wide (D-W) O&M

12.5.1.2. Budget Activity (BA): Use this column to identify the applicable Budget Activities such as:

12.5.1.2.1. Operating Forces (BA 1)

12.5.1.2.2. Mobilization (BA 2)

12.5.1.2.3. Training and Recruiting (BA 3)

12.5.1.2.4. Administrative and Servicewide Activities (BA 4)

12.5.1.2.5. Defense Agency and Budget Activity (Defense-Wide)

12.5.1.3. Activity Group (AG)/Budget Sub-Activity (BSA): Use this column to display the activity groups.

12.5.1.4. Sub-Activity Group (SAG)/Budget Line Item (BLI): Use this column to display the sub-activity group (SAG)/Budget Line Item (BLI) title.

12.5.1.5. President's Budget Request Column: This column must match the current fiscal year budget request, by SAG/BLI, in the Conference Report for the Department of Defense Appropriations and match the appropriate column in the Base for Reprogramming Actions (DD 1414).

12.5.1.6. Appropriation Column: This column must match the current fiscal year appropriation, by SAG/BLI, in the Conference Report for the Department of Defense Appropriations and match the appropriate column in the Base for Reprogramming Actions (DD 1414).

12.5.1.7. Distribution of Unallocated Congressional Adjustments: This column should reflect the distribution of unallocated congressional adjustments found in the Conference Report for the Department of Defense Appropriations.

12.5.1.8. Adjustments Required by Statute: The total for the Adjustments Required by Statute column should equal the Transfers (i.e., letter reprogrammings directed by statute), General Provisions, and Supplemental Appropriations.

12.5.1.9. Prior Approval Reprogramming: This column should reflect prior approval reprogrammings. This should include all prior approval reprogrammings approved by Congress by the end of the quarter that this report covers.

12.5.1.10. Below Threshold Reprogrammings (BTRs): This column should include any reprogramming actions that the component has made between SAG/BLI s that do not require OSD or congressional approval, also known as Below Threshold Reprogrammings (BTRs). The BTRs must not exceed $15.0 million into/out of each Budget Activity (BA) or Defense Agency. Additionally, the Explanatory Statement, Division C Department of Defense Appropriations Act Fiscal Year 2015 cites specific SAG/BLI s that require prior approval reprogramming and Defense Agencies and Components restricted to BTRs of the lessor of $15 million.

12.5.1.11. Other Reprogrammings: This column should include any Internal Reprogrammings (IRs) not displayed elsewhere in this report. Provide a footnote explanation for these adjustments (i.e., includes environmental restoration and foreign currency fluctuation transfers). Provide specific details for any adjustments other than adjustments from Transfer accounts. For example, letter reprogrammings authorized but not specifically directed by statute would appear in this column. The footnote would explain the transfer.

12.5.1.12. Current Program: This column must match, by SAG/BLI, Budget Activity (BA) and in total, column D (column C for the Marine Corps Reserve, Navy Reserve, Air Force Reserve, and Air National Guard) of the O&M Appropriation Status by Fiscal Year Program and Subaccounts (DD 1002) Report for the last month of the applicable quarter. If it does not, then present the appropriate total; provide a footnote explanation with specific SAG level detail noting the discrepancy and address why it does not, and what action is underway to correct any differences.

12.5.1.13. Actual Obligations: This column must match, by SAG/BLI, Budget Activity (BA) and in total, column E of the O&M Appropriation Status by Fiscal Year Program and Subaccounts Report (DD 1002) Report for the last month of the applicable quarter. If it does not, then present the appropriate total; provide a footnote explanation with specific SAG/BLI level detail noting the discrepancy and address why it does not, and what action is underway to correct any differences.

12.5.2. Footnotes:

12.5.2.1. Careful attention must be paid to report footnotes.

12.5.2.2. Use the footnote section to explain the data contained in the report and make it meaningful;

12.5.2.3. Explain any deviations from official budget data and accounting execution report data;

12.5.2.4. Be consistent with the wording of footnotes and ensure the current quarter footnotes are consistent with the previous quarter's report footnotes; and

12.5.2.5. Standard footnotes will be provided by the Office of the Under Secretary of Defense (Comptroller) at the beginning of each fiscal year

12.5.3. Expectation for Funds Awareness

12.5.3.1. Funds should be controlled at the SAG/BLI level to prevent reflecting obligations in excess of program in the O&M DD 1002 Report; and

12.5.3.2. Funds must be controlled to avoid exceeding SAG/BLI thresholds for prior approval reprogrammings as set by Congress.

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BASE FOR REPROGRAMMING ACTIONS
(Dollars in Thousands)

Appropriation Account Title: *Enter the appropriation account title and program year.*	Fiscal Year Program: *Enter the fiscal year.*

Line Item	Program Base Presented to Congress in Printed Justification		Approved Changes Prior to Final Congressional Action		Changes Reflecting Congressional Action/Intent		Program Base Reflecting Congressional/ Presidential Action	
	Qty	Amount	Qty	Amount	Qty	Amount	Qty	Amount
a	b	c	d	e	f	g	h	i
The DD From 1414, Base for Reprogramming Actions, establishes the base from which reprogramming actions may be taken. It identifies line items for each appropriation covered in the DoD Appropriations Acts.								
Line item nomenclature and accompanying amounts for programs appropriated vary by account and should be shown as follows: Active and reserve component military personnel appropriation accounts shall list budget activities as presented in the justification books. These line items will be followed by budget activity subdivisions or other line identifications to reflect congressional action by programmatic change. A total for each budget activity will be shown. Operation and maintenance (O&M) active and reserve appropriation accounts shall list budget activities as presented in the justification books. These line items will be followed by budget activity subdivisions or other line identifications to reflect congressional action by programmatic change. A total for each budget activity will be shown. Procurement appropriation line items will be the procurement line items shown on the P-1, Procurement Programs, and arranged in the same order with the exact same title. The line items will be grouped by budget activity and a total will be shown for each budget activity. Only congressional special interest item changes should be listed as memo entries under each P-1 line item. Research, Development, Test and Evaluation appropriation line items will be the program elements shown on the R-1, RDT&E Programs, and arranged in the same order with the exact same title. The program elements will be grouped by budget activity and a total will be shown for each budget activity. New program titles due to congressional adds shall be as reflected in the congressional reports or as part of an existing program element, whichever is appropriate. Only congressional special interest item changes should be listed as memo entries under each program element.								
Unless otherwise directed by OUSD(C), undistributed congressional reductions and adds must be distributed on the DD 1414.								

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BASE FOR REPROGRAMMING ACTIONS
(Dollars in Thousands)

Appropriation Account Title: *Enter the appropriation account title and program year.*

Fiscal Year Program: *Enter the fiscal year.*

Line Item	Program Base Presented to Congress in Printed Justification		Approved Changes Prior to Final Congressional Action		Changes Reflecting Congressional Action/Intent		Program Base Reflecting Congressional/ Presidential Action	
	Qty	Amount	Qty	Amount	Qty	Amount	Qty	Amount
a	b	c	d	e	f	g	h	i
PROGRAM								

"Program Base Presented to Congress in Printed Justification" (columns "b" and "c"). For each line item in the Procurement and RDT&E appropriations, enter the amounts reflected in the P-1 and R-1. The Procurement line items should include applicable line item quantities (do not use xx). Military Personnel and Operation and Maintenance (O&M) appropriations will be by budget activity level and amounts will be obtained from M-1 and O-1.

"Approved Changes Presented Prior to Final Congressional Action" (columns "d" and "e"). Enter the amount of increase (+) or decrease (-) to the line items or budget activities which were approved by the Secretary of Defense and formally presented to one or both of the Committees on Appropriations. Normally, such changes, involving a change in the budget estimate for the total appropriation, will be submitted to the Congress by the President as formal budget amendments, although in certain cases, such changes have been presented directly by the Secretary of Defense. Testimony on program changes by a DoD official other than the Secretary or Deputy Secretary of Defense shall be considered as an expression of personal opinion and not as an approved change. This column shall only be used when directed by OSD.

"Changes Reflecting Congressional Action/Intent" (columns "f" and "g"). Enter the amount of increase (+) or decrease (-) for each line item reflecting congressional action as indicated in the Conference Report accompanying the DoD Appropriations Act or any other information as may be available to determine congressional action or intent regarding line item detail. Nonspecific congressional adjustments included in appropriated amounts for an Active Service O&M account shall be allocated to the budget activity level.

"Program Base Reflecting Congressional/Presidential Action" (columns "h" and "i"). Entries will represent the arithmetic sum of the applicable entries from columns "b" through "f" and "c" through "g." Amounts in this column will become the first column "Program Base Reflecting Congressional Action" (columns "b" and "c") of the subsequent DD 1416 reports.

Quantities (Columns "b," "d" and "f"). Quantities are only applicable for the procurement accounts. When a procurement line item contains a quantitative measurement, then the quantity shall be reflected in the appropriate quantity columns for that line item. If no quantity is meaningful as a unit measurement, then leave the column value left (i.e., do not use xx).

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BASE FOR REPROGRAMMING ACTIONS
(Dollars in Thousands)

Appropriation Account Title: *Enter the appropriation account title and program year.*

Fiscal Year Program: *Enter the fiscal year.*

Line Item	Program Base Presented to Congress in Printed Justification		Approved Changes Prior to Final Congressional Action		Changes Reflecting Congressional Action/Intent		Program Base Reflecting Congressional/ Presidential Action	
	Qty	Amount	Qty	Amount	Qty	Amount	Qty	Amount
a	b	c	d	e	f	g	h	i
PROGRAM								

Stub Entries for this Financing Section may include some or all of the following types of transactions:
Budget Authority:
Appropriation, P.L. 113-xxx
PL 113-xxx, Sec. 8106
PL 113-xxx, Sec. 8060
Total Financing, FY 20xx Program

Detail instructions for the above financing lines by column are as follows:
Column "c" for the appropriation and reimbursable orders lines shall be the same as the amounts in the President's Budget Program and Financing Schedules.
Column "e" is rarely used; and when appropriate, instructions for this column will be provided.
Column "g" shall be the delta changes made by Congress or DoD for applicable appropriation or general provision changes.
Column "i" shall be the sum of the columns across and shall be column "c," "Program Base Reflecting Basic Congressional Action," on subsequent DD 1416s.
"Transfers" shown on the DD 1414 will only apply for those transfers included as part of the President's Budget request or certain congressional action transfers. For example, these may include transfers in the budget from the National Defense Stockpile Fund or general provision transfers provided by the Congress in law that usually involve transfers to Shipbuilding and Conversion.

Footnoted Items. Extreme care should be used in footnoting items. Footnote 1, should be used when one of the congressional reports specifically provided funds for this item using the phrases "only for" or "only to", or the item appears in one of the project level tables. Congressional prior approval is required before decreasing funds on this program. Footnote 2, should be used when this effort was specifically reduced by one or more of the congressional committees. Below Threshold Reprogramming (BTR) authority cannot be used to restore specific congressional reductions. Footnotes should be consolidated onto the last page of each account. This avoids repetition of the same footnote that may appear on several pages of an appropriation.

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REPROGRAMMING ACTION - PRIOR APPROVAL

Unclassified

Subject:							**DoD Serial Number:** FY XX-XX PA	
Appropriation Title: Appropriation titles with year designation.							**Includes Transfer?** Yes or no	
Component Serial Number:	*(Amounts in Thousands of Dollars)*							
	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
Line Item	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
a	b	c	d	e	f	g	h	i

This is a sample with instructions on details required for preparation of a DD 1415-1, Prior Approval, reprogramming action, which requires congressional committee approval in writing prior to implementation of the committee responses. Specific approval of the USD(Comptroller) is required on all DD 1415 reprogramming actions and OMB endorsement is required for those involving general and special transfer authority.

An introductory paragraph should include the following:

1. Explain why the action is being submitted for prior approval. (One or more of the following should apply.)

A. Affects an item that is known to be or has been designated as a matter of special interest to one or more of the congressional committees.

B. Initiates a new program, subprogram, modification, program element, project, or subproject.

C. Exceeds thresholds agreed upon between the congressional committees and the Department.

D. Involves the use of general transfer authority and shall state which Acts are involved, for example, pursuant to section 8005 of division C of Public Law 113-235, the Department of Defense (DoD) Appropriations Act, 2015, and section 1001 of Public Law 113-291, the Carl Levin and Howard P. "Buck" McKeon National Defense Authorization Act for Fiscal Year (FY) 2015.

E. Involves the use of special transfer authority and shall state which Acts are involved, for example, pursuant to section 9002 of Title IX Overseas Contingency Operations (OCO) of Public Law 113-235, the Department of Defense (DoD) Appropriations Act, 2015, and section 1522 of Public Law 113-291, the Carl Levin and Howard P. "Buck" McKeon National Defense Authorization Act for Fiscal Year (FY) 2015.

F. Increases the procurement quantity of a major end item, such as an individual aircraft, missile, naval vessel, tracked combat vehicle, and other weapon or torpedo and related support equipment for which funds are authorized. (Exceptions may apply when congressional language allows for procurement of as many missiles as funds will procure, which requires the submission of, and approval of an internal reprogramming action.)

Approved (Signature and Date)

REPROGRAMMING ACTION - PRIOR APPROVAL

Unclassified

Subject:							**DoD Serial Number:** FY XX-XX PA	
Appropriation Title: Appropriation titles with year designation.							**Includes Transfer?** Yes or no	
Component Serial Number:	*(Amounts in Thousands of Dollars)*							
	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
Line Item	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
a	b	c	d	e	f	g	h	i

G. Terminates any program that results in the elimination of a procurement program or an RDT&E program element; a subprogram within a procurement program or RDT&E project or subproject which is equal to the total amount of the procurement program or program element; or a subprogram within a procurement program or an RDT&E project or subproject within a program element of $10 million or more.

2. A concise sentence stating the purpose of the action.

3. A statement that the action is for a higher priority item, based on unforeseen military requirements, than that for which the funds were originally appropriated, meets all administrative and legal requirements of the Congress, and has not been denied by the Congress. This statement ensures that statutory requirements are satisfied.

4. A statement that the action is/is not included in the President's Budget that is on the Hill for approval.

REPROGRAMMING INCREASES:

Appropriation and year designation

Budget Activity Number and Title

a **b** **c** **d** **e** **f**

Explanation:

Details for each separate increase are as follows:

a. Line item titles. The title will be identical to the title shown on the DD Form 1414, Base for Reprogramming Actions, if the line item is listed therein.

b. Entries for "Program Base Reflecting Congressional Action" (columns "b" and "c"). For each line item, enter the procurement quantity (if applicable) and amount shown on the DD 1414. The baseline is changed by any congressional action to include rescissions, supplemental, and approved DD 1415 action.

c. Entries for "Program Previously Approved by SecDef" (columns "d" and "e"). For the first 1415 processed for a particular item, entries will be the same as columns b and c entries. For subsequent 1415s, entries will be the same as columns h and i of the most recently approved DD 1415 reprogramming action. If a reprogramming action is already in process in OSD affecting the same item, coordinate the revised program value to be used with the OUSD(C) P&FC.

REPROGRAMMING ACTION - PRIOR APPROVAL

Unclassified

Subject:							**DoD Serial Number:** FY XX-XX PA	
Appropriation Title: Appropriation titles with year designation.							**Includes Transfer?** Yes or no	
Component Serial Number:	*(Amounts in Thousands of Dollars)*							
	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
Line Item	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
a	b	c	d	e	f	g	h	i

d. Entries for "Reprogramming Action" (columns "f" and "g"). Enter the increase (+) or decrease (-) in quantity (if applicable) and amount of the proposed reprogramming action. The total increases and decreases must net to zero. Columns "f" and "g" are not allowed to contain classified quantities or amounts. Other material, if required, should be classified in order to allow columns "f" and "g" to remain unclassified.

e. Entries for "Revised Program" (columns "h" and "i"). Enter the adjusted quantity (if applicable) and the amount resulting from the proposed increase or decrease to the previously approved program.

f. The "Explanation" on the DD 1415 should include sufficient data to justify the proposed increase. The statements should be informative, clearly stated, and straightforward. The purpose of the written documentation should be to inform the reader; therefore, care must be taken to avoid confusing narratives. For each increase within the reprogramming, include explanations and justifications that are intended to serve the same basic purpose as "original budget justification." Accordingly, concise, accurate, and clearly stated information should be provided for reviewing officials and the congressional committees as to the nature, extent, and necessity of the requirements, the costs, and the proposed application of resources to meet such costs. All program increases should be described in such a way as to distinguish between price changes and program scope changes. Statements should be prepared and reviewed on the basis that classified data will not be included. If classified information is essential to justification of the reprogramming change, it will be submitted under separate cover.

FY 2015 REPROGRAMMING INCREASE: **+10,000**

Research, Development, Test, and Evaluation, Air Force, 15/16
Budget Activity 04: Advanced Component Development and Prototypes

PE 0603851F ICBM - DEM/VAL	43,206	43,206	**+10,000**	53,206

Explanation: Funds are required to support the Rocket Systems Launch Program (RSLP) which converts surplus ICBMs into test launch vehicles for suborbital and sounding rocket launches. Funds are required to move 166 Minuteman II motors from Pueblo Depot, CO to Camp Navajo Depot, AZ because the Pueblo Depot is closing. As a result, proper storage and maintenance of environmental igloos for motor storage is no longer being maintained or guaranteed. Since the Camp Navajo Depot has been modified and is ready to accept motors, the motors must be moved to ensure proper storage and maintenance and to avoid unauthorized location of hazardous Air Force material. This is a base budget requirement.

REPROGRAMMING ACTION - PRIOR APPROVAL

Unclassified Page4 of 4

Subject:							**DoD Serial Number:** FY XX-XX PA	
Appropriation Title: Appropriation titles with year designation.							**Includes Transfer?** Yes or no	
Component Serial Number:	*(Amounts in Thousands of Dollars)*							
	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
Line Item	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
a	b	c	d	e	f	g	h	i
FY 2015 REPROGRAMMING DECREASE:						**-10,000**		
Missile Procurement, Air Force, 15/17								
Budget Activity 03: Modification of Inservice Missiles								
MM III Modifications		29,344		29,344		**-10,000**		19,344

Explanation: These funds are excess to requirements as a result of the restructure of the Minuteman III Guidance Replacement Program (GRP). As a result of the restructure, procurement of long lead parts to support low rate initial production is not required until the second quarter of 2015. The MM III GRP program is adequately and appropriately funded to support a GRP production start in FY 2015. Accordingly, FY 2015 funds provided to procure long lead parts are available to finance higher priority requirements. This is base budget funding.

Note: All sources of financing will be clearly and explicitly identified in the DD 1415. A statement immediately following each proposed decrease in a line item shall include information as to the basis upon which it has been decided that the line item may be reduced.

Extreme care should be used in identification of sources to ensure that approved increases will be fully funded. For purposes of the Omnibus reprogramming action, except in the most unusual circumstances, the USD(C) will neither request reconsideration of denied increases, nor submit alternate sources for any denied sources.

DD 1415-1 *Unclassified*
6-27

REPROGRAMMING ACTION - INTERNAL

Unclassified

Subject:							**DoD Serial Number:** FY XX-XX IR	
Appropriation Title: Research, Development, Test, and Evaluation, Navy, 15/16; shipbuilding and Conversion, Navy, 15/19							**Includes Transfer?** No	
Component Serial Number:	*(Amounts in Thousands of Dollars)*							
	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
Line Item	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
a	b	c	d	e	f	g	h	i

SAMPLE IR

This reprogramming action is submitted for prior approval because it uses general transfer authority pursuant to section 8005 of division C of Public Law 113-235, the Department of Defense (DoD) Appropriations Act, 2015; and section 1001 of Public Law 113-291, the Carl Levin and Howard P. "Buck" McKeon National Defense Authorization Act for Fiscal Year (FY) 2015. This action transfers $xxxx million from Shipbuilding and Conversion, Navy, 15/19, appropriation to the Research, Development, Test, and Evaluation, Navy, 15/16, appropriation to finance the construction of Littoral Combat Ship (LCS) 1 and LCS 2 through calendar year 2015. This action reprograms funding in support of higher priority items, based on unforeseen military requirements, than those for which originally appropriated; and is determined to be necessary in the national interest. It meets all administrative and legal requirements and none of the items has been previously denied by the Congress.

FY 2015 REPROGRAMMING INCREASE: +xxxxxxx

Research, Development, Test, and Evaluation, Navy, 15/16 +xxxxxxxx
Budget Activity 04: Advanced Component Development and Prototypes
R-1--PE Number/Title
xxxxxxx xxxxxxxxx +xxxxxxxxx xxxxxxxx

Explanation: Funds are required….
This is a base budget requirement or This is an OCO budget requirement.

FY 2015 REPROGRAMMING DECREASE: -xxxxxx

Shipbuilding and Conversion, Navy, 15/19 -xxxxxx
Budget Activity 02: Other Warships
P-1 Line Item xxxx xxxxx -xxxxx xxxxx

Explanation: Funds are available because ……
This is base budget funding or This is Title IX OCO budget funding.

Approved (Signature and Date)

DD 1415-3

Appendix A Part 4 – Report of Programs

DD 1416

UNCLASSIFIED

Report of Programs
(In Dollars)

Account: **As of:**

Budget Activitiy:

Period of Availability	BLI#	BLI	BLI TITLE	President's Budget Request	Enacted Appropriation (Includes Distribution of Congressional Adjustments/1)	Adjustments Required by Statute /2	Suppls/Rescissions/ Sequestration /3	Other: Cancelled, Claims, Judgments /4	Above Threshold Reprog	Below Threshold Reprog	Net

FOOTNOTES:

Period of Availability: The period of time budgetary resources are available for incurring obligations.
Budget Line Item Number (BLI#)
Budget Line Item (BLI)
Budget Line Item (BLI) Title
President's Budget Request
Enacted Appropriation (Includeds Distribution of Congressional Adjustments /1: Reflects general reductions and congressional directed adjustments in the approp
Adjustments Required by Statute /2: such as the Small Business Innovation Research Program
Supplemental, Rescission, Sequuestration /3: specific reductions to the appropriations as directed in the appropriations act.
Other: Cancelled, Claims, Judgements /4
Above Theshold Reprogramming (ATR): Prior Approval reprogramming request that requires congressional approval
Below Threshold Reprogramming (BTR): finance adjustments to line items that do not require congressional approval; limited by dollar and percentage thresholds
Net: Total program amount

Appendix B – Operation and Maintenance Budget Execution Data

Operation and Maintenance Budget Execution Data
Department of the _____
(Dollars in Thousands)
Data as of (Decemeber 31/March 31/June 30/September 30) (Fiscal Year)

Appropriation	Budget Activity	Activity Group	Subactivity Group	President's Budget Request	Appropriation	Distribution of Unallocated Congressional Adjustments /1	Adjustments Required by Statute /2	Prior Approval Reprogram-mings	Below Threshold Reprogram-mings 3/	Other Reprogram-mings 4/	Current Program 5/	Actual Obligations 6/
	Budget Activity (#) Summary			**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**
	Budget Activity (#) Summary			**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**
	Budget Activity (#) Summary			**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**
		Total Direct Program		**TOTAL**	**TOTAL**	**TOTAL**	**TOTAL**	**TOTAL**	**TOTAL**	**TOTAL**	**TOTAL**	**TOTAL**

Notes

1/ The "Distribution of Unallocated Congressional Adjustments" column reflects the undistrubuted adjustments from Conference Report xxx-xxx.

2/ The "Adjustments Required By Statute" column reflects amounts for General Provisions (P.L. xxx-xxx) and Supplemental Appropriation (P.L. xxx-xxx).

3/ The "Below Threshold Programmings" column includes intra-Budget Activity fund reprogramming and realignments to meet congressional intent.

4/ The "Other Reprogrammings" column includes Internal Reprogramming for Counternarcotics, Environmental Restoration, Foreign Currency Fluctuation and others as directed.

5/ The "Current Program" column reflects column D of the Operation & Maintenance Appropriation Status by Fiscal Year Program and Subaccounts Report (DD 1002 report) as of (Day) (Month) (Year).

6/ The "Actual Obligations" column reflects column E of the Operation & Maintenance Appropriation Status By Fiscal Year Program and Subaccounts Report (DD 1002 report) as of Day Month Year.

VOLUME 3, CHAPTER 7: "REPROGRAMMING OF MILITARY CONSTRUCTION AND FAMILY HOUSING APPROPRIATED FUNDS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated March 2011 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
3.2.2.2. (070302.B.2)	Consolidated references to an increase, or decrease, in the reprogramming base due to previously approved congressional reprogramming action.	Clarification
3.2.2.2. (070302.B.3)	Deleted this paragraph number and consolidated relevant information into 070302.B.2. (see previous explanation).	Clarification
070302.B.10 (deleted)	Deletion. This policy is no longer relevant with respect to current statute Title 10 U.S.C. § 2802 and § 18233(a)(1), wherein military construction projects must be authorized by law before they may be carried out.	Deletion
3.2.3.5. (70302.C.5)	Revised existing policy clarifying when an Obligation Letter is required for reprogramming between Family Housing accounts.	Clarification
3.3 (070303)	Revised title from "When Reprogrammings Shall Not Be Submitted" to ". . . Should Not Be Submitted" to allow for exceptions.	Clarification
070303.A.1 (deleted)	Deleted references to various Military Construction sections in the United States Code that when listed in the context of this paragraph appear to be exceptions to authorization, when in fact they provide authorization.	Clarification
070303.A.2 (deleted)	Deletion. This policy is no longer relevant with respect to current statute, Title 10 U.S.C. §2802 and §18233(a)(1), wherein military construction projects must be authorized by law before they may be carried out.	Deletion
3.7.4.3. (070307.D.3)	Revised policy clarifying that a DD Form 1391 is required if not previously provided to Congress.	Clarification

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CHAPTER 7

REPROGRAMMING OF MILITARY CONSTRUCTION AND FAMILY HOUSING APPROPRIATED FUNDS

1.0 GENERAL (0701)

This chapter provides guidance for the preparation of reprogramming proposals for the appropriation of military construction and family housing funds.

2.0 SUBMISSION REQUIREMENTS (0702)

The congressional subcommittees concerned with the appropriation and authorization of military construction and family housing funds have agreed that, in executing approved programs, some flexibility is required in adjusting approved funding levels to comply with new conditions and to effectively plan programs to support assigned missions. To facilitate the use of this authority and to promote continuity with the subcommittees, the Department agrees to seek approval from the relevant congressional committees. Departmental adjustments or reprogramming measures may be required for a number of reasons including: responding to emergencies; restoring or replacing damaged or destroyed facilities; accommodating unexpected price increases; and implementing specific program provisions provided for by the congressional committees. While supporting DoD Component mission accomplishments, reprogramming measures are intended to ensure that the use of DoD appropriations complies with congressional intent.

3.0 PROCEDURES (0703)

3.1 DoD Approvals (070301)

Proposed military construction and family housing reprogramming actions shall be approved by the OUSD (C). Reprogramming actions shall be submitted to the Office of Management and Budget for clearance, as required by OMB Circular No. A-11, ***Section 22.3***, "Clearance of Materials for Congress and the Media". After OUSD(C) approval, they shall then be submitted to the appropriate congressional committees for approval or for notification. Certain reprogramming actions below threshold may be executed on approval of designated officials at the DoD Component level (see subparagraph 070302.C). Generally, the OUSD(C) shall not approve reprogramming actions until compliance with the criteria delineated below has been fully documented by the DoD Components. When the House and Senate Armed Services Committees are to be notified in accordance with Title 10, United States Code, the DoD Component shall provide a copy of the signed and dated notification letter to the DoD Comptroller along with the reprogramming request. Congressional notification letters in accordance with Title 10 must be sent to the four defense oversight committees prior to requesting a reprogramming action.

3.2 Determining Reprogramming Actions Requiring Prior Notification and Approval of Congressional Committees (070302)

The following definitions, procedures, and criteria shall apply.

3.2.1. Reprogramming Base. The specific dollar amount for any project or effort that has been jointly approved for appropriation by the Committees on Appropriations. In instances where a prior approval reprogramming request for a project or effort has been jointly approved by the Committees on Appropriations, the amount approved becomes the new base for any future increase or decrease via below threshold reprogramming actions or prior approval reprogramming requests.

3.2.2. When Prior Approval Reprogramming is Required. Prior approval reprogramming is required for the following:

3.2.2.1. For any increase exceeding 25 percent of the reprogramming base or $2.0 million, whichever is less, to military construction projects, family housing new construction projects, or family housing improvement projects (exceeding $2.0 million base value).

3.2.2.2. For any increase exceeding 25 percent of the reprogramming base or $2.0 million, whichever is less, to a project or effort whose base has been increased, or decreased, by a previously approved congressional reprogramming action.

3.2.2.3. For any increase, regardless of percentage or dollar value, to a project that has been previously reduced in scope by the Congress in acting on the appropriation request.

3.2.2.4. For any emergency construction project to be performed under 10 U.S.C. 2803.

3.2.2.5. For any restoration or replacement of damaged or destroyed facilities to be undertaken with military construction funds under 10 U.S.C. 2854.

3.2.2.6. For any acquisition of interests in land under 10 U.S.C. 2663(d).

3.2.2.7. For any family housing relocation project to be accomplished under 10 U.S.C. 2827.

3.2.2.8. For any project authorized to be accomplished from savings, unless specifically exempted from such requirement by the Committees on Appropriations.

3.2.2.9. To increase the amount appropriated for unspecified minor construction.

3.2.2.10. To increase the amount appropriated for architectural and engineering services and construction design.

3.2.3. When Prior Approval Reprogramming is Not Required. Prior approval reprogramming is not required for the following:

3.2.3.1. When none of the criteria listed above, apply to the project or to the cost increase required.

3.2.3.2. For projects utilizing Environmental Restoration, Defense funds authorized under 10 U.S.C. 2810.

3.2.3.3. For projects less than $2.0 million within the Family Housing Improvements Program.

3.2.3.4. For decreases to a project or effort in response to "general reductions" imposed by the Congress for savings or other reasons.

3.2.3.5. When a DoD Component takes action to reprogram funds between or among family housing operation and maintenance accounts. However, the committees shall be notified within 30 days of any transfer that exceeds 10 percent of the reprogramming base of the increased account (cumulative within a fiscal year). This action shall be documented in an approved Obligation Authority letter prior to notification of the committees of the implemented transfers.

3.2.3.6. When the cost increase necessitating a reprogramming is due solely to final settlement of a contractor's claim (Senate Report 100-200).

3.2.3.7. For any project being completed with expired funds. Cost increases are only allowable for valid upward price adjustments, which exclude any work not in the scope of the original contract (Senate Report 100-200).

3.2.3.8. For Reserve Component projects when the revised cost does not exceed $400,000. Reprogramming action may be taken 21 days after the appropriate committees receive notification and do not object (Senate Report 100-200).

3.3 When Reprogrammings Should Not Be Submitted (070303)

Requests for reprogrammings shall not be submitted by DoD Components when any of the following conditions exist.

3.3.1. For any project or effort that has not been authorized.

3.3.2. For any project or effort that, for any reason, has been denied specifically by the Congress, as indicated by report language or by the elimination of funds, unless all pertinent report language specifically states that a subsequent reprogramming shall be required or entertained, or when the requirement qualifies as an emergency, as defined in 10 U.S.C. 2803.

3.3.3. To initiate programs of major scope or base realignment actions, when such larger efforts have not been authorized by the Congress.

3.4 Split-Year Funding Authority (070304)

As provided for by Conference Report 100-912, the committees have agreed to allow split-year funding for military construction and family housing construction projects. Split-year funding occurs when a project is financed by funds from more than one program year (appropriation). Resources made available for split-year funding shall remain in the original appropriation for fund control and accounting purposes. Projects that have been funded in phases by the Congress are not considered split-year funded.

3.5 Appeals to Congressional Committees (070305)

An unfavorable congressional committee decision on a reprogramming action may be appealed by the OUSD(C). Any appeal on a reprogramming action taken after it is submitted to the congressional committees is subject to the same review and approval procedures as the original reprogramming request.

3.6 Explanatory Statements (070306)

Each proposed reprogramming action shall be fully justified and documented using the guidance in paragraph 0704. The required format should be closely followed to prevent unnecessary delays in processing.

3.7 Administrative Processing Instructions (070307)

3.7.1. Reprogrammings normally shall be forwarded monthly to the Appropriation Committees. If exceptions to this monthly processing schedule are required, such as year-end reprogrammings, the DoD Components shall be notified separately. DoD Component reprogramming points of contact are responsible for ensuring that all required documentation has been provided to the OUSD(C), Program and Financial Control (Room 3C689) and the Military Personnel and Construction Directorate (Room 3C654), Pentagon, Washington, DC 20301-1100, by the 5th workday of the month. Any actions received after the 5th workday will be held for the next month's processing.

3.7.2. Urgent reprogramming requests warranting action in advance of the next regular cycle shall be evaluated and processed on a case-by-case basis. However, such out-of-cycle requests are expected to be extremely rare. Reprogramming requests must be sent by OUSD(C) to the Congress at least one month prior to the bid expiration date. Components must consider the 5th workday cut-off date when determining when a request should be forwarded to OUSD(C).

Reprogramming requests will not be accepted if there is insufficient time to review and send to Congress one month prior to the bid expiration date.

3.7.3. All sources should reflect the title, location and amount in the Authorization Act and be researched to ensure the requests will not be denied.

3.7.4. Documentation: Military construction and family housing reprogramming actions should be submitted via email to OUSDC (P&FC). The email should include the following:

3.7.4.1. A ".pdf" transmittal memorandum signed by an appropriate DoD Component official and supported by the proposed reprogramming justification document (MS Word) and relevant supporting material, such as, a certification by the Component's Comptrollers that fund sources are available and the Component's fiscal counsel has reviewed and has no fiscal objection, 10 USC 2853 notifications, and DD Form 1391 (if applicable).

3.7.4.2. This transmittal memorandum must state specifically that the reprogramming either does or does not require a cost variation notification in accordance with 10 U.S.C. 2853. If the reprogramming requires a section 2853 notification, a signed and dated copy of the notification also should be included in the required documentation. This notification letter must be transmitted to the Congress by the DoD Component prior to submission of the reprogramming request to OUSD(C). The reprogramming shall be provided in the specified format and 12-point typeface and letter-quality format.

3.7.4.3. The top page(s) should be the reprogramming request (installation, project, authorization, et al.) (see paragraph 0704). Supplementary narrative information, if required, should be attached next. A DD Form 1391, FY 19XX "Military Construction Project Data," is required if not previously provided to Congress. Generally, this shall be restricted to situations in which the Military Service Secretary is exercising the emergency provisions of 10 U.S.C. 2803; the DoD Component is citing section 2854 to replace a damaged or destroyed facility; a project is being funded from savings; or a project has been added by the Congress without the benefit of official records reflecting the scope of the project involved (i.e., without a DD Form 1391).

3.7.4.4. Submissions that do not adequately justify the requirement or are missing documentation will be returned. When Components fail to correct a deficiency within two business days, the action may be returned and the Component will be required to resubmit their reprogramming request.

*4.0 REPROGRAMMING REQUEST FORMAT (0704)

Bid Expiration Date:

Military Construction or Military Family Housing Construction, (Enter DoD Component)

Reprogramming Request

Installation: Enter installation or base name, and location, consistent with the National Defense Authorization Act (NDAA).

Project: Enter project or program title consistent with the NDAA, if the project or program is in the funded program. If not previously authorized, enter the new emergency project title.

Authorization: Reflect the exact title of the NDAA, which includes the fiscal year and public law. If not previously authorized, reflect the appropriate sections of the Title 10, United States Code Authority for emergency or replacement projects.

Estimated Cost ($000):

Previously Appropriated

Previously Reprogrammed

Requested Reprogramming

Total Estimated Costs

Description: Give a brief description of the project and requirement, similar to the 1391 project description. If appropriate, indicate any significant changes to scope.

Justification: Be clear, succinct, and complete in describing the need for the Reprogramming. If appropriate, summarize the chronology of events leading to the request, such as when the request for the proposal was announced and when bids were received. Include other relevant information, such as the contracting strategy and/or type of contract, and impact if funding was not to be made available, as well as what is driving the increase in cost (such as market conditions, inflation, full prices).

Source of Funds: Explain why the funds are no longer required for the purpose originally appropriated. With the exception of BRAC, funds may not be "borrowed" from a project temporarily, with the intention of later restoring a portion of the amount reprogrammed.

Location & Project*	Fiscal Year	Amount Appropriated ($000)**	Current Working Estimate ($000)	Proposed Reprogramming ($000)

Use Tabs to ensure that all words and numbers are properly aligned.
*Project title and location as stated in the NDAA.
**Amount as reflected in the Appropriation Act.

VOLUME 03, CHAPTER 08: "STANDARDS FOR RECORDING AND REVIEWING COMMITMENTS AND OBLIGATIONS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated February 2020 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Administrative updates to include clarifying language and sections reorganized in accordance with Department of Defense Financial Management Regulation (FMR) Revision Standard Operating Procedures.	Revision
2.3.7	Emphasized recording of commitment of intragovernmental orders prior to entry in the Government Invoicing system.	Revision
3.7	Clarifying language to distinguish fund holders due diligence responsibilities for inter- and intra-governmental orders.	Revision
8.1.3	Clarifying language on use of Fiscal Service Form 7600B.	Revision
15.2.1	Clarifying language on internal controls with supporting FMR volume and chapter references.	Revision
15.4	Clarifying language on segregation of duties with supporting FMR volume and chapter reference.	Revision
16.2.4	Clarifying language on sub-allotter and sub-allottee dormant balance roles.	Revision
16.8.2.1	Clarifying language on the roles and activities of de-obligation of dormant obligations.	Revision
Policy Memo	The Deputy Chief Financial Officer's policy memorandum, "Dormant Account Review - Quarterly Permanent Change of Station Dormancy Requirement Adjustment (FPM 21-09)," dated November 8, 2021 was incorporated into the chapter and canceled.	Cancellation

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CHAPTER 8

STANDARDS FOR RECORDING AND REVIEWING COMMITMENTS AND OBLIGATIONS

1.0 GENERAL

1.1 Purpose

This chapter prescribes the requirements for determining the amount and accounting period in which commitments and obligations must be recorded under various circumstances. Departmental standards for recording transactions in the execution level budgetary accounts are in Chapter 15. This chapter also provides guidelines for the Dormant Account Review Quarterly (DAR-Q) of Undelivered Orders, Unpaid (UDOU); Delivered Orders, Unpaid (DOU); Undelivered Orders, Paid (UDOP); and Unfilled Customer Orders (UFCO). Priorities for researching and correcting disbursement transactions are in Chapter 11.

1.2 Authoritative Guidance

The primary statutory sources include Titles 10 and 31 of the United States Code. The primary regulatory source is the Office of Management and Budget ***(OMB) Circular A-11***, "Preparation Submission and Execution of the Budget"; ***OMB Circular A-123***, Management's Responsibility for Enterprise Risk Management and Internal Control"; and the Federal Acquisition Regulation ***(FAR)***.

2.0 COMMITMENTS

2.1 Definition

A "commitment" is an administrative reservation of allotted funds, or of other funds, in anticipation of an obligation (see paragraph 3.1). Since an obligation equal to or less than the commitment can be incurred without further recourse to an authorizing official, commitments are required for some appropriations and are permissible for others. For additional information, see Chapter 15 paragraph 3.3. A commitment, when recorded in the accounting records, reduces the allotment's available fund balance. A person authorized to reserve funds must sign the commitment document, i.e., the official responsible for administrative control of funds for the affected subdivision of the appropriation. This helps ensure the subsequent entry of an obligation will not exceed available funds. The amount recorded as a commitment is the estimated procurement cost set forth in the commitment document. The date the authorized official signed the commitment document determines the accounting period the commitment is recorded in the general ledger. Officials can commit funds only to acquire goods, supplies, and services that meet the time, purpose, and amount for which Congress appropriated funds, or bona fide needs of the period to replace stock used during that period. See subparagraph 3.4.1 for further bona fide need concepts.

2.2 Recording of Commitments

A commitment must cite a Standard Line of Accounting (SLOA) in accordance with Volume 1, Chapter 4, and must be recorded in the general ledger in accordance with the United States Standard General Ledger (USSGL) Standard Financial Information Structure ***(SFIS)*** Transaction Library in Volume 1, Chapter 7.

2.3 Special Provisions for Determining the Amounts of Commitments

2.3.1. Criteria for Recognition of a Contingent Liability. A contingent liability is recognized when all of the following three conditions are met in accordance with the Statement of Federal Financial Accounting Standards ***(SFFAS) 5,*** "Accounting for Liabilities of the Federal Government," paragraph 38.

2.3.1.1. A past event or exchange transaction has occurred. For example, a federal entity has breached a contract with a nonfederal entity.

2.3.1.2. A future outflow or other sacrifice of resources is probable. For example, the nonfederal entity has filed a legal claim against a federal entity for breach of contract, and the federal entity's management believes the claim is more likely than not to be settled in favor of the claimant; and

2.3.1.3. The future outflow of resources is measurable. For example, the federal entity's management determines an estimated settlement amount.

2.3.2. Contingent Liabilities Remaining under Outstanding Contracts. There are contingent liabilities for price or quantity increases or other variables that cannot be recorded as valid obligations in the cases of:

2.3.2.1. Outstanding fixed price contracts containing escalation, price redetermination, or incentive clauses;

2.3.2.2. Contracts authorizing variations in quantities to be delivered; and

2.3.2.3. Contracts where allowable interest may become payable by the U.S. Government on contractor claims supported by written appeals pursuant to the "Disputes" clause contained in the contract, see subparagraph 4.2.4.

2.3.3. Recording Contingent Liabilities Remaining under Outstanding Contracts. Carry amounts to cover these contingent liabilities as outstanding commitments pending determination of actual obligations. Conservatively estimate and record amounts based on judgment, experience, and the probability an obligation will materialize. The amount need not be recorded at the maximum or ceiling price under the contract. Allowances may be made for the possibility of downward price revisions and quantity under runs. Support each contingent liability with sufficient detail as referenced in SFFAS 5, paragraphs 38 and 39.

2.3.4. Letter Contracts and Letters of Intent. When accepted, record a letter contract, letter of intent, or other undefinitized contract action as an obligation, but only in the amount of the maximum liability stated. Other regulations may limit the maximum liability amount to the costs that the contractor may incur pending execution of a definitive contract. In that case, the estimated amount of the definitive contract, over and above the obligation recorded under the letter contract or letter of intent, must be carried as an outstanding commitment, pending execution of the definitive contract. If the letter stipulates that awarding of the definitive contract is dependent upon a congressional appropriation, then no funds are available and no commitment is recorded.

2.3.5. Open End Contacts and Option Agreements. Record a commitment for an open end contract or option agreement (when neither the items nor quantities are specified) only when the amount estimated is reasonably firm, i.e., are the subject of subsequent orders. Competent authorized personnel must determine the required quantities and quality specification for reasonable estimated prices. The existence of a specific dollar amount in the procurement directive or request does not make the dollar amount reasonably firm. For example, experienced personnel can estimate an amount useful in planning, i.e. an initial complement of spare parts will be acquired, but this amount is not reasonably firm and may be recorded as a memorandum "initiation" (see Chapter 15, paragraph 3.3), but not as a commitment.

2.3.6. Contract Modification or Engineering Changes. An authorization to execute engineering change orders during the course of performance of a contract may be recorded as a commitment upon the basis of a stated cost limitation even though the scope and amount of such changes are not yet defined and require specific approval of the person authorizing the procurement (or another designee) before the execution of the change orders. In such circumstances, however, it may be necessary to revise the authorization (and the recorded commitment) in light of subsequent events, including change orders actually placed.

*2.3.7. Intragovernmental Requisitions and Orders. Record commitments for Intragovernmental requisitions and orders using Fiscal Service (FS) Form 7600B, Department of Defense (DD) Form 448, Military Interdepartmental Purchase Request (MIPR), or other digital equivalent Federal Intragovernmental Data Standard. DoD requisitions and orders are recorded as commitments prior to entry in the Government Invoicing (G-Invoicing) system. See additional guidelines and specifics on G-Invoicing in section 8.0.

2.3.8. Multi-year Contracts. Do not record contingent liabilities commitments for multi-year contracts with cancellation charges, i.e., when it is necessary for the government to cancel the contract for reasons other than contractor liability, until it becomes necessary to cancel the contract and the contractor is notified.

2.3.9. Commercial Purchase Cards. Establish commitments in amounts no less than the periodic purchase limits authorized for commercial purchase cards. Commitments limit expenditures to funds available for the purchase card program. Establish commitments for each distinct line of accounting. Advance reservations of funds are used in conjunction with purchases made using purchase cards. Advance reservations of funds are established by the resource manager (or equivalent), in conjunction with the assigned Purchase Card Program agency program coordinator, and must be considered when setting office and cardholder purchase limits. The use

of advance reservations of funds will ensure positive funds control precluding expenditures from exceeding obligations. Refer to ***OMB Circular A-123,*** Appendix B and the ***DoD Government Charge Card-Guidebook*** for additional guidance.

2.3.10. Imprest Funds. Record a commitment for imprest funds before advancing funds to the imprest fund cashier.

2.4 Validating Commitments

When drafting contracts, procurement officials may modify the description of deliverable goods and services or contract line item structure used on a funded purchase request. However, if these changes are substantial, there is a risk the goods and services procured no longer align with the purpose set forth in the purchase request for which the commitment was certified. To mitigate this risk, certifying officials must conduct an automated pre-award validation with the contract issuing organizations to validate that committed funds remain available and suitable for the draft award's intended purpose. This check must also ensure that the data in the accounting and procurement systems are sufficiently aligned to facilitate line item traceability between commitments and obligations, to facilitate payment. The structure must support posting obligations and line items with different accounting treatments that must be segregated. This transaction may be performed via the Global Exchange system using system agnostic data standards.

3.0 OBLIGATIONS

3.1 Definition

An obligation is a legally binding agreement or action that will result in outlays, immediately or in the future. When authorized agency personnel place an order, sign a contract, award a grant, purchase a service, or take other actions that require the government to make payments to the public or from one government account to another, the agency incurs an obligation. It is a violation of the Antideficiency Act, Title 31, United States Code (U.S.C.), section 1341(a) (***31 U.S.C. § 1341(a)***) to involve the Federal Government in a contract or obligation for payment of money before an appropriation is made, unless authorized by law. Funds that are not legally obligated before their period of availability expires are no longer available for new obligations. The period of availability applies to the obligation of funds, not the liquidation of the obligation by disbursement of payment (expenditure). Chapter 10 prescribes policy related to adjustments to obligations or expenditures chargeable to expired and canceled accounts. Provisions of Chapter 15 and Volume 14, Chapter 1 require that funds be allotted to DoD Component activities before the activities incur obligations. Additionally, obligations may not be made in excess of apportionments or formal subdivisions of funds. Chapter 11 specifies the recording of obligations related to unmatched disbursements and negative unliquidated obligations. Unless otherwise specified, DoD Components have primary responsibility for recording obligations. It is imperative only authorized personnel have the appropriate authorization for Generally Accepted Accounting Principles compliance. Such authorizations are explicitly delegated primarily through the issuance of a Delegation of Authority Memorandum or an Appointment/Termination Record-Authorized Signature ***DD Form 577***. As a result, authority is vested to such individuals to either make legal adjustment or take corrective action to

properly align the commitments and obligations. See section 14.3 for recording obligations by the accounting office that does not have the primary responsibility for such recording.

3.2 Obligation Responsibilities

31 U.S.C. § 1501, "Documentary Evidence Requirement for Government Obligations," directs that amounts must be recorded as obligations only when supported by documented evidence. The office that incurs an obligation must provide, within five calendar days of the date the obligation is incurred, a copy of the obligating document(s), via electronic mail, fax, or other documented means, to the office responsible for recording the obligation. The office that is responsible for recording the obligation must record the obligation in the official accounting records within five calendar days of receipt of such documentation, information, or data. Timely and accurate recording of obligations facilitates the disbursing officer's ability to verify fund availability before authorizing a timely payment.

3.3 Recording Obligations

3.3.1. All business and financial events resulting in an obligation must cite a SLOA in accordance with Volume 1, Chapter 4, and must be recorded in the general ledger in accordance with the SFIS Transaction Library in accordance with Volume 1, Chapter 7.

3.3.2. When recording obligations under this section, utilize the following principles:

3.3.2.1. Documented Evidence. An amount must be recorded as an obligation only when supported by documentary evidence of the transaction. A verbal order or agreement must be reduced to writing before the obligation may be recorded. When the amount is not known or cannot be feasibly ascertained at the time it is recorded, the best estimate must be used. Document the best estimate to include relevant inputs, assumptions, and calculations. In accordance with Volume 1, Chapter 9, retain evidence to support the transaction.

3.3.2.2. Ten-Day Rule. Record obligations in the official accounting records at the time a legal obligation is incurred, i.e., contract is signed. In all instances, obligations must be recorded within 10 calendar days following the day that an obligation is incurred (to include obligations incurred when invoices are overpaid or duplicate payments are made). Notwithstanding the ten-day rule, record all obligations (per line of accounting) in the official accounting records in the same month in which the obligation is incurred. If an obligation is not recorded within the specified timeframe, follow section 14.0.

3.4 Recording Contract Obligations

Offices generating contract obligations in the form of a contract, order, or modification; must provide official evidence of the obligations, and other supporting documents, to the office responsible for recording the obligation, via electronic format as defined in the Defense Federal Acquisition Regulation Supplement (***DFARS***) Procedures, Guidance, and Information ***(PGI) 204.201***, and in accordance with the SFIS data elements required in Volume 1, Chapter 4, and posting logic in Volume 1, Chapter 7. Load obligations manually, within five calendar days from the signature date on the contract or contract modification, based on the official obligating documents in the Electronic Document Access System, if the transactions fail to upload electronically. If the contract contains errors, omissions or deficiencies that prevent posting, a Contract Deficiency Report must be created to document the deficiency and request corrective action in accordance with ***PGI 204 270-2.***

3.4.1. Contracts or Orders for Goods, Supplies, or Services to Meet Bona Fide Need. DoD Components must determine that the goods, supplies, or services required under contracts, or orders placed obligating an annual or multiple year appropriation, are intended to meet a bona fide need of the period for which funds were appropriated. Additionally, a buying activity's project order must serve a bona fide need that exists in the fiscal year in which the project order is issued; otherwise, a valid obligation is not accomplished. Bona fide need generally is a determination of the buying activity and not that of the selling/performing activity. A selling activity must refuse to accept a project order if it is obvious the project order does not serve a need existing in the fiscal year in which issued. Such determinations must consider estimated current consumption; the requirements that may be foreseen for future years based upon the procurement lead-time; authorized stock levels; and authorized mobilization reserves. It is not intended that the bona fide need of the fiscal year rule be construed to preclude procurement lead-time. If, a provision of law makes such appropriations available for payments under contracts for specified services for periods beyond the period for which the appropriation otherwise is available, the contract for such services extending into the ensuing period (fiscal year) may be charged to the appropriation current at the time that the contract is signed. Obligate funds for each option period after funds become available. Obligations must be consistent with all normal limitations on the obligation of appropriated funds, such as the bona fide needs rule, period of availability, and type of funds. See Volume 11A, Chapter 2.

3.4.1.1. Execution Requirements Under Contracts or Orders. Contracts entered into or orders placed for goods, supplies, or services must be executed only with bona fide intent that the contractor (or other performing activity) must commence work and perform the contract without unnecessary delay.

3.4.1.2. Execution of Standard Commercial Items. For standard commercial items readily available from other sources, the bona fide needs rule cannot be satisfied based on the delivery, production or manufacturing lead-time exception to the bona fide needs rule if the materials were obtainable by another source before funds expired. See Volume 11A, Chapters 2 and 18.

3.4.1.3. Delivery Withhold. If the contractor is directed to withhold delivery until after the lead-time, then there is not a bona fide need for the item in the current fiscal year and funds for the next fiscal year must be used.

3.4.2. Service Contracts. Service contracts may be either severable or non-severable. Services are generally chargeable to the appropriation current at the time the services are rendered. The contract is thereby, established in a manner that defines the contractors level of responsibility to provide a specified level of effort for a stated period. The determination to charge the appropriation current on the date the contract is let, or to charge the funds current at the time services are rendered, depends upon whether the services are "severable" or "entire." A contract that is considered entire or non-severable is charged to the fiscal year current when it was let even though performance may extend into the next fiscal year. Service contracts that are considered severable must be charged to the fiscal year in which the services are rendered and may not cross fiscal years, absent statutory authority. There is no precise formula or rule that determines whether a contract is severable or entire. Each case must be determined by the terms and circumstances involved. Non-severable services may occur at a contract line item level as defined in ***DFARS 204.7101.***

3.4.2.1. Severable Services. A contract is severable when the related services are continuing and recurring in nature and the scope of the work to be performed is defined in the general terms of the contract. Service contracts can be for either a single undertaking or end item (entire) or for performance with compensation fixed in proportion to the amount of service performed. Absent statutory authority, the term of a severable service contract that is funded by annual appropriations will not extend beyond the end of the fiscal year current at the time the contract is awarded except when authorized by law. Option years are treated as new contracts; therefore, when the severable service contract has renewal options, obligate funds for the basic period and any penalty charges for failure to exercise options. Refer to ***10 U.S.C. § 3133*** for statutory authority permitting full obligation of severable service contracts that begin in one fiscal year and end in the next, provided the contract period does not exceed one year. The contract period for performance of severable services must begin during the fund's period of availability and may not exceed the fund's period of availability, absent statutory authority.

3.4.2.2. Non-Severable Services. A service contract is non-severable if performance of the service results in a single or unified outcome, product, or report that cannot be subdivided. The performance period of a fixed price non-severable services contract may cross fiscal years, but must be fully funded in the initial fiscal year unless contract funding requirements exists set forth in ***DFARS 232.703-1(1)(ii).*** Unless the period of performance is entirely within a single fiscal year or within the charged account's period of availability if funded using a multi-year appropriation, non-severable services contracts may not be funded on an incremental basis unless Congress has authorized incremental funding. These type contracts must be funded entirely with appropriations available for new obligations at the time the contract is awarded or options exercised.

3.4.2.3. Training Contracts.

3.4.2.3.1. Single Training Courses Not Covered by Statute. Unless covered by statute, training contracts for single training courses are considered a single undertaking (entire). Record the obligation at the time the contract is executed for the full amount of the contract. In general, the training represents a single undertaking where benefit of the training is received when the employee has completed the training in full. Training contracts must be obligated in full within the fiscal year that funding is current at the time the contract is executed even though the course extends into the next fiscal year. Training courses that begin on or after October 1 may constitute a bona fide need of the prior year if the need for training is an immediate need in the prior year and if the commencement of the course in the next fiscal year is beyond the agency's control. The time between award of the contract for the training and performance of the training should not be excessive.

3.4.2.3.2. Bona Fide Needs Rule Exception for Special Training Courses Covered by Statute. In accordance with Regional Defense Combating Terrorism and Irregular Warfare Fellowship Program (CTFP), ***10 U.S.C. § 345***, DoD appropriated funds may be used to pay costs associated with the education and training of foreign military officers, ministry of defense officials, or security officials at military or civilian educational institutions, regional centers, conferences, seminars, or other training programs. Appropriated funds available for training under the CTFP may be obligated for education and training programs that begin in one fiscal year but end in the next fiscal year. Provided that obligations are incurred before an annual appropriation expires, individual severable elements of a specific program may commence in the next fiscal year. Thus, for a particular program that already is underway, expiring funds may be obligated for tuition in September for a course that will not complete until the next fiscal year.

3.5 Recording Maintenance and Repair Projects Obligations

Current fiscal year appropriations may be obligated for those maintenance and repair contracts awarded near the end of the fiscal year, even though contractor performance may not begin until the following fiscal year. The contract must satisfy a bona fide need that exists in the fiscal year of the appropriation to be charged. In addition, contracts awarded near the end of the fiscal year must contain a specific requirement that work begins before January 1 of the following calendar year. Guidelines for the administrative contracting officer to use in determining the commencement of work are as follows:

3.5.1. Physical Onsite Evidence. A visual inspection of the work site discloses significant work has been accomplished, or contractor employees are actually engaged in work performance (no further verification is necessary).

3.5.2. Documentary Evidence. If physical onsite evidence of performance does not exist, and to prevent unwarranted default proceedings, the contractor may be requested to produce documentary evidence that cost has been incurred or material has been ordered to allow performance of the contract.

3.5.3. Contractor Default. In the event of contractor default and termination for default of the contract, the appropriation charged for the original contract remains available for obligation for a "replacement" contract if certain conditions exist.

3.5.3.1. The contract must satisfy the following general criteria to be considered a replacement contract, as opposed to a new contract:

3.5.3.1.1. The replacement contract must be made without undue delay after termination of the original contract.

3.5.3.1.2. Its purpose must be to fulfill a bona fide need that has continued from the original contract.

3.5.3.1.3. The replacement contract must be awarded on the same basis and be substantially similar to the original contract in its scope and size.

3.5.3.2. Re-procurement or completion costs, liquidated damages, and performance bond money recovered from the contractor as refunds must be retained and applied to the replacement contract's specific appropriation. Amounts recovered that exceed the actual costs of the replacement contract must be deposited as miscellaneous receipts. See Chapter 10 for policy guidance concerning obligation of expired funds for replacement contracts and obligation adjustments for contract changes.

3.6 Determining Scope of Work Changes

3.6.1. Responsibilities for Making Determinations. The contracting officer is primarily responsible for determining whether a change is within the scope of a contract. In making a determination, the contracting officer must apply appropriate provisions of the FAR, the DFARS, legal principles applicable to scope changes, and the provisions of this Regulation. In cases where no clear determination can be made, the cognizant counsel must provide appropriate guidance and determinations concerning the scope of a contract.

3.6.2. Standards for Making Determinations. Statutes and DoD policies for the use of appropriations limit the period of availability to fund new obligations. However unobligated balances that have expired for the purpose of new obligations, are available to fund within scope cost growth or increases in costs from claims arising out of the original obligation. The baseline scope of a contract is all work that is contracted for prior to the expiration of funds. This includes changes incorporated by modification, provided they are within the scope of the contract.

3.6.3. Increases in Quantities. Changes in the quantity of the major items called for in a contract generally are a change in contract scope and not authorized under the "Changes" clause. Therefore, fund a contract change that increases the number of end items ordered from funds available at the time the change is made. For example, if the original contract provided for delivery of 50 items and a modification was issued to provide for the delivery of 70 items, the additional 20 items would represent a change in the scope of the contract. Thereafter, cost growth, or claims arising out of the delivery of the first 50 items, would be funded from the appropriation available at

the time of the order of those items, and those arising out of the additional 20 items would be funded from the appropriation charged for those items. The foregoing applies in general; however, changes in the quantity of subsidiary items under a contract, such as spare parts, generally are within the scope of a contract unless they are so significant that they alter the basic contractual undertaking.

3.6.4. Increases in Required Levels of Service Performance. Any modification of a service contract requiring additional deliverable services is a change in scope. Fund such changes with appropriations available at the time of the change. For example, a contract modification for accounting and audit services to add onsite technical assistance and training to grantees of the agency is a change in scope and is beyond the scope of the original contract. Fund this change with funds available at the time of the change. Conversely, an increase in the number of people needed to complete the original contract, or to their level of expertise, would be a within scope cost growth change that could be funded as part of the original contract. See Chapter 10 for additional policy on within scope and change of scope determinations.

3.6.4.1. A contract modification to provide research and development for a new weapons system designed to reach given levels of performance could be beyond the scope of the original contract. If, however, the "Changes" clause specifically authorizes unilateral changes within the scope of the contract (such as specifications, drawings, and designs pertaining to the contract), then, the fact there is a possible change in the performance level specifications, does not, thereby, automatically result in a change in scope. Additionally, an increase in the number of people assigned to the project, or increased travel costs is within scope cost growth that could be funded as part of the original contract.

3.6.4.2. A modification for a cost-type level of effort contract with specified number of hours and level of personnel experience and training, which calls for a change in the specified number of hours or the level of experience and training, could be a change in scope. An increase in direct or indirect rates under the contract is within scope cost growth and could be funded as part of the original contract.

3.6.5. Claims. Fund claims arising out of an original undertaking, or resulting from a within scope change, from the appropriation available at the time of the original undertaking. Fund claims arising out of a change in scope to the original contract from the appropriation available and charged for the change in scope.

*3.7 Due Diligence

Fund holders, entrusted by components (buyer/receiving organizations) with administrative subdivisions of funds, ensure appropriated funds are used consistently with the intent, time, purpose, amount, and bona fide need for which the funds were provided. Fund holders must exercise due diligence in committing, obligating, de-committing, and de-obligating funds and generating inter- and intra-governmental orders through prescribed practices and oversight of documentation including contract, invoice, disbursement, and relevant supporting information. Fund holders must effectively collaborate with mission stakeholders including accountants, contracting officers, program managers, and logistics personnel. For generating

orders, see paragraph 15.2 for component/buyer fund holder and seller/servicing agency funding official responsibilities. The following is a checklist for due diligence compliance:

3.7.1. Internal control systems are adequate.

3.7.2. Information is reliable and valid.

3.7.3. Applicable laws, regulations, and policies are followed.

3.7.4. Resources are safeguarded and managed economically and efficiently.

3.7.5. Desired program results are achieved.

3.7.6. Operations are effective and efficient.

3.7.7. Commitments and obligations valid, and the fund level is sufficient to support the bona fide need. Refer to section 16.0.

3.7.8. Goods and services are received or outstanding.

4.0 RECORDING JUDGMENT FUND OBLIGATIONS

4.1 Legal Authority

The Judgment Fund is available for court judgments and Justice Department compromise settlements of actual or imminent litigation against the government. Judgment Fund awards and settlement must be funded on a non-reimbursable basis for various types of litigation identified in ***31 U.S.C. § 1304,*** "Judgments, Awards, and Compromise Settlements." Section 1304 and the Contract Disputes Act of 1978, ***41 U.S.C. § 7108,*** **"**Payment of Claims," provide that awards and settlements involving appropriated fund contracts are payable from the Judgment Fund, subject to reimbursement from agency appropriations. The Fund also is available for awards and settlements involving discriminatory conduct by an Agency (such as DoD) under statutes identified in the Notification and Federal Employee Antidiscrimination and Retaliation Act of 2002," commonly known as the No FEAR Act.

4.2 Reimbursement of Contract Dispute Act Judgments

In accordance with 31 U.S.C. § 1304, and 41 U.S.C. § 7108, litigation and settlements subject to the Contract Dispute Act (CDA) of 1978 are paid promptly by the U.S. Department of the Treasury (Treasury) from the permanent appropriation, "Judgment Fund." After such payment, the DoD Component is required to reimburse the Judgment Fund.

4.2.1. The affected DoD Components first must determine what appropriation(s) originally funded the portion of the contract that led to the claim and subsequent judgment.

4.2.2. The Judgment Fund must be reimbursed with funds available for the same purpose that was current at the time of the judgment provided by 41 U.S.C. § 7108. Use expired appropriations that were current at the time of the judgment to reimburse the Judgment Fund. If insufficient unobligated balances exist in the expired appropriation or the account has closed, use authority of 31 U.S.C. § 1553 to charge the current appropriation available for the same purpose or obtain a special supplemental appropriation from Congress. If more than one appropriation is involved in the monetary judgment, then the reimbursement is prorated against those appropriations. Any proration between or among appropriations must be based on the nature of the claim and the basis of the monetary judgment in the particular case. Record obligations against current funds at the time the awards are made by the deciding official or by the court. See Chapter 10 for requirements, restrictions, and limitations related to recording amounts against expired and closed accounts.

4.2.3. Within 15 business days after paid claim confirmation, the Treasury Judgment Fund Branch sends a letter to the responsible DoD Component point of contact requesting reimbursement. Within 30 days of receipt of notice for reimbursement, the responsible DoD Component must repay Treasury's Bureau of the Fiscal Service (BFS) or contact BFS to make payment arrangements. If the impacted DoD Component fails to respond within 60 business days of the first and second demand letters, BFS will send a letter to the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer (OUSD(C)/CFO). The letter is sent quarterly to the OUSD(C)/CFO along with a statement summarizing the outstanding CDA amounts due to the Treasury. Component quarterly balances are posted on the Treasury Direct website under the reports section at ***Treasury Managed Accounts Reports***.

4.2.4. Reimbursement to the Treasury is not an antecedent liability of the original contract. Therefore, reimbursements must not be charged back to the original fiscal year appropriation that funded the contract, unless the original appropriation was still current at the time of the judgment. Further, the existence of the legal requirement to reimburse the Judgment Fund does not give rise to a violation of the Antideficiency Act. See Volume 14, Chapter 2 for policy on violations of the Antideficiency Act.

4.2.5. In all official accounting and reporting systems, a separate and unique Budget Line Item (BLI) designator is assigned for the recording and reporting of such reimbursements. This BLI designator is identified as a separate line on the Appropriation Status by Fiscal Year Program and Subaccounts (DD Comp (M) 1002). This new line of accounting is to be called "Judgment Fund Reimbursement." Funds must be reprogrammed into this new line from existing allotted funds within the appropriation. These reprogrammed funds are not subject to normal reprogramming rules with respect to the increase, but must conform to reprogramming guidance governing delegated authority for program reductions.

4.2.6. Upon identification of funds to be charged and completion of any reprogramming actions, the documented package must be forwarded to the Defense Finance and Accounting Service (DFAS) site that has accounting responsibility for the designated fund accounts to process

the payment. Ordinarily, a miscellaneous obligation document must be used to obligate the designated fund accounts. However, if programming actions have reserved funds, the DFAS may be authorized to process the payment as an obligate-expend transaction. DFAS may process the transfer of funds for the payment to Treasury's Judgment Fund using the Intra-Governmental Payment and Collection (IPAC) system.

4.2.7. Approval authority is required from the cognizant Assistant Secretary of the Military Department (Financial Management and Comptroller) or Defense Agency Comptroller for all Judgment Fund Reimbursements to the Treasury in excess of $1 million.

4.3 Reimbursement of No FEAR Act Judgments

As provided for in 5 Code of Federal Regulation 724, Subpart A, DoD Components must reimburse the Judgment Fund for all judgments resulting from discrimination and No FEAR Act claims covered under authority of ***5 U.S.C. § 2301***. Reimbursements under the No FEAR Act include reimbursements for payments of judgments, awards, or settlements with respect to discrimination and whistleblower protection cases.

4.3.1. Within 15 business days after the Treasury makes a payment from the Judgment Fund, Treasury will issue a written notification (electronically or by other means) concurrently to the Under Secretary of Defense Comptroller (USD(C)), CFO and/or Deputy CFO, the responsible DoD Component's reimbursement point of contact, and the DoD Component's Chief Counsel, with copy of the demand notice provided to DFAS.

4.3.2. Upon receiving a Judgment Fund notice from BFS, the responsible DoD Component must reimburse the Judgment Fund within 45 business days using the appropriation, fund, or other account available for operating expenses of the DoD Component to which the No Fear Act judgment or discriminatory matter stemmed. If payment cannot be made within 45 business days, the DoD Component must contact the BFS directly to make arrangements for payment for the Judgment Fund.

4.3.3. If a DoD Component fails to reimburse the Judgment Fund within the required 45-day period or establish a payment plan with BFS, a posting will be made annually by BFS to its public website denoting the DoD Components that are delinquent.

4.4 Administrative Oversight Roles and Responsibilities for Judgment Fund

4.4.1. The OUSDC, Program and Budget must:

4.4.1.1. Coordinate and resolve any issues that arise regarding DoD Components ability to identify funding sources to reimburse Judgment Fund. This may require, but is not limited to, assisting DoD Components in identifying available appropriations and/or unobligated balances available to reimburse the Judgment Fund when necessary, advising on availability of current or expired funds for such reimbursements, or coordinating actions to facilitate initiation of reprogramming requests.

4.4.1.2. Coordinate judgment fund actions (as needed) with the DoD Office of General Counsel (Fiscal) to obtain legal advice concerning matters related to the Judgment Fund.

4.4.2. DFAS must:

4.4.2.1. Provide DoD-wide oversight and guidance on the accounting and reporting processes related to the Judgment Fund to include reporting and responding to accounts payable issues related to outstanding Judgment Fund liabilities payable, as needed.

4.4.2.2. Prepare accounts payable reports or other schedules denoting outstanding Judgment Fund balances and/or delinquencies and convey these balances to DoD Components (customers).

4.4.2.3. Reconcile, consolidate, and accurately report financial statement data on Judgment Fund liabilities in the DoD/Agency-wide financial statements and respond to general inquiries relative to Judgment Fund liabilities reported.

4.4.2.4. Write consolidated notes supporting financial statements to include documenting and/or reporting of Judgment Fund liabilities for inclusion in the DoD Agency Financial Report (DoD AFR). After DFAS provides the financial statement notes to OUSD(C), OUSD(C) has final responsibility for the presentation within the DoD AFR.

5.0 RECORDING GOVERNMENT-WIDE COMMERCIAL PURCHASE CARD OBLIGATIONS

Record obligations for Government-Wide Commercial Purchase Cards in the amounts placed for orders for goods or services. For additional information on purchase cards, see the Department of Defense Government Charge Card Guide.

6.0 RECORDING OBLIGATIONS FOR PROCUREMENT CONTRACTS AND ORDERS

6.1 Firm Fixed Price Contract

When the contract is executed, record an obligation for the total amount stated in the contract.

6.2 Fixed Price Contract with an Escalation, Price Redetermination, or an Incentive Provision

When the contract is executed, record an obligation for the target or billing price stated in the contract, even though the contract may contain a ceiling price in a larger amount. Subsequently, a target or billing price should be adjusted (upward or downward) to a “best cost estimate” whenever it is determined that, and documentary evidence supports, the actual cost of the contract will differ materially from the original target or ceiling price stated in the contract.

6.3 Cost Reimbursement and Time and Material Contracts

Cost reimbursement and Time and Material (T&M) contracts include: cost, cost sharing, cost plus fixed fee, cost plus incentive fee, cost plus award fee, time and material, and labor hour contracts. When the contract is executed, record an obligation for the total estimated contract ceiling, including the fixed fee in the case of a cost plus fixed fee contract, the target fee in the case of a cost plus incentive fee contract, or the base fee in the case of a cost plus award fee contract. Increase or decrease amounts provided by contract modification, or a unilateral revision of an award fee estimate made by the contracting office. Record any fee awarded in excess of the target fee in a cost plus incentive fee contract as an obligation at the time of determination. The amount of the obligation established for a cost plus award fee contract must be adjusted at the time the actual or final fee award amount is determined (see ***DFARS 216.405-2***). If the contract is incrementally funded, the amount obligated must always be the funded increments.

6.4 Indefinite Delivery Type Contracts

Where the quantity required under a contract is indefinite, determine the ultimate amount of obligation by subsequent orders; however, record the amount of any required minimum order specified as an obligation upon execution of the contract. For contracts that require the contractor to perform unilaterally placed orders above the required minimum, record an obligation in the amount of the order price or ceiling at the time the order is placed. Record an obligation in the amount of the agreed price or ceiling for an order in excess of the required minimum (as negotiated or accepted under terms of the contract) upon contractor's acceptance of the order. In the case of orders for services where a contractor cannot undertake performance without direction from an authorized government official, order amounts may be consolidated periodically (at least monthly) into a list of orders placed with the contractor identifying the estimated dollar amount of each. On definite quantity contracts, obligate the full amount of the definite quantity at the time of contract award.

6.5 Contract Authorizing Variations in Quantities to be Delivered

When executing the contract, record an obligation for the price of the quantity specified for delivery, exclusive of the permitted variation. The amount recorded may be increased or decreased to reflect the quantity actually delivered and accepted.

6.6 Multi-year Procurement Contract

Record an obligation for a multi-year procurement contract in the amount of the price of the quantities specified for delivery in the first program year, and the amount must be identified with that program year. Unless the contract is funded fully at inception, each time the contractor is notified that funds are available to cover another program year requirement; an obligation must be identified with that program year and recorded in the amount of the price of the quantities specified for delivery. If the contract is canceled, an obligation must normally be charged to the program year current at the time of cancellation to cover the government's liability under the terms of the contract.

6.7 Letter Contract or a Letter of Intent

6.7.1. When the offer and acceptance are sufficiently definitive to show the purpose and scope of the final contract to be executed, a letter contract or a letter of intent, and any amendments accepted in writing by the contractor, is documentary evidence to support the recording of an obligation. Record the obligation in the amount stated as the maximum liability under the letter or amendment.

6.7.2. The maximum liability may be a limitation on the amount of obligations that may be incurred pending execution of a definitive contract. In this case, the estimated amount of the definitive contract, over and above the obligation recorded under the letter of intent, is carried as a commitment, pending execution of the definitive contract, unless the letter of intent provides that awarding of the definitive contract is dependent upon congressional appropriation action.

6.7.3. Commitments with funds that will expire, cannot be carried past fiscal year-end.

6.8 Interest on Contractor Claims

Contractor claims made pursuant to CDA and settled by the contracting officer in the contractor's favor may generate interest payable to the contractor. In such cases, record an obligation for the interest payable under the appropriation that financed the contract. Such interest must be applied from the date payment was due, and is not calculated or paid pursuant to the Prompt Payment Act. Parties settling a CDA dispute may bargain away all or part of the interest in a settlement agreement.

6.9 Interest Payable under the Prompt Payment Act

Interest penalties are payable in accordance with Volume 10, Chapter 7 and are recorded as obligations against amounts available to carry out the program for which the penalty is incurred in the fiscal year or years in which the interest accrues. Penalties are charged to appropriations of the agency that funded the contract.

6.10 Purchase Orders

6.10.1. Record an obligation in the amount stated on the purchase order when issued. This occurs when the purchase order represents acceptance of a binding written offer of a vendor to sell specific goods or furnish specific services at a specific price, or the purchase order was prepared and issued in accordance with small purchase or other simplified acquisition procedures.

6.10.2. Record a purchase order requiring vendor acceptance (to form a binding contractual agreement) as an obligation in the amount specified in the order at the time of acceptance. Retain evidence of this acceptance. If written acceptance is not required or provided, then commencement of performance constitutes acceptance by the vendor, and the amount of the order must be recorded as an obligation in accordance with Volume 1, Chapters 4 and 7.

Formation of the binding contractual agreement should occur during the period of availability of the appropriation cited on the purchase order. If contract formation occurs after expiration of the period of availability, record the obligation against current funds, and modify the purchase order accordingly.

6.11 Amendment of a Contract

A change in the government's contractual liability amount that results from a within scope change amendment is chargeable generally to the appropriation or other fund current at the time the contract was executed. Specific applications of and exceptions to this general rule include:

6.11.1. For a contract modified pursuant to a clause authorizing equitable adjustment to contract terms (including price) within the general scope of the contract, record obligation increases or decreases by the amount specified by any and all amendments or modifications when executed. For a fixed price contract, charge or credit the original source of funds on the contract.

6.11.2. Pursuant to the provisions of ***50 U.S.C. §§ 1431*****,** 1432, 1433, and 1435; adjust the amount of a recorded obligation to reflect an increase or decrease resulting from a determination made that results in the correction of a mistake or the formalization of an informal agreement. Record the adjustment against the same source of funds for the original obligation when the amendment or modification does not change the scope of the contract and, thus, does not result in a new procurement. When the scope of the contract is increased, charge to the appropriation or fund available at the time the amendment is executed.

6.11.3. For a contingent obligation, such as one existing under an indemnification clause or a clause involving an equitable adjustment, record an obligation only in the amount of the contractual liability incurred when the amendment updating the contingent obligation is executed. If no amendment is required, the obligation is recorded when the event occurs that updates the amount of the liability under the contingent obligation. Record the obligation against the same source of funds originally cited on the contract.

6.11.4. When a price increase occurs in one or more items in a fixed price contract containing an escalation clause, a price redetermination clause or an incentive provision, or in the fee in a cost plus incentive fee contract; record an obligation in the amount of the increase at the time the changed price or fee is determined in accordance with the terms of the contract. Record the obligation to the original source of funds for the contract.

6.11.5. In some instances, it is appropriate to reduce a recorded obligation for firm fixed price contracts with escalation, price redetermination, or incentive provisions. This occurs when the contracting officer determines, after consideration of all circumstances including available costs and production data or tentative offers from contractors, (and the fund holder or a designee approves) that the anticipated amount of liability under the contract could be reduced. Record the decrease in obligation by the amount determined and approved. See paragraph 16.8 for additional guidance on the de-obligation of funds.

6.11.6. Contract modifications that increase funding on cost reimbursement contracts above the original contract ceiling, and which are not based on an antecedent liability enforceable by the contractor, are at the government's discretion and are chargeable to funds available when the increase is granted, rather than funds from the fiscal year cited on the original contract.

6.12 Termination of Contracts and Agreements

When a contract or agreement is terminated in whole or in part for the convenience of the government, by giving a "Notice of Termination" to the other party to the contract or agreement, decrease the recorded obligation to an amount sufficient to meet the settlement costs under the termination. Similarly, the commitment must also be decremented to align to the forecasted obligation amount. The obligation cannot be decreased below the amount estimated by the contracting officer, based on the best evidence then available, as the amount due as a direct result of the termination.

6.13 Foreign Currency Exchange Fluctuations

Determine and record changes in obligations and contractual liabilities caused by foreign currency exchange fluctuations when payment is made. For foreign currencies not specified in a special foreign currencies fluctuations appropriation account, make adjustments at fiscal year-end or any other time a significant change occurs to avoid over obligation of an allotment. If a contract is priced in foreign currency, the agency must ensure that adequate funds are available to cover currency fluctuations to avoid a violation of the Antideficiency Act. See Volume 6A, Chapter 7 for guidance on foreign currency fluctuations.

7.0 RENTAL AGREEMENTS AND LEASES OF REAL AND PERSONAL PROPERTY

7.1 Amount Recorded as an Obligation on Rental and Lease Agreements

Record as an obligation amount based on the agreement or lease, or on a written administrative determination of the amount due under its provisions.

7.2 Rental Agreement Terminated by the U.S. Government

Under a rental agreement that may be terminated by the U.S. Government at any time without notice, and without incurring any obligation to pay termination costs, record the obligation each month at the time of payment, in the amount of the rent for that month.

7.3 Rental Agreement Terminated Without Costs, with Notification

Under a rental agreement providing for termination without costs upon giving a specified number of days for notice of termination, record an obligation upon execution of the agreement in the amount of rent payable for the number of days of notice called for in the agreement. In addition, record an obligation each month in the amount of the rent payable for that month. When the number of days remaining under the lease term equals the number of days' advance notice required under that lease, no additional monthly obligation is recorded.

7.4 Rental Agreements with Specified Dollar Payment

Under a rental agreement providing for a specified dollar payment in the event of termination, record an obligation upon execution of the agreement in the amount of the specified minimum dollar payment. In addition, record an obligation each month in the amount of the rent payable for that month. When the amount of rent remaining payable under the terms of the agreement is equal to the obligation recorded for the payment in the event of termination, no additional monthly obligation is recorded.

7.5 Domestic or Foreign Rental Agreement Not Exceeding 12 Months

For a domestic or foreign rental agreement not exceeding 12 months that is financed under an annual appropriation, record an obligation at the time of its execution in the total amount of rent specified in the agreement even though the period of the lease extends into the subsequent fiscal year as addressed in 10 U.S.C. § 2410a. Leases of structures and real property, other than military family housing, in foreign countries may be entered into for periods of up to 10 years under authority of ***10 U.S.C. § 2675***, and the rent for each yearly period is paid from funds appropriated for that year. Leases of family housing in foreign countries may be for periods of up to 10 years (15 years in Korea) and rent may be paid on an annual basis from funds appropriated for that year. If the laws, regulations, or customs of a foreign country require advance payment for rent, the advance payment may be made in accordance with ***10 U.S.C. § 2396***. For the legal, regulatory, or customary term of a foreign lease; an obligation may be recorded against the current appropriation in the same amount at the time the lease is consummated. Refer to Volume 4, Chapter 5 for guidance on accounting for advances and prepayments.

7.6 Domestic Lease Agreements for Periods Greater Than One Year

Domestic lease agreements entered into for periods greater than one year under authority delegated by the General Services Administration (GSA) in accordance with ***40 U.S.C. §§ 581*** and 121 need not include a provision that lease funding in future fiscal periods is subject to fund availability in those future fiscal periods. Annual rental payments may be made from funds appropriated for that fiscal year as authorized under ***40 U.S.C. § 585***. Leases must be fully funded at inception unless the lease includes a cancellation clause. Should a cancellation clause apply, the maximum liability is the amount of the lease payments over the minimum lease period plus any required cancellation payment.

7.7 Obligations for GSA Standard Level User Charges

Record obligations to the GSA for standard level user charges as specified in the GSA bill.

8.0 INTRA-GOVERNMENTAL REQUISITIONS AND ORDERS PLACED WITH DOD COMPONENTS OR OTHER U.S. GOVERNMENT AGENCIES

The Treasury's ***G-Invoicing*** system is used to negotiate, broker, and electronically store the General Terms and Conditions (GT&C) and activity between buyers and sellers for inter- and intra-governmental reimbursable transactions. The standard Interagency Agreement form is comprised of two forms, the GT&C (FS Form 7600A) and the Order Requirements and Funding Information (Order) (FS Form 7600B). When trading partners enter orders in the G-Invoicing system, the partners leverage data in the common repository to improve accuracy in accounting and reporting.

8.1 Reimbursable Procurement

8.1.1. The term "reimbursable procurement" refers to an order for supplies, material, services or equipment placed by a buying/requiring DoD Component for:

8.1.1.1. Procurement by seller/servicing DoD Component (or a major organization unit within the component) or Federal Agency on a contract funded by the procuring DoD Component or Federal Agency.

8.1.1.2. Delivery to and reimbursement by the buying DoD Component.

8.1.2. The buying DoD Component records an obligation for a reimbursable order using the date and amount of acceptance by the seller activity.

*8.1.3. An FS Form 7600B, DD Form 448 MIPR, or other document as appropriate, may be used for processing reimbursable procurements. Obligation occurs when the seller's responsible government official digitally or manually signs the DD Form 448-2, Acceptance of MIPR, other digital equivalent of the Federal Intragovernmental Data Standard, or other document, as appropriate; and returns to the buyer's office responsible for posting the obligation or customer order. For FS Form 7600B, both the funding and program official must sign. Additional guidance on MIPR processing can be found in the DFARS, PGI, subpart 253.208, and see Treasury Financial Manual Part 2, Chapter 4700 for FS Form 7600B processing.

8.2 Direct Citation Procurements

The term "direct citation procurement" refers to procurement accomplished by combining the requirements of one or more DoD Components with those of the seller/servicing DoD Component. The selling DoD Component may issue one contract with separate schedules showing the quantities, prices, dollar amounts, and citation of funds of each buying DoD Component. The buying DoD Component records a direct citation order as an obligation when notified in writing that the selling DoD Component's contract or project order has been executed, or when a copy of the contract or project order is received. MIPRs or other digital equivalent used for these orders are not complete until the MIPR Acceptance is digitally or manually signed by the seller, and received and signed by the buying office responsible for posting the obligation.

8.3 Reimbursable Orders with Other DoD Activities

Reimbursable orders with other DoD activities for specific supplies, material, equipment, work, or services, may be placed under the Project Order statute ***(41 U.S.C. § 6307)***, the Economy Act ***(31 U.S.C. § 1535),*** or other applicable authority. Reimbursable orders with Non-DoD activities may be placed under the Economy Act or other applicable statutory authority. Record the obligation for reimbursable orders against the appropriation of the buying DoD entity as follows.

8.3.1. Project Order authority is available only for intra- or inter-DoD orders. Identify all project orders on the order document itself. Fund fixed price and reimbursable project orders similar to commercial procurement contracts. When a selling activity accepts the project order in writing, the buying activity records the obligation amount as stated in the order. See Volume 11A, Chapter 2.

8.3.2. Unless more specific statutory authority is applicable, the Economy Act provides authority for DoD Components to order goods and services from other federal agencies (including other DoD Components) and from major organizational units within the same DoD Component. Economy Act orders citing an annual or multi-year appropriation must serve a bona fide need arising or existing in the fiscal year (or years) for which the appropriation is available for obligation. The work to be performed must be expected to begin within a reasonable time after acceptance. Orders placed or agreements made obligates an appropriation of the buying agency or unit. MIPRs are Economy Act orders subject to downward adjustments when the selling component has not executed its agreed-upon contract or project order actions. Both the buying and selling agency must de-obligate funds to the extent that the selling agency or unit has not incurred obligations before the end of the appropriation period of availability; or made an authorized contract with another person to provide the requested goods or services. As specified in paragraph 16.2, all unliquidated obligations must be reviewed and any unsubstantiated obligations or excess funds de-obligated. Refer to Volume 11A, Chapter 3 for additional policy covering de-obligations related to Economy Act Orders.

8.3.3. DoD Component Non-Economy Act reimbursable orders placed with civilian agencies for supplies, material, services or equipment include obligational standards used for Economy Act reimbursable orders.

8.3.3.1. Non-Economy Act orders obligating annual or multi-year appropriation must satisfy a bona fide need of the appropriation's period of availability. The buying DoD activity must obligate funds when the selling activity accepts the order in writing.

8.3.3.2. The selling agency has a reasonable period of time to use transferred funds, depending on the nature of the order. Both the buying and selling agency must de-obligate funds to the extent that the selling agency has not provided the goods or services before the end of the DoD appropriation period of availability; or entered into a contract with another entity (contractor) to provide the requested goods or services in a manner consistent with the bona fide needs rule. See Volume 11A, Chapter 18.

8.3.3.3. DoD Components must establish and implement funds monitoring procedures. See paragraph 3.1.

8.4 Modifying Reimbursable Orders

Buying activities must apply the following guidelines in modifying reimbursable orders.

8.4.1. If the appropriation used to fund the initial order remains available for the new requirement, it may be used to fund modifications and amendments to the order that are a bona fide need of that appropriation.

8.4.2. If the appropriation used to fund the initial order has expired, it may be used only to liquidate or adjust prior obligations in accordance with paragraph 3.6.

8.4.3. Under no circumstances should an order result in a selling agency's issuance of a contract for severable services crossing fiscal years that extends beyond one year from the date of contract award, as addressed in 10 U.S.C. § 2410a. Any such contract performance period must begin during the period of availability of the buying activity's appropriation. For guidance on rental agreements with specified dollar payments, see paragraph 7.4.

9.0 ORDERS PLACED WITH (OR THROUGH) DEFENSE WORKING CAPITAL FUND ACTIVITIES

9.1 General

The DoD has authority under ***10 U.S.C. § 2208*** and ***2210***, to establish Defense Working Capital Fund (DWCF) activities to finance inventories of its supply chain management business areas and provide working capital for industrial and commercial type activities. Activities funded through DWCFs perform work for others under several different authorities. These authorities include the Project Order Act for depots, the Economy Act for reimbursable and direct citation procurements, and supply management operations (stock fund operations) that use DWCF contract authority to acquire assigned items of supply for other DoD Components. Direct citation orders placed with a DWCF must adhere to Volume 11B, Chapter 11 requirements. DWCF activities performing commercial type services charge stabilized rates rather than charges based on Economy Act actual cost methodologies. Activities performing DWCF operations can identify the transactional authority for work performed for others. Under 10 U.S.C. § 2208 and 2210, the DWCF is used for two different types of activities to include stock funds (supplies) plus goods and services. An order placed with a DWCF activity may only be for a bona fide need of the period for which the buying activity's appropriation is available.

9.2 Recording DWCF Stock Funds

9.2.1. Recording DWCF Capital Stock Fund Purchases. Unlike Economy Act orders and Non-Economy Act orders placed with civilian agencies pursuant to policies set forth in Volume 11A, Chapter 18, purchases made by DWCF stock fund activities using contract authority to fill buyers orders are not legally required to be obligated before expiration of the buyer's financing

appropriations. However, an order placed for an Integrated Material Management (IMM) item must be a bona fide need of the buyer activity's appropriation. Thus, consistent with bona fide need requirements, the DWCF activity using contract authority to acquire an IMM must be able to satisfy the requirement within a reasonable period of time. Unreasonable delay in DWCF execution (or delivery in a subsequent fiscal year not based on delivery, production or manufacturing lead-time exceptions) may reflect that the order placed with the DWCF was not a bona fide need of the requiring activity. There is no hard and fast rule in this regard, but a reasonableness standard does apply.

9.2.2. Recording Obligations for Stock Number and Nonstock-Number Items. Record an obligation for an item with a stock number assigned at the time of the order. Record an obligation for a Nonstock Numbered Item—number not assigned at the time of placement of the order—when the DWCF activity accepts the order for an IMM item that the activity will fill using its cost authority. Orders without stock numbers require order and acceptance because the seller may not be able to fulfill the order. DWCF activities that utilize contract authority are issued both contract authority and anticipated buyer order amounts that tie to one another, and the accepted buyer orders are recorded against the contract authority and not separately against reimbursable authority. DWCF accepted buyer orders for managed stock items procured with contract authority are recorded as an offset to contract authority and not against reimbursable authority levels.

9.2.3. IMM Items: For purposes of this chapter, stock funded items are IMM items for which supply management and acquisition responsibility has been assigned to a single DWCF funded activity, and that activity uses contract authority to acquire the item. See ***DFARS subpart 208.7*** for definition of IMM.

9.3 Change Notices

The following policies apply to change notices.

9.3.1. Cancellation. Adjust an obligation for an undelivered order placed with the stock fund activity when a change notice affecting price, quantity, or receipt of an unacceptable substitution of a like item. Cancel an undelivered order placed with the stock fund when the buyer receives a notice of:

9.3.1.1. Substitution that is unacceptable,

9.3.1.2. Transfer of a stock funded item to funding by a centrally managed procurement appropriation within a DoD Component, or

9.3.1.3. Advice that the stock fund is unable to perform under the terms of the order.

9.3.2. Transfers from Centrally Managed Procurement to DWCF Stock Fund. Record an obligation for a DWCF stock fund order if a buying activity receives notice that an ordered item funded by a centrally managed procurement appropriation has been transferred to funding by the stock fund.

9.3.3. Funding Shortfall. If a change notice results in a shortfall of buyer funds, the buyer may cancel the order or reduce the quantity on order. If the buyer does not receive a change notice or does not receive it in time to cancel or modify the quantity on order, the material may be refused or returned to the stock fund. There is no violation of administrative control for buyer funds if an apparent funding deficiency that results from a change notice is resolved with the stock fund by means of:

9.3.3.1. Cancellation or modification of the quantity on order, or

9.3.3.2. Refusal or return to the stock fund of the material.

9.4 Economy Act and Project Orders Placed with DWCF Activities

DoD organizations record obligations for reimbursable procurement orders, direct citation orders, and project orders placed with DWCF activities in accordance with section 8.0.

10.0 PERSONAL SERVICES AND BENEFITS OBLIGATIONS

10.1 Obligations Recorded for Payments to Military and Civilian Employees

Record obligations for the amounts payable to military services members and civilian employees in the month in which earned. These obligations must be supported by written administrative determinations of the amounts of the liabilities incurred for personal services based on payroll or personnel records. Payroll charges based on salaries and wages, (such as civilian living and quarters allowances, equalization allowances under ***5 U.S.C. § 3584***, and the employer's share of contributions to the retirement fund, insurance premiums, and Federal Insurance Contributions Act taxes; are also obligations at the time that salaries and wages are earned. In the event a payroll period covers portions of two calendar months, the proportionate amount accruing within each month must be recorded as an obligation applicable to that month. Enlistment bonuses, and allowances to military members for subsistence, quarters and clothing, as well as civilian uniform allowances and incentive awards, are obligated in the month that they become payable to the member or employee.

10.2 Obligations Recorded for Subsistence In Kind

Record an obligation for subsistence in kind based on requisitions and orders, or on a written administrative determination of the estimated cost of subsistence furnished by others.

10.3 Obligations Recorded for Annual and Sick Leave of DoD Employees

Obligate annual leave for Department employees when it becomes due and payable as terminal leave or when otherwise specifically authorized by law, rather than at the time the leave is earned. Sick leave is obligated, costed, and paid when used.

10.4 Obligations Recorded for Severance Pay to U.S. Government Civilians and Foreign National Employees

Record obligations for severance pay for U.S. Government civilian employees and foreign national employees (such as those German nationals covered by the German Tariff Agreement) on a pay period by pay period basis; that is, at the time the severance pay becomes payable, regardless of the time it is disbursed.

10.5 Obligations Recorded for Severance Pay Under Specified Conditions

10.5.1. Record obligations for severance pay after an employee has been separated and specified conditions (such as those set forth in the German Tariff Agreement) have been met. The organization that terminates the employment of such individuals is responsible for recording and reporting the severance pay obligation. If the liability for any form of severance pay is significant, reasonable estimates must be made and an unfunded liability recorded and reported in accordance with the Governmentwide Treasury Account Symbol Adjusted Trial Balance System.

10.5.2. In accordance with other foreign country contracts and agreements, certain foreign national employees earn a separation allowance, also sometimes called "severance pay" in some contracts and agreements, from inception of or during their employment. In such cases, a liability accrues from such date and obligations must be recorded as follows:

10.5.2.1. In general, record obligations for separation allowances for foreign national employees against applicable current allotments in the full amount of the liability that accrues during the accounting period even though the amount may not currently be payable. However, when a foreign country is committed to fund part of the separation allowance for its nationals, obligate only for the Department's portion of that cost. The amount chargeable to the applicable current allotment is the separation allowance liability incurred during the current accounting period and adjustments to outstanding liabilities for separation as a result of changes in pay. Adjustments for fluctuations in foreign currency exchange rates must be made at the time of the disbursement. See paragraph 13.11 for guidance on those currencies not covered by the foreign currency fluctuations appropriation.

10.5.2.2. Upon transfer of a foreign national employee from one DoD Component to another, the relinquishing DoD Component must give detailed records to the gaining DoD Component on the unpaid accrued separation allowance for that employee. The detailed records must include the name of the employee, beginning and ending dates of employment, grade or classification, or both, amounts of the accrued liability by fiscal year appropriations and accounting classifications to be charged at the time of separation, and the name (or designation) and address of the activity that will be responsible for retaining the appropriation records. The relinquishing DoD Component must retain its liability for the accrued separation allowance, including the adjustment for any final fluctuation in the rate of foreign currency exchange, until notified of the employee's separation and payment of the allowance by the DoD Component effecting the separation. The gaining DoD Component is responsible for obligating separation allowances earned from the date of an employee's accession. Accrued separation allowances must be paid when a foreign national employee is separated. The DoD Component effecting the separation

must coordinate its payment actions with the other DoD Components whose funds are to be charged. DoD Components should designate one of their activities to centrally maintain the detailed employee and appropriation records for all transferred employees to facilitate the closeout and liquidation of liabilities.

10.5.2.3. Appropriated funds may not be obligated for separation allowances earned by foreign national employees during any period of employment by DoD non-appropriated fund instrumentalities. The accrued separation allowance must be paid, if the employee is otherwise entitled to payment of such allowance upon such event pursuant to host nation law or agreement, when a foreign national employee transfers from an appropriated fund organization to a non-appropriated fund instrumentality.

11.0 PERMANENT CHANGE OF STATION OBLIGATIONS RECORDED

At the time Permanent Change of Station (PCS) orders are issued for civilian and military personnel, record obligations against current appropriations for all U.S. Government authorized reimbursable expenses incidental to relocation and for estimated bookings of household goods movement and storage. The only exception is the obligation of costs for non-temporary contract commercial storage of household goods, which must be obligated either in the period in which the service is rendered or to the appropriation current at the contract award. Record an adjustment to the obligation based on the costs itemized on the traveler's settlement voucher.

12.0 TEMPORARY DUTY TRAVEL OBLIGATIONS RECORDED

Tentative obligations for temporary duty travel must be recorded from written administrative determinations, based on the travel authorizations issued, for the estimated transportation to be purchased and the estimated reimbursement to be earned by the traveler for per diem allowances, use of privately owned vehicles, and incidental travel expenses. When travel is performed under a blanket authorization (with the itinerary not definite), the amount of the tentative obligation recorded in the current month must not exceed the estimate of the travel expenses to be incurred to the end of the current month. When the period covered by the travel authorization extends beyond the end of the fiscal year, and the travel costs are being paid by means of an annual appropriation or the final year of availability of a multiple year appropriation, the amount of the recorded obligation must be the cost of transportation purchased and reimbursements earned to the end of the fiscal year.

13.0 OTHER OBLIGATIONS

13.1 Loan Agreements

As required by ***2 U.S.C. § 661***, new direct loan obligations may be incurred only to the extent that budget authority to cover costs is provided in advance. When a direct loan obligation is incurred, its cost (i.e., the estimated long-term cost of the loan to the government) is obligated against the "program account" established for the loan program. Actual funding of the direct loan

is made through a revolving, non-budget "financing account." Refer to Treasury's BFS, USSGL ***Credit Reform Accounting*** guidance for detailed guidance covering obligation and disbursement of funds for direct and guaranteed loans.

13.2 Grants and Subsidies Obligations Recorded

Record the obligation amount of a grant or subsidy when supported by documentary evidence as follows:

13.2.1. A grant requiring the grantee to undertake prescribed activities based on formation of a binding agreement. Usually, a grants officer signs a grant offer and provides to the grantee for acceptance. The obligation is incurred when the grantee accepts or approves the Component's offer by signing the grant document and providing the acceptance to the Component.

13.2.2. A grant or subsidy not proceeded by a binding agreement at the time payable.

13.2.3. Annually, DoD Components must:

13.2.3.1. Track the amount of undisbursed grant funding remaining in expired grant or subsidy accounts,

13.2.3.2. Determine why these funds were undisbursed, and

13.2.3.3. Take action to resolve the undisbursed funding and close the expired grants and related accounts.

13.3 Bid Protests or Other Challenges

13.3.1. Pursuant to the provisions of ***31 U.S.C. 1558,*** funds available at the time of protest or other action filed in connection with a solicitation for, proposed award of, or award of such contract, remain available for obligation for 100 calendar days after the date on which the final ruling is made on the protest or other action.

13.3.2. A protest or other action consists of a protest filed with the Government Accountability Office (GAO), or an action commenced under administrative procedures or for a judicial remedy if:

13.3.2.1. The action involves a challenge to a solicitation for a contract; a proposed award for a contract; an award of a contract; or the eligibility of an offeror or potential offeror for a contract or of the contractor awarded the contract; and

13.3.2.2. Commencement of the action delays or prevents an executive agency from making an award of a contract or proceeding with procurement.

13.3.3. A ruling is considered final on the date on which the time allowed for filing an appeal or request for reconsideration has expired, or the date which a decision is rendered on such an appeal or request, whichever is later.

13.3.3.1. A request for reconsideration of a GAO protest must be made within 10 days after the basis for reconsideration is known or should have been known, whichever is earlier.

13.3.3.2. The appeal of a protest decision of a district court or the Court of Federal Claims must be filed with the Court of Appeals for the Federal Circuit within 60 days after the judgment or order appealed from is entered.

13.3.4. Where contract award is determined to be invalid as a result of a bid protest and the contract is terminated for convenience, appropriations charged for the original contract may be obligated for a replacement contract if it is awarded without undue delay after termination of the original contract. Any award within 100 days of termination necessarily is an award without undue delay because 31 U.S.C. 1558 statutorily extends the availability of appropriations for such period following the final ruling on a bid protest.

13.4 Liquidated Damages Recorded

Recover the amount of liquidated damages deducted and withheld from the contractor. If the contractor objects to the assessment of liquidated damages, treat the amount as a contingent liability. Reestablish an obligation only when a formal contractor claim is "approved," i.e., sustained by government admission or by a judgment.

13.5 Litigation Obligations Recorded

As a general rule, record an obligation amount for the liability expected to result from pending litigation in cases where the government definitely is liable for the payment of money from available appropriations, and the pending litigation is for the purpose of determining the amount of the government's liability. In other cases, do not record an obligation until the litigation has been concluded or the government's liability is finally determined. A written administrative determination of the amount of the liability will serve as documentary evidence of the obligation.

13.6 Bills of Lading

Record an obligation amount for a bill of lading when issued to a Transportation Service Provider that is based on established rates and the estimated value of the transportation to be furnished and adjust on receipt of evidence of payment of the final bill.

13.7 Public Utility Services Obligations Recorded

Record an obligation for recurring utility services (such as gas, electricity, water, and steam) and communications each month or as required based on a written administrative determination of the estimated monthly cost of the service to be furnished. Charges for utility services and communications for a time period beginning in one fiscal year and ending in another fiscal year must be charged against the appropriation current at the end of the time period covered by the service.

13.8 Claims

Record an obligation for a claim payable under law when finally approved and in the amount certified for such payment.

13.9 Legal Determinations

Record an obligation amount for a document evidencing a present legal liability of the U.S. Government, when the liability has been determined to exist by competent legal authority.

13.10 Simultaneous Disbursement and Obligation

Record an obligation amount for a disbursement that has been made (or is about to be made) when the related obligation was not previously recorded. See Chapter 11.

13.11 Foreign Currency Fluctuations

13.11.1. The Foreign Currency Fluctuations Appropriation was established to eliminate losses or gains to programs caused by fluctuation of specified foreign currency exchange rates from rates used in budget formulation. DWCF foreign currency fluctuations are absorbed by the incurring DWCF business area, not the foreign currency account. Contractual obligations or other obligations payable in the specified foreign currencies may not be adjusted until disbursements are made from the appropriation account involved. See Volume 6A, Chapter 7.

13.11.2. When foreign currencies not specified in the Foreign Currency Fluctuations Appropriation account are involved, any adjustments to cost at the time of payment must be supplemented with adjustments made at year-end and may be made at any other time a significant change occurs in order to avoid over or under obligation of an allotment.

13.12 Security Guard and Firefighting Services

13.12.1. ***10 U.S.C. § 2465*** prohibits the obligation or expenditure of appropriated funds for the purpose of entering into a contract for the performance of firefighting or security guard functions at any military installation or facility in the U.S., including Alaska and Hawaii. This prohibition does not apply to:

13.12.1.1. A contract that is to be performed in the commonwealths, territories, or possessions of the U.S., or other locations outside the U.S., when members of the Armed Forces otherwise would have to be used for the performance of firefighting or security guard services at the expense of unit readiness;

13.12.1.2. A contract to be carried out on a government owned, contractor operated installation;

13.12.1.3. A contract (or renewal of a contract) for the performance of a function that was under contract on September 24, 1983; or

13.12.1.4. A contract for the performance of firefighting functions if the contract is for a period of one year or less and covers only the performance of firefighting functions that, in the absence of a contract, would have to be performed by members of the Armed Forces who are not readily available to perform such functions by reason of deployment.

13.12.2. ***10 U.S.C. § 2687***, the Defense Base Closure and Realignment Act of 1990, as amended, authorizes special procedures for providing security guard (or firefighting) services 180 days before an installation closes under the Base Realignment and Closure initiative.

13.13 Postage Obligations Recorded

Record an obligation for postage each month based on an estimate of the billing to be received and adjusted based on the actual billing received. If advance payment for post office box is required, the obligation must be based on the advance billing. Obligate stamps purchased at the time payment is made.

14.0 UNRECORDED OBLIGATIONS

14.1 Dollar Threshold for Obligations Identified as Not Recorded

Apply the following guidance when the accounting office identifies an obligation incurred but not recorded in the official accounting records, and the accounting office is in possession of a valid obligating document (as specified in paragraph 14.2).

14.2 Document Verification

14.2.1. The accounting office must verify the document was not previously recorded under the applicable obligation reference number indicated. Validate documents exchanged between electronic systems, such as entitlement systems, to ensure the transaction was properly transmitted or recorded under the applicable obligation reference number, and no errors resulted during the transmission. Additionally, verify the amount, appropriation, project-level accounting data, and vendor name to determine if the obligation is recorded under another reference number, to include unrecorded modifications that are controlled in other obligating documents. Look for related commitments in accounting systems that contain commitments.

14.2.2. The accounting office must verify if the obligation was recorded at an amount less than the face value of the obligating document or Electronic Data Interchange (EDI) representation. If so, limit the amount of the recorded obligation increase to differences between the amounts on the obligating document or EDI representation and the amount previously recorded in the official accounting records. If one of conditions described in subparagraphs 14.2.1 or 14.2.2 is met, the accounting office must immediately adjust the obligation if the dollar amount is $2,500 or less. If the obligation amount is over $2,500, follow the procedures in subparagraph 14.3.2.

14.3 Recording

14.3.1. DFAS must immediately record an obligation if the dollar amount is $2,500 or less.

14.3.2. If the dollar amount is greater than $2,500, the accounting office must provide the appropriate DoD Component financial manager with a copy of the obligating document(s) via e-mail, fax, upload, or use other means (retaining proof of transmission and receipt of the notification), to document the official document repository. Allow 10 calendar days for the financial manager to record the obligation or demonstrate the obligation was previously recorded. The accounting office must record the obligation on behalf of the financial manager if, within 10 calendar days, the financial manager:

14.3.2.1. Has accounted for the obligation,

14.3.2.2. The obligation is accurate,

14.3.2.3. The applicable obligation was not previously recorded, or

14.3.2.4. Has not recorded the obligation in the accounting records.

14.3.3. Whenever the accounting office records an obligation for any amount, the appropriate funds holder must be notified immediately but not later than 10 calendar days of the obligation being recorded. This notification must be via e-mail, fax, electronic upload, or other documented means used for the document repository. Additionally, whenever the accounting office records an obligation, the recording must be uniquely identified, formally approved by the individual designated to provide approval authority, and cross-referenced to the obligating document. The processed obligating document must be similarly annotated. It is acceptable for an automated system to identify the source of a DFAS recorded obligation.

14.3.4. DoD Components must promptly record all obligations consistent with standards set forth in section 3.0. The over-recording and under-recording of obligated amounts is equally improper, as either makes it impossible to determine the actual status of an appropriation and may lead to violations of the Antideficiency Act. Over-recording and under-recording will also call into question the accuracy of agency financial statements and the propriety certifications on reports of obligations provided to Congress pursuant to ***31 U.S.C. §§ 1108(c)*** and ***1501(b).***

14.4 Expired Funds

If the agency has incurred a valid, unrecorded obligation in the prior year, prior year funds must be used. Current appropriations are not available to fund this obligation. If insufficient funds remain in the prior years' appropriation, the agency must seek a supplemental or deficiency appropriation and must further consider the possibility the Antideficiency Act (31 U.S.C. § 1341) has been violated. Agencies should incorporate the due diligence guidance outlined in paragraph 3.7 to mitigate circumstances requiring use of current appropriations to cover previous year requirements.

15.0 INTERNAL CONTROLS

15.1 Departmental Responsibilities

In accordance with its responsibility for implementing effective internal controls, the Assistant Secretaries and Comptrollers must establish standard procedures for Departmental/Agency level monitoring and review of all obligations and commitments. These reviews must be formally documented in Standard Operating Procedures (SOP).

15.2 Funds Holder Responsibilities

*15.2.1. For the buyer/receiving component, the funds holder must review and validate commitments and obligations as financial transactions occur. The review applies to all DoD Components, appropriations, reimbursable transactions, and funds including revolving funds and trust funds. Fund holders sign and approve the DD Form 448 and FS Form 7600B. Fund holders have certification responsibility and initiate actions that result in obligations. See paragraph 3.1 for required documentation to perform the fund holders' responsibilities. For seller/servicing components, the funding official that confirms orders received are aligned with the seller's mission (see Volume 5, Chapter 5), accepts/signs the 488-2 and 7600B, and manages buyer orders to include execution (see Volumes 11A and 11B).

15.2.2. Quarterly, the fund holder must reconcile all obligations incurred during the period to include amounts recorded in the general ledger to contracting system records and/or obligating documents such as contracts and modifications.

15.2.2.1. The fund holder must document and investigate all differences.

15.2.2.2. The fund holder must alert the financial managers of any variances. The financial manager must review the funds holder's documentation and assess whether an adjustment to the general ledger is required.

15.2.3. The use of "bulk" (estimated) obligations requires periodic monitoring and reconciliation of estimated obligations to the related disbursement transactions and the recording of appropriate adjustments to the estimated obligations based on the disbursement amounts. Limit the use of bulk obligations as Antideficiency Act violations may occur in the absence of adequate procedures for monitoring and reconciling disbursements.

15.2.3.1. Bulk obligations must not be used for materiel requisitioned by Defense Logistics Management Standards or Military Standard Logistics Systems transaction processing. Establishing an obligation for the proper amount for each line item under a unique requisition document number is essential for the timely and automated processing of interfund and non-interfund bills at the detail, line item level. Failure to do so may delay processing and increase workload for both DFAS and Component personnel.

15.2.3.2. DoD Components that establish business processes for requisitioning outside their customer's Component sponsored supply system, via internet ordering applications, must provide automated processes for their customers to record line item obligations for each requisition. DoD Components that authorize personnel to initiate orders outside of the Component sponsored supply system must incorporate source of supply automated processes for establishing line item obligations for each requisition.

15.3 Supporting Documentation

Prior to recording an obligation, the financial manager responsible for the official accounting records of the funds holder must have one of the following:

15.3.1. A copy of the obligating document(s) (i.e., contract, contract modification, letter contract, purchase order, reimbursable order, lease agreement, travel order) via e-mail, fax, electronic upload to the official document repository, or other documented means, or

15.3.2. An EDI 850 transaction set representing a contract or an EDI 860 transaction set representing a contract modification or equivalent electronic data that represents an obligating document or supports an obligation.

*15.4 Segregation of Duties

To ensure proper internal controls within the responsible financial management office, the duty of approving, certifying, and recording an obligation or order acceptance must be separate from posting a receiving report(s) and certifying acceptance and payment(s) for that obligation. In instances where Management determines that segregation of duties is not practical, additional mitigating controls must be identified and implemented in accordance with Volume 5, Chapter 1.

15.5 Antideficiency Act Violations

When the financial manager records an obligation in accordance with this policy and it results in an apparent Antideficiency Act violation, that office immediately must initiate research to include consulting with the funds holder. The following additional assessments apply:

15.5.1. If it is determined that the financial manager action resulted in a duplicate obligation that was previously recorded in the official accounting records, the financial manager action must be reversed immediately after the error is identified and no Antideficiency Act violation will be considered to have occurred.

15.5.2. If the financial manager determines that:

15.5.2.1. The financial manager action has not resulted in a duplicate obligation and

15.5.2.2. The obligation exceeded the funds holder's authorized budget authority, then

15.5.2.3. A preliminary review of the potential violation must be initiated in accordance with Volume 14, Chapter 3.

15.5.3. If a valid obligation was incurred in excess of available funds, the actual incurrence of the obligation, rather than the recording of the obligation, would be considered to have caused the apparent violation. In such cases, see Volume 14.

16.0 QUARTERLY REVIEW OF DORMANT ACCOUNTS

16.1 DAR-Q Justification

The DAR-Q serves as a quality control mechanism of entity-level internal control activities. The DAR-Q improves the Department's ability to execute all available appropriations before expiration and cancellation. The quarterly review is the inherent ability to track the dormancy and or validity of the DoD Components obligations and UFCO ensuring proper actions are taken to correct and or expedite the timely execution and full utilization of appropriated funds. The fund holder, financial manager, accountant, seller funding official, Budget Submitting Officer (BSO), contracting officer, and logistics representative efforts must be rigorous and synchronized. The integration of stakeholders' information enables effective outcomes to include evidence of the reasonableness of open balances in support of auditable financial statements.

16.2 Dormant Balances

16.2.1. DAR-Q requires review of sampled dormant balances. For purposes of the DAR-Q, balances are defined as dormant if they have not been liquidated and no obligations, adjustments, disbursements, withdrawals, or contract modifications with general ledger impact have occurred within the last 90-days. PCS orders, where Components have documented personnel readiness requirements to issue orders at least 90 days in advance of the move, will be considered dormant at 180 days. Current balances are defined as having a change in the status for obligations or UFCOs during the last 90-day period which generated general ledger activity.

16.2.2. Contracts are justifiably dormant while undergoing confirmed Defense Contract Management Agency (DCMA) contract closeout review or Defense Contract Audit Agency (DCAA) audit. Fund holders must retain evidence the open balance is currently under DCMA closeout review or DCAA audit.

16.2.3. Sampled dormant balances also include reimbursable balances, i.e., from a buying to selling organization. Both buying and selling organizations are responsible for reviewing their respective side of the transaction. DoD Components should also review reimbursable orders for compliance with the Economy Act or other applicable statutory authority for the reimbursable order. Non-Economy Act orders should be reviewed to ensure that the interagency agreements (Memorandums of Agreement (MOA)/Service Level Agreements) are consistent with DoD policy.

*16.2.4. Sampled dormant balances include sub-allotted funds. The fund holder (sub-allotter) must assign dormant sub-allotment samples to the selling organization (sub-allottee) for review within seven calendar days of the review period kickoff. Because sub-allotters may not have visibility into execution data, sub-allottees support completion of the review by providing source documents, contract or payable status, and financial analysis to the sub-allotter within 50 calendar days of sub-allotter's request. Sub-allotters and sub-allottees should develop formal memorandums of understanding to document the specific support requirements for sub-allotted funding.

16.3 DAR-Q Major Roles and Responsibilities

16.3.1. OUSD(C) Financial Improvement and Audit Remediation (FIAR) Directorate:

16.3.1.1. Issue DAR-Q sampling logic to Components completing DAR-Q manually.

16.3.1.2. Within 30 calendar days of receiving the Component level packages, perform the following:

16.3.1.2.1. Select a sample of DAR-Q records for review each quarter for assigned DoD Components.

16.3.1.2.2. For each sampled package, review evidence that all required DAR-Q requirements have been conducted.

16.3.1.2.3. Perform data analytics to evaluate validation criteria trends of dormant balances.

16.3.1.2.4. Review documentation of any funds holder and BSO that was unable to complete the required review or confirm the accuracy and validity of dormant balances, including a full explanation of, and any corrective action taken. Assess whether corrective action was taken.

16.3.1.2.5. Provide Components feedback on the results of the review.

16.3.2. OUSD(C) Enterprise Financial Transformation Directorate

16.3.2.1. Maintain the Advana DAR-Q Tool to facilitate enterprise-wide usage.

16.3.2.2. Update the Tool to align functionality with policy changes as necessary.

16.3.3. The Assistant Secretaries of the Military Departments Financial Management and Comptroller (FM&C) and Defense Agency Comptrollers:

16.3.3.1. Establish and/or update a SOP/desk guide to document entity-level DAR-Q procedures for implementation of the DAR-Q framework. For DoD Components executing within the automated Advana DAR-Q Tool, SOPs must include internal timeframes to meet submission due dates and workflow descriptions that utilize the expanded process flow functionality.

16.3.3.2. Create the standard queries and/or standard reports to ensure the completeness of the data extracted based on OUSD(C) FIAR sub-population sampling logic and requirements.

16.3.3.3. Establish entity-level implementation of the DAR-Q, through utilization of the automated Advana DAR-Q Tool to ensure accuracy and completeness.

16.3.3.4. Appoint at least one coordinator and BSO.

16.3.3.5. Review the BSO and funds holder submissions, complete the OUSD(C) FIAR DAR-Q submission and provide evidence of the review, along with supporting documentation, to the OUSD(C), FIAR Directorate by the FIAR quarterly completion dates.

16.3.3.6. Review of documentation of any funds holder that was unable to complete the required review or confirm the accuracy and validity of dormant balances, including an accurate explanation of any corrective action taken. Assess whether corrective action taken was appropriate.

16.3.3.7. Document these reviews using the BSO results to highlight both compliance and non-compliance of the BSO within a Component Level package and submit to OUSD(C) FIAR.

16.3.3.8. Identify problems noted as a result of the BSO review.

16.3.3.9. Initiate adjustments or corrections to remedy noted problems within 10 calendar days of identification and continue to track until completion.

16.3.3.10. Summarize by type actions or corrections remaining to be taken, and when such actions/corrections are expected to be completed.

16.3.3.11. Identify actions taken to preclude identified problems from recurring in the future.

16.3.3.12. Review BSO and fund holders' documentation, and prepare and submit quarterly a certification statement to the OUSD(C) FIAR attesting to the following:

16.3.3.12.1. Validation criteria was performed on the Agency's DAR-Q sample records of open Undelivered Orders Unpaid (UDOU), DOU, UDOP and UFCO balances within those populations. DAR-Q record validations are accurate based on research completed and information known at the time of completion, and can be reconciled to readily available source documents.

16.3.3.12.2. Effective internal controls are in place to ensure accounting adjustments and corrective actions identified as a result of the DAR-Q were initiated in the appropriate accounting system. The dormant balance and reason for dormancy was verified for each record. Corrective actions were taken to initiate the adjustment of balances within the appropriate systems as necessary. Corrective actions and monthly follow-ups are documented until complete.

16.3.3.12.3. Key Supporting Documentation (KSD) for all validated UDOU, DOU, UDOP, and UFCO records are readily available and will be provided within 10 calendar days upon request by the OUSD(C) FIAR for reasonable quality control review.

16.3.3.12.4. DAR-Q sample records are selected for validation as an OUSD(C) FIAR quality control activity to improve funding execution. DAR-Q is not intended to replace component internal control activities for open balance review, validation, or adjustment. The signee acknowledges it remains the responsibility of the DoD Component to perform continuous control activities on all open balances.

16.3.3.12.5. DAR-Q submission was performed in compliance with this chapter and internal SOP implementation guidance.

16.3.4. Coordinator. Coordinator disseminates records to appropriate personnel for review, facilitates the DAR-Q process, and serves as the OUSD(C) point of contact. Coordinators are not required to be financial managers, as their role is to facilitate the DAR-Q process by providing logistics, routing, and administrative support. Consolidated all quarterly records.

16.3.5. BSO. The BSO conducts reviews of the work performed and funds holder and financial manager documentation. The BSO ensures the DAR-Q was performed over a complete population and that the funds holder performed required procedures accurately and retained supporting documentation. The BSO must complete the DAR-Q within specified time frames for all funds.

16.3.5.1. Exercise reasonable assurance the funds holder completed their review in compliance with this Regulation and the Component's SOP requirements. BSOs must ensure fund holders have the capabilities and resources.

16.3.5.2. Prepare and submit a certification statement quarterly to the respective Assistant Secretary of the Military Department FM&C and/or Defense Agency Comptroller. The statement must attest to the requirements in subparagraph 16.3.3.12. Signee must also acknowledge it remains the responsibility of the BSO to perform continuous control activities on all open balances.

16.3.5.3. Provide respective Assistant Secretary of the Military Department FM&C and/or Defense Agency Comptroller supporting documentation within 10 calendar days upon request.

16.3.5.4. Review documentation of any funds holder that was unable to complete the required review or confirm the accuracy and validity of dormant balances, including a full explanation of, and any corrective action taken.

16.3.5.5. If the funds holder is not utilizing the Advana DAR-Q Advana Tool, confirm the funds holder used the DAR-Q OUSD(C) FIAR queries to ensure the completeness of data extracted.

16.3.6. Fund holder. Fund holders are DoD officials that receive a documented administrative subdivision of funds including apportionments, allotments, sub-allotment, allocations, and sub-allocations through their funding chain of command or from other government departments, agencies, and activities holding an administrative subdivision of funds. Fund holders review dormant records to evaluate the status and commence documented corrective action as necessary within 10 calendar days, following up monthly until corrective action and general ledger posting has occurred. Once the review is complete, route records to the BSO for review. The fund holder is responsible for conducting reviews of obligations and UFCOs, regardless of whether the fund holder or the financial manager actually records the obligations in the official accounting records. Document and maintain the results of these reviews.

16.3.6.1. Supporting documentation may include correspondence from the vendor, budget office, contracting officer, Contracting Officer's Representative (COR), seller funding official, or DFAS representatives. Additional documentation may include progress reports, contract modifications, invoices, IPAC system screen prints, or general ledger system/transactional reports that support the validity of the open balance or indicates it is no longer valid. The funds holder works through the contracting officer to obtain vendor documentation. Provide respective supporting documentation within 10 calendar days of BSO request. See Table 8-3 "Required DAR-Q Documentation" for a list of examples of supporting documentation by assessable unit. Print documentation or maintain screen prints electronically, unless the source system has reliable IT controls and data will be maintained in an archive.

16.3.6.2. Prepare and submit a quarterly certification statement to the BSO. The statement must attest to the requirements in subparagraph 16.3.3.12 as well as acknowledge it remains the responsibility of the funds holder to perform continuous control activities on all open balances.

16.3.6.3. See paragraph 16.5.4 if not utilizing the DAR-Q Advana Tool.

16.4 DAR-Q Populations

DAR-Q populations reflect the budgetary general ledgers impacting budget execution included in Table 8-1.

Table 8-1: DAR-Q Population and Associated USSGL Account Code

DAR-Q Population	USSGL Account
Undelivered Orders Unpaid (UDOU)	480100, 488100, 487100, 483100
Delivered Orders Unpaid (DOU)	490100, 498100, 497100, 493100
Undelivered Orders Paid (UDOP)	480200, 488200, 487200
Unfilled Customer Orders (UFCO)	422100, 422200, 423000, 425300

Table 8-2: DAR-Q Review Period

Quarter	Dormancy Period	DAR-Q Review Period
1	October 1 through December 31	Mid-January through Mid-March
2	January 1 through March 31	Mid-April through Mid-June
3	April 1 through June 30	Mid-July through Mid-September
4	July 1 through September 30	Mid-October through Mid-December

16.5 Advana DAR-Q Tool

16.5.1. The Advana DAR-Q Tool provides automation for effective and efficient reporting. The Tool leverages the Departments' universe of transactions to provide automated populations, reconciliations, record sampling, and a standard reporting platform.

16.5.2. DAR-Q sampling methodology focuses on high-risk, high-value balances. High-risk comprises dormant balances in General Fund expiring and canceling appropriations and Working Capital Fund and Foreign Military Sale balances remaining after the period of performance has ended. Populations are grouped by dollar value with higher sampling applied to high-value balances.

16.5.3. Components must perform DAR-Q on all balances regardless of the system in which they are executed. When the Tool does not incorporate transactions from legacy general ledger systems, Components must request population, sampling, and submission requirements from OUSD(C) FIAR Directorate to perform DAR-Q manually.

16.5.4. Fund holders not utilizing the Tool must adhere to the OUSD(C) FIAR annual guidance to obtain a population for sampled obligations and UFCOs. For all dormant balances, determine the validity and accuracy, and if future work will be conducted, future disbursements will be required, and if there is sufficient and readily available KSD to justify the remaining balance.

16.5.5. The Tool provides standard Validation Codes for users to select based on review of open balances.

16.5.5.1. Valid. An obligation where there is a bona fide need and a reasonable likelihood that future activity will occur. Examples of activity include, but are not limited to, receipt of goods and services, payment of invoices, collecting payment for goods delivered or services rendered, or performing work on a reimbursable basis.

16.5.5.2. DAR-Q Adjustment. A valid obligation that requires all or a portion of the balance to be adjusted in either the source general ledger system or initiated with the responsible party (i.e., DFAS, contracting office, performer, source of supply). An adjustment is an action required to accurately reflect business events.

16.5.5.3. The Tool provides standard Reason Codes aligned with each Validation Code, and capability to add granular data through explanation and comment fields.

16.6 Key Supporting Documentation.

Components provide KSD for a sub-sample of DAR-Q records to support the balance, validation code, and any corrective actions initiated. For valid dormant balances, documentation must support the balance, while balances that require adjustment include documentation to support the adjustment amount. OUSD(C) FIAR Directorate may review KSD for quality control and provide feedback as necessary. KSD must be provided within 10 calendar days of the request. To be considered valid and provide the correct line item support, the KSD is required to be signed by an authorized individual responsible for that transaction. See Table 8-3, "DAR-Q Documentation Examples" and the Advana DAR-Q User Guide for KSD examples. Components may have unique KSD.

Table 8-3: DAR-Q Documentation Examples

Assessable Unit	Supporting Documentation	Correspondence From
Contract Pay	Originating Documents Contracts, contract modifications Liquidating Documents Contract modifications, payment vouchers (including invoices and receiving reports)	- Contractor - Contracting Officer - COR - Financial Manager
Vendor Pay	Originating Documents Contracts, contract modifications Liquidating Documents Contract modifications, payment vouchers (including invoices and receiving reports)	- Vendor - Contracting Officer - COR - Financial Manager
Civilian Pay	Originating Documents Written administrative determinations of the liability amounts incurred for personal services based on payroll or personnel records Liquidating Documents Payroll file summaries	- Program office - Resource Manager - Financial Manager
Military Pay	Originating Documents Written administrative determinations of the liability amounts incurred for personal services based on payroll or personnel records Liquidating Documents Payroll file summaries	- Program office - Resource Manager - Financial Manager
Intragovernmental or Interdepartmental	Originating Documents MIPR, MIPR Acceptance, intra- or inter-agreement, MOA, other reimbursable work order GT&C FS Form's 7600 A/B Liquidating Documents IPACs Standard Form 1080 – Voucher Transfer Between Appropriations or Funds	- Program Manager - Fund Holder - Financial Manager - Funding Official

16.7 Documentation

Components maintain documentation that is sufficient to permit independent organizations such as the DoD Office of the Inspector General, or the DoD Component Audit Agency/Service, to verify reviews were accomplished in accordance with Volume 1, Chapter 9 retention standards.

16.8 De-obligation of Dormant Obligations

16.8.1. Within 10 calendar days of fund holders' identification, initiate and substantiate all required de-commitments, de-obligations, adjustments, or corrections by evidence of ongoing corrective actions. Accurately post recorded payments with clearing document numbers. After a thorough review by the funds holder (and/or the financial manager), all un-substantiated obligations must be de-obligated. Within 10 calendar days of receipt of funds holder's documentation, the financial manager must record the de-obligation, de-commitment, or adjustment(s) in the general ledger. Take no action to modify, cancel, or amend a contract or travel order below an amount identified as due and owing a contractor, vendor, or traveler.

16.8.2. Periodic reviews result in de-obligations such as for documented contract adjustments or corrections, cancellation of an order, when determined obligated funds are in excess of contract requirements, or determination of final contract closure.

*16.8.2.1. The contracting officer, to include Administrative Contracting Officers as appropriate, and other stakeholders, i.e., DCMA and DCAA; must apply due diligence to procedures such as reviewing contract funds status, establishing final indirect cost rates, and determining billing rates (see ***FAR 42.704 and 42.705***). The contracting officer, stakeholders, and financial manager must collaborate regularly to manage potential excess funds, and generate documents, to include unilateral contract modifications to de-obligate funds.

16.8.2.2. For contracts canceled in full or in part, such as unilateral orders where the contractor does not accept the order or through agreement of the parties, the contracting officer should issue a unilateral contract modification identifying the amount to de-obligate.

16.8.2.3. When terminating a contract or agreement in whole or in part for government convenience by "Notice of Termination", the contracting officer should issue a unilateral contract modification to maintain sufficient funds to meet termination settlement costs and de-obligate excess funds.

16.8.2.4. In some instances such as Firm Fixed Price contracts with escalation, price redetermination, or incentive provisions; the contracting officer may determine—after consideration of best available evidence, including available costs and production data or tentative offers from contractors—the anticipated reduction of contract liability and should issue a unilateral contract modification specifically to de-obligate funds.

16.8.2.5. The financial manager may, prior to a contract completion statement and upon notice of final payment, identify dormant funds through attained reasonable assurance of future commitments, obligations, expenses, and disbursements; and provide the contracting officer a document with the contract number, notice of final payment, remaining dormant balance, and request for the contracting officer's written consent or issuance of a unilateral contract modification to de-obligate funds. The financial manager must maintain a copy of the consent for audit and records management purposes.

16.8.2.6. For contract closeout, the contracting officer distributes a DD Form 1594, Contract Completion Statement or electronic equivalent as described in ***DFARS, PGI 204.804***. See Volume 10, Chapter 20 for contract reconciliation and closeout.

16.8.3. For dormant travel obligations for which travel did not occur, or the full obligated amount was not expended, the financial manager will de-obligate funds after documented efforts to contact the traveler is retained prior to the Authorizing Official (AO) or funds holder provides a written consent to de-obligate the remaining obligated balance. It is the responsibility of the AO to send notification to the financial manager, program office, and funds holder denoting no further valid transactions will be forthcoming. The AO should obtain and review the applicable travel vouchers, receipts, and correspondence between the traveler and the AO.

16.8.4. For dormant payroll obligations (i.e., salaries, wages, and benefits) for which funds were not expended, or the total obligated amount was not expended, the financial manager will de-obligate funds based on a written consent from the funds holder. It is the responsibility of the funds holder to send notification to the financial manager and program office denoting no further valid transactions will be forthcoming. The funds holder should obtain and review the applicable pay period calendar, Leave and Earnings Statements, payroll disbursements, support for journal vouchers, and correspondence between the program office, employees, and the financial manager.

16.8.5. For intragovernmental or interdepartmental obligations, including Military Standard Requisitioning and Issue Procedures requisitions through mandatory sources for which funds were not expensed or the total obligated amount was not expended, the financial manager will de-obligate funds once a new FS 7600B, DD 448-2, or a key source document is obtained. Source documents must align to the business process, account for adjustments made and, in cases of an intragovernmental/intergovernmental documents, must be signed by an authorized individual.

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 9: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 3, CHAPTER 10: "ACCOUNTING REQUIREMENTS FOR EXPIRED AND CLOSED ACCOUNTS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated July 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Administrative updates to include clarifying language in accordance with Department of Defense Financial Management Regulation (FMR) Revision Standard Operating Procedures.	Revision
Policy Memo	Relevant portions of the Deputy Chief Financial Officer's policy memorandum, "Yearend Cutoff for Cancelling Year Appropriations (FPM23-04)," dated August 16, 2023 was incorporated into the chapter.	Revision

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CHAPTER 10

ACCOUNTING REQUIREMENTS FOR EXPIRED AND CLOSED ACCOUNTS

1.0 GENERAL

1.1 Purpose

This chapter prescribes the accounting requirements, restrictions, and limitations for expired accounts and closed (cancelled) accounts. It addresses the fiscal year (FY) identity, periods of availability, obligation adjustments, and exceptions applicable to these accounts.

1.2 Authoritative Guidance

The following laws and regulations within this chapter contain the current requirements for the efficient and effective use of expired and closed accounts which includes the responsibilities and authority in applying these accounting requirements for the Department of Defense (DoD):

1.2.1. Title 10, United Stated Code, section 8683 (***10 U.S.C. § 8683)***, "Ship overhaul work: availability of appropriations for unusual cost overruns and for changes in scope of work."

1.2.2. ***31 U.S.C. § 1108***, "Preparation and submission of appropriations requests to the President."

1.2.3. ***31 U.S.C. § 1514***, "Administrative division of apportionments."

1.2.4. ***31 U.S.C. § 1551***, "Definitions; applicability of subchapter."

1.2.5. ***31 U.S.C. § 1552***, "Procedure for appropriation accounts available for definite periods."

1.2.6. ***31 U.S.C. § 1553***, "Availability of appropriation accounts to pay obligations."

1.2.7. ***31 U.S.C. § 1554***, "Audit, control, and reporting."

1.2.8. ***31 U.S.C. § 1555***, "Closing of appropriation accounts available for indefinite periods."

1.2.9. ***31 U.S.C. § 1556***, "Comptroller General: report on appropriation accounts."

1.2.10. ***31 U.S.C. § 1557***, "Authority for exemptions in appropriation laws."

1.2.11. ***41 U.S.C. Chapter 71***, "Contract Disputes."

1.2.12. *41 U.S.C. § 3301*, "Definition of records."

1.2.13. Office of Management and Budget *(OMB) Circular A-123, Appendix A*, "Management of Reporting and Data Integrity Risk."

1.2.14. *OMB Circular A-11*, Section 20, "Terms and Concepts."

1.2.15. OMB Circular A-11, Section 130.16, "What steps do I take when budgetary accounting errors are identified involving a closed TAFS during a canceled phase?"

1.2.16. U.S. Department of the Treasury (Treasury) Financial Manual *(TFM) Volume 1, Part 2, Chapter 2000*.

1.2.17. Treasury United States Standard General Ledger (*USSGL*).

2.0 DEFINITION

The definition provided in this section describes terminology associated with expired and closed/cancelled accounts.

No-Year Accounts. No-year authority usually remains in the unexpired phase until fully obligated and disbursed. When the purposes for which the authority was made available have been achieved, the account may be closed and the authority cancelled.

3.0 STANDARDS

3.1 Accounts

General ledger accounts and transactions required to record cancellations, account closure, and expired transactions are defined in the DoD Standard Chart of Accounts and in the DoD USSGL Transaction Library. These documents can be accessed on the Standard Financial Information Structure (*SFIS*) web page.

3.2 Expired Accounts

3.2.1. Expired funds retain their FY identity for five years after the time an appropriation expires (see Chapter 13, subparagraph 3.8.2). Expired funds are not available for new obligations. Both the obligated and unobligated balances of expired appropriations must be available for recording, adjusting, and liquidating obligations properly chargeable to that account.

3.2.2. Before an account closes/cancels, the affected DoD Component must identify valid unliquidated obligations subject to closure/cancellation to determine whether appropriations are available for future adjustments or payments against such obligations. Also, the DoD Component

must confirm whether adequate resources are available to pay for obligations that will close/cancel with an account.

3.3 Closed/Cancelled Accounts

* 3.3.1. On September 30 of the fifth FY after the period of availability for obligation of a fixed appropriation account ends, the account must be closed and any remaining balance (whether obligated or unobligated) in the account must be cancelled and thereafter is not available for obligation or expenditure for any purpose, unless exempt by a provision of an appropriation law. Collections authorized or required to be credited to an appropriation account, but not received before closing of the account must be deposited in the Treasury as miscellaneous receipts in accordance with 31 U.S.C. § 1552(a). All cancelling year transactions, i.e., transactions to be paid from an appropriation that is cancelling at the end of the current fiscal year, must be submitted to the Defense Finance and Accounting Service (DFAS) no later than September 15 each year (or the business day prior when September 15 occurs on a weekend).

3.3.2. Certain appropriations are available for an indefinite period. Obligated and unobligated balances in such appropriations must be closed/cancelled when no disbursements have been made from the indefinite appropriation for two consecutive FYs and the President, the Secretary of Defense, or the Secretary's designee determines the purposes for which the appropriation was made have been carried out in accordance with 31 U.S.C. § 1555.

3.3.3. In some instances, following closure/cancellation of an appropriation, it becomes necessary to adjust an obligation that otherwise would have been properly chargeable (both as to purpose and amount) to an appropriation before closure/cancellation. Should such an adjustment become necessary, the obligation must be charged to an appropriation currently available for the same purpose, subject to certain limitations discussed in subparagraph 3.3.4. If an adjustment to an obligation otherwise properly chargeable to a closed/cancelled appropriation pursuant to 31 U.S.C. §§ 1551 – 1557 is required, and the related program or function has migrated from one DoD activity to another, the adjustment is chargeable to the current DoD activity to which the program has transferred. The current DoD activity is responsible for providing current year funds from an appropriation account available for the same purpose to satisfy the obligation.

3.3.4. When a currently available appropriation is used to pay an obligation, which otherwise would have been properly chargeable (both as to purpose and amount) to a closed/cancelled appropriation, the total of all such payments from that current appropriation may not exceed the lesser of:

3.3.4.1. The unexpended balance of the closed/cancelled appropriation (the unexpended balance is the sum of the unobligated balance plus the unpaid obligations of an appropriation at the time of closure/cancellation, adjusted for obligations and payments which are incurred or made subsequent to closure/cancellation, and which would otherwise have been properly charged to the appropriation except for the closure/cancellation of the appropriation); or

3.3.4.2. The unexpired unobligated balance of the currently available appropriation; or

3.3.4.3. One percent of the total original amount appropriated to the current appropriation being charged.

3.3.4.3.1. For annual accounts, the one percent limitation applies to the annual appropriation for the applicable account; not total budgetary resources (e.g., reimbursable authority).

3.3.4.3.2. For multi-year accounts, the one percent limitation applies to the total amount of the appropriation. For example, if a multi-year account enacted for FY 2019 through FY 2020 was $100 million, the one percent limitation in FY 2019 would be $1 million. At the end of FY 2019, if $650,000 had been used for payment of obligations of closed/cancelled accounts, the amount available to be used for such payments in FY 2020 would be $350,000 ($1 million minus $650,000).

3.3.4.3.3. For contract changes (as specified in paragraph 3.4), charges made to currently available appropriations have no impact on the one percent limitation rule, i.e., the one percent (of the currently available appropriation) amount is not decreased by the charges made to current appropriations for contract changes.

3.3.5. In order to prevent overpayments and ensure that applicable limitations are not exceeded, DoD Components must:

3.3.5.1. Identify the unobligated balance and unpaid obligations of all expired appropriations at the time they expire.

3.3.5.2. Identify the unobligated balance and unpaid obligations of all closed/cancelled appropriations at the time they are closed/cancelled.

3.3.5.3. Identify for closed/cancelled accounts all obligations and payments that were charged to currently available appropriations that otherwise would have been properly chargeable (both as to purpose and amount) to a closed/cancelled appropriation (as specified in subparagraph 3.3.4.).

3.3.5.4. Identify and maintain the amount that it is permissible to charge current appropriations for obligations and payments which otherwise would have been properly chargeable (both as to purpose and amount) to a closed/cancelled appropriation. This amount is determined by subtracting all subsequent obligations and payments made from the unexpended balance of the appropriation at the time it was closed/cancelled as indicated in subparagraph 3.3.5.3.

3.3.6. Official accounting activities must maintain proper general ledger controls for valid unpaid obligations and receivables pertaining to closed/cancelled accounts. General ledger controls must be perpetuated until all obligations are paid and accounts receivable collected. (This will ensure that valid liabilities continue to be tracked until satisfied, even though the accounts are closed/cancelled.) In addition, official accounting activities must:

3.3.6.1. Ensure that the beginning, unpaid obligation balance of each closed/cancelled appropriation accurately reflects the official Treasury balance of the appropriation on the date of closure/cancellation.

3.3.6.2. Perform a one-time review of each closed/cancelled appropriation to ensure that the beginning accounts payable (obligations unpaid) balance of each closed/cancelled appropriation accurately reflects the balances on the Standard Form (SF) 133, "Report on Budget Execution and Budgetary Resources," as of the date of closure/cancellation.

3.3.6.3. Ensure that an adequate audit trail is maintained for all corrections affecting closed/cancelled appropriations, including any offsetting corrections to current or expired appropriations. Records must be maintained in accordance with Volume 1, Chapter 9 that prescribes DoD policy on records retention in accordance with the National Archives and Records Administration ***(NARA) General Records Schedules***.

3.4 Contract Change Provisions

3.4.1. A contract change is defined in 31 U.S.C. § 1553(c)(3) as a change to a contract under which a contractor is required to perform additional work. Such term does not include adjustments to pay claims or increases under an escalation clause. Paragraphs 3.6 and 3.7 contain procedures for requesting approval of obligation adjustments for contract changes in excess of $4 million, $10 million, and $25 million respectively.

3.4.2. Obligation adjustments, such as incentive or award fees and price inflation (escalation or economic price adjustments), are not considered contract changes for purposes of subparagraph 3.4.1. To the extent otherwise appropriate, such amounts may be charged to applicable accounts that otherwise have expired for incurring new obligation but have not yet been closed/cancelled. Such charges or adjustments must be supported by comprehensive written documentation containing a statement that the charges do not require, involve, or result in additional work or changes in scope. This statement must explain the circumstances, contingencies, or management practices that necessitated the adjustment.

3.4.3. For funding contract changes resulting from the contracting officer's final decision in accordance with the *Contract Disputes Act*, apply obligation adjustment rules in this chapter and in Chapter 8, subparagraph 3.6.2. *Contract Disputes Act* litigation judgments payable from the *Judgment Fund* result in a new agency obligation to reimburse the *Judgment Fund*. See Chapter 8, subparagraph 4.2.2. For reimbursements, use funds for the same purpose that are current at the time of the judgment.

3.4.4. 10 U.S.C. § 8683 permits expired appropriations available to DoD to be used for new obligations of appropriations for certain ship overhaul, maintenance, and repair efforts. Those purposes are obligation of expired funds for unusual cost overruns incident to overhaul, maintenance, and repair of vessels under commercial contract or by industrial-fund activity. There is a statutory congressional notification requirement for funding of unusual cost overrun obligational adjustments. Requests must be submitted to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), Deputy Comptroller (Program/Budget) (P/B). While expired

appropriations may be used in certain instances for new obligations; those appropriations are not available for new obligation beyond the end of the fifth FY following their expiration.

3.5 Shipbuilding and Conversion, Navy

3.5.1. The period of availability to incur obligations in the Shipbuilding and Conversion, Navy (SCN) appropriation for all purposes is normally five years. For limited purposes, SCN funds are available for obligation after the five-year period has ended. Appropriation language for the SCN appropriation often contains a provision to the effect that additional obligations for engineering services, tests, evaluations, and other such budgeted work that must be performed in the final stage of ship construction may be incurred after the appropriation otherwise would expire for obligation. This additional period allowed for incurring new obligations for such purposes is called "extended availability."

3.5.2. DoD and Treasury employ special procedures to establish extended availability authority for the SCN appropriations because not all work required to induct a ship into the fleet can be completed within the first five years of availability of an SCN appropriation. The procedures are summarized as follows:

3.5.2.1. The FY of the latest obligation work limiting date (OWLD) for the last vessel financed by a particular SCN appropriation must represent the period of availability for obligation. After such date, the appropriation enters an expired status for five years and the balances are available only for obligation adjustments and payments.

3.5.2.2. An SCN appropriation is closed/cancelled on September 30 of the fifth year following the year of the last OWLD. Before the end of each FY, DoD notifies Treasury of the last OWLD for the SCN appropriation that will be expiring on September 30 of that FY. By the ninth workday of November of each year, the unobligated and obligated balances of that SCN appropriation are transferred by preparing the SF 1151, "Nonexpenditure Transfer Authorization," to a new Treasury FY symbol. **(**See the TFM Volume I, Part 2, Chapter 2000.) For example:

> On September 18, 1995, the Navy notified Treasury that the last OWLD for the FY 1991/1995 SCN appropriation was September 30, 2001. Before November 14, 1995, the balances of that SCN appropriation were transferred to the FY 1991/2001 SCN appropriation with a cancellation date five years later, September 30, 2006.

3.6 Obligation Adjustment for a Contract Change Greater Than $4 Million

An obligation adjustment for a contract change to an expired appropriation under which a contractor is required to perform additional work may be incurred only if that obligation adjustment has been approved by the Under Secretary of Defense (Comptroller) (USD(C)), as designee of the Secretary of Defense. The DoD Component must request approval for an obligation amount that would cause the total amount of charges in any FY for a single program, project, or activity to exceed $4 million and the account being used to fund the obligation is no

longer available for new obligation. The Secretary of the Navy may treat the limitation to be $10 million rather than $4 million for Navy Operation and Maintenance funds that are appropriated and available for ship overhaul.

3.6.1. If necessary, the applicable Component must submit requests for approval to OUSD(C), P/B.

3.6.2. The request for approval must include the following documentation:

3.6.2.1. The amount to be obligated.

3.6.2.2. The purpose for which the funds are to be obligated.

3.6.2.3. An explanation of the obligation adjustment including the reason for the adjustment and the contingencies or management practices that necessitated the adjustment.

3.6.3. Components must retain supporting documentation in accordance with Volume 1, Chapter 9 that prescribes DoD policy on records retention.

3.7 Obligation Adjustment for a Contract Change Equal to or Greater than $25 Million

Special handling is required to process any obligation adjustment to an expired appropriation for a contract change, under which a contractor is required to perform additional work, for amounts of $25 million or more in any FY. Such adjustments may be made only after the USD(C), as designee of the Secretary of Defense, submits a notice of intention to make the obligation to the Armed Services and Appropriation Committees of the Senate and the House of Representatives. The notice of intention must include the legal basis and policy reasons for the obligation.

3.7.1. After 30 days have elapsed following submission of the notice, in writing, the proposed obligation may be made unless the congressional committee notifies the USD(C) of its disapproval.

3.7.2. The charges or adjustments must be supported by a written comprehensive statement concerning the reason for the adjustment. This statement must explain the circumstances, contingencies, or management practices that necessitated the adjustment.

3.7.3. When notification to Congress is necessary, the applicable DoD Component must submit the required documentation including letters to the appropriate congressional committees for the USD(C) signature to OUSD(C), P/B.

3.8 Replacement Contracts

Expired funds also may be used to fund a replacement action (a replacement contract) under certain conditions. When a procurement action will result in a replacement contract, it may be

funded from expired funds if all of the conditions in subparagraphs 3.8.1-4 are met. If all of these conditions cannot be met, current year funds must be used to fund the requested action.

3.8.1. The DoD Component has a continuing bona fide need for the goods or services involved.

3.8.2. The original contract was made in good faith.

3.8.3. The original contract was terminated for default or for the convenience of the Government. If the original contract was terminated for the convenience of the Government, the termination must have been the result of a:

3.8.3.1. Court order;

3.8.3.2. Determination by a contracting officer that the contract award was improper due to explicit evidence that the award was erroneous and the determination is documented with appropriate findings of fact and of law; or

3.8.3.3. Determination by other competent authority (e.g., a Board of Contract Appeals) that the contract award was improper.

3.8.4. A replacement contract is used to obtain the goods or services that originally had been ordered under another contract that was terminated either for default or convenience of the Government. The replacement contract is:

3.8.4.1. The same size and scope as the original contract; and

3.8.4.2. Executed without undue delay after the original contract is terminated.

3.8.5. If a replacement action will result in an obligation that exceeds the remaining unliquidated obligation balance of the original contract by $4 million, the action must first be submitted to the USD(C) for approval.

3.8.6. If a replacement action will result in an obligation that exceeds the remaining unliquidated obligation balance of the original contract by $25 million, then a notice of intention (as discussed in paragraph 3.7) must be submitted to the appropriate congressional oversight committee at least 30 days in advance. After 30 days have elapsed following submission of the notice, the proposed obligation may be recorded unless one of the congressional oversight committees notifies the USD(C) of its disapproval.

3.9 Obligation Adjustments or Payments from Current Appropriations for Closed/Cancelled Accounts

3.9.1. When making payments from a current appropriation account for obligations of a closed/cancelled account, DoD Components must submit a written request for a “subclass” account from Treasury through DFAS, and include the purpose for the payment. Use these subclass

accounts to record applicable payments with Treasury. These payments are reported monthly on each Component's SF 224, "Statement of Transactions" *(*see Volume 6A, Chapter 3).

3.9.2. Record amounts for obligations that otherwise would have been properly chargeable to a closed/cancelled account (but are required to be charged to current accounts) only in the current account when payment is imminent during the current FY. Unless payment was made, do not report amounts for such obligations. If, at year-end, such amounts for obligations are known to be payable in the coming FY, that information must be footnoted on the year-end SF 224.

3.9.3. Enter current year obligation adjustments required due to closed/cancelled balances as negative amounts against specific applicable line items in column "k" of the Department of Defense (DD) 1416, "Report of Programs." If these adjustments cause the line item to exceed current year reprogramming thresholds, the amount in column "k" must be footnoted to indicate the amount is "applicable to closed/cancelled account adjustments." No reprogramming action is required. In addition, enter the total of all closed/cancelled account adjustments charged to the applicable appropriation in column "k" as a separate line item titled "Reduction to Finance Closed Account Adjustments." Show this amount as a positive number.

3.10 Current Appropriations Used for Expired Appropriations with Insufficient Obligation Authority

If the appropriation's period of availability has expired and the account has a negative unliquidated balance (insufficient funds), an obligation or adjustment of an obligation may be charged to a current appropriation that is authorized for the same purpose. However, if a subsequent review or investigation discloses that sufficient funds were available in the expired account, any charge made against the current account must be reversed. Charges against a current appropriation are prohibited if a sufficient balance exists in the expired account.

3.10.1. Charges to current year funds when sufficient obligation authority does not exist in expired appropriations may be made if all of the following conditions are met:

3.10.1.1. The obligation is charged to an appropriation available for the same purpose as the applicable expired account and is otherwise properly chargeable (except as to amount) to the applicable expired account before closure/cancellation of the expired account.

3.10.1.2. The Assistant Secretary of a Military Department for Financial Management and Comptroller, or the Comptroller of a Defense Agency, has determined that sufficient obligation authority does not exist in the applicable expired account to fund the applicable obligation.

3.10.1.3. The obligation is not otherwise properly chargeable to any DoD current appropriation under the transitional provisions as noted in 31 U.S.C. § 1553(b)(1).

3.10.2. The amount charged to a current appropriation may not exceed an amount equal to one percent of the total appropriation for that account (see subparagraph 3.3.4 that applies to

charges that can be made to a current account when the account that should have been charged has been closed/cancelled.)

3.11 Collection Credits After an Account is Closed/Cancelled

3.11.1. It is inappropriate to write-off valid accounts receivables as a result of closure/cancellation of appropriations with negative unliquidated obligations. Maintain proprietary accounts until settled by the debtor or until the debt is closed in accordance with guidance in Volume 4, Chapter 3.

3.11.2. When collections that are authorized or required to be credited to an account are received after the closure/cancellation of an account, deposit those collections in Treasury as miscellaneous receipts (31 U.S.C. § 1552). Accounting entries are specified in the *DoD USSGL Transaction Library* that can be accessed on the SFIS web page. See Volume 4, Chapter 3 for receivable accounting policy.

3.12 Exceptions to an Account's Period of Availability for Adjusting and Liquidating Obligations

3.12.1. Requirements applicable to the closure/cancellation of appropriations apply to all appropriation accounts unless specifically exempted by statute. A provision of an appropriations act may exempt an appropriation from the provisions of the new requirements for the closing/cancelling of accounts and may fix the period the appropriation remains available for expenditure (31 U.S.C. § 1557). Additionally, an appropriations act applies only to the appropriation for a specific FY. In order for an appropriation to preclude application of the limitations on expenditure specified in new provisions of Title 31, the statute must:

3.12.1.1. Identify the appropriation account for which the availability for expenditure is to be extended;

3.12.1.2. Provide that the appropriation account must be available for recording, adjusting, and liquidating obligations properly chargeable to the account; and

3.12.1.3. Extend the availability for expenditure of the obligated balances.

3.12.2. The availability for expenditure of specific accounts may be changed only through specific legislation. Request this authority only when payment of old balances from unexpired funds (based on historical outlay data) regularly would exceed the one percent limitation or would severely impact the current program.

3.12.2.1. When the nature of a DoD Component's program requires disbursements beyond the five-year period, the Component must submit proposed changes in appropriation language to OUSD(C), P/B. OUSD(C), P/B will submit the proposed changes to OMB for approval.

3.12.2.2. Absent specific authority, DoD Components may request re-appropriations of closed/cancelled balances through OUSD(C), P/B and defer payment until the appropriation is available. Treat the receipt of a re-appropriation as adding new budget authority.

3.13 Antideficiency Act Violations

The DoD Components are required to investigate and report potential Antideficiency Act (ADA) violations when certain limitations are exceeded. An ADA violation can occur when an obligation is charged against a current account when the obligation otherwise would be properly chargeable (except as to amount) to an expired account, and insufficient resources exist to fund the obligation in the applicable expired account. ADA investigation and reporting policy is specified in Volume 14.

3.14 Control, Reporting, and Certification Requirements

31 U.S.C. §§ 1554 and 1556, as amended, contain permanent audit, control, and reporting requirements pertaining to the liquidation of obligations.

3.14.1. Control Requirements

3.14.1.1. 31 U.S.C. § 1554(a) stipulates that any audit requirement, limitation on obligations, or reporting requirement applicable to an appropriation must continue to apply to that appropriation following expiration of the period of availability for new obligation of that appropriation. If an appropriation act contains a limitation on the obligation of funds for a program, project or activity, or other purpose; that limitation continues during the five-year period after the period of availability for new obligations expires. Additionally, the limitation continues after the appropriation has been closed/cancelled.

3.14.1.2. DoD Components must establish and test internal controls to ensure that an adequate review of obligated balances is performed to support the certification in accordance with OMB Circular A-123, Appendix A. Components are also responsible for retaining documents in accordance with Volume 1, Chapter 9**.**

3.14.1.3. Proper general ledger controls must be maintained for closed/cancelled valid unpaid obligations and accounts receivable in closed/cancelled accounts. Balances in unexpired accounts may be used to fund closed/cancelled obligations. Closed/cancelled obligations can be posted to unexpired accounts only when a disbursement will be paid during the current year.

3.14.2. Reporting and Certification Requirements

Under the provisions of 31 U.S.C. § 1554, the Secretary of Defense, or his designee, is required to submit a report to the President and the Secretary of the Treasury concerning the unliquidated obligations, unobligated balances, closed/cancelled balances, and adjustments made to appropriation accounts during the completed FY.

3.14.2.1. Due Date. This report is due not later than 15 days after the President submits his budget to Congress.

3.14.2.2. Distribution Requirements. A copy of the report must be submitted to the Speaker of the House of Representatives, the Committee on Appropriations, the Committee on Governmental Affairs, and other appropriate oversight and authorizing committees of the Senate (such as the Armed Services Committee).

3.14.2.3. Contents. 31 U.S.C. § 1554(b) requires that these reports contain:

3.14.2.3.1. An itemization of related appropriation accounts, identified by FY and the balances identified in each account. This itemization is reported through the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) and the Central Accounting Reporting System year-end module.

3.14.2.3.2. A descriptive list of each current and expired appropriation.

3.14.2.3.3. Identification of payments made from each applicable appropriation account with respect to those amounts that otherwise would have been properly chargeable to another account, both as to purpose and amount, except that the other account has been closed/cancelled (31 U.S.C. § 1553). These payments are reported on the DoD Component's SF 224.

3.14.2.3.4. Separate identification of obligation adjustments made to each currently applicable appropriation account that otherwise would have been properly chargeable to another account, both as to purpose and amount, except that the other account has been closed. These balances are reported in GTAS.

3.14.2.3.5. Identification of all balances closed/cancelled on September 30th of the fifth year following the expiration of an appropriation account's availability for incurring new obligations (31 U.S.C. § 1552(a)). These balances are reported in GTAS.

3.14.2.3.6. Identification of those appropriation accounts available for an indefinite period that have been closed because: No disbursements have been made from the account for a period of two consecutive years; and the President or the Secretary of Defense has determined that the purposes for which the appropriation was made have been carried out (31 U.S.C. § 1555).

3.14.2.3.7. A certification by the DoD Components that the obligated balances in each DoD appropriation account reflect properly existing obligations; and that expenditures made from each account since the time of submission of the prior report were supported by a proper obligation of funds and otherwise were proper.

3.15 Other Requirements

The following paragraphs specify detailed information about other review, accounting, and correction requirements regarding current, expired, and closed/cancelled accounts.

3.15.1. Apportionment Procedures. The SF 132, "Apportionment and Reapportionment Schedule," must reflect the following footnote: "Up to one percent of the original amount of the appropriation ($xxx.xx), or the unobligated balance, whichever is less, may be used for the purpose of obligation adjustments and payments, which otherwise would have been properly chargeable (both to purpose and amount) to a closed/cancelled appropriation." To the extent that supplemental appropriations are enacted, reapportionment of the initial "one percent" amount may be requested.

3.15.2. Unliquidated Obligations. DoD Components must review remaining unliquidated balances in expired accounts and de-obligate all amounts not supported by documentary evidence prior to closure/cancellation. Financial and program managers:

3.15.2.1. At each of the various levels of contract and program management retain the responsibility to ensure that all transactions are appropriately concluded. If services and materials remain undelivered at the time of expiration, they must be subsequently delivered or, where such deliveries cannot be made, action is taken to terminate contractual obligations and revert the funds to maintain integrity of the funds until such time as all outstanding obligations are liquidated or claims are cancelled or liquidated.

3.15.2.2. At all activities must actively review uncompleted contracts, uncollected accounts receivable, and uncollected travel or pay advances held at their level to ensure validity of such items.

3.15.3. Payments After Closure/Cancellation of Appropriations. Payment is prohibited for amounts that cite closed/cancelled appropriations until the disbursing office has obtained a currently available appropriation fund cite from the funding activity.

3.15.4. Unmatched Disbursements for Closed/Cancelled Accounts. When a disbursement is made properly before the closure/cancellation of the appropriation but is not identified and matched with the proper obligation until after the closure/cancellation of the appropriation, charge that disbursement to the closed/cancelled appropriation. Make appropriate corrections to accounting records and reports as necessary; and submit those reports to Treasury. If an error is discovered in a closed/cancelled account for a disbursement made prior to the closure/cancellation of that account, see subparagraph 3.15.10 for correction of reporting errors.

3.15.5. Negative Unliquidated Obligations. Negative unliquidated obligation (NULO) balances generally occur in an account when valid disbursements are incorrectly matched with obligations and the disbursements exceed the obligations. Negative balances represent error conditions that must be researched and corrected as quickly as possible. See Chapter 11 for policy on NULOs.

3.15.6. Line Item Detail. The level of detail required to be maintained for expired accounts is the same as that required to be maintained for current accounts. The level of detail facilitates cost determinations and program assessment and evaluation. The detail provides visibility over expired accounts, an appropriate audit trail, and meets the objectives of the closing accounts legislation.

3.15.7. Uncollectible Accounts Receivable. A write-off of an uncollectible reimbursement receivable does not change total obligations within budgetary accounts. Such write-offs result in a reclassification to a direct program obligation of an obligation previously incurred. See the *DoD USSGL Transaction Library* for entries to account for uncollectible accounts receivable in closed/cancelled accounts.

3.15.8. Closing/Cancelling an Account with a Negative Balance. The existence of a negative balance does not preclude an account from being closed/cancelled. DoD Components must clear the negative balance and establish a receivable for the amount of the negative balance before the account can be closed.

3.15.8.1. Submit informational accounting reports (i.e., SF 133) for the applicable account until the negative balance is resolved. These informational reports must indicate that the account is closed/cancelled, show the amount of the negative balance at the time the account was closed/cancelled, and identify the current amount of the applicable receivable.

3.15.8.2. Liquidate a negative balance by receiving offsetting collections. Deposit collections of overpayments to Treasury as miscellaneous receipts. An account with a negative balance may indicate that an ADA violation has occurred. If an ADA violation is suspected, see Volume 14 for ADA investigation and reporting requirements.

3.15.9. Accounting for Uncollectible Accounts Receivable in Closed/Cancelled Accounts. Budgetary accounts corresponding to accounts receivable must be closed/cancelled when an account is closed/cancelled. Total obligations within budgetary accounts do not change when the budgetary accounts are closed/cancelled. The write-off of an uncollectible reimbursement receivable results in a reclassification of an obligation previously incurred under the reimbursable program to a direct program obligation.

3.15.9.1. For expected refunds, the status of obligation authority must be tracked and is necessary to ensure that cumulative payments do not exceed the original appropriation of the closed/cancelled account even though paid from a current account.

3.15.9.2. Reclassify proprietary accounts established for accounts receivable applicable to closed/cancelled accounts. Deposit the subsequent collections of such amounts for this account to Treasury as miscellaneous receipts.

3.15.9.3. If, after compliance with established collection procedures, it is determined that an account is uncollectible, write-off the account by charging a bad debt account. The write-off of an uncollectible account applicable to the reimbursable program results in a

reclassification of obligations previously incurred under the reimbursable program to a direct program obligation.

3.15.10. Correction of Reporting Errors in Closed/Cancelled Accounts

3.15.10.1. Corrections may be requested for two categories of errors: (a) clerical errors such as misplaced decimals, transposed digits, or transcribing errors resulting in inadvertent cancellations of budget authority; and (b) errors made in classifying a payment made prior to the closing/cancellation of an account, but not discovered until after the account was closed/cancelled. Component requests must include a written standalone legal opinion from their Office of General Counsel, applying the underlying facts and relevant law when (1) the request is for redistribution of offsetting collections previously recorded in a prior fiscal year where one Treasury Appropriation Fund Symbol (TAFS) is closed (i.e., unexpended balances are cancelled) and one TAFS is expired and/or (2) the request is for redistribution of gross outlays previously recorded in a prior fiscal year where one TAFS is closed (i.e., unexpended balances are cancelled) and one TAFS is expired. The opinion must address the limitations placed on reopening closed TAFS as applied to your component's particular factual situation. See OMB Circular A-11, section 130.16.

3.15.10.1.1. For clerical errors, the request must include the appropriation account number, the reason for the restoration, and convincing evidence of the clerical error to justify the restoration required to make the correction. At a minimum, this includes the original accounting record from which the incorrect posting was made and a record showing the incorrect amount.

3.15.10.1.2. For classification errors, Treasury accepts reporting to correctly classify payments previously reported to suspense/clearing accounts or to correct classification errors between current and closed/cancelled accounts.

3.15.10.2. The TFM Volume 1, Part 2, Chapter 2000 and the TFM Volume 1 Bulletins issued for FY-end processing identifies the address for submission and other contact information.

3.15.10.3. If a request for the correction of errors affects another DoD Component, coordinate the request with the affected Component and submit to the DFAS Deputy Director for Accounting Operations, 8899 East 56th Street, Indianapolis, IN 46249. DFAS must submit requests to Treasury after completion of its review.

3.15.10.4. See Chapter 11 for policy on the research and correction of unmatched disbursements and NULO transactions, and the resulting adjustments to Treasury.

VOLUME 3, CHAPTER 11: "UNMATCHED DISBURSEMENTS, NEGATIVE UNLIQUIDATED OBLIGATIONS, AND IN-TRANSIT DISBURSEMENTS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated April 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Verified all references and updated where appropriate. Corrected acronym usage, hyperlinks, and format.	Revision
All	Removed obsolete terminology that established research and reconciliation requirements based on the location of the accounting offices; and aligned requirements with the Treasury Financial Manual.	Revision
All	Deleted definitions duplicated in this chapter that exist in the Glossary; and moved other definitions located throughout the chapter to the "Definitions" section.	Deletion

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CHAPTER 11

UNMATCHED DISBURSEMENTS, NEGATIVE UNLIQUIDATED OBLIGATIONS, AND IN-TRANSIT DISBURSEMENTS

1.0 GENERAL (1101)

1.1 Purpose (110101)

This chapter prescribes the accounting standards and related management requirements necessary to establish and maintain financial control over disbursement, collection, and adjustment transactions affecting the fund balances with the U.S. Department of the Treasury (Treasury) and cash resources that are not part of the fund balance with Treasury. This chapter also prescribes the requirements for researching and correcting unmatched disbursements (UMDs), negative unliquidated obligations (NULOs), and in-transit disbursements.

1.2 Authoritative Guidance (110102)

The accounting policy and related requirements prescribed by this chapter are in accordance with (IAW) the applicable provisions of:

1.2.1. Title 36, Code of Federal Regulations, parts 1220 and 1236, ***(36 CFR parts 1220 and 1236)***

1.2.2. Title 31, United States Code, section 1501 ***(31 U.S.C. § 1501)***

1.2.3. ***31 U.S.C. §§ 1551 - 1557***

1.2.4. 44 U.S.C. §§ ***3101 – 3107*** and ***3301 - 3303***

1.2.5. Office of Management and Budget ***(OMB) Circular A-123***

1.2.6. Treasury Financial Manual, Volume 1, Part 2, Chapter 3100 (***1 TFM 2-3100***)

1.2.7. ***1 TFM 2-5100***

1.2.8. Defense Logistics Manual (DLM) 4000.25, Defense Logistics Management Standards ***(DLMS), Volume 4***

2.0 DEFINITIONS (1102)

The definitions provided in this section describe terminology associated with UMDs, NULOs, and in-transit disbursements and provide information specifically for purposes of this chapter.

2.1.1. Accounting Center. The accounting centers for the Department are the Defense Finance and Accounting Service (DFAS) Centers in Cleveland, Columbus, Indianapolis, and Rome. The accounting center is responsible for receiving and processing status of funds reports from accounting offices that support Department of Defense (DoD) Component fund holders. For cross-disbursements, an accounting center may distribute in-transit disbursements received from paying centers to accounting offices and monitor the status of disbursement recordation.

2.1.2. Accounting Office. An accounting office is responsible for maintaining accounting records of assigned fund holders. All accounting offices are assigned a six-digit Agency Accounting Identifier Code (fiscal station number, authorization accounting activity, or accounting and disbursing station number). All disbursement transactions eventually must be distributed to an accounting office, recorded against a valid obligation, and reported on status of funds reports and financial statements. All accounting offices within the Department report through the DFAS Centers in Cleveland, Columbus, Indianapolis, or Rome.

2.1.3. Cross-Disbursement. A cross-disbursement is created when a disbursing office makes a payment for an accounting office that reports to a DFAS center other than the center to which the disbursing office reports. A cross-disbursement is also created when a non-DoD federal agency (such as the Department of State) makes a payment charged to a DoD account.

2.1.4. Currently Available Appropriation. An appropriation or fund against which new obligations may be incurred and recorded (as contrasted with an expired or closed appropriation against which new obligations may not be incurred).

2.1.5. Disbursing Office. A disbursing officer (DO) is responsible for disbursing and collecting funds on behalf of one or more DoD Components as well as ensuring proper internal controls, and obtaining, maintaining, and providing sufficient supporting documentation for such transactions. In the case of centralized disbursing, documentation functions may take place at an entitlement activity rather than at a disbursing office. Disbursing offices also are responsible for reporting disbursements and collections to a paying center using a unique four-digit Disbursing Station Symbol Number (DSSN) assigned by Treasury.

2.1.6. Disbursement Not Sent. A disbursement transaction that has been reported to Treasury by a disbursing office, but has not yet been transmitted to the accounting office.

2.1.7. Entitlement Activity. An entitlement activity is responsible for certifying the validity of payments on behalf of one or more DoD Components; and consequently, is responsible for obtaining, maintaining, and providing sufficient supporting documentation for such payments. In the case of centralized disbursing, supporting documentation remains with the entitlement activity rather than the disbursing office.

2.1.8. Paying Center. A paying center is responsible for consolidating disbursements and collections transmitted by DOs that report to the center, and for reporting the DOs' returns by assigned DSSNs to Treasury.

2.1.9. Suspense Account (Budget Clearing Account). Treasury Account F3875 temporarily credits unclassified transactions from the public or other Federal entities when there is a reasonable presumption that the amounts belong to the agency. Suspense (clearing) accounts immediately affect the budget and transactions must be reconciled within 60 days.

2.1.10. Inter-appropriation. Inter-appropriation transactions result from business activities conducted by entities that are not consolidated such as DoD and a state or local government.

2.1.11. Intra-appropriation. Intra-appropriation transactions result from business activities conducted by two different consolidation federal entities included in the Financial Report of the U.S. Government.

2.1.12. Obligation. For purposes of matching a disbursement to its proper obligation, the term obligation refers to each separate obligation amount identified by a separate line of accounting. While a single order may be funded by multiple lines of accounting, each line of accounting represents a separate obligation amount to which the resulting disbursement must be matched. DoD requirements for incurring and recording obligations are prescribed in Chapter 8. See the Glossary for a complete definition of obligation.

3.0 MATCHING DISBURSEMENTS TO OBLIGATIONS (1103)

A disbursement must be matched to its corresponding, detail-level obligation and recorded as promptly as current systems and business practices permit. The vast majority of obligations and disbursements are matched automatically via the Department's various system interfaces. However, some obligations and disbursements are required to be manually matched, mainly due to non-automated processes or the rejection of transactions by automated systems. When a disbursement is recorded in the accounting system but not matched to an obligation, the disbursement results in a UMD. When a disbursement is recorded in the accounting system and is matched to an obligation, but the amount of the disbursement exceeds the amount on the recorded obligation, the amount of the disbursement in excess of the applicable obligation results in a NULO. After performing due diligence research IAW section 1105, obligations must be established and recorded for all UMDs and NULOs no later than September 30 of the year that the cited appropriation is scheduled to be closed regardless of the date that the disbursement was made. Fund holders must participate in the resolution of both UMDs and NULOs as both affect funds availability and have Antideficiency Act (ADA) implications. In addition to the timelines specified in this chapter, UMDs and NULOs must be included in the Dormant Account Review addressed in Chapter 8.

3.1.1. UMD and NULO Research Requirement. Research and correction actions must begin as soon as it is apparent that a disbursement transaction has resulted in a UMD or a NULO. The accounting office involved must immediately determine whether the disbursement is a valid charge to the fund holder, and whether a matching obligation transaction is recorded under a

different or incorrect document number. If the disbursement is not a valid charge to the fund holder, the accounting office and the fund holder must reject the disbursement IAW subparagraph 111404.C or paragraph 111405. If a matching obligation is recorded under an incorrect document number, the fund holder must immediately correct the document number, thus allowing for the proper matching of the disbursement to its corresponding, detail-level obligation. If an accounting adjustment affects a contract payment, contract reconciliation must be performed IAW Volume 10, Chapter 20. Other research requirements are specified in section 1107.

3.1.2. Record an Obligation for Unresolved UMDs and NULOs. Immediately notify the fund holder of applicable UMDs or NULOs. If research efforts fail and the condition is not corrected, advise the fund holder of the requirement to establish a matching obligation within the timeframes delineated in paragraph 110501. If the fund holder fails to record an obligation, the accounting office must elevate the issue IAW subparagraphs 110501.A.3 or 110501.B.4 as applicable.

3.1.3. Establish Obligations for UMDs and NULOs at the Transaction Level. Disbursements must be matched to their corresponding obligation at the detail transaction level. After performing due research IAW section 1105, obligations recorded for UMDs and NULOs must be recorded at the detail transaction level as follows:

3.1.3.1. An obligation in the amount of the disbursement must be recorded at the transaction level for UMDs.

3.1.3.2. An obligation adjustment in the amount of the disbursement in excess of the applicable obligation must be recorded at the transaction level for NULOs.

4.0 OVERAGED UMDs/NULOs (1104)

4.1 Current and Expired Accounts (110401)

4.1.1. Unobligated overaged NULOs and UMDs have the first claim to the unobligated balances in any of the current and expired accounts. New obligations, or new upward obligation adjustments, may be executed only when and to the extent that there is an unobligated balance remaining in an account after all overaged NULOs and UMDs have been obligated. Thus, no new obligations or obligation adjustments may be incurred in the account to the extent that unobligated balances in such accounts are zero, or overaged NULOs and UMDs (if they are obligated) when added to obligated balances, would exceed the availability in such accounts.

4.1.2. DoD Components may continue to research overaged NULOs and UMDs without the need to initiate an investigation of a potential ADA violation, except as provided for in subparagraphs 110401.C – E.

4.1.3. If an account is obligated fully (but not overobligated) and has unresolved overaged NULOs and UMDs that, if obligated, would exceed the availability in an account, payments may continue, provided the account is not in danger of exceeding the unexpended balance (resulting in an overdisbursement). If an overdisbursement occurs, payments from the account must stop

immediately, and the DoD Component involved must accomplish actions required for a potential ADA violation IAW Volume 14.

4.1.4. Should a new obligation or obligation adjustment be incurred in an account that has been obligated fully as a result of unresolved, overaged UMDs or NULOs, such an obligation must be recorded even though it will result in recorded obligations in excess of available resources. Additionally, the DoD Component involved must accomplish actions required for a potential violation IAW Volume 14.

4.1.5. This chapter must not be construed as authorizing a delay in (1) the recording of an executed obligation that would result in an overobligation or (2) the requirement to conduct an investigation of a potential ADA violation that results from any action other than the sole requirement to obligate amounts for UMDs and NULOs.

4.2 Accounts Closed/Scheduled to Close at Fiscal Year-End (110402)

4.2.1. Obligations must be established no later than September 30 by all DoD Components for all UMDs, NULOs and in-transit transactions in appropriations scheduled to close at the end of the current fiscal year.

4.2.2. If such obligations result in obligations in an excess of available funds, the DoD Components must resolve the negative balance and report to Treasury within two months but no later than the end of the current fiscal year. See Chapter 10 for additional information.

4.2.3. If the account is not returned to a positive balance within 60 days, the DoD Component involved must accomplish actions required for initial identification and investigation of a potential ADA violation IAW Volume 14.

4.2.4. Each administrative subdivision of an appropriation carries with it the responsibility for any potential or actual ADA violation. A DoD Component has the right to modify the number or level of administrative subdivisions within an appropriation before the closure of an appropriation. However, once an appropriation closes, no further modification or change may be made in the number or level of administrative subdivisions. Further, the modification of number or level of subdivision does not override the requirements in Volume 6A, Chapter 4, section 0406 regarding the level of reporting on the *Appropriation Status by Fiscal Year Program and Subaccounts (Accounting Report Monthly 1002)* or control requirements in Chapter 10, subparagraph 100314.A.1.

4.2.5. A new cash disbursement, which would be chargeable (both as to purpose and amount) to an appropriation except that the appropriation is closed, must be paid from an appropriation that currently is available for the same purpose. However, a proposed payment may not exceed the:

4.2.5.1. Unexpended balance of the closed appropriation.

4.2.5.2. Unobligated balance of the currently available appropriation charged.

4.2.5.3. One percent limitation, discussed in subparagraph 110402.F.

4.2.6. The cumulative amount of payments charged to a currently available appropriation, because the original appropriation(s) that otherwise would have been charged has been closed, may not exceed one percent of the total amount appropriated to the currently available appropriation being charged. If it exceeds the one percent limit, the office funding the proposed payment (contract) must contact the Military Department Assistant Secretary for Financial Management and Comptroller (FM&C) or Defense Agency Comptroller for referral to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), Deputy Chief Financial Officer (DCFO) for appropriate disposition.

4.2.7. Corrections of payments involving closed appropriations must be processed as inter- and intra-appropriation adjustments. Such corrections generally do not require the obligation of currently available funds or deposits to the Treasury miscellaneous receipts account if the payment occurred before the closure of the applicable appropriation, or appropriations available for new obligation already have been charged properly.

4.2.8. Inter- and intra-appropriation adjustments to correct accounting records must not be accomplished by using a cash disbursement or cash collection.

4.2.9. A potential ADA violation must be reported and a preliminary investigation initiated if posting an adjustment to a current, expired or closed appropriation would result in either (1) a negative unobligated balance or (2) disbursements that are in excess of the amount appropriated, at either the appropriation level or a portion thereof that has been subdivided. See Volume 14 for ADA investigations and reporting requirements.

4.2.10. Perpetual balances of unobligated amounts and unliquidated amounts must be maintained for each closed appropriation. If the unobligated balance or unexpended balance in a closed appropriation is negative, a potential ADA violation has occurred and must be reported and investigated.

4.2.11. All disbursements and collections, or adjustments to disbursements and collections, involving current, expired, or closed appropriations, must be reported to Treasury. However, a correction in which both the debit and credit entry cite a closed appropriation is not reported to Treasury.

4.3 Expenditure Controls (110403)

The DoD Components must work with accounting and disbursing offices to implement effective controls to prevent overexpenditures in accounts that may be in an overobligated position or that have UMD or NULO balances that exceed the unobligated balance in the account. This action is necessary because normal controls for determining expenditure availability are based on the unexpended balance of the obligations.

5.0 RESPONSIBILITIES FOR FUNDING OVERAGED UMDs AND NULOs (1105)

5.1 Accounting Offices (110501)

5.1.1. The accounting office must contact the fund holder immediately for corrective action when an obligation document that corresponds to a disbursement resulted in a UMD or NULO, but the obligation document has not been recorded, or not recorded for, or adjusted to, the proper amount, the accounting office must perform the following actions within 60 days:

5.1.1.1. Immediately provide the fund holder with a copy of the obligating document or disbursing document (in the case of a duplicate or overpayment), and request the fund holder record an obligation or obligation adjustment within 10 days of notice.

5.1.1.2. If the fund holder does not record the requested obligation, or obligation adjustment, within 10 days of notice, escalate the matter with the DoD Component, within the subsequent 10 days. The accounting office must notify the fund holder of any action taken.

5.1.2. When an accounting office does not have an obligation document that corresponds to a disbursement that has resulted in a UMD or NULO, the accounting office must:

5.1.2.1. Immediately inform the fund holder of the UMD or NULO and also research the cause of the UMD or NULO. The required supporting documentation should be readily available from the fund holder.

5.1.2.2. Conduct research as required in section 1107 and provide the results of the research to the fund holder within 30 days. The Director or designee must advise the fund holder of the type, extent, and results of the research performed. Supporting documentation accumulated in the performance of the research must be retained and made available to the fund holder upon request.

5.1.2.3. If supporting documentation shows that a valid obligation was incurred but not recorded, notify the fund holder that an obligation must be recorded within 60 days. The valid obligation must be documented and include the documentation that supports the obligation. The fund holder must provide the obligating document to the accounting office within five days of the subsequent accounting period close. The fund holder must analyze the commitment and obligation files, evaluate the research documents provided by the accounting office, and/or request additional funding as required.

5.1.2.4. If the fund holder does not record the requested obligation or obligation adjustment within five days of notice, immediately escalate the matter with the fund holders' leadership. The supporting documentation required at the time of disbursement is sufficient to support the recording of a matching obligation. See Volume 10, Chapter 8 for supporting documentation requirements, and Volume 5, Chapter 9 for payment certification requirements.

5.1.3. Obligation and obligation adjustment transactions must be recorded at the detail document/transaction level to ensure the proper matching of obligation and disbursement transactions and to properly affect unobligated balances.

5.1.4. When the fund holder records a valid obligation or obligation adjustment that was not previously recorded and that action indicates a potential ADA violation, the DoD Component must be notified immediately and the DoD Component must conduct a preliminary investigation of the potential ADA violation IAW Volume 14, Chapter 3.

5.1.5. When there is an indication of a potential duplicate payment or overpayment, the accounting office and fund holder must promptly review all applicable payment files. If there is a duplicate payment or overpayment, the fund holder must record a refund receivable and initiate a recovery of funds action. Additionally, the accounting office must record the applicable transactions that may result in a UMD or NULO, and advise the fund holder that the UMD or NULO requires corrective action within the timeframes specified in subparagraph 110501.A.

5.1.6. In accordance with Chapter 8, Section 0813, paragraph 081310, disbursement documents that support obligations that have not been recorded previously must be recorded at the obligation-paid stage of accounting with a corresponding decrease in the uncommitted/unobligated balance of the affected allotment.

5.1.7. In accounting for closed appropriations, accounting offices must:

5.1.7.1. Maintain the official accounting records for all corrections to the balances of closed appropriations and funds IAW Volume 1, Chapter 9.

5.1.7.2. Establish appropriate controls over closed appropriations by initiating the following actions (minimum requirements):

5.1.7.2.1. Submit all corrections to closed appropriations to the accounting center. All corrections to closed appropriations must be transmitted to the applicable accounting center for posting to the accounting center's accounting records and/or approval to post to the accounting office's accounting records. The accounting center's accounting records must support the accounting records of the accounting office responsible for the administrative control of the closed appropriation. For more information on Correction of Reporting Errors in Closed/Cancelled Accounts, see Chapter 10.

5.1.7.2.2. Develop and implement procedures to ensure that all transactions affecting closed appropriation unobligated and unliquidated balances are provided to the appropriate accounting center responsible for maintaining the unobligated and unliquidated obligation balances.

5.1.7.3. Adjust detailed records to reflect accounting corrections when detailed records are still being maintained for contract payment or other purposes. If an accounting adjustment affects a contract payment, contract reconciliation will be performed if required by and IAW Volume 10, Chapter 20.

5.1.7.4. Record corrections for UMDs, NULOs, and in-transit disbursement transactions for which research actions have been completed and correcting accounting transactions have been identified and submitted by a DoD Component:

5.1.7.4.1. Record corrections received from DoD Components within five days of receipt (except as provided for in subparagraph 110501.I.4.b). The recording of such corrections must not be delayed pending the completion of contract reconciliation or other related actions.

5.1.7.4.2. Reject a proposed correction if the proposed correction is in error. (A proposed correction may not be rejected solely because a contract has not been reconciled fully or other actions have not been completed.)

5.1.8. In accounting for closed appropriations, accounting centers and fund holders must:

5.1.8.1. Maintain the official Treasury records for all corrections to the balances of closed appropriations and funds. Ensure that an adequate audit trail is maintained for all corrections affecting closed appropriations, including any offsetting associated corrections to current or expired appropriations. See section 1116 and Volume 1, Chapter 9 for DoD policy on record retention.

5.1.8.2. Ensure that the beginning, expended unpaid balance of each closed appropriation accurately reflects the official Treasury balance of the appropriation on the date of closure.

5.1.8.3. Perform a one-time review of each closed appropriation to ensure that the beginning accounts payable (obligations, unpaid) balance of each closed appropriation accurately reflects the balances on the Standard Form 133, "Report on Budget Execution and Budgetary Resources," as of the date of closure.

5.2 Disbursing Offices (110502)

5.2.1. A DO must ensure supporting documentation is provided to the accounting office or fund holder upon request. Such supporting documentation must be provided no later than 30 days after the date of the request. Supporting documentation may include a copy of the contract, payment voucher, receiving report, and vendor invoice. Such supporting information also may be obtained or provided via electronic data access. All disbursements must remain classified in the accounting system to the line of accounting in which originally reported until resolved. All invalid transactions recorded in suspense accounts F3875 and F3885 must be reclassified in the accounting system to the correct line of accounting or resolved and cleared from the suspense account. See section 1116 and Volume 1, Chapter 9 for DoD policy on record retention.

5.2.1.1. Transfer positive balances to Treasury miscellaneous receipts account IAW Volume 5, Chapter 8.

5.2.1.2. For negative balances, initiate action for a discontinued research approval as specified in section 1108 or a potential ADA violation IAW Volume 14 as appropriate.

5.2.2. A DO is responsible for recouping an overpayment IAW internal recovery procedures for refunds due from the public. Since the overpayment or a duplicate payment may have caused a UMD or NULO, the DO must assist, as required, in the research of UMDs and NULOs.

5.3 Office of the Under Secretary of Defense (Comptroller) (110503)

The OUSD(C), Deputy Comptroller, Program/Budget (P/B) must ensure the following actions are taken when (a) funds in a particular Defense-wide account are allocated to a number of fund holders (sub-allocation holder identifiers) and (b) disbursements exceed obligations at the appropriation level, but not at a fund holder's level:

5.3.1. The applicable DoD Component(s) reserves, commits, or obligates appropriate amounts against the fund holders' accounts.

5.3.2. A report of a potential ADA violation is submitted to the OUSD(C), DCFO when applicable.

5.3.3. An investigation of a potential ADA violation is initiated, when warranted, IAW Volume 14.

5.3.4. Corrective actions are taken by the fund holder and the applicable accounting office, as appropriate. Corrections must be adequately supported and must identify the cause of the error.

5.4 Fund Holders (110504)

OUSD(C), P/B, the Military Department Assistant Secretaries (FM&C), Comptrollers of the Defense Agencies and DoD Field Activities, and other DoD fund holders must:

5.4.1. Designate an appropriation manager to receive, process, and take action on notifications from accounting offices; and to take other appropriate action(s) regarding the stoppage of payments, the obligation of disbursement transactions within the prescribed timeframes, and other actions provided for in this chapter.

5.4.2. Obligate funds within the timeframes specified in paragraph 110501 after the receipt of an initial notification from the cognizant accounting office that a disbursement is unmatched or exceeds an obligation at the allotment/fund holder level. If sufficient unobligated balances are not available, an investigation of a potential ADA violation must be initiated, when warranted, IAW Volume 14.

5.4.3. Upon notification from the cognizant accounting office that a disbursement exceeds an obligation at the obligation level and the condition has not been corrected, provide the accounting office, as appropriate, an obligation document, or a funding document together with an obligation document, to cover the amount of the UMD or NULO within the timeframes specified in paragraph 110501.

5.4.4. When sufficient availability does not exist in the appropriation (or other administrative subdivision of funds), request a realignment of funds within an account or between accounts, a reprogramming of funds, a deficiency supplemental, or other acceptable funding solution. Also, forward supplemental funding documents to the cognizant accounting office to cover any funding shortfalls.

5.4.5. Initiate a review, immediately, of the circumstances to determine whether an investigation of a potential ADA violation is warranted IAW Volume 14.

5.4.6. Develop and implement standard procedures for determining the timeframes and procedures for record retention applicable to detail accounting transaction records for closed appropriations. These procedures must ensure that required balances of each appropriation are accurately maintained while minimizing the cost associated with maintaining large databases or record files of completed transactions for records which no longer are required.

5.4.7. In addition to the responsibilities addressed in paragraph 110504, the DoD fund holders must resolve UMDs and NULOs, upon notice, within the timeframes specified in paragraph 110501. The fund holder must:

5.4.7.1. Deobligate any invalid and/or unsupported obligations. Footnote the reasons for such deobligations on the applicable journal voucher or open document listing supporting the deobligation action IAW Chapter 8, section 0804.

5.4.7.2. Assist with the reconciliation of commitment and obligation information between the pay/contract/vendor system and the accounting system.

6.0 PRIORITIES FOR RESEARCHING AND CORRECTING UMDs (1106)

The following three priority groups are established for researching and correcting all disbursement transactions that have not been properly matched to the correct obligation:

6.1 First Priority (110601)

The first priority is appropriations or funds specifically requested by OUSD(C).

6.2 Second Priority (110602)

The second priority is appropriations or funds in an overexpended or overobligated status, regardless of whether the appropriation is in a current, expired, or closed status. Also included in this category are other appropriations, funds or transactions that have caused or are anticipated to cause stop payment orders or create a negative balance condition within the next 60 days.

6.3 Third Priority (110603)

The third priority is all other appropriations and funds, whether in a current, expired, or closed status.

6.4 Secondary-Level Priorities (110604)

Within each of the three priority groups, appropriations or funds with the highest negative balance/amount of UMDs generally must be researched ahead of appropriations or funds with lower balances/amounts. Within each appropriation or fund, prioritize transactions and documents beginning with the highest dollar value and continue to work the transactions and documents within that appropriation.

6.4.1. Continue this priority until all applicable transactions in the appropriation or fund are researched and corrected and the account is restored to a positive balance, NULO balances are eliminated and/or UMDs are matched, as applicable.

6.4.2. Not all transactions in an account must be matched or resolved before beginning research efforts in another account.

7.0 RESEARCH REQUIREMENTS FOR OVERAGED NULOs/UMDs (1107)

7.1 General Requirements (110701)

This section identifies the minimum research requirements for all overaged NULO and UMD transactions. It covers contracts, reimbursable orders, Military Interdepartmental Purchase Requests (MIPRs), travel orders, and Military Standard Requisitioning and Issue Procedures (MILSTRIP).

7.2 Contracts (110702)

7.2.1. Accounting Office Actions

7.2.1.1. Select contract(s) for review based on either a large individual UMD transaction or NULO condition and/or large aggregate total UMD transactions or NULO conditions.

7.2.1.2. Obtain the accounting system transaction history maintained in the accounting office and the payment transaction history from the disbursing office, or the output of obligation and payment differences from an accounting system/payment system comparison program if there are numerous UMDs showing incompatibility with the funds or amounts on the contract.

7.2.1.3. Review the output of a comparison program of the accounting and payment systems, when available. This can substitute for transaction histories from either system, and will reveal obligation modifications recorded in one system but not the other, as well as potentially omitted modifications.

7.2.1.4. Review obligation transactions recorded in the accounting system to determine that all contract modifications have been recorded.

7.2.1.5. Follow up with the contracting office and contract administration office to verify that all modifications have been recorded, and request that any contract modification errors and omissions be corrected or recorded when a missing contract modification is suspected.

7.2.1.6. Determine the error condition of each UMD (e.g., wrong appropriation or insufficient funds) to guide further research.

7.2.1.7. For a UMD, make a system inquiry, or request the accounting system closed contract history if there is no contract on the active accounting system records. If the contract is in the closed history file, take action to reopen the contract and record the transaction.

7.2.1.8. Review unmatched transactions for indications of specific error conditions. Such conditions include omitted progress payment recoupments for a contract having progress payments, inappropriate appropriation data configurations, or duplicate submission of payment data.

7.2.1.9. Report corrections made to transactions for accounting system recording, (e.g., changes to the appropriation data configuration) to the disbursing office for correction of its records.

7.2.1.10. Reject those transactions that cannot be corrected back to the disbursing office for correction or recovery (e.g., the wrong accounting office or suspected overpayments). Perform the related required central reporting system actions.

7.2.1.11. Request selected voucher copies and supporting information when a centrally-administered contract is still open on the accounting activity's payment records and reconciliation cannot be accomplished between the accounting system transaction history and payment system transaction history.

7.2.2. Disbursing Office Actions

7.2.2.1. When a request for information on payment transactions is made by an accounting office, search the files for payment vouchers and, if available, provide a copy to the requesting office. If the payment records and files cannot be found due to age or apparent loss, respond as promptly as possible regarding these facts.

7.2.2.2. Review contract payment files promptly and verify whether the reported reject reason is correct when a disbursement transaction is rejected back from an accounting office with evidence that it was misrouted or is a duplicate or overpayment. If the rejection is valid, initiate a correction or recovery of funds for the duplicate or overpayment and respond as to the action taken.

7.3 Reimbursable Order/Military Interdepartmental Purchase Request (110703)

For reimbursable orders and MIPRs, the accounting office must:

7.3.1. Check the UMD for error reason codes, such as insufficient funds or unmatched document number.

7.3.2. Refer the transaction to the ordering office or ordering command fund manager for review, as indicated by the obligation document number.

7.3.3. Instruct the ordering office and/or fund holder to record the transaction when the ordering office or command validates the transaction and authorizes the obligation action.

7.3.4. When the ordering office determines that additional research is needed to resolve costs billed, allow the ordering office from the date of disbursement up to the timeframes specified in paragraph 110501 to resolve and/or fund (obligate) the order/MIPR.

7.3.5. Refer the transaction to the disbursing office for additional information or correction when the ordering office cannot validate the transaction.

7.4 Travel Orders (110704)

For travel orders, the fund holder and the accounting office (unless otherwise indicated) must:

7.4.1. Determine if a travel payment that results in a UMD transaction, identifies the traveler or is traceable to a separate travel system record.

7.4.2. Determine if the original obligation has been recorded in the accounting records when travel system records indicate closure of the travel order record with proper deduction of advances.

7.4.3. Record the amount of obligation (the initiating travel office) and record any UMDs (accounting office) when evidence shows that an obligation has not been recorded in the accounting system.

7.4.4. Request a copy of the travel settlement voucher from the disbursing office to support the transaction if travel system records do not indicate how a payment was used to liquidate a travel order record.

7.5 Military Standard Requisitioning and Issue Procedures Requisitions (110705)

For MILSTRIP transactions, the accounting office must:

7.5.1. Review MILSTRIP transactions for discrepancy report and billing adjustment status. Submit billing adjustment requests, when required, IAW the ***DLM 4000.25***, DLMS Volume 4. Any billing adjustment request must be submitted within one year of the billing date (two years for Foreign Military Sales).

7.5.2. Submit a follow-up request if a billing adjustment request previously has been made.

7.5.3. Accept the Military Standard Billing System transaction if a billing adjustment has not been requested and the time period has expired IAW the DLM 4000.25, DLMS Volume 4, Chapters 3 and 4.

7.6 Unidentified Document Numbers (110706)

For unidentified document numbers, the accounting office must:

7.6.1. Review the unmatched transaction for a disbursing office number and other data to ascertain the source of the obligation, e.g., the voucher number and code.

7.6.2. Refer the transaction to the disbursing office for verification and the furnishing of supporting documentation if there is a valid disbursing station number.

7.6.3. Refer the transaction to the applicable office or command if there is an indication of the source of the obligation, even though the transaction has no disbursing station number or the disbursing office cannot identify the transaction.

7.6.4. Instruct the disbursing office or obligating office to record the transaction if the proper obligation document is identified.

7.6.5. Record an obligation transaction when the obligating office can identify the obligation document, but there is no current open obligation.

7.7 Other Transactions (110707)

Fund Holder and Accounting Office Actions:

7.7.1. Review transactions to determine their purpose and nature, for example, supplemental payroll payment, express or other transportation services or hearing officer examination reporting services.

7.7.2. Request the disbursing office furnish missing documentation or any other material that would indicate the source of an obligation or basis for the payment when payment voucher support is missing or is incomplete.

7.7.3. Forward transactions to the funding office that have no matching accounting records but have an indication of an obligation, such as an order number. Include an explanation of the apparent nature and purpose of the expenditure; request research of the circumstances of the unrecorded obligation; and obtain support to show that the payment was not improper.

7.7.4. If there is no indication of an obligation, review the supporting documentation for any indication that the disbursement may have been incorrectly coded or other errors may have been made.

7.7.5. Record a transaction when it can be matched to a prior unliquidated obligation. If a transaction does not match, continue research efforts, including trying to identify erroneous document numbers.

8.0 REQUEST TO DISCONTINUE UMD/NULO RESEARCH (1108)

8.1 Research Decision (110801)

UMDs and NULOs may continue to be researched (notwithstanding the obligation of funds IAW section 1105). For transactions of $2,500 or less, the decision to continue (or discontinue) research is at the discretion of the fund holder. For transactions over $2,500, the Military Department Assistant Secretaries (FM&C) or Defense Agency Comptroller, may require the fund holder to continue research action. If continued research is required of the fund holder, written approval to discontinue research must be obtained from the Military Department Assistant Secretaries (FM&C) or Defense Agency Comptroller for transactions over $2,500. However, once the required obligation or obligation adjustment has been recorded for a UMD or NULO, DFAS must discontinue reporting the UMD or NULO regardless of whether research efforts continue.

8.2 Minimum Criteria for Discontinuance (110802)

The following conditions describe the minimum criteria required to request an approval to discontinue research:

8.2.1. There is no indication that an overpayment or a duplicate payment has been made and not fully collected.

8.2.2. For contracts closed by DFAS:

8.2.2.1. A preclosing payment review has been completed.

8.2.2.2. The UMD or NULO conditions that cannot be resolved will not exceed the contract total if recorded.

8.2.3. An erroneous document number that neither the disbursing office nor the indicated obligating office can furnish information or support the disbursement.

8.2.4. A travel order where an unmatched transaction contains insufficient information for research and cannot be traced due to age.

8.2.5. Requests to discontinue further research efforts may be forwarded when the research steps listed in section 1107 cannot be completed because of missing or insufficient documentation, and steps to request or obtain the missing documentation or clarification of the insufficient documentation were taken as specified but have not produced results, and further efforts do not appear to be cost-effective.

8.2.6. The following information must be submitted with each request to discontinue research:

8.2.6.1. A separate report listing the individual transactions for each appropriation by responsible accounting office.

8.2.6.2. A summary of research efforts and other steps taken to obtain missing documents or additional support for insufficient documentation. At a minimum, the summary report must include statements advising that the following actions were taken:

8.2.6.2.1. When applicable, transaction histories of the respective accounting and payment systems were obtained, reviewed, and compared for omitted transactions and other differences.

8.2.6.2.2. For omitted documents or noted differences, a request to obtain the documents or other clarifying evidence was made to the appropriate funding or contracting office for obligation documents and payment office for payment supporting documents.

8.2.6.2.3. Information regarding the research accomplished, as reported by the office, that the request for documentation and supporting information could not be provided due to invalid document number references, lost or misfiled documents, or inadequate data for searching files.

8.2.6.2.4. Sufficient actions were taken during the research efforts to provide reasonable assurance that no duplicate payments or other overpayments remain outstanding and no fraud has occurred involving the disbursement transactions for which research efforts are requested to be discontinued.

8.3 Reporting Continued Research Efforts (110803)

After the research required by section 1107 is accomplished by the accounting office and the fund holder, and the researched UMDs and NULOs are properly resolved, and/or required obligations or obligation adjustments are recorded, further research or reporting of such UMDs or NULOs is not required. If a fund manager and/or the accounting office later identify the need for an additional adjustment or correction and provide the appropriate adjusting/correcting document, the appropriate adjustment/correction must be recorded.

9.0 CORRECTION/POSTING DISBURSEMENTS – APPROPRIATED FUNDS (1109)

9.1 General Requirements (110901)

This section provides general requirements for recording corrections of prior disbursements erroneously charged to the wrong obligation or otherwise erroneously posted. The requirements are stated in general terms in recognition of the numerous accounting systems, each of which has specific transaction identifiers and processing requirements. The requirements in this section apply to disbursement transactions that have been or should have been charged to direct appropriations.

9.2 Correction of Disbursement – Current/Expired Appropriation (110902)

This paragraph describes corrections of prior disbursements or posting errors when the correct obligation has been identified and the appropriation that should have been charged is an appropriation that is in a current or expired status.

9.2.1. To properly record a disbursement in an appropriation that should have been charged, adjust the records of the current or expired appropriation by taking one of the following two actions as appropriate:

9.2.1.1. If a disbursement exceeds a prior obligation (e.g., created a NULO), an adjustment to the prior obligation is required. Therefore, increase the amount of obligation previously recorded to eliminate the NULO.

9.2.1.2. If a disbursement was made, for which an obligation was not previously recorded or otherwise has not been identified, an obligation is required. Therefore, record an obligation and match the disbursement to the obligation.

9.2.2. To correct the improper charge to a current or expired appropriation that was charged previously in error, adjust the records of the appropriation by taking one of the following two actions:

9.2.2.1. If a recoupment applies to a disbursement that either was matched erroneously to an obligation or remains unmatched, record a recoupment reversing the prior disbursement.

9.2.2.2. If the recoupment applies to a previous UMD, NULO, or in-transit disbursement for which an obligation or obligation adjustment was established IAW paragraph 110905, record the recoupment as an offset to the obligation or obligation adjustment and reverse the obligation or obligation adjustment.

9.3 Correction of Disbursement – Closed Appropriation (Before Closure) (110903)

This paragraph describes the corrections of prior disbursements or posting errors when the correct obligation has been identified and the appropriation that should have been charged is a closed appropriation and the disbursement occurred before closure of the correct chargeable appropriation.

9.3.1. To reflect the charge properly to the closed appropriation that should have been charged initially (before it was closed), process a memorandum charge to the closed appropriation.

9.3.1.1. Adjust the records of the closed appropriation to reflect the previous disbursement by taking one of the following two actions, as appropriate:

9.3.1.1.1. If the correct detail obligation was recorded in the closed appropriation (prior to the closure of the appropriation), match the prior charge (disbursement) to

the appropriate prior obligation in the closed appropriation and reduce the unliquidated balance of the closed appropriation. (There is no change in the unobligated balance of the closed appropriation.)

9.3.1.1.2. If the correct detail obligation was not recorded in the closed appropriation (prior to the closure of the appropriation) or otherwise has not been identified, make a memorandum record of the disbursement and reduce the unobligated balance of the closed appropriation. (There is no change in the unliquidated obligation balance of the closed appropriation.)

9.3.1.2. If the adjustment (required by subparagraphs 110903.A.1.a or b) would exceed the unexpended balance or unobligated balance of the closed appropriation, or any administrative subdivision thereof; or if upon reducing the unobligated balance IAW subparagraph 110903A.1.b, the unobligated balance is exceeded at the ADA level of responsibility, report a potential ADA violation and initiate a preliminary investigation IAW Volume 14.

9.3.2. To reverse the erroneous charge: If the disbursement was erroneously charged to an appropriation that is now current or expired, perform the actions addressed in subparagraph 110903.B.1. If the disbursement was erroneously charged to an appropriation that is now closed, perform the actions addressed in subparagraph 110903.B.2.

9.3.2.1. To correct an improper charge to a current or expired appropriation that previously was charged in error, adjust the records of the current or expired appropriation by taking one of the following two actions, as appropriate:

9.3.2.1.1. If a recoupment applies to a disbursement that either was matched erroneously to an obligation or remained unmatched, record a recoupment reversing the prior disbursement.

9.3.2.1.2. If the recoupment applies to a previous UMD, NULO, or in-transit disbursement for which an obligation or obligation adjustment was established IAW paragraph 110905, record the recoupment as an offset to the obligation or obligation adjustment and reverse the obligation or obligation adjustment.

9.3.2.2. To correct an improper charge to a closed appropriation that previously was charged in error, process a memorandum recoupment reversing the erroneous charge to the closed appropriation. Adjust the records of the closed appropriation to reflect the recoupment by taking one of the following two actions as appropriate:

9.3.2.2.1. If the recoupment applies to a disbursement that either was matched erroneously to the wrong obligation or remained unmatched (prior to the closure of the appropriation), record a memorandum recoupment to offset the disbursement and record an upward adjustment to increase the unliquidated obligation balance of the closed appropriation.

9.3.2.2.2. If the recoupment applies to a UMD, NULO, or in-transit disbursement for which the unobligated balance of the closed appropriation was reduced IAW

paragraph 110905, record the memorandum recoupment as an offset to the previous decrease in the unobligated balance and record an upward adjustment to increase the unobligated balance of the closed appropriation.

9.4 Correction of Disbursement – Closed Appropriation (After Closure) (110904)

This paragraph describes corrections of prior disbursements or posting errors when the correct obligation has been identified and the appropriation that should have been charged is a closed appropriation and the disbursement occurred after closure of the correct chargeable appropriation.

9.4.1. Availability of Funds at Time of Original Disbursement. Disbursements occurring after the closure of an appropriation must be funded from a current appropriation available for the same purpose as the appropriation that is closed. This current appropriation is referred to in this chapter as the funding appropriation. The funding appropriation must be, or must have been available for incurring new obligations at the time of the disbursement.

9.4.1.1. When corrections involve disbursements that occurred after the closure of the correct appropriation, ensure that a correction is made to the funding appropriation in addition to the closed appropriation.

9.4.1.2. For example: To correct a disbursement that was charged erroneously to an appropriation that was expired at the time of the disbursement and should have been charged to an appropriation that was closed at the time of the disbursement, reduce the balance of the correct closed appropriation, and charge the funding appropriation that was current at the time of the disbursement.

9.4.2. Charge the Correct Funding Account. To correct the funding appropriation that was current at the time of the original disbursement and available for the same purpose as the closed appropriation (that otherwise would have been charged except that it was closed), adjust the records of the funding appropriation by taking the following action:

9.4.2.1. Establish an obligation in the funding appropriation and record the disbursement against the obligation.

9.4.2.2. If the adjustment exceeds either the unexpended balance or the unobligated balance of the funding appropriation, or any administrative subdivision thereof, report a potential ADA violation and initiate a preliminary investigation IAW Volume 14.

9.4.3. Memorandum Charge to the Closed Account. To reflect the charge properly to the closed appropriation that should have been charged initially except that it was closed, process a memorandum charge to the closed appropriation.

9.4.3.1. Adjust the records of the closed appropriation by taking one of the following two actions, as appropriate:

9.4.3.1.1. If the correct detail obligation was recorded in the closed appropriation (prior to the closure of the appropriation), match the prior charge (disbursement) to the appropriate prior obligation in the closed appropriation and reduce the unliquidated balance of the closed appropriation. (There is no change in the unobligated balance of the closed appropriation.)

9.4.3.1.2. If the correct detail obligation was not recorded in the closed appropriation (before the closure of the appropriation), or otherwise has not been identified, make a memorandum record of the disbursement and reduce the unobligated balance of the closed appropriation. (There is no change in the unliquidated obligation balance of the closed appropriation.)

9.4.3.2. If the adjustment would exceed the unexpended balance or the unobligated balance of the closed appropriation, or any administrative subdivision thereof, report a potential ADA violation and initiate a preliminary investigation IAW Volume 14.

9.4.4. Reverse the Erroneous Charge. If the disbursement was erroneously charged to an appropriation that is now current or expired, take the actions addressed in subparagraph 110904.D.1 to reverse the erroneous charge. If the disbursement was erroneously charged to an appropriation that is now closed, take the actions addressed in subparagraph 110904.D.2 to reverse the erroneous charge.

9.4.4.1. To correct an improper charge to the current or expired appropriation that previously was charged in error, adjust the records of the current or expired appropriation by taking one of the following two actions:

9.4.4.1.1. If a recoupment applies to a disbursement that either was matched erroneously to an obligation or remained unmatched, record a recoupment reversing the prior disbursement.

9.4.4.1.2. If the recoupment applies to a previous UMD, NULO, or in-transit disbursement for which an obligation or obligation adjustment was established IAW paragraph 110905, record the recoupment as an offset to the obligation or obligation adjustment and reverse the obligation or obligation adjustment.

9.4.4.2. To correct the improper charge to a closed appropriation that was previously charged in error, process a recoupment reversing the erroneous charge to the closed appropriation. Adjust the records of the closed appropriation by taking one of the following two actions, as appropriate:

9.4.4.2.1. If the recoupment applies to a disbursement that either was matched erroneously to the wrong obligation or remained unmatched in the accounting records (prior to the closure of the appropriation), record a memorandum recoupment offsetting the disbursement and increase the unliquidated obligation balance of the closed appropriation.

9.4.4.2.2. If the recoupment applies to a UMD, NULO, or in-transit disbursement for which the unobligated balance of the closed appropriation was reduced IAW paragraph 110905, record the memorandum recoupment as an offset to the previous decrease in the unobligated balance and increase the unobligated balance of the closed appropriation.

9.5 Posting Requirements – Unidentified Obligation (110905)

This paragraph describes the posting requirements when the correct obligation has not been identified within the specified timeframes (paragraphs 110501, 111401.B, 111404, and 111405). As stated in section 1104, obligations are to be established/adjusted, and/or unobligated balances reduced, as appropriate, for disbursements that have not been matched to the correct obligation.

9.5.1. Transactions in Closed Accounts

9.5.1.1. Unmatched Disbursements

9.5.1.1.1. Charge the closed appropriation in which the UMD resides by reducing the unobligated balance. Unobligated balances may be reduced either at the detail (individual) transaction or summary level.

9.5.1.1.1.1. If using the summary method to charge the closed appropriation, the supporting summary memorandum for the unobligated balance adjustment must be substantiated by detail transaction listings of each UMD that comprises the summary total amount.

9.5.1.1.1.2. If using the detail-level to charge the closed appropriation, each UMD being cleared must record a memorandum for the unobligated balance adjustment in the accounting record.

9.5.1.1.2. Increase the unliquidated obligation balance of the closed appropriation by memorandum entry.

9.5.1.1.3. If, upon reducing the unobligated balance, the unobligated balance is exceeded at the level of ADA violation responsibility, report a potential ADA violation and initiate a preliminary investigation IAW Volume 14.

9.5.1.2. Negative Unliquidated Obligations

9.5.1.2.1. Charge the closed appropriation in which the NULO resides by reducing the unobligated balance. Unobligated balances may be reduced either at the detail (individual) transaction or summary level.

9.5.1.2.1.1. If using the summary method to charge the closed appropriation, the supporting summary memorandum for unobligated balance adjustment must be substantiated by detail transaction listings of each NULO that comprises the summary total amount.

9.5.1.2.1.2. If using the detail-level to charge the closed appropriation, each NULO being cleared must record a memorandum for the unobligated balance adjustment in the accounting record.

9.5.1.2.2. Increase the unliquidated obligation balance of the closed appropriation by memorandum entry.

9.5.1.2.3. If, upon reducing the unobligated balance, the unobligated balance is exceeded at the level of ADA violation responsibility, report a potential ADA violation and initiate a preliminary investigation IAW Volume 14.

9.5.1.3. In-Transit Disbursements

9.5.1.3.1. The unobligated balance of the cited closed appropriation must be reduced for overaged in-transit disbursements. Overaged in-transit disbursements must be charged in the same manner as UMDs as provided for in subparagraph 110905A.1.

9.5.1.3.2. If a disbursement transaction identifies a specific fund holder, that fund holder must provide the supporting accounting office with a memorandum obligation document. If the funds holder did not hold funds for the fiscal year charged, or a fund holder was not identified in the transaction record, the appropriation manager must designate a specific fund holder to take those actions required in subparagraph 110905A.1.

9.5.2. Transactions in Current and Expired Accounts

9.5.2.1. Unmatched Disbursements

9.5.2.1.1. The fund holders must charge the current or expired appropriation in which the UMD(s) resides by establishing a formal obligation for the UMD(s) in the appropriation. The impact should be a reduction of the unobligated balance. Obligations may be posted either at the detail (individual) transaction or summary level.

9.5.2.1.1.1. If the summary obligation method is used, such summary obligation amounts must be substantiated by detail transaction listings of each UMD making up the summary amount.

9.5.2.1.1.2. If posted at the document level, the fund holders must, record an obligation adjustment in the accounting records. Post the UMD being cleared against the adjusted obligation.

9.5.2.1.2. Increase the unliquidated obligation balance of the current or expired appropriation.

9.5.2.1.3. If, upon the fund holders recording the obligation, the obligated balance exceeds the funds available at the level of ADA violation responsibility, report a potential ADA violation and initiate a preliminary investigation IAW Volume 14.

9.5.2.2. Negative Unliquidated Obligations

9.5.2.2.1. The fund holders must charge the current or expired appropriation in which the NULO resides by establishing a formal obligation adjustment for the NULO in the appropriation. The impact should be a reduction of the unobligated balance. Obligations may be posted either at the detail (individual) transaction or summary level.

9.5.2.2.1.1. If using the summary obligation method to adjust the NULO, the summary obligation balance adjustment must be substantiated by detail transaction listings of each NULO that total summary amount.

9.5.2.2.1.2. If posted at the document detailed level, the fund holders must increase the amount of the previously recorded obligation that the NULO matches by recording an obligation adjustment in the accounting records.

9.5.2.2.2. Increase the unliquidated obligation balance of the current or expired appropriation.

9.5.2.2.3. If, upon recording the obligation adjustment, the obligated balance exceeds the funds available at the level of ADA violation responsibility, report a potential ADA violation and initiate a preliminary investigation IAW Volume 14.

9.5.2.3. In-Transit Disbursements

9.5.2.3.1. Obligations must be established by September 30 for all in-transit disbursement transactions in appropriations scheduled to close at the end of the current fiscal year. Obligations for unresolved in-transit disbursement transactions must be recorded in the same manner as UMDs as provided for in subparagraph 110905A.1.

9.5.2.3.2. If a disbursement transaction identifies a specific fund holder, that fund holder must provide the supporting accounting office with an obligation document. If the fund holder did not hold funds for the fiscal year charged, or if a fund holder was not identified in the transaction record, the appropriation manager must designate a specific fund holder to take those actions required in subparagraphs 110905A.1 and 2.

9.5.3. Continue Research Efforts. The requirement to establish obligations for unresolved overaged UMDs, NULOs, and in-transit disbursements may not eliminate the need to complete the research and post the disbursement to the correct obligation. If continued research is required of the fund holder, research efforts must be continued until approval to discontinue research is obtained IAW section 1108.

9.6 Posting Requirements – Discontinued Research Approved (110906)

This paragraph describes posting requirements when required research is unsuccessful and discontinuance of further research is approved. The requirements addressed in paragraphs 110906.A – B must be applied when the actions in section 1107 have been completed and a request to discontinue further research has been submitted and approved IAW section 1108.

9.6.1. Approval Before the Expiration of the Specified Timeframes. If approval to discontinue further research occurs before the expiration of the timeframes specified in paragraphs 110501, 111401.B, 111404, and 111405; and amounts have not been obligated IAW the provisions of those paragraphs; obligations must be established by the fund holder IAW the provisions of those paragraphs for valid obligations incurred during the period of availability.

9.6.2. Approval After the Expiration of the Specified Timeframes. If approval to discontinue further research occurs after the expiration of the timeframes specified in paragraphs 110501, 111401.B, 111404, and 111405; and amounts have been obligated IAW the provisions of those paragraphs, no further obligation action is required.

10.0 CORRECTION/POSTING DISBURSEMENTS – WORKING CAPITAL FUNDS (1110)

10.1 General Requirements (111001)

Corrections and postings of disbursements in the Working Capital Funds (WCF) may require adjustments to both disbursements and expenses. This section cites general procedures for recording corrections of prior disbursements erroneously charged to the wrong obligation or otherwise erroneously posted. The procedures are stated in general terms in recognition of the numerous accounting systems, each of which has specific transaction identifiers and processing requirements.

10.2 Posting Requirements – Identified Obligation (111002)

Depending on the accounting system and access controls, fund holders may have to establish and adjust obligations. This paragraph describes corrections of prior disbursements or posting errors when the correct obligation has been identified.

10.2.1. To record a disbursement properly against an activity that should have been charged, adjust the records of the applicable activity by making one of the budgetary account adjustments as well as one of the propriety account adjustments.

10.2.1.1. Budgetary Account Adjustments

10.2.1.1.1. If a disbursement exceeds a prior obligation (i.e., created a NULO), an adjustment to the prior obligation is required. Therefore, increase the obligation previously recorded. Once a NULO is created, the Component is responsible for compliance with subparagraph 111003.A.2.

10.2.1.1.2. If a disbursement was made for which an obligation was not recorded previously, or otherwise has not been identified, an obligation is required. Therefore, record an obligation and match the disbursement to the obligation.

10.2.1.2. Proprietary Account Adjustments

10.2.1.2.1. If it has been demonstrated that the correct proprietary account was charged previously in the correct amount, no further proprietary account adjustment is required.

10.2.1.2.2. If the disbursement occurred in the current fiscal year, and the correct proprietary account and adjustment(s) amount is known, make the required proprietary account adjustment(s).

10.2.1.2.3. If the disbursement occurred in a prior fiscal year, and a real property or depreciable property proprietary asset account must be adjusted to charge the correct proprietary account properly in the correct amount, make the required proprietary account adjustment(s).

10.2.1.2.4. If the provisions of subparagraphs 111002.A.2.a – c are not applicable, charge the "extraordinary loss" proprietary account in an amount that is equal to the amount of the obligation or obligation adjustment provided for in subparagraphs 111002.A.1.a or b, as applicable. This extraordinary loss must be recorded in the fiscal year that is current at the time that the obligation or obligation adjustment addressed in subparagraphs 111002.A.1.a or b is made, irrespective of when the disbursement occurred.

10.2.2. To correct the improper charge that was charged previously in error, adjust the records of the applicable activity by making one of the budgetary account adjustments addressed in subparagraph 111002.B.1 and one of the proprietary account adjustments addressed in subparagraph 111002.B.2:

10.2.2.1. Budget Account Adjustments

10.2.2.1.1. If a recoupment applies to a disbursement that either was matched erroneously to an obligation or remained unmatched, record a recoupment reversing the prior disbursement.

10.2.2.1.2. If the recoupment applies to a previous UMD, NULO, or in-transit disbursement for which an obligation or obligation adjustment was established IAW paragraph 111003, record the recoupment as an offset to the obligation or obligation adjustment and reverse the obligation or obligation adjustment.

10.2.2.2. Proprietary Account Adjustments

10.2.2.2.1. If it has been demonstrated that the correct proprietary account was charged previously in the correct amount, no further proprietary account adjustment(s) is required.

10.2.2.2.2. If the disbursement occurred in the current fiscal year, and the correct proprietary account and adjustment amount is known, make the required proprietary account adjustment(s).

10.2.2.2.3. If the disbursement occurred in a prior fiscal year, and a real property or depreciable property proprietary asset account was charged in error and now must be adjusted to relieve the erroneous charge, make the required proprietary account adjustment(s).

10.2.2.2.4. If the provisions of subparagraphs 111002.B.2.a – c are not applicable, record an "extraordinary gain" in the proprietary account in an amount that is equal to the amount of the obligation/obligation adjustment provided for in subparagraphs 111002.B.1.a or b, as applicable. This extraordinary gain must be recorded in the fiscal year that is current at the time that the obligation/obligation adjustment is made as addressed in subparagraphs 111002.B.1.a or b, irrespective of when the disbursement occurred.

10.3 Posting Requirements – Unidentified Obligation (111003)

Depending on the accounting system and access controls, fund holders may have to establish and adjust obligations. This paragraph describes posting requirements when the correct obligation has not been identified within the timeframes specified in paragraphs 110501, 111401.B, 111404, and 111405. Obligations or adjustments to obligations, as well as expenses, are to be established for disbursements that have not been matched to the correct obligation. These obligations or obligation adjustments and expenses are to be processed and recorded consistent with the requirements provided for in subparagraphs 111003.A.1.3.

10.3.1. Budget Account Adjustment

10.3.1.1. Unmatched Disbursements

10.3.1.1.1. UMDs must be obligated and expensed against the WCF activity where the UMD resides. (If a UMD has not been identified to a specific activity, it must be so assigned.)

10.3.1.1.2. Charge the activity in which the UMD resides by establishing a formal obligation. Obligations may be posted either at the detail (individual) transaction or summary level.

10.3.1.1.2.1. If using the summary obligation method to adjust the UMD, the summary obligation balance adjustment must be substantiated by detail transaction listings of each UMD combined in total that equal the summary amount.

10.3.1.1.2.2. If posted at the document (detail) level, record an obligation adjustment in the accounting records. Post the UMD being cleared against the adjusted obligation.

10.3.1.1.3. If, upon recording the obligation, the obligated balance exceeds the budgetary resources available at the level of ADA violation responsibility, report a potential ADA violation and initiate a preliminary investigation IAW Volume 14.

10.3.1.1.4. Record an extraordinary loss in the proprietary accounts in an amount equal to the amount of the UMD. This extraordinary loss must be recorded in the fiscal year that is current at the time that the obligation is made as addressed in subparagraph 111003.A.1, irrespective of when the disbursement occurred.

10.3.1.2. Negative Unliquidated Obligations

10.3.1.2.1. NULOs must be obligated and expensed against the WCF activity where the NULOs reside.

10.3.1.2.2. Charge the activity in which the NULO resides by establishing a formal obligation adjustment. Obligations may be posted either at the detail (individual) transaction or summary level.

10.3.1.2.2.1. If using the summary obligation method to adjust the NULO, the summary obligation balance adjustment must be substantiated by detail transaction listings of each NULO that total the summary amount.

10.3.1.2.2.2. If posted at the document (detail) level, increase the amount of the previously recorded obligation that the NULO matches by recording an obligation adjustment in the accounting records.

10.3.1.2.3. If, upon recording the obligation adjustment, the obligated balance exceeds the budgetary resources available at the level of ADA violation responsibility, report a potential ADA violation and initiate a preliminary investigation IAW Volume 14.

10.3.1.2.4. Record an extraordinary loss in the proprietary accounts in an amount equal to the amount of the NULO. This extraordinary loss must be recorded in the fiscal year that is current at the time that the adjustment is made as addressed in subparagraph 111003.A.2.b, irrespective of when the disbursement occurred.

10.3.1.3. In-Transit Disbursements

10.3.1.3.1. In-transit disbursements must be obligated and expensed against the WCF activity in which the transaction resides. If an activity is not identified in the transaction record, the DoD Component involved must designate a specific activity.

10.3.1.3.2. In-transit disbursements must be charged in the same manner as UMDs. Charge the activity in which the in-transit disbursements reside by establishing a formal obligation.

10.3.1.3.3. If, upon recording the obligation, the obligated balance exceeds the budgetary resources available at the level of ADA violation responsibility, report a potential ADA violation and initiate a preliminary investigation IAW Volume 14.

10.3.1.3.4. Record an extraordinary loss in the proprietary accounts in an amount equal to the amount of the in-transit disbursement. This extraordinary loss must be recorded in the fiscal year that is current at the time that the obligation is made as addressed in subparagraph 111003A.3.b, irrespective of when the disbursement occurred.

10.3.2. Proprietary Account Adjustments. Record an extraordinary gain in the proprietary account in an amount that is equal to the amount of the obligation or obligation adjustment provided for in subparagraphs 111003.A.1 – 3, as applicable. This extraordinary gain must be recorded in the fiscal year that is current at the time that the obligation or obligation adjustment is made as addressed in subparagraphs 111003.A.1 – 3, irrespective of when the disbursement occurred.

10.3.3. Continue Research Efforts. The requirement to obligate and expense UMD, NULOs, and in-transit disbursements that remain unmatched at the end of the timeframes specified in paragraphs 110501, 111401.B, 111404 and 111405 may not eliminate the need to complete the research and post the disbursement to the correct obligation. If continued research is required of the fund holder, then research efforts must be continued until approval to discontinue research is obtained IAW the requirements in section 1108.

10.4 Posting Requirements – Discontinued Research Approved (111004)

Depending on the accounting system and access controls, fund holders may have to establish and adjust obligations. This paragraph describes posting requirements when required research is unsuccessful and discontinuance of further research is approved. The requirements addressed in paragraphs 111004.A and B must be applied when the actions in section 1107 have been completed and a request to discontinue further research has been submitted and approved IAW section 1108.

10.4.1. Approval Before the Expiration of the Specified Timeframes. If approval to discontinue further research occurs before the expiration of the timeframes specified in paragraphs 110501, 111401.B, 111404, and 111405 and amounts have not been obligated and expensed IAW the provisions of those paragraphs, obligations and expenses must be established IAW the provisions of those paragraphs.

10.4.2. Approval After the Expiration of the Specified Timeframes. If approval to discontinue further research occurs after the expiration of the timeframes specified in paragraphs 110501, 111401.B., 111404, and 111405, and amounts have been obligated and expensed IAW the provisions of those paragraphs, no further obligation or expense action is required.

11.0 CORRECTION/POSTING DISBURSEMENTS – FOREIGN MILITARY SALES TRUST FUND (1111)

11.1 General Requirements (111101)

Corrections and postings of disbursements in the Foreign Military Sales (FMS) Trust Fund may require adjustments both to disbursements and charges to FMS cases or FMS surcharge accounts. This section cites general procedures for recording corrections of prior disbursements erroneously charged to the wrong obligation or otherwise posted erroneously. The requirements are stated in general terms in recognition of the numerous accounting systems, each of which has specific transaction identifiers and processing requirements.

11.2 Special Notification Requirements (111102)

11.2.1. If the accounting office has not been able to resolve the transactions within the timeframes specified in paragraph 110501 after discovery of the UMD or NULO condition, the transactions must be forwarded to the fund holder for resolution. For FMS, both the Defense Security Cooperation Agency (DSCA) and the fund holder must be involved in the resolution. Notify the fund holder that he or she must fund the transaction if the transaction is not properly matched within the specified timeframes. If required, prepare a draft case modification for DSCA countersignature.

11.2.2. Due to FMS case management requirements, disbursements and disbursement adjustments involving FMS funds must be coordinated with DFAS. DFAS will establish notification and approval procedures.

11.3 Posting Requirements – Identified Obligation (111103)

This paragraph describes corrections of prior disbursements or posting errors when the correct obligation has been identified.

11.3.1. To record a disbursement properly that previously was charged erroneously, adjust the records of the FMS case or FMS surcharge account that should have been charged by taking one of the following two actions:

11.3.1.1. If a disbursement exceeds a prior obligation (i.e., resulting in a NULO), an adjustment to the prior obligation is required. Therefore, increase the obligation previously recorded and match the disbursement to the adjusted obligation. Once a NULO is created, the Component is responsible for compliance with subparagraph 111103.A.2.

11.3.1.2. If a disbursement was made for which an obligation was not recorded previously, correction action must be taken in order to record the obligation or obligation adjustment to match the disbursement.

11.3.1.3. If, upon recording the obligation, the obligated balance exceeds the budgetary resources available at the level of ADA violation responsibility, report a potential ADA violation and initiate a preliminary investigation IAW Volume 14.

11.3.2. To correct an improper charge that was previously erroneously charged, adjust the records of the applicable FMS case or FMS surcharge account charged in error by taking one of the following two actions:

11.3.2.1. If a recoupment applies to a disbursement that was matched erroneously to an obligation, record a recoupment reversing the prior disbursement.

11.3.2.2. If the recoupment applies to a previous UMD, NULO, or in-transit disbursement for which an obligation or obligation adjustment was established IAW paragraph 111104, record the recoupment as an offset to the obligation or obligation adjustment and reverse the obligation or obligation adjustment.

11.4 Posting Requirements – Unidentified Obligation (111104)

This paragraph describes posting requirements when the correct obligation has not been identified within the timeframes specified in paragraphs 110501, 111401.B, 111404, and 111405. Obligations or obligation adjustments must be established for disbursements that have not been matched to the correct obligation and processed and recorded consistent with the procedures provided for in subparagraphs 111104.A – D.

11.4.1. Unmatched Disbursements

11.4.1.1. UMDs must be obligated against the FMS case or FMS surcharge account where the UMD resides. (If a UMD has not been identified to a specific FMS case or FMS surcharge account, it must be assigned to the FMS administrative surcharge account.)

11.4.1.2. Charge the FMS case or FMS surcharge account in which the UMD resides by establishing a formal obligation. Obligations may be posted either at the detail (individual) transaction or summary level.

11.4.1.2.1. If using the summary obligation method to adjust the UMD, the summary obligation balance adjustment must be substantiated by detail transaction listings of each UMD combined in total that equal the summary amount.

11.4.1.2.2. If posted at the document (detail) level, record an obligation adjustment in the accounting records. Post the UMD being cleared against the adjusted obligation.

11.4.1.3. If, upon recording the obligation, the obligated balance exceeds the budgetary resources available at the level of ADA violation responsibility, report a potential ADA violation and initiate a preliminary investigation IAW Volume 14.

11.4.2. Negative Unliquidated Obligations

11.4.2.1. NULOs must be obligated against the FMS case or FMS surcharge account where the NULOs reside.

11.4.2.2. Charge the FMS case or FMS surcharge account in which the NULO resides by establishing a formal obligation adjustment. Obligations may be posted either at the detail (individual) transaction or summary level.

11.4.2.2.1. If using the summary method to charge the appropriation, the supporting summary memorandum for unobligated balance adjustment must be substantiated by detail transaction listings of each NULO that comprises the summary total amount.

11.4.2.2.2. If posted at the document (detail) level, increase the amount of the previously recorded obligation that the NULO matches by recording an obligation adjustment in the accounting records.

11.4.2.3. If, upon recording the obligation, the obligated balance exceeds the budgetary resources available, at the level of ADA violation responsibility, report a potential ADA violation and initiate a preliminary investigation IAW Volume 14.

11.4.3. In-Transit Disbursements

11.4.3.1. In-transit disbursements must be obligated against the FMS case or FMS surcharge account in which the transaction resides. If an FMS case or FMS surcharge account is not identified in the transaction record, it must be assigned to the FMS administrative surcharge account.

11.4.3.2. In-transit disbursements must be charged in the same manner as UMDs. Charge the FMS case or FMS surcharge account in which the in-transit disbursements reside by establishing a formal obligation.

11.4.3.3. If, upon recording the obligation, the obligated balance exceeds the budgetary resources available, at the level of ADA violation responsibility, report a potential ADA violation and initiate a preliminary investigation IAW Volume 14.

11.4.4. Continue Research Efforts. The requirement to obligate and expense UMD, NULOs, and disbursements in-transit that remain unmatched at the end of the specified timeframes specified may not eliminate the need to complete the research and post the disbursement to the correct obligation. If continued research is required of the fund holder, research efforts must be continued until approval to discontinue research is obtained IAW the procedures in section 1108.

11.5 Posting Requirements – Discontinued Research Approved (111105)

This paragraph describes posting requirements when required research is unsuccessful and discontinuance of further research is approved. The requirements addressed in paragraphs 111105.A and B must be applied when the actions in section 1107 have been completed and a request to discontinue further research has been submitted and approved IAW section 1108.

11.5.1. Approval Before the Expiration of the Specified Timeframes. If approval to discontinue further research occurs before the expiration of the timeframes discussed in paragraph 111104 and amounts have not been obligated and expensed IAW the provisions of that paragraph, obligations must be established IAW these provisions.

11.5.2. Approval After the Expiration of the Specified Timeframes. If approval to discontinue further research occurs after the expiration of the timeframes discussed in paragraph 111104 and amounts have been obligated and expensed IAW the provisions of that paragraph, no further obligation or expense action is required.

12.0 CORRECTIONS OF DISBURSEMENTS – MULTIPLE FUND TYPES (1112)

When correcting disbursement transactions that were erroneously charged to one fund type (e.g., appropriated fund) that should have been charged to another fund type (e.g., WCF or trust fund), apply the requirements for each fund type involved. For example, for a disbursement that was charged erroneously to an appropriated fund that should have been charged to a WCF, the recoupment to the appropriated fund must be processed IAW the applicable recoupment paragraph in section 1109, while the charge to the WCF should be processed IAW the applicable paragraph in section 1110.

13.0 CORRECTIONS REQUIRING NEW DISBURSEMENTS OR COLLECTIONS (1113)

13.1 General Requirements (111301)

When the correction requires a new disbursement or collection, process the corrective action IAW sections, 1109, 1110, 1111, or 1112, as applicable. If disbursement or collection does not involve a closed appropriation, process IAW the provisions of paragraph 111302. If the disbursement or collection involves a closed appropriation, process IAW paragraph 111303.

13.2 Current/Expired Appropriation or Working Capital/Trust Fund (111302)

For disbursements or collections that are chargeable to a current or expired appropriation, WCF, or trust fund:

13.2.1. Disbursement. When a new cash disbursement involves a current or expired appropriation, WCF, or trust fund, and a closed appropriation is not involved, process and record the disbursement IAW existing requirements for new disbursements for such accounts.

13.2.2. Collection. When a new cash collection involves a current or expired appropriation, WCF, or trust fund, and a closed account is not involved, process and record the collection IAW existing requirements for collections for such accounts.

13.3 Closed Appropriation (111303)

For disbursements or collections that are properly chargeable to a closed appropriation (except that the appropriation is closed):

13.3.1. Disbursement. When a new disbursement involves an amount that otherwise is properly chargeable to a closed appropriation except that the appropriation is closed, comply with the provisions of the closing accounts legislation (summarized in subparagraphs 110402.E – F).

13.3.1.1. Record and report the charge as a new obligation and a disbursement in a currently available appropriation that is available for the same purpose as the closed appropriation. If the obligation causes the cumulative one percent limit (identified in subparagraph 110402.F) to be exceeded, no disbursement can be made. The office funding the proposed payment (contract) must contact the appropriate Military Department Assistant Secretary (FM&C) or the Defense Agency Comptroller for referral to OUSD(C), P/B for appropriate disposition.

13.3.1.2. Adjust the records of the closed appropriation to reflect the new disbursement by taking one of the following two actions, as appropriate:

13.3.1.2.1. Reduce the unliquidated balance of the closed appropriation if the correct detail obligation was recorded in the closed appropriation prior to the closure of the appropriation. (There is no change in the unobligated balance of the closed appropriation.) Match the current charge (disbursement) to the appropriate prior obligation in the closed appropriation.

13.3.1.2.2. Make a memorandum record of the disbursement and reduce the unobligated balance of the closed appropriation if the correct detail obligation was not recorded in the closed appropriation prior to the closure of the appropriation. (There should be no change in the unliquidated obligation balance of the closed appropriation.)

13.3.1.3. The disbursement must not be issued if the adjustment required by subparagraphs 111303.A.2.a or b, would exceed the unexpended balance of the closed appropriation, or if reducing the unobligated balance IAW the provisions of subparagraph 111303.A.2.b, would result in a negative unobligated balance at the appropriation level.

13.3.1.4. If the disbursement is made, a potential ADA violation must be reported and a preliminary investigation initiated if the adjustments required by subparagraphs 111303.A.2.a or b (a) would not exceed the unexpended balance or the unobligated balance at the appropriation level, but (b) would exceed the unexpended balance or the unobligated balance of an administrative subdivision of the appropriation that has ADA violation responsibility.

13.3.2. Collection. When a new cash refund or other collection involves an amount that otherwise would be refunded or collected to a closed appropriation except that the appropriation is closed, comply with the provisions of the closing accounts legislation.

13.3.2.1. Deposit the collection to the Treasury miscellaneous receipt account.

13.3.2.2. Increase the unobligated or unliquidated balance of the closed appropriation, as appropriate, to reflect each refund or collection deposited into the Treasury account. Adjust the records of the closed appropriation to reflect the new refund or collection by taking one of the following two actions, as appropriate:

13.3.2.2.1. If the collection applies to an accounts receivable that had been established prior to the closure of the appropriation, record a memorandum collection offsetting the receivable and increase the unobligated balance of the closed appropriation.

13.3.2.2.2. If the collection applies to a disbursement that was not established as an account receivable prior to the closure of the appropriation, comply with the provisions of subparagraph 111303.B.

14.0 PROCESSING IN-TRANSIT DISBURSEMENTS (1114)

14.1 General Requirements (111401)

This paragraph addresses all in-transit disbursement transactions including interfund transactions and disbursements originating outside the Department.

14.1.1. All disbursements must be recorded and matched to their corresponding obligation records as promptly as current systems and business practices permit. Nevertheless, at any given time, a percentage of the Department's disbursements may be in-transit from the disbursing office or entitlement activity to the applicable accounting office. Disbursements are considered in-transit disbursements when they have been reported by the disbursing office, through a paying center to Treasury and charged against the Department's fund balances but:

14.1.1.1. Have not yet been received by the applicable accounting office;

14.1.1.2. Have been received by the applicable accounting office but not yet entered into the accounting office's database; or

14.1.1.3. It has been determined that there is insufficient information to process.

14.1.2. The following timeframes are applicable for processing and obligating in-transit disbursement transactions:

14.1.2.1. In-transit disbursements must be processed and resolved IAW paragraphs 111404 – 111406.

14.1.2.2. Obligations must be established and recorded for all unresolved in-transit disbursement transactions no later than September 30 of the year that the cited appropriation is scheduled to be closed, regardless of the age of the transaction.

14.1.2.3. In-transit disbursement transactions that cite closed accounts must be processed IAW paragraphs 111404 – 111406. However, obligations for all such in-transit disbursements must be established and recorded no later than September 30 each year (notwithstanding the applicability of the requirements in subparagraph 111401.B.1).

14.1.3. In-transit disbursements must be properly certified. A thorough certification process helps to reduce disbursements with invalid accounting lines and result in fewer unresolved in-transit disbursements. Additionally, certification requirements should help to prevent erroneous payments. Responsibilities for obligating and reporting erroneous payments are delineated in Volume 5, Chapter 6.

14.1.4. Reject procedures described in paragraphs 111404 and 111405 apply to all transactions except the following:

14.1.4.1. Transactions originating outside the DoD.

14.1.4.2. Suspected fraudulent transactions must be reported immediately to the Defense Criminal Investigative Service.

14.1.5. All transactions related to travel advances and settlements, pay entitlements, and FMS must be rejected IAW paragraphs111404 and 111405.

14.2 Reasons In-Transits Occur (111402)

14.2.1. In-transit disbursements generally occur when a disbursing office or entitlement activity and the applicable accounting office do not share the same accounting record database. As a result, the disbursing office or entitlement activity must transmit disbursement transactions and supporting information to the appropriate accounting office. Supporting information may be electronic or hardcopy.

14.2.2. An unresolved in-transit disbursement occurs when a disbursement is not matched to the correct obligation because either: (1) it cannot be or has not been routed to the correct accounting office, or (2) the accounting office does not have sufficient information to process the in-transit disbursement.

14.2.3. Once the applicable accounting office has received, and has sufficient information to allow it to attempt to match the disbursement with an existing obligation in its database, the disbursement is no longer considered to be an in-transit disbursement. Rather, the disbursement is treated as a matched disbursement, a UMD (when an obligation record is not found), or a NULO (when an obligation record exists but the disbursement amount exceeds the amount of the recorded obligation). When UMDs and NULOs result, manual intervention must be taken to research, obligate, and record the disbursement IAW sections 1104 through 1107.

14.2.4. Processing an in-transit disbursement transaction may involve the interaction of an entitlement activity, a disbursing office, a paying center, an accounting center, or an accounting office. The primary responsibilities of these activities are found in paragraph 110201.

14.2.5. Accounting and disbursing activities are responsible for monitoring in-transit disbursement activity and ensuring compliance with established in-transit policies. Specifically, accounting and disbursing activities must monitor and provide oversight to ensure that in-transit disbursements are processed and obligated in a timely manner consistent with approved policies.

14.3 Required Documentation (111403)

14.3.1. The applicable disbursing office or entitlement activity must use either electronic or hard copy-based processes to provide detailed supporting documentation (supplemental information) to the applicable paying center, accounting center, or accounting office. If adequate detailed accounting data is transmitted electronically, it is not necessary to forward paper copies unless specifically requested for a particular transaction.

14.3.2. The applicable disbursing office or entitlement activity must ensure that each in-transit disbursement transaction is supported by documentation that identifies the disbursing office and/or entitlement activity, cycle number, voucher number, appropriation/fiscal year, sub-allocation holder identifier, amount, accounting office code, obligation document number, and other information that identifies the obligation, as applicable.

14.3.2.1. An in-transit disbursement must be rejected to the disbursing office (or applicable center) immediately if the documentation/information in support of the in-transit disbursement:

14.3.2.1.1. Identifies a departmental code or basic symbol of a Component not serviced by the applicable center.

14.3.2.1.2. Identifies funds (e.g., an allotment serial number) not serviced by the accounting office.

14.3.2.1.3. Reveals that an in-transit disbursement is fraudulent. (Additionally, the Defense Criminal Investigative Service must be notified immediately.)

14.3.2.2. Requests for additional documentation/information must be made when one or more of the following conditions exist:

14.3.2.2.1. Detailed data (electronic or otherwise) is illegible or garbled, out-of-balance, or lacks sufficient detail to process.

14.3.2.2.2. Hard copy or electronically transmitted detailed data contains an invalid accounting citation.

14.3.2.2.3. The transaction amount on the automated cross-disbursement register does not agree with the amount on the voucher and/or supporting documentation.

14.3.2.2.4. The amount of summary charges reported to Treasury does not equal the detail reported by the paying offices.

14.3.2.3. Generally, requests for additional supporting documentation must be made to enable the proper matching of obligations and disbursements and must be limited to the requirements delineated in subparagraph 111403.B.

14.3.2.4. Requests for supporting documentation/information must be dated and made in writing (or other documented form of communication).

14.3.2.5. Disbursing offices or entitlement activities and accounting offices must communicate with and transmit supporting documentation directly to each other to minimize in-transit disbursement resolution and processing time.

14.4 Processing Cross-Disbursed In-transit Disbursements (111404)

Generally, a cross-disbursed in-transit disbursement transaction involves: (1) a disbursing office or entitlement activity, (2) a paying center, (3) an accounting center, and (4) an accounting office. Although paying and accounting centers monitor disbursement activity transmitted by entitlement activities and recorded by applicable accounting offices, disbursing offices or entitlement activities and accounting offices must communicate with and transmit supporting documentation (or supplemental information for electronic transmittals) directly to each other to minimize in-transit disbursement processing time.

14.4.1. If an accounting office cannot establish its accountability for the disbursement, the in-transit disbursement must immediately be rejected back to the accounting center

14.4.2. If an accounting office determines that there is sufficient information to properly record a disbursement, the accounting office must match the disbursement with its corresponding obligation and record the disbursement. However, the following conditions may occur:

14.4.2.1. If the applicable obligation is not in the accounting database, the disbursement must be recorded as a UMD. The UMD must be resolved IAW sections 1104 through 1107.

14.4.2.2. If the applicable obligation is in the accounting database, but the amount of the disbursement exceeds the amount of the recorded obligation, the disbursement must be recorded as a NULO. The NULO must be resolved IAW sections 1104 through 1107.

14.4.3. If the accounting office determines that there is not sufficient supporting documentation to allow the disbursement to be matched to an obligation, the accounting office must request supporting documentation.

14.4.3.1. Immediately upon receipt (electronic or otherwise) of sufficient documentation from the disbursing office or entitlement activity, the applicable accounting office must attempt to match the disbursement with its corresponding obligation and record the disbursement.

14.4.3.2. If supporting documentation is not received within 5 days after the request, the accounting office must reject the in-transit disbursement. Transactions must be recorded as a UMD and researched.

14.4.3.3. Contact the correct accounting center (or the responsible DO if applicable). Forward the disbursement to that office, and document the action. Upon making a determination that accountability for a disbursement transaction belongs to another accounting office or that supporting documentation will not be provided, an accounting office must reject the disbursement transaction to its accounting center.

14.5 Additional Responsibilities for Resolving In-transit Disbursements (111405)

14.5.1. Ultimately, in-transit disbursements must be matched to an obligation by an accounting office or declared an erroneous payment by a disbursing office. IAW paragraphs 111404 and 111405, an in-transit disbursement transaction with supporting documentation must be transmitted to an accounting office as efficiently as feasible for recordation.

14.5.2. The following responsibilities apply for all in-transit disbursements:

14.5.2.1. Once an accounting office has sufficient supporting documentation (hard copy or electronic) to allow it to match an in-transit disbursement with an obligation, it must process the in-transit disbursement and treat it as a matched disbursement, UMD, or NULO. All UMDs and NULOs must be researched and obligated IAW sections 1103 through 1107.

14.5.2.2. If a disbursement is matched to a specific obligation, appropriation, funds holder or DoD Component; the accounting office, paying center, accounting center, disbursing office, or entitlement activity involved must work with the applicable office, center, funds holder and/or DoD Component to transfer the charge to the appropriate funds holder, appropriation manager or DoD Component (notwithstanding the actions required by subparagraph 111405.B.1). Any resulting UMD or NULO must be researched and obligated IAW sections 1103 through 1107.

14.5.3. DFAS Headquarters must monitor and maintain reports on all unprocessed in-transit disbursements, undistributed in-transit disbursements, or any other in-transit disbursements. Such reports must identify the applicable disbursing office, paying center, accounting center and accounting office, the amount, as well as appropriate corrective actions being taken. DFAS Headquarters also must ensure that in-transit disbursements are processed, resolved, obligated, or reported as erroneous payments IAW applicable provisions and within the applicable timeframes specified in this chapter.

15.0 REPORTING REQUIREMENTS (1115)

15.1 Data Collection Requirements (111501)

DFAS is responsible for collecting and consolidating data and reporting on the amounts and the status of UMDs, NULOs, and in-transit disbursements.

15.2 Monthly Reporting Requirements (111502)

The DoD Component accounting offices must transmit a status report identifying all disbursement transactions that have not been matched to an obligation to DFAS Headquarters on a monthly basis. DFAS will specify the format and detail reporting requirements.

16.0 RECORD RETENTION (1116)

DoD Components, and supporting accounting offices, must maintain an audit trail with adequate records to substantiate all transactions, amounts and actions taken with respect to the research and clearing of UMDs, NULOs, and in-transit disbursements. This includes, but is not limited to determinations that selected transactions meet the criteria for discontinuing further research, and detail and summary records of adjustments made IAW this chapter. Components must maintain these records to ensure an adequate audit trail and to respond to inquiries from organizations internal and external to the Department. See Volume 1, Chapter 9 for DoD policy on record retention.

VOLUME 3, CHAPTER 12: POLICIES AND PROCEDURES GOVERNING THE USE OF THE "FEED AND FORAGE" AUTHORITY OF SECTION 3732, REVISED STATUTES (41 U.S.C. 11)"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated July 2010 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Overall	Date Refresh	Refresh
2.1 (120201)	Deleted ", above,	Deletion
2.3 (120203)	Added "-" in over-obligation	Addition
2.4 (120204)	Added "-" in over-obligations and adds "-" in Anti-deficiency	Addition
	Deleted "above,	Deletion
2.5 (120205)	Added "-" in over-obligation	Addition
2.5.2. (120205 B.)	Added "-" in over-obligation	Addition
2.6 (120206)	Added "-" in over-obligations	Addition
2.8 (120208)	Added a space in "USD (Comptroller)."	Addition

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CHAPTER 12

POLICIES AND PROCEDURES GOVERNING THE USE OF THE "FEED AND FORAGE" AUTHORITY OF SECTION 3732, REVISED STATUTES (41 U.S.C. 11)

1.0 OVERVIEW (1201)

1.1 Purpose (120101)

This chapter establishes departmental policy and basic procedures to be followed with respect to the use of the authority of Section 3732, Revised Statutes (41 U.S.C. 11). That statute authorizes the Military Departments to incur obligations for specific purposes in excess of appropriations available.

1.2 General (120102)

1.2.1. Title 41, United States Code, section 11, authorizes the Military Departments to incur obligations in excess of available appropriations in procuring or furnishing clothing, subsistence, forage, fuel, quarters, transportation, or medical and hospital supplies not to exceed the necessities of the current fiscal year.

1.2.2. Title 10, United States Code, section 2204, requires the Secretary of Defense to approve scheduled rates of obligations of funds appropriated to the Department for the purpose of restricting obligations and expenditures as may be necessary to prevent overdrafts and deficiencies in any fiscal year for which appropriations are made. Section 2204 does not prohibit the Department from incurring a deficiency as separately authorized by law.

1.2.3. Volume 14 (which implements 31 U.S.C. 1517(a)) establishes the basic system of controls and other fundamental requirements for the administration of appropriations and funds. The system of administrative controls was designed to (1) restrict obligations and expenditures against appropriations and funds to the amounts available therein or to the amounts apportioned, and (2) enable officials to fix responsibility in the officers and employees of the Department who may violate any provision of the law or regulation.

2.0 POLICY AND PROCEDURES (1202)

2.1 Urgent Circumstance (120201)

The Department shall limit its use of the authority in 41 U.S.C. 11 to emergency circumstances. The exigencies of those circumstances must be such that immediate action is imperative and action cannot be delayed long enough to obtain sufficient funds to cover the procurement or furnishing of those items in paragraph 120102.A needed for the current fiscal year. In determining the urgency of the circumstances, due consideration shall be given in each specific case to the feasibility of obtaining funds by use of telephones, facsimile machines, or other electronic means. The authority of 41 U.S.C. 11 shall not be used to circumvent the provisions of 31 U.S.C. 1517(a).

2.2 Condition and Circumstance (120202)

It is not considered practicable to define specifically the conditions and circumstances which conceivably could constitute an emergency. Each instance in which the authority of 41 U.S.C. 11 is to be used must be determined on a case-by-case basis in accordance with the policy guidelines in this chapter.

2.3 Administering Funds (120203)

Funds shall be administered in accordance with the system of administrative controls established by Volume 14 of this Regulation in such a manner that officials, responsible for administering each appropriation, allocation, allotment, and other fund subdivisions, may take timely action to prevent over-obligation of any fund subdivision, notwithstanding 41 U.S.C. 11.

2.4 Over-obligation (120204)

Over-obligation of any appropriation or fund subject to apportionment, or any subdivision thereof for procurement or furnishing of those items in paragraph 120102.A. shall be deemed to be a violation of the Anti-deficiency Act. There are two exceptions: (a) If the over-obligation was made in emergency circumstances in accordance with the spirit and intent of provisions set forth above, and (b) if such procurements are not in excess of the necessities to relieve the period of emergency. However, for the second exception, the necessities for such period cannot exceed the necessities of the current fiscal year.

2.5 Valid Requirements (120205)

Proposed or anticipated use of 41 U.S.C. 11 authority to incur obligations shall be reported, in advance when feasible, through financial management channels. When it is necessary to create or authorize an over-obligation for the purposes set forth in 41 U.S.C. 11, the individual responsible shall determine, and so certify in writing, that all three of the following circumstances existed:

2.5.1. An emergency existed within the spirit and intent of this section (1202).

2.5.2. The purpose for which the over-obligation was created or authorized was to meet other necessities of the period involved.

2.5.3. It was not feasible to obtain in advance sufficient funds to cover such necessities.

2.6 Certification of Over-obligation (120206)

Such certification shall indicate the amount of the over-obligation and shall be filed with the supporting records of the appropriation, allocation, or allotment involved. The over-obligation shall be disclosed fully in the fiscal reports to the next higher level of command, indicating that the over-obligation was incurred under authority of 41 U.S.C. 11.

2.7 Authorization (120207)

Having exercised the authority of 41 U.S.C. 11 pursuant to this chapter, the individual responsible shall advise the next higher level of command immediately and take appropriate steps to obtain additional funds.

2.8 Reporting Procedures (120208)

All obligations incurred under authority of 41 U.S.C. 11 shall be reported through command channels to the applicable Military Department Comptrollers who shall provide a draft 41 U.S.C. 11(b) congressional report to the Office of USD (Comptroller).

VOLUME 3, CHAPTER 13: "RECEIPT AND DISTRIBUTION OF BUDGETARY RESOURCES – DEPARTMENTAL-LEVEL"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

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Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated February 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Administrative changes including format changes, internet hyperlink additions and corrections, and minor clarifying language in accordance with the Department of Defense Financial Management Regulation Revision Standard Operating Procedures.	Revision
1.3.6	Added Title 41, United States Code, section 6301, "Public Contracts."	Addition
3.5.4.1	Added Below Threshold Reprogramming Action.	Addition
3.5.4.2	Added Prior Approval Reprogramming Action.	Addition

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CHAPTER 13

RECEIPT AND DISTRIBUTION OF BUDGETARY RESOURCES DEPARTMENTAL-LEVEL

1.0 GENERAL

1.1 Overview

Some Department of Defense (DoD) Components, such as the Military Departments, structure themselves into three or more levels or echelons. The General Fund initially records direct appropriation budget authority at the departmental level (e.g., Headquarters) and then issues it to intermediate-level organizations (e.g., major commands), which distribute the budget authority to execution level (field level) organizations for program execution.

1.2 Purpose

This chapter prescribes the standards for recording how departments, headquarters, or the Office of the Secretary of Defense (OSD) receive and distribute budgetary resources. Departmental-level accounting includes Congress appropriating funds, the Office of Management and Budget (OMB) apportioning and reapportioning those funds and allotting them to the intermediate or execution level. Additionally, departmental-level budgetary accounts ensure that personnel properly record transfers between appropriation and fund accounts, as well as restorations and withdrawals of budgetary resources. This accounting also enables personnel to monitor lower levels and consolidate reports for higher levels. See (***Chapter 14***, "Receipt and Distribution of Budgetary Resources – Intermediate-Level"), for intermediate-level requirements, and (***Chapter 15***, "Receipt and Distribution of Budgetary Resources – Execution Level"), for execution-level requirements.

1.3 Authoritative Guidance

The financial management policy and related requirements prescribed in this chapter are in accordance with the applicable provisions of the following authoritative sources:

1.3.1. Title 31, United States Code, section 1304 "Judgments, awards, and compromise settlements," (***31 U.S.C. § 1304***).

1.3.2. ***31 U.S.C. § 1322,*** "Payments of unclaimed trust fund amounts and refund of amounts erroneously deposited."

1.3.3. ***31 U.S.C. §§ 1511 – 1517,*** "Appropriation Accounting."

1.3.4. ***31 U.S.C. § 1553***, "Availability of appropriation accounts to pay obligations."

1.3.5. ***31 U.S.C. § 1555***, "Closing of appropriation accounts available for indefinite periods."

* 1.3.6. ***41 U.S.C. § 6301***, "Authorization requirement."

1.3.7. ***OMB Circular A-11***, "Preparation, Submission, and Execution of the Budget."

1.3.8. The United States Department of Treasury Financial Manual, Volume 1, Part 2, Chapter 4700 (***1 TFM 2-4700***), "Federal Entity Reporting Requirements For The Financial Report Of The United States Government."

2.0 DEFINITIONS

2.0.1. Departmental-Level

Involves recording receipt and distribution of budgetary resources at the department level, headquarters, or OSD level as discussed in this chapter.

2.0.2. Intermediate-Level

Personnel record the receipt and distribution of budgetary resources using the intermediate-level accounts discussed in Chapter 14. For example, a Major Command within a Military Department receives the initial funding.

2.0.3. Execution Level

Involves recording receipt and distribution of budgetary resources using the execution level budgetary accounts discussed in Chapter 15.

3.0 STANDARDS

3.1 Accounts

3.1.1. DoD Standard Chart of Accounts (***SCOA***) (see ***Volume 1, Chapter 7***, "Department of Defense Standard Chart of Accounts"), which includes the DoD Standard General Ledger accounts established for use at the department level.

3.1.2. ***DoD U. S. Standard General Ledger (USSGL) Transaction Library***, includes the budgetary and proprietary accounting entries established for use at the department level.

3.1.3. DoD Accounting Scenarios include two Internal Fund Distribution scenarios, "TI-097 General Funds" and "Military Department General Funds," that identify the posting logic and appropriate accounts for recording the issuance and closure of budgetary resources at all three levels (Departmental, Intermediate and Execution).

3.2 Appropriations

3.2.1. Congress grants appropriations as legal authority to incur obligations and to make payments from the Treasury for specified purposes (see subparagraph 3.2.1.5 for an exception).

The most common form of budget authority is an appropriations act, which must expressly state the making of an appropriation; it cannot be inferred or implied. Various characteristics specific to periods of availability, phases of availability, and amounts determine the availability of appropriations for obligation.

3.2.1.1. Period of Availability. The period of time in which budget authority is available to incur new obligations. Congress establishes the period of availability.

3.2.1.1.1. One-Year (Annual) Authority. Budget authority that is available for obligation only during a specified fiscal year and expires at the end of that period. For example, most Operations and Maintenance (O&M) and Military Personnel appropriations.

3.2.1.1.2. Multiple Year (Multi-Year) Authority. Budget authority that is available for obligation for a specified period of time in excess of one fiscal year. Usually, the period covers two or more whole fiscal years, but it may cover a period that includes part of the second fiscal year. For example, Research, Development, Test, and Evaluation appropriations (2 years); Procurement appropriations (3 years); Shipbuilding and Conversion, Navy appropriation (5 years); Military construction appropriations (5 years).

3.2.1.1.3. Budget Authority that remains available for obligation indefinitely. See paragraph 3.9.

3.2.1.1.4. Congressionally Directed Spending. Congressionally directed spending occurs when Congress designates a portion of an appropriation for a particular purpose through legislative language within the appropriation.

3.2.1.2. Phases of Availability. Annual and multi-year appropriations pass through three phases of availability.

3.2.1.2.1. Current or Unexpired Phase. The current or unexpired phase is the time period when the budget authority is available for incurring new obligations, making new grants, signing new contracts, and making disbursements to liquidate the obligations. The current or unexpired phase continues for the set period of availability. No-year authority remains current until fully obligated and disbursed or returned to the general fund of the Treasury.

3.2.1.2.2. Expired Phase. During the expired phase, appropriations are no longer available for new obligations but remain available to adjust and liquidate existing and valid obligations. The expired phase lasts for 5 years, although legislation can extend this period. Refer to ***Chapter 10***, "Accounting Requirements for Expired and Closed Accounts" for accounting requirements for expired accounts.

3.2.1.2.3. Canceled Phase. The canceled phase follows the expired phase. You cannot make payments from a canceled appropriation. On September 30 of the fifth fiscal year after the period of availability for obligation ends for a fixed appropriation account, you must close the account and cancel any remaining balance (whether obligated or unobligated) in the account. After you cancel an appropriation, you may pay any obligations or adjustments to

obligations that would have been properly chargeable to that appropriation from an unexpired appropriation that is available for the same purpose as the canceled account if:

3.2.1.2.3.1. The obligation or obligation adjustment is not already chargeable to another unexpired account.

3.2.1.2.3.2. The payment of obligations against the canceled appropriation from the unexpired appropriation does not exceed an amount equal to one percent of the total appropriation per 31 U.S.C. § 1553. See Chapter 10 for accounting requirements for closed/canceled accounts.

3.2.1.3. Determination of Amount. Budget authority may be granted for varying amounts, based on the legislative language, which defines the purpose of budget authority.

3.2.1.3.1. Definite Authority. Authority that is stated as a specific sum at the time it is granted. This includes authority stated as not to exceed a specified amount. Most DoD appropriations are for definite amounts of authority.

3.2.1.3.2. Indefinite Authority. Authority for which a specific sum is not stated, and instead specifies a variable factor that determines the amount, or a floor, for example, not less than a specified amount. An indefinite appropriation may appropriate all or part of the receipts from certain sources, the specific amount of which is determinable only at some future date, or it may appropriate such sums as may be necessary for a given purpose. See paragraph 3.9.

3.2.1.4. Reappropriations. Statutory authorities that extend the availability, whether for the same or different purposes, of all or part of the unobligated portion of budget authority that has expired or would otherwise expire. See paragraph 3.6.

3.2.1.5. Exceptions. Appropriations to liquidate contract authority serve as exceptions to the general rule that appropriations provide budget authority for incurring additional obligations. Contract authority itself does not constitute an appropriation; rather, it represents apportioned budget authority that can be legally obligated and used solely for the specific purpose, time, and amount defined by the statute related to that contract authority. It remains unfunded and is apportioned and allocated without a corresponding Treasury cash balance. Agencies must always replace or liquidate contract authority using subsequent or other budgetary resources and cash balances, typically within the Defense Working Capital Fund (DWCF), by offsetting collections credited to the DWCF. Furthermore, the subsequent liquidating appropriation does not grant the authority to incur obligations and, therefore, does not qualify as budget authority. (See subparagraph 3.4.2 for additional information).

3.2.1.6. Continuing Resolution (CR). CRs are joint resolutions that provide continuing appropriations for a fiscal year. CRs are enacted when the Congress has not yet passed new appropriation bills and a program's appropriations are about to or have expired, or when the President has vetoed congressionally passed appropriations bills. CRs do not appropriate specific sums of money. A CR makes amounts available subject to the same terms and conditions specified in the enacted appropriations acts from the prior fiscal year. The CR may also establish additional

terms and conditions. CRs make amounts available for obligation only until a time specified by the CR or until regular fiscal year appropriations are enacted, whichever is sooner. See OMB Circular A-11, Section 123, for detailed information on requirements, definitions, and formulas for calculating amounts available.

3.2.1.7. Funding Lapse or Gap. A lapse in an agency's appropriations occurs when Congress fails to enact regular appropriations, a CR, or needed supplemental appropriations.

3.2.1.8. Appropriation Warrants. Congressional action provides evidence to fund programs. The Secretary of the Treasury issues an appropriation warrant, the official document that establishes the amount and period of availability of monies the agency is authorized to withdraw from the General Fund of the United States Government, upon the enactment of an appropriation.

3.2.1.8.1. Warrants are processed using the Agency Transaction Module (ATM) within the Central Accounting Reporting System (***CARS***). The ATM provides access for the Treasury to prepare and process warrant transactions. The Treasury processes warrants by submitting the FS Form 6200, "Department of the Treasury Appropriation Warrant," through the ATM within CARS. The agency must provide additional information when the legislative language does not allocate amounts to specific accounts.

3.2.1.8.2. Under a CR, Congress does not issue warrants until it enacts the regular appropriation bill unless agencies are under a long-term or full-year CR. Agencies can also receive warrants under a CR if it covers specific mandatory federal payments or when it covers the entire year (see ***TFM Volume 1, Part 2, Chapter 2000***). The Military Departments and the Washington Headquarters Services (for OSD/Defense Agencies) must request a warrant from the Treasury for the annualized level of an amount appropriated by a CR. If a subsequent CR changes the annualized level, agencies must submit a new warrant request. When Congress enacts the regular appropriation bill, Treasury will adjust those amounts as necessary.

3.2.2. Classification of Appropriations. Departmental-level appropriations and all other budgetary resources must be classified by appropriation account, fiscal year program, and obligation/expenditure limitation at the level required by OSD for appropriation and fund status reporting (see ***Volume 6A, Chapter 4***, "Appropriation and Fund Status Reports"). To obtain the necessary classification requirements, you must refer to the legal requirements and program/budget documents, such as the DD 1414, "Base for Reprogramming Action." Different purposes classify appropriations in various ways, generally based on time period limitations, spending limitations, authorized programs, activities, or objects, and the availability to incur obligations. An appropriation account symbol represents departmental-level appropriations and all other budgetary resources. You can find detailed information on reading and identifying account symbols in the ***TFM, Volume 1, Part 2, Chapter 1500***. Treasury lists specific accounts for each agency in its quarterly supplement to the TFM, titled "Federal Account Symbols and Titles."

3.2.3. Recording an Appropriation. Appropriations, until apportioned, are not available as a financing source or budgetary resource. They should be recognized in the capital as "unexpended

appropriations" (and among assets as "funds with Treasury") when made available for apportionment, even if a Treasury Warrant has not yet been received, or the amount has not been fully apportioned. Unexpended appropriations should be reduced for appropriations used and adjusted for other changes in budgetary resources, such as rescissions and transfers. The net increase or decrease in unexpended appropriations for the period should be recognized as a change in net position. See the ***Federal Accounting Standards Advisory Board Handbook***, ***Statement of Federal Financial Accounting Standards 7***, "Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting."

3.3 Apportionments and Reapportionments

3.3.1. An apportionment represents a plan approved by the OMB to allocate budgetary resources according to the statutory authority defined by 31 U.S.C. § 1513(b). This limits obligations for specified time periods, programs, activities, projects, objects, or any combination thereof. An apportionment is legally binding; thus, any obligations and expenditures (disbursements) that exceed it violate the Antideficiency Act (31 U.S.C. § 1517(a)(1), (b)) and require reporting. When changes are necessary for the previously approved apportionment for the current year, the responsible party should request a reapportionment. For instance, a reapportionment is appropriate when approved apportionments are no longer suitable due to increased amounts available for obligation or unforeseen events. The distribution of apportionments and reapportionments forms part of an overall financial plan for the year, which is based on a forecast of obligations to incur within an appropriation. The responsible department requests the apportioned amount using the OMB Standard Form (SF) 132, "Apportionment and Reapportionment Schedule," in accordance with OMB Circular A 11, Appendix F.

3.3.2. The SF 132 includes two general sections for recording apportionments and reapportionments: Budgetary Resources and Application of Budgetary Resources. In the Budgetary Resources section, you record the actual and anticipated resources, along with any actual and anticipated reductions to those resources. In the Application of Budgetary Resources section, you document the intended use of those resources, whether by fiscal quarter, activity, project, object, or a combination of these. In some cases, agencies use letter apportionments, which are most often applied during a CR or for special circumstances, such as transfers that occur near the end of a fiscal year.

3.3.3. Budgetary authority received and available for allotment, and anticipated reimbursements are also recorded on the SF 132. Apportioned, anticipated amounts should not be allotted unless there is a reasonable assurance that such items will be collected and deposited to the credit of the appropriation or fund account that incurred the obligation.

3.3.4. Apportionments cannot be obligated until the amounts have been allotted in according to the OMB-approved funds control regulations. You must apportion and execute programs in accordance with all applicable laws. The authorization and appropriation act language describes the purpose of the programs and provides guidance for execution. The apportionment dictates how you execute the programs, and you must obligate or expend it against the fiscal year in which you incurred the expenses to reconcile it with the legal period of availability. In some

cases, apportionments may set aside all or a portion of the amounts available for obligation by deferring them or withholding them pending rescission.

3.3.5. If the SF 132s on hand regarding the latest appropriations enacted have not yet been processed, the amounts must be recorded as it is necessary to cover valid commitments and obligations at the end of the accounting period as apportioned and allocated. Enacted supplemental appropriation as fully apportioned must be recorded, even if it is not included on the year-end SF 132.

3.3.6. In the absence of an appropriation, Congress can pass a resolution that authorizes agencies to continue their current operations. Agencies must adhere to OMB apportionment for CRs in the same way they do for appropriations. During periods of CR authority, the President's budget estimates of unobligated balances are carried forward on October 1, and each appropriation account's reimbursable program must be recorded as apportioned and allotted, provided it stays within any amount specifically designated by the authority. If the estimates for each amount decrease from the President's budget, agencies must record apportionments and allotments at the reduced amount. Agencies can consider increases available for subsequent apportionment, but they must not allot these increases until they receive an approved SF 132. Typically, OMB will automatically apportion funds made available by a CR without requiring an SF 132.

3.3.7. If actual amounts becoming available are less than anticipated for indefinite budget authority, agencies will deduct the difference from apportioned amounts rather than from deferred or unapportioned amounts, unless the approved apportionment form specifies a different treatment or agencies take reapportionment action. According to OMB Circular No. A-11 (Section 120), agencies do not need to reapportion downward adjustments of any amount to budgetary resources (including anticipated amounts) unless OMB specifically requires it or the agency chooses to do so. Agencies must request a reapportionment when approved apportionments are no longer appropriate or applicable due to increased amounts available for obligation or unforeseen events.

3.3.8. Not all appropriations receive apportionment. In such cases, agencies report the non-apportioned budgetary resources as either withheld pending rescission, deferred, as an unapportioned balance of a revolving fund, or exempt from apportionment.

3.4 Contract Authority – Other Budgetary Authorizations

3.4.1. Congress finances federal programs and activities by providing budgetary authority, which allows agencies to enter into financial obligations that will result in immediate or future outlays of government funds. As defined by the Congressional Budget Act, budget authority includes other authorizations aside from appropriations, which are contract authority, borrowing authority, and spending authority from offsetting collections.

3.4.2. Contract authority allows an agency to incur obligations in advance of an appropriation. Congress grants contract authority through an authorizing statute, enabling agencies to incur obligations while anticipating the collection of receipts or offsetting collections that will be used to liquidate those obligations. Within the DoD, officials typically use revenue instead of an appropriation to liquidate unfunded contract authority. Contract authority can be

current or permanent, may have fiscal year limitations or not, and can be definite or indefinite in amount. According to 41 U.S.C. § 6301, an agency cannot make expenditures to liquidate obligations incurred through its contract authority until it specifically appropriates funds or those funds otherwise become available for payment of the obligations. Contract authority has a period of availability that corresponds to that of an appropriation. If it appears in an appropriation act without reference to a particular appropriation, its period of availability, unless specified otherwise, will align with the fiscal year covered by the appropriation act.

3.4.2.1. Definite. Definite contract authority represents the amount of new authority prescribed by law and effective during the reporting fiscal year. Authority is considered definite when the language provides a ceiling, that it is not to exceed a specified amount.

3.4.2.2. Indefinite. Indefinite contract authority represents the amount of new obligations incurred in the reporting fiscal year covered by contract authority. Indefinite contract authority is contract authority in which a specific amount of contract authority is not predetermined but is available as needed to cover the obligations incurred. Although indefinite contract authority is normally accounted for through a no-year appropriation account, contract authority must be apportioned each fiscal year.

3.4.2.3. Current. Current authority requires congressional appropriations action on the request for new budget authority for the year involved.

3.4.2.4. Permanent. Permanent authority becomes available pursuant to standing provisions of law without further appropriations action by Congress after transmittal of the budget for the year involved. Permanent indefinite authority is open-ended as to both period of availability and amount. Examples include 31 U.S.C. § 1304, Payment of Certain Judgments Against the United States, and 31 U.S.C. § 1322(b)(2), Refunding Amounts Erroneously Collected and Deposited in the Treasury. Guidance on emergency military procurement can be found in 41 U.S.C. § 6301 and the Federal Acquisition Regulation (also see ***Volume 10***, "Contract Payment Policy"). Working Capital Fund contract authority and guidance can be found in, ***Volume 10, Chapter 19***, "Payment Provisions for Grants and Other Instruments of Assistance," and foreign military sales contract authority can be found in ***Volume 15***, "Security Cooperation Policy".

3.5 Transfer of Funds

When authorized by law, budgetary authority may be withdrawn from one appropriation account and credited to another, or to a working fund. Depending on the circumstances, the transfer may be recorded as an expenditure transfer, which means a transfer that involves an outlay, or as a nonexpenditure transfer, which means a transfer that doesn't involve an outlay. Transfers may be the result of planned reorganizations, the need for funding authorizations by Congress in lieu of appropriations, a situation where the purpose of the funding has changed, or when unobligated balances are the result of legislation that changed the purpose for which the balances are available. Transfers between appropriations must be authorized by law and represent a redistribution of unobligated balances of budget authority between appropriation accounts for the benefit of the gaining appropriation account.

3.5.1. Anticipated Transfers. Appropriation transfers can be anticipated and recorded as such or they can occur without being previously recorded as anticipated. An anticipated appropriation transfer does not provide any obligation authority. These transfers often are anticipated during apportionment development. Approved anticipated transfers are treated as authority available for apportionment, and prior-year authority and current-year authority are kept separate. An agreement between the transferring and receiving appropriation accounts must be maintained. Accordingly, anticipated and accomplished transfers must be recorded and reported in the transferring and receiving appropriation accounts in the same accounting period. Obligation authority is available only after the transfer is accomplished and OMB apportions the transferred funds. Once the transfer is accomplished, the appropriation making the transfer no longer has budgetary and proprietary control of the funds. Budgetary and proprietary responsibility now lies with the appropriation receiving the transfer.

3.5.2. Expenditure Transfers. Expenditure transfers are typically made when the transfer benefits the transferring account. An expenditure transfer is recorded as an obligation and an outlay in the transferring account and as an offsetting collection or offsetting receipt in the receiving account. An example of this type of transfer is a rental payment to the General Services Administration's Federal Buildings Fund. Since expenditure transfers are treated as payments and collections, they are not applicable to departmental-level accounting entities. These transactions include the following:

3.5.2.1. Withdrawals and credits between accounts are not specifically defined as nonexpenditure transactions.

3.5.2.2. All transfers between Treasury budgetary and nonbudgetary accounts such as general fund accounts and deposit accounts.

3.5.2.3. Adjustments to correct errors in expenditure transactions. Obligations must be transferred, when appropriate.

3.5.3. Nonexpenditure Transfers. A nonexpenditure transfer is recorded as a decrease in budget authority or unobligated balances in the transferring account and as an increase either in budgetary authority or unobligated balances in the gaining account. The transferring account for a nonexpenditure transfer reports a transfer out of budget authority. The receiving account reports a transfer in. Nonexpenditure transfers are processed using the ATM within CARS. Additional guidance on the CARS ATM application can be found in the TFM, Volume 1, Part 2, Chapter 2000. The SF 1151, Nonexpenditure Transfer Authorization, is used to document transfers. See ***Chapter 3***, "Appropriation Transfer Authorities" for more detailed information about appropriation transfer authorities.

3.5.3.1. Estimates. A transfer of estimates is a proposal to stop funding an activity through one budget account and begin funding it through another account. It does not involve a transfer of budgetary resources between the accounts. This type of transfer typically relates to the transfer of funding of an activity from one account to another, the consolidation of funding for related activities from two or more accounts into one single account, or the separation of funding for an activity from one account between two or more accounts. When a transfer for the budget

year results in a significant increase to or decrease from the amount of budgetary authority for the past or current year, footnotes must be included to explain the transfer after the program and financing schedule.

3.5.3.2. Allocation. An allocation is a delegation, authorized by law, by one agency to another, of its authority to obligate budget authority and outlay funds. Allocation accounts involve both an appropriation and a recipient of budgetary resources, through an allocation nonexpenditure transfer.

3.5.4. Reprogramming. Reprogramming involves the shifting of funds for purposes other than those originally specified by Congress at the time of appropriation or to reclassify funds of proper execution of funds. There are two types of reprograming actions:

* 3.5.4.1. Below Threshold Reprogramming Action. This action provides the DoD Components with the flexibility to realign, within congressional prescribed limits/limitations, and approved funding to satisfy unfunded requirements. ***Chapter 6***, "Reprogramming of DoD Appropriated Funds" provides additional information on below-threshold reprogramming actions. ***Chapter 7***, "Reprogramming of Military Construction and Family Housing Appropriated Funds" provides additional information on below-threshold reprogramming of Military Construction and Family Housing funds.

* 3.5.4.2. Above Threshold Reprogramming Actions. This action refers to the process of reallocating funds for programs or projects when established congressional approval thresholds or limitations are exceeded, requiring prior approval from specific congressional committees. In addition, the Department uses internal reprogramming actions to transfer funds from various accounts that Congress has established with its own special transfer authority (e.g., Environmental Restoration) or to realign/transfer funds for proper execution of a congressionally approved program. Chapter 6, "Reprogramming of DoD Appropriated Funds" provides additional information on the different types of reprogramming actions. Chapter 7, "Reprogramming of Military Construction and Family Housing Appropriated Funds" provides additional information on Military Construction prior approval of reprogramming actions.

3.6 Reappropriations

3.6.1. Reappropriation Action. Reappropriation is a congressional action to continue the availability, whether for the same or different purposes, of all or part of the unobligated portion of current budget authority that has expired or would otherwise expire.

3.6.2. Recording Reappropriations. Reappropriations of expired balances that are newly available for obligation in the current or budget year are recorded as new budget authority in the year they are newly available, in the full amount of the potential extension. Likewise, reappropriations of amounts that would expire before the legislation takes affect are treated as new budget authority. If the available balance in a losing appropriation is not sufficient to cover the transfer, the reappropriation may be delayed, effected in part or not made at all. Decisions to delay or not make a reappropriation transfer require written notification to the Under Secretary of

Defense (Comptroller), within five working days of the determination. The notification must set forth the circumstances requiring the delay or nonperformance of the reappropriation transfer.

3.6.3. Reappropriation Warrants. Reappropriations that provide funds to a fiscal year for which they were not previously available constitute new budget authority in the receiving account, and therefore require a Treasury Warrant. The warrant request letter must state the amount to be warranted and the statutory authority for the reappropriation. The TFM Volume 1, Part 2, Chapter 2000 identifies the address for submission and other contact information. Warrants are processed using the ATM within the CARS. Additional information on the ATM can be found on the Treasury, ***CARS Frequently Asked Questions*** site.

3.6.4. Reappropriation Balance Transfers. Entities report reappropriations of unexpired balances or reappropriations of expired balances that cannot take effect until a fiscal year beyond the budget year as balance transfers in the year they become newly available for obligation. The ATM within CARS processes reappropriation transfers.

3.6.5. Unobligated Balances. Normally, the organization withdraws unobligated balances in the losing accounts from operating activities. However, when the operating activity includes both the gaining and losing accounts, and the intent of the reappropriation is to extend the availability of funds for the same purposes as the losing account, the organization does not need to make a formal withdrawal. In this case, local entries can be made to ensure that transactions, records, and reports refer to the gaining account instead of the losing account.

3.7 Internal Fund Distributions

3.7.1. Apportionments are subdivided and formally distributed by allotment, suballotment, allocation, and suballocation. See ***Volume 14, Chapter 1***, "Administrative Control of Funds" for detailed information on the subdivision levels and requirements in accordance with OMB Circular A-11, Appendix H**.** The departmental-level accounting entity distributes funds to an operating agency or other intermediate-level accounting entity.

3.7.2. Any formal subdivision of funds must contain at least the same statutory and other limitations applicable to the original apportionment.

3.7.3. The intermediate-level budgetary accounts record the receipt of suballotments, allocations, or suballocations from higher authority and then issue them to execution-level activities. The DoD SCOA prescribes the definitions and uses for accounts 454000 through 458000, which can be found on the Standard Financial Information Structure ***(SFIS) resources*** web page.

3.7.4. The formal distribution of funds must be in writing. See Volume 14, Chapter 1 for the required information; and expedited communication methods used in emergencies. The format is determined by the departmental-level accounting entity issuing the funds.

3.7.5. Interagency suballotments/allocations/suballocations distribute one agency's budgetary resources to another agency. The accounts separately identify these distributions to

ensure that the recipient agency responds to the issuing agency. These distributions can include nonexpenditure transfers, which establish transfer appropriation accounts, or subdivisions of one DoD Component's funds to another DoD Component for direct citation. From a consolidated standpoint, both the issuing and receiving agencies must record the distribution in the same accounting period. Typically, interagency distributions occur between different levels of command within a major command/claimant. Refer to Chapter 15 for execution level policy.

3.8 Withdrawals and Expired Balances

3.8.1. Administrative action withdraws unobligated amounts from obligation availability, rather than law. When a previously withdrawn unobligated amount becomes available for obligation and outlay again, we consider it a restoration. Withdrawals do not include amounts from expired accounts or amounts rescinded by Congress. Title 31 U.S.C § 1555 authorizes the withdrawal of funds only when an account closes, and it does not allow for the withdrawal of budget authority from open accounts.

3.8.2. Expired balances retain their fiscal year identity for the following five fiscal years. During this five-year period, agencies can use the unobligated balance of an expired fund only to adjust obligations that they initially incurred during the fiscal year (or years) for which the appropriation account was available. They cannot use the unobligated balance of an expired fund to create new obligations. Normally, at the end of the five-year period, agencies must transfer any remaining unobligated balance and unliquidated obligations to account 4350, *Canceled Authority*. They cannot restore canceled amounts.

3.8.3. The balance in account 465000, *Allotments – Expired Authority*, is not a fund balance (i.e., cash) account available in the Treasury. Transfers into the account (withdrawals) and transfers out (restorations) do not, in and of themselves, affect the cash position of the Treasury. Expired authority is an available budgetary resource for the specific purpose of ensuring that valid obligations of expired and lapsed appropriation accounts can be met without recourse to individual appropriation action by Congress. Other account transactions that are related to 465000 have corresponding proprietary transactions that impact 101000, *Fund Balance with Treasury*.

3.9 Indefinite Appropriations

3.9.1. Indefinite appropriations refer to appropriations of a current or permanent nature where a definite amount is not stated and will be determined based on stipulated subsequent events. One type of indefinite appropriation available for the Department is the collection of receipts. For instance, the receipts under the Federal Account Symbol and Title 5095.001, *Sale of Hunting and Fishing Permits, Military Reservations*, are permanently appropriated for the Army to spend under appropriation account 21X5095, *Wildlife Conservation, Military Reservations, Army*. The authorized amount may include all or a portion of the receipts from a receipt account, but these funds cannot be accessed until the Treasury issues a warrant, or the authorized amount may be specified as the amount obligated for a specific purpose.

3.9.2. Anticipated amounts of indefinite appropriations derived from available receipts must be reported as anticipated budgetary resources until the amounts are realized. The budget

authority generated will increase the uncommitted or unobligated balance reported on the SF 133, Report on Budget Execution (OMB Circular A-11, Appendix F). However, such balances should not be recorded in the accounts as currently available for obligation until receipts are realized.

4.0 OTHER ACCOUNT ADJUSTMENTS AND CLOSING

4.1 Account Adjustments

4.1.1. At the end of the availability period, all budget authority that remains undistributed to the execution level and all allotments received within the execution level that remain unobligated must be returned to the departmental-level for financial statement reporting. Specifically, the recipient of an allotment, suballotment, allocation, or suballocation must pre-close all unobligated funds using the accounting transactions detailed in Chapter 15 to return the funds to the previous and original fund holder. Similarly, the departmental-level must close the fund distribution accounts for allotments that remain undistributed and unobligated before performing post-closing accounting entries.

4.1.2. Cancel the anticipated appropriation transfers to or from other accounts by the end of the fiscal year in which they are expected.

4.1.3. Eliminate unrealized anticipated indefinite appropriations.

4.1.4. Cancel the anticipated reimbursements in no-year, expiring annual, and multi-year accounts by the end of the fiscal year.

4.1.5. Record the cancellation of expired authority and withdraw funds.

4.1.6. Reduce appropriations realized by the amount of budgetary resources withheld pursuant to public law.

4.1.7. The departmental-level (headquarters) must recognize an adjustment to undistributed allotments of realized transfers that remain at the intermediate-level and unobligated balances of realized transfers that remain at the execution level. This transaction reverses the accounts from the original issuance of budgetary authority. The intermediate and execution levels must notify the departmental-level accounting entity about the undistributed and unobligated funds, as described in paragraph 4.3. The DoD SCOA, located on the SFIS resources web page, prescribes the definitions and use for accounts 454000 through 458000.

4.2 Budget Execution Report Preparation

After completion of the account adjustments identified in paragraph 4.1, budget execution reports must be prepared as specified in Volume 6A, Chapter 4.

4.3 Notification from Lower Levels

The departmental-level accounting entity must be informed by the intermediate and execution levels of the following adjustments and account balances as specified in ***Volume 6A, Chapter 2***, "Financial Reports, Roles and Responsibilities". Undistributed allotments of direct program authority (account 456000) and the direct unobligated balances remaining in expiring allotted funds (account 461000) at the intermediate and execution levels (Chapters 14 and 15, respectively) must be reversed and report them to the departmental-level for financial reporting.

4.4 Account Closing

After the end-of-year reporting, the Treasury requires the accounting team to make post-closing entries to certain accounts. The team uses closing transactions to establish beginning balances for accounts that lack posting activity during the fiscal year and to zero out account balances that recorded current year activity. The DoD USSGL Transaction Library provides detailed descriptions of these entries, following the overarching guidance of the ***USSGL*** Supplement to the TFM. The Headquarters/OSD Level must close the fund distribution accounts for any undistributed and unobligated allotments before the accounting team performs post-closing entries. You can find additional details on departmental-level transactions in the Accounting for Internal Funds Distribution; Interpretation Guidance for General Fund Appropriations.

4.4.1. Direct Funds. Record unobligated budget authority for unexpired annual or multi-year appropriations; close unobligated balances to expired authority; reduce appropriations realized by the amount of rescinded appropriations; close transfers accomplished to other appropriations or funds; and close appropriation transfers realized from other appropriations or funds.

4.4.2. Reimbursable Program. No closing entries must be made for the reimbursable program at the departmental-level. The adjusting entry is specified in paragraph 4.1.

VOLUME 3, CHAPTER 14: "RECEIPT AND DISTRIBUTION OF BUDGETARY RESOURCES – INTERMEDIATE-LEVEL"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated December 2020 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Administrative updates in accordance with Department of Defense Financial Management Regulation (FMR) Revision Standard Operating Procedures.	Revision

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CHAPTER 14

RECEIPT AND DISTRIBUTION OF BUDGETARY RESOURCES INTERMEDIATE-LEVEL

1.0 GENERAL

1.1 Overview

1.1.1. Some Department of Defense (DoD) Components, such as the Military Departments, are structured into three or more levels, or echelons. General Fund direct appropriation budget authority is initially recorded at the Department-level (e.g., Headquarters) and subsequently issued to intermediate-level organizations (e.g., major commands), which, in turn, distributes the authority to execution-level organizations (e.g., field level) for program execution.

1.1.2. Military Departments and DoD agencies composed of three or more levels must follow the chapter procedures to ensure internal fund distribution accounts roll up in the Defense Departmental Reporting System to the appropriate United States Standard General Ledger (USSGL) accounts, and accurately report the total and status of budgetary resources. This chapter provides an understanding of how intermediate budgetary and proprietary entries must be recorded from the time funds are issued until closed.

1.2 Purpose

1.2.1. This chapter prescribes the standards for recording the receipt and subsequent distribution of direct budgetary resources using the intermediate-level budgetary accounts. The budgetary general ledger record the receipt of fund distributions (e.g., allotments or suballotments) issued within the same Treasury Account Symbol from Department-level to intermediate-level organizations, and the subsequent issuance down to execution-level activities.

1.2.2. This chapter does not apply to a two-tiered structure such as Defense-wide appropriations issued from the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), Program/Budget, to a Defense agency. Additionally, this chapter does not apply to reimbursable budget authority addressed in Volumes 11A and 11B.

1.3 Authoritative Guidance

The financial management policy and related requirements prescribed are in accordance with the applicable provisions of the following authoritative sources:

1.3.1. Title 31, United States Code, Section 1514 ***(31 U.S.C. § 1514)***, "Administrative division of apportionments";

1.3.2. The Office of Management and Budget ***(OMB) Circular A-11***, "Preparation, Submission, and Execution of the Budget"; and

1.3.3. The United States Department of Treasury Financial Manual, Volume 1, Part 2, Chapter 4700 (***1 TFM 2-4700***), "Federal Entity Reporting Requirements For The Financial Report Of The United States Government."

2.0 DEFINITIONS

2.1 Department-Level

Recording receipt and distribution of direct budgetary resources at the department-level, headquarters, or Office of the Secretary of Defense level as discussed in Chapter 13.

2.2 Intermediate-Level

Recording receipt and distribution of budgetary resources using the intermediate-level accounts. See examples in sections 3.0 and 4.0.

2.3 Execution-Level

Recording receipt and distribution of budgetary resources using the execution-level budgetary accounts discussed in Chapter 15.

3.0 STANDARDS

3.1 Standard General Ledger Accounts and Transaction Entries

The OUSD(C))/Office of the Chief Financial Officer maintains the ***Standard Financial Information Structure*** resources web page containing:

3.1.1. DoD Standard Chart of Accounts, which includes the DoD Standard General Ledger accounts established for use at the intermediate-level (see Volume 1, Chapter 7);

3.1.2. DoD USSGL Transaction Library section includes budgetary and proprietary accounting transaction entries, including those at the intermediate-level; and

3.1.3. DoD Accounting Scenarios include two Internal Fund Distribution scenarios, "TI-097 General Funds" and "Military Department General Funds," that identify the posting logic and appropriate accounts for recording the issuance and closure of budgetary resources at all three levels (department, intermediate, and execution).

3.2 Internal Fund Distribution

3.2.1. OMB Circular A-11 defines the terms apportionment, allotments, suballotments, allowances, and allocations; and 31 U.S.C. § 1514(a) and Circular A-11, Section 150 and Appendix H, require a system of funds control. Volume 14, Chapter 1 prescribes the DoD requirements for the administrative control of funds.

3.2.2. Any formal subdivision of funds must contain the same statutory and other limitations applicable to the original apportionment.

3.3 Accounting Entry Examples

3.3.1. To record direct budgetary authority received from the department-level by an intermediate-level Component(s), or activity thereof, and available for allotment to execution-level Component(s), or activities thereof, or suballotment to other intermediate-level Component(s), or activities thereof:

Budgetary Entry
Dr 455000 Internal Fund Distributions Received
Cr 456000 Funds Available for Allotment

Proprietary Entry
Dr 101000 Fund Balance With Treasury (FBwT)
Cr 310100 Unexpended Appropriations – Appropriations Received

3.3.2. To record direct budgetary authority either allotted by an intermediate-level Component(s) or activity thereof to an execution-level Component(s) or activity thereof, or suballotted between two or more intermediate-level Component(s), or activities thereof:

Budgetary Entry
Dr 456000 Funds Available for Allotment
Cr 457000 Allotments Issued

Proprietary Entry
Dr 310100 Unexpended Appropriations – Appropriations Received
Cr 101000 FBwT

4.0 NOTIFICATION AND ACCOUNT CLOSING

4.1 Notification to Department-Level

The intermediate-level accounting activity must notify the department-level accounting entity of direct program authority that is not distributed to the execution-level (account 456000, *Funds Available for Allotment*).

4.2 Account Closing

After preparation of the prescribed budget execution reports, the following entries must be made, at the expiration of the period of availability (PoA) for obligation, to close expended amounts to the authorizing account for the expenditures and to withdraw any remaining program authority.

4.2.1. To close budgetary authority within the intermediate-level upon expiration of the PoA where distributions were issued to the execution-level:

Budgetary Entry
Dr 457000 Allotments Issued
Cr 456000 Funds Available for Allotment

Proprietary Entry
Dr 101000 FBwT
Cr 310100 Unexpended Appropriation – Appropriations Received

4.2.2. To close internal fund distributions received in the intermediate-level that remains undistributed (withheld) upon expiration of the PoA:

Budgetary Entry
Dr 456000 Funds Available for Allotment
Cr 455000 Internal Fund Distributions Received

Proprietary Entry
Dr 310100 Unexpended Appropriation – Appropriations Received
Cr 101000 FBwT

4.2.3. To close direct budget authority issued through allotment or suballotment upon expiration of the PoA:

Budgetary Entry
Dr 457000 Allotments Issued
Cr 420100 Total Actual Resources – Collected

Proprietary Entry
None

4.2.4. To close internal fund distributions received at the intermediate-level upon expiration of the PoA:

Budgetary Entry
Dr 420100 Total Actual Resources – Collected
Cr 455000 Internal Funds Distribution Received

Proprietary Entry
None

VOLUME 3, CHAPTER 15: "RECEIPT AND DISTRIBUTION OF BUDGETARY RESOURCES – EXECUTION LEVEL"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated February 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Administrative changes including format changes, internet hyperlink additions and corrections, and minor clarifying language in accordance with the Department of Defense Financial Management Regulation Revision Standard Operating Procedures.	Revision
1.3.5	Updated reference to Deputy Chief Financial Officer memorandum, "Accounting for Internal Fund Distributions - Interpretation Guidance for General Fund Direct and Reimbursable Resources."	Revision

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CHAPTER 15

RECEIPT AND DISTRIBUTION OF BUDGETARY RESOURCES – EXECUTION LEVEL

1.0 GENERAL

1.1 Overview

The execution level budgetary and proprietary accounts record the receipt of an allotment issued by a higher authority, such as the Office of the Secretary of Defense (OSD) or the Assistant Secretary of a Military Department (Financial Management and Comptroller). They also track the further distribution of funds, including the subdivision of the allotment (suballotment, allocation, or suballocation) between a major command and an execution-level activity or among execution-level activities.

1.2 Purpose

This chapter establishes standards for recording the receipt and subsequent distribution of budgetary resources during execution-level activities. It outlines the accounting standards for receiving and executing allotments, commitments, obligations, reimbursements, and borrowing authority. The accounting transactions discussed in this chapter often require a compound entry, meaning that entries must be made in both the budgetary and proprietary accounts. Refer to ***Chapter 13***, "Receipt and Distribution of Budgetary Resources – Departmental Level" for departmental-level requirements and ***Chapter 14***, "Receipt and Distribution of Budgetary Resources – Departmental Level" for intermediate-level requirements.

1.3 Authoritative Guidance

1.3.1. ***Title 42, United States Code, section 3374*** (42 U.S.C. §3374), "Acquisition of property at or near military bases which have been ordered to be closed and certain property owned by members of the Armed Forces, Department of Defense and United States Coast Guard civilian employees, and surviving spouses."

1.3.2. Office of Management and Budget ***(OMB) Circular A-11***, "Preparation, Submission, and Execution of the Budget."

1.3.3. United States Department of the Treasury (Treasury) ***Treasury Financial Manual***, (TFM).

1.3.4. TFM United States Standard General Ledger ***(USSGL)***.

* 1.3.5. ***Deputy Chief Financial Officer memorandum***, "Accounting for Internal Fund Distributions - Interpretation Guidance for General Fund Direct and Reimbursable Resources," dated March 23, 2023.

1.3.5.1. ***Attachment 1***, "GF Scenario – Internal Fund Distribution – TI-097."

1.3.5.2. ***Attachment 2***, "GF Scenario – Internal Fund Distribution – MILDEPs."

1.3.6. ***DoD Directive 4165.50E***, "Homeowners Assistance Program (HAP)."

2.0 DEFINITIONS

Unless otherwise noted, these terms and their definitions are for the purposes of this chapter.

2.0.1. Departmental-Level. Involves recording receipt and distribution of budgetary resources at the department-level, headquarters, or OSD level, as discussed in Chapter 13.

2.0.2. Intermediate-Level. Involves recording receipt and distribution of budgetary resources using the intermediate-level accounts, as discussed in Chapter 14. An example of the intermediate level would be a Command within a Military Department that has received the initial funding.

2.0.3. Execution-Level. Involves recording receipt and distribution of budgetary resources using the execution-level budgetary accounts as discussed in this chapter.

3.0 STANDARDS

3.1 Accounts

3.1.1. DoD Standard Chart of Accounts (***SCOA***) (see ***Volume 1, Chapter 7***, "Department of Defense Standard Chart of Accounts"), which includes the DoD Standard General Ledger accounts established for use at the departmental level;

3.1.2. ***DoD USSGL Transaction Library***, which includes the budgetary and proprietary accounting entries established for enterprise reporting; and

3.1.3. DoD Accounting Scenarios, which include two Internal Fund Distribution scenarios, "TI-097 General Funds" and "Military Department General Funds," that identify the posting logic and appropriate accounts for recording the issuance and closure of budgetary resources at all three levels (Departmental, Intermediate, and Execution).

3.2 Requirements for Allotments Received

3.2.1. The budgetary authority is distributed formally through allotment, suballotment, allocation, and suballocation. The OMB Circular A-11, Appendix H, defines these terms and establishes a specific subdivision hierarchy(see ***Volume 14, Chapter 1***, "Administrative Control of Funds"). These subdivisions allocate budget authority to execution-level accounting activities and authorize the incurrence of obligations within a specified amount. This chapter will use only the term allotment.

3.2.2. Any formal subdivision of funds must include at least the same statutory and other limitations that apply to the original apportionment.

3.2.3. Although an allotment document format is not prescribed, it must disclose specific classifications and limitations that the accounting records must track. For instance, an appropriation committee may specify that a certain amount has been added to an appropriation for a particular purpose. To ensure that the congressional intent is accomplished, the accounting entity that receives an allotted share of such budget authority must account for the share amount, as well as the obligations and expenditures.

3.2.4. The execution level must retain the same availability constraints for an allotment as OMB initially automatically apportioned.

3.3 Commitments

3.3.1. A person authorized to reserve funds, such as the official responsible for administrative control of funds for the affected subdivision of the appropriation, must sign a commitment document. This commitment represents an administrative reservation of allotted funds or other funds in anticipation of their obligation. Since an obligation equal to or less than the commitment can be incurred without further recourse to an authorizing official, some appropriations require commitments (see subparagraph 3.3.3) while others permit them. When recorded in the accounting records, a commitment reduces the allotment's available fund balance. This process helps ensure that the subsequent entry of an obligation does not exceed available funds.

3.3.2. ***Chapter 8***, "Standards for Recording and Reviewing Commitments and Obligations," provides the detailed requirements for estimating and recording the amounts of commitments.

3.3.3. An agreement with OMB requires commitment accounting for Procurement, Military Construction, and Research, Development, Test, and Evaluation appropriation accounts. However, agencies do not need to record commitments for small purchases if they are not significant in the overall management of funds. Although commitment accounting is not mandatory for operation and maintenance appropriation accounts, revolving fund accounts, or military personnel appropriation accounts, agencies may choose to use it if it proves cost-effective.

3.3.4. A procurement program's approval generally does not allow for recording a commitment from an action document because specific actions are needed to reserve all or part of the funds allocated to the program. Programs can record the program approval as an initiation (see subparagraph 3.3.5). Additionally, programs usually cannot record a commitment from an order to commence procurement since such orders typically do not constitute firm reservations that permit recording an obligation without relying on the person authorized to reserve funds. Programs can record these orders as initiations.

3.3.5. Initiations enter memorandum accounts to ensure that precommitment actions, such as approved procurement programs and procurement orders, maintain the available subdivision of

funds. An initiation results in an administrative reservation of funds based on procurement orders, requests, or equivalent instruments. It authorizes preliminary negotiation of procurement actions but requires the responsible official for administrative control of funds to review the action before incurring the obligation. Since initiations do not form part of the official accounting requirements, allotment issuers or receivers who need initiation accounting must ensure that their procedures and practices are cost-effective.

3.3.6. Officials must close or cancel outstanding commitments by the end of the period when the appropriation is available for obligation. Commitments cannot be present in expired appropriation accounts.

3.4 Obligations

3.4.1. Obligations incurred represent the amounts of orders that organizations place, contracts they award, services they receive, and similar transactions that occur during an accounting period, which will require payment in the same or future periods. These amounts include payments for obligations that organizations did not previously record, adjustments for differences between previously recorded obligations, and actual payments made to liquidate those obligations.

3.4.2. The execution-level budgetary account structure requires that organizations segregate the amount of obligations incurred into undelivered orders unpaid, prepaid or advanced, and delivered orders unpaid or paid. The definitive final stage of obligations incurred is delivered orders paid, which must be recorded regardless of whether the preceding steps of ordering (undelivered order) and delivery (unpaid delivered orders) were recorded.

3.4.3. Entities issue undelivered orders as contracts or orders for goods and services when the liability has not yet accrued. These orders can be for any goods or services needed to fulfill a bona fide need of the issuing entity.

3.4.4. Organizations must report reductions or cancellations of prior year obligations in no-year and unexpired multiple year (multi-year) accounts specifically in budget execution reports (see ***Volume 6A, Chapter 4***, "Appropriations and Fund Status Reports").

3.4.5. Chapter 8 outlines the detailed requirements for determining and recording the amounts of obligations.

3.5 Reimbursements and Refunds

3.5.1. Definition

3.5.1.1. Reimbursements represent collections that organizations earn by selling goods or services. Reimbursable obligations refer to those obligations financed by offsetting collections that an expenditure account credits in payment for the goods and services it provides. The law must authorize the collection to credit the specific appropriation or fund account. Within the DoD, the Under Secretary of Defense (Comptroller) authorizes reimbursable authority through

budget formulation and statutory authorization of the budget. With the exception of refunds and reimbursements, organizations deposit collections in the Treasury as miscellaneous receipts.

3.5.1.2. Refunds represent repayments of excess payments and credit the appropriation or fund account that was charged with the original obligation, as outlined in OMB Circular A-11, section 20.9. The amounts must directly relate to previously recorded obligations incurred and expenditures made against the appropriation, serving as reductions to those expenditures. When entities collect amounts from outside sources for payments made in error, overpayments, or adjustments for previously disbursed amounts, these are classified as refunds to appropriations. Any amounts exceeding the refund, such as interest and penalty charges collected in relation to refunds, must be deposited in the Treasury as miscellaneous receipts. Items returned to Defense Working Capital Fund (DWCF) supply activities from DWCF customers are classified as recoveries rather than refunds. For accounting policy on the disposition of interest, penalties, and administrative charges, refer to ***Volume 4, Chapter 3***, "Receivables." Additionally, consult ***Volume 11A***, "Reimbursable Operations Policy", ***Volume 11B***, "Reimbursable Operations Policy – Working Capital Funds (WCF)," and ***Volume 15***, "Security Cooperation Policy" for further policy requirements for reimbursements.

3.5.1.3. To record an obligation and an outlay in the current fiscal year for returned cash advances, other offsetting collections, or special or trust fund receipts received in a prior fiscal year, follow the guidelines in OMB Circular A-11, section 20.10.

3.5.1.4. In general, collections that lack an authorized reimbursable authority for DoD goods and services do not create budgetary resources. Except for refunds, agencies must deposit such collections in the Treasury as miscellaneous receipts unless a law authorizes the deposit to an appropriation or fund. Agencies may credit refunds related to the use of Government purchase and travel cards, as well as Government travel arranged by Government Contracted Travel Management Centers, to the Operation and Maintenance and Research, Development, Test, and Evaluation accounts that are current when they receive the refunds. ***Volume 11A, Chapter 3***, "Economy Act Orders" and ***Volume 11B, Chapter 3***, "Defense Working Capital Fund – Budgetary Resources" contain the general policy statements regarding work performed or materials provided between the DoD and other Federal agencies.

3.5.2. Anticipated Reimbursements

3.5.2.1. Anticipated reimbursements estimate the reimbursements that the organization expects to earn during the current fiscal year, subject to OMB apportionment, based on customer orders or services received or provided. The organization cannot use anticipated reimbursements as a source of obligational authority until it accepts a customer order, unless a statute specifically authorizes such use.

3.5.2.2. An allotted reimbursable authority does not give authority to incur obligations. It can only incur obligations after accepting a customer order. The reimbursable authority does not need to be specifically allotted. When the DoD Component responsible for the appropriation obtains written OMB approval, it can treat the apportionment, allotment, and allocation of the reimbursable authority as "automatic." OMB approval depends on meeting the

criteria for automatic apportionment of reimbursements outlined in ***Chapter2***, "Apportionment/Reapportionment and Funds Distribution."

3.5.2.3. At the beginning of each fiscal year, agencies must record an allotment of anticipated reimbursable authority. For the predominantly used automatically apportioned reimbursable authority within the DoD, the performing activity must enter an estimate of the expected reimbursable authority. In the case of a specifically apportioned reimbursable authority, the performing agency must enter the exact amount specified in the allotment instrument. The performing activity may revise the estimate of automatically apportioned reimbursable authority, either upward or downward, at any time during the fiscal year to reflect the current estimate. However, the specifically apportioned reimbursable authority cannot be revised unless the performing agency requests and receives a revised allotment instrument. An allotment of anticipated reimbursable authority does not grant obligation authority; it only provides the authority to accept reimbursable orders. The accepted reimbursable order then provides the obligation authority. For information on specific types of customer orders, see subparagraph 3.5.3.2.

3.5.3. Customer Orders

3.5.3.1. Accepted customer orders establish obligational authority in a performing allotment. Unfilled customer orders represent the amounts of orders that other accounting entities within the United States (U.S.) Government has accepted that goods and services to be provided on a reimbursable basis. In the case of transactions with the public, these orders reflect the amounts collected in advance for which the accounting entity has not yet performed the requested services. On an exception basis, the public may submit orders that are received and accepted without payment in advance, but only when a statute specifically permits this. To accept a customer order, the performing accounting entity must agree in writing to perform the work for the requesting (customer) accounting entity. ***Volume 11A, Chapter 1***, "General Reimbursement Policy" and Volume 11B, Chapter 3 outline the written requirements used to document these requests and acceptances. An allotment of reimbursable authority, whether specific or automatic, grants authority for the reimbursable authority but does not establish obligational authority.

3.5.3.2. For reimbursable customer orders between Federal Government entities, when both the performing and ordering agencies use multi-year appropriation accounts, the agency that accepts the order from a multi-year appropriation account must record the obligational authority resulting from the order against its multi-year appropriation account with a corresponding period of availability. If the performing and ordering agency accounts have different periods of availability—such as when a performing agency uses its one-year Operations and Maintenance appropriation to fill an order funded by a customer's multi-year appropriation account—the agencies must apply such reimbursable customer orders and their related transactions in accordance with OMB Circular A-11, section 130.21. In these cases, the performing agency must obtain authorization each fiscal year to execute the unobligated balance in the subsequent fiscal year. For guidance on Economy Act orders, refer to Volume 11A, Chapter 3.

3.5.3.3. For additional guidance on project orders between DoD entities, refer to ***Volume 11A, Chapter 2***, "Project Orders."

3.5.3.4. For general guidance on non-Economy Act orders, refer to ***Volume 11A, Chapter 18***, "Non-Economy Act Orders."

3.5.3.5. For additional guidance on orders placed with or through Defense Working Capital Fund activities, refer to Chapter 8, section 9.

3.5.4. Unearned Revenue

Performing organizations recognize unearned revenue as the amount received in advance for the future delivery of goods, services, or other assets. To record reimbursable orders that are received and accepted with payment in advance, accountants must make a compound entry. They must record advance payments in both the budgetary accounts and proprietary accounts.

3.5.5. Earned Reimbursements

3.5.5.1. An earned reimbursement is the amount recognized when a performing organization renders actual or constructive performance on a reimbursable order. Generally, it is at the point of recognition of a paid or unpaid delivered order that compound entries must be made to record the performance and earnings in both the budgetary accounts and in the proprietary accounts.

3.5.5.2. Generally, the cost elements outlined in Volume 11A, Chapter 3, and Volume 11B, Chapter 3 must be recovered through reimbursements. However, specific DoD issuances (e.g., directives or instructions) may authorize the establishment of other billing prices.

3.5.5.3. The accounting entity responsible for collection must account for reimbursements separately. They must maintain appropriate billing documents that indicate the specific property delivered or services rendered, along with quantities, dollar amounts, and references to each customer order.

3.5.5.4. Accountants must record and bill earned reimbursements promptly in the accounting period they are earned. See Volume 11A, Chapter 1 for information on reimbursement procedures and supporting documentation.

3.5.5.5. DoD accounting entities should generally collect funds without using checks by processing billing and collecting entries simultaneously in the disbursing officers' accounts. The requesting accounting entity must record its obligations according to the standards for recognizing obligations in Chapter 8.

3.5.6. Proceeds from Articles Sold. For information on proceeds from articles sold, see ***Volume 15, Chapter 7***, "Pricing."

3.6 Borrowing Authority

3.6.1. Borrowing authority allows an entity to incur obligations and make payments for specified purposes using borrowed money. The entity must establish this authority when acquiring

property subject to a mortgage and withdraw it upon paying the mortgage principal. When a buyer assumes the mortgage, the buyer disestablishes the borrowing authority.

3.6.2. The U.S. Government must include the amount of the mortgage balance payable in the accrued expenditures for acquiring homes subject to mortgages that it assumes. Buyers must include the amount of the mortgage balance payable in the accrued revenues for selling homes subject to mortgages that they assume. Sellers may sell homes subject to another loan covering all or part of the cash purchase price to the new buyer. In this case, the U.S. Government holds a second mortgage on the home, and the revenue from the sale includes this mortgage receivable.

3.6.3. The U.S. Government's assumption of a mortgage increases the borrowing account. Payments on the mortgage principal decrease the borrowing account. When a buyer assumes the mortgage balance, it decreases the borrowing account. The borrowing account is equal to the borrowing authority.

3.6.4. Officials must ensure that the total acquisition cost of the property and the mortgage assumed align with ***Volume 6A, Chapter 3***, "Reporting of Outlays, Receipts, and Adjusted Trial Balances."

3.7 Additional Guidance

3.7.1. For policy guidance and information on the Homeowners Assistance Program, refer to DoD Directive 4165.50E and 42 U.S.C. §3374.

3.7.2. For policy guidance and information on foreign military indebtedness, refer to ***Volume 16, Chapter 6***, "Debt Owed to the DoD by Foreign Entities."

3.7.3. For policy guidance and information on the military housing privatization program, refer to ***Volume 2B, Chapter 6***, "Military Construction/Family Housing Appropriations" and ***Volume 6A, Chapter 9***, "Accounting and Reporting for Operation and Maintenance of the Family Housing Program."

4.0 ACCOUNT ADJUSTMENTS

4.1 Fiscal Year-End Adjustments to Appropriation Accounts

4.1.1. At fiscal year-end, DoD Components that receive appropriations must accurately state obligational authority and obligations based on the most current information available. To accomplish these fiscal year-end adjustments, they should take the following actions:

4.1.2. Review and validate the unfilled orders from the Economy Act and Non-Economy Act (see Volume 11A, Chapters 3 and 18, respectively). Cancel the orders funded from expiring accounts or the portions that will not be obligated by the fiscal year-end. Notify the ordering activities about the order reductions that affect their obligations and fund availability.

4.1.3. Review and validate unfilled project orders funded by expiring accounts. Cancel those orders that will not be started by January 1 of the ensuing fiscal year. Notify ordering activities of order reductions that affect their obligations and fund availability.

4.1.4. Review anticipated reimbursements to eliminate those for orders that Components do not accept.

4.1.5. Review the estimated obligations to identify possible overstatements or understatements.

4.1.6. Review obligations for goods and services ordered. Cancel orders or contracts for goods or services that are no longer needed or that are not likely to be delivered, and deobligate the appropriate amounts. A contract modification, or similar authorized contracting officer action, is required to deobligate these amounts, refer to Chapter 8, paragraph 16.8.

4.2 Adjustments to Expiring Accounts

4.2.1. Cancel outstanding commitments in expiring accounts. Officials must cancel outstanding commitments by the end of the period when an appropriation is available for obligation. Do not allow commitments in expired accounts. Refer to subparagraph 3.3.6 for instructions on recording transactions for commitments that remain unobligated after the period of availability expires.

4.2.2. Review completed customer orders to restore the obligational authority for the reimbursable authority that exceeded performance costs. Eliminate earned amounts that remain uncollected from the expiring appropriation account and establish them against the miscellaneous receipt account, where the future collection will be deposited.

4.2.3. Reduce the balances in *Unfilled Customer Orders Without Advance* and *Unfilled Customer Orders With Advance* to match the amount of valid remaining incomplete customer orders. Return any cash advances accepted for non-Federal customer orders that remain unused (i.e., no performance) by the end of the fiscal year.

4.2.4. Eliminate any remaining balance in *Anticipated Reimbursements and Other Income*.

4.3 Adjustments to Canceled Appropriation Accounts

Upon canceling an appropriation, officials should cancel all obligations (undelivered orders and unpaid obligations) and uncollected reimbursements before making normal closing entries.

4.4 Report Preparation and Closing

After adjustments are completed, officials must prepare budget execution reports as specified in Volume 6A, Chapter 4. Once reports are finished, officials close the obligational and reimbursable authority.

4.5 Expired and Canceled Accounts

4.5.1. For 5 years after the time an appropriation expires for incurring new obligations, agencies can use both the obligated and unobligated balances of that appropriation to record, adjust, and liquidate obligations that are properly chargeable to that account.

4.5.2. On September 30 of the fifth fiscal year after an appropriation's period of availability for incurring new obligations expires, the obligated and unobligated balances of that appropriation must be canceled, making them no longer available for obligation or expenditure for any purpose.

4.5.3. If an appropriation is canceled and it becomes necessary to record an obligation or an adjustment to an obligation that would have been properly chargeable (both in purpose and amount) to the canceled appropriation, officials should charge the obligation to an appropriation currently available for the same purpose.

4.5.4. When a current appropriation pays an obligation that would have been properly charged (both in purpose and amount) to a canceled appropriation, the total of all such payments from that current appropriation cannot exceed the lesser of:

4.5.4.1. The unexpended balance of the canceled appropriation (the unexpended balance is the sum of the unobligated balance plus the unpaid obligations of an appropriation at the time of cancellation, adjusted for obligations and payments which are incurred or made after cancellation, and which would otherwise have been properly charged to the appropriation except for the cancellation of the appropriation); or

4.5.4.2. The unexpired unobligated balance of the currently available appropriation; or

4.5.4.3. One percent of the total original amount appropriated to the current appropriation is being charged.

4.5.4.3.1. For annual accounts, the applicable account has a one percent limitation on the annual appropriation, not on total budgetary resources (e.g., reimbursable authority).

4.5.4.3.2. For multi-year accounts, the total (multi-year) amount of the appropriation is subject to the one percent limitation.

4.5.4.3.3. For contract changes, charges made to currently available appropriations will not impact the one percent limitation rule. In other words, the charges to current appropriations for contract changes will not reduce the one percent of the currently available appropriation amount.

4.5.5. See ***Chapter 10***, "Accounting Requirements for Expired and Closed Accounts," for additional policies regarding expired and canceled accounts.

4.6 Expired Authority

4.6.1. Accounting. Expired authority consists of (a) unobligated balances and (b) obligated but unliquidated balances that remain in appropriations no longer available for incurring new obligations. The balances become unavailable because the time for incurring such obligations has expired. Each fiscal year must maintain separate accounts for every expired fixed appropriation for 5 years after the appropriation's period of availability for obligation ends.

4.6.2. Elimination of Unobligated Balances

4.6.2.1. Direct Authority. Organizations must close the unobligated budget authority of an expired appropriation to account 465000, *Allotments Expired Authority*, at the time of its expiration.

4.6.2.2. Reimbursable Authority. Closing entries eliminate the expended reimbursable authority. Additionally, organizations need to eliminate any unobligated reimbursable authority that exists at the time the receiving appropriation expires. Organizations must return unobligated reimbursable authority to the financing appropriation. Organizations must also request the obligation authority necessary to finance any subsequent upward obligation adjustments from that financing appropriation. For more information on multi-year reimbursable authority and cash advances from non-Federal sources, see subparagraphs 3.5.3.2 and 4.2.3, respectively.

4.6.3. Adjustments. During the 5 years following the appropriation's period of availability for obligation, DoD Components can adjust obligations upward and downward, and they can make disbursements from these expired appropriations. Before appropriation cancellation, expired authority allows a DoD Component to adjust previously under-recorded obligations upward or to record obligations that should have been recorded (but were not) against an expired appropriation.

4.7 Canceled Authority

4.7.1. On September 30th of the fifth fiscal year after the period of availability for obligation ends, the agency must close the fixed appropriation account and cancel any remaining balance (whether obligated or unobligated) in the account. After cancellation, the account will not be available for obligation or expenditure for any purpose. The agency must continuously maintain the obligational status of the canceled account, even though no expenditures or collections may occur. Additionally, the agency must deposit any collections authorized or required to be credited to the appropriation account, but not received before the account closes, into the Treasury as miscellaneous receipts.

4.7.2. Accounting for Canceled Obligated and Unobligated Balances. When an appropriation is canceled, the entity must reclassify the balance in account 465000, *Allotments – Expired Authority*, as canceled authority and record it in account 435000, *Canceled Authority*. *Expenditures* from a current appropriation that apply to obligations incurred in a canceled appropriation will reduce the balance in account 435000.

4.7.3. Accounting for Collections Applicable to Closed Accounts. The entity must deposit any collections received after the cancellation of an account in Treasury as miscellaneous receipts.

4.7.4. Accounting for Expenditures Applicable to Canceled Appropriations. Entities must continuously maintain the status of direct program obligated and unobligated balances, as well as reimbursable authority obligated balances, even in a closed account. If the entity does not receive payments (cash collections) for obligations incurred in the reimbursable authority, it must cover those obligations with direct program unobligated authority that exists in the closed account.

4.7.4.1. To determine if sufficient direct program unobligated authority exists in the closed account, deduct all amounts that current appropriations charged, which would have otherwise been chargeable to the closed account in both purpose and amount, from the unobligated balance at the time of the cancellation, except when the account was canceled.

4.7.4.2. The current appropriation for obligations and payables of a canceled appropriation cannot exceed the lesser of (1) the unexpended balance of the canceled appropriation; (2) the unexpired unobligated balance of the currently available appropriation; or (3) one percent of the current appropriation being charged. Agencies must pay payables applicable to canceled appropriations from funds of subsequent appropriations that are available for the same general purpose as the canceled ones. Agencies cannot record liabilities on the books of a subsequent appropriation until (1) it receives valid bills for payment, and (2) it is certain that the payment will come from that subsequent appropriation. If such payments exceed the one percent limitation, the organization must seek additional authority from Congress (see Chapter 10). It is important to note that officials record the liability of a current account to pay an obligation of a canceled account only in the proprietary accounts of the current account, as described in this paragraph. However, officials must immediately record the obligation of a current account to pay, including upward obligation adjustments, in the budgetary accounts against the obligational authority of the canceled account that would have been available except for its cancellation.

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 16: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 3, CHAPTER 17: "ACCOUNTING REQUIREMENTS FOR MILITARY CONSTRUCTION PROJECTS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*****.**

The previous version dated June 2019 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Streamlined to remove duplications.	Revision
1.2 (170102)	Added new authoritative guidance.	Added
2.5.8. (170205.H)	Revised to include use of new forms and removal of the Military Interdepartmental Purchase Request.	Revision
2.6 (170206)	Revised to include Title 10, United States Code, section 2807 language.	Revision
3.3.3.1. (170303.C.1)	Revised to include updated policy memorandum.	Revision
4.3 (170403)	Revised to include use of new forms and removal of the Standard Form 1080, Voucher for Transfers Between Appropriations and/or Funds.	Revision
5.5 (170505)	Streamlined the section for easier readability.	Revision
Table 1-1	Updated with Fiscal Year 2021.	Revision

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CHAPTER 17

ACCOUNTING REQUIREMENTS FOR MILITARY CONSTRUCTION PROJECTS

1.0 GENERAL (1701)

1.1 Purpose (170101)

This chapter identifies accounting requirements and legal authorities applicable to the construction of real property, including:

1.1.1. Costs to be charged to appropriations available for military construction (these costs are referred to as funded costs);

1.1.2. Costs that, although financed by appropriations or funds other than those available for a specific construction project, are to be capitalized as part of the real property investment (these are referred to as unfunded costs);

1.1.3. Preparation of accounting source documents required to support entries to real property accounts;

1.1.4. Obligation and expenditure restrictions and limitations for military construction projects; and

1.1.5. Various other related functions.

1.1.6. For policy relating to the construction of real property involving arrangements with host nations see the discussion of facilities and equipment outside the zone of the Interior (United States and Possessions) in Volume 4, Chapters 24 - 28.

*1.2 Authoritative Guidance (170102)

1.2.1. ***Title 10, United States Code, section 2802 (10 U.S.C. § 2802)*** authorizes the Secretary of Defense and Secretaries of the Military Departments to carry out military construction projects, land acquisitions, and defense access road projects. Typically, annual national defense authorization acts include military construction authorization acts. Congress has provided the Department permanent authority to carry out certain types of military construction projects. These standing authorities primarily are located within ***10 U.S.C. Chapter 169***, "Military Construction and Military Family Housing." Chapter 169 includes:

1.2.1.1. ***Subchapter I***, Sections 2801 to 2815, "Military Construction;"

1.2.1.2. ***Subchapter II***, Sections 2821 to 2838, "Military Family Housing;"

1.2.1.3. ***Subchapter III***, Sections 2851 to 2869, "Administration of Military Construction and Military Family Housing;"

1.2.1.4. ***Subchapter IV***, Sections 2871 to 2886, "Alternative Authority for Acquisition and Improvement of Military Housing;" and

1.2.1.5. ***Subchapter V***, Sections 2890 to 2894, "Oversight of Landlords and Protections and Responsibilities of Tenants of Privatized Military Housing."

1.2.2. ***10 U.S.C. Chapter 1803***, "Facilities for Reserve Components."

1.2.3. Additional U.S.C. requirements prescribed in this chapter.

1.2.3.1. ***10 U.S.C. § 480***, "Reports to Congress: Submission in Electronic Form;"

1.2.3.2. ***10 U.S.C. Chapter 160***, "Environmental Restoration;"

1.2.3.3. ***10 U.S.C. § 2577***, "Disposal of Recyclable Materials;"

1.2.3.4 ***10 U.S.C. § 2667***, "Leases: Non-excess Property of Military Departments and Defense Agencies;"

1.2.3.5. ***10 U.S.C. § 2668***, "Easements for Rights-of-Way;"

1.2.3.6. ***10 U.S.C. § 2703***, "Environmental Restoration Accounts;"

1.2.3.7. ***10 U.S.C. § 2707***, "Environmental Restoration Projects for Environmental Responses;"

1.2.3.8. ***10 U.S.C. § 7540***, "Architectural and Engineering Services;"

1.2.3.9. ***10 U.S.C. § 8612***, "Employment of Outside Architects and Engineers;"

1.2.3.10. ***10 U.S.C. § 9540***, "Architectural and Engineering Services;"

1.2.3.11. ***10 U.S.C. § 18233***, "Acquisition;"

1.2.3.12. ***10 U.S.C. § 18233a***, "Notice and Wait Requirements for Certain Projects;"

1.2.3.13. ***23 U.S.C. § 210***, "Defense Access Roads;"

1.2.3.14. ***42 U.S.C. Chapter 103***, "Comprehensive Environmental Response, Compensation, and Liability;" and

1.2.3.15. ***50 U.S.C. Chapter 34***, "National Emergencies Act."

1.2.4. Additionally, the accounting policy and related requirements prescribed by this chapter are in accordance with the applicable provisions and are identified.

1.2.4.1. The United States Standard General Ledger ***(USSGL)***, Treasury Financial Manual, the Standard Financial Information System ***(SFIS) Transaction Library***, and the Department of Defense (DoD) Standard Chart of Accounts;

1.2.4.2. Title 23, Code of Federal Regulations ***(CFR), Part 660, Subpart E***, "Defense Access Roads;"

1.2.4.3. DoD Directive ***(DoDD) 3025.18***, "Defense Support of Civil Authorities;"

1.2.4.4. ***DoDD 4270.5***, "Military Construction;"

1.2.4.5. DoD Instruction ***(DoDI) 4000.19***, "Support Agreements;"

1.2.4.6. ***DoDI 4165.56***, "Relocatable Buildings;" and

1.2.4.7. United Facilities Criteria ***(UFC) 1-300-08***, "Criteria for Transfer and Acceptance of DoD Real Property."

2.0 MILITARY CONSTRUCTION PROCESS (1702)

2.1 Definition (170201)

Military construction is any construction, development, conversion, or extension of any kind carried out with respect to a military installation, whether to satisfy temporary or permanent requirements, or any acquisition of land or construction of a defense access road. A military construction project includes all military construction work necessary to produce a complete and usable facility or a complete and usable improvement to an existing facility (or to produce such portion of a complete and usable facility or improvement as is specifically authorized by law). The authority to carry out military construction includes authority for (1) surveys and site preparation; (2) acquisition, conversion, rehabilitation, and installation of facilities; (3) acquisition and installation of equipment and appurtenances integral to the project; (4) acquisition and installation of supporting facilities (including utilities) and appurtenances incident to the project; and (5) planning, supervision, administration, and overhead incident to the project.

2.2 Authorization Requests (170202)

2.2.1. Each year an annual or biennial request for major construction projects and programs is submitted to the Congress. Requests presented are reviewed, adjusted, and approved through established command and staff channels, including the Office of the Secretary of Defense (OSD) and the Office of Management and Budget (OMB) before submission to the Congress for authorization. The Assistant Secretary of Defense for Energy, Installations and Environment (ASD(Sustainment)) in conjunction with the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) provides guidance for submitting military construction projects for authorization.

2.2.2. Requests for authorization are confined to projects reasonably expected to be executed within the fiscal year requested.

2.2.3. Authorization requests for major construction projects must be supported by data on proposed physical capacity or other physical measurements, as well as data on estimated costs. Generally, the data for such projects must be arranged by state and/or installation. These data must be accompanied with comparative data on the existing real property inventory and projects expected to be subject to future authorization requests. Related data with respect to approved missions and proposed forces should also be provided. In addition, programs should be evaluated with respect to that portion of a project subject to request for immediate authorization and that portion deferred for future authorization requests.

2.3 Authorization Guidance and Restrictions (170203)

2.3.1. Each Act of Congress that provides authorization for work performed under major construction programs generally contains a limitation on total costs for work undertaken for each installation as a whole, for emergency construction work on a Department- wide basis and, in some cases for a type or category of construction. In certain circumstances, overruns, within stated percentages, may be authorized with respect to individual cost limitations, provided the total amount authorized for any appropriation is not exceeded.

2.3.2. Specific authorization in a military construction authorization act is required for work performed under major construction programs unless the project is carried out under one of the authorities provided by: 10 U.S.C. §§ 2667-2668, 2803-2805, 2808, 2854, 18233 and other authorities to carry out a project not otherwise specifically authorized.

2.3.3. A Military Department may not carry out a minor military construction project expected to exceed the statutory limits provided in 10 U.S.C. § 2805 without specific Congressional authorization and approval. See subparagraph 170302.C.

2.3.4. 10 U.S.C. § 2802 provides authority to carry out a military construction project. See paragraph 170201.

2.4 Appropriation Requests (170204)

2.4.1. Military Construction Projects. Appropriation requests in support of all new military construction projects are submitted to the Congress annually or biennially, as required. Military construction appropriations generally are available for obligation for five fiscal years. Such appropriation requests are consistent with existing authorizations, authorization requests, or other requests for funds, as applicable, and include specific budget estimates for those projects for which legislative authorization has been, or is being, requested.

2.4.2. Military Family Housing. Individual projects must be authorized and appropriated in accordance with 10 U.S.C. Chapter 169, Subchapter II.

2.4.3. Reprogramming. Adjustments may be made as necessary to finance completion cost of:

2.4.3.1. Projects previously approved and started,

2.4.3.2. Projects expected to be started during the current fiscal year, and

2.4.3.3. Other project costs that represent valid unfinanced requirements for the budget year.

2.4.4. Reprogramming Amounts. All reprogramming amounts requested must be consistent with amounts appropriated for specified military construction projects and the reprogramming criteria provided in Chapter 7, "Reprogramming of Military Construction and Family Housing Appropriated Funds."

2.4.4.1. The amount of reprogramming must be within total amounts appropriated in each annual appropriation act.

2.4.4.2. Amounts previously appropriated in excess of the cost of performance may be reprogrammed to support the completion of other projects.

2.4.4.3. Individual projects cited as a source of funds for reprogramming are limited to the new total cost included in the estimate given to the Congress.

*2.5 Obligation and Expenditure Restrictions (170205)

2.5.1. Appropriated funds authorized for obligation are subject to the regulations regarding administrative control of funds and Antideficiency Act provisions addressed in Volume 14. An adequate system of funds control must be established in accordance with Volume 14. These controls must be designed to ensure individual projects are being carried out consistently with authorized purposes and within authorized and available funds.

2.5.2. Absent a specific provision of law, the cost estimate for each project approved by the Congress is not a separate statutory cost limitation. Major physical or financial changes in individual projects previously approved must be reported in advance to the House and Senate Appropriations Committees and the House National Security and Senate Armed Services Committees for their approval after proper clearance within the Department and OMB.

2.5.3. Limitations will be at the project level for major construction and budget activity for minor construction and planning and design.

2.5.4. DoD Components have limited authority to realign resources between projects consistent with Volume 2B, Chapter 6.

2.5.5. Requests for apportionment of appropriated funds must be based on estimates contained in applicable approved operating budgets.

2.5.6. Within each Military Department, funding authorizations to incur obligations must be made by means of subdivisions of appropriated funds to operating agencies and operating units responsible for construction. Such funding authorizations must be less than or equal to total obligation requirements for the respective approved operating budgets.

2.5.7. There can be only one allotment of funds from the construction appropriation to any operating agency and only one suballotment of funds from any such allotment to each operating unit. These allotments and suballotments represent funds distribution only and are not made for reimbursable activity. Each allotment or suballotment should carry with it only such additional obligation limitations as may be established by OMB or the Secretary of Defense, or as otherwise required by the Congress or the President. Separate limitations imposed on total costs by congressional authorizations and by administrative action must be observed at every level in connection with budgetary and funding actions as well as in program execution.

*2.5.8. Intergovernmental Construction Work or Services

2.5.8.1. Military Departments performing construction work or services for another DoD Component or other Federal agency are required to use reimbursable agreements defined within the Economy Act when practical. Guidance in the Treasury Financial Manual, Volume I, Part 2, Chapter 4700, Appendix 6, Section 9 provides the standard Interagency Agreement containing Fiscal Service ***(FS) Form 7600A***, "General Terms and Conditions," and ***FS Form 7600B***, "Order Form." The FS Forms 7600A/B must cite a requirement for periodic billings for construction, and include supporting documentation of the costs billed. All DoD Components must use the latest published versions of FS Forms 7600A/B and must comply with the Federal Intragovernmental Data Standards when using the Treasury's ***G-Invoicing*** system, DoD Ordering systems, Enterprise Resource Planning, or when completing the FS Forms 7600 A/B manually.

2.5.8.2. DoD Construction Agents wishing to use suballotments rather than FS Forms 7600A/B must deliver a detailed action plan to the Deputy Chief Financial Officer (DCFO). If the detailed action plan is approved by the DCFO, the Construction Agents are required to:

2.5.8.2.1. Use independently validated Federal Information System Controls Audit Manual (FISCAM) and Federal Financial Management Improvement Act (FFMIA) compliant financial management systems:

2.5.8.2.1.1. FISCAM compliant systems must meet all relevant FISCAM control objectives to the financial statements (i.e. both Information Technology General Controls and application controls related control objectives).

2.5.8.2.1.2. FFMIA compliant systems must meet: Federal financial management system requirements (e.g., OMB Circulars A-127 and A-130), applicable Federal accounting standards (e.g., Statement of Federal Financial Accounting Standards (SFFAS), OMB Bulletin (19-03), and the USSGL at the transaction level.)

2.5.8.2.2. Provide USSGL/SFIS compliant trial balances inclusive of budgetary and propriety accounts to each customer and Defense Finance and Accounting Service monthly. They must also provide reconciliations of the trial balances to:

2.5.8.2.2.1. Suballotment universe of transactions;

2.5.8.2.2.2. End-to-end feeder systems, including contract writing systems, entitlement systems, and Accountable Property Systems of Record;

2.5.8.2.2.3. Defense Departmental Reporting System (DDRS) unadjusted and adjusted trial balances; and

2.5.8.2.2.4. Program Budget Accounting System funding authorizations.

2.5.8.2.3. Provide end-to-end business process and underlying system walkthroughs, process flows, and narratives, for the execution of Military Construction projects - both major and minor. The end-to-end business process includes the receipt of funding through the transfer of asset(s) and close-out of related contracts. The process should demonstrate how all costs (direct and indirect) associated with bringing an asset into service is accumulated in a construction-in-progress account in accordance with ***SFFAS 6***, Accounting for Property, Plant, and Equipment.

2.5.8.2.3.1. Within five days of receipt from customer, provide requested transaction supporting documentation. Documentation may include: contracts, invoices, receiving documents, rate settlement calculations, Department of Defense ***(DD) Form 1354***, Transfer and Acceptance of DoD Real Property, and support for DDRS or accounting system Journal Vouchers.

2.5.8.2.3.2. Work with customer auditors to identify and correct any audit findings, including system findings.

2.5.8.3. Provide a reconciliation of progress billings to actual construction in progress and provide sufficient supporting documentation for the reconciliation at least monthly.

2.5.8.4. DoD Construction Agents may perform work or services for another DoD Component or other Federal agency (i.e. Federal Emergency Management Agency) when construction or services work is a response to an emergency, under suballotments.

2.5.8.5. Funding for construction work by the transfer of appropriation accounts or by advances of funds is prohibited. Direct citation of funds (i.e. direct charge by the performing unit and/or activity to the funds of the ordering unit and/or activity) is also prohibited.

2.5.9. The performance or all work or services on a reimbursable basis under a construction appropriation must conform to the policies prescribed in this subparagraph:

2.5.9.1. Reimbursements earned are an additional source of obligational authority under the appropriate budget program account. Recording reimbursements for orders received is permitted for establishing obligational authority. Cost limitations for the performance of work must be observed pursuant to the terms of the orders received. Operating budgets must include estimates of reimbursable orders received or anticipated.

2.5.9.2. Reimbursements are to be budgeted and their use controlled at the Military Department level where management and control of a program is retained. In these cases, allotments of funds must be expressed in terms of total obligational authority in operating budgets of the respective operating agencies and operating units responsible for carrying out the program.

2.5.10. Authority to procure architectural and engineering services for public works and utilities projects is provided by 10 U.S.C. § 7540, 8612 and 9540. These sections, which apply to the Departments of the Army, Navy, and Air Force, and limit the amount of obligations that can be incurred for architectural and engineering services for any public works or utilities project. Specifically, these sections limit the amount of such services provided by sources outside the respective Departments to not more than six percent of the estimated cost of the project. The six percent threshold does not include costs associated with activities such as design reviews, advertisements, preparation of invitations for bids, requests for proposals, land survey, soils and/or other investigations and model studies, determination of program or project requirements, design development criteria, environmental impact statements and supporting data, or travel and per diem.

*2.6 Planning and Design (170206)

2.6.1. 10 U.S.C. § 2807 authorizes the Secretary to obtain architectural and engineering services and may carry out construction design in connection with military construction projects, family housing projects, and projects undertaken in connection with the authority provided under 10 U.S.C. § 2854 not otherwise authorized by law.

2.6.1.1. Such efforts may be accomplished without specific congressional authorization for the project, provided the activities are accomplished within amounts appropriated and the estimated design costs do not exceed the amount established in 10 U.S.C. § 2807, as amended. The established limit is $1 million.

2.6.1.2. 10 U.S.C. § 2807 prescribes an obligational notice and wait period for architectural and engineering services and construction design services for which the estimated costs exceed $1 million. Before obtaining such services, the Secretary concerned will notify the appropriate committees of the Congress before the initial obligation of funds for such services. The Office of the ASD(Sustainment), Facility Investment and Management Directorate will receive copies of the Congressional notification. The Secretary concerned can only obligate the funds after the end of a 14-day period following the electronic notification to Congressional committees pursuant to 10 U.S.C. § 480. This provision applies to both the active and reserve components of the Military Departments.

2.6.2. See subparagraph 170205.J. for limitations on the amount of costs Military Departments may incur for architectural or engineering services obtained from sources outside of the respective Department.

2.6.3. Planning and design functions include:

2.6.3.1. Architectural and engineering services and construction design required for site investigation, survey, mapping, or sketches;

2.6.3.2. Preparation of cost estimates for construction and land acquisition projects;

2.6.3.3. Preparation of plans, specifications, special studies, including value engineering, and construction contract documents;

2.6.3.4. Construction management of projects funded by foreign governments for which elements of the Armed Forces of the United States are the primary users;

2.6.3.5. Development and updating of design criteria and manuals;

2.6.3.6. Preparation of standard designs and definitive drawings used on military construction projects;

2.6.3.7. Management of military construction program design and contract administrative services for design;

2.6.3.8. Certification of project cost;

2.6.3.9. Administration of architectural and engineering service contracts for the design of construction and land acquisition projects; and

2.6.3.10. Printing and reproduction of bid documents, preparing pre-bid government estimates and liaison with prospective bidders prior to award of a construction contract.

2.7 Scope of a Military Construction Project (170207)

2.7.1. Military construction projects include all acquisitions of land, regardless of cost. All requests for purchase, withdrawal from public domain, lease, or permit from individuals or government entities, or any other type of use agreement involving more than 1,000 acres, or land whose estimated purchase price or annual lease price exceeds $1 million will be submitted to the Deputy Secretary of Defense through ASD(Sustainment).

2.7.2. A military construction project includes all construction efforts, or any contribution authorized by law, necessary to produce a complete and usable facility or a complete and usable improvement to an existing facility or improvement as specifically authorized by law.

2.7.3. Military construction project funding includes equipment installed in and made a part of real property structures or improvements. Construction project funding excludes all production and movable equipment. The source and cost of all production and movable equipment directly associated with construction projects must be disclosed as additional information in presenting construction programs and budgets.

2.7.4. Construction applicable to one real property facility:

2.7.4.1. All construction proposed for a real property facility in which the same functional purpose or related functional purposes involved will be treated as one project.

2.7.4.2. All concurrent construction proposed for contiguous areas of a multi-use facility must be treated as a single project even though the construction pertains to unrelated functional purposes. For this purpose, contiguous means "in actual contact" or "touching."

2.7.4.3. All construction proposed for a multi-use facility that is common to the facility as a whole, or common to areas in which the same or related functional purposes are performed, must be treated as a single project.

2.7.4.4. Construction proposed for a multi-use facility may be divided into separate projects if each project can be clearly defined and the result is a complete and usable facility.

2.7.5. When construction is accomplished concurrent with repair and/or maintenance work as an integrated undertaking, the construction may be treated as a separate project. Because the construction is treated as a separate project, cost limitations, notification, and other requirements associated with applicable construction projects apply. For this purpose, engineering estimates may be used to determine costs applicable to the construction portion

2.7.6. A decision as to whether one project or several projects are to be established for related efforts must be submitted for approval to the Secretary of the appropriate Military Department.

2.8 Certifications of Costs (170208)

2.8.1. Certifications of costs incurred must be prepared in accordance with the format shown in UFC 1-300-08. These certifications must include statements of total cost incurred on the project; the total cost broken out for each building, linear structure, and structure constructed as part of the project; and the total cost broken into the categories of planning and design, construction contract supervision and administration, construction costs, and project funded real property installed equipment (RPIE) costs. In connection with the statement of total costs, the types of funds obligated or the lines of accounting for the funds must be identified as well as the organization(s) responsible for funding the acquisition.

2.8.2. The certification must be completed upon completion of the contract and furnished to the accountable Service when final costs of construction are accrued. The certification must be signed by an individual within the construction agent organization responsible for and authorized

to transfer accountability and by the individual within the acquiring entity responsible for and authorized to accept accountability of the relevant properties (in most cases, the Real Property Accountable Officer).

2.8.3. A copy of the certification must be retained in a project file at each level that maintains project files.

2.9 Project Files (170209)

Project files must be maintained for each construction project. These project files must represent a complete historical record of the project from inception to completion. Correspondence and other documentation pertinent to the project should be incorporated into project files at all appropriate levels. These files may include memorandums for record pertaining to decisions resulting from discussions, meetings, and telephone conversations. Construction agents are responsible for holding the historical project files and must provide copies of the files to the acquiring entity. Any agreements or contracts with construction agents must specify the requirement for the construction agent to provide copies of such files to the acquiring entity in accordance with this paragraph on a monthly basis.

3.0 CATEGORIES OF MILITARY CONSTRUCTION PROJECTS (1703)

3.1 Specified Military Construction Projects (170301)

3.1.1. Specified military construction projects, or "major military construction" projects, include all acquisition and/or construction, additions, expansions, extensions, conversions, alterations, or replacements of:

3.1.1.1. Facilities with costs in excess of the amount specified by law as the maximum amount for a minor construction project, or

3.1.1.2. Any project, regardless of cost, approved as a specific line item in the Military Construction budget request.

3.1.2. Elements of a major construction project should include:

3.1.2.1. Surveys, demolition and site preparation;

3.1.2.2. Acquisition, conversion, rehabilitation, and installation of facilities;

3.1.2.3. Acquisition and installation of equipment and appurtenances integral to the project;

3.1.2.4. Acquisition and installation of supporting facilities (including utilities) and appurtenances incident to the project;

3.1.2.5. Supervision, administration, and overhead incident to the project; and

3.1.2.6. Design and support of design for construction projects after project approval (includes change orders, value engineering proposals, and as-built drawings).

3.1.3. Specifically excluded from major construction are those activities identified as minor construction, planning and design, or supporting activities.

3.2 Unspecified Minor Military Construction (170302)

3.2.1. Projects involving the acquisition of new construction, addition, expansion, extension, alteration, conversion, replacement, or installation of permanent or temporary facilities (except family quarters) are minor construction projects when:

3.2.1.1. The cost of the project does not exceed such amount as may be specified by 10 U.S.C. § 2805 for the Active Components and 10 U.S.C. § 18233a for the Reserve Components, and

3.2.1.2. The project has not been included in the budget request as a specific line item.

3.2.2. For other than family housing facilities, when the cost of a project is less than the amount specified in 10 U.S.C. § 2805, the project must be financed from unspecified minor construction appropriations; operations and maintenance (O&M) appropriations; research, development, test and evaluation (RDT&E) appropriations; working capital fund resources; or other resources, as appropriate. The funding source does not influence the financial statement capitalization requirements described in subparagraph 170602.A.

3.2.3. Project guidelines include:

3.2.3.1. Notwithstanding any other provisions for approval of minor construction projects, no project may be proposed to be accomplished under minor construction authority that previously has been deleted by the Congress from proposed military construction authorization legislation or otherwise disapproved of by the Congress.

3.2.3.2. Each project accomplished under the minor construction authority must result in a complete real property facility or improvement.

3.2.3.3. Each project must, to the maximum extent possible, be consistent with the appropriate installation master plan. Requests for project approval must fully disclose the relation of the project to the master plan and must detail further planned construction to the same or closely related facilities.

3.2.3.4. The planned acquisition of, or improvement to, a real property facility through a series of minor construction projects; that is, incremental type construction is prohibited.

3.2.4. Notification requirements include:

3.2.4.1. When a minor construction project costing more than amounts established in 10 U.S.C. § 18233a is undertaken, appropriate congressional committees must be notified prior to the start of the project. The project then may be carried out only after the end of the 21-day period beginning on the day the notification is received by the committees, or if earlier, the end of the 14-day period beginning on the date on which an electronic copy of the notification is provided in an electronic medium pursuant to 10 U.S.C. § 480. Funds cannot be obligated for construction until the committee approves the minor construction

3.2.4.2. 10 U.S.C. § 2805 requires the Secretary concerned to notify, in writing, the appropriate committees of Congress of a decision to undertake an unspecified minor construction project costing more than $2 million. Notification must include the justification and estimated cost of the project. The project may be carried out only after the end of the 14-day period beginning on the date notification is received by the committees in an electronic medium pursuant to 10 U.S.C. § 480.

3.2.5. Additional minor construction provisions include:

3.2.5.1. Planning and design costs are excluded from the cost determination for purposes of determining compliance with the amounts established in 10 U.S.C § 2805 for minor construction projects.

3.2.5.2. DoD Components are precluded from using materials, supplies, or items of installed capital equipment on their own minor construction projects on a non-reimbursable basis.

3.2.5.3. Prerequisites for establishing a minor construction project include identification of the required end result of the project and its correlation with the appropriate installation master plan.

3.2.5.4. It is not feasible to prescribe absolute criteria for determining what scope of work would, under all possible circumstances, properly constitutes a separate minor construction project. However, minor construction projects undertaken under the authority of 10 U.S.C. § 2805 must be consistent with the intent of the statute as to what constitutes a separate project.

3.3 Emergency and Contingency Construction (170303)

Congress provides several separate authorities for major construction during times of war and national emergency and other special situations. These authorities are:

3.3.1. Construction Authority in the Event of a Declaration of War or National Emergency

3.3.1.1. 10 U.S.C. § 2808 contains authority authorizing the Secretary of Defense to undertake military construction projects, without regard to any other provision of law, in the

event of a declaration of war or the declaration by the President of a national emergency. This adheres to the National Emergencies Act, 50 U.S.C. Chapter 34, which requires use of the Armed Forces of the United States.

3.3.1.2. Such projects must be necessary to support use of the Armed Forces and may be undertaken only within the total amount of funds appropriated for military construction, including funds appropriated for family housing, that have not been obligated. Additional guidance is contained in DoDD 3025.18 and DoDD 4270.5.

3.3.1.3. When a Secretary of a Military Department decides, in conjunction with the supported Combatant Commander, to request use of this authority, the Secretary of the Military Department will submit a request to ASD(Sustainment). This request must include:

3.3.1.3.1. ***DD 1391***, Military Construction Project Data, providing justification for the project and a current cost estimate. Justification must include alternatives considered to using this authority and reasons for their non-selection.

3.3.1.3.2. An explanation of when the requirement was identified and how it was planned or programmed for execution prior to the current request.

3.3.1.3.3. A complete description of the source of funds to be used for the project, including the specific reasons as to why the funding is available and associated notifications under 10 U.S.C. § 2853, "Authorized Cost and Scope of Work Variations," as necessary.

3.3.1.3.4. An expected timeline and acquisition method for the project (including design, milestones, construction contract award, and completion dates) assuming project approval within 30 days of submission of the request to ASD(Sustainment).

3.3.1.3.5. Rationale as to why the project should not be deferred to a future budget request.

3.3.1.4. In conjunction with a Military Department request for 10 U.S.C. § 2808 authority, the Chairman of the Joint Chiefs of Staff must certify to the ASD(Sustainment) the request satisfies Combatant Commander priorities and is consistent with theater basing plans and/or operational requirements.

3.3.1.5. Once the Secretary of the Defense has notified the Congress, the OUSD(C) will issue funds pursuant to Chapter 5. Further, increases to the estimated costs provided in the notification require OUSD(C) coordination and reissuance of the funds.

3.3.1.6. This authority will terminate at the end of the war or national emergency.

3.3.2. Emergency Construction

3.3.2.1. The Secretaries of the Military Departments and Directors of Defense Agencies may carry out a major construction project under the authority of 10 U.S.C. § 2803, after appropriate congressional notification. Additional guidance is contained in DoDD 4270.5, "Military Construction." Emergency construction is limited to those projects where it is determined:

3.3.2.1.1. The project is vital to national security, protection of health and safety, or quality of the environment; and

3.3.2.1.2. The requirement for the project is so urgent deferral of the project for inclusion in the next Military Construction Authorization Act would be inconsistent with national security, protection of health and safety, or quality of the environment.

3.3.2.2. When a decision is made to request approval for an emergency construction project, the DoD Component concerned must submit a notification and request for reprogramming of military construction funds in accordance with the provisions of 10 U.S.C. § 2803 and Chapter 7. Each reprogramming request must include:

3.3.2.2.1. Justification for the cost of the project,

3.3.2.2.2. The current estimate of the cost of the project,

3.3.2.2.3. Justification for carrying out the project as an emergency construction project, and

3.3.2.2.4. statement as to the source of funds to be used for the project.

3.3.2.3. Emergency construction projects must be financed within amounts appropriated for military construction not obligated for other purposes. The maximum obligated amount by each Military Department in any fiscal year is established in 10 U.S.C. § 2803.

3.3.2.4. The project may be carried out only after the end of the five-day period beginning on the date the notification is received by the Congressional committees in an electronic medium pursuant to 10 U.S.C. § 480.

3.3.2.5. Except as otherwise specifically provided for, emergency construction projects will be subject to the same restrictions and limitations as major construction projects. Additionally, the identification and treatment of costs for emergency construction projects must be consistent with major construction projects.

3.3.2.6. There is no provision for emergency construction for the Reserve Components.

*3.3.3. Contingency Construction

3.3.3.1. 10 U.S.C. § 2804, "Contingency Construction" and the annual Military Construction Appropriation Acts authorize projects of an urgent nature to be funded from the Contingency Construction Account. Such efforts, to the extent accomplished within amounts appropriated for such purposes, may be accomplished without specific congressional authorization for the project involved. Additional requirements on the use of operation and maintenance funds under contingency construction authority for construction projects inside the United States Central Command Area of Responsibility (AOR) or certain countries in the United States Africa Command AOR are prescribed by OUSD(C) in a memorandum located on the DoD Financial Management Regulation (FMR) website on the ***Policy Memoranda*** page (under the "Volume 3" heading) and is updated more frequently than FMR chapters. The purpose of the policy memorandum is to extend authority for a specific period, authorizing funds for military construction.

3.3.3.2. A project financed under this authority requires a determination that deferral of the project for inclusion in the next Military Construction Authorization Act would be inconsistent with national security or national interest. Additional guidance is contained in DoDD 4270.5.

3.3.3.3. Use of this authority requires approval by the Secretary of Defense and written notification to the appropriate committees of Congress.

3.3.3.4. When a decision is made to request approval for a contingency construction project, the DoD Component concerned must submit a notification and request for reprogramming of military construction funds in accordance with the provisions of 10 U.S.C. § 2804 and Chapter 7. Each reprogramming request must include:

3.3.3.4.1. Justification for the cost of the project,

3.3.3.4.2. The current estimate of the cost of the project, and

3.3.3.4.3. Justification for carrying out the project as a contingency construction project.

3.3.3.5. Actual construction may not commence prior to the receipt of appropriate DoD and congressional approval. The project may be carried out only after the end of the seven-day period and beginning on the date the notification is received by the appropriate in an electronic medium pursuant to 10 U.S.C. § 480.

3.4 Environmental Response Actions (170304)

3.4.1. Authority for environmental response actions is provided under 10 U.S.C. subtitle A, Part IV, Chapter 160, "Environmental Restoration." Under the provisions of 10 U.S.C § 2707, "Environmental Restoration Projects for Environmental Responses," the Secretary of Defense or the Secretary of a Military Department may carry out an environmental restoration project if that Secretary determines the project is necessary to carry out a response under Chapter 160 or the

Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA), 42 U.S.C. Chapter 103.

3.4.2. Any construction, development, conversion, or extension of a structure, and any installation of equipment, included in an environmental restoration project may not be considered military construction.

3.4.3. The United States Department of the Treasury (Treasury) Fund Symbol ***X0810, "Environmental Restoration" has been established by 10 U.S.C § 2703, "Environmental Restoration Accounts" for the conduct of environmental restoration projects. (Replace *** with appropriate DoD or Military Department identifier.) This account will be credited with:

3.4.3.1. Amounts appropriated to this account by Congressional action,

3.4.3.2. Amounts recovered under CERCLA for response actions, and

3.4.3.3. Any other amounts recovered from a contractor, insurer, surety, or other person to reimburse the DoD or a Military Department for any expenditure for environmental response activities.

3.4.4. Use of Funds

3.4.4.1. The Environmental Restoration Account described in this paragraph is the only source of funds to conduct environmental restoration projects at a site under the jurisdiction of the DoD or at a formerly used defense site, except for certain Base Realignment and Closure sites.

3.4.4.2. In the case of property disposed of pursuant to a base closure law and subject to certain CERCLA provisions, the sole source of funds for environmental restoration is the applicable DoD base closure account. See 10 U.S.C. § 2703 for additional provisions.

3.4.4.3. No funds appropriated to the Environmental Restoration Account, or to any environmental restoration account of a Military Department may be used for the payment of a fine or penalty (including any supplemental environmental project carried out as part of such penalty) imposed against the DoD or a Military Department, except as provided in 10 U.S.C. § 2703, paragraph f.

3.4.5. See Volume 4, Chapter 13 for the accounting policy for measuring, recognizing, and disclosing environmental liabilities.

3.5 Restoration or Replacement of Damaged or Destroyed Facilities (170305)

3.5.1. The Secretaries of the Military Departments and the Secretary of Defense may repair, restore or replace a facility damaged or destroyed and for which legislative authorization and appropriation has not been provided.

3.5.2. 10 U.S.C. § 2854, "Restoration or Replacement of Damaged or Destroyed Facilities," requires Congress be notified in writing when the cost of a project is greater than the amount specified in 10 U.S.C. § 2805 for minor construction. See Chapter 7.

3.5.3. When a decision is made to request approval for restoration or replacement of damaged or destroyed facilities, the applicable DoD Component concerned must submit a request in accordance with the provisions of 10 U.S.C. § 2854 and Chapter 7. Each reprogramming request must include:

3.5.3.1. Justification for, and the current estimate of, project cost; and

3.5.3.2. A statement as to the source of funds to be used for the project.

3.5.4. Restoration or replacement projects must be financed within amounts appropriated that have not been obligated for other purposes.

3.5.5. A replacement project under this section may be carried out only after the end of the seven-day period beginning on the date on which a copy of the notification in an electronic medium pursuant to 10 U.S.C. §480.

3.6 Defense Access Roads (170306)

3.6.1. 23 CFR Part 660, Subpart E, states the defense access roads program provides a means by which the Federal government may pay its fair share of the cost of:

3.6.1.1. Highway improvements needed for adequate highway service to defense and defense related installations;

3.6.1.2. New highways to replace those, which must be closed to permit establishment or expansion of defense installations;

3.6.1.3. Repair of damage to highways caused by major military maneuvers;

3.6.1.4. Repair of damages due to the activities of contractors engaged in the construction of missile sites; and

3.6.1.5. Missile routes to ensure their continued ability to support the missile transporter-erector vehicle.

3.6.1.6. Funds appropriated for the purposes of this section must be available to pay the cost of repairing damage caused to for any infrastructure to mitigate the risks posed to, highways by recurrent flooding and sea level fluctuation, if the Secretary of Defense must determine continued access to a military installation has been impacted by past flooding and mean sea level fluctuation

3.6.2. Authorization for the funding of the construction and maintenance of defense access roads is provided by 23 U.S.C. § 210, "Defense Access Roads." Defense access roads, including bridges and tunnels, provide access to military reservations, to defense industries and defense industry sites, and to the sources of raw materials when such roads are certified as important to the national defense by the Secretary of Defense or such other official as the President may designate. In addition, DoD may replace existing highways and highway connections that are shut off from the general public use by necessary closures or restrictions at military reservations and defense industry sites.

3.6.3. Highways located within the boundaries of a military reservation are not eligible for financing from these funds. Such highways must be funded from major construction, emergency construction, or minor construction programs, as applicable. Additionally, projects in the regular Federal Air Primary Systems normally are not considered eligible for financing with these funds.

3.6.4. Funds available for Defense access roads can be provided to the Department of Transportation (DoT) via a Standard Form (SF) 1151, Nonexpenditure Transfer Authorization, or the effort may be carried out by DoT on a reimbursable basis.

3.7 Relocatable Buildings (170307)

3.7.1. A relocatable building is a habitable prefabricated structure designed and constructed to be readily moved, erected, disassembled, stored, and reused. Also included in the definition are tension fabric structures assembled from modular components and air-supported domes, both of which can be easily disassembled, moved, and reused. This definition excludes mobile military equipment such as communications vans, emergency management and command post trailers. Also excluded are tents, modular sheds less than 500 square feet, temporary contractor trailers, and temporary government construction administration trailers located on, or in the vicinity of, a construction site.

3.7.2. DoDI 4165.56, "Relocatable Buildings," provides DoD guidance for the acquisition and use of relocatable buildings. This instruction provides relocatable buildings may be acquired, stored, and used within DoD when these facilities constitute the most feasible and economical means of satisfying short-term interim facility requirements pending the availability of permanent space in existing facilities or through the construction of a permanent conventional facility. An interim facility requirement is a short-term requirement (normally 5 years or less) for facilities due to transitory peak military missions, deployments, military contingency operations, or disaster relief requirements, or other urgent requirements. Relocatable buildings also may be used instead of conventional, permanent construction when the duration of the requirement is uncertain such as in a contingency operation pursuant, or instead of conventional, permanent construction when the space is known to have a recurring mobile requirement, such as the need to move a field office to different sites on a training range.

3.7.3. Buildings, which meet the definition of relocatable buildings, may be classified as personal property when purchased as an equipment item, and if so, must be acquired with funds available for O&M, RDT&E or Procurement funds, as appropriate.

3.7.4. The acquisition of buildings, to include modular facilities, which do not qualify as relocatable buildings under applicable policy, must be acquired as military construction. The rules for Specified Military Construction Projects (see paragraph 170301), Unspecified Minor Military Construction (see paragraph 170302), Emergency and Contingency Construction (see paragraph 170303) or other applicable authority must be applied. Site preparation to erect or install relocatable buildings resulting in real property improvements is classified as construction and is funded with O&M or military construction in accordance with 10 U.S.C. §§ 2801 and 2805.

3.7.5. Costs for set up, disassembly, maintenance, refurbishment, packaging, and transporting relocatable buildings classified as equipment are expenses and must be appropriately charged to appropriations available to fund such costs.

3.7.6. Relocatable buildings may be authorized and acquired as real property. Relocatable buildings acquired as real property are funded with either O&M or Military Construction funds depending on the total acquisition cost in accordance with the cost thresholds for construction pursuant to 10 U.S.C. §§ 2801 and 2805. In determining the threshold, the cost of the relocatable building will be based on the total cost of the completely assembled building and not on the separate components, and includes all site work.

4.0 EFFORTS FINANCED BY MILITARY CONSTRUCTION APPROPRIATIONS (1704)

4.1 Funded Costs (170401)

Except as prescribed in section 1705, major costs incurred during the design and construction phases are funded from applicable military construction appropriations. These costs include, but are not necessarily limited to:

4.1.1. All materials, supplies, and services applicable to the project;

4.1.2. RPIE, unless such equipment was obtained on a non-reimbursable basis from another DoD Component or federal agency;

4.1.3. Transportation costs applicable to materials, supplies, and government owned equipment;

4.1.4. Labor costs, including construction units composed of foreign nationals but excluding U.S. military labor;

4.1.5. The portion of installation overhead or support costs that can be identified as representing additional costs that would not have been incurred were it not for the project;

4.1.6. Supervision, inspection and overhead costs charged by the USACE and the NAVFEC when serving as the design and/or construction agent;

4.1.7. Travel and per diem related to applicable military or civilian labor;

4.1.8. The portion of costs applicable to the O&M of Government owned equipment, computed on an hourly rate in accordance with Volume 11A, Chapter 1, Table 1-1;

4.1.9. For specified major construction projects, planning and design costs described in paragraph 170206; and

4.1.10. Cost of remediating unknown environmental contamination within the footprint of a military construction project.

4.2 Overhead Expenses (170402)

All overhead expenses for the military construction program, including work for others, initially are financed from the performing military construction appropriation. These expenses are distributed to projects, including work for others. Military construction overhead includes:

4.2.1. Personal services (and support costs) at field and headquarters activities related to the military construction program;

4.2.2. Contract administration;

4.2.3. Military construction program and project management (including post construction evaluation);

4.2.4. Technical direction and coordination of projects;

4.2.5. Land planning studies or reports, appraisal, and title search after congressional authorization of a land acquisition or exchange; and

4.2.6. Project management and administration not otherwise identified in this paragraph.

*4.3 Reimbursable Project Costs (170403)

The appropriation or fund financing a construction project must reimburse other appropriations or funds, as applicable, for costs initially financed by another appropriation or fund. Reimbursement between appropriations must be made using FS Forms 7600A/B and include supporting documentation the of performance, receipt, and acceptance by using the G-Invoicing system. In instances where G-Invoicing is not available, DoD Components must use hardcopies of FS Forms 7600A/B and DD 1354 or ***DD 250***, Material Inspection and Receiving Report. Additionally, the ***SF 1080***, Voucher for Transfers Between Appropriations and/or Funds, may be necessary for fund transfers.

5.0 RELATED COSTS FINANCED BY OTHER THAN MILITARY CONSTRUCTION APPROPRIATIONS (1705)

5.1 Unfunded Costs (170501)

5.1.1. Some military construction costs are identified as unfunded costs. However, such costs must be capitalized as part of the value of the property. Unfunded costs:

5.1.1.1. Contribute to a military construction project,

5.1.1.2. Are financed from appropriations other than military construction, and

5.1.1.3. Are not reimbursed by appropriations available for military construction.

5.1.2. Unfunded costs include:

5.1.2.1. Costs financed from military personnel appropriations;

5.1.2.2. Costs applicable to the depreciation of government owned equipment computed on an hourly rate in accordance with Volume 11A, Chapter 1, Table 1-1;

5.1.2.3. Unfunded civilian fringe benefit rates for DoD civilian personnel as prescribed in Volume 11A, Chapter 6, Appendix C, "Civilian Personnel Fringe Benefit;"

5.1.2.4. Gifts from private parties;

5.1.2.5. In-kind considerations; and

5.1.2.6. Materials, supplies, and items of RPIE obtained specifically for a project on a non-reimbursable basis, either as excess distributions from another DoD Component or as excess distributions from other federal agencies. (A DoD Component is precluded from using materials, supplies, or items of RPIE on its own minor construction projects on a non-reimbursable basis).

5.1.3. Planning and design costs are excluded from the cost determination for purposes of determining compliance with the amounts established in 10 U.S.C. § 2805 for minor construction projects.

5.2 Advance Planning (170502)

5.2.1. Advance planning activities generally are performed prior to funding and design authorization of a construction project by the military component. Advance planning and design activities include, but are not limited to:

5.2.1.1. Developing the requirements for a military construction project (project formulation),

5.2.1.2. Developing a master plan for an installation,

5.2.1.3. Initial explorations of project alternatives and rough drawings,

5.2.1.4. Facilities related management studies,

5.2.1.5. Conceptual analyses,

5.2.1.6. Making alternative site studies,

5.2.1.7. Developing and validating military construction project documentation prior to commencing project design,

5.2.1.8. Preparing engineering analyses and studies to develop technical design parameters prior to commencing project design, and

5.2.1.9. Preparing environmental impact assessments and statements.

5.2.2. Advance planning costs are excluded from the cost determination for purposes of determining compliance with the amounts established in 10 U.S.C. § 2805 for minor construction projects. See subparagraphs 170301.B and 170302.F. Advance planning is not encompassed by, and should not be performed under, the authority for military construction project planning and design efforts, such as 10 U.S.C. § 2807 or 18233(f).

5.2.3. Advance planning costs are financed from applicable O&M appropriations, RDT&E appropriations, procurement appropriations, or working capital fund resources, as appropriate.

5.2.4. Advance planning costs are expensed in the period incurred.

5.3 Minor Construction (170503)

For other than family housing projects, when the cost of a minor construction project is less than the amount established in 10 U.S.C. § 2805, the project must be financed from unspecified minor construction appropriations, O&M appropriations, RDT&E appropriations, working capital funds resources, or other resources, as appropriate. See paragraph 170302.

5.4 Family Housing (170504)

All family housing construction projects must be funded from applicable family housing appropriations. Policy concerning funding of family housing efforts is addressed in Volume 2B, Chapter 6.

*5.5 Equipment and Relocatable Items (170505)

5.5.1. The following must be financed from O&M, RDT&E, or Procurement appropriations or working capital fund resources, as appropriate:

5.5.1.1. Items of equipment are moveable and not affixed as an integral part of a facility;

5.5.1.2. Any operational equipment for which installation mountings and connections are provided in the building design and are detachable without damage to the building or equipment; and

5.5.1.3. The costs of alterations to install movable equipment not affixed as an integral part of a facility.

5.5.2. Examples of equipment or relocatable items are:

5.5.2.1. Equipment including all types of production processing technical, training, servicing, RDT&E, and pre-wired work stations;

5.5.2.2. Prefabricated screens, partitions, false floors, platforms, and shielding for electromagnetic radiating services;

5.5.2.3. Temporary removal and reinstallation or portions of existing walls, roofs, utility systems, and appurtenances to permit installation of equipment; and

5.5.2.4. Secondary utility work necessary to connect equipment to existing utilities services within a facility between the primary entry and source of utilities into the structure and the equipment to be served.

5.6 Recycling Programs (170506)

Projects for pollution abatement, energy conservation, and occupational safety and health activities may be funded from other than the military construction appropriation when the cost of a project:

5.6.1. Is funded from the proceeds of sales of recyclable material in accordance with Volume 11A, Chapter 5 and 10 U.S.C. § 2577, “Disposal of recyclable materials,” and

5.6.2. Does not exceed 50 percent of the amount established by law as a maximum amount for minor construction projects in accordance with 10 U.S.C. § 2577.

6.0 RECOGNITION AND REPORTING REQUIREMENTS (1706)

6.1 Acceptance of Real Property (170601)

The acceptance of real property by an accountable Military Department or the Washington Headquarters Service, as well as the transfer between DoD Components, or to or from other federal agencies, must be documented. UFC 1-300-08 provides comprehensive guidance on the documentation of real property acceptance throughout the DoD by identifying the use of a draft, interim, and final version of the DD 1354. It also describes how the DD 1354 is used as part of a real property business process and defines the roles and responsibilities in the DD 1354 process. Though the DD 1354 is the basic source document, it typically does not stand-alone. UFC 1-300-08 lists examples of additional documents that should be provided with and attached to the DD-1354 such as, but not limited to, an approved work order, an authorization memorandum, information from contracts and contract modifications, and invoices. Additional information is in Volume 4, Chapter 24.

6.2 Accounting Recognition (170602)

6.2.1. Capitalization of Assets

6.2.1.1. Capitalization is the process of recognizing the total costs of an asset, including property, plant, and equipment, in the financial records. Volume 4, Chapters 24 – 28 define capitalized general property, plant, and equipment as assets that meet four criteria:

6.2.1.1.1. Have an estimated useful life of two years or more,

6.2.1.1.2. Are not intended for sale in the ordinary course of operations,

6.2.1.1.3. Are acquired or constructed with the intention of being used or being available for use by the entity, and

6.2.1.1.4. Have a recorded cost that equals or exceeds the appropriate DoD capitalization threshold. See Volume 4, Chapters 24 - 28 for DoD capitalization threshold amounts.

6.2.1.2. All significant costs related to the construction or acquisition of an asset, including unfunded costs identified in paragraph 170501, must be recognized in capitalizing the costs of a project. The source of funding has no bearing on the capitalization of assets. See Volume 4, Chapters 24 - 28 for additional information regarding recognized and capitalized costs.

6.2.1.3. All costs following the project approval and funding authorization by the DoD Component must be capitalized.

6.2.1.4. Direct costs incurred in the design and construction phases of a project must be charged to a specific project. Other costs (listed in paragraph 170402) that are financed by military construction and subject to capitalization must be identified to the appropriate indirect cost groups for subsequent allocation to supervision, inspection and overhead cost pools.

6.2.2. Amounts to be Expensed

6.2.2.1. Costs incurred in the advance planning must be expensed in the period incurred. See paragraph 170502. These costs are not capitalized as part of the asset.

6.2.2.2. When a project is abandoned, the total cost incurred must be expensed consistent with Volume 4, Chapters 24 -28 and Volume 4, Chapter 17.

6.3 Financial Reporting (170603)

6.3.1. United States Standard General Ledger

6.3.1.1. The USSGL must be used in all DoD accounting systems for all appropriations and funds for the purpose of summarizing costs and obligations in budgets, accounting for costs and reporting these costs. (See the USSGL Treasury Financial Manual and Volume 1, Chapter 7.) The USSGL accounts and transactions applicable within DoD are documented in the SFIS Transaction Library and DoD Standard Chart of Accounts. Use of these accounts is required in order to classify costs for the joint purposes planning, programming, budgeting, and accounting for construction projects.

6.3.1.2. The management of an activity performing a construction project is responsible for ensuring that all significant costs (that is, both funded and unfunded costs) are recorded for the project and that all costs subject to capitalization are included in the real property asset accounts, property records, and reports submitted to the OSD and the Congress.

6.3.1.3. Cost accounting modules for accumulating and controlling construction projects must be integrated with an activity's overall accounting system. Cost accounting systems represent a subsidiary ledger of the general accounting system. Therefore, cost accounts, as appropriate, must be established for each project. Policy for managerial cost accounting is prescribed in Volume 4, Chapter 19.

6.3.1.4. Charges to an account must be categorized in one of the four construction phases addressed in Appendix A. The four phases addressed in Appendix A identify those costs that will be expensed and those costs that will be capitalized.

6.3.2. Specific Entries

Construction In Progress is USSGL account 172000 which can be subdivided. The Construction in Progress is used to accumulate and control costs as prescribed in Volume 4, Chapters 24 - 28. Also, see the USSGL, SFIS Transaction Library, and Volume 1, Chapter 7 for accounting entries.

6.3.3. Financial Reports

6.3.3.1. Accounting records must be designed to permit summarization of financial transactions producing accurate and timely information from one system of accounts. Data must

be in formats prescribed for budget and financial reports. Additionally, management data may be required in executing financial oversight. Records and costs must be designed and maintained to facilitate audits of project amounts.

6.3.3.2. Each military construction appropriation account must be reported monthly in the "Report of Appropriation Status by Fiscal Year Program and Subaccounts," Accounting Report Monthly 1002. The report must be prepared as prescribed in Volume 6A, Chapter 4.

APPENDIX A: PHASES OF MILITARY CONSTRUCTION

Congressional authorization of major construction projects typically represents the culmination of planning, programming, and budgeting efforts. A project evolves from a determination that a facility deficit exists. The need is defined, given a priority ranking, and placed in competition with other projects for available resources. The project definition effort begins at the installation level and moves through the chain of command until the project ultimately is included in the budget submittal. Table 1 to this appendix, "Evolution of a Fiscal Year 2021 Military Construction Project," depicts the life cycle of a military construction project and shows the process could take three to seven years from conception to completion. The actual design phase could take one to two and a half years, while the construction phase could take one to three years. The remaining time is for planning, programming, budgeting and procurement activities. The scope and cost of each project must be finalized before the annual budget submission to the Congress. The total construction process consists of four phases:

1.0 ADVANCED PLANNING AND PROGRAMMING

1.1 Planning. During planning, an installation's facility requirements are derived from the installation's mission. The need to acquire additional facilities, or to modernize or replace existing facilities, is determined by an assessment of how existing facilities meet the installation's facility requirements.

1.2 Programming. During programming, requirements are matched with anticipated resources and included in a long-range acquisition and recapitalization plan. Installation plans are combined into a Component wide basis to ensure compatibility with the nation's military strategy, Component priorities and guidance, and in consideration of the Department of Defense (DoD) facilities investment goal.

1.3 Investment Goal. The DoD and the Congress recognize that a minimum level of facilities investment must be reached each year to protect existing investment facilities, ensure facilities continue to satisfy designated purposes, and renew aging installations. The physical plant must be capable of supporting operational requirements and readiness, both today and in the future. The investment goal is to recapitalize facilities at an appropriate rate given their estimated service life.

1.4 Master Planning. Facility requirements are reflected in an installation master plan. This document is the installation's long-range strategy for development. It prescribes overall facility quality standards and architectural themes and addresses such areas as land use, utility systems, roads and parking.

1.5 The cost of the efforts described in subparagraphs 1.a through 1.d are normally expensed and not capitalized.

1.6 Project Advanced Planning and Programming. After it is determined a construction project is needed, a general description of the project requirement, scope, cost estimate, and supporting documentation is submitted as part of the installation's military construction budget request.

2.0 BUDGETING

2.1 DoD Components determine which facility projects should be included in their Military construction budgets. Some facility projects may qualify for inclusion in other budgets, such as Procurement, Research, Development, Test and Evaluation, Operations and Maintenance or for accomplishment with nonappropriated funds.

2.2 The budget requests are forwarded to Office of the Secretary of Defense (OSD), where all programs are reviewed for compliance with DoD objectives and policies and modified as necessary to ensure consistency and conformity. Once the request has been jointly reviewed and approved by OSD and OMB, it is submitted to Congress as part of the President's Budget.

2.3 After receipt of the President's Budget, it is reviewed by oversight subcommittees of the House and Senate Appropriations Committees, House National Security, and Senate Armed Services Committees. Often, witnesses from respective DoD Components, and sometimes from the private sector, appear before the subcommittees to furnish further information on specific programs and projects.

2.4 Upon completion of its review, each subcommittee marks up the budget request and forwards its recommendations for approval to the full committee and then to the full chamber. Differences between the projects approved by the House and Senate are resolved in joint conferences. The Congress passes separate authorization and appropriation bills that, when signed by the President, become the approved Military Construction program.

2.5 The cost of these efforts is normally expensed and not capitalized.

3.0 DESIGN

3.1 Once a Military Department has validated the requirement and priority of a military construction project and inserted it in a specific fiscal year program, a design instruction is issued to the design agent who initiates the design process.

3.2 Design may be accomplished by contracting with an architect-engineer firm, a design build firm, or an in-house professional staff. If the design is to be contracted, Title 10, United States Code, section 2855 will be followed.

3.3 Design is accomplished in predetermined phases to assure requirements are addressed properly in the design and that established standards and criteria are met. The number of phases and detail required for each phase varies with each project, depending on complexity, special interest, high visibility, time constraints, and funding level.

3.4 Normally, the critical point is the preliminary design stage (referred to as the 35 percent stage) since this stage provides sufficient detail to define scope, criteria, and cost estimates for consideration in the budgeting process. The content of the 35 percent design submittal is defined in the contract scope of work and will vary depending on the contract delivery strategy to be used to acquire the facility. The most typical strategy is a design based on a unique effort. However,

design could also be a strategy such as site adapt, a performance specification using commercially available building systems, or a design build, but each of these contracting processes determines the content of the 35 percent design submittal.

3.5 Design includes such actions as the development of design manuals, software programs, guide specifications and standards, standard drawings, extensive site investigation, analysis of alternative solutions, development of building systems layout, outline specifications, cost estimates, and special studies including value engineering.

3.6 The final design phase is initiated after thorough review by the using activities to ensure requirements and criteria were addressed properly in the preliminary design documents, the project has been revalidated, and is still in the budget. Upon completion of the work drawings, contract specifications, and bidding documents, the project is ready to be advertised for construction. Projects require both congressional authorization and appropriation before a construction contract can be awarded.

3.7 The cost of these efforts, including administrative and overhead support costs, must be capitalized.

4.0 CONSTRUCTION

4.1 Normally, military construction projects are awarded through a competitive bid process and advertised in "Contract Opportunities," using sealed bid procedures and awarding a firm fixed price contract to the contractor submitting the lowest acceptable bid. However, as discussed previously for the design phase, alternative contracting delivery strategies may be followed in accordance with the Federal Acquisition Regulation and congressional direction. Regardless of the method used, all requirements for construction contacts over $25,000 must be advertised in "Contract Opportunities" to include details of the bidding procedures to be used.

4.2 Advertisement, award, and administration of a construction contract require both in-house and contract efforts including reproduction of bid documents, preparation and response to the advertisement, supervision, and administration and inspection throughout the life of the construction project, in addition to the total cost of the construction contract.

4.3 The cost of these efforts must be capitalized.

*TABLE 1. EVOLUTION OF A FISCAL YEAR 2021 MILITARY CONSTRUCTION PROJECT

PHASES	2016	2017	2018	2019	2020	2021	2022	2023
PLANNING, PROGRAMMING AND BUDGETING	User Identifies and Develops Project	Service Inserts Project in FYDP*	Service Completes Planning	Service Finalizes Program and Prepares Budget	OSD Submits Budget to the Congress			
LEGISLATION					Congressional Committees Hold Hearings & Enact Legislation			
DESIGN			Service Selects A&E** Negotiates Contract	A&E** Performs 0-35% Design. Service Reviews and Approves	A&E** Performs 35-100% Design. Service Reviews and Approves			
CONSTRUCTION						Service Solicits Bids and Awards Contract 1/ Construction		User Occupies Facility

* Future Years Defense Program
** Architect and/or Engineer

1/ Contracts may not be awarded without congressional authorization and appropriations

VOLUME 3, CHAPTER 18: "PUBLIC ENTERPRISE AND TRUST FUNDS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated September 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Overall	Administrative: editorial changes for clarity and consistency with other chapters	Refresh
3.2 (180302)	Administrative: removed reference and sample format for the Resource Authority Funding Document, which has been replaced with either the Funds Authorization Document presented in Chapter 2 or the Annual Operating Budget presented in Chapter 19	Revision

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CHAPTER 18

PUBLIC ENTERPRISE AND TRUST FUNDS

1.0 GENERAL (1801)

This chapter identifies the policies and procedures to guide budget execution for public enterprise and trust funds.

2.0 BACKGROUND (1802)

2.1 Applicable Funds (180201)

This guidance is applicable to the following Funds:

Public Enterprise Funds
National Defense Stockpile Transaction Fund
Pentagon Reservation Maintenance Revolving Fund (PRMRF)
National Defense Sealift Fund
Buildings Maintenance Fund (BMF)

Trust Funds
National Security Education Trust Fund
Department of the Navy Trust Revolving Funds *
Department of the Air Force Trust Revolving Funds *
Surcharge Collections, Sales of Commissary Stores, Defense

*Exempt from apportionment

2.2 The Corpus (180202)

The term “corpus” commonly refers to the resources available as capital in a fund. Capital resources are provided to commence or increase the size of a fund. The initial corpus is usually provided by a direct appropriation. It forms the nucleus of resources used to acquire items needed to perform the mission of the fund. Existing resources, transferred as capitalized assets, may also serve the same purpose as an appropriation to start, increase the size, or replace significant losses of a public enterprise or trust fund.

2.3 Revenues (180203)

Department of Defense (DoD) public enterprise or trust funds generate revenues from the sale of goods or services to customers. Customer reimbursements replenish the corpus for resources obligated and expended to fulfill the customers’ orders.

2.4 Apportionment (180204)

In public enterprise or trust funds that are apportioned by the Office of Management and Budget (OMB), the ability to incur obligations is limited to the amount apportioned on the Standard Form (SF) 132, Apportionment and Reapportionment Schedule. Budgetary resources and authority available for apportionment include:

2.4.1. New budget authority (appropriations)

2.4.2. Unobligated balances available from the prior fiscal year

2.4.3. Spending authority from offsetting collections (reimbursements and other income)

2.4.4. Recoveries of prior year obligations

2.4.5. Restorations

2.4.6. Contract authority

2.5 Apportionment of Anticipated Reimbursements (180205)

The apportionment of spending authority (commonly referred to as "reimbursable authority") reflects anticipated reimbursements; it does not authorize a public enterprise or trust fund to obligate its apportioned reimbursable program in excess of the funded orders received from within the Federal Government and advances received for orders outside the Federal Government.

2.6 Assets (180206)

Physical assets such as inventories or buildings and equipment are not budgetary resources because they do not provide a direct monetary source for outlays that liquidate budgetary transactions (obligations). Such assets, therefore, do not increase the amount of obligation authority available when calculating unobligated balances.

2.7 Contract Authority (180207)

Contract authority provides legal authority to enter into contracts and incur obligations ***before*** budgetary resources are available. Obligations incurred using contract authority may not be liquidated until funded by offsetting collections or other budgetary resources. The apportionment limits the amount of contract authority available for obligation.

2.8 Anti-Deficiency Act (180208)

Incurring or authorizing obligations in excess of apportioned budgetary resources is a potential violation of the Anti-Deficiency Act that must be reported in accordance with DoD Directive 7200.1. This reporting requirement applies whether or not a public enterprise or trust fund has unapportioned budgetary resources or other assets greater than the amount of the deficiency.

3.0 EXECUTION REQUIREMENTS (1803)

3.1 Apportionment and Reapportionment (180301)

The appropriate OUSD(C) (P/B) Directorate (e.g., Revolving Funds, Investment, etc.) submits requests for public enterprise and trust fund apportionments and reapportionments to the OUSD(C) (P/B) Directorate for Program and Financial Control (P&FC), in accordance with Chapter 2.

3.2 Annual Operating Budget (180302)

The appropriate OUSD(C) (P/B) Directorate issues an initial Funds Authorization Document (FAD) in accordance with Chapter 2 or an initial Annual Operating Budget (AOB) in accordance with Chapter 19 for each public enterprise or trust fund prior to the beginning of the fiscal year. To avoid potential violations of the Anti-Deficiency Act, each Component using a fund to finance activities is responsible for taking actions to maintain a positive cash balance and restrict obligations to the amount authorized in the AOB or FAD.

3.3 Adjusting Component Resources (180303)

Components periodically request that OUSD(C) (P/B) adjust their obligation limits based on execution. The appropriate OUSD(C) (P/B) Directorate will evaluate the Component's request based on the merit of the justification provided, unless Congress has provided a specific limitation or other direction that would preclude making the adjustment. If approved, the OUSD(C) (P/B) will request reapportionment from OMB and, upon reapportionment, provide a revised FAD or AOB to the Component.

3.4 Execution Review (180304)

The appropriate OUSD(C) (P/B) Directorate reviews the monthly SF 133, Report on Budget Execution, for each account to compare actual results with plans provided by the Components. Reviewed elements include obligations, disbursements, collections, revenue, expense, net operating results, civilian full-time equivalents (FTEs), and military strength, if applicable. When execution deviates significantly from plan, the OUSD(C) (P/B) analyst and the Component will mutually determine the management actions that may be required to bring execution back into line with the plan, or revise the plan to be more consistent with current realistic expectations.

VOLUME 3, CHAPTER 19: "DEFENSE WORKING CAPITAL FUND"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

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The previous version dated October 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
2.1 (190201)	Identified that this policy is applicable to other revolving funds.	Update
2.2 (190202)	Identification of sub-accounts and DWCF activities.	Update
2.3 (190203)	Clarified language used in previous version.	Update
2.4 (190204)	Clarified the terms "Customer Orders" and "DWCF Reimbursable Authority".	Update
2.5 (190205)	Clarified and provided explanation of the terms "Obligation Authority" and "Budgetary Resource". Clarified de-obligation of contract authority.	Update
2.6 (190206)	Further clarification of antideficiency limitations.	Update
2.7 (190207)	Further clarification of the difference between Assets and Budgetary Resources.	Revised
3.1 (190301)	Updated and provided form names and examples.	Update
3.2 (190302)	Further clarification of Contract Authority.	Update
3.3 (190303)	Incorporated language from Volume 11B Chapter 1.	Update
3.4 (190304)	Clarification of the use of budgetary resources.	Update
3.5 (190305)	Clarified the use of the SF-133.	Revised
3.6 (190306)	Additional clarification provided on depreciation.	Revised

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CHAPTER 19

DEFENSE WORKING CAPITAL FUND

1.0 GENERAL PROVISIONS (1901)

This chapter provides the policies and procedures to guide budget execution for the Defense Working Capital Fund and other revolving funds where applicable.

2.0 BACKGROUND (1902)

*2.1 Policy (190201)

This guidance is applicable to the Defense Working Capital Fund (DWCF), which includes the five DoD Component Working Capital Funds (WCF) (DWCF sub-account) and all individual DWCF activities within these accounts. In addition, this chapter provides guidance for the Commissary Trust Fund, National Defense Stockpile Fund, Pentagon Renovation Maintenance Revolving Fund, and Building Maintenance Fund where applicable.

*2.2 Defense Working Capital Fund (190202)

2.2.1. Organization. The DWCF is established under the authority of Title 10, United States Code (U.S.C.), Section 2208. The Treasury Account Symbol for the DWCF is 97X4930. The Military Departments and Defense Agencies sub-numbered account identifiers are shown in the below table.

DoD Component	Treasury Assigned Account No.
Army	97X4930.001
Navy	97X4930.002
Air Force	97X4930.003
Defense Commissary Agency (DeCA)	97X4930.004
Defense Agencies	97X4930.005

2.2.2. DWCF Activities. The DWCF consists of individual DWCF Activities that are managed by DoD Components for providing goods and services to other DoD activities and to non-DoD activities when authorized. As of the publication date, the DWCF activities in each sub-account are:

Army	Supply; Industrial Operations.
Navy	Navy Supply; United States Marine Corp (USMC) Supply; Fleet Readiness Centers (Aviation Depots); USMC Depot Maintenance; Base Operations; Transportation; Research and Development.
Air Force	Supply, Depot Maintenance and U.S. Transportation Command.
DeCA	Resale Stocks; Operations.
Defense	Defense Logistics Agency; Defense Information Systems Agency; Defense Finance and Accounting Service.

2.2.3. Authorized Customers. Customers of the DWCF activity may be:

2.2.3.1. Any DoD command, organization, office, or other element.

2.2.3.2. Non-DoD federal government agencies.

2.2.3.3. Private parties and concerns when authorized by law, including foreign governments, and state and local governments.

2.2.3.4. Those United States manufacturers, assemblers, or developers authorized by Title 10, U.S.C., Section 2208(h) and in accordance with Title 10, U.S.C., Section 2563 and Section 4543.

2.2.4. Direct Appropriations. Direct appropriations (e.g. Procurement, Operation & Maintenance) may be used to start or fund readiness costs not related to the specific DWCF activity operating mission. Direct appropriations may also be used to increase the size of or replace significant losses in a DWCF activity. Existing resources in other accounts may be transferred to a working capital fund as capitalized assets to serve these same purposes in lieu of an appropriation.

2.2.4.1. Resources used to establish or increase the size of a working capital fund are commonly referred to as "the corpus (total investment) of DWCF." (This is not the same as the "cash corpus" financial metric. See Volume 2B, Chapter 9, Section 090103 for DWCF cash policy.) The corpus (or total investment) is the sum of all resources used to acquire the items needed to perform the working capital fund's mission. Financial resources to replenish the initial working capital and permit continuing operations are generated by the acceptance of customer orders.

2.2.4.2. Direct appropriations may be provided to DWCF activities for specific purposes such as war reserve materiel, overseas contingency operations, and expanded inventory requirements, or other purposes as approved by the Director, Revolving Funds. The receipt of the appropriation provides an immediate infusion of cash to the Fund Balance with Treasury (FBWT) and the appropriation amount used must be accounted for and reflected on accounting records ((AR) 1307) and budgetary reports (SF-133). The amount of the appropriation does not impact the cumulative results of operations. However, it does increase budgetary resources and the sub-account FBWT and is factored into unobligated budgetary resources brought forward from previous fiscal years. In other words, direct appropriations may be available for obligation in subsequent fiscal years.

*2.3 Revenues (190203)

The DWCF generates revenues predominantly from appropriations used by federal agencies to purchase goods or services. The DWCF uses the revenue collected from these "customers" to pay for the resources required to produce the specific goods or service documented on the customer order. That is, the DWCF uses resources from funded customer orders to replenish its corpus for resources expended to fulfill those customer orders.

*2.4 Customer Orders (190204)

Customer orders (funded requests for goods or services) provide budgetary resources necessary to finance operations for non-supply management activities, and to liquidate contract authority. Budgetary resources are recognized from customer orders that obligate budgetary resources of another federal government activity, and from cash advances from non-federal customers, to include orders from non-appropriated fund instrumentalities.

2.4.1. Customers must comply with statutory limitations and restrictions imposed on the appropriated funds charged when placing an order with the DWCF. A DWCF customer cannot use appropriated funds to do indirectly (i.e., through placement of an order with a DWCF activity) that which it is not permitted to do directly. Thus, the availability of an appropriation funding an order cannot be expanded or changed by placement with an activity financed by the DWCF.

2.4.2. Appropriated funds cited on reimbursable orders are available only for the purposes permissible under the source appropriation and remain subject to the same restrictions. The ordering activity retains primary responsibility for determining the applicability of the appropriated funds cited on the order. However, if instances arise when it is apparent that the ordering appropriation is not appropriate for the purpose provided, then the DWCF activity should return the order with a request for an applicable appropriation cite.

2.4.3. The Office of Management and Budget (OMB) circular A-11 does not restrict collections from federal sources in advance of the performance of customer orders. However, Title 10, U.S.C. Section 2208 restricts cash advances to the DWCF from federal government activities to $1 billion and only when operating resources significantly fall below outlay requirements. See Volume 2B, Chapter 9, paragraph 090103.

*2.5 Obligation authority (190205)

Obligation authority is the authority to incur costs, on behalf of the federal government, that will result in a disbursement from the FBWT.

2.5.1. The OMB apportions authority to obligate to the OUSD(C) on an SF-132 "Apportionment and Reapportionment Schedule." The authority to incur obligations is limited to the amount of authority approved for obligation during the budget review as amended by events during the year of execution. The OUSD(C) Revolving Funds Directorate prepares and submits the SF-132 to the OMB for approval of annual obligation authority required for operating a revolving fund. The approved apportionment restricts the authority to occur obligations and is the source document for the Annual Operating Budget (AOB) issued by OUSD(C) Revolving Funds. Budgetary resources available for apportionment include:

2.5.1.1. New budget authority (direct appropriations).

2.5.1.2. Unobligated balances brought forward (i.e., unfilled customer orders).

2.5.1.3. Spending authority from offsetting collections (i.e., Reimbursements for

goods and services provided and/or other income).

2.5.1.4. Recoveries of prior year obligations.

2.5.1.5. Restorations.

2.5.1.6. Contract authority.

2.5.2. When an activity receives budgetary resources from more than one source (spending authority from offsetting collections, direct appropriation, contract authority), the receiving activity must maintain records that will enable it to control and report separately the transactions relating to each type of source (per OMB Circular A-11). Budgetary resources may be received at any level of an organization from the individual activity up to the Departmental level.

2.5.3. Federal customer orders and cash advances generate spending authority from offsetting collections (Reimbursable Authority). These budgetary resources are apportioned from the OMB to DWCF non-supply management activities for operating costs. The acceptance of a customer order requires that the performing entity agree in writing to perform the work for the customer entity.

2.5.3.1. The apportionment of reimbursable authority applies to DWCF (97X4930) non-supply activities and all other DoD Revolving Funds.

2.5.3.2. The apportionment of reimbursable authority is considered “anticipated” and a DWCF non-supply management activity may not obligate more than the total amount of orders received from Federal entities plus advances received for orders from authorized entities external to the Federal government (i.e. state, local, and foreign governments). Specific authorization to obligate above orders received and cash advances may be approved by a signed annual operating budget (AOB) if other resources are available at the DWCF sub-account level. A DWCF activity should not obligate above all resources available to that specific entity without prior approval of the Director, Revolving Funds, to ensure that budgetary resources are available at the sub-account level.

2.5.3.3. The anticipated reimbursable program authority does not provide obligation authority; therefore, a non-supply activity should not obligate more than what has been accepted in customer orders and other financing resources available. Recording anticipated reimbursable program authority only documents that reimbursable orders will be accepted. The accepted reimbursable order provides obligation authority. The total amount of anticipated reimbursable authority is recorded on the AOB for reconciling purposes.

2.5.3.4. The AOB does not restrict the amount of reimbursable orders that can be accepted. Reimbursable orders may exceed the anticipated amount without recording a negative anticipated order on the SF-133. Activities should request a new AOB when customer orders in the year of execution are expected to exceed the anticipated amount or obligations are expected to exceed the current authorization.

2.5.4. Contract authority is the legal authority to enter into contracts and incur obligations ***before*** budgetary resources are available. With respect to DWCF budget execution, contract authority is only used in supply management operations and capital investment programs. Contract authority must be apportioned. For supply management operations, if reimbursements from offsetting collections exceed apportioned contract authority, the difference cannot be obligated unless additional contract authority is issued by OMB because such operations are not provided automatically apportioned reimbursable authority. This may be characterized as either an unapportioned balance of a revolving fund or a restrictive withholding. The unapportioned balance preserves a portion of the fund's capital so it may continue to revolve or represents those resources not scheduled for obligation within a fiscal year. Prior year de-obligations of contract authority are automatically re-apportioned to the DWCF in the current year. Prior year de-obligation of contract authority used for a capital investment program (CIP) may only be used to cover additional costs in programs for that specific fiscal year and may not be used to cover additional current year costs unless approved in writing by the Director, Revolving Funds.

*2.6 Antideficiency Act (190206)

The incurring of obligations (or authorizing the incurrence of obligations) in excess of apportioned budgetary resources and other financing resources must be reported as a potential violation of the Antideficiency Act, as required by Volume 14. This requirement applies whether or not a revolving fund activity has unapportioned budgetary resources or nonbudgetary assets (e.g. inventory) greater than the amount of the deficiency.

2.6.1. Commitments for goods or services to be obligated in the following year may be incurred in excess of apportioned budgetary resources only if obligations are not incurred in excess of apportioned budgetary resources. There is no restriction on commitment amounts for DoD revolving fund activities.

2.6.2. The AOB also includes administrative restrictions on the use of obligation authority specific to that activity's operation.

*2.7 Assets (190207)

Physical assets such as inventories or buildings and equipment are not considered budgetary resources because they do not provide a direct monetary source for outlays that liquidate budgetary transactions (obligations). Such assets, therefore, do not increase the amount of obligation authority available when calculating unobligated balances.

2.7.1. Changes in inventory valuation and unexpected gains in inventory (such as items being found on an installation) do not generate budgetary resources but are currently accounted for in the Net Operating Result (NOR) on the (AR) 1307 report. The NOR for budget purposes must reconcile budgetary resources and claims against those resources (obligations).

2.7.2. Unobligated balances are the net of total budgetary resources (Customer Orders and apportioned Contract Authority) less claims against budgetary resources (Accounts Payable and Undelivered Orders). This is not the same as the "Net Position" or "Equity" calculation in financial

accounting (total assets less total liabilities). In other words, the available budgetary resources for obligation are equal to the difference between budgetary resources and any claims against these budgetary resources, plus any financing resources (such as unencumbered cash balances). Obligations for the procurement of inventories and the CIP must be recognized, recorded, and reported even if they may be expensed in a subsequent fiscal year.

3.0 EXECUTION REQUIREMENTS (1903)

*3.1 SF-132 Apportionment (190301)

The SF-132 provides the legal authority to incur obligations against the receipt of customer orders or contract authority in anticipation of receipt of customer orders. The OUSD(C) Revolving Funds is responsible for five apportionment documents: DWCF (97X4930), the National Defense Stockpile Transaction Fund (97X4555), the Pentagon Renovation Maintenance Revolving Fund (97X4950), the Building Maintenance Fund (97X4931) and the Surcharge Collections, Sales of Commissary Stores, Defense Trust Fund (97X8164). Details and explanations on preparing the SF-132 can be found in OMB Circular A-11 Preparation, Submission and Execution of the Budget, Section 121.

3.1.1. The DWCF is apportioned new budget authority in the form of direct appropriations, unobligated balances brought forward, spending authority from offsetting collections and contract authority. The FBWT is not apportioned because the financing resources have already been encumbered by obligations and the unencumbered balance is factored into unobligated balances brought forward.

3.1.2. The other four revolving funds (listed in section 190101 of this chapter) are apportioned spending authority from offsetting collections and unobligated balances brought forward.

*3.2 Contract Authority (190302)

The initial apportionment of contract authority for a fiscal year is typically the operating budget for supply management activities, and for both supply and non-supply management activities is the CIP reflected in the budget year column of last year's President's budget. In other words, the October 1 AOB will reflect the BY column submitted the previous February.

3.2.1. Supply management activities receive contract authority for a variability target, which represents an amount of contract authority to be held in reserve by the OUSD(C) to ensure continuity of operations for fluctuations in materiel costs and/or increased customer orders. The OUSD(C) provides requested adjustments from the September initial apportionment to OMB in February/March, reflecting revised estimates displayed in the current year column of the President's budget submission most recently provided to Congress. The OUSD(C) may also request other adjustments that reflect significant changes experienced in budget execution.

3.2.2. Contract authority is available for obligation within the fiscal year for which it is provided. By definition, contract authority is unfunded and, therefore, obligations incurred

through use of contract authority may not be liquidated (i.e., paid) until funded by offsetting collections or other resources credited to the DWCF. Contract authority does not authorize outlays; it is reported on the SF-133 to ensure obligations do not exceed apportioned amounts from OMB. Budgetary resources should be sufficient at the DWCF activity level to ensure disbursements are funded.

*3.3 Annual Operating Budget (190303)

The Revolving Funds Directorate issues initial AOBs for each Component's DWCF activities prior to the beginning of the fiscal year. A sample is shown later in this chapter. The AOB identifies an operating budget, operating results, unit cost(s) targets and capital investment limitations (subject to 31 U.S.C. 1517) for each DWCF activity.

3.3.1. Cash is centrally managed by the Army, Navy, Air Force, Defense Commissary Agency, and the Defense Logistics Agency. Each is responsible for taking actions to remain solvent and allow operations (disbursements) continue. It is a potential violation of the Antideficiency Act (31 U.S.C. 1517) if the FBWT is below zero at the sub-account level.

3.3.2. Non-supply management activities shall maintain a positive budgetary resource balance (i.e. obligations shall not exceed budgetary resources). Obligations exceeding total budgetary resources available to non-supply management activities, and obligations exceeding issued contract authority on the AOB, are potential violations of the Antideficiency Act (31 U.S.C. 1517).

3.3.3. Cash balances may be used when negative operating results are authorized on the AOB or by action of the OUSD (C) Revolving Funds Directorate. However, the AOB of a DWCF activity does not authorize it to use cash balances associated with another DWCF activity financed within the same DWCF sub-account. It is the responsibility of the DoD Component to ensure that adequate financing or budgetary resources have been allocated to a specific DWCF activity, and to obtain timely authorization for negative operating results for non-supply management activities.

3.3.4. Administrative Restrictions and Limitations. In addition to statutory restrictions, budget authority may be apportioned or otherwise further restricted through administrative action.

3.3.4.1. An administrative limitation cannot be used to change or eliminate a statutory restriction. An administrative action can only further restrict the purpose, amount, or time for which budgetary resources may be used. DoD Components must adhere to an administrative division of budgetary resources and/or a subdivision of budgetary resources provided to a DWCF activity.

3.3.4.2. If an administrative limitation is imposed, obligations incurred must remain below the limitation even though the limitation may be lower than the total budgetary resources that otherwise would be available. Administrative limitations may be provided in various formats but must be clearly stated in writing and signed.

3.3.5. In the event that budgetary resources available to a DoD Component for financing a specific DWCF activity are not sufficient, a DWCF manager shall not assume that sufficient budgetary resources exist elsewhere within the DWCF sub-account to fund obligations in excess of resources available. Rather, the manager for the DWCF activity shall request, in writing, from the Director, Revolving Funds an increase in authority to incur obligations and shall defer additional obligations until resources are sufficient to fund them.

3.3.6. Segregation of Budgetary Resources. When an activity receives budgetary resources from more than one source, the receiving activity must maintain records which will enable it to control separately the transactions relating to each source. For example, the SF-133 should break out total obligations between Operating and CIP for depot maintenance activities. All obligations should not be reported under a single line as "reimbursable."

3.3.7. Claims Against Budgetary Resources. A DWCF entity should have two primary types of financial accounting records--proprietary and budgetary. The balance of budgetary resources available for obligation can be determined only from budgetary accounts. Proprietary accounting records, by themselves, are not sufficient to determine budgetary resources.

3.3.7.1. Non-budgetary assets, such as inventories of stock for sale, are not a budgetary resource. Additionally, a positive FBWT does not necessarily denote availability because the balance may be entirely encumbered by obligations.

3.3.7.1.1. A fund balance, although present, may have claims against it (accounts payable for example) and is, therefore, not available for additional obligation.

3.3.7.1.2. Additionally, claims against budgetary resources, such as undelivered orders and unpaid accrued expenditures must factor into the determination of unobligated balances and, therefore, budgetary resources available for obligation.

3.3.7.1.3. Similarly, budgetary accounts may not represent a budgetary resource available for obligation. For example, anticipated customer orders are not budgetary resources available for obligation.

3.3.7.2. Administrative restrictions or other withheld amounts limit the balance of budgetary resources available for obligation. Budgetary resources available for obligation can be determined from data required to be reported on the SF-133.

*3.4 Budgetary Resources (190304)

The reconciliation of budgetary resources is reported to DWCF activities monthly on the SF-133 Report on Budget Execution and Budgetary Resources. Details on the preparation and explanation of the SF-133 can be found in Appendix F of OMB Circular A-11 Preparation, Submission and Execution of the Budget.

3.4.1. Earned Reimbursements. Earned reimbursements are the amount of customer orders that have been filled. In the case of orders from the public, including state and local governments, the amount is limited to the amount of the cash advance received. Earned reimbursements should not exceed the amount of individual customer orders as well as letters of intent, commanders' orders, congressionally mandated actions, and other emergency situations.

3.4.2. Obligations should not be authorized or incurred in a DWCF activity unless available resources (apportioned contract authority, direct appropriations, or accepted customer orders) exceed the proposed obligation. Obligations that exceed apportioned or accepted amounts may result in a violation of the Antideficiency Act. Such violations are reportable to the President and the Congress, and can involve criminal prosecution for the responsible person or people.

3.4.3. A non-expenditure transfer moves budgetary resources from one budget account, appropriation, or fund to another. Non-expenditure transfers of funds may be received from another appropriation or fund or may be made to another appropriation or fund when appropriate and authorized. A non-expenditure transfer of funds received from another appropriation or fund increases the amount of available budgetary resources. A non-expenditure transfer of funds made to another appropriation or fund decreases the amount of available budgetary resources.

*3.5 SF-133 Report of Budgetary Execution and Budgetary Resources (190305)

3.5.1. Mandatory and Discretionary Spending. The DWCF uses both mandatory and discretionary spending accounts. Mandatory spending is associated with apportioned contract authority and discretionary spending is associated with reimbursable authority. The format for the SF-133, outlined in OMB Circular A-11, breaks out these types of funding into the respective categories. Although obligated contract authority is considered mandatory, collections that liquidate contract authority are considered discretionary. Likewise, since the source of the FBWT is from discretionary funding, the fund balance itself is also considered discretionary.

3.5.1.1. Line 1000. Unobligated balance brought forward - For non-supply activities, this line represent the amount of work still required to be performed against outstanding customer orders and unencumbered cash balances. Unobligated contract authority will be cancelled at the end of the fiscal year. Contract authority brought forward is always zero for both Supply operations and the CIP. Unobligated balances are apportioned for non-supply DWCF activities and unobligated direct appropriations. Obligated contract authority remains in USSGL 4139 until a collection is posted against the balance, which allows for the disbursement.

3.5.1.2. Line 1021. Recoveries of prior year obligations actual - The actual amounts of prior year obligations should be reported on this line and not included in Line 2104,

Obligations Incurred. If current year recoveries cannot be separated from prior year recoveries, the total amount of recoveries should be reported on Line 1021 and not included in Line 2104.

3.5.1.2.1. Recoveries of prior year obligations are automatically re-apportioned for DWCF activities.

3.5.1.2.2. Prior year contract authority that is deobligated and not re-obligated by September 30 automatically expires.

3.5.1.3. Line 1750. Spending Authority from Offsetting Collections- Reimbursable authority is the sum of planned customer new orders plus the change in uncollected customer orders for industrial and service activities.

3.5.1.4. Line 1910. Total Budgetary Resources- Defined as the sum of spending authority (1750), contract authority (1640), direct appropriations (1160), PY deobligations (1021), and PY unobligated balance (1000), less collections to liquidate contract authority (depreciation) (1826) received by that activity. For supply activities, it represents the sum of contract authority apportioned (1640), the amount of PY deobligations earned (1021), and any direct appropriations received (1160).

3.5.1.5. Line 1640. Contract Authority- Displays apportioned contract authority. This includes contract authority for prior year capital programs that is separately displayed on the AOB. These amounts are segregated on the AOB for administrative purposes.

3.5.2. Availability Restrictions. As noted in the preceding paragraphs, budget authority is available for obligation only in accordance with purpose, amount, and time restrictions imposed by statute, by apportionments imposed by the OMB, and by administrative limitations imposed by authorized officials within the OUSD(C) and the DWCF Components. Other events reported on the SF-133, "Report on Budget Execution and Budgetary Resources," further restrict the availability of budgetary resources. The OMB Circular A-11, "Instruction on Budget Execution," includes an explanation of those events and identification of the SF-133 lines on which they are reported.

3.5.3. Definitions of Budgetary Indicators

3.5.3.1. Line 3200. Obligated balance, net, end of period- Represents an unrealized budgetary position of a specific DWCF activity based on pending transactions and unexecuted orders.

3.5.3.1.1. This line normally will have a negative balance for industrial and service type activities. A negative balance indicates there are sufficient resources available to cover future pending transactions. For industrial and service type activities, Line 3200 indicates the amount of work needed to be performed to complete accepted customer orders.

3.5.3.1.1. Supply activities should typically have a positive Line 3200 balance because contract authority allows for the obligation of resources in advance of available

funding. For supply activities, Line 3200 indicates the amount of future customer orders and/or appropriated funding required for liquidating future potential transactions.

3.5.3.2. Line 3090. Uncollected Federal Order- Represents accounts receivable and unfilled customer orders (Carryover/Backorders). These represent uncollected customer payments from Federal Sources and are future collections to a DWCF activity.

3.5.3.3. Line 3050. Unpaid Obligations- Represents budgetary claims in the form of accounts payable and undelivered orders because they represent future disbursements.

3.5.4. ***Appendix F*** of OMB Circular A-11 displays a detailed example of the SF-133 format. In addition, appendix F covers the format for the SF-132.

*3.6 DFAS Reporting (190306)

The DFAS Accounting Report (AR) 1307 is the official internal document for financial accounting and is the source document for the annual financial statements. The following are clarifications on how the (AR) 1307 relates to the reconciliation of budgetary authority.

3.6.1. Statement of Financial Position and Statement of Cash Flows. All amounts shown on these statements should reconcile to their corollaries on the SF-133. The accompanying footnotes must explain any amounts that do not reconcile.

3.6.2. Statement of Operations. Clarifications on proprietary accounting terminology and budget formulation terminology are provided here.

3.6.2.1. Expense. Expenses are the cost of goods and services used in the process of earning revenue. This is not synonymous with the budgetary term "obligation." Obligations occur before an expense and require a budgetary resource at the time of obligation. Thus, obligations typically exceed expenses. Capital purchases are "expensed" via depreciation and inventory is expensed when it is sold.

3.6.2.2. Cost. The term "cost" may refer to either an obligation or expense depending on the circumstances. To clarify, an "obligation" is an unrealized cost that requires a budgetary resource before an outlay of cash occurs, whereas an "expense" is a realized cost (an actual bill has been received or inventory sold). The reconciliation of budgetary resources relies upon recognizing obligations as "costs" to ensure that budgetary resources are in place to cover any purchases that will not be expensed until subsequent fiscal years. The (AR) 1307 does not display budgetary resources or obligations. Conversely, the SF-133 does not display expenses. The reconciliation of these reports is key to ensure efficient and effective management across the DWCF.

3.6.3. Cost of Goods Sold (COGS). The (AR) 1307 COGS represents the historical cost of goods to produce revenue. Further, historical cost does not include inflation. Therefore, the amount of budgetary resources required to purchase inventory and produce goods and services may have a separate and distinctly higher value than the accounting COGS.

3.6.4. Depreciation. The accounting purpose for depreciation is to realize costs incurred as an asset is consumed over its useful life. It is based upon the purchase price of the asset and the length of the item's useful life as described in Volume 4 Chapter 6 of the DoD FMR.

3.6.4.1. Depreciation is the recognition of an expense in the current period for portion of a capital outlay (that required a budgetary resource) that occurred in a previous period. Thus, depreciation for budgetary purposes (through inclusion in stabilized rates) results in the recoupment of cash that was used to acquire assets to replace those wearing out. Recovery of depreciation is a financing source for the DWCF Capital Investment Program (See also Volume 2B, Chapter 9, Section 090104).

3.6.4.2. Depreciation recovery may not, by itself, be sufficient to finance the CIP. In those instances, an additional element identified as a "Capital Surcharge" may be added to the stabilized rates/prices to finance the incremental difference. The capital surcharge is not an expense and is not displayed on the Statement of Operations. A capital surcharge is one of many elements that may be used in computation of the stabilized billing rate/price. The stabilized billing rate/price, when billed, is recorded as revenue. Since there is no counteracting expense for a capital surcharge, it may result in a positive Net Operating Result (NOR) on the (AR) 1307. However, for budgetary purposes, an adjustment will be made below the NOR calculation in order to ensure budgetary resources are available for the cash outlays required.

3.6.4.3. For budgetary purposes, depreciable assets are purchased with contract authority in advance of appropriated funding. Depreciation, for budgetary purposes, is used to describe collection of budgetary resources to offset the contract authority used to purchase the item. This recovery period may be shorter than the useful life of the item depending on the budgetary resources required by an activity.

3.6.5. Net Operating Result (NOR)/Accumulated Operating Results (AOR). The NOR/AOR for budgetary purposes may be different than the (AR) 1307 NOR/AOR. The fund manager must develop a methodology that is representative of the budgetary NOR/AOR. This methodology is typically reviewed during quarterly execution reviews with OUSD(C) Revolving Funds and the Integrated Program/Budget Review.

3.6.6. Part VII Inventory Management Report. For supply activities, the Part VII of the (AR) 1307 provides budgetary, accounting and inventory data that can be used for the development of internal benchmarks and metrics that indicate the operational effectiveness and efficiency of the activity. Fund managers should coordinate with OUSD(C) Revolving Funds for clarification on what should be displayed on quarterly execution briefings. All amounts depicted on the Part VII that are also displayed elsewhere on the (AR) 1307 or SF-133 should reconcile.

3.7 Execution Review (190307)

The Revolving Funds Directorate receives a quarterly execution briefing and a Fund-28 Execution Performance Quarterly Analysis (see Volume 2B, Chapter 9, Section 0903) from each DWCF activity. Each activity's results of operations (through the latest available quarter) are formally reviewed by OUSD(C) leadership to determine the actual results of operation in comparison with plans for disbursements, collections, revenue, expense, net operating results, and unit costs. These briefings typically occur in February, May, and August. The purpose of the review is to determine if financial operations are proceeding according to plan and if there are significant deviations from the plan to actual execution. Management actions may be required to either bring execution back into line with the plan or to revise the plan to be consistent with current and more realistic financial expectations.

3.8 Adjusting Component Resources (190308)

Based on budget execution, Components periodically request the Revolving Funds Directorate to adjust their targets and/or capital budget limitation. Unless the Congress has provided a capital purchase limitation or other direction that would preclude making a requested adjustment, a Component's request will be evaluated and approved (reflected in a revised AOB) or disapproved based on the merit of the justification provided.

Example of an Annual Operating Budget (AOB)

NAVY WORKING CAPITAL FUND

NAVY DEPOT MAINTENANCE - FLEET READINESS CENTERS (FRC)
FISCAL YEAR 2013 COST AUTHORITY

ACTIVITY Budgetary Resources	OPERATING BUDGET Unit Cost ($)	 Number of Units (000)	 Total Cost Approved (In Millions)
OPERATING BUDGET			
PY Unobligated Balance (SF-133 Line 1000)			$705.484
Total Spending Authority from offsetting collections (Includes Depreciation) (SF-133 Line 1750)			$2,253.249
Collections applied to liquidate Contract Authority (Depreciation) (SF-133 Line 1826)			$-41.852
Total Operating Reimbursable Authority (Lines 1000+1750+1826) 1/			**$2,916.881**
Capital Obligation Authority (SF-133 Line 1640) 2/			
FY 2007			$ 0.080
FY 2009			$ 0.100
FY 2010			$ 0.866
FY 2011			$ 1.770
FY 2012			$ 8.159
FY 2013			$ 43.537
TOTAL			$ **54.512**
NET OPERATING RESULT: (NOR GOAL) 4/			$ -6.400
ACCUMULATED OPERATING RESULT: (AOR GOAL) 4/			$ 7.200

Authorization Number:	**Date:**	**Approved:**
FRC-13-09		

1.0 LIMITATIONS AND GUIDANCE

1.1 TOTAL OPERATING REIMBURSABLE AUTHORITY: The estimate of reimbursements expected to be **earned** during the current fiscal year, subject to Office of Management and Budget apportionment, other authorized reimbursements, and/or other income for which current fiscal year obligational authority is automatically established based on customer orders received. Negative anticipated reimbursements will not be recorded on the SF-133. Advances are required from non-federal orders. Specific prior approval of this office is required for additional budgetary resources beyond the amount authorized. Direct Reimbursable Outputs are limited to the actual cost incurred up to the limit of obligation authority received on funded customer orders.

1.2 The amount listed for Capital Obligation Authority is the limitation subject to the provision of Section 1517 of 31 U.S.C., the Anti-Deficiency Act. Obligations will not be incurred beyond the total approved amount shown for each year for the Capital Budget (as modified by reprogramming per authority provided in DoD 7000.14R, DoD Financial Management Regulation, Volume 2B, Chapter 9) without the specific prior approval of this office.

1.3 TOTAL BUDGETARY RESOURCES (SF-133 Line 1910): The amount authorized to be reported on line 1910 of the SF-133 is the sum of Reimbursable Authority, Contract Authority, and Recoveries of prior year unpaid obligations (SF-133 line 1021).

1.4 AOR & NOR: The Accumulated Operating Result (AOR) represents the cumulative impact of gains and losses on total operations of the activity group since the inception of the fund. The stated financial goal of the Working Capital Fund is to achieve a zero AOR over time. The AOR, along with the Net Operating Result (NOR), provide primary financial management targets and will be used in conjunction with other performance metrics to assess the overall operational effectiveness of the activity group. For each Activity Group, the Component is responsible for preparing a monthly Revenue and Cost Plan. Formal First Quarter and Mid-Year Joint Execution Reviews of this plan will be conducted by this office in February and May 2013.

1.5 CASH MANAGEMENT: Cash management remains the responsibility of the Navy. This cash management responsibility entails taking action to maintain a positive cash balance for Navy Activity Groups, in total, at all times. Failure to maintain a positive balance will result in a statutory violation of Section 1517, of 31 U.S.C., the Anti-Deficiency Act, by the Navy. The Component may require DFAS to vary its billing cycle or advance bill, when it is deemed necessary to do so, in order to maintain cash solvency. The magnitude, duration, and reason for advance billing by business area must be reported by the initiating Component to the Director, Revolving Funds within 15 calendar days of the end of the month in which the advance billing took place. In exercising the authority to advance bill orders, the Department of the Navy must ensure that, in total, for all Activity Groups, advance billing for services provided or work performed by the Department of Navy's Working Capital Fund does not exceed $200 million. Advance billing in excess of $200 million, cumulative, is prohibited during the fiscal year. The Component remains responsible for compliance with monthly execution of collections and disbursements in accordance with the monthly approved plan.

1.6 UNIT COST: The total cost for those outputs identified by a unit cost is predicated on a projected level of workload. Components may request increases in Operating Obligation Authority based on an increase in the number or value of orders accepted. Conversely, if actual work load declines below levels anticipated, appropriate reductions will be made to the total costs shown in this document.

1.7 PERFORMANCE GOALS: Performance effectiveness measures identified in the FY 2014 President's Budget Submission, FY 2013 column include:

Measure	Goal
Schedule Conformance:	
Aircraft	>90%
Components	>95%
Engines	>90%
Inventory turnover ratio	>2.4
New Orders	$2,130.1 million
Operating Results:	
NOR	-$6.4 million
AOR	$7.2 million

1.8 OTHER:

1.8.1. Base Realignment and Closure Program expenses may be incurred prior to receiving an allocation of BRAC funding. However, all costs properly charged against the BRAC account must be reimbursed with BRAC funds. DWCF funds may not be expended prior to complying with the notification requirements imposed by law with respect to the obligation of BRAC funds. All costs incurred by DWCF activities to carry out BRAC must be reimbursed from the BRAC account prior to the end of the fiscal year in which costs were incurred.

1.8.2. This document requires that collections for **$41.852 million** in budgeted depreciation are applied to unliquidated contract authority (account 4139) and are not used as additional operating authority.

1.8.3. Costs of civilian separation incentives, not related to BRAC, are to be financed by the Navy Working Capital Fund.

1.9 CONTRACT AUTHORITY FOR CAPITAL INVESTMENTS: This document provides **$54.512 million** in contract authority to the Fleet Readiness Centers (NADEPS) activity during this fiscal year for Capital Investment Program (CIP) requirements. Of this amount, there is **$10.975 million** reapportioned for CIP requirements from prior fiscal years. In addition, recoveries of prior year capital obligations increase FY 2013 authority in the amount of recoveries. However, the Director for Revolving Funds must approve use of any recovered capital authority. Instructions for reporting contract authority withdrawn on the SF 133 Report on Budget Execution are provided below:

1.9.1. The capital program collections are anticipated to be **1.96 percent** of customer orders during the year, up to a fiscal year maximum of **$41.852 million.** The collection percentage is based on budgeted depreciation costs and capital cash surcharges included in prices/rates. The maximum amount financed above will recover the total capital cash requirements projected for the fiscal year.

1.9.2. The collected amount for the capital program will be moved from operating collections into capital collections and will liquidate previously realized (obligated) capital contract authority. Unused (unobligated) contract authority is removed at the end of the fiscal year; and is only available for within scope adjustments as provided below. Realized/obligated contract authority will remain accounted for and carried forward until it is liquidated by capital collections or de-obligated. Thus, cumulative unliquidated capital contract authority outstanding for the capital program equals the total cumulative capital obligations for all years less the cumulative capital collections for all the years since the inception of the capital program.

1.9.3. At fiscal year end, the amount collected will be compared to the amount obligated. If the amount collected requires to be adjusted upward to a maximum of 100 percent of obligations to maintain cash corpus requirements, an adjustment will be made in the rate development. If cumulative collections exceed cumulative outlays and cumulative obligations because of deobligations, a negative capital surcharge may be used to return the excess collections so long as cash corpus requirements are maintained.

1.10 CONGRESSIONAL DIRECTION: Funding released in this and subsequent documents is to be executed only in accordance with all applicable provisions of any Continuing Resolution(s), the National Defense Authorization Act for Fiscal Year 2013 (P.L. 112-239), the Consolidated and Further Continuing Appropriations Act, 2013 (P.L. 113-006), and any supplemental appropriations, when enacted.

1.11 DEFENSE BUSINESS SYSTEM MODERNIZATION: In accordance with the Ronald W. Reagan National Defense Authorization Act for FY 2005, and Department of Defense policy, modernization and enhancement to a system that costs more than $1 million, across the FYDP, must be approved by the Investment Review Board and Defense Systems Business Management Committee prior to obligating funds. This does not include obligations to maintain current services.

2.0 CAPITAL BUDGET PROGRAM

The capital budget is to be executed based on the approved annual programs contained in the President's Budget as modified by approved budget decisions. Proposed deviations from the President's Budget, that are consistent with reprogramming criteria, must be identified to the Director for Revolving Funds during the schedules execution reviews.

The capital budget will be executed in accordance with the Financial Management Regulation. Effective April 4, 2007, the Defense Working Capital Funds Capital Investment Program (CIP) Budget expense/investment threshold (FMR Volume 2B Chapter 9) increased from $100,000 to $250,000 for all categories except Minor Construction. The National Defense Authorization Act for Fiscal Year 2011 (P.L. 111-383), dated January 7, 2011, Section 1403 increased the CIP Minor Construction threshold from $100,000 to $250,000. The capital budget authority shown in Section 9 of this document reflects this change. Minor Construction projects between $100,000 and $250,000 that were obligated prior to January 7, 2011 will be executed under the previous threshold. All new Minor Construction obligations must comply with the $250,000 CIP threshold. Note that, although the capitalization threshold increased, assets between $100,000 and $250,000 will still be recorded in Department's financial reports as fixed assets and depreciated in accordance with the FMR Volume 11B.

3.0 CAPITAL PROJECT WITHIN SCOPE OBLIGATION ADJUSTMENTS

Capital obligation adjustments must be charged to the program year cited for the original project. Capital obligation authority can be provided for any program year for within scope increases if the following conditions are met: (1) the original program year must have sufficient un-obligated budget authority (original program plus program adjustments less actual obligations) to accommodate the adjustment, and (2) the total obligations, including both new obligations and all adjustments, cannot exceed the total obligation authority for all program years issued on the AOB. If these conditions are met, this AOB automatically provides the authority to obligate prior year program funds for within scope capital adjustments of less than $100,000. Since the adjustments must cite the original program year, the obligation authority for a currently issued program year must be reduced to offset the adjustments if sufficient funding for the original program year is not available on the AOB. The offset must be sufficient to limit total capital obligations during the fiscal year to the total obligation authority issued on the AOB. Subsequent AOBs may restore this authority by issuing the prior year program funds if appropriate. In addition, this document provides for a revised reprogramming threshold. Components may, without prior approval of this office, reprogram funds up to $3 million between approved capital budget projects for minor construction and non-ADP equipment and reprogram up to $1 million between ADP and software projects in a fiscal year program. Deviations from the President's Budget that are consistent with the reprogramming criteria noted above, must be identified to the Director for Revolving Funds within 30 days of occurrence or during the scheduled execution reviews, whichever occurs first. The approved project list for capital budget obligations follows:

($ Millions)

FY 2010 Program	
MINOR CONSTRUCTION	**0.066**
Replacement Capability	0.066
Non-ADPE & TELECOM EQUIPMENT	**0.800**
Replacement Capability	0.800
FY 2010 Program Year Total	**0.866**
FY 2011 Program	
ADPE & TELECOM EQUIPMENT	**0.092**
Computer Software	0.067
Telecommunications	0.025
Non-ADPE & TELECOM EQUIPMENT	**0.897**
Replacement Capability	0.897
MINOR CONSTRUCTION	**0.781**
Replacement Capability	0.178
Production Capability	0.603
FY 2011 Program Year Total	**1.770**
FY 2012 Program	
Non-ADPE & TELECOM EQUIPMENT	**5.515**
Replacement Capability	1.642
Production Capability	3.873
ADPE & TELECOM EQUIPMENT	**1.362**
Computer Software	0.307
Other Computer and Telecom Support Equipment	1.055
MINOR CONSTRUCTION	**1.282**
Replacement Capability	0.840
Productivity Capability	0.442
FY 2012 Program Year Total	**8.159**
FY 2013 Program	

Non-ADPE & TELECOM EQUIPMENT	**39.057**
Replacement Capability	31.964
Productivity Capability	7.093
ADPE & TELECOM EQUIPMENT	**1.000**
Computer Software	1.000
MINOR CONSTRUCTION	**3.480**
Replacement Capability	3.480
FY 2013 Program Year Total	**43.537**
Grand Total	**$54.512**

Example of the (AR) 1307

Statement of Operations

		TOTAL	Industrial Operations	Supply Management	Component Level Adj.
PART I					
STATEMENT OF OPERATIONS					
REVENUES AND FINANCING SOURCES:					
1. Appropriated Capital Used	$	627,790	0	627,790	0
2. Revenue from Sales of Goods and Services	$	17,390,570	5,278,338	12,112,233	0
a. Gross Revenue from Sales	$	17,725,235	5,278,249	12,446,986	0
b. Minus: Credits Allowed on Sales	$	(334,664)	89	(334,753)	0
3. Other Revenue and Financing Sources	$		7,821	53,935	0
4. Total Revenue and Financing Sources	$	18,080,116	5,286,159	12,793,957	0
		0			
EXPENSES:					
5. Program or Operating Expenses (Supply and Service Activities)	$	3,282,995	0	3,282,995	0
6. Cost of Goods and Services Sold	$	9,781,365	5,391,045	4,390,320	0
7. Other Losses	$	1,758,676	12,808	1,745,868	0
8. Total Expenses	$	14,823,036	5,403,854	9,419,182	0
NET OPERATING RESULTS:					
9. Revenue Less Cost Incurred Before Extraordinary Items	$	3,257,080	(117,695)	3,374,775	0
10. Plus (Minus) Extraordinary Items	$	0	0	0	0
11. Net Operating Results (NOR)	$	3,257,080	(117,695)	3,374,775	0
NET OPERATING RESULTS FOR RATE PURPOSES:					
12. Plus (Minus) Deferred Operating Results and Depreciation(From Part V)	$	0	0	0	0
13. Recoverable Net Operating Results	$	3,257,080	(117,695)	3,374,775	0

Example of the (AR) 1307 Part VII

PART VII
INVENTORY MANAGEMENT REPORT

	Current Year To Date
A. Customer Orders Accepted - Cumulative	12,585,738
B. Gross Reimbursable Sales of Property, Inventory, & Services - Cumulative	12,428,285
C. Unfilled Customer Orders	1,543,045
D. Customer Returns - Credits Granted - Cumulative	2,314,635
E. Net Reimbursable Sales of Property - Cumulative	10,143,261
F. Purchases at Cost (LAC) - Cumulative	4,612,884
G. Obligations - Cumulative	9,570,803
H. Obligations - Reimbursable	9,554,987
I. Obligations - Augmentation - Cumulative	8,428
J. Obligations - Mobilization - Cumulative	6,979
K. Outstanding Commitments	0
L. Inventories - Stock on Hand	32,107,933
M. Other Inventories	368,157
N. Inventories in Transit	464,280
P. Total Inventories	32,940,369
Q. Customer Returns Without Credit - Cumulative	10,340,292
R. Transfers to Reutilization and Market - Cumulative	2,830,896
S. Material Returns to Suppliers - Cumulative	-138,935
T. Undelivered Orders	7,652,382
U. Fund Balance with Treasury	0
V. Funds Collected - Cumulative	10,107,103
W. Funds Disbursed - Cumulative	8,928,875
X. Accounts Receivable - Intragovernmental	155,013
Y. Accounts Receivable - Non-Federal	0
Z. Accounts Payable	913,503

DoD 7000.14 - R

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 4: "ACCOUNTING POLICY"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

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VOLUME 4, CHAPTER 1: "FINANCIAL CONTROL OF ASSETS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated January 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Administrative updates were completed in accordance with the Department of Defense Financial Management Regulation Revision Standard Operating Procedures.	Revision
1.2	Updated the Authoritative Guidance section. Removed the reference to Statement of Federal Financial Accounting Standards (SFFAS) 8 which was rescinded by SFFAS 57. Also, added references to SFFAS 54 and 57 that were issued since the previous version.	Deletion/ Addition
2.4	Clarified Nonentity versus Entity Asset language.	Revision
3.0	Clarified Fund Balance with Treasury policy language.	Revision
7.0	Clarified Stewardship Land language and revised Financial Management Regulation references for General Property, Plant, and Equipment.	Revision

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CHAPTER 1

FINANCIAL CONTROL OF ASSETS

1.0 GENERAL

1.1 Purpose

This chapter prescribes the Department of Defense (DoD) accounting policy for the financial control of assets. The DoD establishes financial control, from acquisition to disposal, over all DoD assets based on statutory or other legal authority and asset type. Properly documented authorizations record acquisitions, placed in service dates, transfers, write-downs or offs, and dispositions. The Department accounts for all DoD tangible assets, including assets in transit and the hands of contractors, private parties, and other government agencies.

1.2 Authoritative Guidance

The accounting policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:

1.2.1. Financial Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Concepts ***(SFFAC) 6***, "Distinguishing Basic Information, Required Supplementary Information, and Other Accompanying Information;"

1.2.2. FASAB Statement of Federal Financial Accounting Standard ***(SFFAS) 1***, "Accounting for Selected Assets and Liabilities;"

1.2.3. FASAB ***SFFAS 3***, "Accounting for Inventory and Related Property;"

1.2.4. FASAB ***SFFAS 6***, "Accounting for Property, Plant, and Equipment;"

1.2.5. FASAB ***SFFAS 31***, "Accounting for Fiduciary Activities;"

* 1.2.6. FASAB ***SFFAS 54***, "Leases;"

* 1.2.7. FASAB ***SFFAS 57***, "Omnibus Amendments 2019;"

1.2.8. Office of Management and Budget ***(OMB) Circular A-136***, "Financial Reporting Requirements;"

1.2.9. The United States Department of the Treasury (Treasury) Bureau of the Fiscal Service Treasury Financial Manual (TFM), Volume 1, Part 2, ***Chapter 3200***, "Foreign Currency Accounting and Reporting;"

1.2.10. TFM Volume 1, Part 2, ***Chapter 3400***, "Accounting for and Reporting on Cash and Investments Held Outside of the United States (U.S.) Treasury;"

1.2.11. TFM Volume 1, Part 2, ***Chapter 5100***, "Reconciling Fund Balance with Treasury Accounts;" and

1.2.12. Department of Defense Instruction ***(DoDI) 5000.64***, "Accountability and Management of DoD Equipment and Other Accountable Property."

2.0 ACCOUNTING REQUIREMENTS

2.1 Accounting Requirements Overview

Sections 3.0 through 8.0 provide specific accounting policies for various categories of assets. The general requirements prescribed in this section apply to all assets.

2.2 Definition of Asset

An asset has two essential characteristics:

2.2.1. It embodies probable (more likely than not) economic benefits or services that can be used in the future; and

2.2.2. The DoD owns or controls access to the economic benefits or services and, therefore, can obtain them, deny, or regulate the access of other entities.

2.3 Noncash Assets

Noncash assets are valued promptly, once DoD acquires, takes possession, or exercises accounting control. For purposes of this paragraph, promptly means by the entity's fiscal year-end.

*2.4 Entity Versus Nonentity Assets

2.4.1. DoD Components report entity assets separately from nonentity assets in the financial statements, Note 2.

2.4.2. DoD Components use entity assets in their operations. The DoD Component decides how the asset is used or must use the asset to meet statutory obligations.

2.4.3. DoD Components may hold, but not use nonentity assets in its operations. A DoD Component may be a fiduciary, maintaining nonentity assets for the Treasury, other government agencies, or non-federal entities. DoD Components must report both entity and custodial or managed nonentity assets in the financial statements. However, DoD Components must not recognize fiduciary nonentity assets on the Balance Sheet, according to SFFAS 31. The Federal Government must uphold the non-Federal individuals' or entities' ownership interest in the fiduciary assets. Disclose in the financial statement, Note 2, the nonentity assets reported on an entity's Balance Sheet according to OMB Circular A-136, Assets section; see also Volume 6B, Chapter 10. Recognize a liability equal to nonentity assets (due to Treasury or other entities) on the Balance Sheet.

2.5 Intragovernmental Versus Public Transactions

2.5.1. DoD Components create intragovernmental assets from transactions with Non-DoD Federal Agencies and other DoD Components.

2.5.2. DoD Components create public assets from transactions with non-federal entities. Non-federal entities include domestic and foreign persons and organizations outside the U.S. Government. The term "public" can represent non-federal entities.

2.6 Accounting Events

The accounting events discussed in Chapters 2 through 7 require accounting entries simultaneously in both the proprietary accounts and the budgetary accounts. Additional information on budgetary accounts is in Volume 3.

*3.0 FUND BALANCE WITH TREASURY (FBWT) AND CASH

3.1 FBWT Policy

FBWT includes the available funds with Treasury authorizing the entity to make expenditures and pay liabilities. Collections and disbursements increase or decrease the account balance. All federal agencies must reconcile their FBWT accounts on a regular and recurring basis to ensure integrity and accuracy. Research and resolve differences identified during the reconciliation process. Reconciliation documentation (including support for any adjustments required) must be prepared and retained. Reconciliation, review, and approval of evidence must be documented. FBWT balances must be accurate for the Treasury, Department, and Government-wide financial position. Comprehensive guidance on FBWT and Cash is in Chapter 2.

3.2 Cash Held Outside of Treasury

DoD consolidation entities may hold cash outside of the Treasury to provide check-cashing services in accordance with Volume 5. Cash includes all monetary resources on hand or deposit with financial institutions, including coins, currency, and readily negotiable instruments (such as checks and money orders).

3.3 Restricted Cash

Laws, regulations, or agreements impose cash deposit restrictions. Nonentity cash is always restricted cash. Entity cash may be restricted for specific purposes. Financial reports must disclose the restriction reasons and nature.

3.4 FBWT and Cash Accounting Requirements

3.4.1. FBWT and cash accounting will:

3.4.1.1. Be complete, accurate, and timely.

3.4.1.2. Cover cash receipts, cash disbursements, and cash balances.

3.4.1.3. Comply with applicable laws and regulations.

3.4.1.4. Disclose errors, losses, and gains. DoD Components must identify, resolve, and correct errors on a timely basis as detailed in Chapter 2.

3.4.2. Record cash receipts immediately upon collection, and control and deposit cash as soon as practicable. Disbursing Officers and their cash agents may hold cash collections for operating requirements within their authority.

3.4.3. Make cash disbursements only after receiving an approved voucher package containing performance evidence (i.e., receipt of goods and/or services via DD Form 250, Material Inspection and Receiving Report), a valid purchase order, and a valid invoice. Cash disbursements can also be made after receiving an authorized advance payment request. Record cash disbursements and collections promptly in the applicable DoD accounting system and report the same in the Statement of Transactions.

3.4.4. Reconcile cash receipts and disbursements with appropriate documents and accounting records, within each accounting period. Document the reconciliation and verify that all supporting documentation amounts agree with the postings to the U.S. Standard General Ledger account 101000, Fund Balance with Treasury, and 109000, Fund Balance with Treasury Under a Continuing Resolution. Research and resolve any differences identified during the reconciliation process. Prepare and retain reconciliation documentation (including support for any adjustments required). Review and approval of the reconciliations and adjustments must be documented.

3.4.5. Account for foreign currencies in subsidiary accounts separate from U.S. currency. Report foreign currencies at the U.S. dollar equivalent using the exchange rates prescribed by the Secretary of the Treasury. Disclose in the financial statement notes that foreign currency is not freely exchangeable. Accounting entities may prepare financial statements for their use. These entity-level statements will be translated into U.S. dollars when used to prepare departmental financial statements. See Volume 6A, Chapter 7 for additional foreign currency information.

3.4.6. Cash management requirements guidance is in Chapter 2.

4.0 RECEIVABLES

4.1 Receivables Overview

Record amounts due the DoD accurately in the appropriate receivable account when the transaction or event occurs. Claims to assets include accounts receivable, interest receivable, and loans receivable. Detailed Receivables guidance is in Chapter 3.

4.2 Receivable Recognition

SFFAS 1 requires receivable recognition when a federal entity establishes a claim to assets against other entities, either based on legal provisions, such as a payment not received by the invoice due date, or goods or services provided. Unknown amounts must be estimated.

5.0 INVENTORY AND RELATED PROPERTY

5.1 Definition of Inventory and Related Property

5.1.1. Inventory is tangible personal property that is (1) held for sale, (2) in the process of production for sale, or (3) consumed in producing goods or providing services for a fee. Inventory includes items for sale or transfer to the federal government or non-federal entities.

5.1.2. Inventory is recognized when the title passes or when the goods are received by the purchasing entity. The terms of the contract dictate delivery or constructive delivery.

5.1.3. Inventory is valued at historical cost, using the moving average cost assumption unless an exception is specifically authorized.

5.1.4. Comprehensive Inventory guidance is in Chapter 4.

5.2 Operating Materials and Supplies and Stockpile Materials

Related property includes operating materials and supplies and stockpile materials. Additional guidance is in Chapter 4.

6.0 ADVANCES AND PREPAYMENTS

6.1 Advances

A DoD Component may advance cash to its employees, contractors, grantees, or others to cover the recipients' anticipated expenses or as advance payments for the cost of goods and services the entity acquires. Common examples include travel advances disbursed to employees prior to business trips, and assets disbursed under a contract, grant, or cooperative agreement before the contractor or grantee provides services or goods. Reduce advances when related goods or services are received, contract terms are met, progress is made under a contract, or anticipated

expenses are realized. Advances are the paying entity's assets. Additional advance guidance is discussed in Chapter 5.

6.2 Prepayments

A DoD Component may make prepayments to cover periodic expenses before those expenses are incurred. Typical prepaid expenses are rents paid to a lessor at the beginning of a rental period. Reduce prepayments when the DoD Component receives goods or services, or the prepaid expenses expire. Prepayments are the paying entity assets. Detailed prepayment guidance is in Chapter 5.

6.3 Reporting Intragovernmental Transactions

Intragovernmental advances and prepayments must be accounted for and reported separately from those made to non-federal entities.

*7.0 PROPERTY, PLANT, AND EQUIPMENT (PP&E)

7.1 Definition of PP&E

7.1.1. PP&E includes General PP&E, Heritage Assets, Multi-Use Heritage Assets, and Stewardship Land. SFFAS 6 defines PP&E as tangible assets, with estimated useful lives of two years or more, are not intended for sale in operations, and are acquired or constructed to be used. PP&E includes Internal Use Software, Lease assets, leasehold improvements, property owned in the hands of others (e.g., state governments, colleges and universities, or Federal contractors), and land rights.

7.1.2. Heritage Assets are of historical, natural, cultural, educational, artistic, or aesthetic significance, or with significant architectural characteristics. Regardless of its use, all land from the public domain provided to the Department at no cost is classified as Stewardship Land.

7.1.3. The government must account for PP&E because public funds are invested. Account and control property in the accountable property systems of record. The DoD must safeguard its property from theft, abuse, waste, and unauthorized use and manage the property efficiently and effectively.

7.1.4. Consistent with the DoDI 5000.64, DoD is accountable for all property acquired, leased, or otherwise obtained: from initial acquisition and receipt; through accountability and custody; until formally relieved of accountability, including disposition; or through a completed evaluation and investigation for lost, damaged, destroyed, or stolen property. Additional PP&E guidance is in Chapter 24 for Real Property, Chapter 25 for General Equipment, Chapter 26 for Leases, Chapter 27 for Internal Use Software and Chapter 28 for Heritage Assets, Multi-Use Heritage Assets and Stewardship Land.

7.2 Recording General PP&E Assets

Record all General PP&E assets in accounting records at cost. Include all costs incurred to bring the PP&E to a form and location suitable for its intended use. Stewardship Land and Heritage Asset PP&E (except for Multi-Use Heritage Assets) costs are expensed when incurred.

8.0 OTHER ASSETS

Other assets include investments, and other miscellaneous assets not otherwise classified in a specific category identified in sections 2.0 through 7.0. The basic purpose is to ensure financial control over these assets and the recording of expenses or dispositions in the appropriate accounting periods. Other assets guidance is in Chapter 7.

VOLUME 4, CHAPTER 2: "ACCOUNTING FOR CASH AND FUND BALANCES WITH TREASURY"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated April 2020 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Policy Memo 2.2, 6.0	This revision incorporated and cancelled the Deputy Chief Financial Officer (DCFO) memorandum titled; "Department of Defense Accounting for Funds Held Outside of Treasury Implementation Guidance (FPM 25-01)," dated January 27, 2025.	Cancellation
Policy Memo Appendix A	This revision incorporated and cancelled the DCFO memorandum titled; "Treasury Index 97 Deposit Fund Liabilities Account Structure (FPM 22-04)," dated September 22, 2022.	Cancellation
Policy Memo 4.0, 5.0	This revision incorporated and cancelled the DCFO memorandum titled; "Reporting Department of Defense Deposit Fund Liabilities (FPM 20-10)," dated July 2, 2020, adding section 4.0 to define reporting requirements for Department of Defense Deposit Fund Liabilities and creating section 5.0 specific to the Treasury Index 97 Deposit Fund Liabilities Account.	Cancellation
1.2	Updated the Authoritative Guidance.	Revision
2.6	Incorporated Central Accounting Reporting System reconciliation requirement for undistributed amounts in accordance with Office of Management and Budget Circular A-136	Addition
8.4 (previous Version)	Deleted Record /Reconcile Fund Balance with Treasury Transactions for Defense Working Capital Funds (WCF).	Deletion
9.4	Added Current Balance of Funds with Treasury	Addition

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
10.2	Added the Enterprise Financial Transformation office to the reconciliation responsibilities.	Addition
10.7	Revised description of the Treasury clearing accounts.	Revision
10.8	Moved Undistributed Collections and Undistributed Disbursements out of Defense WCF because it is not WCF specific (previously paragraph 6.7).	Revision
Table 2-2	Added additional Treasury Assigned Accounts for the Revolving Funds	Addition

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CHAPTER 2

ACCOUNTING FOR CASH AND FUND BALANCES WITH TREASURY

1.0 GENERAL

1.1 Purpose

This chapter prescribes Department of Defense (DoD) accounting policy and related management requirements establishing financial control over fund balances with the U.S. Department of the Treasury (Treasury) and cash resources that are not part of the Fund Balance with Treasury (FBWT). Unless otherwise stated, this chapter is applicable to the Military Departments and Defense Agencies, hereinafter referred to as DoD Components including the Revolving Fund activities. ***Annex 1*** "Supporting Fund Balance with Treasury Balances Brought Forward" provides the steps required for stating beginning balances for FBWT.

*1.2 Authoritative Guidance

1.2.1. Title 10, United States Code, section 2206 (***10 U.S.C. § 2206***) "Disbursement of funds of military department to cover obligation of another agency of Department of Defense;"

1.2.2. ***10 U.S.C. § 2208***, "Working-capital funds;"

1.2.3. ***31 U.S.C. § 1341***, "Limitations on expending and obligating amounts;""

1.2.4. ***31 U.S.C. § 3324*** "Advances;"

1.2.5. ***Title 31, Code of Federal Regulations, § 240.12(a)***, "Processing of checks. Federal Reserve Banks;"

1.2.6. The Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards ***(SFFAS) 1***, "Accounting for Selected Assets and Liabilities;"

1.2.7. FASAB ***SFFAS 31***, "Accounting for Fiduciary Activities;"

1.2.8 ***Treasury Financial Manual (TFM) Volume I, Part 2, Chapter 3400***, "Accounting For and Reporting on Cash and Investments Held Outside of Treasury (CIHO);"

1.2.9. ***TFM Volume I, Part 2, Chapter 5100***, "Fund Balance with Treasury Accounts;"

1.2.10. Office of Management and Budget ***(OMB) Circular No. A-11***, subsection 20.4(j);

1.2.11. OMB ***"Financial Reporting Requirements;"***

1.2.11. FASAB ***Interpretation of Federal Financial Accounting Standards 10:*** "Clarification of Non-federal Non-entity FBWT Classification (SFFAS 1, Paragraph 31): An Interpretation of SFFAS 1 and SFFAS 31;"

1.2.12. ***DoD Instruction (DoDI) 4000.19***, "Support Agreements;"

1.2.13. ***DoDI 5010.40***, "DoD Enterprise Risk Management and Risk Management and Internal Control Program ;"

1.2.14. Treasury Federal Account Symbols and Titles ***(FAST) Book***, I TFM 2, "Supplement;" and

1.2.15. The Government Accountability Office (GAO) and the Council of the Inspectors General on Integrity and Efficiency (CIGIE), ***Financial Audit Manual, Volume 2***, (GAO-24-107279).

2.0 DEFINITIONS

2.1 Cash

Recognize cash, including imprest funds, as an asset in accordance with SFFAS 1, Paragraph 27: "Cash consists of: (a) coins, paper currency and readily negotiable instruments, such as money orders, checks, and bank drafts on hand or in-transit for deposit; (b) amounts on demand deposit with banks or other financial institutions; and (c) foreign currencies, which, for accounting purposes, must be translated into U.S. dollars at the exchange rate on the financial statement date."

*2.2 Funds Held Outside of Treasury (FHOT)

The TFM glossary defines Cash and Investments Held Outside of the Treasury (CIHO), also known as Funds Held Outside of Treasury (FHOT). FHOT is more than physical cash held by a DoD Disbursing Officer (DO), Deputy DO, or paying agent in a vault or in a Limited Depository Account under the responsibility of the DO. Cash like Items including, U.S. Debit Card Program stock, Navy Cash stock, Dishonored Checks in Transit, Undeposited NIs, etc. also fall into this category. Report entity and non-entity cash in accordance with SFFAS 1, paragraphs 28 through 30. Deposit funds from non-federal sources in anticipation of an order (that is, an advance) should be classified in accordance with SFFAS 31, Accounting for Fiduciary Activities.

2.3 FBWT

2.3.1. A federal entity's FBWT is the aggregate funds in the entity's Treasury account for which the entity is authorized to make expenditures and pay liabilities.

2.3.2. According to SFFAS 1, paragraph 32, a federal entity's FBWT includes budget clearing account balances or suspense accounts and the dollar equivalent of foreign currency account balances (e.g., foreign burden-sharing payments). Components must translate foreign currency account balances into U.S. dollars at Treasury exchange rates and effective at the financial reporting date in accordance with the ***Treasury Reporting Rates of Exchange*** unless the exceptions stated in TFM Chapter ***3200*** apply. A federal entity's FBWT also includes balances for direct loan and loan guarantee activities held in the credit reform program and financing accounts.

2.3.3. TFM Chapter 5100 describes FBWT as an asset account containing the future economic benefits of monies that agencies can spend for future authorized transactions. Transactions include appropriation warrants, non-expenditure transfers, collections, disbursements, and related adjustments reported to Treasury's Bureau of the Fiscal Service (BFS); and classified to a Treasury Account Symbol (TAS) increase or decrease to the FBWT account balance. The TFM defines the TAS as being reported in eight components (fields): sub-level prefix (SP), allocation transfer identifier (ATA), agency identifier (AID), beginning period of availability (BPOA), ending period of availability (EPOA), availability type (A), main account (main), and sub-account code (SUB). See Table 2-1 for examples of financial events that impact a Component's FBWT on the Balance Sheet and Statement of Budgetary Resources (SBR).

2.4 FBWT Reconciliation

2.4.1. Reconciliation compares two sets of records (usually the balances of two accounts) and identifies and explains the differences between the records or account balances. The timing of transactions, an invalid Line of Accounting (LOA), insufficient detail, and other reasons may cause differences. Reconciliation is complete when all differences are identified, accountability is assigned, and any differences are explained. Once reconciliations are complete, document appropriate actions and record any necessary adjustments. The corrective action, if any, must address the underlying cause of the discrepancy to ensure prevention.

2.4.2. Reconcile FBWT with the actual accounting transactions (including funding, disbursements, collections, and transfers) back to the detailed amounts posted to both entity general ledgers and entity Treasury accounts, United States Standard General Ledger (USSGL) accounts 101000 (FBWT) and 109000 (FBWT While Awaiting a Warrant or Non-Expenditure Transfer). Identify and compare accounting events or transactions to determine whether transactions are recorded properly and can be cleared, have not yet been recorded (in transit), or were recorded improperly and require correction either in the general ledger or at Treasury.

2.4.3. Reconcile FBWT with the available funds recorded on the ***Central Accounting Reporting System (CARS)*** Account Statement. All disbursements, collections, and intragovernmental transactions in CARS must have supporting Agency Location Code (ALC)/Disbursing Station Symbol Number (DSSN) details. Include DO's cash reconciliation (cash and monetary assets and the Statement of Accountability) to the cash activity (checks issued, deposits, electronic funds transfer). Refer to ***Volume 5*** for information and requirements of the DO's cash reconciliation.

2.5 FBWT Universe of Transactions

The FBWT universe of transactions includes all valid funding, disbursements, collections, or transfers of funds (including warrants) to or from an entity over a given time period. The transactions affect the amounts and balances in appropriation accounts reported to or by the Treasury, recorded in an entity's general ledger, or presented in an entity's financial reports. Reconcile transactions from the entity disbursing systems, general ledgers, and financial statements to Treasury's records. Voucher level detail must support all identified differences. There are two universes of transactions for FBWT: Treasury detail and accounting detail.

Transaction-level detail begins with the LOA and must have the following data elements (at a minimum): TAS, Sub-Allocation Holder Identifier (SAHI) (formerly limit) for Treasury Index (TI)-97, reimbursable flag indicator, accounting station identifier code, agency disbursing identifier code (ALC/DSSN), voucher number, and voucher amount. Non-Treasury Disbursing Offices (NTDO) must include the Agency Location Type Code (AGCY LOC TYP CD), NTDOAUD (also called "child level"), and DSSN to support FBWT reconciliations and undistributed processes. For steps required to bring FBWT balances forward, see Annex 1: Supporting Fund Balance with Treasury Balances Brought Forward.

*2.6 Undistributed Amounts

2.6.1. Undistributed amounts are amounts reported to the Treasury that have not been posted to the appropriate obligation in a Component's general ledger or vice versa. Undistributed amounts can result from timing, invalid LOA, or invalid TAS information, among other reasons. Unsupported undistributed amounts are not yet researched/reconciled to supporting documentation.

2.6.2. A "forced balance entry" is any amount posted, usually at a summary level in a suspense account, to eliminate differences between the Component's general ledger balance (USSGL accounts 101000 and 109000) and the Treasury's control total. Typically, these adjustments appear as "undistributed" amounts when there are differences. Although the Treasury requires the Components to match the Treasury's balance, a forced balance entry is not an adequate reconciliation of the USSGL accounts 101000 and 109000. When reconciling FBWT USSGL accounts 101000 or 109000, Components must research the causes of the differences at the detail-voucher level, identify undistributed amounts, and clear the aged undistributed amounts in accordance with TFM Chapter 5100, Section 5130. All differences must be cleared within 60 business days (see Table 2-4).

2.6.3. The Financial Audit Manual, Volume 2, section 921, Paragraph 17, requires entities to avoid arbitrarily adjusting accounts to the Treasury amounts and/or clearing account recorded differences without adequately researching the causes of the differences. OMB Circular No. A- 136 states: "The FBWT should match the sum of the balances reflected on the CARS Account Statement for the entity's Treasury Account Symbols. An adjustment will need to be made for available receipts appropriated/credited to the related expenditure accounts since the balances will appear in both the receipt ledger and the expenditure account." Unreconciled differences may represent transactions that have not been properly recorded by the entity to the appropriate accounts. For more detailed instructions on the various reconciliation tools, refer to TFM Chapter 5100.

3.0 STANDARD GENERAL LEDGER ACCOUNTS

Use the appropriate accounts to record transactions for FBWT or foreign currency transactions. The general ledger accounts and accounting entries for these accounts are specified in the USSGL TFM Supplement and the ***DoD USSGL Transaction Library***.

*4.0 REPORTING DoD DEPOSIT FUND LIABILITIES

4.1 Deposit Fund Collections

Deposit fund activity is external to the budget process but is reviewed by auditors as part of the DoD's reconciliation of Funds Balance with Treasury. Collections into deposit funds are monies from the public and are not connected to any previous rights and obligations of the U.S. Government. The DoD Treasury Index, where funds are collected, defined in the FAST Book, represents the entity responsible for reporting the deposit fund liability regardless of the source of the funds.

4.2 Payroll Tax Example

To illustrate the DoD's position based on the State and local income tax (SALT) example from the OMB Circular No. A-11, the outlay transaction for Federal employee payroll may be divided into two parts: the outlay from the budget to pay payroll and the collection into the deposit fund from the employee for funds due to the State and other local entities. The outlay for the gross payroll amount is the end of the U.S. Government's rights and obligations to the funds' lifecycle. The collection into the deposit fund is from the public and is not connected to any previous U.S. Government rights and obligations.

4.3 Payment to Employee and State Tax Authority

4.3.1. Expanding the OMB example: Joe Sailor is a Navy accountant. Joe's gross pay is $1,000 which includes $100 due to the state of Ohio. The $1,000 gross pay disbursement fully liquidates the Navy liability for Salaries and Wages Expense related to Joe and is recorded in the Navy payroll appropriated LOA (budget) for $1,000. This is the end of the U.S. Government's rights and obligations to the funds as they have been paid to Joe as documented on his Leave and Earnings Statement. The $100 that goes into the SALT deposit fund on Joe's behalf to pay the state of Ohio is sourced from Joe and his pay, not from the Navy-appropriated dollars.

4.3.2. This concept is the same as any other payment to a non-federal entity, except in the case of SALT payroll withholdings, the U.S. Government retains possession of the cash until remitting/paying it to the State and local jurisdiction (if applicable). With other non-federal payments that do not involve deposit funds, the U.S. Government retains neither possession nor rights and obligations.

4.4 Liability Reporting

The Treasury component possessing the funds must report the liability. DoD decides which deposit fund (TI) to hold the cash. If Joe's state withholdings were collected into TI-97, the liability should be reported on the TI-97 consolidated financial statements. If Joe's State withholdings were collected into TI-17, the liability should be reported on the TI-17 Department of the Navy financial statements. So long as the Treasury component that possesses the public funds reports the liability, the DoD financial statements are accurate, and no rights or obligations have been commingled.

*5.0 TREASURY INDEX 97 DEPOSIT FUND LIABILITIES ACCOUNT

DoD Components should review deposit fund accounts, at least quarterly, and take necessary corrective action to determine whether monies held in a deposit fund account are consistent with the title of and the legal authority for the account and whether the account has a positive balance. An Anti-Deficiency Act violation must be reported to OMB promptly if a federal disbursing officer over-disburses a deposit fund.

5.1 Collaboration with Treasury

5.1.1. When the activity meets Treasury criteria for the establishment of a deposit fund, the DoD entity collaborates with the Treasury to establish the deposit accounts. The entity is required to track, reconcile, and report deposit fund activity on the standalone financial statements of TI-97 Components and all the following:

5.1.2. The activity is related to a DoD Component that must prepare standalone financial statements as required by the ***OMB Bulletin 24-01***, "Audit Requirements for Federal Financial Statements", or successor issuance (issued annually) or as otherwise required by statute,

5.1.3. The collection and disbursement activities are supported by a unique statutory authorization for the TI-97 Component,

5.1.4. The activity is material (as determined by the Component's management assessment) to the standalone financial statements of the TI-97 Component reporting entity.

5.2 Audit Requirements

Deposit fund activity that does not meet the preceding criteria will be tracked, reconciled, reported, and audited as part of the DoD consolidated audit performed by the DoD Office of Inspector General (OIG).

5.3 Standalone Deposit Accounts

In the event deposit fund activity for a TI-97 Component is neither OMB nor otherwise statutorily required to report, but the Component identifies the need for a standalone deposit account, the Office of the Undersecretary of Defense (Comptroller) OUSD(C) and Defense Finance and Accounting Service (DFAS) collaborates with the DoD OIG and Treasury to identify the proper solution. Detailed information and procedures are provided in Appendix A.

*6.0 ACCOUNTING FOR CASH AND INVESTMENTS HELD OUTSIDE OF TREASURY (CIHO)

TFM Chapter 3400, "Accounting For and Reporting on CIHO of Treasury", also known as FHOT, provides guidance on accounting for CIHO and the requirements for accountable officers responsible for funds received, certified, disbursed, and held in their custody (e.g., DOs). DoD Components record all cash drawn on the Treasury General Account (TGA) to a DoD Treasury

Appropriation Fund Symbol (TAFS). FHOT transactions are recorded in accordance with USSGL transaction code B150 and are reported on the financial statements in accordance with ***Volume 6B, Chapter 4***.

6.1 Temporary Cash Holding

The DoD Components can temporarily hold cash using any DoD TAFS, whether current or expired, without restrictions, except for those specifically stated in TFM Chapter 3400 and ***Volume 5, Chapter 3***. The CARS is the electronic system of record for the government's financial data which provides streamlined agency reporting and supports government-wide standardization. Agencies must follow the CARS guidance to request approval for the Business Event Type Code (BETC) and must add the code to a specific TAFS to process transactions in CARS.

6.2 Business Event Type Code (BETC) and Sub-Class Code

The BETC and Sub-Class code must be used to post FHOT balances in CARS on DoD TAFS per the TFM Chapter 3400. The OUSD(C) Financial Management and Policy Reporting Directorate coordinates and submits the BETC request forms to OUSD(C) P/B for review, approval, and submission to Treasury for final approval.

6.3 Burden Sharing Funds

Burden Sharing funds held outside of the Treasury will be reported with the FHOT BETC in accordance with the TFM Chapter 3400.

6.4 Oversight and Monitoring

The Components are responsible for FHOT oversight and monitoring. Each Component confirms the TAFS used for FHOT, retains supporting documents such as Cash Holding Authority memorandum(s), and provides information to the appropriate accounting point of contact. All monthly CARS reporters must charge FHOT to a proper DoD TAFS. All daily CARS reporters must charge FHOT to a proper DoD TAFS by Q3 FY 2025.

6.5 Service Providers

Components may establish service provider roles and responsibilities, as applicable, depending on the FHOT reporting actions. These roles and responsibilities must be detailed within the component-level Standard Operating Procedures (SOPs).

6.6 Reconciling Cash Held Outside of Treasury

The DoD Components must reconcile all cash transactions on a periodic basis, but no less frequently than monthly. Reconcile cash reported on the Statement of Accountability with the CARS Account Statement and the agency's accounting records and related financial statements in accordance with TFM Chapter 3400, Section 3400. Treasury's BFS reports all discrepancies from

periodic reviews and analyses of agencies' reported cash and investment outside of the Treasury to the Office of the Fiscal Assistant Secretary of Treasury.

7.0 CASH AUDITS AND REVIEWS

7.1 Responsibility for Accounting and Internal Controls

Managers who supervise personnel holding cash must maintain appropriate accounting and internal controls. Managers must ensure the legality, propriety, and correctness of disbursements and collections of public funds. See Volume 5, Chapter 3; and Appendix A for more information on requirements for securing cash and other assets.

7.2 Announced and Unannounced Audits

Audits, both announced and unannounced of each fund, must determine whether:

7.2.1. All funds are properly accounted for and reported;

7.2.2. The amount of funds is not more than requirements; and

7.2.3. Procedures to protect the funds from loss or misuse are being followed. Management must assess vulnerability and determine the frequency of audits, in accordance with DoD Instruction 5010.40.

7.3 Requirements for Investigation

Investigate and report any unauthorized use, irregularity, or improper accounting for a cash fund to the approving authority and to the DO involved. The report must state whether prescribed procedures were followed and recommend any actions necessary to prevent recurrence. The physical loss of funds must be reported in accordance with ***Volume 5, Chapter 6***.

8.0 DEFENSE REVOLVING FUND

8.1 Defense Working Capital Fund (DWCF) Accounts

The DWCF FBWT, account symbol 097X4930, is an intragovernmental revolving fund that is subdivided at the Treasury into five sub-accounts. Each of the five entities associated with the sub-accounts reports an FBWT amount on its Balance Sheet. A DWCF activity below the Treasury sub-account reports an FBWT amount on the agency's Accounting Report (Monthly) (AR (M)) 1307, Statement of Operations, as well. However, this amount represents a clearing account for recording collection and disbursement activity that reflects a net of collections and disbursements. ***Volume 6A, Chapter 15*** describes how to prepare the AR (M) 1307, as well as other FBWT reporting requirements. Each individual activity must also report the balance of FBWT transactions on the Balance Sheet.

8.2 DWCF Sub-Account

Treasury-assigned DoD Components DWCF sub-account identifiers are shown in Table 2-2 and in the FAST Book. One of the DWCF sub-accounts is the Defense-wide DWCF (DWWCF) Treasury account (097X4930.005). Other revolving fund accounts that are not part of the DWCF include, but may not be limited to 097X4931, Building Maintenance Fund, and 097X4932, Defense Counterintelligence and Security Agency. The DWWCF account includes Defense Agencies operating under the DWCF. The Defense Agencies provide and use funds from the centralized FBWT account under the DWWCF Treasury account. If an entity's collections exceed its disbursements, it provides funds to the centralized pool for other entities' use. If an entity's disbursements exceed collections, the entity uses funds from the centralized pool to make disbursements. See ***Volume 2B, Chapter 9*** for additional information about cash management policy. All FBWT reconciliations and undistributed adjustments must include the Sub-Account Code.

8.3 DWCF Transfers

Program managers for each Treasury sub-account may realign (delegate) balances to the activity or installation level at their discretion. Program managers must document all realigned balances on Standard Form (SF) 1151, Nonexpenditure Transfer Authorization between Treasury Appropriation Fund Symbols (TAFS). TAFS combines the TAS and availability code (for example, annual, multi-year, or no-year). TAFS refers only to the appropriation and fund accounts and excludes the receipt accounts. Distributions between SAHIs, within the same TAFS, are not accounted for as transfers. The preparation of the SF 1151 is not required. See the OMB Circular A-11, subsection 20.4(j) for additional information on transfers. Program managers must not make a transfer that is more than the balance available at the DWCF SAHI making the transfer. See ***Volume 11B, Chapter 3*** for additional information on non-expenditure fund transfers.

8.4 DWCF Treasury Cash Balance

The cash on hand at the Treasury account level must always be sufficient to pay liabilities when due. The responsibility for revolving fund cash management is prescribed in Volume 2B, Chapter 9. Components must immediately investigate and report a transaction that causes a negative balance in the Treasury account as a possible violation of the Antideficiency Act as prescribed in ***Volume 14, Chapter 2,*** "Antideficiency Act Violations," in accordance with 31 U.S.C. § 1341.

9.0 FBWT TRANSACTIONS

9.1 Collection or Disbursement

Record a collection or disbursement only when documentary evidence, such as a Treasury Financial Management Service (FMS) Statement of Differences (SOD) or a voucher, supports an increase or decrease to the Treasury account. For Revolving Fund activities, Components must segregate cash collections and cash disbursements between those for the operating program (i.e., noncapital outlays) and the capital program (i.e., acquisition of capital assets for the Capital

Investment Program) to comply with 10 U.S.C. § 2208(m). See Volume 2B, Chapter 9 for a description of the Capital Investment Program. Additionally, record and report undistributed cash collections and undistributed cash disbursements at the lowest organizational level. Per TFM 2-5100 to ensure proper downstream reporting, DoD Components must include the ALC/DSSN support for all FBWT reconciliations, undistributed calculations, and undistributed journal voucher (JV) packages. NTDOs must include the necessary minimum data elements defined within subparagraph 2.5 for all FBWT reconciliations and undistributed processes.

9.2 Advances Received

Record a customer advance or prepayment received as a liability in accordance with SFFAS 1, Paragraph 60. OMB Circular No. A-11, section 20.11 provides guidance on the treatment of advances received and deposit requirements, which vary depending on whether the advance is with or without orders.

9.3 Refunds and Prepayments

OMB Circular No. A-11, section 20.9 states, "Refunds are the repayments of excess payments." Refunds are previous obligations incurred and outlays made. Deposit refunds credited to the appropriation or fund account charged with the original obligations in accordance with OMB Circular No. A-11, section 20.9. Customer returns to DWCF supply activities are a recovery (and not classified as a refund). Offsetting collections credited to expenditure accounts automatically offset outlays and budget authority at the expenditure account level. See ***Volume 3, Chapter 15*** for more information about refunds, and ***Chapter 5*** for more information about prepayments. Refer to the DoD USSGL Transaction Library for posting entry guidance.

*9.4 Current Balance of Funds with Treasury

The current balance of funds with Treasury equals the amount at the beginning of the fiscal year plus the cumulative fiscal-year-to-date collections, appropriations, and transfers-in of FBWT received minus the cumulative fiscal-year-to-date withdrawals, transfers-out, and disbursements.

10.0 FBWT RECONCILIATIONS

10.1 FBWT Reconciliation Overview

10.1.1. Reconciling FBWT maintains the accuracy and reliability of the entity FBWT records. Therefore, Components must perform timely, effective, and efficient reconciliation processes (see Table 2-4). Effective reconciliations are a detection control for identifying unauthorized and unrecorded transactions at the entities and at the Treasury. Effective reconciliations prevent entity disbursements from exceeding appropriated amounts and provide an accurate measurement of the status of available resources.

10.1.2. Reconciliation helps Components resolve differences in a timely manner. Maintain detailed reconciliation documentation (reviewed and approved by appropriate officials) that is readily available for review by management, auditors, and Treasury if requested. Reconcile

any time lag differences and correct erroneous differences. Explain any discrepancies between FBWT in the general ledger accounts and the balance in the Treasury's accounts and disclose them in the notes to the financial statements. Provide information on unused funds in expired appropriations that are returned to the Treasury at the end of a fiscal year in accordance with SFFAS 1, Paragraph 39.

10.1.3. Research and trace all adjustments to supporting documents as instructed in I TFM 2-5100, Section 5130. Supporting documentation, including reconciliations, transaction-level detail, journal vouchers and adjustments, SOPs, and Customer Service Provider agreements (i.e., Memorandums of Agreement (MOA)/Memorandums of Understanding (MOU)/Service Level Agreements (SLAs)), are necessary to provide an audit trail. Ensure that the supporting documentation is readily accessible to management for oversight and auditors to support auditability.

10.1.4. Resolve all reconciling differences to ensure that the FBWT universe of transactions (see definition in paragraph 2.8) is complete, and transactions included in the FBWT accounts are valid. Effective FBWT reconciliation also supports reporting accurate, valid, and timely FBWT account balances. Reconciling differences are expected and result from timing differences or errors. I TFM 2-5100, Section 5130 states that agencies must reconcile the FBWT USSGL account 101000 balances for each fund symbol with BFS' records (i.e., CARS Account Statement; Expenditure Transaction Report; SODs, and Available, Unavailable, and Unappropriated Receipt Account Reports) monthly.

*10.2 Reconciliation Roles and Responsibilities

10.2.1. OUSD(C) Enterprise Financial Transformation (EFT), DFAS, in their role as a service provider, and their Component customers are jointly responsible for performing FBWT reconciliations.

10.2.2. OUSD(C) EFT is responsible for:

10.2.2.1. Performing the design, development, operation, and maintenance of the Advana FBWT application. Refer to ***Volume 1, Chapter 10***;

10.2.2.2. Providing capabilities to age, assign, track, and report on the status of reconciled differences;

10.2.2.3. Reconciling FBWT appropriation accounts at the TI, main appropriation account level, and the ALC level, including ensuring the FBWT universe of transactions for each TAS recorded to USSGL accounts 101000 and 1090000 for all DoD funds is complete and fully reconciled to all the individual appropriation account balances recorded at Treasury; and

10.2.2.4. Reconciling the Components' FBWT USSGL accounts 101000 and 109000 at the SAHI level. SAHI is a unique account identifier code specific to DoD that represents the structural level below the sub-account level. These codes are typically four digits, and identify,

manage, and report the financial activity of Defense Agencies, Component, and other operational units reported by the Treasury as the combined activities of TI- 097.

10.2.3. DFAS is responsible for:

10.2.3.1. Reporting transactions affecting FBWT accounts to Treasury (e.g., disbursements and collections) that are disbursed under DFAS DSSNs and non-DFAS DSSNs (e.g., Army DSSNs).

10.2.3.2. Ensuring that information submitted to Treasury on the SF 224, Statement of Transactions, or SF 1219, for those ALC/DSSN where DFAS is the Designated Agent, matches the information reported to Treasury.

10.2.3.3. Researching and resolving differences identified on the Treasury's FMS 6652, i.e., SOD for DFAS DSSNs (DFAS must report and assist with the resolution of differences for non-DFAS DSSNs). BFS provides FMS 6652 to federal agencies for both disbursements and deposits. An FMS 6652 is generated for each ALC by accounting month (the month the report is generated) and accomplished month (the month the difference occurred) if there is a discrepancy. Deposit differences indicate there is a discrepancy between the monthly totals submitted through the banking system via the SF 215, Credit Voucher, or the SF 5515, Debit Voucher, and the totals provided by the agency on the SF 224 or SF 1219. The disbursement transaction SOD reveals discrepancies between monthly totals reported in the agencies' accounting systems and the transactions reported to Treasury by the Regional Finance Centers and/or through the Intra-Governmental Payments and Collections (IPAC) system on the SF 224 or SF 1219. Clear FBWT reconciliation variances, including undistributed, suspense, and SOD balances, within 60 business days from the date of the transaction (see Table 2-4).

10.2.3.4. Aging, assigning, and tracking the status of reconciled differences.

10.2.3.5. Researching and resolving differences originating from operations under the control of DFAS and clearing these transactions in the FBWT source system(s). DFAS must maintain and provide key supporting documentation upon request. Document evidence of reconciliation performed and confirmation that all differences were successfully reconciled.

10.2.3.6. Ensuring Cash Management Report (CMR) reconciling items and variances are cleared within 60 business days from the date they were reported on the CMR unless deemed immaterial in total based on analytical procedures maintained by the Defense Finance and Accounting Service. According to SFFAS 1, the determination of whether an item is material depends on the degree to which omitting or misstating information about the item makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or the misstatement.

10.2.4. DoD Components are responsible for:

10.2.4.1. Reporting transactions affecting FBWT accounts to Treasury (e.g., disbursements and collections) that utilize Treasury Disbursing.

10.2.4.2. Ensuring that information submitted to Treasury on the SF 224 or SF 1219, for those ALCs where the Component is the Designated Agent, matches what is reported to Treasury. Ensuring a valid and proper LOA is on the original obligating documents that will be used throughout the procure-to-pay process.

10.2.4.3. Researching, resolving, and reporting the status of reconciled differences originating from operations under their control.

10.2.4.4. Monitoring and approving the reconciliations performed by OUSD(C) EFT on their behalf. Ensuring all reconciling differences are supported by detail-voucher level transactions. Key supporting documents must be kept and provided as requested; including evidence of reconciliation performed and confirmation that all differences were successfully reconciled.

10.2.5. Coordination between OUSD(C) EFT, DFAS, and their Component customers is necessary to properly identify, assign, age, track, research, and resolve reconciled differences in a timely manner. DFAS' roles and responsibilities in Disbursing and Treasury Reporting Operations are described throughout Volume 5 and in ***Volume 6A, Chapter 3*** which discusses SF 1220, "Statement of Transactions."

10.2.6. OUSD(C) EFT, DFAS, and their Component customers must formally establish and document their understanding and agreement of roles and responsibilities in accordance with DoD Instruction 4000.19, "Support Agreements." DFAS and their Component customers must have written MOAs, MOUs, or SLAs in place that define the roles and responsibilities between the Service Provider and the Customer(s).

10.3 Treasury Reconciliation Requirements

10.3.1. Treasury requires reconciling FBWT accounts to the Treasury reported amounts by Department, Period of Availability, and Main Account (i.e., TI, fiscal year, and fund symbol) monthly. Treasury sets forth the requirements for reconciling FBWT in I TFM 2-5100 and the I TFM 2-5100 Supplement. Audit issue guidance is provided in the Financial Audit Manual Substantive Procedures Section 921-Auditing Fund Balance with Treasury, jointly published by the GAO and the CIGIE.

10.3.2. During reconciliation, DFAS and their Component customers must:

10.3.2.1. Research and resolve the underlying causes of differences reported by the Treasury on the SOD each month and make corrections to monthly Treasury reports and agency accounting records.

10.3.2.2. Reconcile general ledger balances by Department, period of availability, and main account with the balances reported by Treasury.

10.3.2.3. Ensure that all adjustments are researched and traceable to supporting documents in accordance with I TFM 2-5100.

10.3.2.4. Document detailed reconciliations and make them available to auditors and Treasury if requested, as instructed in I TFM 2-5100.

10.3.2.5. Ensure differences recorded in Treasury budget clearing or suspense accounts are reconciled monthly as instructed in I TFM 2-5100 and moved to the appropriate LOA within 60 business days from the date of transaction. In accordance with TFM Volume I, Bulletin 2024-05, the agency's Chief Financial Officer (CFO) must annually certify that the ages of the balances in the suspense accounts are no more than 60 business days old with clear explanations of exceptions. See paragraph 10.5.

10.4 Other Defense Organizations Reconciliation Requirement

10.4.1. Every DoD Component with FBWT accounts must perform detailed reconciliations of their FBWT accounts (USSGL accounts 101000 and 109000). DFAS and their Component customers must reconcile monthly to ensure the accuracy and reliability of the Component's FBWT records and the integrity of their financial statements.

10.4.2. In addition to the Treasury Main Account requirement, DoD Components must reconcile FBWT accounts to their sub-allocations as provided by OUSD(C).

10.4.3. For Treasury reporting purposes, DoD must add the balances in the TI-097 accounts together and reconcile them to the Treasury's control total at the TAS-level in CARS.

10.4.4. Components' reconciliations must include, and address amounts reported in:

10.4.4.1. Treasury's CARS Account Statement;

10.4.4.2. Trial balances (for both budgetary (outlays/collections) and proprietary (101000/109000 USSGL accounts) from the accounting system (including budgetary FBWT to proprietary FBWT Governmentwide Treasury Account Symbol Adjusted Trial Balance System edits and validations);

10.4.4.3. Financial statements (outlays and collections on the SBR; FBWT on the Balance Sheet);

10.4.4.4. FMS 6652 (for deposits and disbursement/IPAC transactions);

10.4.4.5. Check issue data processed in the Treasury Check Information System.

10.4.5. Additionally, Components must reconcile monthly at the individual voucher-level detail and include:

10.4.5.1. All budget fiscal years,

10.4.5.2. All appropriations/Treasury accounts (including GFs, working funds, revolving funds, special funds, deposit funds, and trust funds),

10.4.5.3. All SAHIs of the TI-097, and

10.4.5.4. All activity, including suspense accounts (also see "Treasury Budget Clearing Accounts" in paragraph 10.7). Sensitive activity may undergo an equivalent reconciliation process in a separate environment if the balances can be matched with the summary reconciliation.

10.4.6. DFAS and DoD Components must also demonstrate they have controls in place to ensure that daily or monthly amounts reported to Treasury reconcile to collections and disbursements processed through the disbursing systems and recorded accurately and timely in the accounting systems. Monthly Treasury reporting includes SF 224 or SF 1219 and SF 1220 by DFAS or other federal agencies (e.g., Department of State). Components who are the ALC Designated Agents and submit information to Treasury on the SF 224, SF 1219, or SF 1220 must ensure that the information matches submissions to DFAS. Any differences between what was submitted to Treasury and what was submitted to DFAS must be corrected by the ALC Designated Agent in 15 business days after identification by DFAS. See ***Volume 5, Chapter 15*** for information on the requirements for the SF 1219.

10.5 Treasury Budget Clearing (Suspense) Accounts

10.5.1. Budget clearing accounts are a type of TAS that the BFS establishes to temporarily credit unidentified transactions from the public or another federal agency when there is a reasonable presumption that the amounts belong to their agencies. It is a subset of Clearing and Default TAS accounts.

10.5.2. Effective FBWT reconciliations include clearing transactions recorded in Treasury budget clearing or suspense accounts in a timely manner. On behalf of the Components, DFAS must be able to provide:

10.5.2.1. A list of individual vouchers and dollar amounts that comprise the difference between Treasury, disbursing system activity, and accounting system trial balance amounts for monthly reconciliations;

10.5.2.2. Vouchers, records, reports, disposition, and supporting documentation for all transactions posted to the suspense accounts for auditor-selected quarterly reconciliation sample items. Components with key supporting documents must provide them as requested;

10.5.2.3. A monthly list of journal vouchers and dollar amounts (by Component) that comprise suspense account amounts at year-end; and

10.5.2.4. Journal vouchers and supporting voucher documentation demonstrating that the voucher was recorded to the appropriate Component. DoD Components must maintain records for transactions input into their general ledger.

10.6 Reconciliation of FBWT for Comparison of Transactions

10.6.1. Reconciling FBWT includes comparing transactions at a detailed level sufficient for specific identification of differences to establish that the entity's FBWT general ledger accounts and the Treasury totals are accurately stated. Detail sufficient for specific identification of differences are voucher numbers for cash disbursements and collections, summary bill numbers for interfund transactions, and authorizing document numbers for non-expenditure transfers and funding events.

10.6.2. Components must comply with operational requirements and deadlines when reconciling transactions. Components must:

10.6.2.1. Reconcile and identify differences at the voucher level (or equivalent). Components must adhere to a one-month (30 calendar days) reconciliation requirement following the end of the month being reconciled. See Table 2-3 for a list of data files used to perform reconciliations and data file monthly availability dates.

10.6.2.2. Ensure processes assign, track, age, research, and resolve differences between Treasury, disbursing system records, and accounting system records, as prescribed by Treasury, at the voucher-level detail monthly. Since the Treasury reports information at the summary level, Components must roll up voucher-level detail disbursing system and accounting system records and compare them to the summary-level Treasury reports. Analyze and reconcile monthly in the SF 224 to ensure all collected amounts are properly credited to the proper appropriation and applicable accounts receivable accounts. For any suspense account, items, or transactions more than 60 business days old, investigate and document the reason why the transaction cannot be reclassified to the correct appropriation. Undistributed, suspense, and SoD balance differences must be cleared within 60 business days from the date of the transaction. See Table 2-4 for a summary of the required deadlines.

10.6.2.3. Record journal vouchers in the system of record at the account level and/or SAHI level to resolve suspense accounts and SODs, if necessary, until the proper LOA can be identified. DFAS and their Component customers must maintain all journal vouchers and supporting documentation, including the list of journal vouchers that comprise the differences.

10.6.2.4. Complete both Service Provider supervisory and Component reviews and approvals within 10 business days after researching and resolving all identified differences from the monthly reconciliation. Refer to ***Volume 6A, Chapter 2*** for guidance on journal voucher adjustments and approvals.

10.6.3. Components must address all the critical areas and key control points in the FBWT end-to-end reconciliation, as shown in Figure 2-1. These key control points are:

10.6.3.1. When on daily reporting, reconcile the Component's general ledger system(s) to the Disbursing Systems daily;

10.6.3.2. Reconciling the Cash Management Report (CMR) to the Component's general ledger system(s) monthly (note: this key control point only applies to the TI- 097 Components);

10.6.3.3. Researching and resolving: (a) expenditures and collections reported on the CMR with errors in SAHI-level detail, known as CMR reconciling items; (b) expenditures and collections reported on the CMR with differences between Treasury CARS and expenditure reporting systems, known as CMR variances. This key control point only applies to the TI-097 Components);

10.6.3.4. Reconciling the Treasury CARS Account Statement to the Component's general ledger system(s) (for the Military Departments' GFs) monthly. Refer to 10.7 for additional information on the CARS reconciliations;

10.6.3.5. Researching and resolving activity identified in the budget clearing accounts (suspense accounts) on the CARS Account Statement monthly. Refer to paragraph 10.5 for additional information on the budget-clearing accounts; and

10.6.3.6. Researching and resolving all differences identified on the FMS 6652 for all DoD ALCs reported to the Treasury by each of the DFAS Centers monthly.

10.6.4. Components must achieve a complete match rate of 99 percent each month over the transactions for each key control point.

*10.7 FBWT – CARS Account Statement Reconciliation

10.7.1. The CARS Account Statement Module is an online, query-driven component that provides a daily refreshed view of a Federal Program Agency's (FPA's) FBWT. The Account Statement provides an up-to-date source of balance and transaction information to assist FPAs with their reconciliation process. More information about the Account Statement is available on the Treasury's CARS website.

10.7.2. Each DoD Component must reconcile its transactions to the beginning balance, net activity, and ending balance on the CARS Account Statements. Currently, this requirement does not apply to Defense Agencies and Field Activities that are part of shared Treasury Account Symbols. TI-97 components must reconcile their FBWT balances individually to internal TI-97 CMR with support from DFAS as their service provider. DFAS is responsible for reconciling the totals of all TI-97 to Treasury. The Account Statement consists of three sections: (1) Account Summary, (2) Expenditure Activity, and (3) the Transactions reports. Agency users can generate the Account Statement reports at either a TAS or ALC level. FMS 6652 arises from ALC-based SF 1219 and SF 1220 reporting submitted by each of the three DFAS centers. The Support Listings provide links to other FMS Accounting Systems that support the monthly SOD reconciliations.

10.7.3. Users can access CARS Account Statement information at the Department Level and can view both a daily Accounting View (Dynamic) and a monthly Published View (Static) of their account balances and supporting transactions. The SOD application receives a daily

transmission from CARS. This daily transmission allows BFS to provide more up-to-date information to FPAs. Deposit data and agency statements of transactions are updated daily in CARS; for these items, the FPAs receive daily reconciliation information from the GWA Module. This enables the FPAs to identify and correct differences earlier, sometimes before closing the monthly processing. More information about the SOD and detailed support listings is available at the Treasury's website.

10.7.4. Agencies report changes in the FBWT accounts to Treasury's BFS. "CARS Daily Reporters" submit the TAS/Business Event Type Codes and/or Classification-keys into the Classification Transactions and Accountability module within CARS daily for each payment via the Payment Information Repository or the Secure Payment System, and a collection via the Collection Information Repository.

10.7.5. Until agencies comply with being "CARS Daily Reporters," they must provide an explanation in a letter to the Fiscal Accounting Office of Fiscal Service via the email address: ***CashAnalysisSection.FAO@fiscal.treasury.gov*** and request a waiver to report payment disbursements on the Standard Form (SF) 1218: Statement of Accountability (Foreign Service Account), SF 1219, Statement of Accountability; SF 1220, Statement of Transactions According to Appropriations, Funds, and Receipt Accounts, or SF 1221: Statement of Transactions [According to Appropriations, Funds, and Receipt Accounts (Foreign Service Account)]. See Volume 6A, Chapter 3 for information on the requirements for the SF 1219 and SF 1220 and ***1 TFM 4000, Section 4040***.

*10.8 Undistributed Collections and Undistributed Disbursements

10.8.1. Refer to ***Volume 3, Chapter 11*** for additional information relating to financial control over FBWT disbursements, collections, and adjustment transactions. Components must record and report undistributed collections and undistributed disbursements at the lowest organizational level.

10.8.2. DFAS must identify undistributed FBWT transactions at the sub-account Treasury account level, ALC/DSSN level, SAHI level, and Component level. NTDOs must include the necessary minimum data elements defined within paragraph 2.5.

10.8.2.1. Sub-account TAFS Level Adjustments. Treasury Sub-accounts are shown in Table 2-2 and the undistributed collections and disbursements must include Sub-Account details. Any transactions posted at this level must be researched and cleared, if necessary, within 60 business days from the date of the transaction to ensure proper reporting by DoD Components. At year-end, there must not be any remaining unidentified/un-researched balances in the sub-account.

10.8.2.2. Business Area Adjustments. These are business area undistributed collections and disbursements for all funds that are identifiable to the TAFS level but missing sufficient information to identify them to a business area. Examples of business areas include Supply Maintenance, Depot Maintenance, and Research and Development. Undistributed

collections and undistributed disbursements are the differences between the Treasury reporting systems and the collections and disbursements reported through the general ledgers.

10.8.2.3. Component-Level Adjustments. These adjustments are Component-level undistributed (unmatched) collections and (unmatched) disbursements for all funds that are identifiable through the Treasury reporting systems to the Component-level but have not yet been matched to a specific obligation or receivable subsidiary ledgers. Support these adjustments through detailed transactions from the DOS' records including at a minimum the voucher number or other unique identifiers of the transactions. Limit Component-level adjustments at year-end and complete the required reconciliations (necessary research must be conducted and transactions must be posted to the proper LOA).

10.8.3. DFAS must identify collections or disbursements at the lowest identifiable level. This includes the ALC/DSSN support for all cited amounts and all undistributed JV packages. NTDOs must include the necessary minimum data elements defined within paragraph 2.5 for all and undistributed processes. Record the undistributed collection or undistributed disbursement and provide the documentation necessary to research the account for proper disposition at that level.

10.8.4. Undistributed collections and disbursements must reflect proper FBWT as contained in finance network reports. Components must research such collections and disbursements recorded in account 101000 for proper disposition by the lowest organizational level. DFAS must correct erroneous collections by making a payment to a vendor and erroneous disbursements by establishing a receivable pending receipt of the refund. Supporting documentation must include detailed transactions from the DOS' records including at a minimum the transaction voucher number or other unique identifier.

10.9 Requirement for Written Procedures

Components must have current written SOPs, narratives, and process maps in accordance with the Managers' Internal Control Program, to direct and document the proper reconciliation processes. SOPs must also include evidence of dated supervisory review and approval certifying that it is current and accurate. In the written procedures, Components must require segregating the journal entry for unsupported undistributed amounts from the journal entry for the undistributed amounts that can be supported. This practice is essential for efficient cash reconciliation management and for audit support and measurement. For example, if the total undistributed amount is 95 percent supported and 5 percent not supported, then record two journal voucher entries to segregate the amounts. See Volume 6A, Chapter 2 for information on proper preparation and documentation of a journal voucher.

10.10 Expenditure and Receipt Accounts Annual Review

DFAS must review and validate all expenditure and receipt accounts that the Treasury reports annually to determine if the TAS are valid. DFAS must work with Treasury to remove invalid and unused TAS from Treasury reports/systems on an annual, or as-needed basis.

10.11 FBWT Reconciliation Quarterly Scorecard

10.11.1. Treasury's BFS provides a Quarterly Scorecard to all CFOs of federal agencies (see ***I TFM Bulletin 2023-05***).

10.11.2. This scorecard focuses on FBWT reconciliation metrics from the disbursing operations perspective. This Quarterly Scorecard reflects agencies' performance by ALCs in compliance with the BFS Cash Accounting Branch financial reporting standards. Accuracy of Reporting, SOD Reconciliation, Suspense/Default Account Reconciliation (F3502, F3875, and F3885), and Timeliness of Reporting are the reporting standards. The Treasury uses a traffic light grading system. For example, agencies score "green" if they successfully met all standards, "yellow" if they met some, but not all standards, and "red" if they have not met any of the standards based on the criteria outlined in the scorecard.

10.11.3. OUSD(C) requires each ALC to explain the cause of each discrepancy no later than 30 calendar days after the Scorecard is issued, along with corrective action taken to address the discrepancy, when the discrepancy will be corrected, and what processes are in place to prevent similar discrepancies in the future.

Table 2-1: FBWT Relationship between the SBR and the Balance Sheet

Example Financial Event	SBR Impact	Balance Sheet – FBWT Impact	Transaction-Level Detail Required
Appropriation Received	Increase to Appropriation	Increase to FBWT	Funding document (e.g., Funding Authorization Document [FAD], warrant)
Rescissions	Increase to Permanently not Available	Decrease to FBWT	Funding document (e.g., FAD, warrant)
Unfilled Customer Orders Received with Advance	Increase to Unfilled Customer Orders Received with Advance	Increase to FBWT	Military Interdepartmental Purchase Request, 7600A/B, or electronic equivalent
Collection (IPAC collections)	Increase to Actual Offsetting Collections	Increase to FBWT	Voucher/ Summary Interfund Bill Number
Disbursement (IPAC disbursements)	Increase to Gross Outlays	Decrease to FBWT	Voucher/ Summary Interfund Bill Number
Clearing of Suspense Account Disbursement Transaction, undistributed and SODs (and posting to a valid appropriation account and obligation)	Increase to Gross Outlays	Decrease to FBWT	Voucher/ Summary Interfund Bill Number
Clearing of Suspense Account Collection Transaction, undistributed and SODs (and posting to a valid appropriation account and obligation)	Increase to Actual Offsetting Collections	Increase to FBWT	Voucher/ Summary Interfund Bill Number
Nonexpenditure Transfer- In	Increase	Increase to FBWT	Funding Document
Nonexpenditure Transfer-Out	Decrease	Decrease to FBWT	Funding Document

*Table 2-2: DoD Component Treasury Assigned Account Number for Revolving Funds

DoD Component	Treasury Assigned Account Number
Army	097X4930.001
Navy	097X4930.002
Air Force	097X4930.003
Defense Commissary Agency	097X4930.004
Defense Agencies	097X4930.005
Building Maintenance Fund	097X4931
Defense Counterintelligence and Security Agency	097X4932
Pentagon Reservation Maintenance Revolving Fund	097X4950
National Defense Stockpile Transaction Fund	097X4555
Commissary Stores Surcharge Program, Defense	097X8164

Table 2-3: FBWT Reconciliation Data Files and Monthly Availability Dates

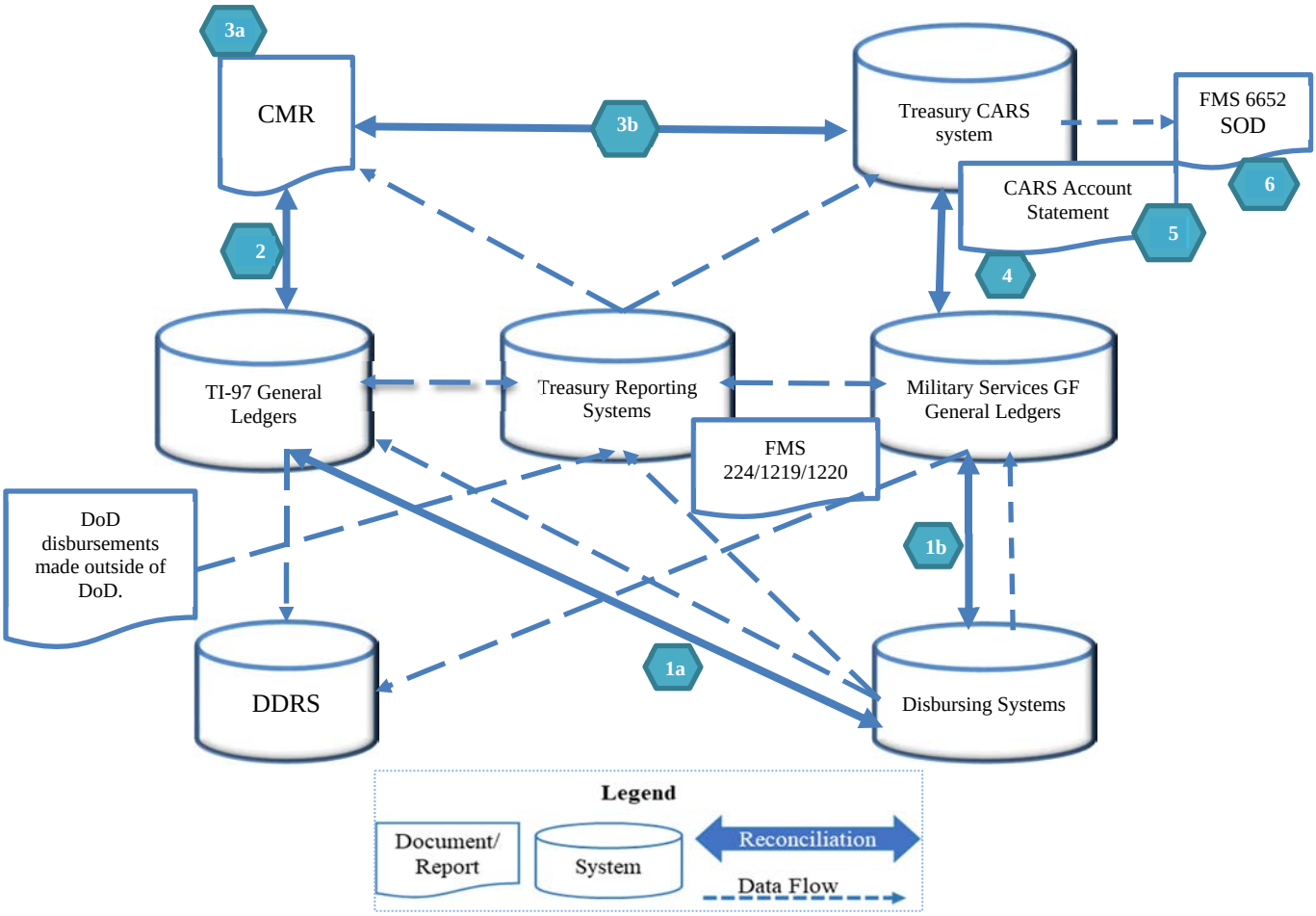
(See section 10.0 for FBWT reconciliation information.)

Data File	Monthly Availability Date
DD Form 1329 – Statement of Transactions	3rd business day
DD Form 1400 – Statement of Interfund Transactions	3rd business day
Preliminary CMR	4th business day (calendar day at year end)
Final CMR	Approximately 20th calendar day
Trial Balances	7th business day
Treasury CARS Account Statement	8th business day
FMS 6652 – Statement of Differences	10th business day
Defense Departmental Reporting System (DDRS) Budget Execution Reports	15th business day

Table 2-4: FBWT Reconciliation Deadlines

Requirement	Deadline
Complete FBWT reconciliation	30 calendar days following the end of the month.
Clear FBWT reconciliation variances: undistributed, suspense, and SOD balances	60 business days from the date of the transaction.
Service Provider Supervisory review and Component review and approvals	Complete both reviews within 10 business days following the completion of the monthly reconciliation.

Figure 2-1. Critical Focus Areas to Address FBWT Risks



Key Control Point		Is there a place to: Reconcile and identify differences at the transaction-level?	Age, research, and resolve differences identified?	Record temporary journal voucher in DDRS?
1	**a**. Disbursing Systems to Accounting Systems: Reconcile 097 General ledgers to Disbursing Systems daily (for daily reporters) (TI-97 only).			
	b. Disbursing Systems to Accounting Systems: Reconcile Military Services GF General Ledgers to Disbursing Systems daily.			
2	Differences between Accounting Systems and CMR: Reconcile CMR to General Ledgers monthly (TI-97 only).			
3	**a.** CMR Reconciling Items: Research and resolve expenditures and collections reported on the CMR with errors in SAHI level detail (TI-097 only).			
	b. CMR Variances: Research and resolve expenditures and collections reported on the CMR with differences between CARS and expenditure reporting systems (TI-97 only).			
4	Differences between Accounting Systems and Treasury: Reconcile Military Services GF General Ledgers to CARS Account Statement.			
5	Suspense Accounts: Research and resolve activity identified in budget clearing accounts (suspense) on Treasury CARS Account Statement monthly.			
6	SODs: Research and resolve differences identified on the FMS 6652s.			

*APPENDIX A: Treasury Index 97 Deposit Fund Liabilities Account Structures

1.0 GENERAL

1.1 Deposit Fund Liabilities

The Office of the Secretary of Defense (OSD) and Department of Defense (DoD) Components report deposit fund liabilities on the financial statements corresponding to the U.S. Department of the Treasury (Treasury) Component (i.e., Treasury Index) Federal Account Symbols and Titles (FAST) Book. The Navy General Fund, Army General Fund, Air Force General Fund, and Other Defense Agency Accounts correspond to Treasury Index (TI) 17, TI-21, TI-57, and TI-97, respectively.

1.2 Facilitating Auditability Goals

The DoD does not have to delineate individual TI deposit funds. Generally accepted accounting principles (GAAP), regulations, and statutes do not require delineation. However, the DoD increases auditability and transparency and reduces taxpayer costs by doing so.

2.0 UNIQUE DEPOSIT ACCOUNTS

2.1 Treasury Collaboration

DoD and Treasury track, reconcile, and report deposit fund activity on the standalone TI-97 Component financial statements when the activity meets the following criteria:

2.1.1. The DoD Components prepare standalone financial statements if required by the annual OMB Audit Requirements for Federal Financial Statements Bulletin, or by statute (i.e., U.S. Code, National Defense Authorization Acts, and other legislation). Standalone financial statements facilitate the audit and internal funds management but are not required or submitted separately for external reporting to OMB, Congress, or other authoritative bodies.

2.1.2. Treasury requires separate deposit fund accounts for individual statutory authorities or programs. Treasury does not separately track or issue guidance for individual TI-97 reporting entities.

2.1.3. The TI-97 Component's management determines if the activity is material. The DoD does not delineate immaterial TI-97 deposit fund activity.

2.2 DoD Tracking in Shared OSD Level Deposit Accounts

DoD tracks, reconciles, and reports activity in the shared DoD-level deposit accounts. These shared deposit accounts are part of the DoD Consolidated Audit.

2.3 Alternative Solutions

If a TI-97 Component needs a standalone deposit account, the Office of the Undersecretary of Defense (Comptroller) (OUSD(C)) and Defense Finance and Accounting Service (DFAS), the Component, Treasury, and the DoD Office of Inspector General identify the proper solution.

2.4 Stand Alone Accounts

2.4.1. OUSD(C) and DFAS ask Treasury to create a new, unique deposit account when appropriate.

2.4.2. When the account is created, the TI Component must:

2.4.2.1. Transfer previously recorded activity in a shared OSD level deposit fund account as soon as possible (i.e., collections without a corresponding disbursement, according to the TI-97 Component's detailed records and supporting documentation). Once a balance is established, the TI-97 Component uses the new account and reports the deposit fund activity and balances in its standalone financial statements. The TI-97 Component assesses whether prior year financial statements must be restated, or a prior period adjustment is necessary.

2.4.2.2. Use the new account and report the deposit fund activity and balances in its standalone financial statements if no deposit fund activity was previously recorded.

2.5 Payroll Reported by Military Departments

2.5.1. Military Departments report all military service payroll activity on their financial statements.

2.5.2. DoD tracks, reconciles, and reports civilian payroll-related deposit fund activity.

2.6 Transparency

The DoD maximizes transparency and mitigates complexity for the Federal Government and Government-wide information users by creating unique deposit fund accounts under the TI-97 entity.

VOLUME 4, CHAPTER 2, ANNEX 1: "SUPPORTING FUND BALANCE WITH TREASURY BALANCES BROUGHT FORWARD"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated January 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Simplified language for readability.	Revision
2.7, 2.8 (Previous Version), 2.9	Removed journal entries and added a paragraph to direct the reader to the Department of Defense United States Government Standard General Ledger Transaction Library	Deletion/ Addition

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ANNEX 1

SUPPORTING FUND BALANCE WITH TREASURY BALANCES BROUGHT FORWARD

1.0 GENERAL

After complying with the Fund Balance with Treasury (FBWT) reconciliation requirements described in Chapter 2 (including fully reconciling accounting systems to the U.S. Department of Treasury (Treasury) and identifying, tracking, and resolving differences monthly), Department of Defense (DoD) Components must follow this annex to reconcile and support FBWT balances brought forward (i.e., beginning balances). As the Component's accounting Service Provider, the Defense Finance and Accounting Service (DFAS), performs the steps described on behalf of the DoD Components (DFAS' customers), unless the customer elects to perform the analysis. This approach and the resulting permanent adjustment may be used only once.

2.0 APPROACH TO SUPPORT FBWT BALANCES BROUGHT FORWARD

All DoD Components must follow Steps 1 through 4 described in this section. DoD Components that can reconcile FBWT at the voucher level and maintain related supporting documentation to support 99 percent of its Treasury's Government-wide Accounting (GWA) system account statement balances brought forward do not proceed past Step 4. DoD Components who are unable to fully reconcile and/or support its FBWT transaction level detail to obtain 99 percent coverage, must complete Steps 5 through 8.

2.1 Step 1

2.1.1. DoD Components must conduct an aging analysis over the total value of their open appropriations (i.e., unexpired and expired appropriations) each fiscal year end until they demonstrate compliance with FBWT reconciliation requirements described in Chapter 2 (see section 10.0). This allows the Component to identify the prior fiscal years (FYs) for which it must perform monthly FBWT reconciliations at the voucher level and provide supporting documentation to support 99 percent of its FBWT balances brought forward.

2.1.2. DoD Components must obtain the net detailed activity (authority, transfers, gross disbursements, and offsetting collections) of all open appropriations with balances in the FBWT account for the fiscal years of initial appropriation from the GWA system account statements and summarize the information into Table 2-1. Note that no-year (or "X-year") appropriations must be identified separately from the single- and multi-year appropriations for each FY.

Table 2-1. FBWT Aging Analysis Template

Initial Appropriation Fiscal Year	Balance @ 9/30/2025 of Open Appropriations	% of Total Appropriations Balance
2025		
2024		
2023		
2022		
2021		
2020		
2019		
2018		
2017		
2016		
No-Year		
Total		**100.0%**

2.1.3. DoD Components executing Treasury Index (TI) 097 funds are unable to obtain the detailed activity information at the Organization Unique Identifier Code (OUID or "limit") level from the GWA system account statements since they are at the Treasury Account Symbol (TAS or appropriation) level. Instead, those DoD Components, supported by DFAS, must obtain that detailed activity information from the Defense Departmental Reporting System-Budgetary to perform the aging analysis. DFAS performs a DoD-wide consolidated aging analysis at the TAS level using the GWA system account statement for TI 097 funds.

2.1.4. Once DoD Components analyze aging and summarize their open appropriations, they must identify how many periods of availability for which they must perform monthly FBWT reconciliations and provide supporting documentation in order to support at least 99 percent of their FBWT balances brought forward.

2.1.5. If no-year appropriations must be included to reach the 99 percent coverage of total open appropriations, then DoD Components must provide five years of historical supporting documentation for that portion.

2.1.6. As a notional example, a completed aging analysis and summary of open appropriations is found in Table 2-2.

Table 2-2. Notional Example of Completed Aging Analysis

Initial Appropriation Fiscal Year	Balance @ 9/30/2025 of Open Appropriations	% of Total Appropriations Balance
2025	$100,000,000,000	67%
2024	$30,500,000,000	20%
2023	$7,200,000,000	5%
2022	$2,600,000,000	2%
2021	$3,000,000,000	2%
2020	$2,050,000,000	1%
2019	$130,000,000	0%
2018	$16,000,000	0%
2017	$4,000,000	0%
2016	$0	0%
No-Year	$4,500,000,000	3%
Total	**$150,000,000,000**	**100.0%**

2.1.7. To obtain coverage over at least 99 percent of its FBWT balances brought forward, the DoD Component must perform monthly FBWT reconciliations and provide supporting documentation going back to prior FYs for all activity, regardless of the initial appropriation year. The DoD Component must provide five years of historical supporting documentation for the no-year appropriations since that is necessary to obtain 99 percent coverage.

2.2 Step 2

2.2.1. Adhere to FBWT reconciliation requirements in Chapter 2.

2.2.2. DoD Components and DFAS must comply with the FBWT reconciliation requirements defined in Chapter 2 before proceeding with the additional steps in this annex. This includes reconciling monthly FBWT at the voucher level; identifying, aging, and resolving any reconciling differences; and documenting the voucher-level detail.

2.2.3. DoD Components and DFAS must ensure they address each FBWT risk, as shown in Chapter 2, Figure 2-1.

2.3 Step 3

2.3.1. Identify the initial audit period, perform monthly FBWT reconciliations, and test supporting documentation for prior fiscal years.

2.3.2. DoD Components must identify the year they first plan to undergo a financial statement audit and count back from that date using the number of years identified in the aging analysis in Step 1. This allows DoD Components to determine their period start date to establish auditable beginning balances for FBWT.

2.3.3. DoD Components and DFAS must reconcile monthly FBWT at the voucher level beginning with the date they have reached full compliance with Chapter 2, and work back progressively through each fiscal year needed to obtain 99 percent coverage of its FBWT balances brought forward.

2.3.4. See Chapter 2 for details on what must be included in the monthly reconciliations.

2.3.5. After reconciling monthly FBWT at the transaction level, DoD Components and DFAS must then test appropriations, transfers, disbursements, collections, and adjustments (including journal vouchers) to the FBWT accounts, to support the FBWT brought forward balance with documentation.

2.3.6. Supporting documentation must include, at a high level, third-party documentation, system reports, Treasury documentation, and reconciliations. See Section 5 of the Financial Improvement and Audit Remediation (FIAR) Guidance provided by the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) for specific examples of supporting documentation.

2.3.7. Supporting documentation must support all open FBWT account balances back to the year of initial appropriation. DoD Components are only required to demonstrate 99 percent coverage of beginning balances.

2.3.8. For the notional example presented in Step 1, the Component and DFAS must reconcile monthly FBWT at the transaction level and complete transaction-level detail testing for FYs 2025 through 2021.

2.4 Step 4

2.4.1. Assess the ability to reconcile monthly FBWT and provide documentation supporting 99 percent of FBWT balances brought forward.

2.4.2. After DoD Components and DFAS reconcile monthly FBWT at the transaction level, provide supporting documentation for all prior fiscal years, and obtain 99 percent coverage of its FBWT balances brought forward, they must continue to adhere to the FBWT requirements described in Chapter 2.

2.4.3. If DoD Components and DFAS determine that they are unable to reconcile monthly FBWT at the transaction level, they must provide supporting documentation. If it is not cost effective to provide supporting documentation, for all years and accounts required to obtain 99 percent coverage, they must proceed with the next steps in the approach.

2.5 Step 5

DoD Components and DFAS must perform a gap analysis to identify the unsupportable portions of FBWT balances brought forward, by the appropriation year. An example of how DoD Components and DFAS may report on their gap analyses is depicted in Table 2-3.

Table 2-3. Notional Example of Completed Gap Analysis

Initial Appropriation Fiscal Year	Balance @ 9/30/2024 of Open Appropriations	Unsupportable Balance $	Unsupportable Balance %
2024	$100,000,000,000	$4,500,000,000	4.50%
2023	$30,500,000,000	$1,000,000,000	3.28%
2022	$7,200,000,000	$200,000,000	2.78%
2021	$2,600,000,000	$0	0.00%
2020	$3,000,000,000	$1,000,000	0.03%
2019	$2,050,000,000	N/A	N/A
2018	$130,000,000	N/A	N/A
2017	$16,000,000	N/A	N/A
2016	$4,000,000	N/A	N/A
2015	$0	N/A	N/A
No-Year	$4,500,000,000	N/A	N/A
Total	**$150,000,000,000**	**$5,701,000,000**	**3.80%**

2.6 Step 6

2.6.1. Prepare the approval package for the OUSD(C) FIAR to justify the need to post a permanent adjustment to balance to Treasury.

2.6.2. Once DoD Components and DFAS have determined the total amount of their unsupportable FBWT balances brought forward, they must correct the FBWT balances brought forward amount and balance to Treasury.

2.6.3. The package must demonstrate that DoD Components and DFAS have followed the approach described in Steps 1 through 5, and have exhausted measures to support their FBWT balances brought forward:

2.6.3.1. Aging analysis of open appropriation balances by appropriation fiscal years from Step 1.

2.6.3.2. Determination of the appropriation fiscal years that DoD Components intend to seek support for 99 percent coverage over their FBWT balances brought forward.

2.6.3.3. Results of monthly transaction level FBWT reconciliations performed in Step 3.

2.6.3.4. Results of transaction level detail testing performed
Step 3.

2.6.3.5. Balances identified as unsupportable and proposed adjusting journal vouchers from Step 5.

2.6.3.6. Description of process and controls in place demonstrating compliance with Chapter 2.

2.7 Step 7

2.7.1. Post permanent adjustment in accounting system.

2.7.2. After obtaining OUSD(C) FIAR's approval, the DoD Components and DFAS must post a permanent adjustment in the DoD Components' accounting system(s) to adjust for unreconciled differences with the Treasury. This permanent adjustment must bring the unsupported balance to zero.

2.7.3. The DoD Components and DFAS must ensure all negative unliquidated obligations and unmatched disbursements are resolved and in-transits are accounted for before posting the adjustment. See Volume 3, Chapter 11 for additional details.

2.7.4. The journal entry for this adjustment follows U.S. Government Standard General Ledger (USSGL) – ***Treasury Bulletin 2024-04*** accounts transactions A513 (Budgetary entry only), D304, and D306.

2.7.5. No guidance in this chapter must be construed as authorizing a delay in (1) the recording of an executed obligation or (2) the requirement to investigate a potential violation of the Antideficiency Act that results from any action other than the sole requirement to post this adjustment.

2.8 Step 8

2.8.1. Adhere to FBWT reconciliation requirements in Chapter 2.

2.8.2. DoD Components and DFAS must continue to adhere to the FBWT requirements described in Chapter 2.

2.8.3. If reconciling items are identified during the monthly FBWT reconciliations (after recording the adjustment in Step 7) that relate to appropriations and fiscal years included in the adjustment made in Step 7, then the DoD Components and DFAS must notify OUSD(C) FIAR and post a journal entry to offset the adjustment made in Step 7.

2.8.4. DoD Components and DFAS must ensure they have a process in place to address each of these critical areas to address FBWT risks to be compliant with supporting laws and regulations, as shown in Chapter 2, Figure 2-1.

*2.9 DoD USSGL Transaction Library

Posting entries and account listings for the current fiscal year are provided in the "DoD USSGL Transaction Library" and "DoD Standard Chart of Accounts Implementation Guidance," respectively, which are available on the Office of the Deputy Chief Financial Officer ***Standard Financial Information Structure*** webpage.

VOLUME 4, CHAPTER 3: "RECEIVABLES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated March 2021 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
2.0	Revised existing definitions for clarification and accuracy. Moved a portion of the definition for the Write-off Receivable to paragraph 4.7 for clarification.	Revision
3.1	Added additional guidance to clarify the Accounts Receivable recognition.	Addition
3.3	Removed "Sales of Goods and Services" because the paragraph was repetitive.	Deletion
4.4	Added additional guidance for clarification.	Addition
4.6	Added calculation methodologies for intragovernmental and public allowance for uncollectible accounts. Clarified public allowance calculation methodology.	Revision
4.7	Revised Tax and Write-off guidance.	Revision
5.2	Revised information for clarification and accuracy.	Revision
5.3	Added additional guidance reference to clarify the reimbursable USSGL.	Addition
Table 3-1	Added a note defining the columns represented in the table.	Addition

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CHAPTER 3

RECEIVABLES

1.0 GENERAL

1.1 Purpose

This chapter prescribes policy for the recognition, recording, and reporting of public and federal (hereafter referred to as intragovernmental) accounts receivable.

1.2 Authoritative Guidance

The accounting policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:

1.2.1. Title 10, United States Code, sections 1095, 2201, and 3863 (***10 U.S.C. §§ 1095***, 2201, and 3863).

1.2.2. ***22 U.S.C. § 2767***.

1.2.3. ***31 U.S.C. §§ 1552(a)*** , 1555, 3321, 3351-3558, 3711, and 3717.

1.2.4. ***41 U.S.C. § 7104(a)***.

1.2.5. ***42 U.S.C. § 2651***.

1.2.6. Debt Collection Improvement Act of 1995 ***(DCIA)***.

1.2.7. Digital Accountability and Transparency Act of 2014 ***(DATA Act)***.

1.2.8. Title 31, Code of Federal Regulations, part 901.2 ***(31 CFR 901.1)***, "Aggressive agency collection activity."

1.2.9. ***31 CFR 901.9***, "Interest, penalties, and administrative costs"

1.2.10. Office of Management and Budget ***(OMB) Circular A-11***, "Preparation, Submission, and Execution of the Budget."

1.2.11. ***OMB Circular A-129***, "Policies for Federal Credit Programs and Non-Tax Receivables."

1.2.12. Federal Accounting Standards Advisory Board (FASAB) ***Statement*** of Federal Financial Accounting Standards ***(SFFAS) 1***, "Accounting for Selected Assets and Liabilities."

1.2.13. FASAB ***SFFAS 7***, "Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting."

1.2.14. FASAB Technical Bulletin ***(TB) 2020-1*** "Loss Allowance for Intragovernmental Receivables."

1.2.15. TFM Volume I Part 2 ***(I TFM 2-1500)***, "Description of Accounts Relating to Financial Operations."

1.2.16. ***I TFM 2-4700***, "Federal Entity Reporting Requirements for the Financial Report of the United States Government."

1.2.17. Treasury Report on Receivables ***(TROR)***.

1.2.18. Federal Acquisition Regulation ***(FAR) subpart 32.6***, **"**Contract Debts."

1.2.19. DoD Instruction ***(DoDI) 1015.15***, "Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources."

1.2.20. ***DoDI 5010.40***, "Managers' Internal Control Program Procedures."

1.2.21. Government Accountability Office "Standards for Internal Control in the Federal Government" ***(Green Book)***.

1.2.22. Defense Logistics Manual ***(DLM) 4000.25***, "Defense Logistics Management Standards."

*2.0 DEFINITIONS

2.1 Accounts Receivable

Receivables arise from claims to cash or other assets against another entity. At the time revenue is recognized and payment has not been received in advance, a receivable must be established. Receivables include, but are not limited to, monies due for the sale of goods and services and monies due for indebtedness. Examples of indebtedness to DoD include overdue travel advances, Federal Employee Health Benefits paid while an employee is in a leave without pay status, dishonored checks, fines, penalties, interest, overpayments, fees, rent, claims, damages, and any other event resulting in a determination that a debt is owed to DoD. See Volume 16, for comprehensive debt management policy and requirements to include administrative actions associated with the collection and disposition of debts owed to DoD. An accounts receivable is categorized as either an entity or non-entity accounts receivable in accordance with SFFAS 1:

2.1.1. Entity Accounts Receivable. Entity accounts receivable are amounts that a federal entity claims for payment from other federal or non-federal entities and that the federal entity is authorized by law to include in its obligation authority or to offset its expenditures and liabilities upon collection.

2.1.2. Non-Entity Accounts Receivables. Non-entity accounts receivable are amounts due to be collected by DoD on behalf of the U.S. Government or other entities, and DoD is not authorized to use. Non-entity accounts receivables are reported separately from receivables available to DoD (entity accounts receivables). Non-entity accounts receivable include governmental receipts and collections arising from the sovereign and regulatory powers unique to the Federal Government, (e.g., interest, penalties, income tax receipts, customs duties, court fines, and certain license fees). DoD accounts receivable in canceled accounts are also non-entity receivables because collections received after an appropriation cancels are deposited in the Treasury Account 3200, "Collections of Receivables from Canceled Accounts." Non-entity receivables are recorded as a receivable and a custodial liability. In addition, federal entities should not recognize fiduciary assets, liabilities, and future cash flows in their financial statements, but only disclose them in a note disclosure.

2.2 Accounts Receivable Office

The Accounts Receivable Office (ARO) is the office responsible for the recording and reporting of receivables and may also be the office responsible for debt collection. In most but not all cases, the ARO is located at Defense Finance and Accounting Service (DFAS) centers.

2.3 Allowance for Loss on Accounts Receivable

DoD must recognize an allowance for loss on accounts receivable when it is more likely than not that DoD is not able to totally collect the receivables. The phrase "more likely than not" means more than a 50 percent chance of loss occurrence. The allowance for loss on accounts receivable is recorded as allowance for uncollectible accounts in the DoD consolidated and components financial statements and notes.

2.4 Current (Non-Delinquent) Receivables

Non-delinquent receivables, i.e., debts, are categorized as current and non-current assets. The portion of a non-delinquent debt that is scheduled to be collected in the next 12 months is recorded as current; the portion of a non-delinquent debt scheduled for collection after 12 months is recorded as non-current. The importance of these categories is to inform DoD and Treasury of the expected cash flow/liquidity of the asset (i.e., current versus non-current assets).

2.5 Close-Out (Applies to Public Debt Only)

Close-out is one of two accounting classifications for writing off debt that indicate whether or not an agency will continue debt collection efforts after write-off. The ARO, in conjunction with the DoD Component Fund Holder, closes out a debt when it is determined that further debt collection actions are prohibited (e.g., a debtor is released from liability in bankruptcy) or there are no plans to take any future active or passive actions to try to collect the debt. Close-out may occur concurrently with the write-off of an account receivable or at a later date, depending on the collection strategy and the ultimate determination that the debt has been discharged. At close-out, DoD may be required to report to the Internal Revenue Service (IRS) the amount of the debt as potential income to the debtor on IRS Form 1099C, Cancellation of Debt.

2.6 Currently Not Collectible

Currently Not Collectible (CNC) is one of two accounting classifications for writing off debt that indicate whether or not an agency will continue debt collection efforts after write-off. CNC is a category of debt that has been written off on the DoD Component's financial statements, but cost effective debt collection efforts will continue to be taken by the cognizant Debt Collection Management Office (DCMO), Debt Collection Office (DCO), or Debt Management Office (DMO).

2.7 Debt

Debt is defined in 31 U.S.C. § 3701(b)(1) as any amount of funds or property that has been determined by an appropriate official of DoD to be due to DoD by a person, organization, or entity other than another Federal agency. See Volume 16 for additional information on debt management.

2.8 Debt Collection Office

The DCO is responsible for initial debt collection actions and serving due process. The DCO refers to a general category of offices and includes, but is not limited to, the ARO, military and civilian payroll offices, and other organizational elements within the DoD Components that perform debt management/collection actions (e.g., personnel offices).

2.9 Delinquent Receivables

2.9.1. A receivable is delinquent if it has not been paid by the date specified in the DoD's initial written demand for payment or applicable agreement or instrument unless, other satisfactory payment arrangements have been made. If the contract or agreement provides for a "grace" period, DoD Components do not report the debt as delinquent until the grace period expires without payment. In such cases, however, the original due date is used for delinquency date.

2.9.1.1. Delinquent debts are aged from the date of delinquency.

2.9.1.2. If a debtor is making payments according to the terms of a repayment plan approved by the agency, the debt is not considered to be delinquent.

2.9.1.3. On the TROR:

2.9.1.3.1. Report each debt owed by a single debtor with multiple debts as a separate debt.

2.9.1.3.2. Report each delinquent debt once, even if DFAS or DoD Component tracks delinquent payments on that debt separately. For example, if the debtor has missed two payments, and the agency keeps track of those delinquencies separately, report them together as one debt. If any installment is delinquent more than 180 days, report the debt on the TROR as delinquent more than 180 days.

2.9.2. DoD Components must report the entire amount of each single debt as delinquent, if any part of it has been delinquent more than 180 days and the debt has been accelerated.

2.10 Direct Cost

A direct cost includes any cost that can be identified specifically with handling cases or accounts during the debt collection process. These costs normally include the cost of personnel, computer equipment, supplies, postage, contract services, and administrative fees charged by the Treasury.

2.11 Due Process

Due process is the notice of indebtedness and the opportunity provided the debtor to dispute the indebtedness. The Fifth Amendment of the U.S. Constitution provides that no person "shall be deprived of life, liberty, or property without due process of law..." The minimum due process required is generally established by the statutes that authorize the use of a specified debt collection tool or by implementing regulations. In the context of federal debt collection, see Volume 16, Chapter 2.

2.12 Indirect Cost

Indirect cost includes costs associated with the debt collection process that benefits at least one other activity. These costs must be accumulated only when they are expected to exceed 20 percent of the direct costs.

2.13 Intragovernmental Receivables

Intragovernmental receivables are claims of a federal entity against other federal entities. Intragovernmental receivables are either within DoD (e.g., a Military Service) or outside DoD (e.g., General Services Administration).

2.14 Non-Current Non-Delinquent Receivables

Non-current non-delinquent receivables are non-delinquent accounts receivables that the due date is not within 12 months after DoD claims the receivable.

2.15 Non- Delinquent Receivables

Non-delinquent receivables are accounts receivable that have not been billed or are not due under the contract or billing document pertaining to the receivable. This also includes rescheduled receivables and receivables under an installment agreement.

2.16 Public/Non-Federal Receivables

Public/non-federal receivables are claims of DoD against non-federal entities. The term "public/non-federal entities" encompasses domestic and foreign persons and organizations outside

the U.S. Government, including Nonappropriated Fund Instrumentalities (NAFIs) for purposes of processing receivables. Examples are: salary/travel overpayments; overpayments to contractors/vendors due to duplicate and erroneous billings; incorrectly computed invoices; non-Foreign Military Sales (FMS) foreign government fuel purchases; contract default; amounts due for items rejected or returned; and amounts due on payments for contractual services such as rent, insurance, and transportation purchased, where such contracts are canceled and adjustments are made for the unused portion.

2.17 Rescheduled Receivables

Rescheduled receivables are receivables that have been subject to rescheduling, forbearance, re-amortization, or any other form of extending the future of the original payment(s) or payment due dates.

2.18 DFAS Enterprise Solutions and Standards Vendor Pay Tax Office

The DFAS Enterprise Solutions and Standards (ESS) Vendor Pay Tax Office is the office that prepares the IRS Form 1099C for reporting to the IRS on closed-out, uncollected, public vendor, contractor, and individual debt.

2.19 Trading Partners

Trading Partners collectively refers to the requesting agency (buyer) and the providing agency (seller) involved in intragovernmental transactions.

2.20 Treasury Report on Receivables

The TROR is a quarterly report of public receivables prepared in compliance with the Treasury guidance. It provides a means for collecting data on the status and condition of the total receivable portfolio from public sources. See section 6.0 for additional information.

2.21 Terminate Collection Action

Terminate Collection Action is a decision to cease active collection action on a debt, in accordance with criteria set out in the Federal Claims Collection Standards, because such collection action is not economically worthwhile or is otherwise inappropriate. “Termination” of debt collection is a legal procedure, which is separate and distinct from the accounting procedure of “write-off”. See 31 U.S.C. § 3711 on additional guidance on termination collection action for additional guidance.

2.22 Write-off of Receivables

The write-off of a receivable is an accounting action that results in removing a public/non-federal receivable from the DoD Component’s financial accounting records/financial statements.

3.0 RECEIVABLES POLICY

*3.1 Recording

3.1.1. According to SFFAS 1, a receivable must be recognized when a federal entity establishes a claim to cash or other assets against other entities, either based on legal provisions, such as a payment due date, or goods or services provided. In the case that an exact amount is unknown, a reasonable estimate must be made by the collecting entities. Disputes or litigation do not affect the timing of receivable recognition. For additional information regarding receivable recognition, refer to SFFAS 1.

3.1.2. A receivable must be established when payment is not received in advance or at the time revenue is recognized. Receivables must be recorded when earned from the sale of goods and services or when an event results in the determination that a debt is owed to DoD, i.e., in the applicable accounting system during the month the receivable occurs. Accounting records for receivables must be maintained so that all transactions affecting the receivables are included in the reporting period of occurrence. There must be immediate recording of events not previously recorded due to error or oversight. The requirements for recording and reporting errors on the financial statements are detailed in Chapter 15.

3.1.3. DoD Components must recognize accounts receivable and unfilled orders without an advance as valid budgetary resources when such receivables or unfilled orders are from federal entities. Absent statutory authority, components must not recognize accounts receivable and unfilled orders without an advance as valid budgetary resources when such receivables or unfilled orders are from public/non-federal entities.

3.1.4. DCOs must ensure that the appropriate ARO is advised that a receivable is to be established in the applicable accounting system. DCOs will provide the ARO with signed copies of indebtedness notices and other appropriate documentation to support entries in the accounting system and will provide the status of the debt which includes: beginning debt balance, collections, adjustments, current ending balance and notice of discontinuance of collection efforts. DoD Components must maintain the supporting documentation in the applicable accounting system. See Volume 1, Chapter 9 for records retention.

3.2 Advance Payments

3.2.1. In general, an advance payment is required for orders from the public, including state and local governments, except for fuel, as the sale of petroleum products to the public is covered by fuel purchasing agreements. The order must be accompanied by an advance equivalent to the actual or estimated cost of goods and services. If amounts are sufficient, Military Departments may use their own appropriated fund budgetary resources to perform a reimbursable order for a NAFI without an advance. However, they must not recognize budgetary resources for the order until the account receivable is paid. An advance payment from foreign governments for FMS is held and recorded in the FMS Trust Fund or investment accounts that can be drawn on to meet the foreign government's FMS obligations.

3.2.2. The Department has statutory authority to record a budgetary resource for non-federal orders without an advance for work performed under the provisions of 22 U.S.C. § 2767. Components must request approval from the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) in advance of accepting the order(s) and recording the budgetary resource. The OUSD(C) will coordinate with OMB to ensure the resulting budgetary entries will be accepted within federal-wide accounting and reporting systems.

3.2.3. Additional information regarding budgetary resources may be found in Volume 3, Chapters 13, 14 and 15. See Volume 11B, Chapter 11 and Volume 4, Chapter 5 for Defense Working Capital Funds' policy on receipt of advances on orders from public/non-federal entities.

3.3. Collection of Receivables

3.3.1. The collection of receivables must be aggressively pursued for amounts due from DoD Components, federal agencies, and the public. The due date for a receivable normally is 30 days from the date of invoice, demand letter, or notice of payment due; unless a specific due date is established by statute, contract provision, or notice of indebtedness. Collection actions must be initiated when payment becomes due. See Volume 16, Chapter 2 for additional information on due process.

3.3.2. Funds must be collected in the appropriation that earned the funds, or in the case of a refund, into the appropriation from which the excess payment was made, unless otherwise specified by law. Examples of applicable legal provisions include, but are not limited to:

3.3.2.1. In accordance with 42 U.S.C. § 2651, amounts recovered from a liable third-party or insurer due to a service member's injury or disease must be credited to current operating funds as follows:

3.3.2.1.1. Amounts recovered for hospital, medical, surgical, or dental care and treatment will be credited to the current operating funds of the facility or activity that provided the care and treatment.

3.3.2.1.2. Amounts recovered for loss of the service member's duty will be credited to current operating funds of the command, activity, or unit to which the service member was assigned at the time of the injury or illness.

3.3.2.2. In accordance with 10 U.S.C. § 1095, collection from third parties for medical services provided must be recorded against the year in which the collection is received regardless of the year in which service was provided.

3.3.3. Any collections including refunds received after an appropriation cancels must be deposited in Treasury Account 3200, "Collections of Receivables from Canceled Accounts." See paragraph 3.11 for additional guidance on accounts receivable and canceled appropriations.

3.4 Allowance Account and Aging

3.4.1. An allowance for uncollectible accounts receivable due from the public and intragovernmental customers must be estimated and recorded.

3.4.2. No allowance for uncollectible accounts will be recorded for non-loan interest, penalties, and administrative charges.

3.4.3. The AROs (on behalf of the DoD Components) must age delinquent accounts receivable within the accounting system.

3.4.4. Aging of receivables (delinquency) starts one day after the due date for both public and intragovernmental (within and outside DoD) receivables. See Figure 3-1.

3.5 Interest Penalties, and Administrative Receivable

Interest, Penalties, and Administrative (IPA) receivables are DoD assessments added to delinquent debts. The full amount of a delinquent debt is the sum of the principal, accrued program interest, and any other penalties and/or administrative charges that are due and owed to the DoD. See Volume 16, Chapter 7 for detailed IPA information.

3.5.1. Interest accrues from the first day of delinquency and is added to the outstanding principal receivable balance within the accounting system when an amount due is not received by the due date or other agreed upon date. Interest also must be recognized on outstanding accounts receivable against persons and entities in accordance with provisions in 31 U.S.C. § 3717. Until the interest payment requirement is officially waived by the DoD or the related debt is closed-out, interest will accrue. Note that debts owed by any federal agency are exempt from interest, penalty, and administrative charges. Interest receivables are considered non-entity receivables.

3.5.2. An interest receivable must be recorded when the interest income is earned not when the income is received. An interest receivable must be recorded as it is earned on investments in interest-bearing securities.

3.6 Payment Application

When a debt is paid in partial or installment payments, amounts received will be applied first to contingency fees, second to outstanding penalties, third to administrative charges, and fourth to interest, and lastly to principal per Federal Claims Collection Standards, 31 CFR 901.9(f).

3.7 General Ledger Accounting

Information on receivables must be developed, maintained, and reported using the United States Standard General Ledger (USSGL) accounts depicted in Volume 1, Chapter 7. The first six digits of the accounts receivable general ledger account must conform to the USSGL chart of accounts. DoD requires the use of the DoD Standard Chart of Accounts (SCOA). The DoD SCOA

and accounting transactions for collections and receivables are outlined in the DoD USSGL Transaction Library, available on the Standard Financial Information Structure ***(SFIS)*** web page.

3.8 Internal Controls

The basic standards for internal controls prescribed in DoDI 5010.40, must be adhered to in establishing and collecting receivables.

3.8.1. Major categories of receivables must be maintained to facilitate clear and full disclosure of accounts receivable, e.g., disclose the debtor, the amount, the age, and the type of debt. Subsidiary records must be reconciled to the control accounts on at least a monthly basis.

3.8.2. Proper internal controls require the accurate and timely recording of transactions, appropriate documentation and retention appropriate authorization, (i.e., executed only by persons acting within the scope of their authority) and appropriate management.

3.8.3. Responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets must be separated so that no one individual controls all key aspects of a transaction or event (e.g., a technician responsible for creating cash or check due transactions cannot also be responsible for collecting cash or checks), must be maintained.

3.8.4. Each DoD Component must develop and implement internal operating procedures and/or guidance to implement this overarching policy in a manner that ensures accurate, timely, and relevant reporting of financial data. Internal operating procedures must include a dormant account review quarterly (DAR-Q) for accounts receivable as described in Volume 3, Chapter 8. Relevant records supporting financial statements must be maintained and made available during financial statement audits.

3.9 Erroneous, Invalid, and Unsubstantiated Accounts Receivables

During the DAR-Q process, the reviewer must examine the receivables for completeness, accuracy, and supportability. Abnormal or erroneous accounts receivable must be promptly researched and resolved. If at any time it is determined that a debt was never owed and should not have been classified as an accounts receivable, the accounting records must be adjusted. Return all funds collected to the debtor for an unsubstantiated account receivable.

3.9.1. For errors detected in the year the receivable was recorded, reverse the entry. For errors detected in subsequent fiscal years, record an entry in accordance with the requirements for recording and reporting errors in the financial statements as detailed in Chapter 15.

3.9.2. A billing DoD Component that cannot produce the evidence necessary to establish an accounts receivable and has not been able to obtain the voluntary repayment of the debt, the entries that established the accounts receivable must be reversed.

3.9.2.1. Evidence necessary to establish an account receivable includes, but is not limited to, a duplicate payment voucher, contract reconciliation document, Department of Justice litigation report, an unpaid U.S. payment voucher, or demand letter.

3.9.2.2. All erroneous, invalid, and unsubstantiated accounts receivable must be removed from the general ledger by reversing the existing entry if recorded in current year. See Chapter 15 if the receivable was recorded in prior years. The reversing journal entry must be supported with all known evidence.

3.9.3. The evidence obtained from research may identify internal control failures and/or process weakness with the recognition of accounts receivable. Any internal control failures and/or process weaknesses must be addressed and corrected.

3.10 Canceled Appropriations

AROs must retain all outstanding receivables in the residual records even though an appropriation cancels. When the appropriation cancels, the collection of a receivable is recorded in Treasury miscellaneous receipt account 3200, "Collections of Receivables From Canceled Accounts." Appropriation cancellation does not relieve DoD of the responsibility to pursue collection or recovery.

3.11 Nonappropriated Fund Instrumentalities Receivables

Receivables from NAFIs must be recorded as transactions from the public. They must be included in the quarterly TROR. With the exception of individual debt, NAFI delinquent debt will not be referred to the DMO or to Treasury for collection assistance. Refer to Volume 13, Chapter 3 for guidance on NAFI debts.

3.12 Foreign Military Sales Receivables

Receivables from the FMS Trust Fund (appropriation 97 11X8242) must be recorded as federal transactions. Other Security Assistance receivables, e.g., the Foreign Military Financing Program, Funds Appropriated to the President (appropriation 11(FY) 1082), must be recorded and reported as intragovernmental receivables. The FMS delinquent accounts receivable will not be referred to the DMO or to Treasury for collection assistance. See Volume 16, Chapter 6 for guidance on FMS receivables.

3.13 Non-FMS Foreign Government Receivables

The ARO will initiate initial billings for non-FMS foreign government accounts receivable. See Volume 16, Chapter 6 for additional information on non-FMS foreign government receivables.

3.14 Retention of Documentation

AROs and DCOs will maintain documentation to support actions taken on each accounts receivable. This includes but is not limited to documents supporting:

3.14.1. Establishing the receivable.

3.14.2. Due process requirements.

3.14.3. Research and resolution of abnormal or erroneous balances.

3.14.4. Reversal of entries establishing the receivable.

3.14.5. Termination, write-off, and close-out of receivable.

3.14.6. Bankruptcy.

3.14.7. Installment payment plan.

3.15 Undistributed Collection Balances

Undistributed collection balances placed in Treasury budget clearing (suspense) accounts F3875 and F3885 must be analyzed and reconciled monthly on the Financial Management System Form 224, "Statement of Transactions," to ensure all collected amounts are properly credited to the proper appropriation and applicable accounts receivable accounts. For any suspense account, items, or transactions more than 60 days old, investigate and document the reason why the transaction cannot be reclassified to the correct appropriation. All differences must be cleared within 60 days, with the exception of those suspense accounts that have been identified by Treasury as exempt from the 60-day requirement. Refer to Chapter 2 for the required investigatory procedures related to budget clearing account balances.

4.0 PUBLIC RECEIVABLES

4.1 General

Receivables due from the public are DoD claims (or another entity within the Federal Government) against non-federal entities, to include public entities, domestic and foreign persons and organizations outside the U.S. Government. Public receivables are also created from the sales of goods or services when an advance payment is not first received or from refunds due to the DoD. See paragraph 3.2 for more on an advance payment.

4.2 Debt Collection Policies

The DoD policies for credit management and debt collection delineated in other volumes are:

4.2.1. Policies and procedures for collection of debt from individuals are in Volume 16, Chapter 3.

4.2.2. Policies and procedures for physical loss of funds are in Volume 5, Chapter 6. Accounts receivable that are the result of improper payments may require loss of funds investigations in accordance with Volume 5, Chapter 6 for improper payments.

4.2.3. Policies and procedures for salary offset to collect debts owed to the DoD by military members or civilian employees are in Volume 7B, Chapter 28; and Volume 8, Chapter 8. Volumes 7A, 7B, and 8 also address collection of child support, alimony, or commercial debts from the pay of military members or civilian employees through garnishment or involuntary offset.

4.2.4. Policies and procedures for collection of commercial or contractor debt are in Volume 16, Chapter 5. Additionally, the FAR Subpart 32.6, prescribes policies and procedures for ascertaining and collecting contract debts, charging interest on the debts, deferring collections, and compromising and terminating certain debts.

4.2.5. Policies for collection of debts from foreign entities are available in Volume 16, Chapter 6.

4.3 Receivables from the Sale of Goods and Services to the Public

4.3.1. Upon receipt of a collection voucher, the ARO must record the collection in the accounting system and include it in the monthly reports (Standard Forms 1218, 1219, and 1220, and FMS Form 224) to Treasury. If an abnormal balance results from recording the collection, the ARO must research and resolve the abnormal balance.

4.3.2. The ARO must refer delinquent accounts receivable for further collection action as required by debt collection policy in Volume 16, Chapter 3.

*4.4 Refunds Receivable

Refunds to appropriations represent amounts collected from outside sources for payments made in error, overpayments, or adjustments for previous amounts disbursed. They must be directly related to previously recorded expenditures and are reductions to those expenditures. There is not a separate account for refunds receivable in the USSGL. Refunds receivable are treated as accounts receivable and DoD Components must recognize and report them in their financial statements.

4.4.1. Examples of refunds receivable include, but are not limited to the following:

4.4.1.1. Salary overpayments.

4.4.1.2. Overpayments to commercial concerns due to erroneous billings, incorrectly computed invoices, or contract default.

4.4.1.3. Amounts due for items rejected or returned.

4.4.1.4. Amounts of recovery due on payments for contractual services, such as rent, insurance, and transportation purchased, where such contracts are canceled and adjustments made for the unused portion.

4.4.1.5. Amounts for advance payment of travel when the travel was canceled.

4.4.1.6. Amounts payable for "due U.S." travel vouchers.

4.4.1.7. Amounts due from advance payments for contractual purposes.

4.4.1.8. Amounts due from employees on leave without pay for employee share of benefits (i.e., health insurance).

4.4.2. Non-DCO activities (e.g., contracting offices, Fund Holders) must notify the DCO that a debt exists. For contracting offices, the FAR, Part 32, Contract Financing provides the guidance. DCOs must ensure the appropriate ARO is advised to establish a receivable in the applicable accounting system. Such notification must be made in the same accounting cycle that the debt is recognized.

4.4.3. Upon receipt of a collection voucher, the ARO must ensure that the collection is recorded in the accounting system and reported to Treasury. See sections 6.0 and 7.0 for additional guidance on reporting requirements. If an abnormal balance results from recording the collection, then the ARO must research and resolve the abnormal balance.

4.4.4. The ARO or DCO must refer delinquent accounts receivable for further collection action as required in subparagraphs 4.6.

4.4.5. OMB Circular A-11 addresses the proper budgetary accounting for refunds in section 20.10. Since refunds are the repayments of excess payments, the amounts are directly related to previous obligations incurred and outlays made against the appropriation. Refunds received are deposited to the credit of the appropriation or fund account charged with the original obligations.

4.5 Collection Actions

Accounts receivable must be aged to allow for the management of collection actions.

4.5.1. The due date for a receivable is normally 30 days from the date of invoice, demand letter, or notice of payment due unless a specific due date is established by statute, contract provision, or notice of indebtedness. The initial demand for payment, invoice, or demand letter must include a complete explanation of the debtor's rights and responsibilities, the basis of the indebtedness, the agency's intention to use various collection tools to collect the debt, additional charges (i.e., interest, penalties, and administrative charges) that may be levied, and the name, work phone number, and address of an individual to contact within the agency to resolve the delinquency. See Volume 16, Chapter 2 for additional information on debt notification requirements.

4.5.2. AROs or DCOs will refer valid and legally enforceable delinquent individual out-of-service debt to the DCMO for further collection action. See Volume 16, Chapter 3 for additional information.

4.5.3. AROs or DCOs will refer valid and legally enforceable delinquent vendor debt of $25 ($100 if vendor does not have a Taxpayer Identification Number) or more, comprised of principal, interest, administrative charges, and penalty, to the DMO for further collection action no later than 60 days after the payment due date. Multiple debts to the same vendor totaling $25 or $100 or more must be consolidated and referred to the DMO as one debt package.

4.5.4. Uncollected public vendor debt of less than $25 and individual out-of-service debt of less than $25 must be collected or written off and closed-out within 1 year of delinquency in accordance with Volume 16, Chapter 3. These debts are not referred to DMO or DCMO for further collection action unless mandated by public law.

4.5.5. The DCMO or DMO must refer valid and legally enforceable delinquent public receivables over 120 days old to Treasury for further collection action in accordance with the DCIA and the DATA Act.

4.5.5.1. Exceptions to the requirement to refer debt to Treasury include debts or claims that: (a) are in litigation or foreclosure; (b) will be disposed of under an asset sales program within one year after becoming eligible for sale, or later than one year if consistent with an asset sales program (See OMB Circular A-129, section IV); (c) have been referred to a private collection contractor for collection for a period of time approved by the Secretary of the Treasury; (d) will be collected under internal offset, if such offset is sufficient to collect the claim within three years after the date the debt or claim is first delinquent; (e) are foreign government debts; or (g) are NAFI debts.

4.5.5.2. The Treasury, after due process, returns uncollected public receivables to the sender (length of time varies based upon collection actions taken by Treasury).

4.5.5.3. Debts less than $100,000 that are referred to Treasury and later returned due to failure to collect may be terminated for further collection action by DCMO or DMO upon

coordination with the appropriate Fund Holder. Debts of $100,000 to $500,000 that are referred to Treasury and later returned due to failure to collect may be terminated with Treasury's approval. Debts of $500,000 or more must be referred to the Department of Justice for approval to terminate collection action. See Volume 16, Chapter 2 for additional guidance regarding termination of collection action.

4.5.5.4. DCMO or the DMO will advise the ARO when the Treasury has returned a debt as uncollectible. The ARO will take appropriate actions to terminate collection action, write-off the receivable, and close-out the receivable, as applicable.

*4.6 Establishment of Allowance for Loss on Accounts Receivable

4.6.1. The ARO must recognize and record its projected debt losses by setting up allowance for uncollectible accounts on public and intragovernmental accounts receivable in the general ledger. By accurately estimating the potential losses and putting that amount in its allowance accounts, a reporting entity is recognizing the accounts receivable at their net realizable value.

4.6.2. SFFAS 1 requires an allowance for estimated uncollectible receivable amounts be recognized when it is more likely than not that the receivables will not be totally collected; the phrase "more likely than not" means more than a 50 percent chance of loss. TB 2020-1 clarifies that the absence of explicit guidance distinguishing between intra-governmental and nonfederal/public entities receivables, both must be recognized in accordance with SFFAS 1 requirements. The allowance for loss on accounts receivable must be re-estimated annually and when information indicates that the latest estimate is no longer accurate.

4.6.3. Losses due to uncollectible receivables should be measured through a systematic methodology. The systematic methodology should be based on analysis of groups of receivables as a whole with the option to isolate individual receivables for a separate allowance calculation. The allowance amount calculated for individual receivables and groups of receivables will be added together and will be the total amount for allowance for loss on accounts receivable. A provision to increase or decrease the allowance will result in an adjustment of nonexchange revenue, rather than a bad debt expense.

4.6.3.1. Group of Receivables. To determine the loss allowance for receivables less than $100,000, separate the receivables into groups having similar risk characteristics. Receivables may be grouped by each delinquent age category greater than 60 days old, by category of debtor, by reason that gave rise to the receivable, or by geographic regions. The methodology used to determine the percentages will be based on the history of bad debt expense from the last three years. The determined percentages will be applied to the total amount in each category. The OUSD(C) must approve exceptions when abnormal circumstance skews the three-year average.

4.6.3.2. Individual Receivables. Each receivable equal to or greater than $100,000 must be analyzed to determine the loss allowance. Loss estimation for each receivable will be based on: (a) the debtor's ability to pay, (b) the debtor's payment record and willingness to pay, and (c) the probable recovery of amounts from secondary sources, including liens, garnishments,

cross collections, and other applicable collection tools. DoD Components with a low number of receivables or a large number of small dollar receivables may lower the threshold. However, consistent methodology must be used from year to year.

4.6.4. DoD must not recognize intragovernmental allowance for uncollectible accounts up to and including two years in delinquent age for intragovernmental receivables. After two years and older delinquent age, DoD must recognize 100 percent allowance for uncollectible accounts. The public allowance for uncollectible accounts is calculated:

4.6.4.1. No (0 percentage) allowance is calculated for aging categories less than 90 days.

4.6.4.2. 100 percentage allowance is calculated for public debt for aging categories greater than two years.

4.6.4.3. Allowance for public debt for aging categories greater than 90 days and less than 2 years are calculated by agency-specific Monthly Receivable Data (MRD) write-off amounts divided by total Account Receivable amounts to determine the write-off percentage. The most recent 36 months of write-off percentages are averaged to determine the allowance percentage for 91 days to 2 years aging categories.

4.6.5. In those instances, when one DoD Component sub-allots funds to another DoD Component, the office executing the funds will be responsible for establishing the allowance for loss on accounts receivable. The write-off of receivables must be processed through the allowance for uncollectible accounts.

*4.7 Write-off and Close-Out of Public Accounts Receivable

OMB Circular A-129 provide general provisions for write-off and close-out of public accounts receivable. Write-off is mandatory for public delinquent debt that has not been collected within two years of delinquency unless documented and justified to OMB in consultation with Treasury. All write-offs of non-federal receivables must be made by debiting the allowance for uncollectible account and crediting the receivable account. A direct write-off to public receivable without recording an allowance for uncollectible is prohibited. Intergovernmental receivable write-off is prohibited. In accordance with OMB Circular A-129, when a receivable is written-off, it must be classified as currently not collectible (CNC) or closed-out. Receivables that are classified as CNC must be maintained in an inactive administrative file and reported on the TROR until the receivable is closed-out.

4.7.1. Write-off. The DCO must provide the ARO with documentation to support write-off of the receivable (regardless of amount) and also must provide the history of all research and debt collection efforts. When received, the ARO must immediately provide the documentation to the Fund Holder for concurrence for write-off and notify the DCO that the request for concurrence was sent. If the Fund Holder concurs, the ARO will write-off the debt. If the Fund Holder non-concurs or does not respond, then the following applies:

4.7.1.1. The Fund Holder must respond within 30 days of request for a write-off. If a response is not received within 30 days, the ARO will write-off the debt.

4.7.1.2. If non-concurring, the Fund Holder must provide the ARO with additional written evidence to enable the collection of the debt. The ARO will only make one additional attempt to collect (i.e., issue one additional demand letter).

4.7.1.3. If payment is not received after making one additional attempt to collect, the ARO will write-off the debt. The ARO will notify the Fund Holder and the DCO that the debt was written off.

4.7.2. Currently Not Collectible. Once the debt is written off, it must either be classified as CNC or closed-out. Debts in CNC status are reported on the TROR and are still eligible for the Treasury's cross-servicing and offset programs.

4.7.2.1. Public debt will be classified as CNC only if the following criteria are met:

4.7.2.1.1. The vendor debt or the individual out-of-service debt is $25 or more.

4.7.2.1.2. All debt collection actions referenced in this chapter have been pursued.

4.7.2.1.3. It is cost effective to continue collection efforts.

4.7.2.2. CNC debt must be continuously reviewed and, as required, reclassified and closed-out.

4.7.2.3. When Treasury is able to collect on a receivable categorized as CNC and remits funds to DoD, the ARO will reverse the write-off, reestablish the receivable, and record the collection against the receivable.

4.7.3. Close-Out of Indebtedness. Debt write-off and close-out may occur at the same time, or close-out may follow write-off by a substantial period of time. When it has been determined that the debt is not collectible (e.g., returned from Treasury uncollected or further collection action would not be economically feasible), the DCO must notify the ARO. The ARO must notify the Fund Holder and request concurrence to close-out the debt. If the Fund Holder non-concurs or does not reply, the following applies.

4.7.3.1. The Fund Holder must respond within 30 days of request for close-out. If a response is not received within 30 days, then the debt must be closed-out.

4.7.3.2. If non-concurring, the Fund Holder must provide the ARO with additional written evidence to enable the collection of the debt. The ARO will only make one additional attempt to collect (i.e., issue one additional demand letter).

4.7.3.3. If payment is not received after procedures in subparagraphs 4.7, then the ARO must close-out the debt and notify the Fund Holder.

4.7.3.4. Once a debt has been closed-out, it cannot be reactivated, and the Federal Government cannot take any further administrative or legal action to collect the debt. The Federal Government, however, can accept voluntary repayment of the debt at any time. Once the Fund Holder has decided to close-out the debt, the ARO has primary responsibility for close-out actions. Volume 16, Chapter 6 provide guidance regarding the FMS arrearages write-off and close-out.

4.7.4. Tax Reporting: In most cases, when an agency closes out a debt or compromises a debt for less than the full amount owed, the debt is considered a canceled debt. DoD has a responsibility to issue tax forms and execute IRS reporting for canceled debts that meet the IRS's reporting criteria. The DFAS ESS Vendor Pay Tax Office is responsible for the tax form issuance and IRS reporting for vendor and contractor canceled debts managed in the DFAS Defense Contractor Debt System (DCDS).

5.0 INTRAGOVERNMENTAL RECEIVABLES

5.1 Receivables Due From Federal Entities

Receivables due from DoD Components or other federal entities are intragovernmental receivables and must be reported separately from receivables due from public entities in the financial statements.

*5.2 Sales of Goods and Services

5.2.1. Intragovernmental materials sold or services furnished must be authorized and documented in a support agreement between the provider (seller) and ordering entity (buyer). A providing entity (seller) must initiate the agreed upon activity by providing the cost of materials or performing the services to the ordering entity (buyer). The activity receiving the materials or services (buyer) pays the providing activity. Uncollected amounts earned from reimbursable sales are recorded as accounts receivable

5.2.2. In contrast with orders from the public/non-federal entities without an advance, under the Economy Act DoD organizations with reimbursable authority may recognize a budgetary resource upon acceptance of funded reimbursable orders from DoD and other federal agencies, because customer agencies obligate their own budgetary resources (e.g., appropriations) at the time of order placement and acceptance. DoD organizations may incur obligations to fill such orders without requiring the customer to provide an advance payment and without burdening their own budgetary resources.

*5.3 DoD Performing Entity Responsibilities

The performing entity (seller) must ensure that the costs incurred for completed performance are promptly recorded as revenue and receivable and must ensure the earned revenue amount is promptly charged and collected from the ordering entity. Refer to Chapter 9 for a

description of how titles are passed on a contractual agreement. Ensure that transactions are recorded on a timely basis, in order for Treasury to perform intragovernmental eliminations. The performing entity will:

5.3.1. Receive a customer's order, which will be verified against the agreement serving as the basis for the order, such as a DD Form 448, "Military Interdepartmental Purchase Request" (MIPR). The amount of the order must be recorded as an unfilled customer order.

5.3.2. Reverse the unfilled customer order and record a filled customer order (i.e., earnings) uncollected upon receiving documentation showing that goods or services were provided. Record the receivable and charge the customer. If an abnormal balance results from reversing the unfilled customer order, research the abnormal balance and promptly resolve the issue.

5.3.3. Reverse the filled customer order uncollected (i.e., earnings) and record a filled customer order collected upon receipt of a collection voucher. If an abnormal balance results from reversing the filled customer order uncollected, research the abnormal balance and promptly resolve the issue.

5.3.4. Ensure that collection vouchers are recorded in the accounting system and reported to the Treasury in the accounting month the collection was received.

5.3.5. Review unearned and earned orders and determine that recorded orders are supported with an order or contract.

5.3.6. Research any abnormal unfilled customer order balances; such balances indicate that an order may not be recorded. Research any abnormal filled customer order uncollected balances; such balances indicate that collections may have been incorrectly recorded. Promptly resolve these abnormal balances.

5.3.7. For orders not filled from inventory (e.g., supply issues from materiel systems); obtain the accounts payable transaction history. Review obligations and accrued expenditures recorded and determine whether the accruals are supported with a reimbursable agreement or a document evidencing that a payment is due. Unsupported obligations and accrued expenditures must be thoroughly researched, and the necessary corrective actions taken. Copies of all reimbursable orders must be available to ensure that all obligations and accrued expenditures are recorded correctly. Reconcile the receivables and collections relating to the reimbursable program of the performing activity with the accrued expenditures paid and unpaid of the same performing activity.

5.3.8. Obtain the billing transaction history from the ARO. Billing transaction histories must be provided within 30 days. Ensure that billings are against the correct order and, consequently, billed against the correct obligation. Request copies of documents supporting that a payment is due; reconcile these documents with the related accounts receivable. Any discrepancies must be resolved by adjusting the accounts receivable to the appropriate amounts.

5.3.9. Upon receiving a request for supporting documentation, provide a copy of an agreement, contract, and/or proof of performance or delivery within 30 days of request.

5.3.10. If a charge is disputed or rejected, review supporting files promptly. The intragovernmental dispute process is outlined in paragraph 5.5.

5.3.11. Research unmatched disbursements and negative unliquidated obligations as required by Volume 3, Chapter 11.

5.3.12. Unless authorized by law to perform non-reimbursable work, DoD performing activities will not perform reimbursable work for another federal agency that is 90 days or more in arrears in payment of previous reimbursable billings. This restriction can be waived by the OUSD(C) if in the national interest to do so.

5.3.13. Refer to TFM Volume 1: Federal Agencies, Supplements, USSGL for reimbursable USSGL transaction entries.

5.4 DoD Ordering Agency Responsibilities

5.4.1. The ordering agency must review all charges from the performing activity to ensure that amounts due are in agreement with the reimbursable orders and are supported with a copy of the order or contract and evidence of performance.

5.4.2. Transportation charges that cannot be matched to an accounts payable transaction, or that cannot be charged back, must be researched and charged to the proper line of accounting (LOA) upon completion of research.

5.4.3. If the bill is supported, but the order or obligation is not recorded in accounting systems, then record the order or obligation immediately. Determine why the order or obligation was not recorded. The evidence obtained from research may identify internal control failures and/or process weaknesses. Any internal control failures and/or process weaknesses must be addressed and corrected. Evidence from the research should be documented and maintained by the organization.

5.5 Management of Collection Actions

Aging Accounts Receivable qualify for the collection actions. Aging (delinquency date) starts one day after the initial due date.

5.5.1. Charges arising from transactions within the DoD and with other federal departments and agencies must be recorded as accounts receivable in the accounting month earned.

5.5.2. Bills arising from transactions which contain a National Stock Number within the DoD will be collected through the Military Standard Billing System interfund billing procedures when supported by the supply and accounting systems. The provider will not accept a MIPR if interfund can be used. Manual billing (i.e., the XP fund code) will not be used unless approved

by the Deputy Chief Financial Officer. For intragovernmental interfund disputes, follow the dispute process outlined in DLM 4000.25.

5.5.3. For non-interfund intragovernmental (within DoD) receivables, reimbursement will be via Defense Cash Accountability System or Intra-Government Payment and Collection (IPAC). The buyer cannot chargeback or reject the charge (other than IPAC) unless authorized by the dispute process as outlined in paragraph 5.6. The buyer must perform an IPAC reject within 30 days. The only valid reasons for reject/adjustment are:

5.5.3.1. Billing for more than the agreed amount.

5.5.3.2. Duplicate/erroneous billing.

5.5.3.3. Lack of supporting documentation.

5.5.3.4. MIPR has expired and/or appropriation has expired.

5.5.4. For intragovernmental (outside DoD) receivables, IPAC is the preferred method of billing/collection.

5.5.4.1. Include the use of IPAC as the preferred method of billing/collection on the MIPR acceptance.

5.5.4.2. Follow the intragovernmental (outside DoD) dispute process as outlined in the paragraph 5.6 if the IPAC transaction is rejected.

5.5.5. Rejected charges must require the reestablishment of a receivable and adjustments to an appropriation's Fund Balance with Treasury.

5.5.6. USSGL accounting transactions for reimbursable billings and collections, and accounts receivable corrections and adjustments are detailed in the SFIS library.

5.6 Non-Interfund Dispute Process

5.6.1. Intragovernmental Debt Within the DoD. The performer's ARO is responsible for managing intragovernmental debt. OUSD(C) oversees DoD dispute resolution processes to resolve balance discrepancies between DoD reporting entities. See Volume 6B, Chapter 13, paragraph 5.4, paragraph 5.6 for additional information on eliminations.

5.6.1.1. Intragovernmental debt cannot be referred to a debt collection activity.

5.6.1.2. The full settlement of intragovernmental accounts receivable disputed charges must take no longer than 180 days from the date of the charge.

5.6.1.3. For receivables of $2,500 or less, the buyer may accept the charge without dispute. However, these charges may be disputed as long as the process can be justified as cost effective.

5.6.1.4. For disputed receivables greater than $2,500:

5.6.1.4.1. The buyer will work with the seller during the first 60 days from the date of the charge to resolve the dispute. The buyer or seller may request assistance from DFAS. If the dispute cannot be resolved, the buyer, along with assistance from DFAS, will assemble a dispute package and send it to the seller. At a minimum, the dispute package must include copies of: MIPR or equivalent, MIPR acceptance or equivalent, voucher payment, bill, correspondence, shipment or delivery evidence, and a narrative explaining the basis of the dispute.

5.6.1.4.2. During 61-90 days from the date of the charge, the seller will review the buyer's dispute package and will provide a written response of concurrence or non-concurrence.

5.6.1.4.2.1. If the seller concurs, the seller will reverse the charge.

5.6.1.4.2.2. If no response is received from the seller, the buyer may chargeback without recourse.

5.6.1.4.2.3. If the seller non-concurs, the buyer will elevate the dispute package to their Resource Manager/Comptroller.

5.6.1.4.3. During 91-120 days from the date of the charge, the buyer's Resource Manager/Comptroller will contact the seller's Resource Manager/Comptroller to resolve the dispute. If the dispute cannot be resolved, the buyer's Resource Manager/Comptroller will elevate the dispute package to their Service Secretary, Combatant Command Commander, or Defense Agency Director.

5.6.1.4.4. During 121-150 days from the date of the charge, the buyer's Service Secretary, Combatant Command Commander, or Defense Agency Director, will contact the seller's Service Secretary, Combatant Command Commander, or Defense Agency Director, to resolve the dispute. The dispute must be resolved within 180 days.

5.6.1.5. If the resolution to the dispute is that the buyer does not have to pay the bill, then the seller must adjust their revenue to liquidate the debt if the revision reflects current fiscal year activity. The seller will decrease revenue and increase direct obligations and expenses. For material receivables established in a prior year, revenue must not be decreased, rather a prior period adjustment must be used to properly account the adjustment. See Volume 6B, Chapter 6. For immaterial receivables established in the prior year, reduce current year revenues.

5.6.2. Intragovernmental Debt Outside DoD. Disputes between government agencies (e.g., between the DoD and the General Services Administration) will be resolved in accordance with I-TFM-2-4700.

5.6.2.1. Dispute resolution will involve the program offices, the accounting offices, the contracting officer, and the agency's Chief Financial Officer (CFO), as appropriate. Disputes will be documented in writing with clear reasons for the dispute. A memorandum of agreement will be signed by the CFOs of each department and agency to acknowledge that department's or agency's active participation in the dispute resolution process.

5.6.2.2. Trading Partners will not chargeback or reject transactions that comply with 1-TFM-2-4700. Further, new transactions will not be created to circumvent the guidance contained therein.

5.6.2.3. Disputes are of two types:

5.6.2.3.1. Accounting treatment (e.g., advances and non-expenditure transfers).

5.6.2.3.2. Contractual (e.g., payment, collection, and interagency agreement).

5.6.2.4. If intragovernmental differences result from differing accounting treatment, then the trading partners have 60 calendar days from the date that the difference is identified in Treasury Government wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) or the date that a charge is disputed, whichever comes first, to agree on the treatment of an accounting entry. If agreement cannot be reached within 60 calendar days, then both trading partners' CFOs must request that a decision be rendered by the Treasury Bureau of Fiscal Service (BFS). After BFS has rendered a decision, the ARO must adjust their financial records as needed within five calendar days or the end of the quarter, whichever comes first.

5.6.2.5. If intragovernmental differences result from contractual disputes, then the trading partners have 60 calendar days from the date that the difference is identified or the date that a charge is disputed, whichever comes first, to agree on the contractual terms. If agreement cannot be reached, then both trading partners' CFOs must request that a binding decision be rendered by the CFOs Council's Committee established for this purpose. The Committee must render a decision within 90 calendar days of request. The trading partners will then coordinate to ensure any necessary IPAC transaction is needed.

5.6.2.5.1. Missing indicative data on an intragovernmental transaction is cause for a contractual dispute. Examples of indicative data include:

5.6.2.5.1.1. Order number.

5.6.2.5.1.2. Treasury Account Symbol (TAS) for both trading partners. If multiple TAS are included on one order, specify amounts for each TAS, as appropriate.

5.6.2.5.1.3. Business Event Type Code for both trading partners.

5.6.2.5.1.4. Amount to accrue, advance, or disburse.

5.6.2.5.1.5. Business Partner Network number for both trading partners.

5.6.2.5.2. The buyer may establish a monetary threshold before asking for contractual decisions; the threshold must not exceed $100,000 per order. If an amount is under the buyer's threshold, and the buyer elects not to pursue a dispute, then the buyer must pay the amount.

5.6.3. NAFI Billing, Collection and Dispute Processes. DoDI 1015.15, "Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources," requires certain categories of NAFIs to reimburse appropriated funds (APF) for the provision of goods and services to the NAFI.

5.6.3.1. Reimbursement Agreements. The applicable APF office will prepare a reimbursement agreement with the NAFI. This could be in the form of a Memorandum of Understanding or Inter-Service Support Agreement. The agreement must be signed by the authorized representatives from APF and NAFI. At a minimum, this agreement must have:

5.6.3.1.1. Fixed price for goods and services or methodology for determining price, e.g., utilities, or both. The agreement can be for a specific sale or for a specified period of time.

5.6.3.1.2. Bill due date will be 30 days from date of the bill.

5.6.3.2. Due Process. If bill is not paid by due date, a demand letter will be sent to the NAFI. The NAFI has 30 days from the date of the demand letter to provide payment or provide reasons for non-payment. The validity of the dispute will be determined by the APF representative. If dispute is valid, the APF representative will immediately resolve. If dispute is determined not to be valid, or there is no response, the APF representative will elevate demand for payment as follows:

5.6.3.2.1. Within 31-60 days after the due date, the Installation Comptroller will send the demand for payment with supporting documentation to the NAFI Headquarters Comptroller (NHC).

5.6.3.2.2. Within 61-90 days after the due date, the NHC will make payment or dispute the bill. The validity of the dispute will be determined by the Installation APF Comptroller. If dispute is determined not to be valid, or there is no response, the Installation APF Comptroller will elevate the demand for payment with supporting documentation to the Installation Major Command.

5.6.3.2.3. Within 91-120 days after the due date, the Installation Major Command will instruct that payment be made or dispute the bill. If the Installation Major Command cannot resolve the dispute, or there is no response, the Installation APF Comptroller will elevate the demand for payment with supporting documentation to the Service Comptroller.

5.6.3.2.4. Within 121-150 days after the due date, the Service Comptroller will instruct payment or resolve the dispute.

5.6.3.3. Budgetary Resources. Military Departments may use their own appropriated fund budgetary resources to perform a reimbursable order for a NAFI without an advance. However, they may not recognize budgetary resources for the order until the account receivable is paid.

6.0 REPORTING RECEIVABLES DUE FROM THE PUBLIC

The DoD Components are required to submit the TROR on a quarterly basis. The ARO, in conjunction with the DoD Component, must report public receivables in accordance with TROR located on the Treasury website.

7.0 REPORTING RECEIVABLES IN DOD FINANCIAL STATEMENTS

7.1 Reported Accounts Receivable Quarterly

Accounts receivable are reported on the quarterly financial statements. Instructions for the reporting of receivables in the quarterly financial statements are contained in Volume 6B, Chapters 4 and 10. Receivable amounts are depicted in the Balance Sheet and are disclosed in the Notes to the Financial Statements. Public accounts receivable balances reported on the financial statements must be reconciled with the GTAS accounts receivable from the public balances (attribute non-Federal).

7.2 Gross Accounts Receivable Balances

Gross accounts receivable balances due from the public reported on the quarterly financial statements also will be reconciled with receivables reported on TROR.

7.3 Eliminating Intragovernmental Consolidated Quarterly Financial Statements

The consolidated quarterly financial statements eliminate intragovernmental accounts receivable balances in accordance with Volume 6B, Chapter 13.

8.0 CREDITING AND ACCOUNTING FOR DISPUTED COLLECTIONS UNDER THE CONTRACT DISPUTES ACT OF 1978

8.1 Crediting Collections

8.1.1. When an amount, including interest and administrative fees, is collected from a contractor and the contractor disputes the debt or indicates that they will dispute the debt, the collected amount will not be accounted for as settlement of the debt. Interest, penalties, and fees will cease to accrue and the disputed amounts will be credited to Treasury deposit account pending disposition of the contractor's dispute.

8.1.2. Collections normally are received by the disbursing or payment certifying office making or authorizing payments for the contract in dispute, but may be received by others, including ARO, supporting accounting offices, DMO, contracting officers, contract administration officers, and legal offices. Upon making a collection in a disputed situation, the collection will be documented as a disputed contract collection.

8.1.2.1. If DFAS-Columbus paid the contract or submitted the contract to the DMO for debt collection assistant, deposit the collection to Disbursing Station Symbol Number (DSSN) 6551. Offices, other than the DMO, making the collection and deposit of a disputed collection to DSSN 6551 must forward to the DMO all documentation related to the collection. If the office receiving the collection does not make deposits, then the office receiving the collection will promptly forward the contractor's check and related documentation to DSSN 6551. The collection voucher prepared for a disputed collection will serve as the basis for crediting the amount to Treasury deposit account X6501, Small Escrow Amounts, in a special subhead or limit with departmental prefix 097. If the disputed collection is related to a contractual obligation in an appropriation that has closed in accordance with 31 U.S.C. § 1552(a) or 31 U.S.C. § 1555, then annotate the collection as a "closed appropriation collection" and credit the collection to deposit fund account X6501 in a different subhead or limit. DSSN 6551 must maintain control of collections credited to this account and will prepare all vouchers for disbursement or transfer from the deposit account.

8.1.2.2. If a disputed collection is received on a contract that was not paid by DSSN 6551 and the debt was not submitted to the DMO for debt collection assistance, then deposit the collected amount to the DSSN which made the payment on the contract. The collection must be credited to deposit account X6501 with departmental prefix 017, 021, 057, 096, or 097, as appropriate.

8.1.2.3. The DMO and the responsible disbursing officer will notify the contracting officer, the contract administration officer, if applicable, and the Service or agency contract finance officer, and/or other authority for contract debt matters of any actions affecting the disputed collections. Conversely, these officers or offices must inform the responsible disbursing officer and the DMO of any actions taken that affect the disputed collection.

8.2 Accounting for Collections in Dispute

8.2.1. In accordance with 10 U.S.C. § 3863 and paragraph 8.1, disputed collections received and credited must be separately accounted for and remain available, regardless of the closing of an appropriation or fund account, for payment of:

8.2.1.1. Any settlement of the claim by the parties.

8.2.1.2. Any judgment rendered in the contractor's favor on an appeal of the decision on the claim to the Armed Services Board of Contract Appeals (ASBCA).

8.2.1.3. Any judgment rendered in the contractor's favor in an action on that claim in a court of the U.S.

8.2.2. Availability of the disputed collection expires 90 days after the expiration of the period for bringing an action on that claim in the U.S. Court of Federal Claims under section 41 U.S.C. § 7104(a), if within that 90-day period, no appeal on the claim is commenced at the ASBCA and no action on the claim is commenced in a court of the U.S.

8.2.3. If not expiring under subparagraph 8.2.2, then availability of the disputed collected amounts expires:

8.2.3.1. In the case of a settlement of a claim, 90 days after the date of the settlement.

8.2.3.2. In the case of a judgment rendered on the claim in an appeal to the ASBCA or an action in a court of the U.S, 90 days after the date on which the judgment becomes final and rendered not appealable.

8.2.4. While an amount is being separately accounted for and available in accordance with subparagraph 8.1.1, the amount may be obligated or expended in whole or in part only for the purpose.

8.2.5. When all or part of a disputed collection is determined to be repayable to the contractor, whether by settlement agreement or judgment, including payment or adjustment of interest or fees, that amount must be promptly disbursed to the contractor. Timely reimbursement must also be made to the Treasury Judgment Fund, if applicable. The foregoing disbursed amounts must be charged to the deposit account X6501. Any interest accruing since the collection and ordered to be paid in accordance with the settlement or judgment must be charged to the applicable, currently available, appropriation account.

8.2.6. Upon expiration of the period of availability of all or part of an amount credited to the deposit account in accordance with paragraph 8.1, amounts not obligated and expended, must be withdrawn and credited as follows:

8.2.6.1. If an amount was credited to the deposit account for an appropriation or fund account that closed for reasons other than those described under 31 U.S.C. § 1552(a) or 31 U.S.C. § 1555, then the principal amount collected must be properly credited to that appropriation or fund account and an adjustment made of the amounts of the contract(s) for which the disputed collection arose. Any amounts for interest and fees must be credited to the appropriate Treasury Miscellaneous Receipts accounts.

8.2.6.2. Amounts credited to the deposit account for an appropriation or fund account that was canceled, or subsequently canceled after the collection in accordance with 31 U.S.C. § 1552(a) or 31 U.S.C. § 1555, must be withdrawn and credited to the appropriate Treasury Miscellaneous Receipts accounts. The principal amount must be credited to "Collection of Receivables from Canceled Accounts", Treasury General Fund Receipt Account 3200 (and the memorandum account adjusted, as appropriate). Interest and fees must be credited to the "Miscellaneous Receipts-Defense" account. In the records maintained for the closed appropriation account and unclosed contracts associated with the collection, the unobligated and obligated

balances must be adjusted to reflect the results of settlement or judgment, including any amount retained and adjusted for the amounts of the contract or contracts for which the disputed collection arose.

*Table 3-1. Aged Delinquent Accounts Receivable Groups

CATEGORY	INTRAGOVERNMENTAL	NON-FEDERAL
Non-delinquent		
Current		
Noncurrent		
Delinquent		
1 to 30 days		
31 to 60 days		
61 to 90 days		
91 to 120 days		
121 to 150 days		
151 to 180 days		
181 days to 1 year		
Greater than 1 year and less than or equal to 2 years		
Greater than 2 years and less than or equal to 6 years		
Greater than 6 years and less than or equal to 10 years		
Greater than 10 years		
Subtotal		
Less Supported Undistributed Collections		
Less Eliminations		
Less Other		
Total		

Note: The total of the columns must equal the gross amounts reported in the Accounts Receivable schedule in Note 6. This will require that the receivables due internally within each DoD Component and supported undistributed collections be eliminated from this schedule. Infrequently, other items may need to be deducted from the subtotal. These items require disclosure in the note narrative.

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 3 ANNEX 1: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 3 ANNEX 2: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 4, CHAPTER 4: "INVENTORY AND RELATED PROPERTY"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated November 2017 has been archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Policy Memo	The Deputy Chief Financial Officer (DCFO) policy memorandum "Change in the Accounting Treatment for Long Range Ballistic Missiles (FPM24-02)," dated May 3, 2024, was incorporated into this chapter and canceled.	Cancellation
Policy Memo	The DCFO policy memorandum "Financial Reporting Guidance for Stockpile Materials (FPM 20-07)," dated October 22, 2020, was incorporated into this chapter and canceled.	Cancellation
Policy Memo	The DCFO policy memorandum "Accounting Treatment of Lateral Redistribution Activities (FPM 20-05)," dated June 29, 2020, was incorporated into this chapter and canceled.	Cancellation
1.1	Added overview. Moved General Ledger Accounting to this section because it applies to all items in this chapter.	Addition
2.0	Created "Valuation Concepts" section. Moved Historical Cost, Excess Obsolete and Unserviceable, Held for Repair, and Alternate Methods of Valuation to this section.	Revision
3.0	Revised Inventory section. Incorporated War Materiel Reserve and Work-In-Process into the Inventory section. Both are types of inventory. Revised the War Reserve Materiel section.	Revision
4.0	Revised the Supply Management Operations / Activities section to provide additional clarity.	Revision
5.0	Revised the Operating Materials and Supplies section to provide additional clarity.	Revision

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
5.4.6 (previous)	Removed Presidential Directed Drawdown section. This section will be incorporated into a new chapter within the Department of Defense Financial Management Regulation, Volume 15, Chapter 9, updated based on the contents of DCFO policy memoranda "Clarification of Presidential Drawdown Authority Valuation of Defense Articles," dated March 31, 2023, and "Valuation and Reconciliation of Defense Articles Provided Under the Presidential Drawdown Authority (FPM24-11)," dated June 18, 2024.	Removal
6.0	Revised the Stockpile Materials section to provide additional clarity.	Revision

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CHAPTER 4

INVENTORY AND RELATED PROPERTY

1.0 GENERAL

*1.1 Overview

1.1.1. This chapter provides Department of Defense (DoD) accounting guidance for inventory, supply management activities, operating materials and supplies (OM&S), and stockpile materials. The DoD Components must record Inventory, OM&S and Stockpile Material transactions to general ledger accounts in the financial statements required by the Department of Treasury (Treasury) and other reporting requirements mandated by Congress and the Office of Management and Budget. The U.S. Standard General Ledger (***USSGL)*** Transaction Library outlines detailed posting transactions, and the DoD Standard Chart of Accounts provides detailed account descriptions.

1.1.2. DoD Components may want to create subaccounts within their inventory or general ledger systems to track work-in-process at the detailed level; however, the internal subaccounts must summarize to one USSGL/DoD account.

1.1.3. Management must retain adequate supporting source documentation for entries such as contracts, invoices, receiving reports, payment vouchers, material-return documents, transfer documents, inventory documents, issue and shipping documents, sales records, and documented gains and losses.

1.1.4. Annex 2 provides the relationship between USSGL/DoD accounts and logistics supply condition codes and stratifications.

1.1.5. Tangible items with a useful life of two or more years that are not intended for physical consumption or sale in the ordinary course of operations and are intended to be used or are available for use (and reuse throughout their useful life) are general equipment. General equipment is discussed in ***Chapter 25,*** "General Equipment."

1.2 Purpose

1.2.1. This chapter establishes the accounting policy and requirements for financial control over DoD inventory, OM&S, and stockpile materials. The Standard Financial Information Structure ***(SFIS)*** website hosts the DoD Standard Reporting Chart of Accounts, which provides account descriptions and posting guidance for the general ledger accounts referenced in this chapter. The DoD Standard Chart of Accounts was developed from the USSGL, published by the Treasury. Refer to ***Volume 6B, Chapter 10***, "Notes to the Financial Statements" for detailed requirements on preparing and presenting notes to the financial statements for Inventory and Related Property.

1.2.2. With the exception of provisions related to the National Stockpile Fund (NSF), all of the provisions in this chapter apply to the Working Capital Fund (WCF). Some provisions in this

chapter apply to the General Fund (GF) as illustrated in Table 4-1 or as otherwise separately referenced within the chapter.

Table 4-1. Applicability of Chapter Sections/Annexes

Section/Annex	Title	GF	WCF	NSF
1.0	General	X	X	X
2.0	Valuation Concepts	X	X	X
3.0	Inventory	-	X	-
4.0	Supply Management Activities	-	X	-
5.0	OM&S	X	X	-
6.0	Stockpile Materials	-	-	X
Annex 1	Moving Average Cost (MAC) Example	X	X	-
Annex 2	Relationship of General Ledger Accounts to Logistic Supply Condition Codes and Stratifications	X	X	-
X = Section is Applicable to GF, WCF, and (or) NSF.				-

1.3 Authoritative Guidance

The GF, WCF, or NSF applicability in the list of authoritative guidance is specific to this chapter only. The accounting policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:

1.3.1. Title 10, United States Code (U.S.C), ***section 127***, "Emergency and extraordinary expenses" – Applicable to GF and WCF.

1.3.2. ***10 U.S.C. § 2208***, "Working-capital funds", – Applicable to WCF only.

1.3.3. ***10 U.S.C. § 2551,*** "Equipment and barracks: national veterans' organizations" – Applicable to WCF only.

1.3.4. ***10 U.S.C. § 2552***, "Equipment for instruction and practice: American National Red Cross" – Applicable to WCF only.

1.3.5. ***10 U.S.C. § 2553***, "Equipment and services: Presidential inaugural ceremonies" – Applicable to WCF only.

1.3.6. ***10 U.S.C. § 2554***, "Equipment and other services: Boy Scout Jamborees" – Applicable to WCF only.

1.3.7. ***10 U.S.C. § 2556***, "Shelter for homeless; incidental services", – Applicable to WCF only.

1.3.8. ***10 U.S.C. § 2557***, "Excess nonlethal supplies, availability for humanitarian relief, domestic emergency assistance, and homeless veterans assistance" – Applicable to WCF only.

1.3.9. ***10 U.S.C. § 2667***, "Leases: non-excess property of military departments and Defense Agencies" – Applicable to WCF only.

1.3.10. ***22 U.S.C. § 2318***, "Special authority", – Applicable to WCF only.

1.3.11. ***22 U.S.C. § 2761***, "Sales from stocks", – Applicable to WCF only.

1.3.12. ***40 U.S.C. § 503***, "Exchange or sale of similar items" – Applicable to WCF only.

1.3.13. ***50 U.S.C. Subchapter III***, "Acquisition and development of Strategic Raw Materials" – Applicable to NSF only.

1.3.14. Federal Acquisition Regulation ***Part 45*** "Government Property" – Applicable to GF, WCF, and NSF.

1.3.15. Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards ***(SFFAS) 3***, "Accounting for Inventory and Related Property" – Applicable to GF, WCF, and NSF.

1.3.16. FASAB ***SFFAS 21***, "Reporting Correction of Errors and Changes in Accounting Principles, Amendment of SFFAS 7, Accounting for Revenue and Other Financing Sources" – Applicable to GF, WCF, and NSF.

1.3.17. FASAB ***SFFAS 48***, "Opening Balances for Inventory, Operating Materials and Supplies, and Stockpile Materials" – Applicable to GF, WCF, and NSF.

1.3.18. FASAB Interpretation of Federal Financial Accounting Standards ***Interpretation 7***, "Items Held for Remanufacture" – Applicable to GF and WCF.

1.3.19. FASAB Statement of Federal Financial Accounting Concepts ***(SFFAC) 1***, "Objectives of Federal Financial Reporting" – Applicable to GF, WCF, and NSF.

1.3.20. Federal Account Symbols and Titles ***(FAST) Book*** – Applicable to GF, WCF, and NSF.

1.3.21. DoD Directive ***(DoDD) 3025.18***, "Defense Support of Civil Authorities (DSCA)" – Applicable to WCF only.

1.3.22. ***DoDD 5100.46***, "Foreign Disaster Relief (FDR)" – Applicable to WCF only.

1.3.23. ***DoDD 5105.65***, "Defense Security Cooperation Agency (DSCA)" – Applicable to both GF and WCF

1.3.24. DoD Instruction ***(DoDI) 1338.18***, "Armed Forces Clothing Monetary Allowance Procedures" – Applicable to WCF only.

1.3.25. ***DoDI 3025.21***, "Defense Support of Civilian Law Enforcement Agencies" – Applicable to WCF only.

1.3.26. ***DoDI 3110.06***, "War Reserve Materiel (WRM) Policy" – Applicable to WCF only.

1.3.27. ***DoDI 4140.63***, "Management of DoD Clothing and Textiles (Class II)" – Applicable to WCF only.

1.3.28. DoD Manual ***(DoDM) 4140.01, Volume 6***, "DoD Supply Chain Materiel Management Procedures: Materiel Returns, Retention, and Disposition" – Applicable to GF and WCF.

1.3.29. ***DoDM 4140.26, Volume 4***, "DoD Integrated Material Management for Consumable Items: Supply Support Requests (SSRs)" – Applicable to GF and WCF.

1.3.30. ***DoDM 4160.21***, "Defense Materiel Disposition Manual" – Applicable to GF and WCF.

*2.0 INVENTORY AND RELATED PROPERTY VALUATION CONCEPTS

2.1 Historical Cost and Cost of Goods Sold or Consumed

2.1.1. Historical cost includes all appropriate purchase, transportation, and production costs incurred to bring items to their current condition and location and excludes abnormal costs. Abnormal costs refer to expenses that significantly exceed the standard cost to purchase and place a new item with similar features and useful life into service (e.g., excessive handling, expedited delivery, and costs associated with rework due to defects or errors). Expense abnormal costs in the period incurred. Donated, repaired, and remanufactured items are valued at their fair value at the time the item enters serviceable status. Recognize differences between fair value and any amounts surrendered in exchange for the item as a gain or loss

2.1.2. To determine ending balances and the cost of goods sold or consumed, apply the first-in, first-out (FIFO), Weighted Average Cost (WAC), or Moving Average Cost (MAC) flow assumptions. In addition, any other valuation method compliant with Generally Accepted Accounting Principles (GAAP) may be used if the results reasonably approximate those of one of the above historical cost methods.

2.1.2.1. FIFO assumes the oldest items (first-in) purchased or produced are the first items consumed (first-out).

2.1.2.2. WAC assumes an average cost of inventory items for multiple purchases at different prices by dividing the total cost by the number of items to provide an average weighted cost per item.

2.1.2.3. MAC assumes a revised value (weighted average) for inventory each time an item or items are placed into inventory. The MAC calculation requires dividing the cost of total units available at the time (inventory plus current purchases placed into inventory or remanufacturing costs incurred for items in inventory by the quantity of units available at that time). Annex 2 provides an example of the MAC cost assumption.

2.2 Net Realizable Value (NRV)

2.2.1. NRV represents the estimated amount you can recover from selling or disposing of an item after accounting for these costs.

2.2.2. DoD Components must write down the value of Excess, Obsolete, and Unserviceable (EOU) Inventory or OM&S to their expected NRV. Excess stock exceeds the demand or requirements that operations normally expect. Changes in technology, laws, customs, or operations render obsolete stock unusable. Damaged stock becomes unserviceable, and disposing of it is more economical than repairing it.

2.2.3. DoD Components must write down the value of Stockpile materials that suffer permanent decline, damage, or decay to their NRV.

2.2.4. DoD Components recognize the difference between the carrying amount of the item and its expected NRV as a loss (or gain), create a corresponding allowance for a WCF, and report or disclose it separately.

2.2.5. To estimate the NRV of the item, consider prior disposal proceeds for comparable items, obtain buyer quotes, or employ other reasonable methods for disposing of the item through a Qualified Recycling Program (QRP) or other means, rather than transferring it to Defense Logistics Agency (DLA) Disposition Services, if applicable.

2.2.5.1. Except for an item disposed of through a QRP, generally, the DoD Component will not receive any proceeds from the disposal of an item transferred to DLA Disposition Services, resulting in an NRV of zero.

2.2.5.2. See Defense Logistics Manual 4000.25, Defense Logistics Management Standards (***DLMS***) Volume 2 “Supply Standards and Procedures”, Chapter 16, “Disposition Services” for details on how to dispose of EOU using DLA Disposition services.

2.2.6. In all instances, prepare and retain documentation supporting the NRV calculations. Include the item in the respective line item on the face of the financial statements with separate disclosure in footnotes or shown within a separate line item on the face of the financial statements.

2.3 Held for Repair

2.3.1. Inventory or OM&S Held for Repair may be treated in one of two ways:

2.3.1.1. The Allowance Method. Components value items held for repair at the same amount as serviceable items. However, they establish a contra-asset allowance account for the estimated cost of repairs. As components make repairs, they charge the cost against the allowance account. Components must adjust the allowance account, at least annually, to reflect the current estimated cost of repairs.

2.3.1.2. The Direct Method. Components value items held for repair at the same amount as a serviceable item minus the estimated repair cost. As Components make repairs, they capitalize the repair costs up to the value of a serviceable item. Agencies debit or credit the repair expense account for any difference between the initial estimated repair cost and the actual repair cost.

2.3.2. Under both methods, management retains supporting documentation for the estimated repair costs initially recorded in accordance with ***Volume 1, Chapter 9***, "Financial Records Retention."

2.4 Alternative Valuation Methodologies for Establishing Opening Balances

2.4.1. The alternative valuation method for establishing opening balances for inventory, OM&S, and stockpile materials using the methodology described in the Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standard (SFFAS) 48 "Opening Balances for Inventory, Operating Material & Supplies, and Stockpile Materials" and ***Technical Release 18*** "Implementation Guidance for Establishing Opening Balances" is available only once per line item to each reporting entity. The valuation methodologies outlined in this section must be used only to establish and document opening balances. Therefore, prior to establishing opening balances DoD Component must validate that they are prepared to account for and comply with the recognition, measurement, presentation, and disclosure requirements identified in this chapter and FASAB pronouncements, including SFFAS 3, "Accounting for Inventory and Related Property".

2.4.2. When a component cannot apply the initial amount measurement approach (historical cost) outlined in SFFAS 3, it is acceptable to use deemed cost as a substitute for initial amounts (historical cost) to establish the opening balances for inventory, OM&S, and stockpile materials. Deemed cost is an acceptable valuation method for the reporting period when the reporting entity makes an unreserved assertion that its financial statements, or one or more-line items within inventory, OM&S, and stockpile materials, is presently fairly in accordance with GAAP. An unreserved assertion is an unconditional statement. Deemed cost may be based on any one or a combination of the following allowable valuation methods:

2.4.2.1. Standard (Selling) Price. Standard price is the latest known representative acquisition cost plus authorized cost recovery rate for each item of inventory and related property. This price is established annually and is often referred to as selling price. Selling price and fair value may or may not be identical due to the intragovernmental nature of some sales.

2.4.2.2. Fair Value. Fair value is the amount at which an asset or liability could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

2.4.2.3. Latest Acquisition Cost (LAC). LAC assumes the latest acquisition inventory cost for all existing stock of the same product, regardless of older purchase prices. When applying the LAC valuation, management periodically revalues the inventory and establishes an allowance account for the unrealized holding gains and losses associated with ending inventory.

2.4.2.4. Replacement Cost. A replacement cost is an amount required for an entity to replace the remaining service potential of an existing asset in a current transaction at the reporting date, including the amount that the entity would receive from disposing of the asset at the end of its useful life.

2.4.2.5. Estimated Historical Cost (initial amounts). A reasonable estimate of historical cost may be based on cost of the same or similar assets at the time of acquisition, current cost of the same or similar assets discounted for inflation since the time of acquisition or other reasonable estimation methods, including methods based on information such as, but not limited to, budget, appropriations, engineering documents, contracts, or other reports reflecting amounts to be expended.

2.4.2.6. Actual Historical Cost (initial amounts). Actual Historical Cost (initial amounts) refers to the original cost of an asset or liability, typically recorded at the point of acquisition or initial recognition. It represents the price paid or other consideration given for the asset or liability at the time it was initially recognized in the financial records.

2.4.3. All methods used by a component must be identified and reported in its financial statement notes. In addition, components must perform the necessary sampling techniques to collect and retain documentation to support the valuation method while considering audit findings or other conclusions impacting the valuation method.

2.4.4. Any gains or losses in inventory, OM&S, and stockpile materials allowance accounts must be adjusted to zero when establishing an opening balance using deemed cost.

2.4.5. Once established, opening balances are to be considered consistent with SFFAS 3 requirements. Opening balances should be included in ongoing inventory balances and valuation calculations (e.g., the opening balance would be one component of a Moving Average Cost (MAC) calculation, along with any newly purchased inventory). No distinction of amounts arising from the opening balances is required.

2.4.6. Record the difference between the prior value adjusted for any related allowance account value and deemed cost as a prior period adjustment due to a change in accounting principles in accordance with the reporting requirements under paragraph 13 of FASAB SFFAS 21, "Reporting Corrections of Errors and Changes in Accounting Principles, Amendment of SFFAS 7, Accounting for Revenue and Other Financing Sources".

2.4.6.1. Report the cumulative effect of the change on prior periods as a "change in accounting principle".

2.4.6.2. Make the adjustment to the beginning balance of cumulative results of operations in the statement of changes in net position for the period that the change is made.

2.4.7. Disclose the nature of the changes in accounting principle and its effect on relevant balances in the current period. Describe the method used in the first reporting period in which the reporting entity makes an unreserved assertion that its financial statements, or one or more line items are presented fairly in accordance with GAAP. Financial statements of subsequent periods need not repeat this disclosure unless the statements for which deemed cost was applied in establishing opening balances are presented for comparative purposes. No disclosure of the distinction or breakout of amount of deemed cost of inventory, OM&S, or stockpile materials included in the opening balance is required.

*3.0 INVENTORY - (Applicable to WCF Only)

Inventory is tangible personal property held for sale, currently being produced for sale, held to be consumed in the production of goods for sale, or held in the provisions of services for a fee.

3.1 Inventory Types

3.1.1. Inventory Held for Sale. Supplies, and other items intended for sale to other DoD components, the Armed Forces, or other organizations.

3.1.2. Inventory Held In Reserve for Future Sale. Maintained because they are not readily available in the market or because there is a remote chance that they will eventually be needed.

3.1.3. EOU Inventory. Exceeds the expected demand in the normal course of operations because the amount on hand surpasses what can be sold in the foreseeable future and does not meet management's criteria for holding in reserve for future sale. Changes in technology, laws, customs, or operations render obsolete inventory no longer needed. Damaged inventory becomes unserviceable, and it is more economical to dispose of it than to repair it.

3.1.4. Inventory Held for Repair. Purchased and held in stock for repair, including reparable components, subsystems, and assemblies, consumable repair parts, bulk items and material, subsistence, and expendable end items, such as clothing and other personal gear.

3.1.5. Inventory in Transit. In-transit from commercial and Government suppliers to the financial reporting entity; material that has not been received and accepted at the final designated destination but for which title has passed; or material in-transit between storage locations. For inventory in transit between different storage locations or from a supplier to the final recipient, the title of ownership for inventory passes to the buyer at the first location even though the goods are still physically moving. Inventory in-transit does not include material temporarily in use or on loan with contractors or schools.

3.2 Recognition of Inventory

DoD Components recognize inventory when they receive title or take delivery of the goods. The terms of the contract or agreement determine when the purchasing entity receives title. Under title transfer at origin, commonly associated with free-on-board (shipping point) terms, the entity receives title when the inventory ships. Under title transfer at destination, commonly associated with free-on-board (destination) terms, the entity receives title when the goods are delivered. Constructive delivery occurs when the contract terms regarding shipping and delivery indicate that the recipient has received title, even if the physical items have not yet been delivered.

3.3 Valuation of Inventory

3.3.1. DoD Components value inventory at historical cost or use a method that reasonably approximates historical cost. They must adjust valuations for EOU or expected repair. Additionally, DoD Components may use alternative valuation methodologies to establish beginning balances.

3.3.2. The specific identification method can be used for serially managed items, such as grocery and household product inventories. Specific identification directly links identifiable items with their associated costs.

3.4 Reconciliations

Activities must reconcile the inventory line item(s) in their general ledger with their detailed inventory accountability records at least quarterly. This reconciliation must include the multiple modules within Enterprise Resource Management systems when used (e.g., Warehouse Management module to Inventory Management module to Financial Management module). Reconciliations should also include inventory owned by the entity, not in the entity's custody, including inventory managed by contractors or DLA. Activities must research and resolve discrepancies in a timely manner and implement related system and business process controls to reduce future errors.

3.5 Adjustments for Physical Counts of Inventory

Activities must take physical counts of inventories at least annually (generally as of the fiscal year-end) in accordance with ***DLMS*** Volume 2 "Supply Standards and Procedures." Note: In accordance with the Financial Statement Audit Completion Checklist contained in Section 1003 of the U.S. GAO ***FAM Volume 2***, auditors are likely to attend and observe physical counts of inventories that have been deemed as material. Activities must adjust the general ledger for differences between the general ledger balances and the physical count. Supporting audit documentation must be developed and maintained to support adjustments to inventory physical count. Documentation for inventory held by contractors, including contractor receipt, shipment, loss and disposal of assets is available in the Procurement Integrated Enterprise Environment Government Furnished Property (GFP) Module.

3.6 Incoming Shipment Gains and Losses

Invoices occasionally list fewer or more items ordered than the actual count of inventory items received. If it is not economical to resolve the difference, record a loss or gain.

3.7 War Reserve Materiel (WRM)

3.7.1. WRM are mission essential secondary items, principal end items, and munitions sufficient to attain and sustain operational objectives in scenarios authorized in the Secretary of Defense (SecDef) guidance for Employment of the Force, necessary to equip and support the increase in military requirements forecasts in anticipation of a war, in addition to the peacetime assets normally available on any given date. War reserves sustain operations until resupply occurs. WRM inventories include peacetime operating stocks, training stocks, stocks available through industrial base partnerships, and WRM. DoD components calculate war reserve requirements annually or as needed, based on duties.

3.7.2. WRM funding appropriations are made directly to the WCF. The appropriated amounts must be reflected as a separate goal within the annual operating budget letter of the applicable supply management or Commissary Resale activity. Components and Defense Agencies must fund items such as ammunition and major end items procured for war reserves through their procurement appropriations, not through the WCF.

3.7.3. Acquisition of WRM is indistinguishable from corresponding inventory items. WRM and inventory may be purchased at the same time from the same vendor, received at the same time in the same shipping container, and stored together in the same warehouse/bin.

3.7.4. DoD Components hold the WRM in reserve and make it available for transfer without reimbursement to satisfy mobilization requirements of the U.S. Armed Forces. Additionally, DoD Components may sell WRM if authorized.

3.7.5. Accounting for purchases of WRM occurs at the same level as the accounting for items procured for peacetime requirements. The standard inventory accounts record the value of war reserve items.

3.8 Work-In-Process

3.8.1. WCF manufacturing activities routinely perform tasks that take more than a month and must record operating costs within a work-in-process account. Work-in-process accounts segregate these costs from current accounting period expenses, thus supporting accurate financial reporting in compliance with generally accepted accounting principles.

3.8.2. The inventory work-in-process account is used for the direct labor, direct materials, direct purchase services, indirect labor, indirect materials, and general and administrative (G&A) expenses required to produce and complete a job order/customer order.

3.8.3. G&A costs are the costs of operations such as rent, utilities, and managerial salaries.

3.8.4. Related costs, regardless of the source of funding, should be accumulated using a job order when a WCF activity incurs costs to produce a customer order. Related costs attributed to an order may include:

3.8.4.1. Costs of additions, alterations, improvements, rehabilitations, and replacements of DoD fixed assets.

3.8.4.2. Costs of maintaining DoD equipment and inventory;

3.8.4.3. Costs of manufacturing or fabricating an end item or product; and

3.8.4.4. Costs of producing an output.

3.8.5. The application of indirect expenses to inventory work-in-process may be based on a formula that reasonably approximates actual indirect expenses. The allocated indirect expense amount is adjusted to the actual indirect expense amount, at least annually, to apply indirect expenses to the overhead account. Adjustments of over and under overhead are applied prior to the final billing on a completed customer order. The variance between actual indirect expenses and applied indirect expenses is accounted for as cost of goods sold.

3.8.6. The work-in-process account is reduced for the amount invoiced when a progress billings invoice is issued to the DoD purchasing component. The DoD purchasing component records the amount invoiced as inventory work-in-process. These entries occur when a DoD purchasing component uses a DoD component manufacturer or a manufacturer outside of DoD to acquire inventory where progress billings reflect the incremental costs incurred, billed by the manufacturer. Additional information relating to revenue recognition, progress billings to customers, and disputed bills may be found within ***Chapter 16***, "Revenue, Other Financing Sources, Gains and Losses."

3.8.7. Direct costs, indirect costs and G&A, recorded in inventory work-in-process accounts, transfer upon completion or termination of the customer order. No costs associated with the order must remain in the work-in-process account upon completion of a customer order. Billing occurs immediately regardless of customer acceptance of the finished work. WCF must transfer parts and supplies manufactured to the OM&S account upon completion.

3.8.7.1. Recognize a loss or a gain when costs incurred on a completed order differ from the funding provided by the customer. Probable losses (more likely than not) should be recognized in proportion to estimated total cost when goods and services are acquired to fulfill the contract. Thus, the loss should be recognized in proportion to total cost over the life of the contract/customer order.

3.8.7.2. Expense costs for a customer order terminated prior to completion.

3.8.8. WCF activities must review work-in-process account balances, at least annually, so appropriate actions may be taken to reduce significant balances in the work-in-process account. The review should focus on completed customer orders with costs incurred exceeding the funding

provided on the existing customer order where the costs have not been recognized as a loss. In addition, the review should evaluate the compliance with the accounts receivable policy and percentage of completion method for revenue recognition policy in accordance with Chapters 3 and 16.

*4.0 SUPPLY MANAGEMENT ACTIVITIES - (Applicable to WCF Only)

Supply Management Activities manage inventory held for sale to other DoD Components or activities and items procured for sale to members of the Armed Forces and other individuals or organizations when authorized by legislation. Examples of items managed by supply management activities include food, military clothing, fuel, and preventive medicine. Supply Management Activities also cover Depot Maintenance or Industrial Operations activities that use items to produce goods or services for a fee.

4.1 Roles, Responsibilities, and Applicability

4.1.1. The Under Secretary of Defense (Comptroller) (USD(C)) and the Under Secretary of Defense for Acquisition and Sustainment (USD(A&S)) may designate items for procurement by supply management and reassign management responsibility between DoD Components.

4.1.2. This section outlines the policy and accounting requirements for inventory in supply management activities, including the Army, Navy, Air Force, DLA, and the Defense Commissary Agency (DeCA) for commissary resale.

4.1.3. This section also applies to DLA Disposition Services, which handles redistribution or disposal of items, including sales to the public and other Federal customers.

4.2 Supply Management Activity Types

4.2.1. Subsistence Items. Provide healthy, nutritious food items to Armed Forces members and other authorized persons. Subclasses of subsistence items include inflight and combat rations and refrigerated and nonrefrigerated subsistence. Supply management activities and the DeCA must plan, procure, manage, distribute, and ensure the wholesomeness of subsistence products.

4.2.2. Military Clothing Allowance. Sold by a military clothing resale activity, items sold in a ship's store, and personal items for health, comfort, and recreation. The Under Secretary of Defense for Personnel and Readiness oversees all matters concerning clothing monetary allowances for DoD Components. DoDI 1338.18 assigns management responsibility to the supply management activities for items procured primarily for sale to members of the Armed Forces and other individuals or organizations authorized by legislation. Allowance amounts are published in ***Volume 7A, Chapter 29*** "Clothing Monetary Allowances."

4.2.3. Military Clothing and Textile Items and Individual Equipment. The Joint Clothing and Textiles Governance Board coordinates, advises, and recommends solutions for the development and fielding of DoD clothing and textile items, including Service-specific combat

and camouflage utility uniforms and families of uniforms. The USD(A&S) establishes DoD policy and develops implementing guidance on all matters relating to the DoD clothing and textiles supply chain. The Department authorizes military exchange systems to act as agents of the supply management activity to sell military clothing and textile items to members of the Armed Forces at standard prices. This supply activity also includes combat equipment, tentage, tool sets and kits, hand tools, and cleaning equipment and supplies.

4.2.3.1. The standard price is the price customers are charged which reflect DoD's stabilized price policy requiring item pricing that remains constant throughout a fiscal year for Inventory Control Point managed items. Exceptions to the requirement to maintain standard pricing throughout the fiscal year are outlined in ***Volume 11B, Chapter 15***, "Supply Management Activities."

4.2.3.2. The standard price is calculated based the replenishment cost of the item plus charges to recover costs for transportation, inventory loss, obsolescence, maintenance, depreciation, and supply operations. See ***Volume 2B, Chapter 9*** "Defense Working Capital Fund Budget Justification Analysis" for additional guidance on pricing.

4.2.4. Fuel. DoD Components must purchase fuel through DLA. The DLA bills DoD customers at standard prices and other Federal and Non-Federal government customers at cost plus the approved DLA surcharge. DLA may authorize DoD customers in remote locations to procure fuel on the local market, and DLA or the customer may pay for the fuel depending on the circumstances, in accordance with ***DoD 4140.25-M***. If the DoD customer pays for the fuel, DLA will reimburse the customer for the actual cost of the fuel and bill for the fuel based on standard prices. The fuel supply class also includes preservatives, liquid and compressed gases, chemical products, coolants, deicing products, and antifreeze components.

4.2.5. Construction Materials. Supply management activities must manage installed equipment, and fortification and barrier materials, including construction materials such as wood, wire, cement, barrier materials, and sandbags.

4.2.6. Medical. The supply management activities must manage preventive medicine items, medical equipment, and other medical materials, including pharmaceutical, surgical, dental, laboratory, radiological, and optometric supplies.

4.2.7. Initial Spares. Initial spares are consumable or reparable spare and repair parts that support newly fielded weapons systems or equipment during its initial period of operation until the regular supply system can fully support the demand generated by the systems. Replenishment spares are spare and repair parts needed to maintain the system when it first enters service.

4.2.7.1. The component activity that owns the weapon system is responsible for funding the initial spares. Therefore, the program office or another acquisition office within the component Activity is responsible for acquiring initial spares and stock required to support a weapon system based on the material support date. Program managers must use their appropriated funds and may use supply management activities' contracting capabilities to acquire initial spares.

4.2.7.2. The component activity may purchase the initial spares and legally transfer ownership without reimbursement using DoD (***DD) Form 1150***, "Request For Issue/Transfer/Turn in." The component activity must record the associated accounting budgetary and proprietary entries for the purchase of the initial spares as OM&S prior to their transfer to the supply management activity. The supply management activity will record the associated accounting budgetary and proprietary entries to add the initial spares to its WCF accounting records. The transfer of initial spares is fully documented, and the supporting audit documentation is retained.

4.2.8. Nonmilitary Programs. The supply management activities must manage materials used to support nonmilitary or civic action programs and sell these materials at standard prices. These programs aim to promote agricultural and economic development.

4.3 Authorized Customers

A supply management activity is authorized to sell items to the following customers:

4.3.1. A Federal government funded activity or activity empowered to perform a Federal government legislative function;

4.3.2. A DoD sponsored nonappropriated funding program;

4.3.3. A State Department sponsored employee commissary located outside the United States;

4.3.4. A foreign government with an authorized and established contractual relationship;

4.3.5. A Federal government contractor with a contract to purchase items from the Government or using the Replenishment Parts Purchase or Borrow Program;

4.3.6. Members of the Armed Forces and other individuals authorized by law to purchase commissary and clothing items;

4.3.7. The private sector, state or local governments purchasing non-excess personal exchange/sale property as authorized by the Administrator for Federal Procurement Policy of 1974 as amended in 40 U.S.C. Chapter 5, Section 503; and

4.3.8. Other entities authorized by duly appointed officials.

4.4 Issues Without Reimbursement

4.4.1. Issue or Transfer. DoD Components may not issue or transfer a supply management activity item without a funded customer order unless specifically authorized in the following section. DoD Components will not account for these events in the same manner as a normal sale, except when they need to establish an allowance for loss on accounts receivable. Refer to

Chapter 3, "Receivables" for additional guidance on establishing allowances for loss on accounts receivable.

4.4.2. Domestic Civil Emergency. A supply management activity item may be issued without immediate reimbursement when DoD officials provide an immediate response to save lives, prevent human suffering, or mitigate great property damage within the United States by temporarily employing the resources under their control in accordance with DoDD 3025.18. Funding is available to cover the costs of the relief effort; an accounts receivable is established for such amounts and the supply management activity is reimbursed for any outstanding accounts receivable.

4.4.3. Civil Disturbances. Upon specific authorization by the President in accordance with applicable law, a supply management activity item may be issued without immediate reimbursement when action is being taken to control a civil disturbance in accordance with the policies and procedures provided in DoDD 3025.18. Federal military commanders have the authority to engage temporarily in activities that are necessary to quell large-scale, unexpected civil disturbances where prior authorization by the President is impossible and local authorities are unable to control the situation. A receivable account is established for such amounts and the supply management activities is reimbursed for any outstanding accounts receivable based upon the procedures provided in ***Volume 11B, Chapter 11***, "Reimbursements and Revenue Recognition - Defense Working Capital Funds." ***Volume 16***, "Department of Defense Debt Management" also provides guidance on the write-off of uncollectible receivables from the public.

4.4.4. Foreign Disaster Relief (FDR). A supply management activity item may be issued, without immediate reimbursement, when the State Department is responsible for initiating and financing foreign disaster relief efforts pursuant to the Foreign Assistance Act of 1961. The Director, Defense Security Cooperation Agency (DSCA) serves as the DoD lead for FDR program management and budget issues and identifies funds or resources to support potential FDR operations. DSCA must identify and report the estimated costs associated with potential DoD FDR operations and the DoD costs and resources committed to each FDR operation to the Assistant Secretary of Defense for Special Operations and Low-Intensity Conflict and the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD. The Commander, United States Transportation Command, must ensure that DoD activities support FDR transportation requirements and report estimated and actual costs to the appropriate geographic Combatant Command comptroller for inclusion in FDR cost reports. Procedures for issues of supply management activities materiel to assist with FDR are performed in accordance with DoDD 5100.46.

4.4.5. North Atlantic Treaty Organization (NATO) Country. A supply management activity item may be issued to a NATO country, without reimbursement, under a replacement-in-kind arrangement. Nonreimbursable issues under this authority are changed to a reimbursable activity within 12 months if not replaced by the NATO country.

4.4.6. Military Emergency. Under emergency provisions in 10 U.S.C. § 127, the SecDef, the Inspector General of the DoD, or the Secretary of a military department (within their department) may issue a supply management activity item without immediate reimbursement. The

issuing Secretary or the Inspector General may certify the amount of any advisable expenditure without specifying it, and this certificate suffices to cover the expenditure. Individual expenditures exceeding $100,000 require a description of the purpose, amount, approving authority, and justification and a receivable account is established for these amounts. The SecDef may waive the description requirement due to extraordinary circumstances that affect the national security of the United States. When funding becomes available to cover the costs of the emergency, the supply management activity receives reimbursement for the outstanding accounts receivable.

4.4.7. War Reserve Assets (WRA). A supply management activity can issue an item designated as WRA, without a funded customer order, when it has approved the issuance to satisfy the requirements for mobilizing the U.S. Armed Forces.

4.4.8. Deficiencies in War Reserve Requirements. A supply management activity item may be issued, without reimbursement, when an item is issued to satisfy war reserve requirement deficiencies or between activities within the supply management activity. Items issued at any level to satisfy customer requisitions, wholesale, or retail, are reimbursable from war reserve reinvestment appropriations.

4.4.9. Items Nearing End of Shelf Life. If a supply management activity item is not a WRA, the item may be issued, at any price or without reimbursement, when the item has six months or less of remaining shelf life and the item manager grants approval for the item to be issued on a less than cost basis.

4.4.10. Logistical Management Transfers. Logistical management transfers or logistical reassignments occur when changes in the funding appropriation for an item take place. When the OUSD(C) and the USD(A&S) designate a logistical management transfer, the transferring entity records an increase to inventory at the value of the item being transferred from a GF appropriation entity to the supply management activity group. Typically, the transferring entity does not receive reimbursement for items transferred through a logistical management transfer. However, with prior approval from the OUSD(C), the transferring account may receive reimbursement for inventory transfers-in if the inventory was on order but undelivered at the time of the transfer, the transferring account is not financed by the WCF, and the transferring account ordered the inventory based on a reimbursable order from a customer.

4.4.11. Logistical Management Transfers Between Supply Management Activities. ***Volume 11B, Chapter 2***, "Establishment of Defense Working Capital Fund Activities, Transfer of Fund Functions and Closure of Funds Activities," outlines the procedures for transferring item management responsibility between WCF activities. The responsible parties handle the transfer of supply inventory as follows:

4.4.11.1. On Hand Inventory. Supply management activities transfer inventory on-hand without reimbursement. However, wholesale and retail supply activities are authorized to reimburse each other when on-hand retail inventory is transferred back to the wholesale item manager's inventory control points based on DoD credit policies.

4.4.11.2. On Order Inventory. Wholesale item managers who send and receive must validate the inventory on order to ensure the supply pipeline is adequately filled. The receiving item manager is responsible for making payments to the vendors (through delivery order modification) or to the sending activity that funded the delivery order when the inventory is transferred, ensuring proper inventory and cash management.

4.5 Loans and Leases

4.5.1. Supply management activities may only lend, or lease items specified in this section for the stated purpose. The recipient must sign a receipt for the item and must include a statement of the intended purpose of the loan or lease. The accountable office of the accountable activity, or the comptroller (or equivalent), must approve each loan or lease of an item. Accountability for inventory on loan remains with the activity lending the material and is valued in the same manner as inventory on-hand.

4.5.2. Approvals. The accountable office or the comptroller (or equivalent), of the activity responsible for accountability over the item approves each loan or lease of an item. The approval must include a description of the item, including the price, condition, anticipated return date, and a certification that the loan of the item will not jeopardize the capability to support national defense requirements.

4.5.3. Expenses. The recipient must cover all transportation, packing, crating, and handling costs associated with borrowing or leasing the item. Additionally, the recipient must pay for all costs necessary to restore the item to its original condition when returning it or pay for the item if it is not returned within the approved loan or lease period.

4.5.4. Property may be lent or leased to the following recipients:

4.5.4.1. DoD Funded Customers. Supply management activities may lend an item to a DoD funded customer for a maximum of 120 days to support an approved training exercise, a military emergency, or a natural disaster.

4.5.4.2. U.S. Secret Service. Supply management activities may lend an item to the U.S. Secret Service for a maximum of 120 days for purposes prescribed under the policies and procedures in DoDD 3025.13.

4.5.4.3. Civilian Law Enforcement Officials. DoDI 3025.21, Defense Support of Civilian Law Enforcement Agencies, prescribes the DoD regulations to support civilian law enforcement agencies consistent with the needs of military preparedness of the United States, while recognizing and conforming to the legal limitations on direct DoD involvement in civilian law enforcement activities. The Under Secretary of Defense for Policy governs the defense support of civilian law enforcement agencies and coordinates policy with Federal departments and agencies, State, local, and tribal agencies, and DoD Components. Supply management activities may lend equipment, base facilities, or research facilities to a civilian law enforcement activity for a maximum of 120 days for purposes prescribed under the policies and procedures in DoDI 3025.21. Requests for loan or lease or other use of equipment or facilities are subject to

approval by the DoD Components, unless approval by a higher official is required by statute or DoD issuance. Requests for arms, ammunition, combat vehicles, vessels, and aircraft must be submitted to the SecDef for approval.

4.5.4.4. State and Local Governments. Supply management activities may lend an item to a state or local Government for a maximum of 120 days for a specific purpose, under the policies and procedures prescribed in DoDI 3025.21.

4.5.4.5. National Veterans' Organizations. Supply management activities may lend items (e.g., cots, blankets, pillows, mattresses, bed sacks, and other supplies) to a recognized national veterans' organization to support a national or state convention or a regional youth athletic or recreational tournament sponsored by the veterans' organization under the authority of 10 U.S.C. § 2551. The organization must secure a bond before granting the loan. This bond serves as a security deposit, set at the item's current standard price, to ensure that the organization has a financial incentive to return the item in the same condition as it was loaned. The bond will cover damages or loss if the organization does not return the item in good condition.

4.5.4.6. American National Red Cross. Supply management activities may lend an item to an organization formed by the American National Red Cross for instruction and practice needed to aid the Army, Navy, or Air Force in time of war under the authority of 10 U.S.C. § 2552. Supply management activities require the immediate return of equipment loaned. A bond equal to twice the value of the property is required for care and safekeeping for the loaned property before the item is loaned or leased.

4.5.4.7. Inaugural Committee. Supply management activities may lend an item to the Presidential and the congressional Joint Inaugural Committee to support an inauguration of the President of the United States for a maximum period of nine days beyond the inauguration ceremony under the authority of 10 U.S.C. § 2553. The committee must agree to a sufficient bond to return the property in good condition, indemnify the United States for any loss of, or damage to, the property, and pay any expense incurred for the delivery, return, rehabilitation, replacement, or operation of the property.

4.5.4.8. Boy Scout Jamborees. Supply management activities may lend cots, blankets, commissary equipment, flags, refrigerators, and other equipment to the Boy Scouts of America for the use of Scouters and officials who attend any national or world Boy Scout Jamboree under the authority of 10 U.S.C. § 2554. Services and expendable medical supplies, to the extent items are in stock and available, may be furnished without reimbursement. Items are returned after the close of the jamboree. A sufficient bond for the safe return of such property in good order and condition and without expense to the United States, including transportation costs, is obtained before the items are loaned.

4.5.4.9. Shelter for the Homeless, Incidental Services. The Secretary of a Military Department can make military installations available to provide shelter to the homeless in cooperation with state, local, and charitable organizations under the authority of 10 U.S.C. § 2556. Incidental services such as utilities, bedding, security, transportation, facility renovations, minor

repairs, and property liability insurance can also be provided, if it does not interfere with military preparedness. Excess DoD items can only be issued to shelters.

4.5.4.10. Humanitarian Relief. Supply management activities may make nonlethal excess supplies available for transfer to the Secretary of Homeland Security for its distribution for humanitarian relief, domestic emergency assistance, and homeless veterans' assistance under the authority of 10 U.S.C. § 2557. The term "nonlethal excess supplies" means property, other than real property, that is defined as excess, and that is not a weapon, ammunition, or other equipment or materiel that is designed to inflict serious bodily harm or death.

4.5.4.11. Foreign Countries or International Organizations. Supply management activities may lease or loan an item to an eligible foreign country or international organization under the authority of the Arms Export Control Act. The Director, DSCA provides general oversight of DoD worldwide security cooperation efforts focusing on the timely transfer of defense articles and services in support of DoD strategic and regional objectives. The Director, DSCA has a fiduciary responsibility to exercise financial management for activities related to the Foreign Military Sales Trust Fund and reporting functions for security cooperation programs for which DSCA has responsibility. Procedures for leasing or loaning an item to another foreign country or international organization are contained within ***Volume 15, Chapter 7***, "Pricing" and DoDD 5105.65.

4.5.4.12. Other Leases. Supply management activities may lease or loan a non-excess supply management activity item to an organization when the SecDef or the Secretary of a Military Department has determined that the item is under control of the Secretary, not needed for DoD use during the proposed lease period and the lease will promote the national defense or public interest under the authority of 10 U.S.C. § 2667. The lease may not be for more than five years, unless the Secretary concerned determines that a lease for a longer period will promote the national defense or be in the public interest. Additional lease conditions are covered within ***Chapter 26***, "Accounting for Leases" and ***Volume 12, Chapter 14***, "Transferring, Disposing, and Leasing of Real Property and Personal Property."

4.6 Government Furnished Material (GFM)

4.6.1. GFM is a subset of GFP that may be consumed or expended during the performance of a contract, component parts of a higher assembly, or items that lose their individual identity through incorporation into an end-item. GFM does not include equipment, special tooling, special test equipment or real property. GFM may be issued by the item manager to a contractor, other DoD, or Federal government activity to be maintained as stock for issue, or for consumption or repair. When issued to a contractor GFM is subject to the requirements of the Federal Acquisition Regulations and Defense Federal Acquisition Regulation Supplement.

4.6.2. Maintained as stock for issue. When GFM is provided to a third party that fulfills an inventory control or warehousing function on behalf of the supply management activity:

4.6.2.1. Continue to value inventory in appropriate accounts;

4.6.2.2. Ensure arrangements include terms and conditions to report actions to the owning Component to satisfy financial reporting requirements (e.g. participate in quarterly reconciliations); and

4.6.2.3. Adjust inventory accounts as necessary as items are issued for use to reflect actual amounts.

4.6.3. Consumption. When GFM is provided for consumption,

4.6.3.1. Record the value of items issued for the consumption and benefit of another supply management activity, as an expense;

4.6.3.2. Record the value of items issued for fabrication, assembly, or disassembly for the benefit of another supply management activity, as work-in-process. Work-in-process is further described within section 6.0;

4.6.3.3. The return of GFM items by a contractor is accounted for as a customer return of material without credit; and

4.6.3.4. Include the cost of forgings and castings used as GFM in the production and acquisition cost of the item. Assign a stock number to each forging, casting, and mold, and record them as assets in an appropriate account. Record the cost of any broken or lost forgings, castings, and molds as a current period operating expense. Store these items for use as GFM in future procurements.

4.6.4. Repair. Supply activities issuing items for repair continue to value the item as inventory held for repair by the stockage point in accordance with the valuation criteria. Upon receipt of the repaired item, the item is transferred to inventory held for sale.

4.7 Supply Management Activity Transfers

4.7.1. Assistant Secretary of Defense for Sustainment oversees procedures to optimize supply support resources between providers and customers, establishes integrated materiel management processes to reduce redundant items, and provides timely support to customers.

4.7.2. Transfers In Without Reimbursement. A supply activity may assume management responsibility and capitalize supply inventories that were financed by other appropriations and funds as permitted by 10 U.S.C. § 2208 and DoDM 4140.26. The activity that ordered the item must pay bills for inventories on order at the time of the transfer. A supply management activity may receive capital from the SecDef by capitalizing inventories but not make credits to an appropriation funded activity for capitalized inventories as provided in 10 U.S.C. § 2208. However, stock withdrawal authorizations may be approved as detailed within section 4.6.3. The receiving supply management activity will reimburse the sending activity for inventories on order as the deliveries are made for transfers from other WCFs.

4.7.3. Transfers of Reimbursable Procurements. The supply management activity may record a liability for an item transferred from a non-WCF account only if (1) the item is undelivered at the time of the transfer, and (2) the transferring organization's obligation for the item resulted from a reimbursable order from a customer. The customer must transfer appropriated funds to the supply management activity to liquidate the liability.

4.7.4. Stock Withdrawal Authorizations. A transferring activity may not have funds to purchase an item after transferring an item from an appropriation funded activity to a supply management activity. Therefore, the transferring activity may request that the USD(C) approve an authorization for issues without reimbursement, as part of the formal budget submission to the Congress. The supply management activity may issue items to the specified customer up to a fiscal year, without reimbursement, upon receipt of an approved stock withdrawal authorization.

4.7.4.1. The authorized limit is calculated as the lesser of one quarter of the quantity transferred to the supply management activity or one year's quantity based on the average amount consumed for the previous three years.

4.7.4.2. The supply management activity must issue items on a reimbursable basis when the fiscal year has passed. The supply management activity must record a stock withdrawal authorization as a transfer-out, a reduction of inventory held for sale and the difference is reported as a realization of holding gain/ loss.

4.7.5. Logistical Management Transfers. Logistical management transfers occur when changes are made to the funding appropriation for an item. When the approval for the logistical management transfer of an item(s) is granted, an increase or decrease to inventory for a nonreimbursable transfer is recorded at the value of the item(s) being transferred.

4.8 Depot Level Reparables

4.8.1. Reparables are items that have reached the end of their lifecycle but can be restored or remanufactured. Reparables are considered when meeting computed inventory level requirements. The Department's depot-level repair program for inventory replenishment and resale acts as a remanufacturing process for financial management and accounting purposes.

4.8.2. Exchange Transaction. Many DoD Components obtain items for remanufacturing through an exchange transaction. In this transaction, they sell a serviceable item at the standard price in exchange for (1) cash and (2) an item that needs rebuilding or repair (carcass). The supply management team may record two separate transactions to represent the financial event or bill the customer at the exchange price, which is the standard price minus any credit if the requisitioning activity states that a reparable item will be returned. If the impaired item (carcass) has not been received at the time of the exchange, the organization records the item as "Inventory Held for Repair (Remanufacture Due In)."

4.8.2.1. Serviceable Depot Level Reparables (DLR) are recorded at historical cost.

4.8.2.2. If the customer does not return a reparable item within 90 days of the exchange sale for continental United States (CONUS) customers or within 120 days for customers outside the continental United States (OCONUS), the supply management team must reverse the credit they previously allowed and bill the customer. The seller may bill the customer for any costs that they would not have incurred if the item had been received.

4.8.2.3. A carcass may be received before an exchange sale. The supply management activity must record the carcass in inventory and establish a liability upon receipt. When a serviceable item becomes available for issue, the activity will reverse the liability, and the exchange sale will proceed normally.

4.8.3. Supply management activities may place orders and obligate funds for repair/remanufacture work placed with a contractor or a government repair facility. The carcass will remain in the Supply Management activity "Inventory Held for Repair (Remanufacturing)" account while the item is repaired/remanufactured.

4.9 Return of Items to the Supply Management Activity

4.9.1. A customer within the Federal Government, including DoD contractors, may return an item to a supply management activity according to 22 U.S.C. § 2761. The proceeds will credit current applicable appropriations and will be available for expenditure for the same purposes as those appropriations. Customers cannot receive inventory credits for returns due to the capitalization of inventories.

4.9.2. The Arms Export Control Act permits the return of defense articles from a foreign country or international organization under specified conditions if the defense article was previously transferred to that country or organization under 22 U.S.C. § 2761, is not significant military equipment (as defined in 22 U.S.C. § 2794) and is fully functioning without needing repair or rehabilitation.

4.9.3. According to 10 U.S.C. § 2208(g), a department, activity, or agency may return supplies to working-capital funds, and they can charge the appraised value to that working-capital fund.

4.9.4. An item manager may grant credit for a returned item after receipt, inspection, and classification of the item. A return that stratifies to a war reserve inventory requirement does not qualify for credit. Annex 3 provides the relationship between USSGL/DoD accounts and logistics supply stratifications.

4.9.4.1. The amount of the credit for the return of a fully serviceable consumable or reparable item or the return of a carcass when not part of an exchange transaction and within the approved acquisition objective (AAO) level must not exceed the current standard price of the returned item less the current fiscal year's approved cost recovery elements. The AAO level is the quantity of an item authorized for peacetime and wartime requirements to equip and sustain U.S. and allied forces according to current DoD policies and plans.

4.9.4.2. If the supply management activity granted credit before taking ownership or receiving the returned item, and if the item is not received within 90 days from a CONUS customer or 120 days from an OCONUS customer, the supply management activity must bill the customer for the credit it previously recorded. Additionally, the stockage point may choose to bill the customer for costs incurred due to the non-receipt of the item.

4.9.4.3. The supply management activity may grant a credit to a customer at standard price for defective items when a customer's quality deficiency report has been validated, including specification defects.

4.9.4.4. Credits may be applied against future customer demands for items in the current fiscal year or directly credited to the current year available funds for the customer.

4.9.5. The supply management activity must fund transportation and other shipping costs for items approved for return from customers. Shipping costs include packing, crating, handling, transportation, port loading, and unloading. The supply management activity must not fund shipping and transportation costs for items that have not been approved for return from customers.

4.9.6. Return of an item, whether issuable or not issuable, reverses the sale's effect on the Cost of Goods Sold. Activities record receipt of a returned item regardless of whether the customer receives credit.

*5.0 OM&S - (Applicable to GF and WCF)

OM&S consists of tangible personal property that organizations consume in their normal operations. Title 41, section 101-8.705 of the Code of Federal Regulations defines a normal operation as the "operation of a program or activity without significant changes that would inhibit meeting objectives". OM&S applies to GF and WCF. OM&S excludes inventory, stockpile materials and items acquired for use in constructing real property or in assembling equipment.

5.1 OM&S Types

5.1.1. OM&S Held for Use. Tangible personal property that is available for immediate use and ready for consumption in normal daily operations.

5.1.2. OM&S Held in Reserve for Future Use. Items not readily available in the market and there is a remote chance that it will be needed. The criteria considered by management in identifying operating materials and supplies held in reserve for future use must be disclosed in the notes to the financial statements.

5.1.3. OM&S EOU Items That Cannot Be Effectively Used. EOU status may be due to aged technology, outdated laws, old customer preferences, or aged operations.

5.1.4. OM&S Held for Repair. Items awaiting repair due to damage or malfunction.

5.1.5. OM&S In Development. Costs, direct and indirect, for developing OM&S, including costs of tangible personal property consumed in normal operations part of development. Once development is complete, the costs are typically transferred to OM&S Held for Use.

5.1.6. OM&S In Transit. Items currently in shipping. OM&S In Transit includes items not yet accepted in the receiving process at their final designated destination. OM&S In Transit also includes material moved between storage locations or temporarily in use or on loan with contractors or schools. Constructive delivery occurs when a recipient receives title based on the terms of the contract regarding shipping and delivery, even though the physical items haven't been physically delivered.

5.1.7. Long Range Ballistic Missiles (LRBMs). Considered OM&S. DoD Components must classify LRBMs consumed in normal operations as held for use, held in reserve for future use, or EOU.

5.1.7.1. LRBMs are considered OM&S because these missiles are frequently used, are consumable and cannot be reused after consumption, are similar in nature to other missiles classified as OM&S and are broken down and stored as separate parts. In addition, nuclear warheads are critical components of LRBMs. Nuclear warheads remain the property of the Department of Energy (DOE). DOE reports the warheads as OM&S.

5.1.7.2. DoD Components must designate all missiles, including long-range ballistic variants such as Intercontinental Ballistic Missiles and Submarine Launched Ballistic Missiles, as OM&S for financial reporting purposes. DoD Components must promptly reclassify missiles as OM&S if they previously classified them as equipment and document the necessary prior period adjustments to their financial statements.

5.2 Recognition and Valuation of OM&S

5.2.1. The consumption method of accounting for the recognition of expenses shall be applied for OM&S. If OM&S (1) are not significant amounts, (2) are in the hands of the end user for use in normal operations, or (3) it is not cost-beneficial to apply the consumption method of accounting, then the purchases method may be applied to operating materials and supplies. An end user is any component of a reporting entity that obtains goods for direct use in the component's normal operations. Generally, material at an end user is not transferred to another location for consumption. Components of a reporting entity, including contractors, that maintain or stock OM&S for future issuance are not end users.

5.2.2. Consumption Method. Recognize and report OM&S as assets on the balance sheet when produced or purchased. "Purchased" is when title passes to the purchasing entity. The contract between the buyer and the seller determines when title passes. If the contract between the buyer and the seller is silent regarding passage of title, title is assumed to pass upon delivery of the goods. Delivery or constructive delivery is based on contract terms.

5.2.2.1. Under the Consumption method, OM&S are valued at historical cost or on a basis that reasonably approximates historical cost. Valuation must be adjusted for EOU or

expected repair. In addition, alternative valuation methodologies may be used to establish beginning balances.

5.2.2.2. Remove the cost of goods from the applicable OM&S asset account and report it as an operating expense in the period when they use or issue the items to an end user for consumption in normal operations.

5.3.2. Purchases Method. Expense OM&S when produced or purchased. DoD Components must maintain analyses and conclusions documenting the accounting position to use the purchases method. DoD Components must perform a review of their position at least once every three years and make it available to auditors from one fiscal year to the next.

*6.0 STOCKPILE MATERIALS - (Applicable to Revolving Fund Only)

Stockpile materials are strategic and critical materials agencies held due to statutory requirements for national defense, conservation, or national emergencies. Stockpile materials exclude items held for sale or use in normal operations and items kept for use in the event of an agency's operating emergency or contingency. Accounting requirements and procedures for stockpile material transactions particular to the National Defense Stockpile Transaction Fund (NDSTF) and the Strategic National Stockpile (SNS) are included in this section.

6.1 Authorities, Roles, and Responsibilities

6.1.1. The National Defense Stockpile operates under the authority of the Strategic and Critical Stock Piling Act (50 U.S.C. Subchapter III). The Stockpiling Act provides that strategic and critical materials are held (stockpiled) in the interest of national defense, conservation, or to preclude a dangerous and costly dependence upon foreign sources of supply in times of a national emergency.

6.1.2. The National Defense Authorization Acts provide authority to buy and sell specific materials (including medicine), set quantity and revenue levels for selling material, and mandate programs to receive the revenue from the sales and collections. There is currently no authorization to buy (acquire) any material if over 99 percent of the inventory is authorized for sale.

6.1.3. The DLA Strategic Materials Directorate (DLA-SM) administers the acquisition, storage, management, and disposal of inventory (including medicine) currently maintained in the National Defense Stockpile. The NDSTF is a continuing fund that finances the operations of the National Defense Stockpile and DNSC. The NDSTF receives resources from diverse sources, including direct appropriations, transfers from other appropriations, transfers of physical assets, and disposal proceeds, and thus is not strictly a revolving fund. The NDSTF's Treasury Federal account symbol is 97X4555.

6.1.4. DLA records and reports stockpile materials within the NDSTF. Annually DLA compiles the NDSTF Agency Financial Report (AFR). The AFR reports the financial position and NDTSF operating results in the form of financial statements and is consolidated into the DoD's agency-wide financial statements.

6.1.5. The Defense Finance and Accounting Service (DFAS) maintains accounting requirements and procedures, performs financial and general ledger accounting, and prepares external accounting reports for the NDSTF. DFAS provides accounting reports and additional supporting supplemental financial information to DLA-SM for preparation of the DoD, "Strategic and Critical Materials Report to the President and Congress".

6.1.6. The DNSC and DFAS are jointly responsible for reconciling the inventory records.

6.2 Recognition and Valuation of Stockpile Materials

Stockpile materials are accounted for using the consumption method and are reported as assets when produced or purchased. The cost of stockpile materials is removed and reported as an operating expense when issued for use or sale. The value of stockpile materials is based on historical cost or on a basis that reasonably approximates historical cost. The financial inventory balance of the National Defense Stockpile is maintained on a historical cost basis as supported by "laid-in cost". In accounting terms, laid-in cost is used by wholesalers or suppliers and includes additional costs incurred to place the goods in inventory (e.g., a manufacturer's invoice price and freight). In addition, alternative valuation methodologies may be used to establish beginning balances.

6.3 Material Acquisition

6.3.1. All acquisitions of material for the National Defense Stockpile are proposed in the Annual Materials Plan, which is subject to approval by Congress and the subsequent authorization of funding. Funding authorization may be in the form of new appropriations, an authorization to spend from the available balance of the Transaction Fund, or from sales proceeds from authorized disposals.

6.3.2. Material purchase contracts are recorded as obligations against the current year acquisition program and reflect the date of the contract. When the material is received, it is recorded in the inventory accounting system and the general ledger inventory account, accounts payable, and as a decrease to undelivered orders.

6.3.3. Additional costs, including initial testing, increase the cost of the material for inventory valuation purposes. The inventory accounting system must be reconciled to the general ledger inventory account each month. A physical inventory count should be conducted at least annually.

6.4 Material Upgrade

The Annual Material Plan includes the program for upgrading existing National Defense Stockpile material. Contractors perform the upgrading services, and DoD Components obligate funds from the current year budget for the program. When DoD Components deliver material to a contractor for upgrading, management transfers it from the stockpile inventory to the contractor. Upon returning the upgraded material, the DoD Components determine a new unit cost by adding the upgrading costs to the original inventory value. Management then transfers the upgrading cost

and the original cost of the material from the contractor account to the on-hand stockpile inventory account.

6.5 Material Disposals

Various materials in the National Defense Stockpile may become obsolete or in excess of current defense stockpiling needs. The National Defense Stockpile Act authorizes the disposal of such material within the Annual Material Plan and as authorized within the budget program for the NDSTF. Disposal sales of marketable commodities are offered on a bid auction or negotiated sales basis. Material disposals are accounted for as sales, and the original cost of the material is removed from inventory and recorded as cost of sales.

6.6 Exchange Transactions

6.6.1. Materials can be offered as like material or as payment in kind or exchange for other material for amounts due for material upgraded or acquired. These transactions are accounted for as exchange disposals and the original cost of the material is removed from inventory and recorded as the cost of exchange disposals. Exchange settlements liquidate an obligation for material upgrade and acquisition and must be accounted for within the budgetary accounts to affect the liquidation of the original contractual obligation within the accounting records.

6.6.2. All sales and disposals are billed shortly after the sales agreement is made or as of the scheduled time for delivery or pickup of the material. Bid deposits received are held as advances until returned or recorded to sales proceeds upon delivery of material to successful buyers. The purchaser of the material is allowed a specified number of days in which to pick up the material, after which time storage charges are assessed. Any such storage charges are billed to the purchaser.

6.6.3. Credits earned for material received and accepted by DNSC are used as payment for material shipped when material is disposed of during an exchange settlement. Additional billings for delayed pickup of material are also applicable to the exchange settlement disposals. Collections are received by the DNSC via electronic fund transfer. A ***DD Form 1131***, "Cash Collection Voucher" and confirmed deposit are sent to the DFAS Accounting and Finance Office for recording in the accounting records upon receipt of the funds.

6.7 Inventory Adjustments

Inventory adjustments are made whenever there is evidence that an adjustment is required. Such instances include periodic count or measurement of material, movement of material, and complete disposal of material from a storage location. All adjustments are documented and are approved before recording in the inventory accounting system and the general ledger inventory account. Approval is granted by the DNSC Administrator, delegated inventory officials, or the board of survey depending on the nature and the size of the adjustment.

6.8 Research Grants

The NDSTF receives appropriations for the award of grants to universities, colleges, and research institutions. The designated recipient of the grant is included in the appropriation act or requisite legislation. The Administrator, DNSC, is the grant administering official. See ***Volume 12, Chapter 5***, "Grants and Cooperative Agreements" for additional guidance on accounting for research grant funds.

Annex 1. Moving Average Cost (MAC) Example

In the MAC calculation, include the repaired units at the lower value between their repaired value and the current purchase price for a new unit of inventory. If the repaired value exceeds the current purchase price, expense the difference. Table A1-1 details an example of the MAC valuation method.

Table A1-1 MAC Valuation Method

Event	Transaction Quantity	Transaction Value	Ending Quantity	Ending Value
1. Beginning Balance MAC=$10,000/10=$1,000			10	$10,000
2. Consumption / Sale of 2 items @ $1,000 per item MAC=$8,000/8=$1,000	-2	($2,000)	8	$8,000
3. Purchase of 4 items at $1,600 per item MAC=$14,400/12=$1,200	+4	$6,400	12	$14,400
4. Sale of 1 item @ $1,200 per item MAC=$13,200/11 =$1,200	-1	($1,200)	11	$13,200
5. Repair of 4 items at $1,675. Current Purchase Price is $1,500. MAC=$19,200/15=$1,280	+4	$6,000	15	$19,200
6. Sale of 1 item at MAC $1,280 ($19,200/15 items = $1,280 per item)	-1	($1,280)	14	$17,920

1. Beginning balance for 10 items is $10,000. Each item is valued at $1,000.

2. Two items are consumed or sold. Each item is still valued at $1,000. Ending value is $8,000.

3. Four items were purchased for $1,600 each or $6,400 total. Ending value is now $14,400 ($8,000 + $6,400). Each item is now valued at $1,200 ($14,400 / 12 items).

4. One item is consumed or sold. Each item is still valued at $1,200. Ending value is $13,200.

5. Four items previously Held for Repair, now repaired, enter Held for Use or Held for Sale. Value of items for transfer is $1,675 per item or $6,700 total. Current purchase price is $1,500 per item or $6,000 total. The four items are transferred to inventory at the current purchase price of $1,500 per item or $6,000 total. The remaining $700 associated cost of the repaired item, $175 per item, is expensed. Ending value is now $19,200 ($13,200 + $6,000). Each item is now valued at $1,280 ($19,200 / 15 items).

6. One item is consumed or sold. Each item is still valued at $1,280. Ending value is $17,920.

Annex 2. Relationship of General Ledger Accounts to Logistic Supply Condition Codes and Stratifications

A supply condition code is an alphabetic designation that classifies material according to its readiness for issue and use or identifies any change in the material's status. The financial value is represented by the general ledger amounts, while the logistic supply condition code categorizes the physical inventory condition. The supply condition codes dictate the general ledger account postings based on the inventory item's condition. Current DoD supply condition codes are defined in ***DLMS*** Volume 2 "Supply Standards and Procedures", Appendix 2.5.

Further, the DoD collects, maintains, and reports on inventory data to provide visibility of retail and wholesale requirements, demand, overages, and shortfalls using inventory stratification categories. ***DoD Manual 4140.01, Volume 10***, "DoD Supply Chain Materiel Management Procedures: Supply Chain Reporting and Metrics" details the inventory and materiel stratification process. Additionally, information on supply management of EOU and potential reutilization stock is available in DoD Manual 4140.01, Volumes 6 and 10.

The tables A2-1 through A2-3 illustrate the relationship between USSGL/DoD accounts and logistics supply condition codes and stratifications. For questions about logistics supply condition codes and inventory stratification categories, contact ***DEDSO.Supply@dla.mil***.

Table A2-1 Logistics Inventory Stratification vs General Ledger Accounts

Category	Serviceable	Unserviceable	Repair	Retain
Excess	USSGL 152400	USSGL 152400	No	No
Contingency Retention	USSGL 152200	USSGL 152300	No	Yes
Economic Retention	USSGL 152200	USSGL 152300	No	Yes
Approved Acquisition Objective (AAO)	USSGL 152100	USSGL 152300	No	Yes
Requirement	USSGL 152100	USSGL 152300	Yes	Yes

Table A2-2 Relationship of Inventory USSGL Accounts to Logistic Condition Codes

USSGL Account	Supply Condition Codes
152100 Inventory Purchased for Resale	A Serviceable (Issuable Without Qualification) B Serviceable (Issuable With Qualification) C Serviceable (Priority Issue) D Serviceable (Test/Modification) T Serviceable (Ammunition Suitable for Training Use Only) U Serviceable (Limited Remaining Life Before Failure) Use this account to record amounts for inventory with condition codes A-D and T up to the AAO. **[Excludes Excess, Economic Retention and Contingency Retention Inventory]**
152200 Inventory Held in Reserve for Future Sale	E Unserviceable Reparable (Limited Cost to Restore) K Suspended (Returns) L Suspended (In Litigation) N Suspended (Ammunition Suitable for Emergency Combat Use Only Q Suspended (Product Quality Deficiency) Use this account to record amounts for inventory with condition codes A-D and T that is greater than the AAO and is retained for economic or contingency purposes. Include all inventory designated as E, J, K, L, N, and Q in this account. **[Excludes Excess Inventory]**
152300 Inventory Held for Repair	F Unserviceable (Reparable) G Unserviceable (Incomplete) M Suspended (In Work) R Suspended (Reclaimed Items, Awaiting Condition Determination) X Suspended (Repair Decision Delayed) Use this account to record amounts for all inventory with condition codes F, G, M, and R that is greater than the AAO and is retained for economic or contingency purposes. **[Excludes Excess Inventory]**
152400 Inventory – Excess, Obsolete, or Unserviceable	H Unserviceable (Condemned) P Unserviceable (Reclamation) S Unserviceable (Scrap) V Unserviceable (Waste Military Munitions) **[Includes Serviceable and Unserviceable Excess Inventory]**

Table A2-3 Relationship of OM&S USSGL Accounts to Logistic Condition Codes

U.S. Standard General Ledger Account	Supply Condition Codes
151100 OM&S Held for Use	A Serviceable (Issuable Without Qualification) B Serviceable (Issuable With Qualification) C Serviceable (Priority Issue) D Serviceable (Test/Modification) T Serviceable (Ammunition Suitable for Training Use Only) Use this account to record amounts for OM&S with condition codes A-D and T up to the AAO. **[Excludes Excess, Economic Retention and Contingency Retention OM&S]**
151200 OM&S Held in Reserve for Future Use	E Unserviceable Reparable (Limited Restoration) J Suspended (In Stock) K Suspended (Returns) L Suspended (In Litigation) N Suspended (Ammunition Suitable for Emergency Combat Use Only) Q Suspended (Product Quality Deficiency) Use this account to record amounts for OM&S with condition codes A-D and T that is greater than the AAO and is retained for economic or contingency purposes. Include all inventory designated as E, J, K, L, N and Q in this account. **[Excludes Excess OM&S]**
151300 OM&S – Excess, Obsolete, or Unserviceable	H Unserviceable (Condemned) P Unserviceable (Reclamation) S Unserviceable (Scrap) V Unserviceable (Waste Military Munitions) **[Includes Serviceable and Unserviceable Excess OM&S]**
151400 OM&S Held for Repair	F Unserviceable (Reparable) G Unserviceable (Incomplete) M Suspended (In Work) R Suspended (Reclaimed Items, Awaiting Condition Determination) Use this account to record amounts for all OM&S with condition codes F, G, M, and R. **[Excludes Excess OM&S]**

VOLUME 4, CHAPTER 5: "ADVANCES AND PREPAYMENTS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated February 2021 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Completed administrative updates in accordance with the Department of Defense (DoD) Financial Management Regulation Revision Standard Operating Procedures.	Revision
1.0	Added general clarifying language on advances and prepayments and reference to 31 United States Code Section 3324, "Advances."	Addition
1.3.1, 3.3.2 (previous version)	Removed reference regarding 10 United States Code Section 2307, "Contract financing," as this law was repealed.	Deletion
2.0	Updated definitions related to advances and prepayments.	Revision
3.0	Updated accounting policy to include Standard Financial Information Structure reference and DoD Component responsibilities. Added clarifying language on the accounting for advances and prepayments.	Revision/ Addition

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CHAPTER 5

ADVANCES AND PREPAYMENTS

*1.0 GENERAL

1.1 Overview

1.1.1. Advances and prepayments are reported in the Department of Defense (DoD) financial statements as assets and liabilities such as accounts receivable and accounts payable. The Office of Management and Budget ***(OMB) Circular A-11***, "Preparation, Submission, and Execution of the Budget" categorizes intragovernmental assets as claims of a federal agency against other federal agencies which, when collected, can be used in the agency's operations. Transactions with non-federal entities create governmental assets and liabilities. DoD Components must separate intragovernmental and governmental assets and liabilities.

1.1.2. DoD prepays to cover certain period expenses before those expenses are incurred. Federal agencies' advances and prepayments are accounted for and reported separately as intragovernmental transactions.

1.1.3. Support advances and prepayments with documentation that clearly shows the basis for the amounts recorded and the applicable terms. The supporting audit trail must include sufficient information to show the period the advances were made, the budget authority for the advances, the period the advances were liquidated, and the related approving authorities. Make the audit trail documentation readily available for management and auditors to review. Refer to Volume 6A, Chapter 2 for audit trail guidance.

1.1.4. Per Title 31, United States Code, section 3324 (***31 U.S.C. § 3324***) Advances may be made only if it is authorized by (1) a specific appropriation or other law; or (2) the President.

1.2 Purpose

This chapter prescribes DoD accounting policy for advances and prepayments made to employees, other federal agencies, non-federal entities, and foreign governments.

1.3 Authoritative Guidance

The accounting policy and related requirements in accordance with the applicable provisions of:

1.3.1. ***10 U.S.C. § 2396***, "Advances for payments for compliance with foreign laws, rent in foreign countries, tuition, public utility services, and pay and supplies of armed forces of friendly foreign countries;"

1.3.2. ***31 U.S.C. § 6101***, "Definitions" (Includes definitions for domestic assistance programs;)

1.3.3. ***31 U.S.C. § 6302***, "Definitions" (Using Procurement Contracts and Grant and Cooperative Agreements);

1.3.4. ***31 U.S.C. § 6303***, "Using Procurement Contracts;"

1.3.5. ***31 U.S.C. § 6304***, "Using Grant Agreements;"

1.3.6. ***31 U.S.C. § 6305***, "Using Cooperative Agreements;"

1.3.7. ***Federal Acquisition Regulation (FAR) Part 32***, "Contract Financing;"

1.3.8. Federal Accounting Standards Advisory Board (FASAB), Statement of Federal Financial Accounting Standards ***(SFFAS) 1***, "Accounting for Selected Assets and Liabilities;" and

1.3.9. ***Grants.gov***, The Grants.gov program management office was established in 2002 as a part of the President's Management Agenda. Managed by the Department of Health and Human Services, Grants.gov is an E-Government initiative operating under OMB.

*2.0 DEFINITIONS

2.1 Advances

According to SFFAS 1, advances are federal entity cash outlays made to employees, contractors, grantees, or others for the recipients' anticipated expenses or as advance payments for the cost of goods and services the entity acquires. OMB Circular A-11 defines advances as federal agency cash outlays to cover the recipients' anticipated expenses or for the costs of goods and services the agency is to receive. Examples include travel advances disbursed to employees prior to business trips, and cash or other governmental assets disbursed under a contract, grant, or cooperative agreement before the contractor or grantee provides the services or goods. Percentage of completion progress contract payments are not advances. A DoD Component advances only to payees under a mutually binding legal relationship for not more than the amount obligated.

2.2 Contract

FAR Subchapter A, subpart 2.1 defines a contract as a mutually binding legal relationship obligating the seller to furnish the supplies or services (including construction) and the buyer to pay for them. It includes all types of commitments that obligate the Government to an expenditure of appropriated funds and that, except as otherwise authorized, are in writing. In addition to bilateral instruments, contracts include (but are not limited to) awards and notices of awards; job orders or task letters issued under basic ordering agreements; letter contracts; orders, such as purchase orders, under which the contract becomes effective by written acceptance or performance; and bilateral contract modifications. Contracts do not include grants and cooperative agreements covered by ***31 U.S.C.6301***, et seq.

2.3 Cooperative Agreement

In accordance with 31 U.S.C. § 6305 cooperative agreements transfer anything of value from the federal awarding agency or pass-through entity to the non-federal entity to carry out a public purpose authorized by a United States law. The federal government or pass-through entity does not acquire property or services for their direct benefit or use. A cooperative agreement requires substantial involvement between the federal awarding agency or pass-through entity and the non-federal entity in carrying out the activity defined in the federal award.

2.4 Entity Cash

SFFAS 1, paragraph 28, defines entity cash as the amount of cash that the reporting entity holds and is authorized by law to spend.

2.5 Grants

31 U.S.C. § 6304 defines a grant as an agreement wherein the executive agency transfers a thing of value to the State or local government or other recipient to carry out a public purpose of support or stimulation authorized by a United States law.

2.6 Imprest Fund

According to ***FAR Part 13.001***, an imprest fund is a cash fund of a fixed amount, advanced to an agency finance or disbursing officer to disburse cash in relatively small amounts. An imprest fund does not use appropriations.

2.7 Intragovernmental Assets

SFFAS 1, paragraph 18 defines intragovernmental assets as claims of a federal entity against other federal entities.

2.8 Intragovernmental Liabilities

SFFAS 1, paragraph 18 defines intragovernmental liabilities as claims against the entity by other federal entities.

2.9 Prepayments

SFFAS 1 states that a federal entity prepays to cover certain periodic expenses before those expenses are incurred. Percentage of completion progress payments made to a contractor are not prepayments. Prepayments apply when it is a generally accepted industry practice to pay for items such as rents, subscriptions, and maintenance agreements in advance of the service being provided and the prepayment is authorized by law.

*3.0 ACCOUNTING FOR ADVANCES AND PREPAYMENTS

3.1 Accounting Policy

3.1.1. Refer to the DoD Standard General Ledger (USSGL) Chart of Accounts and Transaction Library for the most current general ledger account numbers, definitions, and required journal entries. DoD USSGL Transaction Library and Standard Reporting Chart of Accounts are available on the Standard Financial Information Structure (***SFIS***) web page. SFIS provides the current USSGL accounts to be used, defines these accounts, and illustrates the required proprietary and/or related budgetary accounting entries.

3.1.2. Advances and prepayments must comply with the law or regulation requirements. Organizations or individuals (other than DoD employees requesting travel advances) requesting advances must demonstrate that all external financing sources have been exhausted before DoD Components authorize an advance. When the recipient satisfies advance conditions, the DoD Component must collect unused portions of the advance immediately and return the same to the original appropriation. DoD Components must record the prepayment when it is made. At the end of each quarter and fiscal year-end, the DoD Component must review prepayments and expense the expired portion. Prepayments are recurrent transactions that do not provide financing as a precondition of performance.

3.1.3. Accounting activities must account for and segregate capitalized assets and expenses into separate line items. The Certifying Officer must consult the Requiring Activity (buyer or program office) when the related purchase request does not include sufficient information to segregate between capital and expense items. Record advances and prepayments paid out as assets. Record advances and prepayments received as liabilities. In the financial statements, do not record advances and prepayments paid out as elimination entries for advances and prepayments received. Liquidate advances and prepayments and record either an expense or capitalized asset when goods or services are received, contract terms are met, or prepaid expenses expire.

3.1.4. Receivables are claims to cash or other assets against another entity. A receivable is established when revenue is recognized, and payment has not been received in advance. Receivables include but are not limited to, monies due for the sale of goods and services and monies due for indebtedness. DoD indebtedness examples include overdue travel advances, overpayments, and any other event resulting in a determination that a debt is owed to the DoD. Refer to Chapter 3 for further guidance.

3.1.5. SFFAS 1 categorizes federal entities' advances and prepayments as intragovernmental assets and liabilities. Account for and report these assets and liabilities separately from those made to non-federal entities.

3.1.6. SFFAS 1 states that advances and prepayments made must be recorded as assets. Advances and prepayments are reduced when goods or services are received, contract terms are met, progress is made under a contract, or prepaid expenses expire. A travel advance, for example, must be initially recorded as an asset and must be subsequently reduced when travel expenses are

incurred. Amounts of advances and prepayments that are subject to refund (for example, a settled travel claim indicating the traveler owes part of the advance to the government) must be transferred to accounts receivable.

3.1.7. SFFAS 1 states that federal entities receive advances and prepayments from other federal and non-federal entities for goods to be delivered or services to be performed. Advances and prepayments received/paid between federal entities are intragovernmental liabilities/assets. Advances and prepayments received/paid between a federal entity and a non-federal entity are governmental liabilities/assets. Before revenues are earned, the current portion of the advances and prepayments are recorded as other current liabilities. After the revenue is earned (goods or services are delivered, or performance progress is made), the federal entity records the revenue or financing source and reduces the liability accordingly. Intragovernmental liabilities are reported separately from governmental liabilities due to employees and the public.

3.1.8. Volume 3, Chapter 8 requires a quarterly review of dormant accounts. This quarterly review is an important part of exercising sound internal controls to increase each DoD Component's ability to use available appropriations before they expire and ensure remaining open obligations are valid and liquidated before the appropriations are cancelled. This increases mission readiness for the DoD.

3.2 Recoveries and Adjustments

Ensure that sound internal controls monitor advances and prepayments made. Recover unneeded and unused balances as soon as information indicates they are excess to the original purposes. Unused advance and prepayment recoveries received the same year as the original obligation are recorded as recoupments. Collections are recoveries of unused advances and prepayments of prior-year obligations. Use the SFIS web page given in subparagraph 3.1.1. to decompose DoD USSGL accounting transactions for recoveries and adjustments.

3.3 Contract Financing Payments

According to FAR 32.001, the Government authorizes disbursements of monies to a contractor prior to the acceptance of supplies or services in contract financing payments. Contract financing payments include advance payments, performance-based payments, commercial advances, interim payments, progress payments based on cost, progress payments based on a percentage or stage of completion, and interim payments under a cost reimbursement contract. Contract financing payments do not include invoice payments, payments for partial deliveries, or lease and rental payments. Contract financing payments are more fully discussed in Volume 10, Chapter 8.

3.4 Grant Awards and Cooperative Agreements

DoD Components account for advance payments to award recipients (including amounts drawn against letters of credit) until the recipient has performed under the grant or agreement. Once the recipient has performed, the assisting agency must record an expense equal to the cost of the services performed or costs incurred and reduce the advance account by a like amount.

Periodically, the advances must be reconciled with the supporting transaction documentation as part of the quarterly review process as outlined in section 3.0. In addition, review each advance periodically to determine whether the amounts are more than the grantee's current needs. Collect excess amounts from the recipient. Time the review as each grant milestone or reporting requirement is reached. Grant agreements, disbursement vouchers, collection vouchers, and grant performance reports are sources for entries. Payment provisions for grants and other instruments of assistance are more fully discussed in Volume 10, Chapter 19 and Volume 12, Chapter 5.

3.5 Advances to Foreign Countries

10 U.S.C. § 2396 authorizes advances to foreign countries. DoD appropriations may be used to comply with the laws and ministerial regulations of a foreign country; to pay rent for periods determined by local custom, tuition, and public service utilities; and to a friendly foreign country's disbursing official or its armed forces members, for their pay and allowances, and necessary supplies and services. Assign the advances to the appropriate SFIS element (country code) found on the SFIS web page under the SFIS Values Library Service subcategory and record the advances in the related DoD Component subsidiary ledger account.

3.6 Advances in Military Pay

Refer to Volume 7A, Chapter 32, for military members' pay advance details. This includes basic allowance for subsistence and housing; overseas station allowances; family separation allowance; and clothing and uniform allowances. Pay advances to military members must only be to ease hardships imposed by the lack of regular payments when a member is mobilized; ordered to duty at a distant station; or deployed aboard a ship for more than 30 days.

3.7 Advances in Civilian Pay

Refer to Volume 8, Chapter 3, for civilian personnel pay advance details. This includes foreign post assignment advances, advance payments to evacuees, advances in pay for newly hired employees, and advances in pay for employees relocating within the U.S. or its territories.

3.8 Advances as Imprest Funds

Imprest Funds are cash advances against a specific Line of Accounting (LOA) from the Disbursing Officer to an appointed cashier. The funds are a form of "Cash Held Outside of Treasury" but because an entity LOA is cited as the Imprest Fund, the advance is "entity cash." Refer to Chapter 2 for further guidance.

3.9 Travel Advances

3.9.1. A commander or supervisor-approved travel order must be issued before military members or civilian personnel travel unless an urgent or unusual situation prevents prior issuance. Do not authorize cash travel advances unless an exception is granted. Record the maximum advance amount authorized on the travel order.

3.9.2. The DoD traveler obtains cash from an automated teller machine (ATM) with an assigned Government Travel Charge Card (GTCC) for expenses that cannot be charged to the GTCC. The traveler must not exceed the limit specified in the travel order. Personnel who are not eligible for a GTCC may obtain travel advances only via electronic funds transfer. The commander or supervisor, in coordination with the Disbursing Officer, may authorize cash advances in limited situations where no other process is available to accomplish the mission.

3.9.3. A DoD traveler must submit a travel claim voucher within five working days of return. The responsible settlement office accounts for funds in accordance with the applicable DoD Component's accounting or disbursing regulations. Refer to Volume 9, Chapter 5 for further guidance.

3.9.4. Travel advances are also permitted when criteria are met for the following:

3.9.4.1. Transportation documents or funds are lost or stolen.

3.9.4.2. Temporary lodging expense in connection with a Permanent Change of Station to a Permanent Duty Station.

3.9.4.3. House hunting trip expenses if offered and chosen under the Lodging Plus method.

3.9.4.4. Temporary quarters subsistence expense up to 30 days.

3.9.4.5. Mobile home transportation allowances.

3.9.4.6. Evacuation travel and transportation allowances under an evacuation authority.

3.9.4.7. Dislocation Allowance paid to a Service member's designated dependent in moving a household.

3.9.5. Refer to the ***Joint Travel Regulations*** sections 050402, 050602, 054007, 054207, 054407, and 060105 for details.

3.10 Defense Working Capital Fund

Defense Working Capital Fund entities must record advances and prepayments in accordance with the policies in this chapter. Refer to Volume 3, Chapter 19 for further guidance.

3.11 Inventory Bid Deposits

Record bid deposits received on inventory available for sale as advances. The advance account is relieved in two instances. Record sales proceeds when the inventory has been delivered to successful buyers. Refund the bid deposit and cancel the sale. Refer to Chapter 4 for further guidance.

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 6: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 4, CHAPTER 7: "INVESTMENTS AND OTHER ASSETS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated October 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
3.4	Clarified the types of Marketable Treasury securities, as stated in SFFAS 1	Revision
5.1.1	Added applicable statutory reference for Use of Other Investments	Addition
5.3.3.4	Corrected title for Chapter 16	Revision
5.3.3.5	Corrected title for Volume 12, Chapter 4	Revision

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CHAPTER 7

INVESTMENTS AND OTHER ASSETS

1.0 GENERAL

1.1 Purpose

This chapter prescribes the accounting requirements for recording transactions for investments in Treasury securities. These requirements are consistent with the accounting and reporting for federal and nonfederal securities, and are consistent with the implementation of general accounting policy for assets that is prescribed in Volume 4, Chapter 1. Other assets are those assets not used directly in performing the Department of Defense (DoD) mission. These assets consist of securities held in various trust funds, assets acquired through means other than appropriations, and assets awaiting disposal.

1.2 Authoritative Guidance

The accounting policy and related requirements prescribed by this chapter are in accordance with the applicable provision of:

1.2.1. Federal Accounting Standards Advisory Board (FASAB), Statement of Federal Financial Accounting Concepts ***(SFFAC) 1***, "Objectives of Federal Financial Reporting."

1.2.2. FASAB Statement of Federal Financial Accounting Standards ***(SFFAS) 1***, "Accounting for Selected Assets and Liabilities."

1.2.3. FASAB ***SFFAS 3***, "Accounting for Inventory and Related Property."

1.2.4. FASAB ***SFFAS 7***, "Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting."

1.2.5. FASAB ***SFFAS 27***, "Identifying and Reporting Funds from Dedicated Collections."

1.2.6. FASAB ***SFFAS 49***, "Public-Private Partnerships: Disclosure Requirements."

1.2.7. FASAB ***SFFAS 47***, "Reporting Entity."

1.2.8. Financial Accounting Standards Board (FASB) Accounting Standards Codification ***(ASC) 323*** "Investments Equity Method and Joint Ventures."

1.2.9. Office of Management and Budget ***(OMB) Circular A-136***, "Financial Reporting Requirements."

1.2.10. Title 10 United States Code, sections 1111-1117**,** ***(10 U.S.C §§ 1111-1117)*** "Department of Defense Medicare-Eligible Retiree Health Care Fund."

1.2.11. ***10 U.S.C. §§ 1461-1467***, "Department of Defense Military Retirement Fund."

1.2.12. ***10 U.S.C § 2875***, "Investments."

1.2.13. ***TFM Part 2 Chapter 4300***, "Reporting Instructions For Accounts Invested in Department of Treasury Securities."

1.2.14. DoD is authorized to invest by specific laws, including the law establishing the Medicare-Eligible Retiree Health Care Fund (MERHCF) 10 U.S.C. §§ 1111-1117 and the law establishing the Military Retirement Fund (MRF) 10 U.S.C. §§ 1461-1467. DoD invests in limited partnerships under the law allowing for alternative acquisition authority for the Military Housing Privatization Initiative 10 U.S.C. § 2875.

2.0 ACCOUNTING POLICY FOR INVESTMENTS AND OTHER ASSETS

2.1 Account References

DoD investments and other assets must be recognized and recorded as prescribed in SFFAS 1. Accounting events recognized under SFFAS 1 must be reported according to the requirements in TFM Chapter 4300, and OMB Circular A-136 using the accounting entries specified in the DoD Standard Chart of Accounts and Standard Financial Information Structure ***(SFIS)*** Transaction Library, unless otherwise stated. Financial record retention requirements are in Volume 1, Chapter 9, and in accordance with the National Archives and Records Administration.

3.0 INVESTMENTS IN FEDERAL SECURITIES

3.1 Investments

DoD is authorized to invest in Federal securities, which include non-marketable par value Treasury securities, market-based Treasury securities, marketable Treasury securities, and securities issued by other Federal entities.

3.2 Nonmarketable Par Value Treasury Securities

Nonmarketable par value Treasury securities are special issue debt securities that the U.S. Treasury issues to federal entities at face value (par value). The securities are redeemed at face value on demand; thus, investing entities recover the full amounts invested. When authorized, the DoD may invest in MERHCF and MRF may invest par value "special issue" Treasury securities.

3.3 Market-Based Treasury Securities Expected to Be Held to Maturity

Market-based Treasury securities expected to be held to maturity are debt securities that the U.S. Treasury issues to federal entities without statutorily determined interest rates. Although the securities are not marketable, their terms (prices and interest rates) mirror the terms of marketable Treasury securities.

*3.4 Market-Based Treasury Securities

Marketable Treasury securities including Treasury bills, notes, and bonds, are initially offered by Treasury to the marketplace and can then be bought and sold on securities exchange markets. Their bid and ask prices are publicly quoted by the marketplace.

3.5 Recognition of Investments in Federal Securities

DoD Components holding investments in Federal securities must report those investments separately from investments in non-Federal securities. Federal securities should be recorded at their acquisition cost.

3.5.1. When an acquisition is made in exchange for nonmonetary assets, the acquired securities should be recognized at the fair market value (FMV) of either the securities acquired, or the assets given up, whichever is more definitively determinable.

3.5.2. When an acquisition cost differs from the face (par) value, the security should be recorded at the acquisition cost, which equals the security's face value plus or minus the premium or discount on the investment. A discount is the excess of the security's face amount over its purchase price. A premium is the excess of the purchase price over the security's face value. The balance in the valuation account is treated as a contra account to the debt security.

3.5.3. Treasury securities subsequent to their acquisition should be carried at their acquisition cost, adjusted for amortization if appropriate, as explained in SFFAS 1.

3.5.4. Investments must be carried on the Balance Sheet at acquisition cost adjusted for amortization of the premium or discount, except in two cases. If either exception is reflected, then market value should be used (except for pension and retirement plans).

3.5.4.1. When there is intent to sell securities prior to maturity or,

3.5.4.2. When there is a reduction in value that is more than temporary.

3.5.5. DoD Components holding such securities must maintain an investment subsidiary ledger that provides the name, type, amount, acquisition date, acquisition cost, yield or interest rate, discount or premium, maturity date, and other applicable information for each investment.

3.6 Disposition of Treasury Securities

3.6.1. DoD Components must maintain a subsidiary account for each trust fund that invests in U.S. Treasury securities.

3.6.2. The disposition of a U.S. Treasury security may result in a gain or loss. A comparison of principal proceeds, the book value of a U.S. Treasury security, and any remaining unamortized premium or discount will determine whether there is a gain or loss.

3.6.3. Quarterly, the "Investments in U.S. Treasury Securities Issued by the Bureau of the Fiscal Service-Non-Marketable Market-Based" account balance must be reconciled with the trust fund portfolios. Such reconciliations must also occur whenever there is a change in trust fund managers or other employees having access to the securities, or when there is a substantial addition, disposition, or replacement in the composition of the portfolio.

3.6.4. Unless otherwise provided for by law, securities held by DoD trust funds are U.S. Treasury securities. The Treasury issues no certificates. Instead, Treasury notifies trust fund managers of portfolio increases or decreases using the "Transaction Confirmation."

3.6.5. Source documents for entries to the account include U.S. Treasury securities, the "Transaction Confirmation," collection and disbursement vouchers, amortization schedules, and journal vouchers.

4.0 INTEREST AND AMORTIZATION

4.1. Interest and Amortization Recognition

4.1.1. The accounts to be used to record accounting events related to U.S. Treasury securities include Discount on U.S. Treasury Securities Issued by the Bureau of the Fiscal Service-Non-Marketable Market-Based (Account 161100.0400), Premium on U.S. Treasury Securities Issued by the Bureau of the Fiscal Service–Non-Marketable Market-Based (Account 161200.0400), Amortization of Discount on U.S. Treasury Securities Issued by the Bureau of the Fiscal Service–Non-Marketable Market-Based-Discount (Account 161300.0500) and Amortization of Premium on U.S. Treasury Securities Issued by the Bureau of the Fiscal Service–Non-Marketable Market-Based-Premium (Account 161300.0600).

4.1.2. The disposition of a U.S. Treasury security may result in a premium or discount. If an amount of premium or discount exists, the carrying amount, or original purchase cost, of the investments must be adjusted in each reporting period to reflect the amortization of the premium or the discount.

4.1.3. Premiums and discounts must be amortized over the life of the Treasury security using the interest method. Under the interest method, the effective interest rate (the actual interest yield on amounts invested) multiplied by the carrying amount of the Treasury security at the start of the accounting period equals the interest income recognized during the period (the carrying amount changes each period by the amount of the amortized discount or premium).

4.1.4. The amount of amortization of discount or premium is the difference between the effective interest recognized for the period and the nominal interest for the period as stipulated in the Treasury security.

4.1.5. Use Accounts 161100.0400 and 161200.0400 to record the unamortized discount or premium on U.S. Treasury securities issued by the Bureau of the Fiscal Service. Use Accounts 161300.0500 and 161300.0600 to record the amortization of discount or premium on U.S. Treasury securities issued by the Bureau of the Fiscal Service. Use separate accounts to record the accounting events related to U.S. Treasury securities. For example, discounts on U.S. Treasury securities should be recorded separately from premiums on U.S. Treasury securities. The amortization of the related securities must be accounted for in distinct accounts.

4.1.6. A subsidiary account for unamortized premiums or discounts must be maintained for each trust fund for determining the gain or loss on the disposition of securities held by each trust fund. This information also is needed for reporting on the financial status of each trust fund.

4.1.7. The income derived from U.S. Treasury securities other than Treasury bills must be the interest stated on the face of the securities adjusted for the amortized premium or discount. For Treasury bills, the difference between the purchase price and the price received at the time of sale or maturity is income.

4.1.8. Under the interest method of amortization, an amount of interest equal to the carrying amount of the investment times the effective interest rate, is calculated for each accounting period.

4.1.8.1. The calculated interest is the effective interest of the investment (referred to as effective yield in some literature). The amount of effective interest is compared with the stated interest of the investment. The stated interest is the interest that is payable to the investor according to the stated interest rate.

4.1.8.2. The difference between the effective interest and the stated interest is the amount by which the discount or the premium should be amortized (i.e., reduced) for the accounting period.

4.1.8.3. The discounted bonds example in Table 7-1 displays the amortization of a discount. Treasury bonds with the face amount of $100,000, purchased by a federal entity on the bonds' issuance date, January 1, 2020. The bonds' stated interest rate is 7 percent, and interest is payable at the end of each year. The bonds will mature in 5 years, on December 31, 2024. The cost of the investment is $96,007, with a discount of $3,993, which reflects an effective interest rate of 8 percent. In Table 7-1, the annual discount amortization is in column 4, which equals column 3 minus column 2.

Table 7-1. Discount Amortization

Date	Stated Interest 7%	Effective Interest 8%	Discount Amortization	Unamortized Balance	Bonds Carrying Amount
01/01/20				$3,993	$96,007
12/31/20	7,000	$7,681	$681	3,312	96,688
12/31/21	7,000	7,735	735	2,577	97,423
12/31/22	7,000	7,794	794	1783	98,217
12/31/23	7,000	7,857	857	926	99,074
12/31/24	7,000	7,926	926	0	100,000

4.1.9. The premium bonds example in Table 7-2 displays the amortization of premium Treasury bonds with the face amount of $100,000, purchased by a federal entity on the bonds' issuance date January 1, 2020. The bonds' stated interest rate is 7 percent, and interest is payable at the end of each year. The bonds will mature in 5 years, on December 31, 2024. The cost of the investment is $104,212, with a premium of $4,212, which reflects an effective interest rate of 6 percent. In Table 7-2, the annual premium amortization equals the "Stated Interest 7%" less the "Effective Interest 6%."

Table 7-2. Premium Amortization

Date	Stated Interest 7%	Effective Interest 6%	Premium Amortization	Unamortized Balance	Bonds Carrying Amount
01/01/20				$4,212	$104,212
12/31/20	7,000	$6,253	$747	3,465	103,465
12/31/21	7,000	6,208	792	2,673	102,673
12/31/22	7,000	6,160	840	1,843	101,833
12/31/23	7,000	6,110	890	943	100,943
12/31/24	7,000	6,057	943	0	100,000

4.1.10. Source documents for entries to this account must include amortization schedules and journal vouchers.

5.0 OTHER INVESTMENTS

*5.1 Use of Other Investments

5.1.1. When authorized, an investment under the provisions of 10 U.S.C § 2875, may take the form of an acquisition of a limited partnership interest, a purchase of stock or other equity instruments, a purchase of bonds or other debt instruments, or any combination of such forms of investment.

5.1.2. Other investments by the DoD currently authorized include joint ventures with private developers constructing or improving military housing on behalf of the Department under the authority of the Military Housing Privatization Initiative (MHPI), authorized by DoD's "Alternative Authority for Acquisition and Improvement of Military Housing," in Subchapter IV, Chapter 169, of Title 10, United States Code, at (10 U.S.C § 2875). These joint ventures are designed as Public-Private Partnerships (P3s), also referred to as Alternative Financing Arrangements, or Privatization Initiatives, which are defined as "risk-sharing arrangements," or transactions lasting more than five years between public and private sector entities.

5.2 Reporting Other Investments

5.2.1. P3s may involve the use of appropriated funds, non-appropriated funds, third party financing, or significant amounts of private capital or investment. All business events related to the financing of MHPI must be reported in the DoD financial statements, including relevant disclosures to help the user understand the financial condition of the projects.

5.2.2. Use Account 169000.0900 (Other Investments) to record the value of non-marketable market-based investments owned by DoD. Use Account 169000.0700 (Other Investments-MHPI-Limited Partnership) to record DoD investments with Limited Partnerships (LPs), and Limited Liability Companies (LLCs) under the MHPI, authorized by 10 U.S.C. § 2875.

*5.3 Recognition and Measurement of Other Investments

5.3.1. In recognition of the complex and diverse nature and characteristics of the MHPI agreements and P3s, and to determine the appropriate accounting treatment for MHPIs, a comprehensive evaluation of each operating agreement and a full assessment of the relationship with each organization should be reviewed and analyzed in consultation with the Military Department's independent public accountant (IPA).

5.3.2. SFFAS 47 provides guidance for determining the considerations to properly report these complex organizational relationships as consolidation entities, or disclosure entities, and what information should be presented. When the federal government (directly or through its components) holds a majority ownership interest in an organization, it should be included as either a consolidation entity or a disclosure entity in the government-wide financial statements.

5.3.2.1. Majority ownership interest exists with over 50 percent of the voting rights or net residual assets of an organization. If an entity is expected to assume more than 50 percent of another entity's expected losses or gains, it should either consolidate or disclose that entity- as provided in SFFAS 47.

5.3.2.2. An entity could effectively control another entity by making all of the investment decisions and obtaining a considerable portion of the economic benefits, but would not have been required to consolidate that investee if it was exposed to less than 50 percent of the investee's expected losses or gains. These such entities would generally be considered for disclosure rather than consolidation.

5.3.3. It is the Military Department's responsibility to monitor and properly report the financial condition and disclose significant risks of each of its equity investments in MHPI entities. Documentation should be furnished to the Defense Finance and Accounting Service (DFAS) based on DFAS' annual financial schedule and quarterly financial guidance for additional information including cut-off periods. Note that financial statement reporting should be based on the latest financial information for each Limited Liability Corporation (LLC) or Limited Partner (LP), which may not be consistent with the reporting periods for DoD's financial statement reporting.

5.3.3.1. Consolidation considerations and requirements are as follows:

5.3.3.1.1. Per SFFAS 47, an organization is considered a consolidation entity if, based on an assessment of the following characteristics as a whole, the entity is: (1) financed by taxes or other non-exchange revenue, (2) governed by the Congress and/or the President, (3) imposing or may impose risks and rewards to the federal government and (4) providing goods and services on a non-market basis. Goods and services are provided on a non-market basis when they are provided free of charge or at charges that bear little relationship to the cost of providing such goods or services.

5.3.3.1.2. Note, however, not all characteristics are required to be met or to be met to the same degree; classification is based on the assessment as a whole. Each entity should be assessed individually and objectively, to properly examine all of the potential differences among the entities.

5.3.3.1.3. Consolidation entities are considered federal reporting entities, and as such, should apply Generally Accepted Accounting Principles (GAAP) as defined in SFFAS 34, "The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board."

5.3.3.2. Disclosure considerations and requirements are as follows:

5.3.3.2.1. Once SFFAS 47 guidelines have been considered, disclosures for MHPI projects should be evaluated under the established principles of SFFAS 49, "Public-Private Partnerships: Disclosure Requirements," and should be provided for the initial period and all annual periods thereafter where an entity is party to a P3 arrangement/transaction. Disclosure requirements are comprised of quantitative and qualitative information to assist users in understanding the nature of P3s and direct loans and loan guarantees, to include related risks, even those deemed remote. The OMB Circular A-11, Section 185, *Federal Credit*, and OMB Circular A-136, Section II.3.8.8 (Note 8, Loans Receivable, Net and Loan Guarantee Liabilities), specify disclosure requirements for government direct loans and loan guarantees. OMB Circular A-136, Section II.3.8.33 (Note 3, Public-Private Partnerships) specifies disclosure requirements for P3s. DoD's investments in LLCs for MHPIs meet the Circular's P3 disclosure requirements.

5.3.3.2.2. The disclosures should reveal the nature of the relationship to the reporting entity, relevant activity during the reporting period, and the reporting entity's future exposures to risks and rewards resulting from the relationship. Disclosure entities may provide the same or similar goods and services that consolidation entities do, but are more likely to provide them on a market basis. Goods and services are provided on a market basis when prices are based on the prices charged in a competitive marketplace between willing buyers and sellers.

5.3.3.2.3. While the hierarchy of GAAP established for federal reporting entities may not necessarily apply to disclosure entities; information about such organizations is still needed for accountability purposes and to meet federal financial reporting objectives. The information should be disclosed as specified in SFFAS 49, paragraph 24:

5.3.3.2.4. The DoD, and the Military Departments must continue to disclose their respective relationships with the P3 private entities, disclose the risks inherent in the P3 arrangements, and the DoD will recognize any gains or losses associated with TI-97 contributions to the private entity.

5.3.3.3. The Military Departments and DFAS must use established accounting transaction codes in the DoD Transaction Library to record the primary accounting entries to recognize P3 contributions and any collections received upon dissolution of an arrangement that are not available for use without further Congressional action. See Tables 7-3 through 7-8. Additionally, the Military Department must obtain the agreements and supporting documentation for its equity investments in LPs/LLCs managing MHPI to support the following business events:

5.3.3.3.1. LP/LLC Operating Agreement: governing document that contains the agreements set forth by the parties including the contributed cash and/or property balances, and percent government ownership in the LP/LLC.

5.3.3.3.2. Lockbox Agreement: addresses the flow of funds and order of priority for the project. The agreement is unique to each MHPI project.

5.3.3.3.3. Revenue Agreement: containing the priority for the flow of funds from the Revenue Account, and supporting documentation for understanding the flow of funds from the Revenue Account to the Construction Escrow Account prior to the completion of the Initial Development Period (IDP) and the percentage distribution to the Reinvestment Account and Owner after completion of the IDP.

5.3.3.3.4. Dissolution of the investment at a gain or loss, property conveys back to DoD. The dissolution agreement and supporting information is to allow DFAS to account for the government's gain or loss upon termination of the LP/LLC agreement. The conveyed property must be valued at its FMV, or other GAAP compliant valuation methodology, at that point of dissolution.

5.3.3.3.5. Sale of government share of the LP/LLC, and

5.3.3.3.6. Any other accounting transactions related to financial activities to DoD equity investments of this nature. The Military Departments must provide DFAS any other transaction with a financial impact that is not listed in Tables 7-3 through 7-8, and footnote disclosures required, such as the equity method income or loss and description of events of termination or default, and the associated documentation supporting the Military Department's determination for the disclosure.

5.3.3.4. In addition to the transfer of property and cash, a ground lease may be provided to permit access to, and use of the transferred property and/or cash, to develop property consistent with the goals of the LP/LLC. Amounts received in exchange for the ground leases are revenue and the guidance for recording the revenue can be found in Chapter 16: Revenue, Other Financing Sources, Gains, and Losses. No other accounting entries are appropriate.

5.3.3.4.1. Ground leases executed in conjunction with creation of an LP/LLC do not constitute separately identifiable arrangements despite being executed through a separate agreement. Such separate agreements generally acknowledge that, in addition to a nominal rent (such as $1 for the duration of the ground lease), the LP/LLC's commitment to construct and lease military housing is a material inducement to the Military Department to enter into the ground lease. Further, success of the overall investment is dependent upon the ground lease, meaning the ground lease and the transfer of property to the LP/LLC are highly interdependent. Because the ground lease and the transferred property are highly interdependent and not distinct goods and services, the ground lease should be considered part of the initial investment made when property is transferred. ***FASB ASC 606-10-25-19 through 22***, "Revenue from Contracts with Customers," provides guidance for identifying distinct goods and services. The transfer of property and the ground lease are not distinct, separately identifiable arrangements.

5.3.3.4.2. Estimation of the FMV of the property should take into consideration relevant characteristics of the property including the related ground lease granting access to and use of the property. Therefore, no separate entries are required to recognize the ground lease. Instead, the FMV of the ground lease is integral to the FMV of the property.

5.3.3.5. See Volume 12, Chapter 4, "Direct Loans and Loan Guarantees," for additional guidance on the recognition and measurement of direct loans, the liability associated with loan guarantees, and the cost of direct loans and loan guarantees.

Table 7-3. Initial Investment Cash Only

SCENARIO 1 YEAR 1 Initial Formation of LP/LLC P3 Investment (Cash Only)
1. Budgetary Dr. 461000 - Allotments - Realized Resources Cr. 480100 - Undelivered Orders - Obligations, Unpaid Dr. 480100 - Undelivered Orders - Obligations, Unpaid Cr. 490200 - Delivered Orders - Obligations, Paid
2. Proprietary Dr. 169000 - Public-Private Partnership Investments Cr. 101000 Fund Balance with Treasury (FBwT) Dr. 310700 Unexpended Appropriations - Used Cr. 570000 Expended Appropriations
(DoD invests cash in LP/LLC)

Table 7-4. Initial Investment Cash and Property

SCENARIO 2 - YEAR 1 Initial Formation of LP/LLC P3 Investment (Cash and Property)

In accordance with GAAP, a fair market value (FMV) of the non-cash assets, and the rights and obligations received by the Government, should be assigned at the inception of the LLC agreement, and for the purposes of P3 investment reporting, the FMV should be compared to the cash and book value of the property being conveyed to record a gain or loss on disposition of the asset. If information on the FMV of the property at point of contribution by the government to the LLC is not available, then value will need to be estimated.

1. Budgetary

Dr. 461000 - Allotments - Realized Resources
Cr. 480100 - Undelivered Orders - Obligations, Unpaid

Dr. 480100 - Undelivered Orders - Obligations, Unpaid
Cr. 490200 - Delivered Orders - Obligations, Paid

2. Proprietary

Dr. 169000 - Public-Private Partnership Investments
Cr. 101000 - FBwT

Dr. 310700 - Unexpended Appropriations - Used
Cr. 570000 - Expended Appropriations

(DoD invests cash as part of equity investment in LP/LLC)

AND

3. Budgetary

No Budgetary Impact

4. Proprietary

Dr. 171900 - Accumulated Depreciation on Improvements to Land
Dr. 173900 - Accumulated Depreciation on Buildings, Improvements and Renovations
Dr. 169000 – Public-Private Partnership Investments
Dr. 721000 Losses on Disposition of Assets - Other
Cr. 171100 - Land and Land Rights
Cr. 171200 - Improvements to Land
Cr. 173000 - Buildings, Improvements and Renovations
Cr. 711000 – Gains on Disposition of Assets – Other

(DoD also conveys Buildings and leases Land to LP/LLC)

Table 7-5. Recognition of Periodic/Annual Decrease/Loss

SCENARIO 3 - YEAR XX Recognition of Periodic/Annual Decrease/Loss on P3 Investment Valuation DoD recognizes the amount of equity method earnings - based on the change in the investor claim on the investee's book value each reporting period

Equity Method Loss

1. Budgetary
   No Budgetary Impact

2. Proprietary

   Dr. 729000 - Other Losses
   Cr. 169000 - Public-Private Partnership Investments

(To recognize equity method loss based on the change in the investor's claim on the investee's book value each reporting period).

Table 7-6. Recognition of Periodic/Annual Increase/Gain

SCENARIO 4 - YEAR XX Recognition of Periodic/Annual Increase/Gain on P3 Investment Valuation DoD recognizes the amount of equity method earnings - based on the change in the investor claim on the investee's book value each reporting period

Equity Method Gain

1. Budgetary
   No Budgetary Impact

2. Proprietary

   Dr. 169000 - Public-Private Partnership Investments
   Cr. 719000 - Other Gains

(To recognize equity method gain based on the change in the investor's claim on the investee's book value each reporting period).

Table 7-7. Recognition of a Net Loss Upon Dissolution of DoD's Interest in the LLC

SCENARIO 5 - YEAR XX DoD dissolves all of its interest in the LLC. Any property interest acquired or reacquired in the dissolution of the LLC must be recorded at their FMV, not the LLC book value.

1. Budgetary

Dr. 426600 - Other Actual Business-Type Collections From Non-Federal Sources
445000 - Unapportioned Authority

2. Proprietary

Dr. 101000 - FBwT
Dr. 171100 - Land and Land Rights
Dr. 171200 - Improvements to Land
Dr. 173000 - Buildings, Improvements and Renovations
Dr. 721100 - Losses on Disposition of Investments
Cr. 169000 - Public-Private Partnership Investments

Table 7-8. Recognition of a Net Gain Upon Dissolution of DoD's Interest in the LLC

SCENARIO 6 - YEAR XX DoD dissolves all of its interest in the LLC. Any property interest acquired or reacquired in the dissolution of the LLC must be recorded at their FMV, not the LLC book value.

1. Budgetary

Dr. 426600 - Other Actual Business-Type Collections From Non-Federal Sources
445000 - Unapportioned Authority

2. Proprietary

Dr. 101000 - FBwT
Dr. 171100 - Land and Land Rights
Dr. 171200 - Improvements to Land
Dr. 173000 - Buildings, Improvements and Renovations
Cr. 711100 - Gains on Disposition of Investments
Cr. 169000 - Public-Private Partnership Investments

6.0 OTHER ASSETS

Use “Other Assets” to record the value of assets not otherwise classifiable to a specific asset account. Establish applicable subsidiary accounts as necessary to meet management and reporting needs. Source documents for entries to this account include receiving reports and journal vouchers.

VOLUME 4, CHAPTER 8: "LIABILITIES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated February 2020 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
1.1	Added the definition of "liability" and directed the reader to the recognition criteria section.	Addition
1.3.4	Directed readers to the Standard Financial Information Structure (SFIS) webpage for U.S. Standard General Ledger (USSGL) accounts and transaction illustrations.	Addition
2.1.3	Restructured subparagraph to provide other considerations for recognition criteria.	Revision
3.6	Updated the example for "Government-Acknowledged Events" to better align with Statement of Federal Financial Accounting Standard (SFFAS) 5.	Revision
3.10	Clarified the definition of "Liabilities Not Covered By Budgetary Resources."	Revision
Figure 8-1	Updated the Figure 8-1 title to better align with SFFAS 5.	Revision

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CHAPTER 8

FINANCIAL CONTROL OF LIABILITIES

1.0 GENERAL

*1.1 Overview

A liability is defined as a probable future outflow or other sacrifice of resources as a result of past transactions or events. For instance, a liability is an amount the Department of Defense (DoD) owes to another federal or nonfederal entity for items or services that DoD received and expenses incurred (including personnel related costs). Liabilities can also result from assets to which title has been acquired (whether delivered or in transit), ongoing shipbuilding based on incurred costs, and cash received but not yet earned. Liabilities can also result from amounts owed under grants, military and civilian pensions, certain retirement and post-employment benefits, awards, and other indebtedness. Criteria for recognizing these liabilities (e.g., transaction based events or other than transaction based events) are outlined in paragraph 2.1 and depicted in Figure 8-1.

1.2 Purpose

This chapter promulgates the general accounting policy and definitions to be followed in accounting for DoD liabilities covered in Volume 4. This guidance does not apply to liabilities accounted for by Nonappropriated Fund activities, which is located in Volume 13, Chapter 3.

1.3 Authoritative Guidance

The financial management policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:

1.3.1. Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards ***(SFFAS) 1***, "Accounting for Selected Assets and Liabilities";

1.3.2. FASAB ***SFFAS 5***, "Accounting for Liabilities of the Federal Government";

1.3.3. Office of Management and Budget ***(OMB) Circular A-136***, "Financial Reporting Requirements."; and

*1.3.4. The required DoD U.S. Standard General Ledger (USSGL) proprietary and budgetary accounting entries and transaction illustrations are provided in the Transaction Library and Standard Reporting Chart of Accounts which is available on the Office of the Deputy Chief Financial Officer ***Standard Financial Information Structure (SFIS)*** web page.

2.0 ACCOUNTING POLICY FOR LIABILITIES

2.1 Recognition Criteria

Pursuant to SFFAS 5, criteria for recognizing a liability, depicted in Figure 8-1, starts by identifying if the event creating the liability is transaction based or other than transaction based.

2.1.1. Transaction Based Events. Transaction based events comprise both exchange and nonexchange transactions. Transaction based events are recognized in accordance with the following criteria:

2.1.1.1. A liability for an exchange transaction is recognized (recorded and reported) when the DoD receives goods and services in exchange for a promise to provide money or other resources in the future. Probable and measurable amounts that remain unpaid as of the financial statement report date should be recognized as liabilities.

2.1.1.2. A liability for a nonexchange transaction is recognized for any probable and measurable unpaid amounts as of the financial statement report date.

2.1.1.3. The entity must estimate the liability for the financial statement reporting date if the actual amount is unknown.

2.1.2. Other Than Transaction Based Events. Other than transaction based events comprise both government-related events and government-acknowledged events. These events are recognized in accordance with the following criteria:

2.1.2.1. A liability for a government-related event is recognized at the time of occurrence, if the expected resource outflow is both probable and measurable, or soon thereafter as it becomes probable and measurable.

2.1.2.2. A liability for government-acknowledged events is recognized only when Congress appropriates or authorizes the funds for the event and an exchange or nonexchange transaction related to the event is entering into. The liability is then recognized by following the criteria in subparagraph 2.1.1 for exchange and nonexchange transactions.

*2.1.3. Other Considerations

2.1.3.1. With the exception of government-acknowledged events, the recognition of a liability is not dependent on the availability of funds. Liabilities must be recognized when they are incurred regardless of whether they are covered by available budgetary resources, including liabilities related to canceled appropriations. However, the status of funding does dictate the category of the recognized liabilities used for disclosure and reconciliation purposes as outlined in paragraph 2.2.

2.1.3.2. Accounting and reporting provisions need not be applied to immaterial liabilities. However, all assertions of immateriality must be supportable, and the materiality

determination must be fully documented. Both qualitative and quantitative factors need to be considered in determining materiality.

2.1.3.3. Contingent liabilities are recorded and reported as a liability or disclosed as a contingency in a footnote to the financial statements, depending on the probability of occurrence and the ability to estimate the expected outflow of resources. Contingent liabilities should be recorded in DoD financial systems and reported in financial statements in accordance with Chapter 12.

2.2 Reporting and Disclosures

2.2.1. Pursuant to SFFAS 1, Intragovernmental liabilities must be reported separately from nonfederal entities, which include Government sponsored enterprises and the Federal Reserve. See Volume 6B, Chapter 4 for further discussion on reporting.

2.2.2. In accordance with OMB Circular A-136, liabilities are classified as liabilities covered by budgetary resources, liabilities not covered by budgetary resources, and liabilities not requiring budgetary resources. Disclosures must be made for liabilities that are not covered by budgetary resources. See Volume 6B, Chapter 10 for further discussion on disclosures.

3.0 DEFINITIONS

3.1 Contingency

Pursuant to SFFAS 5, a contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss to an entity that will ultimately be resolved when one or more future events occur or fail to occur.

3.2 Liabilities Covered by Budgetary Resources

Liabilities covered by budgetary resources are liabilities incurred which are covered by realized budgetary resources as of the balance sheet date. Liabilities are covered by budgetary resources if they are to be funded by permanent indefinite appropriations, provided that the resources may be apportioned by OMB with further action by Congress, and without a contingency having to be met first.

3.3 Current Liability

A current liability is an amount owed by an entity for which the financial statements are prepared, and for which the entity expects to outlay the resources within one year of the reporting date.

3.4 Exchange Transactions

An exchange transaction arises when each party involved in the transaction sacrifices value and receives value in return. In an exchange transaction, a liability is recognized when one party receives goods or services in return for a promise to provide money or other resources in the future.

3.5 Funded Liabilities

Funded liabilities are comprised of all liabilities for which budget authority has been received and obligated.

*3.6 Government-Acknowledged Events

A government-acknowledged event is a type of an other than transaction based event that is of financial consequence to the Federal Government because the Federal Government has chosen formally to accept the associated financial responsibility. An example would be the assumption of responsibility for damage caused by a natural disaster (such as tornado damage for which Congress appropriates funds).

3.7 Governmental Liability

A governmental liability is an amount owed by a federal entity to a nonfederal entity. These liabilities are also called nonfederal or public liabilities.

3.8 Government-Related Events

A government-related event is a type of an other than transaction based event that involves interaction between the Federal Government and its environment. An example is an expense to be paid as the result of current government operations, such as the estimated cost of repairing accidental damages to private property. Government-related events resulting in a liability should be recognized in the period the event occurs if the future outflow or other sacrifice of resources is probable and the liability can be measured, or as soon thereafter as it becomes probable and measurable.

3.9 Intragovernmental Liability

An intragovernmental liability is an amount owed by a federal entity to another federal entity. Intragovernmental liabilities include accounts and interest payable to federal entities and other current liabilities due to federal entities, such as receipt of federal advances and prepayments.

*3.10 Liabilities Not Covered By Budgetary Resources

Liabilities not covered by budgetary resources are those liabilities for which budget authority has not been received, i.e., funds necessary to satisfy the liabilities have not been made available through congressional action.

3.11 Liability

A liability for federal accounting purposes is a probable future outflow or other sacrifice of resources as a result of past transactions or events. Liabilities must be recognized when they are incurred regardless of whether they are covered by available budgetary resources, including liabilities related to canceled appropriations.

3.12 Materiality

Materiality is the magnitude of an item's omission or misstatement in a financial statement that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the inclusion or correction of the item.

3.13 Measurable

A liability is measurable if it has a relevant attribute that can be quantified in monetary units with sufficient reliability to be reasonably estimable.

3.14 Noncurrent Liability

A noncurrent liability is an amount owed by an entity for which the financial statements are prepared, and for which the entity expects to outlay the resources beyond one year of the reporting date.

3.15 Nonexchange Transactions

A nonexchange transaction is one in which the DoD promises to provide money or other resources in the future without a promise of receiving direct value in return. An example would be grant payments to state and local governments to carry out a public purpose, when authorized by a law of the United States.

3.16 Probable

Probable refers to that which can reasonably be expected or is believed to be more likely than not to occur on the basis of available evidence or logic. In the context of assessing the outcome of matters of pending or threatened litigation and unasserted claims, and recognizing an associated liability, "probable" refers to that which is likely.

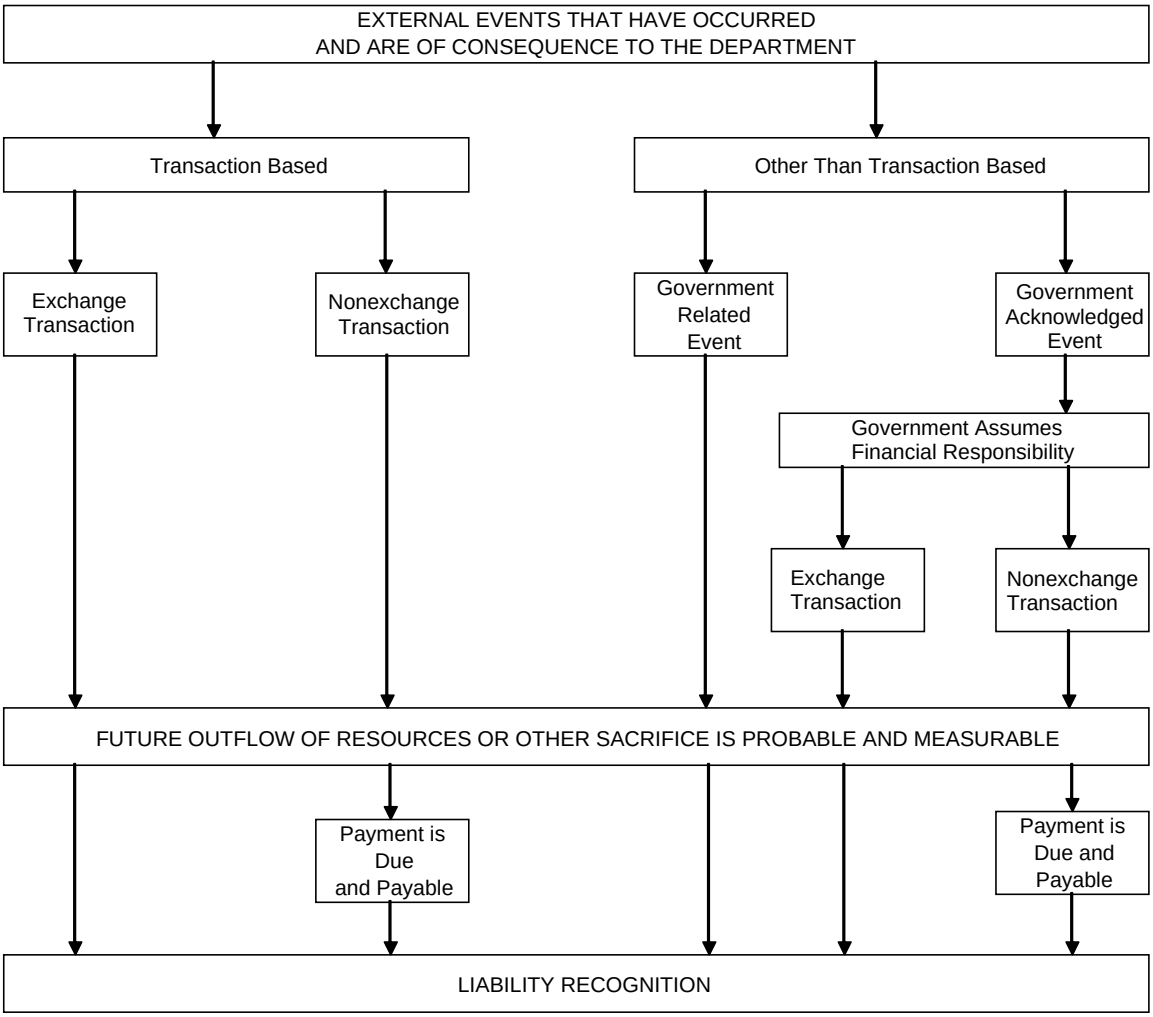
3.17 Transaction and Event

A transaction is an event involving the transfer of something of value. An event is a happening that has financial consequences to an entity. An event may be an internal event that occurs within an entity, such as placing an item in service, or an external event that involves interaction between an entity and its environment, such as an act of nature, a theft, vandalism, an injury caused by negligence, or an accident.

3.18 Transaction Recording

The accounting events discussed must be recorded in accordance with the DoD USSGL Transaction Library and reported in accordance with the regulations promulgated by the Department of the Treasury and the Office of Management and Budget.

*Figure 8-1. LIABILITY RECOGNITION SUMMARY



VOLUME 4, CHAPTER 9: "ACCOUNTS PAYABLE"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated June 2020 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Completed administrative updates in accordance with the Department of Defense (DoD) Financial Management Regulation Revision Standard Operating Procedures.	Revision
1.1	Removed reference to Volume 11B, Chapter 9. Added reference to Volume 4, Chapter 10.	Deletion/ Addition
2.0	Updated accounting policy to include the Standard Financial Information Structure reference and DoD Component responsibilities. Replaced Treasury Financial Manual, Chapter 4700, Section 9.1.3 with Section 4750 reference. Added clarifying language on accounts payable Recognition.	Revision/ Addition

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CHAPTER 9

ACCOUNTS PAYABLE

1.0 GENERAL

*1.1 Purpose

1.1.1. This chapter provides the Department of Defense (DoD) financial management policy for recording accounts payable for both intragovernmental and non-federal accounts payable.

1.1.2. The accounts payable policy in this chapter does not address liabilities related to ongoing continuous expenses such as employees' salaries and benefits and contract holdbacks to be paid after one year of the balance sheet date, both of which are reported as other current liabilities and covered in Chapters 10 and 12, respectively.

1.2 Authoritative Guidance

The accounting policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:

1.2.1. Title 31, United States Code, Chapter 39 (***31 U.S.C. Chapter 39***), "Prompt Payment;"

1.2.2. ***41 U.S.C. § 7103***, "Decision by contracting officer;"

1.2.3. Title 5, Code of Federal Regulations, Section 1315.9 (***5 CFR § 1315.9***), "Required documentation;"

1.2.4. ***48 CFR § 46.501***, "General;"

1.2.5. ***48 CFR § 52.247.29***, "F.o.b. Origin;"

1.2.6. ***48 CFR § 52.247.34***, "F.o.b. Destination;"

1.2.7. ***Office of Management and Budget (OMB) Circular A-123, Appendix C***, "Requirements for Payment Integrity Improvements;"

1.2.8. OMB Circular A-136, **"**Financial Reporting Requirements;"

1.2.9. FASAB ***SFFAS 1*****,** "Accounting for Selected Assets and Liabilities;"

1.2.9. Treasury Financial Manual ***(TFM) Chapter 4700***, "Federal Entity Reporting Requirements for the Financial Report of the United States Government"; and

1.2.10. TFM United States Standard General Ledger ***(USSGL***).

*2.0 ACCOUNTING POLICY

2.1 Accounts Payable

Accounts payable are liabilities the DoD owes for goods and services received from, progress in contract performance made by, and rents due to other entities. Refer to the DoD Standard General Ledger (USSGL) Chart of Accounts and Transaction Library for the most current general ledger account numbers, definitions, and required journal entries. DoD USSGL Transaction Library and Standard Reporting Chart of Accounts are available on the Standard Financial Information Structure (***SFIS***) web page. SFIS provides the current USSGL accounts to be used, defines these accounts, and illustrates the required proprietary and/or related budgetary accounting entries.

2.2 Accounts Payable Recognition – General

2.2.1. DoD Components must recognize a liability for the unpaid amount of the goods when accepting title to goods, whether the goods are delivered or in transit. If invoices for those goods are not available when financial statements are prepared, estimate the amounts owed.

2.2.2. When a contractor provides a DoD Component with goods that are also suitable for sale to others, the accounts payable generally arises when the contractor physically delivers the goods, and the Component receives them and takes formal title.

2.2.3. When a contractor builds or manufactures facilities or equipment to a DoD Component's specifications, the Component does not recognize the goods upon formal acceptance. DoD Components must record payable amounts based on an estimate of work completed under the contract or the agreement. The Component's engineering and management evaluates actual performance progress and incurred costs.

2.2.4. Recorded accounts payable amounts must be supported with appropriate documentation. Documentation includes:

2.2.4.1. Obligation documentation,

2.2.4.2. Agreement or transaction with another entity (e.g., a contract, DD Form 448, Military Interdepartmental Purchase Request (MIPR), project order, Reimbursable Work Order (RWO), or Intra-agency Agreement, General Terms and Condition Section ***Form 7600A*** and the Order Requirements and Funding Information Section ***Form 7600B***).

2.2.4.3. Documentation establishing the amount recognized as payable (e.g., acceptance certificate on an inspection or receiving report form or commercial shipping document/packing list).

2.2.5. Accurately record all accounts payable liabilities.

2.2.6. Obtain and maintain documentation evidencing amounts payable for the DoD Component buyer of goods or services.

2.2.7. Document audit evidence of "receipt" including the item(s) or service(s) and related applicable quantities received, the date the item(s) or the service(s) were received, and contain the authorizing official's name and signature or electronic equivalent. DoD Components must ensure the audit evidence includes the calculations determining the amount accrued, or the basis used to estimate the amount. The documentation may include monetary amounts shown on or calculated from a purchase order or contract, historical data, or documented using a contracting officer or technical representative-provided value. If audit evidence includes Personally Identifiable Information or sensitive commercial or proprietary information (such as internal labor rates provided to support certain incurred cost vouchers), such information may be redacted or described in aggregate.

2.2.8. Develop, implement, and validate internal controls are in place and effectively operating for all intragovernmental and interfund transactions and for transactions with the public. Receipt and acceptance must be accomplished and documented by authorized personnel. Make documentation available within the timeframe prescribed by the auditor when requested during audits.

2.2.9. 48 CFR §§ 52.247.29 – 52.247.49 determines the recording timing of an accounts payable liability for goods. The DoD Component must estimate the accounts payable as identified in paragraph 2.3, when amounts are not available at the end of an accounting quarter.

2.2.10. Apply the discount if economically justified when recognizing the accounts payable, whether stipulated in the contract or offered on an invoice. Refer to Volume 10, Chapter 2 for further discussion on discount offers and calculations.

2.3 Accounts Payable Recognition – Estimating the Accrual

2.3.1. Estimate and record an accrual under a condition identified in subparagraphs 2.3.1.1 – 2.3.1.3, when definitive amounts or invoices are not available, but the requirements for recording an accounts payable liability as stated in paragraph 2.2 exist. The DoD Component must reverse the estimate, and record a more definitive amount, when more complete data becomes available (e.g., upon receipt of an invoice or billing).

2.3.1.1. Services are performed but the corresponding invoices are not received at period end (e.g., professional service contract).

2.3.1.2. Equipment and facilities are being manufactured or built based on the Government's specifications, but the corresponding invoices are not received at period end (e.g., aircraft, or building).

2.3.1.3. The Government receives and accepts goods, but the corresponding invoices are not received at period end (e.g., computers delivered and accepted by the Government, but invoices are not yet received).

2.3.2. DoD Components must have effective controls in place to ensure that a payable is not duplicated when an invoice is subsequently received for the same procured goods or services.

2.3.3. Show the calculations and data used to compute the amounts in the supporting documents (or mechanized program(s) used for the accrual estimates). This documentation must also identify who prepared the estimate, the date prepared, and who received and reviewed/approved the estimate. Ensure that the documentation is of sufficient quality to allow an external auditor, to understand and verify the basis, value, and rationale for the recorded amount.

2.3.4. Validate methods for calculating the accrual estimate periodically for reasonableness by comparing the estimate to actual data once available. At a minimum, review the estimating methodology at fiscal year-end. Review the estimating methodology if there is a material change to the business process causing material differences between the method's estimate and actual amounts or if the initial assumptions materially change and the initial accrual estimate is materially affected. Document performance and approval of these reviews. Maintain this documentation for auditors to validate that the review was performed and approved by management.

2.4 Accounts Payable Recognition – Quarterly Accruals

2.4.1. To assist in developing more accurate financial statements, at least quarterly, DoD Components must accrue all procurements in which DoD has received a measurable benefit from, or ownership title to, but have not been documented due to the lack of a receiving report or invoice. Components may need to ask the cognizant contracting officers or the contracting officer's technical representatives to identify the material dollar value of undelivered orders not yet invoiced or captured in receiving reports to establish these quarterly accruals. If the Component cannot obtain all necessary information from the contracting representatives within the 21 days allowed for the preparation of quarterly financial statements, the DoD Component must use the best available information to estimate the accrual. Make adjusting entries in subsequent periods, as information becomes available from contracting representatives.

2.4.2. DoD Components must also accrue temporary duty (TDY) travel taken, not yet disbursed, or otherwise accounted for as an accounts payable liability at least quarterly. Additionally, Components must record an accounts payable liability for TDY travel that crosses two or more accounting quarters on an estimated/proportional basis, if significant. Record the accrued liability in the applicable accounting period, supported with appropriate documentation (or mechanized programs) that clearly shows the calculations and data used to compute the liability amount. This supporting documentation must also provide evidence of who prepared and who received the estimate and the dates these activities were completed. If mechanized programs post accruals, the documentation of who prepared, received, and reviewed the estimate and the date the estimate was prepared may not be available. In this case, all available information captured by the mechanized program must be captured in the accrual.

2.4.3. DoD Components must accrue Permanent Change of Station (PCS) travel taken, not yet disbursed, or otherwise accounted for as a liability, as an accounts payable liability at least quarterly. Additionally, Components must record an accounts payable liability for PCS travel that

crosses two or more accounting quarters on an estimated/proportional basis, if significant. Accrue the liability in the applicable accounting period. Support the liability with appropriate documentation (or mechanized programs) that clearly shows the calculations and data used to compute the amount. This supporting documentation must also provide evidence of who prepared and who received the estimate and the dates these activities were completed. If mechanized programs record accruals, the documentation of who prepared, received, and reviewed the estimate and the date the estimate was prepared may not be available. In this case, all available information captured by the mechanized program must be captured in the accrual.

2.4.4. When estimating these accruals, DoD Components must follow the policy stated in paragraph 2.3.

2.4.5. Fixed-priced construction contracts containing progress payment provisions based upon the percentage or stage of completion require special consideration when recording the accounts payable liability. When accounts payable liability is expected to be paid within the year:

2.4.5.1. Components must record the payable in an amount that reflects the unpaid portion of the contractor's progress payment request for which the contracting officer concurred or approved the estimate of actual progress. The accounts payable accrual must include any amounts being withheld from the contractor pending acceptance and completion, or for other contract administration reasons, as per the terms of the contract. The supporting documentation must include engineering estimates and management evaluation of actual performance progress to validate the percentage of completion used. The contracting officer or their designee must maintain the supporting documentation and be prepared to provide it to the Defense Finance and Accounting Service or auditors to support the accounts payable amount.

2.4.5.2. The accounts payable for this type of contract is recognized because formal acceptance of the final product by the DoD Component is not the determining factor for accounting recognition. The DoD Component acquires an asset during each accounting period based on constructive or de facto receipt and thus must recognize/record an accounts payable during each accounting period to reflect the accumulation of that asset.

2.5 Accounts Payable Recognition – Availability of Funds

DoD Components must not delay recognizing an accounts payable liability pending the availability of funds. The accounts payable not covered by budgetary resources must be disclosed in the financial statement notes (refer to Volume 6B, Chapters 4 and 10). A potential violation of the Antideficiency Act (ADA) may exist if the payable amount exceeds the total availability of funds. Refer to Volume 14 for the financial management policy regarding an ADA violation.

2.6 Intragovernmental Purchases

2.6.1. Procuring a good or service from another DoD Component or Federal entity is an intragovernmental purchase under the TFM Chapter 4700. Payables due to DoD Components or other Federal entities are intragovernmental payables and must be reported separately from payables due to public entities. Note that OMB Circular A-11 uses the term "intergovernmental" for transactions between or among accounts of Federal entities and that transactions with non-appropriated fund instrumentalities are reported as transactions with the public. The United States Department of the Treasury (Treasury) considers both interdepartmental and intradepartmental transactions to be subsets of intragovernmental transactions. Identify the separation of intragovernmental and public transactions at the transaction level in accordance with Treasury regulations to allow for the proper summarization at the various reporting levels within the DoD, and ultimately the Federal Government as a whole. Identification at the transaction level supports auditability down to the transaction level where the supporting documentation normally exists. It also provides the capability to perform intragovernmental elimination entries at various organizational reporting levels, assuming the correct trading partner codes were utilized.

2.6.2. DoD Components must record accounts payable liability for intragovernmental purchases in the appropriate accounting period to recognize the receipt of goods or services ordered regardless of the document used in placing the order (e.g., Forms 7600A and 7600B, MIPR, project order, or RWO). Components must ensure the liability is recorded during the accounting period that the benefit was received and not delayed pending receipt of a corresponding interagency billing or subsequent payment thereof. Documentation supporting the amount recorded must clearly show the basis (description of the good, quantity, and amount; for services, description of the service, labor hours, and amount) for the payable amount recorded (e.g., MIPR, project order, RWO, reciprocal agreement) and proof of receipt. The documentation must also be of sufficient quality to allow an independent third party, such as an external auditor, to understand and verify the basis, value, and rationale for recorded amounts.

* 2.6.2.1. In accordance with the TFM Chapter 4700, Section 4750, trading partner records must resolve balance differences by year-end. The Intra-governmental Transaction (IGT) Guide (Appendix 5) contains the business rules and processes to properly record, report, and reconcile intra-governmental transactions, including the processes for dispute resolution.

2.6.2.2. The DoD Component (buyer) must identify and record all accounts payable accruals. The buyer is ultimately responsible for their financial statements and thus must engage with the seller to identify the appropriate amount to accrue.

2.6.3. DoD Components must ensure an accounts payable liability is also recorded when the goods are received, or the buying DoD Component has gained title to an asset. Component buyers must work with the intragovernmental seller to ensure this business event is identified and the corresponding accounts payable liability is recorded.

2.7 Late Payment Interest

DoD Components must record in accounts payable an amount for prompt payment interest and other penalties incurred on late payments as required under terms of the non-federal contract. Refer to Volume 10, Chapter 7 for the policy on late payment interest and penalties. Components must also consider and record a quarterly accrual estimate for late payment interest and/or penalties to reflect any expected large dollar value late payments that result in a significant interest and/or penalty liability in the reporting period. Defining what amounts are "significant" for these purposes is left to the discretion of the Component.

2.8 Refunds Due

DoD Components must record an accounts payable liability to reflect the refunds due but not paid at the end of the reporting period, when applicable. Record either the exact amount of the refund when known, positively established, and clearly documented, or estimated under the provisions in paragraph 2.3. See Chapter 5 for additional guidance on refunds due.

2.9 Monetary Credits

2.9.1. Specific statutes authorize DoD entities to issue monetary credits as compensation for property or services received from non-federal entities. If the DoD entity exercises this authority, it must also record an accounts payable liability during the period the benefit from the property or services is received. These monetary credits give the seller the agreed-upon value of the acquired property or received service. The credit holder may apply them later to reduce an amount owed (by the holder) in other, sometimes unrelated, transactions with the government. When monetary credits are used for exchange transactions, the DoD entity must record an accounts payable liability equal to the value of the monetary credit.

2.9.2. DoD Components must ensure the documentation supporting the accounts payable entry specifically identifies the property or services received, the date received, the name and signature of the DoD receiving official, and include the bilateral agreement between the non-federal entity and designated DoD representative establishing the agreed-upon value. Components must also ensure the documentation is of sufficient quality to allow an independent third party, such as an external auditor, to understand and verify the basis, value, and rationale for the recorded amount.

2.10 Closed Appropriations

When an appropriation account is closed, any remaining balance in the account must be canceled and unavailable for obligation or expenditure for any purpose. However, legitimately incurred obligations that have not been paid at the time an appropriation is canceled must be reinstated to canceled payables and paid out of a current unexpired appropriation that is available for obligation for the same purpose as the closed account. Refer to Volume 3, Chapter 10 for more specific requirements for expired and closed accounts and Volume 3, Chapter 11 for more specific policies addressing payables involving closed appropriations.

2.11 Liquidating Accounts Payable

Accounts payable recorded when a particular good or service is received must be liquidated when the liability created by the payable is settled. Generally, this occurs after a three-way match of a contract, receiving report, and proper invoice is performed, and the Component disburses to satisfy the billed amount. In other than the three-way match scenario, the accounts payable liability is liquidated when all required prepayment approvals have occurred, and other payment controls satisfied result in generating a payment or recognizing an exchange-in-kind transaction business event.

2.12 Reviewing Accounts Payable Balances

2.12.1. The accounting office must review and reconcile all accounts payable balances to the transaction detail level in supporting accounting systems each quarter. As part of the accounts payable quarterly reviews, reconcile the budgetary accounts associated with the accounts payable balances (e.g., delivered order unpaid, obligations unpaid) to proprietary accounts payable balances. Research any differences, fully document the rationale for necessary adjustments, and obtain approval from the DoD Component's Comptroller or their designated representative before making the adjustments. Retain all adjustments made and associated documentation to support future financial statement-related audits.

2.12.2. The accounts payable recorded for acceptable final performance on a contract or order must remain on the account until liquidated through proper payment, or until receipt of contractual or legal documents that remove the remaining liability. DoD Components must assign financial management personnel to work through the cognizant contracting officer to request an invoice from the contractor for any accounts payable amount remaining unliquidated due to non-receipt of an invoice or billing within 180 days from the date of acceptable final contract performance. Component personnel must continue to pursue receipt of overdue invoices through the contract administration and fund holders to avoid canceled appropriations and to improve accounts payable reporting. Refer to Volume 3, Chapter 8 for a policy associated with dormant commitments and unliquidated obligations eligible for closeout on physically complete contracts.

2.12.2.1. Continued non-receipt of an invoice on firm-fixed-price contracts may extinguish the contractor's right to payment and relieve DoD's obligation to pay for the un-invoiced goods or services.

2.12.2.2. When a contractor has failed to invoice for the received and accepted goods or services after more than six years since the date of DoD acceptance, coordinate with the contracting activity and/or legal counsel, and if applicable, the Defense Contract Audit Agency and the Defense Contract Management Agency to consider accounts payable for write-off. Write-off documentation must clearly represent that the over-aged accounts payable is no longer a DoD legal liability. Consider whether the Government has acted to toll or suspend the Contract Disputes Act's six-year limitation period on assertion of claims codified at 41 U.S.C. § 7103. Include the contracting officer's determination that the legal liability to pay on the contract no longer exists. DoD Components must ensure the accounts payable amounts written off contain sufficient

documentation to allow an independent third party, such as an external auditor, to verify the basis, value, and rationale for the write-off.

2.12.3. The accounting office must investigate accounts payable debit balances over $100. These debit (abnormal) balances may result from any number of circumstances (e.g., duplicate payments and unrecorded accounts payable). Correct after thorough research of the underlying documentation associated with the business events and transactions impacting the payable accounts.

2.12.3.1. DoD Components must fully document subsequent adjustments to correct the abnormal balance. Include a description of the circumstances that caused the initial abnormal balance and support the valuation of the revised amount in the documentation. Include the names and signatures (or electronic equivalent) of the management official(s) approving the adjustment and identify the correcting steps being taken to prevent reoccurrence. This documentation must be available for review by the independent auditors if necessary. Identify and report to management any recommendations for changes to internal controls or business processes to preclude incurring abnormal accounts payable balances in the future.

2.12.3.2. If the investigation of a debit balance discloses an overpayment or under-recouped funds related to a contract or vendor payment, the accounting office must coordinate with the responsible entitlement and disbursing offices to pursue collection or recoupment in accordance with the policies in Chapter 14 and Volume 10, Chapter 22.

2.12.4. If the accounting office cannot match a performance report or invoice with a corresponding obligation, a breakdown of fund control processes and a material weakness in internal controls may exist. If posting a transaction to accounts payable does not disclose a corresponding obligation, this may be evidence that either a contract has not been awarded or a posting error has occurred. The accounting office must request the necessary documentation to support the required accounting entry and notify appropriate officials that reports or invoices are being received without a corresponding recorded obligation. Refer to Volume 3, Chapter 11 for the policy on recording an obligation for an unresolved negative unliquidated obligation.

2.12.5. Disbursements in transit are disbursements that have been reported by a disbursing office, through a paying center, to the Treasury and charged against the Department's fund balances but have not yet been received or processed by the applicable accounting office for recordation against the applicable corresponding obligation. These transactions are defined as, and based on the USSGL Crosswalk, map to the accounts payable line of the balance sheet. Refer to Volume 3, Chapter 11 for disbursements in-transit policy.

2.13 Accounts Payable Document Retention

All documentation in support of accounts payable entries and adjustments must be readily available for review by auditors, management, and other DoD Component financial management personnel. The documentation retention policy is contained in Volume 1, Chapter 9.

VOLUME 4, CHAPTER 10: "PERSONNEL RELATED LIABILITIES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated February 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Administrative updates were completed in accordance with the Department of Defense Financial Management Regulation Revision Standard Operating Procedures.	Revision
1.2	Added Authoritative Guidance section for policies and procedures.	Addition
2.1.4	Added a reference for disclosures.	Addition
2.1.5	Added information on imputed costs.	Addition

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CHAPTER 10

PERSONNEL RELATED LIABILITIES

1.0 GENERAL

1.1 Purpose

This chapter prescribes the accounting policy for the Department of Defense (DoD) personnel-related liabilities. The Transaction Library and Standard Reporting Chart of Accounts is available on the Office of the Deputy Chief Financial Officer Standard Financial Information Structure (***SFIS***) web page. The web page also provides the required DoD U.S. Standard General Ledger (USSGL) proprietary and budgetary accounting entries and transaction illustrations.

*1.2 Authoritative Guidance

The accounting policy and related requirements prescribed in this chapter are in accordance with the applicable provisions of:

1.2.1. ***Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) 4***: "Managerial Cost Accounting Standards and Concepts";

1.2.2. FASAB ***SFFAS 5***: "Accounting for Liabilities of The Federal Government;"

1.2.3. FASAB ***SFFAS 33***: "Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates;"

1.2.4. FASAB ***SFFAS 55***: "Amending Inter-entity Cost Provisions;"

1.2.5. ***Title 5 United States Code Section 6303*** "Annual leave; accrual;"

1.2.6. ***Office of Management and Budget, Circular A-136:*** "Financial Reporting Requirements;"

1.2.7. FASAB ***Interpretation 4***: "Accounting for Pension Payments in Excess of Pension Expense;" and

1.2.8. ***Office of Personnel Management (OPM) Number 24-304***, "Benefits Administration Letter"

2.0 ACCOUNTING POLICY FOR PERSONNEL RELATED LIABILITIES

2.1 General Standards

2.1.1. Refer to Chapter 8 for the accounting principles and policy applicable to the financial control of liabilities. Adhere to the standards listed in the following subparagraphs in accounting for personnel-related liabilities.

2.1.2. Update the personnel-related accounting entries based on appropriate source documents reflecting the latest pay adjustments, leave balances, levels of benefits, and changes in benefit rules.

2.1.3. Do not limit the personnel-related accrued amounts to the amounts covered by available budgetary resources.

* 2.1.4. Refer to Volume 6B for the required financial statement disclosure guidance for the personnel-related liabilities discussed in this chapter.

* 2.1.5. Calculate the Civil Service Retirement System (CSRS), the Federal Employees Retirement System (FERS), the Federal Employees Health Benefits Program, and the Federal Employees Group Life Insurance Program imputed costs for the DoD Components Financial Statements. Base the calculations on the annual OPM Benefits Administration Letter.

2.2 Accounting for Personnel Entitlements

2.2.1. Accrue the DoD military and civilian employees' cost of services including overtime when a pay period does not coincide with the end of an accounting period. Accrue based on journal vouchers with supporting documentation (or automated programs) showing the data and calculations in the applicable accounting period. The appropriate authorized accounting official must sign the journal vouchers. Reverse these accruals when the related pay is disbursed, and actual costs are recorded.

2.2.2. Record probable and estimable annuities, adjudicated claims, and benefit payments as of the end of the applicable accounting period. Record amounts based on journal vouchers signed by the appropriate authorized accounting official and supporting documentation clearly showing the basis for the amounts.

2.2.3. Accrue bonuses and awards, if material, in the accounting period earned. DoD Components assess the materiality threshold.

2.2.4. Compensate employee absences (ordinarily for vacation or illness). When DoD employees accrue rights to take leave with pay, DoD Components incur an expense and liability measured by the salary cost when the leave may be taken.

2.2.5. Accrue unused annual leave, including restored leave, compensatory time, credit hours earned, and the associated fringe benefit costs.

2.2.5.1. Record the expense and related liability for annual leave at the regular earned hourly rate. Calculating annual leave based on a fringe benefit rate is also acceptable.

2.2.5.2. Reflect all pay increases and unused leave balances at least quarterly for annual leave, other leave (compensatory time and credit hours), and the associated fringe benefit costs, for financial statement purposes. For general funds, unused annual leave is typically unfunded until the leave is used. However, in working capital funds unused annual leave must be funded.

2.2.6. Do not accrue sick leave, home leave, and compensatory time for travel, as unused balances are not reimbursed by the DoD. These entitlements are expensed as taken.

2.2.7. Accrue Social Security, retirement funds, Thrift Savings Plan (TSP), and group health and life insurance programs in the same manner as gross compensation (see Volume 8, Chapter 3).

2.2.8. Accrue other benefits such as relocation-related real estate costs and personnel allowances in the period earned.

2.2.9. Accrue payments to the OPM for reemployed annuitants and severance pay for former employees in the same manner as gross compensation.

2.2.10. Accrue recruitment and relocation bonuses and retention allowances in the period earned.

2.3 Pensions

2.3.1. Pension benefits include all retirement, disability, and survivor benefits financed through a pension plan, including unfunded pension plans. Three defined benefit retirement plans: CSRS, FERS, and Military Retirement System (MRS) cover DoD civilian and military employees.

2.3.2. Recognize the pension liability when the employee's services are rendered and report the liability in the DoD Components' financial statements. Report recoverable estimated amounts as receivables with the sources of expected repayments indicated if legislation requires that payments to participants be recovered from others (e.g., employing agencies).

2.3.3. Defined contribution plans (e.g., TSP) do not create pension liabilities.

2.3.4. DoD Components recognize a pension expense equaling the employee service cost for the applicable accounting period, less employee contributions, if any, for DoD Civilian pension plans (CSRS and FERS). DoD Components apply the cost factor provided by OPM, the administrative entity.

2.3.5. Calculate the pension expense and liability using actuarial estimates for MRS.

2.3.5.1. Use the "aggregate entry age normal" actuarial cost method to calculate the pension expense and liability for the MRS financial statements. Calculate the liability using the actuarial present value of all future benefits, based on projected salaries and total service, less the actuarial present value of future normal cost contributions that would be made for and by the employees under the plan.

2.3.5.2. Base individual component expense on the actuarial cost. Recognize the difference between component expense and the amount paid by the component to OPM or MRS as an intragovernmental liability. Refer to Volume 12 for more information.

2.3.6. Maintain official communication between OPM and the DoD Office of the Actuary to support pension expense and any related liability.

2.4 Other Retirement Benefits

2.4.1. An employer provides Other Retirement Benefits (ORB) outside the pension plan to a former employee or the employee's beneficiary upon retirement. ORB includes all retirement benefits other than pension plan benefits, such as retirement health care benefits.

2.4.2. Recognize the ORB liability when the employee's services are rendered. Report the liability in the DoD Components' financial statements. Report the recoverable estimated amount as a receivable with the sources of expected repayments indicated, if existing legislation requires that amounts paid to participants be recovered from others (e.g., employing agencies).

2.4.3. Account for and report the ORB expense, such as medical costs for retirees, in the DoD Component financial reports in a manner similar to that used for pensions. Recognize ORB expense in an amount equal to the total service cost (as determined by the DoD Office of the Actuary). Record and report the portion of the ORB liability in the DoD Component financial statements.

2.5 Other Postemployment Benefits

2.5.1. DoD Components provide Other Postemployment Benefits (OPEB) to former or inactive employees, their beneficiaries, and covered dependents outside pension or ORB plans. Inactive employees are not currently rendering services to the employer but have not been terminated, including those temporarily laid off or disabled. Postemployment benefits can include salary continuation, severance benefits, counseling and training, continuation of health care or other benefits, unemployment compensation, workers' compensation, and veterans' disability compensation benefits paid by the employer entity.

2.5.2. Recognize expense and liability when a future outflow or other sacrifice of resources is probable and measurable based on events occurring on or before the reporting date. Report the estimated recoverable amount as a receivable with the sources of expected repayments indicated, if existing legislation requires that amounts paid to participants be recovered from employing agencies. An OPEB example is the Federal Employees' Compensation Act (FECA).

2.5.3. FECA provides workers' compensation benefits to federal employees injured in the performance of duty. Workers' compensation benefits include wage-loss benefits for total or partial disability, monetary benefits for permanent loss or loss of use of a body part, medical benefits, and vocational rehabilitation. Agencies' direct reimbursements finance the FECA program.

2.5.4. The FECA fund pays benefits on behalf of Federal entities as costs are incurred and bills the entity annually for the previous period. Federal entities fund the FECA payments through appropriations reimbursed to the FECA fund. Include annual budget estimates for the fiscal year beginning in the next calendar year equal to the costs (approximately 15 months) for the appropriation-funded agencies. Once the appropriation is received, pay the Department of Labor (DOL) within 30 days.

2.5.5. The DOL sends each agency the actuarial liability estimates for future worker's compensation benefits amounts for both the current and prior years. The current amount is the new balance in the Actuarial FECA Liability. The DoD Component determines the change in actuarial liability by taking a difference of DOL's prior year to current year actuarial liability.

2.5.6. Include the following support with the Actuarial FECA Liability entry:

2.5.6.1. The DOL Memorandum for Chief Financial Officers of Executive Departments and Agencies, which contains the actuarial balances;

2.5.6.2. Agency-Wide Financial Statements Directorate allocation spreadsheet reflecting the percentage allocation to the entity level; and

2.5.6.3. A copy of the last three annual chargeback bills for the Department Level.

3.0 AUDITABILITY AND INTERNAL PROCEDURES

3.1. Each DoD Component must develop and implement internal operating procedures to ensure complete, consistent, timely, accurate, valid, and relevant financial data.

3.2. Maintain appropriate supporting records to provide an appropriate footnote disclosure in the financial statements if personnel-related liabilities are unfunded. DoD Components must disclose according to Volume 6B, Chapter 10.

VOLUME 4, CHAPTER 11: "COMPONENT DEBT"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

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The previous version dated March 2018 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Administrative updates in accordance with the Department of Defense (DoD) Financial Management Regulation Revision Standard Operating Procedures.	Revision
1.2.5	Added Standard Financial Information Structure (SFIS) webpage for U.S. Standard General Ledger (USSGL) accounts and transaction illustrations.	Addition
2.1	Simplified paragraph to clarify the types of DoD component debt. Removed language on DoD borrowed funds for direct and guaranteed loans to foreign governments.	Revision/ Deletion
4.0	Removed USSGL accounts found on the SFIS webpage referenced in subparagraph 1.2.5.	Deletion

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CHAPTER 11

COMPONENT DEBT

1.0 GENERAL

1.1 Purpose

This chapter provides the accounting policy for Department of Defense (DoD) Components' debt incurred in accordance with the referenced statutory and other authorities.

1.2 Authoritative Guidance

This chapter is in accordance with the following authoritative guidance:

1.2.1. ***DoD Manual 4165.63***, "DoD Housing Management";

1.2.2. ***Title 42 United States Code (U.S.C.), section 3374***;

1.2.3. ***DoD Directive 4165.50E***, "Homeowners Assistance Program" (HAP); and

1.2.4. ***Title 32 Code of Federal Regulations (CFR), Part 239*** "Homeowners Assistance Program – Application Processing"

* 1.2.5. The standard general ledger accounts used to report DoD debt and illustrative entries are provided in the Transaction Library and Standard Reporting Chart of Accounts available on the Office of the Deputy Chief Financial Officer ***Standard Financial Information Structure*** web page.

2.0 TYPES OF COMPONENT DEBT

Debt incurred by DoD Components is generally associated with direct and guaranteed loans, and housing programs determined to be necessary to carry out the DoD's mission, including mortgage agreements accepted pursuant to the Family Housing Program (FHP) and the Homeowners Assistance Fund (HAF).

*2.1 Loans and Loan Guarantees

2.1.1. The Department must pay the debt on direct loans if borrowers (e.g., foreign governments, county or city governments, ship owners, or housing builders) default. For loan guarantees, the Department must pay the amount of outstanding principal guaranteed.

2.1.2. The accounting policy for loans and loan guarantees is provided in Volume 12, Chapter 4.

2.2 Housing Program Debt

2.2.1. Family Housing Program. The Defense FHP provides military and civilian families housing referral services including administration of private rental housing for DoD personnel overseas, leasing private housing for DoD personnel, or guaranteeing service members' rental, mortgage and mortgage insurance payments on privately owned housing. Guidance for financing the FHP is contained in Volume 2B, Chapter 6 and DoD Manual 4165.63, while guidance for accounting for funds made available for this program is contained in Volume 3, Chapter 5.

2.2.2. Homeowners Assistance Fund

2.2.2.1. Under 42 U.S.C., section 3374, the Secretary of Defense is authorized to aid owners of one- or two-family dwellings located at or near military installations ordered to be closed in whole or in part. In certain instances, this assistance is rendered by acquiring negotiated title to the properties from such owners. Section (d) of the statute established the HAF. Funding for this program is through annual appropriations made available by the Congress.

2.2.2.2. DoD Directive 4165.50E, "Homeowners Assistance Program," (HAP) provides overall policy guidance and information on this program. The directive also specifies that detailed guidance regarding available benefits, both foreign and domestic, will be provided in the regulations published by the Secretary of the Army as the DoD Executive Agent for the HAP, and codified in 32 CFR Part 239. The Army uses the Headquarters, United States Army Corps of Engineers to implement the program.

3.0 ACCOUNTING POLICY FOR DEBT ASSOCIATED WITH HOUSING PROGRAMS

The overall accounting policy for properties acquired under both the FHP and HAP is the same as those for real property discussed in Volume 4, Chapter 24. The accounting policy for the liabilities incurred under the FHP and HAP programs is discussed in the following paragraphs.

3.1 Liability for Amounts Owed on Housing Acquired under FHP and HAP

The liability for amounts owed on housing acquired under FHP and HAP programs will be equal to (1) borrowings from other Federal Agencies and the public to construct or acquire the properties, or (2) the mortgages assumed when title passes to the DoD.

3.2 Mortgage Balance Payable Reductions

The balance of the mortgages payable will be reduced by that portion of the periodic payments made which represent the mortgage principal.

3.3 Liabilities for Borrowing from Other Organizations

Liabilities for borrowings from other Federal Agencies and non-federal organizations will be recorded at the amounts obtained. Amounts paid to financial organizations to obtain the borrowings must be treated as a current period operating expense.

VOLUME 4, CHAPTER 12: "OTHER LIABILITIES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated May 2021 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Administrative updates in accordance with Department of Defense (DoD) Financial Management Regulation (FMR) Revision Standard Operating Procedures.	Revision
1.1	Revised paragraph to better align with the other liabilities that are described in the chapter. Added reference to Volume 6B, Chapter 4 for financial reporting requirements.	Revision
1.2.6	Added guidance for standard general ledger accounts used to report DoD other liabilities and illustrative entries on the Standard Financial Information Structure web page.	Addition
2.2.1	Added the definitions for deposit funds and nonfiduciary deposit funds.	Addition
2.2.3	Added Treasury Financial Manual guidance for deposit fund accounts.	Addition

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CHAPTER 12

OTHER LIABILITIES

1.0 GENERAL

*1.1 Purpose

This chapter promulgates the accounting policy and related requirements that the Department of Defense (DoD) Components General Fund and Defense Working Capital Fund (DWCF) entities must follow to account for unearned revenues, contingent liabilities, and contract progress payments. These liabilities are reported on the Balance Sheet as "other liabilities" as they are often immaterial and therefore do not warrant separate reporting. See Volume 6B, Chapter 4 for financial reporting requirements for other liabilities. Each DoD Component must develop and implement internal operating procedures to implement this overarching policy in a manner that ensures accurate, complete, and relevant financial data.

1.2 Authoritative Guidance

The accounting policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:

1.2.1. Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards ***(SFFAS) 1***, "Accounting for Selected Assets and Liabilities";

1.2.2. FASAB ***SFFAS 5***, "Accounting for Liabilities of the Federal Government";

1.2.3. FASAB ***SFFAS 7***, "Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting";

1.2.4. FASAB ***SFFAS 12***, "Recognition of Contingent Liabilities Arising from Litigation: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government";

1.2.5. Office of Management and Budget ***(OMB) Circular A-11***, "Preparation, Submission and Execution of the Budget";

* 1.2.6. The standard general ledger accounts used to report DoD other liabilities and illustrative entries are provided in the Transaction Library and Standard Reporting Chart of Accounts available on the Office of the Deputy Chief Financial Officer ***Standard Financial Information Structure*** web page.

1.2.7. The U.S. Department of the Treasury (Treasury) ***Fast Book***;

1.2.8. The Treasury ***USSGL***, a supplement of the Treasury Financial Manual (***TFM***).

2.0 UNEARNED REVENUES

2.1 Advances and Prepayments

2.1.1. Advances and prepayments are amounts received in advance for goods and services that will be delivered at a future date.

2.1.2. When advance fees or payments are received by DoD Components, such as for large-scale, long-term projects, revenue should not be recognized until the goods and services are provided (regardless of whether the fee or payment is refundable). When the cash is received, an increase in cash and an increase in advances and prepayments liability should be recorded in accordance with SFFAS 7.

2.1.3. Liability for advances and prepayments includes advances received that are transfers of assets from the public and other federal entities to cover future expenses or the acquisition of other assets. The DoD Components receiving an advance or prepayment must record the amount received as a liability until payment is earned (goods or services have been delivered or contract terms met). After the payment is earned (performance has occurred), the DoD Components must record the appropriate amount as revenue and reduce advances and prepayments liability accordingly.

2.1.4. The two major activities for which DoD receives advances are as follows:

2.1.4.1. Reimbursable Activities. DoD provides services to other federal agencies and to the public on a reimbursable basis. When a non-federal customer enters into a reimbursable agreement with DoD, the customer is required to pay for services in advance unless exempted by law. Generally, non-DoD entities are required to pay in advance.

2.1.4.2. Defense Working Capital Funds (DWCF) Activities. The appropriation language for DoD's DWCF permits the fund to receive advances for supplies and services. Therefore, the DWCF business entities may be advanced funds identified in the DWCF customer orders during the fiscal year, as required, to enable the DWCF activity to pay for its costs of operation.

2.2 Nonfiduciary Deposit Funds

* 2.2.1. Deposit funds are in general monies that do not belong to the Federal Government. Nonfiduciary deposit funds are deposit funds that do not meet the definition and characteristics of fiduciary activities in SFFAS 31. While awaiting disposition, nonfiduciary deposit funds are reported separately on the entity's financial statements.

2.2.2. Deposit funds must be recorded as a liability because those assets do not belong to the Federal Government. The liability includes, but is not limited to, currency and coin on hand, cash on deposit at designated depositories (excluding Disbursing Officer held cash), negotiable instruments on hand, military payment certificates, and unsupported undistributed collections. Such funds are not available for paying salaries, grants, or other expenses of the Federal Government.

* 2.2.3. See ***TFM Volume I Part 2 Chapter 150 Section 1550*** for more details on deposit fund accounts.

2.2.4. See Treasury's ***FAST Book*** for a full list of DoD deposit accounts.

2.3 Clearing Accounts

2.3.1. Clearing accounts represent amounts known to belong to the Federal Government but held temporarily in this account until additional information is collected for the disposition or reclassification of these amounts. Examples of how to use clearing accounts are:

2.3.1.1. To record unmatched transactions from the public when there is a reasonable presumption that the amounts belong to a Federal Government account other than miscellaneous receipts in the Treasury.

2.3.1.2. To record unmatched transactions between Federal agencies, including intra-governmental payment and collection transactions.

2.3.2. Refer to Chapters 2 and 3 for a discussion of the requirements for reconciling, aging, and clearing Budget Clearing Accounts.

3.0 CONTINGENT LIABILITIES

3.1 Definition and recognition of contingent liabilities

3.1.1. A contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss to an entity. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur.

3.1.2. To account for a contingency, a contingent liability should be recognized in the financial reports and statements when all of the following conditions are met:

3.1.2.1. A past event or exchange transaction has occurred (e.g., a DoD Component has breached a contract with a non-federal entity).

3.1.2.2. A future outflow or other sacrifice of resources is probable (e.g., the non-federal entity has filed a legal claim against a DoD Component for breach of contract and the Component entity's management believes the claim is likely to be settled in favor of the claimant).

3.1.2.3. The future outflow or sacrifice of resources is measurable (e.g., the DoD Component entity's management determines an estimated settlement amount).

3.1.3. The estimated contingent liability may be a specific amount or a range of amounts. If some amount within the range is a better estimate than any other amount within the range, that amount is recognized. If no amount within the range is a better estimate than any other amount,

the minimum amount in the range is recognized, and the range and description of the nature of the contingency should be disclosed.

3.1.4. If any of the conditions identified in 3.1.1 are not met, the contingent liability need not be recognized in the DoD Components Balance Sheet but should be disclosed in the financial statement notes when it is at least reasonably possible that a loss or additional loss may have been incurred. Disclosure should include the nature of the contingency and an estimate of the possible liability, an estimate of the range of the possible liability, or a statement that such an estimate cannot be made.

3.2 Probability classifications for contingent liabilities

3.2.1. Probable. The future confirming event or events are more likely than not to occur, with the exception of pending or threatened litigation and unasserted claims. For pending or threatened litigation and unasserted claims, the future confirming event or events are presumed likely to occur.

3.2.2. Reasonably Possible. The chance of the future confirming event or events occurring is more than remote but less than probable.

3.2.3. Remote. The chance of the future event or events occurring is slight.

3.3 Legal contingencies

3.3.1. Legal contingencies arise from litigation, claims, and assessments. It is the Component management's responsibility, with legal counsel's advice, to assess the likelihood of adverse outcomes for legal cases and decide whether to recognize them as liabilities and to disclose them in the notes to the financial statements. The Component should obtain evidence relevant to the following factors with respect to litigation, claims, and assessments:

3.3.1.1. The existence of a condition, situation, or set of circumstances indicating uncertainty as to the possible loss to the Component arising from litigation, claims, and assessments;

3.3.1.2. The period in which the underlying causes for a legal action occurred;

3.3.1.3. The likelihood (probable, reasonably possible, or remote) of an unfavorable outcome; and

3.3.1.4. The amount or range of potential loss, if able to estimate.

3.3.2. In accordance with SFFAS 5 and SFFAS 12, the only available categories to assess contingent losses based on the likelihood of the loss are Probable, Reasonably Possible, and Remote. When legal counsel cannot indicate whether the unfavorable outcome is probable or remote, (e.g., unable to express an opinion) the Component should categorize the outcome as Reasonably Possible, and make a disclosure in the notes to the financial statements.

3.3.3. The disclosure should include the nature of the contingency and an estimate of the possible liability, an estimate of the range of the possible liability, or a statement that such an estimate cannot be made. When disclosing that an estimate cannot be made, the claimed amount should be disclosed. Disclosures and amounts prescribed may be aggregated for presentation in the notes to the financial statements.

4.0 CONTRACT PROGRESS PAYMENTS

When a DoD contractor submits a request for a contract progress payment for the costs incurred in pursuit of the contract, it results in a measurable liability to the DoD. Any progress payment requests from a contractor to the DoD that are expected to be paid within one year must be recorded as an "Accounts Payable," and the estimated amount of costs incurred by the contractor that are expected to remain unpaid for more than one year until the completed asset is delivered must be recorded as "Other Liabilities." For every progress payment request, a Contracting Officer Representative, or other authorized representative, must certify that the work reflected has been performed, and is consistent with the requirements of the contract.

VOLUME 4, CHAPTER 13: "ENVIRONMENTAL AND DISPOSAL LIABILITIES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Throughout	Revised "environmental liabilities" to "environmental and disposal liabilities".	Revision
Throughout	Replaced all references to RACER software with generic language.	Deletion
2.0.11	Updated the definitions to provide clarification.	Revision
2.0.22	Updated the definitions to provide clarification.	Revision
3.2.2	Added clarifying language to accounting treatment.	Revision
3.2.6.1	Added clarifying language to accounting treatment.	Revision
3.2.6.6	Deleted example that is not applicable.	Deletion
3.2.7	Added clarifying language to accounting treatment.	Revision
3.3.1	Added clarifying language to accounting treatment.	Revision
3.3.2	Added clarifying language to accounting treatment.	Revision
3.3.2.1	Added clarifying language to accounting treatment.	Revision
3.3.3	Added clarifying language to accounting treatment.	Revision
3.3.5	Added clarifying language to accounting treatment.	Revision
3.3.6	Added clarifying language to accounting treatment.	Revision
3.3.8.1	Added clarifying language to accounting treatment.	Revision
Figure 2	Additional flowchart for asset-driven liabilities.	Addition
Appendix A	Added clarifying language to accounting treatment.	Revision

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CHAPTER 13

ENVIRONMENTAL AND DISPOSAL LIABILITIES

1.0 GENERAL

1.1 Purpose

This chapter prescribes the accounting policy for measuring, recognizing, recording, and disclosing Department of Defense (DoD) environmental and disposal liabilities. General accounting principles and policy for liabilities are contained in ***Chapter 8***. The policies prescribed in this chapter apply to all environmental and disposal liabilities regardless of the funding source or availability of funding. Refer to Volume 6B for guidance on roles and responsibilities in the preparation of related financial reports and note disclosures.

1.2 Authoritative Guidance

This chapter implements applicable provisions of:

1.2.1. Title 10, United States Code, section 2701 (***10 U.S.C. § 2701***). "Environmental Restoration Program;"

1.2.2. ***42 U.S.C. § 9607,*** "The Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA);**"**

1.2.3. ***50 U.S.C. § 1521***, "Destruction of existing stockpile of lethal chemical agents and munitions;"

1.2.4. Title 40, Code of Federal Regulations, part 266.202 ***(40 CFR § 266.202)***;"

1.2.5. Office of Management and Budget ***(OMB) Circular A-136***, "Financial Reporting Requirements;"

1.2.6. U.S. Department of Treasury (Treasury) Treasury Financial Manual ***(TFM)*** United States Standard General Ledger (USSGL);

1.2.7. Statement of Federal Financial Accounting Standards ***SFFAS 1***, "Accounting for Selected Assets and Liabilities;"

1.2.8. ***SFFAS 5***, "Accounting for Liabilities of the Federal Government;"

1.2.9. ***SFFAS 6***, "Accounting for Property, Plant, and Equipment;"

1.2.10. ***SFFAS 21***, "Reporting Corrections of Errors and Changes in Accounting Principles, Amendment of SFFAS 7, Accounting for Revenue and Other Financing Sources;"

1.2.11. ***SFFAS 23***, "Eliminating the Category National Defense Property, Plant, and Equipment;"

1.2.12. Federal Accounting Standards Advisory Board ***(FASAB) Technical Bulletin (TB) 2006-1*****,** "Recognition and Measurement of Asbestos related Cleanup Costs," amended by ***FASAB TB 2011-2***, "Extended Deferral of the Effective Date of Technical Bulletin 2006-1, Recognition and Measurement of Asbestos related Cleanup Costs

1.2.13. ***FASAB Interpretation 9***, "Cleanup Cost Liabilities Involving Multiple Component Reporting Entities: An Interpretation of SFFAS 5 & SFFAS 6;"

1.2.14. ***FASAB Technical Release (TR) 2*** **,** "Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government;"

1.2.15. ***FASAB TR 10*****,**"Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment;"

1.2.16. ***FASAB TR 11***, "Implementation Guidance on Cleanup Costs Associated with Equipment;"

1.2.17. ***FASAB TR 14***, "Implementation Guidance on the Accounting for the Disposal of General Property, Plant, and Equipment;"

1.2.18. Statement on Auditing Standards (SAS) Number 122/AU-C Section 540A, "Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures; superseded by ***SAS Number 143***;"

1.2.19. U.S. Government Accountability Office (GAO) "Standards for Internal Control in the Federal Government" (***The Green Book***).

1.2.20. DoD Instruction ***(DoDI) 4165.14***, "Real Property Inventory and Forecasting;"

1.2.21. ***DoDI 4165.72***, "Real Property Disposal;"

1.2.22. ***DoDI 4715.05***, "Environmental Compliance at Installations Outside the United States;"

1.2.23. ***DoDI 4715.06***, "Environmental Compliance in the United States;"

1.2.24. ***DoDI 4715.07***, "Defense Environmental Restoration Program (DERP);"

1.2.25. ***DoDI 4715.08***, "Remediation of Environmental Contamination Outside the United States;"

1.2.26. ***DoDI 5000.61***, "DoD Modeling and Simulation Verification, Validation, and Accreditation ;"

1.2.27. ***DoDI 5000.64***, "Accountability and Management of DoD Equipment and Other Accountable Property;"

1.2.28. ***DoDI 5530.03***, "International Agreements;"

1.2.29. ***DoD Manual (DoDM) 4160.21***, "Defense Materiel Disposition: Disposal Guidance and Procedures;"

1.2.30. ***DoDM 4160.28***, "Defense Demilitarization Manual;"

1.2.31. ***DoDM 4715.20***, "Defense Environmental Restoration Program (DERP) Management."

2.0 DEFINITIONS

The following definitions apply to environmental and disposal liabilities:

2.0.1. Asset-Driven Liability. An environmental and disposal liability is the environmental and disposal cost associated with future DoD Property, Plant, and Equipment (PP&E) asset closure or disposal that involves non-routine removal of hazardous waste at the point of disposal or closure and/or environmental response explicitly required (by permit or other policy or law). Examples of an asset-driven liability include equipment environmental disposal liabilities, asbestos and environmental closure requirements.

2.0.2. Baseline. A study or survey used to establish the initial site universe of environmental and disposal liability sites. The baseline provides a starting point from which sites that contribute to financial statement reporting balances will be adjusted over time. Once the baseline is established, DoD Components must rely upon established procedures to maintain their E&DL universe.

2.0.3. Contamination. Defined as a release of a hazardous substance, or the potential release of a discarded hazardous substance, which may have a harmful effect or become injurious to the environment or to the public health, safety, or welfare.

2.0.4. Cost Model. A framework upon which an estimating methodology is developed. The model may use mathematical equations to convert resource data into cost data and require users to enter a minimal amount of information to generate cleanup cost estimates.

2.0.5. Cost-to-Complete (CTC). Represents the total estimated future costs for site level cleanup not currently funded at the end of a given fiscal year. CTC estimates assume that approved funding in the year of execution will be received and obligated in full. CTC (including DERP CTC) estimates also include program management costs.

2.0.6. DoD Component. Refers to the Office of the Secretary of Defense, the Military Departments (including their Reserve components), the Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Combatant Commands, the Office of the Inspector General of the DoD, the Defense Agencies, the DoD Field Activities, and all other organizational entities in the DoD.

2.0.7. Due Care. As defined in TR 2, due care in the context of environmental and disposal liability refers to "a reasonable effort to identify the presence or likely presence of contamination. Due care is exercised if an agency has effective policies and procedures in place to routinely identify contamination and forward that information to the responsible agency official."

2.0.8. Environmental Cleanup, Closure, and/or Disposal Costs. For financial statement reporting purposes, the term "environmental cleanup costs" includes costs associated with restoration of environmental sites funded under DERP, corrective actions, and environmental costs associated with the future closure of operations, including closure and disposal of PP&E. Cleanup costs as defined in SFFAS 6, paragraph 85, are the cost of removing, containing, and/or disposing of hazardous waste from real property, or material and/or personal property that consists of hazardous waste at the time of shutdown or disposal, and material and/or property that consists of hazardous waste at permanent or temporary closure or shutdown of associated PP&E. Consistent with SFFAS 6, paragraph 87, cleanup costs may include, but are not limited to, decontamination, decommissioning, site restoration, site monitoring, closure, and post-closure costs. Per SFFAS 6, paragraph 93, cleanup costs, such as those resulting from accidents or where cleanup is an ongoing part of operations, are to be accounted for in accordance with liability standards (SFFAS 1 and SFFAS 5) and are not subject to the recognition guidance provided in SFFAS 6 for environmental and disposal liabilities since the cleanup effort is not deferred until operation of the associated PP&E ceases either permanently or temporarily.

2.0.9. Environmental and Disposal Liabilities. For financial reporting purposes, a DoD environmental and disposal liability is a probable future outflow or other sacrifice of resources that exists as of the financial reporting date for environmental cleanup, closure, and/or disposal costs resulting from past transactions or events. A DoD environmental and disposal liability exists when: (1) contamination is known to be present or likely to be present; (2) environmental cleanup, closure, and/or disposal is required by applicable federal, state, interstate, or local requirements or an authorized legal agreement such as a lease, contract, or international agreement; and (3) DoD activities created the liability and/or an authorized legal agreement establishes DoD as the responsible entity. An environmental and disposal liability may also exist if environmental contamination is not DoD related, but DoD enters into a binding agreement that formally accepts financial responsibility for cleanup, closure, and/or disposal.

2.0.10. Environmental and Disposal Liability Site Universe. All sites identified after performing a due care approach to determine if "probable" and "reasonably estimable" criteria outlined in TR 2 have been met.

2.0.11. Environmental Site. An environmental site is a discrete location(s) for which there is an environmental issue that requires evaluation. A site is a distinct area of an installation containing one or more releases or threatened releases of hazardous substances treated as a discrete entity or consolidated grouping for response purposes. Environmental sites can also be created due to certain re-designation of land per the provisions contained in the environmental permitting processes.

2.0.12. Equipment. Equipment is personal property that is functionally complete for its intended purpose, durable, and nonexpendable. Equipment generally has an estimated useful life of two years or more; is not intended for sale; does not ordinarily lose its identity or become a component part of another article when put into use; has been acquired or constructed with the intention of being used or being available for use by the entity.

2.0.13. Event-Driven Liability. An event-driven liability is an environmental and disposal liability resulting from either a government-acknowledged event or a government-related event where there is a release of contamination to the environment that will require future cleanup.

2.0.14. Friable Asbestos and Non-Friable Asbestos. In accordance with 40 CFR 61.141, friable asbestos is any material containing more than one percent asbestos that, when dry and left undisturbed, can be pulverized, or reduced to powder by hand pressure. Non-friable asbestos is any material containing more than one percent of asbestos that, when dry, cannot be crumbled, pulverized, or reduced to powder by hand pressure during disturbance/removal.

2.0.15. Hazardous Waste. According to SFFAS 6, paragraph 86, hazardous waste is a solid, liquid, or confined gaseous waste, or combination thereof, which because of its quantity, concentration, or physical, chemical, or infectious characteristics may cause or significantly contribute to an increase in mortality or in an increase in serious irreversible, or incapacitating irreversible, illness or pose a substantial present or potential hazard to human health or the environment when improperly treated, stored, transported, disposed of, or otherwise managed. DoD Components should use the hazardous waste definition provided by the Environmental Protection Agency and any materials FASAB specifically identifies as hazardous waste, such as the hazardous air pollutant asbestos. Hazardous substances, as defined under the CERCLA, are generally also hazardous wastes.

2.0.16. Non-routine Environmental and Disposal Liability. A unique cleanup cost of hazardous waste associated with the closure (either temporarily or permanently), disposal, or decommissioning of equipment that meets the “probable” and “reasonably estimable” criteria outlined in TR 2. Additional guidance on non-routine environmental and disposal liabilities is included in TR 11.

2.0.17. Permanent Removal from Service. Permanent removal from service requires two business events to occur: (1) the termination of the asset’s use; and (2) documented evidence of management’s decision to permanently remove the asset from service, by selling, scrapping, recycling, donating or demolishing the asset or where there has been destruction of the asset such

as in an aircraft crash. If only one of these two business rules occurs, a “permanent” removal of an asset from service has not occurred.

2.0.18. Probable. As defined in SFFAS 5, probable is that which can reasonably be expected or is believed to be more likely than not on the basis of available evidence or logic. More likely than not is a greater than 50 percent chance that the DoD Component has a responsibility to address the contamination. The probability of a future outflow or other sacrifice of resources is assessed based on current facts and circumstances. These current facts and circumstances include the law that provides general authority for federal entity operations and specific budget authority to fund programs. If budget authority has not yet been provided, a future outflow or other sacrifice of resources might still meet the probability test if (1) it directly relates to ongoing entity operations and (2) it is the type for which budget authority is routinely provided. Therefore, the definition applies both to liabilities covered by budgetary resources and to liabilities not covered by budgetary resources. Additional guidance on determining "probable" for environmental and disposal liabilities is provided in TR 2.

2.0.19. Property, Plant, and Equipment (PP&E). Tangible assets that (1) have an estimated useful life of 2 or more years, (2) are not intended for sale in the ordinary course of business, and (3) are intended to be used or available for use by the entity.

2.0.20. Real Property. Consists of buildings, structures, linear structures, and land and improvements to the land. Real Property includes equipment affixed and built into the facility as an integral part of the facility (such as heating systems), but not movable equipment (e.g., plant equipment, industrial equipment, buoys).

2.0.21. Reasonably Estimable. The ability to reliably quantify, in monetary terms, the outflow of the required resources. The process for determining if an environmental and disposal liability is “reasonably estimable” is applied after a transaction or event has occurred that meets the definition of “probable.” Additional guidance on determining "reasonably estimable" for environmental and disposal liabilities is provided in TR 2.

2.0.22. Recognition is the formal process by which an item is incorporated into an entity’s financial statements as an asset, liability, revenue, expense, or other relevant category.

2.0.23. Removal from Service. Removal from service is defined as an event that terminates the use of a PP&E asset (e.g., shut down of a facility). Removal from service may occur because of a change in the manner or duration of use, change in technology or obsolescence, damage by natural disaster, or identification as excess to an entity or DoD Component’s mission needs. General removal of an asset from service is not the same as “permanent removal from service.” Removal from service must be considered other than permanent unless (1) the asset’s use is terminated and (2) there is documented evidence of the DoD Component’s decision to permanently remove the asset from service. If only one of the two business events has occurred, permanent removal from service has not occurred (i.e., the removal is considered other than permanent).

2.0.24. Roll Forward Procedures. A documented process bridging the timing gap between June 30 (or other interim date that an analysis has been performed) and September 30 to determine if any significant changes to environmental and disposal liabilities have occurred between June 30 (or other interim date that an analysis has been performed) and September 30. Any significant changes that have occurred between June 30 and September 30 must be reflected in the environmental and disposal liability balance through an adjustment to the environmental and disposal liability balance as of September 30.

2.0.25. Routine Hazardous Waste Disposal. The cost of hazardous waste disposal from day-to-day on-going operations, performed on a regular basis (for example, removing and disposing of batteries, cleaning solvents, and motor oil incurred as part of periodic routine maintenance of equipment over its useful life) should be recognized as an operating expense and accrued liability/payable the period the cleanup occurs in accordance with liability standards outlined in SFFAS 1. The cost of removing and disposing of the same routine maintenance hazardous waste at the time of equipment disposal would likewise be expensed and the associated liability is recognized when incurred (TR 11, paragraphs 12-14). In accordance with SFFAS 6, paragraph 93, if such cleanup is an ongoing part of operations and not deferred until operation of associated PP&E ceases either permanently or temporarily, the costs are not subject to the recognition guidance provided in SFFAS 6, paragraphs 97 and 98.

2.0.26. Transaction Level Detail Reports. Provide the line item details that support the summarized values reported on DoD Component financial statements. For event-driven liabilities, transaction level detail reports could include, but are not limited to, site level or program management level data from environmental and disposal liability systems and accounting systems that report CTC estimates, prior year cost incurred, current year cost incurred, and unpaid obligations as of the reporting period. For asset-driven liabilities, transaction level detail reports could include, but are not limited to, cost model outputs at the asset level.

2.0.27. Unpaid Obligations (UPO). Represents valid obligations supported by documentary evidence to conform to 31 U.S.C. § 1501(a). The amount of unpaid obligations represents the amount of orders for goods and services remaining unfilled at fiscal year-end for which the liability has not yet accrued.

3.0 ACCOUNTING POLICY FOR ENVIRONMENTAL AND DISPOSAL LIABILITIES

3.1 Audit Readiness

Each DoD Component must develop and implement internal operating procedures and/or guidance to implement this overarching policy in a manner that ensures accurate, timely, and relevant reporting of financial data.

3.2 Environmental and Disposal Liability Recognition

This paragraph outlines the policy for recognizing, measuring, and disclosing environmental and disposal liabilities in accordance with applicable accounting standards.

3.2.1. Environmental and disposal liabilities must be recognized on the financial statements as a result of past transactions or events when the future outflows or expenditures of resources for environmental cleanup, closure, and/or disposal actions are probable and reasonably estimable, in accordance with TR 2. A probable environmental and disposal liability exists when it is more likely than not that contamination from hazardous waste exists for which DoD is either legally liable for the cleanup or has acknowledged responsibility for the cleanup. A reasonably estimable environmental and disposal liability exists when a dollar value can be estimated for (1) the cleanup costs based on the results of remedial investigation/feasibility study or experience with similar sites and/or conditions; or (2) where there is no known technology to perform cleanup, the costs can be estimated for a remedial investigation/feasibility study and costs to contain the contamination (see subparagraph 3.2.2).

3.2.2. Cleanup costs associated with government related events resulting in a liability, such as ongoing operations that result in routine hazardous waste or accidental damage (e.g., oil spill) to property caused by federal operations, must be recognized as an operating expense in the period the event occurs if the future outflow or other sacrifice of resources is probable and the liability can be measured, or as soon thereafter as it becomes probable and measurable. If the DoD Component does not complete the cleanup, closure and/or disposal action within the current reporting period, and the cleanup is related to routine ongoing operations, the DoD Component must record an accrued liability for the non-routine cleanup, closure, and/or disposal costs incurred and not paid in accordance with Chapter 9.

3.2.3. Cleanup costs associated with government-acknowledged events (such as toxic waste damage caused by nonfederal entities and natural disasters) do not meet the definition of a "liability" until, and to the extent that, the government formally acknowledges financial responsibility for the cost from the event and an exchange or nonexchange transaction has occurred. The liability and expense should be recognized when both (1) the Congress has appropriated or authorized resources, and (2) an exchange occurs (contractor performs repairs) or nonexchange amounts are unpaid as of the reporting date (direct payments to disaster victims), whichever applies, in accordance with SFFAS 5.

3.2.4. SFFAS 5 address liabilities for environmental cleanup resulting from an accident, natural disaster, or other one-time occurrence. SFFAS 6 provides the standards related to the timing of recognition of environmental and disposal liabilities and related inter-period operating expenses when cleanup cannot be performed until permanent or temporary closures or shutdown and a portion of the estimated total cleanup costs is to be recognized as an expense during each operating period benefiting from operations of the general PP&E. This allocation must be based on a systematic and rational method. For example, the estimated cost could be allocated to operating periods based on the expected physical capacity of the PP&E and the amount of capacity used each period. In addition, disclosure of the total estimated cost is required.

3.2.5. Cleanup costs must be estimated when the associated PP&E is placed in service. The estimate must be referred to as the "estimated total cleanup cost. As cleanup costs are paid, payments must be recognized as a reduction in the liability for cleanup costs. These include the cost of PP&E or other assets acquired for use in cleanup activities. SFFAS 6, paragraph 94

describes two approaches to recognizing the total cleanup cost: one applies to Stewardship PP&E and another to general PP&E.

3.2.5.1. The estimated environmental and disposal liabilities associated with the total cleanup cost for Stewardship PP&E must be consistent with the treatment of the acquisition cost of Stewardship PP&E (i.e., expensing in the period placed in service). For Stewardship PP&E placed in service after the standard is adopted, the agency must recognize an expense and a liability for the full amount of estimated total cleanup cost when the Stewardship PP&E is placed in service. For Stewardship PP&E already in service, according to SFFAS 6, on the day the standard is adopted or upon early implementation, the agency must charge net position through a prior period adjustment and recognize a liability for the full amount of the estimated total cleanup costs. As re-estimates are made, adjustments to the liability must be recognized in expense as "changes in estimated cleanup costs from prior periods."

3.2.5.2. SFFAS 6 had an effective implementation date for periods beginning after September 30, 1997 and TB 2006-1 as amended by TB 2011-2 had an effective date for periods beginning after September 30, 2012. For the initial implementation of these standards, DoD Components must record environmental and disposal liabilities for PP&E as described in Table 13-1 (for non-asbestos related liabilities) or Table 13-2 (for asbestos related liabilities).

Table 13-1. Cleanup Cost Liability Options for PP&E-September 30, 1997 and Prior

The following table describes cleanup cost liability options for the initial implementation of SFFAS 6 for liabilities that existed on or before September 30, 1997.

Environmental and Disposal Liability	Accounting Treatment
Option 1	Liability should be recognized for the portion of the estimated total cleanup cost that is attributable to that portion of the physical capacity used or that portion of the estimated useful life that has passed since the PP&E was placed in service. In each subsequent year of the asset's useful life, recognize a proportionate amount of the remaining costs as an operating expense on the Statement of Net Cost and accumulation of liability on the Balance Sheet (SFFAS 6, paragraph 97-98, 104-105). As re-estimates are made, cumulative effect of changes in total estimated cleanup costs related to current and past operations must be recognized as expense and the liability adjusted in the period of the change in estimate.
Option 2	If costs are not intended to be recovered primarily through user charges, management may elect to recognize the estimated total cleanup cost as a liability upon implementation of the standard. In addition, in periods following the implementation period, any changes in the estimated total cleanup cost must be expensed when re-estimates occur, and the liability balance adjusted.

Note: The offsetting charge is to be recorded as a prior period adjustment on the Statement of Net Position (SFFAS 6, paragraph 104-105).

No amounts may be recognized as expense in the period of implementation. The amounts involved must be disclosed and to the extent possible the amount associated with current and prior periods should be noted.

Table 13-2. Cleanup Cost Liability Options for Asbestos-September 30, 2012 and Prior

The following table describes cleanup cost liability options for the initial implementation of TB 2006-1, as amended by TB 2011-2 for asbestos related liabilities that existed on or before September 30, 2012.

Asbestos	Accounting Treatment
Option 1	Record a liability for estimated cleanup costs equal to that portion of the physical capacity used or that portion of the estimated useful life of the asset that has passed since the PP&E was placed in service. The remaining cost must be recognized in a systematic and rational manner based on use of the physical capacity of the associated PP&E, whenever possible.
Option 2	If the asset has been in service for a substantial portion (greater than 50% of the useful life) of its estimated used life, management can elect to recognize the entire amount of the estimated cleanup cost. This option can only be used if costs are not intended to be recovered primarily through user charges (SFFAS 6, paragraphs 97-98, and 104-105).

Note 1. The offsetting charge for any liability for asbestos related cleanup costs related to general PP&E in service at the date of implementation must be made to the net position of the entity. The amount of the adjustment must be shown as a “change in accounting principle” in any statement of changes in net position that may be required (TB 2006-1, paragraphs 40-41).

Note 2. Illustrative Example of Asbestos Related Cleanup Costs calculation and reporting is presented in Appendix B of TB 2006-1.

Table 13-3. Cleanup Cost Liability Treatment for PP&E Placed in Service After Effective Date

The following table describes the cleanup cost liability treatment for assets placed in service after September 30, 1997 (for non-asbestos related liabilities), as well as the cleanup cost liability treatment for assets placed in service after September 30, 2012 (for asbestos related liabilities).

Environmental and Disposal Liability	Effective Date	Assets Placed in Service After Effective Date
Non-Asbestos	After September 30, 1997	Estimate the total cleanup costs related to the PP&E and recognize annually a portion of the costs over the useful life of the asset. Recognition of the expense and accumulation of the liability must begin on the date that the PP&E is placed into service, continue in each period that operation continues, and be completed when the PP&E ceases operation (SFFAS 6, paragraphs 97-98).
Asbestos	After September 30, 2012	A portion of estimated total asbestos related cleanup costs must be recognized as expense during each period that PP&E is in operation. The estimated useful life of the associated PP&E may serve as the basis for systematic and rational recognition of expense and accumulation of the liability. Recognition of the expense and accumulation of the liability must begin on the date that the PP&E is placed into service, continue in each period that operation continues, and be completed when the PP&E ceases operation (SFFAS 6, paragraph 98 and TB 2006-1, paragraph 38). As re-estimates are made, the cumulative effect of changes in total estimated asbestos related cleanup costs related to current and past operations must be recognized as expense and the liability adjusted in the period of the change in estimate. In certain scenarios, such as when cleanup costs have been fully expensed, the re-estimate may result in a credit to expense for that year (TB 2006-1). As asbestos related cleanup costs are paid, payments must be recognized as a reduction in the liability for asbestos related cleanup costs (SFFAS 6, paragraph 100).

3.2.5.3. The estimated environmental and disposal liabilities associated with PP&E placed in service after September 30, 1997 (i.e., after the initial implementation of SFFAS 6, paragraph 104), that have future environmental cleanup, closure, and/or disposal requirements must be systematically recognized over the useful life or physical capacity usage of the asset. In accordance with SFFAS 6, the accumulation of the liability and the recognition of the related expense should commence when the asset is placed in service, continue in each period that operation continues, and be completed when the PP&E cease operations. The accounting treatment for PP&E placed in service after September 30, 1997, is applicable irrespective of whether the costs are intended to be recovered through user charges or not. If the environmental and disposal liability is not associated with an asset having a useful life, for example an event-driven environmental and disposal liability, the total estimated cleanup cost should be recognized upon identification of the liability in accordance with SFFAS 5.

3.2.5.4. Estimates must be evaluated and revised periodically (at least annually) to account for material changes due to inflation or deflation and changes in regulations, plans, and/or technology (see subparagraph 2.3.4.5). The cumulative effect of changes in total estimated cleanup costs related to current and past operations must be recognized as expense and the liability adjusted in the period of the change in estimate (SFFAS 6, paragraphs 96 and 99).

3.2.5.5. For asbestos (both friable and non-friable) related environmental and disposal liabilities associated with PP&E, the initial date of the standard implementation (i.e., TB 2006-1 amended by TB 2011-2) is the effective date for the systematic liability recognition. Asbestos related environmental and disposal liabilities associated with PP&E placed in service after September 30, 2012, must be systematically recognized over the remaining useful life of the PP&E.

3.2.6. Environmental and disposal liabilities that are unique in nature have different recognition criteria.

3.2.6.1. An environmental and disposal liability for military range cleanup, closure and/or disposal, including disposal of unexploded ordnance, does not exist until a formal decision is made to close the range, or hazardous waste is migrating off the range. If hazardous waste is migrating off the range, the DoD Component will recognize an environmental and disposal liability for the affected portion of the location outside the boundaries of the operational range. This accounting guidance is based on the conditional exemption provided to DoD per EPA regulation 40 CFR 266.202. The EPA regulation effectively excludes military munitions on a military range from the definition of solid waste. A military munition is not a solid waste when:

3.2.6.1.1. Used in training military personnel or explosives and munitions emergency response specialists (including training in proper destruction of unused propellant or other munitions); or

3.2.6.1.2. Used in research, development, testing, and evaluation of military munitions, weapons, or weapon systems; or

3.2.6.1.3. Recovery, collection, and on-range destruction of unexploded ordnance and munitions fragments during range clearance activities at active or inactive ranges. However, ‘‘use for intended purpose’’ does not include the on-range disposal or burial of unexploded ordnance and contaminants when the burial is not a result of product use.

3.2.6.2. Environmental and disposal liabilities related to conventional munitions that are determined to be excess and/or obsolete as of the financial reporting date are recognized for the total disposal estimate (i.e., the environmental and disposal liability). Conventional munitions are typically an inventory item intended for consumption; therefore, an environmental and disposal liability would exist only when the munitions are considered excess or obsolete, because the unused portions require special actions to ensure proper disposal. Conventional munitions are considered to be obsolete when no longer needed due to changes in technology, laws, or operations. Excess quantities of conventional munitions and obsolescence of conventional munitions must be evidenced by documentation of management’s decision to permanently remove an asset from service and the asset’s use is terminated.

3.2.6.3. Environmental and disposal liabilities for stockpile and non-stockpile chemical agents and munitions inventory, and buried chemical agents and munitions, should be recognized for cleanup, closure, and/or disposal costs when the probable and reasonably estimable criteria have been met, in accordance with TR 2. Per 50 U.S.C. § 1521, DoD is required to dispose of chemical weapons and materiel contained in the stockpile, as well as the non-stockpile. The stockpile consists of the chemical weapons and materiel in the inventory. The non-stockpile items are binary chemical weapons, miscellaneous chemical warfare materiel, recovered chemical weapons, and former production facilities. Proper action is needed to mitigate risk to human health and the environment from buried chemical agents and munitions. The determination to dispose of chemical weapons and materials must be evidenced by documentation supporting management’s decision to permanently remove an asset from service and the asset’s use is terminated.

3.2.6.4. For assets permanently removed from service, the environmental cleanup costs liability associated with the disposal, closure, and/or shutdown of the PP&E must be recognized in full. If removal of service is considered other than permanent, the liability and associated cleanup cost expense must continue to accumulate. Permanent removal from service is defined under subparagraph 2.0.17. In compliance with TR 14, documentation must exist of management’s decision to permanently remove an asset from service. Recognition of the full liability for cleanup costs associated with PP&E will not be recorded if an asset’s useful life has not been terminated and there is no documented evidence validating management’s decision to permanently remove the asset from service.

3.2.6.5. Overseas environmental and disposal liabilities are environmental cleanup, closure, and/or disposal costs associated with the operation of installations overseas in accordance with DoDI 4715.08 and international agreements as defined by DoD Directive 5530.3. Environmental and disposal liabilities resulting from DoD operations are considered “Government Related Events,” as defined by SFFAS 5, and will be recognized when the event creating the liability occurs. The requirements to be met will be based on the applicable SFFAS standards,

DoD Issuances (i.e., DoD Directive, DoD Instruction, DoD Manual), and international agreements, in accordance with DoDI 4715.05.

3.2.6.6. When estimating the disposal cost of assets containing hazardous waste, non-environmental costs that are considered immaterial to the total cost of removing or disposing of the asset(s) may be recognized as an environmental and disposal liability. Materiality depends on the degree to which an omission or misstatement would change or influence the judgment of a reasonable person relying on the information and requires the application of professional judgment. Each DoD Component is responsible for supporting any materiality determinations.

3.2.6.7. Both friable and non-friable asbestos related cleanup, closure, and/or disposal costs must be estimated in accordance with TB 2006-1**,** as amended by TB 2011-2. Cost estimates for asbestos must include both friable and non-friable, however itemization of the two types of asbestos is not required in the estimate. Asbestos related cleanup, closure, and/or disposal costs are the costs of removing, containing, and/or disposing of:

3.2.6.7.1. Asbestos-containing materials from property, or

3.2.6.7.2. Material and/or property that consist of asbestos-containing material at permanent or temporary closure, or shutdown of associated PP&E (i.e., when cleanup cannot occur until the end of the useful life or at regular intervals during that life). Asbestos related cleanup, closure, and/or disposal costs associated with PP&E must be recognized in accordance with information in Table 13-2 and Table 13-3. TR 10 provides a framework for identifying assets containing asbestos, assessing assets to collect information, and/or developing assumptions needed to estimate asbestos cleanup costs.

3.2.7. Multiple reporting entities may have distinct responsibilities regarding general PP&E and related cleanup costs. Some component reporting entities are designated by law, rule, or administrative regulation to fund the cleanup liability associated with PP&E owned and operated by another reporting entity during the asset's useful life. In such cases, a component reporting entity that recognizes general PP&E during its useful life differs from the component reporting entity that will eventually be responsible for the future outflows or other sacrifices of resources required for cleanup costs or funding the cleanup liability when the asset is removed from service. FASAB Interpretation 9 clarifies that during the assets useful life, the reporting entity that owns the asset must continue to recognize inter-period operating costs on its Statement of Net Cost and accrue the liability for PP&E on its Balance Sheet until the general PP&E and the associated liability are transferred to the entity designated responsible by law, statute or policy for cleanup. At that time, the general PP&E and the liability should be de-recognized by the component reporting entity that recognized them during the general PP&E's useful life and recognized by the component reporting entity that will liquidate the liability. De-recognition and recognition of the general PP&E and liability should be performed in accordance with existing accounting standards. The DoD Component recording the environmental and disposal liability must have sufficient supporting documentation to establish its responsibility for the liability. If the receiving entity does not provide DD 1354 Transfer and Acceptance of DoD Real Property,

Certificate of Title Transfer, quit claim deed, or other instrument of transfer, the transferring entity continues to recognize the environmental and disposal liabilities.

3.2.8. Environmental and disposal liabilities are generally based on accounting estimates that are discussed in paragraph 3.3. Recognition of necessary adjustments to accounting estimates used in establishing environmental and disposal liabilities are as follows:

3.2.8.1. The cumulative effect of changes in cost estimates is recognized as an expense in the current accounting period and the corresponding liability is adjusted. Additionally, the related cleanup cost for the current period must be expensed and accrued as an environmental and disposal liability. Refer to section 3.0 for the appropriate accounting procedures for recording environmental and disposal liabilities.

3.2.8.2. Material adjustments that are required to correct errors related to prior period operations must be recognized as a prior period adjustment that restates the prior period comparative financial statements. Adjustments to correct errors typically result from mistakes, or the oversight or misuse of facts that would materially misstate the entities' financial statements. This includes errors in the calculation of estimated environmental and disposal liabilities. This type of adjustment is reflected in the Statement of Changes in Net Position and omits any expense recognition in the current period. The amounts involved must be disclosed, and to the extent possible, the amount associated with current and prior periods must be noted. Adjustments required for immaterial amounts are recognized as a current period event.

3.2.9. The risk of material misstatement of accounting estimates normally varies with the complexity and subjectivity associated with the process, the availability and reliability of relevant data, the number and significance of assumptions made, and the degree of uncertainty associated with those assumptions. DERP and non-DERP environmental sites require cleanup cost estimates to be single point estimates using the best available data. If a range is estimated for environmental and disposal liabilities and an amount within the range is considered a better estimate than any other estimate, that amount must be recognized; however, if no amount within a range is considered a better estimate, then the minimum amount in the range must be recognized. Refer to paragraph 3.4 for disclosure requirements of estimates that are based on uncertainty.

3.3 Environmental and Disposal Liability Estimates

3.3.1. Environmental and disposal liabilities are generally developed based on accounting estimates, because the extent of the environmental cleanup, closure, and/or disposal costs cannot be determined until completing cleanup/disposal operations. The DoD Component's responsible program management function and accounting function should work together to identify and support the environmental and disposal liability estimates and maintain audit records to support assumptions, methodologies, and internal controls used in developing the estimates. The responsible program management function is accountable for generating and approving the cost estimates; the accounting function is responsible for reviewing the cost estimates and ensuring the liability is recognized according to the guidance published in this chapter. Each estimate is based on subjective as well as objective factors. Accordingly, sound business judgment based on

knowledge and experience about past and current events and assumptions is required. The accounting estimates are subject to audit standards of SAS Number 122/AU-C Section 540. Organizations that prepare accounting estimates must retain adequate documentation of quality review, estimator and reviewer qualifications, data sources, estimating methodologies, substantiation including the cost models, and internal control procedures. The process of establishing accounting estimates would normally consist of:

3.3.1.1. Identifying situations for which accounting estimates are required;

3.3.1.2. Identifying the relevant factors that may affect the accounting estimate;

3.3.1.3. Accumulating relevant, sufficient, and reliable data on which to base the estimate;

3.3.1.4. Developing assumptions that represent management's judgment of the most likely circumstances and events with respect to the relevant factors;

3.3.1.5. Determining the estimated amount based on the assumptions and other relevant factors;

3.3.1.6. Comparing prior accounting estimates to actual results and with new estimates to assess the reliability of the process used to develop estimates;

3.3.1.7. Determining that the accounting estimate is consistent with the operational plans of the entity; and

3.3.1.8. Determining that the accounting estimate is presented in conformity with applicable accounting principles and that disclosure is adequate.

3.3.2. The environmental cleanup, closure, and/or disposal costs that are probable and reasonably estimable must be estimated based on site-specific information using engineering estimates, comparison with similar sites, contaminants, equipment, parametric methodologies, or cost models validated in accordance with DoDI 5000.61. As cost estimates by definition are subjective and have an element of uncertainty, documentation to support cost estimates must be substantial and robust. The reliability of the cost estimate will depend on the amount of site-specific information available, the extent of experience and resemblance with similar site conditions or assets, availability of remediation technology, and parametric methodologies cost models. Once the DoD Component generates a cost estimate, the liability must be recognized in accordance with paragraph 3.2 and any uncertainty disclosed in the notes to the financial statements.

3.3.2.1. A cost estimate produced from a site-specific study is generally more reliable because it is based directly on environmental conditions at the site. Further, environmental personnel can evaluate the alternative cleanup, closure, and/or disposal actions identified through a site-specific study to develop engineering estimates and to identify the selected alternative.

However, understanding that DoD Components often include multiple sites on an individual contract, supporting documentation required to justify individual UPO transaction level details does not need to be at the site level. Where multiple sites are included on an individual contract, the UPO must have details of each of the sites to decipher reasonably associated costs for each site. In such circumstances, contracts and invoices supporting the UPO transaction level details for the combined multiple sites must be retained to support future audit requirements.

3.3.2.2. If a site-specific study has not been completed, then the DoD Component must determine whether the site is similar to other sites, where experience has been gained based on the completion of a comprehensive study or actual remediation. If there is no investigation and/or comparable site data available, costs are not considered reasonably estimable. In this case, the DoD Component should recognize the anticipated costs of conducting future studies as an environmental and disposal liability in accordance with paragraph 3.2 until they complete the site-specific study.

3.3.2.3. If an acceptable cleanup technology is not available to address the site, then the DoD Component must recognize the estimate to contain the hazardous waste and other relevant costs, such as the costs for future studies, as an environmental and disposal liability in accordance with paragraph 3.2. The DoD Component must also disclose the range of uncertainty in the notes to the financial statement.

3.3.2.4. When cost models are leveraged to develop cost estimates, DoD Components must:

3.3.2.4.1. Accumulate relevant, sufficient, and reliable data on which accounting estimates for a given environmental and disposal liability concern were based;

3.3.2.4.2. Ensure estimates are prepared by qualified personnel and adequately reviewed and approved by the appropriate levels of authority before being finalized;

3.3.2.4.3. Sustain the use of a cost model methodology by compiling and/or collecting and maintaining documentation from appropriate service providers (as applicable) to support review of cost factors on a regular basis and implementing a data collection process. For purposes of implementing this approach, DoD considers “performed on a regular basis” to mean at least annually. At a minimum, DoD Components must ensure that appropriate reviews have been performed and subsequent supporting documentation is available to provide to an auditor. Decisions on when to update cost factors must be driven by the impact that new information has on existing estimate;

3.3.2.4.4. Compile documentation and/or collect documentation from appropriate service providers (as applicable) supporting the reasonableness of cost factors used by cost estimation software;

3.3.2.4.5. Compile documentation and/or collect assurance from appropriate service providers (as applicable) that cost estimation software has been validated or otherwise ensure that the functions performed by the software are executed as intended; and

3.3.2.4.6. Compare a representative sample of prior accounting estimates with subsequent results to assess the reliability of the process used to develop estimates and the reasonableness of estimates developed.

3.3.3. Environmental and disposal liability estimates must be developed to include all event-driven environmental liability sites in the current asset/site universe and must include all asset-driven cleanup, closure, and/or disposal costs. Such cost estimates are calculated on a current cost basis and are based on a current plan, existing laws, and technology. Overhead management costs for environmental sites, assets, and equipment that cannot be attributed to specific sites should be added to the environmental and disposal liability at a summary level. Environmental and disposal liability estimates must include the following cost elements, as applicable:

3.3.3.1. Compensation and benefits of government personnel expected to devote significant time directly to a disposal effort;

3.3.3.2. Cost of employing contractors, engineers, and consultants;

3.3.3.3. Disposal costs (includes demilitarization, material handling, transportation, and tipping fees);

3.3.3.4. Cost of dedicated facilities, machinery, and equipment, and the related operating and maintenance costs;

3.3.3.5. Research and development costs for alternative remediation technologies;

3.3.3.6. Payments to regulatory agencies to provide technical support (e.g., document review of planned studies);

3.3.3.7. Efforts to tear down, remove, and dispose of the item(s), to include transportation, demilitarization, and dismantlement only as required by regulation and/or permit;

3.3.3.8. Planning and design efforts, to include contract advertisement and document reproduction;

3.3.3.9. Landscaping costs to replace landscaping elements damaged or destroyed by remediation efforts;

3.3.3.10. Permits, licenses, and approval to include State Historic Preservation Officer concurrence and documentation, and required for remediation by environmental regulation;

3.3.3.11. Grants or payments to state, tribal, and local governments;

3.3.3.12. Program management costs for DERP, a statutorily defined program with a limited universe of sites on active, BRAC and Formerly Used Defense Sites properties. Program management associated with DERP exists solely to support the remediation of sites specifically eligible for DERP. Since these program management costs will cease at the conclusion of the DERP site response actions, these costs must be reported as part of environmental and disposal liability. These costs are necessary to effectively manage and execute the site cleanup requirements for DERP sites; however, they cannot be directly attributed to an individual cleanup site. Per DoDM 4715.20, the DoD Components must report these costs as rolled-up CTC estimates at the appropriate program level. Estimated program management costs must be included for the Future Years Defense Program (FYDP) and beyond. DoD Components must estimate program management costs beyond the FYDP by applying the average percentage of program management costs through the FYDP to the site level requirements remaining past the FYDP. As with other environmental and disposal liability, these estimates must be supported with appropriate documentation.

3.3.4. Environmental and disposal liability estimates must be reviewed annually and revised when there is evidence that significant changes in the cost measurement have occurred, such as changes in scope, ownership, regulation, or technology. In the event a significant change has occurred between the environmental and disposal liability valuation date and September 30, roll forward procedures must be performed (see paragraph 4.2). At a minimum, long-term cost estimates should be adjusted upward or downward annually, through indexing, to maintain them on a current cost basis as if acquired in the current period. Expenditures should be managed to the transaction level to allow for comparison of prior estimates to subsequent results. Supporting documentation required to justify individual transaction level details does not need to be at the site level. However, contracts and invoices supporting the transaction level details for combined multiple sites must be retained to support future audit requirements.

3.3.5. A portion of estimated total cleanup costs must be recognized as an expense during each period the PP&E is in operation. This must be accomplished in a systematic and rational manner based on use of the physical capacity of the associated PP&E, whenever possible. If physical capacity is not applicable or estimable, the estimated useful life of the associated PP&E may serve as the basis for systematic and rational recognition of expense and accumulation of the liability. A more thorough explanation of the term “useful life” is provided in Chapter 25. The current period estimated expense is equal to:

3.3.5.1. The total final estimated costs of the disposal or closure effort;

3.3.5.2. Divided by the total capacity;

3.3.5.3. Multiplied by the physical capacity used;

3.3.5.4. Minus the amounts previously recognized as expense;

3.3.5.5. Equals the current period estimated expense.

3.3.6. DoD Components must follow at least one (or some combination) of the approaches outlined (as applicable for the environmental and disposal liability considered) to establish and maintain a complete and current universe of environmental and disposal liabilities (i.e., baseline):

3.3.6.1. Reconcile PP&E asset records maintained in Accountable Property Systems of Record (APSRs) with environmental and disposal liability records in environmental databases of record;

3.3.6.2. Produce evidence of the performance of a historical fence-to-fence survey focused on identifying and recording environmental and disposal liabilities and recent efforts to maintain currency over initial survey findings; and

3.3.6.3. Reconcile environmental and disposal liability records with other appropriate source lists.

3.3.7. After an initial baseline has been established, DoD Components must maintain site universes by using the following techniques:

3.3.7.1. For asset-driven and event-driven liabilities, leverage PP&E asset acquisition and disposal processes/systems to update routinely the established baseline;

3.3.7.2. For event-driven liabilities, document and adhere to standard operating procedures for responding to typical site addition processes (e.g., spill programs, environmental surveys) and update the baseline; accordingly, and

3.3.7.3. For event-driven liabilities, document and adhere to standard operating procedures for removing future cost estimates when remediation requirements have been met and no additional future liability exists and update the baseline accordingly.

3.3.8. When implementing guidance outlined in subparagraphs 3.3.6 and 3.3.7, DoD Components must establish and maintain environmental and disposal liability universe baselines for event-driven and asset-driven environmental and disposal liabilities:

3.3.8.1. Event-driven environmental and disposal liabilities. In these instances, it is important that DoD Components define the history, timeline, and activities employed in the environmental surveys to demonstrate that a due care approach was taken, in accordance with TR 2, to establish an initial baseline using current factors (e.g., technology, cost, and the regulatory environment), and that there are sufficient procedures in place to identify and update the baseline to reflect the impact of changes in these factors. Documentation must be readily available to support the baseline, allowing auditors to verify the completeness of established cleanup site universes.

3.3.8.2. Asset-driven environmental and disposal liabilities. To apply the recognition and measurement principles and disclosure requirements for general PP&E in accordance with SFFAS 6, DoD Components may categorize PP&E into categories (base units) of PP&E against which the category definitions will be applied to identify relevant environmental and disposal liabilities. If only a subset of the PP&E asset universe is applicable to a given environmental and disposal liability subcategory, DoD Components must begin by considering the entire PP&E asset universe and demonstrate why individual subcategories are not applicable.

3.3.9. DoD Components must identify and account for environmental and disposal liabilities that are non-routine at the time of equipment disposal, in accordance with TR 11. When using the methodology described in TR 11, DoD Components should:

3.3.9.1. Leverage APSRs to define and categorize equipment assets that should be assessed using TR 11 guidelines.

3.3.9.2. Focus on establishing documentation consistent with guidelines set forth in TR 11 to establish an audit trail for reported equipment environmental and disposal liabilities. An audit trail must be produced even if the resulting value of equipment environmental disposal liabilities is deemed immaterial.

3.3.9.3. Review applicable contractual agreements to understand better the responsibilities and obligations during disposal of equipment assets being considered. In some instances, other contractual parties may assume all or part of a liability at the point of disposal, which could affect DoD financial reporting requirements.

3.3.9.4. Coordinate with the following communities (as applicable): Acquisition, Financial Management, Program Management, and Environmental.

3.4 Environmental and Disposal Liability Disclosures

3.4.1. Financial statement disclosures provide pertinent information in notes or narratives about the amounts reported on the face of the financial statements. (Refer to Volume 6B, Chapter 10 for guidance on completing the financial statement notes.) Disclosure requirements for liabilities, including environmental and disposal liabilities, differ depending on the underlying event and the probability and measurability (reasonably estimable) of loss. Key determinants of probable are the likelihood of contamination, the contamination is government related, the government is legally liable, or government acknowledges the financial responsibility, and whether remediation technology exists. The classifications of likelihood are probable, reasonably possible and remote. Probable means that the future confirming event or events are more likely than not to occur; reasonably possible means that the chance of the future confirming event or events is more than remote but less than probable; and, remote means the chance of the future event or events occurring is slight

3.4.2. Environmental and disposal liabilities meeting the criteria in TR 2 for “probable” and “reasonably estimable” must be recognized on the Balance Sheet. The recognition of

environmental and disposal liabilities requires the following disclosures associated with the cleanup, closure, and/or disposal cost estimates that must be addressed each reporting period within the financial statement note for environmental and disposal liabilities:

3.4.2.1. The sources (list applicable laws and regulations) of cleanup, closure, and/or disposal requirements;

3.4.2.2. The method for assigning estimated total cleanup, closure, and/or disposal costs to current operating periods (i.e., based on consumed useful life or physical capacity of the assets);

3.4.2.3. The unrecognized amounts of environmental and disposal liabilities for assets that require the systematic recognition of the total estimated cleanup, closure, and/or disposal costs. The DoD Component must recognize the portion of the total cost that is attributed to the useful life of the asset that has expired since the asset was placed in service. The balance of the total estimated cleanup, closure and/or disposal cost is the unrecognized portion of the liability;

3.4.2.4. Material changes in the total estimated cleanup, closure and/or disposal costs due to changes in laws, technology, or plans, and the portion of the change in estimate that relates to prior period operations;

3.4.2.5. The nature of estimates and the disclosure of information regarding possible changes due to inflation, deflation, technology, plans, or applicable laws and regulations; and

3.4.2.6. A description of the type of environmental and disposal liabilities identified.

3.4.3. Environmental and disposal liabilities that are not recognized because they do not meet the criteria of "probable" and "reasonably estimable" but for which there is at least a reasonable possibility that a loss may have been incurred are contingent environmental and disposal liabilities that must be disclosed in the notes to the financial statements. OMB Circular A-136 provides details for this disclosure. The financial statement disclosure should include the nature of the environmental and disposal liability and an estimate of the possible liability, an estimate of the range of dollar amounts for the possible liability, or a statement that such an estimate cannot be made.

3.4.4. Environmental and disposal liabilities that are classified as remote or with a slight chance of occurring do not require disclosure in the general-purpose financial statements and accompanying notes, but the law may require disclosure in special purpose reports. If such information is included in general purpose financial reports (e.g., the total face amount of insurance and guarantees in force), it should be labeled in such a way to avoid the misleading inference that there is more than a remote chance of a loss of that amount.

3.4.5. DoD Components must disclose Intragovernmental Liabilities Not Covered by Budgetary Resources separately from Liabilities Covered by Budgetary Resources in accordance with Volume 6B, Chapter 10.

3.4.5.1. Liabilities Covered by Budgetary Resources are liabilities incurred which are covered by realized budgetary resources as of the Balance Sheet date. Budgetary resources encompass not only new budget authority but also other resources available to cover liabilities for specified purposes in a given year. Available budgetary resources include:

3.4.5.1.1. New budget authority;

3.4.5.1.2. Unobligated balances of budgetary resources at the beginning of the year or net transfers of prior year balances during the year;

3.4.5.1.3. Spending authority from offsetting collections (credited to an appropriation or fund account); and

3.4.5.1.4. Recoveries of unexpired budget authority through downward adjustments of prior year obligations.

3.4.5.2. Liabilities are considered covered by budgetary resources if they are to be funded by permanent indefinite appropriations, which have been enacted and signed into law and are available for use as of the Balance Sheet date, provided that the resources may be apportioned by OMB without further action by the Congress and without a contingency having to be met first.

3.4.5.3. Liabilities Not Covered by Budgetary Resources include liabilities incurred for which revenues or other sources of funds necessary to pay the liabilities have not been made available through Congressional appropriations or current earnings of the reporting entity.

3.4.6. DoD reports environmental litigation liabilities separately from other environmental and disposal liabilities in the notes to the financial statements. DoD Components must report estimates of certified third-party damage claims that are probable or reasonably possible. See Volume 6B, Chapters 4 and 10 for information regarding reporting and disclosing requirements on environmental and disposal liabilities arising from litigation claim.

3.4.7. Documentation to support the environmental and disposal liability recognition and disclosures, including management reviews, must be retained for the life of the liability. Once the liability has been eliminated, the documentation must be retained according to applicable retention and disposal instructions in accordance with Volume 1, Chapter 9.

4.0 ACCOUNTING PROCEDURES FOR RECORDING ENVIRONMENTAL AND DISPOSAL LIABILITIES

4.1 Standard Line of Accounting and Accounting Transactions

4.1.1. The ***Standard Financial Information Structure (SFIS)*** is a comprehensive data structure that supports requirements for budgeting, financial accounting, cost/performance, interoperability, and external reporting needs across the DoD enterprise. It is a common business language that enables budgeting, performance-based management, and the generation of financial statements. SFIS standardizes financial reporting across DoD and allows revenues and expenses to be reported by programs that align with major goals, rather than basing reporting primarily on appropriation categories. It also enables decision-makers to efficiently compare programs and their associated activities and costs across DoD and provides a basis for common valuation of DoD programs, assets, and liabilities.

4.1.2. Volume 1, Chapter 4 prescribes the requirements for SFIS and Standard Line of Accounting/Accounting Classification compliance for DoD business systems to meet statutory requirements and additional requirements implemented by the OMB and the Treasury. As stated in Volume 1, Chapter 4, subparagraph 1.3.8, the Treasury Bureau of the Fiscal Service publishes the USSGL which is updated annually in the TFM. TFM Volume 1 Supplements include the latest USSGL Bulletin and seven major sections that comprise the Treasury USSGL guidance: (I) Chart of Accounts, (II) Accounts and Definitions, (III) Account Transactions, (IV) Account Attributes for USSGL Proprietary Account and Budgetary Account Reporting, (V) Crosswalks to Standard External Reports for Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) Reporting, (VI) Crosswalks to Reclassified Statements for Reporting, and (VII) GTAS Validations and Edits for Reporting. Refer to the Office of the Deputy Chief Financial Officer SFIS website, the authoritative source for the DoD Standard Chart of Accounts (including point accounts), the Transaction Library and data element definitions when recording financial transactions related to environmental and disposal liabilities and environmental contingent liabilities.

4.2 Performing Roll Forward Procedures

4.2.1. Environmental and disposal liabilities reported in the financial statements must reflect the liability as of the Balance Sheet date (i.e., as of September 30, or as of June 30), not an earlier date. Thus, when the annual evaluation of the environmental and disposal liabilities is performed as of a date earlier than September 30, DoD Components must develop, document, and execute a process for performing roll forward procedures. These procedures are to determine if any changes that meet the "probable" and "reasonably estimable" criteria occurring during the roll forward period have a significant impact (see Appendix A) on the estimates to be reported as of September 30. To limit the time period covered by the roll forward procedures, DoD Components need to complete a robust cost estimation process at least as recently as June 30 of each year. Subsequent significant changes that have occurred between June 30 and September 30 must be reflected in the environmental and disposal liability reported as of the Balance Sheet date. To assist DoD Components with segmenting their universe to identify subsets of environmental and disposal liability cleanup sites that may not require a reassessment during the roll forward period, a decision tree has been developed and included in Figure 1.

4.2.2. While performing the roll forward procedures, each DoD Component must identify and assess any potential qualifying events to determine their significance to reported financial

statement balances. To roll forward the environmental and disposal liability for event-driven liabilities, the DoD Component must consider:

4.2.2.1. Whether the process for developing supporting justification to determine the significance of a roll forward event may not be as robust as the process for developing supporting justification produced to support the initial estimates or annual evaluation. Sufficient evidence must be available to support the roll forward assessments.

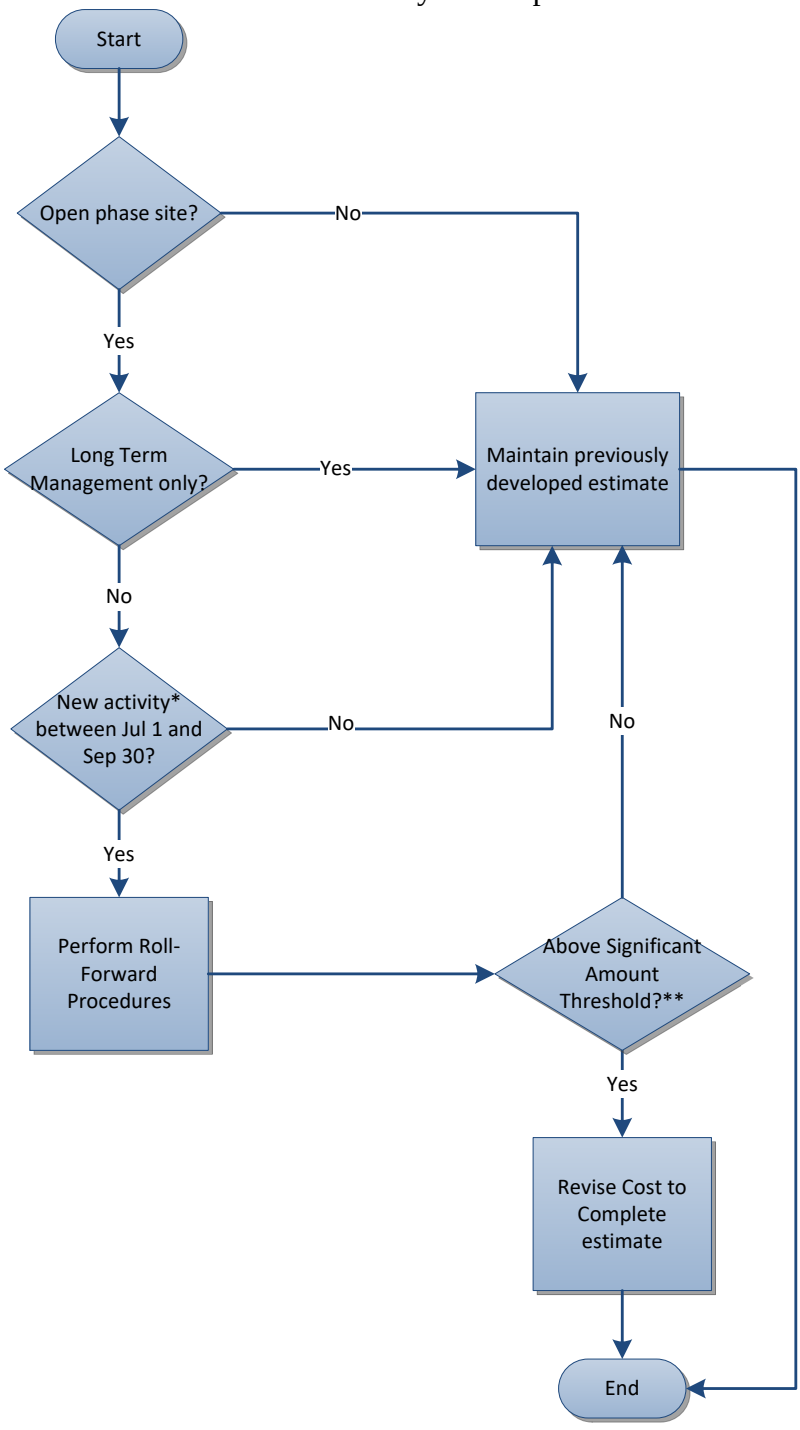
4.2.2.2. Establishing or adjusting liabilities for discoveries/changes occurring in the roll forward period based on prior experience with similar sites and/or conditions for the total cost of cleanup. If several similar sites and/or conditions are considered with no single scenario more likely than any other, the scenario with the minimum associated amount in the range should be used.

4.2.2.3. Macroeconomic factors (e.g., raw materials, regulatory standards, technology) that changed during the roll forward period to determine if they will have a significant impact to the overall cost estimates.

4.2.2.4. Establishing, documenting, and performing roll forward procedures that can sufficiently support the determination of whether any significant changes occurred or alternatively those changes are insignificant. Even if the result of those procedures determines that very few or no events are significant to the financial statements and/or balances as of September 30, the documented process for arriving at that determination will need to be available for auditor's review.

4.2.3. To update the environmental and disposal liability balance for asset-driven liabilities during the roll forward period of July, August and September, DoD Components must consider changes in asset inventories and/or significant occurrence impacting established cost factors developed to predict disposition of non-routine, environmentally hazardous waste at the point of PP&E asset disposal.

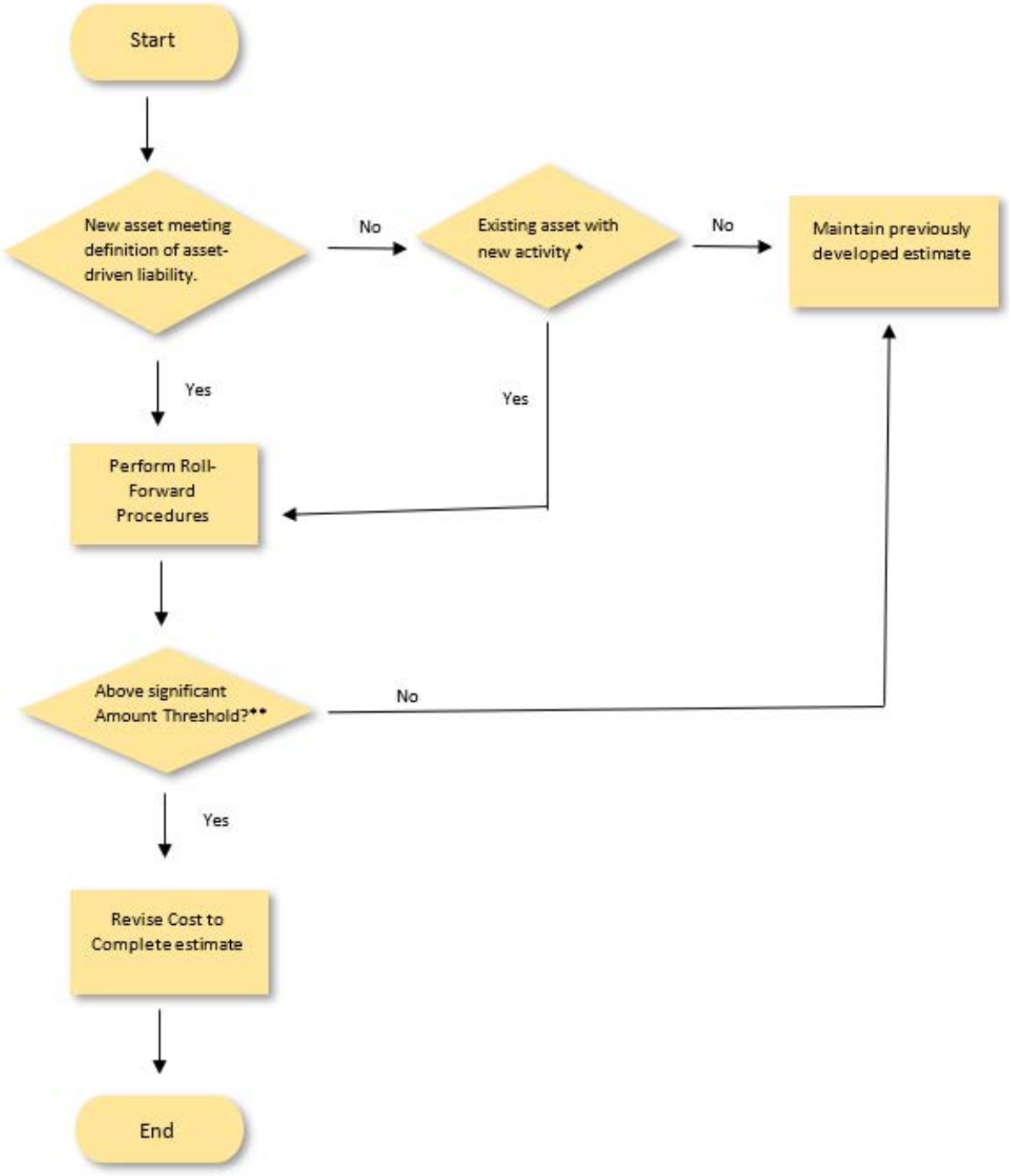
Figure 1. Roll Forward Decision Tree for Event-Driven Environmental and disposal Liabilities
Note: This decision tree assumes an interim analysis was performed as of June 30.



*New activities could include: change in project scope, change in standards or regulations, new technology, new obligation, change in DoD policy, new or additional contamination discovered.

**See Appendix A for determination of significant amounts in the roll forward period.

* Figure 2. Roll Forward Decision Tree for Asset-Driven Environmental and Disposal Liabilities
Note: This decision tree assumes an interim analysis was performed as of June 30.



*New activities could include: change in capacity, change in standards or regulations, new technology, new obligation, change in DoD policy, new or additional contamination discovered.

**See Appendix A for determination of significant amounts in the roll forward period.

Appendix A. Quantitative Determination of Significant Amounts in the Roll Forward Period

DoD Components should use this quantitative approach to determine what are considered significant amounts in the roll forward period. Significant amounts that have occurred between June 30 and September 30 must be reflected in environmental and disposal liability through an adjustment to the environmental and disposal liability as of September 30. To assist DoD Components with segmenting their cleanup universe to identify subsets of environmental and disposal liability cleanup sites that may not require a reassessment during the roll forward period, decision trees have been developed and included in Figure 1 and Figure 2. DoD Components should leverage Figure 1 and Figure 2 or methods consistent with Figure 1 and Figure 2. The intent of Figure 1 and Figure 2 is to assist DoD Components with segmenting their cleanup universe to identify high risk subsets, subsequently reducing the overall effort required to implement roll forward procedures. Subsequently, DoD Components must assess qualifying events to determine significance to the reported financial statement balances.

Approach to calculate significant amount threshold:

Environmental & Disposal Liability Balance [1]	$XXXXX
Multiply by 1%	x .01
Materiality[2]	$XXXXX
Multiply by no more than 3%[3]	x .03
Significant Amount Threshold	$XXXXX

Note: DoD Components must use the calculated significant amount threshold or $1 million, whichever is greater.

The significant amount threshold calculation has been developed to compensate for the possible aggregation of misstatements in the recorded liability amount by a DoD Component (i.e., misstatements for multiple environmental and disposal liability sites) and among DoD Components at the consolidated DoD financial statement level. While individual misstatements may not be material to the financial statements, when aggregated with other misstatements they could result in a material misstatement.

[1] Total Environmental and Disposal Liabilities balance on the DoD Component's financial statements as of the most recently reported period.
[2] This materiality amount is equivalent to Performance Materiality as described in the GAO FAM §230.12.
[3] Based on OUSD's judgment to compensate for the potential aggregation of amounts at the DoD Component level.

VOLUME 4, CHAPTER 14: "PAYMENT INTEGRITY"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated September 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting and added chapter hyperlinks to comply with current administrative instructions.	Administrative
4.0, Throughout	Updated the Office of the Under Secretary of Defense (Comptroller) role and responsibilities from the Financial Management Policy and Reporting Directorate to the Financial Improvement Audit Remediation Directorate.	Revision

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CHAPTER 14

PAYMENT INTEGRITY

1.0 GENERAL

1.1 Overview

This chapter establishes policy for the Department of Defense's (DoD) Payment Integrity portfolio. The portfolio comprises separate Payment Integrity programs that report improper payment and unknown payment risk assessments or statistical estimates. These programs include disbursements related to pay and benefits, commercial goods and services, health care, military retirement, and travel, which collectively encompass the majority of payments made by DoD annually in accordance with the Payment Integrity Information Act of 2019 (PIIA). Refer to the Federal Government ***PaymentAccuracy.gov*** website for a complete listing of DoD Payment Integrity programs. PIIA repealed the Improper Payments Information Act of 2002, the Improper Payments Elimination and Recovery Act of 2010, the Improper Payments Elimination and Recovery Improvement Act of 2012, and the Fraud Reduction and Data Analytics Act of 2015. The requirements for compliance with PIIA are described in the Office of Management and Budget (OMB) Circular A-123, Appendix C, "Requirements for Payment Integrity Improvement," and OMB Circular A-136, "Financial Reporting Requirements," or their successor publications.

1.2 Purpose

The purpose of this policy is to provide guidance to the DoD Components (i.e., Military Services, Defense Agencies, DoD Field Activities, and Combatant Commands) to implement the requirements from the authorities identified in paragraph 1.3. This policy applies to all DoD Components who make "payments" (as defined in the PIIA).

1.3 Authoritative Guidance

1.3.1 ***Public Law, 116-117, PIIA***

1.3.2. ***Title 31, United States Code, Section 3351 et. seq***

1.3.3. ***OMB Circular No. A-123, Appendix C***, "Requirements for Payment Integrity Improvement"

1.3.4. ***OMB Circular No. A-136***, "Financial Reporting Requirements"

2.0 DoD PROGRAM PAYMENT INTEGRITY ACTIVITIES BY PHASE

2.0.1. Programs with annual outlays greater than $10,000,000 will be classified into one of two possible categories: Phase 1 or Phase 2. Programs that are not likely to have an annual amount of improper payments (IP) plus an annual unknown payments (UP) above the statutory threshold (which is either (1) both 1.5 percent of program outlays and $10,000,000 of all program

payments made during the fiscal year (FY) or (2) $100,000,000, regardless of the IP percentage of total program outlays) are referred to as being in Phase 1. If a program in Phase 1 determines that it is likely to annually make IPs plus UPs above the statutory threshold, then the program will move into Phase 2 the following year. Once in Phase 2, a program will have additional compliance requirements such as reporting an annual IP and UP estimate.

2.0.2. Phase 1 Payment Integrity Activities Performed by the DoD Components. PIIA requires that federal agencies assess all programs with annual outlays greater than $10,000,000 for IP risk at least once every three years. The purpose of an IP risk assessment is to adequately conclude whether the program is likely to make total annual IPs plus UPs above or below the statutory threshold, and thus, may be susceptible to significant improper payments for the given year.

2.0.2.1. If the IP risk assessment demonstrates that the program is not likely to make IPs plus UPs above the statutory threshold, then the program will not produce a statistically valid estimate in the following year and instead will conduct another IP risk assessment in three years.

2.0.2.2. An IP risk assessment is a tool that can help a program understand the points within the payment process that may be vulnerable to IPs and UPs. The results of the IP risk assessment help identify weaknesses in internal controls that, if strengthened, could prevent future IPs and UPs from occurring. Establishing and maintaining effective internal controls, including an internal control system that prevents IPs and UPs from being made and promptly detects and recovers any IPs that are determined to be recoverable, should be a priority.

2.0.2.3. Programs must perform an adequate reconciliation of any population used in the creation of the IP risk assessment to conclude on the likelihood of the program being susceptible to significant improper payments. The reconciliation process should be documented in the IP risk assessment. See the ***DoD Payment Integrity Risk Appetite Statement*** for further guidance on the allowable materiality threshold for what percentage of payments from a given universe must be reconciled for the sample population to be considered "complete."

2.0.3. Phase 2 Payment Integrity Activities Performed by the DoD Components. If the results of a program's IP risk assessment determine that the total annual IPs plus UPs for the program are likely to be above the statutory threshold, the program will report a statistically valid IP estimate and UP estimate in the subsequent FY in which the determination was made. Programs that report IP and UP estimates are referred to as being in 'Phase 2'. The main purpose of an IP estimate is to reflect the annual estimated known IPs and UPs made by the program.

2.0.3.1. Sampling and Estimation Methodology Plan (S&EMP). Programs reporting IPs for the first time must produce a S&EMP. A program's S&EMP should have a mechanism for identifying, accounting for, and estimating the annual IPs and the annual UPs separately. The program will be responsible for designing and documenting a S&EMP that produces an IP and UP estimate that is accurate and appropriate given program characteristics, and it will be the DoD Office of Inspector General's (OIG) responsibility to evaluate whether the explanation provided by the program and the S&EMP without point estimates and confidence

intervals around those estimates warrants compliance during the annual DoD OIG compliance review. S&EMPs will be considered statistically valid if they produce point estimates and confidence intervals around those estimates. Components must work with a statistician to determine the appropriate confidence interval given program characteristics, available resources, and whether the estimate is reliable. If a program is unable to develop a S&EMP that produces a point estimate and confidence interval around the estimate, then it must include in their S&EMP a detailed explanation as to why it is not possible. Once a program has submitted a S&EMP to OMB, the program does not need to resubmit a S&EMP unless an update to the plan is warranted (i.e., if the program is impacted by any significant legislative, funding, structural, or guidance changes).

2.0.3.2. Programs must perform an adequate reconciliation of any population such as the disbursement systems used in the creation of the S&EMP. The reconciliation process should be documented in the S&EMP. See the ***DoD Payment Integrity Risk Appetite Statement*** for further guidance on the allowable materiality threshold for what percentage of payments from a given universe must be reconciled for the sample population to be considered "complete."

2.0.3.3. If a program is in Phase 2, has established a baseline, and reports an IP and UP estimate that is below the statutory threshold, it will automatically move back into Phase 1 the following FY unless the DoD OIG issued a noncompliance finding for the program in the previous year and the finding demonstrated that the program IP and UPs estimate was inaccurate and inappropriate given the program characteristics.

2.0.4. DoD Components will sample, conduct post payment reviews, estimate the amount of improper payments and unknown payments using statistically valid sampling methodologies, and report improper payments and unknown payments to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) for reporting in the consolidated DoD Agency Financial Report (AFR) and the annual OMB Payment Integrity data call.

3.0 COMPLIANCE WITH PIIA REQUIREMENTS

3.0.1. The DoD OIG, on an annual basis, will evaluate the Department's compliance with the requirements under PIIA. The Department is not considered compliant under PIIA if one or more of its programs are found non-compliant with one or more PIIA requirements. Refer to Table 14.1 for applicable compliance requirements by program phase classification type (Phase 1 or Phase 2). The six PIIA requirements are:

3.0.1.1. Published a Payment Integrity section in the Other Information section of the consolidated DoD ***AFR*** for the most recent fiscal year and posted the consolidated AFR and any accompanying materials required by OMB. The payment integrity information that is published on PaymentAccuracy.gov is the most common accompanying materials to the annual DoD AFR and the primary location for the comprehensive detailed Department payment integrity program information. OUSD(C) Financial Improvement Audit Remediation (FIAR) achieves the OMB and PIIA statutory requirements by reporting the Department's payment integrity information through OMB's Annual Data Call, which OMB subsequently publishes on PaymentAccuracy.gov.

3.0.1.1.1. DoD Components are not required to include payment integrity information in their individual AFRs.

3.0.1.1.2. DoD Components must include the following statement under the Payment Integrity section in their individual AFRs: "DoD reports payment integrity information (i.e., improper payments) at the agency-wide level in the consolidated DoD Agency Financial Report. For detailed reporting on DoD payment integrity, refer to PaymentAccuracy.gov and to the Other Information section of the consolidated DoD AFR."

3.0.1.2. Conducted a program-specific risk assessment for each DoD program or activity and adequately concluded whether the program is likely to make improper payments plus unknown payments above or below the statutory threshold.

3.0.1.3. Published improper payment and unknown payment estimates for programs susceptible to significant improper and unknown payments in the accompanying materials to the consolidated DoD AFR.

3.0.1.4. Published corrective action plans (CAPs) for each program susceptible to significant improper and unknown payments for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement.

3.0.1.5. Published a reduction target for each DoD program that has reported improper payment and unknown payment estimates above the statutory threshold, demonstrated improvements to payment integrity or reached a tolerable improper payment or unknown payment rate, and developed a plan to meet the established reduction target.

3.0.1.6. Reported an improper payment and unknown payment estimate of less than 10 percent for each DoD program and activity for which an improper payment and unknown payment estimate was published in the accompanying materials to the annual financial statement.

3.0.2. To be fully compliant with the PIIA, the DoD Components must meet each of the applicable requirements based on the program's phase classification described in paragraph 2.1.

Table 14.1 DoD Program Compliance Requirements by Payment Integrity Phase Classification

Program Phase	AFR Published In Accordance with OMB Guidance	Conducted Risk Assessment	Published Adequate Estimate	Published CAP	Published Reduction Targets	Reported Rate Under 10 Percent
Phase 1	✓	✓	N/A	N/A	N/A	N/A
Phase 2	✓	N/A	✓	✓	✓	✓

3.0.3. If the DoD OIG determines that a program is non-compliant for any requirement, then the final OIG report must provide concrete recommendations to the program or DoD Component with specific actions the program must take to achieve compliance with the requirement.

*4.0 OUSD(C) ROLES/RESPONSIBILITIES

4.1 FIAR Directorate Role

The Deputy Chief Financial Officer designated the FIAR Directorate as the Executive Agent (EA) for the DoD Payment Integrity portfolio. As the EA for the DoD Payment Integrity portfolio, the FIAR Directorate provides oversight to the DoD Components to ensure compliance with the authoritative guidance listed in paragraph 1.3. Additionally, OUSD(C), FIAR must be notified by the audit agency of any stand-alone audits regarding Payment Integrity.

4.2 FIAR Directorate Responsibilities

4.2.1. Interpret and provide proactive Payment Integrity related guidance and strategy to the DoD Components to ensure compliance with the authoritative guidance listed in paragraph 1.3.

4.2.2. Review, collaborate and coordinate Senior Executive approval (as appropriate) for the DoD Components' performance and execution of their program-specific risk assessments in determining the susceptibility to significant improper and unknown payments.

4.2.3. Review, collaborate and coordinate Senior Executive approval (as appropriate) for the DoD Components' statistical sampling plans and if required, submit them to OMB.

4.2.4. Coordinate progress in reducing monetary loss, and compile and submit quarterly High-Priority Program Quarterly Payment Integrity Scorecard reports to OMB on DoD programs and activities reporting more than $100 million projected in improper payments that resulted in monetary losses that are designated as "high-priority" by OMB.

4.2.5. Establish and report baselines and subsequently collaborate with DoD Components to establish reduction targets and develop a plan to meet the reduction targets for applicable program(s).

4.2.6. Review, adjudicate, and consolidate the DoD Components' payment integrity data and report the consolidated results in the Payment Integrity section of the consolidated DoD AFR and to OMB through their Annual Data Call.

4.2.7. Review the DoD Components' CAPs to ensure they are complete and link planned actions and improper payments and unknown payments to their root causes.

4.2.8. Review the DoD Components' CAP milestones to track and monitor progress.

4.2.9. Prepare and submit all DoD-wide reports regarding Payment Integrity.

4.2.10. Serve as the primary liaison for annual DoD OIG performance audits and Government Accountability Office (GAO) audits to ensure that all requested information is transmitted to the auditor in a timely manner and that the auditor recommendations are implemented.

4.2.11. Provide administrative and technical support to the DoD PIIA Senior Accountable Officials (SAO) Steering Committee. This committee comprises SAOs from the Military Services and several Defense Agencies responsible for proactive oversight of the DoD Payment Integrity program. The SAO Steering Committee implements best practices, monitors performance, and drives actions for achieving compliance with PIIA. The OUSD(C) FIAR schedules the committee meetings; prepares agendas and briefing materials; prepares meeting minutes; tracks action items to completion; and communicates necessary information to Committee members and stakeholders.

4.2.12. Ensure that the policy contained within the DoD Financial Management Regulation regarding Payment Integrity is current.

4.2.13. Retain documentation submitted by the DoD Components. Refer to ***Volume 1, Chapter 9***, "Financial Records Retention," for additional information on financial records retention.

5.0 DoD COMPONENT ROLES/RESPONSIBILITIES

5.1 DoD Components' Role

The DoD Components ensure that their payments are valid, accurate, and complete. Additionally, the DoD Components ensure that their payments are subjected to post-payment reviews that align with the Department's Payment Integrity lines of effort.

5.2 DoD Components' Responsibilities

5.2.1. For each DoD program under Phase 1, conduct a program-specific risk assessment to determine if the DoD program or activity is susceptible to significant improper payments.

5.2.2. For each DoD program under Phase 2 that has been determined to be susceptible to significant improper payments, develop a statistically valid S&EMP. In addition, implement the S&EMP to produce statistically valid improper payment and unknown payment estimates for all DoD programs and activities determined to be susceptible to significant improper payments.

5.2.2.1. For the payment integrity programs in phase 2, the Defense Finance and Accounting Service (DFAS) Enterprise Solutions and Standards, Enterprise Accounting and Audit Support Office (EAAS) performs most of the annual post-payment reviews, with coordinated support and concurrence from the DoD Components and executive oversight from the OUSD(C), FIAR Payment Integrity team.

5.2.2.1.1. The Army performs annual post-payment reviews of its travel payments and vendor payments that are outside the continental United States.

5.2.2.1.2. The Department of the Air Force performs annual post-payment reviews of its travel payments that are made from the Reserve Travel System.

5.2.2.2. Ensure all payments are subject to improper and unknown payment testing either internally or through the sampling methodologies and post-payment review processes performed by the DFAS, Enterprise Solutions and Standards, EAAS Office. The PIIA does not require agencies to test payments made by a Federal agency to another Federal agency. Therefore, DoD Components are not required to test for intergovernmental and intragovernmental payments transactions and these payments may be excluded from all testing populations.

5.2.2.3. Report annual results of improper payments and unknown payments to OUSD(C), FIAR, for adjudication, consolidation, and reporting in the Payment Integrity section of the consolidated DoD AFR and to OMB through their Annual Data Call. DoD Intelligence Agencies must follow the Office of the Director of National Intelligence, National Intelligence Program, PIIA guidelines and reporting requirements. Classified payments are excluded from public reporting.

5.2.3. For programs or activities determined to be susceptible to significant improper payments and unknown payments above the statutory threshold designated by OMB, identify the root causes of improper payments and unknown payments and develop cost-effective CAPs that eliminate the root causes of improper payments and unknown payments and prevent and reduce improper payments and unknown payments.

5.2.3.1. Submit results on a quarterly basis to OUSD(C), FIAR, for consolidation and reporting in accordance with OMB for high-priority programs. This designation is for programs with improper payments resulting in monetary losses that exceed $100 million annually. High-priority programs must provide quarterly Payment Integrity Scorecard reporting on PaymentAccurancy.gov.

5.2.3.2. Measure the effectiveness and progress of each CAP by assessing the results of actions taken to eliminate the root causes of improper payments and unknown payments.

5.2.4. Implement a cost-effective payment recovery program to recover improper overpayments that resulted in monetary losses.

5.2.5. Support the annual DoD OIG performance audit and relevant GAO audits in a timely manner by furnishing all required provided-by-client documentation, providing responses to auditor's inquiries, and implementing auditor recommendations.

5.2.5.1. Provide support for all ad-hoc requests from external oversight bodies (i.e., OMB, GAO, and Congress).

5.2.5.2. Notify OUSD(C), FIAR of any stand-alone audits regarding Payment Integrity that directly impact their Component.

5.2.6. Use the DNP Initiative resources to review payment or award eligibility for purposes of identifying and preventing improper payments.

5.2.7. Retain documentation submitted by the DoD Components. Refer to Volume 1, Chapter 9, for additional information on financial records retention.

6.0 OMB Circular No. A-123, Appendix C

DoD Components must implement the requirements in OMB Circular No. A-123, Appendix C, or its successor publication. The following paragraphs of this section provide a cursory overview of the key Appendix C requirements.

6.0.1. Programs or Activities Not Susceptible to Significant Improper Payments. PIIA requires that all DoD programs or activities not currently reporting an annual improper payment estimate assess their risk for improper payments. If a DoD component determines that a program or activity is not susceptible to significant improper payments, the DoD component must reassess that program's improper payment risk at least once every three years.

6.0.2. Programs or Activities Susceptible to Significant Improper Payments. If a DoD component determines a program to be susceptible to significant improper payments, the DoD component must estimate and report improper payments for that program annually.

6.0.3. Annual Improper Payment Estimates. In accordance with PIIA, DoD programs that are determined to be susceptible to significant improper payments must produce a statistically valid estimate of the improper payments and unknown payments made.

6.0.4. Annual Reporting. Most payment integrity reporting requirements are met through annual data requests from OMB and by reporting data in the consolidated DoD AFR. For more details on annual payment integrity reporting, see paragraph 7.0 for a summary of OMB Circular A-136 reporting requirements.

6.0.5. High-Priority Programs. PIIA requires OMB to designate the programs with the most egregious cases of improper payments and unknown payments as high-priority; and requires those programs to submit semi-annual or quarterly actions to track the progress towards reducing improper payments and unknown payments. Refer to subparagraph 7.0.2 for more information on the reporting requirements for high-priority programs.

6.0.6. Preventing Improper Payments. If a DoD Component determines that a program or activity is susceptible to significant improper payments, the DoD component must identify the root causes of the improper payments and unknown payments and implement appropriate corrective actions to prevent and reduce these types of payments.

6.0.7. Internal Control Over Payments. As DoD Components implement Appendix C, they should approach improper payments and unknown payments with an Enterprise Risk Management framework in mind and link agency efforts in establishing internal controls and

preventing improper payments and unknown payments. For more information see ***OMB Circular No. A-123, Appendix A***, "Management of Reporting and Data Integrity Risk."

6.0.8. Payment Recovery Audits. One fundamental requirement that DoD Components must meet is to recover any Federal dollars that are a monetary loss to the Government unless legislation specifically prevents such recovery. Monetary loss to DoD represents overpayments such as duplicate payments or amounts that should not have been paid and can be recovered. PIIA requires any DoD program or activity that expends at least $1 million during the year to implement payment recovery audits, if cost effective to the agency, in order to recover improper payments. ***Volume 10, Chapter 22***, "Payment Recovery Audits," provides additional detail on payment recovery audits. The requirement to conduct payment recovery audits is independent of whether a program is susceptible to significant improper payments.

6.0.9. Annual Inspector General Compliance Review. The PIIA contains an important component of accountability to the entire spectrum of improper payment efforts. Every year, the DoD OIG reviews DoD Components' improper payment reporting in the consolidated DoD AFR and any accompanying material (such as the information provided on PaymentAccuracy.gov) to determine if the agency complies with PIIA and OMB guidance.

6.0.10. Do Not Pay (DNP) Initiative. The ***DNP Initiative*** encompasses multiple resources that are designed to help DoD Components review payment eligibility for purposes of identifying and preventing improper payments.

6.0.11. Confirmed Fraud Reporting. As part of the annual OMB Payment Integrity reporting requirements, OUSD(C) FIAR collaborates with the DoD Components to report FY confirmed fraud results. It is important to note the classification of confirmed fraud is determined to be fraudulent through the adjudication process. Confirmed fraud does not include transactions determined by management to be anomalous or indicative of potential fraud that were referred to the DoD OIG or the Department of Justice, unless the appropriate judicial or adjudicative process has made the determination.

7.0 OMB Circular No. A-136

7.0.1. The Department must implement the requirements in OMB Circular No. A-136, or its successor publication. The following paragraphs of this section provide a cursory overview of the key PIIA reporting requirements.

7.0.2. The Department must complete the Annual Data Call issued by OMB and provide a link to PaymentAccuracy.gov in the annual consolidated AFR. The Department is responsible for: (1) contacting OMB (PaymentIntegrity@omb.eop.gov) by September 1st of the reporting year to gain access to the Annual Data Call and (2) reviewing the Annual Data Call guidance to determine which requirements are applicable. If the Department performs recovery audits and the recovery audit contractor recommends actions that can be taken to prevent overpayments, the Department should report on the actions taken in the consolidated AFR.

7.0.3. Beginning in FY 2023, high-priority programs will be required to provide in the annual consolidated AFR a summary of their payment integrity activities and results. The summary must include:

7.0.3.1. A description of improper payments made by the agency; an estimate of the improper payment amount and rate; an explanation of the causes of improper payments; and any major actions taken or planned to mitigate those causes;

7.0.3.2. An explanation for changes in payment integrity methodologies, activities, or results that occurred during the reporting period; and

7.0.3.3. A hyperlink for PaymentAccuracy.gov. The summary must not conflict with data that is available on PaymentAccuracy.gov, which is intended to be the complete source for all qualitative, quantitative, and contextual payment integrity information.

8.0 DEFINITIONS

8.1 Baseline

A baseline is a starting point or benchmark against which future progress can be assessed or compared. If a program had a 24-month reporting cycle where no significant changes occur in the S&EMP, the program will most likely be considered to have established a baseline.

8.2 Improper Payment

An improper payment is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. Incorrect amounts are overpayments or underpayments that are made to eligible recipients (including inappropriate denials of payment or service, any payment that does not account for credit for applicable discounts, payments that are for the incorrect amount, and duplicate payments). An improper payment also includes any payment that was made to an ineligible recipient or for an ineligible good or service (as defined in the PIIA), or payments for goods or services not received (except for such payments authorized by law). In addition, when an agency's review is unable to discern whether a payment was proper as a result of insufficient or lack of documentation, this payment must also be considered an improper payment.

8.3 Payment

The term payment in this chapter means any transfer or commitment for future transfer of Federal funds such as cash, securities, loans, loan guarantees, and insurance subsidies, to any non-Federal person, non-Federal entity, or Federal employee, that is made by a Federal agency, a Federal contractor, a Federal grantee, or a governmental or other organization administering a Federal program or activity.

8.4 Recovery Audit

A recovery audit is the review and analysis of an agency's or program's accounting and financial records, supporting documentation, and other pertinent information supporting its payments, that is specifically designed to identify overpayments.

8.5 Root Cause

Root causes may be due to anomalies, random events, or due to process vulnerabilities and other systemic factors (e.g., failure to obtain documentation or failure to update recipient eligibility). A root cause is the origin of a problem or condition that led to the failure in a program or activity that resulted in an improper payment. Root cause analysis must identify the internal control deficiency or underlying problems and events that directly contributed to the improper payment.

8.6 Significant Improper Payments

Significant improper payments are defined as gross annual improper payments and unknown payments (i.e., the total amount of monetary loss of improper payments, non-monetary loss improper payments, and unknown payments) in the program exceeding: (1) both 1.5 percent of program outlays and $10 million of all reported program or activity payments made during the fiscal year reported, or (2) $100 million (regardless of the improper payment percentage of total program outlays).

8.7 Tolerable Improper Payment and Unknown Payment Rate

The Tolerable Improper Payment and Unknown Payment Rate is the improper payment and unknown payment estimate achieved with a balance of payment integrity risk and controls. The tolerable improper payment and unknown payment rate for a program is determined by agency senior management and often includes improper and unknown payments, which are unavoidable, cost prohibitive, and sometimes mission prohibitive for the agency to prevent. If a program's tolerable Improper Payment and Unknown Payment Rate is above the statutory threshold, then the Improper Payment and Unknown Payment reduction target will eventually be set to equal that tolerable IP and UP rate.

8.8 Unknown Payment

An unknown payment is a payment that could be either proper or improper, but the agency is unable to discern whether the payment was proper or improper because of insufficient or lack of documentation.

VOLUME 4, CHAPTER 15: "NET POSITION"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated December 2019 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
2.0	Added introduction, providing source guidance references from the Department of Defense, Office Deputy Chief Financial Officer Standard Financial Information Structure.	Addition
2.3	Added definition for "Unexpended Appropriations While Awaiting a Warrant, Account Number 309000" to better align with United States Standard General Ledger (USSGL).	Addition
2.9	Added definition for "Unexpended Appropriations – Used – Disbursed, Account Number 310710" to better align with the USSGL.	Addition

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CHAPTER 15

NET POSITION

1.0 GENERAL

1.1 Overview

Net Position is the difference between the total assets and total liabilities recognized in the Federal Government's or a component reporting entity's Balance Sheet. Net Position may be positive (assets greater than liabilities) or negative (assets less than liabilities). Net Position accounts represent the net investment of the United States (U.S.) Government in the Department of Defense (DoD) or to the reporting entities of the DoD. As such, for the DoD agency-wide statements, it includes all operations of DoD activities, including General Funds, Working Capital Funds, and Special and Trust funds. The general policy to account for the Net Position of the U.S. Government in DoD is contained in this chapter.

1.2 Purpose

This chapter provides descriptions of the primary United States Standard General Ledger (USSGL) accounts that comprise Net Position on the Balance Sheet and the Statement of Changes in Net Position (SCNP) financial statements. It also outlines the reporting of prior-period adjustments on the financial statements.

1.3 Authoritative Guidance

The financial management policy and related requirements set forth in this chapter are in accordance with the applicable provisions of:

1.3.1. Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards ***(SFFAS) 21***, "Reporting Corrections of Errors and Changes in Accounting Principles, Amendment of SFFAS 7, Accounting for Revenue and Other Financing Sources;"

1.3.2. FASAB ***SFFAS 27***, "Identifying and Reporting Funds from Dedicated Collections;"

1.3.3. FASAB ***SFFAS 43***, "Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds;"

1.3.4. Office of Management and Budget ***(OMB) Circular A-136***, "Financial Reporting Requirements;"

1.3.5. U.S. Department of the Treasury (Treasury) ***USSGL***, a supplement of the Treasury Financial Manual.

*2.0 STANDARD GENERAL LEDGER ACCOUNTS FOR NET POSITION

The standard general ledger accounts for Net Position presented are derived from the Treasury USSGL. Posting entries and account listings for the Net Position accounts are provided in the "DoD USSGL Transaction Library" and "DoD Standard Reporting Chart of Accounts," respectively, which are available on the Office of the Deputy Chief Financial Officer ***Standard Financial Information Structure*** web page. Paragraphs 2.1 through 2.12 identify some relevant USSGL accounts to Net Position, but not limited to:

2.1 Unexpended Appropriations – Cumulative, Account Number 310000

This account is used to record the amount of unexpended appropriations after fiscal year-end closing. The balance in this account remains the same during the fiscal year. Activity to increase or decrease unexpended appropriations is reflected in other USSGL accounts in the 310000 series. At year-end, the nominal USSGL accounts in the 310000 series are closed to this USSGL account, including special and trust funds that receive appropriations from the General Fund of the U.S. Government. During the fiscal year, the net of debit and credit balances in the 310000 series accounts reflects the total remaining balance of unused appropriations. Special and trust funds that receive appropriations from the General Fund of the U.S. Government are to record this account. This account does not close at year-end.

2.2 Unexpended Appropriations – Appropriations Received, Account Number 310100

This account is used to record the amount of new appropriations received during the fiscal year. Special and trust funds do not use this USSGL account to record appropriations of dedicated collections. However, special and trust funds that receive appropriations from the General Fund of the U.S. Government are to use this account.

*2.3 Unexpended Appropriations While Awaiting a Warrant, Account Number 309000

This account is used to record the amount of new appropriations expected to be received during the fiscal year from the General Fund of the U.S. Government. This is equal to the funding provided under a continuing resolution and apportioned in accordance with OMB's automatic apportionment bulletin. Pursuant to a continuing resolution or enacted annual appropriation act, the account may be used while awaiting a warrant to be issued for an appropriation by the Treasury's Bureau of the Fiscal Service (Fiscal Service). Special and trust funds do not use this USSGL account to record appropriations for dedicated collections. However, special and trust funds that receive appropriations from the General Fund of the U.S. Government are to use this account. The balance in this account will adjust to zero when the Fiscal Service issues a warrant and must adjust to zero by year-end. This account does not close at year-end.

2.4 Unexpended Appropriations – Transfers-In, Account Number 310200

This account is used to record the amount of unexpended appropriations, from current or prior years, transferred in during the fiscal year. Special and trust funds that receive appropriations

from the General Fund of the U.S. Government are to use this account for transfers of unexpended appropriations.

2.5 Unexpended Appropriations – Transfers-Out, Account Number 310300

This account is used to record the amount of unexpended appropriations, from current or prior years, transferred out during the fiscal year. Special and trust funds that receive appropriations from the General Fund of the U.S. Government are to use this account for transfers of unexpended appropriations.

2.6 Unexpended Appropriations – Prior-Period Adjustments Due to Corrections of Errors - Years Preceding the Prior Year, Account Number 310500

This account is used to record the amount of net increase or decrease to unexpended appropriations due to errors in years preceding the prior-year's financial statements that resulted from mathematical mistakes, mistakes in the application of accounting principles, or oversight or misuse of facts that existed at the time the financial statements were prepared. Use only when comparative financial statements are being presented. Although the normal balance for this account is debit, it is acceptable in certain instances for this account to have a credit balance.

2.7 Unexpended Appropriations – Adjustments, Account Number 310600

This account is used to record the amount of adjustments during the fiscal year to unexpended appropriations from current or prior years. Examples of adjustments include rescissions, and cancellations of expired appropriations. Although the normal balance for this account is debit, it is acceptable in certain instances for this account to have a credit balance.

2.8 Unexpended Appropriations – Used – Accrued, Account Number 310700

This account is used to record the amount of accruals representing a reduction during the fiscal year to unexpended appropriations from current or prior years that is paired with USSGL account 570000, “Expended Appropriations - Used - Accrued,” when goods and services are received or benefits provided. Any funds that receive appropriations from the General Fund of the U.S. Government are to use this account.

*2.9 Unexpended Appropriations – Used – Disbursed, Account Number 310710

This account is used to record the amount of reduction during the fiscal year to unexpended appropriations from current or prior years that is paired with USSGL account 570010, “Expended Appropriations – Disbursed” when goods and services are received or benefits provided. Any funds that receive appropriations from the General Fund of the U.S. Government are to use this account when Fund Balance with Treasury is disbursed.

2.10 Unexpended Appropriations – Prior-Period Adjustments Due to Corrections of Errors, Account Number 310800

This account is used to record the amount of net increase or decrease to unexpended appropriations due to errors in prior-period financial statements that resulted from mathematical mistakes, mistakes in the application of accounting principles, or oversight or misuse of facts that existed at the time the financial statements were prepared. Use USSGL account 310500, "Unexpended Appropriations - Prior-Period Adjustments Due to Corrections of Errors - Years Preceding the Prior-Year" for the amount of net increase or decrease to unexpended appropriations due to errors occurring in years preceding the prior-year's financial statements. Although the normal balance for this account is debit, it is acceptable in certain instances for this account to have a credit balance.

2.11 Unexpended Appropriations – Prior-Period Adjustments Due to Changes in Accounting Principles, Account Number 310900

This account is used to record the amount of net increase or decrease to unexpended appropriations from a prior period due to a change from one generally accepted accounting principle to another one that can be justified as preferable or the adoption of a new FASAB standard. Although the normal balance for this account is debit, it is acceptable in certain instances for this account to have a credit balance.

2.12 Cumulative Results of Operations, Account Number 331000

This account is used to record the amount of net difference since the inception of the activity between (1) expenses and losses, and (2) financing sources including appropriations, revenues, and gains. Although the normal balance for this account is credit, it is acceptable in certain instances for this account to have a debit balance. This account does not close at year-end.

3.0 ACCOUNTING POLICY FOR NET POSITION

3.1 Activities Financed By Appropriations

Activities whose operations are financed by appropriations must show the results of their operations as reductions to the Unexpended Appropriations account on a transaction basis and as changes in the Cumulative Results of Operations account with respect to the equity effect of transactions. The Unexpended Appropriations account is increased for the receipt of appropriations or other appropriation like resources and reduced for amounts expended for assets or operating expenses, and any appropriation withdrawals.

3.2 Activities Financed by Revenues

Activities whose operations are financed by revenues, generally defined as exchange revenue, must have their results of operations reflected as increases or decreases to the Cumulative Results of Operations account, which will include transfers of assets, which are recognized as financing sources. Appropriations received for a specific funding purpose will be accounted for

in the Unexpended Appropriations account until used as a financing source.

4.0 RECOGNITION IN FINANCIAL STATEMENTS

The Component reporting entity's Net Position accounts are Unexpended Appropriations and Cumulative Results of Operations and each must be shown in the consolidated Balance Sheet and SCNP. See Volume 6B, "Form and Content of the Department of Defense Audited Financial Statements."

4.1 Unexpended Appropriations

This amount includes the portion of the entity's appropriations represented by undelivered orders and unobligated balances. Unexpended appropriations on the Balance Sheet must equal unexpended appropriations on the SCNP. Unexpended appropriations attributable to Funds from Dedicated Collections, if material, must be shown separately on the face of the Balance Sheet and should equal unexpended appropriations in the notes to the financial statements as prescribed in OMB Circular A-136.

4.2 Cumulative Results of Operations

This amount represents the net results of operations since inception plus the cumulative amount of prior-period adjustments. This includes the cumulative amount of donations and transfers of assets in and out without reimbursement. Cumulative results of operations on the Balance Sheet should equal cumulative results of operations on the SCNP. Cumulative results of operations attributable to Funds from Dedicated Collections, if material, must be shown separately on the face of the Balance Sheet and should equal the cumulative results of operations in the Funds from Dedicated Collections Note, in accordance with SFFAS 27, as amended.

5.0 ACCOUNTING FOR NET POSITION

Transactions affecting net position frequently require a compound entry; that is, entries must be made in both the proprietary (asset, liability, revenue, expense, and equity) and the budgetary accounts. Entries to the proprietary accounts normally require compound entries to budgetary accounts in the 400000 series of accounts. See the "DoD USSGL Transaction Library" for the listing of the transaction postings to the 300000 series accounts. Entries that affect direct program Delivered Orders, Paid and Unpaid must also include postings to Appropriation Used and Unexpended Appropriation.

6.0 CORRECTION OF AN ERROR OR A CHANGE IN ACCOUNTING PRINCIPLE

6.1 Errors in Financial Statements

Errors in financial statements result from mathematical mistakes, mistakes in the application of accounting principles, or oversight or misuse of facts that existed at the time the financial statements were prepared. When errors are discovered after the issuance of financial

statements, and if the financial statements would be materially misstated absent correction of the errors, corrections should be made as follows:

6.1.1. If only the current period statements are presented, then the cumulative effect of correcting the error should be reported as a prior-period adjustment. The adjustment should be made to the beginning balance of cumulative results of operations, in the SCNP.

6.1.2. If comparative financial statements are presented, then the error should be corrected in the earliest affected period presented by correcting any individual amounts on the financial statements. If the earliest period presented is not the period in which the error occurred and the cumulative effect is attributable to prior periods, then the cumulative effect should be reported as a prior-period adjustment. The adjustment should be made to the beginning balance of cumulative results of operations, in the SCNP for the earliest period presented.

6.1.3. The nature of an error in previously issued financial statements and the effect of its correction on relevant balances should be disclosed. Financial statements of subsequent periods need not repeat the disclosures.

6.1.4. Prior-period financial statements should only be restated for corrections of errors that would have caused any statements presented to be materially misstated. See SFFAS 21 for additional guidance.

6.2 Changes in Accounting Principles

A change in accounting principle is a change from one Generally Accepted Accounting Principle to another one that can be justified as preferable. Changes in accounting principles also include those occasioned by the adoption of new federal financial accounting standards. Unless otherwise specified in the transition instructions section of a new FASAB standard, for all changes in accounting principles that would have resulted in a change to prior-period financial statements:

6.2.1. The cumulative effect of the change on prior periods should be reported as a "change in accounting principle." The adjustment should be made to the beginning balance of cumulative results of operations in the SCNP for the period that the change is made.

6.2.2. Prior-period financial statements presented for comparative purposes should be presented as previously reported; and

6.2.3. The nature of the changes in accounting principle and its effect on relevant balances should be disclosed in the current period. Financial statements of subsequent periods need not repeat the disclosure. See SFFAS 21 for additional guidance.

VOLUME 4, CHAPTER 16: "REVENUE, OTHER FINANCING SOURCES, GAINS AND LOSSES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated February 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Policy Memo	The Deputy Chief Financial Officer memorandum titled, "Policy Change to Account for In-Transit Inventory Assets (FPM19-10), dated December 9, 2019, was cancelled and was not incorporated into the chapter because it has been superseded by the revised policy in the chapter.	Cancellation
Throughout	Added provisions from the Federal Accounting Standards Advisory Board (FASAB) Technical Bulletin 2017-1: "Intragovernmental Exchange Transactions."	Addition
1.2	Added relevant authoritative guidance.	Addition
2.1.2.1	Updated the exchange revenue definition. Added list of exchange revenue performers (Department of Defense [DoD] activities providing goods and/or services at cost). List is not exclusive.	Revision
2.2	Revised to establish that components recognize exchange revenue from inventory sales when title passes to the customer, based on contract or agreement terms.	Revision
2.3	Added exchange revenue disclosures.	Addition
2.5	Added nonexchange revenue disclosures.	Addition
3.5.3	Added FASAB's Accounting Standards Codification guidance for various unrealized gains/losses transactions.	Addition
4.2-4.4, 5.1-5.2 (previous version)	Removed exchange revenue, non-exchange revenue, other financing source, gain and loss accounts as these accounts can be found in the DoD Standard Chart of Accounts referenced in section 4.0.	Deletion

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CHAPTER 16

REVENUE AND OTHER FINANCING SOURCES, GAINS, AND LOSSES

1.0 GENERAL

1.1 Purpose

This chapter describes the accounting principles and concepts that the Department of Defense (DoD) Components must follow to account for revenues, other financing sources, gains, and losses. Expenses are discussed in Chapter 17. Losses are discussed in both this chapter and Chapter 17 because the same transaction type sometimes can result in a gain or loss, e.g., disposition of real property at a price above or below the book value. The "Table of Transactions" in Appendix A assists in classifying exchange and nonexchange revenues, other financing sources, and gains and losses. See ***Volume 6B*** "Form and Content of the Department of Defense Audited Financial Statements" for reporting revenue on the financial statements.

*1.2 Authoritative Guidance

The accounting policy and related requirements in this chapter are in accordance with the applicable provisions of:

1.2.1. Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards ***(SFFAS) 7***, "Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting;"

1.2.2. FASAB Statement of Federal Financial Accounting Concepts ***(SFFAC) 1***, "Objectives of Federal Financial Reporting;"

1.2.3. FASAB ***SFFAC 5***, "Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements;"

1.2.2. FASAB ***Technical Bulletin 2017-1***: "Intragovernmental Exchange Transactions;" and

1.2.3. Office of Management and Budget ***(OMB) Circular A-11***, "Preparation, Submission, and Execution of The Budget."

1.2.4. ***OMB Circular A-136***, "Financial Reporting Requirements."

2.0 REVENUE

2.1 Sources of Revenue

2.1.1. The DoD earns revenues from normal operations. The DoD incurs gains or losses from unusual or nonrecurring transactions. Revenue is an inflow of resources that the Government

demands, earns, or receives by donation. Revenue results in an increase of assets, a decrease in liabilities (or a combination of both), and an increase in Net Position during a reporting period. Decreases in Liabilities for Advances and Prepayment after delivery of goods or services are examples of how decreases in liabilities impact revenue.

2.1.2. Exchange and Nonexchange Revenues

* 2.1.2.1. Exchange revenues are earned from the sale of, or reimbursement for, goods and services provided to DoD activities, other Federal Government agencies and the public. Exchange revenue performers (DoD activities providing goods and/or services at cost) include Defense Working Capital Fund (DWCF) activities; working capital funds within the Military Departments; working capital funds within Other Defense Organizations and construction agents, such as the United States Army Corps of Engineers. Customers include DoD Component organizations, offices, or other elements; non-DoD Federal Government agencies; others officially representing the Federal Government; and members of the public (as specified by law).

2.1.2.2. Exchange revenues must be recognized when something of value is provided to another government entity or to the public.

` 2.1.2.3. Exchange revenue must be posted at the actual price that is received or receivable under the established pricing arrangement.

2.1.2.4. Nonexchange revenues are inflows of resources that the government demands or receives by donation.

2.1.2.5. Cost of goods sold must be recorded when exchange revenues are generated by providing goods and services. Costs must be recorded in the appropriate accounts, such as Cost of Goods Sold for Inventory Sales or Operating Expenses/Program Costs for services sales. The cost of goods sold account is discussed in Chapter 17.

2.1.2.6. Nonappropriated Funds (NAF) Activity Revenues must be accounted for in accordance with Volume 13, Chapter 5. NAF Activities are not included in federal financial statements and are non-federal activities for budgetary and proprietary accounting purposes. They follow the standards of the Financial Accounting Standards Board rather than Federal Accounting Standards Advisory Board.

2.1.2.7. Refunds received are not revenue. Refunds are recoveries of overpayments and can result from errors in paying invoices or items returned to vendor.

2.1.3. Reimbursements and Collections

2.1.3.1. Appropriated funds used to furnish goods and services on a reimbursable basis must have specific legal authority to retain the collections. Otherwise, the funds collected must be transferred to a miscellaneous receipt account. The expenses incurred must be recorded in the appropriate expense accounts and must not be reduced. See Volume 11A, Chapter 1 for additional information about reimbursements.

2.1.3.2. Revenue must be recorded in the financial records, collected promptly, and deposited in the appropriate U.S. Department of Treasury (Treasury) account.

*2.2 Exchange Revenue Recognition and Measurement

2.2.1. Exchange revenues are earned inflows of resources. Each party sacrifices value and receives value in return. Exchange revenue includes most user charges other than taxes.

2.2.1.1. Exchange transactions include intragovernmental transactions where the price is a full or partial reimbursement for the costs incurred.

2.2.1.2. The price received or receivable is the revenue from exchange transactions.

2.2.2. Revenue from exchange transactions must be recognized as follows:

2.2.2.1. When services are performed for the public or another government entity (except for specific services performed to order under a contract), revenue must be recognized in the same accounting period. Customer orders from non-federal entities do not become budgetary resources until collected, unless authorized by law. Customer orders from Nonappropriated Funds are accounted for as orders from non-federal entities.

2.2.2.2. When making goods to order or performing specific services under a contract, recognize revenue based on the ratio of the costs incurred to date to the total estimated costs of completing the contract. If a loss is probable (more likely than not), recognize revenue in proportion to the estimated total cost and recognize costs when goods and services are acquired to fulfill the contract. Recognize the loss in proportion to total cost over the life of the contract.

2.2.2.3. When goods are kept in inventory and are available for sale to customers when ordered, revenue must be recognized when the goods are delivered to the customer. Delivery occurs when title passes to the customer. Delivery or constructive delivery shall be based on the terms of the contract regarding shipping and/or delivery.

2.2.2.4. When services are rendered continuously over time or the right to use an asset extends continuously over time, such as borrowing money or renting space in a building, the revenue must be recognized in proportion to the passage of time or the use of the asset. If the life of asset leased is less than lease term, the life of asset should be used to calculate lease (right of use) revenue.

2.2.2.5. When an asset other than inventory is sold, any gain (or loss) must be recognized when the asset is delivered to the purchaser.

2.2.3. In addition, recognize revenue:

2.2.3.1. When an entity earns administrative fees for a retirement plan. This offsets the entity's gross cost in calculating its net cost of operations.

2.2.3.2. When an entity earns administrative fees associated with collections on delinquent accounts.

2.2.3.3. When an entity earns interest on premiums for money borrowed in an intragovernmental transaction or investments made with premium revenue.

2.2.3.4. When an entity receives funds for administering international and other agreements, the sale of stockpile materials, or the cancellation of a receivable for a reimbursable activity.

2.2.3.5. When an entity receives interest from investments or other sources, where the source funds are from exchange revenues.

2.2.4. For advance fees or payments received, revenue must not be recognized until costs are incurred from providing the goods and services. An increase in cash and liabilities, such as "unearned revenue," must be recorded when the cash is received or if an agency requests advances or progress payments prior to the receipt of cash and records the amount. Advances/prepayments received must be accounted for as a Liability for Advances and Prepayments until performance is accomplished in accordance with ***Chapter 12*** "Other Liabilities."

2.2.5. A receivable must be recorded when revenue is recognized and payment is not received. If the full amount is not expected due to credit losses, returns, allowances or price redeterminations, bad debt expense must be recognized. An appropriate allowance for estimated bad debts must be established. ***Chapter 3*** "Receivables" discusses receivables, associated allowance for bad debt and bad debt expense.

*2.3 Exchange Revenue Disclosures

2.3.1. Each DoD Component that provides goods or services to the public or another government agency must disclose information about exchange revenue.

2.3.2. The following information is required for exchange revenue disclosures:

2.3.2.1. Differences in pricing policy from the full cost or market pricing guidance for exchange transactions with the public as set forth in OMB Circular A-25, User Charges (July 8, 1993), or in subsequent amendments in circulars that set forth pricing guidance.[1]

2.3.2.2. Exchange transactions with the public in which prices are set by law or executive order and are not based on full cost or on market price.[2]

[1] Higher prices based on full cost or market price might reduce the quantity of goods or services demanded resulting in a lower amount of revenue foregone. The DoD Component should explain whether the quantity demanded was assumed to change as a result of a change in price.

[2] The pricing guidance in OMB Circular No. A-25 does not apply to prices set by law or executive order.

2.3.2.3. The nature of intragovernmental exchange transactions in which the entity provides goods or services at a price less than the full cost or does not charge a price at all, with explanations of the amount and reason for disparities between the billing (if any) and the full cost.

2.3.2.4. The expected loss when specific goods are made to order, or specific services are produced to order under a contract, and a loss on the contract is probable and measurable (reasonably estimable).

2.3.3. If increased prices for the exchange revenue may cause reduced demand, the entity must provide an estimate of the possible revenue foregone and provide calculation assumptions.

2.4 Nonexchange Revenue Recognition and Measurement

2.4.1. Nonexchange revenues include income taxes, excise taxes, duties, fines, penalties, donations, and other inflows of resources arising from the Government's power to demand payments. A reporting entity recognizes nonexchange revenue when the entity has a specifically identifiable, legally enforceable claim. The claim collection must be probable, and the amount is measurable. Recognize nonexchange revenues in the financial results of operations. See ***Volume 6B, Chapter 6*** "Statement of Changes in Net Position" for reporting and disclosing nonexchange revenue.

2.4.2. Donations contributed to the government by a non-federal entity are nonexchange revenue. Donations may be financial, such as cash or securities, or non-financial such as land or buildings. DoD Components recognize exchange revenue from donations as resource inflows and assets measured at the estimated fair market value. For heritage assets or stewardship land donations, no amount is recognized. Multi-use heritage assets must be recognized at fair market value.

2.4.3. Collections not authorized for retention and used as appropriation reimbursements may be either exchange or nonexchange revenue and must be deposited in the Treasury's General Fund as miscellaneous receipts. If the underlying asset is predominately nonexchange, the revenue is nonexchange. Collecting entities must measure nonexchange revenue, but entities legally entitled must recognize the revenue (the recipient entities). SFFAS 7, paragraphs 48 through 63, describe the application of this general standard.

*2.5 Nonexchange Revenue Disclosures

2.5.1. Each DoD Component that has nonexchange revenue must disclose:

2.5.1.1. The basis of accounting, when using a modified cash basis of accounting.

2.5.1.2. The disclosure must point out the specific potential accruals not made as a result of this practice, the associated practical and inherent limitations of not making those accruals, and identify any other related required disclosures or supplementary information.

2.5.1.3. The reasons for trust fund revenues not recorded in accordance with applicable law (e.g., earmarked for specific purpose).

2.5.1.4. The nature of intragovernmental exchange transactions, when the entity provides goods or services at a price less than the full cost or does not charge a price at all, with explanations of the amount and reason for disparities between the billing (if any) and the full cost.

2.5.1.5. The expected loss, when specific goods or specific services are made or produced to order under a contract, if probable and measurable (reasonably estimable).

3.0 OTHER FINANCING SOURCES

3.1 Other Financing Sources

The term "revenue" does not include most of the appropriations government reporting entities receive. Other financing sources include appropriations used, transfers of assets from other government entities, and imputed financing from cost subsidies.

3.2 Appropriations

Until used, appropriations are not a financing source. Recognize appropriations in capital as "unexpended appropriations" (and in assets such as "Fund Balance with Treasury Under a Continuing Resolution") when available for apportionment. Unexpended appropriations must be reduced by appropriations used and adjusted for other changes in certain types of rescissions and transfers. The net increase or decrease in unexpended appropriations must be recognized as a change in net position. Used appropriations must be recognized as a financing source in determining net results of operations. DoD Components use appropriations in operations when they receive goods and services, provide benefits and grants, and establish the related liability. Grants are provided when grantees meet the requirements.

3.3 Imputed Financing

3.3.1. Government entities often receive goods and services from other government entities without reimbursing the providing entity for all the related costs. In addition, government entities often incur costs such as pensions, which are paid by other entities. These transactions represent imputed costs for the providing entity and imputed financing to the receiving entity. Recognition of imputed costs and corresponding offsets is important when those costs constitute inputs to government goods or services provided for a fee.

3.3.2. Working Capital Funds must recognize these subsidized costs as an imputed financing source equal to the imputed cost. This offsets any effect of imputed cost on net results of operations for the period.

3.3.3. General Funds do not recognize imputed financing with the exception of costs specifically required by OMB, such as employee pension, post-retirement health, and life insurance benefits; postemployment benefits for terminated and inactive employees, to include

unemployment and workers compensation under the Federal Employees' Compensation Act; and losses in litigation proceedings that are paid from the Treasury Judgement Fund.

3.3.4. DoD Component imputed costs can include military personnel costs, retirement benefits, other postemployment benefits, unreimbursed tenant's costs, and unreimbursed environmental cleanup costs, when administered outside the DoD reporting entity.

3.4 Transfers

The receiving entity must recognize a transfer-in as an additional financing source for an unreimbursed intragovernmental asset transfer. The transferring entity must recognize the transfer-out as a decrease in its result of operations. The value recorded must be the transferring entity's book value of the asset. If the book value is unknown, the asset must be recorded at its estimated fair market value on the transfer date. See ***Appendix A*** "Table of Transactions" for more information on property, plant, and equipment (PP&E) transfers. Trading partners should ensure they record reciprocal transfers (Transfers-In and reciprocal Transfers-Out) in the same accounting period to prevent reconciling differences upon elimination. Refer to the OMB Circular A-11, "Preparation, Submission, and Execution of the Budget," Section 20.4(j)), for guidance on the budgetary impact of transfers.

3.5 Gains or Losses

3.5.1. Gains or losses must be recognized for unusual or nonrecurring transactions. Gains or losses result from the sale, exchange, trade, or disposition of government assets, except for inventory held for sale. Inventory and related property reclassified as excess, obsolete, or unserviceable results in a loss because the value is now less than the acquisition or moving average cost of the item. Revaluation is recognized as a loss or gain in the net cost of operations. Any difference between the sale proceeds and the book value of an asset is recognized as a gain or loss when the asset is sold. This general rule applies to PP&E, receivables, investments, and other assets' sales where the selling entity retains the sale proceeds. Revenues and gains or losses are classified and presented separately in the general ledger accounts and financial statements. Revenues are reported at their gross amount while gains or losses are shown net of related book value.

3.5.2. Specific guidance on gains and losses is included in each subject area. For example, Base Realignment and Closure gains and losses are discussed in ***Volume 12, Chapter 13*** "Fiscal Policy for Base Closure and Realignment."

* 3.5.3. Record unrealized holding gains/losses on securities available for sale in accordance with FASAB's ***Accounting Standards Codification (ASC) 321-10-35***; fair value hedges, cash flow hedges, and accounting for a hedge of a net investment in a foreign operation under ***ASC 815-20-25***; and foreign currency matters under ***ASC 830-10***.

3.6 Disclosures

Refer to ***Volume 6B, Chapter 10*** "Notes to the Financial Statements" for disclosure requirements for Other Financing Sources.

4.0 TRANSACTION LIBRARY

Use the ***DoD Standard Financial Information Structure Transaction Library*** for recording revenue and other financing sources within the DoD. Specific account definitions for all U.S. Standard General Ledger accounts and subaccounts are included in the DoD Standard Chart of Accounts.

VOLUME 4, CHAPTER 16, APPENDIX A: "TABLE OF TRANSACTIONS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, Paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*****.**

The previous version dated April 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
1.3	Added relevant authoritative guidance.	Addition
3.2, 3.4.1, 3.4.4	Added the provisions of Federal Accounting Standards Advisory Board Technical Bulletin 2017-1: "Intragovernmental Exchange Transactions."	Addition
5.0	Added revaluation determination factors	Addition
7.0	Added reference to the Department of Defense Transaction Library and Standard Reporting Chart of Accounts.	Addition

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CHAPTER 16, APPENDIX A

TABLE OF TRANSACTIONS

1.0 GENERAL

1.1 Overview

The United States (U.S.) Government finances its cost of operations through exchange transactions; nonexchange transactions; other financing sources; revaluations; or transactions not recognized as revenues, gains, or other financing sources. Transactions may be between a government reporting entity and the public or between two government reporting entities (i.e., intragovernmental transactions).

1.2 Purpose

This appendix provides accounting standards used for classifying transactions that finance the Department of Defense's (DoD) cost of operations and a significant number of lesser transactions. This appendix is divided into the following groups: nonexchange transactions; exchange transactions that produce revenue; other financing sources; revaluation gains and losses; and transactions not recognized as revenues, gains, or other financing sources.

*1.3 Authoritative Guidance

The accounting policy and related requirements in this appendix are in accordance with the applicable provisions of:

1.3.1. Federal Accounting Standards Advisory Board (FASAB) ***Statement of Federal Financial Accounting Standards (SFFAS) 7***, "Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting" established the standards for the classification of specific revenue transactions. Consult SFFAS 7, Appendix B when a transaction is not included in this appendix. SFFAS 7 paragraph numbers are provided for the classifications included in this appendix.

1.3.2. FASAB ***Technical Bulletin (TB) 2017-1***: "Intragovernmental Exchange Transactions."

1.3.3. Office of Management and Budget ***(OMB) Circular A-11***, "Preparation, Submission, and Execution of the Budget."

2.0 NONEXCHANGE TRANSACTIONS

2.1 Nonexchange Transactions

A non-exchange transaction arises when one party to a transaction receives value without directly giving or promising value in return. Nonexchange revenues must be classified and

recognized in determining the overall financial results of operations for the period. Refer to SFFAS 7, Paragraph 240.

2.2 Nonexchange Transactions with the Public

The Harbor Maintenance Trust Fund is a "user fee" tax classified in the budget as a governmental receipt. It is imposed on commercial cargo loaded and unloaded at specified U.S. ports open to public navigation. The collection is dedicated to the Harbor Maintenance Trust Fund administered by the U.S. Army Corps of Engineers (USACE). USACE recognizes nonexchange revenue for the Harbor Maintenance Trust Fund. Refer to SFFAS 7, Paragraph 249.

2.3 Nonexchange Transactions - Intragovernmental

Trust and special funds earn interest from the U.S. Department of Treasury (Treasury) securities. SFFAS 7, Appendix B Paragraphs 306-310 contain nonexchange revenue and Paragraphs 311-313 contain nonexchange gains and losses.

3.0 EXCHANGE TRANSACTIONS

3.1 Revenue from Exchange Transactions

When a government entity provides goods and services to the public or to another Government entity for a price, the Government entity earns exchange revenues. Subtract exchange revenue from gross cost to determine the net cost of operations and the change in net position. Refer to SFFAS 7, Paragraph 240.

*3.2 Exchange Transactions with the Public - Sales of Goods and Services

The sale of goods and services is an exchange transaction. The selling entity recognizes exchange revenue. Each party receives and sacrifices something of value. (Refer to FASAB TB 2017-1, Paragraphs 12-14 for more information about sacrificing value). Revenue defrays production costs, wholly or partially. Revolving funds (such as the Defense Working Capital Fund (DWCF)) and general funds (such as a Military Departments appropriated fund) sell goods and services. Customers include private parties and businesses when authorized by law, foreign governments, state and local governments, and others not officially representing the Federal Government. Nonfederal entities' orders are budgetary resources when collected. Additionally, interest and rents collected from DoD-owned homes in the Homeowners Assistance Program are exchange revenue. Refer to SFFAS 7, Paragraph 270.

3.3 Exchange Transactions with the Public - Sales of Property, Plant, and Equipment

An exchange transaction occurs when the Reporting Entity has legal authority to retain the asset sale proceeds. Each party receives and sacrifices something of value. If the sales price equals book value, then there is no gain or loss. If the sales price is more or less than book value, a gain or loss, respectively, is recognized to the extent of the difference. A gain or loss is recognized rather than revenue or an expense because Property, Plant, and Equipment (PP&E)

sales are nonrecurring inflows of resources. The sales price is a gain when the asset book value is zero. The book value is zero (a) when the PP&E is fully depreciated or has been written off or (b) when the asset is stewardship PP&E, which is expensed when purchased. Refer to SFFAS 7, Paragraphs 295-296.

3.4 Exchange Transactions - Intragovernmental Revenue

* 3.4.1. Revolving Fund Intragovernmental Sales of Goods and Services. Each party receives and sacrifices something of value. The value could be direct, indirect, tangible, intangible, quantitative, or qualitative (such as immeasurable guidance or advice). The proceeds are exchange revenue. The revenue defrays the cost. DoD activities selling at cost include DWCF activities, Military Departments, Other Defense Organizations' revolving funds, and USACE. Customers include any DoD Component, organization, office, or other element; non-DoD Federal Government Agencies; and others officially representing the Federal Government. Refer to SFFAS 7, Paragraph 314, and FASAB TB 2017-1, Paragraphs 15-20 for clarification on value sacrificed or received in intragovernmental transactions.

3.4.2. Appropriated Fund or Trust Fund Activity (Other Than a Revolving Fund) Intragovernmental Sales of Goods and Services. Each party receives and sacrifices something of value. The proceeds are exchange revenue. The revenue defrays the cost. DoD activities selling at cost include the Military Departments, Defense Agencies, and USACE. See subparagraph 3.4.1 for customers. Refer to SFFAS 7, Paragraph 315.

3.4.3. Employer Entity Contributions to Pension and Other Retirement Benefit Plans for Federal Employees. Federal Government employees provide service for compensation, including salary received currently; and pensions, retirement health benefits, and other retirement benefits received upon retirement. Each party sacrifices value and receives value in return. The benefits of financing may include employer-paid contributions to the retirement fund. The employer contribution is an inflow of resources to the retirement fund and a payment for the future provision of a pension or other retirement benefit to its employees. Therefore, it is the retirement plan administrator's exchange revenue that offsets the gross cost of operations. Within the DoD, the DoD Military Retirement Trust Fund reports this revenue. The DoD Office of the Deputy Chief Financial Officer must first approve any DoD Component using this category of exchange revenue. Refer to SFFAS 7, Paragraphs 316-317.

* 3.4.4. Providing Entity Contracted Third Party Services for Receiving Entity. If the providing entity contracts with a third party to provide services for the receiving entity, the transaction is an exchange transaction. The providing entity records exchange revenue for the full amount earned, whether all costs are recovered or not. The receiving entity records expense or capitalized assets for the full amount paid. Refer to FASAB TB 2017-1, Paragraphs 5-11.

3.4.5. Interest on Treasury Securities Held by Trust Revolving Funds. A trust revolving fund is a revolving fund classified by law as a trust fund. It earns exchange revenue, which offsets its gross cost. Trust revolving funds' capital is predominantly earned revenue. When their capital is invested in Treasury securities, the interest is related to their cost of operations. The interest received is classified as exchange revenue. Refer to SFFAS 7, Paragraphs 324-325.

3.4.6. Interest on Treasury Securities Held by Trust Funds. A major source of revenue for many trust and special funds (such as the DoD Military Retirement Trust Fund, the DoD Education Benefits Fund, the National Security Education Trust Fund, and the Voluntary Separation Incentive Fund) consists of exchange revenue and other financing sources. Capital invested in Treasury securities is classified as exchange revenue. Refer to SFFAS 7, Paragraph 308.

3.4.7. Interest on Uninvested Funds Received by Loan and Guaranteed Loan-Financing Accounts. A guaranteed loan financing account holds uninvested balances as reserves against its loan guarantee liabilities and earns interest on these balances. A direct loan financing account may hold uninvested balances to bridge transactions that are integral to its operations, earning interest on these balances. The interest earned through exchange transactions with the Treasury is an offset to the financing account's related costs of operations. Within the DoD, the reporting of this interest exchange revenue applies specifically to the Interest Revenue-Other-Distributed Offsetting Receipt (531000.05) or Interest Revenue – Investments-Distributed Offsetting Receipt (531100.05) accounts. The Office of the Deputy Chief Financial Officer, DoD must first approve any DoD Component using this category of exchange revenue. Refer to SFFAS 7, Paragraph 326.

3.5 Exchange Transactions - Intragovernmental-Gains and Losses

Revolving fund, trust, and trust revolving fund (e.g., Military Retirement Trust Fund) held Treasury securities may be callable or redeemable on demand. If the Treasury securities are retired before maturity, any difference between the retirement price and the net carrying value must be recognized as a gain or loss. For the nonexchange interest, the gain or loss is nonexchange. For usual and recurring revenues, the interest received is classified as exchange revenue. Refer to SFFAS 7, Paragraph 329.

4.0 OTHER FINANCING SOURCES – INTRAGOVERNMENTAL

4.1 Cost Subsidies: Difference Between Internal Sales Price and Full Cost

Entities may receive goods or services without paying partial or full cost for the goods or services. The difference between full cost and the reimbursement or "transfer price" is imputed as a financing cost to the receiving entity. The imputed financing is recognized as a financing source. Examples include military personnel costs not reimbursed by Defense Agencies to the military personnel appropriations and environmental cleanup costs not reimbursed to the non-DoD fund administering entity. Refer to SFFAS 7, Paragraphs 333-334.

4.2 Transfer of General PP&E and Stewardship Assets without Reimbursement

4.2.1. General PP&E (GPP&E) and Stewardship Assets (Heritage Assets and Stewardship Land) may be transferred from one government entity to another. If the asset was classified as stewardship PP&E in its entirety by both the transferring entity and the recipient entity, the transfer does not affect the net cost of operations or net position of either entity, and therefore in such a case it is not a revenue, a gain or loss, or other financing source.

4.2.2. If GPP&E is transferred, the transferring entity recognizes it as a negative other financing source (transfer out) of capitalized assets and the recipient entity recognizes it as another financing source (transfer in) of capitalized assets at the asset book value.

4.2.3. If GPP&E is transferred out, but the recipient entity classifies the asset as stewardship PP&E, the transferring entity recognizes it as a transfer-out of capitalized assets and the recipient entity recognizes no amount. Refer to SFFAS 7, Paragraph 346. Similarly, if the transferring entity transfers multi-use heritage assets and the cost remains on the books, the cost is recognized as a transfer-out of capitalized assets. The receiving entity must not recognize any amount. The receiving entity must enter the stewardship PP&E in their APSR, report the asset within financial statement notes, as appropriate (within heritage PP&E), and maintain supporting documentation of ownership.

4.2.4. If the transferred asset was classified as stewardship PP&E but GPP&E for the recipient entity, the recipient entity recognizes it as a financing source. The transferring entity recognizes no amount.

4.2.5. Stewardship assets transferred do not affect the net cost of operations or net position of either entity. It is not revenue, a gain, a loss, or other financing source. Donated stewardship PP&E is not recognized as a cost or revenue. Refer to SFFAS 7, Paragraph 345.

*5.0 REVALUATIONS

Revaluation is a reassessment of the estimated future value of an asset. Capitalized PP&E is revalued when it no longer serves its intended purpose due to damage, obsolescence, or being identified as excess. Inventory and related property are revalued due to excess inventory, obsolescence, damage, anticipated losses on purchase agreements, or changes in the net realizable value of commodities. Revaluation is recognized as a loss or gain in the net cost of operations. Refer to SFFAS 7, Appendix B, Paragraphs 347-350 for these classifications. Foreign currency revaluations are discussed in ***Volume 6A, Chapter 7*** "Foreign Currency Reports."

6.0 TRANSACTIONS NOT RECOGNIZED AS REVENUES, GAINS, OR OTHER FINANCING SOURCES

6.1 Disposition of Revenue to Other Entities - Custodial Transfers

An entity may collect primarily non-exchange revenue on behalf of the General Fund or another entity within the government. The collecting entity debits a "nonentity" liability account and credits its "nonentity" Fund Balance with Treasury account. Custodial transfers do not affect the collecting entity's net cost of operations or operating results. The receiving entity recognizes the revenue according to the applicable standards. Refer to SFFAS 7, Paragraph 353.

6.2 Sales of Different Types of Government Assets

The sale of government assets (other than forfeited property) is an exchange transaction because each party receives and sacrifices something of value. Any difference between the sales

proceeds and book value is recognized as a gain or loss when the asset is sold. If the sales proceeds equal book value, there is no gain or loss. This general rule applies to PP&E, receivables (other than direct loans), foreclosed property associated with pre-1992 direct loans and loan guarantees, and miscellaneous assets. It does not apply to inventory, forfeited property, the sale of direct loans, the sale of foreclosed property associated with post-1991 direct loans and loan guarantees. Refer to SFFAS 7, Paragraphs 354-355.

6.3 Repayment of Post-1991 Direct Loans

The estimated loan repayments present value is included in the direct loan's subsidy cost, and a recognized expense when the loans are disbursed. When cash is received, decrease the loans receivable by an equal amount. Therefore, the repayment is not recognized as a revenue, a gain, or other financing source. If the actual repayment is different from the previous estimate, the subsidy is re-estimated and recognized as an increase or reduction in subsidy expense. Refer to SFFAS 7, Paragraph 365.

6.4 Repayment of Pre-1992 Direct Loans or Receivables

When pre-1992 direct loans or receivables are repaid, wholly or partially, the entity exchanges one asset (loans receivable) for another (cash) with equal value. Therefore, cash inflow equal to book value is not recognized as a revenue, a gain, or other financing source. Any unpaid amount is recognized as an adjustment to the bad debt allowance. Refer to SFFAS 7, Paragraphs 366-367.

6.5 Repayment of Receivables – Except Direct Loans

When receivables other than direct loans are paid, the entity exchanges one asset (loans receivable) for another (cash) with equal value. The amount of cash inflow equal to book value is not recognized as revenue, gain, or other financing source. If the receivable is not repaid, the unpaid amount is recognized as an adjustment to the bad debt allowance and does not affect revenue, gains, or other financing sources. Refer to SFFAS 7, Paragraph 367.

6.6 Sales of Direct Loans

A direct loan sale is a modification according to the Federal Credit Reform Act of 1990. The direct loan sale loss (or gain) equals the book value of the loans sold (prior to sale) minus the net proceeds of the sale. Modification costs are expenses due to interest rate changes. If the sale is with recourse, the estimated recourse loss present value is also recognized as an expense. Any difference between the book value loss (or gain) and the cost of modification is recognized as a gain or loss. The amount of cash inflow equal to the book value is not recognized as revenue, gain, or other financing source. Refer to SFFAS 7, Paragraph 368.

6.7 Acquisition of PP&E through Exchange

The cost of PP&E acquired through an exchange of assets with the public is the fair value when the PP&E is surrendered. If the acquired PP&E fair value is more readily determinable than that of the PP&E surrendered, the cost is the acquired PP&E fair value. If neither fair value

is determinable, the cost of the PP&E acquired is the cost recorded for the PP&E surrendered net of any accumulated depreciation or amortization. If cash consideration is included, the cost of PP&E acquired is increased (or decreased) by the cash surrendered (or received). Refer to SFFAS 7, Paragraph 356.

6.8 Sales of Foreclosed Property Associated with Post-1991 Direct Loans and Loan Guarantees

When property is foreclosed, the property is recognized as an asset at the net present value of its estimated net cash flows. The subsidy cost of post-1991 direct loans and loan guarantees is included as an expense when the loans are disbursed. When the foreclosed property is sold, any difference between the sales proceeds and the net present value requires a reestimate of the subsidy expense. The amount of cash flow equal to book value is not recognized as a gain, revenue, or other financing source. Refer to SFFAS 7, Paragraph 369.

6.9 Negative Subsidies on Post-1991 Direct Loans and Loan Guarantees

If the direct loans or loan guarantees are estimated to make a profit, a negative subsidy results, apart from administrative costs (which are excluded from the subsidy calculation by law). The subsidy cost is an expense when the direct loan or guaranteed loan is disbursed. A negative subsidy is a direct reduction in expense. Refer to SFFAS 7, Paragraph 362.

6.10 Downward Subsidy Reestimates for Post-1991 Direct Loans and Loan Guarantees

A downward subsidy reestimate means that the subsidy cost is less than previously estimated. A downward subsidy reestimate is a direct reduction in expense. Refer to SFFAS 7, Paragraph 363.

6.11 Fees on Post-1991 Direct Loans and Loan Guarantees

The estimated fee present value is a subsidy cost offset of the direct loans and loan guarantees. The estimated fee present value is one component in calculating the value of loans receivable or loan guarantee liabilities. When cash is received for fees, the loans receivable decrease (or the loan guarantee liabilities increase) by an equal amount. The increase in one asset is offset by an equal decrease in another asset (or by an equal increase in liabilities). Therefore, fees are not recognized as revenue, a gain, or other financing source. Refer to SFFAS 7, Paragraph 364.

*7.0 TRANSACTION LIBRARY

Use the ***DoD Standard Financial Information Structure Transaction Library*** for recording revenue and other financing sources within the DoD. Specific account definitions for all U.S. Standard General Ledger accounts and subaccounts are included in the DoD Standard Chart of Accounts.

VOLUME 4, CHAPTER 17: "EXPENSES AND MISCELLANEOUS ITEMS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated June 2021 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Checked references, hyperlinks, and format in accordance with the DoD Financial Management Regulation Standard Operating Procedures and added clarifying language where appropriate.	Revision

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CHAPTER 17

EXPENSES AND MISCELLANEOUS ITEMS

1.0 GENERAL

1.1 Purpose

This chapter provides guidance to account for expenses and miscellaneous items, such as gains and losses, incurred in carrying out Department of Defense (DoD) operations. Additionally, it describes how to identify and account for extraordinary items and adjustments to prior period financial statements.

1.2 Authoritative Guidance

The Federal Accounting Standards Advisory Board concluded in Statement of Federal Financial Accounting Standards ***(SFFAS) 5***, "Accounting for Liabilities of the Federal Government" that expenses are not independent of assets and liabilities and do not have their own essential characteristics. Expenses are changes in assets and/or liabilities during a reporting period resulting in a change in net position. Thus, the definition of expenses is dependent on the definitions of assets and liabilities. Additional guidance for expenses is found in the following:

1.2.1. ***SFFAS 3***, Accounting for Inventory and Related Property.

1.2.2. ***SFFAS 4***, Managerial Cost Accounting Standards and Concepts.

1.2.3. ***SFFAS 6***, Accounting for Property, Plant, and Equipment.

1.2.4. ***SFFAS 7***, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting.

1.2.5. ***SFFAS 21***, Reporting Corrections of Errors and Changes in Accounting Principles, Amendment of SFFAS 7, Accounting for Revenue and Other Financing Sources.

1.2.6. ***SFFAS 55***, Amending Inter-entity Cost Provisions.

1.2.7. Statement of Federal Financial Accounting Concepts ***(SFFAC) 5***, Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements.

1.2.8. ***SFFAC 7***, Measurement of Accrual-Basis Financial Statements in Periods after Initial Recording.

1.2.9. ***Treasury Financial Manual***, Volume 1, Part 2, United States Standard General Ledger Part 2 Fiscal Year 2023 Reporting.

1.2.10. Office of Management and Budget ***(OMB) Circular A-136***, "Financial Reporting Requirements".

2.0 AUDIT REMEDIATION AND INTERNAL PROCEDURES

Each DoD Component must develop and implement internal operating procedures and guidance to implement this overarching policy in a manner that ensures accurate, timely, and relevant reporting of financial data. Relevant records supporting financial statements must be maintained and made available during financial statement audits.

3.0 EXPENSE OVERVIEW

3.1 Definition

Expenses represent the outflow or consumption of assets or the incurrence of liabilities (or a combination of both) during a period of providing goods, rendering services, or carrying out other normal operating activities related to the entity's programs and missions which results in a decrease in the entity's net position.

3.2 Exceptions to Cash Outlays

Most expenses require cash outlays. There are exceptions such as depreciation, other losses, bad debt expenses and miscellaneous items. Miscellaneous items may result from extraordinary transactions, prior period adjustments, and changes in actuarial liabilities.

3.3 Unusual or Nonrecurring Transactions

Costs attributable to extraordinary or unexpected events are classified as miscellaneous items. Unusual or nonrecurring transactions or having resulted from peripheral or incidental activities of an entity should be recognized as a gain or loss, rather than as a revenue or expense.

3.4 Budgetary Accounts

An expense normally includes an application of budgetary or other resources. Goods and services ordered and received are recorded in the budgetary accounts as expended authority (Delivered Orders – Obligations, Unpaid) and in the proprietary accounts as an expense. The budgetary accounts provide financial control over the resources provided to the entity and ensure accurate accounting during the budget execution process.

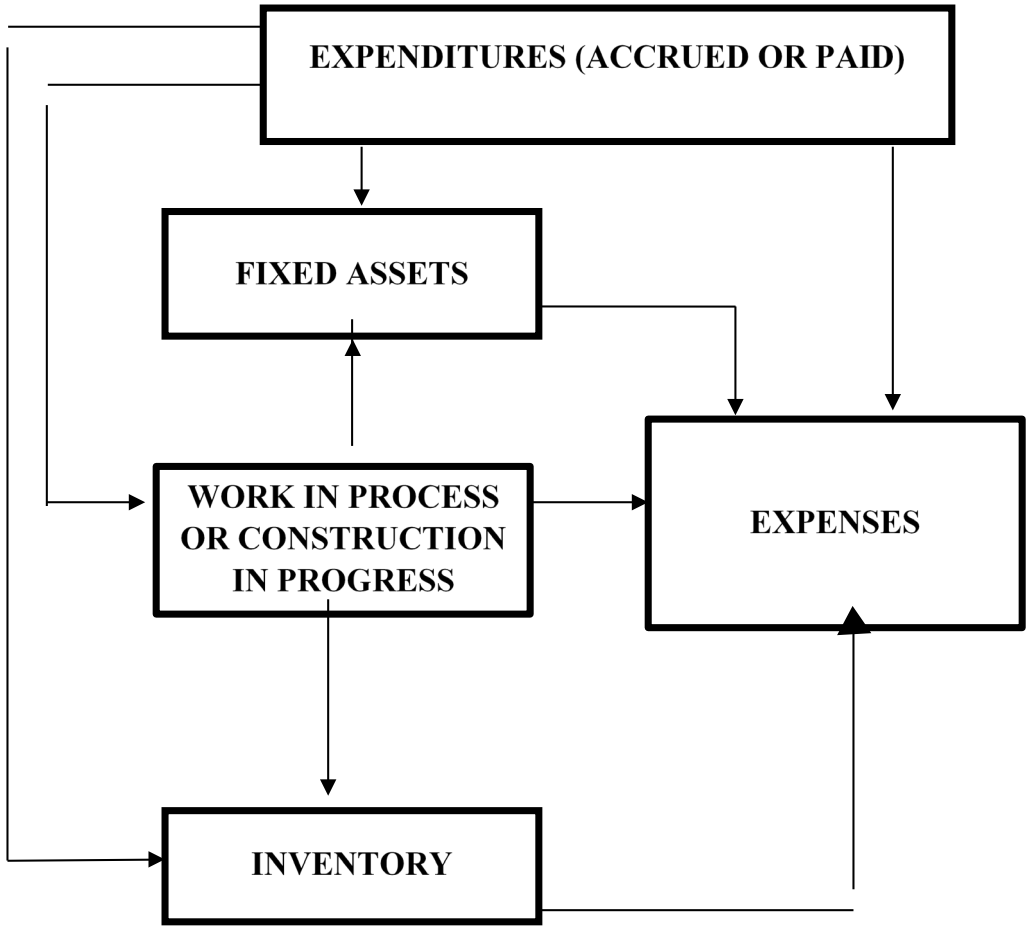
3.5 Defense Working Capital Funds (DWCF) Expenses

The treatment of expenses by some DWCF activities differ compared to the treatment of appropriation funded activities. Expenses accumulated in asset accounts are costs. For some activity groups in the DWCF, such as depot maintenance, costs are accumulated by job order in Construction in Progress (account 172000) or Inventory Work in Process (account 152600) and subsequently billed to customers. Other activity groups, such as supply management, record civilian personnel costs as an expense to the activity or cost center as a whole, in the same manner as appropriated funded activities. Refer to Volume 11B, Chapter 12 for DWCF policy.

FIGURE 17-1. BUDETARY AND PROPRIETARY RELATIOSNHIPS

Figure 17-1 illustrates the relationship between Expended Budgetary Authority and Proprietary accounts.

EXPENDED BUDGETARY AUTHORITY AND PROPRIETARY ACCOUNT RELATIONSHIPS



Compound budgetary and proprietary entries are required when goods or services are received and/or accepted. Purchased goods or services are recorded in the budgetary accounts as expended authority or expenditures (Delivered Orders – Obligations Unpaid and Paid) and in the proprietary accounts as an expense (or asset, when DoD capitalization criteria are met).

4.0 PRESENTATION IN FINANCIAL STATEMENTS

4.1 Expense Recording

Expenses are commonly reported at the time they are incurred, not when invoices are received. Goods and services (costs) acquired from or provided to other government trading partners or programs (i.e., intragovernmental) must be recorded separately from those purchased from nonfederal entities (i.e., the public). The accounting entries are specified in the DoD United States General Ledger (USSGL) Standard Financial Information Structure ***(SFIS)*** Transaction Library.

4.2 Reporting Program Costs

4.2.1. Program costs must be reported in the Statement of Net Cost as required by Volume 6B, Chapter 5.

4.2.2. Program costs include the full costs of the program outputs and consist of the direct costs and all other costs directly traced, assigned on a cause and effect basis, or reasonably allocated to a program's outputs. Program costs also include any nonproduction costs assigned to a program but not to its outputs.

4.2.3. The costs of program outputs must include the costs of services provided by other entities regardless of whether the providing entity is fully reimbursed. The costs of program outputs must also include costs paid in total or in part by other entities to the extent accounting standards require them to be recognized in financial statements. For example, DoD Components must recognize imputed costs of pensions and other retirement benefit expenses in their financial statements.

4.2.4. Imputed costs represent the unreimbursed portion of the full cost of goods and services received from another source. In the case of post-employment benefits for retired, terminated, and inactive employees, imputed costs are the excess of the costs actually incurred by employing agencies for covered employees over the total contributions made by and for covered employees. Imputed costs encompass all unreimbursed portions of the full cost of goods and services received by a DoD entity from a providing DoD entity according to SFFAS 55.

4.3 Production and Nonproduction Costs

4.3.1. Costs related to the production of outputs must be reported separately from costs not related to the production of outputs (i.e., nonproduction costs) on the Statement of Net Cost. Nonproduction costs are reported as a separate item in the financial statements and are addressed in the SFFAS 4.

4.3.2. The following nonproduction costs must be reported separately from other nonproduction costs, if incurred:

4.3.2.1. The cost of acquiring, constructing, improving, reconstructing, or renovating heritage assets. Costs associated with multi-use heritage assets are capitalized and depreciated over the expected useful life if they meet the capitalization criteria discussed in Chapter 28.

4.3.2.2. The acquisition cost of acquiring stewardship land.

4.3.2.3. The cost of maintenance not performed but delayed to a future period (deferred maintenance) reported in the Required Supplementary Information section of the financial statements (refer to Volume 6B, Chapter 12).

5.0 ACCOUNTING TREATMENT FOR EXPENSES

5.1 Accounting Treatment for Expenses and Miscellaneous Items

5.1.1. Operating expenses include personnel costs, contractual services, and operating materials and supplies. Expenses also can include an allocation of prior capital outlays (depreciation/amortization) or to recover costs of operations.

5.1.2. Refer to Chapters 24-28 for expenses incurred by research and development programs, or related to the search for knowledge and the conversion of knowledge into use for DoD missions as related to capitalization or expense of assets.

5.2 Operating Expenses/Program Costs

5.2.1. Operating expenses/program costs include costs associated with carrying out a specific program or function. Examples include personnel, travel, communications, contractual services, and other program expenses. Amounts paid often represent transactions requiring a budgetary entry, recording obligations from the unexpended obligation (undelivered order) to the expended authority (delivered order). DWCF activities routinely record operating expenses/program costs to a cost of goods sold account (either directly or via work in process accounts) so costs may be matched to revenue upon completion of the task or filling an order.

5.2.2. Accounting systems must have the ability to report expenses related to operating expenses/program costs at the detail necessary to support budget preparation and applicable cost accounting requirements.

5.3 Costs for Property, Plant and Equipment (PP&E)

Costs for PP&E acquired or constructed for a project must be capitalized if the acquisition cost exceeds the Department's capitalization threshold (refer to Chapters 24-28), the items are not intended for sale in the ordinary course of operations, the items have been acquired or constructed with the intention of being used by the entity, and the items have a life expectancy of more than two years. An asset may be expensed (account 615000) if the amount of the expenses recognized by a purchasing agency when a capitalized asset acquired from another federal agency does not meet the purchasing agency's capitalization threshold or has a useful life of less than two years.

5.4 Work in Process Account

Work in process accounts must be used to accumulate the costs of goods or services in accordance with guidance contained in Chapters 4, 5, and 24-28. The amounts recorded in these accounts, as well as amounts recorded in applicable inventory accounts, must be the basis for determining the amounts to be recorded as cost of goods sold.

5.5 Depreciation, Amortization and Depletion Account

Depreciation, Amortization and Depletion is used to record the allocation of the cost of an asset (tangible or intangible) over the period of time benefited or the asset's useful life. The amounts to be recorded in these accounts must be determined in accordance with the guidance contained in Chapters 1, 7, and 24-28**.**

5.6 Depreciation Expense for Capitalized and Donated Assets

Depreciation expense for capitalized and donated assets is recorded with a debit to Depreciation, Amortization, and Depletion (account 671000) and a credit to the appropriate Accumulated Depreciation account related to the asset. No budgetary entry is recorded. For the DWCF, depreciation expense is an element included in the cost recovery rates, used to finance the capital programs. Refer to the DoD USSGL SFIS Transaction Library for additional information on account descriptions for reporting depreciation.

5.7 Benefits Expense

5.7.1 The employer's contribution portion of the following employee benefit programs are: retirement funds, life insurance, Voluntary Separation Incentive Payment (VSIP), Federal Employee's Compensation Act (FECA), unemployment for Federal employees, Social Security (Federal Old-Age, Survivors Insurance, and Federal Disability Insurance) and Medicare (Federal Hospital Insurance (Medicare Part A), Federal Supplementary Medical Insurance (Medicare Part B). The amount of benefit expense (such as employment benefits, entitlement benefits due and payable, or insurance and guarantee benefits) incurred by the program agency and/or administering agency for benefit payments must be recorded in the entity's General Ledger.

5.7.2. Employer contributions to the Thrift Savings Plan are nonfederal expenses. The account must be supported by subsidiary accounts to show the types of transactions for which entitlement benefits were incurred.

5.7.3. Administrative expenses incurred for benefit payments are generally nonfederal expenses. This includes (but is not limited to) costs for retirement, life insurance, health insurance, VSIP, FECA, unemployment, entitlements, and insurance guarantees (i.e., flood insurance).

5.8 Cost of Goods Sold Account

The cost of goods sold account is used to record the cost of goods or services sold from inventory, by DWCF activities, or by other DoD activities authorized to provide services or material to other federal government agencies (including other DoD Components) or nonfederal organizations. This account is used predominantly by revolving fund activities. Appropriated fund activities must also use this account to support reimbursable programs.

5.9 Imputed Costs Account

The Imputed Cost account must be used by all DoD activities receiving goods or services without reimbursement from an activity outside the reporting entity. SFFAS 55 provides for recognition of significant inter-entity costs among and between federal agencies by business-type activities and allows non-business-type activities to elect not to recognize inter-entity costs, with the exception of inter-entity costs for personnel benefits and the United States Department of the Treasury Judgement Fund settlements unless otherwise directed by OMB. Business-type activity is significantly self-sustaining activities financing their accounting cycle of operations through collections of exchange revenues. For example, DWFC would be considered business-type activities.

5.10 Future Funded Expenses

Future funded expenses represent the amount of accrued expenses which are required to be funded from future year appropriations. Examples of future funded expenses are, accrued annual leave expense (except for working capital funds), accrued worker's compensation, upward re-estimates for credit reform loan programs, and projected future cleanup costs associated with the removing, containing, and/or disposing of hazardous materials associated with PP&E.

5.11 Expense Transactions Not Requiring Budgetary Resources

Some expense transactions do not require the use of budgetary resources and, therefore, only proprietary accounts are used to record these transactions. These expenses are usually allocated over more than one reporting period (e.g., depreciation expense), costs incurred that are paid in total or in part by other entities (e.g., imputed costs), or recognizing costs to be funded from future year appropriations (e.g., future funded expenses).

6.0 LOSSES

Losses are associated with the transactions not incurred in the normal operation of the organization (such as the loss on the disposal of property).

6.1 Losses on Disposition of Assets Account

The Losses on Disposition of Assets account is used to record a loss incurred on the disposition of DoD owned assets. Such losses can result from the sale, exchange, casualty, or retirement of assets. Losses are reported net of any received proceeds.

6.2 Components of Losses on Disposition of Assets Account

The Losses on Disposition of Assets account must be used only by DoD Components authorized to dispose of DoD property; however, any DoD Component having control over personal and real property may incur such losses due to events beyond its control. The effect from such losses must be recorded in Losses on Disposition of Assets in the Statement of Net Cost.

6.3 Other Losses

Other Losses must be used to record the loss on assets resulting from events other than disposition, such as investment losses and miscellaneous losses.

7.0 EXTRAORDINARY ITEMS

Events distinguished by unusual nature and infrequency of occurrence. Both criteria of unusual nature and infrequency of occurrence must be met to classify an event as an extraordinary item, taking into account the environment in which the entity operates. Unusual nature criteria is the underlying event or transaction must possess a high degree of abnormality and be of a type clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the entity. The criteria for infrequency of occurrence are the underlying event or transaction must be of a type not reasonably be expected to recur in the foreseeable future. The total amount of all extraordinary items is included in the applicable Gross Program Cost or Non Production Cost lines of the Statement of Net Cost. Disclosure of the nature and amount of each extraordinary item is included in the notes to the financial statements.

8.0 PRIOR PERIOD ADJUSTMENTS

8.1 Adjustments to Prior Period Financial Statements

Circumstances may arise requiring an entity to make adjustments to prior period financial statements due to a change in accounting principle or correction of a material error (or an aggregation of errors). Such circumstances include the retrospective application of a change in accounting principle or the correction of an error in prior period financial statements pursuant to SFFAS 21. See Volume 6B, Chapter 6 for information on reporting prior period adjustments in the financial statements.

8.2 Change in Accounting Principle

A change in accounting principle results from adoption of one Generally Accepted Accounting Principle to another that can be justified as preferable. Changes in accounting principles also include adoption of new federal financial accounting standards. The newly adopted accounting principle should result in more accurate and meaningful financial statement disclosures.

8.2.1. The term, accounting principle, includes not only accounting principles and practices but also the methods of applying them. Unless otherwise specified in the transition instructions section of a new federal financial accounting standard, the cumulative effect of the change on prior periods should be reported as a change in accounting principle, with the adjustment made to the beginning balance of the cumulative results of operations in the Statement of Changes in Net Position.

8.2.2. Prior period financial statements presented for comparative purposes should be presented as previously reported.

8.2.3. The nature of the changes in accounting principle and its effect on relevant balances should be disclosed in the current period. Financial statements of subsequent periods need not repeat the disclosure.

8.3 Correction of Errors

When errors are discovered after the issuance of the financial statements, and if the financial statements would be materially misstated absent correction of the errors, corrections should be made as follows:

8.3.1. If comparative financial statements are presented, then the error should be corrected in the earliest affected period presented by correcting any individual amounts on the financial statements. If the earliest period is not the period in which the error occurred and the cumulative effect is attributable to prior periods, then the cumulative effect should be reported as a prior period adjustment with the adjustment made to the beginning balance of cumulative results of operations in the Statement of Changes in Net Position for the earliest period presented.

8.3.2. The nature of an error in previously issued financial statements and the effect of its correction on relevant balances should be disclosed. Financial statements of the subsequent periods need not repeat the disclosures.

8.3.3. Prior period financial statements should only be restated for corrections of errors that would have caused any statements presented to be materially misstated.

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 18: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 4, CHAPTER 19: "MANAGERIAL COST ACCOUNTING"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated August 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
3.5, 4.8	Removed references to analysis of alternatives as a valid example of acquisition related cost analysis in compliance with Secretary of War memorandum, "Subject: Transforming the Defense Acquisition System into the Warfighting Acquisition System to Accelerate Fielding of Urgently Needed Capabilities to Our Warriors," dated November 7, 2025.	Deletion

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CHAPTER 19

MANAGERIAL COST ACCOUNTING

1.0 GENERAL

1.1 Overview

1.1.1. Managerial cost accounting standards and concepts are focused on providing reliable and timely information on the full cost of federal programs, projects, activities, and outputs. This information provides the structure needed for accurate, consistent, and reliable managerial cost accounting.

1.1.2. The concepts of managerial cost accounting describe the relationship among cost accounting, financial reporting, and budgeting. Managerial cost accounting concepts are an integral part of the financial management system in that they provide a basis of accounting, recognition, and measurement appropriate for the intended purpose.

1.1.3. The five standards set forth are fundamental elements of managerial cost accounting:

1.1.3.1. Accumulating and reporting costs of activities on a regular basis for management information purposes,

1.1.3.2. Establishing responsibility segments to match costs with outputs,

1.1.3.3. Determining full costs of government goods and services,

1.1.3.4. Recognizing the costs of goods and services provided among Federal entities, and

1.1.3.5. Using appropriate costing methodologies to accumulate and assign costs to outputs.

1.2 Purpose

The purpose of this chapter is to provide the DoD policy for managerial cost accounting to improve financial management and managerial decision making in five essential areas:

1.2.1. Budgeting and cost control,

1.2.2. Performance measurement,

1.2.3. Determining reimbursements and setting fees and prices,

1.2.4. Program evaluations, and

1.2.5. Making economic choice decisions.

1.3 Authoritative Guidance

The accounting policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:

1.3.1. Chief Financial Officers Act ***(CFO) Act of 1990***;

1.3.2. Government Performance and Results Act ***(GPRA) of 1993***;

1.3.3. Government Management Reform Act ***(GMRA) of 1994***;

1.3.4. Federal Financial Management Improvement Act ***(FFMIA) of 1996***;

1.3.5. Statement of Federal Financial Accounting Standards (***SFFAS) 4***, "Managerial Cost Accounting Standards and Concepts";

1.3.6. ***SFFAS 8***, "Supplementary Stewardship Reporting";

1.3.7. Federal Accounting Standards Advisory Board (FASAB) Handbook ***Appendix E: Consolidated Glossary***;

1.3.8. Office of Management and Budget (OMB) ***Circular A-25***, "User Charges";

1.3.9. The United States (U.S.) Department of Treasury (Treasury) U.S. Standard General Ledger (USSGL) ***Treasury Financial Manual***; and

1.3.10. Chief Financial Officers' Council's Governmentwide Cost Accounting Committee Managerial Cost Accounting Implementation Guide ***(MCAIG) Glossary*** – February 1998

2.0 DEFINITIONS

The following definitions primarily originate from the FASAB Handbook, Appendix E: Consolidated Glossary, and/or the MCAIG Glossary.

2.1 Activity

An activity is the actual work task or step performed in producing and delivering products and services, or an aggregate of actions performed within an organization that is useful for purposes of activity based costing.

2.2 Activity Based Costing

Activity Based Costing (ABC) is a cost accounting method that measures the cost and performance of process related activities and cost objects. It assigns cost to cost objects, such as products or customers, based on their use of activities. It recognizes the causal relationship of cost drivers to activities.

2.3 Budgetary Accounting

Budgetary accounting is the system that measures and controls the use of resources according to the purposes for which budget authority was enacted, and that records receipts and other collections by source. It is undertaken to assess and ensure compliance with fiscal legal requirements applicable to an appropriation or fund. It tracks the use of each appropriation for specified purposes in separate budgetary accounts through the various stages of budget execution—from appropriation to apportionment and allotment to obligation and eventual outlay.

2.4 Cost Accounting System

A cost accounting system is a continuous and systematic cost accounting process, which may be designed to accumulate and assign costs to a variety of objects routinely or as desired by management.

2.5 Cost Accumulation

Cost accumulation is the collection of costs in an organized fashion by means of a cost accounting system. There are two primary approaches to cost accumulation: job order and process costing. Under a job order system, the three basic elements of costs: direct materials, direct labor, and overhead, are accumulated according to assigned job numbers. Under a process cost system, costs are accumulated according to processing department or cost center.

2.6 Cost Allocation

Cost allocation is a method of assigning costs to activities, outputs, or other cost objects. The allocation base used to assign a cost to objects is not necessarily the cause of the incurred cost. For example, assigning the cost of power to machine activities by machine hours is an allocation because machine hours are an indirect measure of power consumption.

2.7 Cost Assignment

Cost assignment is a process that identifies costs with activities, outputs, or other cost objects. In a broad sense, costs can be assigned to processes, activities, organizational divisions, goods, and services. There are three approaches of cost assignment: (a) directly tracing costs wherever economically feasible, (b) using cause and effect, and (c) allocating costs on a reasonable and consistent basis.

2.8 Cost Finding

Cost finding techniques produce cost data by analytical or sampling methods. Cost finding techniques are appropriate for certain kinds of costs, such as indirect costs, items with costs below set thresholds within programs, or for some programs in their entirety. Cost finding techniques support the overall managerial cost accounting process and can represent nonrecurring analysis of specific costs.

2.9 Cost Object (Also Referred to as Cost Objective)

A cost object is an activity, output, or item whose cost is to be measured. In a broad sense, a cost object can be an organizational division, function, task, good, service, or customer. It is also defined as an activity, operation, or completion of a unit of work to complete a specific job for which management decides to identify, measure, and accumulate costs. The cost object must be discrete enough and described in writing to such a level of detail as to form a basis to establish cost centers and output products.

2.10 Direct Costs

Direct costs are the costs of resources directly consumed by an activity. Direct costs are assigned to activities by direct tracing of units of resources consumed by individual activities.

2.11 Financial Accounting (Proprietary Accounting)

Financial accounting is the accounting for assets, liabilities, net position, revenues, and expenses as a basis for reports to external parties. It is a methodology that focuses on reporting financial information primarily for use by owners, external organizations, and financial institutions. This methodology is constrained by rule making bodies such as the Financial Accounting Standards Board, Securities Exchange Commission, and the American Institute of Certified Public Accountants. For Federal Agencies, the rule making bodies include FASAB, the Treasury, and the OMB. Financial accounting supports accrual accounting and attempts to show actual financial position and results of operations.

2.12 Fixed Cost

A fixed cost is a cost that does not vary in the short term (usually less than one year) with the volume of activity. Fixed cost information is useful for cost savings by adjusting existing capacity or by eliminating idle facilities.

2.13 Full Cost

2.13.1. Full costs are the sum of all costs required by a cost object including the costs of activities performed by other entities regardless of funding sources. More specifically, the full cost of an output produced by a responsibility segment is the sum of (a) the costs of resources consumed by the responsibility segment that directly or indirectly contributes to the output, and

(b) the costs of identifiable supporting services provided by other responsibility segments within the reporting entity and by other reporting entities.

2.13.2. Full cost is all direct and indirect costs to any part of the Federal Government of providing goods, resources, or services (OMB Circular A-25).

2.14 Indirect Cost

Indirect costs are costs that cannot be identified specifically with or traced to a given cost object in an economically feasible way.

2.15 Inter-Entity Costs

Inter-entity is a term meaning between or among different federal reporting entities. It commonly refers to activities or costs between two or more agencies, departments, or bureaus.

2.16 Intra-Entity Costs

Intra-entity costs are costs from organizational components within the reporting entity that provide support for the responsibility segment's programs, projects, or activities. These costs include the direct and indirect costs of other organizational components of the reporting entity.

2.17 Job Order Costing

Job order costing is a method of cost accounting that accumulates costs for individual jobs or lots. A job may be a service or manufactured item, such as the repair of equipment or the treatment of a patient in a hospital.

2.18 Latest Acquisition Cost

Latest acquisition cost is a method in which all units are valued at the invoice price of the most recent items purchased less any discounts, plus any additional costs incurred to bring the item to a form and location suitable for its intended use.

2.19 Managerial Cost Accounting

Managerial cost accounting is the process of accumulating, measuring, analyzing, interpreting, and reporting cost information useful to both internal and external groups concerned with the way in which the organization uses, accounts for, safeguards, and controls its resources to meet its objectives. Managerial cost accounting is the integration of budgetary and financial accounting, and management reporting because it provides information for decision making purposes and performance measurement. Managerial cost accounting is the organization and procedures, whether automated or not, and whether part of the general ledger or stand-alone, that accumulate and report consistent and reliable cost data from various agency feeder systems.

2.20 Outcome

2.20.1. Outcome is defined in broad terms in Statements of Federal Financial Accounting Concepts ***(SFFAC) 1***, "Objectives of Federal Financial Reporting (OFFR)", paragraphs 204-208, as accomplishments or results that occur (at least partially) because of the service efforts of government entities. Some authorities use terms like "impact," "effect," or "results" to distinguish the change in outcomes specifically caused by the government activity from the total change in conditions that can be caused by many factors.

2.20.2. Outcome is an assessment of the results of a program compared to its intended purpose. Outcomes must: (a) be capable of being described in financial, economic, or quantitative terms, and (b) provide a plausible basis for concluding that the program has had or will have this intended effect. For measuring outcomes for research and development programs, results may be reported by a narrative discussion of the major results achieved by the program during the year (SFFAS 8, paragraphs 93 and 99).

2.21 Output

Output is any good or service generated from the consumption of resources. It is measured as a tabulation, calculation, or recording of activity or effort that can be expressed in a quantitative or qualitative manner. It must have two key characteristics:

2.21.1. Systematically or periodically captured through accounting or management information system, and

2.21.2. A logical connection between the reported measures and the program's purpose.

2.22 Performance Measurement

Performance measurement is a means of evaluating efficiency, effectiveness, and results. A balanced performance measurement scorecard includes financial and nonfinancial measures focusing on quality, cycle time, and cost. Performance measurement should include program accomplishments in terms of outputs (quantity of goods or services provided, e.g., how many items are efficiently produced) and outcomes (results of providing outputs, e.g., are outputs effectively meeting intended agency mission objectives).

2.23 Pricing

Pricing is the process to determine the amount at which to sell a product or service. Setting prices is a policy matter, sometimes governed by statutory provisions and regulations, and other times by managerial or public policies. The price of a good or service does not necessarily equal the cost of the good or the service determined under a particular set of principles (SFFAS 4, paragraph 37).

2.24 Product

A product is any discrete, traceable, or measurable good or service provided to a customer. Often goods are referred to as tangible products, and services are referred to as intangible products. A good or service is the product of a process resulting from the consumption of resources.

2.25 Program

Program is defined as a mission program, whose products or services the Agency delivers as part of its strategic plan. Agencies decide the exact classification of programs based on the entity's budget structure, the missions and outputs described in the GPRA strategic and annual plans and the guidance for defining and structuring responsibility segments.

2.26 Project

A project is a planned undertaking, usually related to a specific activity, such as the research and development of a new product or the redesign of the layout of a plant.

2.27 Process Costing

Process costing is a method of cost accounting that first collects costs by processes and then allocates the total costs of each process equally to each unit of output flowing through it during an accounting period.

2.28 Recovery of Cost

Recovery of cost is the method of recovering the costs of any given expenditure.

2.29 Relevant Costs

Relevant costs are those cost elements that are necessary for particular management analyses and/or decision making purposes when full cost is not appropriate. Relevant costs may include expected or potential costs that differ among alternative courses of action.

2.30 Resource

A resource is an economic element that is applied or used in the performance of activities. Salaries and materials, for example, are resources used in the performance of activities.

2.31 Responsibility Segment

A responsibility segment is a significant organizational, operational, functional, or process component which has the following characteristics: (a) its manager reports to the entity's top management, (b) it is responsible for carrying out a mission, performing a line of activities or services, or producing one or a group of products, and (c) for financial reporting and cost

management purposes, its resources and results of operations can be clearly distinguished, physically and operationally, from those of other segments of the entity.

2.32 Service

A service is an intangible product or task rendered directly to a customer. (Also, see Product as defined in paragraph 2.24.)

2.33 Service Department

A service department is also known as an Intermediate Cost Object. A service department is an organizational unit of a facility that has the responsibility for providing support for the work of the production departments. Examples are purchasing, building and ground personnel, and power departments. All of these activities are necessary parts of the production process and primarily supportive of production departments. Service department costs must be allocated to production departments before overhead rates are determined.

2.34 Standard Costing

Standard costing is a costing method that attaches costs to cost objects based on reasonable estimates or cost studies and by means of budgeted rates rather than according to actual costs incurred. It is the anticipated cost of producing a unit of output. It is a predetermined cost to be assigned to products produced. Standard cost implies a norm, or what costs should be. Standard costing may be based on either absorption or direct costing principles, and may apply to all or some cost elements. Refer to Volume 11B and Volume 3, Chapter 19 for use of standard costing in the Working Capital Fund (WCF).

2.35 Unit Price

Unit price is the cost of a selected unit of a good or service.

2.36 Variable Cost

Variable cost is a cost that varies with changes in the level of an activity, when other factors are held constant. The cost of material handling to an activity, for example, varies according to the number of material deliveries and pickups to and from that activity.

3.0 MANAGERIAL COST ACCOUNTING POLICY

3.1 Concepts

3.1.1. As described in SFFAS 4, paragraphs 41-45, the concepts and standards of managerial cost accounting explain the relationship among budgetary, financial, and cost accounting. Managerial cost accounting is the process of accumulating, measuring, analyzing, and reporting cost information useful to both internal and external groups concerned with how DoD uses, accounts for, safeguards, and controls its resources to meet its objectives. Managerial costing

uses a basis of accounting, recognition, and measurement that is appropriate for the intended purpose. Managerial cost accounting is an essential element of proper financial planning, control, performance evaluation, and program accountability.

3.1.2. Managerial cost accounting is a basic, integral part of the DoD financial management system. Information from a common data source provides cost information relevant to budgetary and financial accounting and reporting while providing useful information directly to management for control and decision making. Financial, budgetary, and cost accounting processes ultimately produce the Department's audited general purpose financial statements and special purpose reports from the DoD general and sub ledgers to achieve cost accountability and transparency to stakeholders. Cost information developed for different purposes are drawn from a common data source so that output reports are reconcilable to each other.

3.2 Standards

3.2.1. SFFAS 4 requires each reporting entity to accumulate and report the cost of its activities on a regular basis for management. Costs may be accumulated through cost accounting systems or through cost finding techniques. The standard provides flexibility based on organization mission, operations, size, capabilities, and resources. Agencies have flexibility in designing a cost accounting methodology that meet both internal and external user needs.

3.2.2. The following are the five standards referenced in SFFAS 4:

3.2.2.1. Requirement: Accumulate and report costs of activities on a regular basis for management information purposes (see section 4.0),

3.2.2.2. Responsibility Segments: Establish responsibility segments to match costs with outputs (see section 5.0),

3.2.2.3. Full Cost: Determine the full cost of goods and services (see sections 4.0, 5.0, and 6.0),

3.2.2.4. Inter-Entity Costs: Recognize the cost of goods and services provided among federal entities (see sections 5.0 and 6.0), and

3.2.2.5. Methodology: Use appropriate costing methodologies to accumulate and assign costs to outputs (see section 5.0).

3.3 Uses

In managing DoD programs, cost accounting information assists managers and other stakeholders in making informed decisions in the areas of budget and cost control, performance measurement, reimbursement and fee/price setting, program evaluations, and economic choice decisions. An organization should be able to answer the following types of questions:

3.3.1. Given the current spend plan and rate of execution, at what interval (if applicable) could the program experience a cost over-run?

3.3.2. What are the full costs to deliver goods and/or services by organization, line of business, or region?

3.3.3. How well is the organization managing its available resources in terms of mission effectiveness and cost efficiency?

3.3.4. How well has the organization met its strategic plan and the expected outcomes based on resources available?

3.4 Assignment and Methodologies

3.4.1. Cost assignment approaches link expenses from a financial accounting perspective using the USSGL, as further defined in the Office of the Deputy Chief Financial Officer Standard Financial Information Structure ***(SFIS)*** to outputs of an organization (see paragraph 5.3). Users should assign costs with one of the following approaches listed in the order of preference:

3.4.1.1. Directly trace costs wherever feasible and economically practicable,

3.4.1.2. Assigning costs on a cause and effect basis, or

3.4.1.3. Allocating costs on a reasonable and consistent basis.

3.4.2. Methodologies are processes used to accumulate and allocate costs to specific outputs. Although SFFAS 4 does not require the use of a particular costing methodology, the standard requires that a costing methodology, once adopted, be used consistently. The standard recognizes that the agency management is in the best position to select a type of costing system that would meet its needs and describes the four costing methodologies in section 5.0, which include (a) job order costing, (b) process costing, (c) standard costing, and (d) ABC. The DoD Component must select the costing methodologies that best meet the organization's operational need and mission requirement.

3.5 Systems, Sources and Cost Finding

3.5.1. Managers must establish appropriate procedures and practices to enable the collection, measurement, accumulation, analysis, interpretation, and communication of consistent and periodic cost information with a system or the use of cost finding techniques.

3.5.2. A system is a continuous and systematic process, which may be designed to accumulate and assign costs from a common data source to a variety of objects routinely or as desired by managers. The common data source may include many different kinds of data from many financial and non-financial sources of information to support cost, financial and budgetary accounting. Costs are traced using the accounts described in the USSGL as the standard to produce financial and budgetary general purpose reports and special purpose performance reports. Cost

accumulation is facilitated by the SFIS structure, which includes the Standard Line of Accounting (SLOA). See paragraph 5.3.

3.5.3. When data systems are unable to provide the needed cost information or where information is required on a non-recurring basis (e.g., budget estimates, Business Case Analysis, and/or Cost Benefit Analysis), cost finding techniques may provide the needed results through analytical or sampling methods and special cost studies and analysis. Cost finding techniques should not replace consistent and regular managerial cost reporting when available.

4.0 REPORTING AND ANALYSIS

4.1 Overview

4.1.1. Reliable costs of federal programs and activities is important to managers. Cost reporting and analysis provides a better understanding of specific programs and activities (e.g., products and services) to include costs and changes in costs; efforts and accomplishments over time; efficiency and effectiveness of assets and liabilities in support of budgetary, financial, and managerial cost reporting; and program business decisions. Additional benefits are derived when planned and actual performance data are aligned, such as the ability to capture full costs of products and/or manpower, transparency into pricing and fees, and consistency in standardized cost reporting for historic and forecasting value. Benefits derived will vary based on organization, model maturity, and department mission.

4.1.2. Managerial cost accounting improves both financial management and decision making by providing:

4.1.2.1. An understanding of the reporting requirements as seen by management,

4.1.2.2. The type of information management needs, and

4.1.2.3. An approach to developing the analysis that will eventually support the reporting and performance structure.

4.2 Users

4.2.1. Regardless of a stakeholder's function, users need accurate reporting to identify cash, disbursements, collections, full cost of resources, activities, capabilities, and operations for various needs. Specifically, for the DoD Reporting Components, some of these needs include:

4.2.1.1. Making better decisions at the cost element levels,

4.2.1.2. Knowing the cost of operations and activities,

4.2.1.3. Linking budget planning and allocation to actual expenditures,

4.2.1.4. Responding to both external and internal cost related inquiries, and

4.2.1.5. Making costs visible to DoD leadership, component leadership, operational commanders, and program managers.

4.2.2. Internal Users

4.2.2.1. Government managers are the primary users of cost information. They are responsible for carrying out program objectives with resources entrusted to them. Reliable and timely cost information helps ensure that resources are spent to achieve expected results and outputs as well as identify waste and inefficiency.

4.2.2.2. Program Managers use cost information to (a) effect cost control, (b) make resource acquisition decisions, (c) evaluate and improve efficiency and cost effectiveness of various program activities, and (d) make budget and planning proposals to agency heads and Congress.

4.2.2.3. Financial Managers, including accountants and budget analysts, use cost information to (a) calculate unit costs of outputs, (b) analyze and explain cost variances, (c) formulate standard costs, (d) compile period financial reports, and (e) analyze the cost behavior to quantify variable, fixed, and/or incremental costs for decisions such as buy or lease.

4.2.2.4. Franchise Activity Managers use cost information to set prices or reimbursements for the goods or services they provide (MCAIG A-xxv).

4.2.2.5. Government executives use cost information to (a) evaluate the overall performance of the programs, (b) assess future resource requirements for financial plans and budgets, and (c) develop proposals to the President and Congress on resource allocations and program expansion, modification, or downsizing.

4.2.3. External Users

4.2.3.1. Congress makes policy decisions on program priorities and allocates resources among programs through the appropriations process. These officials need cost information to compare alternative courses of action and to make program authorization decisions by assessing costs and benefits and evaluating program performance outcomes and outputs.

4.2.3.2. Citizens, including news media and interest groups, use cost information to assess the efficiency and effectiveness of resource allocation.

4.3 Decision Making

4.3.1. To interpret cost data appropriately, it is important to distinguish between direct and indirect costs, fixed and variable costs, and full and relevant costs. Analysis of these cost components help managers understand the demand their program places on federal resources of other organizational units and contributes to their organizational costs. The accurate recording

and availability of detailed historical cost information is important in providing insight into budgets, cost estimates, and performance metrics.

4.3.2. Cost information should allow organizations to address:

4.3.2.1. Current spend plan and program expense status, and

4.3.2.2. The full costs to deliver goods and/or services by an organization, line of business, or region,

4.3.3. Cost information assists managers in budget and cost control, performance measurement, reimbursement and fee/price setting, program evaluations, and economic choice decisions.

4.4 Budget and Cost Control

4.4.1. Budget planning and control serves an important function within the Federal Government. Managers use historical and current costs of program activities as a basis in estimating future budgets and to measure actual performance against established goals.

4.4.2. Once budgets are approved and executed, current cost information serves as feedback on the budgets. DoD financial managers use the feedback derived from the current costs to budget analysis to control and reduce costs, as well as find and avoid waste. With appropriate cost information collected through managerial cost accounting, federal managers can:

4.4.2.1. Explain variances between actual and budgeted costs of a cost object,

4.4.2.2. Compare cost changes over time and identify their causes,

4.4.2.3. Compare costs of similar activities and identify cost differentials, and

4.4.2.4. Produce budgets at a detailed level which will improve accuracy, insight, and increased transparency of an agency's expenditures.

4.4.3. Organizations should produce a Statement of Net Cost (actual to budget) in accordance with Volume 6B, Chapter 5.

4.5 Performance Measurement

4.5.1. The GPRA requires Federal Agencies to develop five-year strategic plans and annual performance plans and report annually on actual performance compared to goals. The GMRA reduces duplicative administrative services by establishing a self-sustaining franchise fund to provide common and efficient administrative support services on a reimbursable basis. Participation in these franchise funds requires proper costing procedures. Subsequently, the FFMIA was enacted to help improve compliance with accounting standards resulting in reporting full costs of programs and activities, which increases accountability and improves cost efficiency, performance, and

productivity. The FFMIA builds upon and complements the CFO Act, GPRA, and GMRA, and increases the capability of agencies to monitor execution of the budget by more readily permitting reports that compare spending of resources to results of activities. Cost information is necessary to aid organizations in evaluating and comparing actual costs to planned performance measures, outputs, and outcomes.

4.5.2. In defining annual performance plans, program managers can establish performance goals based upon an understanding of both the direct and indirect costs of programs, and thereby align strategic resources to results.

4.5.3. Results are often stated in terms of an "output," because they are easier to identify and measure. Leading practice in performance management prefers to measure an "outcome" or a result or measurable goal, which is often more difficult to identify and measure. The utilization of managerial cost accounting can provide the performance details useful to leadership for determining whether the organization achieves an "outcome" or not. Defined cost goals will assist managers in deploying resources more efficiently to achieve the desired performance.

4.5.4. An annual performance plan defines measurements for each major activity, good, and service. Plans and performance goals are developed based upon anticipated resource levels. In the budget formulation process, program managers begin to connect federal resources to results. Managerial cost accounting policies require that financial managers base their planning upon all federal resources allotted to their programs. This includes resources for both direct and indirect costs. The indirect allocated support for activities, goods, and services that are separately appropriated or covered through relevant activities are often overlooked and not included. A complete and fully inclusive performance report will include both direct and indirect (from all sources within program or support programs) costs of the cost object. When the cost of a program is managed through managerial cost accounting, and cost goals are defined, the costs of the activity, good, and service can be monitored and managed more efficiently.

4.5.5. Performance measurement can be viewed as the government equivalent of private sector profitability measurements. However, selecting appropriate measurements is quite difficult and requires exercise of judgment. Cost itself can be a performance metric, but cost should also be combined with an effectiveness measure, such as the percent of a goal achieved at a level of expected performance, to ensure the resulting output is cost effective.

4.5.6. As suggested by SFFAS 4, paragraph 35, measuring cost is an integral part of measuring performance for efficiency and cost effectiveness. Efficiency is measured by relating outputs to inputs, often expressed as cost per unit of output. Effectiveness is measured by the outcome or the degree to which a predetermined objective is met, commonly expressed as "cost effectiveness." Therefore, the service efforts and accomplishments of a government entity can be evaluated with the following measures:

4.5.6.1. Measures of an organization's efforts (inputs), which include the costs of resources used or consumed, and non-financial measures,

4.5.6.2. Measures of an organization's accomplishments (outputs), which include the quantity of goods and services provided and outcomes (the results of those goods and services), or

4.5.6.3. Measures that relate efforts to accomplishments, such as cost per unit of output or cost effectiveness.

4.6 Reimbursements and Fee/Price Setting

4.6.1. Cost information is important for setting prices and user fees for government provided goods and services. Pricing and costing, however, conceptually use cost information differently. In the Federal Government, setting prices is a policy matter, sometimes governed by statutory provisions and regulations, and at other times, by department or managerial policies.

4.6.2. SFFAS 4, paragraph 37 and OMB Circular A-25 requirements include:

4.6.2.1. With respect to goods and services that the government provides in its sovereign capacity to a particular group of individuals as a special benefit, user charges should be sufficient to recover the full cost of those goods and services.

4.6.2.2. With respect to goods and services that the government provides under business-like conditions, user charges for those goods and services need not be limited to the recovery of full cost and may yield net revenue. WCFs are revolving funds that rely on a cost recovery methodology to finance operations. WCF activities are designated as zero profit/loss or breakeven activities. The full costs of the goods and services delivered are reimbursed through the associated sales. Those sales represent receipts from the appropriated funds. For this to happen, it is critical that reimbursement rates be as accurate as possible. If the rates are set too high, the organization will overcharge its customers. If rates are set too low, costs will not be fully recovered. To set rates accurately, the DoD needs a comprehensive understanding of the goods and services that are delivered, the activities and tasks required for delivery, and the resources consumed by those activities. For more information on WCF see Volume 3, Chapter 19 and Volume 11B.

4.6.3. Cost information is also important in calculating reimbursements for goods and services provided by one federal agency to another. Hence, reimbursable accounting allows one federal organization to recover its cost from another federal organization for the direct and indirect costs of providing those goods and services. The reimbursable fee structure, best displayed in the reimbursement of communication, data, and accounting services by some of the DoD agencies, is specifically established for providing those goods and services. Even if fees or reimbursements do not recover the full costs due to policy or economic constraints, management needs to be aware of the difference between cost and price. With this information, program managers can properly inform the public, Congress, and federal executives about the costs of providing the goods or services. For more information on reimbursable fees, see Volumes 11A and 11B.

4.7 Program Evaluations

The cost of federal resources required by programs is an important factor in making policy decisions related to program authorization, modification, consolidation, or discontinuation. These decisions are usually subject to policy constraints. They often require the consideration of both social and economic costs and benefits affecting different sectors of the economy and society. For complete program cost evaluation, it may be necessary to obtain advice from outside the entities' data systems. The Office of the Director, Cost Assessment and Program Evaluation (CAPE), provides independent analytic advice to the Secretary of Defense on all aspects of the Defense program, including alternative weapon systems and force structures, the development and evaluation of defense program alternatives, and the cost effectiveness of defense systems.

4.8 Economic Choice Decisions

As noted in SFFAS 4, agencies and programs often face decisions involving choices among alternative actions, such as whether to do a project in-house or contract it out, to accept or reject a proposal, or to continue or discontinue a good or service. Making these decisions requires cost comparisons among available alternatives. In the case of outsourcing, decisions may involve comparing the incremental cost and benefits of continuing a government activity with the incremental cost and benefits of turning the project over to a private sector business. Cost studies of various types can help to decide whether to accept or reject a proposal for a government capital project, to continue or drop a government good or service, or to contract with a private sector vendor.

5.0 COST ASSIGNMENT AND COSTING METHODOLOGY

5.1 Overview

5.1.1. SFFAS 4, paragraph 116, requires that managers accumulate the cost of resources consumed by responsibility segments and type of resource; accumulate outputs produced and, if practicable, measured in units; and that the full cost of direct and/or indirect resources be assigned to outputs through consistently-applied and appropriate costing methodologies or cost finding techniques.

5.1.2. When assessing cost accounting requirements, reporting entities must determine the appropriate detail for processes and procedures based the following factors:

5.1.2.1. Nature of the entity's operations,

5.1.2.2. Precision desired and needed in cost information (accuracy, frequency, granularity, transparency, and cost benefit of obtaining data),

5.1.2.3. Practicality of data collection and processing,

5.1.2.4. Availability of service departments for indirect services,

5.1.2.5. Cost of installing, operating, and maintaining the cost accounting processes, and

5.1.2.6. Any specific information needs of management.

5.1.3. Management should evaluate alternative costing methods and select those that provide the best results considering its operating environment and economic feasibility (e.g., the benefits resulting from implementing the methods outweigh the costs).

5.1.4. SFFAS 4 requires that a costing methodology, once adopted, be used consistently so that cost information can be compared from year to year. This requirement, however, does not preclude necessary improvements and refinements to the system or methodology, so long as the effect of any change is documented and explained. Documenting the changes assists in appropriately incorporating the new processes over historic years and provides support to any forecast adjustments.

5.2 Cost Accumulation

5.2.1. SFFAS 4 states that cost accumulation is the process of collecting cost data in an organized way and that the accumulation is for costs incurred within each responsibility segment; this does not involve the assignment or allocation of costs incurred by other supporting segments.

5.2.2. Of the five standards in SFFAS 4, two reference cost accumulation:

5.2.2.1. Accumulating and reporting costs of activities on a regular basis for management information purposes, and

5.2.2.2. Using appropriate costing methodologies to accumulate and assign costs to outputs.

5.2.3. Cost accumulation for cost objectives or outputs is achieved by selecting costing methods (e.g., standard costing, job order costing, ABC) or cost finding techniques that are suited to the operational environment. For more information on cost finding techniques, see section 6.0.

5.2.4. SFFAS 4 requires organizations to accumulate costs for the identified types of outputs produced for various programs or projects. Organizations may establish a network of cost centers to accomplish this cost accumulation task. Cost centers are a tool that groups relevant costs that support a consistent output or objective. Cost centers can be used to simplify the various costs incurred by aggregating costs into a cost center that provides a product, be it a service or a good. A project management office is a common type of cost center.

5.2.5. Responsibility segments should accumulate the costs of resources consumed by the type of resource, such as costs of employees, employee benefits, and office space or rent. Accumulating the costs incurred by resource type supports detailed reporting and provides transparency of cost by type. Outputs (if practical, measured in units) produced by responsibility segments should also be accumulated; the full cost of resources that directly or indirectly

contribute to the production of outputs should be assigned, if the purpose is to support billing a customer (refer to Volumes 11A and 11B).

5.3 Cost Assignment Authoritative Guidance

The SFIS is a comprehensive DoD enterprise data structure and common business language for budgeting, financial accounting, cost, performance, and standardized reporting requirements. SFIS enables budgeting, performance-based management, and the generation of financial statements. Through the SLOA classification, SFIS improves interoperability between business systems, provides better end-to-end funds traceability and linkage between budget and expenditures, complies with Treasury requirements, and helps achieve audit readiness. SLOA provides additional granularity to accounting transactions that improves the appropriate assignment of costs. Volume 1, Chapters 4 and 7, and the SFIS resources web page provide complete information, including the SFIS matrix, Compliance Checklist, USSGL Transaction Library, the Standard Chart of Accounts (SCOA) and the SLOA.

5.4 Cost Assignment Approaches

5.4.1. Cost assignment is the process that identifies the accumulated costs to cost objects (an activity or item whose cost is measured). As per SFFAS 4, there are three approaches, summarized in Table 19-1, for assigning costs to outputs listed in order of preference:

5.4.1.1. Directly tracing costs wherever feasible and economically practicable,

5.4.1.2. Assigning costs on a cause and effect basis, and

5.4.1.3. Allocating costs on a reasonable and consistent basis

Table 19-1. Cost Assignment Approaches

Approach	General Cost Behaviors	Accuracy/ Frequency	Granularity/ Transparency	Project/ Program Requirement
Direct Tracing	Job Order Direct and/or Indirect Actual or Standard	High	High to Moderate	Activity / Task Level
Cause and Effect	Job Order Direct and/or Indirect Process Direct and/or Indirect Variable Actual or Standard	High to Moderate	High to Moderate	Task / Delivery Order
Allocation	Job Order Indirect Process Indirect Fixed Actual or Standard	Lowest	Lowest	Project / Program

5.4.2. Agencies and responsibility segments select the appropriate cost assignment approach based on their operational needs. Operational needs tend to follow historic practices

(if reliable historic data is available); however, cost assignment approaches can change if the operating environment or regulations change. SFFAS 4 requires organizations to identify the full cost of outputs (the goods or services produced, the missions or tasks performed, and the customers or markets served) including:

5.4.2.1. Direct and indirect costs incurred within the responsibility segment,

5.4.2.2. Intra-entity costs from other responsibility segments, and

5.4.2.3. Inter-entity costs recognized by the receiving entity.

5.4.3. Responsibility segments that produce only one output assign costs of the resources used in production to the output. Responsibility segments that deliver intermediate goods or provide supporting services assign the costs to the segments that receive the goods and services. Inter-entity costs are assigned to the responsibility segments that use the inter-entity goods and services. A receiving entity should also recognize assigned inter-entity costs from other Federal Entities.

5.4.4. It is a requirement to document changes to a cost assignment approach. Documenting changes may also require noting in the financial statements. It is important to maintain a consistent cost assignment approach, where possible, for reporting and pricing efforts.

5.5 Direct Tracing

5.5.1. Direct tracing applies to resources directly used in the production of an output. Examples include materials used in production, employees providing direct effort, facilities, and equipment used exclusively in the production of the output, and goods or services received from other entities (inter-entity) directly used in support of the output. Direct tracing also applies to specific resources dedicated to particular outputs, such as resources tracked to a single task or objective.

5.5.2. Direct costs tend to originate internally by program, responsibility segment, or reporting entity; however, outside entities may also assign direct costs to a segment. Additionally, the direct tracing approach is not limited to direct costs. Indirect costs from these outside entities can also use the direct tracing approach to capture costs in more detail. Regardless of origin or funding profile, all direct costs are included in the cost of the output.

5.5.3. As noted in Table 19-1, directly tracing costs provides the highest level of granularity and yields the highest level of reporting information; however, it is not necessary to apply direct tracing to all elements of a cost object or output. For example, directly tracing office supplies to a particular weapon system upgrade would not be cost effective, but if a program or activity explicitly budgets for administrative or clerical services, then direct traceability is relevant for costing purposes.

5.6 Cause and Effect Basis

5.6.1. Costs that cannot be traced directly to a final output (such as activities or work elements), or it is cost prohibitive to do so, but a relationship can be made between the resource costs and outputs, are assigned to intermediate cost objects. The cause and effect basis recognizes that activities have incurred costs, outputs have required these activities, and therefore, a reasonable relationship can be derived between the two. The causal beneficial relationship permits the activity costs to be accumulated and assigned using the cause and effect basis.

5.6.2. Establishing an intermediate cost object requires the identification of homogenous activities to an output and determining the rate of allocation to receiving cost objects. For example, a laboratory's costs can first be assigned to various tests it runs. The costs of the tests can then be assigned to the operating units that ordered the tests.

5.6.3. The cause and effect basis is useful when production is consistent and manageable. The cause and effect basis must not be used if cost cannot be normalized or linked to a final output; instead, costs are assigned using a more general process.

5.7 Cost Allocation

5.7.1. Cost allocation is the process of assigning costs that cannot be directly traced or assigned using the cause and effect basis. General and Administrative services used by various common segments apply cost allocation to assign costs to benefiting cost objects. Cost allocation provides the least detail in costs incurred and is used for indirect costs only.

5.7.2. General and Administrative support costs are allocated initially to the segments and then to the outputs of that segment on a pro rata basis. This involves two steps:

5.7.2.1. Allocate the accumulated costs of services to the segment, and

5.7.2.2. Allocate the accumulated costs to the outputs of each segment.

5.7.3. The usual basis for cost allocations is the relevant common denominator. The basis of cost allocation may include the number of employees, direct hours worked, or the amount of direct costs incurred in segments. The common denominator is also referred to as the allocation base. Grouped costs should be accumulated and assigned using a consistent and relevant base. The allocation frequency and base should remain consistent to allow cost comparison over a period of time.

5.7.4. Cost allocation is similar to cause and effect in that it may use an intermediate cost object to accumulate costs; however, it differs in that a single benefiting segment or output is unable to be identified for allocation purposes. Cost allocation is commonly used for general and administrative costs. A responsibility segment may use more detailed costing methods to accumulate costs within the intermediate cost object for more detailed internal reporting, but the allocation remains based on the accumulated cost.

5.7.5. Costs accumulated for intermediate cost objects must be homogeneous. Examples in homogeneity accumulation include, but are not limited to: human resource departments, program management offices, and general and administrative offices. Activities within these examples are often difficult to measure in meaningful amounts per unit or per cost object.

5.8 Costing Methodologies and Cost Behaviors

It is important to note that the costing methodologies described in paragraphs 5.9 through 5.12 are not mutually exclusive nor all inclusive, and can be utilized in combination based on the objective, job order, or process costing and can be applied to both ABC and standard costing systems.

5.9 Job Order Costing

5.9.1. Job order costing is a costing methodology that accumulates and assigns costs to discrete jobs. Job order costing systems are used by organizations that produce unique products or special order products, projects, assignments or groups of similar outputs. Job order costing is used if:

5.9.1.1. The production or service is being performed to meet customer specifications or requirements, or

5.9.1.2. Products or services require different amounts and types of direct material, labor and indirect costs.

5.9.2. In a job order costing system, different products with varying degrees of production time and different amounts of direct materials consumed are tracked separately by work orders. Job order costing provides more control, less estimation, and more direct and reliable allocation of costs.

5.9.3. Direct materials and supplies owned by the performing activity, acquired from a WCF or from an inventory account financed by appropriated funds, are charged to a job order in accordance with established costing procedures for the segment.

5.9.4. The structure for job order data must be consistent with the SFIS and the SFIS Business Rules (see paragraph 5.3). Where relevant, subsidiary ledger accounts or proprietary accounts will be incorporated into the structure for job order data.

5.9.5. A job order number is given to each identified cost object, similar to a project Work Breakdown Structure, in which a number is assigned to each task that is being tracked or reported. Job order numbers are the framework for identifying each job and a means of accumulating departmental direct labor, direct material, and overhead (indirect, general, and administrative) cost by job order. Detailed DoD specific transactions are available in the DoD USSGL Transaction Library and must be consistent with Volume 1, Chapters 4 and 7. Refer to Volumes 11A and 11B for reimbursable policies applicable to activities financed with annual appropriations and WCFs.

5.10 Process Costing

5.10.1. Process costing accumulates costs by individual processing cost center. These processing cost centers are involved in a continuous flow of effort, with each center contributing towards the completion of the end products. The output of a processing center becomes the input of the next processing cost center or becomes a part of the end product.

5.10.2. Process costing is appropriate for production of goods or services with the following characteristics:

5.10.2.1. The production involves a regular pattern of processes, and

5.10.2.2. The output consists of homogeneous units, and

5.10.2.3. All units are produced through the same process procedures.

5.10.3. Each cost center accumulates costs, assigns the costs to its outputs, and calculates the unit cost of its output. For each period, cost centers prepare a cost and performance report showing the costs, the completed effort, and the work-in-process. When a certain number of completed units are transferred from the cost center to the next cost center, the cost of those units are also transferred and are eventually incorporated into the costs of the end product. Therefore, the cost flow follows the physical flow of the production. The unit cost of the end product is the sum of the unit costs of all the divisions.

5.11 Standard Costing

5.11.1. Standard costs are carefully predetermined or expected costs that can be applied to activities, services or products on a per unit basis. The purpose of standard costing is to have a standard cost per product used as a goal to compare with actual costs.

5.11.2. A standard cost outlines how a task should be accomplished in nonfinancial terms (hours, minutes, board feet) and how much it should cost. Standard costing can be done for components such as direct materials, direct labor, and indirect costs. Standard costs are a fixed price per unit and are commonly used in production or service center models.

5.11.3. Standard costing is used in conjunction with job order costing, process costing, and activity based costing and it can be applied to specific outputs or activities, or to a responsibility segment in aggregate by comparing total actual costs with total standard costs based on outputs produced within a certain time period. Standard costing is appropriate for operations that produce services or products on a consistently repetitive basis. (Refer to Volumes 11A for Reimbursable Operations and 11B for WCF activities).

5.12 ABC

5.12.1. ABC focuses on activities of a production cycle, based on the premises that:

5.12.1.1. Output requires activities to produce, and

5.12.1.2. Activities consume resources.

5.12.2. ABC uses cost drivers to assign costs through activities to outputs.

5.12.3. The ABC cost assignment process is a two-stage process. The first stage assigns the cost of resources to activities. The second stage assigns activity costs to outputs.

5.12.4. Implementing ABC is a four step process:

5.12.4.1. Identifying activities within a segment. This may require an in-depth analysis of the operating processes, as some processes may consist of one or more activities. Activities may be classified into unit level, batch level, product sustaining, and facility sustaining activities. Management may combine related small activities into larger activities to avoid excessive costing efforts.

5.12.4.2. Assigning resource costs to activities to capture the full cost of the final output. Assigned resource costs should include direct and indirect costs as well as any inter- or intra-department costs relevant to the activity. Resource costs are assigned to activities in three ways, depending on feasibility and cost benefit considerations:

5.12.4.2.1. Direct tracing,

5.12.4.2.2. Standard costing or cost finding report, or

5.12.4.2.3. Allocations.

5.12.4.3. Identifying outputs. Outputs are any good or service generated by a segment, and can include information or paperwork generated by the completion of the tasks or customers (e.g., persons or entities to whom a federal agency is required to provide goods or services). Omitting a resource cost, activity, or output in the ABC process will result in overcharging costs to other outputs.

5.12.4.4. Assigning activity costs are assigned to outputs using activity drivers based on individual outputs' consumption or demand for activities. For example, a driver may be the number of times an activity is performed or the length of time an activity is performed in the production of an output. These are referred to as transactional and durational drivers, respectively.

5.12.5. ABC can be used in conjunction with job order costing or process costing. Job order or process costing would be costing activities that occur in the production of a final output. For example, a contracting office has many activities that lead into the finalization of a contract.

There are routine processes relevant to all contracts, such as document formatting, printing, and delivery activities, that are likely allocated using a standard cost methodology (established rate per output), while other activities such as research and negotiation are not common and vary depending on contract type, are allocated using ABC methods.

5.12.6. A major advantage of using ABC is that it avoids or minimizes distortions in product costing that result from arbitrary allocations of indirect costs. By tracing costs through activities, ABC can provide more accurate good or service costs. Ranking activities by the degree to which they add value to the organization or its outputs encourages management to evaluate the efficiency and cost effectiveness of activities. An ABC method starts with identifying and examining the following:

5.12.6.1. What value-added activities are really needed in order to accomplish a mission, deliver a service, or meet customer demand?

5.12.6.2. How can activities be modified to achieve cost savings or product improvements?

5.12.6.3. What activities do not actually add value to services or products?

5.12.6.4. Where can cycle time analysis and value-added analysis be incorporated?

6.0 DATA SYSTEMS, DATA SOURCES AND COST FINDING

6.1 Data System

6.1.1. Financial accounting, budgeting, and managing are three essential ingredients of accountability. Data systems are the source of cost and programmatic information used for reporting. SFFAS 4 requires that each reporting entity accumulate and report the cost of activities on a regular basis.

6.1.2. A data "system" is an organized grouping of methods, source information, and activities surrounding data collection used to produce reliable cost information on a consistent basis. Data systems include a collection of system tools and sources used for automating managerial cost accounting reporting, but can also include manual processes, such as cost finding reports. System based reporting should be used first before relying on cost finding reports in order to routinely collect reliable data from a common data source, process the data, and report cost and output information for general and special purposes. Data systems will integrate sources of information across an organization and may need to include data sources that cross multiple reporting segments of an entity in order to provide the proper cost information, such as accounting information, time records, or asset data. A data system can also include evaluation and decision source information derived as a result of prior reporting and feedback.

6.1.3. Cost information developed for managerial cost accounting purposes from established data systems should be reconcilable to financial, budgetary, or managerial accounting items. When possible, information produced from a data system should be corroborated with other

reporting tools to validate the content in the systems (quantity of line items or sum of dollars). This task may be included in a recurring internal control assessment to reduce redundancy. DoD financial managers will decide the best approach based on the complexity of the data and its reliance.

6.1.4. DoD data systems, to the extent practicable, should be integrated with an organization's accounting, budgetary, and financial system(s). As SFFAS 4, paragraph 72 prescribes, a system should take into consideration:

6.1.4.1. The nature of the entity's operations,

6.1.4.2. Precision desired and needed in cost information,

6.1.4.3. Practicality of data collection and processing,

6.1.4.4. Availability of electronic data handling,

6.1.4.5. Cost of installing, operating and maintaining the cost accounting processes, and

6.1.4.6. Any specific management information needs.

6.1.5. Data systems will support cost analyses used to compare actual to anticipated costs. To meet managerial cost accounting needs, data systems should use uniform and basic cost, transactional, or programmatic data. Examples of these data are units of output produced and input used, to include the amount of labor in terms of employees or employee hours.

6.2 Data Sources

6.2.1. Data sources, as SFFAS 4 describes it, "consists of all financial and programmatic information used by the budgeting, cost accounting, and financial accounting processes. The common data source may include many different kinds of data, which may be spread among multiple systems or locations, including non-computerized sources. These data are far more than the information about financial transactions found in the standard general ledger, although that is a significant part of the data source." Non-financial data may include human capital, logistical, and operational data. Common data sources will include information about financial transactions found in the standard general ledger along with various other data types. The use of the term "data source" is not limited to the use of computerized systems for information, but includes a broad array of sources of information (for example, manually prepared reports or audit findings).

6.2.2. Data sources integrated into the data system must be relevant to the reporting segment and its reporting requirements. Data sources may originate from within the reporting segment or from an external entity. Data sources must be capable of retaining pertinent data over periods sufficient to provide historical reference and allow for forecasting. Managers will examine non-systematic data sources for content, accuracy, and reliability on a recurring basis.

6.2.3. Reporting needs will vary depending upon the circumstances and purpose for which the measurement is used. Data sources established within an entity's data system may need to change as the operational needs change. However, as stated in SFFAC 1, the focus is on developing generally accepted accounting standards for reporting on the financial operations, financial position, and financial condition of the Federal Government and its component entities and other useful financial information. This implies a variety of data sources that complement budget information will be required and must be adapted to fit OFFR, SFIS, and SLOA standards.

6.3 Cost, Budget, and Financial System Relationships

6.3.1. Proper financial management requires that cost, budget, and financial systems work closely together to provide useful information. Per FASAB, OFFR should consider the needs of both internal and external users, the decisions they make and the information they need. The established data systems must follow the DoD USSGL Transaction Library and DoD SCOA for consistency of the cost information.

6.3.2. Budgetary accounting ensures compliance with fiscal legal requirements and tracks the use of each appropriation for specified purposes in separate budgetary accounts through the various stages of budget execution—from appropriation to apportionment and allotment to obligation and eventual outlay. Cost accounting informs budget formulators and decision makers with the full cost of federal resources required to support policy and program goals. Cost accounting also assists the budget execution process by consistently accumulating and reporting the costs of the federal resources consumed, and by comparing actual against planned federal resource consumption (MCAIG Glossary, page I-19). Managerial cost accounting uses the defined data elements prescribed by SLOA to produce a more detailed Statement of Net Cost for budget reconciliation (see paragraph 5.3).

6.3.3. Financial accounting tracks financial events of DoD Reporting Entities and produces results of operations, including assets, liabilities, and changes in net position, revenues, and expenses. Federal financial reporting derived from cost accounting data systems will encompass general and special purpose report capabilities to meet the needs of the four user groups: program managers, executives, Congress, and citizens. Information produced by managerial cost accounting appears in or influences both general and special purpose reports.

6.3.4. Data systems for cost accounting should provide sufficient cost detail on a timely basis to support performance reporting. Measuring and reporting actual performance against established goals is essential to assess governmental accountability. Cost information is necessary in establishing strategic goals, measuring service efforts, determining whether expected outcomes were achieved, and relating efforts to accomplishments.

6.3.5. Data systems that use different accounting bases or different recognition and measurement methods than the norm should be reconcilable and should fully explain the accounting bases and measurement methods. Regardless of the type of report in which it is presented, cost information should ultimately be traceable back to the original source.

6.3.6. As per SFFAS 4, to be reconcilable, the amount of the differences in the information reported should be ascertainable and the reasons for the differences should be explainable. In some situations, informational differences may be clearly understandable without further explanation. However, other cases may require a narrative statement concerning the differences. In complicated situations, a schedule or table may be required to fully explain the differences. Any variances observed in data system reports to budgetary, financial, or managerial cost accounting reports must be documented noting the reason for the variance (if discernable), the source of the variance, and the resolution, if applicable.

6.4 Cost Finding

6.4.1. Cost finding is a tool used to perform cost examinations when a data system cannot provide sufficient data. Cost finding techniques produce cost data by analytical or sampling methods. Cost finding techniques are only appropriate for certain kinds of projects or programs that have limited scopes or costs. Organizations may use thresholds to limit the use of cost finding technique. When cost finding techniques are used, the value of the report should be limited and a timeframe for updating the cost finding report established. As cost information becomes available and normalized on the project or program, the cost finding report should be replaced with actual data.

6.4.2. Special purpose cost reports and analyses, or cost finding techniques, can be performed for financial based decision making. Cost finding techniques will vary depending on the type, level, and significance of the financial decision, e.g., planning decisions for replacement costs, capital costs, or sustainment of operations. It is important that the basis and method used be appropriate for the circumstances and consistent with the intended purpose.

6.4.3. Cost finding techniques produce cost data by analytical or sampling methods. Cost finding techniques are used for indirect costs, items with costs below set thresholds within programs, or for programs in their entirety. Cost finding techniques support the overall managerial cost accounting process and can represent nonrecurring analysis of specific costs.

6.5 Cost Finding Application

6.5.1. Cost findings generated manually outside of the standard reporting tools should utilize an established managerial cost accounting data system where possible. Cost finding techniques will vary. It is crucial that the process be thoroughly documented. Documentation must be sufficient to replicate the cost finding process used with consistent results.

6.5.2. Within the DoD, cost finding techniques will be used to compare costs of different organizational units or operations performing the similar output. Cost finding is one tool in estimating full costs, and can be used to compare organizational efficiency. For example, the costs for an intermediate object, such as processing a personnel action at a personnel office, can be compared with the cost at other personnel offices to determine the efficiency of one over the other or value of both.

6.5.3. Cost finding techniques are used for a number of different circumstances, but there are four general circumstances:

6.5.3.1. A cost accounting system is not in place for full cost of a cost objective.

6.5.3.2. The data system does not have the full costs incurred to provide an output or product. In this scenario, the output is often new or unique.

6.5.3.3. Activities do not have formal cost accounting capability as part of their financial management system, but periodically provide outputs to other DoD Components, Federal agencies, or to the public.

6.5.3.4. The cost of an item has not been recorded in the accounting system and the item is being transferred, sold, or recorded in the accounting system for the first time.

6.5.4. When the purpose of a cost finding includes the preparation of an internal report or an external report for another Federal agency or non-Federal organization, General Fund (GF) Components should follow the guidance contained in Volume 11A, Chapter 1 to ensure that all applicable costs are considered. WCF Components must follow the guidance in Volume 11B. When the purpose is to establish the cost of an activity associated with the Security Cooperation Program, managers and users will follow the guidance contained in Volume 15, Chapter 7.

6.6 Cost Finding Requirements

6.6.1. Cost finding techniques must be repeatable and set up in a manner that is consistent with similar prior cost finding reports in the cost collection approach, even if the effort is associated with a one-time cost accounting requirement. This is required to sustain an audit or assessment of the cost later.

6.6.2. Although cost finding practices are outside of the standard processes, cost finding techniques must align with the SFIS Business Rules for financial data (see paragraph 5.3).

6.6.3. A thoroughly documented cost finding approach requires:

6.6.3.1. The cost objects or outputs (both intermediate and final) to which cost finding techniques are to be applied, in addition to the relevant funds used to support the organization (WCF and GF),

6.6.3.2. The organizations involved in performing the cost objects and the tasks performed by each,

6.6.3.3. The applicable cost elements,

6.6.3.4. A plan that includes the specific cost finding techniques to be used and the criteria followed in selecting the specific cost finding technique, and

6.6.3.5. A description of how those techniques will be used to estimate the cost object.

6.6.4. The documented statement and the related work papers should be retained for the same length of time as other documentation used to support billings to federal agencies or the public. Refer to Volume 1, Chapter 9, for document retention and audit readiness.

6.6.5. Identifying and describing cost objects are an important element of the documentation requirement. When the cost object identified is at a reporting entity or organizational level, the cost finding approach could rely on more estimation techniques and fewer details in the cost estimates. If the cost object identified is at the specific function or operation level, additional granularity will be required to provide useful cost object data. At the specific function or operation level, the data may not be available in the legacy financial systems.

6.6.6. The task is to classify the direct or indirect cost objects. A cost object responsible for actually performing the work is direct. A cost object that provides support or performs an administrative function is indirect.

6.6.7. Organizations or cost objects may be either direct or indirect costs depending on the activities identified. For example, when using cost finding techniques to collect costs for paying a contractor invoice, the costs of the accounting technicians at the Defense Finance and Accounting Service (DFAS) disbursement function would be considered direct costs, as they are assigning their time directly to the specific customer. However, when using cost finding to collect costs for the operation of an aircraft carrier battle group, the disbursing function at DFAS is considered an indirect cost and allocated to all benefiting organizations. In the two examples, the difference is the activity scope performed and how cost is recognized as a singular cost easily identifiable in a cost summary or multiple cost aggregated into a single assignment.

6.6.8. An organization classified as indirect cost will not always be recognized in the computation of costs for a final cost object. At the macro level, service center type organizations generally will be recognized as indirect and the related costs allocated among direct organizations. At the micro level, materiality and usefulness will be determining factors on recording the costs as direct. Specifically, if some cost assignment amounts are not readily available, and they are estimated to be relatively insignificant in the context of the total costs, cost finding techniques would allow them to be excluded from the overall costs with a notation that they are not material.

6.6.9. An important aspect of any cost finding technique is identifying the direct and indirect cost elements applicable to the good or service. Even within a direct cost organization, there may be indirect cost elements. Both the direct and indirect activities may have the same cost elements, such as civilian personnel costs. The difference is in whether the costs are considered direct or indirect. If indirect, allocate across the direct cost elements.

6.6.10. All possible cost elements must be identified and determined if they are significant. Personnel compensation, purchased services, supplies, and materials are typical major categories within the SFIS Cost Element Code (see paragraph 5.3).

6.6.11. After the potential elements are identified, it must be decided which cost elements are sufficiently significant to the final cost object and if they warrant separate consideration. An evaluation of the elements would also include the relevance and materiality of each cost element to the cost object. Materiality is determined by analyzing whether excluding the data could distort the computed value for the final cost object.

6.6.12. Before the values for each cost finding can be determined, the source documents for the required data must be identified and physical hardcopies or softcopies retained for audit or performance examination purposes. Source documentation is cost information on a prior project, effort, or purchase that is the same or similar in nature. Examples include: invoices of procurements, contracts, statement on costs, and funding reports. When WCF organizations are part of the cost finding, detailed cost or pricing documentation should already be available since these data are needed for the customer rate setting process. Depending on the significance and intended use of the cost finding report, the identification of specific documents may not be necessary if it is insignificant to the operating costs to which it will be applied.

6.6.13. The following principles are intended to help guide the collection of comprehensive data:

6.6.13.1. Provide a comprehensive data structure for the cost object that specifies the source of all data,

6.6.13.2. Rely on the financial management system to the maximum extent possible and ensure the source data is complete and representative for its intended purpose (reflective of all debits, credits, cost transfers, and journal adjustments),

6.6.13.3. Document the rationale for direct and indirect costs,

6.6.13.4. Pricing lists, costing sheets, benchmarking studies on standard items such as direct and indirect labor and materials, and

6.6.13.5. Create an auditable, repeatable process to support cost management analysis over time.

6.6.14. The following guidance using cost finding techniques should be applied when determining the individual costs of intermediate and final cost objects:

6.6.14.1. Civilian direct labor costs are computed using the average pay grade for applicable General Schedule series personnel (e.g., step 5). For Wage Grade employees, use the average applicable pay grade (e.g., step 4). Amounts included as direct labor costs should recognize only productive time that is, the time actually used to perform the function. All other times, such as training or annual leave, are indirect labor and are included in indirect costs. Actual costs may be used, if known, provided appropriate documentation is available to support their substitution. Prior to applying the labor costs, it will be necessary to develop an approach for collecting the number of hours associated with an activity reflected in a cost object.

6.6.14.2. Civilian Personnel Fringe Benefit costs are computed using the rates published annually on the Office of the Under Secretary of Defense, Comptroller (OUSD(C)) ***Financial Management Reports*** website in accordance with Volume 11A, Chapter 6 or Volume 15, Chapter 7.

6.6.14.3. Costs for Military Personnel are calculated using standard military composite rates in accordance with guidance in Volume 11A, Chapter 1 and Chapter 6, Appendix G. Military Personnel Composite Standard Pay and Reimbursement Rates are published annually on the OUSD(C) Financial Management Reports website.

6.6.14.4. Both military and civilian labor should be included, as applicable. Labor that is directly traceable to jobs should be recorded as direct labor. Indirect labor (labor that cannot be charged to a specific job) should be used in computing indirect costs. Volume 11A, Chapter 1, reimbursable policy controls whether military labor costs actually are includable in charges to other DoD entities.

6.6.14.5. Direct material cost is determined using standard prices, unless the actual cost is known from vendor invoices. Standard prices can be obtained from vendor catalogs, supply system stock databases, recent contract purchases of similar items, or any other available data source.

6.6.14.6. Depreciation and amortization of capitalized property and real property represent an additional cost of an activity, project, or service. Chapters 24-27 provide additional guidance on calculation of depreciation and amortization for general equipment; assets under capital leases, internal use software, government furnished equipment, contractor acquired property, and real property.

6.6.14.7. Other costs that can be directly related to the cost object are determined using source documents, such as vendor invoices and travel vouchers.

6.7 Pricing for a Cost Finding Report

6.7.1. Pricing elements (labor, materials and overhead) for cost finding reports are estimates based on prior same or similar purchases, projects, or programs. When pricing for a cost finding primarily uses financial system data, it improves the accuracy and confidence in the estimate. Common elements such as labor, raw materials, and materiel are examples of standard costs found in financial systems. Pricing practices and standards should be researched for each agency before developing a new practice or procedure.

6.7.2. Information available from CAPE, such as full cost of manpower, and defense employment and purchase projection system are available to support pricing of labor costs. In addition to base pay, these sources provide additional costs related to labor, including fringe benefits and training. When pricing labor, it is important to include the full cost of labor, as fringe benefits will increase total labor costs significantly.

6.7.3. Materials and supply pricing tools are also available from CAPE. These tools can support costs for common purchase items. Pricing for materials and supplies should include the full cost of procurement, which can include material handling and destination charges. Supporting agencies like Washington Headquarters Services or Defense Logistics Agency may supply the full cost of procurement. It is important to identify where services and goods originate from as part of the pricing documentation. The life cycle of a procurement will need to be included as part of a procurement pricing estimate.

6.7.4. A pricing Basis of Estimate (BoE) will vary for services provided by a GF Component vice a WCF Component. Volume 11A, Chapter 1, paragraph 2.4 provides guidance on the pricing of reimbursements for providing authorized services or materiel unless a specific DoD issuance authorizes alternative reimbursement policies. Volume 11B provides WCF guidance for products and services cost recovery. A WCF-financed activity must include general and administrative costs and other overhead in a BoE to satisfy requirements for full cost recovery. Under reimbursable policies set forth in Volume 11A, Chapter 1, DoD activities that finance reimbursable operations using annual appropriations generally do not include such costs in charges to customer activities within the DoD.

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 20: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 21: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 22: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 23: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 4, CHAPTER 24: "REAL PROPERTY"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated October 2019 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Policy Memo 2.4.2.5	This revision incorporated and cancelled the Deputy Chief Financial Officer (DCFO) policy memorandum "Alternative Valuation Methodologies for Establishing Opening Balances for Buildings, Structures, and Linear Structures" (FPM20-14), dated January 4, 2021.	Cancellation
Policy Memo 2.5.1	This revision incorporated and cancelled the DCFO policy memorandum, "Department of the Army Real Property Capitalization Threshold Exception to Policy Waiver (FPM24-08)," dated April 9, 2024.	Cancellation
Policy Memo 2.5.1	This revision incorporated and cancelled the DCFO policy memorandum, "Department of the Air Force Real Property Capitalization Threshold Exception to Policy Waiver (FPM24-07)," dated April 9, 2024.	Cancellation
Policy Memo 2.5.3 2.6	This revision incorporated and cancelled the DCFO policy memorandum, "Implementation of Statement of Federal Financial Accounting Standards 59, 'Accounting and Reporting of Government Land' (FPM 22-03)," dated September 30, 2022.	Cancellation
Policy Memo 2.5.4 Annex 3	This addition incorporated the Assistant Secretary of Defense for Infrastructure Modernization and Resilience and the DCFO joint policy memorandum, "Real Property Construction in Progress Accounting Policy (FPM23-05) and Asset Documentation Timeliness", dated January 22, 2024.	Cancellation
2.1	Retitled "Overview" (previously paragraph 1.1), "Description," to introduce the purpose earlier on in the chapter and added description of facilities and exclusions from real property.	Revision

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
2.2	Added definitions of terminology used throughout the chapter.	Addition
2.3.2.9	Updated Non-Federal Joint Ventures, describing accounting treatment for Non-Federal Entity contributions to DoD construction clarifying how to record full cost of Real Property Assets in accordance with generally accepted accounting principles.	Revision
2.4 (previously Annex 4)	Revised Alternative Valuation for Establishing Opening Balances.	Revision
3.3	Added real property physical inventory reconciliation requirements.	Addition
A4.1	Updated the Construction in Progress illustrative examples.	Revision/ Addition

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CHAPTER 24

REAL PROPERTY

1.0 GENERAL

1.1 Purpose

This chapter prescribes Department of Defense (DoD) real property accounting policy. The real property general ledger accounts listed in the United States Standard General Ledger (USSGL) are contained in ***Volume 1, Chapter 7***, "Department of Defense Standard Chart of Accounts," and the accounting entries are specified in the ***DoD USSGL Transaction Library.*** Unless otherwise stated, this chapter is applicable to all DoD Components, both General Fund and Working Capital Fund (WCF) activities.

1.2 Authoritative Guidance

The accounting policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:

1.2.1. Title 10, United States Code, section 2674 (***10 U.S.C. § 2674***) "Operation and control of Pentagon Reservation and defense facilities in National Capital Region;"

1.2.2. ***10 U.S.C. § 2682***; "Facilities for defense agencies";

1.2.3. ***10 U.S.C. § 2721***; "Property records: maintenance on quantitative and monetary basis";

1.2.4. Title 41, Code of Federal Regulations, part 102-75 ***(41 CFR 102-75)***; "Real Property Disposal;"

1.2.5. Federal Accounting Standards Advisory Board (FASAB) ***Statement of Federal Financial Accounting Standards (SFFAS) 1,*** "Accounting for Selected Assets and Liabilities;"

1.2.6. FASAB ***SFFAS 4***, "Managerial Cost Accounting Standards and Concepts;"

1.2.7. FASAB ***SFFAS 6***, "Accounting for Property, Plant, and Equipment;"

1.2.8. FASAB ***SFFAS 29***, "Heritage Assets and Stewardship Land;"

1.2.9. FASAB ***SFFAS 42***, "Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29 and 32;"

1.2.10. FASAB ***SFFAS 44***, "Accounting For Impairment of General Property, Plant, and Equipment Remaining In Use;"

1.2.11. FASAB ***SFFAS 50***, "Establishing Opening Balances for General Property, Plant and Equipment: Amending SFFAS 6, 10, and 23, and Rescinding SFFAS 35;"

1.2.12. FASAB ***SFFAS 55***, "Amending Inter-entity Cost Provisions;"

1.2.13. FASAB ***SFFAS 59***, "Accounting and Reporting of Government Land;"

1.2.14. Treasury Financial Manual ***(TFM) Volume 1, Part 2, Chapter 4700***, "Federal Entity Reporting Requirements for the Financial Report of the United States Government;"

1.2.15. FASAB Statement of Federal Financial Accounting Concepts ***(SFFAC) 5***, "Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements;"

1.2.16. FASAB ***SFFAC 7***, "Measurement of the Elements of Accrual-Basis Financial Statements in Periods After Initial Recording;"

1.2.17. Technical Bulletin ***(TB) 2017-2***, "Assigning Assets to Component Reporting Entities;"

1.2.18. FASAB Technical Release ***(TR) 13***, "Implementation Guide for Estimating the Historical Cost of General Property, Plant, and Equipment;"

1.2.19. FASAB ***TR 14***, "Implementation Guidance on the Accounting for the Disposal of General Property, Plant & Equipment;"

1.2.20. FASAB ***TR 15***, "Implementation Guidance for General Property, Plant, and Equipment Cost Accumulation, Assignment and Allocation;"

1.2.21. FASAB ***TR 17***, "Conforming Amendments to Technical Releases for SFFAS 50, Establishing Opening Balances for General Property, Plant, and Equipment;"

1.2.22. FASAB ***TR 18***, "Implementation Guidance for Establishing Opening Balances;"

1.2.23. ***Staff Implementation Guidance 6.1***, "Clarification of Paragraphs 40 – 41 of SFFAS 6, Accounting for Property, Plant, and Equipment, as Amended;"

1.2.24. Office of Management and Budget ***(OMB) Circular No. A-136***, "Financial Reporting Requirements;"

1.2.25. DoD Directive ***(DoDD) 4165.06***, "Real Property;"

1.2.26. ***DoDD 5110.04***, "Washington Headquarters Services;"

1.2.27. DoD Instruction ***(DoDI) 1015.15***, "Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources;"

1.2.28. ***DoDI 4000.19***, "Support Agreements;"

1.2.29. ***DoDI 4165.14***, "Real Property Inventory and Reporting;"

1.2.30. ***DoDI 4165.70***, "Real Property Management;"

1.2.31. ***DoDI 4165.71***, "Real Property Acquisition;"

1.2.32. ***DoDI 4165.72***, "Real Property Disposal;"

2.0 ACCOUNTING FOR REAL PROPERTY

*2.1 Description

Real property is a subset of General Property, Plant, and Equipment (General PP&E).

2.1.1. General PP&E consists of tangible assets that:

1.2.1.1. Have an estimated useful life of two years or more;

1.2.1.2. Are not intended for sale in the ordinary course of operations; and

1.2.1.3. Are acquired or constructed to be used or available for use by the entity.

2.1.2. Characteristics of Real Property. Real property assets are used in providing goods or services, or supporting the mission of the entity, and have one or more of these characteristics:

2.1.2.1. The item could be used by other DoD or federal programs, state or local governments, or nongovernmental entities;

2.1.2.2. The item is used in business-type activities, which are defined as a significantly self-sustaining activity financing its operations through the collection of exchange revenue; and/or

2.1.2.3. The item is used by entities whose costs can be compared to similar activities (e.g., federal hospital services in comparison to commercial hospitals).

2.1.3. Real Property Assets (RPAs) consist of facilities, land, and land rights.

2.1.3.1. Facilities are buildings, structures, or linear structures that are permanently constructed on or in the land. Facilities include equipment affixed to the real property asset that facilitates the use of and is inclusive and intrinsic to the facility itself, such as heating, ventilation, and air conditioning equipment; utility connections; stairs; ramps; and passageways.

2.1.3.1.1. A building is a roofed and floored facility enclosed by exterior walls and consisting of one or more levels that is suitable for multiple functions and that protects occupants and their properties from the direct harsh effects of weather.

2.1.3.1.2. A structure is a facility, other than a building or linear structure, that is constructed on or in the land.

2.1.3.1.3. A linear structure is a facility that traverses land (e.g., runway, road, rail line, pipeline, fence, pavement, electrical distribution line) or is otherwise managed by a linear unit of measure at the category code (i.e., CATCODE) level. RPA Type Code (B, S, LS, L) is managed at the DoD-level Facility Analysis Category

2.1.3.2. Land is a portion of the earth's surface distinguishable by boundaries. Land must be accounted for by parcel when the parcel is transferred into a Host Installation's custody and control. Excluded from the definition are natural resources, including depletable resources such as mineral deposits and petroleum, and renewable resources such as timber and the outer continental shelf resources related to land.

2.1.3.3. A land right is an interest and privilege in land owned by others, such as leaseholds, easements, water, diversion rights, mineral rights, and other like interests in land.

2.1.4. Inclusions. Real property also includes:

2.1.4.1. Leasehold improvements (See ***Chapter 26***, "Accounting for Leases" for a discussion of accounting for real property acquired through leases);

2.1.4.2. Items for which a Military Department or Washington Headquarters Services (WHS) financially reports or has accountability of, even though these items may be possessed by others (e.g., state and local governments, colleges and universities, or contractors);

2.1.5. Exclusions. Real property excludes:

2.1.5.1. Items where the DoD has a reversionary interest (for example, the DoD grants real property; if the recipient no longer uses the real property for the grant purpose, it reverts to the DoD);

2.1.5.2. Lands withdrawn from the public domain for specific uses. To the extent consistent with statutory authorities, an entity may withdraw public land from sale, settlement, or recreational for specific use, such as to expand buffer zones for security or training needs.

2.1.5.3. Non-Multi-Use Heritage Assets or Stewardship Land (see descriptions in ***Chapter 28***, "Heritage Assets, Multi-Use Heritage Assets and Stewardship Land").

2.1.5.4. Leases of real property (see Chapter 26 for additional information).

*2.2 Definitions

2.2.1. DoD Components include the Office of the Secretary of Defense (OSD), Military Departments (including their Reserve components), Chairman of the Joint Chiefs of Staff, Combatant Commands, Office of the Inspector General of the Department of Defense, Defense Agencies, DoD Field Activities, and other organizational entities in the Department of Defense.

2.2.2. Component reporting entity refers to a reporting entity within a larger reporting entity. Examples include executive departments and agencies. Component reporting entities also include subcomponents that may themselves prepare general-purpose federal financial reports (GPFFRs). One example is a bureau that is within a larger department that prepares its own standalone GPFFR.

2.2.3. Funding DoD Component is the entity paying to acquire or construct the real property asset or improvement, regardless of whether appropriation or working capital funds are used.

2.2.4. Host Installation describes the Military Department (i.e., Department of the Army, Department of the Navy, which includes the U.S. Marine Corps, or Department of the Air Force, which includes the U.S. Space Force) or WHS on whose installation a real property asset is located. A Host Installation may be either a General Fund or a WCF operation.

2.2.5. DoD Construction Agent (DCA) is the DoD organization authorized to administer design and construction contracts for DoD facilities projects in accordance with applicable laws and regulations.

2.2.6. Materiality, as defined by the SFFAS 1, is the degree to which an item's omission or misstatement in a financial statement makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or the misstatement.

2.2.7. Opening Balances exist at the beginning of the annual reporting period. Opening balances reflect the prior period ending balance of the account and the effects of transactions, events, and accounting policies applied in the prior period. Opening balances also include matters requiring disclosure that existed at the beginning of the period, such as contingencies and commitments.

2.2.8. An Unreserved Assertion is an unconditional statement.

2.2.9. Permanent Land Rights are land rights that are for an unspecified period of time or unlimited duration. Examples of permanent land rights include easements or rights-of-way.

2.2.10. Temporary land rights are land rights for a specified period of time or limited duration. Examples of temporary land rights include construction easements or rights-of-way.

2.3 Valuation

2.3.1. Recorded cost includes all amounts paid to bring the asset to its form and location suitable for its intended use. The recorded cost for capitalized assets is depreciated or expensed depending on the acquisition cost. Non-capital assets are expensed when acquired and do not depreciate. Capitalization is not dependent on whether the funds are appropriated or working capital funds.

2.3.1.1. Acquisition Cost is the original purchase or construction cost, net of (less) any purchase discounts. Purchase discounts lost and late payment interest expenses must be recognized as operating expenses. The amounts initially determined and recorded are referred to as the historical cost of an asset. Real property is valued at historical cost.

2.3.1.2. Net Book Value (NBV) is the recorded cost of a real property asset, less its accumulated depreciation, amortization, or depletion from the asset's original cost.

2.3.1.3. Fair Market Value is the current exchange amount in a transaction between willing parties, other than in a forced or liquidation sale.

2.3.1.4. Ancillary Costs are identifiable, necessary, and include other direct and indirect costs. Acquisition and ancillary costs are included in the recorded cost of the asset. Examples include:

2.3.1.4.1. Labor and other direct or indirect production costs;

2.3.1.4.2. Engineering, architectural, and other outside services for designs, plans, specifications, and surveys after funding and design authorization;

2.3.1.4.3. Facilities acquisition and preparation costs;

2.3.1.4.4. An appropriate share of construction equipment;

2.3.1.4.5. Fixed equipment and related installation costs required for activities in a building or facility;

2.3.1.4.6. Allowable inspection, supervision, and construction contract administration and construction work direct costs;

2.3.1.4.7. Legal and recording fees and damage claims;

2.3.1.4.8. Fair market value of facilities and installed equipment donated;

2.3.1.4.9. Interest paid directly to goods or services providers related to the acquisition or construction (not including late payment interest penalties).

2.3.2. Method of Acquisition or Transfer Determines Recorded Cost

2.3.2.1. Purchased Real Property. Recorded cost for real property assets purchased from a private, commercial, or state or local government includes the purchase contract cost plus applicable ancillary costs. Purchases by cash, check, or progress payments on contracts or purchase agreements are included.

2.3.2.2. Constructed Real Property. Recorded cost for constructed real property asset(s) is the sum of all the costs incurred to bring the real property asset(s) to a form and condition suitable for its intended use. Project design and actual construction costs, such as labor, materials, and overhead costs, are included. Preliminary planning and design costs prior to funding and design authorization are excluded. For Construction in Progress (CIP) cost recognition, see subparagraph 2.5.4.

2.3.2.3. Donated Real Property. Recorded cost for real property received through donation, execution of a will, or judicial process, excluding forfeiture, is estimated fair market value when received plus any costs incurred to bring the asset into service (e.g., legal fees). Assets transferred from a Non-Federal Entity (NFE) are donations, including assets transferred or reverted to the Federal government at the end of a land lease or end of a Military Housing Privatization Initiative.

2.3.2.4. Exchanged Real Property. Recorded cost for real property acquired through exchange between the DoD and a nonfederal entity is the fair market value of the consideration surrendered when exchanged. If the fair value of the real property acquired is more readily determinable than that of the consideration surrendered, the cost will be the fair value of the real property acquired. If fair market value cannot be determined, the cost is the consideration surrendered, net of any accumulated depreciation/amortization. Any difference must be recognized as a gain or loss. If cash consideration is included, the cost is increased by the cash consideration surrendered or decreased by the cash consideration received. If the fair market value is less than the consideration surrendered, the real property acquired cost is its fair market value. A loss must be recognized equal to the difference between the consideration surrendered and its fair market value. Exchanges between DoD Components or a federal agency must be accounted for as transfers.

2.3.2.5. Seized and Forfeited Real Property. The recorded cost for real property acquired through seizure or forfeiture is its fair market value, less any liens or claims from a third party.

2.3.2.6. Vested and Seized Property During Times of War. See ***Volume 12, Chapter 29***, "Administering, Using and Accounting for Seized and/or Vested Funds and Property During Contingency Operations," for discussion of vested and seized property during times of contingency operations.

2.3.2.7. Transferred Real Property from a non-DoD Federal agency to DoD. Recorded cost for real property transferred from a non-DoD Federal agency to a DoD Component is the cost recorded on the transferring entity's books, net of any accumulated depreciation/

amortization. If the receiving DoD Component cannot reasonably ascertain those amounts or the transfer is related to a non-capitalized asset, the cost is its fair market value when transferred. DoD Components should retain documentation supporting the transfer. See Table 24-3 for examples of supporting documentation.

2.3.2.8. Transfer of Capitalized Real Property between DoD Components must adhere to the following:

2.3.2.8.1. The recorded cost for real property transferred from one DoD Component to another is the gross cost net of accumulated depreciation/ amortization on the transferring DoD Component's books. The DoD Component transferring the real property must provide the gross cost recorded net of accumulated depreciation/amortization for the transferred asset. Both parties must agree to the transfer and document the agreement. Each DoD Component must complete requisite tasks in a timely manner.

2.3.2.8.2. The transferring DoD Component must provide financial reporting and trading partner information to the receiving DoD Component when the asset is transferred using the G-Invoicing and Intra-governmental Payment and Collections (IPAC) systems. These data elements include:

2.3.2.8.2.1. Project/Work Order Number;

2.3.2.8.2.3. Name;

2.3.2.8.2.3. RPUID (Real Property Unique Identifier);

2.3.2.8.2.4. Real Property Site Unique Identifier (RPSUID);

2.3.2.8.2.5. Contract Number(s);

2.3.2.8.2.6. Operational Status Code

2.3.2.8.2.7. Acquisition Original Recorded Cost Amount;

2.3.2.8.2.8. Capital Improvement Recorded Cost Amounts;

2.3.2.8.2.9. Placed-in-service Date (PISD);

2.3.2.8.2.10. Capital Improvement PISDs;

2.3.2.8.2.11. Facility Total Accumulated Depreciation Amount;

2.3.2.8.2.12. Capital Improvement Estimated Useful Life Year Quantity;

2.3.2.8.2.13. Facility Estimated Useful Life Quantity;

2.3.2.8.2.14. Facility Estimated Useful Life Adjustment Quantity; and

2.3.2.8.2.15. Applicable MGRS coordinate or other locational/GIS data;

2.3.2.8.2.16. Transaction details including Acquisition Fund Source Code, Acquisition Method Code, and Real Property Asset Predominate Design Use Facility Analysis Code (FAC). If this information is not available, the receiving and transferring entities must develop and document an estimate supporting the financial transfer of the asset. See ***Volume 12, Chapter 14***, "Transferring, Disposing, and Leasing of Real Property and Personal Property," for further policy on transfers of DoD real property between Host Installations.

2.3.2.8.3. DoD Components have different capitalization thresholds. Capitalized assets are capitalized and depreciated after transfer, regardless of the new financial reporting entity's capitalization threshold. Expensed assets remain expensed at the new entity. The receiving DoD Components include the assets in their Accountable Property Systems of Record (APSR) as accountable real property.

* 2.3.2.9. Non-Federal Joint Venture Type Arrangements. When DoD Components engage in jointly funded construction of RPAs with Non-Federal Entities (NFEs) on DoD installations, including improvements and major renovations, such as Non-Appropriated Fund Instruments (NAFI) in construction of buildings used for Morale, Welfare, and Recreation (MWR) or State National Guard in construction of National Guard Readiness Centers (formally known as Armories), DoD components must value the RPAs at full cost based on the agreement between the DoD and the NFE.

2.3.2.9.1. Where the agreement stipulates written and expressed rights to be provided to the NFE, such as the expressed right to occupy or use the building after construction, the rights (even if intangible or deemed to be insignificant) consist of an exchange in return for the contribution of funding to the construction. Therefore, the funding contribution from the NFE is considered Other Revenue from Other Financing Sources, recorded under SGL 590000 with the "N" non-federal attribute and the "E" Budgetary Impact Indicator.

2.3.2.9.2. Where the agreement does not stipulate written and expressed rights to be provided to the NFE or where there is no expressed agreement, the funding contribution from the NFE is considered Donated Revenue, recorded under SGL 561000.

2.3.2.9.3. DoD Components must retain appropriate documentation of construction funding agreements, as well as blanket agreements between the DoD and NFEs. DoD components must also retain documentation for acceptance of the RPA that identifies the total cost of the constructed RPA.

*2.4 Alternative Valuation for Establishing Opening Balances

2.4.1. Applicability and Considerations

This section applies for the reporting period when the reporting entity is presenting financial statements, or one or more line items, following Generally Accepted Accounting Principles (GAAP) promulgated by FASAB either (1) for the first time or (2) after a period during which existing systems could not provide the information necessary for producing such GAAP-based financial statements without using the alternative methods. The SFFAS 50 alternative valuation for establishing opening balances for General PP&E is available only once per line item to each reporting DoD Component. Therefore, prior to establishing opening balances DoD Component must validate that they are prepared to account for and comply with SFFAS 6 recognition, measurement, presentation, and disclosure requirements for real property.

2.4.2. Deemed Cost

2.4.2.1. Deemed cost can be used to establish opening balances for real property. Deemed cost is an amount used as a surrogate for initial amounts that otherwise would be required to establish opening balances. Although the measurement basis for valuing general PP&E remains historical cost, reasonable estimates may be used to establish the historical cost of general PP&E. The Cost must include all costs incurred to bring the PP&E to a form and location suitable for its intended use. Deemed cost may be based on any, or a combination of, allowable valuation methods such as fair value, estimated historical cost, or replacement cost.

2.4.2.2. Fair market value is defined in subparagraph 2.2.1.3.

2.4.2.3. Estimated historical cost may be based on cost of similar assets at the time of acquisition; current cost of similar assets deflated to costs at the time of acquisition by general price index; or other reasonable methods, including latest acquisition cost and estimation methods based on budget, appropriations, engineering documents, contracts, or other reports reflecting amounts to be expended.

2.4.2.4. Replacement cost is the amount required for an entity to replace the remaining service potential of an existing asset in a current transaction at the reporting date, including the amount that the entity would receive from disposing of the asset at the end of its useful life. Replacement cost includes Plant Replacement Value (PRV). PRV does not include the value received from disposing of the asset.

* 2.4.2.5. DoD's preferred valuation method for real property facilities is PRV. If a component plans to use another methodology for establishing opening balances of facilities for financial reporting, it must first ensure the methodology complies with GAAP and that the component has sufficient documentation to support the valuation. See Annex 2 for PRV methodology.

2.4.3. Existing real property assets with deemed cost equal to or over the current real property capitalization threshold and remaining book values are recorded as a part of the opening

balance. DoD Components must apply the applicable capitalization threshold to their entire population of real property retroactively, irrespective of the capitalization thresholds in effect for years prior to October 1, 2013. DoD Components must include all relevant prior period adjustments and note disclosures in their annual financial statements in accordance with SFFAS 50. DoD Components must perform additional analytical procedures to identify assets that have been improperly capitalized or expensed. Examples include searching for real property assets with values of $0 or $1 or reviewing for an erroneous additional zero, incorrectly placing the asset above the capitalization threshold.

2.4.4. When establishing opening balances using deemed cost, calculate a gross and an accumulated depreciation value for real property assets. These values are recorded in the accounting records. Adjustments must be properly documented and supported to assist ongoing audit efforts.

2.4.4.1. Record the difference between the deemed cost NBV on the opening Balance Sheet of the current fiscal year and the existing/historical NBV of the real property on the previous fiscal year ending Balance Sheet as a prior period adjustment. This prior period adjustment is a change in accounting principle in accordance with ***SFFAS 21***, paragraph 13. Deemed cost value depreciation must be recorded using the deemed cost, and existing/historical value depreciation must be removed.

2.4.4.2. Remove the existing/historical gross value and accumulated depreciation from the APSR and replace it with the deemed cost gross value and accumulated depreciation. Existing/historical real property value in the APSR and the deemed cost value documentation must be retained.

2.4.5. In some cases, the in-service date must be estimated. If only a range of years can be identified, then the midpoint of the range is an acceptable estimate of the in-service date. All improvements included in the opening balances at deemed cost may be treated as if they were placed in service at the date the base unit was placed in service.

2.4.6. Financial Statement Disclosure Requirements

DoD Components using the deemed cost methodology must include a disclosure in their financial statements. The disclosure must describe the alternate valuation method used to establish the financial statement opening balances. Include an unreserved assertion that one or more line items are presented fairly in accordance with GAAP. The disclosure does not need to specifically identify the amount of the deemed cost of real property included in the opening balances.

2.5 Recognition

* 2.5.1. DoD Components must recognize real property assets for accountability. Real property assets must be expensed or capitalized and depreciated. The DoD Components must list capitalized assets and accumulated depreciation/ amortization on the appropriate financial statements. The DoD capitalization threshold for real property is $250,000, except for the

following deviations. The capitalization threshold is $1 million for Air Force General and Working Capital Funds, Army General Fund, Navy General Fund, and DoD Intelligence Agencies. The capitalization threshold is $500,000 for Marine Corps General Fund Real Property.

2.5.2. Recognition Responsibility

2.5.2.1. DoD Components must report real property facilities located on their installations. Under 10 U.S.C. § 2682, the Secretary of Defense designates the military department jurisdiction of real property facilities. DoD Components with jurisdiction over real property assets report the assets on the General Fund financial statements. (see FASAB TB 2017-2). WHS is delegated jurisdiction over its facilities via 10 U.S.C. § 2674 and DoDD 5110.04. The DoD Components' WCF financial statements include real property if the WCF has jurisdiction over a specific installation.

2.5.2.1.1. The RPA Command Claimant Code identifies the Service organization that has direct command authority over a real property asset. This code must be reviewed whenever tenant agreements change.

2.5.2.1.2. The RPA Financial Reporting Organization Code identifies the organization responsible to report and depreciate the original asset or capital improvement or both on its financial statements.

2.5.2.2. Real property must be reported on the Host Installation financial statements where the real property asset is located, or as identified on the OSD-approved Enduring Location Master List for real property outside the U.S. The OSD identifies jurisdiction in the consolidated real property database. The Office of the Assistant Secretary of Defense (OASD) Acquisition and Sustainment (A&S) (Energy, Installations and Environment) maintains and manages the database. The OASD A&S helps resolve financial reporting responsibility disputes between Host Installations. Non-DoD entities report their funded real property assets located on a DoD installation.

2.5.2.3. Assets assigned to/from one reporting DoD Component to another reporting DoD Component must be treated as transfers of assets per ***SFFAS 7***.

2.5.2.4. Financial reporting responsibility includes all aspects of financial reporting and disclosures, including footnote disclosures, Deferred Maintenance & Repair (DM&R), and other Required Supplementary Information (RSI).

2.5.2.5. Financial reporting documentation must establish the reporting entity's rights and obligations (see paragraph 3.2). Records reflecting the Host Installation jurisdiction, inter- and intra-agency agreements, and host-tenant relationships are examples.

2.5.2.6. The DoD's and the Federal Government's overall accounting records must not be duplicative. Where doubt exists as to which DoD Component recognizes the real property asset, the DoD Components involved must reach agreement on which entity records the asset for financial reporting purposes. If an agreement cannot be reached, the matter must be referred to

OASD (Sustainment) for resolution. Requests for resolution must be accompanied by adequate supporting documentation to resolve the matter and submitted through the DoD Component Financial Management and Comptroller.

* 2.5.3. Treatment

2.5.3.1. Capitalize the cost of all real property assets, other than land and land rights, that equal or exceed the applicable capitalization threshold and have a useful life of at least two years, and depreciate the cost over the assets' useful lives. Expend the cost of all real property assets below the applicable capitalization threshold or that have a useful life of less than two years.

2.5.3.2. Capitalize Temporary land rights and depreciate or amortize the cost over the specified period of time of the right acquired. For temporary land rights under lease contracts, refer to the guidance described in Chapter 26.

2.5.3.3. Expense the cost of acquiring land and permanent land rights on the statement of net cost when the cost is incurred. The cost includes all costs to prepare general PP&E land or a permanent land right for its intended use (for example, razing a building). The financial statement balance sheet must reference a note that discloses required information about land and permanent land rights, but no asset dollar amount is shown.

2.5.3.3.1. DoD Components that have received an unmodified audit opinion and are currently accounting for General PP&E land and land rights in accordance with SFFAS 6 must keep the land and land rights on the Balance Sheet along with existing disclosures.

2.5.3.3.2. DoD Components that do not already have an unmodified audit opinion must value existing land and land rights at zero dollars and expense future land acquisitions as described in SFFAS 50. Entries to adjust the value of land and land rights to zero represent a change in accounting principle and are subject to the reporting requirements within SFFAS 21.

2.5.3.3.3. In some cases, land may be acquired along with existing structures. If the structure is to be used in operations, the amount related to the structure is estimated and capitalized, while the cost of the land is expensed. If the structure is incidental to the acquisition of the land and is not intended to be used in operations, the cost of the entire acquisition is expensed.

2.5.3.3.4. General PP&E land or permanent land rights acquired through donation, legal devise, or a will, or judicial process are not capitalized.

* 2.5.4. Construction In Progress

2.5.4.1. The Funding DoD Components must report construction costs of a capital asset anticipated to meet the capitalization criteria of the Host Installation in CIP until the construction of the capital asset is complete. Once complete and placed in service, the Host

Installation reports and depreciates the asset on the General Fund's financial statements. The WCF financial statements report real property if it has jurisdiction over a specific installation.

2.5.4.2. The journal entries required for the Funding DoD Components and the Host Installation reflect the flow of legal ownership of the asset. The Funding DoD Components do not recognize the asset on their books before transfer to the Host Installation because they do not hold title to and are not the ultimate owners of the real property asset. If the Funding DoD Component sub-allots to the DoD Construction Agent (DCA), the DCA is responsible for the same journal entries.

2.5.4.3. Additional costs incurred after the asset is placed in service are accumulated in the Funding DoD Component's CIP account. Upon final contract closeout, the Funding DoD Component relieves the additional accumulated CIP, and the Host Installation adjusts the original acquisition cost. The Host Installation depreciates the revised amount over the remaining useful life of the asset. See paragraph 2.8 for Depreciation.

2.5.4.4. See Annex 3 for a detailed outline of the CIP accounting life cycle.

2.5.4.5. DoD Components funding CIP must regularly reconcile their recorded CIP balances with any service provider/contractor working on the CIP. Balances must be supported by appropriate documentation such as invoices and reports of work progress.

2.5.4.6. If a construction project is cancelled, all accumulated CIP costs must be expensed. When a portion of a project is cancelled or decreased in scope, the direct and common costs associated with that portion must be expensed. All projects deferred for more than two years must be reviewed for continuance or cancellation.

2.5.5. Intra-DoD Transfers

Both parties must agree to and document the transfer (e.g., DD Form 1354). The transferor must provide adequate and appropriate supporting documentation for financial statement reporting. Data elements included are not limited to the fields listed in subparagraph 2.2.2.8.2. The financial reporting information must be maintained with the asset throughout the asset lifecycle. When DoD Components have different capitalization thresholds, previously capitalized assets by the transferring DoD Component remain capitalized and will depreciate after transfer, regardless of the new financial reporting entity's capitalization threshold. Assets previously expensed by the transferring DoD Component must remain expensed within the new entity. The receiving DoD Components must include the assets in their APSR as accountable real property.

2.5.6. Memorandum of Agreement.

All DoD Component tenants must have a Memorandum of Agreement (MOA) with the Host Installations. An MOA establishes rights and obligations between the Host Installation and the DoD Component using the real property asset. All tenants must maintain a list of occupied

real property facilities and facilities for which operations, maintenance, or improvement is the tenant's responsibility (see DoDI 4000.19 for DoD policy on intra-departmental support).

2.5.7. WCF Capital Recovery Rate and Accounting Treatment.

WCF recovers real property construction costs funded by the WCF, regardless of financial reporting responsibility. When a real property asset or capital improvement is accepted/recorded by a different reporting entity, the WCF records an imputed cost in lieu of an actual depreciation expense. Capital recovery rates are set in accordance with ***Volume 2B, Chapter 9***, "Defense Working Capital Fund Budget Justification Analysis."

2.5.8. Inter-Entity Costs

2.5.8.1. SFFAS 55 requires recognition of significant inter-entity costs among and between federal agencies by business-type activities (e.g., WCFs). Unless otherwise directed by the OMB, non-business type activities may elect not to recognize inter-entity costs, but personnel benefits and the U.S. Department of the Treasury (Treasury) Judgment Fund settlements must be recognized. DoD elected not to recognize imputed costs and corresponding financing, aside from the exceptions stated in this subparagraph.

2.5.8.2. WCFs or other business-like activities must impute costs. These imputed costs include depreciation expense, estimated depreciation expense for WCF-funded real property assets and improvements subsequently posted to the General Fund, and depreciation expense or other costs for assets not funded by the WCF. See the Office of the Deputy Chief Financial Officer Standard Financial Information Structure (***SFIS)*** webpage for imputed costs journal entries (transaction code E402). The decision tree in Figure 24-1 "Imputed Asset Related Costs" illustrates what real property asset-related costs must be imputed and reported by a DoD Component for business-type activity (e.g., WCF). Accounting for imputed costs in the decision tree is applicable only to business-type activities (e.g., WCFs).

2.5.9. Accounting for Real Property Outside of the U.S.

2.5.9.1. As used in this chapter, U.S. means the 50 States of the U.S., the District of Columbia, and the commonwealths, territories, and possessions of the U.S. DoD Components occupy and use real property facilities outside of the U.S. DoD's rights to real property outside of the U.S. are different from those within the U.S. For financial reporting purposes, a DoD Component that occupies and uses facilities outside of the U.S. must adhere to the following guidance:

2.5.9.2. DoD real property that is not located on a DoD installation (including property located on an installation of a host nation) is reported on the Host Installation financial statements identified on the OSD approved Enduring Location Master List (which is maintained and managed by the Office of the Under Secretary of Defense for Policy) when all of the following criteria are met:

2.5.9.2.1. An agreement exists between the U.S. and the host nation/foreign government (e.g., Cooperative Security Agreement, Bilateral Security Agreement, and Status of Forces Agreement) and the agreement conveys a right to construct and operate real property facilities;

2.5.9.2.2. The U.S. Government/DoD Component funded the asset's purchase and construction (see SFIS webpage for journal entry with Transaction Code B402). See subparagraph 2.5.3 when the real property acquisition is funded by a DoD Component other than a Host Installation having jurisdiction over the installation on which the real property resides.

2.5.9.2.3. The cost incurred is over the DoD Component's real property capitalization threshold (if the asset is partially funded by DoD, only the portion funded by DoD is evaluated against the capitalization threshold and recognized as an asset if applicable);

2.5.9.2.5. The asset has an estimated useful life of two years or more; and

2.5.9.2.5. The DoD Component is using the asset in its operations.

2.5.9.3. Such capitalized assets depreciate over their estimated useful lives. If asset use terminates earlier than the estimated useful life, the asset's remaining NBV is written off.

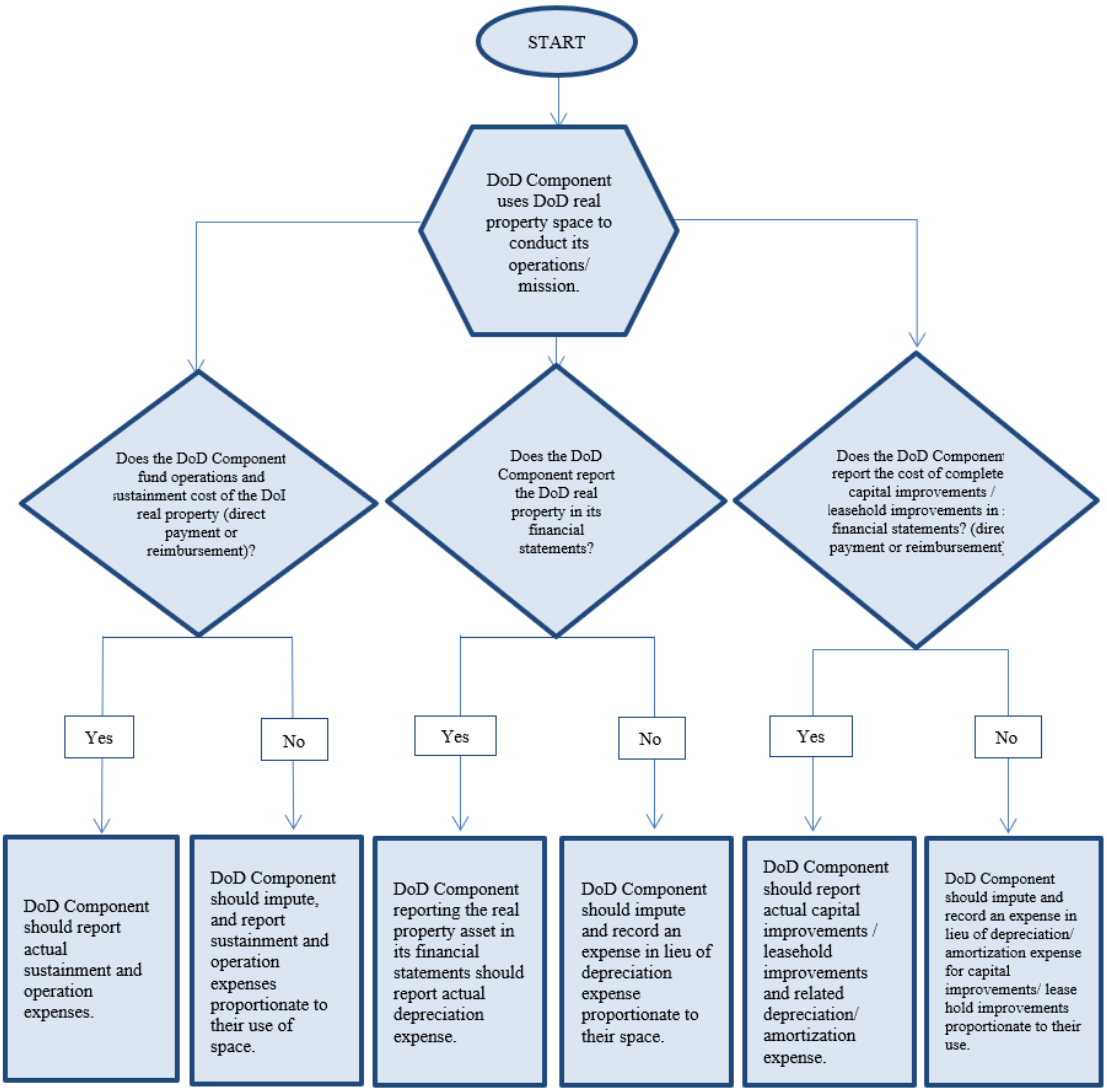
2.5.9.4. When a DoD Component occupies a facility, but the DoD did not fund its acquisition, the DoD Component recognizes such facilities on its financial statements as a lease if a specific agreement with the host nation/foreign government exists and addresses the use of the facility. See Chapter 26 for guidance on real property leases outside of the U.S.

2.5.9.5. SFFAS 4 "Managerial Cost Accounting Standards and Concepts" addresses imputed costs between federal agencies but does not extend to entities outside of the federal context. Therefore, a DoD Component does not record imputed costs for the use and/or occupancy of facilities, for which it does not pay directly or pay through reimbursement, but which are provided by international organizations (e.g., North Atlantic Treaty Organization) or the host nation/foreign government.

2.5.9.6. The Host Installation with jurisdiction over the installation outside of the U.S. must record all real property occupied and used by it in an APSR, regardless of interest type, in accordance with ***10 U.S.C. § 2721***, DoDI 4165.14, and subparagraphs 1.1.1.1 and 1.1.1.2. Assets that do not meet the criteria for capitalization are expensed in the period received.

2.5.9.7. The Host Installation with jurisdiction over the installation outside of the U.S. must record an expense for any maintenance and sustainment costs relating to the real property paid, or to be paid by them, in the period incurred, regardless of real property interest type.

Figure 24-1. Imputed Asset Related Costs



*2.6 Disclosure Requirements for Land and Permanent Land Rights

2.6.1. DoD Components must disclose, in the notes to their financial statements, referencing the Balance Sheet, the number of acres of General PP&E land and permanent land rights (where the types of land rights are conducive to measurement in acres) held as of the period of their first audited financial statement. This acreage amount must be reported separately from the DoD Component's Stewardship Land. There are no disclosure requirements for General PP&E land rights not measured in acres in establishing opening balances. The disclosure requirements for land and permanent land rights in Table 24-1 must be presented in accordance with SFFAS 59. Existing disclosures must continue.[1]

2.6.2. DoD Components must disclose the number of acres of General PP&E land and land rights measured in acres held at the beginning of each reporting period, the number of acres added during the period, the number of acres disposed of during the period, and the number of acres held at the end of each reporting period. DoD Components' disclosure must include:

2.6.2.1. Land and land rights. Reported as zero dollar value.

2.6.2.2. Public domain land. Land that was originally ceded to the United States by treaty, purchase, or conquest, in contrast to acquired lands, which have been purchased by, given to, exchanged with, or transferred through condemnation proceedings to the Federal government.

2.6.2.3. Acres of land held for disposal or exchange. Land where the entity has satisfied the specific statutory disposal authority requirements. Disposal includes conveyances of federal land to non-federal entities. Entities disposing of land often involve public participation, economic impact studies, surveys, and appraisals.

2.6.3. Predominant use of land. Predominant use is the major or primary current use of an asset during the reporting period and does not include incidental or infrequent uses of the asset.

2.6.3.1. Predominant use can change between reporting periods. An asset's predominant use must be consistent with the entity's authorizing legislation.

2.6.3.2. The level of aggregation of land and permanent land rights used to determine predominant use should be determined based on the entity's mission, types of land use, and how it manages the assets.

2.6.4. Categorize land and permanent land rights into one of the following categories based on predominant use.

2.6.4.1. Commercial use land. Land or land rights are used to generate inflows of resources. Examples include land used to generate revenue derived from concession

[1]Existing disclosures are those which are in effect per SFFAS 6, 29, and 50 prior to the amendments contained in SFFAS 59.

arrangements, grants, land sales or land exchanges, permits for public or temporary use, and forest product sales.

2.6.4.2. Conservation and preservation of land. Land or land rights used for conservation or preservation purposes. Conservation protects and ensures proper use of natural resources. Preservation protects buildings, objects, and landscapes.

2.6.4.3. Operational land. Land or land rights used for general or administrative purposes. Examples include military functions for effectively pursuing war, scientific functions conducting and managing research, managing or regulating the use of nuclear energy, and other administrative or mission-related functions.

*Table 24-1. SFFAS 59 Disclosure Requirements for Land and Permanent Land Rights

SFFAS 59 Disclosure Requirements for Land and Permanent Land Rights
➢ A concise statement defining an entity's Federal land and explaining how land relates to the mission of the entity.
➢ A brief description of the entity's policies for land, including: • Goals and principles that the entity established to guide its acquisition, maintenance, use, and disposal of land consistent with statutory requirements; • Prohibitions; and • Limitations governing the entity and the land.
➢ Land and permanent land rights must be assigned to one of three sub-categories (i.e., commercial use land; conservation and preservation land; and operational land) based on predominant use. Land rights information must include a general description of the different types of rights acquired by the entity (e.g., whether such rights are permanent or temporary), and amounts paid during the year to maintain such rights. (See OMB Circular A-136 for additional Information).
➢ Report estimated number of acres at the beginning and the end of each reporting period for land and permanent land rights by sub-category.
➢ The estimated number of acres held for disposal or exchange and their predominant use (if applicable).

2.7 Capital Improvements

2.7.1. Capital improvements (including leasehold improvements) are reported by the DoD Component that reports the improved real property asset. Capital improvements under construction are reported in accordance with subparagraph 2.4.4.

2.7.2. The Funding DoD Component accumulates and reports the cost of a capitalized improvement until the improvement is placed in service. Once this asset is placed in service, it is debited to the entity responsible for reporting the real property base asset. The Funding DoD Component coordinates the delivery of the final DD Form 1354 and supporting documentation to the Host Installation and shares the DD Form 1354 and supporting documentation with the DoD Funding Components. Supporting documentation includes construction status, invoices, and other

relevant documents shared with the funding DoD Components to enable the funding DoD component to accumulate and report the cost of a capitalized improvement until the improvement is placed in service.

2.7.3. As stated in SFFAS 6, "costs which either extend the useful life of existing General PP&E, or enlarge or improve its capacity shall be capitalized and depreciated/ amortized over the remaining useful life of the associated General PP&E." Capital improvements must be capitalized when:

2.7.3.1. The improvement increases the asset's useful life by two or more years, or increases its capacity or size, and

2.7.3.2. The cost of the improvement equals or exceeds the capitalization threshold (see subparagraph 2.4.3.1).

2.7.3.3. Capital improvements not meeting these two criteria are expensed, and the item must be designated as an adjustment in the APSR.

2.7.4. Capital Improvement Examples

2.7.4.1. Extends the useful life: Major restoration or reconstruction restores facilities damaged by a natural disaster or similar.

2.7.4.2. Increase capacity: The roof of a warehouse is raised to increase cubic feet.

2.7.4.3. Increase size: An addition, expansion, or extension built to the building, i.e., increases the footprint.

2.7.5. Depreciation of Capitalized Improvements

2.7.5.1. Depreciate capitalized improvements that extend the asset's useful life, but do not increase the asset's capacity or size with the original asset over the revised estimated useful life.

2.7.5.2. Depreciate capitalized improvements that increase the asset's capacity or size over the lesser of the useful life of the improvement or the remaining economic useful life of the asset. Note that the economic life of the real property asset may be different than the original estimated accounting useful life. The economic life is the remaining period of utility for the real property.

2.7.5.3. Depreciation is described in paragraph 2.7.

2.7.6. Capitalize improvements to multiple real property assets constructed under a single project or work order if the allocated cost per real property asset equals or exceeds the capitalization threshold per asset. When multiple improvements are made to a single real property asset, increasing the real property's capacity, size, and/or useful life, the total improvements must

be capitalized if the summed costs equal or exceed the capitalization threshold. Different funding sources must be summed to determine capitalization. The summed improvements costs must be capitalized and depreciated upon being placed in service as described in paragraph 2.7.

2.7.7. Maintenance and repair costs are not considered capital improvements, regardless of the capitalization threshold. Per SFFAS 42, maintenance and repairs are activities that keep fixed assets in an acceptable condition. Maintenance and repair activities include preventative maintenance; parts, systems, or components replacement; cyclic work done to prevent damage (e.g., painting); and other activities preserving or maintaining assets. A roof or a heating and air conditioning system that is replaced due to failure must be classified as a repair and must be expensed, even if the replacement incorporates a better quality and longer life shingle or a more efficient heating and air conditioning unit.

2.7.8. Intent determines whether a replacement must be recognized as a repair or an improvement. Replacement of parts, systems, or components that have failed, are in the incipient stages of failing, or are no longer functional, is classified as a repair and must be expensed. If the replacement was undertaken to expand the capacity or extend the life of a real property asset that was in good working order, then the replacement must be recognized as an improvement. Rebuilding the entire asset within the same physical area (footprint) is an improvement.

2.7.9. Increased capacity means an increased footprint, or internal structural reconfiguration that increases the amount of usable space, number of personnel, or increased throughput. Increased capacity includes activities that upgrade the asset to serve needs different from, or significantly greater than its current use.

2.7.10. For constructed capital improvements, the cost must be accumulated and reported by the Funding DoD Component in a CIP account until the improvement is placed in service. When placed in service, the improvement is debited to the entity responsible for reporting the real property base asset. See subparagraph 2.5.5 for intra-DoD transfers. Only Host Installations with jurisdiction over a specific installation have financial reporting responsibility for real property and completed capital improvements.

2.8 Depreciation

2.8.1. The recorded cost of real property and capital improvements must be depreciated over the shorter of (i) the period benefited, or (ii) the asset's useful life. Depreciation is the systematic and rational allocation of the recorded cost less its estimated salvage/residual value of an asset over its estimated useful life.

2.8.2. Capitalized amounts, as well as associated amounts of accumulated depreciation and depreciation expense, must be reflected in DoD financial statements. Recognize depreciation expense for all capitalized general PP&E. Estimates of useful life for real property assets must consider factors such as usage, physical wear and tear, and technological change. To compute depreciation on DoD real property assets, specific useful lives are prescribed. Table 24-2 reflects the useful lives to be used for DoD real property.

2.8.3. The PISD triggers the depreciation calculation (regardless of whether it is used). Depreciation is generally based on the Month Available for Service method. The month the asset was available for use is used to calculate depreciation expense for the first year.

2.8.4. DoD policy permits only the use of the straight-line method of depreciation for real property assets. Straight-line depreciation expense is calculated as the recorded cost divided by the asset's useful life based on the useful lives in Table 24-2.

2.8.5. If an asset remains in use longer than its estimated useful life, it must be retained in the APSR, as well as the accounting records, and reflect both its recorded cost and accumulated depreciation until disposition of the asset.

2.8.6. WCF activities must depreciate real property assets in accordance with this chapter guidance, whether such assets are procured through the WCF activity's Capital Purchase/Investment Program budget or depreciation is included in rates charged to customers. The WCF activities may recognize and depreciate assets differently for financial statement reporting purposes than for WCF rate development and budget presentation. All WCF real property depreciation must be expensed on the Statement of Net Cost, included in accumulated depreciation amounts on the Balance Sheet, and reported in the "Defense Working Capital Fund Accounting Report (Monthly) 1307 (AR(M)1307)." Depreciation recorded on real property that was neither acquired nor replaced through the use of Defense WCF resources must be classified as non-recoverable for rate-setting purposes and reported on the AR(M)1307. Defense WCF rates charged to customers are based on guidance in ***Volume 2B***, "Budget Formulation and Presentation," and ***Volume 11B***, "Reimbursable Operations Policy – Working Capital Funds."

2.8.7. Annex 1 Scenarios I and II illustrate the depreciation methodology for capital improvements and the underlying real property asset.

Table 24-2. DoD Useful Lives for Depreciable Real Property Assets

Real Property Classification	Real Property Useful Lives	Capital Improvements (if useful life is not provided by an engineering estimate)[2]
Buildings	45 years	20 years
Structures	35 years	15 years
Linear Structures	40 years	20 years
Land Rights of a Limited Duration[1]	Over the specified duration	-

1. Permanent Land Rights are included on the balance sheet in General PP&E only if the DoD Component did not make the election to implement the provisions of SFFAS 50, Paragraph 13 to exclude land rights from the opening balance of General PP&E and to expense future land rights acquisitions after the establishment of the opening balance.
2. Engineering estimates are of particular importance when evaluating full restoration or conversion.

2.9 Impairment

2.9.1. Description. SFFAS 44 defines impairment as a significant and permanent decline in the service utility of General PP&E or the expected service utility of CIP resulting from events or changes in circumstances that are not considered normal and ordinary.

2.9.1.1. Expected service utility is the usable capacity that was expected to provide service. The usable capacity may be less than its original usable capacity due to expected decline in useful life or impairing events, such as physical damage, obsolescence, enactment of laws or regulations, changes in environmental or economic factors, or changes in the manner or duration of use.

2.9.1.2. Normal and ordinary events fall within the expected useful real property life such as standard maintenance and repair requirements. Events or circumstances that are not considered normal and ordinary are unexpected during the real property's useful life or, if expected, are not sufficiently predictable to estimate the useful life.

2.9.2. Identification of Potential Impairment Loss. The following two-step process determines whether real property remaining in use is impaired: (1) identifying potential impairment indicators and (2) testing for impairment. Identified real property must be tested for impairment.

2.9.2.1. Step 1 – DoD Components must evaluate existing processes and internal controls to determine if they are sufficient to identify potential impairment indicators and implement appropriate additional processes and internal controls if necessary. Potential impairment can be identified in a variety of ways, such as procedures related to DM&R. Once identified, DoD Components must consider the surrounding circumstances to determine whether a test of potential impairment is necessary. Common indicators of potential impairment include:

2.9.2.1.1. Evidence of physical damage;

2.9.2.1.2. Enactment of laws or regulations limiting the asset usage;

2.9.2.1.3. Changes in environmental factors (e.g., change in floodplain);

2.9.2.1.4. Technological changes or evidence of obsolescence;

2.9.2.1.5. Changes in the manner or duration of use of real property;

2.9.2.1.6. Construction stoppage or contract termination; and

2.9.2.1.7. Real property idled or unserviceable for long periods.

2.9.2.2. Step 2 – Impairment Test. Identified real property must be tested to determine whether the decline in service utility is: (1) significant and (2) permanent. For CIP, the testing of impairment must be performed over the period of expected future service utility.

2.9.2.2.1. Determine impairment significance with professional judgement. Judgements may be based on the relative costs of maintaining the facility before and after the decline, or other considerations. Significant declines in service utility cause operational and maintenance costs to be disproportionate to expected service utility.

2.9.2.2.2. Decline in service utility is considered permanent when the DoD Component does not expect the lost service utility to be restored. In contrast, a reasonable expectation that the lost service utility will be restored may exist when the DoD Component has:

2.9.2.2.2.1. Specific plans to restore the lost service utility,

2.9.2.2.2.2. Committed funding for remediation efforts, or

2.9.2.2.2.3. Remediated lost service utility in similar real property.

2.9.3. Determining the Appropriate Measurement Approach. To determine impairment losses on real property that will continue to be used, estimate the portion of NBV associated with the diminished service utility of the real property. A measurement method resulting in an unreasonable NBV is not appropriate. Conversely, a reasonable measurement method may result in no impairment loss being recorded. Recognition of impairment loss must be limited to the asset's NBV at the time of impairment. Widely recognized methods for measuring impairment are identified in SFFAS 44, paragraph 18.

2.9.4. Recognizing and Reporting Impairment Losses. The impairment loss must be recognized and reported in the Statement of Net Cost when the Host Installation concludes that the impairment is both (1) a significant decline in service utility and (2) expected to be permanent. Such losses may be included in program costs or costs not assigned to programs. A general description of the real property, the nature (e.g., damage or obsolescence), amount, and the financial statement classification must be disclosed in the financial statement notes.

2.9.5. Recoveries. The impairment loss must be reported net of any associated recovery when the recovery and loss occur in the same fiscal year. Recoveries reported in subsequent fiscal years must be reported as revenue or other financing source. The amount and financial statement classification must be disclosed in the financial statements' notes.

2.9.6. Remediating Previously Reported Impairments. The costs incurred to restore the lost service utility of impaired real property remaining in use must be recognized according to the nature of the costs incurred and the appropriate capitalization threshold.

2.9.7. Diminished Service Utility Without Recognized Impairment Loss. If the future service utility has been adversely affected but the impairment test determines that a loss does not need to be recognized, a change such as estimated useful life and salvage value must be considered.

2.10 Removal/Disposal

2.10.1. FASAB TR 14 defines removal from service as terminating real property asset use. Removal from service may occur because of the factors in paragraph 2.8.2.1 or identification as in excess of mission needs. Permanent removals occur when (1) the asset's use is terminated and (2) there is documented evidence of the DoD Component's decision to permanently remove the asset from service. If only one business event has occurred, the removal is other than permanent.

2.10.2. If the asset no longer provides service in the operations of the entity but the DoD Component has not permanently removed the asset from service, it must be accounted for as other than permanent. Other than permanent removal is evidenced by continuing low-level maintenance. These assets' value does not change and must continue to be depreciated.

2.10.3. Assets permanently removed from service are no longer depreciated. The DoD Component's documented decision to dispose of an asset is permanent removal. The recorded cost and the accumulated depreciation/amortization must be removed from the accounts, and the asset must be recorded at its Net Realizable Value (NRV) (see SFIS webpage Transaction Code C613). NRV is the estimated amount that can be recovered from selling, or any other method of disposing of an item, less estimated costs of completion, holding, and disposal. Any difference between the NBV and its expected NRV must be recognized as a gain or loss. The expected NRV must be evaluated at the end of each fiscal year, and any change in NRV must be recognized as a gain or loss.

2.10.4. When an asset is sold, donated, or demolished, the asset must be written off and the difference between disposal proceeds and the asset's NBV must be recognized as a gain or loss. The legally enforceable disposal obligation date is the disposal date. It is the demolition contract's start date. For transfers to a non-DoD entity and sales, it is instrument endorsement, or operation end date, whichever comes later. For natural disasters, it is the complete loss date.

3.0 ADDITIONAL CONSIDERATIONS

3.1 Use of Cancelled Treasury Account Symbol

3.1.1. DoD Components report their trial balance data to Treasury through the Treasury's Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS). Capitalized assets must be reported and remain in GTAS after the original purchase. If a capitalized asset has not been moved to a cancelled ("C") TAS as described in subparagraph 3.1.2, GTAS provides a "C" TAS on the GTAS Super Master Account File for each fund family. The system-generated "C" TAS has three components: the three-digit agency identifier, availability type "C", and a four-digit main account.

3.1.2. All DoD Components must use the "C" availability type TAS to report capitalized assets. Assets may be moved to a "C" TAS at any time from the purchase date to the date the original purchasing fund cancels. (Refer to the TFM Volume 1, Part 2, Chapter 4700 for additional information).

3.1.3. To financially transfer an asset to a "C" TAS:

3.1.3.1. Use USSGL account transaction E510 to financially transfer out the asset from the purchasing fund account.

3.1.3.2. Use USSGL account transaction E606 to financially transfer the asset into the appropriate "C" TAS.

3.2 Supporting Documentation

3.2.1. Entries to record financial transactions in the accounting system, general ledger accounts, and the accountable property records and/or systems must:

3.2.1.1. Include source documents reflecting all investment transactions.

3.2.1.2. Document the asset PISD. All real property acquisitions, whether by purchase, transfer from other agencies, donation, or other means, must be supported as of the date the DoD Component takes custody of the real property. Table 24-3 provides a list of documents that can be used to support the changes in asset value or physical attributes as a result of a new acquisition or capital improvement.

3.2.1.3. Include the financial reporting and trading partner information listed in subparagraph 2.2.2.8.2 and other relevant information. If this information is not available, the receiving and transferring entities must develop and document an estimate to support the financial transfer of the asset. See Volume 12, Chapter 14, and DoDI 4165.72 for further policy on transfers of DoD real property between Host Installations.

3.2.1.4. Support the disposal date to provide an adequate audit trail. Disposal events generating financial or administrative accountability transactions must be readily available to support disposals:

3.2.1.4.1. Declaration of excess document;

3.2.1.4.2. Disposal approval documentation;

3.2.1.4.3. Original acquisition documents;

3.2.1.4.4. Deed or contracts indicating the obligation to dispose of an asset;

3.2.1.4.5. Document showing the disposal completion date;

3.2.1.4.6. Receipt documentation; and

3.2.1.4.7. Transfer documents for the transferred.

3.2.1.5. Be retained in accordance with the National Archives and Records Administration requirements described in ***Volume 1, Chapter 9***, "Financial Records Retention." Original documents and/or hard and electronic copies of original documentation must be maintained in a readily available location during the retention period. These documents must permit validation of the purchase cost, purchase date, cost of improvements, and RPUID(s). Supporting documentation is not limited to the documentation as outlined in this subparagraph.

3.2.2. Include sufficient information indicating the physical size, location, and unit cost of each real property asset. The APSR and/or other systems must be designed for maximum assistance in making procurement and utilization decisions. Decisions identifying potential excess real property available for reuse, transfer, or disposal must be supported.

3.2.3. Enable periodic, independent verification of the accounting, APSR, and/or other systems' accuracy through periodic inventories. Real property "book to floor and floor to book" existence and completeness must be confirmed. Such inventories must reconcile the APSR and/or other systems with the general ledger accounts. Personal hand receipt self-validations are not acceptable for meeting the independent verification requirements (see DoDI 4165.14).

3.2.4. Identify and classify real property that was capitalized, recorded in the APSR and accounting system, and reported in the financial statements.

3.2.4.1. The Host Installation having jurisdiction over the real property, in accordance with DoDD 4165.06 and DoDI 4165.70, must record assets in their APSR.

3.2.4.2. The Host Installation must reconcile its real property APSR to its financial statements (or to their trial balance if financial statements are not required) quarterly.

3.2.4.3. All Funding DoD Component CIP must reconcile recorded CIP balances on a quarterly basis with service providers building the assets. CIP must reflect the actual progress payments and other costs incurred based on work completed as of the quarter end.

3.2.5. Ensure that asset information is based on the same documents, so that the financial accounting/reporting and APSR are the same. The APSR must be integrated and subsidiary to the financial accounting system, and such records must be reconciled with the accounting system.

3.2.6. Include documents accumulating the cost and linking to the appropriate RPUID(s).

3.2.7. Include all real property in which the DoD has a legal interest.

3.2.8. Provide information to identify and account for leased real property.

3.2.9. Provide information to identify and account for capitalized improvements.

Table 24-3. Examples of Supporting Documentation for Real Property Acquisition
(Note: These examples may not be all-inclusive for all circumstances)

Evidence	Examples
Unique Identification	Assignment of RPUID
Project Approval	Such as, but not limited to a Work Order
Obligation on Behalf of the Government	Such as, but not limited to: 1. For contracts, contract modifications, or change orders: • Statement of Work; • Dollar Amount of Contract; • Location; • Source of Funds; • Parties to the Contract; and • Signature Page [Signature of All Parties]. 2. Documentation of troop labor hours; 3. Approved Work Order.
Payment Submitted	Such as, but not limited to: 1. Approved last invoice reflecting the total amount submitted for payment and received to date; 2. Evidence of in-house construction costs, including labor; 3. Indirect Costs incurred internally by the gaining activity. 4. Recurring monthly invoices received by the DoD Construction Agent (DCA)/Public Works or service providers building the assets on behalf of the Funding DoD Component.
Acceptance	Such as, but not limited to: 1. ***General Services Administration Form 1334***, Request for Transfer of Excess Real and Related Personal Property; 2. Interim and final DD Form 1354, Transfer and Acceptance of DoD Real Property, with associated source documentation retained by the responsible party. Note: All cost information transferred from the CIP account to the real property asset account when the asset is placed-in-service must be included with the DD Form 1354; 3. Executed acquisition document and donated asset appraisals; 4. Signed judgment documents for condemnations; 5. Deed; 6. Signed lease for leased property; 7. Letter of withdrawal for property withdrawn from public domain; 8. Executed occupancy agreement; 9. Executed reversionary document; 10. Transfer letter and documents for transferred assets; and 11. Collection voucher. 12. Beneficial Occupancy Date (BOD)
Project Closeout	A final DD Form 1354, with associated source documentation retained by the responsible party.

DCA/Public Works or service providers, building the assets on behalf of the Funding DoD Component, must share key supporting documents with the Funding DoD Component. Table 24-3 provides examples of key supporting documentation. Effective 01 Oct 2022, key supporting documents, such as DD 1354s, property improvement worksheets, photos, and other primary real property, should be uploaded to the APSR or another repository approved in DA PAM 25-403.

*3.3 Physical Inventories of Real Property

3.3.1. The MILDEPs and WHS must reconcile, at least annually, their real property inventory records with all other DoD Components that occupy, operate, or maintain facilities or land for which the MILDEPs or WHS have real property accountability. This reconciliation ensures both parties maintain accurate records of the asset's use, location, and basic characteristics. The final review ensures all assets are accurately reported in the host installation APSR.

3.3.2. DoD Components must perform an inspection of each RPA record, including a physical inspection of each RPA, is required every 5 years; however, RPAs designated with historic status must be reviewed and physically inspected every 3 years and reported in accordance with DoDI 4715.16. Assets identified with RPA Historic Status Code - "Eligible for the purposes of a Program Alternative – ELPA" are not required to be inspected every 3 years, and may be inspected on the regular every 5-year schedule in accordance with DoDI 4165.14.

3.4 Deferred Maintenance & Repairs (DM&R)

3.4.1. FASAB SFFAS 42 defines DM&R as maintenance and repairs that were not performed when scheduled, and which are delayed to a future period. DM&R includes preventive maintenance; replacement of parts, systems, or components; and other activities needed to preserve or maintain the asset in working condition.

3.4.2. Measurement

3.4.2.1. The values reported for DM&R must be consistent with the Facility Condition Index ratings and Facility Plant Replacement Values.

3.4.2.2. DoD Components must determine acceptable condition standards and which DM&R measurement methods to apply. Condition standards and measurement methods must be consistently applied. If the DoD Components determine that changes are necessary, they must document the change(s) rationale, the related DM&R estimate impact.

3.4.2.3. DM&R must be measured for capitalized, non-capitalized, and fully depreciated real property. DM&R for inactive real property must be included when the asset is reported with an operational status of caretaker (CARE) or non-functional (NONF). DM&R must measure funded and unfunded maintenance and repairs delayed. The data must not include DM&R funded with NAFs' commissary surcharge, or from non-DoD sources.

3.4.3. Required Supplemental Information

The Host Installation reporting real property must report DM&R material amounts as RSI. See ***Volume 6B, Chapter 12***, "Required Supplementary Information," paragraph 2.3 for required RSI reporting.

3.5 Financial Statement Disclosure Reporting and Representation Requirements

3.5.1. DoD Components reporting real property must reference the Balance Sheet note disclosing information about the reported real property assets.

3.5.2. The management representation letter provided to the IPA (for audited DoD Components), and the financial statements notes must fully and completely disclose how reported real property complies with this chapter's policies. See note disclosure examples in Annex 3.

3.5.3. DoD Components must disclose in the financial statement notes when a host nation/foreign government provides real property without reimbursement, and that the financial statements do not contain amounts for these properties. The agreement's general nature must be disclosed. The host nation/foreign government's geographic location must not be disclosed.

3.5.4. In accordance with SFFAS 55, DoD Components must disclose in the financial statement notes that inter-entity (imputed) costs are recognized for business-type activities (if applicable), employee benefits, and claims to be settled by the Treasury Judgment Fund. Other federal entities provide these goods and services at no cost or at a cost less than the full cost, as applicable. Unreimbursed costs of goods and services other than those identified in the preceding sentence are not included in DoD financial statements.

3.5.5. Refer to ***Volume 6B, Chapter 10***, "Notes to the Financial Statements" for additional disclosure reporting requirements.

3.6 Environmental Liabilities/Cleanup Costs

The accounting policy for real property environmental liabilities/cleanup costs is contained in ***Chapter 13***, "Environmental Disposal Liabilities."

Annex 1. Capital Improvement Depreciation Scenarios

Scenario I. Capital Improvement Extends the Useful Life of Existing General PP&E

In this scenario, the estimated extension of the useful life is combined with the remaining original asset useful life to establish a revised useful life. The revised useful life is used to depreciate the combined NBV of the original asset plus the improvement.

In this scenario, the conversion of a warehouse to office space, the capital improvement is placed in service at the beginning of the 26th year of the useful life of the original asset.

Scenario I	Value
Original Building Acquisition Cost	$450,000
Original Estimated Useful Life in years (yrs.) [1]	45
Annual Depreciation Expense (using straight-line depreciation) ($450,000 ÷ 45)	$10,000
Accumulated Depreciation at the end of year 25 (25 yrs. X $10,000 per year)	$250,000
NBV of original asset at the end of year 25 ($450,000 - $250,000)	$200,000
Capital Improvement – added at the beginning of year 26 of original building's useful life	$280,000
Extension of useful life (yrs.) of existing building from capital improvement based on documented Engineering Estimate[2]	30
Revised remaining useful life for building with the capital improvement. (45 yrs. (original useful life) less 25 yrs. (expired useful life) plus 30 yrs. (capital improvement useful life)	50
Revised depreciable value of building, including capital improvement. ($200,000 (original NBV) plus $280,000 (capital improvement))	$480,000
Revised annual depreciation for the building and capital improvement ($480,000 ÷ 50 yrs.)	$9,600
[1]From Table 24-2 [2]If an Engineering Estimate for the extended useful life of the capital improvement were not available; the 20-year useful life from Table 24-2 would be used.	

Scenario II. Capital Improvement Increases the General PP&E Asset's Capacity, Size, or Modifies the Functionality/Use but Does Not Extend the Life of the Original General PP&E Asset

In this type of scenario, the capital improvement is depreciated over the lesser of the useful life of the improvement or the remaining useful life of the underlying General PP&E asset.

The capital improvement is placed in service at the beginning of the 16th year in the useful life of the original base asset. The remaining economic useful life of the original base asset is 25 years at the date the capital improvement is placed in service.

Scenario II	Value
Original Linear Structure Acquisition Cost	$500,000
Original Estimated Useful Life (yrs.) [1]	40
Annual Depreciation Expense (using straight-line depreciation) ($500,000 ÷ 40)	$12,500
Accumulated Depreciation at the end of year 15 (15 yrs. X $12,500 per year)	$187,500
NBV of original asset at the end of year 15 ($500,000 - $187,500)	$312,500
Capital Improvement – added at the beginning of year 16 of original linear structure useful life	$270,000
Useful life of capital improvement (yrs.) [2]	20
Annual Depreciation Expense (using straight-line depreciation) ($270,000 ÷ 20)	$13,500
Depreciation for the original value of linear structure would continue on an annual basis for the next 25 years. ((40 yrs. (original useful life) - 15 yrs. (expired useful life)	$12,500 annual depreciation
Depreciation for the capital improvement would be recorded over the estimated 20-year useful life of the improvement	$13,500 annual depreciation
[1]From Table 24-2 [2]If an Engineering Estimate were available for the useful life of the capital improvement were available, the Engineering Estimate would be used rather than the amount from Table 24-2	

Annex 2. Plant Replacement Value (PRV) Methodology

A2.0 PRV

PRV is based on cost factors such as averages of historical contractual cost data, commercially available cost data, and models using general price information. PRV includes capital improvements and is calculated using existing asset size, but does not consider the Placed in Service Date (PISD) or remaining useful life.

A2.1 Benefits of PRV

Key benefits of DoD's PRV model include:

A2.1.1. Cost and time effectiveness: The PRV model values must be updated annually for all assets;

A2.1.2. DoD Components validated many of the key data elements during existence and completeness procedures;

A2.1.3. Consistency: The PRV model is a common approach for the DoD to establish and support its opening balances.

A2.1.4. Documentation must support the data element inputs for PRV model calculations.

A2.2 PRV Responsibilities

The DoD Components and the OSD must perform specific actions to successfully use PRV. The Office of the Under Secretary of Defense (Comptroller) Financial Improvement and Audit Remediation Directorate, and the Office of the Assistant Secretary of Defense (Sustainment) complete OSD actions.

A2.2.1 DoD Components must ensure:

A2.2.1.1 The following key PRV data element inputs are accurate:

A2.2.1.1.1. Real Property Site Unique Identifier (RPSUID);

A2.2.1.1.2. RPUID;

A2.2.1.1.3. Real Property Asset (RPA) Interest Type;

A2.2.1.1.4. Asset Allocation Current Use or Asset Configuration Design Use Category Code;

A2.2.1.1.5. Asset Allocation Current Use or Asset Configuration Facility Analysis Category (FAC) Code;

A2.2.1.1.6. Asset Allocation or Asset Configuration Size Quantity;

A2.2.1.1.7. Asset Allocation or Asset Configuration Unit of Measure Code; and

A2.2.1.1.8. RPA Historic Status Code.

A2.2.1.2. The following specific data elements used to apply and report the PRV values are accurate:

A2.2.1.2.1. RPA PISD. This data element is important for depreciation purposes.

A2.2.1.2.2. Government Investment Percentage (For Government / Private Agreement (GVPV) interest type only). The Government's investment percentage of an asset's total value is required to allocate DoD's portion of the total PRV.

A2.2.1.3. Documentation exists and is readily available to support the Asset Allocation, Size, Quantity, RPA Historic Status Code, RPA PISD, and Government Investment Percentage (for GVPV interest types).

A2.2.1.4. Processes, controls, and systems are in place to value newly acquired assets at actual cost in accordance with SFFAS 6.

A2.2.1.5. Valuation calculations are performed correctly using the PRV formula, appropriate cost factors, and adjustments found in the Unified Facilities Criteria 3-701-01 (***UFC 3-701-01***), "DoD Facilities Pricing Guide."

A2.2.1.6. Accounting adjustments are performed accurately and timely manner, are supported with sufficient documentation, and are reflected in the DoD Component's APSR, general ledger, and financial statements.

A2.2.2. OSD must ensure that:

A2.2.2.1. The PRV model is supportable for audit purposes. OSD evaluates the processes, procedures, systems, and controls that produce the PRV tables, factors, indexes, and functions, and reviews the model outputs for overall reasonableness; and

A2.2.2.2. DoD estimated useful lives for depreciation purposes are supportable.

A2.3 Steps to Establish Deemed Cost Using PRV

A2.3.1. DoD Components develop opening balances using the PRV approach. In summary, DoD Components:

A2.3.2. Validates all assets used to calculate and apply PRV values;

A2.3.3. Calculates each asset's PRV as found in SFFAS 50. Capital improvements are included within the PRV calculation. It is acceptable to use PRV for decision-making and management purposes, allowing PRV to be used as a starting point in establishing the replacement cost for real property. Each DoD Component's management must formally document the review and acceptance of the resulting values;

A2.3.4. Multiplies DoD's interest percentage by the asset's total PRV to calculate the reported value for assets with a GVPV interest type. DoD's portion of the PRV equal to or more than the capitalization threshold is reported;

A2.3.5. Identifies all DoD accountable General PP&E (commonly known as FEE assets) with a PRV equal to or more than the capitalization threshold. These assets are capitalized assets and reported on the DoD Component's Balance Sheet. The current real property capitalization threshold is applied to all existing real property assets; and

A2.3.6. Adjusts, as appropriate, the DoD Component's or WHS's APSR, general ledger, and financial statements upon establishing the beginning balance. Maintain supporting documentation.

A2.4 Determining Placed-in-Service Date

A2.4.1. The Real Property Information Model (RPIM) defines RPA PISD as "the calendar date the real property asset (or a portion of the real property asset) is available and accepted for use by DoD. On this date, warranties begin, and the Government assumes liability for the asset and the DoD receives legal interest." The ***UFC 1-300-08***, "Criteria for Transfer and Acceptance of DoD Real Property," notes this as the date the DCA and other approving parties attending the inspection have agreed the construction is acceptable, and the DCA accepts the construction from a contractor on behalf of the government using contract procedures.

A2.4.2. Table A2-1 describes sufficient supporting documentation for auditors to validate the accuracy of recorded PISDs.

Table A2-1: Placed-in-Service Date Documentation

Acquisition Method	Source Document	Acceptance Date	Effective Date	Acquisition Date[1]	RPA PISD[2] (Depreciation Triggering Event)
New construction	DD Form 1354	Executed interim DD Form 1354 transaction	Date specified in DD Form 1354 transaction	Date first interim DD Form 1354[3] transaction is executed	Date interim DD Form 1354 transaction is executed
Purchase[4] (can include Exchange)	Deed	Deed or executed interim DD Form 1354[5] transaction	Date of delivery/ Recordation	Date of delivery/ recordation	Acquisition Date
Lease/Grant	Lease/Grant	Signed lease/grant	Grant Start Date	Date lease signed	Grant start date (Not applicable for depreciation)
Transfer between Services	DD Form 1354	Executed interim DD Form 1354 transaction	Date specified in transaction	Date of original transaction when United States Government acquired title, or legal interest in the asset (Acquisition Date for the transferring Service)	Original DoD RPA Placed-in-service Date as shown by the transferring Service
Inventory Adjustment	Tier documentation noted in Table A2-3	Executed interim DD Form 1354 transaction	Date based on Tier documentation noted in Table A2-3	Date based on Tier documentation noted in Table A2-3	Date based on Tier documentation noted in Table A2-3
Transfer from one federal Component to another	Transfer letter, SF 1334	Executed interim DD Form 1354 transaction	Date specified in document	Date the United States Government acquired title or legal interest in the asset	Acquisition Date
Condemnation	Judgment document	Executed interim DD Form 1354 transaction/ Signed Judgment	Declaration of Taking is accepted by a court	Declaration of Taking is accepted by a court	Acquisition Date

Table A2-1: Placed-in-Service Date Documentation (continued)

Acquisition Method	Source Document	Acceptance Date	Effective Date	Acquisition Date[1]	RPA PISD Date[2] (Depreciation Triggering Event)
Reversion	Reversion legal document	Executed interim DD Form 1354 transaction	Date of executed reversionary document	Date of executed reversionary document	Date of executed reversionary document
Gifts and donations	Executed acquisition document	Deed delivery/ recordation	Date of acquisition document	Date of acquisition document	Acquisition Date
[1] Acquisition Date is a RPIM data element to be populated upon first acceptance by the United States Government. For RPA PISD, the term Acquisition Date equals the entry in the column titled Acquisition Date.					
[2] The date reflected in box 7a on the DD Form 1354.					
[3] Changed from final DD Form 1354 to interim DD Form 1354.					
[4] Purchase acquisition method is associated with both the land purchase and land purchase with facilities and exchange acquisition scenarios.					
[5] This method of acquisition is being added to the UFC 1-300-08 as requiring a completed interim DD Form 1354 at acceptance.					

A2.4.3. In the absence of information noted in Table A2-1, the guidance in Table A2-2 must be used.

Table A2-2. Placed-in-Service Date Determination with Authoritative Guidance

Governing Document Reference	PISD Determination
FASAB - SFFAS 6, Paragraph 34	"PP&E shall be recognized when title passes to the acquiring entity or when the PP&E is delivered to the entity or an agent of the entity."
FASAB - SFFAS 6, Paragraph 40 and SFFAS 50, Paragraph 13	"In some cases, the in-service date must be estimated. In estimating the year that the base unit was placed in service, if only a range of years can be identified, then the midpoint of the range is an acceptable estimate of the in-service date." "It is not necessary to separately identify the in-service date for material improvements included in the opening balances of a base unit. All improvements included in the opening balances at deemed cost may be treated as if they were placed-in-service at the date the base unit was placed-in-service."
Chapter 24, Paragraph 2.7	"The event that triggers the calculation of depreciation is the date the real property asset is placed in service (regardless of whether it is actually used)."
Defense Finance and Accounting Service 7900.4-M, Financial Management Systems Requirements Manual Volume 3, Property, Plant and Equipment, page 41, August 2014	"Property, Plant and Equipment (PP&E) shall be recognized when title passes to the acquiring entity or when the PP&E is delivered to the entity or to an agent of the entity. In the case of constructed Property, PP&E, the PP&E shall be recorded as construction work in process until it is placed in service, at which time the balance shall be debited to general PP&E in the system."

A2.4.4. DoD Components and WHS must review the real property asset documentation for existence and adequacy to support the placed-in-service information. The following questions must be answered:

A2.4.4.1. Does sufficient documentation exist?

A2.4.4.2. Does alternative documentation need to be used?

A2.4.4.3. Is the PISD clearly identified and marked on supporting documents?

A2.4.4.4. Are all required authorized signatures noted on documentation?

A2.4.5. Documentation supporting the PISD is vital to the completeness of both functional and financial records. GAAP allows for alternative placed-in-service methodologies where adequate historical documentation does not exist. Estimates of cost and PISD must be fully supported, and information retained in accordance with National Archives and Records Administration requirements described in Volume 1, Chapter 9. Table A2-3 lists examples of supporting documentation for PISD in descending order of preference.

A2.5 Adjustment for Inflation

When using PRV to establish deemed cost, components must deflate values to the time of construction by the general price index.

Table A2-3. Placed In Service Examples of Supporting Documentation

Documentation for PISD	Description	Tier
Source Documentation (noted in Table A2-1)	Noted in the second column of Table A2-1.	1
Tax Assessor Records	If adequate historical PISD is not available, search the county tax assessor's website for the asset and the purchase date to determine a reasonable estimate for PISD.	1
Dedication Plaque	If adequate historical PISD is not available, a search of the asset must be conducted for a dedication plaque. Once the dedication plaque has been found, ensure that it references the DoD as the owner. If DoD is listed as the owner, obtain a photograph of the dedication plaque with an inscription indicating the dedication date. If DoD is not listed on the plaque, the date must not be used as an alternative for PISD.	2
Cornerstone	If adequate historical PISD is not available, search the asset for a cornerstone. If the cornerstone is found, obtain a photograph of the cornerstone. The cornerstone must be located on the outside of the building or structure with an inscription on the stone indicating the construction date. This date would be used for the PISD.	2
Earliest Site Plot of Asset	If adequate historical PISD is not available, search online in the DOD COMPONENT or WHS database for the earliest site plot or asset drawing available. This date may be used as a reasonable alternative for PISD.	2
Earliest Maintenance Record of Asset or Engineering Estimates (e.g., Engineering Form 3013)	If adequate historical PISD is not available, search for work order or maintenance records from the Department of Public Works or RPAO, or local program office. Once found, the date of the earliest recorded work order or maintenance may be used as a reasonable alternative for PISD.	3
Placed-in-service Date of Major Asset on Site	If adequate historical PISD is not available, research and obtain the actual or alternate PISD established from a major asset on the DoD site. A major asset can be defined as a significant asset that is critical to the primary function of the site. The major assets may vary based on the purpose of the site. For example, a tower would be a major asset at a communications station, a house would be a major asset at a housing site, and a lighthouse would be a major asset for a site that includes the lighthouse, housing units, as well as other assets such as driveways, fences, and storage buildings that were established to support the lighthouse. For other sites, such as air stations, units, or sectors that may have multiple functions, a major asset could be a building where many of the management and administrative activities occur. The major assets must be located within the same real property site. Upon obtaining the PISD of the major asset, use the PISD of the major asset as the reasonable alternative for the PISD of the supporting assets in question. If more than one major asset has a reliable PISD on the site, and the PISD of the major assets is different, then use the PISD of the oldest asset on the site. Once found, the PISD of the oldest major asset may be used as a reasonable alternative for PISD.	3
Construction Style	If adequate historical PISD is not available, a search for assets on the DoD site of a similar construction style or period. Once found, the PISD of a similar style asset may be used as a reasonable alternative for PISD. If only a range of years can be identified, then the mid-point of the range is an acceptable estimate of the PISD.	3

A2.6 Definitions

A2.6.1. Asset Allocation Current Use Category Code: A Military Service designator that represents the current use by the assigned user of a specific portion of an RPA.

A2.6.2. Asset Allocation Current Use FAC Code: An OSD level designator that represents the current use by the assigned user of a specific portion of the RPA.

A2.6.3. Asset Allocation Size Quantity: The amount of the asset granted for use based on the Asset Allocation Current Use FAC and expressed in terms of the Asset Allocation Unit of Measure Code.

A2.6.4. Asset Allocation Unit of Measure Code: The unit of measure code used for the measurement of the associated Asset Allocation Size Quantity.

A2.6.5. GVPV: An interest in a real property asset held by the U.S. Government acquired by a mutually beneficial partnership agreement between a DoD Component or WHS and a private entity, where equity interest in a project is shared for a specific business purpose. This interest type applies when the DoD has ongoing reported financial statement costs directly associated with an asset(s) gained by the project or the asset is located on a military installation.

A2.6.6. City Code: The code used to identify the city or the nearest city to where the real property asset or real property site is located. The nearest city must be in the same county as the asset.

A2.6.7. Country Code: The Geopolitical Component Names and Codes standard, code used to identify the country in which the real property asset or site is located.

A2.6.8. County Code: The code used to identify the county in which the real property asset or site is located. This code identifies counties and equivalent administrative entities of the U.S., its possessions, and associated areas as defined by the Federal Information Processing Series (FIPS) and found in the General Services Administration (GSA) Geographic Locator Codes (GLCs) or the county equivalent for countries not covered in the GSA GLCs. A County Code is only unique if it is combined with a State or Country Primary Subdivision Code in the areas listed in the GSA GLCs or with the Country Code for areas not in the GSA GLCs.

A2.6.9. Deemed Cost: An amount used as a surrogate for initial amounts that otherwise would be required by SFFAS 6 to establish opening balances.

A2.6.10. RPUID: A unique non-intelligent code used to permanently identify a real property asset.

A2.6.11. State or Country Primary Subdivision Code: The code used to identify the primary subdivision of a country, such as a state, the District of Columbia, or a possession in which the real property asset or site is located.

A2.6.12. Structure: A facility, other than a building or linear structure, that is constructed on or in the land.

A2.6.13. RPSUID: A unique non-intelligent code used to permanently identify real property sites. A real property site is a specific geographic location that has individual land parcels and/or facilities assigned to it. The City Code, County Code, State or Country Primary Subdivision Code, and Country Code associated with the RPSUID provide location information necessary for location cost factors.

A2.6.14. PRV: A value, recorded in U.S. dollars, which represents the cost to design and construct a facility to current standards for the replacement of an existing facility at the same location.

A2.6.15. RPA Historic Status Code: A code used to identify the current historical status of an RPA.

A2.6.16. RPA Interest Type Code: A code used to identify the type of legal interest that DoD holds in an RPA.

*Annex 3. Construction in Progress (CIP) Process

A3.1 CIP Process

A3.1.1. CIP accounts accumulate costs of real property construction and capital improvements anticipated to meet the capitalization criteria. (The USSGL accounts used to report DoD real property are provided in the Transaction Library and Standard Reporting Chart of Accounts available on the SFIS webpage.)

A3.1.2. A CIP account is created when either: (i) an in-house construction project(s) receives the work order and funding authorizations; or (ii) another DoD Component, Federal agency, or commercial entity receives the design and funding authorizations. A DoD Component constructing real property for a DoD Component accumulates all costs in a CIP account from project inception until the costs are billed to the Funding DoD Component. The DoD Component records billed amounts in its CIP account. See ***Volume 3, Chapter 17***, "Accounting Requirements for Military Construction Projects" for guidance on intergovernmental construction work and services.

A3.1.2.1. When Federal and nonfederal entities share project costs, a CIP account must be created if the real property asset will be federally owned. The federal share of construction costs is captured in a CIP account. For a cost-shared project between DoD and another Federal agency, the DoD share is captured in a CIP account within DoD's financial statements. The real property asset must be recognized in the acquiring DoD Component's financial statements.

A3.1.2.2. When a DoD Component is a construction agent and constructs a non-federally owned real property asset, costs must be accumulated in a CIP account to be billed to the customer. If a DoD Component is not the construction agent and the real property asset is not DoD-owned, the DoD Component's share is expensed as incurred. If DoD does not have rights and obligations to the real property asset, the costs should be expensed, not captured in CIP. If final ownership was not determined at project funding and design authorization, the cost must be relieved from the CIP account and expensed when it is determined that the real property asset will not be federally owned.

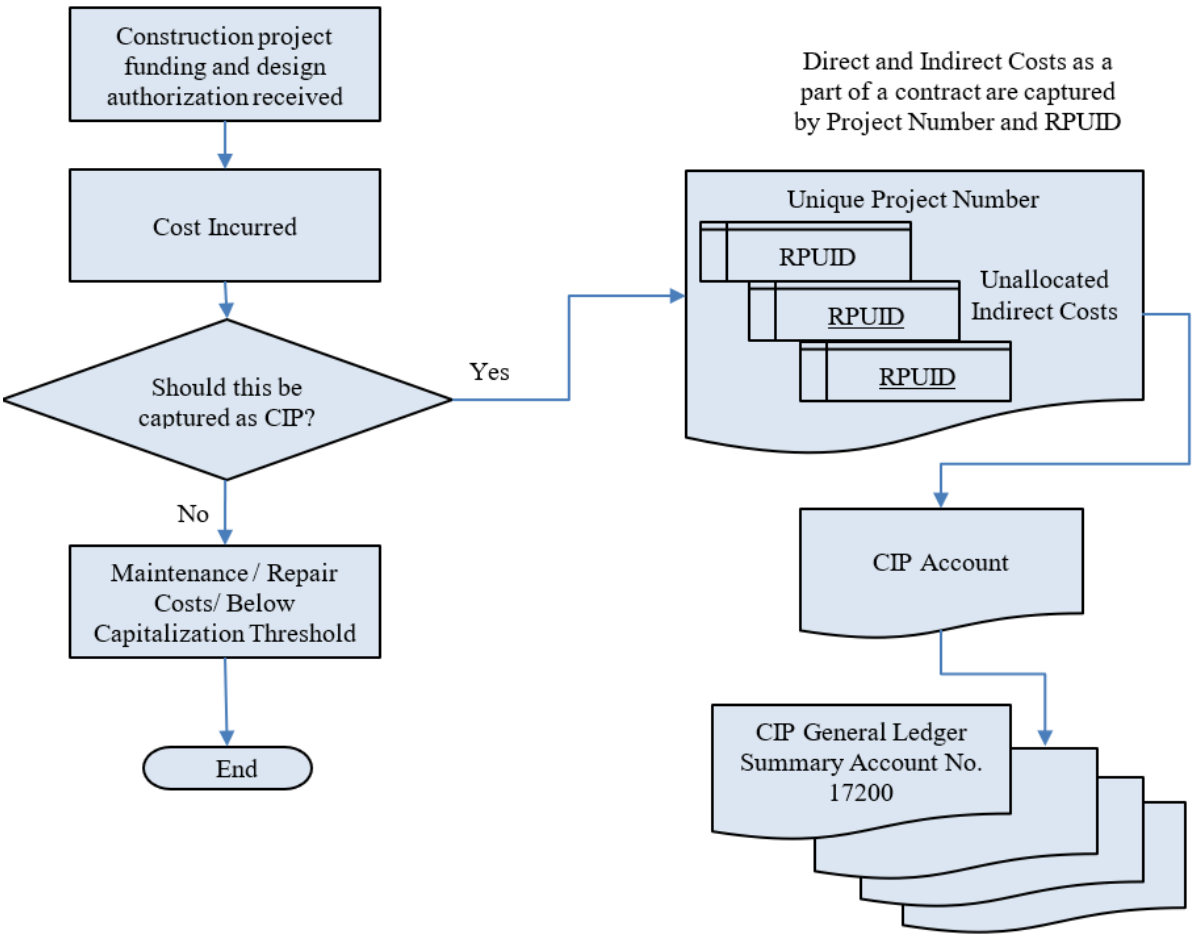
A3.1.3. DoD Components must assign a unique project number, and the Host Installation must assign at least one RPUID for each approved construction project. The project number and RPUID are associated with a CIP account. The unique project number must remain the same and be used for all phases of a construction project, regardless of the fiscal year.

A3.1.4. CIP costs must be tracked by both the Component unique project number and the RPUID to ensure visibility, traceability, and accountability. The relationship among a construction project, RPUID, and CIP account is provided in Figure A3-1.

A3.1.5. The Funding DoD Components must continue to report CIP on their financial statements until the constructed item is accepted by the accountable DoD Component. The CIP amount reported for financial statements must include the Funding DoD Component's Project Number, Project Detail Fund Code(s), Project Detail Fund Code Cost Amount, Project Detail

Organization Code(s), Programmed Amount, and RPUID(s). The construction agent (invoices to support DD1354) and the Funding DoD Component (SF 1080 to support reimbursable work performed by the construction agent via 7600B, when funds are not provided by sub-allotment) must retain the supporting documentation for their respective CIP account portion(s) for the audit trail. Upon the host installation's RPAO acceptance of real property asset(s) or capital improvements, the construction agent provides the Funding DoD Component's RPAO with auditable supporting documentation to support the Interim/ Final DD1354. The Funding DoD Component's RPAO must provide the documentation to the DoD Component to retain in accordance with applicable laws, regulations, and instructions.

Figure A3-1. Relationships among a Construction Project, RPUID, and CIP Account



A3.1.6. When constructed real property asset(s) or improvements are accepted and placed in service, the CIP account costs must be relieved in the same period as the individual real property asset is posted to the appropriate real property account with an RPUID. The recorded cost must equal the sum of all construction and applicable design costs. In addition, the Funding DoD Component must ensure that all costs incurred are provided to the construction agent on a formal

document of the real property asset(s) or improvements prior to acceptance by the accountable DoD Component.

A3.1.7. For construction projects that are completed in multiple phases, the cost of each phase is credited from the CIP account and debited to the appropriate asset or expense account, by RPUID, when each real property asset or useable portion of the asset is placed in service. The assets may have one or more PISDs for depreciation purposes. Each phase must be depreciated over its estimated useful life when placed in service.

A3.1.8. Interim DD Form 1354. The standard processing timeline for the required Interim DD Form is shown in Table A3-1. Prior to the established inspection date at the completion of new construction or capital improvement, the DCA prepares an Interim DD Form 1354 for all accountable real property assets. The DCA verifies that distributed indirect costs and all CIP costs expended to date, including assets below the capitalization thresholds, are accurately captured on the Interim DD Form 1354 in column 19, Cost, along with the PISD in block 7a.

Table A3-1. Interim DD Form 1354 Timeline

Initiation Responsibility	Timeline
DCA signs Interim DD Form 1354 and provides signed copy to the Installation Management Organization Accountable Official (IMOAO) / Real Property Accountable Officer (RPAO)	Within 20 calendar days[2] after PISD but before the 10th day of the last month of the fiscal year quarter, regardless of PISD.
IMOAO/RPAO signs Interim DD Form 1354 and provides signed copy to DCA. IMOAO/RPAO records/updates Interim DD Form 1354 into Host Installation's APSR.	Prior to the end of the next month after the date of the DCA signature and no later than the 20th day of the last month of the fiscal year quarter.[3]
DCA provides copy to the Project Sponsor. DCA or Project Sponsor relieves CIP costs to date after receipt of Interim DD Form 1354 signed by both DCA and IMOAO/RPAO.	Prior to the end of the next month after the date of the DCA signature and no later than the Fiscal Quarter of the PISD or the Fiscal Quarter of the month after the date of the construction agent's signature.

A3.1.9. Equipment and non-capital construction costs must be listed in block 28, with Project Remarks, and Construction Deficiencies noted in block 27. The DCA signs the Interim DD Form 1354 and forwards it to the IMOAO/RPAO. The IMOAO/RPAO signs the Interim DD Form 1354 and ensures that all facilities listed are recorded in the Host Installation APSR. The DCA provides copies of the signed Interim DD Form 1354 to the Project Sponsor. Upon receipt of the signed copies of the Interim DD Form 1354, the DCA or Project Sponsor relieves the CIP and the IMOAO/RPAO posts to the Host Installation's APSR by the timeline.

[2] DoD Components and WHS may establish more stringent requirements but not less stringent than under this policy. Metrics will be generated from OSD policy, regardless of DoD Components or WHS timelines.
[3] Recordation must occur before the end of each quarter for the purposes of financial accounting accuracy.

A3.1.10. Final DD Form 1354. The standard processing timeline for the required Final DD Form 1354 is shown in Table A3-2. Any difference between the interim and final DD-1354 must be documented. An accrual must be recorded for material unpaid amounts for accepted assets across the entire portfolio of construction projects, which requires tracking for each end item and aggregating its costs. The DCA records and the Project Sponsor account for any additional costs after the PISD. The DCA accounts for all additional construction costs upon final contract closeout and posts the costs in the Final DD Form 1354, column 19. The DCA signs the Final DD Form 1354 and provides it to the IMOAO/RPAO for signature. The IMOAO/RPAO ensures that all additional costs are recorded in the Host Installation APSR, signs the Final DD Form 1354, and returns it to the DCA for distribution and final CIP relief. Once the Project Sponsor receives the signed Final DD Form 1354, any remaining funds in the Project Sponsor's CIP account must be moved to the Host Installation. The IMOAO/RPAO updates the original acquisition cost in the Host Installation's APSR, and the final amount is depreciated over the remaining useful life of the asset. All these actions must be completed timely.

Table A3-2. Final DD Form 1354 Timeline

Initiation Responsibility	Timeline
DCA determines all costs are accumulated, financially closes the contract, processes claims, completes all outstanding items, and provides a signed Final DD Form 1354 to the IMOAO/RPAO	Within 20 calendar days[4] after final costs are determined, but must be complete by the 10th day of the last month of the fiscal year quarter.
IMOAO/RPAO signs Final DD Form 1354, provides signed copy to the DCA, and ensures all accumulated construction costs are recorded in the Host Installation's APSR.	Prior to the end of the next month after the date of the DCA signature on the final DD Form 1354 and no later than the 20th day of the last month of the fiscal year quarter.[5]
DCA provides a copy of the signed Final DD Form 1354 to the Project Sponsor. DCA or Project Sponsor relieves the remaining CIP costs.	Prior to the end of the next month after the date of the DCA signature and no later than the end of the fiscal year quarter.[4]

A3.1.11. The Construction Agent (MILCON) or Project Sponsor (O&M) relieves CIP at construction completion if the Project Sponsor (entity that initiates and funds the project) is not the Host Installation (base or facility where the project is located). When the construction is finished, the Construction Agent or the Project Sponsor officially takes over the completed project and its associated costs, effectively relieving the CIP of its responsibility for that specific project. Construction costs are debited by RPUID in the financial systems and APSR. Funds must be accurately depicted on the Interim and Final DD Form 1354. The IMOAO/RPAO and construction agent must sign the DD Form 1354 within ten business days, but not later than 20 calendar days of the PISD.

[4] DoD Components may establish more stringent requirements but not less stringent than under this policy. Metrics will be generated from OSD policy, regardless of DoD Component's timelines.
[5] Recordation must be not later than the end of each quarter for the purposes of financial accounting accuracy.

A3.2 Metrics

Real Property Inventory Model (RPIM) data elements track the timeliness of the real property documentation process. Table A3-3 lists the RPIM data elements. On the PISD, the government assumes ownership and liability for a newly constructed facility or a capital improvement. The PISD is captured on the Interim DD Form 1354, entered into the Host Installation's APSR as the "RPA PISD", and transmitted to the Data Analytics Integration Support (DAIS) system. The placed-in-service date will be established on an interim DD Form 1354 and is not to be updated with the final DD Form 1354. If there are multiple interim DD Forms 1354 for a single project, the final DD Form 1354 will include the placed-in-service date from the first interim DD Form 1354. The placed-in-service dates for subsequent interim DD Forms 1354 will be annotated on the final DD Form 1354 in block 28, Project Remarks. Metrics track the DoD Component's adherence to the timelines, so processing delays can be identified and corrective action implemented. The Office of Deputy Assistant Secretary of Defense for Real Property (DASD RP) uses DAIS Business Intelligence (BI) reports to monitor the CIP documentation timelines. These new data elements were introduced as Engineering Change Proposals (ECPs) to the RPIM Configuration Support Panel for the next update to RPIM. The Host Installation's APSR and DAIS will capture this data going forward. Final systems implementation must be completed by the end of 2025. Capital improvements do not change the original PISD but capture the APSR posting date.

Table A3-3. Proposed RPIM Data Elements[6]

Proposed RPIM data elements	Data to populate new RPIM data elements
RPA Date of Interim DD Form 1354 DCA Signature	Date from Block 24c of the Interim DD Form 1354.
RPA Date of Interim DD Form 1354 IMOAO/RPAO Signature	Date from Block 25c of the Interim DD Form 1354.
Date Entered into APSR	System-generated date based on change of Operational Status Code of TBA to ACTIVE or creation date of new facility, or date Capital Improvement is recorded into the ASPR.
RPA Date of Final DD Form 1354 DoD DCA Signature	Date from Block 24c of the Final DD Form 1354.
RPA Date of Final DD Form 1354 IMOAO /RPAO Acceptance Signature	Date from Block 25c of the Final DD Form 1354.

[6] These RPIM data elements were submitted in an Engineering Change Proposal to the RPIM Configuration Control Board in October 2023, as a part of the FY24 Update to RPIM version 11.0.

Annex 4. Illustrative Examples and Note Disclosures

A4.1 CIP Illustrative Examples

A4.1.1. The General Ledger (G/L) journal entries must be recorded to relieve CIP costs expended for the construction of real property assets or capital improvements when the Funding DoD Component is not the Host Installation: The Funding DoD Component uses Transaction Code E510, and the Host Installation uses Transaction Code E606 (see the SFIS webpage for detailed entries).

A4.1.2. CIP Example 1: Defense Logistics Agency (DLA) funds the construction of a new building on an Army installation using the United States Army Corps of Engineers (USACE) as the DCA. DLA suballocates funding to USACE via the Funding Authorization Document (FAD). USACE accumulates costs during construction and reports the costs to DLA. These costs are reflected in DLA's CIP account and reported on its financial statements. When the building is placed in service, USACE provides all the relevant supporting documentation (i.e., signed Interim DD1354 by USACE and the Army) to the Army and DLA. USACE relieves CIP on DLA's behalf, and the Army records the asset in its APSR. The Army also reports the facility on its financial statements and depreciates it over its estimated useful life. Journal entries must be recorded for USACE on DLA's behalf and the Army upon the building's placement in service and the receipt of the completed documentation from USACE. USACE on DLA's behalf uses Transaction Code E510, and the Army uses Transaction Code E606 (see the SFIS webpage for detailed entries). Note: If the asset is not recognized during the month CIP is relieved, then the depreciation must be recorded by the Host Installation.

A4.1.3. CIP Example 2: The Defense Health Agency (DHA) funds a capital improvement to a building on an Air Force installation using Naval Facilities Engineering Systems Command (NAVFAC) as the construction agent. DHA accumulates costs during construction and reports these costs in its financial statement CIP account. NAVFAC provides a monthly SF-1080 to support the cost of CIP until the capital improvement is complete. When the capital improvement is placed in service, NAVFAC provides all the relevant supporting documentation (i.e., signed Interim DD1354 by NAVFAC and Air Force) to the Air Force and DHA. See Table 24-3 for examples. With this documentation, DHA relieves CIP, and the Air Force records the capital improvement in its APSR. The Air Force also reports the capital improvement to a building on its financial statements and depreciates it for its estimated useful life. Illustrated below are journal entries that must be recorded for DHA and Air Force upon the capital improvement's placement in service and the receipt of the relevant documentation from NAVFAC. The DHA uses Transaction Code 510, and the Air Force uses Transaction Code E606 (see the SFIS webpage for detailed entries).

A4.2 In-Service Real Property Examples

A4.2.1. The Missile Defense Agency (MDA) operates a facility that includes other defense agency tenants located on an Army Installation. The Army does not have operations in the facility, but is the designated Host Installation and carries the MDA facility as Army real property in its real property database. The Army is the financial reporting entity for the facility.

A4.2.2. The Army Working Capital Fund (WCF) operates and has jurisdiction over a maintenance depot. The Army WCF reports the real property on that installation on its financial statements and is responsible for maintaining supporting documentation to support the audit.

A4.2.3. The illustrative G/L journal entries to demonstrate the transfer of in-service real property from one DoD Component or WHS to the Host Installation are found on the SFIS webpage, transaction code E510 for the DoD Component or WHS and transaction code F606 for the Host Installation.

A4.3 Capitalized Improvements to Real Property Illustrative Examples and Journal Entries

A4.3.1. Capitalized Improvements to Real Property Examples

A4.3.1.1. The Defense Logistics Agency (DLA) WCF funds an improvement to a building on an Army base. DLA reports the CIP until the improvement is complete, then transfers the improvement to the Army to be reported on the Army's General Fund financial statements. DLA sets its capital recovery rates related to the capital improvement in accordance with Volume 2B, Chapter 9, recording the imputed cost instead of actual depreciation expense as the basis for its budget.

A4.3.1.2. The Defense Advanced Research Projects Agency (DARPA) funds a conversion of an office suite to another purpose that it occupies on a Navy installation. DARPA reports the CIP until the conversion is complete, relieves CIP, and then transfers the improvement to the Navy to be reported on the Navy's General Fund financial statements.

A4.3.2. The transfer of in-service real property from one DoD Component or WHS to the Host Installation is found on the SFIS webpage, transaction code E510 for the Funding DoD Component and transaction code E606 for the Host Installation (see the SFIS webpage for detailed entries).

A4.4 Note Disclosure Examples

A4.4.1. The following is an example of a note disclosure for Host Installations, which could be Military Departments, WHS, or Military Department WCFs:

The [Host Installation] reports the real property within the jurisdiction of [Host Installation] installations, in its financial statements because it is the designated Host Installation. This includes real property on [Host Installation] installations including real property used and occupied by [another Military Department, WHS, another Military Department WCF or other DoD Components (who are not the Host Installation)]. The [Host Installation] who is the Host Installation does not report assets on its installation that were funded by and are exclusively used by an entity not included in the consolidated DoD financial statements. While the [Host Installation] is responsible and accountable for accepting, controlling, managing, and utilizing real property assets, the [Host Installation] has entered into Memoranda of Agreement, with another Host Installation, or other DoD Components, and license or permit with non-DoD governmental agencies, transferring the right to control the use of a [Host Installation] real property asset to the [other Host Installation and other DoD Components or WHS and non-DoD governmental agencies (who are not the Host Installation)]. The transfer of the right to control the use of the real property asset does not transfer jurisdiction and the asset remains an asset under the jurisdiction of the [Host Installation].

A4.4.2. The following are examples of note disclosures for DoD Components and WHS utilizing real property assets in their operations that are being financially reported by a Host Installation:

Example of the Note for DoD Component:
The [DoD Component] does not report in its financial statements real property that they use and occupy within the jurisdictions of [Military Department or WHS]. This includes all real property used and occupied by the [DoD Component]. The [DoD Component] has entered into Memoranda of Agreement, with the [Host Installation] that is the Host Installation, which transfers the right to control the use of [Host Installation] real property asset to the [DoD Component]. The transfer of the right to control the use of the real property asset does not transfer jurisdiction and the asset remains an asset of the [Host Installation] acting as the Host Installation.

Example of the Note for a non-Military Department WCF Component (e.g., DLA):
The [DoD WCF Component] does not report in its financial statements real property that they use and occupy within the jurisdiction of [Host Installation]. This pertains to all real property used and occupied by the [DoD WCF Component] including real property that was funded with WCF outlays that are being recovered through the capital recovery rate. The [DoD WCF Component] has entered into Memoranda of Agreement, with the [Host Installation] that is the Host Installation, which transfers the right to control the use of a [Host Installation] real property asset to the [DoD WCF Component]. The transfer of the right to control the use of the real property asset does not transfer jurisdiction and the asset remains and asset of the [Host Installation] acting as Host Installation.

A4.4.3. The following is an example of a note disclosure for a Military Department WCF that (1) has been given jurisdiction over specific installation(s) and financially reports that real property; and (2) also uses and occupies other real property for which it is not the financially reporting Host Installation:

The [Military Department WCF] reports in its financial statements real property within the jurisdiction of the [Military Department WCF], when it is the designated Host Installation for the real property. This includes real property on [Military Department WCF] designated installations, including real property used and occupied by [another DoD Component (who are not the Host Installation)]. However, the [Military Department WCF] which is the designated Host Installation does not report assets on its installation that were funded by and are exclusively used by an entity not included in the consolidated DoD financial statements. The [Military Department or WCF] used and occupied certain real property asset(s) in which it is not the designated Host Installation as a result does not include the real property asset(s) in its financial statements. The [Military Department WCF] has entered into Memoranda of Agreement, with the [Host Installation] that is the Host Installation, which transfers the right to control the use of [Host Installation] real property asset(s) to the [Military Department WCF]. The transfer of the right to control the use of the real property asset does not transfer jurisdiction, and the asset remains an asset of the [Host Installation] acting as the Host Installation.

VOLUME 4, CHAPTER 25: "GENERAL EQUIPMENT"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated May 2019 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
1.1	Updated purpose with Standard Financial Information Structure website and Department of Defense (DoD) Standard Reporting Chart of Accounts references. Removed specific U.S. Standard General Ledger accounts (previously paragraph 2.2).	Revision
2.2.2.1.4	Added language to support use of electronic receiving reports to support valuation of property at the time of delivery.	Addition
2.3, 2.3.4, 2.3.7.5, 2.3.7.6	Incorporated Alternate Valuation Methods for Establishing Opening Balances (previously Annex 2) into paragraph 2.3. Added disclosure requirements, subparagraph 2.3.4, engineering document based estimates, subparagraph 2.3.7.5 and cost estimator based estimates, subparagraph 2.3.7.6.	Revision/ Addition
2.4.4	Clarified language to ensure recognition of equipment aligns with corresponding revenue recognition.	Revision
2.6.2.2.2	Removed requirement for Office of the Under Secretary of Defense (Comptroller) approval to use other than DoD standard useful lives for depreciation.	Deletion/ Revision
Annex 1	Moved detailed Construction In Progress (CIP) process from Recognition Section (previously subparagraph 2.4.7) to a separate Annex. Moved CIP-related tables and figures to Annex.	Revision

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CHAPTER 25

GENERAL EQUIPMENT

1.0 GENERAL

*1.1 Purpose

1.1.1. This chapter establishes the accounting policy for financial control over Department of Defense (DoD) general equipment.

1.1.2. General Equipment is a subset of general Property, Plant, and Equipment (PP&E). DoD Components record general PP&E transactions to general ledger accounts in the financial statements required by the Treasury and other reporting requirements mandated by Congress and the Office of Management and Budget (OMB).

1.1.3. The Standard Financial Information Structure ***(SFIS)*** website hosts the DoD Standard Reporting Chart of Accounts, which provides account descriptions and posting guidance for the general ledger accounts referenced in this chapter. The DoD Standard Chart of Accounts was developed from the U.S. Standard General Ledger (***USSGL)*** Transaction Library.

1.1.4. Refer to ***Volume 6B, Chapter 10***, "Notes to the Financial Statements" for detailed requirements on preparing and presenting notes to the financial statements for general equipment.

1.2 Authoritative Guidance

The accounting policy and related requirements prescribed in this chapter are in accordance with the applicable provisions of the following sources:

1.2.1. ***Title 40, United States Code (U.S.C.), Section 571,*** "General rules for deposit and use of proceeds";

1.2.2. ***Title 40 U.S.C. Section 574***, "Other rules regarding proceeds";

1.2.3. Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Concepts ***(SFFAC) 5***, "Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements";

1.2.4. FASAB ***SFFAC 7***, "Measurement of the Elements of Accrual-Basis Financial Statements in Periods after Initial Recording";

1.2.5. FASAB ***Statement of Federal Financial Accounting Standards (SFFAS) 1***, "Accounting for Selected Assets and Liabilities";

1.2.6. FASAB ***SFFAS 4***, "Managerial Cost Accounting Standards and Concepts";

1.2.7. FASAB ***SFFAS 6***, "Accounting for Property, Plant, and Equipment";

1.2.8. FASAB ***SFFAS 23***, "Eliminating the Category National Defense Property, Plant, and Equipment";

1.2.9. FASAB ***SFFAS 40***, "Definitional Changes Related to Deferred Maintenance and Repairs: Amending Statement of Federal Financial Accounting Standards 6, Accounting for Property, Plant, and Equipment";

1.2.10. FASAB ***SFFAS 42***, "Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29, and 32";

1.2.11. FASAB ***SFFAS 44***, "Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use";

1.2.12. FASAB ***SFFAS 50***, "Establishing Opening Balances for General Property, Plant and Equipment: Amending SFFAS 6, 10, and 23, and Rescinding SFFAS 35";

1.2.13. FASAB ***SFFAS 55***, "Amending Inter-entity Cost Provisions";

1.2.14. FASAB ***Technical Bulletin 2017-2***, Assigning Assets to Component Reporting Entities";

1.2.15. FASAB Technical Release ***(TR) 13***, "Implementation Guide for Estimating the Historical Cost of General Property, Plant, and Equipment";

1.2.16. FASAB ***TR 14***, "Implementation Guidance on the Accounting for the Disposal of General Property, Plant & Equipment";

1.2.17. FASAB ***TR 15***, "Implementation Guidance for General Property, Plant, and Equipment Cost Accumulation, Assignment and Allocation";

1.2.18. FASAB ***TR 17***, "Conforming Amendments to Technical Releases for SFFAS 50, Establishing Opening Balances for General Property, Plant, and Equipment";

1.2.19. FASAB ***TR 18***, "Implementation Guidance for Establishing Opening Balances";

1.2.20. FASAB ***Staff Implementation Guidance 6.1***, "Clarification of Paragraphs 40-41 of SFFAS 6, Accounting for Property, Plant, and Equipment, as Amended";

1.2.21. FASAB ***Staff Implementation Guidance 23.1***, "Guidance for Implementation of SFFAS 23, Eliminating the Category National Defense Property, Plant, and Equipment: Classification of Items Formerly Considered National Defense PP&E";

1.2.22. Federal Acquisition Regulation ***(FAR)***;

1.2.23. Defense FAR Supplement ***(DFARS)***;

1.2.24. DFARS and Procedures, Guidance, and Information ***(PGI)***;

1.2.25. United States Department of the Treasury Financial Manual ***(TFM) Volume 1, Part 2, Chapter 4700,*** "Agency Reporting Requirements for the Financial Report of the United States Government";

1.2.26. TFM USSGL;

1.2.27. OMB ***Circular A-136***, "Financial Reporting Requirements";

1.2.28. DoD Instruction ***(DoDI) 5000.02,*** "Operation of the Adaptive Acquisition Framework System";

1.2.29. ***DoDI 5010.40***, "DoD Enterprise Risk Management and Risk Management and Internal Control Program";

1.2.30. ***DoDI 5000.64***, "Accountability and Management of DoD Equipment and Other Accountable Property"; and

1.2.31. DoD Manual ***(DoDM) 4160.21,*** Volume 1, CH-4 "Defense Materiel Disposition: Disposal Guidance and Procedures."

2.0 ACCOUNTING FOR GENERAL EQUIPMENT

2.1 Description

2.1.1. General equipment consists of tangible assets that:

2.1.1.1. Have an estimated useful life (normal operating life in terms of utility to the owner) of two years or more;

2.1.1.2. Are not intended for sale in the ordinary course of operations and not held in anticipation of physical consumption;

2.1.1.3. Are acquired or constructed to be used or available for use by the entity;

2.1.2. General equipment items are characterized as providing goods or services, or supporting the mission of the entity, and typically have one or more of these characteristics:

2.1.2.1. The item could be used by other DoD or federal programs, state or local governments, or nongovernmental entities, but is used to produce goods or services, or support the mission of the entity;

2.1.2.2. The item is used in business-type activities which are defined as a significantly self-sustaining activity financing its operations through collection of exchange revenue; and/or

2.1.2.3. The item is used by entities in activities whose costs can be compared to those of other entities performing similar activities (e.g., federal hospital services in comparison to commercial hospitals).

2.1.2.4. The item is functionally complete and does not ordinarily lose its identity or become a component part of another asset when used.

2.1.3. General Equipment excludes:

2.1.3.1. Inventory and Related Property (I&RP). Tangible items that do not meet the criteria in subparagraph 2.1.1 and long-range ballistic missiles are I&RP. I&RP is discussed in ***Chapter 4***.

2.1.3.2. Real Property. Facilities, land, and land rights. Installed equipment that facilitates the use of and is inclusive and intrinsic to the facility itself, such as landscaping; heating, ventilation, and air conditioning equipment; utility connections; installed overhead bridge cranes; and elevators. These items are real property and are discussed in ***Chapter 24***.

2.1.3.3. Internal Use Software (IUS). IUS includes the application and operating system programs, procedures, rules, and any associated documentation pertaining to the operation of a computer system or program. IUS is discussed in ***Chapter 27***.

2.1.4. General Equipment may include:

2.1.4.1. Contractor-Acquired Property (CAP). Property acquired, fabricated, or otherwise provided by the contractor for performing a contract and to which the Government has title.

2.1.4.2. Government Furnished Property (GFP). Property in the possession of, or directly acquired by, the Government and subsequently furnished to the contractor for performance of a contract. GFP includes equipment, material, special tools, special test equipment, spares, and property furnished for repair, maintenance, overhaul, or modification.

2.1.4.3. CAP and GFP items that do not meet the criteria in subparagraph 2.1.1 are not general equipment and generally fall under the category of I&RP.

2.1.5. Examples of General Equipment are:

2.1.5.1. Weapon systems used by the Armed Forces to carry out battlefield, intelligence, or surveillance missions, including combat aircraft, pods, combat ships, support ships, satellites, and combat vehicles.

2.1.5.2. Specialized support equipment; information technology infrastructure, specialized training devices, specialized vehicles (not combat), and facilities support equipment.

2.1.5.3. Computer software that is integrated into (embedded) and necessary to operate weapon systems (rather than perform an application). This software is considered part of the PP&E of which is an integral part.

2.2 Valuation

2.2.1. Acquisition Cost. The acquisition cost includes all amounts paid for the original purchase, construction, or development, to bring the equipment to its form and location suitable for its intended use, costs for embedded items and/or integral software, and ancillary costs, net of (less) any purchase discounts. Although the measurement basis for valuing general equipment remains historical (acquisition) cost, reasonable estimates may be used to establish the acquisition cost for general equipment as described in SFFAS 6 as amended by SFFAS 50.

2.2.1.1. Net Book Value. The cost of general equipment, less its accumulated depreciation (reduced for any impairments, if applicable).

2.2.1.2. Fair Value. The amount exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

2.2.1.3. Ancillary Cost. Identifiable costs necessary to bring the asset to its form and location suitable for its intended use, including other direct and indirect costs. Table 25-1 provides examples of ancillary costs.

2.2.2. Method of Acquisition or Transfer Determines Recorded Cost

2.2.2.1. Purchased Equipment. The cost for general equipment acquired from a third party (private, commercial, or state or local government) is its purchase contract cost plus applicable ancillary costs. Purchase contract cost includes procurements by cash, check, or installment, or progress payments on contracts. Value purchase contract costs (when equipment is delivered and accepted by the government) in accordance with the contractual arrangement used to acquire the item as follows:

2.2.2.1.1. For fixed price type line, subline, or exhibit line items, when property is identified as a deliverable end item, the value of the property is the unit price identified in the contract at the time of delivery;

2.2.2.1.2. For cost type or un-definitized line, subline, or exhibit line items, the contractor's estimated fully burdened unit cost to the Government at the time of delivery; and

2.2.2.1.3. For items delivered under a time and materials contract, the contractor's estimated fully burdened unit cost to the Government at the time of delivery.

* 2.2.2.1.4. Electronic receiving reports support the valuation of property at the time of delivery. The Defense Federal Acquisition Regulation Supplement (DFARS) requires formal receiving reports to be filed and processed electronically in the Wide Area Workflow (WAWF) system. Further, DFARS makes WAWF the formal system to store electronic receiving reports.

2.2.2.2. Constructed Equipment. The cost for constructed general equipment items is the sum of all the costs incurred to bring the item(s) to a form and condition suitable for its intended use, including labor, materials, and overhead costs. Table A1-1 in Annex 1 describes the types of costs accumulated for construction items.

2.2.2.3. Donated Equipment. The cost for general equipment acquired through donation, execution of a will, or judicial process, excluding forfeiture, must be its estimated fair value at the time acquired by the DoD.

2.2.2.4. Exchanged Equipment. The cost for general equipment acquired through exchange between the DoD and a non-federal entity (NFE) is the fair value of the consideration surrendered at the time of exchange. If the fair value of the equipment acquired is more readily determinable than that of the consideration surrendered, the cost will be the fair value of the equipment acquired. If neither fair value can be determined, the cost of the equipment acquired will be the cost recorded for the consideration surrendered, net of any accumulated depreciation.

2.2.2.4.1. A gain or loss is recognized for the difference between the net recorded amount of the consideration surrendered and the cost of the equipment acquired.

2.2.2.4.2. If cash consideration is included in the exchange, the cost of general equipment acquired will be increased by the amount of cash consideration surrendered or decreased by the amount of cash consideration received.

2.2.2.4.3. If the fair value of the equipment acquired is less than that of the consideration surrendered, recognize the equipment acquired at the amount of the consideration surrendered, as described previously, and subsequently reduce it to its fair value. A loss must be recognized in an amount equal to the difference between the amount of the consideration surrendered for the equipment acquired and its fair value.

2.2.2.4.4. This guidance on exchanges applies only to exchanges between a DoD Component and an NFE. Exchanges between a DoD Component and another DoD Component or a Federal agency must be accounted for as a transfer.

2.2.2.5. Seized and Forfeited Equipment. The cost recorded for general equipment acquired through seizure or forfeiture is its fair value, less an allowance for any liens or claims from a third party.

2.2.2.6. Transferred Equipment. Transfers of equipment must adhere to the cost recorded for general equipment transferred from another DoD Component or Federal agency as the cost recorded on the transferring entity's books for the general equipment, net of any

accumulated depreciation (i.e., net book value). To prevent intergovernmental transaction elimination issues, the DoD component must ensure record the transfer-in amount in aligns with the transfer document received from the transferring agency. If the receiving DoD Component cannot reasonably ascertain those amounts, the cost of the asset will be its fair value at the time of transfer. Accountability for general equipment transferred between entities must be in accordance with DoDI 5000.64. Refer to DoDI 1225.06 for other than DoD entities and Reserve Components equipment transfers.

2.2.2.7. Equipment Acquired by Trade-In. The cost for general equipment acquired when trading for another general equipment asset is the sum of the net book value of the asset(s) traded plus (minus) any cash paid (received) or liabilities assumed (relinquished) for the new asset. The net book value is the acquisition cost of a general equipment asset, less its accumulated depreciation (reduced for any impairments, if applicable).

Table 25-1 Examples of Ancillary Cost

Examples of Ancillary Costs	
GFP installed in end items, such as engines installed in aircraft	Fair value of equipment donated to the DoD
Acquisition and preparation costs of equipment	Labor and other direct or indirect production costs (for assets produced or constructed)
Direct costs of inspection, supervision, and administration of construction contracts and construction work	Allowable direct cost of maintaining the Program Management Office, if material
An appropriate share of the cost of Government-furnished materials used in the production of end items	An appropriate share of the cost of the equipment and facilities used in construction work
Transportation charges to the point of initial use	Cost of handling and storage
Engineering and other outside services for designs, plans, specifications, and surveys	Legal and recording fees and damage claims
Interest paid directly to providers of goods or services related to the acquisition or construction (not including late payment interest penalties).	A prorated share of non-recurring cost** associated with the production of the equipment.

** A non-recurring cost is an unusual charge, expense, or loss that is unlikely to occur again in the normal course of business. Non-recurring costs include write-offs, fire or theft losses, and losses on sales of assets.

*2.3 Alternate Valuation Methods for Establishing Opening Balances.

2.3.1. The alternative valuation methods for establishing opening balances for general PP&E are available only once to each reporting entity. Therefore, prior to the establishment of opening balances for general equipment, DoD Components must validate that they account for

and comply with the recognition, measurement, presentation and disclosure requirements for general equipment at historical cost in accordance with FASAB SFFAS 6, as amended by SFFAS 50. Components must prepare and retain documentation to support compliance with the recognition, measurement, presentation, and disclosure requirements to meet audit requirements. When a Component cannot apply historical cost as outlined in SFFAS 6, Deemed Cost is acceptable to estimate the initial amounts (historical cost) to establish the opening balances for general equipment.

2.3.2. When evaluating general equipment for the purpose of establishing opening balances, DoD Components must apply the applicable capitalization threshold to their entire population of general equipment retroactively.

2.3.3. DoD Components must calculate a gross value and an accumulated depreciation value for General Equipment assets when establishing opening balances using Deemed Cost.

2.3.3.1. Both the gross value Deemed Cost and the accumulated depreciation Deemed Cost will be recorded in the accounting records. The difference between the Net Book Value (NBV) of the Deemed Cost on the opening Balance Sheet of the current fiscal year presented and the existing/historical NBV of the general equipment as of the ending Balance Sheet of the previous fiscal year, is considered a prior period adjustment.

2.3.3.2. This prior period adjustment represents a change in accounting principle in accordance with FASAB ***SFFAS 21***, "Reporting Corrections of Errors and Changes in Accounting Principles, Amendment of SFFAS 7, Accounting for Revenue and Other Financing Sources". Adjustments must be properly documented and supported to assist ongoing audit efforts, including retaining documentation of the existing/historical equipment value in the Accountable Property System of Record (APSR) and documentation supporting the Deemed Cost value.

* 2.3.4. DoD component reporting entities applying deemed cost in establishing opening balances for general PP&E must disclose in the notes to their financial statements that they used an alternative valuation method and describe the methods used in the first reporting period in which the reporting entity makes an unreserved assertion that its financial statements, or one or more line items, are presented fairly in accordance with Generally Accepted Accounting Principles. An unreserved assertion is an unconditional statement. Financial statements or, as applicable, reports on line items of subsequent periods need not repeat this disclosure, unless the financial statements for which deemed cost was applied in establishing opening balances are presented for comparative purposes. No disclosure of the distinction or breakout of the amount of deemed cost of general PP&E included in the opening balance is required.

2.3.5. Deemed Cost estimates must be based on one or a combination of the following allowable valuation methods:

2.3.5.1. Replacement Cost. The amount required for an entity to replace the remaining service potential of an existing asset in a current transaction at the reporting date,

including the amount that the entity would receive from disposing of the asset at the end of its useful life.

2.3.5.2. Estimated Historical Cost (initial amount). A reasonable estimate of historical (acquisition) cost. See subparagraph 2.3.7 for reasonable estimating methods.

2.3.5.3. Fair Value. The amount at which an asset or liability could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

2.3.6. DoD Components that anticipate substantial use of replacement cost or fair value methodologies for equipment valuation must contact the Office of the Under Secretary of Defense (Comptroller) (OUSD(C))/Office of the Deputy Chief Financial Officer (ODCFO) and the Office of the Deputy Assistant Secretary of Defense for Logistics prior to committing significant resources to these methods.

2.3.7. Estimated historical cost may be based on:

2.3.7.1. Cost of Similar Assets at the Time of Acquisition. This alternate method is frequently used for commercial off-the-shelf general equipment, but may also be used for other general equipment, such as weapon systems, when appropriate. When using this method, DoD Components must:

2.3.7.1.1. Work closely with other organizations to gather the information needed to support the valuation when using general equipment from another organization as a comparable asset;

2.3.7.1.2. Exercise due care to ensure that the source value is supported. If the comparable asset is not properly supported, the subject general equipment is also not properly supported; and

2.3.7.1.3. Apply appropriate price indices to estimate the cost of the general equipment in the period when it was placed into service if the comparable general equipment has a different in-service date. See FASAB Federal Financial Accounting and Auditing Technical Release 13, "Implementation Guide for Estimating the Historical Cost of General Property, Plant & Equipment," for additional details for using indices to inflate or deflate costs.

2.3.7.2. Current cost of similar assets discounted for inflation. Deflating current costs to costs at the time of acquisition by the general price index; or

2.3.7.3. Budget-Based Estimates. This methodology uses information included in the DoD Component's budget to estimate the value of the general equipment. The key requirement is that the procurement budget detail must allow DoD Components to clearly associate budgeted amounts with the general equipment end items. DoD Components must consider that acquisition programs can span many years, and not all costs associated with the budgeted amount must be capitalized. Steps for performing budget-based estimates include:

2.3.7.3.1. Reviewing the relevant President's Procurement Budget documentation for the general equipment acquisition program and determine whether the budget has adequate detail to support the budget valuation methodology.

2.3.7.3.2. Identifying costs and determining which costs must be included in the capitalized costs of the general equipment;

2.3.7.3.3. Compiling documentation supporting the valuation, including copies of the referenced budget exhibits; and

2.3.7.3.4. Documenting the process and results.

2.3.7.4. Contract-Based Estimates. This methodology involves valuing general equipment using the pricing data included in contracts. A complete understanding of the acquisition program, including the structure of related contracts, is required to implement this methodology. DoD Components must align activities and costs of general equipment with relevant accounting standards to isolate the costs that are capitalized versus expensed (e.g., research and development costs, factory training). DoD Components must also consider the complexity of multiple contracts used to develop or acquire the general equipment assets. Steps for performing contract-based estimates include:

2.3.7.4.1. Identification by Program Management Offices (PMOs) of all contracts for the acquisition or modification of the general equipment. Relevant contracts include those that have a financial impact on the value of the asset and/or establish its placed-in-service date;

2.3.7.4.2. Working with Financial Managers, Procurement Contracting Officers, and PMOs to review all line items in the contract to identify costs to include in the capitalized acquisition costs and to identify the costs to exclude;

2.3.7.4.3. Compiling documentation supporting the valuation, including copies of relevant contract documents; and

2.3.7.4.4. Documenting the process and results.

* 2.3.7.5. Engineering Document-Based Estimates. Technical and engineering documents lay out the assumptions, materials, and estimated cost to produce an asset. In these instances, the engineering documents can provide a sufficient basis for estimating deemed cost for opening balances. Examples of acceptable supporting documentation include technical specifications and estimates, maintenance delivery schedule, bill of materials, invoices, vendor quotes on material costs/sale rates, time compliance, and technical orders, industry estimates, and Federal Logistics Data (FED LOG) published by the Defense Logistics Agency.

* 2.3.7.6. Expert Cost Estimator Estimates. An informed opinion of an expert cost estimator may be used to support reasonable estimates. Informed opinion refers to the judgment of others who make estimates based on programmatic knowledge and/or experience based on

limited information and, in some cases, without using an econometric or other statistical model. If an expert cost estimator is used, document the expert's credentials or qualifications in sufficient detail to allow review and validation by independent sources, including independent auditors. Maintain other relevant communications describing the basis for any assumptions or changes in assumptions in support of the expert's opinion. Other relevant communications may include:

2.3.7.6.1. Reports and studies.

2.3.7.6.2. Memos with outside experts and minutes from internal meetings describing the basis for any assumptions or changes in assumptions.

2.3.7.6.3. Previous studies conducted by the expert, including industry studies, journal articles, and third-party studies.

2.4 Recognition

2.4.1. Recognition requires appropriate accounting treatment (expense or capitalization with depreciation) and reporting of capitalized amounts and accumulated depreciation on the DoD Component's financial statements.

2.4.2. Recognition Responsibility. The entity that has accountability for a general equipment asset, defined in DoDI 5000.64, has financial reporting responsibility for that asset from purchase or construction, upon transfer of title (receipt, delivery, or acceptance) to disposal or when another entity takes physical accountability for the asset. See Annex 2 for illustrative examples of financial reporting responsibilities for general equipment and related journal entries.

2.4.2.1. The base asset and all related capital improvements are reported by the same reporting entity to maintain consistency between the financial reporting and the physical assets.

2.4.2.1.1. Software developed separately and installed on several assets at different times may be treated as a separate IUS asset, rather than integrated or embedded software.

2.4.2.1.2. When software is treated as a separate IUS asset, improvements to the software are capitalized to the separate IUS asset, not the general equipment asset.

2.4.2.2. Financial reporting responsibility for asset transfers with the accountability of the asset in cases where accountability changes from one entity to another. Documentation for transferring assets must be maintained to support audit requirements in accordance with DoD FMR Volume 1, ***Chapter 9***: "Financial Records Retention."

2.4.2.3. Financial reporting responsibility for assets includes all aspects of financial reporting and disclosures, including, but not limited to, footnote disclosures, deferred

maintenance and repair (DM&R), and other required supplemental information (RSI) as detailed in the Additional Considerations section.

2.4.2.4 DoD Components must follow existing DoDIs for establishing and maintaining accountability for general equipment assets using their APSRs.

2.4.2.5 DoD Components responsible for the financial reporting of an asset must be prepared to support the financial statement assertions, including existence and completeness, rights and obligations, accuracy and valuation, occurrence, and presentation and disclosure.

2.4.2.6 DoD Components funding CAP recognize the item as general equipment upon delivery and acceptance by the DoD Component or an authorized representative in accordance with the terms and conditions of the contract and in accordance with ***DFARS PGI 245.402-71***. Constructive Delivery is when the title transfers to another entity, even if the physical delivery did not take place. Constructive delivery is based on the terms of the contract regarding shipping and/or delivery. Recognize constructive delivery of a CAP item in the Construction in Progress (CIP) account until acceptance.

2.4.2.7. If a local DoD Component identifies a DoD general equipment asset on site that is not recorded in its APSR, it must determine who is accountable for the asset. The accountable entity must perform a property inventory in accordance with DoDI 5000.64 and establish proper internal controls to support Property Management in accordance with DoDI 5010.40. If the local DoD Component is not accountable for certain general equipment assets, the Component must prepare and maintain supporting documentation for those assets to provide to their respective accountable DoD Components for audit purposes in accordance with DoD FMR Volume 1, ***Chapter 9***: "Financial Records Retention."

2.4.2.8. Entities that have assets on loan or under temporary or stewardship control do not transfer accountability or financial reporting. The entity with stewardship control must maintain supporting documentation that identifies its physical control while clarifying that it does not hold financial reporting responsibility. Custodial entities provide this documentation to the accountable entity and support any audit requests from the accountable entity related to the property in its control.

2.4.3. Recognition Uncertainty. The DoD and the Federal Government must ensure that the accounting records are not duplicative.

2.4.3.1. In situations where doubt exists about which DoD Component must recognize an item, the DoD Components involved must reach an agreement with the other applicable DoD Components or Federal agencies on which entity will record the item for financial reporting purposes.

2.4.3.2. Disputes between DoD Components regarding accountability for an asset under DoDI 5000.64 guidelines may be resolved by contacting the Office of the Deputy Assistant Secretary of Defense for Logistics.

* 2.4.4. Recognition Timing. Recognition of general equipment for financial reporting purposes must occur upon delivery to the acquiring DoD Component. Delivery occurs when the title passes to the customer. Delivery or constructive delivery shall be based on the terms of the contract.

2.4.4.1. Upon delivery or constructive delivery of finished goods, the cost of general equipment items must be capitalized in the appropriate equipment account.

2.4.4.2. Deliveries of unfinished goods must be accumulated in the CIP account by the funding DoD Component, assuming the estimated total costs will reach the capitalization threshold.

2.4.4.2.1. In cases where there are multiple DoD funding entities, the entity with accountability according to DoDI 5000.64 will act as the financial reporting entity and record the completed asset at full cost in their APSR.

2.4.4.2.2. DoD Components record transfers of in-service assets in the same month that the asset was removed from CIP and placed in service. Refer to Annex 2 for illustrative examples and journal entries.

2.4.4.3. When a contractor acquires general equipment on behalf of a DoD Component (i.e., CAP), the component must recognize the asset upon delivery or constructive delivery and acceptance. The contract determines the terms of delivery, receipt, and acceptance in accordance with DFAR PGI 245.402-71.

2.4.4.3.1. Record contract financing payments for work performed (e.g., progress payments, performance-based payments, and commercial interim payments) or interim payments under a cost reimbursable contract for supplies made to a contractor prior to delivery or constructive delivery in the CIP account until you receive the goods, assuming estimated total costs will reach the capitalization threshold.

2.4.4.3.2. Upon completion and contractual delivery of general equipment to the Government, the DoD Component must either capitalize the equipment in the appropriate USSGL account (relieving CIP) or, if below the capitalization threshold, record such items in the appropriate expense account. DoD Components must estimate whether the total costs of the item under construction will reach the capitalization threshold, and if not, they must document and expense costs as they construct it.

2.4.4.4. When a DoD component acquires general equipment from another federal entity, the DoD component must ensure the timing of asset recognition aligns with the removal of the asset from the providing entity's property accountability and financial reporting records. This is especially important in environments of joint asset management, such as integrated Defense Health Program (DoD) and Veterans Affairs (Non-DoD) facilities.

2.4.5. Capitalization Thresholds. The DoD capitalization threshold for general equipment is $250,000, except for the following deviations. The capitalization threshold is

$1 million for the Department of Air Force General Fund, the Department of Navy General Fund, and select DoD Intelligence Agencies. The capitalization threshold is $100,000 for the Marine Corps General Fund.

2.4.5.1. Capitalize general equipment with a recorded cost that equals or exceeds the applicable capitalization threshold and has a useful life of at least two years as an asset, and depreciate the cost over its useful life.

2.4.5.2. Expense general equipment with a recorded cost below the applicable capitalization threshold or has a useful life of less than two years, except for general equipment items that are acquired as part of a qualifying bulk purchase.

2.4.6. DoD Components must capitalize special tooling, special test equipment, and other similar equipment items that meet or exceed the appropriate capitalization threshold with a useful life of at least two years at the time of delivery. Per SFFAS 6, general equipment must be recognized when title passes to the acquiring entity or when the general equipment is delivered to the entity or an agent of the entity. The component must recognize the general equipment acquired by the contractor on behalf of the DoD Component, for which the Government will ultimately hold title.

2.4.7. Bulk Purchases.

2.4.7.1. Each DoD Component must establish guidance on applying DoD capitalization thresholds to its bulk purchases. DoD Components must document their rationale regarding accounting treatment for bulk purchases and retain the documentation for audit purposes in accordance with DoD FMR Volume 1, ***Chapter 9***: "Financial Records Retention."

2.4.7.2. For financial accounting, a bulk purchase is a single contractual/purchase arrangement of multiple like general equipment items within a fiscal year. For bulk purchases made on a single multiple-year contractual/purchase arrangement, DoD Components must consider aggregate purchases on a fiscal year basis.

2.4.7.3. The DoD Component must consider whether period costs on the Statement of Net Costs would be materially overstated and/or asset values on the Balance Sheet would be materially understated by expensing bulk purchases. ***SFFAS 1*** defines materiality as the degree to which an item's omission or misstatement in a financial statement makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or the misstatement. To determine materiality, the DoD Component must exercise appropriate and reasonable professional judgment.

2.4.7.4. In the instance where more than one DoD Component has the authority to place orders under the same contractual/purchase arrangement, the component must consider only those orders it funds for purposes of bulk purchase evaluation and not those funded by other DoD Components.

2.4.8. CIP. Funding DoD Components must report and record constructed general equipment in the CIP account (when expected to meet capitalization criteria of the component that will own the asset) until they complete and place it in service, at which time they must transfer the balance to the general equipment USSGL account. The CIP account accumulates costs of new construction of general PP&E and capital improvements while the asset is under construction. CIP accounts include all costs (i.e., direct labor, direct material, supervision, inspection, and overhead) incurred in construction.

2.4.8.1. Expense planning costs prior to design authorization (Milestone C in the Adaptive Acquisition Framework).

2.4.8.2. Capitalize expenditures or financing payments paid to contractors, for general equipment being manufactured or constructed in a CIP account. Reporting entities must capture and accumulate capital costs separately for each acquisition program or contract.

2.4.8.3. As completed assets are delivered and accepted by DoD or constructive delivery occurs, capital costs will be relieved from the CIP account and transferred to the general equipment asset account.

2.4.8.4. All DoD Components funding CIP must reconcile their recorded CIP balances on a quarterly basis with any service provider/contractor working on the CIP. CIP must reflect the value associated with the actual progress of work completed, which may be more or less than amounts invoiced to the DoD Component as of the quarter end.

2.4.8.4.1. DoD components must include appropriate contract data requirement provisions in their contracts to enable CIP reconciliation and accurate reporting.

2.4.8.4.2. DoD components performing work on behalf of other components must periodically provide appropriate data to enable CIP reconciliation and accurate reporting.

2.4.8.5. See Annex 1 for a detailed discussion of recognition throughout the CIP Process.

2.4.9. Accounting for General Equipment Outside of the United States. As used in this chapter, the "United States" is defined as the 50 States of the United States, the District of Columbia, and the commonwealths, territories, and possessions of the United States. DoD's rights to general equipment outside of the United States may be different from those within the United States. For financial reporting purposes, a DoD Component that uses general equipment outside of the United States must adhere to the following guidance:

2.4.9.1. DoD Components must recognize a general equipment asset on their financial statements in accordance with the guidance provided throughout the other provisions of this chapter if the DoD Component purchases the general equipment asset outside of the host nation/foreign country to which it is bringing the general equipment.

2.4.9.2. DoD Components must evaluate any foreign legal restrictions or terms of any agreement with the host nation/foreign government to determine the accounting treatment if a DoD Component both purchases and uses the general equipment in the foreign country as follows:

2.4.9.2.1. If there are no foreign legal restrictions, terms of agreement with the host nation/foreign government, or similar barriers for owning general equipment purchased within the foreign country, the DoD Component will account for such general equipment in accordance with the other provisions of this chapter.

2.4.9.2.2. If there are foreign legal restrictions, terms of agreement with the host nation/foreign government, or other restrictions that prevent the DoD from owning the general equipment imposed by the host nation/foreign government, the DoD Component must estimate the period of time it will use the general equipment in the foreign country. If the estimated period of use is two years or greater and the cost of the general equipment equals or exceeds the capitalization threshold, the general equipment must be capitalized and depreciated over a shorter period of use in the foreign country or the useful life.

2.4.9.3. If a general equipment acquisition is not funded/purchased by DoD but instead provided by the host nation/foreign government and the terms and use of the general equipment are set out in an agreement between the DoD Component and the host nation/foreign government, the DoD Component will recognize the general equipment as an asset under capital lease if it meets the criteria in Chapter 26.

2.4.9.4. SFFAS 4 and SFFAS 55 address imputed costs between Federal agencies. The concept of imputed costs does not apply to activities between a DoD Component and a host nation/foreign government. Therefore, a DoD Component will not record imputed costs for the use of general equipment, for which it does not pay directly or pay through reimbursement, provided by international organizations (e.g., North Atlantic Treaty Organization) or host nations/foreign governments.

2.4.9.5. The DoD Component must record accountable general equipment it uses in an APSR, including those that have not been capitalized for accounting and financial reporting purposes in accordance with DoDI 5000.64.

2.4.9.5.1. Expense general equipment items that do not meet the criteria for capitalization in the period acquired or built.

2.4.9.5.2. If the host nation/foreign government does not receive payment from the DoD Component for the use of general equipment provided to the DoD Component, the DoD Component must not reflect this general equipment in financial statements (other than through note disclosure).

2.4.9.5.3. Enter and maintain all other property attributes and data elements in the APSR for all general equipment regardless of the dollar value assigned to the asset.

2.4.9.6. The DoD Component must record an expense for any maintenance and sustainment costs that they incur or will incur relating to the general equipment paid. Maintenance and sustainment costs refer to costs that do not meet the criteria for capitalization of an improvement as described in section 2.5.2.

2.5 Capital Improvements

2.5.1. Referred to as modifications, modernizations, upgrades, remanufacture, and enhancements.

2.5.2. Capital improvements to general equipment must be capitalized when the improvement increases the asset's useful life by two or more years, or increases the asset's capability, or increases its capacity or size, and when the cost of the improvement equals or exceeds the capitalization threshold. If capital improvements do not meet these two criteria, they must be expensed. If the capital improvement extends the useful life of the underlying general equipment asset by two years or more, the DoD Component must capitalize and depreciate the improvement alongside the original general equipment over the revised estimated useful life. If the costs of capital improvements do not extend the useful life of an existing general equipment asset but enhance its capacity and have a useful life of two years or more, the DoD Component must capitalize and depreciate these costs over the lesser of the estimated useful life of the improvement or the remaining economic estimated useful life of the underlying general equipment asset.

2.5.2.1. A capital improvement funded by the same entity that reports the base asset must first accumulate the costs of the improvement in a CIP account and then transfer those costs to the same account as the base asset when the improvement goes into service.

2.5.2.2. If the entity that funds the improvement is different than the entity that reports the base asset, the entity or entities funding the improvement will accumulate the cost of the improvement in their CIP account(s) until the implementation of the improvement is complete. The funding organization relieves the CIP as a transfer out, and the entity that reports the base asset recognizes the improvement as a transfer in when the improvement is placed in service. See Annex 2 for illustrative examples and journal entries.

2.5.2.3. DoD Components report the base asset and all capital improvements made to the base asset on the same financial statements.

2.5.3. The cost of improvements to more than one general equipment item as identified by a unique identifier when performed under a single contract or work order, and cannot be specifically identified by asset, must be capitalized only when the allocated cost per general equipment item equals or exceeds the applicable capitalization threshold and the estimated useful life is two or more years. When a single item undergoes more than one improvement and these improvements are part of one overall effort to increase the item’s capability, size, and/or useful life, the DoD Component must capitalize the sum of the costs of the improvements if the summed costs equal or exceed the applicable capitalization threshold. Once the DoD

Component determines that it will capitalize the aggregate costs of the improvements, it must capitalize and depreciate each improvement upon placing it in service.

2.5.4. Maintenance and repair costs are not considered capital improvements, regardless of whether the cost equals or exceeds the applicable capitalization threshold. Per SFFAS 42, maintenance and repairs are defined by the FASAB as activities that people direct toward keeping fixed assets in an acceptable condition, such as preventative maintenance; replacement of parts, systems, or components; and other activities needed to preserve or maintain assets. Maintenance and repairs exclude activities directed towards expanding the capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater than, its current use.

2.5.5. DoD Components generally expense maintenance and repairs in the period incurred. However, certain replacements of parts, systems, or components may or may not be an improvement for accounting purposes. The intent behind the replacement determines whether the DoD Components recognize a replacement as a repair or an improvement. Repair by replacement occurs when parts, systems, or components have failed or are no longer performing the functions for which they were designated and must be expensed. If the replacement was undertaken to improve or extend the life of an item beyond that of its originally designed service life, then the replacement must be recognized as an improvement.

2.6 Depreciation

2.6.1. Depreciation is the systematic and rational allocation of the recorded cost of an asset, less its estimated salvage or residual value, over its estimated useful life. The recorded cost of general equipment and capital improvements, which have been capitalized, must be depreciated.

2.6.2 Capitalized amounts, as well as associated amounts of accumulated depreciation and depreciation expense, must be reflected in DoD financial statements. The depreciable basis of an asset is the recorded cost reduced by the asset's salvage value (if applicable).

2.6.2.1 The salvage value, also known as the residual or scrap value, is the amount expected to be obtained from selling an asset at the end of its useful life, but only when such proceeds (from recycle, resale, or salvage) are permitted to be retained and used by the DoD Component. If the asset is to be traded in on a new asset, the salvage value is the expected trade-in value.

2.6.2.2. DoD policy specifies using the straight-line method of depreciation only. However, in certain circumstances, the DoD may permit alternate depreciation methods. DoD Components that would like to implement a method of depreciation different from straight line must submit a written request from the DoD Component's Accounting Policy Office to the OUSD(C)/ODCFO for approval to proceed. One of the alternate depreciation methods used within DoD is activity-based depreciation, referred to as Operational Tempo (OPTEMPO). OPTEMPO recognizes changes in expected utilization rates and fatigue caused by the operating environment and mission.

2.6.2.2.1. Straight line depreciation expense is calculated as the depreciable basis (recorded cost less salvage value, if applicable) divided equally among accounting periods during the asset's useful life.

* 2.6.2.2.2. Table 25-2 shows the standard useful lives DoD uses for general equipment. This list is not all-inclusive. DoD Components may elect to depreciate assets over a useful life that more accurately reflects their useful life. The DoD Component making this election must document and maintain the basis for that decision, including appropriate evidentiary matter (e.g., an engineering estimate) to support the decision. Documentation to support useful life determination, other than DoD standard useful lives, must be maintained and made available to auditors in accordance with DoD FMR Volume 1, Chapter 9: "Financial Records Retention."

2.6.3. The event that triggers the calculation of depreciation is the date of receipt shown on the asset receiving document in cases where no installation is required; the date installed (if required); or the date the asset is available for use, also known as the acceptance date.

2.6.4. If an asset remains in use longer than its estimated useful life, it must be retained in the APSR, as well as the accounting records, and reflect both its recorded cost and accumulated depreciation until disposition of the asset.

2.6.5. WCF activities must depreciate general equipment assets in accordance with the guidance in this chapter for financial reporting purposes without regard to whether assets are procured through a WCF activity's Capital Purchase/Investment Program budget or whether depreciation for such assets is included in rates charged to customers.

2.6.5.1. The recognition of general equipment assets and depreciation of such assets by WCF activities may differ for financial statement reporting purposes from amounts used for WCF rate development and budget presentation.

2.6.5.2. Defense WCF rates charged to customers are based on guidance in ***Volume 2B*** and ***Volume 11B***.

Table 25-2 DoD Useful Lives for Depreciable General Equipment

Categories	Sub-Categories	Useful Life
GENERAL EQUIPMENT ASSETS (EXCLUDING WEAPON SYSTEMS)		
General Purpose Vehicles		
	Heavy-duty Trucks and Buses	5
ADP Systems and Hardware		
	Computers and Peripherals	5
Communication and Medical Equipment		
	High Tech Medical Equipment	5
	Radio and Television Broadcasting Equipment	5
All Other Equipment and Machinery		
	All Other Equipment and Machinery	10
	Equipment used in Research, Development, Test, and Evaluation (RDT&E)	5
Vessels		
	Tugs	20
	Barges	20
	Similar Water Transportation Equipment	20
Generation Equipment		
	Steam Generation Equipment (12.5K pounds per hour or more)	20
	Electric Generation Equipment (500 Kilowatt or more)	20
Capital Improvements *		
GENERAL EQUIPMENT WEAPON SYSTEMS		
Ground Systems		
	Armored/Assault Vehicle	15
	Cargo Vehicle	15
	Tracked Vehicle	20
Fixed Wing Aircraft		
	Combat Fixed Wing	20
	Cargo Fixed Wing	25
	Utility Fixed Wing	20
Rotary Wing		
	Combat Rotary Wing	25
	Cargo Rotary Wing	25
	Utility Rotary Wing	30
Ships		
	Combat Ship	35
	Cargo Ship	40
	Aircraft Carrier	50
Submarines		
	Submarine	33
Unmanned Aerial Vehicle Systems (UAVS)		
	UAVS	15
Combat Support Systems		
	Combat Support System	15
	Missile Defense System	20

*See Capital Improvements in paragraph 2.5

2.7 Impairment

2.7.1. Impairment means a significant and permanent decline in the service utility of general equipment or expected service utility for CIP resulting from events or changes in circumstances that are not considered normal and ordinary.

2.7.1.1. A decline is permanent when management has no reasonable expectation that the lost service utility will be replaced or restored.

2.7.1.2. The expected service utility of general equipment is the usable capacity that, at acquisition, was expected to be used to provide service. The current usable capacity of general equipment may be less than its original usable capacity:

2.7.1.2.1. Due to the normal or expected decline in useful life or

2.7.1.2.2. Due to impairing events or changes in circumstances, including physical damage, obsolescence, enactment or approval of laws or regulations, or other changes in environmental or economic factors, or changes in the manner or duration of use.

2.7.1.3. Normal and ordinary events or circumstances are those that fall within the expected useful life of the general equipment, including standard maintenance and repair requirements.

2.7.1.4. Events or circumstances that are not considered normal and ordinary are unexpected, at the time of acquisition, or if expected, were not sufficiently predictable to be considered in estimating the general equipment's useful life.

2.7.2. Identification of Potential Impairment Loss. The determination of whether general equipment remaining in use is impaired is a two-step process, which includes (1) identifying potential impairment indicators and (2) testing for impairment. Document potential impairment indicators, tests for impairment performed, analysis of materiality, and significance. Retain documentation to support audit remediation efforts in accordance with DoD FMR Volume 1, ***Chapter 9***: "Financial Records Retention."

2.7.3. Determining the Appropriate Measurement Approach. DoD Components must estimate impairment losses on general equipment that will continue to be used by using a measurement approach that reasonably estimates the portion of net book value associated with the diminished service utility of the general equipment. DoD Components must limit the recognition of impairment loss to the asset's net book value at the time of impairment. Widely recognized methods for measuring impairment are identified in SFFAS 44, paragraph 18, including:

2.7.3.1. Replacement Approach. DoD Components can generally measure the impairment of general equipment with physical damage using a replacement approach. This approach uses the estimated cost to replace the lost service utility of the general equipment at today's standards to identify the portion of the historical cost of general equipment that must be

written off due to impairment. It may be appropriate to apply the ratio of estimated cost to replace the diminished service utility over total estimated cost to replace the general equipment, to the net book value of general equipment, to determine the impairment amount.

2.7.3.2. Restoration Approach. This approach identifies the portion of the historical cost of the general equipment that the DoD Component must write off by using the estimated cost to restore the diminished service utility of the general equipment. The estimated restoration cost can be converted to historical cost by restating the estimated restoration cost using an appropriate cost index. Alternatively, it may be appropriate to apply the ratio of estimated restoration cost to restore the diminished service utility over total estimated restoration cost to the net book value of the general equipment to determine the impairment amount.

2.7.3.3. Service Unit Approach. DoD Components can generally measure the impairment of general equipment affected by the enactment or approval of laws or regulations, other changes in environmental factors, or subject to technological changes or obsolescence, using a service unit approach. This approach isolates the historical cost of the service utility that the impairment prevents from being used by comparing the service units provided by the general equipment before and after the impairment to determine the impairment amount.

2.7.3.4. Deflated Depreciated Current Cost Approach. DoD Components can generally measure impairment of general equipment that is subject to a change in manner or duration of use using a deflated, depreciated current cost approach. Under this approach, the current cost for general equipment to replace the current level of service is estimated. This estimated current cost is then depreciated to reflect the fact that the general equipment is not new and is then subsequently deflated to convert it to historical cost dollars. A potential impairment loss results if the net book value of the general equipment exceeds the estimated historical cost of the current service utility (i.e., deflated, depreciated current cost).

2.7.3.5. Cash Flow Approach. A cash flow approach recognizes an impairment loss only if the net book value (1) is not recoverable and (2) exceeds the higher of its net realizable value (NRV) or value-in-use estimate.

2.7.3.5.1. The net book value of general equipment is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the general equipment.

2.7.3.5.2. NRV is the estimated amount that can be recovered from selling, or any other method of disposing of an item, less estimated costs of completion, holding, and disposal. SFFAC 7 describes value-in-use as the benefit to be obtained by an entity from the continuing use of an asset and its disposal at the end of its useful life.

2.7.3.5.3. If the net book value is not recoverable, the impairment loss is the amount by which the net book value of the general equipment exceeds the higher of its NRV or value-in-use estimate. No impairment loss exists if the net book value is less than the higher of the general equipment's NRV or value-in-use estimate.

2.7.3.6. Lower of (a) Net Book Value or (b) Higher of NRV or Value-in-Use Approach. General equipment impaired from either construction stoppages or contract terminations, which are expected to provide service, must be reported at their recoverable amount; the lower of (1) the general equipment's net book value or (2) the higher of its NRV or value-in-use estimated.

2.7.4. Recognizing and Reporting Impairment Losses. Per SFFAS 44, the losses must be reasonably estimated by determining the portion of the decline in the net book value of the G-PP&E attributable to the lost service utility. The loss from impairment, if any, must be recognized and reported in the Statement of Net Cost when the DoD Component concludes that the impairment is both (1) a significant decline in service utility and (2) expected to be permanent. Such losses may be included in program costs or costs not assigned to programs. A general description of the general equipment for which an impairment loss is recognized, the nature (e.g., damage or obsolescence) and amount of the impairment, and the financial statement classification of the impairment loss must be disclosed in the notes to the financial statements in the period the impairment loss is recognized.

2.7.5. Diminished Service Utility Without Recognized Impairment Loss. If the future service utility has been adversely affected but the impairment test determines that a loss does not need to be recognized, a change to the estimates used in depreciation calculations (such as estimated useful life and salvage value, if applicable) must be considered and adjusted as appropriate.

2.7.6. General Equipment that No Longer Provides Service or CIP. Where there is no expectation of future service by the entity, general equipment that no longer provides service must be accounted for in accordance with ***SFFAS 6***, and ***TR 14***, Implementation Guidance on the Accounting for the Disposal of General Property, Plant, & Equipment.

2.7.7. Remediating Previously Reported Impairments. The costs incurred to replace or restore the lost service utility of impaired general equipment remaining in use must be accounted for in accordance with applicable standards (i.e., recognized according to the nature of the costs incurred and the appropriate capitalization threshold).

2.7.8. Recoveries. The impairment loss must be reported net of any associated recovery when the recovery and loss occur in the same fiscal year. Recoveries reported in subsequent fiscal years must be reported as revenue or other financing sources, as appropriate. The amount and financial statement classification of recoveries must be disclosed in the notes to the financial statements.

2.8 Removal/Disposal

2.8.1. FASAB ***TR 14*** paragraph 8 defines removal from service as an event that terminates the use of a general equipment asset. Removal from service may occur because of a change in the manner or duration of use, a change in technology, or obsolescence, damage by natural disaster or by use in operations, or identification as excess to mission needs. Permanent

removal from service is evident from the DoD Component's documented decision to dispose of an asset by selling, scrapping, recycling, donating, or demolishing the asset.

2.8.2. Removals from service must be considered other than permanent unless:

2.8.2.1. The asset's use is terminated and

2.8.2.2. There is documented evidence of the DoD Component's decision to permanently remove the asset from service.

2.8.2.3. If only one of the two business events has occurred, permanent removal from service has not occurred.

2.8.3. When an asset is disposed of (e.g., by selling, scrapping, recycling, donating, or demolishing the asset), the asset must be written off, and the difference between any disposal proceeds and the asset's net book value must be recognized as a gain or loss. Disposals of general equipment will be conducted in accordance with DoDM 4160.21.

2.8.3.1. The disposal start date is the calendar date of a legally enforceable and recognizable obligation to complete the disposal action. For demolitions, this represents the demolition contract's start date. For transfers to a non-DoD entity and sales, this represents the date on which the instrument is endorsed, or the operation is ceased, whichever comes later. For natural disasters, this represents the actual date of the incident if the asset is a complete loss.

2.8.3.2. All disposals or retirements must be supported as of the date the general equipment leaves the custody of the DoD Component to provide an adequate audit trail for the disposal of the asset. The execution of certain disposal events will generate financial or administrative accountability transactions. Refer to Table 25-3, which lists examples of supporting documentation for disposals and retirements.

2.8.4. Plant clearance officers follow the direction of the ***FAR Subpart 45.6***, DFARS ***Subpart-245.6***, and ***DFARS PGI 245.602-70***. Following the plant clearance officer's acceptance of an inventory disposal schedule, the property must be screened for reutilization DoD-wide. Surplus personal property with commercial value that is processed through the reutilization screening process without success may be sold. Proceeds of any sale of surplus property are to be credited to the Treasury as miscellaneous receipts, unless otherwise provided by statute or the contract or any subcontract thereunder authorizing the proceeds to be credited to the price or cost of the work per 40 U.S.C. § 571 and § 574, FAR 45.604-3.

3.0 ADDITIONAL CONSIDERATIONS

3.1 Use of Cancelled Treasury Account Symbol

Capitalized assets are required to be reported and remain in the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) after the original purchasing Treasury Account Symbol (TAS) has expired and been cancelled. Refer to the TFM Volume 1,

Part 2, Chapter 4700 for additional information. The GTAS is the primary means for DoD Components to report their trial balance data to the Treasury. Capitalized assets are required to be reported in GTAS even after the original purchasing Treasury Account Symbol (TAS) has expired and been cancelled. If a capitalized asset has not been moved to a cancelled ("C") TAS, GTAS will provide a "C" TAS on the GTAS Super Master Account File (SMAF) for each fund family represented on the SMAF. The system-generated "C" TAS has three components: the three-digit agency identifier, availability type "C", and a four-digit main account. All DoD Components must use the "C" availability type TAS to report capitalized assets. Assets may be moved to a "C" TAS at any time from the purchase date to the date the original purchasing fund cancels. Refer to the TFM Volume 1, Part 2, Chapter 4700 for additional information.

3.2 Documentation Requirements

3.2.1. Financial transactions in the accounting system, general ledger accounts, the APSR, and/or other systems must be supported by source documents affecting the Component's investment in the general equipment.

3.2.2. All general equipment acquisitions, whether by purchase, transfer from other agencies, donation, or other means, must be supported as of the date of delivery and acceptance (including acceptance where constructive receipt has occurred) by the DoD Component.

3.2.3. Items must be assigned a dollar value (i.e., acquisition cost) when recording the general equipment item in the APSR and/or accounting system. The dollar value must be supported by appropriate documentation describing the reasons for changes in asset value or physical attributes as a result of new acquisition or capital improvement, where applicable. Table 25-3 lists examples of supporting documentation.

3.2.4. DoD Components must retain supporting documents for the cost of general equipment assets in accordance with ***Volume 1, Chapter 9*** or otherwise stated. Documentation (original documents and/or hard and electronic copies of original documentation) must be maintained in a specific location during the applicable retention period to support audit compliance.

3.2.5. The APSR and/or other systems must be designed to support procurement and utilization decisions, including decisions related to identifying potential excess general equipment that may be available for reuse, transfer to other DoD Components, or made available for disposal in accordance with current DoD regulations and other regulatory requirements. APSR and/or other systems must:

3.2.5.1. Enable periodic, independent verification of the accuracy of the accounting and APSR and/or other systems through periodic physical counts/inventories of general equipment. Periodic inventory counts include reconciling the APSR and/or other systems with the general ledger accounts and physical counts.

3.2.5.2. Identify and classify general equipment that was capitalized, recorded in the APSR and accounting system, and reported in the financial statements.

3.2.5.3. Validate that entries to the financial accounting/reporting and APSR are the same to support APSR integration and reconciliation with the financial accounting system.

3.2.5.4. Include documents used to accumulate the cost of construction or developmental projects. Each document must link to the appropriate asset unique identifier. For a listing of those costs that may be incurred during the construction, see Annex 1.

3.2.5.5. Include all general equipment possessed by the DoD (to include property held by others) and general equipment of others held by DoD through seizure, forfeiture, loss, or abandonment.

3.2.5.6. Provide information to identify and account for leased general equipment. Refer to DoDI 5000.64 for accountability requirements for general equipment.

3.2.5.7. Provide information to identify and account for capitalized improvements to general equipment.

Table 25-3 Examples of Supporting Documentation for General Equipment
(Note: These examples may not be all inclusive for all circumstances.)

Evidence	Examples
Unique Identification	Assignment of a unique identifier
Project Approval	Work Order
Obligation on Behalf of the Government	1. Contracts, contract modifications, or change orders: • Statement of Work; • Dollar Amount of Contract; • Location; • Source of Funds; • Parties to the Contract; and • Signature Page [Signature of All Parties]. 2. Documentation of troop labor hours; 3. Approved Work Order; or Purchase Order; or Reimbursable Agreement; or Military Interdepartmental Purchase Requests
Payment Submitted	1. Approved the last invoice reflecting the total amount submitted for payment and received to date; 2. Evidence of in-house construction costs, including labor; 3. Indirect Costs incurred internally by the gaining activity that relate to the new acquisition or capital improvement.
Acceptance/Receipt (Acceptance of New Acquisitions and receipt or requisition of equipment items)	1. ***DD Form 250***, Material Inspection and Receiving Report; 2. General Services Administration ***(GSA) 1334***, Request for Transfer of Excess Real and Related Personal Property; 3. Executed acquisition document and appraisal results for the donated assets; 4. Signed lease for leased property; 5. Executed reversionary document; 6. Transfer letter and documents for transferred assets to include ***DD Form 1348-1A***, Issue Release/Receipt Document, and equivalent Electronic Turn-In Document; 7. Receiving report, e.g., iRAPT receiving report; 8. ***DD Form 1149***, Requisition and Invoice/Shipping Document; 9. ***DD Form 1150***, Request for Issue/Transfer/Turn-In; 10. ***DD Form 1155***, Order for Supplies or Services.
Project Closeout	Final DD Form 1354 with associated source documentation retained by the responsible party.
Disposals or Retirements	1. Declaration of excess' document; 2. Approval documentation; 3. Original acquisition documents; 4. Legal instruments (such as a contract) to indicate a legal obligation to dispose of an asset; 5. Document showing the disposal start date and disposal end date; 6. Receipt documentation; 7. Transfer documents for transferred assets or as stated.

3.3 Physical Inventories of General Equipment

3.3.1. DoD Components must perform periodic physical inventories of general equipment in accordance with DoDI 5000.64.

3.3.2. All DoD Components (i.e., Military Departments, Washington Headquarters Service, and Other Defense Organizations) must reconcile their APSR to their financial statements (or to their trial balance if financial statements are not required to be prepared) on a quarterly basis.

3.3.3. While conducting physical inventories, DoD components should consider if any general equipment shows potential evidence of impairment and if any general equipment does not appear to be in use, where it has not been used for a significant period of time.

3.4 Deferred Maintenance and Repairs (DM&R)

3.4.1. DM&R are maintenance and repairs that were not performed when they should have been or were scheduled to be, and which are put off or delayed to a future period.

3.4.2. Maintenance and repairs are activities directed toward keeping fixed assets in an acceptable condition. Maintenance and repairs include preventive maintenance; replacement of parts, systems, or components; and other activities needed to preserve or maintain the asset. Maintenance and repairs exclude activities aimed at expanding the capacity or capability of an asset or otherwise upgrading it to serve needs different from, or significantly greater than, its current use.

3.4.3. Amounts for DM&R may be measured using condition assessment surveys, life-cycle cost forecasts, or other similar methods.

3.4.3.1. Condition assessment surveys are periodic physical inspections of general equipment to determine their current condition and estimated cost to correct any deficiencies. DoD Components must assess the condition of general equipment assets as a function of their day-to-day operations and document condition through periodic assertion/assessment statements provided by their field office managers. DoD Components also need to evaluate the costs and benefits of doing condition assessment surveys. Such things as cycling the assessments on a rotating basis, the frequency of assessments (i.e., every three or five years), and the criteria and methodology used for making such assessments need to be considered.

3.4.3.2. Life-cycle costing is an acquisition or procurement technique that considers operating, maintenance, and other costs in addition to the acquisition cost of assets. Since it results in forecasts of maintenance and repair expenses, these forecasts may serve as a basis against which to compare actual maintenance and repair expenses to arrive at an estimate of DM&R.

3.4.4. DoD Components must determine what condition standards are acceptable and which DM&R measurement methods to apply. Once determined, condition standards and measurement methods must be consistently applied unless the DoD Component determines that changes are necessary. Changes deemed necessary by the DoD Component must be accompanied by an explanation documenting the rationale for the change(s) and any related impact the change(s) will have on the DM&R estimates.

3.4.5. DM&R must be measured for capitalized and non-capitalized general equipment and fully depreciated general equipment. In addition, DM&R must be measured for inactive and/or excess general equipment to the extent that it is required to maintain the general equipment in acceptable condition (e.g., to comply with existing laws and regulations or to preserve value pending disposal). In addition, DM&R must measure funded maintenance and repairs that have been delayed for a future period as well as unfunded maintenance and repairs.

3.4.6. DoD Components who report general equipment must report material amounts of DM&R as RSI to the financial statements (see Volume 6B, Chapter 12). At a minimum, this information must be presented as RSI for all general equipment:

3.4.6.1. Estimates of the beginning and ending balances of DM&R for each major category of equipment;

3.4.6.2. A summary of the DoD Component's maintenance and repairs policies and a brief description of how they are applied (i.e., method of measuring DM&R);

3.4.6.3. Policies for ranking and prioritizing maintenance and repair activities;

3.4.6.4. Factors the DoD Components consider in determining acceptable condition standards;

3.4.6.5. Whether DM&R relates solely to capitalized general equipment or also to amounts relating to non-capitalized or fully depreciated general equipment;

3.4.6.6. Capitalized general equipment for which the DoD Component does not measure and/or report DM&R and the rationale for the exclusion; and

3.4.6.7. If applicable, explanation of any significant changes to DM&R amounts from the prior year, and policies and factors subject to the reporting requirements established in subparagraphs 3.2 and 3.5.

3.4.7. Maintenance and repair of weapon systems is accomplished by two different, yet complementary components—depot level maintenance and repair activities and field level maintenance and repair activities. The term "field level maintenance and repair" includes all non-depot level maintenance and repair activities (e.g., organizational, intermediate, and regional). DoD Components must determine whether the year-end amounts of field level DM&R on weapon systems are material when compared to their component depot level amounts

of DM&R. This determination must be updated and documented on an annual basis. Material amounts of weapon systems field-level DM&R should be reported in the financial statements.

3.4.7.1. Depot-level maintenance and repair includes: major repair, overhaul, or complete rebuilding of weapon systems, end items, parts, assemblies, and subassemblies; manufacture of parts; technical assistance; and testing. Material amounts of depot-level deferred maintenance due to the unavailability of funding and/or capacity constraints have been historically reported through the DoD's budget process by the Military Departments. Such amounts are provided annually to Congress in the President's Budget submission and satisfy the intent of the federal accounting standard definition. The same budget submission amounts must be reported in the financial statements of the Military Departments.

3.4.7.2. Field-level maintenance and repair comprises maintenance and repair activities at lower organizational levels than depot levels. The Military Departments may or may not separate this level of maintenance and repair into intermediate and organizational maintenance and repair activities when describing the field-level maintenance and repair structure and capability.

3.4.7.3. Intermediate field level maintenance and repair includes limited repair of commodity-oriented components and end items; job shop, bay, and production line operations for special mission requirements; repair of printed circuit boards; software maintenance; and fabrication or manufacture of repair parts, assemblies, and components. The intermediate maintenance and repair mission is to sustain the combat readiness and mission capability of supported activities by providing quality and timely materiel support at the nearest location with the lowest practical resource expenditure.

3.4.7.4. Organizational field level maintenance and repair is normally performed by an operating unit on a day-to-day basis in support of its own operations. The organizational maintenance and repair mission is to maintain assigned equipment by performing functions such as inspections, servicing, preventive maintenance, and corrective maintenance.

3.5 Disclosure Requirements

3.5.1. DoD Components with general equipment must reference a note on the Balance Sheet that discloses information about the reported general equipment assets. Note 1 of the financial statements must include a disclosure related to the DoD Component's general equipment reporting accounting policy. DoD Components must state that they are financially reporting property that they have accountability for according to DoDI 5000.64. Additionally, DoD Components must disclose that they may use assets to complete their mission that are financially reported by another DoD Component. See Volume 6B, Chapter 10, for the specific disclosure requirements.

3.5.2. DoD Components must disclose in the notes to the financial statements those instances where they are using general equipment provided by a host nation/foreign government without reimbursement by DoD to the host nation/foreign government, as applicable, that:

3.5.2.1. The DoD Component is utilizing general equipment provided by and owned by a host nation/foreign government in its operations outside of the United States without reimbursement by DoD to the host nation/foreign government, and there are no amounts recorded in the financial statements related to these assets.

3.5.2.2. The general nature of the agreement with the host nation/foreign government is not intended or recommended to disclose the geographic location of the foreign government/host nation.

*Annex 1 Construction in Progress (CIP) Process

A1.1 Cost of Constructed Equipment

The costs of constructed equipment are all the costs incurred to bring the item(s) to a form and condition suitable for its intended use, including labor, materials, and indirect costs. Table A1-1 describes the types of costs accumulated for construction items.

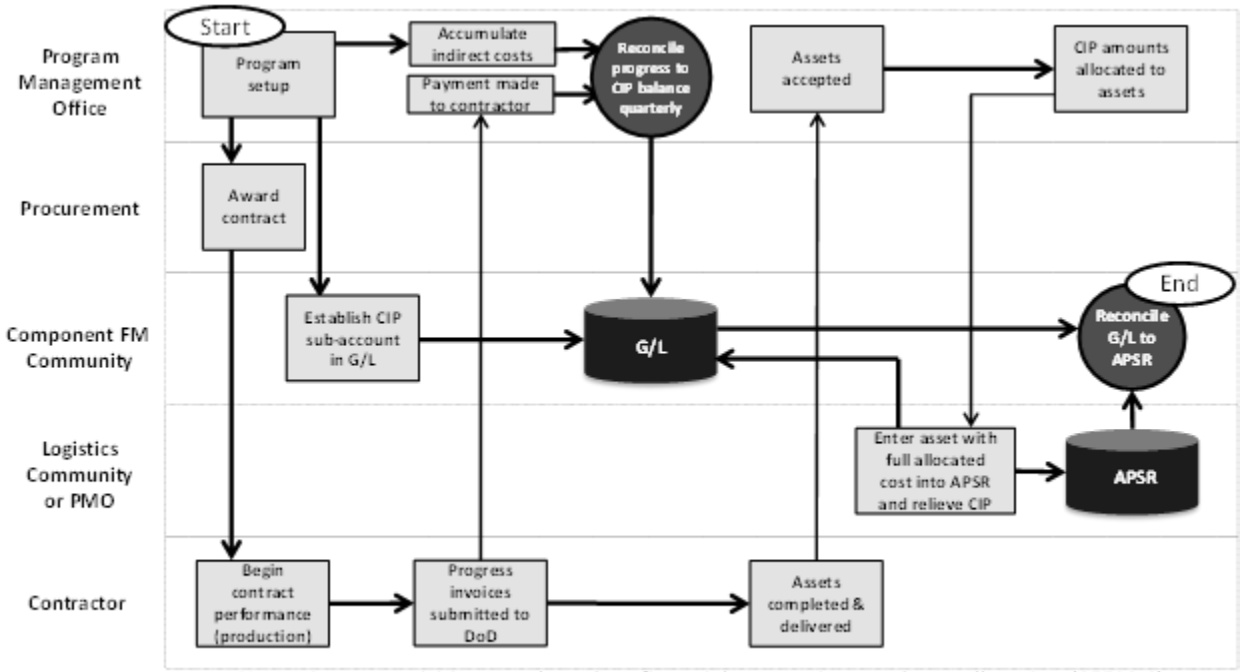
Table A1-1 Construction-in-Progress Costs
(Costs accumulated for construction items)

Cost Type	Description
Cost of Contract Work	Amounts paid for work performed under contract, as well as any incentive fees paid to contractors to reward performance goals.
Direct Cost of Labor	The direct cost of labor and all associated fringe benefits in connection with the construction project. Includes both military and civilian labor costs.
Direct Cost of Materials and Supplies	The purchase price, the cost of inspection, and loading are assumed by the carrier.
Cost of Supervision, Inspection, and Overhead	Support associated with the administration of contracts for facility projects. May include contract award, payments, inspections, material testing, and other actions taken during contract execution.
Cost of Transportation	Amounts paid for transportation of workers, materials, and supplies in connection with the construction project.
Cost of Handling and Storage	Amount paid for packaging and storing the materials and supplies, and equipment used in the construction project.
Cost of Legal and Recording fees	Legal fees incurred to bring the asset to its intended use (e.g., title or recording fees).
Cost of Architecture and Engineering Studies	Amounts paid for engineering, architectural, and other outside services for designs, plans, specifications, and surveys.
Cost of Government-Furnished Property	An appropriate share of the cost of the government-furnished equipment and material, and facilities used in construction work.
Cost of Donated Assets	The fair value of facilities and equipment donated to the government, as authorized by special legislation, in connection with the construction project.

A1.2 Recognition throughout the CIP Process

DoD funding components report and record the costs of constructed general equipment in the CIP account after project design authorization (Milestone C in the Middle Tier of Acquisition and Major Capability Acquisition pathways of the Adaptive Acquisition Framework), until the general equipment is complete and placed into service, at which time they transfer the balance to the general equipment account. See Figure A1-1 for the typical steps involved in the CIP process for construction to completion of the asset.

Figure A1-1 CIP Process Flow



Note: Asset acquisition cost based on financial transactions and cost allocation (SFFAS 6)

A1.2.1. Advance Payments, as defined in ***FAR 32.202-2***, are recorded in an advance account (USSGL 141000, "Advances and Prepayments) until the end items are delivered. All other contract financing payments must be recorded as CIP. DoD Components must perform a periodic reconciliation (at least quarterly) between amounts recorded in CIP and the actual progress on the contract. Generally, the DoD Contracting Officer's Representative performs the reconciliation, but may require working with the contractor to complete the reconciliation. DoD Components must report costs incurred that exceed finance payments as a liability. Advances and Prepayments are discussed in ***Chapter 5***, "Advances and Prepayments".

A1.2.2. DoD Components must write acquisition programs or acquisition contracts to reflect the general equipment items being manufactured or constructed. To effectively trace commitments, obligations, and expenditures to the general equipment recorded in the DoD Component's accounting records, the contract must align its level of detail with the level at which items will be delivered, recorded in the accounting records, and managed. As defined in ***DFARS Subpart 204.71***, the Uniform Contract Line Item Numbering System provides specific

instructions for the composition of the contract line item numbers (CLINs) and accounting classification reference numbers, which ensure funding citations are appropriately designated for items and services being acquired. Examples of cost types that may be included in a contract and whether those costs would be capitalized or expensed are provided in Table A1-2.

Table A1-2 Examples of Cost Types and Accounting Treatment

Cost Type	Accounting Treatment
Air Vehicle	Capitalize the cost if the full cost is greater than the capitalization threshold and has a useful life of two years or more Expense the cost if the full cost is less than the capitalization threshold
Research, Development, Test and Evaluation (RDT&E)	Expense costs*
Acquired Data	Expense costs
Support Equipment	Capitalize the cost if the full cost is greater than the capitalization threshold and has a useful life of two years or more Expense the cost if the full cost is less than the capitalization threshold
Initial Spares and Repair Parts	Report as Inventory for WCF activities or Operating Materials and Supplies for general fund activities in accordance with Chapter 4
*RDT&E costs, which are typically expensed, will be capitalized if they are associated with the production of functional end items that will be placed in service or have alternative future uses.	

A1.2.3. A CIP account will be created following the decision to proceed with an acquisition program granted at Milestone C (design authorization) as described in ***DoDI 5000.02*** and the successful completion of the funding authorization document. When a DoD entity is constructing an item for another DoD entity on a cost reimbursable basis, the constructing entity must accumulate all costs since project inception in a CIP account until the costs are billed to the funding entity.

A1.2.4. Each approved acquisition project must receive a service unique project number assigned by DoD Components when they create the CIP account to accumulate costs. When multiple entities perform portions of CIP for the same construction project, all phases of the construction project must use the same project number regardless of the performing entity.

A1.2.5. The funding entity will accumulate all costs for capitalizing a construction project in the CIP account. A reasonable allocation methodology must assign project costs (including non-recurring costs) to the end items that the DoD Component receives, accepts, and places into service. Indirect project costs include construction administration, legal fees, and various office costs that relate to projects under development or construction. DoD Components must allocate any indirect project costs across CIP accounts periodically as incurred, and no later

than the date they place the items in service, based on the direct cost of each constructed item as a percentage of the total direct cost of all constructed items in the project. Thus, DoD Components can adequately capture and report the full cost of constructed items. ***Chapter 19*** addresses allocation and cost identification.

A1.2.6. The DoD entity constructing the item must continue to report CIP on its financial statements until the accountable DoD Component or its agent accepts the constructed item. The minimum information associated with the CIP amount reported for financial statement preparation purposes must include the DoD Component's project number, project fund code(s), project detail cost, project detail organization code(s), and programmed amount. For a specified project and for the purpose of an audit trail of the CIP account, the Government's project construction agent and the DoD constructing entity must retain the supporting documentation for their respective portion(s) of the project to which they have fiscal accountability. Upon acceptance of constructed items, the accountable property officer must receive the legible copies of auditable supporting documentation along with their location from the Government's project construction agent and the DoD constructing entity. The accountable property officer must ensure that they retain the documentation in accordance with applicable laws, regulations, and instructions.

A1.2.7. When the DoD Component accepts constructed items, it must relieve the costs accumulated in the CIP account. To ensure that DoD Components record constructed items at full cost, they must make the recorded cost of the item(s) accepted equal the sum of all the costs incurred to bring the item(s) to a form and condition suitable for their intended use. These include costs incurred after project design authorization for actual construction, including labor, materials, and overhead costs. Refer to Annex 1 for a list and description of cost types that they should accumulate for constructed items.

A1.2.8. If a construction project is cancelled, the DoD Component must expense each cost that it has accumulated in the associated CIP account. When the DoD Component cancels or decreases the scope of a portion of a project, the DoD Component must expense the cost directly associated with that portion of the project and an allocated portion of the common cost in the CIP. All DoD Components must review all projects deferred for more than two years for continuance or cancellation during the review cycle.

Annex 2 Illustrative Examples and Journal Entries Relating to Financial Reporting Responsibilities for General Equipment

A2.1 Construction-In-Progress (CIP) Example

The Air Force, Missile Defense Agency (MDA), and National Geospatial-Intelligence Agency (NGA) fund the construction of a satellite to be launched into space. Each entity will report its portion of CIP in its CIP accounts until a depreciable asset is recognized. The Air Force is the accountable entity under DoD Instruction (DoDI) 5000.64 once the asset is placed in service. When the satellite is placed into service, all funding entities will recognize the capitalized costs of the satellite and transfer the capitalized costs to their Equipment account. MDA and NGA will then transfer the costs in their Equipment account to the Air Force's Equipment account. The Air Force will subsequently record depreciation for the full cost of the asset.

Table A2-1 Liquidation of CIP

Table A2-1 illustrates the general ledger (G/L) entries that are required to liquidate CIP and recognize a depreciable asset.

Funding Entity	G/L Entry – Liquidation of CIP by the Entity Funding Construction to Place the Asset in Service (Transaction Code D510)
	Debit 175000 Equipment Credit 172000 Construction-in-Progress

A2.2 In-Service Assets (including weapon systems and Government-Furnished Property)

The following are three illustrative examples of In-Service Assets:

A2.2.1. The Army is conducting an inventory of capital assets and has identified a Humvee that was not previously reported on its Accountable Property System of Record (APSR). They are unable to locate any procurement documentation for the asset, but the Army has been using and maintaining the asset and will assume accountability for the asset in accordance with DoDI 5000.64. Because the Army has accountability for the asset, it will also be responsible for the financial reporting of the asset.

A2.2.2. The Defense Health Program (DHP) funds the acquisition of a magnetic resonance imaging (MRI) machine and records it in its APSR as the accountable entity in accordance with DoDI 5000.64. The MRI machine will be located at a Veterans Affairs (VA) hospital, but will remain in DHP's APSR. DHP will have financial reporting responsibility for the asset. To facilitate an information request from an auditor of the VA or DHP on the MRI machine, the VA and DHP must have processes in place that will allow them to easily demonstrate the designation of the responsible reporting entity based on the policy in Chapter 25.

A2.2.3. The US Special Operations Command (USSOCOM) funds the acquisition of a mine resistant ambush protected (MRAP) vehicle and records it in its APSR as the accountable

entity in accordance with DoDI 5000.64. The MRAP is later issued to an Army special operations unit, where it is added to the Army's APSR. USSOCOM transfers accountability and financial reporting responsibility to the Army at the time of issuance. All required financial information and supporting documentation must be provided to the Army to support its financial reporting.

Table A2-2 Transfer of In-Service General Equipment Reporting Responsibility

Table A2-2 illustrates the G/L entries to be recorded if a transfer is required to implement or if a transfer is needed after an asset is placed in service.

Entity Transferring Out	G/L Entry Upon Transfer Out to New Reporting Entity (Transaction Code E510)
	Debit 573000 Financing Sources Transferred Out Without Reimbursement Debit 175900 Accumulated Depreciation on Equipment Credit 175000 Equipment
Entity Transferring In	G/L Entry for New Reporting Entity Upon Transfer In (Transaction Code E606)
	Debit 175000 Equipment Credit 175900 Accumulated Depreciation on Equipment Credit 572000 Financing Sources Transferred In Without Reimbursement

A2.3 In-Service Capital Improvements

Once capital improvements are placed in service, they become a part of the total recorded value of the depreciable asset (regardless of whether or not the asset is tracked or depreciated separately from the base asset). The following are two illustrative examples of capital improvements:

A2.3.1. The Air Force provides USSOCOM a C-130 for use in its operations. USSOCOM makes an improvement to convert it to an AC-130 aircraft. Because the Air Force is responsible for the financial reporting of the base asset, it is also responsible for the financial reporting of any capital improvements to the base asset.

A2.3.2. An F-18E Super Hornet (i.e., the base asset) that was the financial reporting responsibility of the Navy received a capital improvement package that significantly increased its capacity to perform its mission. The improvement package was added to a Navy asset, so the Navy is responsible for the financial reporting of the capital improvement.

VOLUME 4, CHAPTER 26: "ACCOUNTING FOR LEASES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated August 2018 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Policy Memo	The Deputy Chief Financial Officer memorandum, "Implementation of Federal Financial Accounting Standard 54, Leases (FPM20-03)," dated September 25, 2020, was incorporated into this chapter and cancelled.	Cancellation
Various	The Federal Accounting Standards Advisory Board issued new accounting standards, technical releases, and a technical bulletin for leases, which required substantive changes to the policy contained in this chapter.	Revision
1.0	Updated the General section to incorporate the Statement of Federal Financial Accounting Standards 54.	Revision
2.0	Added lease-related definitions.	Addition
3.0	Revised the Accounting for Leases section.	Revision
3.4 (previous version)	Removed the Deferred Maintenance and Repair Costs section as these costs no longer apply to leases.	Deletion
4.1	Added reference for Standard Financial Information Structure webpage for United States Standard General Ledger accounts and transaction illustrations.	Addition
4.6	Added list of required supporting documentation.	Addition
Table 26-1	Added Capitalization Threshold table.	Addition

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CHAPTER 26

ACCOUNTING FOR LEASES

*1.0 GENERAL

1.1 Purpose

This chapter prescribes the Department of Defense (DoD) accounting policy for leases. This chapter addresses lease accounting for both DoD lessees and lessors. The Federal Accounting Standards Advisory Board (FASAB) issued Statement of Federal Financial Accounting Standards 54 (***SFFAS 54***) to update the financial reporting policy for Federal Agencies, including DoD. This chapter does not apply to leases (licenses) of internal use software (see Chapter 27) or leases of assets under construction. Budgetary accounting treatment of capital leases and lease purchases are found in the Office of Management and Budget Circular A-11, "Preparation, Submission, and Execution of the Budget," Appendix B, and does not fall under the scope of this chapter.

1.2 Authoritative Guidance

The accounting policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:

1.2.1. FASAB Statement of Federal Financial Accounting Standards ***(SFFAS 1)***, "Accounting for Selected Assets and Liabilities:"

1.2.2. FASAB ***SFFAS 4***, "Managerial Cost Accounting Standards and Concepts;"

1.2.3. FASAB ***SFFAS 5***, "Accounting for Liabilities of The Federal Government;"

1.2.4. FASAB ***SFFAS 6***, "Accounting for Property, Plant, and Equipment;"

1.2.5. FASAB ***SFFAS 7***, "Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting;"

1.2.6. FASAB ***SFFAS 21***, "Statement of Federal Financial Accounting Standards 21: Reporting Corrections of Errors and Changes in Accounting Principles, Amendment of SFFAS 7, Accounting for Revenue and Other Financing Sources;"

1.2.7. FASAB ***SFFAS 44***, "Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use;"

1.2.8. FASAB ***SFFAS 47***, "Reporting Entity;"

1.2.9. FASAB SFFAS 54, "Leases;"

1.2.10. FASAB ***SFFAS 58***, "Deferral of the Effective Date of SFFAS 54, Leases;"

1.2.11. FASAB ***SFFAS 60***, "Omnibus Amendments 2021: Leases-Related Topics;"

1.2.12. FASAB ***SFFAS 61***, "Omnibus Amendments 2023: Leases-Related Topics II;"

1.2.13. FASAB ***SFFAS 62***, "Transitional Amendment to SFFAS 54;"

1.2.14. FASAB Technical Release ***(TR) 20***, "Implementation Guidance for Leases;"

1.2.15. FASAB ***TR 21***, "Omnibus Technical Release Amendments 2022: Conforming Amendments;"

1.2.16. FASAB ***TR 22***, "Leases Implementation Guidance Updates;"

1.2.17. FASAB ***Technical Bulletin (TB) 2023-1***, "Intragovernmental Leasehold Reimbursable Work Agreements;"

1.2.18. ***DoD Directive 5110.4***, "Washington Headquarters Services;"

1.2.19. ***DoD Instruction (DoDI) 4165.14***, "Real Property Inventory and Forecasting;" and

1.2.20. ***DoDI 5000.64***, "Accountability and Management of DoD Equipment and Other Accountable Property."

*2.0 DEFINITIONS

2.0.1. Consolidation Entity. An organization is considered a consolidation entity if, based on an assessment of the following characteristics as a whole, the organization: (1) is financed through taxes and other non-exchange revenues, (2) is governed by the Congress and/or the President, (3) imposes or may impose risks and rewards to the federal government, or (4) provides goods and services on a non-market basis.

2.0.2. Embedded Lease. A contract or agreement that contains both a lease element and a non-lease element, or a lease that contains multiple underlying assets. The lease element in the contract or agreement is an embedded lease.

2.0.3. Initial Direct Lease Costs. Initial direct lease costs are costs that are directly attributable to negotiating and arranging a lease or portfolio of leases that would not have been incurred without entering into the lease.

2.0.4. Intragovernmental Lease. An intragovernmental lease is a contract or agreement occurring within a consolidation entity (e.g., between two or more DoD Components) or between two or more consolidation entities (e.g., between DoD and one or more federal agencies), whereby one entity (lessor) conveys the right to control the use of Property, Plant, & Equipment (PP&E)

(the underlying asset) to another entity (lessee) for a period of time as specified in the contract or agreement in exchange for consideration.

2.0.5. Intragovernmental Leasehold Reimbursable Work Agreement. An agreement whereby one federal entity (the provider-lessor) acquires, constructs, improves, and/or alters an underlying asset that is or will be leased to another federal entity (the customer-lessee), and the customer-lessee agrees to reimburse the provider-lessor for direct and indirect costs for the acquisition, construction, improvement, and/or alteration.

2.0.6. Lease. A lease is a contract or agreement whereby one entity (lessor) conveys the right to control the use of PP&E (the underlying asset) to another entity (lessee) for a period of time as specified in the contract or agreement in exchange for consideration.

2.0.7. Lease Asset. An expression of the economic benefit that the lessee expects to receive from the right to control the underlying asset.

2.0.8. Lease Concessions. Lease concessions are rent discounts made by the lessor to entice the lessee to sign a lease. For example, lease concessions may include rent holidays/free rent periods or reduced rents.

2.0.9. Lease Incentives. Lease incentives include lessor payments made to, or on behalf of, the lessee to entice the lessee to sign a lease. Lease incentives may include up-front cash payments to the lessee; for example, moving costs, termination fees to the lessee's prior lessor, or the lessor's assumption of the lessee's lease obligation under a different lease with another lessor.

2.0.10. Lease-Leaseback Transactions. An asset is leased by one party (first party) to another party and then leased back to the first party.

2.0.11. Lease Liability. An expression of the amount to be paid by the lessee for the right to control the underlying asset.

2.0.12. Lease Term. The lease term is the non-cancelable period plus certain periods subject to options to extend or terminate the lease. The noncancelable period is the shorter of the (1) period identified in the lease contract or agreement that precedes any option to extend the lease or (2) the period identified in the lease contract or agreement that precedes the first option to terminate the lease.

2.0.13. Leasehold Improvements. Leasehold improvements are additions, alterations, remodeling, renovations, or other changes to leased property that either extend the useful life of the existing property or enlarge or improve its capacity and are paid for (financed) by the lessee. Leasehold improvements may include easements and rights-of-way, buildings, structures, and linear structures utilized by the United States Federal Government.

2.0.14. Lessee. Refers to the entity receiving the right to control the use of PP&E from another entity (lessor) through a contract or agreement that qualifies as a lease.

2.0.15. Lessor. The entity that conveys the right to control the use of PP&E (underlying asset) to another entity (lessee) for a period of time as specified in the contract or agreement in exchange for consideration.

2.0.16. Lessor Improvements. Lessor improvements are additions, alterations, remodeling, renovations, or other changes to the leased property that either extend the useful life of the existing property or enlarge or improve its capacity and are paid for (financed) by the lessor rather than by the lessee.

2.0.17. Materiality. Materiality, as defined by the SFFAS 1, is the degree to which omitting or misstating information about the item makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or the misstatement.

2.0.18. Probable. That which can reasonably be expected or is believed to be more likely than not (greater than 50% probability) based on available evidence or logic.

2.0.19. Right to Control. To determine whether a contract or agreement conveys the right to control the use of the underlying asset, assess whether the lessee receives both: (1) the right to obtain, and (2) the right to control access to the economic benefits or services from the use of the underlying asset as specified in the contract or agreement.

2.0.20. Sale-Leaseback. The sale of an underlying asset by the owner and a lease of the property back to the seller (the original owner).

2.0.21. Short-Term Lease. A short-term lease is a non-intragovernmental lease with a lease term of 24 months or less.

2.0.22. Sublease. A lease involves three parties – the original lessor, the original lessee (who is also the lessor in the sublease), and the new lessee.

2.0.23. Variable Payments. A payment where the amount is not fixed. One type may include payments based on an index or rate (e.g., Consumer Price Index), the future performance of the lessee (e.g., percentage of sales), or usage of the underlying asset.

*3.0 ACCOUNTING FOR LEASES

3.1 Short-Term Leases (Non-Intragovernmental)

3.1.1. Lessee Treatment of Short-Term Leases. A DoD Component as the lessee must recognize short-term lease payments as an expense based on the payment provisions of the contract or agreement and standards regarding recognition of accounts payable and other related amounts. The DoD Component (lessee) must recognize an asset if payments are made in advance of the reporting period to which they relate or liability for rent due and unpaid at the end of the reporting period to which they relate. Rental increases, rental decreases, lease incentives, and lease concessions must be recognized when incurred as increases/reductions to lease rental expenses.

3.1.2. Lessor Treatment of Short-Term Leases. A DoD Component as the lessor must recognize short-term lease payments as revenue based on the payment provisions of the contract or agreement and standards regarding recognition of accounts receivable and other related amounts. The DoD Component (lessor) must recognize a liability if payments are received in advance of the reporting period to which they relate or an asset for rent due and to be received after the reporting period to which they relate. Rental increases, rental decreases, lease incentives, and lease concessions must be recognized when incurred as increases/reductions to lease rental income.

3.2 Contracts or Agreements That Transfer Ownership

A contract or agreement that (a) transfers ownership of the underlying asset to a lessee by the end of the contract or agreement and (b) does not contain options to terminate, but that may contain availability of funds or cancellation clause that is not probable of being exercised, must be reported as a purchase of that asset by a lessee or a financed sale of the asset by the lessor. For this purpose, options to purchase the underlying asset prior to the transfer of ownership are not considered options to terminate.

3.3 Intragovernmental Leases

3.3.1. Any lease, regardless of the lease term, that meets the definition of an intragovernmental lease must follow the accounting and disclosure guidance described in subparagraphs 3.3.2 – 3.3.3.

3.3.2. Lessee Treatment of Intragovernmental Leases

3.3.2.1. Lease Payments. A DoD Component as the lessee must recognize lease payments, including lease-related operating costs (for example, maintenance, utilities, and taxes) paid to the lessor, as expenses based on the payment provisions of the contract or agreement and standards regarding recognition of accounts payable and other related amounts. Prepaid rent or payable for rent due must be recognized as an asset or liability, respectively, and an expense must be recognized in the appropriate reporting period based on the specifics of the lease provisions.

3.3.2.2. Leasehold Improvements. Leasehold improvements that meet or exceed the capitalization threshold and are placed in service at or after the beginning of the lease term must be amortized over the useful life (the normal operating life in terms of utility to the lessee) of the leasehold improvement, but no longer than the expected lease term. This recognition is consistent with PP&E capital improvements outlined in SFFAS 6, paragraph 37. Refer to paragraph 3.13 for capitalization thresholds.

3.3.2.3. Disclosures. A DoD Component as the lessee must disclose the following regarding intragovernmental lease activities (which may be grouped for purposes of disclosure): (1) a general description of significant intragovernmental leasing arrangements, including general lease terms with any applicable specific intragovernmental requirements; and (2) annual lease expense in total and by major underlying asset category.

3.3.3. Lessor Treatment of Intragovernmental Leases

3.3.3.1. Lease Payments. A DoD Component as the lessor must recognize lease receipts, including lease-related operating costs (for example, maintenance, utilities, or taxes) received from the lessee as income based on the provisions of the contract or agreement and standards regarding recognition of accounts receivable and other related amounts. Rent paid in advance, or a lease receivable must be recognized as a liability or asset, respectively, and income must be recognized in the appropriate reporting period based on the specifics of the lease provisions.

3.3.3.2. Lessor Improvements. Lessor improvements, which are elements of the leased property that meet or exceed the capitalization threshold, must be capitalized, and depreciated by the lessor over their useful life. This accounting treatment aligns with the lessor's handling of PP&E and is consistent with the capital improvement guidelines outlined in SFFAS 6, paragraph 37.

3.3.3.3. Disclosures. Lessors must disclose the following regarding intragovernmental lease activities (which may be grouped for purposes of disclosure): (1) a general description of significant leases; and (2) future lease payments that are to be received to the end of the lease term for each of the five subsequent fiscal years and in five-year increments thereafter.

3.3.4. Other Considerations for Lessees and Lessors

3.3.4.1. Fixed Rental Increases/Decreases. Rental increases/decreases may be fixed in the lease and take place over time (for example, be based on such factors as anticipated increases/decreases in costs or anticipated appreciation/depreciation in property values, but the amount of the increase/decrease is specified in the lease), or they may be contingent on future events.

3.3.4.2. Variable Rental Increases/Decreases. Rental increases/decreases may also be variable and based on future changes in specific economic factors on which lease payments are based, for example, future sales or usage activity levels or future inflation/deflation (tied to a specific economic indicator where the specific amount of the change is not known).

3.3.4.3. Treatment of Rental Increases/Decreases, and Lease Incentives/Concessions. Rental increases/decreases and lease incentives/concessions must be recognized by the lessee and lessor when incurred as increases/reductions to lease rental expense and income, respectively. Refer to paragraph 3.6 for lease incentives and lease concessions.

3.3.4.4. Initial Direct Lease Costs. Initial direct lease costs incurred by the lessee must be expensed when incurred. Initial direct lease costs incurred by the lessor must be expensed when incurred.

3.3.4.5. Lease terminations and modifications. Refer to paragraph 3.9.

3.4 Lessee Recognition, Measurement, and Disclosure for Leases Other than Short-Term Leases, Contracts or Agreements that Transfer Ownership, and Intragovernmental Leases

3.4.1. At the commencement of the lease term, a DoD Component as the lessee must recognize a lease liability and a right-to-use lease asset (hereinafter referred to as the lease asset), for leases other than short-term leases, contracts, or agreements that transfer ownership, and intragovernmental leases, that meet the capitalization thresholds in section 3.13. For leases that do not meet the capitalization threshold, a lease expense must be recognized in the current period.

3.4.2. Lease Liability. A lessee must initially measure the lease liability at the present value of payments expected to be made during the lease term. Measurement of the lease liability must include the following if required by a lease:

3.4.2.1. Fixed payments;

3.4.2.2. Variable payments that depend on an index or a rate (such as the Consumer Price Index or a market interest rate), initially measured using the index or rate as of the commencement of the lease term;

3.4.2.3. Variable payments that are fixed in-substance as described in 3.4.3;

3.4.2.4. Amounts that are probable of being required to be paid by the lessee under residual value guarantees;

3.4.2.5. The exercise price of a purchase option if it is probable that the lessee will exercise that option;

3.4.2.6. Payments for penalties for terminating the lease, if the lease term reflects the lessee exercising (1) an option to terminate the lease or (2) an availability of funds or cancellation clause;

3.4.2.7. Any lease incentives/concessions (see paragraph 3.6) receivable from the lessor; and

3.4.2.8. Any other payments to the lessor that are probable of being required based on an assessment of all relevant factors.

3.4.3. Variable payments based on the future performance of the lessee or usage of the underlying asset must not be included. Rather, these variable payments must be recognized as an expense in the reporting period in which those payments are incurred. However, any portion of these variable payments that is fixed in-substance must be included in the lease liability. An example is a lease payment based on a percentage of sales or usage but with a required minimum amount to be paid. That required minimum payment is fixed in-substance.

3.4.4. Interest Rate. The future lease payments must be discounted using the interest rate the lessor charges the lessee. If the interest rate is not stated in the lease, it must be based on the

interest rate on marketable ***U.S. Department of the Treasury*** (***Treasury***) securities at the commencement of the lease term (or at the subsequent financial reporting date), with a similar maturity to the term of the lease (as determined by the Treasury).

3.4.4.1. The interest rate may be based on a recent interest rate on marketable Treasury securities or a historical average interest rate on marketable Treasury securities of similar maturity to the term of the lease, provided that the interest rate is consistent with the interest rate on marketable Treasury securities at the commencement of the lease term (or subsequent financial reporting date).

3.4.4.2. When selecting an interest rate based on marketable Treasury securities of similar maturity to the term of the lease, reporting entities may round up or down to the nearest maturity or interpolate the interest rate for the period between two maturities. The methodology for selecting an interest rate based on marketable Treasury security maturities must be consistent from period to period.

3.4.4.3. DoD Components must not extrapolate beyond the longest Treasury maturity when the lease term exceeds it; rather, they must select the longest Treasury maturity. For example, if the longest Treasury maturity at the commencement of the lease term is 30 years, DoD Components must select the 30-year rate as the discount rate for a lease with a 75-year term.

3.4.4.4. In subsequent financial reporting periods, the lessee must calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. Any payments made must be allocated first to the accrued interest liability and then to the lease liability.

3.4.5. Remeasurement of Lease Liability. The lessee must remeasure the lease liability at subsequent financial reporting dates if one or more of the stipulated changes in subparagraphs 3.4.5.1 through 3.4.5.6 have occurred at or before that financial reporting date, based on the most recent lease contract or agreement before the changes, and if the changes individually or in the aggregate, are expected to significantly affect the amount of the lease liability since the previous measurement. Changes arising from amendments to a lease contract or agreement must be accounted for under the provisions of paragraph 3.9 for lease modifications and terminations.

3.4.5.1. There is a change in the lease term;

3.4.5.2. An assessment of all relevant factors indicates that the likelihood of a residual value guarantee being required to be paid has changed from probable to not probable or vice versa;

3.4.5.3. An assessment of all relevant factors indicates that the likelihood of a purchase option being exercised has changed from probable to not probable, or vice versa;

3.4.5.4. There is a change in the estimated amounts for payments already included in the liability (except as provided in subparagraph 3.4.5.7);

3.4.5.5. There is a change in the interest rate the lessor charges the lessee if used as the initial discount rate; or

3.4.5.6. A contingency, upon which some or all of the variable payments that will be made over the remainder of the lease term are based, is resolved such that those payments now meet the criteria for measuring the lease liability. For example, an event occurs that causes variable payments that were contingent on the performance or use of the underlying asset to become fixed payments for the remainder of the lease term.

3.4.5.7. If a lease liability is remeasured for any of the changes in subparagraphs 3.4.5.1 through 3.4.5.6., the liability also must be adjusted for any change in an index or rate used to determine variable lease payments if that change in the index or rate is expected to significantly affect the amount of the liability since the previous measurement. A lease liability is not required to be remeasured solely for a change in an index or rate used to determine variable payments.

3.4.5.8. The lessee also must update the discount rate as part of the remeasurement if one or both of the following changes have occurred and the changes individually or in the aggregate are expected to significantly affect the amount of the lease liability: (1) There is a change in the lease term or (2) An assessment of all relevant factors indicates that the likelihood of a purchase option being exercised has changed from probable to not probable, or vice versa.

3.4.5.9. A lease liability is not required to be remeasured, nor is the discount rate required to be reassessed, solely for a change in the interest rate on marketable Treasury securities.

3.4.5.10. If the discount rate is required to be updated based on the provisions in subparagraph 3.4.5.8., the discount rate must be based on the revised interest rate the lessor charges the lessee at the time the discount rate is updated. If that interest rate cannot be readily determined, the interest rate on marketable Treasury securities with a similar maturity to the term of the lease at the time the discount rate is updated must be used as described in subparagraph 3.4.4.

3.4.6. Lease Asset. A lessee must initially measure the lease asset as the sum of subparagraphs 3.4.6.1 through 3.4.6.3:

3.4.6.1. The amount of the initial measurement of the lease liability, as determined by section 3.4.2;

3.4.6.2. Lease payments made to the lessor (e.g., prepaid rents) at or before the commencement of the lease term, less any lease incentives; and

3.4.6.3. Initial direct lease costs that are necessary to place the lease asset into service.

3.4.6.4 A lease asset must be amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset, except as provided in subparagraph 3.4.6.5. For example, if the useful life for the asset is five years but the lease term is 4 years, the amortization of the lease asset is 4 years. If the useful life of the asset is five years,

but the lease term is 7 years, the amortization of the lease asset is 5 years. The amortization of the lease asset must be reported as amortization expense. Refer to Chapter 25 for more information on asset useful life.

3.4.6.5. If a lease contains a purchase option that the lessee has determined is probable of being exercised, the lease asset must be amortized over the useful life of the underlying asset. However, if the underlying asset will be capitalizable and non-depreciable in the reporting period the purchase option is expected to be exercised, the lease asset must not be amortized. If the underlying asset will be non-capitalizable in the reporting period the purchase option is expected to be exercised, the lease asset must be amortized over the remaining lease term.

3.4.6.6. The lease asset generally must be adjusted by the same amount when the lease liability is remeasured. However, if this change reduces the carrying value of the lease asset to zero, any remaining amount must be reported in the statement of net cost as a gain. Changes arising from amendments to a lease contract or agreement must be accounted for under the provisions of lease terminations and modifications.

3.4.6.7. Leased assets are subject to SFFAS 44, Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use. The presence of impairment indicators to the underlying asset may result in a change in the manner or duration of use of the lessee's rights to obtain and control access to economic benefits and services derived from the underlying asset and the application of SFFAS 44. The change in the manner or duration of use of the underlying asset is an indicator that the lease asset may be impaired. If impaired, the lease asset must be reduced first for any change in the lease liability resulting from remeasurement under subparagraph 3.4.5., or terminations or modifications under paragraph 3.9. Any remaining amount must be recognized as an impairment loss. SFFAS 44 provides criteria for testing for impairment, along with recognizing, reporting, and disclosing impairment losses. This guidance must be applied to lease assets to the extent that impairment losses exceed any reduction to the lease liability and lease asset that may stem from the impairment.

3.4.7. Lease Term. The lessee’s lease term includes the noncancelable period and the following periods, if applicable:

3.4.7.1. Those periods specified in the lease contract or agreement that relate to a lessee’s option to extend the lease if it is probable, based on all relevant factors, that the lessee will exercise that option; and

3.4.7.2. Those periods specified in the lease contract or agreement that follow a lessee’s option to terminate the lease (up until the point in time when there is another option or, if none, the end of the lease) if it is probable, based on all relevant factors, that the lessee will not exercise that option.

3.4.8. Disclosure Requirements for Lessees

Lessees must disclose the following regarding lease activities (which may be grouped for purposes of disclosure), other than short-term leases, contracts or agreements that transfer ownership, and intragovernmental leases:

3.4.8.1. A general description of its leasing arrangements, including the basis, terms, and conditions on which any variable lease payments not included in the lease liability are determined;

3.4.8.2. The total amount of lease assets and the related accumulated amortization, are to be disclosed separately from PP&E assets;

3.4.8.3. The amount of lease expense recognized for the reporting period for variable lease payments not previously included in the lease liability;

3.4.8.4. Principal and interest requirements to the end of the lease term, presented separately, for the lease liability for each of the five subsequent years and in five-year increments thereafter; and

3.4.8.5. The amount of the annual lease expense and the discount rate used to calculate the lease liability.

3.5 Lessor Recognition, Measurement, and Disclosures for Leases Other than Short-Term Leases, Contracts or Agreements that Transfer Ownership, and Intragovernmental Leases

3.5.1. At the commencement of the lease term, a DoD Component as the lessor must recognize a lease receivable and unearned revenue, for leases other than short-term leases, contracts or agreements that transfer ownership, and intragovernmental leases. Any initial direct lease costs incurred by the lessor must be reported as an expense of the period.

3.5.2. Lease Receivable. A lessor initially must measure the lease receivable at the present value of lease payments to be received for the lease term, reduced by any provision for uncollectible amounts. Measurement of the lease receivable must include the following types of payments that might be required by a lease:

3.5.2.1. Fixed payments;

3.5.2.2. Variable payments that depend on an index or a rate (such as the Consumer Price Index or a market interest rate), initially measured using the index or rate as of the commencement of the lease term;

3.5.2.3. Variable lease payments that are fixed in-substance;

3.5.2.4. Residual value guarantees that are fixed payments in-substance; and

3.5.2.5. Any lease incentives payable to the lessee.

3.5.3. Variable payments based on the future performance of the lessee or usage of the underlying asset must not be included in the measurement of the lease receivable. Rather, those payments must be recognized as revenue in the reporting period to which those payments relate. However, any portion of those variable payments that are fixed in-substance must be included in the lease receivable. For example, if a lease payment is based on a percentage of sales but has a required minimum payment, that required minimum is a fixed payment in-substance. Similarly, a residual value guarantee is an in-substance fixed payment if it stipulates the underlying asset will be sold at the end of the lease term, with the lessee assuming liability for any shortfall if the sales price is less than an agreed-upon minimum amount.

3.5.4. Amounts to be received under residual value guarantees (that are not fixed in-substance) must be recognized as a receivable and revenue when (a) a guarantee payment is required (as agreed to by the lessee and lessor) and (b) the amount can be reasonably estimated. Amounts to be received for the exercise price of a purchase option or penalty for lease termination must be recognized as a receivable and revenue when those options are exercised.

3.5.5. Interest Rate. The future lease payments to be received must be discounted using the interest rate the lessor charges the lessee. If the interest rate is not stated in the lease, it must be based on the interest rate on marketable Treasury securities at the commencement of the lease term (or at the subsequent financial reporting date), with a similar maturity to the term of the lease (as determined by the U.S. Department of the Treasury).

3.5.5.1. If the interest rate is based on marketable Treasury securities, it must be consistent with the interest rate on marketable Treasury securities at the commencement of the lease term (or the interest rate on marketable Treasury securities on the subsequent financial reporting date).

3.5.5.2. The interest rate may be based on a recent interest rate on marketable Treasury securities or a historical average interest rate on marketable Treasury securities of similar maturity to the term of the lease, provided that the interest rate is consistent with the interest rate on marketable Treasury securities at the commencement of the lease term (or subsequent financial reporting date).

3.5.5.3. When selecting an interest rate based on marketable Treasury securities of similar maturity to the term of the lease, reporting entities may round up or down to the nearest maturity or interpolate the interest rate for the period between two maturities. The methodology for selecting an interest rate based on marketable Treasury security maturities must be consistent from period to period.

3.5.5.4. DoD Components must not extrapolate beyond the longest Treasury maturity when the lease term exceeds it; rather, they must select the longest Treasury maturity. For example, if the longest Treasury maturity at the commencement of the lease term is 30 years, DoD Components must select the 30-year rate as the discount rate for a lease with a 75-year term.

3.5.5.5. In subsequent financial reporting periods, the lessor must calculate the amortization of the discount on the receivable and report that amount as interest revenue for the period. Any payments received must be allocated first to the accrued interest receivable and then to the lease receivable.

3.5.6. Remeasurement of Lease Receivable. The lessor must remeasure the lease receivable at subsequent financial reporting dates if one or more of the changes in subparagraphs 3.5.6.1 through 3.5.6.3 have occurred at or before that financial reporting date, based on the most recent lease contract or agreement before the changes and the changes individually or in the aggregate, are expected to significantly affect the amount of the lease receivable since the previous measurement. Changes arising from amendments to a lease contract or agreement must be accounted for under the provisions of paragraph 3.9 for lease modifications and terminations.

3.5.6.1. There is a change in the lease term;

3.5.6.2. There is a change in the interest rate the lessor charges the lessee;

3.5.6.3. A contingency, upon which some or all of the variable payments that will be received over the remainder of the lease term are based, is resolved such that those payments now meet the criteria for measuring the lease receivable. For example, an event occurs that results in variable payments that are contingent on the performance or use of the underlying asset becoming fixed payments for the remainder of the lease term.

3.5.6.4. If a lease receivable is remeasured for any of the changes described in subparagraphs 3.5.6.1 through 3.5.6.3, the receivable also must be adjusted for any change in an index or rate used to determine variable lease payments if that change in the index or rate is expected to significantly affect the amount of the receivable since the previous measurement. A lease receivable is not required to be remeasured solely for a change in an index or rate used to determine variable lease payments.

3.5.6.5. The lessor also must update the discount rate as part of the remeasurement if one or both of the following changes have occurred and the changes individually or in the aggregate are expected to significantly affect the amount of the lease receivable: (1) there is a change in the lease term, or (2) there is a change in the interest rate the lessor charges the lessee.

3.5.7. Unearned Revenue.

3.5.7.1. A lessor must initially measure the unearned revenue to include the following: (1) the amount of the initial measurement of the lease receivable, and (2) lease payments received from the lessee at or before the commencement of the lease term that relates to future periods (for example, the final month's rent), less (3) any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term.

3.5.7.2. A lessor subsequently must amortize the unearned revenue, recognizing it as earned revenue, in a systematic and rational manner over the term of the lease. The unearned revenue generally must be adjusted using the same amount as the change resulting from the

remeasurement of the lease receivable. However, if the change reduces the carrying value of the unearned revenue to zero, any remaining amount must be reported in the statement of net cost as a loss.

3.5.8. Underlying Asset. A lessor must not derecognize the asset (PP&E) underlying the lease. A lessor must continue to apply other applicable guidance to the underlying asset, including depreciation and impairment. However, if the lease contract or agreement requires the lessee to return the asset in its original or enhanced condition, a lessor must not depreciate the asset during the lease term.

3.5.9. Lease Term. The lessor's lease term includes:

3.5.9.1. Those periods specified in the lease contract or agreement that relate to a lessor's option to extend the lease if there is significant evidence, based on all relevant factors, that the lessor will exercise that option; and

3.5.9.2. Those periods specified in the lease contract or agreement that follow a lessor's option to terminate the lease (up until the point in time when there is another option or, if none, the end of the lease) if there is significant evidence, based on all relevant factors, that the lessor will not exercise that option.

3.5.9.3. Lease term options should be considered in chronological order - with the lessee options considered first. If a determination is made that an additional period will not be added to the lease term for an option based on the likelihood criteria listed in section 3.5.9, subsequent options will not be considered.

3.5.10. Disclosures Requirements for Lessors. Lessors must disclose the following regarding lease activities (which may be grouped for purposes of disclosure), other than short-term leases, contracts or agreements that transfer ownership, and intragovernmental leases:

3.5.10.1. A general description of its leasing arrangements, including the basis, terms, and conditions on which any variable lease payments not included in the lease receivable are determined;

3.5.10.2. The carrying amount of assets on lease by major classes of assets, and the amount of related accumulated depreciation;

3.5.10.3. The total amount of revenue (for example, lease revenue, interest revenue, and any other lease-related revenue) recognized in the reporting period from leases; and

3.5.10.4. The amount of revenue recognized in the reporting period for variable lease payments and other payments not previously included in the lease receivable, including revenue related to residual value guarantees and termination penalties.

3.5.10.5. If a DoD Component's principal ongoing operations consist of leasing assets through the use of non-intragovernmental leases, the DoD Component must disclose a

schedule of future lease payments that are included in the lease receivable, showing principal and interest, for each of the five subsequent years and in five-year increments thereafter.

3.6 Lease Incentives and Lease Concessions

3.6.1. Lease incentives and lease concessions reduce the amount that a lessee is required to pay for a lease. For leases other than short-term leases and intragovernmental leases, lease incentives and lease concessions that provide payments to, or on behalf of, a lessee at or before the commencement of a lease term are included in the initial measurement by directly reducing the amount of the lease asset.

3.6.2. Lease incentive and lease concession payments to be provided after the commencement of the lease term must be accounted for by lessees and lessors as reductions of lease payments for the periods in which the incentive or concession payments will be provided. Those payments must be measured by lessees consistently with the lessee's lease liability and by lessors consistently with the lessor's lease receivable. Accordingly, lease incentive and lease concession payments to be provided after the commencement of the lease term are included in the initial measurement and any remeasurement if they are fixed or fixed in-substance, whereas variable or contingent lease incentive or lease concession payments are not included in the initial measurement.

3.6.3. Lessor improvements that are made to or on behalf of the lessee without additional cost to the lessee must be accounted for by the lessee and the lessor consistent with other lease incentives and lease concessions. As leasehold improvements are paid for (financed) by the lessee, leasehold improvements would not be considered a lease incentive or concession received from the lessor.

3.7 Contracts or Agreements With Multiple Elements

3.7.1. Lessors and lessees may enter into contracts or agreements that contain multiple elements, such as a contract or agreement that contains both a lease element and a non-lease element, or a lease that contains multiple underlying assets.

3.7.2. If a lessor or lessee enters into a contract or agreement that contains both a lease (such as the right to use a building) and non-lease elements (such as maintenance services for the building), the lease and non-lease elements must be accounted for as separate contracts or agreements unless the contract or agreement meets the exception in subparagraph 3.7.5.

3.7.3. If a lease involves multiple underlying assets and the assets have different lease terms, the lessor and lessee must account for each underlying asset as a separate lease element. The provisions of paragraph 3.7 must be applied unless the contract or agreement meets an exception in subparagraph 3.7.5.

3.7.4. To allocate the contract or agreement price to the different elements, lessors and lessees must first use any prices for individual elements that are included in the contract or agreement, as long as the price allocation does not appear to be unreasonable based on the terms

of the contract or agreement and professional judgment, maximizing the use of observable information, for example, using readily available observable stand-alone prices. Stand-alone prices are those that would be paid or received if the same or similar assets were leased individually or if the same or similar non-lease elements (such as services) were contracted individually. Some contracts or agreements provide discounts for bundling multiple leases or lease and non-lease elements together in one contract or agreement. These discounts may be considered when determining whether individual element prices do not appear to be unreasonable. For example, if the individual element prices are each discounted by the same percentage from normal market prices, those element prices would not be considered unreasonable.

3.7.5. If a contract or agreement does not include prices for individual elements or if any of those prices appear to be unreasonable, lessors and lessees must use professional judgment to determine their best estimate for allocating the contract or agreement price to those elements, maximizing the use of observable information. If it is not practicable to determine the best estimate for price allocation for some or all elements in a contract or agreement, those elements must be accounted for as a single lease unit.

3.7.6. If multiple elements are accounted for as a single lease unit, the accounting for that unit must be based on the primary lease element within that unit. For example, the primary lease element's lease term must be used for the unit if the lease elements have different lease terms.

3.8 Contract or Agreement Combinations

3.8.1. Contracts or agreements that are entered into at or near the same time with the same counterparty must be considered to be part of the same lease contract or agreement if either of the following criteria is met: (1) the contracts or agreements are negotiated as a package with a single objective; and (2) the amount of consideration to be paid in one contract or agreement depends on the price or performance of the other contract or agreement.

3.8.2. If multiple contracts or agreements are determined to be part of the same lease contract or agreement, that contract or agreement must be evaluated in accordance with the guidance for contracts or agreements with multiple elements as described in paragraph 3.7.

3.9 Lease Terminations and Modifications

3.9.1. The provisions of a lease contract or agreement may be amended while the contract or agreement is in effect. Examples of amendments to lease contracts or agreements include changing the contract or agreement price, lengthening, or shortening the lease term, and adding or removing an underlying asset. An amendment must be considered a lease modification unless the lessee's right to use the underlying asset decreases, in which case the amendment must be considered a partial or full lease termination. By contrast, exercising an existing option, such as an option to extend or terminate the lease, is subject to the guidance for remeasurement.

3.9.2. Lease Terminations. The lessee and lessor must account for an amendment during the reporting period resulting in a decrease in the lessee's right to use the underlying asset (for

example, the lease term is shortened, or the number of underlying assets is reduced) as a partial or full lease termination.

3.9.2.1. Lessee Treatment of Lease Terminations. A lessee generally must account for the partial or full lease termination by reducing the carrying values of the lease asset and lease liability and recognizing a gain or loss for the difference. However, if the lease is terminated because of the lessee purchasing the underlying asset from the lessor, the lease asset must be reclassified to the appropriate class of owned asset.

3.9.2.2. Lessor Treatment of Lease Terminations. A lessor must account for the full or partial termination of a lease by reducing the carrying values of the lease receivable and related unearned revenue and recognizing a gain or loss for the difference. However, if the lease is terminated because of the lessee purchasing an underlying asset from the lessor, the carrying value of the underlying asset also must be derecognized and included in the calculation of any resulting gain or loss.

3.9.3. Lease Modifications. The lessee and lessor must account for an amendment during the reporting period resulting in a modification to a lease contract or agreement as a separate lease (that is, separate from the most recent lease contract or agreement before the modification) if both of the following conditions are present: (1) the lease modification gives the lessee an additional lease asset by adding one or more underlying assets that were not included in the original lease contract or agreement; and (2) the increase in lease payments for the additional lease asset does not appear to be unreasonable based on (a) the terms of the amended lease contract or agreement and (b) professional judgment, maximizing the use of observable information (for example, using readily available observable stand-alone prices).

3.9.3.1. Lessee Treatment of Lease Modifications. Unless a modification is reported as a separate lease, a lessee must account for a lease modification by remeasuring the lease liability. The lease asset must be adjusted by the difference between the remeasured liability and the liability immediately before the lease modification. However, if the change reduces the carrying value of the lease asset to zero, any remaining amount must be reported in the statement of net cost as a gain.

3.9.3.2. Lessor Treatment of Lease Modifications. Unless a modification is reported as a separate lease, a lessor must account for a lease modification by remeasuring the lease receivable. The unearned revenue must be adjusted by the difference between the remeasured receivable and the receivable immediately before the lease modification. However, to the extent the change relates to payments for the current period, the change must be recognized as revenue or expense for the current period.

3.10 Subleases

3.10.1. A sublease involves three parties: the original lessor, the original lessee (who also is the lessor in the sublease), and the new lessee. The original lessor must continue to apply the general lessor guidance. The DoD Component that is the original lessee and becomes the lessor in the sublease must account for the original lease and the sublease as two separate transactions,

as a lessee and a lessor, respectively. Those two separate transactions must not be offset against one another. The new lessee must apply the general lessee guidance.

3.10.2. The original lessee (and now the lessor in a sublease) must include the sublease in its disclosure of the general description of lease arrangements. Its lessor transactions related to subleases must be disclosed separately from its lessee transactions related to the original lease.

3.11 Sale-Leaseback Transactions

3.11.1. Sale-leaseback transactions involve the sale of an underlying asset by the owner and a lease of the property back to the seller (original owner). A sale-leaseback must include a transaction that qualifies as a sale to be eligible for sale-leaseback accounting. A sale-leaseback transaction that does not include a transaction that qualifies as a sale must be accounted for as a borrowing by both the seller-lessee and the buyer-lessor. Refer to SFFAS 7, "Accounting for Revenue and Other Financial Sources and Concepts for Reconciling Budgetary and Financial Accounting," paragraph 295 (with the public) and paragraphs 314-315 (intragovernmental).

3.11.2. The sale and lease portions of a sale-leaseback transaction must be accounted for as two separate transactions: (1) a sale transaction; and (2) a lease transaction, except that the difference between the carrying value of the capital asset that was sold and the net proceeds from the sale must be reported as unearned revenue or deferred expense to be recognized in the statement of net cost systematically and rationally over the term of the lease. However, if the lease portion of the transaction qualifies as a short-term lease, any difference between the carrying value of the capital asset that was sold and the net proceeds from the sale must be recognized immediately.

3.11.3. A sale-leaseback transaction is considered to have off-market terms if there is a significant difference between: (a) the sales price and the estimated fair value of the asset; or (b) the present value of the contractual lease payments and the estimated present value of what the lease payments for that asset would be at a market price, whichever of the two differences is more readily determinable. The difference must be reported based on the substance of the transaction (for example, as a borrowing, a non-exchange transaction, or an advance lease payment) rather than as a part of the sales-leaseback transaction.

3.11.4. A seller-lessee must disclose the terms and conditions of sale-leaseback transactions as part of the disclosures required of a lessee. A buyer-lessor must disclose the terms and conditions as part of the disclosures required of a lessor.

3.12 Lease-Leaseback Transactions

In a lease-leaseback transaction, an asset is leased by one party (first party) to another party and then leased back to the first party. The leaseback may involve an additional asset (such as leasing a building that has been constructed by a developer on land owned by and leased back to a DoD Component) or only a portion of the original asset (such as leasing back only one floor of a building to the owner). A lease-leaseback transaction must be displayed in the financial statements as a net transaction. Both parties to a lease-leaseback transaction must disclose the amounts of the lease and the leaseback separately.

3.13 Capitalization Thresholds

A capitalization threshold is the amount that determines the financial reporting of an asset or expensing its cost. See Table 26-1 for capitalization thresholds. The applicable capitalization threshold for the underlying assets (PP&E) is applied to the lease assets. Refer to Chapters 4 and 25 for additional guidance on capitalization thresholds for real property and general equipment, respectively.

3.14 Intragovernmental Leasehold Reimbursable Work Agreements

3.14.1. Normally, for intragovernmental reimbursable leasehold work agreements, the customer-lessee is expected to be the predominant beneficiary of the acquisition, construction, improvement, and/or alteration to the underlying asset. The customer-lessee must recognize the leasehold improvement, which is a type of PP&E asset in accordance with subparagraphs 3.3.2.2 and paragraph 3.13.

3.14.2. The provider-lessor would not be expected to derive significant residual economic benefits or services from such reimbursable work under these types of agreements. The provider-lessor must expense the costs incurred for the reimbursable work and recognize the amounts received as reimbursement as intragovernmental revenue. The provider-lessor must account for the underlying asset other than the leasehold improvement (recognized by the customer-lessee in these types of agreements) in a manner consistent with subparagraph 3.5.8.

3.14.3. However, for acquisitions, construction, improvements, and/or alterations under an intragovernmental reimbursable leasehold work agreement with an expected useful life beyond the remaining lease term and for which the provider-lessor is expected to derive a significant level of residual economic benefits and services from the reimbursable work, the customer-lessee would not be considered the predominant beneficiary. For these types of agreements, the customer-lessee and provider-lessor must follow the guidance under this subparagraph.

3.14.3.1. Customer-Lessee. The federal entity paying for the acquisition/ construction of, or improvements and/or alterations to, the underlying asset provided by the provider-lessor on a reimbursable basis.

3.14.3.1.1. Customer-lessees must initially recognize an intragovernmental reimbursable work asset for the amount payable for reimbursable work acquisition, construction, improvement, and/or alteration costs (in accordance with subparagraph 3.3.3.1).

3.14.3.1.2. Customer-lessees must amortize the intragovernmental reimbursable work asset systematically and rationally over the shorter of: (a) the remainder of the lease term; or (b) the useful life of the underlying asset acquired/constructed, or improvements/alterations thereto associated with the reimbursable work. The amortization of the intragovernmental reimbursable work asset must commence when the customer-lessee has access to economic benefits and services resulting from the reimbursable work and be reported as amortization expense.

3.14.3.1.3. Coordination with the provider-lessor on asset amount and subsequent amortization can facilitate the elimination of inter-entity balances and costs in a manner consistent with SFFAS 4 (i.e., paragraphs 108-113) when appropriate for purposes of recognizing the full cost of goods and services provided for inter-entity business-type activities, and the elimination of inter-entity balances and transactions.

3.14.3.1.4. Customer-lessees must disclose a general description of significant reimbursable work agreement activities. Such disclosures may be separate from or incorporated within the general description disclosures provided for under subparagraph 3.3.2.3.

3.14.3.2. Provider-lessor. The federal entity providing the acquisition/ construction of, or improvements and/or alterations to, the underlying asset to the customer-lessee on a reimbursable basis.

3.14.3.2.1. Provider-lessors must initially recognize an intragovernmental unearned reimbursable work revenue liability for the amount receivable for reimbursable work acquisitions, construction, improvements, and/or alterations (in accordance with subparagraph 3.3.3.1).

3.14.3.2.2. Provider-lessors must recognize the intragovernmental reimbursable work revenue systematically and rationally over the shorter of (a) the remainder of the lease term or (b) the useful life of the underlying asset acquired/constructed, or improvements/alterations thereto associated with the reimbursable work. Revenue recognition must commence when the provider-lessor provides access to the economic benefits and services resulting from the reimbursable work.

3.14.1.3.3. Coordination with the customer-lessee on revenue recognition can facilitate the elimination of inter-entity balances and earned revenues (in accordance with subparagraph 3.3.3.1).

3.14.1.3.4. Provider-lessors must disclose a general description of significant reimbursable work agreement activities. Such disclosures may be separate from or incorporated within the general description disclosures provided for under subparagraph 3.5.10.

4.0 ADDITIONAL CONSIDERATIONS

*4.1 Standard General Ledger Accounts

The U.S. Standard General Ledger (USSGL) accounts used to report DoD lease entries are provided in the Transaction Library and Standard Reporting Chart of Accounts available on the Office of the Deputy Chief Financial Officer Standard Financial Information Structure (***SFIS***) web page.

4.2 Recognition Uncertainty

4.2.1. In situations where doubt exists as to which DoD Component must record an item, the DoD Components involved must reach an agreement with the other applicable DoD Component(s) or federal agencies as to which entity will record the item.

4.2.2. If the DoD Components cannot reach an agreement, the matter must be referred to the Office of the Deputy Chief Financial Officer, Office of the Under Secretary of Defense (Comptroller) for resolution. Requests for resolution must be accompanied by adequate supporting documentation to assist in the resolution of the matter and be submitted through the Financial Management and Comptroller of the submitting Military Department or Defense Agency.

4.2.3. The DoD Component that procures an item of PP&E by entering a lease will be the DoD Component that must initially record the lease transaction. In the event a DoD Component other than the initial lessee uses and benefits from a lease asset, the recognition responsibility of the lease asset must be re-evaluated.

4.3 Bulk Acquisitions Through Leases

Other than short-term contracts or agreements that transfer ownership, and intragovernmental leases, a bulk acquisition is defined as the acquisition of like items, of which their individual value does not meet the capitalization threshold, as part of multiple leases with a single lessor within a fiscal year. Acquisitions through multiple leases with a single lessor during separate fiscal years are to be considered separately within each fiscal year. To determine proper recognition of bulk acquisitions through leases, the acquisition cost of all like items leased, under multiple leases with a single lessor within a fiscal year must be totaled, and the resulting total must be considered against the lease criteria for capitalization and the capitalization threshold prescribed by paragraph 3.13. Refer to Volume 4 Chapter 25 for additional guidance regarding Bulk Acquisitions.

4.4 Accounting for Real Property Leases Outside of the United States and Managed by the Department of State.

As used in this chapter, the term “outside of the United States” means other than the 50 States of the United States, the District of Columbia, and the commonwealths, territories, and possessions of the United States. For real property leases that are managed by the Department of the State, the Department of State’s Bureau of the Comptroller and Global Financial Services (CGFS) will provide relevant lease data to any agencies who occupy real property overseas and will allocate the residential housing pool lease balances (i.e., liability, corresponding right to use asset, and amortization) across the participating agencies. The applicable DoD Component with the assigned leases, will have to record the applicable allocation/portion in their book and records. The housing pool allocation will be based on each federal agency’s share of the estimated expenses for the next fiscal year and will be applied across the entire housing pool’s net present value calculation. For further information or assistance contact CGFS at ***sffas54leases-cgfs@state.gov***.

4.5 Use of Canceled Treasury Account Symbol

4.5.1. The Treasury's Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) is a data collection system that replaces the reporting functionalities of Federal Agencies Centralized Trial Balance System I and II, Intra-governmental Fiduciary Confirmation System, and Intra-governmental Reporting and Analysis System, as the primary means for DoD Components to report their trial balance data to Treasury. Capitalized assets are required to be reported and remain in GTAS after the original purchasing Treasury Account Symbol (TAS) has expired and been canceled. If a capitalized asset has not been moved to a canceled ("C") TAS as described in subparagraph 4.5.2; GTAS will provide a "C" TAS on the GTAS Super Master Use of Canceled Treasury Account Symbol Account File (SMAF) for each fund family represented on the SMAF. The system-generated "C" TAS will have three elements: the three-digit agency identifier, availability type "C", and a four-digit main account.

4.5.2. All DoD Components must use the "C" availability type TAS to report capitalized assets. Assets may be moved to a "C" TAS at any time from the purchase date to the date the original purchasing fund is canceled. (Refer to the ***TFM Volume 1, Part 2, Chapter 4700*** for additional information.)

4.5.3. To transfer an asset to a "C" TAS

4.5.3.1. Use USSGL account transaction E510 to transfer-out the asset from the purchasing fund account.

4.5.3.2. Use USSGL account transaction E606 to transfer-in the asset into the appropriate "C" TAS

*4.6 Supporting Documentation

4.6.1. Entries to record financial transactions must be supported by source documents reflecting all transactions affecting the DoD Component's investment in assets under a lease.

4.6.2. All leases must be supported as of the date the DoD Component takes custody of the asset. The documents listed in Table 26-2 must be readily available to support the changes in lease asset value or physical attributes because of a new lease, leasehold improvements, impairments, modifications, and terminations:

4.6.3. Lease documents must be retained by the DoD Component in accordance with the Volume 1, Chapter 9 requirements or as otherwise stated. Documentation (original documents and/or hard and electronic copies of original documentation) must be maintained in a readily available location during the applicable retention period. The documentation must also be linked to the appropriate unique identifier(s).

4.6.4. Include sufficient lease information indicating the physical quantity, location, and unit cost of the PP&E underlying assets. The accountable property records must support

procurement and utilization decisions, including identifying potential excess PP&E for reuse, transfer to other DoD Components, or disposal.

4.6.5. Documentation must enable periodic, independent verification of the accounting and accountable property records through periodic physical counts/inventories of PP&E underlying assets (existence and completeness – "book to floor and floor to book"). Reconcile the Accountable Property System of Record (APSR) and accounting systems with the USSGL accounts and physical counts. Personal hand receipt self-validations are not acceptable. See DoDI 5000.64 (excluding real property) and DoDI 4165.14 for real property.

4.6.6. Identify and classify PP&E that was capitalized, recorded in the APSR and accounting system, and reported in the financial statements.

4.6.7. Use the same documents for the accounting and accountable property records. Property accountability records must be integrated and reconciled with the accounting system.

4.6.8. Include all PP&E possessed by the Department (to include DoD leased property held by contractors).

4.6.9. Identify and account for all leased PP&E.

4.6.10. Identify and account for improvements to PP&E lease assets.

4.7 Physical Inventories of PP&E

DoD Components must perform periodic physical inventories of real property and general equipment in accordance with DoDI 4165.14 and DoDI 5000.64, respectively.

4.8 Reporting Requirements

DoD Components with leased PP&E must reference a note on the Balance Sheet that discloses information about the reported assets. See Volume 6B for the specific reporting requirements.

4.9 Environmental Liabilities/Cleanup Costs

The lease agreement must clearly identify the party responsible for environmental liabilities/cleanup costs. The accounting policy for environmental liabilities/cleanup costs on PP&E is contained in Chapter 13.

*Table 26-1 Capitalization Thresholds

Entity	Capitalization Threshold
Army Real Property	$1,000,000
Air Force Real Property	$1,000,000
Air Force General Fund General Equipment	$1,000,000
Navy Real Property	$1,000,000
Navy General Fund General Equipment	$1,000,000
Marine Corps Real Property	$500,000
Army Corps of Engineers Buildings and Structures Related to Hydropower	Capitalized regardless of cost
Army Corps of Engineers General PP&E Other than Buildings and Structures Related to Hydropower	$25,000
DoD Intelligence Community Entities (All PP&E)	$1,000,000
All Other DoD Component General Funds and Working Capital Funds' PP&E	$250,000

Table 26-2 Supporting Documentation

Evidence	Examples
Unique Identification	Assignment of a unique identifier
Project Approval	Work Order or similar document
Obligation on Behalf of the Government	1. For leases or lease modifications: • Statement of Work; • Dollar Amount of Lease; • Location; • Source of Funds; • Parties to the Lease agreement; and • Signature Page [Signature of All Parties]. 2. Approved Work Order 3. Evidence supporting asset impairment.
Payment Submitted	Approved last invoice reflecting the total amount submitted for payment to date.
Acceptance	1. DoD ***(DD) Form 250***, Material Inspection and Receiving Report; 2. ***General Services Administration Form 1334***, Request for Transfer of Excess Real and Related Personal Property; 3. ***DD Form 1354***, Transfer and Acceptance of DoD Real Property (interim or final), with associated source documentation retained by the responsible party; 4. Signed lease for leased property; 5. Executed Occupancy agreement; and 6. Transfer letter and documents for transferred assets.

VOLUME 4, CHAPTER 27: "INTERNAL USE SOFTWARE"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated August 2018 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Administrative updates to include clarifying language in accordance with Department of Defense Financial Management Regulation Revision Standard Operating Procedures.	Revision
Throughout	Deleted references and tables related to Capital Leases. Capital Leases are discussed in ***Chapter 26***, "Accounting for Leases".	Deletion
1.1	Refined the definition of General Property, Plant, and Equipment.	Revision
2.1.4.3	Updated the internal use software definition based on FASAB Technical Release 16: "Implementation Guidance for Internal Use Software", footnote 4.	Revision
2.3.1	Added clarifications for when capitalization starts.	Revision
2.4	Moved "Alternative Valuation Methodology for Establishing Opening Balances for Internal Use Software" to paragraph 2.4, (previously Annex 2).	Revision
2.5.5	Moved specific cost treatment from Valuation section 2.3 to Recognition section 2.5. Valuation is full cost. However, recognition differs based on criteria described in section.	Revision
Annex 2	Moved Software Development Life-Cycle Phases section Annex (previously 2.3.2) to provide additional clarity.	Revision
Annex 3	Moved Software Development Methods section to Annex (previously 2.3.3) to provide additional clarity.	Revision

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CHAPTER 27

INTERNAL USE SOFTWARE

1.0 GENERAL

*1.1 Purpose

1.1.1. This chapter prescribes the Department of Defense (DoD) accounting policy for Internal Use Software (IUS), which is a subset of General Property, Plant, and Equipment (PP&E). General PP&E, per Statement of Federal Financial Accounting Standards ***(SFFAS) 10***, "Accounting for Internal Use Software," includes IUS and consists of tangible and intangible assets that (1) have an estimated service life of two years or more; (2) are not intended for sale in the ordinary course of business; and (3) are intended to be used or available for use by the entity.

1.1.2. The IUS general ledger accounts are listed in the government-wide United States Standard General Ledger (USSGL) contained in ***Volume 1, Chapter 7***. The accounting entries for these accounts and the DoD Standard Chart of Accounts are specified in the ***DoD USSGL Standard Transaction Library***. Unless otherwise stated, this chapter is applicable to all DoD Components, including Working Capital Fund (WCF) activities.

1.2 Authoritative Guidance

The accounting policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:

1.2.1. Federal Accounting Standards Advisory Board (FASAB) ***SFFAS 1***, "Accounting for Selected Assets and Liabilities;"

1.2.2. FASAB ***SFFAS 4***, "Managerial Cost Accounting Standards and Concepts;"

1.2.3. FASAB SFFAS 10, "Accounting for Internal Use Software;"

1.2.4. FASAB ***SFFAS 50***, "Establishing Opening Balances for General Property, Plant, and Equipment: Amending SFFAS 6, SFFAS 10, and SFFAS 23, and Rescinding SFFAS 35;"

1.2.5. FASAB ***SFFAC 5***, "Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements;"

1.2.6. FASAB ***SFFAC 7***, "Measurement of the Elements of Accrual-Basis Financial Statements in Periods After Initial Recording;"

1.2.7. FASAB Technical Release ***(TR) 13***, "Implementation Guide for Estimating the Historical Cost of General Property, Plant, and Equipment;"

1.2.8. FASAB ***TR 14***, "Implementation Guidance on the Accounting for the Disposal of General Property, Plant & Equipment;"

1.2.9. FASAB ***TR 15***, "Implementation Guidance for General Property, Plant, and Equipment Cost Accumulation, Assignment and Allocation;"

1.2.10. FASAB ***TR 16***, "Implementation Guidance for Internal Use Software;"

1.2.11. FASAB ***TR 17***, "Conforming Amendments to Technical Releases for SFFAS 50, Establishing Opening Balances for General Property, Plant, and Equipment;"

1.2.12. FASAB ***TR 18***, "Implementation Guidance for Establishing Opening Balances;"

1.2.13. FASAB ***TR 23***, "Omnibus Technical Release Amendments 2024: Conforming Amendments to Technical Releases 10, 16, 20, and 21;"

1.2.14. Office of Management and Budget (OMB) ***Circular No. A-136***, "Financial Reporting Requirements;"

1.2.15. ***Treasury Financial Manual (TFM) Volume1, Part 2, Chapter 4700*** "Federal Entity Reporting Requirements for the Financial Report of the United States Government;"

* 1.2.16. ***DoD Instruction (DoDI) 5000.75***; "Business Systems Requirements and Acquisition;"

1.2.17. ***DoDI 5000.76***; "Accountability and Management of Internal Use Software (IUS)."

2.0 ACCOUNTING FOR IUS

2.1 Definition

2.1.1. "Software" includes the application and operating system programs, procedures, rules, and any associated documentation pertaining to the operation of a computer system or program. Most often, software is an integral part of an overall system(s) having interrelationships between software, hardware, personnel, procedures, controls, and data. IUS is software that:

2.1.1.1. Is acquired or developed to meet the entity's internal or operational needs (*intended purpose*); and

2.1.1.2. Is a stand-alone application, or the combined software components of an information technology (IT) system that can consist of multiple applications, modules, or other software components integrated and used to fulfill the entity's internal or operational needs (*software type*).

2.1.2. IUS can be:

2.1.2.1. Purchased from commercial off-the-shelf (COTS) vendors and be ready for use with little or no changes;

2.1.2.2. Internally developed by employees of DoD, including new software and existing or purchased software that is modified with or without a contractor's assistance; or

2.1.2.3. Contractor-developed software that a DoD Component paid a contractor to design, program, install, and implement, including new software and the modification of existing or purchased software.

2.1.3. IUS includes software that is:

2.1.3.1. Used to operate an entity's programs (e.g., financial and administrative software, including that used for project management);

2.1.3.2. Used to produce the entity's goods and to provide services (e.g., maintenance work order management and loan servicing); and

2.1.3.3. Developed or obtained for internal use and subsequently provided to other Federal Entities with or without reimbursement.

2.1.4. Integrated (embedded) software is not IUS.

2.1.4.1. IUS excludes computer software that integrates with and is necessary for operating General PP&E, rather than performing an application. DoD Components must consider such software as part of the PP&E of which it is an integral part, and must capitalize and amortize accordingly. They must use the aggregate cost of the hardware and software to determine whether to capitalize or expense the costs. In situations where software and the hardware on which it runs have independent service lives, they must determine the useful life of the software independently of the useful life of the hardware. They must determine this on a case-by-case basis and document the rationale.

2.1.4.2. Software used in conjunction with the operation of equipment is not the same as the integrated or embedded software and can be considered IUS if all of the following criteria apply:

2.1.4.2.1. The software was developed separately from the equipment;

2.1.4.2.2. The software is not required for the equipment to perform its core purpose and functions; and

2.1.4.2.3. The quantity of equipment items on which the software will be installed is unknown.

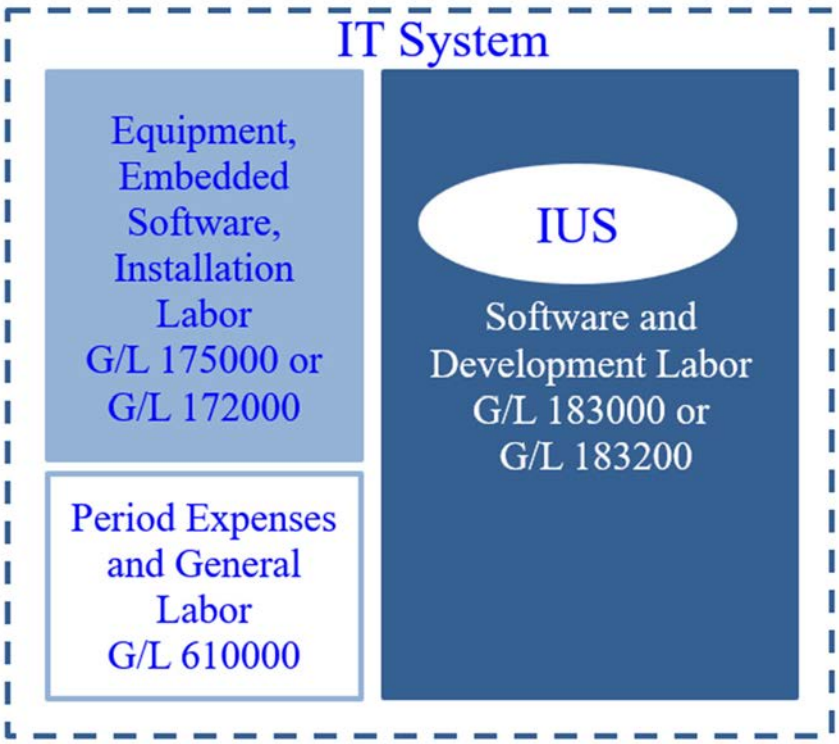
* 2.1.4.3. Additionally, software developed separately and installed on several assets at different times may be treated as a separate IUS asset, rather than integrated or embedded software. For example, anti-ballistic missile software installed on multiple radar systems at different times can be treated as a separate IUS asset if the software meets the capitalization threshold (see subparagraph 2.5.5 for capitalization thresholds).

2.1.5. DoD Components may purchase IUS as part of a package of products and services (e.g., training, maintenance, data conversions, reengineering, site licenses and rights to future upgrades and enhancements). They must allocate costs based on the relative fair values of the IUS and the services if the costs are not readily separable between the IUS and the services on the invoice. They must capitalize the cost of the IUS (assuming it meets the capitalization criteria) and expense the cost of the training/maintenance. They must expense non-IUS costs (e.g., training and maintenance services) that are not susceptible to allocation between maintenance and relatively minor enhancements.

2.1.6. SFFAS 1 defines materiality as the degree to which omitting or misstating an item in a financial statement is likely to change or influence the judgment of a reasonable person relying on the information.

2.1.7. Additional definitions can be found in Annex 1.

Figure 27-1. IUS is Generally One Component of an IT System



2.2 USSGL Accounts

2.2.1. The DoD Components must record IUS transactions to general ledger accounts in the financial statements required by the Treasury and other reporting requirements mandated by Congress and OMB. The ***USSGL*** Transaction Library outlines detailed posting transactions, and the DoD Standard Chart of Accounts provides detailed account descriptions. The DoD standard Chart of Accounts is located on the Office of the Deputy Chief Financial Officer (ODCFO) ***Standard Financial Information Structure*** webpage.

2.2.2. DoD Components may elect to create subaccounts within their general ledger systems to track software under development at a detailed level; however, the internal subaccounts must summarize to one USSGL/DoD account.

2.2.3. Management must retain adequate supporting source documentation for entries in accordance with ***Volume 1, Chapter 9***, "Financial Records Retention."

2.3 Valuation

* 2.3.1. Record the acquisition and other costs necessary to make the software operable.

2.3.1.1. DoD Components calculate the cost of COTS software by adding the actual purchase price of the COTS license to any costs incurred to place the software in service or otherwise make the software ready for use.

2.3.1.2. The cost of contractor-developed software includes the amount paid to the contractor to design, program, install, and implement new software or to modify existing or COTS software, plus any costs incurred to implement or otherwise make the software ready for use.

2.3.1.3. The costs of internally developed software must include the full cost incurred. Full cost includes both direct and indirect costs of new software (e.g., salaries of programmers, systems analysts, project managers, and administrative personnel; associated employee benefits; outside consultants' fees; rent; and supplies and overhead) and technical documentation.

2.3.1.4. Considering economic feasibility, a cost estimation technique could be developed to trace the costs to outputs based on the SFFAS 4, paragraph 124, provision that "[in] principle, costs should be assigned to outputs in one of the methods listed in the order of preference:

2.3.1.4.1. Directly tracing costs wherever economically feasible;

2.3.1.4.2. Assigning costs on a cause-and-effect basis; and

2.3.1.4.3. Allocating costs on a reasonable and consistent basis.

*2.4 Alternative Valuation Methodology for Establishing Opening Balances

2.4.1. Establishing Opening Balances for Internal Use Software

2.4.1.1. The alternative valuation method for establishing opening balances for IUS described in FASAB SFFAS 50, "Establishing Opening Balances for General Property, Plant and Equipment: Amending SFFAS 6, SFFAS 10, SFFAS 23, and Rescinding SFFAS 35" is available only once to each reporting entity. Therefore, prior to the establishment of IUS opening balances, DoD Components must validate that they are prepared to account for and comply with the recognition, measurement, presentation, and disclosure requirements for IUS in accordance with FASAB SFFAS 10, "Accounting for Internal Use Software."

2.4.1.2. DoD Components must identify any IUS that they have capitalized prior to establishing opening balances, including capitalized development costs. All DoD Components that have not previously undergone a financial statement audit where they received an unmodified (i.e., "clean") audit opinion will exclude the value of all IUS, including development costs, from opening balances of General Property, Plant, and Equipment on their Balance Sheet. This means that DoD Components who have not undergone a financial statement audit where they received a "clean" audit opinion will adjust their capitalized IUS, including development costs and opening balances to zero in the year the DoD Component makes an unreserved assertion. A DoD Component that has received a "clean" audit opinion should continue to account for IUS, including development costs, in accordance with FASAB SFFAS 10 and will not reduce their balances to zero.

2.4.1.3. Entries in the DoD Component accounting systems/records to record IUS opening balances at zero are subject to the reporting requirements under paragraph 13 of FASAB SFFAS 21, "Reporting Corrections of Errors and Changes in Accounting Principles, Amendment of SFFAS 7, Accounting for Revenue and Other Financing Sources". Accordingly, reflect the entries as a change in accounting principle. Document and support any adjustments to assist ongoing audit efforts.

2.4.2. Financial Statement Disclosure Requirements

DoD Components who adjust their opening IUS balances must disclose in their financial statements that they used an alternative valuation method in establishing their opening balances. They must include a disclosure in the financial statements describing the use of the alternative valuation method in the first reporting period in which the reporting entity makes an unreserved assertion that its financial statements, or one or more line items, are in accordance with Generally Accepted Accounting Principles. An unreserved assertion is an unconditional statement.

2.4.3. Prospective Accounting for Internal Use Software

2.4.3.1. DoD Components must capitalize IUS costs for IUS in-service and IUS in development in accordance with the provisions of FASAB SFFAS 10 after recording the opening balances at zero as described in paragraph 2.4.1.2. This capitalization requirement includes IUS development costs incurred after the establishment of opening balances for projects started prior

to the establishment of opening balances. DoD Components must have sufficient source documentation to support the capitalized amounts of IUS based on actual historical cost. DoD Components must apply the provisions of FASAB SFFAS 10 regarding amortization and impairment to any unamortized capitalized cost of the IUS.

2.4.3.2. DoD Components must fully implement the systems, internal controls, processes and procedures to be compliant with accounting for IUS under FASAB SSFAS 10. They must also periodically review and update the documentation of the systems, processes, and procedures as needed.

2.5 Recognition

2.5.1. DoD Components must recognize all acquired IUS for accountability and financial reporting purposes. Recognition requires the proper accounting treatment (expense or capitalization with amortization) and the reporting of capitalized amounts and accumulated amortization on the appropriate DoD Component's financial statements. The capitalizable cost phase begins after the entity has completed all preliminary planning, designing, coding, and testing activities that are necessary to establish that the IUS can meet the design specifications. Capitalize IUS that has a useful life of two years or more and meets the capitalization criteria described in subparagraph 2.5.5. Expense IUS items with a cost below the capitalization threshold; except for IUS items acquired as part of a qualifying bulk purchase (see subparagraph 2.5.8). Expense data conversion and training cost in the period incurred.

2.5.2. Recognition Responsibility

2.5.2.1. The DoD Component's financial reporting responsibility can be determined using two-tier criteria:

2.5.2.1.1. Exclusive/sole Use. When a DoD Component is the exclusive/sole user of capitalized IUS, it will report the IUS on its Balance Sheet. If there is no exclusive/sole user, the DoD Component must apply the second criteria.

2.5.2.1.2. Control. If an exclusive/sole user does not exist, the DoD Component that controls the IUS will have financial reporting responsibility. Evidence of control can include funding the software maintenance, exercising access control, and prioritizing enhancements.

2.5.2.2. DoD Components that possess and/or control IUS items that materially contribute to the Component's mission must maintain accounting and financial reporting for such items, regardless of the organization that originally acquired or provided the funding for the items. If a DoD Component prepares financial statements, it must appropriately recognize IUS in its financial statements.

2.5.3. Recognition Uncertainty

2.5.3.1. It is important that the overall accounting records of the DoD and the Federal Government are not duplicative. In situations where doubt exists as to which DoD Component should recognize an item, DoD Components involved must reach an agreement with the other applicable DoD Components or Federal agencies as to which entity will recognize the item. DoD Components must document the process used to reach this agreement and the terms of the agreement in a memorandum of agreement, which will serve as supporting documentation.

2.5.3.2. If DoD Components cannot reach an agreement, they must refer the matter to the ODCFO, Office of the Under Secretary of Defense (Comptroller) for resolution. DoD Components must submit requests for resolution with adequate supporting documentation to assist in resolving the matter, and they should send these requests through the Financial Management and Comptroller of their respective Military Department or Defense Agency.

2.5.4. Recognition Timing

2.5.4.1. Recognition of the COTS IUS for financial reporting purposes must occur no later than the technical acceptance of the software.

2.5.4.2. Record IUS in development anticipated to meet capital criteria in the IUS in Development account during the design, development, and testing, phases. Annex 2 describes the various phases of software development. After completing technical acceptance testing, DoD Components must recognize the IUS asset, transfer capital costs to the IUS account, and establish accountability in the APSR.

2.5.4.2.1. Larger and more complex software systems, such as Enterprise Resource Planning systems, are developed and placed in service over time. For each module or component of a software project, when a module or component has been successfully tested, move costs from IUS in Development to Internal Use Software, and begin amortization.

2.5.4.2.2. If the use of a module is dependent on the completion of another module(s), move costs from IUS in Development to IUS when both that module and the other module(s) have successfully completed testing.

2.5.4.2.3. For example, a DoD Component may develop an accounting software system containing three modules: a general ledger, an accounts payable sub-ledger, and an accounts receivable sub-ledger. In this example, each module could be analyzed to determine whether it could be treated as a separate IUS asset. Specifically, if the module provides economic benefit through distinct, substantive functionality, and meets the tests for capitalization threshold, ownership, and eligibility for capital treatment, then the module could be treated as a separate IUS asset.

2.5.4.3. For IUS assets acquired by a contractor on behalf of a DoD Component (i.e., the DoD Component that will ultimately hold title/license to the assets), recognize the software upon completion of the technical acceptance testing by the contractor performing the

service, or by the DoD Component. Record contract financing payments (e.g., progress payments, performance-based payments, and commercial interim payments) made to a contractor prior to completion of final technical acceptance testing in a Software in Development account until the IUS is placed in service. Capitalize upon completion of technical acceptance testing.

* 2.5.5. Capitalization Threshold, Criteria, and Cost Treatment

2.5.5.1. The current IUS capitalization threshold for all DoD Components is $250,000. However, DoD Intelligence Community Entities may elect to use a capitalization threshold of $1 million. The capitalization threshold described above is for financial reporting purposes. The requirement for accountability of IUS is discussed in subparagraph 2.5.12.

2.5.5.2. Capitalize IUS if it meets the following criteria for General PP&E:

2.5.5.2.1. Useful life of two years or more;

2.5.5.2.2. Intended for use or being available for use by the entity;

2.5.5.2.3. Not intended for sale in the normal course of business; and

2.5.5.2.4. Total cost is greater than the capitalization threshold.

2.5.5.3. DoD Components must apply the treatment of costs based on the nature of the costs incurred, not the exact sequence of the work. Annex 2 provides IUS project phases, activities, deliverables, and accounting treatment.

2.5.5.3.1. Capitalize direct labor costs of government employee and contractor project teams (e.g., programmers, engineers, managers) incurred during the Design/Development and Testing/Implementation Phase as part of the costs of the software project. Project managers and/or program managers must track direct labor costs and allocate to individual software projects. The allocation methodology used must be consistent between projects and must be auditable.

2.5.5.3.2. Expense indirect labor costs for Program Management Office personnel overseeing more than one software project when immaterial compared with the overall costs of a software project. Decisions regarding the materiality of indirect labor costs, when such costs are expensed, must be justified, documented, and must be auditable. If determined material to a software project or projects, allocate costs based on a distribution methodology that is consistently applied, documented, and auditable.

2.5.5.3.3. Overhead costs are costs associated with rent, utilities, building maintenance, and supplies that are essential to the overall accomplishment of a software project. In many instances, overhead costs are immaterial when compared with the overall costs of a project. If determined immaterial, expense these costs and document the expense justification. If determined material to a project or projects, allocate costs based on a consistent and documented distribution methodology that is auditable.

2.5.5.3.4. DoD components must evaluate contractor costs to determine the correct treatment. Such determination is based on the type of work performed by the contractors. Annex 2 breaks down the criteria to expense or capitalize various work activities.

2.5.5.3.5. Expense data conversion costs as incurred for internally developed, contractor-developed, or COTS software, including the cost to develop or obtain software that allows for access or conversion of existing data to the new software. Such costs may include the purging or cleansing of existing data, reconciliation or balancing of data, and the creation of new or additional data.

2.5.5.3.6. Capitalize the cost of development of technical documentation and manuals and expense costs of mass-producing manuals in the period incurred.

2.5.5.4. The capitalized costs of internally developed software should be limited to costs incurred:

2.5.5.4.1. After the DoD Component authorizes and commits to a software project and believes that it is more likely than not that the project will be completed and the software will be used to perform the intended function(s), and it will have an estimated service life of two years or more; and

2.5.5.4.2. After the completion of the planning and requirements phase (i.e., project evaluation, concept testing, and evaluation of alternatives) as evidenced by a documented approval decision.

2.5.5.5. Technical acceptance testing is testing undertaken to verify if a software product meets technical specifications. Capitalize technical acceptance testing costs. After technical acceptance, expense operational testing, evaluation, and other functional testing.

2.5.5.5.1. If the software consists of multiple individual components or modules, the capitalization phase must end for each component/module after technical acceptance testing is complete for that component/module.

2.5.5.5.2. In some development practices, teams conduct acceptance testing for each iteration within an IUS development before moving forward to the next iteration and may not always conduct final acceptance testing. The DoD Component should identify a pre-determined agency milestone such as the go-live or in-service date, which is equivalent to a final technical acceptance test for capitalization cut-off purposes.

2.5.5.6. Capitalize the amounts paid to a COTS vendor for the software. Capitalize amounts paid to a contractor to design, program, install, and implement contractor-developed software. Capitalize material internal costs incurred by the Federal Entity to implement the COTS or contractor-developed software and otherwise to make it ready for use.

2.5.6. Documentation

2.5.6.1. DoD Components must assign a dollar value (i.e., recorded cost) to the IUS when recording the acquisition of IUS in the Accountable Property System of Record (APSR) and/or accounting system. Appropriate documentation must be available to support the dollar value. Paragraph 3.2 includes a complete discussion of supporting documentation related to IUS.

2.5.6.2. To establish proper PP&E financial control when acquiring IUS from another DoD Component or Federal Agency, the acquiring DoD Component must request from the losing DoD Component or other Federal Agency, the necessary source information and financial transfer documents, to include a unique identifier(s) for the software(s); location; original acquisition cost(s); cost of enhancements; the date the software was developed, or acquired; the estimated useful life; the amount of accumulated amortization; and other relevant information linked to that software. If this information is not available, the gaining and losing entities must develop and document a reasonable estimate to support the financial transfer of the software.

2.5.6.3. Capitalized IUS costs must have sufficient supporting documentation as discussed in paragraph 3.2, including support for costs incurred in the development of the IUS. DoD Components must provide narratives, software architectural documentation, user manuals, and other similar documents to substantiate whether they treat the IUS as separate IUS assets, supporting the functionality of the components/modules of a software system.

2.5.7. Joint Ventures

If two or more entities, including at least one entity outside of the DoD, develop the IUS through a joint venture, the DoD Component must capitalize the IUS asset if it meets the criteria for capitalization, based on its share of the development cost in relation to the capitalization threshold. The DoD Component only capitalizes the portion it funded if it meets the criteria for capitalization.

2.5.8. Bulk Purchases of Software Applications/Programs

2.5.8.1. Bulk purchases must be considered if they materially affect the fiscal year financial statements during which they were purchased. Bulk purchases of software with an aggregate cost that exceeds the capitalization threshold must be capitalized.

2.5.8.2. When multiple acquisitions of the same IUS application(s)/programs (for example spreadsheets, word processing programs, etc.) or modules or components of a software system are made as part of a single contract within a fiscal year, the purchases must be added together to determine whether they meet the capitalization threshold. Purchases made on a single contract during separate fiscal years are to be considered separately. DoD Components must not split bulk purchases into multiple transactions with the intent of avoiding capitalization.

2.5.8.3. Bulk purchases of licensed IUS with terms less than two years in length do not need to be considered for capitalization. Table 27-1 provides capitalization guidelines for bulk purchase licenses.

2.5.9. Software Licenses

2.5.9.1. Software licenses grant the license holder the right to use the software for a specific time period. After this period expires, the license holder must renew the license or purchase a new one to continue using the software. License agreements to use software come in many forms and vary in length of the license period. Software licenses can be term or perpetual.

2.5.9.1.1. Term licenses provide DoD Components the right to use IUS for a specified period of time. Capitalize or expense term licensed IUS per criteria in Table 27-1.

2.5.9.1.2. Perpetual software licenses allow the DoD Component to use the software indefinitely in exchange for an upfront cost, which they can pay as a one-time payment or finance over a set period. Apply capitalization criteria if the license is perpetual, to determine to capitalize or expense.

2.5.9.2. If one of the following criteria applies, the IUS can be expensed:

2.5.9.2.1. The license term is less than two years;

2.5.9.2.2. The license cost (excluding any maintenance agreements) is less than the capitalization threshold; or

2.5.9.2.3. The aggregate cost of a bulk license purchase (excluding any maintenance agreements) is less than the capitalization threshold. See subparagraph 2.5.8 for guidance related to bulk purchases of software.

2.5.9.3. A license agreement may include executory costs for maintenance and technical support. DoD Component judgment should apply in determining what portions of license fees are attributable to software capitalizable costs versus executory costs. DoD Components may also want to consider having each license agreement specifically identify the various costs throughout the license life cycle, for example, initial license, maintenance, and enhancement.

2.5.9.4. Additional guidance regarding accounting for license agreements includes:

2.5.9.4.1. Expense maintenance costs agreed to as part of the initial license agreement in the period they are incurred;

2.5.9.4.2. Expense “True-up” costs associated with unlimited license agreements or enterprise licenses that may occur (depending on the agreement terms) at the end of each year to reconcile and account for the actual quantity of users; and

2.5.9.4.3. Expense software upgrades from annual maintenance and security assurance agreements, do not capitalize as enhancements or separate assets.

2.5.10. Cloud and Other Subscription-Based Services

2.5.10.1. A cloud computing service is any resource that is accessible over the Internet. It has the following essential characteristics: on-demand self-service, broad network access, resource pooling, rapid elasticity, and measured service. The most common cloud service resources are: software as a service, platform as a service, and infrastructure as a service. Cloud services can take a number of forms. To determine whether the arrangement includes capitalized IUS, the DoD Component will need to examine the nature of the arrangement and apply the capitalization criteria.

2.5.10.2. When a DoD Component pays regular subscription fees to access and use software from a non-DoD entity, it should expense subscription costs in the period incurred. This scenario is a service and does not constitute an IUS asset for the DoD Component.

2.5.10.3. A subscription arrangement using a cloud with a non-DoD entity can result in DoD-owned IUS if the using DoD Component takes possession, or has the ability to take possession of a software application without incurring a significant penalty. DoD Components must capitalize this IUS if it meets the capitalization criteria as described in subparagraph 2.5.6.

2.5.10.4. When a cloud or subscription arrangement exists between DoD Components, the Component that owns the software (see subparagraph 2.4.1) will report it as IUS. The subscribing DoD Component(s) will expense any fees paid for the service in the period incurred.

2.5.10.5. If a cloud computing arrangement includes a software license, the customer must account for the software license element of the arrangement consistent with the acquisition of other software licenses in accordance with the Table 27-1 criteria discussed in subparagraph 2.5.9. SFFAS 10 is not applicable to a cloud computing arrangement that does not convey a contractual right to the IUS or to ones that do not include an IUS license. The entity that develops and owns the software, platform, or infrastructure used in the cloud computing arrangement would account for the software development in accordance with SFFAS 10. If the funding to develop cloud computing is shared among entities without clear ownership, the service provider entity that receives funding and is responsible for maintaining the software, platform, or infrastructure must account for the software in accordance with SFFAS 10 and the full cost/inter-entity cost requirements of SFFAS 4.

2.5.11. Shared Services

2.5.11.1. Shared services means a mission or support function provided by one business unit to other business units within or between organizations. The funding and resourcing of the service is shared and the providing entity effectively becomes an internal/external service provider.

2.5.11.2. There are three types of shared service structures in the Federal Government:

2.5.11.2.1. Intra-agency. Intra-agency shared services include those provided within the boundaries of a specific organization such as a Federal Department or Agency, to that organization's internal units. Intra-agency shared services would be those between one DoD Component and another DoD Component.

2.5.11.2.2. Inter-agency. Inter-agency shared services are those provided by one Federal Organization to other Federal Organizations that are outside of the provider's organizational boundaries. Inter-agency shared services would be those between one DoD Component and another Federal Agency/Organization outside of DoD.

2.5.11.2.3. Commercial. Commercial shared services are those provided by private vendors.

2.5.11.3. For intra-agency shared services, a cost allocation methodology could be developed in accordance with SFFAS 4, paragraphs 120-125. Additional guidance on cost allocation methodology can be found in ***Chapter 19***. For inter-agency shared services and commercial shared services, the service provider entity that owns (receives funding/responsible for maintaining) the software must account for the software in accordance with SFFAS 10. In the event that the entity receiving the service (the customer) has the contractual right to take possession of the software at any time during the hosting period without significant penalty, and it is feasible for the customer to either run the software on its own hardware or contract with another party unrelated to the vendor to host the software, then the customer must account for the software in accordance with SFFAS 10.

2.5.11.4. If the shared service arrangement includes a software license, the DoD Component must account for the software license element of the arrangement consistent with the acquisition of their other software licenses, as discussed in subparagraph 2.5.9. SFFAS 10 is not applicable to a shared service arrangement that does not convey a contractual right to the IUS or to ones that do not include an IUS license.

2.5.12. Accountable Records of IUS

DoD Components must establish accountable records for all government IUS. Account for IUS which meets the criteria for capitalization in an APSR. DoD Components must also establish and maintain accountability records for IUS which does not meet the criteria for capitalization in either an APSR or approved managerial system through disposition or transfer. Managerial systems must contain all general data elements contained in a data-compliant APSR. In addition, managerial systems must document controls and procedures in place that are sufficient to withstand potential audit scrutiny and support the audit requirement of a complete universe of assets. The primary Accountable Property Officer (APO) or designated delegate should grant managerial system approval. See DoDI 5000.76.

2.6 IUS Enhancements

2.6.1. An IUS enhancement is a modification to an existing IUS that provides it with significant additional capabilities and enables the software to perform tasks that it was previously

incapable of performing. DoD Components must capitalize an enhancement that increases the capability of the IUS when its cost meets or exceeds the capitalization threshold. Criteria to capitalize enhancements to IUS differs from that of other PP&E; expense changes that merely extend the useful life or improve efficiency, irrespective of the cost. Even though the DoD component expenses the costs associated with extending the useful life, it must extend the amortization of any previously capitalized amount to reflect the new useful life period. Capitalizable enhancements normally require new software specifications and may require a change to all or part of the existing software specifications. For example, DoD Components should capitalize the cost of modifying existing software for making ad hoc queries, if it requires new software specifications and/or changes to existing software specifications and it also exceeds the capitalization threshold. In addition, the DoD Components should expense the nominal charges paid for enhanced versions of software in the period incurred.

2.6.2. Evaluate modules together as one enhancement if one module is dependent upon another to function. DoD Components must amortize all costs of an enhancement that they have capitalized based on the IUS capitalization criteria, including any costs they carry over or allocate from the original software, over the enhancements' estimated useful life, which should not exceed five years.

2.6.3. DoD Components must begin to accumulate costs for enhancements when these enhancements are more likely than not to produce new capabilities; and the project phase in which the costs are being incurred and the nature of the cost meets the criteria for capitalization treatment set out in Annex 2; and the estimated total cost of the enhancement meets the IUS capitalization threshold. When the development of the enhancement takes place over multiple periods, the costs will accumulate in account 183200 (IUS in Development) until the completion of the enhancement (see subparagraph 2.8.3 on placed-in-service dates), at which time the costs are moved to account 183000 (Internal Use Software).

2.6.4. DoD Components must separately account for enhancements in a manner that allows them to specifically identify and support each capitalized enhancement made to the IUS.

2.6.5. Expense an enhancement to IUS that meets or exceeds the capitalization threshold to correct a design flaw, and in effect doubles its useful life, in the period incurred, unless the enhancement adds new capabilities to the software. However, the useful life of the IUS is subject to adjustment and must reflect the enhancement. Knowledgeable personnel must determine and document the additional useful life, which should not exceed five years added to the existing useful life.

2.6.6. Expense the cost of minor enhancements resulting from ongoing systems maintenance or incurred solely to repair a design flaw without adding additional capabilities in the period incurred. Examples of minor enhancements include updating data tables, web-enabling, customizing reports, or changing graphic user interfaces. Expense enhancements that extend the useful life of the software without adding significant capabilities. However, in instances where the useful life of IUS is extended, DoD Components must adjust the amortization period as described in subparagraph 2.6.5.

2.6.7. A specific software development project may include expenditures for enhancements and maintenance that cannot be easily separated but may be reasonably and consistently allocated. One approach that can be used is a ratio, based on the projected development phase activities work hours relative to other types of work. Apply the ratio to determine the expenditures to capitalize when the expenses meet the other capitalization criteria. Apply the basis for allocating costs consistently and in accordance with GAAP.

2.6.8. Retain documentation related to IUS enhancement decisions, such as the justification for capitalizing the enhancement, a change of useful life, and the amount to capitalize. Specific documents that support these decisions can vary by organization and asset but could include an analysis from software developers or a cross-functional review team that defines the enhancement's impact on functionality and useful life.

2.6.9. Only capitalize the cost of enhancements to more than one IUS asset as identified by a unique identifier, when performed under a single contract or work order that cannot be specifically identified by asset if the allocated cost per IUS equals or exceeds the appropriate DoD capitalization threshold and the enhancements are more likely than not to add additional capability to the existing software.

2.6.10. When a single IUS goes under more than one enhancement and the enhancements are part of one overall effort to increase the software's functionality, and/or useful life; the sum of the costs of the enhancements must be capitalized if the summed costs equal or exceed the appropriate DoD capitalization threshold. This is required even when the enhancements are funded separately. The enhancements must be capitalized when the determination has been made that it is more likely than not that the enhancements will result in new significant capabilities.

2.7 Maintenance and Repair

2.7.1. Maintenance and repair costs are not capital enhancements, regardless of whether the cost equals or exceeds the DoD capitalization threshold. Maintenance and repairs are activities directed toward keeping IUS assets in an acceptable condition so that they continue to provide services and achieve their expected useful life. Maintenance and repair activities include subsequent security accreditations (not included in user acceptance testing); software diagnostics; repair processing and/or performance failures; updates to documentation; minor software updates; minor corrections to design flaws; and other activities needed to preserve or maintain the software. Maintenance and repairs, as distinguished from enhancements, exclude activities directed towards expanding the capacity of IUS or otherwise upgrading it to serve needs different from, or significantly greater than, its current use.

2.7.2. When determining whether to capitalize the IUS, do not include the costs of maintenance agreements purchased with a software license in the historical cost of the IUS. If DoD Components cannot distinguish maintenance costs from the cost of the license itself, they must use reasonable and documented estimating methods. Do not capitalize upgrades included in annual maintenance and security assurance agreements.

2.8 Amortization

2.8.1. Amortization is the systematic and rational allocation of the acquisition cost of IUS, over its estimated useful life. The DoD recovery periods (useful life) for IUS amortizable assets are set out in Table 27-2. During the planning phase of IUS development, determine the useful life based on how long the IUS is expected to provide economic benefit or service potential to the DoD Component. The decision regarding the useful life must be documented and made with input from personnel who are familiar with the software's technical characteristics and planned use. Amortize IUS acquired for research and development with no alternative future use over the period of the project as opposed to the normal life-cycle amortization.

2.8.2. Amortize the recorded cost of IUS and enhancements to IUS, which have been capitalized according to the guidance in Annex 2. Reflect such capitalized amounts, as well as associated amounts of accumulated amortization and amortization expense, in DoD Component's financial statements.

2.8.3. DoD Components must document the placed-in-service dates for both acquired IUS and developed IUS. Documentation of placed-in-service dates is critical in determining when to start amortization of capitalized IUS costs. IUS is considered placed in service when final technical acceptance testing is completed. The point at which this milestone is reached can vary for different types of software acquisitions.

2.8.3.1. For IUS acquired through a Major Automated Information System acquisition program, the Full Deployment Decision date made by the Milestone Decision Authority will serve as the placed-in-service date.

2.8.3.2. Use the Initial Operational Capability (IOC) date for other IUS system acquisitions, as the placed-in-service date. The system's Capability Development Document (CDD) and/or Capability Production Document (CPD) often define the IOC. DoD Components can use other supporting documents for acquisitions that do not require a CDD or CPD.

2.8.3.3. Use the alternate placed-in-service date if knowledgeable parties within a DoD Component determine that a placed-in-service date other than the ones listed in subparagraphs 2.8.3.1 and 2.8.3.2 better aligns with the completion of final technical acceptance testing for a specific software acquisition. However, the DoD Components must document and justify the decision.

2.8.4. Successfully complete final acceptance testing before beginning amortization for the IUS asset. This criteria is necessary, especially for internally developed software but also for contractor-developed and COTS software because testing plays a major role for software assets by demonstrating that the software product can meet the requirements and the need for a clear point for ending the developmental phase.

2.8.5. When replacing the IUS with new software, expense the unamortized cost of the old IUS when the new IUS successfully completes testing. No adjustments will be made to the

previously recorded amortization. Treat any additions to the book value or changes in useful life prospectively. Account for the change during the period of the change and future periods.

2.8.6. Account for all IUS in an APSR. Figure 27-2 provides a decision tree to assist in determining what elements of an IUS project should be capitalized for financial reporting purposes.

2.8.7. The program office must retain proper supporting documentation to justify the estimated useful life of the program. Examples of proper documentation are engineering estimates, operational requirements documents, mission needs statements, commercial industry-equivalent information, contracts, and acquisition documents (such as the Select Acquisition Report). See paragraph 3.2 for additional information on supporting documentation requirements.

2.8.8. In the case of IUS assets, after the successful completion of the final technical acceptance testing described in subparagraph 2.8.4, the event that triggers the calculation of amortization is the date the asset is installed and placed in service (regardless of whether it is actually used). In the case of internally developed IUS, record the costs of developing the IUS that is capitalizable in the IUS in Development account (183200) but do not amortize until the software is placed in service, at which time transfer the balance (total capitalizable development costs) to the IUS account (183000). Begin amortization when the testing of a module or component is successful. If the use of a module is dependent on the completion of another module(s), the movement from account 183200 to account 183000 will take place and amortization will begin when both that module and the other module(s) have successfully completed testing and are placed-in-service.

2.8.9. DoD policy permits the use of only the straight-line method of amortization. Calculate straight-line amortization expense based on the recorded cost divided equally among accounting periods during the software's useful life based on recovery periods in Table 27-2. The salvage value for all capitalized IUS for the DoD Components should be zero.

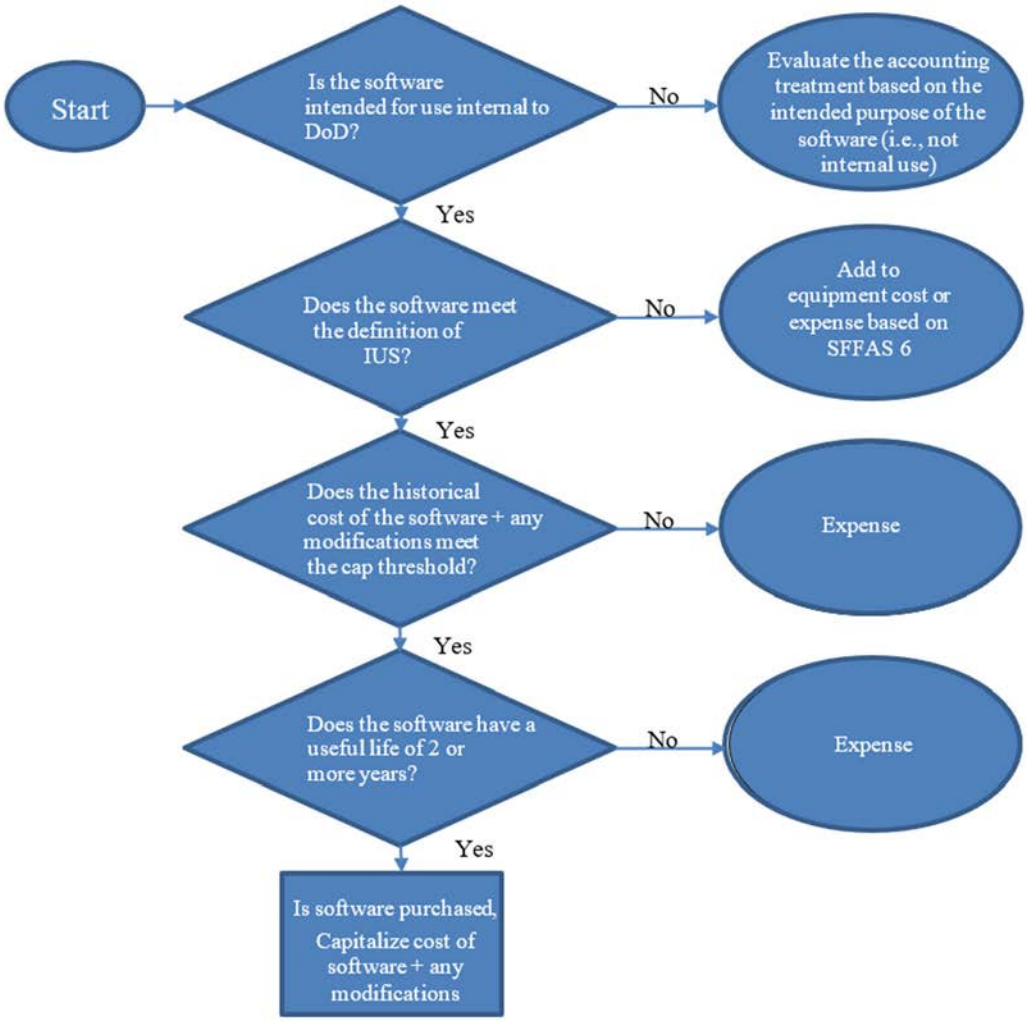
2.8.10. Retain the IUS asset in APSR if it remains in use longer than its estimated useful life, as well as the accounting records, and reflect both its recorded cost and accumulated amortization until disposition of the software.

2.8.11. WCF activities are required to recognize and amortize IUS assets in accordance with the guidance in this chapter without regard to whether such assets are procured through a WCF activity's Capital Purchase/Investment Program budget or whether amortization for such assets is included in rates charged to customers. The recognition of IUS assets and the amortization of such assets by WCF activities therefore may be different for financial statement reporting purposes than the amortization amounts used for WCF rate development and budget presentation. All IUS asset amortization of WCF activities must be recognized as an expense on the Statement of Net Cost, reflected in the Statement of Changes in Net Position, included in accumulated amortization amounts on the Balance Sheet, and reported in the "Defense Working Capital Fund Accounting Report [Accounting Report (Monthly) 1307] (AR(M)1307)." Accounting Report 1307 is described in ***Volume 6A, Chapter 15***. Amortization recorded on IUS assets that were not acquired nor will be replaced through the use of Defense WCF resources must be classified as non-

recoverable for rate-setting purposes and reported appropriately on the AR(M)1307. Defense WCF rates charged to customers are based on guidance in ***Volume 2B*** and ***Volume 11B***.

Figure 27-2. Capitalization Decision Tree

Use the following decision tree for IUS Purchased from Commercial Off-the-Shelf Vendors; IUS Internally Developed by DoD and IUS Developed by a Third Party on Behalf of DoD.



2.9 Impairment

2.9.1. Impairment must be recognized and measured when one of the following occurs and is related to post-implementation/operational IUS assets:

2.9.1.1. The IUS asset is no longer expected to provide substantive service potential and will be removed from service; or

2.9.1.2. A significant reduction occurs in the software's or software module's capabilities, functions, or uses.

2.9.2. If the impaired software is to remain in use, the loss due to impairment must be measured as the difference between the book value and either:

2.9.2.1. The cost to acquire software that would perform similar remaining functions (i.e., the unimpaired functions) or, if that is not feasible;

2.9.2.2. The portion of the book value attributable to the remaining functional elements of the software.

2.9.3. Recognize the loss upon impairment and reduce the book value of the asset accordingly. If the criteria listed in subparagraph 2.9.2 cannot be determined, the DoD Component should continue to amortize the book value over the remaining useful life of the software. Document and retain this decision and associated analyses.

2.9.4. If the impaired IUS asset is to be removed from use, measure the loss as the difference between the book value and the Net Realizable Value (NRV), if any. Recognize the loss upon impairment and reduce the book value of the asset accordingly. Transfer the NRV, if any, to an appropriate asset account until the software is disposed of and the amount is realized.

2.9.5. When it is more likely than not that a developmental software project will not be completed, no further costs are to be capitalized and any costs that have been capitalized must be expensed. Indications that the software development may no longer be completed include:

2.9.5.1. The expenditures are neither budgeted nor incurred to fund further development;

2.9.5.2. The discontinuance of the business segment for which the software was designed;

2.9.5.3. The inability to resolve programming difficulties timely;

2.9.5.4. A decision to obtain COTS software instead and abandon the current software development; or

2.9.5.5. Major cost overruns occur.

2.9.6. When an IUS developmental software project is suspended pending management's evaluation as to whether to resume or terminate the project, the software development cost may remain capitalized in an IUS in Development account (USSGL 183200) as long as it is more likely than not that the developmental software project will eventually be completed and the cost incurred or expected to be incurred meets the capitalization threshold. Reevaluate the status of the project periodically and write off capitalized costs if management concludes that it is more likely than not that the software will not be placed in service in the future.

2.9.7. Recognize and report the loss from impairment, if any, in the Statement of Net Cost in the period in which the DoD Component concludes that the impairment is both (1) a significant decline in service utility and (2) expected to be permanent. Include such losses in program costs or costs not assigned to programs. A general description of the IUS for which an impairment loss is recognized, the nature (e.g., damage or obsolescence) and amount of the impairment and the financial statement classification of the impairment loss must be disclosed in the notes to the financial statements in the period the impairment loss is recognized if the amount is significant to the financial statements.

2.9.8. Report the impairment loss net of any associated recovery of the net realizable value when the recovery and loss occur in the same fiscal year. Report recoveries reported in subsequent fiscal years as revenue or other financing source as appropriate. Disclose the amount and financial statement classification of recoveries in the notes to the financial statements.

2.9.9. Account for the costs incurred to replace or restore the lost service utility of impaired IUS remaining in use in accordance with applicable standards (i.e., recognized according to the nature of the costs incurred and the appropriate capitalization threshold).

2.10 Removal/Disposal

2.10.1. In TR 14, FASAB defines removal from service as an event that terminates the use of a General PP&E asset. DoD Component Heads must establish and maintain effective policies and procedures for the removal (disposal or transfer) of IUS assets. Removal from service may occur because of a change in the manner or duration of use, change in technology or obsolescence, damage by natural disaster, or identification as excess to mission needs. Removal from service must be considered other than permanent unless (1) the asset's use is terminated and (2) there is documented evidence of the DoD Component's decision to permanently remove the asset from service. If only one of the two business events has occurred, permanent removal from service has not occurred (i.e., the removal is considered other than permanent).

2.10.2. If an IUS's normal use is terminated (i.e., it no longer provides service in the operations of the entity) but the DoD Component has not yet decided to permanently remove the IUS from service, the removal from service is considered other than permanent. Other than permanent removal from service is evidenced by activities such as continuing low-level maintenance to sustain the IUS in a recoverable status or until reutilization efforts are exhausted. For example, IUS taken out of service on a temporary basis is considered other than permanently removed from service. In such cases, the recorded cost of the IUS will remain in the IUS account (USSGL 183000). There is no change in the reported value for IUS that has been other than permanently removed from service and the IUS must continue to be amortized. Amortization charges to expense for IUS will continue to be recorded in USSGL 183900.

2.10.3. If (1) an IUS's use is terminated and (2) the DoD Component has documented its decision to permanently remove the IUS from service, the removal from service must be accounted for as permanent. Permanent removal from service is evident from the DoD Component's documented decision to dispose of an IUS by selling, recycling, or donating the IUS. The recorded cost as well as the accumulated amortization of an IUS permanently removed from service must

be removed from the accounts in which they are reported, and the IUS must be recorded at its NRV in a General Property, Plant and Equipment Permanently Removed But not Yet Disposed account (USSGL 199500). USSGL account 199500 is defined in the DoD Standard Reporting Chart of Accounts under the DoD Account Definitions tab as the NRV of General PP&E that is permanently removed from service but not yet disposed of and is reclassified in accordance with FASAB TR 14, paragraphs 10 and 12. NRV is the estimated amount that can be recovered from disposing of the asset less estimated costs of completion, holding, and disposal. Any difference between the net book value of the asset and its expected NRV must be recognized as a gain or loss. Any gain should be recorded in the Gains on Disposition of Assets – Other account (USSGL 711000); any loss should be recorded in the Losses on Disposition of Assets – Other account (USSGL 721000). The expected NRV should be evaluated at the end of each fiscal year and any change in NRV should be recognized as a gain or loss. IUS permanently removed from service is no longer amortized.

2.10.4. When an IUS is disposed of (e.g., by selling, recycling, donating, or destruction) the IUS must be written off from the financial records and financial statements and the difference between any disposal proceeds and the IUS's net book value must be recognized as a gain or loss as described in subparagraph 2.10.3. In such case, if the DoD Component receives a consideration (e.g., cash) for the disposal, a receipt of cash should be recorded in the Fund Balance with Treasury account (USSGL 101000). If the funds (consideration received) are not apportioned to the DoD Component, the fund must be transferred to miscellaneous receipts of the Treasury. There will be no consideration received for a donation. The disposal start date is the calendar date of a legally enforceable and recognizable obligation to complete the disposal action. For transfers and sales, this represents the date on which the instrument is endorsed or operation is ceased, whichever comes later. For natural disasters, this represents the actual date of the incident.

2.10.5. Upon authorized disposition, APOs are responsible for ensuring that all IUS asset dispositions and transfers are properly recorded in the APSR or managerial system, including updating the asset's status to "Disposed," recording the date and method of disposition. The reason for disposition or transfer of IUS assets must be properly documented. The APO retains all supporting documentation per record retention policies. Refer to DoD Instruction 5000.76 for additional information.

3.0 ADDITIONAL CONSIDERATIONS

3.1 Use of Canceled Treasury Account Symbol

3.1.1. The Treasury's Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) is a data collection system that replaces the reporting functionalities of Federal Agencies Centralized Trial-Balance System I and II, Intragovernmental Fiduciary Confirmation System and Intragovernmental Reporting and Analysis System as the primary means for DoD Components to report their trial balance data to the Treasury. Capitalized assets are required to be reported and remain in GTAS after the original purchasing Treasury Account Symbol (TAS) has expired and been canceled. If a capitalized asset has not been moved to a "C" TAS as described in 3.1.2. GTAS will provide a "C" TAS on the GTAS Super Master Account File (SMAF) for

each fund family represented on the SMAF. The system-generated "C" TAS will have three components: the three-digit agency identifier, availability type "C", and a four-digit main account.

3.1.2. All DoD Components must use the "C" availability type TAS to report capitalized assets. Assets may be moved to a C TAS at any time from the purchase date to the date the original purchasing fund is canceled. (Refer to the TFM, Part 2, Chapter 4700 for additional information.)

3.1.3. To transfer an asset to a C TAS:

3.1.3.1. Use the USSGL account transaction E510 to transfer-out the asset from the purchasing fund account.

3.1.3.2. Use USSGL account transaction E606 to transfer-in the asset into the appropriate C TAS.

3.2 Supporting Documentation

Entries to record financial transactions in accounting system general ledger accounts and/or the supporting subsidiary accountable property records and/or systems must:

3.2.1. Be supported by source documents that reflect all transactions affecting the DoD Component's investment in the IUS.

3.2.1.1. Support all acquisitions, whether by purchase, transfer from other agencies, donation, or other means, as of the date the DoD Component takes custody of the IUS. The documents listed in Table 27-3, where applicable, must be readily available to support the changes in asset value or physical attributes because of new acquisition or capital enhancement.

3.2.1.2. Support all disposals or retirements as of the date the IUS leaves the custody of the DoD Component to provide an adequate audit trail for the disposal of an asset. The execution of certain disposal events will generate financial or administrative accountability transactions. These documents, where applicable, must be readily available to support disposals:

3.2.1.2.1. 'Declaration of excess' document;

3.2.1.2.2. Approval documentation for the disposal;

3.2.1.2.3. Original acquisition documents;

3.2.1.2.4. Legal instruments (such as a license agreement or contract) to indicate a legal obligation to dispose of an asset;

3.2.1.2.5. Document showing the disposal start date;

3.2.1.2.6. Receipt documentation; and

3.2.1.2.7. Transfer documents for transferred assets or as otherwise stated.

3.2.1.3. Retain documents that support the recorded cost of IUS assets by the DoD Component in accordance with the requirements contained in Volume 1, Chapter 9, or as otherwise stated. Maintain documentation (original documents and/or hard and electronic copies of original documentation) in a readily available location during the applicable retention period to permit the validation of information pertaining to the asset such as the purchase cost, purchase date, and cost of enhancements. The documentation must also be linked to the appropriate unique identifier(s). Supporting documentation may include, but is not limited to, the documentation as outlined in this subparagraph. DoD Component asset managers will maintain all applicable documentation for the retention period outlined in Volume 1, Chapter 9.

3.2.2. Include sufficient information indicating the quantity (as applicable would include the number of seats for which the IUS asset is loaded; the number of licenses; and/or the number of copies of a computer disk purchased), location, and unit cost (as measured consistently with the criteria for quantification) of the IUS. Designate the accountable property records to be of maximum assistance in making procurement and utilization decisions, including decisions related to identifying potential excess IUS that may be available for reuse, transfer to other DoD Components, or made available for disposal in accordance with current DoD regulations and other regulatory requirements.

3.2.3. Identify and classify IUS that was capitalized, recorded in the APSR and accounting system, and reported in the financial statements.

3.2.4. Be based on the same documents, to ensure that entries to the accounting and accountable property records are the same. This will ensure that the property accountability records are integrated and subsidiary to the accounting system and those records can be reconciled with the accounting system.

3.2.5. Include documents used to accumulate the cost of developmental projects. Each document must link to the appropriate asset unique identifier. For a listing of those costs that may be incurred during the development, see Annex 2.

3.2.6. Include all IUS possessed by the Department (to include property held by others) and IUS of others held by DoD through seizure, forfeiture, loss, or abandonment.

3.2.7. Provide information to identify and account for capitalized enhancements to IUS.

3.3 Reporting Requirements

DoD Components with IUS should reference a note on the Balance Sheet that discloses information about the reported IUS assets. See ***Volume 6B, Chapter 10*** for the specific reporting requirements.

Table 27-1. Capitalization is Dependent on Term and Aggregate Purchase Amount

Bulk Purchased License Terms	Aggregate Purchase Amount	Guidance
License Term < 2 years	N/A	Expense
License Term = / > 2 years or Perpetual	Under capitalization threshold	Expense
License Term = / > 2 years or Perpetual	Equal to or exceeding capitalization threshold*	Capitalize
*Maintenance agreements included in the purchase of licenses are not to be considered part of the cost for this determination.		

Table 27-2. DoD Recovery Periods for Amortizable IUS Assets

DOD RECOVERY PERIODS FOR AMORTIZABLE IUS ASSETS (IUS is capitalized only if it meets the capitalization threshold)	
Description of IUS Assets	Recovery Period
Capitalized IUS	2, 3, 4, 5 or 10 Years*
Licenses	Term of the license agreement
Perpetual Licenses	5 Years
IUS Upgrades	Not capitalized**
Enhancements	Not more than 5 years***

* The useful life will be determined during the planning phase of the asset's development based on the length of time it is expected to have economic benefit or service potential to the DoD Component.

** The amortization period of an IUS must be adjusted (not extending more than 5 years) if minor upgrades resulting from ongoing systems maintenance or repair of a design flaw extend the useful life of the software without adding additional capabilities. The cost of the upgrades should be expensed in the period incurred. Also, note the upgrades that do add additional capabilities would be considered enhancements and would be capitalized and amortized if they meet the capitalization criteria in subparagraph 2.5.6.

***See paragraph 2.6 on the criteria for capitalizing versus expensing of IUS enhancements.

Table 27-3. Supporting Documentation for IUS Acquisition

Evidence	Examples
Unique Identification	Assignment of a unique identifier
Project Approval	Such as, but not limited to, a Work Order
Obligation on Behalf of the Government	Such as, but not limited to: 1. For contracts, contract modifications, or change orders: • Statement of Work; • Dollar Amount of Contract; • Location; • Source of Funds; • Parties to the Contract; and • Signature Page [Signature of All Parties]. 2. Documentation of labor hours; 3. Approved Work Order.
Payment Submitted	Such as, but not limited to: 1. Approved the last invoice reflecting the total amount submitted for payment and received to date; 2. Evidence of in-house development costs, including labor; 3. Indirect Costs incurred internally by the gaining activity that relates to the new acquisition or capital enhancement.
Acceptance	Such as, but not limited to: 1. DoD ***DD Form 250*** Material Inspection and Receiving Report; 2. Executed acquisition document and appraisal results for the donated IUS; 3. Signed agreement for software licenses; 4. A signoff document confirming key development milestones such as technical acceptance tests are met; 5. Documents to support the amount that has been expensed versus capitalized during the software development phase. 6. Executed reversionary document; and 7. Transfer letter and documents for transferred assets.

Annex 1. Definitions and Examples

The following Table A1-1 contains common terms as they are generally defined by information technology and software programming professionals. It also includes scenarios relevant to IUS.

Table A1-1. Definitions and Examples

Definition	Classified as IUS?	Capitalization	DoD Examples**
Access Control Software			
This type of software, which is external to the operating system, provides a means of specifying who has access to a system and the specific capabilities authorized users are granted.	No	Include equipment costs	CA-ACF2, RACF
Application Software			
A software program that performs a specific function directly for a user and can be executed without access to system control, monitoring, or administrative privileges.	Yes	Yes - When capitalization criteria is met	Microsoft Excel, Adobe Photoshop
Cloud – Public			
A cloud-based environment that is generally external to the Department with infrastructure owned and managed by a third party. Public cloud services are generally subscription-based.	No	No	Dropbox
Cloud – Private			
A cloud based environment that is generally internal to the Department and used solely by DoD Components.	Yes	Yes – When the capitalization criteria is met, the DoD Component that controls the IUS has financial reporting responsibility	DISA milCloud
Database Management System (DBMS)			
Computer software applications that interact with the user, other applications, and the database itself to capture and analyze data.	Yes	Yes - When capitalization criteria is met	Oracle Enterprise Manager

**DoD examples provided may or may not be capitalized

Definition	Classified as IUS?	Capitalization	DoD Examples**
Enterprise Resource Planning System			
Commercial software that integrates business information flowing through the Component. ERP systems contain functional modules (e.g., financial, accounting, human resources, supply chain, and customer information) that are integrated within the core system or interfaced with external systems.	Yes – portions of ERP systems are IUS (excluding any hardware acquired as part of the system)	Yes – portions of ERP systems are capitalized	Navy ERP, GFEBS, LMP, DAI
Firmware			
A program recorded in permanent or semi-permanent computer memory.	No	May be capitalized as part of general equipment depending on applicable capitalization criteria being met	Radar system software, lathe software
Freeware / Open Source Software (OSS)			
Software that is offered at no cost.	No	No	Internet browser
Hardware			
The physical components of IT, include computers, peripheral devices such as printers, disks, and scanners, cables, switches, and other IT equipment.	No	May be capitalized as general equipment depending on applicable capitalization criteria being met	Router, Server, Modem, Switch
License – Annual			
A software license that must be renewed annually to continue using the software.	Yes	No - an annual license does not meet the useful life criteria of 2 years for capitalization	Microsoft Lync, VMWARE vSphere
License – Perpetual			
A software license that gives the Department the right to use the software in perpetuity.	Yes	Only if it meets the capitalization threshold	SAP Chrystal Reports

**DoD examples provided may or may not be capitalized.

Definition	Classified as IUS?	Capitalization	DoD Examples**
Middleware			
Computer software that provides services to software applications beyond those available from the operating system.	Yes	Yes - If the system it is part of meets capital criteria	Linux Kernel
Portal			
A web-based application that provides personalization, single sign-on, and content aggregation from different sources, and hosts the presentation layer of information systems	Yes	Yes – When capitalization criteria is met	Audit Response Center (ARC) Tool
Simulation Software			
Based on the process of modeling a real or proposed system with a set of mathematical formulas that allows the user to observe an operation before performing it.	Yes	Yes – When capitalization criteria is met	F-35 Lightning II Training Software
Operating System			
The software that controls the execution of other computer programs, schedules tasks, allocates storage, manages the interface to peripheral hardware, and presents a default interface to the user when no application program is running.	No	Include in equipment costs	Windows, Linux
System / IT System			
The term "system" by itself is not limited to any specific resource. A system may be any two resources that work together to produce a specific outcome. Internal use software may or may not be one component of an overall "system".	Yes – software components of a system or IT system are IUS	Yes - When capitalization criteria are met	Navy ERP, GFEBS, DAI, CAMIS, OMIS-A
Utility Program			
System software designed to perform a particular function or system maintenance.	No	Include in equipment costs	CD burner, Disk defragmenter, virus scan
Web Application			
An application that is accessed via the web over a network.	Yes (assuming it is owned by a DoD Component)	Yes - When capitalization criteria is met	Outlook Webmail

**DoD examples provided may or may not be capitalized.

*Annex 2. The Software Development Life-Cycle (SDLC)

1.0 SDLC Phases Include Planning, Development, and Operations.

Generally, capitalize costs incurred during the development phase and expense costs incurred in the planning and operations phases. IUS development under other methods, such as agile software developments, may not follow this linear approach, and capitalization decisions absent distinct phases are more difficult. Regardless of timing, capitalize or expense the cost incurred for development phase activities based on their substance/task activity rather than their phase. Table A3-1 depicts the three phases with a linear sequential paradigm.

1.1 In the Preliminary Design phase, DoD Components will most likely do the following:

1.1.1. Make strategic decisions to allocate resources between alternative projects at a given time. (e.g., decide whether to develop a new IUS asset or fix existing IUS problems);

1.1.2. Determine performance requirements

1.1.3. Invite vendors to perform demonstrations of how their software will fulfill a DoD Component's needs.

1.1.4. Explore alternative means of achieving specified performance requirements. For example, should a DoD Component make or buy the software? Should the software run on a mainframe or client-server system?

1.1.5. Determine if technology exists to meet requirements.

1.1.6. Select a vendor if a DoD Component chooses to obtain COTS software.

1.1.7. Select a consultant to assist in the software's development or installation.

1.2 In the Development phase, the DoD Components may:

1.2.1. Use a system to manage the project;

1.2.2. Track and accumulate life-cycle cost and compare it with performance indicators;

1.2.3. Determine the reasons for any deviations from the performance plan and take corrective actions;

1.2.4. Test the deliverables to verify that they meet the specifications.

1.3 In the Operations phase, the DoD Components may:

1.3.1. Operate and maintain the IUS asset and provide user training.

1.3.2. Convert data from the old system to the new system;

1.3.3. Compare asset usage with the original plan; and/or

1.3.4. Track SDLC cost and compare it with the original plan.

1.3.5. Capitalize costs of enhancements to the IUS if they meet the capital enhancement requirements.

2.0. Capital Versus Expense IUS Activities.

Many government and contractor personnel conduct a variety of activities throughout the SDLC for various IUS programs and contracts. Capitalize some costs associated with these activities as part of the cost of the IUS and expense other costs. Capitalization decisions follow the activity regardless of the software development method (e.g., waterfall, prototyping, agile, or spiral). Software development methods are described in Annex 3. When reviewing contracts and budget documentation, take care to distinguish between activities to determine to capitalize or expense.

Table A2-1. Traditional IUS SDLC Phases, Tasks, and Accounting Treatment

Project Phase	Task	Treatment
Planning	Project Evaluation	Expense
	Concept testing	Expense
	Evaluation of alternatives	Expense
	Project approval	Expense
Development	Design and Configuration	Capitalize
	Coding	Capitalize
	Installation to Hardware	Capitalize
	Direct personnel costs	Capitalize
	Technical Acceptance Testing	Capitalize
	Quality assurance testing	Capitalize
	Documentation	Capitalize
	Indirect and Overhead costs	Allocate*
	Data conversion software	Expense
Operations	Testing	Expense
	Training	Expense
	Data conversion	Expense
	Help desk	Expense
	Enhancement	See “IUS Enhancements”, section 2.6.
	Maintenance/Bug Fix	Expense
*Expense or capitalize indirect and overhead costs depending on 1) the materiality to overall costs of individual IUS development projects, and 2) the phase in which the costs are incurred.		

*Annex 3. Software Development Methods

1.1 Software development methods are ever-evolving, with new methods and techniques being introduced over time. Included in the following subparagraphs are several descriptive examples of common software development methods.

1.1.1. Linear/Waterfall Software Development Method. The linear/waterfall software development method is a sequential design process, used in software development in which progress is seen as flowing steadily downwards (like a waterfall) through the software development phases. The linear/waterfall software development method follows the phases outlined in Annex 2 in sequence, whereas the other software development methods as can move between phases during the life of the development. Regardless of the development method (e.g., waterfall, prototyping, agile, or spiral), the capitalization decisions follow the tasks identified.

1.1.2. Prototyping Software Development Method. The prototyping software development method is a system development method in which a prototype (an early approximation of a final system or product) is built, tested, and then reworked as necessary until an acceptable prototype is finally achieved from which the complete system or product can be developed. This model works best in scenarios where not all the project requirements are known in detail ahead of time. An iterative, trial-and-error process takes place between the developers and the users.

1.1.3. Agile Software Development Method. The agile software development method is a group of software development methods in which requirements and solutions evolve through collaboration between self-organizing, cross-functional teams.

1.1.3.1. In an agile project, working software is deployed in iterations of typically one to eight weeks in duration, each of which provides a segment of functionality. Initial planning regarding cost, scope, and timing is usually conducted at a high level, and the project status is primarily evaluated based on software demonstrations.

1.1.3.2. The IUS development phases listed in Annex 2 could be applied to agile development projects on an iteration basis. If an iteration developed meets the module or component asset description in accordance with subparagraph 2.5.4.2.1 and the capitalization cut-off period described in subparagraph 2.5.5.5.2, then it could be treated as an individual IUS project. If the number of iterations is dependent on the outcomes of multiple processes for a complete function, the cost incurred in these iterations should be grouped together based on the nature of the activities (capital or expense) and treated as one project for the purposes of recognition, measurement, and disclosure. Any future incremental releases that result in additional functionality can be treated as an enhancement of the original IUS project and accounted for in accordance with paragraph 2.6.

1.1.4. Spiral Software Development Method. The spiral software development method combines the features of the waterfall and prototyping incremental models, but with more emphasis placed on risk analysis and management.

1.1.4.1. The spiral methodology projects are typically separated into phases like the waterfall method: planning, risk analysis, engineering, and evaluation. However, they are broken up into incremental releases of the product, or incremental refinement each time around the spiral and through continuously analyzing the requirements and improving the definition and implementation. At each iteration around the cycle, the project is improved and extended.

1.1.4.2. The IUS development phases listed in subparagraph Annex 2 could be applied to a spiral development project on a process iteration basis. If an iteration developed meets the module or component asset description in accordance with subparagraph 2.5.4.2.1 and the capitalization cut-off period described in subparagraph 2.5.5.5.2, then it could be treated as an individual IUS project. If the number of iterations is dependent on the outcomes of multiple spiral processes for a complete function, the cost incurred in these iterations should be grouped together based on the nature of the activities (capital or expense) and treated as one project for the purposes of recognition, measurement, and disclosure. Any future incremental releases that result in additional functionality can be treated as an enhancement of the original IUS project and accounted for in accordance with paragraph 2.6.

1.2 Cross-Functional IUS Reviews. Software development can be complex and accounting decisions often require a measure of judgment and expertise found throughout an organization. Examples of these decisions can include identifying assets that meet the IUS definition, determining the point at which an IUS project is more likely than not to be completed, whether an enhancement should be capitalized, and determining the useful life. DoD Components will ensure that key stakeholders from the IUS program, acquisition, and accounting organizations have adequate visibility into the major milestones throughout the acquisition process to make these decisions. This could take the form of an IUS acquisition review board, consisting of knowledgeable stakeholders who assess pending and active IUS projects to make such decisions. It could also include leveraging portfolio management processes already in place at some DoD Components. Stakeholders will meet periodically and with enough frequency to make timely decisions concerning the IUS and the decisions will be documented. Additional cross-functional decisions and deadlines for making them are found in Table A3-1. This review activity can also serve as a key control.

Table A3-1. Cross-Functional Review Decisions and Timeline

Decision	Decision Timeline
Identify potential IUS	During the budget process and not later than end of the planning phase
Determine that it is more likely than not that the IUS project will be completed	Prior to the completion of the planning phase
Assign a useful life	Prior to the end of final technical acceptance testing
Confirm that the cost has been correctly accumulated and assigned to the asset	Prior to the end of final technical acceptance testing
Confirm that indirect costs have been appropriately allocated	Prior to the end of final technical acceptance testing
Assign an in-service date	Upon completion of final technical acceptance testing
Decision	**Decision Timeline**
Identify potential capital enhancements	During the budget process and not later than end of the planning phase
Management Oversight Decisions • Impairment • Evaluation of suspended projects o More likely than not the project will be completed o More likely than not the project will be cancelled	On-going

VOLUME 4, CHAPTER 28: "HERITAGE ASSETS, MULTI-USE HERITAGE ASSETS, AND STEWARDSHIP LAND"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated December 2018 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
1.1, 2.0, 3.0, & 4.0	Added "Overview" section. Broke out each type of asset into separate sections. Removed "Definitions" sections (previously paragraph 2.1) and incorporated content into "Overview" and each asset's "Description" subparagraph.	Revision
1.3.13	Added Statement of Federal Financial Accounting Standards 59, "Accounting and Reporting of Government Land" to the authoritative guidance section.	Addition
2.1.7	Added additional historic significance criteria to align with the National Register of Historic Places guidelines found in the Code of Federal Regulations, Title 36, Chapter 1, Part 60, Section 60.4	Addition
3.3 3.4 Throughout	Removed accounting treatment for multi-use heritage assets where the guidance is in accordance with general equipment (previously subparagraphs 2.5.2, 2.6.2, 2.7.2, 2.8.3, 2.9, and 2.10.2).	Deletion
Table 28-1, Table 28-2, & Table 28-3 (previous version)	Removed duplicate tables found in either Chapter 24 "Real Property" or Chapter 25, "General Equipment" Referenced the appropriate chapter.	Deletion
4.1.1.2	Defined Land Rights.	Addition
4.1.2 4.1.3	Added examples of stewardship land and described how stewardship land supports military readiness.	Addition

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CHAPTER 28

HERITAGE ASSETS, MULTI-USE HERITAGE ASSETS, AND STEWARDSHIP LAND

1.0 GENERAL

*1.1 Overview

As the Department executes its mission to provide the military forces needed to deter war and protect the security of our country, it has become a large-scale owner of historic buildings, structures, historical artifacts, art, stewardship land, and other cultural resources. Protection of these elements of the nation's Heritage Assets and Stewardship Land is an essential part of the Department's mission. This chapter provides Department of Defense (DoD) accounting policy for heritage assets, multi-use heritage assets, and stewardship land, which are subsets of property, plant and equipment (PP&E). PP&E consists of tangible assets that meet the following criteria – (i) they have estimated useful lives of two years or more; (ii) they are not intended for sale in the ordinary course of operations; and (iii) they have been acquired or constructed with the intention of being used, or being available for use by the entity.

1.2 Purpose

This chapter establishes the accounting policy and requirements for financial control over heritage assets, multi-use heritage assets, and stewardship land. The applicable general ledger accounts are listed in the United States Standard General Ledger (USSGL) discussed in ***Volume 1, Chapter 7***, "Department of Defense Standard Chart of Accounts." The ***DoD USSGL Transaction Library*** contains both the DoD Standard Chart of Accounts and the accounting entries for these PP&E accounts. The accounting policy for environmental liabilities/cleanup costs pertaining to heritage assets, multi-use heritage assets, and stewardship land is contained in ***Chapter 13***, "Environmental Disposal Liabilities." Unless otherwise stated, this chapter is applicable to all DoD Components, including Working Capital Fund activities.

1.3 Authoritative Guidance

The accounting policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:

1.3.1. Title 54 United States Code, Section 306131 (***54 U.S.C. § 306131***), "Standards and Guidelines";

1.3.2. Code of Federal Regulations, Title 36, Chapter 1, Part 60, National Register of Historic Places, ***Section 60.4 Criteria for Evaluation***;

1.3.3. Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards ***(SFFAS) 1***, "Accounting for Selected Assets and Liabilities";

1.3.4. FASAB ***SFFAS 5***, "Accounting for Liabilities of the Federal Government";

1.3.5. FASAB ***SFFAS 6***, "Accounting for Property, Plant, and Equipment";

1.3.6. FASAB ***SFFAS 7***, "Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting";

1.3.7. FASAB ***SFFAS 29***, "Heritage Assets and Stewardship Land";

1.3.8. FASAB ***SFFAS 40***, "Definitional Changes Related to Deferred Maintenance and Repairs: Amending Statement of Federal Financial Accounting Standards 6, Accounting for Property, Plant and Equipment";

1.3.9. FASAB ***SFFAS 42***, "Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29, and 32";

1.3.10. FASAB ***SFFAS 44***, "Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use";

1.3.11. FASAB ***SFFAS 50***, "Establishing Opening Balances for General Property, Plant, and Equipment: Amending SFFAS 6, 10, and 23, and Rescinding SFFAS 35";

1.3.12. FASAB ***SFFAS 55***, "Amending Inter-entity Cost Provisions";

* 1.3.13. FASAB ***SFFAS 59***, "Accounting and Reporting of Government Land";

1.3.14. FASAB Federal Financial Accounting and Auditing Technical Release ***(TR) 9***, "Implementation Guide for SFFAS 29: Heritage Assets and Stewardship Land";

1.3.15. FASAB ***TR 13***, "Implementation Guide for Estimating the Historical Cost of General Property, Plant & Equipment";

1.3.16. FASAB ***TR 14***, "Implementation Guidance on the Accounting for the Disposal of General Property, Plant & Equipment";

1.3.17. FASAB ***TR 15***, "Implementation Guidance for General Property, Plant, and Equipment Cost Accumulation, Assignment and Allocation";

1.3.18. ***Treasury Financial Manual Volume 1, Part 2, Chapter 4700*** "Agency Reporting Requirements for the Financial Report of the United States Government."

1.3.19. Office of Management and Budget ***Circular No. A-136***, "Financial Reporting Requirements";

1.3.20. DoD Instruction ***(DoDI) 4165.14***, "Real Property Inventory (RPI) and Forecasting";

1.3.21. ***DoDI 4165.70***, "Real Property Management";

1.3.22. ***DoDI 4715.16***, "Cultural Resources Management"; and

1.3.23. ***DoDI 5000.64***, "Accountability and Management of DoD Equipment and Other Accountable Property";

*2.0 HERITAGE ASSETS

2.1 Description

2.1.1. Heritage assets are PP&E that are unique for one or more of the following reasons:

2.1.1.1. Historical or natural significance;

2.1.1.2. Cultural, educational, or artistic (e.g., aesthetic) importance; or

2.1.1.3. Significant architectural characteristics.

2.1.2. Heritage assets consist of (1) collection-type assets, such as objects gathered and maintained for exhibition (e.g., museum collections, art collections, and library collections); and (2) non-collection-type assets (e.g., memorials, monuments, buildings, and archeological sites). Cultural resources and historic properties, defined in DoDI 4715.16, may be categorized as heritage assets for financial reporting purposes if they have the attributes of heritage assets described in this definition.

2.1.3. Heritage assets are generally expected to be preserved indefinitely.

2.1.4. The cost or value must not serve as a factor when deciding if an asset must be classified as a heritage asset.

2.1.5. If a particular asset is listed on the National Register of Historic Places, it is heritage in nature. If it is not listed on the National Register of Historic Places, refer to cultural resources and collections policies, published registers, and consult with DoD subject matter experts (i.e., the DoD cultural resources or museum staffs) when making this assessment. Designation of a PP&E asset (including such assets as museum, library, and art collections) as a heritage asset can be done at any time in its life cycle, based on the application of evaluation criteria by qualified staff.

2.1.6. Historic significance may be identified if a property/asset meets at least one of the following criteria adapted from the National Register of Historic Places as determined by the relevant DoD Component with concurrence by the relevant State Historic Preservation Officer, or as determined by the guidelines of the National Register of Historic Places in the 36 CFR, Part 60, Section 60.4:

2.1.6.1. Association with historic events or activities that have made a significant contribution to the broad patterns of history (e.g., battles, development of military technology, prehistoric cultural patterns);

2.1.6.2. Association with the lives of significant historic persons (e.g., important military leaders, political leaders, inventors);

2.1.6.3. Distinctive design or physical characteristics of a type, period, or method of construction (e.g., work representative of a particular approach to military design or a particular type or style of architecture or engineering); or that represents the work of a master (e.g., work of a master architect, landscape architect, planner, or engineer); or that possess high artistic values (e.g., artwork that was commissioned by a recognized artist to commemorate military history); or that represents a significant and distinguishable entity whose components may lack individual distinction (e.g., a formative example of standardized planned military housing); or

2.1.6.4. Have yielded or may be likely to yield important information about prehistory or history (e.g., an archeological site on a military installation).

* 2.1.7. Ordinarily, cemeteries, birthplaces, or graves of historical figures, properties owned by religious institutions or used for religious purposes, structures that have been moved from their original locations, reconstructed historic buildings, properties primarily commemorative in nature, and properties that have achieved significance within the past 50 years are not considered eligible for the National Register. However, such properties will qualify if they are integral parts of districts that meet the criteria, or if they fall within the following categories:

2.1.7.1. A religious property deriving primary significance from architectural or artistic distinction or historical importance; or

2.1.7.2. A building or structure removed from its original location but which is significant primarily for architectural value, or which is the surviving structure most importantly associated with a historic person or event; or

2.1.7.3. A birthplace or grave of a historical figure of outstanding importance if there is no appropriate site or building directly associated with their productive life.

2.1.7.4. A cemetery which derives its primary significance from graves of persons of transcendent importance, from age, from distinctive design features, or from association with historic events; or

2.1.7.5. A reconstructed building when accurately executed in a suitable environment and presented in a dignified manner as part of a restoration master plan, and when no other building or structure with the same association has survived; or

2.1.7.6. A property primarily commemorative in intent if design, age, tradition, or symbolic value has invested it with its own exceptional significance; or

2.1.7.7. A property achieving significance within the past 50 years if it is of exceptional importance.

2.1.8. As contrasted with multi-use heritage assets (described in section 3.0), heritage assets are not used predominantly in general government operations. Heritage assets having an incidental (i.e., not significant or predominant) use in government operations are not considered and are not classified as multi-use heritage assets; they are simply heritage assets.

2.1.9. Some heritage assets will meet the definitions of, and be considered and reported as, both heritage assets and stewardship land. Such reporting would not be considered duplication as the type of information reported on the physical unit would be different for each category of stewardship asset (i.e., heritage assets and stewardship land).

2.2 Acquisition/Valuation

The cost of acquiring heritage assets is expensed in the period incurred. The cost must include all costs incurred to bring the asset to a form and location suitable for its intended use.

2.3 Recognition and Measurement

2.3.1. Recognize the cost of acquiring, improving, reconstructing, or renovating heritage assets on the Statement of Net Cost for the period in which the cost is incurred. Include all costs incurred to bring the asset to its current condition and location.

2.3.2. Do not recognize revenue for heritage assets acquired through donation or devise (a will or clause of a will disposing of property).

2.3.3. Transfers of heritage assets from one DoD Component to another or to another Federal agency do not affect the net cost of operations or net position of either entity.

2.4 Removal/Disposal

Heritage Assets can be removed from service or otherwise disposed of.

2.5 Disclosure Requirements

The DoD Component that has control over the heritage asset must report information about the heritage assets in its financial statement note disclosures as set forth in SFFAS 29, paragraph 25. Disclosures must include physical units of measure, described in section 5.3 Physical Units of Measure.

*3.0 MULTI-USE HERITAGE ASSETS

3.1 Description

Heritage assets may in some cases serve two purposes: (i) a heritage function and (ii) a government operations function. In cases where a heritage asset serves two purposes and the predominant use of the asset is in general government operations, the heritage asset must be considered and classified as a multi-use heritage asset. An example of a multi-use heritage asset

is the Pentagon, which has been listed on the National Register of Historic Places and is also used as an office building. Cultural resources and historic properties, as defined in DoDI 4715.16, may be categorized as multi-use heritage assets for financial accounting purposes if they have the attributes of multi-use heritage assets as described in this definition.

3.2 Acquisition/Valuation

Newly acquired multi-use heritage asset items must follow general PP&E guidance. ***Chapter 25*** "General Equipment" defines and prescribes the use of acquisition cost, net book value, fair value, ancillary costs, and recorded cost when recording the cost of general PP&E.

*3.3 Recognition and Measurement

3.3.1. The costs of acquisition, improvement, or renovation of multi-use heritage assets must be capitalized as general PP&E and depreciated if the costs equal or exceed the DoD capitalization threshold. Expenses are the costs that do not equal or exceed the capitalization threshold. Refer to Chapter 25 for the capitalization threshold for general PP&E.

3.3.2. Assets classified as multi-use heritage assets and acquired through donation or devise must be recognized as general PP&E at the fair value of the assets at the time received and the amount must be recognized as non-exchange revenues as defined in SFFAS 7.

3.3.3. Transfers of multi-use heritage assets from one Federal entity to another (including between DoD Components or between a DoD Component and another Federal entity) must be recognized by the receiving entity as a transfer-in as an additional financing source, and the transferring entity must recognize a transfer-out. The value recorded must be the transferring entity's net book value of the multi-use heritage asset.

3.3.4. Improvements/Enhancements. Capital improvements or enhancements to multi-use heritage assets must be capitalized in accordance with general PP&E. Refer to Chapter 25.

3.3.5. Depreciation. The recorded cost of capitalized multi-use heritage assets must be depreciated in accordance with the general PP&E guidance as described in Chapter 25.

3.3.6. Impairment. Multi-use heritage assets are subject to the same impairment ruleset as general PP&E. Refer to Chapter 25 for additional information on impairment.

*3.4 Removal/Disposal

Multi-use heritage assets must be removed and disposed of in accordance with the general PP&E guidance as described in Chapter 25.

3.5 Disclosure Requirements

Multi-use heritage assets require additional descriptive information in the heritage asset note disclosure as set forth in SFFAS 29, paragraph 25. Multi-use heritage assets are to be reported

in both the principal financial statements (in dollars) as general PP&E and in the heritage asset note disclosure (in physical units). This reporting and note disclosure would not be considered duplicative as each category is considered unique for this reporting purpose. Disclosures must include physical units of measure, described in section 5.3 Physical Units of Measure.

3.6 Use of Canceled Treasury Account Symbol

Multi-use heritage assets are required to be reported in the Department of the Treasury's Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS), a data collection system for DoD Components to report their trial balance data to the Department of Treasury. Refer to Chapter 25 for information on reporting capitalized assets and remaining in GTAS after the original purchasing Treasury Account Symbol has expired and been canceled.

*4.0 STEWARDSHIP LAND

4.1 Description

4.1.1. Stewardship land includes both public domain and acquired land and land rights owned by the Federal Government intended to be held indefinitely but not acquired for or in connection with the acquisition or construction of real property facilities.

4.1.1.1. Land is defined as the solid part of the surface of the earth. Excluded from the definition are natural resources (e.g., depletable resources, such as mineral deposits and petroleum, renewable resources such as timber and the outer continental shelf resources) related to land.

* 4.1.1.2. Land rights are interests and privileges held by DoD or a DoD Component, in land owned by others, such as leaseholds, easements, water and water power rights, diversion rights, submersion rights, rights-of-way, mineral rights, and other like interests in land.

4.1.1.2.1. Land rights such as easements or rights-of-way that are for an unspecified period of time or unlimited duration are considered permanent land rights in perpetuity.

4.1.1.2.2. Temporary land rights are those land rights that are for a specified period of time or limited duration.

4.1.1.3. "Acquired for or in connection with the acquisition or construction of real property facilities," is defined as including land or land rights acquired with the intent to construct general PP&E and land or land rights acquired in combination with general PP&E. Land and land rights owned by DoD or a DoD Component, and acquired for or in connection with real property facilities must be accounted for and reported as general PP&E.

* 4.1.2. Examples of stewardship land include land reserved, managed, planned, used, or acquired for:

4.1.2.1. Forests and parks;

4.1.2.2. Recreation and conservation;

4.1.2.3. Wildlife habitat and grazing;

4.1.2.4. Conservation or preservation of cultural resources and historic sites;

4.1.2.5. Multiple-purpose ancillary revenue-generating activity (for example, special use permits, mineral development activities, and timber production); or

4.1.2.6. Buffer zones for security, flood management, and noise and view sheds.

* 4.1.3. While DoD stewardship lands support environmental conservation, they also support military readiness. Healthy ecosystems mean realistic training grounds that mirror potential battlefields. Soldiers train in deserts, forests, wetlands, and coastal areas to prepare for global challenges. In addition, clean water and air protect military families.

4.2 Acquisition/Valuation

The cost of acquiring stewardship land is expensed in the period incurred. The cost must include all costs incurred to bring the asset to a form and location suitable for its intended use.

4.3 Recognition and Measurement

4.3.1. Recognize the cost of the acquisition of stewardship land as an expense on the Statement of Net Cost for the period in which the cost is incurred. The cost must include all costs to prepare stewardship land for its intended use (e.g., grading the land or razing a building).

4.3.2. In some cases, land may be acquired along with existing facilities. Consult with Component cultural resources staff to determine how to treat the acquisition cost of the facility.

4.3.2.1. Facilities to be used in operations must be treated as an acquisition of stewardship land, if;

4.3.2.1.1. The value of the facility is insignificant; or

4.3.2.1.2. Its acquisition is merely a byproduct of the acquisition of the land.

4.3.2.2. Facilities of significant value that have an operating use (e.g., a constructed hotel or employee housing block) must be treated as general PP&E (real property or multi-use

heritage assets) by identifying the cost attributable to the facilities and segregating it from the cost of stewardship land acquired.

4.3.3. Do not recognize revenue for stewardship land acquired through donation or devise.

4.3.4. Transfers of stewardship land from one DoD Component to another or to another Federal agency do not affect the net cost of operations or net position of either entity.

4.4 Removal/Disposal

Stewardship land can be removed from service or otherwise disposed of. For example, stewardship land can be granted to the DoD Component by the Department of Interior (DOI) for a definite period with the expectation that the land will be returned at the end of the period. In this example, the stewardship land is removed from service when it is returned to the DOI.

4.5 Disclosure Requirements

Land classified as stewardship land is reported as basic information within the financial statements of the DoD Component responsible for such land. Refer to ***Chapter 24*** "Real Property" for disclosure requirements for stewardship land and permanent land rights in accordance with SFFAS 59. Disclosures must include physical units of measure, described in section 5.3 Physical Units of Measure.

5.0 DOCUMENTATION

All heritage assets, multi-use heritage assets, and stewardship land acquired by DoD Components must be recognized for accountability (in accordance with DoDI 4165.14, DoDI 4165.70, and DoDI 5000.64) and financial reporting purposes.

5.1 Supporting Documentation

5.1.1. Entries to record financial transactions in accounting system general ledger accounts and the Accountable Property System of Record (APSR) and/or other systems, as well as information to be included in financial statement note disclosures, must be supported by source documents that reflect all transactions affecting the DoD Component's stewardship investment in the PP&E. Refer to paragraph 5.4 for information on APSR requirements.

5.1.2. All acquisitions, whether by purchase, transfer from other agencies, donation, or other means, must be supported as of the date the DoD Component accepts the heritage assets, multi-use heritage assets and/or stewardship land. Documentation, where applicable, must be readily available to support the changes in asset value or physical attributes as a result of new acquisition or capital improvement. Refer to Chapter 25 for examples of supporting documentation for acquisition.

5.1.2.1. Agencies must maintain historical files evidencing ownership of heritage assets, multi-use heritage assets, and stewardship land; and for some types of heritage assets,

records and documentation pertaining to the asset's historical significance are required to be maintained pursuant to U.S.C. and DoD policy (e.g., 54 U.S.C. § 306131 and DoDI 4715.16).

5.1.2.2. When original property records or other documentation (e.g., deeds, tax assessments, insurance records) for heritage assets and stewardship land do not exist, a methodology must be employed in order to develop alternative documentation to support management's assertions of Federal ownership.

5.1.2.3. Maintenance or renovation contracts, historical maintenance records or a history of payment of invoices, minutes of meetings, historical data bases, surveys of land records, a history of past/historical practices (e.g., establishing de facto ownership), or other relevant sources of information may provide acceptable alternative evidence of government ownership of heritage assets and stewardship land.

5.1.3. When definitive documentation for stewardship land and/or heritage assets is not available, management must identify and use alternative methods for supporting management's assertions for these assets. For assessing land, for example, these methods could mirror the areas used to determine major categories for note disclosure in the financial statements, such as the number of areas of recreational use, geographic management areas, and federal water projects of fish hatcheries.

5.1.4. All disposals or retirements must be supported as of the date the PP&E leaves the custody of the DoD Component to provide an adequate audit trail for the disposal of the asset. The execution of certain disposal events will generate financial or administrative accountability transactions. Refer to Chapter 25 for examples of supporting documentation for disposals and retirements.

5.2 Policies and Procedures

DoD Components must document the identification, categorization, and method used to physically quantify the assets to ensure consistent reporting for all similar heritage assets and stewardship land.

5.3 Physical Units of Measure

Physical units of measure are necessary to meet disclosure requirements described in SFFAS 29.

5.3.1. Heritage Assets. Heritage assets must be quantified in terms of physical units (unit of measure) to facilitate the required financial statement note reporting. The appropriate level of aggregation and physical units of measure for each major category must be meaningful and determined by the preparer based on the entity's mission, types of heritage assets, and how the entity manages the assets. For each major category of heritage asset, the following must be documented:

5.3.1.1. The number of physical units by major category. The major categories must be classified by collection or non-collection-type heritage assets for which the entity is the steward as of the end of the reporting period;

5.3.1.2. The number of physical units by major category that were acquired and the number of physical units by major category that were withdrawn during the reporting period; and

5.3.1.3. A description of the major methods of acquisition and withdrawal of heritage assets during the reporting period. This must include disclosure of the number of physical units (by major category) of transfers of heritage assets between federal entities and the number of physical units (by major category) of heritage assets acquired through donation or devise, if material. In addition, the fair value of heritage assets acquired through donation or devise during the reporting period must be disclosed, if known and material.

5.3.2. Stewardship Land. Stewardship land must be quantified in terms of physical units (acres). The appropriate level of aggregation and physical units (acres) of measure for each major category (e.g., Land Predominate Use Code) of stewardship land use must be meaningful and determined by the preparer based on the entity's mission, types of stewardship land use, and how the entity manages the assets. For each major category of stewardship land, the following must be documented:

5.3.2.1. The number of physical units (acres) by major category of stewardship land use for which the entity is the steward as of the end of the reporting period;

5.3.2.2. The number of physical units (acres) by major category of stewardship land use that were acquired and the number of physical units (acres) by major category of stewardship land use that were withdrawn during the reporting period; and

5.3.2.3. A description of the major methods of acquisition and withdrawal of stewardship land during the reporting period. This must include disclosure of physical units (acres) (by major category of stewardship land use) of transfers of stewardship land between federal entities and the number of physical units (acres) (by major category of stewardship land use) of stewardship land acquired through donation or devise, if material. In addition, the fair value of stewardship land acquired through donation or devise during the reporting period must be disclosed, if known and material.

5.4 Accountable Property System of Record (APSR)

The APSR and/or other systems must be designed to support procurement and utilization decisions, including decisions related to identifying general PP&E that may transfer to other DoD Components, or made available for disposal in accordance with current DoD regulations and other regulatory requirements. APSR and/or other systems must:

5.4.1. Enable periodic, independent verification of the accuracy of the accounting and APSR and/or other systems through periodic physical counts/inventories. Periodic inventory

counts include reconciling the APSR and/or other systems with the general ledger accounts and physical counts for multi-use heritage assets;

5.4.2. Identify and classify multi-use heritage assets that were capitalized, recorded in the APSR and accounting system, and reported in the financial statements;

5.4.3. Validate that entries to the financial accounting/reporting and APSR are the same to support APSR integration and reconciliation with the financial accounting system;

5.4.4. Include all multi-use heritage assets, heritage assets, and stewardship land possessed by DoD (to include property held by others) and multi-use heritage assets, heritage assets, and stewardship land held by DoD through seizure, forfeiture, loss, or abandonment; and

5.4.5. Provide information to identify and account for capitalized improvements to multi-use heritage assets.

6.0 PHYSICAL INVENTORIES

DoD Components must perform periodic physical inventories of heritage assets and multi-use heritage assets in accordance with DoDI 5000.64 and DoDI 4165.14. Periodic physical inventories of stewardship land must be performed in accordance with DoDI 4165.14.

7.0 DEFERRED MAINTENANCE AND REPAIRS (DM&R)

7.1 Description

7.1.1. DM&R are maintenance and repairs that were not performed when they should have been or were scheduled to be, and which are put off or delayed to a future period.

7.1.2. Maintenance and repairs are activities directed towards keeping assets in an acceptable condition. Maintenance and repairs include preventive maintenance; replacement of parts, systems, or components; and other activities needed to preserve or maintain the asset.

7.1.3. Maintenance and repairs exclude activities aimed at expanding the useful life, capacity or capability of an asset or otherwise upgrading it to serve needs different from, or significantly greater than, its current use.

7.2 Measurement

7.2.1. DoD Components must determine acceptable condition standards and which DM&R measurement methods to apply. Condition standards and measurement methods must be consistently applied. If the DoD Component determines that changes are necessary, they must document the change(s) rationale and any related impact the change(s) will have on the DM&R estimates.

7.2.2. Amounts for DM&R may be measured using condition assessment surveys, life-cycle cost forecasts, or other similar methods.

7.2.2.1. Condition assessment surveys are periodic physical inspections of assets to determine their current condition and estimated cost to correct any deficiencies. DoD Components must assess the condition of multi-use heritage assets as a function of their day-to-day operations and document condition through periodic assertion/assessment statements. DoD Components must evaluate the costs and benefits of conducting condition assessment surveys. Such things as cycling the assessments on a rotating basis, the frequency of assessments (i.e., every three or five years), and the criteria and methodology used for making such assessments need to be considered.

7.2.2.2. Life-cycle costing is an acquisition or procurement technique that considers operating, maintenance, and other costs in addition to the acquisition cost of assets. Since it results in forecasts of maintenance and repair expenses, these forecasts may serve as a basis against which to compare actual maintenance and repair expenses to arrive at an estimate of DM&R.

7.2.3. DM&R must be measured for capitalized and non-capitalized PP&E, and fully depreciated general PP&E. In addition, DM&R must be measured for inactive and/or excess general PP&E to the extent that it is required to maintain the general PP&E in acceptable condition (e.g., to comply with existing laws and regulations or to preserve value pending disposal) and, DM&R must measure funded maintenance and repairs that have been delayed for a future period as well as unfunded maintenance and repairs.

7.3 Disclosure Requirements

DoD Components must report material amounts of DM&R in the notes to the financial statements. Refer to ***Volume 6B, Chapter 12*** "Required Supplementary Information."

DoD 7000.14 - R

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 05: "DISBURSING POLICY"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

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DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME CROSSWALK: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 5, CHAPTER 1: "PURPOSE, ORGANIZATION, AND DUTIES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated July 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
2.3 and 3.5	Incorporated relevant information from the Office of the Under Secretary of Defense memorandum titled, "Department of Defense Accounting for Funds Held Outside of Treasury Implementation Guidance" (FPM25-01), dated January 27, 2025.	Revision

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CHAPTER 1

PURPOSE, ORGANIZATION, AND DUTIES

1.0 GENERAL

1.1 Purpose

The purpose of this volume is to established disbursing requirements, principles, standards, responsibilities, and pecuniary liability standards for disbursing officers (DOs), certifying officers (COs), and other accountable officials throughout the DoD. If new legislation conflicts with Volume 5, the highest-level guidance governs.

1.2 Authoritative Guidance

This volume is issued by authority of ***DoD Instruction (DoDI) 7000.14***, DoD Financial Management Policy; implements the ***Treasury Financial Manual (TFM) Volume I***; and establishes policies for disbursing throughout the DoD. It applies to the Secretary of Defense (SecDef), Military Departments, Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, Combatant Commands, DoD Inspector General, Defense Agencies, and DoD Field Activities (collectively known as DoD Components).

1.3 Recommended Changes and Requests for Deviation or Exception

Recommended changes and exceptions to policy must be sent through appropriate channels to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C))/Chief Financial Officer (CFO). Coordinate requests for deviations from or exceptions to Volume 5 with Accounting and Finance Policy, Strategy, Policy and Requirements (SPR) Directorate, Defense Finance and Accounting Service (DFAS) Indianapolis (DFAS-ZPTA/IN), 8899 East 56th Street, Indianapolis, IN 46249-0050, dfas-in.disbursingpolicy@mail.mil.

1.4 Use of Volume 5

1.4.1. Volume 5 cites specific U.S. Department of the Treasury (Treasury) accounts (e.g., **F3880) where the asterisks ** represent the appropriate DoD Component designator, (i.e., 17 for Navy and Marine Corps, 21 for Army, 57 for Air Force and Space Force, or 97 for Defense Agencies).

1.4.2. Volume 5 prescribes the use of specific forms (see DoD ***(DD) Forms Management Program***). DoD Components using systems and producing their own forms in lieu of those prescribed that were in operation at the time of Volume 5's initial issuance (December 16, 1993) may continue using these systems and forms until DoD implements a single standard disbursing system. A DoD Component electing to use a computer-generated version of a prescribed DD Form must use an exact replica of that form or submit a request for exception in accordance with ***DoD 7750.08***, DoD Forms Management Program Procedures, to the address in paragraph 1.3.

1.4.3. Refer to the Definitions chapter for terms used herein.

2.0 ORGANIZATION

2.1 DFAS

DoD Directive 5118.05 established DFAS under the authority vested in the SecDef by Title 10, United States Code (U.S.C.), section 113, (***10 U.S.C. § 113***). DFAS is under the direction, authority, and control of the OUSD(C)/CFO. The DFAS Director is the principal DoD executive for finance and accounting requirements, procedures, functions, and the performance of the duties identified in the directive.

2.2 Disbursing Policy

DFAS-ZPTA/IN is under the direction, authority, and control of the Director, SPR. This division:

2.2.1. Develops and promulgates standard DoD disbursing policy and cash management guidance;

2.2.2. Responds to all inquiries pertaining to disbursing policy and cash management within DoD;

2.2.3. Initiates, changes, and implements DoD disbursing policy and cash management guidance according to Treasury regulations;

2.2.4. Acts as the point of contact for all non-criminal investigating officers in relation to loss of funds investigations; and

2.2.5. Performs technical reviews of relief-of-liability cases for DoD Components and activities, including the quarterly minor loss reports.

*2.3 DoD Disbursing Offices and Officers

DoD Component Heads, through command channels, ensure that DOs in their commands follow this volume. Commanders monitor disbursing operations, requiring DOs and Deputy DOs (DDOs) under their purview to adhere to Volume 5. Commanders ensure DOs are accountable for Funds Held Outside of Treasury (FHOT) and report transactions in accordance with ***I TFM 2-3400***. DOs, in turn, direct disbursing operations accordingly (see Chapter 2, paragraph 2.1).

2.4 COs, Departmental Accountable Officials (DAOs), and Payment Review Officials

Commanders ensure that COs, DAOs, and payment review officials in their commands follow Chapter 5, paragraph 3.5.

3.0 ACCOUNTABILITY AND RESPONSIBILITY

3.1 Liability

Accountable individuals have personal and pecuniary liability for their acts involving the expenditure and receipt of public funds (see Chapter 5, section 7.0 and Chapter 6, section 3.0).

3.2 Knowledge of Laws Governing Disbursements

Accountable individuals whose duties pertain to the disbursement of public funds must be knowledgeable of and adhere to applicable laws.

3.3 Accountable Officials

Accountable individual, accountable official and accountable officer are used synonymously throughout Volume 5. The term "accountable official" is used in ***31 U.S.C. § 3527*** to refer to the class of officers or employees of an agency who are pecuniarily liable for repayment of losses or deficiencies of public money, vouchers, checks, securities, or records. Such officials are appointed using a ***DD Form 577***, Appointment/Termination Record - Authorized Signature. Only officers and employees of an agency are eligible for appointment as accountable officials (see Chapter 2, section 3.0).

3.3.1. Disbursing Officials. These include DOs, DDOs, and subordinate disbursing agents, paying agents, cashiers, change fund custodians, collection agents, and imprest fund cashiers. Under ***31 U.S.C. § 3321(c)(2)***, the SecDef is required to designate personnel of an agency as disbursing officials to disburse public money available for expenditure by the agency (see Chapter 2, paragraph 1.1).

3.3.2. COs. Under ***31 U.S.C. § 3325(a)(1)***, "a disbursing official in the executive branch of the United States Government shall disburse money only as provided by a voucher certified by the head of the executive agency concerned, or an officer or employee of the executive agency having written authorization from the head of the agency to certify vouchers." Thus, a DoD agency cannot disburse a payment unless it is certified by a properly appointed CO. These statutory "COs" must be officers or employees of the Federal agency concerned, and are "accountable" because unless granted relief they are pecuniarily liable under ***31 U.S.C. § 3528(a)*** for any payments they erroneously certified. Appointment as a CO is a precondition to enforcement of pecuniary liability under 31 U.S.C. § 3528(a) (see Chapter 5, paragraph 4.1).

3.3.3. DAOs

3.3.3.1. In certifying payments, DoD's statutory COs often are required to rely on information and data provided by agency systems and by other personnel. For this reason, Congress authorized DoD to impose potential pecuniary liability to an additional class of agency officers and employees: those who are formally appointed as a DAO under ***10 U.S.C. § 2773a***. The SecDef may designate any DoD civilian employee or member of the U.S. armed forces under the Secretary's jurisdiction as a DAO. In the performance of their duties, DAOs are responsible

for providing COs with information, data, or services that are directly relied upon by the CO in the certification of vouchers for payment. Title 10 U.S.C. § 2773a does not, however, statutorily mandate that the DoD organizations appoint DAOs to perform such activities; instead, appointment of DAOs to perform any particular function or class of functions is an option available to management for inclusion in risk management and internal control program (see paragraph 3.6).

3.3.3.2. When considering whether to require that only persons appointed as DAOs perform duties that generate the information, data, or services relied upon by COs, agency managers, and appointing authorities take into account considerations that include mission requirements and functions under their responsibility, the availability of resources, the sufficiency of other internal controls, and whether or not a governing policy or directive mandates performance of some function only by a properly appointed DAO (see Chapter 5, paragraph 3.5).

3.3.4. Foreign National Personnel. A foreign national employee is an individual who is employed by or performing work for U.S. forces outside the United States, its territories, and possessions in a system of employment established in accordance with the ***DoDI 1400.25-V1231*** or a predecessor authority. Under the direct hire arrangement, the legal employer of the foreign national assumes responsibility for all administrative and management functions related to foreign national employment. Under the indirect hire arrangement, the host government serves as the legal employer of U.S. forces' foreign nationals. Although the host government is the official legal employer of the foreign national personnel, it grants operational control to U.S. forces for the day-to-day management of such personnel (see DoDI 1400.25-V1231).

3.3.4.1. In deciding whether to appoint foreign nationals in overseas areas as COs and DAOs, organizations should consider whether enforcement of pecuniary liability of such individuals to the United States is precluded as a legal or practical matter by status of forces agreements, other international agreements, or local laws. If enforcement is not precluded by such agreements or local laws, foreign national direct hire employees are eligible for appointment both as COs and DAOs because the agency is the legal employer, and such individuals qualify as officers or employees of the United States. If not constrained by such agreements or by local law, the DoD has the ability to enforce pecuniary liability against these employees because it has statutory authority to withhold amounts from their pay accounts.

3.3.4.2. Foreign national indirect hire employees cannot be appointed as COs or DAOs because the United States cannot enforce pecuniary liability by unilaterally setting off indebtedness against their pay accounts and because the agency is not the legal employer. However, this regulation does not prohibit organizations from assigning indirect hire employees to duties that DAOs otherwise would perform, nor does it mandate that organizations appoint DAOs to provide the information or data, or to perform services relied upon by COs to certify payment vouchers. Organizations operating in overseas areas may permit or assign foreign national indirect hire employees to perform such operational duties without appointing them as DAOs if adequate internal controls are in place to support voucher certification.

3.3.5. Contractors and Contractor Support Personnel. Do not appoint contractors and contractor support personnel as DAOs or COs.

3.4 Accountable Officials and Inherently Governmental Functions

The Federal Activities Inventory Reform (FAIR) Act of 1998 (***Public Law 105-270***), as implemented by the Office of Management and Budget (OMB) (***31 U.S.C. § 501***) provides that, "the making of value judgments in making decisions for the Federal Government, including judgments relating to monetary transactions and entitlements" is an inherently governmental function, i.e., "a function that is so intimately related to the public interest as to require performance by Federal Government employees." For further information regarding inherently governmental functions, see the ***OMB's Office of Federal Procurement Policy Letter 11-01***, Performance of Inherently Governmental and Critical Functions, which provides a single definition of an inherently governmental function built around the well-established statutory definition in the FAIR Act, as well as establishes criteria for identifying of critical functions and for ensuring sufficient levels of internal agency oversight and management of functions closely associated with inherently governmental functions.

*3.5 FHOT

The DoD implemented new procedures for reporting FHOT, also known as Cash and Investments Held Outside Treasury. This guidance requires agencies to record cash obtained from the Treasury General Account to a DoD Treasury Appropriation Fund Symbol (TAFS) at the time of withdrawal. This applies to both monthly and daily reporters to Treasury's Central Accounting Reporting System (see I TFM 2-3400). FHOT refers to physical cash held by a DO, DDO, or paying agent in a vault or in a Limited Depository Account under the responsibility of the DO. DoD requires cash in domestic or foreign currency for essential operations and contingency missions when electronic funds transfer methods are inappropriate or not available. The DOs are accountable to the Treasury for all daily and monthly reported FHOT transactions. FHOT reporting or assigning cash to a DoD TAFS in any manner does not impact the DO accountability. DOs will continue to use all existing funds control processes.

3.6 Risk Management and Internal Control Program (RMIC)

RMIC are specific policies, procedures, and/or activities an organization establishes and implements to manage risk. They are the methods by which an organization governs its activities to accomplish its mission, and are required by ***OMB Circular A-123***, Management's Responsibility for Internal Control, which implements ***31 U.S.C. § 3512(c)(1)***. Consistent with the guidelines in this paragraph, DOs implement these controls to eliminate opportunities to conceal errors or irregularities and assign work so that no one individual controls multiple phases of a transaction. Inspections and audits of disbursing offices must include a review of RMIC to determine their adequacy, compliance, and effectiveness.

3.6.1. Standards of RMIC. Management determines applicability of these standards at the operational level.

3.6.1.1. Control Environment. Management and employees establish and maintain an environment throughout the organization that sets a positive and supportive attitude toward internal control and conscientious management.

3.6.1.2. Risk Assessment. Provide for an assessment of the risks the organization faces from both external and internal sources.

3.6.1.3. Control Activities. RMIC activities ensure the implementation of management's directives and should be effective and efficient in achieving an organization's control objectives.

3.6.1.4. Information and Communications. Record and communicate information to management and others within an organization that needs it, in a specific form and inside a time frame that enables them to carry out their internal control and other responsibilities.

3.6.1.5. Monitoring. Assess the quality of performance over time and ensure the findings of audits and other reviews are promptly resolved.

3.6.2. Separation of Duties. Separation of duties precludes errors or attempts at fraud or embezzlement from going undetected. Internal controls generally require a four-way separation of the contracting, receiving, voucher certification, and disbursing functions. Assign key duties such as certification of fund availability; contracting (obligating the Government); authorizing, approving, and recording transactions; issuing or receiving assets; certifying and making payments; preparing and signing checks; and reviewing or auditing payments to different individuals to minimize the risk of loss to the Government to the greatest extent possible.

3.6.2.1. Do not assign DOs duties that create potential conflicts of interest (see Chapter 2, paragraph 3.5).

3.6.2.2. Separation of duties is not always practical or possible due to time constraints, work force shortages, or the use of electronic systems. Commanders and DOs must be aware of situations where valid, long-standing separation of duties cannot be achieved, recognize that internal controls have been weakened as a result, and make every effort to mitigate the risks. For example, payments and collections through the Intra-governmental Payment and Collection system can occur outside the disbursing work center without weakening internal controls because the payee is always another Federal agency and recovery of an improper payment is assured, or financial systems which allow for adjustments to the data outside of the normal application include appropriate controls and audit trails for those adjustments. Other situations may require closer scrutiny. Report all situations of inability to separate appropriate responsibilities to the DO's commander, with a request for a waiver and recommendations to mitigate the risks.

3.6.3. Electronic and Digital Signatures

3.6.3.1. Signatures. Personnel may use electronic and digital signatures to receive, accept, and certify financial documents processed through automated information systems.

3.6.3.2. Requirements. ***Titles 15 U.S.C. § 7001*** and ***15 U.S.C. § 7021*** require that either of these media used by a person to sign (e.g., certify) any type of financial document be:

3.6.3.2.1. Unique to that person;

3.6.3.2.2. Under that person's sole control or custody;

3.6.3.2.3. Linked to the data signed throughout their processing so that if any of the data are changed, the electronic or digital signature is invalidated; and

3.6.3.2.4. Capable of being verified by the paying DO.

3.6.3.3. Digital Signature. A digital signature is an electronic signature (see ***DoDI 8520.02***, Public Key Infrastructure (PKI) and Public Key Enabling). Digital signature technology encrypts data; detects changes to digitally signed documents; and enables "authentication" of digital messages, assuring the recipient of a digital message of both the identity of the sender and the integrity of the message.

3.6.3.3.1. Digital signatures and certificates authenticate identity, control access through authorized user levels and PKI certificates or passwords and provide an encryption capability for information in transit or at rest.

3.6.3.3.2. Secure digital signatures cannot be rejected. Except in a case of a compromise of system security resulting in a forged electronic signature, the signer of a document cannot later deny the validity of the signature, claiming it was forged. The recipient of a digitally signed message has the capability to verify both the document's author and that the document was not altered either intentionally or accidentally after signature.

3.7 Prohibited Payments

Personnel involved in the payment certification and disbursement processes must preclude payments to ineligible recipients. Many tools to aid in this effort are available, among them the ***Specially Designated Nationals List*** maintained by Treasury's Office of Foreign Assets Control. This is a list of individuals and entities covered by ***Executive Order 13224***, Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism. Do not initiate, certify, or make payments or draw checks or warrants payable to individuals or organizations on this list (see also ***I TFM 4A-2030***).

4.0 PUNITIVE PROVISIONS

4.1 Misuse of Public Funds

Title 18 U.S.C. § 641 governs crimes of embezzlement and theft. Individuals charged with safekeeping of public funds must handle those funds with utmost care. The loan, exchange for other funds, conversion of funds for one's own use or that of another, or deposit of public funds except as authorized by law, may subject the individual entrusted with the funds to criminal sanctions.

4.2 Conspiracy to Defraud the Government

Any person entering into an agreement or conspiracy to defraud the U.S. by obtaining or aiding in obtaining the payment or allowance of any false, fictitious, or fraudulent claim is subject to fine, imprisonment, or both as prescribed by ***Title 18 U.S.C. § 286***.

VOLUME 5, CHAPTER 2: "DISBURSING OFFICES, OFFICERS, AND AGENTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated July 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision

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CHAPTER 2

DISBURSING OFFICES, OFFICERS, AND AGENTS

1.0 GENERAL

1.1 Overview

Title 31, United States Code (U.S.C.), section 3321(c) (2) (***31 U.S.C. § 3321(c)(2)***) allows the Secretary of Defense to designate personnel of DoD as disbursing officials to disburse public money available for expenditure. In order to disburse money, an activity must send a request to establish a disbursing office. When establishing disbursing offices and associated appointments of accountable positions, DoD Components must be cognizant of internal control guidelines provided in Chapter 1, paragraph 3.5.

1.2 Purpose

This chapter addresses policy on DoD's establishment of a disbursing office. A disbursing office is considered necessary for the efficient functioning of an operating activity. This chapter also addresses the appointment of the Disbursing Officer (DO) and other agents appointed to receive and maintain the custody of public funds.

1.3 Authoritative Guidance

Official funds will be received and disbursed by order or on the authority of the commanding officer, except when directed by a superior in the chain of command or when sanctioned by the Comptroller General of the United States. Under ***31 U.S.C. § 3325*** DoD DOs are authorized to disburse public funds on receipt of vouchers properly certified.

2.0 POLICY

2.1 Request for Establishment of a Disbursing Office

2.1.1. An activity requesting to establish a disbursing office at a new activity, or an activity receiving disbursing services from an external source, sends a memorandum through its chain of command. Each level of command endorses the request to indicate concurrence and provides any additional information required by the approving official. The chain of command forwards the memorandum to the Defense Finance and Accounting Service, Indianapolis (DFAS-IN), ATTN: Enterprise Solutions and Standards, Disbursing (DFAS-IN/JJFKDC), 8899 East 56th Street, Indianapolis, IN 46249-0500. The request must include:

2.1.1.1. A statement justifying why an office is required and why the disbursing operation cannot be conducted by an existing disbursing activity;

2.1.1.2. Anticipated workload: number of military and civilian personnel to be supported, and commercial vendor services vouchers to be settled;

2.1.1.3. Proposed date of establishment;

2.1.1.4. Name and location of the nearest Federal Reserve Bank (FRB) or branch, and its distance from the proposed disbursing office. If there is no FRB or branch within a reasonable distance, include the name and location of the nearest designated depositary, if any, and its distance from the proposed office;

2.1.1.5. An estimation of U.S. Department of the Treasury (Treasury) checks needed for the first year of operation (see Chapter 7, paragraph 3.1);

2.1.1.6. Name, social security number, and rank or grade of the proposed DO, if known;

2.1.1.7. An estimation of monthly cash requirements (see Chapter 3, paragraph 2.3); and

2.1.1.8. Information on plans to implement an automated disbursing system.

2.1.2. The memorandum also addresses the appointment of the DO and agents to regularly receive and maintain custody of public funds. The DO may appoint any officer, enlisted member, or civilian employee they consider satisfactory as an agent.

2.2 Disbursing Station Symbol Number (DSSN)

2.2.1. DSSN. The DFAS-IN/JJFKDC obtains the DSSN from the Treasury's Bureau of Fiscal Service (Fiscal Service). DSSNs are permanent, and are either open or closed. Open DSSNs are open for an indefinite period. Some open DSSNs may be inactive, and may be either:

2.2.1.1. Contingency, available for use in a military contingency operation;

2.2.1.2. Temporarily deactivated for a specific reason, (e.g., a ship undergoing extensive overhaul for a period of several months may arrange for disbursing service from a shore-based disbursing office or activity); or

2.2.1.3. In settlement pending closure (see section 10.0).

2.2.2. Change in Designation or Location. Coordinate proposed changes in the designation or location (mailing address) of an operating DSSN, to include tactical deployment, with DFAS-IN/JJFKDC, who will advise Fiscal Service.

2.2.3. Use of DSSN. The DSSN must appear on all payments, collection vouchers, and Treasury and limited depositary account (LDA) checks processed by the disbursing activity.

2.3 Employer Identification Number (EIN)

The DO, who disburses taxable funds, should ensure payments received by entitlements' activities have secured an EIN to report taxable income or income and withholdings.

2.4 Reporting Activation of a Disbursing Office

The DO activating a disbursing office notifies Fiscal Service, Check Reconciliation Branch, through DFAS-IN/JJFKDC by memorandum immediately upon commencement of disbursing operations. Include in the memorandum: the name of the disbursing activity, DSSN assigned, DO's name, rank or grade, the opening date of the account, and the first and last serial number of all blank Treasury checks on hand in each check range. Send a copy of the memorandum to the supporting DFAS site.

3.0 APPOINTING DOs, DEPUTY DOs (DDOs), AND OTHER ACCOUNTABLE OFFICIALS

3.1 Persons Authorized to Have Custody of Public Funds

To ensure proper security and accounting for public funds, assign responsibility to a limited number of authorized persons to receive, maintain custody, and disburse or otherwise dispose of public funds.

3.2 Accountable Officials

Accountable Officials are officers or employees of an agency who are or who may be found to be pecuniarily liable for repayment of losses or deficiencies of public money, vouchers, checks, securities, or records (see Chapter 1, section 3.0).

3.3 Appointments

Use the DoD ***(DD) Form 577***, Appointment/Termination Record-Authorized Signature, to appoint accountable officials. This form does not allow multiple appointments simultaneously. It is the only document required to support this type of appointment. Send a copy of the DD 577 and the required original specimen signature as specified in subparagraph 4.4.1 to DFAS-IN/JJFKDC to be maintained in the DO's files.

3.4 Exceptions

3.4.1. An individual who occasionally receives public funds does not need to be appointed formally as an accountable official. Funds may be received at times, at locations, and under circumstances that preclude any advance arrangement for their receipt. At some activities, collections are so infrequent that it is impractical to have a formal designation in effect. Funds received by persons other than those formally designated must promptly send funds received to their servicing disbursing office or to another person formally designated to receive them.

3.4.2. The DO at DFAS sites may hold appointments to more than one DSSN, and may serve concurrently as a DDO to other DFAS DOs. Each DDO appointed by a DFAS DO may serve under one or more of the DSSNs assigned to the appointing DO and may also serve more than one DFAS DO concurrently. DOs and DDOs at DFAS sites holding multiple DSSN appointments complete a separate DD 577 for each applicable DSSN.

3.4.3. The DO and DDOs aboard Navy vessels may serve concurrently in other accountable positions, (e.g., ship's stores officer, food service officer) when the ship's manpower authorization does not provide Supply Corps officers for each accountable function (see Chapter 1, subparagraph 3.5.2).

3.4.4. When directed by appropriate authority, DOs, DDOs, and their agents may accept, safeguard, account for, and dispose of personal funds and valuables received for safekeeping. Where personnel resources are limited, persons serving as DOs or other accountable officials may also serve as safekeeping custodians at the commander's discretion (see Chapter 16, paragraph 1.1).

3.5 Restrictions

Except as specifically authorized, do not assign DOs additional duties of order approving authority, certifying officer, custodian of any fund, or other conflict-of-interest assignment.

3.6 Terminations

Terminate appointments using Section IV of the appointing DD 577.

4.0 DOs

4.1 Eligibility

To be eligible for appointment as a DO, an individual must be a U.S. citizen and have previous experience as a DO or have completed (or agreed to complete) specific DO training as defined by the appointing authority.

4.2 Appointment

The commander, director, or other equivalent appoints a DO using a DD 577 (see paragraph 3.3).

4.3 Terminations

Terminate appointments using Section IV of the appointing DD 577.

4.4 Submission of DD 577 and Fiscal Service (FS) Form 3023, Specimen Signatures

4.4.1. Official Signature. Before commencing disbursing operations, a DO and all appointed DDOs determine which of their given names and/or initials will comprise their official signatures, and use them on all checks, vouchers, correspondence, and official documents pertaining to the DoD, Government Accountability Office (GAO), and Treasury. Send the DD 577 and FS 3023 to DFAS-IN/JJFKDC, having used permanent dark blue, blue-black, or black fade-resistant ink that is not readily soluble in water.

4.4.2. Official Signatures to Other Depositaries. If checks will be drawn on a depositary other than the Treasury, send the DO's official signature (as well as those of DDOs authorized to sign depositary checks) to the depositary. An officer whose signature is known to the depositary must certify the forms.

4.4.3. Change of Official Signature. A DO or DDO may change their official signature by submitting a new FS 3023 to DFAS-IN/JJFKDC.

4.4.4. Furnishing Additional Signatures When Transferred to a New Station. The DFAS-IN/JJFKDC files specimen signatures under each DSSN used and furnishes them to different banks upon request for use in cashing and processing checks, and may request that a DO or DDO furnish an additional FS 3023. Since an individual's signature may change over time, DFAS-IN/JJFKDC may request additional signatures if needed.

4.5 Commencement of Disbursing Duty

Immediately upon commencement of disbursing duties, a DO activating a new disbursing office, reactivating a disbursing office, or relieving another DO, prepares a memorandum that includes: name of the disbursing activity; DSSN assigned; DO's name, rank or grade; opening date of the account; and the beginning and ending serial numbers of all blank Treasury checks on hand in each check range. If applicable, also include the relieved DO's name and rank or grade. Keep the original memorandum in the disbursing office and sends copies to DFAS-IN/JJFKDC and the supporting DFAS site.

4.6 Transfer of Disbursing Duty

4.6.1. Joint Actions by the Outgoing and Incoming DOs. The outgoing and incoming DOs establish the date to transfer accountability, subject to command approval. Since accountability is reported daily by a full Central Accounting Reporting System (*CARS*) daily reporter, a transfer of disbursing duty is not required to occur on the last day of the month, as required for CARS non-daily reporters. In a daily reporting environment, the Standard Form *(SF) 1219*, Statement of Accountability, is no longer required to be submitted to the Treasury (see Chapter 15, section 6.0). When the transfer occurs, the outgoing and incoming DOs:

4.6.1.1. Verify cash on hand;

4.6.1.2. Verify all documents that support the SF 1219, as assets;

4.6.1.3. Verify and prepare a letter of transfer for all blank Treasury checks. Both DOs sign the letter. The incoming DO reports all checks issued by the outgoing DO that were not reported to the Treasury before the transfer of accountability. The incoming DO also resubmits any rejected entries. Include the numbers of the blank checks the incoming DO receives in the commencement of disbursing duties memorandum. The first check in the series must be the next sequential number after the last check listed on the outgoing DO's last check issue report. The last check receipted should be the same as the last check number previously ordered and received by the outgoing DO. Research any checks missing or out of sequence and void them if necessary;

4.6.1.4. Verify stored value card stock (see Chapter 10, subparagraph 2.12.1);

4.6.1.5. Verify postal money orders on hand;

4.6.1.6. Verify safekeeping deposits (see Chapter 16, paragraph 4.2);

4.6.1.7. Prepare a memorandum of relief for submission to the commander if required by local regulations;

4.6.1.8. Verify and transfer all documentation supporting balances in clearing accounts **F3880 (Unavailable Check Cancellations and Overpayments (Suspense)), **F3875 (Budget Clearing Account (Suspense)), and **F3885 (Undistributed Intra-governmental Payments). The Treasury Financial Manual (TFM), Volume 1, Part 4, Chapter 7000 (***I TFM 4-7000***) and ***I TFM 2-1500***, require these accounts be cleared to proper appropriations or funds as expeditiously as possible. To clear account **F3880, the outgoing DO presents a detailed list of individual subsidiary transactions, supporting documentation, and current status. Documented evidence includes certification that the DO or designated DDO personally reviewed the balances in the account within the last month (see Chapter 7, subparagraph 11.9.5); and

4.6.1.9. Validate unreconciled differences (e.g., check issue and deposit discrepancies, Intra-governmental Payment and Collection system differences). In addition, ensure that the outgoing DO's accountability, the balance amount on the ***DD 2657***, Daily Statement of Accountability, is reconciled with the DO Cash Treasury Account Symbol (TAS) on the daily CARS Account Statement. If the outgoing DO cannot provide documentation supporting the unreconciled items, they process the discrepancies as losses (see Chapter 6, section 4.0) or overages (see Chapter 6, section 8.0) of funds.

4.6.2. Actions by Outgoing DO. Upon relief from disbursing duty:

4.6.2.1. Terminate all DDO, agent, and cashier appointments and clear all related ***DD 1081(s)***, Statement of Agent Officer's Account;

4.6.2.2. Transfer all cash, negotiable instruments, money accounts, books, property, vouchers, and other retained records to the incoming DO;

4.6.2.3. Prepare and submit a final SF 1219. The incoming DO signs and marks it as "FINAL";

4.6.2.4. Prepare and submit a final SF 1179, Month End Check Issue Summary. The incoming DO signs and marks it as "FINAL";

4.6.2.5. Send a copy of the incoming DO's commencement of disbursing duty memorandum, including copies of all the letters of transfer of total accountability with the final SF 1219 to the DFAS site where financial reports are submitted;

4.6.2.6. Prepare and send a memorandum to the supporting DFAS site and DFAS-IN/JJFKDC advising of the date and check number of the last check issued;

4.6.2.7. Verify the destruction of signature plates or digitized signature medium being withdrawn from service (not to be used again). Follow the guidance in Chapter 7, subparagraph 5.2.6. When the medium has been destroyed, send a copy of the certificate of destruction to DFAS-IN/JJFKDC; and

4.6.2.8. Transfer custody of the check-signing machine to the incoming DO, if applicable.

4.6.3. Actions by the Incoming DO. The incoming DO ensures that all actions listed in this section are accomplished, documented, and verified before signing for the accountability. The actions listed are to be taken by an incoming DO before reporting to the new disbursing office or activity.

4.6.3.1. Upon commencement to disbursing duty:

4.6.3.1.1. Send the FS 3023 and memorandum to DFAS-IN/JJFKDC and the DFAS site that receives the DO's financial reports. If signatures have been furnished previously as a DO or DDO, submission of the FS 3023 is not required unless specifically requested or a change of official signature is desired. If the outgoing DO has an LDA with check stock, send specimen signatures to the LDA;

4.6.3.1.2. Contact the disbursing office or activity to determine if a check-signing machine is in use. Obtain all necessary information about the machine (make, model and number of media required);

4.6.3.1.2.1. If the incoming DO has never had a signature medium, provide three official signature specimens in addition to those required by paragraph 4.4, and request the required medium be ordered and received before the actual transfer date.

4.6.3.1.2.2. If a signature medium cannot be received or obtained before the actual date of transfer, the incoming DO may request DFAS-IN/JJFKDC to authorize the use of the outgoing DO's until a new one arrives, to allow continued efficient operations of the disbursing office. The incoming DO is accountable and pecuniarily liable for payments made on or after the date of the transfer of accountability.

4.6.3.1.3. Appoint at least one DDO and send the DD 577 and FS 3023 to DFAS-IN/JJFKDC. Appoint agents, cashiers, and other accountable officials as necessary;

4.6.3.1.4. Verify the adequacy of the safekeeping facilities for funds, blank checks, stored value cards, and other accountable documents. If the facilities are inadequate, report the deficiencies to the commander and request that proper facilities be provided (see Chapter 3, section 3.0);

4.6.3.1.5. Change all safe combinations;

4.6.3.1.6. Review cash on hand requirements. If the current cash holding authority is valid, the incoming DO may retain it until the normal resubmission date. Otherwise, the incoming DO submits a new cash holding authority request as soon as possible after assuming the account (see Chapter 3, paragraph 2.3); and

4.6.3.1.7. Notify all serviced activities, agencies, commercial concerns, and necessary stakeholders of the account holder change.

5.0 DDOs

5.1 Eligibility

An officer, enlisted member, or civilian employee acceptable to the DO and who is a U.S. citizen may be appointed as a DDO.

5.2 Appointment

DOs appoint their DDOs using the DD 577 (see paragraph 3.3).

5.3 Terminations

A DO may terminate a DDO's appointment at any time by completing Section IV of the appointing DD 577. When a DO is relieved from disbursing duties, they revoke the appointments of all DDOs. In all cases, send a copy of the DD 577 to DFAS-IN/JJFKDC. If another individual will succeed a DDO, send a copy of the appointing DD 577 and FS 3023 for the new DDO, with the copy of the notice of revocation to DFAS-IN/JJFKDC. If a DDO appointment is terminated for cause, include the reason for termination when sending the appropriate DD 577 to DFAS-IN/JJFKDC.

6.0 CHANGE IN THE STATUS OF DOs OR DDOs

6.1 Authorized Absence of DOs and DDOs

During an authorized absence, the DO remains accountable for the account unless or until it is officially transferred. Accountability does not need to be transferred unless, in the DO's judgment, not doing so would impair proper supervision. The DO must maintain an adequate system of controls to avoid errors and ensure the implementation and effectiveness of those controls. For relief of liability to be considered, the DO must show clearly what the procedures were and how they were implemented during the absence (e.g., records must show that any loss incurred was not the result of bad faith or lack of reasonable care).

6.2 Death, Disability, or Removal of a DO

6.2.1. Death, Disability, or Removal of a DO. When a DO dies, becomes disabled, or is removed from disbursing duty for cause (including unauthorized absence), a DDO under ***10 U.S.C. § 2773***, may continue to disburse under the accounts of the DO through the last day of the second month after the month of death, disability, or removal. If there is more than one DDO, the commander, DFAS Director, or designee, as appropriate, designates one DDO to disburse in the DO's name.

6.2.2. Responsibility of the Commander or DFAS Director. The commander, DFAS Director, or designee:

6.2.2.1. Seizes and seals all disbursing spaces, keys, property, and safe(s) to ensure the security of the funds, property, and spaces involved;

6.2.2.2. Appoints a board of at least three disinterested but qualified persons to inventory the vouchers, funds, and property on hand (see subparagraph 6.2.3);

6.2.2.3. Appoints based on the disbursing needs of the activity:

6.2.2.3.1. A custodian of the disbursing office's vouchers, funds, and property (see subparagraph 6.2.4); or

6.2.2.3.2. A qualified person (normally a DDO) to take charge of the DO's vouchers, funds, and property involved and perform as acting DO until regular relief reports (or is appointed), or until the last day of the second month following the date of death, disability, or removal (see subparagraph 6.2.5); and

6.2.2.4. Notifies the supporting DFAS site of all actions taken and provides an information copy to DFAS-IN/JJFKDC.

6.2.3. Responsibility of the Inventory Board. The appointed board, as prescribed in subparagraph 6.2.2.2, inventories all public funds, including advances to deputies, agents and cashiers; vouchers evidencing receipt, transfer, or disbursement of funds; safekeeping deposits; stored value cards, if applicable; and property of the DO in the presence of the immediate custodians and the appointed custodian, acting DO, or incoming DO. In addition, the appointed board must verify the departed DO's accountability balance on the DD 2657 is reconciled with the DO Cash TAS on the daily CARS Account Statement. If there is no documentation supporting the unreconciled items, the incoming DO processes the discrepancies as losses (Chapter 6, section 4.0) or overages (Chapter 6, section 8.0) of funds.

6.2.3.1. The board verifies all official records to determine that the cash on hand agrees with the records, verifies that all checks and stored value cards issued in the current accounting period have been properly accounted for, and inventories blank checks to determine if any are missing.

6.2.3.2. If the board discovers a shortage or deficiency, the commander takes the actions prescribed for losses of funds or deficiencies in the DO's account as prescribed in Chapter 6, section 4.0.

6.2.3.3. All members of the board prepare and certify an original and four copies of the inventory as true and accurate. The board turns over all public funds and property certified on the inventory to the appointed custodian, acting DO, or incoming DO. The incoming DO retains a copy of the inventory report, provides the original to the commander, and a certified/notarized copy to each member of the board.

6.2.4. Responsibility of the Custodian. The custodian, on receipt of the original inventory, assumes custody of the public funds, and property held by the former DO. No transactions other than collections may be conducted. When the disabled DO returns, or a new, permanent DO reports, the custodian and the DO inventory and transfer all vouchers, funds, and property as prescribed in the relief procedures.

6.2.5. Responsibility of the Acting DO

6.2.5.1. The DDO appointed to serve as the acting DO performs and is accountable for all official duties that would have been required of the DO, to include submitting financial reports for the DO as of the date of death, disability, or unauthorized absence. Include only those vouchers actually paid by the former DO in the reports. The DDO submits the reports in the name of the former DO.

6.2.5.2. Include in the reports: information on the date of death, disability, or unauthorized absence; and the fact that transactions included were made by the former DO. Include vouchers for which checks have been drawn but not delivered in the first reports covering transactions made by the DDO. Submit subsequent financial reports at the normally prescribed times in the name of the former DO, signed by the DDO, and include only transactions made by the DDO under authority of subparagraph 6.2.5.1. Do not merge the financial reports of transactions performed by an acting DO with those of the officer for whom they were appointed, or with those submitted by the regular relief after the disbursing duties are assumed.

6.2.5.3. The DDO signs all checks drawn in the manner normally used when the DDO signs checks. If the volume of checks warrants, the acting DO may use the former DO's signature plates. The acting DO is accountable and pecuniarily liable for all payments and official acts subsequent to the death, disability, or unauthorized absence of the DO.

6.2.6. Responsibility of the Incoming DO. If the commander appoints an individual as DO to relieve the deceased, disabled, or removed DO, the incoming DO is responsible for performing all actions required in subparagraph 6.2.3, and for rendering financial reports in his or her own name.

6.2.7. Administration of the Accounts of a Deceased, Disabled, or Removed DO. The commander should strive to protect the rights of a deceased, disabled, or removed DO, as well as the custodian, acting DO, or incoming DO so that, for any differences discovered during settlement of the accounts, responsibility may be assigned to the appropriate individual. The acting or incoming DO completes the vouchers, closes the accounts, maintains custody of records, and renders the final reports of the outgoing DO. Further, the individual signs documents prepared in connection with the administration and settlement of the accounts of the outgoing DO as follows:

_____
(Name of Disbursing Officer)

By_____
Acting (appointed per 10 U.S.C. § 2773)

The commander of an exonerated DO restored to duty, following arrest, suspension, or other disability, directs a second inventory to be taken by the restored DO and the custodian, acting DO, or incoming DO. The guidance in subparagraph 4.6.1 regarding the transfer of accountability from an outgoing to an incoming DO applies.

6.2.8. DDO at Branch Disbursing Office. Upon the death, disability, unauthorized absence, arrest, or other emergency absence of a DDO at a branch disbursing office, the local commander advises the DO as expeditiously as possible. Depending upon the circumstances, the DO requests the local commander to appoint a board to inventory the accountability and property of the DDO and appoint a suitable person to take custody of the accountability and property until the DO can take an inventory. If practical, the DO takes an inventory of the accountability and property in the presence of a competent witness.

7.0 OTHER AGENTS OF DOs

7.1 Agents

Officers, enlisted members, or civilian employees satisfactory to both the appointing officer and DO may be appointed as agents, (e.g., disbursing agents (DA), cashiers, paying agents (PA), collection agents, change fund custodians, imprest fund cashiers). No agent may be appointed or used over protest of the accountable DO, serve concurrently in any other accountable position, or be charged with the handling or custody of any other funds (see paragraph 3.5).

7.1.1. DOs' agents are pecuniarily liable under accountable official laws for losses of public funds in their possession. When appointing agents, appointing authorities should carefully consider appointing non-U.S. citizens as accountable officials. In some instances, foreign nationals and other non-U.S. citizens may be precluded from being held pecuniarily liable for losses of funds (see Chapter 1, subparagraph 3.3.3.3).

7.1.2. From a security standpoint, do not allow an excessive number of individuals access to public funds.

7.1.3. After an individual ceases to serve in an appointed position, the DO maintains appointing documents for a retention period following the guidance in Chapter 15, section 8.0. Appointments as agents of DOs are effective only while the DO continues to serve as DO of that disbursing activity.

7.1.4. The appointing officer terminates appointments when appropriate (e.g., when the DO is relieved, when the agent ceases to perform the duties for which appointed, or for cause (see subparagraph 4.6.2.1), using Section IV of the original appointing DD 577.

7.2 Disbursing Agents

7.2.1. Duties and Responsibilities. A DA is a DO's agent who is not a DDO. A DA's responsibilities can include all duties, assignments, and functions of a DDO except the authority to sign Treasury checks.

7.2.2. Establishing Positions. The appropriate major command or Defense Agency establishes DA positions in writing.

7.2.3. Appointments. The DO appoints DAs following paragraph 3.3, which includes the appointee's acknowledgement. The DO sends the original copy to the DA, a copy to the office where the duties are performed, and retains a copy on file.

7.3 Cashiers

7.3.1. Selection Criteria. An officer, enlisted member, or a civilian employee with working knowledge of the cash functions and operations, and acceptable to the DO, may be appointed as a cashier. The DO should also obtain a credit report, if access to a credit reporting service is available, charging the associated costs to the Operations and Maintenance funds available to the activity. Safeguard credit reports against unauthorized access.

7.3.2. Duties and Responsibilities. Cashiers disburse, collect, and account for cash; and perform other duties as required concerning the receipt, custody, safeguarding, and preparation of checks. A cashier may prepare DO accountability reports, but the DO, DDO, or DA must personally validate them.

7.3.3. Appointments. The DO appoints cashiers following paragraph 3.3, which includes the appointee's acknowledgement. The DO sends the original copy to the cashier, a copy to the office where the duties are performed, and retains a copy on file.

7.3.4. Restrictions. A cashier may not:

7.3.4.1. Sign checks;

7.3.4.2. Accept checks drawn (and endorsed to the cashier) in the name of the DO, DDO, or DA to procure and disburse cash for any purpose;

7.3.4.3. Prepare billing documents and accept collections for the same items. This restriction also applies to a DA performing cashier duties;

7.3.4.4. Prepare vouchers that they will later pay; and

7.3.4.5. Prepare vouchers on days when they perform cashier functions.

7.4 PA

7.4.1. Appointments. Commanders appoint PAs only when adequate payment, check cashing, or currency conversion services are not otherwise available (see paragraph 3.3). Appointments are for a specific transaction or time period. Do not appoint PAs solely as a convenience when a DO, DDO, DA, or cashier can make the required transactions. In unusual situations (e.g., payments or currency conversions must be made at remote locations where use of checks is not feasible), the DO may request a remote location commander appoint a PA to make the necessary payments for and in the name of the DO from cash advanced for that purpose.

7.4.2. Restrictions. PAs may not act as certifying officers (see Chapter 5, section 3.4) or purchasing officers. Escort officers serving as PAs for expenses related to official travel may likewise not be purchasing officers. See Chapter 1, subparagraph 3.5.2 for guidance on separation of duties and Chapter 5, subparagraph 3.1.2 for guidance applicable to micro-purchases in contingency operations.

7.5 Collection Agents

7.5.1. Establishing Positions. Commanders may establish collection agent positions to receive funds derived from functions such as hospitalization fees and other charges at medical facilities (e.g., communication charges, rentals and other charges at housing developments, fees for research or reproduction of records, safekeeping deposits where the safekeeping function is not performed by the DO, and similar functions when appropriate).

7.5.2. Appointments. The commander appoints collection agents following paragraph 3.3. Unless revoked by the appointing authority, collection agent appointments remain in effect through succeeding appointing authorities.

7.6 Change Fund Custodians

7.6.1. Duties and Responsibilities. A change fund custodian receives a change fund from the parent DO, safeguards it, is pecuniarily liable for any loss, and makes change for sales transactions. The commander provides a detailed description of duties to be performed.

7.6.2. Establishing Positions. The sales activity commander (e.g., commissary, hospital) establishes the position.

7.6.3. Appointments. The activity commander or designee appoints a change fund custodian following paragraph 3.3 in coordination with the parent DO.

7.7 Imprest Fund Cashiers

The activity commander appoints an imprest fund cashier following paragraph 3.3 to make authorized cash payments for materials and non-personal services, maintain custody of funds, and file periodic vouchers to account for and replenish the imprest fund. An imprest fund cashier may be an officer, enlisted person, or civilian employee who is not responsible for originating, approving, or processing imprest fund requirements. An imprest fund cashier (or alternate) may not have access to or control of more than one fund. The commander keeps the appointing document and approval for establishment of the imprest fund in a permanent file, and furnishes two copies of these documents to the cashier and one copy each to the DO and installation or activity contracting office (see section 9.0).

7.8 Alternate Agents

7.8.1. Agents. When required, one or more alternate agents may be designated to serve only during the absence of an appointed primary agent. Alternate agents for DDOs are not permitted. The official authorized to appoint the primary agent also appoints alternates following paragraph 3.3. When serving in place of the primary agent, the alternate agent is subject to all regulations applicable to the primary. Alternate agents may not merge funds received with those of the primary agent, and must also maintain separate records from those of the primary agent to establish the amount for which each is responsible. Alternate agents may not conduct operations involving the handling of public funds concurrently with the primary.

7.8.2. Alternate Imprest Fund Cashier. Under paragraph 3.3, a commander may appoint an alternate imprest fund cashier to provide service during a principal's absence. Appointment requirements for principal cashiers apply to alternate cashiers. Upon return of the principal, the alternate returns paid receipts, subvouchers, and residual cash to the DO.

7.8.2.1. Planned Absences. In planned absences of the principal cashier and with the appointing official's written authorization, the principal may advance cash to the alternate in any amount up to the limit of the fund, using a DD 1081 for the advance.

7.8.2.2. Unforeseen Absence. In the unforeseen absence of the principal cashier, the DO may advance funds to the alternate in the normal manner; these funds are in addition to the amount advanced to the principal under the established fund, but may not exceed the authorized amount of the fund.

7.9 Death, Disability, or Unauthorized Absence of Agents

In the event of the death, disability, or unauthorized absence of an agent, the appropriate commander follows paragraph 6.2 for deputies at branch offices, but appoints relieving agents following procedures applicable to the position involved. In the case of an imprest fund cashier, the relieving imprest fund cashier prepares the final voucher.

8.0 DEACTIVATING OR CLOSING A DSSN

8.1 Deactivation

8.1.1. DSSN Temporary Closure. To eliminate the necessity of submitting monthly financial and checking account reports during the period of inactivity, the DO deposits all currency, coin, and negotiable instruments; closes the LDA and, if applicable, properly disposes of all undeliverable checks; submits the memorandum required for closure of disbursing offices with additional information that the account is closed temporarily; and retains blank Treasury check stock for use when the disbursing operation is reactivated (see Chapter 7, section 3.7 for inventory and storage requirements). A DO preparing an office for closure ensures that the DO's accountability balance on the DD 2657 and the DO Cash TAS in CARS are reconciled (Agency Location Code settlement). The DO may reopen that same DSSN at any time by submitting the report of commencement of disbursing operations. Note: A DO may not close a DSSN temporarily if any cash or documents representing cash are on hand. Any assets on hand, including deficiencies such as dishonored checks or losses of funds, require monthly submission of an SF 1219.

8.1.2. Designation of a Settlement Office. The supporting DFAS site designates another disbursing office as the settlement office to handle uncleared transactions for the closed office.

8.1.3. Notification of Deactivation Pending Closure. The DO will:

8.1.3.1. Notify all affected activities, agencies, commercial concerns (including LDAs when applicable), and individuals of the disbursing office deactivation date and the name and location of the settlement office to which all accounts will be transferred;

8.1.3.2. Notify Fiscal Service by memorandum through DFAS-IN/JJFKDC that the disbursing office is being deactivated pending closure. Include the DSSN, date of deactivation, the office to which the accounts and records have been/will be forwarded for settlement, and the last check number of each check range issued by the DSSN. Also, include the date and check number of the last check signed in each check range by each DDO where separate check series are assigned to DDOs at branch offices. Send a copy of the memorandum to the supporting DFAS site. Once a disbursing office is reported to Fiscal Service as being in a settlement status, it may not be reopened or transferred to another location without Fiscal Service approval. Once the settlement office has met all requirements in section 8.0, pertaining to closing the disbursing office, Treasury will close the DSSN permanently;

8.1.3.3. Notify commanders and request termination of appointment for all agents they appointed;

8.1.3.4. Issue terminations of appointments to all DDOs, agents, and cashiers (see paragraph 3.6);

8.1.3.5. Notify commanders and request termination of the DO's and agents' authorities to hold cash at personal risk; and

8.1.3.6. Clear all outstanding agent advances (e.g., imprest fund cashier and change fund custodians).

8.2 Deposits

Deposit all currency, coin, negotiable instruments, and LDA balances to the credit of the Treasury (see Chapter 11, section 8.0).

8.3 Deposits Fund Account Balances

Transfer deposit fund account balances that could not be cleared to the designated settlement office. Send a detailed list of the persons owed or funds to be reimbursed with any documents or backup information with the SF 1081, Voucher and Schedule of Withdrawals and Credits, to the settlement office. The SF 1081 is the basis for adjusting the general ledger for the amounts transferred.

8.4 Undeliverable Checks

Cancel all undeliverable checks and return checks forwarded by other DOs as undeliverable to the forwarding DOs for cancellation (see Chapter 7, paragraph 10.3).

8.5 Blank Treasury Check Stock

Dispose of remaining blank check stock in accordance with Chapter 7. Report destroyed checks on the SF 1179 as "voids" (zero-dollar value issues).

8.6 Stored Value Cards

Stored Value Card stock must be treated like blank check stock (see paragraph 8.5).

8.7 SF 1219

Prepare and submit an SF 1219 (marked "FINAL") covering the period from the first day of the accounting period through the close of the last business day (see Chapter 15, section 6.0).

8.8 SF 1179

Prepare and submit an SF 1179 (marked "FINAL") covering the period from the first day of the accounting period through the close of the last business day. Include all checks issued during the period as well as the blank check stock destroyed and reported as "voids".

8.9 Equipment

Notify the supporting DFAS site of the availability of useable office equipment. The supporting DFAS site advises other DOs of the equipment available and facilitates transfers between disbursing offices, if requested. If no other disbursing office needs the equipment, the DO turns over the equipment to the supporting property disposal office. See Chapter 7, subparagraph 5.2.6 for disposition of signature media.

8.10 Discrepancies

A DO preparing an office for closure ensures that no discrepancies exist in their accountability. The supporting DFAS site reviews all accounts transferred to settlement offices and may order collection action against a relieved DO who submits a disbursing account to a settlement office with unresolved deficiencies in the accountability (e.g., dishonored personal checks, unconfirmed deposits, check issue records and reports, physical losses of funds, and unresolved open debit items in **F3875, **F3880, and **F3885 clearing accounts).

8.11 Closure

Only the Treasury may close a DSSN. Follow the policies within section 8.0 to pursue closing a disbursing office permanently. Once a disbursing office has been closed, it may be used only for settlement purposes. If the disbursing office is to be reopened, the DO must request and receive approval for reactivation from the Fiscal Service through DFAS-IN/JJFKDC. The Fiscal Service also must approve a new check range.

9.0 IMPREST FUNDS

9.1 Overview

Imprest funds are generally not authorized for DoD activities. Exceptions are allowed for contingency and classified operations. Submit specific requests for exception in accordance with Chapter 1, paragraph 1.3. Include adequate justification and demonstrate that the use of a government purchase card, third party draft, purchase card convenience check, government travel card, or other reasonable alternatives are not feasible for the specific situation. Agencies granted the authority to disburse imprest funds must classify imprest fund transactions using established and appropriate TAS/Business Event Type Code (***TAS/BETC***). DOs advancing or receiving funds from an imprest fund cashier will treat the transactions similar to advancing other accountable agents. The ***Shared Accounting Module*** website provides ***Enterprise Reference Data*** for the TAS/BETCs. In lieu of imprest funds, use the government purchase card for micro-purchases of supplies and/or services and the government travel card for travel payments formerly made from the imprest funds. If an imprest fund is authorized, the DO and the imprest fund cashier keep a copy of the signed authorization to establish and maintain the fund. Detailed regulations concerning establishing, using, and accounting for imprest funds, including the responsibilities of designated imprest fund cashiers and alternates are in:

9.1.1. ***I TFM 4A-30165***;

9.1.2. GAO Policy and Procedures Manual for Guidance of Federal Agencies, ***Title 7, Fiscal Guidance, Chapter 6***; and

9.1.3. The Federal Acquisition Regulation Part 13, ***subpart 13.305***.

9.2 Safeguarding Imprest Funds

Safeguard cash and disbursement documents at all times (e.g., safes, locked cash drawers) as prescribed in Chapter 3, section 3.0. The imprest fund cashier should maintain an organizationally and physically convenient location on the installation or activity to make payments to vendors or carriers. Do not commingle imprest funds with other cash funds (e.g., disbursing funds, change funds, or cash receipts for other funds). The imprest fund cashiers must be able to account for the full amount of funds being held at any given time. The responsible imprest fund cashier is accountable to the advancing DO for receipts or subvouchers supporting temporarily unreimbursed expenditures from any imprest fund, together with the cash on hand, in support of the total amount of the fund, and is subject to review by the DO at any time.

10.0 SETTLEMENT OF DO ACCOUNTS

10.1 Overview

The responsibility to clear outstanding items in the accounts of a DO relieved from disbursing duty is normally assigned to a designated settlement office (see subparagraph 8.1.2). The DO of the designated settlement office (referred to as the settlement officer), follows this guidance to resolve discrepancies in a relieved DO's accountability. All correspondence and vouchers initiated by the settlement officer should show the name and DSSN of the accountable officer, date and number of the voucher or account, and be signed "By (name of settlement officer), Settlement Officer for (name and DSSN of accountable officer)." Normally, the settlement officer is also responsible for other residual disbursing functions, (e.g., issuance of stop payment requests, required records research pursuant to claims against the government, and clearing of all suspense accounts).

10.1.1. Deficiencies. In all instances, the relieved DO is responsible for resolving deficiencies before relief, if possible. If a deficiency exists in the account of a relieved DO and it appears that no action was taken to remove it from the accountability and no relief request is pending, the settlement officer should initiate collection action against the accountable DO.

10.1.2. Non-tactical Disbursing Stations. At non-tactical disbursing stations, settlement duties are normally the responsibility of the relieving DO. When one of these stations is closed, the supporting DFAS site designates another non-tactical disbursing station within the site's area to assume the closed station's disbursing operations and perform the settlement function.

10.1.3. Tactical Disbursing Stations. For naval vessels and tactical units, the servicing DFAS site performs the duties of settlement officer for relieved DOs whether or not the disbursing function of the naval vessel or unit is closed.

10.2 Responsibility of Relieved Officers

Despite the appointment of a settlement officer, the relieved DO is responsible for accounting for all funds expended while performing disbursing duties. Transfer of disbursing records under the authority of section 10.0 only relieves the DO of the paperwork incident to settlement of the account. Accountability for illegal, incorrect, or improper payments that cannot be adjusted despite the diligence of the settlement officer remains with the DO. The relieved DO should keep the settlement officer informed of his or her current mailing address at all times. The relieved officer should also answer inquiries related to settlement of outstanding items and furnish any advice or suggestions, which may be of assistance in the prompt and complete clearance thereof.

10.3 Settlement Officer Functions

The settlement officer is the incumbent DO. Subparagraphs 10.3.1 – 10.3.5 apply only to non-tactical DOs (within and outside the continental United States) performing settlement functions for previous DOs of the same disbursing activity and DSSN to which the DO performing the settlement functions is assigned. In addition to accounting for and taking settlement action on deficiencies which occurred during the incumbency of a former DO that were unresolved on the date of relief, the settlement officer may be required to establish or increase deficiencies in the account of a former DO. Most of the transactions processed to establish, increase, reduce, or remove deficiencies in the account of the former DO will be similar to the routine transactions of a DO.

10.3.1. Transactions. The transactions described in the following subparagraphs are the most common types of transactions that will be encountered. On some occasions, the servicing DFAS site may direct accomplishment of specific transactions and will provide detailed instructions for those transactions.

10.3.1.1. Settlement History. In order to have a complete history of the settlement process, the settlement officer will maintain a record of actions taken to clear deficiencies in separate settlement folders for each former DO. The settlement folders should be available for the next relieving DO.

10.3.1.2. Check Overdraft Receivables. Recording, reporting and clearing a check overdraft deficiency are prescribed in Chapter 7, section 8.0 and ***I TFM 4-6045.70***.

10.3.1.3. Losses of Funds. Losses of funds in the account of a former DO that were unresolved on the date of relief are recorded and reported until resolved.

10.3.1.4. Other Accountability. Other accountability items are unresolved deficiencies in the account of a former DO which cannot be classified as check issue overdrafts or losses of funds. These items are reported until resolved. Overpayments caused by the negotiation of both the original and recertified check are prescribed in Chapter 7, paragraph 11.13.

10.3.1.5. Removal of a Deficiency. The settlement officer can request removal of the deficiency on behalf of the former DO. The servicing DFAS site can provide specific instructions for removal of an accountability by correction of an erroneous collection voucher. Instructions pertaining to a relief of liability item are provided in Chapter 6, section 6.0.

10.3.1.6. Negotiable Instruments. Deposit negotiable instruments received to offset a deficiency in a former DO's account under the same guidelines as for other negotiable instruments. Document the deposit on an Optional Form ***(OF) 1017-G***, Journal Voucher.

10.3.2. Settlement Officer is Not Incumbent DO. This subparagraph applies only to DOs designated to settle the accounts of DOs of tactical units or naval vessels relieved from disbursing duty and the accounts of former DOs of closed disbursing stations. Settlement officers perform settlement functions for a DSSN other than the one to which assigned as a DO. Transactions to the account of the former DO will be similar to routine transactions of a DO.

10.3.2.1. Relieved DO. Any transaction affecting the accountability of a relieved DO, including the initial establishment of the settlement account, requires submission of monthly financial reports by the settlement officer for the relieved DO. The financial reports are submitted to the servicing DFAS site in the same manner as other financial reports.

10.3.2.2. Settlement Folders. In order to have a complete history of the settlement process, the settlement officer will maintain a record of actions taken to clear deficiencies in separate settlement folders for each former DO. The settlement folders should be available to the next relieving DO as a part of the relief process.

10.3.2.3. Initial Establishment of the Settlement Account. Upon receipt of the final SF 1219 of the relieved DO, the settlement officer reviews it to determine if any deficiencies existed on the date of relief. In the case of a closed disbursing station where the DO is transferred without a relief, the settlement officer establishes the settlement account by preparation of the necessary files to resolve the deficiencies. In the case of naval vessels and tactical units, if there is a deficiency in the account of the relieved DO, the settlement officer establishes the settlement account as of the month following the receipt of the relieved DO's final SF 1219 by preparing a supplemental SF 1219. The designated settlement officer must:

10.3.2.3.1. Compute the actual accountability of the relieving DO on the date of relief by subtracting the amount established in the settlement account from the amount reported on the relieved DO's final SF 1219; and

10.3.2.3.2. Notify the relieving DO of the naval vessel or tactical unit that the settlement account is established and direct the DO to record the dollar value of the deficiency on the next SF 1219. The relieving DO attaches a copy of the message to the SF 1219 to support the transfer of accountability.

10.3.2.4. Recording Increases to a Settlement Account. After the date of relief, it may become necessary to record a deficiency into the account of a relieved DO.

10.3.3. Removal of Deficiencies. Removal of deficiencies from the accounts of former DOs can be accomplished by collection from the responsible individual, correction of erroneous documents, or relief of liability.

10.3.3.1. If the deficiency is recovered by collection from the responsible individual, the settlement officer document the collection on an OF 1017-G.

10.3.3.2. If the deficiency is removed by correction of erroneous documents, the corrected documents are reported on the supplemental SF 1219 prepared for the month in which the transaction is processed.

10.3.3.3. If a deficiency is removed by relief of liability, the Loss of Funds Adjudication Team, DFAS/ZPTA-IN team will provide a memorandum with a complete fund site to be charged for the transaction.

10.3.4. Preparation of Disbursement and Collection Vouchers. Normally, the preparation and processing of vouchers to settle the accounts of former DOs will not affect the disbursing account of the settlement officer. The settlement officer maintains a separate series of locally assigned voucher numbers (e.g., COOO1 for collections and DOOO1 for disbursements) for use in settlement transactions. Collection and disbursement voucher numbers (assigned to vouchers prepared to process settlement transactions) should not be taken from the voucher number logs of the DO at the settlement activity. In addition, the settlement officer does not maintain the DD 2657 for the former DO.

10.3.5. Financial Reports. The settlement officer submits financial reports for a former DO every month until the former DO's accountability is cleared. Normally, the documents required to be submitted are: a supplemental SF 1219; appropriate copies of deposit ticket or debit voucher; and any supporting disbursement or collection vouchers prepared. The general requirements in Chapter 15, section 7.0 pertain to preparation and submission of financial reports. In addition to the normal distribution requirements, one additional copy of each document is forwarded to the servicing DFAS site. In all cases, each document should clearly identify the name and DSSN of the former DO and the name and address of the settlement officer preparing the reports. Documents requiring a signature are signed "By (name of settlement officer), settlement officer for (name and DSSN of accountable officer)."

10.4 Settlement Procedures for Naval Vessels

10.4.1. Naval Vessels. Even though the DO assigned to naval vessels does not perform settlement functions, certain actions are required to be performed to assist the designated settlement officer. The incumbent DO follows the actions prescribed in section 10.0 for each of the transactions described which are received after the date of relief and which affect the accountability of the relieved DO.

10.4.2. Debit Voucher. Debit vouchers issued by a general depositary or the Treasury for dishonored personal checks, forged Treasury checks, or dual negotiation of both the original and recertified Treasury checks, are not recorded in the current DO's accountability unless the accounts of the DO who is accountable for the deficiency are subject to the 90-day retention period described in Chapter 15, paragraph 8.4 or the person who draws the check or endorser of the dishonored check is locally available for collection action. If neither of the foregoing conditions applies, the current DO forwards the debit voucher and copies of all related documents by email to the servicing DFAS site with a cover letter indicating that the accountability should be recorded against the previous DOs account. If follow-up action previously initiated by the relieved officer results in recovery of funds, the relieving officer forwards the funds in the form of an exchange-for-cash Treasury check to the servicing DFAS site.

10.4.3. Unconfirmed Deposits. For unconfirmed deposits that are later confirmed by follow-up action after the date of relief, forward the confirmed copy of the deposit ticket by email to the servicing DFAS site with a cover letter indicating that the accountability should be recorded against the previous DO's account for processing.

10.4.4. Financial Management Service (FMS) Form 5206. If an FMS 5206 is received during the 90-day retention period subsequent to relief, reproduce a copy of the applicable check issue record and disbursement voucher from the relieved DO's retained records and attach to the form. Send the documents by email to the servicing DFAS site with a cover letter indicating that the accountability should be recorded against the previous DO's account for processing. If one is received after the former DO's records have been sent to the DFAS site as prescribed in Chapter 15, paragraph 8.4, send the document with a cover letter to the servicing DFAS site for processing.

10.4.5. Daily Advice of Status (DAS). Upon receipt of a DAS from the Treasury indicating the original and recertified check issued by the previous DO were both negotiated and previous credit given by the Treasury or the canceled original check is being reversed, the current DO should take the same actions as prescribed in subparagraph 10.4.2 for debit vouchers.

VOLUME 5, CHAPTER 3: "OBTAINING AND SAFEGUARDING PUBLIC FUNDS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*****.**

The previous version dated November 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision

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CHAPTER 3

OBTAINING AND SAFEGUARDING PUBLIC FUNDS

1.0 GENERAL

1.1 Overview

The U.S. Department of the Treasury (Treasury) holds funds appropriated by the Congress subject to disbursement by disbursing officers (DOs) of the United States. When necessary to disburse in cash, upon approval of the commander or other authority, DOs may obtain and maintain cash on hand at their personal risk (a cash holding authority (CHA)) for official disbursements and accommodation exchanges (see paragraph 2.1). The DO's official monthly accountability is recorded and reported on the Standard Form (SF) 1219, Statement of Accountability or an electronic equivalent to account for all public funds. DoD DOs must safeguard all items identified as public funds that they receive, and periodically account for them to the Treasury (see Chapter 15, paragraph 1.3). DOs outside the United States may maintain official checking accounts, known as limited depositary accounts (LDAs), in foreign currency with banks approved by the Treasury (see Chapter 14, section 2.0).

1.2 Purpose

The purpose of this chapter is to provide DoD DOs' responsibilities to obtain and safeguard cash, negotiable instruments, and other items that comprise public funds.

1.3 Authoritative Guidance

Title 31, United States Code (U.S.C.), section 3302 (***31 U.S.C. § 3302***) authorizes DOs to have custody of public funds for disbursement purposes and requires them to safeguard the funds.

2.0 CASH OPERATIONS

2.1 Cash Held at Personal Risk

Funds that qualify as cash held at personal risk include U.S. and foreign currency and coin, imprest funds, change funds, cash with agents (e.g., paying agent (PA)), and cash on deposit in an LDA. DOs use cash to make miscellaneous cash payments, make change, conduct accommodation exchanges, and make other specifically authorized transactions.

2.2 Approving Authorities

A commander, director, equivalent civilian head, or designee has the authority to approve CHAs for DOs, Deputy DOs (DDOs), agents, and cashiers within their commands. The Defense Finance and Accounting Service (DFAS) Director or designee approves requests for DFAS DOs. DFAS DDOs, agents, and cashiers outside of the main DFAS disbursing office may hold cash at personal risk, with the amount to be held subject to the approval of the parent DO and the local

activity commander based on their responsibility to safeguard public funds (see section 3.0). Keep cash on hand at the minimum amount necessary to meet normal requirements. Approving authorities review each request to ensure that good cash management procedures are in effect.

2.3 Determining Cash Requirements

2.3.1. Considerations. DOs should consider daily cash collections of all DDOs, agents, cashiers, and other custodians of public funds over a representative period of time and average the results to determine cash requirements. If daily cash collections exceed disbursement and accommodation needs, no additional computation is necessary. If collections do not exceed disbursements, use the following table to compute the cash requirements according to the time to obtain funds from the source, weekly cash transaction volume, and the maximum amount authorized.

LEVELS OF AUTHORIZED CASH HOLDINGS		
If the source of funds is	and weekly requirements are:	hold cash to operate for:
Reasonably close (not more than 24 hours required to obtain cash)	$500 or less	4 weeks
	Over $500 but less than $5,000	2 weeks
	$5,000 but less than $100,000	1 week
	$100,000 and over	3 days
Not reasonably close (24-48 hours required to obtain cash)	$2,500 or less	4 weeks
	Over $2,500 but less than $50,000	2 weeks
	$50,000 and over	1 week
Remote (more than 48 hours required to	$50,000 or less	4 weeks
	Over $50,000	2 weeks

To preclude temporary increases due to extreme currency fluctuations, the portion of the DO's request to hold foreign currency at personal risk may be stated in foreign currency units. See Figure 3-1 for a suggested procedure for computing average daily cash requirements. Consider the following types of disbursements:

2.3.1.1. Routine cash payments;

2.3.1.2. Emergency cash payments;

2.3.1.3. Cash travel advances for non-cardholder temporary duty and permanent change of station travelers;

2.3.1.4. Foreign currency requirements for accommodation exchanges;

2.3.1.5. Personal check cashing transactions (see Chapter 4, section 3.0);

2.3.1.6. Cash transactions of remote DDOs, cashiers, and agents; and

2.3.1.7. Cash requirements for managing foreign government contributions (burden sharing funds).

2.3.2. Special Circumstances. When special circumstances require DOs to increase their CHA beyond the amounts discussed in subparagraph 2.3.1 (e.g., operational contingencies), describe the circumstances and duration of the expected need for increased cash in the request for approval to increase cash held at personal risk. If the circumstances are more than temporary (over 30 days) or expected to become permanent, the DO re-computes their CHA and submits a new request based on the anticipated services.

2.3.3. Cash Collections. DOs and their agents may hold cash collections for operating requirements within their CHA. Immediately deposit cash collections that increase cash on hand above the authorized limit (see Chapter 11, section 8.0).

2.4 Requests for Approval

2.4.1. A DO requests a CHA from the approving authority cited in paragraph 2.2. Do not include scheduled payday cash requirements (e.g., the amount required to cash payday paychecks) in a request. The approving authority ensures that the requested amount follows the guidance in paragraph 2.3 and that management controls exist to ensure the conduct of routine reviews of cash requirements. Submit requests semiannually, allowing enough time for CHA authority to become effective on October 1 and April 1 of each year. Also, submit a request whenever a review of cash requirements results in a major change. Include in the written request:

2.4.1.1. The name, title, and duty station of the accountable requestor;

2.4.1.2. A description of the transactions requiring the use of cash;

2.4.1.3. A statement that adequate facilities are available to safeguard the cash (see section 3.0); and

2.4.1.4. A breakdown of cash by accountable position.

2.4.2. A CHA request includes the amount to be held personally by the DO and the DO's DDOs, agents, cashiers, and other custodians of public funds, but not amounts to be held by authorized imprest fund cashiers and change fund custodians which receive separate approval. The approving authority approves all requests by an endorsement and returns them to the DO for retention. To preclude compromise of classified information, CHA requests for emergency and extraordinary expense funds may omit security items (e.g., duty station, description of payments, facility location, or other details), but keep this information on file for review by cleared personnel.

2.5 Obtaining Cash for Disbursing Purposes

Funds that qualify as cash held at personal risk, also known as DO's cash, include U.S. and foreign currency and coin, imprest funds, change funds, cash with agents (e.g., PA), negotiable checks (not check stock), and cash on deposit in an LDA. The Central Accounting Reporting System (***CARS***) DO cash Treasury Account Symbol (***TAS***) (see paragraph 2.6) balance amount should never exceed the approved cash holding authority amount or the balance amount of the day's ending cash on hand.

2.5.1. Available Procurement Methods

2.5.1.1. Exchange-for-Cash Checks. DOs may draw exchange-for-cash checks (see Chapter 7, section 7.0) payable to the DO or DDO who procures the cash. The DO or DDO endorses the check to the name of another DO or DDO, or the name of the financial institution. DOs may obtain cash from other DOs, a Federal Reserve Bank (FRB) or branch, or any commercial bank willing to provide the service, to include overseas Military Banking Facilities (MBFs). If a DO or DDO is unable to go to the bank to take possession of the funds due to excessive workload or location, he or she may arrange for the FRB or financial institution to ship the funds by registered mail or armored car. The local commander approves and funds this type of delivery.

2.5.1.2. U.S. Treasury Check/Electronic Funds Transfer (EFT) Exchange-for-Cash. DOs or DDOs may procure cash (U.S. dollars (USDs) or foreign currency) for authorized disbursements and accommodation transactions overseas using EFT. Coordinate with an authorized MBF or local LDA for an account to receive the transfer as an Automated Clearing House or International Treasury Services (***ITS.gov***) transaction, and determine the exchange rate on the date of crediting to the DO's account. DOs must cite the DO Cash TAS associated with their Service on the Optional Form ***(OF) 1017-G***, Journal Voucher, as stated in Chapter 7 when issuing a U.S. Treasury check or EFT-for-cash. These transactions are reported to the Payment Information Repository (***PIR***), which will feed the CARS daily account statement showing an increase to DO cash. Note–an issued U.S. Treasury check-for-cash is considered cash from a reporting standpoint regardless if negotiated.

2.5.1.3. Transfers Between DOs. DoD DOs may transfer funds among themselves following the same exchange-for-cash procedures used to procure cash. They may also accomplish these transfers utilizing the DoD ***(DD) Form 2657***, Daily Statement of Accountability, and Standard Form (SF)1219, Statement of Accountability, but must coordinate to ensure they report this amount in the same reporting period (see Chapter 15, sections 5.0 and 6.0). For DOs on Treasury's daily reporting, transfers must be reported by both DOs via two Classification Transactions and Accountability (CTA) transactions to reflect a decrease to the DO providing the funds and an increase to the DO receiving the funds.

2.5.2. Notification to the Treasury. The Treasury Financial Manual, Volume I, Part 4A, Chapter 4000 ***(I TFM 4A-4000)*** identifies Treasury's requirement to maintain and update its operating cash balance (e.g., the government's cash flow). DOs must therefore provide the Treasury with advance notice of their cash requirements and other related information. For additional guidance on disbursement forecasting, see Chapter 9, section 3.0.

2.5.3. Cash Held for Operating Requirements. DOs that maintain physical cash associated with a ***DD 1131***, Cash Collection Voucher, must cite the appropriate Standard Line of Accounting, which will include the TAS/Business Event Type Code (TAS/BETC), for the collection transaction. Multiple collection vouchers may be consolidated under one transaction reported to Treasury at the end of day only if they fall under the same program TAS/BETC and Agency Location Codes. DOs must ensure that any consolidated transactions have an audit trail that can be validated at the individual transaction level. These transactions are reported to the CTA, which will feed the CARS daily account statement showing an increase to the DO cash TAS and an increase to the TAS on the collection voucher. This will increase DO accountability to reflect the entire amount of cash collected in as being retained for operating requirements.

2.5.4. Protection of Currency in Transit

2.5.4.1. Notification to Commander. A DO or another accountable official, either leaving the disbursing activity or arriving to pick up $10,000 and above, notifies the commander and the security police through the command or other duty officer. The DO must provide the time of departure, destination, estimated time of return, amount, and the source or disposition of the funds, as appropriate, for entry in the ship or station log.

2.5.4.2. Transporting Cash. The commander of the installation requesting cash is responsible for securing that cash at all times. Deciding to have an armed escort, the number of escorts, and the type of transportation to be used is a command responsibility. The commander should consider such things as the amount of cash, distance and terrain, and type of transportation and local security forces available.

2.5.4.3. Liability. An accountable official (DO, DDO, agent, cashier, or other custodian of public funds) who has signed for the cash is pecuniarily liable for it, pending its return to the DO. An accountable official who feels that the command has not provided adequate security may refuse to disburse such funds and return them to the DO.

2.5.5. Verification of Money. The accountable official verifies all cash received before acceptance. Verify unsealed money by actual count before acceptance or immediately upon receipt of shipment. The DO or DDO, at their own risk, may bundle-count sealed new money bricks presented with the FRB's packaging intact. When opening a bundle, verify it immediately upon opening with individuals present to witness both the breaking of the seal and the count. The accountable official must report discrepancies immediately by issuing a claim to Treasury via the bank that provided the money. Identify the bundle or brick in question and include a signed statement from the witnesses. For a disapproved claim, follow the request for relief of liability procedures in Chapter 6, section 6.0. Verify and accept cash shipped to the accountable official in front of witnesses immediately upon receipt following these procedures, depending upon how the money is packaged.

2.5.6. Expenses. Charge bank fees and shipping costs incurred when procuring U.S. or foreign currency to the disbursing activity's operating fund account.

2.5.7. Accounting for Premiums on Sales of Public Moneys or Securities. Under ***31 U.S.C. § 3341***, a DO of the U.S. Government may sell government warrants, checks, drafts, or obligations not the property of the official at a premium, or dispose of the proceeds of the warrant, check, draft, or obligation, only if the official deposits the premium and the proceeds in the Treasury or with a depositary for the credit of the government. Credit General Fund Accounts XX 3220, General Fund Proprietary Receipts, Not Otherwise Classified, All Other, for the USD equivalent (USDE).

2.5.8. Registered Mail Shipments. Send an exchange-for-cash check to an FRB or MBF by registered mail. Keep a copy of the check and report it on line 6.7, as Cash in Transit, (see Chapter 15, section 6.0) on the SF 1219 until the cash is received. When a DO is aware that the FRB or MBF has shipped the cash and has not received that cash within a reasonable period, contact the shipper to request the shipment be traced (see paragraph 5.5). This is the least preferred method to obtain cash. Use it only after determining that all other procurement methods are not feasible.

2.5.9. Obtaining Cash by Transfer From Officer Relieved. DOs may obtain cash funds by transfer from another DO without the issuance of an exchange-for-cash check only upon the relief of a DO and only from the DO being relieved (see Chapter 2, paragraph 4.6).

2.6 TAS for DO Cash

A TAS is established for each DoD Component to document the balance of DO cash held outside of the Treasury. The Treasury and the Office of Management and Budget determined that this fund group presents a reporting model consistent with the ***Statement of Federal Financial Accounting Standards 31*** for unique activities for other Federal Program Agencies to record non-fiduciary, non-budgetary activities with Government (Federal) sources or Funds. DOs operating in a CARS daily reporting environment must classify each cash transaction with the DO Cash TAS. Cash funds obtained via a U.S. Treasury check or EFT are classified through PIR. Operating cash reductions and accommodation exchange transactions are reported through Collections Information Repository (**CIR**). Cash disbursements,

cash collections, and cash transfers between DOs not deposited and/or maintained in the DO's accountability are reported through CTA. The TAS for DO cash does not impact the current DO reporting environment as referenced in Chapter 15. DFAS Accounting sites utilize monthly SF 1219 data to report the DO Cash to the proper TAS. The TASs for DO cash are:

2.6.1. 017 X 6950 DO Cash, Department of Navy;

2.6.2. 021 X 6951 DO Cash, Department of Army;

2.6.3. 057 X 6952 DO Cash, Department of Air Force;

2.6.4. 097 X 6953 DO Cash, Defense Agencies; and

2.6.5. 096 X 6954 DO Cash, Corps of Engineers, Civil.

2.7 Reconciling Disbursing Officer Cash

DOs must reconcile daily all transactions reported on the DD 2657 and DO Cash TAS reflected on the CARS daily account statement. Funds obtained for disbursing purposes are reported through and reconciled with PIR (Chapter 11, paragraph 10.4). Cash deposited and accommodation transactions are reported through and reconciled with CIR (Chapter 11, paragraphs 11.3 and 11.4). Cash disbursements, cash collections, and cash transfers between DOs not deposited and/or maintained in the DO's accountability are reported through and reconciled with CTA. To facilitate the reconciliation of cash transactions, DOs must maintain a log of all cash transactions, annotating the DO Cash TAS associated with each transaction. The log of cash transactions must include:

2.7.1. The ***DD 2659***, Voucher Control Log; and

2.7.2. The detailed deposit activity report; or

2.7.3. A system generated report from the disbursing system.

3.0 SAFEGUARDING CASH AND RELATED DOCUMENTS

3.1 Expectations

The commanders' and DOs' responsibilities to safeguard cash and other assets, related instruments, and supporting documents are described in paragraph 3.2. All accountable officials are responsible for safeguarding public funds. DOs should minimize the number of accountable officials required to store public funds. Use the most secure container, vault, or safe available to safeguard, in order of priority, currency, undelivered checks, negotiable instruments, paid vouchers, blank U.S. Treasury and LDA checks (see Chapter 7, paragraph 3.7), signature media, valuables (see Chapter 16, section 3.0), and other records. The command security program must consider the maximum amount of each of these items that would normally be on hand at any time. Store classified material separately from public funds and documents.

3.2 Responsibilities

3.2.1. The Commander. The responsibilities of the Commander include:

3.2.1.1. Approves a DO's request to hold cash at personal risk, and is responsible for ensuring unannounced quarterly verification of cash and other assets in the disbursing office (see Appendix A);

3.2.1.2. Provides every individual entrusted with public funds with a vault, safe, or other adequate secure facility (e.g., a strong box) for the exclusive use of the assigned individual. If it is not possible to provide separate safes, furnish separate locked compartments in a safe or separate strongboxes stored in a safe or vault. Always store public funds separately from other funds;

3.2.1.3. Develops a security program and publishes it in a command instruction or notice. The security program must provide adequate protection for the maximum amount of public funds and related documents and instruments on hand at any given time;

3.2.1.4. Ensures personnel protection is included in the overall disbursing security program. This includes the requirements for periodic review of the adequacy of the security measures in place and for testing the security equipment for proper operation on a semiannual basis;

3.2.1.5. Provides armed guards for the escort of public funds to and from the disbursing office. When necessary, acquires an armored car service using locally-available mission funds (see subparagraph 2.5.4); and

3.2.1.6. Provides fire protection of government facilities and funds.

3.2.2. DOs.

3.2.2.1. DOs safeguard all public funds they collect or otherwise have in their custody or control, and they are accountable and subject to pecuniary liability for their loss. DOs are prohibited from lending, using, depositing, or exchanging public funds in their possession for other funds except as specifically allowed by law. DOs secure public funds until ordered by proper authority to transfer or disburse them. When DOs receive orders for transfer or payment, they execute transactions and perform all other duties as imposed by law or regulations in conformity to the law. In case of disaster, DOs should secure and preserve the accounts of all personnel, public money, and other papers and property in order of their importance as circumstances permit (see section 8.0).

3.2.2.2. DOs, DDOs, agents, cashiers, custodians, or alternates with custody of public funds assign each person a separate secured container. Although all appointed or assigned accountable officials are liable for any loss of public funds in their custody, the DO holds overall responsibility and is subject to pecuniary liability, jointly or severally, for any losses associated with these personnel. Therefore, DOs ensure that all DDOs, agents, cashiers, imprest fund cashiers, and other custodians of public funds are fully aware of their responsibilities to properly handle and protect public funds. The DO or designee personally inspects office security, keeping a record of each inspection, at least semiannually to ensure that:

3.2.2.2.1. Vaults and safes are not accessible to unauthorized persons (e.g., limit access to vaults using vault day gates to which only authorized personnel have the keys);

3.2.2.2.2. Cash exceeding the amount required and authorized for official purposes is deposited promptly;

3.2.2.2.3. Windows and doors are limited and barred and/or locked at all times after business hours;

3.2.2.2.4. Access to the working area is marked conspicuously with "AUTHORIZED PERSONNEL ONLY." Conduct transactions from a cage, room, or counter enclosure, constructed to provide a physical barrier to normal traffic with minimal interference from other activities and personnel of the office;

3.2.2.2.5. Security devices for the check signing machines, digitized signature media, meters, and plates are in the custody of the DO or authorized DDOs at all times;

3.2.2.2.6. Internal office procedures are established and implemented to provide adequate controls on all undelivered and returned checks. Assign responsibility of checks, which includes receipt, holding, and final distribution, in writing;

3.2.2.2.7. The commander is aware of any security shortfalls or breaches, and any request for adequate safeguarding facilities previously denied. Inform the supporting DFAS site of unresolved facility issues that relate to the ability to safeguard public funds;

3.2.2.2.8. All DDOs, agents, cashiers, and custodians receive written and oral instructions regarding the proper care and handling of cash and other accountable documents. The DO should keep an affidavit from each accountable individual attesting to receipt of such instructions;

3.2.2.2.9. All cash, blank Treasury and LDA checks, and related items are kept in a vault, safe, or security container that meets minimum security standards prescribed in section 3.0;

3.2.2.2.10. All safes and security containers aboard ships and on installations that are on rollers or weigh less than 750 pounds are stored in a vault or secured in such a way as to prevent movement;

3.2.2.2.11. A vault, safe, or security container visible to the exterior of the office is illuminated;

3.2.2.2.12. The combinations of all vaults, safes, and security containers are changed at least once every 6 months and upon relief, transfer, separation, or discharge of the accountable official. The accountable official is prohibited from sharing the combination or key with anyone and places the combination of each safe and duplicate key of each strong box in separate sealed, signed, and dated envelopes such that an unauthorized opening can be detected. The DO keeps the sealed envelopes of all accountable officials in their safe or vault and delivers the combination and/or keys to their safe or vault to the commander, security officer, or another designated official for retention. Authorized personnel access the sealed combinations only in an emergency requiring the opening of the safe or vault;

3.2.2.2.13. A record of combination changes, dated and signed by the accountable official, is kept inside each vault, safe, or container;

3.2.2.2.14. To limit the possibility of the combination being observed, the dial to the vault, safe, or container is concealed by a shield made of suitable material;

3.2.2.2.15. The name and phone number of the accountable official is posted on the inside of the vault, safe, or container. DOs may use an ***SF 701***, Activity Security Checklist, or an ***SF 702***, Security Container Check Sheet, as appropriate, to assist in the control and proper safeguarding of public funds stored in vaults, safes, and/or containers. If the forms are not available, post a unique container number along with a "24 hour" duty phone number on the outside of the vault, safe, or container allowing the duty personnel to contact the accountable official;

3.2.2.2.16. Keys to the workspace or disbursing office are strictly controlled. Keep a record that identifies who has keys and when they were issued and surrendered; and

3.2.2.2.17. All security equipment is tested at least every 6 months for proper operation. Keep a record of the tests maintained.

3.3 Intrusion Detection Systems (IDS)

3.3.1. Background. IDS are vital to any system that provides in-depth protection for a secure area. The DoD supports a policy on the use of IDS for resource protection purposes. Commanders, in the exercise of their responsibility to provide security, consider components of the DoD Joint-Services Interior IDS. In special cases, components of the base and installation security system, generally used for security applications, may also be available for resource protection requirements.

3.3.2. Alarms. Consider using alarms to deter entry to the general disbursing area or actual storage container. There are three levels of alarm protection: penetration, motion, and point detection. A minimum of two levels of detection capability provides the best in-depth protection. Post conspicuous warnings of the existence of alarms and publicize the existence of alarms to gain the full benefit of psychological deterrence.

3.3.3. Maintenance. Maintain and regularly test a system maintenance program to ensure the alarm system operates properly. Protect against bypassing the alarm system consistent with DoD requirements.

3.3.4. Alarm Monitor Responsibilities. Train monitors to understand, operate, and monitor the alarm system so they may work closely with the security police and unit personnel, and act as a liaison in this special role.

3.4 Storage Containers

3.4.1. Categories

3.4.1.1. Vaults and Safes

3.4.1.1.1. Vaults. When possible, provide a disbursing office a built-in, fire-resistant vault with at least a three-position, dial-type combination lock; with the door and vault being able to resist a fire for a minimum period of two hours. Store all safes containing funds and when possible, the instruments and documents cited in subparagraph 3.4.2, in the vault. Follow the requirements of the DoD Physical Security Equipment Guide, UG-2045-SHR, when constructing new vaults, doors, and intrusion devices.

3.4.1.1.2. Safes. When vaults are not available, DOs, DDOs, agents, cashiers, and other custodians of public funds use combination three-tumbler lock, tool-resistant safes available at General Services Administration (GSA) Global Supply or GSA Federal Supply Schedules (FSS) to store public funds. If such a safe is not available, use a field safe secured properly to an immovable object. Post a guard in an unsecured building at the direction of the commander. Store irreplaceable checks, bonds, or other perishable records in combination three-position, dial-type, insulated, and built-in fire-resistant money cabinets/safes. For temporary storage, Class 5 file cabinets with three-position, dial-type, and built-in combination locks can be used to protect against forced entry. File cabinets with steel lock bars or without forced entry protection are not adequate.

3.4.1.2. Security Containers. Class 1 and Class 5 cabinets provide the greatest protection against forced entry. GSA approved security containers have the following Federal specifications:

Type	Specifications
Class 1 or Class 2 Cabinet	AA-F-357 (GSA-FSS)
Class 4 or Class 5 Cabinet	AA-F-358 (GSA-FSS)
Class 5 or Class 6 Map and Plan File	AA-F-363 (GSA-FSS)
Class 6 Drawer File	AA-F-358 (GSA-FSS)

3.4.1.3. Burglary Resistant Safes. The intent of burglary resistant safes is to prevent forced entry. The numerical value cited represents the time in minutes that the safe will resist forced entry. These safes provide a greater degree of protection than GSA rated security containers. Commercial burglary resistant safes are certified by Underwriters Laboratories according to the following classifications:

Type	Classification
Tool-Resistant Safe (TL)	TL-15 or TL-30
Torch and Tool-Resistant Safe (TRTL)	TRTL-30 or TRTL-60

3.4.2. Requirements

3.4.2.1. Currency, Negotiable Instruments, and Paid Vouchers. DoD Component security and resource protection programs ensure compliance with the following minimum requirements for storing currency, negotiable instruments, and paid vouchers. Previously approved storage containers currently in use may continue to be used. The Naval Sea Systems Command may designate specific containers for use on Navy ships.

3.4.2.1.1. Under $7,500. Commanders establish these requirements. Any security container or burglary resistant safe listed in subparagraph 3.4.1.1.2 is acceptable.

3.4.2.1.2. $7,500 - $50,000. Use a security container with a Class 1 or Class 5 rating, or a burglary resistant safe with at least an Underwriters Laboratories classification of TL-15 and having a Group 1R combination lock.

3.4.2.1.3. $50,000 or More. Use a burglary resistant safe or vault with at least an Underwriters Laboratories classification of a TL-30 and having a Group 1R combination lock.

3.4.2.2. Other Items. Blank checks, signature media, and personal valuables held for safekeeping (see Chapter 16, subparagraph 1.1.1) are not part of a DO's accountability. Store them in a security container with at least a Class 1 or Class 5 rating or a burglary resistant safe separate from the one used to store the items listed in subparagraph 3.4.2.1.

4.0 ADVANCING CASH TO AGENTS

4.1 Deputy Disbursing Officers (DDOs), Agents, and Cashiers

4.1.1. Authority. DOs advance cash for official use to their DDOs, agents, and cashiers on a ***DD 1081***, Statement of Agent Officer's Account, whether by cash disbursement; or by EFT; or by exchange-for-cash checks, with instructions to negotiate the checks only as funds are needed. The DO reports un-negotiated checks as funds with agents; DDOs, agents, or cashiers report them as "Cash on Hand." On a monthly basis, the DO reports funds in the custody of DDOs, agents, and cashiers in the main disbursing office and outside the disbursing office on the SF 1219 (see Chapter 15, section 6.0).

4.1.1.1. Advance Cash From the Vault. The DO Cash TAS is not impacted when funds from the vault are advanced to an agent. The funds were previously reported to the DO Cash TAS prior to the advance taking place.

4.1.1.2. Advance With a U.S. Treasury Check or EFT. The DO Cash TAS will increase when funds are advanced to an agent utilizing either a U.S. Treasury check or EFT and are reported to the PIR, which will feed the CARS daily account statement.

4.1.2. Amount Limits. Under normal conditions, do not advance an amount of cash to a DDO, agent, or cashier that exceeds the CHA. There are occasions where cash may be entrusted to DDOs, agents, or cashiers in other amounts when required to maintain efficient operations (e.g., during the authorized absence of the DO and on paydays). The total amount held by the DO, DDOs, agents, and cashiers may not exceed the DO's CHA.

4.1.3. Custody. Each DDO, agent, or cashier stores entrusted cash in a safe or adequate container assigned for their exclusive use as specified in section 3.0. Only the assigned DDO, agent, or cashier may know the combination of the safe or container. If the commander deems it necessary to gain access to the safe or container, open it and verify the contents.

4.1.4. Balancing. DDOs, agents, and cashiers entrusted with official funds must balance the cash in their custody daily using the DD 2665, Daily Agent Accountability Summary, as the permanent record of balancing (see Chapter 15, subparagraph 2.1.2). The DO ensures that each DDO, agent, or cashier is aware of the frequency for balancing and submitting the DD 1081 and uses it as a summary of cash transactions and receipt for cash and vouchers on hand. Each DO submits a DD 1081 no less frequently than monthly. A DDO, agent, or cashier who will be absent for more than 5 workdays returns all funds and accountable documents to the DO with properly executed DD 2665s and DD 1081s before departure, reporting any shortage or overage immediately (see Chapter 6, section 4.0).

4.1.5. Collections and Disbursements

4.1.5.1. DDOs, Agents, and Cashiers in the Main Disbursing Office. DDOs, agents, and cashiers account for all negotiable instruments, collection and disbursement vouchers, and other accountable documents on a DD 2665 and turn them in daily to the DO under the cover of a DD 1081. They must retain currency collected over and above the currency disbursed when authorized by the DO if the total funds held are within the limitations specified in paragraph 2.3. The DD 1081 also serves as a receipt for the funds that remain in the DDO's, agent's, or cashier's custody. When additional funds are required due to disbursements greater than collections or other authorized transactions, the DO may replenish the funds in the net amount of acceptable vouchers and negotiable instruments delivered with the DD 2665s and DD 1081s. The DO prepares a DD 1081 for the amount of funds advanced (see Chapter 15, section 4.0).

4.1.5.2. DDOs, Agents, and Cashiers at Branch Disbursing Offices. When DDOs, agents, and cashiers are serving in branch offices where reporting transactions in person is impractical, the DO may authorize transmittal of the transactions by electronic or regular mail, or messenger. Account for these transactions on a DD 2665 under the cover of a DD 1081. The DDO, agent, or cashier signs the original and duplicate of the DD 1081 and sends it with the DD 2665 and substantiating vouchers, negotiable instruments, and documents to the DO. After examining and accepting the DD 1081, the DO acknowledges receipt on the duplicate copy of the form and returns it to the DDO, agent, or cashier. The DO may replenish funds following subparagraph 4.1.1.

4.1.5.3. DDOs, Agents, and Cashiers Under Other Commands. DDOs, agents, or cashiers not under the same command as the DO must deposit negotiable instruments whenever possible (e.g., an investigative service or support center, intelligence command, U.S. Defense Attaché Office). If a deposit is $5,000 or more, mail or present the deposit to the nearest FRB or its branch. Transmit deposit tickets, collection and disbursement vouchers, and other accountable documents electronically, or send them by mail or messenger to the DO. Account for the transactions on a DD 2665 with a cover DD 1081, preparing the latter following Chapter 15, sections 3.0 and 4.0. The DO may determine that the volume of transactions is small enough to allow submission of a single DD 1081 monthly.

4.1.6. Records. Identify transactions made by other than the DO by the name of the DDO, agent, or cashier. The DO determines the method to be used. Identify negotiable instruments cashed by someone other than the DO following Chapter 4, subparagraph 2.4.3.

4.2 Cash to Paying Agents (PAs)

DOs furnish PAs written instructions to ensure they observe pertinent disbursing procedures including safeguarding funds; identifying payees and obtaining their signatures; requiring vouchers, documents, and certifications; and returning of funds and vouchers.

4.2.1. Funds Advancement. Complete a DD 1081 to document the cash entrusted to PAs authorized to make payments, currency conversions, or check cashing transactions. The DO must establish and implement controls to preclude advancing amounts in excess of requirements for the assigned mission or other anticipated valid requirements. PAs may not commingle cash advanced to them with any other funds nor advance it to any other person.

4.2.2. Funds Return. Agents returning paid vouchers and deposit tickets results in a reduction of DO accountability, which also results in a reduction in the balance of the DO Cash TAS. Returns of residual cash to the DO will not impact the DO Cash TAS since the funds were previously classified under the DO Cash TAS.

4.2.3. Advanced Cash. Normally, PAs may not retain advanced cash overnight, but must promptly return the paid vouchers, negotiable instruments, and residual cash to the DO with a properly completed DD 1081 (see Chapter 15, section 4.0). When circumstances require a PA to retain cash overnight, follow the custody requirements in subparagraph 4.1.3 and return the paid vouchers, negotiable instruments, and residual cash as soon as possible after making the authorized payments, normally within 24 hours. The DO must notify the PA's commanders when the PA fails to make a prompt return, or if a loss of funds or vouchers occurs.

4.3 Agents of Friendly Foreign Nations

4.3.1. Authority

4.3.1.1. Basic Agreement. DoD DOs may advance cash to DOs, cashiers, or other members of a friendly foreign nation's armed force to disburse pay and allowances to their members if the President has made an agreement with the foreign country pursuant to ***10 U.S.C. § 2396(b)(2)***. An advance may also be used to allow that armed force to purchase necessary supplies and services under a basic intergovernmental agreement negotiated in accordance with ***DoD Instruction 5530.03***, International Agreements, to include coordination with the Combatant Commander involved, the U.S. Ambassador or Chief of Diplomatic Mission, the DoD General Counsel, and the governments of the friendly foreign nation and the United States.

4.3.1.2. Supplemental Agreement. A supplemental agreement establishes:

4.3.1.2.1. The type of personal identification required for a DO or individual member when drawing an advance of funds;

4.3.1.2.2. The maximum amount that may be advanced to an individual;

4.3.1.2.3. Protection for the lender nation against loss from fluctuating exchange rates;

4.3.1.2.4. The address of the respective settlement offices to which the lender nation DO forwards receipts for fund advances with requests for reimbursement;

4.3.1.2.5. Procedures for local settlement when feasible or, if not feasible, between the signatory nation's representatives in Washington, DC, or another designated location;

4.3.1.2.6. That settlement may be in cash or by check, and in the type of currency used to make the advance. Make settlement in the lender nation's medium of exchange (when possible); and

4.3.1.2.7. Other provisions local conditions may require.

4.3.2. Conditions. A DO advances cash only against the signed receipt of the individual member of the armed force receiving the advance for the following purposes and under the following conditions:

4.3.2.1. To a DO of an armed force of a friendly foreign nation wanting to provide pay and allowances for troops or purchase necessary supplies and services. The DO must present proper personal identification and the unit must be serving in an area where personnel temporarily are unable to obtain funds from their own nation; or

4.3.2.2. To individual armed force members of a friendly foreign nation in need of funds, serving in an area temporarily separated from their units and the DO of that force is not available to make payments. These individuals must be identifiable as members of an armed force of a friendly foreign nation with which an intergovernmental agreement for advances exists.

4.3.3. Documentation. The receipt must include the name, rank, service number, title, organization, and country of the individual receiving the advance; purpose for which the advance is needed; type and amount of currency to be advanced; prevailing rate of exchange to one USD at the time the advance is made, if applicable; and name, rank, organization, and address of the DO making the advance.

4.3.4. DoD Rewards Program to Assist in Combating Terrorism

4.3.4.1. Authority. Payment of rewards to assist in combating terrorism is authorized by ***10 U.S.C. § 127b*** (also see Volume 12, Chapter 17, paragraph 1.2). When payment of these rewards by U.S. personnel is not practical, DOs may advance cash to agents of friendly foreign nations' armed forces to make the payments. The international agreement and authorities in subparagraph 4.3.1.1 do not apply.

4.3.4.2. Controls. Agents of friendly foreign nations appointed under Chapter 2, section 7.0 are agents of the DOs who advance cash to them. Commanders and DOs have the same oversight and internal control responsibilities regarding these agents as they do for U.S. PAs. DOs may advance cash to properly appointed PAs only in amounts required to pay specific approved reward payments to identified payees.

4.4 Change Funds

4.4.1. Authorization. When the operation of a clothing sales store, government laundry, or other appropriated fund activity engaged in selling property or services requires cash for making change, the activity's officer in charge requests that the commander establish a change fund. After approval, the commander or designee appoints a change fund custodian. The appointing document specifies the amount of cash to be advanced by the DO or DO's agent, who issues written instructions to the custodian when advancing the change fund covering the custodian's responsibilities for safeguarding the cash and their pecuniary liability for losses. The DO or agent providing disbursing service to the installation or activity where the sales activity is located provides the authorized change fund advance and records the advance in their accountability as cash in the custody of government cashiers.

4.4.2. Fund Limit. A change fund may not exceed $250 for each cash register operated in an activity. When a cash register has more than one drawer, each drawer may be considered as a register. The commander may authorize additional amounts consistent with good cash management principles. Upon approval of the commander, authorized collecting agents may also be change fund custodians to facilitate making change.

4.4.3. Fund Increases. A commander may authorize an additional $50 for each cash register, and an amount not to exceed $500 for each accountable medical services' change fund custodian. For extended operations (e.g., Sunday operations), a commander may approve an additional amount up to $50 per cash register when there is limited or no banking support.

4.4.4. Documentation. The DO or agent prepares a DD 1081. The change fund custodian signs and returns the original to the DO or agent for the amount of funds advanced. The change fund custodian returns all cash to the DO or agent upon termination of their appointment and prepares a DD 1081 to document the return. The DO or agent acknowledges receipt of the cash by signature on the duplicate copy of the DD 1081 and returns it to the custodian. A DO or agent may recall a change fund when it is necessary to verify the DO's or agent's cash. On completion of such verification, the DO or agent re-advances the funds to the change fund custodian. Also, unannounced inspections, including cash counts of change funds, are required at least quarterly by the cash verification team.

4.4.5. Change Fund Irregularities. The custodian follows Chapter 6, Table 6-1 and informs the officer who advanced the funds immediately of any fund irregularity (e.g., shortage or overage).

4.5 Imprest Fund Cashiers

Imprest funds are authorized only as an exception to this volume. See Chapter 2, section 9.0.

5.0 SHIPMENT OF PUBLIC FUNDS

5.1 Authority and Methods

5.1.1. Authority. Shipment of valuables is authorized by the Government Losses in Shipment Act (*40 U.S.C. Chapter 173*). Shipments are insured under this authority; do not purchase supplementary insurance.

5.1.2. Authorized Purposes. A DO is authorized to ship public funds to deposit into an official checking account; deliver funds to another DO as an exchange-for-cash transaction; ship damaged or mutilated currency (see subparagraph 5.7.2); and obtain funds from a bank or another DO by exchange of a check-for-cash.

5.1.3. Methods of Shipment. Ship public funds in a manner that provides the greatest possible protection against risk of loss, destruction, or damage to the funds:

5.1.3.1. Public funds may be shipped by registered mail or courier, office messenger, government conveyance, railway express, contract armored car service, or as cargo via Air Mobility Command (AMC) signature security service, depending upon availability of means of transit. The normal methods are registered mail and AMC cargo;

5.1.3.2. Shipment by registered or certified mail is preferred in the case of checks, drafts, and money orders. Shipment by courier is preferred in the case of currency and coin;

5.1.3.3. Do not use certified mail to ship currency and coin. Use shipment by government conveyance or railway express only in the case of currency or coin of excessive weight or bulk; and

5.1.3.4. Transfers between DOs afloat using airlift (helicopter) or high-line is also authorized during underway replenishment at sea; attach a buoy or other reliable floatation device to the container to aid in recovery that may be required.

5.1.4. Record of Shipment. In addition to accounting documents required in the case of transfers and deposits of public funds, and to provide the record required by Treasury regulations, describe each shipment of funds in detail on a DD 165, Shipment of Funds.

5.2 Shipment of Funds

5.2.1. DD 165. Use a DD 165 to ship coin or currency, regardless of the amount. This form is not required for shipments for deposit to the Treasury or to a bank if the shipment consists only of checks and money orders, and the record of instruments deposited required by Chapter 11, section 8.0 is otherwise maintained. In addition to the retained copy of the DD 165, the shipping DO keeps the registry or other carriers' receipts and any other documents incident to the shipment until assured that the shipment has been completed and no claims actions will be initiated.

5.2.2. Distribution of DD 165

5.2.2.1. Include the original and duplicate with the shipment.

5.2.2.2. Send a copy by mail directly to the consignee as a notice of shipment when the amount equals or exceeds $10,000.

5.2.2.3. The shipping officer keeps a copy. This copy bears the DO's and verifying witnesses' original signatures to substantiate any claim for loss in shipment.

5.2.3. Shipment by Registered Mail or as Cargo via AMC. When shipment is by registered mail or as cargo via AMC, show the registry number and the date the shipment was delivered to the post office or terminal on all copies of the DD 165. Whenever feasible, limit single shipments to $250,000. Package registered mail and AMC shipments to prevent breakage in transit. For registered mail shipments, the appropriate postal official signs the shipping officer's copy in the space beneath the block "Delivery Date and Time." Advice as to adequate packaging is available from military post offices.

5.2.4. Shipment by Courier. When shipment is by courier or office messenger, the shipping DO encloses the funds in a securely sealed envelope, moneybag, or other suitable container bearing the name and address of the consignee. Any Armed Forces member on active duty, DoD civilian employee, or individual serving as a courier for the Department of State may serve as courier for delivery of funds represented by currency, checks, drafts, or money orders. The courier takes all practicable precautions to protect the shipment. The courier signs the copy of the DD 165 retained by the shipping officer in the space beneath the block "Delivery Date and Time" as a receipt for the shipment.

5.2.5. Shipment by Office Messenger. When shipment is through a message center, an authorized message center official enters the registry number in the "Delivery Date and Time" space on the shipping officer's retained copy of the DD 165. Upon receipt of the shipment, the consignee, after verifying the contents of the shipment, signs the original DD 165 in the last signature block and returns it to the shipper as a receipt. The consignee also signs a copy of the DD 165 in the space beneath "Delivery Date and Time," gives it to the courier as a receipt for the shipment, annotates the advance copy providing notice of shipment to indicate the date of receipt, and keeps it with retained records. If the services of an office messenger are used, the messenger also signs the consignee's retained copy in the block for "Delivery Date and Time."

5.2.6. Shipment by Government Conveyance. When the shipment is of such weight or bulk as to make other methods of shipment impracticable, government conveyance may be used. The DO makes necessary arrangements for the shipment and receives the bill of lading for delivery with the shipment. In all cases, the DO is the shipper and the consignee is responsible for the receipt of the funds. The DO is responsible for direct delivery to the carrier and obtaining a receipt on a copy of the bill of lading.

5.2.7. Shipments by Armored Car Service

5.2.7.1. Authority. Shipment of funds by commercial armored car service is authorized when it is cost effective and offers the greatest protection against loss. Charge the cost to the operations and maintenance or working capital funds available to the DO.

5.2.7.2. Obtaining Funds From Banks. Since FRBs comply with Treasury regulations in making shipments of money, funds may be obtained by sending them an exchange-for-cash check with instructions for delivery of the funds in the desired denomination to an armored car carrier. When funds are obtained from a bank other than an FRB, the DO accepts the funds at the bank and turns them over to the armored car carrier for transport.

5.3 Action by Consignee

5.3.1. Consignee. On receipt of a copy of a DD 165 as notice of shipment, the consignee is the intended recipient or authorized official designated by the activity receiving shipment and is responsible for arrangements to receive the shipment. On receipt, the consignee ensures that the shipment is opened and inspected by one or more responsible employees. The consignee signs the original DD 165 and returns it to the shipping officer as a receipt. If a courier made the shipment, the consignee signs and returns a copy of the DD 165 to the courier as an acknowledgment of receipt of the shipment.

5.3.2. Funds for Deposit. When the shipment represents funds for deposit, the consignee completes the deposit ticket and returns the required copies to the DO. The consignee immediately advises the shipping officer of any difference between the amount and quantity listed on the copy of the DD 165 and in the actual shipment at the time of opening. If the shipment fails to arrive in due course, the consignee immediately notifies the shipping officer, the post office, or office of other carrier through which delivery was arranged. The consignee also immediately notifies the shipping officer of any damage to the shipment. All findings of the consignee in such cases are a matter of record subject to inspection in connection with any necessary investigation.

5.4 Action by Consignor

The consignor (shipper) takes prompt action to trace a shipment of funds for which a signed DD 165 is not received within a reasonable time. The consignor initiates telephone or message contact with the consignee to ensure compliance with paragraph 5.3.

5.5 Losses in Shipment

Accountability for public funds rests with the consignor until the consignee has received and verified all cash listed on the DD 165. If funds shipped as prescribed are lost, destroyed, or damaged, the shipping officer sends an immediate written report to the Bureau of Public Debt (BPD), Division of Financial Management, Department of the Treasury, Room 201, PO Box 1328, Parkersburg, WV 26106-1328. The shipping officer also notifies the agent in charge of the nearest U.S. Secret Service (USSS) office, the appropriate investigative service, the local post office, or local office of the carrier service used to place a tracer on the shipment, and takes such other action

as may be necessary to facilitate recovery. The shipping officer sends a copy of the report to the consignee and DFAS Indianapolis, ATTN: (DFAS-ZPTC/IN), 8899 E. 56th Street, Indianapolis, IN 46249-0500 or email to dfas.indianapolis-in.zpf.mbx.disbursingdebtmanagementpolicy@mail.mil. If the loss, destruction, or damage is $10,000 or more, or delay in reporting might delay the government's recovering the shipment, the shipping officer sends the report with written confirmation that includes the:

5.5.1. Date of shipment;

5.5.2. Amount and type(s) of the valuables lost, destroyed, or damaged;

5.5.3. Name and address of the consignee;

5.5.4. Method of transportation, name of the carrier, and location of the carrier's office from which shipment was made;

5.5.5. Registry or other receipt number; and

5.5.6. Cause of the loss, destruction, or damage, if known.

5.6 Recovery Action

5.6.1. Accountability. Recovery action is the responsibility of the officer accountable for the lost or damaged shipment. When an exchange-for-cash check has been issued, this responsibility and accountability rests with the shipping bank or DO (consignor). Accountability for the check remains with the check-issuing DO (consignee), who reports the amount on the SF 1219 as funds in transit. The consignee determines the shipping officer's actions and monitors the subsequent investigative process.

5.6.2. Cash Lost in Transit. For cash lost in transit to a depositary, accountability rests with the shipping DO, who takes the reporting and recovery actions required following Chapter 6, section 4.0. The shipping DO records the loss of funds on Line 7.3, Losses of Funds, on the SF 1219. If the DO is reassigned before recovery can be affected, the relieving DO does not take responsibility for the loss, but records it on Line 9.3, Losses of Funds, on the SF 1219. The relieving officer also ensures that necessary claims are properly filed, and that the proceeds from the claims are properly applied against the loss.

5.6.3. Checks and Money Orders. The DO acts to recover the amount of lost negotiable instruments following Chapter 11, subparagraph 8.3.8. If this recoups the full amount of a lost deposit, do not file the claims described in subparagraphs 5.6.4 or 5.6.5. If it does not result in full recovery, the DO may request relief of liability for the unrecovered portion, supported by copies of all correspondence pertaining to the unsuccessful recovery action (see Chapter 6, section 6.0).

5.6.4. Claim for $100 or Less Against U.S. Postal Service (USPS). USPS liability in the case of lost cash shipped by registered mail is generally limited to shipments of $100 or less, and only the consignor (mailer) may file a claim for a lost shipment. The consignor may file a claim for damage or partial loss using Postal Service (PS) Form 1000, Domestic or International Claim. The accountable DO obtains a copy of the form as a means of tracing the shipment; such a filing does not constitute a claim. If a DO files a claim online at the USPS website, the PS 1000 is not required.

5.6.5. Claim in Excess of $100 Against the Treasury. The DO sends claims for the value of lost currency shipments exceeding $100 to Secretary of the Treasury through the supporting DFAS site. The DO ensures:

5.6.5.1. The proof of claim includes satisfactory proof of loss, destruction, or damage. The claim must include the original DD 165, which will be returned after adjustment of the claim. The DO ensures that all applicable blocks on the form are complete and the form is signed or the BPD will not process the claim. The consignor (shipping officer) submits a statement concerning the loss, destruction, or damage to the shipment or any part thereof.

5.6.5.2. If the consignee receives a shipment with contents not intact, the statement describes the circumstances relating to the condition in which the shipment was received and the manner of inspection and verification of its contents. The claim must also include affidavits covering the loss, destruction, or damage to the shipment from the consignee and the carrier, as well as statements and recommendations of the investigating officers.

5.6.5.3. In the case of lost shipments for which an exchange-for-cash check was issued to an FRB or another DO, the check-issuing DO requests that the shipping officer provide copies of all documentation. All necessary and reasonable steps to recover the lost, destroyed, or damaged shipment must continue after filing the claim. DOs ensure that all recoveries and refunds received following favorable consideration of the claim are turned over to the Treasury. See ***Title 31, Code of Federal Regulations (CFR), part 361*** for claims under the Government Losses in Shipment Act.

5.6.6. Restitution and Relief. The BPD grants claims for relief for lost, damaged, or destroyed shipments only if the shipping officer strictly followed prescribed procedures. If a claim is denied, the accountable DO may either make restitution of the missing funds or submit a request for relief of liability following Chapter 6, section 6.0. The request will be adjudicated according to Chapter 6, section 7.0 and U.S. laws and regulations applicable to accountable official liability. If a claim is approved, the BPD sends a refund via the Intra-governmental Payment and Collection (IPAC) system. The DO must provide an agency location code before transmission. If no IPAC capability exists, contact the supporting DFAS site.

5.7 Unfit U.S. Currency and Coin

5.7.1. Responsibility for Cancellation and Destruction. Under ***12 U.S.C. § 413***, the Secretary of the Treasury is responsible for the cancellation and destruction of U.S. currency unfit for circulation. The Secretary has, under ***31 U.S.C. § 321(b)(2)***, delegated these responsibilities to the Treasurer of the United States, who subsequently re-delegated them to the Director of the Bureau of Engraving and Printing (BEP). There are no further re-delegations.

5.7.2. Mutilated Currency

5.7.2.1. At least three disinterested persons must inventory damaged or mutilated U.S. currency or fragments thereof recovered from inadvertent wartime destruction or peacetime catastrophes affecting DoD property and personnel (e.g., aircraft crashes, ship sinking, building explosions, chemical spills). These persons normally can determine the value of the currency, but if they cannot, the DO sends a ***BEP Form 5283***, Request for Examination of Mutilated Currency for Possible Redemption, and the currency to the BEP for determination of value. Form and shipping instructions are available on the BEP web page. Insure the shipment and request a return receipt.

5.7.2.2. Package the unfit currency as follows:

5.7.2.2.1. Regardless of the condition of the currency, do not disturb the fragments more than necessary.

5.7.2.2.2. If the currency is brittle, pack it carefully in suitable cushioning material, and box it as found, without disturbing the fragments any more than necessary.

5.7.2.2.3. When possible, leave mutilated currency that was in a purse, box, or other container as is to prevent either further deterioration or loss of the fragments.

5.7.2.2.4. If it is necessary to remove the fragments from the container, send the container with the currency and any other contents found.

5.7.2.2.5. If the money was flat when mutilated, do not roll or fold it.

5.7.2.2.6. If the money was in a roll when mutilated, do not attempt to unroll or straighten it.

5.7.2.2.7. Carefully remove coins or any other metal that may be mixed with the currency. Do not send coins or other metal in the same package with mutilated currency, as it may further damage the currency.

5.7.2.2.8. Send properly packaged currency to the BEP by registered mail (see subparagraph 5.7.2.1) with return receipt requested. Because the BEP issues written confirmation for cases that it expects to take longer than eight weeks to process, DOs should include a specific request to receive a written confirmation. A DO not receiving confirmation during this time initiates follow-up procedures with the BEP by email at mcdstatus@bep.gov or by telephone at (866) 575-2361.

5.7.3. Mutilated Coins. U.S. coins that are bent, broken, not whole, or fused and melted together are "mutilated." For additional information on mutilated coins, see the guidance under, ***31 CFR 100, Subpart C***. Refer questions on the disposition of mutilated or contaminated coins to the U.S. Mint's Office at (800) 872-6468, or contact DFAS-ZPTA/IN.

5.7.4. Worn Coins. Any FRB or branch will redeem at face value U.S. coins that are worn or reduced in weight by natural abrasion, yet are readily and clearly recognizable and machine countable.

5.7.5. Contaminated Currency

5.7.5.1. Contaminated currency is that which has been damaged by or exposed to contaminants or poses a health hazard or safety risk and cannot be processed under normal operating procedures. This does not apply to currency that has been exposed to a bio-terrorist agent (either biological or chemical). Contamination may result in currency emitting offensive odors and displaying mold-like conditions, and may be caused by the following:

5.7.5.1.1. Prolonged exposure to water or other liquids;

5.7.5.1.2. Exposure to blood, urine, other bodily fluids, or feces, including removal from any body cavity, corpse, or animal;

5.7.5.1.3. Exposure to sewage;

5.7.5.1.4. Exposure to any foreign substance or chemical, including dye-packs, which may pose a health hazard or safety risk; or

5.7.5.1.5. Mold or mildew.

5.7.5.2. The DO contacts the BEP by email at mcdstatus@bep.gov or by telephone at (866) 575-2361 to arrange an on-site BEP review or to obtain disposition instructions.

6.0 WEAPONS-FOR-CASH PROGRAM

6.1 Authorization

The weapons-for-cash program requires Secretary of Defense authorization. The senior operational commander provides funding authorization for weapons procurement. The total amount advanced to PAs under this program may not exceed this authorization. Before providing additional funds, the commander must adjust the authorization.

6.2 PAs

Use PAs to ensure successful operation of the program (see Chapter 2, paragraph 7.4). The DO advances cash following paragraph 4.2 in the currency of the country involved, referring to Chapter 13, section 3.0 for guidance on obtaining the required foreign currency.

6.3 Weapons Purchases

Proper accounting is required for each disbursement. Use a ***SF 44***, Purchase Order-Invoice-Voucher, or other available chain-of-custody type receipt. Each seller's receipt must include the seller's name and (if possible) identification number, weapon description and serial number, and amount disbursed. The PA ensures the seller's signature appears on the receipt. Prepare the original and three copies of the disbursement document (seller's receipt). Provide the original and one copy to the DO, attach one copy to the weapon (for inventory control), and give one copy to the seller.

6.4 Clearing or Replenishing the PA's Account

A PA prepares a DD 1081 for the total amount of all disbursement document vouchers turned in, which includes the original and one copy of each document (receipt), any residual cash advanced from the DO or designated representative, and a copy of the approval to establish a weapons-for-cash program. If replenishment of a PA's account is necessary, the PA prepares the DD 1081 as prescribed and submits it to the supporting DO who replenishes the PA's account for the approved amount shown on the DD 1081, subject to paragraph 4.2.

7.0 COUNTERFEIT OR ALTERED U.S. CURRENCY

7.1 Detected Before Acceptance

A DO confiscates U.S. currency presented for exchange or payment of an obligation to the United States that he or she determines is either counterfeit or altered, gives a receipt indicating the type, denomination, and amount of the confiscated currency to the person presenting it, and obtains information from that individual regarding the currency's source. The DO delivers the currency, by letter of transmittal with all available information, to either a representative of the appropriate investigative service (if available) or the nearest military security agency, obtaining a receipt in either case. Since such currency is suspect, no entries in the DO's accounts are required.

7.2 Detected After Acceptance

7.2.1. Reimbursement Obtained. Upon discovering counterfeit currency, the DO requests reimbursement from the source from which received and follows paragraph 7.1. No loss to the DO accrues, and no entries in the DO's accounts are required.

7.2.2. Reimbursement Not Obtained. If the source of counterfeit currency is unknown, or is known but reimbursement is not obtained, the DO delivers the currency, with a detailed report of all known circumstances, to either a representative of the appropriate investigative service (if available), or the nearest military security agency, obtaining a receipt in either case. Send the currency receipt with a signed copy of the DO's report by memorandum stating the reason why reimbursement was not obtained through the DO's commander to DFAS-ZPTC/IN, and report it on the SF 1219 as a physical loss of funds.

7.3 Detected After Depositing with Bank

When a bank operating a Treasury General Account (TGA) notifies a DO that the currency deposited by the DO is suspected to be counterfeit, the DO reimburses the TGA for that currency and obtains a receipt with the currency's description, stating that the currency is suspected to be counterfeit and has been withdrawn from circulation. The TGA surrenders any suspected counterfeit currency to the USSS and provides depositors with a photocopy of Secret Service Form 1604, Counterfeit Note Report, or any other documentation. The DO contacts the USSS to ascertain if the surrendered currency is counterfeit and must ensure that the TGA processes a deposit ticket for the amount of surrendered currency that the USSS determines is not counterfeit and credit the amount of the deposit ticket to the appropriation that funded the loss. Report the amount the USSS determines as counterfeit on the SF 1219 as a physical loss of funds.

7.4 Miscellaneous Cases

Send a description of any unusual counterfeit currency situation not specifically covered in section 7.0 to DFAS-ZPTA/IN for disposition instructions.

8.0 EMERGENCY DISPOSITION

8.1 Contingency Plans

DoD Component heads must develop and maintain contingency plans and standby procedures to dispose of cash and other assets under emergency conditions. These plans should address emergency conditions, emergency destruction, sudden destruction, and accounting for cash and other assets destroyed. They must include internal controls to minimize the potential risks of fraud, waste, and abuse. Emergency operations include, but are not limited to, combat and peacekeeping operations, humanitarian assistance efforts, noncombatant evacuation operations, disaster relief efforts, and disposal of contaminated cash.

8.2 Policy

8.2.1. Emergency Conditions. Under conditions that may require the evacuation, disposal, or destruction of cash and other assets, commanders execute their contingency plans. DOs or their designees will have to evacuate cash and other assets under these conditions (e.g., in anticipation of enemy action) to a designated safe haven (e.g., secured vaults or safes).

8.2.1.1. Cash and Other Assets. Upon initial notification of a threat that may require the destruction of cash and other assets, the DO, DDO, or other designee should determine cash requirements, recall or purchase excess cash, and evacuate it and other assets held at personal risk to a designated safe haven. If the DO, DDO, or commander determines that capture of these assets is possible, secure them in a manner that will minimize the risk of capture or destroy them following subparagraph 8.2.2.

8.2.1.2. Combustible Materials. If capture of funds is inevitable, burn paper currency, checks, and other burnable documents completely to ashes. If this is not possible, use chemical decomposition, shredding, or pulping. The alternative methods must render the items non-negotiable by completely destroying their original character and appearance.

8.2.1.3. Solid Substances. Dispose of coins and other valuable non-burnable items by scattering in deep bodies of water or physically destroying when possible. When no suitable bodies of water are present, discretely bury these items in the ground. Coins may also be fused or mutilated to make them unrecognizable. Fragment and scatter bars, ingots, and other units of precious or valuable substances, making their recovery impossible or at least uneconomical.

8.2.2. Emergency Destruction

8.2.2.1. Preparation

8.2.2.1.1. DOs and Their Agents. If time permits, the DO/DDO prepares the following forms or documents for the various disbursing media identified.

8.2.2.1.1.1. U.S. Currency. The DO/DDO prepares an original and three copies of a DoD ***(DD) Form 2669***, Destruction Schedule for Currency, for all U.S. currency to be destroyed, noting the reason in the space provided. For full or partial packages of new currency, note the beginning and ending serial numbers of each denomination. Destruction must be witnessed by three persons who are either U.S. commissioned or noncommissioned officers, or U.S. Government civilian employees who are U.S. citizens. The DO/DDO may serve as the third witness if one of the other two witnesses is senior in rank to the DO/DDO. Witnesses must enter their name, rank or grade, and signature in the spaces provided. A DO/DDO serving as a witness completes block 5 and the applicable section of block 8. Indicate the method of destruction in the space provided for the witnesses' certifications.

8.2.2.1.1.2. U.S. Coin. The DO/DDO prepares a DD 2669 for U.S. coin to be destroyed, including the same type of information required for U.S. currency, but listing the denominations and value of each denomination to be destroyed. The DO/DDO will cross out the preprinted denominations of paper currency and enter the coin denominations. Also, cross out "currency" and write "U.S. coin" immediately above it in both the DO's/DDO's and witnesses' certification blocks (see subparagraph 8.2.2.1.1.1).

8.2.2.1.1.3. Check Stock. The DO/DDO prepares a listing (original and three copies) of the U.S. Treasury and LDA check stock to be destroyed, indicating the range (from and through) of check numbers for each series of checks maintained. See subparagraph 8.2.2.1.1.1 for destruction guidance.

8.2.2.1.1.4. Foreign Currency and Coin. The DO/DDO prepares a DD 2669 for foreign cash to be destroyed. Modify the appropriate areas of the form to identify the different denominations, prepare separate forms for currency and coins, and separate forms for public funds and those held for safekeeping (see subparagraph 8.2.2.1.1.1).

8.2.2.1.1.5. Signature Media. See subparagraph 8.2.1.3.

8.2.2.1.2. Nonappropriated Fund (NAF) Custodians and MBF and Other DoD-Sponsored Activity Managers. These activities may periodically exchange cash that exceeds day-to-day requirements for a U.S. Treasury check to reduce currency susceptible to loss.

8.2.2.1.2.1. U.S. Cash. When ordered by the commander, these activities deliver their U.S. cash to the nearest DoD DO/DDO in exchange for a U.S. Treasury check. The DO is then accountable for the cash. If an exchange cannot be made, the activity custodians or managers prepare a destruction schedule similar to the DD 2669 and, after verification, burn the currency to ashes in the presence of at least one activity representative and two U.S. commissioned or noncommissioned officers or U.S. Government civilian employees (see subparagraph 8.2.2.1.1.1).

8.2.2.1.2.2. Foreign Cash. If necessary to destroy foreign cash, the appropriate authority (e.g., NAF custodian, MBF, or other activity manager) transports it to the nearest DoD DO/DDO and exchanges it for a receipt stating that the foreign currency is being accepted for safekeeping and that neither the DO/DDO nor the U.S. Government is accountable for loss or destruction as a result of the existing emergency (see Chapter 16, section 2.0). A DO/DDO, having accepted the currency and coin, needing to use it to meet operational requirements, issues a U.S. Treasury exchange-for-cash check to the appropriate authority for the USDE of the foreign funds purchased. If destruction becomes necessary and time permits, the DO/DDO prepares a DD 2669. When an exchange cannot be made, the appropriate authority prepares a destruction schedule similar to the DD 2669 and after verification, burns the currency to ashes. See subparagraph 8.2.2.1.1.4 to dispose of foreign coin.

8.2.2.2. Precedence. DOs/DDOs in areas of elevated tension should anticipate the possibility of emergency destruction and maintain procedures to rapidly inventory and destroy their cash and other assets. If there is not enough time to destroy all funds held by the DO/DDO, prioritize the destruction as follows:

8.2.2.2.1. U.S. and foreign cash, and negotiable instruments carried as cash in the DO's accounts;

8.2.2.2.2. Blank U.S. Treasury checks;

8.2.2.2.3. Blank LDA checks;

8.2.2.2.4. Currency, negotiable instruments, and other valuables held for safekeeping;

8.2.2.2.5. Coins; and

8.2.2.2.6. Other valuables (e.g., signature media).

8.2.3. Sudden Destruction. When currency and coins are destroyed by explosion, fire, sinking of a vessel, or aircraft accident, the accountable DO prepares a written statement identifying the circumstances under which the destruction occurred and sends it with a request for relief of liability to DFAS-ZPTC/IN. If the DO does not survive the disaster that destroyed the funds, the officer designated to settle the account acts on the DO's behalf by reconstructing the accountability of the DO and initiating the appropriate requests for relief.

8.2.4. Accounting for Destroyed Cash and Other Assets. DOs account for destroyed currency, coin, and negotiable instruments that were held as public funds by entering on the DD 2657 and the SF 1219 and attaching copies of the supporting DD 2669 to both forms.

9.0 SAFEKEEPING U.S. SAVINGS BONDS

See Volume 7A, Chapter 43, paragraph 2.4.

Figure 3-1. Suggested Average Daily Cash Requirement

Foreign Currency Cash or Limited Depositary Account (LDA) Balance Requirements Example[1,6] (Separately calculate cash and local depositary accounts for each location)	
a. Value of Monthly Disbursements, Local Currencies (last 3 months average)[2]	$299,420
b. Value of Accommodation Exchange, Local Currencies (last 3 months average)	63,170
c. Value of Monthly Cash Collections, Local Currencies (last 3 months average)[3]	-19,086
d. Value of Monthly Reconversions, Local Currencies (last 3 months average)	-4,830
e. Value of Monthly Local Currency Checks Cashed (last 3 months average)	4,830
f. Average Net Monthly Local Currency Requirements (a+b-c-d+e)	$343,504
g. Number of Business Days per Month[4]	20
h. Average Number of Business Days Required to Obtain Local Currency	3
i. Contingency/Static Requirements (Command Determination)[5]	20,000
j. Value of Average Currencies Required per Business Day (f/g)	17,175
k. Value of Average Currencies Required based on Replenishment (h*j)	51,525
l. Burdensharing Funds (If Applicable)	0
m. Value of Total Local Currency Holding Authority (i+k+l)	$71,525
U.S. Dollars (USD) Balance Requirements Example[6]	
n. Monthly USD Cash Disbursements (last 3 months average)	$333,407
o. Monthly USD received: Foreign Currency Accommodation Exchange (last 3 month average)	27,645
p. USD Checks Cashed on Accommodation Exchange (last 3 months average)	26,025
q. Monthly USD Cash Collections (last 3 months average)	-27,375
r. Monthly USD Cash Disbursed on Reconversions (last 3 months average)	-2,100
s. USD checks cashed (accommodation exchanges)	-43,690
t. Average Net Monthly USD Requirements (n+o+p-q-r-s)	$313,912
u. Number of Business Days per Month[4]	20
v. Average Number of Business Days Required to Obtain USD	5
w. Contingency/Static Requirements (Command Determination)[5]	30,000
x. Average USD Required per Business Day (t/u)	15,696
y. Average USD Required based on Replenishment (x*v)	78,480
z. USD CHA (w+y)	$108,480
aa. Total CHA (m+z)	$180,005

Figure 3-1. Suggested Average Daily Cash Requirement (Continued)

Notes:
[1]Maintain LDAs with checkbook balances as close to zero as possible by forecasting payment requirements in enough time to order currency to correspond with the payment due date. See Chapter 14.
[2]Value based on Monthly Worksheet Calculations.
[3]A higher CHA will be required if collections exceed disbursements. It is generally not cost effective to reconvert currency that may be required for disbursements in the near term.
[4]When recurring variance in demand occurs due to events such as paydays, compute a separate CHA for these periods and exclude it from normal non-peak calculations.
[5]Contingency requirements generally reflect emergency cash needs for operational missions or due to large fluctuations in demand that cannot be forecast in advance. Static requirements reflect subordinate agents, imprest funds, or contractual arrangements such as debit card pool accounts or MBF contingency cash. Validate agent requirements based on usage and frequency of returns/replenishment.
[6]See also subparagraph 2.3.1.

VOLUME 5, CHAPTER 4: "ACCOMMODATION EXCHANGE"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated April 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
2.3.11.	Clarified guidance based on Title 31, United States Code, section 3342(b)(8).	Revision

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CHAPTER 4

ACCOMMODATION EXCHANGE

1.0 GENERAL

1.1 Overview

If adequate banking facilities are not available to provide personal check cashing and other accommodation exchange services, DoD Disbursing Officers (DOs) may provide these services within the guidance of this chapter.

1.2 Purpose

The purpose of this chapter is to provide policy on check cashing and other accommodation exchange services. This includes exchange of cash for negotiable instruments (including personal check cashing), eligibility for check cashing services, internal controls, accountability, and removal of deficiencies.

1.3 Authoritative Guidance

Title 31, United States Code (U.S.C.), section 3342 (***31 U.S.C. § 3342***) allows DOs to provide check cashing and accommodation exchange services when authorized by the appropriate commander (i.e., a theater commander, base or installation commander, commanding officer or officer-in-charge, director of a supporting Defense Finance and Accounting Service (DFAS) site, or equivalent civilian head in the DO's chain of command) for eligible individuals (see paragraph 2.3).

2.0 EXCHANGE OF CASH FOR NEGOTIABLE INSTRUMENTS

2.1 Policy

2.1.1. In the United States, a commander may request the Director, DFAS or designee to authorize a DO to cash negotiable instruments. Submit requests, with justification, to DFAS, Enterprise Solutions and Standards, Disbursing (DFAS-JJFKCB/IN), 8899 E. 56th Street, Indianapolis, IN 46249-0050.

2.1.2. In overseas areas and for ships afloat, a commander may authorize the DO to cash negotiable instruments. The command must have a written check cashing policy approved by the theater commander or designee identifying the services to be offered and identifying the personnel eligible to receive them. The policy must provide that the DO may deny check cashing privileges to anyone based on the non-availability of cash or personnel resources. Resources must be available to provide these services without impacting levels of other financial services (e.g., primary disbursing and related functions).

2.2 Negotiable Instruments

A DO may cash U.S. Treasury checks, money orders, traveler's checks, third-party checks, state and local government checks, credit card checks, business checks, and personal checks payable in U.S. dollars for eligible payees. These instruments may be processed through the Over-the-Counter Channel Application (OTCnet) (see Chapter 11, paragraph 8.1). The DO accountability is not affected until the checks are reported in Treasury's OTCnet. Ensure that the appropriate DO Cash Treasury Account Symbol (TAS) is utilized along with the appropriate Business Event Type Code (BETC) when depositing accommodation exchange transactions.

2.3 Eligibility

Personnel permanently assigned to units in the area served by the DO are eligible for check cashing services. These include:

2.3.1. Members of the U.S. Armed Forces;

2.3.2. Civilian employees of the U.S. Government who are U.S. citizens;

2.3.3. A veteran hospitalized or living in an institution operated by an agency;

2.3.4. Contractors and their employees engaged in U.S. Government projects if the contractor is a U.S. firm and the employee is a U.S. citizen:

2.3.4.1. The company's on-site representative must furnish the DO with a list of employees authorized to cash personal checks and enter into a written agreement. The agreement must stipulate that the DO will suspend check cashing privileges for that company's employees if the DO receives a dishonored check written by a company employee and the DO cannot collect for the dishonored check; and

2.3.4.2. The DO will notify the company representative when a dishonored check is received from one of its employees and suspend check cashing services for all the company's employees. The suspension remains in effect until the DO collects on the dishonored check. The check cashing agreement is permanently terminated if the DO is unable to collect the dishonored check within 30 calendar days from the notification to the company representative;

2.3.5. U.S. citizens who are employees of authorized nongovernment agencies operating with U.S. Government agencies, (e.g., the American Red Cross);

2.3.6. Dependents of the personnel named in subparagraphs 2.3.1 and 2.3.2, as defined in 31 U.S.C. § 3342(b)(3)(A)-(B) and the Definitions Chapter.

2.3.6.1. At a U.S. installation at which adequate banking facilities are not available, and

2.3.6.2. Holding proper identification and powers of attorney and who possess valid DoD identification cards; or

2.3.6.3. Ordered to safe haven posts due to emergency evacuation (see Chapter 13, paragraph 3.3 for accommodation restrictions), and

2.3.6.4. In the case of negotiation of negotiable instruments, if the dependent's sponsor (as defined in the Definitions Chapter) authorizes, in writing, the presentation of negotiable instruments to the DO for negotiation.

2.3.7. Third-country national civilian employees under contract to the U.S. Government as contractors or subcontractors employed by U.S. firms engaged in U.S. Government projects in foreign countries with U.S. Treasury checks or U.S. dollar checks issued by the contractors;

2.3.8. A Federal credit union operating on U.S. military installations in a foreign country but only if that country does not permit contractor operated military banking facilities (MBF) to operate on installations;

2.3.9. Personnel on temporary duty/temporary additional duty (TDY/TAD) when approved by a DO's commander. These personnel must provide the DO a copy of their TDY/TAD orders and any other items of identification the DO may require;

2.3.10. An authorized agent, authorized by a properly executed power of attorney, for personal checks drawn on the account of a member; personal checks drawn on joint accounts to which the member is a party; and other checks drawn in favor of the member. The agent must present valid identification during all transactions. Restrictions that apply to benefiting members also apply to their agents under the terms of the executed DoD (DD) ***Form 2761***, Personal Check Cashing Agreement, which serves as a power of attorney; or

*2.3.11. A member of the military forces of an allied or coalition nation who is participating in a combined operation, combined exercise, or combined humanitarian or peacekeeping mission with the Armed Forces of the United States, only if

2.3.11.1. Such disbursing official action for members of the military forces of that nation is approved by the senior United States military commander assigned to that operation, exercise, or mission; and

2.3.11.2. That nation has guaranteed payment for any deficiency resulting from such disbursing official action.

2.4 Internal Controls

Commanders and other individuals in the chain of command are responsible for implementing and maintaining internal controls that preclude the fraudulent issuance and cashing of negotiable instruments. At a minimum:

2.4.1. All instruments are endorsed, "Pay to the Order of the Disbursing Officer, (name of ship, station, activity, unit, disbursing station symbol number, or the DFAS site);"

2.4.2. The payee(s) sign or endorse each instrument in the presence of the DO, a Deputy DO (DDO), the DO's authorized agent, or a cashier;

2.4.3. The identity of the DDO, DO's agent, or cashier cashing the instrument must be clearly identifiable on that instrument, and the person cashing the instrument may be held pecuniarily liable if the instrument is altered or forged. The DO may also be held pecuniarily liable if the instrument becomes nonnegotiable and their identity is not apparent; and

2.4.4. The person cashing a negotiable instrument must properly verify the identity of the person(s) presenting the instrument. Record the payee(s) or endorser(s) identification (e.g., legible name, social security number (SSN), phone number, and identification card number and duty station (if applicable)) on the negotiable instrument. This allows recovery to be made if the instrument is dishonored. A DO may institute an alternate to annotating this information on a check by the use of the DD 2761. Use of the DD 2761 would alleviate concerns of identity theft such as the SSN. Attach a photocopy of the negotiated check to the DD 2761 and file for records retention.

3.0 CASHING PERSONAL CHECKS

3.1 Check Cashing

3.1.1. All authorized military and appropriated fund civilian personnel who request check cashing privileges must consent in writing to immediate collection against their pay for the total of any dishonored check. Dishonored checks are not delinquent debts. There is no authority for the DO to assess a service charge (penalty), but recover any insufficient fund charges assessed on the DO by financial institutions. Depending on the circumstances, the DO has two options:

3.1.1.1. Option 1. DD 2761:

3.1.1.1.1. The DO uses this form if the individual's payroll office is unknown or when cashing a check for a civilian employee or an authorized agent of a civilian employee or military member.

3.1.1.1.2. The term "authorized agent," as used on this form, pertains to an individual, usually a dependent, authorized by a power of attorney to cash personal checks on behalf of a member or civilian employee as prescribed in this chapter.

3.1.1.1.3. Proper use of this form precludes the need for a separate power of attorney on behalf of the individual requesting check cashing service. The member or employee appoints an agent by providing a name(s) in the block titled "Authorized Agent," and signs the form. The person cashing the check must verify the agent's signature against a valid form of identification when the check is presented.

3.1.1.2. Option 2. Authorized Statement: A statement stamped on the front of the personal check may be used only for military members and civilian appropriated fund employees.

3.1.1.2.1. If the individual's payroll office is known, the DO may order a rubber stamp in small type to be placed on the front of the check along the top margin or above the bank's name and address (see Figure 4-1). The stamp must state:

"I consent to immediate collection from my pay the amount of this check plus bank charges, if this check is dishonored (individual's initials)."

3.1.1.2.2. The DO (or authorized agent) stamps this statement on the front of the check in the presence of the individual and ensures the individual places his or her initials at the end of the statement to validate immediate collection from the individual's pay account if the check is later dishonored.

3.1.1.2.3. If the stamp is used, record adequate payee identification (verified against a valid identification card) on the negotiable instrument to facilitate recovery if the instrument is dishonored (see section 4.0).

3.1.2. The following items are the responsibilities of DO and their authorized agents when pay account collection for dishonored personal checks becomes necessary.

3.1.2.1. When a military member is in the same DoD Component and the DO maintains the member's account:

3.1.2.1.1. Immediate deduction from the pay account is authorized for the face value of the dishonored check(s) plus any charges assessed against the DO by a financial institution for their processing.

3.1.2.1.2. DO may not use partial payments as a means of resolving a dishonored check.

3.1.2.2. When a military member is from a different Military Service or from the same component and paragraph 3.2 does not apply (e.g., retirees, members on transfer orders, on TDY/TAD, or in any other transitory status):

3.1.2.2.1. When using the DD 2761, the DO makes copies of the form (front and back), certifies on the back that the individual consented to voluntary collection, and sends it to the appropriate component payroll office (see Table 4-1) to affect the pay account deduction and make restitution to the negotiating DO. The payroll office annotates the back of the DD 2761 specifying the action taken for each dishonored check listed:

3.1.2.2.2. When a rubber stamp is used on the face of a check, the DO prepares a DD 139, Pay Adjustment Authorization, by component as follows:

3.1.2.2.2.1. Attach a listing showing each military member's name, DoD Component, SSN, unit or duty station, and check amount(s), along with copies of the check(s) (front and back). If the depositary adds a fee to the amount of the dishonored check, include a copy of the debit voucher to substantiate its inclusion in the total amount of the deduction. Send all required documents to the appropriate payroll office at the mailing address in Table 4-1 to accomplish pay account deduction.

3.1.2.2.2.2. Certify that the military members consented to voluntary collection by typing the following certification statement on the DD 139 in the block titled "Explanation and/or Reason for Adjustment."

> "I certify that these collections are the result of dishonored personal checks cashed by the cited individuals for the amounts stated. Each individual has consented, in writing, that in consideration for cashing the individual's personal check(s), the amount of any check returned unpaid, plus any charges assessed against the DO by a financial institution, for any reason may be collected from the individual's pay."

3.1.2.3. For dishonored personal checks from authorized appropriated fund civilian employees:

3.1.2.3.1. Immediate pay account deductions are authorized for the face value of dishonored checks plus any charges assessed against the DO by financial institutions.

3.1.2.3.2. The DO prepares a ***DD 2481***, Request for Recovery of Debt Due the United States by Salary Offset, attaching copies of the front and back of the check(s), and a copy of the DD 2761, if applicable. If the depositary adds a fee to the amount of the dishonored check, attach a copy of the debit voucher to substantiate its inclusion in the amount of the pay account deduction. Send all documents to the appropriate payroll office (see Table 4-1).

3.1.2.4. When a check is returned for a contract employee, the DO must immediately seek reimbursement from the company employee, as indicated in the employee's company agreement.

3.1.3. When collection action becomes necessary and the payroll office receives a DD 139 or DD 2761 from the DO, the payroll office:

3.1.3.1. Processes the account deduction using normal payroll procedures;

3.1.3.2. When possible, includes a statement similar to, "Consensual collection action for a dishonored check" in the remarks column of the leave and earnings statement; and

3.1.3.3. Annotates, after collection of the debt, the DD 139 or DD 2761 with the action taken for the dishonored check(s) and returns the document together with a certified casual payment voucher. This voucher must be charged to the service member's pay account for the amount of the dishonored check to support the DO's issuance of an exchange-for-cash check payable to the disbursing office holding the dishonored check, to support the Standard Form (SF) 1219, Statement of Accountability.

3.1.4. If a military member or DoD civilian employee is separated or has resigned and cannot be located to make restitution, the DO follows section 5.0.

3.1.5. Writing checks in advance of the availability of funds (floating a check) is illegal. Deny check cashing privileges to individuals who abuse it by writing checks against insufficient funds.

3.1.6. Retain check cashing documents as follows:

3.1.6.1. The DO keeps the original signed DD 2761 for all personal checks honored. See Volume 1, Chapter 9, section 2.0 for records retention policy.

3.1.6.2. For all dishonored checks, keep the original DD 2761 with the dishonored check file until resolved. If the consent statement is stamped on the front of the check and the check is dishonored, the DO, deputies, agents, or cashiers make copies of the front and back (if applicable) of the check. Keep a copy of the check along with a copy of the agreement if the individual is a contractor until the matter is resolved.

3.2 Limitations

3.2.1. Commanders establish maximum amounts for cashing personal checks by authorized personnel and/or their agents. In overseas areas where personnel of two or more Services are operating, the senior commander ensures the existence of a uniform policy to provide check cashing privileges within sound financial management practices. The policy and applicable limits are based on the circumstances of the local economy and cost-of-living. The supporting DO should publish deviations from established command maximum limits for each exception.

3.2.2. The DO provides a copy of an authorization to exceed the established limit when requesting removal of deficiencies involving uncollectible insufficient fund checks and associated charges that may be assessed by financial institutions for personal checks they have cashed (see section 4.0). Personal checks being cashed must be drawn in multiples of 5 dollars unless local conditions make that increment impractical. U.S. Treasury checks or checks issued by banks, or other similar financial institutions may be cashed without regard to a dollar amount.

3.2.3. Checks must be drawn on U.S. financial institutions, overseas branches of U.S. banks or credit unions, or overseas MBFs operated under U.S. Government contract. Checks must also be payable in U.S. dollars through U.S. banks or credit unions, to include banks located in the Commonwealth of Puerto Rico, U.S. Virgin Islands, American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands. The DO establishes the days and hours during which check cashing service is available and makes appropriate notification of any changes.

3.2.4. Paragraph 2.3 governs suspension of check cashing privileges for contractors and their employees engaged in U.S. Government projects who have written dishonored checks.

3.3 Exceptions

A DO of a naval vessel may cash personal checks for crew members when the vessel is in a U.S. port and adequate check cashing facilities are neither available nor adequate for nonresidents of the area. A non-tactical disbursing activity in the United States may provide check cashing service when a unit, squadron, or detachment without a DO or disbursing capability is performing TDY/TAD away from its permanent station or homeport where adequate check cashing facilities are not available. This authority applies when units, squadrons, or detachments are engaged in training or exercises that preclude use of available check cashing facilities. For situations not described in section 2.0, a commander may request the Director, DFAS or designee to authorize check cashing services. Submit the request following subparagraph 2.1.1.

4.0 ACCOUNTABILITY FOR DISHONORED CHECKS

4.1 Checks Accepted From External Activities

DOs who accept checks from external activities for the sale or transfer of something of value (e.g., property disposal sales, clothing sales, commissary sales, ships stores, housing offices, or similar activities) which a depositary later returns unpaid on a debit voucher must record the debit voucher on the ***DD 2657***, Daily Statement of Accountability, as a reduction of deposits, prepare a reverse collection voucher as a reduction of reimbursements, and send one copy of the collection voucher and one copy of the dishonored check to the collection activity concerned. All dishonored checks are returned by the Treasury on a debit voucher and automatically classified back to the TAS annotated on the OTCnet deposit ticket. Collection activities are responsible to pursue collection action in accordance with their regulations and Volume 16, Chapter 2. Since these checks were collected into an appropriation and subsequently reversed, there is no deficiency in the DO's accountability.

4.2 Checks Accepted to Satisfy an Obligation (Debt) Due the United States

Checks accepted from external activities or to satisfy an obligation (debt) due the United States will not impact the DO Cash TAS and will be classified under a program TAS. DOs who accept checks to satisfy a debt to the United States (e.g., overpayment of travel allowances) which later are returned unpaid by a depositary must follow paragraph 4.1. The activity responsible for originating the charge (e.g., military pay, travel pay, or similar entitlement area) reestablishes the debt based on the dishonored check and the reverse collection voucher and pursues collection action in accordance with their regulations and Volume 16, Chapter 2. A DO who is the collecting officer for these types of dishonored checks initiates collection action following Volume 16, Chapter 2. Since these checks were collected into an appropriation and subsequently reversed, there is no deficiency in the DO's accountability.

4.3 Checks Received as Accommodation Exchange Transactions

Checks accepted in check cashing transactions authorized by 31 U.S.C. § 3342 which are later returned unpaid by a depositary on a debit voucher must be recorded on the DD 2657 as decreases to deposits and increases to dishonored checks receivable. Dishonored checks related to accommodation exchange transactions will impact the DO Cash TAS and stay on the DO accountability until recouped or when the uncollectible receivable is processed for removal from accountability as provided in the Chapter 6, subparagraph 4.2.1.1. Unlike the checks discussed in paragraphs 4.1 and 4.2 consider these as erroneous payments because public funds have been disbursed. DOs pursue collection of these checks following section 3.0 and Volume 16, Chapter 2, section 2.0. If the checks become uncollectible, the DO reports the losses and requests removal of the deficiencies through the Loss of Funds Team, DFAS Accounting and Finance Policy Division, DFAS Indianapolis (DFAS-ZPTA), Location 220V, 8899 E. 56th Street, Indianapolis, IN 46249 (see section 5.0).

5.0 REMOVAL OF DEFICIENCIES

5.1 Request for Removal

5.1.1. Upon notification that a check has been dishonored, start collection action immediately and pursue it through recovery. If the DO has followed the check cashing policy and collection requirements in section 3.0 and Volume 16, Chapter 2, section 2.0, removal of deficiencies normally is authorized under 31 U.S.C. § 3342. If the debtor is no longer employed, in the military service, or is an inactive reservist, and all attempts to collect have been exhausted, the DO sends a written request for removal of the deficiency to DFAS-ZPTA (see Figure 4-2) through their command channels. The request must include:

5.1.1.1. The original or a copy of the front and back of the uncollectible check;

5.1.1.2. A copy of the related debit voucher;

5.1.1.3. Copies of the documents presented in section 3.0, to include the latest available information regarding the debtor's location;

5.1.1.4. A copy of the command's check cashing policy;

5.1.1.5. A copy of the one-time authority to exceed the command's normal check amount, if applicable; and

5.1.1.6. A copy of the request for the DFAS payroll site to pursue collection action against the delinquent debtor.

5.1.2. If the DO has followed the check cashing policy and collection requirements in section 3.0 and Volume 16, Chapter 2, section 2.0, removal of deficiencies normally is authorized under 31 U.S.C. § 3342. If DFAS-ZPTA approves removal of the deficiency, it sends the requesting DO a memorandum authorizing a charge to Treasury Account Symbol (account) ***6763, Gains and Deficiencies on Exchange Transactions. The removal of deficiency transaction will impact the DO Cash TAS. Process the removal of deficiency with a Classification Transactions and Accountability transaction citing account ***6763 and BETC and the appropriate DO Cash TAS/BETC. The DO sends a copy of the memorandum to the activity to which it submits financial reports. DFAS-ZPTA advises the Debt and Claims Management Office to continue attempts to recover the debt and, if successful, credit the appropriation charged when the deficiency is removed as a result of successful debt recovery processes. If DFAS-ZPTA does not authorize removal of the deficiency, the deficiency cannot be charged to account ***6763, and the DO can either repay the loss or request relief of liability as prescribed in Chapter 6, section 6.0.

5.2 Lost Dishonored Check

If a dishonored check held in the disbursing office is lost, consider it a physical loss of funds (see Chapter 6, section 4.0).

5.3 Forgeries and Other Unusual Cases

If a forged check is processed and paid, a loss of funds investigation is required (see Chapter 6, section 4.0). If the investigation is unable to identify the forger, or if recovery from this person cannot be accomplished, the DO, DDO, agent, or cashier who cashed the forged instrument will be liable for the loss but may be eligible for relief of liability (see Chapter 6, section 6.0). As such, the DO, DDO, agent, or cashier may submit a request for relief of liability to DFAS-ZPTA for the improper payment. The request should include a copy of the investigation results, all related documents, and a description of the procedures used to preclude forgery.

6.0 REDEEMING SAVINGS BONDS IN OVERSEAS AREAS

6.1 General

MBFs are authorized to redeem savings bonds in overseas areas. Where none are available, DOs may request this authorization through their chain of command. This is the only situation where

DOs may redeem savings bonds. Disbursing offices with current authority to redeem savings bonds may continue this service providing no changes in area support by a local MBF has occurred.

6.2 Cashing Bonds

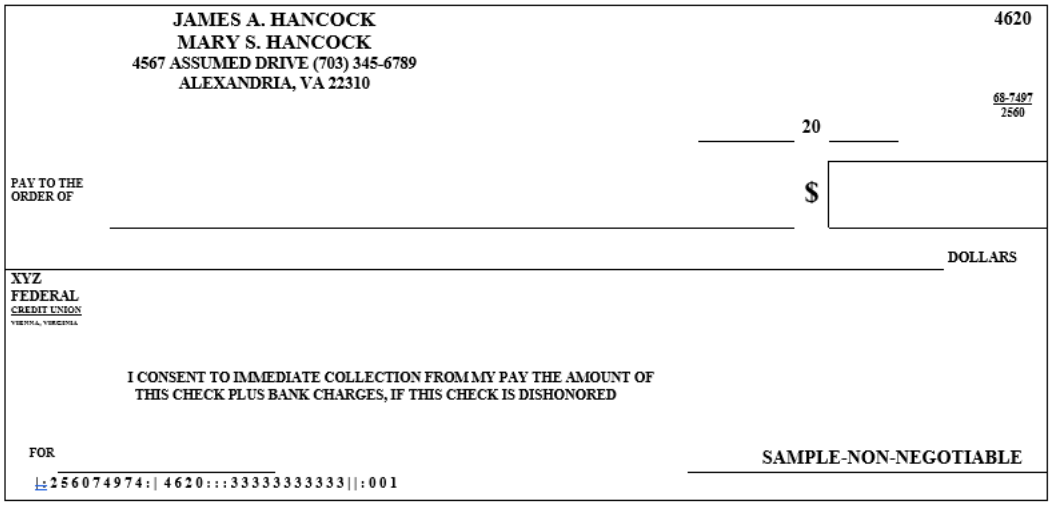
6.2.1. Authorized DOs. The DO authorized to redeem savings bonds must use the savings bond calculator found at the ***Treasury Direct*** website. Series EE and I Bonds issued after February 2003 must be at least 12 months old based on the date of issue before the DO may redeem them.

6.2.2. Redeemed Bonds. Return redeemed bonds on a separate deposit ticket following instructions provided by the servicing Federal Reserve Bank.

6.2.3. Discrepancies. Upon discovery that an amount was paid different from that authorized by the applicable redemption table, report the variance on the DD 2657, and either pay the amount of underpayment (using an SF 1034, Public Voucher for Purchases and Services Other Than Personal), or attempt to recover the overpayment from the payee. If the collection of the overpayment is made, prepare an ***Optional Form 1017-G***, Journal Voucher, to document the collection and record the transaction as a decrease and an increase to cash. If the collection is not made, process the shortage as a physical loss of funds as prescribed in Chapter 6, section 4.0.

6.2.4. Internal Revenue Service (IRS) Form 1099-INT, Statement for Recipients of Interest Income. The DO issues an ***IRS 1099-INT***, Interest Income, to recipients of $10 or more in interest paid on redeemed savings bonds. This form includes the amount of interest paid, name, address, Taxpayer Identification Number (usually the bondholder's SSN), name of the person paid, and other information needed by the IRS. DOs are prohibited from cashing bonds for individuals who refuse to furnish their SSN. Since individuals redeeming bonds may change their address without notification by calendar year-end, DOs should furnish the form to the recipient at the time of the transaction.

Figure 4-1. Sample Statements of Consent for Dishonored Check Charges



JAMES A. HANCOCK
MARY S. HANCOCK
4567 ASSUMED DRIVE (703) 345-6789
ALEXANDRIA, VA 22310

4620

68-7497
2560

20

PAY TO THE ORDER OF

$

DOLLARS

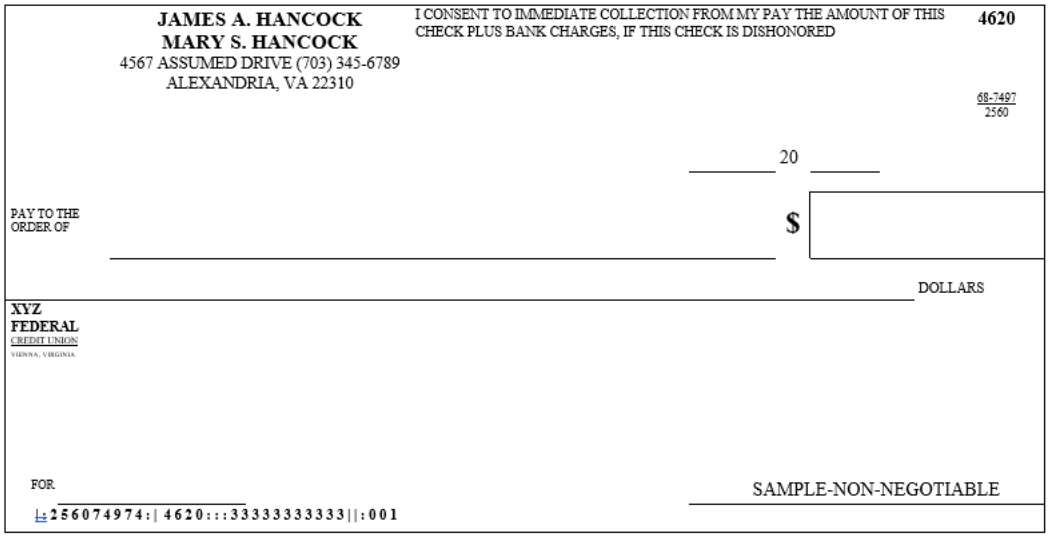
XYZ FEDERAL CREDIT UNION
VIENNA, VIRGINIA

I CONSENT TO IMMEDIATE COLLECTION FROM MY PAY THE AMOUNT OF THIS CHECK PLUS BANK CHARGES, IF THIS CHECK IS DISHONORED

FOR

SAMPLE-NON-NEGOTIABLE

⑆256074974:| 4620:::33333333333||:001



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I CONSENT TO IMMEDIATE COLLECTION FROM MY PAY THE AMOUNT OF THIS CHECK PLUS BANK CHARGES, IF THIS CHECK IS DISHONORED

4620

68-7497
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PAY TO THE ORDER OF

$

DOLLARS

XYZ FEDERAL CREDIT UNION
VIENNA, VIRGINIA

FOR

SAMPLE-NON-NEGOTIABLE

⑆256074974:| 4620:::33333333333||:001

Figure 4-2. Sample of a Request for Removal of Deficiency Due to Dishonored Checks

(Letterhead Block)

Date

MEMORANDUM FOR: RELIEF OF LIABILITY SECTION, DISBURSING POLICY DIVISION, DFAS INDIANAPOLIS (DFAS-ZPFA/IN), 8899 E. 56TH STREET, INDIANAPOLIS, IN 46249-0500

SUBJECT: Request for Removal of Deficiency

I request removal of deficiency under the provisions of Department of Defense Financial Management Regulation, Volume 5, Chapter 4, paragraph 5.1, for the following dishonored checks accepted as accommodation exchange transactions. This deficiency is carried on the accountability of disbursing station symbol number XXXX under the account holder Captain XXXXXXX.

NAME	SSN	CHECK #	DATE	AMOUNT
Irwin XXXXXX	xxx-xx-xxxx	185	July 15, 2017	$150.00
James XXXXX	xxx-xx-xxxx	422	July 28, 2017	$150.00
			TOTAL	$300.00

This office has exhausted all means of collection. These individuals are no longer employed in an active duty, reserve, or civilian capacity for the U.S. Government. Members have been notified of their debt and have not responded to the collection letter. Attached are the dishonored check(s), copy of applicable debit voucher(s), copy of the applicable check cashing policy, and the documentation supporting attempted collections.

If you have any questions, please contact Mr. John Doe, at DSN ###-#####, phone (###) ###-####, or by email: John.Doe.civ@mail.mil.

Signature Block
Disbursing Officer

Attachments:
As stated

Table 4-1. DoD Component Payroll Office Addresses

Branch of Service	Active Duty	Active Reserve/ National Guard	Inactive Reserve	Retired	Civilian	DoD Component Payroll Office Address
U.S. Army	X					Defense Finance and Accounting Service Military Pay Operations ATTN: DFAS-JFLA/IN (Army Central Processing Division) 8899 East 56th Street Indianapolis, IN 46249
U.S. Army		Active Reserve				Defense Finance and Accounting Service ATTN: USAR Liaison Office 8899 East 56th Street Indianapolis, IN 46249
U.S. Army		National Guard				Army National Guard Financial Services Center ATTN: ARNG-RMC-F 8899 East 56th Street Indianapolis, IN 46249
U.S. Marine Corps	X	X				Defense Finance and Accounting Service Military Pay Operations ATTN: USMC Central Pay Processing 1240 East 9th Street Cleveland, OH 44199-2055
U.S. Navy	X					Defense Finance and Accounting Service Military Pay Operations ATTN: Navy Active Duty Pay Processing 1240 East 9th Street Cleveland, OH 44199-2055
U.S. Navy		X				Defense Finance and Accounting Service Military Pay Operations ATTN: Navy Reserve Pay Processing 1240 East 9th Street Cleveland, OH 44199-2055
U.S. Air Force	X					Defense Finance and Accounting Service Air Force Military Pay ATTN: JFLTBC 8899 East 56th St Indianapolis, IN 46249-1200
U.S. Air Force		X				Defense Finance and Accounting Service Military Pay Operations ATTN: JFLTAD, NG/RES Supervisor 8899 East 56th Street Indianapolis, IN 46249-1200
U.S. Army, Marine Corps, Navy, Air Force			X			Relief of Liability Section Defense Finance and Accounting Service ATTN: ZPFA/IN 8899 East 56th Street Indianapolis, IN 46249-0500
U.S. Army, Marine Corps, Navy, Air Force				X		Defense Finance and Accounting Service U.S. Military Retired Pay 8899 E 56th Street Indianapolis IN 46249-1200
U.S. Army, Marine Corps, Navy, Air Force					X	Defense Finance and Accounting Service U.S. Military Annuitant Pay 8899 E 56th Street Indianapolis IN 46249-1300

Table 4-1. DoD Component Payroll Office Addresses (Continued)

Branch of Service	Active Duty	Active Reserve/ National Guard	Inactive Reserve	Retired	Civilian	DoD Component Payroll Office Address
DoD Civilian					X	Defense Finance and Accounting Service Civilian Pay Operation Imaging Section (JFVCAD, Column 111Z) 8899 East 56th Street Indianapolis, IN 46249-1900 or FAX 1-866-401-5849 or 1-800-729-3277
U.S. Coast Guard	X	X	X	X	X	Coast Guard Commanding Officer (SES) U.S. Coast Guard Pay and Personnel Center 444 SE Quincy Street Topeka, KS 66683-3591

VOLUME 5, CHAPTER 5: "CERTIFYING OFFICERS, DEPARTMENTAL ACCOUNTABLE OFFICIALS, AND REVIEW OFFICIALS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated October 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
3.4.1.3.	Deleted obsolete information.	Deletion

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CHAPTER 5

CERTIFYING OFFICERS, DEPARTMENTAL ACCOUNTABLE OFFICIALS, AND REVIEW OFFICIALS

1.0 GENERAL

1.1 Overview

The DoD recognizes the difficulty of any single official exercising direct personal control over all aspects of each business transaction. Therefore, DoD relies on automated systems and accountable officials (AO) to ensure accountability of government funds including the accuracy, propriety, and legality of every payment.

1.1.1. An AO is a member of the U.S. Armed Forces or DoD civilian employee to whom public funds are entrusted or who participates in the process of certifying vouchers for payment in connection with the performance of government business. AO include disbursing officers (DOs), deputy disbursing officers (DDOs), disbursing agents, cashiers, imprest fund cashiers, change fund custodians, paying and collection agents, certifying officers (COs), and departmental (DAO).

1.1.2. This chapter addresses COs and DAOs. COs are AO designated to attest to the correctness of statements, facts, accounts, and amounts appearing on a voucher, or other documents. DAOs are AO that provide information, data, or services that COs rely on to certify vouchers.

1.2 Purpose

This chapter addresses the selection, appointment, responsibilities, and qualifications for COs; certification of vouchers for payment; DAOs; random review of disbursement vouchers; and pecuniary liability.

1.3 Authoritative Guidance

1.3.1. COs. Under Title 31, United States Code (U.S.C.), section 3325(a)(1) and (b), (***31 U.S.C. § 3325(a)(1) and (b)***), a DoD disbursing official may disburse money only as provided by a voucher certified by the Secretary of Defense (SecDef), an officer or employee of the DoD, or member of the U.S. Armed Forces having written authorization from the SecDef to certify vouchers.

1.3.2. DAOs. Under ***10 U.S.C. § 2773a***, the SecDef may designate any DoD civilian employee or member of the U.S. Armed Forces under the Secretary's jurisdiction as a DAO. In the performance of their duties, DAOs are responsible for providing COs with information, data, or services that are directly relied upon by the CO in the certification of vouchers for payment.

2.0 POLICY

2.1 Authority to Appoint

The ***DoD Directive 5118.03*** delegates authority to appoint COs under 31 U.S.C. § 3325(a)(1) and (b), and DAOs under 10 U.S.C. § 2773a to the Under Secretary of Defense (Comptroller) (USD(C)). This volume re-delegates that authority to DoD Component Heads, who may further re-delegate that authority. See Chapter 2, section 3.0 for policy on who may be appointed to positions of accountability to the U.S.

2.1.1. Based on the separation of duties principles cited in Chapter 1, subparagraph 3.5.2, DOs, their deputies, and agents may neither be appointed as, nor appoint COs for payments they will eventually make. See subparagraph 3.1.2 for conditions that may require deviation from normal separation of duties requirements.

2.1.1.1. DOs and DDOs may certify cover vouchers supported by properly certified sub-vouchers; see Chapter 9, paragraph 4.9.

2.1.1.2. Where a DO supervises separate computation and disbursing functions, persons in the computation section may be COs. In limited situations (e.g., afloat units, noncombatant evacuations, contingency operations, training exercises), disbursing office personnel may be appointed as COs. Make these appointments through command channels, excluding the DO, and describe the circumstances in Item 7 of the appointing DoD ***(DD) Form 577***, Appointment/Termination Record-Authorized Signature.

2.1.2. DoD personnel who may be appointed to certify vouchers for payment include, but are not limited to, commanders, deputy commanders, resource managers and other key funds control personnel, travel authorizing officials, purchase card and centrally billed account (CBA) approving officials, and other personnel in equivalent positions. For example, a traveler's supervisor could be a travel authorizing official and a CO. See paragraph 3.4 for CO requirements and section 4.0 for policy on appointments.

2.1.3. The same person may not serve as both a DAO and CO for the same types of payments.

2.2 Certification of Funds Availability vs. Certification of a Payment Voucher

2.2.1. Certification of Funds Availability. As key funds control personnel, resource managers must certify funds availability before goods and/or services are ordered based on funding authorizations that allow incurrence of obligations for which the U.S. Government will make a payment at some future date (see paragraph 3.3). This does not create pecuniary liability consequences under either ***31 U.S.C. § 3527*** or ***31 U.S.C. § 3528*** (see also paragraph 7.1), but may have Antideficiency Act implications (see Volume 14, Chapter 2).

2.2.2. Certification of a Voucher for Payment. This is an attestation by a properly appointed and trained CO that a voucher is correct and proper for payment. Such a certification normally occurs before payment, but may occur simultaneously with receipt of and payment for goods and/or services, particularly in tactical situations. Only persons properly appointed on a DD 577 may make these certifications; see sections 4.0 and 5.0.

3.0 RESPONSIBILITIES

3.1 Appointing Authorities

DoD Component Heads or their designees:

3.1.1. May appoint COs and DAOs, other than themselves, and terminate appointments when required (see paragraph 4.1);

3.1.2. Oversee the appointees and their execution of the duties described in paragraphs 3.4 and 3.5. In cases involving micro-purchases in support of contingency operations, to balance mission accomplishment with acceptable risk and cost benefit, it may be necessary to deviate from normal separation of duties and internal control principles required by Chapter 1, paragraph 3.5 and Chapter 1, subparagraph 3.5.2, and the policy in subparagraph 2.1.3. Deviations are at the discretion of the commander, who must be aware of the increased possibility of the risk of errors, theft, and fraud that may result from the merging of payment certification responsibilities with other functions. Because such mergers may compromise internal controls, commanders must make every effort to mitigate these risks. Post-payment reviews, rotation of duties, reviews of financial data, and reports by management or external resources are tools available to mitigate these risks. The micro-purchase threshold is defined by the ***Federal Acquisition Regulation Subpart 2.101***; and

3.1.3. Implement controls to effect timely appointment terminations.

3.2 Supervisors

Supervisors ensure that subordinate COs and DAOs are trained in their responsibilities, including initial training and refresher training annually (see subparagraphs 3.4.1.2 and 3.5.2); periodically review their performance to ensure compliance with established regulations, policies, and procedures, including local standard operating procedures; review appointments annually for validity and current status; and make appropriate recommendations for change to appointing authorities.

3.3 Key Fund Control Personnel

Resource managers or other key fund control personnel maintaining a system of funds control are responsible for certifying funds availability, and assignment of proper funding citations on commitment and obligating documents. Key fund control personnel should coordinate with requiring officials, such as program managers, contracting officers, and engineers, to verify that requests comply with funding statutes applicable to the assignment of funding on a commitment or obligation document and that the structure of the obligating document will support that capital and expensed items are listed on different line items. This coordination should include ensuring delivery of supplies and/or the period of performance for service aligns with the lifecycle of the associated funds such that the obligation meets the bona fide need rules as described in Volume 3, Chapter 8, subparagraph 3.4.1. A certification of funds availability is not a certification for payment (see paragraph 2.2 and Volume 14, Chapter 2).

3.4 COs

3.4.1. Qualifications. COs:

3.4.1.1. Must have knowledge of the subject matter, background, or experience in the preparation of a voucher for payment; appropriations and other funds and accounting classifications; and the payment process (e.g., location of designated paying and accounting offices). See paragraph 2.2;

3.4.1.2. Must complete an approved "Certifying Officer Legislation" training course applicable to their mission area prior to their appointment and refresher training annually and provide proof of completion to their supervisor. Evidence of having completed this training is required prior to performing as a CO. On-the-job training is not acceptable.

3.4.2. Responsibilities. COs must ensure that the automated and manual processes supporting their voucher certifications reasonably satisfy the requirements listed under Treasury Financial Manual (TFM), Volume 1, Part 4A, Chapter 2000 (***I TFM 4A-2000***), as well as:

3.4.2.1. Check the accuracy of facts stated on a voucher and in supporting documents and records, and may rely on data received from reliable automated systems that have been certified as compliant with the Federal Financial Management Improvement Act of 1996 (FFMIA) (see Volume 1, Chapter 3);

3.4.2.2. Verify the accuracy of computation of a voucher before certification;

3.4.2.3. Determine the legality of a proposed payment from the appropriation or fund cited on the voucher (see Chapter 1, paragraph 3.6 for policy on prohibited payments);

3.4.2.4. Ensure there is a legal obligation to pay (e.g., a contract);

3.4.2.5. Ensure the payee has fulfilled the prerequisites to payment (e.g., an invoice, receiving report, approved travel claim);

3.4.2.6. Ensure the payment is legal under the appropriation or fund involved (e.g., the correct appropriation and fiscal year);

3.4.2.7. Seek advance decisions on questionable vouchers; see Chapter 12, section 3.0;

3.4.2.8. Repay a payment:

3.4.2.8.1. Determined to be erroneous (e.g., illegal, improper, or incorrect) due to an inaccurate or misleading certification;

3.4.2.8.2. Prohibited by law; or

3.4.2.8.3. Not a legal obligation of the fund or appropriation cited; unless the payment is recovered by collection or offset from the payee or another source, (e.g., collected from a DAO or relief is granted under subsections (b) or (c) of 31 U.S.C. § 3528; also see Chapter 6, subparagraph 6.4.3);

3.4.2.9. Respond timely to a reviewing official's questionable-payment inquiry; and

3.4.2.10. Include the payee's Tax Identification Number (for businesses) or Social Security Number (for individuals).

3.4.3. Pecuniary Liability. See subparagraph 7.1.2.

3.4.4. DoD Employees Serving as Treasury COs. The guidance in this section applies to DoD employees appointed as Treasury COs and are delegated the authority to certify the disbursement of funds, as well as scheduling and classifying domestic and international payments that the Bureau of the Fiscal Service disburses, as authorized by the Treasury Disbursing Office. For more information on the Treasury Disbursing Office, see Chapter 9, section 6.0.

3.4.4.1. Treasury COs

COs that certify Treasury-disbursed payments must be appointed utilizing the Bureau of the Fiscal Service Form 210CO, Designation for Certifying Officer, and not the DD 577, unless also serving as a COs for DoD disbursed payments by a Non-Treasury Disbursement Offices (NTDO). Treasury appointed COs designations are valid for a period of one year from the effective date, unless revoked earlier. See ***I TFM 4A-3000*** for all requirements and forms for scheduling payments disbursed by the Bureau of the Fiscal Service.

3.4.4.2. Treasury CO's Pecuniary Liability

All (AO)s are subject to the pecuniary liability standard under 31 U.S.C. § 3527 and 3528 (see Chapter 6, paragraph 1.3). Treasury COs are pecuniarily liable when there is a fiscal irregularity based on the "presumption of negligence," regardless if the payment was disbursed by the Treasury or an NTDO. See Chapter 6, sections 6.0 and 7.0 for policy concerning relief of liability of (AO)s.

3.5 DAOs

3.5.1. DAOs are responsible in the performance of their duties to provide COs with information, data, or services to support the payment certification process. They have unique mission area responsibilities that require supervisors and appointing officials to not only decide if DAO appointments are required, but also define clearly each DAO's functions. Appointment of DAOs is not mandatory; examples of persons whose duties could be considered as appropriate to support their being appointed as DAOs include, but are not limited to, receiving officials, contracting officers, personnel who make payment eligibility determinations, time and attendance personnel, and travel approving officials. Consider personnel in the following areas for appointment as DAOs:

3.5.1.1. Purchase Card Program. Approving officials may be appointed as COs with the additional responsibilities outlined in subparagraph 3.4.2. Other personnel involved with the purchase card program may be appointed as DAOs (see Volume 10, Chapter 23).

3.5.1.2. Contract and Vendor Pay. See Volume 10.

3.5.1.3. CBA. See ***DoD Instruction 5154.31, Volume 4*** or ***Government Travel Charge Card Regulations, paragraph 040903***.

3.5.1.4. Personnel Programs. Personnel officers ensure accurate and timely input of personnel data supporting payments.

3.5.1.4.1. Military Pay. See Volume 7A.

3.5.1.4.2. Civilian Pay. See Volume 8.

3.5.1.4.3. Travel. See Volume 9.

3.5.2. DAOs must complete approved training applicable to their mission areas within two weeks of their appointment, refresher training annually, and provide a copy of their training completion certificate to their supervisor. Evidence of having completed this training is required prior to performing as a DAO. See subparagraph 2.1.1 for appointment eligibility, and subparagraph 7.1.3 for pecuniary liability implications.

3.6 Automated Information System (AIS) Administrators

In addition to other responsibilities, AIS administrators operate and maintain automated system(s) that support the entitlement, certifying, and disbursing processes so that these system(s) operate in accordance with prescribed functional requirements so that the integrity of the data is maintained and unauthorized access is prevented. They must also ensure that the systems they administer are certified as compliant with the FFMIA; see Volume 1, Chapter 3.

4.0 DD 577

4.1 Appointment and Termination

Appointing authorities (see paragraph 3.1) appoint and terminate the appointments of COs and DAOs using a DD 577, identifying as necessary the types of payments to be certified (e.g., vendor pay, purchase card, CBAs, travel, transportation, military and civilian pay) and, if appropriate, the entitlement system(s) involved. Avoid the term "various" and similar generalities when identifying types of vouchers to be certified. If desired, include the reviewing official's organization on the appointment. The effective date of an Appointee Acknowledgment (Item 15 or 16a - Digital) may not be earlier than the date of the Appointing Authority (Item 12).

4.1.1. Include the appointee's DoD Identification Number (employee number for direct-hire, non-U.S. citizen outside the U.S.), name, organization, and position. Limit the access to any personally identifiable information to only those who require it in the performance of their duties and are following the Privacy Act of 1974 (***5 U.S.C. § 552a***).

4.1.2. When appointing employees outside the U.S. who are precluded by local law, treaty, or status of forces agreement from being held pecuniarily liable to the U.S. (see Chapter 1, subparagraph 3.3.3.3), make an appropriate comment in Item 7.

4.1.3. Appointees acknowledge their appointment in Section III; they may not re-delegate their appointed authority.

4.1.4. Appointments remain in force until terminated by an appointee's reassignment or for cause. An appointing authority's reassignment does not affect existing appointments.

4.1.5. COs who certify vouchers electronically, (e.g., Defense Travel System), must submit the DD 577 electronically, satisfying the requirements in Chapter 1, subparagraph 3.5.3.

4.1.6. COs who certify manual vouchers or submit manual certifications of electronic payments must submit original, manually signed DD 577s (see subparagraph 4.2.1.1) or supplemental documents to support electronic DD 577 submissions.

4.1.7. These forms cannot be amended. Pen-and-ink changes are not authorized. Any change (e.g., to alter the types of vouchers to be certified) requires termination of the existing and preparation of a new appointment.

4.1.8. Terminate appointments using Section IV and submit the DD 577 to all recipients who received copies of the original appointment.

4.2 Distribution

4.2.1. CO Appointments. Ensure the training required by subparagraph 3.4.1.2 is complete before submission.

4.2.1.1. Payments Certified to Defense Finance and Accounting Service (DFAS) DOs. Send the form to the DFAS Indianapolis (DFAS-IN) DO (secure email: dfas.indianapolis-in.jfd.mbx.dfas-incddd577@mail.mil) following that office's guidance. Forms sent as attachments must be copies of original DD 577s, not "copies of copies."

4.2.1.2. Government-wide Purchase Card (GPC). DoD components that follow the guidance in the ***GPC Policy Guidebook*** for CO appointments/termination are not required to follow the submission guidance in subparagraph 4.2.1.1 for payments that are electronically certified. COs who certify manual vouchers must continue to follow the guidance outlined in subparagraph 4.1.6.

4.2.1.3. Payments Certified to non-DFAS DOs. Send the form following the paying DO's instructions.

4.2.1.4. Immediate Payment. Fax or email a signed copy of the form to the appropriate DO. Follow up with a normal submission.

4.2.2. DAO Appointments. Appointing authorities ensure completion of the training required by subparagraph 3.5.2, keep the signed original DD 577s, and send copies to the offices that certify vouchers. Offices and organizations that rely on DAOs must establish and implement mechanisms for identifying and facilitating communication with them.

4.2.3. Appointment Terminations. See subparagraph 4.1.8.

4.3 Retention Requirements

Keep DD 577 copies after appointment termination for a retention period following the guidance in Volume 1, Chapter 9; except for transactions affecting Foreign Military Sales, use a retention period following the guidance in Volume 15, Chapter 6.

5.0 CERTIFICATION

5.1 Voucher Certification

All payments from appropriated funds must be certified (excludes intra-governmental); see the ***Government Accountability Office (GAO), Policy and Procedures Manual***, section 6.5. COs review payment vouchers before certification and submission to DOs for payment to ensure the information on the vouchers agrees with all supporting documentation. See Chapter 9, paragraph 4.3 for voucher certification requirements and Volume 1, Chapter 9 for records retention policy.

5.2 Effect of Certification

COs certify to, not "for" or "on behalf of," DOs or their agents that vouchers are correct and proper for payment from the appropriation(s) or other funds cited on them or on supporting vouchers, and that the proposed payments are legal, proper, and correct (see subparagraph 3.4.2). They may certify either individual vouchers or a file of several vouchers; see paragraph 5.3. Manual certifications require the CO's signature and type or printed name, date, and dollar amount. See Chapter 1, subparagraph 3.5.3 for electronic signature requirements. Submit manually certified vouchers to the disbursing office by mail or fax.

5.3 Certification of a File of Payments (Batch Certification)

Batch certification attests that a file contains a specified number of payments that total a specific dollar amount equal to the total of vouchers contained in the file and that each voucher in the file has been certified as correct and proper for payment. Pecuniary liability attaches to the original CO for each payment. The person that certifies the file is pecuniarily liable for vouchers in that file not previously individually certified. Once a file is input, a DO processes each payment separately.

5.4 Successive Certification

More than one CO may be involved with a given payment; this is known as "successive certification." When this occurs, the successive CO(s)' actions do not diminish the responsibility of the officer who certified the original voucher. If the officer who certifies an additional related voucher differs from the one who certified the original, the first CO is pecuniarily liable for the correctness of the original voucher and the successive CO is pecuniarily liable only for the additional voucher(s). If a voucher is certified and then changed (e.g., to take a discount, add interest penalties), the CO certifying the legality, propriety, and correctness of the changes is pecuniarily liable for only the payments based on those changes.

5.5 Foreign Military Sales Transactions

See Volume 15, Chapter 3.

5.6 Altering a Certified Voucher

Altering a certified voucher invalidates the certification. A DO who determines that a certified payment voucher is improper must return it for correction and a new certification. However, post-payment printing and scanning of paid vouchers that were properly certified electronically do not invalidate the original certifications.

5.7 Certification and Accounting Data Translation

The translation of accounting data for a certified voucher is acceptable as long as the correct appropriation or funds involved aligns with the appropriation or funds cited on the legal obligation to make the payment (e.g., contract). The translation process must be auditable and deemed reliable to where the certified line of accounting can be mapped to the translated line of accounting. See Volume 1, Chapter 4, paragraph 2.7 for additional information regarding data translation. DOs and COs may rely on data received from reliable automated systems that have been certified as compliant with the FFMIA (see Volume 1, Chapter 3).

6.0 RANDOM REVIEW OF DISBURSEMENT VOUCHERS

6.1 Payment Review Officials

Payment review officials are not subject to pecuniary liability since they are not in accountable positions. State their responsibilities in their position descriptions and performance standards or appoint them by means other than a DD 577.

6.2 Examination Requirements

6.2.1. Statistical Sampling.

6.2.1.1. Title 7, of the GAO Manual, which implements ***31 U.S.C. § 3521(b)(1)***, requires pre-payment examination of payments over $2,500. For payments of $2,500 or less, statistical sampling procedures may be implemented in lieu of examining all payments (see paragraph 6.3). Various publications provide guidance on statistical sampling methods, pre-payment, and post-payment reviews. These include the report GAO/Accounting and Information Management Division 21.3.2, May 2000, ***Streamlining the Payment Process While Maintaining Effective Internal Control***, the Office of Management and Budget (OMB) Circular No. A-123 (A-123), Management's Responsibility for ***Enterprise Risk Management and Internal Control***, and Appendix C to OMB A-123, ***Requirements for Effective Estimation and Remediation of Improper Payments***. GAO reports and publications provide examples of statistical sampling applications in the pre-payment and post-payment phases, but no single procedure is appropriate for every type of disbursing system.

6.2.1.2. The appropriateness of these reviews depends largely on the extent of automation of the system that computes and processes payments. Fully automated systems that can perform reviews of all records through extensive edit checks and balances before payment is made, replaces the need for manual invoice process and examination procedures.

6.2.2. Pre-Payment Reviews

6.2.2.1. Pre-payment reviews may occur any time before payment and are subject to management's judgment of the most appropriate stage in the voucher-preparation process for their conduct. These reviews ensure that vouchers are substantiated by documentation for lawful and proper payment. Under manual processing systems, they include verification of accuracy of computation. These requirements include ensuring that:

6.2.2.1.1. Payments are allowed by law and regulation;

6.2.2.1.2. Payments are authorized and approved for payment;

6.2.2.1.3. Requests for payment are supported by basic documents;

6.2.2.1.4. Payee identification is correct;

6.2.2.1.5. Manual calculations are correct, and data are input correctly to automated computation systems;

6.2.2.1.6. Proper accounting classifications are charged (e.g., supported by a proper obligating document);

6.2.2.1.7. Funds are available to support disbursements;

6.2.2.1.8. Any required special certificates or receipts are attached to the disbursement documents; and

6.2.2.1.9. Duplicate payments are prevented through proper manual or automated edits and checks.

6.2.2.2. Pre-payment review officials who determine that proposed or actual certified payments are of questionable legality, propriety, or correctness must send inquiries to the COs challenging the decision to certify these payments and keep files of these inquiries or those received from other sources. Inquires must be resolved within 30 days.

6.2.3. Post-Payment Reviews. See Volume 4, Chapter 14.

6.3 Statistical Sampling Plans

6.3.1. DoD Components may use statistical sampling plans for vouchers not exceeding $2,500. Agencies must establish their own dollar limitations within that maximum based on cost/benefit analysis of their voucher examining operations. If a CO uses an approved pre-payment statistical sampling procedure and reviews only those vouchers selected in the sample as a basis for certification, he or she identifies the vouchers selected for review. If a DoD Component determines that an alternate voucher examining plan is required, it sends a written request through the Director, DFAS to the USD(C) for approval under subparagraph 6.3.3. The request must identify the reason for the alternate plan to include a description of the plan, alternate procedures for statistical sampling, and a business case that indicates savings without jeopardizing the Government's interest.

6.3.2. Sampling plans must be statistically valid and adhere to technical guidelines in professional texts and publications (both Federal and non-Federal) on the subject. Include in the sampling plans the purpose, scope, frequency of the review, a definition of the population from which the sample will be selected, the sample size and element selection method, procedures to analyze results of the sampled records, and methods to document and report the results of the sample review. Sampling plans require review and approval (or in most cases, original preparation) by qualified statisticians before submission for final approval. Review and update them periodically to ensure they reflect the most recent occurrence rate trends and allow for population estimates within predetermined sampling probability and precision levels.

6.3.3. The Director, DFAS or designee approves statistical sampling plans for payment vouchers processed by DFAS and ensures implementation of these plans at locations for which DFAS is responsible. The USD(C) approves statistical sampling plans for other DoD Components whose officials ensure implementation of these plans.

7.0 PECUNIARY LIABILITY

7.1 Presumption of Negligence

COs and DOs, but not DAOs, are pecuniarily liable automatically when there is a fiscal irregularity based on the "presumption of negligence" under 31 U.S.C. § 3527. A fiscal irregularity is either a physical loss of cash, vouchers, negotiable instruments, or supporting documents, or an erroneous (e.g., illegal, improper, or incorrect) payment. Physical losses generally apply only to DOs and their agents. Under ***28 U.S.C. § 2512***, DOs must prove that they were neither negligent nor the proximate cause of the irregularity to gain relief of liability. See Chapter 6, sections 6.0 and 7.0 for policy concerning relief and liability of accountable officers.

7.1.1. DOs. Under 31 U.S.C. § 3325, DOs are pecuniarily liable for payments not in accordance with the vouchers certified to them for payment, and for errors in their accounts. DOs who make payments in accordance with certifications of properly appointed COs may be relieved of their liability.

7.1.2. COs. Under 31 U.S.C. § 3528, COs are pecuniarily liable for payments resulting from improper certifications.

7.1.3. DAOs. DAOs are not subject to the presumption of negligence, but may be held pecuniarily liable under 10 U.S.C. § 2773a(c) for illegal, improper or incorrect payments resulting from information, data, or services they negligently provide to COs; and upon which the COs relied to certify payment vouchers. Any pecuniary liability of DAOs for losses to the U.S. resulting from illegal, improper, or incorrect payments may be either individual or joint and several with that of other officers or employees of the U.S. or members of the uniformed services who are also pecuniarily liable for those losses.

7.2 Erroneous Payments Under Random Sampling Procedures

Under ***31 U.S.C. § 3521(c)***, COs and DOs who pursue diligent collection action are not pecuniarily liable for payments on vouchers in a population of vouchers subject to sampling but not reviewed. See Chapter 6, section 5.0, in the case of a fraudulent or suspected fraudulent payment.

VOLUME 5, CHAPTER 6: "PHYSICAL LOSSES OF FUNDS, ERRONEOUS PAYMENTS, AND OVERAGES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated February 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
Figure 6-1	Incorporated process map for physical losses of funds from the archived version of Chapter 6 (February 2021).	Addition
Figure 6-2	Incorporated process map for erroneous payments from the archived version of Chapter 6 (February 2021).	Addition
Table 6-2	Incorporated table of standardized questions for loss of funds investigations from the archived version of Chapter 6 (February 2021).	Addition

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CHAPTER 6

PHYSICAL LOSSES OF FUNDS, ERRONEOUS PAYMENTS, AND OVERAGES

1.0 GENERAL

1.1 Overview

An accountable official is a member of the U.S. Armed Forces or a DoD civilian employee who is responsible for or has custody of government funds. Accountable officials include those defined in Chapter 5, section 3.0 as certifying officers and departmental accountable officials (DAO); and in Chapter 2 as disbursing officers (DOs), deputy DOs (DDOs), cashiers, imprest fund cashiers, change fund custodians, paying agents, and collection agents. Accountable officials are personally liable for the physical loss or improper payment of the funds for which they are accountable, unless granted relief. The decision by the Secretary of Defense to grant or deny relief is binding. The Secretary of Defense has delegated authority to the Director of the Defense Finance and Accounting Service (DFAS) to make the required determinations to grant or deny relief on all requests for relief of liability. The Director of DFAS has re-delegated this authority to the Director of Strategy, Policy and Requirements (DFAS-ZP).

1.2 Purpose

This chapter provides guidance for the accountability, investigation, request for relief of liability, and funding for removal of physical losses. The chapter also provides guidance on granting or denying relief of liability, and an overview on overages of public funds. Additionally, the chapter provides the definition of physical losses, and the criteria for minor and major losses. Lastly, the chapter defines and provides examples of erroneous payments (illegal, incorrect, and improper), to include the discovery, investigation, loss of funds (LoF) process, and settlement of erroneous payments.

1.3 Authoritative Guidance

All accountable officials are subject to the pecuniary liability standard under Title 31 of the United States Code (U.S.C.). Except for the DAO, the basic legal liability of an accountable official arises automatically by virtue of the loss, regardless of fault or negligence on the official's part. Relief is a separate process that considers the lack of fault or negligence by the accountable official to the extent authorized by the following:

1.3.1. Title 31, U.S.C., section 3527 ***(31 U.S.C. § 3527)***, which provides general authority to relieve accountable officials and agents from liability due to physical losses;

1.3.2. ***Title 31 U.S.C. § 3528***, which provides general authority to relieve certifying officials from liability due to erroneous payments; and/or

1.3.3. ***Title 10 U.S.C. § 2773a***, which provides general authority to establish pecuniary liability for DAOs.

2.0 DEFINITIONS

2.1 Physical LoF

A physical LoF can be minor or major. A minor loss is a physical loss of less than $750 and without evidence of theft or fraud within the disbursing office. A major loss must meet at least one of the following criteria:

2.1.1. Equal to or greater than $750;

2.1.2. Any LoF resulting from theft, regardless of the dollar amount; or

2.1.3. Any loss, regardless of the dollar amount, where there is evidence of fraud within the disbursing office (i.e. embezzlement or fraudulent acts by disbursing personnel, whether acting alone or in collusion with others). See Table 6-1 for examples of physical LoF.

2.2 Erroneous Payments

2.2.1. Erroneous payments include:

2.2.1.1. Any payment that should not have been made or that was made and results in an incorrect overpayment under statutory, contractual, administrative, or other legally applicable requirements; or

2.2.1.2. Any payment to an ineligible recipient or service, duplicate payment, payments for services not received, and any payment that does not account for credit for applicable discounts.

NOTE: This definition applies to accountable official liability. Improper payments under the ***Improper Payments Information Act*** differ in that they include both underpayments and overpayments. See Volume 4, Chapter 14, section 2.0.

2.2.2. Examples of erroneous payments that require an investigation include:

2.2.2.1. Any payment in which the debt is delinquent for 180 days, or the loss cannot be fully recovered within the 2-year period from the time the erroneous payment was made, such as:

2.2.2.1.1. Overpayment to a payee;

2.2.2.1.2. Payment to the wrong payee;

2.2.2.1.3. Overdrafts of issued U.S. Department of Treasury (Treasury) check; or

2.2.2.1.4. Negotiation of original and replacement Treasury checks;

2.2.2.2. Any payment based on fraudulent, forged, or altered documents prepared or presented by officials who were not under the direct cognizance or control of the DO; or

2.2.2.3. Payment in violation of a regulation.

2.2.3. Examples of erroneous payments that do not require an investigation include:

2.2.3.1. An erroneous payment that is not delinquent for 180 days, and can be recovered within the 2-year period from the time the erroneous payment was made;

2.2.3.2. An erroneous payment that is collectible through offset of military pay, civilian pay, retired pay, or contract debt;

2.2.3.3. A valid payment made in accordance with appropriate documentation, which through no fault of the certifying officer, becomes an overpayment, e.g.:

2.2.3.3.1. A member paid a reenlistment bonus and does not complete terms of the contract;

2.2.3.3.2. A deceased retiree who is overpaid because death notification was not provided; or

2.2.3.3.3. An overpayment on a travel advance;

2.2.3.4. A payment made based on documentation from an individual and certified to be true and correct (e.g., a payment made to the wrong bank account because the individual provided incorrect information); or

2.2.3.5. Any payment made based on vouchers not examined under an approved statistical sampling plan.

3.0 DISCOVERY OF PHYSICAL LOSS OR ERRONEOUS PAYMENT

Any person who believes that an official entrusted with public funds is misusing those funds, or who suspects an occurrence of a fraudulent erroneous payment, must notify the Commander having jurisdiction over the alleged offender within 24 hours of discovery. A physical LoF does not initially impact the DO's Cash Treasury Account Symbol (TAS). The LoF is maintained as part of the DO's accountability and does not affect that balance until recovery, recoupment, or relief of liability is granted. Sections 4.0 and 5.0 provide guidance on the responsibilities and actions required to process physical losses and erroneous payments. See Figures 6-1 and 6-2 for overviews of processing physical LoF and erroneous payments, respectively.

4.0 PHYSICAL LOSSES

4.1 Responsibilities

4.1.1. DO. Upon notification of a possible loss, the DO must:

4.1.1.1. Verify that all transactions on the DoD ***(DD) Form 2657***, Daily Statement of Accountability, and ***DD 2665***, Daily Agent Accountability Summary, posted correctly;

4.1.1.2. Verify the accuracy of all totals from the date of the last balancing of the DD 2657 and the DD 2665 for each DDO, agent, or cashier;

4.1.1.3. Verify by actual count that the total of all cash and documents held as cash by the DO and all DDOs, agents, and cashiers agree with the amount shown as on hand on the DD 2657 and DD 2665;

4.1.1.4. Report the loss in writing to the Commander if the loss is not resolved within 24 hours of discovery and is a major physical loss as defined in paragraph 2.1; and

4.1.1.5. Request the Commander to direct an immediate audit of all disbursing assets by a Cash Verification Team, as prescribed in Appendix A, to confirm that a loss has occurred.

4.1.2. Commander. Upon notification of a possible loss, the Commander must request the Cash Verification Team conduct an audit of the DO's account. If the discrepancy is not resolved and qualifies as a major LoF as described in paragraph 2.1, report the loss to the DFAS LoF Team within 24 hours. Send the report via email to the Disbursing Policy mailbox at dfas.indianapolis-in.zpf.mbx.disbursingdebtmanagementpolicy@mail.mil, or by mail to the LoF Team, DFAS Accounting and Finance Policy Division, DFAS Indianapolis (DFAS-ZPTC), Location 220V, 8899 E. 56th Street, Indianapolis, IN 46249. When the Commander is in command of the DDO, agent, or cashier, a copy of the report must be provided to the DO. The report must include:

4.1.2.1. The specific type of loss (physical loss, erroneous payment, or fraudulent payment);

4.1.2.2. All known circumstances surrounding the alleged LoF;

4.1.2.3. The authorized amount of the imprest fund (if the loss occurred in the imprest fund);

4.1.2.4. The date the irregularity occurred and/or was discovered;

4.1.2.5. The dollar amount of the loss;

4.1.2.6. The identity of the accountable official(s) by name, rank/grade, and accountable position (such as DO, DDO, agent, or cashier);

4.1.2.7. The date of the investigation or when it will convene;

4.1.2.8. The contact information of the Investigating Officer (IO); including name, email address, and telephone number;

4.1.2.9. The completion date of the investigation or, if applicable, the estimated completion date; and

4.1.2.10. The status of any recovery action in progress or contemplated.

4.2 Accounting for Physical LoF

4.2.1. Recording a Physical LoF

4.2.1.1. Record All Physical Losses. All physical losses, major or minor, discovered in the DO's account, including those incurred by deputies, agents, cashiers, imprest fund cashiers, and change fund custodians, must be recorded on the DD 2657 by using an Optional Form ***(OF) 1017-G, Journal Voucher*** to document the repositioning or movement of money from one line to another. For example, if a cash count reveals U.S. currency on hand is short $100, prepare an OF 1017-G to document the loss. Continue to show all losses on the DD 2657 and the Standard Form ***(SF) 1219, Statement of Accountability***, until the loss is recovered, recouped, or until relief of liability is granted.

NOTE: Foreign currency loss must be converted and recorded in U.S. Dollar equivalent (USDE) using the exchange rate at the time that the loss occurred.

4.2.1.2. Cumulative Record of Physical Losses

4.2.1.2.1. Support the loss entered on the DD 2657 by annotating it on the ***DD 2667, Subsidiary Accountability Record***. If more than one physical loss occurs during a single business day, use a separate line on the same form to account for each loss individually.

4.2.1.2.2. Complete the DD 2667.

4.2.1.2.3. Maintain separate DD 2667s for different DOs.

4.2.1.2.4. Maintain the DD 2667 on file as a subsidiary record supporting the DD 2657.

4.2.1.2.5. Forward the DD 2667 to the LoF Team within 5 calendar days after the end of each month. Send by email to the Disbursing Policy mailbox at dfas.indianapolis-in.zpf.mbx.disbursingdebtmanagementpolicy@mail.mil or by mail to the LoF Team, DFAS Accounting and Finance Policy Division, DFAS Indianapolis (DFAS-ZPTC), Location 220V, 8899 E. 56th Street, Indianapolis, IN 46249.

4.2.1.3. Agent Losses. Physical losses of funds incurred by DDOs, disbursing agents, cashiers, paying agents, collection agents, imprest fund cashiers, or change fund custodians are physical losses within the official agent's accountability documents. It is important to notify the DO of all physical losses as soon as possible. The DO then must reduce the DD 2657 for that particular agent. The DO must also record the loss on the cumulative DD 2667.

4.2.1.4. Change Fund or Imprest Fund Loss. The DO must record the amount of the loss on the DD 2667 and DD 2657.

4.2.1.5. Counterfeit Currency Loss. The DO must record the amount of the loss on the DD 2667 and DD 2657.

4.3 Investigation

An investigation is required for all physical LoF unless the loss is recouped, recovered, or paid back.

4.3.1. Purpose of Investigation. The purpose of the investigation is to review and document all facts leading up to and connecting with the loss, to include the:

4.3.1.1. Amount, date, time, and place of the loss;

4.3.1.2. Identification of accountable officials and others involved (name and rank);

4.3.1.3. Authenticity of documentary evidence and oral testimony;

4.3.1.4. Functional capacity of the accountable official incurring the loss and the physical location of this official, such as disbursing office and/or functional area;

4.3.1.5. Cause of loss; and

4.3.1.6. Adequacy of internal controls in place and effectively implemented.

4.3.2. Type of Loss. The type of loss determines the type of investigation required.

4.3.2.1. Minor Physical Losses

4.3.2.1.1. $300 or Less (No Fraud). The DO or DDO (if the DO is not co-located with the DDO) will conduct the investigation and complete the written investigatory report. If the loss is attributable to the DO, the primary DDO will conduct the investigation along with the written investigatory report. Under no circumstances will the official incurring the loss prepare their own written investigatory report. In all cases, the written investigatory report must be completed and submitted to the DFAS LoF Team within 30 days from discovery of the loss.

4.3.2.1.2. Over $300 (No Fraud). The Commander must appoint an IO to conduct the investigation and complete the written investigatory report. The appointed official must be someone other than the DO or disbursing office personnel (e.g., a member of the Cash Verification Team). Furthermore, the appointed IO must have knowledge of disbursing office operations, especially knowledge of the required internal controls, pertinent laws, and applicable directives. In all cases, the written investigatory report must be completed and submitted through the Commander to the DFAS LoF Team within 30 days from discovery of the loss.

4.3.2.2. Major Physical Losses. An IO must be appointed to conduct a formal investigation when there is a major physical loss.

4.3.2.2.1. Appointment Authority. The following individuals have the authority to appoint an IO:

4.3.2.2.1.1. The Commander of the DO who incurred the loss;

4.3.2.2.1.2. For DFAS sites, the Director of the DO who incurred the loss;

4.3.2.2.1.3. When the accountable official and the DO are not in the same location, the Commander over the accountable official will appoint the IO. For example, the Commander of a disbursing agent located in Afghanistan would appoint an IO when the agent incurs a loss if the DO is located in Indianapolis; or

4.3.2.2.1.4. When the Commander is not authorized to convene an investigation, the Commander must request an investigation through the chain of command.

4.3.2.2.2. Appointment/Order of IO. The Commander must provide a copy of the official appointment notification to the DFAS LoF Team within 5 days of appointment. The Commander must include the following in the appointment order:

4.3.2.2.2.1. Name of the IO, telephone number, and email address;

4.3.2.2.2.2. Incident or occurrence that requires an investigation;

4.3.2.2.2.3. Citation of Volume 5, Chapter 6 and any authorizing DoD Component regulation as the authority for the investigation;

4.3.2.2.2.4. The approximate time allowed for the investigation (the investigation must be completed and submitted to the DFAS LoF Team within 90 days from discovery of the loss); and

4.3.2.2.2.5. Instruction to include a copy of the appointment/order in the report of investigation (ROI) as an exhibit.

4.3.2.2.3. Individuals Authorized to be IO(s). Individuals authorized to be IO(s) include a commissioned officer (O-3 or above) or civilian employee who is senior in rank/grade to the person(s) under investigation and:

4.3.2.2.3.1. Does not have a vested interest in the outcome of the investigation;

4.3.2.2.3.2. Is not in the chain of command of the DO or accountable officials involved in the irregularity;

4.3.2.2.3.3. Is familiar with investigative techniques; and

4.3.2.2.3.4. Has knowledge of financial accounting controls and pertinent laws and directives. Only use Comptroller personnel when there is no feasible alternative to appoint an IO from another organizational element.

NOTE: The comptroller, staff judge advocate, or DFAS Office of General Counsel (DFAS-HG) must provide technical guidance to IOs who do not have extensive backgrounds in investigative or financial matters.

4.3.2.2.4. Guidance for IOs

4.3.2.2.4.1. Develop all information and documentation in connection with the loss so that higher authority may take proper action. This includes information regarding the procedures followed by all officials involved in the loss, as well as safeguards and controls instituted for the entire period in which the loss occurred.

4.3.2.2.4.2. Before interviewing the accountable official(s) for the first time, ensure that each official receives and reviews this chapter, particularly the authoritative guidance in paragraph 1.3, and Chapter 5, section 7.0 regarding liabilities and responsibilities of accountable officials.

4.3.2.2.4.3. Obtain statements from the accountable official(s) and others involved with the loss. The IO may summarize or report the testimony verbatim. Whenever possible, ensure the witness reviews, attests, and signs the transcript or summary of testimony. If sworn testimony is not obtainable, the IO must submit a statement giving the substance of the interview and the reason for absence of attestation.

4.3.2.2.4.4. If the IO recommends denial of relief to the DO or any other accountable official(s) who are pecuniarily liable for the loss, provide a copy of the report to those officials.

4.3.2.2.4.5. Gather all records, documents, correspondence, photographs, and sworn affidavits relating to the loss. The IO may use evidence developed in investigations already conducted concerning the loss by other agencies (e.g., Federal Bureau of Investigation, U.S. Secret Service, or local authorities).

4.3.2.2.4.6. Make a determined effort to resolve or clarify all apparent discrepancies or contradictions in the evidence.

4.3.2.2.4.7. Report every 30 days on the status of the investigation. Send the report through the Commander to the DFAS LoF Team.

4.3.2.2.4.8. When extraordinary circumstances require an extension to complete the ROI, the IO may request an extension from the Commander. The Commander must notify the DFAS LoF Team of any authorized extensions.

4.3.2.2.5. Preparation of the ROI. The ROI must include the following elements.

4.3.2.2.5.1. Facts: The IO must gather all the facts of the loss:

4.3.2.2.5.1.1. Identities of all accountable officials who are pecuniarily liable for the loss, the amount that each person is responsible for, and their involvement in the loss;

4.3.2.2.5.1.2. If any of the accountable officials involved in the loss are not physically located in the disbursing office, describe the structure of the chain of command of the activity in which the official was performing their disbursing functions. In addition, describe the financial services supplied by that official for the activity they serve;

4.3.2.2.5.1.3. Circumstances leading to and surrounding the loss, including the efforts undertaken to discover the cause of a loss that remains unexplained;

4.3.2.2.5.1.4. Description of the internal controls prescribed to prevent losses of the type experienced, and the steps taken to implement those controls;

4.3.2.2.5.1.5. Other relevant information that would aid in understanding how the loss occurred and in evaluating whether relief is appropriate for the accountable officials involved;

4.3.2.2.5.1.6. Documentary evidence (such as statements, transcripts, correspondence, affidavits, investigative reports completed by other agencies, records, and photographs) as exhibits to the ROI; and/or

4.3.2.2.5.1.7. Information regarding collection activity and any possible offset relating to the loss.

4.3.2.2.5.2. Findings. The IO must make the following findings:

4.3.2.2.5.2.1. Whether there was a loss to the U.S. Government and the amount of the loss;

4.3.2.2.5.2.2. Whether the loss occurred through the fault or negligence of the accountable official;

4.3.2.2.5.2.3. Whether negligence, fraud, or theft was the proximate cause of the loss by an individual other than the accountable official(s);

4.3.2.2.5.2.4. The name of the official(s) involved and when the loss occurred; and

4.3.2.2.5.2.5. Whether the accountable official(s) was carrying out official duties when the loss or deficiency occurred.

NOTE: The IO must make any other findings considered necessary and appropriate. It is essential that all findings, especially those indicated in subparagraph 4.3.2.2.5.2, have supporting documentation. When applicable, reference the tab or page number of the supporting documentation after each related finding.

4.3.2.2.5.3. Recommendations. Based on the information gathered, the IO must make a recommendation on:

4.3.2.2.5.3.1. Whether the accountable official(s) should be relieved of pecuniary liability for the loss (separate recommendations are required for each accountable official);

4.3.2.2.5.3.2. Whether other person(s) should be held pecuniarily liable for the loss, in whole or in part;

4.3.2.2.5.3.3. Whether any corrective action is needed to improve controls or procedures; and/or

4.3.2.2.5.3.4. Any other recommendations that are appropriate considering the existing facts, circumstances, and conditions of the case.

4.3.2.2.5.4. Submission of ROI

4.3.2.2.5.4.1. Timeframe. Unless granted an extension, the IO must submit the ROI through the Commander (who appointed the IO) to the DFAS LoF Team within 90 days after discovering the loss.

4.3.2.2.5.4.2. Commander's Actions. Upon receiving the ROI from the IO, the Commander must:

4.3.2.2.5.4.2.1. Immediately review the ROI for compliance with requirements as indicated in subparagraph 4.3.2.2.5;

4.3.2.2.5.4.2.2. Determine if the ROI is complete, and if not, return it to the IO explaining the discrepancies and request further documentation or information. Notify the DFAS LoF Team if the ROI cannot be completed and submitted within 90 days from discovery of the loss;

4.3.2.2.5.4.2.3. Consider all the facts, findings, and recommendations;

4.3.2.2.5.4.2.4. Make additional findings and recommendations pertinent to the investigation;

4.3.2.2.5.4.2.5. Determine if sufficient evidence exists to support a recommendation for relief from liability or recommend denial of relief referencing all evidence supporting the denial recommendation for each accountable official involved;

4.3.2.2.5.4.2.6. Forward a copy of the ROI and all attachments to the DFAS LoF Team, unless the investigation is on hold for fraudulent or wrongful conduct (see note below subparagraph 4.3.2.2.5.4.2.10);

4.3.2.2.5.4.2.7. Forward a copy of the ROI to the Commander of the base, station, activity, ship, or unit where the accountable official(s) is located. For Army Financial Management Detachments, send a copy to the Financial Management Support Unit. It is the commander's discretion whether to use the ROI for disciplinary or administrative actions;

4.3.2.2.5.4.2.8. Keep a copy of the ROI;

4.3.2.2.5.4.2.9. Submit any documentation and/or information requested by the DFAS LoF Team; and

4.3.2.2.5.4.2.10. Forward any documentation and/or information to the DFAS LoF Team that becomes available after the ROI has been forwarded.

NOTE: If there is evidence of fraudulent or wrongful conduct, and the matter is under investigation by authorized law enforcement personnel, the investigative entities may request the Commander to withhold the report until completion of their investigation. If so, the Commander must continue to follow-up on the status of their investigation and advise the DFAS LoF Team of the status every 30 days. It is acceptable to add copies of the investigative reports as exhibits before forwarding the report through the chain of command to DFAS.

4.3.3. DFAS LoF Team (DFAS-ZPTC):

4.3.3.1. Review the ROI upon receipt;

4.3.3.2. If the ROI lacks sufficient information, or in the absence of compliance with the provisions for the findings and recommendations, the DFAS LoF Team may return the report for further investigation and fulfillment of the provisions as indicated in subparagraph 4.3.2.2.5; and

4.3.3.3. Forward the final decision to the appropriate individuals, and in those cases where individual(s) are held liable, inform them of their right to submit a rebuttal.

4.4 Funding for Removal of Physical Losses

In all cases, the ideal method for resolving a loss is recovery of the loss from the beneficiary. For example, 1) recovery of missing cash from the finder, or 2) collection from the accountable official.

4.4.1. Appropriated funds must be made available to remove the deficiency from the DO's SF 1219 if the losses are not recovered. This includes instances when relief of liability has been denied and recoupment cannot be made from the accountable official or when relief of liability is granted to the accountable official.

4.4.1.1. DFAS Employee. If the accountable official responsible for the LoF was a DFAS employee or a military member assigned to DFAS when the loss occurred, DFAS must identify the necessary appropriation and funding to resolve the loss.

4.4.1.2. Other DoD Component Employees. If the accountable official responsible for the LoF was a military member or employee of another DoD Component when the loss occurred, that DoD Component must identify the necessary appropriation and funding to resolve the loss.

4.4.2. The DO must clear the LoF from the DD 2667 and DD 2657 (based on the instructions given by DFAS).

5.0 ERRONEOUS PAYMENTS (ILLEGAL, INCORRECT, AND IMPROPER)

5.1 Responsibilities

5.1.1. Fraudulent or Suspected Fraudulent Erroneous Payments

5.1.1.1. Commander. Upon notification of a fraudulent or suspected fraudulent erroneous payment, the commander must:

5.1.1.1.1. Notify the DFAS LoF Team within 24 hours of notification, through the chain of command, per subparagraph 4.1.2;

5.1.1.1.2. Appoint an IO to conduct a formal investigation. See subparagraph 4.3.2.2.2; and

5.1.1.1.3. Ensure the investigation is completed and forwarded to the DFAS LoF Team within 90 days from the appointment of the IO.

5.1.1.2. DO. Upon notification of a fraudulent or suspected fraudulent erroneous payment, the DO must:

5.1.1.2.1. Determine if the erroneous payment occurred due to fraudulent actions of accountable officials under the direct cognizance or control of the DO, and prepare a ***DD Form 1131***, Cash Collection Voucher, transferring the amount of the fraudulent payment back into the appropriation from which the payment disbursed. The collection transaction is reported to Treasury via the Classification Transactions and Accountability (CTA), which will feed the Central Accounting Reporting System daily account statement showing an increase to the DO Cash TAS and an increase to the program TAS on the collection voucher. In addition, increase the DD 2657 if the loss is a predecessor loss. Record the loss on the DD 2667 as prescribed in subparagraph 4.2.1.2 if the erroneous payment occurred due to fraudulent actions of accountable officials under the direct cognizance or control of the DO;

5.1.1.2.2. Determine if the erroneous payment occurred due to fraudulent actions of individuals who were not under the direct cognizance or control of the DO; the payment(s) must remain charged to the appropriation originally charged.

5.1.2. Erroneous Payments – No Fraud

5.1.2.1. Certifying Officer: Upon notification of an erroneous payment, the certifying officer must:

5.1.2.1.1. Review the erroneous payment voucher and the supporting documentation;

5.1.2.1.2. Ensure collection action is taken against the recipient of the payment, as prescribed in Volume 16. This may require submission of the debt to the DO or other responsible area; and

5.1.2.1.3. Notify the Commander if the recipient of the erroneous payment does not voluntarily repay the amount owed and:

5.1.2.1.3.1. The debt is delinquent for 180 days; or

5.1.2.1.3.2. The full amount of the loss is not recovered within the 2-year period, which is calculated from the time the erroneous payment was made.

5.1.2.2. DO's Responsibilities

5.1.2.2.1. The DO does not need to take any action if the erroneous payment was properly certified.

5.1.2.2.2. If the erroneous payment was not properly certified:

5.1.2.2.2.1. Report the loss to the Commander; and

5.1.2.2.2.2. Ensure collection action was taken against the recipient of the payment, as prescribed in Volume 16. This may require submission of the debt to another responsible area. If the erroneous payment is recouped from the recipient, collect the proceeds into the appropriation originally charged, unless the appropriation is canceled. If the appropriation is canceled, refer to Volume 4, Chapter 3, subparagraph 3.3.3 for disposition of the collection.

5.1.2.3. Commander: Upon notification of an erroneous payment, the commander must:

5.1.2.3.1. Determine whether a formal or an informal investigation is required;

5.1.2.3.2. Appoint an IO to conduct the appropriate investigation; and

5.1.2.3.3. Ensure the investigation is completed and submitted to the DFAS LoF Team.

5.2 Investigation of Erroneous Payments

5.2.1. Formal Investigation Policy

5.2.1.1. Formal investigations are required when:

5.2.1.1.1. Fraud is suspected on the part of the payee, disbursing office personnel, certifying officer, or any other accountable official; or

5.2.1.1.2. The Commander determines it to be necessary.

NOTE: Formal investigations for erroneous payments must follow the guidance outlined in paragraph 4.3.

5.2.1.2. The investigation must be submitted to the DFAS LoF Team through the Commander who appointed the IO within 90 days from the appointment of the IO.

5.2.2. Informal Investigation Policy

5.2.2.1. The IO must prepare investigatory comments.

5.2.2.2. The investigation must be submitted to the DFAS LoF Team within 60 days from the Commander's notification of the erroneous payment.

5.3 Completion of Erroneous Payments Process

When feasible, all actions required to reach a determination of liability for a LoF due to an erroneous payment should be completed within 3 years after the date the SF 1219 is certified.

5.4 Settlement of Erroneous Payments

Generally, the DO will not carry an erroneous payment as a LoF on the SF 1219, since an appropriation was charged when the payment was disbursed. However, there are exceptions to this general rule. For example, an exception occurs when Treasury applies check-issue overdrafts against a disbursing station symbol number, or if an accountable official under the direct cognizance or control of the DO made a fraudulent payment.

5.4.1. If the erroneous payment is recovered from the recipient, the appropriation initially charged is credited the amount recouped or collected unless the appropriation is canceled. Refer to Volume 4, Chapter 3, subparagraph 3.3.3 for disposition of the collection of canceled appropriation.

5.4.2. If the erroneous payment cannot be recovered from the recipient and relief of liability has been denied, the loss must be collected from the DO, certifying officer, and/or accountable official(s) involved. Credit the proceeds from the collection to the appropriation originally charged unless the appropriation is canceled. For disposition of the collection of a canceled appropriation, refer to Volume 4, Chapter 3, subparagraph 3.3.3.

5.4.3. The amount of the erroneous payment must remain charged to the appropriation that the payment originated from when:

5.4.3.1. Relief of liability is granted; or

5.4.3.2. Recovery attempts from the recipient are unsuccessful.

5.4.4. If an adjustment to the appropriation account to which the payment was charged is necessary, the amount of the erroneous payment must be charged as stated in 31 U.S.C. § 3527(d)(1).

5.5 Document Retention

The following documents and information are retained to ensure proper response to audits conducted by the Government Accountability Office:

5.5.1. Detailed statement of facts of the case, including the type of irregularity, date, amount, names, and positions of the accountable official(s) involved;

5.5.2. Reference to pertinent supporting documents, such as pay records, contracts, and vouchers;

5.5.3. Description of how the irregularity occurred and how it affected the accountable official's account;

5.5.4. Adequate description of procedural deficiencies, if known, that caused the irregularity and the corrective action taken or to be taken; and/or

5.5.5. Information on any recoupment already made or being considered.

NOTE: See subparagraph 4.1.2 for contact information for the DFAS LoF Team.

6.0 REQUEST FOR RELIEF

6.1 Request for Relief

Requests for relief must be in the form of a memorandum and submitted within 30 days after the investigation is completed. A copy of the IO's report must be included as an attachment to the request for relief. Erroneous payments paid through the Treasury Direct Disbursing process follow the same process as erroneous payments paid through a DoD disbursing office. Accountable officials must submit their request for relief as follows.

6.1.1. DOs. Submit the request for relief through the Commander or DFAS site director to the DFAS LoF Team.

6.1.2. DOs Settling Accounts of Former DOs. Submit the request for relief on behalf of a former DO to the DFAS LoF Team.

6.1.3. DDOs, Disbursing Agents, Cashiers, Certifiers. Submit requests for relief through the DO responsible for the account to the DFAS LoF Team.

6.2 Evidence Required for Granting Relief

6.2.1. Burden of Proof. An accountable official is strictly liable for any erroneous payment or physical LoF placed in the official's care, subject to relief of liability. Accordingly, if the Government can establish that a loss has occurred, strict liability applies to the accountable official involved with the loss. The accountable official bears the burden of proving that it is more likely than not that the official:

6.2.1.1. Was not negligent; or

6.2.1.2. The official's fault or negligence was not the proximate cause of the loss.

6.2.2. Information Required. Generally, the findings of related court of inquiry, investigation, court-martial, or other proceedings (including endorsements) will provide the information required for the loss. When such information is not available, the following information must be supplied and considered in the request for relief and/or the forwarding endorsements. Failure to include all the information required could contribute to an unfavorable consideration of a request for relief. Include the following items:

6.2.2.1. The specific duty assignment of the accountable official when the loss occurred;

6.2.2.2. A statement showing when, how, and who discovered the loss;

6.2.2.3. A description of any actions taken to verify the loss and establish how the loss occurred;

6.2.2.4. A statement including the date of the last cash count and balancing prior to discovery of the loss;

6.2.2.5. A copy of the appropriate standard operating procedures in effect at the time the loss occurred. If no written procedures are available, provide a statement to explain the known and utilized procedures at the time the loss occurred;

6.2.2.6. A statement indicating pertinent regulations and instructions were followed or, if not followed, an explanation and justification for any omissions and deviations;

6.2.2.7. A statement regarding the official's past involvement in any prior losses, if applicable;

6.2.2.8. A statement indicating whether the loss was caused by theft or some other criminal act; and

6.2.2.9. A description of the manner in which the DO is carrying the loss in their account, and the identity of that DO.

6.2.3. Forwarding Endorsements. Each addressee in the requestor's chain of command (including the DO) must provide a forwarding endorsement that must include a specific opinion as to whether the loss occurred while the accountable official was in the line of duty and regarding fault or negligence. A specific recommendation regarding granting or denying relief is required, as a part of the forwarding endorsement.

6.3 Statutory Standards for Relief of a Physical Loss

The general authority to relieve accountable officials from liability is stipulated in 31 U.S.C. § 3527. Relief of liability may be granted when:

6.3.1. The Secretary of Defense determines that the official was carrying out official duties when the loss occurred;

6.3.2. The loss or deficiency was not the result of an illegal or incorrect payment; and

6.3.3. The loss or deficiency was not the result of fault or negligence by the official.

6.4 Statutory Standards for Relief of an Erroneous Payment

The general authority to relieve accountable officials from liability is stipulated in 31 U.S.C. § 3527(b)(1)(B), which incorporates by reference 31 U.S.C. § 3528(b)(1), as follows.

6.4.1. DO

6.4.1.1. The payment was not the result of bad faith or lack of reasonable care; and

6.4.1.2. The disbursing officials and the agency have made diligent collection efforts.

6.4.2. Certifying Officer

6.4.2.1. The certification was based on official records and the certifying officer did not know, and by reasonable diligence and inquiry could not have discovered, the correct information; or

6.4.2.2. The obligation was incurred in good faith, no law specifically prohibited the payment, the U.S. Government received value for the payment, and diligent collection efforts were made to recover the payment.

6.4.3. DAO. Pecuniary liability under this subsection will apply in the same manner and to the same extent as applies to an official accountable under 31 U.S.C., subtitle III.

7.0 DECISIONS ON LIABILITY

7.1 Relief Granted

If granted relief, the DFAS LoF Team will provide a memorandum with instructions for removing the deficiency or authority to leave the payment charged to the original appropriation.

7.2 Relief Denied

If denied relief, the DFAS LoF Team will advise the accountable official(s) of the decision and of their right to submit a rebuttal. The rebuttal must be submitted to the DFAS LoF Team within 30 days from the date of notification of the adverse determination. Based on the additional information received, the team will make a recommendation to the Director, Strategy, Policy and Requirements, through the DFAS Office of General Counsel, whether to affirm or reverse the previous decision.

7.2.1. If the decision is reversed, the accountable official(s) will be advised accordingly, and the DO will be provided instructions for removal of the LoF or authority to leave the payment charged to the original appropriation.

7.2.2. If the decision stands, the Commander and/or DO will be advised to take immediate collection action against the accountable official(s). Cash recouped from a loss and retained for future operating use does not impact the DO Cash TAS balance. Volume 16 provides guidance for completing collection of irregularities.\

8.0 OVERAGES OF PUBLIC FUNDS

8.1 Overview

Overages are funds held in an amount greater than the amount shown to be on hand by the daily accountability records of the DO.

8.2 Recording Overages of Funds

Do not offset an overage of funds against a physical LoF unless the relation between the two is obvious (e.g., foreign currency on hand is short and U.S. currency on hand is over by equal USDE amounts). Do not offset overages against shortages if the shortage and overage occur on different business days. An overage of funds must be collected into the DO's accountability and reported by CTA transactions to Treasury's Budget Clearing Account (Suspense), F3875, citing the collection Business Event Type Code (BETC) along with the DO Cash TAS/BETC. If the proper location of the overage cannot be determined, the overage must be transferred to Treasury's Forfeiture of Unclaimed Money and Property, R1060, utilizing a CTA transaction. Track overages by recording each occurrence on a separate DD 2667, maintained specifically for overages.

NOTE: The DD 2667 is a stand-alone document for tracking overages. Start a new DD 2667 for overages at the beginning of each quarter.

8.3 Preparation of the DD 2667 as a Record of Overages of Funds

List each overage occurring each day on the DD 2667.

8.4 Reporting Overages of Funds

Overages of funds that are $750 or more must be reported to the Commander. However, unless there is an indication of fraud or other criminal act, there is no requirement to report or investigate as in losses of funds. A copy of the DD 2667 must be retained with the original voucher transferring the funds to the R1060 account.

*Figure 6-1. Processing Physical Losses of Funds

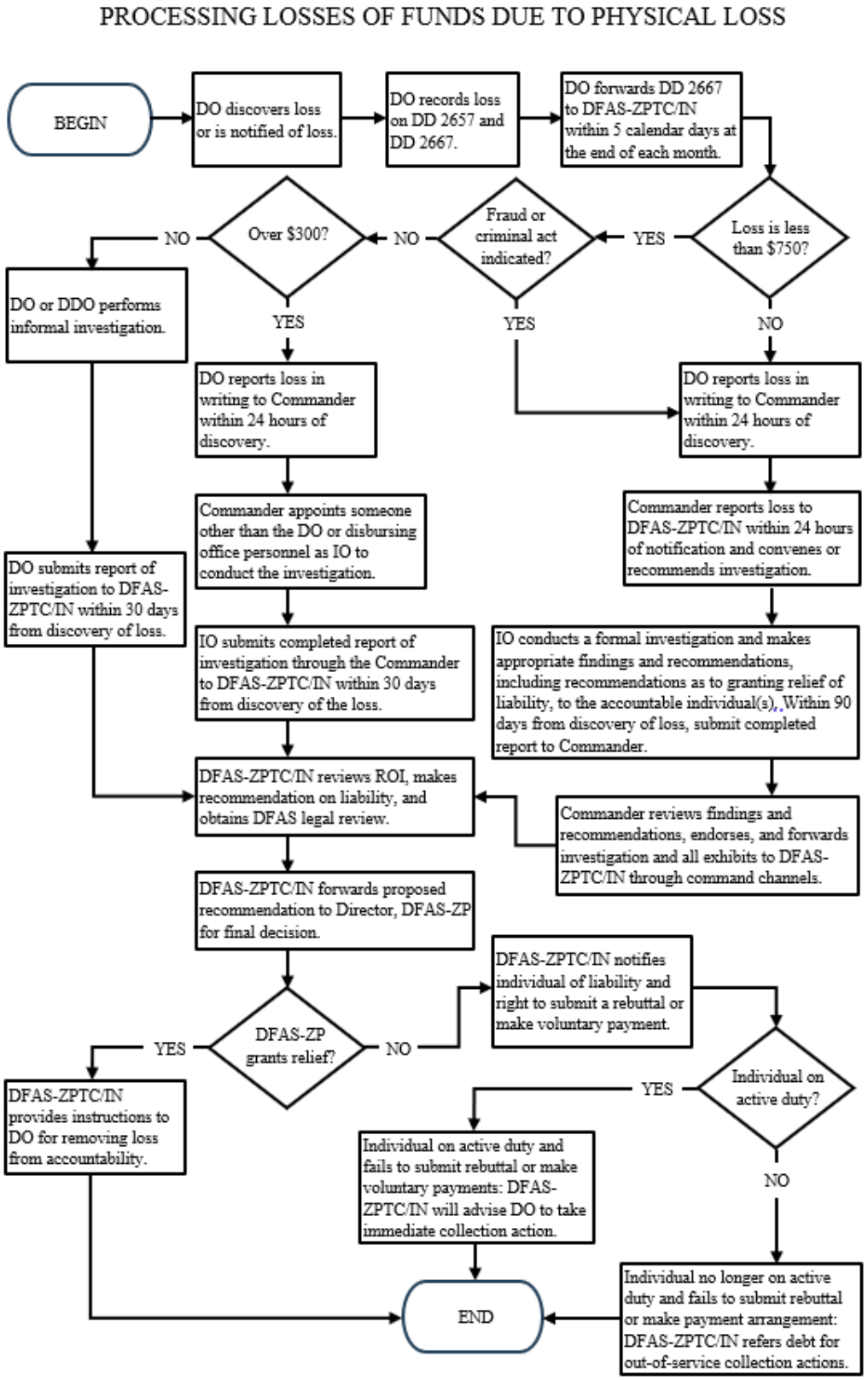

*Figure 6-2. Processing Erroneous Payments

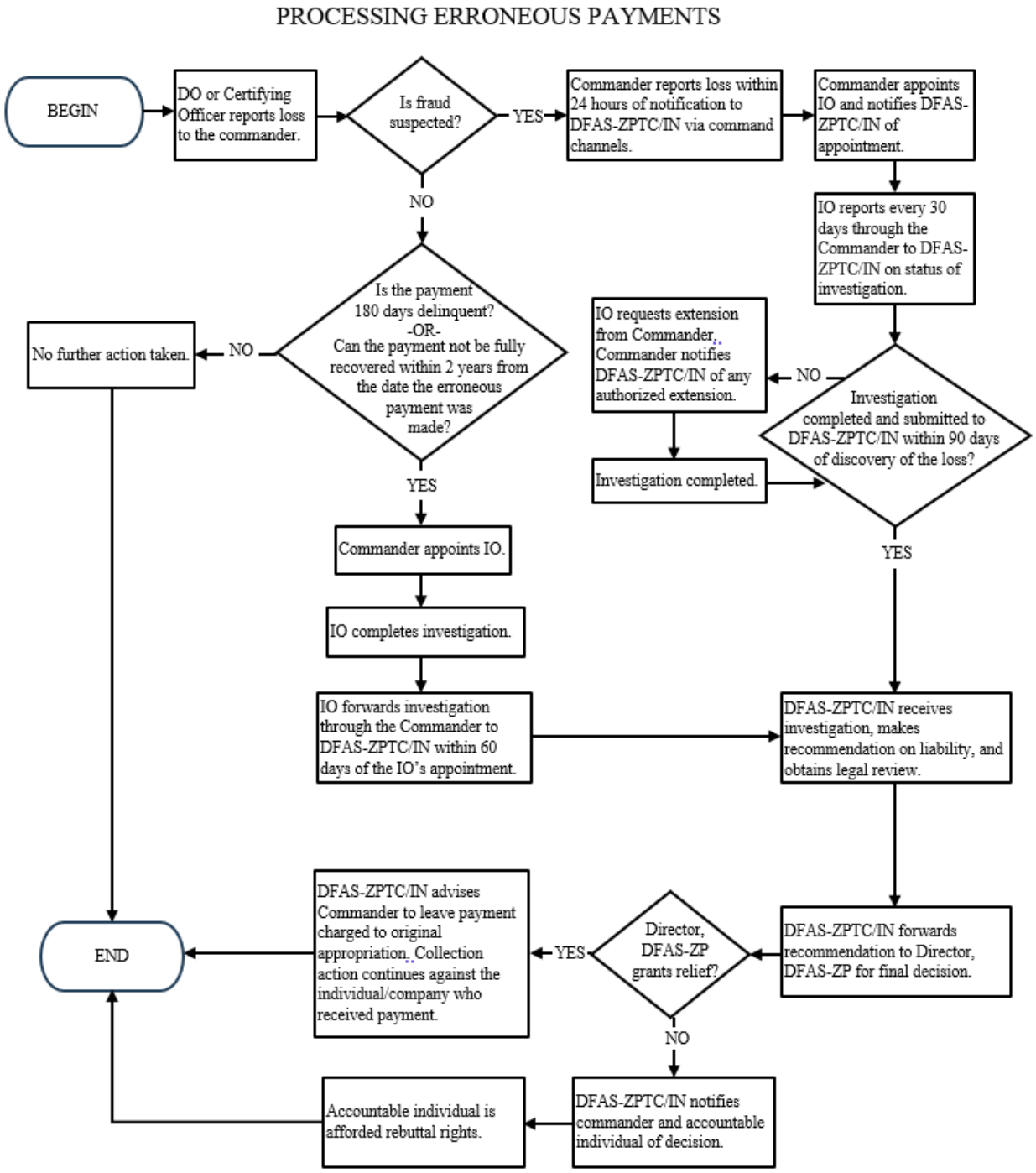

Table 6-1. Examples of Physical Losses of Funds

TYPES OF LOSSES	EXPLANATION
Public Funds	Loss of cash.
Limited Depositary Account (LDA)	A loss can occur when the LDA is unreconciled, reported incorrectly, or subjected to a fraudulent transaction.
Records	Loss of records such as debit vouchers or deposit tickets.
Original Vouchers	Copies of the original voucher and retained supporting documents may be stamped as a certified copy of the original voucher if the original voucher is lost. However, the absence of a signature acknowledging receipt of a cash payment may negate the validity of the certified copy. The same is true when a payee denies receipt of a cash payment and there is no original voucher with the payee's signature to provide proof of payment.
Documentation Supporting Debit Vouchers	A physical loss can occur if open debit items cannot be reconciled because of the loss of supporting documentation.
Shipment of Cash	Shipments of cash that are lost can result in the liability of the accountable official(s) if they failed to ship cash as prescribed in Chapter 3, section 5.0.
Unexplained Losses	No explanation – money is missing.
Negotiable Instruments	A physical loss can result when a negotiable instrument and all copies held in the disbursing office are lost.
Bank Failure	DO's funds held in a bank; e.g., an LDA, and the bank closed because of failure.
Counterfeit Currency	Currency in the DO's possession determined to be counterfeit.
Change Fund	Cash shortage that is not whole from sales receipts.
Imprest Fund	Shortage of funds advanced to imprest fund cashier.
Fraud within Disbursing	A loss resulting from fraudulent actions of disbursing personnel acting alone or in collusion with others.
Robbery, Burglary	A LoF from a robbery/burglary.

*Table 6-2. Standardized Questions for Investigations

Question	Cashier Loss	Counterfeit Currency Loss	Agent Officer Loss	Fraud Loss	Imprest Fund Cashier and Change Fund Custodian Loss
Have the DO and other person potentially liable for the loss been afforded all the rights and privileges of parties in interest?	X	X	X	X	X
Has the IO obtained testimony from every person who has relevant information regarding the circumstances?	X	X	X	X	X
Has the IO thoroughly questioned each witness?	X	X	X	X	X
Are there inconsistencies among the testimonies of different witnesses?	X	X	X		X
Did the IO conduct a thorough investigation to discover the full extent of the loss?	X	X	X	X	X
Has the IO considered other investigations conducted regarding the loss? (NOTE: Do not consider lie detector test results.)	X		X	X	X
If fraud is involved, were the methods to defraud the U.S. Government clearly described?				X	
Is the cause of the loss clearly established?	X	X	X	X	X
Was a thorough search of the physical area made for missing cash or vouchers?	X		X		X
Did the IO review the transactions made during the day of the loss thoroughly, in an effort to determine the cause of the shortage?	X		X		X
Were any individuals contacted in an effort to determine if an overpayment had been made and could be recovered?	X		X		X
Were individuals who made collections contacted to determine if they found a compensating overage in their accounts?	X		X		X
Was all cash-on-hand counted to make sure there was no compensating overage?	X		X		X
What was the number of transactions handled by the cashier/agent during the period in which the loss occurred?	X		X		X
Did distracting influences exist or were working conditions poor?	X	X	X		X
Was the cashier/agent working under pressure because of the heavy volume of business?	X	X	X		X
Was the cashier/agent handling new currency that has a tendency to stick together?	X		X		X
Was the cashier/agent experienced or inexperienced?	X		X		X
What procedures and internal controls has the DO established to safeguard funds and preclude fraudulent activity?	X		X	X	X
What facilities were available to protect cash for which the cashier/agent was accountable, such as a cash drawer with key lock or a separate safe?	X		X		X
What procedures did the DO, deputy DO, and/or disbursing agent follow in making daily settlements with the cashier?	X				
Has the DO supplied instructions in detecting counterfeit money for those personnel in the office that handle money?		X			
What written SOPs has the DO supplied for guidance?	X	X	X		
Are the SOPs adequate?	X		X		
Did the accountable official follow the applicable procedures on the day of the loss?	X	X	X	X	X

Table 6-2. Standardized Questions for Investigations (Continued)

Question	Cashier Loss	Counterfeit Currency Loss	Agent Officer Loss	Fraud Loss	Imprest Fund Cashier and Change Fund Custodian Loss
Has the DO issued any oral instructions?	X	X	X		
Was the cashier's cage or safe accessible to persons other than the cashier/agent?	X		X		
Did theft occur?	X		X		X
Does the exhibit show the appointment of the official; i.e., cashier, DDO, agent?	X		X		X
Was the cashier/agent functioning under the direct cognizance/control of the DO?	X		X		
When, and by whom, was the receipt of counterfeit currency detected?		X			
Was an effort made to determine the source of the counterfeit note(s)?		X			
Does the volume of transactions handled by the cashier/agent preclude a careful inspection of every piece of currency?		X			
Do exhibits show the amount the DO entrusted to the cashier/agent, the signature of the cashier/agent in receipt of funds, the turn-in made by the cashier/agent, and the amount of the shortage or a statement of the cashier's/agent's account?	X		X		
If the loss involves funds in the hands of a cashier/agent, has the DO inspected and supervised the cashier/agent office, or arranged for such inspections?	X		X		
Under what functional capacity was the accountable individual acting with regards to the DO?				X	
What is the accountable official's immediate chain of command within the activity for which they provide disbursing services?				X	
Has all possible collection action been taken?				X	
In the case of military personnel, is collection action occurring in the field or by the supporting DFAS site in cases where personnel have been separated from the Service?				X	
In the case of civilian employees, has the individual involved authorized application of pay to offset the shortage?				X	
Have steps been taken to secure application of final pay to settle the indebtedness?				X	
If the amount of the indebtedness was determined, was a request made to Office of Personnel Management for offset against the Civil Service Retirement and Disability Fund?				X	

VOLUME 5, CHAPTER 7: "U.S. TREASURY CHECKS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated March 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
2.4	Deleted subparagraph 2.4.2 prohibiting waivers for vendor payments, per updates to the Treasury Financial Manual, Volume I, Part 4A, Chapter 2000, Section 2040.30b that became effective March 22, 2024, and renumbered the paragraph accordingly.	Deletion
3.1	Removed procedural content for ordering check stock and provided contact information for obtaining current check procurement options and procedures.	Revision
9.3	Moved check destruction content to new section 15.0.	Revision
15.0	Created a separate section for check destruction content and added contact information for destroying blank check stock.	Addition

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CHAPTER 7

U.S. TREASURY CHECKS

1.0 GENERAL

1.1 Overview

Disbursing Officers (DOs) issue U.S. Department of the Treasury (Treasury) checks under applicable laws and regulations for military pay and allowances, civilian pay, settlement of travel claims, authorized advances to travelers and agents, exchanges-for-cash, and deposits-for-credit to the Treasury. Only multi-hued, standard size checks (7 3/8 inches in length and 3 1/4 inches in width) may be issues against the Treasury's account. Per the Treasury Financial Manual (TFM), Volume 1, Part 4A, Chapter 4000, Section 4045 (***I TFM 4A-4045***), Federal entities that issue Treasury checks will report daily through the Payment Information Repository (PIR) Standard Reporting Format. PIR files containing check payments go to both PIR and the Treasury Check Information System (TCIS). All Treasury check disbursements must have a valid Treasury Account Symbol/Business Event Type Code (TAS/BETC) reported through PIR, which will feed the Central Accounting Reporting System (CARS) daily account statement.

1.2 Purpose

This chapter provides basic principles and requirements for procurement of Treasury checks, check types and features, security, storage, and signature media to include machine specifications of check-signing machines. It also provides information on the issuance of Treasury checks, exchange-for-cash checks, check issue discrepancies, spoiled and voided checks, check cancellation, and the necessity for timely and accurate reporting to Treasury.

1.3 Authoritative Guidance

Treasury check usage is governed by Title 31, United States Code (U.S.C.), section 3321 (***31 U.S.C. § 3321***), Disbursing Authority in the Executive Branch; ***31 U.S.C. § 3328***, Paying Checks and Drafts; ***31 U.S.C. § 3331***, Substitute Checks; ***31 U.S.C. § 3332***, Required Direct Deposit; ***31 U.S.C. § 3343***, Check Forgery Insurance Fund (CFIF); ***31 U.S.C. § 3702(c)***, Authority to Settle Claims; and ***31 U.S.C. § 3334***, Cancellation and Proceeds Distribution of Treasury Checks.

2.0 POLICY

2.1 Drawing and Dating Checks

2.1.1. Drawing a Check. Inscribe checks drawn on the Treasury to the payee by name, or to a financial institution for credit to the account of the named payee, except for checks drawn as exchange-for-cash (see section 7.0). Never make a check payable to "Cash."

2.1.2. Dating and Mailing Checks. DOs must not issue checks in payment of salaries before completion of the service for which the payment is being made or before the scheduled payday, unless authorized (e.g., advance pay). A DoD Component is authorized to mail checks to payees before a military or civilian payday to ensure payments are available when due. When mailing a check before payday, do not date it before the date of the scheduled payday. Agencies using this method of pay delivery must have internal controls that alert the DO when a payee becomes ineligible for scheduled pay (e.g., unauthorized absence or separation) and ensure that pay intercept procedures can be initiated.

2.1.3. Legal Representatives

2.1.3.1. Legal Representative of Estate of Decedent. A check may be drawn to the order of a legal representative of the estate of a deceased person (e.g., "John K. Smith, Executor of the estate of James R. Jones"). Do not make a check payable "to the estate of" a decedent or to a deceased person.

2.1.3.2. Committee or Guardian. A check may be drawn to the order of a legally appointed committee, guardian, or other legal representative of a mentally incompetent payee when specifically authorized (see Volumes 7A, Chapter 33; 7B, Chapter 16; and 8, Chapter 10).

2.1.3.3. Power of Attorney. The payee of a check may authorize another person to receive a Treasury check by execution of a specific power of attorney that clearly states the holder is entitled to receive the check on the payee's behalf. The person receiving the check signs his or her own name on the voucher followed by the words "Attorney-in-Fact for" and the name of the person granting the power of attorney. The DO verifies the identity of the holder and keeps a copy of the power of attorney. Process payments made to the holder of a power of attorney that require "secret" or "confidential identity" using a cover voucher insert. Transmit a copy of the original voucher and a copy of the power of attorney to the supporting Defense Finance and Accounting Services (DFAS) site for proper handling and storage.

2.1.4. Signing Blank Checks. Signing blank checks is prohibited.

2.2 Negotiability

Effective October 1, 1989, Treasury checks are negotiable for 1 year from their issue dates. Checks presented for payment that are not negotiable must be verified for validity and replaced, if appropriate (see section 12.0).

2.3 Evidence of Payment

The issuance and mailing of a check to a creditor of the United States does not, by itself, constitute payment of a debt. A debt is not discharged until a creditor has received the amount of the debt in money or its equivalent in law. An acknowledgement of receipt of the check is also not evidence of payment. The endorsed and negotiated check is the receipt to the government.

*2.4 Federal Nontax Payments

The ***I TFM 4A-2040*** requires that all Federal nontax payments be made by Electronic Funds Transfer (EFT) unless a waiver applies.

3.0 PROCUREMENT OF TREASURY CHECKS

*3.1 Check Sourcing

The DFAS Enterprise Solutions and Standards Directorate's Tax and Disbursing Division (DFAS-IN/JJFKCB) is the sole check sourcing agency for DoD activities. Contact DFAS-IN/JJFKCB for current check formats available, the procedure for obtaining check stock, and for advice on alternative payment methods.

DFAS-Indianapolis Center (DFAS-IN)
Enterprise Solutions and Standards Directorate
Tax and Disbursing Division (DFAS-IN/JJFKCB)
8899 E. 56th Street
Indianapolis, IN 46249-2700
Email: dfas.indianapolis-in.jjf.mbx.ess-disbursing@mail.mil

To ensure continuity of operations, DOs should not allow check stock to fall below a 6-month supply. Seek replenishment when the check stock reaches the 9-month level. The DO at a newly established disbursing station symbol number (DSSN) should request check stock at least 4 months before the planned commencement of disbursing operations.

3.2 Check Types

3.2.1. Regular Issue Checks. Regular issue checks are standard checks with preprinted DSSNs, serial numbers, and magnetic ink character recognition (MICR) encoding.

3.2.2. Unnumbered Checks. Unnumbered checks are regular issue checks controlled by preprinted inventory control numbers (ICNs) rather than preprinted DSSNs, serial numbers, or MICR encoding, and are for use only by DFAS sites. Under ***I TFM 4-5045.15***, systems that prepare these checks must have a post-print verification unit to read and verify certain critical data after the optical character reader-B (OCR-B) and MICR data are printed. These data elements are the OCR-B check symbol, serial number, dollar amount, and the entire MICR line. The system must internally calculate the check digits for the check symbol and serial number on the MICR line and verify correctness, compare the MICR data with the OCR-B data, and both the OCR-B and MICR data with the data from the input source. If any character fails to verify correctly, the check or checks must be rejected, marked "Void - Not Negotiable," and then reprinted.

3.2.3. Test Grid Checks. Test grid checks provide the format of the check by grid lines to test or align automated check writing and bursting equipment. They are printed for government-wide use. Ignore the date and dollar boxes since they are not preprinted on checks. Test grid checks are not for issuance.

3.2.4. Specimen Checks. Specimen checks are identical to unnumbered checks except that they are overprinted with the words "SPECIMEN CHECK – NOT NEGOTIABLE" in black ink in a type size of at least 18 points in the signature space, with an ICN Alpha prefix of "X" in the numbering sequence. Safeguard specimen checks the same as blank checks. In the absence of a specimen check, use a blank check marked "Void - Not Negotiable, No Check Issued Under this Number," if available; otherwise, use a piece of paper or card of check size 7 3/8 inches in length and 3 1/4 inches in width.

3.2.5. Blank Check Formats. See ***I TFM 4-5030.20***.

3.3 Check Features

3.3.1. Pre-Encoded Magnetic Ink Characters. Certain information is encoded in MICR format along the bottom of the check. The MICR area extends across the entire length of the check from positions 14 to 54, 9/16 inches from the bottom edge of the check. The MICR line consists of a 9-digit check serial number in positions 23 through 31, a 9-digit routing transit number in positions 34 through 42, a 5-digit check symbol number in positions 49 through 53, and the appropriate MICR symbols citing preprinted symbol and serial numbers.

3.3.2. Check Serial Numbers. When all serial numbers of a DSSN have been used, Treasury's Fiscal Service will assign a new DSSN for the next supply of checks. Accordingly, as serial numbers of checks issued approach 99,999,999, the DO should notify the National Payment Integrity and Resolution Center (NPIRC), through DFAS-IN/JJFKCB, to facilitate assigning a new DSSN before the next supply of blank checks is ordered. In this instance, the DO should allow 30 days in addition to the time normally required to print and deliver the checks for the proof to be changed.

3.3.3. Check Numbering. Initial orders for serially-numbered checks must specify the numbers begin with 00001000 and end in xxxxx999. Serial numbers on subsequent orders must follow in exact sequence. On check formats K and M, agencies may order additional printing and/or numbering on the check stub (see ***I TFM 4-5030.30***).

3.4 Emergency Checks

Under emergencies only, disbursing offices may use their print systems to produce pre-numbered and MICR-encoded check stock for use by other disbursing offices within that federal entity. Disbursing offices must not use the emergency check stock system to avoid ordering checks through normal channels (see ***I TFM 4-5030.60***).

3.5 Receipt of Treasury Checks

3.5.1. Receipt. Upon receipt of a check shipment, and based on a representative sample, the DO or designee verifies that all checks have been received, examines the accuracy of the printing, and verifies the check symbol/serial numbers in the upper right corner of the checks and in the MICR field. If shipment is by means other than registered first class mail, the vendor mails

an "Advice of Shipment" form with the shipment. After receipt and verification of the check order, sign the form, and send it to DFAS-IN/JJFKCB.

3.5.2. Warranty. The vendor provides a 120-day warranty on checks it produces, beginning with the day the checks are delivered to the user. The office that receives the checks is responsible to determine any obvious defects or missing checks before the warranty period expires. Otherwise, the vendor may not be liable for making replacements.

3.5.3. Defective Check Shipments

3.5.3.1. If checks are missing from the shipment, or check stock is in some other way defective and replacement is warranted, contact DFAS-IN/JJFKCB. If checks are damaged upon receipt, the DO should contact the trucking company; if checks were sent by registered mail, contact the U.S. Postal Service (USPS) to initiate a claim for damages.

3.5.3.2. If a check shipment is received that contains more than one check with the same check serial number, in addition to the notification to DFAS-IN/JJFKCB, the DO must destroy each check bearing a duplicate number. Since the remaining checks bearing these same serial numbers may be issued in the normal manner, do not report check serial numbers of the duplicate checks as zero dollar amounts in the check issue report. Mark the checks bearing the duplicate numbers "Void - Not Negotiable" and destroy them locally within 30 days, following the guidance in section 15.0.

3.5.3.3. If checks are discovered missing in the receipt verification process, or at any time thereafter, notify both DFAS-IN/JJFKCB and the nearest DoD Component investigative service for referral and liaison with the U.S. Secret Service (USSS).

3.5.3.4. If checks are received that are intended for another disbursing office, immediately contact DFAS-IN/JJFKCB for instructions regarding the shipment.

3.6 Transfers Between DOs

Count checks transferred between DOs as a part of the relief from disbursing duty process by both the transferring and the receiving parties when they are not in the original packages (see Chapter 2, subparagraph 4.6.1.3).

3.7 Security, Storage, and Issuance of Blank Checks

3.7.1. Store blank Treasury checks in a secure container (see Chapter 3, paragraph 3.4). Keep them in the DO's or deputy DO's (DDO) safe or under lock and key. The DO or designee ensures that the condition of storage prevents any deterioration of the surface tint and design of the check, which are sensitive to moisture, light, and heat. The DO or designee may accept checks that bear printing of a satisfactory color and strength and, if subsequent deterioration occurs, obtain a replacement supply. Only one individual should be given primary responsibility for maintaining the check stock and related control records. Access by others should be limited to occasions when the designated custodian is absent.

3.7.2. The DO or designee maintains control of the check stock and is accountable for it at all times. In cases of joint custody, the DO or designee ensures that no break in accountability occurs, to provide for access to the check stock during periods of brief or unexpected absence of the single individual who exercises normal day-to-day responsibility for the check stock.

3.7.2.1. A DO or designee maintains a blank check control log for each series of checks used to maintain a perpetual inventory of checks on hand and control their release. The DO or designee must examine the blank check control log daily to ensure that all checks drawn and checks returned unused are accounted for and that no checks have been removed without authority.

3.7.2.2. Using the prescribed blank check control log:

3.7.2.2.1. The DO or designee issues blank checks to check writers from the check stock in blocks of appropriate size by serial numbers and monitors the return of blank, voided, or spoiled checks to the vault. The DO or designee also uses the control log to control issuance and return of checks between the DO and sites external to the disbursing office that prepare checks;

3.7.2.2.2. The DO or designee must obtain receipts for checks issued. The designee in charge of the working checks must keep a record of checks issued daily to each clerk, examine daily the record of checks drawn and returned unused by the clerks to account for checks issued, and ensure that no checks are removed without authority; and

3.7.2.2.3. The DO or designee must inventory the check stock not less than once every 90 days. Any open container must be inventoried by an individual count of the checks contained therein. Open all damaged cartons of checks, or those bearing evidence of tampering, and individually count the checks. Keep a record of the inventory on hand in the disbursing office and provide it to the cash verification team for attachment to the quarterly cash verification report (see Appendix A).

3.7.2.3. When blank checks are lost or stolen:

3.7.2.3.1. The DO or designee immediately notifies the Commander, the nearest office of the USSS by email or telephone, and Fiscal Service at telephone number (304) 480-7777. Confirm the notification with a letter to the Fiscal Service's Physical Security Branch, 6505 Belcrest Road, Suite 613, Hyattsville, MD 20782, with copies to the USSS, appropriate DoD Component investigative service, DFAS-IN/JJFKCB, and appropriate local banks. Include the DSSN, ICNs or serial numbers of the checks involved, a statement giving complete information concerning the loss or theft, and the date the loss was referred to the USSS for investigation; and

3.7.2.3.2. If the loss involves a range of consecutive serially-numbered checks, only the beginning and ending serial numbers of the range are required. Void all checks discovered to be missing, lost, or stolen before issuance, and report the circumstances following ***I TFM 4-5040.20***.

4.0 ISSUANCE OF TREASURY CHECKS

4.1 Check Preparation

4.1.1. Check Issue. Issue checks in strict numeric sequence within each series. The information essential to a check includes place and date of issue, DSSN, serial number, payee, amount, signature of drawer, designation of title, and other identifying information. Do not print legends such as "Salaries and Expenses" or "Drawn for Above Object" on the face of a check. Check explanations (e.g., exchange-for-cash or salary) and other special information unique to each disbursing activity may be entered at the bottom of the check to the left of the signature area. Keep extraneous data to a minimum. Spaces allotted on the printed check form for specific information are only for their intended purposes. Do not leave any spaces unfilled in a manner that would allow or facilitate alterations and additions that could lead to forgery or fraud.

4.1.2. Check Completion. A completed check must have an orderly appearance and good legibility for accurate reading in rapid handling. Avoid overprinting, intersecting, and crowding. No check may be issued for more than $99,999,999.99. In instances when the total payment exceeds that amount, issue two or more checks that total the payment required. No deviation in the check writing procedures is permitted unless authority is first obtained from DFAS-IN/JJFKCB (see ***I TFM 4-5000***).

4.2 Check Print Requirements

4.2.1. Data on Checks. Data printed or typewritten on checks will be permanent and not affected by erasure, smudging, moisture, handling, the passage of time, or by other methods that might intentionally or unintentionally be used to remove or alter the printing without affecting the check itself.

4.2.1.1. Impact printers may be used. Laser type printers where the toner fuses the print into the check may be used. Do not use laser type printers that only lay an image on the surface of the paper. Do not use correctable ribbons for manual preparation of checks, as they lack the permanence required to protect against undetectable alteration.

4.2.1.2. The physical characteristics and layout of the blank check determine the correct position of the date, amount, payee name, and DO's signature. Avoid deviations from the normal positioning of this information. To standardize printing and facilitate accuracy verification, inscribe words on checks in all capital letters. Omit punctuation except for commas used in addresses and to set off names of two or more payees.

4.2.2. Pay to the Order of. Inscribe the payee's name on a check to ensure positive identification.

4.2.2.1. To ensure correct endorsement, and for other reasons established by custom, the payee's surname should appear last; the correct order is first name, middle name or initial, and last name. Where the payee has an often used surname (e.g., "R T Jones" or "J G Smith"), the use of initials only, instead of the full given name, is inadequate to provide

positive identification of the rightful payee. An initial in lieu of a first name is permissible only in cases where the payee's legal given names consist of initials only. In this case, show the words "Initials Only" after the initials. In instances where the length of the surname would leave insufficient space for the full first name, or where the check writing system makes the use of a first name impractical, show other positive identifying data (e.g., the payee's address on the check).

4.2.2.2. When entering a payee's SSN on the check, inscribe it in a location where it will not be visible in the envelope window if the check is mailed. When checks are to be mailed, exercise care to assure that the full and complete address of the payee is entered on the checks or envelopes, including rural route numbers, box numbers, house numbers, zip codes, and any other information needed for correct delivery.

4.2.3. Date. Print the date on the upper right portion of the check, either above or below the check number. Check signers equipped with date bands may be used if the location of the stamped date does not interfere with preprinted data or other data to be printed or typed on the check.

4.2.4. Numeric Dollar Amount. Print the numeric dollar amount in the upper right quarter section of the check, above the signature of the DO and below the DSSN, in horizontal alignment with the name of the payee or the amount in the body. Completely fill the allotted area with the money amount, preceded by a dollar sign (e.g., $****123.45). Leave no space unfilled that otherwise might be susceptible to use for fraudulent insertion. To reduce opportunities for amount alterations, use neither zeroes as fill-in characters preceding the money amount nor commas in the money amount.

4.2.5. Written Dollar Amount. Printing the amount in the body of a check in words offers greater protection against the alteration of amounts. If a disbursing activity determines that substantial savings in the cost of issuing checks would result or that space is limited, it may use figures only, without any spacing within the amount, in one of these formats: $50and75cents, $50and75/100, or $50.75.

4.2.6. Other Special Information. Print special information (e.g., distribution code, computer or typewritten check serial number, or explanations for check issuance) at the bottom of the check to the left of the signature area. When checks are drawn for public vouchers or payroll payments, the DO, at his or her option, may insert the disbursing office voucher number or, if applicable, the bureau voucher number.

4.2.7. Drawer's Signature. Each check issued must bear either the DO's manual or approved facsimile signature, or the manual signature of a DDO. Manual signatures should generally agree with specimens previously submitted to DFAS-IN/JJFKCB. Checks drawn by a DDO are signed below the printed, typed, or stamped title of the DO for whom he or she is acting, as follows:

Disbursing Officer

By _____, Deputy
(Deputy DO's Signature)

Use permanent dark blue, blue-black, or black ink for signatures on checks (whether manual or by facsimile signature). The ink should not be subject to fading and not readily soluble in water.

4.3 Erasures and Alterations

DOs must not release checks with erasures, alterations, overprinting, or imperfect figures or letters. Spoil or void such checks and issue replacements (see section 9.0).

4.4 Record of Checks Issued

Each DO must maintain a record of checks issued by their DSSN. The record must contain at least these data elements: payee, amount, DSSN, check serial number, and date of the check. Other information as to the purpose for which the check was issued, document number, voucher number, and local identification code or number is optional and subject to the discretion of the issuing DO. The record may be kept on paper or electronic medium designed for data processing use.

4.5 Supporting Documents

Attach documents and payroll vouchers used to support the record of checks issued to the original vouchers submitted to the supporting DFAS site. Do not transmit them to the Treasury with the check issue reports. Send requests for the Defense Check Reconciliation Module (DCRM) Users' Manual to DFAS Corporate Systems (DFAS/ZTE) at dfas dscc zte mbx.cco-dcrm@mail mil. Include all the necessary data for Treasury's reporting purposes in the electronic flat file.

5.0 CHECK-SIGNING MACHINES

5.1 Machine Specifications

Select check-signing machines that meet Treasury regulations and standards (see ***I TFM 4-5045.20***). Impact check signers using rubber signature dye, or approved laser check printers containing digitized signatures, may be used. The machines should have the following features:

5.1.1. A dating device capable of placing the date either immediately above or to the right of the words "UNITED STATES." It is preferable to have the signature and date imprinted in a single operation; if the check writing equipment also imprints the date, the check-signing machine does not need to have this capability;

5.1.2. A mechanism capable of processing paper checks. Offices issuing checks with detachable stubs ensure that the mechanism's feeding device can handle this type of check; and

5.1.3. A key-controlled DO signature feature or a removable computer chip containing the digitized signature for laser check printers with digitized facsimile signature capability. Keep the key and/or the chip controlling the signature capability in a locked safe or vault or under other equally effective safeguards when not in use.

5.2 Signature Media

5.2.1. Requisition

5.2.1.1. Request for Procurement. Upon receipt of the specimen signatures, the outgoing/relieved DO immediately prepares and forwards a request for procurement to DFAS-IN/JJFKCB for approval and forwarding to the DFAS/ZTE. DFAS-IN/JJFKCB ensures sequential numbering of the medium. The purchase order must include the statement:

> "Signature plates for impact type check signers are rubber stamps containing the prescribed facsimile signature of the DO. Digitized signature media are normally Dual In-Line or Single In-Line Memory Module computer chips or computer diskettes containing the DO's signature that is loaded to the laser printer check-signing software."

Also, include the following information:

5.2.1.1.1. The type, manufacturer's name, model, and serial number of the check-signing machine;

5.2.1.1.2. Whether the signature plate or digitized signature medium is for a machine currently in use;

5.2.1.1.3. If the plate or digitized signature medium is to be used on a new and undelivered machine, refer to the procurement papers for the machine including the manufacturer, type, and model; and

5.2.1.1.4. The plate number and the name of the DO.

5.2.1.2. Numbering. Treasury regulations require that the signature media of each DO be numbered in sequence in the lower left corner of the border beginning with the number one. Include on each order the next sequential number for the affected DO.

5.2.1.3. Multiple Media. Normally, a DO and authorized DDOs use only one signature medium. Multiple signature media may be obtained only upon approval of DFAS-IN/JJFKCB. Requests for additional media must include justification of the need for more than one medium. If the check-signing machine uses one set of two plates for signing, additional media may be obtained only upon approval of DFAS-IN/JJFKCB.

5.2.2. Format and Quality of Impression. DFAS-IN/JJFKCB will not accept facsimile signatures that do not meet required standards. Design facsimile signature media so that the frame or border which encloses the facsimile signature is a single wavy line that contains no identifying characteristics. Characterize the impression of the signature with sharp lines, a continuous and homogeneous deposit of ink, absence of filling, and absence of pronounced ribbon pattern.

5.2.3. Approval. Upon receipt of the signature media, the DO whose signature is reproduced runs 14 specimens of each facsimile signature, certifies two of the copies as true facsimiles, and mails all 14 copies to DFAS-IN/JJFKCB with a memorandum requesting approval of the facsimile to sign checks. The reply of approval authorizes use of the check-signing machine. If the specimens do not match, or the medium does not meet required standards, DFAS IN/JJFKCB advises DFAS-IN/ZTA and requests correction. Do not sign checks by facsimile signature before receipt of DFAS-IN/JJFKCB approval.

5.2.4. Custody. The DO establishes and implements controls necessary to prevent unauthorized use of signature media. Maintain custody receipts for all signature media held by authorized deputies, and a record of each run of checks through the check signer and reconcile this report with the report of checks issued. When not in use, keep signature media in an approved safe or vault. If the signature media are not removable from the check-signing machine, keep the keys to the machine in an approved safe or vault.

5.2.5. Use. Check signing by signature media should be performed by only the DO or designated DDOs. When considered necessary for efficient operation of the disbursing office, the DO may authorize (in writing) the holder of a specified position other than a DDO to perform this function. Do not appoint individuals as DDOs solely to sign checks by signature media.

5.2.6. Destruction

5.2.6.1. Signature Medium. If a signature medium is to be withdrawn from service (e.g., not to be used again or DO retiring from service) or is unserviceable, destroy it locally. This destruction must be by someone other than the DO and be witnessed by two individuals equal to or senior in rank to the DO.

5.2.6.1.1. Before destruction, the DO verifies the signature plate number or serial number of the digitized signature medium and witnesses the information on the certificate of destruction.

5.2.6.1.2. Identify name, title, and grade or rank of the DO; complete mailing address of the disbursing station; date and method of destruction; DSSN; typed name, title, and grade or rank of the witnesses; the DO's signature; and a statement as to whether or not the digitized signature medium had to be loaded to a printer or check signer software.

5.2.6.1.3. When a signature plate is destroyed, include in the certificate of destruction the specific plate number and an inked impression of the plate.

5.2.6.2. Digitized Medium. If a digitized medium containing the DO's signature is destroyed, and that signature had been loaded to a printer or check signer software, the DO verifies that the signature has been permanently removed from the printer or check signer software. This destruction must be by someone other than the DO and be witnessed by two individuals equal to or senior in rank to the DO. The DO signs the certificate of destruction only after the actual destruction of the signature medium. Immediately upon destruction, the certificate identifying the specific plate and date of destruction must be given to the DO and the federal entity official responsible for maintaining specimen signature files. Follow applicable federal and industry information technology regulatory requirements and standards when destroying an electronic file of a facsimile signature (see ***I TFM 4-5025.20***).

6.0 PROMPT DELIVERY OF CHECKS

6.1 Delivery

Once prepared, deliver checks promptly to payees. The DoD requires participation in the direct deposit program for all newly enlisted, reenlisted, appointed (commissioned), or retired military personnel and all newly hired civilian personnel. Title 31, U.S.C. § 3332 requires that contractors be paid by EFT.

6.2 Safeguarding and Handling

6.2.1. Properly safeguard checks, handling them as few times and by as few people as practical.

6.2.2. Ensure proper custody, signing, and delivery of checks. If checks are handed to the payees, require that payees identify themselves. Utilize the payee identification process discussed in Chapter 9, paragraph 4.4.

6.2.3. Promptly return to the disbursing office checks not delivered within the time specified by the DO.

6.2.4. Keep checks in a safe, vault, or locked fireproof cabinet pending distribution or return to the DO.

6.2.5. Designate personnel engaged in pay delivery activities in writing and supervise them to help prevent any unauthorized, fraudulent, or other irregular activities.

6.3 Delivery by Mail

The normal method of check delivery is by mail through the USPS to payees' residential mailing addresses or post office boxes. At overseas activities, payees' organizational addresses are considered their residential mailing addresses; organizational addresses are otherwise not valid. When check delivery by mail is impractical, commanders or their designees may provide specific locations where payees may receive their checks. If checks are mailed to specific locations for

delivery, the DO appoints a person in writing at each location to deliver the checks as a designated third party (see paragraph 6.5).

6.4 Outside the Continental United States (OCONUS)

6.4.1. Restrictions. Under Title 31, Code of Federal Regulations (CFR), 211.1 (***31 CFR § 211.1***), the Secretary of the Treasury prohibits agencies from sending checks to the Republic of Cuba (except to the Naval Base, Guantanamo Bay) and the Democratic People's Republic of Korea (North Korea). DOs instead withhold payment and establish the liability on their books. Go to the Treasury's ***Office of Foreign Assets Control*** website for a complete listing of designated nationals and blocked persons.

6.4.2. Exceptions. The restrictions in subparagraph 6.4.1 do not apply to checks payable to foreign governments, issued to pay salaries or wages, or for goods or services purchased by the U.S. Government (see ***31 CFR § 211.3***).

6.4.3. Claims for the Release of Withheld Checks or Proceeds. The agency originally responsible for authorizing the issuance of proceeds processes claims to release them (see ***31 CFR § 211.2***). If an agency withholding payment receives a valid claim, it issues a check and decreases the related liability. If the proceeds of withheld checks were on deposit with the Fiscal Service before April 1976, and are still in deposit fund account 20X6048 (Proceeds of Withheld Foreign Checks), submit requests for payment with an appropriate recommendation to the U.S. Department of Treasury, Fiscal Service, Budget Reports Division, Governmentwide Accounting, 3201 Pennsy Drive, Building E, Landover, MD 20785. The telephone number is (202) 874-5202.

6.5 Delivery by Designated Third Parties

Personal delivery of multiple checks may be impractical for the DO, or it may not be expedient to mail them to addresses of record. Under such circumstances, and with the guidance for delivery of checks noted in paragraph 6.2, the DO may deliver or mail checks to a designated third party for distribution. A third party is any individual authorized to distribute a quantity or bulk shipment of checks to payees. A person who maintains pay accounts or prepares checks is not authorized to distribute checks.

6.5.1. Appointment/Termination of Designated Third Parties. A DO may appoint individuals to serve as third parties for bulk check delivery. A Fiscal Service (FS) ***Form 210DA***, Designation for Agent to Receive and Deliver Checks, is available for this purpose. A DO may appoint one or more alternates to prevent distribution delays in the absence of the designee. Alternates may also assist in check distribution when conditions warrant. The DO ensures revocation of appointments upon appointee transfer, when bulk delivery is no longer needed, or as other circumstances warrant. Appointments by memorandum must include:

6.5.1.1. The name and title of the appointee,

6.5.1.2. The name and location of the DO,

6.5.1.3. The applicable DSSN(s),

6.5.1.4. The date of the appointment, and

6.5.1.5. A description of the types of checks to be delivered.

6.5.2. Transporting Checks to Designated Third Parties. Package bulk shipments of prepared checks separately from other correspondence and send them by registered mail. Send bulk shipments for a unit or group of units to a third party for distribution or delivery to payees, or reship them to another third party for delivery where the military unit is located. Include the checks, transmittal letter, and documentation needed for the specific payments.

6.5.3. Release of Checks to Other Than Payee. Designated third parties may not release checks to anyone other than designated payees. When the payees are absent at the time of delivery, see subparagraph 6.5.5 for handling checks.

6.5.4. Judge Advocate or Investigative Agent Third Parties. When advance payments are issued for witnesses subpoenaed for trial, a representative from a DoD Component investigative agency, or a judge advocate charged with serving the subpoena, delivers the checks when the payees are absent at the time of delivery.

6.5.5. Third Party Disposition of Undelivered Checks. Unless otherwise directed, return checks for payees not present to the DO before the close of business that day. Inform payees who were absent to call the disbursing office to receive them. If locked fireproof file cabinets or safes are available, the DO may authorize the designated third party to hold undelivered checks for a specified short period. When payees are on extended periods of leave or absence, return their checks to the DO for disposition. Return checks found to be in error to the DO. The DO issues a new check to the payee after appropriate corrective action.

7.0 EXCHANGE-FOR-CASH CHECKS

7.1 Report

All exchange-for-cash checks must be reported through PIR citing the DO Cash TAS and the proper BETC code. Spoiled exchange-for-cash checks that have not been reported to Treasury are not impacted by daily reporting and must follow the guidance listed in paragraph 9.1. Spoiled checks that have been reported to Treasury must be resolved by one of the following methods.

7.1.1. Accommodations. Accommodation exchange-for-cash checks are allowed only when satisfactory banking facilities do not exist and are typically only OCONUS. In OCONUS areas and for ships afloat, the DO's commander may authorize cashing negotiable instruments (see Chapter 4, section 2.0). These checks may be prepared and issued by DOs for official purposes to a DDO, agent, or cashier as an advance of cash; to the USPS for remitting collections for the sale of postal money orders; or to the Western Union for remitting collections for personal messages of military personnel transmitted over DoD communications facilities to points inside the continental United States (CONUS).

7.1.2. Advance Cash. These checks are issued by the DO to advance cash to a DDO, agent, or cashier. Checks issued as advances must be endorsed to the order of the bank or other institution furnishing the cash, or when cashed by another DO, to that officer by title and activity rather than by name as, "Pay to the order of the Disbursing Officer (name of ship, station, activity, or unit)." Make checks issued to remit collections for the sale of postal money orders or personal messages payable to the DO, USPS, or Western Union, as appropriate.

7.1.3. Check Cancellation. See paragraph 10.5 for guidance on disposition of canceled available checks. Deposit exchange-for-cash checks in Over-the-Counter Channel Application (OTCnet) utilizing the DO Cash TAS.

7.1.4. Unavailable Check Cancellation (UCC). Exchange-for-cash checks that are lost, stolen, or destroyed should follow the guidance in paragraph 7.5. Enter a Standard Form (SF) ***1184***, UCC, utilizing the DCRM's UCC subsystem with stop reason code "D" (For stop reason codes, see ***I TFM 4-7055.20c, Appendix 1***) and, upon receipt, process a Classification Transactions and Accountability (CTA) transaction reducing both the budget clearing account **F3880 (UCC and Overpayments, Suspense) and the DO cash account.

7.2 Preparation and Handling

Do not show the name of the remitter and identifying references to invoices on exchange-for-cash checks. DOs may draw these checks payable to themselves, a DDO, or an agent for purposes of obtaining operating cash. When authorized in writing by the DO, for purposes of obtaining operating cash, DDOs may draw these checks payable to themselves.

7.3 Cash Belonging to Deceased or Missing Persons

7.3.1. Died or Missing. Exchange cash found in the personal effects of a person who has died or is missing in action for a Treasury check. Make the Treasury check payable to the payee designated by the officer having custody of the personal effects. State the purpose for which the check is drawn as "Exchange-for-cash; personal effects of (name, rank or rate, file or service number)." Draw a separate check for safekeeping deposits of each person (see Chapter 16, paragraph 3.5).

7.3.2. Unknown Whereabouts. Collect cash found in the personal effects of a person whose whereabouts are unknown, including absentees and deserters, into a deposit fund account. Funds that have been held in a deposit fund for more than 1 year can be transferred to account 20X6133 (Payment of Unclaimed Moneys), or into account **R1060 (Forfeitures of Unclaimed Money and Property). Make a separate collection for safekeeping deposits of each person.

7.4 Exchange-for-Cash Checks Returned as Not Required

Do not cancel exchange-for-cash checks issued for advances to DDOs, agents, and/or cashiers and returned to the DO as "not required." The payee's endorsement on the check is not required. The DO endorses the check and deposits it as prescribed in Chapter 11, section 8.3. DOs cannot accept the return of exchange-for-cash checks from any payee other than a DDO, agent, or cashier. Other exchange-for-cash checks are issued to the purchaser and must be negotiated by the payee.

7.5 Exchange-for-Cash Checks Lost, Stolen, or Destroyed

7.5.1. When Issued to an Individual. When the payee of an exchange-for-cash check reports the check as lost, stolen, or destroyed, the DO follows section 11.0. For UCC, the DO may not issue a recertified payment to the payee before receipt of credit for the original check from the Treasury, since the original check was issued in exchange-for-cash as opposed to any entitlement chargeable to an appropriation.

7.5.2. When Issued as an Advance of Cash to a DDO, Agent, or Cashier. For lost, stolen, or destroyed exchange-for-cash checks that were issued to advance cash, the DDO, agent, or cashier remains accountable for the cash.

7.5.2.1. Accountability. The DDO, agent, or cashier accounts for the check as a loss of funds. A DO may replace the lost check with a recertified payment check (or a new advance of cash) if he or she considers it necessary due to operational requirements.

7.5.2.2. Offset Loss of Funds. After receiving credit for the lost check, the DO prepares an ***SF 1080***, Voucher for Transfers Between Appropriations or Funds, to transfer the credit from the **F3880 account to offset the loss of funds in the DO's accountability (see Chapter 6). Give a copy of the SF 1080 to the DDO, agent, or cashier to document the Treasury's cancellation of the lost check, use the credit to offset the loss of funds, and file a copy with the UCC documentation.

7.5.2.3. Negotiated Lost Check. If the lost check is subsequently negotiated after cancellation by the Treasury (in which case, the Treasury will reverse the previous credit), the DDO, agent, or cashier is accountable for the original lost check and must re-establish the loss of funds.

8.0 CHECK ISSUE DISCREPANCIES

8.1 Adjustment of Duplicate Checks

Treasury accepts only one issue/paid record for any given DSSN and check serial number and will issue a debit voucher to charge the disbursing office for a second check received for payment with the same DSSN and check serial number. Should a DO receive a debit voucher for a duplicate check to which the payee is entitled, request that NPIRC reverse the debit voucher for

the correct check serial number of the duplicate check. The DO must also provide a copy of the debit voucher to NPIRC (see ***I TFM 4-6040.10***).

8.2 SF 1219, Statement of Accountability Adjustments

8.2.1. Prior-Month Checks Issued. A common reason for a ***SF 1219*** adjustment made by the DO is a prior-month check issue adjustment. Do not report prior-month issue of checks as current-month checks issued, as this will cause check issue discrepancies for both issue months. An SF 1219 adjustment is necessary to realign the check issue reporting to the proper issue month of the checks.

8.2.2. Clear Check Issue Discrepancy. To clear check issue discrepancies resulting from erroneously reported prior-month checks issued, the DO prepares a journal voucher (JV) to decrease the overstated check issues and increase the check issues for the proper month. For audit trail purposes, reference the check numbers and issue dates of the prior-month checks being adjusted between months on the JV.

8.2.3. Request for Adjustment. If the DO's financial records reflect the correct check issued data for the proper month, and the error is limited to the Treasury's record of the SF 1219 check issue total identified in the check reconciliation process, the DO sends a request for adjustment to the NPIRC.

8.3 Erroneous Information Reported on the Financial Management Service (FMS) Form 5206, Advice of Check Issue Discrepancy

The DO reviews the FMS 5206, a copy of the check, disbursement voucher, and the check issue report data. If the DO determines the check was paid for an amount different from its original issue amount, the DO returns the FMS 5206 to the Treasury with a memorandum stating the reason for returning without action. Support the memorandum with copies of the documents used to determine that the FMS 5206 is in error. Generally, the situation described is indicative of a bank processing error or alteration of the check by the payee. In either event, the explanatory memorandum returned with the FMS 5206 is sufficiently clear to enable the Treasury to initiate reclamation action through the banking system.

8.4 Relief of Liability

Both underdrafts and overdrafts are illegal, incorrect, or improper payment irregularities in the DO's account. The DO has the authority and the means to correct underdrafts. Overdrafts frequently are not within the power of the DO to correct. If a check issue overdraft resulted in an overpayment of a payee, the overpayment amount is an erroneous payment debt. When the DO has attempted to contact the payee and failed, or when the payee has been notified and has neither the ability nor the inclination to make restitution, the DO transfers the debt to the supporting DFAS site for further collection action. To meet standards for relief of liability, transfer uncollectible overdrafts to the supporting DFAS site within 180 days. After the debt has been transferred, relief of liability for the illegal, incorrect, or improper payment may be requested (see Chapter 6).

9.0 SPOILED AND VOIDED CHECKS

9.1 Spoiled and Voided Checks

When a check is spoiled during the issue process, the DO must void the check. Spoiled checks are treated as voided checks. Void a check that is misprinted or mutilated during the issue process or is determined not to be a proper payment and has not been reported as a check issue with a dollar amount greater than zero. Report destroyed unused and lost or stolen blank checks as voids. Render checks voided by the DO non-negotiable by typing or stamping the words "Void - Not Negotiable. No Check Issued Under This Number." If a DO cannot report the voided checks as required, it must email Fiscal Service at RRB.OSD-NPIRC-PM@fiscal.treasury.gov (see ***I TFM 4-6030***).

9.1.1. A check reported to the Treasury as a valid check in a dollar amount greater than zero may not be voided under any circumstances. The DO stamps the check, "Not Negotiable - For Deposit Only. Credit of Agency Location Code ######." The DO deposits the check using OTCnet, to credit the proceeds of the check to the appropriation from which it was issued and process the check as either an available or UCC, as appropriate, following section 10.0.

9.1.2. If the payment associated with the voided check is otherwise proper, replace it with the next available check in the series and in the same format used for the original voided check. Annotate on the original voucher, the copies of the voucher, and the check issue log to indicate the original check was voided and the number of the replacement check used for the payment.

9.2 Storage

The DO stores spoiled and voided checks in the vault or safe, segregated from other checks.

*9.3 Disposition

The DO destroys spoiled and voided checks locally as soon as possible, following the destruction guidance in section 15.0.

10.0 AVAILABLE CHECK CANCELLATIONS

10.1 Competitive Equality Banking Act of 1987 (CEBA)

CEBA amended 31 U.S.C. § 3328 and created a new section 31 U.S.C. § 3334 that establishes time limits on the payability of Treasury checks. CEBA affects the time allowed for negotiating Treasury checks, initiating and processing claims, recovering monies from financial institutions, and requesting replacement check payments. The underlying obligations for which Treasury checks were issued are not affected. CEBA legislation does not impose the same payability restrictions on check payments made from limited depositary accounts. CEBA requires that Treasury checks be negotiated within 1 year of their issue dates. DOs may cancel checks within this 1-year period when the check is drawn under the DO's own DSSN, under the account of a predecessor DO of the same activity and DSSN, or under an account being settled by the DO.

A DO may not cancel a check over 1 year old. Checks may be canceled when the disbursing account is closed or current, or the proceeds of the check are for repayment to an appropriation or fund account, which is current or expired (see ***I TFM 4-7030***).

10.2 Exceptions Include:

10.2.1. Checks recovered or returned to the possession of the DO after being submitted for a UCC are stamped with "Not Negotiable, Previously Treated as Canceled SF 1184 dated ######." These Checks are retained for 90 days and then shredded. A DO receiving a returned check for an activity or DSSN no longer in operation stamps the check "Not Negotiable" and sends it to the successor or settlement DO;

10.2.2. Checks involving holder-in-due-course claims, see paragraph 13.2;

10.2.3. If substantial portions of mutilated checks are missing, see I TFM 4-7030; and

10.2.4. Checks that are at least 1 year from the date of issue (stale dated).

10.3 Undeliverable Checks

The DO keeps a record of undeliverable checks on the DoD ***(DD) Form 2658***, Returned and Undeliverable Check/Bond Record. An electronic system is acceptable to record undeliverable checks if it includes all the same information as on the DD 2658. The DO provides the information or a copy of the DD 2658 to agents, cashiers, and appropriate entitlement offices for their use. Do not remove undelivered checks from the safe or vault or allow deputies, agents, or cashiers to hold them except for immediate delivery to payees, or for cancellation and deposit.

10.3.1. Safekeeping. DOs keep undeliverable checks in a safe or vault, filing them in an order best suited for ready identification when claimed, or for mailing upon obtaining a proper address. At a minimum:

10.3.1.1. Open mail with returned Treasury checks in the presence of two people;

10.3.1.2. Limit access to the returned Treasury checks processing area; and

10.3.1.3. Secure the checks in a locked container if there is a delay between the time the checks are received and when they are defaced (see Chapter 3, paragraph 3.4).

10.3.2. Undeliverable Due to Death of the Payee

10.3.2.1. Deceased Military Members. The issuing DSSN cancels checks payable to deceased military members promptly and credits the value to the individual's pay account pending payment to a properly designated beneficiary.

10.3.2.2. Deceased Civilian Employee. See Volume 8, Chapter 10, section 5.0.

10.3.2.3. Other Payees. Deposit checks drawn to other deceased payees as undeliverable checks. Obtain an ***SF 1055***, Claim Against the United States for Amounts Due in the Case of a Deceased Creditor (see ***19 CFR § 24.70***).

10.3.3. Checks Undelivered at Time of Relief. When a DO is relieved by another DO, or the DSSN is deactivated and disbursing for that activity is assumed by another activity due to consolidation, transfer of function, or other reason, the relieving DO or gaining activity assumes custody of and processes the undelivered checks. If the DO is transferred from disbursing duty without a relief, or the disbursing function is not assumed by another activity, process the undelivered checks as collections on an ***SF 1098***, Schedule of Canceled or Undelivered Checks, and deposit them whether or not the three-workday holding period has elapsed.

10.3.4. Special Actions on Canceled Checks Held by the Disbursing Office

10.3.4.1. Military Payrolls. When canceling a military pay and allowances check, the DO ensures the adjustment is also processed on the member's Master Military Pay Account.

10.3.4.2. Civilian Payrolls. When canceling a check in payment of civilian pay, the DO notifies the payroll office to make the appropriate payroll adjustment.

10.4 SF 1098

10.4.1. Check Credit. Credit a check that is undelivered within three workdays of receipt in the disbursing office to the appropriation originally charged using an SF 1098 prepared in triplicate.

10.4.2. Lack of Accounting Data. If the proper appropriation to be credited cannot be determined immediately, collect the amount of the check into account **F3875 (Budget Clearing Account, Suspense). Include on the SF 1098 all information available as to the identity and location of the payee of the check. Keep a copy of the documentation in a separate file to support each item in the suspense account. The DO acts aggressively to identify the proper appropriation and removes the item from the suspense account as soon as possible. If the proper appropriation remains unknown after 60 days, transfer the funds to Treasury's miscellaneous receipt account **R1060 on an ***SF 1081***, Voucher and Schedule of Withdrawals and Credits.

10.5 Disposition of Canceled Available Checks

10.5.1. Canceled Checks. Process canceled check transactions authorized by this section in a manner similar to that for collections. Upon receipt of a check to be canceled, prepare an SF 1098 as the collection voucher and credit the appropriation originally charged for the payment. Show all lines of accounting charged and credited on the original disbursement voucher, assign a collection voucher (CV) number, and print the CV number and the date of collection on the back of the canceled check. Deposit the canceled checks for credit to the DSSN used by the DO canceling the checks. An endorsement stamp is required for canceled checks.

10.5.2. Defacing Returned Checks. Ensure that each canceled check is defaced by stamping the legend "Not Negotiable" in a color other than black (preferably red) and in prominent enough size to remove all possibility of negotiation.

10.5.3. Deposit Ticket. Deposit canceled checks on a deposit ticket separate from other negotiable instruments. DOs with OTCnet capability may deposit their canceled checks through this system.

10.5.4. Frequency of Deposits. Checks received for cancellation do not need to be deposited daily but must be canceled within three business days of receipt. These checks may be held in the DO's safe or vault pending preparation of a consolidated deposit ticket. In situations where check deposit volume is minimal, or where electronic deposits utilizing OTCnet are not available, send deposits to the Federal Reserve Bank (FRB) no later than the 25th of the month of receipt. Checks received after the 25th of the month may be retained and deposited the following month. All CONUS DOs deposit canceled Treasury checks with the nearest FRB. DOs in Alaska, Hawaii, and foreign countries deposit them with the general depositary normally used for making deposits-for-credit to the Treasury's General Account. See Chapter 11, paragraph 11.3 for deposit reconciliation requirements.

10.6 Claims for the Proceeds of Canceled Available Checks

When a claim is received for the proceeds of a canceled available check, and all or a portion of the amount is due to the claimant, the disbursing office that collected and deposited the original undeliverable check pays the claim on payroll or other vouchers prepared, processed, and certified the same as a current payment. This does not preclude an undeliverable military paycheck from being canceled by the issuing DO so that the member may be paid at a new duty station. Use an ***SF 1034***, Public Voucher for Purchases and Services Other than Personal, to make these payments and charge them to the accounting data credited on an SF 1098, referencing the original undeliverable check by serial number, amount, DSSN, month, year, and account in which the undeliverable check was collected. Pay claims received for items transferred to the **R1060 account from the 20X1807 (Refund of Moneys Erroneously Received and Covered) account.

11.0 UCC

11.1 Unavailable Checks

Cancel unavailable Treasury checks less than 12 months old as lost, stolen, mutilated, not received by the payee, and also cancel when the DO determines that the payee is not entitled to the proceeds of the check. To file a non-receipt claim against a Treasury check, the DO must submit a UCC online through TCIS or via file transmission (see ***I TFM 4-7045.10***). Checks canceled are credited by the Treasury to account **F3880 through the Intra-governmental Payment and Collection (IPAC) system. Utilize a CTA transaction to move the funds out of account **F3880 to the proper program TAS, deposit fund account, or DO Cash TAS along with the proper adjustment BETC code. Such situations include death of the payee before the check issue date, non-receipt of a recertified payment by the payee when the original check has been received and cashed, and receipt of a cash payment and a check payment for the same entitlement.

11.1.1. Payees have 1 year from the date of issue of the check to file a claim of non-receipt with the issuing disbursing office, which then submits an SF 1184 to the Treasury within 13 months of the issue date. The Treasury has 18 months from the date a check is paid to reclaim monies from the financial institution if the payee files a claim of forgery or unauthorized endorsement.

11.1.2. Checks unavailable to the payee and/or the DO, and for which entitlement to the payment exists, may be replaced by a new check called a recertified payment check. Such a payment bears a new check serial number and is vouchered, certified, and recorded as a new disbursement. The DO must control, cross-reference, and track original and recertified payments indefinitely or until both have been paid, recovered and destroyed, or canceled.

11.2 DD Form 2662, Recertified Payment Register

Maintain the ***DD 2662*** to provide the necessary cross-reference and control over UCCs. An electronic log is acceptable if it contains the same information as the form (see Volume 1, Chapter 9, section 2.0 for records retention).

11.3 SF 1184

11.3.1. Cancellation Form. The SF 1184 is required for all cancellations. Bulk losses of original checks require the preparation of an SF 1184 for each check.

11.3.1.1. Use this form to stop payment, obtain photocopies, or check the payment status of unavailable Treasury checks. Input stop reason codes to designate the desired action. Although this form attempts to stop payment on a check, there is no true stop payment action. The payee may still negotiate the check, and the DO is responsible to recoup the money.

11.3.1.2. If a check is presented for payment after Treasury has given the DO a credit to the **F3880 account, Treasury will reverse the credit and provide the DO the documentation, including a photocopy of the paid check. The DO must then research and take the appropriate corrective action, including collection efforts when dual negotiation has occurred. See subparagraph 11.3.2 for guidance on preparing and submitting an SF 1184, and paragraph 11.9 for guidance on handling the credits and reversals of credit in the **F3880 account.

11.3.2. Processing. Use DCRM's UCC subsystem to enter SF 1184s and transfer them to the Treasury biweekly. Contact the supporting DFAS site for questions on the SF 1184.

DFAS – Cleveland (DFAS-CL)
1240 East 9th St
Northpoint 7th Fl (JAFBA)
Cleveland, OH 44199-2056
Email: dfas.cleveland-oh.zte.mbx.ccl-mb-checkissues@mail.mil

DFAS – Columbus (DFAS-CO)
DFAS-JDBB/CO
PO Box 182317
Columbus, OH 43218-2204
Email: dfas.dscc.zte.mbx.dfasco-dcrmreports@mail.mil

DFAS –IN
DFAS-ADRPT/IN
8899 East 56th Street
Indianapolis, IN 46249-8673
Email: dfas.indianapolis-in.zte.mbx.dcrm@mail.mil

11.4 Claims of Non-receipt, Destruction, Loss, or Theft

11.4.1. Payee Request for Claim

11.4.1.1. Treasury will deny a claim of non-receipt, destruction, loss, or theft of a Treasury check issued on or after October 1, 1989, unless it is presented by the payee to the issuing disbursing office within 1 year from the date of issue.

11.4.1.2. The disbursing office will document the claim on an SF 1184 and submit through the supporting DFAS office so the Treasury receives it within 13 months of the check issue date. If Treasury denies a cancellation credit, it issues a Daily Advice of Status (DAS) with one of the status codes in ***I TFM 4-7045.20c, Appendix 6***. The DO advises the payee of the check status.

11.4.1.3. Fiscal Service forwards a FS ***Form 3858***, Claims Document, to the DO for completion by the payee/claimant. If the check has been negotiated, the payee examines the check copy; if the payee/claimant denies negotiating the check, he/she must complete and sign the FS ***Form 1133***, Claim Against the United States for the Proceeds of a Government Check.

11.4.2. DO's Action. The DO sends the FS 1133, the FS 3858, the photocopy of the check, and any other supporting documentation for the claim to Treasury for processing. If the payee files an FS 1133 to claim forgery or unauthorized endorsement against the check, a recertified payment is not authorized before receipt of a Claims Disposition Notice (CDN), from the Treasury (see subparagraph 11.12.4).

11.5 DD Form 2660, Statement of Claimant Requesting Replacement Check

11.5.1. Payee Request

11.5.1.1. A payee who reports the loss, theft, mutilation, or non-receipt of a Treasury check submits a written statement to the DO. The DD 2660 is the preferred form for the required statement, but a DO may accept a signed letter from the payee in lieu of the DD 2660, provided the letter contains the required information and the certification statement found on the DD 2660.

11.5.1.2. A payee who submits a statement in lieu of the DD 2660 must include the payee's name, SSN, and address; member's name and SSN if different from the payee; type of payment entitlement; whether the check was received, and if so, whether it was lost, stolen, destroyed, or mutilated; whether the check was endorsed by the payee or had a limited endorsement such as "for deposit only;" circumstances surrounding the loss, theft, destruction, or mutilation if the check was received; and the signed statement of certification of the payee. The statement must contain the signed certification statement exactly as cited above blocks 12-15 on the DD 2660. Failure to include this statement could hinder collection efforts if a dual negotiation occurs. Also, if the payee is the one that negotiated both checks, the statement could also be used to establish fraudulent intent.

11.5.2. DO's Action

11.5.2.1. Upon receipt of the signed statement, the issuing DO or settlement officer completes the information required to identify the check (e.g., issue date, check number, amount, and voucher number). Before entering an SF 1184, the DO must verify the check has not been returned as undeliverable.

11.5.2.2. If the check was re-mailed at a later date, the DO notifies the payee of the later mailing date and allows two weeks' delivery time before processing the claim of non-receipt. If the check has not been returned and enough time has passed to allow for mail delivery, the DO uses the information on the DD 2660 to enter an SF 1184 for the unavailable check. Do not submit an SF 1184 involving non-receipt of future dated checks, such as those issued for pay and allowance entitlements, before the date of payment.

11.5.2.3. Do not enter an SF 1184 involving non-receipt until the third working day after the check payment date.

11.5.2.4. The DO sends a copy of the claimant's DD 2660, or other written statement, and a copy of the SF 1184 documentation to the appropriate entitlement area, which must certify that the entitlement for payment still exists before the DO may issue a recertified payment.

11.6 DAS

11.6.1. File. With the exception of the transmittal documents, Treasury returns a DAS on every SF 1184 received. An essential control technique is for DOs to keep a complete file of submitted SF 1184s. Periodic review of the file will show, either by copy of the DAS or by copy of the agency receipt of batch transmittals, the Treasury received and processed all submissions. Follow up incomplete file items within 30 days through the supporting DFAS site by telephone and, if necessary, by submitting a second SF 1184 (see ***I TFM 4-7045.20***).

11.6.2. Canceled Check Status. Once Treasury has issued a DAS with a status indicating "check canceled; crediting agency," future requests to cancel or obtain photocopies of the canceled check will receive a response, "outstanding check was canceled; agency credited." A photocopy of the check will not be available until the check is presented for payment through the banking

system. Therefore, once a disbursing office has received a DAS with a status code of "Outstanding," no additional SF 1184s may be submitted for that check number. If the original check is ever presented through the banking system for payment, the DO will receive notification that the Treasury has reversed the credit to the **F3880 account. Treasury will then provide a photocopy of the original check and the claim forms FS 1133 and FS 3858.

11.7 Payments, Accounting Claims, and Enhanced Reconciliation System

11.7.1. TCIS. Treasury's TCIS is available to obtain digital check images and view check status online. TCIS has payment data and digital images of checks from 7 years ago to the present. Digital check images are in real time and available only for paid checks.

11.7.2. Inquiries. The inquiries on the payments and claims option in TCIS allows inquiries on the status of a single payment or multiple payments at the same time. TCIS is available for use Monday through Friday from 6 a.m. to 12 a.m. (midnight), Eastern Time. No software purchase is required to access this system. See TCIS website under Equipment Requirements for system requirements. To request access to TCIS, contact the Treasury's Support Center at (855) 838-0743 or TCIS_TSC@stls.frb.org.

11.8 Authorization to Issue Recertified Payments

11.8.1. Recertified Payment. Treasury has delegated authority to DOs to replace checks originally issued by them to include checks lost, stolen, or destroyed both in transit, and after receipt, by applicable payees (see ***31 CFR 245*** and ***31 CFR 248***). DOs may also issue a recertified payment when the SF 1184 is prepared, based on the facts available. Subject to the restrictions in the following paragraphs, DOs may issue recertified payments as replacements for original checks any time commencing with the submission of the SF 1184. The circumstances associated with each unavailable check govern this timing.

11.8.2. Limitations

11.8.2.1. Do not issue a recertified payment check if:

11.8.2.1.1. The payee of the original check is not entitled to the proceeds;

11.8.2.1.2. The payee died before the original check issue date;

11.8.2.1.3. Insufficient mail time has lapsed from the date the original check was mailed or re-mailed to allow for its delivery and possible return;

11.8.2.1.4. The payee has an outstanding obligation which the payment can offset; or

11.8.2.1.5. The original check is more than 12 months old.

11.8.2.2. Consider all circumstances of situations involving high-dollar-value unavailable checks, payees involved in adverse actions that could result in early discharge or termination, or nonpermanent employees with no vested retirement benefits or sustained work history before issuing a recertified payment. Also, consider the payee's ability to repay in cases of double negotiation and the possibility of offsetting a double negotiation against money, other than salary, due to the payee. For deactivated and closed DSSNs:

11.8.2.2.1. The designated settlement office normally issues these payments. In some situations, (e.g., consolidation), the DO supporting the activity that assumed the disbursing and accounting responsibility for the deactivated or closed office may issue a recertified payment for the deactivated or closed office; and

11.8.2.2.2. Except as prescribed in section 9.0, issue recertified payments only as a disbursement from the appropriation charged for the original check or, if that appropriation is no longer available, a current appropriation available for the same general purpose, subject to limitations on its use.

11.8.3. Issue Before Receipt of Check Status. Delays in issuing checks may affect military and civilian employees' personal financial affairs, DoD relations with private business, and other intangible benefits. Immediate issuance of replacement checks may thus be appropriate. DOs may use stop reason code "A" on the SF 1184 to support immediate check issuance to replace undelivered, lost, stolen, mutilated, or destroyed original checks issued under their DSSN if less than 31 days have elapsed since the check issue date. Limit this service to:

11.8.3.1. Military and civilian personnel for payment of pay and allowances;

11.8.3.2. Banks, credit unions, and other financial institutions unless the DO decides that obtaining the Treasury status is in the government's interest before issuing a replacement;

11.8.3.3. Agencies of the U.S. Government;

11.8.3.4. Foreign governments (If doubt exists as to the status of a foreign payee, treat the payment as a foreign business transaction and issue a recertified payment only after receipt of the Treasury status as prescribed in subparagraph 11.9.4); and

11.8.3.5. Any blanket check regardless of amount.

11.8.4. Issue After Receipt of Check Status. Submit UCCs using stop reason code "D" or "G," and issue a recertified payment only after the Treasury reports the check status as outstanding for:

11.8.4.1. Foreign businesses and contractors where the check payment is made to addresses or financial institutions OCONUS;

11.8.4.2. Payees who have previously negotiated both the original check and the replacement check issued to replace it;

11.8.4.3. Payees who have received more than three replacement check payments in the past six months or more than four in a 12-month period;

11.8.4.4. Payees who report non-receipt of a recertified payment;

11.8.4.5. Payees requesting replacement of an original check more than 30 days old; or

11.8.4.6. Payees other than a deputy, agent, or cashier requesting replacement of an exchange-for-cash check.

11.8.5. Issue When Check Status is Paid. Do not issue a recertified payment check when the DAS from the Treasury indicates the check status is paid (see paragraph 11.13).

11.9 Accounting for Recertified Payments

11.9.1. Accounting. Treasury provides credits for canceled unavailable checks and charges resulting from negotiation of previously canceled unavailable checks through budget clearing account **F3880. This account is restricted to unavailable check transactions; do not use it for any other purpose. It is available to hold credit or chargeback amounts only pending identification of the appropriation or fund charged for the original check issuance. Do not charge the **F3880 account directly for any payment, but transfer amounts in this account to the original appropriation as expeditiously as possible. Do not allow transactions in this account to become stale or unidentifiable, as an unidentifiable balance may result in a DO loss of funds and an associated pecuniary liability.

11.9.1.1. Credits Resulting From Submission of SF 1184s. If an unavailable check is outstanding, Treasury will issue a DAS indicating that the check is outstanding and that it will credit the agency with the proceeds. The Treasury will cancel the check and credit the funds derived from the cancellation to the **F3880 account. DFAS-CL and DFAS-IN receive cancellation credits electronically from Treasury daily or as needed. A hardcopy of the SF 1081 follows the electronic submission. Treasury sends these canceled check proceeds to DFAS-CL and DFAS-IN through CARS and the IPAC system. This will reflect any identifying information provided in the original check issue data submission as detail in the credit transmission.

11.9.1.2. Reversals of Cancellation Credits. If a canceled unavailable check is negotiated by a financial institution after cancellation by Treasury, Treasury will reverse the cancellation credit. The IPAC bill and detail data are available to the DO in real time on the IPAC website for current-month transactions. The detail data remains available to the DO on the IPAC website up to 15 months after the credits and charges are transferred. The detail data must equal the total dollar amount of the IPAC bill. The IPAC bill is the DO's documentary evidence that Fiscal Service provided the credits or charges. Credits and charges are listed separately and are not commingled in the same IPAC bill document or IPAC bill data file (see ***I TFM 4-7050.60***).

11.9.2. Agency Reporting of Fiscal Service Transfers to the **F3880 Account. Treasury transfers to the **F3880 account via IPAC. By the end of each month, DOs must reconcile their CARS activity by TAS/BETC to their internal accounting system of record and reclassify any transactions to the correct TAS/BETC in the CARS CTA Statement, if necessary. After reporting a credit or charge to the **F3880 account on its internal accounting records, the DO must prepare a JV to clear the credit or charge from the **F3880 account. The funds are returned to the appropriation or fund account identified by the DO. Any credit or charge processed after Treasury Receivable Accounting and Collection System closes on the last business day of the month is accounted for in the subsequent accounting month.

11.9.3. Distribution. Under 31 U.S.C. § 3334(a)(2), return canceled check proceeds to the appropriation(s) charged when the check(s) were originally issued, and treat the canceled check(s) as account(s) payable. Within 15 days of receipt, DFAS-IN and DFAS-CL send the check cancellation and credit detail information to the disbursing office (except as noted in subparagraph 11.10.2) that issued the check(s) and to the disbursing offices' supporting accounting offices. Any reversal of previous cancellation credits issued by Treasury should also be sent in the same manner to the applicable disbursing and accounting offices.

11.9.3.1. DFAS-CL and DFAS-IN send the check credit information, including the details applicable to the disbursing accounts that DFAS-CO manages, to DFAS-CO. DFAS-CL processes or distributes cancellation credit information for Marine Corps disbursing offices.

11.9.3.2. The net dollar amount entered by the Fiscal Service for the **F3880 account is reported on the CARS Account Statement. The ALC 20180009 is listed as the reporting entity. Statement of transaction reporting to clear **F3880 accounts are also shown on the CARS Account Statement with the DO's ALC shown as the reporting entity. The **F3880 reports are cumulative, and only the latest are accessible.

11.9.4. Accounting Office. When the accounting office receives canceled check credits, it transfers them from **F3880 to the original appropriations charged when the payments were made and establishes accounts payable. If a DO replaces an unavailable check before receiving credit from Treasury, the accounting office establishes an accounts receivable in the appropriation or fund charged for the original check, removes the receivable upon receipt of the credit, and transfers the reversal of a previous credit from **F3880 to the original appropriation.

11.9.5. Review of **F3880 Balances. The DO reviews the **F3880 account monthly to ensure necessary actions are taken to clear these transactions. Each time the DO's account is transferred, the incoming DO validates balances in this account (see Chapter 2, subparagraph 4.6.1.8). If the departing DO cannot provide the incumbent DO with documentation supporting the **F3880 items, the departing DO processes the unsupported items as losses of funds under Chapter 6.

11.9.6. Research. Upon receipt of a DAS indicating cancellation credit or reversal information from the supporting DFAS site, the DO initiates research on the check issue data submitted to Treasury to ensure the accuracy of the detailed information (e.g., the DSSN, check serial number, date of issue, and issue amount provided in the cancellation credit or reversal),

which must agree with the original check issue data reported to Treasury. Research any discrepancy in this data to determine its cause and correct it. In the case of a reversal, the DO determines if a dual negotiation occurred by verifying the status of the replacement check. The DO submits an SF 1184 on the replacement check using stop reason code "F" for non-entitlement.

11.9.6.1. If the check for the recertified payment is outstanding, the DO receives a credit to offset the charge for the reversal previously received. If the check has been paid, the DO receives a photocopy of the paid check, a claim form, and a claims document. If both the original and recertified payment checks have been negotiated, the DO begins collection action as outlined in paragraph 11.13. The disbursing office must also notify the appropriate entitlement or subject matter area (e.g., military pay, civilian pay, travel pay, or commercial accounts payable) that Treasury has returned a credit to the activity because the check was not negotiated or has reversed a credit previously received and provided a copy of the DAS.

11.9.6.2. The DO requests the accounting department re-obligate funds to cover the issuance of a recertified payment. Once assured that funds are re-obligated and available, the DO may issue a recertified payment check citing the original appropriation. If the original appropriation is closed, use a current year appropriation for the same or similar purpose.

11.9.6.3. When Treasury provides a reclamation credit, the DO requests the accounting department re-obligate funds to cover the issuance of a recertified payment.

11.9.7. Entitlement to Payment. When notified that an unavailable check has been canceled, the credit has been received, and a recertified payment has been requested, the appropriate entitlement or subject matter area determines if the liability for payment of the underlying obligation is valid before preparing a recertified payment, which is prohibited if the entitlement to payment no longer exists.

11.9.8. Recertified Payments. All recertified payments (including immediate replacements (stop reason code "A")) must be vouchered, certified by a certifying officer, and charged to the appropriation or fund charged for the original payment. Making a recertified payment under the first two provisions listed in this paragraph requires the establishment of an accounts receivable, supported by a copy of the SF 1184 and/or the DAS, in the appropriation or fund for the amount due on cancellation of the original check. Recertified payments may be made when the disbursing office submits the SF 1184, or at any time in the claims cycle that is:

11.9.8.1. Before the status of the original check is known, when less than 31 days have elapsed from the date of the original check (see paragraph 11.8);

11.9.8.2. After the disbursing office has been advised by the DAS code that the original is outstanding and credit will be provided; or

11.9.8.3. After the credit has been received from Treasury.

11.10 Preparation and Disposition of Replacement Checks

11.10.1. Replacement Checks. Prepare and distribute replacement checks in the same manner as regular checks as described in section 4.0. If a payee claims non-receipt, loss, or destruction of a replacement check, the UCC procedures in section 4.0 also apply to the replacement check.

11.10.2. Returned and Recovered Replacement Checks. When a replacement check is returned by the payee after the original check it replaced has been found and negotiated by the payee, cancel the replacement check on an SF 1098 and credit the proceeds to the appropriation charged when it was issued. Deposit the check with the nearest FRB or branch on a deposit ticket as prescribed in paragraph 10.4. Transfer the chargeback to the **F3880 account from Treasury for the negotiated original check to the appropriation charged when the original check was issued.

11.11 CFIF

11.11.1. Claim Against the CFIF. The CFIF is a revolving fund established under 31 U.S.C. § 3343 to settle payee/claimant claims of non-receipt when an original check has been fraudulently negotiated. Only Fiscal Service may adjudicate claims of forgery against Treasury checks. A claim against the CFIF is governed by the 1-year statute of limitations provided in the CEBA (see subparagraph 12.1.2). Therefore, a claim of forgery must be presented within 1 year from the date the check was issued, otherwise the claim on the check is barred and the payee is not entitled to payment from the CFIF. The DO must submit an SF 1184 on the check within 13 months from the check issue date.

11.11.2. Statutory 1-Year Limit. The statutory 1-year limit on the claim against the CFIF does not affect the underlying obligation of the government for the payment. If the Treasury determines a check endorsement was forged and the payee's claim meets the statutory requirements, Treasury will institute reclamation procedures to recover the proceeds of the forged check through the banking system.

11.12 Check Forgery Claims

11.12.1. Forgery Claims. When Treasury determines that an original check was negotiated and paid by the Fiscal Service on a forged or unauthorized endorsement, a payee may have a valid claim against the CFIF (see paragraph 11.11). The NPIRC is the approval authority for settlement checks issued to replace checks paid over forged endorsements. Fiscal Service does not charge the CFIF for losses resulting from negotiation of checks issued to deceased payees or to payees who were not entitled to the payment. The address is: Department of the Treasury, Bureau of the Fiscal Service, NPIRC, Customer Service Branch, PO Box 515, Philadelphia, PA 19105-0515. Fiscal Service issues settlement checks out of the CFIF if it determines that the payee or special endorsee has established that:

11.12.1.1. The payee or special endorsee presented a timely claim of non-receipt, (e.g., filed a claim within 1 year after the date of check issue);

11.12.1.2. The original check was lost or stolen due to no fault of the payee or special endorsee;

11.12.1.3. The original check was negotiated and paid by Fiscal Service on a forged or unauthorized endorsement of the payee's or special endorsee's name; and

11.12.1.4. The payee or special endorsee has not participated in any part of the proceeds of the negotiation or payment of the original check.

11.12.2. DO's Action. A payee reports the loss, theft, or non-receipt of a Treasury check, and follows paragraph 11.5. A DO whose research determines that the check was negotiated requests a digital image of the check. For checks issued on or after the date of October 1, 1997, obtain a digital check image using TCIS. For checks issued before the date of October 1, 1997, DOs must determine the check status (see paragraph 11.3).

11.12.3. Payee/Claimant's Action. When the check status is "Paid," Treasury provides a photocopy of the original check, FS 1133, and FS 3858. If after examining the check copy, a payee/claimant denies having negotiated the check, the payee/claimant completes and signs the FS 1133 and returns it along with the check copy to Fiscal Service. The FS 1133s and FS 3858s are a combined set of four pages. The FS 1133 is for the payee's declarations and information concerning the unavailable check, and the FS 3858 is the claim reference document that contains the necessary information for the NPIRC to identify the check. Attach a copy of the FS 3858 to any correspondence with Treasury concerning the unavailable check.

11.12.4. Fiscal Service Action. Upon receipt of the FS 1133, the NPIRC reviews the claim form. If the FS 1133 is not complete, it is return to the payee/claimant with a letter advising the corrections needed. If the payee/claimant admits negotiating the check or does not return the FS 1133, take no further action. Consider an FS 1133 complete when all questions are answered and all required signatures are present. If a payee/claimant signs by mark, the mark must be witnessed in the space provided. If the FS 1133 is complete, the NPIRC advises the DO of the status of the claim using a CDN and begins the adjudication process. If the NPIRC determines that the payee/claimant was not involved in the negotiation of the check and did not participate in the proceeds from the check, it settles the claim by initiating a request to issue a check to the payee/claimant or transfer the funds to the DO.

11.12.5. Appeal Process. If the NPIRC denies a claim, a payee/claimant may appeal in writing to the NPIRC. The appeal must be postmarked no later than 60 days after the date of the denial letter. The appeal must include a copy of the denial letter, a signed statement, and any additional information or documentation for further investigation. The appeal must also include the check and symbol number identified in the denial letter.

11.13 Collections of Double Negotiations

11.13.1. Collections. A double negotiation occurs when an original check and its replacement have both been reported as paid by Treasury. The loss occurs on negotiation of the replacement check; the order in which the checks are cashed is irrelevant. A double negotiation is

an illegal or improper payment for purposes of pecuniary liability. The DO initiates collection action to recover illegal or improper payments made by his/her office. If the payee separates from government service, the DO is still responsible to pursue collection action. Normally, collections for illegal or improper payments are one-time cash refunds or lump-sum collections by salary offset and do not warrant installment liquidation. Limit installment repayments to cases of extreme personal hardship.

11.13.2. Collection Action

11.13.2.1. When Treasury notifies a DO that it has reversed a credit to the **F3880 account from a previous cancellation, the DO researches the situation to ascertain if a double negotiation has occurred by determining the payment status of the replacement check. Once a Treasury response confirms a double negotiation, the DO immediately begins collection action. Afford the payee due process rights of collection specified in Volume 16, Chapter 2, sections 4.0 and 5.0 in each case. The most effective means of achieving expeditious recovery is to present the payee a photocopy of the paid original and replacement check and a copy of the claimant's signed statement acknowledging he/she was not entitled to both payments. Due process rights of collection include the opportunity for the payee to contest the validity of the debt. In cases of double negotiation, the payee's right to complete an FS 1133 provides this opportunity.

11.13.2.2. If the payee asserts that one of the checks was negotiated over a forged endorsement, delay collection until the NPIRC adjudicates the payee's forgery claim. If the NPIRC determines the check was forged, the payee does not owe the debt. If the NPIRC denies the payee's claim, the full amount of the check is due and subject to immediate collection. If the payee fails to provide the properly completed FS 1133 within the period allowed to present documentation as to why the debt is not owed, he/she is deemed to have acknowledged the debt and the DO takes immediate collection action. In either situation, complete collection action within 90 days of the receipt of the DAS from Treasury indicating the canceled unavailable original check has been paid, or within 90 days of receipt of the CDN from Fiscal Service indicating the payee's claim of forgery is denied.

11.13.2.3. The DO documents all attempts to collect illegal or improper payments. If all reasonable steps have been taken to collect and the illegal or improper payment becomes uncollectible within the 90-day time limit, the DO transfers the debt to the appropriate office designated to pursue collection of uncollectible debts. See Volume 16, Chapter 2 for debt collection processes. Although the debt is transferred to another office for further collection action, the DO remains pecuniarily liable for the illegal or improper payment until the debt has been collected or relief has been granted; see subparagraph 11.13.1.

11.13.3. Determination of Fraud. Double negotiations could indicate fraudulent intent or misrepresentation. A DO suspecting this reports the situation utilizing guidance in Chapter 6, section 5.0 for possible investigative and/or disciplinary action. Pursue collection action as specified in Volume 16, Chapter 2, paragraph 13.1.

11.14 Relief of Liability for Uncollectible Illegal or Improper Payments

A DO may request relief of liability under ***31 U.S.C. § 3527*** (see Chapter 6, section 6.0).

11.15 Separation of Duties

The payment recertification process is subject to the same management controls as other routine disbursements. The same individual may not authorize, process, and review recertified payment transactions; see Chapter 1, subparagraph 3.5.2.

11.15.1. The minimum acceptable separation of duties consists of preparation of the SF 1184 by one individual, review and approval of the DD 2660 and SF 1184 by the DO or a DDO; preparation and certification of a disbursement voucher by an individual in the appropriate entitlement area, review and approval of the voucher with supporting documentation by a first line supervisor (other than the DO or DDO authorizing the transaction), and authorization of the disbursement by the DO or a DDO.

11.15.2. When the disbursement voucher is prepared in disbursing because of limitations imposed by automated disbursing system processes, or the combination of entitlement and disbursing functions into one unit (as is the case at small activities and most tactical units), the DO ensures that the duties of preparing the SF 1184, preparing the disbursement voucher, reviewing the transaction and supporting documents, and preparing the check are performed by different individuals.

12.0 TREASURY CHECKS CANCELED UNDER LIMITED PAYABILITY

12.1 Limited Payability

Treasury automatically cancels checks issued on or after October 1, 1989, and not negotiated by a financial institution within 12 months of the date of issue. This cancellation occurs in the 14th month after the date of the check.

12.1.1. Pre-CEBA. Before CEBA's effective date, 31 U.S.C. § 3328(a) allowed a Treasury check to be paid (negotiated) any time, and 31 U.S.C. § 3328(c) provided that the limitation on claims against the Government in ***31 U.S.C. § 3702*** (Barring Act) did not apply to an unpaid (not negotiated) Treasury check. Under the latter, the administrative statute of limitations allows consideration of claims to those filed within 6 years after they arise. The following examples illustrate these principles.

12.1.1.1. In December 1978, an individual submitted a $1,000 claim for lump-sum leave to DFAS. In January 1979, DFAS issued a Treasury check to the claimant, who did not negotiate the check until 1986. In this example, the underlying obligation is $1,000 or the amount due to satisfy the claim for lump-sum leave. Since the claim for payment was submitted in 1978, the provisions of the Barring Act were suspended (or tolled), meaning a claim was filed within the required 6-year period. Once the Treasury check was issued (1979), the individual also became entitled to a separate claim on that check, which, in 1979, was payable in perpetuity

(31 U.S.C. § 3328(a)). Thus, before CEBA, the individual's right to obtain a replacement check based on the claim to the original unnegotiated Treasury check masked the effect of the Barring Act on the underlying obligation.

12.1.1.2. Modifying the example in subparagraph 12.1.1.1 shows the effect of the Barring Act on the underlying obligation. In addition to the earlier facts, assume further that the individual discovered that he had failed to claim all that was due in December 1978 and that the agency, in fact, owed him another $250. He may obtain payment for the additional amount of the underlying obligation only if he submits a new claim for the additional amount to the agency within the six-year period following the accrual of the original claim, December 1978. If in 1986, however, the individual, in addition to negotiating the check, submitted a claim for the additional $250, the claim for the additional amount would have been barred since more than 6 years had lapsed from the accrual of the original claim.

12.1.2. CEBA

12.1.2.1. Obligation Underlying. The CEBA does not affect the obligation underlying the check. The CEBA left the two causes of action separate, one on the underlying obligation and one on the Treasury check.

12.1.2.1.1. The CEBA imposed a statutory limitation on the period during which a Treasury check may be paid and on any claim on account of a Treasury check. It requires the negotiation of a Treasury check within 1 year of its issuance date and states that any claim on account of that check is barred, unless the agency which issued the check receives a claim within 1 year of its issue date. After this period, a request for payment based on the check is barred.

12.1.2.1.2. The payee may still be entitled to payment based on the underlying obligation subject to the six-year statute of limitations in the Barring Act. Accordingly, after the 6-year period following the accrual of the claim, a check may be issued only if the claimant has tolled the Barring Act by making a timely claim on the underlying obligation. CEBA applies to the example in subparagraph 12.1.1.2. If the individual submitted the claim in December 1989 and the check was issued January 1, 1990, a claim on the check expired 1 year after the date of issue, December 31, 1990. Thus, the individual had to complete his claim on the Treasury check before the 1-year period expired in order to obtain a replacement check.

12.1.2.1.3. The CEBA also sets an 18-month statutory time limit from the date a check is negotiated to accomplish bank reclamation. If the statutory requirements for the claim are met and the proceeds of the check cannot be recovered from the banking system through bank reclamation procedures, Treasury issues the settlement check and charges the payment to the CFIF.

12.1.2.2. Underlying Obligation. The lack of availability of a replacement check does not affect a claim on the underlying obligation.

12.1.2.2.1. As an example, because a claim for payment was submitted timely (December 1989), the period of limitation as prescribed in the Barring Act was tolled, and

a check may be issued even if more than 6 years has passed. Conversely, if a timely claim on the underlying obligation had not been received, the claim on the underlying obligation is barred and an agency may not issue a check. Therefore, a claimant who submitted a valid claim to toll the statute of limitations on the underlying obligation may obtain a replacement check even if more than 6 years have passed since the claim accrued or the check was issued.

12.1.2.2.2. Tolling the Barring Act on the underlying obligation does not permit payment in perpetuity. Entitlement to payment is not unlimited; any appropriate defense remains available to the government. If a claimant waits an inordinate period of time to request payment on the underlying obligation of a Treasury check under CEBA, then Doctrine of Laches (a legal term based on neglect or omission to do what one should, thus warranting presumption that one has abandoned right or claim; (e.g., if a payee neglects or fails to file a timely request), the payer can presume that the payee has abandoned the claim) may apply. Further, Treasury records show only if a check has not been presented to it for payment, not whether it was presented to and paid by an intermediary bank.

12.2 Treasury Check Payability

Treasury canceled all Treasury checks issued before October 1, 1989. Those issued on or after that date bear the legend "Void After 1-Year." Treasury will decline payment of checks not negotiated to a financial institution within 1-year from their issue dates. Financial institutions will advise a payee to contact the check-issuing agency if a check is no longer negotiable. Stamp checks returned to the disbursing office as no longer payable (negotiable) "Void - Not Negotiable" and shred them after confirming receipt of the limited payability cancellation credit. Treasury checks issued before October 1, 1989, have already been mass canceled; shred them without confirmation of receipt of a limited payability cancellation credit.

12.3 Treasury Check Claimability

Any claim on a Treasury check is barred unless it is presented to the agency that issued the check within 1 year after its issue date. Since CEBA established a 1-year statute of limitations for claims against Treasury checks, DOs must reject all claims against Treasury checks not received before the expiration of the 12-month period of negotiability of the checks as time barred. DOs should notify claimants that claims of nonpayment of the underlying obligations of the government must be filed with the appropriate entitlement office (e.g., contracting officer for vendors or commercial payees, military pay office, civilian pay office, or travel office). Under 31 U.S.C. § 3702(e), the Secretary of Defense may waive this time limitation on these canceled checks for claims under $25,000.

12.4 Limited Payability Check Cancellation

12.4.1. Outstanding Checks. During the 14th month after the date of issue, Treasury will identify and cancel all checks that have not been negotiated within 12 months from their issue dates. When check issues are not reported timely and are submitted after the limited payability processing period, Treasury will cancel those that are outstanding at the end of the month in which

the check issued data is submitted, and credit funds derived from these cancellations to the **F3880 account.

12.4.2. Canceled Check Listing. DFAS-CL and DFAS-IN will receive limited payability cancellation credits monthly from Treasury with an SF 1081 and a listing of checks canceled. Where possible, Treasury will send the proceeds of these canceled checks through the CARS and IPAC systems; the transmission will include any detailed identifying information provided in the original check issue data submission. DFAS-CL and DFAS-IN will forward check credit information including the details applicable to DFAS-CO disbursing accounts to DFAS-CO. DFAS-CL will process or distribute applicable cancellation credit information for Marine Corps disbursing offices.

12.5 Reversals of Limited Payability Cancellation Credits

In some cases, checks will be negotiated to financial institutions within 1 year from the date of issue, but processing in the Federal Reserve System will prevent the payment from being applied to TCIS before limited payability cancellation has occurred. In these instances, Treasury will reverse the cancellation credit previously provided to the DO by an IPAC transaction and must provide a copy of the paid item to the DO. Reversal transactions are separate from the monthly cancellation credits.

12.6 Accounting for Limited Payability Cancellation Credits or Reversals

12.6.1. DFAS-IN, DFAS-CL, and DFAS-CO. Under 31 U.S.C. § 3334(a) (2), return the proceeds from canceled checks to the appropriation from which they were paid originally and treat them as accounts payable. Within 15 days of receipt, send the check cancellation and credit detail information to both the disbursing office that issued the check and the supporting accounting office. Any Treasury reversal of previous cancellation credits also should be forwarded to the applicable disbursing and accounting offices.

12.6.2. Accounting Adjustments. Transfer limited payability credits or credit reversals promptly from the **F3880 account to the appropriation charged when the check was issued. For exchange-for-cash checks, post the credits or reversals to Treasury's deposit fund account 20X6133. The accounting office should establish an account payable for each credit or an accounts receivable for each reversal. Account for returned canceled check credits as current liabilities, as the amounts are subject to payment on request upon establishment of a valid claim to the funds. The DO must base entries to these new accounts on the transactions recording the return of canceled check credits to an appropriations account, and reductions for replacement payments to the payee or transfers to miscellaneous receipts upon expiration of the statute of limitations.

12.6.3. Research. Upon receipt of the detailed limited payability cancellation credit or reversal information from DFAS-IN, DFAS-CL, and DFAS-CO, the DO initiates research on the check issue data submitted to ensure that the detailed information provided is accurate, (e.g., the DSSN, check serial number, date of issue, and issue amount provided in the cancellation credit or reversal), all of which must agree with the original check issue data reported when the check was issued. Determine the cause of any discrepancy and correct it.

12.6.3.1. The DO also researches disbursing records to determine if a claim of loss, theft, or non-receipt has been filed on the canceled check, to include a determination of whether the check was previously replaced by recertified or other type of payment. The disbursing office also should notify the appropriate entitlement area (e.g., military pay, civilian pay, travel pay, or commercial accounts payable) that Treasury has returned the credit to the activity because the check was not negotiated within the prescribed period.

12.6.3.2. Upon the request of an entitlement area, DOs should accomplish the verifications described in paragraph 10.5 and advise the entitlement area whether the original Treasury check was canceled, negotiated, or previously replaced.

12.7 Claims of Nonpayment of the Underlying Obligation

See paragraphs 12.1 on limited payability and 12.3 for treasury check claimability.

12.7.1. Claim of Individual Payees

12.7.1.1. Uniformed Service Members. Submit claims for nonpayment of uniformed Service members' (active duty, reserve, retired, and annuitant) pay, allowances, travel, transportation, unused leave, and survivor benefits to the appropriate payroll office. Submit claims by transportation carriers involving amounts collected from them, for loss or damage incurred to property incident to shipment at government expense, to the appropriate payroll office. A determination will be made of the entitlement and verification that a timely submission of the claim was made on the underlying obligation.

12.7.1.1.1. Treasury checks issued in payment of obligations relating to uniformed Service members' pay and allowance entitlements ordinarily are not issued in response to claims. A payee will not normally present a claim before issuance of the original check, thereby tolling the Barring Act. It may be necessary for the entitlement area to consider the extent to which the Barring Act was tolled during periods of active duty performed by the claimant. Include in the package the original check or facsimile and the original documentation from the claimant. When the claim of a member of the Armed Forces accrues during war or within 5 years before war begins, the claim must be received within 5 years after peace is established or within 6 years after the claim accrues.

12.7.1.1.2. If the payee submitted a timely claim and has not been paid, send the claim through the appropriate Component's Assistant Secretary for Financial Management to the General Counsel of the DoD requesting a waiver of the statute of limitations on the claim. If the General Counsel determines that the claimant is entitled to payment of a claim, and if a payment voucher is prepared and sent with supporting documentation to the disbursing office, the DO determines if a replacement check should be issued.

12.7.1.2. Civilian Pay. Claims of nonpayment of Federal civilian employees' compensation, wages, and leave earned by civilian employees of the U.S. Government must be submitted to the appropriate civilian payroll office for determination of entitlement and that a timely claim on the underlying obligation was submitted. Treasury checks issued in payment of

obligations relating to Federal civilian employees' pay entitlements ordinarily are not issued in response to claims. If it is determined that the payee has submitted a timely claim and that the payee has not been paid, the entitlement office certifies the claim and sends it to the appropriate disbursing office for payment.

12.7.1.3. Civilian Travel Pay. Claims of nonpayment of Federal civilian employees' expenses incurred for official travel and transportation, and for relocation expenses incident to transfers of official duty station, must be submitted to the appropriate travel office for determination of entitlement and that a timely claim on the underlying obligation was submitted. Treasury checks issued in payment of obligations for travel pay entitlements ordinarily are issued for claims presented in the form of travel vouchers by claimants. Unlike military and civilian pay cases, the Barring Act's limitation in travel payment cases usually will have been tolled before issuance of the original check when the claimant submitted the travel voucher. If the payee submitted a timely claim and has not been paid, the entitlement office certifies the claim and sends it to the appropriate disbursing office for payment.

12.7.1.4. Residual Claim Categories. Treasury checks are issued to payees to satisfy miscellaneous government obligations. Legal claims under ***28 U.S.C. § 1346(b)*** and ***28 U.S.C. §§ 2671-2680***, should be asserted by claimant-payees to the entitlement area within the Military Department with tort claim settlement authority over the claim.

12.7.1.4.1. Similarly, claims for losses incurred incident to government service may be cognizable under ***31 U.S.C. § 3721*** and should be asserted by claimants to entitlement areas with claim settlement authority, such as the Military Department's judge advocate general. Treasury checks for payment of these types of obligations are issued to settle claims asserted by the claimants.

12.7.1.4.2. Unlike military and civilian pay cases, the Barring Act's statute of limitations in residual claim cases usually will have been tolled before issuance of the original check when the claimant submitted the claim. If it is determined that the payee has submitted a timely claim and has not been paid, the entitlement office certifies the claim to the appropriate disbursing office for payment.

12.7.2. Claims of Commercial Payees. Claims of commercial payees are from vendors, contractors, and individuals under contract for miscellaneous services. Claimants or authorized agents submit these claims to the contracting officer, who determines if the claimant is entitled to payment and then sends the claim with supporting documentation to the disbursing office for payment.

12.7.3. Upon receipt of a claim approved by the designated settlement authority, a certified payment voucher from the appropriate entitlement area, and the proper supporting documentation, the issuing DO or the officer assigned to settle accounts for the issuing DO issues a replacement check.

13.0 HOLDER-IN-DUE-COURSE

13.1 Holder-in-Due-Course

A holder-in-due-course claim occurs when a non-banking institution negotiates a Treasury check and the check is lost or stolen before being presented for cash or deposit at a financial institution. Submit holder-in-due-course claims in writing to Fiscal Service for processing.

13.2 Holder-in-Due-Course Claims

Upon receipt of a holder-in-due-course claim, Fiscal Service determines the status of the check. If the check has been negotiated, Fiscal Service returns the claim with a copy of the check advising the holder that the check has been paid and that no further action will occur. If the check has not been negotiated, Fiscal Service provides the holder with an indemnity letter to complete (see Figure 7-1). Once Fiscal Service receives the requested information, and the check is still outstanding, it issues a settlement check to the holder.

13.3 Lost-in-Transit Check

Lost-in-transit items are Treasury checks that have been negotiated and subsequently lost by a financial institution or lost or stolen between the financial institutions and/or the financial institutions and the FRB.

13.3.1. The FRB Atlanta, Government Check Adjustment Department handles these items if the Treasury checks are less than 1-year old.

13.3.2. If a DO or Fiscal Service receives a request to reissue a check that has not been canceled and is less than 1-year old, they must return the request to the financial institution advising it to submit the request to FRB Atlanta, Government Check Adjustment Department.

14.0 CHECK ISSUE REPORTING

14.1 Issue Report

Disbursing offices must report detailed check issue transmittals in a Level 8 format to the Treasury for update to TCIS with check issue detail. The DoD uses DCRM for direct submission of the check issue detail to the Treasury.

14.1.1. DCRM sends the check issue files via Connect Direct, an encrypted electronic host-to-host file transfer process. Enter the check issue detail data files into the DCRM database, which generates a daily electronic file to transfer the detailed check issue data to the Treasury. The DFAS administers DCRM, which tracks the status of all checks on hand and provides inquiry capabilities and reports to reflect issuance discrepancies and acceptance or rejection conditions of reporting.

14.1.2. DOs who do not have direct access to DCRM submit their check issue data to their supporting DFAS site, following that site's guidance for upload into DCRM. Submit the Level 8 check issue data in the most secure method possible, (e.g., an encrypted file). DFAS-CL and DFAS-IN have electronic mailboxes for these submissions or other check issue concerns: dfas.cleveland-oh.zte.mbx.ccl-mb-checkissues@mail.mil for DFAS-CL and dfas.dscc.zte.mbx.cco-dcrm@mail.mil for DFAS-IN. Send requests for the DCRM Users' Manual to the latter address.

14.2 Submission Requirements

14.2.1. Report detailed check issue data in sequential groups of checks, called transmittals, which uniquely identify the DSSN, accounting month and year, and check series. Submit a new transmittal each time a break in check numbers occurs, or when the issue month changes. DOs reporting check issues for multiple DSSNs submit separate transmittals for each DSSN. A submission of detailed check issue data may consist of one or more transmittals. DCRM reports check issue detail in blocks by DSSN, check series, and issue Julian date format (YYDDD) to the Treasury.

14.2.2. If a check series will not be reported sequentially due to the splitting of a check series range between different locations, uses, or DDOs, the DO reports the split check series range to the DCRM manager at (614) 701-2109, so an adjustment can be made to record the split check series range in DCRM. If check series range splits are not noted, DCRM creates unnecessary management notices about missing and unaccounted checks on its reports. Reporting avoids the additional workload entailed in reviewing and validating these notices.

14.2.3. Submit all check issue transmittals to the Treasury no later than the close of business at the end of the week in which the issue dates occur and at month end. DOs who submit their check issue transmittals through their supporting DFAS site ensure their supporting DFAS site receives their check issue data at least weekly and at month end.

14.2.4. Failure to report check issue data timely increases the possibility for loss caused by banking system errors, check alterations, and counterfeits. If a loss from an altered or counterfeit check occurs because of delinquent check issue reporting, the DO may be held liable for the loss. If the checks issued data are not reported in TCIS, the Treasury will not recognize the check as issued and will not process any actions, such as claims or limited payability cancellation credits, against the check. Also, the Treasury cannot complete a final reconciliation and clearance of a DO's account until all check issue data is received. If the DO is habitually delinquent for 60 days or more, the Treasury may suspend the processing of further print orders for blank Treasury check stock until all delinquent check issue reporting has been accepted into TCIS.

14.3 DO Responsibility for Quality of Data Submitted

The disbursing office is responsible for ensuring the check issue data submitted to the Treasury is accurate. DOs notify their supporting DFAS site immediately after finding an error. DCRM transmits the accepted files to the Treasury each business day but does not change the data. Once TCIS accepts an erroneous check issue transmittal, the file cannot be deleted. Correct all

errors before the file transfer process. If an erroneous data file has been sent to DCRM, but has not been forwarded to the Treasury, place the whole data file containing the erroneous check information in either a "replace" or "suspended" status. Contact your local DCRM manager or supporting DFAS site immediately to change the file from the accepted status in DCRM. In addition, the DO:

14.3.1. Ensures all check issue data submitted to the supporting DFAS site for processing agree with check issue totals on the ***DD 2657***, Daily Statement of Accountability, and the SF 1219;

14.3.2. Submits corrected transmittal(s) within 10 workdays of notification of a rejected transmittal within a file transfer;

14.3.3. Recreates the previously rejected check issue data for a period up to 180 calendar days after submission or replacement of rejected data, if needed; and

14.3.4. Contacts the DCRM manager for further details on how to put an erroneous check file into either a replace or suspended status. To request or make corrections after a TCIS acceptance, follow section 8.0.

14.4 Voided Checks

14.4.1. Report voided checks as zero dollar amounts in the proper sequence with those of other checks issued in the same check range. If a DO reports the check issue detail to the Treasury by sending it to another disbursing office for conversion to data files and/or uploads to DCRM, that DO ensures the voided checks are reported and clearly marked. Stamp or mark the hardcopy check issue listing to indicate that a check is voided and the dollar amount is zero. Do not obliterate the serial number of the voided check from the check listing. If a voided check has not been dated, report a date for the check to facilitate the check issue reporting. DOs submitting their own check issue data to the Treasury ensure inclusion of serial numbers and dates of the voided checks in the transmission with zero dollar values.

14.4.2. A DO who erroneously reported a voided check with a dollar value greater than zero (and the check is under 1 year old) initiates corrective action as soon as the error is discovered without waiting to receive the FMS 5206 and sends Treasury a written request to adjust the check issue detail in TCIS.

14.4.3. If the issue date of the erroneously reported check is over 1 year old, the voided check cannot be adjusted in TCIS; Treasury will issue a limited payability credit for it. Upon receipt of the credit in the **F3880 account, the DO reports the check as a check issue on the monthly SF 1219 and debits the **F3880 account to clear the limited payability credit.

*15.0 DESTROYING CHECKS

15.1 Blank Check Stock

DOs must not destroy unwanted or excess blank check stock that is otherwise still usable without first contacting DFAS-IN/JJFKCB.

15.2 Destruction Methods

Destroy checks by either burning or shredding. If destroyed by burning, they must be burned completely. If destroyed by shredding, the fragments may be no larger than 1/8 inch wide and 3½ inches long. Treasury requires the use of a crosscut shredder. The burning method of destruction may only be used, subject to environmental regulations, when a disbursing office does not have shredding equipment. In either event, prepare a certificate of destruction (see Figure 7-2).

15.3 Verification

The DO and at least one witness examine the checks to verify they are the actual checks to be destroyed, verify the check numbers and DSSN with information on the certificate of destruction, and sign the certificate only after witnessing their actual destruction.

15.4 Certificate of Destruction

The DO must notify the Fiscal Service of the destruction of blank check stock by emailing the certificate to RRB.OSD-NPIRC-PM@fiscal.treasury.gov. Keep a copy in the DO's blank check inventory control records (see ***I TFM 4-5040.50b***).

Figure 7-1. Sample Affidavit and Indemnity Agreement for Lost Treasury Check

AFFIDAVIT AND INDEMNITY AGREEMENT FOR LOST U.S. TREASURY CHECK

I, _____, [hereinafter ("indemnitor")] the undersigned, being of sound mind and over the age of 21, capable of making this affidavit and indemnity agreement, duly sworn, state that the indemnitor is the lawful owner of the U.S. Treasury Check Number _____, Symbol _____, Payable to _____, issued by the U.S. Department of the Treasury for the sum of $_____. Indemnitor further states that:

1. it/he/she is not in possession of the check now;
2. it/he/she was entitled to enforce the check when the loss of possession occurred;
3. the loss of possession was not the result of a transfer by it/him/her;
4. the loss of possession was not the result of a lawful seizure; and
5. it/he/she cannot reasonably obtain possession of the check because the check was destroyed, the check's whereabouts cannot be determined, or the check is in the wrongful possession of an unknown person or person that cannot be found or is not amenable to service of process.

NOW, THEREFORE, in consideration of payment of said check to indemnitor of the sum of $_____, indemnitor promises to indemnify, defend, and protect the U.S. Treasury from any loss or harm occasioned or sustained by the U.S. Treasury of account of payment of the above described check to indemnitor. THIS AGREEMENT SHALL BE INTERPRETED ACCORDING TO FEDERAL COMMON LAW, INCLUDING APPLICABLE U.S. TREASURY REGULATIONS.

INDEMNITOR
Entity: _____
By: _____
Title: _____

State of _____
County of _____

Before me, the undersigned Notary Public for the State of _____, appeared (name) _____, (title of company) _____, who after being duly sworn, did acknowledge and sign the foregoing AFFIDAVIT AND INDEMNITY AGREEMENT FOR LOST U.S. TREASURY CHECK.

SWORN AND SUBSCRIBED this _____day of _____, _____

_____

Notary Public, State of _____
My Commission expires _____

Figure 7-2. Sample Certificate of Destruction

(USE APPROPRIATE LETTERHEAD)

May 12, 20XX

MEMORANDUM FOR RECORD

This memorandum certifies that on May 12, 20XX, one hundred and one (101) spoiled Treasury checks serially numbered from 70,006,499 through 70,006,599 (inclusive) and seventy-six (76) voided Treasury checks serially numbered from 70,006,621 through 70,006,696 (inclusive), all bearing disbursing station symbol number 7834, were completely destroyed by shredding.

_____

J.A. HANCOCK
LT, SC, USN
Disbursing Officer

We, the undersigned, certify by signature hereon that the checks listed above were physically verified by us and that all were completely destroyed by shredding in our presence on May 12, 20XX.

_____ _____

G.C. GARLAND, LT, USN WILLIAM B. ELLIS, ENS, SC, USNR

VOLUME 5, CHAPTER 8: "COLLECTIONS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated August 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
6.4.3	Deleted obsolete form and renumbered subparagraphs accordingly.	Deletion

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CHAPTER 8

COLLECTIONS

1.0 GENERAL

1.1 Overview

Collections are transactions that increase a Disbursing Officer's (DO) accountability, but do not apply to the acquisition of United States and foreign currencies through the purchase with dollars or accommodation exchange transactions. They may also result from transfers of funds from one appropriation or fund to another by voucher deduction or a "no check drawn" transaction using a Standard Form ***(SF) 1080***, Voucher for Transfers Between Appropriations and/or Funds; an ***SF 1081***, Voucher and Schedule of Withdrawals and Credits; or by the U.S. Department of the Treasury's (Treasury) ***Intra-governmental Payment and Collection (IPAC) System***. A collection voucher may be a combination of a payment and a collection by voucher deduction, e.g., a civilian payroll voucher where federal and state taxes are deducted. Vouchers must be retained in accordance with Volume 1, Chapter 9, section 2.0 which provides record retention requirements with emphasis on supporting audit readiness and contingency operations.

1.2 Purpose

This chapter addresses the legality and propriety of collection transactions and substantiating vouchers.

1.3 Authoritative Guidance

Title 31, United States Code (U.S.C.), section 3302(c) ***(31 U.S.C. § 3302(c))*** requires DoD DOs to deposit public money not being held for current expenditure in the Treasury or with a depositary designated by the Secretary of the Treasury.

2.0 TYPES OF COLLECTIONS

2.1 Receipts

Receipts are collections into a Treasury miscellaneous receipt or other legally authorized account or fund. DOs collect them into their accountability using a DoD ***(DD) Form 1131***, Cash Collection Voucher. They are recognizable by the absence of a fiscal/program year in the accounting classification. Disbursing from a receipt account is not authorized. "Adjusting out" an over collection requires processing a collection voucher as a negative receipt.

2.2 Reimbursements

Reimbursements are amounts earned and collected for property sold or services furnished to U.S. Government agencies or to the public, amounts collected from outside sources for payments made in error, overpayments, or adjustments for previous amounts disbursed. They are recognizable by the presence of an accounts receivable sales code within the accounting classification and shown as positive amounts on the DD 1131. A "negative reimbursement" occurs when a reimbursement is over collected and requires a return of funds to the remitter and is vouchered as a bracketed (negative) amount on a DD 1131.

2.3 Refunds

Refunds are recoveries of payments collected into a DO's accountability as positive amounts on a DD 1131 using the same accounting classification as the one on the original disbursement voucher. Refunds may also occur as offsets shown as (bracketed) amounts on disbursement vouchers. They are reductions in disbursements rather than collections. Report refunds, documented on collection vouchers, on the ***DD 2657***, Daily Statement of Accountability separately from those occurring as negative disbursements, which are reported simply as net of disbursements. Do not report refunds separately on the ***SF 1219***, Statement of Accountability but include them in the calculation of net disbursements.

3.0 COLLECTION TRANSACTIONS

3.1 Collections

Collections are transactions that increase a DO's accountability, but do not apply to the acquisition of U.S. and foreign currencies through the purchase with dollars or accommodation exchange transactions. All collection vouchers reported in the DoD business systems must meet standard line of accounting requirements. Document collections received by DOs on the appropriate collection forms and verify and record them in the accounting records. Funds received that are not creditable to appropriations (e.g., recoveries of losses of funds, or dishonored checks) are not "collections" because they do not change a DO's accountability.

3.1.1. Voucher Supported Collections

3.1.1.1. Voucher supported collections create credits to appropriations, receipt or deposit fund accounts and involve:

3.1.1.1.1. Direct receipts (e.g., cash, checks, money orders, and electronic deposits);

3.1.1.1.2. Deductions on payment vouchers to cover indebtedness to the U.S. Government;

3.1.1.1.3. Other deductions on payment vouchers (e.g., deductions for federal taxes); or

3.1.1.1.4. Transfers between appropriations or funds, corrections of charges against appropriations, funds, or credits to appropriations or funds. Use an SF 1080 or SF 1081. Voucher supported collections may also occur in Treasury's IPAC System (see Chapter 11, section 4.0). In some instances, (e.g., collections from dining facilities), only one collection voucher number for the entire accounting period (e.g., month) may be assigned. In this case, prepare the formal collection voucher on the last business day of that period. DOs may record daily receipts of this nature on the DD 2657 to Other Transactions, and U.S. Currency/Coinage on Hand.

3.1.1.2. Separate negotiable instruments (checks or money orders) received as collections from accompanying accounting documents at the initial stage of processing and deposit them (see Chapter 11, subparagraph 8.3.2.1). If the identification of the appropriation account is not known at the point of origin (at time of deposit), credit either F3875 and F3885 (Budget Clearing Account (Suspense)) or Shared Accounting Module default clearing accounts F3500 for proprietary payments and collections, and F3502 for IPAC, as appropriate, and review the guidance in Volume 4, Chapter 2, paragraphs 8.7 - 8.10.3 for additional information. Upon determining the proper accounting classification, use an SF 1081 to charge the appropriate budget clearing account or deposit fund and credit the proper appropriation or fund. Do not issue checks for these transfers.

3.1.2. Collection Classification Transactions. Voucher supported collections create credits to appropriations, receipt or deposit fund accounts and are received on a DD 1131, recorded in the accounting records, and reported to Treasury through ***Collections Information Repository (CIR)*** citing the proper ***Treasury Account Symbol (TAS)***, ***Business Event Type Code (BETC)*** combination. Unvouchered collections occur when cash or negotiable instruments are received and not credit to an appropriation or fund or not supported with a formal collection voucher (e.g., dishonored checks cashed, losses of funds, and some check issue overdraft discrepancies). Document unvouchered collections on the Optional Form ***(OF) 1017-G***, Journal Voucher and utilize a ***Classification Transactions and Accountability (CTA)*** transaction to credit and debit the proper program TAS.

3.1.3. Cash Collections Deposited the Same Day. If the full cash amount associated with a DD 1131 is deposited the same day and are reflected in the DO accountability, the DO Cash TAS is not impacted. DOs must utilize ***Over-the-Counter Channel Application (OTCnet)***, citing the BETC and TAS associated with the collection voucher on the deposit ticket. Deposits in OTCnet are reported through CIR, which will feed the ***Central Accounting Reporting System (CARS)*** daily account statement showing an increase to the TAS associated with the collection voucher.

3.1.4. Collections Not Deposited the Same Day. Any portion of the cash associated with a DD 1131 that is not deposited the same day and is collected into the DO's accountability must be reported as a CTA transaction. This will feed the CARS daily account statement, showing an increase to the DO Cash TAS and an increase to the program TAS on the collection voucher. Multiple collection vouchers may be consolidated under one transaction reported to Treasury if they fall under the same TAS/BETC and agency location codes. DOs must ensure that any transactions that are consolidated have an audit trail that can be validated at the individual transaction level.

3.2 Method of Remittance

Accept cash, checks, or other recognized forms of credit instruments payable on demand. Examples include certified or uncertified personal checks, corporate checks, bank drafts, Treasury checks with issue dates less than 1 year old, postal money orders, money orders issued by banks or other financial establishments, credit union share drafts, and warrants payable on demand. Draw these negotiable instruments in favor of a DO's official capacity (i.e., position title, not name). Visa and MasterCard credit cards and debit cards are acceptable when presented for payment at locations participating in the Card Acquiring Service (see Chapter 11, section 3.0).

3.2.1. Commissary Sales Collections. Commanders may authorize commissary officers to accept Treasury checks from authorized patrons to pay for sales when available banks and other facilities are unable to furnish check cashing services but cannot authorize or require DOs or their agents to advance additional change funds to commissary officers to cash Treasury checks they receive. Commissaries may use the cash they receive for this purpose.

3.2.2. Remittance by Mail. DOs establish procedures to control receipt and processing of checks and other negotiable instruments received by mail. An individual that is independent of the collection function must receive these remittances and must not be the same individual who maintains the accounts receivable records. DOs must establish controls using the ***DD 2658***, Returned and Undeliverable Check/Bond Record, or another effective method to maintain a record of transmittal of the instruments between functional areas.

3.3 Collections by Remote Cashiers

DOs acknowledge collections made by remote cashiers only upon receipt of certification of the actual monetary amounts.

3.4 Performance and Bid Bonds (Storage and Safekeeping)

The ***Federal Acquisition Regulation, Subpart 28.2***, prescribes acceptance of only cash, certificates of deposit, or irrevocable letters of credit (ILC). Only ILCs issued by federally-insured financial institutions, in the name of the contracting agencies that identify the agency and solicitations or contract numbers for which ILCs are presented are acceptable.

3.4.1. Negotiable Instruments. DOs receiving remittances (e.g., checks, bank drafts, and money orders) as deposits for performance or bid bonds deposit them immediately in deposit fund account X6501 to be held pending settlement with the contractor.

3.4.2. U.S. Bonds Deposited in Lieu of a Surety. Under Title 31, Code of Federal Regulations, part 225 (***31 CFR part 225***), contractors may deposit certain U.S. bonds with contracting officers instead of furnishing corporate individual sureties on performance and payment bonds. DOs may not accept these bonds (whether electronic or hardcopy) for other than temporary safekeeping (e.g., overnight or over a weekend). DOs may provide space in a safe or vault for temporary safekeeping by placing the bonds and related documentation in a sealed package indicating custodianship and giving the contracting officer a receipt for the package (see Chapter 3, section 3.0). The contracting officer is responsible for transferring the bonds to the Federal Reserve Bank (FRB).

3.5 Negotiable Instruments

3.5.1. Checks. Remitters must make checks and other negotiable instruments payable to the order of the specific organization maintaining the account to be credited and not to the Treasury. However, if a check is made payable to the Treasury, the check must be accepted and processed immediately. Do not accept checks payable to a DO or employees of the federal government, whether by checks or through electronic means.

3.5.2. For Deposit to the Credit of the Treasury. Deposit the negotiable instruments in an FRB or branch or an approved general depositary for credit to the Treasury. Instruments drawn payable to the remitter are acceptable as inscribed if the remitter endorses them as explained in Chapter 11, subparagraph 8.3.6.3.1. For endorsements on negotiable instruments see Chapter 11, subparagraph 8.3.6. Post inscription instructions in strategic locations at cashier cages, commissaries, and other locations receiving these instruments.

3.5.3. For Deposit in a Limited Depositary. Keep limited depositary accounts in the name of the activity to which the DO is assigned (see Chapter 14, section 2.0). Instruct the remitter not to inscribe instruments payable to the DO by activity name.

4.0 ISSUANCE OF RECEIPTS FOR COLLECTIONS

4.1 Turning in Funds

4.1.1. Indirect Collections. Individuals other than DOs, DDOs, cashiers, or agents receiving funds belonging to the United States (including those to be held in trust) promptly turn over such funds to their supporting DO or deposit them in an authorized general depositary. These individuals may work within commissary, property disposal, personnel, and other offices authorized to receive funds due the United States. They are responsible for safekeeping funds in their possession pending deposit or turn-in. Collecting officers number documents sequentially by fiscal year. The DO, DDO, or agent receiving the funds signs and returns two copies of each DD 1131 (other than the original) to the collecting officer, distributing additional copies as required.

4.1.2. Direct Collections. A DO, DDO, agent, or cashier receiving a collection directly from a remitter prepares a collection voucher for the amount collected. The supporting Defense Finance and Accounting Service (DFAS) site determines the number of copies to give the remitter. Only issue receipts for payment of bills received by mail in the disbursing office if the remitter requests it. Furnish receipts only for amounts received and verified by actual count. DOs, DDOs, or agents are prohibited from using "subject verification" to issue receipts, giving receipts "in blank," or accepting receipts "in blank."

4.1.3. Receipt Acknowledgement. Where an automated system is used, cashiers may sign receipts in their own name; otherwise, DOs, DDOs, or agents must personally sign the receipts. Signatures are not required for collection vouchers electronically validated by an approved public key infrastructure method. Before signing, the cashier or collecting official ensures that remittances are authorized collections in the correct amounts. The person accepting the remittance should not be the same person updating the accounts receivable record.

4.2 Collections by Deductions From Vouchers

If requested, give payees receipts for collections made by voucher deduction. This includes other divisions or activities that may require notices of collection.

4.3 Collections by Agent Officers

4.3.1. Collections. Agents of appointing DOs may sign receipts for funds.

4.3.2. Proceeds of Sales. When funds are deposited with agents, they complete receipts on the original and three copies of the DD 1131 as agents of their DO and submit the original and two signed copies of the DD 1131, together with supporting documents, with their financial reports to the DO. Return one signed copy to the appropriate collecting official as receipt for the funds. The format for the receipt is:

Richard Roe, Lt Col, (Component)

By: _____
Name and Type of Agent

5.0 RECORDING AND CONTROLLING COLLECTIONS

5.1 Pending Payment File

The affected functional area maintains a pending payment file and associated copy of the uncollected billing document(s) unless the supporting DFAS site directs otherwise. Send the original and duplicate copy of the documents to the customer from whom reimbursement is expected (see paragraph 2.2). Arrange the files in the order most convenient to the person maintaining the file, reconciling it quarterly to the accounts receivable subsidiary ledgers.

5.2 Collection of Accounts Receivable

5.2.1. Payment of Bills. When payment is physically presented to a cashier, the cashier annotates a copy of the bill as "Paid" and initials it. If the cashier is presented the original bill, he/she stamps or notes it "Paid" with date of payment, initials, and returns it to the remitter. Attach paid copies of bills to the DD 1131 and forward them to the affected functional area daily for recording. For automated billings, the responsible functional area prepares the DD 1131 (cash payments) or an SF 1080 (payroll deductions) as part of the automated collection posting process.

5.2.2. Clearance of Component Bills. An individual being transferred from the Component notifies the appropriate functional area and billing office to ensure settlement of all unpaid telephone bills, utilities, and similar liabilities. The responsible functional area ensures the collection of pending bills, makes any required adjustments on a new bill, marks the old bill "Void," attaches it to the paid copy of the new bill, and completes the clearance form.

5.3 Collections for Other Agencies

5.3.1. Identifiable Collections. Issue a receipt for an identifiable collection applicable to an account maintained by another fiscal station if requested or required and process the collection as a transaction for others. Include the complete identity of the remitter, account, fiscal station, and appropriate fiscal data on the DD 1131.

5.3.2. Unidentifiable Collections. Do not process a collection for another fiscal station for which the accounting classification is not immediately identifiable as a transaction for others. Deposit the collection into F3875 and F3885 (Budget Clearing Account (Suspense)) or Shared Accounting Module default clearing accounts F3500 for proprietary payments and collections, and F3502 for IPAC, as appropriate, and review the guidance in Volume 4, Chapter 2, paragraphs 8.7 thru 8.10 for additional information. Upon determining the correct accounting classification, process an SF 1080 as a transaction for others to clear the suspense account.

5.4 Overages

Process an overage in a DO's account as a collection to F3875 no later than the business day after the overage occurs. Resolve overages no later than the fifth business day after the end of each quarter or, upon the DO's relief from disbursing duty, no later than the fifth business day following the date of relief. Consider collections and returns from agents when determining the source of the overage. When reasons for overages are explained, and there is reasonable assurance that no claim will be made against them, credit it directly to the Treasury's receipt account R1060, Forfeiture of Unclaimed Money and Property.

5.5 Collection Voucher Control Log

Maintain a daily ***DD 2659***, Voucher Control Log, for collection vouchers the disbursing office receives or prepares. The DO determines the functional areas and assigns individuals to maintain this form. Assign each functional area and/or branch disbursing office a separate series of voucher numbers. Include the collection voucher number, identification of the remitter (name of remitting individual or organization), amount, and instrument of remittance (e.g., check, cash, traveler's check, electronic funds transfer (EFT), or a no pay adjustment). Annotate a check/EFT trace number in column d "OTHER."

5.6 Collections Overpaid or Underpaid by $1.00 or Less

When a remitter overpays an amount due totaling $1.00 or less, collect the overpayment into receipt account 1099 (Fines, Penalties, and Forfeitures, Not Otherwise Classified). Refund it only if requested by the remitter. Also, if a payee underpays an amount due that totals $1.00 or less, prepare an SF 1080 charging the DoD Component's Operations and Maintenance account and credit the applicable appropriation (or receivable) for the underpayment. Do not pursue collection action for underpayments totaling $1.00 or less.

5.7 Collections Made at Agencies Not Having a Disbursing Office

Agencies not co-located with or supported by a disbursing office that receive collections must:

5.7.1. Collection Control Log. Use a log to control the collections from the time of receipt until they are transmitted to the disbursing office. At a minimum, show the date of receipt, remitter, check or money order number, collection voucher number, amount of collection, and the date transmitted to the disbursing office.

5.7.2. Collection Voucher. Prepare a collection voucher the same day the DoD Component receives the collection.

5.7.3. Safeguarding the Collection. Safeguard the collection and supporting documents (see Chapter 3, section 3.0).

6.0 DOCUMENTING AND PROCESSING COLLECTIONS

6.1 Verification of Funds Received

6.1.1. Verification. Functional areas ensure that collections are proper, vouchers have complete and accurate data, and required copies are available. A disbursing office detecting an improperly prepared voucher returns it to the functional area for correction.

6.1.2. Funds Deposited by Collecting Officers. When a collecting officer deposits collections directly to a general depositary, the disbursing office processes them in the DO's account upon receipt of the collection voucher (or receipts for collection). The deposit ticket and supporting collection vouchers are the basis for verification of receipt of the funds. If the collecting officer does not provide a confirmed copy of the deposit ticket, advise him/her to furnish it upon receipt.

6.1.3. Purpose of Collection. Include the purpose of a collection (e.g., contract lease, applicable regulation, schedule, cost list, or other document that authorizes the collection) on, or as an attachment to, a collection voucher. If a sales contract is involved, cite the contract in the reference information. If the purpose of a collection cannot be determined, account for it in F3875 and F3885 (Budget Clearing Account (Suspense)) or Shared Accounting Module default clearing accounts F3500 for proprietary payments and collections, and F3502 for IPAC, as appropriate, and review the guidance in Volume 4, Chapter 2, paragraphs 8.7 thru 8.10 for additional information.

6.1.3.1. Transfer to account 20X6133, Payment of Unclaimed Moneys, amounts of $25 or more that have been held for more than 1 year, are authorized to be refundable, but cannot be refunded because the individual's location is unknown.

6.1.3.2. Transfer to R1060 unclaimed amounts of less than $25 or amounts of $25 or more that have been held for more than 1 year for which the rightful owner can be neither identified nor located.

6.1.4. Numbering Collection Vouchers. Assign collection voucher numbers consecutively starting at the beginning of each fiscal year based on numbering instructions provided by the DFAS site that receives the financial reports.

6.1.5. Legibility of Copies. DOs ensure the legibility of all copies of vouchers prepared for distribution.

6.1.6. Routing Original Collection Vouchers. The disbursing division of each disbursing office sends original collection vouchers to the supporting DFAS site.

6.2 Signature on Collection Vouchers

6.2.1. Responsibility. The DOs, DDOs, or agent officers sign original collection vouchers in permanent, non-erasable ink; this duty may not be delegated or reassigned. Officers using cash control machines or mechanized equipment to validate vouchers are exempt from this requirement (except when a DD 1131 is processed for further action by a disbursing office not collocated with the processing disbursing office) so long as the machines and control of them meet minimum security and audit requirements. The DO or DDO controls the keys for these machines. Digital signatures may also be used following the guidance in Chapter 1, subparagraph 3.5.3.

6.2.2. Internal Controls. The DO implements controls to ensure that all funds received by the cashier are accounted for properly. The DO or DDO holds copies of the vouchers bearing the cashier's initials. In making daily settlement with the cashier at the end of the business day, these copies determine if the amounts of the collections the cashier reported were proper. The receiving officer's signature is required where applicable (see subparagraph 4.1.3). The DO or certifying officer, as applicable, signs transfer, cancellation, or adjustment vouchers (SF 1081) and an ***SF 1098***, Schedule of Canceled or Undelivered Checks. If the same voucher is both a disbursement and collection, the disbursement is the original subject to the signature requirements in paragraph 6.2; the collection is a copy and does not require a signature.

6.3 Preparation of Documents Used to Transmit Funds

6.3.1. Responsibility. An officer depositing or transmitting funds to a disbursing office prepares the forms listed in subparagraphs 6.4.1 and 6.4.4). Except for collections arising from over-the-counter sales (e.g., commissaries), include the name of the remitter, the specific authority for the collection, and information sufficient for the DO to identify the collection and determine that the correct amount is cited on each collection document. The officer preparing the form also furnishes the complete accounting classification as prescribed; fiscal code, including the Disbursing Station Symbol Number of the station maintaining the appropriation cited; and the country code when the collection is made in an overseas area.

6.3.2. Preparation and Distribution. Prepare each collection voucher in duplicate, with additional copies as required.

6.4 Collection Documents

6.4.1. DD 1131. Use this when governing directives do not otherwise prescribe other forms. It may serve as a cover voucher for other receipt forms.

6.4.2. SF 1098. Use this form to collect the proceeds of an available canceled Treasury check (see Chapter 7, paragraph 10.4).

6.4.3. SF 1080. Use this form to transfer amounts between appropriations and/or funds.

6.4.4. SF 1081. Similar to the SF 1080, this form also transfers amounts between appropriations or funds and may be used for corrections of charges and credits.

6.4.5. ***DD 139***, Pay Adjustment Authorization. Use this form for salary offset collections.

VOLUME 5, CHAPTER 9: "DISBURSEMENTS"

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The previous version dated December 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
7.0	Deleted background information on advance payment pools, updated authority references, and renumbered accordingly.	Revision

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CHAPTER 9

DISBURSEMENTS

1.0 GENERAL

1.1 Overview

1.1.1. Disbursement. A disbursement is a payment to an individual or organization for goods furnished or services rendered. It may also be a transfer of funds from one appropriation or fund to another by a "no check drawn" transaction using a ***Standard Form (SF) 1080***, Voucher for Transfers Between Appropriations and/or Funds; ***SF 1081***, Voucher and Schedule of Withdrawals and Credits; or by the U.S. Department of the Treasury's (Treasury) Intra-governmental Payment and Collection (IPAC) System. See Volume 10, Chapter 10, paragraph 2.3 for detailed guidance regarding disbursement vouchers for intragovernmental reimbursement and transfer transactions. A negative disbursement is a refund.

1.1.2. Disbursement Voucher. A disbursement voucher may be a combination of a payment and collection by voucher deduction (e.g., a civilian payroll voucher where deductions for federal tax, U.S. savings bonds, and civil service retirement are credited to the appropriate accounts), and the net pay is disbursed to the payee. All disbursements must be supported by disbursement vouchers (e.g., SF 1080; SF 1081; ***SF 44***, U.S. Government Purchase Order-Invoice-Voucher; or ***SF 1034***, Public Voucher for Purchases and Services Other Than Personal).

1.1.2.1. Disbursement Voucher Certification. A disbursement voucher for payment made to a non-federal entity that creates pecuniary liability as described in either 31 United States Code (U.S.C.) § 3527 (***31 U.S.C. § 3527***) or ***31 U.S.C. § 3528*** must be certified by an appointed Certifying Officer with Certifying Officer Legislation (COL) training completed, per ***31 U.S.C. § 3325(a)(1) and (b)*** (see Chapter 5, paragraph 1.3). A disbursement voucher that transfers funds from one appropriation or fund to another, transfers funds between appropriations, transfers funds for payment(s) that are entirely within the Federal government, or is not in support or execution of a subsequent payment transaction, does not require a Certifying Officer with COL certification.

1.1.2.2. Electronic Funds Transfer (EFT) and U.S. Treasury Check. Report EFT (includes International Treasury Services for payments in foreign currencies) and U.S. Treasury check disbursements to ***Payment Information Repository*** citing the proper Treasury Account Symbol (TAS)/ Business Event Type Code (BETC).

1.1.2.3. No Check/Voucher for Transfer. Report a no check/voucher for transfer by utilizing a Classification Transactions and Accountability (CTA) transaction, citing the proper two-sided credit and debit entries with the proper TAS/BETC.

1.1.2.4. Cash and Limited Depositary Accounts (LDA) Checks. Report cash and LDA check disbursements by utilizing a CTA transaction citing the Disbursing Officers (DOs)

Cash TAS/BETC and the program TAS/BETC listed on the disbursement voucher. Multiple disbursement vouchers may be consolidated under one transaction reported to Treasury if they fall under the same TAS/BETC and Agency Location Code (ALC). DOs must ensure that any transactions that are consolidated have an audit trail that can be validated at the individual transaction level.

1.1.2.5. Disbursement of Foreign Military Sales. Foreign Military Sales funds require the request and receipt of expenditure authority before certification of a voucher for payment (see Volume 15, Chapter 4, section 9.0). Volume 15, Chapter 15, section 6.0 provides record retention requirements with emphasis on supporting audit readiness and contingency operations.

1.1.3. Interagency Disbursing Support. The Enterprise Solutions and Standards, Disbursing Division of the Defense Finance and Accounting Service (DFAS) provides the DoD's policy for interagency disbursing support and IPAC. DoD's disbursing offices and their servicing accounting office coordinate with other U.S. Government agencies on establishing IPAC Trading Partner Agreements (see Chapter 11, paragraph 4.3). The DFAS email address is: dfas.indianapolis-in.jjf.mbx.ess-disbursing@mail.mil.

1.2 Purpose

This chapter addresses the legality and propriety of payment transactions, substantiating vouchers, payment of compensation, advances, payment to third parties, equitable claims, and certified disbursement vouchers. It also addresses disbursement forecasting, processing of disbursement vouchers, disbursements from deposit fund and budget clearing accounts, and payment in support of advance payment pool agreements.

1.3 Authoritative Guidance

DoD authorizes DOs under (***31 U.S.C. § 3321(c)(2)***) to disburse public funds on receipt of vouchers certified by an appointed certifying officer (see 31 U.S.C. § 3325 and Chapter 5, paragraph 1.3).

2.0 POLICY

2.1 Legality and Propriety

2.1.1. Sanction of Law. Examine payment transactions for legality, propriety, limitations, and time frames under the statutes governing the various classes of expenditures and for validity under general provisions of law.

2.1.2. Decisions and Responsible Offices. A DO may request an advance decision on the propriety of any prospective payment according to the procedure outlined in each section's standard operating procedure (see Chapter 12, section 3.0). DOs are not pecuniarily liable for payments they make based on advance decisions.

2.2 Substantiating Vouchers

2.2.1. Written Record of Transaction. Unless otherwise mandated by law, each transaction by an officer, agent, or employee of the U.S. Government that requires payment of money from the Treasury or payment by a DO or agent of the U.S. Government requires a written or approved electronically signed document or series of documents that includes a complete record of the transaction.

2.2.2. Electronic Transactions. The Federal Reserve Banks (FRBs) are Treasury's fiscal agents. Each disbursing office processing disbursements maintains a detailed written agreement with the supporting FRB. The DO must implement internal controls to confirm that the FRB receives EFT payment files successfully.

2.2.3. Additional Evidence. A DO is not required to make payment merely on the submission of formal evidence. If the facts do not justify payment, a reasonable explanation or the submission of further evidence is required.

2.3 Payment of Expenses

Using public funds to pay the expenses of a commission, council, board, or other similar body is prohibited by ***31 U.S.C. § 1346*** unless the creation of the body has been specifically authorized by law.

2.4 Advances, Prepayments, and/or Overpayments

A DO generally may not make advance payments, prepayments, or overpayments of public monies, but ***31 U.S.C. § 3324***; Volumes 5, 7A, 8, 9, and 10; and the ***Joint Travel Regulations*** allow limited advances and prepayments.

2.5 Payments to Third Parties

2.5.1. Restriction. Unless specifically authorized by law, monies the government owes to an individual are not subject to attachment, garnishment, or other legal processes. Do not certify or make payment to a third party even if the payee requests it. This restriction applies to all funds, including those held in trust by the DoD.

2.5.2. Levy and Distraint for Delinquent Taxes. Salaries and wages of officers and employees of the U.S. Government, including members of the Armed Forces, are subject to levy and distraint (the ability to force or compel satisfaction of an obligation by means of seizure) for delinquent federal taxes in accordance with ***26 U.S.C. § 6331***.

2.5.3. Payments to Bankruptcy Trustees. A civilian employee or military member may file an appropriate bankruptcy petition under ***11 U.S.C. § 109***. During the bankruptcy proceedings, the bankruptcy court may order the individual's pay to be sent to the bankruptcy trustee. Such payments are proper, and DOs incur no additional liability as a result. See Volume 8, Chapter 8, section 5.0 for civilian employees and Volume 7A, Chapter 50 for military members.

2.5.4. Successor in Interest. DOs may make payments due to contractors, court appointed trustees, receivers, or other legal representatives (see Volume 10, Chapter 3, section 5.0).

2.5.5. Assignment of Claims. A contractor may transfer their right to be paid by the government for contract performance to a bank, trust company, or other financing institution, as security for a loan made to the contractor. See Volume 10, Chapter 3, section 4.0; the Federal Acquisition Regulation (FAR), ***part 32.8***; and the Defense Federal Acquisition Regulation Supplement (DFARS), ***subpart 232.8***, for more information regarding the requirements and responsibilities for assignment of claims.

2.5.6. Authorized Withholdings and Allotments of Pay. Deductions from military and civilian payrolls for specific purposes (e.g., retirement, taxes, health benefits, group life insurance, allotments, and voluntary payments for child support or alimony) are supported by statutory authority under ***5 U.S.C. § 5525***.

2.5.7. Payments to Financial Organizations for Credit to Persons' Accounts. Under ***31 U.S.C. § 3332***, Federal wage, salary, and retirement payments must be made by EFT to financial organizations for credit to payees' accounts (e.g., Merchants National Bank, Cr: John Doe, Account Number: 346-839, Taylor, MI 04180) (see also Volume 7A, Appendix C; Volume 8, Chapter 1, section 3.0; and Volume 9, Chapter 8, paragraph 2.2).

2.5.8. Garnishment of Pay for Child Support, Alimony, and Commercial Debts. Salaries and wages of military members and civilian employees may be garnished for child support and alimony (***42 U.S.C. § 659***), and for commercial debts (non-child or spousal support) (***5 U.S.C. § 5520a***).

2.5.9. Withholding of Contract Payments. Make payment to the Department of Labor for amounts owed by contractors to employees under a contract. See Title 29, Code of Federal Regulations (CFR), part 4.187 (***29 CFR 4.187***) and ***29 CFR 5.9***.

2.6 Equitable Claims

Claims not founded on contracts, either expressed or implied, but on merely equitable or moral grounds are permitted only after direct authorization by Congress.

2.7 Insurance Fee

The government is self-insured (or bonded). Neither a DO nor any of the DO's agents may insure public funds or property.

2.8 Municipal Services

Absent specific statutory authority, a DO may not pay for municipal services (e.g., police and fire protection) if those services are required to be furnished to private citizens at no cost (see Volume 10, Chapter 12, paragraph 3.15).

2.9 Questionable Payments

See Chapter 12 for alternatives available in connection with questionable payments.

2.10 Certified Disbursement Vouchers

2.10.1. Authority. DoD authorizes DOs under (31 U.S.C. § 3321(c)(2)) to disburse public funds on receipt of vouchers certified by an appointed certifying officer. When the disbursement voucher is certified by someone independent of the disbursing process, the DO has the discretion to make the payment.

2.10.1.1. Certified Vouchers. Certified vouchers must contain complete and accurate data. Contents of these vouchers and supporting documents may vary slightly depending on the type of disbursement and form used. Write signatures and other information that become integral parts of original vouchers in permanent, non-erasable ink. Handwritten information must be legible. Approved electronic signatures are acceptable (see Chapter 1, subparagraph 3.5.3).

2.10.1.2. Voucher Corrections. Return certified vouchers requiring correction to the functional area. Disbursing office personnel may not make these corrections. Corrected vouchers require recertification before disbursement.

2.10.1.3. Travel Vouchers. Accept a legible copy of a signed travel voucher and its supporting documents received in lieu of the original for processing and payment as if it were the original. This includes travel vouchers and supporting documents received by facsimile transmission or scanned images forwarded via email.

2.10.2. Essential Data. Certified disbursement vouchers must contain the following minimum essential data:

2.10.2.1. Voucher Heading and Date. This includes the complete name and mailing address of the paying disbursing office, the date the voucher is prepared, the disbursing office voucher number, and the disbursing station symbol number (DSSN) in the “Paid By” (or “Brief”) block (see Table 9-1).

2.10.2.2. Accounting Classification

2.10.2.2.1. The Treasury Financial Manual (TFM), Volume I, Part 4A, Chapter 2000, section 2070 (***I TFM 4A-2075***) requires that a voucher certified as correct and proper for payment include an accounting classification against which the disbursement will be charged. Code each charge to an appropriation or fund with a complete accounting classification, and country code when applicable. List the information on a continuation form if the space available is insufficient.

2.10.2.2.2. The type of payment or the supporting DFAS site dictates acceptable continuation forms. Do not show titles of appropriations or deposit fund accounts. Entering extraneous information (e.g., voucher collection data) may result in the inclusion of erroneous information in accounting records and reports. A certified disbursement voucher may cite more than one appropriation, deposit fund account, or subsidiary account (group two or more subsidiary accounts of the same appropriation by that appropriation).

2.10.2.2.3. On foreign currency disbursements, show the total amount of the foreign currency disbursement; disbursing office personnel enter the conversion rate and U.S. dollar equivalent (USDE) on vouchers certified for payment in foreign currency.

2.10.2.3. Amount to Be Disbursed. Cite the total amount of the disbursement on the voucher in conjunction with the related accounting classification. Any alteration invalidates the certification (see Chapter 5, paragraph 5.6).

2.10.2.4. Method of Disbursement. Show the method of disbursement in the space provided on the certified disbursement voucher. In order of preference, the methods are:

2.10.2.4.1. EFT (includes ***International Treasury Services (ITS.gov)*** for payments in foreign currencies),

2.10.2.4.2. No check/voucher for transfer,

2.10.2.4.3. Treasury check,

2.10.2.4.4. Limited Depositary Check, and

2.10.2.4.5. Cash (only if specifically authorized by the payee's commander when it is determined that no other alternatives exist due to operational conditions).

2.10.2.5. Payee. List only the individual or organization entitled to the proceeds of the payment on the voucher. Under ***10 U.S.C. § 2785***, a DO may not change the remittance address. Also, under 31 U.S.C. § 3325(d), certified vouchers must contain the payee's taxpayer identification number (TIN), a unique nine-digit identifier assigned to all individuals by the Social Security Administration and to businesses by the Internal Revenue Service. See Volume 10, Chapter 8, paragraph 2.7 for the requirement of a TIN on a certified payment voucher.

2.10.3. Payment on Forged or Fraudulent Vouchers or Pay Receipts. A DO is pecuniarily liable for payments based on forged or fraudulent vouchers. A DO, Deputy DO (DDO), agent, or cashier making such a payment may request relief of liability for such payments (see Chapter 6, section 6.0).

2.10.4. Voucher Storage. Follow Chapter 3, section 3.0 to safeguard original paid vouchers.

3.0 DISBURSEMENT FORECASTING

3.1 Daily Disbursement Forecasting

Treasury's Bureau of the Fiscal Service (Fiscal Service) manages the government's daily cash position and disbursements affecting this position. DOs must therefore follow any current Fiscal Service guidance for reporting their anticipated aggregate level of planned disbursements for each disbursing method (e.g., wire, Automated Clearing House (ACH), check). Forecasting is also discussed in ***I TFM 4A-4025***.

3.2 Large Dollar Disbursements

The ***I TFM 6-8530*** requires DOs to report, in advance, deposits and disbursements totaling $50 million or more. The deposits and disbursements reports include single transactions, multiple transactions of a common nature, or repetitive transactions. For deposits and disbursements between $50 million and $500 million, DOs are required to submit the report a minimum of 2 business days in advance of the settlement date. For deposits and disbursements of $500 million or more, DOs are required to submit the report a minimum of 5 business days in advance of the settlement date. If specific deposit or disbursement information is not final, agencies must inform Fiscal Service daily as soon as possible, but no later than 7:30 a.m. eastern time on the transaction settlement date, of the approximate amount and approximate deposit or disbursement date.

4.0 DISBURSEMENT VOUCHERS

4.1 Numbering Disbursement Vouchers

Assign disbursing voucher numbers consecutively starting at the beginning of each fiscal year based on guidance from the supporting DFAS site to which financial reports are submitted. Identify voucher numbers with the disbursing office, not the DO.

4.2 DoD (DD) Form 2659, Voucher Control Log

Keep a ***DD 2659***, Voucher Control Log, daily for disbursement vouchers received or prepared in the disbursing office. Include in the log the disbursement voucher number, name of the payee, amount, form of payment (e.g., EFT, check, cash), and check/EFT trace number under "other." This log summarizes daily disbursement and collection transactions and ensures the entering of all vouchers in the accountability records. It functions as a cross check against the ***DD 2657***, Daily Statement of Accountability, and ***DD 2665***, Daily Agent Accountability Summary, to summarize disbursement and collection transactions; enables comparison of vouchers paid by check to total checks written, and of vouchers paid by cash to cashier paid vouchers; associates returned and undeliverable checks with applicable vouchers; and transmits vouchers showing voucher numbers used, unused, or voided.

4.3 Certification of Vouchers

4.3.1. The applicable entitlement areas (i.e., military, civilian, travel, and vendor pay) ensure that all payments are proper, prepare the correct number of copies, and ensure that all vouchers contain complete and accurate data.

4.3.2. Certifying officers examine payment vouchers before certification to ensure that the information on vouchers agrees with all supporting documentation (see Chapter 5, section 5.0).

4.3.3. DOs must have access to the ***DD 577***, Appointment/Termination Record – Authorized Signature, to verify that vouchers submitted to DOs for payment have been certified by persons authorized to certify vouchers, and disburse money only on vouchers certified by authorized certifying officers. A disbursing office detecting an improperly prepared voucher must return it to the functional area for correction and recertification.

4.4 Release of Cash

An individual entitled to a payment (the payee) must receive the cash and sign the voucher. All cash payments require receipts. Do not prepare duplicate receipts. DOs or their agents making cash payments must positively identify the payee using the photograph on the payee's DoD Common Access Card. Other acceptable forms of identification include a driver's license and other identification normally acceptable in the banking community to cash checks or bonds. The responsibility for payee identification may not be delegated. In cases of cash payment, the exchange of currency and the receipt for it must be simultaneous. Requiring receipts in advance of actual cash payments is prohibited.

4.5 Cash Payment Vouchers

The responsible entitlement areas send or deliver these vouchers to the cashier area. Payees may hand carry vouchers when the distance between the entitlement area and cashier area makes this impractical, provided the total amount of the voucher is inscribed in words on the bottom of the voucher (e.g., "sixty dollars and twenty cents"). Space words or enter lines in a manner to preclude alteration by inserting additional words, particularly at the beginning of writing (e.g., prevent insertion of "one hundred" immediately preceding "sixty dollars and twenty cents").

4.5.1. Cashier Responsibilities. If the voucher deduction block is used on a payment voucher, the cashier must verify that it contains an appropriation and the total to be paid is net of any deductions. After verification of these items, the cashier must initial the original voucher to identify who made the payment.

4.5.2. Payee Signature. Cashiers must obtain the payee's signature in the space provided, or in the case of multiple payments, on the sub-voucher or supporting documentation. The payee signs for receipt of cash using permanent, non-erasable ink. Facsimile signatures and signatures in pencil are unacceptable. When signatures of payees are on a sub-voucher or supporting documentation, annotate the "payee signature block" on the cover voucher with the words, "See

attached." Positively identify payees before making payments. Compare the signature obtained on vouchers to signatures on identification cards or other acceptable forms of identification. The form of the signature must be the same as the payee as shown on the voucher. In the signature block, the payee must sign the first name, with additional initials, if any, followed by the surname, except as explained in the following subparagraphs.

4.5.2.1. Unable to Write. A payee unable to write may indicate receipt of payment by signing an "X." A disinterested party, whose address must be on the form, must witness the form. If the payee is physically unable to write and asks someone to sign in his or her presence, the signature requires verification by a disinterested witness and is regarded as a signing by the payee. File a physician's note addressing the payee's inability to sign with the original disbursement voucher.

4.5.2.2. Mental Disability. Do not pay a mentally disabled payee who cannot comprehend a signature except in the presence of an appointed legal guardian. File certified copies of court papers appointing a legal guardian with the original disbursement voucher. The legal guardian signs the name of the payee, followed by his or her own signature as legal guardian. Refer to the first disbursement voucher by DO voucher number and date paid on future payments to substantiate the legal guardianship. If the payee is in an asylum, file the superintendent's certificate that the payee was alive at the time payment was due with each disbursement voucher.

4.5.3. Voucher Validation. Validate the voucher by completing the "Paid By" (or "Brief") block with the paying office location, DSSN, and business date of payment, using a typewriter, automated system, or rubber stamp. Do not show the geographical location if the disbursing office has a classified address (see Table 9-1).

4.6 Check Disbursement Vouchers, Manual Voucher Processing

Responsible entitlement areas send manual check disbursement vouchers to the check issuing area for check preparation. The check issuing area enters the check number on the voucher in the space provided. Do not enter check numbers on duplicate copies of vouchers except for payroll and group travel vouchers. When payment is by check on an SF 1034, follow subparagraphs 4.6.1. – 4.6.5. A receipt is not necessary for payments drawn by the DO except when required by law or contract.

4.6.1. Checks Drawn on the Treasury. For payments by check drawn on the Treasury, enter the check number in the block near the bottom of the form titled "Check Number on Account of U.S. Treasury."

4.6.2. Checks Drawn on LDAs. For payments by checks drawn on LDAs, enter the check number and the name of the LDA bank on which drawn in the block near the bottom of the form titled "Check Number On (Name of bank)." If it is a "no check drawn" voucher, state "no check drawn."

4.6.3. Check Usage. Make checks payable to the payee stated on the disbursement voucher. Number disbursing vouchers sequentially with the lowest check number used to pay the lowest numbered disbursement voucher or the first name on a payroll. Maintaining an unbroken sequence of check numbers facilitates check issue auditing and reporting. Consolidate multiple payments to the same payee on the same day and pay them with one check. DOs must ensure that inscribed checks duplicate the voucher information. A DO may perform this review either before or after signing the checks. The DO ensures the completion of appropriate records to provide control over check writing. Automated systems producing disbursement vouchers must contain edit and validation controls to ensure the exact information appearing on the vouchers is passed to the check printer.

4.6.4. Paid By. See subparagraph 4.5.3.

4.6.5. Automated Disbursement Vouchers. The entry of check numbers on automated disbursement vouchers is not required so long as the voucher processing system maintains complete audit trails between disbursement vouchers and hard copy records.

4.7 Check Disbursements Overpaid or Underpaid

Do not collect an overpayment to a payee. Prepare an SF 1080 to charge the DoD Component Operation and Maintenance account and credit the appropriation originally charged for the payment. Similarly, do not issue a supplemental payment when a payee is underpaid unless the payee requests the payment.

4.8 Transmittal of Vouchers and Recording

4.8.1. DDOs, agents, and cashiers must include payment vouchers on the DD 2665 as prescribed in Chapter 15, subparagraph 2.1.2, and settle with the DO at the end of each business day.

4.8.2. For midday returns of cash on hand or an additional advance of funds, use a ***DD 1081***, Statement of Agent Officer's Account (see Chapter 15, section 4.0).

4.8.3. Entitlement areas send transfer, correction, and other disbursement vouchers not for payment by cashiers directly to the accountability area.

4.8.4. Return voucher copies to the entitlement area (i.e., military, civilian, travel, and vendor pay).

4.9 Certification Restrictions

The disbursing office supervisor may not routinely certify vouchers for payment, but may certify cover vouchers supported with properly certified sub-vouchers. In these cases, the approving official of the supporting documentation may not be the cover voucher certifier. If an emergency exists and the deputy, who is also a supervisor of the disbursing office, must certify a voucher for payment not supported with certified sub-vouchers, the DO or another DDO dates and

signs the voucher that includes a statement similar to: "Payment approved by Lieutenant John Doe, Disbursing Officer" (see Chapter 5, section 5.0). To ensure adequate internal control, neither the supervisor of the disbursing office nor other disbursing office personnel should be able to input data into the computerized accounting system.

4.10 Documentation Supporting Delivery of Payments

Documentation that supports delivery of payments includes a copy of the payment voucher, annotated copies of invoices, or other available media that provide information on payments delivered to payees as prescribed by functional area directives. This information may be in any form (e.g., printed, electronic) but may be subject to contractual requirements.

4.11 Deferred Vouchers

Deferred vouchers are paid vouchers not recorded in an accounting system, and are usually vouchers paid by an agent that must be returned for correction. They may also be vouchers paid by an agent but not yet examined by a DO. Deferred vouchers do not impact the DO Cash TAS until the voucher is processed. Responsible entitlement areas must act promptly to clear them. Keep a chronological record of actions taken, showing the date when clearance is expected. DOs or their DDOs review those actions weekly to ensure the correction of irregularities causing deferment without delay.

4.12 Classified Payments

4.12.1. Protecting Information. A DO making payments classified for security purposes prepares a covering disbursement voucher. These may not contain information that requires a security classification. On the original and all copies show only the name and address of the payee, amount, date of payment, complete accounting data, voucher number, check number, DO's name, DSSN, and disbursing office payment data in the "Paid By" (or "Brief") block. Payments under classified contracts should include instructions requiring the supplier to limit information on invoices so that supplies or services are identifiable only by reference to the contract. The DO (for collateral classified programs) or the voucher preparing office (for special access programs) allows access to classified documents to only those persons requiring access for the performance of their official duties.

4.12.2. Preparation. Personnel who process classified documents must possess a security clearance level equal to or higher than the documents they process. DOs or voucher preparing offices must assign duties (e.g., preparation of vouchers) so that only a minimum number of persons require access to classified information. Mark and store classified documents following prescribed security regulations. Do not attach classified essential supporting documents, invoices, or certificates to the original disbursement voucher, but identify them by the name of the DO, voucher number, DSSN, and the period of the account. Retain them at the paying disbursing office (for collateral classified programs) or the voucher preparing office (for special access programs) with other classified material. Include one of the following statements on the portion of the voucher for the description of the articles or services purchased:

4.12.2.1. For Collateral Classified Programs. "The documents supporting this voucher are located at the payment site with other classified material in accordance with (cite the applicable security regulation)."

4.12.2.2. For Special Access Programs. "The documents supporting this voucher are located at the voucher preparing office with other classified material in accordance with (cite the applicable security regulation)."

4.12.3. Declassification. Refer to appropriate security regulations for declassifying and downgrading, and to report classification abuses and improper classifications.

4.12.4. Distribution. Distribute the original and required copies of the covering disbursement voucher in the normal manner. Do not attach the classified supporting documents.

4.13 Payments from Contingency Funds

Use a ***DD 281***, Voucher for Emergency or Extraordinary Expense Expenditures, to make payments from contingency funds.

4.13.1. Prepare the form to allow it to be unclassified. Classify supporting documents based on their content. A covering disbursement voucher is not required as described in subparagraph 4.12.

4.13.2. Transmittal of Vouchers and Recording. See paragraph 4.8.

4.14 Hand Carrying Disbursement Vouchers

4.14.1. Vouchers Prepared Outside the Disbursing Office. Send payment vouchers prepared outside the disbursing office to the disbursing office so that the payee does not have access to them.

4.14.2. Vouchers Prepared Within the Disbursing Office. The responsible functional area sends or delivers these vouchers to the cashier area. Where distance between the functional area and cashier section makes this impractical, see paragraph 4.5.

4.15 Distribution of Paid Vouchers

The disbursing office sends the original and necessary copies of paid vouchers to the appropriate DFAS site (see Chapter 15, paragraph 8.1 for proper record retention).

4.16 EFT Payments

4.16.1. Debit Vouchers. EFT payments are sent to the FRB on debit vouchers showing the date payment is due. The DO must implement internal controls to confirm that the FRB receives the payment files successfully and on schedule, and retain the memorandum copy of the debit voucher. DOs that transmit payment files electronically use the FRB's summary of ACH activity report in lieu of the debit voucher. In either case, the FRB issues a confirmation debit voucher to the DO. For an EFT transaction, record the debit voucher as a negative deposit with the payroll, travel, or vendor payment recorded as a gross disbursement.

4.16.2. Returns. When a financial institution returns one or more EFT/ACH payments to a paying office, the DO prepares and processes a collection voucher to account for the returned funds, crediting them to the appropriation from which they were originally disbursed. EFT returns will be submitted back to the originating ALC crediting the TAS from which they were originally disbursed. Record the collection on the DD 2657 with an offsetting transaction to account for the deposit ticket from the FRB in processing the returned payment. The DO notifies the appropriate entitlement area of the returned payment by providing a copy of the collection voucher and any rejection information received (e.g., the reject code). See Treasury's ***Green Book, Chapter 4***, for a detailed listing of payment rejection codes. The entitlement area tracks, monitors, and researches the cause of the return and provides a recertified voucher to initiate an appropriate EFT/ACH payment within 5 business days.

4.16.3. Reclamations. DFAS Cleveland (DFAS-CL) DO, when notified of the death of a military retiree or an annuitant, contacts the decedent's bank requesting the return of all payments made since the retiree's or annuitant's death. The DFAS-CL DO has three years from the date of the Financial Management Service (FMS) Form 133, Notice of Reclamation, to submit FMS 135, ACH Reclaims. For additional information, see Treasury's ***Green Book, Chapter 5***, for detailed instructions.

4.17 Retention of Records

See Volume 1, Chapter 9.

5.0 DEPOSIT FUND AND BUDGET CLEARING ACCOUNTS

5.1 Disposition of Funds in Deposit Fund Accounts

5.1.1. Method of Disposition. Applicable functional areas dispose of collections received for deposit fund accounts using one of the following methods:

5.1.1.1. Payment to Other Individuals or Organizations. Use an SF 1034;

5.1.1.2. Refund to the Remitter. Use an SF 1034; or

5.1.1.3. Withdrawal for Application to an Appropriation, Receipt Account, or Other Deposit Fund Account. Use an SF 1081 for the disbursement and collection, and submit it as substantiation for either or both. The SF 1081 cannot be used for check or cash payment.

5.1.2. Vouchering. Only one deposit fund account may be charged on a single voucher. Submit charges to accounts F0109, Federal Tax Withheld from Payments to Nonresident Aliens; and F3875, Budget Clearing Account (Suspense), on separate vouchers.

5.1.3. Civilian Pay Deductions. When preparing an SF 1081 for adjustment of deductions from civilian pay, show deposit fund account symbols and amounts for withheld taxes and U.S. savings bonds on the same SF 1081 containing the necessary information.

5.1.4. Withdrawals Involving Foreign Currency. To repay foreign currency deposits at USDEs different from those at which they were deposited, see Chapter 13.

5.2 F3875, Budget Clearing Account (Suspense)

5.2.1. Transfer of Funds. Upon determining the proper disposition of funds in this account, transfer the amount on an SF 1080 or 1081 to the proper account. Explain the charges on the SF 1080 or SF 1081. See ***I TFM 2-5135*** for guidance on the use of F3875. Use this account to hold unidentifiable collections temporarily for no more than 60 days, or use other business processes approved by the Fiscal Service. Payment is prohibited from the F3875 suspense accounts.

5.2.2. Transferring Funds Out of Clearing Accounts (Suspense). Utilize a CTA transaction to move the (cash) funds out of the clearing account to the proper program TAS, deposit fund account, or DO Cash TAS along with the proper adjustment BETCs. Utilize an SF 1080 or SF 1081 to document the charges and report the transactions within internal DoD systems.

5.2.3. Disbursements Representing Funds Received for Other Government Agencies. Send an IPAC payment or check payable to the Treasury and a copy of the disbursement voucher to the official of the agency requesting collection.

5.2.3.1. Checks Payable to the U.S. Postal Service. If the collection is for credit to a U.S. Postal Service appropriation or receipt account citing departmental prefix "18," send the check and a copy of disbursement voucher to the Manager, Finance Branch, Eagan Information Systems/Accounting Service Centers, U.S. Postal Service, 2825 Lone Oak Pkwy, Eagan, MN 55121-9600.

5.2.3.2. Checks Payable to Other Government Agencies. For a collection for another government agency, send the check to the agency with a source and reason for collection.

5.2.4. Transactions Rejected by the Accounting System. Accounting Offices notify the DO and request the documentation needed to process the transaction successfully. DOs send the requested documentation to the accounting office within 30 days.

5.2.4.1. Supporting Documentation Maintained Locally. The DO sends the requested documentation to the accounting office immediately.

5.2.4.2. Supporting Documentation Maintained at a Remote Site

5.2.4.2.1. The DO notifies the entitlement area of the rejected transaction immediately by telephone or email.

5.2.4.2.2. If the requested information is not received within five working days of the initial request, send a formal, written request to the functional area, referencing the original request.

5.2.4.2.3. If no response is received within five working days of the second request, send a copy of the request memorandum, with a cover letter, to the site director or commander, as appropriate.

5.3 Overages

5.3.1. Disbursement Action. For an overage that should not have been accounted for as a collection, the responsible functional area prepares an SF 1034 payable to "Adjustments" to reverse the erroneous collection and permit proper accounting for the funds. Do not issue a check or a cash payment for this voucher.

5.3.2. Adjustments. If an amount was recorded in error as a collection to one of the following accounting classification other than F3875; F3885, Undistributed Intra-governmental Payments; X6500, Advances Without Orders from Nonfederal sources; X6501, Small Escrow Amounts, or X6276, Other Federal Payroll Withholding, Allotments (e.g., a collection from a sales official), the responsible entitlement area initiates the adjustment by preparing an SF 1081 charging one of the cited accounts and crediting the proper appropriation or fund.

5.3.3. Removal. If every reasonable effort to discover the proper disposition of the funds is unsuccessful, prepare an SF 1081 to remove the amount from the affected deposit fund account, and credit R1060, Forfeitures of Unclaimed Money and Property.

6.0 TREASURY DISBURSING OFFICE (TDO)

The TDO initiative allows Treasury to become the Federal service provider performing payment and collection functions on behalf of DoD. The program also allows an agency to send and receive financial transactions directly to Treasury systems. The TDO program provides services to facilitate various disbursement and collections including contract, vendor pay, individual reimbursement, and miscellaneous pay (e.g., utility bills, credit cards). The TDO program is also a centralized post-pay actions that works in concert with customers, partners, and stakeholders to provide customized payment solutions that are expeditious while ensuring invoices or claims are valid against the government. Once fully transitioned from the legacy disbursing systems to TDO, DoD will continue to function as a non-Treasury disbursing office and provide services related to collections, advance payments, cash disbursements, agent payment and returns, accommodation exchange, contingency (e.g., combat zone, afloat, and military in support of disaster relief), and emergency disbursing transactions under 31 U.S.C. § 3321(c)(2). For additional information on the TDO initiative, see ***I TFM 4A-3000*** for scheduling payments disbursed by the Fiscal Service.

*7.0 PAYMENTS IN SUPPORT OF ADVANCE PAYMENT POOL AGREEMENTS

Advance payment pool agreements may be established under the authority of ***FAR 32.408*** and ***DFARS 232.470***, and are a means of financing the performance of more than one contract held by a single contractor. Cash advanced to a contractor must be reported on the DD 2657 and be reflected on the DO Cash TAS until the money is returned or disbursed. Follow Volume 10, Chapter 10, paragraph 5.4 for processing advance payments.

Table 9-1. Disbursement Voucher "Paid By" Blocks

WITHIN THE UNITED STATES	
DATA	EXAMPLE
Location (Base and State) ZIP Code DSSN Date of Payment	Camp Lejeune NC 28540 DSSN 6092 1 May 20XX
Location and ZIP Code DSSN Date of Payment	Ft. Jackson SC 29207 DSSN 0001 20 August 20XX
Classified DSSN Unit Identification Code and Name of Disbursing Activity Date of Payment Name and DSSN of Operating Location	 DSSN 5171 (62306) NAVOCEANO 21 SEP 20XX DFAS Cleveland 8522 1240 East 9th Street Cleveland OH 44199
OUTSIDE THE UNITED STATES	
DATA	EXAMPLE
Location DSSN Date of Payment	APO AE 09440-1111 DSSN 6637 1 May 20XX

VOLUME 5, CHAPTER 10: "SMART CARDS FOR FINANCIAL APPLICATIONS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated October 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
Figure 10-1	Deleted procedural figure.	Deletion

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CHAPTER 10

SMART CARDS FOR FINANCIAL APPLICATIONS

1.0 GENERAL

1.1 Overview

The DoD utilizes several Smart Card applications to conduct financial transactions in several settings. Smart Cards:

1.1.2. Include ***Stored Value Cards*** (SVC), debit cards, and combination cards (hybrids that contain both SVC and debit card features);

1.1.3. Store or provide access to "electronic funds" and a more secure method of handling funds; and

1.1.4. Alleviate the need to carry cash and provide electronic payment to vendors for items purchased or services rendered.

1.2 Purpose

This chapter provides:

1.2.1. Guidance for requesting approval to begin a Smart Card pilot program or to move from pilot to full roll-out, except when provided under the General Services Administration (GSA) SmartPay Contract; and

1.2.2. High-level disbursing guidance for SVCs, combination cards, and debit cards.

1.2.2.1. SVCs

1.2.2.1.1. The basic trainee SVC program (known as EZpay) is used as an advance of pay to basic trainees of the United States Army, Air Force, Navy, and Marine Corps.

1.2.2.1.2. The SVC used for U.S. deployed forces, known as EagleCash, is used for electronic financial transactions in overseas contingency locations.

1.2.2.2. Debit Cards. Debit cards are used as an alternate device for payments made by DoD agencies.

1.3 Authoritative Guidance

In accordance with ***Title 31, Code of Federal Regulations, part 208***, Electronic Funds Transfer (EFT) is mandatory within the DoD, unless a waiver has been granted. Per the U.S. Department of Treasury (Treasury), Treasury Financial Manual (TFM), Volume I, Part 4A, Chapter 3000 (***I TFM 4A-3000***), SVCs and debit cards are available mechanisms for working towards compliance with the EFT requirement.

2.0 POLICY ON SMART CARD UTILIZATION

2.1 Overview

The policy and guidance set forth in this chapter is in accordance with ***I TFM 4-9000***. Treasury guidance supersedes any conflicting information provided in this chapter. The Defense Finance and Accounting Service (DFAS) is assigned management and oversight responsibility for the functional aspects and the use of financial Smart Cards within the DoD, except for GSA SmartPay products. Written approval from DFAS is required for all pilot and full rollout Smart Card usage (e.g., stored value or debit) that employ either single purpose or multifunctional applications (combined financial/non-financial applications).

2.2 Smart Card Program Approval

2.2.1. New Program. If a DoD agency seeks to establish a new Smart Card program, the agency must submit a request for approval to the DFAS - Indianapolis Center (DFAS-IN), Enterprise Solutions and Standards, Disbursing (DFAS-IN/JJFKCD), 8899 East 56th Street, Indianapolis, IN 46249-2700. Email: dfas.indianapolis-in.jjf.mbx.ess-disbursing@mail.mil. Separate requests are required for each financial application.

2.2.2. Program Magnitude. Requests for approval must indicate whether the program is a pilot effort or a full rollout program.

2.2.2.1. Pilot Programs. Pilot programs are temporary and must be in operation for no less than 90 days and not to exceed 180 days. Pilots should be used to test card programs prior to full rollout.

2.2.2.2. Full RollOut Programs. Full rollout programs are non-temporary and must be in operation longer than 180 days. Full rollout of a card program should follow a pilot.

2.2.3. Smart Card Application Package. Requests for approval must be submitted as an application package to DFAS-IN/JJFKCD. The application package must be completed before approval of any pilot or full rollout of a card program. Include the following items in the application package:

2.2.3.1. Memorandum. The agency headquarters, or designated representative, should request approval of the pilot or full rollout program via memorandum. It should be addressed to DFAS, Enterprise Solutions and Standards;

2.2.3.2. Application. All pilot and full rollout programs are required to submit a completed DoD Financial Smart Card Application;

2.2.3.3. Concept of Operations (CONOPS). The CONOPS document should contain guidance on the use of the Smart Card program by the agency;

2.2.3.4. Coordination. The package must contain copies of coordination documentation, including the agency or component leadership's and servicing Disbursing Officer's (DO) endorsement of memoranda;

2.2.3.5. Project Manager Documentation. A copy of the letter designating the agency Smart Card project manager must be submitted with each package. See paragraph 2.4 for information on project managers; and

2.2.3.6. Analysis for Full Rollout. If the request is to move from a pilot Smart Card program to a full rollout, include an analysis showing:

2.2.3.6.1. Any savings realized from the pilot program;

2.2.3.6.2. How the pilot program is an improvement over the pre-pilot environment; and

2.2.3.6.3. The results of relevant performance measures used during the pilot and proposed for the full rollout.

2.3 Memorandum of Understanding (MOU)

The Treasury, Bureau of the Fiscal Service (Fiscal Service) and the agency implementing the program must establish a MOU prior to the implementation of a new Smart Card program (see subparagraph 2.2.1). The MOU describes the terms of the agency's Smart Card program and the respective responsibilities of the agency and Fiscal Service for operation of the program. In addition, the MOU specifies the type of program and Smart Card(s) implemented by the agency, the agency's funding schedule, and the fees and costs to be paid by the agency and Fiscal Service.

2.4 Agency Smart Card Project Manager

2.4.1. Designation. The agency must designate a Smart Card project manager and alternate in writing before implementing a Smart Card program.

2.4.2. Responsibilities. The agency must specifically identify the tasks for which the Smart Card project manager is responsible. The Smart Card project manager must manage the Smart Card program and the activities described in this chapter in accordance with the MOU between the Fiscal Service and the agency, the Smart Card standard operating procedures (SOPs) and other instructional documents, and program-specific policies and procedures developed by the agency in consultation with Fiscal Service. The specific duties of the project manager include:

2.4.2.1. Acting as the agency's liaison among Fiscal Service, the agency, and other interested stakeholders;

2.4.2.2. Provides full support for the Smart Card program within the agency;

2.4.2.3. Develops and obtains agency approval for the CONOPS, Smart Card application, and other related plans for the implementation of the agency's Smart Card program;

2.4.2.4. Secures agency funding approvals necessary for the Smart Card program;

2.4.2.5. Coordinates the agency's implementation of the Smart Card program to include obtaining and maintaining the Security Assessment and Authorization, the Authority to Operate or similar approval, and the SVC program to access the agency's computer networks so that the SVC can be deployed and operate as designed;

2.4.2.6. Oversees and obtains agency approvals for changes to the program;

2.4.2.7. Transfers sufficient funds to Treasury's financial or fiscal agent to ensure full funding for the agency's obligations with respect to outstanding Smart Cards;

2.4.2.8. Maintains accurate, up-to-date lists of accountable officers (AO(s)); and

2.4.2.9. Complies with other Smart Card program policies and procedures as described in the MOU, SOPs, and other Smart Card instructional documents.

2.5 Smart Card AO(s)

2.5.1. Designation. The agency must designate one or more Smart Card AOs. If the agency Smart Card AO is already appointed as a DO, Deputy DO (DDO), or Disbursing Agent and the responsibilities of the card program are covered by the current appointment, no additional documentation is necessary for appointment. However, if these requirements are not met, then the agency must provide a Letter of Appointment or appointment by DoD ***(DD) Form 577***, Appointment/Termination Record - Authorized Signature, assigning an individual or individuals as the Smart Card AOs. The Letter of Appointment will list the individual's responsibilities. An additional letter will be required when the individual no longer serves as the Smart Card AO. In addition to this documentation, the AOs must fill out the Fiscal Service (FS) ***Form 2888***, Application Form for U.S. Department of the Treasury Accountable Official - Merchant Stored Value Card (SVC), when directed by the agency Smart Card project manager.

2.5.2. Responsibilities. The agency must specifically identify the tasks for which the Smart Card AOs are responsible. The agency should segregate the duties appropriately in accordance with the agency's policies and procedures. As applicable and appropriate, AOs are responsible for the duties and responsibilities of a certifying officer or a DO, depending upon the designation of the AO per Title 31, United States Code (U.S.C.), sections 3322 (***31 U.S.C. § 3322***), ***31 U.S.C. § 3325***, and ***31 U.S.C. § 3528***, and other applicable laws. The Smart Card AOs must manage the Smart Card program and the activities described in this chapter in accordance with the MOU between Fiscal Service and the agency, the Smart Card SOPs and other instructional documents, and program-specific policies and procedures developed by the agency in consultation with Fiscal Service. The specific duties of the AOs may include:

2.5.2.1. Issuing Smart Cards and Personal Identification Numbers (PINs) to cardholders while following all enrollment processes;

2.5.2.2. Accounting for outstanding Smart Cards and the funds associated with each Smart Card, to the extent the Smart Cards and funds are within the control of the agency;

2.5.2.3. Providing instructions to Treasury's financial or fiscal agent as to the proper allocation of funds among the Smart Cards that are issued, by account number and, where feasible, cardholder name;

2.5.2.4. Maintaining accurate, up-to-date inventories of Smart Card program hardware and equipment, including point-of-sale (POS) terminals, laptops, kiosks, Smart Cards, and other items associated with the Smart Card program that are delivered to agency locations;

2.5.2.5. Safeguarding Smart Cards as sensitive items, to the extent the Smart Cards are within the control of the agency (the agency is accountable for Smart Cards issued by the agency at issuance locations); and

2.5.2.6. Along with the agency's Smart Card project manager, comping with other Smart Card program policies and procedures as described in the MOU, SOPs, and other instructional documents.

2.6 SOPs

This chapter contains higher-level policy and disbursing accountability requirements for the use of various card programs that have been approved. DoD Agencies, responsible for programs listed within this chapter, are required to develop and maintain detailed SOPs that comply with all current applicable regulations and cover all aspects of their card program for daily operations and/or contingencies.

2.7 Loss of Funds

The DO is accountable for physical loss of funds and for overage of Smart Card funds. If a loss or overage occur, the DO or designated representative should follow the guidance prescribed in Chapter 6, section 4.0.

2.8 Smart Card Ordering

Smart Cards are ordered through the applicable point of contact for the program (Fiscal Service or Fiscal Service's financial agent/fiscal agent) and delivered to the appropriate site. The point of contact and designated agency representative(s) must establish procedures to determine card usage and a secure method of card delivery.

2.9 Security and Storage

Smart Card stock must be treated like blank check stock. Storage and security requirements for blank check stock are prescribed in Chapter 7, paragraph 3.7.

2.10 Lost or Damaged Cards and Replacements

If a Smart Card is reported lost, damaged, or malfunctioning, follow procedures laid out in the applicable MOU and SOPs. For all stored value and combination cards reported lost, stolen, damaged, or malfunctioning, a locally produced list should be created for audit purposes. For the U.S. Debit Card, contact Fiscal Service's financial agent.

2.11 Theft, Fraud, Waste, and Abuse

Agencies participating in a Smart Card program must:

2.11.1. Include a process for reporting and educating Smart Card cardholders on how to promptly report any loss, theft, fraudulent, and unauthorized use of Smart Cards, PINs, passwords, or other security breach or malfunction involving the Smart Card program to Treasury or Treasury's financial or fiscal agent, and to the agency Smart Card Project Manager;

2.11.2. Aggressively investigate and prosecute (or assist in investigations, and prosecutions of) end-user theft, fraud, unauthorized use, or improper use of the Smart Card service that occur in agencies' areas of operation, and assist in obtaining restitution for the party suffering the loss;

2.11.3. Ensure that appropriate anti-money laundering controls and procedures are in place, to document the flow of monies onto or off a Smart Card; and

2.11.4. When a funds pool is used to fund an SVC; compensate the SVC funds pool for losses that result from theft, fraud, unauthorized use or other improper use of SVC equipment or resources for which agencies are responsible; unless the funds pool has been reimbursed from other sources, or the Treasury determines that such compensation is unnecessary or does not serve the SVC program's best interests.

2.12 Audit Requirements

2.12.1. Inventory. An initial inventory must be completed and recorded upon receipt of Smart Cards from the Fiscal Service or other designated representatives. After the Smart Cards are inventoried, a signed receipt must be provided to the issuing representative for their records. The DO or designated representative will complete an SVC inventory log when releasing Smart Card stock to authorized personnel and to monitor returns of all unused Smart Cards. The DO or designated representative must maintain a copy of the signed receipt for his or her records.

2.12.2. Monthly Inventory. At least once every calendar month, the DO or designated representative must inventory all Smart Cards secured in the vault. Any open container must be inventoried by individual count and by unique sequential numbers of the cards. All damaged containers, or those bearing evidence of having been tampered with, must be opened, and all cards must be individually counted and unique sequential numbers verified. A detailed record of the inventory, to include total cards on hand and unique sequential numbers by card type, must be retained in the disbursing office. At least once during each calendar quarter, the agency's cash verification team must conduct an unannounced verification of any Smart Card stock (e.g., U.S. Debit Cards, EagleCash, EZpay) to include cards received, issued, returned, and on hand. A copy of the inventory must be given to the agency's cash verification team as an attachment to their quarterly cash verification report.

3.0 EZPAY STORED VALUE CARD

3.1 Overview

The EZpay SVC program utilizes a Smart Card with an embedded computer chip, which can be loaded in various denominations that can be configured to meet each installation's specific financial needs, that provides an electronic payment method for advance of pay to trainees of the U.S. Army, Air Force, Navy, and Marine Corps. The EZpay SVC is a substitute for coin and currency transactions and is issued to alleviate cash or check payments to trainees during training. The card is designed to provide basic trainees with access to their initial advance pay, a more secure method of money handling, and electronic payments to vendors for essential items needed during the first few weeks of training (e.g., haircuts, stationery, stamps, and toiletries). Personnel involved with administering the EZpay program are encouraged to access Fiscal Service's ***EZpay*** website. This website provides an overview of EZpay and includes items such as: getting started, frequently asked questions, acceptance sites, SVC facts, and the EZpay User's Guide. EZpay SVC transactions do not impact the DO Cash Treasury Account Symbol (TAS) and are reported to Treasury through Payment Information Repository (PIR) citing the proper TAS/ Business Event Type Code (BETC). Residual values on expired/cancelled cards will follow the EFT return reporting process.

3.2 Card Issuance

The DO or designated representative must maintain a vault inventory and issuance log for EZpay SVC stock received. This log must be used to maintain an inventory of card stock on hand and to control the release of cards to the issuing section or individual. When EZpay SVCs are issued, the DO or designated representative must examine the log to ensure that all cards issued and cards returned unused, if any, are accounted for and that cards are not removed without authority. The SVC inventory log must contain the date of inventory, beginning card unique sequential number, ending card unique sequential number, number of cards returned, number of cards issued for the day, number of cards remaining in inventory, and the signature of the DO or designated representative.

3.3 Activation and Accountability

Detailed procedures for activation of EZpay SVCs must be included in the agency's SOP for issuance. Once an EZpay SVC is activated, the DO or designated representative must ensure that the card number is indicated on the payroll document for tracking purposes and ensure the amount is reflected as an increase in the DO's accountability for that day's business. A payment in an amount equal to the total value of all EZpay SVCs activated that day will be forwarded to the Treasury's fiscal agent, which is the financial institution making restitution to the vendors for card usage. The payment will be in the form of an EFT. The fiscal agent will complete the required settlement action with vendors who accept the EZpay SVC. The total dollar value of the EZpay SVCs activated for that day, except for replacement cards issued, will always match the total of the daily payroll document.

3.4 Residual Value on Expired/Cancelled Cards

Unclaimed balances on an SVC at expiration are identified as residual funds and, if possible, are returned to the cardholder systematically by Fiscal Service's designated financial or fiscal agent. If systematic return is not possible, the agency and Fiscal Service initiate good faith efforts to locate and return residual funds greater than $10.00 to the authorized SVC cardholder. When systematic or good faith returns are not possible, residual funds greater than one year old are transferred to the Treasury trust fund receipt account "Unclaimed Moneys of Individuals Whose Whereabouts are Unknown" (***31 U.S.C. § 1322***) to be claimed with supporting documentation by contacting Fiscal Service. See ***I TFM 6-3000*** for additional guidance on residual funds.

4.0 EAGLECASH STORED VALUE CARD

4.1 Overview

The EagleCash SVC is a reloadable plastic card embedded with a computer chip that stores "electronic funds" in its memory. The card is issued to deployed service members, DoD civilians, and contractors. The card is used as a substitute for coins and currency transactions at concessions and for services at military installations overseas during contingency operations (e.g., barber and beauty shops, food court, post office, and Base Exchange). The card can be reloaded and continually used throughout the tour of duty. The cards are issued by a Finance Office (inside or outside the continental United States) and may be funded through a local pay, cash, personal check, or the EagleCash Kiosk. For more information, visit Fiscal Service's ***EagleCash*** website. This website provides an overview of EagleCash and includes items such as: getting started, frequently asked questions, acceptance sites, SVC facts, the EagleCash User's Guide, and the Kiosk User's Guide.

4.2 Card Issuance

The DO or designated representative will issue all cards used in this program. EagleCash cards with a zero-dollar value may be issued to individuals who are authorized to receive check-cashing services as prescribed in Chapter 4, paragraph 3.1. The name of the individual, appropriate identification number, length of deployment, and bank account information are all collected during the issuance process. EagleCash cards can be issued at the deployed location or in advance of deployment by the Finance Office.

4.3 Activation

4.3.1. EagleCash Kiosk. When an EagleCash card is issued, it may be loaded with funds drawn by personal check, cash, or local pay. Additionally, a self-service card-processing device called the EagleCash Kiosk may be deployed in the field for the purpose of loading, unloading, and transferring funds to the EagleCash card.

4.3.2. Application Process. Before a cardholder uses a kiosk, he or she is required to complete the ***FS 2887***, Application Form for U.S. Department of the Treasury Stored Value Card (SVC) Program. Completion of the FS 2887 gives the Treasury's fiscal agent access to move money from the cardholder's financial institution to the EagleCash card.

4.3.3. PIN. Bank information (bank routing number, account number, and type of account) is captured electronically or manually and embedded in the computer chip. A PIN is assigned at the chip level for use with the kiosk or at a Finance Office. The completed and signed FS 2887 must be forwarded to the Treasury's designated fiscal agent who is authorized to initiate debit and credit entries to the individual's financial institution. The FS 2887 will allow the cardholder to transfer funds between his or her financial institution and the EagleCash account. The DO must retain a copy of all completed enrollment forms.

4.4 Accountability

The accounting for entries of EagleCash must be recorded on the appropriate lines of the ***DD 2657***, Daily Statement of Accountability. On each business day, using the EagleCash laptop, DOs, DDOs, Finance Officers, or their designated representatives collect all new account transactions and create a compressed "zipped" file. Email the file to the EagleCash Customer Service Center at eagle@frb.org, transmit it online, or deposit it at another agency-designated location.

4.5 Residual Value on Expired/Cancelled Cards

If a cardholder departs the area before cashing out their EagleCash card, the Fiscal Agent must deposit the funds to the cardholder's account on file after the card expires. A credit must be forwarded to the cardholder's bank account via an Automated Clearing House (ACH) credit using information provided by the cardholder when signing up for EagleCash. If systematic return is not possible, the agency and Fiscal Service initiate good faith efforts to locate and return residual funds greater than $10.00 to the authorized SVC cardholder. When systematic or good faith returns are not possible, residual funds greater than one year old are transferred to the Treasury trust fund receipt account "Unclaimed Moneys of Individuals Whose Whereabouts are Unknown" (see 31 U.S.C. § 1322) to be claimed with supporting documentation by contacting Fiscal Service. See I TFM 6-3000 for additional guidance on residual funds.

5.0 DAILY REPORTING REQUIREMENTS FOR STORED VALUE CARD

Daily reporting requirements for the EagleCash and EZpay Cash card programs are the same. The following scenarios impact the DO Cash TAS and must be properly reported to the Treasury.

5.1 SVC Sales or Load/Chip to Cash

Issued cards may be funded by personal check, cash, split pay, or transfer of funds from the cardholder's home financial institution. Funding through split pay and the cardholder's home financial institution does not impact the DO's accountability/DO Cash TAS. Funding by personal check or cash increases the DO's accountability/DO Cash TAS.

5.1.1. Personal Check. Submit a debit voucher citing the DO Cash TAS and applicable BETC to the Federal Reserve Bank (FRB) via DoD business system processes. The FRB will transmit the transactions to Treasury via ***Over-the-Counter Channel Application*** / ***Collection Information Repository*** (OTCnet/CIR) reflecting the proper TAS and BETC. Deposit the personal check citing the DO Cash TAS.

5.1.2. Cash. Submit a debit voucher citing the DO Cash TAS and applicable BETC to the FRB via designated system processes. The FRB will transmit the transactions to Treasury via OTCnet/CIR reflecting the proper TAS and BETC.

5.2 SVC Sales or Sale/Cash to Chip

Prior to departing a deployed environment, ship, or being separated from active duty, a cardholder may transfer any remaining value to their home financial institution or request a cash-out from the DO paid in cash or by U.S. Treasury check. The transfer of value to a home financial institution does not impact the DO's accountability/DO Cash TAS. Additionally, vendors utilizing a POS terminal may request a cash-out for the dollar value equal to transactions on their POS terminal. Cash-out transactions decrease the DO's accountability/DO Cash TAS.

5.2.1. U.S. Treasury Check. Submit a deposit ticket citing the DO Cash TAS and applicable BETC to the FRB via designated DoD business system processes. The FRB will transmit the transactions to Treasury via OTCnet/CIR reflecting the proper TAS and BETC. Report the U.S. Treasury check to PIR citing the DO Cash TAS.

5.2.2. Cash. Submit a deposit ticket citing the DO Cash TAS and applicable BETC to the FRB via designated DoD business system processes. The FRB will transmit the transactions to Treasury via OTCnet/CIR reflecting the proper TAS and BETC.

6.0 U.S. DEBIT CARD PROGRAM (USDC)

The USDC program provides Federal agencies with the ability to deliver Federal payments through debit cards, as an alternative to checks, drafts, cash, and other non-electronic mechanisms. The cardholder may use the USDC to access authorized Federal payments at Automated Teller Machines, POS terminals, bank tellers, and other locations where access is permitted. If the USDC is MasterCard or Visa branded, the cardholder may use the USDC anywhere the applicable brand is accepted. For more information, visit ***Fiscal Service's USDC*** website and the ***USDC Program*** website.

6.1 Program Administration

The USDC program is administered by the Fiscal Service, with the assistance of Fiscal Service's designated financial agent. The USDC is a flexible payment mechanism used to deliver miscellaneous or nonrecurring payments to individuals, or to allow government employees or military personnel access to cash during their official duties.

6.2 Card Funds Access

After implementation of the USDC program, the agency disburses payments to a card account and the funds are accessed via a debit card issued to a Federal payment recipient. Cards may be funded through a Card Funding Account (CFA) owned by the agency and held by the financial agent, through EFT via the ACH network, or by utilizing the Automated Standard Application for Payments system to authorize the financial agent to draw down agency funds. Funds held in a CFA must be reflected in the DO Cash TAS. DOs establish funds in a CFA through an EFT for Cash and record the funds on the DD 2657. Disbursements out of the CFA must be reported as cash disbursements.

7.0 DIRECT EXPRESS

Direct Express Debit MasterCard is a prepaid debit card offered to Federal benefit recipients who wish to receive their benefits electronically. The debit card offers the convenience and security of using electronic transactions to spend and access money rather than using cash for purchases. Recipients do not need to have a bank account to sign up for the card. The Direct Express Debit MasterCard is available only to individual Federal benefit recipients. For more information, visit ***Direct Express*** Debit MasterCard website.

VOLUME 5, CHAPTER 11: "ELECTRONIC COMMERCE AND DEPOSIT OF PUBLIC FUNDS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated August 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
4.7, 10.3	Removed procedural content and renumbered subparagraphs accordingly.	Deletion
4.4, 12.0	Added guidance for cancelling year appropriation transactions from the Yearend Cutoff for Cancelling Year Appropriations Policy Memo (FPM23-04).	Addition

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CHAPTER 11

ELECTRONIC COMMERCE AND DEPOSIT OF PUBLIC FUNDS

1.0 GENERAL

1.1 Overview

Government entities disburse funds to and collect funds from individuals, businesses, and other government entities via cash, negotiable instruments, and a variety of electronic mechanisms.

1.2 Purpose

This chapter provides information and guidance on several electronic disbursement and collection mechanisms that are U.S. Department of Treasury (the Treasury) programs and services.

1.3 Authoritative Guidance

Title 31, United States Code (U.S.C.), section 3322 ***(31 U.S.C. § 3322)*** and ***31 U.S.C. § 3302*** authorizes disbursing officers (DO) to deposit public funds and draw public funds from the Treasury or a depositary only as necessary to make payments. Additional statutes, regulations, and other guidance are referenced under each section of this chapter.

2.0 ELECTRONIC FUNDS TRANSFER (EFT)

2.1 Overview

In accordance with ***31 U.S.C. § 3332***, EFT is mandatory within the DoD. Exceptions to this mandate are provided in the ***Treasury Financial Manual (TFM), Part 4A, Chapter 2000 (I TFM 4A-2000)***.

2.2 Electronic File Transmission

Payment or payroll files must transmit to the Federal Reserve Bank (FRB) by electronic file transmission.

2.3 Contractor Pay Applicability

Refer to Volume 10, Chapter 3, paragraph 4.8.

2.4 Official Authorization List (OAL) for the FRB

2.4.1. Overview. The OAL identifies all individuals who are authorized to transact business and provide instructions to the FRB on behalf of a disbursing office.

2.4.2. OAL Documentation. The OAL authorization letter, form, and instructions are located on the ***FRB Services - Account Services Forms*** web page. The disbursing offices must complete the form, notarize it, complete the Certificate of Resolutions Authorizing an Institution to Open and Maintain Accounts and Use Services (BR) form, and forward the documents to Treasury's Bureau of the Fiscal Service, 401 14th Street SW - 409D, Washington, DC 20227 (treasuryOAL@fiscal.treasury.gov).

2.4.3. OAL Change Process. Each DO must validate their respective contact form for their office at least annually. If changes are required, follow the process in the FRB Service guidance located on the FRB Services web page in ***Table S.4*** (Sending Point and Service Provider Contact form). Once completed, send a copy to Defense Finance and Accounting Service (DFAS), Enterprise Solutions and Standards, Disbursing (DFAS-IN/JJFKCD), 8899 East 56th Street, Indianapolis, IN 46249-2700 (dfas.indianapolis-in.jjf.mbx.ess-disbursing@mail.mil) and submit the original to the Fiscal Service, who will sign and forward to the FRB.

3.0 CARD ACQUIRING SERVICE (CAS)

3.1 Overview

The CAS is a government-wide network that allows federal agencies to receive credit and some debit card payments (e.g., Visa, MasterCard, American Express, Discover credit cards, and some debit cards) due the Federal Government. These credit or debit cards can be used to collect payments from the general public and from Government entities for a variety of reasons, including, but not limited to sales of materials, services, fees, fines, debts, customs duties, and taxes. Fiscal Service designated one financial agent to process credit and debit card collections and to provide uniform nationwide credit and debit card services for federal agencies. Credit and debit cards may be used for collections received over-the-counter, by mail, by phone, or over the Internet. If an agency wants to accept payments through the Internet, the agency should work with ***Pay.gov*** in addition to setting up a CAS account. For more information about Pay.gov, see section 7.0. Information pertaining to the CAS is available on Fiscal Service's ***(CAS)*** website.

3.2 Card Processing Rules and Regulations

Activities participating in the CAS must comply with the ***I TFM 5-7000*** when processing credit and debit card transactions. In order to establish a processing relationship, activities must complete and submit the Card Acquiring Service Application (CASA) to Fiscal Service for approval. Prior to submission, activities must coordinate with their servicing DO.

3.3 Transaction Dollar-Value Limit

3.3.1. Maximum Limit. Effective June 1, 2015, agencies must limit their credit card collections to ensure an individual payment transaction does not exceed $24,999.99. There should be no purchases using the credit card in excess of $24,999.99. Effective October 1, 2022, the threshold for intra-governmental card collections is further decreased so that those individual transactions may not exceed $10,000.00. An attempt to bypass these limits will result in a rejected transaction at the point of collection. Agencies will ensure controls are in place to prevent splitting

a purchase into smaller transactions. The payment–collection process will be stopped if the maximum limit for a collection is attempted. This information can be found at ***I TFM 5-7055***.

3.3.2. Government Purchase Card Transactions. The $10,000.00 limit in subparagraph 3.3.1 also applies to intra-governmental transactions using the government purchase card when the agency accepting the card uses Treasury's CAS. Individual credit card transactions exceeding the maximum limit cannot be split into two or more transactions over one or multiple days. If the agency's cash flow includes individual credit card transactions greater than the maximum limit, the agency should use another electronic collection alternative for those transactions. Available electronic alternatives include Automated Clearing House (ACH), which is the primary system for EFT, and Fedwire, which is a gross settlement funds transfer system operated by the FRB.

3.3.3. Minimum Limit. Agencies may not establish minimum transaction amounts as a condition of honoring a credit or debit card. Only the Treasury may establish minimum limits and will do so only under special circumstances.

3.3.4. Purchase Card Payments. Requirements are in Volume 10, Chapter 23.

3.4 Processing Transactions

All activities must settle (balance or reconcile) on a daily basis, regardless of the amount accumulated that day. Activities will pay the assessed non-qualifying interchange fee when they fail to settle electronically every day. The network bank will inform the activity of its particular cutoff times for deposits. In an electronic environment, settlement transactions should take place through an Electronic Data Capture/Point of Sale at various times during the day (or once at the close of business) in order to meet the cutoff time for deposits.

3.5 Reports and Reconciliation

Based on the report requirements established in the participation agreement with the network bank, reports of the merchant's credit and debit card activity will be made available electronically by the network bank to the participating DoD activity (merchant). The summary will detail dates of deposits, dollar amounts of deposits, number of transactions processed, adjustment charges, and chargebacks. This report must be used to reconcile any differences which may occur between the report and entries into the accounting system. The report must also be reconciled with the DoD ***(DD) Form 1131***, Cash Collection Voucher, submitted to the DO or Deputy DO, and the deposit information posted in the Collection Information Repository (CIR).

3.6 Internal Controls

Internal control procedures must be established by each participating DoD activity to ensure that credit and debit card transaction documentation, to support all DD 1131s submitted to the DO, is properly safeguarded. Documentation must be available for use by the DO's quarterly cash verification board, the collection agent audit board, and for other audit purposes.

4.0 INTRA-GOVERNMENTAL PAYMENT AND COLLECTION (IPAC) SYSTEM

4.1 Overview

4.1.1. This section covers general information on the IPAC system. General requirements and technical specifications are fully prescribed by the Treasury on the ***Intra-Governmental Payment and Collection (IPAC)*** website (see Volume 10, Chapter 10, section 2.0).

4.1.2. The IPAC system is used for buyer-seller (e.g., reimbursable) transactions between federal agencies because it accomplishes the following:

4.1.2.1. Facilitates timely posting of collections to reduce receivable balances;

4.1.2.2. Eliminates the paper flow between agencies;

4.1.2.3. Eliminates the use of Treasury checks between agencies;

4.1.2.4. Improves cash management; and

4.1.2.5. Establishes the Treasury as the collection agency.

4.2 IPAC

The IPAC system's primary purpose is to provide an automated standardized interagency funds expenditure transfer mechanism for Federal Program Agencies (FPAs). It facilitates intra-governmental Federal e-commerce by transferring funds, with related descriptive data, from one FPA to another on a real-time basis. The IPAC system enables FPAs to exchange accounting information and to transfer funds between FPAs involved in buyer-seller relationships. It establishes standardized interagency payment, collection, and adjustment procedures through an internet-based application. The IPAC system also includes a module for transmitting Retirement Insurance Transfer System transactions to the Office of Personnel Management (also see the IPAC website).

4.3 Originating the IPAC Transactions

4.3.1. Buy-Sell Agreement. Per ***I TFM 2-4700, Appendix 8***, Buy-Sell Agreements are required between agency location codes (ALCs) in order to help facilitate the payment/collection process. The Buy-Sell Agreement contains agreed upon terms between the ALCs that help ensure necessary transaction information is provided so that both sides will be able to reconcile their transactions (also see the IPAC website).

4.3.2. Government Invoicing Initiative. In a daily reporting environment, agencies are required to use Treasury's government invoicing (G-Invoicing) system (formerly named the Invoice Processing Platform). G-Invoicing is used to negotiate, broker, and electronically store the General Terms and Conditions between buyers and sellers for all inter- and intra-governmental reimbursable transactions as appropriate system capabilities become available. Additional information on G-Invoicing is addressed in Volume 11A, Chapter 2, subparagraph 3.1.3.

4.3.3. Initiating the Order

4.3.3.1. The customer agency must include its ALC on all requisitions or order forms forwarded to the billing agency. This code identifies the customer agency to be billed for services or supplies. The billing agency will provide the customer agency with appropriate instructions for transmitting this information. Also, the customer agency should include sufficient descriptive information on the requisition or order form, which the billing agency will place in the description section of the bill. This will enable the customer agency to later match the bill with the originating requisition in the customer's computer system. The primary match will be on the originating document number. By design, the IPAC system is not dependent on appropriation data as criteria to match an existing obligation since the Treasury transfers funds at the ALC level.

4.3.3.2. After fulfilling the customer agency's requisition/order, the originating agency (based on whether it is a payment or collection transaction) must input the appropriate data in all the IPAC required data fields. Also, it must input the customer agency's special requirements and any descriptive information, supplied with the requisition/order, in the appropriate fields of the IPAC transaction.

4.3.4. Initiating the IPAC Transaction

4.3.4.1. If the billing agency initiates a collection transaction, the transaction provides essential invoice information and immediately charges the funds to the 8-digit customer ALC. Within DoD, the 8-digit ALC is the 4-digit Disbursing Station Symbol Number (DSSN) preceded by four zeros. Upon fulfilling the customer agency's order or requisition for services purchased or supplies shipped, immediate payment is accomplished by the billing agency crediting its own ALC and charging the customer agency's ALC. A payment transaction initiated by the customer agency (e.g., disbursement) credits funds of the billing ALC when a hardcopy invoice is received. A payment transaction can also transfer payroll deduction type payments (e.g., Internal Revenue Service or Veterans Education Assistance Program).

4.3.4.2. Transactions can be input manually into the on-line system or created automatically by accounting or disbursing systems for bulk data transfer or host-to-host transmissions. The IPAC system automatically will issue an IPAC Document Reference Number that is the equivalent of a U.S. Treasury check number and will ensure that no two transactions have the same number.

4.3.4.3. Bulk files are queued for processing immediately upon receipt into the IPAC system; on-line transactions transmit in "real-time." Whether an on-line or bulk data transfer transaction, the transaction originator must include a point of contact and telephone

number to ensure the receiving agency can accurately determine who to contact if there is a need for adjustment.

4.3.4.4. A collection or disbursement voucher (e.g., DD 1131, ***Standard Form (SF) 1080***, Voucher for Transfers Between Appropriations and/or Funds, or ***SF 1034***, Public Voucher for Purchases and Services Other than Personal) must be prepared for each bill or payment entered in the system and processed through the DO in the same manner as other vouchers, except that no check or cash payment is sent or received.

4.3.5. Required Data Elements for Initiating IPAC Transactions. There are mandatory fields in the IPAC system for specific IPAC transactions. The Treasury requires these data elements and they vary by transaction type. The mandatory fields can be found at the IPAC website.

4.3.6. Other Required Information. There are three additional required data elements for DoD IPAC transactions, in addition to the Treasury required information. When initiating a payment or collection in IPAC, the sender Business Event Type Code (BETC), receiver BETC, and the receiver Treasury Account Symbol (TAS) are required for every transaction. Also, an ALC can require specific and/or descriptive data necessary for their ALC to process the transaction completely. This specific information should be in the Buy-Sell Agreement that was agreed upon by the participating ALCs. See ***I TFM 2-5135*** for guidance for the TAS/BETC reporting of accounts F3500, Collections and/or Payments Default, and 3502, IPAC Default. Agencies must correctly reclassify, in the Classification Transactions and Accountability, all system defaulted transactions to a valid receipt or expenditure TAS by the third business day following the close of the accounting month.

*4.4 Processing Cycle

The IPAC system is available through the last day of each month to enter bills or transfers for that month. However, unless a different cutoff date and time is in the Buy-Sell Agreements, agencies will not process any new transactions the last five business days of the month to avoid month-end accounting problems. Also, when revising Trading Partner Agreements (TPA) to incorporate the new five workday cutoff, agencies must utilize Fiscal Service Forms 7600A and 7600B as the Department continues to migrate towards G-Invoicing. I TFM 2-4700, Appendix 8 states G-Invoicing was available for government-wide use with G-Invoicing Release 2.1, which allowed users to begin brokering General Terms and Conditions (GT&Cs) within the system. Each DoD reporting entity must apply the GT&Cs for intragovernmental transaction account reconciliation, derived from I TFM 2-4700, to all transactions with internal DoD trading partners currently using G-Invoicing for GT&Cs. Cancelling year transactions must also conform to the fiscal year (FY) cutoff requirement in section 12.0.

4.5 Recording IPAC Transactions

4.5.1. Under the Central Accounting Reporting System (CARS) initiative, partial and "Full" CARS reporters will no longer report IPAC transactions to the Treasury monthly, since they provide the information daily.

4.5.2. Reconciliation. An organization can print out its ALC's activity from the IPAC system to help ensure all transactions are accounted for (see the IPAC website).

4.5.3. Reporting of Unprocessed Transactions

4.5.3.1. Unidentified transactions between federal agencies, including IPAC transactions, will be debited or credited to account F3885 (Undistributed Intra-governmental Payments). The Treasury identified a 3-digit limit, F3885.007, specifically for the IPAC system. All new transactions that remain unclassified at month-end will be recorded in F3885.007 (see I TFM 2-5135).

4.5.3.2. The detailed transactions and the reconciliation to the Treasury will remain in the existing tool used for recording and clearing unprocessed IPAC transactions.

4.5.4. Receipt and Acceptance Internal Controls. DoD financial reporting entities should include IPAC in intra-governmental transactions and must develop and implement internal controls to ensure that receipt and acceptance is properly documented. Entities must make this documentation available within the timeframe prescribed by an auditor when requested during audits.

4.6 Adjustments

Both the billing and customer agencies should recognize that the system cannot tolerate uncontrolled charges or adjustments. The adjustment function should not be used to adjust charges that originated under other billing systems. The charge should also not be considered erroneous simply because the customer agency receives the paid billing statement before supplies are received. If the receiving agency subsequently finds that the transaction was erroneous, the adjustment should occur at that time. However, the receiving agency has only 90 days from the creation date of the transaction to process the adjustment. The sending agency also has the ability to make an adjustment to an erroneous transaction prior to or within 90 days after its submission to the receiving agency.

4.6.1. There are some situations that warrant an immediate adjustment to a transaction. Some acceptable reasons for an immediate adjustment are:

4.6.1.1. Billing the wrong ALC for the transaction;

4.6.1.2. Funds cited do not belong to the billed ALC;

4.6.1.3. Appropriation cited has expired;

4.6.1.4. Transaction exceeds authorized funding;

4.6.1.5. Duplicate transaction; or

4.6.1.6. Noncompliance with required data elements set forth in a TPA.

Anytime a transaction appears to be erroneous, there needs to be sufficient reason to adjust it back. If you can take ownership of a transaction (e.g., a valid billing that belongs to your ALC), do not reject it without sufficient research and notification. Communication between trading partners is key to resolving erroneous transactions.

4.6.2. Contact the agency representative who created the original transaction. If the transaction is erroneous, the receiving agency will access the IPAC on-line system and make the menu selection for IPAC adjustments. The IPAC system will guide the user with prompts and contains edits to ensure that the original transaction matches to the adjustment transaction. Once the data is entered correctly, the system will issue an IPAC Adjustment Voucher Number unique to each transaction. Adjustments are considered a new transaction for reporting purposes and included in the net totals for the month in which the adjustment is accepted in the IPAC system.

4.6.3. In cases where the originating agency (e.g., the ALC that created the transaction) later concludes that the adjustment (or a portion thereof) was improper, it must communicate this to the receiving agency, preferably by email or via telephone. When the parties have reached an agreement, a second IPAC transaction will be prepared for the proper amount.

*4.7 Restrictions

The Treasury reserves the right to make any adjustments centrally in CARS and to remove any agency from the IPAC system in those instances when the agency fails to comply with the rules and regulations set forth by the Treasury. For additional information see the IPAC website.

5.0 TREASURY LOCKBOX NETWORK

The Treasury Lockbox Network is comprised of financial agents that provide lockbox and remittance service to the Treasury on behalf of federal agencies. The financial agents are strategically located to minimize mail, processing, and collection float. Lockbox processing was adopted as a means of accelerating deposits to the Treasury's General Account at the FRB of New York. The Treasury (***I TFM 5-4600***) has prescribed guidance on lockbox service.

6.0 CREDIT GATEWAY

6.1 Overview

The Credit Gateway is a collection program for Fedwire and ACH credit transactions. For more information about Credit Gateway, see paragraph 6.2 for the hyperlink to Fiscal Service's Credit Gateway.

6.2 Implementation

Activities who want to use the Credit Gateway must complete the new account setup form and email it to Fiscal Service. Fiscal Service will coordinate with the financial agent to assign an account number. Upon notification that the account number is active, the activity can provide the

account number to customers and receive payments. Activities interested in creating a Credit Gateway account should review the Fiscal Service's ***Credit Gateway Get Started*** web page.

6.3 Credit Gateway Process

6.3.1. The activity advises the customer of the obligation due the Government, either by invoice, bill, letter, or other means. The agency also supplies the customer with the appropriate information to include in the transaction.

6.3.2. When the customer sends the payment through their financial institution, the FRB receives the transaction and credits the Treasury's account.

6.3.3. Transaction information transmits to the Treasury via the CIR. The transaction information includes both detailed and summary deposit information. The activity can download the information from CIR.

6.3.3.1. Fedwire Reporting. CIR will report deposit information for Fedwires in near real-time.

6.3.3.2. ACH Credit Reporting. CIR will report future-dated and settled ACH credit entries.

7.0 PAY.GOV

7.1 Overview

Fiscal Service developed Pay.gov to meet a commitment of processing collections electronically using internet technologies. Pay.gov satisfies agencies' and consumers' demands for electronic alternatives by providing the ability to electronically complete forms, make payments, and submit queries 24 hours a day. Pay.gov is a secure, government-wide collection portal and provides a suite of services allowing agencies to obtain and process collections in an efficient and timely manner.

7.2 Services

The Pay.gov application is comprised of four services: billing/notification, forms, reporting, and collections.

7.3 Collections Service

The Pay.gov collections service has credit and debit card transaction and ACH debit transaction processing options. Activities that want to accept credit and debit cards through Pay.gov must apply for an internet merchant account with the Fiscal Service CAS. Pay.gov accepts several payment options:

7.3.1. One-time Payments. The customer submits a one-time payment to the activity.

7.3.2. Recurring Payments. The customer sets the payment details and establishes a specific interval of time between each payment. Payments continue until all payments have been made or the payments have been canceled.

7.3.3. Deferred Payments. The customer can enter and schedule a payment up to 30 days in advance. Customers performing a credit or debit card transaction cannot use this option.

7.3.4. Preauthorized ACH Debits. The customer can authorize the activity to submit payment information, on their behalf, for regular, recurring ACH debits. The customer must provide advanced, written authorization. The activity submits the payment information to Pay.gov.

7.4 Implementation

7.4.1. Prior to implementing Pay.gov, activities must obtain the approval of the servicing DO.

7.4.2. Activities considering use of Pay.gov are directed to Fiscal Service's ***Pay.gov Getting Started*** web page. Guides and technical information can be found at the ***Pay.gov Agency Documentation*** web page.

7.4.3. DFAS established a Pay.gov team to provide assistance with new or changing Pay.gov activities. The DFAS Pay.gov team serves as a focal point for communicating with Treasury and can review, approve, and authorize all Pay.gov initiatives. Contact the DFAS Pay.gov team at dfas.indianapolis-in.ztd.mbx.pay-gov@mail.mil.

8.0 DEPOSITS OF FUNDS

Under 31 U.S.C. § 3302, custodians of money (e.g., DOs) holding cash or negotiable instruments in excess of either current requirements or the amount authorized to be held at personal risk, whichever is less, must make a prompt deposit in an authorized depositary of the Treasury for credit to the Treasurer of the United States. This does not apply to instruments to be returned to remitters in the form received (e.g., deposits of unsuccessful bidders for the sale of government property). Process all physically received, negotiable instrument deposit transactions through the ***Over-the-Counter Channel Application (OTCnet)*** and cite a valid TAS and BETC at the time of the deposit.

8.0.1. Same Day Deposit. Cash collected and deposited prior to the end of the business day does not impact the DO Cash TAS. Deposited funds must cite the appropriate TAS/BETC that appears on the DD 1131.

8.0.2. Deposit Operating Cash No Longer Needed. Cash that is reflected on the ***DD 2657***, Daily Statement of Accountability (on the ending accountability and deposited lines), must cite the DO Cash TAS/BETC at the time of the deposit.

8.1 OTCnet

8.1.1. Overview. OTCnet is a web application that lets federal agencies manage and report all check and cash deposits in one place. OTCnet automates the over-the-counter deposit process, captures detailed accounting information, and makes the classification of Treasury collections easier. It allows agency users to report receipts through a secure web-based application rather than by using paper-based credit vouchers. There are "off-line" check capture capabilities for activities operating in locations with intermittent or unavailable bandwidth and communication. For more information about OTCnet, see Fiscal Service's OTCnet web page.

8.1.2. OTCnet Requirement. Process all physically received, negotiable instrument deposit transactions through OTCnet. Agencies unable to use OTCnet for deposits of negotiable instruments due to contingency operations must establish depositary arrangements with US Bank's Mail-In Treasury General Account (MITGA) through the FRB of St. Louis. This includes the deposit of commercial checks and U.S. Treasury checks. For more information on MITGA, see subparagraph 8.3.1.2.

8.1.3. Deposit of Cash and Negotiable Instruments. When using the OTCnet Deposit Reporting function, the depositing agency may combine cash and negotiable instruments into one deposit.

8.1.4. Required Information in Block 6. At a minimum, Block 6 of the OTCnet deposit ticket must identify the depositing entity's name and location, the deposit preparer's name, email address, and the deposit preparer's phone number. The extent of additional information required in Block 6 is at the discretion of the DO.

8.1.5. Handling of Scanned Negotiable Instruments. After scanning items in OTCnet, retain the scanned negotiable instruments until verifying that they reside within OTCnet and a good image is on file. This verification must take place within 14 calendar days. Scanned items that are awaiting approval must be secured in an approved manner (see Chapter 3, section 3.0). Once verified, destroy the negotiable instruments.

8.2 Depositaries

8.2.1. General Depositaries. ***III TFM 2-1000*** describes general depositaries as commercial banks or other financial institutions designated specifically and authorized by the Treasury to maintain a demand account in its name to accept deposits to the TGA. These depositaries are designated only where they are needed to receive deposits of public funds for credit to the TGA or to furnish cash to DOs for official disbursements. Making deposits to a TGA eliminates processing floats. If more than one bank has been authorized at a base, station, installation, or command, the local commander must give equal recognition when recommending designation of authorized financial institutions as TGA depositaries. After Treasury approval, the commander should reasonably distribute official financial transactions among the approved depositaries. Only deposit public funds in a financial institution that is approved as a general depositary, except as shown in subparagraph 8.2.4, and only mail deposits to a TGA when given specific Treasury authorization to do so.

8.2.2. Requests to Deposit With or Change General Depositary. DOs formally request authorization to deposit collections with a general depositary, or change from one authorized depositary to another, following guidance provided in the ***I TFM 5-2000***. This requirement also includes those instances when on-base banks or credit union offices undergo changes such as acquisitions or mergers. Send the completed request, no later than 35 calendar days prior to desired deposit start date, to the DoD Banking and Credit Union Office via email to dfas.dscc.jjf.mbx.dod-financial-institutions-tga@mail.mil for review, coordination, and submission to the FRB of St. Louis.

8.2.3. Need for General Depositary Ceases to Exist. The DO advises DFAS-JJF/CO of the date on which the need for a general depositary ceases to exist, and the reason therefore.

8.2.4. Limited Depositaries. Limited depositaries are designated only to receive deposits made by or on behalf of DOs for credit to their official non-symbol checking accounts maintained with such depositaries. Limited depositaries are not authorized to accept deposits for credit to the Treasury. For additional information on limited depositary accounts, see Chapter 14.

8.3 Deposit Requirements

8.3.1. Frequency. Deposit all funds received for credit to the Treasury's account promptly.

8.3.1.1. Agencies must deposit receipts totaling $5,000 or more on the same business day received prior to depositary cutoff time. Make deposits as late as possible prior to the specified cutoff time to maximize daily deposit amounts. Collections totaling less than $5,000 may be accumulated and deposited when the total reaches $5,000. However, make deposits by Thursday of each week, regardless of the amount accumulated. For additional information, review the ***I TFM 5-2065***.

8.3.1.2. Send mailed deposits to US Bank's MITGA, rather than to the FRB. The MITGA will receive deposits of commercial checks, U.S. Treasury checks, and at the direction of the DO, cash. Before mailing deposits, the DO must establish depositary arrangements with US Bank's MITGA through the FRB of St. Louis. Once approved, establish the MITGA within OTCnet, and use OTCnet in conjunction with the MITGA. When using the MITGA during contingencies (when OTCnet is not available), the DO will contact the FRB of St. Louis to obtain permission to mail in a deposit. Once approved, the requestor receives a special form to complete and mail with the deposit. The former SF 215 (manually prepared deposit ticket) cannot be used.

8.3.1.3. For Navy vessels at sea, when daily mail service is not available, receipts consisting only of personal checks, money orders, and other negotiable instrument(s) may accumulate up to $5,000 before they must be deposited, provided that a deposit of all receipts on hand is made at least once each week. The DO prepares the deposits for mailing via registered mail and delivers them to the military post office onboard. The DO may not hold negotiable instruments to be deposited pending arrival at the next scheduled port of call. Regardless of the total amount, the time interval since the last deposit, and the type of checks and negotiable

instruments on hand, DOs on board naval vessels make a deposit on the last regular business day before leaving port and on the first regular business day after returning to port for any at sea period in excess of 1 week.

8.3.2. U.S. Dollar Deposits

8.3.2.1. Negotiable Instruments. Deposit negotiable instruments (e.g., personal checks, traveler's checks, cash, and money orders) payable in U.S. dollars for credit to the Treasury's account at an approved general depositary. DOs may deposit Treasury Checks at Military Banking Facilities overseas.

8.3.2.2. Checks Drawn on Foreign Banks in U.S. Dollars Payable Through a Bank in the United States. Checks drawn on foreign banks in U.S. dollars, payable through a bank in the United States, must have an American Bankers Association (ABA) routing and transit number (RTN) printed on the item and a magnetic ink character recognition encoded with a U.S. bank's ABA RTN at the bottom left side of the check. Group these checks on a single deposit ticket and deposit them as described in subparagraph 8.3.2.1.

8.3.2.3. Manner of Deposit

8.3.2.3.1. In conjunction with OTCnet, deposit cash, checks, drafts, or money orders in person with an authorized TGA. If a deposit of cash in person is impracticable at an authorized TGA, the next most preferred method is by armored car. The least preferred method of depositing cash is by registered mail to the MITGA. Since the delivery confirmation may require an additional fee to request a copy of the signature record with return receipt, the DO must ensure that funding is available. Charge costs for a cashier's check or money order to operations and maintenance or working capital funds available to the DO. If cash must be mailed, then the cash must either be double wrapped or placed in an inner and outer container. Deposit damaged or mutilated currency in accordance with Chapter 3, paragraph 5.7.

8.3.2.3.2. Agent officers or any authorized collection officer may make deposits on behalf of the DO when an approved designated depositary is available. These individuals will use OTCnet for deposits.

8.3.2.3.3. When an approved designated depositary is not available, agent officers or any authorized collecting officers may send cash to the DO by conversion to postal money order, bank money order, or cashier's check. Pay the fee for purchase of the cashier's check or postal/bank money order in cash at the time of purchase and attach the receipt to the DD 1131. Deduct the cost of the cashier's check or postal/bank money order from the total amount collected. Show in the body of the DD 1131 the total amount collected, the fee for the cashier's check or postal/bank money order, the net collection, the bank, and the date of the money order.

8.3.3. Foreign Currency Deposit. See Chapter 13, subparagraphs 6.2.4 and 6.2.5.

8.3.4. Reporting Large Deposits. To permit Fiscal Service to manage the government's cash position at each FRB, large deposits must be reported in advance of the transaction settlement date (***I TFM 6-8500***). IPAC transactions are exempt from this reporting requirement.

8.3.5. Sorting and Listing of Instruments. Include with each completed deposit ticket an adding machine tape or other listing, unless other arrangements have been made with the depositary. Sort all currency by denomination, face and top up, and deposit it in full packages (100 notes) of each denomination: $1, $2, $5, $10, $20, $50, and $100. Prepare partial packages for each denomination not containing 100 notes. Secure each package (full or partial) with a currency strap bearing no printed denomination. DOs may obtain these straps from commercial suppliers. Legibly show the total dollar amount and DSSN on each package of currency on each strap. Roll coins whenever possible. Include with each completed deposit ticket an adding machine tape or other listing reflecting, by denomination, the total of currency and coin that comprise the deposit.

8.3.6. Endorsement of Negotiable Instruments

8.3.6.1. Area for Endorsements. Endorsement of negotiable instruments must occur on the back in the 1 1/2 inch space along the "trailing edge." When viewing the face (front) of a check, the trailing edge is the left hand edge. Normally, endorsements consist of the name of the payee and other identifying information required by the activity cashing the check. When the DO is preparing checks made payable to DoD, a DoD Component, another government agency, or the DO for deposit, the endorsement stamp required by subparagraph 8.3.6.3 appears in this space.

8.3.6.2. Multiple Endorsements. When multiple endorsements occur (or the space is used by a qualified endorsement such as for checks endorsed over to the DO by the payee) and the DO's endorsement requires space beyond the first 1 1/2 inches from the trailing edge, the DO uses the assigned space for subsequent endorsers (the back of the check in the upper right hand corner, no more than 3 inches from the right hand edge (leading edge) of the check). Do not refuse a check when the area assigned for the bank of first endorsement has been used. Such checks are acceptable but may not be processed by the banking system in the prescribed time frames under the Expedited Funds Availability Act (***12 U.S.C. § Chapter 41***), which could hamper collection action. Blue or black ink is preferable for endorsements.

8.3.6.3. Endorsement Requirements. Activities may use stamps containing additional information if the endorsement fits within the 1 1/2 inch space assigned for payee endorsers.

8.3.6.3.1. Negotiable Instruments Deposited With a General Depositary. When using the Deposit Reporting function of OTCnet, all negotiable instruments in payment of an obligation due the United States, regardless of the payee to which drawn, must be endorsed on the back of the instrument in the 1 1/2 inch space along the trailing edge. Insert the component's name (e.g., Army, Navy, or DFAS) first and then insert the 4-digit disbursing activity's DSSN in the blank following "DSSN." These may be entered manually, mechanically, or be included as a

part of the stamp itself. Enter, either manually or mechanically, the date of the deposit in the blank following "Date" to correspond with the bank's business day. See subparagraph 8.3.1.

8.3.6.3.2. Conditional Endorsements. Do not accept checks with conditional endorsements, e.g., "Payment in Full." Return these checks to the drawers and advise them that the DoD cannot legally accept conditional endorsements.

8.3.6.3.3. When Scanning Negotiable Instruments. If a depositing location is using the Check Capture function of OTCnet (e.g., check image scanning), there is no requirement for endorsing the negotiable instruments being scanned. The only time that a signature would be required is when scanning a Third-Party check. Acceptance of Third-Party checks is not recommended.

8.3.7. Record of Negotiable Instruments Deposited. DOs keep a complete record of negotiable instruments mailed or presented to depositaries. This should consist of scanned or photocopied images of both sides of the instruments. If scanning or photocopying is not possible, prepare a typed or written list containing the source of the instrument, name of the financial institution on which drawn, type of instrument, serial number, payee, maker, endorser (name of person from whom received when other than drawer), date drawn, and amount. Copies of collection vouchers or other documents that show the same data are acceptable as the record of instruments. If an item is lost in banking channels, the DO must be held pecuniary liable if the maker of the instrument cannot be identified in order to contact that person for a replacement. Therefore, keep photocopied, scanned, or prepared lists of instruments deposited in active files until receipt of the deposit is confirmed in CIR.

8.3.8. Lost Negotiable Instruments. When a negotiable instrument is lost, whether before or after deposit, the DO adjusts the affected accounts and immediately requests that the maker of the instrument stop payment and replace it with a new check or other form of payment. DOs must inform members of their legal obligation for the check and offer them another opportunity to replace the check. If the military member refuses, the DO may, as with any other debt, pursue involuntary collection action against the military member's pay.

8.3.9. Disposition of Funds on Transfer or Reassignment Without Relief. A DO that is transferred or reassigned without being relieved by another DO deposits all funds prior to the transfer or reassignment occurring. This includes all funds held by deputies, agents, and/or cashiers, including imprest funds and change funds. Report each deposit made during the period including the final deposit.

8.4 Deposit Transactions

8.4.1. Distribution and Disposition. Send a copy of the deposit ticket to the depositary with the funds and/or negotiable instruments being deposited. The DO retains a copy to assure that all deposits are in fact confirmed. The DO follows up on unconfirmed deposits as required by paragraph 11.4. In instances where a deposit is not confirmed in the same month as mailed,

refer to Chapter 15, section 7.0. The supporting DFAS site may also require the DO to submit a copy in support of the reported deposit activity for that month.

8.4.2. Accounting for Deposits. After netting out all debit vouchers (except those used for EFT for the current business day), enter the total of all the deposits for the business day (including deposit tickets in OTCnet) on line 4.2A of the DD 2657. At the end of the accounting period (month), use a record of each deposit ticket (and debit voucher, including those for EFT) applicable to only the current accounting period to prepare the detailed deposit activity report to support the ***SF 1219***. The total of the detailed deposit activity report must agree with the total reported on line 4.2 on the face of the SF 1219 and with the total reported in Column 5, Section II, Part B, on the reverse of the SF 1219.

8.4.3. Debit Vouchers in Relation to Deposits

8.4.3.1. General. When a check is returned unpaid to the depositary with which the check was originally deposited, the depositary may process a debit voucher to charge the depositing DSSN. The depositary may also prepare a debit voucher charging the depositing DSSN for a check lost after deposit. Debit vouchers may also be issued by depositaries and by the Treasury to establish other valid charges against a DO's account, e.g., exchange fees and other collection charges assessed in connection with foreign instruments deposited. The DO immediately records all debit vouchers received on the DD 2657. Include the debit vouchers in the SF 1219 for the month in which received.

8.4.3.2. Action by the DO

8.4.3.2.1. Non-tactical Disbursing Activities. For debit vouchers received in connection with returned unpaid checks, see Chapter 4, section 4.0 for guidance on processing dishonored checks. For debit vouchers received in connection with checks lost after deposit, the DO follows subparagraph 8.3.8. Process new checks received pursuant to action taken by the DO as a new deposit. Process charges for handling foreign checks as prescribed in Chapter 13, paragraph 4.0.

8.4.3.2.2. Tactical Disbursing Activities. DOs must comply with debit vouchers received from a depositary whenever any one of the following conditions exist: the deposit (which included the lost or dishonored check) was made during the incumbency of the current DO; the deposit (which included the lost or dishonored check) was made during the incumbency of a DO whose account is being subjected to the 90 day local retention period; or the maker or endorser of the lost or dishonored check is locally available for collection action. If none of the foregoing conditions apply, then the current DO forwards the debit voucher, by cover letter, to the activity designated to settle the former DO's account. Also, send either the original dishonored check as returned by the depositary or, in the case of lost checks, a copy of the relevant abstract from the listing of instruments deposited. Include in the cover letter the most recent information concerning the present location and status of the maker or endorser of the check in question. Send a copy of the cover letter to the issuing depositary.

8.4.3.3. Distribution. The DO sends a copy to support the monthly financial reports and retains a copy with their retained financial records.

8.4.3.4. Accounting. Account for debit vouchers as negative deposits. As noted in subparagraph 8.4.2, net all debit vouchers (except those used for EFT) in the current business day against all deposits for that business day, and record the total on line 4.2A of the DD 2657. Record EFT debit vouchers on line 4.2B. At the end of the accounting period (month), use the records of each debit voucher (including EFT debit vouchers) and each deposit ticket applicable to only the current accounting period to prepare the detailed deposit activity report to support Section II, Part B of the SF 1219. The total of the detailed deposit activity report must agree with the total reported on line 4.2 on the face of the SF 1219 and with the total reported in Column (5), Section II, Part B, on the reverse of the SF 1219.

9.0 INTERNATIONAL TREASURY SERVICES (ITS.GOV)

ITS.gov is the Treasury's comprehensive international payment and collection system. It is the preferred payment method for foreign currency transactions. DOs are encouraged to use ITS.gov to the maximum extent possible wherever the infrastructure will support its use. Prior to using ITS.gov, a Memorandum of Understanding between the activity and the Fiscal Service is required. Activities interested in using ITS.gov should contact Fiscal Service. For ITS.gov contact information, see Fiscal Service's website. See Chapter 13 for guidance on foreign currency payments.

10.0 PAYMENT INFORMATION REPOSITORY (PIR)

10.1 Overview

PIR is a web-based, centralized repository of payment related data. PIR increases the transparency of government payments and provides agencies with the ability to view summary and/or detail payment information as well as data analysis. PIR has replaced CA$HLINK II for payment voucher information. For more information, see Fiscal Service's ***PIR*** web page. Agencies that use the online application within CARS for interagency billings and payments for goods and services will no longer receive a statement of difference report (formerly known as the Financial Management Service (FMS) Form 6652) and are no longer required to follow the guidance related to the FMS 6652.

10.2 Standard Reporting Format (SRF)

The SRF is an input file specification that defines data elements and business rules required for reporting payment and associated TAS/BETC information to PIR. When fully implemented, DoD agencies will have to use the SRF to submit detailed payment and accounting data to PIR. For more information on the format specification, see Fiscal Service's ***SRF*** web page. Agencies must submit the PIR/SRF one day after the date of payment. Agencies that do not submit the SRF within one day following the date of payment by 6:00 p.m. (Eastern Time) will default in CARS to the default TAS/BETC for payment transactions. Date of payment is further defined as:

10.2.1. Check Payments. The issue date of the check (date inscribed on the check).

10.2.2. ACH Payments. The settlement of the ACH transaction found in the acknowledgement received from the FRB's ACH.

10.2.3. Wire and ITS.gov Payments. The value date specified in the payment request.

*10.3 Reconciliation of EFT Transactions

10.3.1. Confirm PIR. EFT payment transactions are recorded using debit vouchers. DOs must reconcile their EFT payment data (e.g., EFT debit vouchers) with PIR. If the purpose of an EFT transaction cannot be determined at the point of origin (time of transaction), credit either F3875 and F3885 (Budget Clearing Account (Suspense)) or Shared Accounting Module default clearing accounts F3500 for proprietary payments and collections, and F3502 for Intra-Governmental Payment and Collection (IPAC), as appropriate, and review the guidance in Volume 4, Chapter 2, paragraphs 8.7 - 8.10.3 for additional information.

10.3.2. Discrepancy - Over or Understated Debit Vouchers

10.3.2.1. A difference occurs when a debit voucher amount is overstated or understated.

10.3.2.1.1. An overstated debit voucher exists when the amount entered exceeds the value of the check or EFT payments it covers.

10.3.2.1.2. An understated debit voucher exists when the amount entered is less than the value of the check or EFT payments it covers.

11.0 CIR

11.1 Overview

CIR is a web-based, centralized repository of detailed deposit and collection transaction data from all of the Treasury's collection systems and settlement mechanisms. CIR provides the ability for agencies to view summary and/or detail level data, extract and analyze data in various scenarios, and produce flexible, standardized reports based on agencies' needs. CIR has replaced CA$HLINK II for deposit reconciliation.

11.2 Requirement

DOs must confirm deposits using CIR. For guidance on deposit reconciliation, see paragraphs 11.3 and 11.4.

11.3 Deposit Reconciliation – General

11.3.1. DOs or their designee(s) must reconcile DoD financial system data daily with CARS and maintain either a manual or a mechanized subsidiary record of all debit voucher differences. If the purpose of a deposit cannot be determined at the point of origin (time of transaction), credit either F3875 and F3885 (Budget Clearing Account (Suspense)) or Shared Accounting Module default clearing accounts F3500 for proprietary payments and collections, and F3502 for Intra-Governmental Payment and Collection (IPAC), as appropriate, and review the guidance in Volume 4, Chapter 2, paragraphs 8.7 - 8.10.3 for additional information.

11.3.2. CARS reporters must ensure that there are no existing uncleared statements of differences prior to becoming a "Full" CARS daily reporter. Agencies that use the online application within CARS for interagency billings and payments for goods and services will no longer receive a statement of difference report (formerly known as the Financial Management Service (FMS) Form 6652) and are no longer required to follow the guidance related to the FMS 6652. The Treasury compares the value of deposits and debit vouchers reported by DOs' activity reports to the value of deposits and debit vouchers reported through CIR.

11.3.3. Consider all differences that have not been reconciled within 60 days of the transaction, and that have been validated as meeting the criteria of an actual physical loss of funds, as a loss or overage of funds with the associated pecuniary liability as prescribed in Chapter 6. Do not consider timing differences and/or reporting errors as a loss of funds, but the DFAS site must pursue aggressive action to clear the differences with appropriate offsetting transactions, via departmental level, Treasury, and/or agency within 60 days of the offsetting transaction.

11.3.4. DOs must strictly adhere to the preparation requirements for the deposit tickets and debit vouchers as described in paragraph 8.4. It is also imperative that DOs report promptly and properly all deposit tickets and debit vouchers.

11.3.5. Once deposit tickets are released to a depositary, the documents cannot be recalled, corrected, or resubmitted. In addition, the Treasury prescribes specific instructions to all approved depositaries regarding adjustments of errors discovered subsequent to the day of deposit. DOs must take aggressive action to reconcile and/or clear all differences as rapidly as possible after notification by the Treasury that a difference exists.

11.3.6. To maintain control, the DO or the DO's designee(s) monitor deposit activity daily using CIR and maintain either a manual or mechanized subsidiary record of all deposit differences. The DO or the DO's designee(s) review the record of differences at least weekly to ensure these differences clear. Retain the evidentiary documentation supporting the review process for a retention period following the guidance in Chapter 15, paragraph 8.2. These records need not be certified. Also, each time there is a change of DOs, the incoming DO validates the unresolved differences. If the departing DO cannot provide the incumbent DO with documentation supporting the unresolved items, the departing DO processes the unsupported items as a loss or overage of funds (see Chapter 6, section 4.0).

11.4 Deposit Reconciliation – Discrepancies

11.4.1. Over or Understated Deposit Tickets

11.4.1.1. A difference occurs when a deposit ticket amount is overstated or understated.

11.4.1.1.1. An overstated deposit ticket exists when the amount entered exceeds the amount of cash or negotiable instruments submitted with it.

11.4.1.1.2. An understated deposit ticket exists when the amount entered is less than the amount of cash or negotiable instruments submitted with it.

11.4.1.2. Treasury regulations for depositaries do not permit changing the amount on a deposit ticket or debit voucher. They require the depositary to confirm a deposit as presented and immediately issue either a debit voucher for the amount of the overage or an additional deposit ticket for the amount of the shortage. In either situation, the DO should discover an overage of funds for an overstated deposit or a loss of funds for an understated deposit upon the first balancing after the deposit was presented or mailed to the depositary and recorded on the DD 2657. Treasury regulations also require the depositary to confirm a debit voucher as presented and immediately issue a deposit ticket for the amount of the overage or an additional debit voucher for the amount of the shortage. In either of these situations, the DO should discover an overage of funds for an overstated debit voucher or a loss of funds for an understated debit voucher upon the first balancing after the debit voucher was presented or mailed to the depositary and recorded on the DD 2657.

11.4.1.3. Daily monitoring of deposit activity using CIR enables early detection of these differences. Upon receipt of a copy of an adjusting deposit ticket or debit voucher, the DO records the document on the DD 2657. If actions required by Chapter 6, section 8.0 occurred to record the overage or shortage of funds upon discovery, receipt of the adjusting deposit ticket or debit voucher from the depositary enables a more rapid settlement of the discrepancy in the DO's accountability. If an overage or shortage of funds is discovered after receipt of the adjusting deposit ticket or debit voucher, and recording the document creates an overage or shortage, then the DO processes the overage or shortage as prescribed in Chapter 6, paragraph 8.2.

11.4.2. Deposits Not Reported by Depositaries. Deposit tickets reported by DOs but not by the depositary do not appear in CIR. Daily monitoring of CIR alerts the DO to possible deposit differences, when a deposit does not appear in the system after a reasonable period of time, based on whether the deposit was presented to the depositary in person or by mail.

11.4.2.1. If the depositary does not confirm the deposit within a reasonable period of time for deposits presented by mail, the DO initiates follow-up action with the depositary to determine the status of the deposit. A reasonable period of time would be the normal mailing time from the date mailed to the depositary until the date the deposit is confirmed, based on past

experience. Tactical DOs consider unit movement schedules and locations when the deposit was mailed. In any event, initiate follow-up action within 30 days from the date of mailing a deposit.

11.4.2.2. Include with a follow-up request to a depositary, a copy of the applicable deposit ticket and a description or copies of the instruments included in the deposit. The depositary provides confirmation information to the DO in response to the follow-up request. If the depositary acknowledges receipt of the deposit but refuses to report the transaction to the Treasury, the DO provides written notification, with copies of all correspondence and documents involved, to DFAS-JJF/CO, which will then pursue resolution of the issue through the Treasury and provide the DO written instructions on additional actions to take.

11.4.2.3. If the follow-up action does not result in confirmation of the deposit or the depositary notifies the DO that the deposit was never received, the DO will reverse the deposit transaction in the current month's business. The DO prepares and processes an ***Optional Form 1017-G***, Journal Voucher (JV), to document the reversal. Record the JV on the DD 2657, line 4.2A as a negative deposit and on line 7.3 as a loss of funds and include it on the corresponding lines of the SF 1219 at the end of the month. Describe the deposit reversal in Section II, Part B, Column (3) of the SF 1219, and indicate the month and year the deposit was initially reported to the Treasury. Show the amount of the reversed deposit as negative or bracketed. Reverse the deposit in the current month's detailed deposit activity report, using the actual deposit number, month, and year of the deposit (as initially reported to the Treasury). Show the amount as negative or bracketed.

11.4.2.4. The actions in subparagraph 11.4.2.3 will remove the deposit from the detailed deposit activity report and record the deposit as a loss of funds. Attach a copy of the follow-up memorandum to the depositary, and the depositary's response, as supporting documents to the JV. Report and process the resulting loss of funds as prescribed in Chapter 6, section 3.0. If there were negotiable instruments in the lost deposit, follow subparagraph 8.3.8 for those instruments.

11.4.3 Debit Vouchers Not Reported by DOs

11.4.3.1. Debit vouchers are generally prepared only by depositaries as adjustments to erroneous amounts on deposit tickets and debit vouchers to return dishonored negotiable instruments, or to adjust deposit tickets for counterfeit currency. All debit vouchers prepared by depositaries are reported automatically to the Treasury. Unless the DSSN appearing on the debit voucher is not the DSSN of the DO receiving the document, the DO records the debit voucher upon receipt and includes it in the detailed deposit activity report. This requirement applies regardless of whether the debit voucher is deemed erroneous, or the reason given for the charge needs further clarification.

11.4.3.2. Daily monitoring of CIR alerts the DO that a depositary has issued a debit voucher. The DO must confirm the information in CIR and include the debit voucher on DD 2657 and detailed deposit activity report during the month of receipt. The DO reports the debit voucher using the month and year of issue (as reported by the depositary in CIR), not the

current month and year in which the debit voucher is being recorded and reported. Section II, Part B, Column (3) of the SF 1219 must indicate the actual month and year of the debit voucher as reported by the depositary. Also include the debit voucher in the detailed deposit activity report and using the actual month and year the debit voucher was issued (as reported by the depositary).

11.4.3.3. In some instances, debit vouchers for electronic payments through the Federal Reserve System are prepared by the paying DO and submitted to the depositary with the payment file. Include these debit vouchers on the DD 2657, SF 1219, and detailed deposit activity report for the month of payment. Failure to include a debit voucher electronic payment transaction on the DD 2657, SF 1219, or the detailed deposit activity report will create an out-of-balance condition on the DD 2657 and SF 1219, unless the DO also failed to record the disbursement. For example, if a DO processes and includes a disbursement voucher on DD 2657 and SF 1219, prepares and submits a debit voucher to the depositary with the electronic payment file, but does not include the debit voucher on the DD 2657, SF 1219, and detailed deposit activity report, then the DD 2657 and SF 1219 will not balance. Proper balancing procedures preclude this situation.

11.4.3.4. If the transaction occurred near the end of the month, and the DO cannot process and report the transaction in the transaction month, then a deposit difference will occur. To correct this difference, the DO must obtain the transaction documentation and process both the payment and the debit voucher on the DD 2657, SF 1219, and detailed deposit activity report during the current month. The DO must ensure the reporting of debit vouchers using the actual month and year of the payment (as reported by the depositary in CIR), not the month and year in which the debit voucher is being reported. Include the debit voucher in the detailed deposit activity report and report it using the actual month and year the debit voucher was reported by the depositary.

11.4.4. Debit Voucher Not Reported by Depositaries. Debit vouchers reported by the DO but not by the depositary will cause a difference to the depositaries. The most frequent cause of this difference occurs when a depositary receives a debit voucher and payment file for payment by EFT, but rather than processing and reporting the debit voucher given by the DO, prepares a new debit voucher and reports it to the Treasury. The depositary provides the DO with the copies of the debit voucher it prepared and reported.

11.4.4.1. Daily monitoring of CIR alerts the DO that the depositary has issued a new debit voucher. DOs using depositaries that routinely process debit vouchers in this manner should contact the depositary in writing. The DO should request an explanation for the actions and that the depositary processes the debit vouchers given by the DO with the payment files. If the depositary refuses to process the debit vouchers given by the DO, the DO must then provide written notification with copies of all correspondence and documents to DFAS-JJF/CO, which will pursue resolution of the issue through the Treasury and provide the DO written instructions on any additional actions to take.

11.4.4.2. To prevent this type of difference from occurring, the DO reports the debit voucher transaction on the detailed deposit activity report as reported by the depositary. If the DO receives the copy of the debit voucher prepared by the depositary before the end of the month in which the transaction occurred, the DO will report the debit voucher prepared by the

depositary only. The DO keeps the copy of the prepared debit voucher along with the copy of the debit voucher the depositary prepared. If the depositary routinely continues to prepare new debit vouchers, include these with the written notification.

11.4.4.3. To clear this type of difference, the DO must reverse the DO's debit voucher transaction from the current month's detailed deposit activity report and reenter the debit voucher transaction the depositary reported, using the actual debit voucher number, month, and year as initially reported to the Treasury. Enter the debit voucher prepared and reported by the depositary exactly as reported by the depositary. Also, describe the debit voucher reversal in Section II, Part B, Column (3) of the SF 1219, and indicate the month and year the debit voucher was initially reported to the Treasury. Also, describe the debit voucher prepared and reported by the depositary in Section II, Part B, Column (3) of the SF 1219, and indicate the month and year the debit voucher was reported by the depositary. Since these actions net to a zero, they should not impact the DO's pecuniary liability.

*12.0 CLOSED/CANCELLED ACCOUNTS

On September 30 of the fifth FY after the period of availability for an obligation of a fixed appropriation account ends, the account must be closed and any remaining balance (whether obligated or unobligated) in the account must be cancelled and thereafter is not available for obligation or expenditure for any purpose, unless exempt by a provision of an appropriation law. Collections authorized or required to be credited to an appropriation account, but not received before closing of the account, must be deposited in the Treasury as miscellaneous receipts in accordance with ***31 U.S.C. § 1552(a)***. All cancelling year transactions, e.g., transactions to be paid from an appropriation that is cancelling at the end of the current FY, must be submitted to DFAS no later than September 15 each year (or the business day prior when September 15 occurs on a weekend).

VOLUME 5, CHAPTER 12: "QUESTIONABLE AND FRAUDULENT CLAIMS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated December 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	This chapter is certified as current.	Current

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CHAPTER 12

QUESTIONABLE AND FRAUDULENT CLAIMS

1.0 GENERAL

1.1 Overview

This chapter establishes policy for processing questionable and fraudulent claims presented for certification or payment that a Certifying Officer (CO) or Disbursing Officer (DO) believes to be illegal or improper. Determination of potentially fraudulent claims is the responsibility of the CO and/or DO. The CO and/or DO must research claims and base their determinations on the criteria in this chapter and the legal opinions of the supporting Staff Judge Advocates (SJA) or other legal counsel. A fraudulent claim is any intentional deception designed to unlawfully deprive the United States of something of value or to secure from the United States a benefit, privilege, allowance, or consideration to which a claimant is not entitled. This chapter also discusses a CO's, DO's, and/or head of an agency's right to request an advance decision from the appropriate authority.

1.2 Purpose

This chapter addresses the determinations of fraud, advance decisions on the propriety of any prospective payment from an authorized official, and actions required when a suspected fraudulent claim is presented for payment or upon discovery that a fraudulent claim has been paid.

1.3 Authoritative Guidance

1.3.1. Under Title 31, United States Code (U.S.C.), section 3529 (***31 U.S.C. § 3529***), a CO, DO, or head of an agency may request an advance decision on the propriety of any prospective payment from an authorized official (see Table 12-1). This authority does not cover the rendering of legal decisions pertaining to payments already made or for hypothetical cases.

1.3.2. See ***31 U.S.C. § 3702*** for the authority on settling claims against the United States.

2.0 DETERMINATIONS OF FRAUD

2.1 Discrepancies

Inaccuracy on a claim is not proof of intent to defraud the government. When minor discrepancies exist because of clerical or computation errors, misunderstanding of procedure, or failure to properly document, the intent to deceive is less likely, thus decreasing the probability of a finding of fraud without evidence. The claimant's supervisor should discuss these errors with the claimant and require that the claimant correct them.

2.2 Claims

A claimant must complete a claim accurately to ensure proper payment. A claim may be unauthorized for payment but not considered fraudulent. This may occur if a claim is prohibited by law, or is otherwise not authorized, and lacks willful intent by the claimant. A CO or DO may refer these claims to the appropriate authority for an advance decision (see Table 12-1). Additionally, a claim is not necessarily fraudulent if it is not prepared according to the requirements of regulations (e.g., the ***Joint Travel Regulations***, Uniformed Service Members, and DoD Civilian Employees). It may be due to claimant error, misinformation, or lack of knowledge.

3.0 ADVANCE DECISIONS

3.1 Application for Decision

The submitter of an application states the facts and evidence to support the reason(s) for the request and upon which to base the decision. An application must generally include a specific claim or voucher. Applications are sent through the Office of General Counsel (OGC) of the DoD Component or the Defense Finance and Accounting Service (DFAS) to the DoD Deputy General Counsel (Fiscal) (DoD DGC(F)) for determination. The affected Component or DFAS OGC must attach a legal memorandum that discusses the legality of the proposed payment under the circumstances. The responsible activity, DFAS site, or appropriate OGC may return cases involving entitlement questions that have been clearly decided authoritatively, with a determination that no advance decision is necessary. A submitter may resubmit such a determination through the responsible activity for reconsideration.

3.2 Decisions Rendered

An advance decision is conclusive for the specific payment involved on the question presented. Although an advance decision is conclusive for the specific payment reviewed, COs should use the principles cited in the decision when making future entitlement decisions.

4.0 FALSE, FICTITIOUS, OR FRAUDULENT CLAIMS

4.1 Fraudulent Claim Presented for Payment

If there is reason to suspect that a claim presented for certification or payment contains fraudulent information, the CO must request their commander or comparable authorized civilian to initiate an investigation into the suspected fraud. A DO that suspects that a certified voucher is fraudulent must return it to the CO. The requirement to request an investigation applies regardless of the dollar value. Once the investigation and legal review by the supporting SJA or other legal counsel are complete, the investigating officer (IO) gives a copy of the completed report of investigation (ROI) to the CO and DO. See Chapter 6, subparagraph 4.3.2.2.5 for ROI guidance.

4.1.1. If the ROI does not support a finding of fraud, the CO may certify the voucher for payment of all amounts to which the claimant is entitled. The CO documents the reasons for the determination and maintains documentation for the CO's records.

4.1.2. If the ROI confirms that some items of the claim are fraudulent, the claimant may submit a new claim for the items that the ROI identified as not fraudulent to the CO. A claimant who protests the determination of fraud and insists on payment of the entire claim may submit a new claim for the items denied because of fraud. The CO processes the reclamation for the items disallowed as prescribed in paragraph 4.3.

4.2 Fraudulent Claim Paid

A CO or DO who suspects that a claim was paid based on fraudulent information or documents, must review the retained copy of the claim to determine if it contains false information.

4.2.1. A CO or DO who suspects that a paid claim is fraudulent must inform his or her commander or comparable authorized civilian, who then initiates an investigation of the suspected fraud regardless of the dollar value involved. See Chapter 6, subparagraph 4.3.2.2.5 for ROI guidance. Following the investigation, the supporting SJA or OGC reviews the investigation for legal sufficiency. The IO then gives the CO and DO each a copy of the final ROI.

4.2.2. Upon learning of an improper payment based on suspected fraud, the CO or DO sends an ROI to the supporting DFAS site through their commander or comparable authorized civilian equivalent. Include in the ROI a basic statement of the irregularity, the date, amount, and identification of the individual(s) involved. Upon completion of the final recovery, investigative, or other negative action, the CO or DO advises the supporting DFAS site.

4.2.3. If the CO determines that some or all of the items of a paid claim are fraudulent, the CO may not certify any of the items for repayment. The CO or DO includes in the report:

4.2.3.1. The applicable contract or travel order number,

4.2.3.2. The voucher number,

4.2.3.3. The date of payment,

4.2.3.4. The appropriation charged,

4.2.3.5. A description of the supporting documentation,

4.2.3.6. A description of how the fraud was committed,

4.2.3.7. A description of procedural deficiencies in the disbursing office,

4.2.3.8. The action taken to correct the deficiencies, and

4.2.3.9. The amounts recovered or scheduled for repayment from the recipient of the fraudulent payment.

4.2.4. Losses resulting from fraudulent acts are improper payments (except losses within the disbursing office). The DO leaves them charged to the appropriations cited on the payment vouchers (see Chapter 6, subparagraph 5.1.1.2). Any losses, regardless of the dollar amount, where there is evidence of fraud within the disbursing office (for example, embezzlement or fraudulent acts by disbursing personnel) are physical losses (see Chapter 6, subparagraph 2.1.3).

4.3 Reclamation of Items Disallowed or Recovered Due to Fraud

4.3.1. The CO sends reclamations for items disallowed or recouped due to fraud though the appropriate office in his/her chain of command to the DoD DGC(F) (see Table 12-1). For a claim denied in its entirety, submit the original claim. Send the completed claim with a cover letter or memorandum from the CO stating why the claim is fraudulent, with the statement: "I have not certified and will not certify this claim for payment unless authorized by competent authority." Include the original and two copies of all supporting documents and the orders with all endorsements for a travel claim, and a copy of the paid voucher for the items free of fraud.

4.3.2. A CO may not certify a reclamation claim for any or all of an amount recovered by the government due to an illegal or improper payment of any voucher item obtained by fraud or misrepresentation processed under paragraph 4.3.

4.3.2.1. Civilian Employees. The CO or DO must send paid fraudulent claims to the appropriate pay office and local OGC or SJA for referral to the Defense Criminal Investigative Service or military criminal investigative organization. Recover payments based on substantiated claims of fraud by direct repayment from the employee through salary offset or by other procedures in Volume 16, Chapter 2, paragraph 3.1. The CO or DO may take no further action on the paid fraudulent claim until OGC or SJA gives the CO or DO specific processing and disposition instructions.

4.3.2.2. Military Members. Under ***37 U.S.C. § 1007(c)*** and the guidance in this chapter, the CO or DO collects debts owed by military members. When a debtor requests reconsideration of a fraud determination, the creditor organization submits evidence or statements from the debtor to the local SJA to review.

Table 12-1. Responsible Offices for Claims and Advance Decisions

CLAIMS AND ADVANCE DECISIONS	
FUNCTION	**RESPONSIBLE OFFICE**
Federal civilian employees' compensation and leave	Classification and Pay Claims Program Manager Room 6484 Merit System Audit and Compliance Office of Personnel Management 1900 E Street NW Washington, DC 20415 (202) 606-7948
Federal civilian employees' travel, transportation, and relocation expenses and allowances	The Civilian Board of Contract Appeals 1800 M Street, NW, 6th floor Washington, DC 20036 (202) 606-8800 FAX (202) 296-0341 Email cbca.efile@cbca.gov *https://www.cbca.gov/*
CLAIMS	
Military members' pay, allowances, travel, transportation, retired pay, and survivor benefits	Defense Office of Hearings and Appeals Claims Division P.O. Box 3656 Arlington, VA 22203-1995 (703) 696-1876
Amounts collected from transportation carriers for damage or loss of property shipped at government expense	Defense Office of Hearings and Appeals Claims Division P.O. Box 3656 Arlington, VA 22203-1995 (703) 696-1876
ADVANCE DECISIONS	
Military members' pay, allowances, travel, transportation, retired pay, and survivor benefits	Deputy General Counsel (Personnel & Health Policy) Office of the Secretary of Defense Room 3B747 1600 Defense Pentagon Washington, DC 20301-1600 (703) 697-9341
Use of appropriated funds	Deputy General Counsel (Fiscal) Office of the Secretary of Defense Room 3B688 1600 Defense Pentagon Washington, DC 20301-1600 (703) 571-9343

VOLUME 5, CHAPTER 13: "FOREIGN DISBURSING OPERATIONS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated March 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision

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CHAPTER 13

FOREIGN DISBURSING OPERATIONS

1.0 GENERAL

1.1 Overview

1.1.1. In areas where the use of U.S. currency is prohibited or where diplomatic or financial considerations make its use inadvisable, the senior commander consults with other U.S. military commanders and the U.S. Department of State (DoS) representatives in the area to determine the local government's foreign currency control regulations. The commander issues instructions that conform to DoS procedures and local government foreign currency control regulations. Disbursing Officers (DOs) must follow disbursing guidance set forth in Chapter 9, section 2.0 concerning voucher certification and substantiation prior to executing payment transactions, including advances, equitable claims, and payments to third parties.

1.1.2. The same policies governing domestic disbursements also are applicable to foreign currency disbursements. Except in areas where U.S. diplomatic or financial relations make the use of the U.S. dollar (USD) inadvisable, U.S. currency or Treasury checks are the only media of exchange for:

1.1.2.1. Basic salaries, special and incentive pay, and allowances (e.g., subsistence and housing) in USDs for U.S. military personnel stationed overseas;

1.1.2.2. Salaries and differentials to similarly situated U.S. citizen civilian personnel in fulfillment of U.S. contractual or statutory obligations in USDs;

1.1.2.3. Per diem;

1.1.2.4. Travel expenses; and

1.1.2.5. Purchases from appropriated and nonappropriated fund activities located in the foreign currency area.

1.1.3. A disbursement voucher may constitute a payment voucher and a collection voucher for transactions involving setoff or deduction to recover an amount owed by the payee, with a net amount due disbursed to the payee. All disbursements must be supported by formal disbursement vouchers (see Chapter 9, section 4.0). Requirements established in Volume 1, Chapter 9, Financial Records Retention, apply to contingency operations.

1.1.4. ***International Treasury Services*** (ITS.gov) is the preferred method to issue foreign currency payments electronically and to issue international USD wire transfer payments. ITS.gov is the comprehensive international payment and collection system for the U.S. Department of Treasury (Treasury).

1.2 Purpose

This chapter addresses disbursing policy that includes exchange of USDs for foreign currency, foreign exchange transactions, currency rate of exchange, use of foreign currency for transportation, disposition of foreign currency and negotiable instruments, records and reports, and contingency operations in foreign territories.

1.3 Authoritative Guidance

Title 31, United States Code (U.S.C.), section 3302 (***31 U.S.C. § 3302***) authorizes DOs to have custody of public funds for disbursement purposes and requires them to safeguard the funds. This chapter addresses disbursing policy in the context of foreign disbursing and cash management operations prescribed in the Treasury Financial Manual (TFM), Volume 1, Part 2, Chapter 3200 (***I TFM 2-3200***) and ***I TFM 5-6000***.

2.0 EXCHANGE OF U.S. DOLLARS FOR FOREIGN CURRENCY

2.1 Guidelines

When it is not practical to use ITS.gov or if the DO does not have a limited depositary account (LDA) in the currency to be paid, the DO may need to acquire foreign currency. An appointed DO may obtain foreign currency for official purposes such as making payments to U.S. Government creditors and exchanging foreign currency or other negotiable instruments for which the DO is accountable. Foreign currency obtained may be held as currency or in an LDA (see Chapter 14, section 1.0). DOs may obtain foreign currency using sources identified in paragraph 2.2 and from sources authorized by the government of the country concerned. The process by which one currency is exchanged for another is foreign exchange. When DOs exchange USDs for foreign currency, the following guidelines apply to exchanges:

2.1.1. The "spot rate" is the rate of exchange to purchase foreign currency (normally the purchase of foreign currency for delivery within two business days);

2.1.2. Exchange at the time the foreign currency is needed for immediate funding requirements. DOs should ensure that payment is made for foreign currency purchases on the value date;

2.1.3. Speculation in foreign currency is prohibited;

2.1.4. Any change in program costs resulting from the use of foreign currency in international financial arrangements is the responsibility of the involved U.S. or foreign program agencies;

2.1.5. Foreign currency may not be purchased by forward contracts directly from foreign governments, private firms, or individuals at a negotiated rate without prior Treasury authorization. Submit such requests for authorization through the Defense Finance and Accounting Service (DFAS), Disbursing Policy (DFAS-ZPTA), 8899 East 56th Street, Indianapolis, IN 46249-0500 (dfas-in.disbursingpolicy@mail.mil);

2.1.6. Limit DO foreign currency holdings in a safe, vault, or an LDA to no more than seven business days requirement, unless an increase has been authorized by the Treasury (see Chapter 14, subparagraph 3.10.2.2). This includes foreign currency held by all authorized deputies, agents, and cashiers within the disbursing office and at remote locations. Limiting foreign currency holdings may minimize deficiencies due to rate devaluations and avoid premature drawdown from the Treasury;

2.1.7. Acquire foreign coins only to fill specific needs or when received as a change incident to an official cash payment in foreign funds. Coins present problems due to weight, storage, transportation, and disposition; and

2.1.8. Prepare foreign currency reports following section 7.0.

2.2 U.S. Government Sources

Procurement of foreign currency from U.S. Government or commercial sources requires a certificate or statement showing the amount purchased, the rate of exchange, the amount of USDs paid, the date, and the source/seller. Include the certificate or statement with the monthly financial reports. DOs may use ITS.gov to acquire foreign currency via electronic funds transfer. Each exchange voucher must be submitted in support of the accounts of the disbursing office and attached to monthly Standard Form (SF) 1219, Statement of Accountability. A DO may also obtain foreign currency from the following sources:

2.2.1. U.S. Government Sources. Other U.S. Government sources include DoD DOs, U.S. DOs (USDOs), cashiers at American Embassies, or the Federal Reserve Bank of New York (FRBNY). Normally, the DO draws a U.S. Treasury exchange-for-cash check (see Chapter 3, subparagraph 2.5.1.1) and endorses it to the order of the officer furnishing the foreign exchange. When foreign currency is purchased from a USDO or an American Embassy cashier, the check may be issued to the American Embassy. When foreign currency is purchased from the FRBNY, the DO makes appropriate shipping arrangements; and

2.2.2. DoD Military Banking Facility (MBF). When possible, DOs can purchase foreign currency from a MBF (includes funds for LDAs) using a U.S. Treasury exchange-for-cash check (see Chapter 3, subparagraph 2.5.1.1).

2.3 Currency Custody Accounts

Absent ready-access to the Federal Reserve System, the DO can request approval from the Treasury to establish currency custody LDAs with the government's contractor-operated MBF.

The DO must settle daily with the MBF. The currency custody LDA assures the availability of U.S. currency to support the dollar economy created by U.S. Armed Forces stationed overseas. Report the balance held in custody accounts on the Custody or Contingency Cash of the DoD ***DD Form 2657***, Daily Statement of Accountability, reflected in the DO Cash Treasury Account Symbol (TAS), and the SF 1219.

2.4 Purchase From Individuals and Collections From Foreign Vendors

Subject to the provisions outlined in subparagraph 3.3.4, DOs may purchase foreign currency from individuals. DOs may also receive foreign currency either as refunds from foreign vendors or in payment for sale of excess foreign property in accordance with the DoD Manual ***(DoDM), 4160.21-V1***. Foreign currency sales receipts from post offices, exchanges, commissaries, and other nonappropriated fund activities are not collections by the disbursing office, but may be acquired by purchase only to the extent necessary to acquire foreign exchange for the LDA.

3.0 FOREIGN EXCHANGE TRANSACTIONS

3.1 International and Foreign Exchange

International and foreign exchange includes policy on the use of U.S. Government funds in international programs and on foreign exchange and interest costs to the Treasury. These include transactions with foreign countries and international organizations involved with bilateral or multilateral programs (e.g., procurement, research, co-development, co-production, grants, or other transactions) that require the:

3.1.1. Outlay of USDs or foreign currencies;

3.1.2. Inflow of funds from foreign countries; and/or

3.1.3. Exchange of USDs and foreign currencies.

3.2 Policies for Financial Transactions

3.2.1. In addition to the foreign exchange guidelines provided in paragraph 2.1, the following general policies apply to financial transactions.

3.2.1.1. Withdraw dollars from the Treasury on behalf of any program management organization only as needed. Base withdrawal on the recipient organization's funding requirements to carry out the project.

3.2.1.2. Negotiate to provide for dollar outlays as close as possible to their need for current program expenditure to support international programs requiring U.S. funding.

3.2.1.3. Obtain the U.S. Government share of funding required to support a program by appropriation, with no part of this funding derived from interest earned on U.S. contributions. DoD Components are responsible to ensure that any interest earned is deposited promptly to the Treasury General Fund Receipt Account 3220 (General Fund Proprietary Receipts, Not Otherwise Classified, All Other).

3.2.1.4. Consider the fiscal needs and funding policy issues or concerns of each participating country or international organization, provided that U.S. Government cash management policies are not compromised.

3.2.1.5. Arrange to accommodate the financial policies of each participating country or organization to the maximum extent feasible. Except for arrangements entered into for the sole purpose of implementing U.S. international monetary policy, retain USDs in the Treasury until actually required for immediate disbursement, to minimize interest cost on the public debt.

3.2.1.6. Act on requests from a foreign country or international organization for the temporary deposit and safekeeping of USDs in trust in a Treasury account based on their own merit. Base the decision on the reason for the request, the specific financial arrangements proposed, and the relevant U.S. Government political and general financial considerations. All requests must include a recommendation from the local commander and be submitted to the DFAS-ZPTA/IN (dfas-in.disbursingpolicy@mail.mil).

3.2.1.7. DoD Components may not invest funds on behalf of a foreign country or international organization when receipt of such funds serves as a basis for creating contract obligation authority for the DoD Component or other U.S. Government department or agency.

3.2.1.8. Ensure that application of these general policies in negotiations with foreign countries and international organizations are not compromised by DoD Component administrative practices.

3.2.1.9. Process requests for exceptions in accordance with Chapter 1, paragraph 1.3.

3.2.2. Specific Policies. See Volume 12, Chapter 9 for financial policies related to international agreements.

3.3 Accommodation Exchange Services

3.3.1. Definition. Accommodation exchange services are the exchange of U.S. Treasury checks or other USD instruments for USDs (e.g., check cashing), the exchange of USDs or dollar instruments for foreign currency or, where permitted, the exchange of foreign currency for USD instruments. See Chapter 4, sections 2.0 and 3.0 for accommodation exchange services to include limitation, personnel eligibility, and the required internal controls for exchanging cash for negotiable instruments.

3.3.2. Authorization

3.3.2.1. Commanders may approve and implement accommodation exchange services only after determining that:

3.3.2.1.1. Contract MBFs, other on-base financial institutions, exchanges, commissaries, or U.S. Postal facilities cannot fulfill the needs of DoD personnel;

3.3.2.1.2. The DO or agent has an immediate need for the foreign currency repurchased; or

3.3.2.1.3. Resources are available to provide these services without impacting levels of other financial services (e.g., primary disbursing and related functions).

3.3.2.2. When satisfactory local banking facilities are not available to conduct accommodation transactions; and after the establishment of written check cashing policy approved by the commander, DOs may use official funds to:

3.3.2.2.1. Disburse foreign currency for checks, drafts, bills of exchange, and other instruments payable in USDs; and

3.3.2.2.2. Cash foreign currency checks drawn by accountable officers of the U.S. on non-symbol checking accounts for the same currency in which drawn, when the currency is needed by the officer for official purposes.

3.3.3. Sale of Foreign Currency to Individuals. MBFs normally make accommodation exchanges of foreign currency at installations served under the DoD MBF contract. In countries served by these MBFs, DOs providing accommodation exchange services obtain needed foreign currency from the MBF and make those exchanges at the accommodation rate. DoD personnel may not receive accommodation exchange service from USDOs or Treasury DOs in areas where those services are provided by DoD DOs. DoD personnel assigned or attached to U.S. embassy duty may use available embassy cashier services. DOs, agents, and cashiers making these accommodation exchanges maintain the ***DD Form 2664***, Currency Exchange Record, Record of Individual Exchange Transactions, daily to ensure implementation of the requirements in section 7.0.

3.3.4. Purchase of Foreign Currency From Individuals. By policy, DOs are prohibited from purchasing foreign currency from individuals in areas served by MBFs under DoD contract. In areas not served by contract MBFs, DOs may purchase foreign currency or instruments payable in foreign currency in exchange for USDs or dollar instruments before their departure on home leave or completion of their foreign assignment. When purchasing foreign currency or instruments payable in foreign currency for USDs or dollar instruments, DOs must comply with the following:

3.3.4.1. If the amount of foreign currency presented does not exceed the sum of the individual's salary and allowances for two biweekly pay periods, it may be purchased without requiring documentation of any kind from the departing individual;

3.3.4.2. If the amount of foreign currency presented exceeds the amount authorized in subparagraph 3.3.4.1, the requestor must submit a written application to the commander for approval of the purchase. The application must include a statement describing the source of the currency and a statement affirming that none of the currency was acquired in violation of local regulations or exchange control laws of the country concerned; and

3.3.4.3. The purchase of the foreign currency with USDs must consider the DO's immediate foreign currency disbursing requirements (see section 2.0). A DO may suspend making accommodation exchanges for such time and to such extent necessary to carry out their other responsibilities;

3.3.4.4. Purchase the foreign currency at the prevailing market rate; and

3.3.4.5. Keep a DD 2664 daily to reflect the amount and source of purchased funds.

3.3.5. Safe Haven Posts. The appropriate commander establishes foreign currency accommodation exchange services for dependents of DoD personnel at safe haven areas to which they were ordered by competent authority in the event of emergency evacuation. These services must be consistent with the amount of exchanges authorized for dependents of U.S. personnel employed by other U.S. Government agencies.

4.0 CURRENCY RATE OF EXCHANGE

4.1 Prevailing Rate of Exchange

4.1.1. Definition. The prevailing rate of exchange is the most favorable rate legally available to the U.S. Government for acquisition of foreign currency for official disbursement and accommodation exchange transactions. If the currency of any one country is obtained from more than one of the sources provided in paragraph 2.2, maintain separate accountability for exchange rate adjustments.

4.1.2. Rate of Exchange. Unless otherwise authorized by the Treasury, carry all foreign currency, including amounts held in LDAs, at the prevailing rate of exchange. Foreign currency acquired without purchase includes burdensharing contributions made in host nation currency and held in accounts authorized by ***10 U.S.C. § 2350j***. Compute disbursements for official expenditures or accommodation exchange transactions to avoid gains or deficiencies due to fluctuations in rates of exchange to the extent possible. If there is no rate of exchange established by agreement between the U.S. Government and the foreign country or where no MBF is available, conduct foreign currency transactions at the prevailing rate using the rate of exchange of the currency on hand as determined by the method outlined in paragraph 4.2.

4.1.3. Non-Government Sources. When purchasing from sources other than the U.S. Government, DOs should acquire foreign exchange at the best rate available (e.g., fixed or non-fixed legal rate) in which the exchange is being expended. Follow DoS regulations or the currency control laws of the country where the currency will be used. Draw Treasury checks to

obtain foreign exchange from commercial sources in favor of the DO and endorse them to the order of the banking institution or commercial enterprise providing the funds.

4.1.3.1. Fixed Legal Rate. The best fixed legal rate to the U.S. Government, depending upon the circumstances in each country, may be any officially established buying rate for dollars, including diplomatic rates or special rates established by agreement with the authorities of the country. When this type of fixed legal rate prevails, agencies should purchase foreign exchange at the best applicable rates to the particular transaction. They may affect purchases at fixed legal rates without the formality of obtaining bids, but the purchases should be evidenced by a statement over the signature of the seller setting forth the pertinent data relative to the purchase. This data includes the date, amount of purchase, and exchange rate. The DO should retain the statement as a supporting document with the SF 1219 (see Chapter 15, section 8.0).

4.1.3.2. Non-Fixed Legal Rate. When rates legally applicable to the particular transaction are not fixed, or when such rates are fixed but the use of other rates is also legal for the particular transactions, DOs should purchase foreign exchange at the best obtainable rate. When foreign exchange can be purchased at a non-fixed legal rate, DOs should solicit bids from not less than three sources if available.

4.1.3.2.1. When a DO obtains foreign currency from a commercial source in a country where the rate of exchange is not established by agreement between the U.S. and the foreign country, use ***DD Form 2668***, Request for Bid (Purchase/Sale), in duplicate to obtain written bids from at least three legally authorized sources, when available.

4.1.3.2.2. When practical, solicit bids from sources outside the country of the currency involved. Accept the bid providing the most beneficial exchange rate to the U.S. Government. The DO includes a copy of the certified and accepted bid as a supporting document with the financial reports and keeps a copy of it to substantiate the place of purchase if some of the currency is eventually sold through commercial channels. The DO should retain documentation stating the most beneficial bid, accepted and certified, with the SF 1219.

4.2 Recomputed Rate of Exchange

The DO will need to recompute the operating rate of exchange if the rate of exchange of the newly acquired foreign currency differs from that of the DO's current balance. The DO then disburses from their account using the recomputed rate of exchange.

4.2.1. Determining the New Rate of Exchange. Determine the new rate of exchange by adding the USD equivalent (USDE) value of the foreign currency on hand before the new acquisition to the USDE value of the additional foreign currency purchased and divide the total into the new total of foreign currency units on hand; round the result to five decimal places. Do not adjust the rate until new foreign currency units are acquired.

4.2.2. Certificate of Change. The DO, or Deputy DO (DDO), prepares a certificate of change similar to the example in Figure 13-1, and submits the certificate with the next SF 1219. When possible, determine the value of foreign currency on hand (including LDAs) at the beginning of the business day. If recomputation of the rate of exchange for foreign currency on hand is required during a business day, enter the voucher number of the last disbursement or collection voucher processed under the old rate of exchange on the certificate of revaluation. If there were no vouchers processed during the current business day, so state.

4.2.3. Adjustments Due to Rounding. Due to the rounding on individual disbursements and collection transactions, a difference in the USD value of foreign currency on hand may occur and cause a minor gain or deficiency. The balance of foreign currency divided by the current rate of exchange (carried to five decimal places) equals the exact USD value of foreign currency on hand. To account for minor gains or deficiencies, the DO adjusts the USD value of foreign currency on hand as part of the daily balancing process. For example, the following reflects transactions occurring on January 3, 20XX:

FOREIGN UNITS	USD VALUE	RATE OF EXCHANGE
107,275,503 (Balance)	$ 854,512.60	125.53999
751,883,562 (Purchased)	6,000,000.00	125.31393
859,159,065 (Balance)	$6,854,512.60	125.34211
- 9,396,641 (Disbursed)	74,967.95	125.34211
849,762,424	$6,779,544.65	125.34211

Actual USD Value: 849,762,424 (# of foreign units) divided by the recomputed rate of exchange (125.34211) = $6,779,544.59. The results indicate a minor deficiency of $.06 ($6,779,544.65 less $6,779,544.59) due to rounding of individual vouchers.

4.2.4. New Rate of Exchange. When computing a new rate of exchange to purchase additional foreign currency, the number of foreign units divided by the rate of exchange may not always accurately reflect the USD value. The rate of exchange for newly acquired foreign currency often differs from that of the balance on hand before the purchase.

4.2.4.1. Gains and Deficiencies Due to Rounding. Credit gains or charge deficiencies due to rounding to account 6763 (Gains and Deficiencies on Exchange Transactions) using ***DD Form 1131***, Cash Collection Voucher, or ***SF 1034***, Public Voucher for Purchases and Services Other Than Personal, as appropriate. Attach a Certificate of Adjustment as prescribed in subparagraph 4.2.4.2, to the voucher to support the transaction.

4.2.4.2. Certificate of Adjustment. The DO or DDO prepares and signs a Certificate of Adjustment Due to Rounding (see Figure 13-2) when a minor gain or deficiency results.

4.2.5. Foreign Currency Revaluation. Any change in the prevailing rate of exchange causes a gain or deficiency by revaluation since there is a change in the USD value of the foreign currency, except when using the method outlined in subparagraph 4.2.4.1. Whenever possible, revalue the foreign currency on hand (including LDAs) at the beginning of the business day on

which a rate change occurs. Determine the new USD value by dividing the total foreign currency on hand (including LDAs) by the new exchange rate, and whether a gain or deficiency by revaluation has occurred by comparing the USD value at the old rate to the USD value at the new rate. Because DOs carry foreign currency held in the disbursing account at the USD value, adjust that value by the amount of the gain or deficiency (loss) by recording the gain or deficiency by revaluation as a collection or disbursement transaction in the DO's account.

4.2.6. Gains and Deficiencies by Revaluation. Gains and deficiencies may occur due to rounding or revaluation. Except when using the method outlined in subparagraph 4.2.4.1, credit foreign currency gains utilizing a DD 1131 and charge foreign currency deficiencies utilizing a SF 1034. Gains and deficiencies are reported through Classification Transactions and Accountability citing an increase or decrease to account 6763, and the DO Cash TAS along with the proper Business Event Type Codes. Calculate gain/deficiency values for each currency individually by DO/DDO/agent/cashier to keep personal accountability accurate. DOs may consolidate the "net" change for all currencies on a single DD 1131 or SF 1034, as appropriate.

4.2.7. Balance-of-Payments. Code all credits and charges to account 6763 as USD transactions. Use account 6763 only for gains and deficiencies due to foreign currency revaluations. Account 6763 is not related to and has no relationship with the Foreign Currency Fluctuations, Defense (FCFD) or the Foreign Currency Fluctuations, Construction, Defense (FCFCD) accounts used for differences between budgeted foreign currency rates at which obligations are recorded and the rates at which they are liquidated. Reflect the FCFD and FCFCD portions of foreign currency disbursements separately on disbursement vouchers as charges to the appropriate foreign currency centrally-managed allotment account set up for that purpose.

4.2.8. Gains or Deficiencies on Security Deposits Due to Foreign Currency Fluctuation

4.2.8.1. Policy

4.2.8.1.1. Service members stationed in overseas areas are authorized advanced overseas housing allowance for security deposits to obtain leased housing. As authorized by the ***Defense Travel Management Office***, the supporting DO pays the necessary amount in the appropriate local currency and charges the appropriate military pay appropriation for the USDE. The preferred method for paying advanced housing allowance is a LDA check in the local currency of the area involved.

4.2.8.1.2. For disbursing offices that do not maintain an LDA in the required currency, the member presents a copy of the lease agreement containing the amount of foreign currency needed to initiate the lease contract. The disbursing office contacts the local MBF to determine the foreign currency exchange rate on the date the advance is to be paid and computes the USD amount. The appropriate military pay entitlement office prepares and certifies the appropriate voucher for payment of the advance in USD, and charges the appropriate military pay appropriation. The service member converts the payment to local currency at the MBF.

4.2.8.1.3. The supporting finance office maintains a tracking system, either by input into the master military pay account (MMPA) or by manual methods, showing the amount of the advance paid in local currency, the USDE, and the exchange rate on the date of payment.

4.2.8.2. Lease Termination

4.2.8.2.1. At lease termination, service members return the total amount of the deposit in local currency to the supporting disbursing office in exchange for a receipt. The supporting disbursing office credits the USDE based on the rate of exchange in effect on the date of the return to the appropriation charged when the deposit was advanced; compares that rate of exchange with the rate in effect on the date of the advance; and posts any gain or deficiency (loss) due to currency fluctuation as a charge or credit, as appropriate, to the current military pay appropriation.

4.2.8.2.2. If the security deposit was paid in USD, the service member takes the full value of the security deposit in foreign currency to the MBF, converts it to U.S. currency, obtains a receipt indicating the exchange rate, and turns in the U.S. currency and receipt to the disbursing office. The disbursing office prepares a collection voucher for credit to the appropriate military pay appropriation, indicates return of the security deposit, verifies with the MMPA or local record whether a gain or deficiency has occurred for the current exchange rate, and prepares the appropriate voucher to credit or debit the gain or deficiency to the appropriate military pay appropriation. Ensure that the member does not experience any gain or deficiency due to foreign currency fluctuations.

4.3 Obtaining Weekly Foreign Currency Exchange Rates

The ***Federal Reserve Bank*** provides weekly foreign currency exchange rates at their website.

5.0 USE OF FOREIGN CURRENCIES FOR TRANSPORTATION

5.1 Transportation Payment

To the maximum extent possible, use U.S. owned foreign currencies for transportation when certified air carriers are available and will accept such currencies in payment for U.S. Government-financed, commercial, foreign air transportation of persons or property. Review ***DoD Directive 4500.09E***, Transportation and Traffic Management, for guidance on the use of these air carriers and determination of their availability. In issuing and exchanging Government Transportation Requests (GTRs), Government Bills of Lading (GBLs), transportation warrants, or other procurement documents, state clearly “PAYMENT IN (foreign currency)” on the form. Otherwise, the carrier may demand payment in USDs.

5.2 Transportation Billing

DOs should ensure to include in the "BILL TO" portion of the GTR, GBL, transportation warrant, or other procurement document:

5.2.1. Name of the requesting agency;

5.2.2. Address to be billed; and

5.2.3. Instruction on payment in foreign currency.

6.0 DISPOSITION OF FOREIGN CURRENCY AND NEGOTIABLE INSTRUMENTS

6.1 Payments to Authorized Personnel

DOs may use foreign currency for payments to foreign personnel and vendors. For miscellaneous advance payments, see Volume 10, Chapter 4, paragraph 4.8.

6.2 Disposition of Excess Foreign Funds

When possible, transfer foreign currency excess to other DoD DOs, USDOs, U.S. Embassies, or accountable officers in a particular locality with immediate disbursing needs. When the collection of foreign currency causes a noninterest bearing LDA to exceed immediate disbursing requirements, see Chapter 14, subparagraph 3.10.2.2.

6.2.1. Sale to Another DoD Disbursing Office

6.2.1.1. Sort checks, drafts, and money orders payable in foreign currency by the geographical location of the institutions on which they were drawn and send them by registered mail or courier to a DoD DO located in the country of the monetary unit involved. Send them with a completed DD Form 165, Shipment of Funds, and a letter of transmittal addressed to "DO (activity of addressee)" (see Chapter 3, section 5.0). Include a request for a U.S. Treasury exchange-for-cash check with the letter of transmittal. Identify the country, type, amount, exchange rate, and USD value of the instruments on the DD 165. Endorse the instruments "Pay to the order of '*Disbursing Officer, Activity of Addressee*', (Signature of sender)." When there is no DoD DO in the country involved, deposit the instruments in accordance with the I TFM 5-6000.

6.2.1.2. Send other than local currencies, and currencies not required for official purposes to a DoD DO that needs them, or to a DO located in the country where the currency is legal tender. Exchange the foreign currency for U.S. currency or a U.S. Treasury exchange-for-cash check. When using registered mail or courier, include a completed DD 165 and letter of transmittal requesting a U.S. Treasury exchange-for-cash check. Include the country, type, amount, exchange rate, and USD value of the foreign currency on the DD 165. Do not send foreign coins for exchange except under unusual circumstances and with the prior concurrence of the intended recipient.

6.2.1.3. Use the prevailing rate of exchange on the date of the seller's transmittal and the prevailing rate on the date of receipt for the buyer. Since the prevailing rate is the holding rate for the receiving office, there will be no gain or deficiency in the receiving office's accounts. The selling office accounts for any gain or deficiency due to exchange rate fluctuations when it receives the U.S. Treasury exchange-for-cash check.

6.2.2. Sale to an MBF. A DO may sell excess foreign currency to an MBF whenever the currency cannot be sold to another DoD DO. The selling DO uses the MBF "buy rate" as the rate of exchange on the date it sends the currency to the MBF, and accounts for any gain or deficiency due to exchange rate fluctuations when it receives the USD from the MBF.

6.2.3. Sale Through Commercial Channels. If foreign currency cannot be sold, a DO may sell it through commercial channels. If the rate of exchange has been established by agreement between the U.S. and the foreign country, sell or otherwise dispose of foreign currency for U.S. currency or USD checks at the established rate of exchange.

6.2.3.1. For this type of sale, the bank or other entity to which the foreign currency is sold provides a statement showing the amount of USD supplied, rate of exchange, amount of foreign currency received, date, and name and address of the bank or other entity. The recipient's representative signs the statement and the DO includes it with the financial reports. A DO may also conduct foreign currency sale transactions with a bank or entity approved by the Treasury (e.g., an MBF) to establish LDAs in the currency purchased (see Chapter 14, section 3.0).

6.2.3.2. When the rate of exchange is not established by agreement between the U.S. and the foreign country, or if there is not a bank or entity approved by the Treasury to establish LDAs, use a DD 2668 to request at least three bids from reputable banking institutions or dealers in foreign exchange, if available. Sell the foreign currency to the bidder submitting the most beneficial bid as certified by a commissioned officer other than the DO; the DO accepts it and includes it with the financial reports to support gains or deficiencies in foreign currency transactions.

6.2.4. Deposits to the Credit of the Treasury. If disposition is not possible through a DoD DO or an MBF, follow guidance in the I TFM 5-6000 for deposits of foreign currency and checks drawn on foreign banks.

6.2.5. Deposits. Pending receipt of the confirmed copy of the deposit ticket, record the deposit in Cash in Transit of the DD 2657 at the USD value of the funds when the deposit was mailed. If the confirmed copy of the deposit ticket is not received before the end of the month of mailing, report the item on line 6.7 of the SF 1219. The depositary enters the net USD proceeds in Block 4 of the deposit ticket and distributes the copies as for any regular deposit.

6.2.5.1. Upon receipt of the confirmed deposit ticket, the DO enters the confirmed amount in Deposits Presented or Mailed to Bank on the DD 2657. Account for any difference in the amount of the confirmed deposit ticket and the amount at which carried by the DO on Cash in Transit (as distinguished from exchange fees and collection charges) as either a gain or deficiency by exchange transaction as prescribed in section 3.0.

6.2.5.2. Do not report deposits of foreign negotiable instruments under the "Gross Accountability" section until receipt of the confirmed copy of the deposit ticket because the USD value to be reported as deposited is not known to the DO until then.

6.3 Dishonored Foreign Checks, Drafts, and Money Orders

Dishonored foreign instruments received by DoD DOs are subject to the regular debt collection procedures. DOs must request removal of dishonored item deficiencies for instruments received that become uncollectible (see Chapter 4, section 5.1).

6.4 Mutilated or Unfit Foreign Currency

DOs should take every possible precaution to prevent acceptance of mutilated foreign currency as a collection, payment, or an exchange transaction. If a DO is holding mutilated foreign currency, the DO must contact local banks or fiscal authorities to arrange for the exchange of mutilated or unfit currency for fit currency.

6.5 Counterfeit or Altered Foreign Currency

DOs should take every possible precaution to prevent acceptance of counterfeit currency as a collection. If the collection is counterfeit, see section 2030.50 in ***I TFM 5-2000***. If no agreement exists with the foreign government, then ship the currency to the appropriate investigative agency or nearest military security agency. Obtain a receipt for the currency, and account for it in the DO's records in the same manner prescribed in Chapter 3, section 7.0 for counterfeit U.S. currency. A DO considered at fault in acquiring counterfeit foreign currency is accountable for the value of the currency. Submit a request for relief of liability pursuant to the process outlined in Chapter 6, section 6.0. This is the same process that is used for accountability for receipt of counterfeit U.S. currency.

7.0 RECORDS AND REPORTS

7.1 Treatment of Transactions

Treat transactions involving foreign currency as cash transactions and follow the same principles and guidelines established for controlling U.S. currency. DOs, DDOs, agents, and cashiers who engage in foreign currency transactions (e.g., collections, disbursements, and accommodation exchanges) must document them on the ***DD Form 2663***, Foreign Currency Control Record. This form shows current balances of foreign currency on hand (all foreign currency held by cashiers, in the vault, or by other agents of the DO) and in LDAs, as well as the detailed transactions that increase or decrease these balances.

7.2 DD Form 2663, Foreign Currency Control Record

Maintain separate DD 2663s for each type of foreign currency used (e.g., Kuwaiti Dinar, Euro, and Japanese Yen). Also maintain a separate DD 2663 for accommodation exchange foreign currency carried at an exchange rate different from that used for disbursements. DOs may maintain separate DD 2663s for foreign currency on hand and in LDAs.

7.3 Foreign Currency Reports

7.3.1. DO. Include with the foreign currency reports a cover sheet with the following headings: Country of Currency; Monetary Unit; Number of Units Purchased; Total Dollar Outlay; and Memorandum-Dollar Outlay for Accommodation Exchanges. Reports are due within 15 calendar days after the close of each quarter to the supporting DFAS site. Reports may be combined and submitted as one report.

7.3.1.1. Cumulative Report of Foreign Currency Purchased With USD From Sources Outside the U.S. Government. This report is cumulative for the fiscal year. Include the amounts acquired through accommodation exchange transactions as well as purchases from banks and other dealers in currency exchange.

7.3.1.2. Report of the Balance of Foreign Currency Held Under Dollar Accountability. This report is due by the end of each quarter to the same DFAS site as the cumulative report. It may be combined with the cumulative report.

7.3.1.3. Report of Foreign Exchange Received by DOs and Credited Immediately to Miscellaneous Receipt Accounts of the Treasury. This report is a cumulative report of outside purchases and quarterly report of balances of foreign currency on hand. These funds are received for such things as fees and services and are immediately purchased by DOs with appropriated funds for their operating needs. Exclude repayments to appropriations.

7.3.2. Consolidated Quarterly Reports of DOs. DFAS sites will consolidate the DOs quarterly reports and forward them to DFAS, Departmental Reporting Directorate, Treasury Division, Reporting Operations Branch, Column 334Z-1, 8899 E. 56th Street, Indianapolis, IN 46249, in time to be delivered to the Treasury 45 calendar days after the close of each quarter.

7.3.3. SF 1219. Report foreign currency balances held in USDE on the SF 1219 including those in LDAs.

8.0 CONTINGENCY OPERATIONS IN FOREIGN TERRITORIES

Information pertaining to Contingency Operations in Foreign Territories can be found in Volume 12, Chapter 29, “Administering, Using, and Accounting for Seized and/or Vested Funds and Property During Contingency Operations.”

Figure 13-1. Sample Certificate of Change in Purchase Rate

3RD MARINE LOGISTICS GROUP
FLEET MARINE FORCE, PACIFIC
FPO AP

October 4, 20XX

CERTIFICATE OF CHANGE IN PURCHASE RATE

	Yen	Exchange Rate	U.S. Dollars
Total amount of Japanese Yen on hand at close of business October 3, 20XX	220,000	97.99991	$2,244.90
Japanese Yen received this date through sale of Treasury Check No. 196,240 for $1,960.78	200,000	102.00022	$1,960.78
Totals	420,000	99.86494	$4,205.68

420,000 Yen divided by $4,205.68 equals 99.86494, which is the new exchange rate for Japanese Yen on hand. This rate is based on the prior purchase exchange rate and the new exchange purchase rate for Yen purchased on October 4, 20XX.

No collection or disbursement vouchers processed this date prior to revaluation of Japanese Yen.

J. A. HANCOCK
DSSN 6870

Figure 13-2. Sample Certificate of Adjustment Due to Rounding

U.S. NAVAL STATION
JAPAN

January 3, 20XX

CERTIFICATE OF ADJUSTMENT DUE TO ROUNDING

YEN	US DOLLAR VALUE (based on individual cumulative transactions)	US DOLLAR VALUE (based on rate of exchange of 0.0089=$1.00	DIFFERENCE (deficiency)gain
7,254,123.47	$64,385.50	$64,385.57	$0.07

J. A. HANCOCK
Symbol 6870

VOLUME 5, CHAPTER 14: "LIMITED DEPOSITARY CHECKING ACCOUNTS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated February 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
7.2	Added guidance for indemnification of lost, stolen, mutilated, or destroyed checks from the Treasury Financial Manual, Volume 1, Part 5, Chapter 5000, section 5035.20.	Addition

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CHAPTER 14

LIMITED DEPOSITARY CHECKING ACCOUNTS

1.0 GENERAL

1.1 Overview

If the U.S. Department of the Treasury's (Treasury) International Treasury Services (ITS.gov) will not support mission requirements, DoD disbursing officers (DOs) may maintain official limited depositary accounts (LDAs) for check or electronic funds transfer (EFT) payments in foreign currencies with banks designated by the Treasury as "Depositaries of Public Moneys of the United States." LDAs are considered cash and investments held outside treasury funds and must be reflected in the DO Cash Treasury Account Symbol. LDA transactions follow the same reporting process to the Payment Information Repository (obtaining funds) and the Classification Transactions and Accountability (cash disbursement and collections) as U.S. dollar transactions. LDA transactions are recorded on the DoD ***(DD) 2657***, Daily Statement of Accountability and the Standard Form (SF) 1219, Statement of Accountability.

1.2 Purpose

This chapter provides policy on the establishment and maintenance of LDAs by DoD DOs.

1.3 Authoritative Guidance

Treasury is authorized by Title 31, United States Code (U.S.C.), section 3303, (***31 U.S.C. § 3303***), to select financial institutions to maintain U.S. Government operated accounts based on obtaining the most beneficial banking arrangement available to transact business. Preference should be given to American financial institutions unless a local bank's arrangement is more advantageous to the United States. See implementing guidance in Title 31, Code of Federal Regulations (CFR), sections 202.1, (***31 CFR § 202.1***), ***31 CFR § 281.6***, and ***31 CFR § 281.7***.

2.0 SOLICITATION

2.1 Overview

2.1.1. New LDAs. A DO (or designated deputy DO (DDO)) confers with the local U.S. Embassy or Consulate for assistance to determine which banks meet the criteria to maintain an account. When anticipating the establishment of a new LDA, a DO solicits all American-owned and leading local financial institutions in the area to determine which would offer the most beneficial arrangement. The solicitation process must be competitive to allow all banks to submit written information on identical questionnaires or requests for banking proposals. To determine the most beneficial arrangement, a DO considers, in descending order of importance, (1) standard operating services minimally required, (2) customary local banking practices (e.g., telex cost or armored car service), and (3) other special services that may be necessary in a particular country or circumstance (e.g., payment of interest on the account, waiver of miscellaneous charges). The required services must include:

2.1.1.1. Capability to honor payments to payees in outlying areas;

2.1.1.2. Processing of checks and, if possible, EFTs and deposits;

2.1.1.3. Provision of a daily or a monthly bank statement as needed; and

2.1.1.4. Acceptance of the DO's funding procedures.

2.1.2. LDA Banks. DOs ensure that banks are valid, reflect a high level of American ownership, are financially secure, are dependable, and are reliable financial institutions to avoid losses and ensure the protection of U.S. Government funds. Unsolicited proposals from financial institutions to operate an existing LDA may be received any time, and the LDA is open to all interested financial institutions.

2.2 Requesting an LDA

A DO, upon selecting a reliable financial institution with beneficial banking arrangements, sends a request for approval and designation of an LDA to the Enterprise Solutions and Standards (ESS) Disbursing, Defense Finance and Accounting Service (DFAS), ESS Disbursing, Indianapolis (DFAS-JJFKCD/IN), 8899 E. 56th Street, Column 301S, Indianapolis, IN 46249 (dfas.indianapolis-in.jjf.mbx.ess-disbursing@mail.mil)). ESS Disbursing will review and send the request to the Treasury's Bureau of the Fiscal Service before the account is established.

2.2.1. Requests for U.S. dollar (USD) accounts must include documentation indicating that the DO requested and received a commitment to pledge collateral from the bank suggested for selection. If the bank agrees to pledge collateral, the DO may request a USD operating account; otherwise, the DO may request only a USD zero-balance account.

2.2.1.1. A request for an LDA should include the:

2.2.1.2. Disbursing station symbol number (DSSN);

2.2.1.3. Justification for the account, to include the reason(s) why ITS.gov will not support mission requirements;

2.2.1.4. Location;

2.2.1.5. Name of the currency;

2.2.1.6. Criteria for determining the preferred bank and reasons for recommending its selection (e.g., results of the competitive process);

2.2.1.7. Name of proposed bank;

2.2.1.8. Bank address;

2.2.1.9. Name and title of bank official and telephone number(s);

2.2.1.10. Percentage of ownership by a U.S. bank;

2.2.1.11. Name of the correspondent bank (if any) in the United States, the account number, and a point of contact (e.g., name, title, and telephone number); and

2.2.1.12. Business need or statutory authority for any balance that may exceed the 5-to-7 business day supply requirement. Note: Approved LDA requests that include requirements for balances to exceed the 5-to-7 business day supply will require a waiver from Treasury as stated in subparagraph 3.10.2.2.

3.0 ESTABLISHING AND MAINTAINING AN LDA

3.1 Establishment

Once Treasury approves a request, establish the LDA in the name of the assigned DO, DDO, or another agent the DO designates. Limit the authority to sign checks drawn on the LDA to the DO and other appointed DDOs or agents. A DO who transacts business in multiple foreign currencies, must establish and maintain a separate LDA for each currency.

3.2 Letter of Authorization

The commander certifies by letter, the name and rank of the DO assigned to the activity, stating that the DO is authorized to maintain an LDA with official funds of the United States in the name of the activity. If the custodian of the LDA is a DDO or another agent of the DO, the commander's letter identifies that DDO or agent and:

3.2.1. Certifies that the account is subject to checks issued by the DO, other appointed DDOs or agents, and their successors in the office;

3.2.2. Includes signature specimens of the DOs and authorized DDOs and agents, and a certification that the signatures are those of the personnel authorized to transact business with the limited depositary (LD); and

3.2.3. Requests the bank acknowledge acceptance by endorsement of the letter, in triplicate. The bank should retain the original letter and return two copies to the activity.

3.3 Blank LD Checks

3.3.1. Procurement. LD checks are not available through the Treasury check contract. Order checks from the bank maintaining the LDA, charging their procurement cost to the disbursing activity's operating funds.

3.3.2. Print Order Requirements. Obtain LD checks in continuous form format for mechanized systems. The checks must be overprinted to provide the serial number of the check, name of the activity, any limited-payable notices as may apply in the foreign nation, and information necessary for security and accounting for check issues.

3.3.3. Security. Control and safeguard blank LD checks in the same manner as prescribed for Treasury checks in Chapter 7, paragraph 3.7. If LD checks are lost or stolen, the DO immediately notifies the LD of the serial numbers of those checks, places stop-payments against them, and submits copies of the stop-payment requests with the next original LD reports.

3.3.4. Relief of DO. Transfer unused LD checks to the relieving officer, with no change in serial numbers, for their use.

3.3.5. LDA No Longer Required. When an LDA is no longer required or when a disbursing office is deactivated, void all unused blank LD checks and destroy them (see Chapter 7, paragraphs 9.1 and 9.3).

3.4 Preparation of LD Checks

3.4.1. Production of Checks. Prepare LD checks using automated check writing equipment, if available, or a typewriter, if necessary.

3.4.2. Record of Check Issues. DOs maintain a record of all LD checks issued. The record includes payee names, voucher numbers, amounts (in the currency of the check), check serial numbers, check dates, and activity name under which the account is established. Other information as to the purpose for which checks are issued and local identification codes is optional at the issuing DO's discretion. The record may be on paper, electronic, or in media designed for data processing use. Keep a separate record for each LDA. Include records of check issues with retained disbursing records.

3.5 Disbursement Vouchers

When a payment is made with an LD check, enter the notation "LD Check No. X," on the disbursement voucher. Although a receipt is not generally required for a check payment, local laws may prohibit LD checks drawn outside the United States from being returned to the drawer. In these cases, show evidence of receipt of the payment on the voucher on which an LD check payment appears in one of the following two ways:

3.5.1. Signature on Original Voucher. Submit the original voucher as a part of the financial reports for the month of payment; or

3.5.2. Periodic Statements From Depositary. Periodic statements from the LD listing the paid checks by number and amount, certified by an officer of the bank and the DO, are satisfactory evidence of payment. The certificate of the bank should say, "I certify that the above is a true and correct list of all checks paid by this bank and charged to the account shown in the heading during the period covered by this statement, and that the originals of the checks are on file in this bank

and will be held for X years." The DO certifies to the reconciliation of the bank statement with the disbursing records.

3.6 Delivery of Checks

Before mailing any LD checks outside the country in which the LD is located, the DO verifies that such action is not prohibited by the Status of Forces Agreements or the banking laws of the countries involved (see Chapter 7, paragraph 6.4).

3.7 Irregularity After Delivery of Checks

When an irregularity occurs after check delivery and the check is still outstanding, stop payment of the check. Provide a complete report of the facts with the request for stoppage. If the irregularity is discovered after payment of the check, the DO notifies the depositary of the irregularity.

3.8 Interest on Deposits

In some cases, LDs pay interest on LDAs. When possible, the DO obtains interest on the LDA. The DO canvasses the market to obtain the highest interest rate legally available consistent with disbursing requirements and monitors the interest-bearing accounts to ensure the interest is paid timely following agreements between the DO and the banks. When notified that interest has been credited to the account, the DO prepares a ***(DD) Form 1131***, Cash Collection Voucher, crediting 3220 (General Fund Proprietary Receipts, Not Otherwise Classified, All Other) for the U.S. dollar equivalent (USDE) of the interest and records the transaction as both a collection and an increase.

3.9 Account Balances

Keep daily LDA balances as near zero as possible, maintaining them solely to support disbursing requirements. Draw LDA checks against new deposits only after receipt of confirmation of the deposits from the LD. If foreign currency collections cause a non-interest bearing LDA to exceed a 5-to-7 business day supply and all attempts to sell the currencies to other DOs are exhausted, the DO sells the foreign currency for USDs for deposit to a bank designated as a Treasury General Depositary or requests a waiver per subparagraph 3.10.2.2. LDAs approved to hold funds beyond the 5-to-7 business day supply do not require a reduction of the account balance, but they must comply with any stipulations cited in the LDA request approval (see subparagraph 2.2.1.12). Do not use LDA balances (or the forfeiture of potential interest earnings on the account) to subsidize banking services otherwise funded through the appropriation process.

3.10 Review of LDA

3.10.1. Commanders' Review. Commanders require review of DO's maintained LDAs to ensure compliance with this chapter. The cash verification team (see Appendix A) performs this unannounced review quarterly, upon transfer of accountability to a successor DO, before departure

of the outgoing DO from the command, upon deactivation of the LDA, or upon a change in the designated settlement office.

3.10.2. DOs' Review. DOs review LDAs on a continuing basis to ensure:

3.10.2.1. Maintenance of minimum account balances necessary to meet immediate disbursement needs (checks issued and in process);

3.10.2.2. Balances do not exceed immediate needs (typically a 5-to-7 business day supply). Transfer the excess funds beyond the immediate need to other DoD DOs, State Department U.S. DOs, or a U.S. Embassy; withdraw and deposit the funds with Treasury; or receive Treasury approval to exceed the 5-to-7 business day supply. Waivers to exceed the 5-to-7 business day supply must be requested from Treasury (see Treasury Financial Manual (TFM), Volume I, Part 4a, Chapter 3000, section 30140.20 ***(I 4A-30140.20)***). Contact DFAS-JJFKCD/IN at the email address listed in paragraph 2.2 to obtain procedural guidance for waiver requests;

3.10.2.3. The terms negotiated with the depositary are favorable to the U.S. Government including interest on the account at the highest possible rate;

3.10.2.4. At least every three years for each account, the DO determines if it may be cost effective to solicit competitive proposals from all American-owned and leading local financial institutions in the area to secure the most beneficial banking agreement; and

3.10.2.5. There are no significant events that affect the designated bank (e.g., bank closure). Immediately notify Treasury's Over-the-Counter Revenue Collection Division through DFAS-JJFKCD/IN at the email address listed in paragraph 2.2 upon learning of a significant event that affects the designated bank.

3.11 Burdensharing and Overseas Relocation Contributions by Foreign Allies

See Volume 12, Chapter 24 for the overall policy and responsibilities for acceptance, receipt, use, and reporting of burdensharing and relocation monetary contributions to the DoD. DOs must include any burdensharing and relocation monetary contributions held in an LDA in the semiannual cash holding authority requests (see Chapter 3, paragraph 2.4). In addition, DOs must include any burdensharing and relocation monetary contributions held in an LDA in their ending accountability on the DD 2657 and in the DO Cash Treasury Account Symbol. Burdensharing and monetary contributions held in an LDA in excess of the 5-to-7 business day supply must be approved with the original LDA request (see subparagraph 2.2) or will require an approved waiver from Treasury (see subparagraph 3.10.2.2).

4.0 VOIDED AND SPOILED LD CHECKS

4.1 Disposition of LD Checks

Treat original LD checks that are not to be issued as voided or spoiled. Void LD checks with writing errors (e.g., wrong name or amount). In addition, void checks physically damaged

during preparation, or where the applicable entitlement area has withdrawn the voucher. Mark these checks conspicuously to prevent their negotiation, either in error or through fraud. Prepare separate listings of voided and spoiled checks monthly and attach them to the SF 1149, Statement of Designated Depositary Account.

4.2 Voided Checks

The functional area authorizing the payment of a voucher may request a check to be void. The DO bases their decision on the payee's non-entitlement to payment, or an error in the way the check was drawn. Do not report voided checks as issued in the DO's check report. Upon determination to void a check, render the check non-negotiable. Do not store voided checks in the safe or vault of the DO or any deputies or agents. Prepare a listing of voided checks, entitled "Voided Checks," showing the accounting month, the name of the LD, and the LDA number at the end of each month. Send the voided checks listing and the originals of all voided checks with the monthly SF 1149.

4.3 Spoiled Checks

A DO issuing a check determines when to report a check as spoiled, basing the decision on the physical appearance of the check (e.g., mutilated, torn, not whole, smudged, unreadable); or upon discovering an error in the preparation of the check, (e.g., voucher is correct, but the check data does not match).

4.3.1. Preparation of Check Listing. Prepare a separate listing of spoiled checks, entitled "Spoiled Checks," in check-number sequence at the end of each month, showing the accounting month, name of the LD, and LDA number. Send the listing and the original spoiled checks with the monthly SF 1149.

4.3.2. Spoiled Check Replacement. Replace a spoiled check with the next available serially numbered check. Enter the same information that appeared on the original check except for the check serial number and the check issue date. Render the original check non-negotiable.

5.0 TRANSFERRING PROCEEDS OF LD CHECKS

5.1 Uncurrent LD Check

An uncurrent LD check is a check that has not been negotiated through the LD one fiscal year after the fiscal year in which the check was issued, except where local laws mandate the negotiable period be shorter. The amount of these checks must be transferred to the Treasury or credited to the original appropriation. The transfer of LDA check proceeds may be due to undeliverable checks or checks due to payees that are deceased or incapacitated.

5.2 Uncurrent Check Transfers

The DO who issued the original check, a successor DO, or a settlement officer designated by the supporting DFAS site transfers proceeds of uncurrent checks to the Treasury each October.

5.2.1. Open LDAs

5.2.1.1. Preparation of Check Listing. Prepare an original and four copies of check listing for each LDA, with the DO's name, location and the LD's name and location on the header. Include the uncurrent LD checks in ascending numerical order on each listing, showing each check's issue date, check number, name of the payee, check amount in the check's currency, and the USDE of the check when it was issued (as shown on the payment voucher). Show the total amount of foreign currency units and the total USDE of all checks on the listing. Transfer the total USDE when the checks were issued to Treasury account, 20X6045 (Proceeds and Payment of Certain Unpaid Checks).

5.2.1.2. Stop-Payment Notice to the LD. The DO immediately gives a copy of the uncurrent check listing to the LD, requests that it place stop-payments on all checks, and instructs the LD to advise all payees presenting checks shown on the listing to submit the checks to the disbursing office for transmittal to and settlement by the Department of the Treasury, Bureau of the Fiscal Service, Attn: Fiscal Accounting, Budget Reporting Branch, 3201 Pennsy Drive, Building E, Landover, MD 20785.

5.2.1.3. Method of Transfer. The DO prepares an Optional Form ***(OF) 1017-G***, Journal Voucher (JV), to document the purchase of foreign currency represented by the outstanding checks, and completes the purchase by issuing a Treasury check payable to the Department of Treasury for the USDE shown on the check listing. Include a complete explanation of the transaction on the JV, giving the date, check serial number, and DSSN of the activity issuing the Treasury check. The JV supports the increase in the LDA checkbook balance. Report the transaction on the SF 1149. Attach a copy of the JV to the uncurrent check listing and send it with the Treasury check to the Treasury (see subparagraph 5.2.1.2 for address). Contact DFAS-JJFKCD/IN at the email address listed in paragraph 2.2 to obtain procedural guidance and processing instructions.

5.2.2. Closed LDAs. When outstanding (unpaid) checks become uncurrent in a closed LDA, transfer the USDE to Treasury account 20X6045. The DO having jurisdiction over the closed account arranges with the LD for the necessary transfer of funds from the closed LDA to the DO's current LDA. After the LD completes the transfer to the current account, the DO follows subparagraph 5.2.1. If the closed account belonged to a predecessor DO or is part of the settlement account for a closed disbursing station, prepare an additional copy of the uncurrent check listing to file with the retained records of the closed disbursing station's records; include a reference to the disbursing office accomplishing the transfer and the date of transfer on this copy. Notify Treasury of the closure through DFAS-JJFKCD/IN at the email address in paragraph 2.2.

5.3 Transferring Proceeds of Undeliverable Checks

This paragraph relates to the proceeds of undeliverable LD checks still due the payee or the payee's estate. Cancel LD checks returned as undeliverable and are not due the payee or payee's estate (see section 6.0).

5.3.1. Time Limit for Holding Undeliverable Checks. Hold undeliverable LD checks only until determination that the DO cannot deliver them with the information available, but not longer than 60 days from the date of issue.

5.3.2. Record of Undeliverable Checks. Undeliverable LD checks are recorded on a ***DD 2658***, Returned and Undeliverable Check/Bond Record. Include a complete description of the checks, the disbursing voucher numbers, dates the checks were returned, disposition of the checks, disbursing official authorizing the disposition, and disposition dates. The DO, DDO, or a third person having the DO's written authorization approves disposition of undelivered checks.

5.3.3. Safekeeping of Undeliverable Checks. Protect undeliverable LDA checks held in the disbursing office the same as cash. File them in an order best suited for ease of retrieval and identification.

5.3.4. Disposition of the Proceeds of Undeliverable Checks Drawn on Open Accounts. Credit the proceeds of undeliverable LDA checks (current as to date of issue) drawn on an open LDA to the appropriation or fund charged for the original disbursement. Use the rate of exchange that was in effect on the date of issue, as shown by the payment voucher, and establish a payable to allow for future settlement. Schedule undeliverable LDA checks on an ***SF 1098***, Schedule of Canceled or Undelivered Checks, showing the check number, month and year of issue, name of payee, amount (USDE on the date of issue), DSSN, and the appropriation or fund to be credited, and process the SF 1098 as a cash collection. To maintain the DO's accountability, increase the DD 2657 and SF 1219 by the USD amount on the SF 1098, and increase the LDA checkbook balance by the total amount of foreign currency units of the listed checks.

5.3.5. Disposition of the Proceeds of Undeliverable Checks Drawn on Closed Accounts. If the LDA on which the undeliverable checks were drawn is closed, the successor DO or settlement officer notifies the LD that the checks are canceled. Transfer the proceeds of the check to the successor DO's LDA or by a check payable to the DO (by title). Once the proceeds are transferred to the open account, the DO follows subparagraph 5.3.4 for undeliverable checks drawn. When the LD provides the proceeds by check, the DO processes a DD 1131 to credit the appropriation or fund charged when the checks were issued, and does not prepare an SF 1098. Prepare the DD 1131 at the rate of exchange in effect when the checks were issued, as shown by the related payment vouchers. Account for any difference in the USD value by comparing the current rate of exchange and the rate when the checks are collected as a gain or loss by exchange (see Chapter 13, section 4.0).

5.4 LD Checks Due Deceased or Incapacitated Payees

5.4.1. Checks Current as to Date of Issue. Process non-negotiated LD checks returned to the disbursing office in connection with a claim for the proceeds which are still due a deceased or incapacitated payee but still current as to date of issue under subparagraphs 5.3.4 and 5.3.5.

5.4.2. Checks Uncurrent as to Date of Issue. Handle non-negotiated LD checks, uncurrent as to date of issue and returned to the disbursing office in connection with a claim for the proceeds that still are due a deceased or incapacitated payee.

5.5 Claims for the Proceeds of Undeliverable Checks

5.5.1. Claims for Settlement by the DO. Support claims for the proceeds of undeliverable checks credited to the appropriation or fund originally charged using an ***SF 1034***, Public Voucher for Purchases and Services Other Than Personal. Cite a reference to the original undeliverable check showing its serial number, amount, and DSSN on each voucher.

5.5.2. Claims for Settlement by the DoD. When there is any question of law or fact, send claims for the proceeds of undeliverable checks to DoD, Office of the General Counsel (OGC), 1600 Defense Pentagon, Washington, DC 20301-1600.

6.0 CANCELING LD CHECKS

6.1 Cancel LDA Checks

Cancel LDA checks when their proceeds are not due to payees or their estates but are for credit to an appropriation or fund account. The procedure to cancel these checks depends on whether the account on which the check was written is open or closed, whether the check is current or uncurrent, and whether the check is available or unavailable to the DO maintaining the LDA. Contact DFAS-JJFKCD/IN at the email address listed in paragraph 2.2 to obtain procedural guidance and processing instructions.

6.2 Checks Not Due a Payee or Payee's Estate

If a payee or payee's estate is not entitled to a check, the functional area that submitted the certified payment is the only office that may request the DO to cancel that check. Except as provided in this paragraph, use an SF 1098 to list and report all such checks canceled. In all cases where practicable, the functional area authorizing the original payment prepares the SF 1098.

6.2.1. Checks Current as to Issue Date. The DO cancels LD checks not due a payee as quickly as possible and credits the USDE of the foreign currency amount of the checks at the rate of exchange in effect on the dates the checks were issued (as shown on the payment vouchers) to the original appropriation or fund charged for the payments.

7.0 REPLACING MISSING, MUTILATED, AND FORGED LD CHECKS

7.1 Replacing LD Checks

A DO, upon receipt of a claim for a check that is reported as not received, lost, stolen, destroyed, mutilated, forged, or defaced, determines the status of the check from the LD or from retained records whether the check is outstanding. The DO issues a replacement check in accordance with this chapter when checks are reported as outstanding and unpaid before the end of the fiscal year following the fiscal year a check was issued, and such issuance does not involve a question of law or fact.

*7.2 Issuing Replacement Checks

The payee or other claimant notifies the DO in writing (with signature) when a check has been lost, stolen, mutilated, or destroyed, and requests payment on the check be stopped. The notification must provide all information available on the check. The federal agency must attempt to obtain a replacement without an Agreement of Indemnity. When a replacement cannot be obtained without an Agreement of Indemnity, the federal agency should request an Agreement of Indemnity from Fiscal Service, a specific list of documents that must be provided as part of a request for indemnification is in ***I TFM 5-5035.20***.

7.3 Issuing Settlement Checks

This guidance for claims on paid checks applies to all LDAs. The payee immediately notifies the DO in writing (with signature) when a check has been paid on a forged endorsement, providing all available information on the identification of the forged check. The payee completes the Financial Management Service ***(FMS) Form 1133***, Claim Against the United States for the Proceeds of a Government Check, and returns it to the DO issuing the original check within 90 days of the date on the FMS 1133.

7.4 Recovery of Original Check

If the original LD check is recovered before issuance of a replacement check, suspend the replacement check action and request that the LD remove the stop-payment against the original check, which the payee may then negotiate. If the replacement check has been released, render the original check non-negotiable.

7.5 Referral to DoD Office of General Counsel

7.5.1. Entitlement or Legal Representation. Send cases involving questions on a payee's or owner's entitlement to a substitute or settlement check, and cases where no legal representative has been appointed by the court for payees or owners who are deceased or incapacitated, through command legal channels to the DoD OGC. Include an assessment or determination from the appropriate entitlement area concerning the underlying obligation. Before referring a case, see section 6.0.

7.5.2. Question of Law or Fact. Send cases involving any question of law or fact through command legal channels for settlement action.

7.5.3. Checks Outstanding More Than One Full Fiscal Year. Send cases involving checks outstanding more than one fiscal year after the fiscal year in which they were issued through command legal channels for settlement. Include in these cases an undertaking of indemnity for the proceeds of a lost, stolen, destroyed, mutilated, or defaced LD check; the check in question, when available, or any identifiable portions thereof; and any other supporting documentation.

7.6 Files

The DO retains approved claims and supporting documents or copies of claims where the originals have been transferred to the supporting DFAS site, as part of the retained records.

8.0 ADJUSTMENT OF CHECK-ISSUE DISCREPANCIES

Internal, Government Accountability Office, other agency audits, or DO-initiated control measures disclose LD check-issue discrepancies. These LDA differences are chargeable to DOs. The DO makes adjustments and records them immediately upon discovery. This guidance does not apply to voided, spoiled, or canceled LDA checks, which are addressed in sections 4.0 and 5.0. These discrepancies occur when the LD pays a check in an amount different from the disbursement voucher and the record of checks issued; the disbursing office draws a check to the wrong payee; the disbursing office issues a check in an amount different from that shown on the disbursement voucher; the disbursing office voids, spoils, or cancels a valid check in error while simultaneously issuing a check that was the subject of an action to void, spoil, or cancel; or the payee advises of a possible overpayment or underpayment. Contact DFAS-JJFKCD/IN at the email address listed in paragraph 2.2 to obtain procedural guidance and processing instructions.

9.0 LDA TRANSACTION DOCUMENTATION

DOs implement controls to assure the drawing of LD checks in strict conformance to certified disbursement vouchers. LDAs are a part of the DO's accountability for public funds. The DO must maintain complete and accurate records, and make them available for audit to ensure the integrity of the LDAs. Treat a loss resulting from a bank failure as a physical loss; see Chapter 6, paragraph 2.0. Contact DFAS-JJFKCD/IN at the email address listed in paragraph 2.2 to obtain procedural guidance and processing instructions.

10.0 TRANSFERRING AND CLOSING AN LDA

LDAs closed or transferred require reconciliation. The DO's agent serving as the LDA custodian contacts the LD and requests a current statement of the account and, if available, all the paid LD checks since the last regular statement before attempting to reconcile an LDA. Reconcile the account by preparing an SF 1149. Contact DFAS-JJFKCD/IN at the email address listed in paragraph 2.2 to obtain procedural guidance and processing instructions.

VOLUME 5, CHAPTER 15: "DISBURSING OFFICER ACCOUNTABILITY REPORTS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated November 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision

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CHAPTER 15

DISBURSING OFFICER ACCOUNTABILITY REPORTS

1.0 GENERAL

1.1 Overview

1.1.1. Financial Reports. All disbursing officers (DOs) are accountable to the U.S. Department of the Treasury (Treasury) for the cash and cash equivalent items (including receivables) in their possession. DOs are required to submit financial reports to support the DoD accountability to the U.S. Government for all public funds collected and disbursed. These reports are the basis for official audits and settlement of accounts by the U.S. Government Accountability Office and provide information to maintain administrative accounting controls.

1.1.2. Accountability Reports. DOs maintain their daily accountability on the DoD ***(DD) Form 2657***, Daily Statement of Accountability. The DO's official monthly accountability is recorded and reported on the Standard Form ***(SF) 1219***, Statement of Accountability. DOs report disbursement and collection transactions on both the DD 2657 and the SF 1219, with collections reported as net of disbursements on the SF 1219. Every DO must keep detailed records of all transactions. These records must be available for examination by authorized representatives. Daily reporting does not affect the use and distribution of the DD 2657; SF 1219; ***DD 2665***, Daily Agent Accountability Summary; and ***DD 1081***, Statement of Agent Officer's Account. DOs must continue to submit financial reports to supporting Defense Finance and Accounting Service (DFAS) sites based on each site's instructions.

1.2 Purpose

This chapter provides the policy, guidelines, and forms to record daily and monthly accountability for cash items (and receivables) in the DO's possession. In addition, it provides requirements for submission and distribution of financial reports and retention of disbursing office records and defines the accounting period.

1.3 Authoritative Guidance

Under ***Title 31, United States Code, section 3513***, the Secretary of the Treasury prepares reports required to inform the President, Congress, and the public on the financial operations of the U.S. Government. The head of each executive agency must provide the Secretary of Treasury reports and information relating to the agency's financial conditions and operations. See Treasury Financial Manual ***(TFM), Volume I, Part 2, Chapter 4700***.

2.0 POLICY

2.1 Balancing of Accounts

2.1.1. DOs. DOs keep documents representing cash in their vault or safe and account for them daily on the DD 2657 and monthly on the SF 1219. The DD 2657 represents the permanent written record of the DOs daily balance of cash in their possession. When accounts are inspected, DOs must present the DD 2657 to the inspectors for examination.

2.1.2. Deputies, Cashiers, and Disbursing Agents. Deputy DOs (DDOs), cashiers, and disbursing agents perform most DO cash transactions. The DO or primary DDO balances all DDOs, cashiers, disbursing agents, paying agents, and collections agents daily, using the DD 2665. The DD 2665 represents the report of their accountability to the DO, and preparation of this form is based on a physical count of all cash and negotiable instruments in their possession.

2.2 Deputies, Cashiers, and Disbursing Agents at Remote Locations

DDOs, cashiers, and disbursing agents who are geographically distant from the DO (e.g., DO in Indiana and agent in Afghanistan) are still required to record transactions by preparing a DD 2665; however, they need not submit the DD 2665 to the DO on a daily basis. DOs will establish the timing of agent turn-ins for their operations. Agent turn-ins must include all DD 2665s, supporting documentation (e.g., collection vouchers, disbursement vouchers, and deposit tickets), and DD 1081.

2.3 Navy Vessels

DOs aboard Navy vessels balance their cash using the DD 2657. The DDOs, cashiers, and disbursing agents must use DD 2665 to balance at least weekly, immediately before and after each payday, the last day of each month, and anytime the DO suspects that an irregularity has occurred. When workload and staffing conditions allow, DOs aboard Navy vessels should balance cash accounts for all DDOs, cashiers, and disbursing agents daily.

3.0 DAILY AGENT ACCOUNTABILITY SUMMARY (DD 2665)

The DD 2665 is a stand-alone document that provides a complete picture of a DDO's, cashier's, or disbursing agent's accountability transactions from day to day. Each DDO, cashier, and disbursing agent prepares a DD 2665 for each day during which he/she transacts business. It must summarize that day's business and record the transactions in U.S. dollar values. Paying agents appointed to work with contracting for contingency operations need to prepare a DD 2665 on the day they turn-in all their business to the DO. To the extent possible, avoid performing a turn-in during the middle of a business day. If a turn-in is required in the middle of the day, prepare a DD 2665 up to and including the turn-in period, and then prepare another DD 2665 for the portion of the business day after the turn-in.

4.0 STATEMENT OF AGENT OFFICER'S ACCOUNT (DD 1081)

4.1 Overview

Agent officers (DOs, cashiers, and disbursing agents) prepare a DD 1081, as a summary of cash transactions and receipt for cash and vouchers on hand (between DOs and their agent officers). This form is prepared when a DO is advancing funds to an agent and is also used to summarize cash transactions for the period covered by the turn-in. When the agent officers settle their account, the DO or principal DDO verifies the DD 1081, signs the original and a copy of the form, keeps the original form and supporting documents, and returns the signed copy of the form to the agent officer. The DO or principal DDO must perform a physical count of cash at the time of the turn-in or settlement. The agent officer keeps the signed copy as a record of the opening cash balance for the next period of duty and for record purposes if the account is balanced to zero.

4.2 Electronic Submission of DD 1081s in Contingency Locations

Subject to the approval of the parent DO, paying agents in remote operational contingency locations may transmit electronically scanned or facsimile copies of the DD 1081 to the parent disbursing office. A paying agent is solely responsible to ensure that all documentation is legible and that:

4.2.1. The scanned or facsimile copies were produced from original documents and cannot be altered;

4.2.2. The copies are retained until the applicable retention period expires; and

4.2.3. Access to the images is limited to authorized personnel.

In cases of paying agents transmitting documents electronically, the DO must verify the electronic submissions are in fact from the paying agent. Further, the DO is responsible to ensure that adequate internal controls are implemented to prevent the posting of duplicate items when receiving electronic and original documents from the operational contingency location. The DO must also provide for the confirmation and acceptance of digitally signed documents, and the return of the accepted DD 1081 to the agent.

5.0 DAILY STATEMENT OF ACCOUNTABILITY (DD 2657)

The DD 2657 summarizes the total disbursements and collections made during the business day by the DO and all DDOs, cashiers, and disbursing agents. Section I of the DD 2657 reflects the total DO accountability to the Treasury at the end of each business day. If disbursing operations were to cease, the total amount listed in Section I for the last operational business day would be the amount that the Treasury would seek to recover from the DO.

6.0 STATEMENT OF ACCOUNTABILITY (SF 1219)

In a daily reporting environment, the SF 1219 is no longer required to be submitted to the Treasury. However, DOs may continue to complete and submit the SF 1219 at month's end to DFAS for reporting requirements based on each site's instructions. The SF 1219 will continue to be utilized to reconcile deposits, collections, disbursements, and cash balances with Treasury on a monthly basis. In a daily reporting environment, there is still the requirement to balance to the Treasury monthly account statement, which summarizes the financial activities of federal agencies. DoD currently has established processes for creating and reconciling the SF 1219 monthly. From an accounting perspective, there is no warrant or apportionment for DO cash and no formal funds control system documentation that legally places responsibility on the DO for the cash. Additionally, the SF 1219 is a recognized means of establishing responsibility for a specific and verified balance at a point in time. It aligns with accounting reporting cycles (the Governmentwide Treasury Account Symbol Adjusted Trial Balance System bulk file submission), which transmits the end of month balance in the DO Cash account(s) and must match the sum of the SF 1219s for each Service to facilitate reconciliation with the general ledger reporting.

7.0 FINANCIAL REPORTS

7.1 Overview

7.1.1. Accounting Period. DOs submit financial reports to DFAS on a calendar month basis, except for months during which accountability begins or ends on other than the first or last day of a month.

7.1.1.1. For a new disbursing office, the accounting period begins on the first day official business is transacted. When one DO relieves another, the accounting period for the relieved officer ends on the date of relief. The accounting period for the relieving officer normally begins on the next calendar day. Whenever possible, relief of a DO should occur on the last day of a month to preclude the need to submit an additional set of financial reports for that month.

7.1.1.2. An accounting period may not extend beyond the end of a calendar month. Exceptions to the calendar month accounting period may occur when a DO is relieved from disbursing duty before the last day of a month or commences disbursing duty on other than the first day of a month. The first day of the accounting period coincides with the date of commencement of disbursing duty notification forwarded under Chapter 2, subparagraph 4.6.2.5. For any month during which accountability ends because of a Disbursing Station Symbol Number closing, the DO must submit the financial reports from the first day of the month through the date of closing.

7.1.2. Adjustments. DOs are allowed to submit supplemental reports to Treasury to adjust prior period reporting, make corrections to the original reporting, or report additional current month transactions.

7.1.3. Submission of DO's Financial Reports. DOs submit financial reports to the supporting DFAS site based on each site's instructions.

7.2 Requirement for Submission of the Subsidiary Accountability Record (DD 2667)

When a DDO, cashier, disbursing agent, paying agent, collection agent, or imprest fund cashier has a physical loss of funds, forward the ***DD 2667***, to DFAS-ZPTC/IN within five calendar days after the end of each month (see Chapter 6, subparagraph 4.2.1.3.).

8.0 DISBURSING OFFICE RECORDS

8.1 DFAS Record Retention

The supporting DFAS site examines all financial reports and sends them to the nearest federal records center for retention based on record retention requirements and storage availability at the DFAS site.

8.2 DoD Record Retention

8.2.1. Volume 1, Chapter 9, section 2.0 provides records retention requirements applicable to financial records. The retention requirements for federal entities are further defined in the National Archives and Records Administration ***(NARA) General Records Schedule***. The DoD has also developed supplementary guidance in ***DoD Instruction 5015.02***, DoD Records Management Program.

8.2.2. DOs must apply the most stringent record retention requirements to support accounting records of initial entries and support records such as checks, electronic fund transfers, invoices, and maintain them until all outstanding issues are resolved. Before disposal of contingency operations documents, DOs must contact their legal counsel for document retention in excess of the NARA and DoD guidance for financial records. Records must be available and accessible to all authorized users. Additionally, a DO or designated settlement official must keep records to complete the reconciliation of payment or collection discrepancies until resolved.

8.3 Other Records

8.3.1. Original Disbursing Office Records. Original disbursing office records include, but are not limited to:

8.3.1.1. Disbursement and collection vouchers including supporting documents (e.g., invoices, receiving reports, purchase orders or contracts, and lodging receipts);

8.3.1.2. ***DD 2659***, Voucher Control Logs;

8.3.1.3. DD 2657;

8.3.1.4. SF 1219;

8.3.1.5. DD 2665;

8.3.1.6. Check issue records and reports;

8.3.1.7. Limited Depositary Account records and reports;

8.3.1.8. Deposits of negotiable instruments;

8.3.1.9. Deposit tickets and debit vouchers;

8.3.1.10. Appointments and revocations of accountable individuals;

8.3.1.11. Payroll deposit transactions to individual service members' local pay accounts that are accessed via shipboard cash dispensers (automated teller machines);

8.3.1.12. Any other document record, log, or electronic file that supports disbursing transactions that affects the accountability of the DO or other accountable individual; and

8.3.1.13. Local check cashing policies and agreements.

8.3.2. Other Records Retention. The requirement for retaining original records applies to any record a DO receives that accompanies payment or collection transactions or supports financial reports. The requirement applies to both paper and electronic records kept as original supporting documents at both the functional and disbursing offices. Certifying officials send electronic payment files to only the DO and keep supporting documentation in accordance with the guidance referenced in paragraph 8.2. For Foreign Military Sales document record retention, see Volume 15, Chapter 6.

8.3.2.1. Hardcopy and electronic records storage controls must be put into place by the disbursing office to ensure that only authorized personnel have access to any paper documents and electronic images.

8.3.2.2. Duplicate copies of disbursement and collection vouchers and associated supporting documents may be retained as necessary at the DO's discretion.

8.3.3. Unclassified Records. Individual records may be unclassified, but sometimes when information is aggregated, the security classification (and storage requirement) may change. In accordance with ***Department of Defense Instruction 5200.48,*** Controlled Unclassified Information (CUI), unclassified records do not require special security or storage controls and may be stored in open files or cabinets. Store these records with controls that readily identify:

8.3.3.1. Records that have been removed from the files;

8.3.3.2. The name of the individual(s) who removed the records;

8.3.3.3. The date the records were removed;

8.3.3.4. The name of the individual(s) who returned the records;

8.3.3.5. The date the records were returned; and

8.3.3.6. Other information needed to contact the responsible individual(s), (e.g., organization, address, telephone number, and email address to ensure that records are returned timely).

8.4 Transfer and Disposition of Retained Disbursing Office Records

8.4.1. Nontactical Disbursing Offices. Transfer all disbursing office records to the incoming (relieving) DO as a part of the relief process described in Chapter 2, paragraph 4.6. When a disbursing office is deactivated, package and mail all disbursing office records to the office designated to settle the accounts.

8.4.2. Tactical Units and Naval Vessels

8.4.2.1. Detachment With Relief. When a DO of a tactical unit or naval vessel is relieved from disbursing duty, the incoming DO keeps the outgoing DO's disbursing records for 90 days from the date of relief. After the 90-day period, the incoming DO packages the disbursing records and sends them to the supporting DFAS site or alternate site designated by DFAS for retention until the expiration of the required retention period. For deployed units, the 90-day period begins after the unit or vessel returns to homeport.

8.4.2.2. Detachment Without Relief. When a DO of a tactical unit or naval vessel is relieved from disbursing duty due to deactivation of the disbursing office or when a vessel or unit is decommissioned from service, the DO must package and send all disbursing office records to the supporting DFAS site or alternate site designated for retention.

8.4.2.3. Shipment of Retained Documents. To facilitate shipment of retained records, DOs of tactical units and naval vessels file retained records in these categories:

8.4.2.3.1. Public vouchers other than payroll vouchers;

8.4.2.3.2. Payroll vouchers with supporting documents;

8.4.2.3.3. Collection vouchers and supporting documentation;

8.4.2.3.4. Checking account records, to include records of checks drawn. These records include Month End Check Issue Summary (SF 1179); Report 251, Advice of Check Issue Discrepancy (Fiscal Service Form 5206) (see ***I TFM 4-6040.10***), with related correspondence; and ***Optional Form 1017-G***, Journal Voucher, with related correspondence;

8.4.2.3.5. DD 2657;

8.4.2.3.6. SF 1149, Statement of Designated Depositary Account (see Chapter 14);

8.4.2.3.7. SF 1219;

8.4.2.3.8. Instruments deposited;

8.4.2.3.9. ***SF 1184***, Unavailable Check Cancellation;

8.4.2.3.10. Debit Vouchers;

8.4.2.3.11. Certificate of revaluation of foreign currency;

8.4.2.3.12. Quarterly reports on the status of suspense accounts; and

8.4.2.3.13. Other miscellaneous retained disbursing documents.

VOLUME 5, CHAPTER 16: "SAFEKEEPING FUNDS AND VALUABLES FOR INDIVIDUALS AND MORALE, WELFARE, AND RECREATION ACTIVITIES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated December 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision

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CHAPTER 16

SAFEKEEPING FUNDS AND VALUABLES FOR INDIVIDUALS AND MORALE, WELFARE, AND RECREATION ACTIVITIES

1.0 GENERAL

1.1 Overview

DoD disbursing officers (DOs), deputy DOs (DDOs), and agents may accept cash and checks from individuals and morale, welfare, and recreation (MWR) activities for which safe custody otherwise would not be available. When a DO, DDO, or agent is unavailable, or when it is impractical for one of them to accept and account for safekeeping deposits, a commander may appoint and terminate any military member or DoD civilian employee as a safekeeping custodian to accept and account for safekeeping deposits using a separate DoD ***(DD) Form 577***, Appointment/Termination Record – Authorized Signature (see Chapter 2, section 3.0).

1.1.1. Safekeeping of Deposits. Keep safekeeping deposits in a secured safe and establish appropriate procedures to maintain accountability. Consider funds accepted for safekeeping as funds held in trust for which the United States is accountable, but are not within the DO's financial accountability to be reported to the U.S. Department of the Treasury (Treasury) on the Standard Form (SF) 1219, Statement of Accountability.

1.1.2. Restrictions. Deposits and withdrawals are subject to local command regulations that establish necessary and proper restrictions as to the time, place, and frequency of deposits and withdrawals, and the types of objects classified as valuables. Impose controls to prohibit interruption of the activity's priority fiscal operations (e.g., special and regular payroll activities). Safekeeping services should not be abused by the deposit of objects that are not usually afforded additional protection. Limit deposited valuables to funds; negotiable instruments including bonds, credit cards, travelers' checks, and checkbooks; and objects classified as jewelry having an intrinsic value requiring additional protection. Items such as wallets, snapshots, keys, or items lacking any intrinsic value are prohibited.

1.1.3. Responsibility for Deposits

1.1.3.1. Custodians. Commanders appoint custodians to be responsible for the proper handling of and accounting for safekeeping deposits (see paragraph 3.1). Appointments must state the specific duties authorized to be performed by the custodian. Pecuniary liability does not attach to safekeeping deposits as they are not public funds. Section 2.0 applies to the safekeeping of nonappropriated funds (NAF) for MWR activities. Note that losses of NAF are not recorded on the DO's SF 1219. If a loss occurs, notify the depositor of their right to submit a claim for reimbursement of the loss under applicable DoD Component regulations. Submission of a claim need not be deferred to await findings of any investigation initiated to determine responsibility for the loss.

1.1.3.2. Assistant Custodians. When the volume or nature of safekeeping deposit transactions warrants, the custodian may formally appoint an assistant custodian for initial receipt and temporary custody of safekeeping deposits pending their delivery to the designated custodian. Provide separate safekeeping facilities for the assistant custodian. Cover all custody transfers between the custodian and assistant custodian with receipt. An assistant custodian is responsible for proper accounting and handling, including receipt and delivery of safekeeping deposits to a permanent custodian. Process losses under subparagraph 1.1.3.1.

1.1.4. Deposit of Postal Funds. Receive and handle safekeeping deposits of postal funds under the ***Military Postal Service, DoD Instruction 4525.09***, identifying these as postage stamp fund or postal money order fund, as applicable, on the safekeeping deposit receipt.

1.1.5. Deposit of Funds Under Emergency Conditions. Follow paragraph 2.2 to receive and handle safekeeping deposits of funds by military banking facilities, NAF custodians, and other DoD sponsored activities. Identify on the safekeeping deposit receipt the deposit, depositing agency, and the custodian making the deposit.

1.2 Purpose

This chapter provides DoD's policy for appointed custodians and assistants to receive and safeguard cash and other valuables belonging to individuals or MWR activities.

1.3 Authoritative Guidance

Title 31, United States Code, section 3302 authorizes DOs to have custody of public funds for disbursement purposes and requires them to safeguard the funds.

2.0 SAFEKEEPING OF NONAPPROPRIATED FUNDS FOR MWR ACTIVITIES

2.1 Accounting for Separate Funds

Place each safekeeping deposit in a separate, sealed envelope following subparagraph 2.2.1, except as provided in paragraph 2.2. Process withdrawals in accordance with the procedures provided in subparagraph 2.2.2.

2.2 Accounting for Collocated Funds

Custodians may collocate funds when the volume of safekeeping deposits warrants, and it is desirable to accommodate more than one deposit or withdrawal transaction in (non-individual) safekeeping deposit accounts at non-tactical activities. Place the deposits in a separate container identified as safekeeping funds to prevent commingling with official funds. At activities other than Navy ships, if the total value of collocated safekeeping funds on hand is large, a bank checking account may be established (see paragraph 2.3).

2.2.1. Deposits

2.2.1.1. Receipt for Deposit. Use a DD 2674, Record and Receipt of Deposits and Withdrawals of Safekeeping Funds, for each deposit and assign a consecutive series of deposit numbers beginning with the number "1" preceded by the letter "D." Assign each depositor a depositor's account number using a consecutive series of numbers beginning with the number "1." The information on the DD 2674 should identify the depositor, depositor's account number, date of deposit, and the amount deposited. The custodian gives the signed original DD 2674 to the depositor and retains a copy.

2.2.1.2. Individual Ledger Sheets. For each depositor, the custodian keeps a separate ledger control sheet, the heading of which includes the following: depositor's account number, name, location of the depositing MWR activity, and signature of the MWR activity representative making the deposit. The custodian enters the amount of each deposit in the debit column of the ledger sheet, the total amount on deposit in the balance column, the date of each deposit, and deposit receipt number.

2.2.1.3. Cash-On-Hand Ledger Control Sheet. In addition to the individual ledger sheets described in subparagraph 2.2.1.2, the custodian also keeps a cash-on-hand ledger control sheet entering the amount of each deposit in the debit column and the total amount on deposit by all depositors in the balance column. If preferred, a daily summary posting may be made to the ledger control sheet showing inclusive deposit numbers. The balance of the ledger control sheet must agree with the combined balances of the individual depositors' ledger sheets.

2.2.2. Withdrawals. The depositor presents the original deposit receipt(s) to the custodian when requesting a full or partial withdrawal of the funds on deposit. The custodian confirms the depositor's account balance and obtains a signature in the applicable section of the retained copy of the DD 2674 verifying it against the signature on the deposit record and/or the individual ledger sheet before releasing the funds requested. If the request is for a full withdrawal, the custodian voids the original DD 2674 in the presence of the depositor. A depositor may make up to three partial withdrawals of a safekeeping deposit. If the deposit is not withdrawn in full after two requests, the custodian voids the original DD 2674 and issues a new DD 2674 for the new deposit amount. The custodian enters the withdrawal as a credit in the depositor's individual ledger sheet and the custodian's ledger control sheet. In lieu of individual entries, the custodian may post a daily summary showing inclusive withdrawal numbers on the ledger control sheet.

2.2.2.1. Currency Withdrawals. Return the identical currency that was presented by the depositor when the deposit is withdrawn (e.g., a deposit made in Japanese Yen cannot be withdrawn in U.S. dollars).

2.2.2.2. Check Withdrawals. Enter the check number on the withdrawal request. See subparagraph 2.3.1 for more information regarding checks for the deposit of safekeeping funds.

2.3 Bank Accounts

2.3.1. Checking Account. Custodians of commingled safekeeping funds, with command approval, may establish and maintain a checking account in a local bank or credit union (insured by either the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, as appropriate) for the deposit of safekeeping funds if the amount available for deposit is large enough to preclude the payment of service charges or other fees. The financial institution collateralizes funds in excess of the insured limits in accordance with ***Title 31, Code of Federal Regulations, Part 202***. Establish the account in the name of the disbursing activity, the safekeeping fund, and the custodian (e.g., "U.S. Naval Activity, Boston, MA, Safekeeping Deposit Fund, Lieutenant J. A. Hancock, SC, U.S. Navy, Custodian"). Loans or investments from safekeeping deposit funds are prohibited.

2.3.2. Check Records. All checks must be serially pre-numbered. A complete record of all checks drawn, deposits made to the safekeeping checking account, and a running account balance must be maintained in the checkbook. Reconcile statements from the financial institution immediately upon receipt and file them with the bank ledger control sheet. Mark spoiled checks as "VOID" and file them in sequence.

2.3.3. Deposits to Safekeeping Fund Bank Account. Deposit checks, money orders, and cash received for safekeeping to the authorized account, except for cash required to be kept on hand to meet safekeeping withdrawal requirements. Checks and money orders may be accepted for deposit, subject to collection. Withdrawals are not authorized until sufficient time has elapsed for the checks and money orders to clear through the banking system.

2.3.4. Disbursements From Safekeeping Fund Bank Account. Draw checks for withdrawals of safekeeping funds on the safekeeping deposit fund account whenever practical. Checks may be drawn on the safekeeping fund account only for payment to a depositor for withdrawal, an authorized transfer of a depositor's account to another activity, replenishment of cash-on-hand (through an exchange-for-cash check) needed to meet safekeeping withdrawal requirements, or transfer of unclaimed monies.

2.3.5. Cancellation of Checks. Checks drawn on the safekeeping deposit fund account must bear the following stamped endorsement on the reverse side: "This check is not valid unless presented for payment within 12 months from its date of issue." If a check is canceled, the custodian confirms the stop payment action with the financial institution and credits the depositor's safekeeping account for the amount of the canceled check. An effort should be made to locate the depositor and make the payment.

2.3.6. Account Closure. If the depositor cannot be located, close the account by drawing a check payable to the Treasury for deposit. For amounts less than $25, the custodian prepares a ***DD 1131***, Cash Collection Voucher, and credits account 1060, Forfeitures of Unclaimed Money and Property. For amounts of $25 or more, the custodian credits account 20X6133, Payment of Unclaimed Moneys (T), Treasury. Ensure the deposit utilizes the Treasury Account Symbol that matches the DD 1131 along with the Business Event Type Code for collateral. Include all information available as to the identity and location of the depositor on the collection voucher.

The custodian presents the check and DD 1131 to the DO for collection. Send any claim subsequently received for the funds to the supporting Defense Finance and Accounting Service site for processing, with a copy of the related DD 1131.

2.3.7. Bank Ledger Control Sheet. In addition to the cash-on-hand ledger control sheet, the custodian keeps a separate ledger control sheet for cash-in-bank. When cash, checks, or money orders are deposited in the bank, the custodian debits the cash-in-bank ledger control sheet and credits the cash-on-hand ledger control sheet. Post exchange-for-cash checks as credits to the bank ledger control sheet and debits to the cash-on-hand ledger control sheet. Post withdrawals by check as credits to the bank ledger control sheet and debits to the individual ledger sheet. The sum of the cash-in-bank and cash-on-hand ledger control sheets must agree with the combined balances of the individual depositors' ledger sheets.

3.0 SAFEKEEPING OF PERSONAL FUNDS AND VALUABLES OF INDIVIDUALS

3.1 Deposits

The custodian records all deposits on a DD 2674. Use a series of consecutive numbers beginning with the number "1" for assignment to safekeeping deposits. Assign each deposit, at the time it is made, the next number in the series. The custodian enters in the appropriate spaces of the DD 2674 the deposit number, date of deposit, description of the deposit (if money, describe the amount in figures and words), and the signature and rank of the custodian (or assistant custodian) receiving the deposit. The depositor must enter their social security number (SSN), signature, and rank or rate in the spaces provided. The custodian gives the signed original of the DD 2674 to the depositor and retains a copy.

3.2 Withdrawals

A depositor wishing to withdraw a deposit presents the original DD 2674 to the custodian, who verifies the depositor's signature and determines that the serial number, date, and description correspond with the data appearing on the retained copy of the form. The depositor acknowledges receipt of the deposit by entering their signature and the date of withdrawal in the space provided on the retained copy of the DD 2674. The custodian destroys the original DD 2674 in the presence of the depositor. If the receipt has been lost, the deposit may be returned to the depositor only after the custodian is satisfied as to the identity of the depositor and the depositor's entitlement to the deposit. The entries on the DD 2674 constitute the official record of the deposit. The entire deposit must be withdrawn at the time of withdrawal. Partial withdrawals are not authorized, but a new deposit in a new amount is authorized subject to any restrictions prohibiting unreasonable repeated deposits.

3.3 Withdrawal of Funds or Valuables Subsequent to Transfer of Depositor

If a depositor is transferred before withdrawing safekeeping deposits, the custodian delivers the depositor's cash balance to the DO in exchange for a Treasury check payable to the depositor. Send the check and the depositor's valuables (if any) with a letter of transmittal to the commander of the activity where the depositor was transferred to for delivery to the depositor.

Include in the transmittal letter all available details about the depositor and request acknowledgement of receipt. Insert data regarding the transfer on the file copy of the DD 2674.

3.4 Deposit and Withdrawal of Funds by Incapacitated Persons

To process deposits and withdrawals of funds and valuables, an officer or any other person designated by the commander must accompany an incapacitated person to witness and sign each transaction. Deliver receipts for safekeeping deposits to the commander.

3.5 Deposits of Deceased or Missing Persons

The custodian delivers cash on deposit to the DO in exchange for a Treasury check payable to the payee designated by the officer (or inventory board) appointed by the commander to take custody of the depositor's personal effects. The Treasury check is drawn as "Exchange-for-Cash, Safekeeping Deposit No. _____, name, rank or rate, SSN." Deliver the check and any depositor valuables to the appointed officer (or inventory board) for disposition following applicable DoD Component regulations. Obtain a receipt for the check and any valuables transferred under these instructions. Enclose a retained copy of the DD 2674 with a notation describing the disposition, and destroy the receipt portion of the DD 2674, if available.

4.0 BALANCING AND VERIFICATION OF SAFEKEEPING DEPOSITS

4.1 Balancing

The safekeeping custodian balances all safekeeping deposits on the last day of each month. The cash-on-hand and any safekeeping fund bank account balance must equal the total of the amounts credited in all the active depositors' accounts as shown on the retained copies of the DD 2674s, or the individual ledger sheets and ledger control sheet. The custodian certifies that balancing was accomplished on the ledger control sheet.

4.2 Verification

4.2.1. Verification. At unannounced intervals, at least once during each calendar quarter, a cash verification team appointed by the commander verifies safekeeping deposits in the presence of the custodian (see Appendix A "Quarterly Verification of Cash and Other Assets"). Include the results of the verification in the report of verification to the commander.

4.2.2. Separate Deposits. Separate deposits should be confirmed by verifying the contents of each envelope against the retained copies of the DD 2674s.

4.2.3. Collocated Funds. The custodial office verifies collocated funds by counting the cash held for safekeeping and comparing it with the total of the individual depositors' ledgers and with the balance shown on the ledger control sheet. At activities maintaining a safekeeping deposit fund checking account, examine the latest statement from the financial institution and verify the amount on deposit in the checking account. The verifying officers should certify the last entry on the ledger control sheet.

4.2.4. Reporting a Shortage or Overage. By accepting custody of safekeeping funds, the United States is accountable for them and assumes a trust responsibility for their care and safekeeping, even though it has no beneficial interest in them. The custodian must promptly report any shortage or overage of safekeeping deposits to the commander who takes actions similar to those prescribed in Chapter 6, section 4.0 for a shortage or overage of public funds.

4.3 Transfer of Safekeeping Deposits Upon Relief of Custodian

In preparation for being relieved of custodial duties, the outgoing custodian must balance safekeeping deposits, prepare a duplicate list of all active deposits, and give the list and all active deposits to the relieving custodian, who must then verify all deposits and receipts. The DD 2674 and any other records of commingled deposits must be transferred to the relieving custodian. If a checking account is maintained, it must be reconciled and transferred to the relieving custodian. The outgoing custodian must arrange with the financial institution to transfer the checking account to the relieving custodian.

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 28: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 34: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 5, APPENDIX A: "QUARTERLY VERIFICATION OF CASH AND OTHER ASSETS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

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The previous version dated July 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
2.1 and 2.2	Incorporated cash verification team appointment guidance from the archived version of Chapter 3 (Sep 2012) and renumbered accordingly.	Addition/ Revision

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APPENDIX A

QUARTERLY VERIFICATION OF CASH AND OTHER ASSETS

1.0 GENERAL

1.1 Overview

Chapter 3, subparagraph 3.2.1.1, requires that a cash verification team (CVT) conduct an unannounced verification of the cash and other assets under the accountability of the disbursing officer (DO) at least once during each calendar quarter. The CVT ensures the DO and all subordinate DDOs; cashiers; disbursing, paying, and collection agents; imprest fund cashiers; and change fund custodians are given neither formal nor informal advance notification of the intent to conduct the verification. Verification scheduling should be random to ensure it does not predictably fall during a particular period each quarter. Generally, it is not practical to verify cash on days involving unusually high volumes of disbursing transactions. The commander may omit a second quarterly cash verification if an audit of the DO's cash and assets has been conducted as a part of a transfer of accountability, or if other official audits verifying the accountability were conducted during the same quarter. The CVT must prepare a written statement for the commander's signature specifying the circumstances for omitting a cash verification.

1.2 Purpose

This appendix provides the requirements for appointing the CVT and a checklist for conducting a surprise verification of the cash and other assets under the accountability of the DO.

1.3 Authoritative Guidance

Title 31, United States Code, section 3302 authorizes DOs to have custody of public funds for disbursement purposes and requires them to safeguard the funds.

2.0 CVT

*2.1 Approving Authorities

A commander, director, equivalent civilian head, or designee who has approved Cash Holding Authority (CHA) in accordance with Chapter 3, Paragraph 2.2 is also the appointing authority for a CVT. A commander approves CHA for the DO, and the DO approves CHA for subordinate DDOs, agents, and cashiers, with the total cash held by the DO and subordinates not exceeding the parent DO's CHA. DFAS DOs approve CHA for subordinate DDOs, agents, and cashiers, and when those individuals are located outside of the main DFAS disbursing office, the local activity commander must also approve the CHA amount requested based on having responsibility for safeguarding funds. In those cases, it is the local activity commander who appoints the CVT. For imprest and change funds, especially those held at installations or activities other than the installation or activity of the DO, the commander who authorized the establishment of the fund and appointed the imprest fund cashier or change fund custodian appoints the CVT.

*2.2 Appointing the CVT

The appointing authority shall appoint all team members in writing. Each team shall consist of at least two qualified personnel, except for small or remote locations where a one-person team is authorized. Small or remote locations may also consider appointing members from serviced or associated commands. Members of the CVT must be impartial in the operations and not in the DO's chain of command. It is in the best interest of a command to use the most competent personnel available. If possible, at least one member should be equal or senior in rank to the accountable official. Appoint qualified persons with appropriate security clearances to verify emergency and extraordinary expense funds.

2.3 Checklist

Use this checklist as a guide for the cash verification and to assist in preparing the official report of verification. The senior member of the verification team, in consultation with the DO, determines which checklist items pertain to the DO's operations and operating environment, and explains any deviations or omissions from the checklist in the official report.

2.3.1. The senior member of the CVT notifies the DO's immediate supervisor upon arrival to conduct the surprise verification of cash and other assets. The CVT presents a copy of the appointment memo, and with the presence of the DO or a deputy, assumes control over all cash and other assets in the DO's accountability. If access is refused, the senior member of the verification team immediately notifies the commander.

2.3.2. Secure all accessible vaults, safes, security containers, and cash drawers housing cash or other assets holding DO cash accountability. Inventory the cash and other assets by actual count in the presence of the person accountable for their safekeeping.

2.3.3. Require the DO to prepare a ***DoD (DD) Form 2657***, Daily Statement of Accountability, for that day's close of business and validate amounts reported for items due the U.S. Government that are included in the balance. It is also required that the custodian of public funds prepares a DD 2665, Daily Agent Accountability Summary.

2.3.4. No custodian of public funds may conduct further business until the CVT has completed the count of that custodian's funds. Normally, the duty cashier's funds are verified first to minimize the impact on disbursing operations. Compare amounts of cash held at personal risk by the DO and their agents to the authorization to hold such cash as indicated by the approved CHA (see Chapter 3, section 2.0).

2.3.5. If the commander determines that it is not practical to inventory the funds in the possession of some of the DO's agents because of inaccessibility or geographic separation, the CVT verifies the amounts shown on custody receipts either by telephone with the accountable person, examination of the permanent file of cash verifications and certification held by the disbursing office, or any other means available to complete the verification. The verification team notes actions taken and describes any limits to the verification in the report.

2.3.6. Commence the actual count of currency and other assets in the presence of the accountable individual.

2.3.6.1. Cash

2.3.6.1.1. Count all currency and coin;

2.3.6.1.2. Count all items representing cash, including exchange-for-cash checks;

2.3.6.1.3. Count all negotiable instruments representing cash held by the DO awaiting deposit; and

2.3.6.1.4. Verify that cash and receipts held by agents in the disbursing office equal the receipts signed by those agents and held by the DO.

2.3.6.2. Other Assets

2.3.6.2.1. Review and total all receipts for cash held by agents of the DO located outside the disbursing office;

2.3.6.2.2. Review and total deposit transactions via Over-the-Counter Channel Application and confirm deposit transactions utilizing the Collections Information Repository (see Chapter 11, section 11.0);

2.3.6.2.3. Review the debit voucher and associated dishonored checks; require the DO to initiate collection action;

2.3.6.2.4. Review exchange-for-cash checks in transit (see Chapter 7, section 7.0);

2.3.6.2.5. Review Financial Management Service Form 5206, Advice of Check Issue Discrepancy, representing overdrafts and underdrafts (see Chapter 7, section 8.3);

2.3.6.2.6. Review actions on previously reported losses of funds;

2.3.6.2.7. Verify bank statements and balances of foreign currency held in limited depositary checking accounts (see Chapter 14, paragraphs 3.9 and 3.10); and

2.3.6.2.8. Verify the amount of foreign currency by actual count against the subsidiary records and the foreign currency reports.

2.3.7. Immediately after verifying the DO's cash accountability, the CVT verifies all safekeeping deposits and the postal stamp funds (if applicable) with procedures provided in Chapter 16, paragraph 4.2.

2.3.8. The CVT verifies the imprest and change funds at least once each quarter. This may be simplified by appointing an individual rather than a team. Accomplish these verifications by totaling all receipts and counting all cash to prove the total shown on the cash receipt held by the DO. Investigate any receipts for cash advanced by the imprest fund cashier more than five days old if not redeemed before the report is issued, and document on the cash verification report. Change fund custodians must certify in writing that their funds are present at the time of the cash verification. Change fund verification consists of verifying that the cash drawer contains the amount shown on the change fund documentation, after adjusting for any sales proceeds or receipts on the day of verification. Verifications of both imprest fund cashiers and change fund custodians ensure that none of the funds includes personal checks from the cashier/custodian, any of their supervisors, or the individual charged with accountability for the funds (see Chapter 2, paragraphs 7.6 and 7.7).

2.3.9. Review all vouchers supporting gains and deficiencies on foreign currency transactions (see Chapter 13, paragraph 4.2).

2.3.10. Review the DO's compliance with the provisions for cashing personal checks and the collection of dishonored checks (see Chapter 4, section 3.0).

2.3.11. Ensure that checks representing collections are properly identified and supported by collection vouchers so that dishonored personal checks received as collections may be charged back to the receiving activity and not held as losses due to accommodation exchanges made by the DO (see Chapter 4, section 4.0).

2.3.12. Review previous cash verification reports to ensure that repeat deficiencies being reported in the current cash verification report are noted as significant and advise the commander of the action necessary to remedy the deficiencies of the DO.

2.3.13. Review maintenance of the DD 2658, Returned and Undeliverable Check/Bond Record, or automated system if used, to ensure that no undelivered checks are missing, none exceeds the time limit to be held, and all are properly safeguarded (see Chapter 7, paragraph 10.3).

2.3.14. Verify all undeposited checks in relation to the prescribed frequency and timeliness of deposits (see Chapter 11, subparagraph 8.3.1.1).

2.3.15. Examine undeposited checks to ensure that they are negotiable instruments the DO is authorized to exchange for cash and that checks received as collections are maintained separately from those checks received in accommodation exchange transactions.

2.3.16. Verify that the DO deposits receipts daily. If daily deposits of less than $5,000 are impractical, verify that receipts are accumulated until the total reaches $5,000 and then deposited. Also, verify that deposits are made by Thursday of each week, regardless of the amount accumulated (see Chapter 11, subparagraph 8.3.1.1).

2.3.17. Compare military payroll vouchers and money lists with related pay accounts to ensure payments are posted to the member's account.

2.3.18. Review the cash held at personal risk is commensurate with needs and in compliance with the authorized CHA (see Chapter 3, section 2.0).

2.3.19. Verify safekeeping deposits, postal funds, postage stamp stock, and postal money order stock (see Chapter 16, paragraph 4.2).

2.3.20. Inventory and verify the safekeeping of all smart cards (see Chapter 10, paragraphs 2.9 and 2.12).

2.3.21. Inventory all blank checks (both working and bulk stock), and examine all voided and spoiled checks pending local destruction to ensure they are properly defaced and stored in authorized containers. Where roll stock of blank checks is used, conduct the inventory by recording the ending number from the reels rather than unrolling the reel, which could destroy the stock.

2.3.22. Finalization

2.3.22.1. Verify totals from the reviews with the amounts reported on the DD 2657.

2.3.22.2. Advise the DO of any discrepancies or deficiencies noted.

2.3.22.3. Notify the DO's immediate superior and the commander of any deficiencies and advise them that a written report will be prepared.

2.3.22.4. Sign and certify the results of the cash verification on the DD 2657 or a paper attached to the DD 2657. Results must be signed by all members of the CVT.

2.3.22.5. Insert the following statement on (or attach to) the DD 2657 and ensure it is signed by the senior member of the CVT.

> "On (date) at (time), the undersigned verified by actual cash count in the amount of $ (amount), together with all documents supporting collections and disbursements, which (is/is not) in agreement with this daily statement of accountability."

_____
Signature and Rank of Verifying Official

2.3.22.6. Distribute the cash verification report as directed in paragraph 2.4.

2.4 Report of Verification

The CVT reports all findings in writing to the appointing official immediately upon completion of verification of both official funds and safekeeping deposits. If the appointing official is not the DO's commander, address the report jointly to the appointing official and the DO's commander so both receive an original of the verification report. Where safekeeping of personal funds and valuables is authorized, and the designated safekeeping custodian is not the DO, send a copy of the report to the safekeeping custodian. The senior member of the CVT maintains a copy of the report as a permanent part of the CVT's records. Include the following in the report:

2.4.1. The date the verification was conducted;

2.4.2. The date of the preceding verification;

2.4.3. Statement as to whether or not the DO complies with the safekeeping requirements (see Chapter 3, section 3.0);

2.4.4. The identity of each person holding cash under the DO's cash accountability that was not verified by actual count, the amount of cash each held, and the method of contact made with each custodian. If such contact was made, include a statement as to whether or not the verified cash accountability of the DO agrees with the DD 2657 cash and other asset totals;

2.4.5. A list of undeposited checks containing a description of those not handled;

2.4.6. A statement as to whether or not the DO is taking timely action to clear debit vouchers, check issue discrepancies, check issue reporting gaps, duplicate payments, forgery recoveries through the banks, and reissue of limited payability check cancellations; and

2.4.7. A statement as to whether or not safekeeping deposits amounts verified agreed with safekeeping deposit records.

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

APPENDIX B: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 5, "DEFINITIONS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated September 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
Dependent and Sponsor	Added definitions that apply throughout this volume.	Added

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DEFINITIONS

1.0 General

The following list defines general terms of significance or importance in financial accounting policies for the Federal Government or the DoD that are discussed in various chapters of this volume. These definitions are provided for general information; it is by no means an exhaustive list of all financial management terms, and it does not define terms when standard dictionary definitions apply. Authoritative guidance with more detailed explanations or nuances may be found in specific chapters. These definitions apply throughout this volume.

2.0 List of Definitions

Accommodation Exchange

The exchange of U.S. Treasury checks or other U.S. dollar instruments for U.S. dollars (i.e., check cashing) for the convenience of authorized personnel, the exchange of U.S. dollars or dollar instruments for foreign currency for the convenience of authorized personnel or, where permitted, the exchange of foreign currencies for U.S. dollars or dollar instruments.

Account Statement

The Account Statement Module is an online query driven component that provides a daily refreshed view of a Federal Program Agency's (FPA) Fund Balance with Treasury (FBWT). The Account Statement provides FPAs with a central source for retrieving a near real-time picture of their account balances.

Accountable Officials

Accountable individual, accountable official and accountable officer are used synonymously throughout Volume 5. The term "accountable official" is used in Title 31, United States Code, section 3527 (***31 U.S.C. § 3527***) to refer to the class of officers or employees of an agency who are pecuniarily liable for repayment of losses or deficiencies of public money, vouchers, checks, securities, or records. Such officials are appointed using a DoD (DD) Form 577, Appointment/Termination Record - Authorized Signature. Only officers and employees of an agency are eligible for appointment as accountable officials. Accountable Officials include Certifying Officers (CO), Disbursing Officers (DO), Deputy Disbursing Officers (DDO), Disbursing Agents (DA), cashiers, Departmental Accountable Officials (DAO), and similar employees who are accountable for government funds.

Accounts Receivable Office

The Accounts Receivable Office, normally located at a Defense Finance and Accounting Service site, records and reports accounts receivable and may be responsible for debt management and collection.

Agency Location Code (ALC)

A numeric symbol identifying the agency accounting and/or reporting office. A three-digit Regional Finance Center, four-digit Non-Treasury Disbursing Officer (NTDO), or eight-digit Treasury Disbursing Office identifier assigned by the U.S. Department of Treasury, Bureau of the Fiscal Service (FS). An eight-digit ALC's first two digits identify the department or agency, the third and fourth identify the particular bureau within the department, and the remaining four identify the particular agency account within that bureau. DoD Disbursing Station Symbol Numbers (DSSNs) are NTDOs whose ALCs begin with four zeros and include the DSSN (e.g., 00001234).

Approving Official

A person responsible for one or more Government Purchase Card (GPC) holders or for approving travel vouchers using the Defense Travel System (DTS).

Automated Information Systems (AIS) Administrator

A person who programs, schedules, or operates computerized programs, and maintains one or more AIS.

Automated Teller Machine (ATM)

An electronic machine that dispenses cash and may perform other functions such as, funds transfers among a customer's various accounts and acceptance of deposits. Equipment generally is activated by a plastic card in combination with a personal identification number. Typically, when the cardholder's account is with a financial institution other than the one operating the ATM, its use results in the assessment of a fee from the ATM network (e.g., Armed Forces Financial Network, Cirrus, or Plus) that processes the transaction.

Basic Agreement

An intergovernmental instrument negotiated with the government of a friendly nation that states in general terms the policies of ***DoD Instruction 5530.03***, and authorizes the implementation of those provisions by mutual consent.

Business Event Type Code (BETC)

A code consisting of up to eight characters. The code is used in combination with the Treasury Account Symbol (TAS) to determine the transaction effect on the FBWT. The code indicates the type of activity being reported (e.g., disbursements, collections).

Canceled Treasury Check

The process whereby an issued Treasury check that has not been presented for payment is put in a paid status in the Treasury's Check Processing and Reconciliation System (CP&R).

Canceled Treasury Check Types

a. Canceled available check: A check in the possession of a DO and either canceled due to non-entitlement, or because it is mutilated or otherwise undeliverable.

b. Canceled unavailable check: A properly vouchered and issued check not held by a DO or payee (not received by payee, i.e., lost, stolen, or destroyed).

c. Mass-canceled check: A check issued before October 1, 1989 automatically canceled by the Treasury if not cashed by October 1, 1990.

d. Limited-payability canceled check: A check issued on or after October 1, 1989 automatically canceled by the Treasury if not cashed within 12 months from its date of issue.

Card Acquiring Service

The government's means of collecting debts via credit or debit card transactions, and whose objective is to increase electronic collections received by the government and process them in an efficient, timely and cost-effective manner.

Cardholder

A person an agency designates to be issued a GPC and/or government travel card.

Cash Holding Authority (CHA)

The authority to obtain and maintain cash on hand (upon approval of commander or other authority) at their personal risk. DDO, agents, and cashiers outside of the main disbursing office may hold cash at personal risk, with the amount to be held subject to the approval of the parent DO or local activity commander.

Cash and Investments Held Outside of Treasury (CIHO)

Funds (i.e., U.S. and foreign currency and coin) under the custodial responsibility of federal government agencies and/or their employees, officers, or agents which includes imprest funds, change funds, cash with agents (e.g., Paying Agent), and cash on deposit in a Limited Depositary Account (LDA).

Cashier

A military member or DoD civilian employee appointed by a DO to perform duties involving the handling of cash. The recruitment, screening, and selection of persons for these positions should be accomplished with primary regard to the sensitive nature of the position.

Central Accounting Reporting System (CARS)

The central accounting system of record for the FS. CARS is utilized for Treasury-level accounting and reporting for all federal agencies.

a. CARS Daily Reporter: Federal agency that submits the TAS/BETC reporting classification of each payment or collection daily to CARS via the Payment Information Repository (PIR) or Collection Information Repository (CIR). DoD DOs report cash disbursements and U.S. and foreign currency collections held for future operational needs via the Classification Transaction and Accountability (CTA) system.

b. CARS Non-Daily Reporter: Federal agency that reports disbursements and collections through monthly reporting on the Standard Form (SF) 1220, Statement of Transactions According to Appropriations, Funds and Receipt Accounts, and SF 1219, Statement of Accountability.

Certification

The act of attesting to the legality, propriety, and accuracy of a voucher for payment. See ***31 U.S.C. § 3528***.

Certifying Officer (CO)

An individual designated to attest to the correctness of statements, facts, accounts, and amounts appearing on a voucher, or other documents. A CO is pecuniarily liable for payments in accordance with 31 U.S.C. § 3528.

Change Fund Custodian

A person who operates from an appropriated fund sales activity (e.g., dining hall, hospital, commissary), is responsible for safeguarding the cash provided, and may be held pecuniarily liable for any loss in the change fund.

Check Issue Discrepancy

Occurs when the issue amount reported by the disbursing office differs from the amount for which the check was issued as evidenced by the printed amount on the check when presented for payment.

a. Check Issue Overdraft: Occurs when the amount printed on either a Treasury or limited depositary (LD) check and paid by the Treasury or LD, as applicable, is greater than the issue amount of that check reported by a DO on the check issue report, or when the amount printed on a check and paid by the Treasury or LD is greater than the amount due shown on the payment voucher.

b. Check Issue Underdraft: Occurs when the amount printed on either a Treasury or LD check and paid by the Treasury or LD bank, as applicable, is less than the issue amount of that check as reported by a DO on the check issue report, or when the amount printed on a check and paid by the Treasury or LD bank is less than the amount due shown on the payment voucher.

Civilian Pay

Addresses entitlements to DoD civilian employees and is also a functional area within the payment process.

Classification Transactions and Accountability (CTA)

A system used by FPAs to report their monthly accounting activity to the FS.

Coalition Forces

Temporary alliances of nations or factions for a specific purpose (e.g., those engaged internationally in times of conflict or war).

Coin

Metallic specie representing either U.S. dollars and foreign currency fractional units or multiples thereof.

Collection Agent

An individual appointed by a local commander to perform duties relating to the collection of official funds, including funds held as safekeeping deposits, at a point other than a disbursing office. Performs duties under the general supervision of, and as prescribed by, the appointing officer. Should not be involved with billing or accounting for funds received, and may not be appointed from among disbursing office personnel. Responsibility for duties and functions should be segregated between receipt of funds, recordkeeping, determination of the amount owed, and making demands on the debtor to minimize opportunities for unauthorized, fraudulent, or otherwise irregular acts.

Collections Information Repository (CIR)

Formerly the Transaction Reporting System (TRS). A collections reporting tool, supplying the latest information on deposits and details of collection transactions to federal agencies. It allows financial transaction information from all collections systems and settlement mechanisms to be exchanged in a single system.

Commander/Director

A person assigned as a combatant commander, base or installation commander, commanding officer, officer-in-charge, director of a defense activity, U.S. Property and Fiscal Officer (National Guard), or equivalent civilian head.

Continental United States

The 48 contiguous states and the District of Columbia.

Contingency Operation

A military operation designated by the Secretary of Defense (SecDef) in which members of the U.S. Armed Forces are or may become involved in military actions, operations, or hostilities against an enemy of the United States or an opposing military force; or results in the call, order to, or retention of, active duty of members of the Uniformed Services under ***10 U.S.C. § 688***, ***10 U.S.C. § 12301(a)***, ***10 U.S.C. § 12302***, ***10 U.S.C. § 12304***, and ***10 U.S.C. § 12306***, or any other law during a war or a national emergency declared by the President or the Congress. Includes, but is not limited to, a combat, peacekeeping, or noncombatant evacuation operation, or humanitarian assistance or disaster relief effort.

Contract Pay

The entitlement process to pay contractors.

Contractor

Any person, organization, or business concern engaged in a profession, trade, or business, and may also be a not-for-profit entity operating as a contractor, including state and local governments and foreign entities, but excluding federal entities and foreign governments, doing business under a contract with an element of the U.S. Government.

Credit Card Collections

A government-wide network under Treasury's Pay.gov program enabling federal agencies to accept collections by credit card over the internet for offered products and services.

Credit Gateway

A deposit program that the FS uses for the receipt of federal agency Fedwire and Automated Clearing House (ACH) credit transactions. A component of the FS's Collections and Cash Management Modernization initiative, a multi-year effort to simplify and modernize collections and cash management programs.

Currency

Paper money in the form of U.S. dollars and foreign banknotes.

Currency Custody Account

An arrangement approved by the Treasury allowing safety stocks of U.S. currency held as a 100% cash reserve on the books of overseas military central funding officers physically held in the government's contractor-operated Military Banking Facility (MBF), with daily settlement between the MBF operator and central funding officer. Absent ready access to the Federal Reserve System, assures the availability of U.S. currency to support the dollar economy exported to support U.S. Armed Forces stationed overseas.

Defense Check Reconciliation Module (DCRM)

A check register that records the issuance of DoD manual checks. It includes Check Issue and Unavailable Check Cancellation subsystems.

*Dependent

See ***37 U.S.C. § 401***.

The term "dependent", with respect to a member of a uniformed service, means the following persons:

a. Spouse;

b. Unmarried child under the age of 21, including an adopted child or a stepchild, but not after the divorce of the member from the stepchild's natural parent;

c. An unmarried illegitimate child under the age of 21, provided the parentage on the part of the member is established by a birth certificate with the Service Members' name cited, by court order, or by a signed affidavit of parentage (signed and sworn by a notary) from the Service Member;

d. An unmarried child under the age of 21 who has been placed in the member's home by a local, state, or foreign government placement agency, or a government-approved adoption agency as a part of a normal adoption process provided the member produces a document from such agency establishing the fact of relationship and the effective date of relationship;

e. An unmarried child who is at least 21 years of age, but under 23 years of age, who is enrolled in a full-time course of study at an educational institution approved by the Secretary concerned, when the member demonstrates in a statement listing the child's income and expenses that the child is in fact dependent on the member for over one-half of the child's support;

f. An unmarried child, 21 years of age or older, who is incapable of self-support because of a mental or physical incapacity and who is in fact dependent upon the member for more than one-half of the incapacitated child's support;

g. A parent, including a stepparent, parent by adoption, or any person who has stood in loco parentis at any time for a continuous period of at least five years before the member's 21st birthday, or a parent, a stepparent, or adopted parent of the member's spouse, any of whose dependency on the member has been determined in accordance with the rules and regulations established by the Secretary concerned; and

h. An unmarried person who has been placed in the Service Member's legal custody as a result of a court of competent jurisdiction in the United States, Puerto Rico, or a possession of the United States for a period of at least 12 months.

1. The person must be under 21 years of age or at least 21 years of age, but under 23 and be enrolled in a full-time course of study at an institution of higher learning approved by the Secretary concerned, or must not be capable of self-support because of a mental or physical incapacity that occurred while the person was a dependent of the Service Member or former Service Member before age 21 or 23;

2. The person must be dependent upon the member for over one-half of the person's support;

3. The person must reside with the member unless separated by the necessity of military service or to receive institutional care as a result of disability, incapacitation, or other circumstances as prescribed in the regulations of the Secretary concerned; and

4. The person may not be a dependent of any member under any other part of this definition.

Deputy Disbursing Officer (DDO)

A person appointed as a deputy to a DO to act in the name of and for that DO to perform any and all acts relating to the receipt, disbursement, custody, and accounting for public funds. The appointing DO may restrict the acts a deputy is authorized to perform. DDOs must be U.S. citizens.

Disbursing

The paying of public funds to entities to whom the Government is indebted; the collection and deposit of monies; the safeguarding of public funds; and the documenting, recording, and the reporting of these transactions.

Disbursing Agent (DA)

An agent of a DO, not appointed as a DDO, who generally operates a permanently-located disbursing office that is often geographically separated from the disbursing office.

Disbursing Office

An activity or the organizational unit of an activity whose principal function consists of the disbursement, collection, and reporting of public funds. Includes both tactical and non-tactical disbursing activities. Each has a DO and at least one DDO under the DO's direct control. Disbursing offices within DoD formerly were referred to as Finance and Accounting Offices, Accounting and Finance Offices, and Finance Offices.

Disbursing Officer (DO)

An officer or employee of a Federal Department or Agency designated to disburse money and render accounts according to laws and regulations governing the disbursement of public money (see ***31 U.S.C. § 3321***). The term DO within Volume 5, unless otherwise stated (e.g., Treasury DO, U.S. DO (USDO)), is specific to DoD DOs. DoD DOs are considered NTDOs in Treasury terms.

Disbursing Station Symbol Number (DSSN)

A four-digit number assigned to each disbursing office by the Treasury. In addition, an identification number that indicates the authority to receive and disburse public funds and issue checks on behalf of the Treasury. See "Agency Location Code (ALC)."

Doctrine of Laches

A legal term based upon neglect or omission to do what one should do in a reasonable amount of time so as not to prejudice the adverse party. The defense can be used against an untimely claim to establish a presumption of abandonment of a right or claim (e.g., if a payee neglects or fails to file a timely request) the payer can presume that the payee has abandoned the claim.

DoD Activity

A ship, camp, post, station, base, activity, unit, installation, or facility operating within the DoD.

DoD Personnel

All DoD Active and Reserve Component military personnel, military retired members, DoD civilian employees (including foreign national direct hire and indirect hire, as well as non-appropriated fund employees), contractors and host nation support personnel.

Duplicate Check

A check issued by a DSSN with the same serial number as a previously issued check.

Electronic Commerce

A range of financial functions performed using data communication techniques.

Electronic Signature

An electronic sound, symbol, or process, attached to or logically associated with a contract or other record and executed or adopted by a person with the intent to sign the record. See ***15 U.S.C. § 7006(5)***.

Emergency Condition

Any situation resulting from war, armed aggression, or other hostilities against U.S. personnel or interests; and sudden, extensive natural or manmade disasters.

Employee

A civilian paid from appropriated (or non-appropriated, if applicable) funds.

Erroneous Payment

A fiscal irregularity resulting from routine or non-routine processed payments that are not in strict conformity with laws and regulations, including but not limited to, an overpayment to a payee; two or more payments to a payee for the same entitlement (i.e., a duplicate payment); a payment to the wrong payee; a Treasury check issue overdraft (in some cases); a shortage caused by negotiation of both an original and a substitute Treasury check; payment based on fraudulent, forged, or altered documents; or a payment made in violation of law or regulation.

Exchange-for-Cash Check

A check issued by a DO to obtain cash funds for disbursements or in exchange-for-cash for official or accommodation purposes.

Facsimile Signature

An impression of a signature made by a rubber stamp and authenticated by the initials of the CO or the designated individual. May also be a metal plate or electronic digitized facsimile signature medium.

Federal Program Agency (FPA)

A department, instrumentality, office, commission, board, service, or other establishment of the U.S. Government.

Federal Reserve Bank (FRB)

The central bank of the United States, divided into 12 Federal district banks. Created by the Federal Reserve Act of 1913 to provide the nation with a safe, flexible and stable monetary and financial system.

Financial Services

Commonly associated with financial institutions in the United States, such as electronic banking (e.g., ATMs and personal computing banking); in-store banking; checking, share and savings accounts; funds transfers; sales of official checks, money orders, and travelers checks; loan services; safe deposit boxes; trust services; sale and redemption of U.S. Savings Bonds, and acceptance of utility payments; and any other services provided by financial institutions.

Fiscal Irregularity

Any action (or lack thereof), event, practice, or circumstance (or lack thereof) that causes an out-of-balance condition in the financial accountability of a DO, deputy, agent, and cashier entrusted with public funds. Includes irregularities resulting from physical losses of funds or erroneous payments.

Foreign Exchange

Identifies the conversion (exchange) of foreign currencies (i.e., the legal monetary unit of a foreign nation), and negotiable instruments, such as travelers checks, money orders, and bank drafts payable in such monetary units.

Foreign National Personnel

A foreign national employee is an individual who is employed by or performing work for U.S. forces outside the United States, its territories, and possessions in a system of employment. Under the direct hire arrangement, the legal employer of the foreign national assumes responsibility for all administrative and management functions related to foreign national employment. Under the indirect hire arrangement, the host government serves as the legal employer of U.S. forces foreign nationals.

Fraudulent Claim

Any claim against the government involving the presentation of false information, or misrepresentation on the part of a claimant or any other party having an interest in a claim.

Functional Area

A specialized entitlement area (also known as a subject matter area) not under the direct cognizance/control of the DO. Functional areas are responsible for specific types of transactions, e.g., accounts control, travel, military pay, commercial sales, and civilian pay. Functional areas are not considered part of the disbursing office.

Fund Balance with Treasury (FBWT)

An asset account that shows the available budget spending authority of federal agencies. Collections and disbursements increase or decrease the balance in the account.

G-Invoicing

G-Invoicing offers an online portal to support the exchange of information in Intragovernmental Transactions activity by federal trading partners. G-Invoicing will serve as an agreement broker (the mechanism by which agencies arrange and negotiate information electronically) and a data exchange platform.

General Depositary

A financial institution designated by the Treasury to accept deposits of cash and checks from specifically authorized DOs.

Governmentwide Accounting (GWA) and Reporting Modernization

A project addressing the central accounting and reporting functions and processes associated with budget execution, accountability, and cash/other asset management. Includes the collection and dissemination of financial management and accounting information from and to federal program agencies. Also includes the business processes in the FS that are related to ledger accounting for each appropriation, fund, and receipt account's FBWT, General Ledger accounting for the cash and monetary assets of the Government, and the preparation of the Monthly Treasury Statement and the U.S. Government Combined Statement and Appendix. This project improves timeliness and accuracy to support financial analysis and decision-making.

Holder-in-Due-Course

A person, financial institution, or business other than the original payee who in good faith takes possession of a check through endorsement. A claim to payment by a holder-in-due-course will be honored, even if the original payee is not due or entitled to the check.

Host Nation

A nation supported by the forces and/or supplies of allied nations; and/or coalition partners located on, operating in, or transiting through its territory.

Imprest Fund

A cash fund of a fixed amount established by an advance of funds, with or without charge to an appropriation, from a DO to a duly appointed cashier, for disbursement as needed in making cash payments for relatively small purchases.

Imprest Fund Cashier

An individual appointed by the local commander to make authorized cash payments for materials or services. An imprest fund cashier is required to maintain custody of public funds and to file periodic vouchers to account for and replenish the imprest fund. Disbursing personnel are not eligible for appointment as imprest fund cashiers.

International Treasury Services (ITS)

Treasury's comprehensive international payment and collection system, and the preferred payment method for foreign currency transactions.

Intra-governmental Payment and Collection (IPAC) System

A Treasury automated system used for the payment and collection of intra-governmental billing services and supplies.

a. IPAC Adjustment: A reversal of a transaction by the receiving agency up to but not to exceed the amount of the original transaction reported in the accounting month in which they are processed in IPAC. Receiving agencies cannot reject IPAC transactions that have been processed by the Treasury.

b. IPAC Billing Agency: The agency originating a collection or receiving a payment transaction. In the Treasury's Disbursing and Adjustment menu screens, the billing ALC represents the originator of the transaction.

c. IPAC Corrections: Refers to erroneous reporting on the SF 1219. The error can be caused by amounts being over or understated or by the failure of an agency to record the transaction in the proper month of accountability.

d. IPAC Customer Agency: Originates a payment or receives a collection transaction. In the Treasury's Disbursing menu screen, the customer ALC represents the agency receiving the transaction. In the Treasury's Adjustment menu screen, the Billing ALC of Original Bill field represents the agency receiving the adjustment transaction.

Limited Depositary (LD)

A U.S. or foreign commercial bank designated by the Treasury to receive deposits from DOs for credit to their official LD checking accounts.

Limited Depositary Account (LDA)

A LDA is a checking account, generally in a foreign currency, maintained in an LD by a DO, DDO, or another agent specifically designated by the DO, in his or her own name.

Lockbox Service

A collection and processing service provided by a financial institution to accelerate cash flow to Treasury's General Account.

Member

A person appointed, enlisted, or conscripted into a Uniformed Service or a person retired from active duty (including those receiving retainer pay) or a reserve component.

Micro-purchase Threshold

See the ***Federal Acquisition Regulation, Subpart 2.101***.

Military Banking Facility (MBF)

A banking office normally located on an overseas DoD installation and operated by a financial institution the Secretary of the Treasury specifically has authorized under its designation as a "Depository and Financial Agent of the U.S. Government" to provide certain banking services at the installation.

Military Pay

An entitlement and pay process for military members. Also refers to a functional pay area. Examples:

a. Armed Forces Americas (AA): Central and South America, e.g., Army Post Office (APO) and Fleet Post Office (FPO) Miami are now APO and FPO AA, respectively.

b. Armed Forces Europe (AE): Canada, Europe, Africa, and the Middle East, e.g., APO and FPO New York are now APO and FPO AE, respectively.

c. Armed Forces Pacific (AP): Pacific area, e.g., APO and FPO San Francisco, and APO and FPO Seattle are now APO and FPO AP, respectively.

National Bank

An association approved and chartered by the Comptroller of the Currency to operate a banking business.

Negligence

The failure to act as a reasonably prudent person would act under similar facts, conditions, and circumstances.

Non-tactical Disbursing Activity

Any disbursing activity permanently assigned to an installation and not subject to mobilization or deployment.

Officer or Military Officer

A commissioned or warrant officer (appointed officer) of the Uniformed Services.

Official Authorization List

Identifies all individuals who are authorized to transact business and provide instructions to the FRB on behalf of a Component.

On-base

Refers to physical presence on a domestic or overseas DoD installation.

Original Signature

A signature is in permanent dark blue, blue-black, or black ink. For electronic and digital signatures, see Chapter 1, subparagraph 3.5.3.

Outstanding Check

A check that Treasury's CP&R system shows as issued but not paid.

Over-the-Counter Channel Application (OTCnet)

A web-based application that integrates Check Capture and Deposit Reporting functionalities in one system. Created from two legacy systems, Paper Check Conversion Over-the-Counter and Treasury General Account (TGA) Deposit Reporting Network, the ***Over-the-Counter Channel Application (OTCnet)*** application design accommodates check capture and deposit reporting using electronic collection mechanisms instead of paper based processing. The OTCnet application check capture activities are primarily performed online; however, there is an offline check capture capability for agencies operating in locations where internet connectivity and bandwidth are intermittent or unavailable.

Overage of Funds

An amount greater than the amount shown to be on hand by the daily accountability records.

Overseas

A military installation (or community) located outside the United States, the District of Columbia, American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, the Commonwealth of Puerto Rico, or the U.S. Virgin Islands.

Paid Status

Identifies a Treasury check presented to the Treasury for payment through the banking system, or reported as void (zero value issue), or canceled.

Pay (Salary)

Includes basic, special, incentive, retired or retainer pay; consultant's fees; and any other authorized pay and allowances.

Pay.gov

A program developed to meet the commitment to process collections electronically using internet technologies. Satisfies agencies and consumers demands for electronic alternatives by providing the ability to complete forms, make payments, and submit queries 24 hours a day electronically.

Pay Period

Normally biweekly for civilians working for federal agencies, may be monthly or twice monthly for active duty military personnel, monthly for retirees, or periodically based on completion of active or inactive duty for training for Reserve Component personnel.

Payability

The length of time during which a Treasury check is negotiable. Also relates to "claimability," the length of time a payee may present a claim of non-receipt, loss, or theft of a Treasury check to a government agency. Claims are valid on underlying obligations until expiration of the statute of limitations, normally six years. If a payee's right to entitlement has expired, the claim is denied, but under ***31 U.S.C. § 3702***, the SecDef may waive this for claims not exceeding $25,000.

Paying Agent (PA)

PAs qualifications and responsibilities are;

a. A military member or DoD civilian employee appointed by a commander to act as an agent of a DO to make specific payments, currency conversions, or check cashing transactions from cash the DO temporarily advances to the agent;

b. An individual whose regular duties do not involve disbursing functions and who is not organizationally located in the disbursing office;

c. Appointed to the position of PA as an additional duty, is under the exclusive supervision of the DO in all matters concerning custody and disposition of cash advanced, and complies with all instructions and regulations pertaining to their PA duties issued by the DO;

d. Makes payments or currency conversions for and in the name of the DO to whom the PA is appointed; and

e. Holds the advanced cash at personal risk, and must account for them to the DO immediately upon completion of the transaction(s) for which advanced.

Payment Information Repository (PIR)

A centralized information repository for federal payment-related data to improve and increase the transparency of government payments and streamline the reporting of accounting classification information from NTDOs, e.g., DoD DOs.

Payment Review Official

A person who conducts pre-payment and post-payment reviews (not an inherently-governmental function), issues and controls inquiries regarding possible financial irregularities, but is not subject to pecuniary liability because of not being in an accountable position.

Pecuniary Liability

Personal financial liability for fiscal irregularities of accountable officials, as an incentive to guard against errors and theft by others, as well as, protect the government against errors and dishonesty by the officers themselves.

Physical Loss of Funds

A physical loss of funds includes:

a. A loss of U.S. Government cash by theft, embezzlement, unexplained disappearance, or cash handling errors;

b. A loss of paid vouchers and/or negotiable instruments from a disbursing office;

c. A loss of an official deposit in route from a disbursing office to a depositary or after confirmation by a depositary;

d. Any payment based on fraudulent, forged, or altered documents prepared or presented by individuals, both accountable and non-accountable disbursing personnel, who work in the disbursing office;

e. A loss or theft of cash from an imprest fund;

f. A failure to obtain (or loss of) official receipts and/or documents representing cash;

g. A loss or destruction by fire, accident, or natural disaster;

h. Unidentifiable DO suspense account charges; or

i. Losses associated with counterfeit currency transactions.

Presumption of Negligence

Title 31 U.S.C. § 3527, is the basis for automatically holding a CO or DO pecuniarily liable for a fiscal irregularity. The presumption of negligence established by law does not apply to DAO.

Prevailing Rate of Exchange

The most favorable rate legally available to the U.S. Government for acquisition of foreign currencies for its official expenditures and accommodation exchange transactions.

Public Funds

Cash, paid vouchers, or cash collected by a disbursing official for goods or services subject to the control or regulation of the United States or any of its officers, agents, or employees.

Receipt, Appropriation (Expenditure), and Fund Accounts

See ***Treasury Financial Manual, Volume 1, Part 2, Section 1520*** for complete account descriptions.

Receiving Official

A military member or DoD civilian employee authorized to substantiate the receipt, inspection, and acceptance of goods and/or services.

Recertified Payment

A replacement payment by Treasury check with a check serial number different from that of the original check. The replacement Treasury check may be issued after the presentation and review of required documentation to replace any lost, stolen, or destroyed original check (except for holder-in-due-course situations), regardless of the disbursement purpose (e.g., pay, travel, or vendor payment).

Relief from Liability

Pursuant to 31 U.S.C. § 3527, an action taken by an individual with appropriate legal authority to relieve DOs, certifying officers, or other accountable officials of pecuniary liability for a fiscal irregularity.

Replacement Check

A check issued to replace a check that is for a proper payment but has been classified as void, not been reported to the Treasury as a valid check issue, or is not cashable due to misprint or mutilation during the issue process.

Retiree

A military person retired from active duty or a Reserve Component, including those receiving retainer pay.

Review Official

A military member or DoD civilian employee appointed in writing to conduct pre-payment and post-payment reviews, to initiate and control inquiries, and to initiate investigations of possible fiscal irregularities.

Salary Offset

A deduction from a current pay account to liquidate a debt. May be from basic, special, incentive, retired, and/or retainer pay; or in the case of an individual not entitled to basic pay, other authorized pay.

Seized Funds

Cash confiscated by coalition forces during military operations and governed by the laws and usages of war. Normally captured foreign currency is delivered promptly into the custody of the State Department's USDO supporting the particular country involved. Any DoD DO acquiring captured foreign currency safeguards and delivers it to the USDO as soon as possible, but does not collect them into his or her accountability.

Settlement Office

A disbursing office designated to clear outstanding transactions and/or deficiencies from the accounts of predecessor DOs. The DO assigned to the settlement office is referred to as a settlement officer.

Shared Accounting Module (SAM)

An FS application that carries out the process of validating or deriving the appropriate TAS and BETC combinations to assist GWA in classifying financial transactions as they occur.

Smart Cards

Includes: Stored Value Cards (SVC), debit cards and combination cards (hybrids that contain both SVC and debit card features). These cards store or provide access to "electronic money" and provide a more secure method of handling funds, alleviate the need to carry cash and provide electronic payment to vendors for items purchased or services rendered.

Spoiled Check

A check that has been reported to the Treasury as a valid issue, has been returned by the payee as not cashable due to mutilation or defect, represented a valid payment to the payee, and is less than one year old.

*Sponsor

See ***20 U.S.C. § 932***.

A person who is

a. a member of the Armed Forces serving on active duty, or

b. a full-time civilian officer or employee of the DoD and a citizen or national of the United States; and

c. who is authorized to transport dependents to or from an overseas area at Government expense and is provided an allowance for living quarters in that area.

Standard Financial Information Structure (SFIS)

The SFIS is a comprehensive data structure that supports requirements for budgeting, financial accounting, cost/performance, interoperability, and external reporting needs across the DoD enterprise. It is a common business language that enables budgeting, performance-based management, and the generation of financial statements. SFIS standardizes financial reporting across DoD and allows revenues and expenses to be reported by programs that align with major goals, rather than basing reporting primarily on appropriation categories. It also enables

decision-makers to efficiently compare programs and their associated activities and costs across DoD and provides a basis for common valuation of DoD programs, assets, and liabilities. SFIS compliance is required for all target accounting systems and target financial business feeder systems (Volume 1, Chapter 4).

Standard Line of Accounting (SLOA)

The DoD SLOA is a subset of the SFIS data standard elements. The SLOA is comprised of the minimum SFIS data elements that must be exchanged for business events that have an accounting impact at any point from the initial commitment to the final posting in the appropriate general ledger. This includes commitments, obligations, expenditures, and disbursements. All collection and disbursement vouchers reported in the DoD business systems must meet SLOA requirements. The SLOA accommodates Treasury reporting requirements for daily cash reporting (Volume 1, Chapter 4).

Standard Reporting Format (SRF)

SRF is a Fiscal Service defined input file specification defining the data elements and validation rules that all NTDOs use to report issued payments and associated TAS/BETC information. Payment and accounting data are submitted to the PIR reporting tool using SRF.

Stored Value Card (SVC)

A smart card application capable of storing electronic monetary value on the card's embedded computer chip. The SVC is used to conduct financial transactions in a number of DoD settings. These include: EagleCash, Navy Cash, Marine Cash, Ezpay, Debit cards, combination cards, and others.

Supplemental Agreement

Statement of local operating procedures formulated and used by the commanders of the Armed Forces of two friendly foreign nations, whose governments have signed a basic agreement, as contemplated under DoD Instruction 5530.03. Use these procedures in territories of mutual concern to provide each other with emergency financial support, under the policies of the basic agreement. Supplemental agreements may be entered into by commanders of unified or separate Armed Forces, as considered appropriate.

Suspense/Budget Clearing Accounts

A disbursement transaction that has been reported to the Treasury and has not been identified to a specific fund holder or is placed in a suspense account while research efforts are underway. Budget Clearing Account (suspense), F3875, temporarily credits unclassified transactions from the public when there is a reasonable presumption that the amounts belong to the agency.

Tactical Disbursing Activity

Any tactical unit (including Navy ships) authorized to provide disbursing services under an assigned DSSN and is subject to movement from one location to another. Some of these activities provide disbursing services on a full-time basis (e.g., Navy ships); others perform them only while deployed (or mobilized). When not deployed, the DSSNs are held in reserve, in an inactive status, for use on short notice as required.

Tolled

To suspend or stop temporarily, e.g., an event that suspends the running of time related to a statute of limitations.

Transaction Reporting System (TRS)

See Collections Information Repository (CIR).

Travel Authorizing Official

An individual designated in writing by organizational title having authority to issue travel orders, sign/approve travelers' claims, verify that all transactions made were necessary expenses, and were accomplished in accordance with the ***Joint Travel Regulations***.

Travel Order

A document authorizing official government travel.

Traveler

A military member, DoD civilian employee, or invitational traveler traveling in an official capacity.

Treasury Account Symbol (TAS)

An identification code assigned by the Department of the Treasury. The TAS represents individual appropriation, receipt, and other fund accounts for agencies and bureaus.

Treasury Check Information System (TCIS)

A system that records and reconciles the worldwide issuance and payment of Treasury checks. It also allows end users to query the Payments, Claims & Enhanced Reconciliation system for claim status on ACH payments.

Treasury General Account (TGA)

A demand account titled TGA in a designated commercial bank specifically authorized by the Treasury Department to maintain that account in the name of the Treasury for the purpose of accepting deposits. A non-U.S. bank located overseas (an International TGA) may also be authorized to perform this function.

Undeliverable Check

A check not delivered to the payee within 60 days after the month of issue.

Valuables

Any articles or representations of value in which the United States has any interest, or in connection with which it has any obligation or responsibility.

Vendor

See "Contractor."

Vendor Pay

The process of computing the amount due a contractor or vendor for all contract/purchase orders, except those administered by the Defense Contract Management Agency, or a functional pay area.

Voided Check

A check pre-numbered with a serial number, invalidated for any reason before issuance by a DO, and reported with a zero dollar value.

Voucher

A document certified by a CO to a DO (under ***31 U.S.C. § 3325***) to make a payment.

DoD 7000.14 - R

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 6A: "REPORTING POLICY"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

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DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 1: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 6A, CHAPTER 2: "FINANCIAL REPORTS, ROLES AND RESPONSIBILITIES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated June 2019 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
2.4 (020204)	Added a consolidated "Supporting Documentation" paragraph to remove duplication throughout the chapter.	Addition
2.8.2.1.1. (020208.B.1.a).	This revision incorporates relevant information from the Deputy Chief Financial Officer (DCFO) policy memorandum, "Mandatory Use of Root Cause Indicator Code (FPM 20-04)," dated April 18, 2020. The procedural level information from the memorandum remains available on the DCFO Financial Management Policy and Reporting web page under the "Dual Purpose Policy Memos & Other Information" section.	Revision
2.9 (020209)	Added a "System-Generated JVs" section to provide guidance for systems-generated journal voucher (JV) adjustments.	Addition
2.10.3.2. (020210.C.2.)	Added guidance for out of balance JV adjustments.	Addition

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CHAPTER 2

FINANCIAL REPORTS, ROLES AND RESPONSIBILITIES

1.0 GENERAL (0201)

1.1 Purpose (020101)

This chapter defines the roles and responsibilities in the preparation and issuance of financial reports for Department of Defense (DoD) Components. DoD Components and the Defense Finance and Accounting Service (DFAS) are responsible for the proper and consistent preparation of financial reports at the DoD Component departmental, intermediate, and installation level. In some instances, DoD Components prepare their own financial reports without accounting support from DFAS. Ultimately, each DoD Component is responsible for the accuracy and completeness of financial information in the reports that present the financial effects of its operations.

1.1.1. The policies within this chapter apply to all DoD Components and includes those entities whose departmental, intermediate, and installation level financial reports are prepared by DFAS, DoD Components and organizations operating Enterprise Resource Planning (ERP) systems under an approved agreement with DFAS, certain DoD Components which prepare their own financial reports (e.g., the U.S. Army Corps of Engineers), and organizations required to perform their own accounting due to security considerations.

1.1.2. In those instances in which DFAS does not have financial report preparation responsibility, the reporting entity must fulfill the responsibilities assigned in this chapter at both the DFAS and DoD Component level. The requirements for the audited or interim financial statements addressed in the Office of Management and Budget ***(OMB) Circular A-136***, "Financial Reporting Requirements" are contained in Volume 6B, "Form and Content of the Department of Defense Audited Financial Statements."

1.2 Authoritative Guidance (020102)

This chapter prescribes the roles, responsibilities, and authoritative guidance for preparation and issuance of financial reports for DoD Components in accordance with the reporting responsibilities and internal control provisions identified in:

1.2.1. Government Accountability Office (GAO) "Federal Information System Controls Audit Manual" (***FISCAM***);

1.2.2. GAO ***Financial Audit Manual*** (FAM);

1.2.3. ***OMB Circular A-123***, "Management's Responsibility for Enterprise Risk Management and Internal Control;"

1.2.4. OMB Circular A-136, "Financial Reporting Requirements;"

1.2.5. Office of the Under Secretary of Defense (Comptroller) (OUSD(C))/Chief Financial Officer (CFO) "***DoD Financial Statement Audit Guide;***" and

1.2.6. OUSD(C)/CFO "***DoD Internal Control Over Financial Reporting Guide***."

2.0 RESPONSIBILITIES (0202)

2.1 Stewardship and General Responsibilities (020201)

The U.S. Congress provides resources to finance the programs, missions, and functions of DoD and its Components. Financial reports are a tool to display the status and uses of those resources at a point in time. DoD Components and DFAS as their service provider have responsibilities to ensure that financial information is accurate and timely in order for managers to make sound decisions and exercise proper stewardship over these resources. Refer to the "DoD Internal Control Over Financial Reporting Guide" for additional information on roles and responsibilities for internal controls over financial reporting.

2.2 Internal Controls (020202)

2.2.1. DoD Components. DoD Components must create and maintain internal controls to ensure that data input in DoD Component-controlled systems, or provided to DFAS to be recorded in the accounting systems and subsequently used in financial reports, are accurate, complete, supportable, and input timely into the finance and accounting systems. Refer to the "DoD Internal Control Over Financial Reporting Guide" for additional internal controls applicable to DoD Components.

2.2.1.1. DoD Components must maintain and create controls to ensure actual or potential Antideficiency Act violations are reported, reviewed, and investigated in accordance with Volume 14, Chapter 2.

2.2.1.2. DoD Components must perform and document periodic reviews of system functionality to ensure controls are in place to verify the authorization of recorded transactions and compliance with the FISCAM framework.

2.2.1.3. DoD Components must comply with internal control policies contained in ***DoD Instruction (DoDI) 8510.01***, "Risk Management Framework (RFM);" Volume 1, Chapter 3; and the "DoD Internal Control Over Financial Reporting Guide."

2.2.2. DFAS. DFAS must maintain or create controls to ensure that data provided by each DoD Component is recorded accurately and processed timely for financial reporting. Refer to the "DoD Internal Control Over Financial Reporting Guide" for additional internal controls applicable to DFAS reporting.

2.2.2.1. DFAS must maintain or create controls to ensure actual or potential Antideficiency Act violations are reported to DoD Components for their review and investigation in accordance with Volume 14, Chapter 2.

2.2.2.2. DFAS must perform and document periodic reviews of DFAS system functionality to ensure controls are in place to verify the authorization of recorded transactions and compliance with the FISCAM framework.

2.2.2.3. DFAS must maintain feeder files used in financial reporting from accounting systems of record (component-controlled), in accordance with records retention guidance contained in Volume 1, Chapter 9.

2.2.2.4. DFAS must maintain supporting documentation for corrections made to DoD Component submissions in intermediate edit systems as part of the audit trail for the reporting period. DFAS must maintain records to support adjustments to DoD Component submissions and assign transactions that fail to pass edits to DFAS or the DoD Component for research and correction.

2.2.2.5. DFAS must provide any adjustments made to DoD Component submissions so they can be recorded by the DoD Component in the accounting systems of record, if not already recorded in the accounting systems of record in the current or subsequent period, before the beginning of the next reporting cycle. DFAS and the DoD Component must make every effort to resolve any discrepancies prior to the end of the reporting period. DFAS and the DoD Components must track unresolved discrepancies for research and correction as soon as possible after the end of the reporting period.

2.2.2.6. DFAS must comply with internal control policies contained in DoDI 8510.01; Volume 1, Chapter 3; and the "DoD Internal Control Over Financial Reporting Guide."

2.3 Audit Trails (020203)

2.3.1. DoD Components. DoD Components must maintain audit trails in sufficient detail, including the rationale, justification, and approvals to permit tracing of transactions and balances from their sources to their transmission to DFAS. Audit trails are necessary to demonstrate the accuracy, completeness, and timeliness of the transaction. In addition, audit trails provide documentary support for all data generated by the DoD Component and submitted to DFAS for recording in the accounting systems and use in financial reports.

2.3.2. DFAS. DFAS must clearly document processes and internal controls and maintain a complete and documented audit trail to support the reports it prepares. The organization that translates the information into an electronic mode must retain supporting documents or images of the supporting documents. DFAS must establish documented business rules and internal controls to ensure feeder file data is received, processed, and compiled in departmental reporting system output files.

2.3.2.1. DFAS must sufficiently document adjustments to DoD Component submissions to assist approving officials and others, such as auditors, in understanding the reason for preparing the adjustment, and to support the validity of adjustments prepared during the reporting period.

2.3.2.2. DFAS must ensure documentation is readily available as part of the audit trail for the reporting period. The documentation must be readily available for assisting auditors, and those involved in financial statement preparation, to understand how feeder file records are processed.

*2.4 Supporting Documentation (020204)

2.4.1. DoD Components and DFAS as their service provider must maintain supporting documentation that will support DoD's accounting cycle. The DoD accounting cycle encompasses the processing and recording of all financial transactions in the proper period and includes the proper presentation on the financial statements and closing of the accounts.

2.4.2. DoD Components and DFAS as their service provider must also have the ability to display the rationale and justification for the adjustment, the dollar amount of errors or conditions related to the transactions or records proposed for adjustment, the date of adjustment, and the name and position of the individual(s) approving the adjustment. The documentation must be readily available in one or a combination of the following media: hardcopy, systemically stored electronic records, or electronic files maintained in an external system or location.

2.4.3. Proper documentation in hard copy, electronic form, or a combination of both is necessary to support all journal voucher (JV) entries. JV documentation must include reporting elements deemed critical to assess the accuracy and completeness of financial information, applicable criteria to support the rationale for preparing the adjustment, Treasury Account Symbols or entity codes impacted, and the calculation of the dollar amount of the adjustment. Maintain clear documentation of the JV preparer, reviewer (if used), and approver(s) with the JV documentation. Attach supporting documentation to a copy of the JV. In some cases, it may not be practical to attach all of the documentation to the JV because of the large number of detailed transactions summarized on it. In those cases, attach specific and detailed information summarizing the content and identifying the location of the supporting documentation to the JV.

2.5 Reconciliation (020205)

2.5.1. Many financial balances (e.g., general ledger (GL) proprietary and budgetary accounts, such as assets, liabilities, commitments, and undelivered orders) require supporting subsidiary records to validate the amount of the financial balance. Reconcile subsidiary records to financial balances in accordance with the policies, requirements, and frequencies prescribed in this paragraph.

2.5.1.1. DoD Components must maintain the supporting records for many financial balances. An individual authorized by each DoD Component must periodically validate the accuracy of such subsidiary records against applicable physical assets or other appropriate confirmations of the source documents. DoD Components perform periodic physical inventories in accordance with ***DoDI 5000.64***, "Accountability and Management of DoD Equipment and Other Accountable Property," for tangible equipment, and ***DoDI 4165.14***, "Real Property Inventory (RPI) and Forecasting," for real property. Validations must be documented, signed, and dated by the individual authorized by the DoD Component.

2.5.1.1.1. Various regulations require periodic counting, or another physical verification in the case of equipment, inventories, supplies and materials, and real property, depending upon the nature of the asset. Refer to the GAO FAM Volume 1, Section 260, "Identify Risk Factors," for controls related to the completeness and accuracy of inventory records.

2.5.1.1.2. Periodic validation and/or reconciliation is required in the case of commitments, obligations, accounts receivable, and accounts payable. These validations must include the review of the documentary evidence that initiated the financial transaction to ensure the integrity of source data. For additional information, see Volume 3, Chapter 8.

2.5.1.2. DoD Components must document and provide changes in the source data to DFAS for proper recording. The reconciliation of source data with reported balances is a joint responsibility of DFAS and the DoD Component.

2.5.1.3. DFAS must establish procedures to ensure that all GL balances, and other associated financial balances, are validated and/or reconciled with supporting records, including source data, in accordance with DoD policy. See Volume 3, Chapter 8.

2.5.1.3.1. DFAS must establish and maintain supporting subsidiary detail transactions that are traceable and reconcile to reported financial statement balances. DoD Components must participate in the reconciliation process for these subsidiary records when the source documents, or transactions that require research to complete the reconciliation, are retained by the DoD Component.

2.5.1.3.2. When the DoD Component maintains accounting system and trial balance subsidiary records, DFAS must establish a reconciliation schedule, mutually agreed to by the DoD Component, and subject to approval by OUSD(C), to reconcile the subsidiary records with the financial balance. The reconciliation of such supporting records with the financial balance is a joint responsibility of DFAS and the DoD Component.

2.5.1.4. DFAS must investigate unreconciled differences and document adjustments required to balance the GL amount and the amount of the subsidiary records with the rationale, justification, and approvals.

2.5.1.5. DFAS must perform reconciliations on a monthly basis, at a minimum, to determine the cause of differences and take appropriate corrective actions to ensure the accuracy and integrity of the accounting system and monthly reports when unreconcilable differences between the GL and the subsidiary records exceed $1 million. Continue to perform monthly reconciliations until the irreconcilable difference is less than $1 million.

2.5.1.6. DFAS must reconcile changes in source data, made by the DoD Component, with reported balances. The reconciliation of source data with reported balances is a joint responsibility of DFAS and the DoD Component.

2.6 Reporting Schedules (020206)

2.6.1. DFAS must establish procedures requiring joint development of report preparation schedules with DoD Components according to the timeframes established by the U.S. Department of the Treasury (Treasury), Bureau of the Fiscal Service, Governmentwide Treasury Account Symbol (***GTAS***). DFAS and the DoD Components must work to resolve issues identified in the report preparation process according to the GTAS schedule.

2.6.2. Reporting schedules for reports provided to external recipients must include the opportunity to present a draft of the report to the DoD Component for review and approval prior to release to the recipients.

2.7 Draft Reports (020207)

2.7.1. DoD Components. DoD Components must review DFAS reports to assess the accuracy of the financial information reported. The review must identify errors, omissions, and significant diversions from budgeted or planned amounts and levels of activity. The DoD Component must:

2.7.1.1. Research and propose adjustments to correct abnormal balances. A GL balance is abnormal when the reported balance does not comply with the normal debit or credit balance established in the DoD Standard Reporting Chart of Accounts. DoD Components must maintain supporting documentation in accordance with paragraph 020204 for requested adjustments to financial reports and provide the support to DFAS;

2.7.1.2. Research any unusual trends and comparisons with the prior year and/or prior period amounts to determine whether corrective action is required;

2.7.1.3. Ensure that the amounts in the financial reports are consistent and reconcilable with the same financial data included in management reports prepared by the DoD Component;

2.7.1.4. Not change draft reports provided by DFAS or release the reports to external recipients. For errors or omissions identified in a draft report, submit a request to DFAS to revise the report and include changes in the final report; and

2.7.1.5. Validate reports created within their ERP systems. DoD Components must perform quality reviews to confirm that:

2.7.1.5.1. Amounts on the report are mathematically correct;

2.7.1.5.2. Internal relationships of amounts included in a report that are interdependent are correct;

2.7.1.5.3. Abnormal account balances, such as negative balances or unusual amounts, are researched and resolved, if possible. If unresolved, include comprehensive explanations identifying root causes and the timeline for resolution; and

2.7.1.5.4. Unusual trends and comparison with the prior year and/or prior year amounts are identified, researched, and explained.

2.7.2. DFAS. DFAS must validate reports to ensure reported amounts agree with the official accounting records prior to release to DoD Components for review and approval or release to external recipients. DFAS must perform quality reviews to confirm that:

2.7.2.1. Amounts on the report are mathematically correct;

2.7.2.2. Internal relationships of amounts included in a report that are interdependent are correct;

2.7.2.3. Abnormal account balances, such as negative balances or unusual amounts, are researched and resolved, if possible. If unresolved, include comprehensive explanations identifying root causes and the timeline for resolution;

2.7.2.4. Reported amounts for the same data elements for the same report period are consistent across all similar financial reports; and

2.7.2.5. Unusual trends and comparisons with the prior year and/or prior period amounts are identified and called to the attention of the DoD Component.

2.7.3. OUSD(C). Refer DoD Component-proposed changes to the draft reports, with which DFAS does not concur, to the OUSD(C) Directorate with oversight responsibility for the subject matter, for adjudication before the end of the current reporting cycle. The DoD Component, or DFAS, may submit requests for adjudication through their reporting chain of command to OUSD(C).

2.8 Journal Voucher Adjustments (020208)

2.8.1. Journal Vouchers (JVs) are all adjustments recorded in system transaction registers and the GL identifying summary-level adjustments to the GL. Accounting systems generally consist of two forms of JV adjustments, manual JVs and system-generated JVs. JVs are required for several reasons, including instances when subsidiary records do not reconcile with the financial balances, transactions need correction, and adjustments are required to align obligations, accruals, or expenses with the liquidation amounts for receipts, acceptances, and/or disbursements. JVs do not include transactions and processes used to record detail amounts in subsidiary ledgers as standard business transactions.

2.8.2. Either DFAS as the service provider or the DoD Components may identify the need to make adjustments. Both DFAS and DoD Components must support adjustments with sufficiently detailed documentation to provide an audit trail to the source transaction(s) that require the adjustments. (See paragraph 020204.)

2.8.2.1. DoD Components. When, during the applicable reporting period, a DoD Component identifies an adjustment pertaining to information included in a monthly, quarterly, semiannual, or annual report, the adjustment will be included as part of the financial information used to produce final report balances.

* 2.8.2.1.1. DoD Components must utilize the Root Cause Indicator Codes (RCIC) when recording manual accounting adjustments in the Defense Departmental Reporting System-Budgetary (DDRS-B) and Defense Departmental Reporting System-Audited Financial Statements (DDRS-AFS). The RCIC is required to record and monitor the root causes for recording accounting adjustments. Capturing the RCIC will be used to develop action plans to address the root cause requiring the accounting adjustment and then monitor the effectiveness of those action plans.

2.8.2.2. DFAS. When DFAS identifies a required adjustment to the official accounting records of a DoD Component, it will refer the proposed adjustment to the DoD Component who must review and approve the adjustment. DFAS must document proposed adjustments to DoD Component submissions and provide supporting documentation. DoD Components must respond with approval or disapproval for proposed adjustments within reporting cutoff dates for the relevant period. The following paragraphs provide the exceptions to this policy.

2.8.2.2.1. When DFAS makes an adjustment of less than $1 billion to correct errors made by DFAS in the preparation of a report, (e.g., calculation errors and similar mistakes), they may be corrected by DFAS without prior referral to the affected DoD Component. Examples of corrections that may be made by DFAS without referral to a DoD Component are:

2.8.2.2.1.1. Adjustments to correct systems processing deficiencies;

2.8.2.2.1.2. Adjustments to correct an error made by DFAS in processing a transaction or a previous adjustment;

2.8.2.2.1.3. Adjustments to correct a financial balance to equal the sum of subsidiary records; and

2.8.2.2.1.4. Adjustments to align funding, obligation, accrual, or expense amounts with the liquidation amount for receipts, acceptances, and/or disbursements when the applicable supporting information requires such adjustments.

2.8.2.2.2. DFAS must notify DoD Components at least once each month of the reports impacted, total amounts, types, and categories of reasons for adjustments made without prior referral to the DoD Component under circumstances specified in the preceding paragraph and provide corrected reports if applicable. DFAS must keep adequate records of all such notifications; and DFAS and the DoD Component must work together to record adjustments made by DFAS in the accounting systems of record before the beginning of the next reporting cycle.

2.8.3. Appropriate Uses of JVs. JVs have the following primary uses within DoD.

2.8.3.1. Correcting Entries. Correcting entry JVs adjust for errors identified during the reports review process. This entry includes specific amounts, accounts, and/or transactions related to the required correction. If possible, the JV supporting documentation will note the required steps in the process to prevent the need for similar adjustments in future periods.

2.8.3.1.1. In some cases, correcting entries are required to adjust for errors on previously prepared JVs. In those instances, correcting entries will both reverse the effect of incorrect entries and record the correct amount.

2.8.3.1.2. In some cases, both entries can be made with one JV and a single set of supporting documentation. Regardless of whether a single JV or multiple JVs are prepared, the correcting JV must include a copy of the original JV, documentation supporting the correct amount, and a narrative explanation regarding how it is known that the original entry is incorrect and why the correcting entry is accurate/more accurate.

2.8.3.2. Source Entries. Source entry JVs record those accounting entries that, due to system limitations or timing differences, have not been otherwise recorded. By nature, source entry JVs are usually summarized at the entity level by GL account. The source entry accounting transaction must be supported by documentation for the summarized amounts and identify the location of the transaction level supporting detail. Source entry JVs, generally, are used for month-end closing, year-end processing and closing purposes, and also may include postings of information provided through data calls, such as those required to record values for property, plant, and equipment recognition.

2.8.3.3. Summarized Entries. Both correcting and source entry JVs will normally be summarized amounts for which documentation is required. In these situations, the summarized accounting entry represents the amount to record the effect of the detailed transactions. In all such cases, the summarized accounting entry will include documentation of the effect of the detailed transactions and identify the location of the transaction level supporting detail.

2.8.3.4. Subcategories. Further separate correcting and source entry JVs into the following subcategories:

2.8.3.4.1. Audit Recommended JVs. When auditors recommend a JV adjustment, the proper authoritative source must perform an analysis of the recommendation using the auditors' work papers and other relevant information to determine if the recommended adjustments are valid. Any decision resulting in a determination that a JV should, or should not,

be prepared must document why the adjustment is, or is not, required; indicate how the duly authorized official determined that the audit recommendation should be, or should not be, followed; and identify the audit recommendation serving as the basis for the actions taken.

2.8.3.4.2. DoD Component Requested JVs. When a DoD Component requests an adjustment that complies with the JV definition in subparagraph 020208.A, a JV must be prepared. In addition, the JV must document why the adjustment is required, indicate how the duly authorized official determined that the entries included on the JV are correct, and identify the DoD Component's request serving as the basis for the adjustment. The DoD Component's JV request to DFAS must include supporting records and related analysis. A request for a JV entry that is not properly authorized or supported by accurate or proper documentation will be returned to the JV requestor with an indication of what additional information is required to process it, along with any applicable authoritative guidance.

2.8.3.4.3. Edits and Validations. Reporting entities record JVs modifying report submissions to comply with edits and validations designed to improve the accuracy of financial reporting. The Treasury Financial Manual, United States Standard General Ledger (***USSGL***), contains a listing of Governmentwide Treasury Account Symbol Adjusted Trial Balance System validations and edits. (See Section VII.)

*2.9 System-Generated JVs (020209)

2.9.1. For the purposes of this chapter, system-generated JVs are all automated and controlled entries included in system transaction registers identifying summary-level adjustments to the GL. Examples of system-generated entries include system-performed period-end closing entries, consolidations, and entries to bring GL accounts into balance at specified periods of times during the financial reporting process. System-generated JVs do not include the automation of JVs previously recorded manually.

2.9.2. DFAS utilizes eight types of recurring system-generated JVs in DDRS-B. These adjustments are approved by the Components for DFAS to process to ensure financial records are compliant with generally accepted accounting principles. Supporting documentation for system-generated JVs must be in accordance with paragraph 020204. The eight recurring system-generated JV types are:

2.9.2.1. Army Legacy. Adjustments processed in the first accounting period of each fiscal year to ensure prior year unobligated balances from Army legacy accounting systems, Standard Finance System (STANFINS), Standard Operations and Maintenance Army Research and Development System (SOMARDS), and Civil Engineers Financial Management System (CEFMS) are not overstated/understated in DDRS-B.

2.9.2.2. Extended Appropriation. Adjustments processed in the first accounting period of each fiscal year to execute the transfer of obligated/unobligated Shipbuilding and Conversion, Navy (SCN) appropriation balances from the expiring to the extended period of availability. Only SCN balances are in scope for the Extended Appropriation JVs.

2.9.2.3. Flowback. Adjustments to ensure that the impacts of select adjustments processed directly in DDRS-AFS are also reflected in DDRS-B.

2.9.2.4. Funding. Adjustments to guard against the misstatement of funding and ensure the funding amounts reflected in DDRS-B agree to the OMB apportionments recorded in the Program Budget and Accounting System and the Program Budget Information System.

2.9.2.5. Pre-close Cancelling Appropriation. Adjustments processed in the last accounting period of each fiscal year to facilitate the process of cancelling appropriations that have reached the end of their fifth expired year.

2.9.2.6. Reapportionment. Adjustments to facilitate the process of reinstating unapportioned authority which closed during the previous fiscal year's closing process.

2.9.2.7. Reversal. Adjustments posted in the first accounting period of each fiscal year to reverse manual, year-end, Permanent with Reversal or Permanent with Reversal Recurring JVs and Permanent with Reversal Feeder Trial Balance Adjustments.

2.9.2.8. Undistributed. Adjustments to support the monthly requirement that final appropriation-level disbursements and collections reported in DDRS-B agree to the balances reported by Treasury.

2.9.3. DFAS must create and maintain standardized narratives for recurring system-generated JVs to identify and provide a description of the predefined business rules used to execute the adjustments. In addition, DFAS must maintain evidence of review and approval of the predefined business rules executed in DDRS-B.

2.9.4. Other non-recurring system-generated JVs are recorded based on certain System Change Requests (SCRs), which are proposals to modify information in DDRS-B such as revising programming logic and coding changes. Not all SCRs result in system-generated JVs. In the event a non-recurring system-generated JV is required, the supporting documentation must be supplied and maintained by the requestor of the SCR. DDRS Program Management Office must retain supporting documentation for all non-recurring system-generated JVs to include, at a minimum, user stories, testing documentation, and the impact of the system-generated JV.

2.10 JV Preparation (020210)

2.10.1. General. Proper preparation of and adequate support for JVs is important to ensure they accurately record accounting, financial, or other GL-related events and that documentation for a detailed audit trail exists. Unadjusted GL account balances represent the listing of GL account balances at the end of the reporting period, before period-end adjusting JVs are recorded. In various level financial reporting systems, the unadjusted GL balances reported are summaries of transaction data used to record specific homogeneous types of transactions and balances that aggregate to specific classifications on the financial statements. Use JVs to process monthly, quarterly, and annual adjustments to unadjusted GL account balances in the field and higher-level accounting and reporting systems.

2.10.1.1. All summary-level entries included in system transaction registers identifying adjustments to the GL are considered JVs for the purposes of this chapter and must be adequately documented to support the validity of the transactions. In accounting systems of record, manual adjustments to the GL are considered JVs. Transactions and processes used to record detail amounts in subsidiary ledgers are not considered JVs.

2.10.1.2. Proper preparation of, and adequate support for, JVs is the responsibility of DFAS and the DoD Components. Memorandum-style entries to the GL, affecting neither Treasury-level reporting nor subordinate records, are not considered JVs for the purposes of this chapter.

2.10.2. Internal Controls. OMB Circular A-123 identifies operational internal controls to ensure JVs are recorded properly. These controls must be in place for all transactions included in system transaction registers identifying summary-level adjustments to the GL. These controls do not apply to transaction input or processes establishing detail amounts recorded in subsidiary ledgers.

2.10.2.1. JVs may be prepared at the installation (execution) or departmental (reporting) level and must be:

2.10.2.1.1. Systematically tracked and reflected in a JV log. Reporting entities must implement controls to ensure JVs are tracked and readily available for audit;

2.10.2.1.2. Categorized by each of the applicable categories listed in subparagraph 020210.D;

2.10.2.1.3. Reviewed and validated to ensure the transaction utilizes the correct accounts and posts correctly;

2.10.2.1.4. Documented to support the validity and the amount of the JV transaction. The documentation requirement applies to all transactions included in system transaction registers identifying summary-level adjustments to the GL;

2.10.2.1.5. Authorized, approved, and documented at the appropriate level of management or designee. The organizational level within accounting centers, accounting stations, finance offices, and other accounting locations approving JVs will vary by the dollar amount of the voucher as shown in Table 2-1. The dollar amount for each JV is the sum of the absolute value of the debit side entries on that voucher;

2.10.2.1.5.1. The approving officials listed in Table 2-1 provide a framework for approving JVs based on identified thresholds. Reporting entities may adapt the approving officials identified based on the entity's organizational structure. Within each of the listed thresholds, other approval thresholds with lower dollar values than those specified in Table 2-1 may be established to accommodate the organizational level of those preparing the JV. In addition, unless other DoD Component approval thresholds with lower dollar values are

established in memorandums of understanding between DFAS and a DoD Component, all JVs over $1 billion must be coordinated with the affected DoD Component.

2.10.2.1.5.2. Approving officials may delegate their authority in writing to lower-level supervisors or other duly authorized officials with sufficient knowledge of the accounting matters addressed by the JV. The delegation does not relieve approving officials of their responsibilities as outlined in this chapter. See additional guidance in subparagraph 020210.B.2;

Table 2-1. JV Approval Thresholds

Threshold	Dollar Amount	Approving Official Supporting the Reporting Entity
1	Under $100 Million	Branch Chief
2	$100-$500 Million	Supervisor of Branch Chief
3	Over $500 Million-$1 Billion	Director for Accounting or Finance
4	Over $1 Billion	Site Director

2.10.2.1.6. Processed under procedures that ensure the separation of duties for preparing, approving, recording or posting, and validating to the maximum extent possible. The preparer and approver cannot be the same person;

2.10.2.1.7. Annotated with the name, title, and office symbol of currently authorized preparers, reviewers (if used), and approvers. In an electronic environment, the name, title, and office symbol may be represented by user identification;

2.10.2.1.8. Maintained and readily available in hard copy, electronic form, or a combination if there is a manual approval of an automated system JV. All manual JVs must be documented, approved by the appropriate level, readily available, and in compliance with published guidance. Manual JVs include the automation of JVs previously recorded manually; and

2.10.2.1.9. Retained in accordance with records retention guidance contained in Volume 1, Chapter 9.

2.10.2.2. Maintain adequate managerial internal controls at each level of management, as directed in OMB Circular A-123, to ensure there is proper oversight of JV preparation. As a minimum, such managerial internal controls require the following:

2.10.2.2.1. Within 10 workdays after the accounting centers' issuance of quarterly financial statements for the first through third quarters, approving officials, at the levels of authority designated in Table 2-1, must perform and document a high-level integrity review of all JVs for which they delegated approval authority. Integrity reviewers are required to review each delegated JV for compliance with the terms of the delegation but are not required to review all documentation supporting the JV. A fourth quarter review must take place prior to submission of the Agency Financial Report to OMB (no later than November 15). If the approving official,

at the levels of authority designated in Table 2-1, is unavailable to perform the integrity review, an individual having the appropriate accounting knowledge and expertise, and who was not a delegated approver, can perform the integrity review on behalf of the approving official. The approving official must appoint this individual in writing.

2.10.2.2.2. Within 30 calendar days of the issuance of the financial statements, whether quarterly or annually, the DFAS Director for Accounting (or designee) must perform a quarterly quality and compliance review after submission of the quarterly and annual reports to OUSD(C). Conduct the review on a random sample of all manual JVs to determine if JVs are correctly prepared and processed, adequately described and supported, and approved at the proper managerial level within the limitations set forth in subparagraph 020210.B.1.e.1. The Director of Accounting (or designee) may substitute monthly reviews in place of the quarterly review. The review must be conducted by an entity outside the immediate office that created the JV. The entity conducting the review must have sufficient auditing expertise to perform the review and must sign, date, and retain documentation to support the completed review.

2.10.2.2.2.1. DFAS must conduct the review in accordance with the GAO FAM Volume 1, Section 450, "Perform Sampling Control Tests." The FAM provides guidance pertaining to acceptable sample sizes and error rates for typical internal control samples. The FAM Figure 450.1, "Sample Sizes and Acceptable Numbers of Deviations," includes tables to compute the acceptable number of deviations for testing controls. Within DoD, compute the acceptable number of deviations using a 90 percent confidence level and a 5 percent tolerable error rate. When the tolerable error rate is exceeded, review current JV procedures for possible revision to ensure compliance;

2.10.2.2.2.2. DFAS must identify and correct errors and notify the affected DoD Component as necessary. Identify root causes and implement corrective actions as appropriate. If errors materially impacted the financial statements, evaluate the need to restate/reissue the financial statements;

2.10.2.2.3. The internal review office must conduct an assessment of the organization's JV processing procedures, in accordance with OMB Circular A-123, to ascertain if JVs are properly prepared and supported. Volume 1, Chapter 3, discusses the necessity and importance of independent reviews.

2.10.2.2.4. DoD Components must perform a compliance review of JVs within their accounting systems to ascertain if the JVs are correctly prepared and processed, adequately described, supported, and approved at the proper managerial level at least on a quarterly basis.

2.10.3. Critical Elements. Critical elements are items that, if reported incorrectly for financial reporting purposes, would have a direct effect on the amounts presented on the financial statements. Reporting fields deemed critical must be populated in order to provide sufficient information for the approving official and others, such as auditors, to understand the reason for preparing the JV, determine if it is proper and accurate, and identify whether the JV entries are supported or unsupported by subsidiary records. This paragraph outlines critical elements for most

JV categories and applies to JVs recorded in all systems. Additional items may be deemed critical depending on the category of adjustment being made. JVs must include items listed in paragraph 020204.

2.10.3.1. Correct Appropriation/Accounting Data. JVs must contain accurate financial information in order to populate the required input fields for entry into the accounting/financial reporting systems.

* 2.10.3.2. Balanced Adjustments. JV debits and credits must equal and reflect correct dollar amounts. Out of balance JV adjustments are not permitted.

2.10.3.3. Approvals. JVs must contain required approvals according to the thresholds outlined in subparagraph 020210.B.1.e.

2.10.3.4. Documentation. JVs must include adequate documentation, with cross-referencing to other documentation (hard copy or electronic form), to support the validity and amount of the transaction. Attach supporting documentation to the JV as described in paragraph 020204.

2.10.3.5. USSGL. JVs must contain valid GL accounts to record the adjustments. Approved DoD postings transactions are available at the DoD USSGL Transaction Library.

2.10.4. JV Categories. Regardless of the method of documentation used for the JVs, the dollar amount(s) on the JVs must be clearly and readily identifiable within the supporting documentation for the categories in subparagraphs 020210.D.1-11. Both manual and system-generated JVs require the use of JV categories.

2.10.4.1. Category A - Reversing Entries for Prior Reporting Period. Category A must be used when reversing JVs from a prior accounting period.

2.10.4.2. Category B - Data Call Entry. Category B must be used when recording JVs for summarized source data not included in the GL trial balance. To the maximum extent possible, reporting entities will eliminate data call JVs in the DDRS and record properly supported JVs closer to the underlying source transaction. This practice enhances accuracy and accountability, reduces errors, and places JV ownership with the organization responsible for the underlying transaction. Examples of data call entries include property, plant and equipment; operating materials and supplies; environmental liabilities; contingent liabilities; and employee benefit data.

2.10.4.3. Category C - Balancing Entries for Eliminations. Category C must be used when the duly authorized official has determined that entries are necessary to balance buyer side data with seller side data. Refer to Volume 6B, Chapter 13 for guidance on eliminations.

2.10.4.4. Category D - Recognition of Undistributed Disbursements and Collections. Category D must be used when recording undistributed disbursements and collections JVs representing the difference between the amount of disbursements and collections reported to Treasury and the amount recorded by the operating level activities.

2.10.4.5. Category E - Reconciliation of Trial Balance and Budget Execution Reports. Category E must be used when reconciling trial balances or other source data reported by field accounting sites and/or accounting stations to the DoD Component's budget execution reports. Consider trial balances or other source data correct and only adjust to budget execution data in instances where budget execution data is determined to be more accurate, i.e., Tie Point reconciliation of budgetary and proprietary accounts.

2.10.4.6. Category F - Supply Management Inventory. Category F must be used when supply management activities adjust from the standard price to approximate historical cost.

2.10.4.7. Category G - Reclassification of Accounts. Category G must be used when correcting erroneous USSGL accounts attributes and to adjust incorrect posting logic, aligning with the DoD Standard Reporting Chart of Accounts and Standard Financial Information Structure.

2.10.4.8. Category H - Identified Errors and Reasonableness Checks. Category H must be used when correcting errors identified by an authorized official or auditor.

2.10.4.9. Category I - Adjustment to Balance Reports Internally. Category I must be used when an authorized official has determined that a reconciliation of data supporting two different reports is not possible.

2.10.4.10. Category J - Other Accruals. Category J must be used when recording accrual JVs. Accruals involve the following types of business transactions:

2.10.4.10.1. Expenses, losses, and liabilities that have been incurred but are not yet recorded in the accounts,

2.10.4.10.2. Revenues and assets that have been earned but are not yet recorded in the accounts, and

2.10.4.10.3. Laws or Regulations specific requirements

2.10.4.11. Category M - Data Collection Module (DCM). Category M must be used when utilizing DDRS DCM JV functionality to record data call amounts from DCM.

2.11 Release of Reports (020211)

2.11.1. DoD Components. DoD Components must approve draft annual reports and return those reports to DFAS for appropriate revision, validation, and distribution as final reports. The DoD Components must not release any reports, including monthly recurring reports, such as budget

execution reports, to any organization external to the DoD Components. Only DFAS may release such reports. Volume 6B, Chapter 2 contains the requirements for the audited and interim financial statements.

2.11.2. DFAS. DFAS must validate all final reports using the official accounting records prior to release to their intended recipients. The release of reports occurs only after final validation that corrections and adjustments have been made and that the report agrees with the official accounting records.

2.12 Certifications (020212)

2.12.1. DoD Component/Reporting Entity. A reporting entity is an organization represented by the financial information in a financial statement or report and may be a DoD Component or a subordinate command/organization. For example, a reporting entity may include an individual command or activity, such as a shipyard or a supply depot, or it could encompass a number of activities within a business area, such as all shipyards or aircraft depot maintenance activities in a Military Department. A reporting entity can also be at a DoD Component level.

2.12.1.1. The reporting entity, rather than DFAS, is responsible for annual certifications required in the implementation of Title 31, United States Code, section 1501(a). See Chapter 4, "Appropriations and Fund Status Reports," for additional information related to year-end reporting.

2.12.1.2. Reporting entities having working capital funds are responsible for signing the Accounting Report (Monthly) (AR(M)) 1307, Defense Working Capital Fund Accounting Report addressed in Chapter 15.

2.12.2. DFAS. DFAS's role in processing financial data, and in preparation of financial reports for DoD Components, includes certain responsibilities. Accordingly, DFAS will provide the following to the DoD Component:

2.12.2.1. Assurances and certifications, when requested, to the reporting entity regarding the quality of accounting and report preparation services performed for the DoD Component;

2.12.2.2. Signed monthly, quarterly, and semiannual reports on behalf of the DoD Component following review and approval by the DoD Component. An exception is the AR(M) 1307, which the DoD Component is required to sign. Volume 6B, Chapter 2 contains the requirements for the audited and interim financial statements; and

2.12.2.3. A certification provided by the chief of the applicable reports section confirming accuracy of the balances reported on the AR(M) 1307.

VOLUME 6A, CHAPTER 3: "REPORTING OF OUTLAYS, RECEIPTS, AND ADJUSTED TRIAL BALANCES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated January 2020 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
1.3	Updated Treasury Financial Manual (TFM) reference to reflect the updated chapter.	Revision
Throughout	Updated TFM hyperlinks to reference publications on the new Treasury website, tfx.treasury.gov.	Revision
Table 3-1	Updated the source document reference to reflect the most recent Office of Management and Budget Bulletin, "Audit Requirements for Federal Financial Statements"	Revision

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CHAPTER 3

REPORTING OF OUTLAYS, RECEIPTS, AND ADJUSTED TRIAL BALANCES

1.0 GENERAL

1.1 Overview

Department of Defense (DoD) entities submit monthly outlay and receipt information via the Central Accounting Reporting System (***CARS***). The data in CARS interfaces with trial balance data submitted through the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to produce the financial reports. DoD entities are responsible for reconciling information between CARS and GTAS to ensure financial reports contain accurate information and provide an audit trail for the reporting period presented. The DoD Financial Management Regulation Glossary identifies DoD Components included as a part of DoD reporting.

1.2 Purpose

This chapter prescribes guidance for reporting outlays, receipts, and adjusted trial balances (ATBs) to the U.S. Department of the Treasury (Treasury). The policies included in this chapter apply to DoD entities authorized to prepare and submit consolidated monthly reports of outlays and receipts, and the DoD entities authorized to prepare and submit consolidated annual financial statements, to the Treasury, Bureau of the Fiscal Service (Fiscal Service).

*1.3 Authoritative Guidance

1.3.1. The Treasury Financial Manual (TFM), Volume I, Part 2, Chapter 5100 (***I TFM 2-5100***) applies to all Federal Agencies and U.S. Disbursing Officers (DO) that report collections and disbursements to the Treasury and Fiscal Service, and requires a monthly detailed reporting of disbursements and collections (outlays/receipts).

1.3.2. ***I TFM 2-4700*** prescribes how agencies provide data for the Financial Report of the United States Government (***FR***).

2.0 CARS REPORTING

2.1 CARS

CARS handles Treasury-level accounting and reporting for all federal agencies and is the system of record for Fiscal Service. CARS captures and records Treasury Account Symbol (TAS) information for payments, deposits, and intragovernmental transactions and provides agencies a daily status of their Fund Balance with Treasury (FBWT). All agencies must use the ***CARS Modules*** and submit the CARS TAS/Business Event Type Code (***BETC***) reporting classification for each payment, deposit, and intragovernmental transaction. The ***CARS Glossary*** identifies and defines the reporting processes and data elements used by CARS reporters.

2.2 CARS Reporting

2.2.1. CARS Daily Reporters. "CARS Daily Reporters" submit the TAS/BETC reporting classification for each payment or collection daily to CARS via the Payment Information Repository (***PIR***) or Collections Information Repository (***CIR***), respectively. DoD DOs report cash disbursements via the Classification, Transactions, and Accountability system.

2.2.1.1. PIR. The PIR serves as a repository for all Government payment data and supports Government transparency initiatives by improving the way Fiscal Service collects, analyzes, and reports on payment-related data. Reporting entities submit payment and accounting data to the PIR using the ***Standard Reporting Format***.

2.2.1.2. CIR. Reporting entities use the CIR to obtain detailed and summary-level information on collections and deposits received.

2.2.2. CARS Non-Daily Reporters. Agencies not classified as "CARS Daily Reporters" must report disbursements and collections through monthly reporting on the Standard Form (SF) 224, "Statement of Transactions;" SF 1219, "Statement of Accountability;" or SF 1220, "Statement of Transactions According to Appropriations, Funds, and Receipt Accounts," in accordance with ***I TFM 4A-4000***. Entities that receive disbursing support from Fiscal Service (regarding the operations of designated Defense Agencies) must report using the SF 224. I TFM 2-3300 contains reporting policies for the SF 224.

2.3 Special Reporting

2.3.1. Government Securities. Refer to ***I TFM 2-4300*** for guidance on reporting the purchase and sale of U.S. Government securities, including the purchase of unrealized discount on investments. Report U.S. Government securities, purchased as an investment by a trust fund, as a disbursement at par value and the sale of securities at par value as a receipt. See the Fiscal Service BETC listing for approved TAS/BETC combinations used to report the purchase and sale of U.S. Government securities.

2.3.2. Borrowing Authority. Borrowing authority is statutory authority to incur obligations and make payments for specified purposes out of borrowed money. It must be established as needed by the acquisition of property subject to a mortgage and withdrawn upon payment of the mortgage principal. When the buyer assumes the mortgage, the borrowing authority is disestablished. See the Fiscal Service BETC listing for approved TAS/BETC combinations used to report mortgage transactions.

2.3.2.1. A DoD Component becomes the mortgagor when it acquires property subject to a previous mortgage under the DoD Homeowners Assistance Program, or when it borrows money to finance, or issues a mortgage instead of immediate payment, for new construction under the DoD Family Housing Program. See ***Volume 3, Chapter 15*** for additional guidance on borrowing authority.

2.3.2.2. Report the total acquisition cost of the property, including mortgages payable included in the sale of non-guaranteed Government agency securities, as a disbursement to liquidate the entire related obligation. Report the amount of the mortgage assumed, which is included in the sale of non-guaranteed Government agency securities, as a reimbursement.

2.3.2.3. Report payments to the mortgagee in two parts: Payments on principal, which are associated with the redemption of non-guaranteed Government agency securities, as disbursements, and the associated interest payments.

2.3.2.4. Report the sale of property subject to a previous mortgage assumed by the buyer as a reimbursement for the total sales price. Report only the portion of this balance that relates to the redemption of non-guaranteed Government agency securities. Report the amount of the existing mortgage assumed by the buyer, related to the redemption of non-guaranteed Government agency securities, as a disbursement.

2.3.3. Cash. ***I TFM 2-3400*** contains guidance on reporting cash held outside of the U.S. Treasury. See ***Volume 4, Chapter 2*** and ***Volume 5*** for additional information on establishing financial control over fund balances with the U.S. Treasury and cash resources that are not part of the FBWT.

2.4 Monthly Reporting Process

2.4.1. Fiscal Service coordinates with reporting entities to ensure appropriate submission and reporting procedures are in place to accomplish the monthly reporting requirements. Reporting entities compile expenditure accounting information from their reporting activities and electronically submit a monthly consolidated report to Fiscal Service in accordance with due dates established by Fiscal Service. Due dates are consistent with the requirements of the Office of the Under Secretary of Defense (Comptroller) Program/Budget, Program and Financial Control Directorate.

2.4.2. Fiscal Service uses outlay and receipt information submitted by reporting entities to produce the Monthly Treasury Statement (***MTS***), which summarizes the financial activities of the Federal Government and conforms to the Budget of the U.S. Government. MTS data includes information provided by federal entities, DOs, and Federal Reserve Banks. It presents a summary of receipts and outlays, surplus or deficit, and means of financing on a modified cash basis.

2.5 Reconciliation of Monthly Information

2.5.1. DoD Components must incorporate controls into their processes to ensure amounts reported daily or monthly to Treasury reconcile to collections and disbursements processed through the disbursing systems and reflect amounts reported in the accounting systems. Treasury reporting includes SF 224 submissions by reporting entities. See ***Volume 1, Chapter 3*** for information on providing accurate, reliable, and timely financial management information to achieve compliance with the Federal Financial Management Improvement Act. Refer to subparagraph 3.4 for additional information on GTAS edits and validations.

2.5.2. DoD Components must perform timely reconciliations and implement effective and efficient reconciliation processes. Effective reconciliations serve as a detection control for identifying unauthorized and unrecorded transactions at the entities and Treasury. Volume 4, Chapter 2 prescribes DoD policy for reporting and reconciling transactions affecting an entity's FBWT. Effective reconciliations are also important in preventing entity disbursements from exceeding appropriated amounts and providing an accurate measurement of the status of available resources.

2.6 Supplemental Reporting

A supplemental report may be submitted to Fiscal Service to adjust previously submitted data. Under special circumstances, Fiscal Service may request a supplemental report from the reporting entity. The totals reported on the supplemental reports will be consistent with the summarized net disbursements submitted by the reporting entities.

3.0 GTAS REPORTING

3.1 GTAS

Fiscal Service administers and maintains GTAS to facilitate preparation and consolidation of the FR. Within GTAS, reporting entities submit both proprietary and budgetary data simultaneously in the ***Bulk File Format***. Systemic edits validate data across both budgetary and proprietary reporting, including the Governmentwide Accounting System ***Account Statement***. Reporting entities reconcile GTAS data with amounts reported in CARS to verify the accuracy of reported balances.

3.2 GTAS Reporting

3.2.1. The GTAS data submitted by agencies are United States Standard General Ledger (USSGL)-based trial balances used to populate the Statement of Budgetary Resources (SBR); the ***SF 133***, Report on Budget Execution and Budgetary Resources; and the prior-year column of the Program and Financing Schedule of the Budget. Agencies must ensure that the budgetary information used to prepare the SBR is consistent with the budgetary information reported to GTAS during the fourth quarter reporting window. Reporting entities submit GTAS data according to the annual Fiscal Service ***Reporting Window Schedule***. The ***GTAS Glossary*** identifies and defines the reporting processes and data elements used by GTAS reporters.

3.2.2. Agencies must ensure the data in their Agency Financial Reports is exactly the same as the data reported in GTAS and the Defense Departmental Reporting System-Audited Financial Statements as of the GTAS close date.

3.2.3. GTAS establishes the default ***Canceled ("C") TAS*** used to report canceled proprietary payables, receivables, and assets. Report expired obligated and unobligated balances as canceled on the final, September 30, SF 133 before closing a Treasury Appropriation Fund Symbol (TAFS). While budgetary USSGL balances are not required to be reported to Treasury and the Office of Management and Budget (OMB) after a TAFS is canceled, Section 130 of ***OMB Circular A-11***, "Preparation, Submission, and Execution of the Budget," requires a tracking process monitoring obligations pertaining to canceled appropriations in order to prevent overpayment.

3.2.4. The ***DoD Financial Reporting Guidance*** (Common Access Card enabled) provides DoD processes for reporting GTAS information, in addition to the quarterly and year-end schedules.

3.3 FR

The FR provides a comprehensive view of the Federal Government's financial position and condition, its revenues and costs, assets and liabilities, and other obligations and commitments. The FR includes consolidated financial statements and related disclosures, as well as reports on stewardship responsibilities. I TFM 2-4700 and ***OMB Circular A-136***, "Financial Reporting Requirements," describe how agencies provide data for the FR using GTAS.

3.4 Submission and Verification of Data

3.4.1. Reporting. DoD entities must:

3.4.1.1. Comply with Fiscal Service (GTAS) reporting policies for the reconciliation and confirmation of balances,

3.4.1.2. Ensure submitted data is timely and reliable; and

3.4.1.3. Verify that due dates are met according to I TFM 2-4700, DoD Financial Reporting Guidance, and this chapter, for both significant entities and other entities.

3.4.2. Significant Entities. I TFM 2-4700 provides a list of significant entities. Other Entities include all other executive branch agencies. All entities (significant and other) submit pre-closing GTAS ATB data and complete FR Notes and other FR data for fiscal year reporting. Significant entities will:

3.4.2.1. Submit audited financial statements in the Agency Financial Report or the Performance and Accountability Report;

3.4.2.2. Submit GTAS ATBs and provide an interim and year-end variance analysis to OMB;

3.4.2.3. Provide Fiscal Service with an electronic copy of the interim unaudited financial statements (the third-quarter financial statements), notes, required supplementary information, required supplementary stewardship information, and other information, if the information is not available in ***Connect.gov***;

3.4.2.4. Comply with intragovernmental policies;

3.4.2.5. Review (with their auditors) the fifth quarter Scorecard to determine if a prior-year journal voucher was processed. If a prior-year journal voucher was processed, the significant entity must identify the reason for the journal voucher as well as how to prevent the adjustment in the current year; and

3.4.2.6. Provide Chief Financial Officer Representations for Federal intragovernmental activity and balances.

3.4.3. Edits and Validations. Reporting entities must comply with established GTAS edits and validations used to verify the integrity of data submissions. ***Section VII*** of the USSGL contains a listing of edits and validations used in GTAS. In addition to Treasury-level tie-point type edits incorporated in GTAS; reporters will perform more-detailed component-level tie-point reconciliations before submitting finalized data through GTAS.

3.4.4. Standard Financial Information Structure (SFIS). ***SFIS*** is a comprehensive data structure that supports GTAS reporting, as well as requirements for budgeting, financial accounting, cost/performance, and external reporting needs across DoD. Entities must use the SFIS reporting elements as prescribed in the SFIS data structure.

3.5 I TFM 2-4700 Reporting Requirements

3.5.1. Intragovernmental Requirements. DoD entities comply with Fiscal Service policy for the reconciliation and confirmation of intragovernmental balances. ***Volume 6B, Chapter 13*** contains policy for accounting and reconciling intragovernmental balances.

3.5.2. ATB Requirements. Federal entities must prepare and submit pre-closing GTAS ATBs at the TAS level using USSGL accounts and attributes. Table 3-1 contains a list of DoD entities required to submit ATBs. Fiscal Service collects ATB data to aid in its analytical processes. The GTAS ATBs must include USSGL accounts with the required attributes, while USSGL account balances must reflect the pre-closing adjusting entries needed to produce financial statements. Significant entities and other entities use the same USSGL data on the GTAS ATBs used to prepare the current fiscal year audited entity consolidated financial statements due to OMB.

3.6 Digital Accountability and Transparency Act

3.6.1. The Digital Accountability and Transparency Act (***DATA Act***) requires Federal agencies to report financial and payment information according to data standards established by Treasury and OMB. The purpose of the DATA Act is to make Federal spending data more accessible, searchable, and reliable while also serving as a tool for better oversight, data-centric decision-making, and innovation both inside and outside of government.

3.6.2. To help agencies comply with the DATA Act, OMB and Treasury created the ***DATA Quality Playbook*** identifying key steps that, if followed together, assist agencies in leveraging existing capabilities with DATA Act implementation. Accurate financial reporting through GTAS enables reporting entities to submit USSGL accounts and SFIS data elements required to comply with the DATA Act.

*Table 3-1. DoD Consolidation Entities Required to Submit ATBs

DoD Consolidation Entity (Source: Current OMB Bulletin, "Audit Requirements for Federal Financial Statements")	Treasury Index (TI)	Budget Functional Classification	Responsible Office for GTAS Submission to the Fiscal Service
Department of the Navy	TI 17	051	DFAS-Cleveland
U.S. Marine Corps	TI 17	051	DFAS-Cleveland
Department of the Army	TI 21	051	DFAS-Indianapolis
Department of the Air Force	TI 57	051	DFAS-Columbus
U.S. Army Corps of Engineers (USACE)	TI 96	301/304	USACE Finance Center
Defense Working Capital Fund, Army	TI 97X4930.001	051	DFAS-Columbus
Defense Working Capital Fund, Navy**	TI 97X4930.002	051	DFAS-Cleveland
Defense Working Capital Fund, Air Force	TI 97X4930.003	051	DFAS-Columbus
Defense Working Capital Fund, Defense Commissary	TI 97X4930.004	051	DFAS-Columbus
Defense Working Capital Fund, Defense Agencies	TI 97X4930.005	051	DFAS-Columbus
Other Defense Organizations General Funds	TI 97 all other	051	DFAS-Indianapolis
Medicare Eligible Retiree Health Care Fund	TI 97X5472	551	DFAS-Indianapolis
Military Retirement Trust Fund	TI 97X8097	602	DFAS-Indianapolis

**Includes U.S. Marine Corps Working Capital Fund

VOLUME 6A, CHAPTER 4: "APPROPRIATION AND FUND STATUS REPORTS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

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Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated August 2019 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
ALL	Implemented Administrative updates to include clarifying language in accordance with Department of Defense Financial Management Regulation Revision Standard Operating Procedures.	Revision

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CHAPTER 4

APPROPRIATION AND FUND STATUS REPORTS

1.0 GENERAL

1.1 Purpose

This chapter prescribes the reporting requirements and policy to follow when preparing appropriation and fund status reports at the departmental level. These reports identify, for the Defense Finance and Accounting Service (DFAS) and its customers, the status of accounting transactions on a monthly, quarterly, and annual basis. This chapter does not prescribe the reporting requirements of the intermediate command and installation levels. The provisions apply to all Department of Defense (DoD) Components and cover fund types included in Section 79 of Office of Management and Budget (OMB) Circular ***A-11***, Preparation, Submission, and Execution of the Budget.

1.2 Authoritative Guidance

1.2.1. The reports defined by this chapter fulfill the requirements in Title 31, United States Code (U.S.C.), ***section 1512(d)*** that the President review apportionments or reapportionments requested by executive agencies at least four times a year. The policy in this chapter also fulfills the requirement in 31 U.S.C. § ***1554(b)*** to report unliquidated obligations, unobligated balances, canceled balances, and adjustments made to appropriation accounts during the fiscal year (FY).

1.2.2. The chapter supplements reporting policies required by OMB Circular A-11, which provides an overview of the budget process and instructions on budget execution, including guidance on the apportionment and reapportionment process.

2.0 REPORTING

2.1 Report Formats

The report formats for the appropriation and fund status-type reports are identified within the respective paragraphs. Figures 1 and 2 contain sample fund status reports.

2.2 Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS).

2.2.1. The Department of the Treasury (Treasury), Bureau of the Fiscal Service (***Fiscal Service***), administers and maintains ***GTAS*** to facilitate the preparation and consolidation of the ***Financial Report of the U.S. Government***. Reporting Agencies upload both proprietary and budgetary data to GTAS in the ***Bulk File Format***. Refer to Chapter 3 for DoD policy related to the submission of financial data using GTAS.

2.2.2. Consolidation entities are required to submit requests for new Treasury symbols to be used in GTAS reporting to the Office of the Under Secretary of Defense (Comptroller),

Program/Budget (P/B), Program and Financial Control (P&FC) Directorate (an organization within P/B), along with justification that cites the specific authorizing legislation. P&FC will review requests and coordinate with OMB and the Treasury to establish new accounts when authorized.

2.3 Standard Financial Information Structure (SFIS)

Appropriation and fund status reporting utilizes the data structure and reporting elements outlined in ***SFIS***. SFIS is a comprehensive data structure that supports requirements for budgeting, financial accounting, cost/performance, and external reporting needs across DoD. See Volume 1, Chapter 4, for additional information on SFIS reporting.

3.0 YEAR-END REPORTING

3.1 Purpose

This section contains instructions for reporting unexpended appropriation and fund balances required by Treasury Financial Manual, Volume I, Part 2, ***Chapter 4700***. Unexpended appropriations include the amount of unobligated appropriations and undelivered orders outstanding for Congressional appropriations provided to the Department.

3.2 Scope

This section pertains to all DoD consolidation entities uploading unexpended balances of appropriation accounts to Fiscal Service through GTAS.

3.3 Reporting

Consolidation entities utilize GTAS and the Fiscal Service Year-End Module to report unexpended balances of appropriation accounts. Fund holders are responsible for verifying the accuracy of reported balances and providing final confirmation of amounts reported in GTAS to DFAS Accounting Standards and Reporting, Budget Execution Analysis via signed documentation for electronic certification.

4.0 REPORT ON BUDGET EXECUTION AND BUDGETARY RESOURCES (STANDARD FORM (SF) 133).

4.1 Purpose

This section contains instructions for implementing OMB Circular A-11 for the monthly SF 133, Report on Budget Execution and Budgetary Resources. The SF 133 shows the status of budgetary resources and details how funds are obligated and spent. The report is intended for use, with other available information, in reviewing apportionments and the U.S. Government's budgetary programs, in managing the rate of incurring obligations and outlays, and as a basis for initiating requests for reapportionments and transfers. See Section 130.1 of OMB A-11 for additional uses of SF 133 data.

4.2 Scope

4.2.1. Applicability. The requirements of this section apply to all DoD Components.

4.2.2. Basic Report. Prepare an SF 133 for each unexpired (current) or expired Treasury Appropriation Fund Symbol (TAFS) of the types identified in OMB Circular A-11, Section 130.2(a). Unless exempted by OMB, submit SF 133 information for each open TAFS. Subparagraph 4.2.3 contains a list of current exemptions.

4.2.3. Exemptions. Unless required by OMB, do not submit SF 133s for deposit fund accounts, receipt accounts, clearing accounts, suspense accounts, and closed TAFS (TAFS with canceled balances).

4.3 Frequency and Distribution

4.3.1. Fiscal Service. The Fiscal Service receives monthly budget execution information via GTAS according to the Fiscal Service ***Reporting Window Schedule***. Fiscal Service prepares the monthly SF 133 for OMB based upon the GTAS United States Standard General Ledger (***USSGL***) information and attributes forwarded by DoD.

4.3.2. Consolidation Entities. Volume 6B identifies DoD consolidation entities and addresses the form and content of DoD audited financial statements.

* 4.3.3. Reports on Allocation and Appropriation Transfer Accounts

4.3.3.1. Allocation (Transfer To) Account. For allocation transfers made from a parent account to allocation accounts, submit an SF 133 containing the activity for each allocation account.

4.3.3.2. Parent (Transfer From) Account. The parent agency may choose to gather information from all agencies that have allocation accounts and enter the information into GTAS or require each agency with an allocation account to enter information into GTAS and provide a copy to the parent agency. See OMB Circular A-11 for additional information on allocation/parent reporting.

4.3.4. Submission Schedule

4.3.4.1. Submit reports by the departmental level consolidation entities as of the end of each month, excluding reports on allocation and transfer appropriation accounts. Submit regular reports in accordance with due dates established by DFAS and consistent with the timeframes established by the Fiscal Service Reporting Window Schedule.

4.3.4.2. Submit reports on allocation and transfer appropriation accounts to the parent agency in accordance with the schedule prescribed by that agency and consistent with the timeframe provided in OMB Circular A-11.

4.4 Preparation

4.4.1. The SF 133 is divided into four sections: Budgetary Resources; Status of Budgetary Resources; Change in Obligated Balance; and Budget Authority and Outlays, Net. Report cumulative amounts from the beginning of the FY to the end of the period reported and include all footnotes at the end of the report. Forward any information used to supplement or clarify the submitted reports directly to OMB. See OMB Circular A-11, Appendix F, "Format of SF 132, SF 133, Schedule P, and SBR" for the format and line item descriptions for each line item on the SF 133.

4.4.2. Section 130 of OMB Circular A-11 contains exhibits of sample SF 133 reports.

4.4.3. Volume 1, Chapter 7 prescribes the Department of Defense (DoD) Standard Chart of Accounts (SCOA) requirements that are based on United States Standard General Ledger (USSGL) general requirements. The SCOA prescribes the mandatory general ledger accounts for all DoD accounting systems and all budgetary and proprietary transactions. The Fiscal Service provides crosswalks from the SF 133 to the USSGL in Section V of the current FY's version of the USSGL.

4.4.4. OMB Circular ***A-136***, Financial Reporting Requirements, contains information on reconciling SF 133 information with the Statement of Budgetary Resources (SBR).

4.5 The Expired Phase: Budget Execution Reporting.

Report obligated and unobligated balances on the SF 133 for each expired TAFS that has not been canceled. Section 130 of OMB Circular A-11 contains instructions for budget execution reporting on expired TAFS that have not been canceled, as well as instructions for reporting upward and downward adjustments to expired TAFS.

4.6 The Expired Phase: Obligation Adjustments for Contract Changes.

4.6.1. Upward adjustments to obligations in expired appropriation accounts, caused by contract changes that exceed certain thresholds, are subject to additional reporting and approval requirements. A contract change represents an order relating to an existing contract under which a contractor is required to perform additional work. A contract change does not include adjustments related to an escalation clause.

4.6.2. Section 130 of OMB Circular A-11 specifies the thresholds, reporting requirements, and approval requirements for contract changes.

4.6.3. The USD(C), as the Secretary of Defense's designee, fulfills the duties and responsibilities designated to "the agency head" in this section of OMB Circular A-11.

4.7 The Expired Phase: Alternatives for Payment of Old Obligations

4.7.1. The length of the expired phase of a TAFS may only be changed by law. When

DoD requires payment of obligations beyond the normal 5-year expired phase (such as the Navy Shipbuilding and Conversion appropriation), the Assistant Secretary of the Military Department Financial Management and Comptroller (FM&C) submits proposed changes to appropriation language for the budget year through OUSD(C)(P/B) to OMB for approval.

4.7.2. Request this authority only when historical outlay data indicates the payment of old balances from unexpired funds regularly exceeds the 1 percent limitation or when such payments would severely affect the current program.

4.7.3. Report such authority to the Treasury to prevent premature automatic cancelation of the account. Without this authority, DoD must seek reappropriation of canceled balances and defer payment until the appropriation is available, or pay from current appropriations, as described in Volume 3, Chapter 10.

4.8 SF 133 and the SBR

The compilation of an agency's SF 133s must agree with the agency's SBR. OMB Circular A-11 identifies the few differences between the SF 133 and SBR.

4.9 Consistency of Amounts Reported

Amounts reported in the fourth quarter SF 133 must be consistent with information reported to Treasury as part of the year-end closing procedures and based on actual accounting information pursuant to ***31 U.S.C. § 3512***. Actuals submitted to OMB for inclusion in the President's annual budget, which is submitted to the Congress, will agree with those submitted to Treasury and reported on the fourth quarter SF 133.

5.0 REPORT ON REIMBURSEMENTS AND REFUNDS (ACCOUNTING REPORT (MONTHLY) (AR(M)) 725)

5.1 Purpose

The AR(M) 725 identifies supplemental budget execution data with respect to reimbursements and refunds, in terms of their sources and the FY programs being executed. The AR(M) 725 identifies reimbursable activity during the reporting period and includes refunds of prior year orders from direct appropriations.

5.2 Scope

5.2.1. The provisions of this section apply to all DoD Components.

5.2.2. Reports are required electronically for the following:

5.2.2.1. All current appropriations or other fund accounts for military or civil functions of DoD are reported on the SF 133.

5.2.2.2. All expired appropriations or other fund accounts.

5.2.2.3. Trust fund accounts if reimbursements or refunds are from non-Federal sources.

5.2.2.4. Trust revolving fund accounts if the reimbursements or refunds are from U.S. Government accounts; and

5.2.2.5. Allocation and transfer accounts for DoD Components from appropriations made to the Office of the Secretary of Defense (Treasury Index (TI) Code 97).

5.2.3. Unless specifically requested in writing by the OUSD(C), reports are not required for the following:

5.2.3.1. Trust fund accounts, except those in subparagraph 5.2.2.3;

5.2.3.2. Trust revolving fund accounts, except those in subparagraph 5.2.2.4;

5.2.3.3. Deposit fund accounts.

5.2.3.4. Other Defense, civil programs; and

5.2.3.5. Security assistance appropriation accounts.

5.3 Report Format AR(M) 725

Prepare the AR(M) 725 in accordance with the guidance provided in paragraph 5.5. The current format is reflected in Figure 1.

5.4 Frequency and Distribution

5.4.1. Consolidation entities with reimbursable activity electronically submit monthly reports in accordance with due dates established by DFAS and consistent with the timeframes established by OUSD(C). Submit the report at the same time as the AR(M) 1002, Appropriation Status by Fiscal Year Program and Subaccounts.

5.4.2. Include the AR(M) 725 with the SF 133.

5.5 Preparation

5.5.1. Basis of Reporting. Amounts reported will agree with corresponding general ledger balances for reimbursement and refund USSGL accounts as defined in the DoD ***Standard Reporting Chart of Accounts***.

5.5.2. Unit of Entries. Round reported amounts to the nearest thousand.

5.5.3. Description (Column A). This column identifies whether the transaction is from a "Federal" or "Non-Federal" source.

5.5.4. Reimbursements Receivable (Column B). Enter the number of receivables brought forward from the prior year. The total of this column must agree with column I of the year-end AR(M) 725 report from the prior year.

5.5.5. Unfilled Customer Orders Without Advance (Column C). Enter the number of unfilled orders brought forward from the prior year. The total of this column must agree with column J of the year-end AR(M) 725 report from the prior year.

5.5.6. Total Anticipated Reimbursements (Column D). Enter reimbursements expected to be earned during the current FY, subject to OMB apportionment, other authorized reimbursements, and/or other income for which current year obligational authority is automatically established based on orders received.

5.5.7. Earned Reimbursements and Refunds (Column E). This column represents the amount recognized when a performing organization renders actual or constructive performance on a reimbursable order. Generally, reimbursements must recover the cost elements outlined in Volume 11A, Chapter 3 and Volume 11B, Chapter 3.

5.5.7.1. The SFIS reporting structure identifies approved USSGL transactions and data elements used to record transactions between buyers and sellers. This column also includes refunds of prior-year orders from direct appropriations. Refunds are the repayments of excess payments and are related to previous obligations incurred and outlays made against the appropriation. Process refunds received to the appropriation or fund account charged with the original obligations.

5.5.7.2. OMB Circular A-11 provides guidance for processing refunds in both current and prior years.

5.5.8. Changes in Unfilled Customer Orders (Column F). This column represents the net change in unfilled customer orders during the period. The balance in this column increases with new customer orders and decreases with earned customer orders.

5.5.9. Anticipated Orders for Rest of Year (Column G). For transactions with the public, this column represents estimated collections, including advances expected to be received and reimbursements expected to be earned. In transactions between U.S. Government entities, this balance represents orders expected to be received, but have not been accepted.

5.5.10. Reimbursements and Refunds Collected (Column H). This column includes collections received on a reimbursable basis for goods and services provided and refunds of prior-year orders from direct appropriations.

5.5.11. Reimbursements Receivable (Column I). This column represents the balance of outstanding collections, for goods and services provided on a reimbursable basis, at the end of the reporting period.

5.5.12. Unfilled Customer Orders Without Advance (Column J). This column represents

the balance of unfilled customer orders, at the end of the reporting period, for goods and services without an advance. This line applies only to transactions between U.S. Government entities and those entities with approved exceptions.

6.0 APPROPRIATION STATUS BY FISCAL YEAR PROGRAM AND SUBACCOUNTS (AR(M) 1002)

6.1 Purpose

This section prescribes the preparation and submission of reports on the application and status of appropriation and other fund accounts. The reports present budget execution data with respect to obligational authority in terms of the FY programs executed at budgetary subdivisions not found on SF 133. Program value, obligation, unobligated balance, unexpended balance, and expenditure balance data integrity, by line item, must be maintained throughout an account's unexpired and expired availability periods. Expired account adjustments, which move resources between Budget Line Items (BLI), must reflect the appropriate change to that line item's program value amount, obligations, unobligated balance, unexpended balance, and expenditure data on the AR(M) 1002.

6.2 Scope

6.2.1. The provisions of this section apply to all DoD Components.

6.2.2. Reports are required for all general and special fund appropriations for military and civil functions of the Department that are reported on the SF 133, except those accounts specifically exempted in subparagraph 6.2.3.

6.2.3. Reports are not required for the following unless specifically requested in writing by the OUSD(C):

6.2.3.1. Revolving funds that do not have direct appropriation funds available, except for accounts 97 X 4555, 4090, 4965, and 0833.

6.2.3.2. Receipt accounts, clearing accounts, suspense accounts, deposit funds, and trust funds, except for 97 X 8097, 8098, and 8335.

6.2.3.3. Civil funds of the U.S. Army Corps of Engineers and the U.S. Soldiers' and Airmen's Home; and

6.2.3.4. Transfer appropriation accounts.

6.3 Report Format

Prepare the AR(M) 1002 in accordance with the guidance provided in paragraph 6.5. Report 1002 data in accordance with the Business Enterprise Architecture included in SFIS. The AR(M) 1002 format includes budget and fiscal account classifications required to align with

information included in annual DoD budget requests, as illustrated in the ***President's Budget*** Exhibits M-1, O-1, P-1, R-1, and C-1. See the "***SFIS Matrix***" for business rules and examples of acceptable budgetary values. The ***Defense Departmental Reporting System-Budgetary*** contains the official report mapping for the AR(M) 1002. Figure 2 contains the current report format for the AR(M) 1002.

6.4 Frequency and Distribution

6.4.1. Electronically submit monthly reports in accordance with the due dates established by DFAS, and consistent with the timeframes established by OUSD(C).

6.4.2. Arrange the reports in the same order as the SF 133s they support.

6.5 Preparation

6.5.1. Units of Entry. Round all amounts to the nearest thousand and no attempt needs to be made to adjust the rounded figures so they add to column totals. Rounded amounts must not exceed the actual amounts by more than ± $2,000.

6.5.2. Direct Programs

6.5.2.1. Military Personnel

6.5.2.1.1. General. Report at least two classification levels for distinct sets of TI Codes 17 (Navy), 21 (Army), and 57 (Air Force); FY program; and Treasury account number (Main Account Code).

6.5.2.1.2. Level One. Budget Activity (BA) equals the M-1 (Military Personnel Programs) BA. Use the set of distinct M-1 BA records to present the BA stub entries.

6.5.2.1.3. Level Two. Budget Sub-activity (BSA) equals the M-1 BSA and is the M-1 line-item detail and lowest classification level. Use the set of distinct M-1 BSA records to present the BSA stub entries. Present the BSA stub entries under their respective BA.

6.5.2.1.4. Level Three (Optional). BLI equals the President's Budget Exhibit PB-30J, Summary of Entitlements by Sub-activity, and is the lowest classification level. Use the same set of distinct entitlement stub entries on the AR(M) 1002 displayed in Budget Exhibit PB-30J. Present the BLI stub entries under their respective BA and BSA.

6.5.2.2. Operation and Maintenance (O&M)

6.5.2.2.1. Report the three classification levels for distinct sets of TI Codes 17, 21, and 57; FY program; and Main Account Code.

6.5.2.2.1.1. Level One. BA equals the O-1 (O&M Programs) BA. Use the set of distinct O-1 BA records to present the BA stub entries.

6.5.2.2.1.2. Level Two. BSA equals the O-1 Budget Activity Group (BAG). Use the set of distinct O-1 BAG records to present the BSA stub entries. Present the BSA stub entries under their respective BA.

6.5.2.2.1.3. Level Three. BLI equals the O-1 Sub-activity Group (SAG) and is the O-1 line-item detail and lowest classification level. Use the set of distinct O-1 SAG line items to present the BLI stub entries. Present the BLI stub entries under their respective BA and BSA.

6.5.2.2.2. Report five classification levels for distinct sets of TI Code 97, FY program, and Main Account Code as prescribed by ***DFAS Manual 7097.01.***

6.5.2.2.2.1. Level One. BA equals the O-1 BA. Use the set of distinct O-1 BA records to present the BA stub entries.

6.5.2.2.2.2. Level Two. Defense Level Organization (DLO) equals the O-1 Defense Agencies. Use the set of distinct O-1 Defense Agencies to present the DLO stub entries. Present the DLO stub entries under their respective BA. The DFAS Manual 7097.01 Budget Project Codes appropriation chapters identify the valid Defense Agencies. Within each chapter is a list of valid limitations where the first two digits of the limitation identify the Defense Agency allotment holder.

6.5.2.2.2.3. Level Three. BSA equals the O-1 BAG. Use the set of distinct O-1 BAG records to present the BSA stub entries. Present the BSA stub entries under their respective DLO.

6.5.2.2.2.4. Level Four. BLI equals the O-1 SAG and is the O-1 line-item detail and lowest classification level. Use the set of distinct O-1 SAG line items to present the BLI stub entries. Present the BLI stub entries under their respective BSA.

6.5.2.2.2.5. Level Five. Budget Allotment Line-Item Identifier (BALI) is a sub-set of BLIs and refers to sub-BLI codes used in original allotment and sub-allotment funding authorization documents. Present the BALI stub entries under their respective BLI.

6.5.2.3. Procurement

6.5.2.3.1. Report the three classification levels for distinct sets of TI Code 17, 21, and 57; FY program; and Main Account Code.

6.5.2.3.1.1. Level One. BA equals the P-1 (Procurement Programs) BA and BA Title. Use the set of distinct P-1 BA records to present the BA stub entries. A subtotal at the BA level is required for Procurement Accounts.

6.5.2.3.1.2. Level Two. BSA equals the P-1 BSA and BSA Title. Use the set of distinct P-1 BSA records to present the BSA stub entries. Present the BSA stub

entries under their respective BA. A subtotal at the BSA level is not required for Procurement Accounts.

6.5.2.3.1.3. Level Three. BLI equals the P-1 Line Item and Line-Item Title and is the P-1 line-item detail and lowest classification level. Use the set of distinct P-1 line-item records to present the BLI stub entries. Present the BLI stub entries under their respective BA and BSA.

6.5.2.3.2. Report five classification levels for distinct sets of TI Code 97, FY program, and Main Account Code as prescribed by DFAS Manual 7097.01.

6.5.2.3.2.1. Level One. BA equals the P-1 BA and BA Title. Use the set of distinct P-1 BA records to present the BA stub entries.

6.5.2.3.2.2. Level Two. DLO equals the P-1 Organizational Title. Use the set of distinct P-1 Defense Agencies to present the DLO stub entries.

6.5.2.3.2.3. Level Three. BSA equals the P-1 BSA and BSA Title. Use the set of distinct P-1 BSA records to present the BSA stub entries under their respective DLO. A subtotal at the BSA level is not required for Procurement Accounts.

6.5.2.3.2.4. Level Four. BLI equals the P-1 Line Item and Line-Item Title and is the P-1 line-item detail and the lowest classification level. The DFAS Manual 7097.01 Budget Project Codes appropriation chapters identify a valid list of line items/budget projects. Use the set of distinct P-1 line-item records to present the BLI stub entries. Present the BLI stub entries under their respective BSA.

6.5.2.3.2.5. Level Five. BALI is a sub-set of BLIs and refers to sub-BLI codes used in the original allotment and sub-allotment funding authorization documents. Present the BALI stub entries under their respective BLI.

6.5.2.4. Research, Development, Test, and Evaluation (RDT&E)

6.5.2.4.1. Report at least two classification levels for distinct sets of TI Code 17, 21, and 57; FY program; and Main Account Code.

6.5.2.4.1.1. Level One. BA equals the R-1 (RDT&E Programs) BA and BA Title. Use the set of distinct R-1 BA records to present the BA stub entries.

6.5.2.4.1.2. Level Two. BLI equals the R-1 Program Element (PE) and PE Title and is the R-1 line-item detail and the lowest classification level. Use the set of distinct PE records to present the BLI stub entries under their respective BA.

6.5.2.4.2. Report five classification levels for distinct sets of TI Code 97, FY program, and Main Account Code as prescribed by DFAS Manual 7097.01.

6.5.2.4.2.1. Level One. BA equals the R-1 BA and BA Title. Use the set of distinct R-1 BA records to present the BA stub entries.

6.5.2.4.2.2. Level Two. DLO equals the R-1 Organizational Title. Use the set of distinct R-1 Defense Agencies to present the DLO stub entries.

6.5.2.4.2.3. Level Three. BSA equals the R-1 BSA and BSA Title. Use the set of distinct R-1 BSA records to present the BSA stub entries. Present the BSA stub entries under their respective DLO.

6.5.2.4.2.4. Level Four. BLI equals the R-1 Line Item and Line-Item Title and is the R-1 line-item detail and the lowest classification level. The DFAS Manual 7097.01 Budget Project Codes appropriation chapters identify a valid list of BAs/PEs. Use the set of distinct R-1 line-item records to present the BLI stub entries. Present the BLI stub entries under their respective BSA.

6.5.2.4.2.5. Level Five. BALI is a sub-set of BLIs and refers to sub-BLI codes used in the original allotment and sub-allotment funding authorization documents. Present the BALI stub entries under their respective BLI.

6.5.2.5. Military Construction and Family Housing

6.5.2.5.1. Report the three classification levels for distinct sets of TI Code 17, 21, and 57; FY program; and Main Account Code. For TI Code 97, report the three classification levels by the Defense Agency as prescribed by the DFAS Manual 7097.01.

6.5.2.5.1.1. Level One. BA equals the C-1 (Construction Programs) BA and BA Title. Use the set of distinct C-1 BA and BA Title records to present the BA stub entries.

6.5.2.5.1.2. Level Two. BSA equals the C-1 Location, Location Title, and State-Country. Use the distinct sets of C-1 Location, Location Title, and State-Country record combinations to report the set of locations. Present the location stub entries under their respective BA.

6.5.2.5.1.3. Level Three. BLI equals the C-1 Project and Project Title. Use the distinct set of C-1 Project and Project Title record combinations to report C-1 line items. Present the C-1 line items under their respective location and BA and BSA.

6.5.2.5.2. Report five classification levels for distinct sets of TI Code 97, FY program, and Main Account Code as prescribed by DFAS Manual 7097.01.

6.5.2.5.2.1. Level One. BA equals the C-1 BA and BA Title. Use the set of distinct C-1 BA records to present the BA stub entries.

6.5.2.5.2.2. Level Two. DLO equals the C-1 Organizational Title. Use the set of distinct C-1 Defense Agencies to present the DLO stub entries.

6.5.2.5.2.3. Level Three. BSA equals the C-1 BSA and BSA Title. Use the set of distinct C-1 BSA records to present the BSA stub entries. Present the BSA stub entries under their respective DLO.

6.5.2.5.2.4. Level Four. BLI equals the C-1 Line Item and Line-Item Title and is the C-1 line-item detail and the lowest classification level. The DFAS Manual 7097.01 Budget Project Codes appropriation chapters identify a valid list of BAs/PEs. Use the set of distinct C-1 line-item records to present the BLI stub entries. Present the BLI stub entries under their respective BSA.

6.5.2.5.2.5. Level Five. BALI is a sub-set of BLIs and refers to sub-BLI codes used in the original allotment and sub-allotment funding authorization documents. Present the BALI stub entries under their respective BLI.

6.5.2.5.3. Report one classification level for distinct sets of TI Code 17, 21, 57, and 97; FY program; Military Construction BA of Minor Construction or Planning and Design; and Family Housing Construction BA of Construction Improvements or Planning and Design. The line-item classification equals the C-1 BA and BA Title. Use the set of distinct C-1 BA records to present the BA stub entries. For TI Code 97, report the BA by the Defense Agency.

6.5.2.5.4. Report one classification level for distinct sets of TI Code 17, 21, 57, and 97; FY program; and Main Account Code for Family Housing O&M or DoD Family Housing Improvement Fund (FHIF). The line-item classification equals the C-1 BA and BA Title. Use the set of distinct C-1 BA records to present the BA stub entries.

6.5.2.5.5. For Base Realignment and Closure (BRAC), follow the report classification levels prescribed by the DFAS Manual 7097.01 Budget Project Codes appropriation chapter guidance for BRAC Accounts. Report the BA of Major Construction information by location and title and report all other BAs at the BA lump-sum level by FY and Service Component or Defense Agency.

6.5.2.5.6. For the FHIF (97 X 0834), once project funds have been transferred from Family Housing Construction to the FHIF, follow the guidance in subparagraph 6.5.2.5.1.

6.5.2.6. Trust and Special Funds

6.5.2.6.1. Report one classification level for each trust or special fund.

6.5.2.6.2. The line item classification equals the BA as found in the President's budget exhibits, DoD Military Programs, or Other Defense – Civil Programs, as appropriate.

6.5.3. Reimbursable Programs

6.5.3.1. Report all reimbursable program data separately from direct program data. A subtotal for the direct program will be followed by a one-line reimbursable program, followed by a "Grand Total", which is the sum of the direct and the reimbursable programs.

6.5.3.2. For all the appropriation functional titles, report reimbursable program data at the lump-sum level for distinct sets of TI Code 17, 21, and 57; FY program; and Main Account Code.

6.5.3.3. For TI Code 97:

6.5.3.3.1. Main Account Codes for BRAC and Procurement accounts report reimbursable program data at the lump-sum level by FY program and Defense Agency; and

6.5.3.3.2. All other Main Account Codes report reimbursable program data at the lump-sum level by FY program.

6.6 Column Descriptions

The composition and amounts in each column are detailed in subparagraphs 6.6.1 - 6.6.4.

6.6.1. No-year accounts

6.6.1.1. No-year accounts follow the same guidance as other accounts but are individually reported by the FY account. No-year accounts are tracked and reported by the FY in which the funds were appropriated. The FY in which the funds were appropriated is also known as the SFIS Program Year.

6.6.1.2. The period of availability (POA) start year for no-year accounts reflects the year money was appropriated; the POA end year reflects XXXX. For example, the POA for no-year money appropriated in FY 2019 would be reflected as 2019/XXXX on the AR(M) 1002. Continue to report these funds separately until the account is closed.

6.6.2. General

6.6.2.1. Budget Activity (Column A). Appropriate values for the report stub entries are the program codes contained in the publicly published President's Budget. The nomenclature is equal to the line items found in the President's Budget Exhibits M-1, O-1, R-1, P-1, C-1; Family Housing and BRAC Programs; DoD Military Programs; and Other Defense – Civil Program documents. Arrange the separate FY appropriation accounts of an appropriation title in consecutive order, starting with the most current FY or multiple-year account. Arrange the FY programs within a multiple program year account in consecutive order, starting with the most current FY program. Subtotals are required for each level contained in the report.

6.6.2.2. Base for Reprogramming (Column B). The balance in this column matches the enacted amounts as published in the Department of Defense (DD) Form 1414, Base for Reprogramming Actions for most appropriation types. Once established, the dollar values in the column will not change and will continue to be reported for the life cycle of the account (until the account closes). The exceptions to this are the Trust and Special Funds. Column B will match the current year authority for these funds. Volume 3, Chapter 6, contains an example of the DD 1414.

6.6.3. Cumulative Columns

6.6.3.1. Approved Program (Column C). The balance in this column shows the approved program for the FY-to-date. Column C includes the distribution of the effect of approved reprogramming actions on DD Form 1415-1, Reprogramming Action - Prior Approval, and/or DD 1415-3, Reprogramming Action - Internal; supplemental appropriations; and rescissions. The amounts in this column will change to reflect congressionally approved changes to the program. This column reflects the cumulative program-to-date and will continue to be reported for the life cycle of the account (until the account closes). Guidance for reprogramming is contained in Volume 3, Chapters 6 and 7. Volume 3, Chapter 6, contains an example of the DD 1415-1 and DD 1415-3. The exceptions to this are the Trust and Special Funds. Column B will match the current year authority for these funds.

6.6.3.2. Revised Program (Column D). The balance in this column shows the effect of below threshold reprogramming (BTR) actions initiated by a DoD Component that occur during execution.

6.6.3.2.1. Note that the grand total for column C and column D will be the same. The difference between the two columns is that column D incorporates BTRs and column C does not. BTR actions provide DoD Components with the discretionary flexibility to realign funding within prescribed limits. BTR actions are minor actions not otherwise requiring congressional approval that may be accomplished within the DoD Components and are measured cumulatively over the entire obligation availability of the appropriation. The grand totals for column C and column D will be the same; however, differences will exist below the grand total level if BTRs have been recorded which realigned previous funding levels.

6.6.3.2.2. The exceptions to this are the Trust and Special Funds. Column B will match the current year authority for these funds, which reports either current year authority or apportionment amount as appropriate.

6.6.3.3. Cumulative Obligations (Column E). Enter the number of obligations occurring from the inception of the program to the end of the reporting period. Obligation transactions will include both obligations incurred and adjustments of prior-year obligations. The exceptions to this are the Trust and Special Funds, which report current year obligations plus unpaid obligations from the prior year.

6.6.3.4. Cumulative Unobligated Balance (Column F). The balance shown in this column represents the difference between columns D and E.

6.6.3.5. Cumulative Expenditures (Column G). Enter the distribution of the gross disbursements (net of refunds) from the inception of the program to the end of the reporting period. Within an FY program, enter the difference between amounts distributed by subaccount and total disbursements identifiable to that FY program on the "Undistributed Disbursement" line. Enter disbursements not immediately distributable by FY program, or by subaccount in accounts without FY program subdivisions, on the "Undistributed Disbursement" line immediately before the total line for the appropriation account. For expired year accounts, unless specifically exempted by the OUSD(C), report the direct and reimbursable programs at the same level of detail as they were reported as unexpired accounts. The total of column G plus the total of column H must equal column D.

6.6.3.6. Cumulative Unexpended Balance (Column H). Enter the distribution of the unexpended balance from the inception of the program to the end of the reporting period. Column H will equal the difference between columns D and G.

6.6.3.7. Commitments (Column I). The use of column I is optional for operating appropriations. Enter the number of outstanding commitments recorded, by subaccount. The entry in this column may properly exceed the amount of the unobligated balance in column F if a program reduction was approved in anticipation of a cancelation or downward adjustment of commitments outstanding. If there was no approved program reduction, then an excess of commitments outstanding over the total unobligated balance indicates the program was implemented above the approved amount.

6.6.4. Current FY Columns

6.6.4.1. Amount Obligated in Current FY (Column J). Enter the number of obligations occurring from the beginning of the current FY to the end of the reporting period. Obligation transactions include both obligations incurred and adjustments of prior year obligations.

6.6.4.2. Amount Expended in Current FY (Column K). Enter the distribution of the gross disbursements (net of refunds) for the period from the beginning of the current FY to the end of the reporting period. Within an FY program, enter the difference between amounts distributed by subaccounts and total disbursements identifiable to that FY program on the line "Undistributed Disbursement". Enter disbursements not immediately distributable by FY program, or by subaccount in accounts without FY program subdivisions, on the line "Undistributed Disbursement" immediately before the total line for the appropriation account. For expired year accounts, unless specifically exempted by the OUSD(C), report the direct and reimbursable programs at the same level of detail as they were reported as unexpired accounts.

6.7 Reconciliation of AR(M) 1002 With the DD 1414; DD 1416, Report of Programs; and Other Reports Submitted to Congress

6.7.1. Reconciliations

6.7.1.1. Perform the DD 1414 and DD 1416 reconciliations described in 6.7.2-3 only for appropriation authority amounts.

6.7.1.2. Spending authority from offsetting collections, contract authority, and borrowing authority do not apply to these reconciliations.

6.7.2. Military Personnel and O&M Accounts

6.7.2.1. The DD 1414 is prepared annually directly after the DoD Appropriations Act is passed. The Base for Reprogramming column (normally the last column on the DD 1414 report) amounts must reconcile with the amounts in the AR(M) 1002 column B at the BA level. See Volume 3, Chapter 6 for additional information on the reprogramming of DoD-appropriated funds and related reports.

6.7.2.2. The Selected Reserve Personnel by Reserve Component Report is prepared in accordance with the yearly appropriations acts.

6.7.3. RDT&E and Procurement Accounts

6.7.3.1. The Base for Reprogramming column amounts must reconcile with the amounts in the AR(M) 1002 column B at the P-1/R-1/BLI line-item level.

6.7.3.2. The DD 1416 is prepared quarterly upon receipt of enactment of the DoD Appropriations Act. The net amount reported on the DD 1416 must be reconciled with column D of the AR(M) 1002 by P-1/R-1/BLI. The OUSD(C) will provide guidance for reporting under continuing resolutions.

6.7.4. Military Construction Accounts

6.7.4.1. The ***DD 1391***, Military Construction Project Data supports each project proposed for inclusion in the Military Construction Program. This includes new authorization projects in the program or projects using emergency or contingency authorization.

6.7.4.2. Volume 2B, Chapter 6 contains a copy of the form and instructions for preparation.

6.8 Special Instructions for Selected Accounts

6.8.1. Obligation Limitation for Annual Accounts. Each year, Title VIII, "General Provisions," of the DoD Appropriations Act requires a certification that not more than 20 percent of the appropriations in that act, which are limited for obligation during the current FY, will be obligated during the last 2 months of the FY. The exception to this policy is the Reserve Components record obligations for support of active-duty training or the Reserve Officers Training Corps' records obligations for summer camp training.

6.8.2. Certification. Each year, DoD Components must provide one of the following certifications, depending upon the level of obligations incurred, on the July AR(M) 1002 for those annual appropriations to which the limitation applies:

6.8.2.1. In determining direct obligational authority, the number of transfers in or out within the applicable DoD Appropriations Act will be considered. This certification usually is referred to as the "80/20" criterion. If obligations are 80 percent or more of direct authority, the certification will be as follows:

> "I hereby certify that direct obligations have been incurred equal to or in excess of 80 percent of the funds subject to the congressional limitation on year-end spending."

6.8.2.2. If obligations are less than 80 percent, then the certification will be as follows:

> "I hereby certify that action has been taken to assure that not more than 20 percent of the funds subject to the congressional limitation on year-end spending remains available for obligation during the remainder of the FY."

7.0 REPORTING OBLIGATION AND OUTLAY DATA

7.1 Purpose

7.1.1. Consolidation entities will report obligation and outlay planning and execution data to OUSD(C)(P/B) P&FC for monitoring the planned monthly execution of approved DoD programs.

7.1.2. OUSD(C) updates requirements for planning data on an annual basis. Specific report formats are updated on a yearly basis by memorandum to the Assistant Secretaries of the Military Departments' FM&C.

7.1.3. OUSD(C) updates requirements for execution data on an annual basis. Specific report formats are updated on a yearly basis by memorandum to DFAS.

7.1.4. Report on the SF 133 monthly totals for obligation and outlay execution data. These reports, provided monthly by DFAS to OUSD(C) and the Military Departments, must be consistent with data reported to the Treasury via GTAS. These reports must be available to DoD consolidation entities.

7.2 Scope

Planning and execution data for obligations and outlays applies to DoD Components with respect to obligations incurred for all military functions; including obligations incurred in connection with related allocation and transfer appropriation accounts. This includes all DoD Military accounts as well as related receipt accounts.

Figure 1. AR(M) 725: Report on Reimbursements and Refunds

Security Classification AR(M) 725 Report on Reimbursements and Refunds DOD COMPONENT:				PERIOD ENDING: Month / Year				AR(M) 725 Report on Reimbursements and Refunds APPROPRIATION: "Appropriation Title" Appropriation Symbol		
	Balance as of "month"		New Orders and Reimbursements and Refunds					Balance as of EOP	
			Reimbursements						
Description	Reimbursements Receivable	Unfilled Customer Orders Without Advance	Total Anticipated Reimbursements	Earned Reimbursements and Refunds	Changes in Unfilled Customer Orders	Anticipated Orders for Rest of Year	Reimbursements and Refunds Collected	Reimbursements Receivable	Unfilled Customer Orders Without Advance
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
FEDERAL SOURCES									
REIMBURSEMENTS									
UNDISTRIBUTED									
UNEARNED REVENUE									
REFUNDS									
FEDERAL TOTAL									
NON-FEDERAL SOURCES									
REIMBURSEMENTS									
UNDISTRIBUTED									
UNEARNED REVENUE									
REFUNDS									
NON-FEDERAL TOTAL									
GRAND TOTAL									

Figure 2. AR(M) 1002: Appropriation Status by Fiscal Year Program and Subaccounts

Preparing Activity		Fiscal Year	Period Ending		Appropriation Title and Symbol				Report Control Symbol: **Acct Rpt (M) 1002**	
Budget Activity * Level I Level II Level III (If applicable) (A)	Base for Reprogramming (B)	Approved Program (C)	Revised Program (D)	Cumulative Obligations (E)	Cumulative Unobligated Balance (F)	Cumulative Expenditures (G)	Cumulative Unexpended Balance (H)	Commitments (I)	Amount Obligated in Current FY (J)	Amount Expended in Current FY (K)

* Levels come from President's Budget Exhibit-
M-1, O-1, R-1, P-1, C-1 documents.

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 5: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 6: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 6A, CHAPTER 7: "FOREIGN CURRENCY REPORTS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated October 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision

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CHAPTER 7

FOREIGN CURRENCY REPORTS

1.0 GENERAL

1.1 Purpose

This chapter establishes reporting requirements for tracking all transactions that increase or decrease the foreign currency fluctuation (FCF) accounts. FCF, Defense (FCF, D), and FCF, Construction, Defense (FCF, C, D) appropriations were established by Congress to reduce the adverse impact of FCF losses on the Department of Defense (DoD) operating budget.

1.2 Authoritative Guidance

The DoD Appropriation Act of 1979, ***Public Law 95-457***, initially established the FCF program to maintain the budgeted level of operations and eliminate substantial gains or losses caused by FCF rates that vary substantially from those used in the preparation of budget submissions. Public Law 95-457 has been codified under Title 10, United States Code, section 2779 (***10 U.S.C. § 2779***). Additional authoritative guidance is referenced throughout the chapter.

2.0 PROGRAM MANAGEMENT

The provisions of this chapter apply to all DoD Components unless a specific written exception has been granted by the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)).

2.1 Definitions

2.1.1. FCF Account. An FCF account allows service components to manage realized gains and losses in direct programs due to fluctuations in foreign exchange rates. Funding is normally provided as a budgetary line item as part of a component's annual funding authorization. The service components maintain FCF accounts at various budgetary levels.

2.1.2. Centrally Managed Allotment (CMA). A CMA is used by DoD to manage budgetary authority provided by the FCF accounts. Funding transfers from the FCF account line within the appropriation to cover realized losses are contingent on funds availability in the CMA. When FCF budget authority is insufficient, component-level operating funds are required to cover any realized losses. Net gains due to currency fluctuation are returned by the component operating appropriations through the FCF account line for reallocation and distribution by the CMA in subsequent years based on approved FCF budget authority (see subparagraph 3.2.4). CMAs are managed at the DoD level.

2.1.3. Budget Rate. Budget rates are OUSD(C) published foreign currency exchange rates for use during the formulation, preparation, and submission of DoD's operating budgets. These published budget rates will also be used as the basis for recording budgetary obligations that are

associated with approved overseas programs into the accounting systems of DoD. Do not use internal or unapproved exchange rates on official accounting or disbursing records.

2.1.4. Foreign Currency Liquidated Obligations. Foreign currency liquidated obligations are paid obligations liquidated in the accounting system at the budget rate of the foreign currency cited within the obligating document. These liquidated obligations represent a key component of the monthly reporting process and are required to compute the realized variance.

2.1.5. Realized Variance. A realized variance is the calculated difference between obligations recorded at the budget rate and liquidated at the foreign currency exchange rate in effect at the time of payment. When the budget rate used in recording the original obligation is less than the current exchange rate, transfer the realized variance (loss) from the applicable FCF account if funds are available. When the budget rate used in recording the original obligation is more than the current foreign currency exchange rate, transfer the realized variance (gain) into the applicable FCF account.

2.1.6. Foreign Currency Unliquidated Obligations. Foreign currency unliquidated obligations are unpaid obligations recorded in the accounting system at the budget rate of the foreign currency cited within the obligating document. These unpaid obligations represent a key component of the monthly reporting process and are required to compute the accrued variance. At the time of disbursement, foreign currency unliquidated obligations in excess of the outlay amount must be adjusted to the actual outlay amount and net gains transferred to the applicable FCF Account.

2.1.7. Accrued Variance. An accrued variance is the difference between the value of unliquidated obligations recorded at the budget rate and the value of those same unliquidated obligations calculated at the current foreign currency exchange rate. The computed accrued variance provides DoD decision makers a monthly estimate of the net gains or losses that would be realized if payment had to be made as of the report date.

2.2 FCF, D

2.2.1. Congress authorized the FCF, D appropriation (Department of the Treasury Account Symbol (TAS) 97X0801) to manage foreign currency net gains and losses in the DoD Operation and Maintenance (O&M) and Military Personnel (MILPERS) appropriations. As net gains from O&M and MILPERS are realized by de-obligation of the unneeded portion of the direct program, transfer the gains to FCF, D. Funds held in FCF, D will be transferred to O&M and MILPERS to cover net losses. Charge net gains or losses from foreign currency exchange rate fluctuation funded by FCF, D to the same FY as the underlying obligation. In areas participating in the FCF program, the occurrence of a gain or loss on an FCF transaction is an expected, normal component of an obligation; therefore, treat it as an ordinary event. Record the gain or loss on an FCF transaction using current United States Standard General Ledger (USSGL) accounts for Other Gains (USSGL account 719000) and Other Losses (USSGL account 729000).

2.2.2. 10 U.S.C. § 2779(a) allows previously transferred FCF, D funds to be transferred back to the FCF, D appropriation so long as the transfer is made no later than the end of the second

FY after the FY that the appropriation to which the funds were originally transferred is available for obligation. This is allowed only if the funds are not needed to finance increased obligations due to fluctuation in currency exchange rates because of subsequent favorable fluctuation in currency exchange rates or because other funds are, or become, available to finance these cost increases.

2.2.3. 10 U.S.C. § 2779(d) states that any transfer made pursuant to the authority provided in this subsection must be limited such that the balance in the appropriation FCF, D does not exceed $970 million at the time of the unobligated balance transfer.

2.3 FCF, C, D

2.3.1. In FY 1987, Congress enacted the current authority for an FCF appropriation to protect DoD Military Construction, Family Housing, and North Atlantic Treaty Organization (NATO) infrastructure programs from substantial gains or losses resulting from foreign currency fluctuation. The title of this appropriation is FCF, C, D TAS 97X0803.

2.3.2. The FCF, C, D appropriation was initially capitalized by transferring unobligated balances from the family housing and military construction appropriations. Pursuant to authority conferred by recurring annual Military Construction Appropriations Act general provisions, unobligated balances from family housing and military construction appropriation accounts may be transferred into FCF, C, D during the 5-year period after the appropriations expire for original obligation purposes. As FCF gains are realized by de-obligation of the unneeded portion of the direct program, transfer the gains to FCF, C, D. Funds held in FCF, C, D will be transferred to family housing and military construction to cover net losses. Charge net gains or losses from foreign currency exchange rate fluctuation, funded by FCF, C, D, to the same FY as the underlying obligation. In areas participating in the FCF program, the occurrence of a gain or loss on an FCF transaction is an expected, normal component of an obligation; therefore, treat it as an ordinary event. Record the gain or loss on an FCF transaction using current USSGL accounts for Other Gains (USSGL account 719000) and Other Losses (USSGL account 729000).

2.3.3. OUSD(C) must approve all amounts transferred from this appropriation to other appropriations available for construction.

2.4 Standards

2.4.1. The FCF, D and FCF, C, D appropriations are not available to finance cost increases resulting from changes in the scope of programs, inflation increases, or other such changes, nor to finance Prompt Payment Act interest payments. Other important provisions of the FCF appropriations relate to obligation/expenditure limitations and financial accounting requirements related to foreign currency exchange fluctuation.

2.4.1.1. Authorizations or limitations now or hereafter contained within appropriations or other provisions of law limiting the amounts that may be obligated or expended will be increased to the extent necessary to reflect fluctuation in foreign currency exchange rates from those used in preparing the applicable budget submission.

2.4.1.2. Contracts or other obligations entered into that are payable in foreign currencies may be recorded as obligations based on currency exchange rates used in preparing budget submissions, as amended by Congress, and adjustments to reflect fluctuation in such rates will be recorded as disbursements are made.

2.4.2. Funds transferred from the FCF appropriation CMAs will be available for funding accounts established within the applicable O&M, construction, family housing, or NATO infrastructure appropriations to cover losses or account for gains in direct programs due to fluctuation in foreign exchange rates. Base these transfers on need, funds available to cover such losses DoD-wide, and other budgetary considerations. Consequently, such losses may not be fully funded.

2.4.3. The DoD Components will record foreign currency obligations at the installation level in dollars, at the budgeted rate, or at the congressionally established budget exchange rate for direct program of affected appropriations as reflected in applicable committee reports or the appropriate appropriation acts.

2.4.3.1. OUSD(C) will provide these rates to the DoD Components.

2.4.3.2. Foreign currency obligations are those obligations that are either payable in specified foreign currency or payable in dollars, the amount of which is determined by the rate of exchange.

2.4.3.3. When payment is made, charge the variance between the budget rate and the current rate directly to the applicable FCF account. If the transaction results in a gain, credit the FCF account in the amount de-obligated from the original FCF, C, D obligation. For example, a military construction project was included in the FY 2017 President's Budget (PB). Funds for the project were obligated in FY 2018 using FY 2017 funds, and all the project expenditures were disbursed in FY 2019. In this example, record the obligations in the accounting system using the FY 2017 budget rates. There would be no effect on the military construction FCF account prior to FY 2019 since no disbursements were made until FY 2019. The foreign currency reports in each of those years, however, would identify accrued variances, i.e., the differences between the project obligations carried at the FY 2017 budget rate and the project obligations valued at the current exchange rate. Use this accrued variance to identify the projected disbursement requirements of the component FCF account. The realized foreign currency variance would be recorded against the military construction FCF account for FY 2017 at the time of the actual disbursements.

2.4.4. The Defense Finance and Accounting Service (DFAS) Service Component central accounting activities will determine the total foreign currency unliquidated obligations at the budget exchange rate provided by OUSD(C) for each appropriation, and identify and accumulate both favorable and unfavorable variances. The supporting activity will also determine the "accrued variance" at the end of each month based on the difference between unliquidated obligations at the budget rate and unliquidated obligations at the current rate, using the exchange rate on the last day of the month. The accrued variance will never be obligated in the official accounting documents.

2.4.5. Each DoD Component holding an FCF account is responsible to establish internal controls and carefully monitor funds availability at all times, as Antideficiency Act provisions apply to each FCF account. Establish controls to reserve sufficient funds within the appropriation's availability to finance projected disbursement requirements for the FCF account. For family housing and construction, a 6-month requirement is recommended. Should FCF account funding availability drop below that level, take immediate action to avoid over-obligation. Such action will include providing additional funds from current accounts and, if necessary, advising all disbursing officers to cease payments from the FCF account without prior certification until funding is obtained. Do not take any action that presumes relief through a transfer of funds from the FCF appropriations because of the limited capital available in these accounts.

2.4.6. OUSD(C) publishes a monthly report of specific currencies in the FCF program and associated exchange rates. OUSD(C) may add and remove currencies as conditions warrant. The ***OUSD(C) Financial Management Reports*** site provides FCF reports that contain the list of currencies, the applicable budget rate, and the current period adjusting rate.

3.0 REPORTING REQUIREMENTS

3.1 Appropriation Transfers

OUSD(C) manages the FCF, D and FCF, C, D appropriations and instructs the DFAS Departmental Reporting Directorate-Indianapolis on the amount of the funds to transfer to and from the applicable appropriations. DFAS-Indianapolis transfers the designated amounts by means of a Standard Form 1151, Nonexpenditure Transfer Authorization.

3.2 General Reporting Guidance

3.2.1. Other than calculating the monthly accrued variance described in subparagraph 2.4.4, no further adjustment to the original obligation is necessary until disbursement is made or until the appropriation is closed.

3.2.2. FCF requirements described in this chapter do not apply to reimbursable programs. The performing activity will continue to accept reimbursable orders, incur obligations, and bill for reimbursement at the current foreign currency exchange rate using the requirements found in ***Volume 11A, Chapter 1***, "General Reimbursement Policy." However, when the performing activity and the benefiting activity are DoD organizations, the performing activity will notify the benefiting activity of the amounts obligated that require payment in foreign currency. The benefiting activity will record that portion of its obligation for direct programs at the budget rate in the manner prescribed in subparagraph 2.4.3. Record the realized variance determined at the time of the disbursement in the respective FCF account of the benefiting activity.

3.2.3. Do not adjust normal operating budgets or other funding documents issued for the affected appropriations by DoD Components for foreign currency exchange rate fluctuation.

3.2.4. Prior to closing the financial records at year-end, each component holding an FCF account will review the status of that account. Transfer net gains in an FCF account to the

applicable FCF appropriation. Components will also determine the portion of the losses that the FCF account can absorb and transfer to the FCF appropriation any remaining balances that are not required.

3.2.5. FCF requirements described in this chapter do not apply to Gains and Deficiencies on Exchange Transactions, Army (TAS 21 6763 and TAS 021 6763); Gains and Deficiencies on Exchange Transactions, Navy (TAS 17 6763 and TAS 017 6763); Gains and Deficiencies on Exchange Transactions, Air Force (TAS 57 6763 and TAS 057 6763); and Gains and Deficiencies on Exchange Transactions, Treasury (TAS 20 6763 and TAS 020 6763). ***Volume 5, Chapter 4***, "Accommodation Exchange" provides guidance regarding deficiencies. See ***Volume 5, Chapter 13***, "Foreign Disbursing Operation" for guidance regarding gains and losses by revaluation.

3.2.6. FCF requirements described in this chapter do not apply to Burdensharing funds received from other countries. See ***Volume 12, Chapter 24***, "Burdensharing and Overseas Relocation Contributions by Foreign Allies" for guidance regarding Burdensharing funds.

3.3 Report Error Correction

Service components and OUSD (Personnel & Readiness) (OUSD(P&R)) Military Compensation Policy are responsible for ensuring the completeness and accuracy of monthly report submissions to the DFAS Departmental Reporting Directorate-Indianapolis. DFAS forwards the consolidated reports to the Office of the Deputy Comptroller (Program/Budget) (ODC(P/B)), OUSD(C), which also conducts a review of submitted reports for completeness and accuracy. ODC(P/B), OUSD(C) will notify the applicable data submitter if data correction is required. The applicable data submitter is responsible for data correction and resubmission through the DFAS Departmental Reporting Directorate-Indianapolis to ODC(P/B), OUSD(C).

4.0 REPORTING FORMATS

4.1 Department of Defense Comptroller (Monthly) (DD-COMP (M)) 1506 – Foreign Currency Fluctuations, Defense Report (O&M)

4.1.1. DFAS Departmental Reporting Directorate-Indianapolis is responsible for submitting the consolidated monthly report to the ODC(P/B), OUSD(C).

4.1.2. The DFAS Service Component central accounting activities, DoD Education Activity (DoDEA), Defense Security Cooperation Agency, Defense Health Agency (DHA), and Defense Media Activity will provide a monthly report to DFAS Departmental Reporting Directorate-Indianapolis using the format in Figure 7-1.

4.1.2.1. Submit the report in accordance with due dates established by DFAS-Indianapolis and consistent with the requirements of OUSD(C).

4.1.2.2. The report will include the following:

4.1.2.2.1. Column 1 – Currency/Submitter. Alphabetically list the specified country. Include the official currency (monetary unit) next to each country.

4.1.2.2.2. Column 2 – Unliquidated Obligations. Enter the dollar amount of foreign currency unliquidated obligations at the budget rate. Derive this amount by taking the obligations incurred at the budget rate less the disbursements at the budget rate.

4.1.2.2.3. Column 3 – Accrued Variances. Enter the accrued variances for the unliquidated obligations shown in column 2. This amount may change from month to month as the current foreign currency exchange rate changes and/or as the amount of unliquidated obligations changes.

4.1.2.2.4. Column 4 – Liquidated Obligations. Enter the dollar amount of foreign currency obligations liquidated in the accounting system at the budget rate of the foreign currency cited within the obligating document.

4.1.2.2.5. Column 5 – Realized Variances. Enter the actual dollar amount of the variance resulting from liquidated obligations to date. This amount represents the variance (difference) between obligations at the budget rate and amounts actually disbursed.

4.1.2.2.6. Column 6 – Obligations Incurred. Enter the dollar amount of total foreign currency obligations incurred to date at the budget rate. Compute this amount from the actual accounting data of obligations incurred at the budget rate. It will not be a derived number.

4.1.2.2.7. Column 7 – Planned Overseas Program. The planned overseas program for execution at the budget rate should agree with the current year (CY) column of the Exhibit PB-18 (Foreign Currency Exchange Data). ***Volume 2B, Chapter 19***, "Other Special Analyses" contains the format for Exhibit PB-18, which is required to support the PB request for the budget year. Explain any increases or decreases to the planned overseas program during the execution of the CY by country in the monthly report.

4.1.2.3. The report will also include footnotes showing:

4.1.2.3.1. The total funding provided to the FCF account by source, including:

4.1.2.3.1.1. Transfers from the FCF, D appropriation;

4.1.2.3.1.2. Transfers from the component's O&M availability; and

4.1.2.3.1.3. Total FCF account funding;

4.1.2.3.2. The anticipated gains or losses for the remainder of the FY. Estimate the anticipated gains or losses on projected disbursements to the end of the year by computing the variance that would occur if the current foreign currency exchange rates were to remain in effect during the remainder of the year;

4.1.2.3.3. Transfers to FCF, D due to favorable realized variances;

4.1.2.3.4. Projected liquidations (budget rate) for the FY. Estimate the obligations (budget rate) that will be disbursed during the FY; and

4.1.2.3.5. An explanation of deviations from the planned overseas program by country. This is required when substantial variances from the "obligations incurred" column exist. This explanation can occur any time prior to the cancellation of funds.

4.2 FCF, D Report (MILPERS)

4.2.1. Foreign currency rate variances increase or decrease the value of allowances paid to service members. To maintain the value of that portion of allowances members receive to purchase foreign currency, adjust allowances to offset increases or decreases in foreign currency rates. For purposes of FCF, D transfers, the calculated effect on MILPERS disbursements that result from changes in foreign currency rates (foreign currency variance) is the difference in dollars required for the allowance at budget exchange rates and the current allowance rates. However, FCF, D transfers are approved only for Cost-of-Living Allowances (COLA) and Overseas Housing Allowances (OHA).

4.2.2. DFAS Departmental Reporting Directorate-Indianapolis is responsible for submitting this consolidated monthly report to the ODC(P/B), OUSD(C).

4.2.3. The process for identifying the foreign currency impact on COLA and OHA is as follows:

4.2.3.1. Identify total expenditures by the Military Departments for COLA and OHA by officer and enlisted for the country currencies included in the FCF, D account.

4.2.3.2. OUSD(P&R) Military Compensation Policy will report to the DFAS Service Component central accounting activities the appropriate COLA and OHA index based on current exchange rates. For FCF, D, OUSD(P&R) Military Compensation Policy will also report COLA and OHA indices based on the budget exchange rates.

4.2.3.3. DFAS Service Component central accounting activities will access affected personnel pay accounts and identify the COLA and OHA disbursements, by officer and enlisted, according to designated location codes.

4.2.3.4. DFAS Service Component central accounting activities will calculate the foreign currency impact by estimating the differences between budget exchange rates and current exchange rates applied to the total expenditures for COLA and OHA.

4.2.3.5. Consolidate foreign currency amounts and identify the remaining expenditures for the end-of-month recorded disbursements.

4.2.4. The COLA foreign currency report format structure is:

4.2.4.1. Service,

4.2.4.2. Country (FCF, D country),

4.2.4.3. Budget Rate,

4.2.4.4. COLA Rate,

4.2.4.5. COLA Code,

4.2.4.6. COLA Code Change Indicator,

4.2.4.7. Budget Index,

4.2.4.8. Allowance Index,

4.2.4.9. COLA Factor,

4.2.4.10. Actual COLA Enlisted Disbursement,

4.2.4.11. Budgeted COLA Enlisted Amount MILPERS Appropriation,

4.2.4.12. COLA Realized Variance Enlisted,

4.2.4.13. Actual COLA Officer Disbursement,

4.2.4.14. Budgeted COLA Officer Amount MILPERS Appropriation,

4.2.4.15. COLA Realized Variance Officer,

4.2.4.16. Actual COLA Officer/Enlisted Disbursement Total,

4.2.4.17. Budgeted COLA Officer/Enlisted Amount MILPERS Appropriation Total, and

4.2.4.18. COLA Realized Variance Officer/Enlisted Total.

4.2.5. The OHA foreign currency report format structure is:

4.2.5.1. Service,

4.2.5.2. Country (FCF, D country),

4.2.5.3. Budget Rate,

4.2.5.4. OHA Rate,

4.2.5.5. OHA Factor,

4.2.5.6. Actual OHA Enlisted Disbursement,

4.2.5.7. Budgeted OHA Enlisted Amount MILPERS Appropriation,

4.2.5.8. OHA Realized Variance Enlisted,

4.2.5.9. Actual OHA Officer Disbursement,

4.2.5.10. Budgeted OHA Officer Amount MILPERS Appropriation,

4.2.5.11. OHA Realized Variance Officer,

4.2.5.12. Actual OHA Officer/Enlisted Disbursement Total,

4.2.5.13. Budgeted OHA Officer/Enlisted Amount MILPERS Appropriation Total, and

4.2.5.14. OHA Realized Variance Officer/Enlisted Total.

4.2.6. Report the following information by OUSD(P&R) Military Compensation Policy and use it to prepare the monthly COLA and OHA foreign currency execution reports:

4.2.6.1. Column A – Country. This column lists the budget countries subject to the FCF, D requirements.

4.2.6.2. Column B – Budget Rate. This column identifies the FY budget exchange rates as set by OUSD(C).

4.2.6.3. Column C – COLA Rate. This column identifies the current market exchange rate upon which both COLA and OHA are set (allowance rate).

4.2.6.4. Column D – COLA Code. For countries with multiple COLAs, many locations are linked and receive the same index. This code identifies linked locations for COLA purposes.

4.2.6.5. Column E – COLA Code Change Identifier. This column identifies whether a change has been made this period to the COLA Code.

4.2.6.6. Column F – Budget Index. This column represents the COLA index based on the budget rate.

4.2.6.7. Column G – Allowance Index. This column represents the COLA index based on the allowance rate.

4.2.6.8. Column H – COLA Factor. This column represents the multiplication factor for COLA disbursements based on budget and allowance indices.

4.2.6.9. Column I – OHA Factor. Compute the balance for this column by taking the budget rate minus the OHA rate, divided by the OHA rate.

4.3 DD-COMP (M) 1761 – Foreign Currency Fluctuation, Construction, Defense Report

4.3.1. DFAS Departmental Reporting Directorate-Indianapolis is responsible for submitting this consolidated monthly report to ODC(P/B), OUSD(C).

4.3.2. The DFAS Service Component central accounting activities, DoDEA, DHA, Defense Logistics Agency, and U.S. Special Operations Command will provide a monthly report to the DFAS Departmental Reporting Directorate-Indianapolis using the format in Figure 7-2.

4.3.2.1. Submit the reports in accordance with due dates established by DFAS-Indianapolis and consistent with the requirements of OUSD(C).

4.3.2.2. The report will include the following:

4.3.2.2.1. Column 1 – Country. Alphabetically list the specified country.

4.3.2.2.2. Column 2 – Monetary Unit. Enter the monetary unit of the country.

4.3.2.2.3. Column 3 – Foreign Currency Unliquidated Obligations. Enter the dollar amount of unliquidated obligations at the budget rate. Report unliquidated obligations by FY.

4.3.2.2.4. Column 4 – Accrued Variance. Enter the accrued variance for the unliquidated obligations in column 4. This amount may change from month to month as the current foreign currency exchange rate changes. Report accrued variances by FY.

4.3.2.2.5. Column 5 – Foreign Currency Liquidated Obligations. Enter the dollar amount of total obligations liquidated for the report month at the budget rate.

4.3.2.2.6. Column 6 – Realized Variance. Enter the actual dollar amount of the variance resulting from liquidated obligations for the month. This amount represents the variance (difference) between obligations at the budget rate and the amount actually disbursed. Charge all realized variances against the applicable FCF accounts for construction, military family housing operations and maintenance, and military family housing construction.

4.3.2.2.7. Column 7 – FCF Account Projected 6-Month Disbursements. Enter the projected 6-month disbursements from the FCF accounts based on historical outlay data, contract requirements, and payment schedules.

4.3.2.3. The report will also include footnotes showing:

4.3.2.3.1. The anticipated gains or losses for the rest of the FY (estimate this figure by computing the variance that would occur if the present currency exchange rates were to remain unchanged during the remainder of the FY); and

4.3.2.3.2. The total amount of funding transferred to the FCF accounts from the FCF, C, D appropriation.

Figure 7-1. Foreign Currency Fluctuations, Defense Report: DD-COMP (M) 1506

FOREIGN CURRENCY FLUCTUATIONS, DEFENSE REPORT
FOR (Component and Appropriation)
AS OF: (DATE) (YYMMDD)
DD-COMP(M)1506

Currency/ Submitter (List Alphabetically)	Unliquidated Obligations (Budget Rate)	Accrued Variances	Liquidated Obligations (Budget Rate)	Realized Variances	Obligations Incurred (Budget Rate)	Planned Overseas Program (Budget Rate)

FOOTNOTES:

(1) FCF Account Funding

Transfers from FCF, D

Transfers from O&M

Total FCF Account Funding

(2) Anticipated Gains/Losses

(3) Transfers to FCF, D (Favorable Fluctuation)

(4) Projected Liquidations (Budget Rate)

(5) Explanation of Deviation from Plan

Figure 7-2. Foreign Currency Fluctuation, Construction, Defense Report: DD-COMP (M) 1761

FOREIGN CURRENCY FLUCTUATION, CONSTRUCTION, DEFENSE REPORT
FOR (Component and Appropriation)
AS OF: (DATE) (YYMMDD)
DD-COMP(M)1761

Country (List Alphabetically)	Monetary Unit	Foreign Currency Unliquidated Obligations (Budget Rate)	Accrued Variance	Foreign Currency Liquidated Obligations (Budget Rate)	Realized Variance	FCF Account Projected 6-Month Disbursements

FOOTNOTES:

(1) Anticipated Gains/Losses remainder of year

(2) Total funding provided from FCF, C, D

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 8: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 6A, CHAPTER 9: "ACCOUNTING AND REPORTING FOR OPERATION AND MAINTENANCE OF THE FAMILY HOUSING PROGRAM"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated August 2019 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
3.1	Added reference and hyperlink to Standard Financial Information Structure Standard Reporting Chart of Accounts.	Addition
All	Revised hyperlinks.	Revision

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CHAPTER 9

ACCOUNTING AND REPORTING FOR OPERATION AND MAINTENANCE OF THE FAMILY HOUSING PROGRAM

1.0 GENERAL

1.1 Overview

This chapter provides accounting support for Family Housing Operation and Maintenance (O&M) requirements and prescribes an accounting structure that accumulates Family Housing O&M costs consistent with guidance set forth in Volume 2B, Chapter 6, "***Military Construction/Family Housing Appropriations***." Congress established the Family Housing O&M appropriation to separate the funding of Family Housing O&M from other O&M programs. Charge all obligations incurred for O&M to support the military Family Housing Program to the Family Housing O&M appropriation.

1.2 Purpose

The purpose of the account structure is to provide uniform procedures for consistently identifying, accumulating, and reporting family housing program costs. Methods for computing costs for the Family Housing Program must be as uniform as practicable among the Department of Defense (DoD) Components. Such uniformity is essential to permit intra-DoD and inter-DoD Component program, budget, and cost comparison, irrespective of the management service, the agency, or the accounting system used at the installation. Cost identification and computation methods specified herein must minimize the accounting effort and detail required to compute costs. Costs for operating and maintaining family housing facilities must be identified as prescribed in this chapter and are the basis for reports referenced herein.

1.3 Authoritative Guidance

The Family Housing Program encompasses Military Family Housing, as defined and authorized by the provisions of ***Title 10, United States Code (U.S.C.), Chapter 169***, and includes all DoD Component family housing in the Defense Family Housing Property Account, leases of real property utilized by DoD Components for family housing, and associated family housing support services programs. The policies prescribed throughout this chapter, pertaining to the accounting, and reporting for O&M costs of the Family Housing Program, are based upon 10 U.S.C., Chapter 169 and the laws and regulations cited herein.

2.0 SCOPE

This policy applies to all DoD Components that support military family housing under the Family Housing Program. Military Departments' Housing Privatization support costs associated with the Military Housing Privatization Initiative (***MHPI***) Program, such as assessments/studies; portfolio, program, and asset management; construction oversight; consultant fees; and other administrative costs, including Civilian manpower for oversight, are funded by the Family Housing

O&M appropriation and fall within the parameters of this policy. The Office of the Under Secretary of Defense for Acquisition and Sustainment (OUSD(A&S)) and Defense Finance and Accounting Service (DFAS) MHPI Program administrative support costs are separately budgeted, accounted for, and reported in the Defense-wide Family Housing Improvement Fund (FHIF) and Military Unaccompanied Housing Improvement Fund (MUHIF) Program accounts.

3.0 ACCOUNT STRUCTURE AND CONTENT

*3.1 Standard General Ledger Accounts

The standard general ledger accounts used to report DoD MHPI entries are provided in the Transaction Library and Standard Reporting Chart of Accounts available on the Office of the Deputy Chief Financial Officer Standard Financial Information Structure (***SFIS***) web page.

3.2 Accounts Used for Accumulating Costs

A series of accounts have been established and maintained for accumulating Family Housing O&M costs incurred and reimbursements earned through the Family Housing Program. Compute and identify costs and reimbursements to the accounts in accordance with the guidance herein. Use the accumulated costs and reimbursements in the accounts to support budget exhibits and budget execution reports.

3.3 Required Summary and Subordinate Accounts

The following is a list of required summary and subordinate accounts.

3.3.1. Operations Account

3.3.1.1. Management Account. This account accumulates costs of management, administrative, and support-type services at the installation level involving:

3.3.1.1.1. Administration costs for installation military housing offices, including personnel, supplies, equipment, and utilities pertaining to the functions of a family housing office. These costs also include administrative support services provided in supply, comptroller, maintenance, and other installation offices when the costs for such services are attributable to family housing;

3.3.1.1.2. Costs for administering and providing housing referral services and assistance in locating and inspecting privately-owned family housing for DoD personnel;

3.3.1.1.3. Costs for requirements surveys and preliminary studies, including Family Housing Requirements and Market Analyses in accordance with 10 U.S.C. § 2837, condition assessments, survey requirements for construction plans, and concept development. This account also includes community liaison and planning for improvement and rental guarantee projects and inspection; and

3.3.1.1.4. Other identifiable management costs that directly support the Family Housing Program.

3.3.1.2. Services Account. This account accumulates costs for authorized services for Government-owned family housing units. For privatized housing, the developers are financially responsible for the reimbursement or payment of services provided.

3.3.1.2.1. Refuse Collection and Disposal. These services include collecting garbage, trash, ashes, debris, and refuse disposal for family housing, such as the O&M of incinerators, sanitary fills, and regulated dumps. These services also include the acquisition, maintenance, and repair of garbage and trash containers, and the operation of can-washing facilities.

3.3.1.2.2. Fire Protection. This service includes costs for protection and fire prevention efforts for family housing facilities.

3.3.1.2.3. Police Protection. This service includes the costs for law enforcement, traffic control, and protection of family housing facilities.

3.3.1.2.4. Entomological Services. These services include the costs of all control measures against fungi, insects, and rodents within family housing dwellings, facilities, and areas.

3.3.1.2.5. Custodial Services. These services include the costs of janitorial and custodial services performed in common service areas and the cost of elevator operation in family housing facilities.

3.3.1.2.6. Snow Removal. This service includes the costs of removing, hauling, and disposing of snow; ice alleviation; and erection, maintenance, repairs, and removal of snow fences for family housing areas.

3.3.1.2.7. Street Cleaning. This service includes the costs of cleaning streets comprised of sweeping, flushing, and picking up litter.

3.3.1.2.8. Municipal Type Services. These services include costs of miscellaneous municipal-type services not identifiable to other listed accounts.

3.3.1.2.9. Other Services. The costs of all other authorized services for family housing fall into this category.

3.3.1.3. Furnishings Account. This account accumulates costs for initial acquisition, maintenance, repair, and replacement of furnishings, furniture, movable household equipment, and authorized miscellaneous items. This account also includes costs of controlling, handling, record keeping, and moving of Government-owned furnishings into and out of family housing dwelling units; charges for connecting and disconnecting equipment; and handling costs incident to storage. Also included are furnishings for Special Command Positions and Senior Leadership as prescribed in ***DoD Manual 4165.63***, "DoD Housing Management."

3.3.1.4. Miscellaneous Account. This account accumulates costs of operational items that do not fall into management, services, or furnishings accounts. This account includes:

3.3.1.4.1. Lease, rents, and permit payments for housing and trailer spaces leased by the Government from private sources or provided by the Federal Housing Administration (*FHA*) or the U.S. Department of Veterans Affairs (*VA*);

3.3.1.4.2. Reimbursement costs for dwellings provided by municipal, or foreign governments, or by Federal agencies other than the FHA or VA. This includes payments from the Military Departments to the U.S. Coast Guard for family housing provided to their military personnel;

3.3.1.4.3. German land taxes paid to the Federal Republic of Germany under the North Atlantic Treaty Organization Status of Forces Agreement for local taxes on land and improvements of family housing property;

3.3.1.4.4. Fire insurance charges paid to the Federal Republic of Germany to cover fire damage to family housing dwelling units;

3.3.1.4.5. United Kingdom accommodation charges paid in accordance with the country-to-country agreement for housing provided to U.S. Forces; and

3.3.1.4.6. Other miscellaneous operations costs not covered elsewhere.

3.3.2. Utility Account. This is a summary account for accumulating costs for utilities consumed in family housing, including electricity, water, sewage, natural gas, fuel oil, or other heating fuels. This account excludes the costs of maintenance and repair of utility systems identified to the family housing property covered under the Maintenance Account. Exclude other costs reported as "Services" from the utility operations account.

3.3.3. Maintenance Account

3.3.3.1. Dwellings Account. This account accumulates costs of maintenance and repair, including all interior utilities and installed equipment, of all family housing buildings in real property category codes 711, 712, and 714, as defined in the *DoD Real Property Categorization* System, which is established by *DoD Instruction 4165.03*, "DoD Real Property Categorization." Typically, accumulating costs for this account involves:

3.3.3.1.1. Service calls for minor work, including emergency and temporary repairs normally not in excess of 16 work hours;

3.3.3.1.2. Routine maintenance for occupancy work and other maintenance usually scheduled annually or more frequently;

3.3.3.1.3. Repairs and replacements for rehabilitation and replacement of major components and installed equipment;

3.3.3.1.4. Interior and exterior painting and the necessary preparation; and

3.3.3.1.5. Contract cleaning between occupancy, where authorized.

3.3.3.2. Exterior Utilities Account. This account accumulates costs of maintenance and repair of electric, gas, water, sewage, and other utility distribution, collection, or service systems assigned to family housing. Street and area lighting systems are included in exterior utilities beginning at a point 5 feet from the house line and ending at a point where the utility system joins a common-use main or terminates.

3.3.3.3. Other Real Property Account. This account accumulates costs for maintenance other than to dwellings and exterior utilities, including:

3.3.3.3.1. Maintenance, care, and repair of improved and unimproved grounds, storm sewerage, and drainage structures; and costs of acquisition, maintenance, and repair of Government-owned minor equipment, such as hand-operated lawnmowers used for grounds maintenance by occupants;

3.3.3.3.2. Maintenance and repair of paved or stabilized streets, roads, walks, and driveways; utility, service, and parking areas, as well as curbs, gutters, signs, and other road appurtenances; and

3.3.3.3.3. Maintenance and repair of facilities other than dwellings, such as fences when the facility is dedicated to housing, athletic and recreation facilities, community buildings, service facilities, and the costs of maintenance of trailer sites including outlets.

3.3.3.4. Alterations and Additions Account. This account accumulates costs for incidental additions, expansions, extensions, and alterations to existing real property. These costs include payments made to military personnel for telephone reconnection charges when maintenance or repair work necessitates Government-directed, nonpermanent change-of-station moves, and charges resulting from improvement or repair projects funded in part from the family housing construction account.

3.3.4. Leasing Account

3.3.4.1. Lease Cost – Foreign Account. This account accumulates costs for charges and other payments specified in the lease agreement for housing in foreign countries under ***10 U.S.C. § 2828.***

3.3.4.2. Lease Cost – Foreign Account Government Rental Guarantee Program (GRGP). This account accumulates costs for charges and other payments specified in the lease agreement for housing in foreign GRGPs (e.g., Europe under the Army GRGP programs).

3.3.4.3. Lease Cost – Domestic Account. This account accumulates costs for charges and other payments specified in the lease agreement for housing in the United States, including U.S. possessions and territories, as specified in 10 U.S.C. § 2828.

3.3.4.4. Lease Cost – Section 2834 Account. This account accumulates costs for charges and other payments for ***10 U.S.C. § 2834*** participation in Department of State Housing pools. Reimbursements to the Department of State for foreign affairs administrative support costs are also included.

3.3.4.5. Lease Cost – Section 2835 Account. This account accumulates costs for charges and other payments specified in the lease agreement for ***10 U.S.C. § 2835*** housing contracts for the lease of facilities on or near military installations, essentially a build-to-lease guarantee to a local property developer.

3.3.4.6. Rental Guarantee – Section 2836 Account. This account accumulates costs accounted for under rental guarantees for a minimal occupancy rate or rental income for ***10 U.S.C. § 2836*** housing. This program allows the DoD Components to enter into lease agreements guaranteeing that tenants occupy rental housing on or near installations.

3.3.4.7. Other O&M Cost. This series of accounts accumulate costs for maintenance, utilities, and contracted services not provided by the lessor for foreign, GRGP, domestic, and 10 U.S.C. § 2835 and § 2836 housing. They include initial make-ready costs, costs of Government-owned furnishings, any pro rata share of the costs of installation services, and administrative costs, such as assignment, travel, and inspection by installation personnel.

3.3.5. Mortgage Insurance Premiums Account. This is a summary account for accumulating the costs for service members' mortgage insurance premium payments pursuant to ***12 U.S.C. § 1701***, also referred to as the "National Housing Act." See Volume 2B, Chapter 6, for more guidance.

3.3.6. Foreign Currency Fluctuations Account. This is a summary account for accumulating the gains or losses arising from foreign currency exchange rate fluctuations in accordance with the requirements in Chapter 7, "***Foreign Currency Reports***".

3.3.7. Reimbursements Account. This is a summary account for accumulating reimbursements collected during the current fiscal year for Family Housing O&M rental and service charges billed to occupants and for proceeds from handling or disposing of excess housing property. Identify reimbursements for Foreign Military Sales (FMS)-funded and Non-FMS-funded accounts separately.

3.3.7.1. FMS-Funded Account. This account accumulates all reimbursements from FMS-funded activities or sources. Identify the amounts within the account as to the nature of the reimbursements, for example, recovery of the costs of operations, utility operation, maintenance of real property facilities, or proceeds from property handling or disposal.

3.3.7.2. Non-FMS-Funded Account. This account accumulates reimbursements from other than FMS-funded activities or sources. Identify the amounts within the account as to the nature of the reimbursements, for example, recovery of the costs of operations, utility operation, maintenance of real property facilities, or proceeds from property handling or disposal.

3.3.8. Housing Privatization Support Account. Use this account for accumulating costs the Government incurs in direct support of the MHPI program with the exception of the costs included as part of the privatization project. These costs are associated with the support of the MHPI program and specifically for:

3.3.8.1. Site assessment costs, including environmental baseline assessments, environmental assessments, environmental impact statements, and any efforts required by the Government prior to privatization for environmental mitigation, site surveys, or real estate costs;

3.3.8.2. Project costs, including project feasibility studies, concept development, consultant fees, solicitation, procurement, contracting, execution, transition, construction management, post-award management and monitoring, and portfolio management; and

3.3.8.3. Administrative costs, including civilian pay, travel, training, supplies, equipment, and services provided by a Defense agency in support of the privatization program.

4.0 COST IDENTIFICATION PROCEDURES

4.1 Obligations Incurred

The DoD Components must identify the obligations incurred, both in-house and by contract, to operate and maintain family housing programs.

4.2 Identifiable and Measurable Costs

Charge costs to the applicable family housing account to the extent they are reasonably identifiable and measurable to the housing program. This practice does not prevent the use of engineered standards or estimates in charging utilities when metering devices are not used.

4.3 Obligations for Administrative Costs

Limit obligations incurred for administrative support and supervision efforts to those incurred at the installation level and do not include those incurred at echelons of command above the installation. An exception is made when amounts for administrative support and supervision are included in charges assessed by a field office of a construction agent.

4.4 Criteria for Support Costs

4.4.1. Assign other efforts, goods, or services provided to family housing programs to appropriate family housing accounts based on relative workload, benefit, or other measurements.

4.4.2. Use the following general criteria in assigning support costs to the Family Housing Program:

4.4.2.1. When the support provided is predominantly personnel-intensive, costs must be allocated based on a pro rata basis of workload or actual costs, whenever possible. This

would include collateral duty management assignments involving command or policy determinations related to personnel, financial management, legal, procurement, or similar areas;

4.4.2.2. When the support provided has a mix of personnel, equipment, materials, or supplies, allocate costs based on workload (e.g., printing or reproduction services or computer support involving a mix of resources) or actual costs, whenever possible. Use the proportion of workload for the Family Housing Program to the total workload to compute the portion of the total costs identified to the Family Housing Program; and

4.4.2.3. When the support provided predominantly involves specific goods or services (e.g., electricity, gas, water, or sewer), allocate costs based on the relative amount consumed or quantity used or actual costs, whenever possible.

4.5 General or Flag Officers' Costs

When a set of quarters is intended for or occupied by officers of General or Flag rank, identify the costs accumulated for the O&M of each set of quarters within the accounts specified in this chapter and report in accordance with the requirements prescribed by the OUSD(A&S).

4.6 Costs Identified to the Family Housing Program

When identifying Family Housing O&M costs to the program, the general premise is to assign all applicable costs. When an incidental level of effort, supplies, or services are provided on a nonrecurring basis, costs need not be identified to the program if they are insignificant, and it is not cost effective to measure and assign the costs. As a general rule, cost identification is necessary when the support is more than incidental.

4.7 Installation Managers Responsibility

Installation management officials, such as the installation commander, public works officer, housing director, or comptroller, are responsible for identifying the O&M costs for the Family Housing Program, whether funded by Family Housing O&M or other appropriations. Installation managers must periodically review manning standards, workload and consumption methods, and other factors used to identify efforts in support of the program. When variances occur in efforts, workload, or other resources consumed, reset the basis of allocating such costs to the program. Management must also review charges to the accounts specified herein to ensure that none have been inadvertently omitted or erroneously included.

5.0 COST ELEMENTS AND COMPUTATION OF CHARGES

5.1 Full Absorption Basis

5.1.1. Charge costs to the program in proportion to the actual efforts used, goods consumed, or services received by the Family Housing Program. Fully charge dedicated efforts or responsibilities for the program. For example, charge total costs for full-time management and staff to the Family Housing Program. Compute and expense all costs of providing program support

to the program on a full absorption basis, i.e., full cost for dedicated support and pro rata cost for other support.

5.1.2. Apply the normal business fund overhead rates to family housing support for Defense Working Capital Fund (DWCF) real property maintenance activities, which have a primary mission of facility maintenance.

5.1.3. Apply the applicable rate to direct work or service in support of family housing for other funded real property maintenance activities with established shop or productive expense rates.

5.2 Labor Costs

Compute the labor effort of military or civilian personnel assigned and identified to family housing for pay and benefits using a labor distribution system, if available, or the guidance in Volume 11A, Chapter 1, "***General Reimbursement Policy***." Review and validate personnel efforts annually to support charges to family housing. Accumulate and classify military labor as an unfunded cost within the account structure since the cost is not a reimbursable charge to the program.

5.3 Material and Supplies Costs

Compute costs for material and supplies based upon the relative or actual amount consumed, or the quantity used. Compute material and supplies at acquisition price if directly (locally) purchased or at standard inventory price if issued through the supply system.

5.4 Costs of Services

Compute and charge, upon receipt, services provided by Government forces or contractors, such as refuse collection and disposal, entomological, and custodial activities. Family housing must bear the full cost of these services when it is the sole customer. Charge a partial cost to family housing when the family housing portion of such services is readily separable and distinct. When the service operation is too intertwined or complex to enable ready identification of proper family housing costs, charge costs to family housing based on the proportionate amount of service received on a unit-of-service basis, such as the number of refuse pickups or square feet of floor area receiving custodial service.

5.5 Utility Costs

Compute utility costs based on consumption. All DWCF-funded activities providing utilities must compute the charges consistent with their normal procedures. All other activities must compute the charge to family housing at the rate the utility is purchased from the supplier. If not metered, then base consumption on documented engineering estimates.

5.6 Equipment Usage Costs

Compute equipment usage costs for rented property at the lease or rental rate. Limit cost computation in the case of Government-owned equipment to the expenses of operating and maintaining the equipment and charges for the operator's time when provided by other than family housing. Do not compute acquisition costs or periodic depreciation charges.

5.7 Unfunded Costs

Treat military labor and headquarters costs, included in construction agent administrative support and supervision effort above the installation level, as unfunded costs in computing Family Housing O&M costs.

6.0 REIMBURSEMENTS

6.1 FMS-Funded and Non-FMS-Funded Accounts

Use FMS-funded and non-FMS-funded accounts to accumulate reimbursements for charges initially financed by the Family Housing O&M appropriation for the Family Housing Program or proceeds from handling or disposing of family housing property. Record all reimbursements in the family housing reimbursement accounts.

6.2 Reimbursements

Ordinarily, reimbursements are for rental and service charges paid by occupants or users of family housing facilities. Some collections are refunds that include the costs of repairing damages and replacement of items to family housing facilities.

6.3 Reimbursements for Recovery of Expenses

Reimbursements involve the recovery of expenses for handling and disposing of excess family housing property as well as the proceeds from sales of such property. Collections are used for various purposes, such as defraying O&M expenses or the payment of debt. Volume 2B, Chapter 6 provides policy guidance governing such collections, use, and reporting.

7.0 INTERNAL CONTROL

Management must develop and implement internal control techniques to ensure effective control over and accountability for the resources charged to this program and for the full and prompt receipt of all proceeds from reimbursements for rents, service charges, and disposal or handling of excess family housing property.

8.0 REPORTING

8.1 Responsibility of DoD Components

The DoD Components responsible for operating and maintaining family housing facilities are required to prepare the reports described in this chapter. Administrators of Housing programs under MHPI are required to prepare these reports for the FHIF and MUHIF program accounts. The FHIF and MUHIF Financing accounts, however, require only the Standard Form (SF) 133, Report on Budget Execution and Budgetary Resources.

8.2 Reports

8.2.1. Data derived from the uniform account structure identified in this chapter must be used when preparing and submitting the following reports.

8.2.2. Appropriation Status by Fiscal Year Program and Subaccounts Report (Accounting Report (Monthly) 1002). The DoD Components must prepare and distribute the report in accordance with the guidance contained in Chapter 4, "***Appropriations and Fund Status Reports***."

8.2.3. SF 133. The DoD Components must prepare and distribute the monthly report for the annual portion of the Family Housing O&M category of the family housing appropriation in accordance with the guidance prescribed in Chapter 4.

8.3 Military Departments/DFAS and Intermediate/Installation-Level Report Requirements

Reporting requirements for family housing reports at the center/service and intermediate/installation-level are addressed in manuals and instructions published by the individual Services or DFAS central accounting activities.

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 10: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 11: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 12: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 12 ANNEX 1: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 6A, CHAPTER 13: "INTERNATIONAL BALANCE OF PAYMENTS REPORTING AND ESTIMATING"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated June 2020 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Administrative updates in accordance with the Department of Defense Financial Management Regulation Revision Standard Operating Procedures.	Revision

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CHAPTER 13

INTERNATIONAL BALANCE OF PAYMENTS REPORTING AND ESTIMATING

1.0 GENERAL

Department of Defense (DoD) Components are required to report expenditures and receipts that affect the U.S. International Balance of Payments (IBOP). The IBOP report provides information required by the Department of Commerce and the Department of the Treasury (Treasury) for control of IBOP financial transactions.

1.1 Purpose

This chapter establishes the policies and requirements for the accounting and reporting of DoD international transactions related to U.S. balance of payments data, including grants and credits extended to foreign countries.

1.2 Authoritative Guidance

Authoritative guidance for this chapter is derived from Office of Management and Budget (OMB) Statistical Directive 19: "Reports of the ***Department of Commerce*** on International Transactions" (Directive 19). Directive 19 established the IBOP transaction reporting requirements to the Department of Commerce. Reported information is used by the United States in managing balance of trade with foreign nations.

2.0 REPORTING OVERVIEW

2.1 Applicability and Scope

2.1.1. These requirements apply to the OSD, the Military Departments (Army, Navy, Air Force, Marine Corps), Defense Agencies (including the Military Postal Service Agency (MPSA) and nonappropriated fund activities), and DoD Field Activities (hereafter referred to collectively as "DoD Components"). DoD Components are responsible for reporting transactions affecting the IBOP. Each Defense Finance and Accounting Service (DFAS) main site (Indianapolis, Columbus, and Cleveland) is responsible for consolidating the data for the DoD Components and submitting a final report to the Department of Commerce. While DFAS reports a majority of the IBOP data, the Department of Commerce may identify specific information to be reported directly by select DoD components.

2.1.2. The requirements cover all transactions that relate to the IBOP report, including specified data on DoD assets and liabilities abroad and foreign currency transactions, DoD international investments, Foreign Military Sales, transfers of property and services abroad, and foreign grants and credits. This chapter's requirements apply to all transactions, regardless of payment method (e.g., U.S. dollars, foreign currency, and purchase card) accounted for in any of the following:

2.1.2.1. Expenditures from or reimbursements to U.S. dollar appropriation and fund accounts (general and special funds, public enterprise funds, deposit funds, and trust fund accounts for military and civilian functions);

2.1.2.2. Transfer appropriation accounts including Foreign Military Sales;

2.1.2.3. General fund receipt accounts established by the Treasury for collection of miscellaneous receipts for which the DoD has billing and collecting responsibility;

2.1.2.4. Expenditures or receipts of foreign currencies charged or credited to other than U.S. dollar appropriation and fund accounts (such as DoD Foreign Currency (Foreign Transaction (FT) accounts));

2.1.2.5. Receipts or donations of commodities or services;

2.1.2.6. Transfers under special drawdown authority of the President, Excess Defense Articles (EDA) program, or international treaties;

2.1.2.7. Nonappropriated fund activities, such as commissaries, post exchanges, and officers' clubs; and

2.1.2.8. All MPSA transactions, such as meters (including Postage Validation Imprinters Sales), stamps, and money orders.

2.2 Report Formats and Rules

The report formats and edit and validation rules for submission are provided in Tables 13-1 through 13-4. Sample formats are shown in Tables 13-5 through 13-7.

2.3 Definitions

2.3.1. Abroad. The term abroad includes all foreign countries and the Panama Canal Commission, but excludes the United States, its possessions, Puerto Rico, Guam, and the U.S. Virgin Islands.

2.3.2. Accommodation Sales. Accommodation sales represent the sale of foreign currencies for dollars to U.S. personnel for their personal use in a foreign country.

2.3.3. Collections. Collections are receipts in currencies (both foreign and U.S.), checks, or other negotiable instruments and net of repayments.

2.3.4. Constructive Delivery. Constructive delivery is the delivery of materiel to a carrier for transportation to the consignee; the delivery of materiel to the customer or the designated forwarder at point of production, testing, or storage; delivery at dockside, at airports, or to a U.S. post office for shipment to the consignee. Completed shipping documents or listings of delivery to the U.S. Post Office provide evidence of delivery.

2.3.5. Contract. A contract is any type of agreement or order for procurement of materiel, supplies, and services of any amount including purchase orders, delivery orders, service orders, and similar authorizations.

2.3.6. Delivery. Delivery is the performance of services for the customer or requisitioner; the constructive delivery of materiel as defined in subparagraph 2.3.4; or collections for services, transportation, and materiel when they are normally recorded in the billing and collection cycle immediately following performance.

2.3.7. Foreign Military Sales. Foreign military sales represent the sale of materiel, supplies, equipment, services, and any other support for cash or credit by a DoD Component to a foreign government or international organization as authorized by the Arms Export Control Act (AECA) of 1976, as amended.

2.3.8. Foreign Resident. The term foreign resident is comprised of the government of a foreign country and all its agencies and subdivisions, corporations, and any individuals residing in a foreign country, except for those defined as follows.

2.3.8.1. Consider a corporation a resident of the country in which it is incorporated. Count a subsidiary as a separate corporation and as a resident in the country where it is incorporated. Business offices and branches of U.S. corporations are residents of the countries where they are located. A corporation operating in a foreign country without a subsidiary or foreign business office or branch is a resident of the country in which it is incorporated. A business representative, however, such as the ticket office of a U.S. transportation company or a sales agent, is not considered a foreign business office.

2.3.8.2. An individual, including a retired U.S. citizen, is a resident of the country in which he or she resides, and not the country of his or her citizenship.

2.3.8.3. An international organization with multi-governmental members is not considered a resident of any particular country.

2.3.9. Gross Pay Foreign Nationals. The term gross pay foreign nationals is the amount paid to or on behalf of a foreign national citizen or organization, including U.S. contributions to the foreign government, and fees charged by a foreign government under contracts for indirect hire.

2.3.10. Guaranty Financing. Guaranty financing includes items associated with the guaranty of private credit by the U.S. Government under the AECA of 1976, as amended.

2.3.11. Interest. The term interest includes interest collected on military assistance or foreign military long-term credit, interest collected by finance and accounting officers for short-term deposits made in financial institutions that share in interest remitted to a DoD Component under Guaranty Financing arrangements, and interest on advances to foreign residents.

2.3.12. Joint Weapons Production and Exchange Agreements. Joint weapons production and exchange agreements includes both production of military end items by a foreign country or resident with participation by a DoD Component through payment of cash, or the provision in kind of materiel, assemblies, components, or services, and a joint sharing of the end items as determined by the agreement. This includes co-production, cost sharing, exchange agreements, joint production, North Atlantic Treaty Organization (NATO) consortiums, and others as authorized by the AECA of 1976, as amended.

2.3.13. Military Assistance Grant Aid. Military assistance grant aid is the provision of any type of assistance in the form of materiel, supplies, equipment, facilities, training, transportation and services, or otherwise by a DoD Component to a foreign government or international organization. The AECA of 1976 and the Foreign Assistance Act (FAA) of 1961 authorize such assistance. These provisions include Foreign Military Financing (FMF), International Military Education and Training (IMET), the Military-to-Military Contact Program, Special Drawdown Authority, the EDA Program, and Building Partnership Capacity (BPC) programs.

2.3.14. MPSA. The MPSA is the single DoD point of contact with the U.S. Postal Service (USPS). An agreement between the DoD and the USPS establishes the MPSA as an extension of the USPS abroad and in the continental United States, as applicable.

2.3.15. Net Pay. Net pay is the part of gross pay that is given, mailed, or electronically transferred directly to the individual by cash, check, or electronic transfers. This can include paychecks mailed or transferred by a disbursing officer (DO) to any bank or financial institution for credit to the individual account of U.S. personnel stationed abroad. Net pay includes allotment checks for U.S. personnel stationed abroad or in the United States (for dependent support, personal accounts) mailed to a foreign address (including Army Post Offices), Fleet Post Offices (FPOs), and Diplomatic Post Offices (for foreign addressees), but excludes allotment checks mailed to a U.S. address.

2.3.16. Net Pay U.S. Personnel. The term net pay U.S. personnel includes earned entitlements (pay and allowances) for U.S. military forces, allowances to enlisted personnel for subsistence, and amounts earned or otherwise payable to U.S. civilian employees. Net pay excludes U.S. contributions (e.g., life insurance, retirement, health benefits, and social security), but includes amounts that may be withheld from personnel for these items or that are allotted to designated individuals or institutions.

2.3.17. Other Assistance Grant Aid. The DoD outlays from appropriations or sections of appropriations that specifically support U.S. foreign assistance (as authorized under the FAA as amended and other legislation) are IBOP assistance grant aid. These DoD outlays represent the value of goods and services delivered to foreign individuals, governments, or international organizations under specific U.S. foreign assistance programs that include, but are not limited to: Overseas Humanitarian, Disaster, and Civic Aid, Defense (97X0819); Cooperative Threat Reduction Account, Defense (97X0134); Drug Interdiction and Counter-Drug Activities, Defense (in-country support only of 97X0105); and Overseas Costs for Contingency Operations under section 607 of the FAA (reimbursed by special supplement appropriations).

2.3.18. Payment. The term payment includes payment in currencies (both foreign and U.S.), checks, or other negotiable instruments, after net of all refunds.

2.3.19. Personnel Afloat. The term personnel afloat includes U.S. personnel whose duty station is aboard ship.

2.3.20. Progress Payments. Progress payments are payments made by a DoD Component to a contractor or other supplier on contractual procurement of goods or services as work progresses for delivery on a foreign military sale.

2.3.21. Real Property Transfer. Real property transfers are items associated with the conveyance of military real property by a Military Department to a foreign resident or international organization.

2.3.22. Returns to the United States. Returns to the United States are the portion of payments to contractors or suppliers that is remitted to the United States, or spent or held in the United States, as the result of procurement of U.S. end products, U.S. services, and transportation on U.S. flag carriers for supply, service, or construction contracts. For rules applicable to the identification and reporting of returns to the United States, see the Defense Federal Acquisition Regulation Supplement ***(DFARS)***, section 225.1103(1) and the clause at 252.225-7005.

2.3.23. U.S. Personnel. U.S. personnel includes U.S. military forces (active duty and Reserve Components, but excludes retired military personnel) and U.S. civilian employees (civil service, nonappropriated fund, and individual contract hire).

2.4 Frequency and Distribution

The IBOP report must be prepared, at a minimum, quarterly and is due to the Department of Commerce no later than 45 calendar days following the end of the quarter. The report may be prepared and submitted monthly if desired based upon system capability. DFAS Operations Directorates will provide specific due dates to their respective DFAS Sites.

2.5 Policy

It is DoD policy to operate overseas activities efficiently and effectively, and to reduce the balance of payments impact of these activities, when such reduction is consistent with U.S. national security goals and objectives. To support this policy, the Department maintains a mechanism to manage and control DoD transactions that enter the IBOP. This system provides for:

2.5.1. DoD-wide accounting for and reporting of IBOP transactions;

2.5.2. Evaluation and explanation of DoD IBOP transactions;

2.5.3. Use of uniform criteria, definitions, and requirements to report IBOP transactions; and

2.5.4. Integration of IBOP management and the overall system of management within the Department.

2.6 Responsibilities

2.6.1. Heads of the DoD Components, must:

2.6.1.1. Develop procedures for implementing the reporting requirements;

2.6.1.2. Ensure reports and required data are submitted on time and are complete and accurate; and

2.6.1.3. Identify, for the Department of Commerce, the office responsible for submitting required data and points of contact within respective organizations that can both provide supplemental information on specific IBOP transactions and resolve problems associated with collecting and processing data.

2.6.2. The DFAS Site Directors must:

2.6.2.1. Administer and monitor, as necessary, the reporting requirements for their field reporting offices;

2.6.2.2. Ensure the requirements prescribed are uniformly implemented;

2.6.2.3. Work with other DFAS Sites to provide technical assistance on collecting required data and preparing reports. Each DFAS Site acts as the focal point for the assigned reporting organizations (sites) in providing technical assistance; and

2.6.2.4. Ensure reports are submitted directly to the Bureau of Economic Analysis, U.S. Department of Commerce, and include all data required by Directive 19.

2.7 Reporting Guidelines

2.7.1. Finance and Accounting Data

2.7.1.1. Installation-Level Procedures. The DoD Components and supporting DFAS Sites must accumulate the data on payments and collections made by their respective disbursing activities as an integral part of installation-level requirements. The IBOP reports must include all collection and disbursement data for the period covered by the report.

2.7.1.2. Nonappropriated Funds and MPSA. Accumulate data on nonappropriated funds and MPSA accounts and include them in the quarterly reports.

2.7.2. Codes on Vouchers

2.7.2.1. Codes. Code all payment and collection vouchers processed overseas with the appropriate foreign country or international organization code, as prescribed in Table 13-8 and on the Central Intelligence Agency (*CIA*) website (see Geopolitical Entities, Names and Codes (GENC) Standard), prior to time of payment or collection. Vouchers processed overseas not entering the IBOP must be coded with the "U.S." country code.

2.7.2.2. Country Codes. Input country codes on vouchers processed in the United States only for those transactions entering the IBOP. A current list of country codes is available on the GENC Standard (formerly "Federal Information Processing Standards (FIPS) Publication (PUB) 10-4"). Country codes must not be confused with Defense Security Cooperation Agency (DSCA) customer codes. The two codes are not interchangeable.

2.7.3. Coded Authorizations. To ensure that payment vouchers are coded properly to indicate category, procurement of U.S. end products, transportation or services, and country or international organization, authorizations such as purchase orders, delivery orders, and contracts that result in expenditures entering the IBOP must be coded at the time of preparation whenever possible. Enter these same codes on the payment vouchers. When the authorization covers procurements of U.S. end products, transportation, or services, enter the percentage or amounts applicable to each procurement return category. Enter codes on all authorizations for the following types of transactions.

2.7.3.1. Construction and Other Service Contracts, Including Contracts for Scientific and Technical Knowledge to Be Performed Abroad. In all cases where the contract, delivery order, or other procurement document is issued to a U.S. resident, appropriate codes that identify returns to the United States must be included in the accounting classification.

2.7.3.2. Contracts for Procurement of Materiel, Supplies, and Equipment Abroad. When the terms of the contract require the use of U.S. end products, appropriate codes that identify returns to the United States must be included in the accounting classification on all contracts or other procurement documents issued to U.S. residents.

2.7.4. New or Discontinued Appropriations. Each DFAS Site is responsible for modifying their associated tables to reflect new or discontinued accounts that affect IBOP. The Treasury's ***Federal Account Symbols and Titles (FAST) Book*** lists receipt, appropriation, and other fund account symbols and titles assigned by the Department. The FAST Book lists accounts separately that were created or discontinued since the previous revision.

2.7.5. Transaction Review. Review IBOP transactions prior to submission for accuracy to ensure the final report is complete and includes all of the required data elements for submission to the Department of Commerce. The DoD Components, accounting activities, and other reporting entities in the United States and at overseas locations must ensure that reported IBOP transactions are consistent with total transactions reported on the Standard Form (SF) 1220, Statement of Transactions According to Appropriations, Funds, and Receipt Accounts, and supporting SF 1219, Statement of Accountability, including FT accounts.

2.7.6. Cross-Disbursing. Under cross-disbursing requirements, the appropriate disbursing office must provide data on payment and receipt transactions to the DoD Component assigned reporting responsibility. Under these procedures, reports must include all of the data necessary for the DoD Component to report balance of payment expenditures and receipts for its accounts in accordance with the requirements of this chapter. The data must include all supplementary information that is necessary to identify returns to the United States as stated in subparagraph 2.8.2.1.3. The DoD Component having management control of the funds must include these transactions in its IBOP report. Subparagraph 2.7.14.4 identifies cross-disbursing reporting requirements for each Military Department.

2.7.7. Appropriation Reimbursements. Enter appropriation reimbursements from foreign entities on the appropriate Collections lines in the Accounting Report (AR)-1, as shown in Table 13-5. Enter collections from U.S. personnel abroad in the appropriate "Less Receipts from U.S. Personnel" lines (i.e., "Payments").

2.7.8. Delivery Data. As outlined in DSCA 5105.38-M, Security Assistance Management Manual (***SAMM***), data regarding Foreign Military Sale deliveries (Chapter 7), FMF grant aid deliveries (Chapter 9), IMET Program (Chapter 10), transfers under Special Drawdown Authority and the EDA program (Chapter 11), Military-to-Military Contact Program (Chapter 11), BPC deliveries (Chapter 15), and transfers of real property (Chapter 15) must be prepared by the appropriate agencies.

2.7.9. Loans of Property. For any defense item loaned to a foreign government, central offices in each DoD Component must maintain a record as outlined in the SAMM, Chapter 11.

2.7.10. Advances to Foreign Residents or Countries. Report advances made to foreign residents or countries by a DoD Component as payments on the same lines in AR-1, as shown in Table 13-5, for future contract payments. Use Line Item 190000 of AR-1 to report interest collections for advances.

2.7.11. Other Foreign Aid under FAA. Report data on DoD outlays resulting from serving as the executive agent for other U.S. foreign assistance programs (as authorized by the FAA) as IBOP Other Assistance Grant Aid by the appropriate DoD Component assigned the responsibility for those programs. Such assistance includes, but is not limited to, the following programs: Overseas Humanitarian, Disaster, and Civic Aid Defense; Cooperative Threat Reduction Account, Defense; Drug Interdiction and Counter-Drug Activities, Defense (In-Country Support only); and Overseas Costs for Contingency Operations under section 607 of the FAA.

2.7.12. Records Retention. Maintain records reflecting balance of payments transactions at each DFAS Site consolidation point for 2 years following the end of the reporting period.

2.7.13. Foreign Currencies

2.7.13.1. Report data on foreign currencies in dollar equivalents.

2.7.13.2. The DSCA must report expenditures and collections for all FT accounts under its control, including those for which the DSCA has financial management responsibility in connection with Foreign Military Sales currencies, as well as those provided under joint weapons production and exchange agreements.

2.7.13.3. Use the respective reporting system utilized by each DoD Component to provide data on accommodation sales to individuals by military DOs.

2.7.13.4. Banking facilities on U.S. Government installations abroad must report on accommodation sales of foreign currencies made to U.S. personnel.

2.7.14. Submission of Reports

2.7.14.1. Prepare reports of performance and transactions, using the current automated technology, entering the IBOP by DoD Components as outlined in the detailed instructions provided in Tables 13-1 through 13-4. Sample formats are shown in Tables 13-5 through 13-7.

2.7.14.2. Submit ARs to the Department of Commerce through DFAS as follows:

2.7.14.2.1. Department of the Army – ARs-1 and 2;

2.7.14.2.2. Department of the Navy (including U.S. Marine Corps) – ARs-1 and 2;

2.7.14.2.3. Department of the Air Force – ARs-1 and 2;

2.7.14.2.4. MPSA - AR-3; and

2.7.14.2.5. All other Defense Agencies, such as the DSCA and Defense Intelligence Agency - AR-1.

2.7.14.3. The DSCA must report all Foreign Military Sales and BPC delivery data.

2.7.14.4. Submit cross-disbursing data submitted by the DoD Component as follows.

2.7.14.4.1. Forward IBOP transactions between the Air Force and the Army no later than 32 calendar days following the end of the quarter to their corresponding offices. Each Service will send its IBOP files to the other Services.

2.7.14.4.2. Forward vouchers and control listings of IBOP transactions of the Navy for the Army and the Air Force, the Army for the Air Force and the Navy, and the Air Force for the Navy and the Army to the designated accounting and finance offices quarterly.

2.7.14.4.3. Forward electronic transmissions of Army, Navy, Air Force, and Marine Corps IBOP transactions for the Defense Agencies and OSD no later than 45 calendar days following the end of the quarter to the Department of Commerce.

2.7.14.4.4. Report salary payments to U.S. personnel as the net amount paid to individuals, excluding all deductions, such as amounts withheld for taxes, contributions, allotments, or savings bonds.

2.7.14.5. Complete the headings on each report as indicated in Tables 13-5 through 13-7. Round dollar amounts to the nearest $1,000. Round amounts from $1 to $499 downward; amounts from $500 to $999 are rounded upward.

2.7.14.6. The Treasury Financial Manual (TFM), Volume 1, Part 2, Chapter 4500 ***1 TFM 2-4500*** contains requirements for reporting foreign grants, loans, credits, and contingent liabilities.

2.8 Criteria for Determining and Identifying IBOP Transactions

2.8.1. Introduction. In establishing a basis for reporting IBOP transactions, assume that purchases of materiel and services are equal to related disbursements, since payments by DoD Components normally are made within the month following receipt of the materiel and services. Similarly, report DoD outlays from appropriations supporting various U.S. foreign assistance programs to signify the delivery of that assistance to foreign entities. It is necessary, however, to report Foreign Military Sales on a delivery basis. State collections separately to reflect the changes in financial status. Accounting reports prescribed by this chapter reflect these reporting concepts. Table 13-9 contains a glossary of automated data processing (ADP) terms.

2.8.2. Transactions Entering the IBOP. The following transactions enter the DoD IBOP for reporting purposes.

2.8.2.1. Payments

2.8.2.1.1. Inclusion of all payments is required, including advance and progress payments by DOs (whether located abroad or in the United States, its territories and possessions, or Puerto Rico) from their accounts and all payments from the accounts of nonappropriated funds and the MPSA to:

2.8.2.1.1.1. Foreign residents, including all amounts deposited in foreign or U.S. banks to their credit (e.g., a deposit to the account of a foreign entity maintained in a U.S. bank). Foreign residents include foreign governments, corporations, contractors, and individuals;

2.8.2.1.1.2. U.S. personnel stationed, or employed, or who live abroad, or on ships homeported abroad, for pay disbursed or mailed abroad when on temporary duty (TDY) abroad and per diem for TDY abroad;

2.8.2.1.1.3. International organizations, including all amounts deposited to their credit in foreign or U.S. banks;

2.8.2.1.1.4. U.S. corporations for materiel, supplies (excluding petroleum products), and equipment, title to which is acquired by the U.S. Government abroad as evidenced by an accomplished materiel inspection and receiving report;

2.8.2.1.1.5. U.S. contractors for construction or services performed abroad, except for travel and transportation as described in subparagraph 2.8.4.2.7; and

2.8.2.1.1.6. U.S. and foreign corporations for petroleum products that will be identified to the country shown as the product source as described in subparagraph 2.8.4.2.8.2.

2.8.2.1.2. Inclusion of foreign currency payments is required, including counterpart foreign currency payments by a foreign government held by the foreign government for U.S. uses under special arrangements such as Euros disbursed by the Spanish Government for constructing and maintaining U.S. facilities.

2.8.2.1.3. Included are all Returns to the United States resulting from contracts or other procurement documents for procurement of supplies and services for use outside the United States. Also included are all Returns to the United States from contracts for construction, maintenance, and repair of real property facilities that require U.S. end products, or that specify certain services be performed in the U.S. Additionally, U.S. contractors performing construction and service contracts overseas may acquire, on their own initiative, certain U.S. end products, services, or transportation on U.S. flag carriers in fulfillment of construction or service contracts. Identify and report the amount of such procurements of U.S. end products, services, and transportation on U.S. flag carriers in AR-1, as shown in Table 13-5. The following rules apply only to contractors who are U.S. residents.

2.8.2.1.3.1. The amounts remitted by a supplier to the United States for procurement of U.S. end products and the amounts paid by the supplier to a U.S. transportation company for transportation of goods on U.S. flag carriers must be identified and reported as reductions to procurement payments.

2.8.2.1.3.2. Identify and report the following amounts as reductions to contractual service payments:

2.8.2.1.3.2.1. The amount of U.S. end products procured from the United States by the contractor for incorporation in the project (whether required by the terms of the contract or voluntarily procured from the United States without contractual requirements);

2.8.2.1.3.2.2. The amount remitted to or retained in the United States by the contractor for services performed in the United States and for profit, overhead, amortization costs, employee tax withholdings, and other indirect expenses, including that portion of the salaries of contractor personnel remitted to or retained in the United States; and

2.8.2.1.3.2.3. The amount paid to transportation companies in the United States by the contractor for transportation provided on U.S. flag carriers.

2.8.2.1.3.3. Reporting requirements and requirements for contracts exceeding the simplified acquisition threshold are set forth in DFARS 225.1103(1) and the clause at 252.225-7005.

2.8.2.1.3.4. The amounts reported as returns under subparagraph 2.8.2.1.3 must exclude:

2.8.2.1.3.4.1. Payments by the contractor to a DoD Component for supplies or services such as utilities and telephone services; and

2.8.2.1.3.4.2. Returns to the United States by foreign residents who use U.S. end products or services to fulfill DoD contracts.

2.8.2.2. Collections

2.8.2.2.1. Report all collections by DOs credited to their accounts or to Treasury accounts (for which the Department has billing and collection responsibility) and all receipts in nonappropriated funds and the MPSA from the following:

2.8.2.2.1.1. Foreign residents;

2.8.2.2.1.2. U.S. personnel who are stationed, employed, residing, or traveling abroad, or on ships homeported abroad (for reporting purposes, however, these collections are treated as a reduction to pay of personnel);

2.8.2.2.1.3. International Organizations;

2.8.2.2.1.4. U.S. contractors in connection with their performance of contracts with the U.S. Government or private firms abroad; and

2.8.2.2.1.5. Foreign governments or other foreign entities for goods and services sold for delivery or use under the Foreign Military Sales program, other sales programs, and the Defense Logistics Agency Disposition Services.

2.8.2.2.2. Report all collections of foreign currency contributed by foreign governments for the support of U.S. Military Assistance Advisory Groups (MAAGs) and Missions.

2.8.2.2.3. Do not deposit FMF receipts into the U.S. Treasury. The FMF receipts are recorded in successor account 11*1082 (Foreign Military Financing Program, Funds Appropriated to the President), via a Treasury ***SF 133***, Report on Budget Execution and Budgetary Resources, allocation by the Department of State in the year received, and finally apportioned in the same year on an SF 132, OMB Apportionment And Reapportionment Schedule as found in ***OMB Circular A-11***, "Preparation, Submission, and Execution of the Budget," Appendix F.

2.8.2.3. Deliveries

2.8.2.3.1. All deliveries of materiel, supplies, equipment, and services to foreign countries and international organizations must be reported to include the following:

2.8.2.3.1.1. Foreign Military Sales deliveries outlined in the AECA of 1976, as amended;

2.8.2.3.1.2. Sales by property disposal officers as represented by collections;

2.8.2.3.1.3. Loans and leases of aircraft, vessels, and other equipment to foreign entities;

2.8.2.3.1.4. Transfers of real property and deliveries of materiel and services under logistical support agreements and otherwise; and

2.8.2.3.1.5. Deliveries of goods and services for foreign assistance reimbursed by the Agency for International Development (AID), Department of State, or from Funds Appropriated to the President.

2.8.2.3.2. This chapter requires that delivery data pertaining to Military Assistance Grant Aid be reported.

2.8.2.4. Special Transactions

2.8.2.4.1. Transfers. Transfers from Deposit Account 6500 (Advances Without Orders from Non-Federal Sources) and Clearing Account 3875 (Budget Clearing Account (suspense)) to other accounts must be included when recorded as a collection in deposit fund accounts or in applicable receipt (including miscellaneous receipt), appropriation, or other fund accounts. For example, a bid deposit of a successful purchaser of surplus, excess, foreign excess, scrap, or salvage will be recorded in IBOP at the time transferred to account 3845 (Proceeds of Sales, Personal Property). Treat returns of deposits to depositors as IBOP transactions. Exclude amounts initially recorded in these suspense accounts from IBOP reporting requirements.

2.8.2.4.2. Settlements. Treat offsetting settlements between DoD accounts made in place of payments to, and collections from, a foreign government as IBOP transactions as if the transaction had been carried out with the foreign government.

2.8.2.4.3. Outlays. Report DoD outlays in support of Other Assistance Grant Aid.

2.8.3. Transactions Not Entering the IBOP. The following transactions do not enter the DoD reporting of IBOP:

2.8.3.1. Payments to and receipts from any DoD or other U.S. Government agency or activity, including any DoD nonappropriated fund or postal service activity, except special transactions noted in subparagraph 2.8.2.4;

2.8.3.2. All transfers between the DoD or other U.S. Government accounts, except those from Deposit Account 6500 and Clearing Account 3875, as noted in subparagraph 2.8.2.4.1;

2.8.3.3. Payments to foreign residents for goods produced in the United States if title is transferred within the United States. Include payments to the foreign resident when title is transferred to the United States if the goods were originally delivered to the foreign resident under the Foreign Military Sales program; and

2.8.3.4. Payments to foreign residents for goods produced abroad and imported into the United States when title is transferred to the U.S. Government after the goods are imported. Consider goods imported when they clear the U.S. Customs Service.

2.8.4. Identification of Transactions to Country or International Organizations

2.8.4.1. General. Identify transactions, except those relating to international organizations designated in ***SAMM Table C4.T2B***, generally to the country of residence of the payee or remitter, rather than the location of the DO. Identify transactions with international organizations not listed in SAMM Table C4.T2B to the country to which payment is sent or from which payment is received. In cases where country of residence cannot be determined, identify transactions as follows.

2.8.4.1.1. Cash. Code payments or collections by cash to the country in which disbursed or collected.

2.8.4.1.2. Check. Code payments or collections by check to the country to which check is sent or from which check is received.

2.8.4.1.3. Electronic. Code payments or collections by electronic transfer to the country to which transfer is sent or from which transfer is received.

2.8.4.2. Payments. Identify payments to the designated international organization or country of residence of the payee. More specifically, identify payments as follows.

2.8.4.2.1. Government-to-Government Payments. Identify all government-to-government payments to the country of the foreign government involved.

2.8.4.2.2. Foreign Corporations. Identify payments to foreign corporations and individuals to the country of residence.

2.8.4.2.3. U.S. Personnel Payments

2.8.4.2.3.1. U.S. Personnel Ashore. Code net pay to the foreign country to which payment is made or the check is addressed.

2.8.4.2.3.2. U.S. Personnel Afloat (Homeported Abroad). Code net pay to the foreign country to which payment is made or the check is addressed.

2.8.4.2.3.3. U.S. Personnel Afloat (U.S. Homeported). Code net pay as a U.S. payment. A statistical determination will be made, by country, of the expenditures ashore by these individuals.

2.8.4.2.3.4. Allotments of Pay. Allotments to individual persons will be identified to the country to which addressed. Identify all other allotments to the country of residence of the allottee.

2.8.4.2.3.5. Contributions. Identify U.S. Government and service member contributions (Federal Insurance Contributions Act, retirement, and health benefits) to the United States.

2.8.4.2.4. Retired and Survivors Pay. Identify the amount of the payment to the foreign country to which the check is mailed or payment is electronically transferred.

2.8.4.2.5. Foreign Nationals

2.8.4.2.5.1. Direct Hire of Foreign Nationals. Identify net pay to the foreign country, which employs the individual. In addition, identify the payment of all U.S. Government contributions, and the payments of all amounts withheld from the employee's pay, at the time of payment, to the country addressed.

2.8.4.2.5.2. Indirect Hire of Foreign Nationals. Identify payments under contracts for indirect hire of foreign nationals, including retirement accruals or separation allowances when paid, to the country addressed.

2.8.4.2.5.3. Foreign Nationals Aboard Ships. Identify net pay to the country in which the individual maintains his or her “home of record.” In addition, the payment of all U.S. Government contributions and payments of all amounts withheld from the employee's pay must be identified, at the time of payment, to the country to which addressed.

2.8.4.2.6. Construction and Services Performed Abroad Other Than Travel and Transportation. Identify payments for construction or services performed abroad to the country in which construction or service is performed, regardless of where the check is mailed.

2.8.4.2.7. Travel and Transportation

2.8.4.2.7.1. Transportation. Code payments for transportation of persons or things (trip requests, bills of lading, warrants, or cash) paid to a transportation company to the country of residence of the transportation company.

2.8.4.2.7.2. Travel Allowances. Code payments for per diem allowances, relocation allowances, and other incidental travel expenses, including transportation expenses or mileage allowances paid to individuals, according to the following guidance.

2.8.4.2.7.2.1. For permanent change of station (PCS), code to the country in which the greater part of the allowances was earned or expenses incurred. Code relocation allowances to the country to which the individual's family moves.

2.8.4.2.7.2.2. For TDY, code to the country in which the TDY was performed, except TDY performed aboard ship that must be coded to the United States. Where TDY is performed in several countries and it is not feasible to identify the per diem to each country, code the payment to the country in which the greater part of the allowances was earned.

2.8.4.2.8. Materiel, Supplies, and Equipment

2.8.4.2.8.1. Payments to a U.S. corporation for materiel, supplies (excluding petroleum products), and equipment acquired by a DoD Component abroad must be coded to the country where it is delivered or accepted by the DoD Component. Code payments to foreign contractors (excluding petroleum products) to the country of residence of the payee.

2.8.4.2.8.2. Identify payments to a U.S. or foreign corporation for petroleum products according to the following guidance.

2.8.4.2.8.2.1. Code the payment to the country shown as the product source in the "product source" clause of the contract under which the payment is made. If a region (e.g., the Caribbean or Persian Gulf) is shown rather than a country, code the payment to the country shown in section 9 of the ***DoD Form 250-1***, Tanker/Barge-Material Inspection and Receiving Report. If the product source cannot be established, it will be coded to the country where acquired by the DoD Component.

2.8.4.2.8.2.2. When the product source for petroleum is the United States, and the petroleum has been transported by the Military Sealift Command, or transported by commercial vessels directly to a DoD Component abroad, code the payment to the United States. If the petroleum is not consigned directly to a DoD Component, code the payment to the country where it is delivered and code the amount of the petroleum product and the transportation furnished by U.S. flag carriers as a return to the United States.

2.8.4.2.8.2.3. Code petroleum services, other than ocean transportation, to the country in which the service is performed.

2.8.4.2.9. NATO Infrastructure. In processing NATO Infrastructure and International Military Headquarters Payments for NATO infrastructure, refer to Enclosure 2 of ***DoD Directive 2010.5***, "The NATO Security Investment Program," for eligible project types. Code such payments to the country or to the appropriate NATO command that is the recipient of the payment. Code payments to international military headquarters, including those located in the United States.

2.8.4.3. Deliveries and Collections

2.8.4.3.1. Materiel or Services. Code deliveries of materiel or services to the country or international organization to which the collection for that delivery must be identified. Code collections to the countries making payments. Code collections from international organizations to the international organization making payment.

2.8.4.3.2. Recipient Country. Code delivery transactions involving Military Assistance Grant Aid and reimbursement from AID, Department of State, or Funds Appropriated to the President to the recipient country or international organization.

2.8.4.4. Special Transactions

2.8.4.4.1. Balance of Payment Transactions. Transactions for Guam, Puerto Rico, the Commonwealth of the Northern Marianas, and the U.S. Virgin Islands must not be included in any summary totals of balance of payments transactions since transactions involving these areas do not enter the United States balance of payments. If a special report is requested for these areas, then apply country codes as appropriate.

2.8.4.4.2. Guantanamo Bay. Code transactions at Guantanamo Bay, other than pay of foreign nationals, as U.S. transactions not entering the IBOP. However, treat the pay of foreign nationals employed at Guantanamo Bay as IBOP transactions and code to their country of residence.

2.9 Entries for DoD Transactions Entering the IBOP – AR-1

2.9.1. Purpose. This format prescribes line items, columnar data, and line item identification (ID) codes used for reporting IBOP transactions in AR-1. This submission provides for summarizing DoD IBOP transactions under appropriation and category groupings.

2.9.2. General

2.9.2.1. Separate AR-1. Prepare a separate AR-1 for each foreign country and international organization listed in the GENC Standard and SAMM Table C4.T2B, as applicable, and for each foreign area grouping shown in Table 13-8. In addition, submit a separate AR-1 (a sample format of AR-1 is shown in Table 13-5; change "Quarter" to "Month" if reporting monthly) for Guam, Puerto Rico, the Commonwealth of the Northern Marianas, and the U.S. Virgin Islands. However, these transactions, and those for other U.S. possessions, must not be included in the subtotals for foreign area groupings or worldwide totals.

2.9.2.2. DoD Component. Each DoD Component must submit AR-1 electronically. Data on the electronic transfer submissions must carry the line item numbers for AR-1 precisely as shown in Table 13-10.

2.9.2.3. Assemble Reports. Documentation for countries without transaction data is not required when assembling supporting documentation for IBOP reporting.

2.9.2.4. Report Data. Report data for each line item entry listed in Table 13-10. To facilitate summarizing data, each line item entry must be identified by the same line ID Code shown in Table 13-10. Line items for which no amount is reported for the current quarter or cumulative columns must not be shown on the report.

2.9.2.5. Reporting Responsibilities. Data reported for all lines for transactions involving the FMF, Foreign Military Sales Program, BPC Program, IMET, Drawdowns, EDAs, and Military-to-Military Contact Programs are established under the SAMM, Chapter 1.

2.9.2.6. Dollar Collections. Report as dollar collections all collections of foreign currency not obtained by purchase with U.S. dollars, used for authorized expenditure purposes rather than deposited to Treasury FT accounts.

2.9.2.7. Trust Fund Expenditures. Treat refunds to foreign governments for Foreign Military Sales as trust fund expenditures. In the DoD balance of payment presentations, net such refunds against receipts rather than treated as expenditures on AR-l.

2.9.3. Line Entries - Descriptions and Codes. Line item ID codes, line item captions, and descriptions for AR-1 are shown in Table 13-10.

2.10 Entries for DoD Transactions Entering the IBOP – AR-2

2.10.1. Purpose. This format prescribes line items, columnar data, and line ID codes for reporting IBOP transactions in AR-2, i.e., financial data relating to DoD nonappropriated fund activities abroad. Use these data to develop amounts available for spending abroad by U.S. personnel.

2.10.2. General

2.10.2.1. Nonappropriated Fund Activities. Each reporting activity must include all nonappropriated fund activities under its command jurisdiction. When one activity serves more than one command in a given area, make local arrangements to have the data submitted through only one command, thus avoiding duplications (e.g., the Army and Air Force Exchange Service). Nonappropriated fund activities aboard ship must include only receipt and payment transactions abroad, which are included with activities ashore and enter the IBOP.

2.10.2.2. Submit Separate Reports. The reporting activities must submit separate reports for the following:

2.10.2.2.1. Exchange Service Operations, and

2.10.2.2.2. Other Nonappropriated Fund Activities.

2.10.2.3. Payments and Receipts. These reports must include only payments and receipts affecting nonappropriated funds. Exclude payments and receipts from appropriated funds used in operating a nonappropriated fund activity.

2.10.2.4. Reported Quarter. Amounts shown in the report must cover the reported quarter. Change "Quarter" to "Month" if reporting monthly.

2.10.2.5. Schedules. Submit separate schedules for the Navy and Marine Corps.

2.10.3. Line Entries - Descriptions and Codes. Line ID codes, line item captions, and descriptions for AR-2 are shown in Table 13-11.

2.11 Entries for DoD Transactions Entering the IBOP - AR-3

2.11.1. Purpose. This format prescribes line items, columnar data, and line ID codes used for reporting IBOP transactions in AR-3, i.e., financial data relating to military postal services to individuals. Use these data to develop the amounts available for spending abroad by U.S. personnel.

2.11.2. General

2.11.2.1. MPSA. Submit one report to cover all MPSA operations, excluding FPO operations aboard ship.

2.11.2.2. Payments and Receipts. Exclude from the report payments and receipts of appropriated funds used for operating expenses of MPSA facilities.

2.11.2.3. Agencies and Activities. Exclude sales to or receipts from federal agencies and activities and DoD-sponsored nonappropriated fund activities.

2.11.2.4. Reported Quarter. The amounts shown in the report must cover the reported quarter only and will be noncumulative. Change "Quarter" to "Month" if reporting monthly.

2.11.3. Line Entries – Description and Codes. Line ID codes, line item captions, and descriptions for AR-3 are shown in Table 13-12.

3.0 INTERMEDIATE/INSTALLATION-LEVEL REPORTING REQUIREMENTS

Each DFAS site develops and monitors the reporting requirements, at the intermediate or installation level, for its IBOP reporting. Consistently apply reporting formats for the intermediate or installation levels in accordance with the requirements outlined in paragraphs 2.1 through 2.11.

Table 13-1. Edit and Validation Rules for Submitting IBOP Data to the Department of Commerce

The following includes the record edit and validation rules that apply to all transaction data records submitted on IBOP transactions.

Data Record Position(s)	Description of Item	Rules
1	Coded Report No.	Must be 1, 2, or 3
2	Coded Report No.	Must be blank except for Accounting Report 2
3-4	Fiscal Year (FY)	Must be numeric
5	Quarter of FY	Must be 1, 2, 3, or 4
6	Dept. Code	Must be an alpha character shown in Table 13-13
7-8	Country or Organizational Code	Position 7 must be alpha. Position 8 must be alpha/numeric (A/N). Cannot be blank (GENC Standard and SAMM Table C4.T2B).
9-14	Line ID No.	May be alpha, numeric, or A/N
15-21	$ Amount this Qtr. ("Month" if reporting monthly.)	Must be numeric
22-25	Main Account	Must be numeric
26-29	Blank	Must be blank
30	Reserved	Must be blank
31	Data Originator	Blank except for AR-1
32-80	Blank	Must be blank

Table 13-2. Record Format Accounting Report 1

Data Record Position(s)	Alphabetic (A) or Numeric (N) or (A/N)	Description of Item	Special Instructions
1	N	Coded Report No.	Must be 1
2	Blank	Blank	Blank
3-4	N	Fiscal Year (FY)	Last 2 digits
5	N	Quarter of FY	Must be 1, 2, 3, or 4
6	A	Dept. Code	Table 13-13
7-8	A	Country or Organizational Code	GENC Standard and SAMM Table C4.T2B
9-14	A/N	Line ID No.	Table 13-10
15-21	N	$ Amount this Qtr. "Month" if reporting monthly.	Rounded to the nearest thousand. Place a zero in vacant high order position(s).
22-25	N	Main Account	
26-29	Blank	Blank	Blank
30		Reserved	
31	A	Data Originator	Table 13-13
32-80	Blank	Blank	Blank

Table 13-3. Record Format Accounting Report 2

Data Record Position(s)	Alphabetic (A) or Numeric (N) or (A/N)	Description of Item	Special Instructions
1	N	Coded Report No.	Must be 2
2	N	Coded Report No.	Must be 1 or 2(*)
3-4	N	Fiscal Year (FY)	Last 2 digits
5	N	Quarter of FY	Must be 1, 2, 3, or 4
6	A	Dept. Code	Table 13-13
7-8	A	Country or Organizational Code	GENC Standard and SAMM Table C4.T2B
9-14	A/N	Line ID No.	Table 13-11
15-21	N	$ Amount this Qtr. "Month" if reporting monthly.	Rounded to the nearest thousand. Place a zero in vacant high order position(s).
22-80	Blank	Blank	Blank

(*) Must be 21 on Submission for Exchange Service Operations.
(*) Must be 22 on Submission for Other Nonappropriated Fund Activities

Table 13-4. Record Format Accounting Report 3

Data Record Position(s)	Alphabetic (A) or Numeric (N) or (A/N)	Description of Item	Special Instructions
1	N	Coded Report No.	Must be 3
2	Blank	Blank	Blank
3-4	N	Fiscal Year (FY)	Last 2 digits
5	N	Quarter of FY	Must be 1, 2, 3, or 4
6	A	Dept. Code	Table 13-13
7-8	A	Country or Organizational Code	GENC Standard and SAMM Table C4.T2B
9-14	A/N	Line ID No.	Table 13-12
15-21	N	$ Amount this Qtr. "Month" if reporting monthly.	Rounded to the nearest thousand. Place a zero in vacant high order position(s).
22-80	Blank	Blank	Blank

Table 13-5. Sample Accounting Report 1

DoD INTERNATIONAL BALANCE OF PAYMENTS ACCOUNTING REPORT 1 FOR QUARTER ENDING_____			
LINE ID NUMBER	**LINE ITEM DESCRIPTION**	**CURRENT QUARTER**	**FISCAL YEAR TO DATE**
	(See instructions for each line item in Table 13-10)		

Table 13-6. Sample Accounting Report 2

DEPARTMENT OF DEFENSE INTERNATIONAL BALANCE OF PAYMENTS
NONAPPROPRIATED FUND TRANSACTIONS
(Thousands of Dollars)

DEPARTMENT/AGENCY:_____ _____
EXCHANGE/OTHER

QUARTER ENDING:_____

Page _____ of _____ Pages

Country	Sales	Other Revenues	Total Receipts	Net Pay U.S. Personnel	Gross Pay Foreign Nationals	Foreign Payments For Procurement of Merchandise for Resale	Other Foreign Payments	Total Foreign Payments	Net Excess of Payments or Receipts	Memo: Payments in Excess & Near Excess Foreign Currency	Memo: Net Accommodation Sales (Foreign Currency)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
TOTAL											

Table 13-7. Sample Accounting Report 3

DEPARTMENT OF DEFENSE INTERNATIONAL BALANCE OF PAYMENTS

MILITARY POSTAL SERVICE AGENCY TRANSACTIONS

DEPARTMENT_____

Page ____ of ___ Pages

	RECEIPTS			PAYMENTS		
Country	Meter/Postage Validation Imprinter Sales	Stamp Sales	Money Order Sales	Money Order Fees	Money Orders Cashed	Net Sales
(1)	(2)	(3)	(4)	(5)	(6)	(7)
TOTAL						

Table 13-8. Geographical Areas, Countries, and International Organizations to be Used in Preparing IBOP Accounting Reports

This table lists the countries and geographical areas to be shown in the IBOP reports. Alternatively, each country having an IBOP transaction (not only those shown in this enclosure) may be listed alphabetically followed by the area totals (A through E) and the "Grand Total."

A. Western European Countries and International Organizations

1. Austria
2. Belgium/Luxembourg
3. Bosnia/Herzegovina
4. Croatia
5. Denmark (include Greenland)
6. France
7. Germany (Unified)
8. Greece (includes Crete)
9. Iceland
10. Italy (includes Sicily)
11. Netherlands
12. Norway
13. Portugal
14. Spain
15. Switzerland
16. Turkey
17. United Kingdom
18. Other Western European Countries and International Organizations

Total Western Europe

B. Japan

C. Canada

(continued on following page)

Table 13-8. Geographical Areas, Countries, and International Organizations to be Used in Preparing IBOP Accounting Reports (Continued)

D. Other Countries

1. Australia
2. Bahrain
3. Bermuda
4. China, Republic of (Taiwan)
5. Korea, Republic of
6. Morocco
7. Netherlands Antilles
8. Pakistan
9. Republic of the Philippines
10. Saudi Arabia
11. Thailand
12. Trinidad and Tobago
13. Venezuela
14. Vietnam
15. Other American Republic
16. Other (all other countries not elsewhere listed)

Total Other Countries

E. Other International Organizations

1. South East Asia Treaty Organization Military Headquarters
2. United Nations
3. Other

Total Other International Organizations

F. GRAND TOTAL (World Wide)

Table 13-9. Glossary of ADP Terms

Term	Definition
Accounting Reports	The series of reports specifically referenced in this chapter.
0	The representation of numeric zero unless it is otherwise specified.
Zero Fill Unused High Order Positions	Fill assigned field spaces to the left of the most significant numeric digit in ALL $ Amount fields. May also be expressed as "Right Justify."
BLANK	Shown on record formats to indicate a blank space in a record.
FY	Fiscal Year (FY)
PY	Prior FY
CY	Current FY. If the current FY is FY 2017, the PY is FY 2016, and the CY is FY 2017.
Line ID No.	As used in this Regulation, a special six (6) digit alpha/numeric code used ONLY for IBOP reporting to identify an exact line item in a report.
QTR	Numeric quarter of the FY. Must be 1, 2, 3, or 4.

Table 13-10. Line Item Captions and Descriptions Accounting Report 1

LINE ITEM ID CODES	LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1
	A. Payments
	1. Pay, U.S. Personnel - This includes payments to U.S. personnel for "net pay" as defined in subparagraph 2.3.16, PCS and TDY travel expenses, dislocation allowances for which the individual is reimbursed, and claims paid to U.S. personnel. Enter payments on the line indicating the appropriation cited in the voucher. Use other lines under this heading to record adjustments to payments to U.S. personnel to arrive at the amount of pay available for spending on the local economy.
01A000	a. Military Personnel, Reserve Personnel, and National Guard Personnel (Including afloat personnel homeported abroad)
01A020	b. Printing and Reproduction, Civilian Personnel
01B000	c. Operation and Maintenance (O&M), Civilian Personnel
01C000	d. Military Construction, Civilian Personnel
01D000	e. Family Housing Construction, Civilian Personnel
01E000	f. Military Assistance Appropriations and Funds, Civilian Personnel
01F000	g. Other Appropriations and Funds, Civilian Personnel
	h. Total Net Pay, U.S. Personnel - Enter the sum of lines A.1.a. through A.1.g.
	i. Travel Payments to U.S. Personnel Stationed Abroad (See subparagraph 2.8.4.2.7)
01H010	(1) Travel Payments to Military Personnel, Reserve Personnel, and National Guard Personnel Stationed Abroad
01H020	(2) Total Subsistence and Per Diem
01H030	(3) Travel Payments to Other U.S. Personnel Stationed Abroad.
	(4) Total Travel Payments to U.S. Personnel Stationed Abroad - Enter the sum of lines A.l.i.(l) through A.1.i.(3).
01I000	j. Travel Payments to U.S. Personnel Stationed in the United States.
	k. Expenditures by U.S. Personnel at Foreign Non-Duty Locations
01J010	(1) Expenditures Ashore by U.S. Personnel Afloat with Homeports in the United States. Report the amounts as determined by current personnel surveys and other statistical methods. The basis used by the reporting DoD Component for developing data for each country will be provided annually to Department of Commerce upon request.
01J020	(2) Reserved

Table 13-10. Line Item Captions and Descriptions Accounting Report 1 (Continued)

LINE ITEM ID CODES	LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1
01J030	(3) Expenditures by U.S. Personnel on Rest and Recuperation (R&R) Leave - Report the amounts spent by U.S. Personnel while on R&R at locations outside the country in which they are assigned. Positive entries (+) will be used for countries where the individual is on R&R, and negative entries (-) will be used to reflect the adjustment to the "Pay Available for Spending" in the country in which the individual is stationed.
0lK000	l. Deposits (Savings)
01L000	m. Claims, Defense Personnel - (Excluding death gratuities)
	n. Nonappropriated Fund Transactions
01M010	(1) Exchange Service Money Orders - Enter the total amount of money order sales and fees.
01M020	(2) Other Nonappropriated Funds - Enter the net increase (-) or decrease (+) in column (10) of AR-2. (Table 13-6)
	(3) Total Nonappropriated Fund Transactions - Enter the sum of lines A.l.n.(1) and A.1.n.(2).
01N000	o. MPSA Transactions - Enter the net increase (-) or decrease (+) in column 7 of AR-3 (Table 13-7) (reported only by Defense Postal Service).
	p. Less Receipts from U.S. Personnel (-)
01O010	(1) Commissary Store Sales to Individuals - (Excluding collections from nonappropriated funds)
01O020	(2) Other Sales to Individuals - This includes laundry, dry-cleaning, and family housing management funds, sales of meals to individuals and dependents, clothing store sales, and sales of gasoline coupons.
	(3) Total Receipts from U.S. Personnel - Enter the sum of lines A.l.p.(1) and A.1.p.(2).
	q. Civilian Pay & Benefits
01Q000	(1) Full-Time Civilian Pay & Benefits
01Q010	(2) Other Civilian Pay & Benefits
01Q020	(3) Insurance Claims, Indemnities, and Refunds
	(4) Total Civilian Pay & Benefits – Enter the sum of lines A.1.q.(1) through A.1.q.(3).
	r. Total Pay Available for Spending - Enter the sum of line A.1.h., line A.1.i.(4), line A.1.j., lines A.1.k.(1) thru A.1.k.(3), line A.1.l., line A.1.m., line A.1.n.(3), line A.1.o., less line A.1.p.(3), plus line A.1.q.(4).
	2. Direct Hire Foreign Nationals - This includes the total gross pay of foreign nationals from appropriations and funds as defined in subparagraph 2.3.9.

Table 13-10. Line Item Captions and Descriptions Accounting Report 1 (Continued)

LINE ITEM ID CODES	LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1
02A000	a. O&M, Direct Hire Foreign Nationals
02B000	b. Military Assistance Appropriations and Funds, Direct Hire Foreign Nationals
02C000	c. Military Construction Appropriations and Family Housing, Direct Hire Foreign Nationals
02D000	d. Other Appropriations and Funds, Direct Hire Foreign Nationals
	e. Total Direct Hire Foreign Nationals - Enter the sum of lines A.2.a. through A.2.d.
	3. Indirect Hire Foreign Nationals - This includes the total gross pay of indirect hire of foreign nationals from appropriations and funds as defined in subparagraph 2.8.4.2.5.2.
03A000	a. O&M, Indirect Hire Foreign Nationals
03B000	b. Military Assistance Appropriations and Funds, Indirect Hire Foreign Nationals.
03C000	c. Military Construction Appropriations and Family Housing, Indirect Hire Foreign Nationals.
03D000	d. Other Appropriations and Funds, Indirect Hire Foreign Nationals
	e. Total Indirect Hire Foreign Nationals - Enter the sum of lines A.3.a. through A.3.d.
	4. Materials, Supplies, and Equipment - This includes total payments for material identified to object classes 26 and 31 from appropriations and funds and the amount of returns to the United States. This excludes military construction and major procurement.
	a. Subsistence
04A010	(1) Military Personnel
04A020	(2) Stock Funds
	(3) Subtotal - Enter the sum of lines A.4.a.(1) and A.4.a.(2).
	(4) Less Returns to United States (-)
04A04A	(a) U.S. End Products
04A04B	(b) U.S. Services
04A04C	(c) U.S. Transportation
	(d) Total Returns - Enter the sum of lines A.4.a.(4)(a) through A.4.a.(4)(c).
	(5) Total Subsistence - Enter the net of lines A.4.a.(3) and A.4.a.(4)(d).
	b. POL - (Petroleum, oil, and lubricants) (Including product transportation, storage and handling)

Table 13-10. Line Item Captions and Descriptions Accounting Report 1 (Continued)

LINE ITEM ID CODES	LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1
04B010	(1) O&M, POL
04B020	(2) Stock Funds, POL
04B030	(3) Industrial Funds and Other, POL
	(4) Subtotal - Enter the sum of lines A.4.b.(1) through A.4.b.(3).
	(5) Less Returns to United States (-)
04B05A	(a) U.S. End Products
04B05B	(b) U.S. Services
04B05C	(c) U.S. Transportation
	(d) Total Returns - Enter the sum of lines A.4.b.(5)(a) through A.4.b.(5)(c).
	(6) Total POL – Enter the net of line A.4.b.(4) and A.4.b.(5)(d).
	c. Offshore Procurement
04C010	(1) Procurement – Aircraft
04C020	(2) Procurement – Missiles
04C030	(3) Procurement – Ships
04C040	(4) Procurement – Combat Vehicles
04C050	(5) Procurement – Tactical & Support Vehicles
04C060	(6) Procurement – Weapons
04C070	(7) Procurement – Ammunition
04C080	(8) Procurement – Communication Equipment
04C090	(9) Procurement – Other Support Equipment
04C100	(10) Procurement – Supplies
	(11) Subtotal – Enter the sum of lines A.4.c.(1) through A.4.c.(10)
	(12) Less: Returns to United States (-)
04C12A	(a) U.S. End Products
04C12B	(b) U.S. Services
04C12C	(c) U.S. Transportation
	(d) Total Returns - Enter the sum of lines A.4.c.(12)(a) through A.4.c.(12)(c).
	(13) Total Offshore Procurement – Enter the net of lines A.4.c.(11) and A.4.c.(12)(d).
	d. Other Materials, Supplies, and Equipment
04D010	(1) O&M, Other Materials, Supplies, and Equipment
04D020	(2) Research, Development, Test, and Evaluation (RDT&E)
04D030	(3) Military Assistance Appropriations and Funds, Procurement other than Offshore Procurement from line A.4.c.(13)
04D040	(4) Stock Funds, Other Materials, Supplies, and Equipment

Table 13-10. Line Item Captions and Descriptions Accounting Report 1 (Continued)

LINE ITEM ID CODES	LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1
04D050	(5) Other Appropriation and Funds - (Excluding Military Construction Material and Major Procurement)
	(6) Subtotal – Enter the sum of lines A.4.d.(1) through A.4.d.(5)
	(7) Less: Returns to United States (-)
04D07A	(a) U.S. End Products
04D07B	(b) U.S. Services
04D07C	(c) U.S. Transportation
	(d) Total Returns - Enter the sum of lines A.4.d.(7)(a) through A.4.d.(7)(c).
	(8) Total Other Materials, Supplies, and Equipment - Enter the net of lines A.4.d.(6) and A.4.d.(7).d.
	e. Total Materials, Supplies, and Equipment - Enter the sum of lines A.4.a.(5), A.4.b.(6), A.4.c.(13), and A.4.d.(8).
	5. Major Procurement - Report all procurement charged to Major Procurement Appropriations under the following categories, including transportation and services (A.5.a. through A.5.e.).
05A000	a. Aircraft and Related Equipment and Spares
05B000	b. Missiles and Related Equipment and Spares
05C000	c. Shipbuilding and Related Equipment and Spares
05D000	d. Ground Electronics and Related Equipment and Spares
05E000	e. Other - Major Procurement
	f. Subtotal – Enter the sum of lines A.5.a. through A.5.e.
	g. Less: Returns to United States (-)
05G010	(1) U.S. End Products
05G020	(2) U.S. Services
05G030	(3) U.S. Transportation
	(4) Total Returns - Enter the sum of lines A.5.g.(1) through A.5.g.(3).
	h. Total Major Procurement - Enter the net of lines A.5.f. and A.5.g.(4).
	6. Construction - Report payments to foreign contractors and U.S. contractors for foreign construction projects charged to the appropriations listed and payments for construction material charged to the Military Construction and Family Housing Appropriations. Include all payments for services charged to Military Construction and Family Housing Construction Appropriations.
	a. Foreign Contractors
06A010	(1) Military Construction

Table 13-10. Line Item Captions and Descriptions Accounting Report 1 (Continued)

LINE ITEM ID CODES	LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1
06A020	(2) Family Housing, Defense Construction
06A030	(3) Military Assistance Appropriations and Funds, Construction, Foreign Contractors
06A040	(4) Counterpart Foreign Currency Payments
	(5) Subtotal – Enter the sum of lines A.6.a.(1) through A.6.a.(4).
	(6) Less: Returns to the United States (-)
06A06A	(a) U.S. End Products
06A06B	(b) U.S. Services
06A06C	(c) U.S. Transportation
	(d) Total Returns - Enter the sum of lines A.6.a.(6)(a) through A.6.a.(6)(c).
	(7) Total Construction Foreign Contractors - Enter the net of lines A.6.a.(5) and A.6.a.(6)(d).
	b. U.S. Contractors
06B010	(1) Military Construction
06B020	(2) Family Housing, Defense Construction
06B030	(3) Military Assistance Appropriations and Funds, Construction, U.S. Contractors
06B040	(4) Counterpart Foreign Currency Payments
	(5) Subtotal - Enter the sum of lines A.6.b.(1) through A.6.b.(4).
	(6) Less: Returns to United States
06B06A	(a) U.S. End Products
06B06B	(b) U.S. Services
06B06C	(c) U.S. Transportation
	(d) Total Returns - Enter the sum of lines A.6.b.(6)(a) through A.6.b.(6)(c).
	(7) Net Payments to U.S. Contractors for Construction - Enter the net of lines A.6.b.(5) and A.6.b.(6)(d).
	c. Construction Material - This includes the procurement of material, supplies, and equipment acquired for foreign construction projects. Report government-furnished material provided to contractors, procured abroad with construction funds when the material is purchased.
06C010	(1) Military Construction
06C020	(2) Family Housing, Defense Construction Categories
	(3) Subtotal - Enter the sum of lines A.6.c.(1) and A.6.c.(2).
	(4) Less: Returns to United States (-)
06C04A	(a) U.S. End Products
06C04B	(b) U.S. Service
06C04C	(c) U.S. Transportation

Table 13-10. Line Item Captions and Descriptions Accounting Report 1 (Continued)

LINE ITEM ID CODES	LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1
	(d) Total Returns - Enter the sum of lines A.6.c.(4)(a) through A.6.c.(4)(c).
	(5) Net Payments for Construction Material – Enter the net of lines A.6.c.(3) and A.6.c.(4)(d).
	d. NATO Infrastructure
06D000	(1) Foreign Military Sales – Land and Structures
06D010	(2) NATO Infrastructure
06D020	(3) NATO Air Defense Ground Environment
	(4) Total NATO Infrastructure - Enter the sum of lines A.6.d.(1) through A.6.d.(3).
	e. Total Construction - Enter the sum of lines A.6.a.(7), A.6.b.(7), A.6.c.(5), and A.6.d.(4).
	7. Transportation - Report payments to foreign carriers for transportation of individuals or transportation of household goods and materiel, including those furnished on U.S. Government bills of lading, travel requests, and similar documents charged to the following appropriations and funds, excluding amounts reported under POL and subsistence stock funds.
07A000	a. Military Personnel, Reserve Personnel, and National Guard Personnel
07B000	b. O&M, Transportation
07C000	c. Military Assistance Appropriations and Funds, Transportation
07D000	d. Other Appropriations and Funds, Transportation
	e. Subtotal – Enter the sum of lines A.7.a. through A.7.d.
	f. Less: Returns to United States (-)
07F010	(1) U.S. End Products
07F020	(2) U.S. Services
07F030	(3) U.S. Transportation
	(4) Total Returns – Enter the sum of lines A.7.f.(1) through A.7.f.(3).
	g. Total Transportation - Enter the net of lines A.7.e. and A.7.f.(4).
	8. Services - Report payments for services performed overseas, including real property maintenance, repair, and minor construction (Object classes 23, 24, and 25, excluding indirect hire, foreign nationals) from the following appropriations and funds.
	a. Foreign Contractors
	(1) O&M
08A01A	(a) Rents, Communications, and Utilities

Table 13-10. Line Item Captions and Descriptions Accounting Report 1 (Continued)

LINE ITEM ID CODES	LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1
08A01B	(b) Contract Maintenance of Equipment and Related Payments
08A01C	(c) Real Property Maintenance, Repair, and Minor Construction
08A01D	(d) Other O&M
	(e) Total Services, Foreign Contractors, O&M - Enter the sum of lines A.8.a.(1)(a) through A.8.a.(1)(d).
08A020	(2) RDT&E
08A030	(3) Military Assistance Appropriations and Funds, Services, Foreign Contractors
08A040	(4) Other Appropriations and Funds, Services, Foreign Contractors
	(5) Subtotal – Enter the sum of lines A.8.a.(1)(e) and A.8.a.(2) through A.8.a.(4).
	(6) Less: Returns to United States (-)
08A06A	(a) U.S. End Products
08A06B	(b) U.S. Services
08A06C	(c) U.S. Transportation
	(d) Total Returns – Enter the sum of lines A.8.a.(6)(a) through A.8.a.(6)(c).
	(7) Total Payments to Foreign Contractors for Services - Enter the net of lines A.8.a.(5) and A.8.a.(6)(d).
	b. U.S. Contractors
	(1) O&M
08B01A	(a) Real Property Maintenance, Repair, and Minor Construction
08B01B	(b) Other O&M
	(c) Total Services, U.S. Contractors, O & M - Enter the sum of lines A.8.b.(1)(a) and A.8.b.(1)(b).
08B020	(2) RDT&E
08B030	(3) Military Assistance Appropriations and Funds, Services, U.S. Contractors
08B040	(4) Other Appropriations and Funds, Services, U.S. Contractors
	(5) Subtotal - Enter the sum of lines A.8.b.(1)(c) and A.8.b.(2) through A.8.b.(4).
	(6) Less: Returns to United States (-)
08B06A	(a) U.S. End Products
08B06B	(b) U.S. Services
08B06C	(c) U.S. Transportation
	(d) Total Returns - Enter the sum of lines A.8.b.(6)(a) through A.8.b.(6)(c).
	(7) Net Payments to U.S. Contractors for Services - Enter the net of lines A.8.b.(5) and A.8.b.(6)(d).

Table 13-10. Line Item Captions and Descriptions Accounting Report 1 (Continued)

LINE ITEM ID CODES	LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1
	c. Net Payments to U.S. and Foreign Contractors for Services - Enter the sum of lines A.8.a.(7) and A.8.b.(7).
	9. Grants to Foreign Entities - Report cash grants paid from the following appropriations and funds. Exclude grants under Military Assistance Grant Aid authorized by the Arms Export Control Act (AECA) of 1976, as amended.
09A000	a. RDT&E
09B000	b. Reserved
09C000	c. Other Appropriations and Funds
	d. Total Grants to Foreign Entities - Enter the sum of lines A.9.a. through A.9.c.
	10. Other Payments - Report all other payments made abroad, not elsewhere classified.
10A000	a. O&M
10A020	b. O&M, Army
	c. Military Assistance Appropriations and Funds
10B010	(1) International Military Headquarters (Project R 1)
10B020	(2) Other Military Assistance Appropriations and Funds
	(3) Subtotal - Enter the sum of lines A.10.c.(1) and A.10.c.(2).
10B040	(4) Weapons Production Program - (Project R 5 0)
10B050	(5) Research and Development - (Projects P 1 0 and P 2 0)
	(6) Total Other Payments, Military Assistance - Enter the sum of lines A.10.c.(3), A.10.c.(4) and A.10.c.(5).
10C000	d. Retired Pay, Defense - Report payments to retired personnel living abroad.
10D000	e. Other Claims - Report claims, including death gratuities, other than personnel claims (Code 01L000).
10E000	f. Counterpart Foreign Currency Payments
10F000	g. Other Appropriations and Funds
	h. Subtotal – Enter the sum of lines A.10.a., A.10.b., A.10.c.(6), and A.10.d. through A.10.g.
	i. Less: Returns to United States (-)
10H010	(1) U.S. End Products
10H020	(2) U.S. Services
10H030	(3) U.S. Transportation
	(4) Total Returns – Enter the sum of lines A.10.i.(1) through A.10.i.(3).

Table 13-10. Line Item Captions and Descriptions Accounting Report 1 (Continued)

LINE ITEM ID CODES	LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1
	j. Total Other Payments - Enter the net of lines A.10.h. and A.10.i.(4).
110000	11. FT Accounts - Enter all payments from FT accounts for which management responsibility has been delegated to the DoD. The amounts reported on this line must be consistent with the total of all FT accounts reported on the Statement of Transactions and Accountability for the same period.
	12. Summary
	a. Total Payments - Enter the sum of lines A.1.r., A.2.e., A.3.e., A.4.e., A.5.h., A.6.e., A.7.g., A.8.c., A.9.d., A.10.j. and A.11.
12B000	b. Reserved
12C000	c. Reserved
12D000	d. Less: Payments Reimbursable from AID, Department of State, or Funds Appropriated to the President - Enter the amount as a negative (-).
12E000	e. Less: Fines, Penalties, and Forfeitures
12F000	f. Less: Interest & Dividends
	g. Total Net Payments - Enter the net of line A.12.a. and lines A.12.b. through A.12.f.
	B. Collections
	13. Collections for DoD Cash Sales
13A000	a. Foreign Military Sales Trust Fund, Account 8242 - (Excludes reimbursements for prior expenditures from Account 8242)
13B000	b. Less: Refunds to the account of foreign governments from Foreign Military Sales Account 8242 - Enter the amount as a negative (-).
13C000	c. Military Assistance Appropriations, Accounts 11X1080, 11X1081, 11X1088, and 11X4116
13D000	d. Other Sales Accounts
13E000	e. Other Collections for DoD Cash Sales
	f. Total Collections for DoD Cash Sales - Enter the sum of lines B.13.a. through B.13.e.
140000	14. Advances from Foreign Countries on Sale Agreements - This line applies only to sales under long-term credits where an advance has been received this period. It does not apply to cash sales.

Table 13-10. Line Item Captions and Descriptions Accounting Report 1 (Continued)

LINE ITEM ID CODES	LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1
	15. Repayment of Loans - Enter repayments of principal on Foreign Military Sales loans and Other DoD Loans.
15A000	a. Collection of Principal Miscellaneous Receipt Account Treasury Account 2968
15B000	b. Liquidation of Foreign Military Sales Trust Fund Account
15C000	c. Collections for Guaranty Reserve Fund 11X4121
15D000	d. Reserved
15E000	e. Reserved
15F000	f. Ryukyu Islands Power System
	g. Total Repayment of Loans - Enter the sums of lines B.15.a. through B.15.f.
	16. Joint Weapons Production and Exchange Agreements - Enter collections resulting from transactions under this program.
16A000	a. Reserved
16B000	b. Other
	c. Total Collections for Joint Weapons Production and Exchange Agreements - Enter the sum of lines B.16.a. and B.16.b.
170000	17. Contributed Currencies - Report currencies contributed by foreign governments that reimburse the U.S. Government for operating costs of MAAGs and Missions. See Volume 12, Chapter 24: "Burdensharing and Overseas Relocation Contributions By Foreign Allies."
180000	18. Collections for Sales by Property Disposal Officers - Report collections and reimbursements for all sales of surplus, excess, foreign excess, scrap, salvage, timber and lumber products, sold overseas, including the bid deposits of successful bidders recorded in: Accounts from Sales of Personal Property pursuant to exchange/sales requirements and industrial fund accounts. Exclude bid deposits recorded in Deposit Account 6500, Clearing Account 3875, and collections made directly into account 8242.
	19. Collections of Interest - Report the interest collected from foreign debtors on direct long-term credits, including fees and premiums on guaranteed loans, and other interest such as that collected on deposits in foreign banks and on advances.
190000	a. Interest Received from Loans & Financing Accounts

Table 13-10. Line Item Captions and Descriptions Accounting Report 1 (Continued)

LINE ITEM ID CODES	LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1
19A000	b. Miscellaneous Receipt Accounts - (Other than those shown in B.19.a., B.19.c., B.19.f., and B.19.g.)
19B000	c. Foreign Military Credit Sales, Account 1468
19C000	d. Foreign Military Sales Account 8242
19D000	e. FT accounts
19E000	f. Ryukyu Islands Power System Loan
19F000	g. Interest on Advances
	h. Total Collections of Interest - Enter the sum of lines B.19.a. through B.19.g.
200000	20. Collections for Deliveries of DoD Materiel and Services Billed Locally to Foreign Residents - Report collections for all logistical support or sales abroad at the amount billed and collected locally to foreign residents. Includes sales of foreign non-excess personal property and all services rendered.
210000	21. Collections for Deliveries Billed Centrally for Logistical Support - Report the amount of collections for all materiel and services billed centrally for logistical support furnished by a DoD Component to a foreign resident or international organization. Reported collections on this line are separate and apart from collections reported on line B.13. and will encompass all other arrangements for support of foreign country or international organization forces by the DoD Component.
220000	22. Collections for Loans and Leases of Aircraft, Vessels, and Other Equipment - Enter all reimbursements received for loan or lease of aircraft and vessels. Exclude collections for such transfers under Foreign Military Sales and Military Assistance Grant Aid - Enter all reimbursements received for loan or lease of aircraft and vessels. Exclude collections for such transfers under Foreign Military Sales and Military Assistance Grant Aid.
230000	23. Reserved
240000	24. Barter/Sales of Surplus Agricultural Products - Enter only in the worldwide summary report the amount paid to the Commodity Credit Corporation (CCC) representing barter sales of surplus agricultural products pursuant to a barter contract.
	25. Total Collections - Enter the sum of lines B.13.f., B.14., B.15.g., B.16.c., B.17., B.18., B.19.h., and B.20. through 24.

Table 13-10. Line Item Captions and Descriptions Accounting Report 1 (Continued)

LINE ITEM ID CODES	LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1
	C. Deliveries - Delivery data for the following categories will be prepared by appropriate agencies pursuant to the SAMM. Level of detail for each category and method of reporting will be established by agreement between the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) and the appropriate agency and will be implemented by the effective date of this Instruction.
260000	26. Reserved
270000	27. DoD Deliveries – Foreign Military Sales and Building Partner Capacity - Deliveries of materiel and services relative to direct sales authorized by the AECA of 1976, as amended, as indicated by the generic codes in Chapter 4 and Chapter 9 of the SAMM.
280000	28. Deliveries under Joint Weapons Production and Exchange Agreements - The value of components or services provided by the U.S. Government under weapons production programs and delivered to countries outside the United States by the categories stated in Chapter 11 of the SAMM.
	29. Interest - Do not report delivery data for interest.
	30. Deliveries by Property Disposal Officers - Do not report deliveries by Property Disposal Officers.
	31. Contributed Currencies - Do not report delivery data for contributed currencies.
	32. Deliveries of DoD Materiel and Services Billed Locally to Foreign Entities - Do not report deliveries of DoD materiel and services billed locally to foreign entities.
	33. Deliveries Billed Centrally for Logistical Support - Do not report deliveries billed centrally for logistical support.
	34. Transfers Without Reimbursement, Military Assistance Program (Grant Aid) - Transfers to foreign countries and international organizations as Military Assistance Grant Aid relative to the FAA of 1961, as amended, as indicated by the generic codes in Chapter 11 of the SAMM.
34A000	a. Special Drawdown Authority
34B000	b. EDA Program

Table 13-10. Line Item Captions and Descriptions Accounting Report 1 (Continued)

LINE ITEM ID CODES	LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1
34C000	c. Under International Treaties and Agreements
	35. Loans and Leases of Aircraft, Vessels, and Other Equipment - This includes the value at unit inventory prices as carried on the books of the DoD Component at centrally controlled management offices of equipment loaned or leased to foreign governments. It excludes transfers under Foreign Military Sales and Military Assistance Grant Aid.
35A000	a. Original Deliveries
35B000	b. Less: Returns of Aircraft, Vessels, and Other Equipment (-)
35C000	c. Net Loans and Leases of Aircraft, Vessels, and Other Equipment Enter the net of lines C.35.a. and C.35.b.
360000	36. Transfers of Real Property - This includes the transfer of land, buildings, utilities, and improvements, excluding leases, by a DoD Component to a foreign government or international organization, at the amount carried on the real property records. Refer to ***DoD Instruction 4165.14***, "Real Property Inventory and Forecasting."
370000	37. Joint Weapons Production and Exchange Agreements - This includes the value of end products furnished to the United States under joint weapons production and exchange agreements.
380000	38. Deliveries under Reimbursement from the AID, Department of State, or Funds Appropriated to the President - This includes the value of end items furnished to foreign governments.
	39. Outlays from Appropriations, Other Assistance Grant Aid - Include outlays from appropriations in support of other U.S. foreign assistance.
39A	a. Overseas Humanitarian, Disaster, and Civic Aid Defense (97 0819)
39A000	(1) Overseas Humanitarian, Disaster, and Civic Activities 97 0819 (Gross Appropriation Amount).
39A020	(2) Less: Returns to United States - (97 0819).
39B	b. Cooperative Threat Reduction Account, Defense (97 0134)
39B000	(1) Former Soviet Union Threat Reduction 97 0134 (Gross Appropriation Amount).
39B020	(2) Less: Returns to United States – (97 0134).
39C	c. Drug Interdiction and Counter-Drug Activities, Defense, in-country support only - Outlays from 97 0105 only for in-country support.

Table 13-10. Line Item Captions and Descriptions Accounting Report 1 (Continued)

LINE ITEM ID CODES	LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1
39C000	(1) Drug Interdiction and Counter-Drug Activities 97 0105 (Gross Appropriation Amount).
39C020	(2) Less: Returns to United States – (97 0105).
39D	d. Contingency Operations - Incremental costs collected by DFAS-Columbus under section 607 of the FAA of 1961, as amended.
39D000	(1) Contingency Operations – Incremental Costs Incurred (Gross Appropriation Amount).
39D020	(2) Less: Returns to United States
39E	e. Afghanistan Security Force Fund, Army (21 2091).
39E000	(1) Afghanistan Security Force Fund, Army 21 2091 (Gross Appropriation Amount).
39E020	(2) Less: Returns to United States
39F	f. Iraq Security Force Fund, Army (21 2092).
39F000	(1) Iraq Security Force Fund, Army 21 2092 (Gross Appropriation Amount).
39F020	(2) Less: Returns to United States
39G	g. Commander's Emergency Relief Program (21 2020 Project 13600000000).
39G000	(1) Commander's Emergency Relief Program 21 2020 Project 13600000000 (Gross Appropriation Amount).
39G020	(2) Less: Returns to United States
39H	h. Commander's Humanitarian Relief and Reconstruction Program (21 2020 Project 13619800000).
39H000	(1) Commander's Humanitarian Relief and Reconstruction Program 21 2020 Project 13619800000 (Gross Appropriation Amount).
39H020	(2) Less: Returns to United States
39I	i. Iraq Relief and Reconstruction Fund, Army (21 X 2089).
39I000	(1) Iraq Relief and Reconstruction Fund, Army 21 X 2089 (Gross Appropriation Amount).
39I020	(2) Less: Returns to United States
39J	j. Natural Resources Risk Remediation Fund, Defense (NRRRF) (97 X 0142).
39J000	(1) NRRRF 97 X 0142 (Gross Appropriation Amount).
39J020	(2) Less: Returns to United States
39K	k. Global Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Syndrome (AIDS) Initiative (19-97 x 1030) and Global Health and Child Survival (19-97 x 1031) 632a transfers.

Table 13-10. Line Item Captions and Descriptions Accounting Report 1 (Continued)

LINE ITEM ID CODES	LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1
39K000	(1) Global HIV/AIDS Initiative (19-97 1030) and Global Health and Child Survival (19-97 1031) 632a transfers (Gross Appropriation Amount).
39K020	(2) Less: Returns to United States
39L	l. Pakistan Counterinsurgency Fund, Army (21 2095).
39L000	(1) Pakistan Counterinsurgency Fund, Army 21 2095 (Gross Appropriation Amount).
39L020	(2) Less: Returns to the United States
400000	40. Military Gross Pay U.S. Personnel - This includes payments to U.S. personnel for “gross pay.”

Table 13-11. Line Item Captions and Descriptions Accounting Report 2

LINE ITEM ID CODES	LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 2
	1. Country (column 1) - List each country abroad according to the guidance provided by the CIA (see Geopolitical Entities, Names and Codes Standard and Table 13-8) for which there are nonappropriated fund transactions entering the IBOP. Show data for Puerto Rico and other U.S. territories and possessions separately following the "Total" line, but not included in "Total."
202XXX	a. Sales (column 2) - This includes receipts from the sales of merchandise and services, including commissions from concessionaires. It excludes concessionaire sales and receipts from any U.S. Government agency or activity.
203XXX	b. Other Revenues (column 3) - This includes such receipts as membership dues, chaplain's funds, and net receipts from bingo or slot machines.
	c. Total Receipts (column 4) - Enter the sum of the receipts shown in columns 2 and 3.
205XXX	d. Net Pay, U.S. Personnel (column 5) - This includes net pay of U.S. civilian personnel (part time or full time), and U.S. military personnel employed while off duty.
206XXX	e. Gross Pay, Foreign Nationals (column 6) - This includes gross pay of all direct or indirect hire, foreign nationals, as well as all payments to or on behalf of the foreign nationals.
207XXX	f. Foreign Payments for Procurement of Merchandise for Resale (column 7) - This includes foreign payments for merchandise purchases for resale. It excludes payments for purchases from any U.S. Government agency or activity other than to the CCC under barter agreements.
208XXX	g. Other Foreign Payments (column 8) - This includes other payments for operating expenses, construction, renovation, and equipment not included in columns 5, 6, and 7. It excludes payments to any U.S. Government agency or activity other than to the CCC under barter agreements.
	h. Total Foreign Payments (column 9) - Enter the sum of columns 5 through 8.
210XXX	i. Net Excess of Payments or Receipts (column 10) - Enter the net of column 4 and column 9. If the payments (column 9) are greater than the receipts (column 4), the difference will be shown as a positive figure. If the receipts (column 4) are greater than the payments (column 9), the differences will be shown as a negative figure. The entry is the same as that for line 01M020 in AR-l. (Table 13-5)

Table 13-11. Line Item Captions and Descriptions Accounting Report 2 (Continued)

LINE ITEM ID CODES	LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 2
211XXX	j. Payments in Excess and Near Excess Foreign Currency (column 11) -This includes payments included in all lines made in currencies of countries designated as excess or near excess currency countries. Include only those payments with currencies obtained from official U.S. sources, i.e., military DOs or U.S. Treasury DOs. Do not report any payments made with currencies obtained from commercial banks or other non-U.S. official sources.
212XXX	k. Net Accommodation Sales (Foreign Currency) (column 12) - Enter the net amount of accommodation sales of foreign currency to U.S. personnel in facilities operated by nonappropriated fund or exchange activities as a memorandum entry for each country. Include the total amount sold to individuals less purchases, if any, from individuals.

Table 13-12. Line Item Captions and Descriptions Accounting Report 3

LINE ITEM ID CODES	LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 3
	Country (column 1) – List each country abroad according to the guidance provided by the CIA (see Geopolitical Entities, Names and Codes Standard and Table 13-8) for which there are MPSA transactions entering the IBOP. Show data for Puerto Rico and other U.S. territories and possessions separately following the "Total" line, but not included in "Total."
301XXX	a. Meter/Postage Validation Imprinter Sales (column 2)
302XXX	b. Stamp Sales (column 3) - This includes sales to individuals
303XXX	c. Money Order Sales (column 4) - This includes sales to individuals, including fees. It excludes sales of international money orders.
304XXX	d. Money Orders Fees (column 5)
305XXX	e. Money Orders Cashed (column 6) - This includes cashed by individuals.
	f. Net Sales (column 7) - Enter the sum of columns 2 through 5, less column 6. If the payments (column 6) are greater than the receipts (columns 2 through 5), the differences will be shown as a negative figure. If the receipts (columns 2 through 5) are greater than the payments (column 6), the difference will be shown as a positive figure.

Table 13-13. DoD Component Identification Codes

The following is a list of standard codes identifying DoD Components.

DoD Component	Code
Department of the Army	A
Department of the Navy	N
Department of the Air Force	F
U.S. Marine Corps (code is M, but include with Navy)	M
Defense Contract Audit Agency	R
Defense Contract Management Agency	BL
Defense Information Systems Agency	K
Defense Intelligence Agency	L
Defense Logistics Agency	S
Defense Security Cooperation Agency	D
National Security Agency	U
Washington Headquarters Services, Budget and Finance Division	E

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 13 APPENDIX A: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 13 APPENDIX B: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 13 APPENDIX C: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 6A, CHAPTER 14: "DEPOT MAINTENANCE REPORTING"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated April 2020 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Completed administrative updates in accordance with the Department of Defense Financial Management Regulation Revision Standard Operating Procedures.	Revision
Addendum 1	Updated listing of Major Depot Maintenance Activities	Revision

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CHAPTER 14

DEPOT MAINTENANCE REPORTING

1.0 GENERAL

1.1 Purpose

1.1.1. The Department of Defense (DoD) maintains a core depot-level maintenance and repair capability in support of mission-essential weapon systems and other military equipment needed to directly support operational requirements and enable the armed forces to execute the strategic and contingency plans prepared by the Chairman of the Joint Chiefs of Staff. This chapter prescribes Depot Maintenance Cost System (DMCS) requirements that are necessary to provide a comprehensive accounting of DoD depot maintenance workloads.

1.1.2. The DoD Components must satisfy these requirements regarding reporting the accomplishment and status of DoD depot maintenance workloads in:

1.1.2.1. DoD depot maintenance facilities;

1.1.2.2. Private-sector facilities;

1.1.2.3. Other DoD and Federal Government facilities; and

1.1.2.4. State, local, and foreign government facilities.

1.2 Authoritative Guidance

These requirements apply to DoD depot maintenance workloads that the components identify pursuant to Title 10, United States Code, section 2466 (***10 U.S.C. § 2466***) under which DoD reports to Congress the respective depot maintenance workload levels in the public and private sectors.

2.0 COST DATA REQUIREMENTS

2.1 Scope

2.1.1. These requirements apply to all depot maintenance workloads, regardless of DoD funding source, e.g., Defense Working Capital Fund (DWCF), Research and Development, Procurement, General Purpose Forces, Special Operations Forces, Operation and Maintenance, or other appropriations; or non-DoD funding source, such as work done for private-sector customers or other federal, state, local, and foreign governments.

2.1.2. Additional guidance is provided in:

2.1.2.1. Addendum 1 – DoD Major Depot Maintenance Activities;

2.1.2.2. Addendum 2 – Reporting Activity Identifying Codes;

2.1.2.3. Addendum 3 – DMCS Input File;

2.1.2.4. Addendum 4 – Work Breakdown Structure Codes; and

2.1.2.5. Addendum 5 – Work Performance Category (WPC) Codes.

2.2 Cost Data Collection

The uniform recording, accumulation, and reporting of costs incurred in depot maintenance operations documents the use of DoD resources to assist management in the measurement of productivity and efficiency, development and use of performance measurement and cost standards, and identification of areas in need of increased management emphasis. In addition, the data will assist in the assessment of total DoD maintenance capability, duplication of capacity, and opportunities for areas of interservice support of maintenance workloads.

2.3 Managerial Use of Cost Data

Management requires depot maintenance information to assist in:

2.3.1. Developing inputs to meet Departmental and Congressionally-mandated requirements;

2.3.2. Comparing repair costs with replacement costs;

2.3.3. Overseeing the utilization of depot maintenance resources;

2.3.4. Evaluating budgets for customers and providers of depot maintenance;

2.3.5. Comparing cost trends among organic DoD depots and between organic and contract (private-sector) sources;

2.3.6. Formulating managerial direction and guidance for depot maintenance programs;

2.3.7. Evaluating depot maintenance activities for efficient use of resources;

2.3.8. Estimating depot maintenance requirements;

2.3.9. Monitoring DoD Component compliance with various Congressionally-mandated reporting requirements;

2.3.10. Examining the behavior of cost drivers over time; and

2.3.11. Identifying and evaluating total ownership costs.

2.4 Cost Definition

2.4.1. To ensure that all workloads are accounted for and reported in DMCS, regardless of funding source, reporting requirements have been stratified to facilitate reporting of total DoD costs, both funded and unfunded, for organic and contract depot maintenance. For DMCS reporting purposes:

2.4.2. Funded costs are those charged to the operating funds of the performing activity or the activity reporting contract depot maintenance. Funded costs are defined from the perspective of the activity performing the work or, in the case of contract maintenance, from the perspective of the program manager or administrator responsible for reporting contract costs. Costs incurred by a DWCF, or direct-funded organic activity in performance of reimbursable orders, are categorized as funded, as these costs are charged to the operating account of the performing activity. Funded costs at DoD organic activities normally include items such as payroll, operating materials, supplies, and services; and

2.4.3. Unfunded costs are costs financed by a DoD appropriation, activity, or entity other than that of the performing activity, or the reporting activity in the case of contract depot maintenance. In other words, financial responsibility resides with an entity other than the DMCS reporting unit. Material, such as a modification kit or other Government-furnished material financed by a procurement appropriation not available to the performing activity, is an unfunded cost. For a direct-funded activity, depreciation of plant and equipment financed by procurement appropriations and facilities maintenance financed by a regional command are examples of unfunded costs.

3.0 REPORTING REQUIREMENTS

3.1 General Reporting Requirements

The DMCS reporting requirements contained in this chapter, including any subsequent data and format revisions, are the responsibility of the Deputy Assistant Secretary of Defense for Materiel Readiness (DASD (MR)), Office of the Under Secretary of Defense (OUSD) Acquisition & Sustainment (A&S). The DASD (MR) must provide the data revisions and report format changes to the OUSD Comptroller (OUSD(C)), Financial Management Policy and Reporting (FMPR), for publication in subsequent revisions of this chapter. The senior official with responsibility for logistics in each DoD Component is responsible for timely reporting. The Assistant Secretary responsible for financial management in the Military Departments (or equivalent in other DoD Components) must provide complete and accurate financial data to the report preparer in sufficient time for report submission.

3.2 Applicability of Reporting Requirements

3.2.1. The depot maintenance cost report required by this chapter applies to all Military Services and other DoD activities that perform depot maintenance tasks internally or outsource depot maintenance tasks to external organizations or contractors through contractual agreements.

3.2.2. Performing and Reporting Activities

3.2.2.1. Addendum 1 identifies the major DoD depots, shipyards, and other depot maintenance activities that historically have performed depot maintenance workloads. Report work performed at major depot maintenance activities listed in that addendum, as specified in subparagraph 4.1.2.1. Report work performed by DoD activities not listed in Addendum 1 in accordance with subparagraph 4.1.2.2. Report all other work (i.e., that performed by contractors; other Federal Government activities; and state, local, and foreign governments) as stipulated in subparagraph 4.1.2.3 by the program administering offices designated by the official in each DoD Component responsible for reporting DMCS data.

3.2.2.2. Addendum 2 is a list of reporting activity identifying codes. Activities performing depot maintenance not listed in Addendum 2, that are required to report, will request an appropriate identifying code from DASD (MR) or its designated agent.

3.2.3. Cost Reporting by DoD Performing Activities. Report records from DoD performing activities must reflect total costs incurred, including the cost of any subsidiary ordering from other Government activities or contracting with commercial firms, incident to accomplishing workloads. The report accommodates separate reporting of direct labor hours and costs of contract labor used to augment the workforce, when the hours and associated costs are obtainable from local cost accounting data.

3.2.4. Cost Reporting by Other Activities. Report records for DoD depot-level maintenance performed by contractors and DoD activities not listed on Addendum 1 must include all costs to DoD incurred in performing the work. These reports must:

3.2.4.1. Exclude intermediate-level, organizational-level, and other non-depot-level maintenance services (unless those maintenance services are an integral part of a depot-level task or contract);

3.2.4.2. Include the depot-level maintenance portion of Contractor Logistics Support (CLS), Interim Contractor Support (ICS), Performance-Based Logistics (PBL), and similar contracts. Report the direct costs of the depot maintenance performed, as well as associated overhead and other costs attributable to the depot-level maintenance portion of the contracts;

3.2.4.3. Include the cost of Government-furnished material and Government-furnished services consumed in producing a product or service, even though financed or provided by a source other than the primary reporting office or entity; and

3.2.4.4. Provide all appropriate categorization codes, including Item Identification, Weapon or Support System Code (WSSC), Work Breakdown Structure, WPC, and the average number of Shop Flow Days.

3.3 Work Performance Categories (WPC)

Addendum 5 contains the WPC codes that identify the nature of work performed. In cases where there may be an overlap between WPCs, report costs in the highest level of repair. For example, if a manufacturer is required to complete an overhaul because critical parts are not available, report costs as an overhaul.

3.4 DMCS Data Submission Process

3.4.1. Frequency and Timing of Submittal. Annual DMCS data submissions must be provided to DASD (MR) or its designated agent, no later than December 31 following the end of the fiscal year. Reporting requirement symbol AP-MP(A)1397 is assigned to this reporting requirement. Paragraph 3.1 lists the parties responsible for data submission.

3.4.2. Accompanying Documents

3.4.2.1. With each data submission to the DASD (MR), include a transmittal memorandum that includes a brief discussion of any anomalies in the data, significant changes from previous submissions, or other pertinent information to aid in processing the data. The transmittal memorandum for the report must identify a point of contact within the submitting activity for issues and questions related to the reported data.

3.4.2.2. Within 90 days after the initial submission due date, submit a brief narrative analysis (three to five pages) explaining trends in the data to the DASD (MR). The focus of the narrative analysis must be on the factors driving year-to-year changes in cost and direct labor hours. These factors include changes in workload; changes in contract support (both in level of effort and in price); changes in the prices paid for labor, material, and other resources; and, when applicable, significant changes in organic maintenance processes and financial policies. Express the impact of the factors in quantitative terms (for example, an average 3.2 percent material price change or a 2.1 percent improvement in direct labor productivity).

3.4.3. Quality Control and Editing of Data Prior to Submission. The AP-MP(A)1397 report serves as a principal database in support of DASD (MR) weapon systems depot maintenance cost and production analyses and external reporting, as well as the principal joint-service database on depot maintenance production operations. The DASD (MR) provides a data editing and submission file creation tool in the form of a relational database application. This tool, which provides component-specific and general edits, facilitates the accuracy and consistency of data submitted by the individual components. The use of this tool is a required element of the submission process. Provide appropriate personnel within each reporting activity with training in tool usage. The DASD (MR) provides each component with tool updates on an annual basis prior to the end of the fiscal year.

3.4.4. Data Input to the Data Editing Tool. The format and content of DMCS data input to the Data Editing Tool must be in accordance with Addendum 3. The individual Military Services and the DASD (MR), or its designated agent, may agree upon alternative formatting of data.

3.4.5. Form and Method of DMCS Data Submissions. Annual AP-MP(A)1397 data must be submitted to DASD (MR) or to its designated agent, using the DMCS Data Editing Tool described in subparagraph 3.4.4. The tool containing the data and associated documentation may be compressed and submitted in a variety of ways, for example, compact disc, file transfer protocol, email, or other medium agreed upon by the DASD (MR), or its designated agent, and the reporting activity.

3.4.6. DoD-Level Review Process. The review and update of annual AP-MP(A)1397 submissions must be accomplished as follows:

3.4.6.1. Within 15 days of receipt of each component submission, the DASD (MR), or its designated agent, must perform an edit of the data and provide each reporting activity or component data consolidation point with preliminary versions of summary tables and the applicable section of the "DoD Depot Data Highlights Report." Review any data discrepancies at this time, with the individual reporting activities or consolidation points;

3.4.6.2. Within an additional 30 days, the component must review and make appropriate updates or provide explanations to support the data as initially submitted;

3.4.6.3. Within 30 days following receipt of all revised component data, the DASD (MR), or its designated agent, must prepare and publish the final versions of summary tables and the "DoD Depot Data Highlights Report." At that time, a final fiscal year database must be established as a historical file for subsequent analysis by the Office of the Secretary of Defense, the components, and other authorized activities; and

3.4.6.4. Within an additional 15 days, the components must submit the narrative analyses described in subparagraph 3.4.2.2.

3.4.7. Retention of Submitted Data by Reporting Facilities. Reporting activities must retain submission files for a minimum of five years.

3.5 DMCS Data Maintenance Requirements

The components must ensure that cost and production reporting systems retain the capability to provide an audit trail back to individual job order cost records or other data sources, when needed to support DMCS report records.

3.6 Report Record Data Requirements

3.6.1. A report record is required for each type of maintenance work (Field 14) performed for each different weapon system, or item identification number, as indicated by different data entries in Addendum 3. Consolidate data for similar job orders if the item repaired, services performed, and other report record fields are consistent. All fields in Addendum 3 are mandatory except for those identified as "Not Used." "Not Used" fields may be employed by reporting activities for internal use or left blank. Where quantitative data is required, such as cost and man-hours, enter "0" (zero) if there are no data associated with the fields. Null mandatory fields are

not acceptable.

3.6.2. The DASD (MR), or its designated agent, must maintain lookup tables of pertinent data elements and codes for use by the Military Departments in compiling the DMCS report. These tables will include Weapon or Support System Codes, Performing Activity Identification Codes, Reporting Activity Identification Codes, WPC Codes, Item Identification Codes and Nomenclature, Work Breakdown Structure Codes, and Customer Codes. Components will review the codes annually and notify the DASD (MR) or the designated representative of any needed additions or deletions. Do not change codes at any other time, except by agreement between the DASD (MR) or its designated agent, and the individual components.

3.6.3. The Defense Finance and Accounting Service (DFAS) must work with the components to ensure that DFAS financial systems (if used at depot-level) retain the capability to provide cost detail to satisfy the reporting requirements of this chapter. Preparation of the DMCS report is the responsibility of the DoD Component performing the work or managing the contract.

3.6.4. Each depot maintenance reporting activity must implement quality assurance procedures to be applied to each DMCS record as it is created and populated. Such procedures must include validity checks to prevent errors, such as identifying an F/A-18A aircraft as a submarine or a High Mobility Multipurpose Wheeled Vehicle as a tank. Each reporting activity that consolidates DMCS organic and contract records must also implement quality control procedures for all its performing facilities. Prior to data submission, reporting facilities must use the DMCS Data Editing Tool or a similar application to validate the records.

3.7 Report Record Type

3.7.1. The data submission report must consist of two types of report records: cumulative costs for financially complete work and cumulative costs for not financially complete work. For both types, the costs reported must be cumulative from inception.

3.7.2. The first record type is cumulative costs for financially complete work. Identify all reported transaction records with a "C" in Field 51 for financially completed customer orders. The reported amount for work completed by contractors must equal the total cost (funded and unfunded) incurred.

3.7.3. The second record type is cumulative costs for not financially complete work. Report these costs to form a complete picture of the work accomplished at each activity performing depot maintenance. Identify report records for financial work that is incomplete with a "W" in Field 51. When reporting contract costs (Field 36), enter the sum of the contract costs accumulated since the inception of the contract that are attributable to the work accomplished.

3.8 Report Record Corrections

Once an annual DMCS report cycle is completed and the results published, the data should remain unchanged. Therefore, it is important to incorporate corrections and adjustments in the original report records. Exceptions must be for corrections or adjustments that materially change

a total for an entire performing facility. If significant corrections to prior year data become necessary, contact the DASD (MR) or its designated agent to coordinate processing the changes.

4.0 REPORTING CATEGORIES AND DATA REQUIREMENTS

4.1 Workload Reporting Activities

4.1.1. Depot maintenance is performed at DoD depots, at private-sector commercial contractor facilities, and at other DoD activities, such as intermediate maintenance facilities (IMF), arsenals, ordnance stations, or public works centers. The DoD depot maintenance activities that are funded by DWCF are required to follow the formal job order accounting requirements specified in ***Volume 11B, Chapter 13***, "Cost Accounting Requirements for Depot Maintenance." Other DoD activities performing depot maintenance workloads may use other cost finding procedures to satisfy the reporting requirements specified in section 3.0.

4.1.2. All activities performing depot maintenance will report workload identification data, as required, in Fields 1-16. Cost and production data reporting requirements (Fields 17-54) vary, depending upon the category of activity in which the work is performed. Reporting categories and data requirements must be as follows:

4.1.2.1. DoD Major Depot Maintenance Activities. Addendum 1 lists the major depot maintenance activities under the headings: Army Depots, Naval Shipyards, Fleet Readiness Centers, Marine Corps Depots, and Air Force Depots. Funded and unfunded DoD costs for these activities are reported in Fields 17 through 35, with an owner/operator code (Field 7) of "1." The cost of work suballocated, in part, by a depot to another DoD facility or commercial firm must be reported as an "other direct-funded cost" (Field 30). These major maintenance activities must report all work accomplished by the activity;

4.1.2.2. DoD Activities Not Listed in Addendum 1. The program manager or DoD entity (as determined by each component's DMCS reporting official) responsible for program oversight must report funded and unfunded DoD costs for these activities in Fields 17 through 35, with an owner/operator code (Field 7) of "2." If the cost finding procedures of the reporting facility are not sufficiently robust to adequately identify the detailed costs required in Fields 17 through 35, a waiver must be requested from DASD (MR) to permit reporting costs in Fields 36, 37, and 41; and

4.1.2.3. Non-DoD Facilities. Work performed at commercially-owned/ commercially-operated (COCO) facilities, Government-owned/contractor-operated (GOCO) facilities, non-DoD Government activities, and state, local, and foreign government facilities must be reported by the DoD activity initiating the order (e.g., systems program offices, program managers, major commands, major subordinate commands, Fleet Forces Command, the Naval Inventory Control Points, and other activities that use DoD funds, regardless of source, to obtain depot maintenance from non-DoD entities). Reporting activities must ensure that data submissions for depot maintenance performed at non-DoD activities are complete and accurate and that report records reflect an owner/operator code of "3" in Field 7, non-DoD entity costs in Field 36, and Government-furnished materials and services costs in Fields 37 and 41.

Government-furnished materials and services include goods and services funded or provided by a sponsor or contract other than administered by the primary reporting entity.

4.2 Primary Workload Reporting Data Fields

The DMCS reports from all activities must identify the item worked on, the WPC, and work breakdown structure classification to the extent economically feasible.

5.0 SPECIAL REPORTS

Any one-time or additional reports required must be as prescribed by the OUSD (C), FMPR or the DASD (MR).

*ADDENDUM 1 – DoD Major Depot Maintenance Activities

ADDENDUM 1
DoD MAJOR DEPOT MAINTENANCE ACTIVITIES
(Activities That Report With a "1" in Field 7 see Addendum 3)

DEPARTMENT OF THE ARMY

Army Depots	Location
Anniston Army Depot	Anniston, Alabama
Corpus Christi Army Depot	Corpus Christi, Texas
Letterkenny Army Depot	Chambersburg, Pennsylvania
Red River Army Depot	Texarkana, Texas
Tobyhanna Army Depot	Tobyhanna, Pennsylvania
Watervliet Arsenal	Watervliet, New York
Rock Island Arsenal	Rock Island, Illinois
Pine Bluff Arsenal	Jefferson County, Arkansas
Tooele Army Depot	Tooele, Utah

DEPARTMENT OF THE NAVY

Naval Shipyards	Location
Norfolk Naval Shipyard	Portsmouth, Virginia
Pearl Harbor Naval Shipyard and IMF	Pearl Harbor, Hawaii
Portsmouth Naval Shipyard	Kittery, Maine
Puget Sound Naval Shipyard and IMF	Bremerton, Washington

Fleet Readiness Centers (FRCs)	Location
FRC East	Cherry Point, North Carolina
FRC Southeast	Jacksonville, Florida
FRC Southwest	North Island, California

MARINE CORPS

Marine Corps Depots	Location
Production Plant Albany	Albany, Georgia
Production Plant Barstow	Barstow, California

ADDENDUM 1 – DoD Major Depot Maintenance Activities (continued)

ADDENDUM 1
DoD MAJOR DEPOT MAINTENANCE ACTIVITIES
(Activities That Report With a "1" in Field 7 see Addendum 3)

DEPARTMENT OF THE AIR FORCE

Air Force Depots	Location
Ogden Air Logistics Complex (ALC)	Hill Air Force Base (AFB), Utah
Oklahoma City ALC	Tinker AFB, Oklahoma
Warner-Robins ALC	Robins AFB, Georgia
Aerospace Maintenance and Regeneration Group (AMARG) (report may be submitted in conjunction with Ogden ALC)	Davis-Monthan AFB, Arizona

ADDENDUM 2 – Reporting Activity Identifying Codes

ADDENDUM 2 REPORTING ACTIVITY IDENTIFYING CODES (Codes To Be Used in Field 8 of Addendum 3)		
IDENTIFYING CODE	**ACTIVITY NAME**	**DoD COMPONENT**
0ZTW5	AMARG	Air Force
98747	Ogden ALC	Air Force
98748	Oklahoma City ALC	Air Force
98752	Warner-Robins ALC	Air Force
H0000	Aviation and Missile Command (AMCOM)–Air	Army
L0000	AMCOM–Missile	Army
75117	Anniston Army Depot (AD)	Army
4UB51	Anniston Munitions Center	Army
HQAMC	Army Materiel Command Headquarters	Army
4TU65	Blue Grass AD	Army
G0000	U.S. Army Communications-Electronics Command (CECOM)	Army
W4FHAA	CECOM Software Engineering Center	Army
0SDA4	Corpus Christi AD	Army
4V7J9	Crane Army Ammunition Plant (AAP)	Army
0NDM7	Letterkenny AD	Army
4UA79	Letterkenny Munitions Center	Army
4TZJ4	McAlester AAP	Army
19200	Picatinny Arsenal	Army
3XUS9	Pine Bluff Arsenal	Army
67101	Red River AD	Army
19204	Rock Island Arsenal	Army
49JA0	Sierra AD	Army
M0000	U.S. Army Tank–Automotive and Armaments Command (TACOM) Rock Island	Army
K0000	TACOM Warren	Army
W1PLAA	Test Measurement and Diagnostic Equipment (TMDE) Activity	Army
14850	Tobyhanna AD	Army
21624	Tooele AD	Army
19206	Watervliet Arsenal	Army
99998	Defense Supply Center, Richmond, Product Center 12	Defense Logistics Agency
67004	Marine Corps Logistics Command (MCLC)	Marine Corps
67854	Marine Corps Systems Command (SYSCOM)	Marine Corps
67100	Marine Depot Maintenance Command (MDMC)	Marine Corps

ADDENDUM 2 – Reporting Activity Identifying Codes (continued)

ADDENDUM 2 REPORTING ACTIVITY IDENTIFYING CODES (Codes To Be Used in Field 8 of Addendum 3)		
IDENTIFYING CODE	**ACTIVITY NAME**	**DoD COMPONENT**
94700	MDMC, Production Plant Albany	Marine Corps
93636	MDMC, Production Plant Barstow	Marine Corps
65923	FRC East	Navy
65886	FRC Southeast	Navy
44321	FRC West	Navy
44329	FRC Northwest	Navy
65888	FRC Southwest	Navy
44327	FRC Mid-Atlantic	Navy
66021	FRC Western Pacific	Navy
68778	FRC Support Equipment Facility	Navy
30003	Naval Air Systems Command (NAVAIR) Headquarters	Navy
00383	Navy Supply Systems Command, Weapon Systems Support (NAVSUP WSS), Philadelphia	Navy
00104	NAVSUP WSS-Mechanicsburg	Navy
81601	Norfolk Naval Shipyard (NSY)	Navy
89103	Pearl Harbor NSY and IMF	Navy
81316	Portsmouth NSY	Navy
82522	Puget Sound NSY and IMF	Navy
00164	Naval Surface Warfare Center (NSWC) Crane	Navy
00253	Naval Underwater Warfare Center (NUWC) Keyport	Navy
66001	Naval Information Warfare Center (NIWC), Pacific	Navy
65236	NIWC Atlantic	Navy
32253	Hawaii Regional Maintenance Center (RMC)	Navy
4523A	Northwest RMC	Navy
40025	Mid-Atlantic RMC	Navy
69097	Southwest RMC	Navy
40027	Southeast RMC	Navy
62758	U.S. Naval Ship Repair Facility and Japan RMC (SRF-JRMC)	Navy
66630	Naval Air Warfare Center Weapons Division (NAWCWD), Point Mugu	Navy
68936	NAWCWD, China Lake	Navy
68335	Naval Air Warfare Center Aviation Division (NAWCAD), Lakehurst	Navy

ADDENDUM 3 – DMCS Input File

ADDENDUM 3 SECTION A DMCS DATA EDITING TOOL INPUT FILE FORMAT			
FIELD NO.	**DESCRIPTION OF DATA**	**POSITIONS**	**NO. OF POSITIONS**
RECORD IDENTIFICATION:			
1	Not Used (Leave Blank)	1	1A/N
2	Not Used (Leave Blank)	2	1A/N
3	Fiscal Year	3–4	2N
IDENTIFICATION OF FACILITY:			
4	a. Not Used (Leave Blank) b. Reporting Component	5-9 10	5A/N 1A
5	Performing Activity Identifying Code a. Organic Activity Identifying Commercial and Government Entity (CAGE) or Other Identifying Code b. Not Used (Leave Blank)	 11-15 16-24	 5A/N 9A/N
6	Not Used (Leave Blank)	25	1A/N
7	Owner and/or Operator Code	26	1N
8	Reporting Activity Identifying Code	27–31	5A/N
IDENTIFICATION OF ITEM AND/OR SERVICE AND CUSTOMER:			
9	Item Identification Code	32–44	13A/N
10	Item Nomenclature	45–64	20A/N
11	Not Used (Leave Blank)	65–74	10A/N
12	WSSC	75–78	4A/N
13	Work Breakdown Structure Code	79–81	3A/N
14	WPC	82–84	3A/N
15	a. Customer Code b. Not Used (Leave Blank)	85 86	1A/N 1A/N
16	Not Used (Leave Blank)	None	0
LABOR HOUR AND COST DATA:			
17	Direct Civilian Labor—Funded Costs	87–94	8N

ADDENDUM 3 – DMCS Input File (continued)

ADDENDUM 3 SECTION A DMCS DATA EDITING TOOL INPUT FILE FORMAT			
FIELD NO.	**DESCRIPTION OF DATA**	**POSITIONS**	**NO. OF POSITIONS**
LABOR HOUR AND COST DATA (Continued):			
18	Direct Civilian Labor—Funded Hours	95–102	8N
19	Contract Labor Augmentation of Direct Workforce—Funded Costs	103–110	8N
20	Contract Labor Augmentation of Direct Workforce—Funded Hours	111–118	8N
21	Direct Military Labor—Funded Costs	119–126	8N
22	Direct Military Labor—Funded Hours	127–134	8N
23	Direct Military Labor—Unfunded Costs	135–142	8N
24	Direct Military Labor—Unfunded Hours	143–150	8N
25	Direct Material—Funded Costs	151–158	8N
26	Direct Material—Unfunded Costs	159–166	8N
27	Direct Civilian Labor—Unfunded Costs	167–174	8N
28	Direct Civilian Labor—Unfunded Hours	175–182	8N
29	Not Used (Leave Blank)	183–190	8A/N
30	Other Direct—Funded Costs	191–198	8N
31	Other Direct—Unfunded Costs	199–206	8N
32	Operations Overhead—Funded Costs	207–214	8N
33	Operations Overhead—Unfunded Costs	215–222	8N
34	General and Administrative—Funded Costs	223–230	8N
35	General and Administrative—Unfunded Costs	231–238	8N
36	Contract and/or Other Maintenance Activity—Funded and Unfunded Costs	239–246	8N
37	Government-Furnished Material—Funded and Unfunded Costs	247–254	8N
38	Not Used (Leave Blank)	255–262	8A/N
39	Not Used (Leave Blank)	263–270	8A/N
40	Not Used (Leave Blank)	271–278	8A/N

ADDENDUM 3 – DMCS Input File (continued)

ADDENDUM 3 SECTION A DMCS DATA EDITING TOOL INPUT FILE FORMAT			
FIELD NO.	**DESCRIPTION OF DATA**	**POSITIONS**	**NO. OF POSITIONS**
LABOR HOUR AND COST DATA (Continued):			
41	Government-Furnished Services—Funded and Unfunded Costs	279–286	8N
42	Not Used (Leave Blank)	287–294	8A/N
43	Not Used (Leave Blank)	295	1A/N
PERFORMANCE-PRODUCTIVITY (PRODUCTION) DATA:			
44	Not Used (Leave Blank)	296–310	15A/N
45	Total Production Quantity	311–318	8N
46	Report Data Record Identifier	319–326	8A/N
47	Not Used (Leave Blank)	327–334	8A/N
48	Not Used (Leave Blank)	335–342	8A/N
49	Not Used (Leave Blank)	343–350	8A/N
50	Shop Flow Days	351–354	4N
51	Work Status Code	355	1A
52	Not Used (Leave Blank)	356	1A/N
53	Not Used (Leave Blank)	357	1A/N
54	Not Used (Leave Blank)	358–360	3A/N

ADDENDUM 3 – DMCS Input File (continued)

ADDENDUM 3
SECTION B
EXPLANATION OF ENTRIES REQUIRED FOR DMCS REPORTING

1. Field 1—Not Used

2. Field 2—Not Used

3. Field 3—Fiscal Year. Enter the two terminal digits of the current fiscal year being reported.

4. Field 4—Reporting Component. In position 10, enter A (Army), F (Air Force), M (Marine Corps), N (Navy), or S (Defense Logistics Agency) to designate the DoD Component providing the report.

5. Field 5—Performing Activity Identifying Code

   a. Organic Activity Identifying Code. If the activity is Government-operated (Code 1 or 2 in Field 7), then enter the identifying code in positions 11 through 15 for the activity identified in Addendum 2.

   b. Contractor CAGE or Identifying Code. If the maintenance is contractor-performed (Code 3 in Field 7), then enter the contract activity's CAGE code or other unique, approved 5-digit identifier as specified by the Defense Logistics Information Service (DLIS). Start in position 11 and leave positions 16 through 24 blank. Request a CAGE code if one has not been established for a contractor.

6. Field 6—Not Used

7. Field 7—Owner and/or Operator Code. Enter one of the following to indicate the type of activity being performed for the maintenance.

   Code 1—DoD Major Depot Maintenance Activities (DoD Component organic maintenance activities listed in Addendum 1). When Code 1 is entered in Field 7, report costs in Fields 17 through 35. Fields 36, 37, and 41 must be zero filled.

   Code 2—Other DoD Facilities (DoD Component in-house maintenance activities not listed in Addendum 1). When Code 2 is entered in Field 7, report costs in Fields 17 through 35. Fields 36, 37, and 41 must be zero filled.

   Code 3—COCO, GOCO, and other non-DoD entities (other Federal Government activities; state, local, and foreign governments). When Code 3 is entered, report costs in Fields 36, 37, and 41. Fields 17 through 28 and 30 through 35 must be zero filled.

ADDENDUM 3 – DMCS Input File (continued)

8. Field 8—Reporting Activity Identifying Code. A code identifying the reporting activity, including activities contracting for depot maintenance work with commercial contractors. Enter the reporting activity's identifying code as specified in Addendum 2. Depot maintenance activities performing in-house work for all other DoD activities, including other depot maintenance activities, must report their work by using their own identifying code in this field.

9. Field 9—Item Identification Code. A code to identify the specific item on which depot maintenance was or is being performed. Do not use punctuation or special characters such as dashes, slashes, or blank spaces between characters. Start in position 32 and enter left-justified up to 13 characters; zero fill unused positions. Sample entries for this field are as follows:

   a. If the item is an aerospace vehicle (aircraft, guided missile, rocket, or probe), then show the mission-design series according to ***DoD Directive 4120.15***, "Designating and Naming Military Aerospace Vehicles," and listed in ***DoD 4120.15-L***, "Model Designation of Military Aerospace Vehicles."

ITEMS	POSITIONS												
	32	33	34	35	36	37	38	39	40	41	42	43	44
Basic (Standard) Mission Aircraft	F	1	6	C	Ø	Ø	Ø	Ø	Ø	Ø	Ø	Ø	Ø
Modified (Special) Mission Aircraft	M	H	5	3	E	Ø	Ø	Ø	Ø	Ø	Ø	Ø	Ø
Special Test (Permanent) Aircraft	N	K	C	1	3	5	E	Ø	Ø	Ø	Ø	Ø	Ø
Basic (Standard) Missile	U	G	M	1	3	3	A	Ø	Ø	Ø	Ø	Ø	Ø
Basic (Standard) Rocket	R	U	R	5	A	Ø	Ø	Ø	Ø	Ø	Ø	Ø	Ø
Basic (Standard) Probe	P	W	N	1	2	A	Ø	Ø	Ø	Ø	Ø	Ø	Ø
Boosters	S	B	2	A	Ø	Ø	Ø	Ø	Ø	Ø	Ø	Ø	Ø
Satellites	E	S	4	A	Ø	Ø	Ø	Ø	Ø	Ø	Ø	Ø	Ø

NOTE: Ø is numeric; O is alphabetic.

   b. If the item is an aerospace vehicle propulsion engine, equipment or aeronautical support equipment, or photographic item, then show the type designation according to Military Handbook 1812, "Type Designation, Assignment, and Method for Obtaining."

ADDENDUM 3 – DMCS Input File (continued)

ITEMS	POSITIONS												
	32	33	34	35	36	37	38	39	40	41	42	43	44
Turbofan Engine	F	1	1	8	G	E	1	Ø	Ø	A	Ø	Ø	Ø
Turboshaft, Turboprop Engine	T	F	3	4	G	E	1	Ø	Ø	B	Ø	Ø	Ø
Solid Propellant Rocket Motor	S	R	1	1	Ø	A	D	1	A	Ø	Ø	Ø	Ø
Manufacturer's Model Engine	C	F	M	5	6	2	A	2	Ø	Ø	Ø	Ø	Ø
Reconnaissance Camera	K	A	7	A	Ø	Ø	Ø	Ø	Ø	Ø	Ø	Ø	Ø
Crash/Fire Truck	A	S	3	2	P	2	6	Ø	Ø	Ø	Ø	Ø	Ø
Chemical Alarm Unit	A	E	2	3	D	3	Ø	Ø	Ø	Ø	Ø	Ø	Ø

NOTE: Ø is numeric; O is alphabetic.

c. If the item is a vessel, then show ship type and hull number in the first eight positions and zero fill the remaining five positions.

d. If ammunition rework or renovation is performed by a depot-level maintenance activity, then the total cost must be recorded by work breakdown structure code H3 (Field 13) only, and this field must be zero filled.

e. If items "a" through "d" for Field 9 do not apply, and the job order is for repair of items with the same national stock number (NSN) identification, then enter that NSN, such as 6730001161618, in positions 32 through 44.

f. If items "a" through "e" for Field 9 do not apply, enter the letters or numbers used for the identification of the job order. The first 4 digits should identify the Federal Supply Class and, of the remaining nine positions, one must be alphabetic. Zero fill when WPC (Field 14) is "Other Work (T)."

10. Field 10—Item Nomenclature. A 20-digit field describing the specific item on which maintenance was performed, or the support service that was performed. Use common abbreviations if more than 20 positions would otherwise be required. Start in position 45 and leave blank unused positions to the right (left justify).

a. For aircraft and missiles, use popular names, if assigned, such as Patriot, Cobra, Phoenix, Falcon, Minuteman, and Harrier. If a popular name has not been assigned or is unknown, then use the basic mission of the aircraft or missile, such as Fighter Aircraft, Trainer Aircraft, Cargo Trans Aircraft, Util Helicopter, or Surface Attack Missile. DoD 4120.15-L, "Model Designation of Military Aerospace Vehicles," includes a current complete listing.

ADDENDUM 3 – DMCS Input File (continued)

b. For aircraft and rocket engines, use the name of the engine type. Examples are the Turbofan Engine and Rocket Motor.

c. For vessels, use the name of the ship. An example is the U.S. Ship (USS) Georgia.

d. For conventional ammunition, use "Ammunition."

e. For items with an NSN, use the standard description maintained by DLIS in the Federal Logistics Information System.

f. For all other items, use the noun and modifiers that adequately describe the item.

11. Field 11—Not Used

12. Field 12—Weapon or Support System Code. A code identifying a specific weapon or support system. Use code 997 if an item cannot be identified to a specific weapon or support system but can be identified in Field 13 to a major commodity group (such as aircraft and missiles) and to a category (such as fighters and bombers) within the major commodity group. Use code 998 if identification is possible only to the major commodity group and not to a category. Use code 999 if identification cannot be made to a major commodity group and the Work Breakdown Structure Code L11 is used in Field 13.

13. Field 13—Work Breakdown Structure Code. A code to identify the specific type of weapon or support system to which the item described by the Item Identification Code (Field 9) and Item Nomenclature (Field 10) applies. Use the Work Breakdown Structure Code established in Addendum 4 to this chapter. Use code L11 if the item, service, or investment cannot be identified with a specifically listed Work Breakdown Structure Code, and Code 999 is used in Field 12.

14. Field 14—WPC. A code to categorize the type of maintenance work performed on the item identified in Field 9 or the type of maintenance service provided. Use the Codes in Addendum 5. Subcategorize basic alpha codes with a numerical designation by each component as required for internal management and analysis, budget review, and justification. If the report record is "N" (Technical Assistance) or "T" (Other Work), then Fields 45 and 50 must be zero.

15. Field 15—Customer Code. A code identifying the DoD Program and Department or Agency billed for the maintenance cost (that is, "Sales code"). In Position 85, enter A (Army), N(Navy), F (Air Force), M (Marine Corps), or D (Defense Agency) to designate a DoD customer. Enter Y for other Federal agencies or Z for all non-Federal customers. Leave position 86 blank.

16. Field 16—Not Used

ADDENDUM 3 – DMCS Input File (continued)

Fields 17–42—Labor Hour and Cost Data. The direct labor hours and summary elements of reported costs are set forth in Addendum 3. The various elements of cost are explained in detail in the basic chapter. Some clarifying notations are included for certain fields. In addition:

a. "Funded" and "Unfunded" costs are defined in paragraph 2.4.

b. Entries in direct labor hours fields must be the actual hours expended rather than standard (or "earned") hours.

17. Field 17—Direct Civilian Labor—Funded Costs

18. Field 18—Direct Civilian Labor—Funded Hours

19. Field 19—Contract Labor Augmentation of Direct Workforce—Funded Costs. Funded costs for direct labor performed by contract personnel who augment the organic workforce, working side by side with Government personnel, and whose time is recorded in the local time and attendance system. This excludes contract personnel working at a Government depot under a contract for the delivery of a specific product, such as painting an aircraft for a fixed price per aircraft. Also excluded are contract personnel performing indirect or overhead support functions.

20. Field 20—Contract Labor Augmentation of Direct Workforce—Funded Hours. Funded hours for direct labor performed by contract personnel who augment the organic workforce, working side by side with Government personnel, and whose time is recorded in the local time and attendance system. This excludes contract personnel working at a Government depot under a contract for the delivery of a specific product, such as painting an aircraft for a fixed price per aircraft. Also excluded are contract personnel performing indirect or overhead support functions.

21. Field 21—Direct Military Labor—Funded Costs. Since most military personnel at depot maintenance activities are there for reasons other than business requirements, their cost is to be reported based on civilian equivalent rates that are provided by the DoD Comptroller. These are the rates reflected in DWCF activity budgets.

22. Field 22—Direct Military Labor—Funded Hours

23. Field 23—Direct Military Labor—Unfunded Costs. The labor cost for military personnel not funded by the performing activity. The cost calculation is based upon civilian equivalent rates that are provided by the DoD Comptroller. This Field includes military personnel at a direct-funded activity or military personnel temporarily working under the supervision of a DWCF activity.

ADDENDUM 3 – DMCS Input File (continued)

24. Field 24—Direct Military Labor—Unfunded Hours. The labor hours for military personnel are not funded by the performing activity. This Field includes military personnel at a direct-funded activity or military personnel temporarily working under the supervision of a DWCF activity.

25. Field 25—Direct Material—Funded Costs

26. Field 26—Direct Material—Unfunded Costs. Includes material provided at no cost to the performing activity.

27. Field 27—Direct Civilian Labor—Unfunded Costs. The civilian labor cost for Government (Civil Service) employees is not funded by the performing activity. This Field excludes contractor personnel used for workforce augmentation.

28. Field 28—Direct Civilian Labor—Unfunded Hours. The civilian labor hours for Government (Civil Service) employees are not funded by the performing activity. This Field excludes contractor personnel used for workforce augmentation.

29. Field 29—Not Used

30. Field 30—Other Direct—Funded Costs. For example, contracted services.

31. Field 31—Other Direct—Unfunded Costs. For example, customer-provided services.

32. Field 32—Operations Overhead—Funded Costs

33. Field 33—Operations Overhead—Unfunded Costs. For example, military personnel cost for indirect effort.

34. Field 34—General and Administrative—Funded Costs

35. Field 35—General and Administrative—Unfunded Costs

ADDENDUM 3 – DMCS Input File (continued)

36. Field 36—Contract and/or Other Maintenance Activity—Funded and Unfunded Costs. When code 3 is entered in Field 7, this field must be the total cost of the contract. Report Government-furnished material or services consumed in the production of contract maintenance in Field 37 or Field 41, as applicable. When code 1 or 2 is entered in Field 7, this field must be zero filled.

37. Field 37—Government-Furnished Material—Funded and Unfunded Costs

38. Field 38—Not Used

39. Field 39—Not Used

40. Field 40—Not Used

41. Field 41—Government-Furnished Services—Funded and Unfunded Costs

42. Field 42—Not Used

43. Field 43—Not Used

44. Field 44—Not Used

45. Field 45—Total Production Quantity

    a. If Field 51 is a "C," then enter the total quantity of items for which work was completed and reported by this transaction record (including contractor-performed work reported with a "3" in Field 7). This field must be zero filled for WPCs "N" and "T."

    b. If Field 51 is a "W," then enter the total quantity of items covered by job orders that are not yet financially complete at the end of the period covered by the report record. This field must be zero filled for WPCs "N" and "T."

ADDENDUM 3 – DMCS Input File (continued)

46. Field 46—Report Data Record Identifier. A unique DoD Component alpha and/or numeric code used to identify each individual report transaction record. Use the field to permit the unique identification of each report record. For DoD organic activities, it is recommended that the job order number, or similar production control number, be entered. In all cases, the numbering scheme should:

    a. Uniquely identify each job order, consolidation of similar job orders, or similar production control numbers;

    b. Support queries into the source of data appearing in DMCS report records; and

    c. Support year-to-year tracking by job order number (or similar production control number).

47. Field 47—Not Used

48. Field 48—Not Used

49. Field 49—Not Used

50. Field 50—Shop Flow Days

    a. If Field 51 is a "C," then report the average number of days that the items being reported were in process; that is, from the date an item is physically inducted to the date the item is completed, passed its final inspection, and is ready for delivery to the customer. The field may be left blank for contractor-performed work or for work performed at another depot maintenance activity if the number of days in process cannot be determined. Make reasonable efforts to provide accurate data for all applicable records submitted.

    b. If Field 51 is a "W," then report the average number of days that each item was in process; that is, since the date of physical induction.

51. Field 51—Work Status Code. A single-digit alpha code that indicates if the transaction being reported has been financially completed or is still in process at the time of the report.

    a. Enter a "C" if the reported transaction is financially complete.

    b. Enter a "W" if the transaction being reported is not financially complete as of the report date.

ADDENDUM 3 – DMCS Input File (continued)

52. Field 52—Not Used

53. Field 53—Not Used

54. Field 54—Not Used

ADDENDUM 4 – Work Breakdown Structure Codes

ADDENDUM 4 WORK BREAKDOWN STRUCTURE CODES (Codes To Be Used in Field 13 of Addendum 3)			
POSITION			**DESCRIPTION**
79	**80**	**81**	
A	0	0	Aircraft
	1	0	Fighters
		1	Basic Aircraft
		2	Engine
		3	Aircraft and Engine Accessories and Components
		4	Electronics and Communications Equipment
		5	Armament
		6	Support Equipment
		7	Other
		8	Software
	2	0	Bombers
		*	Same as for Fighters
	3	0	Cargo and/or Transports
		*	Same as for Fighters
	4	0	Trainers
		*	Same as for Fighters
	5	0	Utility (Includes fixed-wing aircraft with a "U" designation and "C" series aircraft used in an executive aircraft role)
		*	Same as for Fighters
	6	0	Attack
		*	Same as for Fighters
	7	0	Patrol
		*	Same as for Fighters
	8	0	Antisubmarine
		*	Same as for Fighters
	9	0	Other/Multiple Aircraft Types
		*	Same as for Fighters
	A	0	Tankers
		*	Same as for Fighters
	B	0	Attack Helicopters
		*	Same as for Fighters
	C	0	Transport Helicopters
		*	Same as for Fighters
	D	0	Unmanned Aerial Vehicles/Systems
		*	Same as for Fighters
B	0	0	Automotive

ADDENDUM 4 – Work Breakdown Structure Codes (continued)

ADDENDUM 4 WORK BREAKDOWN STRUCTURE CODES (Codes To Be Used in Field 13 of Addendum 3)			
POSITION			**DESCRIPTION**
79	**80**	**81**	
	1	0	Tactical Vehicles
		1	Basic Vehicle (Hull and/or Body Frame and Installed Systems)
		2	Engine
		3	Vehicle and Engine Components and Accessories
		4	Electronic And Communications Equipment
		5	Armament
		6	Support Equipment
		7	Other
		8	Software
	2	0	Support Vehicles
		*	Same as for Tactical Vehicles
	3	0	Administrative
		*	Same as for Tactical Vehicles
	4	0	Unmanned Vehicles/Systems
		*	Same as for Tactical Vehicles
C	0	0	Combat Vehicles
	1	0	Tanks
		*	Same as for Tactical Vehicles
	2	0	Armored Personnel Carriers
		*	Same as for Tactical Vehicles
	3	0	Self-Propelled Artillery
		*	Same as for Tactical Vehicles
	4	0	Other/Multiple Combat Vehicles
		*	Same as for Tactical Vehicles
	5	0	Amphibious Vehicles
		*	Same as for Tactical Vehicles
	6	0	Unmanned Combat Vehicles/Systems
		*	Same as for Tactical Vehicles
D	0	0	Construction Equipment
	1	0	Tractors and Earth Moving Equipment
		1	Basic Vehicle (Hull and/or Body Frame and Installed Systems)
		2	Engine
		3	Vehicle and Engine Components and Accessories
		4	Other
		5	Software
	2	0	Cranes and Shovels

ADDENDUM 4 – Work Breakdown Structure Codes (continued)

ADDENDUM 4 WORK BREAKDOWN STRUCTURE CODES (Codes To Be Used in Field 13 of Addendum 3)			
POSITION			**DESCRIPTION**
79	**80**	**81**	
		*	Same as for Tractors and Earth Moving Equipment
	3	0	Other
		*	Same as for Tractors and Earth Moving Equipment
E	0	0	Electronics and Communications Systems
	1	**	Radio
	2	**	Radar
	3	**	Computer
	4	**	Wire and Communications
	5	**	Other
	6	**	Electro Optical or Infra Red
	7	**	Software
F	0	0	Missiles
	1	0	Ballistic Missiles
		1	Basic Missile (Frame)
		2	Propulsion System and Components
		3	Missile Accessories and Components
		4	Support and Launch Equipment
		5	Guidance System and Components
		6	Surface Communications and Control Systems
		7	Payload System and Components
		8	Other
		9	Software
	2	0	Other Missiles
		*	Same as for Ballistic Missiles
	3	0	Tactical Missiles
		*	Same as for Ballistic Missiles
G	0	0	Ships
	1	0	Cruisers
		1	Hull Structure
		2	Propulsion Plant
		3	Electric Plant
		4	Command and Surveillance
		5	Auxiliary Systems
		6	Outfit and Furnishings
		7	Armament
		8	Engineering (Direct Support)

ADDENDUM 4 – Work Breakdown Structure Codes (continued)

ADDENDUM 4 WORK BREAKDOWN STRUCTURE CODES (Codes To Be Used in Field 13 of Addendum 3)			
POSITION			**DESCRIPTION**
79	**80**	**81**	
		9	Ship Support Service
		A	Software
	2	0	Aircraft Carriers
		*	Same as for Cruisers
	3	0	Destroyers
		*	Same as for Cruisers
	4	0	Submarines – Attack
		*	Same as for Cruisers
	5	0	Patrol Vessels
		*	Same as for Cruisers
	6	0	Mine Warfare Vessels
		*	Same as for Cruisers
	7	0	Auxiliary and Amphibious Vessels
		*	Same as for Cruisers
	8	0	Service Craft and Miscellaneous Vessels
		*	Same as for Cruisers
	9	0	Frigates
		*	Same as for Cruisers
	A	0	Submarines – Ballistic
		*	Same as for Cruisers
	B	0	Littoral Combat Ships
		*	Same as for Cruisers
	C	0	Unmanned Undersea Vehicles/Systems
		*	Same as for Cruisers
H	0	0	Ordnance Weapons and Munitions
	1	**	Nuclear Weapons
	2	**	Chemical and Biological Weapons
	3	**	Conventional Arms and Explosives
	4	**	Small Arms
	5	**	Artillery and Guns
	6	**	Other
	7	**	Software
I			Not Used
J			Not Used
K	0	**	General Purpose Equipment
	1	**	Rail Equipment

ADDENDUM 4 – Work Breakdown Structure Codes (continued)

ADDENDUM 4 WORK BREAKDOWN STRUCTURE CODES (Codes To Be Used in Field 13 of Addendum 3)			
POSITION			**DESCRIPTION**
79	**80**	**81**	
	2	**	Generator or Sets
	3	**	General Purpose Maintenance Tooling and Equipment
	4	**	Other Items (includes Medical, Chaplain, Musical, and Personal Equipment, Tents, and Tarpaulins)
	5	**	Federal Supply Group 34 Metalworking Machinery
	6	**	Test, Measurement, and Diagnostic Equipment (includes Calibration Equipment)
	7	**	Software
L	1	1	All Other Items Not Identified

* See the referenced table entries.
** Report to the second level only.

ADDENDUM 5 – Work Performance Category Codes

ADDENDUM 5
WPC CODES
(Codes To Be Used in Field 14 of Addendum 3)

Code A—Overhaul. Returning an unserviceable item of equipment to serviceable condition by restoring most or all internal tolerances to "like new" specification. Overhaul is synonymous with "rework" and "rebuild."

Code B—Progressive Maintenance. A predetermined amount of work that represents a partial overhaul under a program that permits the complete overhaul by means of two or more scheduled work efforts in the maintenance process. Progressive maintenance is synonymous with "cycle maintenance," "restricted availability," "preventive servicing," "recondition," and "phased" or "incremental maintenance."

Code C—Conversion. The alteration of the basic characteristics of an item to such an extent as to change its mission, performance, or capability.

Code D—Activation. The process of returning an item from preservation, storage, or inactive status to an active, serviceable status by means of removal from storage and containers, stripping, inspection, servicing, testing, repair, replacement of components, assemblies, or subassemblies as required.

Code E—Inactivation. The servicing and preservation of an item prior to placement in storage or an inactive status.

Code F—Renovation. The proof and test, evaluation, inspection, and rework of ammunition or ordnance items as required for retaining their desired capability.

Code G—Analytical Inspection. The disassembly, inspection, data gathering, and engineering analysis of an equipment item to compare actual wear characteristics and failure patterns with predicted values. Data collected during analytical inspection is used to validate the adequacy of maintenance planning and execution. Analytical rework is synonymous with the "age exploration analysis" phase of reliability-centered maintenance.

Code H—Modification. A physical change made to weapon systems or equipment such that one or more measurable characteristic is altered. Modifications are often made to improve equipment performance, but may also be designed to increase reliability, improve supportability, or enhance safety. Synonymous with "upgrade."

Code I—Repair. Returning an unserviceable item of equipment to serviceable condition by restoring failed structures or components to acceptable standards. "Acceptable" may mean "restore to 'like new' specification," or it may be less stringent, depending upon the demands of the equipment user.

ADDENDUM 5 – Work Performance Category (WPC) Codes (continued)

Code J—Inspection. The examination of an item to reveal information about its physical condition. Inspection results are typically compared with specifications, standards, or the results of other inspections to determine whether the item under inspection is acceptable for use. Inspections are also an important part of engineering investigations that seek to establish cause-and-effect relationships between observed characteristics and external influences.

Code K—Manufacture. The fabrication of a component or end item from raw materials or components. Can include engineering, design, test, and production. Does not include manufacturing that takes place as part of the normal repair or overhaul processes.

Code L—Reclamation. The authorized processing of end items, assemblies, or subassemblies to obtain parts or components retained in operating materials and supplies prior to taking disposal action on the end item, assembly, or subassembly. Includes demilitarization actions on items prior to disposal when the demilitarization is incidental to the reclamation.

Code M—Storage. The inspection, preservation, periodic re-preservation, and maintenance in storage status of weapons, subsystems, and components in the supply system.

Code N—Technical Assistance. The use of qualified depot maintenance personnel to provide technical information, instructions, or guidance, or to perform specific work requiring special skills for operational activities or other maintenance organizations. Includes all demilitarization other than that incidental to reclamation when reporting is required.

Codes O, P, Q, R, and S—Not Used

Code T—Other Work. Used to complete the reporting of all maintenance workforce costs incurred. Any costs incurred at a depot maintenance activity funded by the Working Capital Fund that do not meet the criteria for reporting under the other WPCs must be reported in this category. This includes any maintenance support costs funded by a DWCF activity. Maintenance support includes centralized programming and planning support, technical and engineering services, preparation of maintenance publications and engineering data, and technical and administrative training.

Code U – Software Maintenance. Those software activities carried out following initial operating capability to include all events that maintain operational capability, correct faults, improve performance, and adapt the software to environmental changes or new requirements. Software maintenance must be reported regardless of location or funding source. For software or related hardware modifications/upgrades, includes the labor associated with the application of the modification.

Code V—Calibration. The comparison of a measurement system or device of unknown accuracy to a system or device of known and greater accuracy. The system or device of greater accuracy is a measurement standard.

ADDENDUM 5 – Work Performance Category (WPC) Codes (continued)

Code W—CLS, ICS, PBL, and Similar Contracts. The CLS, ICS, PBL, and similar contracts provide commercial support for weapon systems and equipment that do not have an organic support base established. Contractors provide total logistics support, including depot maintenance for the equipment, end item, and components. Only those maintenance functions that would be classified as depot-level, if the equipment were maintained organically, will be included.

Codes X, Y, and Z—Not Used

VOLUME 6A, CHAPTER 15: "DEFENSE REVOLVING FUNDS ACCOUNTING REPORT [ACCOUNTING REPORT (MONTHLY) 1307]"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated July 2020 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Replaced the Defense Working Capital Fund with Defense Revolving Funds for increased accuracy of applicable guidance.	Revision
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
All	Removed Moving Average Cost as the required inventory valuation method for Department of Defense (DoD) agencies and removed reference to Latest Acquisition Cost to align with DoD Financial Management Regulation Volume 4, Chapter 4: "Inventory and Related Property."	Deletion

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CHAPTER 15

DEFENSE REVOLVING FUNDS ACCOUNTING REPORT [ACCOUNTING REPORT (MONTHLY) 1307]

1.0 GENERAL

1.1 Purpose

This chapter prescribes the reporting requirements and policies to follow when preparing the Defense Revolving Funds (DRF) Accounting Report [Accounting Report (Monthly) 1307] (AR(M) 1307) and is applicable to all Department of Defense (DoD) Revolving Funds.

1.2 Authoritative Guidance

The chapter addresses the basic internal reporting requirements identified in Title 10, United States Code, section 2208 (***10 U.S.C. § 2208***), which requires the Secretary of Defense, with respect to the revolving funds of each Defense Agency, and the Secretary of each military department, to provide for separate accounting, reporting, and auditing of funds and activities managed through the revolving funds.

2.0 REPORTING

2.1 Report Content

2.1.1. The DRF AR(M) 1307 consists of three principal internal accounting statements.

2.1.1.1. Statement of Financial Position. The Statement of Financial Position discloses the reporting entity's assets, liabilities, and net position.

2.1.1.2. Statement of Cash Flow. The Statement of Cash Flow discloses the reporting entity's cash flows from operations, adjustments, and appropriations and cash transfers with an explanation of the changes in cash or cash equivalents for the reporting period.

2.1.1.3. Statement of Operations. The Statement of Operations discloses the results of the reporting entity's operations for the reporting period, including changes in the entity's net position from the end of the prior reporting period.

2.1.2. ***Volume 1, Chapter 2***, "Federal Accounting Standards Hierarchy" contains the Federal Accounting Standards Advisory Board hierarchy of accounting principles and standards used to prepare the DRF AR(M) 1307.

2.1.3. ***Volume 1, Chapter 4***, "Standard Financial Information Structure" contains guidance on the Standard Financial Information Structure that supports requirements for budgeting, financial accounting, cost/performance, interoperability and external reporting needs across the DoD.

* 2.1.4 ***Volume 3, Chapter 19***, "Defense Working Capital Fund" outlines the policies and procedures for managing budget execution for the DWCF and other revolving funds within the Department of Defense.

* 2.1.5. ***Volume 11B, Chapter 3,*** "Defense Working Capital Fund – Budgetary Resources" outlines the definition of budgetary resources within the context of the DRF, including new budget authority, unobligated balances, reimbursements, and recoveries.

* 2.1.6. ***Volume 11B, Chapter 11,*** "Reimbursements and Revenue Recognition – Defense Working Capital Funds" contains guidance on DRF reimbursement and revenue recognition, outlines the authorization and process for reimbursable obligations, the accounting treatment of offsetting collections and how funds are earned through the sale of goods and services.

2.1.7. The DRF AR(M) 1307 is the official internal management report document for financial accounting and is a source document for the annual financial statements. The ***United States Standard General Ledger (USSGL),*** on which the report is based, is updated at least annually and posted by the Bureau of the Fiscal Service (Fiscal Service). The DoD Standard ***Chart of Accounts*** provides normal account balance information. The DoD USSGL Transaction Library provides detailed general ledger transactions and posting business rules for accounting standardization that supports the preparation of financial statements.

2.1.8. The AR(M) 1307 is prepared based on the activity's proprietary trial balances. An exception is the inclusion of obligation data in some items in Part VI, "Capital Program," and Part VII, "Inventory Management Report - Supply Management Activity," of the Statement of Operations.

2.1.8.1. The AR(M) 1307 provides accounting and inventory data for financial reporting and identifies the proprietary position of DRF activities. The AR(M) 1307 complements information provided in the Standard Form ***(SF) 133***, Report on Budget Execution and Budgetary Resources, which is prepared by using the activity's budgetary trial balances. Although the AR(M) 1307 and SF 133 run independently of one another, they should reconcile at the summary level. Refer to Volume 3, Chapter 19 for additional guidance.

2.1.8.2. Use standard reconciliations, such as budgetary to proprietary relationships described in ***Volume 1, Chapter 7***, "Department of Defense Standard Chart of Accounts," to verify the integrity of reported data.

2.2 Reporting Requirement

2.2.1. Applicability. Table 15-1 contains a listing of DRF financial reporting activities. Within Table 15-1, an asterisk (*) symbol indicates the lowest level for which individual AR(M) 1307 reports are required. DRF activities may generate the AR(M) 1307 at different levels to manage their business effectively. Table 15-1 identifies the levels for which consolidated AR(M) 1307 reports are required with a pound (#) symbol. Each DoD Component DRF activity must produce consolidated reports.

2.2.2. Report Formats. Use the financial report formats provided in Forms 15-1 through 15-8 to prepare reports. Reports produced by Automated Data Processing (ADP) equipment may be substituted for the formats illustrated. Submit the following reports:

2.2.2.1. Statement of Financial Position;

2.2.2.2. Statement of Cash Flow; and

2.2.2.3. Statement of Operations;

2.2.2.3.1. Part I - Statement of Operations identifies the cumulative year-to-date Net Operating Results (NOR) and the Recoverable NOR. Recoverable NOR is the amount that can be recovered in the activity's rates;

2.2.2.3.2. Part II - Changes in Net Position identifies the arithmetic difference between the total assets and total liabilities recognized on a component entity's balance sheet;

2.2.2.3.3. Part III - Cost of Goods Sold identifies the value of inventory sold or services provided. It does not provide a value for total obligations incurred;

2.2.2.3.4. Part IV - Expenses identifies detailed expense information by category. Not all expenses represent claims against budgetary resources;

2.2.2.3.5. Part V - Recoverable Operating Results reconciles NOR to the operating results that may be used for rate-setting purposes;

2.2.2.3.6. Part VI - Capital Program identifies the approved program, obligations, disbursements, and collections for the Capital Program by fiscal year (FY); and

2.2.2.3.7. Part VII - Inventory Management Report - Supply Management Activity reports inventory management data for the Supply Management and Commissary Resale DRF activities.

2.2.3. Frequency of Reports. Unless otherwise specified by the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), prepare and submit the AR(M) 1307 reports monthly. Submit regular reports in accordance with due dates established by the Defense Finance and Accounting Service (DFAS) and consistent with the requirements of OUSD(C).

2.2.4. Distribution

2.2.4.1. Consolidated DoD Component and DRF Activity Reports. Submit a copy of consolidated DRF activity reports to the:

2.2.4.1.1. Director for Operations, Office of the Deputy Comptroller (Program/Budget (P/B)), OUSD(C);

2.2.4.1.2. Offices of the Assistant Secretary of the Army, Navy, and Air Force (Financial Management and Comptroller); the Defense Commissary Agency (DeCA) Comptroller; and Comptrollers of Other Defense Activities (e.g. The Defense Logistics Agency (DLA) Comptroller); and

2.2.4.1.3. Management Command responsible for the oversight of the DRF activity, if requested by a DoD Component.

2.2.4.2. Activity Level Reports. Submit a copy of DRF activity level reports to the:

2.2.4.2.1. Offices of the Assistant Secretary of the Army, Navy, and Air Force (Financial Management and Comptroller); the DeCA Comptroller; and Comptrollers of Other Defense Activities if requested by a DoD Component;

2.2.4.2.2. Management Command responsible for the oversight of the DRF activity, if requested by a DoD Component; and

2.2.4.2.3. DRF activity, disclosing any adjustments made to the financial data submitted by that activity.

2.3 Detailed Instructions

2.3.1. The instructions to the AR(M) 1307 identify the specific data, and appropriate source of that data, for amounts entered into each line of each report.

2.3.2. Report amounts in thousands of dollars ($000) for all parts of the report and related footnotes (i.e., $1,000 = $1; $10,000 = $10; and $100,000 = $100).

2.3.3. Include footnotes with each report for lines requiring identification of the nature of specific extraordinary amounts or abnormal balances.

2.3.4. Allocate or assign adjustments for amounts otherwise accounted for or reported at the DoD Component level to the applicable DRF activities. Similarly, allocate or assign adjustments for amounts otherwise submitted for or reported at the DRF activity level to the applicable individual activities. DFAS will make such allocations in accordance with the direction received from the DoD Components. Where reasonable, allocate all such adjustments to individual activities. Show adjustments made at the DRF activity level separately as a DRF activity adjustment. Recognize adjustments at the DRF activity level (DRF activity adjustment) until the transactions can be allocated to the individual activities. All DRF activity adjustments must be zero at year-end. Enter adjustments allocated to the individual activity level into the activity's installation level accounting records. Record the adjustments in accordance with the guidance contained in ***Chapter 2***, "Financial Reports Roles and Responsibilities."

2.3.5. Do not retroactively implement policies that could have a significant adverse impact on the accuracy and integrity of financial reports without a clear offsetting benefit, or unless directed by an external authority such as Congress.

2.3.6. Base the report submissions on current FY data. All references to "year" apply to FY.

2.3.7. Entities are only required to report lines on the AR(M) 1307 in which there is current activity or activity from a prior period.

2.3.8. Use the USSGL accounts cited as general guidance to populate each line. DoD requires the use of the DoD Standard Reporting Chart of Accounts in all accounting systems for all appropriations and funds. Detailed account mapping is included in the Defense Departmental Reporting System (DDRS). Volume 1, Chapter 7 prescribes the requirements of the USSGL.

2.3.9. Base the report submissions on the bulk file format and attributes outlined in the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (***GTAS***). The GTAS format includes both budgetary and proprietary USSGL accounts, however, the AR(M) 1307 is based upon proprietary USSGL accounts with few exceptions.

3.0 FORMAT OF THE STATEMENT OF FINANCIAL POSITION (FORM 15-1)

Form 15-1: Statement of Financial Position

DEFENSE REVOLVING FUNDS STATEMENT OF FINANCIAL POSITION (DoD COMPONENT/DRF ACTIVITY) MONTH ENDING _____, 20XX ($ in thousands)				
ASSETS				
1. Fund Balance with Treasury			$	XXX
a. Funds Collected - Operating Program	$	XXX		
b. Funds Collected - Capital Program		XXX		
c. Funds Disbursed - Operating Program		XXX		
d. Funds Disbursed - Capital Program		XXX		
e. Funds Transferred In (Out)		XXX		
f. Funds with Treasury - Operating Program		XXX		
g. Funds with Treasury - Capital Program		XXX		
2. Cash on Hand and Other Monetary Assets				XXX
3. Accounts Receivable, Net				XXX
a. Accounts Receivable, Intragovernmental		XXX		
b. Accounts Receivable, Intragovernmental, Undistributed		XXX		
c. Accounts Receivable, Non-Federal		XXX		
d. Accounts Receivable, Non-Federal, Undistributed		XXX		
4. Advances Paid and Prepayments				XXX
5. Inventories, Net				XXX
a. Inventory Items				
b. Allowance for Gains (or Losses) on Inventories		XXX		
6. Work-in-Process				XXX
7. Operating Materials and Supplies, Net				XXX
8. Property, Plant, and Equipment, Net				XXX
a. Structures, Facilities and Leasehold Improvements, Net		XXX		
b. Construction-in-Progress		XXX		
c. Equipment, Net		XXX		
d. ADP Software, Net		XXX		
e. Software Development in Progress		XXX		
f. Assets Under Capital Lease, Net		XXX		
g. Other Property, Net		XXX		
9. Other Assets, Net				XXX
10. Total Assets				XXX

Form 15-1: Statement of Financial Position (Continued)

LIABILITIES			
11. Liabilities Covered by Budgetary Resources			$ XXX
a. Accounts Payable, Net			XXX
(1) Accounts Payable, Intragovernmental	$	XXX	
(2) Accounts Payable, Intragovernmental, Undistributed		XXX	
(3) Accounts Payable, Non-Federal		XXX	
(4) Accounts Payable, Non-Federal, Undistributed		XXX	
b. Accrued Payroll and Benefits			XXX
(1) Salaries and Wages		XXX	
(2) Accrued Annual Leave		XXX	
(3) Severance Pay, Separation Allowance, and Other Payroll Liabilities		XXX	
c. Progress Billings			XXX
d. Advances and Prepayments from Others			XXX
e. Debt			XXX
f. Interest Payable			XXX
g. Lease Liabilities			XXX
h. Other Liabilities			XXX
12. Liabilities Not Covered by Budgetary Resources			XXX
13. Total Liabilities			XXX
NET POSITION			
14. Net Position			XXX
a. Unexpended Appropriations		XXX	
b. Accumulated Operating Results (AOR)		XXX	
c. Invested Capital		XXX	
15. Total Liabilities and Net Position			XXX

3.1 General

The Statement of Financial Position, Form 15-1, discloses the reporting entity's assets, liabilities, and net position.

3.2 Heading

Complete the heading of the form to indicate: the reporting DoD Component, the reporting DRF activity, the reporting period (month), and the calendar year.

3.3 Line Item Instructions

Instructions for the content of each line item are as follows:

3.3.1. Section Heading – ASSETS. The "Assets" section identifies items owned by the Federal Government which have probable (more likely than not) economic benefits that can be obtained or controlled by a Federal Government entity. Fiduciary activities that fall under the guidance of Statement of Federal Financial Accounting Standards ***(SFFAS) 31***, "Accounting for Fiduciary Activities," are not part of the net position.

3.3.2. Line 1 – Fund Balance with Treasury. Report the aggregate amount of the entity's accounts with the Department of the Treasury (Treasury) for which the entity has the authority to make expenditures and pay liabilities. Establish accounts to identify disbursements and collections applicable to the operating and capital programs to comply with 10 U.S.C. § 2208, which requires DoD to establish a capital asset subaccount. Report the balance by the specified applicable categories.

3.3.3. Line 1.a – Funds Collected – Operating Program. Report the portion of the balance of the following account as it relates to funds collected for the operating program during the current FY:

101000 Fund Balance with Treasury (Funds Collected – Operating Program)

3.3.4. Line 1.b – Funds Collected - Capital Program. Report the portion of the balance of the following account as it relates to funds collected for the capital program during the current FY. Base the amount of collections allocated from the operating program to the capital program on the activity's DRF-funded depreciation expenses and capital surcharge. In all cases, at the end of the FY, the amount collected must be sufficient to ensure the ending Fund Balance with Treasury-Capital Program is not negative. See Volume 11B, Chapter 3 for additional guidance on transfers of budget authority. Line 1.b will agree with the collections reported in Column 11, "Collections - This Fiscal Year," of Part VI, "Capital Program," of the Statement of Operations.

101000 Fund Balance with Treasury (Funds Collected – Capital Program)

3.3.5. Line 1.c – Funds Disbursed - Operating Program. Report the portion of the balance of the following account as it relates to funds disbursed for the operating program during the current FY:

101000	Fund Balance with Treasury (Funds Disbursed – Operating Program)

3.3.6. Line 1.d – Funds Disbursed – Capital Program. Report the portion of the balance of the following account as it relates to funds disbursed for the capital program this FY. Line 1.d will agree with the disbursements reported in Column 8, "Disbursements - This Fiscal Year," of Part VI, "Capital Program," of the Statement of Operations.

101000	Fund Balance with Treasury (Funds Disbursed – Capital Program)

3.3.7. Line 1.e – Funds Transferred In (Out). Report the portion of the balance of the following account as it relates to funds transferred in or out during the current FY:

101000	Fund Balance with Treasury (Current Year Transfers)

3.3.8. Line 1.f – Funds with Treasury – Operating Program. Report the portion of the balance of the following accounts as they relate to funds held by the Treasury for the operating program. Report the beginning FY balance of the operating program account, which is the net of prior year funds collected and disbursed related to operating programs.

101000	Fund Balance with Treasury (Funds with Treasury – Operating Program)
109000	Fund Balance with Treasury While Awaiting a Warrant or Mandated Non-Expenditure Transfer (If applicable, under a continuing resolution authority)

3.3.9. Line 1.g – Funds with Treasury – Capital Program. Report the portion of the balance of the following account as it relates to funds held by the Treasury for the capital program. Report the beginning FY balance of the capital program account, which is the net of prior year funds collected and disbursed related to capital programs.

101000	Fund Balance with Treasury (Funds with Treasury – Capital Program)

3.3.10. Line 2 – Cash on Hand and Other Monetary Assets. Cash on hand and other monetary assets consists of: (a) coins, paper currency, and readily negotiable instruments, such as money orders, checks, and bank drafts on hand or in transit for deposit; (b) amounts on demand deposit with banks or other financial institutions including nonconfirmed collections and disbursements; (c) investments held outside of Treasury; and (d) foreign currencies, which, for accounting purposes, will be translated into U.S. dollars at the exchange rate on the financial statement date. Report the balance of the following accounts:

111000	Undeposited Collections
113000	Funds Held Outside of Treasury – Budgetary
119000	Other Cash
119500	Other Monetary Assets
120000	Foreign Currency

3.3.11. Line 3 – Accounts Receivable, Net. Accounts receivable are amounts due from others when the right to receive funds accrues because of performance of services, delivery of goods, or court-ordered assessments. Line 3 is a summary line for Lines 3.a, "Accounts Receivable, Intragovernmental," through 3.d, "Accounts Receivable, Non-Federal, Undistributed."

3.3.12. Line 3.a – Accounts Receivable, Intragovernmental. Report the portion of the balance of the following accounts due from other Federal Agencies:

131000	Accounts Receivable (except as reported on Line 3.b)
131900	Allowance for Loss on Accounts Receivable
134000	Interest Receivable – Not Otherwise Classified
136000	Penalties and Fines Receivable – Not Otherwise Classified
137000	Administrative Fees Receivable – Not Otherwise Classified

3.3.13. Line 3.b – Accounts Receivable, Intragovernmental, Undistributed. Report the portion of the balance of the following account as it relates to accounts receivable from other Federal Agencies recorded for undistributed collections. Undistributed collections represent the difference between the amount of collections reported to DFAS by the Treasury finance network and the amount of collections recorded by operating level activities.

131000	Accounts Receivable (except as reported on Line 3.a)

3.3.14. Line 3.c – Accounts Receivable, Non-Federal. Report the portion of the balance of the following accounts as they relate to accounts receivable from non-federal agencies and entities:

131000	Accounts Receivable (except as reported on Line 3.d)
131900	Allowance for Loss on Accounts Receivable
134000	Interest Receivable – Not Otherwise Classified
134700	Allowance for Loss on Interest Receivable – Not Otherwise Classified
136000	Penalties and Fines Receivable – Not Otherwise Classified
136700	Allowance for Loss on Penalties and Fines Receivable – Not Otherwise Classified
137000	Administrative Fees Receivable – Not Otherwise Classified
137700	Allowance for Loss on Administrative Fees Receivable – Not Otherwise Classified

3.3.15. Line 3.d – Accounts Receivable, Non-Federal, Undistributed. Report the portion of the balance of the following account as it relates to undistributed accounts receivable balances from non-federal agencies and entities. Undistributed collections represent the difference between the amount of collections reported to DFAS by the Treasury finance network and the amount of collections recorded by operating level activities.

131000 Accounts Receivable (except as reported on Line 3.c)

3.3.16. Line 4 – Advances Paid and Prepayments. The amount reported on this line will agree with the amount reported on Line 5, "Advances and Prepayments," of the "Supplemental Budget Execution Information Report," which is available in the Budgetary module of DDRS. This report provides additional reporting line items to amounts reported on the SF 133. Report the balance of the following account:

141000 Advances and Prepayments

3.3.17. Line 5 – Inventories, Net. Inventory is tangible personal property that is: (a) held for sale; (b) in the process of production for sale; (c) consumed in the production of goods for sale or in the provision of services for a fee; (d) held for repair; or (e) excess, obsolete, and unserviceable. ***SFFAS 3***, "Accounting for Inventory and Related Property," sets the accounting principles under which Federal entities account for and report inventory and related property balances. Line 5 is a summary line for Lines 5.a, "Inventory Items," and 5.b, "Allowance for Gains (or Losses) on Inventories."

3.3.18. Line 5.a – Inventory Items. Line 5.a is a summary line for the selected most appropriate inventory valuation method. Report the amount of inventory maintained in the following accounts:

152100 Inventory Purchased for Resale
152200 Inventory Held in Reserve for Future Sale
152300 Inventory Held for Repair
152400 Inventory – Excess, Obsolete, and Unserviceable
152500 Inventory – Raw Materials
152700 Inventory – Finished Goods

3.3.19. Line 5.b – Allowance for Gains (or Losses) on Inventories. Report the portion of the balance in the following account as it relates to the estimated cost to repair damage, and to gains (or losses), on inventories. Report a credit balance as a negative amount (deduct) and debit balance as a positive amount (add).

152900 Inventory – Allowance

3.3.20. Line 6 – Work-in-Process. DRF work-in-process is the amount of direct, indirect, and general and administrative costs assigned or otherwise properly allocated to a final cost objective (generally, a job order), or the amount of incremental billings for Supply Management

manufactured inventory. Prior to completion of final cost objects, either in their entirety or as discrete elements, allocate all costs to work-in-process.

3.3.20.1. When recognizing revenue on a percentage-of-completion basis, record the portion of work-in-process associated with the recognized revenue as cost of goods sold. Line 6 applies to DRF activities that accumulate costs to a final cost objective (generally, a job order), such as those within the Depot Maintenance, Research and Development (R&D), and Base Support DRF activities. Line 6 will agree with the amount reported on Line 1.g, "Minus: Ending Work-In-Process," of Part III, "Cost of Goods Sold," on the Statement of Operations.

3.3.20.2. Non-supply reporting entities are to bill for work-in-process balances before the reporting cycle closes, and therefore, work-in-process is expected to be zero for these activities on the AR(M) 1307. The work-in-process for supply accounts represent progress payments incurred for manufactured items. Provide explanations in the footnotes when non-supply work-in-process is not zero. Timely billing helps ensure resources are available to cover DRF costs. See ***Volume 4, Chapter 16***, "Revenue, Other Financing Sources, Gains and Losses" and ***SFFAS 7***, "Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting," for additional guidance relating to revenue recognition. Report the portion of the balance in the following accounts as they relate to work-in-process:

152600	Inventory – Work-in-Process
152900	Inventory – Allowance

3.3.21. Line 7 – Operating Materials and Supplies, Net. Operating materials and supplies are tangible personal property that organizations consume in their normal course of operations. See ***Volume 4, Chapter 4***, "Inventory and Related Property" for the recognition and valuation of Operating materials and supplies. Line 7 can be applicable to any DRF activity. Report the balance of the following accounts:

151100	Operating Materials and Supplies Held for Use
151200	Operating Materials and Supplies Held in Reserve for Future Use
151300	Operating Materials and Supplies – Excess, Obsolete, and Unserviceable
151400	Operating Materials and Supplies – Held for Repair
151600	Operating Materials and Supplies – In Development
151900	Operating Materials and Supplies – Allowance

3.3.22. Line 8 – Property, Plant, and Equipment, Net. Property, plant, and equipment (PP&E) are tangible assets that: (1) have an estimated useful life of two or more years; (2) are not intended for sale in the ordinary course of business; and (3) are intended to be used or available for use by the entity.

3.3.22.1. ***SFFAS 6***, "Accounting for Property, Plant, and Equipment," outlines accounting standards for Federally owned PP&E. Line 8 is the cost basis, net of depreciation, of the activity's real and personal property, i.e., land, structures and facilities,

construction-in-progress, purchased and self-developed software, equipment, and related improvements that have been capitalized.

3.3.22.2. Report DoD real property as follows:

3.3.22.2.1. Construction-In-Progress. The funding entity accumulates and reports construction-in-progress for real property (including improvements) in the construction-in-progress accounts until the asset or improvement is placed in service. When the asset or improvement is placed in service, the funding entity removes the construction-in-progress balance and recognizes the asset. The funding entity then transfers the asset or improvement to the host entity, if the host entity is different than the funding entity.

3.3.22.2.2. In-Service Assets. Report real property on the financial statements of the Military Department or Washington Headquarters Services on whose installation a real property asset is located. A Military Department revolving fund can report real property on its financial statements if it has jurisdiction over an installation.

3.3.22.2.3. Land. Reporting responsibilities for land follow the same rules as other real property. However, reporting entities without an unmodified audit opinion value existing land at zero dollars and expense future land acquisitions.

3.3.22.2.4. Capitalized Improvements. The funding entity accumulates and reports the costs of capitalized improvements until the improvement to an asset is placed in service, at which time it will be transferred to the entity responsible for reporting the real property base asset. Only Military Departments and Washington Headquarters Services have financial reporting responsibility for real property and completed improvements. See ***Volume 4, Chapter 24***, "Real Property" for additional information. Line 8 is a summary line for Lines 8.a, "Structures, Facilities and Leasehold Improvements, Net," through 8.g, "Other Property, Net."

3.3.23. Line 8.a – Structures, Facilities and Leasehold Improvements, Net. Report the balance of the following accounts:

171200	Capitalized Improvements to Land
171900	Accumulated Depreciation on Capitalized Improvements to Land
173000	Buildings, Improvements, and Renovations
173900	Accumulated Depreciation on Buildings, Improvements, and Renovations
174000	Other Structures and Facilities
174900	Accumulated Depreciation on Other Structures and Facilities
182000	Leasehold Improvements
182900	Accumulated Amortization on Leasehold Improvements

3.3.24. Line 8.b – Construction-in-Progress. Report the balance of the following account:

172000	Construction–in–Progress

3.3.25. Line 8.c – Equipment, Net. Report the balance of the following accounts:

175000	Equipment
175900	Accumulated Depreciation on Equipment

3.3.26. Line 8.d – ADP Software, Net. Report the balance of the following accounts:

183000	Internal–Use Software
183900	Accumulated Amortization on Internal–Use Software

3.3.27. Line 8.e – Software Development in Progress. Report the balance of the following account:

183200	Internal–Use Software in Development

3.3.28. Line 8.f – Assets Under Capital Lease, Net. Report the balance of the following accounts:

181000	Assets Under Capital Lease
181900	Accumulated Depreciation on Assets Under Capital Lease

3.3.29. Line 8.g – Other Property, Net. Report the balance of the following accounts:

184000	Other Natural Resources
184900	Allowance for Depletion
189000	Other General Property, Plant, and Equipment
189900	Accumulated Depreciation on Other Property, Plant, and Equipment

3.3.30. Line 9 – Other Assets, Net. Report the balance of the following accounts:

135000	Loans Receivable - Not Otherwise Defined
159100	Other Related Property
159900	Other Related Property – Allowance
199000	Other Assets
199500	General Property, Plant, and Equipment Permanently Removed but Not Yet Disposed

3.3.31. Line 10 – Total Assets. Line 10 is a summary line for Lines 1, "Fund Balance with Treasury," through 9, "Other Assets, Net."

3.3.32. Section Heading – LIABILITIES. The "Liabilities" section identifies obligations of the Federal Government to provide assets or services to another entity at a determinable date, when a specified event occurs, or on demand.

3.3.33. Line 11 – Liabilities Covered by Budgetary Resources. Report liabilities covered by available budgetary resources on this line. Budgetary resources are required to cover all obligations whether considered a liability or not.

3.3.33.1. Available budgetary resources include: (1) new budget authority; (2) unobligated balances of budgetary resources at the beginning of the year or net transfers of prior year balances during the year; (3) spending authority from offsetting collections (credited to an appropriation or fund account); and (4) recoveries of unexpired budget authority through downward adjustments of prior year obligations.

3.3.33.2. Consider liabilities covered by budgetary resources if they are to be funded by permanent indefinite appropriations, which have been enacted and signed into law and are available for use as of the reporting date. The Office of Management and Budget (OMB) may apportion the resources without further action by the Congress or without a contingency first having to be met. Line 11 is a summary line for Lines 11.a, "Accounts Payable, Net," through 11.h, "Other Liabilities."

3.3.34. Line 11.a – Accounts Payable, Net. Report the amounts owed by a DRF activity for goods and services from, progress in contract performance made by, and rents due to DoD and other Federal and non-federal entities. See ***Volume 10, Chapter 10***, "Payment Vouchers – Special Applications" and the Federal Acquisition Regulation ***(FAR), "Part 32,"*** for additional guidance relating to contract financing payments. Line 11.a is a summary line for Lines 11.a.(1), "Accounts Payable, Intragovernmental," through 11.a.(4), "Accounts Payable, Non-Federal, Undistributed."

3.3.35. Line 11.a.(1) – Accounts Payable, Intragovernmental. Report the portion of the balance of the following accounts as they relate to accounts payables owed to Federal entities:

211000	Accounts Payable (except as reported on Line 11.a.(2))
212000	Disbursements in Transit
214000	Accrued Interest Payable – Not Otherwise Classified

3.3.36. Line 11.a.(2) – Accounts Payable, Intragovernmental, Undistributed. Report the amount of accounts payable in the following account that is owed to Federal entities recorded for undistributed disbursements. Undistributed disbursements represent the difference between the amount of disbursements reported by DFAS to the Treasury finance network and the amount of disbursements recorded by operating level activities.

211000	Accounts Payable (except as reported on Line 11.a.(1))

3.3.37. Line 11.a.(3) – Accounts Payable, Non-Federal. Report the portion of the balance of the following accounts as they relate to accounts payable owed to non-federal entities:

211000	Accounts Payable (except as reported on Line 11.a.(4))
212000	Disbursements in Transit
213000	Contract Holdbacks
214000	Accrued Interest Payable – Not Otherwise Classified

3.3.38. Line 11.a.(4) – Accounts Payable, Non-Federal, Undistributed. Report the amount of accounts payable in the following account that is owed to non-federal entities recorded for undistributed disbursements. Undistributed disbursements represent the difference between the amount of disbursements reported to DFAS by the Treasury finance network and the amount of disbursements recorded by operating level activities.

211000	Accounts Payable (except as reported on Line 11.a.(3))

3.3.39. Line 11.b – Accrued Payroll and Benefits. Report the amount of payroll and benefits payable. Line 11.b is a summary line for Lines 11.b.(1), "Salaries and Wages," through 11.b.(3), "Severance Pay, Separation Allowance, and Other Payroll Liabilities."

3.3.40. Line 11.b.(1) – Salaries and Wages. Report the portion of the balance of the following accounts as they relate to salaries and wages:

221000	Accrued Funded Payroll and Leave
221100	Withholdings Payable
221300	Employer Contributions and Payroll Taxes Payable

3.3.41. Line 11.b.(2) – Accrued Annual Leave. DRF activities must fully fund annual leave in their rates. The balance reported on this line represents the value of employee annual leave not yet taken. This amount is exclusive of the amount reported on Line 11.b.(1). Report the portion of the balance of the following account as it relates to accrued annual leave:

221000	Accrued Funded Payroll and Leave

3.3.42. Line 11.b.(3) – Severance Pay, Separation Allowance, and Other Payroll Liabilities. Report the portion of the balance of the following account as it relates to severance pay, separation allowances, and other payroll liabilities:

221500	Other Post-Employment Benefits Due and Payable

3.3.43. Line 11.c – Progress Billings. The amount reported represents billings received in advance of performance for which revenue has not been earned. Report the portion of the balance of the following account as it relates to progress billings:

231000	Liability for Advances and Prepayments

3.3.44. Line 11.d – Advances and Prepayments from Others. The amount reported will agree with Line 6, "Unearned Revenue," of the "Supplemental Report on Budget Execution."

Report the value of advances and prepayments received for goods not yet delivered or services not yet performed in the following account:

231000	Liability for Advances and Prepayments

3.3.45. Line 11.e – Debt. Line 11.e represents the amount of borrowings from the Treasury, the Federal Financial Bank, or other Federal Agencies. Report the portion of the balance of the following accounts as they relate to debt:

214000	Accrued Interest Payable – Not Otherwise Classified (except as reported on Line 11.f)
214200	Accrued Interest Payable – Debt
252000	Principal Payable to the Federal Financing Bank
259000	Other Debt

3.3.46. Line 11.f – Interest Payable. Report the portion of the balance of the following account as it relates to interest payable (other than debt interest). Exclude amounts already listed on Line 11.e, "Debt."

214000	Accrued Interest Payable – Not Otherwise Classified (except as reported on Line 11.e)

3.3.47. Line 11.g – Lease Liabilities. Line 11.g represents the portion of liability for capital leases covered by budgetary authority. Fully fund the capital leases and lease-purchases in the first year of the lease in accordance with OMB Circular A-11, ***Appendix B*** "Budgetary Treatment of Lease-Purchases and Leases of Capital Assets." Report the balance of the following account:

294000	Capital Lease Liability

3.3.48. Line 11.h – Other Liabilities. Line 11.h represents liabilities not recognized in other specific categories. Include the total amount due Federal entities for other liabilities covered by budgetary authority not included on other lines. Report the portion of the balance of the following accounts as they relate to transactions with other Federal and non-federal entities:

213000	Contract Holdbacks
219000	Other Liabilities With Related Budgetary Obligations
231000	Liability for Advances and Prepayments
232000	Other Deferred Revenue
240000	Liability for Nonfiduciary Deposit Funds and Undeposited Collections
265000	Actuarial Federal Employee Compensation Act (FECA) Liability
292000	Contingent Liabilities
298500	Liability for Non–Entity Assets Not Reported on the Statement of Custodial Activity

3.3.49. Line 12 – Liabilities Not Covered by Budgetary Resources. Liabilities not covered by available budgetary resources result from the receipt of goods or services, or the occurrence of other eligible events, for which revenues or other sources of funds necessary to pay the liabilities have not been made available through Congressional appropriations or current earnings of the reporting entity. Notwithstanding an expectation that the appropriations will be made, whether they, in fact, will be made is at the discretion of the Congress. Report the portion of the balance of the following accounts for which an available budgetary resource does not exist:

214000	Accrued Interest Payable – Not Otherwise Classified
216000	Entitlement Benefits Due and Payable
219000	Other Liabilities With Related Budgetary Obligations
222500	Unfunded FECA Liability
232000	Other Deferred Revenue
252000	Principal Payable to the Federal Financing Bank
259000	Other Debt
265000	Actuarial FECA Liability
292000	Contingent Liabilities
294000	Capital Lease Liability
296000	Accounts Payable from Canceled Appropriations
299000	Other Liabilities Without Related Budgetary Obligations
299500	Estimated Cleanup Cost Liability

3.3.50. Line 13 – Total Liabilities. Line 13 is a summary line for Lines 11, "Liabilities Covered by Budgetary Resources," and 12, "Liabilities Not Covered by Budgetary Resources."

3.3.51. Section Heading – NET POSITION. The "Net Position" section presents the arithmetic difference between the total assets and total liabilities recognized in the Federal Government's or a component entity's balance sheet. Net position may be positive (assets greater than liabilities) or negative (assets less than liabilities).

3.3.52. Line 14 – Net Position. Line 14 is a summary line for Lines 14.a, "Unexpended Appropriations," through 14.c, "Invested Capital."

3.3.53. Line 14.a – Unexpended Appropriations. Line 14.a is equal to Line 1.A.(3), "Equals: Unexpended Appropriations – End of Period," of Part II, "Changes in Net Position," of the Statement of Operations. Normally, DRF activities will not have unexpended appropriations as they are expended upon receipt to provide budgetary authority. Supply activities that receive appropriations for War Reserve Materiel may not expend upon receipt. Also, a DRF may have unexpended appropriations for Emergency Disaster Relief.

3.3.54. Line 14.b – Accumulated Operating Results (AOR). Line 14.b is equal to Line 1.B.(3), "Total AOR End of Period," of Part II, "Changes in Net Position," of the Statement of Operations.

3.3.55. Line 14.c – Invested Capital. Line 14.c is equal to Line 1.D.(4), "Equals: Invested Capital – End of Period," of Part II, "Changes in Net Position," of the Statement of Operations.

3.3.56. Line 15 – Total Liabilities and Net Position. Report the total of Lines 13, "Total Liabilities," and 14, "Net Position." Line 15 will equal Line 10, "Total Assets," from the Statement of Financial Position.

4.0 FORMAT OF THE STATEMENT OF CASH FLOW (FORM 15-2)

Form 15-2: Statement of Cash Flow

DEFENSE REVOLVING FUNDS
STATEMENT OF CASH FLOW
(DoD COMPONENT/DRF ACTIVITY)
MONTH ENDING _____, 20XX
($ in thousands)

CASH FLOWS FROM OPERATIONS:			
1. Net Operating Results (NOR) (Part I, Line 11)			$ XXX
OPERATING ADJUSTMENTS:			
2. Appropriated Capital Used (-)			(XXX)
3. Decrease (Increase) in Accounts Receivable			XXX
4. Decrease (Increase) in Advances and Prepayments			XXX
5. Decrease (Increase) in Inventories:			XXX
a. Inventory	$ XXX		
b. Work-in-Process	XXX		
c. Operating Materials and Supplies, Net	XXX		
6. Decrease (Increase) in Other Assets			XXX
7. Increase (Decrease) in Accounts Payable			XXX
8. Increase (Decrease) in Accrued Payroll and Benefits			XXX
9. Increase (Decrease) in Liabilities			XXX
10. Depreciation and Amortization			XXX
11. Other Adjustments:			XXX
a. Prior Period Adjustments	XXX		
b. Non-Cash Transfers	XXX		
c. Other	XXX		
12. Total Operating Adjustments			XXX
13. NOR Plus or Minus Operating Adjustments			XXX
CAPITAL ADJUSTMENTS:			
14. (Increase) Decrease of Property, Plant, and Equipment, Net			XXX

Form 15-2: Statement of Cash Flow (Continued)

APPROPRIATIONS AND CASH TRANSFERS:			
15. Appropriations (Current Warrants)			$ XXX
16. Transfers of Cash			XXX
a. Transfers In	$	XXX	
b. Transfers Out		XXX	
17. Total Appropriations and Cash Transfers			XXX
18. Repayments on Loans from the Treasury and the Federal Financing Bank			XXX
19. Net Change In Cash For Accounting Period			XXX
20. Fund Balance, Beginning			XXX
21. Fund Balance, Ending			XXX
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
22. Total Interest Paid			XXX

4.1 General

The Statement of Cash Flow, Form 15-2, discloses the reporting entity's gross cash receipts and disbursements with an explanation of the changes in cash or cash equivalents for the reporting period.

4.2 Heading

Complete the heading of the form to indicate: the reporting DoD Component, the reporting DRF activity, the reporting period (month), and the calendar year.

4.3 Line Item Instructions

Instructions for the content of each line item are as follows:

4.3.1. Section Heading - CASH FLOWS FROM OPERATIONS. The "Cash Flows From Operations" section presents the cash flows generated by an entity's operations.

4.3.2. Line 1 – Net Operating Results (NOR) (Part I, Line 11). Line 1 is equal to Line 11, "Net Operating Results (NOR)," of Part I, "Statement of Operations," of the Statement of Operations.

4.3.3. Section Heading - OPERATING ADJUSTMENTS. The "Operating Adjustments" section identifies increases and decreases in items impacting an entity's ending Fund Balance with Treasury.

4.3.4. Line 2 – Appropriated Capital Used (-). The amount of appropriated funds expended is a negative adjustment to the cash flow from operations. Report the balance of the following account:

570000 Expended Appropriations – Used – Accrued

4.3.5. Line 3 – Decrease (Increase) in Accounts Receivable. Report the balance of the preceding September 30, Statement of Financial Position, Line 3, "Accounts Receivable, Net," minus the current balance reported on Line 3 of the Statement of Financial Position.

4.3.6. Line 4 – Decrease (Increase) in Advances and Prepayments. Report the balance of the preceding September 30, Statement of Financial Position, Line 4, "Advances Paid and Prepayments," minus the current balance reported on Line 4 of the Statement of Financial Position.

4.3.7. Line 5 – Decrease (Increase) in Inventories. Line 5 is a summary line for Lines 5.a, "Inventory," through 5.c, "Operating Materials and Supplies, Net." Report the net decrease (increase) of the three sub-categories of inventory reported on Lines 5.a through 5.c.

4.3.8. Line 5.a – Inventory. Report the balance of the preceding September 30, Statement of Financial Position, Line 5.a, "Inventory Items," minus the current balance reported on Line 5.a of the Statement of Financial Position.

4.3.9. Line 5.b – Work-in-Process. Report the balance of the preceding September 30, Statement of Financial Position, Line 6, "Work-in-Process," minus the current balance reported on Line 6 of the Statement of Financial Position.

4.3.10. Line 5.c – Operating Materials and Supplies, Net. Report the balance of the preceding September 30, Statement of Financial Position, Line 7, "Operating Materials and Supplies, Net," minus the current balance reported on Line 7 of the Statement of Financial Position.

4.3.11. Line 6 – Decrease (Increase) in Other Assets. Report the balance of the preceding September 30, Statement of Financial Position, Line 9, "Other Assets, Net," minus the current balance reported on Line 9 of the Statement of Financial Position.

4.3.12. Line 7 – Increase (Decrease) in Accounts Payable. Report the balance of the preceding September 30, Statement of Financial Position, Line 11.a, "Accounts Payable, Net," minus the current balance reported on Line 11.a of the Statement of Financial Position.

4.3.13. Line 8 – Increase (Decrease) in Accrued Payroll and Benefits. Report the balance of the preceding September 30, Statement of Financial Position, Line 11.b, "Accrued Payroll and Benefits," minus the current balance reported on Line 11.b of the Statement of Financial Position.

4.3.14. Line 9 – Increase (Decrease) in Liabilities. Report the current year change in the following accounts:

213000	Contract Holdbacks
214000	Accrued Interest Payable – Not Otherwise Classified
216000	Entitlement Benefits Due and Payable
219000	Other Liabilities With Related Budgetary Obligations
222500	Unfunded FECA Liability
231000	Liability for Advances and Prepayments
232000	Other Deferred Revenue
240000	Liability for Nonfiduciary Deposit Funds and Undeposited Collections
252000	Principal Payable to the Federal Financing Bank
259000	Other Debt
265000	Actuarial FECA Liability
292000	Contingent Liabilities
294000	Capital Lease Liability
296000	Accounts Payable From Canceled Appropriations
298500	Liability for Non–Entity Assets Not Reported on the Statement of Custodial Activity
299000	Other Liabilities Without Related Budgetary Obligations
299500	Estimated Cleanup Cost Liability

4.3.15. Line 10 – Depreciation and Amortization. The depreciation and amortization for the period are not paid in cash and, therefore, require a positive adjustment to net cash flow from operations. Report the portion of the balance of the following account as it relates to items funded by the DRF activity:

671000	Depreciation, Amortization, and Depletion

4.3.16. Line 11 – Other Adjustments. Line 11 is a summary line for Lines 11.a, "Prior Period Adjustments," through 11.c, "Other."

4.3.17. Line 11.a – Prior Period Adjustments. Report the portion of the balance of the following accounts as they relate to prior period adjustments. Enter prior period adjustments for the period that are not cash related transactions.

740000	Prior–Period Adjustments Due to Corrections of Errors
740100	Prior–Period Adjustments Due to Changes in Accounting Principles
740500	Prior–Period Adjustments Due to Corrections of Errors – Years Preceding the Prior Year

4.3.18. Line 11.b – Non–Cash Transfers. Report the balance of the following accounts. Enter transfers in and transfers out for the period that are not cash related transactions.

572000	Financing Sources Transferred In Without Reimbursement
573000	Financing Sources Transferred Out Without Reimbursement

4.3.19. Line 11.c – Other. Report the balance of the following account:

579000	Other Financing Sources

4.3.20. Line 12 – Total Operating Adjustments. Line 12 is a summary line for Lines 2, "Appropriated Capital Used (-)," through 11, "Other Adjustments."

4.3.21. Line 13 – NOR Plus or Minus Operating Adjustments. Report the sum of Lines 1, "Net Operating Results (NOR)," and 12, "Total Operating Adjustments."

4.3.22. Section Heading – CAPITAL ADJUSTMENTS. The "Capital Adjustments" section adjusts cash flow for the impact of acquiring and disposing of PP&E and other assets used in the production of goods and services. Most sales within the DRF are recorded as revenue and included in Line 1, "Net Operating Results (NOR)." However, if an incoming cash flow is not a result of revenue, identify that cash flow within this section as either a result of a sale of PP&E or another cause. See ***Volume 4***, "Accounting Policy" for additional information relating to PP&E.

4.3.23. Line 14 – (Increase) Decrease of Property, Plant, and Equipment, Net. Report the balance of the preceding September 30, Statement of Financial Position, Line 8, "Property, Plant, and Equipment, Net," minus the current balance reported on Line 8 of the Statement of Financial Position.

4.3.24. Section Heading – APPROPRIATIONS AND CASH TRANSFERS. The "Appropriations and Cash Transfers" section identifies the impact on cash flow from resources obtained in the form of appropriations from the Congress, or by transferring from or to other reporting entities. Appropriations may be distributed to the individual activity level. If appropriations are not distributed, report by the DRF level holding those balances or allocate by that DRF level, for reporting purposes, to the appropriate activity or activities.

4.3.25. Line 15 – Appropriations (Current Warrants). Report the portion of the balance of the following accounts as they relate to transfers in and transfers out of appropriations (current warrants). Report the amount of appropriations received, net of rescissions, for the current FY in the following accounts:

310100	Unexpended Appropriations – Appropriations Received
310200	Unexpended Appropriations – Transfers–In
310300	Unexpended Appropriations – Transfers–Out
310500	Unexpended Appropriations – Prior Period Adjustments Due to Corrections of Errors – Years Preceding the Prior Year
310600	Unexpended Appropriations – Adjustments
310700	Unexpended Appropriations – Used – Accrued
310800	Unexpended Appropriations – Prior–Period Adjustments Due to Corrections of Errors
310900	Unexpended Appropriations – Prior–Period Adjustments Due to Changes in Accounting Principles

4.3.26. Line 16 – Transfers of Cash. Report the net amount of cash transferred to and from all Federal sources, except the Fiscal Service. Line 16 is a summary line for Lines 16.a, "Transfers In," and 16.b, "Transfers Out." Transfers of cash reported on Lines 16.a and 16.b may include transfers between revolving funds and the "Foreign Currency Fluctuations, Defense" and "Operation and Maintenance" appropriations as outlined in Section 8008 of Public Law ***113-6***.

4.3.27. Line 16.a – Transfers In. Report the amount of cash transferred from all Federal sources, except the Fiscal Service. The amount reported on this line will agree with the amount reported on Line 1.D.(2).b, "Plus: Transfers In of Cash," of Part II, "Changes in Net Position," of the Statement of Operations. Report cash transfers in from other Federal sources as an increase. Report only those amounts related solely to transferred-in cash balances. Do not report a transfer of cash from work performed (reimbursable sales) on this line.

575500	Nonexpenditure Financing Sources – Transfers–In – Other

4.3.28. Line 16.b – Transfers Out. Report the amounts of cash transferred to all Federal sources, except the Fiscal Service. The amount reported on this line will be the opposite of the

amount reported on Line 1.D.(2).c, "Minus: Transfers Out of Cash," of Part II, "Changes in Net Position," of the Statement of Operations. Report cash transfers out to other Federal sources as a reduction. Report only those amounts related solely to transferred-out cash balances. Do not report a transfer of cash from work performed (reimbursable sales) on this line.

576500 Non-expenditure Financing Sources – Transfers–Out-Other

4.3.29. Line 17 – Total Appropriations and Cash Transfers. Line 17 is a summary line for Lines 15, "Appropriations (Current Warrants)," and 16, "Transfers of Cash."

4.3.30. Line 18 – Repayments on Loans from the Treasury and the Federal Financing Bank. Report the amounts disbursed to liquidate loans from the Fiscal Service, the Federal Financing Bank, or other Federal Agencies. Line 18 applies only to the Military Sealift Command (MSC).

252000 Principal Payable to the Federal Financing Bank

4.3.31. Line 19 – Net Change in Cash For Accounting Period. Line 19 is a summary line for Lines 13, "NOR Plus or Minus Operating Adjustments;" 14, "(Increase) Decrease of Property, Plant, and Equipment, Net;" 17, "Total Appropriations and Cash Transfers;" and 18, "Repayments on Loans from the Treasury and the Federal Financing Bank."

4.3.32. Line 20 – Fund Balance, Beginning. Report the balance of the preceding September 30, Statement of Cash Flows, Line 21, "Fund Balance, Ending." The amount will not change during the FY.

4.3.33. Line 21 – Fund Balance, Ending. Line 21 is a summary line for Lines 19, "Net Change in Cash For Accounting Period," and 20, "Fund Balance, Beginning." The amount reported on this line will equal the sum of Lines 1, "Fund Balance with Treasury," and 2, "Cash on Hand and Other Monetary Assets," of the Statement of Financial Position.

4.3.34. Section Heading – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION. The "Supplemental Disclosure of Cash Flow Information" section presents additional information related to the Statement of Cash Flow.

4.3.35. Line 22 – Total Interest Paid. Report the current year change in the following accounts:

214000 Accrued Interest Payable – Not Otherwise Classified
214100 Accrued Interest Payable – Loans
214200 Accrued Interest Payable – Debt
633000 Other Interest Expenses

5.0 FORMAT OF THE STATEMENT OF OPERATIONS: PART I – STATEMENT OF OPERATIONS (FORM 15-3)

Form 15-3: Statement of Operations, Part I – Statement of Operations

DEFENSE REVOLVING FUNDS
STATEMENT OF OPERATIONS: PART I – STATEMENT OF OPERATIONS
(DoD COMPONENT/DRF ACTIVITY)
MONTH ENDING _____, 20XX
($ in thousands)

REVENUES AND FINANCING SOURCES:				
1. Appropriated Capital Used			$	XXX
2. Revenue from Sales of Goods and Services				XXX
a. Gross Revenue from Sales	$	XXX		
b. Minus: Credits Allowed on Sales		XXX		
3. Other Revenue and Financing Sources				XXX
4. Total Revenue and Financing Sources				XXX
EXPENSES:				
5. Program or Operating Expenses (Supply and Service Activities)				XXX
6. Cost of Goods and Services Sold				XXX
7. Other Losses				XXX
8. Total Expenses				XXX
NET OPERATING RESULTS:				
9. Revenue Less Cost Incurred Before Extraordinary Items				XXX
10. Plus (Minus) Extraordinary Items				XXX
11. Net Operating Results (NOR)				XXX
NET OPERATING RESULTS FOR RATE PURPOSES:				
12. Plus (Minus) Deferred Operating Results and Depreciation (Part V)				XXX
13. Recoverable Net Operating Results				XXX

5.1 General

Part I – Statement of Operations, Form 15-3, identifies the cumulative year-to-date NOR and the Recoverable NOR.

5.2 Heading

Complete the heading of the form to indicate: the reporting DoD Component, the reporting DRF activity, the reporting period (month), and the calendar year.

5.3 Line Item Instructions

Instructions for the content of each line item are as follows:

5.3.1. Section Heading – REVENUES AND FINANCING SOURCES. The "Revenues and Financing Sources" section presents inflows of or other increases in assets, decreases in liabilities, or a combination of both resulting in an increase in the government's net position during the reporting period.

5.3.2. Line 1 – Appropriated Capital Used. Appropriations, primarily for War Reserve Material and Commissary Operations, may be provided directly to the DRF. Use USSGL account 570000, "Expended Appropriations," to record an amount equal to accrued expenses (versus outlays) of appropriated funds provided directly to the Fund. The purpose of the account is to match current period expenses to the appropriated funds used to finance those expenses. Record amounts in account 570000 equal to the amount of program expenses but do not include any expenses applicable to revenue accounts other than account 570000. In other words, record expenses incurred against an appropriation made directly available to the DRF separately from expenses incurred against ordinary DRF reimbursable financing. Report the balance of the following account:

570000 Expended Appropriations – Used – Accrued

5.3.3. Line 2 – Revenue from Sales of Goods and Services. Line 2 is a summary line for Lines 2.a, "Gross Revenue from Sales," and 2.b, "Minus: Credits Allowed on Sales."

5.3.4. Line 2.a – Gross Revenue from Sales. Report the balances in the following accounts:

510000 Revenue From Goods Sold
520000 Revenue From Services Provided

5.3.5. Line 2.b – Minus: Credits Allowed on Sales. Reporting activities within the Supply Management Activity will report the dollar amount of credits allowed on amounts due (accounts receivable) from sales or Depot Level Repairable (DLR) exchanges. Report the balances in the following accounts:

510900	Contra Revenue for Goods Sold
520900	Contra Revenue from Services Provided

5.3.6. Line 3 – Other Revenue and Financing Sources. Include the total amount of revenues and financing sources not reported on Lines 1, "Appropriated Capital Used," or 2, "Revenue from Sales of Goods and Services." Do not include revenues reported on this line in customer rates. Include cash donations. Identify the nature of each miscellaneous gain in the footnotes. Do not include other gains related to inventory on this line. Report other gains related to inventory on Line K.4, "Net Other Inventory (Gains) Losses" of Part IV, "Expenses," of the Statement of Operations. Report the portion of the balance of the following accounts as they relate to Other Revenues and Financing Sources:

531000	Interest Revenue – Other
531900	Contra Revenue for Interest Revenue – Other
532000	Penalties and Fines Revenue
532900	Contra Revenue for Administrative Fees
560000	Donated Revenue – Financial Resources
560900	Contra Revenue for Donations – Financial Resources
561000	Donated Revenue – Nonfinancial Resources
561900	Contra Donated Revenue – Nonfinancial Resources
575500	Nonexpenditure Financing Sources – Transfers–In – Other
576500	Nonexpenditure Financing Sources – Transfers–Out – Other
577500	Nonbudgetary Financing Sources Transferred In
578000	Imputed Financing Sources
579000	Other Financing Sources
590000	Other Revenue
590900	Contra Revenue for Other Revenue
599300	Offset to Non–Entity Collections – Statement of Changes in Net Position
599400	Offset to Non–Entity Accrued Collections – Statement of Changes in Net Position
711000	Gains on Disposition of Assets – Other
719000	Other Gains

5.3.7. Line 4 – Total Revenue and Financing Sources. Line 4 is a summary line for Lines 1, "Appropriated Capital Used," through 3, "Other Revenue and Financing Sources." Revenue will equal net sales plus any other reimbursable revenue and financing source.

5.3.8. Section Heading – EXPENSES. The "Expenses" section presents outflows of or other decreases in assets, increases in liabilities, or a combination of both resulting in a decrease in the government's net position during the reporting period.

5.3.9. Line 5 – Program or Operating Expenses (Supply and Service Activities). Line 5 is a summary of expenses for the current period. Report the sum of Lines A, "Personnel Services and Benefits–Civilian," through J, "Bad Debts," of Part IV, "Expenses," of the Statement of Operations. Subtract Line 1.f, "Plus: Operating Expenses," of Part III, "Cost of Goods Sold," of the Statement of Operations for Supply and Service Activities.

5.3.10. Line 6 – Cost of Goods and Services Sold. Report the sum of Lines 1.i, "Equals: Cost of Goods and Services Sold," and 2.o, "Equals: Cost of Goods Sold from Inventory," of Part III, "Cost of Goods Sold," of the Statement of Operations for Service and DRF activities.

5.3.11. Line 7 – Other Losses. Report the sum of Line K, "Other Losses and Gains," of Part IV, "Expenses," of the Statement of Operations.

5.3.12. Line 8 – Total Expenses. Report the sum of Lines 5, "Program or Operating Expenses (Supply and Service Activities)," through 7, "Other Losses."

5.3.13. Section Heading – NET OPERATING RESULTS. The "Net Operating Results" section identifies the reporting line items used to calculate the NOR for the reporting period.

5.3.14. Line 9 – Revenue Less Cost Incurred Before Extraordinary Items. Report the sum of Line 4, "Total Revenue and Financing Sources," minus Line 8, "Total Expenses."

5.3.15. Line 10 – Plus (Minus) Extraordinary Items. Extraordinary items are both unusual in nature and infrequent in occurrence. Identify the nature of each extraordinary gain or loss in a footnote. Report the balance of the following account:

730000 Extraordinary Items

5.3.16. Line 11 – Net Operating Results (NOR). Line 11 is a summary line for Lines 9, "Revenue Less Cost Incurred Before Extraordinary Items" and 10, "Plus (Minus) Extraordinary Items."

5.3.17. Section Heading – NET OPERATING RESULTS FOR RATE PURPOSES. The "Net Operating Results for Rate Purposes" section identifies the reporting line items used to calculate the NOR used for rate purposes for the reporting period.

5.3.18. Line 12 – Plus (Minus) Deferred Operating Results and Depreciation (Part V). Report the sum of Lines 2, "Deferred Operating Results (Gains/Losses) Net," and 3, "Depreciation, Non-DRF Acquired PP&E," of Part V, "Recoverable Operating Results," of the Statement of Operations. Include the total deferred operating results and depreciation on non-DRF acquired PP&E. See Volume 4, Chapters 24 through 28 for additional guidance relating to recognition of depreciation in the financial statements.

5.3.19. Line 13 – Recoverable Net Operating Results. Line 13 is a summary line for Lines 11, "Net Operating Results (NOR)," and 12, "Plus (Minus) Deferred Operating Results and Depreciation (Part V)."

6.0 FORMAT OF THE STATEMENT OF OPERATIONS: PART II – CHANGES IN NET POSITION (FORM 15-4)

Form 15-4: Statement of Operations, Part II – Changes in Net Position

DEFENSE REVOLVING FUNDS
STATEMENT OF OPERATIONS: PART II-CHANGES IN NET POSITION
(DoD COMPONENT/DRF ACTIVITY)
MONTH ENDING _____, 20XX
($ in thousands)

1. CHANGES IN NET POSITION		
A. UNEXPENDED APPROPRIATIONS		
(1) Appropriations Available – Beginning of Year	$ XXX	
(2) Plus or Minus: Changes in Appropriation Balance	XXX	
(3) Equals: Unexpended Appropriations – End of Period		$ XXX
B. ACCUMULATED OPERATING RESULTS (AOR)		
(1) RECOVERABLE AOR		
a. AOR Beginning of Year (Unadjusted)	XXX	
b. Plus or Minus: Prior Period Adjustments	XXX	
c. Equals: AOR Beginning of Year (Adjusted)	XXX	
d. Plus or Minus: Net Operating Results	XXX	
e. Equals: Recoverable AOR End of Period	XXX	
(2) DEFERRED AOR		
a. AOR Beginning of Year (Unadjusted)	XXX	
b. Plus or Minus: Prior Period Adjustments	XXX	
c. Equals: AOR Beginning of Year (Adjusted)	XXX	
d. Plus or Minus: Net Operating Results	XXX	
e. Equals: Deferred AOR End of Period	XXX	
(3) Total AOR End of Period		XXX
C. Operational Equity Position – End of Period		XXX
D. INVESTED CAPITAL		
(1) ASSETS CAPITALIZED		
a. Assets Capitalized – Beginning of Period	XXX	
b. Plus: Transfers In of Property	XXX	
c. Minus: Transfers Out of Property	XXX	
d. Minus: Depreciation, Non-DRF Acquired PP&E	XXX	
e. Equals: Assets Capitalized – End of Period	XXX	

Form 15-4: Statement of Operations, Part II – Changes in Net Position (Continued)

(2) FUND (CASH) ASSETS			
a. Fund (Cash) Assets – Beginning of Period	$ XXX		
b. Plus: Transfers In of Cash	XXX		
c. Minus: Transfers Out of Cash	XXX		
d. Equals: Fund (Cash) Assets – End of Period	XXX		
(3) LIABILITIES ASSUMED			
a. Liabilities Assumed – Beginning of Period	XXX		
b. Plus: Transfers In of Liabilities	XXX		
c. Minus: Transfers Out of Liabilities	XXX		
d. Equals: Liabilities Assumed – End of Period	XXX		
(4) Equals: Invested Capital – End of Period		$	XXX
2. Net Position – End of Period			XXX

6.1 General

Part II - Changes in Net Position, Form 15-4, identifies the arithmetic difference between the total assets and total liabilities recognized on a component entity's balance sheet.

6.2 Heading

Complete the heading of the form to indicate: the reporting DoD Component, the reporting DRF activity, the reporting period (month), and the calendar year.

6.3 Line Item Instructions

Instructions for the content of each line item are as follows:

6.3.1. Section Heading – CHANGES IN NET POSITION. The "Changes in Net Position" section identifies the reporting line items used to report the change in net position during the reporting period.

6.3.2. Section Heading – UNEXPENDED APPROPRIATIONS. The "Unexpended Appropriations" section identifies appropriations that have not yet been used to acquire goods and services or provide benefits.

6.3.3. Line 1.A.(1) – Appropriations Available – Beginning of Year. Report the balance of Line 1.A.(3), "Equals: Unexpended Appropriations – End of Period," from the preceding September 30, Statement of Operations, Part II, "Changes in Net Position." The amount reported will not change during the FY. Report the balance of the following account:

310000	Unexpended Appropriations - Cumulative

6.3.4. Line 1.A.(2) – Plus or Minus: Changes in Appropriation Balance. Line 1.A.(2) represents the difference between the beginning FY balance and the balance as of the end of the reporting period. Report the balance of the following accounts:

310100	Unexpended Appropriations – Appropriations Received
310200	Unexpended Appropriations – Transfers–In
310300	Unexpended Appropriations – Transfers–Out
310500	Unexpended Appropriations – Prior Period Adjustments Due to Corrections of Errors – Years Preceding the Prior Year
310600	Unexpended Appropriations – Adjustments
310700	Unexpended Appropriations – Used – Accrued
310800	Unexpended Appropriations – Prior–Period Adjustments Due to Corrections of Errors
310900	Unexpended Appropriations – Prior–Period Adjustments Due to Changes in Accounting Principles

6.3.5. Line 1.A.(3) – Equals: Unexpended Appropriations – End of Period. Line 1.A.(3) is a summary line for Lines 1.A.(1), "Appropriations Available – Beginning of Year," and 1.A.(2), "Plus or Minus: Changes in Appropriation Balance." The amount reported on this line will agree with Line 14.a, "Unexpended Appropriations," of the Statement of Financial Position.

6.3.6. Section Heading – ACCUMULATED OPERATING RESULTS (AOR). The "Accumulated Operating Results" section reflects the cumulative summation of NOR.

6.3.7. Section Heading – RECOVERABLE AOR. The "Recoverable AOR" section identifies the reporting line items used to calculate the ending balance of recoverable AOR for the reporting period.

6.3.8. Line 1.B.(1).a – AOR Beginning of Year (Unadjusted). Report the balance of Line 1.B.(1).e, "Equals: Recoverable AOR End of Period," from the preceding September 30, Statement of Operations, Part II, "Changes in Net Position." The amount will not change during the FY. See ***Volume 2B, Chapter 9***, "Defense Working Capital Fund Budget Justification Analysis" for additional guidance on cost recovery. Report the amount of recoverable AOR contained in the following account:

331000	Cumulative Results of Operations

6.3.9. Line 1.B.(1).b – Plus or Minus: Prior Period Adjustments. Report the portion of the balance in the following accounts related to prior period adjustments to recoverable AOR. Report a credit balance as a plus and a debit balance as a negative.

740000	Prior–Period Adjustments Due to Corrections of Errors
740100	Prior–Period Adjustments Due to Changes in Accounting Principles
740500	Prior–Period Adjustments Due to Corrections of Errors – Years Preceding the Prior Year

6.3.10. Line 1.B.(1).c – Equals: AOR Beginning of Year (Adjusted). Line 1.B.(1).c is a summary line for Lines 1.B.(1).a, "AOR Beginning of Year (Unadjusted)," and 1.B.(1).b, "Plus or Minus: Prior Period Adjustments."

6.3.11. Line 1.B.(1).d – Plus or Minus: Net Operating Results. Report the balance of Line 13, "Recoverable Net Operating Results," of Part I, "Statement of Operations," of the Statement of Operations.

6.3.12. Line 1.B.(1).e – Equals: Recoverable AOR End of Period. Line 1.B.(1).e is a summary line for Lines 1.B.(1).c, "Equals: AOR Beginning of Year (Adjusted)," and 1.B.(1).d, "Plus or Minus: Net Operating Results."

6.3.13. Section Heading – DEFERRED AOR. The "Deferred AOR" section identifies the reporting line items used to calculate the ending balance of deferred AOR for the reporting period.

6.3.14. Line 1.B.(2).a – AOR Beginning of Year (Unadjusted). Report the balance of Line 1.B.(2).e, "Equals: Deferred AOR End of Period," from the preceding September 30, Statement of Operations, Part II, "Changes in Net Position." The amount will not change during the FY. See Volume 2B, Chapter 9 for additional guidance on cost recovery. Report the amount of deferred AOR contained in the following account:

331000	Cumulative Results of Operations

6.3.15. Line 1.B.(2).b – Plus or Minus: Prior Period Adjustments. Report the portion of the balance in the following accounts related to prior period adjustments to deferred AOR. Report a credit balance as a plus and a debit balance as a negative.

740000	Prior–Period Adjustments Due to Corrections of Errors
740100	Prior–Period Adjustments Due to Changes in Accounting Principles
740500	Prior–Period Adjustments Due to Corrections of Errors – Years Preceding the Prior Year

6.3.16. Line 1.B.(2).c – Equals: AOR Beginning of Year (Adjusted). Line 1.B.(2).c is a summary line for Lines 1.B.(2).a, "AOR Beginning of Year (Unadjusted)," and 1.B.(2).b, "Plus or Minus: Prior Period Adjustments."

6.3.17. Line 1.B.(2).d – Plus or Minus: Net Operating Results. The amount reported on this line will be the opposite of the amount shown on Line 2, "Deferred Operating Results (Gains/Losses) Net," of Part V, "Recoverable Operating Results," of the Statement of Operations.

6.3.18. Line 1.B.(2).e – Equals: Deferred AOR End of Period. Line 1.B.(2).e is a summary line for Lines 1.B.(2).c, "Equals: AOR Beginning of Year (Adjusted)," and 1.B.(2).d, "Plus or Minus: Net Operating Results."

6.3.19. Line 1.B.(3) – Total AOR End of Period. Line 1.B.(3) is a summary line for Lines 1.B.(1).e, "Equals: Recoverable AOR End of Period," and 1.B.(2).e, "Equals: Deferred AOR End of Period."

6.3.20. Line 1.C – Operational Equity Position – End of Period. Line 1.C is a summary line for Lines 1.A.(3), "Equals: Unexpended Appropriations – End of Period," and 1.B.(3), "Total AOR End of Period."

6.3.21. Section Heading – INVESTED CAPITAL. The "Invested Capital" section identifies the reporting line items used to calculate the ending balance of invested capital for the reporting period.

6.3.22. Section Heading – ASSETS CAPITALIZED. The "Assets Capitalized" section identifies the reporting line items used to calculate the ending balance of capitalized assets for the reporting period.

6.3.23. Line 1.D.(1).a – Assets Capitalized – Beginning of Period. Report the balance of Line 1.D.(1).e, "Equals: Assets Capitalized – End of Period," from the preceding September 30, Statement of Operations, Part II, "Changes in Net Position." The amount will not change during the FY. Report the amount related to the asset capitalization program contained in the following account:

331000 Cumulative Results of Operations

6.3.24. Line 1.D.(1).b – Plus: Transfers In of Property. Report the value of non-cash capital assets transferred in without reimbursement. Report the portion of the balance in the following account as it relates to non–cash capital transfers:

572000 Financing Sources Transferred In Without Reimbursement

6.3.25. Line 1.D.(1).c – Minus: Transfers Out of Property. Report the value of non-cash capital assets transferred out without reimbursement. Report the portion of the balance in the following account as it relates to non-cash capital transfers:

573000 Financing Sources Transferred Out Without Reimbursement

6.3.26. Line 1.D.(1).d – Minus: Depreciation, Non-DRF Acquired PP&E. Report the amount of depreciation expense recorded for non-DRF acquired PP&E from Line I, "Depreciation – Non–DRF Acquired PP&E," of Part IV, "Expenses," of the Statement of Operations, plus any gains and losses from the following accounts related to the asset in question:

719000 Other Gains
729000 Other Losses

6.3.27. Line 1.D.(1).e – Equals: Assets Capitalized – End of Period. Line 1.D.(1).e is a summary line for Lines 1.D.(1).a, "Assets Capitalized – Beginning of Period," through 1.D.(1).d, "Minus: Depreciation, Non-DRF Acquired PP&E."

6.3.28. Section Heading – FUND (CASH) ASSETS. The "Fund (Cash) Assets" section identifies the reporting line items used to calculate the ending balance of fund (cash) assets for the reporting period.

6.3.29. Line 1.D.(2).a – Fund (Cash) Assets – Beginning of Period. Report the balance of Line 1.D.(2).d, "Equals: Fund (Cash) Assets – End of Period," from the preceding September 30, Statement of Operations, Part II, "Changes in Net Position." The amount will not change during the FY. Report the portion of the balance in the following account as it relates to asset capitalization:

331000 Cumulative Results of Operations

6.3.30. Line 1.D.(2).b – Plus: Transfers In of Cash. Report the amount of financing sources of a reporting entity representing cash transferred in without reimbursement. Report the portion of the balance in the following account as it relates to transfers in of cash:

575500 Nonexpenditure Financing Sources – Transfers–In – Other

6.3.31. Line 1.D.(2).c – Minus: Transfers Out of Cash. Report the amount of financing sources of a reporting entity representing cash transferred out without reimbursement. Report the portion of the balance in the following accounts as they relate to transfers out of cash:

576500 Nonexpenditure Financing Sources – Transfers–Out – Other

6.3.32. Line 1.D.(2).d – Equals: Fund (Cash) Assets – End of Period. Line 1.D.(2).d is a summary line for Lines 1.D.(2).a, "Fund (Cash) Assets – Beginning of Period," through 1.D.(2).c, "Minus: Transfers Out of Cash."

6.3.33. Section Heading – LIABILITIES ASSUMED. The "Liabilities Assumed" section identifies the reporting line items used to calculate the ending balance of liabilities assumed for the reporting period.

6.3.34. Line 1.D.(3).a – Liabilities Assumed – Beginning of Period. Report the balance of Line 1.D.(3).d, "Equals: Liabilities Assumed – End of Period," from the preceding September 30, Statement of Operations, Part II, "Changes in Net Position." The amount will not change during the FY. Report the portion of the balance in the following account as it relates to liabilities assumed:

331000 Cumulative Results of Operations

6.3.35. Line 1.D.(3).b – Plus: Transfers In of Liabilities. Report the portion of the balance in the following account as it relates to the value of liabilities transferred in:

572000 Financing Sources Transferred In Without Reimbursement

6.3.36. Line 1.D.(3).c – Minus: Transfers Out of Liabilities. Report the portion of the balance in the following account as it relates to the value of liabilities transferred out:

573000 Financing Sources Transferred Out Without Reimbursement

6.3.37. Line 1.D.(3).d – Equals: Liabilities Assumed – End of Period. Line 1.D.(3).d is a summary line for Lines 1.D.(3).a, "Liabilities Assumed – Beginning of Period," through 1.D.(3).c, "Minus: Transfers Out of Liabilities."

6.3.38. Line 1.D.(4) – Equals: Invested Capital – End of Period. Line 1.D.(4) is a summary line for Lines 1.D.(1).e, "Equals: Assets Capitalized – End of Period;" 1.D.(2).d, "Equals: Fund (Cash) Assets – End of Period;" and 1.D.(3).d, "Equals: Liabilities Assumed - End of Period."

6.3.39. Line 2 – Net Position – End of Period. Line 2 is a summary line for Lines 1.C, "Operational Equity Position – End of Period," and 1.D.(4), "Equals: Invested Capital – End of Period."

7.0 FORMAT OF THE STATEMENT OF OPERATIONS: PART III - COST OF GOODS SOLD (FORM 15-5)

Form 15-5: Statement of Operations, Part III – Cost of Goods Sold

DEFENSE REVOLVING FUNDS
STATEMENT OF OPERATIONS: PART III-COST OF GOODS SOLD
(DoD COMPONENT/DRF ACTIVITY)
MONTH ENDING _____, 20XX
($ in thousands)

1. COST OF GOODS AND SERVICES SOLD:				
a. Beginning Work-in-Process	$	XXX		
b. Plus/Minus: Prior Period Adjustments to Work-in-Process		XXX		
c. Equals: Adjusted Beginning Work-in-Process		XXX		
d. Minus: Transfers Out of Work-in-Process		XXX		
e. Plus: Transfers In of Work-in-Process		XXX		
f. Plus: Operating Expenses		XXX		
g. Minus: Ending Work-in-Process		XXX		
h. Minus: Work for Activity Retention		XXX		
i. Equals: Cost of Goods and Services Sold			$	XXX
2. COST OF GOODS SOLD FROM INVENTORY:				
a. Beginning Inventory		XXX		
b. Plus/Minus: Prior Period Adjustments to Inventory		XXX		
c. Equals: Adjusted Beginning Inventory		XXX		
d. Minus: Beginning Allowance for Unrealized Holding Gains (Losses)		XXX		
e. Plus: Purchases at Cost		XXX		
f. Plus: Customer Returns-Credit Given		XXX		
g. Plus: DLR Exchange Credits		XXX		
h. Minus: Inventory Losses (Gains) Realized		XXX		
i. Minus: Ending Inventory		XXX		
j. Plus: Ending Allowance for Unrealized Holding Gains (Losses)		XXX		
k. Minus: Transfers Out of Inventory		XXX		
l. Plus: Transfers In of Inventory		XXX		
m. Equals: Cost of Goods Sold from Inventory				XXX
				XXX
				XXX

7.1 General

Part III - Cost of Goods Sold, Form 15-5, reflects all costs, including gains and losses, applicable to the production of goods and services sold to customers during the reporting period. The total of Line 1.i, "Equals: Cost of Goods and Services Sold," and 2.o, "Equals: Cost of Goods Sold from Inventory," must agree with the amount shown on Line 6, "Cost of Goods and Services Sold," of Part I, "Statement of Operations," of the Statement of Operations.

7.2 Heading

Complete the heading of the form to indicate: the reporting DoD Component, the reporting DRF activity, the reporting period (month), and the calendar year.

7.3 Line Item Instructions

Instructions for the content of each line item are as follows:

7.3.1. Section Heading – COST OF GOODS AND SERVICES SOLD. The "Cost of Goods and Services Sold" section applies to DRF activities that accumulate costs to a final cost objective (generally, a job order). Report any operating expenses for service business activities on Line 6, "Cost of Goods and Services Sold," of Part I, "Statement of Operations," of the Statement of Operations.

7.3.2. Line 1.a – Beginning Work-in-Process. Report the balance of Line 1.g, "Minus: Ending Work-in-Process," from the preceding September 30, Statement of Operations, Part III, "Cost of Goods Sold." The amount will not change during the FY. Report the portion of the balance in the following accounts related to work-in-process:

152600	Inventory – Work-in-Process
152900	Inventory – Allowance

7.3.3. Line 1.b – Plus/Minus: Prior Period Adjustments to Work-in-Process. Report the current year change for Inventory Work-in-Process related to a prior period adjustment included in the following accounts:

740000	Prior–Period Adjustments Due to Corrections of Errors
740100	Prior–Period Adjustments Due to Changes in Accounting Principles
740500	Prior–Period Adjustments Due to Corrections of Errors – Years Preceding the Prior Year

7.3.4. Line 1.c – Equals: Adjusted Beginning Work-in-Process. Line 1.c is a summary line for Lines 1.a, "Beginning Work-in-Process," and 1.b, "Plus/Minus: Prior Period Adjustments to Work-in-Process."

7.3.5. Line 1.d – Minus: Transfers Out of Work-in-Process. Report the portion of the balance in the following account as it relates to work-in-process transferred out to another activity without reimbursement:

573000 Financing Sources Transferred Out Without Reimbursement

7.3.6. Line 1.e – Plus: Transfers In of Work-in-Process. Report the portion of the balance in the following account as it relates to work-in-process transferred in from another activity without reimbursement:

572000 Financing Sources Transferred In Without Reimbursement

7.3.7. Line 1.f – Plus: Operating Expenses. Report the total of Lines A, "Personnel Services and Benefits–Civilian," through I, "Depreciation – Non-DRF Acquired PP&E," of Part IV, "Expenses," of the Statement of Operations for those activities that use Latest Acquisition Cost (LAC) inventory method.

7.3.8. Line 1.g – Minus: Ending Work-in-Process. Report the portion of the balance in the following accounts as of the end of the current reporting period:

152600 Inventory – Work-in-Process
152900 Inventory – Allowance

7.3.9. Line 1.h – Minus: Work for Activity Retention. Report the value of assets developed or manufactured for use and retention by the performing DRF activity. Report the portion of the balance of the following account as it relates to assets retained by a business activity:

650000 Cost of Goods Sold

7.3.10. Line 1.i – Equals: Cost of Goods and Services Sold. Line 1.i is a summary line for Lines 1.c, "Equals: Adjusted Beginning Work-in-Process," through 1.h, "Minus: Work for Activity Retention."

7.3.11. Section Heading – COST OF GOODS SOLD FROM INVENTORY. Report in the "Cost of Goods Sold from Inventory" section only the costs for Supply Management and Commissary Resale DRF activities. Supply activities must record any incremental amount billed for manufactured inventory as work-in-process on Line 1. The Supply Activity will adjust the inventory work-in-process account as appropriate based on the subsequent progress bills received.

7.3.11.1. Refer to the DoD USSGL Transaction Library for detailed debit and credit transactions related to the recording and transfer out of work-in-process inventory accounts to the appropriate Inventory Held for Sale account(s). Once the Supply Activity receives the completed manufactured end item(s), they will transfer the corresponding value in the inventory work-in-process account to the appropriate inventory account. Accounting transactions related to this policy need to comply with the DoD Standard Chart of Accounts and the DoD USSGL Transaction Library.

7.3.11.2. SFFAS 3 sets the accounting principles for Federal Government entities to follow when accounting for and reporting inventory and related property. Volume 4, Chapter 4 provides instructions for DoD Components recording inventory at its last invoice price. Volume 4, Chapter 4 also provides the application of inventory-related accounts and provides clarification for the reporting requirements contained in section 2, "Cost of Goods Sold from Inventory," of Part III, "Cost of Goods Sold," of the Statement of Operations.

7.3.12. Line 2.a – Beginning Inventory. Report the balance of Line 2.i, "Minus: Ending Inventory," from the preceding September 30, Statement of Operations, Part III, "Cost of Goods Sold." The amount reported will not change during the FY.

152100	Inventory Purchased for Resale
152200	Inventory Held in Reserve for Future Sale
152300	Inventory Held for Repair
152400	Inventory – Excess, Obsolete, and Unserviceable
152500	Inventory – Raw Materials
152700	Inventory – Finished Goods

7.3.13. Line 2.b – Plus/Minus: Prior Period Adjustments to Inventory. Report the current year change for inventory reported at LAC related to prior period adjustments included in the following accounts:

740000	Prior–Period Adjustments Due to Corrections of Errors
740100	Prior–Period Adjustments Due to Changes in Accounting Principles
740500	Prior–Period Adjustments Due to Corrections of Errors – Years Preceding the Prior Year

7.3.14. Line 2.c – Equals: Adjusted Beginning Inventory. Line 2.c is a summary line for Lines 2.a, "Beginning Inventory – LAC," and 2.b, "Plus/Minus: Prior Period Adjustments to Inventory."

7.3.15. Line 2.d – Minus: Beginning Allowance for Unrealized Holding Gains (Losses). Report the balance of Line 2.j, "Plus: Ending Allowance for Unrealized Holding Gains (Losses)," from the preceding September 30, Statement of Operations, Part III, "Cost of Goods Sold." The amount will not change during the FY. Recognize holding gains (or losses) in the valuation of inventory. Holding gains (or losses) may be unrealized or realized. "Unrealized" refers to any gain (or loss) associated with inventory still held by the entity. "Realization" of the holding gain (or loss) occurs when an item of inventory is sold or otherwise leaves the Supply Management stocking point.

7.3.16. Line 2.e – Plus: Purchases at Cost. Report the portion of the balance in the following account as it relates to amounts paid or payable for all inventory purchases during the reporting period:

152900	Inventory – Allowance

7.3.17. Line 2.f – Plus: Customer Returns–Credit Given. Report the portion of the balance in the following account as it relates to amounts of credit given on materiel returns:

152900 Inventory – Allowance

7.3.18. Line 2.g – Plus: DLR Exchange Credits. Report the portion of the balance in the following account as it relates to amounts of credits given on DLR exchanges:

152900 Inventory – Allowance

7.3.19. Line 2.h – Minus: Inventory Losses (Gains) Realized. The realization of most inventory gains (and losses) are recognized through reduction of the unrealized holding gains (and losses) accounts as a result of sales; that is, those gains (and losses) are realized when inventory items are sold and recognized in the cost of goods sold.

7.3.19.1. However, increases (or decreases) in inventory occurring because of disposal and events other than sales also result in an adjustment (increase or decrease) of the unrealized holding gains (or losses) accounts. As those inventory increases (or decreases) are not the result of sales, they should not affect the cost of goods sold. (Immaterial losses are charged to cost of goods sold.)

7.3.19.2. Therefore, remove the value of those gains (or losses) from the cost of goods sold and report on Line K.4, "Net Other Inventory (Gains) Losses," of Part IV "Expenses," of the Statement of Operations. Report the portion of the balance of the following accounts related to (gains) losses on inventory identified in the following breakdown:

7.3.19.2.1. Non-Recoverable Gains or Losses on Disposal of Excess Inventory, Supply Management:

711000 Gains on Disposition of Assets – Other
719000 Other Gains
721000 Losses on Disposition of Assets – Other
729000 Other Losses

7.3.19.2.2. Other Inventory Losses, Non-Supply Management:

729000 Other Losses

7.3.20. Line 2.i – Minus: Ending Inventory. Report the end of period inventory value of the following accounts:

152100 Inventory Purchased for Resale
152200 Inventory Held in Reserve for Future Sale
152300 Inventory Held for Repair
152400 Inventory – Excess, Obsolete, and Unserviceable
152500 Inventory – Raw Materials

152700 Inventory – Finished Goods

7.3.21. Line 2.j – Plus: Ending Allowance for Unrealized Holding Gains (Losses). Report the portion of the balance in the following account as it relates to allowance for unrealized holding gains (losses):

152900 Inventory – Allowance

7.3.22. Line 2.k – Minus: Transfers Out of Inventory. Report the portion of the balance in the following account as it relates to inventory transferred out of the activity:

573000 Financing Sources Transferred Out Without Reimbursement

7.3.23. Line 2.l – Plus: Transfers In of Inventory. Report the portion of the balance in the following account as it relates to inventory transferred into the activity:

572000 Financing Sources Transferred In Without Reimbursement

7.3.24. Line 2.m – Equals: Cost of Goods Sold. Line 2.m is a summary line for Lines 2.c, "Equals: Adjusted Beginning Inventory," through Line 2.l, "Plus: Transfers In of Inventory."

650000 Cost of Goods Sold

8.0 FORMAT OF THE STATEMENT OF OPERATIONS: PART IV - EXPENSES (FORM 15-6)

Form 15-6: Statement of Operations, Part IV – Expenses

DEFENSE REVOLVING FUNDS
STATEMENT OF OPERATIONS: PART IV-EXPENSES
(DoD COMPONENT/DRF ACTIVITY)
MONTH ENDING _____, 20XX
($ in thousands)

	($000)	($000)
A. Personnel Services and Benefits-Civilian		$ XXX
1. Personal Compensation	$ XXX	
2. Annual Leave	XXX	
3. Personnel Benefits	XXX	
4. Benefits for Former Personnel	XXX	
B. Travel and Transportation		XXX
1. Travel and Transportation of People	XXX	
2. Transportation of Things	XXX	
C. Rents, Communications and Utilities		XXX
1. Rents, Communications and Utilities	XXX	
2. Printing and Reproduction	XXX	
D. Contractual Services		XXX
1. Military Personnel Services	XXX	
2. Purchased Services	XXX	
E. Supplies, Materials, and Other Non-Capitalized Assets		XXX
1. Supplies and Materials	XXX	
2. Equipment	XXX	
F. Grants and Fixed Charges		XXX
1. Grants and Contributions	XXX	
2. Insurance Claims and Indemnifications	XXX	
3. Other Interest Expenses	XXX	
G. Other Expenses		XXX

Form 15-6: Statement of Operations, Part IV – Expenses (Continued)

H. Depreciation		$ XXX
1. Depreciation of Equipment	$ XXX	
2. Depreciation of Real Property	$ XXX	
3. Amortization of Leasehold Improvements and Other Intangible Assets	$ XXX	
I. Depreciation – Non-DRF Acquired PP&E		XXX
1. Non-Recoverable Depreciation of Equipment	XXX	
2. Non-Recoverable Amortization	XXX	
J. Bad Debts		XXX
K. Other Losses and Gains		XXX
1. Losses on Disposition of Assets	XXX	
2. Net (Gains) Losses on Inventory Shrinkage/Deterioration	XXX	
3. Net (Gains) Losses on Inventory Excess/Obsolescence/ Spoilage	XXX	
4. Net Other Inventory (Gains) Losses	XXX	
5. Other Miscellaneous (Gains) Losses	XXX	
Expended Appropriation	XXX	
Direct Labor Hours – Regular	XXX	
Direct Labor Hours – Overtime	XXX	
Direct Labor Hours – Total	XXX	

8.1 General

Part IV - Expenses, Form 15-6, reflects all expenses incurred during the reporting period. The total of Lines A, "Personnel Services and Benefits-Civilian," through I, "Depreciation-Non-DRF Acquired PP&E," will agree, except for rounding, with the amount shown on Line 5, "Program or Operating Expenses (Supply and Service Activities)," of Part I, "Statement of Operations," for Supply and Service Activities. For all other activities, Lines A through I will equal Line 1.f, "Plus: Operating Expenses," of Part III, "Cost of Goods Sold," of the Statement of Operations.

8.2 Heading

Complete the heading of the form to indicate: the reporting DoD Component, the reporting DRF activity, the reporting period (month), and the calendar year.

8.3 Line Item Instructions

Instructions for the content of each line item are as follows:

8.3.1. Line A – Personnel Services and Benefits–Civilian. Line A is a summary line for Lines A.1, "Personnel Compensation," through A.4, "Benefits for Former Personnel." Report the amount of expense related to personnel services and benefits.

8.3.2. Line A.1 – Personnel Compensation. Report the portion of the balance of the following accounts related to personnel compensation:

610000	Operating Expenses/Program Costs

8.3.3. Line A.2 – Annual Leave. Report the portion of the balance of the following accounts related to annual leave:

610000	Operating Expenses/Program Costs

8.3.4. Line A.3 – Personnel Benefits. Report the portion of the balance of the following accounts related to personnel benefits:

610000	Operating Expenses/Program Costs
640000	Benefit Expense
680000	Future Funded Expenses
685000	Employer Contributions to Employee Benefit Programs Not Requiring Current–Year Budget Authority (Unobligated)
760000	Changes in Actuarial Liability

8.3.5. Line A.4 – Benefits for Former Personnel. Report the portion of the balance of the following accounts related to benefits for former personnel:

610000	Operating Expenses/Program Costs
640000	Benefit Expense

8.3.6. Line B – Travel and Transportation. Line B is a summary line for Lines B.1, "Travel and Transportation of People," and B.2, "Transportation of Things." Report the amount of expense related to travel and transportation.

8.3.7. Line B.1 – Travel and Transportation of People. Report the portion of the balance of the following account related to travel and transportation of persons:

610000	Operating Expenses/Program Costs

8.3.8. Line B.2 –Transportation of Things. Report the portion of the balance of the following account related to travel and transportation of things:

610000	Operating Expenses/Program Costs

8.3.9. Line C – Rents, Communications, and Utilities. Line C is a summary line for Lines C.1, "Rents, Communications, and Utilities," and C.2, "Printing and Reproduction." Report the amount of expense related to rents, communications, utilities, and printing and reproduction.

8.3.10. Line C.1 – Rents, Communications, and Utilities. Report the portion of the balance of the following account related to rents, communications, and utilities:

610000	Operating Expenses/Program Costs

8.3.11. Line C.2 – Printing and Reproduction. Report the portion of the balance of the following account related to printing and reproduction:

610000	Operating Expenses/Program Costs

8.3.12. Line D – Contractual Services. Line D is a summary line for Lines D.1, "Military Personnel Services," and D.2, "Purchased Services." Report the amount of expense related to military personnel services and other contractual services.

8.3.13. Line D.1 – Military Personnel Services. Report the portion of the balance of the following account related to military personnel services:

610000	Operating Expenses/Program Costs

8.3.14. Line D.2 – Purchased Services. Report the portion of the balance of the following account related to purchased services:

610000 Operating Expenses/Program Costs

8.3.15. Line E – Supplies, Materials, and Other Non-Capitalized Assets. Line E is a summary line for Lines E.1, "Supplies and Materials," and E.2, "Equipment." Report the amount of expense related to supplies, materials, and other non-capitalized assets.

8.3.16. Line E.1 – Supplies and Materials. Report the portion of the balance of the following account related to supplies and materials:

610000 Operating Expenses/Program Costs

8.3.17. Line E.2 – Equipment. Report the portion of the balance of the following account related to equipment (not capitalized):

610000 Operating Expenses/Program Costs

8.3.18. Line F – Grants and Fixed Charges. Line F is a summary line for Lines F.1, "Grants and Contributions," through F.3, "Other Interest Expenses." Report the amount of expense related to grants, subsidies, contributions, insurance claims and indemnifications, and other interest expenses.

8.3.19. Line F.1 – Grants and Contributions. Report the portion of the balance of the following account related to grants and contributions:

610000 Operating Expenses/Program Costs

8.3.20. Line F.2 – Insurance Claims and Indemnifications. Report the portion of the balance of the following account related to insurance claims and indemnifications:

610000 Operating Expenses/Program Costs

8.3.21. Line F.3 – Other Interest Expenses. Report the portion of the balances of the following accounts related to interest expenses not captured in other lines:

631000 Interest Expense on Borrowings from Bureau of the Fiscal Service or Federal Financing Bank
633000 Other Interest Expenses

8.3.22. Line G – Other Expenses. Report amounts not captured in other elements of expense. Identify the type of expense on this line.

610000	Operating Expenses/Program Costs
615000	Expensed Asset
619900	Adjustment to Subsidy Expense
660000	Applied Overhead
661000	Cost Capitalization Offset
673000	Imputed Costs
679000	Other Expenses Not Requiring Budgetary Resources
680000	Future Funded Expenses
685000	Employer Contributions to Employee Benefit Programs Not Requiring Current–Year Budget Authority (Unobligated)
690000	Non-production Costs

8.3.23. Line H – Depreciation. Line H is a summary line for Lines H.1, "Depreciation of Equipment," through H.3, "Amortization of Leasehold Improvements and Other Intangible Assets." Report the depreciation recouped to the operating budget of the activity.

8.3.24. Line H.1 – Depreciation of Equipment. Report the portion of the balance of the following account related to depreciation of equipment:

671000	Depreciation, Amortization, and Depletion

8.3.25. Line H.2 – Depreciation of Real Property. Report the amount of the following account related to depreciation of real property:

671000	Depreciation, Amortization, and Depletion

8.3.26. Line H.3 – Amortization of Leasehold Improvements and Other Intangible Assets. Report the portion of the balance of the following account related to amortization of leasehold improvements and other intangible assets:

671000	Depreciation, Amortization, and Depletion

8.3.27. Line I – Depreciation – Non-DRF Acquired PP&E. Line I is a summary line for Lines I.1, "Non-Recoverable Depreciation of Equipment," through I.2, "Non-Recoverable Amortization." Report the amount of depreciation on PP&E acquired by the activity with funds other than DRF Revolving Funds.

8.3.28. Line I.1 – Non-Recoverable Depreciation of Equipment. Report the portion of the balance of the following account related to depreciation of equipment acquired by the activity with funds other than DRF Revolving Funds:

671000	Depreciation, Amortization, and Depletion

8.3.29. Line I.2 – Non-Recoverable Amortization. Report the portion of the balance of the following account related to amortization of leasehold improvements and other intangible assets acquired by the activity with funds other than DRF Revolving Funds:

671000 Depreciation, Amortization, and Depletion

8.3.30. Line J – Bad Debts. Report the balance in the following account:

672000 Bad Debt Expense

8.3.31. Line K – Other Losses and Gains. Line K is a summary line for Lines K.1, "Losses on Disposition of Assets," through K.5, "Other Miscellaneous (Gains) Losses." Report gains or losses not captured elsewhere.

8.3.32. Line K.1 – Losses on Disposition of Assets. Report the portion of the balance of the following account related to losses on disposition of assets identified for the following categories: Non-Supply Management Activities; Non-Recoverable Disposal of Equipment/Capital Assets, Non-Federal; Non-Recoverable Base Realignment and Closure (BRAC) Cost, Non-Federal; and Other Expense-Non-Supply Management, Non-Federal.

721000 Losses on Disposition of Assets – Other

8.3.33. Line K.2 – Net (Gains) Losses on Inventory Shrinkage/Deterioration. Report the portion of the balance of the following accounts related to (gains) losses on inventory shrinkage/deterioration as reported by Non-Supply Management activities:

719000 Other Gains
729000 Other Losses

8.3.34. Line K.3 – Net (Gains) Losses on Inventory Excess/Obsolescence/ Spoilage. Report the portion of the balance of the following accounts related to (gains) losses on inventory excess, obsolescence, and spoilage as reported by Non-Supply Management activities:

719000 Other Gains
729000 Other Losses

8.3.35. Line K.4 – Net Other Inventory (Gains) Losses. Report the portion of the balance of the following accounts related to (gains) losses on inventory identified in the following breakdown:

8.3.35.1. Non-Recoverable Gains or Losses on Disposal of Excess Inventory, Supply Management:

711000	Gains on Disposition of Assets – Other
719000	Other Gains
721000	Losses on Disposition of Assets – Other
729000	Other Losses

8.3.35.2. Other Inventory Gains or Losses, Non-Supply Management:

719000	Other Gains
729000	Other Losses

8.3.36. Line K.5 – Other Miscellaneous (Gains) Losses. Report the portion of the balance of the following accounts related to (gains) losses not specifically identified to another sub-category of Other Losses. Only include other (gains) losses related to inventory on this line. Report other (gains) losses not related to inventory on Line 3, "Other Revenue and Financing Sources," of Part I, "Statement of Operations," of the Statement of Operations.

719000	Other Gains
729000	Other Losses

8.3.37. For Information Only. Report other miscellaneous information not defined.

8.3.38. Expended Appropriation. Report the amount of appropriations used during the FY for goods and services received or benefits provided.

570000	Expended Appropriations – Used – Accrued

8.3.39. Direct Labor Hours – Regular. Report the amount of year-to-date non-overtime direct labor hours for Industrial activities.

8.3.40. Direct Labor Hours – Overtime. Report the amount of year-to-date overtime direct labor hours for Industrial activities.

8.3.41. Direct Labor Hours – Total. Report the sum of "Direct Labor Hours – Regular" and "Direct Labor Hours – Overtime."

9.0 FORMAT OF THE STATEMENT OF OPERATIONS: PART V - RECOVERABLE OPERATING RESULTS (FORM 15-7)

Form 15-7: Statement of Operations, Part V – Recoverable Operating Results

DEFENSE REVOLVING FUNDS
STATEMENT OF OPERATIONS: PART V-RECOVERABLE OPERATING RESULTS
(DoD COMPONENT/DRF ACTIVITY)
MONTH ENDING _____, 20XX
($ in thousands)

1. Net Operating Results (NOR)			$	XXX
2. Deferred Operating Results (Gains/Losses) Net				XXX
a. Net (Gains) Losses on Disposal of Excess Inventory (+/-)	$	XXX		
b. Disposal of Equipment/Capital Assets (-)		XXX		
c. Non-Reimbursable Base Closure (BRAC) Costs (+/-)		XXX		
d. Capital Asset Surcharge (-)		XXX		
e. Cash Surcharge		XXX		
f. Inventory Replenishment		XXX		
g. Other Approved Gains and Losses (must be footnoted)		XXX		
3. Depreciation, Non-DRF Acquired PP&E				XXX
4. Net Recoverable Operating Results from Current Year Operations				XXX

9.1 General

Part V - Recoverable Operating Results, Form 15-7, discloses differences, if any, between NOR reported on Part I, "Statement of Operations," of the Statement of Operations and the operating results that may be used in the budget formulation of stabilized billing rates. As a matter of policy, any amounts that a DoD Component requests to include in or exclude from its DRF rates, whether identified in the OUSD(C) guidance as permissible or requested by the DoD Component, must be adequately documented and quantified. Further, all such amounts must be explicitly approved by OUSD(C) prior to being included in or excluded from the report.

9.2 Heading

Complete the heading of the form to indicate: the reporting DoD Component, the reporting DRF activity, the reporting period (month), and the calendar year.

9.3 Line Item Instructions

Instructions for the content of each line item are as follows:

9.3.1. Line 1 – Net Operating Results (NOR). Enter the amount reported on Line 11, "Net Operating Results (NOR)," of Part I, "Statement of Operations," of the Statement of Operations.

9.3.2. Line 2 – Deferred Operating Results (Gains/Losses) Net

9.3.2.1. Data reported on this line, and its sub-lines, unless otherwise specified, are restricted to specific exclusions approved by OUSD(C)(P/B).

9.3.2.2. These exclusions include amounts determined to be adjustments for the difference between the historical and LAC inventory valuations. Attribute this difference to the value of inventory reflected in the cost of goods sold at historical cost versus the value of inventory at LAC. Use this difference on the AR(M) 1307 to adjust the NOR to Net Recoverable Operating Results based on replacement costs that preserve the revolving funds ability to replenish stock.

9.3.2.3. Line 2 is a summary line for Lines 2.a, "Net (Gains) Losses on Disposal of Excess Inventory (+/-)," through 2.g, "Other Approved Gains and Losses (must be footnoted)." The activity, management command of the reporting DRF activity, or the DoD Component departmental level will provide, or approve, amounts reported on monthly activity reports.

9.3.3. Line 2.a – Net (Gains) Losses on Disposal of Excess Inventory (+/-). Line 2.a applies only to Supply Management Activities. Report gains (or losses, if applicable) on potential excess/actual inventory for which OUSD(C)(P/B) has approved an exclusion. Report the portion of the balance in the following accounts related to net (gains) losses on the disposal of excess inventory:

711000	Gains on Disposition of Assets – Other
719000	Other Gains
721000	Losses on Disposition of Assets – Other
729000	Other Losses

9.3.4. Line 2.b – Disposal of Equipment/Capital Assets (-). Report losses (or gains, if applicable) realized upon the disposal of excess equipment and other capital assets when OUSD(C)(P/B) has approved the exclusion. Do not report losses (or gains) on excess equipment and other capital assets due to BRAC on this line. Report the losses (or gains) on excess equipment and other capital assets due to BRAC on Line 2.c, "Non–Reimbursable Base Closure (BRAC) Costs." Report the amount of losses (or gains) related to the disposal of equipment and capital assets in the following accounts:

711000	Gains on Disposition of Assets – Other
721000	Losses on Disposition of Assets – Other

9.3.5. Line 2.c – Non-Reimbursable Base Closure (BRAC) Costs (+/-). Report losses (or gains, if applicable) in excess of reimbursement that are a result from a base closure when OUSD(C)(P/B) has approved the exclusion. Report the amount of losses (or gains) related to BRAC costs in the following accounts:

711000	Gains on Disposition of Assets – Other
719000	Other Gains
721000	Losses on Disposition of Assets – Other
729000	Other Losses

9.3.6. Line 2.d – Capital Asset Surcharge (-). Adjust capital asset surcharge amounts, positive or negative, included in revenue in order to avoid either the return of an apparent gain (or loss) in the development of the subsequent year rate structure. Leave this line blank when there is no capital surcharge revenue.

9.3.6.1. Include a capital asset surcharge in customer rates only if approved by OUSD(C)(P/B). A capital asset surcharge might be approved when the amount of depreciation expense of existing capital assets included in stabilized rates is either less (or greater) than the budgeted Capital Program.

9.3.6.2. As the capital asset surcharge does not have an offsetting expense, in isolation from other transactions, it is expected to result in a gain (or loss) to NOR. Deduct the gain (or loss) from NOR to prevent its return or charge to customers in subsequent years through adjusted rates. Capital asset surcharge amounts may be reported without prior approval of

OUSD(C)(P/B). Report the amount of revenue related to capital asset surcharges in the following accounts:

510000	Revenue From Goods Sold
520000	Revenue From Services Provided

9.3.7. Line 2.e – Cash Surcharge. Similar to capital asset surcharges, activities may include a cash surcharge in their rates. Report the amount of revenue related to cash surcharges in the following accounts:

510000	Revenue From Goods Sold
520000	Revenue From Services Provided

9.3.8. Line 2.f – Inventory Replenishment. Report the difference between the historical cost and LAC for inventory valuation. Report the amount of revenue related to inventory replenishment in the following accounts:

510000	Revenue From Goods Sold
719000	Other Gains
729000	Other Losses

9.3.9. Line 2.g – Other Approved Gains and Losses (must be footnoted). Report the approved gains (or losses) in the following accounts. Exclude amounts already listed in Lines 2.a, "Net (Gains) Losses on Disposal of Excess Inventory," through 2.f, "Inventory Replenishment."

510000	Revenue From Goods Sold
520000	Revenue From Services Provided
570000	Expended Appropriations – Used – Accrued
671000	Depreciation, Amortization, and Depletion
685000	Employer Contributions to Employee Benefit Programs Not Requiring Current Year Budget Authority (Unobligated)-
711000	Gains on Disposition of Assets – Other
719000	Other Gains
721000	Losses on Disposition of Assets – Other
729000	Other Losses
760000	Changes in Actuarial Liability

9.3.10. Line 3 – Depreciation, Non-DRF Acquired PP&E. Report the amount of depreciation from non-DRF acquired PP&E identified as an asset capitalized on Line 1.D.(1).d, "Minus: Depreciation, Non–DRF Acquired PP&E," of Part II, "Changes in Net Position," of the Statement of Operations. Report the amount on Line I, "Depreciation - Non-DRF Acquired PP&E," of Part IV, "Expenses," of the Statement of Operations, minus any gains and losses. See Volume 4, Chapters 24 through 28 for additional guidance relating to the recovery of depreciation.

9.3.11. Line 4 – Net Recoverable Operating Results from Current Year Operations. Line 4 is a summary line for Lines 1, "NET OPERATING RESULTS (NOR)," through 3, "Depreciation, Non–DRF Acquired PP&E."

9.4 Year-End Procedures

9.4.1. At FY end, close the NOR to Cumulative Results of Operations. Since part of that amount may be a non-recoverable deferred amount and an amount related to depreciation for non-DRF acquired PP&E, identify those amounts separately in financial records with attributes.

9.4.2. The amount reported on Line 2, "Deferred Operating Results (Gains/Losses) Net," will be the opposite of Line 1.B.(2).d, "Plus or Minus: Net Operating Results," of Part II, "Changes in Net Position," of the Statement of Operations during the FY and closed to deferred Cumulative Results of Operations during the year-end close process.

9.4.3. Report the amount from Line 3, "Depreciation, Non-DRF Acquired PP&E," on Line 1.D.(1).d, "Minus: Depreciation, Non–DRF Acquired PP&E," of Part II, "Changes in Net Position," of the Statement of Operations during the FY. Close this amount to Line 1.D.(1).a, "Assets Capitalized – Beginning of Period," of Part II during the year-end close process.

9.4.4. Report the amount from Line 4, "Net Recoverable Operating Results from Current Year Operations," on Line 1.B.(1).d, "Plus or Minus: Net Operating Results," of Part II during the FY. Close this amount to Cumulative Results of Operations – Recoverable during the year-end close process.

10.0 FORMAT OF THE STATEMENT OF OPERATIONS: PART VI – CAPITAL PROGRAM (FORM 15-8)

Form 15-8: Statement of Operations, Part VI – Capital Program

DEFENSE REVOLVING FUNDS
STATEMENT OF OPERATIONS: PART VI-CAPITAL PROGRAM
(DoD COMPONENT/BUSINESS AREA/ACTIVITY)
MONTH ENDING_____, 20XX
($ in thousands)

	Approved Program			Obligations			Disbursements			Collections		
Program Year	Original Program	Program Adjustments	Current program	This Fiscal Year	Prior Fiscal Year(s)	Total	This Fiscal Year	Prior Fiscal Year(s)	Total	This Fiscal Year	Prior Fiscal Year(s)	Total
FY 20PY - X	$ XXX	$ XXX	$ XXX	$ XXX	$ XXX	$ XXX	$ XXX	$ XXX	$ XXX	$ XXX	$ XXX	$ XXX
FY 20PY - 4	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
FY 20PY - 3	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
FY 20PY - 2	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
FY 20PY - 1	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
FY 20PY	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
FY 20CY	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Total	$ XXX	$ XXX	$ XXX	$ XXX	$ XXX	$ XXX	$ XXX	$ XXX	$ XXX	$ XXX	$ XXX	$ XXX

10.1 General

10.1.1. Part VI - Capital Program, Form 15-8, reflects the approved program, obligations, disbursements, and collections for each FY of the program. A capital asset for this report must meet the Working Capital Fund Investment Threshold for the program year reported and have a useful life of 2 years or greater.

10.1.2. For reporting purposes, define the reporting period as the year-to-date amounts, i.e., amounts reported since the end of the prior FY to the end of the reporting month shown in the heading. Report balances for each program year in Part VI until the program's obligations, disbursements, and collections equal.

10.2 Heading

Complete the heading of the form to indicate: the reporting DoD Component, the reporting DRF activity, the reporting period (month), and the calendar year.

10.3 Columnar Instructions

The contents of the columns will be as follows:

10.3.1. Program Year (Column 1). Separate FY program identification is required. Identify all prior FYs separately until the obligations, disbursements, and collections equal. Arrange the FY programs in consecutive order, starting with the least current FY program.

10.3.2. Approved Program – Original Program (Column 2). The original program amount will be capital authority approved for the reporting FY on the initial Annual Operating Budget (AOB) for the FY. Report the carryover from prior FYs as part of the initial program for that year. The amount reported will not change in subsequent years. Show the changes in the Capital Program amount in Column 3, "Approved Program – Program Adjustments."

10.3.3. Approved Program – Program Adjustments (Column 3). Report adjustments (generally, deductions) to the initial approved Capital Program amounts in this column. Disclose adjustments to the initial approved program amounts in the AOBs for a subsequent program year. The amount reported in this column may change annually as of the beginning of a FY but will not change during a FY except at year-end. At year-end, the amount reported in this column will change to allow the value of Column 4, "Approved Program – Current Program," to equal Column 7, "Obligations – Total."

10.3.4. Approved Program – Current Program (Column 4). Column 4 is a summary column for Columns 2, "Approved Program – Original Program," and 3, "Approved Program-Program Adjustments." These amounts are subject to the provisions of ***31 U.S.C. §1517(a)***.

10.3.5. Obligations – This Fiscal Year (Column 5). Amounts included in this column will be the total amount of obligations incurred in the current FY.

10.3.6. Obligations – Prior Fiscal Year(s) (Column 6). Amounts included in this column will be the cumulative amount of Column 7, "Obligations – Total," as of the end of the prior FY. The amount reported will not change during the reporting FY.

10.3.7. Obligations – Total (Column 7). Column 7 is the sum of Column 5, "Obligations – This Fiscal Year," and Column 6, "Obligations – Prior Fiscal Year(s)." The amount reported in Column 4, "Approved Program – Current Program," must be greater than or equal to Column 7, "Obligations – Total."

10.3.8. Disbursements – This Fiscal Year (Column 8). Amounts included in this column will be the total amount of disbursements incurred in the current FY. The amount must agree with Line 1.d, "Funds Disbursed – Capital Program," of the Statement of Financial Position.

10.3.9. Disbursements – Prior Fiscal Year(s) (Column 9). Amounts included in this column will be the cumulative amount of Column 10, "Disbursements – Total," as of the end of the prior FY. The amount reported will not change during the reporting FY.

10.3.10. Disbursements – Total (Column 10). Column 10 is a summary column for Columns 8, "Disbursements – This Fiscal Year," and 9, "Disbursements – Prior Fiscal Year(s)." The amount reported in Column 7, "Obligations – Total," must be greater than or equal to Column 10, "Disbursements – Total."

10.3.11. Collections – This Fiscal Year (Column 11). Amounts included in this column will be the total amount of collections reported in the current FY. The amount must agree with Line 1.b, "Funds Collected – Capital Program," of the Statement of Financial Position.

10.3.12. Collections – Prior Fiscal Year(s) (Column 12). Amounts included in this column will be the cumulative amount of Column 13, "Collections – Total," as of the end of the prior FY. The amount reported will not change during the reporting FY.

10.3.13. Collections – Total (Column 13). Column 13 is a summary column for Columns 11, "Collections – This Fiscal Year," and 12, "Collections – Prior Fiscal Year(s)."

11.0 FORMAT OF THE STATEMENT OF OPERATIONS: PART VII – INVENTORY MANAGEMENT REPORT – SUPPLY MANAGEMENT ACTIVITY (FORM 15-9)

Form 15-9: Statement of Operations: Part VII – Inventory Management Report–Supply Management Activity

DEFENSE REVOLVING FUNDS
STATEMENT OF OPERATIONS: PART VII - INVENTORY MANAGEMENT REPORT - SUPPLY MANAGEMENT BUSINESS AREA
(DOD COMPONENT/BUSINESS AREA/ACTIVITY
MONTH ENDING _____, 20XX
($ in thousands)

		Current Year to Date
A.	Customer Orders Accepted - Cumulative	$ XXX
B.	Gross Reimbursable Sales of Property, Inventory, & Services - Cumulative	XXX
C.	Unfilled Customer Orders	XXX
D.	Customer Returns - Credits Granted - Cumulative	XXX
E.	Net Reimbursable Sales - Cumulative	XXX
F.	Purchases at Cost - Cumulative	XXX
G.	Obligations - Cumulative	XXX
H.	Obligations - Reimbursable	XXX
I.	Obligations - Augmentation - Cumulative	XXX
J.	Obligations - Mobilization - Cumulative	XXX
K.	Outstanding Commitments	XXX
L.	Inventories - Stock On Hand	XXX
M.	Other Inventories	XXX
N.	Inventories in Transit	XXX
O.	Total Inventories	XXX
P.	Customer Returns Without Credit - Cumulative	XXX
Q.	Transfers to Reutilization and Market - Cumulative	XXX
R.	Material Returns to Suppliers - Cumulative	XXX
S.	Undelivered Orders	XXX
T.	Fund Balance with Treasury	XXX
U.	Funds Collected - Cumulative	XXX
V.	Funds Disbursed - Cumulative	XXX
W.	Accounts Receivable - Intragovernmental	XXX
X.	Accounts Receivable - Non-Federal	XXX
Y.	Accounts Payable	XXX

11.1 General

Part VII - Inventory Management Report – Supply Management Activity, Form 15-9, compares fiscal data from the Supply Management Activity general ledger with the approved operating program for the purpose of monitoring execution of the current year budget. The report applies solely to Supply Management Activities for the reporting of inventory-related transactions.

11.2 Heading

Complete the heading of the form to indicate: the reporting DoD Component, the reporting DRF activity, the reporting period (month), and the calendar year.

11.3 General Reporting Requirements

Each DoD Component will submit an Inventory Management Report for each Supply Management Activity division on forms consistent with the example provided. Footnotes should be included as an addendum to Form 15-9.

11.4 Line Item Instructions

11.4.1. Line A – Customer Orders Accepted – Cumulative. Enter the total amount of customer orders received for the FY to date. Report the current year change in the following accounts:

422100	Unfilled Customer Orders Without Advance
422200	Unfilled Customer Orders With Advance
425100	Reimbursements and Other Income Earned – Receivable
425200	Reimbursements and Other Income Earned – Collected From Federal/Non-Federal Exception Sources
425300	Prior–Year Unfilled Customer Orders With Advance – Refunds Paid
426600	Other Actual Business–Type Collections From Non-Federal Sources

11.4.2. Line B – Gross Reimbursable Sales of Property, Inventory, & Services – Cumulative. Enter the total sales for the FY to date. The amount reported on this line will equal Line 2.a, "Gross Revenue from Sales," of Part I, "Statement of Operations," of the Statement of Operations. Report the balance of the following accounts:

510000	Revenue From Goods Sold
520000	Revenue From Services Provided

11.4.3. Line C – Unfilled Customer Orders. Enter the amount of requisitions or orders outstanding from customers. Report the balance of the following accounts:

422100	Unfilled Customer Orders Without Advance

422200	Unfilled Customer Orders With Advance

11.4.4. Line D – Customer Returns – Credits Granted – Cumulative. Enter the amount of credit granted to customers for material returns for the FY to date. The amount reported will equal Line 2.b, "Minus: Credits Allowed on Sales," of Part I, "Statement of Operations," of the Statement of Operations. Report the amount of credit granted to customers for material returns in the following accounts:

510900	Contra Revenue for Goods Sold
520900	Contra Revenue from Services Provided

11.4.5. Line E – Net Reimbursable Sales – Cumulative. Enter the net sales for this FY to date. Line E is the net sum of Line B, "Gross Reimbursable Sales of Property, Inventory, & Services – Cumulative," less Line D, "Customer Returns – Credits Granted – Cumulative." The amount reported will equal Line 2, "Revenue from Sales of Goods and Services," of Part I, "Statement of Operations," of the Statement of Operations.

11.4.6. Line F – Purchases at Cost – Cumulative. Enter the amount of purchases at cost for this FY to date. The amount reported will equal Line 2.e, "Plus: Purchases at Cost," of Part III, "Cost of Goods Sold," of the Statement of Operations. Report the portion of the following general ledger account:

152900	Inventory – Allowance

11.4.7. Line G – Obligations – Cumulative. Enter the total obligations incurred this FY to date. Line G is a summary line for Lines H, "Obligations – Reimbursable," through J, "Obligations – Mobilization – Cumulative."

11.4.8. Line H – Obligations – Reimbursable. Enter the amount of operating obligations incurred this FY to date. Do not include obligations reported on Lines I, "Obligations – Augmentation – Cumulative," and J, "Obligations – Mobilization – Cumulative." Report the current year net change in the following accounts:

480100	Undelivered Orders – Obligations, Unpaid
480200	Undelivered Orders – Obligations, Prepaid/Advanced
487100	Downward Adjustments of Prior–Year Unpaid Undelivered Orders – Obligations, Recoveries
488100	Upward Adjustments of Prior–Year Undelivered Orders – Obligations, Unpaid
488200	Upward Adjustments of Prior–Year Undelivered Orders – Obligations, Prepaid/Advanced
490100	Delivered Orders – Obligations, Unpaid
490200	Delivered Orders – Obligations, Paid
497100	Downward Adjustments of Prior–Year Unpaid Delivered Orders – Obligations, Recoveries

497200	Downward Adjustments of Prior–Year Paid Delivered Orders – Obligations, Refunds Collected
498100	Upward Adjustments of Prior–Year Delivered Orders – Obligations, Unpaid
498200	Upward Adjustments of Prior–Year Delivered Orders – Obligations, Paid

11.4.9. Line I – Obligations – Augmentation – Cumulative. Enter the amount of obligations incurred this FY to date for inventory augmentation, initial issue. Volume 2B, Chapter 9 defines purposes for inventory augmentation. Do not include obligations reported on Lines H, "Obligations – Reimbursable," and J, "Obligations – Mobilization – Cumulative." Report the current year net change in the following accounts:

480100	Undelivered Orders – Obligations, Unpaid
480200	Undelivered Orders – Obligations, Prepaid/Advanced
483200	Undelivered Orders – Obligations Transferred, Prepaid/Advanced
487100	Downward Adjustments of Prior–Year Unpaid Undelivered Orders – Obligations, Recoveries
487200	Downward Adjustments of Prior–Year Prepaid/Advanced Undelivered Orders – Obligations, Refunds Collected
488100	Upward Adjustments of Prior–Year Undelivered Orders – Obligations, Unpaid
488200	Upward Adjustments of Prior–Year Undelivered Orders – Obligations, Prepaid/Advanced
490100	Delivered Orders – Obligations, Unpaid
490200	Delivered Orders – Obligations, Paid
498100	Upward Adjustments of Prior–Year Delivered Orders – Obligations, Unpaid
498200	Upward Adjustments of Prior–Year Delivered Orders – Obligations, Paid

11.4.10. Line J – Obligations – Mobilization – Cumulative. Enter the amount of obligations incurred this FY to date for war reserve purposes. Volume 2B, Chapter 9 defines purposes for war reserves. Do not include obligations reported on Lines H, "Obligations – Reimbursable," and I, "Obligations – Augmentation – Cumulative." Report the current year net change in the following accounts:

480100	Undelivered Orders – Obligations, Unpaid
480200	Undelivered Orders – Obligations, Prepaid/Advanced
483200	Undelivered Orders – Obligations Transferred, Prepaid/Advanced
487100	Downward Adjustments of Prior–Year Unpaid Undelivered Orders – Obligations, Recoveries
487200	Downward Adjustments of Prior–Year Prepaid/Advanced Undelivered Orders – Obligations, Refunds Collected
488100	Upward Adjustments of Prior–Year Undelivered Orders – Obligations, Unpaid

488200	Upward Adjustments of Prior–Year Undelivered Orders – Obligations, Prepaid/Advanced
490100	Delivered Orders – Obligations, Unpaid
490200	Delivered Orders – Obligations, Paid
498100	Upward Adjustments of Prior–Year Delivered Orders – Obligations, Unpaid
498200	Upward Adjustments of Prior–Year Delivered Orders – Obligations, Paid

11.4.11. Line K – Outstanding Commitments. Enter the amount of commitments outstanding that have not resulted in obligations. Report the balance of the following account:

470000	Commitments – Programs Subject to Apportionment

11.4.12. Line L – Inventories – Stock On Hand. Enter the total amount of inventories on hand at the end of the reporting period. Exclude inventories reported on Line M, "Other Inventories," and on Line N, "Inventories in Transit." Report the balance of the following accounts after adjustment to the estimated cost:

152100	Inventory Purchased for Resale
152200	Inventory Held in Reserve for Future Sale
152300	Inventory Held for Repair
152400	Inventory – Excess, Obsolete, and Unserviceable
152900	Inventory – Allowance

11.4.13. Line M – Other Inventories. Enter the total amount of other inventories. Exclude inventories reported on Line L, "Inventories – Stock On Hand," and on Line N, "Inventories in Transit." Report the balance of the following accounts consisting of work-in-process, on loan to others for use, and with agents:

152500	Inventory – Raw Materials
152600	Inventory – Work-in-Process
152700	Inventory – Finished Goods
152900	Inventory – Allowance

11.4.14. Line N – Inventories in Transit. Enter the amount of material in transit. Exclude inventories reported on Line L, "Inventories – Stock On Hand," and on Line M, "Other Inventories." Report the portion of the balance of the following accounts identified as being in transit:

152100	Inventory Purchased for Resale
152300	Inventory Held for Repair
152500	Inventory – Raw Materials
152700	Inventory – Finished Goods

11.4.15. Line O – Total Inventories. Line R is a summary line for Line L, "Inventories – Stock on Hand;" Line M, "Other Inventories;" and Line N, "Inventories in Transit."

11.4.16. Line P – Customer Returns Without Credit – Cumulative. Enter the amount of returns from customers without credit. The amount reported will equal the net of the total amount of returns from customers less Line D, "Customer Returns – Credits Granted – Cumulative." Report the portion of the balance of the following accounts for customer returns without credit:

152900	Inventory – Allowance
719000	Other Gains

11.4.17. Line Q – Transfers to Reutilization and Market – Cumulative. Enter the net amount transferred to the Defense Reutilization & Marketing Service for the FY to date. Report the portion of the balance of the following account for transfers to reutilization and marketing offices:

721000	Losses on Disposition of Assets – Other

11.4.18. Line R – Material Returns to Suppliers – Cumulative. Enter the total amount of returns to non-federal suppliers and contractors.

11.4.19. Line S – Undelivered Orders. Enter the total amount of undelivered orders outstanding. Report the balance of the following accounts:

480100	Undelivered Orders – Obligations, Unpaid
480200	Undelivered Orders – Obligations, Prepaid/Advanced
483200	Undelivered Orders – Obligations Transferred, Prepaid/Advanced
487100	Downward Adjustments of Prior–Year Unpaid Undelivered Orders – Obligations, Recoveries
487200	Downward Adjustments of Prior–Year Prepaid/Advanced Undelivered Orders – Obligations, Refunds Collected
488100	Upward Adjustments of Prior–Year Undelivered Orders – Obligations, Unpaid
488200	Upward Adjustments of Prior–Year Undelivered Orders – Obligations, Prepaid/Advanced

11.4.20. Line T – Fund Balance with Treasury. Enter the total amount of Fund Balance with Treasury. The amount reported will equal the total of Lines 1.f, "Funds with Treasury – Operating Program," and 1.g, "Funds with Treasury – Capital Program," of the Statement of Financial Position. Report the balance of the following accounts:

101000	Fund Balance with Treasury
109000	Fund Balance with Treasury While Awaiting a Warrant or Mandated Non-Expenditure Transfer

11.4.21. Line U – Funds Collected – Cumulative. Enter the portion of the balance of the following account as it relates to funds collected during the current FY. The amount reported will equal the total of Lines 1.a, "Funds Collected – Operating Program," and 1.b, "Funds Collected – Capital Program," of the Statement of Financial Position.

101000	Fund Balance with Treasury

11.4.22. Line V – Funds Disbursed – Cumulative. Enter the portion of the balance of the following account as it relates to funds disbursed during the current FY. The amount reported will equal the total of Lines 1.c, "Funds Disbursed – Operating Program," and 1.d, "Funds Disbursed – Capital Program," of the Statement of Financial Position.

101000	Fund Balance with Treasury

11.4.23. Line W – Accounts Receivable – Intragovernmental. Enter the amount of receivables outstanding due from other Federal Governmental entities. Report the portion of the balance of the following accounts as they relate to accounts receivable from other Federal Agencies. The amount reported will equal the total of Lines 3.a, "Accounts Receivable, Intragovernmental," and 3.b, "Accounts Receivable, Intragovernmental, Undistributed," of the Statement of Financial Position.

131000	Accounts Receivable
131900	Allowance for Loss on Accounts Receivable
134000	Interest Receivable – Not Otherwise Classified
136000	Penalties and Fines Receivable – Not Otherwise Classified
137000	Administrative Fees Receivable – Not Otherwise Classified

11.4.24. Line X – Accounts Receivable – Non-Federal. Enter the amount of receivables outstanding due from non-federal entities. Report the portion of the balance of the following accounts as they relate to accounts receivable from non-federal agencies and entities. The amount reported will equal the total of Lines 3.c, "Accounts Receivable, Non-Federal," and 3.d, "Accounts Receivable, Non-Federal, Undistributed," of the Statement of Financial Position.

131000	Accounts Receivable
131900	Allowance for Loss on Accounts Receivable
134000	Interest Receivable – Not Otherwise Classified
134700	Allowance for Loss on Interest Receivable – Not Otherwise Classified
136000	Penalties and Fines Receivable – Not Otherwise Classified
136700	Allowance for Loss on Penalties and Fines Receivable – Not Otherwise Classified
137000	Administrative Fees Receivable – Not Otherwise Classified
137700	Allowance for Loss on Administrative Fees Receivable – Not Otherwise Classified

11.4.25. Line Y – Accounts Payable. Enter the total amount of accounts payable outstanding for goods and services from, progress in contract performance made by, and rents due to DoD and other Federal and non-federal entities. See Volume 10, Chapter 10 and the FAR part 32 for additional guidance relating to contract financing payments. Report the balance of the following accounts. The amount reported will equal Line 11.a, "Accounts Payable, Net," of the Statement of Financial Position.

211000	Accounts Payable
212000	Disbursements in Transit
214000	Accrued Interest Payable – Not Otherwise Classified

11.4.26. Footnotes. Include in a footnote the estimated balance of Line T, "Fund Balance with Treasury," that is the result of appropriations. Organize the data by type of appropriation, i.e., inventory augmentation or War Reserves and the estimated amount from operations. Include in a footnote the amounts of Line L, "Inventories – Stock on Hand" at standard price.

Table 15-1: DRF Financial Reporting Activities

DRF (97X4930)
DRF Financial Reporting Activities

 # DRF Component Level
* Department of the Army
* Department of the Navy
* Department of the Air Force
* Defense Commissary
* Defense Agencies

DEPARTMENT OF THE ARMY (97X4930.1)
DRF Financial Reporting Activities

ARMY SUPPLY MANAGEMENT
Army Managed Items
* Army Materiel Command, Redstone Arsenal, AL
* Aviation and Missile Life Cycle Management Command, Huntsville, AL
* Communications Electronics Lifecycle Management Command, Aberdeen Proving Ground, MD
* Tank and Armaments Lifecycle Management Command, Warren, MI

Non-Army Managed Items
* Non-Army Managed Items - Product Support/Integration Directorate, Rock Island, IL

ARMY INDUSTRIAL OPERATIONS
Industrial Operations
* Anniston Army Depot, Bynum, AL
* Bluegrass Army Depot, Richmond, KY
* Corpus Christi Army Depot, Corpus Christi, TX
* Crane Army Ammunition Activity, Crane, IN
* Letterkenny Army Depot, Chambersburg, PA
* McAlester Army Ammunition Plant, McAlester, OK
* Pine Bluff Arsenal, Pine Bluff, AR
* Red River Army Depot, Texarkana, TX
* Rock Island Arsenal, Rock Island, IL
* Sierra Army Depot, Herlong, CA
* Tobyhanna Army Depot, Tobyhanna, PA
* Tooele Army Depot, Tooele, UT
* Watervliet Arsenal, Watervliet, NY

Key to Symbols
= DRF Consolidation Point
* = DRF Financial Reporting (AR(M) 1307) Entity

Table 15-1: DRF Financial Reporting Activities (Continued)

DEPARTMENT OF THE NAVY (97X4930.2)
DRF Financial Reporting Activities

NAVY SUPPLY MANAGEMENT
* Marine Corps Supply Management, Albany, GA
* Navy Supply Systems Command, Mechanicsburg, PA

NAVY DEPOT MAINTENANCE
Aviation
* Fleet Readiness Center East, Cherry Point, NC
* Fleet Readiness Center Southeast, Jacksonville, FL
* Fleet Readiness Center Southwest, North Island, CA

Marine Depot Maintenance Command
* Marine Depot Maintenance Command, Albany, GA
* Marine Depot Maintenance Command, Barstow, CA

Navy Base Support
* Norfolk Naval Shipyard, Portsmouth, VA
* Naval Facilities Engineering and Expeditionary Warfare Center, Port Hueneme, CA

NAVY R&D
Naval Air Warfare Centers
* Naval Air Warfare Center-Aircraft Division, Patuxent River, MD
* Naval Air Warfare Center-Weapons Division, China Lake, CA

Naval Surface Warfare Centers
* Naval Surface Warfare Center, Carderock Division, West Bethesda, MD
* Naval Surface Warfare Center, Corona Division, Corona, CA
* Naval Surface Warfare Center, Crane Division, Crane, IN
* Naval Surface Warfare Center, Dahlgren Division, Dahlgren, VA
* Naval Surface Warfare Center, Explosive Ordnance Disposal Technology Division, Indian Head, MD
* Naval Surface Warfare Center, Panama City Division, Panama City, FL
* Naval Surface Warfare Center, Philadelphia Division, Philadelphia, PA
* Naval Surface Warfare Center, Port Hueneme Division, Port Hueneme, CA

Key to Symbols
= DRF Consolidation Point
* = DRF Financial Reporting (AR(M) 1307) Entity

Table 15-1: DRF Financial Reporting Activities (Continued)

Naval Undersea Warfare Centers
* Naval Undersea Warfare Center, Keyport Division, Keyport, WA
* Naval Undersea Warfare Center, Newport Division, Newport, RI

Naval Information Warfare Centers (NIWC)
* NIWC Atlantic, North Charleston, SC
* NIWC Pacific, San Diego, CA

Naval Research Laboratory, Washington, DC

Navy Transportation
* Military Sealift Command (MSC), Norfolk, VA

DEPARTMENT OF THE AIR FORCE (97X4930.3)
DRF Financial Reporting Activities

AIR FORCE CONSOLIDATED SUSTAINMENT ACTIVITY GROUP (CSAG)
CSAG Maintenance Division
* Aerospace Maintenance & Regeneration Group, Davis-Monthan Air Force Base, Tucson, AZ
* Ogden Air Logistics Complex, Hill Air Force Base, Ogden, UT
# CSAG-Supply Division
* Combined 448th Supply Chain Management Wing, Air Force Sustainment Center, Tinker Air Force Base, Oklahoma City, OK
* Headquarters Air Force Materiel Command, Wright-Patterson Air Force Base, OH
* Oklahoma City Air Logistics Complex, Air Force Sustainment Center, Tinker Air Force Base, Oklahoma City, OK
* Warner Robins Air Logistics Complex, Air Force Sustainment Center, Robins Air Force Base, Warner Robins, GA

AIR FORCE SUPPLY MANAGEMENT
Air Force Supply Management Activity
* Academy Cadet Store: U.S. Air Force Academy, Colorado Springs, CO
* Medical-Dental Division: Air Force Medical Logistics Office, Frederick, MD
* General Support Division: Combined 635 Supply Chain Operations Wing, Air Force Sustainment Center, Scott Air Force Base, IL
* Headquarters Air Force Materiel Command, Wright-Patterson Air Force base, OH

Key to Symbols
= DRF Consolidation Point
* = DRF Financial Reporting (AR(M) 1307) Entity

Table 15-1: DRF Financial Reporting Activities (Continued)

UNITED STATES TRANSPORTATION COMMAND (USTRANSCOM)
* Air Mobility Command, Scott Air Force Base, IL
* Defense Courier Division, Scott Air Force Base, IL
* MSC, Norfolk, VA
* Surface Deployment and Distribution Command, Scott Air Force Base, IL
* USTRANSCOM, Scott Air Force Base, IL

DeCA (97X4930.4)
DRF Financial Reporting Activities

* Commissary Resale
* Commissary Operations

DEFENSE AGENCIES (97X4930.5)
DRF Financial Reporting Activities

 # OTHER DEFENSE ACTIVITIES

Defense Logistics Agency (DLA)

DLA Logistics Management Standards Office, Ft. Belvoir, VA
* DLA Aviation, Richmond, VA
* DLA Disposition Services, Battle Creek, MI
* DLA Distribution, New Cumberland, PA
* DLA Document Services, New Cumberland, PA
* DLA Energy, Ft. Belvoir, VA
* DLA Land and Maritime, Columbus, OH
* DLA Logistics Information Service, Battle Creek, MI
* DLA Troop Support, Philadelphia, PA

 # Defense Information Systems Agency (DISA)

* DISA, Global Information Grid Combat Support Directorate, Computing Services Center
* DISA, Telecommunications Services & Enterprise Acquisition Services

 # Defense Finance and Accounting Service (DFAS)

* DFAS Resource Management, Indianapolis, IN

Key to Symbols
= DRF Consolidation Point
* = DRF Financial Reporting (AR(M) 1307) Entity

Table 15-1: DRF Financial Reporting Activities (Continued)

BUILDING MAINTENANCE FUND (97X4931)
DRF Financial Reporting Activities

#	Building Maintenance Fund (BMF)
*	BMF, Washington Headquarters Service, Arlington, VA

DEFENSE COUNTERINTELLIGENCE SECURITY AGENCY (97X4932)
DRF Financial Reporting Activities

#	Defense Counterintelligence Security Agency (DCSA)
*	DCSA, Quantico, VA

NATIONAL DEFENSE STOCKPILE TRANSACTION FUND (97X4555)
DRF Financial Reporting Activities

#	National Defense Stockpile Transaction Fund
*	Defense Strategic Materials, Fort Belvoir, VA

PENTAGON RESERVATION MAINTENNACE REVOLVING FUND (97X4950)
DRF Financial Reporting Activities

#	Pentagon Reservation Maintenance Revolving Fund (PRMRF)
*	PRMRF, Washington Headquarters Service, Arlington, VA

Key to Symbols
= DRF Consolidation Point
* = DRF Financial Reporting (AR(M) 1307) Entity

DoD 7000.14 - R

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 6B: "FORM AND CONTENT OF THE DEPARTMENT OF DEFENSE AUDITED FINANCIAL STATEMENTS"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

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VOLUME 6B, CHAPTER 1: "INTRODUCTION TO THE FORM AND CONTENT OF THE FINANCIAL STATEMENTS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated July 2021 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Administrative updates in accordance with Department of Defense (DoD) Financial Management Regulation (FMR) Revision Standard Operating Procedures.	Revision
4.0	Added the definition of DoD consolidation entities.	Addition
4.1	Revised paragraph to clarify language on the required Office of Management and Budget (OMB) consolidation entities. Removed duplicate language regarding financial statement requirement that is described in paragraph 1.1 and section 2.0.	Revision
4.2	Added description of the Senate Select Committee on Intelligence (SSCI) and removed list of SSCI entities.	Addition
4.3	Moved the Other Defense Activities (ODAs) subparagraph under the Non-OMB Consolidation Entities paragraph.	Revision
7.0 (Deleted previous 5.2 through 5.9)	Added section 7.0 to direct readers to the contents of the financial statement sections and preparation instructions described in other FMR chapters. Deleted subparagraphs to remove redundant information.	Addition/ Deletion
Throughout	Updated the term "reporting entity/entities" for "consolidation entity/entities" where applicable.	Revision

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CHAPTER 1

INTRODUCTION TO THE FORM AND CONTENT OF THE FINANCIAL STATEMENTS

1.0 GENERAL

1.1 Overview

Under the provisions of ***Title 31, United States Code, section 3515*** (31 U.S.C. §3515), the Department of Defense (DoD or the "Department") is required to have annual audited financial statements covering all accounts and associated activities of the Department. As implemented by the Office of Management and Budget (OMB), the Department is required to prepare both Agency-wide annual audited financial statements and separate financial statements for reporting entities as defined in Federal Accounting Standards Advisory Board, Statement of Federal Financial Accounting Standards ***(SFFAS) 47***, "Reporting Entity." The financial statements are expected to provide information to DoD program managers, Congress, and the public; thereby facilitating both effective allocation of resources and assessment of management performance and stewardship. The objective is to produce financial statements that will be used to improve the management of the Department. Additionally, consistent with the objectives of the Statements of Federal Financial Accounting Concepts and SFFASs, the Department continues to work toward the integration of budget and financial information in order to provide for more effective program management at all levels.

1.2 Purpose

This chapter presents the form and content of quarterly and annual financial statements prepared within the DoD and provides a framework for the DoD Components while allowing flexibility to provide useful information to decision makers. This guidance applies to all DoD consolidation entities identified in section 4.0. This chapter identifies the level at which functions or funds should be reported on a consolidated basis, prescribes the specific authoritative guidance on financial statement format and disclosures, and provides other instructions necessary for the preparation of annual audited financial statements and quarterly unaudited financial statements. When recording accounting transactions, follow the accounting standards hierarchy found in Volume 1, Chapter 2.

1.3 Authoritative Guidance

The accounting policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:

1.3.1. ***OMB Circular A-136***, "Financial Reporting Requirements;"

1.3.2. 31 U.S.C. § 3515, "Financial statements of agencies;"

1.3.3. ***DoD Financial Statements Audit Guide***; and

1.3.4. Defense Finance and Accounting Service ***(DFAS) Financial Reporting Guidance***.

2.0 BACKGROUND

Federal agencies traditionally prepared financial reports to monitor and control the obligation and expenditure of budgetary resources. With the enactment of ***Public Law 101-576***, "Chief Financial Officers Act of 1990" (CFO Act), and ***Public Law 103-356***, "Government Management Reform Act of 1994", the Congress called for the production of audited financial statements. The statements must fully disclose a federal entity's financial position, results of operations, and provide information on the effective allocation of resources which Congress, Agency managers, the public, and others can assess management performance and stewardship. Accordingly, OMB in consultation with the CFO Council, the Council of the Inspectors General on Integrity and Efficiency, and other interested parties developed the formats and instructions for financial statements described in this volume. The annual audited financial statements must be organized as shown in Table 1-1.

3.0 REQUIRED REPORTING DATES

Authoritative guidance requires the preparation of annual audited financial statements for the period ending on September 30 of each fiscal year and the quarterly unaudited financial statements for periods ending December 31, March 31, and June 30 of each fiscal year. The Department must submit unaudited interim financial statements to OMB 21 business days after the end of the third quarter of the fiscal year and Notes to the Financial Statements 45 business days after the end of the third quarter of the fiscal year. Annual audited financial statements are due to OMB, the Treasury, the Government Accountability Office, and the Congress in accordance with OMB Circular A-136.

*4.0 DOD CONSOLIDATION ENTITIES

The DoD Agency-wide financial statements provide the financial status of the entire Department. DoD consolidation entities represent entities that are consolidated in the DoD Agency-wide financial statements, including the following:

*4.1 OMB Required Consolidation Entities

4.1.1. Tier 1 Component entities are required by OMB to prepare stand-alone audited financial statements and quarterly unaudited financial statements.

4.1.2. These Components are listed in Appendix B of OMB's annual bulletin, "***Audit Requirements for Federal Financial Statements***."

*4.2 Senate Select Committee on Intelligence (SSCI) Consolidation Entities

4.2.1. The SSCI conducts various reviews of intelligence programs or events for entities involved in the intelligence community, ranging from routine and continuing study (the conduct of covert action programs and intelligence operations) to formal inquiries.

4.2.2. SSCI consolidation entities must submit annual audited and unaudited quarterly financial statements to the SSCI to reveal their annual intelligence efforts.

*4.3 Non-OMB Consolidation Entities

The non-OMB consolidation entities represent all others not identified in paragraphs 4.1 and 4.2. These entities are not required to produce stand-alone audited financial statements and quarterly unaudited financial statements per OMB Circular A-136. The management-approved "DoD Consolidation Entities and Disclosure Entities" list is located on the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), Office of the Deputy Chief Financial Officer, Financial Improvement and Audit Remediation ***(FIAR)*** Directorate website (DoD Common Access Card required) under the "Policies, Publications, & Guidance" heading. The FIAR Directorate is responsible for updating this list annually.

4.3.1. DoD Designated Audit Entities. DoD has designated certain consolidation entities to adhere to the same audit remediation efforts as congressionally mandated OMB consolidation entities. These consolidation entities must perform all audit remediation efforts in accordance with the FIAR guidance and must undergo annual stand-alone financial statement audits.

4.3.2. Other Defense Activities (ODAs). The ODAs are entities of the Department that are reported in the consolidating/combining statements, which comprise the DoD Agency-wide annual audited financial statements and quarterly unaudited financial statements. Tier 2 includes Components undergoing a stand-alone audit. Tiers 3 and 4 include Components not under a stand-alone audit.

4.3.3. Other Material Defense Agencies and Remaining Entities. Other material Defense Agencies are consolidation entities that must undergo annual examinations or other independent validations of their financial statement balances. Remaining entities include organizations and funds not material to the DoD consolidated financial statements. Remaining entities must perform audit remediation efforts to improve their internal controls and will be included in the DoD consolidated financial statement audit.

4.3.3.1. To support the preparation of the Agency-wide financial statements, other material Defense Agencies and remaining entities must submit trial balances and corresponding adjustments within Defense Departmental Reporting System (DDRS) – Audited Financial Statements, DDRS-Budgetary, and DDRS – Data Collection Module. Additionally, these entities are required to provide information as outlined by the quarterly Agency-wide reporting schedules and guidance.

4.3.3.2. To ensure continued improvement to financial reporting in accordance with Department objectives, other material Defense Agencies and remaining entities must continue value-added financial improvement efforts including evaluation and improvements to internal controls over financial reporting. Reasonableness reviews of financial statements for other material Defense Agencies and remaining entities during non-reporting periods may result in questions for explanation or future corrective action or both. The OUSD(C) delegated financial statement review of the entity's financial information and OUSD(C) oversight of these

consolidation entities to the respective Component's Comptroller or senior financial manager. However, designated DFAS Financial Reporting staff will remain available to assist in responding to issues or inquiries.

4.3.3.3. Based on the FIAR strategy, cost mitigation requirements, and expected progression towards full assertion of auditability, each other material Defense Agency and remaining entity will determine their internal reporting and audit requirements, as deemed necessary for continued improvement of financial data and achievement of audit objectives. Entities currently receiving an unmodified audit opinion should consider the cost versus value of the audit in determining requirements and objectives.

4.4 Pass-Through Accounts

Pass-through accounts are included in the consolidated financial statements. While financial transactions flow through such accounts to or from other entities, these accounts do not ultimately own that activity. Most pass-through account balances are eliminated within the DoD-wide consolidating statements, or with Treasury. The exception are account balances affecting the Statement of Budgetary Resources, which is presented on a combined basis. The pass-through accounts are identified on the DoD Consolidation Entities and Disclosure Entities list referenced in paragraph 4.3.

5.0 DISCLOSURE ENTITIES

Disclosure entities are those non-DoD entities required to be disclosed in the footnotes to the consolidated financial statements but are not included in the primary financial statements of the Department. The disclosure entities are identified on the DoD Consolidation Entities and Disclosure Entities list referenced in paragraph 4.3.

6.0 AUDIT COMPLIANCE

6.1. OUSD(C) Audit Requirements

6.1.1. OMB required consolidation entities and non-OMB consolidation entities are required to comply with the FIAR requirements and other guidance issued by the OUSD(C).

6.1.2. Each Component, after completing their assertion of auditability, and with the advice of the DoD Office of the Inspector General (OIG), must establish an audit committee to oversee its financial audit.

6.1.2.1. The purpose of the audit committee is to establish audit requirements, identify contract deliverables, monitor the execution of the contract, and identify and assist with resolution of obstacles to an unmodified audit opinion.

6.1.2.2. Once DoD Component consolidation entities are deemed auditable, the audit committee's focus should be on ensuring a forum exists to address ongoing accounting and auditing issues.

6.1.2.3. Audit committees for OMB required consolidation entities identified in paragraph 4.1 must include a representative of DoD OIG.

6.2. OMB Audit Requirements

Audits of Federal financial statements are conducted in accordance with the requirements found in the annually updated OMB Bulletin, "Audit Requirements for Federal Financial Statements." These provisions apply to audits of financial statements of executive departments, agencies, government corporations, and certain components of these agencies. The Bulletin reflects changes that apply as a result of other revised OMB guidance, including OMB Circular A-136.

*7.0 CONTENT OF ANNUAL AUDITED AND QUARTERLY UNAUDITED FINANCIAL STATEMENTS

7.0.1. The annual audited financial statements of the OMB required consolidation entities identified in paragraph 4.1 must be comprised of four major sections. Non-OMB consolidation entities not identified elsewhere in this chapter are to follow the requirements outlined in paragraph 4.3.

7.0.2. The quarterly unaudited financial statements required for third and fourth quarters must be comprised of the principal statements and notes to the principal statements and, if applicable, supporting consolidating and/or combining statements. Although the first and second quarter principal statements must be prepared, the preparation of accompanying notes for the first and second quarter is not required. A more detailed outline appears in Table 1-1.

7.0.3. The four required major sections and the sequence of their presentation are as follows:

7.0.3.1. Agency Head Transmittal Letter (Guidance for required information in the Agency Head Transmittal Letter is provided in Chapter 3);

7.0.3.2. Management's Discussion and Analysis (MD&A) (Guidance for preparation of MD&A is provided in Chapter 3);

7.0.3.3. Financial Section; and

7.0.3.4. Other Information (Guidance for preparation of Other Information is provided in Chapter 3).

7.0.4. The accompanying subsections of the Financial Section are as follows:

7.0.4.1. CFO Message;

7.0.4.2. Audit Report;

7.0.4.3. Principal Statements; (Instructions for the preparation of the Principal Statements are contained in Chapters 4, 5, 6, and 7);

7.0.4.3.1. Balance Sheet (Consolidated);

7.0.4.3.2. Statement of Net Cost (Consolidated);

7.0.4.3.3. Statement of Changes in Net Position (Consolidated); and

7.0.4.3.4. Statement of Budgetary Resources (Combined)

7.0.4.4. Notes to the Principal Statements (Instructions for the preparation of the required notes are contained in Chapter 10); and

7.0.4.5. Required Supplementary Information (RSI) (Specific guidance for reporting RSI is contained in Chapter 12).

Table 1-1. Outline of the Agency Financial Report

Major Elements of the Agency Financial Report (Hard copy and files for Internet)	DoD Entity Reports	DoD Agency-Wide
Cover	Required	Required
Table of Contents	Required	Required
Message(s) from the Agency Head	Required	Required
Management's Discussion and Analysis	Required	Required
Performance Information	Not Required	Not Required
Financial Section		
CFO Message	Not Required	Not Required
Audit Report(s)		
Inspector General, DoD Audit Opinion or Endorsement	Not Applicable	Required
Audit Opinion of Contract Auditor (e.g., for the Military Retirement Fund)	As Applicable	Not Applicable
Principal Statements		
Balance Sheet, Consolidated	Required	Required
Statement of Net Cost, Consolidated	Required	Required
Statement of Changes in Net Position, Consolidated	Required	Required
Statement of Budgetary Resources, Combined	Required	Required
Notes to the Financial Statements	Required	Required
Required Supplementary Information		
Deferred Maintenance and Repairs	As Applicable	Required
Combining Statement of Budgetary Resources	As Applicable	Required
Other Information		
Management Challenges	Not Required	Required
Summary of Financial Statement Audit and Management Assurances	Required	Required
Payment Integrity	As Applicable	Required
Other Agency-specific Statutorily Required Reports	As Applicable	Required
Civil Monetary Penalty Adjustment for Inflation	As Applicable	Required
Biennial Review of User Fees	As Applicable	Required
Grant Programs	As Applicable	Required
Appendix	As Applicable	As Applicable

VOLUME 6B, CHAPTER 2: "GENERAL INSTRUCTIONS FOR THE FINANCIAL STATEMENTS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated December 2019 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Clarified language to improve readability, updated formatting and hyperlinks in accordance with Department of Defense Financial Management Regulation Revision Standard Operating Procedures.	Revision
1.2	Added additional authoritative guidance and updated previous guidance with current versions and hyperlinks	Revision
4.4 (previous version)	Removed outdated budgetary data representation requirement from 2007 Office of Management of Budget Bulletin 07-04, "Audit Requirements for Federal Financial Statements."	Deletion
Policy Memo 5.3.1 - 5.3.3	This revision incorporated and cancelled the Deputy Chief Financial Officer (DCFO) memorandum titled, "Reporting Guidance for Aggregated Cases for Contingent Legal Liabilities," dated March 27, 2024, adding a section for Management Schedules of Information requirements.	Cancellation/ Addition
Policy Memo 5.3.4	This revision incorporated and cancelled the DCFO memorandum titled, "Reporting Requirements for Legal Contingent Liabilities (FPM 21-10)," dated September 24, 2021, adding case aggregation methodology for Management Schedules of Information preparation.	Cancellation/ Addition
Policy Memo 6.5	This revision incorporated and cancelled the DCFO memorandum titled, "Variance Analysis for Financial Statement Reporting (FPM 19-17)," dated April 6, 2020, updating variance analysis requirements and adding language regarding materiality thresholds.	Cancellation/ Addition

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CHAPTER 2

GENERAL INSTRUCTIONS FOR THE FINANCIAL STATEMENTS

1.0 GENERAL

1.1 Purpose

This chapter identifies the general requirements for the preparation and submission of financial statements and the required disclosures, as required by the Office of Management and Budget (OMB) and other departmental guidance. It establishes the roles and responsibilities of departmental and agency financial managers and provides specific instructions for the preparation of the Management Representation Letter (MRL) and the Legal Counsel Response (LCR).

*1.2 Authoritative Guidance

The financial management policy and related requirements in this chapter are in accordance with the applicable provisions of:

1.2.1. The ***OMB Circular A-136***, "Financial Reporting Requirements."

1.2.2. OMB Bulletin 24-02, "Audit Requirements for ***Federal Financial Statements***."

1.2.3. The Statements of Federal Financial Accounting Standards (***SFFAS***)

1.2.4 The Statements of Federal Financial Accounting Concepts (***SFFAC***).

1.2.5. The roles and responsibilities of reporting entities and service providers, as well as the processes they must follow to achieve audit readiness, are detailed in the Department of Defense (DoD) ***Financial Statement Audit Requirements and Overview Guide*** (DoD Common Access Card (CAC) required).

2.0 RESPONSIBILITIES

2.1 Responsibility for Preparation of the Financial Statements

The primary responsibility for the financial statements rests with the reporting entity's management. Responsibility for preparation of the principal statements and notes, however, may be shared with the accounting organization responsible for maintaining the financial records of the reporting entity The responsible official must ensure that: (1) known business processes/systems that could materially impact the financial statements are communicated; (2) all necessary data that originates in nonfinancial processes and systems (e.g., inventory and property data) is provided; (3) consolidating/combining statements are reviewed and analyzed; and (4) feedback is provided to the entity's supporting accounting organization as required or upon request.

2.2 Reporting of Foreign Military Sales and Other Security Assistance

2.2.1. The Defense Security Cooperation Agency administers certain Foreign Military Sales (FMS) and other security assistance programs on behalf of the Executive Office of the President (EOP). While FMS activity is primarily reported separately from DoD activity, OMB has approved the following provisions regarding the specific information on the financial activity of FMS programs that is to be included in the DoD financial statements.

2.2.2. Revenue and expense amounts pertaining to FMS goods or services provided from the stocks of the DoD Components on a reimbursable basis must be reported in the financial statements of the applicable selling DoD Component and in the DoD Agency-wide consolidated statements.

2.2.3. Principal statements for certain EOP accounts are prepared separately from the DoD Agency-wide financial statements. See Volume 15, ***Chapter 1*** for details regarding these accounts.

3.0 REPORTING SCHEDULES AND QUALITY CONTROL REVIEWS

3.1 Interim Financial Reporting

3.1.1. Interim financial reporting requirements are detailed in the OMB Circular A-136.

3.1.2. All DoD financial reporting entities are required to support the Defense Finance and Accounting Service (DFAS) and Under Secretary of Defense (Comptroller) USD(C) preparation and analysis of the Department's quarterly Agency-wide financial statements that must be submitted to OMB after the end of the third quarter of the fiscal year (FY) as of the date designated by OMB within OMB Circular A-136. OMB-designated reportable entities are required to submit their interim unaudited Balance Sheet, Statement of Net Cost (SNC), and Statement of Changes in Net Position (SCNP) to OMB. Agencies are required to use the ***MAX*** Federal Community to submit their interim financial statements electronically to OMB.

3.1.3. The DoD Agency-wide submission for the interim quarter and for the fiscal year end must include year-end financial statement variance analyses for the Balance Sheet with explanations for significant changes to material line items.

3.1.4. USD(C) and DFAS may require the OMB reportable entities to prepare and submit full note disclosures, variance analyses, and the Statement of Budgetary Resources (SBR) to Standard Form ***(SF) 133***, "Report on Budget Execution and Budgetary Resources," reconciliations as part of other departmental reporting and analyses activity to support the Agency-wide submission due to OMB after the interim quarter and at fiscal year-end.

3.1.5. Additionally, the ***DoD Financial Reporting Guidance*** (CAC enabled) establishes other financial reporting requirements to assist in achieving full auditability. These financial reporting requirements and timelines are detailed within the guidance.

3.16. Chapter 10 requires the disclosure of all abnormal balances appearing on the individual note schedules or financial statement lines. These disclosures are reported in the accompanying notes to the financial statements in the third and fourth quarters of each FY. In support of the DoD Agency-wide consolidated financial statements, all Components must investigate abnormal balances and correct as required by the TFM. Further, all Components must explain material, abnormal United States Standard General Ledger (***USSGL***) account balances on the summary program-level trial balance within the Defense Departmental Reporting System-Audited Financial Statement (DDRS-AFS). They must also explain any abnormal balance that appears on the statements or notes schedule, regardless of the amount.

3.2 Annual Financial Statements

3.2.1. In accordance with OMB Circular A-136, the Department submits a draft of the Agency Financial Report (AFR) to OMB's Office of Federal Financial Management (OFFM) and the appropriate OMB Resource Management Office using MAX. This draft must include all sections of the Agency-wide AFR, as identified in Chapter 1, except the audit report if it is not available at that time. If the audit report is not available when the draft AFR is submitted to OMB, then a draft audit report, or a summary of the audit results, including the type of opinion anticipated and names and descriptions of material weaknesses and significant deficiencies, is to be provided to OMB as soon as it is available.

3.2.2. Each of the reporting entities identified in Chapter 1 is required to submit audited financial statements in accordance with the detailed financial statement reporting schedule contained in the DoD Financial Reporting Guidance. The final AFR must be posted to the reporting entity's public website the same day the report is submitted to OMB, the Government Accountability Office (GAO), the U.S. Department of the Treasury (Treasury), and Congress. Agencies must submit their final reports to OMB using the MAX Federal Community and to the Treasury and GAO using the contact information provided in Appendix B of OMB Circular A-136. Additionally, reporting entities must also submit their final reports to the USD(C).

3.3 Quality Control Reviews of Financial Statements and Notes

Each Component, along with its supporting accounting organization, must review its financial statements and notes to ensure the completeness of financial information provided by both the accounting activity and the various Component functional organizations.

3.4 Key Financial Statements Preparation Due Dates

The development and publication of the financial statements requires coordinated actions by entity management, the supporting accounting organization, and the audit community. Additional information regarding the key financial statement preparation milestones is in the financial statement reporting schedule in the DoD Financial Reporting Guidance.

4.0 MANAGEMENT REPRESENTATION LETTERS

4.1 Preparation and Submission

4.1.1. Auditors require management to prepare and submit an MRL for each reporting entity audited, prior to the conclusion of an audit, for the periods covered by the auditors' report. The MRL must be signed by those members of management with overall responsibility for financial and operating matters. Members of management are those that the auditor believes are responsible for and knowledgeable about, directly or through others in the organization, the matters covered by the representations. Such members of management generally include the head of the agency, the Chief Financial Officer, and any others deemed responsible for matters presented in the MRL.

4.1.2. During the audit, management makes many representations to the auditor, both oral and written, in response to specific inquiries and through the submission of the financial statements. In the MRL, management confirms the representations explicitly or implicitly given to the auditor, states and documents the continuing appropriateness of such representations, and reduces the possibility of misunderstanding concerning the matters that are the subject of the representations. Management must represent that the financial statements do, or do not, present fairly the financial position of the reporting entity in accordance with federal generally accepted accounting principles.

4.2 Management Representations

Management representations must include all representations that are required by generally accepted auditing standards. General representations must, however, be modified to be consistent with findings reported by the auditor. In accordance with OMB Circular A-136, management's representations may be limited to matters that are considered either individually or collectively material to the financial statements, provided management and the auditor have reached an understanding on materiality for this purpose. MRLs are due to the office performing the entity's audit prior to the conclusion of the audit. The schedules for the draft and final letters are contained in the DoD Financial Reporting Guidance. The USD(C) is responsible for submitting the final MRL to OMB.

4.3 Materiality

As required by OMB Circular A-136, the MRL must include a representation regarding the materiality of unrecorded financial statement adjustments aggregated by the auditors. A list of any uncorrected misstatements (in Excel format), including those audit adjustments waived at the Component level, must be attached to the MRL.

4.4 Date of Management Representation Letter

Generally, the date of an MRL must be the date the auditor issues the audit report on the entity's financial statements. Coordinating the two dates is essential. The due dates for the MRLs are specified in the financial statement reporting schedule in the DoD Financial Reporting

Guidance. Management must not provide auditors with pre-signed, undated letters or with predated letters. If auditors need an advance copy of the intended management letter, then auditors must include that requirement when submitting the initial request for the MRL. Active cooperation and interaction between auditors and management are expected so that the MRL reaches the auditors on the due date.

4.5 Signature Levels of Representation Letters

Signature levels for MRLs are as follows and may be handwritten or electronic.

4.5.1. The Secretary or Under Secretary of the Military Department concerned must sign an MRL in support of the audited financial statements for a Military Department's General Fund and Working Capital Fund.

4.5.2. The Director or Deputy Director of the Defense Agency concerned must sign an MRL in support of the audited financial statements for a Defense Agency.

4.5.3. The fund manager of the trust, or revolving fund concerned, must sign an MRL in support of financial statements for a trust or revolving fund managed by the Office of the Secretary of Defense or Defense Agency.

4.5.4. The head of other reporting entities not described in subparagraphs 4.5.1 through 4.5.3, but listed in Chapter 1 and pursuing a full financial audit and producing stand-alone financial statements, must sign an MRL in support of their audited financial statements.

4.5.5. The Secretary of Defense or Deputy Secretary of Defense, and the USD(C), must sign the final MRL for the DoD Agency-wide financial statements.

4.6 Referrals to the Office of the Deputy Chief Financial Officer

Auditor requests for MRLs below levels cited in paragraph 4.5 must be referred to the USD(C), Office of the Deputy Chief Financial Officer (ODCFO).

5.0 LEGAL COUNSEL RESPONSES

5.1 Inquiries of Legal Counsel

The auditor will request that entity management send a letter of inquiry to those lawyers with whom management consulted concerning litigation, claims, and assessments. Refer to the GAO ***Financial Audit Manual***, Section 1002B, Example Legal Letter Request, and subsequent revisions, for an illustrative letter of inquiry from entity management to legal counsel. Management must document in a schedule how the information contained in the legal counsel's response(s) was considered in preparing the financial statements.

5.2 Obtain Legal Representation

5.2.1. To assist the auditor in completing the review of legal matters in a timely manner, the auditor may ask management to request that legal counsel submit an interim LCR so that a preliminary evaluation of the significance of material legal matters can be made. It is the responsibility of the senior financial management official of the entity being audited to request interim or final LCRs from their General Counsel (GC). The LCRs requested from the GC of the Military Departments must include the request that the GC report matters involving both military and civilian counsel.

5.2.2. Requests for an LCR pertaining to the Agency-wide financial statements, and to any defense-wide account audited separately, such as the Military Retirement Fund, must be sent to the DoD GC. Copies of any letters prepared by the GC of the Military Departments and DoD Components must be provided to the DoD GC, Attention: Deputy General Counsel (Fiscal) (DGC(F)), and to the DoD Inspector General (IG) or other independent auditors performing the audit. In letters provided to the GC, DoD must report only cases at or above the component's materiality threshold established for that year's financial statement audit.

*5.3 Management Schedules of Information (MSIs)

5.3.1. MSIs must be reported directly to the USD(C). Components must adhere to mandatory times for submission of their respective LCRs as specified in the financial statement reporting schedule within DoD Financial Reporting Guidance and follow the applicable Agency-wide materiality threshold for that year's Agency-wide financial statement.

5.3.2. DoD Component management is ultimately responsible for the preparation and submission of the MSI that summarizes the contingencies included in the LCR prepared by General Counsel, and documents how the information was used in preparing the entity's financial statements.

5.3.3. The MSI must: (1) agree with the LCR case summaries; (2) agree with the Legal Contingent Liabilities recorded on the Balance Sheet; and (3) agree with the related note disclosures. To ensure accurate and complete financial reporting and disclosures of contingent liabilities, DoD Component management must validate that these numbers agree.

5.3.4. To establish a consistent methodology for the aggregation of similar cases during MSI preparation, DoD Components are to use these contingent legal liabilities aggregated case categories to aggregate individual matters not listed individually:

5.3.4.1. Labor and Employment Law Cases. Examples include employee grievances and workplace discrimination claims seeking monetary relief.

5.3.4.2. Tort Cases. Examples include claims for personal injury and property damage.

5.3.4.3. Contract Litigation. Examples include claims before a third-party adjudicator (court or contract appeals board) seeking monetary relief from the U.S. Government.

5.3.4.4. Environmental Cases. Examples include litigation seeking monetary damages or to compel agency action to remediate environmental damage to federal or non-federal property.

5.3.4.5. Intellectual Property Cases. Examples include copyright, trademark, and patent infringement claims.

5.3.4.6. Real Property Cases. Examples include eminent domain claims and disputes concerning the acquisition or conveyance of interests in real property.

5.3.4.7. Other Cases. Cases uncaptured in the defined categories in subparagraphs 5.3.4.1 through 5.3.4.6.

5.4 Preparation of Legal Counsel Responses

When preparing the LCRs, the GC must consider the guidance found in Treasury Financial Manual Volume I, Part 2, ***Chapter 4700***, Section 4745.10. Report cases and claims using the legal representation format and guidance on the U.S. Department of Justice (***DOJ***) website under the "Selected Documents & Forms." In addition to reporting the status of pending contingent liabilities, the interim LCRs must also include the cases reported in the previous year's legal representations that are no longer pending. For additional policy regarding contingent liabilities, see Volume 4, ***Chapter 12***. The final representation letter must be limited to new information (i.e., cases that arise subsequent to the interim response or changes in the status of cases that were reported in the interim response). The final response must not repeat information from the interim response that has not changed. Any subsequent changes in cases that arise after the final representation letter, but before the end of the audit fieldwork on the financial statements, must be communicated to the auditor. The required summaries of the legal letters must be submitted to the cognizant audit agency for the reporting entity, to the entity's supporting accounting activity, and to the ODCFO.

5.5 Determination of Legal Cases

Management must make an assessment as to whether pending, threatened litigation or unasserted claims must be reported or disclosed in the financial statements. This determination extends to cases in which legal counsel has classified the likelihood of loss as "unknown." The name and telephone number of the individual who is able to answer questions regarding the presentation of legal claims and assessments in the financial statements must also be provided. The required summaries of the legal responses must be submitted to the cognizant audit agency for the reporting entity, the entity's supporting accounting activity, and the ODCFO. DoD due dates for the interim and updated legal letters, and the associated summaries, are reflected in the financial statement reporting schedule in DoD Financial Reporting Guidance.

5.6 Summary of Legal Counsel Responses

Rather than having the cognizant auditors submit copies of the interim and updated LCRs, along with the summaries of the information contained in these responses for each reporting entity, the GAO has agreed to accept the single summary of the various LCRs prepared for submission with the Agency-wide statements. The IG and ODCFO must make the required submission to the OMB, the Treasury, the DOJ, and the GAO per the due dates in the financial statement reporting schedule contained in the DoD Financial Reporting Guidance. The IG must inform GAO, DOJ, and Treasury's Bureau of the Fiscal Service (Fiscal Service) whether there were "no changes" or "changes" due to subsequent events that resulted in a change in the likelihood of a loss, or the amount of a loss, or both, after the effective date of the final LCR, but before the date of the audit report.

6.0 GENERAL PREPARATION INSTRUCTIONS

6.1 Generally Accepted Accounting Principles

The principal statements and notes embody the generally accepted accounting principles contained in the SFFAS and SFFAC. The SFFAS and SFFAC are incorporated into the accounting policy and guidance contained in this Regulation. Preparers of financial statements seeking additional guidance must follow the hierarchy contained in Volume 1, Chapter 2.

6.2 United States Standard General Ledger

Preparers of financial statements and notes must crosswalk their unique general ledger accounts to the USSGL chart of accounts, and at a lower level of detail to include Fiscal Service's Governmentwide Treasury Account Symbol (GTAS) attributes, ***Standard Financial Information Structure*** elements, DoD's trading partner information, and other DoD-required attributes to prepare the financial statements and note schedules. DDRS-AFS must utilize the USSGL, GTAS attributes, and other DoD required attributes to populate financial statements and related note schedules.

6.3 Agreement Between Totals in Statements and Notes

DoD Components/reporting entities preparing quarterly interim and fiscal year-end financial statements, and related supporting notes and other schedules, must ensure the total figures disclosed in the supporting notes and other schedules conform to the amounts presented in the body of the financial statements. The chosen rounding level must be maintained consistently throughout the principal statements and notes. In addition, rounded totals must agree between the principal statements as applicable (e.g., ending balances from the SCNP equal the Total Net Position line on the Balance Sheet). Individual line items must sum to the totals (this may require adjusting the individual detail line items for differences created by the rounding process rather than adjusting column totals).

6.4 Comparative Data

Comparative financial statements are required. Data presented in the fiscal year-end prior year column must be identical to the amounts reported on the financial statements of the prior year. Information for the current and preceding years must be presented, regardless of the type of audit opinion rendered by the auditor. The notes must contain the information that is necessary for full disclosure of both years. Refer to Chapter 10 for additional policy regarding the notes required for the financial statements.

*6.5 Variance Analysis/Fluctuations

6.5.1. A comprehensive financial statement variance analysis report, addressing material fluctuations between comparative periods on report lines of the Balance Sheet, SNC, and selected lines of the SCNP, SBR, and supporting note schedules, is prepared each quarter for the Agency-wide financial statements. The analysis compares the current quarter year-to-date statement to the same quarter's year-to-date statement from the prior year. Additionally, the Balance Sheet analysis compares the current quarter statement to the prior year-end statement.

6.5.2. Components must provide explanations for variances exceeding component materiality thresholds. A lower variance threshold is permitted, if desired. The FAM is the authoritative guidance for the thresholds; specifically, FAM Sections 230, "Determining Materiality," and 475, "Perform Substantive Analytical Procedures." Explanations must be reviewed by senior executive leadership and include detailed analyses with references to legislation, accounting standards, policy memos, and changes in business processes. Additional analyses may be requested on special interest line items regardless of the variance amount.

6.5.2.1. Variance explanations must clearly identify the underlying root cause and include sufficient detail to accurately convey the reason for the variance. Variances caused by errors must include an estimated timeline for correction.

6.5.2.2. Complex explanations require an executive summary with an attachment that includes the detailed information.

6.5.2.3. If journal vouchers are referred to, they should be considered as an integral part of the explanation and provided with the variance analysis.

6.5.3. Components must retain variance analysis documentation. Analyses and documentation must be readily available within 17 business days after quarter end. The variance analysis may be requested sooner, particularly in the fourth quarter. Explanations affecting the Agency-wide financial statements and notes will be incorporated into the agency-wide variance analysis.

6.6 Statement Consolidation

Balance Sheet line items are required to be presented as provided in OMB Circular A-136. User judgment must be exercised for other financial statements to determine if it is appropriate to

exclude some statement line items, notes, and lines or columns in notes from the final published statements, if those lines do not apply to the reporting entity. In order to ensure consistent and accurate aggregation of amounts from suborganizations, however, such lines must not be excluded prior to the submission of the final published version. Due to the short timeframes available for statement consolidation at the agency level, preparers are not authorized to combine lines for which the referenced account balances are immaterial.

6.7 Disclose Material Balances

Do not designate in the notes as "other" any discrete balances of a material amount. If the individual components of the "Other" line item represent 10 percent or more of the value of the line, disclose those components separately.

6.8 Notes to the Financial Statements

Refer to Chapter 10 for more detailed guidance on the preparation, presentation, and numbering of notes to the principal financial statements.

6.9 Consistency in Reporting

Accounting policies and procedures must be applied consistently throughout the financial statements. Ensure amounts are consistently reported throughout the financial statements, notes, supplemental information, and the Management's Discussion and Analysis (MD&A) section. Also, ensure that schedules presented in the notes, in support of amounts presented on financial statements, have total figures that agree with the amounts presented in the financial statements. Financial information reported in multiple notes or other sections must be reported in a consistent manner. To the extent that information is not available for the accelerated reports, a reliable, alternative method of estimating amounts and balances must be developed and adequately disclosed.

6.10 Consolidated or Combined Statements

The Balance Sheet, SNC, and the SCNP principal statements must be prepared as consolidated statements, net of intra-entity transactions. The SBR must be prepared as a combined statement.

6.11 Rounding

DoD Agency-wide final published financial statements and notes must display dollars rounded to millions with one decimal point. All Component statements must display dollar amounts rounded to the nearest whole thousand on the final published principal statements and in the tables/schedules contained in the notes to the principal statements. Dollar amounts in note narratives must be reported with a maximum of three position integers and a single decimal value followed by an identifier, such as millions or billions (e.g., $324.1 million; not $324,100 thousand). To improve communication among preparers, reviewers, and auditors during the preparation process, and to avoid excessive workload associated with the resolution of rounding errors, all

accounting activities must report amounts as dollars and cents on all draft/working versions of the principal statements and note schedules prior to submission by the reporting entity of the final audited financial statements.

6.12 Additional Information

Reporting entities that choose to present additional financial statements or information must include these in the "Other Information" section (see Chapter 3).

6.13 Organization of the Financial Statements

The financial statements of the reporting entities will be organized as outlined in Chapter 1, Table 1-1.

6.14 Posting the Financial Statements

DoD's Agency-wide financial statements and the AFR are posted on the ***USD(C) public website***. Reporting entity managers must post their individual AFRs on their public website and provide the ODCFO with electronic links to this report by the due date specified in the financial statement reporting schedule. The files must be prepared in the Portable Document Format (PDF) type.

6.15 Responsibility for Sections of DoD Agency-wide Financial Statements

6.15.1. USD(C), DFAS, the USD (Acquisition and Sustainment) (USD(A&S)) has responsibility for various sections of the DoD Agency-wide AFR for providing information to the Fiscal Service for inclusion in the FR of the U.S. Government.

6.15.2. The USD(C) and DFAS are responsible for preparing the draft and final versions of the AFR Financial section that includes the Agency-wide financial statements, notes, and Required Supplementary Information (RSI). In addition, DFAS must ensure that the GTAS adjusted trial balances are transmitted to Fiscal Service for inclusion in the FR of the U.S. Government with a notification to the USD(C). Refer to Volume 6A, Chapter 3 for guidance on GTAS reporting.

6.15.3. The USD(A&S) is responsible for compiling the deferred maintenance and repairs information for the Required Supplementary Information. The USD(A&S) must provide this information, electronically, to USD(C) and DFAS for inclusion in the draft and final version of DoD Agency-wide AFR per the due dates in the financial statement reporting schedule.

6.15.4. The USD(C) is responsible for preparing the Agency Head Transmittal Letter required by OMB Circular A-136, and the MD&A section of the Agency-wide financial statements, and for submitting the DoD Agency-wide financial statements to OMB and the Congress.

VOLUME 6B, CHAPTER 3: "AGENCY FINANCIAL REPORT SECTIONS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated June 2024 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
5.0	Removed Climate-Related Risks, pursuant to Secretary of Defense Memo, "Subject: Mission Focus of the Department of Defense," dated March 17, 2025.	Deletion

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CHAPTER 3

AGENCY FINANCIAL REPORT SECTIONS

1.0 GENERAL

1.1 Purpose

This chapter prescribes requirements for Department of Defense (DoD) Tier 1 consolidation entities referenced in Chapter 1, section 4.1 that must prepare and submit an Agency Financial Report (AFR) to the OUSD(C). The AFR must include the Agency Head Transmittal Letter, Management's Discussion and Analysis (MD&A), Financial Section, and Other Information (OI). OUSD(C) prepares and submits the consolidated, Agency-wide AFR and a separate Annual Performance Report (APR). Subcomponents are not required to prepare an APR. If they decide to prepare an APR, subcomponents are not required to prepare OI, but may choose to do so using the format specified in this chapter.

1.2 Authoritative Guidance

The primary authoritative guidance for this chapter is Title 31, United States Code (U.S.C.), Section 3515, (***31 U.S.C. § 3515***) "Financial Statements of Agencies," Federal Accounting Standards Advisory Board's (FASAB's) Statement of Federal Financial Accounting Standard ***(SFFAS) 15,*** "Management's Discussion and Analysis," and Office of Management and Budget ***(OMB) Circular A-136***, "Financial Reporting Requirements."

Other guidance include FASAB's ***(SFFAC) 3***, "Management's Discussion and Analysis," ***SFFAC 9***, "Materiality: Amending Statement of Federal Financial Accounting Concepts (SFFAC) 1, Objectives of Federal Financial Reporting, and SFFAC 3, Management's Discussion and Analysis."

2.0 AGENCY HEAD TRANSMITTAL LETTER

An agency is required to include, toward the beginning of the report, a dated transmittal letter signed by the agency head. The date on the letter must match the due date prescribed in the OMB Circular A-136 to publish the AFR. The letter must include a brief message from the agency head containing an assessment of whether financial and performance data in the report are reliable and complete and, if not, describing any material inadequacies in the completeness and reliability of the data. The transmittal letter must also describe material internal control weaknesses and corrective actions the agency is taking to resolve these weaknesses. The transmittal letter may direct the reader to a more detailed section of the AFR instead of including the discussion in the transmittal letter.

3.0 MANAGEMENT'S DISCUSSION AND ANALYSIS

3.1 Purpose

To be useful, the MD&A should be concise, easy to read to a non-technical audience, and use visual references to present summary information. The MD&A should focus on the most important matters and provide a balanced analytical assessment of key program and financial performance. The MD&A should provide management's view of actual current performance and financial results, as well as expectations about the future. The MD&A should inform the reader, at a high level, of progress toward accomplishing the entity's mission and associated strategic goals. The discussion should deal with the most important matters that would likely affect the judgments and decisions of people who rely on the AFR as a key source of information. It should address most important matters that could:

3.1.1. Lead to significant actions or proposals by senior management;

3.1.2. Be significant to the managing, budgeting, and oversight functions of Congress and the Administration; or

3.1.3. Significantly affect the judgment of stakeholders about the efficiency and effectiveness of the entity.

3.2 Responsibility

Management is responsible for the content of the MD&A. Its preparation should be a joint effort of the financial management office, program offices, and offices responsible for performance reporting. Management has considerable discretion in preparing and presenting the MD&A, subject to the inclusion of the required content and the requirement that the information in the MD&A is not misleading to the reader. The MD&A provides management with a forum for communicating current and future insights about the entity, that increases the understandability of financial information, and also provides information about the entity, its operations, service levels, successes, and challenges. The preparer must develop and retain adequate documentation supporting the financial, statistical, and other information presented in the MD&A section.

3.3 Scope

The MD&A should be regarded as "required supplementary information" as that term is used in auditing standards and is an essential part of a complete general purpose federal financial report. The MD&A may include a brief overview or executive summary explaining the MD&A. An overview section gives the reader a useful summary of what is to come. Some agencies include an overview or executive summary in the "Mission and Organizational Structure" section of the MD&A. At a minimum, the MD&A should address the entity's:

3.3.1. Mission and organizational structure;

3.3.2. Performance goals, objectives, and results;

3.3.3. Analysis of financial statements and stewardship information;

3.3.4. Analysis of systems, controls, and legal compliance;

3.3.5. Forward-looking information; and

3.3.6. Any additional information required by A-136, such as emergency funding.

3.4 Mission and Organizational Structure

The MD&A should contain a brief description of the mission(s) of the entity and describe its related organizational structure, consistent with the entity's strategic plan. The MD&A should:

3.4.1. Name the consolidation entity in a clear manner that leaves no doubt as to whether the consolidation entity is an entire organization or an activity or group of activities within an organization;

3.4.2. Identify the commercial functions (includes buying and leasing of real estate, providing insurance, making loans and loan guarantees, and other credit programs and any activity involving the provision of a service or thing for which a fee, royalty, rent, or other charge is imposed by an agency for services and things of value it provides) and the revolving, trust, and other fund accounts covered by the financial statements;

3.4.3. State the mission and major goals of the consolidation entity, including reference to the entity’s legislative mandate, if appropriate;

3.4.4. Identify the type and provide information on the numbers of individuals and/or groups served by or benefiting from the entity’s major program(s);

3.4.5. Provide indicators of the size of the major program(s) (e.g., dollars expended, population served, and the numbers of military and civilian personnel employed in carrying out the major program(s)); and

3.4.6. Describe the manner in which the consolidation entity is organized to provide the major program(s), including information related to the geographic locations of the organization (e.g., numbers of local, district, state, and regional offices).

3.5 Performance Goals, Objectives, and Results

Pursuant to the Government Performance and Results Act (GPRA) Modernization Act of 2010 ***(GPRAMA)***, the APR is the primary document for comprehensive organizational performance reporting. The MD&A presentation should minimize duplicative reporting with the APR. Therefore, the discussion of performance goals, objectives, and results in the MD&A should include only a summary of non-financial performance information to provide context for the financial information presented.

The performance discussion should help the reader assess the relative efficiency and effectiveness of programs. The MD&A should:

3.5.1. Provide a concise assessment of the entity's overall progress toward major program goals, linking goals to cost categories or responsibility segments in the Statement of Net Cost or related notes, if possible;

3.5.2. Summarize overall (e.g., consolidation entity) performance in the context of historical trends;

3.5.3. Summarize the strategies and resources the entity used to achieve its goals;

3.5.4. Summarize any significant underlying factors that may have affected the reported performance, including factors that are substantially outside the entity's control, factors over which the entity has significant control, and any anticipated or unanticipated risks;

3.5.5. Summarize plans to improve performance; and

3.5.6. Summarize the procedures management has designed and followed to provide reasonable assurance that reported performance information is relevant and reliable.

3.6 Analysis of Financial Statements and Stewardship Information

The MD&A should help users understand the entity's financial position, financial condition, and results of operations conveyed in the principal financial statements. The MD&A should include comparisons of the current year to the prior year and should provide an analysis of the agency's overall financial position, financial condition, and results of operations to assist users in assessing whether the financial position has improved or deteriorated because of the year's activities. This section should also include a discussion of key financial-related measures emphasizing financial trends and assessing financial operations. Factors to consider in identifying major changes include likely public or congressional interest in the change, historical trends in the amount, and the relative size of the change. Additionally, the MD&A should give users the benefit of management's understanding of the following:

3.6.1. Major changes in types or amounts of assets, liabilities, costs, revenues, obligations, and outlays (explaining the underlying causes of the changes);

3.6.2. Relevance of particular balances and amounts shown in the principal financial statements, particularly if relevant to important financial management issues;

3.6.3. Entity's stewardship information; and

3.6.4. In addition, the following items may be useful to include in the financial statement analysis:

3.6.4.1. Explanations for variances exceeding ten percent and are material to the agency;

3.6.4.2. Significant issues qualitative in nature and relating to financial management; and

3.6.4.3. Overall financial condition and financial management issues occurring since the previous reporting period that impact the agency's current financial status.

3.7 Analysis of Systems, Controls, and Legal Compliance

3.7.1. Agencies are required to provide assurances to the status and effectiveness of the internal controls and financial management systems that support the preparation of the financial statements. Management should provide its assurances related to the Federal Managers' Financial Integrity Act of 1982 ***(FMFIA)*** and its compliance determination required by the Federal Financial Management Improvement Act of 1996 ***(FFMIA)*** in a separate section entitled "Management Assurances." The FMFIA assurance statement should:

3.7.1.1. Provide management's assessment of the effectiveness of the organization's internal controls to support effective and efficient programmatic operations, reliable financial reporting and compliance with applicable laws and regulations, and whether the financial management systems conform to relevant financial systems requirements;

3.7.1.2. Provide a separate assessment of the effectiveness of the internal controls over financial reporting as a subset of the overall FMFIA assurance statement; and

3.7.1.3. Include a summary of material weaknesses and non-compliance, a summary of assurance, and a summary of corrective actions to resolve the material weaknesses and non-compliance. Illustrative assurance statements and further guidance on corrective action plans can be found in OMB Circular A-123, "Management's Responsibility for Enterprise Risk Management and Internal Control."

3.7.2. Management should include its FFMIA compliance assessment in this section. Management is required to provide its assessment of the organization's financial management systems compliance with the federal financial management systems requirements standards promulgated by FASAB and the United States (U.S.) ***Standard General Ledger*** at the transaction level. Financial management systems include both financial and financially-related (or mixed) systems. Further guidance on the financial systems requirement can be found in OMB Circular ***A-123, Appendix D***, "Compliance with the Federal Financial Management Improvement Act of 1996."

3.7.2.1. Briefly discuss the agency's financial management systems strategy and how it will achieve the goals of improving financial and budget management agency-wide. Include an overview of the agency's current and future financial management systems framework and a synopsis of critical projects currently underway or planned to achieve the target framework, per OMB ***M-19-16***, "Centralized Mission Support Capabilities for the Federal Government;"

OMB ***M-13-09***, "Fiscal Year 2013 PortfolioStat Guidance: Strengthening Federal IT Portfolio Management;" and OMB Circular A-123, Appendix D.

3.7.2.2. For areas of FFMIA non-compliance, the agency must identify remediation activities that are planned and underway and include projected dates to achieve compliance.

3.7.3. Management should also review its FMFIA assurance statements and its FFMIA compliance determination for consistency with the findings specified in the annual financial statement audit report(s). The Office of the Inspector General (OIG) or auditor must compare material weaknesses disclosed during the audit with those material weaknesses reported in the agency's FMFIA report and document any material weaknesses disclosed by audit that were not reported in the agency's assurance statements. The financial audit responsibilities are established in the "Scope of the Audit" section of ***OMB Bulletin 24-01***, "Audit Requirements for Federal Financial Statements," which is updated annually. If there is a conflict between this Chapter and the annual update to OMB Bulletin 24-01, auditors must follow guidance in the annual update. The reports may be different, but they should not be in direct conflict. When conflicting discrepancies exist, it is management's responsibility to ensure that outstanding issues are reported appropriately. For material weaknesses related to an error requiring a restatement, if the agency asserted in its MD&A that it received an unmodified opinion on any previously issued financial statement, management should include a high-level discussion of the events that gave rise to the restatement, which should include the nature of the error.

3.8 Forward-looking Information

Forward-looking information includes information about the possible future effects of the most important existing performance and financial demands, events, conditions, and trends. Management should discuss important known and anticipated problems that need to be addressed and actions that have been planned or taken to address those problems. The actions that are needed, planned, and taken must be discussed within the sections listed in this paragraph or in a separate section of the MD&A.

3.9 Other Management Information, Initiatives, and Issues

Management has the discretion to include a summary in the MD&A of other information, initiatives, and issues it identifies.

3.10 Limitations of the Financial Statements

The MD&A should articulate the limitations of the principal financial statements. This section should state the following:

3.10.1. The principal financial statements are prepared to report the financial position, financial condition, and results of operations of the consolidation entity, pursuant to the requirements of ***31 U.S.C. § 3515 (b)***;

3.10.2. The statements are prepared from the books and records of the entity in accordance with Generally Accepted Accounting Principles and the formats prescribed by OMB. Reports used to monitor and control budgetary resources are prepared from the same books and records; and

3.10.3. The statements should be read with the realization that they are for a Component of the U.S. Government.

4.0 FINANCIAL SECTION

The Financial Section of the AFR must contain the Auditor's Report, Financial Statements and Notes, and Required Supplementary Information. The financial statements are the responsibility of agency management. Although not a requirement, the consolidation entity may include a Chief Financial Officer letter summarizing planned time frames for major barriers to correct audit weaknesses and instances of non-compliance. The section should also discuss the process the entity followed in addressing previously reported audit weaknesses and instances of non-compliance. The guidance for the Financial Statements and Notes is in Chapters 4 through 10.

5.0 OTHER INFORMATION

The OI section of the AFR follows the Required Supplementary Information section of the statements and should contain the following, when appropriate and applicable:

5.1 Summary of Financial Statement Audit and Management Assurances

Executive agencies are required to prepare a Summary of Financial Statement Audit and a Summary of Management Assurances. OMB Circular A-136 requires executive agencies to include these summaries as OI or to explain how and why DoD uses an alternative method for reporting the information. The agency should list each material weakness using a unique, short, and easily understood name. These names should be kept constant, so that a weakness reported in FMFIA sections or by the auditor has the same name. To the extent possible, weakness names should also be kept constant from year to year. Significant deficiencies are not required to be reported. Refer to OMB Circular A-136 for additional guidance regarding format and content of the summary report.

5.2 Revenue Foregone

5.3 Tax Burden, Tax Gap, and Tax Expenditures

5.4 Management and Performance Challenges

OMB Circular A-136 states the Performance Accountability Report (PAR) or AFR must include a statement prepared by an executive agency's OIG summarizing what the OIG considers the most serious management and performance challenges facing an executive agency and briefly assessing the executive agency's progress in addressing those challenges. This statement must be

provided to the executive agency head at least 30 days before the AFR due date. The executive agency head may comment on, but not modify, the OIG statement. The executive agency head may append comments to the OIG's statement. Additional guidance is available in OMB Circular A-136, OI section.

5.5 Payment Integrity Information Act Reporting

The Act requires agencies to identify and review all programs and activities that may be susceptible to significant improper payments based on guidance from the OMB. Guidance for reporting improper payments is contained in Volume 4, Chapter 14 and OMB Circular A-136.

5.6 Other Agency-specific Statutorily Required Reports

Any reports required by statutes, not addressed in OMB Circular A-136 that pertain to financial or performance management, may be included in the AFR or PAR after consultation with OMB and Congress. The head of the agency must determine if inclusion of an agency-specific report will make the reported information more useful to decision makers. Consultation with Congress includes the Committee on Homeland Security and Governmental Affairs of the Senate, the Committee on Oversight and Reform of the House of Representatives, and any other committee of Congress having jurisdiction over the report being proposed for consolidation.

5.7 Civil Monetary Penalty Adjustment for Inflation

Under the ***Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015,*** agencies must make annual inflation adjustments to civil monetary penalties and report on the adjustments in their AFR or PAR. Agencies are encouraged to include the illustrative table below and referenced in OMB Circular A-136.

Statutory Authority	**Penalty Name & Description**	**Year Enacted**	**Latest year of adjustment (via statute or regulation)**	**Current Penalty (Dollar Amount or Range)**	**Bureau Name**	**Location for Penalty Update Details**
XX U.S.C. XXX; XX CFR XXX.XXX [Insert statutory and regulatory citations.]	XYZ Act: Violation of [Specify statutory requirements that are subject to penalty.]		2022	Minimum: $X Maximum: $X		[Insert Federal Register citation(s) and hyperlink (s).]

5.8 Biennial Review of User Fees

Under ***31 U.S.C. § 902***, Chief Financial Officers are required to review on a biennial basis fees, royalties, rents and other charges imposed by the agency for services and things of value it provides and to make recommendations on revising those charges. The results of this review may be included in the AFR or PAR. See ***OMB Circular A-25***, User Charges, for more information.

5.9 Grant Programs

To promote the efficient administration of grants programs, significant consolidation entities with Federal grants programs must submit a brief high-level summary of expired, but not closed, Federal grants and cooperative agreements (awards), including:

5.9.1. A summary table (as shown below) of the total number of awards and balances for which closeout has not yet occurred, but for which the period of performance has elapsed by two years or more prior to September 30, 2022 (i.e., on or before September 30, 2020).

CATEGORY	2-3 Years	4-5 Years	More than 5 Years
Number of Grants/Cooperative Agreements with Zero Dollar Balances			
Number of Grants/Cooperative Agreements with Undisbursed Balances			
Total Amount of Undisbursed Balances			

5.9.2. A brief narrative of the progress made over the past year compared to the previous year's report, challenges preventing closeout of awards reported, and actions to be taken to close awards reported.

5.10 Agency Audit Resolution Reports

Entities required to produce reports from the Agency Head under ***5 U.S.C.***, Appendix 3, section 5(b) may include such reports in the AFR as provided by the Reports Consolidation Act (***31 U.S.C. § 3516***). Such entities are encouraged to do so if the AFR is the usual method for publishing the reports.

In addition, entities that provide a separate report to Congress under 5 U.S.C., Appendix 3, section 5(b) may include a summary of agency audit resolution in the AFR or PAR (either in the MD&A or as Other Information).

VOLUME 6B, CHAPTER 4: "BALANCE SHEET"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated April 2019 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Administrative updates in accordance with the Department of Defense Financial Management Regulation Revision Standard Operating Procedures.	Revision
All	Changed the term "reporting entity" to "consolidation entity."	Revision
1.2	Updated the Purpose section with internal Department of Defense sources.	Revision
1.3	Updated the Authoritative Guidance section.	Revision
2.0	Added clarifying language on the format for the Balance Sheet.	Addition
3.1.1	Added a definition for Assets.	Addition
3.2, 3.4, and 3.6 (previous version)/ 3.1.4, 3.2.9, 3.3.2	Removed the Balance Sheet line-item instructions and referred the reader to access the current reporting requirements in the Office of Management and Budget Circular A-136.	Deletion/ Addition
3.2.3.2	Clarified narrative regarding Liabilities Not Covered by Budgetary Resources.	Revision
Figure 4-1 (previous version)	Deleted Figure 4-1 to streamline the chapter.	Deletion

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CHAPTER 4

BALANCE SHEET

1.0 GENERAL

1.1 Overview

The Balance Sheet is a statement of financial position required to be completed by Department of Defense (DoD) consolidation entities identified in Chapter 1. It is a principal financial statement that presents comparative fiscal year data (i.e., current and preceding), as of a specific time. Moreover, it reports amounts owned or managed by consolidation entities (assets), amounts owed by the entities (liabilities), and amounts that comprise the difference (net position). Notes to the Balance Sheet are required to clarify or provide additional, more detailed information on the individual asset, liability, and net position line items reported on the face of the Balance Sheet.

*1.2 Purpose

This chapter presents the form and content of the DoD Balance Sheet. It identifies general requirements for each asset, liability, and net position reported on the Balance Sheet. For detailed accounting policy, see the individual asset and liability chapters published in Volume 4. Refer to Chapter 10 for required footnote disclosures to the financial statements. For detailed information regarding schedules/timelines and/or specific notes, see the ***DoD Financial Reporting Guidance*** and Chapter 10. Additionally, the ***Standard Financial Information Structure*** supports requirements for budgeting, financial accounting, cost/performance, and external reporting needs

*1.3 Authoritative Guidance

The financial management policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:

1.3.1. Office of Management and Budget ***(OMB) Circular A-136***, "Financial Reporting Requirements;" and

1.3.2. The U.S. Department of the Treasury (Treasury) ***USSGL***, a supplement of the Treasury Financial Manual

*2.0 BALANCE SHEET FORMAT

2.1 General Information

The Balance Sheet should present summary information necessary to make the statement most useful to readers. Where substantial detail is required to properly explain specific line items,

present the detail in the notes. See OMB Circular A-136 and Chapter 10 for additional instructions regarding the preparation and presentation of notes for each specific line item on the Balance Sheet. Individual statement crosswalks are prepared using the Treasury USSGL. The crosswalk for each line of the Balance Sheet is incorporated into the Defense Departmental Reporting System (DDRS) Audited Financial Statements ***(AFS)*** and can be accessed with proper authorization by selecting "Query" from the main DDRS AFS menu, then selecting the option "Referential Data" and option "Report Map."

2.2 Format for the Draft Version of the Balance Sheet

The Balance Sheet will be prepared in accordance with the format presented in OMB Circular A-136. The draft versions of all statements and notes must include line numbers as shown in OMB Circular A-136. All amounts are in dollars and cents in the draft versions of the statements and notes in order to facilitate communication among the preparers, reviewers, and auditors during the financial statement preparation process. This process minimizes the additional time and workload required to round and reconcile dollar amounts.

2.3 Materiality Amounts

Separate reporting of items on the Balance Sheet is appropriate if the amounts are material to the Balance Sheet. Material is defined as any item (asset or liability) that represents more than 10 percent of the value of total assets or total liabilities. If an item is determined to be material, DoD consolidation entities may report the item separately on the face of the Balance Sheet.

2.4 Format for the Final Published Balance Sheet

The final (year-end) DoD-wide consolidated Balance Sheet and notes will display dollars rounded to millions with one decimal point. All DoD consolidation entity Balance Sheets and notes must display dollar amounts rounded to the nearest whole thousand. Dollar amounts in note narratives must be reported with a maximum of three position integers and a single decimal value followed by an identifier, such as millions or billions (e.g., $340.1 million). Foreign currency account balances reported on the Balance Sheet must be translated into U.S. dollars at exchange rates determined by the Treasury and which are effective at the financial reporting date. Additionally, the Balance Sheet will use pre-closing balances for all amounts

3.0 GENERAL INSTRUCTIONS FOR PREPARATION OF THE BALANCE SHEET

3.1 General Instructions for the Assets Section

* 3.1.1. Assets. Assets are items owned by the federal government that have probable (more likely than not) economic benefits that can be obtained or controlled by a Federal Government entity (see Volume 4, Chapter 1). The Balance Sheet must include both entity assets and nonentity assets, described further in ***SFFAS 1***, "Accounting for Selected Assets and Liabilities." (Note: Clearing and suspense accounts are considered entity assets).

3.1.2. Disclosure of Entity and Nonentity Assets. The Balance Sheet combines entity and nonentity assets. For example, entity intragovernmental accounts receivable and nonentity intragovernmental accounts receivable are combined and reported as a single intragovernmental accounts receivable line item on the Balance Sheet. However, DoD consolidation entities must separately disclose nonentity assets in notes to the financial statements.

3.1.3. Intragovernmental Assets. Intragovernmental assets arise from transactions within or between federal entities and represent claims by a DoD consolidation entity against other federal entities. DoD consolidation entities must report intragovernmental assets separately from nonfederal assets on the Balance Sheet. Nonfederal entities include domestic and foreign persons and organizations outside the U.S. Federal Government. DoD consolidation entities must classify Foreign Military Sales Trust Fund assets (accounts receivable) as intragovernmental. DoD consolidation entities should review the Treasury Financial Manual, Volume 1, Part 2, Chapter 4700, Appendix 10, "***Intragovernmental Transaction (IGT) Guide***," for guidance on the accounting, reporting, and reconciliation of IGT activity with their federal trading partners.

* 3.1.4. Refer to OMB Circular A-136 for Line-Item Instructions for the Assets Section.

3.2 General Instructions for the Liabilities Section

3.2.1. Liability. A liability is a probable future outflow or other sacrifice of resources resulting from past transactions or events. Financial statements must recognize probable and measurable future outflows or other sacrifices of resources arising from:

3.2.1.1. Past exchange transactions;

3.2.1.2. Government-related events;

3.2.1.3. Government-acknowledged events; and

3.2.1.4. Nonexchange transactions that are unpaid amounts due as of the reporting date.

3.2.2. Liability Recognition.

3.2.2.1. ***SFFAS 5***, "Accounting for Liabilities of The Federal Government," describes the general principles governing the recognition of a liability. The concept of liability includes not only those liabilities that routinely recur in normal operations and are due within a fiscal year (e.g., accounts payable, as outlined in SFFAS 1) but also contingent liabilities resulting from an existing condition that involves uncertainty as to possible loss.

3.2.2.2. DoD consolidation entities must recognize liabilities resulting from normal operations when they are incurred, regardless of whether they are covered by available budgetary resources. This requirement includes liabilities related to appropriations canceled under "M" account legislation included in ***Title 31, United States Code, section 1552***, "Procedure for Appropriation Accounts Available for Definite Periods."

3.2.3. Liabilities Covered, Not Covered by, and Not Requiring Budgetary Resources. Liabilities covered by budgetary resources, liabilities not covered by budgetary resources, and liabilities not requiring budgetary resources are combined on the Balance Sheet. For example, intragovernmental accounts payable covered by budgetary resources and intragovernmental accounts payable not covered by budgetary resources are combined and reported as a single intragovernmental accounts payable line item on the Balance Sheet.

3.2.3.1. Liabilities Covered by Budgetary Resources

3.2.3.1.1. Liabilities Covered by Budgetary Resources are liabilities incurred that are covered by realized budgetary resources as of the Balance Sheet date. Budgetary resources encompass not only new budget authority but also other resources available to cover liabilities for specified purposes in a given year. ***OMB Circular A-11*** identifies amounts included as available budgetary resources.

3.2.3.1.2. Liabilities are considered covered by budgetary resources when they are funded by permanent indefinite appropriations, which have been enacted and signed into law and are available for use as of the Balance Sheet date. The resources must be apportioned by OMB without further action by Congress and without a contingency having to be met first. Custodial liabilities are covered by the assets that are collected and held for eventual transfer to other entities.

* 3.2.3.2. Liabilities Not Covered by Budgetary Resources. This category is for liabilities not covered by budgetary resources that will require budgetary resources.

3.2.3.3. Liabilities Not Requiring Budgetary Resources. This category is for liabilities that have not in the past required and will not in the future require the use of budgetary resources.

3.2.4. Current Liability. A current liability is an amount that is due to be paid within 12 months of the Balance Sheet date. Current liabilities must be disclosed separately from noncurrent liabilities in the notes to the financial statements.

3.2.5. Noncurrent Liability. A noncurrent liability is an amount that is due to be paid beyond 12 months of the Balance Sheet date and will be disclosed separately from current liabilities in the notes to the financial statements.

3.2.6. Contingent Liability. A contingent liability is a potential liability that may occur, depending on the outcome of an uncertain future event. Record a contingent liability if the contingency is probable and the amount of the liability can be reasonably estimated.

3.2.7. Intragovernmental Liabilities. Intragovernmental liabilities arise from transactions within or between federal entities. Intragovernmental liabilities are claims against a DoD consolidation entity by other federal entities. DoD consolidation entities must report intragovernmental liabilities separately from nonfederal liabilities, including government-

sponsored enterprises and the Federal Reserve System, on the Balance Sheet. Classify liabilities with the Foreign Military Sales Trust Fund as intragovernmental.

3.2.8. Interest Payable. Interest payable is a current liability used to report the amount of interest incurred, but not paid by DoD consolidation entities as of the date of the Balance Sheet. DoD consolidation entities must report interest payable as a component of the appropriate liability accounts. Interest payable to federal entities is an intragovernmental liability and must be accounted for separately from interest payable to nonfederal entities (or the public).

* 3.2.9. Refer to OMB Circular A-136 for Line-Item Instructions for the Liabilities Section.

3.3 General Instructions for the Net Position Section

3.3.1. Net Position is comprised of unexpended appropriations and cumulative results of operations, including those attributable to funds from dedicated collections. Funds from dedicated collections are financed by specifically identified revenues, provided to the government by non-federal sources, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits, or purposes, and must be accounted for separately from the Government's general revenues. ***SFFAS 27***, "Identifying and Reporting Funds from Dedicated Collections," as amended by ***SFFAS 43***, "Funds from Dedicated Collections: Amending Statement of Federal Financial Standards 27, Identifying and Reporting Earmarked Funds," requires disclosure of all funds from dedicated collections for which the consolidation entity has program management responsibility. A crosswalk from the consolidated to combined net position amounts is included in the notes as a disclosure to the Balance Sheet.

* 3.3.2. Refer to OMB Circular A-136 for Line-Item Instructions for the Net Position Section.

VOLUME 6B, CHAPTER 5: "STATEMENT OF NET COST"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated January 2020 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Removed figures and streamlined for improved readability.	Revision
All	Streamlined language to align with the Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements.	Revision
2.2	Revised sentences to clarify the definition.	Revision

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CHAPTER 5

STATEMENT OF NET COST

1.0 GENERAL

1.1 Overview

The Statement of Net Cost (SNC) is designed to show separately the components of the net cost of the consolidating entity's operations for the reporting period. The net cost of operations is the gross cost incurred by the entity less any exchange revenue earned from its activities.

1.2 Purpose

This chapter prescribes the policy for preparing the DoD SNC. Additionally, this chapter provides standard formats for the published and working versions of the SNC.

1.3 Authoritative Guidance

The concept of exchange revenue incorporated throughout this chapter is described in the Statement of Federal Financial Accounting Standards ***(SFFAS) 7***, "Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting;" Office of Management and Budget ***(OMB) Circular A-136***, "Financial Reporting Requirements," and Treasury Financial Manual, Volume 1, Part 2, Chapter 4700, (***1 TFM 2-4700***) "Federal Entity Reporting Requirements for the Financial Report of the United States Government." Annual updates to OMB Circular A-136 are on the ***OMB*** website.

*2.0 SNC PRESENTATION

According to OMB A-136, the SNC should present the net cost of operations by major programs. The federal entity should define the major program and the entity should group together the programs that are not deemed "major".

2.1 Major Programs.

2.1.1. The DoD SNC presents major programs based on:

2.1.1.1. Metrics and outcomes described in the entity's strategic and performance plans, as required by the Government Performance and Results Act of 1993 (***GPRA***), as amended by the GPRA Modernization Act of 2010 (***GPRAMA***);

2.1.1.2. Entity's budget structure;

2.1.1.3. Guidance for defining and structuring responsibility segments presented in SFFAS 4; and

2.1.1.4. Requirements of the GPRAMA.

2.1.2. When data is available at the program element level, consolidating entities may provide information as a supplemental schedule in the note to the SNC or in "Other Information." The SNC and related supporting schedules must show the net cost of operations for the entity as a whole and its sub-entities and program elements, as applicable. In the consolidated SNC, DoD identifies Components by the entities described in Chapter 1. The Components may further break out the consolidated SNC and provide any additional supporting schedules in the notes to the financial statements.

*2.2 Components of SNC

2.2.1. Net Program Costs. Net program costs are the gross program costs incurred by the consolidating entity, plus losses (gains) from actuarial assumption changes for military retirement or other postemployment benefits, less any exchange program revenue earned from its activities. This amount represents the net cost of a sub-organization or entity funded by sources other than exchange revenues. The gross cost of a program consists of the full cost of the outputs produced by that program, as defined by ***SFFAS 4***, "Managerial Cost Accounting Standards and Concepts," plus any nonproduction costs that are assignable to the program. Nonproduction costs are costs linked to events other than the production of goods and services. Refer to Chapter 10 for disclosure requirements in the notes to the financial statements.

2.2.2. Imputed Costs. SFFAS 4 requires consolidating entities to measure and report the full costs of their outputs (products and services) in financial reports. Imputed costs and financing sources included in the SNC must be identifiable to a specific trading partner. The entity providing the goods or services has the responsibility to provide the receiving entity with information on the full cost of such goods or services through either billing or other advice. SFFAS 4 identifies inter-entity costs that are not fully reimbursed. See SFFAS 4 for additional information.

2.2.2.1. Inter-Entity Imputed Costs. Inter-entity imputed costs represent costs that are paid in total or in part by entities external to DoD. Costs displayed on the SNC include certain imputed costs as directed by OMB. All federal agencies are required to report imputed costs for the gross program cost categories described in OMB Circular A-136 to ensure consistency in reporting across the Government. ***SFFAS 55***, "Amending Inter-entity Cost Provisions," requires the recognition of significant inter-entity costs by business-type activities. Additional guidance on inter-entity costs is available in Federal Accounting Standards Advisory Board ***Technical Release 19***, "Rescission of Technical Release 8." Disclose intragovernmental full costs and earned revenues, and public costs and earned revenues, in the notes to the financial statements.

2.2.2.2. Intra-Entity Imputed Costs. Intra-entity imputed costs represent costs that are paid in total or in part by other entities within DoD. Costs displayed on the SNC include intra-entity imputed costs as required by SFFAS 4. Imputed intra-entity cost is the unreimbursed portion of the full costs of goods and services received by the entity from a providing entity that is part of the same entity or larger entity (i.e. other bureaus, components, or responsibility segments within the entity or larger entity). An example of an intra-entity imputed cost would be a DoD tenant receiving rent-free business space from another DoD entity. Volume 4, Chapter 19 provides additional detail on intra-entity costs. DoD consolidating entities should report the following intra-entity imputed costs:

2.2.2.2.1. Imputed Costs for Military Pension Expense. DoD consolidating entities will recognize an imputed cost that is equal to the reported employer entity pension expense for the accounting period, as computed using factors provided by the OUSD (Personnel and Readiness) (P&R), less any accounting period contributions by the Military Departments to the Military Retirement Fund. Report administrative entity expenses only in the Military Retirement Fund audited financial statements.

2.2.2.2.2. Imputed Costs for Military Health Benefits. DoD consolidating entities will recognize imputed costs equal to the employer entity expense for the military health benefits that is attributable to the Military Department (as computed using factors provided by the OUSD(P&R)) for the accounting period. The administrative entity for the military health benefits is the OUSD(P&R). DoD consolidating entities should report the administrative entity's actual expenses only in the Medicare-Eligible Retiree Health Care Fund, Defense Health Agency, and Other Defense Organizations-General Funds financial statements.

2.2.2.2.3. DoD management, in accordance with the full cost provision of SFFAS 4, determines how intragovernmental costs incurred within DoD will be assigned, allocated, or imputed for purposes of accounting for the full cost of a program and its output(s). As a result, recognition of intra-entity imputed costs is not limited to specific cost categories as in the case of inter-entity imputed costs.

2.2.3. Gains or Losses. ***SFFAS 33***, "Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates," requires entities reporting gains and losses associated with changes in long-term assumptions for civilian and military employee pensions, other retirement benefits, other postemployment benefits, including veterans' compensation as a separate line item on the SNC.

*3.0 Line Item

The Department of the Treasury provides a ***United States Standard General Ledger*** crosswalk detailing the accounts and attributes included in each line item of the SNC. DFAS ensures the Defense Departmental Reporting System (DDRS), Audited Financial Statements is updated with all crosswalk changes made by the Department of the Treasury.

3.1 Program Costs.

This line includes the full costs of each program's outcome. It consists of both direct and indirect costs of the output and the costs of identifiable supporting services provided by other segments within the entity and by other consolidating entities. To the extent accounting systems and defined DoD business rules allow, the consolidating entity will accumulate and assign costs using the costing methodology stated in SFFAS 4. Program costs also include any nonproduction costs that can be assigned to the program but not to its outputs. Report costs related to the production of outputs separately from nonproduction costs that cannot be traced to the production of outputs. The costs of program outputs include costs of services provided by other entities even if the costs are fully reimbursed.

3.1.1. Recognize the cost of Stewardship Property, Plant, and Equipment as a cost in the SNC in the period it is incurred, report separately from other nonproduction costs, and disclose in the notes to the financial statements. Refer to OMB Circular A-136 for additional information. The entity that received the funds reports these costs and separately discloses them in the notes to the financial statements. Refer to Volume 4, Chapter 28, for additional information on "heritage assets, multi-use heritage assets, and stewardship land" and ***SFFAS 29***, "Heritage Assets and Stewardship Land."

3.1.2. Gross Costs. This line contains costs that arise from the purchase of goods or services. The Gross Costs should include elimination of the effects of intra-entity and inter-entity business transactions in the consolidating entity's statements.

3.1.3. Earned Revenue. This line contains exchange revenues that arise when a federal entity provides goods and services to the public or another government entity for a price. Report the full amount of exchange revenue on the SNC or supplementary schedule regardless of whether the entity is permitted to retain the revenue in whole or in part. Earned revenue must be deducted from the full cost of outputs or outcomes to determine their net cost unless it is not practical or reasonably possible to do so. it is not practical or reasonable to do so, DoD must deduct earned revenue from the gross cost of programs to determine the net program costs or deduct earned revenue from the costs of sub-organizations to determine the sub-organizations' net cost of operations. Refer to OMB Circular A-136 for additional guidance for assigning earned revenue to outputs, outcomes, programs, or sub-organizations.

3.1.4. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits. This line contains gains and losses from changes in long-term assumptions used to measure military retirement benefits (i.e., Military Retirement Fund and Medicare-Eligible Retiree Health Care Fund).

3.2 Net Cost of Operations.

This line is the gross cost incurred by the consolidating entity less any exchange revenue earned from its activities. This amount represents the net cost of a sub-organization or entity that must be financed by sources other than exchange revenues. DoD must report the financing sources required to fund the "Net Cost of Operations" on the Statement of Changes in Net Position.

VOLUME 6B, CHAPTER 6: "STATEMENT OF CHANGES IN NET POSITION"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated November 2019 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
2.0	Added clarifying language on the format for the Statement of Changes in Net Position (SCNP).	Addition
3.1	Revised the selection criteria to produce the SCNP in the Defense Departmental Reporting System.	Revision
3.2 (Previous version)/ 2.0 and 3.1	Removed the SCNP line-item instructions to streamline chapter and referred the reader in section 2.0 and paragraph 3.1 to follow the current reporting requirements in Office of Management and Budget (OMB) Circular A-136.	Deletion/ Addition
3.3	Added clarifying language on the review, disclosure, and notification of prior period adjustments.	Addition
Figure 6-1 (Previous version)/ 2.0 and 3.1	Removed Figure 6-1 and referred the reader in section 2.0 and paragraph 3.1 to follow the current reporting requirements in OMB Circular A-136.	Deletion/ Addition

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CHAPTER 6

STATEMENT OF CHANGES IN NET POSITION

1.0 GENERAL

1.1 Purpose

This chapter prescribes the policy surrounding the preparation of the Department of Defense (DoD) Statement of Changes in Net Position (SCNP). It provides details for the formatting required for the SCNP and instructions for preparing the Unexpended Appropriations and Cumulative Results of Operations sections thereof.

1.2 Authoritative Guidance

The requirements of this chapter apply to Tier 1 reporting entities referenced in Chapter 1, section 4.0. The SCNP reports the change in net position during the reporting period. Guidance from Office of Management and Budget (OMB) ***Circular A-136***, "Financial Reporting Requirements," and Treasury Financial Manual (TFM), Volume 1, Part 2, Chapter 4700 ***(TFM 2-4700)***, "Federal Entity Reporting Requirements for the Financial Report of the United States Government," is incorporated throughout this chapter. Annual updates to OMB Circular A-136 are on the OMB website.

*2.0 FORMAT FOR THE SCNP

2.1 General Information

The SCNP reports the change in net position during the reporting period. The net position is affected by changes to its two components: Unexpended Appropriations and Cumulative Results of Operations. The SCNP format displays both components of net position separately to enable the user to understand better the nature of changes to net position as a whole. Included in the Cumulative Results of Operations is a separate line item for non-exchange revenue, but since this revenue is not from business-like operations it will not impact the net cost of operations.

2.2 Format for the SCNP

The SCNP will be prepared in accordance with the format presented in OMB Circular A-136. The draft versions of all statements and notes must include line numbers as shown in OMB Circular A-136. All amounts are in dollars and cents in the draft versions of the statements and notes in order to facilitate communication among the preparers, reviewers, and auditors during the financial statements preparation process. This process minimizes the additional time and workload required to round and reconcile dollar amounts.

2.3 Format for the Final Published SCNP

The final (year-end) published DoD principal statements including the SCNP, and notes to the principal statements display dollars rounded to millions with one decimal point. All Component statements, and notes to the statements, display dollar amounts rounded to the nearest thousand on the final published principal statements and in the tables/schedules contained in the notes to the principal statements. Dollar amounts in note narratives must be reported with a maximum of three position integers and a single decimal value followed by an identifier, such as millions or billions (e.g., $340.1 million, not $340,100 thousand). The line numbers shown in OMB Circular A-136 are for reference purposes only. Line number references are not included on the final published statements.

3.0 GENERAL INSTRUCTIONS FOR THE PREPARATION OF THE SCNP

*3.1 Preparation

The SCNP is prepared from information utilizing Department of the Treasury (Treasury) United States Standard General Ledger (USSGL) accounts and crosswalks. System users can access crosswalk information within the USSGL section of the ***TFM*** for current fiscal year reporting. The crosswalk for each line of the SCNP is included in the Defense Departmental Reporting System - Audited Financial Statements ***(DDRS-AFS)***. Authorized DDRS users may access the most current mapping of the SCNP by selecting "Query" from the main DDRS-AFS menu, then selecting "Referential Data," and then "NP" under one of the "Report Map" options. The "Report Map Current" represents the current year's column mapping, while the "Report Map Comparative" is for the comparative year's column mapping. Both columns are necessary for the statement mapping. SCNP must be prepared in accordance with OMB Circular A-136. Refer to OMB Circular A-136 for reporting requirements and line-item instructions.

3.2 Dedicated Collections

3.2.1. Generally, funds from dedicated collections are financed by specifically identified revenues provided to the government by non-federal sources, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute for designated benefits, activities, or purposes, and must be reported separately from the Federal government's general revenues. The Statement of Federal Financial Accounting Standards ***(SFFAS) 43***, "Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds," contains the complete definition and criteria for dedicated collections. Report the portions of Cumulative Results of Operations and Unexpended Appropriations attributable to dedicated collections in Note 18, "Funds from Dedicated Collections," of the notes to the financial statements.

3.2.2. Resources from "Funds from Dedicated Collections" derived from trust or special fund receipts are often commingled or mixed with resources from the General Fund of the U.S. Government. If the predominant source of a mixed fund is "Funds from Dedicated Collections," the entire fund may be reported in the financial statements as "Funds from Dedicated Collections."

Whether a mixed fund is reported as "Funds from Dedicated Collections" depends upon the predominant use of the fund and whether the fund as a whole meets the definition of "Funds from Dedicated Collections" in SFFAS 43.

*3.3 Prior Period Adjustments

A prior period adjustment is an adjustment to balances of a prior period due to a change in accounting principle or correction of a material error (or an aggregation of errors). Prior period adjustments for correction of material errors require the restatement of prior period balances, while adjustments for changes in accounting principles generally do not. Immaterial errors must be corrected in the period discovered, using the accounts that would have been posted had the transactions occurred in the current period. For additional guidance, refer to ***SFFAS 21***, "Reporting Corrections of Errors and Changes in Accounting Principles, Amendment of SFFAS 7, Accounting for Revenue and Other Financing Sources," and the ***Prior-Period and Prior-Year Adjustment Scenarios***.

3.3.1. Requests for Prior Period Adjustments. Prior period adjustments will be included in the quarterly financial statements in accordance with the guidance found in Section 405 of the DoD Financial Reporting Guidance, hereafter referred to as "***DoD FRG***." Components should not record prior period adjustments in USSGL accounts without prior review from the Defense Finance and Accounting Service (DFAS) Financial Reporting-Audited Financial Statements (FR-AFS) Directorate and the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) Financial Management and Policy Reporting (FMPR) Directorate. Forward all requests for prior period adjustments to DFAS FR-AFS Directorate, accompanied by prior period adjustment packages with required supporting documentation, as outlined in the DoD FRG.

3.3.2. Calculating Materiality. Calculate materiality separately at the DoD reporting entity level, and against a materiality base. If the misstatement involves assets, then the materiality base should be total assets. If the misstatement involves liabilities, then the materiality base should be total liabilities. If the misstatement involves expenses, then the materiality base should be total expenses. Calculate the materiality base net of intragovernmental balances. For DoD reporting entities, an error (or aggregate of errors) is material when it equals or exceeds one percent of the materiality base. See the DoD FRG for additional information.

3.3.3. Disclosure of Prior Period Adjustments. Prior period adjustments that require restatements are included in Note 28, "Restatements," which can be reported in any quarter during the year. Note disclosures to the principal financial statements are explained in Chapter 10. Disclosures include the nature of the errors and the effect on relevant balances in the current period. Financial statements of subsequent periods need not repeat the full disclosures but should disclose whether there are prior period adjustments not reflected in comparative balances. A note disclosure is required when management becomes aware of a potential misstatement due to material error(s) whether or not the exact amount is known or has been corrected at the time financial statements are prepared. Disclose the nature of a prior period adjustment as the result of a change in accounting principle in accordance with the guidance found in Chapter 10, Note 20, "Disclosures Related to the Statement of Changes in Net Position."

3.3.4. Management's Responsibility and Notification of Auditors. Upon discovery that material errors escaped detection and were included in the published audited financial statements, management must assume responsibility for any false or misleading information in the financial statements, or omissions that render information or disclosures made in the financial statements misleading. As soon as possible after the detection of an error, management must notify their auditors and the primary users of their financial statements of the error and management's plans to correct it in the financial statements. Components with prior period adjustments will immediately notify the DFAS FR-AFS Directorate and OUSD(C) FMPR Directorate of the material error. The Office of the Secretary of Defense will make the formal notification to the Congress, OMB, Treasury, and the Government Accountability Office. The notification should include the cause of the error, an estimated dollar amount of the error, and whether a previously issued financial statement(s) will or may be restated. The general public can see the revised statements on the Office of the Under Secretary of Defense ***(Comptroller)*** website. The misstated financial statements will be removed from the website.

3.3.5. Auditor's Responsibility. If a "Subsequent Discovery of Facts" exists on the date of the auditor's report, the auditors will determine whether action is required to prevent future reliance on the published audit report. The auditors may determine if revised financial statements and a revised auditor's report are required. The auditors may decide to change the audit opinion if it is determined that subsequently discovered information is not reliable. Therefore, it is imperative management work with their auditor as soon as possible after the detection of an error and assist in any actions to resolve the audit finding.

VOLUME 6B, CHAPTER 7: "STATEMENT OF BUDGETARY RESOURCES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated May 2019 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Administrative updates in accordance with the Department of Defense Financial Management Regulation Revision Standard Operating Procedures.	Revision
2.0	Added clarifying language on the format for the Statement of Budgetary Resources (SBR).	Addition
3.2 (previous version)/ 3.0.8	Removed the SBR line-item instructions to streamline the chapter and referred the reader to access the current reporting requirements in Office of Management and Budget (OMB) Circular A-11 and Circular A-136.	Deletion/ Addition
Figure 7-1 & Figure 7-2 (previous version)	Deleted the respective figures used to report budget execution data on the SBR.	Deletion

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CHAPTER 7

STATEMENT OF BUDGETARY RESOURCES

1.0 GENERAL

1.1 Purpose

This chapter prescribes the preparation policy for the Department of Defense (DoD) Statement of Budgetary Resources (SBR). It provides formatting details for various versions of the SBR and preparation instructions for the SBR subsections of Budgetary resources, Status of budgetary resources, and Outlays, net.

1.2 Authoritative Guidance

Guidance from Office of Management and Budget (OMB) Circular ***A-11***, "Preparation, Submission, and Execution of the Budget," and OMB Circular ***A-136***, "Financial Reporting Requirements," is incorporated throughout the chapter.

*2.0 FORMAT FOR THE SBR

2.1 Format for the Draft Version of the SBR

Align the SBR with the ***Standard Form (SF) 133***, Report on Budget Execution and Budgetary Resources, using the guidance published in Section 130 of OMB Circular A-11. Prepare the SBR at the DoD Component level and summarize the individual appropriation account level SF 133s. Add a column for the Non-Budgetary Credit Financing Account for the draft version of the combined SBR. See OMB Circular A-136, section II.3.5.4, "Illustrative Statement of Budgetary Resources," for an example. Minimize the additional time and workload required to round and reconcile dollar by stating all amounts in dollars and cents in the statement and notes working versions.

2.1.1. Distinguish between budgetary and non-budgetary credit reform financing accounts and identify net outlays of specific distributed offsetting receipt values, as required by OMB Circular A-136. Reserve the SBR "Non-Budgetary Credit Reform Financing Account" for reporting United States Standard General Ledger (USSGL) account balances from the post-1991 direct loan financing and loan guarantee entries included in OMB Circular A-11, section 185.11. OMB Circular A-11, section 185.11 includes data descriptions for schedules reporting financing and loan guarantee balances. The SBR, the SF 133 budget execution, and the Budget of the U.S. Government information must be reconciled to ensure the integrity of the numbers presented.

2.1.2. Submit USSGL-based trial balances through the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (***GTAS***) to produce the SF 133, the prior year (PY) column of the Program and Financing Schedule (Schedule P) of the Budget of the U.S. Government, and the SBR. The ***DoD Financial Reporting Guidance*** and OMB Circular A-136 provide instructions for reconciling SF 133 data submitted through GTAS to the SBR.

2.1.2.1. Use the Bureau of the Fiscal Service (Fiscal Service) "Treasury Financial Manual (***TFM***), ***Federal Account Symbols and Titles (FAST) Book***" to identify receipt, appropriation, and other fund account symbols and titles assigned by the Department of the Treasury. The FAST Book includes non-budgetary financing and loan guarantee accounts.

2.1.2.2. Disclose non-budgetary financing and loan guarantee accounts as Other Information, Executive Office of the President Accounts. Refer to the FAST Book for a listing of non-budgetary financing and loan guarantee accounts.

2.2 Format for the Final Published SBR

Display dollars rounded to millions with one decimal point in the final (year-end) published DoD principal statements and notes. Display dollars rounded to the nearest thousand in the Component final (year-end) published principal statements and notes' tables/schedules. Report dollar amounts in note narratives with a maximum of three position integers and a single decimal value followed by an identifier, such as millions or billions (e.g., $340.1 million, not $340,100 thousand). Use the line numbers on the draft versions of all statements for reference purposes only. Line number references are not included in the final published statements.

2.3 Note Disclosure

Explain material differences between amounts reported on the financial statements and budgetary reports in footnotes as described in Chapter 10. These material disclosures are consistent with the reconciliation requirements for the SBR, GTAS, and other budgetary reporting. The Component and auditor will discuss any material changes to budgetary information after the publication of the audited SBR to determine whether a restatement or note disclosure is necessary. Disclose material differences between comparable information contained in the SBR and the Budget of the U.S. Government at the Agency-wide level in footnotes as described in Chapter 10. See Section 405 of the DoD Financial Reporting Guidance for DoD materiality thresholds.

3.0 GENERAL INSTRUCTIONS FOR THE PREPARATION OF THE SBR

3.0.1. Reconcile information on the SBR with budget execution information reported on GTAS submissions and in the Budget of the U.S. Government. Prepare the SBR from the USSGL information based on Fiscal Service ***USSGL*** accounts and crosswalks. The Fiscal Service website contains USSGL information and crosswalks for the SBR. The Defense Departmental Reporting System Audited Financial Statements (***DDRS-AFS***) includes the crosswalk logic from the trial balance to each line of the SBR. Authorized users can access report crosswalks in DDRS-AFS by selecting "Query" and "Referential Data" from the main DDRS-AFS menu and selecting a report under one of the "Report Map" options. For DoD, the ***DoD Standard Reporting Chart of Accounts*** identifies and defines approved general ledger accounts in accordance with the Standard Financial Information Structure.

3.0.2. Due to timing differences, subsequent material or non-material changes may be made to budgetary information included in the Budget of the U.S. Government after the SBR has

been published. Make all subsequent changes in OMB's MAX A-11 Data Entry System and in GTAS during the September revision period.

3.0.3. The agencies and their auditors will discuss any material changes to budgetary information after the publication of the audited SBR to determine if restatement or note disclosure is necessary. At a minimum, disclose any material difference between comparable information contained in the SBR and the Budget of the U.S. Government in footnotes as described in Chapter 10.

3.0.4. Disaggregate budgetary information for each of the reporting entity's major budget accounts. Present the disaggregated budgetary information as Required Supplementary Information (RSI), as described in Chapter 12. Recognize and measure budgetary information in the SBR according to OMB Circular A-11 ***Appendix F***, "Format of SF 132, SF 133, Schedule P. ***OMB Bulletin 24-01***, "Audit Requirements for Federal Financial Statements," provides additional guidance by identifying the minimum requirements for audits of Federal financial statements.

3.0.5. OMB Circular A-136 requires a combined SBR (intragovernmental transactions are not eliminated), consistent with the aggregate of the account level information presented on GTAS submissions. Do not perform a line-by-line consolidation of this statement since it would require a line-by-line elimination of inter-entity balances. The statement distinguishes between budgetary and non-budgetary credit reform financing accounts and identifies distributed offsetting receipt values.

3.0.6. Divide the SBR into three general subsections: Budgetary resources; Status of budgetary resources; and Outlays, net.

3.0.6.1. Aggregate the SBR to reflect all activity of the reporting entity for the year covered by the financial statement. Present PY information so the reader may make appropriate comparisons with PYs.

3.0.6.2. Present separate columns for the current year (CY) and PY non-budgetary credit reform financing accounts in the SBR. The presentation allows for a clear distinction between budgetary and non-budgetary credit reform financing account information as required by OMB Circular A-136. Report all non-budgetary credit reform financing accounts separate from the budgetary totals in the Budget of the U.S. Government.

3.0.6.3. Include Line 4200 for distributed offsetting receipts on the SBR. Distributed offsetting receipts increase budget authority and reduce outlays at the Component level in the Budget of the U.S. Government but are not required on the SF 133. The SF-133 provides appropriation account-level information only. The SBR functions as a Component-wide report and includes values of distributed offsetting receipts to reconcile with the Fiscal Service Quarterly ***Distributed Offsetting Receipts by Department Report*** in the Central Accounting Reporting System (***CARS***). This report provides detailed information for transactions in the Statement of Transactions and the ***Monthly Treasury Statement***.

3.0.7. Monitor budget execution at the individual appropriation account level (SF 133) for DoD Component consolidation entities. Aggregate all budgetary information for the combined SBR principal statements. Disaggregate budgetary information for the reporting entity's combining statement by major budget account groups and present in the RSI section of the financial statements as identified in section 4.0. The major accounts and the aggregate of small budget accounts must equal, in total, the amounts reported on the face of the SBR.

* 3.0.8. OMB Circular A-11, Appendix F identifies the format and information reported on each line of the SBR. OMB Circular A-136 provides line-item instructions for the types of data included in each section of the SBR.

4.0 DISAGGREGATED SBR

Prepare and report the Disaggregated SBR in the RSI section of the financial statements.

4.1 The DoD-wide Disaggregated SBR

Disaggregate the DoD-wide SBR into seven appropriation/fund groupings. Provide column headings and breakout by: Military Personnel; Procurement; Research, Development, Test and Evaluation (RDT&E); Family Housing and Military Construction; Military Retirement Benefits; Civil Works; and Operations, Readiness and Support.

4.2 Military Department GFs Disaggregated SBR

Disaggregate the Department of the Army GF, the Department of the Navy GF, and the Department of the Air Force GF SBR into five appropriation/fund groupings. Provide column headings and breakout by: Military Personnel; Procurement; RDT&E; Family Housing and Military Construction; and Operations, Readiness and Support.

4.3 Military Retirement Fund and U.S. Army Corps of Engineers (USACE) Disaggregated SBR

A disaggregated SBR for the Military Retirement Fund is not applicable. The USACE Civil Works may disaggregate as appropriate for the Treasury Index 96 accounts in the stand-alone USACE financial statements.

4.4 Medicare-Eligible Retiree Health Care Fund Disaggregated SBR

A disaggregated SBR for the Medicare-Eligible Retiree Health Care Fund is not applicable.

4.5 Working Capital Fund (WCF) Disaggregated SBR

Disaggregate the stand-alone Army WCF, Navy WCF, and Air Force WCF SBR by business activity.

4.6 All Other Defense Entities Disaggregated SBR

The stand-alone Other Defense Entities may disaggregate as appropriate for their entities.

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 8: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 9: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

***VOLUME 6B, CHAPTER 10: "NOTES TO THE FINANCIAL STATEMENTS"**

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated March 2020 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Streamlined language to more closely follow Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements, dated June 3, 2022.	Revision
All	Annotated Department of Defense (DoD) specific items for presentation purposes.	Revision
All	Removed desk guide instructions.	Revision
Policy Memo	The Deputy Chief Financial Officer policy memorandum, "Standardization of the Footnotes to the Financial Statements," dated February 20, 2020 was incorporated into this chapter and cancelled.	Cancellation
4.2	Removed the table and streamlined for improved readability.	Revision
7.1	Added general summary information.	Addition
8.2	Added new requirements for Non-Federal investments.	Addition
9.1	Added new requirement to record loss allowance for intragovernmental receivables.	Addition
12.5	Added new requirement for the summary of General Property, Plant, and Equipment activity.	Addition
16.4	Added new requirement to report liability balance for unpaid insurance claims.	Addition
16.5	Added disclosures for insurance programs.	Addition
17.1	Added disclosures for environmental and disposal liabilities.	Addition
18.2	Added disclosures specific to DoD.	Addition
19.0	Added disclosures for Leases.	Addition
23.4	Added new Statement of Changes in Net Position disclosure.	Addition

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
30.0	Added disclosure specific to Agency-Wide for activities of the Security Assistance Accounts.	Addition
32.0	Added requirement for reporting on COVID-19 activity.	Addition
33.0	Added requirement for reporting subsequent events.	Addition

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CHAPTER 10

NOTES TO THE FINANCIAL STATEMENTS

1.0 GENERAL

1.1 Purpose

This chapter prescribes the format, content, and guidance for the preparation and presentation of notes to the principal financial statements.

1.2 Authoritative Guidance

1.2.1. This chapter supplements the reporting requirements of Office of Management and Budget ***(OMB) Circular A-136***, "Financial Reporting Requirements." Updates to OMB Circular A-136 are on the OMB website. OMB Circular A-136 authorizes agencies to modify illustrations, with the exception of the Balance Sheet, in order to clarify amounts or remove information that does not apply or is uninformative. The chapter also describes responsibilities of the DoD Chief Financial Officer (CFO) as established by the CFO Act of 1990. The major DoD Components and reporting entities listed in Chapter 1 will prepare quarterly and fiscal year (FY)-end comparative financial statements and notes. For account information, refer to the U.S. Standard General Ledger (***USSGL***), and the DoD USSGL Transaction Library, which is available on the Standard Financial Information Structure (***SFIS***) web page.

1.2.2. The entities covered by this chapter are "reporting entities" and "component reporting entities" under Statement of Federal Financial Accounting Standards ***(SFFAS) 47***, "Reporting Entity." Under SFFAS 47, inclusion in a reporting entity's financial statements may take the form of consolidation or disclosure. Agencies should review SFFAS 47, and consult with the Office of the Deputy CFO if they have questions regarding which agencies to include in their Performance and Accountability Report or Agency Financial Report (AFR).

2.0 REPORTING

*2.1 Consistency and Agreement

The supporting schedules presented in the notes must agree with the amounts presented in the body of the financial statements, where applicable. Maintain the consistency of the chosen presentation (i.e. "thousands" or "millions") and rounding level throughout the financial statements and notes. Rounded totals must agree between the financial statements as applicable (e.g., Net Position line on the Statement of Changes in Net Position (SCNP) must equal the Total Net Position line on the Balance Sheet). Individual line items must sum to the totals, which may require adjusting the individual detail line items for differences created by the rounding process rather than adjusting column totals. The prior FY column must be consistent with the amounts published on the financial statements and notes in the prior FY; unless, there was a restatement of the prior FY. Comparative financial information is presented on a one-year trailing period basis. For example, if presenting third quarter data, show comparative data from the third

quarter of the prior FY. It is preferred the Component footnote numbers and disclosures are identical to the Agency-Wide footnote numbers and disclosures.

2.2 Compliance with U.S. Generally Accepted Accounting Principles

Some of the underlying financial systems and operations that produce these statements were not designed to generate auditable financial statements in compliance with the form and content guidance. Because of such long-standing system deficiencies, many DoD organizations may not be fully compliant with U.S. Generally Accepted Accounting Principles (USGAAP) and OMB Circular A-136. DoD is developing long-term systems improvements that will correct these deficiencies and ensure compliance with USGAAP. Within the Federal Government, the Federal Accounting Standards Advisory Board (***FASAB***) "Handbook of Federal Accounting Standards and Other Pronouncements, as Amended" is an authoritative source for USGAAP and is available on the FASAB website under "Standards and Guidance." In cases where individual line items of the financial statements are not obtainable, or a substitution is made from the requirements herein, explain the deficiencies, and the reason for the noncompliance, in the related note. In addition, identify departures from USGAAP in Note 1, "Significant Accounting Policies."

2.3 Classifications

U.S. Department of the Treasury (Treasury) account symbols are the basis for reporting the Department's financial transactions. Treasury's Bureau of the Fiscal Service classifies receipt and expenditure accounts according to the Treasury Financial Manual (TFM) Federal Account Symbols and Titles, ***The FAST Book***, Supplement to Volume 1. For descriptions of fund groups, and how they are used, refer to Volume 12, Chapter 1.

3.0 GENERAL NOTE GUIDANCE

3.1 General

The objective of the notes to the financial statements is to provide additional disclosures to ensure that the financial statements are more informative and not misleading. Consider the audience when writing the note narratives. Users of the general-purpose financial reports, including internal users, tend to have different levels of knowledge about government operations, accounting, and finance. Prepare the notes to the financial statements such that individuals without a detailed knowledge of accounting principles and specific business practices can understand them. DoD's financial statements are provided to various internal users within DoD as well as external users such as OMB, Treasury, Congress, Government Accountability Office, and the general public.

3.2 Other Lines

Include a narrative for any line item titled "Other." If the individual components of the "Other" line item represent 10 percent or more of the value of the line, disclose those components separately. If no amount sums to 10 percent or more of the "Other" line item, state that the amount is attributable to multiple items.

3.3 Abnormal Balances

OMB Reportable Components are required to explain all abnormal balances appearing on individual note schedules and financial statement lines. Current policy for reporting abnormal balance information is available on the ***DFAS Financial Reporting Guidance*** web page that contains the Annual and Quarterly Financial Statement Guidance.

3.4 Fiscal Year Presentation

Report the current FY and prior FY amounts separately; unless, otherwise annotated.

3.5 DFAS Financial Reporting Guidance

The DFAS Annual and Quarterly Financial Reporting Guidance provides additional information pertaining to the financial statement notes. Reporting entities must use authoritative guidance, such as USGAAP, FASAB, and OMB Circular A-136, in addition to the DFAS Financial Reporting Guidance, when preparing the notes to the financial statements.

4.0 NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

4.1 General Information

Note 1 to the financial statements must describe the reporting entity and identify its major components if not fully described in the Management's Discussion and Analysis. Also, summarize the accounting principles and the methods of applying those principles that management has concluded are the most appropriate for presenting the entity's assets, liabilities, equity, net cost of operations, changes in net position, and budgetary resources. Do not duplicate details presented elsewhere as part of the notes to the financial statements. It may be necessary to include more detailed discussion of an accounting policy in a specific note.

4.1.1. In general, the disclosure encompasses important judgments as to the valuation, recognition, and allocation of assets, liabilities, expenses, revenues, and other financing sources. Include in Note 1 a description of changes in USGAAP that impact the financial statements and an explanation of concepts, such as Fund Balance with Treasury (FBWT) and funds from dedicated collections, unique to federal financial statements. Reporting entities are encouraged to explain federal budgetary terms and concepts such as budgetary resources, appropriations, gross and net outlays, budgetary and non-budgetary, and distributed offsetting receipts.

4.1.2. In addition, disclose any significant changes, from the prior FY, in the composition of the reporting entity or significant changes in the manner in which the reporting entity aggregates information for financial reporting purposes.

*4.2 Reporting

All DoD reporting entities must review financial processes, systems, and data and modify or expand the sample disclosure statements for a complete and accurate representation of each issue. The specific language shown in sample disclosure statements may not be applicable to all DoD Components. Do not include narratives that are not applicable.

4.2.1. Reporting Entity. Describe the reporting entity and identify its major components if not fully described in the Management's Discussion and Analysis. Also, describe any consolidated entities and disclosure entities in accordance with SFFAS 47, and explain that disclosure entities are not consolidated entities.

4.2.2. Mission of the Reporting Entity. For each reporting entity, enter a brief mission statement if not fully disclosed in the Management's Discussion and Analysis.

4.2.3. Basis of Presentation. Disclose how the financial statements are prepared and any limitation that prevents compliance with USGAAP. Include a disclosure that the financial statements have been prepared to report the financial position and results of operations as required by the CFO Act of 1990, expanded by the Government Management Reform Act of 1994, and other legislation.

4.2.4. Classified Information. To protect classified information, all reporting entities must prevent the disclosure of classified information. Only those entities recording the data report classified activity.

4.2.5. Basis of Accounting. Disclose significant changes in the composition of the reporting entity, or significant changes in the manner in which the reporting entity aggregates information for financial reporting purposes. Describe the accounting principles, and methods of applying those principles, that management has concluded are appropriate for presenting fairly the entity's assets, liabilities, net cost of operations, changes in net position, and budgetary resources. Describe changes in USGAAP affecting the financial statements and explain concepts such as FBWT and Funds from Dedicated Collections. Describe limitations that prevent compliance with full accrual accounting as required by USGAAP.

4.2.6. Accounting for Intragovernmental and Intergovernmental Activities. Describe the reporting entity's: (1) methodology for eliminating transactions among entities within DoD and between other federal agencies; (2) any limitation that prevents the elimination of the intragovernmental transactions; and (3) actions the reporting entity is taking to correct the problem(s). Disclose that DoD's proportionate share of public debt and related expenses, and interest cost of the Federal Government is not included.

4.2.7. Non-entity assets. Disclose relevant information related to amounts reported as entity and non-entity assets.

4.2.8. Fund Balance with Treasury. Include a disclosure statement to the following: "The Reporting Entity's monetary resources are maintained in U.S. Treasury accounts." Also, include any other information relevant to understanding Funds with the U.S. Treasury. Entities (Defense Agencies) with zero fund balance reported in their financial statements disclose: "Appropriations are suballocated to [Reporting Entities] by DoD. Differences between the U.S. Treasury and DoD balances are reconciled at the Department level."

4.2.9. Cash and Other Monetary Assets. Include the following disclosures:(1) description of cash and foreign currency; (2) any restrictions on cash or foreign currency; (3) classification of these assets; and (4) procedures for handling exchange rate gains and losses.

4.2.10. Investments. Include the following disclosures: (1) the method for valuing investments; (2) the amortization method for premiums and discounts; (3) the provision for unrealized gains or losses; (4) a description of the types of securities purchased; (5) the information on investment in limited liability partnerships; and (6) information related to accrued interest on investments.

4.2.11. Accounts Receivable. Include the following disclosures: (1) categories of receivables included in the amount reported in accounts receivable on the Balance Sheet; and (2) allowance methods for uncollectible accounts due from the public. Pursuant to ***TFM Volume 1, Part 2, Chapter 4700***, agencies must recognize any allowance for loss on intragovernmental accounts receivable.

4.2.12. Loans Receivable, Net and Loan Guarantee Liabilities. Disclose relevant information related to the loan programs and to which authority is granted in accordance with ***SFFAS 2***, "Accounting for Direct Loans and Loan Guarantees," and ***SFFAS 18***, "Amendments to Accounting Standards for Direct Loans and Loan Guarantees in SFFAS 2".

4.2.13. Inventory and Related Property. Include the following disclosures: (1) the method for valuing inventory and related property; (2) an approximation of the percent of resale inventory valued using the moving average cost (MAC) method and other methods; and (3) any limitations in valuing inventory in accordance with ***SFFAS 3***, "Accounting for Inventory and Related Property," or uncertainties about completeness and existence of reported values of inventory. Describe the held for sale; held in reserve for future sale; excess, obsolete, and unserviceable; held for repair; raw materials; and work-in-process categories. Also describe the Operating Material & Supplies (OM&S) held for use; held in reserve for future use; excess, obsolete, and unserviceable inventory; held for repair; and in development categories. DoD Components are responsible for identifying inventory (including inventory held as OM&S) that is excess, obsolete, and unserviceable. Upon identification of inventory as excess, obsolete, and unserviceable, the DoD Component adjusts the value of excess, obsolete, and unserviceable inventory to its net realizable value (NRV) as described in Volume 4, Chapter 4.

4.2.14. General Property, Plant, and Equipment. Include the following disclosures: (1) the method for valuing general equipment; (2) the capitalization threshold; (3) any limitations in valuing General Property, Plant, and Equipment (PP&E) in accordance with federal standards; and (4) the policy for reporting property provided to contractors.

4.2.15. Other Assets. Identify the majority of items reported as "Other Assets." Describe contract financing payments and the circumstances under which the reporting entity uses them. See Volume 4, Chapter 5 for additional information related to contract financing payments.

4.2.16. Leases. Describe the conditions under which capital and operating leases would be recorded. Identify the method used to determine the value for capital leases. Describe how the discount rate for the present value calculation is determined. Disclose current year (CY) Federal and Non-Federal leases separately. Prior year (PY) lease amounts do not need to be disclosed separately.

4.2.17. Liabilities. Disclose relevant information related to amounts reported as liabilities.

4.2.18. Environmental and Disposal Liabilities. Describe environmental and other disposal liabilities. Identify the conditions in which they would be reported on the Balance Sheet as a liability, or condition where financial statement reporting is limited to a note disclosure. Describe the liabilities that arise from anticipated disposal costs.

4.2.19. Other Liabilities. Identify the majority of items reported as "Other Liabilities." Describe such other liabilities as payroll liabilities and insurance programs or other liabilities applicable to the reporting entity.

4.2.20. Commitments and Contingencies. Disclose relevant information related to amounts reported as commitments and contingencies.

4.2.21. Federal Employee and Veteran Benefits Payable. Describe transactions involving Federal Employee and Veteran Benefits Payable. The Department applies ***SFFAS 33***, "Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates," in selecting the discount rate and valuation date used in estimating actuarial liabilities.

4.2.22. Revenue and Other Financing Sources. Disclose the accounting policy for revenue recognition, the reporting entity's pricing policy, and any limitation that may hinder revenue recognition in accordance with USGAAP. Also, provide policy information on: (1) other financing sources; and (2) non-monetary support provided by U.S. allies for common defense and mutual security, where applicable. Describe the accounting for funds from dedicated collections, as defined by ***SFFAS 43***, "Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds."

4.2.23. Recognition of Expenses. Disclose the accounting policy for recognizing operating expenses and any limitation that may hinder recognition in accordance with USGAAP. Also, define OM&S operating expenses, its recognition method, and any limitations.

4.2.24. Budgetary Resources. Provide explanations of budgetary terminology and concepts.

4.2.25. Treaties for Use of Foreign Bases. Describe the use, purchase, and limits on land, buildings, and other overseas facilities obtained through various international treaties and agreements.

4.2.26. Use of Estimates. Disclose the reporting entity's use of estimates, and that actual results could differ materially from the estimated amounts. Describe the methodology used to account for and recognize estimates.

4.2.27. Parent-Child Reporting. Disclose relevant information related to parent-child reporting.

4.2.28. Transactions with Foreign Governments and International Organizations. Describe the authority to sell defense articles and services to foreign countries and international organizations.

4.2.29. Fiduciary Activities. Disclose information concerning fiduciary activities in accordance with ***SFFAS 31***, "Accounting for Fiduciary Activities." Fiduciary activities are reported on the financial statement note schedules, and not recognized on the proprietary financial statements. Define the reporting entity's fiduciary activities. Disclose that fiduciary assets are not assets of the Federal Government and are not recognized on the Balance Sheet.

4.2.30. Tax Exempt Status. Disclose the federal government is exempt from all income taxes by any governing body whether it is a federal, state, commonwealth, or foreign government.

5.0 NOTE 2. NON-ENTITY ASSETS

Non-entity assets are assets held by an entity but are not available to the entity. Entity and non-entity assets are segregated on an entity's Balance Sheet.

5.1 General Information

Disclose Non-entity Assets consisting of the categories in accordance with OMB Circular A-136. Combine entity and non-entity assets, except for non-entity assets meeting the definition of fiduciary assets on the face of the Balance Sheet.

5.2 Reporting

5.2.1. Non-entity Assets. These are assets that are held by an entity (as manager or custodian), but are not available for the entity's own operational use. Within DoD, cash held by a disbursing officer (DO), as reflected on the Central Accounting Reporting System Account Statement for the relevant DO Cash Treasury Account Symbol, is an example of a non-entity asset.

5.2.2. Entity Assets. These are assets the reporting entity has authority to use. For example, an entity's assets may be used in entity operations (such as equipment), be sold or exchanged for other assets (such as inventory for cash), or be used to liquidate (pay) entity liabilities.

5.2.3. Other Information. Disclose in the narrative a description of each current FY non-entity asset focusing on the nature of the asset that causes it to be classified as Non-entity Assets.

6.0 NOTE 3. FUND BALANCE WITH TREASURY

6.1 General Information

6.1.1. Status of FBWT. The "Status of Fund Balance with Treasury" is the entity's total FBWT, as reflected in the entity's general ledger. Unobligated and obligated not yet disbursed balances presented in this section may not equal related amounts reported on the Combining Statement of Budgetary Resources (SBR). Do not include fiduciary activity on these lines. Refer to section 26.0 for the reporting of fiduciary activities. The Total FBWT amount must equal the Total FBWT line on the Balance Sheet.

6.1.2. Crosswalks. Base the mapping for the lines within this schedule on the USSGL crosswalks utilized in the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) and the Year-end Transaction Module. For USSGL account information, refer to the Fiscal Service USSGL and DoD USSGL Transaction Library.

6.2 Reporting

6.2.1. Unobligated Balance. The cumulative amount of budgetary authority that has not been set aside to cover outstanding obligations. Classify unobligated balances as available or unavailable. In the 4th quarter of the FY, this balance must agree with the sum of available and unavailable unobligated ending balances reported in GTAS and the Year-end Transaction Module.

6.2.1.1. Available. The amount of unexpired, unobligated balance that has been apportioned or is not subject to apportionment. This amount is immediately available for new obligations.

6.2.1.2. Unavailable. The amount of unexpired, unobligated balance that has not been apportioned, deferred, withheld pending rescission, or other similar limits on resources usage. It also may include expired budgetary resources available only for obligation adjustments until the appropriation is cancelled.

6.2.2. Obligated Balance Not Yet Disbursed. Funds that have been obligated for goods that have not been received, services that have not been performed, and goods and services that have been delivered and received, but not paid. In the 4th quarter of the FY, this balance must agree with amounts reported in GTAS and the Year-end Transaction Module.

6.2.3. Nonbudgetary FBWT. Include entity and non-entity FBWT accounts, which represent adjustments that do not have budgetary authority. Examples of Nonbudgetary FBWT fund types are: Clearing Accounts; Deposit Funds; and Non-entity and Other accounts.

6.2.4. Explanation of Unobligated Unavailable Balances. Disclose and explain restrictions on unobligated balances. Also, disclose if there are no restrictions.

6.2.5. Other Information. Explain any discrepancies between FBWT as reflected in the entity's general ledger and the balance in Treasury accounts. Disclose any other information necessary for understanding the nature of the Fund Balance.

7.0 NOTE 4. CASH AND OTHER MONETARY ASSETS

*7.1 General Information

Disclose the nature and reasons for any restrictions on cash and other monetary assets. Note non-entity cash is always restricted cash.

7.2 Reporting

7.2.1. Cash. Cash consists of: coins, paper currency, and readily negotiable instruments, such as money orders, checks, and bank drafts on hand or in transit for deposit; amounts on demand deposit with banks or other financial institutions, including nonconfirmed collections and disbursements; investments held outside of Treasury; and foreign currencies, which will be converted into U.S. dollars at the exchange rate on the financial statement date. Cash available for reporting entity use includes petty cash, and cash held in revolving funds, not transferred into the General Fund of the Treasury.

7.2.2. Foreign Currency. The total U.S. dollar equivalent of nonpurchased foreign currencies held in foreign currency fund accounts.

7.2.3. Other Monetary Assets. Report other monetary assets not reported on other lines.

7.2.4. Other Information. Provide additional information needed to understand the nature of cash and other monetary assets. Disclose any restrictions on cash and the dollar amount. Refer to Volume 4, Chapter 2 and ***SFFAS 1***, "Accounting for Selected Assets and Liabilities," paragraphs 27 and 30, and SFFAS 3, paragraphs 59 to 61 and 65 to 66 for information related to restricted cash. Components report entity assets and non-entity assets under an entity's custody or management in the financial statements, except for non-entity assets meeting definition of fiduciary assets, which are not recognized on the Balance Sheet, but disclosed in accordance with the provisions of SFFAS 31.

7.2.5. Disclose any restrictions on the use or conversion of foreign currencies. If there are no restrictions on cash or the use or conversion of foreign currencies, include a statement in the narrative disclosing that there are no restrictions. The Total Cash and Other Monetary Assets must equal the amount reported on the Balance Sheet.

8.0 NOTE 5. INVESTMENTS

8.1 General Information

8.1.1. Disclose the reporting entity's investments in federal securities. Investments in federal securities include market-based U.S. Treasury securities issued by Fiscal Service. Investments are normally reported on the Balance Sheet at their par value or acquisition cost, adjusted for the amortization of the premium or discount recorded at the time of acquisition. The Total Intragovernmental and Non-Federal Investments must equal the amounts reported on the Balance Sheet.

8.1.2. Net Investments are equal to Cost, plus Amortized (Premium)/Discount. Securities are normally recognized at amortized cost on the Balance Sheet. However, use market value for Balance Sheet purposes when: (a) there is intent to sell the securities before maturity; and (b) there is a reduction in value that is more than temporary, in which case market value should be used (except for pension and retirement plans). Refer to SFFAS 1, paragraphs 68-73. Other investments are comprised of investments of funds with developers of family housing as related to the Military Housing Privatization Initiative.

*8.2 Reporting

8.2.1. Non-Marketable, Market-Based Intragovernmental Securities. Non-marketable, market-based U.S. Treasury securities are not traded on any securities exchange, but mirror the prices of marketable securities with similar terms. All investments maintained by the Defense Finance and Accounting Service Trust Fund Accounting Office are non-marketable, market-based U.S. Treasury securities (e.g., DoD Education Benefits Fund and Military Retirement Fund). Refer to SFFAS 1 for required non-marketable, market-based U.S. Treasury security disclosures.

8.2.2. Accrued Interest. The amount of interest accrued on intragovernmental investment securities, but not received as of the date of the statements.

8.2.3. Non-Federal Investments. The Military Family Housing Revitalization Act of 1996 provides for the DoD Family Housing Improvement Fund. The legislation permits investment of funds into ventures with developers to provide family housing. For example, the ventures will be real estate ventures, rent differential payments, investment in limited partnerships, and investments in equity or debt instruments related to family housing. Additionally, provide a description of the accounting method used and the amount of cash and non-cash assets conveyed to the venture. For non-federal investments, disclose in a table the fair value measurements hierarchy classification (Levels 1, 2, 3, or Other) by investments type: held-to-maturity, available-for-sale, or trading securities. Refer to OMB Circular A-136 for disclosure requirements.

8.2.3.1. Level 1 reflects the unadjusted quoted prices in active markets for identical assets that the reporting entity can access at the measurement date.

8. 2.3.2. Level 2 reflects inputs other than quoted prices in Level 1 that are directly or indirectly observable for the asset.

8. 2.3.3. Level 3 reflects unobservable inputs for the asset.

8. 2.3.4. Other reflects the investments that are measured at fair value using the net asset value per share of the investment and have not been categorized in the fair value hierarchy; for these amounts, provide a description of securities.

8.2.3.5. Reporting entities must also disclose a reconciliation of investment activity for non-Federal securities. Refer to OMB Circular A-136 for an illustration.

8.2.4. Other Information. Disclose any additional information relative to understanding the nature of reported investments, such as permanent impairments, and any securities that have been reclassified as securities available for sale or early redemption.

9.0 NOTE 6. ACCOUNTS RECEIVABLE, NET

*9.1 General Information

Present the gross receivables, the allowance for uncollectible accounts, and the net amount due. Disclose the method used to estimate the allowance. Pursuant to SFFAS 1 and ***Technical Bulletin 2020-1***, *Loss Allowance for Intragovernmental Receivables*, agencies are required to recognize any allowance for loss on intragovernmental accounts receivable. The amount represented in this note includes both entity and non-entity receivables. Do not include receivables related to direct or guaranteed loans. Report these amounts in Note 7, "Loans Receivable, Net and Loan Guarantee Liabilities."

9.2 Reporting

9.2.1. Intragovernmental Receivables. Intragovernmental Accounts Receivable, Net must equal the amount reported on the Balance Sheet.

9.2.2. Non-Federal Receivables (From the Public). Non-Federal encompasses domestic and foreign persons and organizations outside the U.S. Government. Non-Federal Accounts Receivable, Net must equal the amount reported on the Balance Sheet.

9.2.3. Criminal Restitution. Disclose criminal restitution balances separately if the amount is material to the entity, including the gross amount of receivables related to criminal restitution orders monitored by the agency and the estimate of NRV determined to be collectible for criminal restitution orders monitored by the agency.

9.2.4. Other Information. Disclose the method used to estimate the allowance for uncollectible accounts and the net amount due. Disclose any other information needed to understand the nature of the accounts receivable.

10.0 NOTE 7. LOANS RECEIVABLE, NET AND LOAN GUARANTEE LIABILITIES

10.1 General Information

10.1.1. ***Federal Credit Reform Act (FCRA) of 1990***. The FCRA divides direct loans and loan guarantees into two groups: Pre-1992 and Post-1991. Pre-1992 means the direct loan obligations or loan guarantee commitments made prior to FY 1992 and the resulting direct loans or loan guarantees. Post-1991 means the direct loan obligations or loan guarantee commitments made after FY 1991 and the resulting direct loans or loan guarantees. Refer to ***OMB Circular A-11***, "Preparation, Submission, and Execution of the Budget," Part 5, Section 185 for definitions and explanations of terms and concepts. The reporting entity discloses direct loan obligations and loan guarantee commitments made after FY 1991. See SFFAS 18 for policy on reporting subsidy reestimate and the technical/default reestimate. Refer to Volume 12, Chapter 4 for more detailed reporting guidance on the accounting standards for direct and guaranteed loans. Refer OMB Circular A-136 for illustrations.

10.1.1.1. Loans Receivable, Net. Loans are reported at the net present value of the following projected cash flows: loan disbursements, repayments of principal, payments of interest, recoveries, proceeds of asset sales, and other payments over the life of the loan after adjusting for estimated defaults, prepayments, fees, penalties, and other recoveries.

10.1.1.2. Loan Guarantee Liabilities. Report these liabilities at the net present value. The cost of the loan guarantee is the net present value of the following estimated projected cash flows: payments by DoD to cover defaults and delinquencies; interest subsidies, or other payments offset by payments to DoD including origination; and other fees, penalties, and recoveries.

10.1.2. Pre-1992 Direct Loans and Loan Guarantees. Disclose whether Pre-1992 direct loans and loan guarantees are reported under the present value method, or are reported under the allowance for loss method. DoD has elected to report Pre-1992 direct loans and loan guarantees using the allowance for loss method. See SFFAS 2 for additional information on the present value and allowance methods.

10.1.2.1. Note Format. Depending on the reporting method selected by management, agencies must choose the appropriated note format, which includes the net present value method or the allowance for loss method.

10.1.2.2. Changing Reporting Methods. Changing from one method to the other is not permitted without the advance approval of OMB. If a reporting entity needs guidance related to Pre-1992 direct loans or loan guarantees, contact the Office of the Under Secretary of Defense (Comptroller), Office of the Deputy CFO. The reporting entity discloses that their loans receivable, net, or their value of assets related to direct loans, is not the same as the proceeds they would expect to receive from selling their loans.

10.1.3. Payments Made on Behalf of Borrowers. When the reporting entity has made payments on behalf of borrowers (which should be collected from the borrowers), the resulting receivables must be reported in the same column as loans receivable for either direct loans or defaulted guaranteed loans.

10.1.4. Direct Loan or Loan Guarantee Programs. The names of the direct loans and loan guarantee programs operated by the reporting entity. An example of a DoD direct loan program is the Military Housing Privatization Initiative (MHPI).

10.1.5. Other Information. Disclose events and changes in economic conditions, other risk factors, legislation, credit policies, and subsidy estimation methodologies and assumptions that: (a) have had a significant and measurable effect on subsidy rates, subsidy expense, and subsidy re-estimates; and (b) are events and changes in conditions that have occurred and are more likely than not to have a significant impact, but the effects of which are not measurable at the reporting date.

10.1.6. Reporting. Report loans receivable and loan guarantee liabilities as presented in the OMB Circular A-136.

10.2 Summary of Direct Loans and Loan Guarantees.

Summarize the total amounts for loans receivable and loan guarantee liability reported in Note 7. The Total Loans Receivable, Net must agree with the amount reported on the Balance Sheet. The Total Loan Guarantee Liability must agree with the amount reported on the Balance Sheet.

10.3 Direct Loans Obligated (Post-1991).

Report the Loans Receivable Gross, the Interest Receivable, the estimated NRV of related Foreclosed Property, the Allowance for Subsidy Cost (Present Value), and the Value of Assets Related to Direct Loans, Net.

10.3.1. Total Direct Loans Receivable. The amount must agree with the amount reported on the Balance Sheet.

10.3.2. Other Information. For foreclosed property resulting from credit reform activities, refer to OMB Circular A-136 for required disclosures.

10.3.3. Additional Instructions for Foreclosed Property. Value foreclosed property associated with Post-1991 direct loans at the net present value of the projected cash flows. Refer to Section 86 of OMB Circular A-11 for policy related to reporting foreclosed property.

10.4 Total Amount of Direct Loans Disbursed (Post-1991).

Disclose the amount of direct loans disbursed for each program the reporting entity manages. Currently, DoD has one direct loan program that disburses direct loans, the MHPI. Provide other information related to direct loans disbursed necessary to understand the nature of the loans.

10.5 Subsidy Expense for New Direct Loan Programs by Component.

10.5.1. Subsidy Expense for New Direct Loans Disbursed – Current FY. Report the following amounts in separate columns: present value amount of the current FY's subsidy expense attributable to the interest rate differential between the interest rate charged to the borrowers and the discount rate used to calculate the present value of the direct loans and the subsidy costs, present value of the estimated delinquencies and defaults (net of recoveries) for the current FY, present value of the estimated fees and other collections (offsetting expense) for the current FY, present value of other cash flows for the current FY, including prepayments and proceeds of loan asset sales. Report the total amount of the separate columns.

10.5.2. Subsidy Expense for New Direct Loans Disbursed – Prior FY. Report the following amounts in separate columns: present value amount of the prior FY's subsidy expense attributable to the interest rate differential between the interest rate charged to the borrowers and the discount rate used to calculate the present value of the direct loans and the subsidy costs, present value of the estimated delinquencies and defaults (net of recoveries) for the prior FY, present value of the estimated fees and other collections (offsetting expense) for the prior FY, present value of other cash flows for the prior FY, including prepayments and proceeds of loan asset sales. Report the total amount of the separate columns.

10.5.3. Direct Loan Modifications and Re-estimates – Current FY. Report the following amounts in separate columns: subsidy cost of modifications of direct loans previously disbursed, subsidy cost for interest rate re-estimates which are due to a change in interest rates from the rate assumed in budget preparation and used in calculating the subsidy expense to the rates that are prevailing at the time the direct loan is disbursed, subsidy cost for technical re-estimates which are due to changes made in projected cash flows under the terms of direct loans after reevaluating all the risk factors as of the financial statement date, except for the effect of interest rate re-estimates.; Report the total amount of the separate columns.

10.5.4. Other Information. Identify other information related to direct loan subsidy expense for Post-1991 direct programs. If modifications were made, explain the nature of the modifications, the discount rate used in calculating the expense, and the basis for recognizing a gain or loss related to the modifications. Also, if appropriate, disclose that the subsidy expense resulting from re-estimates that is included in the financial statements is not reported in the budget until the following year.

10.6 Subsidy Rates for Direct Loans by Program and Component.

Disclose the budget subsidy rates estimated for the cohorts of the current reporting year. Disclose the subsidy rate for the following components: interest differential costs; default costs

(net of recoveries); fees and other collections; and other costs. These estimated subsidy rates for direct loans are in the current FY's budget ("***President's Budget***").

10.6.1. Budget Subsidy Rates for Direct Loans for the CY Cohorts. These rates must be consistent with rates published in the Direct Loans: Assumptions Underlying the FY Subsidy Estimates Table contained in the Federal Credit Supplement to the ***Budget of the U.S. Government***.

10.6.2. Relevant Information for Comprehension. Subsidy rates pertain to the loan agreements contracted during the current FY. Do not apply these rates to the direct loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans disbursed in the current FY could result from disbursement of loans from both current and prior FY loan agreements. The subsidy expense reported in the current FY also includes modifications and re-estimates.

10.6.3. Subsidy Rate Amount. Each subsidy rate is the dollar amount of the total subsidy or a subsidy component as a percentage of the direct loans obligated in the cohort year. Entities are encouraged to use trend data to display significant fluctuations in subsidy rates. Trend data, if used, includes an analysis to explain the underlying causes for the fluctuations.

10.7 Schedule for Reconciling Subsidy Cost Allowance Balances (Post-1991 Direct Loans).

10.7.1. Reconciliation. Display the reconciliation between the beginning and ending balances of the subsidy cost allowance for outstanding direct loans reported in the reporting entity's Balance Sheet. The reconciliation is required for direct loans obligated on or after October 1, 1991, the effective date of the FCRA. Reporting entities are encouraged, but not required, to display reconciliations for direct loans obligated prior to October 1, 1991, in schedules separate from the direct loans obligated after September 30, 1991. Refer to OMB Circular A-136 for illustration.

10.7.2. Subsidy Expense. Report the components of subsidy expense for direct loans: Interest Rate Differential Costs; Default Costs (Net of Recoveries); Fees and Other Collections; and Other Subsidy Costs. Total the components of subsidy expense for direct loans.

10.7.3. Adjustments. Report the adjustments separately for direct loans: Loan Modifications, Fees Received; Foreclosed Property Acquired; Loans Written Off; Subsidy Allowance Amortization; and Other Adjustments.

10.7.4. Re-estimates. Report the Interest Rate Re-estimate and Technical/Default Re-estimate for direct loans. Total the re-estimates for direct loans as reported in the Modification and Re-estimates table for the CY.

10.8 Defaulted Guaranteed Loans from Post-1991 Guarantees.

Report the defaulted loan guarantees for applicable credit reform programs. If the reporting entity does not have defaulted guaranteed loans, state "There were no defaulted loan guarantees" after the note number and title.

10.8.1. Loan Guarantee Programs. Report the: Defaulted Guaranteed Loans Receivable, Gross; Interest Receivable; the estimated value of related Foreclosed Property; the Allowance for Subsidy Cost (Present Value); and the Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net.

10.8.2. Other Information. For foreclosed property resulting from credit reform activities, refer to OMB Circular A-136 for required disclosures.

10.8.3. Additional Instructions for Foreclosed Property. Value foreclosed property associated with Post-1991 direct and acquired defaulted guaranteed loans at the net present value of the projected cash flows associated with the property. At the time of foreclosure, foreclosed property may be recorded at the estimated NRV if the differences do not meet the materiality threshold identified in the DFAS Financial Reporting Guidance. A portion of the related allowance for subsidy account applies to the foreclosed property, but that amount need not be separately determined. Rather, subtract the allowance account from the sum of the credit program assets to determine the net present value of the assets.

10.9 Guaranteed Loans Outstanding.

10.9.1. Guaranteed Loans Outstanding. Present the outstanding amount of guaranteed loans for each loan guarantee program. For each guaranteed loan outstanding, report the face value of outstanding principal of guaranteed loans disbursed by a third party. In an additional column, report the guaranteed amount of the outstanding principal. Identify other information related to guaranteed loans outstanding necessary to understand the nature of the loan.

10.9.2. New Guaranteed Loans Disbursed. For each new guaranteed loan disbursed, report the face value of principal of guaranteed loans. Separately, report the guaranteed amount of principal within the same table. Identify other information related to new guaranteed loans disbursed necessary to understand the nature of the loan.

10.10 Liability for Loan Guarantees.

For each program with Post-FY 1991 loan guarantees, report the present value of the estimated net cash flows (outflows less inflows), to be paid by the entity because of the loan guarantees. Present the liabilities for loan guarantees for each loan guarantee program.

10.10.1. Programs. Report the present value of current and prior FY estimated net cash flows (outflows less inflows) to be paid because of loan guarantees.

10.10.2. Other Information. Identify other information necessary to understand the nature of the loan guarantee liability.

10.11 Subsidy Expense for Loan Guarantees by Program and Component.

Report the estimated cash flows (on a present value basis) for the various subsidy expense components of the loan guarantee programs. Refer to OMB Circular A-136 for illustrations.

10.11.1. Subsidy Expense for New Loan Guarantees – Current FY. Disclose the following amounts in separate columns: present value of the amount of the interest supplements, present value of the estimated payments for defaults on loan guarantees (net of recoveries), present value of the estimated fees and other collections (offsetting expense), present value of other cash flows. Report the total amount of the separate columns.

10.11.2. Subsidy Expense for New Loan Guarantees – Prior FY. Disclose the following amounts in separate: present value of the amount of the interest supplements, present value of the estimated payments for defaults on loan guarantees (net of recoveries), present value of the estimated fees and other collections (offsetting expense), present value of other cash flows. Report the total amount of the separate columns.

10.11.3. Modifications and Re-estimates – Current FY. Disclose the following amounts in separate columns: subsidy expense for modifications of loan guarantees in guaranteed loans previously disbursed by a third party (whether Pre-1992 or Post-1991), interest rate re-estimates, and technical re-estimates of the subsidy expense for loan guarantees, previously committed, by components. Report the total amount of the separate columns.

10.11.4. Total Loan Guarantee Subsidy Expense. Disclose CY and PY in separate columns. Present total subsidy expense for the loan guarantees, modifications, and re-estimates.

10.11.5. Other Information. Identify other relevant information for loan guarantee programs subsidy expenses. If modifications were made, explain the nature of the modifications, the discount rate used in calculating the expense, and the basis for recognizing a gain or loss related to the modifications. Also, if appropriate, disclose that the subsidy expense resulting from re-estimates that is included in the financial statements is not reported in the budget until the following year.

10.12 Subsidy Rates for Loan Guarantees by Program and Component.

Report information on the subsidy rates for loan guarantees. Disclose the estimated subsidy rates for the following components: Interest Supplement costs (; Default costs (net of recoveries); Fees and Other Collections; and Other costs. These estimated subsidy rates for loan guarantees are in the current FY's budget (President's Budget).

10.12.1. Subsidy Rates. Subsidy rates must be consistent with rates published in the Loan Guarantees: Assumptions Underlying the (FY) Subsidy Estimates table, contained in the Federal Credit Supplement to the Budget of the U.S. Government, which is a supporting document to the

budget. Refer to the Federal Credit Supplement to the Budget of the U.S. Government for current guidance pertaining to subsidy estimates for loan guarantees.

10.12.2. Subsidy Rate Amount. Each subsidy rate is the dollar amount of the total subsidy or a subsidy component as a percentage of the guaranteed loans obligated. Entities may use trend data to display significant fluctuations in subsidy rates. Such trend data, if used, includes an analysis to explain the underlying causes for the fluctuations.

10.12.3. Subsidy Rate Applicability. The subsidy rates disclosed pertain only to the current FY's cohorts. Do not apply these rates to the guarantees of loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loan guarantees reported in the current FY could result from disbursements of loans from both current FY cohorts and prior FY(s) cohorts. The subsidy expense reported in the current FY also includes modifications and re-estimates.

10.13 Schedule for Reconciling Loan Guarantee Liability Balances (Post-1991 Loan Guarantees).

Display the reconciliation between the beginning and ending balances of the liability for outstanding loan guarantees reported in each entity's Balance Sheet based upon the following instructions. The reconciliation is required for loan guarantees committed on or after October 1, 1991, the effective date of the FCRA. Reporting entities are encouraged, but not required, to display reconciliations for loan guarantees committed prior to October 1, 1991, in schedules separate from the loan guarantees committed after September 30, 1991. Refer to OMB Circular A-136 for required disclosures.

10.14 Administrative Expense.

Report the portion of salaries and other administrative expenses that have been accounted for in support of the direct loan and loan guarantee programs.

10.15 Loans Receivable Roll forward.

Loans receivable and defaulted guarantee loans receivable must report a summary table that shows the change in net receivables. Refer to OMB Circular A-136 for required disclosures.

11.0 NOTE 8. INVENTORY AND RELATED PROPERTY, NET

11.1 General Information

Volume 4, Chapter 4 contains more complete information on inventory valuation methods. Valuation methods shown are those used by DoD, but may be specific to a particular organization or type of organization. Information for the inventory disclosures are identified in SFFAS 3. Also, reference ***SFFAS 48***, "Opening Balances for Inventory, Operating Materials and Supplies, and Stockpile Materials" for alternative inventory valuation methods for the establishment of opening balances.

11.1.1. Inventory, Operating Materials and Supplies, and Stockpile Materials Opening Balances. SFFAS 48 allows a reporting entity, under specific conditions, to apply alternative methods in establishing opening balances for Inventory, OM&S, and Stockpile Materials. Deemed cost is an acceptable valuation method to establish opening balances of Inventory, OM&S, and Stockpile Materials.

11.1.2. Disclose the use of deemed cost in the first year the entity uses deemed cost to value assets for its opening balances and in any subsequent year those financial statements are presented for comparative purposes. The disclosure should describe the deemed cost methods used, and in the first year presented, the effect on relevant balances.

11.1.3. Account for inventory, OM&S, and Stockpile Materials after opening balances in accordance with SFFAS 3.

11.2 Inventory and Related Property, Net

Include the total amounts of Inventories and Related Property reported in Inventory, OM&S, and Stockpile Material in Note 8. The Total Inventory and Related Property, Net must agree with the amount reported on the Balance Sheet.

11.3 Inventory, Net

Inventory categories include: held for sale; held in reserve for future sale; held for repair; raw materials; work-in-process; and excess, obsolete, and unserviceable.

11.3.1. Valuation. Disclose the following for each category of inventory: the gross amount recorded in the inventory system; the revaluation allowance for holding gains (losses) on inventory, if any; the net book value of the inventory (gross inventory plus revaluation allowance; and the valuation method used). The revaluation allowance represents adjustments to the gross inventory, in accordance with the applicable valuation methodology.

11.3.2. Valuation Method. Enter the code for the valuation method: Latest Acquisition Cost adjusted for holding gains and losses; NRV; and MAC.

11.3.3. Held for Sale. Report inventory that is held for sale, which includes consumable spare and repair parts, and repairable items owned and managed by DoD. This inventory includes materiel held due to a managerial determination to retain these items to support military or national contingencies.

11.3.4. Held in Reserve for Future Sale. Report the cost or value of tangible personal property held in reserve for future sale including inventory held for future sale because it is not readily available or will be needed.

11.3.5. Held for Repair. Report inventory held for repair, which includes damaged inventory that requires repairs to make it suitable for sale. DoD often relies on weapon systems and machinery no longer in production and encourages the repair and rebuilding of certain items.

Report inventory identified as unserviceable, but not reviewed to determine its reparability, as held for repair. When an assessment has been conducted, and it has been determined that it is not economically feasible to repair the item, the item must be reported as excess, obsolete, and unserviceable.

11.3.6. Raw Materials. Report the raw material inventory that is used as a component part of inventory.

11.3.7. Work-In-Process. Report inventory that is work-in-process, which includes costs related to the production or servicing of items, including direct material, direct labor, applied overhead, and other direct costs. This may also be used to accumulate the amount paid to a contractor under cost reimbursable contracts, including the amount withheld from payment to ensure performance, and the amount paid to other government plants for accrued costs of end items of material ordered but not delivered. Also, report work-in-process at depot maintenance activities.

11.3.8. Excess, Obsolete, and Unserviceable Inventory. Report inventory estimated to be potentially excess, obsolete, or beyond economic repair. Excess, obsolete, and unserviceable inventory must be valued at its expected NRV. Refer to Volume 4, Chapter 4 regarding the use of the NRV for excess inventory.

11.3.9. Total Inventory, Net. The total amount of Inventory, Net must equal the amount reported on the Inventory, Net line Note 8 (the summary note for Inventory and Related Property, Net).

11.3.10. Definitions of Inventory Gross Value, Revaluation Allowance, and Inventory, Net Columns. Inventory, Gross Value represents the standard value used for inventory transactions in the financial system. Revaluation Allowance represents the difference between standard inventory values and either historical cost or NRV. Inventory, Net is approximate historical cost or NRV. Valuation Method is the applicable valuation methodology used to arrive at the net inventory value.

11.3.11. Other Information (Related to Inventory). Disclose other information for the inventory component of the Inventory and Related Property line item on the reporting entity's Balance Sheet.

11.4 Operating Material & Supplies, Net

OM&S include spare and repair parts, ammunition, tactical missiles, aircraft configuration pods, and centrally managed aircraft engines. OM&S categories include held for use; held in reserve for future use; held for repair; in development; and excess, obsolete, and unserviceable.

11.4.1. Valuation. Disclose the following for each category of OM&S: gross amount reported in the inventory system; revaluation allowance for gains (losses) on OM&S, if any; net book value (gross amount plus allowance for gains (losses)); and valuation method used. The

revaluation allowance, represent the adjustment to the recorded value to arrive at the historical cost.

11.4.2. Held for Use. Report OM&S held for use balances which include all issuable materiel.

11.4.3. Held in Reserve for Future Use. Report OM&S held in reserve for future use balances representing the cost or value of tangible personal property, held in reserve because it is not readily available or because it will be needed.

11.4.4. Held for Repair. Report OM&S held for repair, which includes all economically reparable materiel. OM&S that has been identified as unserviceable, but not yet reviewed to determine its reparability, must be reported as held for repair. When an assessment has been conducted, and it has been determined that it is not economically feasible to repair the item, then the item must be reported as excess, obsolete, and unserviceable.

11.4.5. In Development. Report the cost incurred or value of tangible personal property, such as OM&S in development that will be consumed in normal operations upon completion of development.

11.4.6. Excess, Obsolete, and Unserviceable. Report OM&S estimated to be potentially excess, obsolete, or beyond economic repair. Value excess, obsolete, and unserviceable OM&S at their expected NRV. Refer to Volume 4, Chapter 4 regarding the use of the NRV for excess OM&S.

11.4.7. Total OM&S, Net. The total amount of OM&S, Net must equal the amount reported on the OM&S, Net line of Note 8 (the summary note for Inventory and Related Property, Net).

11.4.8. Valuation Method. Enter the code for the valuation method. Direct Method; Historical Cost; Replacement Price; Standard Price; NRV; and MAC

11.4.9. Other Information (Related to OM&S). Disclose other information for the OM&S component of the Inventory and Related Property line item on the entity's Balance Sheet.

11.5 Stockpile Material, Net

11.5.1. Stockpile Material. Report the amount of strategic and critical materials held due to statutory requirements for use in national defense, conversation, or national emergencies.

11.5.1.1. The stockpile material categories are "Held for Sale" and "Held in Reserve for Future Sale." Stockpile material is strategic and critical material, held due to statutory requirements, for use in national defense, conservation, or national emergencies. All material held by the National Defense Stockpile is classified as held in reserve for future sale until congressional action declares the material no longer required to be stockpiled, and available for sale on the open

market. When the authorization to offer material for sale is received, the material is reclassified to held for sale.

11.5.1.2. Disposals cannot be made from the stockpile except for: (1) necessary upgrading, refining, or processing; (2) necessary rotation to prevent deterioration; (3) determination as excess with potential financial loss if retained; or (4) as authorized by law.

11.5.2. Valuation. For each category of Stockpile Material, disclose the amount reported in the logistics system allowance for gains (losses) on stockpile material, if any, and the net book value of stockpile material.

11.5.3. Valuation Method. Enter the code for the valuation method: MAC.

11.5.4. Total Stockpile Material. The total amount of Stockpile Material amount equal the amount reported on Stockpile Material, Net line of Note 8 (the summary note for Inventory and Related Property).

11.5.5. Other Information (Related to Stockpile Material). Disclose other information for the Stockpile Material component of the Inventory and Related Property, Net line item on the Balance Sheet.

12.0 NOTE 9. GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET

12.1 General Information

12.1.1. General PP&E. Report General PP&E by major class. Recognition and measurement criteria for General PP&E are in ***SFFAS 6***, "Accounting for Property, Plant, and Equipment," as amended by ***SFFAS 10***, "Accounting for Internal Use Software;" ***SFFAS 23***, "Eliminating the Category National Defense Property, Plant, and Equipment;" ***SFFAS 44***, "Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use;" and ***SFFAS 50***, "Establishing Opening Balances for General Property, Plant, and Equipment: Amending SFFAS 6, 10, and 23, and Rescinding SFFAS 35." The Total General PP&E, Net must agree with the amounts on the reporting entity's Balance Sheet.

12.1.2. Depreciation/Amortization Method. Report the depreciation or amortization method used: Straight Line (S/L) or not applicable. See Volume 4 for information on how to calculate depreciation using the S/L method.

12.1.3. Service Life. Report the range of service life by Major Asset Class based on DoD Standard Recovery Periods contained in Volume 4.

12.1.4. Acquisition Value. Report the acquisition costs or estimated values by Major Asset Class.

For assets under capital lease, report the lesser of the present value or the fair value of the asset. The present value will be calculated, using either the lessor's implicit rate or the U.S.

Treasury borrowing rate of the rental or other lease payments during the lease term, and will exclude that portion of the payments representing executory costs paid to the lessor. Include a cross-reference to Note 16, "Leases," for additional information on capital leases.

12.1.5. Accumulated Depreciation/Amortization. Report the accumulated depreciation/amortization through the current reporting period, by Major Asset Class.

12.1.6. Net Book Value. Report the net book value of each Major Asset Class (acquisition cost less accumulated depreciation/amortization).

12.1.7. General PP&E in the Possession of Contractors. Report all property in the hands of contractors in accordance with Volume 4.

12.1.8. General PP&E Opening Balances. SFFAS 50 allows a reporting entity, under specific conditions, to apply alternative methods in establishing opening balances for General PP&E. DoD's alternative methods include: using deemed cost to establish opening balances of General PP&E, selecting between deemed cost and prospective capitalization of internal use software, and allowing an exclusion of land and land rights from opening balances with disclosure and acreage information and expensing of future acquisitions.

12.1.8.1. Disclose the use of deemed costs in the first year the entity uses deemed costs to value assets for its opening balances and in any subsequent year those financial statements are presented for comparative purposes. The disclosure should describe the deemed cost methods used, and in the first year presented, the effect on relevant balances.

12.1.8.2. Account for general equipment and real property after opening balances in accordance with SFFAS 6.

12.1.9. Other Information. Disclose in the narrative sections of this note other relevant information for the General PP&E line item on the reporting entity's Balance Sheet.

12.1.9.1. Adjustments. If adjustments are required to existing PP&E in the period the standards are implemented, in order to comply with the recognition and measurement criteria, record and disclose the adjustments by Major Asset Class in accordance with the standard.

12.1.9.2. General Disclosures Related to General PP&E. Disclose the required information pertaining to General PP&E, such as: (a) restrictions on the use or convertibility of General PP&E (e.g., outside the continental U.S. real property) or a statement disclosing there are no restrictions; (b) capitalization thresholds, including any changes in thresholds during the period; and (c) adjustments from changes in the accounting standards. If the acquisition cost is unknown for certain types or significant amounts of General PP&E, DoD Components must disclose the valuation method used to estimate the value reported. Disclosures reported under Note 1 of Significant Accounting Policies must not be repeated in this note.

12.2 Stewardship PP&E

Stewardship PP&E assets include Heritage Assets and Stewardship Land. Disclose, if applicable, the following:

12.2.1. If the cost of Heritage Assets and stewardship land transferred from other federal entities is not known, the receiving entity must disclose the number of physical units by major category. Do not recognize Heritage Assets and stewardship land acquired through donation or devise as a cost in calculating net cost, but disclose the fair value of the property. If the fair value is not known or reasonably estimable, disclose information related to the type and quantity of assets received.

12.2.2. Disclose any amounts expensed during the current period in the Statement of Net Cost (SNC) for the costs of acquiring, constructing, improving, reconstructing, or renovating Heritage Assets (other than Multi-Use Heritage Assets), and the cost of acquiring stewardship land and any costs to prepare a stewardship asset for its intended use. If the accounting system does not provide the necessary information to make the required disclosure for all or part of these expenses, the reporting entity must make the following disclosure to recognize the weakness and to disclose the portion of the expenses that are known. (If no portion of the expenses is known, include only the first sentence of the disclosure.)

12.2.3. Disclose that the reporting entity's accounting system does not capture information relative to Heritage Assets separately and distinctly from normal operations. Where it was able to separate the cost of acquiring, constructing, improving, reconstructing, or renovating Heritage Assets, the reporting entity identified the dollar amount for the FY.

12.3 Heritage Assets

Heritage Assets are items of historical, natural significance, cultural, educational, or artistic (e.g., aesthetic) importance, or items with significant architectural characteristics. Heritage Assets are expected to be preserved indefinitely. ***SFFAS 29***, "Heritage Assets and Stewardship Land," requires entities with Stewardship PP&E to reference a note on the Balance Sheet where required disclosures relative to these assets are contained. Rather than a separate note, DoD discloses Heritage Assets with the General PP&E note.

12.3.1. Reporting. Reporting entities will disclose the beginning counts, additions, deletions, and ending counts of their Heritage Assets, by category for the period presented. Disclose the quantity of Multi-Use Heritage Assets (i.e., Heritage Asset buildings used predominantly for government operations) in the schedule.

12.3.2. Categories. Report balances for Heritage Assets within the following categories.

12.3.2.1. Buildings and Structures. Building and Structures include buildings and structures listed on, or eligible for listing on, the National Register of Historic Places, including Multi-Use Heritage Assets. This category also includes National Historic Landmarks; buildings or structures that are contributing elements to districts listed on, or eligible for, the National Register of Historic Places or a National Historic Landmark District; and buildings and

structures designated eligible in the National Register of Historic Places for purposes of program alternatives.

12.3.2.2. Archeological Sites. Archeological Sites include sites identified, evaluated, and determined to be eligible for, or are listed on, the National Register of Historic Places.

12.3.2.3. Museum Collection Items. Museum Collection Items include items that are unique for one or more of the following reasons: historical or natural significance; cultural, educational, or artistic importance; or significant, technical, or architectural characteristics. Divide museum collection items into two subcategories: fine art and objects. Fine art includes paintings, sculptures, and other three dimensional art. Objects are current use, excess, obsolete, or condemned material; war trophies; personal property, such as uniforms, medals, or diaries; and military equipment.

12.3.3. Disclosures. Include the disclosures for Heritage Assets identified in OMB Circular A-136.

12.3.4. Year-End Reporting. Report deferred maintenance and repair information regarding Heritage Assets in Required Supplementary Information at year-end only.

12.4 Stewardship Land

Stewardship land is land and land rights owned by the Federal Government, but not acquired for or in connection with, items of General PP&E. "Acquired for or in connection with" is defined as including land acquired with the intent to construct General PP&E and land acquired in combination with General PP&E. Each DoD Component responsible for such land will report land classified as stewardship land. Without exception, classify all land provided to the Department from the public domain or at no cost as stewardship land, regardless of its use. SFFAS 29 requires entities with Stewardship PP&E to reference a note on the Balance Sheet where required disclosures relative to these assets are contained. Rather than a separate note, DoD discloses stewardship land within the General PP&E note.

12.4.1. Reporting. Reporting entities will disclose the beginning counts, additions, deletions, and ending counts of their stewardship land, by category. Report the facility numbers and category descriptions. DoD Instruction ***(DoDI) 4165.14***, "Real Property Inventory and Forecasting," identifies the predominant categories authorized for use.

12.4.1.1. Government Owned Land (Facility Number 9110) and State Owned Land (Facility Number 9111) is land held in public trust and will be reported as stewardship land;

12.4.1.2. Withdrawn Public Land (Facility Number 9120) is land held in public trust and will be reported as stewardship land;

12.4.1.3. Licensed and Permitted Land (Facility Number 9130) are interests and privileges held by the entity in land owned by others and will be reported as other land;

12.4.1.4. Public Land (Facility Number 9140) is land held in public trust and will be reported as stewardship land;

12.4.1.5. Land Easement (Facility Number 9210) are interests and privileges held by the entity in land owned by others and will be reported as stewardship land;

12.4.1.6. In-leased Land (Facility Number 9220) are interests and privileges held by the entity in land owned by others and will be reported as stewardship land; and

12.4.1.7. Foreign Land (Facility Number 9230) are interests and privileges held by the entity in land in foreign countries and will be reported as stewardship land.

12.4.2. Disclosures. Include the disclosures for stewardship land identified in OMB Circular A-136.

*12.5 Summary of Activity

To support the Financial Report of the United States Governmental compilation process, present a summary of activity reconciliation. The following categories must be included in the reconciliation: Balance beginning of year, Capitalized acquisitions, Dispositions, Transfers in/out without reimbursement, Revaluations, Depreciation expense, Donations, Other, and Balance end of year. The General PP&E, Net end of year must agree with the amounts on the reporting entity's Balance Sheet.

13.0 NOTE 10. OTHER ASSETS

13.1 General Information

Report the amount of Other Assets not included elsewhere on the Balance Sheet. Other Assets also include General PP&E assets that are no longer operations, but have not yet been disposed of or removed from service.

13.2 Reporting

13.2.1. Intragovernmental Other Assets. Separately categorize the intragovernmental other assets.

13.2.1.1. Advances and Prepayments. Include advances and prepayments to other federal entities.

13.2.1.2. Other Assets. Include other assets categorized as federal.

13.2.1.3. Total Intragovernmental Other Assets. The total amount must match the amount reported on the Balance Sheet.

13.2.2. Other than Intragovernmental Assets. Separately categorize the non-federal other assets.

13.2.2.1. Outstanding Contract Financing Payments. Include contract financing payments, classified as advances, as defined in Volume 4, Chapter 5.

13.2.2.2. Advances and Prepayments. Include advances and prepayments categorized as non-federal.

13.2.2.3. Other Assets. Include other assets categorized as non-federal.

13.2.2.4. Subtotal. The subtotal amount includes the preceding lines. This subtotal is specific for DoD for presentation purposes.

13.2.2.5. Less: Outstanding Contract Financing Payments and Advances and Prepayments totaled and presented on the Balance Sheet as Advances and Prepayments. This line is specific to DoD for presentation purposes and to illustrate the reconciliation to the Balance Sheet.

13.2.2.6. Net Other than Intragovernmental. The net amount for non-federal other assets must match the amount reported on the Balance Sheet.

13.2.3. Information Related to Other Assets. Identify other relevant information for other assets reported on the Balance Sheet.

14.0 NOTE 11. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

14.1 General Information

Report the Liabilities Not Covered by Budgetary Resources, liabilities for which congressional action is needed before budgetary resources can be provided. The Total Liabilities must equal the amount reported on the reporting entity's Balance Sheet.

14.2 Reporting

14.2.1. Liabilities Not Covered by Budgetary Resources. Report the amounts of intragovernmental liabilities not covered by budgetary resources for Accounts Payable; Debt; and Other Liabilities. Report the sum of intragovernmental liabilities. Report the amounts of other than intragovernmental liabilities not covered by budgetary resources for Accounts Payable; Federal Employee and Veteran Benefits Payable; Environmental and Disposal Liabilities; and Other Liabilities.

14.2.3. Liabilities Covered by Budgetary Resources. Report the total amount of liabilities covered by budgetary resources. Budgetary resources include: (1) new budget authority; (2) spending authority from offsetting collections; (3) recoveries of unexpired budget authority through downward adjustments of prior FY obligations; and (4) unobligated balances of budgetary

resources at the beginning of the year or net transfers of prior FY balances during the year; and (5) permanent indefinite appropriations or borrowing authority, which have been enacted and signed into law as of the Balance Sheet date, provided that the resources may be apportioned by OMB without further action by the Congress or without a contingency first having to be met.

14.2.4. Liabilities Not Requiring Budgetary Resources. Report the total amount of liabilities not requiring budgetary resources. Amounts represent liabilities that have not been required in the past and will not require the use of budgetary resources in the future. Examples of liabilities not requiring budgetary resources include liabilities for clearing accounts, non-fiduciary deposit funds, custodial collections, and unearned revenue.

14.2.5. Information Related to Liabilities Not Covered by Budgetary Resources. Provide other information needed to understand the nature of liabilities not covered by budgetary resources. All entities reporting a balance on Federal Employee and Veteran Benefits Payable must disclose the nature that comprise various employee actuarial liabilities not due and payable during the current FY. Refer to Note 13, "Federal Employee and Veteran Benefits Payable," for additional disclosures.

15.0 NOTE 12. DEBT

15.1 General Information

Report the net amount of debt. Agency Debt (Intragovernmental) includes debt issued under special financing authorities (e.g. Federal Housing Administration debentures and Tennessee Valley Authority bonds), with agency debt held by Government agencies reported separately from agency debt held by the public. Total Debt must equal the amount reported on the entity's Balance Sheet.

15.2 Reporting

15.2.1. Other Debt. Report the amount of debt owed to the U.S. Treasury, which includes direct loan and guaranteed loan financing account liabilities to the U.S. Treasury. Report the following in separate columns: beginning balance of borrowings, the year's net borrowing, and the ending balance of borrowings.

15.2.2. Information Related to Debt. Provide other information needed to understand the nature of debt (e.g., write offs of debts owed to the U.S. Treasury or the Federal Financing Bank) which includes direct loans and guaranteed loans financing account liabilities disclosed in paragraph 10.1.

15.2.2.1. Disclose that the outstanding debt consists of interest and principal due to the U.S. Treasury and the Federal Financing Bank. State the specific purpose for which the reporting entity borrows funds.

15.2.2.2. Disclose that the reporting entity must pay the debt if borrowers (e.g. foreign country, ship leasing, or housing builder) default on the loan. For loan guarantees, the reporting entity must pay the amount of outstanding principal guaranteed.

16.0 NOTE 13. FEDERAL EMPLOYEE AND VETERAN BENEFITS PAYABLE

16.1 General Information

Present Federal Employee and Veteran Benefits Payable for the current and prior FY based on the following instructions. Report the information required in the note by the entity that administers the benefit(s), except "Federal Employees' Compensation Act (FECA)." Include amounts owed to the Department of Labor for estimated actuarial liabilities for future workers' compensation benefits.

16.1.1. Pension and Health Benefits. Report the pension and health benefit liabilities for Military Retirement Pensions, Military Pre Medicare-Eligible Retiree Health Benefits, and Military Medicare-Eligible Retiree Health Benefits.

16.1.1.1. Liabilities. Report the actuarial present value of projected benefits. For pensions, this would be the projected benefit obligation. Total Liabilities must agree with the amount reported on the Balance Sheet.

16.1.1.1.1. Military Retirement Pensions accumulates funds used to pay pensions and annuities to retired military personnel and their survivors. Military Retirement Pensions will report the actuarially determined present value of all future pensions earned to date, using the "aggregate entry age" normal cost method. This is a method whereby projected retirement costs are spread over the projected future salaries of a new entrant cohort. (Refer to Volume 4, Chapter 10 for further guidance.)

16.1.1.1.2. The Military Pre Medicare-Eligible Retiree Health Benefits will include beneficiaries of the Defense Health Program (DHP), retirees, their dependents, and survivors who are not yet Medicare-eligible. The DHP will report the actuarially determined present value of all retirement benefits earned to date, using the "aggregate entry age" normal cost method. This is a method whereby projected medical costs are spread over the projected future service of a cohort at the point of entry. (Refer to Volume 4, Chapter 10 for further guidance).

16.1.1.1.3. The Military Medical-Eligible Retiree Health Benefits pay for health care programs for Medicare-eligible Military and other Uniformed Service retirees and their Medicare-eligible dependents or survivors. Report the actuarial present value of projected benefits accrued to date, using the "aggregate entry age" normal cost method. This is a method whereby projected retiree medical plan costs are spread over the projected service of a new entrant cohort.

16.1.1.2. Assets Available to Pay Benefits. In a separate column, report the net assets, if any, available to pay benefits.

16.1.1.3. Unfunded Liabilities. In a separate column, report the actuarial liabilities not covered by budgetary resources, e.g., the actuarial present value of projected benefits less funded assets available to pay benefits. The Total Unfunded Liabilities must agree with Note 11, "Liabilities Not Covered by Budgetary Resources," Line "Federal Employee and Veteran Benefits Payable."

16.1.1.4. Unfunded Liabilities. Report the actuarial liabilities not covered by budgetary resources, e.g., the actuarial present value of projected benefits less funded assets available to pay benefits.

16.1.2. Other Benefits. Report other employment related actuarial liabilities (e.g., FECA, Voluntary Separation Incentive Programs, and DoD Education Benefits Fund.)

16.1.3. Federal Employee and Veteran Benefits Payable (presented separately on the Balance Sheet). This presentation is specific to DoD. The line is included to demonstrate the reconciliation to the Balance Sheet.

16.1.4. Other benefit-related payables included in the Intragovernmental Other Liabilities on the Balance Sheet. This presentation is specific to DoD. The line is included to demonstrate Intragovernmental Other Liabilities (Note 13) is included to the Balance Sheet.

16.1.5. Total Federal Employee and Veterans Benefits Payable. Enter the sum of the totals from Total Pension and Health Benefits and Total Other Benefits in the corresponding columns.

16.1.6. Other Information Pertaining to Federal Employee and Veteran Benefits Payable. Report the minimum disclosures related to pensions and other actuarial liabilities in accordance with ***SFFAS 5***, "Accounting for Liabilities of the Federal Government," and SFFAS 33.

16.1.6.1. Actuarial Cost Method Used. Provide a description of the actuarial cost method used to compute the projected plan benefit cost.

16.1.6.2. Assumptions. Disclose the actuarial, economic, and health care cost trend and discount rate assumptions used to calculate the liability. Refer to SFFAS 5 and SFFAS 33 for discount rate assumptions. Include the statement that the estimated actuarial liability is updated only at the end of each FY.

16.1.6.3. Expense Components. Disclose the individual components of expense for the period.

16.1.6.4. Fair Value of Investments. Disclose the fair value of investments in market-based and marketable securities.

16.1.6.5. Changes. Disclose the changes in actuarial liability since the previous calculation and provide a brief summary of the program(s) for which actuarial liabilities are computed.

16.2 Reconciliation of Beginning and Ending Liability Balances for Federal Employee and Veteran Benefits Payable

Provide a reconciliation of the changes in actuarial liabilities from beginning and ending balances. SFFAS 33 requires the display of the components of pension expense, as well as the gains and losses from changes in long-term assumptions used to estimate liabilities for federal employee pensions, other retirement benefits, and other post-employment benefits including a discount rate assumption.

16.3 Reporting

Report actuarial liability data related to normal cost liabilities, interest costs, plan amendment liabilities, actuarial (gains)/losses, and benefit outlays. Report actuarial liability data according to the following categories: Military Retirement Pensions, Military Pre Medicare-Eligible Retiree Health Benefits, Military Medicare-Eligible Retiree Health Benefits, and Other (Voluntary Separation Incentive Programs, and DoD Education Benefits Fund).

*16.4 Liability for Unpaid Insurance Claims

Report the changes in the liability balance for unpaid insurance claims, including incurred-but-not-reported.

*16.5 Insurance Programs

SFFAS 51, "Insurance Programs," requires disclosure of insurance program information. Reporting entities must recognize revenues, expenses, and liabilities in accordance with categories identified in SFFAS 51.

17.0 NOTE 14. ENVIRONMENTAL AND DISPOSAL LIABILITIES

*17.1 General Information

Present environmental liabilities in accordance with OMB Circular A-136, corresponding policy guidance presented in Volume 4, Chapter 13, and instructions provided in this section. Include a reference to Note 17 if non-legal environment and disposal contingencies are disclosed in Note 17.

17.1.1. Environmental Liabilities. An environmental liability is a future outflow or expenditure of resources that exist as of the financial reporting date for environmental cleanup, closure, and/or disposal costs resulting from past transactions or events. A DoD environmental liability exists when: (1) contamination is present or likely to be present; (2) environmental cleanup, closure, and/or disposal is required by applicable federal, state, interstate, or local requirements or an authorized legal agreement such as a lease, contract, or international agreement; and (3) the operations that created the liability are DoD related. An environmental liability may also exist if

environmental contamination is not DoD related, but DoD enters into a binding agreement that formally accepts financial responsibility for cleanup, closure, and/or disposal.

17.1.1.1. Environmental liabilities cost estimates consider, on a current cost basis, the anticipated costs of the level of effort required for remediating environmental cleanup sites, in compliance with associated environmental legal and regulatory requirements, and estimated environmental costs associated with the future closure of operations, including closure and disposal of PP&E.

17.1.1.2. Base such cost estimates on the current technology available. The estimated liability may be a specific amount or a range of amounts. If some amount within the range is considered a better estimate than any other estimate, use that amount. If no amount within a range is considered a better estimate than the other estimates, use the minimum amount in the range, and disclose the range under the note narrative.

17.1.1.2.1. Base the amount reported on site level investigations and characterizations. Base any estimate produced on site-specific information and cost models validated in accordance with ***DoDI 5000.61***, "DoD Modeling and Simulation (M&S) Verification, Validation, and Accreditation (VV&A)."

17.1.1.2.2. As investigation at a specific site proceeds, the estimate is refined and reported as appropriate. If a site (Site "A") is similar to another site (Site "B") for which valid cost estimates have been derived (through site level investigation and characterization), the estimate for recognizing a liability for the site (Site "A") could be based on the valid cost estimate for the similar site (Site "B"). Additionally, the estimated cost of a future study (if required) must be recognized. If there is no comparable site, then the remediation cost for the site (Site "A") is not considered reasonably estimable at this time, but the anticipated cost of conducting a future study plus any other required costs must be recognized.

17.1.1.2.3. Disclose all methods used to estimate the costs (including the number of sites and costs estimates derived using data from similar sites) in a note narrative, as well as any elements that could not be estimated.

17.1.2. Non-Federal Environmental Liabilities. All environmental liabilities are non-federal liabilities.

17.1.2.1. Accrued Environmental Restoration Liabilities. Accrued Environmental Restoration (cleanup) Liabilities represent the cost to correct past environmental problems funded from the Environmental Restoration Accounts in accordance with ***DoD Manual 4715.20***, "Defense Environmental Restoration Program (DERP) Management," and Volume 4, Chapter 13. Environmental restoration activities may be conducted at operating installations and Formerly Used Defense Sites (FUDS), and other than operational ranges. Site inventory and estimated cost data prepared for the ***Defense Environmental Programs Annual Report to the Congress*** is the baseline for environmental restoration (cleanup) liability measurement (e.g., the current cost to acquire the required services).

17.1.2.1.1. Active Installations-Installation Restoration Program (IRP) and Building Demolition and Debris Removal (BD/DR). Environmental liabilities associated with remedial actions eligible for funding under DoD Manual 4715.20. Report cleanup costs not eligible for DERP funding on the Environmental Corrective Action line. These remedial actions may address:

17.1.2.1.1.1. Hazardous substances, pollutants, and contaminants as defined in the "Comprehensive Environmental Response, Compensation and Liability Act" (***CERCLA***);

17.1.2.1.1.2. Hazardous waste or hazardous constituents addressed under the "Resource Conservation and Recovery Act" (***RCRA***) corrective action process or other federal or state statutes and regulations;

17.1.2.1.1.3. Military munitions (e.g., Unexploded Ordnance (UXO) or Waste Military Munitions (WMM)), chemical residues from military munitions, and munitions scrap at locations other than operational ranges associated with an active installation, when the environmental restoration activity is incidental to the IRP environmental restoration activity; or

17.1.2.1.1.4. BD/DR, which is the demolition and removal of unsafe buildings and structures at facilities or sites owned by, leased to, or otherwise possessed by the United States and under the jurisdiction of the Secretary of Defense. For additional information, refer to the ***Management Guidance for the DERP*** (Chapters 6 and 7) for program category definitions and funding eligibility criteria, respectively.

17.1.2.1.2. Active Installations-Military Munitions Response Program (MMRP). Environmental liabilities associated with the MMRP category defined as response actions (e.g., the identification, investigation, and removal actions, remedial actions, or a combination of removal and remedial actions) to address military munitions (e.g., UXO or WMM) or the chemical residues of munitions at locations other than operational ranges. The contamination may include munitions, chemical residues from military munitions and munitions scrap at ranges other than operational ranges associated with active installations that pose a threat to human health or the environment. Refer to the Management Guidance for the DERP (Chapters 6 and 7) for more details on the definition of the MMRP category and funding eligibility criteria, respectively.

17.1.2.1.3. Formerly Used Defense Sites - IRP and BD/DR. Properties that meet the FUDS eligibility criteria described in the Management Guidance for the DERP. Include only those projects that address DoD hazardous, toxicological, and radiological waste (HTRW) and containerized HTRW (e.g., storage tanks).

17.1.2.1.3.1. Include the environmental response actions related to hazardous substances (as defined in the CERCLA), pollutants or contaminants (as defined in the CERCLA), and DoD-unique materials. Report liabilities associated with remediation of contamination from non-munitions activities. The BD/DR program category is defined as the

demolition and removal of unsafe buildings and structures at facilities or sites that are or were owned by, leased to, or otherwise possessed by the United States and under the jurisdiction of the Secretary of Defense.

17.1.2.1.3.2. For additional detail, refer to the Management Guidance for the DERP (Chapters 6 and 7) for program category definitions and funding eligibility criteria, respectively.

17.1.2.1.4. Formerly Used Defense Sites - MMRP. Properties that meet the FUDS eligibility criteria described in the Management Guidance for the DERP. This represents the environmental liabilities associated with the identification, investigation, and removal or remedial actions (or a combination of removal and remedial actions) to address military munitions (e.g., UXO or WMM), chemical residues from military munitions, and munitions scrap for those sites that are FUDS eligible.

17.1.2.2. Other Accrued Environmental Liabilities – Non-Base Realignment and Closure (BRAC). Costs to remediate cleanup sites that are not eligible for funding under the DERP. Other accrued environmental liabilities also include environmental costs associated with the future closure of operations, including closure and disposal of PP&E.

17.1.2.2.1. Although hazardous waste cleanup and disposal activities are normally thought of as a cost of ongoing operations, associated activities remain a liability if not disposed of or cleaned up by the financial reporting date. Thus, environmental conditions that result from current operations and require immediate cleanup, e.g. an oil spill or routine hazardous waste disposal, are not considered environmental liabilities and will be recognized as a current operating expense, assuming the DoD Component completes the cleanup, closure, and disposal action in the current reporting period.

17.1.2.2.2. The following subparagraphs describe in more detail the categories of liabilities, as well as the applicable lines.

17.1.2.2.2.1. Environmental Corrective Action. Environmental liabilities associated with the cleanup sites not eligible for funding under the DERP, typically conducted under RCRA or other federal or state statutes and regulations. Include environmental liabilities associated with the identification, investigation, and removal and remedial actions to address the munitions discharge migrating off the military range or a formal decision to close the range occurs.

17.1.2.2.2.2. Environmental Closure Requirements. Environmental liability associated with the future closure/ decommissioning of facilities on an active installation that have environmental closure requirements. Examples include the future costs associated with closing a solid waste landfill, wastewater treatment plant, fuel storage tanks, or permit requirements associated with treatment, storage and disposal facilities, and open burn-open detonation sites.

17.1.2.2.2.3. Asbestos. Environmental liabilities associated with the removal, containment, and/or disposal of friable (immediate health threat) and non-friable (not an immediate health threat): (1) asbestos-containing materials from property, or (2) material and/or property that consists of asbestos-containing material at permanent or temporary closure or shutdown of associated PP&E on non-BRAC installations.

17.1.2.2.2.4. Non-Military Equipment. Environmental liabilities related to non-military equipment.

17.1.2.2.2.5. Other. Environmental liabilities not covered by the preceding lines.

17.1.2.3. Base Realignment and Closure Installations. The cost to address environmental cleanup at bases that are realigning or closing. These liabilities can be from past activities that are part of DERP or from activities not covered by DERP.

17.1.2.3.1. IRP. Environmental liabilities associated with remedial actions eligible for funding under the DERP. Report all BRAC cleanup costs not eligible for DERP funding on the Environmental Corrective Action/Closure Requirements line. These remedial actions may address:

17.1.2.3.1.1. Hazardous substances, pollutants, and contaminants as defined in the CERCLA;

17.1.2.3.1.2. Hazardous waste or hazardous constituents addressed under the RCRA corrective action process or other federal or state statutes and regulations; and

17.1.2.3.1.3. Military munitions (e.g., UXO or WMM), chemical residues from military munitions, and munitions scrap at BRAC installations, when the environmental restoration activity is incidental to the IRP environmental restoration activity.

17.1.2.3.2. MMRP. Environmental liabilities associated with the MMRP that are defined as response actions (e.g., the identification, investigation, and removal actions, remedial actions, or a combination of removal and remedial actions) to address military munitions (e.g., UXO or WMM) or the chemical residues of munitions at locations other than operational ranges. The contamination may include munitions, chemical residues from military munitions, and munitions scrap at BRAC Installations (e.g., MMRP that pose a threat to human health or the environment). Refer to the Management Guidance for the DERP for more details on the definition of the MMRP category and funding eligibility criteria, respectively.

17.1.2.3.3. Environmental Corrective Action/Closure Requirements. Environmental liabilities associated with cleanup sites not eligible for funding under the DERP, typically conducted under RCRA or other federal or state statutes and regulations. Also include the environmental liability associated with the future closure of facilities that have environmental closure requirements. Examples include the future costs associated with closing a solid waste

landfill, waste water treatment plant, fuel storage tanks, or permit requirements associated with treatment, storage and disposal facilities, and open burn-open detonation sites.

17.1.2.3.4. Asbestos. Environmental liabilities associated with the removal, containment, and disposal of friable (immediate health threat) and non-friable (not an immediate health threat). The environmental liability includes: (1) asbestos-containing materials from property, or (2) material and property that consist of asbestos-containing material at permanent or temporary closure or shutdown of associated PP&E on BRAC installations.

17.1.2.4. Environmental Disposal for General Equipment/Weapons Programs. Environmental disposal liabilities related to the final disposition of general equipment on non-BRAC installations. Report the environmental disposal liabilities by the following line items:

17.1.2.4.1. Nuclear Powered General Equipment/Spent Nuclear Fuel. Environmental disposal liabilities related to nuclear powered general equipment and used fuel.

17.1.2.4.2. Non-Nuclear Powered General Equipment. Environmental disposal liabilities related to the non-nuclear powered general equipment and used fuel.

17.1.2.4.3. Other Weapon Systems. Environmental liabilities not covered in the preceding lines.

17.1.2.5. Chemical Weapons Disposal Program. Environmental remediation and disposal liabilities related to chemical agents. Report the environmental and disposal liabilities by the following line items:

17.1.2.5.1. Chemical Demilitarization – Chemical Materials Agency. Liabilities associated with the disposal of chemical constituents of military munitions, including the chemical byproducts of detonation, deflagration, or other reactive processes. These constituents are unconsumed explosives (even in trace concentrations) from the detonation of military munitions, explosives released by the structural compromise of unfired WMM, and chemical agents released from chemical munitions.

17.1.2.5.2. Chemical Demilitarization – Assembled Chemical Weapons Alternatives. Liabilities associated with assembled chemical weapons alternatives. Assembled chemical weapons alternatives refer to weapons that contain a chemical agent in addition to explosives, propellant, and packaging materials. Examples include rockets, projectiles, and bombs.

17.1.3. Other Information Related to Environmental Liabilities. Provide the narrative disclosures as outlined; each section will have captions so the disclosures are readily segregated.

17.1.3.1. Applicable Laws and Regulations of Cleanup, Closure, and/or Disposal Requirements. DoD Components must address each of the applicable laws and regulations that are the source of their environmental liabilities. DoD is required to clean up contamination resulting from past waste disposal practices, leaks, spills, and other past activities, which have

created a public health or environmental risk. DoD does this in coordination with regulatory agencies, and if applicable, with other responsible parties. Reference Volume 4, Chapter 13 for examples of relevant laws and regulations for consideration and discussion.

17.1.3.1.1. The Department is also required to recognize closure and post-closure environmental costs for its General PP&E and environmental corrective action costs for current operations. Each of the Department's major reporting entities is responsible for tracking and reporting all required environmental information related to environmental restoration costs, other accrued environmental costs, environmental disposal costs of weapons systems, and environmental costs related to the BRAC actions.

17.1.3.2. Methods for Assigning Total Cleanup Costs to Current Operating Periods.

17.1.3.2.1. DoD Components must provide the method for assigning the estimated total cleanup, closure, and disposal costs to the current operating periods. DoD Components must not confuse this with how they budget for the liabilities. The Department policy is to comply with the accounting standards.

17.1.3.2.2. The Department uses engineering estimates and independently validated models to estimate environmental costs. The models are contained within the applications such as Remedial Action Cost Engineering Requirements System. The Department validates the models in accordance with DoDI 5000.61 and primarily uses the models to estimate the liabilities based on data received during a preliminary assessment and initial site investigation.

17.1.3.2.2.1. The Department primarily uses engineering estimates after obtaining extensive data during the remedial investigation/feasibility phase of the environmental project. Once the environmental cost estimates are complete, the Department complies with accounting standards to assign costs to current operating periods. The Department has already expensed the costs for cleanup associated with General PP&E placed into service prior to October 1, 1997 unless the costs are to be recovered through user charges. When recovering costs through user charges, the Department expenses the portion of the asset life that has passed since the General PP&E was placed into service and systematically recognizes the remaining cost over the life of the assets.

17.1.3.2.2.2. For General PP&E placed into service after September 30, 1997, the Department expenses the associated environmental costs systematically over the life of the asset. The Department expenses the full cost to cleanup contamination for stewardship PP&E at the time the asset is placed into service. The Department uses two methods for systematic recognition: physical capacity for operating landfills and life expectancy in years for all other assets.

17.1.3.3. Provide a Description of the Types of Environmental and Disposal Liabilities Identified. Provide a general statement describing the types of their environmental and disposal liabilities.

17.1.3.4. Nature and Possible Changes in Estimated Cleanup Costs. Identify any environmental liabilities that they know may change due to inflation, deflation, technology, plans, and/or pending changes to applicable laws and/or regulations. If no known changes are pending, DoD Components must state that they are not aware of any pending changes but the liabilities can change in the future due to changes in laws and regulations, changes in agreements with regulatory agencies, and advances in technology.

17.1.3.5. Provide a Description of the Level of Uncertainty Regarding the Accounting Estimates Used to Calculate the Reported Environmental Liabilities. Provide a detailed description of the uncertainties regarding estimates of significant situations (e.g., BRAC closures, environmental related disposals, ranges, chemical agents, and munitions). The disclosure includes a general statement followed with the specific details known about the uncertainties.

17.1.3.6. Unrecognized Costs. Provide the unrecognized portion of the estimated total cleanup, closure, or disposal costs associated with General PP&E. For General PP&E placed in service on or after October 1, 1997, DoD Components systematically recognize the liability over the useful life of the assets. The unrecognized portion of the total cleanup must equal the estimated total cleanup costs less the amount recognized on the financial statements. Refer to Volume 4, Chapter 13 for further information on General PP&E requiring systematic recognition of the environmental liability.

17.1.3.7. Asbestos-Related Cleanup Cost. Provide the recognized liability for friable and non-friable asbestos cleanup costs.

17.1.3.8. Other Disclosures. DoD Components provide any other information they believe material to the users of the financial statements.

17.2 Other Information

Non-legal contingent environmental and disposal liabilities should be included within the Environmental and Disposal Liabilities. Legal refers to those contingencies and contingent liabilities that are reported in the legal letter and/or management schedule whereas non-legal refers to those contingencies and contingent liabilities that are not included in the legal letter or management schedule.

18.0 NOTE 15. OTHER LIABILITIES

18.1 General Information

Present Other Liabilities are not included elsewhere on the Balance Sheet. For FY 2023, both funded and unfunded accrued employee annual leave will be reported in Federal Employee and Veterans Benefits Payable.

*18.2 Reporting

18.2.1. General Guidance on Other Liabilities

18.2.1.1. Other Liabilities include, but are not limited to, grants payable; insurance and guarantee program; advances from others and deferred revenue; deposit fund amounts held in escrow; contingent liabilities; contract holdbacks; and resources payable to the U.S. Treasury and other accrued liabilities.

18.2.1.2. Report all contingent liabilities within Other Liabilities. The amount reported (recognized) on the Balance Sheet is the total amount of the estimated probable loss. Refer to OMB Circular A-136 for policy on recognizing contingent liabilities. Examples of claims or other contingencies include: (a) indemnity agreement reimbursements due to licensees or contractors for losses incurred in support of federal activities; (b) adjudicated claims against the Federal Government that are in the process of judicial proceedings; and (c) the unfunded portion of total liabilities to international institutions.

18.2.1.3. Current liabilities represent debt due for payment within 12 months or less of the Balance Sheet date. Noncurrent liabilities represent debt that is due for payment beyond 12 months from the Balance Sheet date.

18.2.2. Intragovernmental. Report all intragovernmental other liabilities. Report current separately from the noncurrent portion of the liability. The following liabilities are to be reported within Intragovernmental Other Liabilities.

18.2.2.1. Disbursing Officer Cash.

18.2.2.2. Liabilities for Non-Entity Assets.

18.2.2.3. Subtotal. Sum the preceding lines. This is specific to DoD for presentation purposes.

18.2.2.4. Other Liabilities reported on Note 13, Federal Employee and Veteran Benefits Payable. Present the Other benefits-related payables included in Intragovernmental Other Liabilities on the Balance Sheet from Note 13. This is specific to DoD for presentation purposes and to illustrate the reconciliation to the Balance Sheet and Note 13.

18.2.2.5. Total Intragovernmental. The amounts must equal the amount reported on the Balance Sheet.

18.2.3. Other than Intragovernmental. Report Other than Intragovernmental. Report current separately from the noncurrent portion of the liability. The following liabilities are to be reported within Other than Intragovernmental Liabilities.

18.2.3.1. Accrued Funded Payroll and Benefits.

18.2.3.2. Deposit Funds and Suspense Accounts.

18.2.3.3. Non-environmental Disposal Liabilities. Breakout the categories used to report non-environmental disposal liabilities as follows: (a) Military Equipment (Non-nuclear); (b) Excess/Obsolete Structures; and (c) Conventional Munitions Disposal.

18.2.3.4. Contract Holdbacks.

18.2.3.5. Contingent Liabilities.

18.2.3.6. Other Liabilities without Related Budgetary Obligations. The amounts represent unfunded liabilities for which Congressional action is needed before budgetary resources can be provided.

18.2.3.7. Other Liabilities with Related Budgetary Obligations. The amounts of liabilities for which there is a related budgetary obligation.

18.2.3.8. Total Other than Intragovernmental Liabilities. The amounts must equal the amount reported on the Balance Sheet.

18.2.4. Advances from Others and Deferred Revenue. Report separately intragovernmental and other than intragovernmental amounts received for goods or services to be delivered or performed in the future and reflect amounts not yet earned.

18.2.5. Other Information Pertaining to Other Liabilities. Report other information relevant to other liabilities that is not in the categories.

*19.0 NOTE 16. LEASES

19.1 General Information

Entity as Lessee and Entity as Lessor are the two major categories of Leases. OMB Circular A-136 guidance for this note schedule reflect future payment disclosure requirements for five FYs and then all remaining payments due in later years (after five years). While this OMB Circular A-136 presentation is appropriate for end of year reporting, quarterly reporting requires an additional line for payments due in the remaining current FY and will result in the reporting of six FYs during quarters one through three, instead of the five FYs displayed in OMB Circular A-136. Reporting requirements for Leases is anticipated to significantly change for periods beginning after September 30, 2023 in accordance with SFFAS 54, *Leases: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government and SFFAS 6, Accounting for Property, Plant, and Equipment.*

19.2 Entity as Lessee Assets Under Capital Lease

Report the Assets under Capital Lease by categories of land and buildings and machinery and equipment with the related accumulated amortization.

19.2.1. Entity as Lessee – Assets Under Capital Lease. By major category of asset, report the gross assets under capital lease and the total accumulated amortization. Sum the preceding lines.

19.2.2. Description of Lease Arrangements. Disclose any additional information related to assets under capital leases.

19.3 Entity as Lessee for Federal and Non-Federal Future Payments Due for Capital Leases

Present capital lease liabilities for the current and prior FY in accordance with the instructions provided. Federal and Non-Federal leases must be presented separately.

19.3.1. Future Payments Due. Report the future lease payments, by major category for all non-cancelable leases with terms longer than 1 year. Disclose CY federal and non-federal leases separately. PY lease amounts do not need to be disclosed separately.

19.3.2. Less: Imputed Interest. Report the imputed interest.

19.3.3. Less: Executory Costs. Report the executory costs.

19.3.4. Capital Lease Liabilities Covered by Budgetary Resources versus Not Covered by Budgetary Resources. Separately disclose the portions of the capital lease liability covered by budgetary resources and not covered by budgetary resources. (Refer to Appendix B of the OMB Circular A-11 for additional guidance, but notice a difference in terminology. The term "capital leases" as used in this volume includes "capital leases and lease purchases").

19.3.5. FY Information. For quarterly reporting, report the payments remaining for the current FY (e.g., FY 2023) on the first line.

19.4 Entity as Lessee for Federal and Non-Federal Future Payments Due for Non-Cancelable Operating Leases

19.4.1. Description of Operating Lease Arrangements. Report information that would disclose the level of the reporting entity's funding commitments, which include the following items in the disclosure: the major asset categories and associated lease terms; existence and terms of renewal options; escalation clauses; contingent rental restrictions imposed by lease agreements; deviations from the standard lease terms; and the lease period. Disclose CY federal and non-federal leases separately.

19.4.2. Future Payments Due for Non-Cancelable Operating Leases. Enter future lease payments, by major category, for all irrevocable leases with terms longer than one year.

19.5 Entity as Lessor for Federal and Non-Federal Future Projected Receipts for Capital Leases

Report the Capital Leases for future projected receipts as the lessor for federal and non-federal activities separately. Also, include a description of the lease arrangements.

19.6 Entity as Lessor for Federal and Non-Federal Future Projected Receipts for Non-Cancelable Operating Leases

Report the Non-Cancelable Operating Leases by category for future projected receipts as the lessor for federal and non-federal activities separately. Also, include a description of the lease arrangements.

20.0 NOTE 17. COMMITMENTS AND CONTINGENCIES

20.1 General Information

A loss contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible loss to an entity. The uncertainty should ultimately be resolved when one or more future events occur or fail to occur. The likelihood that the future event or events will result in the loss or the incurrence of a liability can range from probable to remote. SFFAS 5, as amended by ***SFFAS 12***, "Recognition of Contingent Liabilities Arising from Litigation: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government," contains the criteria for recognition and disclosure of contingent liabilities. It provides an exception to the contingent liability standard for recognizing loss contingencies on matters of pending or threatened litigation and unasserted claims. Refer to TFM Volume 1, Part 2, Chapter 4745 for disclosures related to legal contingencies. Also, reference Chapter 2 and Volume 4, Chapter 12.

20.2 Disclosures

20.2.1. Disclosure versus Recognition of Contingent Liabilities. Disclose contingent liabilities that do not meet the criteria provided in paragraph 20.2.2. for recognition on the books of a reporting entity. Record the contingent liabilities that meet the recognition criteria on the books of the reporting entity and include the contingent liabilities on the applicable liability line(s) of the Balance Sheet (e.g., Environmental and Disposal Liabilities; and Other Liabilities) and in notes, as appropriate.

20.2.2. Criteria for Disclosure of a Contingent Liability. Disclose contingent liabilities if any of the conditions for liability recognition are not met and there is at least a reasonable possibility that a loss or an additional loss may have been incurred. Disclosure in this context refers to the reporting information in notes regarded as an integral part of the basic financial information.

20.2.3. Required Disclosures. Include contingent liabilities that meet the criteria for disclosure:

20.2.3.1. Each reporting entity reviews its financial processes, systems, and data and modifies or expands, as necessary. The disclosure statement is a complete and accurate representation of contingent liabilities. An example of the disclosure statement is: "The reporting entity is a party in various administrative proceedings and legal actions, and claims. The Balance Sheet includes an estimated liability for those legal actions where the management and General

Counsel consider adverse decisions "probable" and the amount of loss is measurable. In the event of an adverse judgment against the Government, some of the liabilities may be payable from the Judgment Fund. The reporting entity records Judgment Fund liabilities in Note 15, "Other Liabilities." Refer to Note 15 for details."

20.2.3.2. Disclose the nature of the contingency and an estimate of the possible liability, an estimate of the range of the possible liability, or a statement that such an estimate cannot be made. Amounts disclosed for litigation claims and assessments are fully supportable and must agree with the reporting entity's legal representation letters and management schedule of information.

20.2.3.3. Disclose amounts for potential future financial obligations, such as contractual arrangements including fixed price contracts with escalation, price redetermination, or incentive clauses; contracts authorizing variations in quantities; and contracts where allowable interest may become payable based on contractor claims under the "Disputes" clause contained in contracts. Amounts disclosed represent future potential liabilities and do not include amounts already recognized as contingent liabilities in Note 15. Disclose the estimated range of loss, lower and upper ends.

20.2.3.4. In addition to the contingent liability disclosures required, OMB requires the following disclosures: (1) an estimate of obligations related to cancelled appropriations for which the reporting entity has a contractual commitment for payment, and (2) amounts for contractual arrangements that may require future financial obligations.

20.2.3.5. Disclose any other applicable contingencies, along with additional information to clarify the nature of the contingency. If a contingent liability has been recognized for all or part of the item(s), disclose it in Note 15, and do not include in Note 17.

20.2.3.6. For reporting entities that are unable to disclose contingencies related to specific contracts, disclose that the reporting entity "is a party in numerous individual contracts that contain clauses, such as price escalations, award fee payments, or dispute resolution, that may or may not result in the future outflow of budgetary resources.

21.0 NOTE 18. FUNDS FROM DEDICATED COLLECTIONS

21.1 General Information

21.1.1. Funds from dedicated collections are financed by specifically identified revenues, provided to the government by non-federal sources, often supplemented by other financing sources, and which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits, or purposes, and must be accounted for separately from the Federal Government's general revenues. Refer to OMB Circular A-136 for required criteria for recognizing funds from dedicated collections.

21.1.2. SFFAS 43 contains policy for reporting dedicated collections. SFFAS 43 clarifies that at least one source of funds must be external to the Federal Government for a fund to qualify

as a fund from dedicated collections. It explicitly excludes any fund established to account for pensions, other retirement benefits, other post-employment benefits or other benefits provided for federal employees (civilian and military).

21.1.3. If more than one component entity is responsible for carrying out the program financed with revenues and other financing sources that are dedicated collections, and the separate portions of the program can be clearly identified with a responsible component entity, then each component entity reports its portion in accordance with the requirements of SFFAS 43. If separate portions cannot be identified, the component entity with program management responsibility reports the fund. Refer to the DFAS Financial Reporting Guidance for required disclosures for each individually reported fund from dedicated collections, or portion thereof, for which a component entity has program management responsibility.

21.2 Reporting

21.2.1. The note schedule must present the Balance Sheet, SNC, and SCNP for current FY and prior FY. The table must present separate columns for the Dedicated Collection Funds, Other Funds from Dedicated Collections, Total Funds from Dedicated Collections (Combined), Eliminations between Dedicated Collection Funds, and Total Funds from Dedicated Collections (Consolidated). For the Balance Sheet, Federal and Non-Federal amounts must be disclosed separately and the line titles that are used for the principal financial statements must be used.

21.2.2. Report all eliminations between funds from dedicated collections and other funds within the reporting entity. If a Component entity reports a different portion of a fund from dedicated collections than it reported in prior FYs, it will not restate its prior FY financial statements, but disclose the change in the note. This applies if a DoD Component entity does not report a fund from dedicated collections, or a portion thereof, that it reported in the previous year.

22.0 NOTE 19. GENERAL DISCLOSURES RELATED TO THE STATEMENT OF NET COST

22.1 General Information

Disclose information related to the SNC. If the SNC displays highly aggregated program information, disclose costs and revenue to support the SNC.

22.1.1. Gross Cost. Costs that arise from exchange transactions made with the public or another Government entity. The effects of intra-entity business transactions are eliminated from reporting entity statements in order to prevent overstating costs. Gross Cost must agree with the amount reported on the SNC.

22.1.2. Earned Revenue. Earned or exchange revenues that arise when an entity provides goods or services to the public or another Governmental entity for a price. The effects of intra-entity business transactions are eliminated from reporting entity statements in order to prevent overstating revenue. Earned Revenue must agree with the amount reported on the SNC.

22.1.3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits. Losses and gains from actuarial assumption changes for military retirement benefits reported for Military Retirement Benefits; Operations, Readiness and Support; and on the Consolidated line.

22.1.4. Net Program Costs. Cost incurred (Gross Cost), less any exchange revenues earned, plus or minus the losses or gains from actuarial assumption changes for military retirement benefits. This amount must agree with the amount reported on the SNC, SCNP, and Reconciliation of Net Cost to Net Outlays.

22.1.5. General Disclosures

22.1.5.1. Disclose that public costs and revenues are exchange transactions made between the reporting entity and a non-federal entity. For public earned revenue, the buyer of the goods or services is a non-federal entity. For intragovernmental costs, the seller is a federal entity. If a federal entity purchases goods or services from another federal entity and sells them to the public, classify the exchange revenue as public, but classify the related costs as intragovernmental. The purpose of this classification is to enable the Federal Government to provide consolidated financial statements, and not to match public and intragovernmental revenue with costs incurred to produce public and intragovernmental revenue.

22.1.5.2. Reporting entities who are unable to track customer information at the transaction level must make additional disclosures. Disclose that many of the reporting entity's systems do not track intragovernmental transactions by customer at the transaction level. Expenses were adjusted by [cite methodology]: (1) reclassifying amounts between federal and non-federal expenses; or (2) accruing additional accounts payable and expenses. See Chapter 13 for additional information on intragovernmental reconciliations and eliminations.

22.2 Other Disclosures

22.2.1. Cost Disclosure Specific to General Funds. Disclose, if applicable, that the reporting entity does not meet specific accounting standards and that information presented is based on budgetary obligations, disbursements, and collection transactions, as well as nonfinancial feeder systems adjusted to record known accruals for major items such as payroll expenses, accounts payable, and environmental liabilities.

22.2.2. Cost Disclosure Specific to Working Capital Fund (WCF). Disclose, if applicable, that the reporting entity does not meet specific accounting standards. Each reporting entity reviews its financial processes, systems, and data and discloses, if applicable, that while the WCF generally records transactions on an accrual basis, the systems do not always capture actual costs in a timely manner. Information presented on this statement is primarily based on budgetary obligation, disbursement, or collection transactions, as well as information from nonfinancial feeder systems.

22.2.3. Inter-entity Costs. Refer to ***SFFAS 55***, "Amending Inter-entity Cost Provisions," for disclosure requirements related to inter-entity costs.

23.0 NOTE 20. DISCLOSURES RELATED TO THE STATEMENT OF CHANGES IN NET POSITION

23.1 General Information

Disclose information related to the SCNP. The SCNP reports the change in net position during the reporting period, which results from changes in Unexpended Appropriations and Cumulative Results of Operations.

23.2 Consolidating Net Position

Present funds from dedicated collections on a consolidated basis. Summarize the elimination of intradepartmental activity between funds from dedicated collections and all other fund types to arrive at the consolidated totals presented on the Balance Sheet and the Financial Report of the U.S. Government. See Note 18, "Funds from Dedicated Collections," for additional information on reporting dedicated collections balances.

23.3 Reconciliation of Appropriations on the SBR to Appropriation Received on the SCNP

The Appropriations Received line item on the SCNP will not agree with the Appropriations line item on the SBR due to differences between proprietary and budgetary accounting concepts and reporting policies. Present a table identifying the differences and amounts needed to reconcile the two reports.

*23.4 Reporting

23.4.1. Appropriations, SBR. Include the appropriation amount as reported on the SBR.

23.4.2. Permanent and Temporary Reductions. Report items reported as permanent and temporary reductions to the appropriations balance reported on the SBR.

23.4.3. Trust and Special Funds Receipts. Report Trust and Special Funds not reported as reductions or additions to the appropriations received balance on the SCNP.

23.4.4. Miscellaneous Items. Report miscellaneous items not reported in this section as reductions or additions to the appropriations received balance on the SCNP.

23.4.5. Total Reconciling Differences. Report the Appropriations, SBR less the reporting categories in this section to arrive at the Appropriations Received, SCNP.

23.4.6. Appropriation Received, SCNP. Report the Appropriations Received from the SCNP.

23.4.7. Other Information. Discuss other information to help the user understand the SCNP.

24.0 NOTE 21. DISCLOSURES RELATED TO THE STATEMENT OF BUDGETARY RESOURCES

24.1 Net Adjustments to Unobligated Balance, Brought Forward, October 1

Disclose and explain material adjustments impacting the SBR unobligated beginning balance. If the adjustment represents a correction of a material error, and the earliest period presented is not the period in which the error occurred, and the cumulative effect is attributable to prior periods, report the cumulative effect as a prior period adjustment. If the period is presented on the financial statements, report the adjustment in the earliest affected period presented by correcting any individual amounts on the financial statements.

24.2 Terms of Borrowing Authority Used

Disclose repayment requirements, financing sources for repayment, and other terms of borrowing authority used.

24.3 Available Borrowing/Contract Authority, End of Period

Disclose the amount of borrowing and contract authority available at the end of the reporting period for the current and prior FY.

24.4 Undelivered Orders at the End of the Period

Disclose the amount of budgetary resources obligated for undelivered orders at the end of the period, separately disclosing federal and non-federal with the associated paid and unpaid amounts.

24.5 Legal Arrangements Affecting the Use of Unobligated Balances

Disclose information pertaining to legal arrangements affecting the use of unobligated balances of budget authority, such as time limits, purpose, and obligation limitations.

*24.6 Explanation of Differences between the SBR and the Budget of the U.S. Government

Disclose material differences between the SBR and the Budget of the U.S. Government. Reference OMB Circular A-136 for an illustrative schedule.

24.6.1. Explain the budgetary resources, new obligations, upward adjustments (total), and net outlay amounts from PY SBR and the actual amounts from "***Detailed Budget Estimates by Agency***" found in the Budget Appendix.

24.6.2. Explain the distributed offsetting receipts amount from the PY SBR and the actual amount from the "***Federal Budget by Agency and Account***" found in the Analytical Perspectives of the Budget.

24.6.3. Disclose that the Budget with the actual amounts for the CY will be available at a later date within the President's Budget.

24.7 Contributed Capital

Explain any capital infusion received during the reporting period including the amount, source, and reason for these additional funds.

24.8 Permanent Indefinite Appropriations

Disclose the existence, purpose, and availability of permanent indefinite appropriations.

25.0 NOTE 22. DISCLOSURES RELATED TO INCIDENTAL CUSTODIAL COLLECTIONS

Reporting entities collecting custodial revenues that are incidental to their primary mission may disclose the sources and amount of collections and the amounts distributed to others in the accompanying notes. Disclose information relating to the further understanding of incidental custodial collections.

26.0 NOTE 23. FIDUCIARY ACTIVITIES

26.1 Fiduciary Activities

Disclose the fiduciary assets, liabilities, and inflows/outflows of the reporting entity in accordance with SFFAS 31. Fiduciary activities collect the receipt for cash or other assets in which non-federal individuals or entities have an ownership interest that the Federal Government must uphold. Base the fiduciary relationship on statutory or other legal authority. Fiduciary activities are not recognized on the Balance Sheet, but they are required to be reported on schedules in the notes to the financial statements. Fiduciary activities may involve a variety of transactions including, but are not limited to, cash, investments, other assets, liabilities, inflows, and outflows.

26.2 Exclusions

SFFAS 31 excludes certain transactions from the reporting requirements for fiduciary activities, including but not limited to, unpaid payroll withholdings and garnishments, unearned revenue, operating revenues and expenses, and seized property, including seized monetary instruments. See SFFAS 31 for a list of exclusions.

26.3 Reporting

Reporting on fiduciary activities is required in two notes to the financial statements. Within Note 1, "Significant Accounting Policies," provide a statement that says, "Fiduciary assets are not assets of the Federal Government and are not recognized on the Balance Sheet." In Note 23, provide a description of the fiduciary relationship, such as the applicable legal authority, the

objectives of the fiduciary activity, and a general description of the beneficial owners or class of owners. Also, disclose fiduciary activities in the following schedules by fiduciary funds.

26.3.1. Schedule of Fiduciary Activity. Disclose the beginning balance of net assets; the inflows/outflows from the fiduciary activities by category; the change in net assets; and the ending balance of net assets.

26.3.2. Schedule of Fiduciary Net Assets. Disclose the current and prior period ending balances of assets by category, liabilities by category, and a variance analysis addressing significant changes from the prior period.

26.3.3. Non-monetary Fiduciary Assets. Include a description of the composition of the assets, the method(s) of valuation, and changes (if any) from prior period accounting methods.

26.3.4. Non-Valued Fiduciary Assets. Include a description of non-valued fiduciary assets. These assets may include land held in trust. Component entities holding non-valued fiduciary assets disclose them in a Schedule of Changes in Non-Valued Fiduciary Assets.

27.0 NOTE 24. RECONCILIATION OF NET COST TO NET OUTLAYS

27.1 General Information

Preparers of financial statements perform a detailed reconciliation of net outlays (reported on the SBR) to net cost (reported on the SNC), identifying all applicable reconciling items. Preparers should refer the TFM ***"Budget and Accrual Reconciliation Guidance"*** for detailed guidance on preparing the reconciliation. Budgetary resources reported in this schedule are those resources reported on the SBR and defined in OMB Circular A-11. Other resources reported in this schedule are also reflected in the SCNP.

For Unreconciled Differences report the difference between the Total Net Outlays (SNC) and Agencies, Outlays, Net (SBR).

27.2 Reconciliation Objective

SFFAS 7, "Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting," as amended by ***SFFAS 53***, "Budget and Accrual Reconciliation: Amending SFFAS 7, and 24, and Rescinding SFFAS 22," requires a reconciliation identifying how the reporting entity budgetary resources outlayed during the period relate to the net cost of operations.

27.3 Budgetary to Proprietary Accounting Reconciling Differences

Because different accounting bases are used for budgetary and proprietary accounting, some transactions may appear in only one set of accounts due to legislative requirements or USGAAP (e.g., accrual of unfunded environmental and disposal liabilities that are recorded only in the proprietary records). Furthermore, not all obligations or offsetting collections may result in

expenses or exchange revenue (e.g., purchase of a building is capitalized on the Balance Sheet in the proprietary accounts, but obligated and outlayed in the budgetary accounts).

27.3.1. The reconciliation summarizes differences due solely to budgetary and proprietary accounting. Other differences encountered must be researched and corrected.

27.4 Narrative Disclosures

Report any information that provides a further understanding of the entity's note.

28.0 NOTE 25. PUBLIC-PRIVATE PARTNERSHIPS

28.1 General Information

SFFAS 49, "Public-Private Partnerships: Disclosure Requirements," defines public-private partnerships as risk-sharing arrangements or transactions with expected lives greater than five years between public and private sector entities. "Risk" refers to risk of financial losses beyond the types of costs anticipated in the normal course of the agreement, assuming the agreement is carried out over its expected life.

28.2 Reporting

28.2.1. Entities involved in public-private partnerships, as defined by SFFAS 49, review the conclusive risk characteristics, and possibly the suggestive risk characteristics, to determine the required disclosures. See paragraphs 20 and 21 of SFFAS 49 for a listing of conclusive and suggestive risk characteristics.

28.2.2. SFFAS 49 exempts certain arrangements or transactions from public-private partnership disclosure requirements. See paragraph 15 of SFFAS 49 for a listing of exempt arrangements and transactions. Such exempt arrangements or transactions are subject to existing disclosure requirements in other SFFAS applicable to such arrangements or transactions.

28.2.3. Refer to OMB Circular A-136 for additional disclosure requirements.

29.0 NOTE 26. DISCLOSURE ENTITIES AND RELATED PARTIES

29.1 General Information

SFFAS 47 instructs preparers of the financial statements in determining what organizations should be included in the reporting entity's financial reports for accountability purposes. SFFAS 47 requires reporting entities to disclose certain information about disclosure entities and related parties.

29.2 Disclosure Entities

Preparers should consider both qualitative and quantitative materiality in determining the information presented regarding disclosure entities. Refer to ***SFFAS 47*** and OMB Circular A-136 for required disclosures.

29.3 Related Parties

Consider organizations related parties if an existing relationship, or one party to the existing relationship, has the ability to exercise significant influence over the other party's policy decisions. Only relationships that would be misleading to exclude information about such relationships warrant disclosure. Refer to SFFAS 47 and OMB Circular A-136 for required disclosures.

*30.0 NOTE 27. SECURITY ASSISTANCE ACCOUNTS

30.1 General Information

This Note is specific to DoD Agency-Wide only. A hyperlink to the Security Assistance Accounts (SAA) AFR is included within the Note.

30.2 Reporting

Disclose in a narrative that DoD has a significant role, and works closely with the U.S. Department of State in the execution of the activities of the SAA, which is budgeted and reported in the ***Title 22, Foreign Relations and Intercourse*** under the purview of the Foreign Relations Committee in Congress. The SAA is a significant reporting entity, and in accordance with SFFAS 47, its stand-alone financial statements are consolidated directly into the U.S. Government-wide financial statements.

31.0 NOTE 28. RESTATEMENTS

31.1 General Information

Disclosure is required when management becomes aware of a potential misstatement due to a material error(s) whether or not the exact amount is known or has been corrected at the time financial statements are prepared. If material misstatements are identified in the prior period financial statements, the entity must explain the material misstatements.

31.2 Disclosures

31.2.1. Where amount of the misstatement is known, the disclosure must include the disclosures identified in ***SFFAS 21,*** "Reporting Corrections of Errors and Changes in Accounting Principles, Amendment of SFFAS 7, Accounting for Revenue and Other Financing Sources" and OMB Circular A-136.

31.2.2. Where management has become aware that a material error has occurred, but the exact amount is not known and/or financial statements have not yet been corrected, include the disclosures required by OMB Circular A-136.

*32.0 NOTE 29. COVID-19 ACTIVITY

32.1 General Information

Entities with a significant amount of budgetary activity associated with responding to COVID-19 must include a separate COVID-19 note. Refer to OMB Circular A-136 for additional disclosure requirements.

Separately disclose amounts from annual and permanent appropriations that were used for COVID, including, as appropriate, the types of budgetary information illustrated in OMB Circular A-136. COVID funds must be designated with the appropriate GTAS Disaster and Emergency Fund Code.

*33.0 NOTE 30. SUBSEQUENT EVENTS

Disclose any significant events or transactions that occurred after the date of the Balance Sheet but before the issuance of the entity's audited financial statements that have a material effect on the financial statements and, therefore, require adjustments to or disclosure in the statements. If such disclosure is made elsewhere in the notes, this note should include references to the applicable note(s).

34.0 NOTE 31. RECLASSIFICATION OF FINANCIAL STATEMENT LINE ITEMS FOR FINANCIAL REPORT COMPILATION PROCESS

34.1 General Information

Disclose information identifying how amounts reported on the AFR for the Balance Sheet, SNC, and SCNP are reclassified for compilation of the FR. This Note is reported at the DoD Agency-Wide level only. DoD Components do not report this Note.

34.2 Reporting

Agency financial statements reflect all agency financial transactions, including transactions with other Government agencies and transactions with the public. The FR includes only the Government's financial transactions with the public; and does not include intragovernmental transactions. Refer to OMB Circular A-136 for disclosure requirements.

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 11: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 6B, CHAPTER 12: "REQUIRED SUPPLEMENTARY INFORMATION"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated February 2021 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Removed generalized narratives that apply to all financial reporting.	Deletion
1.2.2	Added authoritative guidance related to the Statement of Federal Financial Accounting Standards 59, "Accounting and Reporting of Government Land."	Addition
1.3	Added general formatting and reporting requirements.	Addition
4.0	Added land reporting requirements.	Addition

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CHAPTER 12

REQUIRED SUPPLEMENTARY INFORMATION

1.0 GENERAL

1.1 Purpose

This chapter provides the Department of Defense (DoD) policy and guidance for reporting Required Supplementary Information (RSI) to accompany the basic financial statements.

1.2 Authoritative Guidance

1.2.1. Statement of Federal Financial Accounting Standards ***(SFFAS) 42***, "Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29 and 32," establishes the detailed reporting requirements for deferred maintenance and repairs (DM&R) in the RSI.

* 1.2.2. ***SFFAS 59***, "Accounting and Reporting of Government Land" establishes reporting requirements for government land in the RSI.

1.2.3. The Office of Management and Budget ***(OMB) Circular A-136***, "Financial Reporting Requirements," provides overall agency and government-wide financial reporting guidance.

1.2.4. Volume 4, Chapters 24, 25, 26, and 28, provide the guidance for determining which DoD reporting entity is responsible for reporting real property on its financial statements.

*1.3 Format

1.3.1. For specific reporting formats and timing refer to Defense Finance and Accounting Service ***(DFAS) Financial Reporting Guidance***, under the sections titled, Annual and Quarterly Financial Statement Guidance, and 4th Quarter.

1.3.2. Information presented in the RSI must be presented on a comparative basis. When the information is required for the first time, it need not be reported for the prior year.

2.0 DEFERRED MAINTENANCE AND REPAIRS

2.1 Policy

DoD reporting entities are required to report material amounts of DM&R on General Property, Plant, and Equipment (General PP&E) as supplementary information to accompany their annual financial statements. The determination of whether an item is material depends on the degree to which omitting or misstating information about the item makes it probable that the judgment of a reasonable person relying on the information would have been changed or

influenced by the omission or the misstatement. General PP&E related accounting policy and definitions are contained in Volume 4.

2.2 Definition

As defined in SFFAS 42, DM&R are maintenance and repairs (M&R) not performed when required or scheduled and have been delayed for a future period. M&R are activities directed toward keeping fixed assets in an acceptable condition. M&R activities include preventive maintenance; replacement of parts, systems, or components; and other activities needed to preserve or maintain the asset. M&R, as distinguished from capital improvements, exclude activities directed towards expanding the capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater than, its current use. The amounts reported must include both funded and unfunded DM&R, but need not be separately reported as such in the RSI.

2.3 Required Reporting

2.3.1. DM&R reporting must provide beginning and ending balances for the reporting period and narrative information related to the activities. Entities are required to present both qualitative and quantitative information.

2.3.2. In accordance with SFFAS 42, DoD reporting entities, at a minimum, are required to present the following information for all General PP&E regardless of measurement method chosen:

2.3.2.1. Describe M&R policies and how they are applied (i.e., method of measuring DM&R);

2.3.2.2. Discuss how M&R activities are ranked and prioritized among other activities;

2.3.2.3. Identify factors considered in determining acceptable condition standards;

2.3.2.4. State whether DM&R relates solely to capitalized General PP&E and stewardship PP&E or also to non-capitalized or fully depreciated General PP&E;

2.3.2.5. Identify PP&E for which management does not measure and/or report DM&R, and provide the rationale for the exclusion of other than non-capitalized or fully depreciated General PP&E;

2.3.2.6. Provide estimated beginning and ending DM&R balances for each major category of PP&E (i.e., General PP&E; heritage assets; and stewardship land), for which M&R has been deferred;

2.3.2.7. Explain significant changes by category (i.e., general PP&E, heritage assets, and stewardship land) from the prior year.

2.3.3. SFFAS 42 permits the following methods to measure DM&R:

2.3.3.1. Condition assessment surveys, which are periodic visual (i.e., physical) inspections of PP&E to determine their current condition and estimated cost to correct any deficiencies;

2.3.3.2. Life cycle cost forecasts, which are acquisition or procurement techniques that consider operating, maintenance, and other costs in addition to the acquisition cost of assets; or

2.3.3.3. Other methods similar to the condition assessment survey or life cycle cost forecast methods.

2.3.4. SFFAS 42 also requires that condition standards, related assessment methods, and reporting formats be consistently applied unless management determines that changes are necessary. Changes must be accompanied by an explanation documenting the rationale for the change and any related impact on the DM&R estimates.

3.0 DISAGGREGATED STATEMENT OF BUDGETARY RESOURCES

3.1 Format

DoD reporting entities must prepare and report the disaggregated Statement of Budgetary Resources (SBR) as RSI. The format of the disaggregated SBR must follow the format contained in Chapter 7. The major account groupings and the aggregate of smaller budget accounts must, in total, agree with the amounts reported on the face of the reporting entity's SBR. The DoD Agency-Wide SBR must be disaggregated into the following appropriation/fund account groupings: (1) Military Personnel; (2) Procurement; (3) Research, Development, Test, and Evaluation; (4) Family Housing and Military Construction; (5) Military Retirement Benefits; (6) Civil Works; and (7) Operations, Readiness, and Support. Refer to Chapter 7 for additional guidance and detail on the disaggregated SBRs for the various military departments, funds, and other Defense entities.

3.2 Presentation

DoD Agency-Wide disaggregated SBR is presented as two RSI schedules, Combining SBR Budgetary and Combining SBR Non-Budgetary Credit Reform Financing Account. Two presentations allow for easier readability and mapping to the schedule structure based on financial reporting data. The disaggregated SBR is presented separately for both the current year and comparative year.

*4.0 GENERAL PLANT, PROPERTY, & EQUIPMENT, STEWARDSHIP LAND, AND PERMANENT LAND RIGHTS

4.1 Presentation

In accordance with SFFAS 59, DoD reporting entities, at a minimum, are required to present the following information for all General PP&E, Stewardship Land, and Permanent Land Rights disclosures:

4.1.1. Description and its relationship to the entity's mission;

4.1.2. Description of the entity's policies for land. Policies for land are the goals and principles the entity established to guide its acquisition, maintenance, use, and disposal of land consistent with statutory requirements, prohibitions, and limitations governing the entity and the land;

4.1.3. Estimated acreage by predominant use category which includes land and permanent land rights;

4.1.4. Estimated acreage held for disposal or exchange;

4.1.5. Description of the different types of land rights acquired by the entity, whether such rights are permanent or temporary, and amounts paid during the year to maintain such rights; and

4.1.6. Two separate tables are required for General PP&E and Stewardship Land and must include estimated acreage by predominate use categories of Commercial, Conversation and Preservation, and Operational. Refer to OMB Circular A-136 for a table illustration.

VOLUME 6B, CHAPTER 13: "ADJUSTMENTS, ELIMINATIONS, AND RECONCILIATION REQUIREMENTS FOR INTRAGOVERNMENTAL BALANCES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated October 2019 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated Office of Management and Budget Circular hyperlinks.	Revision
1.1	Added language to introduce the term "Federal Program Agencies" and streamline sentences.	Revision
2.0	Renamed section "Fundamental Requirement" (previously "Background").	Revision
3.0	Renamed section "IGT Categories" (previously "Reciprocal Account Transactions"). Added description for each type of Intra-Governmental Transactions (IGT) Category.	Addition
4.0 (previous version)	Removed intragovernmental capitalized purchases. This information is now contained in Buy/Sell, paragraph 3.4.	Deletion
5.0	Consolidated Eliminations (previously subparagraph 5.4) and Elimination of Budgetary Accounts (previously section 6.0) under one Elimination sections, part of Fundamental Requirement Section (previously titled Background)	Revision
6.0	Added new section, highlighting trading partner accounting and communication responsibilities during the reporting period. Moved G-Invoicing (previously subparagraphs 5.1.1, and 5.4.1.1) and Memorandum of Understanding (previously subparagraph 5.4.1.2) to this section. Added phases of G-Invoicing, providing the key points of coordination during the G-invoicing trading process.	Addition
7.0	Consolidated reconciliation sections (previously paragraphs 2.2, 7.0, and 8.0).	Revision
7.2 7.4	Added Common Trading Partner Differences and Advana IGT Toolkit sub-sections to assist with reconciliations.	Addition

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CHAPTER 13

ADJUSTMENTS, ELIMINATIONS, AND RECONCILIATION REQUIREMENTS FOR INTRAGOVERNMENTAL BALANCES

1.0 GENERAL

*1.1 Overview

Intra-Governmental Transactions (IGT) or balances result from business activities conducted between two federal entities or Federal Program Agencies (FPAs). When these transactions occur, these federal entities are called trading partners. The accurate reporting of reciprocal balances, and proper elimination of reciprocal activity between trading partners, requires accurate documentation of accounting events. Imbalances occur when trading partners are unable to account for and reconcile differences among each other.

1.2 Purpose

This chapter provides general instructions for trading partner exchange of data, eliminating intragovernmental transactions from the Department of Defense (DoD) quarterly and annual financial statements, and providing elimination information to the Department of the Treasury (Treasury) for use in preparing the Governmentwide financial statements.

1.3 Authoritative Guidance

Volume 1, Part 2, ***Chapter 4700*** of the Treasury Financial Manual (TFM), "Federal Entity Reporting Requirements for the Financial Report of the United States Government," (TFM 2-4700) contains policy for the reporting requirements for the federal intragovernmental transactions process.

*2.0 FUNDAMENTAL REQUIREMENT

All DoD consolidation entities are required to report intragovernmental account balances in their financial statements, eliminate appropriate intra-DoD balances, and classify intragovernmental account balances by category and level. The category of transaction refers to the nature of the accounting event causing the transaction.

*3.0 IGT CATEGORIES

IGT categories represent a grouping of transactions processed in a similar manner related to a type of financial activity. IGTs consist of seven categories: Investments, Borrowings, Benefits, Buy/Sell, Transfers, Custodial, and General Fund transactions. Reciprocal categories are comprised of a set of financial statement line items (accounts) that are the reciprocal of each other. These categories assist in the elimination of federal activity at the Governmentwide. Additionally, these reciprocal categories facilitate the reconciliation of activities between federal entities.

3.1 Investments

Investments include intragovernmental securities. The Department invests primarily in non-marketable, market-based Treasury securities. The value of these securities fluctuates in tandem with the selling price of the equivalent marketable security. Securities are purchased with the intent to hold until maturity; thus, balances are not adjusted to market value. Investments are reciprocal of Borrowings. Table 13-1 shows the Investments and Borrowings reciprocal categories.

3.2 Borrowings

Borrowings involve the calculation and reporting of Borrowings from the Treasury through Fiscal Service or Federal Financing Bank. Balances calculated and reported by the lending entity and federal entities may include loans receivable/payable, capitalized interest receivable/payable, accrued interest receivable/payable, accrued interest revenue/expense, as well as gains and losses. Borrowings are reciprocal of Investments. Table 13-1 shows the Investments and Borrowings reciprocal categories.

Table 13-1 Investments and Borrowings Reciprocal Categories

Financial Statement	DoD	Treasury
Balance Sheet	Federal Investments	Federal Debt
Statement of Net Cost	Federal Securities Interest Revenue	Federal Securities Interest Expense

3.3 Benefits

Benefits include transactions in Benefit Program Contributions Receivable and Payables and Benefit Program Costs/Revenues. The Office of Personnel Management (OPM) and the Department of Labor (DOL) administer the employee benefits for the entities of the federal government. OPM administers retirement benefits, health benefits, and life insurance. DOL administers Federal Employees' Compensation Act (FECA) benefits and Federal Unemployment Tax Act (FUTA) benefits. Table 13-2 shows the Benefits reciprocal categories.

Table 13-2 Benefits Reciprocal Categories

Financial Statement	DoD	DOL and OPM
Balance Sheet	Benefit Contributions Payable	Benefit Contributions Receivable
Statement of Net Cost	Benefit Program Costs	Benefit Program Revenue

3.4 Buy/Sell

Buy/Sell transactions occur between federal entities where goods or services are purchased by one federal entity from another federal entity. This arrangement is typically accomplished through the issuance of a reimbursable agreement between the two federal entities. Table 13-3 shows the Buy/Sell reciprocal categories.

Table 13-3 Buy/Sell Reciprocal Categories

Financial Statement	Buyer	Seller
Balance Sheet	Accounts Payable	Accounts Receivable
Balance Sheet	Advances	Deferred Revenue
Statement of Net Cost	Expenses / Purchases	Revenue

3.5 Transfers

Transfers include non-exchange transactions that reduce resources (budgetary and proprietary) in one Treasury Account Symbol (TAS) and increase them in one or more other TAS by the total cumulative amount. Reciprocal categories include Transfer In (receiving entity) and Transfer Out (transferring entity) on the Statement of Changes in Net Position.

3.6 Custodial

Custodial transactions include collections by a collecting entity on behalf of a receiving entity. The federal entity that collects on behalf of another but is not entitled to retain the collections is referred to as the collecting entity or custodian. The federal entity on whose behalf the collecting entity is collecting is referred to as the receiving entity. This type of agreement is usually stipulated in legislation or is agreed upon by the federal entities involved. Reciprocal categories include Collections Transferred In (receiving entity) and Collections Transferred Out (collecting entity) on the Statement of Net Cost.

3.7 General Fund

General Fund transactions occur between a federal entity and the General Fund. Fund Balance with Treasury (FBWT) is a General Fund transaction. The Treasury records cash receipts and disbursements on the Department's behalf; funds are available only for the purposes for which they were appropriated. The Department's FBWT consists of general funds, revolving funds, trust funds, special funds, and other fund types. The reciprocal category is the Treasury's liability for FBWT.

4.0 LEVELS OF TRADING PARTNERS

There are three levels of intragovernmental trading partners for which intragovernmental transactions must be identified; Level 1 - Transactions between non-DoD FPAs, Level 2 - Transactions between DoD FPAs, and Level 3 - Transactions within a DoD Component.

4.1 Level 1 Non-DoD FPAs

Level 1 transactions are between DoD and Non-DoD FPAs, e.g., between the Department of the Air Force and the Department of Commerce. Identify Level 1 transaction balances by the Treasury Trading Partner codes and attributes attached to the U.S. Standard General Ledger (USSGL) accounts. DoD entities must document the procedures used to identify and verify the accuracy of their intragovernmental assets, liabilities, revenues, and expenses balances.

4.2 Level 2 DoD Consolidation Entities

Level 2 balances result from transactions between DoD consolidation entities (e.g., between the Department of the Army Working Capital Funds (WCF) and the Department of the Navy General Fund (GF)). Volume 6B, Chapter 1, contains information on DoD consolidation entities. Level 2 transactions are identified by trading partner codes and supplemental internal DoD codes, such as business partner numbers, trading partner federal/non-federal indicators, and other trading partner codes included in SFIS.

4.3 Level 3 within a DoD Component

Level 3 trading partners are within a DoD Component, i.e., Army WCF, Supply Management and Army WCF, Depot Maintenance, Other; and Department of the Navy GF, Operations and Maintenance and Department of the Navy GF, Research Development, Test, and Evaluation. There may be multiple sublevels of eliminations, with the elimination totals shown on the DoD Component's supporting consolidating statements. For example, the Navy GF Level 3 eliminations would be between: (A) Navy Military Personnel and Navy Procurement; (B) Navy Military Personnel trial balance AT17AA1_1453 and Navy Reserve Personnel trial balance AT17AA1_1405; and (C) internally within Navy Military Personnel trial balance AT17AA1_1453.

*5.0 ELIMINATIONS

5.1 Intragovernmental Account Balances

5.1.1. Eliminations, or eliminating intragovernmental account balances, represent the process where a federal entity having transactions with another federal entity ensures that the amounts on its trial balances for specific accounts correlate with those amounts in the reciprocal accounts of the federal entity with which business was conducted.

5.1.2. The purpose of eliminating intragovernmental account balances is to offset the effect of transactions between a DoD entity and other non-DoD FPAs, DoD consolidation entities, and organizations within a DoD consolidation entity in the DoD and Governmentwide financial statements with the exception of the Statement of Budgetary Resources.

5.2 Budgetary Accounts

5.2.1. Per Office of Management and Budget (OMB) Circular ***A-136***, "Financial Reporting Requirements," the Statement of Budgetary Resources is a combined statement where intragovernmental budgetary accounts are not eliminated.

5.2.2. Present budgetary information on a combined basis, with no elimination of budgetary accounts, consistent with information reported in the "Report on Budget Execution and Budgetary Resources" in accordance with OMB Circular ***A-11***, "Preparation, Submission, and Execution of the Budget."

*6.0 TRADING PARTNER RESPONSIBILITIES

In order to properly present the balances on the financial statements, trading partners must work together throughout the reporting period.

6.1 Accounting

6.1.1. Each USSGL account must be assigned the appropriate trading partner indicators defined in the ***Standard Financial Information Structure (SFIS)***. See additional indicators for each USSGL account in Treasury's ***USSGL Account Attribute Table***.

6.1.2. Trading partners must:

6.1.2.1. Record IGT transactions and accruals timely and identify supporting accounting methodologies.

6.1.2.2. Record Transfers-In and reciprocal Transfers-Out in the same accounting period.

6.1.2.3. Work with trading partners to determine transaction types, establish appropriate accounting data and confirm proper account postings and eliminations.

6.1.2.4. Reconcile transactions with partners on a routine basis as agreed upon [weekly, monthly, and/or quarterly].

6.1.2.5. Adjust balance in financial records as required prior to the period close, once differences are reconciled.

6.2 Trading Partner Communication

6.2.1. Trading partners must:

6.2.1.1. Provide timely, accurate data to partner agencies and/or accounting offices.

6.2.1.2. Confirm payments/collections and verify settlement of funds.

6.2.1.3. Verify reciprocal balances and reconcile balances to the authoritative source. If the balances do not agree, proactively work with trading partners to resolve reconciling items and adjudicate differences.

6.2.1.4. Provide documentation supporting billing, performance, transfers of, or receipt of funds, upon request. If documentation is not available, trading partners must work together to determine which partner must adjust its balance to match the supportable data.

6.2.1.5. Resolve disagreements or issues over accounting treatment and period for posting.

6.3 G-Invoicing

6.3.1. To assist FPAs with reconciling intragovernmental Buy/Sell transactions, the Fiscal Service mandated the use of G-Invoicing, which facilitates the exchange of intragovernmental transaction information between federal trading partners and serves as the interface by which FPAs submit and reconcile intragovernmental data.

6.3.2. G-Invoicing requires both trading partners to agree on key phases of the trading process:

6.3.2.1. General Terms & Conditions (GT&Cs) Phase. The GT&Cs represent a Buy/Sell agreement that defines the terms and conditions, scope, and responsibilities of trading partners during the exchange. The objective of this stage is for trading partners to concur on and document the details of the GT&C before performing any services or delivering any goods.

6.3.2.2. Order Phase. Orders serve as the fiscal obligation (funding) and identify the specific Buyer requirements for the expected delivery of products or services by the Seller. Funding information within the Order includes all required points of contact authorizing the Order for both trading partners.

6.3.2.3. Performance Transactions Phase. This phase revolves around the delivery and receipt of goods and/or services. Revenue from IGT Buy/Sell transactions is earned and recorded as goods are delivered and as services are performed. A corresponding expense is recognized in the period that an exchange occurs. Thus, both trading partners should exchange performance-related data with one another surrounding the delivery and acceptance of goods, along with the receipt and consumption of services.

6.3.2.4. Fund Settlement Phase. This phase includes the payment and collection activities as well as the closeout of the agreement. After the performance has been accomplished according to the terms documented in the agreement, funds are transferred between the trading partners. Within G-Invoicing, fund settlement occurs upon completion of the Performance Transaction. As the agreement approaches its end date, the Buyer and the Seller must monitor each Order included in the agreement. During closeout, the Seller identifies Orders that are approaching an end date and checks the status with the Buyer to confirm that they are ready for closeout. The Buyer reviews the Order status and performs procedures to close out and deobligate the Order if the Statutory Authority for the agreement mandates it. Additionally, the Seller determines if any third-party supporting contracts are open that need to be deobligated and closed.

6.3.3. G-Invoicing maintains a repository of intragovernmental transactions and internal controls to ensure the accuracy of transactions for buyers and sellers.

6.3.4. FPAs involved with intragovernmental reimbursable activities use G-Invoicing to originate and settle intragovernmental agreements, orders, and invoices. G-Invoicing adoption is

required by all FPAs, as mandated by the Secretary of the Treasury in accordance with 31 U.S.C. 3512(b) and 3513.

6.4 Memorandum of Understanding

6.4.1. Alternatively, DoD consolidation entities may establish a bilateral Memorandum of Understanding with each of their DoD trading partners not using G-Invoicing.

6.4.2. Such agreements, at a minimum, must identify the following:

6.4.2.1. The reconciliation timeframes (frequency);

6.4.2.2. Accrual processes (agreed upon methodologies);

6.4.2.3. Availability or exchange of detailed transactions and key supporting documentation;

6.4.2.4. Protocol to resolve differences between trading partners; and

6.4.2.5. Other processes requiring clarification.

*7.0 TRADING PARTNER RECONCILIATIONS

7.1 Reconciliation

7.1.1. OMB Circular A-136 requires consolidation entities to reconcile and resolve differences between intragovernmental balances and transactions. TFM 2-4700 includes guidance to facilitate the reconciliation of intragovernmental transactions.

7.1.2. DoD entities reconcile with their trading partners at the detail transaction level. Detail transactions provide support for reported balances requiring elimination with trading partners. The entity is ultimately responsible for the accuracy of its trading partner data; therefore, it is responsible for initiating actions to reconcile balances with its trading partners.

7.1.2.1. Review all information reported in any other external reports for consistency with the information included in the quarterly and annual audited financial statements.

7.1.2.2. Document identified differences including, but not limited to, the difference amount, USSGL accounts impacted, the rationale for the difference, and the status of communication with trading partners.

7.1.2.3. Prioritize trading partner material differences to reduce high-dollar variances. Agencies must work to reconcile and eliminate differences regardless of materiality.

7.1.3. DoD entities must document reconciliations and retain documentation in accordance with the National Archives and Records Administration Records Management Guidance and Regulations.

*7.2 Common Trading Partner Differences

Consolidation Entities should adopt procedures to prevent, as much as possible, the following common trading partner differences:

7.2.1. Current-year timing difference occurs when the reporting agency has reported activity in a different quarter than the trading partner reported the activity in the current year. Trading partners must identify the total amount of the difference and determine if an adjustment should be made.

7.2.2. Prior-year timing difference occurs when a reporting agency has reported activity in a prior fiscal year and the trading partner reported the activity in the current fiscal year. Trading partners must identify the total amount of the difference and determine if an adjustment should be made.

7.2.3. Accounting methodology difference occurs when trading partners use different accounting methods to account for activity. Trading partners must identify the method(s) of accounting used and the dollar amount of the difference caused by the differing methodologies.

7.2.4. Accrual methodology difference occurs when trading partners use different accrual methods to account for activity. Trading partners must identify the method(s) of accrual used and the dollar amount of the difference caused by the differing methodologies.

7.3 Governmentwide Treasury Account Symbol (GTAS) Adjusted Trial Balance

Each quarter, the Treasury populates detailed trading partner data in GTAS. GTAS provides comparisons of balances reported by all federal partners and facilitates intragovernmental consolidation and elimination required for Governmentwide reporting. As an output of the GTAS comparison, Treasury provides quarterly Intragovernmental Material Differences Reports by Treasury Index. Review these reports and explain differences to the Treasury in accordance with TFM 2-4700 and the DoD Financial Reporting Guidance. Treasury uses the Level 1 trading partner amounts reported in GTAS to compile the elimination entries necessary to prepare the Government-Wide Financial Report.

*7.4 The Advana IGT Toolkit

7.4.1. The Advana IGT toolkit supports interdepartmental trading partner reconciliations at the transaction level and can be used to validate completeness of entity-level IGT transactions recorded in the general ledger.

7.4.2. The Advana IGT Elimination application (part of the toolkit) provides users with a complete universe of buy/sell transactions consolidated from DoD financial systems. Use this application to:

7.4.2.1. Define the population by selecting criteria to define buyers and/or sellers.

7.4.2.2. Create On-Demand Applications (ODAGs) to reconcile the defined population and validate the selection against trading partner ledgers using IGT comparison logic.

7.4.2.3. Share reconciliation ODAGs with trading partners and teammates.

7.4.2.4. Compare Advana reconciliations with internal reports and key supporting documents to explain reconciling variances.

7.4.3. Advana users can access the IGT Toolkit under the (CAC enabled) ***IGT Resources*** link in the Advana Knowledge Base.

7.5 Disputes

7.5.1. DoD entities are expected to work with their respective non-DoD trading partners to reconcile and resolve intragovernmental differences. Working through the Defense Finance and Accounting Service, Enterprise Solutions and Standards, Financial Reporting-Audited Financial Statements Directorate, reciprocal accounts disputes with other FPAs will continue to follow the dispute resolution process identified in Appendix 6 of TFM 2-4700.

7.5.2. The Office of the Under Secretary of Defense, Comptroller (OUSDC) can assist with DoD dispute resolution between DoD consolidation entities. Submit requests for assistance no later than the 12th business day of the month following the end of the quarter. At fiscal year-end, final adjustments must be completed prior to the issuance of the ***Agency Financial Report***. For OUSDC support, contact the IGT mailbox at osd.pentagon.ousd-c.mbx.ousdc-igt@mail.mil. Entities must provide the following with the request:

7.5.2.1. Documentation demonstrating attempts to reconcile balances with trading partners at the senior executive or agency comptroller level; and

7.5.2.2. Documentation supporting balances the DoD consolidation entities are seeking to resolve with trading partners.

8.0 OTHER FEDERAL TRADING PARTNER REQUIREMENTS

8.1 Trading Partner Codes

DoD Consolidation entities submit trading partner code information to Treasury by GTAS Attributes. Use the trading partner codes, in conjunction with the USSGL account information, to identify required elimination entries.

8.2 Trading Partner Effect of Prior Period Adjustments

When it is determined that a prior period adjustment is necessary for a transaction involving another FPA, the accounting centers identify the trading partner and determine how the transaction was recorded. Additionally, the accounting centers must work with the trading partner to inform Treasury of the prior period adjustment. This will assist Treasury with eliminations on the Governmentwide financial statements.

8.3 Non-Federal Trading Partners

All accounting centers and DoD consolidation entities must identify trading partner information properly according to the federal/non-federal indicator attribute included in SFIS.

8.4 Foreign Military Sales Trust Fund Reporting

In general, DoD Components performing reimbursable activities on behalf of the Foreign Military Sales Trust Fund (11X8242) must recognize related accounts receivable and revenue as federal citing entity code 11X8242 as the Level 1 trading partner. Refer to the DoD Financial Reporting Guidance for additional reporting policy for the Foreign Military Sales Trust Fund.

DoD 7000.14 - R

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 7A: "MILITARY PAY POLICY - ACTIVE DUTY AND RESERVE PAY"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

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VOLUME 7A, CHAPTER 1: "BASIC PAY"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated April 2021 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
4.2.4.2. Table 1-13, Rule 10 Table 1-15, Rule 8 Table 1-15 Rule 9	Stigmatizing language was modified in accordance with the Deputy Secretary of Defense Memo, dated November 7, 2022, and Defense Finance and Accounting Service Office of General Counsel Memo, dated March 11, 2024.	Revision
Table 1-7; Table 1-8; Table 1-9; Table 1-10	Updated with the 2024 Basic Pay rates.	Revision
Table 1-7A; Table 1-8A; Table 1-9A; Table 1-10A	January 2025: Added the January 1, 2025 Basic Pay rates in accordance with Executive Order 14132 dated December 23, 2024.	Addition
Table 1-10B	January 25, 2025: Added the April 1, 2025 Basic Pay rates in accordance with Public Law 118-159, section 601, dated December 23, 2024.	Addition
References	Updated to reflect current statutes.	Revision

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CHAPTER 1

BASIC PAY

1.0 GENERAL

1.1 Purpose

This chapter prescribes the criteria for determining creditable service for military members; provides examples for computing valid creditable service; states periods of service that are not creditable for pay purposes; cites conditions for the payment of military pay entitlements; explains the computation of leave and conditions for leave accrual; and provides for situations where enlistments are not valid. Tables 1-1 through 1-15, outlining various conditions in which military pay is payable for all grades of military personnel, are at the end of this chapter. See Chapter 26 for entitlement to Basic Allowance for Housing (BAH), and Chapter 25, Table 25-1 or the ***Basic Allowance for Subsistence (BAS)*** table for payments.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with, the United States Code (U.S.C.). Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 CREDITABLE SERVICE

2.1 Service Which is Creditable

2.1.1. General

2.1.1.1. The several military pay and personnel systems use a variety of dates to determine various entitlements. Among them is the date that denotes how much service a member has for the purpose of determining longevity pay rates. The Army refers to this as the "pay entry basic date," the Navy and Marine Corps refer to this as the "pay entry base date," while the Air Force calls it the "pay date." This chapter will refer to this data element as the "basic pay date," which is defined as reflecting all service that is creditable towards longevity.

2.1.1.2. The member's servicing personnel office is responsible for providing, when necessary, a statement of service that can include the basic pay date, total active federal military service date, total commissioned federal military service date, and a variety of other dates, depending on the nature of the individual member's service. This Regulation details only the computation of the basic pay date, since Military Service personnel regulations control the computation of all other dates.

2.1.2. Computation of Creditable Service. For most members who enter and serve on active duty without a break in service, the basic pay date is the date the member enters active or inactive service. If, however, there is a break in service, the time between periods of service usually is not included. Also, there are statutory periods when service in a particular component may not be counted. Conversely, there are periods for which some members are given constructive service, even though they were not actually serving on active or inactive duty. Use subparagraphs 2.1.3 through 2.1.5 to compute the basic pay date when there has been a break in service of any kind or if there is a need to include constructive service.

2.1.3. Creditable Service Periods. Include active or inactive service in any of the following components without restriction:

2.1.3.1. Regular service in the Army, Air Force, Navy, Coast Guard, and Marine Corps;

2.1.3.2. Army, Naval, Marine Corps, Air Force, and Coast Guard Reserve;

2.1.3.3. Army of the United States (service without specification of a component);

2.1.3.4. Army National Guard;

2.1.3.5. Army National Guard of the United States;

2.1.3.6. National Guard;

2.1.3.7. National Guard of the United States;

2.1.3.8. Air Force of the United States (service without specification of a component);

2.1.3.9. Air National Guard;

2.1.3.10. Air National Guard of the United States;

2.1.3.11. Nurse Corps and Nurse Corps Reserve of the Public Health Service; or

2.1.3.12. Public Health Service and Reserve Corps of the Public Health Service.

2.1.4. Other Creditable Service (with restrictions noted in this subparagraph and in subparagraph 2.2.1). Include the following periods of service:

2.1.4.1. Officer, deck officer, or junior engineer service in the National Oceanic and Atmospheric Administration, including similar periods of service in the former Corps of the Environmental Science Services Administration and the U.S. Coast and Geodetic Survey;

2.1.4.2. Service on a Military Service retired list, temporary disability retired list, or honorary retired list of any Uniformed Service or service as a member of the Fleet Reserve or Fleet Marine Corps Reserve;

2.1.4.3. Any period of service during which a member is entitled to retired, retirement, or retainer pay from any Uniformed Service;

2.1.4.4. Service as a cadet or midshipman at a military academy is always creditable service for an enlisted member who is not commissioned. For a prior service member, he/she reverts back to his/her enlisted status to complete their enlistment contract. See Table 1-1 to determine whether such service is creditable for commissioned and warrant officers;

2.1.4.5. Credit the time when an enlisted member is retained after the expiration of term of service of an Armed Force for medical care or hospitalization for disease or injury incident to service. Do not credit such periods of service if the underlying medical condition requiring medical care or hospitalization was due to the member's misconduct;

2.1.4.6. Service otherwise creditable that is performed before a member reaches the statutory age for enlistment, unless the enlistment contract was voided or invalidated for fraud;

2.1.4.7. Active service performed as a temporary member of the U.S. Coast Guard Reserve;

2.1.4.8. Service terminated by desertion or dishonorable discharge unless the enlistment was fraudulent and was voided for that reason;

2.1.4.9. Periods of service when a member is detailed to and receiving pay and allowances from any other agency of the United States, even though accruing military pay, and allowances is suspended;

2.1.4.10. Service as a member of the Army, Navy, or Air Force Reserve Officers' Training Corps (ROTC), provided the member has concurrent Selected Reserve (drilling status) for duty performed on or after August 1, 1979. Also, see subparagraph 2.1.4.14;

2.1.4.11. Service as an officer, Army field clerk, flight officer, aviation midshipman, or enlisted member of a uniformed service;

2.1.4.12. Service as an enlisted member in a Reserve Component, including Ready Reserve service (inactive and active) under the Delayed Entry (Enlistment) Program (DEP), before beginning active duty or an initial period of Active Duty Training (ADT), provided the Reserve enlistment was entered into before January 1, 1985. As of January 1, 1985, the following restrictions went into effect as and when stated:

2.1.4.12.1. For enlistments in a Reserve Component under ***Title 10, U.S.C., section 12103***(b) or (d), including enlistments under a DEP, that were entered

into between January 1, 1985, and November 28, 1989, the period served in the Reserve Component before beginning active duty or an initial period of ADT is not creditable; or

2.1.4.12.2. For enlistments entered into on or after November 29, 1989:

2.1.4.12.2.1. A period of enlisted service in a Reserve Component under 10 U.S.C. § 12103(b) or (d), including inactive service under a DEP, is creditable service only if the member performs Inactive Duty Training (IDT) before beginning active duty or an initial period of ADT; or

2.1.4.12.2.2. Service performed as an enlisted member in a Reserve Component under ***10 U.S.C. § 513***, other than a period of active duty, is not creditable service; or

2.1.4.13. Any period of service which was creditable under any federal statute in effect on January 10, 1962.

2.1.4.14. Prior provisions of law excluded the Simultaneous Membership Program from creditable service for commissioned officers, effective October 13, 1964. Title ***10 U.S.C. § 2106*** amended these provisions to provide service credit retroactive to August 1, 1979. These amendments resulted in no increase in pay, retired pay, or retainer pay before the date of enactment, September 23, 1996. Service in the program for enlisted members who retain that status remains creditable under all provisions.

2.1.5. Constructive Service

2.1.5.1. Some medical and dental officers are entitled to extra credit for longevity purposes to reflect the time spent in medical or dental school. Medical and dental officers must meet one or more of the following criteria to be entitled to the constructive credit.

2.1.5.1.1. On or before September 15, 1981, the officer already had the constructive service credit, then the credit is not lost if there is a break in service either before or after that date. This criterion is applicable to Public Health Service officers.

2.1.5.1.2. On or before September 14, 1981, the individual was enrolled in either the Armed Forces Health Professions Scholarship Program (AFHPSP) or in the Doctor of Medicine (DOM) program at the Uniformed Services University of Health Sciences (USUHS), completed that program, and was appointed as a medical or dental officer.

2.1.5.1.3. On or before September 14, 1981, the individual was participating in a program that credited years of service and led to an appointment as an officer in the Army, Navy, Air Force, or Marine Corps.

2.1.5.2. Medical and dental officers, who meet the criteria in subparagraph 2.1.5.1, are entitled to 4 years of constructive service credit. Also, those medical officers who have completed a medical internship or its equivalent, or who entered military status while serving such an internship, are entitled to a fifth year of constructive service credit.

2.1.5.3. Where a member is entitled to service credit for a period covered by the constructive credit, reduce the constructive service credit by an amount equal to the actual service credit.

Example 1: An individual completed dental school on June 11, 1977, and accepted a commission as a dental officer on August 3, 1977. The member was credited with 4 years of constructive service and a basic pay date of August 3, 1973.

Example 2: An individual completed a medical internship on June 30, 1979, and accepted a commission as a medical officer on August 11, 1979. The member was credited with 5 years of constructive service and a basic pay date of August 11, 1974.

Example 3: An individual entered medical school in 1970 and accepted a commission on January 12, 1972. He graduated from medical school on June 10, 1974, and completed a civilian residency during the period from July 1, 1974, through June 30, 1975. Compute basic pay date as follows:

First, compute dual status period, which is the period of time between the date of commission and date of graduation:

	YR	MO	DAY
Graduated:	74	06	10
Commission Date:	72	01	12
Dual Status Period:	02	04	28+1 (inclusive day)

Then, compute constructive service credit, which is the 4 years constructive credit less the time already credited as commissioned service:

Maximum Constructive Service Credit:	03	11	30 (4 years)
Less Dual Status Time:	02	04	29
Constructive Credit:	01	07	01

The member's basic pay date was 1 year, 7 months, and 1 day before his commission date of January 12, 1972, or June 11, 1970.

Example 4: The scenario is the same as in the previous subparagraph, except the member accepted a commission on July 12, 1974, after starting the internship. The member was entitled to 5 years of constructive service credit instead of 4 years:

	YR	MO	DAY
Date Finished Internship:	75	06	30
Commission Date:	74	07	12
Dual Status Period:	00	11	18+1 (inclusive day)

Maximum Constructive Service Credit:	04	11	30 (5 years)
Less Dual Status Time:	00	11	19
Constructive Credit:	04	00	11

The member's basic pay date was 4 years, no months, and 11 days before his commission date, or July 1, 1970.

Example 5: An officer commissioned on November 19, 1962, entered dental school on September 9, 1970, and graduated on May 28, 1974. To compute constructive service credit:

First, compute dual status:

	YR	MO	DAY
Graduated:	74	05	28
Started School:	70	09	09
Dual Service:	03	08	19+1 (inclusive day)

Then, deduct the dual service from the 4-year constructive credit period to arrive at net constructive service credit:

	YR	MO	DAY
Maximum Constructive Service Credit:	03	11	30 (4 years)
Less Dual Service:	03	08	20
Constructive Credit:	00	03	10

Change the member's basic pay date to 3 months and 10 days before the previous one (November 19, 1962) to August 10, 1962.

2.2 Service Not Creditable

2.2.1. General. Do not use any service that is not listed as creditable service to compute a basic pay date. The following list includes a few types of service that are not creditable:

2.2.1.1. The time served in an enlistment that is terminated, voided, or invalidated as fraudulent;

2.2.1.2. The time served as a commissioned officer in the Philippine Army;

2.2.1.3. The period of time a member was on the Emergency Officers' Retired List;

2.2.1.4. The time an individual was a member of a state, home, or territorial guard;

2.2.1.5. The time an individual was a member of the inactive National Guard. This does not apply to an individual who was a member of the National Guard Reserve and the National Guard of the United States. Time during which the individual had dual status, enlisted or commissioned, in the inactive National Guard and the National Guard of the United States is creditable;

2.2.1.6. The time, subsequent to September 14, 1981, a member serves while enrolled in the AFHPSP and Financial Assistance Program (FAP), or while a DOM student at the USUHS. Use any service creditable on the date of the officer's entry into DOM USUHS to compute the officer's basic pay for longevity purposes while a USUHS student, not to exceed the maximum rate of O-1 pay (Table 1-7) or O-1E pay (Table 1-8), as applicable, or the rate of pay of the member's former pay grade, if greater, as outlined in subparagraph 3.3.1. For the most current pay rates, see the ***Military Basic Pay*** tables on DFAS.MIL;

2.2.1.7. The time served in a Reserve Component before beginning active duty or an initial period of ADT for enlistment in a Reserve Component under 10 U.S.C. § 12103(b) or (d) that was entered into between January 1, 1985, and November 28, 1989;

2.2.1.8. For enlistments entered into on or after November 29, 1989:

2.2.1.8.1. A period of enlisted service in a Reserve Component under 10 U.S.C. § 12103(b) or (d), including inactive service under a DEP, if the member does not perform IDT before beginning active duty or an initial period of ADT; or

2.2.1.8.2. Service performed as an enlisted member in a Reserve Component under 10 U.S.C. § 513, other than a period of active duty; or

2.2.1.9. For an officer, the time served while attending a military service academy including the U.S. Merchant Marine Academy.

NOTE: The midshipmen attending the U.S. Merchant Marine Academy sign contracts to join the enlisted Navy Reserve on the day they enter the Academy. Students who attend one of the six state Merchant Marine college programs and who receive a Naval ROTC scholarship are treated the same as any Naval ROTC cadet or midshipmen. Students who attend one of the six state Merchant Marine college programs and who join the Navy after graduation from one of the programs are treated as any other member who joins the Navy.

2.2.2. Effect of Lost Time Absence From Duty on Creditable Service

2.2.2.1. Prior to February 11, 1996, a commissioned or warrant officer was entitled to credit for every day in a commissioned or warrant status, without regard to an absence of any kind, whether authorized or unauthorized, and including confinement prior to and during trial. In addition, absence during which a member was serving on active duty as an enlisted member was creditable if the enlisted member also held a commission as a Reserve officer. After February 10, 1996, a commissioned or warrant officer may not count the following periods of absence for any purpose other than that of computing length of service for basic pay:

2.2.2.1.1. Desertion;

2.2.2.1.2. Absence from organization, station, or duty for more than 1 day without proper authority, as determined by proper authority;

2.2.2.1.3. Confinement by military or civilian authorities for more than 1 day in connection with a trial, whether before, during, or after the trial; or

2.2.2.1.4. The officer's inability for more than 1 day, as determined by competent authority, to perform assigned duties because of the officer's intemperate use of drugs or alcoholic liquor, or because of disease or injury resulting from the officer's misconduct.

2.2.2.2. See Table 1-2 to determine the creditability for absence while in an enlisted status.

2.3 Active Enlisted and/or Warrant Officer Service for Members in Basic Pay Grades O-1E, O-2E, or O-3E

2.3.1. Service Counted

2.3.1.1. General. Commissioned officers with over 4 years of prior active service as an enlisted member, warrant officer, or combined service in both grades are entitled to count such service for purposes of computing basic pay for longevity purposes. Such prior service includes all active service, in either the Regular or Reserve Component or both (i.e., ADT in enlisted or warrant officer status, annual Reserve training duty, and full-time National Guard duty). Service on active duty or ADT and IDT for at least 4 years and 1 day satisfies the over 4 years of service requirement under this section.

2.3.1.2. Creditable Prior Enlisted Service. Commissioned officers in pay grades O-1, O-2, or O-3 who are credited with over 4 years (i.e., at least 4 years and 1 day) of prior active service as an enlisted member are entitled to the special rate of basic pay for pay grade O-1E, O-2E, or O-3E.

2.3.1.3. Creditable Prior Warrant Officer Service. Commissioned officers in pay grades O-1, O-2, or O-3 who are credited with over 4 years (i.e., at least 4 years and 1 day) of prior active service as a warrant officer are entitled to the special rate of basic pay for pay grade O-1E, O-2E, or O-3E.

2.3.1.4. Creditable Combined Prior Service. Effective October 1, 1993, commissioned officers in pay grades O-1, O-2, or O-3 who are credited with over 4 years (i.e., at least 4 years and 1 day) of combined prior active service as an enlisted member and warrant officer are entitled to the special rate of basic pay for pay grade O-1E, O-2E, or O-3E.

2.3.1.5. Creditable Service for Certain Reserve Commissioned Officers. Effective January 1, 2002, commissioned officers in pay grades O-1, O-2, and O-3 who are paid from funds appropriated for Reserve personnel and credited with 1,460 points for retirement computed under

10 U.S.C. § 12732(a)(2) for service as a warrant officer and/or enlisted member, which requires a minimum of 50 points annually, are entitled to the special rate of basic pay for pay grade O-1E, O-2E, or O-3E.

2.3.1.6. Creditable Service for Certain Commissioned Officers. Effective November 24, 2003, the restriction that members must be paid from reserve appropriated funds to qualify for the special rate of basic pay for pay grades O-1E, O-2E, and O-3E based upon creditable service points is eliminated. Therefore, effective that date, commissioned officers in pay grades O-1 through O-3 with more than 1,460 points computed under 10 U.S.C. § 12732(a)(2) for service as a warrant officer and/or an enlisted member, which requires a minimum of 50 points annually, are entitled to the special rate of pay.

2.3.1.7. Leap Year. Reserve Component members who perform duty during a leap year earn a point for the extra day of duty in the month of February under 10 U.S.C. § 12732(a)(2). A leap year represents 1 year of service for basic pay purposes. Thus, the extra point does not qualify the member for having earned the equivalent of over 4 years of active service, and the member would not be eligible for the O-1E, O-2E, or O-3E rate of basic pay. The member would have to serve more than 4 years of active service to qualify for the special rate of basic pay.

2.3.1.8. Creditable Service While Graduate Students at USUHS. The Secretary of Defense will establish such selection procedures, service obligations, and other requirements as the Secretary considers appropriate for graduate students (other than DOM students) in a postdoctoral, postgraduate, or technological institute established pursuant to *10 U.S.C. § 2113*(e). The subparagraph 2.2.1.8 does not apply to graduate students.

2.3.2. Service Not Counted. In computing active service, do not count:

2.3.2.1. Active service in a dual status (temporary officer/permanent enlisted) in the Navy or Marine Corps;

2.3.2.2. Service as a National Guard technician; or

2.3.2.3. Except for periods of active duty service performed while a USUHS DOM student, time served as a DOM student at USUHS. See subparagraph 2.2.1.8 and applicable notes to Tables 1-7, 1-8, and the Basic Pay tables on DFAS.MIL.

2.4 Computation of Creditable Service

2.4.1. Computing a Basic Pay Date

2.4.1.1. All basic pay date computations start from the date of the member's most recent entry on duty without a break in service. Use the following dates:

2.4.1.1.1. For enlisted members, the date of enlistment, but see subparagraph 2.1.4.12 for service under a DEP;

2.4.1.1.2. For officers, the date of acceptance of a commission. The date of acceptance for officers graduating from a Military Service academy is the date of graduation; or

2.4.1.1.3. For officers entitled to count service as an acting assistant surgeon, intern, or hospital steward in the Public Health Service or the Public Health Marine Hospital Service, the date of acceptance of the appointment. Do not count service performed before that date.

2.4.1.2. After determining initial basic pay date, compute creditable service for all service prior to that date. Use the following to compute basic pay date. If the member had any periods of service during which there was lost time, do not use those periods here. Instead, compute according to subparagraph 2.4.1.3.

2.4.1.2.1. List beginning dates of service for each separate period of service, without changing any of them, and add them together.

2.4.1.2.2. List all ending dates. If the day is the 31st day of the month, change it to 30. If the day is February 28 in a non-leap year, change it to February 30 for computation purposes. If the day is February 29, change it to February 30 for computation purposes. Do not change February 28 of a leap year to February 30. Add all ending dates together.

2.4.1.2.3. Subtract the beginning day result from the ending day result.

2.4.1.2.4. For each non-continuous period of service, add 1 day to account for inclusive days. Explanation: Any period of service is at least one day. If, for example, the member had one day of service on January 17, 2016, the computation would look like this:

Example:	YR	MO	DAY
Ending Day:	16	01	17
Less Beginning Day:	16	01	17
	00	00	00

It is necessary to add 1 day for inclusive days to avoid this erroneous answer.

2.4.1.2.5. Convert to full years, months, and days. The result is years of service creditable for pay purposes.

Example: Member served as follows:

	From:	To:
Active Duty Army (Enlisted)	Jan 1, 93	Feb 29, 96
Army National Guard (Commissioned)	Jun 1, 96	May 26, 03
Air National Guard (Commissioned)	Aug 1, 05	Mar 31, 10
U.S. Air Force (Commissioned)	Apr 1, 10	Jun 4, 17

Beginning dates:			Ending Dates:		
YR	MO	DAY	YR	MO	DAY
1993	01	01	1996	02	30
1996	06	01	2003	05	26
2005	08	01	2017	06	04
5994	15	03	6016	13	60

Convert February 29, 1996, to February 30, 1996, since 1996 was a leap year.

Convert March 31, 2010, to March 30, 2010, since the 31st day of a month does not count as an ending date, though it would count as a beginning date. The period from August 1, 2005, through June 4, 2017, is continuous, so it is all included in the third line of the computation.

Subtract total of beginning dates from the total of ending dates:

YR	MO	DAY	
6016	13	60	(total of ending dates)
6015	25	60	(borrowed 12 months from year column)
5994	15	03	
21	10	57	

Add 1 day for each of the 3 periods used in the computation. The result is 21 years, 10 months, and 60 days, which converts to exactly 22 years of creditable service.

2.4.1.3. Regarding computations involving lost time, if a member has lost time, compute the creditable service for the period served separately. Add the results to any creditable service computed separately under subparagraph 2.4.1.2.

2.4.1.3.1. When there is a period of lost time that has not been made good, compute the lost time on a 30-day month basis, but if the lost time begins on the 31st day of a month, include that day as a lost day. Compute as follows.

Determine the years, months, and days of lost time and deduct that amount from the total service during the period.

Example: A member enlisted for 4 years on July 18, 2012, but was absent without leave (AWOL) from February 10, 2015, through March 16, 2015. The member received a hardship discharge on August 10, 2015, without making up the lost time. The member reenlisted February 20, 2017. Compute creditable service and basic pay date as follows.

First compute the lost time.

	YR	MO	DAY
Ended AWOL:	15	03	16
Began AWOL:	15	02	10
Lost Time:	00	01	06+1 (inclusive day)

Then compute first period of service.

Discharged:	15	08	10
Entered Active Duty:	-12	07	18
Subtotal:	03	00	22+1 (inclusive day)
Deduct Lost Time:	-00	01	07
Creditable Service:	02	11	16

Subtract 2 years, 11 months, and 16 days from reenlistment date of February 20, 2017, to arrive at a new basic pay date of March 4, 2014.

2.4.1.3.2. A member who makes good the lost time does so on a day-to-day basis. When the member makes good on lost time and completes the enlistment or contract period, compute the period of lost time on both a 30-day month basis and a day-to-day basis and use the result that is most advantageous to the member. To illustrate, if a member is AWOL on March 30 through April 1, it would be 3 days on the day-to-day basis but only 2 days on a 30-day month basis. Compute creditable service as follows (and separately from periods of service which do not have lost time).

2.4.1.3.2.1. First step: Compute total lost time on both a 30-day basis and a day-to-day basis. Convert the day-to-day basis computation to years, months and days, and compare it to the computation on the 30-day basis. Discard the one which shows a higher total of days lost.

2.4.1.3.2.2. Second step: Compute the gross amount of service during the period by subtracting the entry date from the discharge date and adding 1 day for inclusive day.

2.4.1.3.2.3. Third step: Subtract the lost time from the result of the second step. If the result is at least as long as the enlistment contract, use that amount. If the result is less than the enlistment contract, increase it to equal the enlistment contract.

2.4.1.3.2.4. Fourth step: Add this creditable service to any other periods and use the total to figure the member's basic pay date.

Example 1: Assume the member in the example in subparagraph 2.4.1.3 had not received a hardship discharge; instead, he or she had completed the enlistment contract, including making good the lost time. He made up the 35 days of lost time computed on a day-to-day basis. The days served to make good the lost time were July 18-31, 2016 (14 days) and August 1-21, 2016 (21 days).

When the member reenlists on February 20, 2017, compute creditable service as follows:

YR	MO	DAY	
16	08	21	(ending date of the last period of service)
-12	07	18	(beginning date of the last period of service)
04	01	03	+1(inclusive day)

The result is 4 years, 1 month and 4 days before deducting lost time. Note that the lost time computed on a 30-day month basis was 37 days, but was only 35 days when computed on a day-to-day basis. Subtract the 35 days lost time from the period of service computed.

YR	MO	DAY
04	01	04
-00	01	05
03	11	29 (total service)

The result is less than the enlistment contract of 4 years, but since the member completed the enlistment contract, he or she is entitled to credit for the entire 4 years. Set basic pay date at February 20, 2013, when the member reenlists on February 20, 2017.

Example 2: A member enlisted on July 18, 2012, for 4 years. She was AWOL from July 28, 2015, through September 3, 2015, which is 38 days on a day-to-day basis (July 28-31, 4 days; August 1-31, 31 days; and September 1-3, 3 days). She is discharged on August 24, 2016, after making good the 38 days of bad time by serving July 18-31 (14 days) and August 1-24 (24 days).

Step 1. When she reenlists on February 20, 2017, compute prior service as follows:

YR	MO	DAY	
16	08	24	(ending date of the last period of service)
-12	07	18	(beginning date of the last period of service)
04	01	06+1	(inclusive day)

The result is 4 years, 1 month and 7 days before deducting lost time.

Step 2. Lost time on a day-to-day basis was 38 days. Compute lost time on a 30-day month basis as:

July 28-31, 2015,	03 days
August 1-30, 2015,	30 days
September 1-3, 2015,	03 days
Total	36 days

Step 3. Following the rule set out in step 2, deduct the lost time in the manner most beneficial to the member.

YR	MO	DAY	
04	01	07	(service before deducting lost time)
-00	01	06	(lost time)
04	00	01	

Step 4. Set the basic pay date at February 19, 2013, when the member reenlists on February 20, 2017.

2.4.1.4. Regarding adjusting the basic pay date when a member has lost time, lost time does not change an officer's basic pay date (See paragraph 2.2.2). When an enlisted person returns to duty after a period of lost time, add the number of days lost time to the member's basic pay date to reflect the lost time."

Example: An enlisted member with no prior service enlisted on July 18, 2015. He was AWOL from February 10, 2017, through March 16, 2017. When the member returns to duty status, change his basic pay date as follows:

Compute lost time:

February 10-30	21 days
March 1-16	16 days
	37 days lost time

YR	MO	DAY	
15	07	18	(original basic pay date)
+00	01	07	
15	08	25	

The new basic pay date is August 25, 2015.

2.4.2. Procedure When Basic Pay Date Falls on February 29. When basic pay date falls on February 29, entitlement to longevity increases begins on March 1 in non-leap years and on February 29 in leap years.

3.0 COMPUTATION OF PAY

3.1 Basic Pay Entitlements

3.1.1. When Entitled to Basic Pay. The pay of Military Service members is prescribed by law. Current basic pay rates are contained in Tables 1-7, 1-8, 1-9, 1-10, and on the Basic Pay tables on DFAS.MIL. Members are entitled to receive pay according to their pay grades and years of service if they are:

3.1.1.1. On active duty in a pay status; and

3.1.1.2. Not prohibited by law from receiving such pay.

3.1.2. Employment of Members in Another Capacity

3.1.2.1. Employment Under the Government

3.1.2.1.1. Unless otherwise provided by law (such as during the period a member is on terminal leave pending retirement, separation, or release from active duty under honorable conditions), a member may not be employed in another capacity by the government and receive pay, other than the pay and allowances that accrue by reason of the military status. A member may be employed, however, on a voluntary basis during off-duty hours in connection with non-appropriated fund activities.

3.1.2.1.2. Under agreements such as that between the DoD and the Agency for International Development (AID) of the Department of State, military members may be detailed to agencies such as AID for certain types of service for specified periods. As provided in pertinent agreements, members that are detailed are entitled to the pay and allowances of employees of the agency (AID Foreign Service personnel, in the case of that agency) holding comparable positions. Such members are paid by the agency in which service is performed, not by the Military Service involved.

3.1.2.2. Acceptance or Holding Civil Office

3.1.2.2.1. An officer of an Armed Force on active duty may not be employed on civil functions if the civil duties separate the member from the parent organization or interfere with the performance of military duties. This applies to employment on civil works or internal improvements, by an incorporated company, or as acting paymaster or disbursing agent of the Bureau of Indian Affairs.

3.1.2.2.2. Unless otherwise provided by law, an officer of a Regular Component of the Army, Navy, Air Force, or Marine Corps may not hold a civil office by election or appointment under the United States, a territory, possession, or state. Acceptance of such position terminates the officer's appointment and any further entitlement to receive pay and allowances whether or not the officer continues to fulfill the duties as an officer subsequent to accepting the office.

3.1.2.3. Medical Officers. Medical officers on active duty who receive any compensation or stipend payments for services they perform as interns or resident physicians in private or public institutions (state, county, municipal, or privately owned hospitals) receive such payments for the benefit of the United States. Collect these payments from medical officers for deposit to the U.S. Treasury.

3.1.3. Formal Acceptance of Appointment by Officers

3.1.3.1. Pay and allowances generally accrue from the date of acceptance of appointment as an officer. The normal method of acceptance is taking the oath of office. Commencement of travel in compliance with an order is considered acceptance for pay purposes, but payment will not be made until formal signing of the oath of office. See Table 1-3 for specifics and for graduates of the academies.

3.1.3.2. An officer need not take the oath of office upon promotion if the service has been continuous since the last oath.

Note: See Table 1-4 for other situations regarding effective dates for promotions or restoration of grade.

3.1.4. Restriction Against Dual Payments

3.1.4.1. Except as prescribed in subparagraph 3.1.4.3, a Reserve member who is entitled to disability compensation or a pension from the Department of Veterans Affairs (VA) because of earlier military service, and who performs military duty for which the member is entitled to compensation, may elect to receive either of the following for the period of military duty:

3.1.4.1.1. Payments for the VA disability compensation or pension; or

3.1.4.1.2. If the member specifically waives those payments, the pay and allowances authorized by law for the duty the member is performing.

3.1.4.2. Except as prescribed in subparagraph 3.1.4.3, a Reserve member who is entitled to retired or retainer pay because of earlier military service, and who performs military duty for which the member is entitled to compensation, may elect to receive either of the following for the period of military duty:

3.1.4.2.1. Payments of the pay and allowance authorized by law for the duty the member is performing; or

3.1.4.2.2. If the member specifically waives those payments, the retired or retainer pay to which the member is entitled.

3.1.4.3. A Reserve member who is called to active duty for a period of more than 30 days in time of war or national emergency generally ceases to be entitled to payments based on earlier military service until the period of active duty ends and is entitled to the pay and allowances authorized by law for the duty the member is performing. However, where the payments based on earlier military service exceed the payments for the active duty, the member may receive the former payments instead.

3.1.5. Posthumous Promotions. Members may be promoted posthumously. The amount of bonus, gratuity, pay, or allowances is not changed by these promotions. This payment restriction does not apply to promotions of members while in a missing status where a determination by the Secretary of the Military Department concerned is subsequently made that the member died before the date of the promotion.

3.1.6. Corrections of Military Record. Members who are separated from active service, but later retroactively restored to active duty by administrative record correction action, become entitled to retroactive military pay and allowances for the period of restoration subject to the following: The purpose of such a record correction is to restore the member to the same position the member would have had if he or she had not been separated from military service, without awarding an unearned windfall. When settling such an account, the earnings received from civilian employment during the period of restoration to active duty must be deducted from the net balance of military pay and allowances otherwise due. Any amount of civilian earnings in excess of the net balance of retroactive military pay and allowances otherwise due will not be collected so as not to place the member in debt. Additionally, amounts paid to a member for military retired pay, separation pay, severance pay, and/or VA pension or compensation during what is now a period of active duty under a record correction must be taken into account when determining the amount of retroactive military pay and allowances due, if they have not otherwise been recouped or accounted for. To the extent authorized by law and regulation, amounts found due must be reduced by the amount of any existing indebtedness to the government arising from military service.

3.2 Computing Monthly Pay

3.2.1. Monthly Pay

3.2.1.1. Service of 30 Days or More. Compute monthly compensation as if each month had 30 days. When service begins on an intermediate day of the month, pay for the actual number of days served during that calendar month, but only through the 30th day of that month. If active military service begins on the 31st day of any month, compensation does not accrue for that day. Any person who enters active service during February and serves until the end of the month is entitled to pay for 1 month (30 days), less the prorated amount for the number of days expired before entry on duty. If the service ends before the last day of February, pay the member only for the actual number of days served.

3.2.1.2. Service of Less Than 30 Days. Members of the Uniformed Services entitled to receive compensation for continuous periods of less than 1 month are entitled to pay and allowances for each day of the period at the rate of 1/30 of the monthly amount of such pay and allowances. Include the 31st day of a calendar month in the computation. Members who are obligated to serve on active duty for 30 days or more, but who were released before performing such active duty for at least 30 days, are entitled to receive pay and allowances on a day-to-day basis.

3.2.2. Absence Without Pay

3.2.2.1. Deduct 1/30 of 1 month's pay for each day's absence in a non-pay status.

3.2.2.2. No pay is lost for unauthorized absence on the 31st day of a month, except when it is the first day of absence or when the member is paid for the day under subparagraph 3.2.1.2.

3.2.2.3. Absence in a non-pay status on the 28th of February in a non-leap year result in loss of pay for 3 days. If the member is absent only on the 28th day of February in a leap year, deduct the pay for 1 day for the 28th. If the absence occurs on the 29th of February, deduct pay for 2 days. When payment is made under subparagraph 3.2.1.2, on the basis of each day served, deduct only for the actual period of unauthorized absence.

3.2.3. Annual Salary. Annual salary is divided into 12 equal installments. One installment represents the pay for each calendar month. The daily rate is 1/30 of the monthly rate. The instructions in subparagraph 3.2.1 for monthly pay also apply to annual salary.

3.2.4. Basic Pay Rates. Tables 1-7 through 1-10 contain monthly rates of basic pay and are listed on the Basic Pay tables on DFAS.MIL.

3.3 Saved Pay and Allowances

3.3.1. Enlisted. An enlisted member who accepts an appointment as an officer will, following appointment, be paid the greater of:

3.3.1.1. The pay and allowances to which such member would be entitled if the member had remained in the last enlisted grade held before appointment as an officer and continued to receive increases in pay and allowances authorized for that grade; or

3.3.1.2. The pay and allowances to which the member thereafter becomes entitled as an officer.

3.3.2. Warrant Officers. A warrant officer who accepts an appointment as a commissioned officer will, following appointment, be paid the greater of:

3.3.2.1. The pay and allowances to which the member thereafter becomes entitled as a commissioned officer;

3.3.2.2. The pay and allowances to which such member would be entitled if the member had remained in the last warrant officer grade held before appointment as a commissioned officer and continued to receive increases in pay and allowances authorized for that grade; or

3.3.2.3. In the case of an officer who was formerly an enlisted member, the pay and allowances to which entitled, under subparagraph 3.3.1.1, before appointment as an officer.

3.3.3. Prior Service Medical Students. Members selected to participate as DOM students at the USUHS, or in the AFHPSP and FAP, who have prior active service, including members who have had a break in service, in a pay grade with years of service greater than the rate of second lieutenant or ensign, will be authorized saved pay for the basic pay rate of the former grade. The

former basic pay rate will be increased on January 1 of each year by the average percentage increase authorized for that year. The member will continue to receive the former pay rate until the date, occurring before or after graduation or participation in the program, that the member's actual grade and years of service basic pay rate exceeds the former grade rate. This saved pay provision applies only to basic pay. The member's other pay entitlements will be paid at the member's actual grade and years of service.

3.3.4. Restrictions

3.3.4.1. Except for prior service DOM students discussed in subparagraph 3.3.3, a member entitled to saved pay is not authorized the pay for one grade and an allowance for another grade.

3.3.4.2. The saved pay amount may be reduced when the member loses entitlement to specific items. However, these specific items will be included in saved pay if the member again qualifies for such items (See subparagraph 3.3.4.7.).

3.3.4.3. In the case of the Navy or Marine Corps, a member in a temporary appointment is not entitled to saved pay because of a permanent promotion.

3.3.4.4. BAH may be continued as an item of saved pay and will be paid whenever it is not forfeited because the member is assigned to government quarters.

3.3.4.5. For enlisted members, BAS is the alternative for subsistence in kind. Since officers are not authorized subsistence in kind, a member eligible for saved pay is entitled to the appropriate BAS rate (including the "when permitted to mess separately rate" even when subsistence in kind otherwise would be provided or made available) under the conditions prevailing for enlisted members at their permanent station. Credit BAS at the "when permitted to mess separately rate" at all times, except when the member would otherwise be entitled to a different rate (See Chapter 25, paragraph 2.2.).

3.3.4.6. For appointments accepted before January 6, 2006, special duty assignment pay, incentive pay for hazardous duty, special pay for diving duty, special pay for sea duty, and hardship duty pay may be retained as an item of saved pay only for as long as the member continues to perform the duty and would be eligible to receive payment had the member remained in the former status.

3.3.4.7. For appointments accepted on or after January 6, 2006, in determining the amount of pay and allowances of a grade formerly held by an officer who was an enlisted member and accepted an appointment as an officer, the following special and incentive pays may be considered only so long as the officer continues to perform the duty that creates the entitlement to, or eligibility for, that pay and would otherwise be eligible to receive that pay in the former grade:

3.3.4.7.1. Incentive pay for hazardous duty;

3.3.4.7.2. Submarine duty pay;

3.3.4.7.3. Special pay for diving duty;

3.3.4.7.4. Hardship duty pay;

3.3.4.7.5. Career sea pay;

3.3.4.7.6. Special pay for service as a member of a Weapons of Mass Destruction Civil Support Team;

3.3.4.7.7. Assignment incentive pay;

3.3.4.7.8. Special pay for duty subject to hostile fire or imminent danger;

3.3.4.7.9. Special pay or bonus for an extension of duty at a designated overseas location;

3.3.4.7.10. Foreign language proficiency bonus; and

3.3.4.7.11. Critical skill retention bonus.

3.3.4.8. The enlisted cash clothing allowances prescribed in Chapter 29 may not be included in the saved pay computation if the officer is entitled to the initial uniform allowance prescribed in Chapter 30, section 2.0.

3.3.4.9. Family Separation for Housing (FSH) may be continued as an item of saved pay under the same conditions as BAH (see subparagraph 3.3.4.4). If the member was entitled to FSH due to an enforced separation from the member's family at the time of appointment, the allowance may be included in the computation of saved pay until the entitlement ends. FSH may be reinstated for future periods if the member again qualifies for FSH due to an enforced separation from the family. Similarly, other items of overseas station allowance and/or special or incentive pay may be reinstated if a member again qualifies for them.

3.3.4.10. Effective January 6, 2006, the following special and incentive pays are dependent on a member being in an enlisted status and may not be considered in determining the amount of pay and allowances of a grade formerly held by an officer:

3.3.4.10.1. Special duty assignment pay;

3.3.4.10.2. Reenlistment bonus;

3.3.4.10.3. Enlistment bonus; and

3.3.4.10.4. Critical skill incentive pay (see Chapter 22, section 5.0).

3.3.5. Breaks in Service. A break in service (e.g., released from active duty or discharged) does not disqualify an officer for the saved pay and allowances entitlements of this section.

3.4 Increased Basic Pay During a Period of Service Essential to the Public Interest

3.4.1. Entitlement to Increased Basic Pay. This section applies only to enlisted members of the Regular Navy or Marine Corps, or Naval or Marine Corps Reserve, whose enlistments expire while serving on a naval vessel in foreign waters.

3.4.1.1. Retention in Service. Such members may be retained on active duty until the naval vessel returns to the Continental United States (CONUS) if the period of retention is determined "service essential to the public interests." The senior officer present afloat makes this determination.

3.4.1.2. Pay and Allowances. During the period of retention, except in time of war, members are entitled to regular pay and allowances, plus a 25-percent increase in the basic pay, to which they were entitled on the day before the period of retention began.

3.4.2. Members Not Eligible for Increase

3.4.2.1. Enlisted members are not entitled to the increased basic pay if retained on active duty after the expiration of enlistment:

3.4.2.1.1. At shore stations;

3.4.2.1.2. On ships on duty in waters in or around possessions and territories of the United States;

3.4.2.1.3. On ships on duty in ports or waters within the sovereign jurisdiction of the United States;

3.4.2.1.4. Due to lack of transportation; or

3.4.2.1.5. Merely because it is desirable to continue their services, or some benefit may be derived there from.

3.4.2.2. A member of the Naval Reserve or Marine Corps Reserve is not entitled to the 25-percent increase while retained beyond the period of obligated service as distinguished from normal date of expiration of enlistment.

3.4.3. Restrictions in Use. Do not use the 25-percent increase in computing:

3.4.3.1. Cash settlement for unused leave on discharge;

3.4.3.2. Physical disability or temporary disability retired pay;

3.4.3.3. Disability severance pay; or

3.4.3.4. Reenlistment bonus.

3.4.4. Termination of Increase in Basic Pay. The 25-percent increase in basic pay continues through date of:

3.4.4.1. Discharge, if the member is discharged within 30 days after arrival in CONUS; or

3.4.4.2. Transfer to a hospital for treatment (See Table 1-5, rule 19 for the date of termination of normal pay and allowances.).

3.5 Allowable Travel Time for Reserve Members Called to or Released From Active Duty

3.5.1. Pay and Allowances Entitlement for Allowable Travel Time

3.5.1.1. Reserve members called to active duty are entitled to active duty pay and allowances for the time allowed for necessary travel from:

3.5.1.1.1. Home to a first duty station; or

3.5.1.1.2. Last duty station to home (except when released from active duty for retirement or dismissal, when discharged, or upon resignation).

3.5.1.2. Pay and allowances for allowable travel time is an earned entitlement. The payment for the return home may be made upon the member's release from such duty without regard to actual performance of the travel. If the member dies after payment, but before payment would otherwise be due, no part of the payment will be recovered by the United States.

3.5.2. Terms and Special Conditions

3.5.2.1. Allowable travel time is considered active duty for all purposes normally ascribed to active duty. The computation of allowable travel time, whether actual or constructive will:

3.5.2.1.1. For periods of active duty of 30 days or less, be based upon the rules contained in Table 1-6; or

3.5.2.1.2. For periods of active duty of more than 30 days, be based upon the rules and provisions in Chapter 57.

3.5.2.2. A member of a Reserve Component is entitled to active duty pay and allowances for allowable travel time, if any, when:

3.5.2.2.1. Ordered to perform ADT;

3.5.2.2.2. Performing authorized IDT immediately before or after ADT at or near the same site; or

3.5.2.2.3. Receiving orders that direct performance of necessary travel to and from the ADT site immediately before and after combined ADT/IDT. The travel date will be specified in the active duty orders. Full retirement point credit is earned for the period of IDT performed.

4.0 ABSENCE FROM DUTY, EFFECT ON PAY, AND ALLOWANCES

4.1 Authorized Leave

4.1.1. Authority. All Military Service members on active duty for 30 consecutive days or more are entitled to accrue leave under applicable Military Service leave regulations. While on authorized leave, they are entitled to full pay and allowances except as otherwise provided in Table 1-11.

4.1.2. Applicable Service Leave Regulations. Applicable Military Service leave regulations are:

4.1.2.1. Army - ***Army Regulation 600-8-10***;

4.1.2.2. Navy - ***Military Personnel Manual 1050-010***;

4.1.2.3. Air Force and Space Force - Department of the Air Force Instruction ***36-3003***; and

4.1.2.4. Marine Corps - ***Marine Corps Order 1050.3J***.

4.1.3. Pay and Allowances During Leave

4.1.3.1. Entitlement. See Table 1-11.

4.1.3.2. Full Pay and Allowances Defined. This term means (includes) the following:

4.1.3.2.1. Basic pay;

4.1.3.2.2. Special pays;

4.1.3.2.3. Incentive pay for hazardous duty;

4.1.3.2.4. BAS (enlisted leave rations);

4.1.3.2.5. BAH;

4.1.3.2.6. Personal money allowances;

4.1.3.2.7. Clothing maintenance allowances;

4.1.3.2.8. Family separation allowances; and

4.1.3.2.9. Station allowances (CONUS Cost of Living Allowance (See Chapter 67); and Overseas Cost of Living Allowance and Temporary Lodging Allowance (See Chapter 68).

4.1.4. Advance Leave Carryover or Change to Excess Leave (Effective November 14, 1986)

4.1.4.1. When Carryover Allowed. Members may elect to carry all or part of an advance leave balance over to a new term of service when discharged for the purpose of:

4.1.4.1.1. Reenlisting within 24 hours of discharge or extending an enlistment; or

4.1.4.1.2. Accepting an appointment as a warrant or commissioned officer of the Armed Forces. Carryover will not exceed the number of days or fraction of days the member will accrue in the new enlistment or term of service or 30 days, whichever is less.

Example 1: A member's current term of service ends April 30, 2015. The member reenlists for 6 years on March 1, 2015, and has a 5.0-day advance leave balance. The 5.0-day advance leave balance can be carried into the new term of service.

Example 2: A member's current term of service ends September 30, 2015. On May 1, 2015, the member agrees to serve a 12-month extension and has a 12.5-day advance leave balance that will be offset by leave accrual through September 30, 2015. Between May 1, 2015, and September 30, 2015, the member was charged for 30 days of leave. When the extension became operative (October 1, 2015), the member could elect to carry the 30.0-day advance leave balance into the new term of service (12-month extension).

4.1.4.2. Excess Leave. Advance leave becomes excess leave and requires collection of pay and allowances under the following conditions:

4.1.4.2.1. Discharge for the purpose of reenlisting, extending an enlistment, or accepting a warrant or commission, and advance leave exceeds 30 days;

4.1.4.2.2. Advance leave balance exceeds that which will accrue in the new enlistment or term of service (for example, enlistment or extension(s)), including when an agreement to extend is cancelled by the Military Service. If an agreement to extend is cancelled by the member for the purpose of immediate reenlistment, collect the advance under subparagraph 4.4.1.2.1, if applicable;

4.1.4.2.3. Relief from active duty;

4.1.4.2.4. Appointment as a cadet or midshipman at a Service academy;

4.1.4.2.5. Death; or

4.1.4.2.6. Return from a period of leave that was in excess of the number of days of leave and fractions thereof that the member will accrue before the normal expiration of current enlistment or term of active service. The term of an extension(s) will be considered when determining the normal expiration of current enlistment or term of active service. Extension(s) will be considered from the date the member agrees to the extension(s). Excess leave properly charged before the date a member extends a term of service (reenlistment, appointment or agrees to extend voluntarily or is involuntarily extended) will not be affected and under no circumstances will pay and allowances previously collected be refunded (See subparagraph 4.1.5 when it is known at the time leave is granted that the member will be in excess leave status).

Example 3: A member's current term of service ended on March 31, 2016. The member reenlisted for 6 years on January 1, 2015, and had a 35.5-day advance leave balance. The member carried 30.0 days of advance leave into the new term of service. The remaining 5.5-day advance leave balance changes to excess leave and requires immediate collection of pay and allowances. Subparagraph 4.1.5 applies.

Example 4: Same as example 2, except that the member took 34 days of leave between May 1, 2015, and September 30, 2015. Since a maximum of 30.0 days of advance leave could be carried into the new term of service (12-month extension), immediate collection of pay and allowances for the remaining 4.0 days was required when the leave was used. Subparagraph 4.1.5 applies.

4.1.4.3. Amount to be Collected. Compute collection under subparagraph 4.1.4.2 on the basis of pay and allowances received by the member during the period of leave involved.

4.1.5. Pay and Allowances During Excess Leave. Members on excess leave are not entitled to pay and allowances. Apply as follows.

4.1.5.1. When the complete period of leave is granted as excess leave, pay and allowance accrual will be stopped beginning with the first day of leave.

4.1.5.2. When a portion of the leave is granted as advance leave and a portion granted as excess leave, pay and allowance accrual will be stopped beginning with the first day of excess leave. Members in an excess leave status are considered to have a rate of pay.

4.1.6. Leave Pending Review of Certain Court-Martial Convictions. Under regulations prescribed by the Secretary of the Military Department concerned, members sentenced to unsuspended dismissal or unsuspended dishonorable or bad-conduct discharge by court-martial may be required to take leave pending review of their conviction as provided by the Uniform Code of Military Justice ***(UCMJ) Article 76a***,

4.1.6.1. Such leave will be charged against any accrued leave to the member's credit on the day before the day such leave begins unless the member elects to be paid for accrued leave under Chapter 35, subparagraph 2.1.2.

4.1.6.1.1. If the member does not elect to be paid for accrued leave or does not have sufficient accrued leave to cover the total period of leave required to be taken, the leave not covered by accrued leave will be charged as excess leave.

4.1.6.1.2. If the member elects to be paid for accrued leave, the entire period of leave will be charged as excess leave and pay, and allowances will not accrue for such period except under the provisions of subparagraph 4.1.6.2.

4.1.6.2. A member required to take leave under Article 76a, UCMJ, whose sentence by court-martial to dismissal or dishonorable or bad-conduct discharge is set aside or disapproved on appellate review, will accrue pay and allowances for the period of leave charged as excess leave (except for any day of accrued leave for which the member has been paid under subparagraph 4.1.6.1.2.), unless a rehearing or new trial is ordered and dismissal or dishonorable or bad-conduct discharge results from the rehearing or new trial and such dismissal or discharge is later executed.

4.1.6.2.1. Computation of Payment. The amount of gross pay and allowances accrued under this subparagraph will be reduced by the total gross income from wages, salaries, tips, other personal service income, unemployment compensation, and public assistance benefits from any government agency during the period the member is deemed to have accrued gross pay and allowances. The total gross income, however, cannot reduce the amount of gross pay and allowances to the extent that the member becomes indebted to the government.

4.1.6.2.1.1. Approved Sentence Does Not Include Reduction. Pay and allowances under this section will be paid in the pay grade held by the member on the day before the day on which the court-martial sentence was approved by the convening authority.

4.1.6.2.1.2. Approved Sentence Includes Reductions. If the pay grade of the member was reduced to a lower grade as a result of the court-martial sentence, and the reduction has not been set aside, disapproved, or otherwise vacated, pay and allowances accrued under this paragraph will be paid at the lower pay grade.

4.1.6.2.2. Time of Payment

4.1.6.2.2.1. Payment will be made within 60 days from the date of the order setting aside or disapproving the sentence by court-martial to a dismissal or a dishonorable or bad-conduct discharge if no rehearing or new trial has been ordered.

4.1.6.2.2.2. Payment will be made within 180 days from the date of the order setting aside or disapproving the sentence by court-martial to a dismissal or a dishonorable or bad-conduct discharge if a rehearing or new trial has been ordered, but charges have not been referred to a rehearing or new trial within 120 days from the date of that order.

4.1.6.2.2.3. If a rehearing or new trial has been ordered, and a dismissal or a dishonorable or bad-conduct discharge is not included in the result of the rehearing

or new trial, payment will be made within 60 days of the date of the announcement of the result of such rehearing or new trial.

4.1.6.2.2.4. If a rehearing or new trial has been ordered, and a dismissal for a dishonorable or bad-conduct discharge is included as the result of such rehearing or new trial, but such dismissal or discharge is not later executed, payment will be made within 60-days of the date of the order which set aside, disapproved, or otherwise vacated such dismissal or discharge.

4.1.6.2.2.5. If a member who is entitled to be paid under this section fails to provide sufficient information in a timely manner regarding his/her income when such information is requested under subparagraph 4.1.6.3, the periods of time prescribed in this paragraph will be extended until 30 days after the date on which the member provides the requested information.

4.1.6.3. In all cases where payment must be made under subparagraph 4.1.6.2, the member solely is responsible for providing the information as to all sources and amounts of income received by the member during periods of required appellate leave. Pay will be computed only on the basis of a written record.

4.1.6.3.1. For periods where the member was employed, information as to all sources and amounts of income should include, at a minimum, copies of all pertinent:

4.1.6.3.1.1. Federal income tax returns;

4.1.6.3.1.2. Employer statements of income earned from wages, salaries, tips; and

4.1.6.3.1.3. Documentation of other personal service income.

4.1.6.3.2. For periods where the member has been unemployed, the member must submit an affidavit or written evidence of lack of employment and, at a minimum, copies of all pertinent:

4.1.6.3.2.1. Documentation to verify the duration of unemployment compensation;

4.1.6.3.2.2. Public assistance benefits received from any government agency;

4.1.6.3.2.3. Federal income tax returns; and

4.1.6.3.2.4. Any other documentation required by the Service concerned.

NOTE: The burden of proving the existence of a valid claim against the United States is on the member asserting the claim. A member must prove by clear and convincing evidence on the written record that the U.S. DoD is liable under the law for the amount claimed.

4.2 Unauthorized Absence and Other Lost Time

4.2.1. Effect on Pay and Allowances. The types of unauthorized absences, and other lost time, and their effect on pay and allowances are shown in Table 1-12 (Compute forfeitures of pay and allowances as instructed in subparagraph 3.2.2).

4.2.2. Unauthorized Absence and Desertion

4.2.2.1. Determination by Court-Martial. A member found guilty of unauthorized absence by a court-martial, forfeits pay and allowances for the period of absence. An acquittal (or disapproval by the reviewing authority, in case of conviction) affects only the disciplinary aspects of the absence. It does not prevent an administrative determination that the member was AWOL.

4.2.2.2. Administrative Determination of Unauthorized Absence. When a member is in an unauthorized absence status, an administrative determination must be made as to whether the absence was unavoidable. Table 1-13 contains rules for determining whether the absence was unavoidable. If it is not excused as unavoidable, the member forfeits pay and allowances for the period of absence. This applies even though a court-martial finds the member not guilty of a charge of unauthorized absence, or when a finding of guilty has been disapproved by the reviewing authority.

4.2.2.3. Discharge for Desertion. A discharge for desertion is conclusive evidence of desertion for the purpose of forfeiture of pay, even in the absence of trial by court-martial.

4.2.2.4. Dropped From Rolls. A commissioned officer of the Army or Air Force, who is dropped from the rolls by the President for absence without authority for 3 months, forfeits all pay due or to become due. Pay and allowances due at the time the officer is dropped from the rolls, however, will be used to satisfy debts due the United States and its instrumentalities.

4.2.2.5. Disposition of Forfeitures as a Result of Desertion. When an enlisted member, warrant officer, or limited duty officer forfeits pay as a result of desertion, deposit the gross amount of such forfeited pay to the Armed Forces Retirement Home Trust Fund. Do not, however, deposit this pay beyond the expiration of term of enlistment for enlisted members.

4.2.3. Computing Periods of Unauthorized Absence. Unauthorized absence of 24 consecutive hours or less does not affect pay or allowances. This applies even though the absence involves parts of 2 days. When the period of unauthorized absence exceeds 24 consecutive hours, use Table 1-14 to determine the first and last day of the period of absence.

4.2.4. Absence in the Hands of Civil Authorities

4.2.4.1. General. Pay the member all pay and allowances earned through the day before the first day of unauthorized absence. If the member is delivered to civil authorities by military authorities, he or she is entitled to all pay and allowances earned through the day prior to the date of such delivery. For entitlement to pay and allowances during confinement, see Table 1-12, rules 4, 5, and 6.

* 4.2.4.2. Finding of Insanity. An administrative determination under the rules contained in Table 1-13 must be made as to whether the absence was unavoidable when a member is found not guilty by reason of insanity by a civil court and committed under applicable Federal or State law for an indefinite period of time. Table 1-12 contains rules for determining the effect of absences on pay and allowances.

4.2.4.3. Work Release Program. In some states and local jurisdictions, a person convicted and sentenced to a term of civil confinement may be released from the confinement facility to the cognizance of an employer during the normal workday. Work release, job rehabilitation, or employment retention programs of this type generally are conducted for the purpose of providing prisoners a means to continue support of their dependents and to demonstrate that they are capable of self-rehabilitation. When members are paroled to military authorities under a "work release" or similar program, they are entitled to pay and allowances for each day of full duty performed commensurate with their grade and military specialty.

4.2.5. Absence Due to Disease

4.2.5.1. When Pay Is Forfeited. See Table 1-12, rule 3.

4.2.5.2. When Pay Is Not Forfeited. Pay is not forfeited for absence from duty caused by:

4.2.5.2.1. An injury;

4.2.5.2.2. A disease, except under Table 1-12, rule 3;

4.2.5.2.3. Simple drunkenness, if not coupled with chronic alcoholism or intemperate use of habit-forming drugs; or

4.2.5.2.4. Venereal disease, whether or not due to misconduct.

4.2.5.3. Personal Expense Money. A member whose pay is forfeited under Table 1-12, rule 3 for more than 1 month is entitled to $5 for personal expenses for each full month that he or she forfeits pay. This payment will be made even though the member is indebted to the United States. The term "full month" is the period from a date in 1 month through the preceding date in the following month. For example, July 3 through August 2 is 1 month.

4.2.6. Military Confinement. Pay and allowances accrue to a member in military confinement except when:

4.2.6.1. Confined by military authorities, for civil authorities. See Table 1-12, rules 6 and 8;

4.2.6.2. Pay and allowances are forfeited by court-martial sentence. See Chapter 48 and Table 1-12, rule 10; and

4.2.6.3. The term of enlistment expires. See subparagraph 4.2.7.

4.2.7. Term of Enlistment Expires

4.2.7.1. General. Pay and allowances accrue to a member upon return to a full-duty status. Full duty is attained when a member, not in confinement, is assigned useful and productive duties (as opposed to duties prescribed by regulations for confinement facilities) on a full-time basis which are not inconsistent with the grade, length of service, and military occupational specialty (MOS). While placement in the same MOS is not essential, the decision to place a member in that MOS or to assign the member available duties consistent with the grade and service rests with the appropriate military commander.

4.2.7.2. Absentee Returned to Military Control. An absentee who surrenders or is apprehended after a term of enlistment has expired is not entitled to pay and allowances until restored to a full-duty status for the purpose of making good the lost time. While held in retention, a member may be assigned duties as prescribed by regulations governing detained prisoners without being returned to full-duty status.

4.2.7.3. Enlistment Expires Before Trial. An enlisted member retained in the Military Service for the purpose of trial by court-martial is not entitled to pay for any period after the expiration of the enlistment unless acquitted or the charges are dismissed, or the member is retained in or restored to a full-duty status.

4.2.7.4. Confined Awaiting Trial by Court-Martial. If a member is confined awaiting court-martial trial when the enlistment expires, pay and allowances end on the date the enlistment expires. If the member is acquitted when tried, pay and allowances accrue until discharge.

4.2.7.5. Confined Serving Court-Martial Sentence. If a member is confined serving a court-martial sentence when the enlistment expires, pay and allowances end on the date the enlistment expires unless the sentence is completely overturned or set aside as specified in Chapter 48. Pay and allowances will not accrue again until the date the member is restored to a full-duty status.

4.2.7.6. Confined While in a Status of Being Held in the Service to Make Up Lost Time. If confined while in a status of being held in the Military Service to make up lost time, an enlisted member continues in a pay status, except to the extent that pay may be forfeited by

court-martial, the same as during the regular enlistment period. This pay status terminates if the member is in confinement on the date the normal term of service as extended to make up lost time would have expired, even if restored to duty at a later date.

4.2.7.7. Confinement Deferred or Prisoner Restored to Duty. A prisoner in a non-pay status is entitled to pay and allowances when service of sentence to confinement is deferred or the member is restored to a full-duty status. The date restored to duty is the date the member reported present for duty.

4.2.7.8. Absentee Confined Upon Return to Military Control. An enlisted member whose term of enlistment has expired while in a status of absence without leave or desertion is not entitled to pay and allowances upon return to military control while confined awaiting trial and disposition of the case if the conviction becomes final and the member has not been returned to a full-duty status. A member, however, who is returned to military control and restored to full duty for the purpose of making good the lost time before being confined to await trial, continues in a pay status except to the extent that pay may be forfeited by court-martial, the same as during the regular enlistment period. This pay status terminates if the member is in confinement on the date the normal term of service is extended to make up lost time would have expired, even if he or she is restored to duty at a later date.

4.2.7.9. Confined Under Sentence of Death. The pay and allowances of a member, serving in confinement under sentence of death and pending completion of the appellate review of the record of trial, do not accrue after the expiration of the enlistment.

4.2.7.10. Appellate Review of Court-Martial Sentence. A confined member who is pending appellate review of his or her court-martial sentence is not entitled to pay and allowances after the expiration of term of enlistment, unless the conviction is completely overturned or set aside.

4.2.8. Reserve Officer Absent From Duty. A Reserve officer whose term of active service expires while confined as a result of court-martial action continues to be entitled to pay and allowances, except when forfeited under an approved sentence of a court-martial or a period of service is terminated by proper orders.

5.0 PAYMENT IN CASES OF VOID, VOIDABLE, OR REJECTED ENLISTMENTS OR INDUCTIONS

5.1 Voidability of Contract

A fraudulent contract of enlistment or induction is not void but is voidable at the option of the government. When the government becomes aware of the fraud, it may void the contract or waive the objection and allow the contract to stand (See Table 1-15.).

5.2 Fraudulent Enlistments – Pay and Allowances

Members under investigation, or determined to be serving in fraudulent enlistments, are due pay and allowances for periods shown in Table 1-15.

5.3 Travel Payments

See ***Joint Travel Regulation***, Chapter 5, Paragraph 051007.

5.4 Disbursing Officer Entitled to Credit

A disbursing officer is entitled to credit for proper payments to a member who fraudulently enlisted if payments were made without the knowledge of the fraud and before the government rescinded the contract.

5.5 Failure to Discover Physical Condition of Enlistee or Inductee

Failure to discover that the physical condition of an enlistee or inductee was such as would warrant rejection for military service does not deprive member of right to pay and allowances or of the status of being entitled to basic pay (See Table 1-15.).

6.0 FINANCIAL INSTITUTION CHARGES

6.1 Reimbursement

Reimbursement of financial institution charges may be authorized. Authorized reimbursements are limited to overdraft charges or minimum balance, or average balance charges levied by the financial institution because of an administrative or mechanical error on the part of the government that causes pay to be deposited late or in an incorrect manner or amount.

6.2 Non – Reimbursement

Charges by financial institutions resulting from erroneous information provided by the member or the financial institution to a military pay office are not the liability of the government and will not be reimbursed.

6.3 Definitions

6.3.1. Financial Institutions. For the purpose of this section, a financial institution is defined as a bank, savings and loan association, or similar institution or a credit union chartered by the United States or a state.

6.3.2. Pay. For the purpose of this section, pay is defined as basic pay, allowances, bonuses, special and incentive pays.

7.0 MILITARY PAYDAYS

7.1 Payday

The payday is the first calendar day of the month after the month in which the entitlement was earned. This does not preclude one payment in midmonth for any element of compensation.

7.2 Exception

Except for payrolls otherwise payable on October 1, if the payday falls on a Saturday, Sunday, or federal legal holiday, payment is authorized on the preceding workday, but not more than 3 days before the scheduled payday. This exception applies to foreign holidays recognized abroad by U.S. Forces. It also applies to payments made to members upon separation from the Military Service through retirement or discharge when the last day of active duty falls on a Saturday, Sunday, or federal legal holiday.

7.3 Determination

For payrolls otherwise payable on October 1, the DoD Comptroller will determine if the payroll may be dated in September.

Table 1-1. Service as Cadet or Midshipman - Officers

RULE	When a member currently serving as an officer has had service as a cadet or midshipman in	to which appointed	and member	then the period involved is
1	any of the military academies		held no concurrent enlisted and/or Reserve status	not creditable.
2	any of the military academies	after June 25, 1956	had an enlistment contract or period of obligated service that was not terminated	not creditable.
3	any of the military academies		concurrently retained a commission or warrant in the Army or Air Force Reserve	creditable.
4	any of the military academies	on or after January 1, 1953	concurrently retained a commission or warrant in the Naval Reserve	creditable.

Table 1-2. Absence from Duty in Enlisted Status

RULE	When the absence is	and	then the period of absence is
1	authorized leave or authorized excess leave		creditable.
2	unauthorized absence of more than 1 day (24 consecutive hours) (including detention of Army or Air Force members by or for civil authorities)	is administratively excused as unavoidable	creditable.
3	unauthorized absence of more than 1 day (24 consecutive hours) (including detention of Army or Air Force members by or for civil authorities)	is not administratively excused as unavoidable	not creditable (note 1).
4	civil detention of a Navy or Marine Corps member	occurred before July 24, 1956, and the member was not acquitted or released without trial, and without making restitution	not creditable (note 1).
5	civil detention of a Navy or Marine Corps member	occurred on or after July 24, 1956, and the member was absent under sentence or awaiting (and during) trial which resulted in conviction (note 2)	not creditable (note 1).
6	inability to perform duty for more than 1 day (24 consecutive hours) because of intemperate use of alcohol or drugs, or disease or injury resulting from misconduct		not creditable (note 1).
7	desertion		not creditable (note 1).
8	because of confinement for more than 1 day (24 consecutive hours) while awaiting trial (if the trial results in conviction) or confinement as the result of a court-martial sentence (note 3)	the member was a member of the Army or Air Force	not creditable (note 1).
9	absence of a Navy or Marine Corps member because of confinement of more than 1 day (24 consecutive hours) while awaiting trial (if the trial results in conviction) or confinement as the result of a court-martial sentence	the confinement occurred on or after July 24, 1956 (note 3)	not creditable (note 1).
10	absence of a Navy or Marine Corps member because of confinement of more than 1 day (24 consecutive hours) while awaiting trial (if the trial results in conviction) or confinement as the result of a court-martial sentence	the confinement occurred before July 24, 1956	(note 4).

Table 1-2. Absence from Duty in Enlisted Status (Continued)

NOTES:

1. Prior to February 11, 1996, absence during which a member was serving on active duty as an enlisted member and was also a Reserve officer is creditable. After February 10, 1996, a commissioned or warrant officer may not count the periods of absence for any purpose other than for computing length of service for basic pay. Also, see subparagraph 2.2.2.
2. If the member is released without trial or acquitted, or if conviction is set aside on legal grounds (as distinguished from clemency), the period of absence is creditable. If the member is released upon agreement to make restitution, or is later convicted by court-martial on the same facts, the period of absence is not creditable.
3. The period spent in confinement is creditable when the member is acquitted, or the sentence is set aside or disapproved.
4. The period of absence is not creditable only if the confinement was under general court-martial sentence and/or while waiting (and during) trial which resulted in a sentence by a general court-martial to confinement and total loss of pay and allowances.

Table 1-3. When Active Duty Pay Begins

RULE	When a person is	in the	and	then active duty pay and allowances	
				begin on:	are authorized for:
1	originally appointed as a permanent officer	Regular Army, Navy, Air Force, or Marine Corps (note 1)		the date of formal acceptance of appointment (see subparagraph 3.1.3).	
2	an enlisted member temporarily appointed to a warrant or commissioned officer grade	Navy or Marine Corps		the date of formal acceptance of appointment (see subparagraph 3.1.3).	
3	an enlisted member or warrant officer on active duty appointed to a commissioned officer grade under *10 U.S.C. § 12201*	Reserve	continues on active duty in that commissioned officer grade	the date of formal acceptance of appointment (see subparagraph 3.1.3).	
4	enlisted, reenlisted, or inducted	Regular Army, Navy, Air Force, or Marine Corps		the date of enlistment, reenlistment, or induction.	
5	a service academy graduate commissioned as a second lieutenant or ensign	Regular Army or Air Force		the date of graduation (note 2).	
6	a service academy graduate commissioned as a second lieutenant or ensign	Regular Navy or Marine Corps		the date of formal acceptance of appointment.	
7	a reserve or retired member called or recalled to active duty	Regular Army, Navy, Air Force, or Marine Corps		the date member necessarily complies with active duty order (note 3).	

Table 1-3. When Active Duty Pay Begins (Continued)

RULE	When a person is	in the	and	then active duty pay and allowances	
				begin on:	are authorized for:
8	a temporary officer (without component) called to active duty	Army or Air Force		the date member necessarily complies with active duty orders (note 3).	
9	a reserve or retired member ordered to active duty to take a physical examination incident to being ordered to active duty for more than 30 days	Regular Army, Navy, Air Force, or Marine Corps		the date member necessarily complies with active duty orders (note 3).	period of the examination, and allowable travel time in connection therewith (notes 3, 4, 5, and 6).
10	an Army National Guard or Air National Guard member called into federal service	Army or Air Force	the period of federal service is 30 days or less	the date on which the member, in person or by authorized telephonic or electronic means, contacts the member's unit.	
11	an Army National Guard or Air National Guard member called into federal service	Army or Air Force	the period of federal service is more than 30 days or an indefinite period	the date member necessarily complies with active duty orders (notes 3 and 7).	
12	a separated Service academy cadet required to serve a period of enlisted active duty	Regular Army, Navy, Air Force, or Marine Corps		the date following date of approval of cadet’s separation from the academy.	

Table 1-3. When Active Duty Pay Begins (Continued)

NOTES:

1. Original appointments include officers appointed from warrant officer, enlisted member, or civilian status.
2. Pay accrues from date of graduation, even though appointment is issued and accepted at later date.
3. See paragraph 3.5 and Table 1-6 for allowable travel time to include in computation. Pay and allowances do not accrue if the member begins travel or reports earlier than the travel time necessary to comply with the active duty orders.
4. If member passes the physical examination, pay and allowances accrue for travel time to first duty station when later ordered to active duty for more than 30 days.
5. If the member fails the physical examination, pay and allowances accrue for period required for the examination and travel time to and from the examination.
6. If the member is ordered to active duty solely to take a physical examination, not incident to being ordered to active duty, active duty pay, and allowances do not accrue.
7. Pay status does not begin if the Army National Guard or Air National Guard member is unable to respond to the call to active duty because of illness or other reason.

Table 1-4. Increases in Pay on Promotion or Restoration of Grade

RULE	When member is a(n)	and action is	in the	and	then effective date of increase in pay and allowances
1	officer	designation of special assignment under *10 U.S.C. § 601(a)*	Army, Air Force, or Marine Corps as General or Lt General; or Navy as Admiral or Vice Admiral		is the date officer assumes the designated duty (note 1).
2	Reserve officer not on the active duty list	promotion to grade above O-2	Navy or Marine Corps		is the date officer becomes eligible for promotion to the higher grade.
3	Reserve officer not on the active duty list	promotion to grade O-2	Navy or Marine Corps		is the date of rank.
4	officer	promotion to grade above O-1	Uniformed Services		is the effective date of the promotion.
5	Reserve officer on active duty (other than for training) (but not on the active duty list)	permanent promotion to a higher Reserve grade	Army or Air Force	officer is ordered to serve on active duty in the higher permanent Reserve grade	is the effective date of orders to serve on active duty in the higher permanent Reserve grade (note 2).
6	Reserve officer on active duty (other than for training) (but not on the active duty list)	permanent promotion to a higher Reserve grade	Army or Air Force	officer is serving on active duty and assigned to a position requiring a grade equal to or higher than the grade to which promoted	is the effective date of orders or letter announcing promotion (note 3).
7	Reserve officer on active duty (other than for training) (but not on the active duty list)	temporary promotion to a higher Reserve grade	Army or Air Force	officer is serving on active duty and assigned to a position requiring a grade equal to or higher than the grade to which promoted	is the effective date of orders announcing promotion; or date shown in special orders confirming verbal orders.
8	enlisted member	advancement in rank or rating	Navy	effective date is specified in the letter authorizing the advance	is the effective date as stated, or date of the letter, whichever is later (note 4).

Table 1-4. Increases in Pay on Promotion or Restoration of Grade (Continued)

RULE	When member is a(n)	and action is	in the	and	then effective date of increase in pay and allowances
9	enlisted member	advancement in rank or rating	Navy	effective date is not stated in letter	is the date advance was actually affected, but not before date member's commander receives the authority (note 4).
10	enlisted member	advancement in rank or rating	Marine Corps	effective date is specified in the directive authorizing the advance	is the effective date as stated in the directive or date of the directive, whichever is later (note 4).
11	enlisted member	advancement in rank or rating	Marine Corps	promotion is not effected by directive	is the date certificate of appointment is signed by issuing authority (note 4).
12	enlisted member	appointment or promotion to a higher grade	Army or Air Force		1. is the date cited in orders, or date of orders, whichever is later (note 5); or 2. is the date of oral appointment or promotion, if later confirmed in writing (note 4).
13	enlisted member	restoration of former grade		reason for reduction was non-judicial punishment	may be retroactive to date of reduction.
14	enlisted member	restoration of former grade		reason for reduction was inefficiency	is the date of restoration orders.

Table 1-4. Increases in Pay on Promotion or Restoration of Grade (Continued)

NOTES:

1. If the officer's assignment is terminated because of:
   a. Assignment to another position also designated a special assignment: the officer will continue to draw the pay rate of the terminated assignment through the day before assuming the new position.
   b. Hospitalization: the officer will continue to draw the pay rate of the terminated assignment for the full period of hospitalization, but for not more than 180 days.
   c. Retirement: the officer will continue to draw the pay rate of the terminated position through the day before retirement, but for not more than 90 days.
2. A retroactive amendment of active duty orders is authority to serve in the higher grade from date of the amendment only. Increased pay and allowances are authorized from that date. Such orders do not create entitlement to increased pay and allowances for the retroactive period.
3. A retroactive promotion date is to be used only for consideration of seniority and time in grade for future promotions. Such orders do not create entitlement to increased pay and allowances for the period between the eligibility date for promotion and the effective date of the promotion order or letter. The effective date of promotion for purposes of entitlement to increased pay and allowances must not be earlier than the date the officer is assigned to a position requiring a grade equal to or higher than the grade to which promoted.
4. An appointment, promotion, or advancement to a higher grade with an effective date beyond the expiration date of the current enlistment and which is contingent upon the member's extension of enlistment or reenlistment, entitles the member to increased pay and allowances from the effective date of extension or reenlistment, whichever is later. Payment for the higher rank or rating is not authorized for a period prior to date of current enlistment.
5. This restriction does not prevent payment to enlisted members for retroactive promotions or advancements that are made pursuant to ***10 U.S.C. § 1552***(a)(2) (retroactive promotion or advancement without decision of the Board for Correction of Military Records), effective October 23, 1992.

Table 1-5. Termination or Reduction of Active Duty Pay and Allowances

RULE	If member is in the	and status is an	and action is	and reason for retention is	then pay and allowances are authorized through date
1	Regular Army, Navy, Marine Corps, or Air Force	officer holding permanent appointment	resignation, discharge, or dismissal		1. shown as official date of separation in official notice; or 2. officer receives official notice, if no official date of separation is shown (note 1).
2	Regular Army, Navy, Marine Corps, or Air Force	officer holding temporary appointment or promotion	discharge or dismissal from permanent status		of termination of appointment.
3	Regular Army, Navy, Marine Corps, or Air Force	officer holding temporary appointment or promotion	resignation		of termination of appointment.
4	Regular Army, Navy, Marine Corps, or Air Force	officer holding temporary appointment or promotion	transfer to Fleet Reserve, or Fleet Marine Corps Reserve (note 2)		before date placed on the retired list.
5	Regular Army, Navy, Marine Corps, or Air Force	officer holding temporary appointment or promotion	involuntary retirement under Officer Personnel Act of 1947		before date placed on the retired list.
6	Regular Army, Navy, Marine Corps, or Air Force	officer holding temporary appointment or promotion	retirement on last day of month after month member completed 30 years of active service		before date placed on the retired list.
7	Regular Army, Navy, Marine Corps, or Air Force	officer holding temporary appointment or promotion	retirement, other than as shown in rules 5 and 6; includes physical disability retirement		before date placed on the retired list.
8	Regular Army, Navy, Marine Corps, or Air Force	officer holding temporary appointment or promotion	permanent appointment as an officer		before date of acceptance of permanent appointment.

Table 1-5. Termination or Reduction of Active Duty Pay and Allowances (Continued)

RULE	If member is in the	and status is an	and action is	and reason for retention is	then pay and allowances are authorized through date
9	Regular Army, Navy, Marine Corps, or Air Force	officer holding temporary appointment or promotion	termination of appointment for any other reason		of termination of appointment.
10	Army, Navy, Marine Corps, or Air Force Reserve	officer or enlisted member	release from active duty		of allowable travel time after release (see Table 1-6).
11	Army, Navy, Marine Corps, or Air Force Reserve	officer or enlisted member	release from active duty for retirement		before date placed on retired list.
12	Army, Navy, Marine Corps, or Air Force Reserve	officer or enlisted member	discharge, dismissal, or a resignation		shown in official separation notice, or date member receives official notice of separation.
13	Army, Navy, Marine Corps, or Air Force	enlisted member	retirement (including physical disability retirement)		before date placed on retired list.
14	Army, Navy, Marine Corps, or Air Force	enlisted member	transfer to Fleet Reserve or Fleet Marine Corps Reserve		of transfer.
15	Army, Navy, Marine Corps, or Air Force	enlisted member	discharge		of discharge (note 3).
16	Army, Navy, Marine Corps, or Air Force	enlisted member	retention in service after expiration of term of service (note 4)	convenience of the government	of the period of retention.
17	Army, Navy, Marine Corps, or Air Force	enlisted member	retention in service after expiration of term of service (note 4)	to make good lost time	of the period of retention, if retained in full-duty status or if authorized to perform duty.

Table 1-5. Termination or Reduction of Active Duty Pay and Allowances (Continued)

RULE	If member is in the	and status is an	and action is	and reason for retention is	then pay and allowances are authorized through date
18	Army, Navy, Marine Corps, or Air Force	enlisted member		probation after confinement	of the probation period, if duty is performed during such period.
19	Army, Navy, Marine Corps, or Air Force	enlisted member		medical care or hospitalization (with member's consent)	of release from medical care or hospitalization (note 5).
20	Army, Navy, Marine Corps, or Air Force	enlisted member		service is essential to public interest (see paragraph 3.4)	of discharge (note 6).
21	Army, Navy, Marine Corps, or Air Force	enlisted member		court-martial action	see subparagraph 4.2.7.
22	Army, Navy, Marine Corps, or Air Force	enlisted member	demotion (administrative)		before date of demotion orders at the higher rate; and at the reduced rate on and after date of demotion orders.
23	Army, Navy, Marine Corps, or Air Force	officer or enlisted member	death		of death.
24	Army, Navy, Marine Corps, or Air Force	officer or enlisted member	revoking a promotion (erroneous promotion through administrative error)		before date of discovery at the higher rate; at the reduced rate on or after date of discovery (note 7).
25	Army, Navy, Marine Corps, or Air Force	officer or enlisted member	retirement	late delivery of retirement orders	retirement orders are delivered, or member is notified that retirement orders were issued.

Table 1-5. Termination or Reduction of Active Duty Pay and Allowances (Continued)

NOTES:

1. Discharge orders do not relieve the government of its obligation to an officer. The officer must have received actual or constructive notice by the effective date, unless the officer willfully avoids notice of separation. If kept in Military Service without fault, in ignorance of an order of dismissal, the officer is entitled to all salaries and benefits of the office. If held in Military Service under orders after the date shown in separation orders, the officer is entitled to pay if there is nothing in the records showing non-entitlement.
2. A member who reverts from a temporary officer appointment to a permanent enlisted or warrant officer grade is entitled, if otherwise proper, to the active duty pay and allowances of the temporary officer grade through and including the date of reversion.
3. Includes discharge for underage enlistment. Does not include discharge for fraudulent contract of enlistment (See section 5.0.).
4. A member whose enlistment is extended involuntarily by law comes under rule 15, not rules 16-21.
5. If medical care or hospitalization was due to member's misconduct, pay and allowances terminate on date of expiration of term of Military Service.
6. See subparagraph 3.4.4 for date of termination of the 25 percent increase in basic pay.
7. An erroneous promotion is later voided by revoking promotion orders (certificates of appointment or other documents used by the Military Service concerned to administratively effect promotions) from the original effective date. Payment of the pay and allowances of the higher grade through the date prior to the date of discovery is contingent, in each case, upon an administrative determination of the commander, that service performed while serving in the higher grade may be regarded as service performed in a "de facto" status; that is, the member was promoted by competent authority and performed duties of the higher grade (See procedural regulations of the Military Service concerned).

Table 1-6. Allowable Travel Time – Travel Between Places Within the United States

RULE	If order to active duty is for	and travel by (note 1)	then travel time allowed is	using (notes 3 and 4).
1	30 days or less	all transportation is reasonably available	computed on the basis of air transportation (not more than 1 day for travel between places within the CONUS) (note 2)	actual commercial air schedules and including the actual or estimated time to travel to and from air terminal(s) (but not more than 2 hours for each trip).
2	30 days or less	air transportation is not reasonably available for entire travel	computed as if actually performed by public surface transportation	actual schedules of fastest available mode.

NOTES:

1. When the air terminal is within 50 miles of the active duty station and direct or connecting flights are obtainable within 50 miles of the place from which ordered to active duty.
2. Additional time may be allowed when there is an actual delay in air travel. The delay must have been due to reasons beyond the control of the member, such as mechanical failure, adverse weather conditions, excess passenger load, cancelled flights, illness of other passengers, or other circumstances.
3. Travel is not expected to start or end between midnight and 0600.
4. Travel days will not exceed the computed travel time. In the computation of travel time, use existing commercial schedules to determine the latest departure time that would permit arrival at the duty station on the reporting date and hour. On release from active duty, use earliest schedule after release, which would permit arrival home by fastest available means, without regard to actual performance of travel. A member of a Reserve Component is entitled to active duty pay and allowances for allowable travel time per subparagraph 3.5.2 when member:
   a. is ordered to perform ADT;
   b. performs authorized IDT immediately before or after ADT at or near the same site; and
   c. receives orders, which direct performance of necessary travel to and from the ADT site immediately before and after combined ADT/IDT. The travel date will be specified in the active duty orders. Full retirement point credit is earned for the period of IDT performed.

*Table 1-7. Monthly Rates of Basic Pay – Commissioned Officers, Academy Cadets and Midshipmen and ROTC Members - Effective January 1, 2024
For the most current rates, see Basic Pay table on DFAS.MIL.

	Cumulative Years of Service (Notes 1, 2 & 3)						
Pay Grade	**2 or less**	**Over 2**	**Over 3**	**Over 4**	**Over 6**	**Over 8**	**Over 10**
O-10 (Note 4)							
O-9 (Note 4)							
O-8 (Note 4)	12,803.70	13,223.70	13,501.80	13,579.20	13,926.90	14,506.50	14,641.80
O-7 (Note 4)	10,638.90	11,133.00	11,361.90	11,544.00	11,872.80	12,198.30	12,574.20
O-6 (Note 5)	8,067.90	8,863.20	9,444.90	9,444.90	9,481.20	9,887.40	9,941.40
O-5 (Note 5)	6,725.70	7,576.50	8,100.90	8,199.60	8,527.20	8,722.50	9,153.00
O-4 (Note 5)	5,803.20	6,717.30	7,166.40	7,265.40	7,681.50	8,127.90	8,684.10
O-3 (Notes 5 & 6)	5,102.10	5,783.70	6,241.80	6,806.10	7,132.80	7,490.70	7,721.70
O-2 (Notes 5 & 6)	4,408.50	5,020.80	5,782.80	5,978.10	6,100.80	6,100.80	6,100.80
O-1 (Notes 5, 6 & 7)	3,826.20	3,982.80	4,814.70	4,814.70	4,814.70	4,814.70	4,814.70

	Cumulative Years of Service (Notes 1, 2 & 3)							
Pay Grade	**Over 12**	**Over 14**	**Over 16**	**Over 18**	**Over 20**	**Over 22**	**Over 24**	**Over 26**
O-10 (Note 4)					18,491.70	18,491.70	18,491.70	18,491.70
O-9 (Note 4)					18,096.00	18,357.30	18,491.70	18,491.70
O-8 (Note 4)	15,192.60	15,351.30	15,825.90	16,512.90	17,145.60	17,568.60	17,568.60	17,568.60
O-7 (Note 4)	12,948.90	13,325.40	14,506.50	15,504.30	15,504.30	15,504.30	15,504.30	15,584.10
O-6 (Note 5)	9,941.40	10,506.30	11,505.00	12,091.20	12,677.10	13,010.70	13,348.50	14,002.80
O-5 (Note 5)	9,469.80	9,878.10	10,501.80	10,799.10	11,093.10	11,426.70	11,426.70	11,426.70
O-4 (Note 5)	9,116.10	9,416.70	9,589.50	9,689.10	9,689.10	9,689.10	9,689.10	9,689.10
O-3 (Notes 5 & 6)	8,102.10	8,301.00	8,301.00	8,301.00	8,301.00	8,301.00	8,301.00	8,301.00
O-2 (Notes 5 & 6)	6,100.80	6,100.80	6,100.80	6,100.80	6,100.80	6,100.80	6,100.80	6,100.80
O-1 (Notes 5, 6 & 7)	4,814.70	4,814.70	4,814.70	4,814.70	4,814.70	4,814.70	4,814.70	4,814.70

Pay Grade	**Over 28**	**Over 30**	**Over 32**	**Over 34**	**Over 36**	**Over 38**	**Over 40**
O-10 (Note 4)	18,491.70	18,491.70	18,491.70	18,491.70	18,491.70	18,491.70	18,491.70
O-9 (Note 4)	18,491.70	18,491.70	18,491.70	18,491.70	18,491.70	18,491.70	18,491.70
O-8 (Note 4)	17,568.60	18,008.40	18,008.40	18,458.10	18,458.10	18,458.10	18,458.10
O-7 (Note 4)	15,584.10	15,895.80	15,895.80	15,895.80	15,895.80	15,895.80	15,895.80
O-6 (Note 5)	14,002.80	14,282.40	14,282.40	14,282.40	14,282.40	14,282.40	14,282.40
O-5 (Note 5)	11,426.70	11,426.70	11,426.70	11,426.70	11,426.70	11,426.70	11,426.70
O-4(Note 5)	9,689.10	9,689.10	9,689.10	9,689.10	9,689.10	9,689.10	9,689.10
O-3 (Notes 5 & 6)	8,301.00	8,301.00	8,301.00	8,301.00	8,301.00	8,301.00	8,301.00
O-2 (Notes 5 & 6)	6,100.80	6,100.80	6,100.80	6,100.80	6,100.80	6,100.80	6,100.80
O-1 (Notes 5, 6 & 7)	4,814.70	4,814.70	4,814.70	4,814.70	4,814.70	4,814.70	4,814.70

Table 1-7. Monthly Rates of Basic Pay – Commissioned Officers, Academy Cadets and Midshipmen and ROTC Members - Effective January 1, 2024 (Continued)

NOTES:

1. Basic pay rate for Academy Cadets/Midshipmen and ROTC members/applicants is $1,339.50.
2. The amount of the maximum combat zone tax exclusion in effect for a qualifying month equals the sum of the basic pay for the senior enlisted member payable (Table 1-10, note 3) and the maximum amount of hostile fire or imminent danger pay ($225) actually payable to the officer for the qualifying month.
3. For rank titles, see Volume 7A Comparable Grades.
4. Basic pay is limited to the rate of basic pay for level II of the Executive Schedule in effect during calendar year 2024, which is $18,491.70 per month for officers at pay grades O-7 through O-10. This includes officers serving as:
   a. Chairman or Vice Chairman of the Joint Chiefs of Staff;
   b. Chief of Staff of the Army;
   c. Chief of Naval Operations;
   d. Chief of Staff of the Air Force;
   e. Commandant of the Marine Corps;
   f. Chief of Space Operations;
   g. Commandant of the Coast Guard;
   h. Chief of the National Guard Bureau; or
   i. Commander of a unified or specified combatant command (as defined in ***10 U.S.C. § 161(c)***).
5. Basic pay for pay grades O-6 and below is limited to the rate of basic pay for Level V of the Executive Schedule during calendar year 2024, which is $15,000.00.
6. O-1, O-2, and O-3 rates do not apply to commissioned officers who have been credited with over 4 years (i.e., at least 4 years and 1 day) of active duty service as an enlisted member or as a warrant officer or as both an enlisted member and a warrant officer.
7. These rates or, when applicable, the O-1E rates in Table 1-8 apply during periods of active service while as a DOM student of the USUHS. Also see subparagraph 2.2.1.6.

*Table 1-7A. Monthly Rates of Basic Pay – Commissioned Officers, Academy Cadets and Midshipmen and ROTC Members - Effective January 1, 2025
For the most current rates, see Basic Pay table on DFAS.MIL.

	Cumulative Years of Service (Notes 1, 2 & 3)						
Pay Grade	**2 or less**	**Over 2**	**Over 3**	**Over 4**	**Over 6**	**Over 8**	**Over 10**
O-10 (Note 4)							
O-9 (Note 4)							
O-8 (Note 4)	13,380.00	13,818.90	14,109.30	14,190.30	14,553.60	15,159.30	15,300.60
O-7 (Note 4)	11,117.70	11,634.00	11,873.10	12,063.60	12,407.10	12,747.30	13,140.00
O-6 (Note 5)	8,430.90	9,261.90	9,870.00	9,870.00	9,907.80	10,332.30	10,388.70
O-5 (Note 5)	7,028.40	7,917.30	8,465.40	8,568.60	8,910.90	9,114.90	9,564.90
O-4 (Note 5)	6,064.20	7,019.70	7,488.90	7,592.40	8,027.10	8,493.60	9,075.00
O-3 (Notes 5 & 6)	5,331.60	6,044.10	6,522.60	7,112.40	7,453.80	7,827.90	8,069.10
O-2 (Notes 5 & 6)	4,606.80	5,246.70	6,042.90	6,247.20	6,375.30	6,375.30	6,375.30
O-1 (Notes 5, 6 & 7)	3,998.40	4,161.90	5,031.30	5,031.30	5,031.30	5,031.30	5,031.30

	Cumulative Years of Service (Notes 1, 2 & 3)							
Pay Grade	**Over 12**	**Over 14**	**Over 16**	**Over 18**	**Over 20**	**Over 22**	**Over 24**	**Over 26**
O-10 (Note 4)					18,808.20	18,808.20	18,808.20	18,808.20
O-9 (Note 4)					18,808.20	18,808.20	18,808.20	18,808.20
O-8 (Note 4)	15,876.30	16,042.20	16,538.10	17,256.00	17,917.20	18,359.10	18,359.10	18,359.10
O-7 (Note 4)	13,531.50	13,925.10	15,159.30	16,202.10	16,202.10	16,202.10	16,202.10	16,285.50
O-6 (Note 5)	10,388.70	10,979.10	12,022.80	12,635.40	13,247.70	13,596.30	13,949.10	14,632.80
O-5 (Note 5)	9,895.80	10,322.70	10,974.30	11,285.10	11,592.30	11,940.90	11,940.90	11,940.90
O-4 (Note 5)	9,526.20	9,840.60	10,020.90	10,125.00	10,125.00	10,125.00	10,125.00	10,125.00
O-3 (Notes 5 & 6)	8,466.60	8,674.50	8,674.50	8,674.50	8,674.50	8,674.50	8,674.50	8,674.50
O-2 (Notes 5 & 6)	6,375.30	6,375.30	6,375.30	6,375.30	6,375.30	6,375.30	6,375.30	6,375.30
O-1 (Notes 5, 6 & 7)	5,031.30	5,031.30	5,031.30	5,031.30	5,031.30	5,031.30	5,031.30	5,031.30

Pay Grade	**Over 28**	**Over 30**	**Over 32**	**Over 34**	**Over 36**	**Over 38**	**Over 40**
O-10 (Note 4)	18,808.20	18,808.20	18,808.20	18,808.20	18,808.20	18,808.20	18,808.20
O-9 (Note 4)	18,808.20	18,808.20	18,808.20	18,808.20	18,808.20	18,808.20	18,808.20
O-8 (Note 4)	18,359.10	18,808.20	18,808.20	18,808.20	18,808.20	18,808.20	18,808.20
O-7 (Note 4)	16,285.50	16,611.00	16,611.00	16,611.00	16,611.00	16,611.00	16,611.00
O-6 (Note 5)	14,632.80	14,925.00	14,925.00	14,925.00	14,925.00	14,925.00	14,925.00
O-5 (Note 5)	11,940.90	11,940.90	11,940.90	11,940.90	11,940.90	11,940.90	11,940.90
O-4(Note 5)	10,125.00	10,125.00	10,125.00	10,125.00	10,125.00	10,125.00	10,125.00
O-3 (Notes 5 & 6)	8,674.50	8,674.50	8,674.50	8,674.50	8,674.50	8,674.50	8,674.50
O-2 (Notes 5 & 6)	6,375.30	6,375.30	6,375.30	6,375.30	6,375.30	6,375.30	6,375.30
O-1 (Notes 5, 6 & 7)	5,031.30	5,031.30	5,031.30	5,031.30	5,031.30	5,031.30	5,031.30

Table 1-7A. Monthly Rates of Basic Pay – Commissioned Officers, Academy Cadets and Midshipmen and ROTC Members - Effective January 1, 2025 (Continued)

NOTES:

1. Basic pay rate for Academy Cadets/Midshipmen and ROTC members/applicants is $1,399.80.
2. The amount of the maximum combat zone tax exclusion in effect for a qualifying month equals the sum of the basic pay for the senior enlisted member payable (Table 1-10A, note 3) and the maximum amount of hostile fire or imminent danger pay ($225) actually payable to the officer for the qualifying month.
3. For rank titles, see Volume 7A Comparable Grades.
4. Basic pay is limited to the rate of basic pay for level II of the Executive Schedule in effect during calendar year 2025, which is $18,808.20 per month for officers at pay grades O-7 through O-10. This includes officers serving as:
   a. Chairman or Vice Chairman of the Joint Chiefs of Staff;
   b. Chief of Staff of the Army;
   c. Chief of Naval Operations;
   d. Chief of Staff of the Air Force;
   e. Commandant of the Marine Corps;
   f. Chief of Space Operations;
   g. Commandant of the Coast Guard;
   h. Chief of the National Guard Bureau; or
   i. Commander of a unified or specified combatant command (as defined in ***10 U.S.C. § 161(c)***).
5. Basic pay for pay grades O-6 and below is limited to the rate of basic pay for Level V of the Executive Schedule during calendar year 2025, which is $15,258.30.
6. O-1, O-2, and O-3 rates do not apply to commissioned officers who have been credited with over 4 years (i.e., at least 4 years and 1 day) of active duty service as an enlisted member or as a warrant officer or as both an enlisted member and a warrant officer.
7. These rates or, when applicable, the O-1E rates in Table 1-8 apply during periods of active service while as a DOM student of the USUHS. Also see subparagraph 2.2.1.6.

*Table 1-8. Monthly Rates of Basic Pay – Commissioned Officers Credited With Over 4 Years of Active Duty Enlisted and/or Warrant Officer Service - Effective January 1, 2024
For the most current rates, see Basic Pay table on DFAS.MIL.
Notes 1 and 2

Cumulative Years of Service (Notes 1 & 2)							
Pay Grade (Notes 3 & 4)	**2 or less**	**Over 2**	**Over 3**	**Over 4**	**Over 6**	**Over 8**	**Over 10**
O-3E				6,806.10	7,132.80	7,490.70	7,721.70
O-2E				5,978.10	6,100.80	6,294.90	6,622.80
O-1E				4,814.70	5,141.10	5,331.30	5,525.70

Cumulative Years of Service (Notes 1 & 2)								
Pay Grade (Notes 3 & 4)	**Over 12**	**Over 14**	**Over 16**	**Over 18**	**Over 20**	**Over 22**	**Over 24**	**Over 26**
O-3E	8,102.10	8,423.40	8,607.90	8,859.00	8,859.00	8,859.00	8,859.00	8,859.00
O-2E	6,876.60	7,065.00	7,065.00	7,065.00	7,065.00	7,065.00	7,065.00	7,065.00
O-1E	5,716.50	5,978.10	5,978.10	5,978.10	5,978.10	5,978.10	5,978.10	5,978.10

Cumulative Years of Service (Notes 1 & 2)							
Pay Grade (Notes 3 & 4)	**Over 28**	**Over 30**	**Over 32**	**Over 34**	**Over 36**	**Over 38**	**Over 40**
O-3E	8,859.00	8,859.00	8,859.00	8,859.00	8,859.00	8,859.00	8,859.00
O-2E	7,065.00	7,065.00	7,065.00	7,065.00	7,065.00	7,065.00	7,065.00
O-1E	5,978.10	5,978.10	5,978.10	5,978.10	5,978.10	5,978.10	5,978.10

NOTES:

1. The amount of the maximum combat zone tax exclusion in effect for a qualifying month equals the sum of the basic pay for the senior enlisted member (grade E-9) payable (Table 1-10, note 3) and the amount of hostile fire or imminent danger pay ($225) actually payable to the officer for the qualifying month.
2. For rank titles, see Volume 7A Comparable Grades.
3. Creditable service to be taken into account for purposes of this table is active service as an enlisted member or as a warrant officer or as both an enlisted member and a warrant officer, in the case of a commissioned officer on active duty who is paid from funds appropriated for active-duty personnel; or a commissioned officer on active Guard and Reserve duty. Effective November 24, 2003, creditable service to be taken into account for purposes of this table in the case of a commissioned officer is service as an enlisted member or as a warrant officer, or as both an enlisted member and a warrant officer, for which more than 1,460 points have been credited to the officer for the purposes of 10 U.S.C. § 12732(a)(2).
4. These rates do not apply to DOM students of the USUHS who do not have over 4 years (i.e., at least 4 years and 1 day) of active duty service as an enlisted member or as a warrant officer or as both an enlisted member and a warrant officer. See the Basic Pay – Officers table for applicable rates. DOM USUHS students with over 4 years of prior enlisted and/or warrant officer service are entitled to the O-1E rate of basic pay in this table during such active duty periods. Also see subparagraphs 2.2.1.6.

*Table 1-8A. Monthly Rates of Basic Pay – Commissioned Officers Credited With Over 4 Years of Active Duty Enlisted and/or Warrant Officer Service - Effective January 1, 2025
For the most current rates, see Basic Pay table on DFAS.MIL.
Notes 1 and 2

Cumulative Years of Service (Notes 1 & 2)							
Pay Grade (Notes 3 & 4)	**2 or less**	**Over 2**	**Over 3**	**Over 4**	**Over 6**	**Over 8**	**Over 10**
O-3E				7,112.40	7,453.80	7,827.90	8,069.10
O-2E				6,247.20	6,375.30	6,578.10	6,920.70
O-1E				5,031.30	5,372.40	5,571.30	5,774.40

Cumulative Years of Service (Notes 1 & 2)								
Pay Grade (Notes 3 & 4)	**Over 12**	**Over 14**	**Over 16**	**Over 18**	**Over 20**	**Over 22**	**Over 24**	**Over 26**
O-3E	8,466.60	8,802.60	8,995.20	9,257.70	9,257.70	9,257.70	9,257.70	9,257.70
O-2E	7,185.90	7,383.00	7,383.00	7,383.00	7,383.00	7,383.00	7,383.00	7,383.00
O-1E	5,973.60	6,247.20	6,247.20	6,247.20	6,247.20	6,247.20	6,247.20	6,247.20

Cumulative Years of Service (Notes 1 & 2)							
Pay Grade (Notes 3 & 4)	**Over 28**	**Over 30**	**Over 32**	**Over 34**	**Over 36**	**Over 38**	**Over 40**
O-3E	9,257.70	9,257.70	9,257.70	9,257.70	9,257.70	9,257.70	9,257.70
O-2E	7,383.00	7,383.00	7,383.00	7,383.00	7,383.00	7,383.00	7,383.00
O-1E	6,247.20	6,247.20	6,247.20	6,247.20	6,247.20	6,247.20	6,247.20

NOTES:

1. The amount of the maximum combat zone tax exclusion in effect for a qualifying month equals the sum of the basic pay for the senior enlisted member (grade E-9) payable (Table 1-10A, note 3) and the amount of hostile fire or imminent danger pay ($225) actually payable to the officer for the qualifying month.
2. For rank titles, see Volume 7A Comparable Grades.
3. Creditable service to be taken into account for purposes of this table is active service as an enlisted member or as a warrant officer or as both an enlisted member and a warrant officer, in the case of a commissioned officer on active duty who is paid from funds appropriated for active-duty personnel; or a commissioned officer on active Guard and Reserve duty. Effective November 24, 2003, creditable service to be taken into account for purposes of this table in the case of a commissioned officer is service as an enlisted member or as a warrant officer, or as both an enlisted member and a warrant officer, for which more than 1,460 points have been credited to the officer for the purposes of 10 U.S.C. § 12732(a)(2).
4. These rates do not apply to DOM students of the USUHS who do not have over 4 years (i.e., at least 4 years and 1 day) of active duty service as an enlisted member or as a warrant officer or as both an enlisted member and a warrant officer. See the Basic Pay – Officers table for applicable rates. DOM USUHS students with over 4 years of prior enlisted and/or warrant officer service are entitled to the O-1E rate of basic pay in this table during such active duty periods. Also see subparagraphs 2.2.1.6.

*Table 1-9. Monthly Rates of Basic Pay – Warrant Officers - Effective January 1, 2024
For the most current rates, see Basic Pay table on DFAS.MIL.

Cumulative Years of Service (Note)							
Pay Grade	**2 or less**	**Over 2**	**Over 3**	**Over 4**	**Over 6**	**Over 8**	**Over 10**
W-5							
W-4	5,273.10	5,671.50	5,834.40	5,994.60	6,270.60	6,543.60	6,820.20
W-3	4,815.60	5,015.70	5,222.10	5,289.00	5,504.40	5,928.90	6,370.80
W-2	4,260.90	4,663.80	4,787.70	4,873.20	5,149.20	5,578.50	5,791.80
W-1	3,739.80	4,143.00	4,250.70	4,479.60	4,749.90	5,148.30	5,334.30

Cumulative Years of Service (Note)								
Pay Grade	**Over 12**	**Over 14**	**Over 16**	**Over 18**	**Over 20**	**Over 22**	**Over 24**	**Over 26**
W-5					9,375.60	9,851.10	10,205.70	10,597.20
W-4	7,235.40	7,599.90	7,946.70	8,231.10	8,508.30	8,914.50	9,248.70	9,629.70
W-3	6,579.00	6,819.90	7,067.40	7,513.80	7,814.70	7,994.70	8,186.10	8,447.10
W-2	6,001.20	6,257.40	6,457.80	6,639.00	6,856.20	6,998.70	7,111.80	7,111.80
W-1	5,595.30	5,850.90	6,052.20	6,237.60	6,462.90	6,462.90	6,462.90	6,462.90

Cumulative Years of Service (Note)							
Pay Grade	**Over 28**	**Over 30**	**Over 32**	**Over 34**	**Over 36**	**Over 38**	**Over 40**
W-5	10,597.20	11,128.20	11,128.20	11,683.50	11,683.50	12,269.10	12,269.10
W-4	9,629.70	9,821.70	9,821.70	9,821.70	9,821.70	9,821.70	9,821.70
W-3	8,447.10	8,447.10	8,447.10	8,447.10	8,447.10	8,447.10	8,447.10
W-2	7,111.80	7,111.80	7,111.80	7,111.80	7,111.80	7,111.80	7,111.80
W-1	6,462.90	6,462.90	6,462.90	6,462.90	6,462.90	6,462.90	6,462.90

NOTE:

For rank titles, see Volume 7A Comparable Grades.

*Table 1-9A. Monthly Rates of Basic Pay – Warrant Officers - Effective January 1, 2025
For the most current rates, see Basic Pay table on DFAS.MIL.

Cumulative Years of Service (Note)							
Pay Grade	**2 or less**	**Over 2**	**Over 3**	**Over 4**	**Over 6**	**Over 8**	**Over 10**
W-5							
W-4	5,510.40	5,926.80	6,096.90	6,264.30	6,552.90	6,838.20	7,127.10
W-3	5,032.20	5,241.30	5,457.00	5,526.90	5,752.20	6,195.60	6,657.60
W-2	4,452.60	4,873.80	5,003.10	5,092.50	5,380.80	5,829.60	6,052.50
W-1	3,908.10	4,329.30	4,442.10	4,681.20	4,963.50	5,379.90	5,574.30

Cumulative Years of Service (Note)								
Pay Grade	**Over 12**	**Over 14**	**Over 16**	**Over 18**	**Over 20**	**Over 22**	**Over 24**	**Over 26**
W-5					9,797.40	10,294.50	10,665.00	11,074.20
W-4	7,560.90	7,941.90	8,304.30	8,601.60	8,891.10	9,315.60	9,664.80	10,062.90
W-3	6,875.10	7,126.80	7,385.40	7,851.90	8,166.30	8,354.40	8,554.50	8,827.20
W-2	6,271.20	6,539.10	6,748.50	6,937.80	7,164.60	7,313.70	7,431.90	7,431.90
W-1	5,847.00	6,114.30	6,324.60	6,518.40	6,753.60	6,753.60	6,753.60	6,753.60

Cumulative Years of Service (Note)							
Pay Grade	**Over 28**	**Over 30**	**Over 32**	**Over 34**	**Over 36**	**Over 38**	**Over 40**
W-5	11,074.20	11,628.90	11,628.90	12,209.40	12,209.40	12,821.10	12,821.10
W-4	10,062.90	10,263.60	10,263.60	10,263.60	10,263.60	10,263.60	10,263.60
W-3	8,827.20	8,827.20	8,827.20	8,827.20	8,827.20	8,827.20	8,827.20
W-2	7,431.90	7,431.90	7,431.90	7,431.90	7,431.90	7,431.90	7,431.90
W-1	6,753.60	6,753.60	6,753.60	6,753.60	6,753.60	6,753.60	6,753.60

NOTE:

For rank titles, see Volume 7A Comparable Grades.

*Table 1-10. Monthly Rates of Basic Pay – Enlisted Members - Effective January 1, 2024
For the most current rates, see Basic Pay table on DFAS.MIL.

Cumulative Years of Service (Note 1)							
Pay Grade	**2 or less**	**Over 2**	**Over 3**	**Over 4**	**Over 6**	**Over 8**	**Over 10**
E-9 (Notes 2 & 3)							6,370.50
E-8						5,214.90	5,445.60
E-7	3,624.90	3,956.40	4,108.20	4,308.30	4,465.50	4,734.60	4,886.40
E-6	3,135.60	3,450.60	3,603.00	3,750.90	3,904.80	4,252.50	4,387.80
E-5	2,872.20	3,065.70	3,214.20	3,365.70	3,601.80	3,848.70	4,052.10
E-4	2,633.70	2,768.40	2,918.40	3,066.30	3,197.40	3,197.40	3,197.40
E-3	2,377.50	2,526.90	2,680.20	2,680.20	2,680.20	2,680.20	2,680.20
E-2	2,261.10	2,261.10	2,261.10	2,261.10	2,261.10	2,261.10	2,261.10
E-1 (Notes 4 & 5)	2,017.20	2,017.20	2,017.20	2,017.20	2,017.20	2,017.20	2,017.20

Cumulative Years of Service (Note 1)							
Pay Grade	**Over 12**	**Over 14**	**Over 16**	**Over 18**	**Over 20**	**Over 22**	**Over 24**
E-9 (Notes 2 & 3)	6,514.80	6,696.60	6,910.50	7,127.10	7,472.10	7,765.20	8,072.70
E-8	5,588.40	5,759.40	5,944.50	6,279.30	6,449.10	6,737.40	6,897.30
E-7	5,155.20	5,379.30	5,532.30	5,694.90	5,757.90	5,969.70	6,083.10
E-6	4,649.70	4,729.80	4,788.00	4,856.40	4,856.40	4,856.40	4,856.40
E-5	4,076.40	4,076.40	4,076.40	4,076.40	4,076.40	4,076.40	4,076.40
E-4	3,197.40	3,197.40	3,197.40	3,197.40	3,197.40	3,197.40	3,197.40
E-3	2,680.20	2,680.20	2,680.20	2,680.20	2,680.20	2,680.20	2,680.20
E-2	2,261.10	2,261.10	2,261.10	2,261.10	2,261.10	2,261.10	2,261.10
E-1 (Notes 4 & 5)	2,017.20	2,017.20	2,017.20	2,017.20	2,017.20	2,017.20	2,017.20

Cumulative Years of Service (Note 1)								
Pay Grade	**Over 26**	**Over 28**	**Over 30**	**Over 32**	**Over 34**	**Over 36**	**Over 38**	**Over 40**
E-9 (Notes 2 & 3)	8,544.00	8,544.00	8,970.30	8,970.30	9,419.40	9,419.40	9,891.30	9,891.30
E-8	7,291.20	7,291.20	7,437.30	7,437.30	7,437.30	7,437.30	7,437.30	7,437.30
E-7	6,515.70	6,515.70	6,515.70	6,515.70	6,515.70	6,515.70	6,515.70	6,515.70
E-6	4,856.40	4,856.40	4,856.40	4,856.40	4,856.40	4,856.40	4,856.40	4,856.40
E-5	4,076.40	4,076.40	4,076.40	4,076.40	4,076.40	4,076.40	4,076.40	4,076.40
E-4	3,197.40	3,197.40	3,197.40	3,197.40	3,197.40	3,197.40	3,197.40	3,197.40
E-3	2,680.20	2,680.20	2,680.20	2,680.20	2,680.20	2,680.20	2,680.20	2,680.20
E-2	2,261.10	2,261.10	2,261.10	2,261.10	2,261.10	2,261.10	2,261.10	2,261.10
E-1 (Notes 4 & 5)	2,017.20	2,017.20	2,017.20	2,017.20	2,017.20	2,017.20	2,017.20	2,017.20

Table 1-10. Monthly Rates of Basic Pay – Enlisted Members Effective January 1, 2024 (Continued)

NOTES:

1. For rank titles, see Volume 7A Comparable Grades.
2. Basic pay for senior enlisted member (grade E-9) is $10,294.80 regardless of years of service while serving as:
   a. Senior Enlisted Advisor of the Chairman, Joint Chiefs of Staff;
   b. Sergeant Major of the Army;
   c. Master Chief Petty Officer of the Navy;
   d. Chief Master Sergeant of the Air Force;
   e. Sergeant Major of the Marine Corps;
   f. Chief Master Sergeant of the Space Force;
   g. Master Chief Petty Officer of the Coast Guard; or
   h. Senior Enlisted Advisor to the Chief of the National Guard Bureau.
3. If a member is placed on terminal leave pending retirement immediately following the completion of service as the senior enlisted member of a Military Department, the member is entitled to the higher senior enlisted pay $10,294.80 up to a maximum of 60 days. If a member is hospitalized, and during or immediately before such hospitalization, completed service as the senior enlisted member of that Military Department's Armed Force, the member will continue to be entitled, for not more than 180 days while so hospitalized, to the rate of basic pay authorized for a senior enlisted member.
4. Must have 4 months of active duty or more.
5. Basic pay for an E-1 with less than 4 months of active duty is $1,865.10.

*Table 1-10A. Monthly Rates of Basic Pay – Enlisted Members - Effective January 1, 2025
For the most current rates, see Basic Pay table on DFAS.MIL.

Cumulative Years of Service (Note 1)							
Pay Grade	**2 or less**	**Over 2**	**Over 3**	**Over 4**	**Over 6**	**Over 8**	**Over 10**
E-9 (Notes 2 & 3)							6,657.30
E-8						5,449.50	5,690.70
E-7	3,788.10	4,134.30	4,293.00	4,502.10	4,666.50	4,947.60	5,106.30
E-6	3,276.60	3,606.00	3,765.00	3,919.80	4,080.60	4,443.90	4,585.20
E-5	3,001.50	3,203.70	3,358.80	3,517.20	3,763.80	4,021.80	4,234.50
E-4	2,752.20	2,892.90	3,049.80	3,204.30	3,341.40	3,341.40	3,341.40
E-3	2,484.60	2,640.60	2,800.80	2,800.80	2,800.80	2,800.80	2,800.80
E-2	2,362.80	2,362.80	2,362.80	2,362.80	2,362.80	2,362.80	2,362.80
E-1 (Notes 4 & 5)	2,108.10	2,108.10	2,108.10	2,108.10	2,108.10	2,108.10	2,108.10

Cumulative Years of Service (Note 1)							
Pay Grade	**Over 12**	**Over 14**	**Over 16**	**Over 18**	**Over 20**	**Over 22**	**Over 24**
E-9 (Notes 2 & 3)	6,807.90	6,997.80	7,221.60	7,447.80	7,808.40	8,114.70	8,436.00
E-8	5,839.80	6,018.60	6,212.10	6,561.90	6,739.20	7,040.70	7,207.80
E-7	5,387.10	5,621.40	5,781.30	5,951.10	6,017.10	6,238.20	6,356.70
E-6	4,858.80	4,942.50	5,003.40	5,074.80	5,074.80	5,074.80	5,074.80
E-5	4,259.70	4,259.70	4,259.70	4,259.70	4,259.70	4,259.70	4,259.70
E-4	3,341.40	3,341.40	3,341.40	3,341.40	3,341.40	3,341.40	3,341.40
E-3	2,800.80	2,800.80	2,800.80	2,800.80	2,800.80	2,800.80	2,800.80
E-2	2,362.80	2,362.80	2,362.80	2,362.80	2,362.80	2,362.80	2,362.80
E-1 (Notes 4 & 5)	2,108.10	2,108.10	2,108.10	2,108.10	2,108.10	2,108.10	2,108.10

Cumulative Years of Service (Note 1)								
Pay Grade	**Over 26**	**Over 28**	**Over 30**	**Over 32**	**Over 34**	**Over 36**	**Over 38**	**Over 40**
E-9 (Notes 2 & 3)	8,928.60	8,928.60	9,374.10	9,374.10	9,843.30	9,843.30	10,336.50	10,336.50
E-8	7,619.40	7,619.40	7,772.10	7,772.10	7,772.10	7,772.10	7,772.10	7,772.10
E-7	6,808.80	6,808.80	6,808.80	6,808.80	6,808.80	6,808.80	6,808.80	6,808.80
E-6	5,074.80	5,074.80	5,074.80	5,074.80	5,074.80	5,074.80	5,074.80	5,074.80
E-5	4,259.70	4,259.70	4,259.70	4,259.70	4,259.70	4,259.70	4,259.70	4,259.70
E-4	3,341.40	3,341.40	3,341.40	3,341.40	3,341.40	3,341.40	3,341.40	3,341.40
E-3	2,800.80	2,800.80	2,800.80	2,800.80	2,800.80	2,800.80	2,800.80	2,800.80
E-2	2,362.80	2,362.80	2,362.80	2,362.80	2,362.80	2,362.80	2,362.80	2,362.80
E-1 (Notes 4 & 5)	2,108.10	2,108.10	2,108.10	2,108.10	2,108.10	2,108.10	2,108.10	2,108.10

Table 1-10A. Monthly Rates of Basic Pay – Enlisted Members Effective January 1, 2025 (Continued)

NOTES:

1. For rank titles, see Volume 7A Comparable Grades.
2. Basic pay for senior enlisted member (grade E-9) is $10,758.00 regardless of years of service while serving as:
   a. Senior Enlisted Advisor of the Chairman, Joint Chiefs of Staff;
   b. Sergeant Major of the Army;
   c. Master Chief Petty Officer of the Navy;
   d. Chief Master Sergeant of the Air Force;
   e. Sergeant Major of the Marine Corps;
   f. Chief Master Sergeant of the Space Force;
   g. Master Chief Petty Officer of the Coast Guard; or
   h. Senior Enlisted Advisor to the Chief of the National Guard Bureau.
3. If a member is placed on terminal leave pending retirement immediately following the completion of service as the senior enlisted member of a Military Department, the member is entitled to the higher senior enlisted pay $10,758.00 up to a maximum of 60 days. If a member is hospitalized, and during or immediately before such hospitalization, completed service as the senior enlisted member of that Military Department's Armed Force, the member will continue to be entitled, for not more than 180 days while so hospitalized, to the rate of basic pay authorized for a senior enlisted member.
4. Must have 4 months of active duty or more.
5. Basic pay for an E-1 with less than 4 months of active duty is $1,949.10.

*Table 1-10B. Monthly Rates of Basic Pay – Enlisted Members - Effective April 1, 2025
For the most current rates, see Basic Pay table on DFAS.MIL.

Cumulative Years of Service (Note 1)							
Pay Grade	**2 or less**	**Over 2**	**Over 3**	**Over 4**	**Over 6**	**Over 8**	**Over 10**
E-9 (Notes 2 & 3)							6,657.30
E-8						5,449.50	5,690.70
E-7	3,788.10	4,134.30	4,293.00	4,502.10	4,666.50	4,947.60	5,106.30
E-6	3,276.60	3,606.00	3,765.00	3,919.80	4,080.60	4,443.90	4,585.20
E-5	3,220.50	3,466.50	3,637.50	3,802.20	3,959.40	4,142.40	4,234.50
E-4	3,027.30	3,182.10	3,354.90	3,524.70	3,675.60	3,675.60	3,675.60
E-3	2,733.00	2,904.60	3,081.00	3,081.00	3,081.00	3,081.00	3,081.00
E-2	2,599.20	2,599.20	2,599.20	2,599.20	2,599.20	2,599.20	2,599.20
E-1 (Notes 4 & 5)	2,319.00	2,319.00	2,319.00	2,319.00	2,319.00	2,319.00	2,319.00

Cumulative Years of Service (Note 1)							
Pay Grade	**Over 12**	**Over 14**	**Over 16**	**Over 18**	**Over 20**	**Over 22**	**Over 24**
E-9 (Notes 2 & 3)	6,807.90	6,997.80	7,221.60	7,447.80	7,808.40	8,114.70	8,436.00
E-8	5,839.80	6,018.60	6,212.10	6,561.90	6,739.20	7,040.70	7,207.80
E-7	5,387.10	5,621.40	5,781.30	5,951.10	6,017.10	6,238.20	6,356.70
E-6	4,858.80	4,942.50	5,003.40	5,074.80	5,074.80	5,074.80	5,074.80
E-5	4,259.70	4,259.70	4,259.70	4,259.70	4,259.70	4,259.70	4,259.70
E-4	3,675.60	3,675.60	3,675.60	3,675.60	3,675.60	3,675.60	3,675.60
E-3	3,081.00	3,081.00	3,081.00	3,081.00	3,081.00	3,081.00	3,081.00
E-2	2,599.20	2,599.20	2,599.20	2,599.20	2,599.20	2,599.20	2,599.20
E-1 (Notes 4 & 5)	2,319.00	2,319.00	2,319.00	2,319.00	2,319.00	2,319.00	2,319.00

Cumulative Years of Service (Note 1)								
Pay Grade	**Over 26**	**Over 28**	**Over 30**	**Over 32**	**Over 34**	**Over 36**	**Over 38**	**Over 40**
E-9 (Notes 2 & 3)	8,928.60	8,928.60	9,374.10	9,374.10	9,843.30	9,843.30	10,336.50	10,336.50
E-8	7,619.40	7,619.40	7,772.10	7,772.10	7,772.10	7,772.10	7,772.10	7,772.10
E-7	6,808.80	6,808.80	6,808.80	6,808.80	6,808.80	6,808.80	6,808.80	6,808.80
E-6	5,074.80	5,074.80	5,074.80	5,074.80	5,074.80	5,074.80	5,074.80	5,074.80
E-5	4,259.70	4,259.70	4,259.70	4,259.70	4,259.70	4,259.70	4,259.70	4,259.70
E-4	3,675.60	3,675.60	3,675.60	3,675.60	3,675.60	3,675.60	3,675.60	3,675.60
E-3	3,081.00	3,081.00	3,081.00	3,081.00	3,081.00	3,081.00	3,081.00	3,081.00
E-2	2,599.20	2,599.20	2,599.20	2,599.20	2,599.20	2,599.20	2,599.20	2,599.20
E-1 (Notes 4 & 5)	2,319.00	2,319.00	2,319.00	2,319.00	2,319.00	2,319.00	2,319.00	2,319.00

Table 1-10B. Monthly Rates of Basic Pay – Enlisted Members Effective April 1, 2025 (Continued)

NOTES:

1. For rank titles, see Volume 7A Comparable Grades.
2. Basic pay for senior enlisted member (grade E-9) is $10,758.00 regardless of years of service while serving as:
   a. Senior Enlisted Advisor of the Chairman, Joint Chiefs of Staff;
   b. Sergeant Major of the Army;
   c. Master Chief Petty Officer of the Navy;
   d. Chief Master Sergeant of the Air Force;
   e. Sergeant Major of the Marine Corps;
   f. Chief Master Sergeant of the Space Force;
   g. Master Chief Petty Officer of the Coast Guard; or
   h. Senior Enlisted Advisor to the Chief of the National Guard Bureau.
3. If a member is placed on terminal leave pending retirement immediately following the completion of service as the senior enlisted member of a Military Department, the member is entitled to the higher senior enlisted pay $10,758.00 up to a maximum of 60 days. If a member is hospitalized, and during or immediately before such hospitalization, completed service as the senior enlisted member of that Military Department's Armed Force, the member will continue to be entitled, for not more than 180 days while so hospitalized, to the rate of basic pay authorized for a senior enlisted member.
4. Must have 4 months of active duty or more.
5. Basic pay for an E-1 with less than 4 months of active duty is $2,144.10.

Table 1-11. Authorized Absence - Effect on Pay and Allowances

RULE	When member is absent from duty	and	then the member is	and the period of absence is
1	on authorized leave	such leave is: a. ordinary accrued leave; b. emergency leave; c. reenlistment leave; or d. delay en route	entitled to otherwise proper credit of full pay and allowances during the period of absence	charged as leave.
2	on authorized leave	such leave is advanced accrued leave	entitled to otherwise proper credit of full pay and allowances during the period of absence	charged against leave as it accrues (note 1).
3	on authorized leave	such leave is: a. graduation leave; b. sick or convalescent leave; c. pass or liberty; or d. proceed time	entitled to otherwise proper credit of full pay and allowances during the period of absence	not chargeable against leave.
4	at home on Permanent Change of Station (PCS) orders awaiting final action on physical evaluation board proceedings		entitled to pay and allowances as follows: a. basic pay; b. special pay (if a health professional officer); c. BAS for officers and enlisted (as applicable) (note 2); d. BAH (note 3); and e. clothing maintenance allowance	chargeable to leave to the extent possible (note 4).
5	on excess leave		not entitled to pay and allowances (note 5)	not chargeable to accrued leave (note 6).

Table 1-11. Authorized Absence - Effect on Pay and Allowances (Continued)

RULE	When member is absent from duty	and	then the member is	and the period of absence is
6	on authorized educational leave of absence not to exceed 2 years, or 3 years if pursuing a program of education in the health care profession		entitled to basic pay (member is not entitled to BAH, BAS, or any other pay and allowance to which member might otherwise be entitled for period of leave of absence)	not chargeable to accrued leave.
7	on authorized rest and recuperative absence for not more than 30 days for extending duty under Chapter 14, section 3.0	blank	entitled to otherwise proper credit of full pay and allowances during the period of absence (note 7)	not chargeable to accrued leave.

NOTES:

1. See subparagraph 4.1.4 for collection requirements when advance leave is changed to excess leave.
2. Enlisted members are entitled to BAS at the rate shown in Chapter 25, Table 25-1 or the Basic Allowance for Subsistence (BAS) table except for days of leave specifically authorized by the PCS orders. Pay BAS at the rate shown in Chapter 25, subparagraph 2.2.2.3 for the PCS order-authorized leave period.
3. Members without dependents are entitled to BAH as prescribed in subparagraph 4.1.3.2.5.
4. A negative leave balance, which existed prior to the member being ordered home continues until separation or retirement and will be collected as excess leave.
5. A member separating effective March 1, whose separation leave period through February 28 (or through February 29 during leap year) results in excess leave, is not entitled to pay and allowances for February 29 and 30 (or for February 30 during leap year). These days are not considered days of excess leave; however, the member is considered to be in a non-pay status through February 30. See subparagraph 3.2.2.

Table 1-11. Authorized Absence - Effect on Pay and Allowances (Continued)

NOTES (continued):

6. Under ***DoD Instruction (DoDI) 1327.06, "Leave and Liberty Policy and Procedures,"*** a member does not accrue leave during periods of excess leave (here referred to as "nonaccrual"). Computation of the number of days involved in an excess leave balance, which accounts for this nonaccrual may result in a total which includes a fraction. Effective with leave taken on or after Feb 1, 1987, the total is not rounded to eliminate the fraction when pay and allowances are collected for excess leave. The fractional one-half day is considered to occur on the first day of the excess leave involved. Collect pay and allowances for the number of days, to include fractional days.
7. Member is not entitled to special pay under Chapter 14, section 2.0.

Table 1-12. Unauthorized Absence and Other Lost Time - Effect on Pay and Allowances

RULE	When member is absent from duty	and	then the member
1	without authority, (AWOL) or excess leave, delays en route, pass or liberty	the absence is excused as unavoidable	is entitled to otherwise proper credits of pay and allowances (note 1).
2	without authority, (AWOL) or excess leave, delays en route, pass or liberty	the absence is not excused as unavoidable	is not entitled to pay and allowances (note 2).
3	for more than 24 consecutive hours as a result of a disease	the disease is caused by and immediately follows intemperate use of alcoholic liquors or habit-forming drugs	is entitled to allowances but not to basic pay, special, or incentive pay (note 3).
4	in confinement by civil authorities	is being detained as a witness before a civil court	is entitled to otherwise proper credits of pay and allowances.
5	in confinement by civil authorities	the absence is excused as unavoidable (see Table 1-13)	is entitled to otherwise proper credits of pay and allowances.
6	in confinement by civil authorities	the absence is not excused as unavoidable (see Table 1-13)	is not entitled to pay and allowances, except for that part of the period that is covered by authorized leave, liberty, or pass (note 4).
7	in confinement by military authorities for a foreign civil offense	is not considered “constructively absent” from duty (note 5)	is entitled to otherwise proper credits of pay and allowances.
8	in confinement by military authorities for a foreign civil offense	is considered “constructively absent” from duty (note 6)	is not entitled to pay and allowances except for that part of the period that is covered by authorized leave, unless the absence is excused as unavoidable (see Table 1-13).
9	in military confinement (other than for civil authorities)	is awaiting trial by court-martial or serving a sentence of confinement which did not include a forfeiture of pay	is entitled to otherwise proper credits of pay and allowances.
10	in military confinement (other than for civil authorities)	is serving a court-martial sentence which includes a forfeiture of pay and allowances	is entitled to pay and allowances accruing before the date the sentence was approved by the convening authority and to any unforfeited pay and allowances accruing after that date.

Table 1-12. Unauthorized Absence and Other Lost Time – Effect on Pay and Allowances (Continued)

RULE	When member is absent from duty	and	then the member
11	as a deserter	is found guilty of deserting by court-martial or is administratively discharged for desertion or dies prior to return to military control or while awaiting trial by court-martial for the charge of desertion	forfeits all pay and allowances including that due on the first day of desertion (note 7).
12	without authority for 3 months while serving as an Army or Air Force officer	is dropped from the rolls by the President	forfeits all pay and allowances due or to become due (note 7).

NOTES:

1. Enlisted members are entitled to BAS at the rate prescribed when permission to ration separately is granted unless they were subsisted at government expense.
2. See Chapter 26, for entitlement to BAH in a non-pay status. See Chapter 10 for entitlement to Hostile Fire Pay, which is payable in full for each month in which qualification is made.
3. A member is not entitled to pay or allowances for period of hospitalization after expiration of enlistment.
4. A member is not entitled to pay and allowances if granted a pass or liberty to serve civil confinement.
5. In any case where the commander of the military installation retains the discretionary authority to decide to incarcerate a member (or to merely restrict to the duty station and assign to perform useful and productive duties on a full-time basis), such member will not be considered as being "constructively absent" for the purposes of entitlement to pay and allowances.
6. Under existing DoD policy and Status of Forces Agreements, the U.S. Commander always retains discretionary authority to incarcerate or restrict a Military Service member to the installation when such a member is pending civil charges, even in cases where incarceration or restriction is requested by foreign authorities. Such member is not considered as being "constructively absent" for the purpose of entitlement to pay and allowances.
7. Pay and allowances due on date of desertion and on date an officer was dropped from the rolls will be used to satisfy debts due the United States and its instrumentalities.

*Table 1-13. Rules for Determining Whether Absence Is Unavoidable

RULE	When member is absent from duty	and	and	then absence may
1	in confinement by civil authorities or by military authorities for civil authorities	is tried and acquitted		be excused as unavoidable.
2	in confinement by civil authorities or by military authorities for civil authorities	charges are dismissed or member is released (or dies) without trial	it is clear that arrest and detention were not due to member's misconduct	be excused as unavoidable.
3	in confinement by civil authorities or by military authorities for civil authorities	is released without trial upon agreement to make restitution or reparation for the alleged offense	the commander determines that absence was not due to member's misconduct	be excused as unavoidable.
4	in confinement by civil authorities or by military authorities for civil authorities	is admitted to bail and trial is postponed indefinitely	it is apparent that the case will not be prosecuted	be excused as unavoidable.
5	in confinement by civil authorities or by military authorities for civil authorities	was released because the case was discontinued by the prosecutor or plaintiff or because the jury failed to agree		be excused as unavoidable.

Table 1-13. Rules for Determining Whether Absence Is Unavoidable (Continued)

RULE	When member is absent from duty	and	and	then absence may
6	in confinement by civil authorities or by military authorities for civil authorities	is tried and convicted		not be excused as unavoidable.
7	in confinement by civil authorities or by military authorities for civil authorities	is released under bond (not in a full-duty status) pending appeal of the case to a higher court	the appeal does not result in acquittal	not be excused as unavoidable.
8	in confinement by civil authorities or by military authorities for civil authorities	is discharged because of imprisonment or conviction by a civil court		not be excused as unavoidable.
9	in confinement by civil authorities or by military authorities for civil authorities	confinement is due to failure to obey a decree of a civil court		not be excused as unavoidable.
*10	in confinement by civil authorities	is tried and found not guilty by reason of insanity	the court orders commitment of the member under applicable Federal or State law	be excused as unavoidable.
11	without authority, (AWOL) or excess leave	the absence could not have been avoided by the member or by military authorities	the absence was not due to member's misconduct	be excused as unavoidable.
12	over pass or liberty	the absence could not have been avoided by the member or by military authorities	the absence was not due to member's misconduct	be excused as unavoidable.
13	over pass or liberty	the absence could have been prevented by member or by military authorities		not be excused as unavoidable.

Table 1-14. Computing Periods of Unauthorized Absence

RULE	When a member	and he/she is in the	and the hour of expiration of leave, pass, or liberty, or authorized travel	and the member	then
1	leaves the post of duty, place of service, or organization without authority	Army, Air Force, Navy or Marine Corps		remains absent more than 24 consecutive hours	the day of departure will be counted as the first day of unauthorized absence.
2	fails to report to the organization or post of duty on the last day of authorized leave, pass, or liberty, or authorized travel time	Navy, or Marine Corps	is before 2400 hours as specified in leave orders	does not report on or before the specified hour of the following day	the last day of leave, pass, or liberty, or authorized travel time is the first day of unauthorized absence.
3	fails to report to the organization or post of duty on the last day of authorized leave, pass, or liberty, or authorized travel time	Navy, or Marine Corps	is 2400 hours as specified in leave orders		the day following the last day of leave, pass, or liberty, or authorized travel time is the first day of unauthorized absence.
4	fails to report to the organization or post of duty on the last day of authorized leave, pass, or liberty	Navy, or Marine Corps	is not specified in leave orders	does not report before normal duty hours of the following day (note)	the day following the last day of leave, pass, or liberty is the first day of unauthorized absence.
5	fails to report to the organization or post of duty on the last day of authorized leave, pass, or liberty	Army or Air Force	is not specified in leave orders	does not report before normal duty hours of the following day (note)	the day following the last day of leave, pass, or liberty is the first day of unauthorized absence.

Table 1-14. Computing Periods of Unauthorized Absence (Continued)

RULE	When a member	and he/she is in the	and the hour of expiration of leave, pass, or liberty, or authorized travel	and the member	then
6	fails to report to the organization or post of duty by 2400 hours on the last day of authorized travel time	Army, Air Force, Navy, or Marine Corps	is not specified in orders		the day following the last day of authorized travel time is the first day of unauthorized absence.
7	is AWOL	Army, Air Force, Navy, or Marine Corps		returns to the place of duty, or organization, or otherwise to the jurisdiction of the Armed Forces	the day before the member's return is the last day of unauthorized absence.

NOTE:

The unauthorized absence begins at the normal duty hour. No unauthorized absence exists unless the member remains absent for more than 24 hours after the beginning of the normal duty hour.

*Table 1-15. Void, Voidable, or Rejected Enlistments or Inductions – Pay and Allowances

RULE	When an individual	and	then pay and allowances
1	is under investigation for a fraudulent enlistment or induction		will continue to be paid until a determination of fraud is made.
2	is determined to be serving under a fraudulent enlistment or induction; or enlists in the Army or Air Force before 17, and the government discovers the defect after the member reaches minimum age; or enlists in the Army or Air Force while 17 without parent's or guardian's consent	the government neither voids the enlistment or induction nor waives the fraud (or defect)	are suspended (including unpaid pay and allowances) from the date the disbursing officer is notified of the determination of fraud until the government either voids the enlistment or induction or allows it to stand.
3	is determined to be serving under a fraudulent enlistment or induction; or enlists in the Army or Air Force before 17, and the government discovers the defect after the member reaches minimum age; or enlists in the Army or Air Force while 17 without parent's or guardian's consent	the government voids the enlistment or induction	will not be paid (note 1).
4	is determined to be serving under a fraudulent enlistment or induction; or enlists in the Army or Air Force before 17, and the government discovers the defect after the member reaches minimum age; or enlists in the Army or Air Force while 17 without parent's or guardian's consent	the government waives the fraud (or defect)	continue and the service is as valid as that of any other member.
5	enlists in the Army or Air Force before 17 , and the government discovers the defect before the member reaches minimum age		do not accrue between date of notification to disbursing officer and date of discharge (note 1).
6	enlists in the Army or Air Force while 17 , without parent's or guardian's consent	is discharged upon application of parent or guardian	accrue to include the date of discharge or release.

*Table 1-15. Void, Voidable, or Rejected Enlistments or Inductions – Pay and Allowances (Continued)

RULE	When an individual	and	then pay and allowances
7	enlists in the Navy or Marine Corps while under the minimum statutory age (17)		accrue to include the date of discharge or release.
***8**	was judicially declared to have been mentally incapacitated before entry on active duty	is released from military control for such reason	do not accrue for any part of the period involved (note 2).
***9**	was not judicially declared to be mentally incapacitated before entry on active duty but is later found to have been mentally incapacitated at the time of entry on active duty	is released from military control for such reason	accrue from the time of entry on active duty until release from military control.
10	enlisted or inducted into the Military Service is discovered by Military Service medical authorities to have been medically unfit for induction at the time of entrance into the Military Service		accrue from the time of entry on active duty through the date of release from military control.

NOTES:

1. Individual retains amounts received before disbursing officer is notified, if otherwise proper.
2. Individual retains amounts received while performing active duty before release from military control.

*REFERENCES

CHAPTER 1 – BASIC PAY

2.0 – CREDITABLE SERVICE

2.1	37 U.S.C. §§ 201(e), 203(d), 205, 27 Comptroller General (Comp Gen) 530 24 Comp Gen 829 25 Comp Gen 680 10 U.S.C. §§ 507, 1038, 2106(c), 2107(g) 62 Statutes (Stat) 1082 37 Comp Gen 838 1 Comp Gen 668 45 Comp Gen 149 Comp Gen B-195448, April 3, 1980 42 Comp Gen 296 45 Comp Gen 103 38 Comp Gen 68
2.1.4.4.	10 U.S.C. §§ 516, 971
2.1.4.10.	10 U.S.C. § 2106(c)
2.1.4.11.	37 U.S.C. § 205(e)
2.1.4.12.	37 U.S.C. § 205(e) 10 U.S.C. § 513
2.1.4.13.	10 U.S.C. § 2106
2.1.4.14.	10 U.S.C. § 2106
2.1.4.5.	37 U.S.C. § 205(a)
2.2	36 Comp Gen 146 37 Comp Gen 237 37 U.S.C. §§ 205, 205(b) (d) (e) Comp Gen B-221944.2 1 Comp Gen 511 1 Comp Gen 668 3 Comp Gen 61 22 Comp Gen 987 25 Comp Gen 718 45 Comp Gen 103 22 Comp Gen 907 23 Comp Gen 755 10 U.S.C. §§ 2114(b), 2126 38 Comp Gen 553 38 Comp Gen 352
2.2.1.6.	10 U.S.C. § 2114(b)
2.2.1.8.	10 U.S.C. §§ 513, 12103(b) & (d) 37 U.S.C. §§ 205, 205(e)
2.2.1.9.	10 U.S.C. §§ 516, 971

Note	46 U.S.C. §§ 513, 515 Title 46, Code of Federal Regulations, Part 310, Subparts A & C
2.2.2.	10 U.S.C. § 972(b) 37 U.S.C. § 205(a) 38 Comp Gen 352 38 Comp Gen 553
2.3	37 U.S.C. § 203(d) 38 Comp Gen 68
2.3.1.1.	10 U.S.C. § 2114(b)
2.3.1.2.	37 U.S.C. § 203(d)
2.3.1.3.	37 U.S.C. § 907
2.3.1.4.	37 U.S.C. § 203(d)
2.3.1.5.	37 U.S.C. § 203(d)
2.3.1.8.	10 U.S.C. §2114
2.3.2.	32 U.S.C. § 709
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VOLUME 7A, CHAPTER 2: "REPAYMENT OF UNEARNED PORTION OF BONUSES AND OTHER BENEFITS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated May 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
3.4	Updated "Conditions Under Review by the Secretary of the Military Department" for clarity.	Revision
References	Updated to reflect current statutes and supporting references.	Revision

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CHAPTER 2

REPAYMENT OF UNEARNED PORTION OF BONUSES AND OTHER BENEFITS

1.0 GENERAL

1.1 Purpose

This chapter establishes policy pertaining to the repayment of unearned portions of bonuses and other benefits. A member who enters into a written agreement with specified service conditions for receipt of a bonus, special or incentive pay, educational benefits, stipend, or similar payment (hereinafter referred to as "pay or benefit") is entitled to the full amount of the pay or benefit if the member fulfills the required conditions. Failure to fulfill the conditions specified in the written agreement will result in termination of the agreement, and the member will be required to repay the unearned portion of the pay or benefit. Such repayment will be pursued unless the member's failure to fulfill the specified conditions is due to circumstances determined reasonably beyond the member's control. Conditions under which repayment will not be sought are set forth in section 3.0.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), Title 37. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 POLICY

2.1 Payment Disposition

The Secretary of the Military Department concerned may establish, by regulation, procedures for determining the amount of the repayment required. Service regulations will apply the rules in Table 2-1 for disposition of unearned portions of the pay or benefit.

2.2 Use of Separation Designator Codes (SPD) in Effecting the Repayment of Unearned Portion of Bonuses and Other Benefits

SPD codes are used to track and analyze the reasons that Service members separate from military service and to assist in the review, development, and monitoring of separation policies and programs. Additionally, SPD codes are used to ensure standardized pay actions are consistent with separation policies. While automated processes are critical, it is also important to recognize and allow Secretaries of the Military Departments to exercise their delegated authority to change pay actions on a case-by-case basis. Therefore, when the Secretary of a Military Department concerned wishes to exercise delegated authority to change a pay action for the designated SPD code assigned to the member's DoD (DD) Form 214, the Secretary concerned submits the

requested exception to policy (ETP) to the Director of Military Compensation in the Office of the Assistant Secretary of Defense (OASD) for Manpower and Reserve Affairs (M&RA) for approval. The approved ETP is submitted to the Defense Finance and Accounting Service (DFAS) for processing. It is important for the Military Departments to treat Service members similarly at separation, so this authority to change the designated pay action should be used sparingly.

2.3 Definition

The term "service," as used in this chapter, refers to an obligation willingly undertaken by a member of the uniformed services in exchange for a pay or benefit offered by the Secretary of Defense or the Secretary of the Military Department concerned to do one or more of the following:

2.3.1. Remain on active duty;

2.3.2. Remain in an active status in a Reserve Component;

2.3.3. Perform duty in a specified skill, with or without a specified qualification or credential;

2.3.4. Perform duty at a specified location; or

2.3.5. Perform duty for a specified period of time.

2.4 Bankruptcy

An obligation to repay a pay or benefit to the United States is, for all purposes, a debt owed to the United States. A discharge in bankruptcy does not discharge a person from such debt if the discharge order is entered less than 5 years after:

2.4.1. The date of the termination of the agreement or contract on which the debt is based; or

2.4.2. The date of the termination of service on which the debt is based, in the absence of such agreement or contract.

3.0 REPAYMENT AND NON-REPAYMENT CONDITIONS

3.1 Conditions Under Which Repayment Will Be Sought

3.1.1. When the conditions of a written agreement are not fulfilled and repayment is determined appropriate, the member will be required to repay the United States the unearned portion of a pay or benefit. In cases other than death of a member, the Secretary of the Military Department concerned will advise DFAS of the disposition of any unearned portion of a pay or benefit.

3.1.2. Repayment will be sought, and any unpaid balances may not be paid to members who incur a disability because of their misconduct.

3.2 Delegation of Authority

The Secretary of the Military Department concerned may, through regulation, delegate the authority to make repayment determinations consistent with the criteria set forth in section 3.0, but not below the O-6 or equivalent level. If delegated, then the Military Departments will specify the level and the scope of the authorized delegation in implementing regulations.

3.3 Conditions Under Which Repayment Will Not Be Sought

As a general rule, repayment action may not be pursued in situations in which the member's inability to fulfill specified service conditions related to a pay or benefit is due to circumstances determined reasonably beyond the member's control. Payment of any unpaid portion of pay or benefit will be subject to the rules in Table 2-1, which in appropriate circumstances provide discretion to the Secretary of the Military Department concerned to pay unearned portions based on case-by-case determinations.

3.3.1. Repayment will not be sought, and any remaining unpaid portion of a pay or benefit due to a member under a written agreement that existed at the time of the member's death, which was not the result of the member's misconduct, is payable as a lump sum in the settlement of the decedent's final military pay entitlements.

3.3.2. Repayment will not be sought and any remaining unpaid portion of a pay or benefit due to a member under a written agreement will be paid at the time of separation or retirement for a disability incurred in the line of duty in a combat zone designated by the President of the United States or the Secretary of Defense, or in a combat-related operation designated by the Secretary of Defense, and/or for a combat-related disability.

3.3.3. Subject to the enlistment authorities and the relevant regulations of the Secretary of the Military Department concerned, a member who was paid a bonus or special pay for a period of enlistment in a Military Department, who is discharged for immediate reenlistment or appointment in a Military Department for which no bonus or special pay is paid, may be considered to have completed the full term of service specified in the former enlistment contract, provided the term of the latter reenlistment or appointment includes the remaining period of service from the former enlistment. The member's enlistment bonus or special pay entitlements will be addressed prior to discharge from a Military Department.

3.3.4. Repayment will not be sought, and the Secretary of the Military Department concerned will not pay any remaining unpaid portion of a pay or benefit under the following circumstances, unless otherwise authorized by the Secretary of the Military Department concerned under subparagraph 3.4.2.

3.3.4.1. The member's employment in another military specialty or assignment rotation is directed;

3.3.4.2. The member's military specialty or assignment is phased out or eliminated;

3.3.4.3. The member's military specialty or assignment is otherwise affected by force structure or other mission essential requirements; or

3.3.4.4. The member is separated from service under a hardship separation or sole survivor discharge.

3.3.5. Pursuant to ***Title 10, U.S.C. section 1171***, enlisted members who are discharged within 12 months before the expiration of an enlistment, reenlistment, or extension of enlistment are considered to have completed the terms of the enlistment, reenlistment, or extension of enlistment for which the bonus was paid. Thus, recoupment is not required for the unearned portion of the pay or benefit arising from the early discharge. The Military Departments are responsible for determining whether a member's early discharge is made pursuant to 10 U.S.C. § 1171 and advising DFAS of the determination.

*3.4 Conditions Under Review by the Secretary of the Military Department

3.4.1. In instances involving a member's separation for medical reasons, not falling under ***10 U.S.C. Chapter 61*** or ***section 1413a(e)***, which were not the result of the member's misconduct, the Secretary of the Military Department concerned has the discretion to determine whether to require repayment of the unearned portion of pay or benefit or to pay an unpaid balance of a pay or benefit.

3.4.2. Under circumstances not specifically mentioned in this chapter, if a member under a written agreement for a pay or benefit does not fulfill the service conditions for the pay or benefit, repayment of unearned portions will be sought, and any unpaid portion will not be paid. However, the Secretary of the Military Department concerned has the discretion to, at some point in the process, grant an exception based on a case-by-case determination that requiring repayment of an unearned portion, or refraining from paying any unpaid portion would be:

3.4.2.1. Contrary to a personnel policy or management objective;

3.4.2.2. Against equity and good conscience; or

3.4.2.3. Contrary to the best interest of the United States.

Table 2-1. Disposition of Unearned Portions of Bonuses, Special Pay, Educational Benefits, or Stipends

RULE	If a member under a written agreement for a pay or benefit	and	then repayment of the unearned portion of the pay or benefit	and	any unpaid pay, or benefit under 10 U.S.C. or 37 U.S.C.
1	Dies, through no misconduct of the member		will not be sought		will be paid in the member's final pay.
2	Incurs an injury or illness, through no misconduct of the member, that precludes the member from fulfilling the service conditions specified in the written agreement	the member is separated or retired for disability under *10 U.S.C., Chapter 61*	will not be sought	if such separation or retirement is for a disability incurred in the line of duty in a combat zone designated by the President of the United States or the Secretary of Defense, or in a combat-related operation designated by the Secretary of Defense, and/or involves a combat-related disability as defined in *10 U.S.C. § 1413a(e)*	will be paid to the member upon separation.
3	Incurs an injury or illness, through no misconduct of the member, that precludes the member from fulfilling the service conditions specified in the written agreement	the member is separated, other than as described in Rule 2, for medical reasons as a result of an injury or illness	will not be sought, unless the Secretary of the Military Department concerned determines that repayment of the unearned portion is appropriate due to a personnel policy or management objective, equity or good conscience, or it is in the best interest of the United States		will not be paid, unless the Secretary of the Military Department concerned makes a determination consistent with Rule 9, Column E.
4	Incurs an injury or illness, through no misconduct of the member, that precludes the member from fulfilling the service conditions specified in the written agreement	the member continues in service in another capacity	will not be sought if the Secretary of the Military Department concerned determines that to recoup the unearned portion would be contrary to a personnel policy or management objective, equity or good conscience, or contrary to the best interest of the United States		will not be paid, unless the Secretary of the Military Department concerned makes a determination consistent with Rule 9, Column E.

Table 2-1. Disposition of Unearned Portions of Bonuses, Special Pay, Educational Benefits, or Stipends (Continued)

RULE	If a member under a written agreement for a pay or benefit	and	then repayment of the unearned portion of the pay or benefit	and	any unpaid pay, or benefit under 10 U.S.C. or 37 U.S.C.
5	Is an enlisted member paid a bonus or special pay and is discharged for immediate reenlistment or appointment in a Military Department for which no bonus or special pay is paid	the term of the latter reenlistment or appointment includes the remaining period of service from the former enlistment	will not be sought if the Secretary of the Military Department concerned determines that to recoup the unearned portion would be contrary to a personnel policy or management objective, against equity or good conscience, or contrary to the best interest of the United States		will not be paid unless the Secretary of the Military Department concerned makes a determination consistent with Rule 9, Column E. *(In this case, the member may be considered to have completed the full term of service on the former enlistment contract.)*
6	Is directed by the Service concerned to transfer into another military specialty or assignment rotation		will not be sought		will not be paid, unless the Secretary of the Military Department concerned makes a determination consistent with Rule 9, Column E.
7	Is in a military occupational specialty or assignment that is phased out or eliminated, or otherwise affected by a force structure or other mission essential requirement		will not be sought		will not be paid, unless the Secretary of the Military Department concerned makes a determination consistent with Rule 9, Column E.
8	Is separated from service under a hardship separation or a sole survivor discharge		will not be sought		will not be paid, unless the Secretary of the Military Department concerned makes a determination consistent with Rule 9, Column E.

Table 2-1. Disposition of Unearned Portions of Bonuses, Special Pay, Educational Benefits, or Stipends (Continued)

RULE	If a member under a written agreement for a pay or benefit	and	then repayment of the unearned portion of the pay or benefit	and	any unpaid pay, or benefit under 10 U.S.C. or 37 U.S.C.
9	Does not fulfill the service conditions for the pay or benefit under any other circumstances		will be sought, unless the Secretary of the Military Department concerned, at some point in the process makes a case-by-case determination that to require repayment of an unearned portion of the pay or benefit would be contrary to a personnel policy or management objective, against equity or good conscience, or contrary to the best interest of the United States		will not be paid unless the Secretary of the Military Department concerned, at some point in the process, makes a case-by-case determination that to refrain from paying an unpaid portion of the pay, benefit, or student loan would be contrary to a personnel policy or management objective, against equity or good conscience, or contrary to the best interest of the United States.

*REFERENCES

CHAPTER 2 – REPAYMENT OF UNEARNED PORTION OF BONUSES AND OTHER BENEFITS

1.0 – GENERAL

Office of the Under Secretary of Defense (OUSD) Personnel and Readiness (P&R) Memo, May 21, 2008
Under Secretary of Defense (USD) (P&R) Memo, February 6, 2009
DoD Instruction (DoDI) 1304.29, December 15, 2004, Incorporating Change 1, July 11, 2016

2.0 – POLICY

37 U.S.C. §§ 303a(e) and 373
OUSD (P&R) Memo, May 21, 2008
USD (P&R) Memo, February 6, 2009

2.2 DoDI 1336.01, February 17, 2022
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2.3 37 U.S.C. §§ 303a(e) and 373(d)(2)

3.0 – REPAYMENT AND NON-REPAYMENT CONDITIONS

OUSD (P&R) Memo, May 21, 2008
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3.1.2. 10 U.S.C. § 1207
3.3.2. 10 U.S.C., Chapter 61
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USD (P&R) Memo, February 6, 2009

Rule 2 10 U.S.C., Chapter 61
10 U.S.C. § 1413a(e)

VOLUME 7A, CHAPTER 3: "SPECIAL PAY – OFFICERS ONLY"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

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The previous version dated July 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
7.1	Updated the Nuclear Officer Accession Bonus to $75,000.	Revision
7.2	Updated the Nuclear Officer Continuation Bonus to $75,000.	Revision
References	Updated to reflect current statutes and supporting references.	Revision

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CHAPTER 3

SPECIAL PAY – OFFICERS ONLY

1.0 GENERAL

1.1 Purpose

The Secretaries of the Military Departments may pay a bonus or special pay to persons or officers, as appropriate, to support accession and retention efforts for a designated military specialty, career field, unit, grade, or to meet some other condition or conditions of service imposed by the Secretary of the Military Department concerned. This chapter establishes policy pertaining to the payments of bonuses or special pay in support of accession and retention efforts.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.). Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 GENERAL BONUS AUTHORITY FOR OFFICERS

2.1 Authority

Title 37, U.S.C., section 332 (***37 U.S.C. § 332***) and the DoD Instruction (DoDI) 1304.34, General Bonus Authority for Officers, dated July 11, 2016, provides the general bonus authority for bonuses referenced in sections 3.0, 4.0, 5.0, and 6.0. The Secretaries concerned may pay these bonuses to a person, member, or officer in the Military Services who:

2.1.1. Accepts a commission or appointment as an officer in a Military Service;

2.1.2. Affiliates as an officer with a Reserve Component (RC) of a Military Service;

2.1.3. Agrees to remain on active duty (AD) or in an active status for a specified period as an officer in a Military Service;

2.1.4. Transfers between the Regular Component and the Ready Reserve of the same Military Service, or vice versa; or

2.1.5. Transfers from a Regular Component or the Ready Reserve of a Military Service to a Regular Component or the Ready Reserve of another Military Service, subject to the approval of the Secretary with jurisdiction over the Military Service to which the member is transferring.

2.2 Eligibility

In accordance with paragraph 2.1, the Secretary concerned may only pay a bonus to a person or officer who:

2.2.1. Signs a written agreement with the Secretary concerned to serve for a specified period in a designated career field, skill, unit, or grade, or meets some other condition or conditions of service imposed by the Secretary;

2.2.2. Successfully completes training and becomes qualified in a designated skill or career field, if completion of such training and technical qualification forms the basis for which the bonus is paid;

2.2.3. Qualifies pursuant to any additional criteria prescribed by the Secretary concerned;

2.2.4. Meets any additional eligibility criteria outlined in sections 3.0, 4.0, 5.0, and 6.0;

2.2.5. Is not in receipt of an accession, retention, reserve affiliation, or transfer bonus, in accordance with ***37 U.S.C. Chapter 5, Subchapter I***, for the same activity, skill, or period of service;

2.2.6. Will not exceed the mandatory retirement or high-year tenure date during the specified period of obligated service for which the bonus is paid; and

2.2.7. Is not serving a service obligation, except as noted in paragraph 2.8.

2.3 Additional Guidelines

2.3.1. An officer is not eligible for a bonus, under DoDI 1304.34, if previously discharged or released from AD or military service in an active status based on a determination of misconduct, substandard duty performance, or moral or professional dereliction.

2.3.2. In accordance with ***37 U.S.C. § 371***, an officer may not receive a bonus or incentive pay under 37 U.S.C. Chapter 5, Subchapter I and ***37 U.S.C. Chapter 5, Subchapter II***, for the same activity, skill, or period of military service.

2.3.3. An officer may receive only one bonus pursuant to paragraph 2.1 for the duration of the service obligation period, unless explicitly exempt in statute or DoDI 1304.34.

2.3.4. An officer may not receive more than $300,000 (or $150,000, in the case of a non-Active Guard Reserve officer in the RC) in combined bonus payments authorized under DoDI 1304.34 during the course of the officer's career. The Military Service may not exceed these payment caps unless specifically authorized by the Assistant Secretary of Defense for Manpower and Reserve Affairs (ASD (M&RA)).

2.3.5. An officer receiving pre-commissioning compensation in accordance with *10 U.S.C. § 2106*, and *10 U.S.C. § 2107* and *10 U.S.C. § 2107a*, or financial assistance through a loan repayment program under *10 U.S.C. § 16201*, *10 U.S.C. § 16301*, *10 U.S.C. § 16302*, or *10 U.S.C. § 16303*, is not eligible for a bonus pursuant to DoDI 1304.34 until the military service obligation (MSO) is completed.

2.3.6. An officer receiving a bonus in accordance with *37 U.S.C. § 333* and *37 U.S.C. § 334*, is not eligible for a bonus pursuant to DoDI 1304.34 for the same skill and period of service.

2.3.7. An officer receiving a bonus in accordance with *37 U.S.C. § 335*, is not eligible for a bonus pursuant to DoDI 1304.34 for the same period of obligated service.

2.3.8. Existing bonus contracts under 37 U.S.C. Chapter 5, Subchapter I, will remain in effect through the preexisting termination dates.

2.4 Payment Method

2.4.1. The Secretary concerned will establish the method of payment for the bonus (i.e., lump sum or periodic installments).

2.4.2. The Secretary concerned may make payment based on training milestones, proportional length of service, or lump sum. However, the Secretary will not pay an officer any portion of a skill bonus before awarding of the military skill specialty, if completion of such training and technical qualification forms the basis for which the bonus is paid.

2.4.3. Officers will receive their initial bonus payments based on the terms and conditions of their bonus agreements.

2.5 Amount

The bonus amount paid by the Secretary concerned will be fixed on acceptance of the agreement by the Secretary and may only be paid prospectively. The bonus paid may not exceed the following amounts, unless otherwise approved by the ASD (M&RA):

2.5.1. $60,000 for a minimum 4-year service obligation for an officer or person who accepts a commission or appointment as an officer in a Military Service, as described in subparagraph 2.1.1;

2.5.2. $10,000 for a minimum 3-year service obligation for an officer, as described in subparagraph 2.1.2;

2.5.3. $25,000 for each year of obligated service as an officer in a Regular Component for retention, as described in subparagraph 2.1.3;

2.5.4. $12,000 for each year of obligated service as an officer in an RC for retention, as described in subparagraph 2.1.3; or

2.5.5. $10,000 for a transfer, as described in subparagraphs 2.1.4 and 2.1.5.

2.6 Specific Rule for Designated Military Skills or Career Fields

The following are specific procedures, requirements, and conditions related to an accession, affiliation, retention, or transfer bonus paid to an officer for a period of obligated service in a designated military skill or career field:

2.6.1. The period of obligated service will include normal skill progression, as defined by the Secretary concerned (e.g., attending courses in professional military education) and any other advanced training or education related to a designated military skill.

2.6.2. The Secretary concerned may pay a conversion bonus to an officer who agrees to convert to a designated military skill in which there is a shortage of trained and qualified officers. The bonus may be payable in a lump sum upon approval and completion of the conversion training by the Secretary concerned.

2.6.2.1. The officer must agree to serve for not less than 3 years on AD or in an active status in the Selective Reserve (SELRES) in that military skill or career field.

2.6.2.2. The officer must serve in the pay grade of O-3 or below with no more than 8 years of commissioned military service at the time the officer enters into the conversion contract, as computed in accordance with ***37 U.S.C. § 205***.

2.6.2.3. The officer must have completed all service obligations previously incurred for receipt of an accession or retention bonus, in accordance with 37 U.S.C. § 332, or critical skills retention bonus, in accordance with ***37 U.S.C. § 355***, at the time the officer begins training for conversion to the new skill.

2.6.2.4. The bonus amount may not exceed the retention bonus amounts listed in paragraph 5.4.

2.6.3. Officers receiving skill-based bonuses are expected to serve in an assignment for which the skill is required. For service obligations of at least 36 months, the Secretary concerned may curtail the assignment requirements to a period of 2 years based on the needs of the Military Service. The Secretary concerned will establish assignment criteria and procedures that limit the circumstances in which such a period of obligated military service may be curtailed and will specify such other appropriate conditions of military service, consistent with 37 U.S.C. § 332(b)(2) and paragraph 2.2. Additionally, the Secretary will:

2.6.3.1. Ensure that military personnel centers identify, monitor, and review such obligated military service curtailments;

2.6.3.2. Approve any curtailment of the assignment criteria that involves more than one consecutive assignment in a military skill other than that which was designated for purposes of the bonus. This responsibility may be delegated no lower than the grade of major general or rear admiral (upper half); and

2.6.3.3. Ensure that any request for curtailment is:

2.6.3.3.1. Clearly justified based on the needs of the Military Department concerned; and

2.6.3.3.2. Not granted on a routine basis.

2.7 Repayment

A person or officer who receives a bonus in accordance with 37 U.S.C. § 332, and fails to complete the period of obligated service or other conditions of service specified in the written agreement for which the bonus is paid, must repay any unearned portion of the bonus in accordance with the provisions of ***37 U.S.C. § 373*** and Chapter 2.

2.8 Service Obligations

2.8.1. An officer who has a service obligation is not eligible for a bonus under DoDI 1304.34, except when the officer:

2.8.1.1. Serves his or her initial service obligation incurred at time of commissioning or appointment in accordance with DoDI 1304.25, "Fulfilling the Military Service Obligation (MSO);"

2.8.1.2. Incurs a service obligation due to a permanent change in duty station or promotion;

2.8.1.3. Incurs a service obligation for attending and completing professional military education or government-funded education courses (this exception does not apply to undergraduate education); or

2.8.1.4. Incurs a service obligation as a result of transferring Post 9-11 GI Bill benefits.

2.8.2. For the situations described in subparagraphs 2.8.1.1 through 2.8.1.3, the service obligations may run concurrently for bonuses offered under DoDI 1304.34. For subparagraph 2.8.1.4, the Secretary concerned will determine if the service obligation is concurrent or consecutive.

2.8.3. Excluding the situations described in subparagraph 2.8.1:

2.8.3.1. The Military Department may offer a bonus under DoDI 1304.34 up to 1 year from completion of an officer's service obligation.

2.8.3.2. The bonus may not be paid until completion of the previous service obligation.

2.8.3.3. The service obligation for a new bonus will begin on the date of the agreement or completion of a previous service obligation, whichever date is later.

2.9 Non-Availability

2.9.1. Officers of the SELRES who incur a period of authorized absence approved by the Secretary concerned or are transferred to the Standby Reserve in accordance with DoD Directive 1200.7, will have their bonuses suspended during this period and will not be entitled to bonus payments. The Secretary concerned will determine this period of time on a case-by-case basis.

2.9.2. The Secretary concerned may reinstate RC officers in the bonus program who are subsequently reassigned in the SELRES to a skill for which they had previously contracted, if they extend their MSO so they are able to serve the full original bonus agreement period.

2.9.3. Officers' entitlement to subsequent payments will resume on the adjusted anniversary date of satisfactory and creditable SELRES service, as appropriate. The Secretary concerned will adjust the anniversary date for periods of authorized absence. Failure to meet reinstatement criteria in a capacity that was previously agreed on will result in termination of the bonus and in repayment, as appropriate.

3.0 ACCESSION BONUS

3.1 General

An accession bonus offers a monetary incentive for a person (including a Service member) to accept a commission or appointment as an officer and serve for a specified period on AD or in an active status in a Military Service.

3.1.1. An accession bonus is authorized when an individual executes a written agreement and agrees to serve for a minimum 4-year period in:

3.1.1.1. A designated military skill or career field;

3.1.1.2. A unit;

3.1.1.3. A grade; or

3.1.1.4. Some other role that meets a condition or conditions imposed by the Secretary concerned.

3.1.2. The procedures described in sections 2.0 and 3.0, as well as any additional conditions and requirements prescribed by the Secretary concerned, govern the award and administration of an accession bonus.

3.2 Additional Accession Bonus Eligibility Requirements

In addition to meeting the minimum eligibility requirements listed in paragraph 2.2, an eligible person must:

3.2.1. Meet the qualification standards listed in DoDI 1304.26 for a commission or appointment;

3.2.2. Be an initial recipient of a commission or appointment in a Regular Component or RC;

3.2.3. Have completed all previous service obligations incurred as a result of receiving a bonus or special pay while serving as an enlisted Service member or Reserve Officer Training Course cadet or midshipmen;

3.2.4. Not have received:

3.2.4.1. Pre-commissioning compensation under 10 U.S.C. §§ 2106, 2107, and 2107a;

3.2.4.2. Financial assistance through a loan repayment program in accordance with 10 U.S.C. §§ 16201, 16301, 16302, or 16303; or

3.2.4.3. An accession bonus in accordance with ***37 U.S.C. § 324*** and ***37 U.S.C. § 330***; and

3.2.5. Accept a service obligation on AD or in the SELRES for at least 4 years.

3.3 Restrictions

3.3.1. An officer may receive only one officer accession bonus during a career. An officer accessed from the enlisted ranks is eligible for an accession bonus as an officer or warrant officer.

3.3.2. An officer reappointed in a Military Service after resignation or termination of a commission or appointment from an earlier period of military service is not eligible for an accession bonus.

3.3.3. An officer may not receive an accession bonus and a transfer bonus for the same period of military service.

3.3.4. An officer may not receive an accession bonus and an affiliation bonus for the same period of military service.

3.4 Amount

The amount of an accession bonus under DoDI 1304.34 may not exceed $60,000 for a minimum 4-year period of obligated service, nor may it exceed an annual amount of $15,000.

3.5 Payment Method

The method of payment will be consistent with paragraph 2.5.

3.6 Non-Availability

In the event an RC officer becomes unavailable, the provisions in paragraph 2.9 will apply.

3.7 Duration of Authority

Unless reauthorized by Congress, an officer accession bonus may not be paid after the date listed on the ***Duration of Authority*** table, located on DFAS.MIL, unless an officer accession agreement was entered into prior to the date on the table.

4.0 RC AFFILIATION BONUS

4.1 General

The RC affiliation bonus offers a monetary incentive for an officer to affiliate with the SELRES of a Military Service.

4.1.1. The bonus is authorized when an officer affiliates with the SELRES of a Military Service and agrees to serve for a specified period of not less than 3 years of obligated service in a military skill designated critical by the Secretary concerned or not less than 3 years of obligated service in a specific SELRES unit or officer pay grade to meet manpower shortages in the specific SELRES unit or officer pay grade. Additionally, the Secretary concerned may, with the officer's consent, convert the officer to a designated career field or military skill in which there is a shortage of trained and qualified personnel.

4.1.2. The procedures described in sections 2.0 and 4.0, as well as any additional conditions and requirements prescribed by the Secretary concerned, govern the award and administration of an RC affiliation bonus.

4.2 Additional RC Affiliation Bonus Eligibility Requirements

In addition to meeting the minimum eligibility requirements in paragraph 2.2, an eligible officer must execute an agreement to serve as an officer in the SELRES for a service obligation of at least 3 years and have fewer than 15 years of qualifying military service towards a regular or non-regular retirement, in accordance with DoDI 1215.07. The officer must also:

4.2.1. Be serving in the Ready Reserve or Standby Reserve of a Military Service; or

4.2.2. Be serving or have served in the Regular Component for a period of more than 30 days and have been released under honorable conditions.

4.3 Additional Guidelines

4.3.1. Individuals may receive more than one affiliation bonus in a career, though not for the same military skill, grade, or unit.

4.3.2. An officer may receive an affiliation bonus and transfer bonus as long as the officer serves the service obligations for each bonus consecutively. See section 6.0 for additional information on transfer bonuses.

4.3.3. Officers signing up for an affiliation bonus and a transfer bonus at the same time will incur an additional 12-month service obligation rather than an additional 24-month service obligation, as otherwise prescribed. The minimum service obligation for an officer receiving both bonuses is 4 years.

4.4 Amount

The maximum affiliation bonus may not exceed $10,000 for a minimum 3-year service obligation.

4.5 Payment Method

4.5.1. The method of payment will be consistent with paragraph 2.5.

4.5.2. An affiliation bonus begins to accrue on the date the eligible officer is assigned to a unit or position in the SELRES.

4.6 Non-Availability

In the event an RC officer becomes unavailable, the provisions in paragraph 2.9 will apply.

4.7 Duration of Authority

Unless reauthorized by Congress, an officer affiliation bonus may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless an officer affiliation agreement was entered into prior to the date on the table.

5.0 RETENTION BONUS

5.1 General

A retention bonus under DoDI 1304.34 provides a monetary incentive that may be offered by the Military Department to retain adequate numbers of qualified officers.

5.1.1. Specifically, the bonus may be used by the Military Department to obtain the voluntary extension of an officer's service in exchange for an agreement to serve for a specified period in a designated military skill, career field, unit, or grade or to meet some other condition or conditions imposed by the Military Department concerned.

5.1.2. The procedures described in sections 2.0 and 5.0, as well as additional conditions and requirements prescribed by the Secretary concerned, govern the award and administration of the retention bonus.

5.1.3. In order to meet the designated military skill or career field criteria, the Secretary concerned may, with the officer's consent, convert the officer to a designated career field or military skill in which there is a shortage of trained and qualified personnel.

5.1.4. Officers appointed into a Military Service after a period of disenrollment, discharge, or separation who meet the eligibility requirements in paragraphs 2.2 and 5.2 may be eligible for a retention bonus.

5.2 Additional Retention Bonus Eligibility Requirements

In addition to the eligibility requirements in paragraph 2.2, an eligible officer must:

5.2.1. Have completed a minimum of 4 years of active commission service or qualifying service for an RC officer, in accordance with DoDI 1215.07; and

5.2.2. Agree to remain on AD or in an active status for a period of at least 2 years.

5.3 Restrictions

5.3.1. An officer is not eligible for a retention bonus if, at the start of the period of additional obligated service, the officer:

5.3.1.1. Has between 16 and 19 years of active commissioned service or qualifying service, in accordance with DoDI 1215.07 for an RC officer; or

5.3.1.2. Is retirement eligible with more than 22 years of active commissioned service or qualifying service in accordance with DoDI 1215.07.

5.3.2. The service obligation for a retention bonus may not extend an officer's service beyond 25 years of active commissioned service or qualifying service, in accordance with DoDI 1215.07 for an RC officer.

5.3.3. Officers who have transferred their Post-9/11 GI Bill or Montgomery GI Bill-SELRES education benefits to a dependent or spouse in accordance with DoDI 1341.13, are eligible for a retention bonus as specified in DoDI 1304.34. The Secretary concerned will determine if the service obligation for both the retention bonus and GI Bill transfer is served concurrently or consecutively.

5.4 Amount

The Secretary of the Military Department may prorate bonus amounts for retention requests greater than 2 years. The additional service time will be calculated on a monthly basis at a rate equal to 1/12th the annual amount. The maximum retention bonus may not exceed:

5.4.1. $25,000 for each year of obligated service in a Regular Component; or

5.4.2. $12,000 for each year of obligated service in an RC.

5.5 Payment Method

The method of payment will be consistent with paragraph 2.5.

5.6 Non-Availability

In the event an RC officer becomes unavailable, the provisions of paragraph 2.9 will apply.

5.7 Duration of Authority

Unless reauthorized by Congress, an officer retention bonus may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless an officer retention agreement was entered into prior to the date on the table.

6.0 TRANSFER BONUSES

6.1 Intra-Service Transfer

The Intra-Service transfer bonus provides a monetary incentive for an officer to transfer from the Regular Component of a Military Service to the Ready Reserve (and vice versa, however mobilization does not constitute an intra-service transfer) of the same Service to meet manning requirements. The Secretaries concerned may pay a bonus to an officer who agrees to transfer from the Regular Component to the Ready Reserve (and vice versa) and agrees to serve for a specified period in a designated military skill, career field, unit, or grade, or to meet other conditions imposed by the Secretary concerned.

6.1.1. The procedures described in section 2.0 and paragraph 6.1, as well as any additional conditions and requirements prescribed by the Secretary of the Military Department concerned, govern the award and administration of the transfer bonus.

6.1.2. All transfers among Military Service components will be conducted in accordance with DoDI 1300.04.

6.1.3. To be eligible for an intra-service transfer bonus, an officer must meet the following additional eligibility requirements:

6.1.3.1. The officer has fulfilled all service obligations satisfactorily within the officer's current Regular Component or RC;

6.1.3.2. The officer meets the qualification criteria for the transfer bonus of the Regular Component or RC of the Military Service to which the officer is transferring;

6.1.3.3. The officer must agree to remain in the component of the Military Service for which the transfer bonus is offered for a minimum of 2 years; and

6.1.3.4. The officer must have fewer than 15 years of active time.

6.1.4. Affiliation and Transfer Bonus

6.1.4.1. The Secretaries concerned may offer an intra-service transfer bonus in conjunction with an affiliation bonus.

6.1.4.2. Officers receiving both bonuses incur an additional 12-month service obligation for a minimum service obligation of 4 years.

6.1.4.3. Table 3-1 lists the intra-service transfers for which the Military Departments may offer a bonus.

6.2 Inter-Service Transfer

The Inter-Service transfer bonus provides a monetary incentive for an officer to transfer to another Military Service to meet manning requirements of that Military Service. The Secretaries concerned may pay a bonus to an officer who agrees to transfer to and serve in another Military Service for a specified period in a designated military skill, career field, unit, or grade or to meet some other condition(s) imposed by the Secretary of the gaining Military Department.

6.2.1. The procedures described in section 2.0 and paragraph 6.2, as well as any additional conditions and requirements prescribed by the Secretary of the Military Department concerned, govern the award and administration of the transfer bonus.

6.2.2. Transfers between Military Services include officers transferring from the Regular Component or the Ready Reserve of a Military Service to the Regular Component or the Ready Reserve of a different Military Service.

6.2.3. Officer transfers between Military Services will be conducted in accordance with DoDI 1300.04.

6.2.4. In order to successfully transfer, an officer must:

6.2.4.1. Qualify for retention in the Military Service to which the officer is transferring;

6.2.4.2. Have fulfilled all MSOs satisfactorily within the officer's current Regular Component or RC;

6.2.4.3. Meet the qualification criteria established by the Secretary of the Military Department with jurisdiction over the Military Service to which the officer is transferring;

6.2.4.4. Agree to sign a written agreement to remain in the Military Service for which the transfer bonus is offered for a minimum 3-year period; and

6.2.4.5. Have fewer than 15 years of active service time.

6.2.5. Affiliation and Transfer Bonus

6.2.5.1. The Secretary concerned may offer an inter-service transfer bonus in conjunction with an affiliation bonus.

6.2.5.2. Officers receiving both bonuses incur an additional 12-month service obligation for a minimum MSO of 4 years.

6.2.5.3. Table 3-2 lists the inter-service transfers for which a bonus may be offered.

6.3 Restrictions

An officer receiving separation pay in accordance with ***10 U.S.C., Chapter 59***, is not eligible for a transfer bonus.

6.4 Amount

A transfer bonus may not exceed $10,000.

6.5 Payment Method

The method of payment will be consistent with paragraph 2.5.

6.6 Non-Availability

In the event an RC officer becomes unavailable, the provisions of paragraph 2.9 will apply.

6.7 Duration of Authority

Unless reauthorized by Congress, an officer transfer bonus may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless an officer transfer agreement was entered into prior to the date on the table.

7.0 SPECIAL PAYS FOR NUCLEAR-QUALIFIED OFFICERS (NAVY ONLY)

*7.1 Nuclear Power Accession Bonus Program

7.1.1. Eligibility

7.1.1.1. Nuclear Officer Accession Bonus. An accession bonus is payable to officers or prospective officers who are selected for officer naval nuclear- propulsion training and execute a written agreement to participate in a program of training for duty in connection with the supervision, operation, and maintenance of naval nuclear propulsion plants. Payment is authorized upon acceptance of the written agreement.

7.1.1.2. Nuclear Career Accession Bonus. Officers who are on AD and who successfully complete the nuclear propulsion-training program, leading to qualification for duty in connection with the supervision, operation, and maintenance of naval nuclear propulsion plants, are eligible for payment of the nuclear career accession bonus.

7.1.2. Payment. Payment procedures and bonus rates for this program are contained in Chief of Naval Operations Instruction (OPNAVINST) 7220.11J paragraph 7.c, paragraph 8.b, and enclosure 1 paragraphs 1.a and 1.b.

7.1.3. Repayment. An officer, who receives an accession bonus and does not commence or satisfactorily complete the nuclear power training, will be subject to the repayment provisions of 37 U.S.C. § 373, and Chapter 2.

7.1.4. Duration of Authority. A nuclear power accession bonus may not be paid to any person after the date on the Duration of Authority table. No payments will be made after the termination date unless the entitlement commenced prior to that date.

*7.2 Nuclear Officer Continuation Bonus (COBO)

7.2.1. Entitlement. The Secretary of the Navy may pay Nuclear Officer COBO to nuclear-qualified officers who agree to remain on AD for a specified period beyond their existing service obligation.

7.2.2. Eligibility. Officers who meet the criteria defined in OPNAVINST 7220.11J are eligible to receive COBO upon acceptance of their written agreement to remain on AD in connection with supervision, operation, and maintenance of naval nuclear propulsion plants.

7.2.3. Payment. The amount payable may not exceed $75,000 for each 12-month period. The payment procedures, rates and effective dates are contained in the governing regulation, OPNAVINST 7220.11J, paragraph 9.c and enclosure 1 paragraph 1.c.

7.2.4. Repayment. An officer who receives a bonus and fails to complete the period of obligated service or other conditions of service specified in the written agreement for which the

bonus is paid, may be subject to repayment of any unearned portion of the bonus in accordance with the provisions of 37 U.S.C. § 373, Chapter 2, and OPNAVINST 7220.11J.

7.2.5. Duration of Authority. A nuclear officer continuation bonus may not be paid to any person after the date on the Duration of Authority table. No payments will be made after the termination date unless the entitlement commenced prior to that date.

7.3 Nuclear Career Annual Incentive Pay (AIP)

7.3.1. Purpose. The Secretary of the Navy may pay Nuclear Career AIP to nuclear-trained and nuclear-qualified officers who are on AD and who complete their initial service requirement, and to nuclear-trained and nuclear-qualified limited duty and warrant officers who serve in an assignment with duties in connection with direct supervision, operation, or maintenance of naval nuclear propulsion plants.

7.3.2. Eligibility. AIP is paid annually to nuclear-trained and qualified officers who remain on AD for a specified period and who meet the eligibility criteria set forth in OPNAVINST 7220.11J.

7.3.2.1. Warrant Officers in pay grades W-2 through W-5 and Officers in pay grades O-1 through O-6 are eligible for AIP. Officers serving in a period of obligated service associated with paragraph 7.2 are not eligible for AIP during that period of their obligated service.

7.3.2.2. In order to be eligible for AIP (or a pro rata portion thereof), for any nuclear service year, an officer must be qualified for duties in connection with the supervision, operation, and maintenance of naval nuclear propulsion plants on 30 September.

7.3.3. Payment. Under 37 U.S.C. § 333(d)(1)(B), Nuclear Career AIP may not exceed $25,000 for each 12-month period of qualifying service. The current payment procedures and rates are contained in the governing regulation, OPNAVINST 7220.11J paragraph 10.c and enclosure 1 paragraph 1.d.

NOTE: An officer of the U.S. Navy who is not on AD on the last day of a nuclear service year may be paid AIP on a pro rata basis if otherwise qualified, unless termination of AD or loss of qualifications was voluntary or was the result of his own misconduct.

7.4 Prototype Shift Engineer Incentive Pay (SEIP)

7.4.1. Entitlement. The Secretary of the Navy may pay SEIP to nuclear-trained and nuclear-qualified officers who have completed their initial service requirement and remain on AD for a specified period while maintaining current technical qualifications, as approved by the Secretary, for duty in connection with the supervision, operation, and maintenance of naval nuclear propulsion plants.

7.4.2. Eligibility. Nuclear-trained submarine and surface warfare officers who meet the criteria defined in OPNAVINST 7220.11J, are eligible to receive SEIP while assigned to a

qualifying billet and qualified for duty in connection with the supervision, operation, and maintenance of naval nuclear propulsion plants.

7.4.3. Payment. Officers who meet the eligibility criteria for SEIP in OPNAVINST 7220.11J paragraph 11.a are eligible for SEIP at the start of their shift engineer tour. The payment procedures and monthly rate is specified in OPNAVINST 7220.11J, paragraph 11.b and enclosure 1 paragraph 1.e.

7.4.4. Repayment. An officer, who fails to commence or satisfactorily complete a shift engineer tour will be subject to the repayment provisions of 37 U.S.C. § 373 and Chapter 2. Specific exclusions from recoupment are listed in OPNAVINST 7220.11J.

8.0 COMMAND PAY

8.1 Purpose

Command pay is designed to recognize officers assigned as commanding officers in operational leadership positions of unusual responsibility which are of a critical nature to a Military Service. The Secretary concerned may designate positions under his or her jurisdiction that are authorized command pay.

8.2 Eligibility

Secretaries concerned will establish eligibility criteria based on Service-specific needs but will consider paygrade, level of responsibility, and the operational nature of the assignment.

8.3 Amount

Secretaries of the Military Departments concerned will establish monthly rates, but the amount of command pay per month will not exceed $150.

8.4 Restrictions

8.4.1. No more than 10 percent of the number of officers on AD in a Military Service in paygrades O-4 through O-6 may be paid command pay.

8.4.2. Command pay is not authorized for more than one officer per unit, except for the dates of assumption of and relief from command.

Table 3-1. Intra-Service Transfers that Allow Bonuses

Intra-Service Transfer			Bonus		Service Obligation
FROM	**TO**	**YOS**	**Transfer**	**Affiliation**	**Years**
AC	IRR	>8	Yes	No	2
AC	IRR	<8	No	No	N/A
AC	SELRES	N/A	Yes	Yes	4
IRR	SELRES	N/A	No	Yes	3
IRR	AC	N/A	Yes	No	2
SELRES	AC	N/A	Yes	No	2
SELRES	IRR	Any	No	No	N/A
SELRES	SELRES	N/A	No	Yes	3

AC – Active Component

IRR – Individual Ready Reserve

YOS – Total Years of military service

Table 3-2. Inter-Service Transfers that Allow Bonuses

Inter-Service Transfer			Bonus		Service Obligation
FROM	**TO**	**YOS**	**Transfer**	**Affiliation**	**Years**
AC	AC	<15	Yes	No	3
AC	IRR	>8	Yes	No	3
AC	IRR	<8	No	No	N/A
AC	SELRES	N/A	Yes	Yes	4
IRR	SELRES	N/A	Yes	Yes	4
IRR	AC	N/A	Yes	No	3
SELRES	AC	N/A	Yes	No	3
SELRES	IRR	Any	No	No	N/A
SELRES	SELRES	N/A	Yes	Yes	4

AC – Active Component

IRR – Individual Ready Reserve

YOS – Total Years of military service

*REFERENCES

CHAPTER 03 – SPECIAL PAY – OFFICERS ONLY

1.0 – GENERAL

37 U.S.C. § 332(a)

2.0 – GENERAL BONUS AUTHORITY FOR OFFICERS

37 U.S.C. § 332(a)
DoDI 1304.34, July 11, 2016, paragraph 3.1
2.7 37 U.S.C. § 373

3.0 – ACCESSION BONUS

37 U.S.C. § 332(a)(1)
DoDI 1304.34, July 11, 2016, paragraph 3.2

4.0 – RC AFFILIATION BONUS

37 U.S.C. § 332(a)(2)
DoDI 1304.34, July 11, 2016, paragraph 3.3

5.0 – RETENTION BONUS

37 U.S.C. § 332(a)(3)
DoDI 1304.34, July 11, 2016, paragraph 3.4

6.0 – TRANSFER BONUSES

37 U.S.C. § 327
37 U.S.C. § 332(a)(4) & (5)
6.1 DoDI 1304.34, July 11, 2016, paragraph 3.5(a)
DoDI 1300.04, July 25, 2017, paragraph 3.1
6.2 DoDI 1304.34, July 11, 2016, paragraph 3.5(b)
DoDI 1300.04, July 25, 2017, paragraph 3.2
6.3 10 U.S.C., Chapter 59

7.0 – SPECIAL PAYS FOR NUCLEAR-QUALIFIED OFFICERS

7.1 37 U.S.C. § 333(a)(1)
OPNAVINST 7220.11J, April 25, 2023, paragraph 8
7.1.2 37 U.S.C. § 333(d)(1)(A)
7.2 37 U.S.C. § 333(a)(2)
OPNAVINST 7220.11J, April 25, 2023, paragraph 9

7.3	37 U.S.C. § 333(b) OPNAVINST 7220.11J, April 25, 2023, paragraph 10
7.4	37 U.S.C. § 333(b) OPNAVINST 7220.11J April 25, 2023, paragraph 11
8.0 – COMMAND PAY	
	37 U.S.C. § 352 DoDI 1340.26, Incorporating Change 1, January 11, 2019, paragraph 4.2
Table 3-1	DoDI 1304.34, July 11, 2016, Table 1
Table 3-2	DoDI 1304.34, July 11, 2016, Table 2

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 4: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 7A, CHAPTER 5: "HEALTH PROFESSIONS OFFICER (HPO) SPECIAL AND INCENTIVE PAY"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by *bold, italic, blue, and underlined font*.

The previous version dated April 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
2.1 2.2.2 (Previous Edition)	Remove reference to Legacy Special Pays and renumbered subsequent paragraphs accordingly.	Deletion
7.2	Updated Eligibility for Retention Bonus to include 6-year option in accordance with the Assistant Secretary of Defense – Health Affairs Memo, July 25, 2024, for Fiscal Year 2025.	Revision
Table 5-1 through Table 5-10	Updated to reflect the current rates established in the Assistant Secretary of Defense – Health Affairs Memo, July 25, 2024, for Fiscal Year 2025.	Revision
Table 5-1A Through Table 5-10A	October 2025: Inserted the Fiscal Year 2026 rates established by the Assistant Secretary of Defense – Health Affairs Memo, September 10, 2025.	Addition
References	Updated statutes and supporting references.	Revision

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CHAPTER 5

HEALTH PROFESSIONS OFFICER (HPO) SPECIAL AND INCENTIVE PAY

1.0 GENERAL

1.1 Purpose

The purpose of this chapter is to establish policy pertaining to Health Professions Special and Incentive (HPS&I) Pay.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with, the ***DoD Instruction (DoDI) 6000.13***. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 PROVISIONS

Each HPS&I pay is in addition to any other pay or allowance to which an HPO is eligible except as specified in sections 3.0 through 8.0.

2.1 Consolidated Special Pays (CSP)

HPOs may be paid special pay at the rate for the specialty for which they are fully qualified. The specialty or subspecialty must be the same for all pays received. The HPO may only receive Incentive Pay (IP) and a Retention Bonus (RB) for one specialty, even if the HPO holds qualifications in two or more specialties. The IP and RB must be effective on the same date. The eligibility for each HPS&I pay is described in sections 3.0 through 8.0.

2.2 Restrictions

2.2.1. The amount of HPS&I pay is not included in computing the amount of any increase in pay or in computing retired, separation, severance, or readjustment pays.

2.2.2. An officer receiving a health profession bonus is not eligible to receive a payment pursuant to ***Title 37, United States Code (U.S.C.), section 332*** for the same period of obligated service.

2.2.3. An officer receiving health professions IP is not eligible to receive a payment pursuant to ***37 U.S.C. § 353*** for the same skill and period of service.

2.2.4. An officer receiving Board Certification Pay (BCP) is not eligible to receive a payment pursuant to 37 U.S.C. § 353(b) for the same skill and period of service covered by the certification.

2.3 Eligibility

To be eligible to participate in the CSP, an HPO must:

2.3.1. Not have reached the mandatory retirement or removal date due to age or years of service and complete any additional service obligation incurred before the individual's mandatory retirement or removal date, unless granted a waiver;

2.3.2. Have a current, valid, and unrestricted license or approved waiver;

2.3.3. Maintain all licensing, credentialing, and specialty qualifications;

2.3.4. Meet privileging requirements; and

2.3.5. Sign a service agreement indicating:

2.3.5.1. The amount of bonus or pay;

2.3.5.2. The method of payment of the bonus or pay;

2.3.5.3. The period of obligated service for the bonus or pay;

2.3.5.4. Whether the service will be performed on Active Duty (AD) or in active status in a Reserve Component (RC);

2.3.5.5. The type or conditions of the service; and

2.3.5.6. The circumstances that may result in termination of the agreement and repayment of any unearned portion of the bonus or pay if the officer fails to fulfill the conditions of the bonus or pay, to include an unfulfilled service obligation or eligibility requirement.

3.0 ACCESSION BONUS (AB)

3.1 Eligibility

To be eligible for an AB, an individual must:

3.1.1. Meet the eligibility criteria itemized in paragraph 2.3;

3.1.2. Be a graduate of an accredited school in a health profession;

3.1.3. Be qualified for an appointment as a commissioned officer in a regular or RC of a Uniformed Service (an individual must accept an appointment as an HPO before the bonus will be paid);

3.1.4. Execute a written agreement to accept an appointment as an HPO of the Army, Navy, or Air Force to serve on AD in a regular component or in an active status in a RC in a health profession for a specified period;

3.1.5. When appointed, have completed the service obligation for receipt of financial assistance from the DoD to pursue a course of study in a health profession. This includes, but is not limited to, participants and former participants of the:

3.1.5.1. Reserve Officers' Training Corps;

3.1.5.2. Armed Forces Health Professions Scholarship Program;

3.1.5.3. Financial Assistance Program;

3.1.5.4. Uniformed Services University of the Health Sciences; and

3.1.5.5. Other commissioning programs;

3.1.6. Have been honorably discharged or released from any prior service;

3.1.7. Be qualified in the specialty to which appointed; and

3.1.8. Have been discharged from any Uniformed Service at least 24 months before execution of the written agreement to receive an AB, and no longer hold an appointment, if a former HPO.

3.2 Amounts

AB amounts are listed in Table 5-1. For the most current rates, see the ***HPO AB*** table on DFAS.MIL.

4.0 CRITICALLY SHORT WARTIME SKILLS ACCESSION BONUS (CSWSAB)

4.1 Eligibility

To be eligible for CSWSAB, an individual must:

4.1.1. Meet the eligibility criteria itemized in subparagraphs 3.1.1 through 3.1.8;

4.1.2. Be fully qualified in the critically short wartime specialty to which appointed; and

4.1.3. Have been discharged from any Uniformed Service at least 24 months before execution of the written agreement to receive a CSWSAB, and no longer hold an appointment, if a former HPO.

4.2 Amounts

CSWSAB amounts are listed in Table 5-2. For the most current rates, see the ***CSWSAB*** table on DFAS.MIL.

5.0 BCP

5.1 Eligibility

5.1.1. HPOs must:

5.1.1.1. Meet the eligibility criteria itemized in paragraph 2.3;

5.1.1.2. Be serving in an Active Component (AC) or RC of a Military Service and entitled to basic pay under ***37 U.S.C. § 204*** or compensation pursuant to ***37 U.S.C. § 206***;

5.1.1.3. Be serving on AD or in an active Reserve status in a designated health professional clinical specialty;

5.1.1.4. Have a post-baccalaureate degree in a clinical specialty (a post master's certificate acceptable to the Secretary concerned can satisfy this requirement); and

5.1.1.5. Be certified by a professional board in a designated health profession clinical specialty.

5.1.2. All Officers, to include General/Flag officers at the rank of O-7 and above, are eligible for the BCP.

5.2 Amount

The annual amount payable is $8,000, to be prorated monthly.

6.0 IP

6.1 General Provisions

6.1.1. IP When Not Participating in an RB Agreement. Subject to acceptance by the Secretary concerned, an HPO who is eligible for and not in an existing RB agreement, and who is no longer obligated pursuant to a previous IP agreement, may enter into a new 1-year IP agreement at the rate in the HPS&I pay plan. IP agreements must be for at least 1 year and cannot be prorated. If, during the IP agreement, the HPO becomes eligible for a higher IP, the HPO may terminate and renegotiate at that higher rate, obligating for at least a year from the date of renegotiation.

6.1.2. IP When Participating in an RB Agreement. An HPO who enters into an RB contract may also be eligible for IP for the same specialty at the amount in the HPS&I pay plan. An HPO who elects this option will continue IP eligibility, at the rate in effect at the time the RB agreement is effective, for each active year of the RB contract. Any renegotiation of either the RB or IP will require signing a new RB contract at the annual rate in effect at the time of signature, with an obligation that ends after the obligation of the original agreement.

6.1.3. Effective Date. The effective date of the IP agreement will be calculated from the date the member completes the qualifying training plus 3 months.

6.2 Eligibility

6.2.1. To be eligible for IP, an HPO must be:

6.2.1.1. Serving in an AC or RC of a Military Service and entitled to basic pay under 37 U.S.C. § 204 or compensation pursuant to 37 U.S.C. § 206;

6.2.1.2. Serving on AD or in an active Reserve status in a designated health professional specialty; and

6.2.1.3. Eligible as prescribed in paragraph 2.3;

6.2.2. Medical Corps and Dental Corps Officers at the rank of O-7 and above are eligible for the HPO IP at the General Medical Officer (GMO) or General Dental Officer rate, respectively. All other General/Flag officers are authorized the HPO IP rate for their credentialed specialty.

6.3 Amounts

Annual payment amounts for IP contracts are listed in Tables 5-3 through 5-6 and paid in equal monthly payments. For the most current IP rates, see the ***Dental Corps BCP IP/RB***, ***Medical Corps BCP IP/RB***, ***Nurse Corps BCP IP/RB***, and ***Specialty IP/RB*** tables on DFAS.MIL.

7.0 RB

7.1 General Provisions

7.1.1. Subject to acceptance by the Secretary concerned, an HPO with an RB contract pursuant to ***37 U.S.C. Chapter 5, Subchapter II***, may request termination of that contract to enter into a new RB contract with an equal or longer obligation at the RB annual rate in effect at the time of execution of the new contract. The new obligation period will not retroactively cover any portion or period that was executed in accordance with the prior contract.

7.1.2. The Secretary concerned may pay an RB to HPOs based on their clinical specialty or subspecialty regardless of their ability to spend appropriate time in a clinical setting.

*7.2 Eligibility

The Secretary concerned may pay an RB to HPOs based on their clinical specialty or subspecialty regardless of their ability to spend appropriate time in a clinical setting. To be eligible for an RB, an HPO must:

7.2.1. Meet the eligibility criteria itemized in paragraph 2.3;

7.2.2. Have completed qualifications for the specialty or subspecialty for which the RB is being paid before the beginning of the fiscal year during which a written agreement is executed;

7.2.3. Enter into a written agreement, accepted by the Secretary concerned, to remain on AD or in an active status in an RC as an HPO for 2, 3, 4, or 6 years;

7.2.4. Be below the grade of O-7; and

7.2.5. Meet one of the following requirements:

7.2.5.1. Have completed any AD or reserve duty service commitment incurred for any and all pre-commissioning education and training; or

7.2.5.2. Have completed the service obligation for an AB (an individual eligible for an AB may decline the AB and accept the RB).

7.3 Amounts

Annual payment amounts for AC RB contracts are listed in Tables 5-3 through 5-6. For the most current AC RB rates, see the ***Dental Corps RC AB/RB***, ***Medical Corps RC AB/RB***, ***Nurse Corps RC AB/RB***, and ***Specialties RC AB/RB*** tables on DFAS.MIL.

8.0 RC

8.1 AB

8.1.1. To be eligible for an AB, a RC participant must:

8.1.1.1. Execute a written agreement to remain a satisfactory participant in the Selected Reserves (SELRES) in accordance with ***DoDI 1215.13***;

8.1.1.2. Be qualified in a critical skill identified on the RC HPS&I Pay Plan; and

8.1.1.3. Meet the provisions outlined in paragraphs 2.3 and 3.1.

NOTE: An HPO in the SELRES who transfers to the Individual Ready Reserve or Standby Ready Reserve is not eligible for payments and will have the special pay suspended during this period.

8.1.2. Payment amounts for RC AB contracts are listed in Tables 5-7 through 5-10. For the most current RC AB rates, see the Dental Corps RC AB/RB, Medical Corps RC AB/RB, Nurse Corps RC AB/RB, and Specialties RC AB/RB tables on DFAS.MIL.

8.2 Affiliation Bonus for RC (AFBRC)

8.2.1. Eligibility

To be eligible for an AFBRC, an HPO must:

8.2.1.1. Meet the eligibility criteria itemized in paragraph 2.3;

8.2.1.2. Be serving on AD, or have served on AD, and have a DoD (DD) Form 214, "Certificate of Release or Discharge from Active Duty," that verifies an honorable discharge or release;

8.2.1.3. Provide the original DD 214 (copy 1 or copy 4), or a reproduction with a certified true-copy stamp, and the appropriate Federal Government authenticating seal imprinted for each period of service;

8.2.1.4. Be qualified to hold an appointment as an HPO;

8.2.1.5. Be qualified in the specialty in which they agree to serve;

8.2.1.6. Execute a written agreement to serve 3 years in the SELRES; and

8.2.1.7. Not have previously received an AB in the SELRES, unless granted a waiver.

8.2.2. Amount

The Secretary concerned may pay an AFBRC up to $10,000 to eligible officers.

8.2.3. Restrictions

An officer receiving a health profession bonus is not eligible to receive a payment pursuant to 37 U.S.C. § 332 for the same period of obligated service.

8.3 BCP

8.3.1. Eligibility

An HPO must meet the provisions outlined in paragraph 5.1.

8.3.2. Payment

If eligible, a RC member will be paid at the daily rate of one-thirtieth of the BCP monthly rate as defined in paragraph 5.2 for any period in which the member is entitled to basic pay under 37 U.S.C. § 204 or compensation pursuant to 37 U.S.C. § 206.

8.4 IP

8.4.1. Eligibility

An HPO must meet the provisions outlined in paragraph 6.2.

8.4.2. Payment

If eligible, an RC member will be paid at the daily rate of one-thirtieth of the IP monthly rate for any period in which the member is entitled to basic pay under 37 U.S.C. § 204 or compensation pursuant to 37 U.S.C. § 206. See paragraph 6.3.

8.5 RB

8.5.1. Eligibility

To be eligible for an RB, an HPO must meet the provisions outlined in paragraph 7.1.

8.5.2. Payment

Payment amounts for RC RB contracts are listed in Tables 5-7, through 5-10. For the most current RC RB rates, see the Dental Corps RC AB/RB, Medical Corps RC AB/RB, Nurse Corps RC AB/RB, and Specialties RC AB/RB tables on DFAS.MIL.

9.0 TERMINATION

9.1 Reasons

The Secretary concerned may terminate, at any time, an HPO special pay agreement. The Secretary concerned will establish regulations that specify the conditions and procedures for termination, and they will be included in the written service agreement for the specific special pay. Reasons for termination may include, but are not necessarily limited to:

9.1.1. Loss of privileges;

9.1.2. Court-martial conviction;

9.1.3. Failure to maintain a current, valid, and unrestricted license or approved waiver; or

9.1.4. Reasons that are in the best interest of the Military Department.

9.2 Proration

If an agreement for one or more special pays is terminated, the HPO will be paid on a pro-rata basis for the portion served until the official date of termination.

9.3 Repayment

An HPO who fails to maintain the eligibility requirements for a special pay, does not complete the obligation period for the pay, or whose pay is terminated by the Secretary concerned, as described in paragraph 8.1, will be subject to the repayment provisions of ***37 U.S.C. § 373*** and Chapter 2. These repayment authorities will be stipulated in the written service agreement.

9.4 Reinstatement

If an HPO's special pay is terminated due to failure to maintain a valid license, the member can become eligible for special pays again. Once the HPO's license is reinstated and eligibility is re-established, the HPO may negotiate new contractual special pay agreements. Regardless of whether the HPO receives special pays, the HPO will be held responsible for the original contracted special pay service obligation until completed or until involuntary separation from military service occurs.

9.5 Duration of Authority

Unless reauthorized by Congress, a special pay or incentive pay set forth in this chapter may not be paid for service provided after the date listed on the ***Duration of Authority table*** unless a written agreement for the special pay or incentive pay was entered into prior to the date on the table.

*Table 5-1. AB Effective October 1, 2024
For the most current rates, see the Health Professions AB table on DFAS.MIL.

NURSE	AB 3-Year Obligation	AB 4-Year Obligation
Any Specialty	$30,000	$50,000
Obstetrics/Gynecology Nursing	Not Applicable (N/A)	$40,000
SPECIALTY	**AB 3-Year Obligation**	**AB 4-Year Obligation**
Dietician	N/A	$30,000
Medical Lab Technologist	N/A	$30,000
Occupational Therapy	N/A	$30,000
Optometrists	$20,000	$30,000
Pharmacist	N/A	$30,000
Physical Therapist	N/A	$30,000
Physician Assistant	$37,500	$60,000
Public Health Officer (Air Force)	$22,500	$40,000
Social Worker	$18,750	$30,000
Veterinary Officer	N/A	$20,000

*Table 5-1A. CSWAB – Nurse Corps and Specialties AB Effective October 1, 2025
See note

CSWAB NURSE	3-Year Obligation in $	4-Year Obligation in $
Any Specialty	30,000	50,000
Certified Registered Nurse Anesthetist	Not Applicable (N/A)	250,000
Critical Care Nursing	N/A	100,000
Mental Health Nurse Practitioner	N/A	120,000
Obstetrics/Gynecology Nursing	N/A	40,000
SPECIALTY AB	**3-Year Obligation in $**	**4-Year Obligation in $**
Dietician	N/A	30,000
Medical Lab Technologist	N/A	30,000
Occupational Therapy	N/A	30,000
Optometrists	20,000	30,000
Pharmacist	N/A	30,000
Physical Therapist	N/A	30,000
Physician Assistant	37,500	60,000
Public Health Officer (Air Force)	22,500	40,000
Social Worker	18,750	30,000
Veterinary Officer	N/A	20,000

Note:
For the most current rates, see the CSWAB – Nurse Corps and Specialties AB table on DFAS.MIL. These amounts are the maximum allowed by the Department of Defense. For service specific amount consult with your personnel office.

*Table 5-2. CSWAB Effective October 1, 2024
See note

DENTAL SPECIALTY	CSWSAB 4-YEAR OBLIGATION	
Comprehensive Dentistry	$400,000	
General Dentistry	$150,000	
Oral and Maxillofacial Surgery	$600,000	
Prosthodontics	$300,000	
MEDICAL SPECIALTY	CSWSAB **4-YEAR OBLIGATION**	
Aerospace Medicine	$300,000	
Anesthesia	$600,000	
Cardiology	$325,000	
Cardio-Thoracic Surgery	$600,000	
Diagnostic Radiology	$375,000	
Emergency Medicine	$400,000	
Family Practice	$275,000	
General Surgery	$600,000	
Infectious Diseases	$200,000	
Internal Medicine	$250,000	
Neurosurgery	$600,000	
Ophthalmology	$225,000	
Orthopedics	$600,000	
Preventive Medicine	$300,000	
Psychiatry	$600,000	
Pulmonary Medicine	$400,000	
Trauma/Critical Care Surgery	$600,000	
Urology	$300,000	
Vascular Surgery	$600,000	
NURSE SPECIALTY	**CSWSAB 4-YEAR OBLIGATION**	
Certified Registered Nurse Anesthetist	$250,000	
Critical Care Nursing	$100,000	
Mental Health Nurse Practitioner	$120,000	
SPECIALTY CSWSAB	**3-YEAR OBLIGATION**	**4-Year OBLIGATION**
Clinical Psychologist	$42,500	$65,000

Note:
For the most current rates, see the Health Professions AB table on DFAS.MIL. These amounts are the maximum allowed by the Department of Defense. For service specific amount consult with your personnel office.

*Table 5-2A. CSWAB Dental and Medical Corps Effective October 1, 2025
See note

DENTAL SPECIALTY CORPS	4-YEAR OBLIGATION in US $	
Comprehensive Dentistry	400,000	
Endodontics	400,000	
General Dentistry	150,000	
Oral and Maxillofacial Surgery	700,000	
Prosthodontics	400,000	
MEDICAL CORPS	**3-YEAR OBLIGATION in US $**	**4-YEAR OBLIGATION in US $**
Anesthesia	337,500	600,000
Cardiology	337,500	600,000
Cardio-Thoracic Surgery	450,000	800,000
Diagnostic Radiology	281,250	500,000
Emergency Medicine	281,250	500,000
General Surgery	393,750	700,000
Neurosurgery	450,000	600,000
Orthopedics	337,500	600,000
Psychiatry	337,500	600,000
Trauma/Critical Care Surgery	450,000	800,000
Urology	281,250	500,000
Vascular Surgery	450,000	800,000
Any Physician Specialty Not Listed Above	225,000	400,000
CSWAB SPECIALTY	**3-YEAR OBLIGATION in US $**	**4-Year OBLIGATION in US $**
Clinical Psychologist	$42,500	$65,000

Note:
For the most current rates, see the CSWAB – Dental and Medical Corps table on DFAS.MIL. These amounts are the maximum allowed by the Department of Defense. For service specific amount consult with your personnel office.

*Table 5-3. Dental Corps IP and RB Effective October 1, 2024

DENTAL CORPS	Fully Qualified IP Rate (prorated monthly)	RB Rate (paid annually) 2-year	RB Rate (paid annually) 3-year	RB Rate (paid annually) 4-year	RB Rate (paid annually) 6-year
Advance Clinical Practice: Endodontics; Exodontia; General Dentistry; Periodontics; and Prosthodontics	$25,000	$23,000	$32,000	$40,000	$50,000
Comprehensive Dentistry	$25,000	$28,000	$41,000	$60,000	$75,000
Dental Research	$25,000	$28,000	$41,000	$55,000	$65,000
Endodontics	$25,000	$28,000	$41,000	$55,000	$65,000
General Dentistry	$20,000	$16,000	$22,000	$30,000	$40,000
Operative Dentistry	$25,000	$28,000	$41,000	$55,000	$65,000
Oral: Diagnosis; Medicine; Pathology; Radiology	$25,000	$28,000	$41,000	$55,000	$65,000
Oral Maxillofacial Surgery	$55,000	$55,000	$65,000	$95,000	$115,000
Orthodontics	$25,000	$28,000	$41,000	$55,000	$65,000
Pediatric Dentistry	$25,000	$28,000	$41,000	$55,000	$65,000
Periodontics	$25,000	$28,000	$41,000	$55,000	$65,000
Prosthodontics	$25,000	$28,000	$41,000	$55,000	$65,000
Public Health Dentistry	$25,000	$28,000	$41,000	$55,000	$65,000
Temporomandibular Dysfunction/Orofacial Pain	$25,000	$28,000	$41,000	$55,000	$65,000

Note:
For the most current rates, see the Health Professions AB table on DFAS.MIL. These amounts are the maximum allowed by the Department of Defense. For service specific amount consult with your personnel office.

*Table 5-3A. Dental Corps IP and RB Effective October 1, 2025
See note

DENTAL CORPS	Fully Qualified IP Rate (prorated monthly)in US $	RB Rate (paid annually) in US $			
		2-year	3-year	4-year	6-year
Advance Clinical Practice: Endodontics; Exodontia; General Dentistry; Periodontics; and Prosthodontics	27,000	23,000	32,000	40,000	50,000
Comprehensive Dentistry	27,000	28,000	41,000	60,000	75,000
Dental Research	27,000	28,000	41,000	55,000	65,000
Endodontics	27,000	28,000	41,000	55,000	65,000
General Dentistry	20,000	16,000	22,000	30,000	40,000
Operative Dentistry	27,000	28,000	41,000	55,000	65,000
Oral: Diagnosis; Medicine; Pathology; Radiology	27,000	28,000	41,000	55,000	65,000
Oral Maxillofacial Surgery	66,000	50,000	65,000	105,000	125,000
Orthodontics	27,000	28,000	41,000	55,000	65,000
Pediatric Dentistry	27,000	28,000	41,000	55,000	65,000
Periodontics	27,000	28,000	41,000	55,000	65,000
Prosthodontics	27,000	28,000	41,000	55,000	65,000
Public Health Dentistry	27,000	28,000	41,000	55,000	65,000
Temporomandibular Dysfunction/Orofacial Pain	27,000	28,000	41,000	55,000	65,000

Note:
For the most current rates, see the Dental Corps IP and RB table on DFAS.MIL. These amounts are the maximum allowed by the Department of Defense. For service specific amount consult with your personnel office.

*Table 5-4. Medical Corps IP and RB Effective October 1, 2024
For the most current rates, see the Medical Corps BCP IP/RB table on DFAS.MIL.

MEDICAL CORPS	IP 1-YEAR RATE (PRORATED MONTHLY)
General Medical Officer (GMO)	$20,000
GMO with Aerospace Medicine or Undersea Medical Officer Training (Note 1)	$25,000
Internship (First Year of Graduate Medical Education)	$1,200
Initial Residency (Post-Graduate Year 2)	$8,000

Post Resident or Fellow Graduate (initial residency is the first residency completed)	Fully Qualified IP Rate (prorated monthly)	RB Rate (paid annually) 2-year	RB Rate (paid annually) 3-year	RB Rate (paid annually) 4-year	RB Rate (paid annually) 6-year
Anesthesiology	$59,000	$40,000	$55,000	$105,000	$125,000
Cardiology-Adult/Pediatric	$59,000	$26,000	$39,000	$76,000	$95,000
Dermatology	$43,000	$17,000	$25,000	$43,000	N/A
Emergency Medicine	$49,000	$26,000	$39,000	$76,000	$95,000
Family Medicine	$43,000	$20,000	$28,000	$48,000	$60,000
Flight Surgery/ Aerospace Medicine Primary Course (AMP), Other Residency Trained	Note 2	Note 2	Note 2	Note 2	Note 2
Gastroenterology Adult/ Pediatrics	$49,000	$25,000	$36,000	$58,000	N/A
General Internal Medicine	$43,000	$13,000	$23,000	$40,000	N/A
General Surgery	$57,000	$50,000	$65,000	$105,000	$125,000
Gynecological Surgery and Obstetrics	$54,000	$20,000	$30,000	$46,000	$58,000
Neonatology	$50,000	$24,000	$34,000	$63,000	$78,000
Neurology Adult/ Pediatrics	$43,000	$13,000	$19,000	$30,000	$40,000
Neurosurgery (Note 3)	$65,000	$75,000	$100,000	$150,000	N/A
Ophthalmology	$51,000	$15,000	$21,000	$32,000	N/A
Orthopedics	$59,000	$43,000	$58,000	$95,000	$115,000
Otolaryngology	$53,000	$22,000	$30,000	$43,000	N/A
Pathology	$43,000	$13,000	$20,000	$35,000	N/A
Pediatrics	$43,000	$15,000	$20,000	$35,000	N/A
Physiatrist/Physical Medicine	$43,000	$12,000	$13,000	$20,000	N/A
Preventative/Occupational Medicine	$43,000	$13,000	$20,000	$35,000	N/A

Table 5-4. Medical Corps IP and RB (Continued)

Post Resident Or Fellow Graduate (initial residency is the first residency completed)	Fully Qualified IP Rate (prorated monthly)	RB Rate (paid annually) 2-year	RB Rate (paid annually) 3-year	RB Rate (paid annually) 4-year	RB Rate (paid annually) 6-year
Psychiatry Adult/ Pediatrics	$43,000	$19,000	$31,000	$65,000	$85,000
Pulmonary/Critical Care Medicine	$50,000	$27,000	$37,000	$63,000	$78,000
Radiology Diagnostic/Therapeutic	$59,000	$34,000	$49,000	$76,000	N/A
Residency in Aerospace Medicine (RAM)	$43,000	$20,000	$30,000	$40,000	N/A
RAM (Other Residency Trained)	Note 4	Note 4	Note 4	Note 4	Note 4
Subspecialty Category I (Note 5)	$59,000	$50,000	$65,000	$110,000	$130,000
Subspecialty Category II (Note 6)	$51,000	$12,000	$18,000	$32,000	N/A
Subspecialty Category III (Note 7)	$46,000	$18,000	$25,000	$43,000	$55,000
Subspecialty Category IV (Note 8)	$46,000	$20,000	$28,000	$48,000	$60,000
Subspecialty Category V (Note 9)	$59,000	$26,000	$36,000	$55,000	N/A
Urology	$51,000	$20,000	$30,000	$55,000	N/A

NOTES:

1. GMO aerospace medicine training: Physicians who have completed the AMP courses.
2. Physicians who are trained in a primary specialty and have completed the AMP Course (AMP, United States Air Force) or Undersea Medical Officer Training (United States Navy) are eligible for a $3,000 increase in IP and RB above their primary specialty rates.
3. The annual IP amount for the 4-year Neurosurgery retention agreement is $80,000.
4. Physicians who are trained in a primary specialty and have completed RAM are eligible for a $5,000 increase in IP and RB above their primary specialty rates.
5. Requires primary specialty in General Surgery or as listed:
   a. Cardio Thoracic Surgery;
   b. Colon Rectal Surgery;
   c. Fellowship trained Orthopedic Surgeons;
   d. Oncology Surgery;
   e. Organ Transplant;

Table 5-4. Medical Corps IP and RB (Continued)

f. Pediatric Surgery;
g. Plastic Surgery;
h. Trauma/Critical Care Surgery; or
i. Vascular Surgery.

6. Internal medicine nuclear medicine physicians only.
7. All internal medicine/pediatric fellowship-trained subspecialties not listed separately.
8. All family medicine fellowship trained subspecialties.
9. Physicians who are fellowship trained in:
   a Ophthalmology;
   b. Otolaryngology;
   c. Obstetrics/gynecology; and
   d. Urology.

Table 5-4A. Medical Corps IP and RB Effective October 1, 2025
Note 1

MEDICAL CORPS IP		1-YEAR RATE (PRORATED MONTHLY) IN US $			
General Medical Officer (GMO)		20,000			
GMO with Aerospace Medicine or Undersea Medical Officer Training (Notes 2 and 3)		25,000			
Initial Residency (Post-Graduate Year 2)		8,000			
Internship (First Year of Graduate Medical Education)		1,200			
POST RESIDENT or GRADUATE FELLOW (initial residency is the first residency completed)	**Fully Qualified IP Rate (prorated monthly) in US $**	**RB (Paid Annually) IN US $**			
		2-Year Rate	**3-Year Rate**	**4-Year Rate**	**6-Year Rate**
Anesthesiology	66,000	40,000	55,000	105,000	125,000
Cardiology – Adult/Peds	69,000	26,000	39,000	76,000	95,000
Dermatology	48,000	17,000	25,000	43,000	60,000
Emergency Medicine	54,000	26,000	39,000	76,000	95,000
Family Medicine	43,000	20,000	28,000	48,000	60,000
Flight Surgery/Aerospace Medicine Primary Course (AMP), Other Residency Trained	Note 4	Note 4	Note 4	Note 4	Note 4
Gastroenterology – Adult/Peds	54,000	25,000	36,000	58,000	68,000
General - Internal Medicine	43,000	20,000	28,000	48,000	60,000
General Surgery	66,000	50,000	65,000	105,000	125,000
Gynecological Surgery and Obstetrics	60,000	20,000	30,000	46,000	58,000
Neonatology	50,000	24,000	34,000	63,000	78,000
Neurology – Adult/Peds	48,000	13,000	19,000	30,000	40,000
Neurosurgery (Note 5)	75,000	75,000	100,000	150,000	150,000
Ophthalmology	54,000	20,000	25,000	37,000	50,000
Orthopedics	66,000	50,000	65,000	105,000	125,000
Otolaryngology	60,000	25,000	35,000	48,000	65,000
Pathology	48,000	15,000	20,000	35,000	40,000
Pediatrics	43,000	15,000	25,000	35,000	40,000
Physiatrist/Physical Medicine	43,000	15,000	20,000	30,000	N/A

Table 5-4A. Medical Corps IP and RB Effective October 1, 2025 (Continued)

POST RESIDENT or GRADUATE FELLOW (initial residency is the first residency completed)	Fully Qualified IP Rate (prorated monthly) in US $	RB (Paid Annually) IN US $			
		2-Year Rate	3-Year Rate	4-Year Rate	6-Year Rate
Preventive/Occupational Medicine	43,000	15,000	30,000	35,000	40,000
Psychiatry – Adult/Peds	48,000	19,000	31,000	65,000	85,000
Pulmonary/Critical Care Medicine	60,000	27,000	37,000	63,000	78,000
Radiology – Diagnostic/Therapeutic	66,000	34,000	49,000	76,000	N/A
Residency in Aerospace Medicine (RAM)	43,000	20,000	30,000	45,000	N/A
RAM (other residency trained)	Note 6	Note 6	Note 6	Note 6	Note 6
Subspecialty Category 1 (Note 7)	72,000	50,000	65,000	110,000	130,000
Subspecialty Category II (Note 8)	51,000	12,000	18,000	32,000	N/A
Subspecialty Category III (Note 9)	46,000	20,000	28,000	48,000	60,000
Subspecialty Category IV (Note 10)	46,000	20,000	28,000	48,000	60,000
Subspecialty Category V (Note 11)	66,000	26,000	36,000	55,000	70,000
Urology	60,000	20,000	30,000	55,000	65,000

NOTES:

1. For the most current rates, see the Medical Corps IP and RB table on DFAS.MIL. These amounts are the maximum allowed by the Department of Defense. For service specific amount consult with your personnel office.
2. GMO Aerospace Medicine Training: Physicians who have completed the Aerospace Medicine Primary courses.
3. GMO Undersea Medicine Training: Physicians who have completed the Undersea Medicine Officer courses.
4. Physicians who are trained in a primary specialty and have completed the Aerospace Medicine Primary Course (AMP, USAF) or Undersea Medical Officer Training (USN) are eligible for a $3,000 increase in Incentive Pay and Retention Bonus above their primary specialty rates.
5. The annual IP amounts for Neurosurgery are $102,000 for a four-year retention agreement and $120,000 for a six-year retention agreement.
6. Physicians who are residency-trained in a specialty other than RAM, who have also completed RAM, are eligible for a $5,000 increase in both IP and RB above their non-RAM specialty rates.

Table 5-4A. Medical Corps IP and RB Effective October 1, 2025 (Continued)
NOTES (Continued):

7. Requires primary specialty in General Surgery or as listed:
   a. Cardio Thoracic Surgery;
   b. Colorectal Surgery;
   c. Fellowship trained Orthopedic Surgeons;
   d. Oncology Surgery;
   e. Organ Transplant;
   f. Pediatric Surgery;
   g. Plastic Surgery;
   h. Trauma/Critical Care Surgery; or
   i. Vascular Surgery.
8. Internal Medicine and Nuclear medicine physicians only.
9. All Internal Medicine/Pediatric fellowship-trained subspecialties not listed separately.
10. All Family Medicine fellowship trained subspecialties.
11. Physicians who are trained in:
   a Ophthalmology;
   b. Otolaryngology;
   c. Obstetrics/Gynecology; and
   d. Urology.

*Table 5-5. Nurse Corps IP and RB Effective October 1, 2024
For the most current rates, see the Nurse Corps BCP IP/RB table on DFAS.MIL.

NURSE CORPS	Fully Qualified IP Only 1 Year Rate (prorated monthly)	RB Rate paid annually 2-Year	RB Rate paid annually 3-Year	RB Rate paid annually 4-Year	RB Rate paid annually 6- Year
Certified Registered Nurse Anesthetist	$15,000	$10,000	$20,000	$40,000	$60,000
Community/Public Health Nursing	N/A	$10,000	$15,000	$20,000	$35,000
Critical Care Nursing	N/A	$10,000	$15,000	$20,000	$35,000
Emergency Nursing	N/A	$10,000	$15,000	$20,000	$35,000
Flight Nurse	N/A	$10,000	$15,000	$20,000	$35,000
General/Clinical Nursing (Note)	N/A	$10,000	$15,000	$20,000	$35,000
Medical-Surgical Nursing	N/A	$10,000	$15,000	$25,000	$35,000
Mental Health Nurse Practitioners	N/A	$20,000	$30,000	$40,000	$60,000
Neonatal Intensive Care	N/A	$10,000	$15,000	$25,000	$35,000
Nurse Midwife	N/A	$15,000	$20,000	$30,000	$45,000
Obstetrics/Gynecology Nursing	N/A	$10,000	$15,000	$25,000	$35,000
Pediatric Nursing	N/A	$10,000	$15,000	$20,000	N/A
Perioperative Nursing	N/A	$10,000	$15,000	$20,000	$35,000
Psychiatric/Mental Health Nursing	N/A	$10,000	$15,000	$20,000	$35,000
All Other Nurse Practitioners	N/A	$10,000	$15,000	$20,000	$35,000

NOTES:

This RB is intended for nurses who are not eligibility for the specialty nurse RBs.

*Table 5-5A. Nurse Corps IP and RB Effective October 1, 2025
(Note 1)

NURSE CORPS	Fully Qualified IP Only 1 Year Rate (prorated monthly in US $)	RB Rate paid annually in US $			
		2-Year	3-Year	4-Year	6-Year
Certified Registered Nurse Anesthetist	18,000	20,000	30,000	50,000	75,000
Community/Public Health Nursing	N/A	10,000	15,000	20,000	35,000
Critical Care Nursing	N/A	10,000	15,000	20,000	35,000
Emergency Nursing	N/A	10,000	15,000	20,000	35,000
Flight Nurse	N/A	10,000	15,000	20,000	35,000
General/Clinical Nursing (Note 2)	N/A	10,000	15,000	20,000	35,000
Medical-Surgical Nursing	N/A	10,000	15,000	25,000	35,000
Mental Health Nurse Practitioners	4,800	20,000	30,000	40,000	60,000
Neonatal Intensive Care	N/A	10,000	15,000	25,000	35,000
Nurse Midwife	4,800	15,000	20,000	30,000	45,000
Obstetrics/Gynecology Nursing	N/A	10,000	15,000	25,000	35,000
Pediatric Nursing	N/A	10,000	15,000	20,000	N/A
Perioperative Nursing	N/A	10,000	15,000	20,000	35,000
Psychiatric/Mental Health Nursing	N/A	10,000	15,000	20,000	35,000
All Other Nurse Practitioners	4,800	10,000	15,000	30,000	45,000

NOTES:

1. For the most current rates, see the Nurse Corps IP and RB table on DFAS.MIL. These amounts are the maximum allowed by the Department of Defense. For service specific amount consult with your personnel office.
2. This RB is intended for nurses who do not meet the eligibility for the specialty nurse RBs.

*Table 5-6. Biomedical Services, Medical Services, Specialists, and Veterinary Corps IP and RB Effective October 1, 2024
For the most current rates, see the Specialty IP/RB table on DFAS.MIL.

SPECIALTY	PAID ANNUALLY				
	Fully Qualified IP Rate/Year (with or without RB)	RB Rate 2-Year	RB Rate 3-Year	RB Rate 4-Year	RB Rate 6-Year
Laboratory Officer	N/A	N/A	N/A	$10,000	N/A
Occupational Therapist	N/A	N/A	N/A	$7,500	N/A
Optometrist	$5,000	$5,000	$10,000	$15,000	$20,000
Pharmacist	N/A	$15,000	$15,000	$20,000	N/A
Physician Assistant	$5,000	$10,000	$15,000	$25,000	$35,000
Podiatrist	$5,000	$10,000	$15,000	$25,000	N/A
Psychologist	$5,000	$15,000	$20,000	$30,000	$40,000
Public Health Officer (Air Force)	$5,000	$5,000	$6,250	$7,500	N/A
Registered Dietician	N/A	N/A	N/A	$7,500	N/A
Social Worker	$2,500	$10,000	$18,000	$20,000	$25,000
Veterinary Biomedical Scientist Officer (Army, PhD Complete Only)	$5,000	$7,000	$11,000	$15,000	N/A
Veterinarians (Army) Preventive Medicine	$5,000	$5,000	$6,250	$7,500	N/A
Veterinary Officer	$5,000	$2,500	$3,750	$5,000	N/A

Table 5-6 A. Health Profession Officer and Clinical Phycologist, IP and RB Effective October 1, 2025
See note

SPECIALTY	RB (Paid annually) in US $				
	Fully Qualified IP Rate/Year	2-Year	3-Year	4-Year	6-Year
Clinical Psychologist	5,000	15,000	20,000	30,000	40,000
Laboratory Officer	N/A	N/A	5,000	10,000	15,000
Occupational Therapist	N/A	N/A	N/A	7,500	N/A
Optometrist	5,000	5,000	10,000	15,000	20,000
Pharmacist	N/A	10,000	15,000	20,000	N/A
Physical Therapist	N/A	N/A	N/A	7,500	N/A
Physician Assistant	5,000	10,000	15,000	25,000	35,000
Podiatrist	5,000	10,000	15,000	25,000	N/A
Preventive Medicine Veterinarians (Army)	5,000	5,000	6,250	7,500	N/A
Public Health Officer (Air Force)	5,000	5,000	6,250	7,500	N/A
Registered Dietician	N/A	N/A	N/A	7,500	N/A
Social Worker	2,500	10,000	18,000	20,000	25,000
Veterinary Biomedical Scientist Officer (Army, PhD Complete Only)	5,000	7,000	11,000	15,000	N/A
Veterinary Officer	5,000	2,500	3,750	5,000	N/A

Note:
For the most current rates, see the Health Profession Officer And Clinical Phycologist Board Certification Pay, IP and RB table on DFAS.MIL. These amounts are the maximum allowed by the Department of Defense. For service specific amount consult with your personnel office.

*Table 5-7. Dental RC AB and RB Effective October 1, 2024
(See Note)
For the most current rates, see the Dental RC AB/RB table on DFAS.MIL.

DENTAL CORPS	AB (Note)	RB (Note)
Dental Officer, Clinical/General	$25,000	$25,000
Dentist, Comprehensive	$30,000	$30,000
Oral & Maxillofacial Surgeon	$45,000	$45,000
Prosthodontist	$30,000	$30,000
Public Health Dentist	$30,000	$30,000

NOTE:

The amount listed for AB and RB represents the annual amount authorized for new agreements signed during the period of the pay plan. The length of the contracts will be subject to the current law, DoDI 6000.13, and service policy existing at the time the contracts were signed. These amounts are paid annually.

*Table 5-7A. Dental RC AB and RB Effective October 1, 2025
(Note 1)

DENTAL CORPS	PAID ANNUALLY IN US $	
	AB (Note 2)	RB (Note 2)
Dental Officer, Clinical/General	25,000	25,000
Dentist, Comprehensive	30,000	30,000
Oral & Maxillofacial Surgeon	45,000	45,000
Prosthodontist	30,000	30,000

NOTES:

1. For the most current rates, see the Dental RC AB and RB table on DFAS.MIL. These amounts are the maximum allowed by the Department of Defense. For service specific amount consult with your personnel office.
2. The amount listed for AB and RB represents the annual amount authorized for new agreements signed during the period of the pay plan. The length of the contracts will be to law, DoD 600.13 and service policy.

*Table 5-8. Medical RC AB and RB Effective October 1, 2024
For the most current rates, see the Medical RC AB/RB table on DFAS.MIL.

MEDICAL CORPS	AB (Note)	RB (Note)
Aerospace Medicine Specialist	$40,000	$40,000
Anesthesiology	$50,000	$50,000
Critical Care Pulmonary Disease Medicine/Cardiology	$60,000	$60,000
Emergency Medicine Emergency Services	$50,000	$50,000
Family Medicine/ Family Practice	$25,000	$25,000
Field Surgeon Aeromedical Physician General Practice Medicine	$25,000	$25,000
Flight Surgeon; Aviation/Aerospace GMO; Aviation/Aerospace; Residence Trained	$40,000	$40,000
Infectious Disease	$25,000	$25,000
Internist	$25,000	$25,000
Nephrology	$25,000	$25,000
Nuclear Medicine	$25,000	$25.000
Obstetrician and Gynecologist	$25,000	$25,000
Occupational Medical Officer	$40,000	$40,000
Ophthalmology	$25,000	$25,000
Otolaryngologist	$25,000	$25,000
Pediatrician	$25,000	$25,000
Preventive Medicine	$40,000	$40,000
Psychiatrist	$25,000	$25,000
Radiologist, Diagnostic	$45,000	$45,000
Surgeon Colon Rectal	$75,000	$75,000
Surgeon Critical Care Trauma	$75,000	$75,000
Surgeon, General	$75,000	$75,000
Surgeon, Neurological	$50,000	$50,000
Surgeon Orthopedic	$75,000	$75,000
Surgeon, Plastic	$50,000	$50,000
Surgeon, Thoracic Cardiovascular	$75,000	$75,000
Surgeon Vascular Peripheral	$50,000	$50,000
Undersea Medicine	$25,000	$25,000
Urologist	$45,000	$45,000

Table 5-8. Medical RC AB and RB (Continued)

NOTE:

The amount listed for AB and RB represents the annual amount authorized for new agreements signed during the period of the pay plan. The length of the contracts will be subject to the current law, DoDI 6000.13, and service policy existing at the time the contracts were signed. These amounts are paid annually.

*Table 5-8A. Medical RC AB and RB Effective October 1, 2025
(See Note 1)

MEDICAL CORPS	AB (Note 2)	RB (Note 2)
Aerospace Medicine Specialist	40,000	40,000
Anesthesiologist	50,000	50,000
Critical Care/Pulmonary Disease Medicine/Cardiology	60,000	60,000
Emergency Medicine/Emergency Services	50,000	50,000
Family Medicine, Family Practice	25,000	25,000
Field Surgeon/General Practice Medicine/Aeromedical Physician	25,000	25,000
Flight Surgeon, Aviation/Aerospace GMO, Aviation/Aerospace Res Trained	40,000	40,000
Infectious Disease	25,000	25,000
Internist	25,000	25,000
Nephrology	25,000	25,000
Obstetrician and Gynecologist	25,000	25.000
Occupational Medical Officer	40,000	40,000
Ophthalmology	25,000	25,000
Otolaryngologist	25,000	25,000
Pediatrician	25,000	25,000
Preventive Medicine	40,000	40,000
Psychiatrist	35,000	35,000
Radiologist, Diagnostic	45,000	45,000
Surgeon, Colon/Rectal	75,000	75,000
Surgeon, Critical Care/Trauma	75,000	75,000
Surgeon, General	75,000	75,000
Surgeon, Neurological	75,000	75,000
Surgeon Orthopedic	75,000	75,000
Surgeon, Plastic	50,000	50,000
Surgeon, Thoracic Cardiovascular	75,000	75,000
Surgeon Vascular/Peripheral	50,000	50,000
Undersea Medicine	25,000	25,000
Urologist	45,000	45,000

NOTES:

1. For the most current rates, see the Medical RC AB and RB table on DFAS.MIL. These amounts are the maximum allowed by the Department of Defense. For service specific amount consult with your personnel office.
2. The amount listed for AB and RB represents the annual amount authorized for new agreements signed during the period of the pay plan. The length of the contracts will be to law, DoD 600.13 and service policy.

*Table 5-9. Nurse Corps RC AB and RB Effective October 1, 2024
(See Note)
For the most current rates, see the Nurse Corps RC AB/RB table on DFAS.MIL.

NURSE CORPS	AB (Note)	RB (Note)
Clinical Nurse, Critical Care	$35,000	$35,000
Flight Nurse	$20,000	$20,000
Maternal Infant Nurse	$15,000	$15,000
Medical/Surgical Nurse	$25,000	$25,000
Mental Health Nurse	$17,500	$17,500
Midwife	$15,000	$15,000
Nurse, Anesthetist	$30,000	$30,000
Nurse, Neonatal Intensive Care	$15,000	$15,000
Nurse, Practitioner, Family	$20,000	$20,000
Nurse, Practitioner, Mental Health	$20,000	$20,000
Nurse, Practitioner, Pediatric	$15,000	$15,000
Operating Room Nurse	$25,000	$25,000
Trauma Nurse /Emergency	$25,000	$25,000

NOTE:

The amount listed for AB and RB represents the annual amount authorized for new agreements signed during the period of the pay plan. The length of the contracts will be subject to the current law, DoDI 6000.13, and service policy existing at the time the contracts were signed. These amounts are paid annually.

*Table 5-9A. Nurse Corps RC AB and RB Effective October 1, 2025
See Note 1

NURSE CORPS	AB (Note 2)	RB (Note 2)
Clinical Nurse, Critical Care	35,000	35,000
Flight Nurse	20,000	20,000
Maternal Infant Nurse	15,000	15,000
Medical/Surgical Nurse	25,000	25,000
Mental Health Nurse	17,500	17,500
Midwife	15,000	15,000
Nurse, Anesthetist	30,000	30,000
Nurse, Neonatal Intensive Care (NICU)	15,000	15,000
Nurse, Practitioner, Family	20,000	20,000
Nurse, Practitioner, Mental Health	20,000	20,000
Nurse, Practitioner, Pediatric	15,000	15,000
Operating Room Nurse	25,000	25,000
Trauma Nurse /Emergency	25,000	25,000

NOTES:

1. For the most current rates, see the Nurse Corps RC AB and RB table on DFAS.MIL. These amounts are the maximum allowed by the Department of Defense. For service specific amount consult with your personnel office.
2. The amount listed for AB and RB represents the annual amount authorized for new agreements signed during the period of the pay plan. The length of the contracts will be to law, DoD 600.13 and service policy.

*Table 5-10. Biomedical Services, Medical Services, Specialists, and Veterinary Corps Specialties RC AB and RB Effective October 1, 2024
(See Note)
For the most current rates, see the Specialties RC AB/RB table on DFAS.MIL.

SPECIALTIES	AB (Note)	RB (Note)
Aeromedical Evacuation Officer	$20,000	$20,000
Aerospace Physiology	$10,000	$10,000
Bioenvironmental Engineer	$10,000	$10,000
Clinical Laboratory/Biomedical Laboratory Science	$10,000	$10,000
Clinical Psychologist	$20,000	$20,000
Entomologist/Public Health	$15,000	$15,000
Health Services Administration	$10,000	$10,000
Information Systems	$10,000	$10,000
Medical Logistics Management	$15,000	$15,000
Microbiologist	$10,000	$10,000
Optometrist	$20,000	$20,000
Physician Assistant	$25,000	$25,000
Plans/Operations/Medical Intelligence	$15,000	$15,000
Social Worker	$15,000	$15,000
VETERINARY CORPS	**AB**	**RB**
Clinical Medicine	$25,000	$25,000
Preventive Medicine	$20,000	$20,000
Service Officer	$15,000	$15,000

NOTE:

The amount listed for AB and RB represents the annual amount authorized for new agreements signed during the period of the pay plan. The length of the contracts will be subject to the current law, DoDI 6000.13, and service policy existing at the time the contracts were signed. These amounts are paid annually.

*Table 5-10A. Biomedical Services, Medical Services, Specialists, and Veterinary Corps Specialties RC AB and RB Effective October 1, 2025 (See Note 1)

SPECIALTIES	AB (Note 2)	RB (Note 2)
Aeromedical Evacuation Officer	30,000	30,000
Aerospace Physiology	10,000	10,000
Bioenvironmental Engineer	10,000	10,000
Clinical Laboratory/Biomedical Laboratory Science	15,000	15,000
Clinical Psychologist	20,000	20,000
Entomologist/Public Health	20,000	20,000
Health Services Administration	10,000	10,000
Industrial Hygiene	10,000	10,000
Information Systems	10,000	10,000
Medical Logistics Management	15,000	15,000
Microbiologist	10,000	10,000
Optometrist	20,000	20,000
Physical Therapist	20,000	20,000
Physician Assistant	25,000	25,000
Plans/Operations/Medical Intelligence	15,000	15,000
Social Worker	20,000	20,000
VETERINARY CORPS	**AB (Note 2)**	**RB (Note 2)**
Clinical Medicine	25,000	25,000
Preventive Medicine	20,000	20,000
Service Officer	25,000	25,000

NOTES:

1. For the most current rates, see the Biomedical Services, Medical Services, Specialists, and Veterinary Corps Specialties RC AB and RB table on DFAS.MIL. These amounts are the maximum allowed by the Department of Defense. For service specific amount consult with your personnel office.
2. The amount listed for AB and RB represents the annual amount authorized for new agreements signed during the period of the pay plan. The length of the contracts will be to law, DoD 600.13 and service policy.

*REFERENCES

CHAPTER 5: - HEALTH PROFESSIONS OFFICER (HPO) SPECIAL AND INCENTIVE PAY

2.0 – PROVISIONS

DoDI 6000.13, December 30, 2015, Incorporating Change 1, Effective May 3, 2016

3.0 – AB

DoDI 6000.13, December 30, 2015, Incorporating Change 1, Effective May 3, 2016

5.0 – BCP

DoDI 6000.13, December 30, 2015, Incorporating Change 1, Effective May 3, 2016

5.2 Assistant Secretary of Defense Health Affairs (ASD HA) Memo, September 6, 2022

6.0 – IP

DoDI 6000.13, December 30, 2015, Incorporating Change 1, Effective May 3, 2016

6.2.2 ASD HA Memo, September 6, 2022

7.0 – RB

DoDI 6000.13, December 30, 2015, Incorporating Change 1, Effective May 3, 2016

8.0 – RC	
	DoDI 6000.13, December 30, 2015, Incorporating Change 1, Effective May 3, 2016
8.1.1.1	DoDI 1215.13, May 5, 2015
8.2.1.6	DoDI 1304.34, July 11, 2016, paragraph 3.1 e(2)(a)
9.0 – TERMINATION	
	DoDI 6000.13, December 30, 2015, Incorporating Change 1, Effective May 3, 2016
9.5	37 U.S.C. §§ 332, 335, 353
Table 5-1 – AB	
	ASD HA Memo, July 25, 2024
Table 5-2 – CSWSAB	
	ASD HA Memo, July 25, 2024
Table 5-3 – DENTAL CORPS IP	
	ASD HA Memo, July 25, 2024
Table 5-4 – MEDICAL CORPS IP	
	ASD HA Memo, July 25, 2024
Table 5-5 – NURSE CORPS IP AND RB	
	ASD HA Memo, July 25, 2024

Table 5-6 – BIOMEDICAL SERVICES, MEDICAL SERVICES, SPECIALISTS, AND VETERINARY CORPS INCENTIVE PAY & RETENTION BONUS

ASD HA Memo, July 25, 2024

Table 5-7 – DENTAL RC AB AND RB

ASD HA Memo, July 25, 2024

Table 5-8 – MEDICAL RC AB AND RB

ASD HA Memo, July 25, 2024

Table 5-9 – NURSE CORPS RC AB AND RB

ASD HA Memo, July 25, 2024

Table 5-10 – BIOMEDICAL SERVICES, MEDICAL SERVICES, SPECIALISTS, AND VETERINARY CORPS RC AB AND RB

ASD HA Memo, July 25, 2024

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 6: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 7: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 7A, CHAPTER 8: "SPECIAL PAY - SPECIAL DUTY ASSIGNMENT PAY"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated August 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
References	Updated supporting Service instruction references.	Revision

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CHAPTER 8

SPECIAL PAY - SPECIAL DUTY ASSIGNMENT PAY

1.0 GENERAL

1.1 Purpose

Special Duty Assignment Pay (SDAP) may be awarded to Service members for the performance of duty in an assignment, location, or unit designated, where the assigned duties are determined to be extremely demanding, involving an unusual degree of responsibility or difficulty, or requiring special qualifications.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), Title 37. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 SDAP

2.1 Eligibility

The Secretaries of the Military Departments concerned will establish eligibility criteria based on Service-specific needs and will consider paygrade, level of responsibility, and the operational nature of the assignment.

2.1.1. Army. See the Army SDAP message ALARACT 084/2021 – Corrected Fiscal Year 2022 SDAP Biennial Review Results, October 22, 2021.

2.1.2. Navy. See Chief of Naval Operations Instructions ***(OPNAVINST) 1160.6C***.

2.1.3. Air Force and Space Force. See Air Force Instruction ***(AFI) 36-3012***.

2.1.4. Marine Corps. See Marine Corps Order ***(MCO) 7220.12R***.

2.2 Additional Guidelines

2.2.1. The Secretary of the Military Department may pay a special duty pay to a member of the Active or Reserve Component of the Uniformed Service who:

2.2.1.1. Is entitled to basic pay under ***37 U.S.C. § 204***, or compensation under ***37 U.S.C. § 206***; and

2.2.1.2. Performs duties in an assignment, location, or unit designated, and under the conditions of service specified by the Secretary concerned.

2.2.2. SDAP will be in addition to any other pay or allowances a Service member may be receiving, except where otherwise stated.

2.2.3. Awarding new agreements for assignment and special duty pays under 37 U.S.C., Chapter 5, Subchapter I, was discontinued after October 1, 2017. Existing agreements under 37 U.S.C., Chapter 5, Subchapter I, will remain in effect and payments may continue through the agreed-upon date.

2.3 Restrictions

2.3.1. A member of a Reserve Component entitled to pay under 37 U.S.C. § 206 and authorized for special duty pay may be paid an amount of SDAP that is proportionate to the compensation received by the member for inactive duty training. The member may be awarded an amount at $1/30^{th}$ of the prescribed monthly rate of the special duty pay for the performance of each authorized period of inactive duty training with pay.

2.3.2. The Secretary of the Military Department concerned may increase, decrease, or abolish SDAP for any skill or assignment at any time and will establish restrictions and limitations to the pay through Service regulations.

2.3.3. Assignment and special duty pays are not to be continuous in nature and should be for a specified period. However, back-to-back assignment and special duty pays are authorized as long as the Service member continues to meet Service regulations and perform duties in assignments designated for the pay.

2.3.4. A member may receive multiple assignment and special duty pays. However, a Service member may not receive multiple pays for the same purpose and period of service.

2.4 Amount

2.4.1. Assignment and special duty pays may be paid in monthly, installment, or lump sum amounts, but may not exceed the amount listed in subparagraph 2.4.2. The combination of assignment and special duty pays may not exceed an average monthly amount of $3,500, unless otherwise authorized by the Assistant Secretary of Defense for Manpower and Reserve Affairs.

2.4.2. The Secretaries of the Military Departments concerned will establish monthly rates, but the maximum amount of SDAP per month will not exceed $750.

2.5 Repayment

A member who receives SDAP in accordance with ***37 U.S.C. § 352***, and fails to fulfill the eligibility requirements for receipt of such pay, will be subject to the repayment provisions of ***37 U.S.C. § 373***.

3.0 ENTITLEMENT

3.1 Service Designations

Designations of military specialties and assignments for SDAP are in the applicable regulations of the Military Service concerned.

3.2 Written Agreement

3.2.1. Discretionary for Monthly Payments. The Secretary of the Military Department concerned may require a Service member to enter into a written agreement with the Secretary in order to qualify for the payment of assignment pay or special duty pay on a monthly basis. If used, the written agreement will specify the period for which the assignment pay, or special duty pay will be paid and the monthly rate.

3.2.2. Non-discretionary for Installment or Lump Sum Payments. The Secretary of the Military Department concerned will require a Service member to enter into a written agreement with the Secretary in order to qualify for installment or lump sum payments of assignment pay or special duty pay. The written agreement will specify the period for which the Service member will receive assignment pay or special duty pay, the amount of each periodic installment or lump sum, and the repayment policy under paragraph 2.5.

4.0 CONDITIONS OF ENTITLEMENT

4.1 Effect of SDAP on Other Computations

SDAP is not used in the computation for an enlistment bonus, severance pay, separation pay, or cash settlement of accrued leave.

4.2 Tax

SDAP is subject to withholding of income tax, but not subject to withholding of Federal Insurance Contributions Act taxes.

4.3 Duration of Authority

Unless reauthorized by Congress, SDAP may not be paid for service provided after the date listed on the ***Duration of Authority*** table for SDAP unless an SDAP agreement was entered into prior to the date on the table.

*REFERENCES

CHAPTER 8 - SPECIAL PAY - SPECIAL DUTY ASSIGNMENT PAY

1.0 – GENERAL

37 U.S.C. § 352
DoD Instruction (DoDI) 1340.26, September 25, 2017, Incorporating Change 1, Effective January 11, 2019, paragraph 1.2

2.0 – SDAP

2.1	DoDI 1340.26, September 25, 2017, Incorporating Change 1, Effective January 11, 2019, paragraph 4.1.b
2.1.1.	ALARACT 084/2021 Corrected Fiscal Year 2022 Special Duty Assignment Pay (SDAP) Biennial Review Results, October 22, 2021
2.1.2.	OPNAVINST 1160.6C, October 5, 2017
2.1.3.	AFI 36-3012, August 23, 2019, chapter 3
2.1.4.	MCO 7220.12R, August 6, 2013
2.2	DoDI 1340.26, September 25, 2017, Incorporating Change 1, Effective January 11, 2019, paragraph 3.1.a
2.3	DoDI 1340.26, September 25, 2017, Incorporating Change 1, Effective January 11, 2019, paragraph 3.1.b
2.4	DoDI 1340.26, September 25, 2017, Incorporating Change 1, Effective January 11, 2019, paragraph 3.1.d

3.0 – ENTITLEMENT

3.2	DoDI 1340.26, September 25, 2017, Incorporating Change 1, Effective January 11, 2019, paragraph 3.3

4.0 – CONDITIONS OF ENTITLEMENT

4.3	37 U.S.C. § 352(g)

VOLUME 7A, CHAPTER 9: "ACTIVE-DUTY ENLISTED MEMBERS ENLISTMENT, REENLISTMENT, AND RETENTION BONUSES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated August 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
2.2	Updated to increase the enlistment bonus maximum amount to $75,000 effective January 11, 2024, through January 10, 2027.	Revision
3.3	Updated to reflect the maximum statutory increase to $50,000 for each year of obligation.	Revision
9.0	Removed obsolete Voluntary Extension Retention Bonus.	Deletion
References	Updated to reflect current statutes and other supporting references.	Revision

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CHAPTER 9

ACTIVE-DUTY ENLISTED MEMBERS ENLISTMENT, REENLISTMENT AND RETENTION BONUSES

1.0 GENERAL

1.1 Purpose

This chapter establishes DoD policy guidance pertaining to active-duty enlistment, reenlistment, and retention bonuses.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with Title 37, United States Code (U.S.C.), section 331 (***37 U.S.C. § 331***). Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

1.3 Repayment

1.3.1 For each of the bonuses described in this chapter, a member who does not complete the agreed term of service or who does not otherwise meet the conditions of service for the bonus will be subject to the repayment provisions of Chapter 2.

1.3.2. A member who is discharged 12 months or less before the expiration of enlistment or extension of enlistment in accordance with ***10 U.S.C. § 1171*** may be considered to have completed the terms of enlistment or extension of enlistment for which the bonus was paid. For all other early discharges, the Military Departments will determine and advise when repayment is not required.

1.4 Duration of Authority

Unless reauthorized by Congress, no bonus described in this chapter may be paid for service provided after the date listed on the ***Duration of Authority*** table for that bonus unless an agreement was entered into prior to the date on the table.

2.0 ENLISTMENT BONUS

2.1 Eligibility

An enlistment bonus is authorized for individuals who enlist in a Military Service for a specific period and, if applicable, for service in a military skill that is experiencing critical personnel shortages as designated by the Secretary of the Military Department concerned. The individual must meet the qualifications listed in subparagraphs 2.1.1 through 2.1.8:

2.1.1. Possess a high school diploma, a completion or attendance certificate in lieu of a high school diploma, or a General Educational Development program certificate;

2.1.2. The individual must be an initial enlistee who enlists in a Regular Component of the Military Service. An initial enlistee is a person who has either never served or has served and was released from such service before completing the basic training requirements of the Service of which the person was a member, and the service was characterized as either honorable or uncharacterized;

2.1.3. Enlist for at least 2 years or extend an initial period of obligated service to a total of at least 2 years in a Regular Component of a Military Service and serve for a specified period of obligated service in at least one of the following categories:

2.1.3.1. A designated military skill,

2.1.3.2. Career field,

2.1.3.3. Unit,

2.1.3.4. Grade, or

2.1.3.5. Other condition or conditions imposed by the Under Secretary of Defense (Personnel and Readiness) (USD (P&R)) or the Secretary of the Military Department concerned;

2.1.4. Execute a written agreement with the Secretary of the Military Department concerned that specifies the:

2.1.4.1. Amount of the bonus;

2.1.4.2. Method of bonus payment - lump sum amount or periodic installments;

2.1.4.3. Period of obligated service; and

2.1.4.4. Designated military skill or specialty, career field, unit, grade, or such other condition or conditions of service imposed by the Secretary of the Military Department concerned;

2.1.5. Not have previously received an enlistment bonus, a retention bonus, an affiliation bonus, or a transfer bonus for the same period of service;

2.1.6. Not have previously received and not be eligible to receive a Selective Retention Bonus (SRB) under section 3.0 or a Critical Skill Retention Bonus (CSRB) under section 4.0;

2.1.7. Successfully complete training and become technically qualified in a designated skill if completion of such training and technical qualification forms the basis under which the bonus is paid; and

2.1.8. Meet any additional military service specific eligibility criteria and quality standards established by the Secretary of the Military Department concerned.

*2.2 Amount

The Secretary of the Military Department concerned will determine the amount of the enlistment bonus awarded for a designated military skill. The bonus payment for a designated military skill or cumulative amount of enlistment bonuses to any individual is not to exceed $75,000 for a minimum 2-year service obligation. This amount is authorized from January 11, 2024, to January 10, 2027.

2.3 Computation

The Secretaries of the Military Departments are required to establish rules of computation for enlistment bonuses.

2.4 Method of Payment

2.4.1. The bonus may be paid either in periodic installments or a single lump sum. The timing of the initial payment is at the discretion of the Secretary of the Military Department concerned, except that it must not be paid before the member completes basic recruit training. For individuals enlisted for specialties requiring formal training, the Service concerned may withhold the initial payment until the individual completes the training and qualifies in the military skill, so the bonus serves as an incentive to complete the training needed to qualify in the skill.

2.4.2. If paid in installments, after the initial payment, the remainder of the bonus must be paid in equal, periodic installments.

3.0 SRB

3.1 Eligibility

The Secretary of the Military Department concerned may designate a unit, grade, or impose such other condition or conditions of service with respect to the SRB, as determined necessary to mitigate a significant current or projected personnel shortage or changing force structure requirements. An SRB based on unit, grade, or such other condition or conditions of service are subject to USD (P&R) approval. The member must:

3.1.1. Serve in a pay grade E-3 or higher;

3.1.2. Reenlist for a period of at least 3 years or voluntarily extend an enlistment for a period of at least 1 year on active duty;

3.1.3. Execute a written agreement with the Secretary of the Military Department concerned that specifies the:

3.1.3.1. Amount of the bonus;

3.1.3.2. Method of bonus payment - lump sum amount or periodic installments;

3.1.3.3. Period of obligated service; and

3.1.3.4. Designated military skill, career field, unit, or grade, or such other condition or conditions of service imposed by the Secretary of the Military Department concerned;

3.1.4. Agree to serve for a specified period in at least one of the following reenlistment or extension categories:

3.1.4.1. A designated military skill,

3.1.4.2. Career field,

3.1.4.3. Unit,

3.1.4.4. Grade, or

3.1.4.5. Other condition or conditions imposed by the Secretary of the Military Department concerned;

3.1.5. Meet skill qualification prior to payment of the SRB for a member transferring into a designated military skill;

3.1.6. Qualify under any additional eligibility criteria prescribed by the Secretary of the Military Department concerned;

3.1.7. Not be in receipt of an enlistment bonus, a retention bonus, an affiliation bonus, or a transfer bonus for the same period of service; and

3.1.8. In addition to the eligibility requirements in subparagraphs 3.1.1 through 3.1.7, an enlisted service member serving under an indefinite reenlistment must:

3.1.8.1. Be in the pay grade of E-5 or above;

3.1.8.2. Have 10 or more years of military service; and

3.1.8.3. Sign an agreement to remain on active duty for a period of at least 3 years.

3.2 Limitations

3.2.1. A re-entry or reenlistment must occur no later than 3 months (or within a lesser period if so prescribed by the Secretary of the Military Department concerned) after the date of discharge or release from active duty.

3.2.2. Veterans with more than a 3-month but less than a 4-year break in active duty may qualify for a broken service, or a prior service re-entry, SRB program in accordance with regulations prescribed by the Secretary of the Military Department concerned.

3.2.3. Re-enlistees reentering active duty must provide documentation of a break in active-duty service greater than 24 hours. Acceptable documentation of the break in service includes the original DoD (DD) Form 214, Certificate of Release or Discharge from Active Duty, (copy 1 or copy 4) or a reproduction of the DD 214, with a certified true-copy stamp and appropriate Federal Government authenticating seal imprinted thereon, or other official documentation verifying the member's satisfactory participation for all periods of prior service. The 24-hour period begins on the day following the date of discharge or separation.

3.2.4. Members with prior enlisted service and subsequent service as an officer, who were discharged or released from active duty and who, within 3 months after discharge or release from active duty as an officer, reenlist in the same Regular Component of a Military Service in which they previously served as an enlisted member may be eligible for an SRB. The individual must meet all other requirements established in paragraphs 3.1 and 3.2.

3.2.5. Service members may be eligible for an SRB if they extend their existing service obligation for a minimum of 12 months.

3.2.6. Members who reenlist or voluntarily extend an enlistment to obtain sufficient obligated service to participate in a program leading to commissioned or warrant officer status are not eligible for an SRB.

3.2.7. A member is not eligible for an SRB if the member was discharged or released from active duty or service in an active status based upon a determination of misconduct, substandard duty performance, or moral or professional dereliction.

3.2.8. An SRB may be paid to an enlisted member up to 28 years of active duty or service The Deputy Assistant Secretary of Defense for Military Personnel Policy may waive this restriction based upon a request and justification submitted by the Secretary of the Military Department concerned.

3.2.9. Generally, a member may not use any preexisting period of obligated service to satisfy an obligated service requirement under an SRB agreement, unless such service is determined by the Secretary of the Military Department concerned to be consistent with the requirements of ***37 U.S.C. § 371***; and

3.2.9.1. Such preexisting period of obligated service is necessary for the member to qualify for continuous submarine duty incentive pay and is service for which no bonus was previously authorized or payable; or

3.2.9.2. Such preexisting period of obligated service includes no more than a 2-year period of an unserved voluntary extension of enlistment for which no bonus was previously

authorized or payable, and the member agrees to an additional 2-year period of obligated service in connection with the SRB.

*3.3 Amount

The SRB may not exceed $30,000 for each year of obligated service in a Regular Component. The maximum amount for an SRB is $180,000. The statutory limit was increased to $50,000 for each year of obligated service. However, pursuant to DoD policy, the SRB amount is limited to $30,000 for each obligated year of service.

3.3.1. The Secretary of the Military Department concerned must determine the amount of the SRB based on a business case model that targets the retention of adequate levels of enlisted personnel in a reenlistment or extension category.

3.3.2. Members may receive more than one SRB for a career, but the total combined SRB payments over a career must not exceed $360,000.

3.3.3. SRB amounts may be prorated for extension requests greater than one year and reenlistments greater than 3 years. The additional service time will be calculated on a monthly basis at a rate equal to 1/12th the annual amount.

3.4 Computation

The Secretaries of the Military Departments are required to establish and publish the rules for computing the SRB.

3.5 Method of Payment

The bonus may be paid either in periodic installments or a single lump sum. If the Secretary of the Military Department concerned elects to pay SRBs in installments:

3.5.1. The installment amount will be at the discretion of the Secretary of the Military Department concerned, and may be paid at the time of reenlistment, or at the beginning of the member's service commitment for the voluntary extension of enlistment. All payments must be made before the member completes a total of 28 years of service.

3.5.2. An initial installment to a member who reenlists after a break in active-duty service greater than 24 hours is to be made no earlier than 30 days after arrival at the first permanent duty station following reenlistment.

3.5.3. Where there is lost time, the subsequent installment payments will be delayed by the number of days of lost time.

3.5.4. Discharge for the purpose of immediate reenlistment does not affect a member's entitlement to subsequent SRB installment payments.

3.6 Additional Obligated Service

Additional obligated service is defined as any active service commitment beyond an existing contractual service agreement. Existing contractual service agreements include enlistments, extensions of enlistment, and reenlistments.

3.7 Changes and Termination of Awards

3.7.1. The Military Departments will notify USD (P&R) of any changes to a Military Department's SRB guidance under the enlisted bonus program. The Secretary of the Military Department concerned will issue an announcement that fully describes the change along with an effective date. The amount of the SRB offered after the date of such change may not exceed that authorized under 37 U.S.C. § 331(c).

3.7.2. Members agreeing to retrain and reenlist for a different specialty may be paid a bonus in the amount offered at the time of the agreement or upon completion of the training, whichever is greater. If after completion of the training a bonus is no longer offered for the skill, the bonus amount at the time of the agreement will be awarded to the Service member.

4.0 CSRB

4.1 Eligibility

An enlisted member of the Armed Forces, who is serving on active duty in a Regular Component and is qualified in a critical military skill designated by the Secretary of Defense, may be paid a retention bonus as provided in this section, if the member is not serving on an indefinite enlistment and reenlists or voluntarily extends the enlistment for at least 1 year.

4.2 Limitations

4.2.1. A retention bonus may not be given under paragraph 4.1 to a member of the Armed Forces who has completed more than 25 years of active duty or who will complete the 25th year before the end of the period of active duty or active status for which the bonus is offered. This limitation does not apply with respect to a member who is qualified in a skill related to special operations forces.

4.2.2. The USD (P&R) or the Principal Deputy, USD (PDUSD) (P&R) may waive the 25-year service limitation on eligibility with respect to a member who, during a period of active duty or service in an active status in a Reserve Component for which the bonus is being offered, is assigned duties in a skill designated as critical.

4.2.3. CSRB payments may not be made before the start of the active-duty service period for which the CSRB is being awarded, unless specifically authorized by the PDUSD (P&R).

4.3 Amount

4.3.1. A member may enter into an agreement, reenlist, or voluntarily extend enlistment more than once in order to receive a bonus under this section. However, a member may not receive a total of more than $200,000 in payments under this section.

4.3.2. A CSRB amount may not exceed $30,000, annually unless PDUSD (P&R) has granted an exception.

NOTE: The combined total of CSRB and Selective Reenlistment Bonus, in accordance with, ***DoD Directive (DoDD) 1304.21***, Policy on Enlistment Bonuses, Accession Bonuses for New Officers In Critical Skills, Selective Reenlistment Bonuses, and Critical Skills Retention Bonuses for Active Members, during an individual's career, shall not exceed $200,000, unless the PDUSD (P&R) authorizes it for the skill concerned as an exception to policy.

4.4 Method of Payment

A bonus under this section may be paid in a single lump sum or periodic installments.

5.0 PRIOR SERVICE REENLISTMENT BONUS

5.1 Eligibility

The Secretary of the Military Department concerned may pay an individual who reenlists in a regular component of a military service after a break in active duty. An individual must:

5.1.1. Not have previously received, or currently be entitled to, and SRB under section 3.0; or a CSRB under section 4.0;

5.1.2. Not have more than 16 years of total military service and have received an honorable discharge at the conclusion of all previous periods of service;

5.1.3. Not have been released, or currently be released, from active duty for the purpose of enlistment in a Reserve Component;

5.1.4. Provide either:

5.1.4.1. The original DD Form 214 (copy 1 or copy 4);

5.1.4.2. A reproduction of the DD Form 214 with a certified true-copy stamp and the appropriate Federal Government authenticating seal imprinted on the reproduction for any period of previous military service; or

5.1.4.3. Other official documentation verifying member's satisfactory participation for all periods of previous service in the Active Component and Selected Reserve;

5.1.5. Successfully complete any additional training or re-training required to become technically qualified in a designated critical skill for which the member is projected to occupy;

5.1.6. Reenlist for at least 3 years; and

5.1.7. Execute an agreement to serve as an enlisted member in the Regular or Reserve Component of a Military Service for a period of not less than 3 years upon acceptance of the agreement by the Secretary of the Military Department concerned that specifies the:

5.1.7.1. Amount of the bonus;

5.1.7.2. Method of bonus payment - lump sum amount or periodic installments;

5.1.7.3. Period of obligated service; and

5.1.7.4. Designated:

5.1.7.4.1. Military skill or specialty;

5.1.7.4.2. Career field;

5.1.7.4.3. Unit;

5.1.7.4.4. Grade; or

5.1.7.4.5. Such other condition or conditions of service imposed by the Secretary of the Military Department concerned.

5.2 Amount

The Prior Service Reenlistment Bonus amount must not exceed $20,000 for each year of obligated service in a Regular Component.

5.3 Method of Payment

5.3.1. The Secretary of the Military Department concerned must establish a method of payment for the bonus (lump sum or periodic installments). Payment should be disbursed based on training milestones, amounts, and length of enlistment. The Secretary of the Military Department concerned must not pay a person or member any portion of the bonus prior to completion of training.

5.3.2. Members already technically qualified in the skill for which the bonus is being paid will receive their first installment no earlier than 30 days after arrival at the first permanent duty station. The 30 days will start following entry into a Regular Component.

6.0 CONVERSION BONUS

6.1 Eligibility

The Secretary of the Military Department concerned may pay a conversion bonus to a member of the Armed Forces who executes a written agreement to convert to, and serve for, a period of not less than three years in, a designated military skill for which there is a shortage of trained and qualified personnel. The member must:

6.1.1. At the time the agreement is executed, be serving in a pay grade E-6 or below, with no more than 12 years of service as computed in accordance with ***37 U.S.C. § 205***.

6.1.2. Have completed all service obligations incurred for receipt of an enlistment bonus as prescribed in section 2.0, a retention bonus as prescribed in section 3.0, or CSRB as prescribed in section 4.0;

6.1.3. Meet all eligibility requirements prescribed in section 2.1;

6.1.4. Extend the existing enlistment contract to qualify for the bonus if he or she has less than 3 years of active duty or duty in an active status in the Selected Reserve.

6.1.5. Execute a written agreement with the Secretary of the Military Department concerned that specifies the:

6.1.5.1. Amount of the bonus;

6.1.5.2. Method of bonus payment - lump sum amount or periodic installments;

6.1.5.3. Period of obligated service; and

6.1.5.4. Designated military skill, career field, unit, grade, or such other condition or conditions of service imposed by the Secretary of the Military Department concerned; and

6.1.6. Not be in receipt of an enlistment bonus, a retention bonus, an affiliation bonus, or a transfer bonus for the same period of service.

6.2 Amount

The bonus payment will not exceed $10,000.

6.3 Method of Payment

6.3.1. The conversion bonus may be paid in a lump sum or periodic installments.

6.3.2. The Secretary of the Military Department concerned must not pay a member any portion of the bonus before completion of the conversion training.

7.0 BONUS FOR TRANSFER BETWEEN MILITARY SERVICES

7.1 Eligibility

The Secretary of the gaining Military Department may pay a bonus to an enlisted member who agrees to transfer and serve in another Military Service, for a specified period in a designated military skill, career field, unit, grade, or to meet some other condition or conditions imposed by the Secretary of the gaining Military Department. The member must:

7.1.1. Execute a written agreement with the Secretary of the Military Department concerned that specifies the:

7.1.1.1. Amount of the bonus;

7.1.1.2. Method of bonus payment - lump sum amount or periodic installments;

7.1.1.3. Period of obligated service, which must be for a minimum 3-year period; and

7.1.1.4. Designated military skill, career field, unit, grade, or such other condition or conditions of service imposed by the Secretary of the Military Department concerned;

7.1.2. Agree to serve for a specified period in at least one of the following reenlistment or extension categories:

7.1.2.1. A designated military skill,

7.1.2.2. Career field,

7.1.2.3. Unit,

7.1.2.4. Grade, or

7.1.2.5. Other condition or conditions imposed by the Secretary of the Military Department concerned;

7.1.3. Have satisfactorily completed any term of enlistment in a Military Service;

7.1.4. Qualify for reenlistment in the Regular Component of the Military Service to which the member is transferring;

7.1.5. Prior to the transfer, fulfill the requirements established by the Secretary with jurisdiction over the Military Service to which the member is transferring;

7.1.6. Not be in receipt of an enlistment bonus, retention bonus, an affiliation bonus, or a transfer bonus for the same period of service;

7.1.7. Not be in receipt of separation pay in accordance with 10 U.S.C. Chapter 59; and

7.1.8. Meet any additional military service specific eligibility criteria and quality standards established by the Secretary of the Military Department to which the member is transferring.

7.2 Amount and Method of Payment

The Secretary of the gaining Military Department may pay the transfer bonus in one $10,000 lump sum amount upon approval of the transfer by the Secretary of that Military Department. Alternatively, the bonus may be paid in annual installments, the total of which may not exceed $10,000.

8.0 BONUS FOR TRANSFER BETWEEN COMPONENTS OF A MILITARY SERVICE

8.1 Eligibility

The Secretary of the Military Department concerned may pay a bonus to an enlisted member who agrees to transfer from the Regular Component to the Ready Reserve or vice versa of the same service. The member must:

8.1.1. Execute a written agreement with the Secretary of the Military Department concerned that specifies the:

8.1.1.1. Amount of the bonus;

8.1.1.2. Method of bonus payment - lump sum amount or periodic installments;

8.1.1.3. Period of obligated service; and

8.1.1.4. Designated military skill, career field, unit, grade, or such other condition or conditions of service imposed by the Secretary of the Military Department concerned;

8.1.2. Agree to serve for a specified period in at least one of the following reenlistment or extension categories:

8.1.2.1. A designated military skill,

8.1.2.2. Career field,

8.1.2.3. Unit,

8.1.2.4. Grade, or

8.1.2.5. Other condition or conditions imposed by the Secretary of the Military Department concerned;

8.1.3. Not be in receipt of an enlistment bonus, retention bonus, an affiliation bonus, or a transfer bonus for the same period of service;

8.1.4. Have satisfactorily completed all terms of enlistment within their current component;

8.1.5. Qualify for reenlistment in the Regular Component of the Military Service to which the member is transferring;

8.1.6. Agree to remain in the component for which the transfer bonus is offered for a minimum 2-year period;

8.1.7. Have fewer than 15 years of active service time; and

8.1.8. Meet any additional military service specific eligibility criteria and quality standards established by the Secretary of the Military Department concerned.

8.2 Amount and Method of Payment

The Secretary of the Military Department concerned must establish the amount and method of payment for the bonus (lump sum or periodic installments). The bonus for transfer between components of a Military Service may not exceed $10,000 and is payable upon approval of the Secretary concerned.

*REFERENCES

CHAPTER 9 – ACTIVE-DUTY ENLISTED MEMBERS ENLISTMENT, REENLISTMENT, AND RETENTION BONUSES

2.0 – ENLISTMENT BONUS

	37 U.S.C. § 331(a)(1)
2.1	DoD Instruction (DoDI) 1304.31, November 5, 2020, paragraph 3.1.b and 4.1.c
2.2	DoDI 1304.31, November 5, 2020, paragraph 4.1.e Office of the Assistant Secretary of Defense for Manpower and Reserve Affairs Memo, January 11, 2024
2.4	DoDI 1304.31, November 5, 2020, paragraph 3.1.e

3.0 – SRB

3.1	37 U.S.C. § 331(a)(3)
3.2	DoDI 1304.31, November 5, 2020, paragraph 4.4.d(1)(b)
3.2.8.	DoDI 1304.31, November 5, 2020, paragraph 4.4.d(3)
3.3	37 U.S.C. § 331(c)(1)(B) DoDI 1304.31, November 5, 2020, paragraph 4.4.d(4)(a).1
3.5	DoDI 1304.31, November 5, 2020, paragraph 4.5
3.7.1.	DoDI 1304.31, November 5, 2020, paragraph 4.1.h and 4.4.d(6)

4.0 – CSRB

4.1	37 U.S.C. § 355 DoDD 1304.21, January 31, 2005, paragraph E1.5.1
4.2	DoDD 1304.21, January 31, 2005, paragraph E1.5.3.1 37 U.S.C. § 355(e)
4.3	37 U.S.C. § 355(d)
4.3.2. Note	DoDD 1304.21, January 31, 2005, paragraph E1.5.3.2

5.0 – PRIOR SERVICE REENLISTMENT BONUS

5.1	37 U.S.C. § 331(a)(3)(B) DoDI 1304.31, November 5, 2020, paragraph 4.3
5.2	DoDI 1304.31, November 5, 2020, paragraph 4.3.c
5.3	DoDI 1304.31, November 5, 2020, paragraph 4.3.d

6.0 – CONVERSION BONUS

6.1	37 U.S.C. § 331(a)(3)(B) DoDI 1304.31, November 5, 2020, paragraph 4.4.e
6.2	DoDI 1304.31, November 5, 2020, paragraph 4.4.e(2)
6.3	DoDI 1304.31, November 5, 2020, paragraph 4.4.e(3)

7.0 – BONUS FOR TRANSFER BETWEEN MILITARY SERVICES

7.1	37 U.S.C. § 331(a)(5) DoDI 1304.31, November 5, 2020, paragraph 4.5.b
7.2	DoDI 1304.31, November 5, 2020, paragraph 4.5.b(5)

8.0 – BONUS FOR TRANSFER BETWEEN COMPONENTS OF A MILITARY SERVICE

8.1	37 U.S.C. § 331(a)(4) DoDI 1304.31, November 5, 2020, paragraph 4.5.a
8.2	DoDI 1304.31, November 5, 2020, paragraph 4.5.a(5)

VOLUME 7A, CHAPTER 10: "SPECIAL PAY - DUTY SUBJECT TO HOSTILE FIRE OR IMMINENT DANGER"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated October 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Table 10-1	Added Ukraine as an Imminent Danger Pay area in accordance with the Office of the Assistant Secretary of Defense Manpower and Reserve Affairs Memo, dated June 13, 2023.	Addition
Table 10-1	January 2025: Added the Bab-al-Mandeb Strait, Gulf of Aden and Red Sea in accordance with the Assistant Secretary of Defense Manpower and Reserve Affairs Memo, dated December 18, 2024.	Addition
Table 10-1	May 2025: Added the Gaza Strip and Israel's Mediterranean Territorial Seas in accordance with the Office of the Assistant Secretary of Defense Manpower and Reserve Affairs Memo, dated May 7, 2025	Addition
References	Updated statutes and references.	Revision

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CHAPTER 10

SPECIAL PAY - DUTY SUBJECT TO HOSTILE FIRE OR IMMINENT DANGER

1.0 GENERAL

1.1 Purpose

This chapter establishes DoD policy for payment of Hostile Fire Pay (HFP) and Imminent Danger Pay (IDP) and lists the areas where members are authorized to receive these entitlements.

1.2 Authoritative Guidance

The HFP and IDP policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with Title 37, United States Code, section 351 (***37 U.S.C. § 351***). Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 ENTITLEMENT PROVISIONS

2.1 Policy

A member may be paid special pay for duty subject to hostile fire or imminent danger for any month when the member, while entitled to basic pay for active duty or compensation for inactive duty, also meets the qualifying criteria of this chapter. A member is not authorized to receive concurrent payments for hostile fire and imminent danger duty.

2.1.1. HFP. This entitlement is paid at the rate of $225 per month when, as certified by the appropriate commander, a member is subjected to hostile fire, explosion of hostile mines, or other hostile action (a hostile fire event) and who:

2.1.1.1. Performs duty in a hostile fire area;

2.1.1.2. Is exposed to a hostile fire event;

2.1.1.3. Is on duty during a month in an area in which a hostile event occurred that placed the member in grave danger of physical injury; or

2.1.1.4. Is killed, injured, or wounded by a hostile fire event.

2.1.2. IDP. This entitlement is paid on a daily prorated basis, not to exceed $225 per month, when a member is on official duty in a designated IDP area. IDP may be paid to a service member who is subject to the threat of physical harm or imminent danger based on civil insurrection, civil war, terrorism, or wartime conditions in a designated foreign area. See Table 10-1, or for the most current listings ***Imminent Danger Pay*** table on DFAS.MIL.

2.2 Payment

IDP is payable on a prorated daily basis not to exceed a monthly rate of $225. It is payable in addition to all other pays or allowances, except when receiving HFP, as stated in paragraph 2.1. The proration does not apply to the 31st of a month for Active and Reserve component members who are on active duty for 30 days or more. HFP will not be prorated. Members will receive the maximum monthly rate of special pay for the month in which the hostile fire or hostile fire mine explosion event occurred. Payment will be made for the full month, if a member is exposed to hostile fire or a hostile mine explosion on the 31st day of a month, and the member has not already received credit for the full monthly allowance. The following examples for payment on the 31st are provided:

Example 1: A member on active duty for more than 30 days in an IDP area for the period March 31 through April 29 will receive IDP only for the period April 1 through 29.

Example 2: A member on active duty for more than 30 days in an IDP area for the period March 31 through April 29, and who is exposed to hostile fire or a hostile mine explosion on March 31, will be entitled to HFP for the entire month of March and IDP for the period April 1 through 29.

Example 3: A member on active duty for less than 30 days in an IDP area for the period March 29 through April 20 will be entitled to IDP for the period March 29 through 31 and April 1 through 20 for a total of 23 days.

Example 4: A member on active duty for less than 30 days in an IDP area for the period March 29 through April 20, and who is exposed to hostile fire or a hostile mine explosion on March 31, will be entitled to the full monthly amount of HFP of $225 for the month of March, and daily IDP for the period April 1 through 20.

3.0 DETERMINATIONS OF FACT

3.1 Eligibility – HFP

The appropriate commander will certify that the member has met the requirements for entitlement to HFP for a given month. A death certificate or injury report may be substituted in place of the certification, if the document establishes the cause of the death or injury was due to hostile fire or a hostile fire event.

3.1.1. Certification of entitlement will be made at the lowest level of command that includes all the vessels, aircraft, or units subjected to the hostile fire or explosion of hostile mine incident. For example, in the case of a single vessel subjected to hostile fire or explosion of hostile mines, the vessel's commanding officer should certify payment eligibility for all members on board. If two or more vessels are involved, then the commanding officer of the unit that includes all of the vessels should certify eligibility.

3.1.2. Certification will include the name and appropriate payroll identification number of each member entitled to the HFP, a brief description of the incident, and when and where it occurred. The certification should be forwarded directly to the servicing financial support office, via the geographic Combatant Commander exercising operational control over the Service member(s) at the time of the hostile fire event.

3.2 Eligibility – IDP

3.2.1. When the airspace is specifically included in an IDP area designation, members who perform official duty while flying over the area are eligible for IDP, even if they do not land in the area. When airspace is not specifically designated, members who perform duty over the area are not entitled to IDP unless they land in the area.

3.2.2. A member who performs duty on a vessel performing operational duty while in an area designated for IDP is eligible for IDP payments.

3.2.3. A member is not considered to be on official duty in a designated IDP area, and therefore, is not eligible for IDP pay, if the member is in the area:

3.2.3.1. While on leave from a duty station outside the IDP area, even if the outside location is another IDP area;

3.2.3.2. While merely transiting (as distinguished from performing official duty) by any means (including vessel, aircraft, and land conveyance) through the IDP area as a consequence of traveling between two points, both outside the IDP area; or

3.2.3.3. Solely for personal convenience.

3.3 Administration

Any determinations of fact made by commanders in the certification of hostile fire are conclusive. Such determinations are not subject to review by any officer or agency of the government, unless there has been fraud or gross negligence. Such determinations, however, may be changed based on new evidence or for other good cause.

4.0 SPECIAL SITUATIONS

4.1 Member Captured or Missing

A member entitled to HFP and/or IDP immediately before entering a status of missing, missing-in-action, interned in a foreign country or captured by a hostile force will continue to be credited with HFP and/or IDP for each month while in such a status. See Chapter 34 for additional information.

4.2 Hospitalization

A member entitled to HFP and/or IDP who in the line of duty incurs a wound, injury or illness while serving in a combat operation or a combat zone; while serving in a hostile fire area; or while exposed to a hostile fire event (regardless of location), and who is hospitalized for the treatment of such a wound, injury, or illness, may continue to receive HFP and/or IDP. Members may be paid HFP and/or IDP for up to 12 months from the date of hospitalization under the Pay and Allowance Continuation (PAC) Program. See Chapter 13 for PAC entitlement eligibility.

4.3 Absences

The following examples are provided for absences from the IDP area:

4.3.1. A member who takes leave in the IDP designated area that the member is assigned for duty remains entitled to the payment of IDP.

4.3.2. A member who takes leave in an IDP area that the member is not assigned for duty is not eligible for the payment of IDP. See subparagraph 3.1.6.1.

4.3.3. A member who takes leave in an area not designated as an IDP area is not eligible for the payment of IDP for the period of the absence.

4.3.4. A member assigned for duty in an IDP area who performs temporary duty in an area not designated as an IDP area is not eligible for the payment of IDP for the period of absence.

5.0 Duration of Authority

HFP or IDP may not be paid to any person after the date on the through date in Table 10-1. No payments will be made after the termination date unless the person's entitlement to the HFP or IDP commenced prior to that date.

*Table 10-1. IDP Areas
For the most current listings, see the IDP table on DFAS.MIL.
NOTES 1, 2, 3 and 4

Designated Locations Country	Designated Locations Province (State), City or Region	Areas			Effective From	Through
		Air Space	Land	Water		
Afghanistan		X	X		Nov 1, 1988	
Algeria			X		Mar 7, 1995	
Azerbaijan			X		Jun 9, 1995	
*Bab-al-Mandeb Strait		X		X	Oct 19, 2023	
Burkina Faso			X		Feb 1, 2022	
Burma (Myanmar)	Rangoon		X		Jun 22, 2022	
Burundi			X		Nov 29, 1996	
Cameroon	Far North		X		Jun 7, 2017	
	North		X		Jun 7, 2017	
Chad			X		Aug 11, 2008	
Colombia			X		Jun 1, 1985	
Cote D'Ivoire			X		Feb 27, 2003	May 31, 2020
Cuba	(Note 5)				Dec 26, 2006	
Democratic Republic of the Congo			X		Nov 29, 1996	
Djibouti			X		Jul 31, 2002	
Egypt			X		Jan 29, 1997	
Eritrea			X		Jul 31, 2002	May 31, 2020
Ethiopia			X		Sep 13, 1999	
*Gaza Strip	Mediterranean Territorial Seas	X		X	Mar 16, 2023	
Greece	(Note 6)		X		Mar 27, 2007	Nov 30, 2017
*Gulf of Aden		X		X	Oct 19, 2023	
Haiti			X		Jan 8, 2020	
Indonesia (City)	Jakarta		X		Jun 1, 2014	May 31, 2020
Indonesia (Provinces)	Central Java		X		Jun 1, 2014	May 31, 2020
	East Kalimantan		X		Jun 1, 2014	May 31, 2020
	Central Sulawesi		X		Jun 1, 2014	
	Papua		X		Jun 1, 2014	
	Aceh		X		Jun 1, 2014	May 31, 2020

*Table 10-1. IDP Areas (Continued)
For the most current listings, see the IDP table on DFAS.MIL.
NOTES 1, 2, 3 and 4

Designated Locations Country	Designated Locations Province (State), City or Region	Areas			Effective From	Through
		Air Space	Land	Water		
Iran			X		Nov 4, 1979	
Iraq		X	X		Sep 17, 1990	
Israel			X		Jan 31, 2002	
	Mediterranean Territorial Seas	X		X	Mar 16, 2023	
Jordan			X		Jan 29, 1997	
Kenya			X		Jul 31, 2002	
Kosovo		X	X		Jun 22, 1992	
Lebanon			X		Oct 1, 1983	
Libya		X	X		Mar 19, 2011	
Malaysia	Sabah		X		Jun 1, 2014	
Mali			X		Jun 7, 2017	
Mediterranean Sea	(Note 7)			X	Mar 19, 2011	
Niger			X		Jun 7, 2017	
Pakistan			X		Nov 29, 1996	
Philippines	Mindanao		X		Oct 5, 2017	
Philippines	Sulu Archipelago		X		Oct 5, 2017	
*Red Sea		X		X	Oct 19, 2023	
Saudi Arabia			X		Sep 14, 2019	
Somalia		X	X		Sep 28, 1992	
Somalia Basin	(Note 8)			X	Dec 26, 2006	
South Sudan		X	X		Jul 9, 2011	
Sudan		X	X		Oct 4, 1993	
Syria			X		Jul 31, 2003	
Syria		X			Sep 21, 2014	
Tunisia		X	X		Mar 19, 2011	
Turkey	(Note 9)		X		Jan 29, 1997	
Turkey	(Note 10)	X			Mar 1, 1998	
*Ukraine		X	X		April 24, 2022	
Uganda			X		Jan 19, 2000	
Yemen			X		May 25, 1999	

*Table 10-1. IDP Areas (Continued)
NOTES:

1. The designation of a land area encompasses all internal waters, unless otherwise noted. For HFP and/or IDP purposes, the term "internal waters" is defined as waters landward of the baseline, drawn in accordance with international law.
2. The designation of a water area (such as the Persian Gulf) includes the territorial seas of those waters, but not the internal waters of the coastal lands. For example, all waters of the Persian Gulf seaward of the baseline of the coastal states, drawn in accordance with international law, would be included in the Persian Gulf designation.
3. Unless otherwise specifically indicated, airspace is NOT part of the included area. When airspace is specifically included, it will normally be that space directly vertically above the approved land or sea area.
4. This table reflects all designated areas, which were active within the last six years.
5. Limited to Service members performing duties within the Joint Task Force Guantanamo Bay Detention Facilities.
6. Land area within a 20-kilometer radius from the center of Athens (38° 01' N, 23° 44' E).
7. Water area of the Mediterranean Sea extending from the North African Coast northward into the Mediterranean Sea, bounded on the east at: 26° 00' E longitude; extending north to: 34° 35' N latitude; and extending west to the East Coast of Tunisia.
8. Water area of the Somalia Basin with coordinates:
   -11°10'N-51°15'E;
   -06°00'N-48°30'E;
   -05°00'N-50°30'E;
   -11°30'N-53°34'E;
   -05°00'N-50°30'E;
   -01°00'N-47°00'E;
   -03°00'S-43°00'E;
   -01°00'S-41°00'E; and
   -06°00'N-48°30'E.
9. Excluding Izmir and the Turkish Straits (i.e., the Dardanelles; the Sea of Marmara; and the Bosporus Straits).
10. Airspace: south of 37°45'N; and east of 43°00'E.

*REFERENCES

CHAPTER 10 - SPECIAL PAY - DUTY SUBJECT TO HOSTILE FIRE OR IMMINENT DANGER

2.0 – ENTITLEMENT PROVISIONS

	37 U.S.C. § 351(a)(1) and (a)(3)
2.1	DoD Instruction (DoDI) 1340.09, January 26, 2018, Incorporating Change 1, February 2, 2024, paragraph 3.1.b(3)
2.1.1.1	DoDI 1340.09, January 26, 2018, Incorporating Change 1, February 2, 2024, paragraph 3.1.a.(1)(a)1
2.1.1.2	DoDI 1340.09, January 26, 2018, Incorporating Change 1, February 2, 2024, paragraph 3.1.a.(1)(a)2
2.1.1.3	DoDI 1340.09, January 26, 2018, Incorporating Change 1, February 2, 2024, paragraph 3.1.a.(1)(a)3
2.1.1.4	DoDI 1340.09, January 26, 2018, Incorporating Change 1, February 2, 2024, paragraph 3.1.a.(1)(a)4
2.1.2	DoDI 1340.09, January 26, 2018, Incorporating Change 1, February 2, 2024, paragraph 3.1.a.(1)(b)
2.2	37 U.S.C. § 351(c)(2)(C) Under Secretary of Defense (USD) Personnel and Readiness (P&R) Memo, January 31, 2012

3.0 – DETERMINATIONS OF FACT

3.1	DoDI 1340.09, January 26, 2018, Incorporating Change 1, February 2, 2024, paragraph 3.2.b
3.1.1	DoDI 1340.09, January 26, 2018, Incorporating Change 1, February 2, 2024, paragraph 3.2.b
3.1.2	DoDI 1340.09, January 26, 2018, Incorporating Change 1, February 2, 2024, paragraph 3.2.b.(1) and (2)
3.2.1	DoDI 1340.09, January 26, 2018, Incorporating Change 1, February 2, 2024, paragraph 3.3.a(1)(a)
3.2.2	DoDI 1340.09, January 26, 2018, Incorporating Change 1, February 2, 2024, paragraph 3.3.a(1)(b)
3.2.3	DoDI 1340.09, January 26, 2018, Incorporating Change 1, February 2, 2024, paragraph 3.3.a(2)

4.0 – SPECIAL SITUATIONS

4.1	37 U.S.C. § 552(a)(1)
4.2	37 U.S.C. § 372(a) DoDI 1340.09, January 26, 2018, Incorporating Change 1, February 2, 2024, paragraph 3.1.a(3)

4.3	DoDI 1340.09, January 26, 2018, Incorporating Change 1, February 2, 2024, paragraph 3.3.a(2)

5.0 – DURATION OF AUTHORITY

37 U.S.C. § 351(h)
DoDI 1340.09, January 26, 2018, Incorporating Change 1, February 2, 2024, paragraph 3.3.a(3)

Table 10-1

Afghanistan	DoD Office of General Counsel Memo, October 25, 1988 Office of the USD (OUSD) (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Algeria	Assistant Secretary of Defense (ASD) Force Management Policy (FMP) Memo, March 7, 1995 OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Azerbaijan	ASD (FMP) Memo, June 9, 1995 OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Bab al-Mandeb Strait	Assistant Secretary of Defense Manpower and Reserve Affairs Memo, dated December 18, 2024
Burkina Faso	ASD Manpower & Reserve Affairs (M&RA) Memo, March 29, 2023
Burma (Myanmar)	ASD (M&RA) Memo, May 31, 2023
Burundi	ASD (FMP) Memo, November 29, 1996 OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Cameroon	
Far North	USD (P&R) Memo, March 5, 2018
North	USD (P&R) Memo, March 5, 2018
Chad	OUSD (P&R) Memo, August 11, 2008 USD (P&R) Memo, December 31, 2013
Colombia	ASD Manpower Installations and Logistics Memo, May 8, 1985

	OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Cote D'Ivoire	USD (P&R) Memo, February 27, 2003 OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013 ASD (M&RA) Memo, April 21, 2020
Cuba	OUSD (P&R) Memo, February 15, 2007
Democratic Republic of the Congo	ASD (FMP) Memo, November 29, 1996 OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Djibouti	ASD (FMP) Memo, July 31, 2002 OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Egypt	ASD (FMP) Memo, January 29, 1997 OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Eritrea	ASD (FMP) Memo, July 31, 2002 OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013 ASD (M&RA) Memo, April 21, 2020
Ethiopia	ASD (FMP) Memo, September 13, 1999 OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Greece	OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013 ASD M&RA Memo, September 1, 2017
Gaza Strip	Office of the Assistant Secretary of Defense Manpower and Reserve Affairs Memo, May 7, 2025
Gulf of Aden	Assistant Secretary of Defense Manpower and Reserve Affairs Memo, dated December 18, 2024
Haiti	ASD M&RA Memo, December 16, 2020

Indonesia	ASD (FMP) Memo, October 31, 2001 USD (P&R) Memo, December 31, 2013 ASD (M&RA) Memo, April 21, 2020
Iran	Office of the ASD (OASD) (M&RA) Memo, January 23, 1981 OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Iraq	Office of the Secretary of Defense Memo, September 17, 1990 OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Israel	ASD (FMP) Memo, January 31, 2002 OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013 Office of the Assistant Secretary of Defense Manpower and Reserve Affairs Memo, May 7, 2025
Jordan	ASD (FMP) Memo, January 29, 1997 OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Kenya	ASD (FMP) Memo, July 31, 2002 OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Kosovo	ASD (FMP) Memo, June 22, 1992 OUSD (P&R) Memo, March 27, 2007 OUSD (P&R) Memo, March 26, 2009 USD (P&R) Memo, December 31, 2013
Lebanon	OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Liberia	ASD (FMP) Memo, August 6, 1990 OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Libya	OUSD (P&R) Memo, April 26, 2011 USD (P&R) Memo, December 31, 2013
Malaysia	ASD (FMP) Memo, October 31, 2001 USD (P&R) Memo, December 31, 2013

Mali	OUSD (P&R) Memo, February 19, 2014 USD (P&R) Memo, March 5, 2018
Mediterranean Sea	OUSD (P&R) Memo, April 26, 2011 USD (P&R) Memo, December 31, 2013
Niger	USD (P&R) Memo, March 5, 2018
Pakistan	ASD (FMP) Memo, November 29, 1996 OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Philippines	ASD (FMP) Memo, October 31, 2001 USD (P&R) Memo, December 31, 2013 OASD (M&RA) Memo, December 31, 2015 ASD (M&RA) Memo, October 1, 2018
Red Sea	Assistant Secretary of Defense Manpower and Reserve Affairs Memo, dated December 18, 2024
Saudi Arabia	ASD (M&RA) Memo, June 4, 2020
Somalia	ASD (FMP) Memo, September 28, 1992 OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Somalia Basin	OUSD (P&R) Memo, March 27, 2007
South Sudan	OASD (M&RA) Memo, July 31, 2015
Sudan	ASD (P&R) Memo, October 4, 1993 OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Syria	ASD (FMP) Memo, July 31, 2003 OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013 OASD Readiness and Force Management (R&FM) Memo, December 8, 2014
Tunisia	OUSD (P&R) Memo, April 26, 2011 USD (P&R) Memo, December 31, 2013

Turkey	ASD (FMP) Memo, January 29, 1997 ASD (FMP) Memo, February 4, 1998 OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Izmir	ASD (R&FM) Memo, October 24, 2014
Uganda	ASD (FMP) Memo, January 19, 2000 OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Ukraine	OASD (M&RA) Memo, July 13, 2023
Yemen	ASD (FMP) Memo, May 25, 1999 OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013

VOLUME 7A, CHAPTER 11: "SPECIAL PAY – DIVING DUTY"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated September 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision
2.3	Removed obsolete "Suspension" subparagraph and renumbered subsequent subparagraphs accordingly.	Deletion
2.5	Updated the "Rates Payable" paragraph in accordance with the DoD Instruction 1340.09, dated January 26, 2018, Change 1, February 2, 2024.	Revision
2.8	Updated the termination date for the "Duration of Authority" table on DFAS.MIL in accordance with Title 37, United States Code (U.S.C.), Section 351(h).	Revision
3.7	Updated the termination date for the "Duration of Authority" table on DFAS.MIL in accordance with the Title 37, U.S.C., Section 353(i).	Revision
References	Updated statutes and supporting references.	Revision

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CHAPTER 11

SPECIAL PAY - DIVING DUTY

1.0 GENERAL

1.1 Purpose

This chapter provides the policy governing special pay entitlements applicable to diving duty for all of the Military Services.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with Title 37, United States Code (U.S.C.). The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 DIVING DUTY HAZARDOUS DUTY INCENTIVE PAY (HDIP)

2.1 Entitlement

The Secretary concerned may pay HDIP to Service members required by competent orders to participate in diving duty as part of their primary duty.

2.2 Requirements

Service members entitled to basic pay may be eligible for HDIP for diving duty for periods during which they are:

2.2.1. Assigned by competent orders to the duty of diving,

2.2.2. Required to maintain proficiency as a diver by frequent and regular dives, and

2.2.3. They are either:

2.2.3.1. Actually performing diving duty while serving in an assignment for which diving is a primary duty, or

2.2.3.2. Meeting the requirements to maintain proficiency as a diver by frequent and regular dives while serving in an assignment that includes diving other than as a primary duty.

2.3 Conditions

See Table 11-1 for conditions which further affect entitlement to diving duty pay. Additional conditions of service may be imposed by the Secretary concerned.

2.4 Qualifications for Diving Duty

2.4.1. Army

Except as noted in Tables 11-2 and 11-3, an Army member must be a rated diver in accordance with ***Army Regulation (AR) 611-75*** and be assigned to:

2.4.1.1. A Table of Organization and Equipment or Table of Distribution and Allowance position in Skill Classification/Military Occupational Specialty, Special Qualification Identifier, or Additional Skill Identifier (ASI) specified in AR 611-75; or

2.4.1.2. A position designated as diving duty by the Deputy Chief of Staff Personnel.

2.4.2. Navy and Marine Corps

Members must be designated divers, assigned to diving duty under competent orders, and maintain their qualifications for diving.

2.4.3. Air Force

Service members must:

2.4.3.1. Successfully complete an approved DoD course for underwater swimmers,

2.4.3.2. Be under orders for diving duty as authorized by their Major Command, and

2.4.3.3. Meet the other qualification standards prescribed by current Air Force Instructions.

*2.5 Rates Payable

Service members who meet the eligibility criteria, but who do not participate in a full calendar month of dive duty, will receive a prorated HDIP payment, unless in accordance with DoDI 1340.09, paragraph 2.1.k, the Service Secretary concerned has requested to specifically designate the performance of this duty during the month as entitling the Service member to the full monthly rate of HDIP regardless of the duration of qualifying service during the month and such request has been approved by ASD (M&RA).

2.5.1. Service members assigned to diving duty are entitled to special pay for diving duty at a rate of not more than $240 per month.

2.5.2. Service regulations may not vary criteria or rates for payment of diving duty HDIP for officers and enlisted members.

2.6 Specific Rates Payable

See Tables 11-2 through 11-9. The most current rates are in the ***Diving Duty Pay Rates*** table on DFAS.MIL.

2.7 Restrictions on Payment

2.7.1. Although a Service member may perform more than three hazardous duties in a month, a Service member may not receive simultaneous payments for more than three HDIP duties in a month. Therefore, if a member receives diving duty incentive pay in a month, they may not receive more than two other HDIP payments from the hazardous duties listed in Chapter 22 and Chapter 24.

2.7.2. No member is entitled to receive special pay for performing diving duty after diving qualifications have lapsed. Upon requalification, no payments will be made for the period of the lapsed qualification.

*2.8 Duration of Authority

Unless authorized by Congress, no diving duty HDIP payment may be paid after the termination date on the ***Duration of Authority*** table.

3.0 MASTER DIVER SKILL INCENTIVE PAY (MDSIP)

3.1 Authority

Title 37, U.S.C. § 353 and the Under Secretary of Defense (Personnel and Readiness) (USD(P&R)) Memorandum, Master Diver Skill Incentive Pay, dated January 26, 2018, provides the authority for the Secretaries of the Military Departments to offer MDSIP to Service members who:

3.1.1. Are qualified in a critical diving specialty, and

3.1.2. Maintains proficiency as a diver through frequent and regular dives.

3.2 Eligibility

The Secretaries of the Military Departments may pay MDSIP to qualified Service members serving in critical diving specialties designated by the Secretary concerned. Qualifying Service members must be proficient in performance of one of the following critical diving skill areas:

3.2.1. Supervision and training of members who are qualified in the full spectrum of diving apparatus and gas mixtures;

3.2.2. Diving, salvage, and ship underwater repair operations;

3.2.3. Surface and underwater demolition operations for salvage, ship husbandry, or underwater construction operations;

3.2.4. Operation, maintenance, and certification of deep dive systems and equipment; or

3.2.5. Operation of special operations underwater vehicles requiring the use of an underwater breathing apparatus.

3.3 Additional Guidelines

3.3.1. In addition to being qualified in one of the critical skill areas listed in paragraph 3.2, a Regular or Reserve Component Service member must meet the eligibility criteria for diving duty (HDIP) outlined in section 2.0, and any additional criteria prescribed by the Secretary concerned.

3.3.2. Service members qualified solely in the use of a self-contained underwater breathing apparatus are not authorized MDSIP.

3.3.3. Reserve Component members entitled to compensation pursuant to ***37 U.S.C. § 206*** are eligible for MDSIP at the discretion of the Secretary of the Military Department concerned. The amount authorized will be equal to 1/30th of the monthly MDSIP authorized by the Military Department concerned for each period of inactive duty training.

3.4 Payment Method and Amount

3.4.1. Rates. In accordance with paragraph 3.1, the Military Departments may pay monthly MDSIP to qualified Service members who meet the MDSIP eligibility requirements. The amount may not exceed:

3.4.1.1. $340 per month for enlisted members, or

3.4.1.2. $240 per month for officers.

3.4.2. Multiple Payments.

3.4.2.1. Under the provisions of 37 U.S.C. § 353, a Service member may not be paid more than one skill incentive pay in any month for the same period of service or skill.

3.4.2.2. A member may not be paid a skill incentive pay under 37 U.S.C. § 353, and hazardous duty pay under ***37 U.S.C. § 351***, for the same period of service in the same career field or skill for which the payment is made.

3.4.3. Proration. If a Service member does not satisfy the eligibility requirements for MDSIP for an entire month, the Secretary concerned will prorate the payment to reflect the duration of the member's actual qualifying service during the month.

3.4.4. Repayment. Repayment of any unearned portion or overpayment will be in accordance with the provisions of Chapter 2; Volume 16, Chapter 3; and ***37 U.S.C. § 373***.

3.5 Restrictions

3.5.1. Service members temporarily unable to perform diving duty due to a physical or medical condition, not the result of the member's own misconduct, may continue to receive MDSIP for up to 6 months. After 6 months, MDSIP will be terminated and may not be reinstated until the condition resulting in the physical or medical restriction is corrected and the member is again certified for diving duty by a competent Medical Officer.

3.5.2. Service members permanently disqualified or otherwise determined to be no longer eligible to perform diving duty are not eligible for MDSIP in accordance with paragraph 3.1 or any additional criteria prescribed by the Military Departments concerned.

3.5.3. Service members are not authorized MDSIP for any period of unauthorized absences.

3.5.4. Service members who receive MDSIP and fail to satisfy the eligibility requirements for receipt of pay will be subject to having the pay terminated.

3.6 Written Agreement

The Secretary of the Military Department concerned will establish Service specific instructions for the administration of MDSIP in accordance with paragraph 3.1. The instructions may require a member to enter into a written agreement in order to qualify for MDSIP. The written agreement must specify the period for which the Service member will receive the skill incentive pay and the monthly rate of the pay.

*3.7 Duration of Authority

Unless authorized by Congress, no MDSIP payment may be entered into after the date on the Duration of Authority table.

Table 11-1. Diving Duty HDIP and MDSIP - Conditions of Entitlement

RULE	When a member entitled to diving duty pay	and	then diving duty pay
1	is removed from diving duty or the member's diving qualifications lapse		ceases on the date of removal or lapse.
2	is hospitalized as a result of a diving accident		may continue for a period of up to 6 months.
3	is hospitalized not as a result of a diving accident due to an injury or an illness that is not the result of the member's own misconduct		may continue for a period of up to 6 months.
4	is on leave in a pay status		accrues for the first 30 days
5	is on Temporary Additional Duty (TAD)/Temporary Duty (TDY) other than diving duty		accrues for the first 30 days
6	is on TAD/TDY for diving duty purposes		continues to accrue (note 1).
7	is in confinement awaiting trial by court-martial	is subsequently acquitted or charges are dismissed	accrues retroactively to date of confinement.
8	is in confinement awaiting trial by court-martial	is subsequently convicted	does not accrue from first day of confinement through the day before the date restored to a full duty status.
9	is in confinement under sentence of a court-martial		does not accrue from first day of confinement through the day before the date restored to a full duty status.
10	is reassigned Permanent Change of Station (PCS) and no TAD/TDY is required enroute to the new duty station	is ordered to and actually performs diving duty at the new duty station	continues to accrue (notes 1 and 2).
11	is reassigned PCS and no TAD/TDY is required enroute to the new duty station	is not ordered to diving duty at the new duty station	accrues through the date of detachment from the old duty station.
12	is reassigned PCS and TAD/TDY is required enroute to the new duty station	PCS orders require diving duty at the TAD/TDY station and new duty station, and actually performs diving duty	continues to accrue (notes 1 and 2).

Table 11-1. Diving Duty Pay - Conditions of Entitlement (Continued)

RULE	When a member entitled to diving duty pay	and	then diving duty pay
13	is reassigned PCS and TAD/TDY is required enroute to the new duty station	PCS orders require diving duty at the TAD/TDY station but not the new duty station	continues to accrue through the date of detachment from the TAD/TDY station (notes 1 and 2).
14	is reassigned PCS and TAD/TDY is required enroute to the new duty station	PCS orders do not require diving duty at TAD/TDY station	accrues through the date of detachment from the old duty station.
15	is a member of a Reserve Component	is released from active duty	ceases not later than the date the member departs for home from the last duty station.
16	is discharged and immediately reenlists at the same station without a break in service	diving duty orders are not specifically terminated	continues to accrue.
17	is discharged and immediately reenlists at the same station without a break in service	diving duty orders are specifically terminated	ceases on the date stated in the orders.

NOTES:

1. If the member is removed from diving duty, or the member's qualifications lapse during this period, then the member's entitlement to diving duty pay terminates on the date removed from diving duty or the date qualifications lapse.
2. If a member is reassigned PCS and takes leave enroute, then diving duty pay will continue to accrue up to 30 days, if the member has otherwise met the requirements for diving duty pay.

Table 11-2. Diving Duty Pay Rates - Army Enlisted

RULE	If an Army enlisted member is (note 1)	then the member may receive diving duty pay at the monthly rate of
1	assigned to diving duty under instruction at an approved Armed Services diving school (note 2)	$110
2	Master Diver	$340
3	Diver First Class	$215
4	Salvage Diver	$175
5	Diver Second Class	$150
6	Combat Diver (note 3)	$215

NOTES:
1. Except as otherwise noted, eligibility commences on the date of assignment to diving duty under a listed category after graduation from the requisite diving course.
2. Eligibility commences on the date of first dive and continues through the date dropped from the course or the date of graduation, whichever is earlier.
3. The combat diver rating applies to members serving primarily in Special Operations Forces (SOF) units who are assigned to positions that require Special Forces Underwater Operations Systems qualifications and hold a combat diver rating in accordance with AR 611-75.

Table 11-3. Diving Duty Pay Rates - Army Officers

RULE	If an Army officer is (note 1)	and has a special identifying code	then the officer may receive diving duty pay at the monthly rate of
1	assigned to diving duty under instruction at an approved Armed Services diving school (note 2)		$110
2	Marine Diving Officer	ASI 5V	$240
3	Combat Diver (note 3)		$215
4	Diving Medical Officer		$215

NOTES:
1. Except as otherwise noted, eligibility commences on the date of assignment to diving duty under a listed category after graduation from the requisite diving course.
2. Eligibility commences on the date of first dive and continues through the date dropped from the course or the date of graduation, whichever is earlier.
3. The combat diver rating applies to members serving primarily in SOF units who are assigned to positions that require Special Forces Underwater Operations Systems qualifications and hold a combat diver rating in accordance with AR 611-75.

Table 11-4. Diving Duty Pay Rates - Navy Enlisted

RULE	If a Navy enlisted member is (note 1)	with a Navy Enlisted Classification of	then the member is entitled to receive diving duty pay at the monthly rate of
	Dive HDIP		
1	assigned to diving duty under instruction at an approved Armed Services diving school (note 2)		$150
2	Master Diver	MMDV	$340
3	Master Underwater Construction Diver	B18A	$340
4	First Class Diver	M1DV	$315
5	Underwater Construction Technician Advanced (includes Saturation Hospital Corpsman (HM))	B16A	$215
6	Underwater Construction Technician Basic	B17A	$150
7	Second Class Diver	M2DV	$215
8	Self-Contained Underwater Breathing Apparatus (SCUBA) Diver	839A/840A	$150
9	Fleet Marine Force (FMF)	L02A	$215
10	Reconnaissance HM Independent Duty Corpsman (IDC) FMR Reconnaissance HM	L11A	$215
11	Deep Sea Medical Technician	L27A	$215
12	Deep Sea Technician (IDC)	L28A	$215
13	EOD Apprentice	M00A	$150
14	EOD Apprentice (Student Status) (note 2)	M01A	$150
15	Basic EOD Apprentice Technician	M02A	$215
16	Senior EOD Apprentice Technician	M03A	$215
17	Master EOD Technician	M04A	$215
18	Ordnance Clearance Diver	M06A	$215
19	Naval Special Warfare Enlisted Operator	O19A-029A	$215

NOTES:
1. Except as otherwise noted, eligibility commences on the date of graduation from the requisite diving course, with assignment to diving duty under a listed category.
2. Eligibility commences on the date of first dive.

Table 11-5. Diving Duty Pay Rates - Navy Officers

RULE	If a Navy officer is	and has an additional qualification designator (AQD) or designator of	then the officer is entitled to diving duty pay at the monthly rate of
1	assigned to diving duty under instruction at an approved Armed Services diving school (note 1)	various	$150
2	Diving Officer (SCUBA) (note 2)	various	$150
3	Diving Officer (note 3)	various	$240
4	EOD Officer (note 4)	114X, 119X, 648X, 748X	$240
5	Sea-Air–Land (SEAL) Officer (note 5)	113X, 715X	$240
6	Special Warfare Officer – Student (note 1)	118X	$150
7	Undersea Medical Officer (note 4)	6UD, 6UE, 6UF, 6UG, 6UM	$240
8	Diving Chief Warrant Officer (note 5)	720X	$240
9	Engineering Duty Officer, Civil Engineer Corps Officer	KL0	$240
10	Surface Warfare Officer	KL0, LOA	$240

NOTES:
1. Eligibility commences on the date of first dive.
2. Must have completed SCUBA course of instruction, Course Identification Number A 433-0023.
3. Eligibility commences in accordance with paragraph 2.1.
4. Except as otherwise noted, entitlement commences on the date of graduation from the requisite diving course, with assignment to diving duty under a listed category.
5. Eligibility commences on assignment of the designator.

Table 11-6. Diving Duty Pay Rates - Marine Corps Enlisted

RULE	If a Marine Corps enlisted member is (note 1)	and has a special identifying code of	then the member may receive diving duty pay at the monthly rate of
1	assigned to diving duty under instruction at an approved Armed Services diving school (note 2)		$150
2	Combatant Diver	0324/0326/8024/ 8026	$215

NOTES:
1. Except as otherwise noted, eligibility commences on the date of assignment to diving duty under a listed category after graduation from the Combatant Diver course.
2. Eligibility commences on the date of first dive and continues through the date dropped from the course or the date of graduation, whichever is earlier.

Table 11-7. Diving Duty Pay Rates - Marine Corps Officers

RULE	If a Marine Corps officer is (note 1)	and has a special identifying code of	then the member may receive diving duty pay at the monthly rate of
1	assigned to diving duty under instruction at an approved Armed Services diving school (note 2)		$150
2	Combatant Diver	8024/8026	$215

NOTES:
1. Except as otherwise noted, eligibility commences on the date of assignment to diving duty under a listed category after graduation from the Combatant Diver course.
2. Eligibility commences on the date of first dive and continues through the date dropped from the course or the date of graduation, whichever is earlier.

Table 11-8. Diving Duty Pay Rates - Air Force Enlisted

RULE	If an Air Force enlisted member is	then the member may receive diving duty pay at the monthly rate of
1	SCUBA Diver	$110
2	Para rescue Diver	$150

Table 11-9. Diving Duty Pay Rates - Air Force Officers

RULE	If an Air Force Officer is	then the officer may receive diving duty pay at the monthly rate of
1	assigned to diving duty	$150

*REFERENCES

SPECIAL PAY - DIVING DUTY

2.0 – DIVING DUTY HDIP

	DoD Instruction (DoDI) 1340.09, paragraph 3.4.o, January 26, 2018, Change 1, February 2, 2024
	37 U.S.C. § 351
2.6	DoDI 1340.09, paragraph 3.4.o(4), January 26, 2018, Change 1, February 2, 2024
	37 U.S.C. § 351(g)
2.8	37 U.S.C. § 351(f)(2)
2.9	37 U.S.C. § 351(h)
	National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2024, Public Law (PL) 118-31, section 613(d)(6), December 22, 2023

3.0 – MASTER DIVER SKILL INCENTIVE PAY

	USD (P&R) Memorandum, January 26, 2018
	37 U.S.C. § 353
	37 U.S.C. § 351
3.4	USD (P&R) Memorandum, January 26, 2018
3.7	37 U.S.C. § 353(i)
	NDAA for FY 2023, PL 118-31, section 611 (d)(8), December 22, 2023

Table 11-1

	DoDI 1340.09, paragraph 3.4.a(3), January 26, 2018, Change 1, February 2, 2024
	USD (P&R) Memorandum, January 26, 2018

Table 11-3

Rule 4	Department of the Army (DA), Office of the Deputy Chief of Staff (ODCS) G-1 Memo, May 10, 2007
	DA ODCS G-1 Memo, May 24, 2007
	AR 611-75, October 11, 2024

Table 11-4

	MILPERSMAN 7220-090, CH-90, February 28, 2025

References (Continued)

Table 11-5

Department of the Navy, Bureau of Naval Personnel (BUPERS), 7220 Series BUPERS - 3/377, June 18, 2009

Naval Military Personnel Manual 1220-260 CH-64, August 2, 2018
MILPERSMAN 7220-090, CH-90, February 24, 2025

Table 11-7

Marines Administrative Message 449/18, August 22, 2018

VOLUME 7A, CHAPTER 12: "PURPORTED MARRIAGES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated December 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
2.0	Revised the "Validation of Payments Based on Purported Marriages" section to include content regarding doubtful marriages that had been in Chapter 26, to align content for accuracy and clarity. Renumber the subsequent subparagraphs.	Revision
Table 12-1	Added "Table 12-1" to include content that had been in "Chapter 26, Table 26-11".	Addition

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CHAPTER 12

PURPORTED MARRIAGES

1.0 GENERAL

1.1 Purpose

The purpose of this chapter is to establish policy for purported marriages and the related impact to military pay.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), Title 37. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in the reference section at the end of the chapter.

*2.0 VALIDATION OF PAYMENTS BASED ON PURPORTED MARRIAGES

2.1 Authority for Validation

A payment of an allowance based on a purported marriage that is made under ***37 U.S.C. § 423*** or prior laws, before the marriage is annulled or terminated is valid if:

2.1.1. A court of competent jurisdiction adjudges or decrees that the military member entered the marriage in good faith; or

2.1.2. In the absence of such judgment or decree, the Secretary of the Military Department concerned or a person designated by the Secretary of the Military Department concerned makes a finding of good faith.

2.2 Marriage Status Determination

Any case in which the validity of a Service member's marriage is questionable, is a case of a doubtful relationship. This paragraph outlines different types of relationships where validity is doubtful for housing allowance purposes. Submit requests for determination on validity of a marriage in doubtful cases or for validation of payments as specified in Table 12-1.

2.2.1. Remarriage Within Prohibited Period Following Divorce. Under the laws of some states, a marriage is not dissolved until a specified period has elapsed after a divorce decree is granted, and remarriage is prohibited within the specified period. In all states that grant an interlocutory decree before granting a final divorce decree, remarriage may not occur before the final decree is granted.

2.2.2. Marriage by Proxy. Forward claims of marriage by proxy to the DFAS Office of General Counsel.

2.2.3. Marriage by Telephone. A marriage by telephone is recognized only if a statute or court decision authorizes or recognizes telephone marriages in the jurisdiction where the marriage was performed.

2.2.4. Common Law Marriages. Under laws of certain states, persons who do not obtain a license to marry or go through certain other formalities may enter into a common law marriage. Common law marriages entered into in those states are valid if they are contracted in accordance with state law.

2.2.5. Foreign Nation Divorce. A foreign nation divorce may or may not be recognized as valid in the United States depending on several factors. These factors include place of residence of the parties involved, whether they appeared in person to obtain the divorce, and applicable state laws. Any claim involving the remarriage of a Service member following a foreign nation divorce and any claim by, or on behalf of, the spouse from whom the Service member has obtained a foreign nation divorce are cases of doubtful relationship. A claim based on a Service member's marriage to a person who has obtained a foreign nation divorce is also a doubtful case.

2.2.6. Void Marriage. If a Service member's marriage is void, for example, due to a preexisting marriage of the spouse, the Service member has no lawful spouse and is not authorized a housing allowance at the with-dependent rate due to the purported marriage. When marriage invalidity is discovered, no further housing allowance payments at the with-dependent rate may be made. See Chapter 26, Table 26-2 to determine when to stop housing allowance payments. The Service member may retain payments already received if they are validated, for DoD Services or Service written material for non-DoD Services. When validity of a marriage is questionable, submit the case to the office specified in Table 12-1 for a determination on the validity of the marriage and, if necessary, validation of payments already made.

2.2.7. Annulled Marriage. If a Service member's marriage is annulled by a court decree, no further housing allowance payments may be made. The Service member may retain payments received before the effective date of the decree. Retention of payment in some annulment cases based on legal factors must be validated, for DoD Services or Service written material for non - DoD Services. Submit all annulment cases to the office specified in Table 26-11 for review and, if necessary, validation of payments made.

2.3 Responsibility for Validation

Findings of good faith under subparagraph 2.1.2 are submitted to the offices listed in Table 12-1.

2.4 Payments Not Validated

Payments based on invalid marriages are erroneous payments or overpayments unless validated.

*Table 12-1. Determination of Marriage Validity

RULE	Service or Agency	Appropriate Channel
1	Army, and Department of the Air Force	DFAS-IN, Office of General Counsel, Military & Civilian Pay, 8899 E. 56th Street, Indianapolis, IN 46249-0160.
2	Navy	DFAS-IN, Office of General Counsel, Military & Civilian Pay, 8899 E. 56th Street, Indianapolis, IN 46249-0160.
3	Marine Corps	Commandant of the Marine Corps (MFP-1), 2008 Elliot Road, Quantico, VA 22134-5143.
4	Coast Guard	Commanding Officer (LGL), Coast Guard Pay and Personnel Center, Federal Building, 444 S.E. Quincy Street, Topeka, KS 66683-3591.
5	National Oceanic and Atmospheric Administration	Director, Commissioned Personnel Center, 8403 Colesville Road, Suite 500, Silver Spring, MD 20910-6333.
6	U.S. Public Health Service	Office of Commissioned Corps Support Services, Attention: Compensation Branch, 5600 Fishers Lane, Room 4-50, Rockville, MD 20857-0001.

REFERENCES

CHAPTER 12 – PURPORTED MARRIAGES

2.0 – VALIDATION OF PAYMENTS BASED ON PURPORTED MARRIAGES

37 U.S.C. § 423

VOLUME 7A, CHAPTER 13: "ILLNESS OR INJURY PAYMENT PROGRAMS"

SUMMARY OF MAJOR CHANGES

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting and hyperlinks to comply with current administrative instructions.	Revision
2.0	Added clarifying language to the "Pay and Allowance Continuation Program" section.	Revision
3.0	Added clarifying language to the "Special Compensation for Assistance with Activities of Daily Living" section. Renumbered subsequent subparagraphs.	Revision

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CHAPTER 13

ILLNESS OR INJURY PAYMENT PROGRAMS

1.0 GENERAL

1.1 Purpose

This chapter describes the payment programs authorized for military personnel, who, while serving in the line of duty, are either injured, wounded, or became ill, or who have a permanent catastrophic injury or illness and require a caregiver.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), Title 37. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

*2.0 PAY AND ALLOWANCE CONTINUATION (PAC) PROGRAM

2.1 General

Effective May 15, 2008, the Secretary of Defense authorized the PAC Program for Service members of the Regular or Reserve Components (RC) pursuant to ***37 U.S.C. § 372***.

2.2 Eligibility

2.2.1. To be eligible for the PAC Program, Service members must have been wounded, ill, or injured in a combat zone, a hostile fire area, or while exposed to a hostile fire event, and hospitalized, as defined in subparagraph 2.3.2 for treatment of such wound, injury, or illness.

2.2.2. Paragraph 2.2.1 includes Service members who are assigned to a medical or patient unit based on orders that confirm the assignment and who are determined as not fully fit to perform full military duties.

2.3 Entitlement

2.3.1. Service members of the Regular or RC who incur a wound, injury, or illness in the line of duty while serving in a combat operation or a combat zone, while serving in a hostile fire area, or while exposed to a hostile fire event (regardless of location), and are hospitalized for treatment of the wound, injury, or illness, will continue to receive the pay and allowances the member was receiving at the time of hospitalization. These pay and allowances include special and incentive pays, bonuses, and the daily incidental expense portion of the temporary duty allowance authorized for members deployed in a combat operation or combat zone.

2.3.2. Circumstances Involving Hospitalization:

2.3.2.1. A member who is evacuated for medical treatment will be considered "first hospitalized for treatment" at the time of the evacuation for the purposes of determining PAC eligibility.

2.3.2.2. After first hospitalization for treatment, a Service member may remain eligible for PAC during follow-on outpatient treatment and/or rehabilitation until triggering one of the three terminating reasons listed in paragraph 2.5.

2.3.2.3. The member may be authorized PAC beginning on the first day of the month following the date they were first hospitalized for treatment, and it may continue for up to 12 subsequent consecutive months.

2.3.3. For purposes of Hardship Duty Pay – Location (HDP-L), Service members serving on a temporary deployment, or attached duty of more than 30 days in a designated hardship duty location, and who are wounded, injured, or become ill within the first 30 days of serving in the designated area, will be considered eligible for HDP-L at the time the wound, injury or illness is incurred.

2.4 Commencement of Payment

Continuation of pay and allowances under the PAC Program begins on May 15, 2008, or the date of the member's eligibility, whichever occurs later. Begin PAC payment on the first month after hospitalization.

Example: If a member was medically evacuated from Iraq to Germany in July, August is the "first month" of PAC.

2.5 Termination of Entitlement

The pay and allowances for Service members that meet the PAC Program eligibility requirements will continue until the end of the first month beginning after the earliest of the following dates:

2.5.1. The date on which the Service member is returned for assignment to other than a medical or patient unit for duty (Note: The return to assignment is based on a determination that the member is fully fit to perform full military duties);

2.5.2. The date on which the Service member is discharged, separated, or retired (including temporary disability retirement) from the Uniformed Services; or

2.5.3. One year after the date on which the Service member is first hospitalized for the treatment of the wound, injury, or illness. The Principal Deputy Under Secretary of Defense (USD) for Personnel and Readiness (P&R) may extend the termination date in 6-month increments under extraordinary circumstances.

*3.0 SPECIAL COMPENSATION FOR ASSISTANCE WITH ACTIVITIES OF DAILY LIVING (SCAADL)

3.1 General

The provisions of the SCAADL Program apply only to those Service members with qualifying injuries or illnesses incurred on or after August 31, 2011. The Secretary concerned may pay special compensation to eligible Service members of the Active or RC who have incurred or aggravated a permanent catastrophic illness or injury in the line of duty, and require a caregiver who provides non-medical care, support, and assistance to the member. The DoD Instruction ***(DoDI) 1341.12***, "Special Compensation for Assistance with Activities of Daily Living Program," dated October 31, 2019, contains detailed instructions and procedures for initiating the SCAADL entitlement.

3.2 Eligibility

3.2.1. To receive the SCAADL compensation, the Service member:

3.2.1.1. Injury has been determined to have been incurred/aggravated in the line of duty;

3.2.1.2. Must have a certification made, by a licensed DoD physician or a Veterans Affairs (VA)-licensed physician, that the member has a permanent catastrophic injury and needs assistance from another person to perform the personal functions required by everyday living;

3.2.1.3. Must have a certification made, by a DoD or a VA-licensed physician, that the member requires hospitalization, nursing home care, or other residential institutional care in the absence of such assistance;

3.2.1.4. Be an outpatient and have identified a designated primary caregiver. The designated primary caregiver:

3.2.1.4.1. May be a Service member assigned to a RC and not serving on active duty. If the Service member designates a member of a RC as their primary caregiver, an alternate caregiver must also be designated. Members of the Active Component and RC assigned to active duty will not serve as designated primary caregivers;

3.2.1.4.2. Must not be receiving the VA Program of Comprehensive Assistance Caregivers stipend, or VA Aid and Attendance compensation, in accordance with subparagraphs 3.3.1.2 and 3.3.1.3;

3.2.1.4.3. May still be eligible to receive the respite benefit if they are qualified in accordance with TRICARE Operations Manual ***(TOM) 6010.56-M***; and

3.2.1.4.4. Must be at least 18 years of age. The exception to this requirement is if the Service member's spouse is under 18 years of age, he or she may be the primary or alternate caregiver;

3.2.1.5. Be an outpatient and not receiving federally funded in-home services (other than respite care), including TRICARE, to assist with activities of daily living (ADL) or provide supervision to avoid harm to self or others.

3.2.2. Service member receiving other home health services in accordance with TOM 6010.56-M remain eligible to receive SCAADL compensation, except as described in paragraph 3.3.

3.3 Restrictions

3.3.1. SCAADL is not paid to a Service member:

3.3.1.1. If any other federal agency is providing outpatient or in-home services to assist the member with ADL or provide supervision to avoid the Service member from harming themselves or others;

3.3.1.2. Who is a former member (veteran) and receives special monthly compensation from the VA in accordance with ***38 U.S.C. § 1114(r)(2)***;

3.3.1.3. If the Service member's primary caregiver receives a monthly caregiver stipend from the VA's Comprehensive Assistance for Family Caregivers Program;

3.3.1.4. If the Service member qualifies for and accepts in-home assistance with ADL, supervisory, or protection needs paid with supplemental health care program funds and provided by a TRICARE-authorized home health agency;

3.3.1.5. If the Service member enters hospice care. In accordance with TRICARE ***Reimbursement Manual 6010.61-M***, TRICARE will cover hospice care for those members. However, Service members in hospice care for the management of medication still qualify for the SCAADL Program; or

3.3.1.6. On the last day of the month during which a 90-day period ends after the Service member begins separation or retirement, even though the member has not begun to receive compensation pursuant to 38 U.S.C. § 1114(r)(2) before the end of such period.

3.3.2. Service member will be removed from the SCAADL Program:

3.3.2.1. If the Service member is returned to duty through rehabilitation, or is found fit by a Service physical evaluation board, or otherwise returned to duty status as unfit, but retained on active duty. The Service member will be removed from the SCAADL program in accordance with the Military Department's regulations. Termination effective date will be the last day of the month the Service member is no longer eligible under this provision; or

3.3.2.2. Pursuant to *37 U.S.C. § 373*, Service members no longer satisfying SCAADL eligibility requirements will repay any SCAADL allowances received after the member is returned to duty or removed from the SCAADL program, except when:

3.3.2.2.1. The Secretary of the Military Departments concerned determines that the imposition of the repayment with regard to a Service member would be contrary to a personnel policy or management objective, would be against equity and good conscience, or would be contrary to the best interest of the United States;

3.3.2.2.2. The Service member dies or is retired or separated with a combat-related disability; or

3.3.2.2.3. The Service member receives sole survivorship discharge.

3.3.3. Service members or their designated representatives may appeal disapproval to receive SCAADL in accordance with respective Military Service appeal guidelines.

3.3.4. Qualifying payments to Service members, who receive SCAADL, in accordance with paragraph 2.3, will terminate as detailed in subparagraph 3.5.3.

3.3.5. Service members must complete a re-evaluation and recertification every 180-calendar days of eligibility for the SCAADL benefit.

3.3.6. Service members in receipt of SCAADL will recertify compensation upon a change in clinical status or geographical location.

3.3.7. All Service members hospitalized for 16 cumulative days or more of a month will be required to recertify upon release from the hospital.

3.4 Monthly Compensation

An online *SCAADL Calculator* is available to compute the approximate monthly SCAADL compensation. The military services will use the DoD *(DD) Form 2948*, "Application for Special Compensation for Assistance with Activities of Daily Living (SCAADL) Eligibility," to document the Service member's eligibility for SCAADL. The following guidelines apply:

3.4.1. Monthly compensation is computed based on the Bureau of Labor Statistics (BLS) wage rate for a home health aide, using the 75th percentile of the hourly wage rate in the Service member's geographic area of residence. The BLS wage rates are updated annually and published effective January of each year. The amount of monthly compensation is calculated using the zip code of the geographic location where the Service member currently resides and the Service member's dependence level.

3.4.2. A three-tier system recognizing the variation in complexity of care required by the Service member and provided by the caregiver determines the monthly compensation. The

member's Primary Care Manager (PCM) will assess the Service member's dependency level and assign a point value corresponding to the number of hours of care the member requires each week.

3.4.2.1. High Tier. It is presumed that a Service member who scores 21 or higher will require at least 40 hours per week of caregiver assistance.

3.4.2.2. Medium Tier. It is presumed that a Service member who scores 13-20 will require at least 25 hours per week of caregiver assistance.

3.4.2.3. Low Tier. It is presumed that a Service member who scores 1-12 will require at least 10 hours per week of caregiver assistance.

3.4.3. Service members or their designated representatives may appeal a PCM's determination of dependency level to their Service headquarters. The dependency level may also change if the Service member's condition changes and a reevaluation of the member's level of dependency is conducted.

3.5 Payment Period

The following guidelines apply to the period that the SCAADL entitlement may be paid:

3.5.1. Service members become eligible for the SCAADL entitlement on the date a licensed DoD or VA physician certifies that the member meets the eligibility criteria. If the certification is not on the first of the month, and the entitlement is continuous for more than 1 month, the first month will be prorated based on a 30-day month computation. The 31st day of the first month will be excluded.

3.5.2. Service members entitled to SCAADL for a continuous period of less than 1 month will receive payment for the actual number of days at the rate of 1/30th of the monthly amount. The 31st day of a calendar month may not be excluded from this computation.

3.5.3. SCAADL entitlement stops on:

3.5.3.1. The last day of the month in which a 90-day period ends after the date the Service member separates or retires. (For example, March 15 (separation date) plus 90 days equals June 13 (last day of entitlement is June 30));

3.5.3.2. The last day of the month during which a Service member dies (See Note);

3.5.3.3. The last day of the month a physician determines that a Service member no longer meets the eligibility requirements for SCAADL; or

3.5.3.4. The last day of the month preceding the month during which the Service member begins receiving aid and attendance from the VA under 38 U.S.C. § 1114(r)(2), or the Service member's primary caregiver begins receiving a monthly caregiver stipend from the VA under ***38 U.S.C. § 1720G***.

Note: This last SCAADL payment should be paid to the beneficiary in the unpaid pay and allowances described in Chapter 36, section 3.0.

REFERENCES

ILLNESS OR INJURY PAYMENT PROGRAMS

2.0 - PAY AND ALLOWANCE CONTINUATION (PAC) PROGRAM

37 U.S.C. § 372
Office of the USD (P&R) Memo, July 16, 2009
National Defense Authorization Act for Fiscal Year, 2020
Public Law 116-92, section 601, December 20, 2019

3.0 - SPECIAL COMPENSATION FOR ASSISTANCE WITH ACTIVITIES OF DAILY LIVING (SCAADL)

37 U.S.C. § 439
37 U.S.C. § 373
DoDI 1341.12, October 31, 2019

VOLUME 7A, CHAPTER 14: "INCENTIVE FOR QUALIFIED MEMBERS EXTENDING DUTY AT DESIGNATED LOCATIONS OVERSEAS"

SUMMARY OF MAJOR CHANGES

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The previous version dated July 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision
References	Updated statutes and supporting references.	Revision

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CHAPTER 14

INCENTIVE FOR QUALIFIED MEMBERS EXTENDING DUTY AT DESIGNATED LOCATIONS OVERSEAS

1.0 GENERAL

1.1 Purpose

This chapter establishes policy pertaining to the incentive for qualified members extending duty at designated locations overseas.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 10 and 37. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 SPECIAL PAY OR BONUS

2.1 Eligibility

Members of the Armed Forces may be entitled to a special pay or bonus if they:

2.1.1. Are entitled to basic pay;

2.1.2. Have a specialty that is designated by the Secretary of the Military Department concerned for the purposes of this entitlement;

2.1.3. Have completed a tour of duty (as defined in accordance with regulations prescribed by the Secretary concerned) at a location outside the Continental United States (OCONUS) that is designated by the Secretary of the Military Department concerned for the purposes of this entitlement; and

2.1.4. At the end of the tour of duty, execute an agreement to extend that tour for a period of not less than 1 year.

2.2 Amount

When the Secretary of the Military Department concerned accepts the member's agreement to extend the tour of duty, the member becomes entitled, subject to the restrictions identified in paragraph 2.5, to receive one of the following benefits:

2.2.1. Special pay in monthly installments in an amount prescribed by the Secretary, but not to exceed $80 per month; or

2.2.2. An annual bonus in an amount prescribed by the Secretary, but not to exceed $2,000 per year. The Secretary may pay a bonus in either a lump sum or monthly installments.

2.3 Selection

Not later than the date the Secretary of the Military Department concerned accepts the agreement described in subparagraph 2.1.4 providing for the extension of a member's tour of duty, the Secretary of the Military Department concerned will notify the member regarding whether the member will receive special pay or bonus. The payment rate for the special pay or bonus will be fixed at the time of the agreement and may not be changed during the period of the extended tour of duty.

2.4 Repayment

A member who, having entered into a written agreement to extend a tour of duty described in subparagraph 2.1.4, and who receives a bonus payment but does not complete the obligated service in accordance with the agreement will be subject to the repayment provisions of Chapter 2.

2.5 Restriction

A member, who elects to receive one of the benefits specified in section 3.0 as part of the extension of a tour of duty is not entitled to the special pay or bonus authorized in this section for the period of extension of duty for which the benefit is provided.

3.0 SPECIAL REST AND RECUPERATIVE (SR&R) ABSENCE

3.1 Eligibility

A member who meets the eligibility requirements defined in paragraph 2.1 may in lieu of receiving the special pay or bonus, elect to receive one of the entitlements described in paragraph 3.2.

3.2 Entitlement

A member may elect, in lieu of a special pay or bonus, either:

3.2.1. A period of SR&R absence for not more than 30 days; or

3.2.2. A period of SR&R absence for not more than 15 days for members whose qualifying tour of duty is 12 months or less, and round-trip transportation at Government expense from the location of the extended tour of duty to the nearest port in the 48 contiguous States and return, or to an alternative destination and return at a cost not to exceed the cost of round-trip transportation from the location of the extended tour of duty to such nearest port; or

3.2.3. A period of SR&R absence for not more than 20 days for members whose qualifying tour of duty is longer than 12 months, and round-trip transportation at Government expense from the location of the extended tour of duty to the nearest port in the 48 contiguous States and return, or to an alternative destination and return at a cost not to exceed the cost of round-trip transportation from the location of the extended tour of duty to such nearest port.

NOTE: The provisions of SR&R are not effective unless the Secretary concerned determines that the application will not adversely affect combat or unit readiness.

3.3 Travel Time

Travel time from the CONUS port, or alternate destination, to the SR&R absence point, and return is included in the 15-day or 20-day SR&R absence. This period will begin the day after the member arrives at the aerial port of debarkation and continue until the day before the member returns to the designated port. The non-chargeable leave period will continue until the day before the date of return to the designated port. Travel time to or from the CONUS port, or alternate destination, and overseas location is non-chargeable and not included in the 15-day or 20-day SR&R.

3.4 Limitations

The 15-day or 20-day SR&R absence and round-trip transportation option may not be combined with any temporary duty or transportation entitlement that would result in the cost of the round-trip portion of the option exceeding the round-trip cost from the member's tour of duty station to the nearest CONUS port.

4.0 SERVICE REGULATIONS

The following paragraphs provide hyperlinks for service entitlements, policies, and procedures for the previous prescribed incentives:

4.1 Army

Army Regulation 614-30, Chapter 6, section 6-3

4.2 Navy

Naval Military Personnel Manual 1306-300

4.3 Air Force and Space Force

Air Force Instruction 36-2110, Chapter 6

4.4 Marine Corps

Marine Corps Order 1300.8, Chapter 6, section 13

*REFERENCES

CHAPTER 14 - INCENTIVE FOR QUALIFIED MEMBERS EXTENDING DUTY AT DESIGNATED LOCATIONS OVERSEAS

2.0 – SPECIAL PAY OR BONUS

37 U.S.C., section 352
DoD Instruction (DoDI) 1327.06, June 16, 2009, Incorporating Change 5, August 25, 2023
DoDI 1340.26, September 25, 2017, Incorporating Change 1, January 11, 2019
DoDI 1315.18, October 28, 2015, Incorporating Change 3, June 24, 2019

3.0 – SPECIAL REST AND RECUPERATIVE (SR&R) ABSENCE

10 U.S.C. § 705
DoDI 1327.06, June 16, 2009, Incorporating Change 5, August 25, 2023

4.0 – SERVICE REGULATIONS

National Defense Authorization Act for Fiscal Year 2020, Public Law 116-92, section 952, December 20, 2019

VOLUME 7A, CHAPTER 15: "SPECIAL PAY – ASSIGNMENT INCENTIVE PAY (AIP)"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated September 2021 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
2.5	Removed obsolete Limitation and Restrictions information from subparagraphs 2.5.2 and 2.5.5 and renumbered subsequent subparagraphs accordingly.	Deletion
3.4	Inserted Department of the Army Select Recruiter Tour Extension Program AIP and renumbered the subsequent paragraphs accordingly.	Addition
3.9	Inserted Department of the Army National Training Center AIP and renumbered the subsequent paragraphs accordingly.	Addition
3.10	Inserted Department of the Army Nominative Assignment Program AIP and renumbered the subsequent paragraphs accordingly.	Addition
3.12	Inserted Department of the Army Recruiting Duty Volunteer Program AIP and renumbered the subsequent paragraphs accordingly.	Addition
3.13.2	Updated payment information to include amounts from Table 15-1.	Addition
3.14	Updated the Army Security Force Assistance Brigade AIP.	Revision
3.15.2	Updated the payment information for U.S. Army Special Operations Command AIP.	Revision
5.1	Inserted U.S. Air Force AIP for 306 Fighter Squadron, Atlantic City, NJ and renumbered the subsequent paragraphs accordingly.	Addition
5.3	Inserted U.S. Air Force AIP for the 491st Attack Squadron Hancock Filed Air National Guard Base, NY and 492nd Attack Squadron March Air Reserve Base, CA.	Addition
5.12	Updated the U.S. Air Force and Space Force Turkey AIP.	Revision

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
7.0	Removed obsolete AIP for Involuntary Extensions and renumbered subsequent section accordingly.	Deletion
7.4.1.3	Updated the Mobilization-to-Dwell Ratio for Reserve Component members to 1:4.	Revision
Table 15-1	Removed and incorporated amounts into subparagraph 3.13.2.5.	Deletion
References	Updated statutes and references.	Revision

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CHAPTER 15

SPECIAL PAY – ASSIGNMENT INCENTIVE PAY (AIP)

1.0 GENERAL

1.1 Purpose

This chapter prescribes guidance applicable to the payment of AIP.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with (IAW) the United States Code (U.S.C.), including Titles 10 and 37. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 DoD AIP CRITERIA

2.1 Entitlement

The DoD may give AIP to eligible Active/Regular and Reserve Component (RC) Service members IAW ***37 U.S.C. § 352***, the ***DoD Instruction (DoDI) 1340.26***, "Assignment and Special Duty Pays," and regulations published by the Secretary of the Military Department concerned. The ability of the Secretary of the Military Department concerned to enter into a new agreement with a Service member for AIP is subject to the extension of such authority under 37 U.S.C. § 352.

2.2 Eligibility

The Secretary of the Military Department concerned may pay AIP to a member of an Active/Regular or RC who is entitled to basic pay under ***37 U.S.C. § 204***, or compensation under ***37 U.S.C. § 206***. The Secretaries of Military Departments will establish eligibility criteria based on Service-specific needs. Personnel shortages and the ability of a unit to meet mission requirements should be given primary consideration.

2.3 Written Agreement

2.3.1. Discretionary for Monthly Payments. The Secretary concerned may require a Service member to enter into a written agreement with the Secretary in order to qualify for the AIP payment on a monthly basis. If used, the agreement will specify the period for which the AIP will be paid and the monthly rate of the AIP.

2.3.2. Non-discretionary for Installment or Lump Sum Payments. The Secretary concerned will require a Service member to enter into a written agreement with the Secretary in order to qualify for installment or lump sum payments of AIP. The written agreement will specify

the period for which the Service member will receive AIP, the amount of each periodic installment or lump sum, and the repayment policy cited in ***37 USC § 373***.

2.4 Payment

AIP, paid under this section, is in addition to any other pay or allowance to which the Service member is entitled, except where otherwise stated in DoDI 1340.26 and 37 U.S.C.

*2.5 Limitations and Restrictions

The following limitations and restrictions, which affect the entitlement to AIP, apply to all programs listed in this chapter.

2.5.1. The Secretary of the Military Department concerned may increase, decrease, or abolish AIP for any assignment, location, or unit at any time and will establish restrictions and limitations to the pay through Military Service regulations. Payment of AIP in combination with other special duty pays may not exceed an average monthly amount of $3,500 unless authorized by the Assistant Secretary of Defense (ASD) for Manpower and Reserve Affairs (M&RA).

2.5.2. A member is not entitled to AIP during a period of terminal leave which ends upon discharge or release of the member from Active-Duty (AD).

2.5.3. Service members are not authorized to receive more than one AIP simultaneously for the same period of service. If a Service member is eligible for more than one AIP, the higher dollar value AIP will be paid.

2.5.4. The Secretary of the Military Department concerned will establish payment levels to be either monthly payments, installments, or a lump sum amount not to exceed a maximum monthly average of $1,500.

2.6 Special Provisions

The service of a member in a designated assignment will be considered continuous in any period of temporary absence during which the member is performing temporary duty pursuant to orders or on authorized leave other than transition leave.

3.0 ARMY AIP PROGRAMS

The Headquarters, Department of the Army (HQDA), Office of the Deputy Chief of Staff (ODCS) G-1 authorizes AIP programs. All HQDA authorized programs have a termination date. No new agreements may be entered into without DA reauthorization of the programs. The programs listed in paragraphs 3.1 through 3.15 are DA programs and fall under these guidelines. See applicable memorandums contained in the references for restrictions specific to a particular Army AIP described in paragraphs 3.1 through 3.15.

3.1 14th Missile Defense Battery (MDB)

3.1.1. Eligibility. Soldiers must:

3.1.1.1. Be permanently assigned to the 14th MDB at Kyogamisaki, Japan; and

3.1.1.2. Sign a written agreement acknowledging the limitations and restrictions as a condition to receive AIP. The agreement will specify the period for which the AIP will be paid and the amount of the monthly rate.

3.1.2. Payment

The maximum monthly rate payable to Soldiers serving in an approved assignment will not exceed $1,500.

3.1.3. Termination

3.1.3.1. The 14th MDB will terminate once the Life Support Area is established, or Soldiers are being subsisted (Government meals are provided) by or on behalf of the Government.

3.1.3.2. Unless reauthorized by Congress, AIP may not be paid after the date listed on the ***Duration of Authority*** table, located on DFAS.MIL, unless the AIP agreement was entered into prior to the date on the table.

3.2 Army Cyber (ARCYBER) Command

3.2.1. Eligibility. Enlisted Soldiers, Warrant Officers, and Commissioned Officers must be fully trained and certified in a U.S. Cyber Command or ARCYBER work role. Soldiers must:

3.2.1.1. Have completed the appropriate training and have been awarded the appropriate certifications located inside the Cyber Mission Force (CMF) or those directly executing strategic to tactical level cyber missions required outside of the CMF; and

3.2.1.2. Enter into a written agreement to serve 1 to 3 years in an ARCYBER approved billet. The written agreement will specify the period for which the AIP will be paid and the amount of the monthly rate of the AIP.

3.2.2. Payment. The maximum monthly rate payable to any Soldier serving as a:

3.2.2.1. Basic under the ARCYBER AIP program will start at $200 and will not exceed $1,000;

3.2.2.2. Senior under the ARCYBER AIP program will start at $300 and will not exceed $1,250; and

3.2.2.3. Master under the ARCYBER AIP program will start at $500 and will not exceed $1,500.

3.2.3. Termination

Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless the AIP agreement was entered into prior to the date on the table.

3.3 Computer Network Operations (CNO)

3.3.1. Eligibility

3.3.1.1. Enlisted Soldiers, Warrant Officers, and Commissioned Officers must be fully certified in an U.S. Army Intelligence and Security Command (INSCOM) work role, assigned to a designated billet in support of the National Security Agency.

3.3.1.2. Soldiers must enter into a written agreement in order to qualify for CNO AIP. The written agreement will specify the period for which the AIP will be paid and the amount of the monthly rate of the CNO AIP.

3.3.1.3. Soldiers must not be permanently non-deployable per DoDI 1332.45. For this memorandum, "deployment" is defined as the movement of personnel into and out of an operational area or in support of operations. Deployment encompasses all activities from origin or home station through destination, specifically including inter-theater, and intra-theater movement legs, staging and holding areas.

3.3.2. Payment. The monthly rate payable to any Soldier serving as a:

3.3.2.1. Basic under this CNO AIP program will start at $200.00 and will not exceed $1,000.00;

3.3.2.2. Senior under this CNO AIP program will start at $300.00 and will not exceed $1,250.00; and

3.3.2.3. Master under this CNO AIP program will start at $500.00 and will not exceed $1,500.00.

3.3.3. Termination

Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless the AIP agreement was entered into prior to the date on the table.

*3.4 Department of the Army Select Recruiter (DASR) Tour Extension Program

3.4.1. Eligibility. All Soldiers must meet all the eligibility requirements below.

3.4.1.1. Must be permanently assigned to the U.S. Army Training and Doctrine Command as an on-production DASR assigned to the U.S. Army Recruiting Command (USAREC).

3.4.1.2. Must be serving on an initial 36-month tour as a DASR that is scheduled to end between October 26, 2023, and December 31, 2024.

3.4.1.3. Must be recommended for and selected for extension by their battalion and brigade chain-of-command.

3.4.1.4. Must be a high performing recruiting non-commissioned officer producing 11 or more contracts in Fiscal Year 23 and recommended for and selected for extension by their battalion and brigade chain-of-command.

3.4.1.5. Soldiers must be in good standing and not flagged for adverse action under ***AR 600-8-2***, "Suspension of Favorable Personnel Actions (Flag)," and must meet Army standards for retention (to include Army fitness and body composition program minimum standards) at the time of payment. Soldiers who are later cleared of any misconduct will be paid all AIP payments to which they might otherwise be entitled but were not paid while flagged for adverse action.

3.4.1.6. Must not have requested or been approved to convert to Military Occupational Specialty (MOS) 79R. Requests to convert to MOS 79R may be submitted upon completion of the extension period unless the Soldier voluntarily requests to terminate AIP entitlement under this program.

3.4.2. Payment

3.4.2.1. A Soldier who is extended under this program will be paid $1,500.00 per month.

3.4.2.2. AIP is only payable for the period of the extension. Extension and payments will begin on the first day of the month following the Soldier's original tour ending date.

3.4.2.3. Soldiers are not authorized to receive more than 12 monthly payments under this AIP program or previous DASR Tour Extension programs.

3.4.2.4. Payments will terminate on the day prior to an authorized leave period that ends with the discharge or release of the Soldier from active-duty, a permanent change of station outside of USAREC.

3.4.2.5. Payments will be suspended when the Recruiter fails to contract at least one Soldier during the recruiting month. Payments will resume after the Recruiter contracts an

applicant into the Army. Written agreements will be terminated when the Recruiter fails to write a contract for 3 months during the extension period.

3.4.2.6. In the event of misconduct, payments will terminate on the day the Soldier loses qualification to perform the duty to which they are receiving AIP.

3.4.3. Termination

Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless the AIP agreement was entered into prior to the date on the table.

3.5 Detachment Alpha (DET-A) at the Joint Defense Facility Pine Gap (JDFPG), Alice Springs, Australia

3.5.1. Eligibility. Soldiers permanently assigned to DET-A JDFPG who are authorized AIP must be:

3.5.1.1. Serving on AD;

3.5.1.2. In the grade of O-6 or below;

3.5.1.3. Permanently assigned to DET-A, JDFPG;

3.5.1.4. Within the first 90 days of arrival to the duty station; and

3.5.1.5. Must agree to serve the prescribed tour length (more than 24 months).

3.5.2. Payment. The monthly rates payable to any Soldier serving under this AIP program will be as follows:

3.5.2.1. Soldiers with MOS 42A and current Top-Secret clearance: $200 monthly;

3.5.2.2. Soldiers with MOS 35N/35S and no Additional Skill Identifier (ASI): $200 monthly;

3.5.2.3. Soldiers with MOS 35S with ASI Z8: $250 monthly;

3.5.2.4. Soldiers with MOS 35S with ASI M7: $275 monthly;

3.5.2.5. Soldiers with MOS 35S with ASI K2: $300 monthly;

3.5.2.6. Soldiers with MOS 352S: $200 monthly; and

3.5.2.7. Soldiers with MOS 35G: $200 monthly.

3.5.3. Termination

Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless the AIP agreement was entered into prior to the date on the table.

3.6 Drill Sergeant (DS)

3.6.1. Eligibility. All Soldiers must be:

3.6.1.1. Permanently assigned to the Training and Doctrine Command as DS in a Basic Combat Training, One Station Unit Training; Advance Individual Training, or Drill Sergeant Academy.

3.6.1.2. In their current position for a minimum of 6 months, but not more than 12 months under this program; and

3.6.1.3. Be recommended for and selected for extension by their battalion and brigade chain-of-command.

3.6.2. Payment

3.6.2.1. The maximum monthly rate payable to a DS will be $500.

3.6.2.2. AIP is only payable for the period of the extension. Payments begin on the first day of the month following the Soldier's original tour ending date.

3.6.2.3. Soldiers are not authorized to receive more than 12 monthly payments under this program.

3.6.2.4. AIP payments will terminate on the day prior to an authorized leave period that ends with the Soldier's discharge or release from AD.

3.6.2.5. In the event of misconduct, AIP payments will terminate on the day the Soldier loses qualification to perform the duty to which he or she is receiving AIP.

3.6.3. Repayment

Soldiers, with the exception of sole survivor discharges and those who die or are retired or separated with a combat-related disability, will repay an amount equal to the unearned portion of AIP if the Soldier fails to complete the extension period. Soldiers who fail to complete the extension period will not receive any unpaid AIP amounts.

3.6.4. Termination

Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless the AIP agreement was entered into prior to the date on the table.

3.7 Joint Special Operations Command (JSOC) Special Mission Unit (SMU)

3.7.1. Eligibility

3.7.1.1. Soldiers, including RC, must be permanently assigned to a JSOC SMU Operator billet.

3.7.1.2. Soldiers must be in good standing and not be under UCMJ action at the time of approval and must remain in good standing throughout the AIP tour.

3.7.1.3. Soldiers must have less than 35 years of active federal service in order to qualify for continued payment.

3.7.1.4. Soldiers must sign a written agreement to serve 1 to 3 years in a JSOC SMU Operator assignment. The written agreement will specify the period for which the AIP will be paid and the amount of AIP payment.

3.7.2. Payment

3.7.2.1. SMU Operators with less than 25 years of active federal service may apply for the following:

3.7.2.1.1. SMU Operators with less than 3 years of service in a SMU Operator billet may be paid $750 per month; or

3.7.2.1.2. SMU Operators with 3 years or more of service in a SMU Operator billet may be paid $1,000 per month.

3.7.2.2. SMU Operators with 25 years or more of active federal service may apply for the following:

3.7.2.2.1. SMU Operators with 3 years or more of service in a SMU Operator billet may be paid $500 per month. Agreements will terminate at 28 years of active federal service; or

3.7.2.2.2. SMU Operators serving in a specified Key Leadership/Development position may be paid $1,000 per month. Agreements will terminate at 35 years of active federal service.

3.7.3. Termination

Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless the AIP agreement was entered into prior to the date on the table.

3.8 Korea AIP (KAIP)

3.8.1. Eligibility. Soldiers:

3.8.1.1. Must be permanently assigned to Republic of Korea in the grades of O-3 and below.

3.8.1.2. Must not be serving in command select list positions.

3.8.1.3. Must be in good standing and not be under UCMJ action at the time of approval and must remain in good standing throughout the AIP tour.

3.8.1.4. Assigned to Korea for more than 40 months at the end of their current tour are not eligible to apply.

3.8.1.5. Serving on their initial assignment after graduating from initial entry training or newly appointed officers are not authorized to apply. Soldiers must be in a documented and authorized position by MOS and skill level and must remain in that position for the duration of the extension in order to qualify for KAIP.

3.8.2. Payment

3.8.2.1. The maximum monthly rate payable is $500. Payment will be made in a lump sum, payable upon approval of the AIP agreement extending the Soldier's assignment.

3.8.2.2. Soldiers are limited to a maximum 24-month extension under this AIP program. Payment for an extension beyond 24 months or a subsequent extension when combined with a previous extension(s) that exceeds 24 months is not authorized.

3.8.2.3. The commander determines the payment rate based on the needs of the Army and may be different for Soldiers serving in the same location but will not exceed the monthly rate of $500.

3.8.2.4. Lump sum payments will not exceed the maximum monthly rate authorized by the Commander at the time the Soldier enters into the written agreement multiplied by the number of continuous months in the period for which the AIP is authorized. Lump sum payments will be paid on the first date of the extension of the Soldier's assignment.

3.8.3. Written Agreements

3.8.3.1. Approval authorities will require a Soldier to enter into a written agreement in order to qualify for AIP. The agreement will specify the period for which the AIP will be paid and the amount of the lump sum AIP payment.

3.8.3.2. New AIP written agreements must adhere to this policy. Any approved AIP agreement in existence prior to October 2, 2023, will remain valid under its terms until the effective termination date of the agreement.

3.8.4. Termination

Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless the AIP agreement was entered into prior to the date on the table.

*3.9 National Training Center (NTC)

3.9.1. Eligibility

Soldiers permanently assigned to the NTC and Fort Irwin may request AIP provided they meet the following eligibility criteria.

3.9.1.1. Must be serving on active-duty.

3.9.1.2. Must be in the grade of O-6 or below.

3.9.1.3. Must be permanently assigned to the NTC and Fort Irwin as their first choice in the Assignment Interactive Module (AIM) and Assignment Satisfaction Key - Enlisted Module (ASK-EM) marketplaces to include those under U.S. Army Forces Command, Medical Department Activity, Dental Activity, and Army Materiel Command from a previous duty station other than Fort Irwin.

3.9.1.4. Must be within the first 90 days of arrival to the duty station.

3.9.1.5. Must be in good standing and not under the UCMJ process (to include Article 15 or courts-martial proceedings), investigations, and must meet Army standards for retention (to include Army Combat Fitness Test and Army Body Composition Program) at the time of approval and must remain in good standing throughout the AIP tour; and

3.9.1.6. Must not be permanently non-deployable per DoDI 1332.45. “Deployment” is defined as the movement of personnel into and out of an operational area or in support of operations. Deployment encompasses all activities from origin or home station through destination, specifically including inter-theater, and intra-theater movement legs, staging and holding areas.

3.9.2. Payment

Payment will be in the lump sum amount of $4,800, to be paid upon in-processing at Fort Irwin for any Officer or Non-Commissioned Officer that preferences NTC and Fort Irwin as their first choice of duty assignment in the AIM or ASK-EM marketplace.

3.9.3. Termination

Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless the AIP agreement was entered into prior to the date on the table.

*3.10 Nominative Assignment Program AIP

3.10.1. Eligibility

Soldiers must be approved for Commander, INSCOM designated military intelligence nominative assignment workforce (enlisted personnel, warrant officers, and commissioned officers) performing strategic-level duties in service of Army, DoD, or Intelligence Community efforts.

3.10.2. Payment

The following levels for this AIP program are based upon years of assigned in the nominative workforce.

3.10.2.1. Level 1 (3 years or less) - $900 per month.

3.10.2.2. Level 2 (3 years or more but less than 6 years) - $1,200 per month.

3.10.2.3. Level 3 (6 years or more) - $1,500 per month.

3.10.3. Termination

Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless the AIP agreement was entered into prior to the date on the table.

3.11 Operational Deployments (OD)

3.11.1. Eligibility

AD Soldiers who physically deploy and perform duties as part of a rotational force away from their permanent duty stations to U.S. Army Europe (USAREUR) and U.S. Army Pacific (USARPAC) areas of responsibility may be entitled to AIP-OD, subject to the criteria outlined in subparagraphs 3.11.1 through 3.11.7.

3.11.2. Payment

3.11.2.1. AIP-OD will be paid in monthly installments (lump sums are not authorized).

3.11.2.2. AIP-OD will be prorated for Soldiers who do not satisfy the eligibility requirement for an entire month to reflect the duration of the Soldier's actual qualifying service during the month. For Soldiers eligible to receive AIP-OD, proration will not apply to the 31st day of a month with more than 30 days.

3.11.2.3. Atlantic Resolve, Joint Multi-National Training Group Ukraine, and other qualifying deployments for a Soldier who is serving on Operation Force Rotations (OFR) in a field duty status are authorized $195 per month. Soldiers serving on OFR in a regular temporary duty status are not authorized AIP-OD.

3.11.2.4. Korea Rotational Force Soldiers serving on OFR in a field duty status are authorized $195 per month.

3.11.2.5. Soldiers serving on OFR in a regular temporary duty status are not authorized AIP-OD.

3.11.3. Absences

3.11.3.1. AIP-OD for USAREUR and USARPAC will continue when a Soldier is on authorized leave, other than leave authorized for a period ending upon the Soldier's discharge or release from AD.

3.11.3.2. When a Soldier entitled to AIP-OD is absent without leave (AWOL), AIP-OD payments will stop on the first day of AWOL through the day before the date the Soldier is restored to full duty, provided the Soldier remained eligible for AIP-OD.

3.11.4. Hospitalization

3.11.4.1. A Soldier who is deployed and requires hospitalization away from the permanent duty station is still considered operationally deployed and remains entitled to AIP-OD.

3.11.4.2. A Soldier who is deployed and requires hospitalization at the permanent duty station is not eligible for payment of AIP-OD for the period of hospitalization, unless otherwise qualified to receive the pay under 37 U.S.C. § 372.

3.11.4.3. If a line of duty investigation determines that the Soldier's injuries are due to his or her own misconduct, AIP-OD payments will stop on the first day of hospitalization through the day before the date the Soldier is restored to full duty, provided the Soldier remained otherwise eligible for AIP-OD.

3.11.4.4. If the member is wounded/injured/ill from a combat zone, combat operation, hostile file pay area, or as a result of hostile fire, reference Chapter 13.

3.11.5. Confinement

3.11.5.1. When a Soldier entitled to AIP is confined awaiting trial by court-martial, AIP-OD payments stop on the first day of confinement through the day before the date the Soldier is restored to full duty, provided the Soldier remained eligible for AIP-OD.

3.11.5.2. When a Soldier confined awaiting trial by court-martial is acquitted, or has charges dismissed, the Soldier will be entitled to AIP-OD retroactive to the first day of confinement, provided the Soldier remained eligible for AIP-OD.

3.11.6. Captured or Missing Status

A Soldier entitled to AIP-OD immediately before entering a status of missing, missing-in-action, interned in a foreign country, or captured by a hostile force will continue to be credited with AIP-OD for each month while in such a status.

3.11.7. Termination

The AIP-OD program is subject to congressional annual reauthorization of 37 USC § 352; therefore, no orders will be issued to start an AIP-OD payment after the termination date on the Duration of Authority table.

*3.12 Recruiting Duty Volunteer Program AIP

3.12.1. Eligibility. All Soldiers must meet all the eligibility requirements below.

3.12.1.1. Must volunteer for recruiting duty by completing a volunteer recruiter packet and submitting though Recruit the Recruiter program.

3.12.1.2. Must be fully eligible for and selected for recruiting duty.

3.12.1.3. Must ship to the Army Recruiter Course (ARC) before February 2024 and successfully graduate from the ARC.

3.12.1.4. Must successfully complete the Advanced Training Program (ATP) IAW ***USAREC Regulation 350-1***, Training and Leader Development, within the first 120 days of assignment to a recruiting station.

3.12.1.5. Must receive a satisfactory ATP quality score from the New Recruiter NCO Board IAW USAREC Regulation 350-1, Training and Leader Development.

3.12.1.6. Soldiers must be in good standing and not flagged for adverse action under AR 600-8-2 and must meet Army standards for retention (to include Army fitness and body composition program minimum standards) at the time of payment.

3.12.2. Payment

A Soldier who meets all the eligibility criteria listed in subparagraph 3.12.1 will be paid a one-time lump sum payment of $5,000.

3.12.3. Termination

Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless the AIP agreement was entered into prior to the date on the table.

3.13 Remote and Austere Conditions AIP (RAC-AIP)

3.13.1. Eligibility. All AD and RC Soldiers who are assigned to an approved RAC-AIP assignment may request RAC-AIP provided the Soldier meets the following eligibility criteria:

3.13.1.1. Must be in the grade of O-6 or below;

3.13.1.2. Must be permanently assigned;

3.13.1.3. Must be within the first 90 days of arrival to the assignment;

3.13.1.4. Must agree to serve the prescribed tour;

3.13.1.5. Must have not previously received RAC-AIP during the current tour or a previous tour within the last six years (Soldiers who extend their tour or agree to serve a consecutive overseas tour in a subsequent RAC-AIP assignment are not eligible);

3.13.1.6. Must enter into a written agreement in order to qualify for RAC-AIP. The written agreement will include an acknowledgement of the additional personal costs associated with the conditions of the remote and austere assignment, the specific terms and conditions for maintaining eligibility for RAC-AIP, the period for which the RAC-AIP will be paid, and the amount of the RAC-AIP.

NOTE: Members may file an exception to policy (ETP) for any of the eligibility requirements stated in subparagraph 3.13.1. The approval authority for the ETP is the Deputy Chief of Staff, G-1 and/or his/her designee.

* 3.13.2. Payment

3.13.2.1. RAC-AIP will be paid in a lump sum payment; monthly payments are not authorized. RAC-AIP is taxable.

3.13.2.2. The maximum lump sum payment will vary based on each assignment. The Army G-1 will approve RAC-AIP payment levels based on the additional costs one is reasonably expected to incur to prepare themselves, their family members, and their personal property for a remote and austere assignment outside the 48 contiguous United States.

3.13.2.3. RAC-AIP is authorized in addition to any other AIP program for which the Soldier may be eligible; however, in no case may a Soldier's AIP payments exceed the $18,000 annual AIP payment limit as set forth by the Under Secretary of Defense for Personnel and Readiness in DoDI 1340.26.

3.13.2.4. RAC-AIP will not be paid retroactively. The approval authority will base the RAC-AIP payment rate on the Soldier's eligibility at the time of approval.

* 3.13.2.5. Amounts are:

3.13.2.5.1. Level 1:

3.13.2.5.1.1. Without command sponsorship dependents, $500;

3.13.2.5.1.2. With command sponsorship dependents, $1,000;

3.13.2.5.2. Level 2:

3.13.2.5.2.1. Without command sponsorship dependents, $1,000;

3.13.2.5.2.2. With command sponsorship dependents, $2,000;

3.13.2.5.3. Level 3:

3.13.2.5.3.1. Without command sponsorship dependents, $1,500;

3.13.2.5.3.2. With command sponsorship dependents, $3,000;

3.13.2.5.4. Level 4:

3.13.2.5.4.1. Without command sponsorship dependents, $2,000;

3.13.2.5.4.2. With command sponsorship dependents, $4,000;

3.13.2.5.5. Level 5:

3.13.2.5.5.1. Without command sponsorship dependents, $2,500;

3.13.2.5.5.2. With command sponsorship dependents, $5,000;

3.13.3. Repayment

3.13.3.1. If the Soldier's commander determines that there is adverse information (as defined in Army Regulation 15-6) regarding the Soldier, the Soldier must repay their AIP for the prorated period that they were not in good standing.

3.13.3.2. Soldiers, with the exception of sole survivor discharges and those who die or are retired or separated with a combat-related disability, will repay an amount equal to the unearned portion of RAC-AIP, if the Soldier fails to complete the extension period.

3.13.4. Termination

Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless the AIP agreement was entered into prior to the date on the table.

*3.14 Security Force Assistance Brigade (SFAB)

3.14.1. Eligibility

3.14.1.1. Enlisted Soldiers who are fully trained and certified, are authorized AIP for assignments at their permanent duty stations.

3.14.1.2. Soldiers must enter into a written agreement to serve a minimum of 24 months in an SFAB approved billet. The written agreement will specify the period for which the AIP will be paid and the amount of AIP payment.

3.14.2. Payment

The maximum payment under this program is $5,000 for a minimum 24-month assignment to an SFAB.

3.14.3. Repayment

Soldiers, with the exception of sole survivor discharges and those who die or are retired or separated with a combat-related disability, will repay an amount equal to the unearned portion of AIP if the Soldier fails to complete the AIP period. Soldiers who fail to complete the AIP period will not receive any unpaid AIP amounts.

3.14.4. Termination

Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless the AIP agreement was entered into prior to the date on the table.

3.15 U.S. Army Special Operations Command (USASOC)

On September 18, 2020, the DA ODCS G-1 reauthorized USASOC AIP.

3.15.1. Eligibility

3.15.1.1. Soldiers must be permanently assigned to an authorized Major Force Protection-11 billet in the grade of E-5 and above.

3.15.1.2. Soldiers must be in good standing and not be under UCMJ action at the time of approval and must remain in good standing throughout the AIP tour.

3.15.1.3. Soldier must have less than 35 years of active federal service in order to qualify for continued payment.

* 3.15.2. Payment

3.15.2.1. The maximum monthly rate payable to a Soldier assigned to USASOC under this AIP program is $1,250.00 and the maximum monthly rate payable to a Soldier assigned to a Special Mission Unit (SMU) is $1,500. Payment under this program may be made in lump sum or monthly payments.

3.15.2.2. Payment rates are determined by the commander based on the needs of the Army and may be different for Soldiers in similar positions at the same location but will not exceed the amount authorized in 3.15.2.1.

3.15.2.3. Lump sum payments will not exceed the maximum monthly rate authorized by the commander at the time the Soldier enters into the written agreement, multiplied by the number of continuous months in the period for which the AIP will be paid, pursuant to the agreement. Lump sum payment will be paid on the approval of the AIP agreement.

3.15.3. Written Agreements

Approval authorities will require a Soldier to enter into a written agreement in order to qualify for AIP. The agreement will specify the period for which the AIP will be paid and the amount of the lump sum AIP payment.

3.15.4. Termination

Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless the AIP agreement was entered into prior to the date on the table.

4.0 NAVY AIP PROGRAMS

Consult the MyNavy HR website for a list of ***US Navy AIP***s.

5.0 AIR FORCE AND SPACE FORCE AIP PROGRAMS

*5.1 306 Fighter Squadron (FS), Atlantic City, NJ

5.1.1. Eligibility

Effective December 22, 2023, all members assigned to the 306 FS Atlantic City, NJ will receive AIP.

5.1.2. Payment

The monthly rate is $400.

5.1.3. Termination

Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL.

5.2 315 FS, 367 FS, and 378 FS

5.2.1. Eligibility

The Secretary of the Air Force (SAF) authorized AIP for the members assigned to 315 FS Burlington, VT, 367 FS Homestead, FL, and 378 FS Madison, WI.

5.2.2. Payment. The monthly rates are as follows:

5.2.2.1. 315 FS Burlington, VT is $400;

5.2.2.2. 367 FS Homestead, FL is $500; and

5.2.2.3. 378 FS Madison, WI is $400.

5.2.3. Termination

Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL.

*5.3 491st and 492nd Attack Squadrons (ATKS)

5.3.1. The SAF authorized AIP for the regular Air Force officers and enlisted airmen assigned to the 491st ATKS Air National Guard Base Hancock Field, NY and 492nd ATKS March Air Reserve Base, CA, effective January 18, 2024.

5.3.2. The monthly rate is $500.

5.3.3. Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL.

5.4 724th Special Tactics Group Incentive Program

5.4.1. Eligibility

Enlisted SMU members are eligible for this program.

5.4.2. Payment. Effective July 1, 2021

5.4.2.1. $750 per month for SMU Operators who have graduated and have a cumulative assignment time of less than 12 months;

5.4.2.2. $1,000 per month for SMU Operators who have a cumulative assignment time of 12-72 months;

5.4.2.3. $750 per month for SMU Operators who have a cumulative assignment time of 73-96 months;

5.4.2.4. $500 per month for SMU Operators who have a cumulative assignment time of 97-108 months; and

5.4.2.5. $0 per month for SMU Operators who have a cumulative assignment time of 109 months or more.

5.4.3. Restrictions. At any time during the authorized period, the SAF (M&RA) may terminate the 724th Special Tactics Group Incentive program if it is no longer required.

5.4.4. Termination

Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL.

5.5 Air Force Special Operations Command (AFSOC), BP0VFX3H, Program

The SAF established an AIP program for enlisted and officers when assigned to the AFSOC unit designated by the Personnel Accounting Symbol (PAS) code BP0VFX3H. The SAF authorized the program for a period of 5 years subject to annual congressional approval of the pay authority, 37 U.S.C § 352. No AIP will be initially awarded (initial eligibility start date) after this date unless the program is officially extended/authorized beyond the date on the Duration of Authority table by an appropriate approving authority.

5.5.1. Eligibility Requirements

5.5.1.1. Officers and enlisted members must be assigned to operator positions within the PAS code BP0VFX3H.

5.5.1.2. Members must have successfully completed the unit's required operator training and certification.

5.5.2. Payment. Eligible personnel will be paid:

5.5.2.1. $750 per month for personnel who have a post-training cumulative unit assignment time of less than 36 months; or

5.5.2.2. $500 per month for personnel who have a post-training cumulative unit assignment time of 36 months or more.

5.5.3. Termination

Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL.

5.6 Alice Springs, Australia

5.6.1. Eligibility

Air Force Officers and enlisted Airmen assigned to Alice Springs, Australia are eligible to receive AIP.

5.6.2. Payment

The monthly rate is $500.

5.6.3. Termination

Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL.

5.7 Cavalier Space Force Station, ND

5.7.1. Eligibility

Regular Air Force Officers and enlisted Airmen, and Guardians assigned to the 10th Space Warning Squadron at Cavalier Space Force Station, ND are eligible to receive AIP.

5.7.2. Payment

The monthly rate is $700.

5.7.3. Termination

Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL.

5.8 Extended Training Service Specialists (ETSS)

5.8.1. IAW DoDI 1340.26, and subject to annual congressional authorization and the availability of appropriated funds, Airmen assigned to identified hard-to-fill billets in the ETSS program support to Foreign Military Sales activities are eligible to receive AIP.

5.8.2. Airmen filling these billets will receive AIP at a rate of $1,500 per month, subject to the AIP rate ceiling established by the Deputy ASD for Military Personnel Policy.

5.8.3. Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL.

5.9 Intercontinental Ballistic Missile Field Operations Program

The SAF established an AIP program for officers assigned to Minot Air Force Base (AFB), Malmstrom AFB, or F.E. Warren AFB.

5.9.1. Eligibility Requirements

5.9.1.1. Missile and Nuclear Operations (13N), Missile Maintenance (21M), and Security Forces (31P) officers who are qualified to perform nuclear position duties are eligible.

5.9.1.2. Officers who are assigned to qualifying positions at Minot AFB, Malmstrom AFB, or F.E. Warren AFB and regularly perform duties in missile fields at these locations are eligible.

5.9.1.3. Officers whose “regular performance of duties” requires dispatch on orders to a missile field for a minimum number of hours within a 90-day calendar quarter (example: 210 hours out of a 90-day period) are eligible. This pay is not intended for those who go to the missile field sporadically.

5.9.2. Payment

Officers meeting the requirements will receive $300 per month. The unit commander will sign the AIP roster certifying the officer has met all the requirements.

5.9.3. Termination

Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL.

5.10 Kingsley Field, Klamath Falls, Oregon

5.10.1. Regular Air Force and Active Guard Reserve (AGR) Airmen permanently assigned to the 173rd Fighter Wing, Kingsley Field, Klamath Falls, Oregon will be eligible to receive AIP under 37 U.S.C. § 352. Air Force and AGR Airmen assigned to the 173rd Fighter Wing in a student status are not eligible for AIP.

5.10.2. Members who meet the eligibility provisions outlined in 5.8.1., will be authorized $400 AIP per month.

5.10.3. AIP must be terminated immediately if the member is AWOL, placed in confinement, or removed from field duties by the commander for cause. For officers, the termination is effective the day prior to promotion to the grade of Major. The effective date of termination is the last day the Airman met the requirements before removal.

5.10.4. AIP must terminate upon Permanent Change of Station to a location other than the 173rd Fighter Wing, Kingsley Field, Klamath Falls, Oregon or upon starting permissive leave in conjunction with terminal leave status.

5.10.5. Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL.

5.11 KAIP

5.11.1. All officers and enlisted personnel are eligible to receive KAIP under 37 USC § 352. Members will continue to receive AIP payments until the end-date specified in their agreements or their departure from Korea.

5.11.1.1. Airmen who are:

5.11.1.1.1. Selected for a 12-month unaccompanied tour in the Republic of Korea, and who execute a written agreement to serve either an additional 12- or 24-month unaccompanied tour, will receive $300.00 per month regardless of rank or Air Force Specialty Code (AFSC); or

5.11.1.1.2. Offered and have accepted a Command Sponsorship Program billet in the Republic of Korea and execute a written agreement to serve the 36-month accompanied tour, will receive $300.00 per month regardless of rank or AFSC.

5.11.1.2. The SAF reauthorized the continuance of KAIP through the termination date on the Duration of Authority table.

5.11.1.3. The AIP will be stopped upon termination of the contract or curtailment of the agreed tour of duty for any reason, either voluntary or involuntary. The entitlement to AIP will be terminated if the member is AWOL or enters confinement.

5.11.1.4. Airmen who elect AIP for Korea will not be eligible for Home Basing, Follow-on Assignment, or concurrent Overseas Tour Extension Incentive Program or In-Place Consecutive Overseas Tour.

5.11.2. The Under Secretary of Defense for Personnel and Readiness (USD(P&R)) memorandum establishes three categories of assignments applicable for AIP payments. All categories require a written agreement by the member. The categories are:

5.11.2.1. Members who volunteer for a 36-month initial assignment to Pyeongtaek, Osan, Daegu, Chinhae, or Seoul may be paid $300 per month in AIP, to be paid on a monthly basis, upon commencement of the assignment.

5.11.2.2. Members who volunteer for a 24-month initial assignment to Uijongbu or Dongducheon may be paid $300 per month in AIP, to be paid on a monthly basis, upon commencement of the assignment.

5.11.2.3. Members who accept an initial tour to Korea in any location and later elect to extend their assignment length for 12 or 24 months may be paid $300 per month, to be paid on a monthly basis, upon commencement of the tour with an extension agreement, or entering the extension, whichever is earlier.

5.11.3. Restrictions. At any time during the authorized period, the SAF (M&RA) may terminate the KAIP program if it is no longer required.

5.11.4. Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL.

*5.12 Turkey

5.12.1. Active-duty Airmen and Guardians assigned to Turkey serving an unaccompanied tour of 12-months who agree to serve a total of 24-months in Turkey, may elect, and will receive Turkey (TAIP) at a rate of $1,000.00 per month.

5.12.2. Members who meet the eligibility provisions outlined in 5.11.1 will receive TAIP at a rate of $1,000 per month effective on:

5.12.2.1. The effective date of payment for Airmen and Guardians electing TAIP at their losing base will equal:

5.12.2.1.1. Their Date Arrived Station; or

5.12.2.1.2. December 29, 2022, whichever is later.

5.12.2.2. The effective date of payment for Airmen and Guardians electing TAIP after arriving in Turkey will equal the date:

5.12.2.2.1. They sign the TAIP agreement; or

5.12.2.2.2. December 29, 2022, whichever is later.

5.12.3. Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless the AIP agreement was entered into prior to the date on the table.

6.0 MARINE CORPS AIP PROGRAMS

Consult with Headquarters Marine Corps Manpower and Reserve Affairs for a list of ***USMC AIP***s.

*7.0 AIP IN LIEU OF POST-DEPLOYMENT MOBILIZATION RESPITE ABSENCE (PDMRA) PROGRAM

The Secretary of Defense directed on January 19, 2007, that a program be established to recognize members who mobilize or deploy more frequently than established rotation policy goals. The PDMRA program was established to allow a member to earn days of administrative absence, not chargeable to the member's accrued leave account, dependent on the length of time the member deployed beyond the rotation policy goals. Effective May 24, 2007, the program also allowed members to receive monetary compensation in lieu of administrative absence days in certain situations. The authority to pay monetary compensation terminated October 1, 2014. Paragraphs 7.1 – 7.6 are included for historical information only.

7.1 USD (P&R) Memorandum, May 24, 2007

The USD (P&R) authorized the Secretary concerned to offer the option of payment of AIP in lieu of taking administrative absence under the PDMRA program in certain situations. RC members (as described in subparagraph 7.1.1) may elect to receive AIP for PDMRA days earned instead of taking the administrative absence. The programs are not effective until the Services publish their implementation instructions.

7.1.1. Eligible Members. RC members who are also federal, state, or local government civilian employees and precluded by law from being paid by two entities for simultaneously serving in an RC status and in their civilian government jobs may elect the payment of AIP instead of taking administrative absence.

7.1.2. Requirement. The member must elect to receive the AIP instead of the PDMRA administrative absence days before the PDMRA days are earned.

7.1.3. Payment. Members electing to be paid the AIP will receive $200 for each PDMRA day earned. Members are not authorized to be paid for any PDMRA days earned before an election is made.

7.1.4. Restrictions

7.1.4.1. Payment of the AIP will not exceed the monthly limit of $1,500.

7.1.4.2. The PDMRA payment benefit is not eligible for combat zone tax exclusion (CZTE).

7.1.5. Service Instructions. Effective dates for the implementation are:

7.1.5.1. Marine Corps: July 27, 2007;

7.1.5.2. Navy: August 2, 2007;

7.1.5.3. Army: August 7, 2007; and

7.1.5.4. Air Force: October 1, 2007.

7.2 Authority

Public Law 111-84, section 604, dated October 28, 2009, authorized the Secretary of Defense to prescribe regulations allowing the Secretary concerned to provide current and former members with payment for administrative absence days earned under the PDMRA program during the period January 19, 2007, through the date the Service implemented their respective PDMRA program. The USD (P&R) issued guidance on February 1, 2010, authorizing the Secretary concerned to issue implementing guidance. The authority expired on October 28, 2010.

7.2.1. Eligible Members

7.2.1.1. Former members who were discharged or released from the Armed Forces under honorable conditions are eligible.

7.2.1.2. Current Active Component (AC) and RC members, who qualified for PDMRA days during the period described in paragraph 7.2, are eligible.

7.2.2. Payment

7.2.2.1. Former members may receive $200 for each PDMRA day earned.

7.2.2.2. Current members, who earned PDMRA days during the period of January 19, 2007, through the date the member's service implemented the PDMRA benefits as stated in subparagraph 7.1.5., may receive either one day of administrative absence for each

PDMRA day earned or payment of $200 per day during that time frame as directed by the Secretary concerned.

7.2.2.3. Payment may be paid in a lump sum or installments, at the election of the Secretary concerned.

7.2.3. Restrictions

7.2.3.1. Payment of the AIP will not exceed the monthly limit of $1,500.

7.2.3.2. The PDMRA payment benefit is not eligible for CZTE.

7.3 Qualifying Deployments and Mobilizations on or After January 19, 2007

The following is the program guidance for qualifying deployment and mobilizations on or after January 19, 2007, but before October 1, 2011.

7.3.1. Frequency Thresholds

7.3.1.1. AC members deployed in excess of 12 months during the most recent 36-month period qualify for PDMRA.

7.3.1.2. RC members mobilized in excess of 12 months during the most recent 72-month period qualify for PDMRA.

7.3.2. Creditable Time

7.3.2.1. Creditable time for AC members includes the day of the member's arrival at the deployed location through departure of BoG.

7.3.2.2. Creditable time for RC members includes mobilizations under ***10 U.S.C. § 12301(a)***, ***10 U.S.C. § 12302***, or ***10 U.S.C. § 12304***. Mobilization for this purpose includes the day the member is mobilized through the date the mobilization is terminated.

7.3.2.3. The Secretary concerned may include other deployments or mobilizations in conjunction with an expanded program for the Service concerned.

7.3.2.4. For AC members, computation of creditable time commences 36 months prior to the member's deployment and continues during the deployment.

7.3.2.5. For RC members, computation of creditable time commences 72 months prior to the member's mobilization and continues during the deployment.

7.3.2.6. The Secretary concerned will establish policy on the crediting of time when court-martial or other adverse administrative actions have been initiated.

7.3.2.7. PDMRA days are authorized for each month or portion of a month that a member is deployed (AC) or mobilized (RC) beyond the frequency thresholds at subparagraph 7.3.1. The number of PDMRA days awarded to AC and RC members are:

7.3.2.7.1. One day of administrative absence per month in excess of 12 months during the qualifying period;

7.3.2.7.2. Two days of administrative absence per month in excess of 18 months during the qualifying period; or

7.3.2.7.3. Four days of administrative absence per month in excess of 24 months during the qualifying period.

7.3.2.8. The Secretary concerned may develop supplementary tables, including other non-monetary recognition programs, delivering comparable or greater benefits to members meeting the frequency thresholds at subparagraph 7.3.1.

7.3.2.9. RC members must be on AD during the days they take their earned PDMRA days.

7.3.3. Payment

7.3.3.1. Under current law, RC members who are also federal, state, or local government civilian employees are not permitted to receive their civilian pay on the same days they are serving on AD. Affected members may elect to receive AIP at $200 for each day of absence that otherwise would have been authorized, not to exceed $1,500 monthly, in lieu of being awarded administrative absence days.

7.3.3.2. There is no option to cash in administrative absence days already earned. The AIP election must be made by the affected RC member prior to the days being earned.

7.4 Qualifying Deployments and Mobilizations on or After October 1, 2011

The following is program guidance for qualifying deployments and mobilizations on or after October 1, 2011, including that portion of an ongoing deployment or mobilization that occurs on or after October 1, 2011.

7.4.1. Deployment and Mobilization Frequency Requirements and/or Thresholds

7.4.1.1. AC members, who on the first day of their current deployment, had deployed in excess of 12 months out of the previous 36 months, and who meet the other eligibility criteria contained in this section, qualify for PDMRA days.

7.4.1.2. RC members, who on the first day of their current qualifying mobilization, had been mobilized pursuant to 10 U.S.C. §§ 12301(a), 12302, or 12304 in excess of 12 months out of the previous 72 months, and who meet the other eligibility criteria contained in this section,

qualify for PDMRA days. The 12-month qualifying period may include service pursuant to 10 U.S.C. § 12301(d) when designated by the Secretary concerned.

* 7.4.1.3. The Secretary concerned may utilize the deployment-to-dwell ratio of 1:2 for AC members or mobilization-to-dwell ratio of 1:4 for RC members as the qualifying threshold for providing PDMRA benefits, as opposed to the requirements contained in subparagraphs 7.3.1 and 7.3.2.

7.4.2. Two Days PDMRA Accrual Conditions

7.4.2.1. AC Service members accrue 2 administrative absence days per month when the deployment threshold established in subparagraph 7.4.1 is exceeded, and the AC member is:

7.4.2.1.1. Deployed to Iraq or Afghanistan; or

7.4.2.1.2. Deployed to a CZTE area when the area has been designated as a 2-day per month PDMRA accrual location by the Secretary concerned.

7.4.2.2. RC Service members accrue 2 administrative absence days per month when the mobilization threshold established in subparagraph 7.4.1 is exceeded, and the RC member is serving:

7.4.2.2.1. In Iraq or Afghanistan pursuant to 10 U.S.C. §§ 12301(a), 12302, or 12304;

7.4.2.2.2. In Iraq or Afghanistan pursuant to 10 U.S.C § 12301(d) when designated by the Secretary concerned; or

7.4.2.2.3. In a CZTE area under the authority of 10 U.S.C. §§ 12301(a), 12301(d), 12302, or 12304 when the CZTE area has been designated as a 2-day per month PDMRA accrual location by the Secretary concerned.

7.4.3. One Day PDMRA Accrual Conditions

7.4.3.1. AC members accrue 1 administrative absence day per month when the deployment threshold established in subparagraph 7.4.1 is exceeded for deployments to a qualifying CZTE area when the CZTE area has been designated as a 1-day per month PDMRA accrual location by the Secretary concerned.

7.4.3.2. RC members accrue 1 administrative absence day per month when the mobilization threshold established in subparagraph 7.4.1 is exceeded, and the RC member is serving:

7.4.3.2.1. Outside of the United States pursuant to 10 U.S.C. § 12301(a), 10 U.S.C. § 12302, or 10 U.S.C. § 12304;

7.4.3.2.2. Outside of the United States pursuant to 10 U.S.C. § 12301(d) when designated by the Secretary concerned; or

7.4.3.2.3. In a CZTE area pursuant to 10 U.S.C. § 12301(d) when the CZTE area has been designated as a 1-day per month PDMRA accrual location by the Secretary concerned.

7.4.4. PDMRA Accrual Conditions

7.4.4.1. Service members, at a minimum, must meet PDMRA eligibility criteria contained in paragraphs 7.3 and 7.4 for 30 consecutive days in order to begin accruing PDMRA days.

7.4.4.1.1. PDMRA accrual for AC members includes the day that the member arrives at the deployed location through the day that the member redeploys.

7.4.4.1.2. PDMRA accrual for RC members includes the day that the member is ordered to duty pursuant to 10 U.S.C. §§ 12301(a), 12302, or 12304 through the date that the member's service is terminated under that same authority.

7.4.4.2. When designated as qualifying for PDMRA by the Secretary concerned pursuant to subparagraphs 7.4.2.2.2, 7.4.2.2.3, 7.4.3.2.1, or 7.4.3.2.2 include the day that the member enters service pursuant to 10 U.S.C. § 12301(d) through the date that the member's service is terminated under that same authority.

7.4.5. Extensions of Mobilization Orders to Utilize Accrued PDMRA Days. The Secretary concerned may extend the mobilization orders of RC Service members, within statutory limitations, to allow these members to utilize PDMRA days accrued during the mobilization. RC members do not accrue PDMRA days during the time that mobilization orders are extended for the purpose of utilizing PDMRA days.

7.4.6. Election of Payment for PDMRA Days

7.4.6.1. Under current law, RC members who are also federal, state, or local government civilian employees are not permitted to receive their civilian pay while on AD utilizing accrued PDMRA days.

7.4.6.2. To resolve this pay restriction, the Secretary concerned may offer such RC members a special PDMRA payment, which permits such members to elect to receive AIP in lieu of being awarded PDMRA administrative absence days.

7.4.6.3. If this option is offered, the AIP election must be made by the RC Service member prior to earning PDMRA days. The AIP would be valued at a rate of $200 for each day of administrative absence that otherwise would have been authorized under the PDMRA program, not to exceed the $1,500 monthly maximum limit of AIP. This option may not be used to cash in administrative absence days already earned.

7.4.7. Crediting PDMRA Time. The Secretary concerned will establish policy on crediting PDMRA time when court-martial or other adverse administrative actions have been initiated.

7.4.8. RC Use of Administrative Absence Days. RC members must be serving pursuant to 10 U.S.C. §§ 12301(a), 12301(d), 12302, or 12304 in order to utilize the administrative absence days accrued under the PDMRA program.

7.5 Public Law 112-120, Dated May 25, 2012

7.5.1. Public Law 112-120 clarified the entitlement to PDMRA days for RC members. The law allows for the Secretary of Defense to determine that provisions of entitlement outlined in ***DoDI 1327.06***, "Leave and Liberty Policy and Procedures" will not apply to RC members whose qualified mobilization commenced before October 1, 2011, and continued on and after that date until the date the mobilization terminated.

7.5.2. The USD (P&R) issued implementation guidance for Public Law 112-120 on July 11, 2012. The guidance stipulated that:

7.5.2.1. Each Secretary concerned will publish implementing guidance and establish an application process to allow qualifying current and former RC members to apply for benefits authorized by Public Law 112-120.

7.5.2.2. Benefits are only authorized for RC members who deployed Outside the Continental United States and whose qualified mobilization commenced before October 1, 2011.

7.5.2.3. Each Secretary concerned will provide qualifying applicants with a PDMRA day, or a payment of $200 for each PDMRA day that the individual would have qualified for had the October 1, 2011, guidance changes not applied to the individual.

7.5.2.4. Each Service's application for benefits will require qualifying RC members to elect to receive either a PDMRA day or payment of $200 for each qualifying PDMRA day. The application will caution members who are no longer mobilized in a status where they can use the PDMRA days and elect PDMRA days in lieu of payment that:

7.5.2.4.1. The PDMRA days will be banked and cannot be used until the next qualifying period of service; and

7.5.2.4.2. Banked PDMRA days will be lost if the member is separated from the military prior to using the PDMRA days. Banked PDMRA days cannot be subsequently sold.

7.5.2.5. Qualifying former RC members will only receive $200 per day for each PDMRA day.

7.5.2.6. Former RC members who were discharged or released from the Armed Forces under other than honorable conditions are not eligible for benefits.

7.5.2.7. Each Secretary concerned may elect to pay qualifying individuals a lump sum payment or installments.

7.5.2.8. The authority to provided benefits under Public Law 112-120 expires on October 1, 2014. This expiration does not affect PDMRA days earned prior to but used or paid for after October 1, 2014. The member must have elected the payment option before October 1, 2014.

7.6 Public Law 112-239, Dated January 2, 2013

7.6.1. Public Law 112-239 allows for the payment of $200 per day to individuals who were eligible to participate as a member of the Armed Forces in the PDMRA program, but who did not participate in 1 or more days in the program due to Government error. Those individuals must apply for payment of PDMRA days with an application for the correction of their military records pursuant to ***10 U.S.C. § 1552***, or other process as prescribed by the Secretary concerned.

7.6.2. A claim for a deceased individual, who would have been authorized to apply for the payment of $200 in subparagraph 8.6.1, may be submitted by the deceased individual's legal representative. Payment for a deceased member will be made pursuant to 10 U.S.C. § 1552 (c)(2), or other process as determined by the Secretary concerned.

*REFERENCES

CHAPTER 15 – SPECIAL PAY – ASSIGNMENT INCENTIVE PAY (AIP)

2.0 –DoD AIP CRITERIA

37 U.S.C. § 352
DoDI 1332.45, July 30, 2018, Change 1 April 27, 2021
DoDI 1340.26, September 25, 2017, Change 1
January 11, 2019

3.0 – ARMY AIP PROGRAMS

3.1	DA, ODCS, G-1 Memo, September 18, 2020
3.2	DA, ODCS, G-1 Memo, September 28, 2022
3.3	DA, OAS M&RA Memo, September 28, 2022
	DA, ODCS, G-1 Memo, October 2, 2023
3.4	DA, ODCS, G-1 Memo, October 26, 2023
3.5	DA, ODCS, G-1 Memo, September 28, 2022
	DA, ODCS, G-1 Memo, October 2, 2023
3.6	DA, ODCS, G-1 Memo, September 23, 2020
	DA, ODCS, G-1 Memo, January 12, 2024
3.7	DA, ODCS, G-1 Memo, September 30, 2022
	DA, ODCS, G-1 Memo, October 2, 2023
3.8	DA, ODCS, G-1 Memo, October 11, 2022
	DA, ODCS, G-1 Memo, October 31, 2022
	DA, ODCS, G-1 Memo, October 2, 2023
3.9	DA, ODCS, G-1 Memo, September 28, 2022
	DA, ODCS, G-1 Memo, October 2, 2023
3.10	DA, ODCS, G-1 Memo, September 28, 2022
	DA, ODCS, G-1 Memo, October 2, 2023
3.11	DA, ODCS, G-1 Memo, September 28, 2022
	DA, ODCS, G-1 Memo, September 28, 2022
	DA, ODCS, G-1 Memo, October 2, 2023
	DA, ODCS, G-1 Memo, October 2, 2023
3.12	DA, OAS M&RA Memo, October 31, 2023
3.13	DA, ODCS, G-1 Memo, September 30, 2022
	DA, ODCS, G-1 Memo, October 2, 2023
3.14	DA, ODCS, G-1 Memo, September 30, 2022
	DA, ODCS, G-1 Memo, October 5, 2023
3.15	DA, ODCS, G-1 Memo, September 30, 2022
	DA, ODCS, G-1 Memo, October 2, 2023

5.0 – AIR FORCE AIP PROGRAMS

5.1	Department of the Air Force Office of the Assistant Secretary (DAF OAS) December 22, 2023
5.2.	DAF OAS Memo, December 20, 2023(378 FS) DAF OAS Memo, December 21, 2023(315 FS and 367 FS) DAF OAS Memo, December 21, 2021
5.3	DAF OAS Memo, January 18, 2024
5.4	DAF OAS Memo, October 23, 2020 DAF OAS Memo, December 22, 2014
5.5	DAF OAS Memo, December 23, 2019 DAF Headquarters Air Force Personnel Center Memo, October 31, 2014
5.6	DAF OAS Memo, December 21, 2021
5.7	DAF OAS Memo, December 21, 2021 DAF OAS Memo, December 27, 2023
5.8	DAF OAS Memo, August 23, 2023 DAF OAS Memo, December 3, 2020
5.9	DAF OAS Memo, December 4, 2020 SAF Memo March 15, 2018
5.10	DAF OAS Memo, January 27, 2022 SAF Memo, July 27, 2017
5.11	DAF OAS Memo, October 23, 2023 DAF OAS Memo, August 31, 2020
5.12	DAF OAS Memo, March 30, 2023 DAF OAS Memo, October 23, 2023 DAF OAS Memo December 18, 2020

7.0 –AIP IN LIEU OF POST-DEPLOYMENT/MOBILIZATION RESPITE ABSENCE (PDMRA)

	USD (P&R) Memo, April 18, 2007
7.1	USD (P&R) Memo, May 24, 2007 DoDI 1340.26, September 25, 2017, Change 1 January 11, 2019
7.2	USD (P&R) Memo, February 1, 2010
7.3	DoDI 1327.06, June 16, 2009, Change 5, August 26, 2023
7.3.3.	37 U.S.C. § 352
7.4	DoDI 1327.06, June 16, 2009, Change 5, August 26, 2023, Enclosure 4, paragraph 3.a(3) USD (P&R) Memo, August 16, 2021
7.5	Public Law 112-120, May 25, 2012 USD (P&R) Memo, July 11, 2012
7.6	Public Law 112-239, section 605, January 2, 2013 10 U.S.C. § 1552

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 16: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 7A, CHAPTER 17: "SPECIAL PAY – HARDSHIP DUTY"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated December 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Table 17-1	Updated Burkina Faso rates in accordance with the Assistant Secretary of Defense Manpower and Reserve Affairs Memo, March 19, 2023.	Revision
	Updated Rangoon, Burma rates in accordance with the Assistant Secretary of Defense Manpower and Reserve Affairs Memo, May 31, 2023.	Revision
	Updated Ukraine rates in accordance with the Office of the Assistant Secretary of Defense Manpower and Reserve Affairs Memo, July 13, 2023.	Revision
	August 2025: Updated table to include the Hardship Duty Pay – Locations in accordance with the Office of the Assistant Secretary of Defense Manpower and Reserve Affairs Memo, August 15, 2025.	Revision
References	Updated to reflect current statutes and policy memos.	Revision

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CHAPTER 17

SPECIAL PAY – HARDSHIP DUTY

1.0 GENERAL

1.1 Purpose

This chapter prescribes the policy for payment of Hardship Duty Pay (HDP) and lists the areas where members are authorized to receive these entitlements.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with Title 37, United States Code, section 352 (***37 U.S.C. § 352***). Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 HDP

2.1 HDP – Location (HDP – L)

2.1.1. Purpose. HDP – L is designed to recognize service at locations where living conditions are substantially below those normally found within the continental United States and to provide equity across DoD for Service members assigned to these locations. Locations are contained in Table 17-1, and are listed on the ***Hardship Duty Pay - Locations*** table on DFAS.MIL.

2.1.2. Eligibility. All Service members permanently assigned or serving in a temporary additional duty/temporary duty (TAD/TDY), deployed, or attached status for over 30 consecutive days in a designated area, will receive HDP – L. Service members on permanent reassignment to the area are eligible for HDP – L from the day of arrival at the new station. The conditions for HDP – L are set forth in Table 17-2. The Assistant Secretary of Defense – Manpower and Reserve Affairs (ASD (M&RA)) will promulgate any additional eligibility criteria by issuing a policy decision memorandum.

2.1.3. Locations and Amounts. The ASD (M&RA) will promulgate locations and specific amounts for HDP – L at the rates shown in Table 17-1.

2.1.4. Restrictions. Service members performing duty temporarily in a designated area are not eligible for HDP – L during the first 30 days of consecutive duty in the area. On the 31st day, HDP – L is payable to the member retroactive to the date the member reported for duty at the location. The ASD (M&RA) will promulgate any additional restrictions for HDP – L.

2.1.5. Termination. HDP – L entitlement ends on:

2.1.5.1. The day the member departs the station as a result of Permanent Change of Station (PCS) reassignment; or

2.1.5.2. The last day of the effective period as stated in Table 17-1; or

2.1.5.3. The day specified in Table 17-1 for specific situations.

2.2 HDP – Mission (HDP – M)

2.2.1. Purpose. HDP – M is designed to recognize permanent or temporary assignment of Service members when conditions are deemed particularly arduous or require Service members to perform duties outside of normal military operations.

2.2.2. Eligibility. Eligibility criteria will be established by the ASD (M&RA) for Service members permanently or temporarily assigned to a designated mission. A member assigned to, on TAD/TDY with, or otherwise under the operational control of the Defense Prisoner of War/Missing Personnel Office, the Joint Task Force-Full Accounting, or the Central Identification Lab-Hawaii, may qualify for HDP – M based on performance of a hardship mission. Eligible members are entitled to receive HDP – M for each month in which they perform investigative or remains recovery duty in a remote, isolated area (including, but not limited to, areas in Laos, Cambodia, Vietnam, North Korea, Albania, Bulgaria, Bosnia-Herzegovina, Croatia, Egypt, Italy, Romania, Servia, Slovenia, and Yugoslavia) in the recovery of U.S. Service member remains.

2.2.3. Maximum Amount. HDP – M is payable to all members at the rate of $150 per month. HDP – M is payable at the full monthly rate, without prorating or reduction, for each month, during any part of which, the member performs a specified mission.

2.3 HDP – Tempo (HDP – T)

2.3.1. Purpose. HDP – T is designed to recognize extended or excessive amounts of time outside of a Service member's permanent duty station (PDS).

2.3.2. Eligibility. Secretaries of the Military Departments concerned will establish eligibility criteria based on Service-specific needs but will consider retention, quality of life, family separation, and other factors that contribute to a Service member's dissatisfaction when spending extended or excessive amounts of time away from the Service member's PDS.

2.3.3. Amount. Secretaries of the Military Departments concerned will establish monthly rates, but the maximum amount of HDP – T per month will not exceed $500.

2.3.4. Restrictions. The Secretary of the Military Departments concerned will prorate the monthly amount of HDP – T for a member who does not satisfy the eligibility requirements for an entire month.

NOTE: For periods of absence, consult with Service regulations to determine eligibility.

2.4 HDP – Restriction of Movement (HDP – ROM)

2.4.1. Purpose. HDP – ROM is designed for Service members ordered by their command to restriction of movement for self-monitoring due to exposure or suspected exposure to COVID-19.

2.4.2. Eligibility. Effective March 13, 2020, Service members ordered by their command:

2.4.2.1. To restriction of movement for self-monitoring due to exposure or suspected exposure to COVID-19; or

2.4.2.2. To restriction of movement for self-monitoring due to travel to, from or through a Center for Disease Control and Prevention Level 3 Travel Health Notice country;

2.4.2.3. That are directed to do so at a facility that is neither provided by the U.S. Government nor is their personal residence at the member's PDS; and

2.4.2.4. Are required to pay for the cost of their lodging without full or partial reimbursement.

2.4.3. Amount. HDP – ROM will be paid at the rate of $100 per day not to exceed $1,500 per month.

3.0 RESTRICTIONS ON PAYMENT

3.1 General Restrictions

When a member is in receipt of Hostile Fire Pay (HFP) or Imminent Danger Pay (IDP), then the maximum amount of HDP – L is $100. The total entitlement of HDP – L plus HFP or IDP in any 1 month may not exceed $325.

3.2 Concurrent Payments

The combination of HDP – M, HDP – L, and HDP – T entitlements and other assignment and special duty pays may not exceed an average monthly amount of $3,500 unless otherwise authorized by ASD (M&RA).

NOTE: As of the March 13, 2020, memorandum from ASD (M&RA), HDP – ROM may be paid in addition to all other HDPs and assignment and special duty pays such that the total combined HDP and assignment and special duty pays may not exceed the average monthly amount of $5,000 as prescribed in 37 USC § 352(b)(2).

*Table 17-1. Hardship Duty Pay - Location
For the most current locations, see Hardship Duty Pay – Location table on DFAS.MIL.
Notes 1 and 2

Designated Locations		Monthly Rates	Effective Date	
Country	Province (State), City or Region		From	Through
Afghanistan	Note 3	$100	Nov 1, 2001	
Albania		$150	Apr 1, 2002	
Algeria	Note 3	$100	Sep 1, 2007	
American Samoa		$50	Jun 15, 2005	
Angola		$150	Sept 1, 2007	
Antarctic Region Posts	below 60° S latitude	$150	Jan 1, 2001	
Antigua AS		$50	Apr 18, 2002	
Arctic Circle Posts	above 66°33’ N latitude	$150	Jan 1, 2001	
Argentina	Buenos Aires	$50	Oct 1, 2017	
	Other	$0	Oct 1, 2017	
*Armenia		$100	Jan 1, 2026	
		$150	Jan 1, 2001	Dec 31, 2025
Aruba		$50	Jan 1, 2022	
Ascension AAF		$150	Apr 18, 2002	
Australia	Alice Springs	$50	Jan 1, 2001	
	Other	$0	Jan 1, 2001	
Azerbaijan Note 3	Note 3	$100	Oct 31, 2007	
Bahamas		$50	Oct 1, 2017	
Bahrain		$100	Oct 1, 2017	
Bangladesh		$150	Jan 1, 2001	
Barbados		$50	Oct 1, 2017	
*Belarus		$150	Sep 1, 2025	
		$100	Jan 1, 2018	Aug 31, 2025
*Belize		$150	Sep 1, 2025	
		$100	Mar 1, 2022	Aug 31, 2025
Benin		$150	Jan 1, 2001	
*Bermuda		$50	Sep 1, 2025	
*Bolivia	Cochabamba	$0	Mar 1, 2022	
	La Paz	$150	Sep 1, 2025	
		$100	Mar 1, 2022	Aug 31, 2025
	Santa Cruz	$0	Mar 1, 2022	
	Other	$150	Sep 1, 2025	
		$100	Mar 1, 2022	Aug 31, 2025
Bosnia-Herzegovina	Banja Luka	$150	Jan 1, 2022	
	Other	$100	Jan 1, 2018	

Table 17-1. Hardship Duty Pay – Location (Continued)
For the most current locations, see Hardship Duty Pay - Location table on DFAS.MIL.
Notes 1 and 2

Designated Locations		Monthly Rates	Effective Date	
Country	Province (State), City or Region		From	Through
*Botswana	Selebi-Phikwe	$50	Sep 1, 2025	
	Other	$100	Sep 1, 2025	
		$50	Apr 1, 2012	Aug 31, 2025
*Brazil	Campinas	$0	Jan 1, 2022	
	Fortaleza	$0	Mar 1, 2022	
	Recife, Pernambuco	$150	Sep 1, 2025	
		$100	Jan 1, 2002	Aug 31, 2025
	Other	$50	Jan 1, 2022	
Brunei		$100	Jan 1, 2022	
Bulgaria		$50	Jun 1, 2012	
Burkina Faso	Note 3	$100	Mar 29, 2023	
Burma	Rangoon (Note 3)	$100	May 31, 2023	
	Other	$150	Jan 1, 2001	
Burundi (Note 3)		$100	May 10, 2005	
Cambodia		$150	Oct 11, 2001	
*Cameroon (Note 3)	Far North Regions	$100	Jun 7, 2017	
	North Region	$100	Jun 7, 2017	
	*Other (Note 4)	$150	Sep 1, 2025	
		$100	Mar 1, 2022	Aug 31, 2025
Canada	Northwest Territory	$150	Jan 1, 2001	
	Other	$0	Jan 1, 2001	
Cape Verde		$150	Jan 1, 2001	
Central African Republic		$150	Jan 1, 2001	
Chad	Note 3	$100	Aug 11, 2008	
Chagos Archipelago		$50	Jan 1, 2001	
Chile		$50	Jan 1, 2022	
*China	Beijing	$150	Jan 1, 2022	
	Guangzhou	$150	Sep 1, 2025	
		$50	Mar 1, 2022	Aug 31, 2025
	Hong Kong	$50	Jan 1, 2022	
	Kunming	$0	Jan 1, 2018	
	Shanghai	$100	Sep 1, 2025	
		$50	Jan 1, 2018	Aug 31, 2025
	Other	$150	Feb 1, 2004	

Table 17-1. Hardship Duty Pay – Location (Continued)
For the most current locations, see Hardship Duty Pay - Location table on DFAS.MIL.
Notes 1 and 2

Designated Locations		Monthly Rates	Effective Date	
Country	Province (State), City or Region		From	Through
*Colombia	Note 3	$100	Sep 1, 2025	
		$50	Mar 1, 2022	Aug 31, 2025
Cook Island	Rarotonga	$50	Jan 1, 2001	
	Other	$100	Jan 1, 2001	
Costa Rica	San Jose	$0	Dec 1, 2007	
	Other	$50	Jan 1, 2001	
Cote D'Ivoire		$150	Jun 1, 2020	
Cuba	Guantanamo Bay (Other)	$50	Mar 1, 2022	
	Joint Task Force Guantanamo Bay	$150	Oct 4, 2006	
	Joint Task Force Guantanamo Bay, (Detention Detail)(Note 3 & 5)	$100	Dec 26, 2006	
	Havana	$150	Jan 1, 2001	
	Other	$50	Jan 1, 2001	
Curacao		$50	Jan 1, 2022	
Democratic Republic of the Congo	Note 3	$100	June 7, 2005	
Djibouti	Note 3	$100	Aug 1, 2002	
Dominican Republic		$100	Sep 1, 2025	
		$50	Mar 1, 2022	Aug 31, 2025
East Timor		$150	Jun 1, 2014	
*Ecuador	Guayaquil	$150	Sep 1, 2025	
	Quito	$100	Sep 1, 2025	
	Other	$100	Oct 1, 2017	
Egypt	Note 3	$100	Apr 1, 2012	
El Salvador		$100	Jun 1, 2012	
Equatorial Guinea		$150	Sep 1, 2007	
Eritrea		$150	Jun 1, 2020	
*Estonia		$50	Sep 1, 2025	
		$0	Mar 1, 2022	Aug 31, 2025
Eswatini		$100	Jan 1, 2022	
Ethiopia	Note 3	$100	Jan 18, 2002	

Table 17-1. Hardship Duty Pay – Location (Continued)
For the most current locations, see Hardship Duty Pay - Location table on DFAS.MIL.
Notes 1 and 2

Designated Locations		Monthly Rates	Effective Date	
Country	Province (State), City or Region		From	Through
*Fiji		$150	Sep 1, 2025	
		$100	Jan 1, 2018	Aug 31, 2025
Gabon		$150	Oct 1, 2017	
Gambia		$150	Jan 1, 2001	
*Georgia		$100	Sep 1, 2025	
		$50	Mar 1, 2022	Aug 31, 2025
Ghana		$150	Jan 1, 2001	
Greece	Other	$0	Jan 1, 2001	
Greenland		$150	Jan 1, 2001	
Grenada		$50	Jan 1, 2001	
Guatemala	Guatemala City	$100	Apr 1, 2012	
	Other	$150	Apr 1, 2012	
Guinea		$150	Jan 1, 2001	
*Guinea Bissau	Bissau	$0	Jan 1, 2026	
	Other	$150	Jan 1, 2001	
Guyana		$150	Jan 1, 2001	
Haiti	Note 3	$100	Jan 8, 2020	
Honduras		$150	Oct 1, 2017	
Hong Kong		$50	Jan 1, 2022	
Hungary	Budapest	$0	Jan 1, 2001	
	Other	$50	Jan 1, 2001	
Iceland	Keflavik-Grindavik	$50	Jan 1, 2022	
	Other	$50	Oct 1, 2017	
India		$150	Feb 1, 2004	
*Indonesia	Central Sulawesi (Note 3)	$100	Oct 1, 2017	
	Papua (Note 3)	$100	Oct 1, 2017	
	Other (Note 4)	$150	Oct 1, 2017	
*Israel (Note 3)	Jerusalem	$100	Jan 1, 2022	
	West Bank	$100	Jan 1, 2022	
	Other	$50	Oct 1, 2017	
Jamaica	Kingston	$150	Oct 1, 2017	
	Other	$0	Jan 1, 2001	
Jordan	Note 3	$100	Jun 28, 2016	

Table 17-1. Hardship Duty Pay – Location (Continued)
For the most current locations, see Hardship Duty Pay - Location table on DFAS.MIL.
Notes 1 and 2

Designated Locations		Monthly Rates	Effective Date	
Country	Province (State), City or Region		From	Through
*Kazakhstan	Almaty	$150	Sep 1, 2025	
		$100	Jan 1, 2018	Aug 31, 2025
	Other	$100	Mar 1, 2022	
		$150	Jan 1, 2018	Feb 28, 2022
Kenya	Note 3	$100	May 23, 2002	
*Kiribati, Republic of	Kiritimati (Christmas Island)	$0	Mar 1, 2022	
	Other	$0	Feb 8, 2011	
Korea, Democratic Republic of	North Korea	$150	Jan 1, 2001	
*Korea Republic of (South Korea)	Area 1(Note 6)	$150	Jan 1, 2001	
	Busan	$0	Feb 28, 2022	
	Camp Carroll	$50	Sep 1, 2025	
	Changwon	$0	Feb 28, 2022	
	Chinhae	$0	Feb 28, 2022	
	Gwang Ju AB	$50	Sep 1, 2025	
	K-16	$0	Feb 28, 2022	
	Kimhae	$0	Feb 28, 2022	
	Kimpo Airfield	$0	Feb 28, 2022	
	Kunsan	$50	Sep 1, 2025	
	Kwangju	$50	Sep 1, 2025	
	Osan AB	$0	Feb 28, 2022	
	Pohang	$50	Mar 1, 2022	
	Pyongtaek	$0	Feb 28, 2022	
	Seoul	$0	Feb 28, 2022	
	Suwon	$0	Feb 28, 2022	
	Taegu	$0	Feb 28, 2022	
	Waegwan	$50	Sep 1, 2025	
	Other (Note 7)	$50	Jan 1, 2001	
Kosovo	Note 3	$100	Sep 1, 2007	
*Kuwait		$100	Sep 1, 2025	
		$50	Jun 1, 2012	Aug 31, 2025
Kyrgyzstan		$150	Jun 1, 2014	
Laos		$150	Jan 1, 2001	
*Latvia		$0	Mar 1, 2022	
Lebanon	Note 3	$100	Dec 1, 2004	

Table 17-1. Hardship Duty Pay – Location (Continued)
For the most current locations, see Hardship Duty Pay - Location table on DFAS.MIL.
Notes 1 and 2

Designated Locations		Monthly Rates	Effective Date	
Country	Province (State), City or Region		From	Through
Lesotho		$150	Jan 1, 2022	
Liberia		$150	Jan 1, 2022	
Libya	Note 3	$100	Apr 26, 2011	
Lithuania		$50	Apr 1, 2012	
Madagascar		$150	Jan 1, 2001	
Malawi		$150	Dec 1, 2004	
*Malaysia	Sabah (Note 3)	$50	Jan 1, 2026	
	Other (Note 4)	$50	Jan 1, 2026	
		$100	Jan 1, 2022	Dec 31, 2025
*Maldives	Male	$150	Sep 1, 2025	
	Other	$0	Sep 1, 2025	
Mali	Note 3	$100	Jun 7, 2017	
Malta		$50	Sep 1, 2007	
Marshall Islands	Majuro	$150	Apr 1, 2012	
	Other	$50	Jan 1, 2001	
Mauritania		$150	Jan 1, 2001	
*Mauritius		$50	Sep 1, 2025	
		$0	Mar 1, 2022	Aug 31, 2025
*Mexico	Ciudad Juarez	$150	Oct 1, 2017	
	Cuernavaca	$0	Feb 28, 2022	
	Guadalajara	$100	Oct 1, 2017	
	Hermosillo	$100	Apr 1, 2012	
	Matamoros	$150	Oct 1, 2017	
	Mazatlan	$100	Sep 1, 2025	
		$50	Apr 1, 2012	Aug 31, 2025
	Merida	$50	Mar 1, 2022	
	Metapa	$100	Sep 1, 2025	
		$50	Mar 1, 2022	Aug 31, 2025
	Mexico City D.F.	$100	Feb 1, 2004	
	Monterrey	$50	Mar 1, 2022	
	Nogales	$150	Jan 1, 2022	
	Nuevo Laredo	$150	Oct 1, 2017	
	Tijuana	$150	Jan 1, 2022	
	Veracruz	$0	Mar 1, 2022	
	Other	$100	Sep 1, 2025	
		$50	Jan 1, 2001	Aug 31, 2025

Table 17-1. Hardship Duty Pay – Location (Continued)
For the most current locations, see Hardship Duty Pay - Location table on DFAS.MIL.
Notes 1 and 2

Designated Locations		Monthly Rates	Effective Date	
Country	Province (State), City or Region		From	Through
Micronesia, Federated States of		$150	Dec 1, 2004	
Moldova		$100	Jan 1, 2018	
Mongolia		$150	Jan 1, 2001	
*Montenegro	Podgorica	$50	Jan 1, 2026	
		$100	Jan 1, 2018	Dec 31, 2025
	Other	$50	Jun 1, 2012	
Morocco	Casablanca	$100	Jan 1, 2022	
	Rabat	$50	Oct 1, 2017	
	Other	$0	Apr 1, 2012	
Mozambique		$150	Jan 1, 2001	
Namibia		$50	Sep 1, 2007	
Nepal		$150	Jan 1, 2001	
Nicaragua		$150	Oct 1, 2017	
Niger	Note 3	$100	Jun 7, 2017	
Nigeria		$150	Jan 1, 2001	
*North Macedonia		$100	Sep 1, 2025	
*Norway	Tromso	$50	Sep 1, 2025	
	Other	$0	Sep 1, 2025	
Oman	Muscat	$50	Oct 1, 2017	
	Other	$100	Jan 1, 2018	
Pakistan (Note 3)		$100	Nov 1, 2001	
*Palau		$150	Sep 1, 2025	
		$50	Jan 1, 2001	Aug 31, 2025
Panama		$50	Oct 1, 2017	
Papua New Guinea		$150	Jan 1, 2001	
Paraguay		$50	Jan 1, 2001	
Peru		$100	Jun 1, 2012	
Philippines	Davao City	$0	Jan 1, 2018	
	Island of Mindanao (Note 3)	$100	Jan 1, 2022	
	Sulu Archipelago (Note 3)	$100	Jan 1, 2022	
	Other	$100	Jan 1, 2018	
*Portugal	Ponta Delgada	$50	Jan 1, 2022	
	Other	$0	Jan 1, 2022	

Table 17-1. Hardship Duty Pay – Location (Continued)
For the most current locations, see Hardship Duty Pay - Location table on DFAS.MIL.
Notes 1 and 2

Designated Locations		Monthly Rates	Effective Date	
Country	Province (State), City or Region		From	Through
*Qatar	Al Udeid AB	$50	Apr 1, 2002	
	Camp As Syliyah	$50	Apr 1, 2002	
	Camp Snoopy	$50	Jan 1, 2022	Dec 31, 2025
	Doha	$50	Oct 1, 2017	
	Other	$100	Oct 1, 2017	
Republic of Cabo Verde		$150	Jan 1, 2001	
Republic of the Congo		$150	Apr 1, 2012	
Romania		$50	Jun 1, 2012	
*Russia	Moscow	$150	Sep 1 , 2025	
		$100	Mar 1, 2022	Aug 31, 2025
	St. Petersburg	$150	Sep 1, 2025	
		$100	Mar 1, 2022	Aug 31, 2025
	Other	$150	Oct 1, 2017	
Rwanda		$100	Jan 1, 2018	
Samoa		$150	Apr 1, 2012	
Sao Tome and Principe		$150	Jan 1, 2001	
Saudi Arabia	Note 3	$100	Sep 14, 2019	
Senegal		$150	Apr 1, 2012	
Serbia	Belgrade	$100	Jan 1, 2022	
	Other	$150	Jan 1, 2022	
*Seychelles		$150	Sep 1, 2025	
Sierra Leone		$150	Nov 1, 2007	
*Singapore		$0	Sep 1, 2025	
Slovakia		$0	Mar 1, 2022	
*Slovenia		$0	Sep 1, 2025	
Solomon Islands		$150	Jan 1, 2022	
Somalia	Note 3	$100	Apr 1, 2012	
*South Africa	Johannesburg	$150	Sep 1, 2025	
	Pretoria	$100	Sep 1, 2025	
	Other	$100	Sep 1, 2025	
		$50	Sep 1, 2007	Aug 31, 2025
South Sudan	Note 3	$100	Apr 1, 2012	
Sri Lanka		$100	Jan 1, 2018	
St. Lucia		$50	Jan 1, 2022	
Sudan	Note 3	$100	Apr 1, 2012	
Suriname		$150	Jan 1, 2022	

Table 17-1. Hardship Duty Pay – Location (Continued)
For the most current locations, see Hardship Duty Pay - Location table on DFAS.MIL.
Notes 1 and 2

Designated Locations		Monthly Rates	Effective Date	
Country	Province (State), City or Region		From	Through
Syria	Note 3	$100	July 31, 2003	
Taiwan	Kaohsiung	$0	Mar 1, 2022	
	Taipei	$0	Jan 1, 2018	
	Other	$50	Jan 1, 2018	
Tajikistan		$150	Jun 1, 2014	
Tanzania		$150	Feb 1, 2004	
*Thailand	Bangkok	$50	Jan 1, 2001	
	Chiang Mai	$100	Jan 1, 2022	
	Songkhla	$150	Jan 1, 2022	Dec 31, 2025
	Other	$100	Jan 1, 2018	
Togo		$150	Jan 1, 2001	
*Tonga		$150	Sep 1, 2025	
Trinidad and Tobago		$150	Jan 1, 2022	
Tunisia	Note 3	$100	Oct 1, 2017	
*Turkey (Note 3)	Afyon	$50	Mar 1, 2022	
	Adana-Incirlik	$100	Jan 1, 2022	
	Ankara	$50	Jan 1, 2022	
	Batman	$50	Mar 1, 2022	
	Corlu	$50	Mar 1, 2022	
	Diyarbakir	$50	Mar 1, 2022	
	Eskisehir	$50	May 23, 2002	
	Gaziantep	$100	Aug 5, 2003	
	Iskendrun	$50	Mar 1, 2022	
	Izmir-Cigli (Note 4)	$50	Jan 1, 2022	
	Konya	$50	Mar 1, 2022	
	Kurecik (Kepez)	$50	Mar 1, 2022	
	Mardin	$50	Mar 1, 2022	
	Mersin	$50	Mar 1, 2022	
	Nusaybin	$50	Mar 1, 2022	
	Oguzeli	$50	Mar 1, 2022	
	Pirinclik	$50	Mar 1, 2022	
	Sabiha Gokcen	$50	Mar 1, 2022	
	Sanliurfa	$50	Mar 1, 2022	
	Tasucu	$50	Mar 1, 2022	
	Other	$50	Jan 1, 2022	

Table 17-1. Hardship Duty Pay – Location (Continued)
For the most current locations, see Hardship Duty Pay - Location table on DFAS.MIL.
Notes 1 and 2

Designated Locations		Monthly Rates	Effective Date	
Country	Province (State), City or Region		From	Through
Turkmenistan		$150	Jan 1, 2001	
Uganda	Note 3	$100	Jun 23, 2004	
Ukraine	Note 3	$100	July 13, 2023	
United Arab Emirates	Abu Dhabi	$50	Oct 1, 2017	
	Dubai	$50	Oct 1, 2017	
	Other	$50	Mar 1, 2022	
United States of America	Annette Island, AK	$150	Jul 11, 2002	
	Clear, AK	$150	Jul 28, 2008	
	Cordova, AK	$150	Feb 23, 2006	
	Eareckson AS, AK	$150	Jul 1, 2002	
	Fort Greely, AK	$150	Oct 1, 2002	
	Unalaska, AK	$150	Nov 1, 2001	
	Other, AK	$0	Nov 1, 2001	
Uruguay	Montevideo	$50	Jan 1, 2022	
	Other	$0	Jan 1, 2001	
Uzbekistan		$150	Jun 1, 2004	
*Vanuatu	Port Vila	$150	Sep 1, 2025	
		$100	Sep 1, 2007	Aug 31, 2025
	Other	$0	Sep 1, 2007	
Venezuela		$150	Nov 28, 2008	
Vietnam		$150	Jan 1, 2001	
Wake Island		$50	Nov 22, 2017	
Western Sahara		$150	Jan 1, 2022	
Yemen	Note 3	$100	Feb 1, 2004	
*Zambia	Lusaka	$150	Sep 1, 2025	
		$50	Mar 1, 2022	Feb 28, 2022
	Other	$150	Sep 1, 2025	
		$100	Mar 1, 2022	Aug 31, 2025
*Zimbabwe		$150	Sep 1, 2025	
		$100	Mar 1, 2022	Aug 31, 2025

Table 17-1. Hardship Duty Pay – Location (Continued)
For the most current locations, see Hardship Duty Pay - Location table on DFAS.MIL.
Notes 1 and 2

NOTES:

1. All members on qualifying duty at places within the listed country, state, or region are entitled to HDP – L. Only land areas are designated for hardship duty, except for any installations located on an ice shelf inside the Antarctic or Arctic Circle Regions are also included in the designation for that area.
2. The special pay is currently payable when ending date is not shown in "Through" column.
3. The HDP – L monthly entitlement decreases to a maximum payment of $100 when Service members are authorized a concurrent payment of $225 for HFP or IDP. See paragraph 3.1.
4. IDP has been removed or is not authorized.
5. When required to perform duties within the detention facility.
6. Includes:

Alamo ASA (Det L);
Bayonet Training Area;
Bull's Eye #1 & #2;
Camp Bonifas;
Camp Casey;
Camp Castle;
Camp Edwards;
Camp Essayons;
Camp Falling Water;
Camp Garry Owen North;
Camp Giant;
Camp Greaves;
Camp Hovey;
Camp Howze;
Camp Jackson;
Camp Kwang Sa-Ri
Camp Kyle;
Camp Mobile;
Camp Nimble;
Camp Page;
Camp Red Cloud;
Camp Sears;
Camp Stanley;
Camp Stanton (H-112);
Charlie Block;
Chunchon
Concord;
Demilitarized Zone (DMZ) South Half;
Freedom Bridge;
Gimbols Gun Training Area;

Table 17-1. Hardship Duty Pay – Location (Continued)
For the most current locations, see Hardship Duty Pay - Location table on DFAS.MIL.
Notes 1 and 2

NOTES (Continued):

Hwaakson Evn ATC;
Joint Security Area Swiss-Swede Camp;
Kamaksan ASA (Det M), H220 Heliport,
La Guardia;
Liberty Bell;
Munsan;
Papyonsan ATC;
Shinbuk Relay (Hill 754);
Tongduchon;
Uijongbu;
Warrior Base;
Watkins Range;
Yongpyong (Indian Head TC).

7. Korea, South "other" rate includes Ammo Depot #9 and Camp Yongin.

Table 17-2. Hardship Duty Pay - Location Pay - Conditions of Entitlement

RULE	When a member	and	and	then hardship duty location pay
1	is assigned to permanent duty in a location listed in Table 17-1 as a hardship duty area		reports PCS to the area	starts on day of arrival for duty (note 1).
2	is assigned to permanent duty in a location listed in Table 17-1 as a hardship duty area		leaves the area permanently	continues through day of departure (note 2).
3	is assigned to permanent duty in a location listed in Table 17-1 as a hardship duty area		is discharged and immediately re-enlists at the same duty station	continues to accrue.
4	is assigned to permanent duty in a location listed in Table 17-1 as a hardship duty area		is on authorized leave and remains within the area	continues to accrue.
5	is assigned to permanent duty in a location listed in Table 17-1 as a hardship duty area		is also entitled to payment of HFP/IDP during the same month	is limited to a maximum entitlement of $100 for that month.
6	is assigned to permanent duty in a location listed in Table 17-1 as a hardship duty area	official status is accompanied	leaves the area temporarily to perform more than 30 days of operational flight duty, TAD/TDY, or for hospitalization in one or more HDP – L areas	accrues at the higher area rate during the temporary assignment until return to the PDS (note 3).
7	is assigned to permanent duty in a location listed in Table 17-1 as a hardship duty area	official status is unaccompanied	leaves the area temporarily to perform more than 30 days of operational flight duty, TAD/TDY, or for hospitalization in one or more HDP – L areas	accrues at the higher area rate during the first 30 days at the temporary assignment and at the temporary area rate until return to the PDS (note 3).

Table 17-2. Hardship Duty Pay - Location Pay - Conditions of Entitlement (Continued)

RULE	When a member	and	and	then hardship duty location pay
8	is assigned to permanent duty in a location listed in Table 17-1 as a hardship duty area	official status is accompanied	leaves the area temporarily for reasons other than to perform more than 30 days of operational flight duty, TAD/TDY, or for hospitalization in one or more HDP – L areas	continues to accrue.
9	is assigned to permanent duty in a location listed in Table 17-1 as a hardship duty area	official status is unaccompanied	leaves the area temporarily for reasons other than to perform more than 30 days of operational flight duty, TAD/TDY, or for hospitalization in one or more HDP – L areas	continues for first 30 days.
10	is not assigned to permanent duty in a location listed in Table 17-1 as a hardship duty area		is on operational flight duty, TAD/TDY, or hospitalized in one or more HDP – L areas for a continuous period of more than 30 days (including date of arrival and date of departure)	accrues at the applicable area rate retroactive from the date of arrival (notes 1 and 4). Entitlement is limited to $100 when HFP or IDP is payable during the same month.
11	is entitled to hardship duty location pay for temporary assignment in an area listed in Table 17-1		leaves the area temporarily to perform more than 30 days of operational flight duty, TAD/TDY, or for hospitalization in one or more HDP – L areas	accrues at the higher area rate during the first 30 days at the follow-on assignment and then continues at the follow-on area rate until return to the original temporary area or through day of departure, if not returning (notes 3 and 4).
12	is entitled to hardship duty location pay for temporary assignment in an area listed in Table 17-1		leaves the area temporarily for reasons other than to perform more than 30 days of operational flight duty, TAD/TDY, or for hospitalization in one or more HDP – L areas	continues for first 30 days.

RULE	When a member	and	and	then hardship duty location pay
13	is entitled to hardship duty location pay for temporary assignment in an area listed in Table 17-1		leaves the area permanently	continues through day of departure (note 2).

Table 17-2. Hardship Duty Pay - Location Pay - Conditions of Entitlement (Continued)

RULE	When a member	and	and	then hardship duty location pay
14	is otherwise entitled to hardship duty location pay for assignment in an area listed in Table 17-1 as a hardship duty area		is in confinement awaiting trial by court-martial and is acquitted or has charges dismissed	accrues retroactive to first day of confinement.
15	is otherwise entitled to hardship duty location pay for assignment in an area listed in Table 17-1 as a hardship duty area		is in confinement awaiting trial by court-martial and is convicted	does not accrue from first day of confinement through the day before the date restored to full duty (note 5).
16	is otherwise entitled to hardship duty location pay for assignment in an area listed in Table 17-1 as a hardship duty area		is in confinement as result of court-martial sentence	does not accrue from first day of confinement through the day before the date restored to full duty (note 5).

Table 17-2. Hardship Duty Pay - Location Pay - Conditions of Entitlement (Continued)

NOTES:

1. If already in a location designated a hardship duty area, the day of designation starts pay for those on permanent duty. Absences from an HDP-L area of less than 24 hours do not break continuity. A member, on operational flight duty, TAD/TDY, or hospitalized in an area on the date it becomes designated for HDP – L, may count the number of consecutive days already served in that area immediately preceding the date of designation. Additionally, the member may count the number of consecutive days served in a different designated area or areas, if the member served in such area(s) immediately preceding arrival in the newly designated area. In any case, entitlement to payment for HDP – L cannot accrue for any area prior to the date it is designated.
2. Rule 3 applies when a medical evacuee has been reassigned on PCS from the designated area for medical treatment.
3. Any enroute TAD/TDY, travel time, or leave will accrue HDP-L at the PDS/prevailing area rate. HDP terminates if more than 30 days pass before a member (other than a member with accompanied status at an HDP – L PDS) reports for duty in another designated area.
4. If time from more than one designated area is combined to meet the 30-day qualifying criteria, pay the rate for the area at which the greatest time was earned during the first 30 days. After the first 30 days pay the applicable rate for the area in which duty is served, prorated if necessary.
5. Non-judicial punishment does not result in loss of HDP.

*REFERENCES

CHAPTER 17 - SPECIAL PAY - HARDSHIP DUTY

2.0 ENTITLEMENT

	37 U.S.C. § 352(a)(2)
2.1.1. through 2.1.4	DoD Instruction (DoDI) 1340.26, September 25, 2017, Change 1, Effective January 11, 2019, paragraph 4.4.a through d
	ASD (M&RA) Memo, September 26, 2017
2.2.1. through 2.2.3.	DoDI 1340.26, September 25, 2017, Change 1, Effective January 11, 2019, paragraph 4.5.a through c
	ASD (M&RA) Memo, September 26, 2017
2.3.	DoDI 1340.26, September 25, 2017, Change 1, Effective January 11, 2019, paragraph 4.6.a through c
	Department of the Army Office of the Assistant Secretary (M&RA) Memo, April 13, 2022
	Assistant Secretary of the Navy (M&RA) Memo, September 26, 2023
2.4	ASD (M&RA) Memo, March 13, 2020

3.0 RESTRICTIONS ON PAYMENT

3.1	ASD (M&RA) Memo, September 26, 2017
3.2	37 U.S.C. § 352(b)(2)
	DoDI 1340.26, September 25, 2017, Change 1, Effective January 11, 2019
	ASD (M&RA) Memo, March 13, 2020

Table 17-1 – HARDSHIP DUTY PAY - LOCATION

Afghanistan	ASD (FMP) Memo, October 31, 2001
Albania	ASD (FMP) Memo, March 13, 2002
Algeria	Office of the Under Secretary of Defense (USD) Personnel and Readiness (OUSD (P&R)) Memo, August 29, 2007
American Samoa	OUSD (P&R) Memo, June 15, 2005
Angola	OUSD (P&R) Memo, March 27, 2007 OUSD (P&R) Memo, August 29, 2007
Antarctic Region	ASD (FMP) Memo, December 21, 2000

Antigua Air Station	ASD (FMP) Memo, April 18, 2002
Arctic Circle Region	ASD (FMP) Memo, December 21, 2000
Argentina	ASD (M&RA) Memo, September 26, 2017
Armenia	ASD (FMP) Memo, December 21, 2000
Aruba	ASD (M&RA) Memo, December 10, 2021
Ascension AAF	ASD (FMP) Memo, April 18, 2002
Australia	ASD (FMP) Memo, December 21, 2000 ASD (FMP) Memo, July 11, 2002 USD (P&R) Memo, March 7, 2012
Azerbaijan	OUSD (P&R) Memo, October 31, 2007
Azores, Portugal	ASD (FMP) Memo, December 21, 2000 ASD (FMP) Memo, October 14, 2001 OUSD P&R Memo, January 28, 2004 ASD (M&RA) Memo, September 26, 2017
Bahamas	ASD (FMP) Memo, December 21, 2000 USD (P&R) Memo, March 7, 2012 ASD (M&RA) Memo, September 26, 2017
Bahrain	USD (P&R) Memo, December 31, 2013 ASD (M&RA) Memo, September 26, 2017
Bangladesh	ASD (FMP) Memo, December 21, 2000
Barbados	ASD (FMP) Memo, October 14, 2001 OUSD (P&R) Memo, August 29, 2007 ASD (M&RA) Memo, September 26, 2017
Belarus	ASD (FMP) Memo, December 21, 2000 ASD (M&RA) Memo, September 26, 2017
Belize	ASD (FMP) Memo, December 21, 2000 ASD (FMP) Memo, October 14, 2001 OUSD (P&R) Memo, January 28, 2004 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021
Benin	ASD (FMP) Memo, December 21, 2000

Bolivia	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, August 29, 2007 USD (P&R) Memo, March 7, 2012 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021
Bosnia-Herzegovina	USD (P&R) Memo, March 7, 2012 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021
Botswana	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, November 17, 2004 OUSD (P&R) Memo, August 29, 2007 USD (P&R) Memo, March 7, 2012 ASD (M&RA) Memo, December 10, 2021
Brazil	ASD (FMP) Memo, December 21, 2000 ASD (FMP) Memo, October 14, 2001 OUSD (P&R) Memo, January 28, 2004 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021
Brunei	ASD (FMP) Memo, December 21, 2000 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021
Bulgaria	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, August 5, 2003 OUSD (P&R) Memo, January 28, 2004 USD (P&R) Memo, March 7, 2012
Burkina Faso	ASD (FMP) Memo, December 21, 2000 USD (P&R) Memo, March 7, 2012 ASD (M&RA) Memo, March 29, 2023
Burma	ASD (FMP) Memo, December 21, 2000 ASD (FMP) Memo, October 14, 2001 ASD (FMP) Memo, December 28, 2001 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, May 31, 2023
Burundi	OUSD (P&R) Memo, May 10, 2005 ASD (M&RA) Memo, December 10, 2021
Cambodia	ASD (FMP) Memo, October 11, 2001 ASD (FMP) Memo, October 14, 2001

Cameroon	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, August 29, 2007 ASD (M&RA) Memo, September 26, 2017 USD (P&R) Memo, March 5, 2018 ASD (M&RA) Memo, December 10, 2021
Canada	ASD (FMP) Memo, December 21, 2000
Central African Republic	ASD (FMP) Memo, December 21, 2000
Chad	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, August 11, 2008
Chagos Archipelago	ASD (FMP) Memo, December 21, 2000 ASD (FMP) Memo, October 14, 2001 ASD (M&RA) Memo, December 10, 2021
Chile	ASD (M&RA) Memo, December 10, 2021
China	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, April 10, 2003 OUSD (P&R) Memo, January 28, 2004 OUSD (P&R) Memo, August 29, 2007 USD (P&R) Memo, March 7, 2012 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021
Colombia	USD (P&R) Memo, November 30, 2001 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021
Cook Islands	ASD (FMP) Memo, December 21, 2000
Costa Rica	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, November 17, 2004 OUSD (P&R) Memo, August 29, 2007
Cote d'Ivoire	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, March 21, 2003 ASD (M&RA) Memo, April 21, 2020
Cuba	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, October 4, 2006 ASD (M&RA) Memo, December 10, 2021
Curacao	ASD (M&RA) Memo, December 10, 2021

Democratic Republic of the Congo	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, June 7, 2005 USD (P&R) Memo, March 7, 2012
Djibouti	ASD (FMP) Memo, December 21, 2000 ASD (FMP) Memo, July 31, 2002
Dominican Republic	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, November 17, 2004 USD (P&R) Memo, March 7, 2012 ASD (M&RA) Memo, December 10, 2021
East Timor	ASD (FMP) Memo, October 11, 2001 ASD (FMP) Memo, October 14, 2001 ASD (FMP) Memo, October 31, 2001 USD (P&R) Memo, December 31, 2013
Ecuador	USD (P&R) Memo, March 7, 2012 ASD (M&RA) Memo, September 26, 2017 ASD (FMP) Memo, December 21, 2000
Egypt	ASD (FMP) Memo, January 18, 2002 OUSD (P&R) Memo, August 5, 2003 OUSD (P&R) Memo, August 29, 2007 USD (P&R) Memo, March 7, 2012
El Salvador	ASD (FMP) Memo, May 30, 2001 OUSD (P&R) Memo, November 17, 2004 OUSD (P&R) Memo, August 29, 2007 USD (P&R) Memo, March 7, 2012
Equatorial Guinea	OUSD (P&R) Memo, August 29, 2007
Eritrea	ASD (FMP) Memo, December 21, 2000 ASD (FMP) Memo, July 31, 2002 ASD (M&RA) Memo, April 21, 2020 ASD (M&RA) Memo, December 10, 2021
Estonia	ASD (FMP) Memo, December 21, 2000 ASD (M&RA) Memo, December 10, 2021
Eswatini (formerly Swaziland)	ASD (M&RA) Memo, December 10, 2021
Ethiopia	ASD (FMP) Memo, January 18, 2002

Fiji	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, January 28, 2004 USD (P&R) Memo, March 7, 2012 ASD (M&RA) Memo, September 26, 2017
Gabon	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, August 29, 2007 USD (P&R) Memo, March 7, 2012 ASD (M&RA) Memo, September 26, 2017
Gambia	ASD (FMP) Memo, December 21, 2000
Georgia	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, March 27, 2007 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021
Ghana	ASD (FMP) Memo, December 21, 2000
Greece	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, November 17, 2004 USD (P&R) Memo, March 7, 2012 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021
Greenland	ASD (FMP) Memo, December 21, 2000
Grenada	ASD (FMP) Memo, December 21, 2000
Guatemala	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, January 28, 2004 USD (P&R) Memo, March 7, 2012
Guinea	ASD (FMP) Memo, December 21, 2000
Guinea Bissau	ASD (FMP) Memo, December 21, 2000
Guyana	ASD (FMP) Memo, December 21, 2000
Haiti	USD P&R Memo, November 30, 2001 USD (P&R) Memo, December 31, 2013 ASD (M&RA) Memo, December 16, 2020
Honduras	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, November 28, 2008 USD (P&R) Memo, March 7, 2012 ASD (M&RA) Memo, September 26, 2017

Hungary	ASD (FMP) Memo, December 21, 2000
Iceland	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, August 29, 2007 USD (P&R) Memo, March 7, 2012 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021
India	ASD (FMP) Memo, December 21, 2000 ASD (FMP) Memo, October 14, 2001 OUSD (P&R) Memo, January 28, 2004 USD (P&R) Memo, March 7, 2012
Indonesia	ASD (FMP) Memo, December 21, 2000 ASD (FMP) Memo, October 14, 2001 ASD (FMP) Memo, October 31, 2001 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, April 21, 2020 ASD (M&RA) Memo, December 10, 2021
Iraq	OUSD (P&R) Memo, March 31, 2003 USD (P&R) Memo, August 23, 2010
Israel	ASD (FMP) Memo, December 21, 2000 ASD (FMP) Memo, October 14, 2001 OUSD (P&R) Memo, March 31, 2003 USD (P&R) Memo, March 7, 2012 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021 Office of the Assistant Secretary of Defense (OASD) (M&RA), Memo, February 22, 2022
Jamaica	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, August 29, 2007 ASD (M&RA) Memo, September 26, 2017
Jordan	ASD (FMP) Memo, January 18, 2002 OUSD (P&R) Memo, June 30, 2003 ASD (M&RA) Memo, June 28, 2016
Kazakhstan	ASD (FMP) Memo, December 21, 2000 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021

Kenya	ASD (FMP) Memo, December 21, 2000 ASD (FMP) Memo, October 14, 2001 ASD (FMP) Memo, May 23, 2002
Kiribati, Republic of	OUSD (P&R) Memo, February 8, 2011 ASD (M&RA) Memo, December 10, 2021
Korea, Democratic Republic of (North Korea)	ASD (FMP) Memo, December 21, 2000
Korea, Republic of (South Korea)	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, January 15, 2003 OUSD (P&R) Memo, October 23, 2003 OUSD (P&R) Memo, September 29, 2004 ASD (M&RA) Memo, December 10, 2021
Kosovo	OUSD (P&R) Memo, August 29, 2007 OUSD (P&R) Memo, March 26, 2009
Kuwait	ASD (FMP) Memo, January 18, 2002 OUSD (P&R) Memo, March 31, 2003 USD (P&R) Memo, March 7, 2012
Kyrgyzstan	ASD (FMP) Memo, December 21, 2000 ASD (FMP) Memo, October 31, 2001 USD (P&R) Memo, December 31, 2013
Laos	ASD (FMP) Memo, December 21, 2000
Latvia	ASD (FMP) Memo, December 21, 2000 ASD (M&RA) Memo, December 10, 2021
Lebanon	OUSD (P&R) Memo, November 17, 2004
Lesotho	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, November 17, 2004 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021
Liberia	OUSD (P&R) Memo, August 25, 2003 USD (P&R) Memo, March 7, 2012 USD (P&R) Memo, December 31, 2013 ASD (M&RA) Memo, December 10, 2021
Libya	OUSD (P&R) Memo, April 26, 2011

Lithuania	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, August 29, 2007 USD (P&R) Memo, March 7, 2012
Macedonia	OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, March 7, 2012
Madagascar	ASD (FMP) Memo, December 21, 2000
Malawi	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, November 17, 2004
Malaysia	ASD (FMP) Memo, October 14, 2001 ASD (M&RA) Memo, December 10, 2021
Mali	ASD (FMP) Memo, December 21, 2000 USD (P&R) Memo, February 19, 2014 USD (P&R) Memo, March 5, 2018
Malta	OUSD (P&R) Memo, August 29, 2007
Marshall Islands	ASD (FMP) Memo, December 21, 2000 USD (P&R) Memo, March 7, 2012
Mauritania	ASD (FMP) Memo, December 21, 2000
Mauritius	ASD (FMP) Memo, December 21, 2000 ASD (M&RA) Memo, December 10, 2021
Mexico	ASD (FMP) Memo, December 21, 2000 ASD (FMP) Memo, October 14, 2001 OUSD (P&R) Memo, January 28, 2004 OUSD (P&R) Memo, November 17, 2004 OUSD (P&R) Memo, August 29, 2007 USD (P&R) Memo, March 7, 2012 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021
Micronesia	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, November 17, 2004
Moldova	ASD (FMP) Memo, December 21, 2000 ASD (M&RA) Memo, September 26, 2017
Mongolia	ASD (FMP) Memo, December 21, 2000

Montenegro	OUSD (P&R) Memo, August 29, 2007 OUSD (P&R) Memo, March 26, 2009 USD (P&R) Memo, March 7, 2012 USD (P&R) Memo, December 31, 2013 ASD (M&RA) Memo, September 26, 2017
Morocco	USD (P&R) Memo, March 7, 2012 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021
Mozambique	ASD (FMP) Memo, December 21, 2000
Namibia	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, August 29, 2007
Nepal	ASD (FMP) Memo, December 21, 2000
Nicaragua	ASD (FMP) Memo, December 21, 2000 ASD (FMP) Memo, October 14, 2001 OUSD (P&R) Memo, January 28, 2004 OUSD (P&R) Memo, August 29, 2007 ASD (M&RA) Memo, September 26, 2017
Niger	ASD (FMP) Memo, December 21, 2000 USD (P&R) Memo, March 5, 2018
Nigeria	ASD (FMP) Memo, December 21, 2000
Oman	ASD (FMP) Memo, December 21, 2000 ASD (FMP) Memo, January 18, 2002 USD (P&R) Memo, March 7, 2012 ASD (M&RA) Memo, September 26, 2017
Pakistan	ASD (FMP) Memo, October 31, 2001
Palau	ASD (FMP) Memo, December 21, 2000
Panama	ASD (FMP) Memo, December 21, 2000 ASD (M&RA) Memo, September 26, 2017
Papua New Guinea	ASD (FMP) Memo, December 21, 2000
Paraguay	ASD (FMP) Memo, December 21, 2000

Peru	ASD (FMP) Memo, December 19, 2001 OUSD (P&R) Memo, January 28, 2004 OUSD (P&R) Memo, April 21, 2004 USD (P&R) Memo, March 7, 2012
Philippines	ASD (FMP) Memo, December 21, 2000 USD (P&R) Memo, March 7, 2012 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021
Portugal	ASD (M&RA) Memo, December 10, 2021
Qatar	ASD (FMP) Memo, March 28, 2002 USD (P&R) Memo, March 7, 2012 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021
Republic of the Cape Verde	ASD (FMP) Memo, December 21, 2000
Republic of the Congo	ASD (FMP) Memo, December 21, 2000 USD (P&R) Memo, March 7, 2012
Romania	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, January 28, 2004 OUSD (P&R) Memo, November 17, 2004 OUSD (P&R) Memo, August 29, 2007 USD (P&R) Memo, March 7, 2012
Russia	ASD (FMP) Memo, December 21, 2000 ASD (FMP) Memo, October 14, 2001 OUSD (P&R) Memo, November 17, 2004 OUSD (P&R) Memo, August 29, 2007 USD (P&R) Memo, March 7, 2012 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021
Rwanda	OUSD (P&R) Memo, March 30, 2005 USD (P&R) Memo, December 31, 2013 ASD (M&RA) Memo, September 26, 2017
Samoa (formerly Western Samoa)	ASD (FMP) Memo, December 21, 2000 ASD (FMP) Memo, October 14, 2001 USD (P&R) Memo, March 7, 2012
Sao Tome and Principe	ASD (FMP) Memo, December 21, 2000

Saudi Arabia	OUSD (P&R) Memo, August 5, 2003 OUSD (P&R) Memo, August 29, 2007 USD (P&R) Memo, December 31, 2013 ASD (M&RA) Memo, June 4, 2020
Senegal	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, August 29, 2007 USD (P&R) Memo, March 7, 2012
Serbia	OUSD (P&R) Memo, March 10, 2006 OUSD (P&R) Memo, August 29, 2007 OUSD (P&R) Memo, March 26, 2009 USD (P&R) Memo, December 31, 2013 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021
Sierra Leone	OUSD (P&R) Memo, June 23, 2004 OUSD (P&R) Memo, March 27, 2007
Slovakia	OUSD (P&R) Memo, November 17, 2004 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021
Solomon Islands	ASD (FMP) Memo, December 21, 2000 ASD (M&RA) Memo, December 10, 2021
Somalia	USD (P&R) Memo, March 7, 2012
South Africa	OUSD (P&R) Memo, August 29, 2007
South Sudan	Office of the ASD (M&RA) Memo, July 31, 2015
Sri Lanka	ASD (FMP) Memo, December 21, 2000 ASD (FMP) Memo, October 14, 2001 ASD (M&RA) Memo, September 26, 2017
St. Lucia	ASD (M&RA) Memo, December 10, 2021
Sudan	USD (P&R) Memo, March 7, 2012
Suriname	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, January 28, 2004 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021

Syria	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, July 31, 2003
Taiwan	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, January 28, 2004 OUSD (P&R) Memo, August 29, 2007 USD (P&R) Memo, March 7, 2012 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021
Tajikistan	ASD (FMP) Memo, October 31, 2001 USD (P&R) Memo, December 31, 2013
Tanzania	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, January 28, 2004
Thailand	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, January 28, 2004 OUSD (P&R) Memo, November 17, 2004 OUSD (P&R) Memo, August 29, 2007 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021
Togo	ASD (FMP) Memo, December 21, 2000
Trinidad and Tobago	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, August 29, 2007 OUSD (P&R) Memo, November 28, 2008 USD (P&R) Memo, March 7, 2012 ASD (M&RA) Memo, December 10, 2021
Tunisia	ASD (FMP) Memo, December 21, 2000 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021
Turkey	ASD (FMP) Memo, May 23, 2002 OUSD (P&R) Memo, August 5, 2003 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021 OASD (M&RA) Memo, February 22, 2022
Turkmenistan	ASD (FMP) Memo, December 21, 2000
Uganda	OUSD (P&R) Memo, June 23, 2004

Ukraine	ASD (FMP) Memo, December 21, 2000 OASD (M&RA) Memo, July 13, 2023
United Arab Emirates	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, August 29, 2007 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021
United States of America	
Alaska	ASD (FMP) Memo, December 21, 2000 ASD (FMP) Memo, October 31, 2001 ASD (FMP) Memo, July 1, 2002 ASD (FMP) Memo, July 11, 2002 ASD (FMP) Memo, September 26, 2002 OUSD (P&R) Memo, February 23, 2006 OUSD (P&R) Memo, July 28, 2008 USD (P&R) Memo, March 7, 2012
Uruguay	ASD (M&RA) Memo, December 10, 2021
Uzbekistan	ASD (FMP) Memo, December 21, 2000 ASD (FMP) Memo, October 31, 2001 USD (P&R) Memo, December 31, 2013
Vanuatu	OUSD (P&R) Memo, August 29, 2007 ASD (M&RA) Memo, December 10, 2021
Venezuela	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, January 28, 2004 OUSD (P&R) Memo, November 28, 2008
Vietnam	ASD (FMP) Memo, December 21, 2000
Wake Island	OASD (M&RA) Memo, November 22, 2017
Western Sahara	ASD (FMP) Memo, November 27, 2001
Yemen	ASD (FMP) Memo, January 18, 2002 OUSD (P&R) Memo, January 28, 2004
Zambia	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, August 29, 2007 USD (P&R) Memo, March 7, 2012 ASD (M&RA) Memo, December 10, 2021

Zimbabwe	ASD (FMP) Memo, December 21, 2000 ASD (FMP) Memo, October 14, 2001 OUSD (P&R) Memo, July 30, 2003 OUSD (P&R) Memo, August 29, 2007 ASD (M&RA) Memo, December 10, 2021

Table 17-2 – HARDSHIP DUTY PAY - LOCATION – CONDITIONS OF ENTITLEMENT

Rule 5	OUSD (P&R) Memo, February 15, 2007
Rule 10	OUSD (P&R) Memo, February 15, 2007
Notes 1 & 3	OUSD (P&R) Memo, March 31, 2003

VOLUME 7A, CHAPTER 18: "SPECIAL PAY – CAREER SEA PAY (CSP)"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated May 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision
3.3	Added the "Duration of Authority" subparagraph in accordance with the National Defense Authorization Act (NDAA) for Fiscal Year 2024, Public Law 118-31, section 613, dated December 22, 2023. Also updated the termination date on the Duration of Authority table on DFAS.mil.	Addition
References	Updated statutes and supporting references.	References

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CHAPTER 18

SPECIAL PAY – CAREER SEA PAY (CSP)

1.0 GENERAL

1.1 Purpose

This chapter establishes policy pertaining to CSP and CSP-Premium (CSP-P).

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Title 37. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 PROVISIONS

2.1 Entitlement

A member who is entitled to basic pay is entitled to CSP and CSP-P while serving on sea duty under regulations prescribed by the Office of the Secretary of Defense, Secretary of the Military Department concerned, and the provisions of this chapter.

2.2 Definitions

2.2.1. CSP. CSP is special pay for recognition of the greater than normal rigors of assignment to sea duty.

2.2.2. CSP-P. CSP-P is special pay that is in addition to CSP and is paid for unusually long periods of continuous sea duty. A member entitled to CSP who has served 36 consecutive months of sea duty is also entitled to CSP-P for the 37th consecutive month and each subsequent consecutive month of sea duty served.

2.2.3. Sea Duty. Sea duty, for the purpose of entitlement to CSP and CSP-P, is duty performed by a member under orders:

2.2.3.1. While permanently assigned for duty to a ship, ship-based staff, or ship-based aviation unit and serving on a ship with a primary mission that is accomplished underway (includes ships designated as destroyers or submarine tenders). Periods when the member is on temporary duty (TDY), on leave, hospitalized, or otherwise temporarily absent under orders, not to exceed the first 30 consecutive days of each occurrence, are also counted;

2.2.3.2. While temporarily assigned for duty to a ship, ship-based staff, or ship-based aviation unit and serving on a ship with a primary mission that is accomplished underway (includes ships designated as destroyers or submarine tenders);

2.2.3.3. While permanently or temporarily assigned for duty to a ship or ship-based staff and serving on a ship with a primary mission that is accomplished in port, but only during that period while the ship is away from its homeport. A ship is considered to be away from its homeport whenever it is at sea or is in a port that is more than 50 miles from its homeport; or

2.2.3.4. While serving as a member of the off-crew of a two-crewed vessel.

2.2.4. Cumulative Sea Duty (CSD). CSD is the total time a member has been assigned to qualifying sea duty during their service career, regardless of pay grade. Additionally, it will include all time during which a member is assigned to a ship or ship-based staff and actually served on a ship with a primary mission that is accomplished in port, regardless of whether the ship is at sea or away from homeport.

2.2.5. Ship. Ship, for the purpose of entitlement to CSP and CSP-P, means a self-propelled vessel in an active status, in commission, or in-service.

3.0 CONDITIONS OF ENTITLEMENT

3.1 General Conditions

The general conditions of entitlement to CSP are listed in Table 18-1. Additionally, entitlement to and the rate of CSP is dependent upon the branch of service, pay grade, and total CSD applicable to the member. All members in pay grades E-1 through O-6 are eligible for payment of CSP, except commissioned officers of the Army and Air Force with 3 or less years of CSD and enlisted members of the Air Force in pay grades below E-4.

3.2 CSP-P Conditions

The conditions of entitlement to CSP-P require the member to first be entitled to CSP. The CSP-P is in addition to CSP; however, for certain pay grades, it has been included in the CSP rate tables and is not payable as a separate item. When payable as a separate item, CSP-P accrues from the first day following the completion of the 36th month of consecutive sea duty and will be prorated if beginning on other than the first day of a calendar month.

> Example: A member beginning a period of sea duty on January 15, 2011 would accrue CSP-P beginning January 15, 2014. The CSP-P is payable for the 37th and each subsequent consecutive month of sea duty regardless of the member's pay grade when the sea duty began, provided the member is concurrently entitled to CSP.

3.2.1. The following members of the Navy and Marine Corps may become entitled to CSP-P as a separate item of pay:

3.2.1.1. All officers in pay grades O-1 through O-6;

3.2.1.2. All warrant officers;

3.2.1.3. All enlisted members in pay grades E-1 through E-4; and

3.2.1.4. All enlisted members in pay grades E-5 through E-9 with not over 8 years of CSD.

3.2.2. The following members of the Army may become entitled to CSP-P as a separate item of pay:

3.2.2.1. All officers in pay grades O-1 through O-6; and

3.2.2.2. All enlisted members in pay grades E-1 through E-3.

3.2.3. The following members of the Air Force may become entitled to CSP-P as a separate item of pay:

3.2.3.1. All officers in pay grades O-1 through O-6;

3.2.3.2. All enlisted members in pay grade E-4; and

3.2.3.3. All enlisted members in pay grades E-5 through E-9 with not over 5 years of CSD.

3.2.4. Members not addressed in subparagraphs 3.2.1, 3.2.2, and 3.2.3, have CSP-P already included in their applicable CSP rate table or are otherwise not eligible to receive a separate CSP-P payment.

*3.3 Duration of Authority

Unless authorized by Congress, no CSP or CSP-P payment may be paid after the termination date on the ***Duration of Authority*** table.

4.0 RATES PAYABLE

4.1 CSP

The Secretary concerned will prescribe the monthly rates for special pay applicable to members of each Military Service under the Secretary's jurisdiction. The monthly rate may not exceed $750.

4.1.1. The monthly rates of CSP for members of the Army are in Table 18-2.

4.1.2. The monthly rates of CSP and CSP-P (for E-5 through E-9 with over 8 years of CSD) for members of the Navy and Marine Corps are listed in Table 18-3.

4.1.3. The monthly rates of CSP for members of the Air Force are listed in Table 18-4.

4.2 CSP-P

The Secretary concerned will prescribe the monthly rate for CSP-P applicable to members of each Military Service under the Secretary's jurisdiction. The monthly rate may not exceed $350.

5.0 RESTRICTIONS

5.1 En route and Transport Restrictions

Do not credit time for sea duty and do not pay CSP or CSP-P to members en route to or from ships outside the Continental United States or onboard a ship for transportation, regardless of the length of the period. This restriction applies to the periods prior to a member reporting for permanent duty and after being permanently detached from duty onboard a ship.

5.2 Midshipmen and Cadet Members

Do not credit time for sea duty and do not pay CSP or CSP-P to midshipmen, aviation cadets, or academy cadets.

5.3 Navy and Marine Corps Members

Do not pay CSP-P to Navy and Marine Corps members entitled to CSP in Table 18-3 for duty if in pay grades E-5 through E-9 with over 8 years of CSD.

5.4 Army Members

Do not pay CSP-P to Army members entitled to CSP in Table 18-2 for duty:

5.4.1. Between October 1, 2002 and June 30, 2003 if in pay grades E-5 through E-9; or

5.4.2. On or after July 1, 2003 if in pay grades E-4 through E-9 or W-1 through W-5.

5.5 Air Force Members

Do not pay CSP-P to Air Force members entitled to CSP in Table 18-4 for duty if in pay grades E-5 through E-9 with over 5 years of CSD.

Table 18-1. CSP – Conditions of Entitlement

RULE	When an eligible member	is serving on a ship whose primary mission is accomplished		and	then CSP
		underway	in port		
1	reports for permanent duty defined as sea duty and	X			starts on reporting date.
2	reports for permanent duty defined as sea duty and		X	member is onboard when ship departs from homeport	accrues from departure date.
3	reports for permanent duty defined as sea duty and		X	member reports onboard while ship is away from homeport	accrues from reporting date.
4	is detached from permanent duty defined as sea duty and	X	X		terminates on detachment date, provided member is otherwise entitled on that date.
5	is discharged while on sea duty and	X	X	immediately reenlists onboard	continues to accrue, provided member is otherwise entitled.
6	on sea duty is entitled to CSP and		X	ship returns to homeport	accrues through the date the ship returns to homeport.
7	on sea duty	X		is on TDY, temporary additional duty (TAD), temporarily based ashore, under orders, or hospitalized ashore (note 1)	accrues during the first 30 days member is in such status.
8	on sea duty		X	is on TDY, TAD, temporarily based ashore, under orders, or hospitalized ashore (note 1)	accrues during the first 30 days member is in such status, provided member is otherwise entitled and ship remains away from its homeport (note 2).
9	on sea duty is on authorized leave and	X	X		accrues for the first 30 days of leave if otherwise entitled. There is no accrual during terminal leave.
10	is based on or stationed ashore and	X		the type of duty is TAD or TDY	accrues from reporting date through detachment date (note 3).

Table 18-1. CSP – Conditions of Entitlement (Continued)

RULE	When an eligible member	is serving on a ship whose primary mission is accomplished		and	then CSP
		underway	in port		
11	is based on or stationed ashore and		X		accrues as indicated in rules 2 and 3, as applicable, and terminates when the ship returns to homeport or detachment date if ship remains away from homeport.
12	is suspended or otherwise removed from duty or confined awaiting trial by court-martial and	X	X	is acquitted or charges are dismissed	accrues retroactively from first day of confinement, suspension, or removal from duty, provided member is otherwise entitled.
13	is suspended or otherwise removed from duty or confined awaiting trial by court-martial and	X	X	is convicted	does not accrue beginning first day of confinement, suspension, or removal from duty through day prior to date of return to duty (note 4).
14	is confined as a result of court-martial and	X	X		does not accrue beginning first day of confinement through day prior to date of release from confinement (note 4).
15	is permanently or temporarily assigned to duty on a ship which is undergoing alterations or repairs and	X	X (note 5)	ship remains in an active status (in commission or in-service) (note 6)	continues to accrue.
16	is permanently or temporarily assigned to duty on a ship undergoing inactivation processing and	X	X		stops when the ship reverts to inactive status.
17	is assigned to a Fleet Marine Force unit based on or stationed ashore and	X		the type of duty is TAD or TDY	accrues from the embarkation date through the debarkation date (note 3).

Table 18-1. CSP – Conditions of Entitlement (Continued)

NOTES:

1. "Temporarily based ashore" refers to a ship-based aviation unit or ship-based staff that has landed ashore with intent to return to a ship.
2. Entitlement terminates when the ship returns to the homeport.
3. Further TAD/TDY ashore from ship will not interrupt CSP entitlement for the first 30 days member is in such status, provided member is otherwise entitled and returns to the ship.
4. Where sentence is changed to restriction to ship and member performs duty, CSP is resumed. Nonjudicial punishment does not result in loss of CSP.
5. Entitlement accrues only when the ship is away from the homeport.
6. Chief of Naval Operations Instruction (OPNAVINST) 4700.8L series defines ship status assignments for U.S. Naval ships.

Table 18-2. Monthly CSP Rates – Army
Effective October 1, 2002

Pay Grade	*Cumulative Years of Sea Duty*								
	1 or less	Over 1	Over 2	Over 3	Over 4	Over 5	Over 6	Over 7	Over 8
O-6				225	230	230	240	255	265
O-5				225	225	225	225	230	245
O-4				185	190	200	205	215	220
O-3				150	160	185	190	195	205
O-2				150	160	185	190	195	205
O-1				150	160	185	190	195	205
W-5	210	210	210	310	338	506	534	534	534
W-4	210	210	210	310	338	506	534	534	534
W-3	210	210	210	310	338	478	492	499	506
W-2	210	210	210	310	338	464	471	471	478
W-1	182	189	196	310	338	345	380	450	478
E-9	130	130	156	328	347	425	425	458	477
E-8	130	130	156	328	347	425	425	458	477
E-7	130	130	156	328	347	425	425	458	477
E-6	130	130	156	295	321	380	393	425	425
E-5	65	78	156	295	321	380	393	425	425
E-4	65	78	156	295	308	308	308	308	308
E-3	50	60	120	150	160	170	190	190	190
E-2	50	60	120	150	160	170	170	170	170
E-1	50	60	120	150	160	160	160	160	160

NOTES:
1. Do not pay CSP-P to Army members entitled to CSP for duty between October 1, 2002 and June 30, 2003 if in pay grades E-5 through E-9.
2. Do not pay CSP-P to Army members entitled to CSP for duty on or after July 1, 2003 if in pay grades E-4 through E-9 or W-1 through W-5.

Table 18-2. Monthly CSP Rates – Army (Continued)
Effective October 1, 2002

Pay Grade	*Cumulative Years of Sea Duty*								
	Over 9	**Over 10**	**Over 11**	**Over 12**	**Over 13**	**Over 14**	**Over 16**	**Over 18**	**Over 20**
O-6	280	290	300	310	310	325	340	355	380
O-5	250	260	265	265	265	285	300	315	340
O-4	220	225	225	240	240	270	280	290	300
O-3	215	225	225	240	240	260	270	280	290
O-2	215	225	225	240	240	250	260	270	280
O-1	215	225	225	240	240	250	260	270	280
W-5	534	590	625	660	660	730	730	730	730
W-4	534	590	625	660	660	730	730	730	730
W-3	534	590	625	660	660	695	695	695	695
W-2	534	576	576	625	625	625	625	625	625
W-1	520	555	555	555	555	555	555	555	555
E-9	490	490	503	516	555	588	620	646	646
E-8	490	490	503	516	555	588	620	646	646
E-7	490	490	503	516	555	588	620	620	620
E-6	445	445	445	464	484	503	523	555	555
E-5	425	425	425	425	425	425	425	425	425
E-4	308	308	308	308	308	308	308	308	308
E-3	190	190	190	190	190	190	190	190	190
E-2	170	170	170	170	170	170	170	170	170
E-1	160	160	160	160	160	160	160	160	160

NOTES:
1. Do not pay CSP-P to Army members entitled to CSP for duty between October 1, 2002 and June 30, 2003 if in pay grades E-5 through E-9.
2. Do not pay CSP-P to Army members entitled to CSP for duty on or after July 1, 2003 if in pay grades E-4 through E-9 or W-1 through W-5.

Table 18-3. Monthly CSP and CSP-P – Navy and Marine Corps
Effective May 1, 2014

Pay Grade	*Cumulative Years of Sea Duty*								
	1 or less	Over 1	Over 2	Over 3	Over 4	Over 5	Over 6	Over 7	Over 8
O-6	100	100	100	394	400	400	419	450	463
O-5	100	100	100	394	394	394	394	400	431
O-4	100	100	100	325	331	350	356	375	388
O-3	100	100	100	263	281	325	331	344	356
O-2	100	100	100	263	281	325	331	344	356
O-1	100	100	100	263	281	325	331	344	356
W-5	210	210	210	263	300	506	544	544	544
W-4	210	210	210	263	300	506	544	544	544
W-3	210	210	210	263	300	475	494	500	506
W-2	210	210	210	263	300	456	463	463	475
W-1	180	190	195	263	300	306	350	438	475
E-9	135	135	160	381	400	438	438	469	688
E-8	135	135	160	381	400	438	438	469	688
E-7	135	135	160	381	400	438	438	469	688
E-6	135	135	160	350	375	394	406	438	638
E-5	70	80	160	350	375	394	406	438	638
E-4	70	80	160	350	363	363	363	363	488
E-3	50	60	100	125	125	125	125	125	125
E-2	50	60	75	94	94	94	94	94	94
E-1	50	50	50	63	63	63	63	63	63

NOTE: CSP-P is $200 per month. Do not pay CSP-P to pay grades E5 through E9 with over 8 years of CSD. CSP-P is included in their CSP.

Table 18-3. Monthly CSP and CSP-P – Navy and Marine Corps (Continued)
Effective May 1, 2014

Pay Grade	*Cumulative Years of Sea Duty*								
	Over 9	**Over 10**	**Over 11**	**Over 12**	**Over 13**	**Over 14**	**Over 16**	**Over 18**	**Over 20**
O-6	494	506	525	544	544	569	594	625	669
O-5	438	456	463	463	463	500	525	550	594
O-4	388	394	394	419	419	475	494	506	525
O-3	375	394	394	419	419	456	475	494	506
O-2	375	394	394	419	419	438	456	475	494
O-1	375	394	394	419	419	438	456	475	494
W-5	544	613	656	700	700	750	750	750	750
W-4	544	613	656	700	700	750	750	750	750
W-3	544	613	656	700	700	744	744	750	750
W-2	544	594	594	656	656	700	700	700	700
W-1	525	569	569	594	594	631	656	656	656
E-9	700	700	713	725	750	750	750	750	750
E-8	700	700	713	725	750	750	750	750	750
E-7	700	700	713	725	750	750	750	750	750
E-6	656	656	656	675	694	713	731	750	750
E-5	638	638	638	638	638	638	638	638	638
E-4	488	488	488	488	488	488	488	488	488
E-3	125	125	125	125	125	125	125	125	125
E-2	94	94	94	94	94	94	94	94	94
E-1	63	63	63	63	63	63	63	63	63

NOTE: CSP-P is $200 per month. Do not pay CSP-P to pay grades E5 through E9 with over 8 years of CSD. CSP-P is included in their CSP.

Table 18-4. Monthly CSP Rates – Air Force
Effective May 1, 1988

Pay Grade	*Cumulative Years of Sea Duty* (See Note)								
	1 or less	Over 1	Over 2	Over 3	Over 4	Over 5	Over 6	Over 7	Over 8
O-6				225	230	230	240	255	265
O-5				225	225	225	225	230	245
O-4				185	190	200	205	215	220
O-3				150	160	185	190	195	205
O-2				150	160	185	190	195	205
O-1				150	160	185	190	195	205
E-9	100	100	120	175	190	350	350	375	390
E-8	100	100	120	175	190	350	350	375	390
E-7	100	100	120	175	190	350	350	375	390
E-6	100	100	120	150	170	315	325	350	350
E-5	50	60	120	150	170	315	325	350	350
E-4	50	60	120	150	160	160	160	160	160

Table 18-4. Monthly CSP Rates – Air Force (Continued)
Effective May 1, 1988

Pay Grade	*Cumulative Years of Sea Duty* (See Note)								
	Over 9	Over 10	Over 11	Over 12	Over 13	Over 14	Over 16	Over 18	Over 20
O-6	280	290	300	310	310	325	340	355	380
O-5	250	260	265	265	265	285	300	315	340
O-4	220	225	225	240	240	270	280	290	300
O-3	215	225	225	240	240	260	270	280	290
O-2	215	225	225	240	240	250	260	270	280
O-1	215	225	225	240	240	250	260	270	280
E-9	400	400	410	420	450	475	520	520	520
E-8	400	400	410	420	450	475	500	520	520
E-7	400	400	410	420	450	475	500	500	500
E-6	365	365	365	380	395	410	425	450	450
E-5	350	350	350	350	350	350	350	350	350
E-4	160	160	160	160	160	160	160	160	160

NOTE: Do not pay CSP-P to Air Force members in pay grades E-5 through E-9 with over 5 years of CSD.

*REFERENCES

CHAPTER 18 – SPECIAL PAY – CAREER SEA PAY (CSP)

2.0 – PROVISIONS

2.1	Title 37, United States Code, section 352 DoD Instruction (DoDI) 1340.26, September 25, 2017, Change 1, Effective, January 11, 2019

3.0 – CONDITIONS OF ENTITLEMENT

3.3	National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2024, Public Law 118-31, section 613, December 22, 2023

4.0 – RATES PAYABLE

4.2	DoDI 1340.26, paragraph 4.9.c, September 25, 2017, Change 1, Effective, January 11, 2019

5.0 – RESTRICTIONS

5.1	DoDI 1340.26, paragraph 4.9.d, September 25, 2017, Change 1, Effective, January 11, 2019
Table 18-1	Office of the Chief of Naval Operations Instruction 4700.8L, June 15, 2021
Table 18-2	Assistant Secretary of the Army Manpower and Reserve Affairs (M&RA) Memo, September 20, 2002
Table 18-3	OPNAVINST 7220.14, December 24, 2005 Secretary of the Navy Memo, March 4, 2014 Assistant Secretary of the Navy (M&RA) Memo, April 11, 2014
Table 18-4	Public Law 100-180, section 621, December 4, 1987

VOLUME 7A, CHAPTER 19: "FOREIGN LANGUAGE PROFICIENCY BONUS (FLPB)"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated March 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
2.0	Revised the "FLPB Entitlement" section to include implementation of "Table 1 FLPB Monthly Payment Calculated by Critical Skill Modality Proficiency (Table 1)" to comply with DoD Instruction (DoDI) 1340.27, dated August 17, 2022.	Revision
2.4	Replaced the "FLPB Installment Rates" table with "Table 1" table on DFAS.MIL in accordance with the DoDI 1340.27, dated August 17, 2022.	Revision
3.5	Updated the termination date for the "Duration of Authority" table on DFAS.MIL to comply with the National Defense Authorization Act for Fiscal Year 2022, Public Law 118-31, dated January 3, 2023.	Revision
References	Updated supporting statutes and references.	Revision

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CHAPTER 19

FOREIGN LANGUAGE PROFICIENCY BONUS (FLPB)

1.0 GENERAL

1.1 Purpose

This chapter establishes policy pertaining to FLPB for members of an Active Component (AC) or Reserve Component (RC) of the Military Services (less the Coast Guard).

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), including Title 37. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

*2.0 FLPB ENTITLEMENT

2.1 Eligibility for Payment

The Secretary of the Military Department concerned will pay FLPB, in accordance with ***Title 37, U.S.C., section 353(b)***, to a Service member who is:

2.1.1. Entitled to basic pay pursuant to ***37 U.S.C. § 204***;

2.1.2. A member of the National Guard who is not a Reserve of the Army or the Air Force, who is participating in full-time training, training duty with pay, or other full-time duty, provided by law, including participation in exercises or the performance of duty under ***10 U.S.C § 10302***, ***10 U.S.C. § 10305***, ***10 U.S.C. § 10502***, ***10 U.S.C. § 12402***, or ***32 U.S.C. § 503***, ***32 U.S.C. § 504***, ***32 U.S.C. § 505***, ***32 U.S.C. § 506***; or

2.1.3. Entitled to compensation pursuant to ***37 U.S.C. § 206*** (See Chapter 58, paragraphs 2.1 and 4.2 for Service-specific instructions and other criteria (other than drill pay) that satisfies qualifying compensation in accordance with 37 U.S.C. § 206); or

2.1.4. Determined to have and is maintaining certified foreign language or dialect proficiency in accordance with ***37 U.S.C. § 353(b)(1)(B)*** in a skill the Secretary of the Military Department designates as critical.

2.1.5. A critical language skill is:

2.1.5.1. Required by any Service language–related career field or military specialty, designated by a Secretary of the Military Department, where the Service member's primary duties require an Interagency Language Roundtable (ILR) skill level 2+ or higher level (ILR skill level 2 and higher for special operations forces (SOF) personnel, but only if the Service has those SOF language requirements) of proficiency in a foreign language that directly supports the national defense strategy or Service-specific language-related missions.

2.1.5.2. A foreign language on the DoD or Service Strategic Language List or any foreign language for which the Secretary of the Military Department has language-designated requirements.

2.1.6. The member must execute a written agreement with the Secretary concerned that includes:

2.1.6.1. The amount of FLPB awarded;

2.1.6.2. The period for which the FLPB will be paid;

2.1.6.3. The initial certification or recertification necessary for the FLPB payment; and

2.1.6.4. The repayment provision discussing repayment of the unearned portion of any remaining FLPB if the member does not satisfy the eligibility and certification requirements for the length of the written agreement.

2.2 RC Eligibility

2.2.1. In order to receive FLPB a member of an RC must:

2.2.1.1. Meet the eligibility and proficiency requirements outlined in paragraphs 2.1, 2.3, 2.6, and 2.7; and

2.2.1.2. Fulfill the minimum annual service requirements for retirement eligibility, as defined in ***10 U.S.C. § 12732***, unless waived by the Secretary of the Military Department concerned.

2.2.2. An RC member must earn a minimum of 50 retirement points, regardless of the RC source, in each full anniversary year to have that year count as creditable towards verification of the total years of qualifying service for non-regular retired pay and payment of FLPB.

2.2.2.1. A partial qualifying year is any period of less than 12 full months during which the RC member earns a prorated share of the required 50 retirement points and earns an identical prorated share (or smaller percentage of full FLPB annual payment) of FLPB.

2.2.2.2. An RC member who performs a partial qualifying year of less than 12 full months and earns less than 50 retirement points in a year will have their FLPB prorated at a value of 2 percent for each retirement point less than 50 points.

2.2.3. The total of FLPB paid to an RC member who is in good standing and has not been adjudicated as an unsatisfactory performer in the previous 12 months, must equal the annual FLPB paid to an AC member with the same certified language proficiency.

2.2.3.1. For RC members, the requirement to attain 50 retirement points is waived for FLPB calculation if the Service member separates before 12 months in the anniversary year. The RC member will be paid the standard FLPB monthly allotment for months in good standing, with the last month of service prorated if separation occurs before the last day of the month. A separating RC member who serves the entire 12 months of the anniversary year must earn 50 points to collect the last month of FLPB prior to separation.

2.2.3.2. RC members in a separation year, who are no longer in good standing will have their FLPB terminated in the month in which they are determined to be no longer "in good standing."

2.2.4. Members of the Ready Reserve who are transferred to the Standby Reserve, in accordance with DoDIs ***1200.07*** and ***1304.31***, will have their bonus suspended during this period and will not be entitled to any future bonus payments while in the Standby Reserve. This suspension period may not exceed 1 year. In cases with unusual and extenuating circumstances, the Secretary of the Military Department concerned may grant a one-time suspension up to 3 years on a case-by-case basis. If a member is transferred back to the Ready Reserve with the same skill for which they had previously contracted, they may be reinstated in the bonus program.

2.2.4.1. To qualify, Service members must extend their term of service, or service obligation, to serve the original bonus agreement period.

2.2.4.2. Subsequent payment entitlement will resume on the adjusted anniversary date of satisfactory and creditable Reserve service. The date must be adjusted for the period spent in the Standby Reserve.

2.2.4.3. Failure to report after a suspension period or not meeting reinstatement criteria in accordance with the bonus agreement will result in bonus termination and repayment of any unearned bonus money. See paragraph 3.3 for additional information.

2.3 Certification

2.3.1. Approved DoD Certification Method Associated with FLPBs

The Secretary of the Military Department must use the DoD-approved Defense Language Proficiency (DLP) System of tests in accordance with ***DoDI 5160.71*** to certify their Service members proficient in foreign language or dialect proficiency for FLPB payment.

2.3.2. Annual Certification Expiration Date Calculation of Foreign Language or Dialect Proficiency

2.3.3. In accordance with ***37 U.S.C. § 353(d)(2)***, the certification of a Service member's foreign language or dialect proficiency must expire 1-year from the first day of the first month beginning on or after the certification date, unless they are recertified or excepted.

2.3.3.1. For example, if a Service member certifies proficient for a FLPB payment on January 2, 2021, their recertification date is calculated to be February 1, 2022. First, the 1-year calculation is applied to reach January 2, 2022. The first day of the first month beginning on or after January 2, 2022, is February 1, 2022.

2.3.3.2. In the event that FLPB eligibility requires two or more modalities, the test date of the last modality received should be used to calculate the start payment date and the recertification (stop payment) date for FLPB. All testing should be completed within a consecutive 30-day period. For example, a Service member scores an L2+ on January 2, 2022, and an S2 on January 31, 2022. The effective FLPB start date would be January 31, 2022.

2.3.4. In accordance with ***37 U.S.C. § 353(d)(1)***, Service members receiving FLPB must recertify annually in the foreign language or dialect for which they are receiving a FLPB. (See exceptions and a waiver in paragraphs 2.6 through 2.8). The Secretary of the Military Department concerned may retest Service members in accordance with DoDI 5160.71, paragraph 2.6.h. (See DoDI 5160.71 for other Secretary of the Military Department concerned retest qualifying events).

*2.4 FLPB Pay Table

2.4.1. Table 1 incorporates must-pay and may-pay FLPB policies for the Secretary of the Military Department concerned to calculate and pay one monthly payment of FLPB based on the Service member's critical skill of possessing certified proficiency at and above ILR skill level 2+ (or 2 for SOF), by modality skill. (See ***Table 1***.) Specifically, Table 1 is grouped by ILR skill level proficiencies (from 1 to 4 or higher) and modalities (L, R, and S). Table 1 allows the Secretary of Military Department to calculate a single FLPB monthly payment, not to exceed $1,000, for any possible ILR skill level proficiency (except ILR skill 0 and 0+) and any single modality or combination of modalities (except for the writing modality) associated with critical skill requirements.

2.4.2. The Secretary of the Military Department must pay FLPB to their Service members serving in language professional career fields that require Service members to have certified foreign language proficiency at and above ILR skill level L2+, R2+, or S2 to perform their primary language related duties. Applicable DoD or Service instructions establish required FLPB-related modalities associated with these career fields.

2.4.2.1. Must-pay language professional career fields or military specialties include Service:

2.4.2.1.1. Cryptologic Language Analysts (CLAs).

2.4.2.1.2. Foreign area officers (FAOs).

2.4.2.1.3. Defense Threat Reduction Agency interpreters and translators.

2.4.2.1.4. Other select Service language professional career fields or military specialties designated by the Secretary of the Military Department concerned.

2.4.2.2. Additionally, the Secretary of the Military Department concerned must pay:

2.4.2.2.1. Service SOF personnel at and above ILR skill level 2 (but only if the Service has documented SOF language requirements at ILR skill level 2 and above). The applicable Service FLPB instruction establishes required FLPB payable modalities associated with SOF personnel.

2.4.2.2.2. All Service members who are ILR skill level S2 proficient or above in their primary language and have speaking as a required modality associated with their primary language-related duties.

2.4.3. For all other Service members with a certified foreign language proficiency below ILR skill level L2+, R2+, or S2 who are not designated as a must pay FLPB recipient, the Secretary of the Military Department may or may not pay FLPB.

2.4.3.1. If paid at ILR skill levels 1 or 1+ in any modality or at ILR skill level 2 in listening or reading, the Secretary of the Military Department may choose to pay only one of the monthly modality FLPB dollar amounts depicted in Table 1. For example, an L1+ modality and proficiency combination may either be calculated at one of the three payment amounts depicted for L1+ ($0, $50 or $80).

2.4.3.2. The Secretary of the Military Department has discretion to pay or not pay FLPB to their Service members who have additional or multiple certified foreign language or dialect proficiencies.

2.4.3.3. FLPB payment calculation for a certified S2 or higher score, to any Service member whose required modalities do not include speaking, is at the Secretary of the Military Department's discretion.

2.4.4. Pay table calculation and must pay, may pay or may not pay examples:

2.4.4.1. The Secretary of the Military Department has discretion to calculate a monthly FLPB payment for one, two or three skill modalities associated with the Service member's certified language proficiency in those modalities (L, R, and/or S) that the Service Secretary determines are critical to performing their language-related duties. In Table 1, ILR skill levels with a single dollar amount depicted are "must pay" and 2 or 3 dollar amounts depicted are "may or may not pay" FLPB policies for the Secretary of the Military Department.

2.4.4.2. A CLA scores L2+/R3 on a DLP Test (DLPT). The Secretary of the Military Department "must pay" FLPB for L2+($200) and R3+($300). Testing and payment of FLPB for S1-S5 is at the discretion of the Secretary of the Military Department.

2.4.4.3. Another CLA scores L2/R2 on a DLPT. The Secretary of the Military Department "may or may not pay" FLPB for L2 (at $0, $50 or $100) and R2 (at $0, $50 or $100) in accordance with Service FLPB policy. Testing and payment of FLPB for S1-S5 is at the discretion of the Secretary of the Military Department.

2.4.4.4. Similarly, a FAO scores L2/R2 on a DLPT and an S2+ on an oral proficiency interview (OPI). The Secretary of the Military Department "may or may not pay" FLPB for L2 (at $0, $50 or $100) and R2 (at $0, $50 or $100) in accordance with Service FLPB policy. In accordance with DoDI 1315.20, FAOs must take an OPI every 2 years. The S2 is "must pay" at $100.

2.4.4.5. A linguist scores L1/R1+ on a Very Low Range DLPT and an L1+/S1+ on a 2SOPI. Because of Note 2 in Table 1, the linguist's scores are now L1+ (inferred listening from the 2SOPI)/R1+/S1+. The linguist requires L and S proficiency as part of their military duties, so the Secretary of the Military Department "may or may not pay" FLPB for L1+ (at $0, $50 or $80) and S1+ (at $0, $50 or $80). FLPB payment for the R1+ (at $0, $50 or $80) is at the discretion of the Secretary of the Military Department.

2.4.4.6. Another linguist scores an L2/S2 on a 2SOPI. S2 is a "must pay" FLPB calculation requirement, so FLPB for the S2 is $100. The L2 is a "may or may not pay" at $0, $50, or $80.

2.4.4.7. A FAO scores L2/R2 on a DLPT and an S3 on an OPI. The FAOs scores are now L2/R2/S3. For the L2 and R2, the Secretary of the Military Department "may pay" $0, $50 or $100 for each L2 and R2 modality. In this example, the Secretary of the Military Department options to pay FLPB at $100 for both the L2 and R2 (or $200). Additionally, the S3 is "must pay" at $300, so this FAO's total FLPB is $500 per month.

2.4.5. Additional payment considerations:

2.4.5.1. For Service members who have a combination of must-pay and may-pay ILR skill proficiencies and modalities (e.g., L2+ (must pay) and R2 (may pay)), the Secretary of the Military Department must pay for the L2+ but may pay or not pay for the R2. If the R2 is not calculated in the monthly payment by the Secretary concerned, the Service member would only receive a monthly FLPB payment for the L2+ alone.

2.4.5.2. Pursuant to *37 U.S.C. § 353(c)(2)*, the Secretary of the Military Department concerned may not vary the criteria or rates for FLPB paid for officers and enlisted members.

Note: Upon publication of the chapter, the Military Department must cease use of FLPB pay table rates associated with cancelled DoDI 1340.27, dated May 21, 2013, and commence use of Table 1 for setting FLPB amounts upon certification or recertification by a Service member. Monthly FLPB rates set prior to or during the transition remain in effect until reset following recertification.

2.5 Maximum Amounts and Payment Methods

2.5.1. The FLPB may not exceed $12,000 per 1-year certification period. The Secretary of the Military Department concerned may pay a bonus in monthly installments (not to exceed an aggregate of $1,000 per month) or a lump sum during the certification period.

2.6 Waiver of Certification of Proficiency Recertification Interrupted by a Contingency Operation

2.6.1. The Secretary of the Military Department concerned may waive the annual certification requirements and pay a FLPB to a Service member who:

2.6.1.1. Is assigned to duty in connection with contingency operation.

2.6.1.2. Is unable to schedule or complete the certification test because of that assignment.

2.6.1.3. Except for the lack of such certification, satisfies the eligibility requirements cited in paragraphs 2.1 and 2.2.

2.6.2. The Secretary of the Military Department concerned may treat the date the Service member was assigned to duty in connection with the contingency operation as equivalent to a recertification date.

2.6.3. In the case of a Service member whose certification expires during such a contingency operation, the Secretary of the Military Department must authorize the Service member a 180-day period after returning as a mandatory grace period to recertify for an FLPB.

2.6.4. If a Service member fails to obtain the required certification by the end of the 180-day period, then the Secretary of Military Department concerned may require the Service member to repay all or a portion of the FLPB received in accordance with paragraph 3.3.

2.6.5. Service members who receive a wound, injury, or illness in the line of duty while serving in a combat operation or a combat zone, in a hostile fire area, or while exposed to a hostile fire event and is hospitalized may continue to receive an FLPB in accordance with *37 U.S.C. § 372*.

2.7 Exceptions to Recertification of Foreign Language or Dialect Proficiency Regarding Attendance at a Significant Language Training Event (SLTE)

In the case of Service members whose certification expires while they are attending an SLTE, their next 1-year certification period begins when they successfully retest after they complete the SLTE as follows:

2.7.1. The Service member's FLPB continues until they can complete the recertification requirements of paragraph 2.4.2. Further FLPB entitlement is based on the modality proficiency test scores resulting from that event.

2.7.2. If a Service member has an additional (e.g., second language) foreign language recertification date that will expire during the Service member's primary SLTE, the Secretary of the Military Department concerned may either:

2.7.2.1. Require the Service member to recertify in that additional foreign language before the primary SLTE begins; or

2.7.2.2. Extend the certification periods for each language not associated with the SLTE to a recertification date up to 45 calendar days after the SLTE graduation date.

2.7.3. To the maximum extent possible, the SLTE should be uninterrupted to give the Service member the greatest opportunity for SLTE success.

2.8 Annual DLPT Recertification of ILR Skill Level 3 – Proficient Personnel in All Required Modalities Exception

This ILR skill level 3 (and higher) exception applies to all the modalities to which the Service member is being paid FLPB, otherwise the exception does not apply.

2.8.1. If applicable, at the end of the Service member's 1-year annual recertification date, the Secretary of the Military Department concerned must recertify the Service member proficiency levels pursuant to Section 353(d)(1) of Title 37, U.S.C., which cites that FLPB payment proficiency is subject to annual recertification by the Secretary of the Military Department concerned. For individuals who are initially certified by a DLPT or OPI as proficient at levels L3, R3 or S3 or higher, the Secretaries of the Military Departments may extend certification for up to 24 months.

2.8.2. The Secretaries of the Military Departments must require recertification when necessary and establish a process to document and track a Service member's extended certification period.

2.9 Waiver of Certificate and Certification Duration

In accordance with ***37 U.S.C. § 353(d)(3)***, the Secretary concerned may waive the annual certification in paragraph 2.3 and the duration of certification requirements in paragraphs 2.6 and

2.7, if the Service FLPB regulation addresses the specific circumstances under which the Service Secretary may waive either or both of these certification requirements.

3.0 CONDITIONS OF ENTITLEMENT

3.1 Requirements

A member must qualify under any additional eligibility requirements prescribed by the Secretaries concerned, and is subject to Service specific certification requirements and amount of payment restrictions as outlined in these "pay-by-modality" DoD and Service references:

3.1.1. DoD: DoDI 1340.27, Military Foreign Language Skill Proficiency Bonuses and DoDI 5160.71, DoD Language Testing Program;

3.1.2. Army: ***Army Regulation 11-6***;

3.1.3. Navy: ***Chief of Naval Operations Instruction 7220.7H***;

3.1.4. Air Force and U.S. Space Force: ***Department of Air Force Manual 36-2664***, Attachment 10, and ***Air Force Instruction 36-4005***; or

3.1.5. Marine Corps: ***Marine Administrative Message 496/23***.

NOTE: Pay authorizing officials must access the current DoD SLL and the Component's unique foreign language bonus pay authorizations, additional eligibility rules, and certification requirements in order to ensure the correct FLPB payment is authorized.

3.2 Tax

FLPB is an item of pay subject to federal withholding tax. It is not subject to the Federal Insurance Contributions Act tax.

3.3 Repayment

A member who receives FLPB but does not satisfy eligibility and certification requirements specified in section 2.0 may be subject to repayment in accordance with Chapter 2.

3.4 Relationship to Other Pay and Allowances

A member may not be paid more than one Skill Incentive Pay or Proficiency Bonus in any month for the same period of service and skill. A member may be paid skill incentive pay or the proficiency bonus in addition to any other pay and allowances to which the member is entitled, except that a member may not be paid skill incentive pay or a proficiency bonus and hazardous duty pay, in accordance with Chapter 24, for the same period of service in the same career field or skill.

*3.5 Duration of Authority

Unless reauthorized by Congress, FLPB entitlement may not be paid after the date on the ***Duration of Authority*** table unless an FLPB agreement was entered into prior to the date on the table.

*REFERENCES

CHAPTER 19 – FOREIGN LANGUAGE PROFICIENCY BONUS

2.0 – ENTITLEMENT

DoDI 1340.27, August 17, 2022
37 U.S.C. § 353(b)
37 U.S.C. § 353(b)(1)(B)
Office of the Assistant Secretary of Defense Memo, November 25, 2019
37 U.S.C. § 353(d)(1) and (2)
DoDI 5160.71, June 30, 2022
37 U.S.C. § 353(c)
37 U.S.C. § 353(c)(1) and (2)
37 U.S.C. § 372
Public Law (P.L.) 110-181, section 661, January 28, 2008
37 U.S.C. § 353(d)(3)
37 U.S.C. § 353(e)(2)

3.0 – CONDITIONS OF ENTITLEMENT

P.L. 116-92, section 952, December 20, 2019
Secretary of the Air Force Memo, December 20, 2019
37 U.S.C. § 353(g)
37 U.S.C. § 353(h)
37 U.S.C. § 353(i)

VOLUME 7A, CHAPTER 20: "AVIATION BONUS (AvB)"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated December 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision

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CHAPTER 20

AVIATION BONUS (AvB)

1.0 GENERAL

1.1 Purpose

The Secretaries of the Military Departments may offer an AvB to increase their respective Department's ability to attract and retain officers in a military aviation career. An AvB paid to an eligible officer is in addition to any other pay and allowance to which the officer is entitled, except that an officer may not receive a payment for the same skill and period of service.

1.2 Authoritative Guidance

The AvB policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with Title 37, United States Code, section 334 (*37 U.S.C. § 334*). Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 DURATION OF AUTHORITY

Unless reauthorized by Congress, AvB may not be paid after the date listed on the ***Duration of Authority*** table unless an AvB agreement was entered into prior to the date on the table.

3.0 ELIGIBILITY REQUIREMENTS

3.1 General

The Military Departments may offer an AvB on a selective basis when there is a shortage or a projected shortage of Regular or Reserve-Component (RC) officers qualified in critical aviation specialties. AvBs will be limited to those periods in an officer's aviation career in which AvBs can be expected to affect retention trends for the Military Service concerned.

3.2 Qualifications

To qualify for an AvB, an officer, on active duty (AD) or in an active status, must:

3.2.1. Be eligible for Aviation Incentive Pay at the time of incurring the initial AvB contractual obligation;

3.2.2. Be in a pay grade of O-5 or below at the time of incurring the initial AvB contractual obligation;

3.2.3. Serve in an aviation specialty or skill designated as critical by the Secretary of the Military Department concerned;

3.2.4. Have completed or be within one year of completing any service obligation incurred for undergraduate aviator training. In accordance with ***10 U.S.C. § 653***, the minimum service obligation of any Service member who successfully completes training in the Armed Forces as a pilot is 8 years if the member is trained to fly fixed-wing jet aircraft, or 6 years if the member is trained to fly any other type of aircraft. The minimum service obligation of any member who successfully completes training in the Military Services as a combat systems officer or naval flight officer will be 6 years;

3.2.5. Execute a written agreement to remain on AD in the Regular Component or to serve in an active status in the selected reserve for at least one year; and

3.2.6. Meet such other additional criteria as the Secretary of the Military Department concerned may prescribe.

4.0 PAYMENT METHODS AND AMOUNTS

4.1 Payment Method

The Secretary of the Military Department concerned may pay an AvB to Regular or RC officers of a Uniformed Service who meet the qualification criteria in paragraph 3.2 in a lump sum or in periodic installments, as determined by the Secretary of the Military Department concerned.

4.2 Amounts

The AvB amount, covered by the written agreement, described in paragraph 5.1, between the Regular or RC officer and the Secretary of the Military Department concerned, for each 12-month period of obligated service specified in 37 U.S.C. § 334(c)(1)(B), will not exceed the following, unless otherwise updated by the Assistant Secretary of Defense Manpower and Reserve Affairs (ASD M&RA):

4.2.1. $35,000 per year of additional active obligated service for RC officers or RC Active Guard and Reserve officers performing qualified flying duty

4.2.2. $35,000 per year of additional active obligated service for RC officers or RC Active Guard and Reserve officers performing qualified flying duty related to Unmanned Aerial System (UAS) operators; or

4.2.3. $18,000 per year of additional active obligated service for all other RC officers performing qualified duty to include UAS operators.

Note: The ASD (M&RA) may update the AvB amounts, in accordance with the DoD Instruction ***(DoDI) 7730.67, Aviation Incentive Pays And Bonus Program, October 20, 2016***, paragraph 2.1.b.

4.3 Relationship to Other Pay and Allowances

Aviation pays and bonuses paid in accordance with DoDI 7730.67 will be in addition to any other pay or allowances to which the member is entitled, except as specified in the limitations and restrictions in DoDI 7730.67, paragraph 3.1.b.

5.0 TERMS AND CONDITIONS

5.1 Written Agreements

5.1.1. To receive an AvB, an officer must execute a written agreement with the Secretary of the Military Department concerned that specifies the amount of the AvB, the method of payment (lump sum or periodic installments), the period of obligated service (at least 1 year), and the type or conditions of service. No agreement may be executed that would take an officer beyond 25 Years of Aviation Service.

5.1.2. The Secretary of the Military Department concerned will not exceed the AvB amount covered by the written agreement for any 12-month period of obligated service specified in DoDI 7730.67, paragraph 4.2 or 37 U.S.C. § 334(c).

5.1.3. Bonus agreements awarded under ***37 U.S.C. § 301b***, that were approved before October 1, 2017, will remain in effect, and payments may continue through the agreed-upon date in the written agreement.

5.2 Acceptance

Upon acceptance of the written AvB agreement by the Secretary of the Military Department concerned, the period of obligated service and the total amount of AvB the Department will pay pursuant to the agreement will be fixed, unless otherwise renegotiated for a higher bonus amount in return for additional obligated service.

5.3 Death of a Member

If a member dies before receiving the full amount of the bonus due (including contracted future year anniversary payments) and death is not caused by the member's misconduct, the remaining unpaid bonus balance is payable as a lump sum for inclusion in the settlement of the deceased member's final military pay account. If death is determined to be the result of the member's own misconduct, termination of future payments and proration or repayment of the bonus, as applicable, must be made in accordance with procedures established by the Military Department concerned. See Chapters 2 and 36.

6.0 REPAYMENT

An officer, who fails to fulfill the eligibility requirements or service conditions specified in the written agreement for the AvB, will be subject to the repayment provisions of ***37 U.S.C. § 373*** and Chapter 2.

REFERENCES

CHAPTER 20 - AVIATION BONUS (AvB)

2.0 – DURATION OF AUTHORITY

37 U.S.C. § 334(i)

3.0 – ELIGIBILITY REQUIREMENTS

3.1	DoDI 7730.67, October 20, 2016, paragraph 3.5.a
3.2	DoDI 7730.67, October 20, 2016, paragraph 3.5.b

4.0 – AMOUNT

4.1	DoDI 7730.67, October 20, 2016, paragraph 3.5.d(1)
4.2	37 U.S.C. § 334(c)(1)(B) DoDI 7730.67, October 20, 2016, paragraph 3.5.d(2)
4.2.1.	DoDI 7730.67, October 20, 2016, paragraph 3.5.d(2)(a)
4.2.2.	DoDI 7730.67, October 20, 2016, paragraph 3.5.d(2)(b)
4.2.3.	DoDI 7730.67, October 20, 2016, paragraph 3.5.d(2)(c)
Note	DoDI 7730.67, October 20, 2016, paragraph 2.1.b
4.3	37 U.S.C. § 334(f)(2)

5.0 – PAYMENT

5.1	DoDI 7730.67, October 20, 2016, paragraph 3.5.c
5.1.3.	DoDI 7730.67, October 20, 2016, paragraph 1.2.d
5.2	DoDI 7730.67, October 20, 2016, paragraph 3.5.c(3)
5.3	37 U.S.C. § 373 (b)(2)

6.0 – REPAYMENT

37 U.S.C. §§ 334(g), & 373

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 21: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 7A, CHAPTER 22: "AVIATION INCENTIVE PAYS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated August 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
2.2.3 2.2.5 3.3.1	Removed obsolete Limitation and Restriction information and renumbered subsequent subparagraphs accordingly.	Deletion
3.4	Updated the maximum amount payable for monthly Aviation Incentive Pay in accordance with Public Law 117-263 section 602.	Revision
4.5	Removed obsolete paragraph on Transition Period and renumbered subsequent subparagraphs accordingly.	Deletion
Table 22-5	Inserted the Hazardous Duty Incentive Pay chart as referenced in paragraph 2.13 and renumbered subsequent tables accordingly.	Addition
References	Updated to reflect current statutes and policy memos.	Revision

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CHAPTER 22

AVIATION INCENTIVE PAYS

1.0 GENERAL

1.1 Purpose

The purpose of this chapter is to describe the policies for Hazardous Duty Incentive Pay (HDIP), Aviation Incentive Pay (AvIP), and Critical Skill Incentive Pay (CSIP).

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with Title 37, United States Code (U.S.C.), section 334(a) ***(37 U.S.C. § 334(a))***, ***37 U.S.C. § 351(a)(2)***, and ***37 U.S.C. § 353***. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 HDIP FOR FLYING DUTY

The Secretary concerned may pay HDIP to Service members required by competent orders to participate in frequent and regular aerial flights as an aircrew member or to non-aircrew members who otherwise meet the requirements for flying duty.

2.1 Eligibility

To be eligible for flying duty HDIP, a Service member must be required by competent orders to participate frequently and regularly in sustained, powered, controlled aerial flights, and generally must complete 4 hours (or 2 hours for reserve component (RC) Service members) of aerial flights each month. Hours that are flown in excess of this requirement may be credited against this requirement for up to 5 subsequent, consecutive months. Additionally, a Service member who has a shortage of flying hours after crediting these excess hours may, under certain conditions established by the Military Departments, enter a 3-month grace period wherein hours flown in future months may be retroactively applied to earlier monthly requirements.

*2.2 Limitations and Restrictions

2.2.1. Officers, including aviation cadets entitled to AvIP under section 3.0, are not entitled to payments under this section for the same period of service.

2.2.2. Enlisted members receiving CSIP under section 5.0 are not entitled to payments under this section for the same period of service.

2.2.3. An officer receiving an incentive pay pursuant to 37 U.S.C. § 334, may not receive HDIP pursuant to 37 U.S.C. § 351(a)(2) for the same skill and period of service.

2.2.4. Service members receiving a skill incentive pay pursuant to 37 U.S.C. § 353(a), may not receive HDIP pursuant to 37 U.S.C. § 351(a)(2), for the same period of service in the same career field or skill for which the payment is paid.

2.2.5. Service members must be on competent orders to serve in the area or to perform the hazardous duty to qualify for an incentive.

2.2.6. To be eligible for select HDIP payments, a Service member must be in training, have successfully completed the qualifying training and technical qualification, or meet qualification requirements for the performance of the hazardous duty.

2.2.7. Although a Service member may perform more than three hazardous duties in a month, a Service member may not receive simultaneous payments for more than three HDIP duties in a month.

2.3 Definitions

2.3.1. Aerial Flights. Aerial flights are flights in military aircraft or spacecraft, and also flights in nonmilitary aircraft when Service members are required by competent orders to fly in such aircraft. A flight begins when the aircraft or spacecraft takes off from rest at any point of support located on the surface of the earth and terminates when it next comes to a complete stop at a point of support located on the surface of the earth.

2.3.2. Aviation Accident. Aviation accident is an accident in which a Service member, who is required to participate frequently or regularly in aerial flights, is injured or otherwise incapacitated as the result. The injury or incapacitation, as certified by the appropriate medical authority of the Uniformed Service concerned, may result from:

2.3.2.1. Jumping from, being thrown from, or being struck by an aircraft or spacecraft, or any part or auxiliary thereof; or

2.3.2.2. Participation in any duly authorized aerial flight or other aircraft or spacecraft operations. This term also means an incapacity incurred as the result, as certified by appropriate medical authority, of performance of flying duty, even though such incapacity is not the result of an actual aviation accident.

2.4 Flight Requirements

2.4.1. Minimum Flying Time Each Month

2.4.1.1. During 1 calendar month, 4 hours of aerial flight are required. If a Service member does not fly 4 hours in any month, any hours flown during the last 5 preceding months (which have not already been used to qualify for flight pay) may be applied to meet this 4-hour requirement.

2.4.1.2. During 2 consecutive calendar months when the requirements of subparagraph 2.4.1.1, have not been met, 8 hours of aerial flight are required.

2.4.1.3. During 3 consecutive calendar months when the requirements of subparagraph 2.4.1.2, have not been met, 12 hours of aerial flight are required.

2.4.2. Fractions of a Calendar Month. For fractions of a calendar month, calculate the percentage that the period in question is of the calendar month. The flying time required is that same percentage of the aerial flight time required for a full calendar month (see Table 22-1).

2.4.3. Fractions of 2 Consecutive Calendar Months. For fractions of 2 consecutive calendar months, consider the whole period in question. Calculate the percentage that the period in question is of the calendar month. The flying time required is that same percentage of the aerial flight time required for a full calendar month (see Table 22-1).

2.4.4. Application of Hours Flown. To the extent of hours available, hours flown in any month apply as follows:

2.4.4.1. First, to meet flight requirements for that month;

2.4.4.2. Next, if the Service member has entered a grace period for meeting flight requirements, to the prior month or months, as applicable; and

2.4.4.3. Next, in order, to the first, second, third, fourth, and fifth succeeding months, but only to the extent that the Service member fails, during each month, to fly the required 4 hours. (Hours available to meet requirements of later months are referred to as "excess" flight time.) See examples in Tables 22-2 and 22-3.

2.4.5. Military Operations or Unavailability of Aircraft. When under authority conferred by the Secretary of the Military Department concerned, the commanding officer certifies that a Service member is unable to meet normal flight requirements due to military operations (combat or otherwise), or the non-availability of aircraft in order to complete those requirements. The Service member may, however, comply with the minimum flight requirements by performing 24 hours of aerial flight over a period of 6 consecutive calendar months. The commanding officer will certify that only those conditions specified in this subparagraph prevented completion of normal flight requirements. The 24-hour flight requirement may be met at any time during the 6-calendar-month period and in any combination of flights.

2.4.5.1. If the Service member is in a 3-calendar-month grace period when military operations or aircraft non-availability prevents fulfillment of flight requirements, the 6-calendar-month period for meeting the 24-hour flight requirement under this subparagraph begins on the first day of the grace period.

2.4.5.2. If the Service member is not in a 3-calendar-month grace period, the first month in which military operations or aircraft non-availability prevents fulfillment of flight

requirements is the beginning of the 6-calendar-month period for meeting the 24-hour flight requirement under this subparagraph.

2.4.5.3. During the 6-calendar-month period, HDIP for flying may be paid for any single month, or for multiple months, when minimum requirements have been met.

2.4.5.4. At the end of the 6-calendar-month period, HDIP for flying may be paid for missed months in the period to the extent that the remaining hours flown are applicable. Excess hours are applied prospectively under subparagraph 2.4.4 if the Service member continues to fly under the same orders.

NOTE: For RC officers not on active duty for a period of more than 30 consecutive days, the requirement is half of the requirements contained in paragraph 2.4.

2.5 Determination of a 3-Calendar-Month Period

2.5.1. When 3-Month Period Starts and Ends. The 3-calendar-month period in which flight requirements must be met begins with the first month in which flight requirements are not met. If the Service member flies enough time in the second month to cover the first and second months, the period ends with the second month. If not, the period extends through the third month.

2.5.2. Deficiencies for a Fraction of a Month. If a Service member fails to qualify for a fraction of a month (because flying status or active duty began on an intermediate day of the month), the 3-month period ends on the last day of the second full month following the fractional month.

2.5.3. When Next 3-Month Period Starts

2.5.3.1. A new 3-month period starts with the first month in which flight requirements are not met following a month in which flight requirements were met.

2.5.3.2. For a new 3-month period to begin immediately after a prior 3-month period, flight requirements must have been met for the entire prior 3-month period, not merely for the last month.

2.5.3.3. If the requirements for the entire prior 3-month period were not met, a new period does not begin until flight requirements are met for at least 1 month after the prior 3-month period.

2.5.3.4. After a month when flight requirements are met, any month in which flight requirements are not met begins a new 3-month period. A new period may not start with the second or third month in which flight requirements are not met; nor may a new period start with the fourth month in which flight requirements are not met. There must be at least 1 month in which requirements are met before a new 3-month period begins. See Tables 22-2 and 22-3 for application of the rules listed in paragraph 2.5.

2.6 Entitlement to Pay When No Flights are Performed in the First Month of a 3-Month Period

Assume, for the purposes of this paragraph, that the Service member had no excess flight time from prior months.

2.6.1. Second Month. If a Service member performs no aerial flights during the first month of a 3-month period and, in the second month, performs at least 4 hours but less than 8 hours, he or she is entitled to pay only for the second month. For example: In January, no aerial flights are performed; in February, 5 hours of aerial flight are performed. Flight pay is payable only for February.

2.6.2. Third Month. If a Service member performs no aerial flights during the first 2 months of a 3-month period, he or she must perform 12 hours of aerial flight in the third month to be entitled to incentive pay for all 3 consecutive months. For example: If flight requirements are met for January and a Service member performs no flights during the months of February and March, he or she must perform at least 12 hours in April to be entitled to receive the incentive pay for the period February 1 to April 30. If the Service member performs 4 or more hours, but less than 12 hours in April, he or she is entitled to incentive pay only for April.

2.6.3. First and Third Months. If a Service member does not perform aerial flights during the first month and in the second month performs only sufficient flights to qualify for the second month, he or she must perform enough hours of flight during the third month to total 12 hours in order to qualify for the incentive pay for the first and third months of the 3-month period.

> Example: In January, no aerial flights are performed; in February, 5 hours of aerial flight are performed. The deficiency in January must be made up in March. If at least 7 hours are accomplished in March, flight pay for January and March is payable. If only 6 hours are flown in March, flight pay is payable only for March (the payment for February previously having been made) and incentive pay for January is lost.

2.7 Injury or Incapacity Resulting From Performance of Hazardous Duty

Service members qualified for HDIP, who are temporarily unable to perform a hazardous duty due to an injury or illness that is not the result of the Service member's own misconduct, may continue to receive HDIP for up to 6 months.

2.7.1. On a case-by-case basis, the Secretary concerned, or designee, may authorize an extension of HDIP payments for up to an additional 6-months, based on the recommendation of the appropriate medical authority. Under no circumstance will HDIP payments continue beyond 12 months from the date of injury or illness.

2.7.2. HDIP will be terminated for Service members permanently disqualified or otherwise determined to be no longer eligible to perform hazardous duty by a competent medical authority.

2.7.3. Service members reassigned to a new duty assignment or specialty not eligible for HDIP will have their HDIP payments terminated on the date of reassignment or reclassification.

2.7.4. If the injury or illness occurred while serving in a combat zone, hostile fire area, or imminent danger area, the Service member may continue to receive HDIP during the Service member's hospitalization and rehabilitation. See Chapter 13.

2.8 Right to Flight Pay Under Certain Conditions

See Table 22-4.

2.9 Determinations Affecting Entitlement to Flight Pay

2.9.1. Flight Pay From Date of Reporting for Duty. A Service member is entitled to flight pay on and after the date that he or she reports for and enters on duty under competent orders, subject to meeting flight requirements. A Service member in a non-duty status (such as on leave or sick) at the time that flying status orders are issued is not entitled to flight pay for any period before he or she reports for and enters on duty under such orders.

2.9.2. Excess Flight Time. When authorized under paragraph 2.5, flight time in excess of the time required or insufficient to qualify for a particular month may be applied to a later month in which minimum requirements are not met, provided that the orders under which flying time was logged remain in effect.

2.9.3. Change of Designation, Non-Crewmember to Crewmember or Vice Versa. A Service member whose status changes from non-crewmember to crewmember (or vice versa) within a month or other qualifying period may not combine time flown in both categories for pay purposes. The Service member is entitled to flight pay, as a non-crewmember for the period of time Service member held that status, if he or she met the pro rata requirements as a non-crewmember. The Service member is entitled to flight pay as a crewmember, for the period of time he or she held that status, if he or she met the pro rata requirements as a crewmember.

2.9.4. Change From One Crewmember Status to Another Crewmember Status. Flights as one type of crewmember may be combined with flights as another type of crewmember if the Service member remains on continuous active duty and continuous flying status. Total requirements may be met in either crewmember status or a portion may be met in each status.

Example: An aviation cadet is given a rating as a navigator and issued new flying status orders immediately following termination of Service member's former orders.

2.9.5. Missing or Missing-in-Action

2.9.5.1. A Service member assigned to flying duty who is declared missing by competent authority is entitled to HDIP during the entire period of absence and is entitled to HDIP

for hospitalization and rehabilitation after termination of missing status for an additional period, not to exceed one year.

2.9.5.2. Upon return from a missing status and completion of any required period of hospitalization and rehabilitation (not to exceed 1 year), entitlement to HDIP for flying duty will be contingent on a determination of continued eligibility under paragraph 2.1 and the applicable flight requirement provisions of paragraph 2.4.

2.9.5.3. A new 3-month grace period does not start when the missing status and hospitalization ends. The new 3-month grace period starts with the first month of deficiency, after entering a missing status.

2.9.5.4. If the missing status and hospitalization goes beyond the 6-month grace period, the Service member must meet flight requirements for at least 1 month to become entitled to flight pay again.

2.9.5.5. If the Service member does not meet flight requirements upon the completion of an authorized missing and hospitalization period, he or she is entitled to pro rata HDIP for flying duty through the date of such authorized period.

2.9.6. Death

2.9.6.1. Death Due to Aviation Accident. If death occurs on the date of an aviation accident, flight pay accrues to include the date of death. If, however, death occurs after the 3-month period has expired, flight pay is not authorized for any day after the expiration of that period. Flight pay for the month or period before the month in which the accident occurred is not authorized unless flight requirements were met for that period.

2.9.6.2. Death Due to Other Causes. If death occurs from causes other than an aviation accident, flight pay is payable to and including the date of death if the Service member has met pro rata flight requirements for the month of death and was on flying status.

2.10 Suspensions From Flying Status, Effect on Flight Pay

2.10.1. Flight Pay for a Period of Suspension. Except under subparagraphs 2.10.2 and 2.10.3, Service members are not entitled to flight pay for any period while suspended from flying status. Service members are considered suspended on the effective date of suspension. Service members are considered to be in a flying status on the day that the suspension is removed or terminated. Payment for a period of suspension cannot be made in any case until the suspension has been removed or terminated.

2.10.2. Suspension for Other Than Physical Incapacity for Service Members Required to Perform Minimum Flight Requirements. Service members are entitled to flight pay for a period of suspension from flying status, provided the suspension is removed or terminated and they meet flight requirements as prescribed in paragraph 2.4. If the Service member has excess flights

performed before suspension, the grace period specified in paragraph 2.4 begins on the first month of the period of suspension not covered by excess flights.

> Example: A Service member was suspended from flying status on February 1. He had 16 hours excess flying time as of January 31. Flight pay is stopped on January 31. The suspension subsequently is removed (or terminated) on June 30. He flew 12 hours in the month of July. After removal of the suspension, pay flight pay for February 1 through May 31 on the basis of the 16 excess hours accumulated in the 5 months before February 1. The grace period, authorized as stated in paragraph 2.4, started on June 1. The hours that were flown in July qualify the Service member for flight pay for June and July.

2.10.3. Suspension for Physical Incapacity of Service Members Subject to Minimum Flight Requirements. A Service member is entitled to flight pay during a period of grounding due to physical incapacity if he or she meets the flight requirements stated in paragraph 2.4. The Service member also is entitled to flight pay during a period of suspension, if the suspension is removed or terminated and flight requirements are actually met. There are no flight requirements during the first 3 months of a period of incapacity incurred as the result of performance of an assigned hazardous duty. See paragraph 2.7.

2.10.4. Suspension Removed or Terminated. If a suspension is removed or terminated after the Service member can no longer qualify for flight pay under subparagraphs 2.10.2 and 2.10.3, there is loss of pay for any period that is not covered by paragraph 2.4. Flight pay accrues after the suspension is removed or terminated for Service members required to meet minimum flight requirements from the date of reporting for flying duty after the suspension is removed or terminated if flight requirements are met.

2.11 Payment of Flight Pay and Incentive Pay for Other Hazardous Duty

A Service member who qualifies for flight pay and incentive pay for one or more other types of hazardous duty may receive the flight pay and incentive pay only for two other hazardous duties for the same period. Dual HDIP is limited to those Service members required by orders to perform specific multiple hazardous duties necessary for successful accomplishment of the mission of the unit to which assigned.

2.11.1. Conditions of Entitlement. The hazardous duties for which dual incentive pay is payable must be an integral part of the Service member's assigned mission. Accomplishment of the assigned mission must require the Service member to perform specific multiple hazardous duties. A Service member must meet minimum requirements for each of the hazardous duties, except for injury or illness.

2.11.2. Types of Duties That Qualify Service Member for Dual Payment of HDIP. See Chapter 24, subparagraph 2.4.1.

2.11.2.1. Air Force pararescue team Service members placed on orders to perform duties as both crewmembers and parachutists.

2.11.2.2. Other combinations of hazardous duties for which dual payments of incentive pay are authorized by the Military Services concerned.

2.11.3. Injury or Incapacity as a Result of Performance of Hazardous Duty or Dual Hazardous Duties. If a Service member who is required to perform more than one hazardous duty becomes injured or otherwise incapacitated as a result of any of the duties, he or she is entitled to dual incentive pay during the incapacity, but for no longer than 6 months. If not entitled to dual incentive pay at the time of the incapacity, the Service member is entitled to the type of incentive pay that he or she was receiving at the time of the incapacity. The beginning date of the 6-month period will be determined separately for each type of incentive pay. See paragraph 2.7 to determine the 6-month period separately for each incentive pay.

2.12 Authority to Issue Orders

Authority to issue orders requiring the performance of flying duty, granting waivers of performance requirements, or extending time periods during which requirements may be met is delegated by the Secretary of the Military Department concerned to specific commanders within each Military Service. Such delegations are contained in the personnel administrative regulations of the respective Military Services.

2.13 Monthly Rates

See Table 22-5. For the most current rates see the ***HDIP for Flying*** table.

2.13.1. HDIP for aircrew members may not exceed $250 per month.

2.13.2. HDIP for non-aircrew members is $150 per month

2.13.3. Service members who otherwise meet the eligibility criteria, but who do not participate in a full calendar month of flying duty, will receive a prorated HDIP payment as follows:

2.13.3.1. Prorating the monthly HDIP is required for Service members who fail to satisfy the eligibility requirements for the pay for the entire month. The amount of HDIP authorized for qualifying service during a day or portion of a day will be the amount equal to 1/30th of the monthly amount of HDIP payable to a Service member.

2.13.3.2. Service members are first entitled to HDIP on the date they report for, and begin performing, an eligible duty in compliance with competent orders. HDIP ends on the effective date published in orders for termination of such duty or the date the Service member is detached from and is no longer required to perform the hazardous duty, whichever occurs first.

2.13.3.2.1. When a Service member begins hazardous duty on a date other than the first day of a month or terminates that duty prior to the last day of a month and otherwise meets the requirements of the pay for the month, the Service member is entitled to a prorated portion of HDIP for the month.

2.13.3.2.2. The prorated monthly amount is calculated using the daily rate to reflect the duration of the Service member's actual qualifying service during the month.

2.14 Repayment

An officer or enlisted member who fails to fulfill the eligibility requirements of DoD Instruction (DoDI) 7730.67, Aviation Incentive Pays and Bonus Program or other conditions of service specified by the Secretary of the Military Department concerned will be subject to repayment consistent with ***37 U.S.C. § 373***, Chapter 2, and Volume 16 Chapter 3.

2.15 Duration of Authority

Unless reauthorized by Congress, HDIP may not be paid after the date listed on the ***Duration of Authority*** table, located on DFAS.MIL.

3.0 AvIP FOR AVIATORS IN OPERATIONAL FLYING DUTY (OFD) OR PROFICIENCY FLYING DUTY (PFD) POSITIONS

3.1 General

The Secretaries of the Military Departments may offer AvIP(s) under 37 U.S.C. § 334(a) to increase their respective Department's ability to retain officers in a military aviation career and support the recruiting and retention of individuals with military aeronautical ratings or designations.

3.2 Eligibility

The Secretary concerned may pay AvIP to aviation officers performing in OFD or PFD positions. AvIP may only be paid to an officer who:

3.2.1. Is entitled to basic pay pursuant to ***37 U.S.C. § 204*** or to compensation under ***37 U.S.C. § 206***;

3.2.2. Maintains, or is in training to receive, an aeronautical rating or designation that qualifies the officer for OFD or PFD;

3.2.3. Engages in, or is in training to receive, frequent and regular performance of OFD or PFD;

3.2.4. Engages in or remains in aviation service for a specified period of time;

3.2.5. Achieves the minimum flight requirements of 4 hours during 1 calendar month or 24 hours during 6 consecutive months (the minimum flight hour requirement for RC officers not on active duty for a period of more than 30 consecutive days is 2 hours during 1 calendar month or 12 hours during 6 consecutive months). A certified flight simulator may be used to meet this requirement. The Secretary concerned may waive the minimum flight requirements:

3.2.5.1. For officers (except flight surgeons or medical officers) who meet the AvIP eligibility requirements in paragraph 3.2 while assigned to OFD or PFD positions; or

3.2.5.2. In extreme circumstances (e.g., military operations (combat or otherwise) or non-availability of aircraft), when the Secretary concerned may authorize a commanding officer to certify that an officer is unable to meet minimum flight requirements; and

3.2.6. Meets all applicable eligibility requirements and such other criteria, as the Secretary concerned determines appropriate.

*3.3 Limitations and Restrictions

3.3.1. Officers receiving HDIP pursuant to 37 U.S.C. § 351(a)(2) are ineligible for AviP.

3.3.2. Officers receiving AvIP pursuant to 37 U.S.C. § 334(a), may not receive HDIP pursuant to 37 U.S.C. § 351(a)(2), or skill incentive pay or proficiency bonuses pursuant to 37 U.S.C. § 353, for the same skill and period of service.

3.3.3. Service members temporarily medically incapacitated will be considered qualified for aviation service unless such incapacitation continues for more than 12 months. After 365 days of incapacitation, a Service member will be disqualified from aviation service and will not be requalified until the condition resulting in incapacitation is corrected or is subject to a waiver under regulations prescribed by the Secretary of the Military Department concerned. A competent medical authority must certify the Service member as medically qualified for operational flying duty (OFD) or proficiency flying duty (PFD). This guidance is only for the purposes of AvIPs and bonuses and does not otherwise restrict a Service's authority to place an aviator in an applicable flight status.

3.3.4. Service members permanently disqualified for aviation service or otherwise determined no longer eligible for aviation service, in accordance with DoDI 7730.67, and such additional regulations prescribed by the Secretary of the Military Department concerned, are ineligible for AvIP or CSIP.

3.3.5. Service members are not authorized AvIP or CSIP payments for any periods of unauthorized absence.

*3.4 Payments and Amounts

3.4.1. The maximum amount of monthly AvIP in 37 U.S.C. § 334(c)(1)(A) is not to exceed the rate of $1,500 per month to officers while serving in an OFD or PFD assignment. Unless otherwise updated by the Assistant Secretary of Defense (ASD) in accordance with DoDI 7730.67, paragraph 2.1.b, officers performing qualifying duty or performing qualifying duty relating to unmanned aerial systems (UAS) may receive up to $1,000.

3.4.2. The monthly Army Officer AvIP Rates are listed on Table 22-6. For the most current rates, see the ***Monthly Army Officer Aviation Incentive Pay Rates*** table.

3.4.3. The monthly Navy Officer AvIP Rates are listed on Table 22-7. For the most current rates, see the ***Monthly Navy Officer Aviation Incentive Pay Rates*** table.

3.4.4. The monthly Navy AvIP Rates for Officers in Administrative Milestone Billets are listed on Table 22-8. For the most current rates, see the Monthly Navy Aviation Incentive Pay Rates for ***Officers in Administrative Milestone Billets*** table.

3.4.5. The Air Force monthly AvIP rates are calculated based upon years of aviation service (YAS) established by the Aviation Service Date and are reflected in Table 22-9. For the most current rates, see the ***Monthly Air Force Aviation Incentive Pay Rates*** table.

3.4.6. The monthly Marine Corps Officer AvIP Rates are listed on Table 22-10. For the most current rates, see the ***Monthly Marine Corps Officer Aviation Incentive Pay Rates*** table.

3.4.7. The following are exceptions to the amounts in subparagraph 3.4.2 through 3.4.6:

3.4.7.1. Warrant Officers with over 22 YAS may continue to receive AvIP at the over 10 YAS rate until retirement.

3.4.7.2. Officers performing OFD or PFD while piloting UASs with over 14 YAS may receive AvIP up to $1,000 per month up to 22 YAS.

3.4.8. AvIP for officers in aviation training will begin on the later of these two dates and will be prorated based on the number of days remaining in the month:

3.4.8.1. The date when the officer first reports to the aviation activity in which he or she will receive flight training in a specific aircraft leading to an aeronautical rating, and is placed on aeronautical orders; or

3.4.8.2. The date of commission.

3.4.9. AvIP payments for all other aviators will begin the day an officer signs in to an OFD or PFD assignment. The initial payment amount will be prorated based on the number of days remaining in the month.

3.4.10. At the discretion of the Secretary of the Military Department concerned, RC officers entitled to compensation under 37 U.S.C. § 206 are eligible for AvIP. The amount authorized will be equal to $1/30^{th}$ of the monthly AvIP authorized by the Military Department concerned for each period of inactive duty training.

3.5 Repayment

An officer or enlisted member who fails to fulfill the eligibility requirements of DoDI 7730.67, or other conditions of service specified by the Secretary of the Military Department concerned, will be subject to repayment consistent with 37 U.S.C. § 373, and Chapter 2.

3.6 Duration of Authority

Unless reauthorized by Congress, AvIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL.

4.0 AvIP FOR AVIATORS NOT IN OFD OR PFD POSITIONS

4.1 General

The Secretaries concerned may pay AvIP to an officer who is otherwise qualified but who is not currently engaged in the performance of OFD or PFD, who meets each of the following three conditions:

4.1.1. The officer meets the eligibility criteria listed in subparagraphs 4.2.1 through 4.2.4;

4.1.2. The officer is assigned to a position listed in paragraph 4.4; and

4.1.3. The AvIP payment is in the best interest of the Military Service.

4.2 Eligibility

The Secretary concerned may pay AvIP to officers with an aeronautical rating (except flight surgeons or medical officers) with fewer than 25 YAS who are in non-OFD or PFD assignments and meet one of the following criteria:

4.2.1. Are eligible for AvIP continuously through 12 YAS;

4.2.2. Have performed at least 96 creditable months of OFD or PFD upon completion of 12 YAS. These officers are eligible for up to 18 YAS as long as they are assigned to a non-OFD or non-PFD assignment;

4.2.3. Have performed at least 120 creditable months of OFD or PFD upon completion of 18 YAS. These officers are eligible for AvIP for up to 22 YAS as long as they are assigned to a non-OFD or non-PFD assignment; or

4.2.4. Have performed at least 144 creditable months of OFD or PFD upon completion of 18 YAS. These officers are eligible for AvIP for up to 25 YAS as long as they are assigned to a non-OFD or non-PFD assignment. Aviation warrant officers may continue to receive AvIP beyond 25 YAS as long as they are assigned to an assignment in paragraph 4.4.

4.3 Limitations and Restrictions

See paragraph 3.3.

4.4 Non-OFD or Non-PFD Assignments

Qualified aviation officers (except flight surgeons or other medical officers) who meet the eligibility criteria in paragraph 4.2 may receive AvIP when assigned to any of the following non-OFD or non-PFD assignments:

4.4.1. A Joint assignment or position on the Joint Duty Assignment List;

4.4.2. Attending resident professional military education or a fully-funded graduate education program authorized by the Secretary of the Military Department concerned;

4.4.3. Aviation-specific positions that must be filled by officers with an aeronautical rating; or

4.4.4. Career-enhancing assignments outside of aviation or based on the needs of the Military Services for a period not to exceed 48 consecutive months.

4.5 Payments and Amounts

4.5.1. The Secretaries concerned may pay monthly AvIP to aviators who meet the YAS criteria in paragraph 4.2 and are serving in positions listed in paragraph 4.4.

4.5.2. At the discretion of the Secretary of the Military Department concerned, RC officers entitled to compensation under 37 U.S.C. § 206 are eligible for AvIP. The amount authorized will be equal to $1/30^{th}$ of the monthly AvIP authorized by the Military Department concerned for each period of inactive duty training.

4.6 Repayment

See paragraph 3.5.

4.7 Duration of Authority

Unless reauthorized by Congress, AvIP For Aviators Not In OFD Or PFD Positions may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL.

5.0 CRITICAL SKILL INCENTIVE PAY (CSIP)

5.1 General

The Secretary concerned may designate a career field or skill as critical for the purposes of offering a skill incentive pay. The following specialties are designated as critical and are eligible for CSIP:

5.1.1. Qualified career enlisted members who meet the eligibility requirements in paragraph 5.2; or

5.1.2. Enlisted UAS operators who meet the eligibility requirements in paragraph 5.2.

5.2 Eligibility

CSIP is payable on a monthly basis in accordance with 37 U.S.C. § 353 to a Regular or RC enlisted member who:

5.2.1. Is entitled to basic pay pursuant to 37 U.S.C. § 204 or to compensation under 37 U.S.C. § 206;

5.2.2. Serves in a military career enlisted aviation occupational specialty or rating designated as critical by the Secretary of the Military Department concerned;

5.2.3. Qualifies for aviation service under regulations prescribed by the Secretary of the Military Department concerned; and

5.2.4. Meets other criteria the Secretary concerned deems appropriate.

5.3 Limitations and Restrictions

In addition to the limitations and restrictions prescribed in this paragraph, see paragraph 3.3.

5.3.1. Enlisted members receiving incentive payments pursuant to 37 U.S.C. §§ 301(a)(1), 301(a)(2), 301(a)(13) or 320, are ineligible for CSIP.

5.3.2. Enlisted members receiving CSIP pursuant to 37 U.S.C. § 353(a), may not also receive HDIP pursuant to 37 U.S.C. § 351(a)(2), for the same period of service in the same career field or skill.

5.3.3. Enlisted members may receive only one skill incentive payment in any given month for the same skill and period of service, pursuant to 37 U.S.C § 353(a).

5.3.4. Enlisted members may not receive CSIPs and proficiency bonuses, in accordance with 37 U.S.C. § 353, for the same skills and periods of service.

5.3.5. Officers are not authorized CSIP.

5.4 Terms and Conditions of CSIP Written Agreements

The Secretary concerned may require a Service member to enter into a written agreement in order to qualify for a CSIP payment. The agreement must specify the period for which the Service member will receive CSIP and the monthly rate of pay.

5.5 Payments and Amounts

5.5.1. The Secretaries of the Military Departments concerned may pay monthly CSIP to eligible Service members who meet the CSIP requirements in an amount not to exceed $600 per month. See Table 22-11. For the most current rates, see the Monthly Critical Skill Incentive Pay Rates for ***Air Force Enlisted Flyers*** table.

5.5.2. If a Service member does not satisfy the eligibility requirements specified in paragraph 5.2 for an entire month, the Secretary concerned may prorate the payment amount to reflect the duration of the Service member's actual qualifying service during the month.

5.5.3. RC Service members entitled to compensation under 37 U.S.C. § 206 are eligible for CSIP at the discretion of the Secretary concerned. The amount will be equal to 1/30th of the monthly CSIP authorized by the Military Department concerned for each period of inactive duty training.

5.6 Repayment

See paragraph 3.5.

5.7 Duration of Authority

Unless reauthorized by Congress, CSIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless a CSIP agreement was entered into prior to the date on the table.

Table 22-1. Time of Aerial Flight Required for Fractional Part of the Month

Days	Hours of Aerial Flight		Days	Hours of Aerial Flight	
	Active Duty	Inactive Duty		Active Duty	Inactive Duty
1	.2	.1	16	2.2	1.1
2	.3	.2	17	2.3	1.2
3	.4	.2	18	2.4	1.2
4	.6	.3	19	2.6	1.3
5	.7	.4	20	2.7	1.4
6	.8	.4	21	2.8	1.4
7	1.0	.5	22	3.0	1.5
8	1.1	.6	23	3.1	1.6
9	1.2	.6	24	3.2	1.6
10	1.4	.7	25	3.4	1.7
11	1.5	.8	26	3.5	1.8
12	1.6	.8	27	3.6	1.8
13	1.8	.9	28	3.8	1.9
14	1.9	1.0	29	3.9	2.0
15	2.0	1.0	30-31	4.0	2.0

Table 22-2. Flight Examples Involving Basic 3-Month Grace Periods

Month	Example 1		Example 2		Example 3		Example 4	
	Hours	Entitled	Hours	Entitled	Hours	Entitled	Hours	Entitled
January	4	Yes (note 1)	4	Yes (note 1)	4	Yes (note 1)	4	Yes (note 1)
February	0	No (note 2)	0	No (note 2)	0	Yes (notes 2 - 5)	0	Yes (notes 2 - 6)
March	4	Yes (note 1)	0	No	0	Yes (note 5)	8	Yes (note 1)
April	0	No (note 3)	4	Yes (note 1)	12	Yes (note 1)	0	Yes (notes 2 - 5)
May	0	No (note 4)	0	No (note 4)	0	Yes (notes 2 - 5)	0	Yes (note 5)
June	4	Yes (note 1)	0	No	0	Yes (note 5)	12	Yes
July	4	Yes (note 1)	4	Yes (note 1)	12	Yes (note 1)		
August	0	No (notes 2 - 8)	0	No (notes 2 - 8)	0	No (notes 2 - 8)		

Table 22-2. Flight Examples Involving Basic 3-Month Grace Periods (Continued)

Month	Example 5		Example 6		Example 7	
	Hours	Entitled	Hours	Entitled	Hours	Entitled
January	4	Yes (notes 1 - 7)	2	Yes (notes 7 - 9)	0	Yes (note 5)
February	0	Yes (note 9)	0	Yes (note 9)	0	Yes (note 5)
March	0	Yes (note 9)	0	Yes (note 9)	12	Yes (note 1)
April	0	Yes (note 9)	0	No (note 2)	4	Yes (note 1)
May	0	Yes (notes 2 - 5)	0	No (note 8)	0	No (notes 2 - 8)
June	0	Yes (note 5)	7	Yes (notes 1 - 11)	0	No (notes 2 - 8)
July	12	Yes (note 1)			11	Yes (notes 1 - 9 and 11)
August					5	Yes (notes 1 – 9 and 11)

NOTES:
1. Entitled to incentive pay based on that month's flights.
2. Begins a 3-month grace period.
3. New 3-month period does not begin, since this is last month of first 3-month period.
4. New 3-month period does not begin, since flight requirements were not met for previous entire period.
5. Entitled to incentive pay based on 3-month period.
6. Entitled to incentive pay based on 2-month period.
7. Injured in aircraft accident.
8. Not entitled to incentive pay, unless sufficient flights performed in following 1 or 2-month period.
9. Free entitlement period.
10. Two unused hours from January lost.
11. Excess hours available for application in 5 succeeding months as required.

Table 22-3. Flight Examples Involving 3-Month Periods and Excess Time

Month	Hours Flown	Entitle-ment	Based on Hours Flown During	End of Month Excess and Unused Hours		Pertinent Factors
				That Month	Accumulated	
16–31 Jan	3.3	Yes	Jan	1.3	1.3	Placed on flying status
Feb	0	Yes	Jan 1.3, Mar 2.7	0	0	Jan 16
Mar	6.7	Yes	Mar	0	0	
Apr	9	Yes	Apr	5	5	
May	5.5	Yes	May	1.5	6.5	
Jun	0	Yes	Apr	0	2.5	
Jul	1.5	Yes	Jul 1.5, Apr 1, May 1.5	0	0	
Aug	2	No	(note 1)	2	2	
Sep	4	Yes	Sep	0	2	
Oct	5	Yes	Oct	1	3	
Nov	0	No	(note 2)	0	3	
Dec	3	Yes	Dec 3, Aug 1	0	2	
Jan	10	Yes	Jan	6	7	1 hour lost from Aug
Feb	0	Yes	Oct 1, Jan 3	0	3	
Mar	0	Yes	Jan 3, May 1	0	0	
Apr	0	Yes	May 4	0	0	
May	10	Yes	May	1	1	
Jun	0	Yes	May 1, Aug 3	0	0	
Jul	0	Yes	Aug 4	0	0	
Aug	17	Yes	Aug	6	6	
Sep	0	Yes	Aug 4	0	2	
Oct	2	Yes	Oct 2, Aug 2	0	0	
Nov	12	Yes	Nov	8	8	
Dec	0	Yes	Nov (note 3)	0	4	Suspended Dec 1
Jan	0	Yes	Nov 4 (note 3)	0	0	
Feb	0	No	(note 4)	0	0	
Mar	0	No		0	0	
Apr	0	No		0	0	
May	4	Yes	May	0	0	Suspension ended May 1
Jun	30	Yes	Jun	26	26	Physically incapacitated
Jul	0	Yes	Jun 4	0	22	Jun 20
Aug	0	Yes	Jun 4	0	18	
Sep	0	Yes	Jun 4	0	14	
Oct	0	Yes	Jun 4	0	10 (note 3)	Suspended Oct 1
Nov	0	Yes	Jun 4	0	0 (note 3)	6 hours lost from Jun
Dec	0	No		0	0	
Jan	0	No		0	0	
Feb	0	No		0	0	
Mar	0	No		0	0	
Apr	9	Yes	Apr	5	5	Suspension ended Apr 1

NOTES:

1. No excess hours available from previous 5 months and deficiency not made up within 2 following months.
2. Insufficient excess hours available from previous 5 months. New 3-month period does not begin since requirements were not met for entire 3-month period of August-October.
3. Payment made after the suspension ended.
4. Three-month grace period expired before suspension ended.

Table 22-4. Entitlement to HDIP Under Certain Conditions

RULE	When a Service member in flying status is	and	and	then flight pay
1	sick in line of duty	flying status orders remain in effect	Service member meets or has met flight requirements or flight requirements do not apply	continues for the period of illness.
2	on authorized leave in pay status	flying status orders remain in effect	Service member meets or has met flight requirements or flight requirements do not apply	continues for the period of leave (note 1).
3	on Temporary Duty (TDY) or Temporary Additional Duty (TAD)	flying status orders remain in effect	Service member meets or has met flight requirements or flight requirements do not apply	continues for the TDY or TAD period.
4	in a travel status (including authorized delay en route) on change of station	flying status orders remain in effect	Service member meets or has met flight requirements or flight requirements do not apply	continues for the period of travel.
5	a Reservist released from active duty of more than 30 days	orders are not issued directing relief from all assigned duties	Service member has met flight requirements	continues for the period of allowable travel time home (note 2).
6	discharged and immediately reenlists at the same station without a break in service	flying status orders are not specifically terminated	Service member has met flight requirements	entitlement is determined as if there had been no discharge.
7	discharged and immediately reenlists at the same station without a break in service	flying status orders are specifically terminated	Service member has met flight requirements	ceases on the date stated in orders.

Table 22-4. Entitlement to HDIP, Under Certain Conditions (Continued)

RULE	When a Service member in flying status is	and	and	then flight pay
8	incapacitated as a result of performance of flying duty			is payable as indicated in paragraphs 2.6 or 2.7.
9	an enlisted crewmember whose flight orders include a termination date	is involuntarily removed from flying duty (note 3)	was given less than 120 days of advance notice of removal from flying duty (note 4)	continues either for 120 days after the date on which notified of such removal or until original flight orders termination date, whichever occurs first, without regard to the flight requirements of paragraph 2.3.
10	an enlisted crewmember whose flight orders do not include a termination date	is involuntarily removed from flying duty (note 3)	was given less than 120 days advance notice of removal from flying duty (note 4)	continues for 120 days after the date on which notified of such removal without regard to the flight requirements of paragraph 2.3.

NOTES:
1. Do not count flights performed while on leave for pay purposes.
2. Do not pay flight pay beyond the last day of the calendar month for which requirements are met.
3. A Service member is not considered to be involuntarily removed from flying duty upon separation, confinement, relief for cause, reduction in grade, medical unfitness, absence without leave, or transfer to ground duty at own request.
4. Advance notice of removal from flying duty will be issued by a competent authority in writing. Advance notice may be provided verbally if a suitable memorandum for the record is made and later followed by written notification.

*Table 22-5. Hazardous Duty Incentive Pay (HDIP) for Flying
For the most current rates, see the Monthly Hazardous Duty Incentive Pay (HDIP) for Flying Rates table on dfas.mil.

MONTHLY HAZARDOUS DUTY INCENTIVE PAY (HDIP) RATES FOR AIR CREW MEMBERS (EXCEPT FOR AIRBORNE WARNING AND CONTROL SYSTEMS) (EFFECTIVE OCTOBER 1, 1998)					
Pay Grade	**Amount**	**Pay Grade**	**Amount**	**Pay Grade**	**Amount**
O-10	150	W-5	250	E-9	240
O-9	150	W-4	250	E-8	240
O-8	150	W-3	175	E-7	240
O-7	150	W-2	150	E-6	215
O-6	250	W-1	150	E-5	190
O-5	250			E-4	165
O-4	225			E-3	150
O-3	175			E-2	150
O-2	150			E-1	150
O-1	150				
MONTHLY HDIP RATES FOR NON-AIR CREW MEMBERS - 150					

Table 22-6. Monthly Army Officer AvIP Rates
Effective (January 1, 2020)
For the most current rates, see the Monthly Army Officer Aviation Incentive Pay Rates table on dfas.mil.

YAS	Monthly Rate
2 years or less	$125
Over 2 years	200
Over 6 years	700
Over 10 years	1,000
Over 22 years	700
Over 24 years	400

Table 22-7. Monthly Navy Officer AvIP Rates
(Effective April 1, 2018)
For the most current rates, see the Monthly Navy Officer Aviation Incentive Pay Rates table on dfas.mil.

YAS	Monthly Rate
2 or less	$125
Over 2	156
Over 3	188
Over 4	206
Over 6	650
Over 14	840
Over 22	585
Over 23	495
Over 24	385
Over 25	250

Table 22-8. Monthly Navy AvIP Rates for Officers in Administrative Milestone Billets
Effective (April 1, 2018)
For the most current rates, see the Monthly Navy Aviation Incentive Pay Rates for Officers in Administrative Milestone Billets table on dfas.mil.

YAS	Monthly Rate
2 or less	$125
Over 2	156
Over 3	188
Over 4	206
Over 6	650
Over 10	1,000
Over 22	700
Over 24	450

NOTE:
Administrative milestone billets are designated as department head, commander command, and major command (or equivalent).

Table 22-9. Monthly Air Force AvIP Rates
(Effective October 1, 2017)
For the most current rates, see the Monthly Air Force Aviation Incentive Pay Rates table on dfas.mil.

YAS	Monthly Rate
2 or less	$150
Over 2	250
Over 6	700
Over 12	1,000
Over 22	700
Over 24	450

Table 22-10. Monthly Marine Corps Officer AvIP Rates
(Effective March 1, 2018)
For the most current rates, see the Monthly Marine Corps Officer Aviation Incentive Pay Rates table on dfas.mil.

YAS	Monthly Rate
2 or less	$125
Over 2	156
Over 3	188
Over 4	206
Over 6	650
Over 8	800
Over 10	1,000
Over 17	840
Over 22	585
Over 23	495
Over 24	385
Over 25	250

Table 22-11. Monthly CSIP Rates for Air Force Enlisted Flyers
(Effective October 1, 2017)
For the most current rates, see the Monthly Critical Skill Incentive Pay Rates for Air Force Enlisted Flyers table on dfas.mil.

YAS	Monthly Rate
4 or less	$225
Over 4	350
Over 8	500
Over 14	600

*REFERENCES

CHAPTER 22 – AVIATION INCENTIVE PAYS

2.0 – HDIP FOR FLYING DUTY

	37 U.S.C. § 351(a)(2)
	DoDI 1340.09, January 26, 2018, paragraph 3.4.c
2.4.1.	DoDI 7730.67, October 20, 2016, paragraph 3.2.b(5)
2.4.5.	DoDI 1340.09, January 26, 2018, paragraph 3.4.c(3)
2.5.2.	25 Comptroller General (Comp Gen) 534
2.5.3.	37 Comp Gen 183
	4 Comp Gen 975
	9 Comp Gen 487
2.9.1.	2 Comp Gen 370
2.9.2.	46 Comp Gen 776
2.9.3.	37 Comp Gen 322
	DoDI 1340.09, January 26, 2018, paragraph 3.4.c(5)
2.9.5.	37 U.S.C. § 552
	23 Comp Gen 948
2.9.6.1.	23 Comp Gen 449
2.9.6.2.	7 Comp Gen 476
	36 Comp Gen 57
2.10	9 Comp Gen 234
	39 Comp Gen 604
	41 Comp Gen 173
	46 Comp Gen 776
2.11.1.	56 Comp Gen 983
2.11.2.	56 Comp Gen 983
2.11.3.	Comp Gen B-153331, December 11, 1964
2.15	37 U.S.C. § 351(h)

3.0 – AvIP FOR AVIATORS IN OFD OR PFD POSITIONS

3.1	37 U.S.C. § 334(a)
3.2	DoDI 7730.67, October 20, 2016, paragraph 3.2.b
3.3	37 U.S.C. § 334(a)
3.3.3.	ASD Manpower & Reserve Affairs Memo (M&RA) Memo, April 26, 2017
	DoDI 7730.67, October 20, 2016, paragraph 3.1.b(2)
3.3.3.	DoDI 7730.67, October 20, 2016, paragraph 3.1.b(8)
3.3.4.	DoDI 7730.67, October 20, 2016, paragraph 3.1.b(9)
3.4.	37 U.S.C. § 334(c)(1)(A)
	ASD (M&RA) Memo, April 26, 2017
3.4.5.	DAF Memo (AvIP), August 29, 2017

4.0 – AvIP FOR AVIATORS NOT IN OFD OR PFD POSITIONS

DoDI 7730.67, October 20, 2016, paragraph 3.3

5.0 – CRITICAL SKILL INCENTIVE PAY (CSIP)

37 U.S.C. § 353
DoDI 7730.67, October 20, 2016, paragraph 3.4.a
ASD M&RA Memo, April 26, 2017
DAF Memo, August 29, 2017

Table 22-2 – FLIGHT EXAMPLES INVOLVING BASIC 3-MONTH GRACE PERIODS

46 Comp Gen 776

Table 22-3 – FLIGHT EXAMPLES INVOLVING 3-MONTH PERIODS AND EXCESS TIME

46 Comp Gen 776

Table 22-4 – ENTITLEMENT TO HDIP UNDER CERTAIN CONDITIONS

Rules 1 through 8	EO 11157, June 22, 1964
Rule 9	EO 11929, July 26, 1976
Rule 10	EO 11929, July 26, 1976
Note 3	EO 11929, July 26, 1976
Note 4	EO 11929, July 26, 1976

Table 22-5 – Hazardous Duty Incentive Pay (HDIP) for Flying

37 U.S.C. § 301(b)

Table 22-6 – MONTHLY ARMY OFFICER AvIP RATES

37 U.S.C. § 334(c)(1)(A)
ASD M&RA Memo, April 26, 2017
Department of the Army Office of the Deputy Chief of Staff G1 Memo, January 8, 2020

Table 22-7 – MONTHLY NAVY OFFICER AvIP RATES

37 U.S.C. § 334(c)(1)(A)
ASD M&RA Memo, April 26, 2017
Office of the Chief of Naval Operations Instruction 7220.18A, October 1, 2019, Enclosure 2

Table 22-8 – MONTHLY NAVY AvIP RATES FOR OFFICERS IN ADMINISTRATIVE MILESTONE BILLETS

37 U.S.C. § 334(c)(1)(A)
ASD M&RA Memo, April 26, 2017
Navy Message R 201553Z, March 2018
Office of the Chief of Naval Operations Instruction 7220.18A, October 1, 2019, Enclosure 2

Table 22-9 – MONTHLY MAXIMUM AIR FORCE AvIP RATES

37 U.S.C. § 334(c)(1)(A)
ASD M&RA Memo, April 26, 2017
DAF Memo (AvIP), August 29, 2017

Table 22-10 – MONTHLY MARINE CORPS OFFICER AvIP RATES

37 U.S.C. § 334(c)(1)(A)
ASD M&RA Memo, April 26, 2017
Marine Corps Message R 271318Z, February 2018

Table 22-11 – MONTHLY CSIP RATES FOR AIR FORCE ENLISTED FLYERS

37 U.S.C. § 353
DAF Memo (CSIP), August 29, 2017

VOLUME 7A, CHAPTER 23: "SUBMARINE DUTY PAY"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated December 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision
Table 23-4	Updated content for clarity.	Revision
References	Updated statutes and supporting references.	Revision

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CHAPTER 23

SUBMARINE DUTY PAY

1.0 GENERAL

1.1 Purpose

The purpose of this chapter is to provide policy pertaining to Submarine Duty Pay for members of the Navy, as authorized by law. A member of the Navy, who is entitled to basic pay, may be paid submarine duty incentive pay for the frequent and regular performance of operational submarine duty required by orders (including on a submarine of a foreign nation).

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Title 37. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 INCENTIVE PAY FOR OPERATIONAL SUBMARINE DUTY

2.1 Purpose

Incentive pay for operational submarine duty is designed to recognize the arduous nature of submarine duty assignments. The Secretaries of the Military Departments concerned may establish an operational submarine duty incentive pay program to encourage volunteerism for submarine duty assignments.

2.2 Eligibility

The Secretaries of the Military Departments concerned will establish eligibility criteria based on Service-specific needs for submarine duty assignments not receiving continuous submarine duty pay (CONSUBPAY).

2.3 Amount

The Secretaries of the Military Departments concerned will establish monthly rates, based on level of responsibility and time of submarine service. The maximum amount of operational submarine duty incentive pay per month will not exceed $1,000. The monthly rates of submarine duty pay for commissioned officers, warrant officers, and enlisted members are contained in Tables 23-1, 23-2, and 23-3. For the most current rates, see the ***Submarine Duty Pay Rates*** table on DFAS.MIL.

2.4 Definition of Terms for "Operational Submarine Duty"

2.4.1. Operational submarine duty means duty performed:

2.4.1.1. While assigned under competent orders to a submarine;

2.4.1.2. While serving as an operator or crew member of an operational submersible (including an undersea exploration or research vehicle);

2.4.1.3. While undergoing initial submarine training prior to assignment to a nuclear-powered submarine;

2.4.1.4. While undergoing rehabilitation training after assignment to a nuclear-powered submarine;

2.4.1.5. In the case of members qualified for the submarine service, while assigned as a member of a submarine operational command staff whose duties require serving on a submarine during underway operations:

2.4.1.5.1. During 1 calendar-month: 48 hours, except that hours served underway in excess of 48 hours as a member of a submarine operational command staff during any of the immediately preceding 5 calendar-months and not already used to qualify for incentive pay, may be applied to satisfy the 48-hour underway time requirements for the current month;

2.4.1.5.2. During any 2 consecutive calendar-months when requirements of subparagraph 2.4.1.5.1 have not been met: 96 hours; or

2.4.1.5.3. During any 3 consecutive calendar-months when requirements of subparagraph 2.4.1.5.2 have not been met: 144 hours;

2.4.1.6. While receiving training and instructions for assignment to a submarine of advanced design; or

2.4.1.7. While receiving instructions to prepare a submariner for a position of increased responsibility on a submarine.

2.4.2. The term "submarine service" means the service performed by a member under regulations prescribed by the Secretary of the Navy. The years of submarine service are computed beginning with the effective date of the initial order to perform submarine service.

2.5 Submarine Duty Pay Start and Stop Dates

See Table 23-4.

2.6 Submarine Operational Command Staff Members

2.6.1. General rules for meeting underway time requirements, including determination of a 2- or 3-month grace period, are substantially the same as those for flying pay. (See Chapter 22.)

2.6.2. For the fractional part of a calendar month, or fractional parts of 2 consecutive calendar months (duty begins in 1 month and ends in the following month), the underway time required, based on the requirement of 48 hours for a calendar month, will be determined from Table 23-5.

2.7 Temporary Additional Duty or Authorized Leave

A member, who is entitled to submarine duty pay, retains entitlement during periods of temporary additional duty or authorized leave. However, a submarine operational command staff member is required to fulfill the underway time requirements to retain entitlement during such periods if not otherwise entitled to continuous monthly submarine duty pay in accordance with section 3.0.

2.8 Missing Status - Member's Entitlement

A member receiving submarine duty pay when declared missing by a competent authority is entitled to submarine duty pay during the period of absence and for the period, not to exceed 1 year, required for hospitalization and rehabilitation after termination of missing status. The member's entitlement to submarine duty pay, upon termination of the period of eligibility, will be contingent on a determination of continued eligibility.

2.9 Restriction

2.9.1. An officer who fails selection for assignment as an executive officer or commanding officer of a submarine, or who declines to serve in either such position, may not be paid submarine duty pay except for periods during which such officer is serving on a submarine during underway operations.

2.9.2. A Service member cannot receive both CONSUBPAY and operational submarine duty incentive pay at the same time for the same period of service. When CONSUBPAY eligibility is not met, personnel may be eligible for operational submarine duty incentive pay for any period attached under orders to operational submarine duty, whether temporarily or permanently assigned.

3.0 CONTINUOUS SUBMARINE DUTY SKILL INCENTIVE PAY FOR SUBMARINE SERVICE MEMBERS

3.1 Purpose

The Navy may offer CONSUBPAY to active-duty Service members who volunteer to serve in, and remain serving in, the submarine service on a career basis in a submarine duty designation or designator.

3.2 Eligibility

A member of the submarine service (as defined in subparagraph 2.4.2) may be eligible for CONSUBPAY if they meet the following requirements:

3.2.1. Hold a submarine duty designation or designator, or are in training to receive a submarine duty designation or designator;

3.2.2. Have a valid submarine service entry date and have obtained the prescribed amount of total operational submarine service (TOSS) at the completion of 12 and/or 18 years of submarine service. Prior to 12 years of service, there is no minimum TOSS requirement for CONSUBPAY;

3.2.3. Enlisted members serving ashore must maintain a sufficient period of obligated service as specified in the Office of Chief of Naval Operations Instruction (OPNAVINST) 7220.15 (including any extension of enlistment) to be able to be reassigned to submarine duty. Officers must remain qualified for follow-on submarine service while serving ashore;

3.2.4. Maintain physical qualifications for submarine service;

3.2.5. Have less than 26 years of service; and

3.2.6. Meet other applicable requirements outlined by the Secretary of the Navy.

3.3 Additional Eligibility Requirements

3.3.1. To remain eligible for CONSUBPAY through 26 years of service (excluding, in the case of an officer, any period of service as an enlisted member) a member must accumulate at least 6 years of TOSS in the first 12 years of submarine service, and at least 10 years of TOSS in the first 18 years of submarine service. However, if a member accumulates at least 8 but less than 10 years of TOSS after 18 years of submarine service, the member remains eligible for CONSUBPAY through 22 years of service (excluding, in the case of an officer, any period of service as an enlisted member).

3.3.2. If, upon completion of either 12 or 18 years of submarine service, it is determined that a member has failed to perform the minimum prescribed operational submarine duty requirements during the prescribed periods of time, the eligibility for continuous monthly submarine duty pay ceases. If continuous monthly submarine duty pay ceases upon completion of

12 years of submarine service, a member may be eligible to re-qualify for the pay if after the completion of 18 years of submarine service, the minimum operational submarine duty requirements have been met. At which time, the pay may resume for the period of time prescribed in this section. However, if entitlement to continuous monthly submarine duty pay ceases in the case of any member at the completion of either 12 or 18 years of submarine service or 26 years of service (as computed under Chapter 1, section 2.0), such member will only be eligible for operational submarine duty pay in the amount specified in section 2.0 for the performance of submarine duties while assigned to a submarine during underway operations.

NOTE: In the case of an officer, any period as an enlisted member, before initial appointment as an officer, is excluded.

3.4 Rates

The monthly rates of submarine duty pay are the same as indicated in Tables 23-1 through 23-3.

3.5 Missing Status - Member's Entitlement

The provisions of paragraph 2.8 are applicable to submarine duty pay entitlement under this section.

3.6 Restriction

3.6.1. Pursuant to ***Title 37, United States Code, Section 353(h)***, a Service member may not be paid more than one pay under the section in any month for the same period of service and skill.

3.6.2. Service members temporarily unable to perform submarine duty due to a physical or medical condition, not the result of the member's own misconduct, may continue to receive CONSUBPAY for a period of up to 6 months. After 6 months, CONSUBPAY will be terminated and may not be reinstated until the condition resulting in the physical or medical restriction is corrected and the member is again certified for submarine duty by a competent Undersea Medical Officer.

3.6.3. Service members permanently disqualified or otherwise determined to be no longer eligible to perform submarine duty, are ineligible for CONSUBPAY.

3.6.4. In accordance with the Memorandum for Assistant Secretary of the Navy (ASN) for Manpower and Reserve Affairs (M&RA), dated January 26, 2018 a Service member, who receives CONSUBPAY and fails to satisfy the eligibility requirements for receipt of the pay, will be subject to having the pay terminated. Repayment of any unearned portion or overpayment will be in accordance with the provisions of ***37 U.S.C. § 373***, Chapter 2, and Volume 16, Chapter 3.

Table 23-1. Monthly Submarine Duty Pay - Commissioned Officers Effective October 1, 2021
For the most current rates, see the Submarine Duty Pay Rates table on DFAS.MIL.

Years of Service Computed Under 37 U.S.C. § 205														
Pay Grade	**2 or less**	**Over 2**	**Over 3**	**Over 4**	**Over 6**	**Over 8**	**Over 10**	**Over 12**	**Over 14**	**Over 16**	**Over 18**	**Over 20**	**Over 22**	**Over 26**
O–10	355	355	355	355	355	355	355	355	355	355	355	355	355	355
O–9	355	355	355	355	355	355	355	355	355	355	355	355	355	355
O–8	355	355	355	355	355	355	355	355	355	355	355	355	355	355
O–7	355	355	355	355	355	355	355	355	355	355	355	355	355	355
O–6	660	660	660	660	660	660	660	660	660	660	950	950	950	950
O–5	655	655	655	655	655	655	655	655	880	930	950	950	950	950
O–4	400	400	400	580	655	805	805	805	880	880	880	880	880	880
O–3	390	390	390	560	655	805	805	805	805	805	805	805	805	805
O–2	335	335	335	335	335	335	470	470	470	470	470	470	470	470
O–1	255	255	255	255	255	255	470	470	470	470	470	470	470	470

Table 23-2. Monthly Submarine Duty Pay Rates - Warrant Officers Effective October 1, 2021
For the most current rates, see the Submarine Duty Pay Rates table on DFAS.MIL.

Years of Service Computed Under 37 U.S.C. § 205														
Pay Grade	**2 or less**	**Over 2**	**Over 3**	**Over 4**	**Over 6**	**Over 8**	**Over 10**	**Over 12**	**Over 14**	**Over 16**	**Over 18**	**Over 20**	**Over 22**	**Over 26**
W-5	320	420	420	475	475	475	475	475	475	475	475	475	475	475
W-4	320	420	420	475	475	475	475	475	475	475	475	475	475	475
W-3	320	420	420	475	475	475	475	475	475	475	475	475	475	475
W-2	320	420	420	475	475	475	475	475	475	475	475	475	475	475
W-1	320	420	420	475	475	475	475	475	475	475	475	475	475	475

Table 23-3. Monthly Submarine Duty Pay Rates - Enlisted Members Effective October 1, 2021
For the most current rates, see the Submarine Duty Pay Rates table on DFAS.MIL.

	Years of Service Computed Under 37 U.S.C. § 205													
Pay Grade	**2 or less**	**Over 2**	**Over 3**	**Over 4**	**Over 6**	**Over 8**	**Over 10**	**Over 12**	**Over 14**	**Over 16**	**Over 18**	**Over 20**	**Over 22**	**Over 26**
E-9	450	450	450	450	450	450	450	450	450	450	600	600	600	600
E-8	450	450	450	450	450	450	450	450	450	450	550	550	550	550
E-7	445	445	445	445	445	445	445	445	445	445	445	445	445	445
E-6	175	190	190	335	370	430	430	430	430	430	430	430	430	430
E-5	155	170	170	275	315	315	315	315	315	315	315	315	315	315
E-4	90	105	110	270	270	270	270	270	270	270	270	270	270	270
E-3	90	100	105	105	105	105	105	105	105	105	105	105	105	105
E-2	85	100	100	100	100	100	100	100	100	100	100	100	100	100
E-l	85	85	85	85	85	85	85	85	85	85	85	85	85	85

*Table 23-4. Submarine Duty Pay - Start and Stop Dates

RULE	If member under orders for submarine duty is	and	then credit for incentive pay	continues
1	assigned to a submarine		begins on the day of reporting for duty, and	through day of detachment.
2	assigned as prospective crewmember of submarine under construction		begins on the day of reporting for duty, and	through day of detachment.
3	assigned to a nuclear-powered submarine manned by two crews or a crew and an augment crew (notes 1 and 2)		begins on the day of reporting for duty as on-ship or off-ship crew, and	through day of detachment.
4	undergoing instruction to qualify for duty on a submarine of advanced design or for duty with increased responsibility (note 3)		begins on the day class convenes, and	through last day of instruction.
5	injured or incapacitated as a result of performing submarine duty	remains assigned to submarine duty		through date of detachment.
6	injured or incapacitated as a result of performing submarine duty	is transferred to a medical facility on temporary duty orders for treatment, rehabilitation or medical board review		for not more than 6 months after date of incapacity, as determined by medical authorities.
7	injured or incapacitated as a result of performing submarine duty	is reassigned to limited duty for treatment or rehabilitation		for not more than 6 months after date of assignment to Limited Duty or until disqualifying condition is determined to be permanent, whichever is earlier.

NOTES:

1. Attachment to a submarine means duty as a crew member either on board the submarine, or on duty ashore during periods of rehabilitation after reporting for permanent duty as a crew member, whether to the on-ship or off-ship crew.
2. When an off-ship crew member, in a training and rehabilitation status, performs travel in connection with a change of home port of the member's submarine by means other than the submarine, member's entitlement to submarine pay continues during period in transit.
3. This rule also applies to officers, who previously qualified in submarines as enlisted members, while attending the following:
   a. Submarine Officers' Basic Course or Submarine Officers' Indoctrination Course, for the specific purpose of preparing for a position in a nuclear-powered submarine; or
   b. A course of instruction listed in the OPNAVINST 7220.15B, October 20, 2023, specifically preparing them for positions of increased responsibility in nuclear-powered submarines.

Table 23-5. Submarine Operational Command Staff Members Underway Time Required for Fractional Part of Month

Days	Underway Time		Days	Underway Time	
	Hours	Minutes		Hours	Minutes
1	1	36	16	25	36
2	3	12	17	27	12
3	4	48	18	28	48
4	6	24	19	30	24
5	8	00	20	32	00
6	9	36	21	33	36
7	11	12	22	35	12
8	12	48	23	36	48
9	14	24	24	38	24
10	16	00	25	40	00
11	17	36	26	41	36
12	19	12	27	43	12
13	20	48	28	44	48
14	22	24	29	46	24
15	24	00	30-31	48	00

*REFERENCES

CHAPTER – 23 SUBMARINE DUTY PAY

1.0 – GENERAL

37 U.S.C. § 352
37 U.S.C. § 353

2.0 – INCENTIVE PAY FOR OPERATIONAL SUBMARINE DUTY

37 U.S.C. § 352
DoD Instruction 1340.26, September 25, 2017, Incorporating Change (CH) 1, Effective January 11, 2019
OPNAVINST 7220.15B, October 20, 2023

2.8 37 U.S.C. § 552

3.0 – CONTINUOUS SUBMARINE DUTY SKILL INCENTIVE PAY FOR SUBMARINE SERVICE MEMBERS

ASN (M&RA) Memo, January 26, 2018
OPNAVINST 7220.15B, October 20, 2023

3.1 37 U.S.C. § 353

3.4 37 U.S.C. § 352
37 U.S.C. § 353
37 U.S.C. § 372

Table 23-1 OPNAVINST 7220.15B, October 20, 2023
Chief of Naval Personnel (CNP) Action Memo, August 12, 2021
ASN (M&RA) Memo, September 21, 2021

Table 23-2 OPNAVINST 7220.15B, October 20, 2023
Chief of Naval Personnel (CNP) Action Memo, August 12, 2021
ASN (M&RA) Memo, September 21, 2021

Table 23-3 OPNAVINST 7220.15B, October 20, 2023
ASN (M&RA) Memo, August 30, 2011
Chief of Naval Personnel (CNP) Action Memo, August 12, 2021
ASN (M&RA) Memo, September 21, 2021

Table 23-4 OPNAVINST 7220.15B, October 20, 2023

References (Continued)

Table 23-5	OPNAVINST 7220.15B, October 20, 2023

VOLUME 7A, CHAPTER 24: "INCENTIVE PAY - HAZARDOUS DUTY OTHER THAN AERIAL FLIGHTS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated August 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision
2.3	Updated the "Payment Method and Amounts" paragraph in accordance with the Department of Defense Instruction (DoDI) 1340.09, dated February 2, 2024.	Revision
2.8	Updated the termination date on the "Duration of Authority" table on DFAS.MIL to comply with the National Defense Authorization Act (NDAA) for Fiscal Year 2024, Public Law 118-31, section 613, dated December 22, 2023.	Revision
3.3 4.3 5.2 6.2 7.3 8.3 9.3 10.3 11.3 12.3 13.3	Updated the "Rates" paragraphs for the hazardous duty incentive pay programs in accordance with DoDI 1340.09, dated February 2, 2024.	Revision
15.5 16.6	Added the "Duration of Authority" paragraph for the Special Warfare Skill Incentive Pay and Navy Special Warfare Skill Incentive Pay.	Addition
References	Updated statutes and supporting references.	Revision

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CHAPTER 24

INCENTIVE PAY - HAZARDOUS DUTY OTHER THAN AERIAL FLIGHTS

1.0 GENERAL

1.1 Purpose

The Secretaries of the Military Departments may offer hazardous duty incentive pay (HDIP), special warfare skill incentive pay (SWSIP), or Naval special warfare (NSW) skill incentive pay (SKIP) payments to Service members who under competent orders are required to perform duties designated as hazardous, based upon the inherent dangers of the duty and the risks of physical injury. This chapter establishes the policy pertaining to the monetary incentive to Service members who perform these duties.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), Title 37. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 ENTITLEMENT

2.1 Eligibility

To receive HDIP, a Regular or Reserve Component Service member must:

2.1.1. Be entitled to basic pay under ***37 U.S.C. § 204*** or ***37 U.S.C. § 206***;

2.1.2. Be serving under competent orders to perform the hazardous duty; and

2.1.3. Be in training or have completed qualifying training and meet eligibility criteria for the performance of the hazardous duty.

2.2 Member of the Reserve Components (RC)

2.2.1. A member of the RC on extended active duty (EAD) as defined in Chapter 57, paragraph 2.1, who is ordered to perform any of the hazardous duties listed in sections 3.0 through 13.0, is entitled to pay based on the terms of this chapter.

2.2.2. A member of the RC on active-duty training (ADT), who is ordered to perform any of the hazardous duties listed in sections 3.0 through 13.0 is entitled to pay based on Table 24-1, rules 9 through 13 and Chapter 57, paragraphs 3.2 and 4.1.

*2.3 Payment Method and Amounts

2.3.1. Rates. A member who qualifies for HDIP under this chapter may receive a monthly amount up to the rate prescribed for the type of duty performed. The most current rates are in the ***HDIP Rates*** table on DFAS.MIL.

2.3.2. Payment Method. Service members are first eligible for HDIP on the date they report for, and begin performing, a qualifying eligible duty in compliance with competent orders, subject to meeting qualification requirements. HDIP ends on the effective date published in orders for termination of such duty, or the date the Service member is detached from and is no longer required to perform the hazardous duty whichever occurs first.

2.3.2.1. Proration. In cases when a Service member begins hazardous duty on a date other than the first day of a month or terminates that duty prior to the 30th of a month (28th or 29th of February, as appropriate) and otherwise meets the requirements of the pay for the month, the Service member is entitled to a prorated portion of HDIP for the month.

2.3.2.1.1. The prorated monthly amount for Service members serving on active duty is calculated by multiplying 1/30th of the monthly rate of HDIP by the actual number of qualifying service days during the month.

2.3.2.1.2. The prorated monthly amount for RC members entitled to compensation pursuant to 37 U.S.C. § 206, is calculated by multiplying 1/30th of the monthly rate of HDIP by the number of qualifying drill periods performed in the month.

2.3.2.1.3. The maximum incentive pay amount for a hazardous duty may not exceed the monthly HDIP rate or the specific hazardous duty.

2.3.2.2. Exception to Proration. Subparagraph 2.3.2.1 does not apply when the Secretary concerned has requested to specifically designate a hazardous duty as one which, when performed by a Service member in a month, entitles the Service member to the full monthly rate of HDIP for the duty regardless of the duration of qualifying service during the month and such request has been approved by ASD (M&RA).

2.3.3. Repayment of Unearned or Overpayment. A Service member receiving an incentive pay in accordance with this chapter and fails to satisfy the eligibility requirements for receipt of pay will be subject to having the pay terminated. Repayment of any overpayment will be in accordance with the provisions of ***37 U.S.C. § 373*** and DoD Financial Management Regulation, Volume 16, Chapter 3.

2.4 Multiple Payments of HDIP

Service members performing multiple hazardous duties may receive a maximum of three HDIP payments per month. Multiple HDIP is limited to those members required by orders to perform specific multiple hazardous duties necessary for successful accomplishment of the

mission of the unit to which assigned. Members must meet minimum requirements for each hazardous duty, unless excepted as provided in paragraph 2.6.

2.4.1. Aviation Incentive Pay (AvIP) and HDIP. Officers entitled to AvIP and enlisted members entitled to Critical Skill Incentive Pay (CSIP) are not eligible for flying duty HDIP. In addition to flying duty HDIP, Service members may receive two additional HDIPs under the provisions of this chapter provided the conditions for entitlement have been independently met.

2.4.2. Restriction With Regard to Parachute Duty. Only one type of parachute duty payment (regular or military free fall) is authorized for a qualifying period. When a member qualifies for both types of parachute duty, the higher rate of pay is authorized. Unless otherwise restricted by Military Service regulations (for example, restrictions on manning classification), a member who qualifies for a military free fall rate for a month in which the member earlier qualified for the regular rate of parachute pay will be entitled to the difference between the monthly rate of $150 and $225.

2.5 Injury or Incapacity Resulting From Performance of Hazardous Duty

Service members qualified for HDIP who are temporarily unable to perform a hazardous duty due to an injury or illness that is not the result of the Service member's own misconduct may continue to receive HDIP for up to 6 months. Appropriate medical authority determines the cause of the incapacity and the dates thereof.

2.5.1. Case-by-Case Exception. On a case-by-case basis, the Secretary concerned, or designee, may authorize an extension of HDIP payments for up to an additional 6-months, based on the recommendation of the appropriate medical authority. Under no circumstance may HDIP payments continue beyond 12 months from the date of injury or illness.

2.5.2. Termination of HDIP. HDIP will be terminated for Service members permanently disqualified or otherwise determined to be no longer eligible to perform hazardous duty by a competent medical authority.

2.5.3. Reassignment or Reclassification. Service members reassigned to a new duty assignment or specialty not eligible for HDIP will have their HDIP payments terminated on the date of reassignment or reclassification.

2.5.4. Combat Zone. If the injury or illness occurred while serving in a combat zone, hostile fire area, or imminent danger area, the Service member may continue to receive HDIP during their hospitalization and rehabilitation in accordance with ***37 U.S.C. § 372***. See Chapter 13, section 2.0 for additional details.

2.6 Authority to Issue Orders

Authority of the Military Departments to issue orders requiring performance of hazardous duty is delegated by the Secretaries to specific commanders within each Military Service. These

delegations are contained in personnel administrative regulations of the respective Military Services.

2.7 Missing Status - Member's Entitlement

A member who is receiving an HDIP listed in sections 3.0 through 14.0 when declared by competent authority to be missing (as defined in the Definitions Chapter) is entitled to HDIP during the period of absence and for any period, not to exceed 1 year, required for hospitalization and rehabilitation after termination of the missing status. The member's entitlement to HDIP, upon termination of any required period of hospitalization and rehabilitation or the 1-year period after date of return from missing status, whichever is earlier, will be contingent on a determination of continued eligibility under section 2.0 and the applicable requirements.

*2.8 Duration of Authority

Unless reauthorized by Congress, HDIP, SWSIP, and NSW SKIP may not be paid after the date listed on the ***Duration of Authority*** (DOA) table.

3.0 PARACHUTE DUTY

3.1 Entitlement

3.1.1. General. Qualified members are those who have received a designation as a parachutist, including those undergoing training for such designation, who are required by competent orders to engage in parachute jumping from an aircraft in aerial flight, and who meet the minimum performance requirements.

3.1.2. Performance Requirements. For eligibility, the member must meet the performance requirements for parachute duty HDIP set out in ***DoD Instruction (DoDI) 1340.09***, para. 3.4.d.

3.1.3. Military Free Fall

3.1.3.1. Service members who qualify for military free fall duty must perform duty involving parachute jumping, as an essential part of their military duties, in military free fall operations where parachute deployment by the jumper occurs without the use of a static line.

3.1.3.2. Qualifying members are those who have received a designation as a military free fall parachutist, including those undergoing training for such designation; who are required by competent orders to engage in parachute jumping from an aircraft in aerial flight; and who meet the requirements of paragraph 3.1. Performance requirements must be satisfied by military free fall jumps.

3.2 Parachute Jumps-Leave, Permanent Change of Station (PCS), Temporary Duty Travel (TDY)/Temporary Additional Duty (TAD), or ADT

Qualifying jumps for entitlement to parachute pay will be performed during a period of duty requiring parachute jumping as established by competent orders. Parachute jumps performed under the following circumstances do not qualify a member for entitlement to parachute pay:

3.2.1. Parachute jumps performed by any member while on leave or during PCS or TDY/TAD not requiring parachute jumping as an essential part of the duty; and

3.2.2. Parachute jumps performed by a member of an RC while on ADT that does not require parachute jumping as an essential part of the duty.

*3.3 Rates

The HDIP rates for parachute duty are:

3.3.1. HDIP for static line parachute jumping is $150 per month (see the HDIP Rates table for the most current rate).

3.3.2. HDIP for a military freefall parachutist is $225 per month (see the HDIP Rates table for the most current rate).

3.3.3. HDIP for parachute duty may be paid, provided prescribed requirements are met, only from the date of reporting for duty or training. Service members who arrive after the first day of the month or depart prior to the end of the month and are not on competent orders for a full calendar month will receive a prorated HDIP payment for those months, unless subparagraph 2.3.2.2 applies.

4.0 FLIGHT DECK DUTY

4.1 Entitlement

The Secretary concerned may offer flight deck HDIP (FDHDIP) to Service members who under competent orders perform flight deck hazardous duty (FDHD). Service members must be present, during flight operations at an assigned duty station on the flight deck of an aircraft carrier or a ship other than an aircraft carrier from which aircraft are launched and recovered during flight operations.

4.1.1. Performance Requirements. For eligibility, the member must meet the performance requirements for FDHDIP set out in DoDI 1340.09, para. 3.4.g.

4.1.2. Multiple Payments. Members receiving HDIP for any other type of hazardous duty are not entitled to FDHDIP for the same period.

4.2 Specialized Terms

4.2.1. Eligible Air Capable Ship. A ship having a flight deck that has been certified to launch or land aircraft under Chief of Naval Operations ship or helicopter facility certification program.

4.2.2. Flight Operations. The period of time during which launch and recovery of aircraft are in progress on the flight deck of an eligible air capable ship. It includes the turn-up and movement of aircraft preparatory to launch and the movement and shutdown of aircraft immediately following recovery.

4.2.3. Day of Flight Operations. One day of flight operations will consist of a calendar day during which any combination of aircraft takeoffs and/or landings takes place, as specified for each ship by class in OPNAV Instruction 7220.4 series. Four days of such flight operations, or the equivalent thereof, will constitute the basic calendar month qualification criteria.

4.2.4. Equivalent of 4 Days of Flight Operations. Any single day or combination of days during a calendar month in which the number of aircraft takeoffs and/or landings equals the monthly total requirement for that class ship in OPNAV Instruction 7220.4 series will constitute the equivalent of four days of flight operations.

4.2.5. FDHD Billet. A billet that requires frequent and regular participation in flight operations on the flight deck of an eligible (certified) ship as promulgated in the OPNAV Instruction 7220.4 series.

4.2.6. Participation. Service members must be present, during flight operations, at an assigned station on the flight deck of an aircraft carrier or a ship other than an aircraft carrier from which aircraft are launched and recovered during flight operations.

*4.3 Rates

FDHDIP is paid to eligible members at a rate of $150 per month (see the HDIP Rates table for the most current rate). Service members who meet entitlement criteria, but who do not participate in a full calendar month of flight deck operations, will receive a prorated FDHDIP payment in accordance subparagraph 2.3.2 for any portion of a calendar month, during which FDHD is performed under competent orders, unless subparagraph 2.3.2.2 applies.

4.4 Commencement and Termination of FDHDIP

Eligibility for entitlement to FDHDIP begins on the date a member is ordered to duty in an FDHD billet. Entitlement eligibility ends on the date the orders to such billet are revoked, or when a member is permanently detached from the aircraft carrier, other eligible air capable ship, or aviation unit, whichever occurs first. Orders may be terminated for other reasons but not for the sole purpose of providing FDHDIP for additional members.

4.5 Right to Pay Under Certain Conditions

See Table 24-1.

5.0 DEMOLITION DUTY

5.1 Entitlement

5.1.1. Condition of Entitlement. A member entitled to basic pay, who is required by competent orders to perform duty involving the demolition of explosives, as prescribed by Military Service regulations, as a primary duty (including training for that duty), is entitled to HDIP under the conditions stated in this section.

5.1.2. Duty Involving Demolition of Explosives. Demolition duty is duty performed by members who engage in the following activities under competent orders and as a primary duty assignment:

5.1.2.1. Demolish by the use of explosive objects, obstacles, or other explosives, or recover and render harmless, by disarming or demolishing, explosives that have failed to function as intended or which have become a potential hazard;

5.1.2.2. Participate as students or instructors in instructional training, including that in the field or fleet, for the duties described in subparagraph 5.1.2.1 provided that live explosives are used in such training;

5.1.2.3. Participate in proficiency training, including that in the field or fleet, for the maintenance of skill in the duties described in subparagraph 5.1.2.1 provided that live explosives are used in such training; or

5.1.2.4. Experiment with or develop tools, equipment, or procedures for the demolition and rendering harmless of explosives, provided that live explosives are used.

*5.2 Rates

HDIP for demolition duty is paid to eligible members at a rate of $150 per month (see the HDIP Rates table for the most current rate). Qualified Service members who are not on competent orders for the entire month receive a prorated payment in accordance with subparagraph 2.3.2, unless subparagraph 2.3.2.2 applies.

5.3 Performance Requirements

For eligibility, the member must meet the performance requirements for demolition duty HDIP set out in DoDI 1340.09, para. 3.4.e.

5.4 Right to Pay Under Certain Conditions

See Table 24-1.

6.0 EXPERIMENTAL STRESS DUTY

6.1 Entitlement

6.1.1. Condition of Entitlement. A member on active duty who is required by competent orders to perform experimental stress duty is entitled to HDIP under the conditions stated in this section.

6.1.2. Duty Involving Experimental Stress. Experimental stress duties are included in subparagraphs 6.1.2.1 through 6.1.2.4.

6.1.2.1. Human Acceleration or Deceleration Experimental Subject. Duty performed as human acceleration or deceleration experimental subjects utilizing experimental acceleration or deceleration devices.

6.1.2.2. Thermal Stress Duty. Duty performed as human thermal experimental subjects in thermal stress experiments.

6.1.2.3. Low-Pressure Chamber Duty. Duty performed within a low-pressure (altitude) chamber at physiological facilities as human test subjects, inside instructor-observer or inside observer-tender.

6.1.2.4. High-Pressure Chamber Duty

6.1.2.4.1. Duty performed within a high-pressure (hyperbaric or recompression) chamber or hyperbaric complex as a:

6.1.2.4.1.1. Human test subject for approved protocols applicable to the research, development, testing and evaluation of diving, hyperbaric and underwater-related tools, systems, equipment and procedures;

6.1.2.4.1.2. Human test subject in a recompression chamber/hyperbaric complex inside instructor-observer or inside observer-tender during the conduct of protocols; or

6.1.2.4.1.3. Human test subject in a recompression chamber/hyperbaric complex inside instructor-observer or inside observer-tender during the conduct of hyperbaric treatment or hyperbaric therapy procedures which include, but are not limited to, treatment of ailments incidental to diving and hyperbaric/hypobaric exposure.

6.1.2.4.2. For a Navy member to qualify as a human test subject, inside instructor-observer or inside observer-tender in a recompression chamber/hyperbaric complex, all of the following conditions must be met. The member must:

6.1.2.4.2.1. Possess one of the Navy Enlisted Classification/Navy Officer Billet Classification (NEC/NOBC) codes listed and be assigned by competent orders to a billet utilizing the following NEC/NOBC classifications:

Enlisted:	**NEC**
Special Warfare Operator (SEAL) Candidate	O20A
SEAL Delivery Vehicle (SDV) Operator	O23A
Special Warfare Operator (SEAL)	O26A
Basic Explosive Ordnance Disposal (EOD) Technician	M02A
Senior EOD Technician	M03A
Master EOD Technician	M04A
Master Diver	MMDV
First Class Diver	M1DV
Second Class Diver	M2DV
Underwater Construction Technician Advanced	B16A
Underwater Construction Technician Basic	B17A
Master Underwater Construction Diver	B18A
Fleet Marine Force Reconnaissance Independent Duty Corpsman	L02A
Fleet Marine Force Reconnaissance Corpsman	L11A
Medical Deep Sea Diving Technician	L27A
Deep Sea Diving Independent Duty Corpsman	L28A

Officer	**NOBC**
Undersea Medical (Diving) Officer	0107
EOD Officer	9230
EOD Mobile Unit Officer	9231
SEAL Officer	9293
Diving Officer (General)	9312;

6.1.2.4.2.2. Be ordered to perform additional duty as a human test subject, inside instructor-observer or inside observer-tender as described in subparagraphs 6.1.2.4.1, 6.1.2.4.2, or 6.1.2.4.3, or by the commanding officer having cognizance over the recompression chamber or hyperbaric complex; and

6.1.2.4.2.3. Either be instructing or operating Navy approved underwater breathing equipment, support systems, and recompression chambers; or observing the other individual(s) for symptoms of diving injuries/illnesses and providing appropriate treatment, as ordered by competent authority.

6.1.2.4.3. The following types of similar duties do not entitle Navy personnel to HDIP as recompression chamber/hyperbaric complex inside instructor-observers or inside observer-tenders:

6.1.2.4.3.1. Inside observer-tender and divers for surface decompression procedures incidental to the conduct of diving operations as this is considered a normal procedure related to the safe conduct of routine diving operations;

6.1.2.4.3.2. Under instruction either inside instructor-observer, inside observer-tender, or trainees that includes saturation diving procedures and hyperbaric medical related training which is considered a normal requirement to establish or maintain proficiency and/or qualifications;

6.1.2.4.3.3. Inside observer-tender or test candidates during pressure and/or oxygen tolerance tests;

6.1.2.4.3.4. Inside observer-tender, technicians or others involved in recompression chamber or hyperbaric complex preventive or corrective maintenance or during the use of a chamber or complex for the purpose of conducting preventive or corrective maintenance procedures; and

6.1.2.4.3.5. Patients undergoing hyperbaric treatment or therapy.

6.1.3. Restriction. A member is entitled to only one payment of HDIP for experimental stress duty during any 1 month.

*6.2 Rates

HDIP for experimental stress duty is $150 per month (see the HDIP Rates table for the most current rate). HDIP is payable for any full month or is prorated in accordance with subparagraph 2.3.2 for any portion of a calendar month, during which experimental stress duty is performed under competent orders, unless subparagraph 2.3.2.2 applies.

6.3 Performance Requirements

For eligibility, the member must meet the performance requirements for experimental stress duty HDIP set out in DoDI 1340.09, para. 3.4.f.

6.4 Right to Pay Under Certain Conditions

See Table 24-1.

7.0 TOXIC FUELS (OR PROPELLANTS) DUTY

7.1 Entitlement

7.1.1. A member is eligible for HDIP for duty involving the servicing of aircraft or missiles with highly toxic fuels or propellants when this duty is performed as a primary duty according to the requirements set forth in subparagraphs 7.2.1 through 7.2.4 and 7.2.7.

7.1.2. A member is eligible for HDIP for duty involving the servicing of aircraft or missiles with highly toxic fuels or propellants for the testing of aircraft or missile systems (or components of such systems) during which highly toxic fuels are used when this duty is performed as a primary duty according to the requirements listed in paragraph 7.2.

7.2 Performance Requirements

For eligibility, the member must meet the performance requirements for toxic fuel or propellants duty HDIP set out in DoDI 1340.09, para. 3.4.j.

*7.3 Rates

HDIP for handling of toxic fuels and propellants is $150 per month (see the HDIP Rates table for the most current rate). Service members who meet the eligibility criteria, but who do not participate in a full calendar month of duty involving toxic fuels and propellants, will receive a prorated HDIP payment in accordance with subparagraph 2.3.2, unless subparagraph 2.3.2.2 applies.

7.4 Restriction

Authorization is based upon the performance of this primary duty that has the potential for accidental or inadvertent exposure to highly toxic fuels or propellants or related substances and not upon actual quantifiable exposure to such substances. Therefore, neither this construction of the term nor the receipt of the pay may be construed as indicating that any Service member eligible for such pay has been actually exposed to highly toxic fuels or propellants, or related substances contrary to the provisions of any statute, Executive order, rule, or regulation relating to health or safety which is applicable to the Uniformed Services.

8.0 TOXIC PESTICIDES DUTY

8.1 Entitlement

A member is eligible for HDIP for duty involving frequent and regular exposure to highly toxic pesticides when the member is assigned by competent orders to the entomology, pest control, pest management, or preventive medicine functions of a Uniformed Service for a period of 30 consecutive days or more.

8.2 Performance Requirements

For eligibility, the member must meet the performance requirements for toxic pesticides duty HDIP set out in DoDI 1340.09, para. 3.4.h.

*8.3 Rates

HDIP for duty involving exposure to toxic pesticides is $150 per month (see the HDIP Rates table for the most current rate). Service members who meet the eligibility criteria, but who do not

participate in a full calendar month of duty involving exposure to highly toxic pesticides will receive a prorated HDIP payment in accordance with subparagraph 2.3.2, unless subparagraph 2.3.2.2 applies.

9.0 DANGEROUS VIRUSES (OR BACTERIA) LAB DUTY

9.1 Entitlement

A member is eligible for HDIP for duty involving laboratory work that utilizes live dangerous viruses or bacteria as a primary duty.

9.2 Performance Requirements

For eligibility, the member must meet the performance requirements for dangerous viruses or bacteria duty HDIP set out in DoDI 1340.09, para. 3.4.i.

*9.3 Rates

HDIP for laboratory duty involving dangerous viruses or bacteria is $150 per month (see the HDIP Rates table for the most current rate). Service members who meet the eligibility criteria, but who do not participate in a full calendar month of laboratory duty utilizing live viruses or bacteria will receive a prorated HDIP payment in accordance with subparagraph 2.3.2, unless subparagraph 2.3.2.2 applies.

10.0 CHEMICAL MUNITIONS DUTY

10.1 Entitlement

A member is eligible for HDIP for duty involving the handling of chemical munitions (or components of such munitions) as a primary duty.

10.2 Performance Requirements

For eligibility, the member must meet the performance requirements for toxic pesticides duty HDIP set out in DoDI 1340.09, para. 3.4.k.

*10.3 Rates

HDIP for handling of chemical munitions is $150 per month (see the HDIP Rates table for the most current rate). Service members who meet the eligibility criteria, but who do not participate in a full calendar month of duty handling chemical weapons, will receive a prorated HDIP payment in accordance with subparagraph 2.3.2, unless subparagraph 2.3.2.2 applies.

10.4 Restriction

The Secretary concerned is authorized to pay HDIP for the performance of this primary duty that has the potential for accidental exposure to chemical agents and not upon actual quantifiable exposure to such agents. Therefore, neither the construction of the term nor the receipt of pay provided for in this section may be construed as indicating that any person eligible for such pay actually has been exposed to chemical agents contrary to the provisions of any statute, Executive order, rule, or regulation relating to health and safety which is applicable to the Uniformed Services.

11.0 MARITIME VISIT, BOARD, SEARCH, SEIZURE (VBSS) DUTY

11.1 Entitlement

The Secretary concerned may offer an HDIP to members who under competent orders perform duty in VBSS billets that require frequent and regular participation in VBSS operations aboard vessels in support of maritime interdiction operations.

11.2 Performance Requirements

For eligibility, the member must meet the performance requirements for maritime VBSS duty HDIP set out in DoDI 1340.09, para. 3.4.l.

*11.3 Rates

HDIP for VBSS is a monthly rate of $150.00 (see the HDIP Rates table for the most current rate). Service members who meet the eligibility criteria, but who do not participate in a full calendar month of VBSS duty, will receive a prorated HDIP payment in accordance with subparagraph 2.3.2, unless subparagraph 2.3.2.2 applies.

12.0 POLAR REGION FLIGHT OPERATIONS DUTY

12.1 Entitlement

A member is eligible for HDIP for duty involving the use of ski-equipped aircraft on the ground in Antarctica or on the Arctic Ice-Pack.

12.2 Performance Requirements

For eligibility, the member must meet the performance requirements for polar region flight operations duty HDIP set out in DoDI 1340.09, para. 3.4.m.

*12.3 Rates

HDIP for polar region flight operations duty is $150.00 per month (see the HDIP Rates table for the most current rate). Service members who meet the eligibility criteria, but who do not

participate in a full calendar month of polar region flight operations, will receive a prorated HDIP payment in accordance with subparagraph 2.3.2, unless subparagraph 2.3.2.2 applies.

13.0 WEAPONS OF MASS DESTRUCTION CIVIL SUPPORT (WMDCS) TEAM

13.1 Entitlement

The Secretary concerned may pay HDIP to RC Service members assigned to WMDCS teams.

13.2 Performance Requirements

For eligibility, the member must meet the performance requirements for WMDCS team HDIP set out in DoDI 1340.09, para. 3.4.n.

*13.3 Rates

HDIP for RC Service members assigned to a WMDCS team is $150 per month (see the HDIP Rates for the most current rate). Service members who meet the eligibility criteria, but who do not participate in a full calendar month as a WMDCS team member, will receive a prorated HDIP payment in accordance with subparagraph 2.3.2, unless subparagraph 2.3.2.2 applies.

14.0 DIVING DUTY HDIP

See Chapter 11 for diving duty eligibility criteria, requirements, and rates.

15.0 SPECIAL WARFARE SKILL INCENTIVE PAY (SWSIP)

15.1 Entitlement

The Air Force may pay a monthly skill incentive pay to Airmen qualified and serving as an Air Force Special Warfare (AFSPECWAR) Airmen. AFSPECWAR Airmen conduct operations in the ground domain in contested, denied, operationally limited, and permissive environments under severe environmental conditions.

15.2 Performance Requirements

15.2.1. AFSPECWAR Airmen must serve in one the following seven critical Air Force Specialty Codes (AFSC):

15.2.1.1. Pararescue (1Z1XX);

15.2.1.2. Combat Control (1Z2XX);

15.2.1.3. Tactical Air Control Party (1Z3XX);

15.2.1.4. Special Reconnaissance (1Z4XX);

15.2.1.5. Special Tactics Officer (19ZXA);

15.2.1.6. Tactical Air Control Party Officer (19ZXB); or

15.2.1.7. Combat Rescue Officer (19ZXC).

15.2.2. The Air Force may offer skill incentive pay to AFSPECWAR Airmen who:

15.2.2.1. Are entitled to basic pay under 37 U.S.C. § 204, or 37 U.S.C. § 206.

15.2.2.2. Serve in one of the AFSPECWAR Airmen AFSCs listed in subparagraph 15.2.1.

15.2.2.3. Meet all applicable eligibility requirements for performance of skill incentive pay as outlined in the Assistance Secretary of Defense (ASD) Memo for Assistant Secretary of the Air Force for Manpower and Reserve Affairs (M&RA) and any other criteria established by the Secretary of the Air Force in accordance with Air Force publications:

15.2.2.3.1. ***Air Force Manual (AFMAN) 10-3500V1***, Air Force Special Warfare Training Program, dated June 1, 2022, Table A2.1 and A2.2 for critical skills (parachute, dive, demolition, and aerial flight); and

15.2.2.3.2. Department of the Air Force Guidance Memorandum to AFMAN 10-409-O, Support to Adaptive Planning, dated June 15, 2021.

15.2.2.4. Have completed the requisite training and maintain necessary qualifications for the performance of Special Warfare Airmen critical skills required by the Secretary of the Air Force in accordance with the Air Force "Force Generation and Force Presentation (AFFORGEN) model."

15.2.2.5. Meet medical and physical requirements for deployment or be granted a waiver for deployment purposes.

15.2.2.6. AFSPECWAR Airmen assigned to designated career-broadening assignments (e.g., Headquarters staff, recruiting, and instructor duties) may continue to receive SWSIP for up to 24 months as long as they meet SWSIP qualifications at the time they report to their career-broadening assignment. After 24 months, Airmen must recertify in their SWSIP skills within 180 days or SWSIP will be discontinued, and any payments received after 24 months will be subject to repayment in accordance with provisions of 37 U.S.C. § 373.

15.2.2.7. AFSPECWAR Airmen may continue to receive SWSIP provided they meet SWSIP eligibility criteria while attending Professional Military Education Courses, during contingency deployment, while on authorized leave, and while in route to their next AFSPECWAR duty assignment.

15.3 Rates

15.3.1. SWSIP is paid to eligible members at an amount not to exceed $615 per month. If a Service member satisfies the eligibility requirements only for part of the month, the Secretary of the Air Force will prorate the payment amount to reflect the duration of the member's qualifying service during the month. Reserve component members may be eligible for SWSIP at the discretion of the Secretary of the Air Force. The daily amount authorized will be equal to 1/30th of the monthly SWSIP rate for each period of inactive duty for training.

15.3.2. See SWSIP Tables 24-3 and 24-4 detailing how SWSIP will be paid.

15.4 Restriction

The following limitations and restrictions apply for receipt of SWSIP:

15.4.1. Service members may not receive a bonus or incentive pay pursuant to ***Subchapter I and Subchapter II of Chapter 5, of Title 37, U.S.C.***, for the same activity, skill, or period of service.

15.4.2. Service members receiving incentive payments pursuant to ***37 U.S.C. § 334*** or ***37 U.S.C. § 334a*** are not eligible for SWSIP for the same skill or period of service.

15.4.3. Service members may not be paid skill incentive pay or proficiency bonuses pursuant to 37 U.S.C. § 353, and hazardous duty pay under ***37 U.S.C. § 351(a)(2)***, for the same period of service in the same career field or skill.

15.4.4. Service members may not be paid more than one pay under 37 U.S.C. § 353, in any month for the same period of service and skill.

15.4.5. Service members temporarily unable to perform the skills of an AFSPECWAR Airman due to a medical restriction, not the result of the member's own misconduct, may continue to receive SWSIP for up to 12 months, provided the member met the eligibility criteria within the 30 days that occurred prior to the injury or illness. If the restriction persists beyond 365 days or the member is no longer certified to perform the AFSPECWAR Airman duties, SWSIP payments will terminate and may not resume until the condition resulting in medical restriction is corrected and the member is certified to resume AFSPECWAR Airmen duties by a competent medical authority. The Secretary of the Air Force may, on a case-by-case basis, authorize a one-time extension of SWSIP for up to 90 days (beyond the initial 365 days). Extensions beyond 90 days must be forwarded to the Assistant Secretary of Defense for Manpower and Reserve Affairs for approval. All extension requests will include a description of the injury, current prognosis and treatment technique, expected date of full recovery and resumption of AFSPECWAR Airman duties, as well as an endorsement recommendation from the Air Force Surgeon General or designee.

15.4.6. Service members permanently disqualified or otherwise determined to be no longer eligible to perform the duties of an AFSPECWAR Airman, are ineligible for SWSIP.

15.4.7. Service members are not authorized SWSIP payments for any periods of unauthorized absence.

*15.5 Duration of Authority

Unless reauthorized by Congress, no new agreements or payments for SWSIP may be offered after the date listed on the DOA table, but current payments will continue for the duration of the current agreement or until the Service member no longer meets the eligibility for the payment.

16.0 NAVAL SPECIAL WARFARE (NSW) SKILL INCENTIVE PAY (SKIP)

16.1 Entitlement

The Navy may pay a monthly skill incentive pay to Service members qualified and serving as NSW Operators pursuant to 37 U.S.C. § 353. NSW Operators perform clandestine paradrop, maritime, and land-based special operations in austere conditions in order to provide to the United States and its allies tailored capabilities. NSW SKIP will be used in lieu of hazardous duty incentive pays to minimize costly training interruptions in the NSW inter-deployment training cycle (IDTC), minimize the strain on force Personnel Tempo System during the IDTC and remove financial disincentives associated with NSW Operators seeking medical care.

16.2 Performance Requirements

16.2.1. The term NSW Operator encompasses the following critical Navy enlisted classifications (NECs) and officer designator codes:

16.2.1.1. Sea-air-land (SEAL) delivery vehicle (SDV), operator (023X);

16.2.1.2. SEAL special warfare operator (O26X);

16.2.1.3. SEAL special warfare officer (113X);

16.2.1.4. SEAL special warfare warrant operator (715X);

16.2.1.5. Special warfare combatant-craft crewman (SWCC) operator (052X); and

16.2.1.6. SWCC warrant officer (717X).

16.2.2. The NSW SKIP is payable to active duty, and training and administration of Reserve operators only, on a monthly basis, who meet all of the following criteria in subparagraphs 16.2.2.1 through 16.2.2.6.

16.2.2.1. Be entitled to basic pay under 37 U.S.C. § 204, or 37 U.S.C. § 206.

16.2.2.2. Be serving in one of the NSW operators NECs or officer designator codes listed in subparagraphs 16.2.1.1 through 16.2.1.6.

16.2.2.3. Completed all the required training and maintained eligibility for designation as an NSW operator.

16.2.2.4. Completed the requisite training necessary to perform parachute duty and (if necessary) qualification training for demolition and diving duty.

16.2.2.5. Meet the medical and physical requirements for deployment or granted a waiver by the Secretary of the Navy.

16.2.2.6. Be assigned to commands that complete NSW IDTC (e.g., SEAL team, SDV team, special boat team, NSW training detachment), or meet the minimum semi-annual currency requirements as listed by the rating and qualifications in the NSW SKIP Currency and Payment Levels table (Table 24-4).

16.2.3. NSW operators will continue to receive NSW SKIP while in school, NSW IDTC, on leave, or en route to next assignment as long as they continue to meet the eligibility criteria listed in subparagraphs 16.2.2.1 through 16.2.2.6. Contact the OPNAV, Naval Special Warfare Program Management Branch (N137) for partial payment information.

16.2.4. NSW operators who receive NSW SKIP under this guidance and fail to satisfy the eligibility requirements will be subject to having their pay terminated. Repayment of any overpayment will be in accordance with 37 U.S.C. § 373.

16.2.5. Reserve NSW operators (1135) will receive NSW SKIP if recalled to fulfill orders that are 1 year or longer. Jump, dive, and demolition payments may be paid to NSW reservists with orders under a year and have met currency requirements per the NSW SKIP Currency and Payment Levels listed in Exhibit 1.

16.3 NSW Pay Levels and Qualifications

Enlisted pay rates will be administered according to NECs and qualifications. Officer pay rates will be administered according to designators and qualifications. Pay will be stopped by the commanding officer's (CO) decertification, NEC or designator removal, terminal leave, or lateral transfer out of the NSW community. Levels and qualifications are as follows:

16.3.1. SDV Operator Holding NEC 023X

SEAL enlisted SDV operators must be qualified and current in all of the following duties:

16.3.1.1. Military parachuting operations including static line and or military free-fall,

16.3.1.2. Combat diving (open circuit self-contained underwater breathing apparatus (SCUBA) and or closed circuit) operations, and

16.3.1.3. Demolition and explosive breaching operations with live explosive material as an essential part of required duties.

16.3.2. Special Warfare Operator Holding NEC 026X, SEAL Warrant Officer Holding Designator 715X, SEAL Officer Holding Designator 113X

SEAL enlisted operators, SEAL Officers, and SEAL warrant officers must be qualified and current in all of the following duties:

16.3.2.1. Military parachuting operations including static line and or military free-fall,

16.3.2.2. Combat diving (open circuit SCUBA and or closed circuit) operations, and

16.3.2.3. Demolition and explosive breaching operations with live explosive material as an essential part of required duties.

16.3.3. Special Warfare Boat Operator Holding NEC 052X and Special Warfare Combatant-Craft Crewman Warrant Officer Holding Designator 717X

SWCC enlisted operators and SWCC warrant officers must be qualified and current in military parachuting operations including static line and or military free-fall.

16.4 Rates

The Navy may pay monthly NSW SKIP to qualified Service members who meet the NSW SKIP eligibility requirements in an amount not to exceed $715 per month. See the NSW SKIP Currency and Payment Levels (Table 24-4) for the monthly pay rate. If a Service member does not satisfy the eligibility requirements specified for an entire month, the Secretary of the Navy will prorate the payment amount to reflect the duration of the member's actual qualifying service during the month. Qualified Reserve Component members who meet the NSW SKIP eligibility requirements and are entitled to compensation pursuant to 37 U.S.C. § 206, may be eligible for NSW SKIP at the discretion of the Secretary of the Navy. The daily amount authorized will be equal to $1/30^{th}$ of the monthly NSW SKIP rate for each period of inactive duty for training.

16.5 Restrictions

The following limitations and restrictions apply for receipt of NSW SKIP:

16.5.1. Service members may not be paid NSW SKIP and jump, dive, or demolition duty pays for the same period of service.

16.5.2. Service members may not be paid more than one NSW SKIP in any month for the same period of service.

16.5.3. Service members temporarily unable to perform the skills of an NSW operator due to a medical restriction that is not the result of the Service member's own misconduct may continue to receive NSW SKIP for up to 12 months, provided the Service member met the eligibility criteria for the pay within 30 days prior to the injury or illness. If the restriction persists beyond 12 months or the Service member is no longer certified to perform the NSW operator skill, NSW SKIP payments will terminate and may not resume until the condition, which resulted in the medical restriction, is corrected and the Service member is certified to resume NSW operator duties by the appropriate medical authority. The Secretary of the Navy may, on a case-by-case basis, authorize a one-time extension of NSW SKIP for up to 90 days beyond the initial 12 months. Extensions beyond 90 days must be forwarded to the Assistant Secretary of Defense for Manpower and Reserve Affairs for approval.

16.5.4. Commanding Officers (COs) in the pay grade of O-5 or above may waive the jump requirements for one jump during a 12-month period due to non-availability of jump equipment or aircraft, inclement weather, or while attending a military education or training of less than 179 days. Service members must maintain their proficiency through refresher training in lieu of jumping in order to retain eligibility for NSW SKIP pay during the waived period.

16.5.5. COs in the paygrade of O-5 or above may waive jump, dive, and demolition currency requirements for joint individual augmentations and any global force management assignment that requires a member to deploy where operations or equipment do not permit execution of jump, dive, and demolition training.

*16.6 Duration of Authority

Unless reauthorized by Congress, no new agreements or payments for NSW SKIP may be offered after the date listed on the DOA table, but current payments will continue for the duration of the current agreement or until the Service member no longer meets the eligible for the payment.

Table 24-1. IP for Hazardous Duty-Entitlement Under Certain Conditions

RULE	When a member under orders to perform hazardous duty is	and the hazardous duty involved is	and	then IP entitlement
1	sick in the line of duty	any type of hazardous duty listed in this chapter	orders to perform the hazardous duty involved remain in effect and the member performs the duty involved during the month involved, or when appropriate, performs the minimum performance requirements for the duty involved	continues for the period of the illness.
2	on authorized leave	any type of hazardous duty listed in this chapter	orders to perform the hazardous duty involved remain in effect and the member performs the duty involved during the month involved, or when appropriate, performs the minimum performance requirements for the duty involved	continues for the period of leave (note 1).
3	on TDY or TAD	any type of hazardous duty listed in this chapter	orders to perform the hazardous duty involved remain in effect and the member performs the duty involved during the month involved, or when appropriate, performs the minimum performance requirements for the duty involved	continues for the period of TDY or TAD.
4	reassigned PCS including TDY in conjunction with PCS	any type of hazardous duty listed in this chapter	orders to perform the hazardous duty involved remain in effect and the member performs the duty involved during the month involved, or when appropriate, performs the minimum performance requirements for the duty involved	is not affected by the PCS (note 2).

Table 24-1. IP for Hazardous Duty-Entitlement Under Certain Conditions (Continued)

RULE	When a member under orders to perform hazardous duty is	and the hazardous duty involved is	and	then IP entitlement
5	on TDY or TAD	any type of hazardous duty listed in this chapter	orders to perform hazardous duty involved are in effect at the TDY station only. Member meets minimum performance requirements at the TDY station	begins on the date of reporting for duty at the TDY location and exists for the period of TDY.
6	discharged and immediately reenlisted at the same station without a break in service	any type of hazardous duty listed in this chapter	orders to perform hazardous duty involved are not specifically terminated	is determined as though there had been no discharge.
7	discharged and immediately reenlisted at the same station without a break in service	any type of hazardous duty listed in this chapter	orders to perform the hazardous duty involved are specifically terminated	ceases on effective date shown in orders.
8	removed from hazardous duty		removal is for cause, disqualification, or the member's own request	ceases on the date that cause or disqualification is determined to exist or the date the member is removed per request, which will be the effective date established in orders terminating the hazardous duty. (See note 2 for pay proration.)
9	a member of an RC being released from active duty performed either: a. while member is part of strength accountability of the active military establishment (EAD); or b. while member is accountable to an RC (ADT) (note 5)	parachute	orders are not issued directing relief from assigned duties and requirements have been met for the period involved	continues for the period of allowable travel time (notes 3 and 5).

Table 24-1. IP for Hazardous Duty-Entitlement Under Certain Conditions (Continued)

RULE	When a member under orders to perform hazardous duty is	and the hazardous duty involved is	and	then IP entitlement
10	being released from active duty performed either: a. while member is part of strength accountability of the active military establishment (EAD); or b. while member is accountable to an RC (ADT) (note 4)	demolition, flight deck, experimental stress, toxic fuels, toxic pesticides, dangerous viruses, handling chemical munitions, maritime VBSS, or polar region flight operations	orders are not issued directing relief from assigned duties and requirements have been met for the period involved	ceases on detachment from last duty station.
11	on ADT for any number of weeks (with or without a unit of assignment) (note 4)	any type of hazardous duty listed in this chapter	orders to perform the hazardous duty involved are in effect at the ADT station. Member meets minimum performance requirements at ADT station	1. exists for the period of ADT. Entitlement for ADT is terminated per rules 9 or 10. 2. for IDT is determined under note 6.
12	on ADT for 20 weeks or more away from unit of assignment (note 4)		member is not ordered to perform the hazardous duty at the ADT station	1. does not exist for the period of ADT. 2. for IDT is determined under note 6.
13	on ADT for less than 20 weeks away from unit of assignment (note 4)		orders to perform the hazardous duty involved remain in effect at unit of assignment. Member is not ordered to perform hazardous duty at ADT station. Member meets minimum performance requirements during IDT at unit of assignment	1. exists for the period of ADT. Entitlement for ADT is terminated per rules 9 or 10. 2. for IDT is determined under note 6.

Table 24-1. IP for Hazardous Duty-Entitlement Under Certain Conditions (Continued)

NOTES:

1. Performance of hazardous duty while on leave cannot be counted for pay purposes.
2. Orders to perform hazardous duty remain in effect when member is being reassigned PCS successively to hazardous duty. If the member cannot be immediately assigned to a hazardous duty position at a new station, orders to perform such duty will be terminated effective the date of arrival at new duty station and HDIP stopped as of that date. When successive assignment does not require hazardous duty as an essential part of military duty at the new permanent duty station, orders to perform such duty will be terminated effective the date of departure from old duty station (or TDY point if performance of hazardous duty is required as an essential part of military duty at the TDY point) and HDIP stopped as of that date. When effective date in the orders terminating hazardous duty is other than the last day of a calendar month and that month's performance requirements have been met, the month's hazardous duty pay will be prorated per subparagraph 2.3.2.
3. Parachute pay may not be paid beyond the last day of the calendar month for which requirements are met.
4. ADT includes annual training, special tours of ADT, school tours, and the initial tour performed by enlistees without prior military service.
5. HDIP entitlement for ADT includes time allowed for necessary travel from home to first duty station (See Chapter 1).
6. HDIP for IDT is paid per Chapter 58.

Table 24-2. SWSIP - Enlisted

Parachute (Static Line (S/L)): $150
Military Free Fall (MFF)/HALO: $225
Demo: $150
Dive: $150
Air Crew Duty: $150

SWSIP AFSC	Operator Description	Critical Skill	SWSIP Pay
1Z1XX	Pararescue	MFF; Dive; Aircrew + 3-level	Tier 1 - $540
1Z1XX	Pararescue	MFF; Dive; Aircrew + 5-level	Tier 2 - $590
1Z1XX	Pararescue	MFF; Dive; Aircrew + 7-level	Tier 3 - $615
1Z2XX	Combat Control	MFF; Dive; Demo; + 3-level	Tier 1 - $540
1Z2XX	Combat Control	MFF; Dive; Demo; + 5-level	Tier 2 - $590
1Z2XX	Combat Control	MFF; Dive; Demo; + 7-level	Tier 3 - $615
1Z3XX	Tactical Air Control Party	Static Line; MFF; Dive; Demo; + 3-level	Tier 1 - $540
1Z3XX	Tactical Air Control Party	Static Line; MFF; Dive; Demo; + 5-level	Tier 2 - $590
1Z3XX	Tactical Air Control Party	Static Line; MFF; Dive; Demo; + 7-level	Tier 3 - $615

Table 24-2. SWSIP – Enlisted (Continued)

SWSIP AFSC	Operator Description	Critical Skill	SWSIP Pay
1Z4XX	Special Reconnaissance*	MFF; Dive; Demo; + 3-level	Tier 1 - $540
1Z4XX	Special Reconnaissance*	MFF; Dive; Demo; + 5-level	Tier 2 - $590
1Z4XX	Special Reconnaissance*	MFF; Dive; Demo + 7-level	Tier 3 - $615

*The Special Operations Weather Team (SOWT) Air Force Specialty (AFS) was replaced by the Special Reconnaissance AFS, which has the same requirements as Combat Control. The previous SOWT had a different pipeline and were paid in accordance with the skills gained. The SR pay tiers align with skills and pipeline associated with the career field.

Table 24-3. SWSIP – Officer

Parachute (Static Line (S/L)): $150
Military Free Fall (MFF)/HALO: $225
Demo: $150
Dive: $150
Air Crew Duty: $150

SWSIP AFSC	Operator Description	Critical Skill	SWSIP Pay
19ZXA	Special Tactics Officer	MFF; Dive; Demo; + 2-level	Tier 1 - $590
19ZXA	Special Tactics Officer	MFF + Dive + Demo + 3-level with advanced qualification for Static Line Jump	Tier 2 - $615
19ZXA	Special Tactics Officer	MFF + Dive + Demo + 4 level with advanced qualification for Static Line Jump	Tier 2 - $615
19ZXB	Tactical Air Control Party Officer	Static Line + 2-level*	Tier 1 - $590
19ZXB	Tactical Air Control Party Officer	Static Line + 3-level*	Tier 2 - $615
19ZXB	Tactical Air Control Party Officer	Static Line + 4-level*	Tier 2 - $615
19ZXC	Combat Rescue Officer	MFF; Dive; Air Crew; + 2-level	Tier 1 - $590
19ZXC	Combat Rescue Officer	MFF; Dive; Air Crew; + 3-level	Tier 2 - $615
19ZXC	Combat Rescue Officer	MFF; Dive; Air Crew; + 4-level	Tier 2 - $615

*May earn pays based on additional qualifications for MFF ($225), Demolitions ($150), and Dive ($150).

Table 24-4. NSW SKIP Currency and Payments Levels

NSW SKIP Currency Requirements and Max Payment Levels					
Level	**NEC/Designator**	**NSW Operator Description**	**Qualification**	**Semi-Annual Requirement**	**NSW SKIP Monthly Pay**
1	O52X or 717X	SWCC Enlisted/Warrant Officer	Static Line Jump (SL)	2 Jumps	$150
2	O52X or 717X	SWCC Enlisted/Warrant Officer	Military Free-Fall (MFF)	2 Jumps	$225
3	026X	SEAL Enlisted	SL + Dive + Demo	2 Jumps, 4 Dives, 6 Demolition Shots	$515
4	026X	SEAL Enlisted	MFF + Dive + Demo	2 Jumps, 4 Dives, 6 Demolition Shots	$590
5	113X or 715X	SEAL Warrant Officer / SEAL Officer	SL + Dive + Demo	2 Jumps, 4 Dives, 6 Demolition Shots	$540
6	113X or 715X	SEAL Warrant Officer / SEAL Officer	MFF + Dive + Demo	2 Jumps, 4 Dives, 6 Demolition Shots	$615
7	023X	SDV Enlisted	SL + Dive + Demo	2 Jumps, 4 Dives, 6 Demolition Shots	$640
8	023X	SDV Enlisted	MFF + Dive + Demo	2 Jumps, 4 Dives, 6 Demolition Shots	$715

Note 1: The SKIP requalification timeline is semi-annually and broken down into two blocks. Block 1 timeline is 1 January through 30 June. Block 2 timeline is 1 July through 30 December.

Table 24-4. NSW SKIP Currency and Payments Levels (Continued)

Note 2: In order to qualify for special pay for NSWSKIP, NSW operators are considered qualified if they have conducted minimum requirements in the previous block.

Note 3: SEAL enlisted operators who get commissioned will continue to receive the same NEC NSW SKIP pay level they received prior to commissioning until they complete the Junior Officer Training Course (JOTC). After completing JOTC and their officer designator is changed from 1180 to 1130, the officer will begin receiving the 113X NSW SKIP pay level.

*REFERENCES

CHAPTER 24 - INCENTIVE PAY - HAZARDOUS DUTY OTHER THAN AERIAL FLIGHTS

1.0 – GENERAL

1.1	DoD Instruction (DoDI) 1340.09, January 26, 2018, Change 1, February 2, 2024 37 U.S.C. § 351 37 U.S.C. § 353

2.0 – ENTITLEMENT

	Executive Order 13294, March 28, 2003 DoDI 1340.09, January 26, 2018, Change 1, February 2, 2024 37 U.S.C. § 351
2.3	37 U.S.C. § 351(c)(2)(B)(ii) DoDI 1340.09, para. 2.1.k, January 26, 2018, Change 1, February 2, 2024
2.5	37 U.S.C. § 372 38 Comptroller General Decision 83
2.8	National Defense Authorization Act for Fiscal Year 2024, Public Law 118-31, section 613(d)(6) December 22, 2023 37 U.S.C. § 353

3.0 – PARACHUTE DUTY

	DoDI 1340.09, para. 3.4.d, January 26, 2018, Change 1, February 2, 2024 37 U.S.C. § 351(a)(2)

4.0 – FLIGHT DECK DUTY

	DoDI 1340.09, para. 3.4.g, January 26, 2018, Change 1, February 2, 2024 37 U.S.C. § 351(a)(2)
4.2	OPNAV Instruction 7220.4L, July 16, 2019

5.0 – DEMOLITION DUTY

	DoDI 1340.09, para. 3.4.e, January 26, 2018, Change 1, February 2, 2024 37 U.S.C. § 351(a)(2)

6.0 – EXPERIMENTAL STRESS DUTY

DoDI 1340.09, para. 3.4.f, January 26, 2018,
Change 1, February 2, 2024
37 U.S.C. § 351(a)(2)

7.0 – TOXIC FUELS (OR PROPELLANTS) DUTY

DoDI 1340.09, para. 3.4.j, January 26, 2018,
Change 1, February 2, 2024
37 U.S.C. § 351(a)(2)

8.0 – TOXIC PESTICIDES DUTY

DoDI 1340.09, para. 3.4.h, January 26, 2018,
Change 1, February 2, 2024
37 U.S.C. § 351(a)(2)

9.0 – DANGEROUS VIRUSES (OR BACTERIA) LAB DUTY

DoDI 1340.09, para. 3.4.i, January 26, 2018,
Change 1, February 2, 2024
37 U.S.C. § 351(a)(2)

10.0 – CHEMICAL MUNITIONS DUTY

DoDI 1340.09, para. 3.4.k, January 26, 2018,
Change 1, February 2, 2024
37 U.S.C. § 351(a)(2)

11.0 – MARITIME VBSS DUTY

DoDI 1340.09, para. 3.4.l, January 26, 2018,
Change 1, February 2, 2024
37 U.S.C. § 351(a)(2)

12.0 – POLAR REGION FLIGHT OPERATIONS DUTY

DoDI 1340.09, para. 3.4.m, January 26, 2018,
Change 1, February 2, 2024
37 U.S.C. § 351(a)(2)

13.0 – WMDCS TEAM HDIP

DoDI 1340.09, para. 3.4.n, January 26, 2018, Change 1, February 2, 2024
37 U.S.C. § 351(a)(2)

15.0 – SWSIP

Office of the Assistant Secretary of Defense, Manpower and Reserve Affairs Memo, dated April 15, 2021
Office of the Assistant Secretary of Defense, Manpower and Reserve Affairs Memo, dated January 30, 2023
37 U.S.C. § 353(a)

16.0 – NSW SKIP

Office of the Under Secretary of Defense Personnel and Readiness Memo, dated October 15, 2018
Navy Military Personnel Manual 7220-114, CH-77, dated November 18, 2021
37 U.S.C. § 353(a)
Office of the Assistant Secretary of Defense, Manpower and Reserve Affairs Memo, dated October 13, 2021

VOLUME 7A, CHAPTER 25: "SUBSISTENCE AND BASIC NEEDS ALLOWANCES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated August 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
4.2	Updated the Federal Poverty Guideline to 200 percent in accordance with Public Law 118-159 dated December 23, 2024, and DoDI 1341.15, November 15, 2022, Change 3 effective May 12, 2025.	Revision
Table 25-1	Updated to reflect the Basic Allowance for Subsistence rates effective January 1, 2025.	Revision
Table 25-2	Updated to reflect the Meal Collection rates effective January 1, 2025.	Revision
Table 25-3	Inserted table for Basic Needs Allowance Effective Dates.	Addition
References	Updated statutes and added supporting references.	Revision

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CHAPTER 25

SUBSISTENCE AND BASIC NEEDS ALLOWANCES

1.0 GENERAL

1.1 Purpose

Each member of a uniformed service entitled to basic pay is entitled to Subsistence and Basic Needs Allowances subject to the conditions set forth in this chapter.

1.2 Authoritative Guidance

The policies and requirements established by DoD for the allowances in this chapter are derived primarily from and prepared in accordance with Title 37, United States Code, sections 402, 402a and 402b (***37 U.S.C. § 402***, ***402a*** and ***402b***). Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 BASIC ALLOWANCE FOR SUBSISTENCE (BAS)

2.1 Eligibility

Unless otherwise restricted as described in paragraph 2.3, a member becomes entitled to one of the following monthly BAS rates based upon their rank and circumstances.

2.1.1. Officer BAS. A single rate of BAS applies to all officers.

2.1.2. BAS for Enlisted Members. An enlisted member is not entitled to BAS during basic training. Enlisted members are entitled to one of the following BAS rates.

2.1.2.1. Enlisted BAS. Enlisted BAS is the monthly standard rate that is payable to enlisted members unless they qualify for, and proper authority approves, BAS II.

2.1.2.2. Enlisted BAS II. Enlisted BAS II is the monthly rate that may be payable to members on duty at a permanent station and assigned to single (unaccompanied) Government quarters, which do not have adequate food storage or preparation facilities, and where a Government mess is not available, and the Government cannot otherwise make meals available. The BAS II rate is twice the rate of standard enlisted BAS. BAS II may be paid to enlisted members of the Navy assigned to vessels in a pre-commissioning status or who otherwise meet criteria set forth in the Military Personnel Manual (MILPERMAN) 7220-182. The Air Force has authorized payment of BAS II to members at specific locations.

2.1.3. Continuity of Enlisted BAS Entitlement

2.1.3.1. Enlisted members continue their existing BAS entitlement without interruption upon discharge or retirement, if reenlistment or recall to active duty is completed at the same station within 24 hours.

2.1.3.2. Enlisted members continue their existing BAS entitlement without interruption during weekends, holidays, administrative absence, pass, or liberty (not including leave).

2.2 Payment

2.2.1. Rates. The rates for BAS are listed in Table 25-1, for the most current rates, see BAS table on ***DFAS.MIL***.

2.2.2. Enlisted BAS in Specific Situations. The following policy will be used in determining whether BAS or BAS II applies in specific situations:

2.2.2.1. Enlisted BAS rates will be applied uniformly for all enlisted members under similar conditions permanently assigned to the same installation, station, base, or ship. The installation commander/commanding officer will ensure the uniform application of BAS rates for members under similar conditions, whether from a single Service or more than one Service. If there is conflict between Service directives that prevents uniform application of BAS, the commander/commanding officer will report the differences, through appropriate channels, to the Secretaries of the Military Departments concerned, who will confer to ensure uniform determinations on the authorized BAS rate.

2.2.2.2. Enlisted members on authorized leave (including proceed time, authorized delays enroute between duty stations chargeable as leave, and convalescent leave) are entitled to the standard enlisted BAS rate, regardless of the BAS rate authorized at their Permanent Duty Station (PDS).

2.2.2.3. Enlisted members performing Permanent Change of Station (PCS) travel (including Temporary Additional Duty or Temporary Duty (TAD/TDY)) enroute under orders away from their designated post of duty are entitled to the standard enlisted BAS rate, regardless of the BAS type authorized at their previous or subsequent PDS.

2.2.2.4. Enlisted members receiving BAS II at their PDS who are hospitalized or performing regular or permissive TAD/TDY (including field duty, sea duty, Essential Unit Messing (EUM), or members traveling together with limited or no per diem travel) under orders away from their PDS will revert to standard enlisted BAS for the period of hospitalization or absence from the PDS.

2.2.2.5. Enlisted members will be entitled to the standard enlisted BAS rate for any day they are under orders for leave or PCS travel. This includes the day of commencement and day of termination of the status under those orders.

2.2.2.6. Enlisted members who change BAS status at the direction or by permission of a commander, under blanket authority, or at the member's request will have the entitlement change take effect at the beginning of the day specified in writing by the commander.

2.2.3. Advance Payments. Specific circumstances for advance payment of BAS are contained in Chapter 32, paragraph 2.5.

2.2.4. Effect on Overseas Station Allowances. BAS is paid in conjunction with the overseas Cost-Of-Living Allowances (COLA) authorized by the Joint Travel Regulations.

2.3 Restrictions

2.3.1. Military members are not entitled to BAS of any type under the following conditions:

2.3.1.1. When undergoing Basic Military Training, including initial officer training (Officer Candidate School, Officer Training School), except when the member has continuous prior enlisted service (active or reserve). Members will be subsisted-in-kind while attending initial basic military training;

2.3.1.2. When in an excess leave status;

2.3.1.3. When in an absent-without-leave status, in excess of 24 hours, unless the absence is excused as unavoidable;

2.3.1.4. When on an approved educational leave of absence not exceeding 2 years;

2.3.1.5. When a member with no dependents is training for, attending, or participating in Pan American games, Olympic games, or other specifically authorized international amateur sport competitions and the sponsoring agency subsists them during that period; or

2.3.1.6. When a court-martial sentence imposes forfeiture of pay and allowances.

2.3.2. Enlisted members are not authorized BAS II when a government mess is temporarily closed for less than 14 days or when a member is on leave, assigned temporary duty (TAD/TDY), or in the hospital.

2.4 Government Provided Meals

2.4.1. A military member being paid BAS must pay for all meals or rations provided by or on behalf of the Government, except as provided in subparagraph 2.4.2. This is a personal obligation of the individual. Meals or rations may be paid with cash tendered to the Government mess by the member or, under certain circumstances, the amount owed may be collected/deducted from the member's travel per diem (a member under orders for EUM has no entitlement to

subsistence travel per diem), or from the member's pay account. When payment is made from a pay account, the payment is not considered a deduction from or reduction of the entitled BAS; rather it is a collection for a debt owed to the Government (see Table 25-2).

2.4.2. A member is not required to pay for meals provided while the member undergoes medical recuperation or therapy, or is otherwise in the status of continuous care, including outpatient care, at a military treatment facility for an injury, illness or disease incurred while the member was on active duty:

2.4.2.1. In support of Operation Enduring Freedom, Operation Iraqi Freedom, Operation New Dawn, Operation Freedom's Sentinel; or

2.4.2.2. In any other operation designated by the Secretary of Defense as a combat operation or in an area designated by the Secretary as a combat zone.

2.4.3. Mandatory pay account collection may be imposed for enlisted members in certain situations. These are circumstances where it is not feasible to control dining access or collect cash due to operational constraints or where efficiency of operation requires collection for all meals. When a commander/commanding officer requires mandatory pay account collection, the collection will be made for all meals available, whether the meals are actually eaten or not. Mandatory collections are made day-for-actual-day, not on a 30-day month basis. Unless the member is receiving a per diem for subsistence, the collection will be at the discount meal rate.

2.4.3.1. Mandatory pay account collection may be required in the following situations:

2.4.3.1.1. Field duty;

2.4.3.1.2. Sea duty;

2.4.3.1.3. Members traveling together with limited or no per diem travel;

2.4.3.1.4. Accession Pipeline Military Training;

2.4.3.1.5. EUM; or

2.4.3.1.6. Essential Station Messing (ESM).

2.4.3.2. Mandatory pay account collection for meals does not apply to the following:

2.4.3.2.1. Members on official leave, in a PCS status (including travel time and proceed time), in a military treatment facility, or on TAD/TDY other than TAD/TDY to another situation requiring mandatory pay account collection for meals. In these instances, pay account collections will be suspended or adjusted with a credit and the Government mess will be responsible for collecting from the member for any meals served.

2.4.3.2.2. Members who have missed more than 20 percent of meals on a monthly basis due to assigned duties, as certified by the commanding officer/commander or their designee. Collections will be suspended or adjusted with a credit.

2.4.3.3. Pay account collections will be at 25 percent of the discount meal rate for the first and last day of assignment in situations requiring mandatory collection. A member transitioning directly between two mandatory meal collection situations will be treated as though the collection period were continuous and will not receive the 25-percent reduced charge for the transition. The 25-percent reduced meal charge does not apply for leave periods. Full collections will be made on the duty days before and after the leave period.

2.4.4. In circumstances other than those requiring mandatory pay account collection, members receiving BAS will pay for meals provided by or on behalf of the Government by using cash or by collection/reduction of subsistence per diem from their travel claims. Members on Joint Task Force operations under per diem travel orders usually will have the subsistence portion of their per diem withheld or deducted from their travel reimbursement as payment for meals provided in theater. Members deployed on regular TAD/TDY travel who receive deductible meals (meals at "no cost") will have the subsistence portion of their per diem reduced as payment for meals provided by or on behalf of the Government.

2.4.5. The standard meal rate applies unless there is a specific exception allowing application of the discount meal rate. Members actually paid subsistence per diem for meals must pay the standard meal rate unless the per diem is withheld or disallowed as payment for the meals.

2.4.6. Members being subsisted by or on behalf of the Government, where no other collection means exists or where normal collections were not made, may have a collection for meals made through their pay account at the appropriate rate upon proper documentation for a debt owed to the Government.

2.4.7. Collections from individual pay accounts for meals and rations provided by the Government or on behalf of the Government will be credited to the appropriation specified by each Military Service.

2.5 Specialized Terms

2.5.1. ESM. Messing declared by the installation, base, or station commander responsible for single Government quarters that is essential to operate the Government mess efficiently and economically, or that is necessary for the health and safety of enlisted personnel permanently assigned to single quarters. Those categories of enlisted members included in ESM will be charged for all meals made available whether eaten or not, except for approved missed meals.

2.5.2. EUM. Group messing that is declared by an appropriate authority to be necessary for operational readiness, military operations, or effective training where members are required to eat Government–furnished meals. Members will be in a travel status and are entitled to travel reimbursement for incidental expenses, but not for subsistence. Designation for EUM will apply only to organizational units and to operational elements and detachments, not to individual

members. All members on duty under circumstances where EUM has been declared will be charged for all meals made available whether eaten or not, except for approved missed meals.

2.5.3. Field Duty. Any maneuvers, war games, field exercises, or similar operations where a member is assigned to a unit being subsisted in a dining facility operated by or on behalf of the U.S. Government or with an organization drawing field rations. Members may be on per diem orders.

2.5.4. Sea Duty. Service performed in a self-propelled vessel with berthing and messing facilities that is in an active status, in commission, or in service. This term applies to members who are either permanent party or aboard for TAD/TDY. All members on sea duty, not a member of an authorized private mess, will be charged for all meals made available whether eaten or not, subject to approved missed meals.

2.5.5. Government Furnished Meals. A condition in which meals or rations are furnished without charge by a government contractor or a foreign government, or through a fellowship, grant, or intern program while a member is receiving basic pay, either under the terms of a contract or agreement or on a complimentary basis. Unless a member is entitled to be subsisted- in- kind, subsistence provided on behalf of the Government must be charged to the member.

2.5.6. Subsisted-in-Kind. Meals or rations furnished at no charge to members not entitled to BAS from a Government Mess or who are subsisted at no charge on behalf of the Government.

3.0 FAMILY SUPPLEMENTAL SUBSISTENCE ALLOWANCE (FSSA)

3.1 General Provisions

The FSSA program was established to supplement a member's BAS to a level sufficient to remove the member's household from or eliminate the need for benefits under the U.S. Department of Agriculture (USDA) Supplemental Nutrition Assistance Program (SNAP), formerly known as the food stamp program. FSSA is payable at a monthly rate as determined by the Military Service concerned under the guidance provided by the Secretary of Defense and may not exceed $1,100 per month. FSSA is a nontaxable allowance payable in addition to, all other pays and allowances. Applicable definitions are found at ***DoD Instruction (DoDI) 1341.11, E2***.

3.2 Eligibility

FSSA is payable to any officer or enlisted member of the Armed Forces who meets all of the following criteria:

3.2.1. Is serving on active duty and receiving BAS;

3.2.2. Has a household income, including military income of the member, and any other household income that would make the member eligible for assistance under the USDA SNAP program for the member's household size;

3.2.3. Has at least one person in the member's household who is a military dependent;

3.2.4. Has made an application for and been certified at a specific payment level by the appropriate office; and

3.2.5. After September 30, 2016, is serving outside the United States, the Commonwealth of Puerto Rico, the U.S. Virgin Islands, or Guam.

3.3 Entitlement

FSSA is a monthly entitlement payable in whole dollar amounts not to exceed $1,100. It is not payable to any member, otherwise entitled, during periods in a non-pay status.

3.3.1. FSSA is payable in an amount that would bring the member's household income to 130 percent of the Federal poverty guidelines (FPG) as established by the USDA, but not to exceed $1,100.

3.3.2. For periods of less than a full month of entitlement, the FSSA is payable at 1/30 of the monthly amount for each eligible day served.

3.3.3. If an eligible member is receiving SNAP benefits and the amount of the member's SNAP allotment exceeds the amount of the FSSA calculated under subparagraph 3.3.1, the member's FSSA entitlement will be equal to the lesser of the value of the SNAP allotment or $1,100.

3.4 Military Income

3.4.1. For the FSSA program, the following sources of revenue will be counted as military income:

3.4.1.1. Basic Pay;

3.4.1.2. BAS;

3.4.1.3. Basic Allowance for Housing or cash equivalent for those who are living in Government–provided housing;

3.4.1.4. Overseas Housing Allowance (OHA). When a member lives in Government quarters while stationed overseas, the amount of the housing allowance to count as income for that member is the OHA ceiling for the local area;

3.4.1.5. All Bonuses. The monthly amount of military income attributable to a bonus will be the amount of the bonus, prorated over the period of time to which bonus is applicable; and

3.4.1.6. All special and incentive pays except those excluded in subparagraph 3.4.2.

3.4.2. The following sources of revenue will not be counted as military income:

3.4.2.1. Hostile Fire Pay;

3.4.2.2. Imminent Danger Pay;

3.4.2.3. Continental United States COLA;

3.4.2.4. Overseas COLA;

3.4.2.5. Family Separation Allowance;

3.4.2.6. Clothing Allowances; and

3.4.2.7. All travel and transportation related allowances and entitlements.

3.5 Application and Certification

Members must apply for the FSSA program with the appropriate organizational element as designated by their respective Service. The appropriate Service organization will make all decisions regarding eligibility and the amount of entitlement and will provide final certification for payment to include the entitlement start date.

3.6 Recertification and Termination

3.6.1. When any of the following events occur, in order to avoid termination of FSSA, a member receiving FSSA must report the event to the Service certifying organization within 30 days for recertification of FSSA eligibility:

3.6.1.1. Member's monthly gross household income (GHI) increases by $100 or more;

3.6.1.2. Member's household size decreases;

3.6.1.3. Member is promoted. The certification ends the day prior to the effective date of promotion;

3.6.1.4. Member executes a PCS move. The certification ends the day prior to the date the member officially reports for duty at the new duty station; and

3.6.1.5. Members are required to re-certify annually effective February 1 of each year.

3.6.2. The effective date of recertification will be the day following the last day of the previous certification period.

3.6.3. If during recertification it is determined that the member's monthly gross household income increased by an amount greater than $100 more than 30 days prior to reapplication, the difference between the amount of the current entitlement and the amount being recertified (if less) will be recouped. The recoupment amount is calculated on a pro rata basis for each day, following the date the increased income exceeded $100 through the effective date of the recertification.

3.6.4. When a member's eligibility is not timely recertified, eligibility for FSSA will be lost, and the date for termination of the entitlement will be the date of the event requiring recertification. An untimely recertification will be treated as an initial application.

4.0 BASIC NEEDS ALLOWANCE (BNA)

4.1 General

4.1.1. Applicability

This section applies to Military Departments (including the Coast Guard at all times, including when it is a Service in the Department of Homeland Security by agreement with that Department), the Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Combatant Commands, the Office of Inspector General of the DoD, the Defense Agencies, the DoD Field Activities, and all other organizational entities within the DoD (referred to collectively in this section as the "DoD Components").

4.1.2. Policy

Pursuant to 37 U.S.C. § 402b, BNA must be made available to each member in accordance with the eligibility criteria specified in this section.

*4.2 Procedures

4.2.1. General

The BNA program provides a monthly allowance for Service members who voluntarily apply and whose GHI and household size place them below 200 percent of the FPG for their geographical location, effective May 12, 2025. See Table 25-3 for current and historical effective dates. The Department of Health and Human Services (HHS) periodically updates the FPG in the Federal Register in accordance with ***42 U.S.C. § 9902***. Refer to ***DoDI 1341.15*** for applicable definitions of GHI, household, and other terms used in this section.

4.2.2. Eligibility

4.2.2.1. Eligible Members. Active-duty members with dependents are eligible for BNA and may be certified if:

4.2.2.1.1. They have completed initial entry training (IET).

4.2.2.1.2. Their GHI during the most recent calendar year (i.e., the calendar year immediately preceding the year they apply for BNA) did not exceed 200 percent of the FPG for such year, as published by the HHS for their location and the number of individuals in their household.

4.2.2.1.3. They have voluntarily applied for the BNA and provided the required information to determine eligibility, and if found eligible, they will be considered a certified applicant.

4.2.2.1.4. They are not ineligible for the allowance pursuant to subparagraph 4.2.2.2 or subparagraph 4.2.2.3.

4.2.2.2. Ineligible Members. Active-duty members are ineligible for BNA if:

4.2.2.2.1. Their GHI during the most recent calendar year exceeded 200 percent of the FPG for such year, as published by the HHS for their location and the number of individuals in their household;

4.2.2.2.2. They do not have dependents;

4.2.2.2.3. They are a cadet at the United States Military Academy, the United States Air Force Academy, or the Coast Guard Academy; a midshipman at the United States Naval Academy; or a cadet or midshipman serving elsewhere in the Military Services;

4.2.2.2.4. They have not completed IET;

4.2.2.2.5. Having been notified of potential BNA eligibility, they fail to submit a BNA application within 180 calendar days, or a submission deadline established by the implementing guidance published by the Secretary of the Military Department concerned, or the Commandant of the Coast Guard, as applicable; or

4.2.2.2.6. They elect in writing not to receive the allowance.

4.2.2.3. Special BNA Eligibility Considerations

4.2.2.3.1. Households With Multiple Eligible Members. When a household contains multiple members determined to be eligible to receive BNA pursuant to subparagraph 4.2.2.1, only one allowance may be received. The household's members must jointly elect which eligible member must receive the allowance.

4.2.2.3.2. Automatic Ineligibility of Members Receiving Certain Income Increases. A member determined to be eligible to receive BNA pursuant to subparagraph 4.2.2.1 will be considered automatically ineligible if their monthly GHI increases as a result of a promotion or other permanent increase to pay or allowances, to include entry into active service, to an amount that, on an annualized basis, would exceed the limit described in subparagraph 4.2.2.1.2. If the member is receiving BNA, the Secretary of the Military Department concerned, or the Commandant of the Coast Guard must inform them that they are ineligible, and payment of the allowance must terminate 60 calendar days after the date of ineligibility. Pursuant to subparagraph 4.2.9, the certified member must report changes in GHI to the BNA certifying official to be reviewed and re-certified.

4.2.2.3.3. Ineligibility Due to Changes in Income as a Result of Disciplinary Action. If a member's previous calendar year GHI was reduced due to a fine, forfeiture, or reduction in rank imposed as a part of disciplinary action or an action in accordance with ***10 U.S.C. Chapter 47***, also known as the Uniform Code of Military Justice, they are not eligible for BNA solely due to the fine, forfeiture, or reduction in rank. A member described in this subparagraph who is:

4.2.2.3.3.1. Reinstated to the pay grade held before any reduction in rank may become eligible for BNA, provided they are otherwise eligible pursuant to subparagraph 4.2.2.

4.2.2.3.3.2. In receipt of BNA at the time of the fine, forfeiture, or reduction in rank may retain eligibility to BNA if they are otherwise eligible for the allowance pursuant to subparagraph 4.2.2., notwithstanding any fine, forfeiture, or reduction in rank.

4.2.2.4. Ineligibility Due to Certain Duty Status. Whenever a member is in a non- pay status for any reason, they are not eligible for BNA during the non-pay period. When the member is returned to a pay status, they may apply or reapply for BNA if they are otherwise eligible pursuant to subparagraph 4.2.2.

4.2.2.5. Ineligibility Due to Certain Changes in Household Size. A member will be ineligible for BNA if a change in the number of their dependents reported in the Defense Enrollment Eligibility Reporting System (DEERS) is such that the member's GHI exceeds 200 percent of the FPG for the member's geographical location and the new number of individuals in their household. If the member is receiving BNA, the Secretary of the Military Department concerned or the Commandant of the Coast Guard must inform them that they are ineligible, and payment of the allowance must terminate 60 calendar days after the date of ineligibility. If the certified member is receiving BNA when the change in number of dependents is reported in DEERS, pursuant to subparagraph 4.2.9, the certified member must report changes in the number of individuals in their household to the BNA certifying official to be reviewed and re-certified.

4.2.2.6. Eligibility Due to Certain Changes in Household Size. A member may become eligible for BNA if a change in the number of their dependents reported in DEERS is such that their GHI drops below 200 percent of the FPG for their geographical location and the new number of individuals in their household, and they are otherwise eligible pursuant to subparagraph 4.2.2.1.

4.2.3. BNA Eligibility Screening

4.2.3.1. Screening Requirements. The Secretary of the Military Department concerned, or the Commandant of the Coast Guard must:

4.2.3.1.1. Screen each member for BNA eligibility before the member completes IET;

4.2.3.1.2. Screen active-duty members, at least annually, for BNA eligibility after IET; and

4.2.3.1.3. Maintain documentation on members who were screened and the results of the screenings.

4.2.3.2. Informing Screened Members. Upon determining a screened member is eligible for BNA, the Secretary of the Military Department concerned, or the Commandant of the Coast Guard will, in writing:

4.2.3.2.1. Inform the member that they are eligible to apply for BNA, but that screening eligibility does not guarantee certification;

4.2.3.2.2. Inform the member that to receive BNA, they must submit a BNA application in accordance with instructions and procedures published by their Military Service;

4.2.3.2.3. Inform the member that submission of a BNA application, including substantiating documentation, and receipt of the allowance are voluntary;

4.2.3.2.4. Inform member of additional financial management and assistance programs for which they may be eligible;

4.2.3.2.5. Provide the member BNA application instructions;

4.2.3.2.6. Provide the member with deadlines for submitting BNA applications and substantiating documentation required under the member's Military Service implementing guidance; but Services must establish such deadlines no earlier than 60 calendar days and no later than 180 calendar days after the date of the written screening notification. For members undergoing IET at the time of the screening, the application deadline must be no later than 180 calendar days following arrival at their first permanent duty station;

4.2.3.2.7. Inform the member that if they do not submit a BNA application, with required substantiating documentation, by the established deadline, they will be deemed ineligible for BNA; and

4.2.3.2.8. As appropriate, inform the member on the counseling requirements specified in subparagraph 4.2.9 for applicants.

4.2.4. Application

DoD financial counselors, pay administrators, personnel services, community or family support services, or equivalent command organizations may assist in the application process, but will not grant any member final certification for BNA. Assistance may include reviewing documentation, helping members obtain necessary paperwork, and gathering information required for certification. The amount of BNA may be estimated and shared with the member. The eligibility and estimation is not binding or final until it is certified by the Secretary of the Military Department concerned or the Commandant of the Coast Guard.

4.2.4.1. A member seeking to receive BNA must submit a signed and complete application in accordance with this section and policy established by the Secretary of the Military Department concerned or the Commandant of the Coast Guard.

4.2.4.2. The Secretary of the Military Department concerned, or the Commandant of the Coast Guard must develop an application that will include, at a minimum:

4.2.4.2.1. Date of submission;

4.2.4.2.2. The member's name;

4.2.4.2.3. The member's DoD identification number;

4.2.4.2.4. The member's pay grade;

4.2.4.2.5. The member's years of service for purposes of payment of basic pay;

4.2.4.2.6. Pay entry date;

4.2.4.2.7. The member's permanent duty station or home port;

4.2.4.2.8. The member's current monthly GHI (includes lump sum payments converted to a monthly amount, e.g., a bonus prorated over the period of time to which the bonus applies).

4.2.4.2.9. Preceding Calendar Year GHI by Source. Military income can be obtained and verified through the personnel and pay systems;

4.2.4.2.9.1. The monthly amount of GHI attributable to a bonus must be prorated over the period of time to which the bonus applies. If applicable, the bonus will be prorated over the period of time for which the bonus is paid;

4.2.4.2.9.2. Sporadic, variable, or seasonal income must be counted only during the month(s) in which it is received. If sporadic, variable, or seasonal income causes the GHI of the member to exceed the $150 per month threshold specified in subparagraph 4.2.9, the member must report the sporadic income amount to a certifying official to be reviewed for eligibility under subparagraph 4.2.2.3.2;

4.2.4.2.9.3. Any GHI that is received in a foreign currency must be converted to U.S. dollars using the prevailing rate of exchange at the time of application;

4.2.4.2.9.4. Exclusions from GHI are specified in the definition of GHI in the DoDI 1341.15 Glossary; and

4.2.4.2.10. Number of individuals in the member's household.

4.2.4.3. The application should include a statement that the applicant's signature, including any digital signature, confirms that the information in the application is accurate, to the best of their knowledge.

4.2.4.4. To the extent practicable, in-place administrative processes must be used to support BNA. When necessary, each Military Service must help applicants of other Military Services submit their application to their own Service. This should be done where reasonable access to their own Military Service is not available, such as at joint commands.

4.2.4.5. Members may submit a BNA application without being notified after a screening. Members who believe they may be eligible for BNA may consult with DoD financial counselors or officials designated by their respective Military Department or Service to assist in understanding requirements for eligibility.

4.2.4.6. The application will include all required information and substantiating documentation to allow the Secretary of the Military Department concerned or the Commandant of the Coast Guard to determine eligibility.

4.2.4.7. The application will include all required information to allow the Secretary of the Military Department concerned or the Commandant of the Coast Guard to compute BNA.

4.2.4.8. A member receiving BNA must annually resubmit an updated, signed application, along with substantiating documentation, to the Secretary of the Military Department concerned or the Commandant of the Coast Guard.

4.2.5. Application Adjudication. The Secretary of the Military Department concerned, or the Commandant of the Coast Guard must establish procedures to determine eligibility and make

a determination of the amount of BNA for each certified applicant within 30 calendar days of receiving an application.

4.2.5.1. The Secretaries of the Military Departments and the Commandant of the Coast Guard must ensure adequately trained personnel are in position to process and certify applications. This includes submitting the transaction to the Defense Finance and Accounting Service or appropriate pay systems.

4.2.5.2. BNA is effective on the application's certification date.

4.2.5.3. The Secretaries of the Military Departments and the Commandant of the Coast Guard must ensure controls over information processing (e.g., cross-system consistency checks to compare data in different systems and safeguarding personal information) are implemented while processing BNA applications.

4.2.5.4. Secretaries of the Military Departments and the Commandant of the Coast Guard may reject a member's application if they have approved separation orders. Members receiving BNA and pending separation may continue to receive BNA until separation.

4.2.5.5. Upon determining a member's eligibility status, the Secretaries of the Military Departments and the Commandant of the Coast Guard must notify certified applicants in writing. At a minimum, the written notification must, as applicable, include:

4.2.5.5.1. A statement that the member is deemed eligible or ineligible for BNA;

4.2.5.5.2. A statement that if the applicant's eligibility determination could not be adjudicated, the applicant must be informed of why the application could not be processed;

4.2.5.5.3. If the applicant has been deemed ineligible, why the application was denied;

4.2.5.5.4. If the applicant is certified to receive BNA, the amount of the monthly BNA;

4.2.5.5.5. If an applicant is certified, a notification that they may elect to either receive or decline BNA. Elections to decline BNA must be in writing and must be provided to the certifying official by the member;

4.2.5.5.6. If an applicant is certified, applicable counseling requirements specified in subparagraph 4.2.9;

4.2.5.5.7. Additional financial management and assistance programs for which the applicant may be eligible;

4.2.5.5.8. Secretaries of the Military Departments and the Commandant of the Coast Guard must maintain documentation on:

4.2.5.5.8.1. Members who were notified;

4.2.5.5.8.2. Members who have applied for the BNA;

4.2.5.5.8.3. Members who were certified;

4.2.5.5.8.4. Members who have declined BNA and members who were deemed ineligible based on the criteria in subparagraph 4.2.2; and

4.2.5.5.8.5. The amount of the allowance for certified applicants opting to receive BNA.

4.2.6. Computation of Allowance

4.2.6.1. Standard Amount of the Allowance

4.2.6.1.1. BNA for certified applicants must be paid on a monthly basis. Member eligibility will be determined pursuant to subparagraph 4.2.2.

4.2.6.1.2. BNA must be computed as follows: Two times the most recently published annual FPG for the calendar year during which the allowance is paid based on the member's duty station and the current number of individuals in the member's household, including the member, minus the member's GHI during the preceding calendar year, divided by 12. The amount of the BNA must be rounded to the nearest whole dollar. The following example depicts how to compute BNA:

Example: BNA Computation

Assumptions: A member with the following:

1. A household size of five.
2. Assigned in the State of Ohio.
3. A prior calendar year GHI - $52,706
4. Applicable annual FPG - $37,650

Sample Computation:

BNA = ((2.0 x $37,650) – $52,706)/12

= ($75,300 – $52,706)/12

= $22,594/12

= $1,882.83 per month

NOTE: The applicable rate is 1.3 from January 1, 2023, to June 30, 2023; 1.5 from July 1, 2023, to May 11, 2025, and 2.0 effective May 12, 2025.

4.2.6.1.3. The amount of the decrease in household income resulting from a fine, forfeiture, or reduction in rank may not be used to increase the amount of BNA.

4.2.6.2. Alternate Computation of the Allowance for Duty Outside the United States. If a certified applicant is assigned to a duty location outside the United States, the Secretary of the Military Department concerned, or the Commandant of the Coast Guard must make the calculations described in subparagraph 4.2.6.1 using the FPG for the 48 contiguous States and the District of Columbia.

4.2.6.3. Proration. If a member is certified for BNA for less than a full month, the BNA must be prorated based on the number of days of the certified applicant's eligibility for the allowance during the month. Proration must be computed at the rate of 1/30th of the monthly BNA amount for each day of certification during the month.

4.2.7. Geographic Locations

4.2.7.1. The HHS maintains the following geographical locations for the FPG:

4.2.7.1.1. The 48 contiguous states and the District of Columbia.

4.2.7.1.2. Hawaii.

4.2.7.1.3. Alaska.

4.2.7.2. If a member receiving BNA executes a PCS and is reassigned from one FPG geographic location specified in subparagraph 4.2.7.1 to another, BNA must be recomputed based on the new duty location.

4.2.7.3. Members assigned to geographic locations outside the defined poverty guideline geographical locations in subparagraph 4.2.7.1 must use the FPG for the 48 contiguous states and the District of Columbia.

4.2.8. Other BNA Recertifying Requirements. The Secretary of the Military Department concerned, or the Commandant of the Coast Guard must review BNA eligibility, and if necessary, upon the member resubmitting an application, the amount of BNA must be recomputed pursuant to subparagraph 4.2.6:

4.2.8.1. Annually on the anniversary date of the original BNA application certification or annually on the date BNA was last certified, whichever is most current. Whenever a member;

4.2.8.2. Whenever a Service member provides substantiated information that their current monthly GHI increases by $150 or more per month;

4.2.8.3. Whenever a Service member provides substantiated information that the number of individuals in the household increases or decreases; or

4.2.8.4. Whenever a Service member receiving BNA executes a PCS and is reassigned from one FPG geographical location specified in subparagraph 4.2.7.1 to another FPG geographical location, BNA must be recertified. Recertification will occur upon arrival at the new duty location using the FPG of the new location. If the PCS is to or from the 48 contiguous States or the District of Columbia to or from a location outside of the United States, it is not necessary to recertify the amount of BNA.

4.2.9. Counseling Requirements. Upon certification, the Secretary of the Military Department concerned, or the Commandant of the Coast Guard must ensure applicants are counseled on the following:

4.2.9.1. During participation in BNA, the member must report any increase or decreases in recurring monthly GHI of $150 or more per month, or any increase or decrease in the number of individuals in their household, to the certifying official within 60 calendar days. Failure to report changes may result in termination of BNA eligibility;

4.2.9.2. Receipt of BNA may affect participation of the household in certain Federal assistance programs, such as subsidized school lunch programs; the Women, Infant, and Children program; FSSA; low-income utility assistance programs; day care programs; and other income-based assistance programs;

4.2.9.3. BNA is taxable income pursuant to ***26 U.S.C. § 61***;

4.2.9.4. That the publication of this section does not result in a retroactive application of benefits other than that which may result from any intervening time period between the effective dates DoDI 1341.15 and any further Military Service-specific guidance; and

4.2.9.5. The member may voluntarily discontinue BNA at any time.

4.2.10. Payment Processing. The monthly BNA is payable from the date the application is certified. The Secretary of the Military Department concerned, or the Commandant of the Coast Guard must establish procedures to ensure all eligible members will be paid the monthly BNA within 30 calendar days of certifying the application.

4.2.11. Effective Periods

4.2.11.1. BNA is payable to eligible members for months beginning on and after January 1, 2023.

4.2.11.2. Unless otherwise extended by the Congress, no BNA may be paid after December 31, 2027.

*Table 25-1. BAS Rates
For the most current rates, see BAS table on DFAS.MIL.

Effective Date	OFFICERS	ENLISTED	BAS II (Note 1)
January 1, 2025	$320.78	$465.77	$931.54
January 1, 2024	$316.98	$460.25	$920.50
January 1, 2023	$311.68	$452.56	$905.12
January 1, 2022	$280.29	$406.98	$813.96
January 1, 2021	$266.18	$386.50	$773.00
January 1, 2020	$256.68	$372.71	$745.42
January 1, 2019 (note 2)	$254.39	$369.39	$738.78
January 1, 2018	$254.39	$369.39	$738.78
January 1, 2017 (note 3)	$253.63	$368.29	$736.58
January 1, 2016	$253.63	$368.29	$736.58
January 1, 2015	$253.38	$367.92	$735.84
January 1, 2014	$246.24	$357.55	$715.10
January 1, 2013	$242.60	$352.27	$704.54
January 1, 2012	$239.96	$348.44	$696.88
January 1, 2011	$223.84	$325.04	$650.08

NOTES:

1. BAS II is the monthly rate that may be payable to enlisted members, in lieu of the regular BAS rate, when on duty at a permanent station and assigned to single (unaccompanied) Government quarters, which do not have adequate food storage or preparation facilities, and where a Government mess is not available, and the Government cannot otherwise make meals available. The BAS II rate is twice the rate of standard enlisted BAS and must be authorized by the Secretary of the Military Department concerned and the Commandant of the Coast Guard.
2. The BAS rate effective January 1, 2019 is the same as the BAS rate for January 1, 2018.
3. The BAS rate effective January 1, 2017 is the same as the BAS rate for January 1, 2016.

*Table 25-2. Meal Collection Rates
Effective January 1, 2025 (Notes 1 & 2)
For the most current rates, see ***Reimbursable Rates*** in Tab G at the Office of the Under Secretary Defense (Comptroller) website.

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RULE	When a member receiving BAS also receives subsistence (meals or rations) from a Government mess or provided on behalf of the Government at the	and the meal received is	then the collection rate for calendar year 2024 is (note 2)	then the collection rate for calendar year 2025 is (note 2)
1	discount meal rate (note 3)	breakfast	$3.20	$3.25
2	discount meal rate (note 3)	lunch	$5.35	$5.40
3	discount meal rate (note 3)	dinner	$4.60	$4.65
4	discount meal rate (note 3)	daily total	$13.15	$13.30
5	standard meal rate (note 4)	breakfast	$4.35	$4.40
6	standard meal rate (note 4)	lunch	$7.00	$7.10
7	standard meal rate (note 4)	dinner	$6.05	$6.10
8	standard meal rate (note 4)	daily total	$17.40	$17.60

NOTES:

1. Collections from an enlisted member's pay account will be made when the member has not otherwise paid for meals provided by or on behalf of the Government (i.e., by cash, a personal check or charge, or by deduction/reduction of per diem). Collections from pay will be deducted from the member's pay account and credited to the appropriation specified by the Military Service concerned.
2. For the prior year rates, see: Office of Secretary of Defense (Comptroller) website.
3. The discount meal rate applies to meals and rations provided by or on behalf of the U.S. Government to a member not paid per diem or other travel reimbursement for subsistence who is performing duty in a U.S. Government vessel, a U.S. Government aircraft, on maneuvers, war games, field exercises, or similar operations, or to members traveling together with limited or no per diem travel status under EUM or assigned ESM. The discount meal rate also applies to meals and rations provided to a member assigned to Joint Task Force operations (for other than training) at temporary U.S. installations, or through a temporary dining facility.
4. The standard meal rate applies to meals and rations provided to any member not authorized the discount meal rate. This includes any member being paid per diem for subsistence, except those on Joint Task Force operations as described in note 3. Generally, when the standard meal rate is applicable, it will be collected in cash from the member by the dining facility.

*Table 25-3. BNA Percentage Effective Dates

BNA Percentage	Start Date	End Date
200%	May 12, 2025	
150%	July 1, 2023	May 11, 2025
130%	January 1, 2023	June 30, 2023

*REFERENCES

CHAPTER 25 – SUBSISTENCE AND BASIC NEEDS ALLOWANCES

2.0 – BASIC ALLOWANCE FOR SUBSISTENCE (BAS)

	37 U.S.C. § 402
2.1.2.	37 U.S.C. § 402(a)(2)
2.1.2.1.	37 U.S.C. § 402(b)
2.1.2.2.	37 U.S.C. § 402(d)
	Office of the Assistant Secretary of the Air Force Financial Management Memo, June 8, 2010
2.2.2.1.	DoD Directive (DoDD) 1418.05, October 6, 2003, Paragraph 4.3.7.2
2.3.1.	DoDD 1418.05, October 6, 2003, Paragraph 4.1
2.3.1.2.	37 U.S.C. § 502(b)
2.3.1.3.	37 U.S.C. § 503
2.3.1.4.	10 U.S.C. § 708
2.3.1.5.	37 U.S.C. § 420(c)
2.3.1.6.	10 U.S.C. §§ 857(a)(1), 858b(a)(1)
2.3.2.	DoDD 1418.05, October 6, 2003, Paragraph 4.3.7.3
2.4	DoDD 1418.05, October 6, 2003, Paragraph 4.2
2.4.2.	37 U.S.C. §402(h)
2.4.2.1.	Secretary of Defense Memo, July 21, 2010 Secretary of Defense Memo, October 16, 2015
2.4.3.	DoDD 1418.05, October 6, 2003, Paragraph 4.2.1
2.4.3.2.1.	DoDD 1418.05, October 6, 2003, Paragraph 4.3.3
2.4.3.2.2.	DoDD 1418.05, October 6, 2003, Paragraph 4.3.1
2.4.3.3.	DoDD 1418.05, October 6, 2003, Paragraph 4.2.1 and 4.2.2
2.5	DoDD 1418.05, October 6, 2003, Enclosure 2

3.0 – FAMILY SUPPLEMENTAL SUBSISTENCE ALLOWANCE (FSSA)

	37 U.S.C. § 402a DoDI 1341.11, March 4, 2008
3.2.5.	37 U.S.C. § 402a(b)(4)

4.0 – BASIC NEEDS ALLOWANCE (BNA)

	37 U.S.C. § 402b DoDI 1341.15, November 15, 2022, Change 3 effective May 12, 2025 Public Law (P.L.) 118-159 § 621, dated December 23, 2024

Table 25-1	Office of the Assistant Secretary of Defense Manpower and Reserve Affairs Memo, November 28, 2023 Office of Assistant Secretary of Defense Manpower and Reserve Affairs Memo, November 26, 2024
Table 25-2	Office of Under Secretary of Defense (Comptroller) Memo, December 13, 2023 Office of Under Secretary of Defense (Comptroller) Memo, December 20, 2024
Table 25-3	37 U.S.C. § 402b DoDI 1341.15, November 15, 2022, Change 3 effective May 12, 2025 Public Law (P.L.) 118-159 § 621, dated December 23, 2024

VOLUME 7A, CHAPTER 26: "HOUSING ALLOWANCES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated August 2024 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Revised the chapter content for accuracy and clarity to comply with current administrative instructions.	Revision
7.0	Updated the "Family Separation Housing Allowance" section to comply with Title 37, United States (U.S.C.), Section 403(d)(1).	Revision
10.5	Updated the "Reserve Component Member" subparagraph to include new language for dual Basic Allowance Housing for training in accordance with 37 U.S.C. § 403(g)(3).	Revision
Table 26-18 Table 26-23	Revised in accordance with the Office of the Assistant Secretary Defense, Manpower and Reserve Affairs Memo, dated August 8, 2024.	Revision
References	Updated the statutes and supporting references.	Revision

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CHAPTER 26

HOUSING ALLOWANCES

1.0 GENERAL

1.1 Purpose

This chapter establishes policy pertaining to housing allowances. Housing allowances include Basic Allowance for Housing (BAH), Overseas Housing Allowance (OHA), and Family Separation Housing (FSH) Allowance. Entitlement eligibility is subject to the conditions set forth in this chapter.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), including Titles 10 and 37. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 INTRODUCTION

A Service member on Active Duty (AD) entitled to basic pay is authorized basic housing allowance (BAH or OHA) based on their grade, rank, location, and whether the Service member has any dependents. A housing allowance generally is not authorized for a Service member who is assigned to appropriate and adequate Government quarters (see section 8.0 for Government quarters). If a Service member is on excess leave, housing allowances do not accrue during the excess-leave period. If a Service member is absent without leave which is not excused as unavoidable, housing allowances are not authorized.

2.1 Definitions for Housing Allowances

2.1.1. Sharer. A sharer includes the following individuals residing with a Service member, excluding any dependent of the Service member:

2.1.1.1. Another Service member authorized an OHA or FSH, OHA based location (FSH-O).

2.1.1.2. A civilian employee, including any dependents of the civilian employee, who is also authorized a Living Quarters Allowance (LQA). Department of State Standardized Regulations (DSSR), section 130 ***(DSSR § 130)*** or cost of living allowance (COLA) in a non-foreign location Outside Continental United States (OCONUS) (see ***OCONUS COLA***).

2.1.1.3. Any other person, who contributes money toward the payment of rent, mortgage, or utilities.

2.1.2. Owner-Owned Multiple Occupancy Dwelling. The dwelling is a duplex, triplex, or other type of multiple occupancy dwelling that is designed for separate private-sector housing units for more than one household. The units within the dwelling ordinarily have separate addresses or entrances. For OHA or FSH-O purposes, it would include a dwelling where the Service member and any dependents occupy a single separate unit within the dwelling and the other units are rented out.

2.1.3. Permanent Duty Station (PDS) Vicinity

2.1.3.1. Member Assigned to PDS OCONUS. The PDS vicinity is the U.S. territory or possession, state when in Alaska or Hawaii, or the entire country (excluding the United States), where the Service member's PDS, as defined in the Definitions Chapter, is located. A dependent is considered to be residing in the PDS vicinity if residing in that same territory or possession, state, or country, even if not residing with the member. However, if the Service member is authorized or approved through the Secretarial Process to maintain separate households (one for the member and one for a dependent) and is maintaining a separate household in that same territory or possession, state, or country, then the dependent is not residing in the PDS vicinity for FSH purposes. A commander may submit a request for determination through the appropriate channels to the applicable Service Manpower and Reserve Affairs (M&RA).

2.1.3.2. Member Assigned to PDS in the Continental United States (CONUS). The PDS vicinity is the local commuting area of the PDS.

2.1.3.3. Member commutes to OCONUS/CONUS PDS. When a Service member resides with a dependent outside the applicable PDS vicinity as defined in subparagraph 2.1.3.1 or 2.1.3.2, and commutes to the PDS, the dependent is considered to be residing at or near the vicinity of the PDS.

Example 1: Member's PDS is in Germany. Member resides with dependents in France and commutes to the PDS. Member's dependents are considered to be residing in the PDS vicinity even though they are living outside of Germany. Member is not entitled to FSH-O even if other FSH criteria is met.

Example 2: Member's PDS is in San Antonio, Texas. Member resides with dependents in Houston, Texas, and commutes to the PDS. Member's dependents are considered to be residing in the PDS vicinity even though Houston is outside the San Antonio local commuting area. Member is not entitled to FSH, BAH-based locations (FSH-B) even if other FSH criteria is met.

2.1.4. Government Quarters

2.1.4.1. Government quarters include:

2.1.4.1.1. U.S. Government owned or leased sleeping accommodations or family-type housing;

2.1.4.1.2. Lodging or other quarters obtained by U.S. Government contract;

2.1.4.1.3. Dormitories or similar facilities operated by a cost-plus-a-fixed-fee contract;

2.1.4.1.4. Sleeping or housing facilities furnished by a foreign government on the Government's behalf; or

2.1.4.1.5. Quarters in a state-owned National Guard camp.

2.1.4.2. For housing allowance purposes, the term does not include privatized housing or transient facilities, such as temporary lodging facilities, guesthouses, hostess houses', or hotel-type accommodations built or operated by non-appropriated fund activities. Government quarters converted to privatized housing are no longer Government quarters.

2.1.5. Rental Charge. A rental charge is a fee for occupancy and does not include service charges for linens, cleaning, maintenance, or similar costs.

2.2 Housing-Allowance Applicable Dates

2.2.1. Housing Allowance Start and Stop Dates. The authorizing document for OHA and FSH-O is the DoD ***DD Form 2367***, OHA Report. Table 26-1 specifies the date to start BAH or OHA for a Service member with a dependent. Table 26-2 specifies the date to stop housing allowances based on changes in the status of a sole dependent. Table 26-3 specifies the date to stop BAH or OHA for reasons other than a change in the status of a dependent. Situations not covered in these tables are contained elsewhere in this chapter.

2.2.1.1. Start. Unless specifically authorized elsewhere in this chapter, PDS housing allowance eligibility starts on a Service member's reporting day to a new PDS. OHA and FSH-O start on the day a Service member incurs a financial obligation for private-sector housing (e.g., the lease start date), assuming all other criteria for OHA or FSH-O is met. If the Service member is authorized a monetary allowance in lieu of transportation (***MALT***) plus per diem (MALT Plus) on the reporting day, OHA eligibility starts on the day after the Service member's reporting day. When a home port change is involved, ordinarily a housing allowance based on the rate for the new home port starts on the effective date of the home port change.

2.2.1.2. Stop. Unless an extension is authorized or approved under paragraph 10.2, or the PCS move is a close proximity move as specified in paragraphs 10.1 and 10.2, the OHA, FSH-B and FSH-O allowances stop on any of the following:

2.2.1.2.1. The day the Service member's OHA, FSH-O, or FSH-B lease ends.

2.2.1.2.2. The day before the Service member departs due to a PCS order.

2.2.1.2.3. The day before the effective date a Service member's assigned ship or unit changes its home port from OCONUS. However, a Service member without a dependent is authorized a housing allowance based on the old home port until the day the Service member moves back aboard the ship under all of the following conditions:

2.2.1.2.3.1. The Service member is undergoing a home port change;

2.2.1.2.3.2. The ship does not depart from the old home port before or on the home port change effective date; and

2.2.1.2.3.3. Quarters on board the ship are not available (for example, because the ship is dry-docked).

2.2.1.2.4. Upon assignment to Government quarters.

3.0 DETERMINING DEPENDENCY

3.1 Dependent

3.1.1. Eligibility. In order to be eligible for a housing allowance at the with-dependent rate, a Service member must have an eligible dependent. The term "dependent" has the same meaning as defined in the Definitions chapter and is further defined in subparagraphs 3.1.1.1 through 3.1.1.2.3.

3.1.1.1. Primary Dependents. The following are considered a Service member's primary dependent:

3.1.1.1.1. Spouse. As defined in the Definitions chapter, except for a spouse who is a Service member entitled to basic pay as provided in section 4.0.

3.1.1.1.2. Child. As defined in the Definitions chapter, "Dependent," definitions 2, 3, and 4.

3.1.1.2. Secondary Dependents. An individual is a secondary dependent only in that a Service member's support of these individuals is never assumed. A Service member must provide evidence that a secondary dependent, as that term is defined below, is dependent upon the Service member for over one-half of the individual's support. Support has the meaning given in subparagraph 3.3.1. The following individuals may be considered a Service member's secondary dependent only if all requirements of relationship, age, marital status, educational status (if applicable), mental and/or physical incapacitation (if applicable), and support are proven:

3.1.1.2.1. College-Age Student. As dependent as defined in the Definitions chapter, "Dependent," definition 5.

3.1.1.2.2. Incapacitated Adult Child. A dependent as defined in the Definitions chapter, "Dependent," definition 6.

3.1.1.2.3. Parent, Including Stepparent. As dependent as defined in the Definitions chapter, "Dependent," definition 7.

3.1.1.2.3.1. A stepparent relationship ends upon divorce of the stepparent from the Service member's biological parent, but not necessarily upon the death of the Service member's biological parent. A stepparent may qualify as a secondary dependent after the death of the Service member's biological parent.

3.1.1.2.3.2. A person who has stood in loco parentis is an eligible secondary dependent.

3.1.1.2.4. Legal Ward. A dependent as defined in the Definitions chapter, definition 8.

3.2 Relationship Determinations and Certification Requirements

Dependency must be determined before a housing allowance or Uniformed Services Identification Privileges (USIP) card is authorized. After initial approval, the Services must maintain adequate levels of internal audit to assure the legality, propriety, and correctness of all housing allowance payments. See individual Service regulations for procedures.

3.2.1. Primary Dependent Relationship. In determining relationship or dependency for housing allowance eligibility, the appropriate officials must apply the rules in this section. The Service Secretary or designee makes all determinations of relationships or dependency for a primary dependent. The designee may re-delegate.

3.2.1.1. Spousal Relationship Determination. Table 26-8 specifies who determines a dependency relationship for the purposes of a housing allowance when the dependent claimed is a spouse and there is no evidence of a doubtful marriage. Any case in which the validity of a Service member's marriage is questionable is a case of a doubtful relationship. When the relationship status of a claimed dependent spouse is doubtful, submit a request for determination to the applicable office indicated on Table 26-9.

3.2.1.2. Parent-Child Relationship Determination. Tables 26-4 to 26-7 specify the rules for determining a dependency relationship for purposes of a housing allowance between an unmarried child and a Service member in the Army, Navy, Air Force, Space Force, or Marine Corps, respectively. Questionable claims that require legal review should be referred to the applicable office noted in Table 26-9.

3.2.1.3. Proof of Parentage. A Service member who claims a housing allowance for an adopted child, stepchild, or a child born out of wedlock must provide proof of parentage as follows:

3.2.1.3.1. For an adopted child, documentation showing the Service member is the child's legal parent;

3.2.1.3.2. For a stepchild, a marriage license showing the Service member is married to the child's legal parent and documentation showing that the Service member's spouse is the child's parent; or

3.2.1.3.3. For a child born out of wedlock, a birth certificate with the Service member's name cited is required. If the Service member's name is not stated on the birth certificate or on a court order, obtain a signed notarized affidavit of parentage from the Service member. If the child is not in the custody of the Service member parent, the case is treated as specified in the rules for BAH-Differential (BAH-Diff).

3.2.2. Secondary Dependency Relationship. Tables 26-10 to 26-13 specify who determines dependency for secondary dependents. Determinations of relationships or dependency for non-DoD Services is per Service regulations.

3.2.2.1. Parent Dependency Determination. A parent's dependency is determined based on an affidavit submitted by the parent and any other evidence required under applicable regulations. A legal guardian may complete the form for a mentally incapacitated parent.

3.2.2.1.1. A parent's residence in a charitable institution, public or private, does not alone prohibit the Service member from receiving a housing allowance for the parent when all other conditions are met. Failure to reside with the Service member does preclude a parent from a USIP card.

3.2.2.1.2. Table 26-11 specifies who determines a dependency relationship for the purposes of a housing allowance when the dependent claimed is a parent, including a person acting in loco parentis.

3.2.2.1.3. If there is a question as to whether the parent is or is not a dependent, then the authority in Table 26-11 submits a request through the appropriate chain of command to the authority in Table 26-9 for a dependency determination.

3.2.3. Dependent Status Certification. A Service member is required to provide information concerning the status of a dependent when certain conditions occur.

3.2.3.1. Change in PDS. Upon arrival at a new PDS, each Service member authorized a housing allowance for a dependent must recertify the status of the dependent to the Secretary concerned to support a housing allowance on the dependent's behalf. If a Service member fails to provide the certification, the housing allowance on the dependent's behalf stops at the end of the month in which the certification is due. A housing allowance at the appropriate partial or without-dependent rate is paid unless the Service member is not authorized that allowance for some other reason. A housing allowance at the with-dependent rate is authorized effective the date the Service member provides proper certification. The higher rate is not retroactive unless the Service member's commander certifies that the failure to recertify promptly was for reasons beyond the Service member's control.

3.2.3.2. Change in Dependent Status. A Service member must report any change in dependency status, including, but not limited to: death, divorce, legal separation, change in custody arrangements, or any change in support obligations for either a primary or secondary dependent. If a Service member fails to report a change in dependency status that makes them no longer entitled to a with-dependent housing allowance, the member will be indebted for any amount of with-dependent housing allowance received after the dependency relationship ended or in the case of failure to support, from the date in which the Service member cannot show evidence of required support.

3.2.3.3. Secondary Dependency Annual Certification. Annual certification of financial and relationship status is required for a Service member who claims a housing allowance for a secondary dependent, as defined in subparagraph 3.1.1.2.

3.2.3.4. Reserve Component (RC) Member. An RC member must recertify each dependent's status at least every third year from the previous certification or when a dependent's status changes, whichever is sooner.

3.2.4. Fraudulent Claims. Any Service member who submits a claim for a housing allowance that contains a false statement is subject to court-martial or criminal prosecution. Fraudulent acceptance of benefits may cause a civilian recipient to be subject to criminal prosecution. The law provides for severe penalties of imprisonment and a fine. For military personnel, it may include a punitive separation, total forfeitures, and confinement. In the absence of criminal prosecution, administrative collection of amounts to which the Service member was not entitled may be initiated.

3.3 Support Requirement

In order for a Service member to receive BAH at the with-dependent rate or a USIP card, for a dependent, the Service member must be providing support to an individual claimed as primary or secondary dependent.

3.3.1. Support Defined. Support is defined as it is in *26 C.F.R. § 1.152-1(a)(2)* except as otherwise noted in this paragraph. The term "support" includes food, shelter, clothing, medical and dental care, education, and the like. Generally, the amount of an item of support will be the amount of expense incurred by the one furnishing such item. If the item of support furnished is in the form of property or lodging, it is necessary to measure the amount of such item of support in terms of its fair market value.

3.3.2. Primary Dependents. A Service member is authorized a housing allowance on behalf of a primary dependent if the Service member contributes to the dependent's support in an amount that is at least equal to the applicable BAH-Diff rate. See subparagraph 3.4.1 for specific rules concerning computing support of a child. When BAH-Diff rates increase, the minimum amount of support required increases to the new rate. A Service member receiving a housing allowance on behalf of a dependent must, as applicable, increase the amount of support within 60 days of the rate increase to continue receiving the housing allowance.

3.3.2.1. Proof of Support. Proof of support of a primary dependent is generally not required. However, proof of support may be required by the Service in circumstances including but not limited to:

3.3.2.1.1. When the Service becomes aware of facts or evidence which suggest nonsupport or inadequate support; or

3.3.2.1.2. When an appropriate office receives a complaint from a dependent of nonsupport or inadequate support.

3.3.2.2. Interlocutory Decree of Divorce. If a Service member is divorcing a spouse, and an interlocutory decree of divorce does not require the Service member to pay support to the soon to be former spouse in an amount meeting the required level of support, the Service member is not authorized a housing allowance for the former spouse after the date of the interlocutory decree unless the Service member provides proof of support.

3.3.2.3. Legal Separation From Spouse. If a Service member is legally separated from a spouse, but not yet divorced, and a separation agreement or court order does not require the member to pay support to the spouse in an amount meeting the required level of support, the Service member must provide proof of support at the required level to continue to receive a housing allowance for the spouse.

3.3.2.4. Child Support. When a non-custodial parent Service member has a court-ordered child support obligation in an amount that is less than the required level of support and the Service member is not residing in, or assigned to, Government quarters, the Service member is authorized a with-dependent housing allowance for the child only if the Service member provides proof of support to the child at the required level. See section 4.0 for applicable rules when the Service member has a child with another Service member.

3.3.2.5. Additional Support Requirement. The support amount required to retain or receive a housing allowance for a dependent is not necessarily adequate to meet Service policies. The Service concerned may have additional requirements for support in the absence of a legal separation agreement or court order.

3.3.3. Secondary Dependents

3.3.3.1. Required Level of Support. To receive a housing allowance on behalf of an individual claimed as a secondary dependent or a USIP card for a secondary dependent, the individual must be dependent upon the Service member for at least one half of the individual's support in a calendar year.

3.3.3.2. Proving Financial Dependency. A Service member must prove the financial dependency of an individual claimed as a secondary dependent in one of the following ways:

3.3.3.2.1. Tax Return and DD Form 137. Complete and submit the DD Form 137, Secondary Dependency Application, including a tax return demonstrating the individual was claimed on the Service member's tax return as a dependent. The tax return may be for the tax year prior to the year for which the Service member is now claiming the dependency status. If a tax return is provided, the portion of the DD Form 137 containing the "Worksheet for Determining Support" is not required.

For example: If the Service member completes the DD Form 137 in November of 2023 and claimed the individual as a dependent on the Service member's 2022 calendar year tax return, this will be sufficient evidence of financial support in 2023. All other requirements of dependency must still be met for the duration of the calendar year of 2023 for the dependency to be approved.

3.3.3.2.2. Worksheet for Determining Support and DD Form 137. A tax return is not required. In any case in which the Service member chooses to not provide a tax return, is unable to provide a tax return, or was unable to claim a dependent on a tax return because the initiation of dependency did not occur early enough in the tax year to be claimed, the Service member must then complete and submit the entirety of the DD Form 137, including the section of the form that contains the "Worksheet for Determining Support" (Worksheet) in its entirety. See subparagraph 3.4.2 for how support will be computed.

3.3.3.2.2.1. A Service may request supporting documentation on a case-by-case basis to validate items on the Worksheet.

3.3.3.2.2.2. Failure to complete any of the required forms will result in a denial of the secondary dependency status for the individual claimed.

3.3.3.2.3. Claiming Dependent When Tax Return Not Yet Filed. There may be circumstances in which the Service member is filing a claim for an individual but due to timing, there has been no tax return filed claiming that individual on the tax return. In that situation, the Service member must complete the DD Form 137 in its entirety to include the Worksheet. The pay office will then compute the support as defined by this chapter, provided on a pro-rated basis for the months in which the individual being claimed resided with the Service member.

3.3.4. Non-Support

3.3.4.1. A Service member who fails to support a dependent on whose behalf a housing allowance is received is not authorized a housing allowance on that dependent's behalf.

3.3.4.2. A Service member does not avoid the legal responsibility to comply with a court order for support by forfeiting a housing allowance.

3.3.4.3. Any housing allowance paid for any period in which a Service member failed to support or inadequately supported a dependent must be recouped. The Service member will be subject to debt collection as set out in Volume 16.

3.4 Computing Support

3.4.1. Primary Dependents

3.4.1.1. Timing of Child Support Payments. For purposes of determining the amount of support furnished for a child (or children) by a Service member for a given calendar year:

3.4.1.1.1. An arrearage support payment made in a year after the calendar year when it was required to be made must not be treated as a payment of support for the year it was paid if there was no support obligation for that year.

3.4.1.1.2. An arrearage support payment may be counted toward a support obligation in the year in which it was paid, but only to the extent of the support obligation for that year; and

3.4.1.1.3. Payments made prior to any calendar year (whether or not made in the form of a lump sum payment in settlement of the parent's liability for support) shall not be treated as made during such calendar year. However, payments made during any calendar year from amounts set aside in trust by the Service member in a prior year, shall be treated as made during the calendar year in which paid from the trust.

3.4.1.1.4. Subsequent payment of support arrears may be counted toward a support obligation for the period the support was required to make if the delay in the support in payment(s) was caused by one of the following:

3.4.1.1.4.1. The Service's mission requirements; or

3.4.1.1.4.2. Outside agencies' actions determined by Service regulations to be beyond the Service member's control.

3.4.1.2. Settlement Agreements

3.4.1.2.1. Property settlements made under a court order or written agreement are not considered support for housing allowance purposes.

3.4.1.2.2. Payments made under a settlement in place of support are considered support only for the periods specified in the written agreement or court order.

3.4.1.2.3. A lump-sum settlement in place of support made under written agreement or court order is support for the period the lump sum would reasonably cover the dependent's support.

3.4.2. Secondary Dependents. An individual claimed as a secondary dependent must receive over one half of their financial support from the Service member. When a Service member has not provided a tax return showing the individual claimed as a dependent upon the tax return, then for purposes of determining whether or not an individual received over half of their support from the Service member for a given calendar year, determine the amount of support the individual received from the Service member as compared to the entire amount of support which the individual received from all sources, including support of the individual themselves.

3.4.2.1. Source of Income and Support

3.4.2.1.1. Income. In computing the amount, which is contributed for the support of an individual, there must be included any amount which is contributed by the individual for their own support, including income which is ordinarily excludable from gross income, such as benefits received under the Social Security Act (***42 U.S.C. Chapter 7***). Other items of income may include, but are not limited to, proceeds derived from the liquidation of capital assets and pensions received by the parent. Refer to DD Form 137 Worksheet for Determining Support.

Example. A father receives $800 social security benefits, $400 interest, and $1,000 from his son during a calendar year, all of which sums represent his sole support during that year. The fact that the social security benefits of $800 are not includible in the father's gross income does not prevent such amount from entering into the computation of the total amount contributed for the father's support. Consequently, since the son's contribution of $1,000 was less than one-half of the father's support ($2,200) he may not claim his father as a dependent.

3.4.2.1.2. Support. Just because an item is included in an individual's income, does not mean it must be used for support. Only include items in the support computation which were used for the individual support. A person is not required to expend all their income for their own support.

Example: Your mother received $2,400 in social security benefits and $300 in interest. She paid $2,000 for lodging and $400 for recreation. She put $300 in a savings account.

Even though your mother received a total of $2,700 ($2,400 + $300), she spent only $2,400 ($2,000 + $400) for her own support. If you spent more than $2,400 for her support and no other support was received, you have provided more than half of her support.

3.4.2.1.3. Unliquidated. Capital assets are not income, and an individual claimed is not required to deplete their capital assets to establish dependency on a Service member for housing allowance purposes.

3.4.3. Expenses. In computing support, the amount the Service member and individual claimed as a secondary dependent contributed to support must both be considered. When the DD Form 137 "Worksheet for Computing Support" is used, expenses for the following may be included in determining support:

3.4.3.1. Food, shelter, and clothing

3.4.3.2. Medical and dental care, which includes medical, vision, and dental expenses not paid for or reimbursed by insurance paid for the year.

3.4.3.2.1. This expense may include personal/supplemental insurance premiums paid for the individual's support and premiums paid for supplementary Medicare coverage or TRICARE premiums, if any.

3.4.3.2.2. This amount does not include the value of medical insurance benefits and does not include the value of the USIP card.

3.4.3.3. Education, including school expenses, such as tuition, books, special fees (lab fees, distance education fees, internship fees, parking), room and board for off-campus lodging, school supplies, or tutoring.

3.4.3.4. Extracurricular activities, including lessons fees (e.g., sports, dance, music).

3.4.3.5. Travel and recreation expenses, including:

3.4.3.5.1. Public transportation/taxi fees (may also include ride share services);

3.4.3.5.2. Entertainment and recreation tickets (e.g., movies, sporting events, concerts, videos, theater), recreation/amateur sports/Special Olympics enrollment fees, and fitness or social club enrollment fees; or

3.4.3.5.3. Vehicle expenses, including total vehicle payments, license plate/registration fees, and driver's license fees. The vehicle must be registered in the individual's name, with the exception that purchase of a handicap accessible vehicle if the individual is a child. If the vehicle was used by others in household, the Service member can only include out-of-pocket expenses of operating the car for the individual's benefit.

3.4.3.6. Other expenses, including but not limited to, fees for a checking account, savings account, or money orders, childcare expenses, including expenses paid for care of a disabled dependent, postage, court-ordered bankruptcy payments, or personal hygiene items.

3.4.4. Expenses do not include any federal, state, or local taxes paid by either the Service member or the individual claimed.

4.0 IMPACT OF CERTAIN CHILD CUSTODY AND FAMILY ARRANGEMENTS ON HOUSING ALLOWANCE

4.1 Custodial Parent

A Service member who is awarded primary physical custody of a dependent child, or whose dependent child resides with the Service member for at least half of a calendar year, is considered a "custodial parent" for housing allowance purposes.

4.2 Non-Custodial Parent With Temporary Custody

4.2.1. When a non-custodial Service member resides in a private-sector residence and the Service member's child visits for 90 consecutive days or fewer, the Service member must pay child support in an amount equal to or exceeding the applicable BAH-Diff rate to receive BAH at the with-dependent rate on account of the child. The cost of maintaining the residence is not a factor in determining authority for the with-dependent housing allowance rate and may not be used instead of, or in addition to, child support to qualify for increased allowances.

4.2.2. When a non-custodial Service member resides in a private-sector residence and the Service member's child visits for 91 or more consecutive days, the Service member qualifies for BAH at the with-dependent rate on account of the child for the period of the visit.

4.3 Non-Service Member is Custodial Parent

4.3.1. Non-Custodial Status of Service Member. When the non-Service member parent is awarded primary physical custody of a child of a Service member, or the Service member's dependent child resides with the non-Service member parent for more than half of the calendar year, then the Service member is a non-custodial parent for housing allowance purposes.

4.3.2. Service Member Not Assigned to Government Quarters Pays Support. Subject to other provisions in this Chapter, if a non-custodial Service member is not residing in or assigned to Government quarters and pays support for the child in an amount equal to or more than the applicable BAH-Diff rate, the Service member is authorized a housing allowance at the with-dependent rate based on the child. The support amount includes any court-ordered child support and any additional amount the Service member pays in addition to or in the absence of court-ordered child support. If the Service member pays support in an amount below the applicable BAH-Diff rate, the Service member is only authorized a housing allowance at the without-dependent rate.

4.3.3. Custodial Parent Married to Another Service Member. If the custodial parent and child live in Government quarters assigned to the custodial parent's current spouse (Service member stepparent), the non-custodial Service member is not authorized a housing allowance for the child, regardless of support payments. However, if the Service member stepparent with whom the custodial parent and child reside is not assigned to Government quarters, a housing allowance for the child may be paid to either the Service member parent or the Service member stepparent, but not both. The Service member parent has priority to a housing allowance for the child if providing adequate support.

4.3.4. Service Member Marries Non-Service Member. If a non-custodial Service member marries a non-Service member, the Service member:

4.3.4.1. Is authorized a with-dependent housing allowance based on the Service member's current spouse when not assigned Government quarters. The Service member is not authorized a housing allowance for the child.

4.3.4.2. Is not authorized a housing allowance for the child when the Service member is assigned to or occupies Government family type quarters for the Service member and current spouse.

4.4 Dependent Confined in Penal or Correctional Institution

4.4.1. Housing Allowance Payable. Confinement of a Service member's spouse or unmarried minor child in a penal or correctional institution does not affect the Service member's authority for a housing allowance on the dependent's behalf, unless any of the following conditions apply:

4.4.1.1. The Service member refuses to support the dependent;

4.4.1.2. The Service member has been relieved from supporting the dependent;

4.4.1.3. The period of confinement may extend beyond 5 years; or

4.4.1.4. The case is otherwise doubtful.

4.4.2. Doubtful Cases. Submit doubtful cases or cases involving a sentence extending beyond 5 years to the addresses specified in Table 26-9. Do not pay a housing allowance on behalf of the dependent pending a decision.

4.5 Service Member Married to Another Service Member

4.5.1. General Provisions

4.5.1.1. Dependent on AD in a Uniformed Service. In accordance with *37 U.S.C. § 421*, a dependent who is on AD in a Uniformed Service and is entitled to basic pay cannot be considered a dependent for housing allowance purposes.

4.5.1.2. One Service Member Enters a Non-Pay Status. When one Service member enters a non-pay status, the other Service member may claim the Service member not entitled to pay and allowances as a dependent and be authorized to draw BAH or OHA at the with-dependent rate for the duration of the non-pay status, if otherwise authorized, unless a dependent is confined in a penal or correctional institution (see paragraph 4.4). A Service member may claim as a dependent a Service member on inactive duty for training (Reserve drills).

4.5.1.3. Service Member Serving on Sea Duty. A Service member of any grade who is assigned to permanent sea duty who is married to another Service member in a pay grade below E-6 is authorized BAH or OHA.

4.5.1.4. Spouse in Foreign Military. Paragraph 4.5 does not apply when a Service member is married to a person in the military service of a government other than the United States. The Service member is authorized a housing allowance even if the foreign government furnishes a residence or pays a monetary allowance in lieu of a residence for the spouse.

4.5.1.5. Unmarried Service Members. Paragraph 4.5 does not apply to two Service members living together but not married. Two unmarried Service members living together are separately authorized a housing allowance based on each Service member's dependents and circumstances. If the only dependents the unmarried, cohabitating Service members have are children they have together, only one can receive a with-dependent housing allowance for the shared children.

4.5.1.6. Other Housing Allowances. Other housing allowance paragraphs in this chapter (e.g., FSH, Service member on unaccompanied tour, BAH rate protection) also apply to a Service member married to another Service member.

4.5.2. Both Service Members Married to Each Other Entitled to Basic Pay

4.5.2.1. No Dependents. When both Service members have no dependents, each is treated as a Service member without a dependent for BAH or OHA. This applies whether the Service members are living together or separately if Government quarters are not provided.

4.5.2.2. Family-Type Quarters. When Service members married to each other jointly occupy family-type quarters, neither Service member is authorized BAH or OHA, even if no dependent resides in the quarters, unless a dependent is prevented by a military order from occupying quarters.

4.5.2.3. Not Assigned Government Quarters. Generally, only one Service member may receive BAH or OHA at the with-dependent rate (including BAH-Diff) if they collectively have one or more dependents as defined in section 3.0, including all children, parent(s), and wards.

4.5.2.3.1. With-Dependent Rate for Shared Dependent. When two Service members have a dependent child (or multiple dependent children) together and are not assigned Government quarters, the Service members must choose which one will receive BAH or OHA at the with-dependent rate. If they cannot agree, then the senior Service member receives the

with-dependent rate. The Service members may subsequently elect to transfer BAH authorization from one Service member to the other for any reason. Changes are effective as of the election date and may not be applied retroactively.

4.5.2.3.2. Child From Previous Relationship. When two married Service members are not assigned Government quarters and have one or more child dependents living with them who are not shared children, but are children from one or both Service members' prior relationships, only one of the Service members may claim a with-dependent housing allowance based on the child(ren) collectively, as parent or stepparent, as applicable. The other Service member receives BAH or OHA at the without-dependent rate. The rule is the same if the Service members have a shared dependent child or children in addition to those who are not shared.

4.5.2.3.3. Separate Households. When both Service members maintain separate households at or in the vicinity of their PDS or PDSs, each is individually authorized BAH or OHA if not provided Government quarters. Only one Service member may receive BAH or OHA at the with-dependent rate. If the Service members no longer share a common residence due to military orders, their authorization for increased allowances or assignment to Government quarters should be determined separately without regard to the general rule in subparagraph 4.5.2.3. Each Service member may receive a housing allowance at the with-dependent rate if a dependent child resides with that Service member. See paragraph 3.3 and subparagraph 4.5.3 for BAH or OHA for divorced or legally separated Service members.

4.5.2.3.4. Same or Adjacent Military Installations. Both Service members are considered to be stationed at the same or adjacent bases, or shore installations, when they are not prevented by distance from living together or they actually commute on a regular basis regardless of distance. The general rule of subparagraph 4.5.2.3 applies.

4.5.2.3.4.1. Each Service member is authorized BAH or OHA at the appropriate rate when family-type quarters are not assigned, notwithstanding the availability of adequate single quarters for either or both Service members unless the commander requires the Service member to reside in single Government quarters.

4.5.2.3.4.2. When both Service members are authorized BAH or OHA at the same or adjacent military installation and are then separated geographically by orders, the Service member remaining at the old PDS is authorized BAH or OHA continuation regardless of the availability of adequate single quarters unless the commander requires the Service member to reside in single Government quarters.

4.5.2.3.5. If one Service member elects to stop receiving a housing allowance at the with-dependent rate, then the other Service member may claim their dependent(s) for housing allowance purposes. A relationship determination is required, but ordinarily a dependency determination is not. In all instances of a Service member having a spouse on AD, full details must be given showing the spouse's full name, Social Security number, duty station, and branch of Service in order to inform each of the Service members' commands of the actions of each spouse.

4.5.3. Dependent Custody Effects on Housing Allowances

4.5.3.1. Divorce or Legal Separation – Neither Member in Government Quarters. The following rules apply when two Service members divorce or legally separate or a divorce or legal separation decree is subsequently amended. These rules apply in addition to those in paragraph 3.3 and only when neither Service member is assigned to family-type Government quarters, unless otherwise specified:

4.5.3.1.1. Unless both Service members agree to the contrary, the parent with primary physical custody, if applicable, is authorized a housing allowance for the child, regardless of the child-support amount received by that Service member.

4.5.3.1.2. The Service members may agree that the parent who does not have primary physical custody of the child will receive the housing allowance on behalf of the child if the non-custodial Service member parent pays support in an amount meeting the BAH-Diff rate. In addition to the court order concerning custody, the Service members must submit an agreement that has been signed by both Service members and notarized which states that they agree that the non-custodial Service member parent will pay child support to the custodial Service member parent in an amount equal to or exceeding the applicable BAH-Diff rate and the custodial parent will allow the non-custodial parent to claim the child as a dependent for housing allowance purposes.

4.5.3.1.3. When the Service members have joint legal and physical custody, with physical custody alternating from one parent to another, and neither has primary physical custody, each parent is authorized a housing allowance for the child during those periods the child is actually in that parent's physical custody.

4.5.3.1.4. When each Service member has legal and primary physical custody of one or more of the children of the marriage, each Service member is authorized a housing allowance for the children in their individual physical custody, regardless of child-support payments from one Service member to the other.

4.5.3.1.5. When a child of the marriage is in a third party's custody, only one Service member is authorized a housing allowance for the child, even if both Service members are paying sufficient child support to qualify for the housing allowance. The senior Service member is authorized a housing allowance for the child when the two Service members do not agree on which person claims the authorization. If the Service members are of equal rank, date of rank determines which one receives a housing allowance for the child.

4.5.3.1.6. When a non-custodial Service member pays child support to a custodial Service member parent who also has another dependent for housing allowance purposes, there is a presumption that the custodial Service member parent authorization is based on the dependent other than the child shared with the non-custodial Service member parent. The non-custodial Service member parent may be authorized a with-dependent housing allowance based on the child if other requirements for the allowance are met. The housing allowance authorization for the custodial and non-custodial parents is determined individually.

4.5.3.1.7. Once the Service members are divorced or legally separated, each Service member's housing allowance for dependents who are not shared children is determined individually.

4.5.3.2. Child in Government Quarters With Service Member Custodial Parent

4.5.3.2.1. Child in Assigned Family Government Quarters. When a Service member has primary physical custody of a child of the Service member and another Service member and is assigned to, or occupies, adequate family-type Government quarters with the child, the non-custodial Service member parent is not authorized a housing allowance for the child, regardless of whether the non-custodial parent pays child support.

4.5.3.2.2. Child in Family Government Quarters Visits Other Service Member Parent. When a child who normally resides in family Government quarters with a custodial Service member parent visits a non-custodial Service member parent in a private residence for 91 or more days, the non-custodial parent is authorized a housing allowance for the child from the first day of the visit. If the visit is 90 or fewer days, a housing allowance for the child is not payable for any part of the visit.

4.6 No Authority on Dependent's Behalf

A Service member is not authorized a housing allowance for any of the following:

4.6.1. A minor child entitled to basic pay as a Uniformed Service member on AD. This includes a minor child attending a military Service academy when the United States furnishes quarters;

4.6.2. A spouse on AD in a Uniformed Service entitled to basic pay. See section 4.0 for housing allowances when two Service members married to each other are both entitled to basic pay;

4.6.3. A dependent for whom the Service member is no longer required to provide support; for example, a legally emancipated child;

4.6.4. A dependent for whom the Service member has not provided required proof of adequate support, when necessary, as specified in paragraph 3.3;

4.6.5. A dependent whom the Service member fails to support (see paragraph 3.3);

4.6.6. A dependent whose whereabouts are unknown and whose absence and whereabouts remain unexplained;

4.6.7. A former spouse, regardless of whether the Service member is paying alimony;

4.6.8. A dependent who occupies Government quarters as a permanent residence without payment of a rental charge. See subparagraph 4.5.3.2.2 for an exception when a child is living with their other parent, who is also a Service member;

4.6.9. A child for whom the Service member pays child support and the following conditions exist:

4.6.9.1. The child is in another active-duty Service member's custody, including a former spouse, as specified in this section; and

4.6.9.2. The Service member with custody of the child is assigned to Government or Government-leased family quarters or receives a with-dependent housing allowance on behalf of the child. This does not include privatized housing.

4.6.10. A child after adoption by a third party and the final adoption order or decree has been entered. When the Service member supports the child pending a final decree, authority for a housing allowance continues after an interlocutory decree of adoption has been entered if the decree does not change the legal relationship between the child and the Service member.

5.0 BASIC ALLOWANCE FOR HOUSING (BAH)

BAH is paid for housing within the United States. Assignment to Government quarters affects a Service member's eligibility for BAH. A housing allowance, other than BAH-Partial or BAH-Diff, is generally not authorized for a Service member who is assigned to Government quarters appropriate to the Service member's grade, rank, or rating and adequate for the Service member and dependents, if any. See section 8.0 for rules regarding assignment to Government quarters.

5.1 BAH Rate and Determination

5.1.1. The BAH rate is based on median housing costs in the Military Housing Area (MHA) and is paid independently of a Service member's actual housing costs.

5.1.2. The Office of the Under Secretary of Defense, Personnel and Readiness OUSD (P&R) determines adequate housing costs in an MHA for all Service members authorized BAH. OUSD (P&R) bases the determination for housing allowances upon the costs of adequate rental housing for civilians with comparable income levels in the same area.

5.1.3. An adjustment in the BAH rates due to an OUSD (P&R) redetermination of housing costs in an MHA takes effect with the pay raise each year.

5.1.4. An MHA is defined geographically by zip code within the United States. Major military population areas are further identified by a combination of two-digit code for the state and three-digit numerical designation within the state. For small military population areas, zip codes are aggregated into areas of similar housing cost and designated as county cost groups.

5.2 BAH Rate Protection

The monthly BAH amount paid to a Service member must not be reduced due to changes in housing costs in the MHA, changes in the national monthly housing cost, or a Service member's promotion. The BAH rate for an RC member is also protected, provided the RC member does not have a break in active service of 1 or more calendar days. This includes transitions in service status from Active Guard Reserve (AGR) duty to other AD and back to AGR duty, or beginning a new AD order or order extension without a break in active service. If the Service member is demoted or loses authority for BAH, then the Service member's BAH rate protection at the current amount stops when the eligibility to BAH for a given MHA or County Cost Group ends. The current BAH rate at the current duty location becomes the Service member's new protected BAH rate.

5.3 Temporary BAH Increase

The Secretary of Defense may prescribe a temporary increase in BAH rates in an area the President declared as a major disaster area or at an installation that experienced a sudden increase in the number of assigned Service members. Payment of the higher BAH is only effective for an MHA or specified zip codes within a county cost group. Temporary BAH increases may not be paid after the statutory authority termination date. See the ***Duration of Authority*** table for termination date.

5.3.1. Eligibility. A temporary increase in BAH rates result in two different BAH rates for Service members assigned to the same zip code. To receive the higher of the two BAH rates, a Service member must certify to the office designated by the Secretary concerned that the member incurred higher housing costs in an approved area due to a major disaster or sudden increase of military personnel assigned to an installation. The certification must be in a form acceptable to the approval authority. The Service member's certification must document rent, or mortgage expense in the case of a homeowner, and utility expenses.

5.3.2. Effective Date. If the Service member meets the eligibility requirements and is authorized the increased rate, it is effective the later of the approval date or the date the Service member started incurring the increased expenses.

5.3.3. Effect of Changes. A Service member receiving a temporary BAH rate increase must submit certification as described when the following events occur:

5.3.3.1. Promotion requires certification that housing costs exceed the standard BAH rate for the higher grade. Without certification, the standard BAH rate for the higher grade applies.

5.3.3.2. Demotion requires certification that housing costs exceed the standards BAH rate for the lower grade. Without certification, the standard BAH rate for the lower grade applies.

5.3.3.3. A change in dependents requires recertification of housing costs to compare applicable rates.

5.3.4. Termination. The increased allowance is paid through the day before the effective date of the next standard BAH rate change for the area. The new standard BAH rate applies on the effective date. There is no rate protection for temporarily increased rates.

5.4 BAH Advance

5.4.1. Authority. Each Service must set regulations for advance BAH payment administration, to include the preparation and disposition of vouchers and supporting papers. When allowed by Service regulations, a Service member's commanding officer, their designee, or another designated official may authorize an advance BAH payment to pay advance rent, security deposits, or initial expenses due to occupying other than Government housing. An advance may also be authorized at any time during a Service member's tour at the location concerned or when a Service member has relocated due to a PCS order. The Secretary concerned or the Secretary's designee may authorize an advance BAH payment in circumstances and conditions other than those specified in this paragraph. Service regulations must set repayment procedures in accordance with subparagraph 5.4.5.

5.4.2. Timing. Ordinarily, the advance should not be disbursed more than three working days before the date payment under the lease or rental agreement must be made. In extenuating circumstances, the officials listed in this chapter may authorize disbursement more than three working days before the date payment must be made. The BAH advance may be paid before or after the expenses occur. A Service member must request the advance payment within 30 days after incurring the expense.

5.4.3. Requirements. Housing expenses must be documented. Required documentation includes copies of the lease, utility company statements, and any other pertinent documentation necessary to support the housing expenses.

5.4.4. Amount. The advance amount is determined by the Service member's current BAH rate, their ability to repay the advance, other advances of pay that may have been made, and any recurring pay deductions. The BAH advance is limited to a total of three months BAH that the Service member is expected to accrue. Expenses identified by a Service member used to purchase any real estate or living accommodations must not serve as a basis for authorizing or determining the amount of the advance.

5.4.5. Repayment. Repayment of the advance should be at a rate of at least one-twelfth of the amount advanced in equal monthly installments for the next 12 months. Collection action should begin on the first day of the month after the advance payment has been made.

5.4.5.1. When justified by the Service member and authorized by the Service member's commanding officer, their designee, or another Service-designated official, start of collection action may be postponed for up to three months after the advance is made. Repayment may be spread over a period of more than 12 months but must be limited to 24 months or the Service member's scheduled tour at the location concerned, whichever is shorter.

5.4.5.2. Action must be taken immediately to recoup in a lump sum any BAH advance that the landlord has returned to the Service member upon receipt of information that the Service member has vacated the housing for which the advance was made. If the Service member chooses, they may repay in monthly installments any balance of an advance not returned by the landlord. The balance must be repaid during the months remaining on the existing BAH advance repayment schedule.

5.5 Partial Housing Allowance (BAH-Partial)

5.5.1. Eligibility. BAH-Partial is paid to a Service member without a dependent who is assigned to single type Government quarters and is not authorized to receive BAH or OHA.

5.5.2. Rate. The BAH-Partial rate is the partial rate of the basic allowance for quarters for the Service member's pay grade that was in effect under ***37 U.S.C. § 1009(c)(2)*** on December 31, 1997.

5.5.3. Conditions

5.5.3.1. BAH-Partial is authorized when a Service member:

5.5.3.1.1. Is married to another Service member, has no other dependents, is assigned to single-type Government quarters, and is not authorized BAH or OHA;

5.5.3.1.2. Occupies single-type Government quarters while a dependent resides in family-type quarters not assigned under the Service member's eligibility; or

5.5.3.1.3. Is married to another Service member and neither has other dependents, is assigned to sea duty, and occupies Government family quarters assigned to the spouse when the ship is in port.

5.5.3.2. BAH-Partial is authorized when a Service member without a dependent is:

5.5.3.2.1. Confined in a guardhouse, brig, or correctional barracks and was assigned to single type Government quarters before confinement and remains assigned to such quarters during confinement, unless forfeiture of allowances was directed;

5.5.3.2.2. Assigned to single type Government quarters at the PDS and authorized BAH-Partial, and is subsequently in a hospital with no PCS involved;

5.5.3.2.3. Restrained in a status of arrest in assigned single-type quarters, unless forfeiture of allowances was directed;

5.5.3.2.4. Ordered to PCS to confinement in a guardhouse, brig, correctional barracks, or to additional training in a retraining or rehabilitation facility and is assigned to certain quarters therein, unless forfeiture of allowances was directed;

5.5.3.2.5. Permanently assigned to a hospital for treatment and is assigned quarters in the hospital;

5.5.3.2.6. Assigned to single-type Government quarters between PDSs and is not authorized BAH or OHA; or

5.5.3.2.7. In grade E-6 or below, is without a dependent, and is offered an assignment of adequate Government quarters or is assigned Government quarters but elects not to occupy such quarters and resides in private quarters at their own expense, except as otherwise provided in this chapter.

5.5.3.3. BAH-Partial is not authorized when a Service member:

5.5.3.3.1. Is married to another Service member, has no other dependent, and is assigned to family-type Government quarters;

5.5.3.3.2. Is without a dependent, is single, and is assigned to family-type Government quarters;

5.5.3.3.3. Is without a dependent and is assigned to Government single-type quarters (including Government-leased quarters) that exceed the minimum standards of single-quarters for the Service member's grade. This limitation does not apply to members on medical hold or holdover personnel receiving outpatient medical treatment who have been designated as requiring a live-in-non-medical attendant. The Service determines the housing standards for such personnel based on medical treatment, non-medical attendant, and other relevant factors; or

5.5.3.3.4. Is paying child support and receiving BAH-Diff. The Service member is not without dependent.

5.5.4. Navy Barracks Privatization Test. Under the authority in ***10 U.S.C. § 2881a***, the Navy is conducting a limited test of barracks privatization. The privatized barracks are defined as Government quarters for the purposes of the test. For a Service member occupying privatized barracks, a special BAH-Partial rate equal to a percentage of the PDS locality BAH at the without-dependent rate for the Service member's grade is established. Table 26-14 specifies the applicable locations and percentages.

5.6 BAH-Diff

5.6.1. Eligibility. Generally, a Service member assigned to single-type Government quarters or a single-type housing facility under a Uniformed Service jurisdiction is only authorized BAH- Partial. However, such Service member is entitled to BAH-Diff if the Service member is paying support to a biological child, adopted child, or stepchild in an amount equal to or greater than the applicable BAH-Diff rate. If the Service member's child support payment is less than the applicable BAH-Diff rate, BAH-Diff is not authorized. See section 4.0 if child is in the custody of another AD Service member.

5.6.2. Rate. The BAH-Diff rate is a fixed, non-locality-based rate and is the difference between the with-dependent Basic Allowance for Quarters (BAQ) rate and the without-dependent BAQ rate as of December 31, 1997, based on the Service member's grade and increased each year by the average pay raise percentage.

6.0 OVERSEAS HOUSING ALLOWANCE (OHA)

6.1 OHA Overview

The OHA is paid monthly to help offset housing expenses for a Service member or dependent authorized to live in private sector leased or owned housing at an assigned overseas location outside the United States. OHA is based on cost reimbursement. The amount of OHA paid considers factors, such as whether the housing is shared, the appropriate utilities, and whether the Service member owns or rents the housing. A Service member is reimbursed actual rental costs, limited to the maximum OHA rate for each locality and grade.

The OUSD (P&R) determines adequate housing costs in a locality for all Service members authorized by location. OHA is designed to cover actual rental costs for 80% of the assigned Service members in assigned location. OHA rate ceilings are calculated based on data provided by commanders OCONUS and actual rent data derived from pay systems. The PDS geographic location governs the OHA rate payable unless otherwise specified.

6.1.1. Requirements. A Service member authorized to live in private sector leased or owned housing or a Service member who qualifies for OHA based upon the need for private-sector housing for a dependent, must complete and submit a DD 2367 for approval of OHA. Payment of OHA requires a lease agreement or a verifiable purchase price. The senior officer of the Uniformed Services in the country concerned, or the individuals or offices designated for that purpose by the senior officer has approval authority. For a Service member with dependents serving on an unaccompanied tour OCONUS who is not provided Government quarters and must obtain private-sector housing, FSH-O is the applicable housing allowance, not OHA; see section 7.0 and paragraph 10.4.

6.1.1.1. The reported housing must be the actual residence that the Service member occupies and from which the Service member commutes to and from work daily.

6.1.1.2. The reported housing must be the actual residence that the Service member's dependents occupies when:

6.1.1.2.1. The Service member is assigned on an unaccompanied tour and the Service member's dependents reside OCONUS outside the PDS vicinity; or

6.1.1.2.2. The Service member has a Secretarial waiver and is authorized OHA for a dependent who lives separately.

6.1.1.3. When a Service member is required to pay monthly rent at a specified fixed-exchange rate (dollar equivalency contract) for the lease duration because it is required by law or local custom, the Service member's commanding officer, or designee, must enter the following

statement in DD 2367, Part C Remarks: "Dollar equivalency contract required. No other housing option available to the Service member." The Service member must enter the monthly rent equivalent in U.S. dollars into DD 2367, block 7b.

6.1.1.4. OHA is not intended and must not be used for the personal enrichment of a Service member by including costs incurred for procuring or adapting a residence to accommodate renters or for vacation purposes. Disciplinary action may apply when housing allowances are used for other than the purpose intended.

6.1.2. Rate. OHA rates are based on a Service member's PDS except as otherwise indicated in this chapter. OHA is not payable on the arrival day when MALT Plus is paid. Unless a special determination jointly issued by the Secretary concerned and the OUSD (P&R) authorizes a different rate due to special circumstances, the amount of OHA payable is as specified in this chapter.

6.1.3. Responsibilities. Commanders OCONUS, or their designees, must periodically provide data required for authorizing, changing, and terminating OHA for each locality OCONUS within their jurisdictions as specified by the OUSD (P&R). For the responsibilities of the Overseas Command or Commander, Senior Officer, and Country Allowance Coordinator, see the ***DoD Overseas Station and Housing Allowance Process Guide***.

6.1.4. OHA Components. There are three housing-allowance components paid under OHA:

6.1.4.1. Monthly OHA Rental Allowance. This monthly allowance is paid as specified in paragraph 6.2.

6.1.4.2. OHA Utility and Recurring Maintenance Allowance. This monthly allowance is paid as specified in paragraph 6.3.

6.1.4.3. Move in Housing Allowance (MIHA). The MIHA partially defrays move- in costs associated with occupying privately leased or owned quarters. There are five types of MIHA allowances, each with distinct eligibility criteria, as specified in paragraph 6.4.

6.2 OHA Monthly Rental Allowance

Monthly rent is the amount paid each month by a Service member for possession and use of private-sector housing, to include a mobile home or boat.

6.2.1. Determine Rent. The rent stated in the lease, or as otherwise agreed to by the landlord and the tenant in a written document, must be used in computing the OHA monthly rental allowance. The cost of parking at the duty location is not included in rent. The following rules apply for determining rent:

6.2.1.1. A recurring condominium or homeowner association fee paid by the Service member is prorated to a monthly charge and incorporated into the Service member's rent;

6.2.1.2. A sharer's monthly rent is determined by dividing the total monthly rent by the number of sharers occupying the dwelling;

6.2.1.3. In an arrangement by which a Service member pays rent in advance and the landlord agrees to reimburse the Service member all or substantially all of the rental money at the end of the lease agreement, the amount of rent used in computing a Service member's OHA is zero;

6.2.1.4. If a Service member or dependent jointly occupy a dwelling with relatives or friends who own the dwelling, the rent amount is zero, even if there is a lease or written document. This restriction does not apply when the Service member or dependent leases lodging from a relative or friend with a bona fide, standard written lease, when the relative or friend concerned does not jointly occupy the leased dwelling and the relative or friend regularly rents the lodging involved. There is no authority to pay MIHA or the utility and recurring maintenance allowance when living with relatives or friends;

6.2.1.5. The cost of a separate lease for parking at or in the vicinity of the private-sector housing is added to the housing lease amount in determining the total rent; or

6.2.1.6. When a dwelling is owned by a Service member, see subparagraph 6.2.5.

6.2.2. Maximum Rental Allowance. Use the OHA Calculator (***OHA Calculator***) to obtain the maximum amount of monthly rent considered. Maximum ***OHA rental allowances*** for each locality are based on reported actual rental cost data for Service member with-dependents residing in private-sector housing. If utilities are included in the rent, see paragraph 6.3. See the ***OHA computation steps*** for calculation examples.

6.2.2.1. For Service member with-dependent, the maximum rental allowance is the lesser of the Service member's reported rent or the maximum allowable rent for the Service member's grade at the PDS locality.

6.2.2.2. For Service member without a dependent, the maximum rental allowance is the lesser of the Service member's reported rent or 90% of the maximum allowable rent for the Service member's grade at the PDS locality.

6.2.3. Rent Changes. Re-compute OHA if and when the rent changes.

6.2.4. Sharers. A sharer is authorized up to the maximum rental allowance set for a Service member without a dependent unless accompanied by one or more dependents. A sharer accompanied by a dependent is authorized up to the maximum rental allowance set for a Service member with-dependent.

6.2.4.1. Compute the authorized OHA for each sharer by adding the sharer's prorated share of the rent paid or the maximum rental established for the sharer's grade and locality, whichever is less, and the prorated monthly ***utility and recurring maintenance*** allowance.

6.2.4.2. A Service member authorized MIHA/Miscellaneous (see paragraph 6.4) receives a full rather than prorated allowance. Only one sharer may claim reimbursement for any individual rent, security, or infectious-disease related expense.

6.2.4.3. A renter living in a completely separate unit of an owner-occupied multiplex dwelling owned by another Service member is not a "sharer," and OHA is determined as if the renter occupied an unattached unit.

6.2.5. Private-Sector Housing Owned

6.2.5.1. Divide the actual purchase price—not an appraised value—of the private-sector housing by 120 to derive the monthly calculated "rent" for a private-sector dwelling owned by a Service member. Settlement costs, fees for title search, and other legal and related costs are not included in determining the actual purchase price.

6.2.5.2. The amount of any personal installment-type loans and real estate equity loans obtained for renovating or repairing the current dwelling place are added to the actual purchase price before determining the rent.

6.2.5.2.1. For this purpose, renovating means restoring to a previous condition, as by remodeling, and repairing means restoring to a sound condition after damage or injury, including fixing, setting right, renewing, or refreshing.

6.2.5.2.2. A loan used to furnish or decorate the home—including such items as the addition of a hot tub or pool to a home purchased without such an amenity—or a loan for personal reasons, including a credit card or line of credit loan must not be used.

6.2.5.2.3. To determine the monthly OHA rental equivalency when adding a loan described in this paragraph, add the loan amount to the original verifiable purchase price, divide the new total by 120, and the new "rental equivalency" starts from the loan start date.

6.2.5.2.4. The Service concerned must adjudicate loans. The Service member's command should submit the request with all documentation through the appropriate channel.

6.2.5.3. If a Service member or the Service member's dependent inherits a dwelling or residence or otherwise receives it without purchasing it, the dwelling or residence purchase price is $0. In this case, the Service member is authorized to receive the utility and recurring maintenance allowance. If a Service member obtains a mortgage on the inherited dwelling or residence specifically for home improvements or takes out a loan to pay inheritance taxes on the residence or dwelling, the mortgage or loan cost may be used as an OHA housing cost.

6.2.5.4. If the dwelling is a multiplex unit owned by a Service member, the allowance claimed is based on the percentage of the multiplex unit's square footage occupied by the Service member and dependent. The allowance equals the purchase price multiplied by that percentage and divided by 120. Renters of other units within the multiplex unit are not sharers.

6.2.5.5. If the Service member-owned dwelling place is a mobile home or boat, the monthly lot rental or berthing fee paid is added to this amount.

6.3 OHA Utility or Recurring Maintenance Allowance

6.3.1. Monthly Allowance. When rent does not include utilities or the Service member is a homeowner, the Service member is authorized the utility and recurring maintenance allowance. The utility and recurring maintenance allowance for each OHA locality is based on the with-dependent reported expenses for Service members who pay all or a majority of their utilities. It covers the utility costs for 80% of the Service members assigned to an area. It is paid to sharers on a prorated amount of the net allowance. It is paid to a Service member without a dependent, who is not a sharer, at 75% of the with-dependent rate.

6.3.2. Rent Includes All or Some Utilities. If any or all of the OHA utility component is included in the rent, then the included amount is withheld from the utility and recurring maintenance allowance and then added to the Rental Allowance component before comparison with the Service member's actual rent.

6.3.2.1. A Service member is not authorized the utility and recurring maintenance allowance when rent includes all utilities. However, when computing the OHA, the appropriate utility and recurring maintenance allowance is added to the Service member's rental allowance.

6.3.2.2. When rent includes some utilities, the utility and recurring maintenance allowance is paid on a percentage basis. The locality climate code and the utility point score determine the percentage of the utility and recurring maintenance allowance that the Service member is authorized. However, when computing OHA, the amount for which the Service member is not authorized is added to the appropriate rental allowance ceiling.

6.3.2.2.1. Locality climate codes are specified on each ***OHA locality table***. The three climate codes are:

6.3.2.2.1.1. Code 1 (Cold). Long-term mean temperature of 45 F or colder;

6.3.2.2.1.2. Code 2 (Moderate). Neither Code 1 nor Code 3; and

6.3.2.2.1.3. Code 3 (Hot). Long-term mean temperature of 69°F or warmer, except when the long-term mean for one or more months of the year drops to 45°F or colder. In such instances, a climate code of 2 is assigned.

6.3.2.2.2. Table 26-15 specifies the correct climate code to credit the Service member with appropriate points for each utility or service that is not included in the rent. Add the numbers to get the Service member's total utility point score.

6.3.2.2.3. Table 26-16 specifies the correct percentage of the utility and recurring maintenance allowance to be paid after determining the total utility point score.

6.4 MIHA Overview

6.4.1. General. MIHA exists to defray the move-in costs associated with occupying private- sector housing covered under the OHA program, whether leased or owned. MIHA is not payable to a Service member occupying Government or Government-leased housing. MIHA does not cover move-out costs.

6.4.2. MIHA Payment Types. There are five types of costs that may be payable as a MIHA, though not all Service members will incur all of these costs.

6.4.2.1. MIHA/Miscellaneous. This is a fixed, lump sum payment that reflects average expenditures to make dwellings habitable. The amount paid is based upon the OHA locality. All Service members, with or without dependents, receive the full allowance with their first OHA rental payment.

6.4.2.2. MIHA/Rent. This is a payment made on a reimbursable basis to a Service member who incurs certain one-time, nonrefundable charges related to renting a dwelling. The charge must be levied by a landlord, landlord's agent, or foreign government, the charge must be customary and reasonable, and the Service member must be required to pay the charge in order to occupy the dwelling.

6.4.2.3. MIHA/Security. This is a payment for reimbursement of reasonable expenses incurred by a Service member for security-related enhancements or modifications to the Service member's physical dwelling that are necessary to minimize exposure to terrorist or criminal threat. The Service member must be in a designated MIHA/Security location for payment to be authorized.

6.4.2.4. MIHA/Infectious Diseases. This is a payment for reimbursement of reasonable expenses incurred by a Service member to upgrade their physical dwelling for the purpose of preventing infectious disease (for example, window screens to reduce mosquito-transmitted disease). The Service member must be in a designated MIHA/Infectious Disease location for payment to be authorized.

6.4.2.5. MIHA/Safety. This is a payment for reimbursement of reasonable expenses incurred by a Service member for safety-related upgrades to a dwelling. The member must be assigned to an approved area where members must abide by safety requirements in the State Department's 15 Foreign Affairs Manual 971.1. The member must be in a designated MIHA/Safety location for payment to be authorized.

6.4.2.6. See the ***DoD MIHA Process Guide*** for additional rules and approved locations, as applicable, for these payments.

6.4.3. Rules and Information

6.4.3.1. To be authorized a MIHA, a Service member must be eligible for OHA.

6.4.3.2. A Service member must submit a completed ***DD Form 2556***, MIHA Claim for payment of MIHA/Miscellaneous. A Service member must submit a completed DD Form 2556, along with proper documentation and detailed receipts, for approval and payment of expenses related to MIHA/Rent, MIHA/Security, MIHA/Infectious Disease, and/or MIHA/Safety.

6.4.3.3. An eligible Service member is authorized MIHA for one dwelling during a tour at a PDS unless a government-funded local move occurs and the Service member occupies another dwelling covered by OHA.

6.4.3.4. There is no MIHA authorized under any of the following circumstances:

6.4.3.4.1. A local move would otherwise initiate a second or subsequent MIHA payment request unless that move is Government funded;

6.4.3.4.2. A Service member complies with a PCS order but remains in the same dwelling, including an RC member called or ordered to AD who is authorized OHA based on the primary residence at the time called or ordered to AD; or

6.4.3.4.3. A Service member moves from Government quarters to private-sector housing for separation or retirement (see Joint Travel Regulations ***(JTR) Chapter 5, Section 0519***).

6.4.4. Sharer Eligibility. Each Service member classified as a sharer and authorized MIHA is authorized the full MIHA/Miscellaneous allowance. Only one sharer may claim the individual expense for MIHA/Rent, MIHA/Security, and MIHA/Infectious Disease, and MIHA/Safety.

6.5 OHA Computation Steps

See the DTMO website for OHA computation examples.

6.6 OHA Unique Expenses

In some locations outside the United States, a Service member or dependent incurs excessive housing expenses for items that a Service member based in the United States does not normally incur. Since the expenses are not incurred by every Service member outside the United States, they cannot be a part of the ordinary OHA calculation. For these expenses, payment is a lump sum, dollar-for-dollar, reimbursement for a specifically authorized expense at designated authorized locations.

6.6.1. Authorization. All requests to authorize an OHA Unique Expense must be submitted from a major command to OUSD (P&R) through the applicable Service representative listed in the ***Uniformed Services Contact Information***. OUSD (P&R) specifically authorizes or approves the expense for reimbursement according to the DoD Overseas Station and Housing Allowances Process Guide. OUSD (P&R) does not accept requests from individual Service members to authorize an OHA Unique Expense. Current authorized unique expenses are located at the ***OHA Unique Expenses-Approved Locations*** table on the DTMO website.

6.6.2. Reimbursement. The Secretary concerned may reimburse an authorized OHA Unique Expense. At their discretion, Services may alternatively use the Secretarial Process to reimburse an authorized expense or expenses. Once an OHA Unique Expense has been authorized for a location, no further examination may be made to compare the spendable income of the claimant to the amount of the expense claimed. Any claim based on a valid receipt for an authorized OHA Unique Expense may be reimbursed in a lump sum, dollar-for-dollar, through Service payment procedures. The Service concerned is not required to recover any amount refunded to a Service member by any foreign government agency that may be involved.

6.7 OHA Advance Payment

For detailed information regarding areas with rental advance protection under OHA, see ***Rental Advances***. Rental payments should be made on a month-to-month basis whenever possible to avoid the need for rental advances.

6.7.1. Authority

6.7.1.1. Advance Rent of Fewer Than 4 Months, Security Deposits, or Initial Expenses. The Senior Officer in-country, or their designee, may authorize an advance OHA payment to pay advance rent, security deposits, or MIHA-related expenses due to occupying private- sector housing. The advance may be made at any time during the Service member's tour. It also may be authorized when a Service member has located housing due to a PCS order. Personal preference is not grounds for authorizing advance rent payment. Advance OHA is not authorized for lease arrangements in which the Service member lives rent free after making a one-time payment to the landlord with the anticipation that the rental amount is to be completely or substantially refunded at lease termination.

6.7.1.2. Advance Rent of 4 or More Months

6.7.1.2.1. Rental advances of at least 4 months, but no more than 12 months, may be made only for the locations authorized by OUSD (P&R). Once OUSD (P&R) authorizes and lists a location for Rental advances, the Senior Officer in-country, or their designee, may authorize individual requests. Requests for approval are considered if the requirement for the advance rent exists for any of the following reasons:

6.7.1.2.1.1. Law;

6.7.1.2.1.2. Local custom for everyone, including local nationals; or

6.7.1.2.1.3. Economic or market conditions preclude availability of secure housing, as confirmed by the U.S. Embassy;

6.7.1.2.2. Requests to add locations must be submitted through the Country Senior Officer or Command as instructed in the DoD Overseas Station and Housing Allowance Process Guide.

6.7.2. Amount. The amount to be advanced must be determined based on housing expenses, including advance rent and a security deposit, and the authorized OHA. Housing expenses must be documented. Expenses identified by a Service member for purchase of real estate or living accommodations must not be considered. The Service member's ability to repay the advance must be considered in determining the advance amount. While the amount to be advanced should not exceed the estimated OHA total for 1 year, a larger amount may be authorized if needed to cover anticipated housing expenses. In no case may the advance payment exceed either of the following, whichever is less.

6.7.2.1. Anticipated housing expenses.

6.7.2.2. OHA anticipated to accrue for the Service member's tour at that PDS.

6.7.3. Repayment

6.7.3.1. Repayment Within 12 Months. Monthly repayment installments should be at a rate of one-twelfth of the amount advanced over 12 months. Collection action should begin on the 1st day of the month after payment of the advance.

6.7.3.2. Postpone Collection Start. When justified by the Service member and authorized by an official designated by the Service concerned, the collection start may be postponed for up to 3 months after the advance. Repayment may be spread over a period of more than 1 year, but must be limited to the Service member's tour at the PDS.

6.7.3.3. Advance Rent Repayment Postponement Until the Service Member Vacates Housing. An official designated by the Service concerned may postpone repayment of advance rent until the Service member vacates the housing for which the advance rent was paid if earlier repayment would create an excessive economic burden.

6.7.3.4. Security Deposit Repayment Postponement Until the Service Member Vacates Housing. An official designated by the Service concerned may postpone repayment of the entire amount of a security deposit of $500 or more until the Service member vacates the housing for which the security deposit was paid if earlier repayment would create an excessive economic burden.

6.7.3.5. Recouping Lump Sum Returned by Landlord. Action to recoup in a lump sum of any OHA advance that has been returned to the Service member by the landlord must be taken immediately upon receipt of information that the Service member has vacated the housing for which the advance was made. Any balance of an advance not returned by the landlord may be repaid in monthly installments, if desired by the Service member, over the balance of the months remaining on the Service member's existing loan repayment schedule.

6.7.3.6. Currency Fluctuation Effects. The Service concerned absorbs any loss due to currency fluctuations when liquidating advance security deposits. The Service member must pay to the Service any gains due to currency fluctuations. These currency protection procedures for security deposits apply without regard to the provisions for protection of rent advances in subparagraph 6.4.4.

6.7.3.7. Pay System Reporting of Monthly Rent. In countries in which rate protection for advance rent has not been implemented the monthly rent entered in the respective pay system should be entered in U.S. dollars when a Service member has taken an advance for rent.

6.7.4. Advance Rent Currency Rate Protection. Rate protection may be provided for certain countries that have undergone a significant currency fluctuation. Countries previously authorized OHA Rental Advance Protection continue to have rent protected locality codes in the OHA Calculator until all previously protected Service members either permanently change stations or change quarters. Currency rate protection for additional advances is calculated using the exchange rate in effect at the time the new advance is paid. In countries in which rate protection for advance rent has been implemented, monthly rents for an advance rent are processed in dollars. See Service regulations for currency fluctuation loss or gain procedures. Rate protection is accomplished by comparing the OHA rate with the exchange rate in effect at the time the Service member received the advance with the greater of either of the following:

6.7.4.1. The rental allowance in effect at the time of the advance; or

6.7.4.2. Any higher rental allowance implemented during the repayment period of the advance.

6.8 Service Member Occupying a Government Trailer or Rental Guarantee Housing and OHA

Unless otherwise specified in this chapter, no housing allowance is payable to a Service member occupying housing constructed under the Rental Guarantee Housing Program as authorized in Section 302 of the Act of July 14, 1952, (66 Stat. 622) or Government trailers purchased under Section 408 of the Act of September 1, 1954, (68 Stat. 1126), or any other statute.

6.9 OHA and Living Quarters Allowance (LQA) (DSSR § 130) Paid Concurrently

A Service member is entitled to OHA at the with-dependent rate even if the Service member's dependent spouse receives an LQA. Direct questions pertaining to LQA to the spouse's Civilian Personnel Office (CPO) or Civilian Personnel Advisory Center (CPAC). Volume 7A has no authority to determine or control eligibility or entitlement of LQA for a civilian employee.
See DSSR § 130, and the DoD Instruction ***(DoDI) 1400.25***, Vol. 1250, Civilian Employee Overseas Allowances and Differentials.

6.10 Observer to a United Nations (UN) Peacekeeping Organization

A Service member permanently assigned as an observer to a UN peacekeeping organization who receives a UN mission subsistence allowance, known as mission per diem, is also authorized a

housing allowance under this chapter. The housing allowance amount, when added to the UN mission subsistence allowance, cannot exceed the housing allowance of a Service member permanently assigned to other than a UN Peacekeeping Organization in the same area. This paragraph does not authorize a reduction in the UN mission subsistence allowance.

*7.0 FAMILY SEPARATION HOUSING (FSH) ALLOWANCE

7.1 FSH Overview

FSH is payable to a Service member who is separated from dependents and incurs costs for housing at the PDS.

7.2 Eligibility

To be eligible, the Service member must be separated from their dependent(s). The separation must be caused by a Service member's assignment on military or uniform orders to a PDS OCONUS on an unaccompanied or dependent-restricted tour, a PDS (CONUS or OCONUS) to which concurrent dependent travel has been denied or deferred (see paragraph 10.6), or a PDS assignment for participation in professional military education (PME) or training for a period of at least 140 days but fewer than 365 days to which dependent(s) do not accompany the member. For CONUS non-concurrent travel application areas, refer to ***DoDI 1315.18***, Enclosure 5, Paragraph 2.

7.2.1. For FSH to be payable, all of the following conditions must be met, except as stated in subparagraph 7.2.3:

7.2.1.1. Dependent transportation to the PDS is not authorized at Government expense;

7.2.1.2. Dependent(s) do not reside in the PDS vicinity; and

7.2.1.3. Government quarters are not available for assignment to the Service member.

7.2.2. See Table 26-23 for a summary of FSH eligibility.

7.2.3. For FSH to be payable for the Service member attending PME or training (see paragraph 7.2), all of the following conditions must be met:

7.2.3.1. The lodging portion of per diem is not authorized;

7.2.3.2. Dependent(s) do not reside in the PDS vicinity;

7.2.3.3. Government quarters are not available for assignment to the Service member; and

7.2.3.4. Dependent(s) do not accompany the Service member at the PDS (i.e., using Government-funded travel/transportation).

7.3 Allowance Types and Rates

There are two types of FSH: FSH-B and FSH-O.

7.3.1. FSH-B is payable for an assignment at a BAH location to which concurrent dependent travel has been deferred or denied, or for an assignment to a PDS for participation in PME or training for a period of at least 140 days but fewer than 365 to which dependent(s) do not accompany the Service member, and Government quarters at the PDS are not available. FSH-B is payable in a monthly amount equal to the BAH without-dependent rate applicable to the Service member's grade and PDS.

7.3.2. FSH-O is payable for an assignment at a PDS outside the United States. FSH-O is payable in a monthly amount up to the without-dependent OHA rate applicable to the Service member's grade and PDS. OHA rules for determining the monthly rental allowance, utility and recurring maintenance allowance, MIHA, and advances apply to FSH-O.

7.4 Limitation

7.4.1. A Service member will not be paid FSH (either FSH-B or FSH-O) in any of the following situations:

7.4.1.1. The Service member's only dependent is entitled to AD basic pay;

7.4.1.2. The Service member's only dependent is a dependent for whom they are paying child support but does not have primary physical custody and control of that child. A Service member who has a dependent solely due to child support is not eligible for transportation of that dependent under the ***JTR, Chapter 5, paragraph 050405***, because the Service member does not have physical custody and control. The ineligibility for transportation, as opposed to a tour or location denial, prevents payment of FSH;

7.4.1.3. The Service member is assigned to a PDS where concurrent dependent travel is authorized and has not been deferred by the Government except for a Service member participating in PME or training for a period of at least 140 days but fewer than 365 days to which dependent(s) do not accompany the Service member (see subparagraph 7.2.3);

7.4.1.4. The Service member elects not to occupy available assigned Government quarters and resides in a private-sector residence for personal convenience; or

7.4.1.5. All of the Service member's dependents reside in the PDS vicinity as defined in subparagraph 2.1.3. See paragraph 7.5 for specific details.

7.5 Dependent Visits

When a Service member is receiving FSH, a visit by all of the Service member's dependents to the PDS vicinity can affect the Service member's continued entitlements to FSH.

7.5.1. When all of a Service member's dependents visit the PDS vicinity for a period of more than 90 days, the dependents are deemed to be residing at the PDS, and the Service member is no longer entitled to FSH beginning on the 91st day.

7.5.2. A visit by all dependents of 90 days or less will not be deemed to be a change in the dependent's residence and FSH is still authorized, if the circumstances clearly show that the dependents arrived at the PDS not intending to change residence and that the visit is a bona fide social visit intended to be temporary and not intended to exceed 90 days.

7.5.3. A simple break within a 90-day period or between 90-day periods does not overcome the presumption of residence. When facts indicate a dependent's intent to reside in the PDS vicinity, successive periods in the PDS vicinity will count toward the 90 days.

7.5.4. When a Service member's FSH entitlement stops because of the dependents' residence in the PDS vicinity, FSH is authorized again on the day the dependents depart from the PDS vicinity to reside elsewhere.

7.5.5. If one or more, but not all, dependents visit or reside in the PDS vicinity for more than 90 days and the Service member is authorized a with-dependent housing allowance on behalf of the dependents who are not visiting or do not reside in the PDS vicinity, then they are authorized FSH if otherwise meeting criteria for the allowance.

7.5.6. See Table 26-24 for a summary of the effect of dependents visits on FSH.

8.0 GOVERNMENT QUARTERS

8.1 Responsibility for Assignment or Termination

8.1.1. Assignment or Termination of Government Quarters. The commander responsible for the Government quarters has the authority to assign and terminate the assignment of Government quarters. The commander also determines when quarters are adequate and suitable for assignment based on appropriate directives. Government quarters or housing facilities under the Uniformed Services' control are considered assigned, suitable, and adequate whenever occupied by a Service member at the PDS without payment of rental charges. This includes any of the following conditions:

8.1.1.1. When an organization or institution furnishes quarters to a Service member without charge on behalf of the United States;

8.1.1.2. When a foreign government furnishes quarters to a Service member without charge for the Service member's official use; or

8.1.1.3. When quarters are furnished to a Service member without charge and are jointly assigned to one or more Service members without a dependent.

8.1.2. Voluntarily Vacating Assigned Quarters. A Service member is still considered assigned to Government quarters when they voluntarily vacate assigned quarters without the installation commander's approval. A Service member without-dependent in pay grade E-7 or above may elect not to occupy assigned quarters unless denied permission by the Secretary concerned.

8.1.3. Family Type Quarters – Married Service Members

8.1.3.1. When a Service member is married to another Service member, both Service members are considered to be assigned to Government quarters when all of the following apply:

8.1.3.1.1. Both are stationed at the same or adjacent installations;

8.1.3.1.2. Both are able to reside in Government family quarters; and

8.1.3.1.3. Government family quarters are assigned to one of the Service members.

8.1.3.2. When there is a separation agreement, pending divorce, or marital discord that requires one Service member to obtain alternative private-sector housing, the Service member not occupying family quarters must obtain a statement from the installation housing officer that Government housing is not assigned to that Service member in order to be authorized payment of a housing allowance.

8.1.4. Quarters Assignment Date for Housing Allowance. A housing allowance continues to accrue through the day before a Service member is assigned Government quarters or begins to occupy Government quarters at the PDS.

8.1.5. Quarters Termination Date for Housing Allowance. A housing allowance accrues from the date the assignment to Government quarters ends or the date that quarters are vacated if vacating of the quarters is approved or authorized.

8.2 Government Quarters Assigned or Occupied

8.2.1. Service Member Not in Quarters/Dependent in Quarters Not Designated as Family-Type. A Service member who is not assigned to and does not occupy Government quarters is authorized a housing allowance for a dependent who occupies Government quarters that are not designated as family-type quarters. Examples of such quarters include:

8.2.1.1. Dormitory quarters occupied by a Service member's child at a school for dependents of military personnel;

8.2.1.2. A hospital room occupied by a dependent under ***10 U.S.C. § 1077***, Dependents Medical Care Act. However, a Service member is not authorized a housing allowance

when the dependent is hospitalized under the Dependent's Medical Care Act and the Service member is assigned to and occupies Government quarters while the dependent is hospitalized even though private quarters are retained; or

8.2.1.3. Off-base housing or private-sector housing provided or funded (in whole or part) by the Government and occupied by the Service member's civilian spouse due to employment overseas with the DoD Education Activity ***(DoDEA)*** as a schoolteacher. The Service member must be separated from the spouse by official orders.

8.2.2. Family Quarters Furnished on Behalf of the United States. A Service member is not authorized a housing allowance for a dependent if the Service member and dependent are furnished adequate family-type quarters without rental charge by a non-Government entity on behalf of the Government. Examples of such family-type quarters include:

8.2.2.1. Quarters furnished to a Service member in an official capacity by a foreign government.

8.2.2.2. Quarters furnished by a state, county, municipal, or privately owned hospital to an officer serving on AD as an intern or resident physician; or

8.2.2.3. Quarters furnished by a college, university, or a research facility as part of a fellowship, scholarship, or grant.

8.2.3. Service Member in Single Quarters/Dependent in Quarters. A Service member furnished single-type quarters is not authorized a housing allowance for any of the following:

8.2.3.1. A spouse who is a sole dependent and is furnished quarters in kind as a civilian employee at a government hospital;

8.2.3.2. A spouse who is a sole dependent and is furnished Government quarters while serving with the American Red Cross overseas;

8.2.3.3. A sole dependent who is a student nurse in training at a government hospital. However, a housing allowance is payable on behalf of a dependent who is a student nurse in training at a civilian hospital;

8.2.3.4. A civilian spouse who is a sole dependent and is furnished Government quarters while assigned overseas with DoDEA as a schoolteacher;

8.2.3.5. A dependent who occupies Government housing facilities while evacuated to a safe haven. See subparagraph 8.2.5 for an exception when the Service member must continue to pay for private-sector housing; or

8.2.3.6. Any dependent, if one or more of the Service member's dependents occupy the quarters with the Service member on a permanent basis for more than 90 days, unless another dependent is officially prevented from residing with the Service member (for example, where the dependent is barred from the military installation).

8.2.4. Rental Quarters (Other Than Inadequate Quarters). A Service member and a dependent who occupy the following facilities on a rental basis are authorized a housing allowance.

8.2.4.1. Any housing facility, including a trailer, under the Government's jurisdiction other than Government quarters constructed or designated for occupancy without charge. The Service member may sublease such quarters with or without charge to a temporary sublessee and neither the sublessor nor a Service member sublessee loses the right to a housing allowance;

8.2.4.2. A hotel on the grounds of a Service Academy. A Service member is authorized BAH while renting quarters in a hotel on the grounds of a Service Academy; or

8.2.4.3. Quarters furnished to a Service member for service in a capacity other than that of a Service member.

8.2.5. Quarters at Safe Haven Temporarily Occupied by Dependents

8.2.5.1. A Service member is authorized a housing allowance for a dependent when both of the following occur:

8.2.5.1.1. The Service member's dependent occupies Government provided housing at a safe haven area after emergency evacuation from private-sector housing at the PDS; and

8.2.5.1.2. Due to conditions beyond the Service member's control, the Service member is required to continue rent payment for the private-sector housing to keep the furnishings and belongings in the private-sector housing and to have housing available upon the dependent's return.

8.2.5.2. This authority continues until a dependent is authorized to return to the Service member's PDS or the dependent arrives at a designated place, as defined in the Definitions Chapter, and as specified in the ***JTR, Chapter 6.***

8.2.6. Lease on Private-Sector Rental or Leased Housing. When a Service member makes a local move from private-sector rented or leased housing to Government housing, a housing allowance is not payable for the remainder of the lease on the private-sector housing even though the Service member is required to honor the lease.

8.2.7. Limitation on Quarters Occupied by Service Member. Generally, a Service member is not authorized BAH or OHA if the Service member occupies Government quarters that exceed the minimum standards for his or her grade "without-dependent." This applies to both a Service member with a dependent or without a dependent and at either the PDS or TDY location, as applicable. However, this limitation does not apply when:

8.2.7.1. The quarters occupied are the only quarters available and either:

8.2.7.1.1. The quarters occupied are not suitable for joint occupancy; or

8.2.7.1.2. If suitable for joint occupancy, the quarters are jointly occupied with another Service member permanently assigned to the PDS.

8.2.7.2. A Service member is on medical hold or holdover personnel receiving outpatient medical treatment who have been designated as requiring a live-in non-medical attendant. The Service determines the housing standards for such personnel based on medical condition, treatment, non-medical attendant, and other relevant factors.

8.2.7.3. An additional room is assigned to a chaplain for spiritual purposes. This does not affect the Service member's authority for BAH or OHA if the chaplain uses the room for official duties and not as living quarters.

9.0 PRIVATIZED HOUSING

"Privatized housing" is defined as housing units on or near a military facility in the United States or its territories and possessions that are acquired by or constructed by private persons under the authority of ***10 U.S.C. §§ 2871-2885***. The Service Secretary determines which privatized housing is suitable for use as military family housing. Each Service member occupying privatized housing is authorized a housing allowance in the same manner as a Service member not assigned to Government quarters. See subparagraph 5.5.4 for the Navy Barracks Privatization Test.

10.0 ASSIGNMENT SITUATIONS

10.1 Service Member Without-Dependent

A Service member without a dependent entitled to basic pay is authorized BAH or OHA in the situations specified in Table 26-19 and as otherwise specified in this paragraph. Ordinarily BAH or OHA is based on the Service member's PDS and paid when adequate Government quarters are not provided at the PDS.

10.1.1. Service Member TDY. A Service member on TDY (including permissive travel) when no PCS is involved, is authorized to continue to receive BAH or OHA for the PDS if authorized prior to the TDY, except for:

10.1.1.1. A Service member occupying Government quarters at the TDY location which exceed minimum standards, as set forth in subparagraph 8.2.7; or

10.1.1.2. A Service member below grade E-7 if quarters are assigned or furnished at the PDS, even if the Service member vacates the quarters at the beginning of the TDY. BAH or OHA does not accrue if assigned quarters at the PDS.

10.1.2. PCS Between PDSs in Proximity. Ordinarily, a housing allowance is paid based on the Service member's PDS or the home port for a Service member assigned to a ship or afloat unit.

10.1.2.1. The Service may instead pay a housing allowance based on the old PDS rate in a situation involving a low or no-cost move. The determination of whether to base the housing allowance on the old PDS because it is inequitable to base it on the new PDS is made by the Secretary concerned or through the Secretarial Process.

10.1.2.2. When a Service member is ordered on a PCS between PDSs located in proximity to each other, the housing allowance based on the old PDS continues when the Service member commutes to the new PDS from the residence occupied while at the old PDS. The housing allowance continues from the time between the Service member's detachment from the old PDS and reporting for duty to the new PDS, unless otherwise prohibited in this Chapter.

10.1.2.3. If a Service member is reassigned under the conditions of a low-cost or no- cost PCS and is not authorized a household goods (HHG) move, the housing allowance is based on the old PDS under the following conditions:

10.1.2.3.1. The Service member requested the old PDS housing allowance; and

10.1.2.3.2. The Service-selected decision process determines that it would be inequitable to base the Service member's allowances on the housing cost in the Service member's new PDS area.

10.1.3. Service Member in Grade E-7 or Above Not on Sea Duty. A Service member without a dependent in grade E-7 or above may elect at any time not to occupy Government quarters at the PDS and is authorized BAH or OHA unless the Secretary concerned, or their designee has determined that the Service member's exercise of this option would adversely affect a training mission, military discipline, or readiness.

10.1.4. Service Member in Grade E-6 Not on Sea Duty. A Service member without a dependent in grade E-6 assigned to inadequate Government quarters or to a housing facility under the jurisdiction of a Uniformed Service that does not meet DoD adequacy standards, may elect to not occupy such quarters and receive BAH or OHA instead. The Secretary concerned, or the designee, may deny BAH or OHA if they determine that the Service member's exercise of this option would adversely affect a training mission, military discipline, or readiness.

10.1.5. Service Member on Sea Duty. A Service member assigned on permanent duty to a ship ordinarily has Government Quarters available aboard that ship. The Secretary concerned may determine that a ship or class of ships is inadequate for berthing a Service member in home port, in which case the ship or class of ships is not available as Government quarters for housing allowance

purposes. When quarters aboard a ship, deemed adequate for berthing, become temporarily unavailable due to maintenance or damage, Government Quarters are no longer available onboard the ship. The Service concerned provides guidance on payment of housing allowances or alternate berthing procedure for ships that become temporarily unavailable for berthing.

10.1.5.1. A Service member without a dependent in grade E-6 or above assigned to permanent sea duty aboard a ship may elect not to occupy assigned shipboard Government quarters and receive BAH or OHA. A Service member in pay grade E-6 or above is authorized to receive BAH or OHA after reporting to a deployed ship or afloat unit.

10.1.5.2. A Service member without a dependent in grade E-5 assigned to permanent sea duty aboard a ship cannot elect not to occupy assigned shipboard Government quarters and receive BAH or OHA. Under Service regulations, the Secretary concerned may authorize BAH or OHA to a Service member without a dependent who is serving in grade E-5 and is assigned to sea duty. When preparing regulations under this paragraph, the Secretary concerned must consider Government quarters availability for a Service member serving in grade E-5.

10.1.5.3. A Service member without a dependent in grade E-4 assigned to permanent sea duty aboard a ship cannot elect not to occupy assigned shipboard Government quarters and receive BAH or OHA. Under Service regulations, the Secretary concerned may authorize BAH or OHA to a Service member without a dependent who is serving in grade E-4 and is assigned to sea duty. When preparing regulations under this paragraph, the Secretary concerned must consider Government quarters availability for a Service member serving in grade E-4.

10.1.5.4. A Service member married to another Service member who is in a pay grade below E-6 is authorized BAH or OHA if assigned to permanent sea duty if otherwise entitled.

10.1.6. Service Member Assigned to a Unit That Undergoes a Change of Home Port or Permanent Station. A Service member without dependents who is assigned to a unit that undergoes a home port or permanent station change may be paid a BAH based on the old port or permanent station, if the Secretary concerned determines that it would be inequitable to base the member's entitlement to, and amount of, BAH on the new home port or permanent station.

10.1.6.1. In such cases, the Secretary concerned may:

10.1.6.1.1. Waive the requirement to base the Service member's entitlement to, and amount of, BAH on the new home port or PDS of the Service member; and

10.1.6.1.2. Treat that Service member for the purposes of this chapter as if the unit to which the Service member is assigned did not undergo a home port or permanent station change.

10.1.6.2. The number of waivers the Secretary concerned may grant under this paragraph in a calendar year may not exceed 100.

10.1.6.3. This authority may be administered by the Secretary concerned through the Secretarial Process.

10.1.6.4. Unless extended by the authority of the Congress, this authority expires on the termination date on the Duration of Authority table.

10.2 Service Member With-Dependent

10.2.1. Authorized BAH or OHA. Except for a Service member paying child support and assigned to Government quarters, a Service member with a dependent, who is entitled to basic pay is authorized BAH or OHA at the with-dependent rate when any of the following conditions are met:

10.2.1.1. Adequate Government quarters are not furnished for the Service member and dependent without a rental charge payment;

10.2.1.2. Adequate Government quarters are not furnished for the Service member's dependent, or not all of the Service member's dependents are authorized to occupy Government quarters assigned to the Service member;

10.2.1.3. A single or divorced Service member who maintains legal and physical custody of a child before receipt of a PCS authorization or order to an unaccompanied tour may continue to be paid BAH at the with-dependent rate for the last PDS, or designated place, as specified in this paragraph. The divorce decree or custody order issued by a court of competent jurisdiction must state the specific period during which the Service member has legal and physical custody. BAH at the with-dependent rate, is authorized only for time periods the Service member would have the physical custody of the child if not serving on the unaccompanied tour. For military necessity, the Service member must place the child in the physical custody of a relative or caregiver designated by the Service member to be authorized BAH or OHA at the with-dependent rate; or

10.2.1.4. A Service member who is, classified as with-dependent for housing purposes solely because the Service member is paying child support (i.e., does not have physical custody of the child and has no other dependents) is not authorized a housing allowance other than BAH-Diff if the Service member is assigned to Government quarters or both of the following apply:

10.2.1.4.1. The Service member is assigned to sea duty in a grade above E-3; and

10.2.1.4.2. The Service member is authorized to and does not occupy the assigned, unaccompanied Government quarters by choice.

10.2.2. Location Rate. Ordinarily a housing allowance is based on the Service member's PDS, or the home port for a Service member assigned to a ship or afloat unit. However, the Service may determine that a Service member's assignment to a PDS, or the circumstances of that assignment, requires a dependent to reside separately. Authorization or approval of a housing

allowance based on the dependent's location or old PDS rather than the Service member's current PDS (commonly referred to as BAH or OHA waiver) is through the Service Secretary or through the Secretarial Process.

10.2.2.1. Treatment of Certain Moves as Not Being Reassignments. A Service may pay a housing allowance based on the old PDS rate in situations involving low or no-cost moves and for situations in which the Service member and dependent reside separately if it is determined that to base the housing allowance on the new PDS would be inequitable. The determination of whether it is inequitable to pay BAH or OHA based on the new PDS may be accomplished through the Secretarial Process. When a Service member is ordered on a PCS between PDSs located in proximity to each other and continues to commute from the residence occupied while at the old PDS. BAH or OHA based on the old PDS continues from the time between the Service member's detachment from the old PDS and reporting to the new PDS, unless otherwise prohibited in this Chapter. A Service member ordered on PCS with TDY or leave in route is authorized a housing allowance based on the old PDS during that period. If a Service member is reassigned under the conditions of a low-cost or no-cost PCS and is not authorized an HHG move, a housing allowance may be based on the rate for the old PDS if both the following conditions are met:

10.2.2.1.1. It was requested by the Service member; and

10.2.2.1.2. The Secretarial Process determines that it would be inequitable to base the allowance on the housing cost in the new PDS area to which the Service member is reassigned.

10.2.2.2. Unaccompanied or Dependent-Restricted Assignment OCONUS. See paragraph 10.4 for applicable location rate.

10.2.2.3. Location Rate Changes. Location rate changes may be routinely authorized or approved when a Service member is:

10.2.2.3.1. Assigned to a PDS in an area at which sufficient housing quantities do not exist;

10.2.2.3.2. In receipt of a PCS order to a unit with a promulgated change of home port and dependents relocate to the announced home port (or authorized designated place in the United States) before the effective date of the home port change;

10.2.2.3.3. Assigned to "unusually arduous sea duty" and a dependent resides at or relocates to a designated place in the United States;

10.2.2.3.4. Assigned to or is in receipt of a PCS authorization or order to a ship entering overhaul involving a home port change and their dependent is not relocated due to the home port change;

10.2.2.3.5. Disadvantaged due to reassignment for reasons of improving mission capability and readiness of the unit, in receipt of a PCS authorization or order between PDSs

located in the same proximity, and disallowed HHG movement. A determination must be issued through the Secretarial Process that implementing this policy in the interest of correcting an inequity incurred due to movement of the Service member for purposes of improving mission capability and unit readiness;

10.2.2.3.6. Assigned to an intermittent TDY or a TDY pending further orders; or

10.2.2.3.7. Assigned to a Professional Military Education or training course that is scheduled for a duration of 1 year or less.

10.2.2.4. Multiple Dependent Locations. In instances when dependents are in multiple locations, the Service member must designate the dependent's primary residence. The housing allowance rate is based on this primary residence.

10.2.2.5. Ship or Home Port

10.2.2.5.1. A Service member assigned to duty aboard a ship or other afloat unit is authorized a with-dependent allowance when supported by a statement of the Service member's commanding officer, or an officer designated by the commanding officer. The statement must specify that the dependent has established a residence at or in the home port vicinity. The applicable with-dependent allowance is payable even though the Service member is quartered in kind aboard a ship with their afloat unit. The rate payable is the rate applicable to the ship's or afloat units' home port.

10.2.2.5.2. The housing allowance must change to the new home port rate on the effective date of the home port change if the Service member is currently assigned or is in receipt of a PCS order to a ship or another afloat unit with an announced home port change and their dependent is authorized travel to the new home port.

10.2.2.6. Other Circumstances. The Secretary concerned may determine that circumstances other than those set forth above require a dependent to reside separately from the Service member, and they may authorize or approve a housing allowance payment based on either the dependent's location or the old PDS. If the Secretary concerned determined that an additional reason for a BAH or OHA waiver is acceptable, the Secretarial Process may then be used to authorize or approve individual cases based on that determination.

10.2.3. During Leave, Travel Status, Separation, and Other Situations. Table 26-19 and paragraph 10.10 specify BAH or OHA accrual for a Service member entitled to basic pay with a dependent. In Table 26-20, the phrase "due to a PCS" refers to whether or not the Service member is en route to a new PDS under a PCS authorization or order.

10.2.4. Temporary Continuation of Housing Allowance for Service Members Whose Sole Dependent Dies While Residing With the Member. BAH or OHA at the with-dependent rate continues to be paid for up to one year to a Service member on AD whose sole dependent dies on or after December 23, 2022.

10.2.4.1. Conditions. After the death of the dependent, continue to pay a with-dependent housing allowance at the rate that was being paid to the Service member on the sole dependent's date of death if:

10.2.4.1.1. The sole dependent dies while the Service member is on active duty; and

10.2.4.1.2. The sole dependent dies while physically residing with the Service member, unless separated by the necessity of military service or to receive institutional care as a result of disability or incapacitation or under such other circumstances as determined by the Secretary concerned; and

10.2.4.1.3. The Service member is not occupying Government quarters on the date of death of the sole dependent.

10.2.4.2. Termination. The continuation of the with-dependent rate of housing allowance will terminate upon the earlier of the following to occur:

10.2.4.2.1. The day that is one year after the date of the death of the sole dependent.

10.2.4.2.2. The permanent change of station, or permanent change of assignment with movement of personal property and household goods under ***37 U.S.C. § 453(c)***, of the member as otherwise stated in this chapter.

10.2.4.2.3. The Service member subsequently occupies permanent Government quarters.

10.2.4.2.4. The Service member claims another dependent for housing allowance purposes.

10.3 Service Member With Acquired Dependent

When a Service member acquires a dependent, for example, through marriage, birth, or adoption, a with-dependent housing allowance is authorized as of the date the dependent is acquired.

10.3.1. PDS in the CONUS. When the Service member is assigned to a PDS in the CONUS, the housing allowance is authorized based on the PDS. The Service member may request through the Secretarial Process a housing allowance based on the dependent's residence location instead. Table 26-21 specifies the changes in housing allowance when a Service member acquires a dependent while assigned in the CONUS.

10.3.2. PDS OCONUS. Generally, when a Service member is assigned to a PDS OCONUS and the dependent does not reside in the PDS vicinity, the housing allowance is based on the dependent's location. If the dependent does reside in the PDS vicinity, the housing allowance is based on the PDS. Table 26-22 specifies the changes in housing allowance when a Service member

acquires a dependent while assigned in the OCONUS. FSH eligibility is effective the date a dependent is acquired; refer to section 7.0 concerning FSH.

10.4 Service Member With-Dependent Serves Unaccompanied or Dependent Restricted Tour OCONUS or "Unusually Arduous Sea Duty" Outside the United States

10.4.1. Basic Allowance for Housing. A Service member with a dependent who serves an unaccompanied or dependent-restricted tour OCONUS or "unusually arduous sea duty" outside the United States is authorized a with-dependent housing allowance (BAH or OHA) when the dependents are not provided government quarters.

10.4.2. Location Rate. The applicable rate for the with-dependent housing allowance is generally as follows:

10.4.2.1. RC. In the case of an RC member, the housing allowance is generally based on the Service member's primary residence, as defined in the Definitions Chapter. If the dependents relocate to another location outside the Service member's PDS vicinity, the housing allowance continues to be based on the primary residence. Paragraph 10.5 contains specific provisions concerning RC members.

10.4.2.2. Regular Component.

10.4.2.2.1. When the dependent remains at the Service member's old PDS, the housing allowance is paid based on the old PDS.

10.4.2.2.2. When the dependent is not at the Service member's old PDS and is outside the Service member's PDS vicinity and a Secretarial waiver had previously approved a housing allowance based on another location, the allowance continues at the rate approved by waiver.

10.4.2.2.3. If the dependent is not at the Service member's old PDS and is outside the Service member's PDS vicinity, and there is no applicable Secretarial waiver designating a particular location rate, the housing allowance is based on the dependent's location on the date the Service member arrives at the new PDS.

10.4.2.2.4. If during the unaccompanied tour, the dependent relocates the residence at their own expense to a location outside the Service member's PDS vicinity, the housing allowance is then based on:

10.4.2.2.4.1. The dependent's new residence if located in an OHA area (so long as not in the vicinity of the PDS);

10.4.2.2.4.2. The previously authorized location (old PDS or dependent's location at the time of the Service member's departure) if the dependents relocate between BAH locations; or

10.4.2.2.4.3. The dependent's new residence location if the dependent relocates from an OHA area to BAH area.

10.4.2.3. If all of the Service member's dependents relocate at their own expense to reside in the vicinity of the Service member's PDS, the Service member with-dependent basic allowance for housing is then based on the PDS. The rules stated in section 7.0 for when dependents are deemed to be residing at the PDS vicinity for purposes of FSH apply to the with-dependent housing allowance determination. To be approved for and paid OHA at the PDS, the Service member must not be provided adequate family-type Government quarters and must submit the required documentation for OHA approval, as described in section 6.0.

10.4.2.4. See Table 26-24 for summary of the effect of dependent visits on the with- dependent housing allowance.

10.4.2.5. See Tables 26-25 and 26-26 for a summary of applicable housing allowances and location rates in various scenarios. A housing allowance must not be paid if a Service member is assigned adequate family-type Government quarters at the PDS. Do not start the housing allowance until the Service member terminates the family-type Government quarters assignment.

10.4.3. Initial Tour of Duty. When a Service member serves an unaccompanied or dependent-restricted tour at the first PDS (i.e., the initial PDS when coming on AD) payment of a with-dependent housing allowance is based on one of the designated locations specified in the JTR, Chapter 5, paragraph 050814 if the dependent has been authorized or approved to reside at one of those locations.

10.4.4. Transfer Between Unaccompanied or Dependent-Restricted Tours. A Service member transferred between unaccompanied or dependent-restricted tours (i.e., "back-to-back" unaccompanied or dependent-restricted tours) may be authorized to move dependents at Government expense to a designated place or from one designated place to another. The Service member:

10.4.4.1. Continues to be authorized a with-dependent rate as described in subparagraph 10.4.1 when the dependent does not move.

10.4.4.2. Is authorized a with-dependent rate based on the dependent's new location when the dependent moves from either:

10.4.4.2.1. The Service member's old PDS (the PDS before the Service member was assigned on the first unaccompanied or dependent-restricted tour) to a designated place; or

10.4.4.2.2. A designated place to another designated place if the move is authorized or approved.

10.4.5. TDY Upon Completion of Unaccompanied or Dependent Restricted Tour

10.4.5.1. If a Service member is assigned to an unaccompanied or dependent-restricted tour at a PDS OCONUS and they are required to perform a TDY anywhere in the world in connection with a transfer to another unaccompanied or dependent-restricted tour, and the dependent continues to reside at the same location they resided during the first tour, there is no change to the with-dependent housing allowance.

10.4.5.2. If a Service member is assigned to an unaccompanied or dependent-restricted tour at a PDS OCONUS and the Service member is required to perform a TDY in connection with a PCS transfer to the United States, and the dependent continues to reside at the same location then there is no change in the with-dependent housing allowance until the Service member's reporting day to the new PDS. Start with-dependent BAH or OHA based on the new PDS the day the Service member reports at that PDS.

*10.5 RC Member

An RC member is entitled to BAH-RC, BAH, or OHA as discussed below. They may also be entitled to FSH if the criteria of section 7.0 is met. See paragraph 10.10 for the rate payable to an RC Service member in the accession pipeline.

10.5.1. BAH-RC

10.5.1.1. Applicability. BAH-RC is authorized for an RC member called or ordered to AD, except as provided in subparagraph 10.5.2.

10.5.1.2. Rate. The rate is fixed at the BAQ amount on December 31, 1997, incremented by the average housing allowance increase each year.

10.5.2. BAH/OHA

10.5.2.1. Applicability. The following RC members are authorized BAH or OHA:

10.5.2.1.1. A member called or ordered to AD in support of a contingency operation for a time period of any duration.

10.5.2.1.2. A member called or ordered to AD for 31 or more days, except a Service member without a dependent during initial entry training.

10.5.2.1.3. A member initially on a tour of 30 or fewer days who receives an order modification, assignment extension, or additional consecutive orders with a prospective, new active-duty period of 31 or more days ("extension").

10.5.2.1.3.1. BAH or OHA starts the date of the extension, and BAH-RC is no longer payable as of that date.

10.5.2.1.3.2. If there is a break in service, periods of AD previously served may not be added together to meet the requirement for BAH or OHA that AD exceeds 30 days under the authority of ***37 U.S.C. § 403(g)(6)(C)(iii)***.

10.5.2.1.3.3. See Table 26-41 for examples of housing allowance changes for an RC member when new, extended, or amended orders are issued.

10.5.2.1.4. AGR members.

10.5.2.2. Rate. The applicable location rate will generally be based either on the PDS or the member's primary residence. See subparagraph 10.5.3 for discussion of applicable allowances and rates for various assignment situations.

10.5.3. Allowance and Rates for Specific Assignments

The type and duration of orders will determine the applicable housing allowance and rate. When an RC member receives an order modification or amendment extending their assignment, the prospective new active-duty period determines the authority for housing allowances and any new entitlements begin as of the date of the modification. If the prospective period is 140 or more days for AD training or 181 or more days for AD for other than training and HHG are authorized for the PCS, then BAH-RC or BAH or OHA based on the primary residence stops the day before the modification or amendment and BAH or OHA based on the PDS begins on the modification date, except under the conditions in subparagraph 10.5.3.7.

10.5.3.1. AD for 30 or Fewer Days

10.5.3.1.1. If the RC member is called or ordered to AD for 30 or fewer days and the duty is not in support of a contingency operation, then start BAH-RC on the first day of AD.

10.5.3.1.2. If the duty is in support of a contingency operation, then start BAH or OHA based on the primary residence at the time called or ordered to AD beginning on the first day of AD.

10.5.3.2. AD for Other Than Training or Active Duty for Training (ADT) for 31 or More Days.

10.5.3.2.1. An RC member called or ordered to AD for other than training for a period lasting between 31 and 180 days is authorized BAH or OHA based on the primary residence beginning on the first day of AD. This rate continues for the tour duration except as otherwise specified in this chapter.

10.5.3.2.2. An RC member called or ordered to ADT for a period lasting between 31 and 139 days receives BAH or OHA based on the primary residence at the time called or ordered to ADT beginning on the first day of AD.

10.5.3.3. ADT for 140 or More Days and Authorized HHG Transportation. BAH or OHA based on the primary residence starts at the time RC member is called or ordered to AD for training for 140 or more days and is authorized HHG transportation for a PCS and continues through the day before arrival at the PDS. BAH or OHA based on the PDS location begins on the day the RC member reports at that location. The Service member is authorized BAH or OHA in the same manner as a Service member already on AD.

10.5.3.4. AD Other Than Training for 181 or More Days and Authorized HHG Transportation. BAH or OHA based on the primary residence starts at the time an RC member is called or ordered to AD for other than training for 181 or more days and authorized HHG transportation for a PCS and continues through the day before arrival at the PDS. BAH or OHA based on the PDS location begins on the day the RC member reports at that location. The member is authorized BAH or OHA in the same manner as a Service member already on AD.

10.5.3.5. Called or Ordered to ADT for 140 or More Days But Not Authorized HHG Transportation. Except as provided in subparagraphs 10.5.3.8 and 10.5.3.11, an RC member who is not authorized HHG transportation for a PCS (e.g., when duty is not performed for 140 or more days at one location) receives BAH or OHA based on the primary residence at the time called or ordered to AD.

10.5.3.6. Called or Ordered to AD Other Than Training for 181 or More Days But Not Authorized HHG Transportation. Except as provided in subparagraphs 10.5.3.8 and 10.5.3.11, an RC member who is called or ordered to AD for other than training for 181 or more days and is not authorized HHG transportation for a PCS receives BAH or OHA based on the primary residence.

10.5.3.7. RC Member Without-Dependents Called or Ordered to ADT for At Least 140 Days But Fewer Than 365 Days at One Location. An RC member without dependents assigned to a PDS for participation in PME or training for a period of at least 140 days but fewer than 365 days, receives a housing allowance at the without-dependent rate based on the training location PDS, provided Government quarters are not available for assignment to the Service member at the training location PDS and the member is not receiving the lodging portion of per diem. A housing allowance authorized under this paragraph is in addition to a housing allowance for the primary residence. An RC member without a dependent attending such training is authorized BAH or OHA based on the primary residence location at the time called or ordered to AD if the Service member maintains a residence and continues to be responsible for rent or owns the residence.

10.5.3.8. RC Member Without-Dependent OCONUS. An RC member without a dependent or who has no dependents other than for whom they are paying child support receives one housing allowance (BAH or OHA). When the member is provided Government quarters at the PDS, the housing allowance is based on the primary residence; however, the housing allowance may instead be based on the PDS when all the following conditions apply, and it is approved under the Secretarial Process:

10.5.3.8.1. The RC member is authorized PCS allowances to a location OCONUS;

10.5.3.8.2. The RC member is not authorized PCS HHG transportation because the prospective period is less than 12 months. HHG transportation under a TDY order, as specified in the JTR, Chapter 2, does not affect this housing allowance authority;

10.5.3.8.3. Government quarters are not available at the PDS; and

10.5.3.8.4. The Service determines that it is inequitable to pay a housing allowance based on the primary residence.

10.5.3.9. Called or Ordered to AD for Contingency. An RC member called or ordered to AD in support of a contingency operation is authorized BAH or OHA based on the primary residence beginning on the first day of AD. This rate is authorized even for duty of 30 or fewer days. This rate continues for the duration of the tour unless the RC member is authorized PCS HHG transportation, in which case the rate for the PDS would apply on the day the RC member reports to the PDS.

10.5.3.10. Injured or Physically Disabled While on AD or on Inactive-Duty Training. An RC member who is injured in the line of duty and who is authorized incapacitation pay under ***37 U.S.C. § 204*** and ***DoDI 1241.01*** (RC Line of Duty Determination for Medical and Dental Treatments and Incapacitation Pay Entitlements) is authorized a housing allowance. BAH or OHA is based on the primary residence and is paid beginning on the date the RC member becomes entitled to incapacitation pay. BAH or OHA for an eligible RC member may not be paid for more than 6 months except when, in the interest of fairness and equity, the Secretary concerned, or the Secretary's designee extends incapacitation pay. For offsets, see 37 U.S.C. § 204(g) and (h), and DoDI 1241.01 (RC Line of Duty Determination for Medical and Dental Treatments and Incapacitation Pay Entitlements).

10.5.3.11. Unaccompanied Tours OCONUS. If an RC member with dependents is on an OCONUS unaccompanied tour and the dependents relocate at their own expense to reside in the vicinity of the member's PDS, the member's usual housing allowance entitlements set forth in this section will be affected. See section 7.0 and subparagraph 10.4.2.3 for determination of applicable housing allowance and rate in that situation.

10.5.4. AGR Member. An AGR member's BAH or OHA is based on the PDS, even when the Service member is mobilized for AD other than for AGR duty, provided the Service member does not have a break in service. The rate based on the PDS applies for the duration of the tour. If the AGR member receives a PCS order authorizing HHG transportation, BAH or OHA is based on the new PDS. However, if the Service member is called or ordered to AD without a break in service and a PCS order authorizing HHG transportation is not issued, BAH or OHA is based and paid on the PDS location at the time called or ordered to AD. A break in service occurs when one or more calendar days between active-duty service periods do not qualify as active-duty service. If an AGR member has a break in service when called to AD for other than AGR duty, then the Service member is paid a housing allowance as for any other RC member (for example, the primary-residence rate).

10.5.5. RC Member Married to Service Member. Unless an RC member is assigned to a contingency operation or is an AGR member when they are called to AD for 30 or fewer days, the RC member is authorized the BAH-RC without-dependent rate if they are not assigned to Government quarters and are married to another Service member on AD without a dependent. For such an RC member on AD for 31 or more days, each Service member is authorized BAH or OHA at the without-dependent rate. If a Service member in this situation has a dependent, BAH or OHA is paid in accordance with paragraph 4.5.

10.6 Government Defers Dependent Travel (Non-Concurrent Travel)

10.6.1. When the Government defers dependent travel at Government expense to a Service member's new PDS, a with-dependent housing allowance continues to be paid at the old PDS rate, or at the rate for the dependent's location if the dependent relocated there at Government expense. In a case in which the Secretarial Process previously authorized a housing allowance based on the dependent's location, that rate continues.

10.6.2. If otherwise eligible, FSH-O or FSH-B for the Service member's location starts when the Service member obtains private-sector housing.

10.6.3. The payment of the with-dependent allowance and FSH-O or FSH-B continues for 60 days after dependent travel is authorized. If the 60-day time period expires, a dependent has not arrived at the Service member's PDS, and an extension to the 60-day period has not been granted through the Secretarial Process, a housing allowance is not authorized for the dependent's location. However, the Service member is authorized a with-dependent allowance based on the PDS location.

10.6.4. Table 26-27 specifies changes to a housing allowance when the Government defers a dependent's travel to a duty station OCONUS.

10.6.5. Tables 26-28 and 26-29 specify changes, based on location and expected travel delay, when the Government defers dependent travel to a duty station in the CONUS when the area has been declared a concurrent dependent travel application area (see JTR, Chapter 5, paragraph 051205).

10.7 Dependent Travels Before or After Service Member

When a PCS order has been issued, the Service member's dependents may perform PCS travel at a different time than the Service member.

10.7.1. Housing Allowance Based on Dependent's Location or Old PDS. Unless otherwise authorized or approved, a Service member's housing allowance is based on the PDS. If authorized or approved through the Secretarial Process, a Service member may be authorized a housing allowance based on the location at which a dependent maintains a permanent residence or the old PDS. Situations that are routinely authorized or approved at a lower level than the Service Secretary are listed in subparagraph 10.2.2. An example of advance travel is the member's family travels ahead to get settled before school starts. An example of delayed travel is the family remains at the old PDS until the school year ends.

10.7.2. Secretarial Determinations. The Secretary concerned may determine that other circumstances require a dependent to reside separately from the Service member and may authorize or approve a housing allowance payment based on either the dependent's location or the old PDS. If the Secretary concerned determined that an additional reason for a BAH or OHA waiver is acceptable, the Secretarial Process may then be used to authorize or approve individual cases based on that determination.

10.7.3. Rates Applicable

10.7.3.1. If a dependent relocates, the rate applicable to the dependent's new residence location is effective on the date the dependent arrives.

10.7.3.2. If the dependent does not relocate, the with-dependent allowance is based on the higher of the rates for the dependent's location or the Service member's old PDS and continues until the dependent departs the authorized or approved location.

10.7.3.3. A Service member is generally authorized BAH-Transit while on leave and travel between PDSs. However, in situations in which the Secretary concerned has authorized or approved an advance or delayed travel situation, the authorized or approved allowance at the with-dependent rate applies. In delayed travel situations, when the dependent departs the authorized or approved location, the allowance changes to the new PDS if the Service member has already arrived there or to the BAH-Transit if the Service member is still in transit.

10.7.4. Advance Travel. In all cases of advance travel, if the Service member is assigned Government quarters at the old PDS and a housing allowance has not been approved by the Secretarial Process for the dependent's location, do not start either BAH or OHA.

10.7.4.1. Table 26-30 specifies changes to housing allowances when the old PDS and new PDS are in the BAH area.

10.7.4.2. Table 26-31 specifies changes to housing allowances when the old PDS is in the BAH area and the new PDS is outside the OHA area.

10.7.4.3. Table 26-32 specifies changes to housing allowances when the old PDS is outside the OHA area and the new PDS is in the BAH area.

10.7.4.4. Table 26-33 specifies changes to housing allowances when both the old and new PDS are outside the OHA area.

10.7.5. Delayed Travel

10.7.5.1. Table 26-34 specifies changes to housing allowances when the old PDS and new PDS are in the BAH area.

10.7.5.2. Table 26-35 specifies changes to housing allowances when the old PDS is in the BAH area and the new PDS is in the OHA area.

10.7.5.3. Table 26-36 specifies changes to housing allowances when the old PDS is in the OHA area and the new PDS is in the BAH area.

10.7.5.4. Table 26-37 specifies changes to housing allowances when the old PDS and new PDS are in the OHA area.

10.8 Early Return of Dependent (ERD)

10.8.1. Early Return at Government Expense

10.8.1.1. When all of a Service member's dependents return from a PDS OCONUS at Government expense not due to a PCS, regardless of the reason for the return, the Service member is authorized a housing allowance at the with-dependent rate based on the dependent's permanent residence location effective on the arrival date or the date the ERD order was issued, whichever is later. If the dependent's location is in an OHA area, start OHA on the date private-sector housing is acquired.

10.8.1.2. OHA, or BAH in Alaska or Hawaii, at the with-dependent rate for the Service member's PDS OCONUS stops on the day before the day the rate for the dependent's permanent residence starts. If the Service member resides in private-sector housing after the dependent's departure and single-type Government quarters are not available, FSH-O or FSH-B for the Service member's PDS location is authorized effective on the day the rate for the dependent's permanent residence location begins. If Government quarters are assigned or made available to the Service member following a dependent's departure, no housing allowance is payable for the Service member's PDS.

10.8.1.3. The with-dependent housing allowance is paid as follows whether or not the Service member is assigned family Government quarters at the PDS:

10.8.1.3.1. If the dependent's location is in a BAH area, start with-dependent BAH based on dependent residence location as of the dependent's arrival date or the date the ERD order was issued, whichever is later.

10.8.1.3.2. If the dependent's location is in an OHA area, start OHA on the date private-sector housing is acquired for the dependent (established by required documentation for OHA) or the date the ERD order was issued, whichever is later.

10.8.1.4. When a Service member assigned to Government family-type quarters, terminates the quarters assignment and single-type Government quarters are not available, start FSH effective on the termination date, the date private-sector housing for the Service member is acquired, or the date the ERD order was issued, whichever is later.

10.8.1.5. If a Service member is not assigned to Government family-type quarters then stop the with-dependent rate based on the PDS on the day before the rate based on the dependent's location starts. If single-type Government quarters are not available, start FSH-O or FSH-B the day the allowance based on the dependent's location starts.

10.8.2. Early Return at Personal Expense. When all of a Service member's dependents return early from a PDS OCONUS at personal expense, the Service member is not authorized a second housing allowance and the housing allowance at the with-dependent rate based on the Service member's PDS continues without change, unless there is an OHA-related paperwork change. If the Service member vacates family-type Government quarters that were occupied by the dependent before the dependent's departure, the Service member is authorized an allowance at the with-dependent rate for the Service member's PDS. If a Service member assigned family Government quarters at the PDS OCONUS terminates a government quarter assignment while:

10.8.2.1. In a BAH area, start with-dependent BAH based on the PDS as of the termination date; or

10.8.2.2. In an OHA area, start with-dependent OHA based on the PDS as of the date private-sector housing is acquired or the termination date, whichever is later.

10.9 Evacuation of a Service Member's PDS

10.9.1. PDS OCONUS-Command-Sponsored Dependent. See Chapter 67.

10.9.1.1. A Service member who was authorized a with-dependent housing allowance based on the OCONUS PDS on the date a command-dependent was evacuated continues to be paid the allowance while the dependent is receiving evacuation allowances when both of the following conditions apply:

10.9.1.1.1. The Service member's PDS remains unchanged; and

10.9.1.1.2. The Service member continues to maintain private-sector housing.

10.9.1.2. If a dependent is authorized to return to the PDS after being evacuated, no housing allowance actions are required. Whether the Service member is assigned Government quarters at the PDS is not a factor.

10.9.1.3. If an evacuated dependent's return to the PDS is not authorized or approved, then the dependent must select a designated place and will continue to receive evacuation allowances as specified in the JTR, Chapter 6. A Service member is authorized a with-dependent allowance based on the location of the designated place beginning the day after the evacuation allowance ends, even if the Service member is assigned Government quarters at the PDS.

10.9.1.3.1. If the Service member is not assigned Government quarters at the PDS, OHA or BAH based on the PDS OCONUS stops on the day before the allowance based on the designated place starts.

10.9.1.3.2. If Government quarters are not available for the Service member at a PDS OCONUS, start FSH-O or FSH-B based on the PDS on the same day as the with-dependent allowance based on the designated place starts.

10.9.2. PDS OCONUS-Non-Command Sponsored Dependent

10.9.2.1. If the evacuation occurs 89 or fewer days after a dependent arrived at the Service member's PDS OCONUS and the Service member is still being paid a with-dependent allowance based on the dependent's permanent residence or designated place as well as FSH-O or FSH-B based on the PDS OCONUS rate, then no changes in housing allowances are required. Whether the Service member is assigned Government quarters at the PDS is not a factor.

10.9.2.2. If the evacuation occurs 90 or more days after a dependent arrived at the Service member's PDS OCONUS and the Service member is now being paid a with-dependent allowance based on the PDS, reinstate OHA or BAH based on the dependent's prior permanent residence or designated place on the dependent's departure day from the PDS. Stop the with-dependent OHA or BAH allowance based on the PDS the day before the dependent departs. If after the dependent departs and Government quarters are not available for the Service member, then start FSH based on the PDS on the day the dependent departs the PDS.

10.9.3. PDS CONUS With Dependent

10.9.3.1. A Service member who was authorized a with-dependent BAH on the date the dependent was evacuated continues to be paid BAH while the dependent is receiving evacuation allowances when both of the following conditions apply:

10.9.3.1.1. The Service member's PDS remains unchanged; and

10.9.3.1.2. The Service member continues to maintain private-sector housing.

10.9.3.2. If a dependent is authorized to return to the PDS after being evacuated, no housing allowance actions are required. Whether the Service member is assigned Government quarters at the PDS is not a factor.

10.9.3.3. If the return of a dependent to the PDS is not authorized or approved, the dependent is directed to select a designated place and continue to receive evacuation allowances as provided in the JTR, Chapter 6 until the Service member establishes a permanent residence. A Service member is authorized a with-dependent allowance based on the designated place beginning the day after evacuation allowances end. If the Service member is not assigned Government quarters at the PDS, BAH based on the PDS stops on the day before the allowance based on the designated place starts. FSH-B starts the same day as the allowance based on the designated place, if otherwise authorized.

10.9.4. Service Member Without-Dependent. A Service member without a dependent who was authorized OHA or BAH at the PDS on the date an evacuation is ordered or authorized and who continues to maintain a private-sector residence, continues to be authorized the allowance even though the Service member temporarily may be required to occupy Government quarters or be sent on a TDY. When the commanding officer believes the Service member will not be permitted to

return to the private-sector housing in the foreseeable future, the commander must encourage the Service member to end the private-sector housing at the earliest practical date and end OHA or BAH concurrent with the private-sector housing termination.

10.10 Service Member in Transit

BAH-Transit is a temporary housing allowance paid while a Service member is in a travel or leave status between PDSs, provided the Service member is not assigned Government quarters while at the old or new PDS and no other housing allowance is payable as set forth in this paragraph. The default BAH-Transit rate is a fixed rate, which is the amount of BAQ on December 31, 1997, incremented by the average housing allowance increase each year.

10.10.1. TDY En Route to New PDS. If the Service member performs a TDY en route at the new PDS, BAH or OHA for the new PDS begins the day of arrival in a TDY status at the new PDS. If the Service member performs a TDY en route at a location near, but outside the limits of, the new PDS or to the home port of a ship, afloat staff, or afloat unit, per diem stops as specified in the JTR, Chapter 5. BAH or OHA for the new PDS begins the day per diem stops.

10.10.2. PCS Between PDSs

10.10.2.1. Old PDS in the United States. A Service member's old PDS is the PDS for BAH purposes from the day the Service member departs the old PDS through the day before the Service member reports to the new PDS in compliance with a PCS order. If the Service member had been residing in Government quarters at the old PDS, the Service member is authorized BAH as of the Government quarters termination date. If the Service member has a Secretarial waiver for payment of BAH based on a previous PDS or based on a dependent's location, then continue that rate until the Service member arrives at the new PDS.

10.10.2.2. Old PDS Outside the United States. When a Service member's old PDS is outside the United States, and the Service member is receiving OHA, OHA is authorized through the day before departing the old PDS. The day the Service member departs, OHA is no longer authorized and the Service member is authorized ***BAH-Transit*** if not otherwise receiving a housing allowance. If the Service member is being paid BAH at the with-dependent rate for a dependent residing separately, and FSH-B, that BAH rate continues until the Service member arrives at the new PDS, but FSH-O stops. If the dependent also performs PCS travel, BAH-Transit applies. If the Service member has a Secretarial waiver for payment of OHA at the with-dependent rate for a dependent residing separately in an OHA location, continue that OHA rate if the dependent remains at the OHA location.

10.10.2.3. See Table 26-38 for housing allowance when a Service member is in transit on a PCS.

10.10.3. New Accession. A Service member in the accession pipeline includes a Service member who is undergoing initial entry training, including an RC member, a student (including Reserve Officer Training Corps (ROTC) and Officer Candidate School) without prior military Service, or a Service academy graduate upon graduation, until arrival at the first PDS. The Service

member remains in the accession pipeline until the Service member arrives at a PDS, including a training location of 20 or more weeks. An RC member remains in the accession pipeline until the RC member completes entry-level training or arrives at a PDS, whichever occurs first. See Table 26-39.

10.10.3.1. Service Member Without-Dependent. A Service member in the accession pipeline without a dependent is authorized BAH-Transit when in a travel, leave en route, or proceed time status while transferring from the initial entry training location, between training locations, and to the first PDS. For BAH authorization only (not locality rate), the training location is defined as a PDS except for an RC member without a dependent. A Service member without a dependent is not authorized BAH (except BAH-Partial) while at a training location since Government quarters are assigned at that PDS. An RC member without a dependent attending accession training is authorized BAH or OHA based on the primary residence location at the time called or ordered to AD if the Service member maintains a residence and continues to be responsible for rent or owns the residence.

10.10.3.2. Service Academy or ROTC Graduate Without-Dependent. A Service academy or ROTC graduate without a dependent is authorized a housing allowance at the without-dependent rate for the graduation or commissioning location through the day before departure en route to the training location, if they:

10.10.3.2.1. Remain on AD at the graduation or commissioning location following graduation and commissioning before proceeding to another duty station; and

10.10.3.2.2. Are not assigned Government quarters.

10.10.3.3. Service Member With a Dependent.

10.10.3.3.1. The BAH rate for a new accession with a dependent is based on the dependent's location if the location is in the United States. If the dependent is located outside the United States, BAH is based on the training location.

10.10.3.3.2. If an officer who was previously authorized a housing allowance at the without-dependent rate for the graduation or commissioning location specified in subparagraph 10.10.3.2 acquires a dependent, the officer's housing allowance at the with-dependent rate becomes based on the dependent's location effective the date the dependent is acquired.

10.10.3.3.3. A new accession Service member who pays child support but does not have physical custody of the child and has no other dependents is authorized payment of BAH-Diff if the child support meets or exceeds the BAH-Diff rate. BAH at the with-dependent rate is not authorized.

10.10.4. Retirement or Separation

10.10.4.1. From a PDS in the United States. A Service member's old PDS is the PDS for BAH purposes from the day the Service member departs the old PDS and remains on AD. If the Service member had been residing in Government quarters at the old PDS, the Service member

is authorized BAH beginning the date Government quarters are terminated provided the Service member is still on AD. BAH continues through the date of separation or the day before the effective date of retirement, and then stops.

10.10.4.2. From a PDS Outside the United States

10.10.4.2.1. Establishes Residence Outside the United States. A Service member at a PDS outside the United States who is processing for retirement or separation, or is on leave after processing, and who intends to establish a residence in an OHA-based area after retirement or separation, is eligible for OHA. To be paid OHA under any of the circumstances listed, the Service member must provide a lease and a completed and approved DD 2367.

10.10.4.2.1.1. If the Service member continues to occupy private-sector leased or owned housing at or in the PDS vicinity, OHA continues through the date of separation or the day before the effective date of retirement, and then stops.

10.10.4.2.1.2. If the Service member occupies private-sector leased or owned housing after vacating Government quarters or moves to different private-sector housing in the same country, OHA starts on the date the Service member obtains private-sector housing and continues through the date of separation or the day before the effective date of retirement, and then stops.

10.10.4.2.1.3. If a Service member at a PDS outside the United States moves to a different country that is an OHA area to establish a residence after separation or retirement, the Service member is eligible for a housing allowance based on the residence location. OHA starts on the day the Service member obtains private-sector housing. However, if the Service member is being paid a housing allowance at the with-dependent for dependents residing separately, the Service member instead continues to receive a housing allowance at the dependent location rate, provided the dependents remain at that separate location. Any housing allowance continues through the date of separation or the day before the effective date of retirement, and then stops.

10.10.4.2.2. Returns to a U.S. Processing Station. If not assigned Government quarters, a Service member separating or retiring at a PDS outside the United States, who returns to the United States for retirement or separation processing, is authorized OHA through the day before departing the PDS outside the United States. The day the Service member departs that PDS, OHA is no longer authorized. The Service member is authorized the BAH rate for the retirement or separation processing location if they are not receiving a with-dependent housing allowance for a dependent residing separately. However, if the Service member is being paid a with--dependent housing allowance for a dependent residing separately, the Service member instead continues to receive a housing allowance at the dependent location rate and does not receive a housing allowance based on the processing location. NOAA's Marine and Aviation Operations and Commissioned Personnel Centers are the processing stations for NOAA. Any housing allowance continues through the date of separation or the day before the effective date of retirement, and then stops.

10.10.4.2.3. Returns to the United States After Completing Separation or Retirement Processing Overseas. If not assigned Government quarters, a Service member retiring or separating at a PDS outside the United States who returns to the United States after completing retirement or separation processing at the overseas PDS, and who does not have a processing location within the United States, is authorized OHA through the day before departing the PDS outside the United States. The day the Service member departs that PDS, OHA is no longer authorized. The Service member is authorized the BAH rate for the leave address provided as part of the final processing if they are not receiving a housing allowance at the with-dependent rate for a dependent residing separately. However, if the Service member is being paid a with-dependent housing allowance for a dependent residing separately, the Service member instead continues to receive housing allowance at the dependent location rate, provided the dependent remain at that separate location, and does not receive a housing allowance based on the leave address. Any housing allowance continues through the date of separation or the day before the effective date of retirement, and then stops.

10.10.4.3. Refer to Table 26-40 for summary of rules pertaining to housing allowance for Service member in transit for final discharge, separation, or retirement.

10.10.5. Educational Leave Program. When a Service member is participating in the Educational Leave Program Relating to Continuing Public and Community Services, and the Service member is authorized BAH or OHA, start BAH or OHA based on the designated unit of assignment during scheduled school breaks or leave periods.

10.10.6. Hospitalization. If a Service member receives an appropriate authorization or order associated with a prolonged hospitalization determination and is transferred from any PDS to a hospital in the United States for observation or treatment, pay BAH based on the hospital location if the Service member is authorized BAH.

10.11 Service Member in a Missing Status

If a Service member is declared missing pursuant to applicable law and regulation, payment of a housing allowance is authorized as follows:

10.11.1. Service Member Without-Dependent. A Service member without a dependent carried in a missing status is authorized without-dependent BAH. Pay BAH at the without-dependent rate based on the PDS for a Service member whose PDS is in the United States. If the Service member had a Secretarial waiver to receive BAH based on the former PDS due to a low-cost or no-cost PCS, then that BAH rate continues. Pay BAH at the without-dependent rate based on the home of record (HOR) location for a Service member whose PDS is outside the United States. If the Service member's HOR and PDS are outside the United States, then pay the without-dependent BAH-Transit rate. See Chapter 34 (Pay Entitlement of Members Missing, Missing in Action, Interned, and Payments to Dependents).

10.11.2. Service Member With-Dependent. A Service member with a dependent continues to receive the housing allowance authorized upon entering the missing status. If the dependent relocates, pay the housing allowance at the with-dependent rate based on the dependent's location.

10.12 Service Member in Confinement

Pretrial confinement, restraint other than confinement, or an adjudged sentence of restriction alone does not affect a Service member's BAH eligibility. Nothing in this paragraph is intended to imply that a Service member not entitled to basic pay may receive a housing allowance.

10.12.1. Transferred to a Confinement Facility. When a Service member who is serving a court-martial sentence to confinement is transferred to a confinement facility, then the BAH or OHA rate is based on the dependent's location if the Service member is authorized a housing allowance, other than BAH partial, while confined. A Service member is not authorized a housing allowance unless authorized basic pay. This rule does not address a Service member's authority for a housing allowance when civil or foreign authorities confine the Service member. All rules concerning whether a Service member in civil or foreign confinement, including pre-trial, is authorized basic pay are covered in Chapter 1 (Creditable Service).

10.12.2. In Confinement

10.12.2.1. BAH or OHA does not accrue while the Service member is confined pursuant to a court-martial and the sentence is effective or approved or when the Service member was not receiving BAH or OHA on the day before confinement and Government quarters assignment was not terminated before or during confinement. Service procedures must specify how and by whom Government quarters termination must be certified. Confinement imposed pursuant to a court-martial sentence begins the date the sentence is adjudged (***10 U.S.C. § 857(a), (b)***).

10.12.2.1.1. If a Service member is in confinement in a guardhouse, brig, or correctional barracks pursuant to a court-martial—not including pretrial confinement, restraint other than confinement, or an adjudged sentence of restriction alone—then the Service member's BAH or OHA accrues if the sentence is set aside or disapproved. The Service member must be otherwise authorized to receive BAH or OHA.

10.12.2.1.2. A Service member without-dependents who is confined in a guardhouse, brig, or correctional barracks, was assigned to single-type, Government quarters before confinement, and remains assigned to such quarters during confinement is authorized BAH-Partial unless allowances were forfeited pursuant to court-martial sentence. If the Service member is restrained in a status of arrest in assigned single-type Government quarters, and therefore not authorized BAH or OHA, then the Service member is authorized BAH-Partial unless allowances were forfeited pursuant to court-martial sentence.

10.12.2.2. A Service member in military confinement or otherwise restricted by military authority continues to be authorized FSH for 60 or fewer days without certificate from the Service member. The FSH may continue for more than 60 days, but payment must be supported by the Service member's certification that they maintained private-sector housing at the PDS.

10.13 BAH Location Rate Flexibility for Certain Armed Forces Members With-Dependents, who PCS Within the United States (***37 USC § 403a***).

10.13.1. General. An eligible Armed Forces member with one or more dependents may be permitted certain housing flexibility options while under a PCS order within the United States during a covered relocation period, as defined in subparagraph 10.13.3 (***DoDI 1315.18, Enclosure 3, paragraph 10***). One option is the equitable basic allowance for housing.

10.13.2. Eligibility. An Armed Forces member described in 10.13.1 is eligible for housing flexibility options if the Service member:

10.13.2.1. Has a spouse who is gainfully employed or enrolled in a degree, certificate or license granting program at the beginning of the covered relocation period;

10.13.2.2. Has one or more dependents attending an elementary or secondary school at the beginning of the covered relocation period;

10.13.2.3. Has one or more dependents enrolled in the Exceptional Family Member Program; or

10.13.2.4. Is caring for an immediate family member with a chronic or long-term illness at the beginning of the covered relocation period.

10.13.3. Covered Relocation Period. The covered relocation period begins 180 days before the date of the PCS, which is the date the Armed Forces member leaves the current PDS and ends 180 days after the date of the PCS. The Secretary concerned may lengthen or shorten the covered relocation period through the Secretarial Process based on the needs of the Armed Forces. See the ***Housing Flexibility Decision Support Tools***.

10.13.4. Equitable Basic Allowance for Housing Location Rate. The dependents of an Armed Forces member may perform PCS travel at a different time than the Service member once the PCS order has been issued. Unless otherwise authorized or approved, the Service member's basic allowance for housing at any point in time is based on the Service member's PDS at that time. However, if authorized or approved through the Secretarial Process, when dependents relocate in advance of or after the Service member, the housing allowance may be based on one of the following instead:

10.13.4.1. The new PDS;

10.13.4.2. The location where the dependents reside when the Service member departs for the new PDS, but only for the time the dependents reside in that area; or

10.13.4.3. The area of the member's former PDS, but only if different than the area where the dependents reside.

10.13.5. Expiration. If the Service member's eligibility expires for any reason during the covered relocation period, that period is terminated and housing allowances are paid based on the PDS where the Service member is assigned at that time. If the Service member departs the old PDS, and the persons who are the basis of the eligibility do not arrive at the new PDS within the covered relocation period, housing allowances are paid at the new PDS location rate beginning the day after the relocation period ends.

Table 26-1. Date to Start BAH or OHA for a Service Member With a Dependent

RULE	If a Service member	then BAH or OHA at the with-dependent rate begins on the date
1	enlists, or is called to extended AD and is not assigned Government quarters for self and any dependents on that date,	of enlistment or entry on AD.
2	is appointed to commissioned or warrant officer status and is not assigned Government quarters for self and dependents on that date,	AD pay begins.
3	occupies Government quarters with a dependent and the quarters assignment ends,	the quarters assignment ends.
4	occupies Government quarters with a dependent and the Service member and dependent depart the PDS pursuant to a PCS order,	the PCS departure date.
5	acquires a dependent, while in a duty status or on authorized leave, and is not assigned Government quarters on that date,	the dependent is acquired.*
6	acquires a dependent while in an unauthorized absence status and is not assigned Government quarters for self and dependents on that date,	the Service member returns to a pay status after apprehension or surrender.
7	claims an individual who has not yet been determined to be a dependent,	determined or approved by authority specified in paragraph 3.2, as applicable.

*Refer also to Table 26-21 and Table 26-22 for rules on when BAH and OHA start and stop when a Service member acquires a dependent.

Table 26-2. Date to Stop Housing Allowances Based on Change in a Sole Dependent's Status

RULE	If the sole dependent…	then stop the with-dependent housing allowance at midnight of the day…
1	and the member divorced,	of the final decree of divorce.
2	and the member are in a voidable, but not void marriage, which is dissolved by final annulment decree,	before the date of the decree. No BAH or OHA payment may be made on or after date of the decree, even amounts accrued and not paid. BAH or OHA paid before the date of decree may be retained.
3	and the member are in an invalid or void marriage,	before the member learns the marriage is invalid or void. No housing allowance payment may be made on or after that day, even amounts accrued and not paid. Retention of BAH or OHA paid before that date depends on validation specified under Chapter 12.
4	is a child who becomes of age, except if incapable of self-support due to mental or physical incapacity,	before the dependent's 21st birthday or 23rd birthday if a full-time student. See subparagraph 3.1.1.2 regarding children who are secondary dependents.
5	is a child who marries, regardless of age, or mental or physical incapacity,	of the dependent's marriage. This applies even when a dependent's marriage is to a Service member who is also authorized BAH or OHA on the dependent's behalf for that date.
6	is adopted by a third party by interlocutory order or decree that changes the legal relationship,	before date of adoption.*
7	is adopted by a third party and a final order or decree has been entered,	before the date of adoption.
8	enters military service,	before the date of entry into military service.
9	stops being dependent on the Service member,	before the date that dependency ceases.
10	dies,	of death, except as provided by subparagraph 10.2.4.

*For determination as to whether the order or decree caused a changed legal relationship between the member and dependents, an Army, Air Force, or Space Force case must be sent to DFAS-IN, a Navy case to DFAS-CL, and a USMC case to Commandant of the Marine Corps. A case involving a USPHS member must be sent to the Director, Division of Commissioned Corps Personnel and Readiness, to the attention of "DEERS Determination."

Table 26-3. Date to Stop BAH or OHA—Other Changes

RULE	If a Service member	then stop BAH or OHA at midnight the day
1	is furnished Government quarters at the PDS, adequate for the Service member and any dependents,	before quarters are assigned or, if definite assignment was not made, the day before occupancy begins.*
2	is furnished quarters, whether by cash or in kind, on behalf of the United States, adequate for the Service member and any dependents,	before quarters are furnished.
3	and a dependent occupy rehabilitated Government quarters that were inadequate but are now designated as adequate,	before the effective date of re-designation as adequate Government quarters.
4	is discharged or released from AD,	of discharge or release.
5	retires,	before the retirement effective date.
6	dies,	of death.

*When a dependent is prevented from occupying the assigned quarters due to an order from an appropriate authority, BAH or OHA continues until transportation is arranged for Household Goods (HHG) and is available for the dependent (if prompt application is made) plus the normal travel time for a dependent to reach the Service member's station using a direct route. See subparagraph 10.2.2.1.

Table 26-4. Army: Unmarried Child Claimed as Dependent

RULE	If the child is	and the relationship is	then
1	a legitimate child under age 21,	not doubtful,	the Disbursing officer or designee makes the determination. In the case of an Army Reserve Component member, the initial determination can be made by the Reserve Component unit commander or servicing Military Pay Office.
2	a child born out of wedlock,	not doubtful,	the Disbursing officer or designee makes the determination. In the case of an Army Reserve Component member, the initial determination can be made by the Reserve Component unit commander or servicing Military Pay Office.
3	a child born out of wedlock,	doubtful,	DFAS-IN, Office of General Counsel, Military & Civilian Pay, 8899 E. 56th Street, Indianapolis, IN 46249-0160 makes the determination.
4	adopted,	doubtful,	DFAS-IN, Office of General Counsel, Military & Civilian Pay, 8899 E. 56th Street, Indianapolis, IN 46249-0160 makes the determination.
5	a stepchild under age 21, and the Service member is a Reserve Component member,	not doubtful,	the initial determination can be made by the Reserve Component unit commander or servicing Military Personnel Officer.
6	a stepchild under age 21, and the Service member is not a Reserve Component member,	not doubtful,	the Disbursing Officer or designee makes a determination, and sends the claim electronically to DFAS through the ***Ask DFAS*** website.
7	a stepchild under age 21, and the Service member is a member of Reserve Component,	doubtful,	if the Reserve Component unit commander or servicing Military Personnel Office cannot make a determination, the claim is sent electronically to DFAS-IN, Military Pay Operations, (ATTN: JFLAKA), 8899 East 56th Street, Indianapolis, IN 46249-0855.
8	a stepchild under age 21, and the Service member is not a member of Reserve Component,	doubtful,	the Disbursing Officer or designee makes a determination, and sends the claim electronically to DFAS through the ***Ask DFAS*** website and go to the Secondary Dependency Claims (SDC) location. Only if electronic submission is unavailable may requests be submitted to the U.S mail address: DFAS-IN, Military Pay Operations (ATTN: JFLAKA), 8899 East 56th Street, Indianapolis, IN 46249- 0855.

Table 26-5. Navy: Unmarried Child Claimed as Dependent

RULE	If the child is	and the relationship is	then
1	a legitimate child under age 21,	not doubtful,	the Disbursing Officer makes the determination.
2	a child born out of wedlock,	not doubtful,	the Disbursing Officer makes the determination.
3	a child born out of wedlock,	doubtful,	the Disbursing Officer or the commanding officer of a battalion, squadron, or separate detached command makes the determination. Submit questionable cases to the Navy CHNAVPERS N130, Military Pay and Compensation.
4	adopted,	doubtful,	the Disbursing Officer or the commanding officer of a battalion, squadron, or separate detached command makes the determination. Submit questionable cases to the Navy CHNAVPERS N130, Military Pay and Compensation.
5	a stepchild under age 21,	not doubtful,	the Disbursing Officer or the commanding officer of a battalion, squadron, or separate detached command makes the determination.
6	a stepchild under age 21,	doubtful,	the Disbursing Officer or the commanding officer of a battalion, squadron, or separate detached command makes the determination. Submit questionable cases to the Navy CHNAVPERS N130, Military Pay and Compensation.

Table 26-6. Department of the Air Force (DAF): Unmarried Child Claimed as Dependent

RULE	If the child is	and the relationship is	then
1	a legitimate child under age 21,	not doubtful,	FSO or designee makes the determination.
2	a child born out of wedlock,	not doubtful,	FSO or designee or AF DEERS Project Office makes the determination.
3	a child born out of wedlock,	doubtful,	FSO or designee makes the determination, and the claim must be sent to Air Force Personnel Center-Operating Location (AFPC-OL)/DPP or AF DEERS Project Office for a decision.
4	adopted,	doubtful,	FSO or designee makes the determination, and the claim must be sent to AFPC-OL/DPP or the DOHA*, or AF DEERS Project Office for a decision.
5	a stepchild under age 21,	not doubtful,	FSO or their designee makes the determination, and the claim must be sent to AFPC-OL/DPP and sends the claim electronically to DFAS through the Ask DFAS website for a decision.
6	a stepchild under age 21,	doubtful,	FSO or their designee makes the determination, and the claim must be sent to AFPC-OL/DPP, and sends the claim electronically to DFAS through the Ask DFAS website for a decision.

Table 26-7. USMC: Unmarried Child Claimed as Dependent

RULE	If the child is	and the relationship is	then
1	a legitimate child under age 21,	not doubtful,	the commanding officer of a battalion, squadron or separate detached command, or the Installation Personnel Administration Center Officer in Charge makes the determination.
2	a child born out of wedlock,	not doubtful,	the commanding officer of a battalion, squadron or separate detached command, or the Installation Personnel Administration Center Officer in Charge makes the determination.
3	a child born out of wedlock,	doubtful,	Submit questionable cases to the Commandant of the Marine Corps (MFP-1) 2008 Elliot Road, Quantico, VA 22134-5143.
4	adopted,	doubtful,	Submit questionable cases to the Commandant of the Marine Corps (MFP-1) 2008 Elliot Road, Quantico, VA 22134-5143.
5	a stepchild under age 21, and the Service member,	not doubtful,	either the commanding officer of a battalion, squadron or separate detached command, the Commandant of the Marine Corps, (MFP-1) 2008 Elliot Road, Quantico, VA 22134-5143, or the Installation Personnel Administration Center Officer in Charge makes the determination.
6	a stepchild under age 21, and the Service member,	doubtful,	Submit questionable cases to the Commandant of the Marine Corps (MFP-1) 2008 Elliot Road, Quantico, VA 22134-5143.

Table 26-8. Spouse is the Dependent Claimed

RULE	Service	If the marriage is	then
1	Army	lawful,	the Army disbursing officer or designee makes the determination. In the case of an Army RC member, the RC unit commander or servicing Military Personnel Officer can make the initial determination.
2	Navy	lawful,	the Disbursing Officer makes the determination.
3	DAF	lawful,	the USAF FSO or designee makes the determination.
4	USMC	contracted with states or territories by a legal, civil, or religious ceremony and neither has been previously married, or one spouse has been previously married and that prior marriage was dissolved by death, final decree of divorce, or by annulment that did not prohibit remarriage,	the commanding officer of a battalion squadron or separate detached command makes the determination.

Table 26-9. Determination When Dependency Questionable

RULE	Service or Agency	Determining Office
1	Army, Air Force, and Space Force	DFAS-IN, Office of General Counsel, Military & Civilian Pay, 8899 E. 56th Street, Indianapolis, IN 46249-0160.
2	Navy	DFAS-IN, Office of General Counsel, Military & Civilian Pay, 8899 E. 56th Street, Indianapolis, IN 46249-0160.
3	USMC	DFAS-IN, Office of General Counsel, Military & Civilian Pay, 8899 E. 56th Street, Indianapolis, IN 46249-0160.
4	Coast Guard	Commanding Officer (LGL), Coast Guard Pay and Personnel Center, Federal Building, 444 S.E. Quincy Street, Topeka, KS 66683-3591.
5	NOAA	Director, Commissioned Personnel Center, 8403 Colesville Road, Suite 500, Silver Spring, MD 20910-6333.
6	USPHS	Office of Commissioned Corps Support Services, Attention: Compensation Branch, 5600 Fishers Lane, Room 4-50, Rockville, MD 20857-0001.

Table 26-10. Unmarried Child Over 21 and has not Attained the Age of 23 Pursuing a Full-Time Course of Study

RULE	If Service member is	then
1	Army,	the Personnel Officer makes the determination, if the dependent is a student.
2	Navy,	student determinations are made at the local Personnel Support Detachment or by the Personnel Officer for the Navy.
3	Air Force or Space Force,	AFPC-OL makes the determination for full-time student qualifying for BAH. Student determinations for the DEERS program are made at the local Military Personnel Flight or Personnel Activity for the Air Force and Space Force.
4	Marine Corps,	the Commandant of the Marine Corps makes the determination, including if the dependent is a student.

Table 26-11. Dependent Claimed is a Parent

RULE	Service	Authority Who Determines Dependency
1	Army	Army disbursing officer or designee
2	Navy	DFAS-CL
3	DAF	FSO or designee
4	USMC	Commandant of the Marine Corps

Table 26-12. Legal Ward

RULE	If Service member is	then
1	Army,	DFAS-IN, Secondary Dependent Claims Division makes the determination.
2	Navy,	DFAS-CL, Secondary Dependent Claims Division makes the determination.
3	Air Force or Space Force,	AFPC-OL, Secondary Dependent Claims Division makes the determination.
4	Marine Corps,	the Commandant of the Marine Corps makes the determination.

Table 26-13. Incapacitated Child Over Age 21

RULE	If Service member is	then
1	Army,	DFAS-IN, Secondary Dependent Claims Division makes the determination.
2	Navy,	Bureau of Naval Personnel (BUPERS) in Millington, TN makes the determination.
3	Air Force or Space Force,	AFPC-OL, Secondary Dependent Claims Division makes the determination.
4	Marine Corps,	the Commandant of the Marine Corps makes the determination.

Table 26-14. Special BAH-Partial for Navy Barracks Privatization Test

RULE	Starting Date	Location	Housing Type Occupied	Special BAH-Partial Percentage
1	October 1, 2006	San Diego, California	existing dormitory-style unaccompanied housing:	
			a. double occupancy	34
			b. single occupancy	68
2	October 1, 2013	San Diego, California	Pacific Beacon market-style housing:	
			a. double occupancy	41
			b. single occupancy	82
3	April 1, 2007	Hampton Roads, Virginia*	existing unaccompanied housing	66
			new construction, privatized housing (two bedroom, two bath market style)	74

*Including Hampton/Newport News and Norfolk/Portsmouth MHAs

Table 26-15. Climate Code Utility Points

Utility	Code 3 – Hot	Code 2 – Moderate	Code 1 – Cold
Electricity	3	3	3
Heating	1	2	3
Air Conditioning	3	2	1
Water	1	1	1
Trash Disposal	1	1	1

Table 26-16. Utility and Recurring Maintenance Allowance Payment Percentage

Total Utility Points	Applicable Percentage
0	0
1-2	25
3-4	65
5-9	100

Table 26-17. MIHA/Miscellaneous Expense Items

RULE	Expense Type	Description
1	Reportable MIHA/ Miscellaneous Expense Item	a. Cabinets (for example, kitchen, medicine, bathroom). b. Plumbing and plumbing installation, hookups. c. Gas or electrical installation. d. Supplementary heating equipment. e. Painting, papering, and plastering (upon arrival only). f. Light fixtures, permanently installed. g. Wardrobes. h. Shelving. i. Telephone installation. j. Range, refrigerator, freezer, washer, or dryer. k. Air conditioners, dehumidifiers, fans. l. Screening. m. Transformers and voltage regulators. n. Commodes and sinks, when ordinarily not furnished. o. Burglar alarm, security bars, and supplementary door locks, when locally required. p. Water purification filters, when locally required. q. Pest fumigation, if required when housing is first occupied, otherwise include in r. Recurring maintenance expenses. s. Repair of drainpipes and gutters.
2	Non-Reportable MIHA/ Miscellaneous Expense Items	a. Rugs, carpets, curtains, and drapes. b. Lawn and gardening maintenance expenses. c. Dishwashers, microwave ovens, and other small, personal appliances. d. Televisions, cable TV installation, antennas, and similar expenses. e. Any recoverable deposit, such as a security deposit. f. Lightbulbs. g. Taxes of any kind, unless specifically required by the lease. h. Fencing, yard-related items. i. Any personal labor costs.

*Table 26-18. Conditions Affecting FSH

RULE	When an eligible Service member	Then FSH
1	arrives at a PDS outside the CONUS,	starts when private-sector housing is acquired.
2	departs upon reassignment from a PDS OCONUS,	continues through whichever day occurs first, the day: a. before the Service member departs on a PCS. b. the Service member's lease ends.
3	no longer has an eligible dependent,	continues through the day before the date that the Service member no longer has an eligible dependent.
4	is assigned Government quarters,	continues through the day before the day that Government quarters become available for assignment.
5	enters a non-pay status,	continues through the day before the date that the Service member enters the non-pay status.
6	is in one of the following statuses for 60 or fewer days: a. on a TDY away from the Service member's PDS, including a TDY in the United States, b. hospitalized at or away from PDS, including hospitalization in the United States, c. on authorized leave, whether accrued or advance, at or away from the PDS, including leave in the United States, d. military confinement or otherwise restricted by military authority,	continues for 60 or fewer days without a certificate from the Service member that they maintained private-sector housing at the PDS.
7	is in one of the following statuses for 61 or more days: a. on a TDY away from the Service member's PDS, including a TDY in the United States, b. hospitalized at or away from PDS, including hospitalization in the United States, c. on authorized leave, whether accrued or advance, at or away from the PDS, including leave in the United States, d. in military confinement or otherwise restricted by military authority,	continues if payment is supported by the Service member's certification that the Service member maintained private-sector housing at the PDS.

Table 26-18. Conditions Affecting FSH (Continued)

RULE	When an eligible Service member	Then FSH
8	under a PCS or permanent change of assignment for a period of at least 140 days but fewer than 365 days for the purpose of participating in PME or training classes provided: a. Government quarters are not available at the training location, b. the dependent(s) do not accompany the Service member to the training location PDS, and c. the member is not authorized the lodging portion of per diem.	starts when private-sector housing is acquired.

Table 26-19. BAH or OHA Accrual for Service Member Without-Dependent Entitled to Basic Pay

RULE	If a Service member is	then BAH or OHA accrues
1	assigned to a PDS,	a. while on a short period of special alert duty during which the Service member is furnished sleeping accommodations at the PDS where Government quarters are unavailable for assignment. b. while on a short training period during which, due to military necessity, the Service member is furnished sleeping accommodations at the PDS where Government quarters are unavailable for assignment.
2	initially assigned to AD and is on a TDY at other than indoctrination or basic training location pending receipt of an order designating a PDS to which the Service member is to report upon TDY completion,	when Government quarters are not available for assignment and per diem is not payable.
3	in the accession pipeline,	between the initial TDY and the initial PDS. An RC member is authorized BAH or OHA based on the primary residence location at the time called or ordered to AD while attending accession training. See paragraph 10.10 for transit rules.
4	ordered home or to a place other than a military organization awaiting another order in connection with Physical Evaluation Board proceedings,	on and after the departure day from the hospital or old PDS through the discharge day, or day before retirement effective date.
5	ordered to report for a TDY in connection with the fitting out or conversion of a ship, then to permanent duty aboard the same ship when placed in commission,	if the Service member is not assigned to Government quarters at the old PDS or aboard ship (the new PDS), but BAH or OHA does not accrue if the Service member is assigned to Government quarters at the old PDS or aboard ship (the new PDS).
6	on field duty and no PCS is involved,	if the Service member is receiving BAH or OHA at the PDS, but BAH or OHA does not accrue if assigned or occupying Government quarters at the PDS.

Table 26-19. BAH or OHA Accrual for Service Member Without-Dependent Entitled to Basic Pay (Continued)

RULE	If a Service member is	Then BAH or OHA accrues
7	assigned to PCS to a unit on field duty,	if the commander certifies that the Service member was required to procure Government quarters at personal expense at the initial field duty site, but BAH or OHA does not accrue for the initial field duty in progress at the time of the PCS, unless the Service member is required to procure quarters at personal expense at the field duty site.
8	being treated at hospital TDY en route during a PCS,	if the Service member is not assigned Government quarters, but BAH or OHA does not accrue if the Service member is assigned Government quarters in the hospital.
9	assigned to PCS directly to a hospital for treatment,	if the Service member is not assigned Government quarters, but BAH or OHA does not accrue if the Service member is assigned Government quarters in the hospital.
10	in travel status during a PCS, including a non-travel status under a permissive travel authorization, a TDY en route, leave en route, and proceed time,	if the Service member is not assigned Government quarters while at the old or new PDS, but BAH or OHA does not accrue if the Service member is assigned Government quarters while at the old or new PDS.
11	assigned PCS and is on authorized leave or duty at the old or new PDS,	if the Service member is not assigned Government quarters while at the old or new PDS, but BAH or OHA does not accrue if the Service member is assigned Government quarters while at the old or new PDS.
12	assigned PCS and is on authorized leave or duty at the old or new PDS,	if the Service member is not assigned Government quarters while at the old or new PDS, but BAH or OHA does not accrue for the Government quarters occupancy period not due to a PCS.
13	training for, attending, or participating in Pan Am or Olympic games, or any other international amateur sports competition,	if not furnished quarters by the Government or by an agency sponsoring the Service member's participation, but BAH or OHA does not accrue if furnished quarters by the Government or by an agency sponsoring participation.
14	a medical officer on AD in an intern or resident physician status at a state, county, municipal, or private hospital,	if not furnished Government quarters without charge, but BAH or OHA does not accrue if furnished quarters without charge by the hospital. Such Government quarters are considered furnished on behalf of the United States.

Table 26-19. BAH or OHA Accrual for Service Member Without-Dependent Entitled to Basic Pay (Continued)

RULE	If a Service member is	then BAH or OHA accrues
15	a Nurse Corps officer or Nurse Corps candidate attending a course of instruction or affiliation with a state, county, municipal, or private hospital,	if not furnished Government quarters without charge, but BAH or OHA does not accrue if furnished quarters without charge by the hospital. Such Government quarters are considered furnished on behalf of the United States
16	a student training on a fellowship, scholarship, or grant,	if not furnished Government quarters by the college, university, or research facility, but BAH or OHA does not accrue if furnished Government quarters by the college, university, or research facility. Such quarters are considered furnished on behalf of the United States.
17	in a hospital or on sick leave from a hospital and a PCS is not involved,	continues if the Service member is receiving BAH or OHA at the PDS.

Table 26-20. BAH or OHA for a Service Member Entitled to Basic Pay With-Dependent

RULE	If a Service member is	then BAH or OHA
1	in a duty status or on authorized leave status not due to a PCS (includes accrued, advanced, or convalescent leave),	a. authorization continues when they are authorized BAH or OHA at the PDS. b. is not authorized when they are not authorized BAH or OHA at the PDS.
2	not authorized BAH or OHA at the PDS,	is not authorized.
3	in a duty, travel, or leave status due to a PCS, including a TDY en route, and such status is under a permissive travel authorization, *	is authorized unless permanent Government quarters are assigned or occupied.
4	on a TDY not due to a PCS, including when the status is under a permissive travel authorization,*	authorization continues as long as the PDS remains unchanged when they are authorized BAH or OHA at the PDS, except as restricted by paragraph 8.2.
5	absent due to disease (as distinguished from injury) from alcohol or drugs, causing loss of pay	a. authorization continues when they are authorized BAH or OHA at the PDS. b. is not authorized when they are not authorized BAH or OHA at the PDS. However, if quarters assignment at the PDS ends during an absence, BAH or OHA accrues on and after the end date.
6	home on a PCS awaiting further orders in connection with physical evaluation board proceedings,	authorization continues until the Service member's retirement or discharge.

*Includes status under a permissive travel authorization.

Table 26-21. Changes in Housing Allowance When a Service Member Assigned in the CONUS Acquires a Dependent

RULE	If a dependent is located	And Government quarters are	then
1	in the CONUS, Alaska, or Hawaii (BAH area) and at or near the PDS	available for the Service member,	start BAH at the with-dependent rate based on the PDS as of the date the dependent is acquired.
2	in the CONUS, Alaska, or Hawaii (BAH area) and at or near the PDS	not available for the Service member,	(1) stop BAH at the without-dependent rate the day before the dependent is acquired. (2) start BAH at the with-dependent rate based on the PDS as of the date the dependent is acquired.
3	in the CONUS, Alaska, or Hawaii (BAH area) and not at or near the PDS	available for the Service member,	start BAH at the with-dependent rate based on the PDS as of the date the dependent is acquired.
4	in the CONUS, Alaska, or Hawaii (BAH area) and not at or near the PDS	not available for the Service member,	(1) stop BAH at the without-dependent rate the day before the dependent is acquired. (2) start BAH at the with-dependent rate based on the PDS as of the date the dependent is acquired.
5	outside the CONUS, Alaska, or Hawaii (OHA area) and not at or near the PDS	available for the Service member,	start BAH at the with-dependent rate based on the PDS as of the date the dependent is acquired.
6	outside the CONUS, Alaska, or Hawaii (OHA area) and not at or near the PDS	not available for the Service member,	(1) stop BAH at the without-dependent rate the day before the dependent is acquired. (2) start BAH at the with-dependent rate based on the PDS as of the date the dependent is acquired.

Table 26-22. Changes in Housing Allowance When a Service Member Assigned OCONUS Acquires a Dependent

RULE	If a dependent is located	And Government quarters are	then
1	in the CONUS, Alaska, or Hawaii (BAH area) and not at or near the PDS	a. available for the Service member,	start BAH at the with-dependent rate based on the dependent's location as of the date the dependent is acquired.
2	in the CONUS, Alaska, or Hawaii (BAH area) and not at or near the PDS	b. not available for the Service member,	(1) stop BAH at the without-dependent rate the day before the dependent is acquired. (2) start BAH at the with-dependent rate based on the dependent's location on the date the dependent is acquired. (3) start FSH-B or FSH-O based on the PDS on the date the dependent is acquired.
3	outside the CONUS, Alaska, or Hawaii (OHA area) and at or near the PDS	a. available for the Service member,	start OHA at the with-dependent rate based on the PDS the date the dependent is acquired.
4	outside the CONUS, Alaska, or Hawaii (OHA area) and at or near the PDS	b. not available for the Service member,	(1) start OHA at the with-dependent rate based on the PDS the date the dependent is acquired. (2) stop the without dependent allowance on the day before the dependent is acquired.
5	outside the CONUS, Alaska, or Hawaii (OHA area) and not at or near the PDS	a. available for the Service member,	start OHA at the with-dependent rate based on the dependent's location on the date the dependent is acquired.
6	outside the CONUS, Alaska, or Hawaii (OHA area) and not at or near the PDS	b. not available for the Service member,	(1) start OHA at the with-dependent rate based on the dependent's location on the date the dependent is acquired. (2) stop the without-dependent allowance on the day before the dependent is acquired. (3) start FSH-B or FSH-O based on the PDS on the date the dependent is acquired.

*Table 26-23. FSH Eligibility

RULE	If	then
1	Service member is assigned to a PDS OCONUS and the dependent resides in the PDS vicinity OCONUS,	an FSH is not authorized and the Service member is only authorized the with-dependent housing allowance based on the PDS OCONUS, if otherwise meeting criteria.
2	single-type Government quarters are not available for a Service member assigned to a PDS OCONUS and the dependent does not reside in the PDS vicinity,	FSH is authorized (see Note).
3	a Service member assigned to a PDS OCONUS is residing in private-sector quarters, and single-type Government quarters are available at the Service member's PDS OCONUS,	FSH is not authorized.
4	a Service member is assigned to a PDS in the CONUS,	FSH is not authorized unless the Service member is assigned to a PDS to which dependent travel is delayed or restricted (see JTR, Chapter 5).
5	a Service member is assigned to a PDS in the CONUS for participation in PME or training for a period of at least 140 days but fewer than 365 days	FSH is authorized, provided: a. the lodging portion of per diem is not authorized, b. dependent(s) do not reside in the PDS vicinity, c. Government quarters are not available for assignment to Service member, and d. dependent(s) do not accompany the member at the PDS.

Note: This table assumes that all other eligibility requirements for FSH are met when it states FSH is authorized.

Table 26-24. Dependent Visits Service Member who is Serving an Unaccompanied or Dependent-Restricted Tour

RULE	If Government quarters are not available and the dependent	then
1	makes a bona fide social visit to the PDS for 90 or fewer days,	there is no change to the with-dependent basic housing allowance and FSH, if applicable, continues.
2	stays at the PDS for 91 or more days,	a. stop the with-dependent allowance based on the dependent's location/RC member primary residence on the 90th day. b. stop FSH on the 90th day. c. start the with-dependent allowance based on the PDS on the 91st day.
3	departs the PDS after 91 or more days to take up residence elsewhere,	a. stop the with-dependent allowance based on the PDS on the day before the dependent departs. b. reinstate the with-dependent allowance based on the dependent's location/RC member primary residence and FSH as of the departure day.

Table 26-25. Dependent Retains Permanent Residence When Service Member Assigned to Unaccompanied or Dependent-Restricted Tour at a PDS OCONUS or Unusually Arduous Sea Duty Outside the United States

RULE	If the dependent retains the permanent residence in the United States and	then
1	remains at the Service member's old PDS,	continue to pay BAH based on the old PDS.
2	is at a U.S. location other than the old PDS, and the Service member is receiving BAH based on a Secretarial waiver,	continue the BAH previously being paid.
3	is at a U.S. location other than the old PDS that is not a location for which the Service member had a Secretarial waiver,	stop old PDS-based BAH the day before the Service member's departure. Pay BAH-Transit starting on the Service member's departure day until the day before the Service member's reporting day at the new PDS. Start BAH based on the dependent's location the day the Service member arrives at the new PDS.
RULE	**If the dependent retains the permanent residence outside the United States and**	**then**
4	remains at the Service member's old PDS,	continue to pay OHA based on the old PDS.
5	is at a location OCONUS other than the old PDS and the Service member is receiving OHA based on a Secretarial waiver,	continue the OHA previously paid.
6	is at a location OCONUS other than the old PDS that is not a location for which the Service member had a Secretarial waiver,	stop OHA the day before the Service member's departure. Pay BAH-Transit starting on the Service member's departure day until the day before the Service member's reporting day at the new PDS. Start OHA based on the dependent's location the day the Service member arrives at the new PDS.

Note: For RC members, the with-dependent housing allowance is generally paid based upon the member's primary residence, regardless of the location of the dependents, so long as the dependents are not residing in the PDS vicinity.

Table 26-26. Dependent Relocates When Service Member Assigned to Unaccompanied or Dependent-Restricted Tour at a PDS OCONUS or Unusually Arduous Sea Duty Outside the United States

RULE	If the dependent	and	then
1	relocates the permanent residence from the United States to another location in the United States at Government expense	travels with the Service member,	start BAH based on the dependent's location, the day one or more dependents arrive at the new residence location and stop BAH-Transit the day before the dependent arrives.
2	relocates the permanent residence from the United States to another location in the United States at Government expense	travels after the Service member,	a. stop BAH based on the old PDS the day before the Service member departs. b. start BAH-Transit the day the Service member departs and pay it through the day before the Service member's reporting day at the new PDS. c. start BAH based on the old PDS, the day the Service member reports to the new PDS and continue it until the day before the dependent arrives at the new residence location. d. start BAH based on the dependent's location, the day one or more dependents arrive at the new residence location.
3	relocates the permanent residence at Government expense from outside the United States to the United States	travels in advance of the Service member,	start BAH based on the dependent's location, the day one or more dependents arrive at the new residence location. OHA based on the old PDS or BAH-Transit continues through the day before the dependent arrives.
4	relocates the permanent residence at Government expense from outside the United States to the United States	travels with the Service member,	a. stop OHA the day before the Service member departs. b. start BAH-Transit on the day the Service member departs and continue it through the day before the dependent arrives at the new location. c. start BAH based on the dependent's location, the day one or more dependents arrive at the new residence location.
5	relocates the permanent residence at Government expense from outside the United States to the United States	travels after the Service member,	a. stop OHA based on the old PDS, the day before the Service member departs. b. start BAH-Transit the day the Service member departs and continue it through the day before the Service member's reporting date at the new PDS. c. start OHA based on the old PDS, the day the Service member reports to the new PDS and continue it until the day before the dependent departs. d. start BAH based on the dependent's location, the day one or more dependents arrive at the new residence location.

Table 26-26. Dependent Relocates when Service Member Assigned to Unaccompanied or Dependent-Restricted Tour at a PDS OCONUS or Unusually Arduous Sea Duty Outside the United States (Continued)

RULE	If the dependent	and	then
6	relocates the permanent residence at Government expense from a location outside the United States to another location outside the United States	travels in advance of the Service member,	start OHA based on the dependent's location, the day the dependent incurs permanent lodging costs at the new residence. OHA based on the old PDS or BAH-Transit continues through the day before OHA based on the dependent's location begins.
7	relocates the permanent residence at Government expense from a location outside the United States to another location outside the United States	travels with the Service member,	a. stop OHA based on the old PDS the day before the Service member departs. b. start BAH-Transit the day the Service member departs the old PDS. c. start OHA based on the dependent's location, the day the dependent incurs permanent lodging costs at the new residence location. d. stop BAH-Transit the day before OHA based on the dependent's location begins.
8	relocates the permanent residence at Government expense from a location outside the United States to another location outside the United States	travels after the Service member,	a. stop OHA based on the old PDS, the day before the Service member departs. b. start BAH-Transit the day the Service member departs and continue it through the day before the Service member's reporting day at the new PDS. c. start OHA based on the old PDS, the day the Service member reports to the new PDS and continue it until the day before the dependent departs. d. start OHA based on the dependent's location, the day the dependent starts incurring permanent lodging costs at the new residence location.

Table 26-26. Dependent Relocates when Service Member Assigned to Unaccompanied or Dependent-Restricted Tour at a PDS OCONUS or "Unusually Arduous Sea Duty" Outside the United States (Continued)

RULE	If the dependent	and	then
9	relocates the permanent residence at Government expense from the United States to a location outside the United States	travels in advance of the Service member,	start OHA based on the dependent's location, the day the dependent incurs permanent lodging costs at the new residence location. BAH based on the old PDS, or BAH-Transit continues through the day before OHA based on the dependent's location begins.
10	relocates the permanent residence at Government expense from the United States to a location outside the United States	travels with the Service member,	a. stop BAH based on the old PDS, the day before the Service member departs. b. start BAH-Transit the day the Service member departs the old PDS. c. start OHA based on the dependent's location, the day the dependent incurs permanent lodging costs at the new residence location. d. stop BAH-Transit the day before OHA based on the dependent's location begins.
11	relocates the permanent residence at Government expense from the United States to a location outside the United States	travels after the Service member,	a. stop BAH based on the old PDS, the day before the Service member departs. b. start BAH-Transit on the day the Service member departs and continue it through the day before the Service member's reporting day at the new PDS. c. start BAH based on the old PDS, the day the Service member reports to the new PDS. d. start OHA based on the dependent's location, the day the dependent starts incurring permanent lodging costs at the new residence location. e. stop BAH based on the old PDS, the day before OHA based on the dependent's location begins.

Table 26-26. Dependent Relocates when Service Member Assigned to Unaccompanied or Dependent-Restricted Tour at a PDS OCONUS or Unusually Arduous Sea Duty Outside the United States (Continued)

RULE	If the dependent	and	then
12	relocates the residence at personal expense while the Service member is serving an unaccompanied or dependent restricted tour,	moves to an OHA area,	pay the rate for where the dependent retains the permanent residence (in or outside the United States) through the day before a dependent arrives at the new permanent residence location. OHA authority at the rate applicable to the new permanent residence location begins the day a dependent arrives at that location.
13	relocates the residence at personal expense while the Service member is serving an unaccompanied or dependent restricted tour,	relocates between BAH location,	continue BAH based on the rate for the previously authorized location—either the old PDS or the dependent's location—before the move.
14	relocates the residence at personal expense while the Service member is serving an unaccompanied or dependent restricted tour,	relocates from a designated place outside the United States (OHA area) to a U.S. location,	discontinue OHA based on the previously authorized location the day before the dependent departs. Start BAH based on the new permanent residence location, the day a dependent arrives at that location.

Note: For RC members, the with-dependent housing allowance is generally paid based on the member's primary residence, regardless of the location of the dependents, so long as the dependents are not residing in the PDS vicinity.

Table 26-27. Changes When Government Defers Dependent Travel to Duty Station OCONUS

RULE	If	and	then
1	the expected travel delay is at least 61 days but less than 20 weeks, the dependent did not relocate at Government expense,	arrives within 60 days of being given authorization to travel to the PDS OCONUS,	a. continue the with-dependent allowance based on the old PDS upon the Service member's departure. b. start FSH-O or FSH-B the day private-sector housing is acquired at the new PDS. c. stop FSH the day before the dependent arrives. d. stop the with-dependent allowance based on the old PDS the day before the dependent arrives. e. start OHA or BAH in Alaska or Hawaii at the with-dependent rate on the dependent's arrival date.
2	the expected travel delay is at least 61 days but less than 20 weeks, the dependent did not relocate at Government expense,	does not arrive within 60 days of being given authorization to travel to the PDS OCONUS,	a. continue the with-dependent allowance, based on the old PDS upon the Service member's departure. b. start FSH-O or FSH-B the day private-sector housing is acquired at the new PDS. c. stop FSH at 24:00 on the 60th day from the date travel is authorized to begin. d. change the with-dependent allowance to the rate based on the new PDS on the 61st day.
3	the expected travel delay is 20 or more weeks, the dependent did not relocate at Government expense,	arrives within 60 days of being given authorization to travel to the PDS OCONUS	a. continue the with-dependent allowance based on the old PDS upon the Service member's departure. b. start FSH-O or FSH-B the day private-sector housing is acquired at the new PDS. c. stop FSH and the with-dependent allowance the day before the dependent arrives. d. start OHA, or BAH in Alaska or Hawaii, at the with-dependent rate the day the dependent arrives at the Service member's PDS.
4	the expected travel delay is at least 61 days but less than 20 weeks, the dependent did not relocate at Government expense,	does not arrive within 60 days of being given authorization to travel to the PDS OCONUS,	a. continue the with-dependent allowance based on the old PDS, upon the Service member's departure. b. start FSH-O or FSH-B the day private-sector housing is acquired at the new PDS. c. stop FSH-O or FSH-B at 24:00 on the 60th day from the date travel is authorized to begin. d. change the with-dependent allowance to the rate based on the new PDS on the 61st day.

Table 26-27. Changes When Government Defers Dependent Travel to Duty Station OCONUS (Continued)

RULE	If	and	then
5	the dependent is relocated at Government expense	arrives within 60 days of being given authorization to travel to the PDS OCONUS,	a. rate of the old PDS to the rate of the designated location, the day the dependent arrives at the designated location. b. start FSH-O or FSH-B the day private-sector housing is acquired at the PDS. c. stop FSH the day before the dependent arrives. d. stop the with-dependent allowance, based on the dependent's location, the day before the dependent arrives at the Service member's PDS. e. start OHA, or BAH in Alaska or Hawaii, at the with-dependent rate the day the dependent arrives at the Service member's PDS.
6	the dependent is relocated at Government expense	does not arrive within 60 days of being given authorization to travel to the PDS OCONUS,	a. change the rate of the with-dependent allowance from the rate of the old PDS to the rate of the designated location, the day the dependent arrives at the designated location. b. start FSH-O or FSH-B the day private-sector housing is acquired at the new PDS. c. stop FSH-O or FSH-B at 24:00 on the 60th day from the date travel is authorized to begin. d. change the with-dependent allowance from the rate of the old PDS to the rate of the new PDS on the 61st day.

Table 26-28. Government Defers Dependent's Travel to PDS in the CONUS for 139 or Fewer Days and Old PDS is in the United States

RULE	If the dependent is not relocated at Government expense and	then
1	arrives within 60 days of travel authorization,	a. upon the Service member's departure, continue the with-dependent allowance based on the old PDS. b. start FSH-B the day private-sector housing is acquired at the new PDS. c. stop FSH the day before the dependent arrives. d. stop the with-dependent allowance based on the old PDS the day before the dependent arrives. e. start BAH at the with-dependent rate the day the dependent arrives at the Service member's PDS.
2	does not arrive within 60 days of travel authorization,	a. upon the Service member's departure, continue the with-dependent allowance based on the old PDS. b. start FSH-B the day private-sector housing is acquired at the new PDS. c. stop FSH at 24:00 on the 60th day from the date travel is authorized to begin. d. change the with-dependent allowance from being based on the old PDS to being based on the new PDS on the 61st day.

Table 26-29. Government Defers Dependent's Travel to PDS in the CONUS When the Old PDS is Outside the United States *or* the Old PDS is in the United States and the Expected Travel Delay is 140 or More Days (20 Weeks)

RULE	If the dependent is not relocated at Government expense, and	then
1	arrives within 60 days of travel authorization	a. upon the Service member's departure, continue the with-dependent allowance based on the old PDS. b. start FSH-B on the day private-sector housing is acquired at the new PDS. c. stop FSH on the day before dependent arrival. d. stop the with-dependent allowance based on the old PDS on the day before the dependent arrives. e. start BAH at the with-dependent rate as of the day the dependent arrives at the Service member's PDS.
2	does not arrive within 60 days of travel authorization	a. upon the Service member's departure, continue the with-dependent allowance based on the old PDS. b. start FSH-B on the date private-sector housing is acquired at the PDS. c. stop FSH-B at 24:00 on the 60th day from the date travel is authorized to begin. d. change the with-dependent allowance from being based on the old PDS to being based on the new PDS on the 61st day.

Table 26-29. Government Defers Dependent's Travel to PDS in the CONUS When the Old PDS is Outside the United States *or* the Old PDS is in the United States and the Expected Travel Delay is 140 or More Days (20 Weeks) (Continued)

RULE	If the dependent is relocated at Government expense, and	then
3	arrives within 60 days of travel authorization	a. change the rate of the with-dependent allowance from the rate of the old PDS to the rate of the designated location, the day the dependent arrives at the designated location. b. start FSH-B the day private-sector housing is acquired at the new PDS. c. stop FSH-B at 24:00 on the 60th day from the date travel is authorized to begin. d. stop the with-dependent allowance based on the dependent's location, the day before the dependent arrives at the Service member's PDS. e. start BAH at the with-dependent rate for the Service member's PDS the day the dependent arrives at the Service member's PDS.
4	does not arrive within 60 days of travel authorization	a. change the rate of the with-dependent allowance from the rate of the old PDS to the rate of the designated location, the day the dependent arrives at the designated location. b. start FSH-B the day private-sector housing is acquired at the new PDS. c. stop FSH-B at 24:00 on the 60th day from the date travel is authorized to begin. d. change the with-dependent allowance from being based on the dependent's location to being based on the new PDS on the 61st day.

Table 26-30. Advance Dependent Travel When Service Member's Old PDS and New PDS Are in the United States (BAH Area)

RULE	If the Service member	and a housing allowance	then
1	is assigned Government quarters at the old PDS	has been approved through the Secretarial Process for the dependent's location,	start BAH at the with-dependent rate based on the dependent's location on whichever is later: a. The arrival date. b. The date Government quarters assignment terminates. c. The effective date specified by the authorizing or approving document.
2	is not assigned Government quarters at the old PDS	has been approved through the Secretarial Process for the dependent's location,	a. start BAH at the with-dependent rate based on the dependent's location on whichever is later: (1) The arrival date. (2) The effective date specified by the authorizing or approving document. b. stop BAH based on the current PDS as of the day before BAH starts based on the dependent's location.
3	is not assigned Government quarters at the old PDS	has not been approved through the Secretarial Process for the dependent's location,	continue BAH based on the current PDS until the Service member's departure.

Table 26-31. Advance Dependent Travel When Service Member's Old PDS is in the United States (BAH Area), New PDS is Outside the United States (OHA Area)

RULE	If the Service member	and a housing allowance	then
1	is assigned Government quarters at the old PDS	has been approved through the Secretarial Process for the dependent's location,	start OHA at the with-dependent rate based on the dependent's location on whichever is later: a. The date private-sector housing is obtained at the new PDS. b. The date Government quarters assignment terminates. c. The effective date specified by the authorizing or approving document.
2	is not assigned Government quarters at the old PDS	has been approved through the Secretarial Process for the dependent's location,	a. start OHA at the with-dependent rate based on the dependent's location on whichever is later: (1) The date private-sector housing is obtained at the new PDS. (2) The effective date specified by the authorizing or approving document. b. stop BAH based on the current PDS, the day before OHA starts based on the dependent's location.
3	is not assigned Government quarters at the old PDS	has not been approved through the Secretarial Process for the dependent's location,	continue BAH based on the current PDS until the Service member's departure.

Table 26-32. Advance Dependent Travel When Service Member's Old PDS is Outside the United States (OHA Area), New PDS is in the United States (BAH Area)

RULE	If the Service member	and a housing allowance	then
1	is assigned Government quarters at the old PDS	has been approved through the Secretarial Process for the dependent's location,	start BAH at the with-dependent rate based on the dependent's location on whichever is later: a. The arrival date. b. The date Government quarters assignment terminates. c. The effective date specified by the authorizing or approving document.
2	is not assigned Government quarters at the old PDS	has been approved through the Secretarial Process for the dependent's location,	a. start BAH at the with-dependent rate based on the dependent's location on whichever is later: (1) The arrival date. (2) The effective date specified by the authorizing or approving document. b. stop OHA based on the current PDS, the day before BAH starts based on the dependent's location.
3	is not assigned Government quarters at the old PDS	has not been approved through the Secretarial Process for the dependent's location,	continue OHA based on the current PDS, until the Service member's departure.

Table 26-33. Advance Dependent Travel When Service Member's Old and New PDS are Outside the United States (OHA Area)

RULE	If the Service member	and a housing allowance	then
1	is assigned Government quarters at the old PDS	has been approved through the Secretarial Process for the dependent's location,	start OHA at the with-dependent rate based on the dependent's location on whichever is later: a. The date private-sector housing is obtained at the new PDS. b. The date Government quarters assignment terminates. c. The effective date specified by the authorizing or approving document.
2	is not assigned Government quarters at the old PDS	has been approved through the Secretarial Process for the dependent's location,	a. start OHA at the with-dependent rate based on the dependent's location on whichever is later: (1) The date private-sector housing is obtained at the new PDS. (2) The effective date specified by the authorizing or approving document. b. stop OHA based on the current PDS, the day before OHA starts based on the dependent's location.
3	is not assigned Government quarters at the old PDS	has not been approved through the Secretarial Process for the dependent's location,	continue OHA based on the current PDS until the Service member's departure.

Table 26-34. Delayed Dependent Travel When Service Member's Old PDS and New PDS Are in the United States (BAH area)

RULE	If the Service member	and a housing allowance	then
1	is assigned Government quarters at the old PDS	has been approved through the Secretarial Process for the dependent's location,	a. start BAH based on the higher of either the old PDS or the dependent's location on whichever is later: (1) The day Government quarters assignment terminates. (2) The effective date specified by the authorizing or approving document. b. base the allowance on the new PDS the day the dependent departs if the Service member has arrived at the new PDS or change it to BAH-Transit if the Service member is still in transit.
2	is assigned Government quarters at the old PDS	has not been approved through the Secretarial Process for the dependent's location,	start BAH based on the new PDS, the day Government quarters assignment terminates if the Service member has arrived at the new PDS or start BAH-Transit if the Service member is still in transit.
3	is not assigned Government quarters at the old PDS	has been approved through the Secretarial Process for the dependent's location,	a. continue BAH based on the higher of either the old PDS or on the dependent's location on whichever is later: (1) The day the Service member departs from the old PDS. (2) The effective date specified by the authorizing or approving document. b. base the allowance on the current PDS the day the dependent departs if the Service member has arrived at the new PDS or change it to BAH-Transit if the Service member is still in transit.
4	is not assigned Government quarters at the old PDS	has not been approved through the Secretarial Process for the dependent's location,	stop BAH as of the day before the Service member's departure.

Table 26-35. Delayed Dependent Travel When Service Member's Old PDS in the United States (BAH Area), New PDS Outside the United States (OHA Area)

RULE	If the Service member	and a housing allowance	then
1	is assigned Government quarters at the old PDS	has been approved through the Secretarial Process for the dependent's location,	a. start BAH based on the highest of either the old PDS or the dependent's location on whichever is later: (1) The day Government quarters assignment terminates. (2) The effective date specified by the authorizing or approving document. b. base the allowance on the new PDS the day the dependent departs if the Service member has arrived to the new PDS or change it to BAH-Transit if the Service member is still in transit.
2	is assigned Government quarters at the old PDS	has not been approved through the Secretarial Process for the dependent's location,	a. start OHA based on the new PDS, the day Government quarters assignment terminates if the Service member has arrived at the new PDS. b. start BAH-Transit if the Service member is still in transit.
3	is not assigned Government quarters at the old PDS	has been approved through the Secretarial Process for the dependent's location,	a. start BAH based on the highest of either the old PDS or the dependent's location on whichever is later: (1) The day the Service member departs from the old PDS. (2) The effective date specified by the authorizing or approving document. b. base the allowance on the new PDS the day the dependent departs if the Service member has arrived at the new PDS or change it to BAH-Transit if the Service member is still in transit.
4	is not assigned Government quarters at the old PDS	has not been approved through the Secretarial Process for the dependent's location,	stop BAH the day before the Service member's departure.

Table 26-36. Delayed Dependent Travel When Service Member's Old PDS Outside the United States (OHA Area), New PDS in the United States (BAH Area)

RULE	If the Service member	and a housing allowance	then
1	is assigned Government quarters at the old PDS	has been approved through the Secretarial Process for the dependent's location and the dependent moves to the new PDS after Government quarters terminates,	start BAH based on the new PDS, if the Service member has arrived at the new PDS, or start BAH-Transit if the Service member is in transit.
2	is assigned Government quarters at the old PDS	has been approved through the Secretarial Process for the dependent's location and the dependent moves to private-sector housing at the old PDS after Government quarters terminates,	a. start OHA based on the old PDS on whichever is later: (1) The day Government quarters terminates. (2) The date private-sector housing is obtained. (3) The effective date specified by the authorizing or approving document. b. change to BAH based on new PDS, the day the dependent departs if the Service member has arrived to the new PDS or to BAH-Transit if the Service member is still in transit.
3	is assigned Government quarters	has not been approved by the Secretarial Process for the dependent's location	start BAH based on the new PDS when Government quarters terminates, if the Service member has arrived at the new PDS or start BAH-Transit if the Service member is still in transit.
4	is not assigned Government quarters at the old PDS	has been approved through the Secretarial Process for the dependent's location,	a. continue OHA based on the old PDS on whichever is later: (1) The day the Service member departs from the old PDS. (2) The effective date specified by the authorizing or approving document. b. change to BAH based on new PDS, the day the dependent departs if the Service member has arrived to the new PDS or to BAH-Transit if the Service member is still in transit.
5	is not assigned Government quarters at the old PDS	has not been approved through the Secretarial Process for the dependent's location,	stop OHA the day before the Service member's departure.

Table 26-37. Delayed Dependent Travel When Service Member's Old and New PDS are Outside the United States (OHA Area)

RULE	If the Service member	and a housing allowance	then
1	is assigned Government quarters at the old PDS	has been approved through the Secretarial Process for the dependent's location and the dependent moves to the new PDS after Government quarters terminates,	start OHA based on the new PDS if the Service member has arrived, or BAH-Transit if in transit.
2	is assigned Government quarters at the old PDS	has been approved through the Secretarial Process for the dependent's location and the dependent moves to private-sector housing after Government quarters terminates,	a. start OHA based on the old PDS on whichever is later: (1) The date Government quarters terminates. (2) The date private-sector housing is obtained. (3) The effective date specified by the authorizing or approving document. b. change to OHA based on new PDS, the day the dependent departs if the Service member has arrived to the new PDS or to BAH-Transit if the Service member is in transit.
3	is assigned Government quarters at the old PDS	has not been approved through the Secretarial Process for the dependent's location	start OHA based on new PDS if the Service member has arrived, or BAH-Transit if in transit, when the Government quarters assignment terminates.
4	is not assigned Government quarters at the old PDS	has been approved through the Secretarial Process for the dependent's location	a. continue OHA based on old PDS on whichever is later: (1) The Service member's departure date from the old PDS. (2) The effective date specified by the authorizing or approving document. b. change to OHA based on new PDS, the day the dependent departs if the Service member has arrived to the new PDS or to BAH-Transit if the Service member is in transit.
5	is not assigned Government quarters at the old PDS	has not been approved by the Secretarial Process for the dependent's location	stop OHA on the day before the Service member's departure.

Table 26-38. Housing Allowance for Service Member in Transit on a PCS

RULE	If the Service member is en route	and	then
1	from a PDS in the United States,	Government quarters at the old PDS were not assigned	a. continue BAH based on the old PDS through the day before the Service member reports to the new PDS, to include TDY en route. b. start BAH or OHA based on the new PDS the day the Service member reports to the new PDS.
2	from a PDS outside the United States,	Government quarters at the old PDS were not assigned	a. start BAH-Transit the day the Service member departs the OHA area through the day before the Service member reports to the new PDS, to include TDY en route. b. start BAH or OHA based on the new PDS the day the Service member reports to the new PDS.
3	from a PDS in the United States,	was not paid BAH at the old PDS because Government quarters were assigned,	a. start BAH based on the old PDS the day the Service member terminates Government quarters. b. start BAH or OHA based on the new PDS the day the Service member reports to the new PDS.
4	from a PDS outside the United States,	was not paid OHA at the old PDS because Government quarters were assigned,	a. start BAH-Transit the day the Service member departs the old PDS through the day before the Service member reports to the new PDS. b. start BAH or OHA based on the new PDS the day the Service member reports to the new PDS.

Table 26-39. Housing Allowance for Service Member in Transit for New Accession

RULE	If the Service member is	and the Service member	then
1	newly inducted, enlisted, reenlisted, or an officer candidate	has a dependent located in the United States,	a. start BAH based on the dependent's location beginning the date of enlistment, entry on AD, or the date AD pay begins through the day before the day the Service member reports to the first PDS, including a training location for 20 or more weeks. b. start BAH or OHA based on the PDS on the day the Service member reports to the first PDS.
2	newly inducted, enlisted, reenlisted, or an officer candidate	has a dependent located outside the United States,	a. start BAH based on the training location beginning the date of enlistment, entry on AD, or the date AD pay begins through the day before the day the Service member reports to the first PDS, including a training location for 20 or more weeks. b. start BAH or OHA based on the PDS on the day the Service member reports to the first PDS.
3	in the pipeline in a travel, leave en route, or proceed time status while transferring from the initial training location, between training locations, and to the first PDS	has no dependents,	a. start BAH-Transit when the Service member is in a travel status between duty or training stations and start the new BAH or OHA based on the PDS the day the Service member reports to the new PDS, including a training location for 20 or more weeks. b. for an RC member, pay BAH or OHA based on the primary residence location at the time called or ordered to AD for the accession training duration, if the Service member maintains a residence and continues to be responsible for rent or owns the residence.
4	in the pipeline in a travel, leave en route, or proceed time status while transferring from the initial training location, between training locations, and to the first PDS	has a dependent in the United States,	a. continue BAH based on the dependent's location in the United States through the day before the Service member reports to the new PDS. b. start BAH or OHA based on the first PDS the day the Service member reports to the first PDS.

Table 26-39. Housing Allowance for Service Member in Transit for New Accession (Continued)

RULE	If the Service member is	and the Service member	then
5	in the pipeline in a travel, leave en route, or proceed time status while transferring from the initial training location, between training locations, and to the first PDS l	has a dependent outside the United States,	a. continue BAH based on the training site through the day before the Service member reports to the new PDS. b. start BAH or OHA based on the first PDS the day the Service member reports to the first PDS.
6	an Academy or ROTC graduate remaining at the graduation or commission location awaiting follow-on training and not assigned Government quarters	has no dependents,	a. pay BAH based on the graduation or commission location through the day before departure en route to the training location. b. apply BAH-Transit thereafter. See rule above for a Service member in the pipeline in a travel, leave en route, or proceed time status while transferring from the initial training location, between training locations, to the first PDS, and has no dependents.
7	a new accession Service member at a training site	who pays child support but does not have physical custody of the child and has no other dependents	Pay BAH-Diff if the child support meets or exceeds the BAH-Diff rate.

Table 26-40. Housing Allowance for Service Member in Transit for Final Discharge, Separation, or Retirement

RULE	If the Service member is	from	then
1	in a leave status away from the PDS awaiting final discharge	a PDS in the United States,	continue BAH based on the old PDS through the date of discharge.
2	processing for separation or retirement	a PDS in the United States,	continue BAH based on the old PDS through the date of separation or the day before the effective date of retirement.
3	processing for separation or retirement	a PDS outside the United States with a processing location in the United States,	a. start BAH based on the retirement or separation processing location beginning the day the Service member departs the PDS, pay through the date of separation or the day before the effective date of retirement, then stop the allowance; or b. continue housing allowance based on a dependent's location, if applicable, through the date of separation or the day before effective date of retirement, then stop the allowance.
4	processing for separation or retirement	a PDS outside the United States and returns to the United States after processing OCONUS,	a. start BAH based on the leave address provided as part of the final out-processing, beginning the day the Service member departs the PDS, pay through the date of separation or the day before the effective date of retirement, then stop the allowance; or b. continue housing allowance based on a dependent's location, if applicable, through the date of separation or the day before the effective date of retirement, then stop the allowance.
5	processing for separation or retirement	a PDS outside the United States and remains at the PDS,	continue OHA based on the PDS through the date of separation or the day before the effective date of retirement, provided the Service member continues to occupy private-sector leased or owned housing, then stop the allowance.

Table 26-40. Housing Allowance for Service Member in Transit for Final Discharge, Separation or Retirement (Continued)

RULE	If the Service member is	from	then
6	processing for separation or retirement	a PDS outside the United States and the Service member remains OCONUS but moves to a different country,	a. stop OHA based on the PDS when the Service member stops paying rent or when the Service member departs the PDS area, and either: b. start OHA based on the location OCONUS the Service member moves to establish a residence on the day the Service member obtains private-sector housing, pay through the date of separation or the day before the effective date of retirement, then stop the allowance; or **c.** continue housing allowance based on a dependent's location, if applicable, through the date of separation or the day before the effective date of retirement, then stop the allowance.

Table 26-41. Examples of BAH-RC or BAH/OHA Changes for an RC Member

RULE	If	and	then
1	a member is an AGR or is on orders for a contingency operation,	blank	BAH or OHA would begin on day 1 through the end of the orders.
2	a member is on orders for 15 days,	the orders are not extended or amended,	BAH-RC would begin on day 1 through the end of the orders.
3	a member is on orders for 15 days,	on day 9 the orders are extended or amended to add an additional 16 days,	BAH-RC would end on day 8 and BAH or OHA would begin on day 9 then continue through day 31.
4	a member is on orders for 15 days,	on day 11 a new set of 16-day orders are received commencing immediately following the first with no break,	BAH-RC would end on day 10 and BAH or OHA would begin on day 11 then continue through day 31.
5	a member is on orders for 15 days,	on day 7 a new set of 16-day orders are received to commence 2 days after the first orders end (2-day break),	BAH-RC continues through day 15 of initial orders; BAH-RC commences on day 1 of the new orders through day 16.

*REFERENCES

CHAPTER 26 – Housing Allowances

1.0 – GENERAL

	37 U.S.C. § 403

2.0 – INTRODUCTION

2.1	DSSR § 130

3.0 – DETERMINING DEPENDENCY

3.3.1.	26 C.F.R. § 1.152-1(a)(2)
3.4.2.1.1.	42 U.S.C., Chapter 7 26 C.F.R. § 1.152-1(a)(2)
3.4.2.1.2.	IRS Publication 501 (2023)
3.6	59 Comptroller General Decision (Comp. Gen.) 681 (1980)

4.0 – IMPACT OF CERTAIN CHILD CUSTODY AND FAMILY ARRANGEMENTS ON HOUSING ALLOWANCE

	37 U.S.C. § 421
4.3.2.	70 Comp. Gen. 703
4.5.2.2.	58 Comp. Gen. 100
4.5.2.3.	Comp. Gen. B-217665 Comp. Gen. B-180328 Comp. Gen. B-270432
4.5.2.3.1.	54 Comp. Gen. 665
4.5.3.1.5.	64 Comp. Gen. 121

5.0 – BASIC ALLOWANCE FOR HOUSING (BAH)

5.5.2.	37 U.S.C. § 1009(c)(2)
5.3	National Defense Authorization Act for Fiscal Year 2020, Public Law 116-92, Section 605, December 20, 2019 37 U.S.C. § 403(b)(7) 37 U.S.C. § 403(b)(8)
5.4	37 U.S.C. § 403(a)
5.5	10 U.S.C. § 2881 37 U.S.C. § 403(n) 37 U.S.C. § 403(o)

References (continued)

6.0 – OVERSEAS HOUSING ALLOWANCE

6.1	Office of the Assistant Secretary of Defense (OASD) Manpower and Reserve Affairs (M&RA) Memo, March 17, 2021
6.4.3.4.3.	JTR, Chapter 5, Section 0519
6.8	DSSR § 130
	DoDI 1400.25, Volume 1250, February 23, 2012

7.0 – FAMILY SEPARATION HOUSING (FSH) ALLOWANCE

	JTR, Chapter 5, Section 0504, paragraph 050405
	DoDI 1315.18, October 28, 2015, Incorporating Change 3, Effective June 24, 2019
	OASD (M&RA) Memo, August 12, 2020
	OASD (M&RA) Memo, January 5, 2020
	37 U.S.C. § 403(d)(1)
	OASD (M&RA) Memo, August 8, 2024

8.0 – GOVERNMENT QUARTERS

	10 U.S.C. § 1077
	10 U.S.C. § 2830

9.0 – PRIVATIZED HOUSING

	10 U.S.C. §§ 2871-2885

10.0 – ASSIGNMENT SITUATIONS

10.2.4.2.2.	37 U.S.C § 453(c)
10.5	DoDI 1241.01, April 19, 2016
	OASD (M&RA) Memo, October 29, 2020
	37 U.S.C. § 204(g) and (h)
	37 U.S.C. § 403(g)(6)(C)(iii)
	OASD (M&RA) Memo, August 8, 2024
	37 U.S.C. § 403(g)(3)
10.7	OASD (M&RA) Memo, August 12, 2020
10.8	OASD (M&RA) Memo, May 5, 2020
10.13	37 U.S. § 403
Table 26-17	OASD (M&RA) Memo, May 5, 2020
Table 26-18	OASD (M&RA) Memo, August 8, 2024

References (continued)

Table 26-19	OASD (M&RA) Memo, May 5, 2020
Table 26-23	OASD (M&RA) Memo, August 8, 2024

VOLUME 7A, CHAPTER 27: "FAMILY SEPARATION ALLOWANCE (FSA)"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated October 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
2.2	Clarified the definition of a child.	Revision
2.3	Clarified Family Separation type T.	Revision
References	Updated statutes and supporting references.	Revision

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CHAPTER 27

FAMILY SEPARATION ALLOWANCE (FSA)

1.0 GENERAL

1.1 Purpose

The chapter provides policy for FSA. FSA provides compensation for added expenses incurred because of an enforced family separation under one of the conditions in subparagraphs 2.3.1.1 through 2.3.1.3. FSA is payable to qualified members serving inside or outside the United States. It is not authorized when a member performs duty at any station under permissive orders (except when subparagraph 4.1.3 applies).

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with Title 37, United States Code, section 427 (***37 U.S.C. § 427***). Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 ENTITLEMENT PROVISIONS

2.1 Types Authorized

FSA is payable to members with dependents and a member married to another member of the uniformed services regardless of any other dependency status. FSA is payable in addition to any other allowance or per diem, to which a member may be entitled. The member, however, may not receive more than one payment of FSA for the same period, even though qualified for FSA-Restricted (FSA-R), FSA-Ship (FSA-S), and FSA-Temporary (FSA-T). Members must complete a DoD ***(DD) Form 1561*** (Statement to Substantiate Payment of Family Separation Allowance) to substantiate entitlement to FSA.

*2.2 Definitions

2.2.1. Dependents. The term "dependents" has the same meaning as defined in the Volume 7A, Definitions and is further defined in subparagraphs 2.2.1.1 through 2.2.1.4:

2.2.1.1. Child. A dependent child(ren) is an unmarried child(ren) of the member as defined in the Volume 7A, Definitions, who is in the legal custody of the member. For the purposes of FSA, legal custody includes a circumstance in which the member shares joint physical, and legal custody of a dependent child(ren) and that the child(ren) physically reside(s) with the member on an equal basis (no less than 14 days during a month) as compared to the time the child(ren) reside(s) with the former spouse, biological mother, or other legal guardian. In such instances, FSA eligibility is based on the fact that the member's actual physical custody of the

child(ren) is precluded due to an enforced family separation described under paragraph 2.3. Such custody arrangements must be stipulated in a signed court order, divorce decree, or a signed affidavit of custody (signed and sworn by a notary and shared guardian), subject to verification of the Secretary of the Military Department concerned. See subparagraph 3.1.3.

2.2.1.2. Parents. The term "Parents" is defined in the Volume 7A, Definitions.

2.2.1.3. Spouse. An individual who is legally married to the Service member.

2.2.1.4. Ward. The term "Ward" is defined in the Volume 7A, Definitions.

2.2.2. Duty Station. The term "duty station" is defined in the Volume 7A, Definitions.

2.2.3. Permanent Duty Station (PDS). The term "PDS" is defined in the Volume 7A, Definitions.

2.2.4. Household. The term "household" means the same as "home" or "family." It applies to a collection of persons living under one roof, having one head or manager who controls and supervises the affairs of the family. For FSA purposes, this applies only to secondary dependents.

*2.3 FSA

2.3.1. When Payable. FSA is payable to a member serving in any grade as a member with dependents. The member must meet all general requirements and one of the following conditions:

2.3.1.1. FSA - R

2.3.1.1.1. The member's dependents, including dependents acquired after the effective date of Permanent Change of Station (PCS) orders (see Table 27-1 (FSA Commencement Dates), rules 8 and 9), do not live in the vicinity of the member's homeport/PDS, and their transportation to or near the PDS is not authorized at government expense (see paragraph 4.1).

2.3.1.1.2. Transportation of dependents is authorized at government expense, but member elects an unaccompanied tour of duty because a dependent cannot accompany the member to, or at that homeport/PDS due to certified medical reasons, regardless of the date on which the member first made the election to serve an unaccompanied tour.

2.3.1.2. FSA - S. The member is on duty aboard a ship:

2.3.1.2.1. and the ship is away from the homeport continuously for more than 30 days: or

2.3.1.2.2. under orders to remain on board a ship while at homeport and whose duty on board the ship is for a continuous period of more than 30 days. When a member is

under orders to remain on board a ship while at homeport, the days on the ship while at homeport will count towards the more than 30 continuous days, except when a member is required to stay on board for disciplinary reasons.

NOTE: The dependents are not required to reside in the vicinity of the homeport.

2.3.1.3. FSA - T. The member is on Temporary Duty (TDY) or Temporary Assigned Duty (TAD) away from their PDS or homeport continuously for more than 30 days, and the member's dependents do not reside at or near the TDY or TAD station. This includes members who are required to perform a period of the TDY or TAD before reporting to their initial station of assignment. Members on an unaccompanied tour are entitled to FSA-T for TDY or TAD periods of over 30 continuous days if the member's dependents do not reside at or near the TDY or TAD station and they do not reside near the PDS as defined in paragraph 3.3.

NOTE: If a member is able to commute daily or actually commutes daily to the location of the dependents, then the member's dependents are considered to be at or near the temporary duty location. A member is considered to be able to commute daily if conditions in section 3.3.1 are met. In the case of a Reserve Component (RC) member, other than an RC member executing permanent change of station orders, member of the Active Guard and Reserve or an RC member activated for a period of a such duration that the activation results in a permanent change of station the PDS is considered to be the location from which the RC member is ordered to active duty or the member's place of entry to active duty.

2.3.2. Amount Payable

Effective October 1, 2002, FSA is payable in a monthly amount of $250.

2.3.3. Conditions:

2.3.3.1. For specific commencement dates, see Table 27-1;

2.3.3.2. For overseas eligibility, see Table 27-2;

2.3.3.3. For specific dates to stop FSA, see Table 27-3; and

2.3.3.4. For specific conditions of entitlement, see Table 27-4.

2.3.4. Member Married to Member

2.3.4.1. FSA is payable to a member married to another member regardless of whether the member has any non-active-duty dependents, when all other general conditions are met, and provided members were residing together immediately before being separated by reason of execution of military orders.

2.3.4.1.1. Except as provided in subparagraph 2.3.4.2, not more than one monthly FSA may be paid with respect to a married military couple for any month. Each member

may be entitled to FSA within the same month, but both cannot simultaneously be entitled. Payment will be made to a member whose orders resulted in the separation. If both members receive orders requiring departure on the same day, then payment will go to the senior member.

2.3.4.1.2. If a member meets the requirements for credit of FSA, but entitlement is precluded by an existing entitlement status of the spouse, then the second member may, if still qualified, immediately become entitled to FSA upon termination of the spouse's status. The couple may qualify for sequential entitlements to FSA, provided military orders keep them continuously separated.

2.3.4.1.3. In order to qualify for a subsequent entitlement to FSA, a married member couple, no longer separated by reason of military orders, must reestablish a joint household and reside together.

2.3.4.2. FSA is payable to both married members when they reside together with their dependents immediately before being separated from dependents, by competent orders to assignments prescribed in subparagraphs 2.3.1.1 through 2.3.1.3. Each member's entitlement is determined individually based on assignment and separation from dependents. The dual allowance will continue until one of the members is no longer assigned to one of those duty assignments. The other member will continue to receive the allowance until no longer assigned to one of those duty assignments. This is true even when both members are assigned to the same duty location away from their dependents.

2.3.4.3. In the case of a member married to another member, and the couple has a child, one member may claim the child for entitlement to Basic Allowance for Housing and the other member, when otherwise entitled, may claim the child for entitlement to FSA. The FSA entitlement may alternate between members based on the same dependent. However, FSA may not be paid simultaneously to both members on behalf of the same dependent, except as provided in subparagraph 2.3.4.2. See subparagraph 4.1.4.

3.0 DEPENDENTS SEPARATION REQUIREMENTS

3.1 Dependents

A member is not considered "a member with dependents" for FSA entitlement when:

3.1.1. The sole dependent is placed in an institution for a known period of over 1-year or for an indefinite period, which may be expected to exceed 1-year;

3.1.2. The sole dependent is a spouse legally separated or child(ren) in the legal custody of another person. An exception occurs when the member has joint physical and legal custody of the child(ren) and the child(ren) otherwise would reside with the member at least 14 days each month, for the current assignment. In such assignment, the member will be considered as a "member with dependents" for FSA entitlement;

3.1.3. The member has been awarded joint legal and physical custody of the child(ren) as a result of a court ordered custody agreement or finalized divorce decree, which provides that the child(ren) physically reside with the member less than 14 days during the month;

3.1.4. The member's dependent parent does not reside in the home, which the member controls, supervises, and maintains for mutual use when circumstances permit; or

3.1.5. A dependent is entitled to active-duty basic pay. This does not negate an entitlement to FSA to a couple comprised of a member married to another member with no other dependents. Such a couple is entitled to FSA.

3.2 Temporary Social Visits by Dependents

3.2.1. FSA-R. Credit continues to accrue while the member's dependents visit at or near the member's PDS, but for no longer than 3 continuous months. Facts clearly must show that the dependents merely are visiting (not changing residence) and that the visit is temporary and not intended to exceed 3 months. If, for unforeseen reasons (due to illness or other emergency), a bona fide social visit extends beyond 3 months, then stop credit for FSA at the end of the 3-month period. If the visit initially is intended to exceed 3 months, then stop FSA credit the day before the dependents arrive at the member's PDS. Credit is again authorized on and after the day that the dependents depart from the PDS. A member is entitled to FSA-R, even though one or more (but not all) dependents visit for longer than 3 months if the member is entitled on behalf of the dependents who are not visiting the member.

3.2.2. FSA-S. Credit continues to accrue to the member whose dependents are visiting at or near the duty station (or any port) continuously for 30 days or less. Facts must show that the dependents merely are visiting. If the visit exceeds 30 days, then entitlement to FSA-S ends on the day preceding the date of dependent arrival, unless the visit is extended because of illness or other emergency. Under such circumstances, payment of FSA-S is limited to 30 days. Entitlement to FSA-S exists if one or more (but not all) of the dependents visit for longer than 30 days if the member otherwise is entitled to FSA-S on behalf of the dependents who are not visiting the member.

3.2.3. FSA-T. Credit continues to accrue to a member whose dependents visit at or near the TDY or TAD continuously for 30 days or less. Facts must show that the dependents are merely visiting. If the visit exceeds 30 days, then the member is not entitled to FSA-T for any part of the period, unless the visit is extended because of illness or other emergency. Under such circumstances, payment of the allowance is limited to 30 days. Entitlement to FSA-T resumes on the day that the dependents depart the TDY or TAD, if the member's TDY or TAD extends for more than 30 days from that date. Entitlement to FSA-T exists if one or more (but not all) of the dependents visit for longer than 30 days if the member otherwise is entitled on behalf of the dependents who are not visiting the member.

3.3 Dependents Reside Near Duty Station

3.3.1. FSA does not accrue to a member if all of the dependents reside at or near the duty station. If some (but not all) of the dependents voluntarily reside near the duty station, then FSA may accrue on behalf of those dependents who do not reside at or near the duty station. Consider dependents as residing near a duty station if the member actually commutes daily, regardless of distance. Also, consider dependents as residing near a duty station if they live within a reasonable commuting distance of that station, whether or not the member commutes daily. A distance of 50 miles, one way, is normally considered to be within a reasonable commuting distance of a PDS (see subparagraph 2.3.1.3 Note for RC members), but the 50-mile rule is not inflexible.

3.3.2. Unusual conditions may permit a determination that dependents do not live within a reasonable commuting distance, even though the distance involved is less than 50 miles one way. In a situation where the distance is less than 50 miles, but the time required to commute one way by commonly used route and method of transportation would exceed one and a half hours, the dependents may be considered as not residing near the member's duty station, unless the member actually commutes daily.

3.3.3. If dependents are authorized concurrent travel with the member to the duty station and are subsequently authorized to reside at a point over 50 miles from the member's duty station for personal reasons, rather than as a result of military restriction on dependents' travel, then FSA entitlement does not accrue.

3.3.4. In questionable cases, commanders may submit requests for determination through channels to the appropriate office listed:

3.3.4.1. Army:
Deputy Chief of Staff, G-1
ATTN: DAPE-PRC
300 Army Pentagon
Washington, DC 20310

3.3.4.2. Navy:
Chief of Naval Operations, (N130)
701 South Courthouse Rd
Arlington, VA 22204-2472

3.3.4.3. Air Force:
Commander, Air Force Personnel Center
550 C Street West
Randolph AFB, TX 78150-6421

3.3.4.4. Marine Corps:
Commandant of the Marine Corps (RFF)
James W. Marsh Center
3280 Russell Road
MCB Quantico, VA 22134

4.0 CONDITIONS OF ENTITLEMENT

4.1 Entitlement Incident to PCS Reassignments

4.1.1. Continental United States (CONUS) Assignments. Conditions of FSA entitlement incident to regular CONUS PCS reassignments and permissive PCS reassignments are detailed in subparagraphs 4.1.1.1 through 4.1.1.3.

4.1.1.1. Entitlement to FSA upon regular PCS is authorized only when movement of a member's dependents to the new PDS is not authorized at government expense.

4.1.1.2. A member who is otherwise entitled to transportation of dependents at government expense, but whose dependent cannot accompany the member to or at that homeport/PDS due to certified medical reasons, is entitled to FSA under this subparagraph.

4.1.1.3. A member who otherwise is authorized movement of dependents at government expense to PDS is not so authorized when he or she is voluntarily reassigned on PCS under permissive orders. Separation from dependents under these circumstances is not an enforced separation due to government requirements. The member, therefore, is not entitled to FSA under this subparagraph.

4.1.2. Waiver Provision. See subparagraph 4.1.4 for circumstances in which waivers may be granted.

4.1.3. Overseas Assignments. Dependents are permitted in some areas overseas and not permitted in others (dependent-restricted areas). A member selected for PCS overseas to an area where his or her dependents are permitted must elect to serve either an unaccompanied or an accompanied tour.

4.1.3.1. Except as waived by the Secretary of the Military Department concerned, a member electing to serve an unaccompanied tour, in lieu of an accompanied tour at a PDS where his or her dependents are permitted, is not entitled to FSA-R for such a tour. A member who is in receipt of accompanied tour orders, and subsequently requests to serve an unaccompanied tour, to include a dependents-restricted tour, in lieu of an accompanied tour at a PDS where his or her dependents are permitted, is not entitled to FSA-R for such a tour. Secretarial waiver of this policy may be granted in situations where it would be inequitable to deny FSA-R to a member because of the unusual family or operational circumstances.

4.1.3.2. See applicable procedures for tour elections and secretarial waiver in the appropriate individual Military Service regulation.

4.1.3.3. Refer to Table 27-2 (FSA-R, Overseas Assignment) for FSA entitlement for otherwise eligible members assigned PCS overseas.

4.1.3.4. A member who voluntarily is reassigned PCS (overseas) under permissive orders from the station where he or she already is entitled to FSA-R remains entitled if reassigned

to an area overseas where dependents are not permitted (dependent-restricted tour) or under circumstances authorized by secretarial waiver.

4.1.4. Unusual Family or Operational Circumstances Defined. Unusual family or operational circumstances are defined as those in which the Secretary of the Military Department concerned determines that it is in the best interest of the government to permit payment of FSA to members who, through no fault of their own, must relocate in an unaccompanied status under certain circumstances.

4.1.4.1. The Military Services may waive provisions of subparagraphs 4.1.1.1, 4.1.1.2, and 4.1.1.3 when it is in the best interest of the government to permit payment to members who, through no fault of their own, must relocate in an unaccompanied status for reasons of equity in the unusual family or operational circumstances. Waiver under these circumstances is effective upon the date granted. This approval authority is hereby granted to:

4.1.4.1.1. Service Secretaries or their designated representatives at the headquarters level which governs compensation policy; or

4.1.4.1.2. Combatant commands and Service major commands.

4.1.4.2. Waiver authority should be used prudently.

4.1.4.3. Waiver under these circumstances is effective upon the date granted:

4.1.4.3.1. When ordered to a new overseas duty station where terrorist activity would make it inappropriate for dependents to accompany the member; or

4.1.4.3.2. When ships in overhaul make temporary homeport changes.

4.1.4.4. Provided the requirements of subparagraph 2.3.1 are met, other than the requirement that the member's dependents reside at the homeport or PDS, a waiver issued by the Secretary of the Military Department concerned will apply to the entire period of the deployment, an interim period, and redeployment.

4.1.5. Delays Caused by the Government (Table 27-2, Note 4). The following are examples of delays in transportation of dependents due to government reasons:

> Example 1: On July 1, a member's advance application for concurrent travel of dependents to the overseas station was disapproved by the CONUS commander due to lack of available government-owned transportation facilities. The commander's disapproval contained a statement that the anticipated delay for movement of dependents is more than 60 days. The member departed the old station on July 6 and arrived at the overseas station on July 7 where government quarters were not available. Dependents joined the member on September 26 having performed travel under orders dated September 10. The member was entitled to FSA for the period July 6 through September 25.

Example 2: The member applied for a dependency determination for his or her dependent mother on June 3 and was transferred overseas on September 14. After arrival overseas, the member received approval of the dependency application for his or her dependent mother retroactive to May 1. The mother was not authorized concurrent travel to the member's PDS because the determination of dependency had not been made on the effective date of those orders. Delay in processing the dependency application was caused by the government. Before the transfer overseas, the member had maintained quarters to be shared with his or her mother. An enforced separation resulted upon transfer overseas. Credit for FSA accrues from the date the member departed from the PDS or the first day of authorized travel time, whichever is later, through the day before the date that his or her dependent mother arrived at the overseas station.

4.1.6. Changes in Tour Elections. See Table 27-2, rules 12 and 13.

4.1.7. Dependents Evacuated. A member is entitled to FSA if separated from dependents as a result of either an authorized evacuation or an ordered evacuation, provided that the requirements for FSA are otherwise met. Payment does not begin until the 31st day of an ordered evacuation. FSA is not payable when evacuation is due to member or dependent misconduct.

NOTE: Once the authorized evacuation is approved, FSA is paid retroactively to when dependents are evacuated.

4.1.8. Dependents' Travel Prohibited Under Immigration Laws. No entitlement to FSA-R accrues if a dependent is authorized transportation at government expense but is not eligible under immigration laws for entry into the United States before a member reports to the new PDS. (Entitlement to FSA-T or FSA-S is not affected by this subparagraph.)

4.2 Unit Ordered on Exercise for More Than 30 Days

Otherwise, qualified members of a unit are entitled to FSA-T when the unit is ordered on an exercise for more than 30 days.

4.3 FSA During a Missing Status

FSA-T continues to accrue to a qualified member while in a missing status unless there is a change in the status of the dependents, which would terminate entitlement. See Table 27-3 (Date to Stop FSA). A member may qualify for FSA-T while in a missing status if a continuous period of more than 30 days is completed after entry into the missing status. See paragraph 4.4.

Example: A member departed the PDS on TDY or TAD August 9, was downed by hostile fire while flying over enemy territory on September 2, remained in a missing status until November 4, and returned to PDS on November 10. The member qualified for FSA-T on September 8. If otherwise qualified, then entitlement exists for FSA-T for the period August 9 to November 9.

4.4 Computation of Single or Multiple Periods of More Than 30 Days

4.4.1. FSA-T for Single Periods. Credit for FSA-T may not be applied until the member has been on TDY or TAD away from his PDS continuously for more than 30 days. Compute this period as follows:

4.4.1.1. Count actual number of days in the month, including the day the member departs the PDS on TDY or TAD and the day of return to the PDS. Include the 31st day of the month in this computation, even though payment is made on a 30-day month basis, as prescribed in Chapter 1, section 2.0.

4.4.1.2. Include days of authorized travel time to and from the TDY or TAD station. When there is no delay en route chargeable as leave, count the day of departure from the PDS and the day of return to the PDS. When delay en route chargeable as leave is authorized, count the constructive day of departure and the constructive day of return. Compute these days as follows:

4.4.1.2.1. Constructive day of departure from the PDS either is the actual date of detachment plus days of authorized leave, proceed time, and permissive travel days used or the first day of authorized travel, whichever is later.

4.4.1.2.2. Constructive day of return to the PDS is the actual date of return minus number of days leave authorized and used, minus the number of permissive travel days actually used.

Example 1: The member permanently stationed at site A is ordered TDY or TAD to site B for training of approximately 30 days. Training is to begin June 1. The member is authorized travel by privately owned conveyance (POC) as more advantageous to the government, and 5 days of leave en route. The member departs from site A on May 25 and uses 5 days of leave en route to site B. The member completes the training on June 27, departs from site B on June 28, and returns to duty at site A on June 30. Constructive day of departure is May 30. The period of absence is 32 days (May 30 - June 30). If a member qualifies under paragraph 2.3, then entitlement exists to FSA-T for 30 days (i.e., there is no entitlement for May 31 and June 30).

Example 2: Circumstances are the same as in Example 1, except that the member uses 5 days of leave after completion of training. The member departs from site A on May 30, completes training on June 27, departs from site B on June 28, and returns to duty at site A on July 5. The constructive day of return is June 30. The period of absence is 32 days, computed as in Example 1. If the member otherwise qualifies, then entitlement exists to FSA-T for 30 days.

4.4.1.3. When TDY or TAD is authorized in conjunction with PCS, include days of authorized travel time to the TDY or TAD station and from the TDY or TAD station to the new duty station. When there is no delay en route or proceed time involved, count the day of departure

from the old duty station and the day of arrival at the new duty station. When delay en route and proceed time are authorized and used, the day of departure from the old station and the day of arrival at the new station will be constructed in the manner indicated in subparagraphs 4.4.1.2.1 and 4.4.1.2.2. Proceed time authorized and used will be included with the delay when making the computation. Consecutive assignments to TDY or TAD in conjunction with PCS may be combined in determining the 30-day period.

4.4.1.4. Under specific circumstances, when travel in connection with TDY or TAD is performed by POC for the convenience of the traveler, payment based on actual travel expenses may be more economical to the government than payment based on constructive travel time over a usually traveled route. In that case, the Joint Travel Regulations (JTR) authorizes travel payment based on the actual mode of transportation. In computing the more than 30 days required for entitlement to FSA-T under these circumstances, ensure that the computation is based on the mode of transportation, which governed payment of a particular member's travel allowance. Computation for FSA-T entitlement under this subparagraph is not necessarily based on constructive travel time.

4.4.1.5. If a member's TDY or TAD status is interrupted, then do not combine days before the interruption with those after the interruption to compute a continuous period of more than 30 days. Periods of leave, hospitalization, military confinement in a pay status, or short visits to the PDS do not interrupt the period unless the member is relieved from the attachment to the TDY or TAD station. A member who returns to the PDS to assume a duty status (such as participation in official flights) does interrupt a period of TDY or TAD. If leave en route is authorized after detachment from the TDY or TAD station, then add constructive travel time from the TDY or TAD station to the PDS to the period of TDY or TAD in determining the 30-day period.

4.4.2. FSA-T for Multiple Periods of Deployment. Provided the conditions of subparagraph 2.3.1.3 are met, the periods of FSA-T eligibility for multiple periods of TDY or TAD deployment, including the periods between such deployments, are calculated as follows:

4.4.2.1. Count. Although payment is made on a 30-day month basis, count the actual number of days in each applicable month, to include the 31st day of the month, as one of the actual days.

4.4.2.2. Computation. Calculate the FSA-T period of the initial TDY or TAD deployment to determine the initial deployment period as described in subparagraph 4.4.1.

4.4.2.3. Interim and Redeployment Period

4.4.2.3.1. The interim period begins on the day after the initial deployment through the day prior to redeployment. The interim period must be 30 days or less.

4.4.2.3.2. The redeployment period begins the day that the member departs the PDS and ends upon return to the PDS. The redeployment period must be more than 30 days and will be added to the interim period.

Example 1: The member permanently stationed at site A is ordered to perform TDY or TAD at site B for 45 days, with departure from PDS on January 2 and return to PDS on February 15. The member departs from PDS on March 18 for redeployment of 35 days. Since the member qualified for FSA-T for the initial deployment, he or she is eligible for continued FSA-T for the total 65 days of interim/redeployment period (actual interim period of 30 days and redeployment of 35 days).

Example 2: The member permanently stationed at site A is ordered to perform TDY or TAD at site B for 60 days, with departure from PDS on March 1 and return to PDS on April 29. The member departs from PDS on May 31 for redeployment of 40 days. Although the member qualified for the initial 60-day period deployment, he or she is ineligible for the interim period. The actual interim period is 31 days (April 30 - May 30). The member would be entitled to FSA-T for the actual redeployment period (40 days).

Example 3: The member permanently stationed at site A is ordered to perform TDY or TAD at site B for 31 days, with departure from PDS on June 1 and returns to the PDS on July 1. The member departs from PDS on July 2 for redeployment of 41 days. Since the member qualified for FSA-T for the initial deployment of 31 days, he or she is eligible for the continued FSA-T for the interim/redeployment period (actual interim period is 0 days, actual redeployment period is 41 days).

4.4.3. FSA-S for Single Periods. Credit for FSA-S may not be applied until the member has been on duty onboard a ship away from the homeport of the ship for a continuous period of more than 30 days. However, if a member is under orders to remain on board a ship while at homeport, the days on the ship while at homeport will count towards the more than 30 continuous days, except when a member is required to stay on board for disciplinary reasons. Periods of leave, TAD, hospitalization, military confinement in a pay status, or short visits by the member (not the ship) to the homeport of the ship do not interrupt the qualifying period unless the member is detached (PCS) from the ship. Consecutive assignments to duty onboard two or more ships away from the homeport may be combined to meet this requirement. See Example 5. In computing the continuous period of more than 30 days, count the actual number of calendar days (including the 31st day of the month) that the member was on duty onboard a ship while it was away from its homeport. Include in this computation the day of departure onboard a ship from its homeport (or the day the member joins or rejoins a ship away from its homeport, if applicable) and the day of return onboard a ship to its homeport. The following examples show how to compute the more-than-30-day period and the related amount of FSA-S payable.

Example 1: A member onboard a ship that departs its homeport on June 15 and returns on July 15 is entitled to FSA-S in the amount of $250 (actual period of 16 days in June and 15 days in July = 31 days; 16 days in June and 14 days in July = 30 days for payment).

Example 2: A member onboard a ship that departs its homeport on October 5 and returns on November 4 is entitled to FSA-S in the amount of $241.83 (actual

period of 27 days in October and 4 days in November = 31 days; 26 days in October and 3 days in November = 29 days for payment).

Example 3: A member onboard a ship that departs from its homeport on February 25 (non-leap year) and returns on March 26 is not entitled to FSA-S since the absence is not more than 30 days (actual period of 4 days in February and 26 days in March).

Example 4: A member who reports onboard a ship on May 25 while it is away from the homeport and returns with the ship to the homeport on June 30 is entitled to FSA-S in the amount of $291.67 (actual period of 7 days in May and 30 days in June = 37 days; 6 days in May and 29 days in June = 35 days for payment).

Example 5: A member onboard a ship A that departed from its homeport on August 2 was transferred (PCS) to ship B on August 18 (detached and attached the same day) while ship B was away from its homeport. The member remains aboard ship B until it returns to the homeport on September 6. The member is entitled to FSA-S in the amount of $283.33 (actual period of 30 days in August and 6 days in September = 36 days; 29 days in August and 5 days in September = 34 days for payment).

Example 6: A member onboard a ship departs its homeport on June 15 and returns to homeport on June 19 and the member is under orders to remain on board the ship for 14 days while at homeport beginning June 19. The ship departs homeport on July 3 and returns on July 15. Member is entitled to FSA-S in the amount of $250 (actual period of 16 days in June and 15 days in July = 31 days; 16 days in June and 14 days in July = 30 days for payment).

4.4.4. FSA-S for Multiple Periods of Deployment. Provided the conditions of subparagraph 2.3.1.2 are met, the periods of FSA-S eligibility for multiple periods of TDY or TAD deployment aboard a ship, including the period between such deployments, are calculated as follows:

4.4.4.1. Count. Although payment is made on a 30-day month basis, count the actual number of days in each applicable month by including the 31st day of the month as one of the actual days.

4.4.4.2. Computation. Calculate the FSA-S period of the initial deployment aboard a ship as described in subparagraph 4.4.3.

4.4.4.3. Interim and Redeployment Period

4.4.4.3.1. The interim period begins on the day after the initial deployment through the day prior to redeployment. The interim period must be 30 days or less.

4.4.4.3.2. The redeployment period begins on the day that the member departs the ship's homeport and ends upon returning to the homeport. The redeployment period must be more than 30 days and will be added to the interim period.

Example 1: A member is onboard a ship that departed from the homeport on January 2 and returned to the homeport on February 15. The same member is onboard a ship that departed from the homeport on March 18 for a redeployment of 35 days. Since the member qualified for FSA-S for the initial deployment, the member is eligible for continued FSA-S for the total 65 days of interim/redeployment period (actual interim period of 30 days and redeployment of 35 days).

Example 2: A member is onboard a ship that departed from the homeport on March 1 and returned to the homeport on April 29. The member also was onboard a ship that departed the homeport on May 31 for a redeployment of 40 days. Although the member qualified for the initial 60-day deployment, the member is ineligible for the interim period. Consequently, the actual interim period is 31 days (April 30 through May 30). The member would be entitled to FSA-S for the actual redeployment (40 days).

Example 3: A member is onboard a ship that departed from the homeport on June 1 and returned to the homeport on July 1. The same member was onboard a ship that departed the homeport July 2 for a redeployment of 41 days. Since the member qualified for FSA-S for the initial deployment of 31 days, the member is eligible for the continued FSA-S for the interim/redeployment period (actual interim period is 0 days, actual redeployment period is 41 days).

4.4.5. Restrictions. The following restrictions apply to subparagraphs 4.4.1 and 4.4.2:

4.4.5.1. There are separate 30-day requirements to qualify for FSA-T or FSA-S, and periods of TDY or TAD and duty aboard ship while away from homeport may not be combined for the purpose of FSA entitlement.

4.4.5.2. Periods of hospitalization or TDY or TAD for more than 30 days by the member at a place residing with his or her dependents may not be included when calculating whether the 30-day requirement was met.

4.5 Ship Moves From Homeport

4.5.1. When a ship moves from its homeport to another port within 50 miles of the homeport (or one and a half hours travel time as prescribed in paragraph 3.3), those members attached to the ship, whose dependents do not reside at or near such homeport under the criteria of paragraph 3.3, do not become entitled to FSA-S.

Example 1: A member, upon reassignment to a ship, moves the family to a location outside the current 50-mile (or one and a half hours travel time) limit from the homeport of the ship. When the movement of the ship is less than 50 miles (or one and a half hours travel time) from the homeport, FSA-S is not payable to those members. If, however, the ship moves more than 50 miles (or one and a half hours travel time) from the homeport, then FSA-S is payable if members otherwise are entitled.

Example 2: A member, upon reassignment to a ship, moves the family to a location outside the current 50-mile (or one and a half hours) limit of the ship's homeport of the ship. Subsequently, the ship moves from the homeport and, on the 29th day, docks at a port inside the 50-mile (or one and a half hours travel time) limit of the homeport for 5 days. The ship then returns to the homeport. The docking of the ship within the 50-mile limit would, for purposes of this example, have the same consequence as if the ship had returned to its homeport since (a) the member's dependents do not reside at or near the homeport, and (b) the ship did not move to a location more than 50 miles (or one and a half hours travel time) from the port. Therefore, entitlement to FSA-S does not accrue.

Example 3: A member, upon reassignment to a ship, moves the family to a location outside the current 50-mile (or one and a half hours) limit of the homeport of the ship, but actually commutes. The movement of the ship from the homeport results in the member being unable to commute. In this example, the member's dependents would be considered as being in the area of the homeport. Since, after movement of the ship to a new location, the member is unable to commute, the member would meet the requirement for FSA-S, provided the dependents resided more than 50 miles (or one and a half hours travel time) from the new location.

Example 4: A member, upon reassignment to a ship, moves the family to a location within the 50-mile (or one and a half hours travel time) limit, the movement of the ship resulting in the residence being located outside the 50-mile (or one and a half hours travel time) limit for some of the members, but not all. Those members whose dependents reside more than 50 miles (or one and a half hours travel time) from the ship's new location and who do not commute, would fulfill the vicinity requirement for entitlement to FSA-S. Those members whose dependents reside within 50 miles (or one and a half hours travel time) of the ship's new location of the ship would not become entitled to FSA-S by virtue of the ship's movement.

4.5.2. Members are entitled to FSA-S when performing duty onboard a ship if the ship is away from the homeport for more than 30 continuous days. If, however, the ship arrives and remains at a port other than the homeport for a period of more than 30 days at a location where the member's dependents reside, then payment of the FSA-S is precluded if the member resides with the dependents. A member is entitled to FSA-S for redeployment if the member returned to the homeport after the original deployment for a period of 30 days or less and redeployed for a period of more than 30 continuous days.

4.6 Specific Conditions of Entitlement to FSA

See Tables 27-1, 27-2, 27-3, and 27-4.

Table 27-1. FSA - Commencement Dates

RULE	When an eligible member	and the member	then FSA credit
1	departs the PDS on PCS (not authorized FSA-R at old station), or TDY or TAD, including TDY or TAD in conjunction with PCS (note 1)	is not authorized proceed time or leave en route	starts on date of detachment from old station (note 1).
2	departs the PDS on PCS (not authorized FSA-R at old station), or TDY or TAD, including TDY or TAD in conjunction with PCS (note 1)	is authorized proceed time or leave en route	starts on the constructive date of detachment from the old PDS (either the actual date of detachment plus days of authorized leave and/or proceed time, or the first day of authorized travel, whichever is later) (note 1).
3	departs homeport aboard ship, including a ship in an inactive status (note 2)	remains in this status continuously for more than 30 days	starts on date of departure (notes 2 and 3).
4	joins or rejoins a ship away from homeport	remains on duty onboard a ship away from its homeport continuously for more than 30 days (note 2)	starts on first day that member boards ship away from its homeport (note 3).
5	acquires an initial dependent after the date of departure from old station en route to PCS overseas, but no later than the effective date of the PCS order (FSA-R) (notes 4 and 5)	meets conditions of Table 27-2, rule 1	starts on the date that a member acquires a dependent or the constructive date of detachment from old station (Table 27-2, rule 2), whichever is later.
6	acquires an initial dependent after the date of departure from old station en route to PCS overseas, but no later than the effective date of the PCS order (FSA-R) (notes 4 and 5)	meets conditions of Table 27-2, rule 13, note 3, or rule 14	(if any) starts according to Table 27-2, rule 13, note 3, or rule 14.

Table 27-1. FSA - Commencement Dates (Continued)

RULE	When an eligible member	and the member	then FSA credit
7	acquires an initial dependent after the date of departure from old station en route to PCS overseas (member is not entitled to FSA-R, at the overseas station), but no later than the effective date of the PCS order (note 4)	is on TDY or TAD en route with 30 days or more remaining after the date dependent is acquired, and not within commuting distance of dependent's residence	for the period of TDY or TAD starts on the date the member acquires dependent (FSA-T) (note 1).
8	a. acquires dependent after the effective date of the PCS orders (note 3), but before member's date of departure on subsequent reassignment PCS, and b. dependent does not live at or near the member's PDS (where member is not entitled to FSA-R)	is not on TDY or TAD	starts FSA-R on date member acquires dependent.
9	a. acquires dependent after the effective date of the PCS orders (note 3), but before member's date of departure on subsequent reassignment PCS, and b. dependent does not live at or near the member's PDS (where member is not entitled to FSA-R)	is on leave (co-resident with dependent or not)	starts FSA-R on date member acquires dependent.
10	a. acquires dependent after the effective date of the PCS orders (note 3), but before member's date of departure on subsequent reassignment PCS, and b. dependent does not live at or near the member's PDS (where member is not entitled to FSA-R)	is on TDY or TAD not within commuting distance of dependent's residence	starts FSA-T on date member acquires dependent.

Table 27-1. FSA - Commencement Dates (Continued)

RULE	When an eligible member	and the member	then FSA credit
11	a. acquires dependent after the effective date of the PCS orders (note 3), but before member's date of departure on subsequent reassignment PCS, and b. dependent does not live at or near the member's PDS (where member is not entitled to FSA-R)	is on TDY or TAD within commuting distance of dependent's residence (paragraph 3.3)	starts FSA-R on member's date of return to PDS.
12	a. acquires dependent after the effective date of the PCS orders (note 3), but before member's date of departure on subsequent reassignment PCS, and b. dependent does not live at or near the member's PDS (where member is not entitled to FSA-R)	is on TDY or TAD with 30 days or more remaining after the date dependent is acquired, and not within commuting distance of dependent's residence	for the period of TDY or TAD starts on the date that the member acquires a dependent (FSA-T) (note 1).
13	a. acquires dependent after the effective date of the PCS orders (note 3), but before member's date of departure on subsequent reassignment PCS, and b. dependent does not live at or near the member's PDS (where member is not entitled to FSA-R)	remains away from homeport aboard ship for more than 30 days after the date the dependent is acquired	starts on the date that the member acquires a dependent (FSA-S) (note 1).
14	has newly acquired dependent who joins member at duty station at member's expense	confirms whether dependent is making change of residence or temporary social visit	is based on paragraph 3.2 or subparagraph 3.3.3.
15	has newly acquired dependent who joins member at duty station at member's expense	relocates dependent away from duty station at member's expense	starts FSA-R on the date of a dependent's departure from the duty station (note 6).

Table 27-1. FSA - Commencement Dates (Continued)

RULE	When an eligible member	and the member	then FSA credit
16	has dependent depart overseas duty station at government expense because of evacuation (other than medical), under determination of the Secretary concerned as being in national interest, or for other emergency reasons not personal or caused by dependent's misconduct		starts on the 31st day of a dependent's departure from the duty station.
17	reports onboard a ship after a change of homeport has been declared	does not reside with dependents at or near the current homeport of the ship	starts on the date the member reports onboard a ship (note 7).

NOTES:

1. Do not pay FSA-T or FSA-S until the member has been on TDY or TAD or on duty aboard ship away from homeport continuously for more than 30 days (or, if applicable, for more than 30 days after the date that a dependent is acquired). In computing the amount payable, the 31st day of any month should be excluded from the computation and February should be treated as if it actually had 30 days. (See paragraph 4.4.)
2. If the ship returns to homeport and a member is under orders to remain on board a ship while at homeport the days on the ship while at homeport will count towards the more than 30 continuous days, except when a member is required to stay on board for disciplinary reasons.
3. Does not apply if the ship is in a port (other than its homeport) located within commuting distance of the residence of the member's dependents continuously for more than 30 days. Also, see paragraph 4.5.
4. The effective date of PCS orders is the date a member is required to begin travel from the old PDS or the last TDY or TAD, in order to arrive at the new PDS on the date authorized by the mode of transportation authorized. (JTR, Appendix A, Effective Date of PCS Order)
5. A member who acquired an initial dependent after the date of departure from old station en route PCS to CONUS from overseas or en route PCS within CONUS, but no later than the effective date of the PCS order, is entitled to travel for dependent at government expense based on JTR, Chapter 5. Therefore, the member is not entitled to FSA-R. (In this case, no tour election provision exists to overcome the travel provision.)
6. If already started under paragraph 3.2, the entitlement continues upon departure of dependents from the duty station.

Table 27-1. FSA - Commencement Dates (Continued)

7. FSA-R does not accrue if the member was onboard a ship when the change in homeport was declared, except under paragraph 4.1.

Table 27-2. FSA-R - Overseas Assignment

RULE	If an eligible member is	and	and	then the member('s)
1	selected for PCS overseas	the accompanied tour is not authorized		is entitled to FSA-R for the entire unaccompanied tour (notes 1 and 2).
2	selected for PCS overseas	elects the unaccompanied tour instead of the authorized accompanied tour		is not entitled to FSA-R for the length of such tour, including tour extensions (note 3).
3	selected for PCS overseas	elects the accompanied tour	concurrent travel is authorized, and dependents travel with member	is not entitled to FSA-R.
4	selected for PCS overseas	is assigned to an automatic concurrent travel area or an advance application area	application for concurrent travel has been approved by the area commander	is entitled to FSA-R if dependents do not travel with the member for government reasons (notes 4 and 5).
5	selected for PCS overseas	in status covered by rule 4	dependents arrive at member's overseas station	FSA-R stops the day before date dependents arrive.
6	selected for PCS overseas to an advance application area	application for concurrent travel is disapproved by area commander		is entitled to FSA-R until dependents arrive at overseas station. (This rule is qualified by rules 7 and 8.)
7	selected for PCS overseas to an advance application area		member fails to comply with area regulations for entry of the dependents	FSA-R is stopped when timely action is not taken under applicable regulations (note 6).

Table 27-2. FSA-R - Overseas Assignment (Continued)

RULE	If an eligible member is	and	and	then the member('s)
8	selected for PCS overseas to an advance application area		there is a delay of more than 60 days in dependent's arrival (60-day period begins on date of orders)	entitlement to FSA-R continues through the day before dependents arrive at overseas station, not to exceed 60 days from date transportation of dependents is authorized, unless additional delay is caused by the government (note 5).
9	assigned overseas	one or more of the dependents live at or near the overseas station	member qualifies for FSA-R for the dependents who are not authorized to travel to the overseas station	is entitled to FSA-R.
10	assigned overseas	after arrival at overseas station, an accompanied tour is authorized (previously unavailable) and member elects the accompanied tour		entitlement to FSA-R continues through the day before dependents arrive at overseas station, not to exceed 60 days from date transportation of dependents is authorized, unless additional delay is caused by the government (note 5).
11	assigned overseas	after arrival at overseas station, an accompanied tour is authorized (previously unavailable) and member does not elect the accompanied tour		entitlements to FSA-R continues based on original assignment under rule 1.

Table 27-2. FSA-R - Overseas Assignment (Continued)

RULE	If an eligible member is	and	and	then the member('s)
12	assigned overseas	has previously elected the accompanied tour, but concurrent travel is not performed	the member reelects the unaccompanied tour before dependents depart CONUS	is not entitled to FSA-R on and after the date reelection is approved (note 3).
13	assigned overseas	has failed to make a tour election before arrival at new duty station	makes unaccompanied tour election after arrival at the overseas station	is not entitled to FSA-R for the entire unaccompanied tour (note 3).
14	assigned overseas	has failed to make a tour election before arrival at new duty station	elects accompanied tour after arrival at the overseas station	is entitled to FSA-R for the period starting with the date the tour is approved through the day before dependents arrive at overseas station, not to exceed 60 days from date transportation of dependents is authorized, unless additional delay is caused by the government (note 5).

NOTES:
1. In all cases, entitlement exists only if dependents do not live at or near the duty station. (See paragraph 3.3.) In areas where dependents are not permitted, member does not have to apply for transportation of dependents or to elect type of tour.
2. These tours include dependent restricted tours and situations where the member is not authorized to serve an accompanied-with-dependents tour in those locations where such tours are authorized.
3. The Secretary of the Military Department concerned may waive the provision in this rule to authorize FSA-R in cases where unusual family or operational circumstances exist for the member. See subparagraph 4.1.4 for conditions subject to waiver and individual Military Service regulations for procedures for requesting a waiver from the Secretary of the Military Department concerned.

Table 27-2. FSA-R - Overseas Assignment (Continued)

4. Where dependents' travel delay is not due to government reasons, but member is required to perform TDY or TAD en route, family separation for period of TDY or TAD is considered to be due to military requirements and member is entitled to FSA-R under Table 27-4, rule 11.
5. Delays due to government reasons include:
   a. lack of transportation facilities,
   b. disapproval by CONUS commanders,
   c. disapproval for reasons of health (i.e., pregnancy of wife), and
   d. insufficient service retainability or time remaining in the overseas tour.
6. FSA-R continues if member acted timely to apply for transportation of the dependents and the application was disapproved because of the lack of service retainability or time remaining in the overseas tour.

Table 27-3. Date to Stop FSA

RULE	If a member	then FSA credit continues through the
1	has dependents who arrive at the duty station with intent to establish a residence	day before dependents arrive (note 1).
2	on next reassignment, arrives at a station where member does not qualify for FSA	day before the date on which the member arrives at new station (note 2).
3	returns from TDY or TAD of more than 30 days	day before date of the member's return from TDY or TAD (notes 3 and 4).
4	is in a non-pay status for any period	day before the date entering such status, except as provided in Chapter 1, paragraph 4.2.
5	has a sole dependent in an institution, and if the stay in the institution continues	day before 1-year from the date that the member's sole dependent entered an institution (note 5).
6	is onboard a ship away from its homeport	day before ship returns to homeport or date of detachment from ship, whichever is earlier (note 6).
7	reports onboard a ship after a change of homeport has been declared	effective date of the change of homeport.
8	has only secondary dependents who reside with relatives or friends	day before the date the dependents move to home of relatives or friends.
9	completes period of TDY or TAD of more than 30 days in conjunction with PCS	day before the date the member arrives at the new station (note 3).
10	has dependent(s) who return to the PDS after departing in conjunction with authorized or ordered evacuation	day before the date dependent(s) return.

NOTES:
1. See paragraph 3.2 for temporary social visits.
2. If a delay en route and/or proceed time is authorized and used, then use a constructive date of arrival. Constructive date will be computed by deducting the number of days' leave and/or proceed time authorized and used from the actual date of arrival.
3. If delay en route and/or proceed time is authorized, then use the constructive date. (See subparagraph 4.4.1.)
4. See Table 27-4, rule 20 and subparagraph 4.4.2.3 for interim and redeployment periods.
5. Applies when stay in the institution is initially not expected to exceed 1-year.

Table 27-3. Date to Stop FSA (continued)

6. FSA-S continues if the member is detached and attached the same day to another ship away from its homeport. However, if a member is under orders to remain on board a ship while at homeport, the days on the ship while at homeport will count towards the more than 30 continuous days, except when a member is required to stay on board for disciplinary reasons.

Table 27-4. FSA - Conditions of Entitlement

RULE	If a member	and	and	then
1	is on TDY or TAD, including TDY or TAD within the United States	the member is entitled to FSA-R when entering such status (note 1)	the member's PDS remains unchanged	FSA-R credit continues during TDY or TAD.
2	is hospitalized at or away from member's PDS including hospitalization in the United States	the member is entitled to FSA-R when entering such status (note 1)	the member's PDS remains unchanged	FSA-R credit continues during period hospitalized.
3	is in military confinement or otherwise restricted by military authority	the member is entitled to FSA-R when entering such status (note 1)	the member's PDS remains unchanged	FSA-R credit continues during period confined or restricted.
4	is on authorized leave (accrued or advance) at or away from member's PDS, including leave in the United States	the member is entitled to FSA-R when entering such status (note 1)	the member's PDS remains unchanged	FSA-R credit continues during leave.
5	is on authorized leave (accrued or advance) at residence where member's dependents reside	the member is entitled to FSA-R when entering such status (note 1)	member's leave is followed by a period of TDY or TAD (any number of days) within commuting distance of residence where member's dependents reside (paragraph 3.3)	FSA-R credit continues during leave but is suspended during period of TDY or TAD.
6	is on any status covered by rules 1 through 4, or enters such status		member's PDS changes	FSA-R credit stops (note 2).

Table 27-4. FSA - Conditions of Entitlement (Continued)

RULE	If a member	and	and	then
7	is reassigned PCS from a PDS in the United States to a hospital for observation or treatment	the member's application for transportation of dependents to the hospital is disapproved by the hospital commander upon determination that prolonged treatment is not expected (note 3)	member meets requirements in note 1	the member is entitled to FSA-R.
8	enters any status covered by rules 2, 3, and 4	the member is entitled to FSA-T when entering such status	member is not relieved from attachment to the TDY or TAD station	member continues to receive FSA-T.
9	is ordered to a hospital as a patient in attached status			the member is not entitled to FSA-T.
10	is on TDY or TAD for more than 30 days from member's PDS	the member does not qualify for FSA-R at PDS	member's PDS remains unchanged	the member is entitled to FSA-T for authorized travel time to and from TDY or TAD station and for duty at that station (note 4).
11	is performing recruit/basic training, pipeline school, Officer Candidate School (OCS), travel or TDY or TAD en route to initial PDS	the member is entitled to FSA-R at new PDS (notes 1 and 4)		the member is entitled to FSA-R for recruit/basic training, pipeline school, OCS, travel or TDY or TAD and authorized travel period (note 4).

Table 27-4. FSA - Conditions of Entitlement (Continued)

RULE	If a member	and	and	then
12	is on TDY or TAD for more than 30 days en route to a new permanent assignment	the member does not qualify for FSA-R at this new station		the member is entitled to FSA-T for authorized travel time to and from the TDY or TAD station and for duty at that station (note 4).
13	is on TAD	the member is entitled to FSA-S when entering such status (note 1)	member remains assigned to duty aboard a ship which is away from its homeport	FSA-S accrues during the entire period of TDY or TAD (notes 5 and 6).
14	is hospitalized away from the ship	the member is entitled to FSA-S when entering such status (note 1)	member remains assigned to duty aboard a ship which is away from its homeport	FSA-S accrues during the period of hospitalization (note 6).
15	is on authorized leave	the member is entitled to FSA-S when entering such status (note 1)	member remains assigned to duty aboard a ship which is away from its homeport	FSA-S accrues during period of leave (note 6).
16	is in military confinement on or away from the ship or otherwise restricted by military authority from performing duty			FSA-S accrues during the period that the member is confined or restricted.
17	is in any status covered by rules 13 through 16		the ship returns to homeport	entitlement to FSA-S ends on the day before ship returns to homeport (note 5).
18	is in any status covered by rules 13 through 16		member is detached from the ship while it is away from homeport	entitlement to FSA-S ends on date of detachment from ship (note 7).

Table 27-4. FSA - Conditions of Entitlement (Continued)

RULE	If a member	and	and	then
19	is in any status covered by rules 13 through 16		member is detached from ship while it is away from homeport and is later reassigned to ship while it is away from its homeport	FSA-S accrues from date of reassignment to ship provided ship does not return to homeport in less than 31 days (notes 5 and 6).
20	is on TDY or TAD redeployment of more than 30 days	current TDY or TAD follows earlier TDY or TAD of more than 30 days which qualified member for FSA-T	period between deployments is 30 days or less	member's entitlement to FSA-T continues.
21	is onboard a ship redeployed for more than 30 days	redeployment follows earlier deployment of more than 30 days which qualified member for FSA-S	period between deployments is 30 days or less	member's entitlement to FSA-S continues.
22	meets the qualifying requirements of any of the rules 1 through 21	member is married to another active-duty member	the couple was residing together immediately before being separated by reason of military orders	member is entitled to FSA under the subparagraph 2.3.1.3.
23	executes PCS orders causing a separation from the member's spouse			member is entitled to FSA-R under subparagraph 2.3.1.1.
24	meets the qualifying requirements of any of the rules 1 through 21	the member is married to another active-duty member and the couple has dependents	the couple and dependents were residing together immediately before each member is separated by reason of military orders	each member is entitled to FSA under the specific rule(note 8).

Table 27-4. FSA - Conditions of Entitlement (Continued)

NOTES:
1. Must meet the requirements of paragraph 2.3.
2. A new determination of entitlement is required if member's PDS changes.
3. More than 90 days is prolonged hospitalization.
4. Members are not entitled to FSA-R or FSA-T during authorized leave en route or proceed time (see Table 27-1, rules 1 and 2). See Table 27-3, rule 9 for date to stop FSA.
5. If the ship returns to homeport and a member is under orders to remain on board a ship while at homeport, the days on the ship while at homeport will count towards the more than 30 continuous days, except when a member is required to stay on board for disciplinary reasons.
6. If the dependent's residence is within commuting distance of the place where member is in such status, then FSA-S will continue for 30 days only.
7. Does not apply if member is detached and attached the same day to another ship away from its homeport (subparagraph 4.4.2.).
8. Not more than one monthly allowance may be paid with respect to each member of a married military couple for any month. The dual allowance will continue until one of the members is no longer assigned to one of those duty assignments. The other member will continue to receive the allowance until no longer assigned to one of those duty assignments.

*REFERENCES

CHAPTER 27: - FAMILY SEPARATION ALLOWANCE (FSA)

2.0 - ENTITLEMENT PROVISIONS

2.1	37 U.S.C. § 427 DoD Instruction, 1340.24, June 15, 2023 47 Comptroller General (Comp Gen) 788
2.2.1.	51 Comp Gen 116 37 U.S.C. §§ 401, 421
2.2.4.	46 Comp Gen 148
2.3.1.	37 U.S.C. § 427
2.3.2.	37 U.S.C. § 427(b)
2.3.2.3.	37 U.S.C. § 427(a)
2.3.4.	37 U.S.C. § 427(d)
2.3.4.3.	60 Comp Gen 154

3.0 - DEPENDENTS SEPARATION REQUIREMENTS

3.1.1.	51 Comp Gen 97
3.1.2.	43 Comp Gen 332, (Question 23) MS Comp Gen B-213658, June 26, 1984 MS Comp Gen B-211693, July 15, 1983 MS Comp Gen B-179976, November 7, 1974
3.1.3.	45 Comp Gen 170 46 Comp Gen 148
3.2.1.	43 Comp Gen 596
3.2.2. and 3.2.3.	43 Comp Gen 332
3.3	43 Comp Gen 332, (Question 26) 44 Comp Gen 572 44 Comp Gen 217 MS Comp Gen B-182098, October 9, 1975 52 Comp Gen 912 55 Comp Gen 991

4.0 - CONDITIONS OF ENTITLEMENT

4.1	37 U.S.C. § 427(d)
4.1.1.2.	37 U.S.C. § 427 43 Comp Gen 527
4.1.1.3.	37 U.S.C. § 427
4.1.1.4.	37 U.S.C. § 427(c)
4.1.3. (Example 2)	44 Comp Gen 434
4.1.4.3.	37 U.S.C. § 427(c)
4.1.5.	43 Comp Gen 332

4.1.7.	43 Comp Gen 332
4.2	43 Comp Gen 596
4.3.2.	45 Comp Gen 633
4.4.1.1.	43 Comp Gen 596
	44 Comp Gen 537
4.4.1.2.	44 Comp Gen 537
4.4.1.2.2. (Example 1)	44 Comp Gen 537
4.4.1.5.	43 Comp Gen 755
	43 Comp Gen 748
4.4.2.	45 Comp Gen 838
	43 Comp Gen 748
	52 Comp Gen 912
	55 Comp Gen 991
Table 27-1	37 U.S.C. § 427
Rule 5	47 Comp Gen 67
Rule 7	43 Comp Gen 596
Rule 8	43 Comp Gen 332
Rule 9	43 Comp Gen 596
Rules 12-17	43 Comp Gen 332
Notes 4 and 5	43 Comp Gen 332
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Rule 5	43 Comp Gen 596
Rule 10	43 Comp Gen 332
Note 3	43 Comp Gen 332
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Note 4	45 Comp Gen 838

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 28: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 7A, CHAPTER 29: "CLOTHING MONETARY ALLOWANCES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated April 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
3.5	Added Special Initial Clothing Allowance for Air Force and Space Force.	Revision
Table 29-1A & B; Table 29-2A & B; Table 29-3A & B; Table 29-5A & B; Table 29-6A & B; Table 29-7A & B; Table 29-8A & B; Table 29-9A & B	Updated with the Fiscal Years 2023 and 2024 Clothing Monetary Allowances.	Revision
Table 29-1C Table 29-2C Table 29-5C	April 2024: Inserted table for the U.S. Navy clothing rate changes effective April 1, 2024, in accordance with the Department of the Navy Office of the Assistant Secretary Manpower and Reserve Affairs Memo, March 24, 2024.	Revision
Table 29-1D Table 29-5D	May 2024: Inserted table for the U.S. Air Force and U.S. Space Force clothing rate changes effective May 1, 2024, in accordance with the Department of the Air Force AF/A1 Memo, April 22, 2024.	Revision
Table 29-1E; Table 29-2D; Table 29-3C; Table 29-5E; Table 29-6C; Table 29-7C; Table 29-8C; Table 29-9C	November 2024: Updated tables with FY 2025 Clothing Allowances.	Addition
Table 29-7C	March 2025: Table updated Rule 15 in according with Department of the Air Force AF/A1 memo, February 7, 2025.	Revision

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CHAPTER 29

CLOTHING MONETARY ALLOWANCES

1.0 GENERAL

1.1 Purpose

The Secretary of Defense (SecDef) may, on an annual basis by law and under Presidential Executive Order, prescribe the quantity and kind of clothing to be furnished to an enlisted member of the Military Services and may prescribe the amount of cash allowance to be paid if the clothing is not furnished. It is DoD policy that the quantities and kinds of items of individual clothing to be furnished will be prescribed by the Service Secretary or the Commandant of the Marine Corps, under the parameters set by the Deputy Under Secretary of Defense – Military Personnel Policy (DUSD MPP).

1.2 Authoritative Guidance

The clothing monetary allowances policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with Title 37, United States Code, section 418 (***37 U.S.C. § 418***). Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 ALLOWANCES

2.1 Initial Clothing Allowance

Enlisted members receive the initial clothing allowance upon initial enlistment or upon other special qualification for entitlement to a prescribed outfitting of uniforms. The initial issue may be an in-kind issue or a combination of in-kind issue and cash payment.

2.2 Cash Clothing Replacement Allowance

Enlisted members receive the cash clothing replacement allowance, upon the anniversary month, each successive year following the provision of an initial clothing allowance. Cash clothing replacement allowances are for replacement of required uniform items based on a normal wear rate.

2.3 Extra Clothing Allowances

Extra clothing allowances are additional to initial and replacement allowances and do not reduce, replace, or otherwise affect them. Extra clothing allowances provide for unusual circumstances when:

2.3.1. An enlisted member may require additional uniform items; or

2.3.2. An officer (with a permanent duty station outside the United States) or enlisted member may require civilian clothes to perform their assigned duties.

3.0 INITIAL CLOTHING ALLOWANCES

3.1 Standard Initial Clothing Allowance – General Provisions

The standard initial clothing allowance is an in-kind issue, although a cash payment may be made for items not furnished in-kind. Each Service, as approved by the DUSD MPP, may prescribe cash payments for items specifically designated to be purchased by the member, rather than to be furnished in-kind. Additionally, if any of the items of clothing normally prescribed to be furnished in-kind are not available for issuance, then the initial allowance may be completed by paying the member the cash value of the balance remaining. The standard initial clothing allowance rates, including prescribed cash payments for personal purchase of specified items, are in Tables 29-1A, 29-1B, 29-1C, 29-1D and 29-1E. For the most current rates, see the ***Standard Initial Clothing Allowances*** table.

3.1.1. The total monetary value of items furnished in-kind, plus any cash payments, may not exceed the amounts for the total value of the applicable standard initial clothing allowance as established in Tables 29-1A, 29-1B, 29-1C, 29-1D and 29-1E. For the most current rates, see the Standard Initial Clothing Allowances table on DFAS.MIL.

3.1.2. If a Service member dies, is discharged, or is released from active-duty within 6 months of entitlement to an initial allowance, then the value of the initial allowance must be reduced to the items of clothing already supplied or amount credited up to that date.

3.1.3. Army and Marine Corps members, entitled to a standard initial clothing allowance, are furnished the allowance on an item or issue in-kind basis without establishing a monetary credit. Payment of the amount prescribed in the initial allowance as a cash allowance may be made immediately. Shortages of items being furnished on an in-kind basis must be recorded and issued when available to the Service member.

3.1.4. Navy, Air Force, and Space Force members, entitled to a standard initial clothing allowance, are credited with the amount of the allowance against which the authorized clothing is furnished. A member will receive the amount prescribed in the initial allowance as a cash payment for personal purchase of specified items. At the conclusion of the basic training period or within a period the Service considers appropriate, if any of the prescribed items of clothing to be furnished in-kind against the established credit are not available for issuance, then the initial allowance may be completed by paying the member the remaining balance in cash.

3.2 Standard Initial Clothing Allowance – Entitlement Criteria

Enlisted personnel (except those entitled to a special initial clothing allowance) must be furnished a standard initial clothing allowance under one or more of the following circumstances:

3.2.1. Upon first enlistment in the Service, or reenlistment in the same branch of the regular Military Service, if 3 months has expired from the date of last discharge or release from active-duty and the member is not reporting from a Reserve component that requires the member to maintain uniform clothing;

3.2.2. Upon enlistment or reenlistment in a Service, other than the one from which last discharged;

3.2.3. Upon reporting for or upon recall to active-duty for more than 6 months, after 3 months have expired from the date of last discharge or release from active-duty with the clothing required for service in a Reserve Component. In these cases, the initial allowance must be reduced to a partial standard initial clothing allowance under regulations of the appropriate Service, to account for clothing required to be in the person's possession upon call or recall to active-duty;

3.2.4. Upon being restored to duty, after being sentenced to confinement and punitive discharge, to the extent needed to fill the individual's clothing requirement;

3.2.5. Upon reenlisting within 3 months of last discharge or release from active-duty, when the Service member did not receive the complete initial allowance or was required to turn in issued clothing. The amount allowed, will be the difference between the current initial clothing allowance and the current value of issued clothing that remained in the member's possession upon the date of last discharge or release from active-duty, further reduced by any prior cash clothing payments toward the initial clothing allowance. Replacement allowances, issues, or payments are not considered the last authorization of the initial allowance;

3.2.6. Upon recall to active-duty after 3 months from the date of the last release from active-duty or retired enlisted personnel (including Service members of the Fleet Reserve and the Fleet Marine Corps Reserve) recalled to active-duty after 3 months from the date of the last release from active-duty or retirement. Only one such allowance will be authorized during any period of four consecutive years;

3.2.7. Upon reversion to service on active-duty for commissioned officers, or warrant officers, under temporary appointments who enlisted or reenlisted, or who reverted to service on active-duty in an enlisted (other than Chief Petty Officer) status, except for purposes of retirement. Only one such allowance is authorized in any period of 4 consecutive years; or

3.2.8. Upon reversion to enlistment in or reenlistment in the regular Navy, Naval officer candidates, and Naval Reserve Chief Petty Officers, who revert to or are enlisted or reenlisted in the regular Navy in pay grade E-6 or below, except for purposes of retirement, provided they previously have not received a standard initial clothing allowance during their current period of continuous active-duty.

3.3 Special Initial Clothing Allowance – General Provisions

Enlisted members assigned to a tour of duty, or who attain a status, requiring the wear of uniform clothing (other than special dress uniforms), may be authorized a special initial clothing

allowance. Special initial clothing allowance is authorized only once during any period of continuous active-duty. The special initial clothing allowance rates are in Tables 29-2A, 29-2B, 29-2C and 29-2D and Tables 29-3A, 29-3B and 29-3C. For the most current rates, see the Special Initial Clothing Allowances – ***Navy*** and ***AirForce and Space Force*** tables.

NOTE: Special Initial Clothing Allowance does not apply to the Army or Marine Corps.

3.3.1. The special initial clothing allowance is provided in lieu of the standard initial clothing allowance when it is the first initial allowance qualified for and issued. The special initial clothing allowance supersedes and replaces the standard initial clothing allowance and is considered the last authorization of an initial clothing allowance for a member who previously received a standard initial clothing allowance and subsequently qualifies for and is provided a special initial clothing allowance. The special initial clothing allowance may be issued in-kind, paid as a monetary payment, or provided as a combination, as established by the Service concerned.

3.3.2. Examples of uses for special initial clothing allowance are when members in an enlisted status enter an officer training program, are advanced to Chief Petty Officer in the Navy, or are assigned to a military band with uniform styles different than those for others in their pay grade.

3.4 Special Initial Clothing Allowance Navy – Eligibility Criteria

The Navy will furnish enlisted members with a special initial clothing allowance under one or more of the following circumstances:

3.4.1. Upon selection and acceptance for specified officer-training programs;

3.4.2. In pay grade E-6 or below, upon assignment to either the U.S. Naval Academy Band, U.S. Navy Band, Washington, DC, or selection for appointment as a Limited Duty Officer or Warrant Officer 1 in the Navy;

3.4.3. Upon first advancement to or first enlistment as a Chief Petty Officer in the Navy, while serving on active-duty, unless special initial clothing allowance was previously paid. Effective October 1, 2009, Chief Petty Officers of the Naval Reserve assigned to Selected Reserve and Voluntary Training Units are entitled to a full special initial clothing allowance upon first advancement to Chief Petty Officer;

3.4.4. For Chief Petty Officers in the Naval Reserve who were advanced before October 1, 2009, upon first reporting for active-duty for a period of 6 months or greater as a Chief Petty Officer of the Naval Reserve, provided no special initial clothing allowance has been previously paid either on active or inactive-duty. If a special initial clothing allowance has been previously paid on inactive-duty, then the Chief Petty Officer is entitled to a partial special initial clothing allowance in accordance with the Note at Tables 29-2A, 29-2B, 29-2C and 29-2D. See the Special Initial Clothing Allowances – Navy table on DFAS.MIL; or

3.4.5. Upon active-duty reenlistment or receipt of orders to active-duty as a Chief Petty Officer in the Navy, provided all of the following requirements are met:

3.4.5.1. Over 3 months have expired from the date of last discharge, release from active-duty or retirement;

3.4.5.2. The enlistment or reenlistment period is for a period of more than 6 months;

3.4.5.3. Appointment to temporary officer status is not coincident with the enlistment or reenlistment; and

3.4.5.4. The member has not received a special initial clothing allowance within the last 4 years while on inactive-duty.

*3.5 Special Initial Clothing Allowance Air Force and Space Force – Eligibility Criteria

The special initial clothing allowance is provided to Air Force and Space Force members upon selection and acceptance for specified officer-training programs and those assigned to a tour of duty, or status, requiring the wear of uniform clothing (other than special dress uniforms) of a style different from uniforms customary for most enlisted members of the Air Force and Space Force. Only one Special Initial Allowance is authorized during any period of continuous active-duty. See Tables 29-3A, 29-3B and 29-3C.

3.6 Partial Initial Clothing Allowances

Enlisted members will be paid a reduced or partial initial clothing allowance when payment of a full standard initial clothing allowance or full special initial clothing allowance is not warranted, due to an enlisted member reporting for or being recalled to active-duty for more than 6 months, after 3 months have expired from the date of last discharge or release from active-duty with the clothing required for service in a Reserve component.

4.0 CASH CLOTHING REPLACEMENT ALLOWANCES

4.1 General

Enlisted members receive cash clothing replacement allowances for uniform items for the replacement of military unique items required for wear. Enlisted members engaged in officer training programs or who are attending academy preparatory schools are not eligible for cash clothing replacement allowances. See Table 29-4 for specific entitlement rules. See Tables 29-5A, 29-5B, 29-5C, 29-5D and 29-5E for the cash clothing replacement allowance rates. For the most current rates, see the ***Cash Clothing Replacement Allowances***.

4.2 Basic Cash Clothing Replacement Allowance

Basic cash clothing replacement allowance is a preliminary replacement allowance for uniform items. It is used during the first 3 years of active service subsequent to receipt of a standard initial clothing allowance or a reduced or partial standard initial clothing allowance.

4.2.1. Basic cash clothing replacement allowance accrues to each enlisted member, beginning the first day of the month following the date of completion of 6 months of active-duty without regard to time lost. At the end of the member's anniversary month completing 1-year of uninterrupted active military service, the first payment is equal to one-half the applicable fiscal year rate then in effect.

4.2.2. When authorized under regulations of the Service concerned, enlisted members of a Reserve Component who received a reduced or partial standard initial clothing allowance may be authorized to accrue the basic cash clothing replacement allowance, beginning with the first day of the month following the date of call or recall to active-duty in a pay status.

4.2.3. The basic cash clothing replacement allowance continues for the first 3 years of continuous active-duty. It is payable for the second and third years at the end of the member's anniversary month, using the applicable rate then in effect.

4.3 Standard Cash Clothing Replacement Allowance

Standard cash clothing replacement allowance provides for replacement of uniform items after completion of 3 years of active service subsequent to receipt of a standard initial clothing allowance or a reduced or partial standard initial clothing allowance. It is the preliminary replacement allowance during the first 3 years of active service, subsequent to receipt of a reduced or partial or special initial clothing allowance.

4.3.1. When used as the follow-on to the basic cash clothing replacement allowance, the standard cash clothing replacement allowance accrues beginning with the first day of the month following the date the member completes 36 months active-duty, without regard to time lost. It continues during the remaining period of continuous active-duty and is payable annually at the end of the Service member's anniversary month, using the applicable rate then in effect.

4.3.2. When used as the preliminary replacement allowance for the special initial clothing allowance, the standard cash clothing replacement allowance accrues, beginning with the first day of the month following the date the special initial clothing allowance or a reduced or partial special initial clothing allowance was authorized without regard to time lost. It is payable annually, for the first 3 years of continuous active-duty, at the end of the Service member's anniversary month, using the applicable rate then in effect.

4.4 Special Cash Clothing Replacement Allowance

Special cash clothing replacement allowance provides for replacement of uniform items, after completion of 3 years of active service, subsequent to receipt of a special initial clothing

allowance. It accrues beginning with the first day of the month following the date the member completes 36 months active-duty, subsequent to receiving a special initial clothing allowance or a reduced or partial special initial clothing allowance, without regard to time lost, and continues during the remaining period of continuous active-duty. It is payable annually at the end of the Service member's anniversary month, using the applicable fiscal year rate then in effect. During the period for which the special cash clothing replacement allowance is payable, the Service member is not entitled to any other cash clothing replacement allowance.

5.0 EXTRA CLOTHING ALLOWANCES

5.1 General

Members may receive extra clothing allowances, in addition to any other entitled clothing allowance. Entitlement to or payment of an extra clothing allowance does not replace or reduce any other clothing allowance.

5.2 Supplementary Clothing Allowances

In addition to any other clothing allowance authorized, an enlisted member may become entitled to a supplementary clothing allowance. Supplementary clothing allowances may be authorized only for an enlisted member, assigned to duty in a special organization or detail, where the nature of the duty necessitates that he or she have, as a military requirement, additional quantities or special items of individual uniform clothing normally not required for most enlisted members in the same Service. Except for maternity uniforms, supplementary clothing allowances may not exceed 30 percent of the current value of the standard initial clothing allowance.

5.2.1. Entitlement

5.2.1.1. A supplementary clothing allowance may be issued in-kind, as a cash payment, or as a combination of issued in-kind and a cash payment. Generally, supplementary clothing allowances are cash payments to Navy, Air Force and Space Force members, while Army and Marine Corps members receive in-kind issues.

5.2.1.2. A member scheduled to serve in a qualifying assignment for at least 6 additional months, may receive a subsequent supplementary clothing allowance, on the anniversary of the initial supplementary clothing allowance. A Service member who has received a supplementary clothing allowance may not be authorized a subsequent supplementary allowance for the same items upon reassignment to duty if less than 12 months have elapsed since the last payment. Under circumstances deemed appropriate, the Service Secretary or the Commandant of the Marine Corps may waive this restriction.

5.2.1.3. As an exception to subparagraph 5.2.1.2., an otherwise qualified member may not receive the supplementary clothing allowance for maternity uniforms more often than once every 3 years.

5.2.2. Rates Payable

5.2.2.1. The Army provides supplementary clothing allowances as in-kind issues as described in ***Army Regulation 700-84***.

5.2.2.2. See Tables 29-6A, 29-6B and 29-6C for the Navy supplementary clothing allowance rates. For the most current rates, see the ***Supplementary Clothing Allowances – Navy*** tables.

5.2.2.3. See Tables 29-7A, 29-7B and 29-7C for the Air Force and Space Force supplementary clothing allowance rates. For the most current rates, see the ***Supplementary Clothing Allowances – AirForce and Space Force*** tables.

5.2.2.4. The Marine Corps provides supplementary clothing allowances as a combination of in-kind issues and cash payments. See Tables 29-8A, 29-8B and 29-8C for the Marine Corps supplementary clothing allowance cash payments. For the most current rates, see the ***Marine Corps Supplementary Clothing Allowances*** tables.

5.3 Civilian Clothing Allowances for Officers and Enlisted Personnel

In addition to any other clothing allowance authorized, Service members (officer or enlisted) directed by competent authority to dress in civilian clothing more than half the time when performing official duty, as a military requirement, may be authorized a civilian clothing allowance. In accordance with ***37 U.S.C. § 419***, an officer is authorized a civilian clothing allowance only if his or her permanent duty station is outside the United States. During any period in which an enlisted member is on an assignment requiring the wear of civilian clothing, the applicable replacement allowance for uniform items continues to accrue. The Service Secretary or the Commandant of the Marine Corps may prescribe reduced civilian clothing allowances, as appropriate for their respective Service, for personnel serving under conditions where the full authorized civilian clothing allowances in Tables 29-9A, 29-9B and 29-9C are not required. For the most current rates, see the ***Civilian Clothing Allowances for Officer and Enlisted*** tables.

5.3.1. Permanent Duty Civilian Clothing Allowances. The permanent duty civilian clothing allowance has two parts: the initial civilian clothing allowance; and the replacement civilian clothing allowance. The initial civilian clothing allowance is payable upon assignment to qualifying permanent duty when authorized by the Service concerned. When entitled, the replacement civilian clothing allowance is payable annually at the end of the service member's anniversary month using the applicable rate then in effect. The rates payable for the permanent duty civilian clothing allowances are in Tables 29-9A, 29-9B and 29-9C. For the most current rates, see the Civilian Clothing Allowances for Officer and Enlisted table on DFAS.MIL.

5.3.1.1. Initial Civilian Clothing Allowance. An initial civilian clothing allowance is paid only once in any 3-year period. It is not paid if the member has been out of a qualifying assignment for less than 12 months. If the member receives a follow-on permanent assignment requiring the wear of civilian clothing within 3 years of receiving an initial civilian clothing

allowance, or within 12 months of occupying a qualifying assignment, then he or she will receive the replacement civilian clothing allowance at the end of the original anniversary month.

5.3.1.2. Replacement Civilian Clothing Allowance. At the end of the anniversary month of the member commencing the qualifying assignment, a replacement civilian clothing allowance is payable if it is projected that he or she will serve at least 6 additional months in a qualifying assignment. The member becomes entitled, upon authorization of the Service concerned. A replacement civilian clothing allowance is not payable if it is projected the member will remain in the assignment less than 6 months beyond the anniversary month. A replacement civilian clothing allowance is payable, if the member actually serves 6 or more months in the assignment past the anniversary month.

5.3.1.3. Lump-Sum Payments. A member who will continue to meet the eligibility criteria for a civilian clothing allowance, on a career basis, may receive the initial civilian clothing allowance, and up to two replacement civilian clothing allowance payments, in an up-front lump-sum payment. The member may receive payment at the time of eligibility and only once in their career. During the member's first or second anniversaries after a lump-sum initial payment, if it is determined the member will not be remaining in a qualifying position for at least the next 6 months, the annual unearned portion for the year(s) not served will be recouped from the member. At the end of the anniversary months for the third and subsequent years of eligibility, the member will receive their replacement civilian clothing allowance payment.

5.3.1.4. Prior Civilian Clothing Payments. A member, authorized to receive permanent duty civilian clothing allowance, will have that allowance reduced by the prevailing value of any temporary duty civilian clothing allowance received within the preceding 12 months.

5.3.2. Temporary Duty Civilian Clothing Allowances. Generally, the temporary duty civilian clothing allowance is used when the permanent duty civilian clothing allowance is not applicable. The total amount of all temporary duty civilian clothing allowances payable in any 36-month period will not exceed the maximum allowed for temporary duty of at least 30 days. The amounts authorized by the Service concerned will be within the rates established in Tables 29-9A, 29-9B and 29-9C. For the most current rates, see the Civilian Clothing Allowances for Officer and Enlisted table on DFAS.MIL. The temporary duty civilian clothing allowance has two maximum rates based on the number of days the member is on temporary duty.

5.3.2.1. 15 Days. When competent authority determines the member will be on temporary duty at least 15 consecutive or accumulative days within a 30-day period, the maximum amount payable is found in Tables 29-9A, 29-9B and 29-9C. For the most current rates, see the Civilian Clothing Allowances for Officer and Enlisted table on DFAS.MIL. The 15-day threshold requirement does not apply to Explosive Ordnance Disposal and Explosive Detector Dog Personnel on U.S. Secret Service Support Duty, Defense Courier Service couriers, or Defense Threat Reduction Agency military personnel. These personnel may receive the maximum payment for temporary duty of at least 30 days, upon their initial temporary duty assignment, regardless of the length of their temporary duty.

5.3.2.2. 30 Days. When competent authority determines that a member will be on temporary duty at least 30 consecutive or accumulative days within a 36-month period, the maximum amount payable will be found in Table 29-9, less any amount paid within the past 36-month period. For the most current rates, see the Civilian Clothing Allowances for Officer and Enlisted table on DFAS.MIL.

5.3.3. Additional Temporary Duty Payments. In exceptional circumstances, the appropriate official, or the designated official, may make an exception to the maximum allowance permitted in a 36-month period and may authorize an additional payment of a 15-day or 30-day allowance or some lesser amount. The Assistant Secretaries of the Army, Navy and Air Force for Manpower and Reserve Affairs (M&RA), or the Deputy Chief of Staff for M&RA in the Marine Corps, may approve the additional allowance. They cannot delegate their authority.

6.0 MISCELLANEOUS CLOTHING PROVISIONS

6.1 Reserve Component Allowances

Reserve Component personnel on active-duty for periods of less than 6 months, or while on inactive-duty, are generally furnished the required individual clothing items as in-kind issues. Reserve Component personnel may receive the standard initial clothing allowance cash portion for items designated to be personally procured and not issued in-kind. Members of Reserve Components on active-duty for periods of less than 6 months or on inactive-duty are not entitled to any civilian clothing allowances. Further guidance for payment of clothing allowances for Reserve members is set forth in Chapters 57 and 58.

6.2 Lost or Damaged Clothing

The Service concerned will compensate an enlisted member for clothing items destroyed, damaged, lost, abandoned, captured, or otherwise rendered unusable, by an incident to military training or service, not caused by any fault or negligence of the member.

6.3 Clothing Price Adjustments

Enlisted members of the Navy, Air Force, and Space Force, entitled to an initial or partial initial clothing monetary allowance upon entering the Service, may require an adjustment to their pay records. A member's pay record is adjusted to reflect the difference between the old and the new fiscal year prices for items not issued, if the entitlement date is on or before September 30, for all clothing items not issued prior to October 1.

6.4 Settlement of Cash Clothing Allowances

A member will receive the cash clothing replacement allowance on the last day of their anniversary month. A member will receive a prorated cash clothing replacement allowance when discharged before the end of their anniversary month. The authorizing official approves payment for supplementary clothing allowances. See Table 29-10 for settlement of other cash clothing allowances.

*Table 29-1A. Standard Initial Clothing Allowances - Effective October 1, 2022
For the most current rates, see the Standard Initial Clothing Allowances table on DFAS.MIL.

RULE	When an entitled enlisted member is	and is	then the total value of the Standard Initial Clothing Allowance is	and the prescribed cash payment portion for purchase of specified items is
1	Army	Male	$1,799.23	$0
2		Female	$2,171.63	$406.60
3	Navy (E1-E6)	Male	$2,039.31	$125.26
4		Female	$2,203.04	$346.76
5	Air Force/	Male	$1,825.53	$0
6	Space Force	Female	$2,220.46	$494.09
7	Marine Corps	Male	$2,395.10	$0
8		Female	$2,326.09	$175.00

*Table 29-1B. Standard Initial Clothing Allowances - Effective October 1, 2023
For the most current rates, see the Standard Initial Clothing Allowances table on DFAS.MIL.

RULE	When an entitled enlisted member is	and is	then the total value of the Standard Initial Clothing Allowance is	and the prescribed cash payment portion for purchase of specified items is
1	Army	Male	$1,895.33	$0
2		Female	$2,269.60	$406.60
3	Navy (E1-E6)	Male	$2,190.74	$129.23
4		Female	$2,299.46	$336.22
5	Air Force/	Male	$1,954.43	$0
6	Space Force	Female	$2,325.59	$505.94
7	Marine Corps	Male	$2,690.06	$0
8		Female	$2,656.64	$175.00

*Table 29-1C. Standard Initial Clothing Allowances - Effective April 1, 2024
For the most current rates, see the Standard Initial Clothing Allowances table on DFAS.MIL.

RULE	When an entitled enlisted member is	and is	then the total value of the Standard Initial Clothing Allowance is	and the prescribed cash payment portion for purchase of specified items is
1	Army	Male	$1,895.33	$0
2		Female	$2,269.60	$406.60
3	Navy (E1-E6)	Male	$2,210.16	$129.23
4		Female	$2,318.88	$336.22
5	Air Force/	Male	$1,954.43	$0
6	Space Force	Female	$2,325.59	$505.94
7	Marine Corps	Male	$2,690.06	$0
8		Female	$2,656.64	$175.00

*Table 29-1D. Standard Initial Clothing Allowances - Effective May 1, 2024
For the most current rates, see the Standard Initial Clothing Allowances table on DFAS.MIL.

RULE	When an entitled enlisted member is	and is	then the total value of the Standard Initial Clothing Allowance is	and the prescribed cash payment portion for purchase of specified items is
1	Army	Male	$1,895.33	$0
2		Female	$2,269.60	$406.60
3	Navy (E1-E6)	Male	$2,210.16	$129.23
4		Female	$2,318.88	$336.22
5	Air Force/	Male	$2,077.84	$0
6	Space Force	Female	$2,459.67	$505.94
7	Marine Corps	Male	$2,690.06	$0
8		Female	$2,656.64	$175.00

*Table 29-1E. Standard Initial Clothing Allowances - Effective October 1, 2024
For the most current rates, see the Standard Initial Clothing Allowances table on DFAS.MIL.

RULE	When an entitled enlisted member is	and is	then the total value of the Standard Initial Clothing Allowance is	and the prescribed cash payment portion for purchase of specified items is
1	Army	Male	$2,060.93	$0
2		Female	$2,395.48	$400.50
3	Navy (E1-E6)	Male	$2,307.23	$139.49
4		Female	$2,476.78	$348.41
5	Air Force	Male	$2,223.27	$0
6		Female	$2,641.09	$520.36
7	Marine Corps	Male	$2,881.00	$0
8		Female	$2,927.80	$175.00
9	Space Force	Male	$2,223.27	$0
10		Female	$2,641.09	$520.36

*Table 29-2A. Navy Special Initial Clothing Allowances – Effective October 1, 2022
For the most current rates, see the Navy Special Initial Clothing Allowances table on DFAS.MIL.

RULE	When an entitled enlisted member is	and is	then the total value of the Special Initial Clothing Allowance is	and the prescribed cash payment portion to be paid is	and the Partial Initial Clothing Allowance for a member of the Reserves or Guard called to active-duty is
1	in pay grade E-6 or below and assigned to the U.S. Navy Band, Washington, DC, or the U.S. Naval Academy Band, or selected for appointment as a Limited Duty Officer in the Navy or Warrant Officer One in the Navy	Male	$1,243.85	$1,243.85	$0
2		Female	$1,214.26	$1,214.26	$0
3	eligible to wear the uniform of a Chief Petty Officer (E7-E9) (See Note)	Male	$1,243.85	$1,243.85	$1,243.85
4		Female	$1,214.26	$1,214.26	$1,214.26
5	selected for officer training in the Navy and enters Officer Candidate School, the Enlisted Commissioning Program, or the Seaman to Admiral Program	Male	$2,077.85	$2,077.85	$0
6		Female	$2,228.49	$2,228.49	$0

NOTE:

Navy Reserve personnel advanced to Chief Petty Officer on or after October 1, 2009, are entitled to the full special initial clothing allowance. Chief Petty Officers in the Navy Reserve, who were advanced before October 1, 2009, were only paid a partial special initial clothing allowance and are entitled to a partial initial clothing allowance when called to active-duty for 6 months or more.

*Table 29-2B. Navy Special Initial Clothing Allowances - Effective October 1, 2023
For the most current rates, see the Navy Special Initial Clothing Allowances table on DFAS.MIL.

RULE	When an entitled enlisted member is	and is	then the total value of the Special Initial Clothing Allowance is	and the prescribed cash payment portion to be paid is	and the Partial Initial Clothing Allowance for a member of the Reserves or Guard called to active-duty is
1	in pay grade E-6 or below and assigned to the U.S. Navy Band, Washington, DC, or the U.S. Naval Academy Band, or selected for appointment as a Limited Duty Officer in the Navy or Warrant Officer One in the Navy	Male	$1,280.38	$1,280.38	$0
2		Female	$1,239.46	$1,239.46	$0
3	eligible to wear the uniform of a Chief Petty Officer (E7-E9) (See Note)	Male	$1,280.38	$1,280.38	$1,280.38
4		Female	$1,239.46	$1,239.46	$1,239.46
5	selected for officer training in the Navy and enters Officer Candidate School, the Enlisted Commissioning Program, or the Seaman to Admiral Program	Male	$2,140.35	$2,140.35	$0
6		Female	$2,305.26	$2,305.26	$0

NOTE:

Navy Reserve personnel advanced to Chief Petty Officer on or after October 1, 2009, are entitled to the full special initial clothing allowance. Chief Petty Officers in the Navy Reserve, who were advanced before October 1, 2009, were only paid a partial special initial clothing allowance and are entitled to a partial initial clothing allowance when called to active-duty for 6 months or more.

*Table 29-2C. Navy Special Initial Clothing Allowances - Effective April 1, 2024
For the most current rates, see the Navy Special Initial Clothing Allowances table on DFAS.MIL.

RULE	When an entitled enlisted member is	and is	then the total value of the Special Initial Clothing Allowance is	and the prescribed cash payment portion to be paid is	and the Partial Initial Clothing Allowance for a member of the Reserves or Guard called to active-duty is
1	in pay grade E-6 or below and assigned to the U.S. Navy Band, Washington, DC, or the U.S. Naval Academy Band, or selected for appointment as a Limited Duty Officer in the Navy or Warrant Officer One in the Navy	Male	$1,280.38	$1,280.38	$0
2		Female	$1,239.46	$1,239.46	$0
3	eligible to wear the uniform of a Chief Petty Officer (E7-E9) (See Note)	Male	$1,280.38	$1,280.38	$1,280.38
4		Female	$1,239.46	$1,239.46	$1,239.46
5	selected for officer training in the Navy and enters Officer Candidate School, the Enlisted Commissioning Program, or the Seaman to Admiral Program	Male	$2,159.77	$2,159.77	$0
6		Female	$2,324.68	$2,324.68	$0

NOTE:

Navy Reserve personnel advanced to Chief Petty Officer on or after October 1, 2009, are entitled to the full special initial clothing allowance. Chief Petty Officers in the Navy Reserve, who were advanced before October 1, 2009, were only paid a partial special initial clothing allowance and are entitled to a partial initial clothing allowance when called to active-duty for 6 months or more.

*Table 29-2D. Navy Special Initial Clothing Allowances - Effective October 1, 2024
For the most current rates, see the Navy Special Initial Clothing Allowances table on DFAS.MIL.

RULE	When an entitled enlisted member is	and is	then the total value of the Special Initial Clothing Allowance is	and the prescribed cash payment portion to be paid is	and the Partial Initial Clothing Allowance for a member of the Reserves or Guard called to active-duty is
1	in pay grade E-6 or below and assigned to the U.S. Navy Band, Washington, DC, or the U.S. Naval Academy Band, or selected for appointment as a Limited Duty Officer in the Navy or Warrant Officer One in the Navy	Male	$1,324.18	$1,324.18	$0
2		Female	$1,265.60	$1,265.60	$0
3	eligible to wear the uniform of a Chief Petty Officer (E7-E9) (See Note)	Male	$1,324.18	$1,324.18	$1,324.18
4		Female	$1,265.60	$1,265.60	$1,265.60
5	selected for officer training in the Navy and enters Officer Candidate School, the Enlisted Commissioning Program, or the Seaman to Admiral Program	Male	$2,252.10	$2,252.10	$0
6		Female	$2,432.48	$2,432.48	$0

NOTE:

Navy Reserve personnel advanced to Chief Petty Officer on or after October 1, 2009, are entitled to the full special initial clothing allowance. Chief Petty Officers in the Navy Reserve, who were advanced before October 1, 2009, were only paid a partial special initial clothing allowance and are entitled to a partial initial clothing allowance when called to active-duty for 6 months or more.

*Table 29-3A. Air Force and Space Force Special Initial Clothing Allowances - Effective October 1, 2022
For the most current rates, see the Air Force and Space Force Special Initial Clothing Allowances table on DFAS.MIL.

RULE	When an entitled enlisted member is	and is	then the total value of the Special Initial Clothing Allowance is	and the prescribed cash payment portion to be paid is
1	a direct civilian accession student to the Air Force Officer Training School (AFOTS)	Male	$1,022.56	$1,022.56
2		Female	$1,323.85	$1,323.85
3	an enlisted accession student to the AFOTS	Male	$428.56	$428.56
4		Female	$428.56	$428.56
	assigned to the U.S. Air Force Academy Preparatory School	Male	$1,124.42	$1,124.42
6		Female	$1,124.42	$1,124.42

*Table 29-3B. Air Force and Space Force Special Initial Clothing Allowances - Effective October 1, 2023
For the most current rates, see the Air Force and Space Force Special Initial Clothing Allowances table on DFAS.MIL.

RULE	When an entitled enlisted member is	and is	then the total value of the Special Initial Clothing Allowance is	and the prescribed cash payment portion to be paid is
1	a direct civilian accession student to the Air Force Officer Training School (AFOTS)	Male	$1,047.10	$1,047.10
2		Female	$1,355.62	$1,355.62
3	an enlisted accession student to the AFOTS	Male	$438.85	$438.85
4		Female	$438.85	$438.85
	assigned to the U.S. Air Force Academy Preparatory School	Male	$1,151.41	$1,151.41
6		Female	$1,151.41	$1,151.41

*Table 29-3C. Air Force and Space Force Special Initial Clothing Allowances - Effective October 1, 2024

For the most current rates, see the Air Force and Space Force Special Initial Clothing Allowances table on DFAS.MIL.

RULE	When an entitled enlisted member is	and is	then the total value of the Special Initial Clothing Allowance is	and the prescribed cash payment portion to be paid is
1	a direct civilian accession student to the Air Force Officer Training School (AFOTS)	Male	$1,070.14	$1,070.14
2		Female	$1,385.47	$1,385.47
3	an enlisted accession student to the AFOTS	Male	$758.71	$758.71
4		Female	$707.17	$707.17
5	assigned to the U.S. Air Force Academy Preparatory School	Male	$1,176.74	$1,176.74
6		Female	$1,176.74	$1,176.74
*7	an enlisted accession student to the Warrant Officer Training School	Male	$758.71	$758.71
*8		Female	$707.17	$707.17

Table 29-4. Entitlement to Cash Clothing Replacement Allowances

RULE	When a member	and is not	then the member is entitled to an annual
1	completes 6 months of active-duty after last entitlement to a standard initial, partial standard initial, or reduced standard initial clothing allowance (Note 1)	missing, missing-in-action, captured, or detained in a foreign country; nor forfeiting total pay; nor in confinement under approved sentence providing a punitive discharge (Note 2); nor assigned to a command where clothing is replaced by an in-kind issue; nor undergoing training leading to a commission or attending an academy preparatory school; nor terminated from the status for which a special initial clothing monetary allowance was awarded	basic cash clothing replacement allowance, accruing from the first day of the month following the date of completion of 6 months active-duty through the end of 36 months of active-duty. On completion of 12 months of uninterrupted active-duty, payment will be made for one-half the annual rate and the full annual rate thereafter. Annual payments will be made at the end of the member's anniversary month of active-duty (Note 3).
2	completes 6 months of active-duty as an officer candidate (Note 1)	missing, missing-in-action, captured, or detained in a foreign country; nor forfeiting total pay; nor in confinement under approved sentence providing a punitive discharge (Note 2); nor assigned to a command where clothing is replaced by an in-kind issue; nor undergoing training leading to a commission or attending an academy preparatory school; nor terminated from the status for which a special initial clothing monetary allowance was awarded	basic cash clothing replacement allowance, accruing from the first day of the month following the date of completion of 6 months active-duty through the end of 36 months of active-duty. On completion of 12 months of uninterrupted active-duty, payment will be made for one-half the annual rate and the full annual rate thereafter. Annual payments will be made at the end of the member's anniversary month of active-duty (Note 3).

Table 29-4. Entitlement to Cash Clothing Replacement Allowances (Continued)

RULE	When a member	and is not	then the member is entitled to an annual
3	becomes entitled to a special initial, partial special initial, or reduced special initial clothing allowance	missing, missing-in-action, captured, or detained in a foreign country; nor forfeiting total pay; nor in confinement under approved sentence providing a punitive discharge (Note 2); nor assigned to a command where clothing is replaced by an in-kind issue; nor undergoing training leading to a commission or attending an academy preparatory school; nor terminated from the status for which a special initial clothing monetary allowance was awarded	standard cash clothing replacement allowance accruing from the first day of the month following the date the special initial clothing allowance is awarded and continuing for the first 36 months of such active-duty. Annual payments will be made at the end of the member's anniversary month of active-duty (Note 3).
4	completes 36 months of active-duty after last entitlement to a standard initial, partial standard initial, or a reduced standard initial clothing allowance (Note 1)	missing, missing-in-action, captured, or detained in a foreign country; nor forfeiting total pay; nor in confinement under approved sentence providing a punitive discharge (Note 2); nor assigned to a command where clothing is replaced by an in-kind issue; nor undergoing training leading to a commission or attending an academy preparatory school; nor terminated from the status for which a special initial clothing monetary allowance was awarded	standard cash clothing replacement allowance accruing from the first day of the month following the date of completion of 36 months active-duty. Annual payments will be made at the end of the member's anniversary month of active-duty (Note 3).

Table 29-4. Entitlement to Cash Clothing Replacement Allowances (Continued)

RULE	When a member	and is not	then the member is entitled to an annual
5	completes 36 months of active-duty after last entitlement to a special initial, partial special initial, or a reduced special initial clothing allowance (Note 1)	missing, missing-in-action, captured, or detained in a foreign country; nor forfeiting total pay; nor in confinement under approved sentence providing a punitive discharge (Note 2); nor assigned to a command where clothing is replaced by an in-kind issue; nor undergoing training leading to a commission or attending an academy preparatory school; nor terminated from the status for which a special initial clothing monetary allowance was awarded	special cash clothing replacement allowance accruing from the first day of the month following the date of completion of 36 months active-duty. Annual payments will be made at the end of the member's anniversary month of active-duty (Note 3).

NOTES:

1. The time period is computed without regard to lost time.
2. The term “approved sentence” means the date the sentence was approved by the convening authority.
3. If a member serves on this active-duty less than 12 months or less than 12 months after the last annual payment, then a prorated amount will be paid, calculated at one-twelfth of the annual rate for each whole month or fractional month served. Example: A member on a 3-year enlistment leaves service after serving 2 years, 6 months, and 10 days. The final payment would be an amount equal to 7/12 of the annual amount.

*Table 29-5A. Cash Clothing Replacement Allowances - Effective October 1, 2022
For the most current rates, see the Cash Clothing Replacement Allowances table on DFAS.MIL.

RULE	When an entitled enlisted member is	and is	then the value of the Basic Cash Clothing Replacement Allowance is	and the value of the Standard Cash Clothing Replacement Allowance is	and the value of the Special Cash Clothing Replacement Allowance is	and the value of the Reserve Special Cash Clothing Replacement Allowance is 18% of the previous column
1	Army	Male	$362.14	$517.34	N/A	N/A
2		Female	$369.48	$527.84	N/A	N/A
3	Navy (Note 1)	Male	$352.80	$504.00	$684.00	$132.12 (Note 2)
4		Female	$338.40	$482.40	$561.60	$101.10 (Note 2)
5	Air Force/	Male	$326.55	$466.50	N/A	N/A
6	Space Force	Female	$334.62	$478.03	N/A	N/A
7	Marine Corps	Male	$517.32	$738.84	N/A	N/A
8		Female	$513.48	$733.68	N/A	N/A

NOTES:

1. Members of the U.S. Naval Academy Band, the U.S. Navy Band, Washington, DC, and all Navy Chief Petty Officers receive special cash clothing replacement allowances as follow-on to the special initial clothing allowances.
2. Reserve Chief Petty Officers will receive 18 percent of the Active-Duty Special Cash Clothing Replacement Allowance. This allowance will be paid annually during the anniversary month of the qualifying member.

*Table 29-5B. Cash Clothing Replacement Allowances - Effective October 1, 2023
For the most current rates, see the Cash Clothing Replacement Allowances table on DFAS.MIL.

RULE	When an entitled enlisted member is	and is	then the value of the Basic Cash Clothing Replacement Allowance is	and the value of the Standard Cash Clothing Replacement Allowance is	and the value of the Special Cash Clothing Replacement Allowance is	and the value of the Reserve Special Cash Clothing Replacement Allowance is 18% of the previous column
1	Army	Male	$381.07	$544.38	N/A	N/A
2		Female	$388.86	$555.52	N/A	N/A
3	Navy (Note 1)	Male	$374.40	$536.40	$712.80	$128.30 (Note 2)
4		Female	$370.80	$529.20	$698.40	$125.70 (Note 2)
5	Air Force/	Male	$346.68	$495.24	N/A	N/A
6	Space Force	Female	$351.12	$501.60	N/A	N/A
7	Marine Corps	Male	$571.56	$816.48	N/A	N/A
8		Female	$562.80	$803.52	N/A	N/A

NOTES:

1. Members of the U.S. Naval Academy Band, the U.S. Navy Band, Washington, DC, and all Navy Chief Petty Officers receive special cash clothing replacement allowances as follow-on to the special initial clothing allowances.
2. Reserve Chief Petty Officers will receive 18 percent of the Active-Duty Special Cash Clothing Replacement Allowance. This allowance will be paid annually during the anniversary month of the qualifying member.

*Table 29-5C. Cash Clothing Replacement Allowances - Effective April 1, 2024
For the most current rates, see the Cash Clothing Replacement Allowances table on DFAS.MIL.

RULE	When an entitled enlisted member is	and is	then the value of the Basic Cash Clothing Replacement Allowance is	and the value of the Standard Cash Clothing Replacement Allowance is	and the value of the Special Cash Clothing Replacement Allowance is	and the value of the Reserve Special Cash Clothing Replacement Allowance is 18% of the previous column
1	Army	Male	$381.07	$544.38	N/A	N/A
2		Female	$388.86	$555.52	N/A	N/A
3	Navy (Note 1)	Male	$381.60	$543.60	$716.40	$129.00 (Note 2)
4		Female	$374.40	$532.80	$702.00	$126.36 (Note 2)
5	Air Force/	Male	$346.68	$495.24	N/A	N/A
6	Space Force	Female	$351.12	$501.60	N/A	N/A
7	Marine Corps	Male	$571.56	$816.48	N/A	N/A
8		Female	$562.80	$803.52	N/A	N/A

NOTES:

1. Members of the U.S. Naval Academy Band, the U.S. Navy Band, Washington, DC, and all Navy Chief Petty Officers receive special cash clothing replacement allowances as follow-on to the special initial clothing allowances.
2. Reserve Chief Petty Officers will receive 18 percent of the Active-Duty Special Cash Clothing Replacement Allowance. This allowance will be paid annually during the anniversary month of the qualifying member.

*Table 29-5D. Cash Clothing Replacement Allowances - Effective May 1, 2024
For the most current rates, see the Cash Clothing Replacement Allowances table on DFAS.MIL.

RULE	When an entitled enlisted member is	and is	then the value of the Basic Cash Clothing Replacement Allowance is	and the value of the Standard Cash Clothing Replacement Allowance is	and the value of the Special Cash Clothing Replacement Allowance is	and the value of the Reserve Special Cash Clothing Replacement Allowance is 18% of the previous column
1	Army	Male	$381.07	$544.38	N/A	N/A
2		Female	$388.86	$555.52	N/A	N/A
3	Navy (Note 1)	Male	$381.6	$543.60	$716.40	$129.00 (Note 2)
4		Female	$374.40	$532.80	$702.00	$126.36 (Note 2)
5	Air Force/	Male	$371.43	$530.62	N/A	N/A
6	Space Force	Female	$378.92	$541.32	N/A	N/A
7	Marine Corps	Male	$571.56	$816.48	N/A	N/A
8		Female	$562.80	$803.52	N/A	N/A

NOTES:

1. Members of the U.S. Naval Academy Band, the U.S. Navy Band, Washington, DC, and all Navy Chief Petty Officers receive special cash clothing replacement allowances as follow-on to the special initial clothing allowances.
2. Reserve Chief Petty Officers will receive 18 percent of the Active-Duty Special Cash Clothing Replacement Allowance. This allowance will be paid annually during the anniversary month of the qualifying member.

*Table 29-5E. Cash Clothing Replacement Allowances - Effective October 1, 2024
For the most current rates, see the Cash Clothing Replacement Allowances table on DFAS.MIL.

RULE	When an entitled enlisted member is	and is	then the value of the Basic Cash Clothing Replacement Allowance is	and the value of the Standard Cash Clothing Replacement Allowance is	and the value of the Special Cash Clothing Replacement Allowance is	and the value of the Reserve Special Cash Clothing Replacement Allowance is 18% of the previous column
1	Army	Male	$403.07	$575.82	N/A	N/A
2		Female	$401.41	$573.45	N/A	N/A
3	Navy (Note 1)	Male	$392.40	$561.60	$745.20	$134.14 (Note 2)
4		Female	$399.60	$568.80	$727.20	$130.90 (Note 2)
5	Air Force/	Male	$397.20	$567.48	N/A	N/A
6	Space Force	Female	$408.00	$582.96	N/A	N/A
7	Marine Corps	Male	$601.44	$858.96	N/A	N/A
8		Female	$610.20	$869.04	N/A	N/A

NOTES:

1. Members of the U.S. Naval Academy Band, the U.S. Navy Band, Washington, DC, and all Navy Chief Petty Officers receive special cash clothing replacement allowances as follow-on to the special initial clothing allowances.
2. Reserve Chief Petty Officers will receive 18 percent of the Active-Duty Special Cash Clothing Replacement Allowance. This allowance will be paid annually during the anniversary month of the qualifying member.

*Table 29-6A. Navy Supplementary Clothing Allowances - Effective October 1, 2022
For the most current rates, see the Navy Supplementary Clothing Allowances table on DFAS.MIL.

RULE	When a Navy enlisted member is assigned to	then the Supplementary Clothing Allowance to be paid in cash is	and the frequency of payment is (Note 1)
1	duty as the Master Chief Petty Officer of the Navy or a Master Chief Petty Officer of a Fleet or Force	$220.00	annual.
2	duty as a recruit company commander at Naval training centers or Naval Air Reserve training unit (Memphis) and meets eligibility requirements (Note 2)	$220.00	
3	duty as a recruit drill instructor at naval training centers and meets eligibility requirements (Note 2)	$220.00	
4	duty as a midshipmen company advisor in pay grade E7 – E9 at the U.S. Naval Academy	$220.00	
5	duty as a musician with a Fleet/Area Band, U.S. Navy Band, Washington, DC or Naval Academy Band	$220.00	
6	assigned to a recruiting billet or a recruiting support billet (Note 3)	$220.00	
7	the USS CONSTITUTION	$220.00	only upon assignment.
8	the U.S. Navy Ceremonial Guard	$220.00	
9	duty with Naval Administrative Unit, Washington, DC	$125.00	
10	the Ceremonial Guard Unit, Naval Air Facility, Washington DC	$120.00	
11	a unit of the Armed Forces police or permanent shore patrol	$50.00	
12	duty in the executive part of the Department of the Navy located at the seat of government (field activities excluded)	$15.00	
13	duty in the Office of the SecDef including the Office of the Joint Chiefs of Staff	$15.00	
14	active-duty or Selected Reserve duty and the individual's condition requires the wearing of a maternity uniform	$472.84	once in 3 years.

Table 29-6A. Navy Supplementary Clothing Allowances (Continued)
Effective October 1, 2022

NOTES:

1. The supplementary clothing allowances listed are, unless otherwise noted, payable upon initial assignment to a normal tour of the duties described at the frequency specified in this table. Annual allowances will be paid upon assignment and upon each subsequent anniversary date of the initial assignment or entitlement, provided the member is projected to remain in the assignment for at least 6 additional months. Allowances to be paid as once in 3-year allowances, will be paid after 36 months from the date of any prior payment, provided the individual's condition/duties continue to require the supplementary allowance, and they are projected to remain in the assignment for at least 6 additional months. Members will be paid allowances only when first assigned to specified duty. A supplementary allowance may not be paid more frequently than once per year for similar duty, even if at different locations or commands or for subsequent recalls to active-duty within 1-year, except by special authority of the Service Secretary or designee.
2. Eligibility requires completion of Recruit Company Commander or Recruit Drill Instructor School.
3. Recruiting or recruiting support duty means active-duty assignment to: Navy recruiting areas, Navy recruiting districts, Navy recruiting "A" stations, Navy recruiting stations, Military Entrance Processing Stations, or to Naval Reserve activities. It also includes naval aviation cadet procurement teams at Naval Air Reserve activities. It is payable to recruiters after reporting to the enlisted Navy Recruiter Orientation Course or upon completion of the Veteran Recruiter Orientation. It is payable to recruiting support personnel upon receipt of orders to such duty. It is payable to members assigned to the Bureau of Naval Personnel controlled recruiting billets or a recruit support billet upon initial assignment when specialized training is not required prior to the recruiting assignment.

*Table 29-6B. Navy Supplementary Clothing Allowances - Effective October 1, 2023
For the most current rates, see the Navy Supplementary Clothing Allowances table on DFAS.MIL.

RULE	When a Navy enlisted member is assigned to	then the Supplementary Clothing Allowance to be paid in cash is	and the frequency of payment is (Note 1)
1	duty as the Master Chief Petty Officer of the Navy or a Master Chief Petty Officer of a Fleet or Force	$225.28	annual.
2	duty as a recruit company commander at Naval training centers or Naval Air Reserve training unit (Memphis) and meets eligibility requirements (Note 2)	$225.28	
3	duty as a recruit drill instructor at naval training centers and meets eligibility requirements (Note 2)	$225.28	
4	duty as a midshipmen company advisor in pay grade E7 – E9 at the U.S. Naval Academy	$225.28	
5	duty as a musician with a Fleet/Area Band, U.S. Navy Band, Washington, DC or Naval Academy Band	$225.28	
6	assigned to a recruiting billet or a recruiting support billet (Note 3)	$225.28	
7	the USS CONSTITUTION	$225.28	only upon assignment.
8	the U.S. Navy Ceremonial Guard	$225.28	
9	duty with Naval Administrative Unit, Washington, DC	$128.04	
10	the Ceremonial Guard Unit, Naval Air Facility, Washington DC	$122.88	
11	a unit of the Armed Forces police or permanent shore patrol	$51.20	
12	duty in the executive part of the Department of the Navy located at the seat of government (field activities excluded)	$15.36	
13	duty in the Office of the SecDef including the Office of the Joint Chiefs of Staff	$15.36	
14	active-duty or Selected Reserve duty and the individual's condition requires the wearing of a maternity uniform	$435.88	once in 3 years.

Table 29-6B. Navy Supplementary Clothing Allowances (Continued)
Effective October 1, 2023

NOTES:

1. The supplementary clothing allowances listed are, unless otherwise noted, payable upon initial assignment to a normal tour of the duties described at the frequency specified in this table. Annual allowances will be paid upon assignment and upon each subsequent anniversary date of the initial assignment or entitlement, provided the member is projected to remain in the assignment for at least 6 additional months. Allowances to be paid as once in 3-year allowances, will be paid after 36 months from the date of any prior payment, provided the individual's condition/duties continue to require the supplementary allowance, and they are projected to remain in the assignment for at least 6 additional months. Members will be paid allowances only when first assigned to specified duty. A supplementary allowance may not be paid more frequently than once per year for similar duty, even if at different locations or commands or for subsequent recalls to active-duty within 1-year, except by special authority of the Service Secretary or designee.
2. Eligibility requires completion of Recruit Company Commander or Recruit Drill Instructor School.
3. Recruiting or recruiting support duty means active-duty assignment to: Navy recruiting areas, Navy recruiting districts, Navy recruiting "A" stations, Navy recruiting stations, Military Entrance Processing Stations, or to Naval Reserve activities. It also includes naval aviation cadet procurement teams at Naval Air Reserve activities. It is payable to recruiters after reporting to the enlisted Navy Recruiter Orientation Course or upon completion of the Veteran Recruiter Orientation. It is payable to recruiting support personnel upon receipt of orders to such duty. It is payable to members assigned to the Bureau of Naval Personnel controlled recruiting billets or a recruit support billet upon initial assignment when specialized training is not required prior to the recruiting assignment.

*Table 29-6C. Navy Supplementary Clothing Allowances - Effective October 1, 2024
For the most current rates, see the Navy Supplementary Clothing Allowances table on DFAS.MIL.

RULE	When a Navy enlisted member is assigned to	then the Supplementary Clothing Allowance to be paid in cash is	and the frequency of payment is (Note 1)
1	duty as the Master Chief Petty Officer of the Navy or a Master Chief Petty Officer of a Fleet or Force	$275.14	annual.
2	duty as a recruit company commander at Naval training centers or Naval Air Reserve training unit (Memphis) and meets eligibility requirements (Note 2)	$275.14	
3	duty as a recruit drill instructor at naval training centers and meets eligibility requirements (Note 2)	$275.14	
4	duty as a midshipmen company advisor in pay grade E7 – E9 at the U.S. Naval Academy	$275.14	
5	duty as a musician with a Fleet/Area Band, U.S. Navy Band, Washington, DC or Naval Academy Band	$275.14	
6	assigned to a recruiting billet or a recruiting support billet (Note 3)	$275.14	
7	the USS CONSTITUTION	$275.14	only upon assignment.
8	the U.S. Navy Ceremonial Guard	$275.14	
9	duty with Naval Administrative Unit, Washington, DC	$156.20	
10	the Ceremonial Guard Unit, Naval Air Facility, Washington DC	$149.30	
11	a unit of the Armed Forces police or permanent shore patrol	$62.46	
12	duty in the executive part of the Department of the Navy located at the seat of government (field activities excluded)	$18.74	
13	duty in the Office of the SecDef including the Office of the Joint Chiefs of Staff	$18.74	
14	active-duty or Selected Reserve duty and the individual's condition requires the wearing of a maternity uniform	$502.55	once in 3 years.

Table 29-6C. Navy Supplementary Clothing Allowances (Continued)
Effective October 1, 2024

NOTES:

1. The supplementary clothing allowances listed are, unless otherwise noted, payable upon initial assignment to a normal tour of the duties described at the frequency specified in this table. Annual allowances will be paid upon assignment and upon each subsequent anniversary date of the initial assignment or entitlement, provided the member is projected to remain in the assignment for at least 6 additional months. Allowances to be paid as once in 3-year allowances, will be paid after 36 months from the date of any prior payment provided the individual's condition/duties continue to require the supplementary allowance, and they are projected to remain in the assignment for at least 6 additional months. Members will be paid allowances only when first assigned to specified duty. A supplementary allowance may not be paid more frequently than once per year for similar duty, even if at different locations or commands or for subsequent recalls to active duty within 1-year, except by special authority of the Service Secretary or designee.
2. Eligibility requires completion of Recruit Company Commander or Recruit Drill Instructor School.
3. Recruiting or recruiting support duty means active duty assignment to: Navy recruiting areas, Navy recruiting districts, Navy recruiting "A" stations, Navy recruiting stations, Military Entrance Processing Stations, or to Naval Reserve activities. It also includes Naval aviation cadet procurement teams at Naval Air Reserve activities. It is payable to recruiters after reporting to the enlisted Navy Recruiter Orientation Course or upon completion of the Veteran Recruiter Orientation. It is payable to recruiting support personnel upon receipt of orders to such duty. It is payable to members in Bureau of Personnel controlled recruiting billets or a recruit support billet upon initial assignment, when specialized training is not required prior to the recruiting assignment.

*Table 29-7A. Air Force and Space Force Supplementary Clothing Allowances - Effective October 1, 2022
For the most current rates, see the Air Force and Space Force Supplementary Clothing Allowances table on DFAS.MIL.

RULE	When an Air Force enlisted member is assigned to	then the Supplementary Clothing Allowance to be paid in cash is	and the frequency of payment is (Note 1)
1	a recruiting group or squadron	$288.52	annual.
2	duty as the Chief Master Sergeant of the Air Force and Space Force	$288.49	
3	duty as a Military Training Leader (Technical Training Schools)	$288.49	
4	duty as a professional military education instructor	$288.49	
5	duty as a basic military training instructor or manager	$288.49	
6	duty as an in-flight passenger service steward	$224.84	
7	Detachment 1, 4950th Test Wing	$224.84	
8	89th Air Wing Presidential Aircrew	$224.84	
9	duty as a cadet military training advisor at the U.S. Air Force Academy	$224.84	
10	duty as a basic military training instructor at the U.S. Air Force Academy Preparatory School	$224.84	
11	a military entrance processing station	$186.65	
12	USAF Honor Guard (Air Force Specialty Code 8G000)	$177.35	
13	89th Air Wing as a member of the security police	$152.64	
14	duty as the Chief Master Sergeant of the Air Force and Space Force Staff	$288.52	only upon assignment.
15	represent the Air Force as one of the 12 Outstanding Airmen of the Year	$288.52	
16	Hammer Ace	$224.89	
17	Headquarters U.S. Air Force/Chief of Staff as member of the security police	$152.64	
18	duty at a Major Command as a member of the security police Elite Guard	$152.64	
19	duty as a member of the security police Elite Gate Guards	$152.64	
20	duty as a student at the Security Forces Specialist Course (Law Enforcement & Security Specialist Students)	$123.05	

*Table 29-7A. Air Force and Space Force Supplementary Clothing Allowances (Continued)
Effective October 1, 2022

RULE	When an Air Force enlisted member is assigned to	then the Supplementary Clothing Allowance to be paid in cash is	and the frequency of payment is (Note 1)
21	active-duty and the individual's condition requires the wearing of a maternity uniform (Note 2)	$411.56	once in 3 years.
22	The U.S. Air Force Band, The U.S. Air Force Academy Band, or a regional Air Force Band	$224.89	
23	duty as a U.S. Air Force Academy radio maintenance work center technician	$186.69	
24	active-duty and the individual's condition requires the wearing of a maternity uniform when the individual is provided, as government issue, maternity working uniforms (e.g., hospital workers, Note 2)	$148.50	

NOTES:

1. The supplementary clothing allowances listed are, unless otherwise noted, payable upon initial assignment to a normal tour of the duties described and at the frequency specified in this table. Annual allowances will be paid upon assignment and upon each subsequent anniversary date of the initial assignment or entitlement, provided the member is projected to remain in the assignment for at least 6 additional months. Allowances to be paid as once in 3-year allowances, will be paid after 36 months from the date of any prior payment, provided the individual's condition/duties continue to require the supplementary allowance, and they are projected to remain in the assignment for at least 6 additional months. Members will be paid allowances only when first assigned to specified duty. A supplementary allowance may not be paid more frequently than once per year for similar duty, even if at different locations or commands or for subsequent recalls to active-duty within 1 year, except by special authority of the Service Secretary or designee.
2. When the reduced maternity uniform allowance has been paid and the member subsequently qualifies for a full maternity uniform allowance within 3 years of the reduced payment, the member will receive only the difference between the two allowances. A member may not receive more than the full maternity uniform allowance value within any 36-month period. A reduced maternity uniform allowance may not be paid within 36 months of a full maternity uniform allowance.

*Table 29-7B. Air Force and Space Force Supplementary Clothing Allowances - Effective October 1, 2023
For the most current rates, see the Air Force and Space Force Supplementary Clothing Allowances table on DFAS.MIL.

RULE	When an Air Force enlisted member is assigned to	then the Supplementary Clothing Allowance to be paid in cash is	and the frequency of payment is (Note 1)
1	a recruiting group or squadron	$295.44	annual.
2	duty as the Chief Master Sergeant of the Air Force and Space Force	$295.41	
3	duty as a Military Training Leader (Technical Training Schools)	$295.41	
4	duty as a professional military education instructor	$295.41	
5	duty as a basic military training instructor or manager	$295.41	
6	duty as an in-flight passenger service steward	$230.24	
7	Detachment 1, 4950th Test Wing	$230.24	
8	89th Air Wing Presidential Aircrew	$230.24	
9	duty as a cadet military training advisor at the U.S. Air Force Academy	$230.24	
10	duty as a basic military training instructor at the U.S. Air Force Academy Preparatory School	$230.24	
11	a military entrance processing station	$191.03	
12	USAF Honor Guard (Air Force Specialty Code 8G000)	$181.61	
13	89th Air Wing as a member of the security police	$156.30	
14	duty as the Chief Master Sergeant of the Air Force and Space Force Staff	$295.44	only upon assignment.
15	represent the Air Force as one of the 12 Outstanding Airmen of the Year	$295.44	
16	Hammer Ace	$230.29	
17	Headquarters U.S. Air Force/Chief of Staff as member of the security police	$156.30	
18	duty at a Major Command as a member of the security police Elite Guard	$156.30	
19	duty as a member of the security police Elite Gate Guards	$156.30	
20	duty as a student at the Security Forces Specialist Course (Law Enforcement & Security Specialist Students)	$126.00	

*Table 29-7B. Air Force and Space Force Supplementary Clothing Allowances (Continued)
Effective October 1, 2023

RULE	When an Air Force enlisted member is assigned to	then the Supplementary Clothing Allowance to be paid in cash is	and the frequency of payment is (Note 1)
21	active-duty and the individual's condition requires the wearing of a maternity uniform (Note 2)	$421.44	once in 3 years.
22	The U.S. Air Force Band, The U.S. Air Force Academy Band, or a regional Air Force Band	$230.29	
23	duty as a U.S. Air Force Academy radio maintenance work center technician	$191.17	
24	active-duty and the individual's condition requires the wearing of a maternity uniform when the individual is provided, as government issue, maternity working uniforms (e.g., hospital workers, Note 2)	$152.06	

NOTES:

1. The supplementary clothing allowances listed are, unless otherwise noted, payable upon initial assignment to a normal tour of the duties described and at the frequency specified in this table. Annual allowances will be paid upon assignment and upon each subsequent anniversary date of the initial assignment or entitlement, provided the member is projected to remain in the assignment for at least 6 additional months. Allowances to be paid as once in 3-year allowances, will be paid after 36 months from the date of any prior payment, provided the individual's condition/duties continue to require the supplementary allowance, and they are projected to remain in the assignment for at least 6 additional months. Members will be paid allowances only when first assigned to specified duty. A supplementary allowance may not be paid more frequently than once per year for similar duty, even if at different locations or commands or for subsequent recalls to active-duty within 1 year, except by special authority of the Service Secretary or designee.
2. When the reduced maternity uniform allowance has been paid and the member subsequently qualifies for a full maternity uniform allowance within 3 years of the reduced payment, the member will receive only the difference between the two allowances. A member may not receive more than the full maternity uniform allowance value within any 36-month period. A reduced maternity uniform allowance may not be paid within 36 months of a full maternity uniform allowance.

*Table 29-7C. Air Force and Space Force Supplementary Clothing Allowances - Effective October 1, 2024
For the most current rates, see the Air Force and Space Force Supplementary Clothing Allowances table on DFAS.MIL.

RULE	When an Air Force enlisted member is assigned to	then the Supplementary Clothing Allowance to be paid in cash is	and the frequency of payment is (Note 1)
1	a recruiting group or squadron	$301.94	annual.
2	duty as the Chief Master Sergeant of the Air Force and Space Force	$301.91	
3	duty as a Military Training Leader (Technical Training Schools)	$301.91	
4	duty as a professional military education instructor	$301.91	
5	duty as a basic military training instructor or manager	$301.91	
6	duty as an in-flight passenger service steward	$235.30	
7	Detachment 1, 4950th Test Wing	$235.30	
8	89th Air Wing Presidential Aircrew	$235.30	
9	duty as a cadet military training advisor at the U.S. Air Force Academy	$235.30	
10	duty as a basic military training instructor at the U.S. Air Force Academy Preparatory School	$235.30	
11	a military entrance processing station	$195.23	
12	USAF Honor Guard (Air Force Specialty Code 8G000)	$185.60	
13	89th Air Wing as a member of the security police	$159.74	
14	duty as the Chief Master Sergeant of the Air Force and Space Force Staff	$301.94	only upon assignment.
15	represent the Air Force as one of the Outstanding Airmen of the Year	$301.94	
16	Hammer Ace	$235.36	
17	Headquarters U.S. Air Force/Chief of Staff as member of the security police	$159.74	
18	duty at a Major Command as a member of the security police Elite Guard	$159.74	
19	duty as a member of the security police Elite Gate Guards	$159.74	
20	duty as a student at the Security Forces Specialist Course (Law Enforcement & Security Specialist Students)	$128.77	

*Table 29-7C. Air Force and Space Force Supplementary Clothing Allowances (Continued)
Effective October 1, 2024

RULE	When an Air Force enlisted member is assigned to	then the Supplementary Clothing Allowance to be paid in cash is	and the frequency of payment is (Note 1)
21	active-duty and the individual's condition requires the wearing of a maternity uniform (Note 2)	$430.71	once in 3 years.
22	The U.S. Air Force Band, The U.S. Air Force Academy Band, or a regional Air Force Band	$235.36	
23	duty as a U.S. Air Force Academy radio maintenance work center technician	$195.37	
24	active-duty and the individual's condition requires the wearing of a maternity uniform when the individual is provided, as government issue, maternity working uniforms (e.g., hospital workers, Note 2)	$155.40	

NOTES:

1. The supplementary clothing allowances listed are, unless otherwise noted, payable upon initial assignment to a normal tour of the duties described and at the frequency specified in this table. Annual allowances will be paid upon assignment and upon each subsequent anniversary date of the initial assignment or entitlement, provided the member is projected to remain in the assignment for at least 6 additional months. Allowances to be paid as once in 3-year allowances, will be paid after 36 months from the date of any prior payment, provided the individual's condition/duties continue to require the supplementary allowance, and they are projected to remain in the assignment for at least 6 additional months. Members will be paid allowances only when first assigned to specified duty. A supplementary allowance may not be paid more frequently than once per year for similar duty, even if at different locations or commands or for subsequent recalls to active-duty within 1 year, except by special authority of the Service Secretary or designee.
2. When the reduced maternity uniform allowance has been paid and the member subsequently qualifies for a full maternity uniform allowance within 3 years of the reduced payment, the member will receive only the difference between the two allowances. A member may not receive more than the full maternity uniform allowance value within any 36-month period. A reduced maternity uniform allowance may not be paid within 36 months of a full maternity uniform allowance.

*Table 29-8A. Marine Corps Supplementary Clothing Allowances - Effective October 1, 2022
For the most current rates, see the Marine Corps Supplementary Clothing Allowances table on DFAS.MIL.

RULE	When a Marine Corps enlisted member is assigned to	then the Supplementary Clothing Allowance to be paid in cash is	and the frequency of payment is (Note 1)
1	male Staff Non-Commissioned Officer (SNCO) white trousers (note 2)	$56.99	only upon assignment.
2	female SNCO white skirt (note 2)	$69.99	
3	female SNCO white slacks (note 2)	$56.99	
4	duty as a male student at the Naval Academy Preparatory School	$1,425.13	
5	duty as a female student at the Naval Academy Preparatory School	$1,444.11	
6	Sergeant Major of the Marine Corps	$263.90	
7	Recruiter (Vinyl Cover) (note 3)	$148.00	
8	Female Marine (Pumps) Allowance (note 4)	$50.00	

NOTES:

1. The supplementary clothing allowances listed are, unless otherwise noted, payable upon initial assignment to a normal tour of the duties described and at the frequency specified in this table. Annual allowances will be paid upon assignment and upon each subsequent anniversary date of the initial assignment or entitlement, provided the member is projected to remain in the assignment for at least 6 additional months. Allowances to be paid as once in 3-year allowances, will be paid after 36 months from the date of any prior payment, provided the individual's condition/duties continue to require the supplementary allowance, and they are projected to remain in the assignment for at least 6 additional months. Members will be paid allowances only when first assigned to specified duty. A supplementary allowance may not be paid more frequently than once per year for similar duty, even if at different locations or commands or for subsequent recalls to active-duty within 1 year, except by special authority of the Service Secretary or designee.
2. This allowance is for Staff Non-commissioned officers (SNCO) that are required to wear the white skirt, slacks and/or Trousers and is authorized once every 3 years.
3. The Recruiter Commercial Vinyl Cover Allowance is for the commercial vinyl cap that recruiters are required to wear with their uniforms. A replacement is authorized once every 3 years for those who previously received a one-time automatic payment of this allowance and who are currently assigned to a specific recruiter billet military occupational specialty.
4. Female Marines are authorized a replacement, once every 3 years to purchase commercial black pump dress shoes. For Active-Duty, commercial black pump shoe allowance will be added to the Clothing Replacement Allowance Monthly Amount. For Reservists, the replacement In-kind allowance will need to be reported by the units' admin sections once every 3 years.

*Table 29-8B. Marine Corps Supplementary Clothing Allowances - Effective October 1, 2023
For the most current rates, see the Marine Corps Supplementary Clothing Allowances table on DFAS.MIL.

RULE	When a Marine Corps enlisted member is assigned to	then the Supplementary Clothing Allowance to be paid in cash is	and the frequency of payment is (Note 1)
1	male Staff Non-Commissioned Officer (SNCO) white trousers (note 2)	$61.99	only upon assignment.
2	female SNCO white skirt (note 2)	$73.99	
3	female SNCO white slacks (note 2)	$65.99	
4	duty as a male student at the Naval Academy Preparatory School	$1,457.28	
5	duty as a female student at the Naval Academy Preparatory School	$1,482.23	
6	Sergeant Major of the Marine Corps	$280.90	
7	Recruiter (Vinyl Cover) (note 3)	$148.00	
8	Female Marine (Pumps) Allowance (note 4)	$50.00	

NOTES:

1. The supplementary clothing allowances listed are, unless otherwise noted, payable upon initial assignment to a normal tour of the duties described and at the frequency specified in this table. Annual allowances will be paid upon assignment and upon each subsequent anniversary date of the initial assignment or entitlement, provided the member is projected to remain in the assignment for at least 6 additional months. Allowances to be paid as once in 3-year allowances, will be paid after 36 months from the date of any prior payment, provided the individual's condition/duties continue to require the supplementary allowance, and they are projected to remain in the assignment for at least 6 additional months. Members will be paid allowances only when first assigned to specified duty. A supplementary allowance may not be paid more frequently than once per year for similar duty, even if at different locations or commands or for subsequent recalls to active-duty within 1 year, except by special authority of the Service Secretary or designee.
2. This allowance is for Staff Non-commissioned officers (SNCO) that are required to wear the white skirt, slacks and/or Trousers and is authorized once every 3 years.
3. The Recruiter Commercial Vinyl Cover Allowance is for the commercial vinyl cap that recruiters are required to wear with their uniforms. A replacement is authorized once every 3 years for those who previously received a one-time automatic payment of this allowance and who are currently assigned to a specific recruiter billet military occupational specialty.
4. Female Marines are authorized a replacement, once every 3 years to purchase commercial black pump dress shoes. For Active-Duty, commercial black pump shoe allowance will be added to the Clothing Replacement Allowance Monthly Amount. For Reservists, the replacement In-kind allowance will need to be reported by the units' admin sections once every 3 years.

*Table 29-8C. Marine Corps Supplementary Clothing Allowances - Effective October 1, 2024
For the most current rates, see the Marine Corps Supplementary Clothing Allowances table on DFAS.MIL.

RULE	When a Marine Corps enlisted member is assigned to	then the Supplementary Clothing Allowance to be paid in cash is	and the frequency of payment is (Note 1)
1	male Staff Non-Commissioned Officer (SNCO) white trousers (note 2)	$61.99	only upon assignment.
2	female SNCO white skirt (note 2)	$73.99	
3	female SNCO white slacks (note 2)	$65.99	
4	duty as a male student at the Naval Academy Preparatory School	$1,489.86	
5	duty as a female student at the Naval Academy Preparatory School	$1,514.83	
6	Sergeant Major of the Marine Corps	$287.08	
7	Recruiter (Vinyl Cover) (note 3)	$151.25	
8	Female Marine (Pumps) Allowance (note 4)	$50.00	

NOTES:

1. The supplementary clothing allowances listed are, unless otherwise noted, payable upon initial assignment to a normal tour of the duties described and at the frequency specified in this table. Annual allowances will be paid upon assignment and upon each subsequent anniversary date of the initial assignment or entitlement, provided the member is projected to remain in the assignment for at least 6 additional months. Allowances to be paid as once in 3-year allowances, will be paid after 36 months from the date of any prior payment, provided the individual's condition/duties continue to require the supplementary allowance, and they are projected to remain in the assignment for at least 6 additional months. Members will be paid allowances only when first assigned to specified duty. A supplementary allowance may not be paid more frequently than once per year for similar duty, even if at different locations or commands or for subsequent recalls to active-duty within 1 year, except by special authority of the Service Secretary or designee.
2. This allowance is for Staff Non-commissioned officers (SNCO) that are required to wear the white skirt, slacks and/or Trousers and is authorized once every 3 years.
3. The Recruiter Commercial Vinyl Cover Allowance is for the commercial vinyl cap that recruiters are required to wear with their uniforms. A replacement is authorized once every 3 years for those who previously received a one-time automatic payment of this allowance and who are currently assigned to a specific recruiter billet military occupational specialty.
4. Female Marines are authorized a replacement, once every 3 years to purchase commercial black pump dress shoes. For Active-Duty, commercial black pump shoe allowance will be added to the Clothing Replacement Allowance Monthly Amount. For Reservists, the replacement In-kind allowance will need to be reported by the units' admin sections once every 3 years.

*Table 29-9A. Civilian Clothing Allowances for Officer and Enlisted Members - Effective October 1, 2022
For the most current rates, see the Civilian Clothing Allowances for Officer and Enlisted table on DFAS.MIL.

RULE	When an officer or enlisted member is entitled to a Civilian Clothing Allowance for	then the amount of payment is (Notes 1 and 2)
1	permanent duty initial payment	$1,171.80
2	permanent duty annual replacement payment	$391.32
3	temporary duty of at least 15 days in a 30-day period (Note 3)	$391.32
4	temporary duty of at least 30 days in a 36-month period	$781.20

NOTES:

1. By law, an officer is authorized a civilian clothing allowance only if the officer's permanent duty station is outside the United States.
2. Unless exception is given, the maximum amount payable, for all temporary duty performed in any 36-month period, will not exceed the maximum prescribed for duty of at least 30 days.
3. The 15-day qualification requirement does not apply to Explosive Ordnance Disposal and Explosive Detector Dog personnel on U.S. Secret Service support duty, Defense Courier Service couriers, or Defense Threat Reduction Agency military personnel. These personnel may be authorized up to the maximum temporary duty civilian clothing allowance for 30 days upon their initial temporary duty travel requirement.

*Table 29-9B. Civilian Clothing Allowances for Officer and Enlisted Members - Effective October 1, 2023
For the most current rates, see the Civilian Clothing Allowances for Officer and Enlisted table on DFAS.MIL.

RULE	When an officer or enlisted member is entitled to a Civilian Clothing Allowance for	then the amount of payment is (Notes 1 and 2)
1	permanent duty initial payment	$1,200.24
2	permanent duty annual replacement payment	$401.04
3	temporary duty of at least 15 days in a 30-day period (Note 3)	$401.04
4	temporary duty of at least 30 days in a 36-month period	$800.28

NOTES:

1. By law, an officer is authorized a civilian clothing allowance only if the officer's permanent duty station is outside the United States.
2. Unless exception is given, the maximum amount payable, for all temporary duty performed in any 36-month period, will not exceed the maximum prescribed for duty of at least 30 days.
3. The 15-day qualification requirement does not apply to Explosive Ordnance Disposal and Explosive Detector Dog personnel on U.S. Secret Service support duty, Defense Courier Service couriers, or Defense Threat Reduction Agency military personnel. These personnel may be authorized up to the maximum temporary duty civilian clothing allowance for 30 days upon their initial temporary duty travel requirement.

*Table 29-9C. Civilian Clothing Allowances for Officer and Enlisted Members - Effective October 1, 2024
For the most current rates, see the Civilian Clothing Allowances for Officer and Enlisted table on DFAS.MIL.

RULE	When an officer or enlisted member is entitled to a Civilian Clothing Allowance for	then the amount of payment is (Notes 1 and 2)
1	permanent duty initial payment	$1,226.88
2	permanent duty annual replacement payment	$410.04
3	temporary duty of at least 15 days in a 30-day period (Note 3)	$410.04
4	temporary duty of at least 30 days in a 36-month period	$817.92

NOTES:

1. By law, an officer is authorized a civilian clothing allowance only if the officer's permanent duty station is outside the United States.
2. Unless exception is given, the maximum amount payable, for all temporary duty performed in any 36-month period, will not exceed the maximum prescribed for duty of at least 30 days.
3. The 15-day qualification requirement does not apply to Explosive Ordnance Disposal and Explosive Detector Dog personnel on U.S. Secret Service support duty, Defense Courier Service couriers, or Defense Threat Reduction Agency military personnel. These personnel may be authorized up to the maximum temporary duty civilian clothing allowance for 30 days upon their initial temporary duty travel requirement.

Table 29-10. Settlement of Cash Clothing Allowances
(See Note)

RULE	When member is entitled to	and is a member of the				and has	then
		Army	Navy	Air Force and Space Force	Marine Corps		
1	a standard initial clothing allowance, a reduced or partial standard initial clothing allowance		X			completed 6 months of active-duty (Note)	settle balance of allowance due.
2	a standard initial clothing allowance, a reduced or partial standard initial clothing allowance		X	X		drawn clothing equaling or exceeding the allowance	settle amount, collect amount due from member, if appropriate.
3	a standard initial clothing allowance, a reduced or partial standard initial clothing allowance			X		completed 30 days of active-duty (Note)	settle balance of allowance due.
4	a standard initial clothing allowance, a reduced or partial standard initial clothing allowance		X			completed recruit training	settle balance of allowance due.

Table 29-10. Settlement of Cash Clothing Allowances (Continued)

RULE	When member is entitled to	and is a member of the				and has	then
		Army	Navy	Air Force and Space Force	Marine Corps		
5	a standard initial clothing allowance, a reduced or partial standard initial clothing allowance		X	X		reenlisted in the same branch of the Regular Service subsequent to expiration of 3 months from the date of last discharge or release from active-duty	pay or credit amount authorized immediately.
6	a special initial clothing allowance or a reduced or partial special initial clothing allowance		X	X			pay or credit amount authorized immediately.
7	an initial cash allowance for personal purchase of specified items	X	X	X	X	established entitlement to an initial clothing allowance	pay or credit amount authorized immediately.
8	a civilian clothing allowance	X	X	X	X		pay or credit amount authorized immediately.

NOTE:

On discharge, release from active-duty, or death, before completion of 6 months of active-duty (Navy), or 30 days (Air Force and Space Force), reduce the monetary clothing allowance to amount of clothing already supplied.

*REFERENCES

CHAPTER 29—CLOTHING MONETARY ALLOWANCES

1.0 – GENERAL

1.1	37 U.S.C. § 418

2.0 – CLOTHING ALLOWANCE ENTITLEMENT

	37 U.S.C. § 418
	DoD Directive 1338.05, January 12, 2005
	DoD Instruction (DoDI) 1338.18, January 7, 1998
	Office of the Under Secretary of Defense Personnel and Readiness (OUSD (P&R)) Memo, April 18, 2008

3.0 – INITIAL CLOTHING ALLOWANCES

3.4.2	Department of the Navy Chief of Naval Operations Memo, March 12, 2002
3.5	Air Force Instructions 36-3012, August 2019, paragraph 6.3.7

4.0 – CASH CLOTHING REPLACEMENT ALLOWANCES

4.2.1.	DoDI 1338.18, January 7, 1998, paragraph 5.3.2
4.3.1.	DoDI 1338.18, January 7, 1998, paragraph 5.3.3

5.0 – EXTRA CLOTHING ALLOWANCES

5.2	Assistant Secretary of Defense – Force Management & Personnel Memo, March 31, 1998
	OUSD (P&R) Memo, March 25, 2003
5.3	37 U.S.C. § 419

6.0 – MISCELLANEOUS CLOTHING PROVISION

6.2	DoDI 1338.18, January 7, 1998, paragraph 5.1.7

*REFERENCES (Continued)

Table 29-1A – STANDARD INITIAL CLOTHING ALLOWANCES

Department of the Army Office of the Deputy Chief of Staff G-4 Memo, September 7, 2022
Department of the Army Office of the Deputy Chief of Staff G-4 Memo, November 1, 2022
Department of the Navy Office of the Assistant Secretary Manpower and Reserve Affairs Memo, September 30, 2022
Department of the Air Force AF/A1 Memo, September 26, 2022

Table 29-1B – STANDARD INITIAL CLOTHING ALLOWANCES

Department of the Army Office of the Deputy Chief of Staff G-4 Memo, September 7, 2023
Department of the Navy Office of the Assistant Secretary Manpower and Reserve Affairs Memo, September 29, 2023
Department of the Air Force AF/A1 Memo, September 8, 2023

Table 29-1C – STANDARD INITIAL CLOTHING ALLOWANCES

Department of the Navy Office of the Assistant Secretary Manpower and Reserve Affairs Memo, March 24, 2024

Table 29-1D – STANDARD INITIAL CLOTHING ALLOWANCES

Department of the Air Force AF/A1 Memo, April 22, 2024

Table 29-1E – STANDARD INITIAL CLOTHING ALLOWANCES

Department of the Army Office of the Deputy Chief of Staff G-4 Memo, August 22, 2024
Department of the Navy Office of the Assistant Secretary Manpower and Reserve Affairs Memo, September 24, 2024
Department of the Air Force AF/A1 Memo, October 1, 2024

Table 29-2A – NAVY SPECIAL INITIAL CLOTHING ALLOWANCE

Department of the Navy Office of the Assistant Secretary Manpower and Reserve Affairs Memo, September 30, 2022

*REFERENCES (Continued)

Table 29-2B – NAVY SPECIAL INITIAL CLOTHING ALLOWANCE

Department of the Navy Office of the Assistant Secretary
Manpower and Reserve Affairs Memo, September 29, 2023

Table 29-2C – STANDARD INITIAL CLOTHING ALLOWANCES

Department of the Navy Office of the Assistant Secretary
Manpower and Reserve Affairs Memo, March 24, 2024

Table 29-2D – STANDARD INITIAL CLOTHING ALLOWANCES

Department of the Navy Office of the Assistant Secretary
Manpower and Reserve Affairs Memo, October 1, 2024

Table 29-3A – AIR FORCE AND SPACE FORCE SPECIAL INITIAL CLOTHING ALLOWANCE

Department of the Air Force AF/A1 Memo,
September 26, 2022

Table 29-3B – AIR FORCE AND SPACE FORCE SPECIAL INITIAL CLOTHING ALLOWANCE

Department of the Air Force AF/A1 Memo,
September 8, 2023

Table 29-3C – AIR FORCE AND SPACE FORCE SPECIAL INITIAL CLOTHING ALLOWANCE

Department of the Air Force AF/A1 Memo,
October 1, 2024

Table 29-4 – ENTITLEMENT TO CASH CLOTHING REPLACEMENT ALLOWANCES

DoDI 1338.18, January 7, 1998

*REFERENCES (Continued)

Table 29-5A – CASH CLOTHING REPLACEMENT ALLOWANCES

Department of the Army Office of the Deputy Chief of Staff G-4 Memo, September 7, 2022
Department of the Army Office of the Deputy Chief of Staff G-4 Memo, November 1, 2022
Department of the Navy Office of the Assistant Secretary Manpower and Reserve Affairs Memo, September 30, 2022
Department of the Air Force AF/A1 Memo, September 26, 2022

Table 29-5B – CASH CLOTHING REPLACEMENT ALLOWANCES

Department of the Army Office of the Deputy Chief of Staff G-4 Memo, September 7, 2023
Department of the Navy Office of the Assistant Secretary Manpower and Reserve Affairs Memo, September 30, 2022
Department of the Air Force AF/A1 Memo, September 8, 2022

Table 29-5C – CASH CLOTHING REPLACEMENT ALLOWANCES

Department of the Navy Office of the Assistant Secretary Manpower and Reserve Affairs Memo, March 24, 2024

Table 29-5D – CASH CLOTHING REPLACEMENT ALLOWANCES

Department of the Navy Office of the Assistant Secretary Manpower and Reserve Affairs Memo, April 22, 2024

Table 29-5E – CASH CLOTHING REPLACEMENT ALLOWANCES

Department of the Army Office of the Deputy Chief of Staff G-4 Memo, August 22, 2024
Department of the Navy Office of the Assistant Secretary Manpower and Reserve Affairs Memo, September 24, 2024
Department of the Air Force AF/A1 Memo, October 1, 2024

*REFERENCES (Continued)

Table 29-6A – NAVY SUPPLEMENTARY CLOTHING ALLOWANCES

Department of the Navy Office of the Assistant Secretary Manpower and Reserve Affairs Memo, September 30, 2022

Table 29-6B – NAVY SUPPLEMENTARY CLOTHING ALLOWANCES

Department of the Navy Office of the Assistant Secretary Manpower and Reserve Affairs Memo, September 29, 2023

Table 29-6C – NAVY SUPPLEMENTARY CLOTHING ALLOWANCES

Department of the Navy Office of the Assistant Secretary Manpower and Reserve Affairs Memo, September 24, 2024

Table 29-7A – AIR FORCE AND SPACE FORCE SUPPLEMENTARY CLOTHING ALLOWANCES

Department of the Air Force AF-A1 Memo, September 26, 2022

Table 29-7B – AIR FORCE AND SPACE FORCE SUPPLEMENTARY CLOTHING ALLOWANCES

Department of the Air Force AF/A1 Memo, September 8, 2023

Table 29-7C – AIR FORCE AND SPACE FORCE SUPPLEMENTARY CLOTHING ALLOWANCES

Department of the Air Force AF/A1 Memo, October 1, 2024

Rule 15 — Department of the Air Force AF/A1 Memo, February 7, 2025

Table 29-8A – MARINE CORPS SUPPLEMENTARY CLOTHING ALLOWANCES

Department of the Navy Office of the Assistant Secretary Manpower and Reserve Affairs Memo, September 30, 2022

Table 29-8B – MARINE CORPS SUPPLEMENTARY CLOTHING ALLOWANCES

Department of the Navy Office of the Assistant Secretary Manpower and Reserve Affairs Memo, September 29, 2023

*REFERENCES (Continued)

Table 29-8C – MARINE CORPS SUPPLEMENTARY CLOTHING ALLOWANCES

Department of the Navy Office of the Assistant Secretary
Manpower and Reserve Affairs Memo, September 24, 2024

Table 29-9A – CIVILIAN CLOTHING ALLOWANCES FOR OFFICER AND ENLISTED MEMBERS

DoDI 1338.18, January 7, 1998
Office of the Assistant Secretary of Defense Manpower and Reserve Affairs Memo, September 29, 2022

Table 29-9B – CIVILIAN CLOTHING ALLOWANCES FOR OFFICER AND ENLISTED MEMBERS

DoDI 1338.18, January 7, 1998
Office of the Assistant Secretary of Defense Manpower and Reserve Affairs Memo, September 28, 2023

Table 29-9C – CIVILIAN CLOTHING ALLOWANCES FOR OFFICER AND ENLISTED MEMBERS

DoDI 1338.18, January 7, 1998
Office of the Assistant Secretary of Defense Manpower and Reserve Affairs Memo, October 1, 2024

Table 29-10 – SETTLEMENT OF CASH CLOTHING ALLOWANCES

DoDI 1338.18, January 7, 1998

VOLUME 7A, CHAPTER 30: "OFFICERS' UNIFORM AND EQUIPMENT ALLOWANCE"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated February 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
6.3	Extended authorization date to September 30, 2025, per Public Law 118-31, section 628.	Revision
References	Updated to reflect current statutes and other supporting references.	Revision

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CHAPTER 30

OFFICERS' UNIFORM AND EQUIPMENT ALLOWANCE

1.0 GENERAL

1.1 Purpose

In accordance with guidance contained in this chapter, officers of the Armed Forces of the United States may be entitled to an initial uniform allowance and/or an additional active-duty uniform allowance as reimbursement for the purchase of required uniforms and equipment.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with Title 37, United States Code, sections 415, 416, and 417 (37 U.S.C. §§ ***415***, ***416***, and ***417***). Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 INITIAL UNIFORM ALLOWANCE

2.1 General

Officers of the Armed Forces of the United States are entitled to an initial uniform allowance as provided in this section.

2.2 When Payable

2.2.1. Except as provided in subparagraph 2.2.2, the initial uniform allowance is payable only once to an officer upon:

2.2.1.1. First reporting for active duty (other than for training) for a period of more than 90 days. A member entering active duty as an officer in a Regular Component or upon Reserve Officer Training Corps (ROTC) graduation is considered to have entered into active duty for more than 90 days;

2.2.1.2. Completing at least 14 days of active duty or active duty for training as a member of a Reserve Component;

2.2.1.3. Completing 14 periods of inactive-duty training as a member of the Ready Reserve. Each period of inactive-duty training must be of at least 2 hours duration; or

2.2.1.4. Reporting for the first period of active duty required of a member of the Armed Forces Health Professions Scholarship Program.

2.2.2. In the case where a Reserve officer transfers to another Reserve Component that requires a different uniform, that Reserve officer may receive another initial uniform allowance.

2.3 Amount Payable

All officer personnel, commissioned or appointed in the Regular or Reserve Components of the Army, Navy, Air Force, and Marine Corps, are authorized $400 as reimbursement for the purchase of uniforms and equipment, regardless the source of commission or previous enlisted status.

2.4 Restrictions

2.4.1. If a member has received an initial uniform allowance in any amount as an officer, under conditions other than those listed in subparagraph 2.2.1, then the member cannot be entitled to the initial uniform allowance again.

2.4.2. Regular officers may not receive this allowance when transferring to another Military Service.

2.4.3. Only periods of duty that require wearing of the uniform are counted for entitlement to the initial uniform allowance.

2.4.4. An officer must be determined physically qualified for active duty before entitlement to an initial uniform allowance accrues.

3.0 ADDITIONAL ACTIVE-DUTY UNIFORM ALLOWANCE

3.1 General

Officers of Reserve Components, officers of the Army or Air Force of the United States without specification of component, and ROTC graduates appointed in the Regular Components are entitled to an additional active-duty uniform allowance as provided in this section.

3.2 When Payable

3.2.1. The additional active-duty uniform allowance is payable for each instance of entry or reentry into active duty, or active duty for training (including authorized travel time) for more than 90 days. The period served may be under orders specifying active duty for more than 90 days, or under two or more orders requiring a continuous period of more than 90 days active duty.

3.2.2. An officer commissioned in a Regular Component, upon ROTC graduation, accrues entitlement to the allowance on commencement of duty as a Regular officer. The officer is considered to have entered on active duty for more than 90 days.

3.3 Amount Payable

The additional active-duty uniform allowance is payable to qualified officers in the amount of $200, as reimbursement for the purchase of required uniforms and equipment.

3.4 Restrictions

3.4.1. The additional active-duty uniform allowance is not payable if the officer has received an initial uniform allowance of more than $400 during the current tour of active duty, or within 2 years prior to entering the current tour.

3.4.2. The additional active-duty uniform allowance is not payable when the tour of duty for which payment is being considered began within 2 years after the end of a previous period of active duty, or active duty for training, of more than 90 days. This applies whether or not a uniform allowance was paid for the previous tour of duty. It applies only if the prior service was performed as a Reserve officer, as an officer of the Army or Air Force of the United States without specification of component, or as a Regular officer commissioned upon ROTC.

3.4.3. An officer of a Reserve Component or of the Army or Air Force of the United States, without specification of component, is not due this allowance solely because of appointment in or transfer to the Army, Air Force, or another Reserve Component.

3.4.4. A Reserve officer ordered to an indefinite tour of active duty, or active duty for training, is not entitled to this allowance until the member completes more than 90 days of that tour.

3.4.5. Only periods of duty requiring the wearing of the uniform are counted for entitlement to the allowance prescribed in this paragraph.

3.4.6. To be entitled under this paragraph, an officer must be determined physically qualified for active duty.

3.5 Computation of 2-Year Period

Compute the 2-year period during which no active duty or active duty for training was performed as follows:

3.5.1. When an officer is ordered to active duty, or active duty for training, for a period of more than 90 days, the 2-year period begins on the day following the day of release from active duty or active duty for training.

Example 1: A Reserve officer was ordered to active duty for training under orders specifying a 92-day tour of duty to begin March 1, 2016, and to end May 31, 2016. The officer was released from active duty for training May 31, 2016. The 2-year period began on June 1, 2016. Entitlement to the next additional active duty

uniform allowance accrues if the officer is called to active duty, or active duty for training, for a period of more than 90 days on or after June 1, 2018.

Example 2: If the officer in Example 1 served 35 days of a tour of active duty under orders specifying duty of more than 90 days and was released from active duty for training April 4, 2016, then the 2-year period started April 5, 2016. Entitlement to the next additional active-duty uniform allowance accrues if the officer is called to active duty, or active duty for training for a period of more than 90 days, on or after April 5, 2018. Refund of allowance or any portion thereof is not required since entitlement was based on reporting for active duty for a period of more than 90 days.

3.5.2. When an officer is ordered to active duty for training for an indefinite period, and serves more than 90 days, the 2-year period begins on the day following the day of release from active duty.

Example 1: A Reserve officer was ordered to active duty for training for an indefinite period to begin March 1, 2016. The officer was released from active duty July 1, 2016. On the 91st day of duty (May 30, 2016), the officer was entitled to the allowance as of the first day of duty (March 1, 2016) if other conditions of entitlement were met. The 2-year period starts July 2, 2016. Entitlement to the next additional active-duty uniform allowance accrues if the officer is called to active duty, or active duty for training, for a period of more than 90 days on or after July 2, 2018.

Example 2: If the Reserve officer in Example 1 (subparagraph 3.5.2) was released from active duty on April 4, 2016, after serving only 35 days, then the officer would not be entitled to the additional active-duty uniform allowance for that period of active duty for training.

3.5.3. When an officer is separated from a Regular Component and is later appointed as an officer in a Reserve Component and ordered to active duty, or active duty for training, for more than 90 days, the 2-year period restriction in subparagraph 3.4.2 does not apply. Exception: Regular officers appointed upon completion of ROTC training after October 12, 1994, are subject to the 2-year restriction.

Example: An officer was separated from a Regular Component on June 30, 2016, and was appointed an officer in a Reserve Component on July 1, 2016. The member reported for active duty for more than 90 days on May 1, 2018. The member was entitled to the additional active-duty uniform allowance when reporting on the present tour of active duty, since the previous tour was as a Regular officer.

4.0 DETERMINATIONS

4.1 First Time Reporting for Active Duty and Allowances

An officer reporting for active duty for the first time, who meets the requirements for entitlement to the initial uniform allowance and the additional active-duty uniform allowance, is entitled to receive both allowances subject to the restrictions of paragraphs 2.4 and 3.4.

4.2 Received Initial Uniform Allowance

An officer who receives, or has previously received, an initial uniform allowance as an officer, under any conditions other than those listed in subparagraph 2.2.1, is not eligible to receive the initial uniform allowance upon transfer to, or appointment in, another Reserve Component or the Army or Air Force of the United States, without specification of component.

4.3 Reserve Officers' Uniform Allowance Entitlements

A Reserve officer who receives, or has previously received, an initial uniform allowance, under the conditions listed in subparagraph 2.2.1, and again qualifies for the initial uniform allowance and/or the additional active-duty uniform allowance by meeting the basic requirements, is eligible to receive the initial and/or the additional allowance upon transfer to, or appointment in, another Reserve Component or the Army or Air Force of the United States, without specification of component, if the wearing of a different uniform is required.

4.4 Reserve Officers' Additional Allowance Entitlement

If otherwise eligible, a Reserve officer is entitled to be paid the additional active-duty uniform allowance, even if the member has not received an initial uniform allowance.

5.0 CIVILIAN CLOTHING MONETARY ALLOWANCE

5.1 Officers' Civilian Clothing Allowance

Officers assigned to a permanent duty station outside the United States, who are required to wear civilian clothing all or a substantial portion of the time in the performance of official duty, may be authorized an allowance for civilian clothing.

5.2 Entitlement and Rate for Civilian Clothing Allowance

Entitlement criteria for civilian clothing allowances are specified in Chapter 29, paragraph 5.3 and allowance rates are at ***DFAS.MIL***.

6.0 ONE-TIME UNIFORM ALLOWANCE FOR OFFICERS WHO TRANSFER TO THE SPACE FORCE.

6.1 General

The Secretary of the Air Force may provide an officer who transfers from the Army, Navy, Air Force, or Marine Corps to the Space Force an allowance of not more than $400 as reimbursement for the purchase of required uniforms and equipment.

6.2 Relationship to Other Allowances

The allowance under this section is in addition to any allowance available under any other provision of law.

*6.3 When Payable

The authority for an allowance under this section shall apply with respect to any officer described in paragraph 6.1 who transfers to the Space Force:

6.3.1. During the period beginning on December 20, 2019, and ending on September 30, 2025; and

6.3.2. On or after the date the Secretary of the Air Force prescribes the official uniform for the Space Force.

*REFERENCES

CHAPTER 30 – OFFICERS' UNIFORM AND EQUIPMENT ALLOWANCE

2.0 – INITIAL UNIFORM ALLOWANCE

2.2	37 U.S.C. § 415(a)
2.2.2.	37 U.S.C. § 417(b)
2.3	37 U.S.C. § 415(a)
2.4.1.	37 U.S.C. § 415(b)
2.4.3	37 U.S.C. § 417(c)
2.4.4.	33 Comptroller General (Comp Gen) 250

3.0 – ADDITIONAL ACTIVE-DUTY UNIFORM ALLOWANCE

3.2.1.	33 Comp Gen 250
3.3	37 U.S.C. § 416(a)
3.4.1.	37 U.S.C. § 416(b)
3.4.2.	43 Comp Gen 265
3.4.4.	33 Comp Gen 242
3.4.5.	37 U.S.C. § 417(c)
3.5	42 Comp Gen 550

4.0 – DETERMINATIONS

4.3	37 U.S.C. § 417(b)
4.4	43 Comp Gen 729

5.0 – CIVILIAN CLOTHING MONETARY ALLOWANCE

37 U.S.C. § 419

6.0 – ONE-TIME UNIFORM ALLOWANCE FOR OFFICERS WHO TRANSFER TO THE SPACE FORCE

Public Law 116-283 § 606
Public Law 117-263 § 616
Public Law 118-31 § 628

VOLUME 7A, CHAPTER 31: "PERSONAL MONEY ALLOWANCE"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated October 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision
References	Deleted statutes and supporting references no longer applicable.	Deletion

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CHAPTER 31

PERSONAL MONEY ALLOWANCE

1.0 GENERAL

1.1 Purpose

This chapter establishes policy pertaining to Personal Money Allowance.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Title 37. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 ENTITLEMENT

2.1 Officers

Officers, in the capacities listed in Table 31-1 (Personal Money Allowance - Amounts Payable) who are entitled to receive basic pay are also entitled to receive a Personal Money Allowance. This allowance is in addition to any other pay or allowance authorized.

2.2 Enlisted Members

An enlisted member serving as the Senior Enlisted member of his or her Military Service is also entitled to receive a Personal Money Allowance. This allowance is in addition to any other pay or allowance authorized.

3.0 MONTHLY AMOUNTS PAYABLE

See Table 31-1.

4.0 TAXABILITY AND WITHHOLDING TAX

Personal Money Allowance is subject to federal and state income tax withholding.

Table 31-1. Personal Money Allowance — Amounts Payable

RULE	If the member is serving	then the annual amount payable is	and is paid monthly at the rate of
1	as Chairman of the Joint Chiefs of Staff, Vice Chairman of the Joint Chiefs of Staff, Chief of Staff of the Army or Air Force, Chief of Naval Operations, Commandant of the Marine Corps, Chief of Space Operations, Commandant of the Coast Guard, or Chief of the National Guard Bureau (note 1)	$4,000 (note 2)	$333.33
2	as a senior member of the Military Staff Committee of the United Nations and entitled to the grade, pay, and allowances of a lieutenant general or vice admiral (note 1)	$2,200 plus $500 authorized in rule 4	$225.00
3	in the grade of general or admiral	$2,200	$183.33
4	in the grade of lieutenant general or vice admiral	$500	$41.67
5	as the Senior Enlisted Advisor to the Chairman of the Joint Chiefs of Staff, Sergeant Major of the Army, the Master Chief Petty Officer of the Navy, the Chief Master Sergeant of the Air Force, the Sergeant Major of the Marine Corps, the Senior Enlisted Advisor of the Space Force, the Master Chief Petty Officer of the Coast Guard, or the Senior Enlisted Advisor to the Chief of the National Guard Bureau (note 1)	$2,000	$166.67

NOTES:

1. This allowance is based on a specific duty assignment, and it does not accrue before the date member starts or after the date member is released from such duty assignment.
2. This amount is in place of any other Personal Money Allowance authorized.

*REFERENCES

CHAPTER 31 – PERSONAL MONEY ALLOWANCE

2.0 – ENTITLEMENT

37 U.S.C., sections 413-414

4.0 – TAXABILITY AND WITHHOLDING TAX

Title 26, Code of Federal Regulations (CFR), section 1.62-2
26 CFR § 31.3401(a)-1
31 CFR § 215.8

Table 31-1 37 U.S.C. §§ 413-414

VOLUME 7A, CHAPTER 32: "ADVANCE, LOCAL, PARTIAL, AND EMERGENCY PARTIAL PAY"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated June 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	This chapter has been certified as current.	Current

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CHAPTER 32

ADVANCE, LOCAL, PARTIAL, AND EMERGENCY PARTIAL PAY

1.0 GENERAL

1.1 Purpose

This chapter establishes policy pertaining to advance, local, partial, and emergency partial pay for members of the active and reserve components.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), including Title 37. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 ADVANCE PAYMENTS

2.1 Advance Pay for Permanent Change of Station (PCS)

2.1.1. Commander's Responsibility. The member's commander has a responsibility to ensure that the advance of pay is used only to help with the financial burden of a PCS.

2.1.1.1. This financial burden can be complicated when a member files for bankruptcy. Commanders should be aware that if a member has filed for bankruptcy and then makes a request for an advance pay, some bankruptcy court jurisdictions hold that a creditor does not have the authority to recoup any post-petition debt, including advance pay, without permission from the bankruptcy court. This is true in cases when a member has filed a Chapter 13 bankruptcy.

2.1.1.2. In such instances, the government may not be able to collect any amount of the advance pay unless the Defense Finance and Accounting Service (DFAS) receives approval from the court or after the bankruptcy is discharged or terminated. Additionally, in situations when DFAS has withheld funds for repayment of the advanced pay, DFAS may have to return the funds to the member. Accordingly, commanders should approach such advance pay requests fully aware that the government may not be able to collect the advance pay from the member, even though the advanced pay may have been issued after the member filed for bankruptcy.

2.1.2. Entitlement. The eligibility and amounts payable are contained in Table 32-1.

2.1.3. Repayment. Advances are repaid per Table 32-2.

2.1.4. Effect on Allotments. Do not pay an advance of pay in an amount that will require the stoppage of allotments for insurance or support of dependents. No allotment may be started after the advance is made if that allotment would prevent repayment of the advance of pay within

the allowed period. If the separation of a member from the Service is imminent, then stop all allotments necessary to collect the advance.

2.2 Advance of Pay and Allowances

An advance of pay is to ease hardships imposed by the lack of regular payments when a member is mobilized, ordered to duty at a distant station, or deployed aboard ship for more than 30 days.

2.2.1. Entitlement. The eligibility and amounts payable are contained in Table 32-1.

2.2.2. Repayment. These advances are repaid per Table 32-2.

2.3 Advance Pay for Assignment of 1 Year or More to Hazardous Duty Pay Area

2.3.1. Entitlement. A member may be paid an advance of basic pay not to exceed 3 months less deductions. The conditions and amounts payable are contained in Table 32-1, rule 3.

2.3.2. Repayment. This advance is repaid based on Table 32-2, rule 11. However, advance pays not fully collected prior to the death of a member will not be collected against the estate of a deceased member.

2.4 Advance Pay When Ordered to Indoctrination Center

2.4.1. Entitlement. A member may be paid an advance of basic pay not to exceed 15 days. The conditions and amounts payable are contained in Table 32-1, rule 4.

2.4.2. Repayment. Collect the advance in full from the member's next available payday.

2.5 Advance of Basic Allowance for Subsistence (BAS)

2.5.1. Entitlement. An enlisted member may be paid an advance of BAS not to exceed 3 months if the member is entitled to BAS and the Commanding Officer (CO) authorizes the payment following a determination that it is necessary. Individual Military Service regulations may limit BAS advances to less than 3 months.

2.5.2. Repayment. This advance is repaid based on Table 32-2, rule 12.

2.6 Advance Pay Upon Evacuation of Members or Dependents

The purpose of this advance is to give funds to evacuated members or dependents to cover costs of travel, food, and other needs.

2.6.1. Entitlement. The eligibility and amounts payable are contained in Table 32-1, rule 5.

2.6.2. Repayment. The advances are repaid per Table 32-2, rule 13.

2.7 Advance of Allotment(s) to Dependents

The purpose of this advance payment is to allow a member to be paid the amount of an allotment(s) to dependent(s) if the member is assigned or scheduled for assignment to sea duty or other duty with a unit or command deployed or to be deployed outside the United States and the allotment(s) is made by the member not more than 60 days before the scheduled date of the assignment of the member to this duty.

2.7.1. Entitlement. The eligibility and amounts payable are contained in Table 32-1, rule 6.

2.7.2. Repayment. This advance is repaid per Table 32-2, rule 14.

2.8 Advance Pay for Members of the Armed Forces Health Professions Scholarship Program (AFHPSP) on Active Duty

2.8.1. Entitlement. An advance of pay, not to exceed basic pay for 1 month, may be paid to a member of the AFHPSP when reporting for the annual 45-day active-duty tour.

2.8.2. Repayment. Collect the advance in full by the end of the 45-day active-duty tour.

2.9 Advance of Housing Allowances

An advance of Basic Allowances for Housing and overseas housing allowance may be authorized under the terms and conditions in Chapter 26.

2.10 Advance Pay for Senior Reserve Officer Training Corps (SROTC) Cadets and Midshipmen Ordered to Field Training or Practice Cruises

2.10.1. Entitlement. An advance of pay, not to exceed the entitlement for 1 month, or the amount the SROTC member will accrue for the training, whichever is less, may be paid to an SROTC member who is ordered to perform field training or a practice cruise.

2.10.2. Repayment. Collect the advance in full from the member's field training or practice cruise entitlement.

2.11 Military Paydays

2.11.1. Payday is the first calendar day of the month after the month in which the entitlement was earned.

2.11.2. Except for payrolls otherwise payable on October 1, if the payday falls on a Saturday, Sunday, or federal legal holiday, payment is authorized on the preceding workday, but not more than 3 days before the scheduled payday. This exception applies to foreign holidays

recognized abroad by U.S. Forces. It also applies to payments made to members upon separation from the Military Service through retirement or discharge when the last day of active duty falls on a Saturday, Sunday, or federal legal holiday.

2.11.3. For payrolls otherwise payable on October 1, the DoD Comptroller will determine if the payroll may be dated in September.

3.0 LOCAL, PARTIAL, AND EMERGENCY PARTIAL PAYMENTS

3.1 Local and Partial Payments

Local and partial payments are authorized only for overseas areas where on-base military banking facilities are not readily available. Exceptions may be granted for members assigned to classified or contingency operations where the exigencies of their assignments may require local cash or partial payments. In this circumstance, the member's commander may authorize immediate cash payments up to the amount of accrued entitlement to date, when deemed appropriate to the mission (see Table 32-3).

3.2 Emergency Partial Payment

3.2.1. For members residing or assigned within the United States (including Alaska and Hawaii), this is a payment deemed time sensitive and required within 24 hours due to an unforeseen set of circumstances or the resulting state that calls for immediate action (see Table 32-3). Payment will be made in an expeditious manner, e.g., Direct Deposit or check payment. The supporting DFAS site may be able to affect overnight Electronic Funds Transfer (EFT) payment if circumstances warrant.

3.2.2. The member's commander, in coordination with the supporting finance office, may authorize emergency payments, up to the amount of accrued entitlement to date in the following circumstances:

3.2.2.1. Emergency pay and allowances earned to date as reflected on the member's pay account, when no pay was received on a regular payday or when there is a major medical emergency or death in the member's immediate family and payment is needed within 24 hours;

3.2.2.2. Emergency travel advance, when a traveler does not have a government travel charge card;

3.2.2.3. Discharge gratuity (as required by Chapter 35, Table 35-6), when payment is needed within 24 hours;

3.2.2.4. Payment of military death gratuity benefit to a beneficiary, when payment is needed within 24 hours;

3.2.2.5. Payment to military member of advance pay and allowances and/or evacuation allowance, when dependents must be evacuated as a result of a natural disaster or life-threatening situations; or

3.2.2.6. Payment to dependents, when forfeiture of pay and allowances is waived under conditions defined in Chapter 48, subparagraph 4.7.3.

Table 32-1. Advance Payments - Eligibility and Amounts Payable

RULE	A member in receipt of orders for (to)	and	when approved in writing by	may be paid an	in an amount	to be paid by the supporting DFAS site (note 1)
1	a PCS move, to include (note 2): a. between stations; b. to new station upon reenlistment (following a break in service); c. commencement of active duty by newly commissioned regular officer; d. change of home port; e. Reserve forces member in receipt of orders to active duty of 140 days or more; or f. extended active duty (Reserve or retired members)	the member signs a form confirming that the intended use of the funds is for the purposes stated in the form; and the PCS is not due to separation from service or trial by court-martial	the member's commanding or recruiting officer (including enlisted commandant of the Noncommissioned Officer (NCO) Academy) for grades E-3 and below (except as more restrictively prescribed in regulations of the Military Service concerned)	advance of basic pay	of 1 month of basic pay, less deductions (note 3)	to member's financial institution not earlier than 30 days prior to departure (note 4); en route; first duty station or after beginning travel to first duty station after completion of physical examination; or within 60 days after arrival at new/first duty station (home port, note 4) (note 5).
2	a PCS move, to include (note 2): a. between stations; b. to new station upon reenlistment (following a break in service); c. commencement of active duty by newly commissioned regular officer; d. change of home port; e. Reserve forces member in receipt of orders to active duty of 140 days or more; or f.extended active duty (Reserve or retired members)	the member signs a form confirming that the intended use of the funds is for the purposes stated in the form; and the PCS is not due to separation from service or trial by court-martial	the member's commanding or recruiting officer (including enlisted commandant of the NCO Academy)	advance of basic pay	not to exceed 3 months of basic pay, less deductions, if warranted and justified (notes 3 and 6)	to member's financial institution not earlier than 30 days prior to departure (note 4); en route; first duty station or after beginning travel to first duty station after completion of physical examination; or within 60 days after arrival at new/first duty station (home port, note 4) (note 5).

Table 32-1. Advance Payments - Eligibility and Amounts Payable (Continued)

RULE	A member in receipt of orders for (to)	and	when approved in writing by	may be paid an	in an amount	to be paid by the supporting DFAS site (note 1)
3	assignment for duty (permanent or temporary) for 1 year or more (or extended beyond 1 year) to an area where the member would receive hazardous duty pay under Title 37, U.S.C., section 351		the member's commanding or recruiting officer (including enlisted commandant of the NCO Academy)	advance of basic pay	of 1 month of basic pay, not to exceed 3 months, less deductions (notes 3 and 7)	to member's financial institution (note 8).
4	a training or indoctrination center on induction or enlistment		the center commander (including enlisted commandant of the NCO academy)	advance of basic pay	not to exceed 15 days of basic pay (notes 9 and 10)	advances will be deposited, via Direct Deposit/EFT to the basic trainee's account at the designated financial institution.
5	evacuation of member or dependents from a place outside the United States or other place as the Secretary of Defense designates (note 11)	evacuation of member or all military dependents in the area is ordered by the area commander, the State Department, or other authorized U.S. official		advance of basic pay, payable to the member or to the member's dependents, in one or more installments	as designated by the member, in a total amount of not more than 2 months of basic pay (net of any forfeiture and Montgomery G.I. Bill; no other deduction considered)	as an emergency local payment at permanent station or any military disbursing office either overseas or in the United States.

Table 32-1. Advance Payments - Eligibility and Amounts Payable (Continued)

RULE	A member in receipt of orders for (to)	and	when approved in writing by	may be paid an	in an amount	to be paid by the supporting DFAS site (note 1)
6	assignment to sea duty or other duty with a unit or command deployed or to be deployed outside the United States (note 12)	evacuation of member or all military dependents in the area is ordered by the area commander, the State Department, or other authorized U.S. official blank		advance of an allotment(s) for dependent(s)	equal to amount of the allotment(s) for 1 month (note 13)	as an emergency local payment at permanent station or any military disbursing office either overseas or in the United States.
7	the call or order to, or retention on, active duty of members of the uniformed services under 10 U.S.C. §§ 688, 12301(a), 12302, 12304,12304(a), 12304(b), 12305, 12406; 10 U.S.C. Chapter 15; or 14 U.S.C. § 712	has reported for duty but cannot be paid pay and allowances due within 14 days of reporting for that duty	the member's commander (including enlisted commandant of the NCO academy)	advance of pay and allowances	not to exceed 3 months of pay and allowances less deductions (notes 3 and 4)	to member's financial institution or mailed from DFAS central site to an address.
8	assignment to a distant duty station	pay and allowances cannot be paid regularly	the member's commander (including enlisted commandant of the NCO academy)	advance of pay and allowances	of not more than 3 months of basic pay and allowances, less deductions (note 3)	to member's financial institution or mailed from DFAS central site to an address.

Table 32-1. Advance Payments - Eligibility and Amounts Payable (Continued)

RULE	A member in receipt of orders for (to)	and	when approved in writing by	may be paid an	in an amount	to be paid by the supporting DFAS site (note 1)
9	assignment to a distant duty station	pay and allowances cannot be paid regularly	the member's commander (including enlisted commandant of the NCO academy)	advance of pay and allowances	of not more than 3 months of basic pay and allowances, less deductions, when approved by: Army or Air Force-Major Command; Navy-Office of Comptroller; USMC-Commandant of the Marine Corps (note 3)	to member's financial institution or mailed from DFAS central site to an address.
10	deployment aboard ship for more than 30 days (Navy-Marine Corps only)	pay and allowances cannot be paid regularly	the member's commander (including enlisted commandant of the NCO academy.)	advance of pay and allowances	of not more than the basic pay (plus submarine and sea duty pay for members attached to submarines) and allowances that will accrue during the period of deployment, less deductions (note 3).	to member's financial institution or mailed from supporting DFAS site to an address.

NOTES:

1. For emergency payment exceptions, see paragraph 3.2.
2. Temporary duty enroute does not preclude payment. An advance payment for a PCS move in the same geographical area of the member's prior duty station or home port, or place from which ordered to active duty, is authorized only when movement of the member's household at government expense is authorized per JTR, Chapter 5, Part C.

Table 32-1. Advance Payments - Eligibility and Amounts Payable (Continued)

NOTES (Continued):

3. Deductions:
   a. For advance pay computation (rules 1 and 2), the following deductions will be made:
      1. Forfeitures;
      2. Montgomery G.I. Bill;
      3. Federal/state income tax;
      4. Federal Insurance Contribution Act;
      5. Servicemembers Group Life Insurance;
      6. Armed Forces Retirement Home;
      7. Dependent Dental Plan;
      8. TRICARE;
      9. Monthly repayment of a prior advance;
      10. Indebtedness to the United States or its instrumentalities, whether scheduled (monthly debt installment) or unscheduled (one-time collection);
      11. Garnishments;
      12. Statutorily required support allotments in force;
      13. Court-ordered bankruptcy payments; and
      14. Thrift Savings Plan (TSP) (basic pay designation only).
   b. For advance of pay and allowances computation (rules 6, 7, 8, 9), include total of all allotments in force and TSP designations, i.e., special pays, incentive pays, and bonuses (if paid monthly).
4. The "30-day window" may be expanded to not exceed 90 days prior, and the "60-day window" may be expanded to not exceed 180 days after, when justified for extenuating circumstances and approved by the member's commander (including enlisted commandant of the NCO academy). The member must provide written justification indicating the specific circumstances requiring the early or late advance payment.
5. The request for an advance of pay must be made not later than 60 days after effective date of change or 60 days after vessel arrives at new home port/home yard, whichever is later.
6. The member must provide written justification clearly showing that accrual or anticipated out-of-pocket PCS expenses equal or exceed the amount of advance requested; requires written approval of the member's commander. The advance payment may be made in 1, 2, or 3 installments.
7. Upon request, the member will be granted an advance payment equaling 1 month of basic pay. The Secretary concerned, at his discretion, may grant a request for up to 2 or 3 months of advanced basic pay if member can justify financial hardship.
8. The member may request the advance at any time during the period of assignment. The earliest that the member may apply and receive the advance is the effective or start date of the assignment, as specified in the member's orders. This is generally when the member is authorized to begin travel to comply with the assignment order.
9. This advance is collected in full when the member receives their first regular pay.
10. For Army members only. Advances will be paid using Service's Stored Value Cards. An exception to the 15-day limit is authorized and an Army member may be advanced up to 21 days of basic pay for the purpose of paying the cost of round-trip travel to the member's home during annual holiday leave period (mid-December through early January). Collection of the advance will be made in the January processing cycle.
11. This advance is not payable for evacuation of individual dependents.
12. The advance payment may not be made more than 60 days before the scheduled date of the duty assignment.
13. Establish an allotment(s) for dependents in the member's pay record simultaneous to paying the advance.

Table 32-2. Repayment of Advances

RULE	When a member was paid an	and	begin collecting (note 1)	and when approved in writing by	at the rate of
1	advance(s) of pay incident to a PCS		the first day of the month following payment of advance(s)		1/12 of the amount(s) advanced each month for the next 12 months (notes 2, 3, and 4).
2	advance(s) of pay incident to a PCS	when justified by the member that repayment within 12 months would create severe hardship (note 5)	the first day of the month following payment of advance(s)	the member's commander (including enlisted commandant of the NCO academy	1/24 of the amount(s) advanced each month for the next 24 months (notes 2, 3, 6, and 7).
3	advance(s) of pay incident to a PCS	member's separation is imminent (includes members unexpectedly forced to retire under the Selected Early Retirement Board (SERB) (note 8)	immediately the remaining outstanding advance prorated over the remaining months of service		all unpaid pay and allowances, except enlisted separation advanced travel allowance (notes 9, and 10).
4	advance(s) of pay incident to a PCS	member's orders are revoked/ cancelled	immediately the outstanding balance in full.		
5	advance(s) of pay incident to a PCS	member dies	immediately the outstanding balance in full.		
6	advance(s) of pay and allowances (for duty at a distant station or deployed aboard ships for more than 30 days)		the first day of the month following payment of advance(s)		1/12 of the amount(s) advanced each month for the next 12 months (notes 2, 3, and 4).
7	advance(s) of pay and allowances (for duty at a distant station or deployed aboard ships for more than 30 days)	duty ends earlier than expected			equal monthly installments of not less than 1/12 of the unliquidated amount advanced per month for 12 months (notes 2 and 3).

Table 32-2. Repayment of Advances (Continued)

RULE	When a member was paid an	and	begin collecting (note 1)	and when approved in writing by	at the rate of
8	advance(s) of pay and allowances (for duty at a distant station or deployed aboard ships for more than 30 days)	member's separation is imminent (includes members unexpectedly forced to retire under the SERB (note 8)	immediately the remaining outstanding advance prorated over the remaining months of service		all unpaid pay and allowances, except enlisted advanced travel allowance (notes 9 and 10).
9	advance(s) of pay and allowances (for duty at a distant station or deployed aboard ships for more than 30 days)	member's orders are revoked/cancelled	immediately the outstanding balance in full.		
10	advance(s) of pay and allowances (for duty at a distant station or deployed aboard ships for more than 30 days)	member dies	immediately the outstanding balance in full.		
11	advance of basic pay when deployed in a combat zone for 1 year or more		the advance on the first day of the first month beginning on or after the date on which the member receives the advance pay		1/12 of the amount(s) advanced each month for the next 12 months (notes 2, 11, and 12).
12	advance of BAS (enlisted members)		the first day of the first month beginning after the payment of the advance		the amount of BAS accruing to the member's credit. If entitlement to BAS ends before repayment, then collect the balance due as an overpayment.
13	advance pay for evacuation of member or dependents		the first day of the month following payment of advance(s) (note 13)		1/12 of the amount(s) advanced (or remaining amounts if waiver applies) each month for the next 12 months (notes, 2, 11, 13, and 14).

Table 32-2. Repayment of Advances (Continued)

RULE	When a member was paid an	and	begin collecting (note 1)	and when approved in writing by	at the rate of
14	advance payment in the amount of an allotment(s) to dependents		the advance in the month following the month payment was made		1/6 of the amount(s) advanced each month for the next 6 months (notes 2 and 3).
15	advance because of a call or order to, or retention on, active duty of members of the uniformed services under 10 U.S.C. §§ 688, 12301(a), 12302, 12304,12304(a), 12304(b), 12305, 12406; 10 U.S.C. Chapter 15; or 14 U.S.C. § 712		the advance on the first day of the month after the payment of the advance		1/3 of the amount advanced each month for 3 months, or at the rate needed to repay the advance by the scheduled termination date of the orders, whichever is earlier.

NOTES:

1. In unusual circumstances, the initiation of collection action may be delayed if the delay is approved by the Secretary of the Military Department concerned, or designee. The repayment period will, in all cases, be scheduled to repay the advance before the member's expected date of separation.
2. Upon the member's request, repayment may be made in lump-sum or increased monthly amounts.
3. The repayment period will be scheduled to repay the advance before the member's expected date of separation. Repayment should be scheduled for completion before the start of a subsequent PCS move.
4. When executing PCS orders of less than 12 months, Reserve Component recipients of advance pay must accept a repayment schedule that provides for repayment by termination date of orders.
5. The member must provide written justification clearly showing that a 12-month repayment schedule would create severe financial hardship. The request must be approved in writing by the member's commander (including enlisted commandant of the NCO academy).
6. When request is disapproved, collection will be at the rate specified in rule 1.
7. When the repayment period is extended after the repayment schedule of less than 24 months is operating, repayment will be prorated per Military Service regulations, not to exceed the 24 months from the initial collection month.
8. If the member immediately reenlists, then repayment of the advance pay may be continued into the new enlistment. To extend repayment of an advance into retired pay, projected SERB retirees must submit a written request to extend repayment into retired pay that clearly demonstrates the circumstances of their hardship. The requests will be submitted via the member's chain of command to the Secretary of the Military Department concerned, or designee for a decision. If the request is approved, this approval document will be forwarded by the Service, as a part of the member packet, to DFAS Retired and Annuitant Pay to ensure the collection of the Advance pay.
9. Uncollected advances are treated as accounts receivable in the accounts of the disbursing officer. Such amounts remain a debt owed the United States by the member.

Table 32-2. Repayment of Advances (Continued)

NOTES (Continued):

10. Uncollected advances are treated as accounts receivable in the accounts of the disbursing officer. Such amounts remain a debt owed the United States by the member.
11. If a member is entitled to separation payment under 10 U.S.C. §§ 1174, 1174a, 1175, or 1175a and has a separation payment pending equal to or greater than the outstanding advance pay balance at separation, then the member may request that the repayment rate not be accelerated, and the existing rate continue. That portion of the advance not collected prior to separation will be deducted from the separation payment.
12. The repayment period will, in all cases, be scheduled to repay the advance before the member's expected date of separation.
13. The estate of a deceased member will not be required to repay any portion of the advanced pay paid to the member that is not repaid before the death of the member.
14. The Secretary of the Military Service concerned is authorized to waive recovery of an advance of not more than basic pay for 1 month when such recovery would be against equity and good conscience or against the public interest.
15. The Secretary of the Military Service concerned is authorized to extend repayment period up to a 24-month schedule.

Table 32-3. Payment Procedures

RULE	If payment type is a/an	then the payment practice for Overseas Command is (note 1)	then the payment practice for Continental United States (includes Alaska and Hawaii) is
1	local partial payment (note 2)	to pay bonuses, annual special pays, separation pay, death gratuity, unpaid pay and allowances, health and comfort, waiver of forfeitures for dependents.	not authorized.
2	emergency partial payment	to pay bonuses, annual special pays, separation pay, death gratuity, unpaid pay and allowances, health and comfort, waiver of forfeitures for dependents.	no local payment is made (note 3).
3	advance PCS	paid centrally via Direct Deposit/EFT, all pay grades 1 month pay (E-3 and below with CO's approval), max 3 months pay (E-4 and above) with CO's approval.	paid centrally via Direct Deposit/EFT.
4	advance basic pay	not applicable	to pay not more than 15 days basic pay at training or indoctrination center or centrally via Direct Deposit/EFT as systems become available (see paragraph 2.4).
5	advance BAS	a maximum of 3 months entitlement (note 2).	paid centrally via Direct Deposit/EFT a maximum of 3 months entitlement (note 2).
6	advance dependent evacuation allowance	a maximum of 2 months entitlement (note 2).	to pay a maximum of 2 months of basic pay paid locally as an emergency partial payment.
7	advance for an AFHPSP participant	not applicable	to pay a maximum of 1 month of basic pay when reporting for 45 days active-duty tour; paid centrally via Direct Deposit/EFT.
8	advance for a person in the SROTC	not applicable	to pay 1 month entitlement or the amount the member will accrue for the training; paid centrally via Direct Deposit/EFT.
9	advance overseas housing allowance	to pay 1 year accrued allowances determined on the basis of housing expenses, and the authorized overseas housing allowance and interim housing allowance may be paid locally if required.	not applicable
10	advance basic allowance for housing	not applicable	paid centrally via Direct Deposit/EFT.
11	advance for mobilization deployment of a member	to pay centrally via Direct Deposit/EFT a maximum of 3 months pay.	paid centrally via Direct Deposit/EFT a maximum of 3 months pay.

Table 32-3. Payment Procedures (Continued)

RULE	If payment type is a/an	then the payment practice for Overseas Command is (note 1)	then the payment practice for Continental United States (includes Alaska and Hawaii) is
12	advance for shipboard deployment of a member	to pay all pay due for Navy and Marine Corps members centrally via Direct Deposit/EFT. Not applicable to Army and Air Force members.	not applicable
13	advance for distant duty	to pay centrally via Direct Deposit/EFT a maximum of 3 months basic pay and allowances.	not applicable

NOTES:

1. Payments may be paid locally when consistent with mission requirements and nonavailability of DoD military banking facilities.
2. Local payments are authorized with commander's approval.
3. Emergency partial payment may be made when approved by the member's commander and coordinated with the local finance office for the following circumstances:
   a. Pay and allowances earned to date on the Master Military Pay Account when no pay was received on regular payday or when there is a major medical emergency or death in the immediate family of the member;
   b. Emergency travel advance when the traveler does not have a government travel charge card;
   c. Discharge gratuity (as required by Chapter 35 Table 35-7);
   d. Payment of death gratuity benefit to beneficiary;
   e. Payment to military member of advanced pay and allowances and/or evacuation allowance to evacuate dependents as a result of a natural disaster or life-threatening situation; or
   f. Payment to dependents when a member's forfeiture is waived in favor of those dependents.

REFERENCES

CHAPTER 32 – ADVANCE, LOCAL, PARTIAL AND EMERGENCY PARTIAL PAY

2.0 – ADVANCE PAYMENTS (3202)

2.1	37 U.S.C. § 1006(a) DoD Instruction (DoDI) 1340.18, September 11, 2012, Incorporating Change 1, Effective April 20, 2020
2.2	37 U.S.C. § 1006(b)
2.3	37 U.S.C. § 212
2.5	37 U.S.C. § 402(c)
2.6	37 U.S.C. § 1006(c)
2.7	37 U.S.C. § 1006(a) (2)
2.8	37 U.S.C. § 1006(i)
2.9	5 U.S.C. § 6103 37 U.S.C. § 1006(h)
2.10	37 U.S.C. § 403(a)
2.11	37 U.S.C. § 1006(j)

Table 32-1

Rule 3	37 U.S.C. § 212
Rule 5	37 U.S.C. § 1006(c)
Note 13	37 U.S.C. § 212

Table 32-2

Rule 5	37 U.S.C. § 1006(c)
Rule 10	37 U.S.C. § 1006(c)
Rule 11	37 U.S.C. § 212
Rule 13	37 U.S.C. § 1006
Note 1 & 8	DoDI 1340.18, September 11, 2012, Incorporating Change 1, Effective April 20, 2020
Note 6	Comptroller General B-144839, December 13, 1966
Note 12	37 U.S.C. § 212(d)
Note 13	37 U.S.C. § 1006(c)

VOLUME 7A, CHAPTER 33: "PAYMENTS ON BEHALF OF MENTALLY INCOMPETENT MEMBERS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated October 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision

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CHAPTER 33

PAYMENTS ON BEHALF OF MENTALLY INCOMPETENT MEMBERS

1.0 GENERAL

1.1 Purpose

This chapter establishes policy for members entitled to active duty pay and allowances while serving on active duty even though mentally incapable of managing their own affairs. This includes miscellaneous payments authorized on separation from the Military Service. See Chapter 35, section 7.0.

1.2. Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with Title 37, United States Code (U.S.C.). The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 PAYMENT

The appointment of a guardian, trustee, or other legal representative is a prerequisite to payment. For the designation of trustee and payment offices, see Table 33-1.

3.0 MEMBER MENTALLY INCAPACITATED BEFORE ENTRY ON ACTIVE DUTY

When it is shown that a member was judicially declared mentally incapacitated before induction or enlistment, the member is not entitled to pay and allowances. See Chapter 1, paragraph 5.5, and Table 1-15, rule 8.

4.0 FINALITY OF PAYMENTS TO TRUSTEE

Any payments on behalf of a mentally incompetent member to a designated trustee on behalf of a member to whom this Chapter applies are a complete discharge of the obligation of the United States as to amounts paid.

5.0 RESTRICTION AGAINST ACCEPTANCE OF FEES

A person serving in a legal, medical, fiduciary, or other capacity may not demand or accept a fee, commission, or other charge (except bonding fee) for any service performed in the administration of the account of a member to whom this Chapter applies.

Table 33-1. Payment of Mentally Incompetent Members

RULE	When	and member is in the	then the trustee is	and payment is made by
1	a court of competent jurisdiction has not appointed a guardian, committee, or other legal representative	Army, Air Force, or Space Force	designated by the Director, Defense Finance and Accounting Service (DFAS) - Cleveland	DFAS-Indianapolis.
2	a court of competent jurisdiction has not appointed a guardian, committee, or other legal representative	Navy or Marine Corps	designated by the Director, Defense Finance and Accounting Service (DFAS) - Cleveland	DFAS-Cleveland.
3	a court of competent jurisdiction has appointed a guardian, committee, or other legal representative	Army, Air Force, Space Force, Navy, or Marine Corps	not required	the appropriate office shown in rules 1 or 2, except as indicated in the note.

NOTE: Army Only: Local disbursing officer servicing the member's financial record may make payments.

REFERENCES

CHAPTER 33: PAYMENTS ON BEHALF OF MENTALLY INCOMPETENT MEMBERS

1.0 – GENERAL

Title 37, U.S.C, sections 601-604

3.0 – MEMBER MENTALLY INCAPACITATED BEFORE ENTRY ON ACTIVE DUTY

Deputy Secretary of Defense Memo, November 7, 2022
DFAS Office of General Counsel (OGC) Memo, March 11, 2024

4.0 – FINALITY OF PAYMENTS TO TRUSTEE

Deputy Secretary of Defense Memo, November 7, 2022
DFAS Office of General Counsel (OGC) Memo, March 11, 2024

5.0 – RESTRICTION AGAINST ACCEPTANCE OF FEES

Deputy Secretary of Defense Memo, November 7, 2022
DFAS Office of General Counsel (OGC) Memo, March 11, 2024

*Table 33-1

	Public Law 116-92, section 952, December 20, 2019
Rules 1, 2	Deputy Secretary of Defense Memo, January 29, 1991 Comptroller of the Department of Defense Memo, February 1, 1991 DFAS Memo, August 26, 2010 DFAS Memo, September 9, 2010 DFAS Memo, August 29, 2011 Deputy Secretary of Defense Memo, November 7, 2022 DFAS Office of General Counsel (OGC) Memo, March 11, 2024

VOLUME 7A, CHAPTER 34: "PAY ENTITLEMENT OF MEMBERS MISSING, MISSING IN ACTION (MIA), INTERNED, AND PAYMENTS TO DEPENDENTS"

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
References	Verified supporting statutes and references.	Revision

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CHAPTER 34

PAY ENTITLEMENT OF MEMBERS MISSING, MISSING IN ACTION (MIA), INTERNED, AND PAYMENTS TO DEPENDENTS

1.0 GENERAL

1.1 Purpose

This chapter establishes policy regarding pay entitlements of service members missing, MIA, interned, and payments to dependents. A member in a missing status is entitled to the pay and allowances to which the member was entitled when the missing status began, or to which the member later becomes entitled. The fact that the member did not receive payment before entering a missing status does not affect the right to a certain pay or allowance.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with, the United States Code (U.S.C.), including Titles 10, 26, and 37. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 DEPENDENT

See Volume 7A, Definitions for the general definition of a dependent. For the purposes of this chapter, the term dependent also means a person designated as a dependent in the "missing" member's official records, or a person determined to be a dependent of the "missing member" by the Secretary of the Military Service concerned.

3.0 MISSING PERSONS' PAY ACCOUNTS UNDER THE MISSING PERSONS ACT

The Secretary of the Military Service concerned makes official determinations on missing status or death. The Director of the Defense Finance and Accounting Service (DFAS) makes determinations necessary for the administration of missing persons' accounts under the Missing Persons Act. These include determinations of facts of dependency, starting, stopping, or changing allotments of pay, waiving recovery of erroneous payment or overpayment, and settling accounts.

4.0 ENTITLEMENT TO PAY AND ALLOWANCES WHILE IN A MISSING STATUS

4.1 General

See Table 34-1 for a list of all pay and allowances.

4.2 Basic Allowance for Housing (BAH) and Basic Allowance for Subsistence (BAS)

Members without dependents are entitled to BAH at the without-dependent rate. Enlisted members are entitled to BAS. Payments of these allowances are authorized from the beginning of the missing status, even though there was no housing or subsistence allowance entitlement before the missing status began.

5.0 ALLOTMENTS FOR MEMBERS IN MISSING STATUS

Allotments in effect before a member enters a missing status may be continued. As directed by the Director of DFAS, allotments may be initiated, suspended, resumed, increased, decreased, or discontinued where circumstances so warrant in the interests of the missing member, the dependents, or the government.

6.0 TAX WITHHOLDING FOR MEMBERS IN MISSING STATUS

See Chapter 44 for tax withholding for members in missing status.

7.0 REVIEW OF CASE AFTER 12 MONTHS AND FINDING OF DEATH

7.1 Review of Case After 12 Months

When a 12-month period (starting from the date of the member's absence) is about to end and the member has not been reported officially as dead, imprisoned or interned, the case is fully reviewed. After this review and when the 12-month period has ended, or following any later review warranted by information received, or other circumstances, the Secretary of the Military Service concerned:

7.1.1. Directs continuance of the member's missing status, if the member reasonably may be presumed to be living; or

7.1.2. Makes a finding of death.

7.2 Continuance of Member's Missing Status

When a member continues in a missing status under subparagraph 7.1.1, credit pay and allowances to his or her account. Allotments are continued, discontinued, increased, or initiated as provided in Chapters 40 through 43. When the Secretary of the Military Service concerned officially reports that a missing member is alive and in the hands of a hostile force, or is interned in a foreign country, allotment payments are authorized. These payments on the member's behalf continue through the date on which the Secretary of the Military Department concerned receives evidence that the member is dead. When a member returns to Military Service control, the member resumes control of allotments.

7.3 Finding of Death

A finding of death includes the date upon which death is presumed to have occurred for the purposes of stopping pay and allowances, settlement of accounts, and payment of death gratuities. This date is the day following the day the member has been absent 12 months, unless the missing status continues beyond that day. In this case, the date of death is the date determined by the Secretary of the Military Department concerned.

7.4 Change in Date of Death

Payment of an account made following a report, determination, or finding of death may not be recovered, and the case may not be reopened, because of a later report or determination fixing an earlier date of death. If a later date of death is established, then the account is reopened and settled on the basis of the later date.

8.0 PAYMENT OF DEATH GRATUITY

See Chapter 36 for payments when a member in a missing status is reported dead, or for whom a finding of death is made.

9.0 ACCRUED LEAVE

9.1 Accumulation

Members, while in a missing status, can accumulate leave without regard to any leave accrual limitations stated in Chapter 35. However, a member whose death is determined under section 7.0 may, in addition to leave accrued before entering a missing status, accrue not more than 150 days of leave during the period of a missing status, unless the actual date of death is found to have occurred on a date when the member had accrued leave in excess of 150 days. Leave accumulated while in a missing status may not be taken, but will be paid.

9.2 Settlement

Leave accumulated while in a missing status will be accounted for separately and settled according to subparagraphs 9.2.1 and 9.2.2.

9.2.1. Return From Missing Status. Members will be paid for all leave accumulated while in a missing status as soon as possible after return from a missing status. Items to be included in the accrued leave payment are provided in Chapter 35, paragraphs 2.2 and 2.3. Computation will be based on the rates to which the member was entitled on the date that his or her name was removed from the missing status.

9.2.2. Death in a Missing Status. Notwithstanding the death of a member while in a missing status, leave will continue to accrue to his or her account through the date that the Secretary of the Military Department concerned (or designee) receives evidence that the member is dead or

through the date of death as prescribed or determined under section 7.0. Although leave will accrue for the entire missing status period, the actual accrued leave settlement will vary according to circumstances.

9.2.2.1. Death Prior to Fifth Year MIA Status. Payment for unused leave accrued to the member's credit while in a missing status is for 150 days, providing that he or she was continued in a missing status for 5 or more years. Payment for 150 days is made even though it later is found that member's actual death occurred within the first 5 years after entry into missing status or upon entry into such status. Settlement for accrued leave is based on the amount of leave accrued to the member's credit before entering the missing status and the 150 days of leave described in paragraph 9.1. Items to be included in the accrued leave payment are identified in Chapter 35, paragraphs 2.2 and 2.3. Computation is based on the rates to which the member was entitled on the date of death.

9.2.2.2. Death Subsequent to Fifth Year MIA Status. When it is found that the member's actual death occurred subsequent to the fifth year after entry into a missing status, payment for unused leave accrued to his or her credit while in a missing status is for the total accrued until death. Settlement for accrued leave is based on the amount of leave accrued to the member's credit before entering the missing status plus the accrual until death described herein. Items to be included in the accrued leave payment are identified in Chapter 35, paragraphs 2.2 and 2.3. Computation is based on the rates to which the member was entitled on the date of death.

9.2.2.3. Death, MIA Status Less Than 5 Years. Payment for unused leave accrued to a member's credit while in a missing status, when he or she was continued in a missing status for less than 5 years, is for the total accrued through the date that the Secretary of the Military Department concerned makes a finding of death. Settlement for accrued leave is based on the amount of leave accrued to the member's credit before entering the missing status plus the accrual until finding of death described herein. Items to be included in the accrued leave payment are identified in Chapter 35, paragraphs 2.2 and 2.3. Computation is based on the rates to which the member was entitled on the date of death.

9.2.2.4. Special Conditions of Entitlement. Settlement of accrued leave for a deceased member who was promoted while in a missing status is based on the amount of leave accrued to his or her credit before entering the missing status and the amount of leave accumulated in a missing status as provided in the applicable provisions of subparagraphs 9.2.2.1, 9.2.2.2, or 9.2.2.3. Computation is based on the grade to which promoted and rate of pay in effect on the date of the presumed finding or the date of the determination of death. This will apply even though the Secretary of the Military Department concerned later determines that the member died before the date of promotion. See Table 34-1, rule 6.

10.0 SERVICE GUIDANCE

10.1 Army

10.1.1. See ***Army Regulation 638-8*** for casualty accounting, reporting, and notification.

10.1.2. See ***Joint Travel Regulation (JTR)*** for transportation of dependents, household goods, and personal effects.

10.2 Navy

10.2.1. See Military Personnel Management ***(MILPERSMAN) 1770*** series for casualty accounting, reporting, and notification.

10.2.2. See ***MILPERSMAN 4050 and MILPERSMAN 4650*** series, and the JTR for transportation of dependents, household goods, and personal effects.

10.3 Air Force and Space Force

10.3.1. See ***Air Force Instruction 36-3002*** for casualty accounting, reporting, and notification.

10.3.2. See the JTR for transportation of dependents, household goods, and personal effects.

10.4 Marine Corps

10.4.1. See Marine Corps Order ***(MCO) 3040.4*** for casualty accounting, reporting, and notification.

10.4.2. See ***MCO 4600.7A*****,** Marine Corps Transportation Manual, and the JTR for transportation of dependents, household goods, and personal effects.

Table 34-1 Pay and Allowances Which Accrue to Missing Members

RULE	When the member is	and is	then the member is	with accounts maintained in or administered by	And
1	Army	missing, MIA, interned in a foreign country, captured, beleaguered or besieged by a hostile force, or detained in a foreign country against the member's will	entitled to receive or have credited to the member's account the pay and allowances to which entitled when missing status began or to which the member becomes entitled later, as follows: Basic pay, Special pay, Incentive pay for hazardous duty, BAH (note 1), BAS (note 1), Family Separation Allowance (FSA) (note 2), Family Separation Housing, Per diem allowances for not more than 90 days (note 3), and Hostile Fire Pay if the member qualified immediately before entry to a missing status (note 4)	DFAS- Indianapolis (IN)	payments continue through the date the Military Service concerned receives evidence of death of the member, or date of presumption of death made by the Secretary of the Military Department concerned, or date of return to Military Service jurisdiction (note 5).

Table 34-1 Pay and Allowances Which Accrue to Missing Members (Continued)

RULE	When the member is	and is	then the member is	with accounts maintained in or administered by	And
2	Navy	missing, MIA, interned in a foreign country, captured, beleaguered or besieged by a hostile force, or detained in a foreign country against the member's will	entitled to receive or have credited to the member's account the pay and allowances to which entitled when missing status began or to which the member becomes entitled later, as follows: Basic pay, Special pay, Incentive pay for hazardous duty, BAH (note 1), BAS (note 1), Family Separation Allowance (FSA) (note 2), Family Separation Housing, Per diem allowances for not more than 90 days (note 3), and Hostile Fire Pay if the member qualified immediately before entry to a missing status (note 4)	DFAS- Cleveland (CL)	payments continue through the date the Military Service concerned receives evidence of death of the member, or date of presumption of death made by the Secretary of the Military Department concerned, or date of return to Military Service jurisdiction (note 5).

Table 34-1 Pay and Allowances Which Accrue to Missing Members (Continued)

RULE	When the member is	and is	then the member is	with accounts maintained in or administered by	And
3	Air Force or Space Force	missing, MIA, interned in a foreign country, captured, beleaguered or besieged by a hostile force, or detained in a foreign country against the member's will	entitled to receive or have credited to the member's account the pay and allowances to which entitled when missing status began or to which the member becomes entitled later, as follows: Basic pay, Special pay, Incentive pay for hazardous duty, BAH (note 1), BAS (note 1), Family Separation Allowance (FSA) (note 2), Family Separation Housing, Per diem allowances for not more than 90 days (note 3), and Hostile Fire Pay if the member qualified immediately before entry to a missing status (note 4)	DFAS-IN	payments continue through the date the Military Service concerned receives evidence of death of the member, or date of presumption of death made by the Secretary of the Military Department concerned, or date of return to Military Service jurisdiction (note 5).

Table 34-1 Pay and Allowances Which Accrue to Missing Members (Continued)

RULE	When the member is	and is	then the member is	with accounts maintained in or administered by	And
4	Marine Corps	missing, MIA, interned in a foreign country, captured, beleaguered or besieged by a hostile force, or detained in a foreign country against the member's will	entitled to receive or have credited to the member's account the pay and allowances to which entitled when missing status began or to which the member becomes entitled later, as follows: Basic pay, Special pay, Incentive pay for hazardous duty, BAH (note 1), BAS (note 1), Family Separation Allowance (FSA) (note 2), Family Separation Housing, Per diem allowances for not more than 90 days (note 3), and Hostile Fire Pay if the member qualified immediately before entry to a missing status (note 4)	DFAS-CL	payments continue through the date the Military Service concerned receives evidence of death of the member, or date of presumption of death made by the Secretary of the Military Department concerned, or date of return to Military Service jurisdiction (note 5).
5	Army, Navy, Air Force, Marine Corps or Space Force	officially determined to be absent without authority rather than in a missing status	not entitled to pay and allowances for any such period.		

Table 34-1 Pay and Allowances Which Accrue to Missing Members (Continued)

RULE	When the member is	and is	then the member is	with accounts maintained in or administered by	And
6	Army, Navy, Air Force, Marine Corps or Space Force	an officer, warrant officer, or enlisted member who receives a promotion while in a missing status (note 6)	entitled to pay and allowances of the pay grade to which promoted from the date of orders announcing the promotion.		
7	Army, Navy, Air Force, Marine Corps or Space Force	in a missing status and has a change of conditions upon which pay and allowances are based	entitled to the pay and allowances based on the changed conditions (note 7).		
8	Army, Navy, Air Force, Marine Corps or Space Force	an enlisted member who continues in missing status after expiration of term of service	entitled to continuance of pay and allowances.		
9	Army, Navy, Air Force, Marine Corps or Space Force	in receipt of or has placed to member's credit pay, wages, allowances, or other compensation from the hostile force	not charged or debited with any such amount against member's pay and allowances.		

Table 34-1 Pay and Allowances Which Accrue to Missing Members (Continued)

NOTES:

1. Members without dependents are entitled to BAH at the without-dependent rate. Enlisted members are entitled to BAS. See paragraph 4.2.
2. A member may qualify for FSA-Temporary while in a missing status if the continuous period of more than 30 days is completed after entering the missing status. (See Chapter 27, paragraphs 4.3 and 4.4.)
3. Travel per diem and clothing monetary allowances do not accrue during a missing status, even though member was entitled to them when missing status began.
4. See Chapter 44 to determine possible Combat Zone Tax Exclusion implications.
5. When facts or events warrant, the Secretary of the Military Department concerned may change or modify a prior determination.
6. This applies even though the Secretary of the Military Department concerned is later made aware that the member died before the date of promotion.
7. For example, if the sole dependent of a missing member dies, credit for BAH at the with-dependent rate ceases, and any allotment in force in the dependent's favor is stopped and deductions cease.

REFERENCES

CHAPTER 34 – PAY ENTITLEMENT OF MEMBERS MISSING, MISSING IN ACTION (MIA), INTERNED, AND PAYMENTS TO DEPENDENTS

3.0 – MISSING PERSONS' PAY ACCOUNTS UNDER THE MISSING PERSONS ACT

DoD Directive (DoDD) 5118.03, April 20, 2012
DoDD 5118.05, April 20, 2012

4.0 – ENTITLEMENT TO PAY AND ALLOWANCES WHILE IN A MISSING STATUS

4.2	52 Comptroller General (Comp Gen) 23

5.0 ALLOTMENTS FOR MEMBERS IN MISSING STATUS

DoDD 5118.03, April 20, 2012
DoDD 5118.05, April 20, 2012

6.0 – TAX WITHHOLDING FOR MEMBERS IN MISSING STATUS

26 U.S.C., section 112(d)(1)

7.0 – REVIEW OF CASE AFTER 12 MONTHS AND FINDING OF DEATH

37 U.S.C. §§ 555 and 556

9.0 – ACCRUED LEAVE

	10 U.S.C. § 701(f)
9.2.1.	37 U.S.C. § 501(h)
9.2.2.4.	51 Comp Gen 759

Table 34-1 – PAY AND ALLOWANCES WHICH ACCRUE TO MISSING MEMBERS

	37 U.S.C. §§ 452, 551, 552, 553, 555, 556, 558
Note 1	52 Comp Gen 23
Note 2	45 Comp Gen 633
Note 3	JTR, subparagraph 020315.B
	44 Comp. Gen. 657 (1965)
	37 U.S.C. § 551(3)
Note 7	52 Comp Gen 23

VOLUME 7A, CHAPTER 35: "SEPARATION PAYMENTS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated July 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
2.1.1.3	Updated subparagraph for selling leave more than 90 days.	Revision
2.2	Modified Special Leave Accrual in accordance with DoD Instruction 1327.06, June 16, 2009, Incorporating change 5, August 25, 2023, and the Office of the Assistant Secretary of Defense Manpower and Reserve Affairs memo September 5, 2023.	Revision
Table 35-6 Rules 5 and 6	April 2024: Stigmatizing language was modified in accordance with the Deputy Secretary of Defense memo, "Review of Policies to Eliminate Stigmatizing Language Related to Mental Health," dated November 7, 2022, and Defense Finance and Accounting Service Office of General Counsel Memo, dated March 11, 2024.	Revision
References	March 2024: Updated to reflect current statutes and supporting references.	Revision

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CHAPTER 35

SEPARATION PAYMENTS

1.0 GENERAL

1.1 Purpose

This chapter prescribes the policy for entitlements that members may receive when separating from military service.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.). Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 ACCRUED LEAVE PAY

2.1 General Entitlement

2.1.1. A member who is discharged or separated under honorable conditions is entitled to payment of unused accrued leave unless the member continues on active duty under conditions that require accrued leave to be carried forward, or in the case of a Reserve Component member, the member elects to have the leave carried forward to the member's next period of active service. An enlisted member who voluntarily extends their enlistment for the first time is also entitled to payment for unused accrued leave.

2.1.1.1. Conditions for Payment of Unused Accrued Leave. See Tables 35-1 through 35-4 for specific rules governing whether a member may be paid for unused accrued leave.

2.1.1.2. Career Leave Payment Limitation of 60 days

2.1.1.2.1. Generally, a Service member is entitled to receive payment for no more than 60 days of accrued leave during a military career. See subparagraph 2.1.1.4 for exceptions.

2.1.1.2.2. A Service member eligible for an unused accrued leave settlement is authorized an election regarding payment or carryover of the leave. The member may elect to receive payment for a portion of the unused leave, not to exceed a career total of 60 days, and to have the remaining accrued leave carried forward to a new or extended enlistment. The total of paid and carried forward leave may exceed 60 days.

2.1.1.3. One-Time Leave Payment. An enlisted member of the Armed Forces who qualifies for Special Leave Accrual (SLA) as set forth in subparagraphs 2.2.2.2 through 2.2.2.5 and who would lose accumulated leave in excess of 90 days may elect to be paid up to 30 days of the excess leave. This leave payment does apply against the 60 days of leave paid during a career as stated in subparagraph 2.1.1.2.1. A member may exercise this option only once in their career.

2.1.1.4. Exceptions to the 60-Day Career Leave Payment Limitation

2.1.1.4.1. Contingency Operations. The 60-day leave payment limitation does not apply with respect to leave accrued by a member of a Reserve Component or retired Reserve; a retired member of the Regular Army, Regular Navy, Regular Air Force, or Regular Marine Corps; or a member of the Fleet Reserve or Fleet Marine Corps Reserve during any period while the member also is:

2.1.1.4.1.1. Serving on active duty in support of a contingency operation on or after December 5, 1991; or

2.1.1.4.1.2. Serving on active duty in connection with the Persian Gulf conflict (other than for training) under authority of Title 10, United States Code, sections 688, 12301, 12302, 12304, 12306, or 12307 (***10 U.S.C. § 688***, ***10 U.S.C. § 12301***, ***10 U.S.C. § 12302***, ***10 U.S.C. § 12304***, ***10 U.S.C. § 12306***, or ***10 U.S.C. § 12307***, on or after August 2, 1990.

2.1.1.4.2. Active Duty of 31 to 365 Days. The 60-day leave payment limitation does not apply to leave accrued by a member of a Reserve Component while serving on active duty, full-time National Guard duty, or active duty for training during a period of more than 30 days, but not in excess of 365 days, beginning on or after October 1, 2001.

2.1.1.4.3. Death on Active Duty. The 60-day leave payment limitation does not apply to leave accrued by a member who dies while on active duty (or a member or former member who dies after retirement or discharge, but before receiving payment of accrued leave). Payment of accrued leave for a deceased member is based upon the unused accrued leave that he or she carried forward into the leave year in which deceased, plus the unused leave that accrued during that leave year, beginning on or after February 10, 1996.

2.1.1.4.4. Career Leave Payment Total. Unused leave accrued specifically under the conditions of subparagraphs 2.1.1.4.1 through 2.1.1.4.3 is in addition to the member's career leave payment limitation of 60 days. Such unused leave may be carried forward into a new contract period of active duty and later be eligible for payment in addition to other leave to which the 60-day career ceiling applies. See paragraph 2.2 for rules that apply to accounting for accrued and used leave, and subparagraph 2.3.2 for calculating the payment amount and the possible application of the Combat Zone (CZ) Tax Exclusion (CZTE).

Example: On January 1, 2018, a National Guard member on active duty, under Title 32, is mobilized for 3 years with his unit under 10 U.S.C. § 12301. Although previously paid for career leave of 48 days, the member elected to carry forward all 32 days of accrued unused leave from the pre-mobilization period.

On April 6, 2018, he was discharged and immediately ordered to active duty for another period of 3 years. The member used leave from April 2 through April 5, 2018 (4 days). He has 36 days accrued unused leave at discharge (32 days from his balance brought forward, plus 8 days accrued under the mobilization, minus the 4 days of leave used). He may elect to be paid for a maximum of 16 days of leave at discharge, which includes the 12 days up to the 60-day limitation, plus 4 days of excepted leave (earned 8 days excepted leave less the 4 days used).

The remaining balance of 20 days (or more, if he takes payment for less than the full 16 days of leave) may be carried forward into the new active duty period. If a payment is made for 12 days or less, then 4 days of the carryover are an exception to the 60-day payment limitation and may be paid in the future if they remain unused.

2.1.2. Under regulations prescribed by the Secretary of the Military Department concerned, a member sentenced to unsuspended dismissal or unsuspended dishonorable or bad-conduct discharge by court-martial may be required to take leave pending review of the conviction (for example, appellate leave) as provided by ***10 U.S.C. § 876a***. Such member may elect to be paid in a lump sum for the leave accrued to his or her credit as of the day before the day the leave begins. Otherwise, each day of appellate leave will be charged as a day of leave and the member paid accordingly until all of the member's accrued leave is used. Payment will be based on the rate of basic pay to which the member was entitled on the day before the day leave is to begin.

2.1.3. A member who is discharged under other than honorable conditions forfeits all accrued leave at the time of discharge and is not entitled to payment for accrued leave, regardless of the length of time the separated member has served.

2.1.4. Except as provided in subparagraph 2.1.5, a member who receives an entry-level discharge before completing 6 months of active duty will be considered as having received an honorable discharge with payment of accrued leave being authorized.

2.1.5. A member, who is discharged before completing 6 months of active duty because of failure to serve satisfactorily, forfeits all accrued leave at the time of discharge. Such forfeiture also applies to any member with prior military service who had a break in service of 90 or more consecutive days. The following constitute reasons for failure to serve satisfactorily.

2.1.5.1. Enlisted reasons include:

2.1.5.1.1. Defective enlistment and induction (minority and fraudulent entry only);

2.1.5.1.2. Entry-level performance and conduct;

2.1.5.1.3. Unsatisfactory performance;

2.1.5.1.4. Drug and/or alcohol abuse rehabilitation failure;

2.1.5.1.5. Misconduct, moral, and/or professional dereliction;

2.1.5.1.6. Separation in lieu of trial by court-martial; or

2.1.5.1.7. Security (unless the member receives an honorable discharge).

2.1.5.2. Officer reasons include:

2.1.5.2.1. Separation for cause (e.g., officers separated for substandard performance of duty);

2.1.5.2.2. Dropped from the rolls;

2.1.5.2.3. Misconduct, moral, and/or professional dereliction;

2.1.5.2.4. Separation in lieu of trial by court-martial; or

2.1.5.2.5. Security (unless the member receives an honorable discharge).

2.2 Leave Accounting

2.2.1. Accrued leave must be carefully accounted for and accurately identified as to the time and circumstances under which it was earned. The number of days accrued and value of unused leave that is to be sold depends upon the timeframe and circumstances under which it was earned.

2.2.1.1. Leave earned is valued using only basic pay.

2.2.1.2. Leave accrued in a CZ or Qualified Hazardous Duty Area (QHDA), or while hospitalized because of action in such a zone or area, is generally known as CZTE leave. See Chapter 44, paragraph 2.3 for full descriptions of the circumstances under which such leave accrues. CZTE leave for enlisted members is exempt from federal and state income tax withholding. CZTE leave for officers is exempt from federal and state income tax withholding up to a specified limit. See subparagraph 2.3.2 for a discussion of tax exclusion limits. All leave earned during a month in which a member serves for any period of time in a CZ or QHDA area is CZTE leave. A single day of qualifying service in such circumstance qualifies all leave accrued in that month as CZTE leave.

2.2.1.3. A member of a Reserve Component who accumulates leave during a period of active service may carry over any accumulated leave to the member's next period of active service without regard to separation or release from active service if the separation or release is under honorable conditions. This accumulated leave is subject to fiscal year carry forward limitations 60 days.

2.2.2. Leave accrues to a Service member serving on active duty for 30 days or more. It accrues at the rate of 2½ days for each month of active service, excluding periods of absence from duty without leave, periods of confinement resulting from a court-martial, and periods of leave required to be taken pending review of a court-martial conviction. For partial months, it accrues at the rate of ½ day for any period of 6 days or less.

2.2.2.1. A member may not carry forward a leave balance of more than 60 days into a new fiscal year, except when entitled to Special Leave Accrual.

2.2.2.2. A member entitled to SLA may carry forward a combined total leave balance of up to 90 days (i.e., 60 days of ordinary leave plus 30 days of SLA leave). Under this exemption, unused leave may be carried forward until the end of the second fiscal year following the fiscal year in which the qualifying service is terminated.

2.2.2.3. The following members are eligible for SLA.

2.2.2.3.1. A member who serves on active duty while entitled to hostile fire/imminent danger pay for a continuous period of at least 120 days;

2.2.2.3.2. A member assigned to a designated deployable ship, mobile unit, or other similar prescribed duty as designated by the Secretary of the Military Department concerned; or

2.2.2.3.3. A member performing duties designated by the Secretary concerned as a qualifying duty.

2.2.2.3.4. A member described in subparagraphs 2.2.2.3.1 through 2.2.2.3.3 must receive written authorization for SLA from the first officer in the grade above O-6 in their chain of command.

2.2.2.4. The maximum amount of SLA leave that can be carried forward is the leave balance at the end of the fiscal year following the end of the SLA period not to exceed 90 days (i.e., 60 days of ordinary leave plus 30 days of SLA leave). The maximum amount will be reduced to a new level whenever the leave balance drops below the previously set level. If at any time, the leave balance drops to or goes below 60 days, then there is no longer any SLA protected leave.

2.2.2.4.1. Therefore, the actual maximum leave that can be carried forward into succeeding fiscal years is the lowest leave balance achieved following the completion of the SLA duty. If the SLA qualifying period crosses a fiscal year, then the entire leave balance (not to exceed 90 days) will be carried forward and the leave accrued from the beginning of the new fiscal year through the end of the SLA qualifying period will be added to establish the maximum.

2.2.2.4.2. Any portion of a leave balance in excess of 60 days that could have been taken before the end of the fiscal year had the member not been assigned to SLA qualifying duty will be included in the carryover amount.

2.2.2.5. For guidance regarding the period of transition from the previous SLA leave cap of 60 days (above the normal 60-day carry forward limit for a maximum total of 120 days) to the new SLA leave cap of 30 days (above the normal 60-day carry forward limit for a maximum total of 90 days), see the Office of the Assistant Secretary of Defense Manpower and Reserve Affairs memorandum, September 5, 2023.

2.2.2.6. Leave will be accounted for by crediting it sequentially in the chronological order in which it is accrued. Generally, when used, leave will be charged with the most recently accrued leave charged first. This method is known as Last In, First Out.

2.3 Leave Payments and Taxability

2.3.1. Payments for accrued leave are normally subject to taxation and income tax withholding.

2.3.2. Payments for CZTE leave for Service members are tax-exempt from federal taxation and not subject to federal or state income tax withholding up to the monthly limit specified by the Internal Revenue Service (IRS). That limit is different for enlisted members and officers. The limit is fully described in Chapter 44, subparagraph 2.2.1 and summarized as follows:

2.3.2.1. Enlisted members (E-1 and above) and warrant officers (W-1 through W-5) have no limitation or ceiling on the value of payments exempt from federal or state taxes and federal tax withholding for any month in which they qualify for an exemption.

2.3.2.2. Officers (O-1 and above) are subject to a limit on the value of federal tax-exempt payments and exemption from federal and state tax withholding for each month in which they qualify for an exemption. The exemption amount for officers is set at the value of the highest rate of enlisted basic pay plus the value of any hostile fire or imminent danger pay the officer may have been entitled to in that qualifying month. The applicable rate of enlisted basic pay would be that listed in Chapter 1, Table 1-10, Note 3 for the corresponding qualifying month. To determine whether the limitation will apply to a payment for accrued unused leave, the leave must be allocated to the months in which earned and for which the officer qualified for CZTE status.

2.3.2.2.1. The value of the leave for each individual month must be added to any payments the officer has received for that tax-exempt month and the total compared to the monthly limitation amount.

2.3.2.2.2. Tax exemption may only be given for the value of the portion of the CZTE leave that does not exceed the limitation available. Any payments for CZTE leave value that exceed the limitation available will be treated as taxable income.

Example: A Reserve Component O-6 with over 12 years of service began active duty on March 27, 2022, and reported temporary additional duty to a designated CZ on March 28, 2022. He departed the zone on May 4, 2022, and was separated from active duty and paid for unused accrued leave on May 6, 2022. The officer was entitled to monthly basic pay of $9,034.50 and to imminent danger pay

of $225. The monthly basic pay for the most senior enlisted member in each military service is $9,355.50 per month during that period. The officer has been paid for his active-duty service and is awaiting payment for his earned leave. He had previously sold back 58 days of leave at the end of other active-duty periods.

The officer earned .5 days of leave in March and in May and 2.5 days for April. The total of 3.5 days leave when added to the 58 days previously sold would exceed the maximum of 60 days that may be sold in a career. This leave, however, is exempt from payment limitation since the Reserve officer was on active duty for a period of more than 30 but less than 365 days. Payment of the .5 days of leave for both March and May is fully exempt from income tax and income tax withholding since the prior tax-free payments for his basic pay and hostile fire/imminent danger pay in those 2 months was well below the tax exemption limitation value of $9,580.50 (senior enlisted basic pay of $9,355.50 and hostile fire/imminent danger pay of $225).

However, only a portion of the 2.5 days of unused accrued leave attributable to April is exempt from income tax and income tax withholding. The officer has already received tax-exempt treatment of his April salary and imminent danger pay using all but $321.00 of his available exemption (exemption equals $9,580.50 and the amount used was the officer's base pay of $9,034.50 plus the hostile fire/imminent danger pay of $225, equal to $9,259.50). The 2.5 days of leave is valued at $752.88, leaving $431.88 of the leave payment subject to tax and tax withholding.

2.4 Leave Payments and Debts

Payments for accrued leave may be used to satisfy debts to the U.S. Government without restriction.

2.5 Leave Payment to Beneficiaries

Payments for accrued leave owed at death will be paid to the eligible beneficiary or beneficiaries under the provisions of Chapter 36, section 3.0.

2.5.1. If a member dies while on active duty of 30 days or more, then the accrued leave is payable along with all other unpaid pay and allowances to the eligible beneficiary.

2.5.2. If a member or former member dies after retirement or discharge, but before receiving any or all compensation for accrued leave, then the balance is payable to the eligible beneficiary. Claims for payment must be submitted to the appropriate following address:

Army and Air Force Members:

Director – Military Pay Operations Indianapolis
Defense Finance and Accounting Service (DFAS)-Indianapolis
DFAS-JFL/IN
8899 E. 56th Street
Indianapolis, IN 46249-0845

Navy Members:

Director – Military Pay Operations Navy
DFAS-Cleveland
DFAS-JFLADA
1240 E. 9th Street
Cleveland, OH 44199-2055

Marine Corps Members:

Director – Military Pay Operations Marine Corps
DFAS-Cleveland
MPO-JFLT
1240 E. 9th Street
Cleveland, OH 44199-2055

2.6 Inter Service Transfers

Every member has the option to elect to carryover some or all of their leave during an inter service transfer, regardless of enlisted, warrant officer, or commissioned officer status prior to or after the transfer.

2.6.1. An enlisted member transferring to another enlisted position may be paid for unused leave, subject to the career leave payment limitation.

2.6.2. An enlisted member transferring to an officer position may not be paid for unused leave.

2.6.3. A commissioned or warrant officer transferring to an officer position may not be paid for unused leave.

2.6.4. A commissioned or warrant officer transferring to an enlisted position may not be paid for unused leave.

3.0 SEPARATION PAY (NON-DISABILITY)

3.1 Entitlement

3.1.1. Full Separation Pay. Full payment of non-disability separation pay is authorized to Service members of the Regular and Reserve Components who have been involuntarily separated from active duty and have met each of the following four conditions:

3.1.1.1. The member has met one of the following criteria for active military service:

3.1.1.1.1. The member is on active duty or full-time National Guard duty and has completed at least 6 years, but less than 20 years, of active service. Reserve members not on the active-duty list when separated must have 6 years of continuous active duty or full-time National Guard duty immediately preceding separation. A period of active duty is considered continuous if any break in active service does not exceed 30 days; or

3.1.1.1.2. A member who is a Regular officer and is separated under *10 U.S.C. Chapter 36* (except under *10 U.S.C. § 630(1)(A)*, *10 U.S.C. § 643*, *10 U.S.C. § 580*, or *10 U.S.C. § 8373*) must have completed at least 6 years, but less than 20 years, of active service;

3.1.1.2. The member's separation must be characterized as "honorable" and none of the conditions apply that are listed in paragraph 3.2;

3.1.1.3. The member is being separated involuntarily, through either the denial of reenlistment or the denial of continuation on active duty or full-time National Guard duty, under one of the following four specific conditions:

3.1.1.3.1. The member must be fully qualified for retention but denied reenlistment or continuation. This includes a Service member who is eligible for promotion as established by the Secretary of the Military Department concerned, but is denied reenlistment or continuation on active duty under established promotion or high year of tenure policies;

3.1.1.3.2. The member must be fully qualified for retention but involuntarily separated under a Reduction in Force by authority designated by the Secretary of the Military Department concerned;

3.1.1.3.3. The member, if a Regular officer, commissioned or warrant, must be separated under 10 U.S.C. § 580, *10 U.S.C. § 1165*, 10 U.S.C. § 8373, or Chapter 36 (except section 630(1)(A)); if a Reserve commissioned officer other than a commissioned warrant officer, must be separated or transferred to the retired Reserve under *10 U.S.C. § 573* or *10 U.S.C. § 861*; or if a Reserve commissioned officer on the active-duty list or a Reserve warrant officer must be separated for similar reasons under military service policies; or

3.1.1.3.4. The member must be denied reenlistment or continuation on active duty or full-time National Guard duty under subparagraphs 3.1.1.3.1 through 3.1.1.3.3, and have accepted an earlier separation from active duty; and

3.1.1.4. The member must have entered into a written agreement with the military service concerned to serve in the Ready Reserve in a Reserve Component of the Armed Forces for a minimum period of 3 years following the separation from active duty.

3.1.1.4.1. A member who enters into this written agreement and is qualified for service in the Ready Reserve will, upon separation from active duty, be enlisted or appointed,

as appropriate, as a Reserve member by the military service concerned. If the person has a service obligation under ***10 U.S.C. § 651*** or any other law that is not completed at the time of separation from active duty, then the 3-year obligation begins on the day after the day the member completes the prior obligation.

3.1.1.4.2. A member who enters into this written agreement and is not qualified for enlistment or appointment in the Ready Reserve need not be enlisted or appointed by the military service concerned to be considered to have met this condition of eligibility for separation pay.

3.1.2. Sole Survivorship Discharge

3.1.2.1. A sole survivorship discharge is the separation of a member from the Armed Forces at the member's request when the member is the only surviving child in a family in which:

3.1.2.1.1. The father, mother, or one or more siblings served in the Armed Forces, and was killed; died as a result of wounds, accident, or disease; is in a captured or missing in action status; or is permanently 100 percent disabled or hospitalized on a continuing basis (and is not gainfully employed because of the disability or hospitalization); and

3.1.2.1.2. The death, status, or disability did not result from the intentional misconduct or willful neglect of the parent or sibling and was not incurred during a period of unauthorized absence.

3.1.2.2. A member who receives a sole survivorship discharge will be entitled to full separation pay, even though the member completed less than 6 years of active service immediately before that discharge.

3.1.2.3. The amount of the full separation pay to be paid will be based on the years of active service actually completed by the member before the member's discharge.

3.1.2.4. Members who receive a sole survivorship discharge are not required to repay any unearned bonus, incentive pay, or similar benefit previously paid to the member.

3.1.2.5. The Secretary of the Military Department concerned may grant an exception to the requirement to terminate the payment of any unpaid amounts of a bonus, incentive pay, or similar benefit if he determines that termination of the payment of the unpaid amounts would be contrary to a personnel policy or management objective, would be against equity and good conscience, or would be contrary to the best interests of the United States.

3.1.3. Half Separation Pay. Half Separation Pay of non-disability separation pay is authorized to members of the Regular and Reserve Components who are involuntarily separated from active duty and have met each of the following five conditions:

3.1.3.1. The member meets the criteria for active service specified in subparagraph 3.1.1.1;

3.1.3.2. The member's separation must be characterized as "honorable" or "general (under honorable conditions)," and none of the conditions apply that are listed in paragraph 3.2;

3.1.3.3. The member must be separated involuntarily by the military service concerned through either the denial of reenlistment or the denial of continuation on active duty or the member is separated instead of board action as provided in DoD Instruction (DoDI) 1332.30, under one of the following specific conditions:

3.1.3.3.1. The member is not fully qualified for retention and is denied reenlistment or continuation by military service concerned, as provided for in DoDI 1332.14 or DoDI 1332.30 under any of the following conditions:

3.1.3.3.1.1. Weight control failure;

3.1.3.3.1.2. Parent or custody of minor child;

3.1.3.3.1.3. Military personnel security program;

3.1.3.3.1.4. Disability that existed before service;

3.1.3.3.1.5. Mental or physical conditions and circumstances not constituting a disability;

3.1.3.3.1.6. Alcohol or drug abuse rehabilitation failure; or

3.1.3.3.1.7. Failure to meet minimum retention standards;

3.1.3.3.2. Separated under a military service-specific program established as a half separation pay level by the Secretary of the Military Department concerned in accordance with ***10 U.S.C. § 1174***; or

3.1.3.3.3. Denied reenlistment or continuation on active duty by the military service concerned under subparagraphs 3.1.3.3.1 and 3.1.3.3.2, and accept an earlier separation from active duty; and

3.1.3.4. The member must have entered into a written agreement with the military service concerned to serve in the Ready Reserve of a Reserve Component for a minimum period of 3 years following separation from active duty.

3.1.3.4.1. A member who enters into this written agreement and is qualified for the Ready Reserve will, upon separation from active duty, be enlisted or appointed, as appropriate, as a Reserve member by the military service concerned. If the person has a service

obligation under 10 U.S.C. § 651 or any other provision of law that is not completed at the time of separation from active duty, then the 3-year obligation begins on the day after the day the member completes the prior obligation.

3.1.3.4.2. A member who enters into this written agreement and is not qualified for enlistment or appointment in the Ready Reserve need not be enlisted or appointed by the military service concerned to be considered to have met this condition of eligibility for separation pay.

NOTE: In extraordinary instances, the Secretary of the Military Department concerned may award full separation pay to a member otherwise eligible for half separation pay when the specific reasons for the separation and the overall quality of the member's service have been such that denial of full separation pay would be clearly unjust.

3.2 Limitations of Eligibility

Service members separated under the following circumstances are not eligible for separation pay:

3.2.1. The member is separated from active duty at the member's own request. The following examples will be considered to be a separation at the member's own request:

3.2.1.1. A member who declines training that the service offers to qualify for a new skill or rating as a precondition to reenlistment or continuation on active duty;

3.2.1.2. A member who requests separation as provided for in DoDI 1332.14 or under regulations established by the Secretary of the Military Department concerned;

3.2.1.3. An officer who is separated for twice failing to promote and either (or both) of those failures to promote was the result of the officer submitting a request in writing not to be selected for promotion or who otherwise directly caused the non-selection through written communication to the selection board in accordance with 10 U.S.C. § 614(b); or

3.2.1.4. An officer who is separated for twice failing to promote when he or she was offered and declined continuation on active duty for a period that is equal to, or more than the amount of service required to qualify the officer for retirement.

3.2.2. The member is separated from active duty during an initial term of enlistment or an initial period of obligated service. The initial term of enlistment or initial period of obligated service is the active service obligation that the member incurred upon initial enlistment or upon enrollment in a commissioning program. This limitation also applies to a member who desires to reenlist or continue at the conclusion of the initial term of enlistment or an initial period of obligation and is denied by the military service concerned;

3.2.3. The member is released from active duty for training or from full-time National Guard duty for training;

3.2.4. The member is immediately eligible at separation for retired or retainer pay based upon his or her military service;

3.2.5. The member is a warrant officer whose appointment is terminated and who then elects to enlist;

3.2.6. The member is separated as a result of the execution of a court-martial sentence;

3.2.7. The member is being dropped from the rolls of the military service concerned;

3.2.8. The member is being separated under other than honorable conditions;

3.2.9. The member is an enlisted member who is separated for unsatisfactory performance or misconduct, as set forth in DoDI 1332.14, except when half separation pay is authorized in subparagraph 3.1.3;

3.2.10. The member is an officer who is separated for substandard performance or acts of misconduct or moral or professional dereliction, except when half separation pay is authorized in subparagraph 3.1.3;

3.2.11. The member is separated under a military service-specific program established as a no-payment level by the Secretary of the Military Department concerned;

3.2.12. A determination is made by the Secretary of the Military Department concerned in an extraordinary case that the conditions under which the member is separated do not warrant a separation payment. This authority is not to be delegated. It is intended that only sparing use will be made of this discretionary authority to deny payment;

3.2.13. A Regular officer having twice failed for selection for promotion to the next higher grade is not entitled to separation pay if that officer, after such second failure of selection for promotion, is selected for and declines continuation on active duty for a period that is equal to, or more than the amount of service required to qualify the officer for retirement; or

3.2.14. A Reserve officer who, is not selected for promotion to the next higher grade for the second time and is to be discharged or released from active duty, and after such failure of promotion, is selected for and declines continuation on active duty:

3.2.14.1. If the period of time for which the officer was selected for continuation on active duty is less than the amount of service that would be required to qualify the officer for retirement, then the officer's discharge or release from active duty will be considered involuntary; or

3.2.14.2. If the period of time for which the officer was selected for continuation on active duty is equal to or more than the amount of service that would be required to qualify the officer for retirement, then the officer's discharge or release from active duty will not be considered involuntary.

3.3 Computation of Active Service

Compute active service time as follows:

3.3.1. Qualifying years, except as noted in subparagraph 3.1.1.1, do not have to be continuous; however, the last phase of the qualifying term must end immediately before the separation from active duty occurs;

3.3.2. Fractions of years will be computed by counting each full month of active service, in addition to the number of full years of active service, as 1/12 of a year. Disregard any remaining fractional part of a month;

3.3.3. Periods for which a Service member previously has received separation pay, severance pay, or readjustment pay may be counted for eligibility purposes (to ensure the member meets the minimum required years of active duty), but may not be used in the multiplier to determine the amount of separation pay for a subsequent separation;

3.3.4. Count periods of active military service in a Regular or Reserve Component. Include periods of active duty for training;

3.3.5. Do not include periods of absence without leave, confinement time awaiting trial that results in a conviction, confinement time while serving a court-martial sentence, and time lost while not on duty. Count time in service to make up for lost time; and

3.3.6. Do not include service as a cadet or midshipman while in a military service academy or a Reserve Officer Training Program.

3.4 Computation of Separation Pay

3.4.1. Full separation pay is 10 percent of the product of the number of years of active service and 12 times the monthly basic pay to which the Service member was entitled at the time of discharge or release from active duty. Table 35-5 also contains information related to computation of full separation pay.

Example, the formula for an E5 Service member who qualifies for separation pay and is separated after 8 years of active service may look like: 0.1((12 x $3,497.70 monthly base pay)(8)) = $33,577.92 full separation pay.

3.4.2. Half separation pay is one-half of the amount computed in subparagraph 3.4.1.

3.5 Recoupment of Separation Pay From Retired Pay, Retainer Pay, or Department of Veterans Affairs (VA) Disability Compensation

Service members who receive separation pay under any provisions of law based on service in the Armed Forces, and, subsequently, either qualify for retired or retainer pay under 10 U.S.C. (Armed Forces) or 14 U.S.C. (Coast Guard) or become eligible for disability compensation

administered by the VA, are subject to the recoupment of the gross taxable separation pay they received. Recoupment from retired pay, retainer pay, or VA disability compensation will be completed as follows:

3.5.1. If the Service member receives either retired or retainer pay, then recoupment will be accomplished through monthly deductions from each payment of retired or retainer pay payable to the retired member until the total amount of the deductions equals the gross taxable amount of separation pay received by the member. See Volume 7B, Chapter 4 for guidance on the calculation of the recoupment.

3.5.2. If the Service member receives VA disability compensation, then recoupment will be accomplished through a deduction from the VA disability compensation payable to the retired member in an amount that is equal to the gross taxable amount of separation pay made after September 30, 1996. The amount to be deducted from the VA disability compensation will be equal to the gross taxable amount of such separation pay, less the amount of federal income tax withheld from such pay at the flat withholding rate for supplemental payments prescribed under Publication 15, Department of the Treasury, IRS. This reduction, however, will not apply to disability compensation for which the entitlement to that disability compensation is based on a later period of active duty than the period of active duty for which the separation pay was received. See Volume 7B, Chapter 4 for guidance on the calculation of the recoupment.

4.0 READJUSTMENT AND SEVERANCE PAY (OTHER THAN DISABILITY) PROVISIONS

4.1 Readjustment Pay

Readjustment Pay is a lump-sum payment to members of a Reserve Component of any Military Service, members of the Army or Air Force without component, and Regular Army commissioned officers below the grade of O-4 who were on active duty (other than for training) on September 14, 1981, and were involuntarily released after completing at least 5 years of continuous active duty and who did not qualify for retirement. Separation Pay superseded Readjustment Pay.

4.2 Repay Readjustment or Severance Pay

Members, who received readjustment or severance pay before September 15, 1981, and who, on or after September 15, 1981, became entitled to retired or retainer pay under 10 U.S.C. (Armed Forces) or 14 U.S.C. (Coast Guard), are required to repay the readjustment or severance pay, in accordance with the laws in effect on September 14, 1981.

4.3 Refund Upon Retirement

A Reserve member who received a readjustment payment on separation after June 28, 1962, and before September 15, 1981, and who later qualifies for retired or retainer pay under 10 U.S.C. (Armed Forces) or 14 U.S.C. (Coast Guard), (upon completing 20 years of active service), must refund 75 percent of the gross readjustment pay, without interest, by immediate

deduction from retired or retainer pay. This is not required if readjustment pay had been waived or refunded under paragraph 4.4.

4.4 Waiver or Refund Before Retirement

A member may waive entitlement to readjustment pay. Also, the full amount of readjustment pay may be refunded before retirement. Under either condition, the member will receive retired, or retainer pay immediately upon retirement or transfer to the Fleet Reserve or Fleet Marine Corps Reserve.

4.5 VA Disability Compensation

When a member who receives readjustment pay before September 15, 1981, becomes entitled to VA disability compensation, the VA deducts 75 percent of the readjustment payment from future VA compensation. The VA does not make a deduction when VA disability compensation is based on a later period of service. A member who elected, on or before June 27, 1962, to receive readjustment pay in lieu of VA disability compensation may have been awarded disability compensation effective on and after June 28, 1962. The VA reduces the disability compensation by 75 percent of the readjustment payment, unless readjustment pay was waived or refunded.

5.0 DISABILITY SEVERANCE PAY

5.1 Entitlement

A member separated from the military service for physical disability is entitled to severance pay, if qualified, as prescribed in personnel regulations of the military service concerned. When a member is entitled to disability severance pay, separation orders specify this entitlement. Academy cadets and midshipmen may be entitled to severance pay if it is determined that they have a qualifying disability, and they have separated as a result of that disability.

5.2 Disability Incurred During Non-pay Status

A member who incurs a disability while in a total pay forfeiture status as defined in Chapter 48, section 5.0 is not entitled to disability severance pay. This is true even though the Secretary of the Military Department concerned remits the unexecuted portion of the sentence, including all uncollected forfeitures.

5.3 Computation

5.3.1. Formula. To compute disability severance, pay, multiply the sum of the highest applicable basic pay amount (described in subparagraph 5.3.3) for 2 months by the number of combined years (but not over 19) of active service and inactive-duty points. Do not include as basic pay the 25-percent increase prescribed under certain conditions for a Navy or Marine Corps member retained on active duty after enlistment expires.

5.3.2. Years of Service. The member's separation orders will specify the total combined years of active service and inactive-duty points to be counted in computing severance pay. Round this total to the nearest whole year, with 6 months or more rounded up. The maximum number of years of service for computing the disability severance pay will be 19 years. The minimum number of years for computation purposes will be:

5.3.2.1. Six years in the case of a member separated from the Armed Forces for a disability incurred in the line of duty in a CZ (as designated by the SecDef) or incurred during the performance of duty in combat-related operations (as designated by the SecDef); or

5.3.2.2. Three years in the case of any other member.

5.3.3. Grade at Which Disability Severance Pay is Computed. Compute severance pay based on the basic pay of the following highest grade or rank described:

5.3.3.1. The grade or rank in which the member is serving on the date placed on the Temporary Disability Retired List (TDRL) or, if not applicable at separation;

5.3.3.2. A higher temporary or permanent grade or rank than that subparagraph 5.3.3.1 in which member served satisfactorily as determined by the Secretary of the Military Department concerned; or

5.3.3.3. For those selected for promotion to a permanent regular or reserve grade, if the disability for which the member was separated found during a physical examination, then the grade or rank to which the member would have been promoted if there was no disability. For those who would have been promoted to a temporary grade or rank had it not been for the discovery of the disability, then that temporary grade or rank if eligibility for promotion was required to be based on cumulative years of service or years in grade.

> Example: An E-6 has 11 years, 4 months, and 9 days of active service and 76 inactive-duty training periods (points) on the date of separation for physical disability. Compute the entitlement as follows:
> 11 years, 4 months, 9 days = 11.3583 years
> 76 points / 360 = .2111 years
> Total Service = 11.5694 years
> Since it is a decimal greater than or equal to .5, round the total upward to 12 years.
> 12 years times 2 months of basic pay of an E-6 over 10 equals the amount of disability severance pay.

NOTE: For purposes of this calculation, the number of points credited for activities other than active service or funeral honors, may not exceed 60 points for any anniversary year that closed before September 23, 1996; 75 points for anniversary years that closed on or after September 23, 1996; 90 points for anniversary years that close on or after October 30, 2000; and 130 points for anniversary years that close on or after October 30, 2007.

5.4 Taxability and Withholding

5.4.1. General. Disability severance pay is normally taxable income. However, it is not subject to tax withholding or reporting if at least one of the following two conditions exists:

5.4.1.1. The entitlement resulted from combat-related injury or illness, as determined by the Secretary of the Military Department concerned, which happens as a result of any of the following activities:

5.4.1.1.1. As a direct result of armed conflict;

5.4.1.1.2. While performing extra-hazardous service, even if the service does not directly involve combat;

5.4.1.1.3. Under conditions simulating war, including maneuvers or training; or

5.4.1.1.4. By an instrumentality of war, such as weapons; or

5.4.1.2. The member is entitled to disability compensation as determined by the VA or has received a proposed disability rating from the VA at the time of separation through the Integrated Disability Evaluation System.

5.4.2. Withholding Taxes. Income taxes are withheld from all payments of disability severance pay unless the member qualifies for an exemption under subparagraph 5.4.1.

5.4.3. Entitlement to VA Disability Compensation After Payment of Disability Severance Pay

5.4.3.1. A member's disability severance pay may still qualify for an exemption from taxation under subparagraph 5.4.1.2 after disability severance pay has been paid if the VA determines that the member is entitled to VA disability compensation.

5.4.3.2. Depending upon when a member receives notification of disability compensation, refund of the income taxes withheld may be requested from DFAS or the IRS.

5.4.4. Receipt of Official Notification of VA Disability Compensation in the Same Tax Year of the Disability Severance Pay Payment

5.4.4.1. A member may request refund of taxes withheld from the gross taxable amount of their disability severance pay payment from DFAS if notification of disability compensation from the VA is received in the same tax year in which the member received disability severance pay. See subparagraph 2.5.2 for the addresses of the DFAS sites.

5.4.4.2. A refund request must include documentation evidencing the VA's award of disability compensation and must be received and processed by DFAS on or before December 31st of the year in which the disability severance pay payment was paid. If a refund is

processed before December 31st, but after the Military Payroll Systems end of year cut off (typically around December 20th), a corrected IRS Form W2c may be issued by DFAS.

Example: Member received disability severance pay on January 2, 2018. On December 1, 2018, the VA issues an award letter to member authorizing disability compensation. Member may submit a request for refund to DFAS for processing before December 31, 2018.

5.4.5. VA Disability Compensation Awarded in a Tax Year Subsequent to the Year of the Disability Severance Pay Payment

5.4.5.1. A member must obtain a refund for income taxes withheld from their disability severance pay payment from the IRS in accordance with their procedures when the date of the VA's award of disability compensation is in a tax year subsequent to the year in which the member received disability severance pay.

5.4.5.2. DFAS will not issue a corrected W-2 to a member as a result of a VA determination in a year subsequent to the year in which the disability severance payment was paid. The member may claim a reduction in the year of payment's taxable income from the CZ in accordance with their procedures.

Example: Member received disability severance pay on January 2, 2018. On June 1, 2019, the VA issues an award letter to member authorizing disability compensation. Member may request a refund only from the IRS.

5.5 Availability to Liquidate Debts

Disability severance pay may be used to liquidate debts to the U.S. Government.

5.6 Recoupment From VA Compensation

The VA deducts disability severance compensation from any VA compensation for the same disability to which the member or member's dependents become entitled. There are two exceptions:

5.6.1. No deduction will be made in the case of disability severance pay received by a member for a disability incurred in the line of duty in a CZ or incurred during performance of duty in combat-related operations (as designated by the SecDef); or

5.6.2. No deduction will be made from any death compensation to which a member's dependents become entitled after the member's death.

5.7 Other Benefits and Claims

A member who is paid disability severance pay is not entitled to any payment from the military service for, or arising out of, service performed by the member before separation. This does not prohibit payment if an amount is due the member on the date of separation or if a claim is allowed under law.

6.0 CONTRACT CANCELLATION PAY AND ALLOWANCES

6.1 Entitlement

Reserve members released from active duty (other than for training) without their consent before the end of their active-duty agreement made under ***10 U.S.C. § 12311***(a) are entitled to a special payment under ***10 U.S.C. § 12312***. This payment is in addition to any pay and allowances to which the member is otherwise entitled.

6.2 Computation

To compute the amount payable, multiply the number of years and fraction of years of the unexpired period of service under the contract, by the sum of basic pay, special pay, and allowances for 1 month to which the member is entitled on the day of release. Count a fraction of a month that is 15 days or more as a whole month and disregard a fraction of a month that is less than 15 days. Separation orders show the number of years and months of unexpired service for which contract cancellation pay and allowances are payable.

6.3 Restrictions

A member is not entitled to the special payment authorized by this section if:

6.3.1. Dismissed or discharged under the sentence of a court-martial;

6.3.2. Released because of an unexplained absence without leave of at least 3 months;

6.3.3. Released because of conviction and sentence to confinement in a federal or state penitentiary or correctional institution which sentence has become final;

6.3.4. Released because of a physical disability resulting from intentional misconduct or willful neglect;

6.3.5. Eligible for retired pay, separation pay, or severance pay under another provision of law (this restriction does not apply to readjustment pay);

6.3.6. Placed on a TDRL; or

6.3.7. Released to accept an appointment, or to be enlisted, in a Regular Component of an Armed Force.

6.4 Withholding Tax

Contract cancellation pay is subject to withholding tax.

6.5 Availability to Liquidate Debts

Contract cancellation pay may be used to liquidate debts to the U.S. Government.

7.0 MISCELLANEOUS SEPARATION PAYMENTS

7.1 Discharge Gratuity

See Table 35-6.

7.2 Travel Allowance on Separation

See ***Joint Travel Regulations (JTR)***, Chapter 5 and Volume 9.

8.0 VOLUNTARY SEPARATION PAY (VSP)

8.1 Entitlement

A member who separates voluntarily may, under conditions prescribed by the Secretary of the Military Department concerned, be paid VSP. The authority to separate a member in conjunction with VSP applies through December 31, 2025.

8.2 Eligibility

The Secretary of the Military Department concerned, may offer a member the opportunity to apply for VSP if the member:

8.2.1. Has served on active duty or full-time National Guard for more than 6 years but less than 20 years;

8.2.2. Has served at least 5 years of continuous active duty or full-time National Guard duty immediately preceding the date of separation from active duty;

8.2.3. Has not been approved for payment of a voluntary separation incentive under ***10 U.S.C. § 1175***;

8.2.4. Meets such other requirements as the Secretary of the Military Department concerned, may prescribe, which may include requirements relating to years of service; skill; rating; military specialty; competitive category, grade or rank; remaining period of obligated service; or any combination of these factors; and

8.2.5. Requests separation from active duty or full-time National Guard duty.

8.3 Initial Term of Obligated Service

Effective January 1, 2009, the member is required to complete the initial term of obligated service in addition to meeting requirements in paragraph 8.2 prior to separation. Prior to January 1, 2009, a member's obligation to complete an initial term of obligated service before separation will be subject to the discretion of the Secretary of the Military Departments concerned. For the purpose of this section, "initial term of obligated service" means the initial period of required active-duty service incurred upon commissioning or enlistment, together with any additional period of required active-duty service incurred during the initial period of required active-duty service.

8.4 Ineligible for VSP

The Secretary of the Military Department concerned, will not offer a member the opportunity to apply for VSP if a member:

8.4.1. Does not meet any of the eligibility requirements of paragraph 8.2;

8.4.2. Is discharged with disability severance pay under section 5.0 (***10 U.S.C. § 1212***);

8.4.3. Is transferred to the TDRL under ***10 U.S.C. § 1202*** or ***10 U.S.C. § 1205***;

8.4.4. Is being evaluated for disability retirement under ***10 U.S.C. Chapter 61***;

8.4.5. Has previously been discharged with VSP;

8.4.6. Is subject to pending disciplinary action or is subject to administrative separation or mandatory discharge under any other provision of law or regulation;

8.4.7. Is approved for retirement under temporary early retirement authority; or

8.4.8. Has not completed the 4 year service obligation incurred from requesting transfer of the Post 9/11 GI Bill benefits.

8.5 Application for VSP

A member may request and subsequently enter into a written agreement with the Secretary of the Military Department concerned to separate from active duty or full-time National Guard duty. The Secretary concerned may require the member to accept an appointment or enlistment in, or transfer to, the Ready Reserve of a Reserve Component for a period of not less than 3 years, as a condition of receipt of VSP and benefits.

8.6 Approval for VSP

The Secretary of the Military Department concerned will determine each year the number of Service members to be separated, and provided separation pay and benefits during the fiscal

year beginning in such year. Eligible members will not be automatically entitled to receive VSP based solely upon request. The Secretary of the Military Department concerned will review all applications for voluntary separation and approve only those that meet the needs of the Military Departments. A member whose request is approved will be separated from active duty.

8.7 Computation of VSP

8.7.1. The Secretary of the Military Department concerned will specify the amount of VSP to be paid to an individual, but the amount may not be greater than four times the full amount of separation pay that a member of the same pay grade and years of service would receive for an involuntary separation under 10 U.S.C. § 1174.

8.7.2. Compute years of active service according to the formula in subparagraphs 3.3.2, 3.3.4, 3.3.5, and 3.3.6. Do not count any period of prior military service for which the member has received separation pay under any provision of law relating to members of the Armed Forces. When computing partial years of service, round the fractional parts of a year to the nearest 1/10 of 1 percent or 3 decimal points.

Example: If the officer has 10 years and 7 months of service, then the multiplier would be 10.583.

8.8 Payment

VSP may be paid in a single lump sum. In the case of a member who has completed at least 15 years but fewer than 20 years of active service at the time of separation under this program, VSP may be paid, at the election of the Secretary of the Military Department concerned, in:

8.8.1. A single lump sum;

8.8.2. Installments over a period not to exceed 10 years; or

8.8.3. A combination of lump sum and such installments.

8.9 Repayment of VSP When a Member Qualifies for and Receives Retired Pay

8.9.1. A member who is paid VSP and later qualifies to receive retired pay will have deducted from each payment of such retired pay a monthly installment as specified by the Secretary of the Military Department concerned. The total amount of retired pay deductions will equal the gross VSP amount paid to the member. More information can be found in Volume 7B, Chapter 4, section 9.0.

8.9.2. The requirement to repay VSP following retirement from the Armed Forces does not apply to a member who is eligible to retire at the time the member applied for and was accepted for VSP benefits.

8.9.3. The Secretary of the Military Department concerned, may waive the requirement to repay VSP if it is determined that recovery would be against equity and good conscience or would be contrary to the best interests of the United States.

8.10 VA Disability Compensation

A member who received the VSP and subsequently qualifies for disability compensation from the VA is subject to recoupment of the gross amount of VSP paid, less federal income taxes withheld from such pay. The VA administers the recoupment program for affected members. If the disability for which the member receives VA compensation was incurred or aggravated during a period of later active duty, then no recoupment of VSP is required, regardless of when it was paid. In individual cases, the Secretary of the Military Department concerned, may waive the requirement to repay the VSP if it is determined that recovery would be against equity and good conscience and would be contrary to the best interests of the United States. A blanket waiver for multiple members within a service signed by a Secretary of the Military Department concerned is not authorized.

8.11 Members Returned to Active Duty

8.11.1. Except for the provisions in subparagraphs 8.11.2, 8.11.3, and 8.11.4, members who return to active duty in a Regular or Reserve Component for 180 consecutive days or more will have deducted from each payment of basic pay a monthly installment amount specified by the Secretary of the Military Department concerned. The total amount of basic pay deduction will equal the gross amount of VSP paid to the member.

NOTE: The computation of the repayment will be calculated on a day-to-day basis.

8.11.2. Recoupment will not be required for a member who is involuntarily recalled to active duty or full-time National Guard in accordance with 10 U.S.C. §§ 12301(a), (b), or (g); 12302; 12303; 12304; ***10 U.S.C. § 12304a;*** or ***10 U.S.C. § 12304b***, or ***32 U.S.C. § 502***(f)(1)(A).

8.11.3. Recoupment will not be required for a member who is recalled or performs active duty or full-time National Guard duty, in accordance with ***10 U.S.C. § 101(d)(1)***, (2), or (5); ***10 U.S.C. § 12319***; ***10 U.S.C. § 12503***; or ***32 U.S.C. §§ 114***; ***32 U.S.C. § 115***.

8.11.4. Recoupment is not required for a member who is recalled or performs full-time National Guard duty in accordance with 10 U.S.C. § 12301(d) or 32 U.S.C. § 502(f)(1)(B), as long as the period service is less than 180 consecutive days and with the consent of the Service member.

8.11.5. This subparagraph will not apply to a member who:

8.11.5.1. Is involuntarily recalled to active duty or full-time National Guard duty; and

8.11.5.2. In the course of such duty, incurs a service-connected disability rated as total under ***38 U.S.C. § 1155***.

8.11.6. The SecDef may waive, in whole or in part, repayment required under subparagraph 8.11.1 if the SecDef, determines that recovery would be against equity and good conscience or contrary to the best interest of the United States. Requests for waiver under this authority should be forwarded to the Under Secretary of Defense for Personnel and Readiness (USD (P&R)).

9.0 VOLUNTARY RETIREMENT INCENTIVE (VRI)

Title ***10 U.S.C. § 638b*** provided that the Secretary of Defense could authorize the Secretary of a Military Department to provide a VRI payment to an officer of the Armed Forces under that Secretary's jurisdiction. This authority expired December 31, 2018. The total number of officers who were permitted to be provided a VRI payment was limited to no more than 675 officers. Provisions regarding the payment of VRI may be found in the archived versions of this chapter and the DoDI 1332.44.

Table 35-1. PAYMENT OF ACCRUED LEAVE – OFFICERS AND ENLISTED MEMBERS – SEPARATION WITHOUT IMMEDIATE REENTRY ON ACTIVE DUTY
(Note 1)

	If a member has been on active duty for 30 or more consecutive days and	and	then accrued leave is
1	is discharged (including as a result of resignation)	separation is under honorable conditions (note 2)	payable (notes 3 and 4).
2	is released from active duty (note 5)	separation is under honorable conditions (note 2)	payable (notes 3, 4, 6, and 7).
3	retires		payable (notes 3, 4, and 8).
4	is transferred to Fleet Reserve or Fleet Marine Corps Reserve		payable (notes 3, 4, and 8).
5	is discharged for fraudulent enlistment after completing 6 months of active duty	discharge characterization is under other than honorable conditions	not payable (note 9).
6	is released from duty because of void enlistment or void induction due to erroneous enlistment or defective enlistment after completing 6 months of active duty	discharge characterization is under other than honorable conditions	not payable (note 9).
7	is discharged from service as a cadet or midshipman at a military service academy, or as a midshipman elsewhere		not payable (note 9).
8	dies while on active duty	member was not put to death as lawful punishment for a crime or a military offense	payable to beneficiary with other unpaid pay and allowances as prescribed in Chapter 36, section 3.0 (notes 4 and 10).
9	receives a discharge that is not characterized before completing 6 months of active duty	separation is for failure to serve satisfactorily for any reason set forth in subparagraph 2.1.5.	not payable.

Table 35-1. PAYMENT OF ACCRUED LEAVE – OFFICERS AND ENLISTED MEMBERS – SEPARATION WITHOUT IMMEDIATE REENTRY ON ACTIVE DUTY (Continued)
(Note 1)

RULE	If a member has been on active duty for 30 or more consecutive days and	and	then accrued leave is
10	receives a discharge that is not characterized before completing 6 months of active duty	separation is not for unsatisfactory performance or misconduct for any reason set forth in subparagraph 2.1.5.	payable.

NOTES:

1. Any member who is discharged under other than honorable conditions forfeits all accrued leave.
2. If member is discharged or relieved from active duty because of expiration of term of service (ETS) and is under investigation as an alleged security risk, do not pay accrued leave until investigation is completed and the character of the discharge determined. If discharge is under honorable conditions, then accrued leave may be paid.
3. The period when a member is home awaiting further orders in connection with physical evaluation board proceedings is charged as leave, to the extent that leave is available, beginning with the day after member arrives home or the day after constructive travel time ends, whichever is earlier. Limit payment to accrued leave remaining at time of retirement or discharge. Authorized absence under these circumstances in excess of accrued leave is not chargeable as leave.
4. A member may be paid for a maximum of 60 days accrued leave during a military career. See subparagraph 2.1.1.3 for exceptions.
5. A period of active duty as a Reserve or National Guard member meets the 30-day requirement if it covers 30 or more consecutive days, even though it may be directed by more than one order covering unrelated duties.
6. If a Reserve member is entitled to pay and allowances during a disability period after a specified tour of active duty has expired, then the period after that expiration date is not included in the period for which accrued leave is paid.
7. Reserve members may elect to carry forward unused accrued leave to their next period of active duty.
8. A member may not take accrued leave in lieu of payment beyond the effective date of retirement.
9. These rules do not apply when an individual inducted or enlisted into the military service is discovered by military service medical authorities to have been medically unfit for induction at the time of entrance into the military service and such individual is released from military control for such reason.

Table 35-1. PAYMENT OF ACCRUED LEAVE – OFFICERS AND ENLISTED MEMBERS – SEPARATION WITHOUT IMMEDIATE REENTRY ON ACTIVE DUTY (Continued)
(Note 1)

10. Accrued leave is payable retroactive to February 28, 1961, for a member in a missing status whose death is prescribed under Chapter 34, section 7.0. Payment is made according to Chapter 34, section 10.0.

Table 35-2. PAYMENT OF ACCRUED LEAVE – OFFICERS – SEPARATION WITH IMMEDIATE REENTRY ON ACTIVE DUTY

RULE	If	has been on active duty for 30 or more consecutive days and is	and	then accrued leave is
1	an officer of any military service	retired	immediately reenters on active duty	not payable.
2	an officer of any military service	separated, on a day other than the end of the specified period of active duty, for the purpose of reentering on active duty in any status within any Armed Force (note 1)		not payable.
3	an officer of any military service	transferred to a different military service by separation and immediate reappointment	immediately enters on active duty with the other military service	not payable.
4	an officer of any military service	separated for having failed selection to a higher grade	immediately reenters on active duty in an enlisted status	payable (notes 2 and 3).
5	a Reserve officer of any military service	released from active duty under honorable conditions under 10 U.S.C. § 12313 or similar laws authorizing release of Reserve officers at convenience of government, not for the purpose of reentering active service	immediately reenters on active duty (including active duty in enlisted or warrant officer status) for the purpose of retirement	payable (note 3).
6	a Reserve officer of any military service	released from active duty under honorable conditions at end of a specified period of time member agreed to serve or was obligated to serve (notes 1 and 4)	immediately reenters on active duty (note 1)	payable (notes 3 and 5).

Table 35-2. PAYMENT OF ACCRUED LEAVE – OFFICERS – SEPARATION WITH IMMEDIATE REENTRY ON ACTIVE DUTY (Continued)

	If	has been on active duty for 30 or more consecutive days and is	and	then accrued leave is
7	a commissioned officer of any military service, who simultaneously holds a warrant officer appointment	released from active duty as a commissioned officer	reverts to warrant officer status and continues on active duty	not payable.
8	a temporary officer of the Navy or Marine Corps whose enlistment has expired	reverted to enlisted status and simultaneously discharged	immediately reenlists	payable at rate of pay of rank held at time of reversion (note 3).

NOTES:

1. A National Guard member serving on active duty under Title 10 or Title 32, who is ordered to active duty under the other title (Title 10 or Title 32), is considered to have met the obligated service period for which the member agreed to serve (for the purposes of accrued, unused leave payment only), regardless of the unexpired time remaining on that Title 10 or Title 32 obligation. The member is not considered separated for the specific purpose of reenlisting or reentering active duty. Accrued unused leave is payable.
2. Officers who, after notification of an impending discharge, resign for the purpose of continuing a military career are not entitled to payment of accrued leave.
3. A member may be paid for a maximum of 60 days of accrued leave during a military career. See subparagraph 2.1.1.3 for exceptions.
4. A Reserve officer, who remains on active duty beyond ETS of initial obligation while awaiting Regular officer appointment, is not entitled to payment of unused accrued leave, as the separation to accept the appointment is not considered to be at the end of a specified period. The officer must be separated on the expiration date of the initial obligation for entitlement to exist.
5. Reserve members may elect to carry forward unused accrued leave to their next period of active duty.

Table 35-3. PAYMENT OF ACCRUED LEAVE – ENLISTED MEMBERS – SEPARATION WITH IMMEDIATE REENTRY ON ACTIVE DUTY

RULE	If an enlisted member	has been on active duty for 30 or more consecutive days and	and	then accrued leave is (note 1)
1	of any military Service	on or after October 5, 1999, is discharged for the specific purpose of enlisting or reenlisting (note 2)	immediately reenlists or immediately reenters on active duty	payable.
2	of any military Service	prior to October 5, 1999, is separated under honorable conditions upon expiration of enlistment or is released from active duty under honorable conditions at the end of a specified period of time or was obligated to serve (notes 3, 4, and 5)	immediately reenlists or immediately reenters on active duty	payable
3	of any military Service	prior to October 5, 1999, is separated before ETS or obligated period of duty for the specific purpose of enlisting or reenlisting (notes 5 and 6)		not payable.
4	of any military Service	is discharged for the purpose of accepting a commission or appointment as a warrant officer in any military service		not payable.
5	of any military Service	enlistment is extended		is contingent on rules in Table 35-4.
6	of any military Service	extension of enlistment is canceled before or during service under the extension		is contingent on rules in Table 35-4.
7	of any military Service	is retired	continues on or is recalled to active duty	not payable.
8	of any military Service	accepts an appointment as a cadet or midshipman without being discharged from enlisted status	enters on duty as a cadet or midshipman	payable as though member was discharged on day before date appointment was accepted.

Table 35-3. PAYMENT OF ACCRUED LEAVE – ENLISTED MEMBERS – SEPARATION WITH IMMEDIATE REENTRY ON ACTIVE DUTY (Continued)

RULE	If an enlisted member	has been on active duty for 30 or more consecutive days and	and	then accrued leave is (note 1)
9	inducted under the Universal Military Training and Service Act, or enlisted in the Regular Army under that Act	is separated under honorable conditions at the end of the period member is required to serve	immediately enlists or reenlists	payable.
10	of the Army or Air Force, who has more than 20 but less than 30 years of service,	is retired and transferred to the Reserve Component of the member's military service	is immediately ordered into active service	not payable.
11	of the Navy or Marine Corps	is transferred to the Fleet Reserve or Fleet Marine Corps Reserve	continues on active service without a break in active service	not payable.

NOTES:

1. A member may be paid for a maximum of 60 days of accrued leave during a military career. See subparagraph 2.1.1.3 for exceptions.
2. For these purposes, the term "discharge" means separation or release from active duty under honorable conditions, or termination of an enlistment in conjunction with the commencement of a successive enlistment (without regard to the date of the expiration of the term of the enlistment being terminated).
3. A member is considered as discharged upon expiration of enlistment if discharged not more than 1 year before the normal expiration date of the enlistment. The date of normal expiration of enlistment is excluded in computing the 1-year period.
4. An extension of the active duty obligation does not create an entitlement under this rule.
5. A National Guard member serving on active duty under Title 10 or Title 32, who is ordered to active duty under Title 10 or Title 32, is considered to have met the obligated service period for which the member agreed to serve (for the purposes of accrued unused leave payment only), regardless of the unexpired time remaining on that Title 10 or Title 32 obligation. The member is not considered separated for the specific purpose of reenlisting or reentering active duty. Accrued unused leave is payable.
6. A member is not considered as having been discharged for the purpose of enlisting or reenlisting if discharge occurs not more than 12 months before the normal expiration of the extension period. The date of normal expiration of the extension period is excluded in computing the 12-month period.

Table 35-4. PAYMENT OF ACCRUED LEAVE – ENLISTED MEMBERS – EXTENSION OF ENLISTMENT: DISCHARGE AND REENLISTMENT BEFORE EXTENSION IS COMPLETED

RULE	If an enlisted member of	has been on active duty for 30 or more consecutive days and	and member	then accrued leave is (note 1)
1	any military Service	enlistment is involuntarily extended	continues on active duty in extension period	not payable until discharge.
2	any military Service	voluntarily extends enlistment, regardless of duration of extension	continues on active duty in extension period	payable on day before effective date of extension (leave accrued during extension is paid on discharge after extension is completed) (note 2).
3	any military Service, whose enlistment has been involuntarily extended	is separated under honorable conditions upon expiration of the involuntary extension of enlistment	immediately reenlists	payable.
4	any military Service, whose enlistment has been involuntarily extended	is separated under honorable conditions, before extension period expires, for purpose of reenlisting	immediately reenlists	payable.
5	any military Service, who has voluntarily extended enlistment	prior to October 5, 1999, extension is canceled before service under it begins and member is discharged under honorable conditions at normal expiration of enlistment		payable.
6	any military Service, who has voluntarily extended enlistment	prior to October 5, 1999, extension is canceled after service under it begins and member is discharged under honorable conditions, for purpose of reenlisting		not payable.

Table 35-4. PAYMENT OF ACCRUED LEAVE – ENLISTED MEMBERS – EXTENSION OF ENLISTMENT: DISCHARGE AND REENLISTMENT BEFORE EXTENSION IS COMPLETED (Continued)

	If an enlisted member of	has been on active duty for 30 or more consecutive days and	and member	then accrued leave is (note 1)
7	any military service, who has voluntarily extended enlistment	on or after October 5, 1999, extension is canceled after service under it begins and member is discharged under honorable conditions, for purpose of reenlisting		payable.

NOTES:

1. A member may be paid for a maximum of 60 days of accrued leave during a military career. See subparagraph 2.1.1.3 for exception.
2. No payment can be made on second or subsequent extensions.

Table 35-5. SEPARATION PAY ENTITLEMENT AND COMPUTATION

RULE	If a member is	and is involuntarily discharged or released from active duty because of (note 1)	then compute separation pay at
1	an officer (notes 2 and 3)	failure to be selected for promotion (note 4)	10 percent of 12 months of basic pay multiplied by years and fractions of a year based on additional full months of active service.
2	a warrant officer separated during the 3-year probationary period	failure to be selected for promotion	10 percent of 12 months of basic pay multiplied by years and fractions of a year based on additional full months of active service.
3	a warrant officer	second failure to be selected for promotion and does not enlist or the request to enlist is denied, and is not retained on active duty in grade above W-4	10 percent of 12 months of basic pay multiplied by years and fractions of a year based on additional full months of active service.
4	a Reserve member	non-selection for an additional tour of active duty for which the member volunteered unconditionally	10 percent of 12 months of basic pay multiplied by years and fractions of a year based on additional full months of active service.
5	a chaplain	failure to maintain professional qualifications	10 percent of 12 months of basic pay multiplied by years and fractions of a year based on additional full months of active service.
6	a Reserve member	separation at any time prior to the completion of a specified period of active duty or indefinite period of active duty	10 percent of 12 months of basic pay multiplied by years and fractions of a year based on additional full months of active service.
7	a warrant officer or Reserve officer	age (notes 5 and 6)	10 percent of 12 months of basic pay multiplied by years and fractions of a year based on additional full months of active service.

Table 35-5. SEPARATION PAY ENTITLEMENT AND COMPUTATION (Continued)

NOTES:

1. Includes member's acceptance of an earlier release before the scheduled involuntary separation date, as directed by the Secretary of the military service concerned.
2. Includes a Regular commissioned officer with more than 6 years of commissioned service.
3. Includes a Regular officer continued on active duty pursuant to ***10 U.S.C. § 637a*** or a Reserve officer continued on active duty after failure to be selected for promotion, upon expiration of the period of continuation on active duty, or upon separation if continuation is declined.
4. Includes officer not found qualified for promotion to grade of First Lieutenant or Lieutenant Junior Grade.
5. Includes members separated after expiration of Secretarial retention period.
6. If the member is eligible for voluntary retirement, then the member is not entitled to separation pay even though the member does not apply for retirement concurrently with release from active duty.

*Table 35-6. ENTITLEMENT TO DISCHARGE GRATUITY

RULE	If	is	and	and	and	then
1	an enlisted member of any military Service	a prisoner released from confinement in a military or contract prison to parole, appellate review leave, or expiration of sentence			has less than $25 in possession	pay the member the difference between funds in possession and $25 (note).
2	an enlisted member of any military Service	discharged for fraudulent enlistment	discharge is not for returning member to another branch of the Armed Forces on account of absence without authority from that branch	the member is present to receive the discharge	has less than $25 in possession	pay the member the difference between funds in possession and $25 (note).
3	an enlisted member of any military Service	discharged under other than honorable conditions	discharge is not for returning member to another branch of the Armed Forces on account of absence without authority from that branch		has less than $25 in possession	pay the member the difference between funds in possession and $25 (note).

Table 35-6. ENTITLEMENT TO DISCHARGE GRATUITY (Continued)

RULE	If	is	and	and	and	then
4	an enlisted member of any military Service	discharged from active duty because of void enlistment	enlistment is void because it was contracted when member was under age		has less than $25 in possession	pay the member the difference between funds in possession and $25 (note).
***5**	an enlisted member of any military Service	discharged from active duty because of void enlistment	enlistment is void because it was contracted when member was mentally incapacitated			do not pay a discharge gratuity.
***6**	an enlisted member of any military Service	discharged for minority with pay and allowances payable through date of discharge	enlistment is void because it was contracted when member was mentally incapacitated			do not pay a discharge gratuity.

NOTE:

Funds in the member's possession include personal funds and any item paid at the time of discharge or release, excluding mileage and cash advanced incident to furnishing transportation in kind.

*REFERENCES

CHAPTER 35 – SEPARATION PAYMENTS

2.0 – ACCRUED LEAVE PAY

2.1.1.	37 U.S.C. § 501
2.1.1.3.	10 U.S.C. § 701(e)
	37 U.S.C. § 501(b)(6)
	DoDI 1337 June 16, 2009, Incorporating Change 5, August 25, 2023, Enclosure 2, paragraph 1.h(4)
2.1.1.4.	37 U.S.C. § 501(b)(6)
2.1.1.4.3	37 U.S.C. § 501(d)(1)
2.1.2.	10 U.S.C. § 706
2.1.3.	37 U.S.C. § 501(e)(1)
2.1.4.	37 U.S.C. § 501(e)(2)
	DoDI 1327.06, June 16, 2009, Incorporating Change 5, August 25, 2023, Enclosure 2, paragraph 1.g
2.1.5.	DoDI 1327.06, June 16, 2009, Incorporating Change 5, August 25, 2023, Enclosure 2, paragraph 1.g(1)
2.2.1.1.	37 U.S.C. § 501(b)(1)
2.2.1.3.	DoDI 1327.06, June 16, 2009, Incorporating Change 5, August 25, 2023, Enclosure 2, paragraph 1.b(7)
2.2.2.	DoDI 1327.06, June 16, 2009, Incorporating Change 5, August 25, 2023, Enclosure 2, paragraph 1.f
2.2.2.1.	10 U.S.C. § 701(b)
	DoDI 1327.06, June 16, 2009, Incorporating Change 5, August 25, 2023, Enclosure 2, paragraphs 1.f and 1.h
2.2.2.2.	10 U.S.C. § 701(e)(1) & (3)
	DoDI 1327.06, June 16, 2009, Incorporating Change 5, August 25, 2023, Enclosure 2, paragraph 1.h
	Office of the Assistant Secretary of Defense Manpower and Reserve Affairs Memo, September 5, 2023
2.2.2.3.	10 U.S.C. § 701(e)(2)
	DoDI 1327.06, June 16, 2009, Incorporating Change 5, August 25, 2023, Enclosure 2, paragraph 1.h(2)
2.2.2.4.	DoDI 1327.06, June 16, 2009, Incorporating Change 5, August 25, 2023, Enclosure 2, paragraph i
2.3	26 U.S.C. § 112
2.4	5 U.S.C. § 5514
	34 Comptroller General (Comp Gen) 504
2.5	37 U.S.C. § 501(d)(1)
2.6.1	37 U.S.C. § 501(b)(3)
2.6.2	37 U.S.C. § 501(b)(2)
2.6.3	37 U.S.C. § 501(b)(2)
	DoDI 1300.04, July 25, 2017, paragraph 3.1(c)(2)

2.6.4	37 U.S.C. § 501(b)(4)

3.0 – SEPARATION PAY (NON-DISABILITY)

3.1-3.3	DoDI 1332.29, March 3, 2017, paragraph 3.1
3.1.1.	10 U.S.C. § 1174
3.1.2.	10 U.S.C. § 1174(i)
3.1.2.4	37 U.S.C. § 373(b)(3)(A)(i)
3.1.2.5	37 U.S.C. § 373(b)(3)(A)(ii)
3.2.1.2.	DoDI 1332.14, January 27, 2014, Incorporating Change 7, June 23, 2022 DoDI 1332.30, May 11, 2018, Incorporating Change 3 September 9, 2021
3.2.9.	DoDI 1332.14, January 27, 2014, Incorporating Change 7, June 23, 2022, paragraph 3.a.(3).8(d)
3.2.13.	10 U.S.C. § 1174(a)(3)
3.2.14.	10 U.S.C. § 1174(c)(4) 39 Comp Gen 223 39 Comp Gen 226
3.4 and 3.5	DoDI 1332.29, March 3, 2017, paragraph 3.2
3.5.2.	10 U.S.C. § 1174(h)(2)

4.0 READJUSTMENT AND SEVERANCE PAY (OTHER THAN DISABILITY) PROVISIONS

	10 U.S.C. § 1174(h)

5.0 – DISABILITY SEVERANCE PAY

5.1	10 U.S.C. § 1203 10 U.S.C. § 1206 10 U.S.C. § 1217
5.2	34 Comp Gen 65
5.3.1.	10 U.S.C. § 1212(a)
5.3.2.	10 U.S.C. § 1208 10 U.S.C. § 1212 39 Comp Gen 291
5.3.3.	10 U.S.C. § 1212
5.3.3.2.	38 Comp Gen 268
5.3.3.3.	46 Comp Gen 17
5.3 NOTE	DoDI 1215.07, July 30, 2019, Incorporating Change 1 May 17, 2021, paragraph 3.4.f
5.4	26 U.S.C. § 104 St. Clair v. U.S., 778 F. Supp. 894
5.6	10 U.S.C. § 1212(d)
5.6.2.	10 U.S.C. § 1212(d)(3)

5.7	10 U.S.C. § 1213

6.0 – CONTRACT CANCELLATION PAY AND ALLOWANCES

6.1	10 U.S.C. § 12311(a) 10 U.S.C. § 12312

7.0 – TRAVEL ALLOWANCES ON SEPARATION

7.2	Joint Travel Regulations, Chapter 5

8.0 – VOLUNTARY SEPARATION PAY (VSP)

	DoDI 1332.43, November 28, 2017 10 U.S.C. § 1175a
	DoDI 1332.43, November 28, 2017
8.1	10 U.S.C. § 1175a(a) 10 U.S.C. § 1175a(k)
8.2	10 U.S.C. § 1175a(b)
8.3	DoDI 1332.43, November 28, 2017, paragraph 3.2.f
8.4	10 U.S.C. § 1175a(b)(2)
8.5	10 U.S.C. § 1175a(d)
8.6	10 U.S.C. § 1175a(d)
8.7	10 U.S.C. § 1175a(f)
8.7.1.	10 U.S.C. § 1174
8.8	10 U.S.C. § 1175a(g)
8.9	10 U.S.C. § 1175a(h)
8.10	10 U.S.C. § 1175a(h)(2)
8.11	10 U.S.C. § 1175a(j)

9.0 – VOLUNTARY RETIREMENT INCENTIVE (VRI)

	10 U.S.C. § 638b DoDI 1332.44, June 24, 2014, Incorporating Change 1, March 25, 2020 (cancelled April 9, 2021)

Table 35-1 – PAYMENT OF ACCRUED LEAVE – OFFICERS AND ENLISTED MEMBERS – SEPARATION WITHOUT IMMEDIATE REENTRY ON ACTIVE DUTY

Rule 7		37 U.S.C. § 504
Rule 8		37 U.S.C. § 501(a)
Rule 9		DoDI 1332.14, January 27, 2014, Incorporating Change 6, September 1, 2021
	Note 3	43 Comp Gen 802
	Note 4	DoDI 1327.06, June 16, 2009, Incorporating Change 5, August 25, 2023

Note 9	37 U.S.C. § 501
Note 10	37 U.S.C. § 501

Table 35-2 – PAYMENT OF ACCRUED LEAVE – OFFICERS – SEPARATION WITH IMMEDIATE REENTRY ON ACTIVE DUTY

Rule 1	30 Comp Gen 328
Rule 2	31 Comp Gen 387
	37 U.S.C. § 501
Rule 3	10 U.S.C. § 716
	37 U.S.C. § 501
Rule 4	31 Comp Gen 668
Rule 6	35 Comp Gen 25
Note 3	37 U.S.C. § 501
Note 4	Comp Gen B-176858, December 12, 1973
Note 5	DoDI 1327.06, June 16, 2009, Incorporating Change 5, August 25, 2023

Table 35-3 – PAYMENT OF ACCRUED LEAVE – ENLISTED MEMBERS – SEPARATION WITH IMMEDIATE REENTRY ON ACTIVE DUTY

Rule 1	37 U.S.C. § 501
Rule 2	10 U.S.C. § 1171
Rule 8	36 Comp Gen 334
Note 1	37 U.S.C. § 501
Note 3	10 U.S.C. § 1171
	30 Comp Gen 280
	42 Comp Gen 399
Note 6	10 U.S.C. § 1171
	30 Comp Gen 280
	42 Comp Gen 399

Table 35-4 – PAYMENT OF ACCRUED LEAVE – ENLISTED MEMBERS – EXTENSION OF ENLISTMENT: DISCHARGE AND REENLISTMENT BEFORE EXTENSION IS COMPLETED

Rule 2	37 U.S.C. § 906
	37 U.S.C. § 501
	48 Comp Gen 127
Rule 4	37 U.S.C. § 501
	30 Comp Gen 531
Rule 5	42 Comp Gen 447
	Comp Gen B-150737, March 27, 1963
Rule 6	42 Comp Gen 447
	Comp Gen B-150737, March 27, 1963
Rule 7	Public Law 106-65, section 671, October 5, 1999

Note 1	37 U.S.C. § 501
Note 2	48 Comp Gen 127

Table 35-5 – SEPARATION PAY ENTITLEMENT AND COMPUTATION

Rule 7	10 U.S.C. § 1164
	10 U.S.C. § 14515-14516
Note 6	10 U.S.C. § 1174(c)

Table 35-6 – ENTITLEMENT TO DISCHARGE GRATUITY

Rule 1	10 U.S.C. § 956
Rule 2	10 U.S.C. § 1048
Rule 3	10 U.S.C. § 771a
Rule 4	39 Comp Gen 860
Rule 5	10 U.S.C. § 504(a)
	39 Comp Gen 742
	Deputy Secretary of Defense Memo, November 7, 2022
	DFAS Office of General Counsel (OGC) Memo, March 11, 2024
Rule 6	10 U.S.C. § 504(a)
	39 Comp Gen 860
	Deputy Secretary of Defense Memo, November 7, 2022
	DFAS OGC Memo, March 11, 2024

VOLUME 7A, CHAPTER 36: "PAYMENTS ON BEHALF OF DECEASED MEMBERS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated January 2024 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting and hyperlinks to comply with current administrative instructions.	Revision
2.1	Updated "Death of Members on Active Duty or Inactive Duty Training and Certain Other Persons" paragraph in accordance with Public Law 118-159, section 631.	Revision
5.1	Updated "Time Limit for Claim" paragraph in accordance with Public Law 118-159, section 632. Renumbered subsequent subparagraphs accordingly.	Revision
References	Updated supporting statutes and references.	Revision

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CHAPTER 36

PAYMENTS ON BEHALF OF DECEASED MEMBERS

1.0 GENERAL

1.1 Purpose

The purpose of this chapter is to provide policy pertaining to the processing of payments on behalf of deceased military members.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with, the United States Code (U.S.C.), including Titles 10, 24, 29, 31, 34 and 37. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 DEATH GRATUITY

A death gratuity in a total amount of $100,000 is payable to one or more eligible beneficiaries of a deceased individual as set forth in this section.

*2.1 Death of Members on Active Duty or Inactive Duty Training and Certain Other Persons

Death gratuity will be paid, regardless of whether death occurred in the line of duty or as the result of a member's misconduct, to eligible beneficiaries of the following (except a temporary member of the Coast Guard Reserve):

2.1.1. A member who dies while on active duty or while traveling to or from such duty;

2.1.2. A person who dies either while traveling to, from, or while at a place for final acceptance or for entry upon active duty (other than for training) in the Military Service, who has been ordered or directed to go to that place, and who has been:

2.1.2.1. Provisionally accepted for that duty; or

2.1.2.2. Selected, under the Military Selective Service Act, for duty in that Military Service;

2.1.3. A member whose death is determined by administrative finding under the Missing Persons Act;

2.1.4. A National Guard or Reserve member who:

2.1.4.1. Dies while on inactive duty training (other than work or study in connection with a correspondence course of an armed force or attendance, in an inactive status, at an educational institution under the sponsorship of an armed force or the Public Health Service); or

2.1.4.2. When authorized or required by an authority designated by the Secretary, assumed an obligation to perform active duty for training, or inactive duty training (other than work or study in connection with a correspondence course of an armed force or attendance, in an inactive status, at an educational institution under the sponsorship of an armed force or the Public Health Service), and who dies while traveling directly to or from that active duty for training or inactive duty training or while staying at the National Guard or Reserve member's residence, when so authorized by proper authority, during the period of such inactive duty training or between successive days of inactive duty training;

2.1.5. A member of a Reserve Officers' Training Corps (ROTC) who dies while performing annual training duty, or while performing authorized travel to or from that annual training duty, or any applicant for membership in an ROTC who dies while attending field training or a practice cruise, or while performing authorized travel to or from the place where the training or cruise is conducted; or, effective May 1, 2017, a graduate of a ROTC who has received a commission but has yet to receive a first duty assignment.

2.2 Death After Discharge or Release From Duty or Training

Death gratuity will be paid to eligible beneficiaries of the following persons (except a person who was a temporary member of the Coast Guard Reserve at the time of death):

2.2.1. A person who dies during the 120-day period beginning on the day following discharge or release from:

2.2.1.1. Active Duty (including for retirement for either disability or length of service); or

2.2.1.2. Inactive-duty training (other than work or study in connection with a correspondence course of an armed force or attendance, in an inactive status, at an educational institution under the sponsorship of an armed force or the Public Health Service).

2.2.2. For death gratuity to be payable due to the death of a person described in subparagraph 2.2.1, the Secretary of Veterans Affairs (VA) must determine:

2.2.2.1. The death resulted from an injury or disease incurred or aggravated during the active duty or inactive-duty training from which discharged or released or during travel directly to or from such duty; and

2.2.2.2. The decedent was discharged or released under conditions other than dishonorable from the last period of duty or training performed.

2.3 Definitions

2.3.1. Active Duty. Active duty is full-time duty in the active service of a Uniformed Service, including active-duty training (full-time training duty, annual training duty, or attendance, while in the active service, at a school designated as a Military Service school by law or by the Secretary concerned). The exception to this definition is noted in subparagraphs 2.1.2 and 2.1.3.

2.3.2. Member. A member of the Military Service is a person appointed, enlisted, or inducted into a branch of the Military Services, including Reserve Components and cadets or midshipmen of the Military Service Academies. In paragraphs 2.3 - 2.11, the term "member" also includes a decedent who was not a member at death but for whom a death gratuity is payable under paragraph 2.1.

2.3.3. Reserve Components. The Reserve Components consist of the U.S. Army National Guard, Army Reserve, Navy Reserve, Marine Corps Reserve, U.S. Air National Guard, and the Air Force Reserve.

2.4 Beneficiaries

2.4.1. Designated Beneficiary. Effective July 1, 2008, a member may designate one or more persons to receive a portion of the death gratuity using ***DoD (DD) Form 93***, Record of Emergency Data.

2.4.1.1. The portion payable to the designee must be specified in 10 percent increments. Where a total of less than 100 percent is assigned among designated beneficiaries, the remaining balance will be paid in accordance with subparagraph 2.4.3. If the designation is not in a 10 percent increment, the percentage designated will be rounded down to the nearest 10 percent increment and any undesignated portion will be paid in accordance with subparagraph 2.4.3.

2.4.1.2. From May 25, 2007, through June 30, 2008, a member was permitted to designate a person other than those on the survivor precedent list mandated by law at that time to receive up to 50 percent of the amount payable under paragraph 2.6.

2.4.1.3. On or after, January 28, 2008, if a member has a spouse but designates a person other than the spouse to receive a portion of the amount payable, then the Secretary concerned will provide notice of the member's designation to the spouse.

2.4.2. Conflicting Designations. If a member provides conflicting information on the DD Form 93 regarding designation of beneficiaries and their corresponding shares of the death gratuity, then payment will be made only to the extent that there are unambiguous designations.

Example: A member completes the February 2023 version of the DD Form 93. The member completes block 13 by designating his mother to receive 100 percent of the death gratuity and completes block 16 by designating his mother and his sister to each receive 50 percent of the death gratuity, resulting in conflicting designations. In this situation, 50 percent of the death gratuity would be payable to the mother, and the remaining 50 percent would be paid in accordance with subparagraph 2.4.3.

2.4.3. Beneficiary Under Order of Precedence. If a member does not make a designation under subparagraph 2.4.1, or designates only a portion of the amount payable, or makes an ambiguous or erroneous designation that results in an undesignated portion, the beneficiary or beneficiaries eligible for payment of the undesignated amount of the death gratuity will be determined based on the following order of precedence:

2.4.3.1. To the surviving spouse of the member;

2.4.3.2. If no surviving spouse, then the child or children of the member and descendants of deceased children, by representation;

2.4.3.3. If no survivor in accordance with subparagraphs 2.4.3.1 or 2.4.3.2, then the parents of the member, in equal shares, or to the surviving parent;

2.4.3.4. If no survivor in accordance with subparagraphs 2.4.3.1 through 2.4.3.3, then the duly appointed legal representative of the member's estate; or

2.4.3.5. If no survivor in accordance with subparagraphs 2.4.3.1 through 2.4.3.4, then the person(s) determined to be entitled under the laws of the state in which the member was domiciled.

2.4.3.6. Treatment of Parents. For the purpose of subparagraph 2.4.3.3, only one father and one mother may be recognized in any case, and preference will be given to those who exercised a parental relationship on the date or most nearly before the date on which the member died.

2.4.3.7. Death of Eligible Survivor. If an eligible survivor dies before receipt of the death gratuity, it will be paid to the living survivor next in the order of precedence.

2.4.4. Effect of a Will. A bequest of a death gratuity in a will does not constitute a legal designation for receipt of death gratuity, nor is the death gratuity part of the member's estate, as it is not money owed to the member. The applicable statutory provisions concerning beneficiaries for death gratuity, as described in paragraph 2.4, control, not the will.

2.5 Documentation Required for Payment

2.5.1. Official Notification. Official notification of the death of an individual listed in ***10 U.S.C. section 1475(a)*** or **1476** must be documented on ***DD Form 1300***, Report of Casualty, a Death Certificate, or determination by the Secretary concerned, or his or her authorized designee that the individual listed in 10 U.S.C. § 1475(a) has died.

2.5.2. DD Form 397, Claim Certification and Voucher for Death Gratuity Payment

2.5.2.1. The ***DD Form 397*** is used to process payment to an individual who has been identified by the Service as a proper beneficiary in accordance with paragraph 2.6.

2.5.2.2. An individual who believes that they are entitled to payment of death gratuity may file a written claim for payment using the DD Form 397. A written claim for payment of death gratuity must be received by the Service within six years of the date of death of a decedent described in paragraph 2.1, or in the case of a decedent described in paragraph 2.2, six years from the date on which the Secretary of Veterans Affairs makes its determination as required. No payment may be made based upon an untimely claim. Refer to paragraph 5.1 for cases where a beneficiary is a minor or otherwise legally incapacitated.

2.5.3. Any other documentation required in this chapter or otherwise requested by a responsible official in order to determine entitlement to payment.

2.5.4. Refer to section 5.0 for additional requirements for payment where a claim is made on behalf of a person with a legal incapacitation.

2.6 Determining Eligible Beneficiaries

When officially notified that a member of his or her command has died, the commanding officer (CO) maintaining the member's personnel or service records determines if there is an eligible death gratuity beneficiary in accordance with paragraph 2.4, as further explained in Table 36-1. Refer any question of law, including cases where the relationship to the member is of questionable validity or legality, to Defense Finance and Accounting Service (DFAS) Office of General Counsel.

2.6.1. Lawful Spouse. If a decedent is survived by a spouse, the following evidence will be used to determine whether an eligible beneficiary exists:

2.6.1.1. Entitlement to Basic Allowance for Housing (BAH) or evidence of assignment of government quarters to a member and spouse; or

2.6.1.2. Documentary evidence of marriage and proof of termination of any prior marriage of either the beneficiary or decedent.

2.6.2. Children. If a decedent is survived by a child or children, but is not survived by a spouse, the following evidence will be used to determine whether an eligible beneficiary exists:

2.6.2.1. Documentary evidence that demonstrates the termination of any marriage of the decedent, including a certified copy of the spouse's death certificate, a divorce decree, or an annulment decree.

2.6.2.2. Base eligibility of child or children upon documentary proof of relationship, including:

2.6.2.2.1. Biological Child. The original or certified copy of the original birth certificate;

2.6.2.2.2. Legally Adopted Child. A certified court order of adoption in the case of a legally adopted child;

2.6.2.2.3. Stepchild. A marriage certificate reflecting the marriage between member and one of the child's biological parents, original or certified copy of the child's birth certificate, and proof that the stepchild was part of the member's household;

2.6.2.2.4. Illegitimate Child. Proof of parentage of a child born out of wedlock, including:

2.6.2.2.4.1. A written acknowledgement of parentage of a child that is signed by the decedent's death; or

2.6.2.2.4.2. A court order reflecting a judicial determination of paternity made before the decedent's death; or

2.6.2.2.4.3. A court order reflecting that the decedent was required to contribute to the child's support; or

2.6.2.2.4.4. A written determination by the Secretary of VA that the child has been proven to be a child of the decedent.

2.6.3. Parents. If the decedent is not survived by a spouse or child (or child's descendants), and has not officially designated any other individual(s) to receive the full death gratuity, then the parent beneficiary must furnish:

2.6.3.1. Documentary evidence that demonstrates the termination of any marriage entered into by the decedent, including a certified copy of the spouse's death certificate, a divorce decree, or an annulment decree; and

2.6.3.2. An affidavit (written statement that is signed and notarized) by the parent confirming that, to the best of his or her knowledge, the decedent has no living children and, if the decedent ever had children, that those children have no surviving children.

2.6.4. In Loco Parentis. A person who stood in loco parentis (in the place of a parent) does not qualify for the death gratuity as a "parent" of the member. A member must designate such a person in order for that person to qualify as an eligible beneficiary.

2.7 Determinations Affecting Entitlement

2.7.1. Death as Lawful Punishment. No death gratuity is payable in the case of a member whose death is the result of a lawful punishment for a crime or military offense, except when such death was inflicted by a hostile force with which the Armed Forces of the United States was engaged in armed conflict.

2.7.2. Absence Without Leave (AWOL) or Absence Over Leave (AOL). A death gratuity is payable in the case of a member whose death occurs while he or she is in an unauthorized absence status, either AWOL or AOL, including being in custody of civil authorities, provided the date of death is prior to the normal expiration of contracted duty.

2.7.3. Desertion. No death gratuity is payable in the case of a member who is a declared deserter at the time of his or her death unless it is later found that the declaration was in error.

2.8 Exemptions

2.8.1. Death gratuity payments may not be used to satisfy indebtedness (including overpayments).

2.8.2. The death gratuity amount is excluded from gross income for tax purposes. Also, see Chapter 44, Table 44-4, Rule 16.

2.9 Immediate Payments

Immediate payment of a death gratuity (within 24 hours, if possible) will be made when the eligible beneficiary can be determined, and there is no doubt as to the propriety of payment.

2.10 Responsibility for Payment of Death Gratuity

See Tables 36-2 through 36-6.

2.11 Erroneous Payment

An erroneous payment of death gratuity is one made to a person who was not entitled to the payment under the law.

2.11.1. Make a second payment to the rightful beneficiary when the error resulted from improper maintenance of records or administrative negligence. Do not delay this payment pending recovery of the erroneous payment from the ineligible recipient.

2.11.2. Do not make a second payment of death gratuity to a different person if the original payment was based on written statements of record made by the member, and the government had no reason to doubt that the individual had been designated by the member as a beneficiary or held the relationship status to the member as stated by the member.

3.0 SETTLING DECEASED MEMBERS' ACCOUNTS

3.1 General

Payment of any unpaid pay and allowances (UPPA) due on behalf of a deceased member of the Armed Forces will be made to one or more eligible beneficiaries of the deceased member described in paragraphs 3.3 and 3.4. UPPA include:

3.1.1. Pay and allowances due and unpaid at death, including settlement of accrued leave (subject to limitation in Chapter 35, subparagraph 2.1.1.4.3). Entitlement restrictions apply. Any pay and allowances unpaid at death will be offset by any outstanding debts;

3.1.1.1. Family Separation Allowance (FSA). If a member dies within the first 30-days of qualifying duty, then the member is not entitled to FSA-Ship (S) (Chapter 27, subparagraph 2.3.1.2) or FSA-Temporary (T) (Chapter 27, subparagraph 2.3.1.3). FSA-S and FSA-T will be excluded from the final settlement of the member's military pay account;

3.1.1.2. Hardship Duty Pay – Location (HDP-L). Service members permanently assigned or serving in a temporary duty or deployed or attached status for over 30 consecutive days in an HDP-L designated area will receive HDP-L. If a member dies within the first 30-days of qualifying duty, then the member is not entitled to HDP-L (Chapter 17, subparagraph 2.1.2). HDP-L will be excluded from the final settlement of the member's military pay account;

3.1.2. Amounts due for travel, per diem, transportation of dependents, and shipment of household goods, subject to split disbursement requirements for the Government Travel Charge Card;

3.1.3. Member's savings deposits and interest thereon;

3.1.4. If a member receiving a bonus or other pay or benefits under an agreement conditioned on the member satisfying eligibility requirements dies before receiving the full amount under the agreement (including contracted future year anniversary payments), and if death is not caused by the member's misconduct, then the remaining bonus balance is payable as a lump sum for inclusion in the settlement of the deceased member's final military pay account. If the death is determined to have been the result of the member's misconduct, then no further payments may be made, and unearned portions of amounts paid to the member must be recouped and will reduce the amount of UPPA payable. Refer to Chapter 2; or

3.1.5. Proceeds of any checks for items in subparagraphs 3.1.1 through 3.1.4, unnegotiated by the member before death.

3.2 Documentation Required for Payment

3.2.1. Official Notification. Official notification of the death or finding of death of the member must be documented on DD Form 1300, a Death Certificate, or determination by the Secretary concerned, or his or her authorized designee, that the member has died.

3.2.2. Standard Form (SF) 1174, Claim for Unpaid Compensation of Deceased Member of the Uniformed Services

3.2.2.1. The ***SF 1174*** is used to process payments to an individual who has been identified by the Services as a proper beneficiary in accordance with paragraphs 3.3-3.4.

3.2.2.2. An individual who believes that they are entitled to payment of UPPA may file a claim for payment by using the SF 1174. A written claim for payment of UPPA must be received by the Service within six years of the date of death of a member. No payment may be made based upon an untimely claim. Refer to paragraph 5.1 where a beneficiary is a minor or otherwise legally incapacitated.

3.2.3. Any other documentation required in this chapter or otherwise requested by the responsible official to determine entitlement to payment.

3.2.4. Refer to section 5.0 for additional requirements for payment where a claim is made on behalf of a person with a legal incapacitation.

3.3 Designated Beneficiary

A member may designate any person, related or not, to receive the member's UPPA. Designation of a beneficiary must have been executed by the member and filed and received by the Service in accordance with regulations governing such designations. When more than one beneficiary has been named, the percentages specified by the member govern payment. If no percentages have been specified, then payment will be divided equally among designated beneficiaries.

3.4 Beneficiary Under Order of Precedence

3.4.1. Order of Precedence. If a member did not designate a beneficiary for UPPA, or designated only a portion of the amount payable, payment of the undesignated amount is made in the following order of precedence:

3.4.1.1. The surviving spouse of the member;

3.4.1.2. If no surviving spouse, then the child or children of the member and descendants of deceased children, by representation;

3.4.1.3. If no survivor in accordance with subparagraphs 3.4.1.1 or 3.4.1.2, then the parents of the member, in equal shares, or to the surviving parent;

3.4.1.4. If no survivor in accordance with subparagraphs 3.4.1.1 through 3.4.1.3, then the duly appointed legal representative of the member's estate; or

3.4.1.5. If no survivor in accordance with subparagraphs 3.4.1.1 through 3.4.1.4, then the person(s) determined to be entitled under the laws of the state in which the member was domiciled.

3.4.2. Adopted Child. An adopted child is a legal heir in every state and is therefore entitled to payment of UPPA if otherwise proper. If the deceased member's child is adopted by others, then the child is a beneficiary only in those states where an adopted child inherits from the child's natural parent.

3.4.3. Stepchild. A stepchild is not an eligible beneficiary unless adopted by the deceased member.

3.5 Death of Beneficiary

If a beneficiary dies after the member, but before receiving payment of UPPA, it may be paid to the beneficiary's estate upon presentation of an SF 1174. If the beneficiary does not have an estate established, and the UPPA is $3,000 or less, it may be paid to the deceased beneficiary's survivors in the order of precedence set out in paragraph 3.4. If the UPPA is greater than $3,000, DFAS may pay it in accordance with laws of the domicile of the deceased beneficiary. If doubt exists as to entitlements, refer the issue to DFAS.

3.6 Tax Abatement

See Chapter 44, paragraph 2.4 if the member's death was caused by terrorist or military action overseas.

3.7 Advance of Pay

The following applies to a deceased member's final pay computation:

3.7.1. Except for an advanced pay paid under the provisions of Chapter 32, paragraph 2.3, when a member is in a combat zone and receiving imminent danger or hostile fire pay, advance pays that have not been repaid prior to the death of the member remain a debt to the United States for the unliquidated amount. Advance pays paid under paragraph 2.3 and not fully collected at the time of death will not be collected against the estate of a deceased member; and

3.7.2. A member may receive an early payment of pay and allowances due to a regular payday falling on a weekend or legal holiday. If the member dies before the last day of that pay period, then no collection will be taken for any extra days of pay received.

3.8 Prohibition

Any payments made under this section prohibit recovery of those payments by any other person.

4.0 Housing Allowance Following Service Member's Death

4.1 BAH or Overseas Housing Allowance (OHA)

BAH or OHA continuation or payment to the surviving dependent of a Service member who dies on active duty (AD) is authorized for 365 days. It is paid to the dependent who, on the date of the Service member's death:

4.1.1. Was not occupying Government quarters;

4.1.2. Was occupying Government quarters on a rental basis, or

4.1.3. Was occupying Government quarters but vacates those quarters within 365 days of the Service member's death.

4.2 Not Payable

The housing allowance is not payable to a surviving dependent of an RC member if that RC member dies while on inactive duty. See section 6.0 concerning payment to a dependent who killed the Service member.

4.3 Payment Priority

Payments to a surviving dependent are made first to the current spouse. If there is no current spouse, the housing allowance is divided equally among the dependents on whose behalf the deceased Service member was receiving a with-dependent housing allowance or who were living with the member in Government quarters. No payment may be made to any individual for whom the member was not receiving a with-dependent housing allowance or who were not in the member's physical custody at the time of the member's death.

4.4 Payment Amount and Method

The housing allowance is paid at the rate that is payable for members of the same grade and dependency status as the deceased Service member for the area where the dependents are residing. The housing allowance may be paid quarterly as an advance payment but must be reconciled. Housing allowance payments to the dependent are not subject to collection of any debts owed by the deceased Service member to the United States.

4.5 Surviving Service Member Spouse

The allowance in this paragraph may be paid to a deceased Service member's spouse even if the spouse is also a Service member entitled to basic pay. The allowance is paid to the surviving Service member spouse in addition to any other pay and allowances to which the surviving Service member spouse is authorized as a Service member. The following payment rules apply:

4.5.1. Dual housing-allowance payments are authorized for a surviving Service member spouse;

4.5.2. When any dependents other than a surviving Service member spouse are involved, the housing allowances are paid in the same manner that was provided for before the Service member's death. If the surviving Service member spouse was drawing the without-dependent housing allowance on the Service member's date of death, that rate would continue for 365 days. On day 366, the surviving Service member spouse's housing allowance could change to the with-dependent rate;

4.5.3. If the family vacates Government quarters, the surviving Service member spouse is paid the housing allowance that would have been paid to the deceased Service member, as well as the housing allowance to which the surviving Service member spouse is authorized. In this case, the surviving Service member spouse may determine on whose behalf the with-dependent and the without-dependent housing allowances are paid;

4.5.4. If the deceased Service member was receiving a with-dependent housing allowance solely for a dependent who may not be claimed by the surviving Service member spouse, the surviving Service member spouse is only authorized housing allowance continuation at the without-dependent rate. The remainder, the difference between the with-dependent and without-dependent rates, is divided equally among the dependents on whose behalf the deceased Service member was receiving the with-dependent rate; and

4.5.5. When a deceased Service member had a Service member spouse (spouse) but no other dependents, and the spouse and deceased Service member were each assigned to single-type Government quarters on the date of death (i.e., the deceased member was not receiving a housing allowance other than BAH-Partial), the following rules apply:

4.5.5.1. While the spouse continues to reside in single-type Government quarters, the spouse is entitled to BAH-Partial based on his or her own service, and no housing allowance based on the deceased member;

4.5.5.2. If the spouse remains in service and moves out of single-type Government quarters and into non-Government quarters within 365 days of the date of death, the spouse is entitled to a housing allowance at the without-dependent rate based on his or her own service, and BAH-Partial based on the deceased member for the balance of the 365-day period; and

4.5.5.3. If the spouse separates from service within 365 days of the date of death, the spouse is entitled to payment of a with-dependent housing allowance based on the deceased member's last permanent duty station (PDS) location for the balance of the 365-day period.

4.6 Rate Defining Location

4.6.1. If a Service member with a dependent dies on AD while assigned to a PDS in the United States, then the housing allowance for the dependent is based on the deceased Service member's PDS, regardless of the location where the dependent chooses to reside unless the dependent is in receipt of a Secretarial waiver.

4.6.2. If a Service member with a dependent dies on AD while assigned to a PDS outside the United States, then the housing allowance for the dependent is based on the location where the dependent resides, or chooses to reside, in the United States. If the dependent stays overseas, the housing allowance is based on the OHA rate, and the documented cost, for the location where the dependent resides. It then changes to BAH based on the United States location where the dependent later decides to reside on the date that any dependent arrives there or the date that all dependents have departed the PDS location, whichever is later.

4.6.3. If a Service member with a dependent dies on AD, and a dependent resides in Government quarters, then the housing allowance for the dependent is based on the dependent's location the day that the Government housing facilities were vacated. That rate continues for 365 days, less the number of days the Government housing facilities were occupied following the date of the Service member's death. If the Government housing was outside the United States, pay the housing allowance based on the location where the dependent chooses to reside.

5.0 Payments to Legally Incapacitated Beneficiaries

The following provisions apply where an eligible beneficiary of death gratuity and/or UPPA, unless otherwise noted, is a minor or a mentally incapacitated adult.

*5.1 Time Limit for Claim

5.1.1. As set forth in subparagraphs 2.5.2 and 3.2.2, there is a six-year limit for making a claim for death gratuity or UPPA. A beneficiary's legal disability (e.g., status as a minor or mentally incapacitated adult) does not toll or extend the time period for submission of a claim. An authorized representative must file a claim on behalf of the beneficiary within the six-year time limit.

5.1.2. In accordance with ***10 U.S.C. § 1480(e)***, a beneficiary who is filing a claim for death gratuity, pursuant to 10 U.S.C., Chapter 75, for a death that occurred on or after January 1, 2025, and who is younger than 21 years of age on the date of the death, must file the claim with the Secretary of Defense not later than the latest of the following:

5.1.2.1. The date that is three years after the individual reaches 21 years of age; or

5.1.2.2. The date that is six years after the date of the death with respect to which the claim is made.

5.2 Minor Beneficiary

5.2.1. For purposes of this chapter, a "minor" is a person who has not reached the age of majority under the law of the state where the person resides. Refer to Volume 7B, Appendix H for the age of majority by State and United States Possession.

5.2.2. If a minor is entitled to a death gratuity and/or UPPA in an amount of $10,000 or less, then payment for the minor beneficiary may be made:

5.2.2.1. To the minor's parent, including an adoptive parent, as natural guardian when the parent provides a notarized statement attesting to all the following conditions:

5.2.2.1.1. A legal guardian has not been appointed for the minor beneficiary;

5.2.2.1.2. The parent has custody of the minor;

5.2.2.1.3. The parent will hold the payment for the sole use and benefits of the minor until the minor reaches adulthood;

5.2.2.1.4. The parent will account to the minor for such amount when the minor reaches adulthood; and

5.2.2.1.5. The parent will hold the government harmless in the event the minor, when he/she reaches the age of majority (adulthood), brings any legal action challenging the government's payment to the minor's parent;

5.2.2.2. To the minor's non-parent legal guardian where one has been appointed. The individual appointed as the legal guardian must provide a notarized statement attesting to all of the following conditions, as well as a certified copy of the court order appointing the legal guardian:

5.2.2.2.1. The individual has been appointed as the legal guardian of the minor;

5.2.2.2.2. The guardian will hold the payment for the sole use and benefit of the minor until the minor reaches adulthood;

5.2.2.2.3. The guardian will account to the minor for such amount when the minor reaches adulthood; and

5.2.2.2.4. The guardian will hold the government harmless in the event the minor, when he/she reaches the age of majority (adulthood), brings any legal action challenging the government's payment to the minor's guardian.

5.2.3. If a minor is entitled to a death gratuity and/or UPPA in an amount exceeding $10,000, then payment may only be made to the guardian or conservator of minor's estate appointed by a court to receive such payments for the minor's benefit, even where the guardian or conservator is the child's parent, thereby providing the government a means of obtaining a good acquittance. A certified copy of the court order appointing the guardian or conservator of the minor's estate must be provided before payment can be made. Guardianship or conservatorship of the minor as a person is not sufficient.

5.2.4. For purposes of determining to whom payment can be made under subparagraphs 5.2.2 and 5.2.3, if a minor is entitled to payment of both death gratuity and UPPA, those amounts must be aggregated.

5.2.5. Payment of housing allowance provided for under section 4.0 may be made to a minor beneficiary's parent or legal guardian, regardless of the amount of the payment.

5.3 Mentally Incapacitated Adult

If an eligible beneficiary is an adult who has been determined under state law to be mentally incapacitated, mentally incompetent, or otherwise requiring a guardian, trustee, conservator, committee, or other such person to make decisions concerning the beneficiary's financial affairs, then payment may be made to an appointed guardian, trustee, conservator, committee, or other such person. A certified copy of the court order making such appointment is required for payment under this chapter.

6.0 Prohibition of Payment to Beneficiary Who Killed Decedent

No payment of a benefit discussed in this chapter may be made to a person who killed the decedent unless there is evidence that clearly absolves that person of any felonious intent. In the absence of such evidence, the eligible beneficiary for payment of the amount that would have otherwise been payable to that person is determined in accordance with the applicable designation of beneficiary or order of precedence as if that person had not survived the decedent.

Table 36-1. Eligible Survivors Where No Designated Beneficiary - Death Gratuity

RULE	Death gratuity is payable to the following living survivor(s) of the decedent	which is defined as
1	lawful spouse	an individual legally married to the decedent at the time of death.
2	child, or children, without regard to age or marital status, in equal shares	a legitimate child.
3		a legally adopted child.
4		a stepchild if a member of the decedent's household at the time of death.
5		an illegitimate child of a female decedent; or an illegitimate child of a male decedent, if a. the decedent acknowledged the child in writing signed by him; b. a court determined the child to be the decedent's before his death; c. the decedent has been judicially ordered to contribute to the child's support; or d. the Secretary of the VA determined the child to be the decedent's.
6	surviving parent(s) in equal shares	the natural father or mother; or
7		the father or mother through adoption.
8	other person(s)	any next of kin of the decedent entitled under the laws of the domicile of the member at the time of the decedent's death.

Table 36-2. Responsibility for Payment of Death Gratuity - General

RULE	If the deceased	then payment is made by
1	was a member of the Army, Army National Guard, or Army Reserves	DFAS Indianapolis (IN) or the member's servicing finance center as specified in Table 36-3.
2	was a member of the Navy or Navy Reserves	DFAS Cleveland (CL) or the designated disbursing officer as specified in Table 36-4.
3	was a member of the Air Force, Air National Guard, Air Force Reserves, or Space Force	the Air Force Personnel Center (AFPC) - Operating Location (OL) IN.
4	was a member of the Marine Corps or Marine Corps Reserve	DFAS-CL as specified in Table 36-6.
5	is retired and dies within 120-days of retirement	DFAS-CL, Retired and Annuitant Pay
6	was discharged under honorable conditions, and dies within 120-days of separation	the DFAS site responsible for servicing the deceased member's military pay account.
7	is a member whose death is determined by administrative finding under the Missing Persons Act	the DFAS site responsible for servicing the deceased member's military pay account.
8	was a member of a Senior ROTC (SROTC)	the DFAS site responsible for servicing the deceased member's military pay account.
9	is a person who dies while traveling to, from, or while at a place for final acceptance or for entry upon active duty (other than for training) in the Military Service; who has been ordered or directed to go to that place, and who has been provisionally accepted for that duty; or selected, under the Military Selective Service Act, for duty in that Military Service	the DFAS site that would have maintained the individual's military pay account.

Table 36-3. Responsibility for Payment of Death Gratuity – Army

RULE	If the beneficiary is a(n)	then death gratuity is settled by
1	Adult	the deceased member's servicing finance office. (note 1)
2	Minor	DFAS-IN.
3	Doubtful case (note 2)	DFAS-IN.

NOTES:

1. The deceased member's servicing finance office will be responsible for making payment for all adult beneficiaries who fall within the established guides of paragraph 2.3.
2. Doubtful cases include:
   a. All cases coming under subparagraphs 2.6.1, 2.6.2, 2.6.3, or any questionable cases under paragraph 2.5;
   b. Common-law widow or widower; or
   c. A member's minor child, an adopted child without properly certified court adoption papers, and an illegitimate child.

Table 36-4. Responsibility for Payment of Death Gratuity - Navy

RULE	When eligibility of beneficiary or propriety of payment is	and determination is made that eligible beneficiary is	and	then death gratuity is paid by
1	not doubtful	a lawfully designated beneficiary	Navy Casualty Assistance (N135C) certifies beneficiary and payment amount,	DFAS-CL upon authorization from N135C.
2	not doubtful	a lawfully designated beneficiary	beneficiary requests local payment, after N135C certifies beneficiary and payment amount,	the disbursing officer authorized by N135C to make payment.
3	doubtful (notes 1, 2, and 3)	required to be determined by N135C	N135C certifies beneficiary and payment amount,	DFAS-CL upon authorization from N135C.

NOTES:

1. Doubtful cases include “common law widow or widower.”
2. All cases coming under subparagraph 2.4.4 and paragraph 2.7 are doubtful cases.
3. Doubtful cases include a member’s minor child, adopted child without properly certified court adoption papers, and an illegitimate child.

Table 36-5. Responsibility for Payment of Death Gratuity - Air Force and Space Force

RULE	When eligibility of beneficiary or propriety of payment is	and determination is made that eligible beneficiary is	and	then death gratuity is settled by
1	not doubtful	a lawful spouse (notes 1 and 2); or adult child or children (notes 2 and 3); or a designated relative (notes 2, and 4). Minor children are paid by DFAS along with those identified in rule 3	upon receipt of notification of death (note 5)	the AFPC - OL (IN).
2	not doubtful	a designated non-relative	upon receipt of notification of death (note 5)	the AFPC - OL (IN).
3	doubtful	one of those listed in notes 1, 2, and 3	upon receipt of notification of death (note 5)	the AFPC - OL (IN).

NOTES:

1. AFPC – OL (IN) settles death gratuity payment to "common-law widow or widower."
2. AFPC – OL (IN) settles all cases coming under subparagraphs 2.6.1, 2.6.2, 2.6.3, and any questionable cases under subparagraph 2.4.4.
3. AFPC – OL (IN) settles doubtful cases, including: all minor children, all adopted children without properly certified court adoption papers, and all illegitimate children.
4. Relatives consist of a member's parents, brothers, sisters, or any combination thereof.
5. If death occurs while a member is on a Permanent Change of Station move, then the "losing" home installation notifies.

Table 36-6. Responsibility for Payment of Death Gratuity - Marine Corps

RULE	When the CO determines that the eligible beneficiary is	and eligibility of beneficiary or propriety of payment is	and	and	then death gratuity is paid by
1	a lawful spouse or a designated parent	not doubtful	the spouse or parent resides with the member at or near member's duty station or in the vicinity of the member's home port	the disbursing officer has access to member's pay and service records	DFAS-CL upon Commandant of the Marine Corps Casualty Section authorization.
2	a lawful spouse or a designated parent	not doubtful	the spouse or parent resides with the member at or near member's duty station or in the vicinity of the member's home port	payment is requested by the CO of an activity located in an outlying area	DFAS-CL upon Commandant of the Marine Corps Casualty Section authorization.
3	a lawful spouse or a designated parent	not doubtful	the spouse or parent resides with the member at or near member's duty station or in the vicinity of the member's home port	member's unit is deployed, and the CO of the deployed unit requests by message that payment be made	DFAS-CL upon Commandant of the Marine Corps Casualty Section authorization.
4	a lawful spouse, child or children, designated, or non-designated relatives (note 1)	doubtful (notes 2, 3, and 4)	the spouse or parent resides with the member at or near member's duty station or in the vicinity of the member's home port	member's unit is deployed, and the CO of the deployed unit requests by message that payment be made	DFAS-CL upon Commandant of the Marine Corps Casualty Section authorization.
5	a lawful spouse, child or children, designated, or non-designated relatives (note 1)	not doubtful	the relative did not reside with the member at or near member's duty station or home port	member's unit is deployed, and the CO of the deployed unit requests by message that payment be made	DFAS-CL upon Commandant of the Marine Corps Casualty Section authorization.
6	a lawful spouse, child or children, designated, or non-designated relatives (note 1)	not doubtful	the relative did not reside with the member at or near member's duty station or home port	payment is requested by the CO of an activity located near residence of the designated beneficiary	DFAS-CL upon Commandant of the Marine Corps Casualty Section authorization.

Table 36-6. Responsibility for Payment of Death Gratuity - Marine Corps (Continued)

NOTES:

1. Relatives consist of a member's parents, brothers, sisters and other next of kin of the member entitled under the laws of domicile of the member at the time of the member's death.
2. Doubtful cases include “common law widow or widower.”
3. All cases coming under subparagraph 2.4.4 and paragraph 2.7.
4. Doubtful cases include a member’s minor child, an adopted child without properly certified court adoption papers, and an illegitimate child.

*REFERENCES

CHAPTER 36 – PAYMENTS ON BEHALF OF DECEASED MEMBERS

2.0 – DEATH GRATUITY

2.0	10 U.S.C. § 1478(a)
2.1	10 U.S.C. § 1475
2.1.5.	10 U.S.C. § 1475(a)(4)
2.2	10 U.S.C. § 1476
2.2.2.2.	10 U.S.C. § 1480(b)
2.4	10 U.S.C. § 1477
2.4.1.1.	Mills v. Secretary of the Army, 371 F. Supp. 3d 423, 429 (S.D. Ohio 2019)
2.5	10 U.S.C. § 1479
2.5.2.1.	AR 637-1, para. 16-9 Department of the Air Force Instruction 36-3002, paragraph 4.9.3 Marine Corps Order 3040.4, Chapter 4, Section 3, para. 2(b) MILPERSMAN 1770-280, para. 12(d)
2.5.2.2.	31 U.S.C. § 3702
2.6	10 U.S.C. § 1479 10 U.S.C. § 1477
2.7.1.	10 U.S.C. § 1480(a)
2.7.2.	29 Comp Gen 294
2.7.3.	31 Comp Gen 645
2.8.2.	26 U.S.C. § 134(b)(3)(C)
2.11	37 Comp Gen 131

3.0 – SETTLING DECEASED MEMBERS' ACCOUNTS

3.1	10 U.S.C. § 2771
3.1.1.	37 U.S.C. § 501(d)
3.1.1.1.	37 U.S.C. § 427(a)(2)
3.1.1.2.	DoDI 1340.26, September 25, 2017, Change 1 Effective January 11, 2019, para. 4.4
3.2	10 U.S.C. § 2771
3.2.2.2.	31 U.S.C. § 3702
3.3	Comp Gen B-187037
3.4.2. and 3.4.3.	Comp Gen B-91021, February 6, 1950 10 U.S.C. § 2771
3.5	Comp Gen B-69787-O.M., May 2, 1979
3.7.1.	37 U.S.C. § 212(c) 37 U.S.C. § 1006(d)
3.7.2.	37 U.S.C. § 1006 (h)

References (Continued)

4.0 – Housing Allowance Following Service Member's Death	
	37 U.S.C. § 403(l)
5.0 – Payments to Legally Incapacitated Beneficiary	
	31 U.S.C. § 3702 Defense Office of Hearings and Appeals Claims Case No.02082608 (March 26, 2003)
5.1	10 U.S.C. § 1480(e)
6.0 – Prohibition of Payment to Beneficiary Who Killed Decedent	
	34 Comp Gen 103
Table 36-2	Air Force Manual (AFMAN) 65-116, Volume 1, February 24, 2023
Table 36-3	Military Pay E-Message 09-020
Table 36-4	Military Personnel Manual 1770-280, August 4, 2014
Table 36-5	AFMAN 65-116, Volume 1, February 24, 2023

VOLUME 7A, CHAPTER 37: "BENEFITS FOR MEMBERS HELD AS CAPTIVES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated October 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
References	Updated supporting statutes and references.	Revision

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CHAPTER 37

BENEFITS FOR MEMBERS HELD AS CAPTIVES

1.0 GENERAL

1.1 Purpose

This chapter describes the policy provisions for benefits for members who are held as captives as determined by the Secretary of Defense.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 5 and 37. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 FORMER CAPTIVE PAYMENT

2.1 Entitlement Provisions

A former captive is a member who was held in a captive status. Entitlement may only be authorized by the Secretary of Defense. Once the Secretary of Defense makes a "hostile action" determination, which is the authority for former captive payments, the Military Service Secretaries will provide the names and dates of entitlements to their respective Defense Finance and Accounting Service (DFAS) Center. Entitlement dates may not include any of the following without specific case-by-case approval of the Secretary of Defense:

2.1.1. Dates in a captive status which are not dates of actual physical custody by a hostile force (for example, dates evading capture where the presence of a hostile force prevented escape or rescue); or

2.1.2. Dates that are doubtful that the missing status was the result of hostile action or was the result of membership in the Uniformed Services. Commanders will forward any request with justification via the appropriate Military Service chain of command. When authorized, the DFAS Center concerned will make payment.

2.2 Rates

2.2.1. For each day a member was held in a captive status, payment will be 50 percent of the then-current world-wide average per diem rate. Status beginning and ending days (for example, day of return to military control) are days of entitlement. Payment must be made within 1 year after the member's captive status ends. Rates will be obtained from the Office of the Under Secretary of Defense (Personnel and Readiness) (Military Personnel Policy/Compensation), 1500 Defense Pentagon, Washington, D.C. 20301-1500.

2.2.2. Former captives may receive more than the 50 percent rate when specifically approved by the Secretary of Defense. Recommendations justifying a higher percentage will be forwarded through command channels via the appropriate Military Service Secretary.

2.3 Death of Member

If a member dies while in a captive status, any amount due is considered pay and allowances for the purposes of Chapter 34.

2.4 Exceptions

2.4.1. The Secretary of Defense may defer payment for anyone (within the 1-year payment window) charged with a captivity-related offense and may deny payment if the member is convicted in a court of competent jurisdiction. If convicted, whether or not payment has been made, commanders will forward the case to the Secretary of Defense with justified recommendations for payment determination. Payments previously made and later denied must be collected.

2.4.2. No payment is authorized when the Congress specifically provides for prisoner of war (POW) compensation for captivity periods. See section 3.0.

2.5 Taxability

Payments to former captives generally are not taxable if the captive status resulted from the deprivation of personal rights, such as terrorist activity. However, if the captive status resulted from an engagement with another nation's armed forces, then payment may be taxable and reported as taxable income. See Chapter 44, Table 44-1 for possible applicability of the combat zone tax exclusion.

3.0 POW COMPENSATION

Payment authorized by the Congress, for a specific period of captivity as a POW, is made by the Secretary of the Treasury, and is not considered to be an Uniformed Services pay and allowances entitlement. DFAS is not involved in this payment procedure or its tax reporting consequences.

4.0 SAVINGS ALLOTMENT

Military Service Secretaries may allot part or all of a captive's pay and allowances (except what is already allotted) to an interest-bearing savings fund that is maintained by the Secretary of the Treasury. The Secretary of the Treasury establishes the withdrawal procedures for this savings fund.

*REFERENCES

CHAPTER 37 - BENEFITS FOR MEMBERS HELD AS CAPTIVES

2.0	Former Captive Payment	
		Title 5, U.S.C., section 5569(d)(2) 37 U.S.C. § 551 37 U.S.C. § 559(c)
	2.4.1.	37 U.S.C. § 559(c)(3)
	2.4.2	37 U.S.C. § 559(a)(1)
4.0	Savings Allotment	
		37 U.S.C. § 559(b)

VOLUME 7A, CHAPTER 38: "SERVICE ACADEMY CADETS, MIDSHIPMEN, AND SERVICE ACADEMY PREPARATORY SCHOOL STUDENTS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

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The previous version dated April 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Table 38-1	Updated the rations rate for the calendar years 2023 and 2024 in accordance with the "Food Service Charges at Appropriated Fund Dining Facilities and the Military Academies" as listed on the Office of the Under Secretary of Defense (Comptroller) website.	Revision
Table 38 -1	January 2025. Added the rations rate for the calendar year 2025 in accordance with the Office of the Under Secretary of Defense (Comptroller) memo, dated December 20, 2024.	Addition
References	Updated statutes and supporting references.	Revision

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CHAPTER 38

SERVICE ACADEMY CADETS, MIDSHIPMEN, AND SERVICE ACADEMY PREPARATORY SCHOOL STUDENTS

1.0 GENERAL

1.1 Purpose

This chapter establishes policy pertaining to the pay and allowances for cadets at the U.S. Military Academy, the U.S. Air Force Academy, the Coast Guard Academy, and midshipmen at the U.S. Naval Academy.

1.2 Authoritative Guidance

The pay and allowances policies and requirements for cadets and midshipmen established by DoD in this chapter are derived primarily from, and prepared in accordance with Title 37, United States Code (U.S.C.), section 203(c) ***(37 U.S.C. § 203(c))***. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 ENTITLEMENTS

2.1 Monthly Pay

Cadets at the U.S. Military Academy, the U.S. Air Force Academy, the Coast Guard Academy, and midshipmen at the U.S. Naval Academy are entitled to pay at the monthly rate of 35 percent of the basic pay of a commissioned officer in the pay grade O-1 with less than 2 years of service. This monthly rate is prescribed in Chapter 1, Table 1-7. Note: The actual monthly pay rate for cadets and midshipmen are set by Executive Order.

2.2 Rations

Cadets and midshipmen are entitled to commuted rations while on leave, on temporary duty or temporary assigned duty at the daily rate established by the Office of the Under Secretary of Defense (Comptroller) as prescribed in Table 38-1.

2.3 Incentive and Special Pays

Cadets and midshipmen are not entitled to incentive pay for hazardous duty or special pay for duty subject to hostile fire or imminent danger.

2.4 Start and Stop Dates

See Table 38-2.

2.5 Continuance of Pay and Allowances

Pay and allowances continue to accrue to cadets or midshipmen while they are absent in an official missing or missing-in-action status. See Chapter 34. Cadets and midshipmen also are entitled to full pay while traveling under orders.

2.6 Death Benefits

Death gratuity entitlement and settlement of unpaid pay and allowances instructions are contained in Chapter 36.

2.7 Settlement for Unused Accrued Leave

Since cadets and midshipmen do not earn leave, they are not entitled to lump-sum leave benefits.

3.0 OTHER STUDENTS

3.1 Service Academy Preparatory School Students

3.1.1. A student at the U.S. Military Academy Preparatory School, the U.S. Naval Academy Preparatory School, or the U.S. Air Force Academy Preparatory School, who was selected to attend the preparatory school from civilian life, is entitled to monthly student pay at the same rate as provided for cadets and midshipmen.

3.1.2. A student at the U.S. Military Academy Preparatory School, the U.S. Naval Academy Preparatory School, or the U.S. Air Force Academy Preparatory School, who, at the time of the student's selection to attend the preparatory school, was an enlisted member of the uniformed services, will receive the monthly basic pay at the rate prescribed for the student's pay grade and years of service as an enlisted member or at the rate provided for cadets and midshipmen under section 2.0, whichever is greater.

3.2 Foreign Cadets and Midshipmen

Persons from a foreign nation, who are receiving instruction at the Military Service academies are entitled to the same pay, commuted rations, and travel and transportation allowances as authorized for U.S. cadets and midshipmen.

4.0 DEDUCTIONS FROM MONTHLY PAY

4.1. Allotments

The Military Department concerned determines whether cadets and midshipmen may register allotments of pay.

4.2 Collections of Indebtedness

For general policies and requirements relating to the collection of indebtedness, see Volume 16. Private indebtedness for services (e.g., laundry, dry cleaning, shoe repair) is not an indebtedness collectible under Volume 16.

4.3 Servicemembers' Group Life Insurance (SGLI)

Academy cadets and midshipmen are eligible for SGLI coverage while on full-time duty as a cadet or midshipman at a Service academy. See Chapter 47. Details covering the administration of the SGLI program for cadets or midshipmen are contained in the pay procedural instructions of the Military Service academy concerned.

4.4 Taxes

The basic pay of cadets and midshipmen is subject to federal and state withholding tax (Chapter 44) and Federal Insurance Contribution Act tax (Chapter 45).

5.0 ADVANCE PAY FOR CLOTHING AND EQUIPMENT PURCHASES

5.1 General

The Secretary of the Military Department concerned prescribes the amount to be advanced each new cadet or midshipman to cover the cost of initial clothing and equipment. The amount advanced is deducted in regular installments from the cadet's or midshipman's monthly pay until fully collected.

5.2 Discharge

Any cadet or midshipman who is discharged (whether voluntarily or involuntarily) before graduation and before the total amount has been repaid, must turn in as much of the clothing and equipment of a distinctive military nature as is necessary to liquidate the balance owed. If a cadet or midshipman is discharged and the value of the turned-in clothing and equipment does not cover the balance owed, then the value of the turned-in clothing and equipment is applied to the balance owed and the remainder of the advance owed is cancelled, regardless of reason for discharge.

6.0 TRAVEL AND TRANSPORTATION ALLOWANCES

The travel and transportation allowances payable to cadets and midshipmen are prescribed in the Joint Travel Regulations.

*Table 38-1. Ration Rates

Effective	Breakfast	Lunch	Dinner	Total
October 1, 1999	$1.05	2.15	2.15	$5.35
October 1, 2000	$1.05	2.20	2.20	$5.45
October 1, 2001	$1.10	2.25	2.25	$5.60
October 1, 2002	$1.15	2.30	2.30	$5.75
October 1, 2003	$1.20	2.35	2.35	$5.90
October 1, 2004	$1.25	2.55	2.55	$6.35
October 1, 2005	$1.30	2.60	2.60	$6.50
October 1, 2006	$1.30	2.65	2.65	$6.60
October 1, 2007	$1.35	2.80	2.80	$6.95
October 1, 2008	$2.10	3.85	3.85	$9.80
January 1, 2009	$2.30	4.25	4.25	$10.80
January 1, 2010	$2.30	4.25	4.25	$10.80
January 1, 2011	$2.30	4.25	4.25	$10.80
January 1, 2012	$2.45	4.55	4.55	$11.55
January 1, 2013	$2.50	4.60	4.60	$11.70
January 1, 2014	$2.55	4.65	4.65	$11.85
January 1, 2015	$3.45	5.55	4.85	$13.85
January 1, 2016	$3.05	4.90	4.30	$12.25
January 1, 2017	$3.05	4.90	4.30	$12.25
January 1, 2018	$3.05	4.95	4.30	$12.30
January 1, 2019	$3.05	4.95	4.30	$12.30
January 1, 2020	$3.05	5.00	4.35	$12.40
January 1, 2021	$3.20	5.20	4.50	$12.90
January 1, 2022	$3.40	5.40	4.75	$13.55
January 1, 2023	$3.75	6.00	5.25	$15.00
January 1, 2024	$3.85	6.15	5.35	$15.35
January 1, 2025	$3.90	6.20	5.45	$15.55

NOTE: If current year is not listed, see ***Reimbursable Rates*** in Tab G at the Office of the Under Secretary Defense (Comptroller) website.

Table 38-2. Dates to Start and Stop Pay and Allowances

RULE	When a cadet or midshipman	then cadet and midshipmen pay and allowances
1	has been admitted officially to one of the Service academies	start on the day of admission (note 1).
2	has been discharged and later reappointed to one of the Service academies	are stopped on date of discharge and start again on day of reappointment (note 1).
3	has been dismissed by sentence of court-martial	stop on the date of termination of service as specified in orders directing dismissal.
4	has been dismissed from the academy by other than court-martial action before graduating	stop on date of dismissal.
5	dies before graduation	stop on the date of death.
6	is appointed a second lieutenant in the Army or Air Force upon graduation	stop on the day before the date of graduation.
7	is commissioned in the Regular Navy or Marine Corps	stop on the day before the date of formal acceptance of appointment.
8	is placed voluntarily in a leave without pay status	stop on the day before the member enters a leave without pay status. If the member is readmitted to the academy, then the pay and allowances start again, on the day of readmission.
9	is not appointed a second lieutenant in the Army or Air Force immediately upon graduation	continue until the member is appointed a second lieutenant or is discharged (note 2).

NOTES:

1. An Oath of Allegiance must be taken before first payment is made.
2. In case of appointment, active-duty pay is payable from date of graduation (Chapter 1, Table 1-3, Rule 5); therefore, an adjustment is necessary between cadet pay received and active duty pay due.

*REFERENCES

CHAPTER 38 – SERVICE ACADEMY CADETS, MIDSHIPMEN, AND SERVICE ACADEMY PREPARATORY SCHOOL STUDENTS

2.0 – ENTITLEMENTS

2.1	37 U.S.C. § 203(c)
2.2	37 U.S.C. § 422(b)
	43 Comptroller General (Comp Gen) 94
2.3	30 Comp Gen 31
	47 Comp Gen 781
2.6	26 Comp Gen 373
2.7	37 U.S.C., § 504

3.0 – OTHER STUDENTS

3.1.1.	37 U.S.C. § 203(e)(1)
3.1.2.	37 U.S.C. § 203(e)(2)
3.2	10 U.S.C. § 347(a)(5)

4.0 – DEDUCTIONS FROM MONTHLY PAY

4.3	38 U.S.C. §§ 1965 (5)(a), 1968(a)(2)

5.0 – ADVANCE PAY FOR CLOTHING AND EQUIPMENT PURCHASES

10 U.S.C. §§ 7450, 8460, 9450
Defense Finance and Accounting Service - Denver Memo, May 21, 2002

Table 38-1

Office of Under Secretary of Defense (Comptroller) Memo, December 12, 2022
Office of Under Secretary of Defense (Comptroller) Memo, December 13, 2023
Office of Under Secretary of Defense (Comptroller) Memo, December 20, 2024

Table 38-2

Rule 6	37 U.S.C. § 204(f)
Rule 8	46 Comp Gen 261

VOLUME 7A, CHAPTER 39: "PAY OF SERVICE ACADEMY OFFICIALS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated May 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision
Table 39-1	Revised and reorganized "Table 39-1" content for clarity and understanding.	Revision
References	Updated the "References" with supporting statutes and references.	Revision

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CHAPTER 39

PAY OF SERVICE ACADEMY OFFICIALS

1.0 GENERAL

1.1 Purpose

This chapter establishes policy guidance pertaining to the pay of Military Service academy officials.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), including Titles 10 and 37. The specific statutes, regulations, and other applicable guidance that govern each individual section, are listed in a reference section at the end of the chapter.

2.0 PROVISIONS

A commissioned officer serving as an appointed official at a Military Service academy is entitled to the pay grade, pay, and allowances established by law for the position. A commissioned officer detailed as an official at a Military Service academy is not entitled to an increase in pay and allowances because of such detail, except as provided. The leader of the Naval Academy Band has the pay grade prescribed for such positions by the Secretary of the Navy.

3.0 PAY AND ALLOWANCES

The pay and allowances authorized for academy officials are indicated in Table 39-1 (Pay and Allowances - Academy Officials).

4.0 LIBRARIAN

An officer of the Regular Army who is retired from active service, may be detailed on active duty to serve as librarian of the U.S. Military Academy. While serving as librarian, the officer is entitled to the pay and allowances prescribed for the officer's grade and cumulative years of service. Include the time spent in retirement in the computation of the officer's cumulative years of service.

5.0 LEAVE OF ABSENCE – FACULTY AND OTHER OFFICERS

Professors, assistant professors, instructors, and other officers, at either the U.S. Military Academy or the U.S. Air Force Academy, may be granted a leave of absence for the period of suspension of the ordinary academic studies. The Superintendent concerned may grant such leave without deduction of pay and allowances.

6.0 TRAVEL AND TRANSPORTATION ALLOWANCES

Members serving as officials at Military Service academies are entitled to travel and transportation allowances.

*Table 39-1. Pay and Allowances — Academy Officials

RULE	When an officer is serving as	at the U.S. Military Academy	at the U.S. Naval Academy	at the U.S. Air Force Academy	and	then the officer is entitled to the pay and allowances prescribed for
1	Superintendent	X	X	X		the officer's military grade and cumulative years of service.
2	Dean of the Academic Board	X				a brigadier general using the officer's cumulative years of service.
3	Dean of the Faculty			X		a brigadier general using the officer's cumulative years of service.
4	Commandant of Cadets	X		X		the officer's military grade and cumulative years of service.
5	Permanent Professor	X		X	is serving as head of a department or has been a permanent professor for more than 6 years	a colonel, or the equivalent grade in the Space Force, using the officer's cumulative years of service (note 1).
6	Permanent Professor	X		X	is not serving as head of a department and has been a permanent professor for 6 years or less	a lieutenant colonel, or the equivalent grade in the Space Force using the officer's cumulative years of service (note 1).

Table 39-1. Pay and Allowances — Academy Officials (Continued)

RULE	When an officer is serving as	at the U.S. Military Academy	at the U.S. Naval Academy	at the U.S. Air Force Academy	and	then the officer is entitled to the pay and allowances prescribed for
7	Permanent Professor	X	X	X	has over 36 years of creditable service for pay purposes	the officer's military grade and cumulative years of service, plus additional pay of $250 per month (note 2).
8	Director of Admissions	X		X	has served as Director of Admissions for more than 6 years	a colonel, or the equivalent grade in the Space Force using the officer's cumulative years of service (note 3).
9	Director of Admissions	X		X	has served as Director of Admissions for 6 years or less	a lieutenant colonel, or the equivalent grade in the Space Force using the officer's cumulative years of service (notes 1 and 3).
11	Naval Academy Band Leader		X			the grade prescribed by the Secretary of the Navy (note 4).
12	Second Naval Academy Band Leader		X			a warrant officer W-1 using the officer's cumulative years of service.
13	Librarian	X			has retired from active service may be detailed on active duty to serve as librarian	the officer's grade and cumulative years of service. Include the time spent in retirement in the computation of the officer's cumulative years of service.

Table 39-1. Pay and Allowances — Academy Officials (Continued)

NOTES:

1. A person, appointed from the Regular Army or the Regular Air Force, or the Regular Space Force as a permanent professor, or the Director of Admissions, who has served in that position for 6 years or less, is entitled to the pay of a colonel after the date on which he or she would have been promoted had he or she been selected for promotion from among officers in the promotion zone.
2. Do not use the additional pay in computation of retired pay.
3. An officer detailed to serve as Director of Admissions, who is serving in a temporary grade higher than those shown in column D, rules 10 through 12, is entitled to the pay and allowances prescribed for the higher temporary grade in which the officer is serving.
4. Compute the applicable number of cumulative years of service as outlined in Chapter 1.

*REFERENCES

CHAPTER 39 – PAY OF SERVICE ACADEMY OFFICIALS

2.0 – PROVISIONS (3902)

37 U.S.C., section 207
37 U.S.C. § 424
37 U.S.C. § 203
10 U.S.C. §§ 7431-7462
10 U.S.C. §§ 8451-8481
10 U.S.C. §§ 9431-9462

5.0 – LEAVE OF ABSENCE - FACULTY AND OTHER OFFICERS (3905)

10 U.S.C. § 7441
10 U.S.C. § 9441

Table 39-1 – PAY AND ALLOWANCES — ACADEMY OFFICIAL

	Public Law (P.L.) 115-232, section 601, August 13, 2018
	P.L. 116-283 § 923(d)(9)(A)(i), January 1, 2021
Rule 1	10 U.S.C. §§ 7434, 8451a, 9434
Rule 2	10 U.S.C. § 7435(b)
Rule 3	10 U.S.C. § 9435
Rules 5 & 6	10 U.S.C. §§ 7436(a), 9436(a)
Rule 7	37 U.S.C. § 203(b)
Rules 8 & 9	10 U.S.C. §§ 7436(b), 9436(b)
Rules 14 & 15	37 U.S.C. §§ 207(d), 424(d)
Note 1	10 U.S.C. §§ 7436(a), 9436(a)
	P.L. 116-283 § 923(d)(9)(A)(i), January 1, 2021
Note 2	37 U.S.C. § 203(b)
Note 3	10 U.S.C. §§ 7436(b), 9436(b)

VOLUME 7A, CHAPTER 40: "GENERAL PROVISIONS GOVERNING ALLOTMENTS OF PAY (OTHER THAN CHILD AND SPOUSAL SUPPORT ALLOTMENTS REQUIRED BY LAW)"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated April 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting and hyperlinks to comply with current administrative instructions.	Revision
8.2	Modified Stigmatizing language in accordance with the Deputy Secretary of Defense memo, "Review of Policies to Eliminate Stigmatizing Language Related to Mental Health," dated November 7, 2022.	Revision
References	Updated supporting statutes and references.	Revision

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CHAPTER 40

GENERAL PROVISIONS GOVERNING ALLOTMENTS OF PAY (OTHER THAN CHILD AND SPOUSAL SUPPORT ALLOTMENTS REQUIRED BY LAW)

1.0 GENERAL

1.1 Purpose

This chapter prescribes the general policy for all allotments authorized for deduction from a member's pay account. Military personnel identified in section 4.0 may authorize allotments from their pay for the purposes set forth in Chapters 40, 42, and 43. The provisions of this chapter do not apply to child and spousal support allotments started as required by law when a member fails to make periodic payments under a support order. See Chapter 41 for applicable provisions under those circumstances.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), Titles 37 and 38. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 ADMINISTRATION OF ALLOTMENTS

2.1 Establishment, Discontinuance, and Changes to Existing Allotments

An allotment may by established, discontinued, or changed using a properly executed DoD Form 2558, commonly referred to as ***DD Form 2558***, Authorization to Start, Stop or Change an Allotment, a written request from a member (or from an agent acting under a specific power of attorney), or an automated data exchange system (from specific organizations). A Service member's written signature is not required to effect an allotment from pay when automated data exchange is utilized. Members are permitted to use automated computer programs that allow using a personal identification number to establish, discontinue, or change an allotment. Allotments will be established, discontinued, or changed only after the member's identity has been validated.

2.2 Administrative Changes

An allottee may make administrative changes without the member's consent. Administrative changes are changes to a financial institution name, address, account number, or routing transit number. Administrative changes will only be made after validation of the allottee's identity.

2.3 Administrative Stoppage

When a financial institution notifies the member's servicing allotment payment office that the member's account has been cancelled or terminated, the payment office will administratively stop the allotment. The servicing allotment payment office will immediately credit any monies it receives from the financial institution to the member's account and notify the member of the allotment stoppage.

3.0 AUTHORIZED ALLOTMENTS

3.1 General

Voluntary allotments of military pay and allowances by Service members in active Military Service are limited to discretionary and non-discretionary allotments.

3.2 Discretionary Allotments

Members are authorized no more than six discretionary allotments. To start a discretionary allotment on and after January 1, 2015, members will certify that, "Under the penalty of the Uniform Code of Military Justice, I certify that this allotment is NOT for the purchase, lease, or rental of personal property or payment toward personal property." Authorized discretionary allotments include:

3.2.1. Deposits to a financial institution, mutual fund company, or investment firm (for other than the prohibited purposes listed in subparagraph 3.3.1.);

3.2.2. Voluntary payment to a dependent or other relative. (Members may designate discretionary allotments to a spouse, former spouse(s), other dependents, and/or relative(s) not legally designated as a dependent(s). Support allotments may be made payable directly to a court, a state agency, a court trustee, a welfare agency, or to a child's guardian or custodian. This allotment may be made payable to a financial organization for credit to the allottee's account);

3.2.3. Payment of premiums for insurance;

3.2.4. Payment of mortgage or rent for real property; and

3.2.5. Deposits into the Savings Deposit Program.

3.3 Discontinuance and Grandfathering of Discretionary Allotments

3.3.1. Discontinuance

Effective January 1, 2015, members are not authorized to start allotments for the purchase, lease, or rental of personal property. Personal property includes vehicles (e.g., automobiles, motorcycles, or boats), appliances or household goods (e.g., a washer, dryer,

furniture), electronics (e.g., a laptop, tablet, cellphone, or television), and other consumer items that are tangible and movable.

3.3.2. Grandfathering

Allotments described in subparagraph 3.3.1 that exist on a member's pay account prior to January 1, 2015, may continue, and members may change the amount of these existing allotments.

3.4 Non-Discretionary Allotments

Non-discretionary allotments of military pay and allowances by members in active Military Service are limited to the following:

3.4.1. Purchase of U.S. savings bonds through ***TreasuryDirect***;

3.4.2. Repayment of loans to the Army Emergency Relief, Navy and Marine Corps Relief Society, Air Force and Space Force Aid Society, and American Red Cross;

3.4.3. Voluntary liquidation of indebtedness to the United States that includes the following:

3.4.3.1. Indebtedness incurred due to defaulted notes insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs; and

3.4.3.2. Payment of amounts due under the Retired Serviceman's Family Protection Plan, in the case of retired Military Service members serving on active duty;

3.4.4. Any other indebtedness to any department or agency of the United States Government (except to the Military Department that pays the member);

3.4.5. Any repayment of debts owed to an organization for funds administered on behalf of the United States Government and any such debts assigned to a collection agency;

3.4.6. Payment for pledges for charitable contributions to the following:

3.4.6.1. Combined Federal Campaign (CFC); only one such allotment is authorized for any Military Service member; and

3.4.6.2. Army Emergency Relief, Navy and Marine Corps Relief Society, or Affiliates of the Air Force and Space Force Assistance Fund; only one such allotment is authorized for any Military Service member;

3.4.7. Allotments to the Department of Veterans Affairs for deposit to the Post-Vietnam Era Veterans Educational Assistance Program.

The allotment must be divisible by $5 and with a minimum amount of $25 and not more than $100. Upon the Service member's authorization, the allotment must run a minimum of twelve consecutive months, unless the member suspends participation or terminates enrollment due to personal hardship or release from active duty;

3.4.8. Payment of delinquent federal, state, or local income or employment taxes; and

3.4.9. Lease payments when members are assigned to privatized housing units under the Military Housing Privatization Initiative. See Chapter 43, section 4.0.

4.0 ELIGIBLE ALLOTTERS

4.1 Members on Extended Active Duty

Commissioned and warrant officers, and enlisted members on extended active duty may make pay allotments.

4.2 Allotments Continued to Retired Status

To aid members in the transition from active duty to retired status, members on active duty may transfer all existing authorized discretionary allotments to the retired pay system as approved allotments.

5.0 PAY AND ALLOWANCES WHICH MAY BE ALLOTTED

5.1 Maximum Amount for Allotment

For members assigned within the continental United States, include the following items in computing the maximum amount of pay and allowances that may be allotted:

5.1.1. Basic Pay;

5.1.2. Basic allowance for housing for members with dependents and members without dependents including family separation housing;

5.1.3. Basic allowance for subsistence;

5.1.4. Incentive Pays:

5.1.4.1. Aviation Incentive Pay;

5.1.4.2. Critical Skills Incentive Pay;

5.1.4.3. Hazardous Duty Pay; and

5.1.4.4. Submarine Duty Pay; and

5.1.5. Special Pays:

5.1.5.1. Assignment Incentive Pay;

5.1.5.2. Health Professions Officers Special and Incentive Pays to include:

5.1.5.2.1. Board Certification Pay; and

5.1.5.2.2. Incentive Pay;

5.1.5.3. Career Sea Pay;

5.1.5.4. Career Sea Pay Premium;

5.1.5.5. Continuation Pays for Nuclear-Qualified, Engineering and Scientific, Judge Advocate, and Surface Warfare Officers;

5.1.5.6. Designated Unit Pay;

5.1.5.7. Diplomate Pay for Psychologists;

5.1.5.8. Diving Duty Pay;

5.1.5.9. Enlisted Members Extending at Designated Overseas Locations;

5.1.5.10. Officers Holding Position of Unusual Responsibility and of a Critical Nature; and

5.1.5.11. Special Duty Assignment Pay.

5.2 Members Assigned Outside the Continental United States

Include the following pay and allowance items in addition to those listed in paragraph 5.1:

5.2.1. Cost-of-Living Allowance;

5.2.2. Family Separation Allowance – Restricted only;

5.2.3. Family Separation for Housing Allowance;

5.2.4. Hardship Duty Pay;

5.2.5. Hostile Fire/Imminent Danger Pay (applies only to members in designated areas); and

5.2.6. Overseas Housing Allowance.

5.3 Amounts Withheld From Pay and Allowances

The following amounts must be withheld from the maximum amount of pay and allowances that may be allotted:

5.3.1. Federal, State, and Federal Insurance Contributions Act taxes;

5.3.2. The repayment of debts properly chargeable against a member's pay account (does not include repayments of advance pay);

5.3.3. Premiums of Servicemembers' Group Life Insurance (SGLI) and Family SGLI; and

5.3.4. Montgomery GI Bill deduction.

5.4 Commander's Restriction

Commanders may further restrict the total amount a member may allot when necessary to help the member meet essential personal needs.

6.0 PERIODS OF ALLOTMENTS

Allotments will deduct for indefinite periods except those made to Military Service relief organizations; to the American Red Cross; to the United States Government for either repayment of indebtedness or payment of delinquent federal income taxes; for CFC charity drive donations; or for payment of delinquent state or local income or employment taxes.

7.0 ALLOTMENT PAYMENT OFFICES

7.1 Air Force, Space Force, and Army

Defense Finance and Accounting Service (DFAS)-Indianapolis pays all Air Force, Space Force, and Army allotments.

7.2 Marine Corps and Navy

DFAS-Cleveland pays all Marine Corps and Navy allotments.

8.0 SPECIAL SITUATIONS

8.1 Minors

Allotments may not be made payable to children under 16 years of age, but may be made payable to the children's guardian or custodian. Members' spouses are authorized allottees regardless of their age.

*8.2 Mentally Incapacitated Persons

Allotments may not be made payable to mentally incapacitated persons. However, they may be made payable to a guardian or to the care facility where the person resides.

8.3 Power of Attorney

The holder of a member's special power of attorney may use that document to establish, change, or stop an allotment. The special power of attorney must specifically state the authority to establish, change, or stop allotments. A general power of attorney is not acceptable to establish, change, or stop an allotment.

8.4 Member Awaiting Trial by Court Martial

8.4.1. Members may not register allotments between the date that a Court Martial is ordered and the date of the approval or disapproval of the sentence, except when the convening authority has instructed a member to establish an allotment for deferred forfeitures.

8.4.2. Discontinue allotments whenever:

8.4.2.1. It is necessary to permit collection of the forfeiture in the monthly amount specified and within the time limitation stated in the Court Martial sentence; or

8.4.2.2. A member is sentenced to forfeit all pay and allowances due from the date the convening authority approves the sentence. This applies even though the convening authority defers the forfeitures and suspends the discharge when ordering the sentence into execution.

8.4.3. A prisoner may register allotments provided the amount of pay and allowances not forfeited is sufficient to cover allotment deductions.

8.5 Returned Absentees, Deserters, and Prisoners

Allotments will not be registered for a returned absentee or deserter, unless the paying DFAS site has verified the member's pay status.

8.6 Fraudulent Enlistment

When pay is suspended pending final action on the determination of fraudulent entitlement, pay and allowances are not eligible for allotment.

8.7 Reduced Pay of Allotter

Allotments are discontinued when a reduction in grade or stoppage of pay results in insufficient funds for allotments in effect.

9.0 RIGHT TO ALLOTMENT IN CASE OF DEATH

9.1 Death of Allotter

Upon the death of the member, all allotments are revoked. After receipt of notice of the member's death, the paying allotment office will not make further allotment payments. Deductions made from the member's pay, but not paid to the allottee, become part of the member's arrears of pay. The issuance of a check for an allotment does not constitute payment until it is negotiated and the payee collects the amount. Consequently, an amount for which an allotment check was issued becomes part of the member's arrears of pay when the allotment check is not negotiated. Allotments paid after the member's death may not be collected from the allottee, with two exceptions:

9.1.1. Allotments established erroneously after notice of the member's death; and

9.1.2. Unearned insurance premiums (insurance premiums paid 1 month in advance of the day payment is due). See Military Service procedural instructions for actions required by the disbursing officer maintaining the pay account.

9.2 Death of Allottee

When an allottee does not cash or negotiate an allotment check prior to the allottee's death, the check, even if it has been endorsed, does not become part of an allottee's estate. It is not subject to any expense incurred by, or on behalf of, the allottee before or after death. Unnegotiated allotment checks will be returned to the office from which they were issued. Allotment checks that have been returned will be credited to the member's account or paid in accordance with Military Service instructions if the member has been separated from the Military Service.

10.0 ALLOTMENT OVERPAYMENT RESPONSIBILITIES

Reference Volume 5, Chapter 5, section 0507 for determination of liability for disbursing officers. For collections of debts owed to the Department of Defense, refer to Volume 16.

*REFERENCES

CHAPTER 40 - GENERAL PROVISIONS GOVERNING ALLOTMENTS OF PAY (OTHER THAN CHILD AND SPOUSAL SUPPORT ALLOTMENTS REQUIRED BY LAW)

1.0 – GENERAL

Title 37, U.S.C. § 701

3.0 – AUTHORIZED ALLOTMENTS

3.2	Office of the Under Secretary of Defense (OUSD) Comptroller (C) Memo, November 21, 2014
3.3	OUSD (C) Memo, November 21, 2014
3.4	PL 116-92, section 952, dated December 20, 2019
3.4.7.	38 U.S.C. §§ 3201-3243

7.0 – ALLOTMENT PAYMENT OFFICES

7.1	PL 116-92, section 952, dated December 20, 2019

8.0 – SPECIAL SITUATIONS

8.2	Deputy Secretary of Defense memo, "Review of Policies to Eliminate Stigmatizing Language Related to Mental Health," dated November 7, 2022.

9.0 – RIGHT TO ALLOTMENT IN CASE OF DEATH

Comptroller General Decision (Comp. Gen.) B-225873.2, March 28, 1991
Comp. Gen. B-225873, September 25, 1987
Comp. Gen. B-169453, April 20, 1970

VOLUME 7A, CHAPTER 41: "GARNISHMENTS AND OTHER INVOLUNTARY ALLOTMENTS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated January 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated the formatting and hyperlinks to comply with current administrative instructions.	Revision
5.3.1.	Changed Army Regulation (AR) 37-104-4 to AR 637-1.	Revision
References	Verified supporting statutes and references.	Current

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CHAPTER 41

GARNISHMENTS AND OTHER INVOLUNTARY ALLOTMENTS

1.0 GENERAL

1.1 Purpose

This chapter establishes policy for garnishments assessed against members, allotments for child and spousal support, levies against member's pay and allowances for child support obligations, and involuntary allotments of pay for debt collections other than child or spousal support.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with, the United States Code (U.S.C.), including Titles 15, 26, and 42. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 GARNISHMENT OF PAY FOR ENFORCEMENT OF CHILD SUPPORT AND ALIMONY OBLIGATIONS

2.1 General

*2.1.1. The processing of garnishment orders for child support and/or alimony from the pay of individuals receiving remuneration for employment from the United States is governed by ***42 U.S.C. § 659*** and ***Title 5, Code of Federal Regulations (CFR), part 581***. The purpose of this section is to provide information unique to the collection of child support and/or alimony from the pay of active-duty members and members of the Reserve Components (RC). The provisions of 42 U.S.C. § 659 and 5 CFR part 581 take precedence when in conflict with this chapter.

2.1.2. Moneys due from or payable by the United States to active-duty members and members of the RC not on active duty are subject to legal process to enforce a legal obligation to pay child support or alimony. Legal process issued by foreign courts may be honored under this authority if issued by a court of competent jurisdiction of a country with which the United States has an agreement, requiring the United States to honor such process. Such an agreement has been reached with the Federal Republic of Germany for cases where active-duty members are stationed in the Federal Republic of Germany (see paragraph 2.8 for additional information). When the law of the state or foreign nation in which the issuing court is located conflicts with the federal law, the more restrictive law applies.

2.2 Legal Process Defined

Legal process is any writ, order, summons, or other similar process in the nature of a garnishment action. Legal process may be issued by:

2.2.1. A court of competent jurisdiction within any state, territory, or possession of the United States;

2.2.2. A court of competent jurisdiction in any foreign country with which the United States has entered into an agreement that obligates the United States to honor such process; or

2.2.3. An authorized official according to an order of such a court of competent jurisdiction or pursuant to state or local law.

2.3 Pay Subject to Garnishment

Except for amounts excluded under paragraph 2.4, all moneys due uniformed personnel, regardless of duty status or component, which are considered to be based upon remuneration for employment, are subject to garnishment. The items of pay and bonuses subject to legal process include the following:

2.3.1. Basic pay (including Military Service academy cadet, academy officials, and midshipmen pay), but excluding reduction for educational benefits under the Montgomery G.I. Bill (MGIB);

2.3.2. Special pay (including enlistment and reenlistment bonuses);

2.3.3. Incentive pay;

2.3.4. Accrued leave payments (basic pay portion only);

2.3.5. Readjustment pay;

2.3.6. Severance pay (including disability severance pay);

2.3.7. Lump-Sum Reserve bonus;

2.3.8. Inactive duty training pay; and

2.3.9. Separation pay.

2.4 Pay and Allowances Not Subject to Garnishment

The following items of pay and allowances are not subject to legal process:

2.4.1. Basic allowance for subsistence;

2.4.2. Basic allowance for housing;

2.4.3. Family separation allowance;

2.4.4. Station allowances;

2.4.5. Clothing allowances-enlisted;

2.4.6. Uniform allowances-officers;

2.4.7. Personal money allowance;

2.4.8. Discharge gratuity;

2.4.9. Position Pay (Navy only);

2.4.10. Reserve Officer Training Corps subsistence allowance;

2.4.11. Death gratuity;

2.4.12. Allowance for recruiting expenses;

2.4.13. Travel and transportation allowances; and

2.4.14. Armed Forces Health Professions Scholarship Program monthly stipend.

2.5 Disposable Earnings

Disposable earnings are a member's gross pay subject to garnishment less deductions for the following items, which are not subject to legal process:

2.5.1. Amounts withheld in payment of debts owed to the United States, except that an indebtedness based on a levy for income tax under ***26 U.S.C. § 6331*** will not be excluded in complying with legal process for the support of minor children if the legal process was entered prior to the date of the levy;

2.5.2. Regular federal income tax withholding (FITW) and state income tax withholding:

2.5.2.1. When required or authorized by law; or

*2.5.2.2. When amounts withheld are not greater than would be the case if the individual claimed all dependents to which he/she was entitled.

2.5.3. Federal Insurance Contribution Act (FICA) tax;

2.5.4. Armed Services Retirement Home;

2.5.5. Servicemembers' Group Life Insurance premiums;

2.5.6. Retired Serviceman's Family Protection Plan premiums;

2.5.7. Survivor Benefit Plan premiums;

2.5.8. Thrift Savings Plan contributions; and

2.5.9. Other amounts required by law to be deducted (e.g., fines and forfeitures ordered by a court-martial or a commanding officer).

2.6 Maximum Amount of Pay Subject to Garnishment

Unless a lower maximum garnishment limitation is provided by applicable state or local law, the maximum part of disposable earnings for any pay period, which is subject to legal process, will not exceed:

2.6.1. Fifty percent of disposable earnings if the member concerned asserts by affidavit or other acceptable evidence that he or she is providing over half of the support for a spouse or dependent child (other than a spouse or dependent child with respect to whose support the legal process is issued);

2.6.2. Sixty percent if the member concerned is not supporting a spouse or dependent child; or

2.6.3. If it appears from the face of the legal process that the member is in arrears for a period which is 12 weeks prior to the beginning of that pay period, then the maximum percentage under subparagraph 2.6.1, is 55 percent and under subparagraph 2.6.2, is 65 percent.

2.7 Allotments to Be Discontinued

2.7.1. The following allotments are subject to legal process. When possible, allow the member to determine which allotments are to be stopped. If the member refuses or is unable to advise which allotment should be stopped to permit compliance with the legal process, then the allotments will be involuntarily stopped in the following order:

2.7.1.1. Combined Federal Campaign (CFC) - Charity Drive;

2.7.1.2. U.S. Savings Bond;

2.7.1.3. Financial organizations;

2.7.1.4. MGIB contributions;

2.7.1.5. Repay loans to Service Relief Agencies and Red Cross;

2.7.1.6. Payment to dependents/relatives;

2.7.1.7. Emergency payment to dependents;

2.7.1.8. Repay home loans;

2.7.1.9. Commercial life, health, and dental insurance;

2.7.1.10. Navy-Mutual Aid Insurance; and

2.7.1.11. U.S. Government Insurance.

2.7.2. The allotments of pay for the repayment of indebtedness to the United States and repayment of delinquent federal taxes are not subject to legal process and should not be stopped.

2.8 Agents Designated to Accept Legal Process

2.8.1. The Defense Finance and Accounting Service (DFAS) Garnishment Law Directorate, or designated representatives, are responsible for receiving and processing all legal processes concerning active-duty members and members of the RC not on active duty. Any legal process for the purpose of enforcing an obligation to pay child support and/or alimony served on DoD entities, other than those served in accordance with subparagraph 2.8.2, will be forwarded to the following designated address for processing.

DFAS Office of General Counsel
Attn: Garnishment Law Directorate
PO Box 998002
Cleveland, OH 44199-8002
Telephone: 1-888-332-7411
Toll-free Fax: 1-877-622-5930

2.8.2. In the case of active-duty members stationed in the Federal Republic of Germany, all legal processes issued by German courts are to be served in the manner prescribed by German law to the appropriate liaison agency listed for such members.

2.8.2.1. Army, Navy and Marine Corps
Office of the Judge Advocate
HQ USAREUR
Postfach 42 02 24
65103 Wiesbaden

*2.8.2.2. Air Force and Space Force
HQ USAFE/AFRICA/JA
Gegbaude 527
66877 Ramstein-Flugplatz
Germany

Legal processes issued by German courts, and received by the liaison agencies listed in paragraph 2.8.2, will be reviewed to determine whether they comply with applicable German law. In addition, the liaison agencies will determine whether the member was served notice and certification of service issued in accordance with the provisions of Article 32(1)(a) of the German Supplementary Agreement in the prior German court proceeding which resulted in an order creating the member's obligation to pay child support or alimony. Once the appropriate liaison agency listed in paragraph 2.8.2 determines that legal process issued by a German court is legally sufficient and in compliance with the notice provisions of Article 32(1)(a), the legal process will be implemented or forwarded to the appropriate official designated in subparagraph 2.8.1 for appropriate processing. The legal process terminates when the active member is no longer stationed in the Federal Republic of Germany, or when the liaison agencies receive a termination order.

2.9 Implementing Legal Process

Once a legal process has been served in the United States, the designated agent indicated in subparagraph 2.8.1, will take, or initiate the following actions:

2.9.1. Review the legal process to determine whether it is regular on its face, appears to conform to the laws of the jurisdiction from which it was issued, was issued to enforce a member's legal obligation to provide child support and/or alimony, and contains sufficient information to accurately identify the member;

2.9.2. Notify the member within 15 calendar days after valid service of legal process. The written notification will explain the potential effect of the legal process on the member's pay, including allotments, and advise the member that the member has the burden of raising any available defenses, such as lack of personal jurisdiction or failure to comply with the ***Servicemembers' Civil Relief Act***, in the appropriate court. A copy of the legal process will be included with the written notice. The notice will be sent to the member's address of record in the military pay system, or through myPay, if the member has a valid email address in the myPay system.

2.9.3. Within 30 calendar days of effective service, or such longer period as may be allowed by applicable State law:

2.9.3.1. Determine the amount of the member's disposable earnings;

2.9.3.2. Where required, file an answer to the legal process with the court in which the proceeding was brought and answer any interrogatories regarding the pay and allowances due the member. The designated agent may use its standard answer form for this purpose; and

2.9.3.3. Pay the amount due pursuant to legal process. Governmental agencies, including DoD agencies, are not required to vary their pay or disbursing cycles to comply with legal process;

2.9.4. If the designated official is served with legal process concerning more than one legal obligation owed by the same member, then the legal obligations will be satisfied from the available funds in the following order of priority:

2.9.4.1. Legal process to enforce current support will have priority over legal process to enforce support arrearages;

2.9.4.2. Legal process to enforce current child support will have priority over legal process to enforce current alimony;

2.9.4.3. Legal process to enforce a child support and/or alimony obligation will have priority over involuntary allotments of pay to enforce commercial debts (see section 5.0); and

2.9.4.4. If the legal process is to enforce more than one child support obligation, and there are not enough funds available to fully satisfy all legal processes served, then the available funds will be allocated among the obligations in proportion to the amounts of current child support due. All other obligations will be satisfied on a first-come, first-served basis; and

2.10 Indemnification

*2.10.1. Neither the DoD, nor any officer or employee, will be liable for any payment made from moneys due from, or payable by, the DoD to any individual pursuant to legal process regular on its face, if such payment is made in accordance with 42 U.S.C. § 659**,** 5 CFR part 581, and section 2.0.

2.10.2. Neither the United States, nor any disbursing officer or any governmental entity, will be liable under this part to pay monetary damages for failure to comply with a legal process.

3.0 STATUTORY ALLOTMENTS FOR CHILD AND SPOUSAL SUPPORT

3.1 General

3.1.1. The processing of statutory allotments for child support and/or alimony from the pay of active duty military members is governed by ***42 U.S.C. § 665***. This authority takes precedence when in conflict with this section.

3.1.2. Upon proper notification from an authorized person, DFAS will start a statutory child or child and spousal support allotment from the pay and allowances of a member on extended active duty when the member has failed to make periodic payments, under a support order, in an amount equal to the support payable for 2 months or longer.

3.2 Definitions

The following definitions apply to section 3.0.

3.2.1. Authorized Person. An authorized person is any agent or attorney of a state having in effect a plan approved under 42 U.S.C. § 665**,** who has the duty or authority to seek recovery of any amounts owed by a member as child or child and spousal support; and the court that has the authority to issue an order against a member for the support and maintenance of a child, or any agent of such court.

3.2.2. Child Support. Child support consists of periodic payments for the support and maintenance of a child or children, subject to and in accordance with state or local law. This includes, but is not limited to, payments to provide for health care, education, recreation, and clothing, or to meet other specific needs of the child or children.

3.2.3. Designated Official. The designated official is the DFAS Site Director or designee authorized to receive and to process notices under this chapter. The DFAS designated official and address is:

DFAS Office of General Counsel
Attn: Garnishment Law Directorate
PO Box 998002
Cleveland, OH 44199-8002
Telephone: 1-888-332-7411
Toll-free Fax: 1-877-622-5930

3.2.4. Notice. A notice is a court order, letter, or similar documentation issued by an authorized person providing notification that a member has failed to make periodic support payments under a support order.

3.2.5. Spousal Support. Spousal support consists of periodic payments for the support and maintenance of a spouse or former spouse, in accordance with state or local law. It includes, but is not limited to, separate maintenance, alimony while litigation continues, and maintenance. Spousal support does not include any payment for transfer of property or its value by an individual to his or her spouse or former spouse in compliance with any community property settlement, equitable distribution of property, or other division of property between spouses or former spouses.

3.2.6. Support Order. A support order is any order providing for child or child and spousal support issued by a court of competent jurisdiction within any state, territory, or possession of the United States, including Indian tribal courts, or in accordance with administrative procedures established under state law that affords substantial due process and is subject to judicial review.

3.3 Disposable Earnings

3.3.1. Include the following items in computing the disposable earnings for members assigned within the continental United States:

3.3.1.1. Basic pay (including Military Service academy cadet and midshipmen pay);

3.3.1.2. Basic allowance for housing for members with dependents, and for members without dependents in the grade of E-7 or higher;

3.3.1.3. Basic allowance for subsistence for commissioned and warrant officers;

3.3.1.4. Career sea pay;

3.3.1.5. Diving pay;

3.3.1.6. Flying pay (all crew members);

3.3.1.7. Proficiency pay or special duty assignment pay;

3.3.1.8. Special pay for medical, dental, optometry, and veterinary officers; and

3.3.1.9. Submarine pay.

3.3.2. Include the following additional items in computing the disposable earnings for members assigned outside the continental United States:

3.3.2.1. Family Separation Allowance - Restricted;

3.3.2.2. Hardship duty pay – location;

3.3.2.3. Special pay for duty subject to hostile fire and imminent danger (applies only to members permanently assigned in a designated area);

3.3.2.4. Special pay for overseas extensions;

3.3.2.5. Overseas housing allowance; and

3.3.2.6. Cost-of-living allowance.

3.3.3. After including the items in subparagraphs 3.3.1 and 3.3.2, subtract the following items to compute the final disposable earnings value:

3.3.3.1. Amounts the member owes the United States;

3.3.3.2. Deductions for the Armed Forces Retirement Home;

3.3.3.3. Fines and forfeitures;

3.3.3.4. Federal and state employment and income taxes to the extent that the amount deducted is consistent with the member’s tax liability;

3.3.3.5. Deductions for Servicemembers' Group Life Insurance;

3.3.3.6. Advances of pay the member received before the date the designated official received notice of the support allotment. (In computing future advance pay requests, deduct the amount of the allotment required by law. See Chapter 32, Table 32-1);

3.3.3.7. Amount of salary offset for travel charge card debt; and

3.3.3.8. Other amounts required by law to be deducted.

3.4 Notice to Designated Official

3.4.1. An authorized person will send to the designated official a signed notice that includes:

3.4.1.1. A statement that delinquent support payments equal or exceed the amount of support payable for 2 months under a support order, and a request that an allotment be established;

3.4.1.2. A certified copy of the support order. If the support order, on its face, appears to conform to the laws of the jurisdiction from which it was issued, then the designated official will not be required to ascertain whether the authority that issued the order had obtained personal jurisdiction over the member;

3.4.1.3. The amount of the monthly support payment. Such amount may include arrearages, if a support order specifies the payment of such arrearages. The notice will indicate how much of the amount payable will be applied toward liquidation of the arrearages;

3.4.1.4. A statement that delinquent support payments are more than 12 weeks in arrears, if appropriate;

3.4.1.5. The following information that identifies the member:

3.4.1.5.1. Full name;

3.4.1.5.2. Social security number; and

3.4.1.5.3. Military Service of the member;

3.4.1.6. The full name and address of the allottee. The allottee will be an authorized person, or designee, or the recipient named in the support order;

3.4.1.7. Any limitations on the duration of the support allotment; and

3.4.1.8. A certification that the official sending the notice is an authorized person.

3.4.2. The notice will be sent by mail or delivered in person to the designated official. The designated official will note the date and time of receipt on the notice.

3.4.3. The notice is effective when it is received in the office of the designated official.

3.5 Notice to Member and Member's Commanding Officer

3.5.1. Upon receipt of a notice of delinquent support payments, together with all required supplementary documents and information, the designated official will review the notice in order to identify the member from whom moneys are due and payable.

3.5.2. If the notice does not sufficiently identify the member, or if the member identified in the notice is not currently entitled to receive military pay, then the notice will be returned directly to the authorized person with an explanation of the reason for its return.

3.5.3. In cases where the designated official is able to identify the member, then as soon as possible, but not later than 15 calendar days after the date of receipt of the notice, the designated official will send to the member, at his or her duty station, a copy of the notice and other legal documentation served on the designated official, along with a letter informing the member of the following:

3.5.3.1. That notice has been received from an authorized person;

*3.5.3.2. That the maximum limitations provided in ***15 U.S.C. § 1673***, (the Consumer Credit Protection Act) apply, and a request that the member submit supporting affidavits or other documentation necessary for determining the applicable percentage limitation;

3.5.3.3. That the member may submit supporting affidavits or other documentation as evidence that the information contained in the notice is in error;

3.5.3.4. That by submitting supporting affidavits or other necessary documentation, the member consents to the disclosure of such information to the party requesting the support allotment;

3.5.3.5. The amount or percentage that will be deducted if the member fails to submit the documentation necessary to enable the designated official to respond to the notice within the prescribed time limits;

3.5.3.6. That a consultation with a judge advocate or legal officer will be provided by the Military Department concerned, if possible, and that the member should immediately contact the nearest legal services office; and

3.5.3.7. The date that the allotment is scheduled to begin.

3.5.4. The designated official will provide the member's commanding officer, or designee, with a copy of the notice and other legal documentation served on the designated official.

The designated official will notify the member's commanding officer, or designee, of the need for consultation between the member and a judge advocate or legal officer.

3.5.5. The member's commanding officer, or designee, will confirm in writing to the designated official within 30 days of notice that the member received a consultation concerning the member's support obligation and the consequences of failure to make payments, or when appropriate, of the inability to arrange such consultation and the status of continuing efforts to fulfill the consultation requirement.

3.5.6. If, within 30 days of the date of the notice, the member has furnished the designated official affidavits or other documentation showing the information in the notice to be in error, then the designated official will consider the member's response. The designated official will return to the authorized person, without action, the notice for a statutory support allotment together with the member's affidavit and other documentation, if the member submits substantial proof of error, such as:

3.5.6.1. The support payments are not delinquent; or

3.5.6.2. The underlying support order in the notice has been amended, superseded, or set aside.

3.6 Payments

3.6.1. The designated official will establish a statutory allotment in an amount necessary to comply with the support order and to liquidate arrearages, if provided by a support order by the first end-of-month payday after the designated official is notified that the member has consulted with a judge advocate or legal official, or that a consultation was not possible, but not later than the first end-of-month payday after 30 days have elapsed from the date of notice to the member. However, the military pay offices will not be required to vary their normal pay and disbursement cycles to comply with notice under this section.

3.6.2. The maximum amount to be allotted under this section, together with any other moneys withheld for support from the member, will not exceed:

3.6.2.1. Fifty percent of the member’s disposable earnings for any month in which the member asserts by affidavit or other acceptable evidence that he or she is supporting a spouse, dependent child, or both, other than a party in the support order. When the member submits evidence, copies will be sent to the authorized person, together with notification that the member’s support claim will be honored. If the authorized person contests the support claim, then that person may refer the matter to the appropriate court or other authority for resolution;

3.6.2.2. Sixty percent of the member's disposable earnings for any month in which the member fails to assert by affidavit or other acceptable evidence that he or she is supporting a spouse, dependent child, or both; or

3.6.2.3. Regardless of the limitations in subparagraphs 3.6.2.1 and 3.6.2.2, an additional 5 percent of the member's disposable earnings will be withheld when the notice states that the total amount of the member's support payments is 12 or more weeks in arrears.

3.6.3. If several notices are sent with respect to the same member, then payments will be satisfied on a first-come, first-served basis within the amount limitations in subparagraph 3.6.2.

3.6.4. Payment of statutory allotments will be enforced over other voluntary deductions and allotments when the member's gross pay and allowances are not sufficient to permit all authorized deductions and collections. The member will be allowed to choose which discretionary allotments to cancel. If the member refuses or is unable to advise which allotments to cancel, then voluntary allotments will be cancelled in the following order:

3.6.4.1. CFC allotment;

3.6.4.2. Savings Bond allotment;

3.6.4.3. Discretionary allotment payable to a financial organization for deposit to the member's account (includes allotments payable to a mutual fund or investment firm and allotments to pay for personal or car loans);

3.6.4.4. MGIB contributions;

3.6.4.5. Allotment to repay loans to Military Service relief agencies and the American Red Cross; and

3.6.4.6. Discretionary allotments in the following order:

3.6.4.6.1. Payments to dependents/relatives;

3.6.4.6.2. Emergency payment to dependents;

3.6.4.6.3. Repayment of home loans and payment of rent;

3.6.4.6.4. Commercial life, health, and dental insurance;

3.6.4.6.5. Navy Mutual Aid Insurance; and

3.6.4.6.6. U.S. Government Insurance.

3.6.5. The authorized person or allottee will notify the designated official promptly if the operative court order upon which the allotment is based is vacated, modified, or set aside.
The designated official will also be notified of any events affecting the allottee's eligibility to receive the allotment, such as the former spouse's remarriage, if a part of the payment is for spousal support, and notice of a change in eligibility for child support payments under circumstances of

death, emancipation, adoption, or attainment of majority of a child whose support is provided through the allotment.

3.6.6. A statutory allotment established under section 3.0 will be adjusted or discontinued upon notice from the authorized person.

3.7 Indemnification

Neither the DoD, nor any of its officers or employees, will be liable for any payment made from moneys due from, or payable by, the DoD to any individual pursuant to notice regular on its face, if such payment is made in accordance with 42 U.S.C. § 659 and section 3.0.

4.0 LEVY ON PAY AND ALLOWANCES FOR ENFORCEMENT OF CHILD SUPPORT OBLIGATIONS

4.1 Authority

The Secretary of the Treasury, upon receiving the certification of the Secretary of Health and Human Services, will assess and collect the amount certified as unpaid child support in the same manner as if the amount were a delinquent federal tax, the collection of which would be jeopardized by delay. (See Chapter 44.)

4.2 Satisfaction of Levy

When the Secretary of the Treasury issues a notice of levy, satisfy the levy in the manner prescribed in Chapter 44. However, in the case of a first assessment against an active duty, retired (including members of the Fleet Reserve and Marine Corps Fleet Reserve), or Reserve member for unpaid child support, satisfaction of the levy will be stayed for a period of 60 days immediately following notice and demand. If a portion of such member's pay is being withheld in garnishment or attachment pursuant to a judgment entered by a court of competent jurisdiction for the support of minor children, then the amount of pay withheld is exempt from the levy.

5.0 INVOLUNTARY ALLOTMENT OF PAY FOR DEBT COLLECTION OTHER THAN CHILD OR SPOUSAL SUPPORT

5.1 General

*5.1.1. The processing of involuntary allotments of pay for debt collection other than child or spousal support is governed by ***5 U.S.C. § 5520a(k)*** and ***32 CFR part 113***. These authorities take precedence when in conflict with this section.

5.1.2. Moneys due from, or payable by, the United States to an active-duty member are subject to involuntary allotment to satisfy a judgment for a debt for other than child or spousal support owed to a third party and issued by a court of competent jurisdiction within any state, territory, or possession of the United States.

5.1.3. Involuntary Allotment process

a. Applies to OSD, the Military Departments, the Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Combatant Commands, the Office of Inspector General of the Department of Defense, the Defense Agencies, the DoD Field Activities, and all other organizational entities within the DoD (referred to collectively in this issuance as the "DoD Components").

b. Does not apply to:

(1) Indebtedness of a Service member to the Federal Government.

(2) Processing of indebtedness claims to enforce judgment against Service members for alimony or child support. Legal processes instituted in civil courts to enforce judgments against Service members for the payment of alimony or child support will be acted on pursuant to Sections 651 through 669b of Title 42, U.S.C., and Volume 7A of DoD 7000.14-R.

(3) Claims by State or municipal governments, including tax collection actions.

5.2 Definitions

The following definitions apply to section 5.0.

5.2.1. Designated Agent. A designated agent is an agent responsible for receiving and processing the involuntary allotment application for active-duty members;

*5.2.2. Active-Duty Member. An active-duty member is a regular member or any member of the RC on active duty pursuant to a call or order for a period in excess of 180 days at the time an application for involuntary allotment is received by DFAS, excluding members in a prisoner of war or missing in action status and retired members;

5.2.3. Exigency of Military Duty. The exigency of military duty is a military assignment or mission-essential duty that, because of its urgency, importance, duration, location, or isolation, necessitates the absence of a member of the Military Services from appearance at a judicial proceeding or prevents the member from being able to respond to a notice of application for an involuntary allotment. Exigency of military duty is normally presumed during periods of war, national emergency, or when the member is deployed.

5.2.4. Final Judgment. The final judgment is a valid, enforceable order or decree, issued by a court from which no appeal may be taken, or from which no appeal has been taken within the time allowed, or from which an appeal has been taken and finally decided.

5.3 Service Directives

The following source directives contain detail on entitlements, policies, and procedures for allotments for commercial debts:

*5.3.1. Army: Army Regulation ***(AR) 637-1***, Military Pay, Allowances Policy and Incentives;

5.3.2. Air Force and Space Force: Department of the Air Force Instruction ***(DAFI) 36-2906***, Personal Financial Responsibility; and

5.4 Involuntary Allotment Application

5.4.1. Designated Agent. The designated agent responsible to receive and process the involuntary allotment applications concerning active-duty members may be contacted at the following address:

DFAS Office of General Counsel
Attn: Garnishment Law Directorate
PO Box 998002
Cleveland, OH 44199-8002
Telephone: 1-888-332-7411
Toll-free Fax: 1-877-622-5930

*5.4.2. Creditor's Application. The creditor initiates the involuntary allotment process by mailing a completed application package, the "Involuntary Allotment Application," DoD ***(DD) Form 2653***, and a certified copy of the final judgment to the designated agent named in subparagraph 5.4.1. A creditor may also submit a certified copy of a Transcript of Judgment, an Abstract of Judgment, or a Notice of Entry of Judgment. The date the documents is imaged in the DFAS system is used as the date of service. Involuntary Allotment Applications submitted by a licensed attorney for the creditor must include evidence of the Attorney Client relationship with the creditor. Involuntary Allotment Applications submitted by an assignee must provide the designated agent with evidence of a properly documented assignment.

5.4.3. Review of Application

5.4.3.1. The designated agent will first identify the pertinent member, and determine whether the member has any funds available for the involuntary allotment. If the designated agent is unable to identify the member, then the designated agent will return the application package directly to the applicant with an explanation of the deficiency.

5.4.3.2. If the member does not have funds available, then the designated agent will stop any further legal processing, and notify the creditor in writing of the reason why no funds are available, and that the creditor must re-serve the involuntary allotment application at a later date. The reasons that no funds are available may include the following:

5.4.3.2.1. The member has separated from military service and is no longer receiving military pay;

5.4.3.2.2. Involuntary allotments are honored on a first-come, first-served basis. If the designated agent is already implementing a previously served involuntary allotment against the member's pay, then no funds will be available until the previous involuntary allotment amount is satisfied; or

5.4.3.2.3. If the member's pay is subject to a previously served garnishment or statutory allotment for spousal or child support, and the amount of the spousal or child support deduction exceeds the maximum amount of pay subject to involuntary allotment (see subparagraph 5.8.4.2), then no funds will be available for the involuntary allotment until the child support deduction is reduced to an amount that is less than the maximum amount of pay subject to involuntary allotment.

*5.4.3.3. If the member has funds available for the involuntary allotment, then the designated agent will conduct a legal review of the application to ensure that it complies with the requirements of 32 CFR part 113 and Department of Defense Instruction 1344.09, to include compliance with the Servicemembers' Civil Relief Act in the judicial proceeding resulting in the final judgment, and determining that the member's pay could be garnished under applicable state law.

5.4.3.4. When the designated agent receives an application package based upon a final judgment, which on its face, appears to conform to the laws of the jurisdiction from which it was issued, the designated agent will not be required to ascertain whether the court that issued the judgment had obtained personal jurisdiction over the member.

5.4.3.5. If the designated agent rejects the creditor's application after the legal review, then the designated agent will provide the creditor with a written notice of any deficiencies.

5.5 Notice to Member and Member's Commanding Officer

5.5.1. Notice Package

*5.5.1.1. The designated agent will send a notification letter, along with a copy of the application package and a ***DD Form 2654***, "Involuntary Allotment Notice and Processing," to the pertinent member, and to the member's commanding officer, in care of the member's unit address of record in the military pay system.

5.5.1.2. The notice letter to the member and the member's commanding officer will state that the involuntary allotment will be established against the member's pay if a response is not received within 90 calendar days from the original date of mailing, unless the member has been granted an extension to respond (see subparagraph 5.6.1.2).

*5.5.1.3. The DD Form 2654 itself provides step-by-step instructions for completing the form and returning it to the designated agent. Paragraph 5.6 is a summary of the response process.

5.5.2. Final Notification Letter. If the designated agent has not received a response to the notice package within 60 days of the date the package was mailed, then the designated agent will send a letter to the member and the member's commanding officer stating that if no response is received or request for extension granted within 90 calendar days from the original date the notice package was mailed, then the involuntary allotment will be established against the member's pay.

5.6 Response by Member and Member's Commanding Officer to Notice of Involuntary Allotment

5.6.1. Commanding Officer's Initial Actions

5.6.1.1. Upon receipt of the notice and accompanying documentation, the commander will determine whether the member is assigned to the commander's unit and available to respond to the involuntary allotment application.

*5.6.1.2. If the member is temporarily unavailable to respond, then the member's commanding officer may grant a reasonable extension of time for the member's response. The commanding officer will notify the designated agent, by completing Section II of the DD Form 2654 and returning a copy of the form to the designated agent, that the member has been granted an extension of time to respond, the date the response is due, and the reason(s) for the extension. The commanding officer should provide appropriate documentation supporting the determination. In the absence of any additional correspondence from the member's commanding officer, the involuntary allotment application may be automatically processed within 15 calendar days after the date a response was due, including any approved extension response date.

*5.6.1.3. If the member is available for counseling, within 5 days of receipt of the application package and the DD Form 2654, then the commanding officer will notify the member of the application, provide the member with a copy of the entire application package, and counsel the member using and completing Section III of the DD Form 2654. The commanding officer's counsel will include notifying the member that he or she has 15 calendar days from receipt of the commanding officer's notice to complete Section IV of the DD Form 2654 and return it to the commanding officer.

5.6.2. Member's Response

*5.6.2.1. After receiving the commanding officer's notification, the member completes Section IV of the DD Form 2654. In Section IV, the member may either acknowledge that the applicant's judgment is valid and consent to the establishment of an involuntary allotment, or contest the involuntary allotment by asserting any of the following defenses, which the member must support with appropriate evidence:

5.6.2.1.1. That the member's rights under the Servicemembers' Civil Relief Act were not complied with during the judicial proceeding upon which the application is based;

*5.6.2.1.2. That exigencies of military duty caused the member's absence from appearing in a judicial proceeding forming the basis for the judgment upon which the application is sought;

5.6.2.1.3. That information contained in the application is false or erroneous in material part;

5.6.2.1.4. That the judgment has been fully satisfied, superseded, or set aside;

5.6.2.1.5. That the judgment has been materially amended, or partially satisfied; or

5.6.2.1.6. That there is a legal impediment to the establishment of the involuntary allotment. For example, the judgment debt has been discharged in bankruptcy, or the automatic stay of enforcement of debts applies because the member has filed for bankruptcy protection, or that the applicant is not the judgment creditor or a proper successor in interest to the creditor.

*5.6.2.2. After completing Section IV, the member returns the DD Form 2654 to his or her commanding officer.

*5.6.3. Commanding Officer's Completion and Return of DD Form 2654

*5.6.3.1. The member's commanding officer completes Section V of the DD Form 2654 and returns it to the designated agent, along with any supporting evidence provided by the member. In Section V, the commanding officer indicates one of the following:

5.6.3.1.1. The member refused to respond by the authorized suspense date, and the form is returned without Section IV being completed by the member; or

5.6.3.1.2. The member has completed Section IV, and the form is returned for appropriate action.

*5.6.3.2. If the member has asserted an "exigencies of military duty" defense in Section IV of the DD Form 2654, then the commanding officer must determine whether the member has validly asserted this defense, and note his or her determination in Section V of the form.

*5.6.3.3. If the commanding officer supports the member's "exigencies of military duty" defense, then the commanding officer must provide the title and address of an appeal authority in Section V in case the applicant wishes to appeal the commanding officer's determination. The appeal authority is the commander immediately superior to the commanding officer who made the determination. If the commanding officer does not designate an appeal authority, then the designated agent will return the DD Form 2654 to the commanding officer with

instructions that this information must be provided in order to complete the form and support the member's "exigencies" defense.

*5.7 Review of Completed DD Form 2654 and Supporting Documentation

*5.7.1. Member Did Not Complete Section IV of DD Form 2654. If the member refused to complete Section IV of the DD Form 2654, then the designated agent will honor the application and implement deductions against the member's pay to satisfy the judgment against the member.

*5.7.2. Member Completes Section IV of DD Form 2654

*5.7.2.1. If the member completes Section IV of the DD Form 2654 and has asserted the "exigencies" defense, and the member's commanding officer has confirmed the "exigencies" defense and provided an appeal authority in Section V of the form, then the designated agent will reject the involuntary allotment application, and provide the applicant with written notice advising the applicant of the following:

5.7.2.1.1. The reason for rejecting the application;

5.7.2.1.2. The name and address of the appeal authority;

5.7.2.1.3. The applicant has 60 days from the date of the designated agent's notice to appeal the commanding officer's "exigencies" determination to the appeal authority;

5.7.2.1.4. The appeal must be in writing and contain sufficient evidence to overcome the presumption that the commander's exigency determination was correct;

5.7.2.1.5. The appeal authority will decide an appeal within 30 days of its receipt, and promptly notify the applicant of the decision. The 30-day decision period may be extended in times of deployment, war, national emergency or other similar situations;

5.7.2.1.6. If the appeal is successful, then the applicant must submit a written request along with a copy of the appeal authority's decision to the designated agent within 15 days of receipt of the decision; and

*5.7.2.1.7. Upon receiving notice of the successful appeal, the designated agent will continue the review of the application package and the DD Form 2654.

5.7.2.2. If the member has completed Section IV of the form, and has not asserted the "exigencies" defense, or has asserted it but the member's commanding officer did not confirm it, or if the applicant has successfully appealed an "exigencies" determination, then the designated agent will determine whether the member has successfully asserted any other defenses against the involuntary allotment.

5.7.2.2.1. If the designated agent determines that the member has successfully asserted one or more defenses against the involuntary allotment application, then the

designated agent will reject the application, and notify the applicant in writing of the reason(s) for the rejection.

5.7.2.2.2. If the designated agent determines that the member has not successfully asserted any defenses against the involuntary allotment, then the designated agent will implement deductions against the member's pay to satisfy the judgment against the member.

5.8 Pay Subject to Involuntary Allotment

5.8.1. Types of Pay Subject to Involuntary Allotment. Only the following types of pay are subject to the involuntary allotment process:

5.8.1.1. Basic pay (excluding the reduction for education benefits under the MGIB;

5.8.1.2. Special pay, to include:

5.8.1.2.1. Health care professionals (Including optometrists, dental officers, psychologists, non-physician health care providers, registered nurses, nurse anesthetists, nurse corps officers, and medical officers);

5.8.1.2.2. Veterinarians;

5.8.1.2.3. Diving duty;

5.8.1.2.4. Foreign duty;

5.8.1.2.5. Career sea pay;

5.8.1.2.6. Command pay;

5.8.1.2.7. International military headquarters;

5.8.1.2.8. Proficiency pay and special duty assignment pay for enlisted members;

5.8.1.2.9. Reenlistment bonus;

5.8.1.2.10. Enlistment bonus;

5.8.1.2.11. Prior service enlistment bonus;

5.8.1.2.12. Hostile fire or imminent danger pay;

5.8.1.2.13. Nuclear officer continuation bonus;

5.8.1.2.14. Nuclear career accession bonus;

5.8.1.2.15. Nuclear career annual incentive pay;

5.8.1.2.16. Enlisted members extending duty at designated overseas locations;

5.8.1.2.17. Foreign language proficiency pay;

5.8.1.2.18. Officers in critical acquisition positions extending period of active duty;

5.8.1.2.19. Aviator Bonus;

5.8.1.2.20. Selective Reenlistment Bonus;

5.8.1.3. Incentive pay, including:

5.8.1.3.1. Hazardous duty;

5.8.1.3.2. Aviation incentive pay; and

5.8.1.3.3. Submarine duty;

5.8.1.4. Accrued leave payments (basic pay portion only);

5.8.1.5. Readjustment pay; and

5.8.1.6. Severance pay, including disability severance pay.

5.8.2. Pay and Allowances Not Subject to Involuntary Allotment. Separation pay is not subject to involuntary allotment. In addition, allowances paid under U.S.C. Titles 10 and 37, and other reimbursements for expenses incurred in connection with duty in the Military Service or allowances in lieu thereof, are not subject to the involuntary allotment.

5.8.3. Other Amounts Not Subject to Involuntary Allotment. After computing the pay subject to involuntary allotment, the following items must be deducted to compute the amount of disposable pay subject to involuntary allotment:

5.8.3.1. Federal and state income tax withholding (amount is limited to that which is necessary to fulfill the member's tax liability);

5.8.3.2. FICA tax;

5.8.3.3. Armed Forces Retirement Home;

5.8.3.4. Servicemembers' Group Life Insurance;

5.8.3.5. Indebtedness to the United States (including tax levies);

5.8.3.6. Fines and forfeitures ordered by a court-martial or a commanding officer; and

5.8.3.7. Amounts otherwise required by law to be deducted from a member's pay (except payments for garnishments for child support, alimony or mandatory allotments for child or spousal support).

5.8.4. Maximum Amount of Pay Subject to Involuntary Allotment

5.8.4.1. The involuntary allotment will not exceed the lesser of 25 percent of a member's pay subject to involuntary allotment or the maximum percentage of pay subject to garnishment proceedings under the applicable state law.

5.8.4.2. If the member's pay is subject to a garnishment or statutory allotment for spousal or child support, in addition to the involuntary allotment application, then the combined amounts deducted from the member's pay will not exceed the lesser of 25 percent of a member's pay subject to involuntary allotment or the maximum percentage of pay subject to garnishment proceedings under the applicable state law. If the maximum percentage allowed for involuntary allotments would be exceeded by both deductions, then garnishments and statutory allotments for spousal and child support take priority over the involuntary allotment.

5.8.5. Voluntary Allotments to be Discontinued. Payment of an involuntary allotment will be enforced over other voluntary deductions and allotments when the member's net pay is not sufficient to permit all authorized deductions and collections. If necessary, voluntary allotments will be cancelled in the following order:

5.8.5.1. CFC;

5.8.5.2. Savings bonds;

5.8.5.3. Payment to a financial organization for deposit to the member's account (includes allotments payable to a mutual fund or investment firm and allotments to pay for personal or car loans);

5.8.5.4. MGIB Program contributions;

5.8.5.5. Repay loans to Military Service relief agencies and the American Red Cross; and

5.8.5.6. Discretionary allotments in the following order:

5.8.5.6.1. Payments to dependents/relatives;

5.8.5.6.2. Emergency payment to dependents;

5.8.5.6.3. Repayment of home loans and payment of rent;

5.8.5.6.4. Commercial life, health, and dental insurance;

5.8.5.6.5. Navy Mutual Aid Insurance; and

5.8.5.6.6. U.S. Government Insurance.

5.9 Starting Involuntary Allotment Payments

5.9.1. The designated agent will begin involuntary allotment payments within 30 days after the 90-day notification process described in subparagraph 5.5.1.2 is complete. The designated agent is not required to vary the normal military pay and disbursement cycles to comply with the application package.

5.9.2. Payment of involuntary allotments will be enforced over other voluntary deductions and allotments when the member's net pay is not sufficient to permit all authorized deductions and collections. The member will be allowed to choose which discretionary allotments to cancel. If the member refuses or is unable to advise which allotments to cancel, then allotments will be cancelled in accordance with subparagraph 5.8.5.

5.10 Stopping Involuntary Allotment Payments

*5.10.1. Involuntary allotment payments will continue until the amount specified in the judgment is collected, including interest as annotated by the applicant in Section I of DD Form 2653, "Involuntary Allotment Application."

5.10.2. The designated agent will stop involuntary allotment payments prior to satisfying the judgment amount if one of the following conditions applies:

5.10.2.1. The member separates from active duty at which time the applicant will be informed that the allotment is discontinued because the member is no longer receiving military pay;

5.10.2.2. The applicant notifies the designated agent that the operative court order upon which the allotment is based has been vacated, modified, or set aside, or the designated agent is notified of an event affecting the applicant's eligibility to receive the allotment; or

5.10.2.3. The applicant requests that the involuntary allotment be discontinued.

5.10.3. The applicant will refund directly to the member any amounts overpaid within 30 days of discovery or notice of overpayment.

5.11 Final Interest

*5.11.1. Within 30 days following collection of the amount of the judgment, including interest annotated in Section I of the DD Form 2653, the applicant may submit one final statement showing any unpaid balance due to interest that accrued during the payment period.

5.11.2. The final statement must be accompanied by a statement of account showing how the remaining interest was calculated.

*5.12 Indemnification

Neither the DoD, nor any officer or employee thereof, will be liable for failure to make payment or for any payment made from moneys due from, or payable by, the Military Services to any individual pursuant to an application package that is regular on its face, if such payment is made in accordance with this section and 32 CFR part 113.

*REFERENCES

CHAPTER 41: GARNISHMENTS AND OTHER INVOLUNTARY ALLOTMENTS

2.0 - GARNISHMENT OF PAY FOR ENFORCEMENT OF CHILD SUPPORT AND ALIMONY OBLIGATIONS

2.1	42 U.S.C. § 659
	5 CFR part 581
2.4.9	5 CFR part 581.104(h)(2)(i)
2.5	26 U.S.C. § 6331
2.9	5 CFR part 581.302
	5 CFR part 581.305(f)
2.10	42 U.S.C. § 659

3.0 - STATUTORY ALLOTMENTS FOR CHILD AND SPOUSAL SUPPORT

3.1	42 U.S.C. § 665
3.2	42 U.S.C. § 665
3.3	15 U.S.C. § 1672
3.5	15 U.S.C. § 1673
3.7	42 U.S.C. § 659

4.0 - LEVY ON PAY AND ALLOWANCES FOR ENFORCEMENT OF CHILD SUPPORT OBLIGATIONS

4.1	26 U.S.C. § 6305

5.0 - INVOLUNTARY ALLOTMENT OF PAY FOR DEBT COLLECTION OTHER THAN CHILD AND OR SPOUSAL SUPPORT

5.1	5 U.S.C. § 5520a(k)
	32 CFR part 113
5.8	32 CFR part 113.3
5.8.3.7	42 U.S.C. § 659
	42 U.S.C. § 665

VOLUME 7A, CHAPTER 42: "DISCRETIONARY ALLOTMENTS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated April 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting and hyperlinks to comply with current administrative instructions.	Revision
5.2.1	Changed Army Regulation (AR) 37-104-4 to AR 637-1.	Revision
5.2.3	Updated the "Commercial Insurers" subparagraph, to include the U.S. Space Force in accordance with Public-Law (P.L.) 116-92, section 952, dated December 20, 2019, and the Department of Defense Instruction 1344.07_Department of the Air Force Instruction 36-2925, dated April 26, 2023.	Revision
Table 42-1 Table 42-2 Table 42-3	Updated tables to include the U.S. Space Force in accordance with P.L. 116-92, section 952, dated December 20, 2019.	Revision
References	Updated statutes and supporting references.	Revision

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CHAPTER 42

DISCRETIONARY ALLOTMENTS

1.0 GENERAL

1.1 Purpose

This chapter prescribes the policy for Military Service members having discretionary allotments. Service members are authorized no more than six discretionary allotments. Additionally, Service members are authorized no more than one discretionary allotment to the same allottee. To start a discretionary allotment on and after January 1, 2015, Service members will certify that, "Under the penalty of the Uniform Code of Military Justice, I certify that this allotment is NOT for the purchase, lease, or rental of personal property or payment toward personal property." See sections 3.0 through 7.0 for examples of allowable allotments.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Title 37. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 ADMINISTRATION OF DISCRETIONARY ALLOTMENTS

2.1 Discontinuance

Effective January 1, 2015, Service members are not authorized to start allotments for the purchase, lease, or rental of personal property. Personal property includes vehicles (e.g., automobiles, motorcycles, or boats), appliances or household goods (e.g., a washer, dryer, furniture), electronics (e.g., a laptop, tablet, cellphone, or television), and other consumer items that are tangible and movable.

2.2 Grandfathering

Allotments described in paragraph 2.1 that exist on a Service member's pay account prior to January 1, 2015, may continue, and Service members may change the amount of these allotments. If, for any reason, an allotment described in paragraph 2.1 is stopped, the allotment is not authorized to be restarted.

2.3 Other Provisions

See Chapter 40, section 3.0 for other administrative provisions regarding allotments.

3.0 ALLOTMENTS TO FINANCIAL INSTITUTIONS

Service members may have an allotment to a financial institution, mutual fund company, or investment firm where the Service member is the owner of the account. If there are multiple accounts at the same financial institution, the payments must be combined into one allotment amount.

4.0 ALLOTMENTS TO DEPENDENTS OR RELATIVES

Service members may authorize allotments of pay to their dependents, relatives, or former spouse(s). The allotment may be payable to an individual or to a financial organization for credit to the account of the allottee, or a joint account of the allotter and allottee.

5.0 INSURANCE ALLOTMENTS

5.1 General

Service members may have an allotment for the payment of insurance premiums.

5.2 Commercial Insurers

Commercial insurers are eligible allottees. All new allotments for paying premiums on commercial insurance must be approved under the following Military Service regulations:

* 5.2.1. Army: Army Regulation (AR) ***(AR) 637-1*** and ***AR 210-7***;

5.2.2. Navy and Marine Corps: Secretary of the Navy Instruction ***(SECNAVINST) 1740.2F Series***; or

* 5.2.3. Air Force and Space Force: DoD Instruction (DoDI) 1344.07_Department of the Air Force Instruction ***(DAFI) 36-2925***.

All payments to an insurer are made to the home office of the agency issuing the policy or to a branch office named by the home office. A Service member is not authorized to establish an insurance allotment to a financial institution where the allotment is established for and/or controlled by the insurance company. A Service member may have more than one allotment for commercial insurance. If the Service member has more than one insurance policy with the same company, then premium payments must be combined into one allotment to that company.

5.3 Navy Mutual Aid Insurance (Navy and Marine Corps Only)

The Navy Mutual Aid is an authorized allottee for the payment of life insurance. If the Service member has both the regular premium and the extra hazardous duty premium, then the payments must be combined into one allotment.

5.4 Effective Dates for Starting, Changing, and Stopping Allotments

Tables 42-1, 42-2, and 42-3 prescribe effective dates to start, change, or stop allotments.

6.0 ALLOTMENTS FOR PAYMENT OF MORTGAGE OR RENT

Service members may authorize allotments of pay for mortgage or rent payment to a financial institution, mortgage company, realtor, or to a landlord.

7.0 ALLOTMENT FOR THE SAVINGS DEPOSIT PROGRAM

Service members may authorize an allotment into the Savings Deposit Program. This allotment will be processed in accordance with the procedural instructions of the Military Service concerned. The restrictions in Chapter 51 are applicable when starting this type of allotment.

*Table 42-1. Dates to Start Insurance Allotments

RULE	If a Service member of	authorizes a/an	then start allotment effective the first day of the month
1	the Army, Air Force or Space Force	insurance allotment	specified by the Service member, if authorization will reach the allotment office before the date specified in Military Service procedural regulations. The allotment may be effective with the month allotter enters on duty but only when an enlisted Service member, warrant officer, or graduate of a Service academy is commissioned, or when an enlisted Service member is appointed as a warrant officer.
2	the Navy or Marine Corps	commercial insurance or a Navy Mutual Aid allotment	specified by the Service member, if authorization will reach the allotment office before the date specified in Military Service procedural regulations.

*Table 42-2. Dates to Change Insurance Allotments

RULE	If a Service member of	has a	and the	then start allotment effective the first day of the month	and start new allotment effective the first day of the month
1	the Army, Air Force or Space Force	commercial insurance	Service member or accounting and finance officer requests a change in the allotment	specified in the allotment document, if authorization will reach the allotment office before the date specified in Military Service regulations	following the month the old allotment is stopped.
2	the Navy or Marine Corps	commercial insurance or a Navy Mutual Aid allotment	Service member or accounting and finance officer requests a change in the allotment	specified in the allotment document, if authorization will reach the allotment office before the date specified in Military Service regulations	following the month the old allotment is stopped.

*Table 42-3. Dates to Stop Insurance Allotments

RULE	If a Service member of the	authorizes a	and	then stop allotment effective the first day of the
1	Army, Air Force or Space Force	commercial insurance allotment	the Service member requests the allotment to be stopped	month specified by the Service member, if authorization will reach the allotment office before the date specified in Military Service procedural regulations.
2	Navy or Marine Corps	commercial insurance or a Navy Mutual Aid allotment	the Service member requests the allotment to be stopped	month specified by the Service member, if authorization will reach the allotment office before the date specified in Military Service procedural regulations.
3	Army, Air Force or Space Force	commercial insurance allotment	is absent without leave (AWOL) for 10 days or more	latest month in which enough pay accrues to satisfy deduction.
4	Navy or Marine Corps	commercial insurance or Navy Mutual Aid allotment	is AWOL for 15 days (or less, if allotment discontinuance is necessary to prevent overpayment)	month before the month in which absence began, if authorization will reach allotment office before the date specified in Military Service procedural regulations; otherwise, stop the month the absence began.
5	Army, Air Force or Space Force	commercial insurance allotment	the convening authority approves a court-martial sentence imposing total forfeiture of pay and allowances	latest month in which enough pay accrues to satisfy deduction.
6	Navy or Marine Corps	commercial insurance or Navy Mutual Aid allotment	the convening authority approves a court-martial sentence imposing total forfeiture of pay and allowances	month prior to the date in which the convening authority approves the court-martial sentence.

*Table 42-3. Dates to Stop Insurance Allotments (Continued)

RULE	If a Service member of the	authorizes a	and	then stop allotment effective the first day of the
7	Army, Air Force or Space Force	commercial insurance allotment	has insufficient "take home" pay to satisfy Internal Revenue Service (IRS) notice of levy	month before the month in which IRS notice of levy is received. (Stop insurance allotments only if discontinuance of other discretionary allotments will not satisfy the levy.)
8	Navy or Marine Corps	commercial insurance, or Navy Mutual Aid allotment	has insufficient "take home" pay to satisfy IRS notice of levy	month before the month in which IRS notice of levy is received. (Stop insurance allotments only if discontinuance of other discretionary allotments will not satisfy the levy.)
9	Army, Air Force or Space Force	commercial insurance allotment	has insufficient pay, because of reduction in grade, nonpay status, or stoppage of pay, to warrant continuance of allotment	latest month in which enough pay accrues to satisfy deduction. Avoid stopping allotment unnecessarily or earlier than required.
10	Army, Navy, Air Force, Marine Corps or Space Force	commercial insurance or a Navy Mutual Aid allotment	is separated, retires, or dies	(See procedural regulations of Military Service concerned.)

*REFERENCES

CHAPTER 42 - DISCRETIONARY ALLOTMENTS

2.0 - ADMINISTRATION OF DISCRETIONARY ALLOTMENTS

37 U.S.C., section 701

2.1 Office of the Under Secretary of Defense (OUSD) Memo, November 21, 2014

5.0 - INSURANCE ALLOTMENTS

5.2.1. AR 637-1, July 26, 2021
AR 210-7, October 18, 2007
5.2.2. SECNAVINST 1740.2F, June 18, 2019
5.2.3. DODI1344.07_DAFI 36-2925, April 26, 2023
Public Law (P.L.) 116-92, section 952, December 20, 2019

6.0 - ALLOTMENTS FOR PAYMENT OF MORTGAGE OR RENT

OUSD Memo, November 21, 2014

Table 42-1 – DATES TO START INSURANCE ALLOTMENTS

P.L. 116-92, section 952, December 20, 2019

Table 42-2 – DATES TO CHANGE INSURANCE ALLOTMENTS

P.L. 116-92, section 952, December 20, 2019

Table 42-3 – DATES TO STOP INSURANCE ALLOTMENTS

P.L. 116-92, section 952, December 20, 2019

VOLUME 7A, CHAPTER 43: "NONDISCRETIONARY ALLOTMENTS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated October 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	This chapter is certified as current.	Current

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CHAPTER 43

NONDISCRETIONARY ALLOTMENTS

1.0 GENERAL

1.1 Purpose

The purpose of this chapter is to provide the policies for members of the Armed Forces to initiate nondiscretionary allotment deductions from their pay accounts.

1.2 Authoritative Guidance

The pay policies and requirements established by the Department of Defense (DoD) in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), including Titles 5, 10, and 37. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in the reference section at the end of this chapter.

2.0 ALLOTMENTS FOR THE PURCHASE OF SAVINGS BONDS

The U.S. Department of the Treasury (Treasury) discontinued the purchase of paper savings bonds through federal payroll deduction effective October 1, 2010. Military members may purchase electronic savings bonds by establishing a personal ***TreasuryDirect*** account with the Treasury and then initiating a nondiscretionary allotment payable to the Treasury at their TreasuryDirect account. Members are authorized one nondiscretionary allotment for the purchase of bonds.

2.1 Establishment of Allotment

Members electing to purchase electronic savings bonds will first create an account in TreasuryDirect. This account can be used to purchase multiple bonds. Once created, members must either log into myPay or contact their servicing finance office to establish an allotment to the TreasuryDirect account. The following information is required to initiate the allotment:

2.1.1. The routing transit number for TreasuryDirect is 051736158,

2.1.2. The TreasuryDirect account number provided by the Treasury, and

2.1.3. The specific dollar amount (as opposed to a percentage of pay) to be deducted monthly.

NOTE: The myPay system also requires that the member designate an account type either checking or savings, even though that designation is inapplicable to an allotment to a TreasuryDirect account.

2.2 Change or Cancellation of Allotments

Members may change or cancel their allotments through myPay or through their servicing finance office.

2.3 Administration of Allotments

Details covering the administration of savings bond allotments are contained in the procedural instructions of the Military Service concerned.

2.4 Safekeeping of Bonds

The Federal Reserve Bank printed and mailed all U.S. Savings Bonds previously stored in safekeeping by the Defense Finance and Accounting Service to members. Members who did not receive all their savings bonds will need to file a claim with the U.S. Treasury Bureau of Fiscal Services through TreasuryDirect. To file a claim, members need to follow the instructions found on the TreasuryDirect website. Members must create a TreasuryDirect account, as the reissued bonds will be deposited to the account electronically.

3.0 CHARITABLE CONTRIBUTIONS

3.1 General

3.1.1. Combined Federal Campaign (CFC). In accordance with Title 5, Code of Federal Regulations, part 950 ***(5 CFR 950)***, annual solicitations for donations to various community charity drives have been coordinated into a single combined fund-raising campaign. Basic information on the CFC and the DoD CFC Overseas Campaign is contained in the DoD Instruction ***(DoDI) 5035.01***.

3.1.2. Service Relief Organizations (SROs). Members are authorized to make charitable contributions by allotment to the Army Emergency Relief, Navy, and Marine Corps Relief Society, or affiliates of the Air Force Assistance Fund.

3.1.3. Allotment. Members meeting the requirements of this section may authorize a class C allotment for a charitable contribution to the CFC (domestic or overseas) or to any of the Military SROs indicated in subparagraph 3.1.2. All allotments authorized are paid centrally by the offices shown in Chapter 40, section 7.0.

3.2 Limitations

Allotments for CFC and SROs must be at least $1 per month, and each allotter is authorized only one CFC and one SRO allotment.

3.3 Discontinuance (CFC Only)

Once an allotment is stopped, it may not be reinstated during the current allotment period. (This limitation does not apply to Navy or Marine Corps members when the allotment is stopped because of change in pay group.) An allotment stops:

3.3.1. At the end of the authorized withholding period;

3.3.2. Upon member's written request; or

3.3.3. Upon separation (except when discharged and immediately reenlisted at the same station without a break in service), release from active duty, transfer to the Fleet Reserve or Fleet Marine Corps Reserve, retirement, or death.

3.4 Transfer

When a member participating in a CFC campaign is transferred, the CFC allotment continues unless the member submits a written discontinuance request.

3.5 Administration of Allotment

Details covering charitable contribution allotments are in the procedural instructions of the Military Department concerned.

4.0 NONDISCRETIONARY ALLOTMENT FOR PRIVATIZED HOUSING PAYMENT

4.1 General

The Military Housing Privatization Initiative (MHPI) authorizes assignment of Service members to privatized housing units. Service members assigned to privatized housing units are entitled to Basic Allowance for Housing (BAH). The member may be required to make lease payments for such housing in the form of an allotment. A member is authorized to initiate a nondiscretionary allotment for this payment.

4.2 Restrictions

4.2.1. A member is authorized only one nondiscretionary allotment for the privatized housing payment.

4.2.2. A change to the member's BAH amount due to promotion, demotion, administrative, or legislative action may require a change to the allotment amount. Under these or other circumstances, the Service member is responsible for ensuring the allotment amount is changed.

4.2.3. The Service member is responsible for reconciling overpayments or underpayments with the property manager.

4.2.4. The nondiscretionary allotment is restricted to lease payments to entities participating in the MHPI. An allotment to private individuals, corporations, firms, partnerships, companies, state or local government, or housing authority of a state or local government, not associated with the MHPI, is not authorized.

5.0 NONDISCRETIONARY ALLOTMENT (SALARY OFFSET) FOR DELINQUENT TRAVEL CHARGE CARD DEBT

5.1 Authority

Under the provisions of the "Travel and Transportation Reform Act of 1998," heads of agencies may, upon written request of a federal contractor, collect, by deduction from the amount of pay owed to an employee of the agency, any undisputed amount of funds the employee owes to the travel charge card contractor that is delinquent. The Act defines the term "employee" as an individual employed in or under an agency, including a member of any of the Uniformed Services. A member of one of the Uniformed Services is an employee of that Uniformed Service.

5.2 Procedures

Salary offset for a military member's undisputed delinquent travel charge card debt must follow the procedures contained in Volume 16, Chapters 2 and 3.

REFERENCES

CHAPTER 43 - NONDISCRETIONARY ALLOTMENTS

2.0 - ALLOTMENTS FOR THE PURCHASE OF SAVINGS BONDS

2.1	31 CFR 363
2.3	37 U.S.C., section 553(a)

3.0 - CHARITABLE CONTRIBUTIONS

	5 CFR 950
	DoDI 5035.01, June 6, 2017, Change 2, April 13, 2022
3.1.1.	Executive Order 13743, October 13, 2016

4.0 - NONDISCRETIONARY ALLOTMENT FOR PRIVATIZED HOUSING PAYMENT

	10 U.S.C. § 2882

5.0 - NONDISCRETIONARY ALLOTMENT (SALARY OFFSET) FOR DELINQUENT TRAVEL CHARGE CARD DEBT

5.1	5 U.S.C. § 5520a(k)(2)
	Public Law 105-264, section 2(d), October 19, 1998
	5 U.S.C. § 5520a
	DoDI 1344.09, February 1, 2022
5.2	5 U.S.C. § 5514

VOLUME 7A, CHAPTER 44: "WITHHOLDING OF INCOME TAX"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated April 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Table 44-1	May 2025: Added Gaza Strip's Mediterranean Territorial Seas in accordance with the Office of the Assistant Secretary of Defense Manpower and Reserve Affairs Memo, dated May 13, 2025.	Addition
Table 44-1	Added Israel and Kenya as Designated Direct Support Area for Combat Zone Tax Exclusion for an indefinite period.	Addition
Table 44-3	Added end dates for Albania, Montenegro, and Serbia.	Revision
References	Updated to reflect current statutes and policy memos.	Revision

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CHAPTER 44

WITHHOLDING OF INCOME TAX

1.0 GENERAL

1.1. Purpose

The purpose of this chapter is to describe the Federal Income Tax Withholding (FITW) and State Income Tax Withholding (SITW) requirements and procedures for Service member wages.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with ***Title 26, United States Code (U.S.C.), section 112*** and ***37 U.S.C. § 351***. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 WITHHOLDING FROM CURRENT PAY

2.1 Wages Subject to FITW and SITW

The taxable pay of all Service members is subject to FITW and SITW, except as listed in paragraph 2.2. See Table 44-4. The taxable value of certain non-cash fringe benefits is also subject to federal and applicable state income taxes. See Table 44-4, rules 21 and 22.

2.2 Wages Not Subject to FITW and SITW

2.2.1. Combat Zone (CZ) Tax Exclusion (CZTE)

2.2.1.1. Effective November 21, 1995. All compensation of an enlisted member or warrant officer received for a month in which the enlisted member or warrant officer performed active duty in a CZ or Qualified Hazardous Duty Area (QHDA) (referenced in subparagraph 2.3.1) qualifies for the CZTE under subparagraph 2.3.2. For commissioned officers, no more than an amount equal to the maximum CZTE in effect for any month during any part of which such officers perform active duty in a CZ or QHDA, qualifies for the CZ or QHDA tax exclusion under subparagraph 2.3.2.

2.2.1.2. Maximum CZTE. The amount of the maximum combat zone tax exclusion in effect for a qualifying month equals the sum of the basic pay for the senior enlisted member (see Chapter 1) and the amount of hostile fire or imminent danger pay actually payable to the officer for the qualifying month. Also see Table 44-4, rules 1 through 4.

2.2.2. Puerto Rico and Commonwealth of Northern Mariana Islands (CNMI)

The U.S. Treasury Department has entered into an agreement with Puerto Rico and CNMI that requires the withholding of U.S. territorial income taxes instead of U.S. federal income tax for Service members who claim Puerto Rico or CNMI as their state of legal residence or domicile (as determined by applicable territorial laws and the Servicemembers Civil Relief Act under ***50 U.S.C. § 4001***) and are serving:

2.2.2.1. On active duty in the regular or reserve components of the:

2.2.2.1.1. Army,

2.2.2.1.2. Navy,

2.2.2.1.3. Air Force and Space Force,

2.2.2.1.4. Marine Corps, or

2.2.2.1.5. Coast Guard,

2.2.2.2. In the National Guard and participating in exercises or performing duty under ***32 U.S.C. § 502***; or

2.2.2.3. In the Ready Reserve and participating in scheduled drills or training periods or are serving on active duty for training under ***10 U.S.C. § 10147***.

2.3 CZTE for Active Service in a CZ, QHDA or in Direct Support of a CZ or QHDA

2.3.1. Locations

2.3.1.1. Designated Direct Support Areas of a CZ. Table 44-1 contains the CZ designated direct support areas as of the date of this publication. For the most current areas, see the ***Designated Direct Support Areas of a Combat Zone (CZ)*** table.

2.3.1.2. Designated CZ Areas. Table 44-2 contains the designated CZ areas and the Executive Orders authorizing the designations, as of the date of this publication. For the most current CZ areas, see the ***Combat Zone Tax Exclusion (CZTE)*** table.

2.3.1.3. QHDA. Table 44-3 contains the QHDAs and the public laws authorizing the QHDAs, as of the date of this publication. For the most current QHDAs, see the ***Qualified Hazardous Duty Areas*** table.

2.3.2. Qualification for CZTE for Active Service in a CZ, QHDA or in Direct Support of a CZ or QHDA. A Service member is entitled to CZ or QHDA tax exclusion for any month during any part in which:

2.3.2.1. Active Service. The member performs active service in a CZ or QHDA designated area. Periods in the zone or area during which a member is absent from the duty assignment because of sickness, wounds, internment by the enemy, or other lawful cause are periods of active service.

2.3.2.2. Prisoner Of War (POW) or Missing In Action (MIA). The member becomes a POW or MIA while in active service in a CZ or QHDA. Such personnel are deemed, to continue in active service in the CZ or QHDA for the period for which they are entitled to a POW or MIA status for military pay purposes.

2.3.2.3. Absence. The member is granted official leave or is authorized to depart from assigned duty in a CZ or QHDA for other lawful cause and is directed to perform Temporary Additional Duty or Temporary Duty (TAD/TDY), unless the member is absent for the entire calendar month for leave or TAD/TDY.

2.3.2.4. Airspace. The member is present, however briefly, in the CZ or QHDA on official duty. When the airspace over a CZ or QHDA is included as part of the zone or area, a member who passes over or through the zone or area during the course of a trip between two points, both of which lie outside the zone or area, is entitled to an exclusion only if the member is assigned to official TAD/TDY to the airspace of the zone or area, or qualifies for hostile fire or imminent danger pay as a result of the flight. If the airspace is not designated for hostile fire or imminent danger pay (but is part of the designated zone or area), then a member must be assigned to perform duty in the airspace rather than flying over the zone or area as in an incidental part of the trip to qualify for the exclusion. The fact that most members are in an official duty status when flying through a designated airspace should not be construed to mean they are assigned to the airspace to perform duty and are therefore entitled to the exclusion. The following examples apply:

Example 1. Member A is assigned as a navigator in an air unit stationed outside the CZ. On June 4, during the course of a flight between his home base and another base outside the CZ, the aircraft on which he serves as a navigator flies over a CZ (given that the airspace is part of the designated CZ). Member A is not on official TAD/TDY in the airspace of the CZ and does not qualify for hostile fire or imminent danger pay as a result of the flight. Accordingly, he is not deemed to have served in a CZ since he passes through the zone without either being on official duty to the CZ or qualifying for hostile fire or imminent danger pay.

Example 2. Same scenario as example 1, except that the airspace is not part of the designated zone and Member B is entitled to hostile fire or imminent danger pay as a result of the flight. Member B is deemed to have served in a CZ and is entitled to the CZTE if his duties are determined to be in direct support of the military operation in the zone.

Example 3. Member C is a navigator in an air unit stationed outside a CZ. On June 4, she is ordered to perform duty (execute a mission) in the airspace over the CZ (which is part of the designated zone) and return to her home station outside the CZ. Member C is not entitled to hostile fire or imminent danger pay as a result of

the flight. She is, however, entitled to the CZTE for the month of June for performing official TAD/TDY in the airspace (CZ) during that period.

2.3.2.5. Direct Support. The member performs military duties in areas outside the CZ or QHDA in direct support of military operations in the CZ or QHDA and qualifies for hostile fire or imminent danger pay under 37 U.S.C. § 351. (The hostile fire or imminent danger pay entitlement must be related to activities or circumstances in the CZ or QHDA.) Unit commanders who believe that their personnel qualify for CZTE treatment under this provision must request the appropriate designation. The Principal Deputy Under Secretary of Defense (USD) for Personnel and Readiness (P&R) is responsible for designating direct support areas in accordance with (IAW) DoD Instruction (DoDI) 1340.25, paragraph 4(b)(3). Once the area has been designated as a direct support area, all members serving in that area, who also receive hostile fire or imminent danger pay will qualify for CZTE benefits, unless otherwise specified.

2.3.2.5.1. When members are entitled to tax exclusion under this paragraph, entitlement continues for periods of absence, prisoner or missing status, and TAD/TDY as stated for service in the actual CZ or QHDA in subparagraphs 2.3.2.1, 2.3.2.2, 2.3.2.3, or 2.3.2.4.

2.3.2.5.2. Military service is considered to be in direct support if it has the effect of maintaining, upholding, or providing assistance for those involved in military operations in the CZ or QHDA. The following examples are provided to assist in determining whether personnel qualify for CZ or QHDA tax exclusion. In each case, personnel must also be entitled to hostile fire pay or imminent danger pay:

Example 1. Services rendered on a supply vessel transporting supplies to a CZ or QHDA are in direct support of military operations in the CZ or QHDA, because the act of transporting necessary supplies is a function included within the concept of providing direct support of military operations.

Example 2. If an aircraft in a nearby country outside the CZ or QHDA is used to transport supplies and personnel into the CZ or QHDA, then the members of the ground crews who load the aircraft and the maintenance personnel who maintain the aircraft all qualify for CZ or QHDA tax exclusion. In addition, members who maintain and control the airstrip (e.g., as a meteorologist or air traffic controllers) are performing services in direct support of military operations in the CZ or QHDA and qualify for the tax exclusion.

Example 3. Members of a unit or installation who support and assist other members of that unit or installation who serve in direct support of military operations in a CZ or QHDA are considered to be serving in direct support of military operations in the CZ or QHDA. Generally, all members who serve in support of operations at an installation where some members serve in direct support of military operations in a CZ or QHDA are considered to be serving in direct support of military operations in that CZ or QHDA (e.g., unit or installation personnel for an airstrip would qualify).

2.3.2.6. Hospitalization. The member is hospitalized or re-hospitalized in any location as a result of wounds, disease, or injury incurred while serving in a CZ or QHDA or while serving in areas identified in subparagraph 2.3.2.5. A member is considered as hospitalized or re-hospitalized until such time as status as a hospital patient ceases by reason of discharge from the hospital. CZ or QHDA tax exclusion under this subparagraph will not apply to any months beginning more than 2 years after the date specified by the President in an Executive Order as the date of the termination of combatant activities in the CZ.

2.3.3. Periods for Which Tax Exclusion Does Not Apply. Members who are in the CZ or QHDA merely for their own convenience, e.g., while on leave from a duty station not in the zone or area, are not entitled to the exclusion.

2.3.4. Tax Abatement in Case of Death

2.3.4.1. A member who dies in a CZ or QHDA or as a result of wounds, disease, or injury incurred while serving in the CZ or QHDA is exempt from federal income tax for:

2.3.4.1.1. The tax year in which death occurs, and

2.3.4.1.2. Any prior tax year ending on or after the first day served in a CZ or QHDA.

2.3.4.2. Income tax liability is forgiven for any federal income tax owed for a prior year that remains unpaid on the date of death.

2.3.4.3. If an individual in a CZ or a QHDA is in missing status and is declared dead by Secretarial determination, for purposes of the tax abatement rules stated in subparagraph 2.3.4.1, the date of death is the date of the determination and not earlier. The tax abatement rules in subparagraph 2.3.4.1 do not apply for any taxable year that begins more than 2 years after it is determined that the area in which the Service member went missing is no longer a CZ or QHDA under 26 U.S.C. § 112.

2.3.4.4. The deceased member's survivors, executor, or administrator may contact the Internal Revenue Service (IRS) for guidance in claiming the tax abatement.

2.3.5. Termination Date Other Than Cases of Hospitalization. In no case will the tax exclusion authorized in subparagraphs 2.3.2.1 through 2.3.2.6, for active duty members, extend beyond the effective date specified in an Executive Order terminating the designation of the CZ. In the case of QHDAs, the exclusion will not extend beyond the effective date of the termination of hostile fire or imminent danger pay for the area.

2.4 Tax Abatement for Death Caused by Terrorist or Military Action Overseas

A member whose death was caused by terrorist or military action (excluding training exercises) qualifies for federal tax abatement under the provisions of ***26 U.S.C. § 692(c)***. No federal income tax liability is imposed on the deceased member for the year of death and for prior

tax year(s) beginning with the tax year before the injuries or wounds occurred. The deceased member's survivors, executor, or administrator may contact the IRS for guidance in claiming the tax abatement.

2.5 Rate of Withholding

2.5.1. General. The FITW/SITW will be IAW Treasury Department Circular E and Treasury Department regulations governing SITW as implemented in Military Service directives.

2.5.2. Additional FITW and SITW. A member, entitled to CZTE while TAD or TDY, may authorize that regular withholding be continued. A member entitled to CZTE may authorize an additional amount to be withheld. The member's pay account will be adjusted for the CZTE. See the applicable procedural instructions of the Military Service concerned for preparation of additional tax withholding requests and effective dates.

2.6 State and Local Taxes

2.6.1. Tax Requirements. The state in which a member claims legal residence (i.e., domicile) may tax compensation and other income regardless of the member's location. Compensation for Military Service, however, is not taxable by any state, territory, possession, political subdivision, or district that is not the member's legal residence.

2.6.2. Legal Residence. Each member must designate a legal residence and report any changes of legal residence. A member's legal residence does not change solely because of a change of permanent station. Legal residence at the time of entry into the Armed Forces remains the same until changed by the member. A member makes notification of legal residence or change of legal residence by submitting a DoD (DD) Form 2058, State of Legal Residence Certificate.

2.6.3. Native Americans. Native American Service members who claim a federally recognized tribal reservation as their state of legal residence are not subject to state taxes. A Native American Service member makes notification of a federally recognized tribal reservation as a state of legal residence by submitting a DD 2058-2, Native American SITW Exemption Certificate.

2.6.4. Withholding. Compensation for military service that is subject to federal taxation is also subject to the mandatory withholding of income taxes on behalf of those states (including the District of Columbia) that have entered into an agreement for the purpose of such withholding with the Secretary of the Treasury. See a list of the current States/Territories who have withholding agreements with the Treasury Department on the Defense Finance and Accounting Service (DFAS) website ***(DFAS.mil)***.

2.6.5. Disclosure of Withholding Information. The furnishing of annual wage and tax information of military members to states (including the District of Columbia) that have a withholding agreement with the Treasury Department must comply with the Privacy Act of 1974. Based upon regulatory provisions pertaining to disclosure to the states, the wages of a member who claims exemption from withholding should not be reported to a state without the member's consent. In lieu of reporting the wages of members who claim exemption from state tax

withholding, name, social security number, and the member's claimed basis for exemption will be provided to the state. This rule applies to all Military Services and pay systems.

2.6.6. Delinquent Taxes. DoD has no authority to involuntarily collect delinquent state tax liabilities of members.

2.7 Nonresident Aliens

2.7.1. Tax Liability. A Service member, who is a nonresident alien, is liable for U.S. income tax on pay attributable to service performed in the United States, even if such pay is not subjected to FITW because of the provisions in subparagraph 2.7.2. A nonresident alien member's pay attributable to service performed outside the United States is not subject to U.S. income tax. Service in a possession of the United States is considered duty outside the United States. A nonresident alien member is not disqualified from eligibility for any of the income exclusions or withholding exemptions set forth in Chapters 44 and 45 because of a nonresident alien status.

2.7.2. Income Tax Withholding. The pay of a nonresident alien for any period of service within the United States exceeding 60 calendar days is subject to FITW. Such pay also may be subject to SITW, depending on the state residency status of the alien. Pay for periods of service within the United States of 60 calendar days or less, or for service outside the United States, is not subject to FITW or SITW. The nonresident alien member nevertheless is subject to federal income taxation, and may be subject to state income taxation, on pay for all days of service within the United States and is responsible for reporting and paying any tax due on all such income.

3.0 COLLECTION OF DELINQUENT FEDERAL TAXES BY LEVY

3.1 Authority

When a member does not pay any federal income tax due within 30 days after the IRS has issued a notice and payment demand to the member, the IRS may collect the tax by levy on the member's salary or other income. Receipt by the cognizant Military Service (or DFAS Site) of a levy notice is the legal authority to commence collection of the delinquent federal income taxes after taking into consideration the appropriate exemptions.

3.2 Levy Processing Procedures

3.2.1. The IRS serves the tax levy by mail. The IRS Form 668-W(c), Notice of Levy on Wages, Salary, and Other Income, includes instructions for the employer (Military Service) and the employee (member).

3.2.2. Upon receipt of the levy, the disbursing officer immediately:

3.2.2.1. Completes part 3 and returns the levy to the IRS if no funds are due the member (for example, higher precedence deductions (Chapter 52, Table 52-1) or if the member is in a status described in paragraph 3.3); or

3.2.2.2. Forwards parts 2 through 5 to the member if funds are due or soon will become due.

3.2.3. The member certifies his or her filing status and number of personal exemptions and returns parts 3 and 4 to the disbursing officer within 3 days (or other period authorized by the IRS in coordination with the Military Service concerned and as established within Military Service regulations). If the member does not return parts 3 and 4, then the levy will be processed as if the member is "married filing a separate return with one personal exemption."

3.2.4. The levy will continue in effect until the amount due in the levy notice is collected or until released by the IRS.

3.2.5. Forward a misrouted levy notice or levy release to the member's servicing DFAS Site.

3.3 Effect on Members in a CZ or QHDA

3.3.1. The disbursing officer immediately will complete part 3, with appropriate notations, and return the levy to the IRS if the member is:

3.3.1.1. Serving (performing official duties) in a designated CZ or QHDA for any period of time;

3.3.1.2. Serving (performing official duties) outside a designated CZ or QHDA, but in direct support of military operations in a CZ or QHDA, and in receipt of hostile fire or imminent danger pay as a result of duties performed in direct support of designated CZ or QHDA operations;

3.3.1.3. Continuously hospitalized as a result of service in a designated CZ or QHDA (limited to 5 years of hospitalization in the United States); or

3.3.1.4. In a missing status.

3.3.2. Levy deferment remains in effect for 180 days after a member no longer meets any of the criteria listed in subparagraph 3.3.1. The levy deferment begins again (including a new 180-day clock) when a member re-qualifies for deferment (again meets one of the criteria listed in subparagraph 3.3.1), with one exception. Re-hospitalization for a previously treated wound, illness, or injury does not re-qualify a member, nor does it stop/restart a 180-day clock.

3.4 Attachment of Earnings and Payment to IRS

3.4.1. The member's "take home pay," minus exempt amounts claimed via the member's certified claim on part 3 of the levy, will be attached and sent to the IRS until the levy is satisfied or released by the IRS. The member's usual pay deductions will continue while the levy is in effect.

3.4.2. When exemptions are equal to or exceed the member's "take home pay," the disbursing officer will so advise the IRS office that served the levy.

4.0 INSTALLMENT COLLECTION OF DELINQUENT TAXES

4.1 Agreement for Liquidation of Federal Tax Indebtedness by Payroll Deductions

A member may arrange with the IRS to pay delinquent taxes by monthly deductions from pay using IRS 2159, Payroll Deduction Agreement. A member may not cancel an agreement once it is in effect. The Military Services handle agreements in accordance with subparagraphs 4.1.1 through 4.1.3.

4.1.1. Army. Collect and pay to IRS as prescribed for payment of indebtedness to instrumentalities and agencies of the government.

4.1.2. Navy and Marine Corps. Process the agreement as a T allotment if the period of liquidation is 3 months or longer. If the period is less than 3 months, then the disbursing officer pays each month to IRS in the amount of the deduction.

4.1.3. Air Force and Space Force. Process as a Class T allotment.

4.2 Change of Member's Status During Liquidation Period

See Table 44-4.

*Table 44-1. Designated Direct Support Areas of a CZ
The most current listing is on the Designated Direct Support Areas of a Combat Zone (CZ) table. (Note 1)

Location	Effective Dates	
	From	Through
Djibouti – Military Personnel serving in Djibouti due to their service in direct support of military operations in the Afghanistan CZ (note 2).	July 1, 2002	
*Gaza Strip Mediterranean Territorial Seas and Air Space – Military Personnel serving in Israel due to their service in direct support of military operations in the Arabian Peninsula CZ specifically, the Arabian Peninsula, the Red Sea and Iraq, as designated by Executive Order 12744 (note 3).	March 16, 2023	
*Israel – Military Personnel serving in Israel due to their service in direct support of military operations in the Arabian Peninsula CZ specifically, Iraq, as designated by Executive Order 12744. The land area of Israel includes Jerusalem and the Golan Heights and excludes the West Bank (note 3).	March 16, 2023	
Jordan – Military Personnel serving in Jordan due to their service in direct support of military operations in the Afghanistan CZ (note 2).	September 19, 2001	
Jordan – Military Personnel serving in direct support of military operations in the Arabian Peninsula CZ (note 3).	March 19, 2003	
*Kenya – Military Personnel serving on the land area or adjacent littoral waters of the Cooperative Security Location (CSL) Manda Bay Kenya in direct support of military operations in the Arabian Peninsula CZ, specifically the Gulf of Aden as designated by Executive Order 12744. The land area and adjacent littoral waters of the CSL Manda Bay, Kenya are defined by the following latitude and longitude coordinates: 2°08'44"S - 40°53'20"E, 2°08'48"S - 40°56'00"E, 2°11'18"S - 40°53'15"E, 2°11'31"S - 40°56'00"E (note 3).	September 26, 2023	

Table 44-1. Designated Direct Support Areas of a CZ (Continued)
The most current listing is on the Designated Direct Support Areas of a Combat Zone (CZ) table. (Note 1)

Location	Effective Dates	
	From	Through
Lebanon – Military Personnel serving in Lebanon in direct support of military operations in the Arabian Peninsula CZ (note 3).	February 12, 2015	
Pakistan – Military Personnel serving in Pakistan due to their service in direct support of military operations in the Afghanistan CZ (note 2).	September 19, 2001	
Somalia – Military Personnel serving in: 1. Somalia due to their service in direct support of military operations in the Afghanistan CZ; 2. Somalia airspace; or 3. Water area of the Somali Basin including the following coordinates: - 11°10'N-51°15'E; - 06°00'N-48°30'E; - 05°00'N-50°30'E; - 11°30'N-53°34'E; - 05°00'N-50°30'E; - 01°00'N-47°00'E; - 03°00'S-43°00'E; - 01°00'S-41°00'E; and - 06°00'N-48°30'E (note 2).	January 1, 2004 January 1, 2007 January 1, 2007	
Syria – Military Personnel serving in Syria due to their service in direct support of military operations in the Arabian Peninsula CZ (note 3).	January 1, 2004	
Turkey – Military Personnel serving in Turkey east of the 33.51 degrees East Longitude due to their service in direct support of military operations in the Arabian Peninsula CZ (note 3).	September 19, 2016	
Yemen – Military Personnel serving in Yemen due to their service in direct support of military operations in the Afghanistan CZ (note 2).	April 10, 2002	

Table 44-1. Designated Direct Support Areas of a CZ (Continued)
The most current listing is on the Designated Direct Support Areas of a Combat Zone (CZ) table. (Note 1)

NOTES:

1. In order to have CZTE treatment of wages for services performed in a designated direct support area, a member must be entitled to hostile fire or imminent danger pay while performing service in the designated direct support area.
2. The Afghanistan CZ is the area designated by Executive Order 13239.
3. The Arabian Peninsula CZ is the area designated by Executive Order 12744.

Table 44-2. Designated CZ Areas
The most current listing is on the Combat Zone Tax Exclusion (CZTE) table.

Authority	Location(s) to include the airspace above	Effective Dates	
		From	Through
Executive Order 12744 (The Arabian Peninsula Areas)	Arabian Sea North of 10 degrees North Latitude; and West of 68 degrees East Longitude; Bahrain; Gulf of Aden; Gulf of Oman; Persian Gulf; Iraq; Kuwait; Qatar; Oman; Red Sea; Saudi Arabia; and United Arab Emirate	January 17, 1991	
Executive Order 13119	Albania; The Adriatic Sea; The Federal Republic of Yugoslavia (Serbia/Montenegro); and The Ionian Sea north of the 39th parallel	March 24, 1999	
Executive Order 13239	Afghanistan	September 19, 2001	

*Table 44-3. QHDA
The most current listing is on the Qualified Hazardous Duty Areas table.
See Note 1

Authority	Location(s)		Effective Dates	
			From	Through
Public Law 104-117 Note 2	Bosnia; Croatia; Herzegovina; and Macedonia		Nov 21, 1995	Oct 31, 2007
Public Law 106-21 Note 3	Albania; The Adriatic Sea;		Mar 24, 1999	Mar 31, 2002
	The Federal Republic of Yugoslavia;	Kosovo		
		Montenegro		June 1, 2014
		Serbia		June 1, 2014
	The Ionian Sea north of the 39th parallel			
Public Law 115-97	Egypt (Sinai Only)		June 9, 2015	

NOTE:

1. In order to have CZTE treatment of wages for services performed in a QHDA, a member must be entitled to hostile fire pay (HFP) or imminent danger pay (IDP) while performing service in the QHDA.
2. IDP for Bosnia and Herzegovina; Croatia; and Macedonia was terminated October 31, 2007.
3. Albania had IDP terminated 31 March 2002; Serbia had IDP terminated 1 June 2014; and Montenegro had IDP terminated 1 June 2014. If, and when Executive Order 13119 is rescinded, Albania, Serbia, and Montenegro will no longer qualify as a QHDA.

Table 44-4. Taxability of Items of Military Pay and Allowances

RULE	If item is	then item is (notes 1, 2, and 3) taxable and subject to FITW/SITW	then item is (notes 1, 2, and 3) taxable but not subject to FITW/SITW	then item is (notes 1, 2, and 3) not taxable
1	basic pay (note 4)	for any month that CZ or QHDA exclusions do not apply (notes 5 and 6).		when earned in a CZ or QHDA. For limits applicable to commissioned officers' (O-1 and above) pay, see subparagraph 2.2.1.2 (notes 5, 6 and 7); for members in a missing status, see subparagraph 2.3.2.2.
2	incentive pay or hazardous duty pay (see Chapters 22 through 24)	for any month that CZ or QHDA exclusions do not apply (notes 5 and 6).		when earned in a CZ or QHDA. For limits applicable to commissioned officers' (O-1 and above) pay, see subparagraph 2.2.1.2 (notes 5, 6 and 7); for members in a missing status, see subparagraph 2.3.2.2.
3	special pay (see Chapters 3, 5, 8, 10, 11, 15, 17, and 18)	for any month that CZ or QHDA exclusions do not apply (notes 5 and 6).		when earned in a CZ or QHDA. For limits applicable to commissioned officers' (O-1 and above) pay, see subparagraph 2.2.1.2 (notes 5, 6 and 7); for members in a missing status, see subparagraph 2.3.2.2.
4	lump-sum payment of accrued leave (basic pay portion)	for any month that CZ or QHDA exclusions do not apply (notes 5 and 6).		when earned in a CZ or QHDA. For limits applicable to commissioned officers' (O-1 and above) pay, see subparagraph 2.2.1.2; (notes 5, 6 and 7) for members in a missing status, see subparagraph 2.3.2.2.
5	a bonus entitlement (including installments)	if earned (reenlists, extends, signs agreement) in a month during which CZTE does not apply.		when earned (reenlists, extends, signs agreement) in a month during which CZ or QHDA exclusion applies, regardless of whether the member fulfills the bonus contract service requirement before entering or after returning from the CZ or QHDA (notes 5, 6 and 7).

Table 44-4. Taxability of Items of Military Pay and Allowances (Continued)

RULE	If item is	then item is (notes 1, 2, and 3) taxable and subject to FITW/SITW	then item is (notes 1, 2, and 3) taxable but not subject to FITW/SITW	then item is (notes 1, 2, and 3) not taxable
6	National Call to Service Bonus (NCSB) or Education Loan Repayment Program (ELRP)			for the NCSB for the actual months that are served in a CZ or QHDA during the initial 15 months of service following initial entry training; and for the ELRP for the actual month served in a CZ or QHDA out of the 12-month period. (note 6 and note 8)
7	separation pay, readjustment pay, or severance pay (except for disability) (note 9)	and remains taxable income subject to reporting and withholding, even if paid during any month in which the CZ exclusion applies.		
8	contract cancellation pay	and remains taxable income subject to reporting and withholding, even if paid during any month in which the CZ exclusion applies.		
9	pay forfeited by court martial sentence or non-judicial punishment (note 10)			and is loss of entitlement to pay in the amount of the forfeiture (however, remaining pay is subject to tax withholding (note 11)).

Table 44-4. Taxability of Items of Military Pay and Allowances (Continued)

RULE	If item is	then item is (notes 1, 2, and 3) taxable and subject to FITW/SITW	then item is (notes 1, 2, and 3) taxable but not subject to FITW/SITW	then item is (notes 1, 2, and 3) not taxable
10	payment(s) of travel and transportation costs incurred while carrying on business of U.S. Government (includes any temporary lodging entitlements)	if assignments are over 1 year. All travel reimbursement expenses are taxable, regardless of whether the reimbursements exceed the traveler's expenses IAW Internal Revenue Code 162(a) and Revenue Rule 99-7.	if the amounts received are in excess of actual travel and transportation costs incurred while carrying on business of U.S. Government. The amount will not be reported on IRS W-2 or 1099, but the member will account for such payment(s) on applicable individual income tax returns.	in temporary assignments lasting a year or less, if members receive the government per diem rate (or an amount less than the per diem rate). The amount received is not taxable, because the members' expenses are deemed to be substantiated IAW Revenue Procedure 2011-47.
11	an incentive payment paid to member for Personally Procured Move per Volume 9, Chapter 6, paragraph 3.2	at time of payment.		
12	muster duty allowance	at time of payment under the provisions of Chapter 58, subparagraph 2.5.2.		
13	funeral duty allowance	at time of payment.		
14	personal money allowance	and will be reported on IRS W-2.		

Table 44-4. Taxability of Items of Military Pay and Allowances (Continued)

RULE	If item is	then item is (notes 1, 2, and 3) taxable and subject to FITW/SITW	then item is (notes 1, 2, and 3) taxable but not subject to FITW/SITW	then item is (notes 1, 2, and 3) not taxable
15	an allowance (Basic Allowance for Subsistence, Basic Allowance for Housing, Family Separation Allowance, clothing and uniform allowances, and overseas station allowances) (note 12)			at any time.
16	death gratuity			at any time.
17	an otherwise taxable item of pay earned by member but unpaid at death		and will be reported on IRS 1099-MISC when paid to beneficiary (note 13).	if the pay was subject to the CZ or QHDA exclusion. See Rules 1-4.
18	special separation bonus or voluntary separation incentive (VSI)	at the flat withholding rate (currently 22 percent) for FITW and at the appropriate SITW rate for Special Separation Bonus payments and initial VSI payments. Withhold taxes from VSI installment payments at the annual withholding rate contained in IRS Circular E (note 14).		
19	Inactive duty training (IDT) pay	at time of payment (CZTE does not apply to pay for IDTs).		

Table 44-4. Taxability of Items of Military Pay and Allowances (Continued)

RULE	If item is	then item is (notes 1, 2, and 3) taxable and subject to FITW/SITW	then item is (notes 1, 2, and 3) taxable but not subject to FITW/SITW	then item is (notes 1, 2, and 3) not taxable
20	former captive payment (see Chapter 37)		if payment is for former captive status resulting from a lawful action. Payment will be reported on IRS W-2 (note 13).	if payment is for former captive status resulting from the deprivation of personal rights.
21	employer provided home-to-work transportation	even if transportation is provided for security reasons (note 15).		
22	employer-provided parking	to the extent that the value exceeds the monthly exclusion limit (note 15).		to the extent that the value is equal to or less than the monthly exclusion limit.
23	Thrift Savings Plan (TSP)	for Roth TSP contributions, since Roth contributions are after-tax contributions.	For traditional TSP contributions, taxes are deferred until contributions are withdrawn.	if TSP contributions are made from pay earned in a CZ or QHDA (for commissioned officers, limited to maximum monthly CZTE amount).
24	waived portion of court martial forfeiture of taxable pay or pay and allowances (Chapter 48)	see Chapter 48.		

NOTES:

1. Whether military pay and allowances are subject to state income taxes depends upon the law of the member's state of legal residence. Items of pay and allowances that are not subject to FITW, however, will not be subject to SITW. Items of pay and allowances subject to FITW will be subject to SITW if the member's state of legal residence has entered into a withholding agreement with the Secretary of the Treasury. The total or partial exclusion by states of military pay from income will be recognized in the computation of the amount of state income tax to be withheld.
2. If a member receives an overpayment of a taxable pay item, the overpayment should be reported in the year paid unless the CZ or QHDA tax exclusion applies. If recovery of the overpayment is waived, remitted, or canceled, then there are no additional tax reporting requirements. If the overpayment consists of a nontaxable pay item, then the overpayment should not be reported as taxable income if the resulting debt is waived, remitted, or canceled.

Table 44-4. Taxability of Items of Military Pay and Allowances (Continued)

NOTES (Continued):

3. Taxable wages and withholding must reflect the debt in the year the overpayment was received. Collection action will impact taxable wages and withholding (if applicable) as collection is made, but only if made in the same year as the original payment.
4. Excludes the reduction of basic pay for educational benefits under the "New Montgomery GI Bill" after December 31, 1985. Members wishing to increase their Montgomery G.I. Bill benefits may contribute up to $600, IAW ***38 U.S.C. § 3011(e)***. This contribution is not a reduction in basic pay and therefore, does not reduce a member's taxable wages.
5. Add the payments (rules 1 through 6) made currently or at a later date for a commissioned officer (O-1 and above) to other pay for the month (up to the highest rate of pay payable to any enlisted member) to calculate the maximum amount to be applied for CZ or QHDA tax exclusion. (See Chapter 35, subparagraph 2.3.2.)
6. For commissioned officers (O-1 and above), the amount of the maximum CZTE in effect for a qualifying month equals the sum of the basic pay for the senior enlisted member (grade E-9) payable (Basic Pay – Enlisted, Note 3) plus the amount of hostile fire or imminent danger pay actually payable to the officer for the qualifying month.
7. Only pay and allowances actually earned during any month in which a CZ or QHDA designation applies are excludable, even if paid in a later, non-qualifying month. Entitlements earned during any non-qualifying month, but paid in a month the exclusion applies, remain taxable. Accrued leave payments qualify only for that portion of days that were actually earned during a qualifying month.
8. The tax exempt computation for the NCSB and ELRP will be the number of months in the CZ/QHDA divided by 15 months for the NCSB or 12 months for the ELRP. The resulting percentage will be multiplied against the bonus or loan amount. The result will be the tax exempt amount for the member.
9. See Chapter 35, paragraph 5.4 for exceptions to taxation of disability severance pay.
10. This does not apply to waived forfeitures, which are subject to FITW and FICA withholding. See Chapter 48.
11. This does not apply to fines imposed by courts-martial or non-judicial punishments. Withhold tax from the member's full pay credited before deducting the fine. Report the full amount of the pay credited, without deducting the fine, as taxable income.
12. Allowances considered nontaxable on September 9, 1986, remain nontaxable. Any allowance created after September 9, 1986, will be taxable for federal and state income tax purposes unless specified otherwise.
13. Exception is pay earned for any month CZ or QHDA exclusion applies. CZs and QHDAs are so designated by Executive Order or statute, respectively.
14. Special Separation Bonus and VSI payments remain taxable even if a member signs the agreement to separate while serving in a CZ or QHDA.

Table 44-4. Taxability of Items of Military Pay and Allowances (Continued)

NOTES (Continued):

15. Home-to-work provided transportation and employer provided parking.

a. Per the DoD Manual 4500.36-R, the USD Comptroller and USD (P&R) jointly will issue updated annual guidance concerning the valuation, on a monthly basis, of taxable government employer-provided home-to-work transportation fringe benefits provided to certain military members. Armed Forces Tax Council service representatives will annually distribute the updated guidance to the Military Services.

b. Each DoD Component will determine the value, to be calculated on a monthly basis, of government employer-provided taxable parking fringe benefits provided to military members.

c. Valuation must be accomplished utilizing the provisions of the Internal Revenue Code (See IRS Publication 15-B) and Treasury Regulations. Each member's Service will:

(1) Identify members receiving government employer-provided home-to-work transportation and/or parking fringe benefits;

(2) Certify fringe benefits are authorized, calculate and certify the value of the taxable fringe benefits, and submit the appropriate taxable gross income amounts to the servicing DFAS central site, no less often than once a year. Exception: When members receive taxable fringe benefits from active duty assignments outside their DoD Component, the agency providing the taxable fringe benefits (such as parking) calculates the value of the benefit provided, and the member's Service verifies the correctness of the calculation; and

(3) Keep members who receive such benefits advised of the tax liability annually accruing to them.

d. Each member's certified taxable fringe benefits amount must be sent to the servicing DFAS central site no less often than annually and not later than December 15, each year, for processing to:

(1) Include the taxable non-cash benefit amounts in member's gross income;

(2) Withhold and deduct appropriate federal and state income taxes (not FICA taxes); and

(3) Generate an IRS W-2 that reflects the adjusted gross income and withholding amounts. The military services' field finance offices are not authorized to process taxable fringe benefits as additional taxable wages, to withhold applicable taxes, or to generate a manual IRS W-2.

Table 44-5. Collection of Delinquent Taxes by Installment - Change of Member's Status

RULE	When a member who has arranged with the IRS for installment collection of delinquent taxes	and	then	and
1	is discharged or released from active duty	immediately reenlists	deduct from member's pay as agreed with IRS without interruption.	
2	is discharged or released from active duty	does not immediately reenlist	deduct from final pay enough to liquidate the remaining indebtedness, or all available if the remaining indebtedness is more than is available	notify IRS of the member's separation.
3	enters a period of unauthorized absence for which pay, and allowances are not payable	is a member of the Army, Air Force or Space Force	deduct from member's pay, and pay to IRS for the month the absence begins, the amount agreed to or as much as is available if less than agreed to	suspend further deductions and payments for tax indebtedness until member is restored to a pay status. If deductions and payments are suspended at the time additional payment is due, then notify IRS. Remove suspension when member is restored to a pay status. Deduct and pay for the month of restoration as much as is available if less than the agreed to amount.

*Table 44-5. Collection of Delinquent Taxes by Installment - Change of Member's Status (Continued)

RULE	When a member who has arranged with the IRS for installment collection of delinquent taxes	and	then	and
4	enters a period of unauthorized absence for which pay, and allowances are not payable	is a member of the Navy or Marine Corps and a T allotment has not been established	deduct from member's pay, and pay to IRS for the month the absence begins, the amount agreed to or as much as is available if less than agreed to	notify IRS of the member's separation.
5	enters a period of unauthorized absence for which pay, and allowances are not payable	is a member of the Navy or Marine Corps and a T allotment has been established	cancel the T allotment on the 15th day following the date absence began (or earlier if necessary to prevent allotment overpayment)	suspend further deductions and payments for tax indebtedness until member is restored to a pay status. If deductions and payments are suspended at the time additional payment is due, then notify IRS. Remove suspension when member is restored to a pay status. Deduct and pay for the month of restoration as much as is available if less than the agreed to amount.
6	has qualified for collection deferment because of service in a CZ or enters hospitalized/missing status as a result of service in a CZ (see note)		defer initiating collection effective the month entering such status	commence collection IAW paragraph 2.3.2.6.

NOTE: Includes direct support of CZ operations and QHDAs.

*REFERENCES

CHAPTER 44 - WITHHOLDING INCOME TAX

2.0 - WITHHOLDING FROM CURRENT PAY

2.1	Treasury Regulation 1.162-1(b)
2.2.1.	26 U.S.C. § 112
	IRS Publication 3 (2023)
2.2.2.	IRS Publication 80 (2023)
	Title 31, Code of Federal Regulations (CFR), part 215
	Treasury Financial Manual (TFM), Volume 1, Part 3, Chapter 5000
2.3.1. and 2.3.3.	26 U.S.C. § 112
2.3.2.	IRS Publication 3 (2023)
2.3.2.5.	IRS Notice 2002-17, Question and Answer 6
	37 U.S.C. § 351
	DoDI 1340.25
2.3.5.3.	IRS Publication 3 (2023)
2.4	26 U.S.C. § 692(C)
2.5.2.	26 U.S.C. § 3402I
2.6	TFM, Volume 1, Part 3, Chapter 5000
2.6.2.	50 U.S.C. § 4001
2.6.3.	TFM, Volume 1, Part 3, Chapter 5000
2.6.4.	TFM Volume 1, Part 3, section 5070
	TFM, Part 3, Chapter 5000
2.6.5.	Defense Finance and Accounting Service-Denver DGM Memo, March 18, 1993
2.7	26 U.S.C. § 871
2.7.1.2.	26 CFR 301.7701(b)-1
2.8	26 U.S.C. § 3507

3.0 - COLLECTION OF DELINQUENT FEDERAL TAXES BY LEVY

3.1	26 U.S.C. § 6321(a)
	26 U.S.C. § 6331
3.3	26 U.S.C. § 7508
3.4	26 U.S.C. §§ 6331, 6334

Table 44-1 – DESIGNATED DIRECT SUPPORT AREAS OF A CZ

Djibouti	Office of the USD (OUSD) (P&R) Memo, November 21, 2002
Gaza Strip	OUSD (P&R) Memo, May 13, 2025

Israel	USD (P&R) Memo, November 21, 2023
Jordan	USD (P&R) Memo, December 14, 2001 IRS Publication 3 (2023) page 15
Kenya	USD (P&R) Memo, October 6, 2023
Lebanon	USD (P&R) Memo, October 21, 2015 OUSD (P&R) Memo, March 2, 2020
Pakistan	USD (P&R) Memo, December 14, 2001
Somalia	OUSD (P&R) Memo, October 17, 2006 USD (P&R) Memo, December 31, 2013
Syria	OUSD (P&R) Memo, January 7, 2005
Turkey	OUSD (P&R) Memo, April 13, 2017 USD (P&R) Memo, April 13, 2022
Yemen	ASD (FM&P) Memo, August 13, 2002

Table 44-2 – DESIGNATED CZ AREAS

	Executive Order 12744, January 17, 1991 Executive Order 13119, March 24, 1999 Executive Order 13239, September 19, 2001

Table 44-3 – QHDA

	Public Law 104-117, March 20, 1996 Public Law 106-21, April 19, 1999 OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013 Public Law 115-97, section 11026, December 22, 2017

Table 44-4 – TAXABILITY OF ITEMS OF MILITARY PAY AND ALLOWANCES

	26 U.S.C. § 112 IRS Publication 3 (2023)
Rules 5 and 6	Treasury Regulation 1.112-1
Rule 7	26 U.S.C. § 112 Waterman v. Commissioner, 179 F.3d 123 (4th Circuit. 1999)
Rule 10	Public Law 94-212, February 9, 1976
Rule 11	Treasury Regulation 1.62-2

	Treasury Regulation 31.3401(a)
	31 CFR 215.8
Rule 16	26 U.S.C. §134(b)
Rule 18	IRS Notice 1036 (December 2018)
Rule 20	Assistant Secretary of Defense (ASD) Force Management and Personnel (FM&P) Memo, January 15, 1987
	Department of the Treasury Office of Chief Counsel Memo June 24, 1988
	Office ASD(FM&P) Memo, November 18, 1991
Rules 21 and 22	Treasury Regulation 1.162-1(b) (5) and 1.262-2(e)
	IRS Notice 94-3
	10 U.S.C. § 2637
Notes 2 and 3	Treasury Regulation 1.61-12
Note 4	38 U.S.C. § 3011
Notes 5 and 12	Public Law 104-117, March 20, 1996
Note 6	26 U.S.C. § 112
Note 7	26 U.S.C. § 112
Note 11	26 U.S.C. § 134
Note 15	IRS Publication 15-B

Table 44-5 – COLLECTION OF DELINQUENT TAXES BY INSTALLMENT - CHANGE OF MEMBER'S STATUS

Rule 6	26 U.S.C. § 7508

VOLUME 7A, CHAPTER 45: "FEDERAL INSURANCE CONTRIBUTIONS ACT (FICA)"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated March 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision
3.1	Updated the "FICA Percentage Rates" table on DFAS.MIL to include the 2023 rates in accordance with the Internal Revenue Service, Publication 15 (Circular E), dated December 19, 2023.	Revision
References	Updated supporting statutes and references.	Revision

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CHAPTER 45

FEDERAL INSURANCE CONTRIBUTIONS ACT (FICA)

1.0 GENERAL

1.1 Purpose

This chapter establishes policy pertaining to the FICA requirement for Federal Agencies to withhold Social Security and Medicare taxes from the basic pay of military members covered by the Social Security Act, and to pay matching FICA taxes to the Social Security Administration. The FICA tax component for Old Age, Survivors, and Disability Insurance (OASDI) tax is also called Social Security tax, and the FICA tax component for Hospital Insurance tax, is also called Medicare tax. The OASDI tax rate applies only to those basic pay payments that do not exceed the annually variable OASDI wage base. There is no cap on wages subject to the withholding of Medicare tax.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with, the United States Code (U.S.C.), including Titles 26, 36, and 42. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 REQUIREMENTS

2.1 Service members Subject to FICA

Any Service member appointed to, enlisted in, or inducted into any Military Service is subject to FICA tax. This includes Service members serving in:

2.1.1. The Military Service Academies (excluding foreign nationals);

2.1.2. An aviation cadet status; or

2.1.3. A combat zone.

2.2 Taxable Wages

The following wages are subject to FICA withholding:

2.2.1. Basic pay (excluding reduction for educational benefits under the Montgomery G.I. Bill);

2.2.2. Inactive duty compensation;

2.2.3. Taxable amounts earned but unpaid at the date of death (subject to the maximum earnings tax) if paid to the beneficiary during the same calendar year in which the Service member's death occurs;

2.2.4. Basic pay or compensation earned when absence is the result of injury, sickness, or hospitalization;

2.2.5. Taxable amounts received prior to the Government's voidance of the Service member's enlistment contract; and

2.2.6. Waived portions of forfeitures of basic pay payable to dependent(s) of a confined Service member as prescribed in Chapter 48.

3.0 DEDUCTION OF FICA TAX

*3.1 Amount

See the "***Contribution and Benefit Base***" on the Social Security website or the ***FICA Percentages, Maximum Taxable Wages, and Maximum Tax*** table on DFAS.MIL for the withholding percentage rate and the total maximum tax.

3.2 Maximum Tax

Discontinue deductions when the Service member's total active-duty basic pay plus inactive duty compensation equals the annual maximum earnings subject to FICA withholding, and when the maximum tax has been deducted.

3.3 Effect of Punishment, Absence, and Non-Pay Status

See Table 45-1.

3.4 More Than One Employer

Deduct FICA taxes regardless of any amounts previously or currently being deducted by another employer. Each Military Service is considered a separate employer; however, cross-servicing of a Service member's pay account between the Military Services does not constitute a change of employer. A break in service of any length within the same Military Service does not constitute a change of employer. Consider all FICA tax withheld during the calendar year in determining the total amount withheld. If this amount is in excess of the maximum tax, then the Service member may claim the excess from the Military Service concerned, and adjustments will be made accordingly.

3.5 Retroactive Entitlements and Deductions

Retroactive entitlements and deductions will adjust the pay for the year in which they are made and will be reflected in the tax reporting for the quarter in which they are paid. All retroactive payments are subject to FICA withholding at the rates in effect at the time of payment. If the Service member has been discharged, separated, or retired, then issue an Internal Revenue Service (IRS) Form W-2, Wage and Tax Statement.

3.6 Indebtedness

FICA taxes previously withheld may not be used to offset any indebtedness.

Table 45-1. Effect of Punishment, Absence, and Non-Pay Status

RULE	When a Service member	then
1	is fined by court-martial and the fine is deducted from pay	the amount of the fine is subject to FICA tax.
2	is required to forfeit pay as the result of court-martial or nonjudicial punishment	the forfeiture is a loss of entitlement to the basic pay involved, and the lost amount is not subject to FICA tax. (See note)
3	has pay detained under court-martial or nonjudicial punishment	the amount detained is not subject to FICA tax until it is actually paid to the Service member.
4	is absent without leave	the amount of basic pay deducted for the period is not subject to FICA tax.
5	is confined by civil authorities under conditions that require loss of pay	the amount of basic pay deducted for the period is not subject to FICA tax.

NOTE: The waived portion of a forfeiture is taxable income to the confined Service member and is subject to FICA under subparagraph 2.2.6 and Chapter 48.

*REFERENCES

CHAPTER 45 - FEDERAL INSURANCE CONTRIBUTIONS ACT (FICA)

1.0 – GENERAL

42 U.S.C. § 410(l)

2.0 – REQUIREMENTS

2.1	42 U.S.C. § 410(1)(m) 26 U.S.C. § 3121(m)(n)
2.2	42 U.S.C. § 409(d)

3.0 – DEDUCTION OF FICA TAX

3.1	26 U.S.C. §§ 3101; 3102 42 U.S.C. § 430 IRS, Publication 15 (Circular E)
3.4	26 U.S.C. § 3101
3.5	26 U.S.C. § 3102 26 U.S.C. § 6205

Table 45-1

Rule 2	36 Comptroller General 79
Rule 3	26 U.S.C. § 451

VOLUME 7A, CHAPTER 46: "DEDUCTIONS FOR THE ARMED FORCES RETIREMENT HOMES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated May 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	This chapter has been certified as current.	Revision

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CHAPTER 46

DEDUCTIONS FOR THE ARMED FORCES RETIREMENT HOMES

1.0 GENERAL

1.1 Purpose

The Armed Forces Retirement Home (AFRH) is an independent establishment in the executive branch. The purpose of the Retirement Home is to provide residences and related services for retired and former members of the Armed Forces who meet the eligibility requirements of the AFRH. The AFRH includes the AFRH – Washington (Soldiers' and Airmen's Home) and the AFRH – Gulfport (Naval Home).

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 24 and 37. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 AMOUNT

The Secretary of Defense sets the monthly deduction from pay in an amount not to exceed $1.00. The deductions of pay, which are not prorated for partial months of service, are deposited in the AFRH Trust Fund.

3.0 APPLICABILITY

3.1 Members Subject to Deductions

The following members are subject to deductions:

3.1.1. Regular enlisted members,

3.1.2. Warrant officers,

3.1.3. Limited duty officers of the Armed Forces, and

3.1.4. Coast Guard members (when it is operating as a Military Service in the Navy).

3.2 Members Not Subject to Deductions

The following members are not subject to deductions:

3.2.1. Reserve Component members,

3.2.2. Commissioned officers, and

3.2.3. Members in a non-pay status for the entire calendar month.

REFERENCES

CHAPTER 46 - DEDUCTIONS FOR THE ARMED FORCES RETIREMENT HOMES

1.0 – GENERAL

	24 U.S.C., Chapter 10
1.1	24 U.S.C. § 411(a) & (b)

2.0 – AMOUNT

	37 U.S.C. § 1007(i)(1) & (2)

3.0 – APPLICABILITY

3.1	37 U.S.C. § 1007(i)(3)
3.2	37 U.S.C. § 1007(i)(4)

VOLUME 7A, CHAPTER 47: "SERVICEMEMBERS' GROUP LIFE INSURANCE (SGLI) PROGRAM"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
5.0	Updated the content for "SGLI Premiums" section with rates effective July 1, 2025, in accordance with Department of Veterans Affairs Memo, dated January 10, 2025.	Revision
8.0	Updated the content for "Family SGLI (FSGLI)" section with the premium rates for the spouse effective July 1, 2025, in accordance with Department of Veterans Affairs Memo, dated January 10, 2025.	Revision
11.0	Updated the content for "Reimbursement Allowance for SGLI Premium Deduction" section to comply with Department of Veterans Affairs Memo, dated January 10, 2025.	Revision
References	Updated supporting statutes and references.	Revision

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CHAPTER 47

SERVICEMEMBERS' GROUP LIFE INSURANCE (SGLI) PROGRAM

1.0 GENERAL

1.1 Purpose

The SGLI Program is administered by the Department of Veterans Affairs (VA). Eligible members who receive basic pay for one or more days per month, or members of the Ready Reserve who drill for points, are responsible for the payment of SGLI and Family SGLI (FSGLI) premiums. Coverage and premiums are discussed in sections 2.0 and 5.0, respectively.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are primarily derived from, and prepared in accordance with, Title 38 of the United States Code (U.S.C.). Due to the extent of the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 SGLI COVERAGE

2.1 Eligibility

2.1.1. Full-Time Coverage. Full-time coverage automatically insures eligible members against death when a member is performing active duty (AD) or active duty for training (ADT) for an ordered period of more than 30 days, or while on full-time duty as a cadet or midshipman at a Service Academy. All members of the Ready Reserve and National Guard who are assigned or attached to a unit or position that may require performing active duty or active duty for training and will be scheduled to perform at least 12 periods of inactive duty for training (IDT) annually, are also eligible for full-time SGLI coverage. Members may elect, waive, or decrease coverage for an amount less than $500,000 in $50,000 increments in accordance with paragraph 2.2.

2.1.2. Part-Time Coverage. Part-time coverage insures the following eligible members against death while performing AD or ADT for an ordered period of less than 31 days:

2.1.2.1. Commissioned, warrant, or enlisted members of the Army, Navy, Air Force, Space Force, Marine Corps, and Coast Guard Reserves;

2.1.2.2. Members of the Individual Ready Reserve (IRR) during 1-day call-ups;

2.1.2.3. Members of the Army and Air National Guard performing duty at:

2.1.2.3.1. Rifle ranges for the training of civilians in the use of military arms;

2.1.2.3.2. Required drills;

2.1.2.3.3. Field exercises;

2.1.2.3.4. National Guard Schools;

2.1.2.3.5. Small arms competitions; and

2.1.2.4. Members, Cadets, or midshipmen of the Reserve Officers Training Corps while attending field training or practice cruises. (See the SGLI ROTC Coverage Table in the ***Servicemembers' and Veterans' Group Life Insurance (VGLI) Handbook, Appendix F***).

Note: An eligible member is insured during the days of actual duty performed and becomes eligible for full-time coverage when the member performs AD or ADT for an ordered period of more than 30 days.

2.2 Coverage Amount

2.2.1. Amounts. The initial and maximum coverage amount is $500,000.

2.2.2. Waiving or Reducing Coverage. Members, except those specified in section 12.0, may elect coverage for an amount less than $500,000, in $50,000 increments, or may elect to waive coverage.

2.2.2.1. Waiving SGLI coverage will also waive Traumatic Injury Protection SGLI (TSGLI) and FSGLI coverage for the spouse and all dependents.

2.2.2.2. Reducing SGLI coverage may impact maximum FSGLI coverage for the spouse (see section 8.0).

2.2.3. Reinstating or Raising Coverage. A member who is covered for an amount less than the maximum SGLI coverage may apply later in writing for increased coverage, up to the maximum SGLI coverage, with proof of good health. Members required to have the maximum coverage per subparagraph 2.2.4 are not required to provide proof of good health.

2.2.4. Requirement for Maximum Coverage. Separate from section 12.0, a member with the following duty statuses must have a reset of coverage to the maximum amount without proof of good health:

2.2.4.1. Members changing duty status, such as an Active-Component member becoming a Reservist or a Reservist being released from active duty. Coverage may be waived or reduced any time after the reset.

2.2.4.2. Part-time coverage members qualifying for full-time coverage, such as Reservist going on AD for over 30 days. Coverage may be waived or reduced any time after the reset.

2.3 Periods of Coverage

See Table 47-1.

2.4 Forfeiture of Coverage

Any person guilty of mutiny, treason, spying, desertion, or who, because of conscientious objections, refuses to serve in the Armed Forces of the United States, or refuses to wear the uniform of the Armed Forces, forfeits all rights to any coverage. This insurance is not payable for death inflicted as a lawful punishment for crime or for military or naval offense, except when inflicted by an enemy of the United States.

2.5 Coverage After Separation or Retirement

2.5.1. The following members are eligible to convert their full-time SGLI coverage to VGLI:

2.5.1.1. Members that are being released from AD or ADT for a period of not less than 31 days;

2.5.1.2. Members of the Ready Reserve or National Guard who are separated, retired, or released from assignment;

2.5.1.3. Members assigned to IRR or Inactive National Guard (ING); or

2.5.1.4. Members who have part-time SGLI and who, while performing duty, suffered an injury or disability which rendered them uninsurable at standard premium rates (See the VA Handbook for part-time SGLI coverage conversion requirements and limitations).

2.5.2. Members of the IRR and ING have one year and 120 days from the date they become members of these organizations to apply for VGLI.

2.5.3. To apply for VGLI without any health review, the member should submit an application with the required premium to the Office of SGLI (OSGLI) within 240 days after separation or assignment to IRR/ING.

2.6 Continuation of Coverage

Any election made remains in effect during continuous obligation to perform duty in the same Uniformed Service, including any AD for a period of more than 30 days in which a member is serving, and for 120 days thereafter.

3.0 SERVICE NOTIFICATIONS

3.1 Married Member's Designation of a Beneficiary Other Than the Spouse

In accordance with ***38 U.S.C. § 1967***, if a member is married and previously designated his or her spouse as beneficiary for SGLI coverage, and then designates a beneficiary other than his or her current lawful spouse or child(ren), or makes an election for reduced or no coverage, the Secretary concerned will notify the spouse in writing, at the last address of record, of the change in beneficiary. The advisory must be made as quickly as possible, or within 30 days from the date of such election. The notification will not include the name(s) of the actual designated beneficiary(ies). Currently, the Defense Manpower Data Center is handling the release of all spousal notification letters under this provision for all Secretaries concerned.

3.2 Failure of Direct Remitters to Pay Premiums

See paragraph 5.3.

4.0 APPELLATE LEAVE

When placed on appellate leave following confinement with total forfeiture of pay and allowances (during which coverage had been properly stopped, see Table 47-1, rule 9), coverage is not reinstated. If appellate leave is followed by a restoration to duty with pay, then coverage is reinstated on the date the member returns to full duty status and continues during the period of excess leave. Coverage is reinstated at the amount in effect on the day prior to its stoppage.

*5.0 SGLI PREMIUMS

5.1 Premium Rates

The following premium rates are effective July 1, 2025. See Table 47-1 for rules on starting and stopping deductions.

5.1.1. Full-Time Coverage. For members who meet the requirements for full-time coverage, the premium rate is 5 cents per month per $1,000 of coverage, $2.50 monthly for each $50,000, or $25.00 monthly for the current maximum coverage of $500,000. An additional $1 premium is charged each month for TSGLI as described in paragraph 9.7. TSGLI coverage is automatic for those insured under SGLI and can be declined only by waiving SGLI coverage.

5.1.2. Part-Time Coverage. The premium rate for part-time coverage is the same as full-time coverage; however, it is charged on an annual basis rather than monthly. Members of the IRR will be charged $.80 for maximum coverage ($.16 per $100,000) for 1-day call-ups. An additional premium is charged for TSGLI as described in paragraph 9.7. The annual premium is collected from the member's pay account during the first period of duty in which the member is in a pay status.

5.1.3. Proration. Monthly deductions are not prorated for partial months of service. The full monthly premium will be deducted for any month a member is covered for at least 1 day. During months in which coverage amounts change, the full month's premium for the higher coverage rate will be deducted.

5.2 Non-Pay Status

During any month in which a member is assigned to the Ready Reserve of a Uniformed Service and insured by SGLI, the Uniformed Service concerned will contribute from the appropriation for AD pay, the share of the cost attributable to insuring the member under this policy. Any amounts contributed on behalf of the member will be collected by deduction from the member's pay or otherwise, which may include establishing a debt against the member's pay account and will be credited to the appropriation from which the contribution was made.

5.3 Direct Remitters

5.3.1. Each Service must have clearly established programs to identify members who are required to make a direct remittance of premiums. Services must notify members at least 30 days in advance of the date the direct remittance is due. The notice will include the amount of the payment, the date it is due, and the Service's address to which the payment should be sent. The member must make remittance within 30 days from the date of the notice.

5.3.2. When the Secretary concerned determines that a member has failed to make direct remittance within 60 days of the due date, the Secretary concerned will send a "Notice of SGLI Termination" to the member's official address. The notice must clearly state that, effective 60 days from the date of such notice, the member's SGLI will be terminated. Termination of the insurance may be vacated if, before the expiration of 60 days from the date of the "Notice of SGLI Termination," the member remits all amounts past due for SGLI coverage and can justify the failure to make timely remittance to the Secretary concerned.

5.4 Refunds

Refunds will not be made in the case of amounts deducted before the effective date of any election for reduced or waived coverage. When an application for restoration or increase in SGLI or FSGLI coverage is approved, the effective date is the date of the application.

6.0 EXTRA HAZARD COSTS

6.1 Cost

In addition to a deduction from the member's pay, each Military Service contributes from its appropriations an amount (determined by the VA) attributable to the extra hazard cost of SGLI. This premium reflects the cost of death claims in excess of the level of death claims that would result from normal peacetime service.

6.2 Payment

The Military Services centrally pay the premium for extra hazard costs, along with the member premiums, to the VA.

7.0 SETTLEMENT OF SGLI CLAIMS

Death claims must be filed with the OSGLI. The order of precedence for payment is the same as prescribed in subparagraph 9.9.3. OSGLI will reduce the insurance proceeds by the amount of any member premiums not paid in advance by the branch of service. If the branch of service has paid premiums in advance for the member, then DFAS or the military service pay office has to collect the premiums owed from the member's estate. Effective July 1, 2011, the SGLI Form (commonly named and referred to as ***SGLV Form 8283***), Claim for Death Benefits, and ***SGLV Form 8283A***, Claim for Family Coverage Death Benefits, were updated to reflect that the settlement payment options for the beneficiaries are:

7.0.1. Lump Sum – Prudential's Alliance Account;

7.0.2. Lump Sum – Electronic Funds Transfer (EFT);

7.0.3. Lump Sum – Check; or

7.0.4. Monthly installments.

*8.0 FSGLI

8.1 Eligibility

FSGLI automatically covers civilian spouses and dependent children (insurable dependents) of Uniformed Servicemembers, with some exceptions. In order for the civilian spouse and children to be eligible for family coverage, the servicemember must be enrolled in the full-time SGLI coverage. Enrollment for members of the Uniformed Services is based on dependent information in the Defense Enrollment Eligibility Reporting System (DEERS). For Marine Corps members, enrollment is based on dependent information in the Marine Corps Total Force System (MCTFS).

NOTE: Effective October 10, 2008, coverage was expanded to include the member's stillborn child.

8.2 Civilian Spousal Coverage

The civilian spouse of an eligible member is automatically covered for $100,000. More information about spousal coverage for members married to other members is provided in paragraph 8.5. The coverage may be reduced in $10,000 increments or waived. Coverage of a civilian spouse cannot exceed the member's SGLI coverage. For example, if the member's SGLI coverage is $50,000, then the coverage for the civilian spouse cannot exceed $50,000.

8.3 Cost

The premiums are based on the age and the amount of coverage. The premium rates for the spouse are as follows:

Effective July 1, 2025

Age	Monthly Rate (Per $1,000)	Monthly Cost (Per $100,000)
Under 35	$0.040	$4.00
35 – 39	$0.047	$4.70
40 – 44	$0.062	$6.20
45 – 49	$0.085	$8.50
50 – 54	$0.135	$13.50
55 – 59	$0.230	$23.00
60 and over	$0.400	$40.00

8.4 Dependent Children's Coverage

Dependent children are covered regardless of spousal coverage at no cost to the member. The current coverage amount is $10,000. The member may not decline coverage or elect to insure any child for less than this amount. In the case of a member married to another member, a child may not be insured by more than one member. The child will be insured by the coverage of the member whose eligibility for insurance occurred first, except in cases where the senior member does not have legal custody of the child or when the child is stillborn, in which case it is paid to the Servicemember who is the mother. In such cases, the child will be insured under the coverage of the member who has custody of the child.

8.5 Member Married to Member

8.5.1. A member married to another member is eligible for coverage under this program. Members who were married on or before January 1, 2013, were automatically enrolled for FSGLI when their marriage was reported to DEERS/MCTFS. Members married on and after January 2, 2013, who want the FSGLI spouse coverage, must complete the FSGLI enrollment documentation through their servicing personnel offices. On November 27, 2020, VA amended its regulations on SGLI-covered members who marry another SGLI-eligible member (member spouse) after January 1, 2013. or a member whose spouse becomes a member spouse after January 1, 2013, to receive FSGLI coverage on a member spouse at the maximum statutory amount or a lesser amount, or to increase existing FSGLI coverage on a member spouse.

8.5.2. A member married to a member may elect or increase FSGLI coverage for a member spouse, without a requirement to show good health, within 240 days of the member's marriage to another member, the member's spouse entering service (if they did not already have coverage prior to entering service), or the member's spouse separating from service (if they did not already have spouse coverage). If a member does not elect or increase FSGLI coverage within this 240-day "no health" period, then the member can still receive or increase FSGLI coverage by applying for such

coverage and submitting proof of the member spouse's good health. The regulation also states that FSGLI coverage in force at the time a spouse or child enters service will continue, and the member is not required to elect or reapply for such coverage.

8.6 Effective Date

Family coverage under SGLI is effective on the latest of the following dates:

8.6.1. The date member enrolled in SGLI;

8.6.2. In the case of the spouse, the date of marriage if the spouse is not a member of the Uniformed Service, or the date of the approved application for Spousal FSGLI coverage; or

8.6.3. In the case of the child, the date of birth. If a child is not a natural child of the member, then the date on which the child acquires status as a dependent of the member.

8.7 Reinstatement or Increase in Coverage

Requests to increase or restore FSGLI coverage must be entered in the SGLI Online Enrollment System (***SOES***) or by completing the ***SGLV Form 8286A*** (should only be used when SOES is unavailable). The health questions must be answered. Proof of good health of the spouse is required to be eligible to increase or restore FSGLI coverage. If the good health requirement is met, then the effective date of reinstatement or increase of coverage is the date the application is received by the member's branch of service. Proof of health is required for military spouses regardless of that spouse's own SGLI coverage.

8.8 Termination of Coverage

8.8.1. Family coverage under SGLI will stop 120 days after the date the member makes a written election to terminate SGLI or FSGLI coverage or the earliest of:

8.8.1.1. 120 days after the date of the member's death;

8.8.1.2. 120 days after the date of the member's separation from service; or

8.8.1.3. In the case of spouse, 120 days after the termination of the marriage; or

8.8.1.4. In the case of child, 120 days after the termination of the dependent status of an insurable dependent of the member.

8.8.2. Spouses, but not dependent children, can convert their FSGLI coverage during the 120-day period to an individual permanent plan of insurance with a participating SGLI Program insurer.

8.9 Refunds

See paragraph 5.4.

8.10 Beneficiary

The member is the primary beneficiary for family coverage. For the settlement of a claim, refer to section 7.0.

9.0 TSGLI

9.1 Definitions

The following definitions are applicable only to this section.

9.1.1. Traumatic Event. A traumatic event occurs during the application of external force, violence, chemical, biological, or radiological weapons, accidental ingestion of a contaminated substance, or exposure to the elements that cause damage to a living being. A traumatic event does not include cases involving adverse reactions to vaccinations, surgical trauma, or adverse outcomes of medical procedures.

9.1.2. Traumatic Injury Protection. Traumatic injury protection provides for the payment of a specified benefit amount to a member insured by SGLI (see the note at the end of paragraph 9.2) who sustains a traumatic event that results in a traumatic injury directly resulting in a scheduled loss.

9.2 Eligibility

The TSGLI under the SGLI program provides payments to severely injured members who suffer a scheduled loss as a direct result of traumatic injury incurred under conditions in subparagraph 9.1.1, such as loss of an arm or leg. If a member suffers more than one such qualifying loss as a result of traumatic injury from the same traumatic event, then payment will be made for a single loss providing the highest payment. This monetary assistance helps the member through an often long and arduous treatment and rehabilitation period. In order for a member to be eligible for TSGLI benefits, the member must meet the following requirements:

9.2.1. Be a member of the Uniformed Services and insured by SGLI (see the note at the end of paragraph 9.2) under paragraph 2.1 on the date of the traumatic event. For this purpose, the member will be considered a member of the Uniformed Services until midnight on the date of termination of the member's duty status in the Uniformed Services that established eligibility for SGLI;

9.2.2. Must suffer a scheduled loss (See the ***TSGLI Loss Schedule***) as a direct result of a traumatic injury and no other cause;

9.2.3. Must survive a period of not less than 7 full days from the date of the traumatic injury. The 7-day period begins on the date and Zulu (Greenwich Meridian) time of the traumatic injury and ends 168 full hours later; and

9.2.4. Must suffer a scheduled loss (See the TSGLI Loss Schedule) within 2 years (730 days) of the traumatic injury.

Note: If injured on or after December 1, 2005, the member must be insured by SGLI at the time of the traumatic event. If injured from October 7, 2001, through November 30, 2005, the member does not need to be insured under SGLI to qualify for a TSGLI payment.

9.3 Limitations

A benefit will not be paid if a scheduled loss is due to a traumatic injury caused by:

9.3.1. The member's attempted suicide, while sane or insane;

9.3.2. An intentionally self-inflicted injury or an attempt to inflict such injury;

9.3.3. Diagnostic procedures, preventive medical procedures such as inoculations, medical or surgical treatment of an illness or disease, or any complications arising from such procedures or treatment;

9.3.4. Willful use of illegal or controlled substance, unless administered or consumed on the advice of a medical doctor; or

9.3.5. Injuries sustained while committing, or attempting to commit, a felony.

9.4 Other Limitations

A benefit will not be paid for a scheduled loss resulting from:

9.4.1. A physical/mental illness or disease, whether or not caused by a traumatic injury, not including illness or disease caused by a pyogenic infection, biological, chemical, or radiological weapons, or accidental ingestion of a contaminated substance; or

9.4.2. A mental disorder whether or not caused by a traumatic injury.

9.5 Effective Date

All members covered by the SGLI program will be automatically covered under TSGLI. Members must decline SGLI coverage in order to cancel TSGLI. See Table 47-1 for periods of SGLI coverage.

9.6 Amount of Coverage

Members who suffer a scheduled loss as a direct result of a traumatic injury and meet all other eligibility criteria are eligible to receive monetary compensation of not less than $25,000 and not more than $100,000 per traumatic event.

9.7 TSGLI Premium

Deduct a monthly premium of $1.00 in addition to SGLI premiums from the member's pay the month the member's SGLI coverage begins. Reservists with Part-Time SGLI coverage pay $1.00 per year for TSGLI coverage. There is no cost for TSGLI coverage for a member while performing funeral honors and muster duties.

9.8 Termination of TSGLI

9.8.1. TSGLI coverage terminates at midnight of the date of the member's separation from service.

9.8.2. TSGLI coverage is not in effect during the 120-day post-separation period or during the 2-year SGLI disability extension.

9.8.3. TSGLI cannot be converted to VGLI or commercial coverage.

9.9 Payment of Traumatic Injury Protection Benefit

A member who is eligible for payment under TSGLI will have the benefit paid directly to him/her, except in the following circumstances:

9.9.1. If the member is legally incapacitated, then the member's legal guardian, conservator, or attorney acting under a valid Power of Attorney will be paid the benefit on behalf of the member.

9.9.2. If no guardian, conservator, or attorney is authorized to act as the member's legal representative, then a military trustee who has been appointed will be paid the benefit on behalf of the member. The military trustee will report the receipt of the traumatic injury benefit payment and any disbursements from that payment to the DoD per subparagraph 10.3.4.

9.9.3. If a member who is eligible for payment of TSGLI benefits dies before payment is made, then the beneficiary or beneficiaries will be paid the benefit in the following order of precedence:

9.9.3.1. SGLI beneficiary designated by the member in writing, if the designation is received by the Military Department concerned before the member's death;

9.9.3.2. Surviving spouse;

9.9.3.3. Children and their descendants, by representation. The term "children" includes the following:

9.9.3.3.1. Legitimate Children;

9.9.3.3.2. Legally Adopted Children; and

9.9.3.3.3. Illegitimate Children. The illegitimate child of a female member is an eligible beneficiary. An illegitimate child of a male member is an eligible beneficiary only if:

9.9.3.3.3.1. The member acknowledges the child, in writing, with a signature;

9.9.3.3.3.2. The member has been judicially ordered to contribute to the child's support;

9.9.3.3.3.3. The member has been, before his death, judicially decreed to be the father of such child;

9.9.3.3.3.4. Proof of paternity is established by a certified copy of the public record of birth or church record of baptism showing that the insured was the informant and was named as father of the child; or

9.9.3.3.3.5. Proof of paternity is established from the service department or other public records, such as school or welfare agencies, which show that with his knowledge the insured was named as father of the child;

NOTE: A stepchild is not an eligible beneficiary unless adopted by the deceased member.

9.9.3.4. Father and mother in equal parts or, if either is dead, then the survivor;

9.9.3.5. Legal representative of the deceased member's estate; or

9.9.3.6. Other next of kin entitled under the law of the domicile of the deceased member.

9.10 Taxability

All benefits paid under any law administered by the VA are exempt from taxation. SGLI is a benefit administered by the VA; therefore, is not taxable. If an overpayment occurs and the overpayment is not returned, then the benefit may be taxable.

9.11 Settlement of Claims

The member must complete and sign Part A of the ***SGLV 8600***, Application for TSGLI Benefits, and then have a medical professional, who is a licensed practitioner of the healing arts acting in the scope of his/her practice, complete Part B. The application must then be submitted to the member's Service representative for review and certification. Once the claim is approved, the Service representative will forward the claim to OSGLI for payment.

9.12 Appeal of Eligibility Determination

To appeal the denial of a claim for TSGLI benefits, an appeal of eligibility determination must be submitted in writing by the member or member's legal representative, or by the beneficiary or the beneficiary's legal representative, within 1 year of the date of the denial of eligibility. If an appeal is received outside of the one-year period and contains new material evidence, it is treated as a new claim, and the appeal period starts over. The appeal must be submitted to the office of the Uniformed Service identified in the decision regarding the member's eligibility for the benefit.

10.0 DESIGNATION OF FIDUCIARY OR TRUSTEE UNDER TSGLI

10.1 Authority

The Secretary concerned, in consultation with the Secretary of VA, will develop a process for the designation of a fiduciary or trustee of a member of the Uniformed Services who is insured against traumatic injury under section 9.0. The trustee will receive payment for a qualifying loss in the circumstance specified in paragraph 10.2.

10.2 Appointment of Fiduciary or Trustee

If a member is legally incapacitated and has no legal guardian, conservator, or attorney acting on his or her behalf, then a fiduciary or trustee may be appointed to act on the member’s behalf. The authority to appoint military trustees has been delegated to the Director, DFAS Cleveland.

10.2.1. The fiduciary or trustee appointed by the Director, DFAS Cleveland, has the authority to receive, expend, and account for monies received from the military and, specifically under this section, TSGLI benefits. The trustee must use the monies received for the benefit of the member.

10.2.2. All applications to appoint a trustee and related documentation should be submitted to:

Defense Finance and Accounting Service
U.S. Military Retired Pay
8899 E. 56th Street
Indianapolis, IN 46249-1200

10.2.3. The Director, DFAS Cleveland, may designate one of the following persons as trustee for a mentally incapacitated military member if the person (except for a lawful spouse) is 21 years of age or over:

10.2.3.1. Lawful spouse (not subject to age requirement);

10.2.3.2. Children:

10.2.3.2.1. Legitimate Child; or

10.2.3.2.2. Adopted Child;

10.2.3.3. Father and mother;

10.2.3.4. Head of an institution if member is a patient; or

10.2.3.5. Any other person or persons, if determined to be in the best interest of the member.

10.3 Authority of Fiduciary or Trustee

The fiduciary or trustee:

10.3.1. Will submit a DoD ***(DD) Form 2827***, Application for Trusteeship, as verification of appointment as trustee of the member;

10.3.2. May request either EFT or check. If fiduciary or trustee does not select a payment option, the TSGLI will be paid by check; and

10.3.3. Must provide an annual accounting of any disbursements, including the TSGLI payments, to the Director, DFAS Cleveland. The report must show all funds received, all expenditures made on behalf of the member, and a statement of the condition of the trustee's account at the time the report is submitted. Upon request, the trustee may be required to provide receipts, cancelled checks, voucher accounts, savings account passbook, and other supporting financial documents of the trustee account.

*11.0 REIMBURSEMENT ALLOWANCE FOR SGLI PREMIUM DEDUCTION

11.1 General

Effective December 23, 2016, the Secretary concerned will pay an allowance to a member of the Armed Forces based on the SGLI premium of the SGLI coverage held by a member while serving in a designated duty assignment at any time during the month. For the purpose of the reimbursement allowance for SGLI deduction, the term "designated duty assignment" means a permanent or temporary duty assignment outside the United States or its possessions in support of a contingency operation in an area that:

11.1.1. Has been designated a combat zone; or

11.1.2. Is in direct support of an area that has been designated a combat zone.

11.2 Premiums

The allowance is equal to the SGLI premium for the SGLI coverage the member elected plus the premium for TSGLI. See the following example to determine the amount of the allowance.

Example: A member, deployed in August 2019 to a designated duty assignment, chooses to retain coverage of $400,000. That member's August 2019 premium would be $21.00 ($2.50 for $50,000 of coverage times 8, plus $1.00 for TSGLI). The allowance reimbursement would equal the premium of $21.00.

11.3 Tax Implication

The premium amount for the first $50,000 of coverage is excluded from taxable income. Therefore, and based on the example in paragraph 11.2, the member's taxable amount is $18.50 ($21.00 less $2.50). The $18.50 amount may also be excludable from taxable income if the amount is earned while serving in a Combat Zone Tax Exclusion (CZTE) area. For officers, however, the exclusion of the allowance from taxable income is subject to application of the monthly maximum CZTE. See Chapter 44.

12.0 MAXIMUM COVERAGE REQUIREMENT

Effective August 13, 2018, in accordance with 38 U.S.C. § 1967, a member deployed to a combat theater of operations must be insured for the maximum amount of coverage under the SGLI program while deployed. The maximum amount of coverage begins on the date of deployment. At midnight on the last day of the month of the Servicemember's return from deployment, their coverage will return to the amount they had prior to deployment. Any member required to have such coverage will be reimbursed under section 11.0.

Example 1: A member on AD declines coverage in April 2019, then is deployed to a combat theater of operations on July 10, 2019, and returns on August 15, 2019. The member will have maximum coverage from July 10 through August 31. On September 1, SGLI coverage will return to zero.

Example 2: A Ready Reservist reduced SGLI coverage to $200,000 upon entering the Ready Reserves. The Ready Reservist is called to AD in a combat theater of operations in July 2019. SGLI coverage automatically increases to the maximum SGLI coverage level due to the change of duty status in July 2019. The Ready Reservist deploys to the combat theater of operations in August 2019. The Ready Reservist cannot decline coverage while deployed to the combat theater of operations, as the law requires maximum coverage during a deployment to a combat theater of operations. The Ready Reservist returns from

the combat theater of operations in December 2019. The Ready Reservist can now reduce their SGLI coverage to $200,000 again. However, their coverage will again increase to the maximum coverage level when they return to Reserve status because this is a change of duty status from AD to Reserve. Maximum basic coverage is automatically in effect unless member again chooses a reduced amount.

13.0 SGLI ONLINE ENROLLMENT SYSTEM

Members with full-time SGLI coverage are no longer required to complete the paper ***SGLV 8286*** to make changes to their coverage or beneficiary elections. Instead, members must utilize the online system, SOES, to manage their SGLI coverages, beneficiaries, and to make election changes.

Members should access SOES whenever they make a beneficiary designation or change a previous designation. When Servicemembers who previously declined coverage have their coverage automatically restored to the maximum coverage level due to either a change in duty status or during a deployment to a combat theater of operations (see section 12.0), they should be advised to go into SOES to name beneficiaries. If no beneficiaries are named, payment in the event of death would be made based on the order of precedence provided for in ***38 U.S.C. § 1970***.

Table 47-1. Effective Dates of SGLI Coverage and Deductions (Full-Time and Part-Time)

RULE	When a member required to perform duty described in section 2.0, or Chapter 58, paragraphs 2.5 or 2.6	then the effective date of	and SGLI deduction (note 1)
1	enters such duty	coverage is the first day of entry on such duty (note 2). Maximum basic coverage is automatically in effect until the member elects reduced coverage or waives coverage (note 3)	starts the month of the date of entry.
2	resumes the obligation or reenters on such duty in the same Uniformed Service the day following termination of such period of obligation (note 4)	coverage is continuous (note 5)	continues at the appropriate rate.
3	elects a reduced amount of coverage after entry on such duty	coverage is the first day of the month following receipt by the Uniformed Service of the member's election, entered on SGLV 8286 (note 6)	starts in the reduced amount the first day of the month following receipt of the member's election. For deduction refunds, see paragraph 5.4.
4	applies for increase or reinstatement of coverage after entry on such duty	coverage is the date of receipt by the Uniformed Service of the application with evidence of good health and if required, approval by OSGLI (note 7)	starts the month of the date the application is received by the Military Service.
5	elects not to be covered (declines or cancels) after entry on such duty	termination is the first day of the month following receipt by the Uniformed Service of the member's election, entered on SGLV 8286 (note 6)	stops at the end of the month in which the member's election is received by the Military Service. For deduction refunds, see paragraph 5.4.
6	is covered full-time and is separated and does not reenter active duty/Ready Reserve duty or immediately resumes part-time coverage	termination is 120 days after separation (note 8)	stops the month of separation.

Table 47-1. Effective Dates of SGLI Coverage and Deductions (Full-Time and Part-Time) (Continued)

RULE	When a member required to perform duty described in section 2.0, or Chapter 58, paragraphs 2.5 or 2.6	then the effective date of	and SGLI deduction (note 1)
7	is covered on a part-time basis and qualified period of duty ends	termination is the day AD or ADT ends, or the hour inactive duty ends (notes 3, 9 and 10)	see paragraph 2.1.
8	is a member of a Reserve Component not covered on a full-time basis and is called to Extended AD, AD for Special Work, or mobilization	coverage is the first day of AD (maximum basic coverage is automatic unless a member applies for reduced or no coverage).	see paragraph 2.1.
9	is covered full-time and is Absent Without Leave, confined by civil authorities under a sentence adjudged by a civilian court, or confined by military authorities under a court-martial sentence involving total forfeiture of pay and allowances	termination is at the end of the 31st continuous day of such status (note 11)	stops at the end of the month in which the 31st day of such status is reached.
10	forfeits rights to SGLI under the provisions of section 2.0 and paragraph 2.4	termination is the end of the day before the date of conviction, refusal to perform service, or refusal to wear the uniform (note 12)	stops at the end of the month in which coverage is terminated.

NOTES:

1. Members in an excess leave status normally remain eligible for coverage. (See section 4.0 for the appellate leave exception.) Establish monthly premiums in such cases as deductions against member pay accounts or collect as cash according to procedures of the Military Service concerned.
2. First-time enlistees in the Ready Reserves are eligible for coverage on the date of enlistment when assigned to a Ready Reserve unit, whether they are or are not required to participate in periods of IDT and have not yet been called to their initial AD period. This does not apply to delayed entry AD enlistees.

Table 47-1. Effective Dates of SGLI Coverage and Deductions (Full-Time and Part-Time) (Continued)

3. Elections made by Reserve Component members remain in effect during continuous obligation to perform duty in the same Uniformed Service. Reserve Component members are not required to reelect or reapply for their desired level of coverage each time they perform duty. For the exception, see rule 8.
4. A new period of coverage begins, and new elections must be submitted when a member resumes an obligation to perform duty or reenters on duty in the same Uniformed Service more than 1 day following termination of previous obligation; or when a member assumes an obligation to perform duty and enters on duty in a different Uniformed Service at any time. A member entering active duty after a break in service is automatically covered by the maximum basic coverage, until the member elects otherwise, even though the member may have converted former SGLI coverage to an individual policy following last discharge or release from active duty. A former member, insured under the VGLI Program, who reenters service and is automatically covered by SGLI for $500,000, is notified by OSGLI that they have coverage under SGLI and VGLI and that maximum coverage under law is $500,000. These members should consider ending their VGLI coverage and retain their SGLI coverage. They will once again become eligible to apply for VGLI upon leaving the service after they separate from service.
5. Any previous election for less than $500,000 is cancelled. Maximum basic coverage is automatically in effect unless member again chooses a reduced amount.
6. For members covered on a part-time basis, an election for reduced or no coverage is effective at the end of the last day of the duty period being performed. If the election is made outside a duty period, then the reduced or waived coverage is effective when the election is received by the Military Service.
7. Increase or reinstatement of coverage is contingent upon application by the member and approval by the OSGLI, if required based on answers to the health questions.
8. In the case of members totally disabled on the date of separation from such duty, the member may apply for the SGLI Disability Extension with OSGLI. If approved, the insurance will be in effect at no cost to the member for two years after the date of separation or until the date the insured ceases to be totally disabled, whichever is earlier, but in no event prior to the expiration of 120 days after separation. Members will receive notice from OSGLI prior to the end of the SGLI Disability Extension that coverage will end, and they should remit their first VGLI premium prior to the end of the Extension to ensure future coverage. A VGLI application is not required in this situation.
9. Part-time coverage is in effect only on the days of:
    a. Active Periods. Eligible members of the Reserves or National Guard performing AD or ADT, under calls or orders specifying periods less than 31 days, are insured during actual days.
    b. Inactive Periods. Eligible members of the Reserves or National Guard, performing IDT (brief periods of less than a day of drills) scheduled in advance by competent authority to begin at a specific time and place, are insured during the actual time of such IDT period. Part-time coverage is in effect for IDT, if the site is outside reasonable commuting distance from the member's residence, and includes the time-period of travel to and from such duty, while remaining:

Table 47-1. Effective Dates of SGLI Coverage and Deductions (Full-Time and Part-Time) (Continued)

1. overnight immediately before the commencement of IDT;
2. overnight between successive periods of IDT; or
3. in the vicinity of the site of the IDT.

c. En Route. Members are also covered while proceeding directly to and returning directly from the Reservist active or inactive period of duty.

Note: Members eligible for part-time coverage become eligible for full-time coverage when they perform AD or ADT, under calls or orders that do not specify periods of less than 31 days.

10. Coverage continues for 120 days after the period of duty if the member, during that duty period, incurs or aggravates a disability and the disability renders the member uninsurable at standard premium rates, according to good health standards approved by the VA, and determined by the OSGLI.
11. Members carried in an absent without leave or confined status, except for an offense listed in paragraph 2.3, remain eligible for coverage. Insurance terminated under the provisions of rule 9, together with any elections made, will be automatically reinstated as of the date the member is restored to duty with pay. Start premium deductions at the appropriate rate on the month of the date the member is restored to duty with pay.
12. Members restored to duty under conditions, which, in effect, result in a remission of sentence, may apply for reinstatement of coverage under rule 4.

*REFERENCES

CHAPTER 47 – SERVICEMEMBERS' GROUP LIFE INSURANCE (SGLI) PROGRAM

1.0 – GENERAL

	38 U.S.C. § 1966 Servicemembers' and Veterans' Group Life Insurance Handbook, November 2002, revised December 2021

2.0 – SGLI COVERAGE

2.1	38 U.S.C. § 1968(a)(2) 38 U.S.C. § 1965(5)(B) National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2020, Public Law (P.L.) 116-92, section 952, December 20, 2019 Secretary of the Air Force Memo, December 20, 2019
2.2	38 U.S.C. § 1967 P.L. 117-209, section 2, October 17, 2022 Under Secretary of VA (USVA) Memo, November 14, 2022
2.4	38 U.S.C. § 1973
2.5	38 U.S.C. § 1968(b)

3.0 – SERVICE NOTIFICATIONS

3.1	38 U.S.C. § 1967(f) DoD Instruction (DoDI) 1341.14, January 19, 2017

4.0 – APPELLATE LEAVE

4.1	38 U.S.C. § 1968(a)(1)(B) 10 U.S.C. § 876a

5.0 – SGLI PREMIUMS

5.1	38 U.S.C. § 1971 USVA Memo, May 24, 2019 P.L. 117-209, section 2, October 17, 2022 USVA Memo, November 14, 2022
5.1.1	Department of Veterans Affairs Memo, January 10, 2025
5.2	38 U.S.C. § 1969(a)(2)(A) Office of the Assistant Secretary of Defense Force Management and Personnel (OASD (FMP)) Memo, September 1, 1998

5.3	Office of the Under Secretary of Defense Personnel and Readiness (OUSD (P&R)) Memo, March 28, 2003 USVA Memo, March 27, 2005
5.4	38 U.S.C. § 1969(a)(4) USVA Memo, March 13, 2008 OASD (FMP) Memo, September 1, 1998

6.0 – EXTRA HAZARD COSTS

38 U.S.C. § 1969(b)

7.0 – SETTLEMENT OF SGLI CLAIMS

38 U.S.C. § 1970

8.0 – FSGLI

8.1	38 U.S.C. § 1965(10)
8.2	38 U.S.C. § 1967
8.3	USVA Memo, May 24, 2019 Department of Veterans Affairs Memo, January 10, 2025
8.5	38 U.S.C. § 1967 38 Code of Register (CFR), Part 9, November 27, 2020

9.0 – TSGLI

9.1	38 U.S.C. § 1980A 38 C.F.R. § 9.20 OUSD (P&R) Memo, November 23, 2005 38 U.S.C. § 1980A
9.2	38 U.S.C. § 1980A 38 C.F.R. § 9.20
9.9.2.	37 U.S.C. § 602
9.9.3.	38 U.S.C. § 1970(a)
9.10	38 U.S.C. § 5301

10.0 – DESIGNATION OF FIDUCIARY OR TRUSTEE UNDER TSGLI

10.1	OUSD (P&R) Memo, January 28, 2010 38 U.S.C. § 1980A
10.2	37 U.S.C. § 602 38 U.S.C. § 1970(a)
10.2.1	DFAS Office of General Counsel (OGC) Memo, …March 14, 2024
10.2.3	DFAS OGC Memo, March 14, 2024

11.0 – REIMBURSEMENT ALLOWANCE FOR SGLI PREMIUM DEDUCTION

	37 U.S.C. § 437
11.1	P.L. 114-328, section 644, December 23, 2016
11.2	OUSD (P&R) Memo, April 17, 2006
	Department of Veterans Affairs Memo, January 10, 2025
11.3	26 U.S.C. § 79
	26 U.S.C. § 134
	Department of Veterans Affairs Memo, January 10, 2025

12.0 – MAXIMUM COVERAGE REQUIREMENT

P.L. 115-232, section 625, August 13, 2018
38 U.S.C. § 1967

13.0 – SGLI ONLINE ENROLLMENT SYSTEM

38 U.S.C. § 1970

VOLUME 7A, CHAPTER 48: "COURT-MARTIAL SENTENCES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated October 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
3.1	Updated "Automatic Reduction in Grade" in accordance with the Manual for Courts-Martial (2024 edition).	Revision
References	Updated to reflect current statutes.	Revision

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CHAPTER 48

COURT-MARTIAL SENTENCES

1.0 GENERAL

1.1 Purpose

The purpose of this chapter is to establish policy regarding the impact of court-martial sentences on military pay. This chapter provides policy applicable to cases in which charges are referred to trial by court-martial on or after January 1, 2019. See the previous version of this chapter, dated February 2014, for policy applicable to cases in which the charges were referred to trial by court-martial prior to January 1, 2019.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), including Titles 10, 24, and 37. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 EFFECT OF SENTENCES ON PAY AND ALLOWANCES

2.1 Forfeitures

2.1.1. A sentence to partial forfeiture of pay deprives a member of the amount of pay stated in the sentence. The sentence applies for the number of months or days expressly stated.

2.1.2. Forfeitures apply to pay (and allowances if total forfeitures of pay and allowances are adjudged or imposed by law) becoming due on and after the date forfeitures are effective (see paragraph 6.1), unless the convening authority defers, suspends or remits the forfeitures.

2.2 Fines

A fine is in the nature of a judgment. Fines are effective upon entry of judgment in general and special courts-martial and upon convening authority approval in summary courts-martial. A fine makes a member liable to the United States for the amounts specified in the sentence.

2.3 Forfeiture of Allowances

A general court-martial sentence that includes forfeiture of pay does not include allowances unless it states that it is a forfeiture of all pay and allowances.

3.0 REDUCTIONS IN GRADE

*3.1 Automatic Reduction in Grade

An enlisted member whose court-martial sentence, as set forth in the judgment of the court-martial entered into the record, includes a dishonorable or bad conduct discharge, confinement, or hard labor without confinement, may be reduced automatically to pay grade E-1 if permitted by and under circumstances provided in, regulation prescribed by the Secretary concerned. If the sentence of a member who is thus reduced in pay grade is set aside or disapproved, or as finally affirmed, does not include any of the above punishments, all rights and privileges denied the member because of the reduction are restored. The member is entitled to the pay and allowances to which the member would have been entitled, for the period the reduction was in effect, had the grade reduction not been applied.

3.2 Reduction in Grade Adjudged in Court-Martial Sentence

A reduction in grade that is adjudged in a court-martial sentence takes effect 14 days after the sentence is announced, except in a summary court-martial. In a summary court-martial, an adjudged reduction in grade is effective the date the sentence is approved by the convening authority.

4.0 FORFEITURES

4.1 Pay Subject to Forfeiture

Forfeitures, other than total forfeitures apply to:

4.1.1. Basic pay, based on the member's years of service; and

4.1.2. Career sea pay or hardship duty pay, provided such pay continues to accrue after the effective date of the sentence.

NOTE: Pay allotted voluntarily is subject to forfeiture.

4.2 Pay Not Subject to Forfeiture

Forfeitures, other than total forfeitures of pay and allowances, do not apply to special (other than sea or hardship duty pay) or incentive pay.

4.3 Taxes

A forfeiture is a loss of entitlement to the pay involved. Consequently, forfeitures are not taxed. Compute the amount of pay to be forfeited before withholding for federal and state income and Federal Insurance Contribution Act (FICA) taxes. Compute taxes from the remaining pay not forfeited. See subparagraph 4.7.3.1 for taxation of forfeitures waived for the benefit of dependents.

4.4 Reduction in Grade

If a member's sentence includes or requires a reduction in grade, apply forfeitures to the pay of the grade to which reduced.

4.5 Concurrent Forfeitures

Forfeitures resulting from multiple court-martial sentences can run concurrently. However, the forfeitures, when combined, cannot exceed the applicable jurisdictional limit. For example, if two or more forfeitures result from courts-martial under which the maximum forfeiture which could be imposed is two-thirds of the pay subject to forfeiture, then collect no more than two-thirds of the pay subject to forfeiture for the concurrent period. Following the concurrent period, pay is forfeited under the remaining sentence at the rate specified in the sentence for the time remaining in that sentence.

4.6 Non-Collection of Ordered Forfeitures

If any amount ordered forfeited is not actually withheld or collected during the period specified by the approved sentence, such amount may be collected involuntarily as an erroneous payment as provided in Volume 16.

4.7 Automatic Forfeiture During Certain Court-Martial Confinements and Periods of Parole

4.7.1. General Court-Martial. A member automatically forfeits all pay and allowances while in confinement or in a parole status when the member's sentence includes:

4.7.1.1. Death;

4.7.1.2. Confinement for more than six months; or

4.7.1.3. Confinement of any length and either a dishonorable discharge, a bad conduct discharge, or a dismissal.

4.7.2. Special Court-Martial. The forfeiture provisions in subparagraph 4.7.1 also apply for sentences adjudged by special court-martial. However, automatic forfeitures are limited to two-thirds of all pay. Allowances are not subject to automatic forfeiture in special courts-martial.

4.7.3. Waiver of Forfeitures in Favor of Dependents. The convening authority or a person acting under ***10 U.S.C. § 860a*** or ***10 U.S.C. § 860b*** may waive any or all of the forfeitures of pay and allowances that were imposed by operation of law ("automatically") for a period not to exceed six months. The portion waived is payable to the accused member's dependent(s) as directed by the convening authority or person taking action.

4.7.3.1. Intent of Waiver and Taxability of Waived Forfeiture Amount. Direct payments to dependents, of the waived portion of a forfeiture are intended to provide transitional compensation and direct financial assistance. Because the waived portion of the forfeiture remains

wages generated by the member's military status, it is taxable income to the accused member, even though paid to the member's dependents. Therefore, after appropriate federal, state, and FICA taxes are withheld from the taxable portion of the waived forfeiture amount, the remaining (net) waived amount is paid to the member's dependent(s), as directed. See Chapter 44, Table 44-1.

4.7.3.2. Other Deductions and Collections. The Uniformed Code of Military Justice (UCMJ) contains no provisions for the deduction of any of the items appearing in Chapter 52, Table 52-1 from the waived forfeiture of pay and allowances. Therefore, only applicable taxes listed in subparagraph 4.7.3.1, may be deducted from the waived portion of pay and allowances that would otherwise be forfeited, with the remaining amount paid to the member's dependent(s), as directed by the convening authority. See Chapter 44, Table 44-1 and Chapter 45, Table 45-1.

4.7.4. Effect of Disapproval, Set Aside, or Reduction of Punishment. If the sentence of a member who forfeits pay and allowances under paragraph 4.7 is set aside, disapproved or as finally approved, does not provide for a punishment listed in subparagraph 4.7.1, then pay the member the pay and allowances the member would have been paid, except for the automatic forfeiture, for the period during which the automatic forfeiture was in effect. The payment to the member should be reduced by the amount of any payments made to the member's dependents under subparagraph 4.7.3.

NOTE: Amounts paid to a member under subparagraph 4.7.4, when a punishment has been disapproved, set aside, or reduced, are taxable income in the year they are paid to the member and are subject to appropriate withholding of federal and state taxes.

4.8 No Collection of Forfeitures of Pay During Appellate Leave

A member who has accrued leave before entering an appellate leave status will use his/her accrued leave for the period of appellate leave, unless the member elects to be paid for such accrued leave in a lump sum. Forfeitures will not be deducted from these leave payments in either situation.

5.0 EFFECTIVE DATES OF FINES AND FORFEITURES

5.1 Fines

A fine that is adjudged in a general or special court-martial takes effect when the judgment is entered into the record. A fine adjudged in a summary court-martial takes effect when the convening authority acts on the sentence.

5.2 Forfeitures

5.2.1. Forfeitures of pay or pay and allowances begin 14 days after the sentence is announced, except in the case of a summary court-martial. Forfeitures imposed by a summary court-martial begin on the date the convening authority approves the part of the sentence establishing the forfeiture.

5.2.2. Upon application by the accused, the convening authority may defer the start of the forfeiture any time after the adjournment of the court-martial and before the entry of the judgment. Deferment of a sentence to forfeiture ends when the judge enters the judgment into the record, except in a summary court-martial. In a summary court-martial, the deferment ends when the convening authority acts on the sentence. The convening authority may rescind a deferment at any time.

6.0 COLLECTION

6.1 Forfeitures

Since court-martial forfeitures constitute a loss of entitlement to the pay or pay and allowances concerned, they constitute a reduction of pay that takes precedence over all debts. (See Chapter 52, Table 52-1, rule 1).

6.2 Fines

Fines constitute indebtedness to the United States. Collect fines as follows:

6.2.1. Current Pay. Fines may be collected involuntarily from the current pay of all members. They are collected after all other prior indebtedness for the period involved has been collected. If prior deductions reduce the member's pay by two-thirds of gross pay for any month, no pay accrues against which fines may be applied. In such case, defer collection of fines until pay accrues against which they may be applied.

6.2.2. Final Pay. Fines may be collected involuntarily from a member's final pay after all other indebtedness is collected. Collections will not reduce pay received by enlisted members of the Army, Air Force, or Space Force to less than one-third of gross pay. Separation travel allowances and donations on discharge will not be used to liquidate an indebtedness for enlisted members. Otherwise, all final pay and amounts due the member at separation may be collected involuntarily. See Volume 16.

6.2.3. Appellate Leave. Members on appellate leave are subject to the collection of fines from any lump sum payment of accrued leave paid at the commencement of appellate leave.

6.3 Rate of Collection

Charge forfeitures of pay against a member's pay at the rate required by the sentence until the sentence is fully satisfied. Prorate the monthly rate of forfeiture on a daily basis for a portion of a month. The language of a sentence determines the amount of the fine or forfeiture. Pay cannot be forfeited by implication. For example, a sentence stating, "forfeiture of $20 per month for 6 months" means a forfeiture of $120 to be collected at $20 per month. Conversely, a sentence stating, "forfeiture of $20 for 6 months" means a total forfeiture of $20 is to be collected.

6.4 Non-Pay Status

During periods when a member is in a non-pay status, pay does not accrue against which forfeitures can apply. Do not count such periods in computing the time during which pay is forfeited for a specific period.

6.5 Restoration to Duty

A member restored to duty following a non-pay status is again entitled to pay against which forfeitures may apply.

6.6 Service Beyond Estimated Term of Service (ETS) for Medical Care

The pay and allowances of an enlisted member retained beyond ETS for medical care or hospitalization are subject to forfeitures and fines.

6.7 Non-Collection Due to Administrative Error

Collect court-martial forfeitures not collected due to administrative error when the error is discovered. Collection may be made for the court-martial forfeiture or for erroneous payments made during the period covered by the sentence. Indebtedness of this type cannot be remitted under statutes authorizing remission of indebtedness.

6.8 Pay Due or Accrued

Forfeitures apply to pay earned on and after the effective date of the forfeiture.

6.9 Collection From Members in a Reserve Status

All punishments remaining unserved at the time a member of a Reserve Component is released from active duty, or a normal period of inactive duty training may be carried over to subsequent periods of inactive-duty training or active duty.

7.0 REMISSION, SUSPENSION, AND CANCELLATION OF FORFEITURES

7.1 Death or Separation

7.1.1. The death or discharge of a member under a suspended sentence operates as a complete remission of any unexecuted or unremitted part of a sentence.

7.1.2. Discharge, release from active duty (except under paragraph 6.9), or death of a member under an unsuspended sentence to forfeiture cancels any uncollected portion of the forfeiture which would extend beyond the date of discharge, release, or death.

7.2 End of Term of Service, Unauthorized Absence, or Desertion

The end of term of service of a member in military confinement, unauthorized absence or desertion of a member, stops collections of uncollected forfeitures since no pay accrues against which forfeitures can operate. If an unauthorized absentee or deserter is restored to pay status, then resume otherwise proper collections.

7.3 Restoration to Duty

If a member who was sentenced to total forfeitures and confinement is released from confinement after serving the sentence and is restored to duty, the member is entitled to pay and allowances from the date restored to duty, and the forfeiture becomes inoperative thereafter unless the sentence expressly includes partial post-confinement forfeitures. This applies even though no other action may have been taken to suspend, remit, or mitigate the sentence to total forfeiture.

7.4 Effective Date

An order remitting, mitigating, or suspending the unexecuted portion of a sentence is effective from the date of the order, except when a later date is specified. An order remitting a sentence to fine or forfeiture relieves the member of the unexecuted portion of the forfeiture or fine on and after the effective date.

7.5 Suspension of a Sentence

Suspension of a sentence grants the accused a probationary period during which the suspended part of the sentence is not executed.

7.5.1. Remission

Upon successful completion of the probationary period, the suspended part of the sentence is remitted. Remission cancels the unexecuted part of the sentence to which it applies. When an unexecuted portion of a sentence to forfeiture or fine is remitted, the member is no longer subject to the unexecuted forfeiture or fine.

7.5.2. Vacation of Suspension

Suspensions can be vacated if the accused does not successfully complete the probationary period. When a suspension of a forfeiture or fine is vacated, the uncollected forfeiture or fine is revived and proper for collection.

8.0 SENTENCES DISAPPROVED OR SET ASIDE

8.1 When New Trial or Rehearing Is Not Ordered

When a court-martial sentence is set aside or disapproved and a new trial or rehearing is not ordered, all rights, privileges, and property affected by the executed part of the sentence are

restored to the member. Such restoration includes any pay and allowances lost as a result of an adjudged or automatic forfeiture and an adjudged or automatic reduction in grade.

8.2 New Trial or Rehearing Ordered

8.2.1. Pay Entitlements While Awaiting New Trial or Rehearing

In accordance with regulations established by the Secretary concerned, for the period after the date on which an executed part of a court-martial sentence is set aside, an accused who is pending a rehearing, new trial, or other trial shall receive the pay and allowances due at the restored grade.

8.2.2. Pay Entitlements After Rehearing or New Trial is Completed

8.2.2.1. An accused member is entitled to restoration of all rights, privileges, and property affected by an executed portion of a court-martial sentence that has been set aside or disapproved by proper authority, unless a new trial, other trial, or rehearing is ordered, and such executed part is included in the sentence imposed at the new trial, other trial, or rehearing.

8.2.2.2. When a previously executed dishonorable or bad conduct discharge is not imposed by a new trial, the member is entitled to the pay and allowances which the member would have received had the dishonorable or bad conduct discharge not been executed. When a previously executed dismissal of an officer is not imposed by a new trial, an administrative discharge is substituted. The President may reappoint the officer to the grade and rank the officer would have attained if the officer had not been dismissed. The total time between the dismissal and reappointment is considered as actual service for all purposes, including pay and allowances.

8.3 Limits on New Trial or Rehearing Sentences

Generally, a member may not receive a sentence in a new trial or rehearing in excess of or more severe than the approved sentence that was subsequently set aside.

9.0 PAY AND ALLOWANCES WHILE ON PAROLE

A member released on parole from a disciplinary barracks is considered to be in an authorized leave status and is entitled to pay and allowances to the extent the member has unused accrued leave to the member's credit, less any fines and forfeitures still remaining in effect. Once the member's accrued leave has been used, the member is considered to be in an excess leave or leave without pay status and is not entitled to pay and allowances during this period unless, upon appellate review, the conviction is completely overturned or set aside. If the member is subject to a new trial or rehearing, however, apply the provisions of paragraph 8.2.

10.0 DISPOSITION OF COURT-MARTIAL FORFEITURES AND FINES

Armed Forces (regular and Reserve) court-martial forfeitures and fines of enlisted members, warrant officers, and limited duty officers in excess of government indebtedness and

amounts owed any individuals will be transferred to the Armed Forces Retirement Home Trust Fund. For purposes of this section only, the term "government indebtedness" refers to an amount due from the member for reimbursement to the government. For example, the repayment of an advance of pay is a reimbursement but, an amount due to the Internal Revenue Service, while considered a debt to the government, is not a "reimbursement" or "government indebtedness," for purposes of this section. For the purposes of this section, the term "amounts owed any individuals" refers to amounts owed from a member's pay by direction of a commanding officer pursuant to ***Article 139*** of the UCMJ.

10.1 Separation From Service Not Involved

When enlisted members, warrant officers or limited duty officers have been sentenced by court-martial to forfeit all or part of their pay, no part of the forfeiture is creditable to the Armed Forces Retirement Home Trust Fund until amounts equal to all outstanding indebtedness to the government and amounts owed any individuals have been withheld. Transfer only those amounts forfeited that are in excess of any government indebtedness or amounts owed any individuals.

10.2 Members Who Are Being Separated From Service

A court-martial forfeiture of a limited duty officer, warrant officer, or enlisted member is not credited to the Armed Forces Retirement Home Trust Fund when the member has unsatisfied indebtedness at date of separation, except as shown in paragraph 10.3. Such forfeitures remain in the military personnel appropriation. If the unsatisfied debt at separation is less than the forfeiture, credit the difference between the aggregate unsatisfied debt and the forfeiture to the Armed Forces Retirement Home Trust Fund. (For example: If the uncollected indebtedness is $500 and forfeiture is $600, credit to the Armed Forces Retirement Home Trust Fund the difference of $100 between the unsatisfied indebtedness and the forfeiture.) Transfer amounts collected afterward to counterbalance the indebtedness not to exceed the aggregate forfeiture, less amounts previously credited to the Armed Forces Retirement Home Trust Fund.

10.3 Indebtedness After Forfeiture Becomes Effective

If debts occur to enlisted members, warrant officers or limited duty officers after a court-martial has been executed and before credit of the forfeiture has been made to the Armed Forces Retirement Home Trust Fund, such debts will not affect the disposition of the forfeiture. Credit the forfeiture to the Armed Forces Retirement Home Trust Fund as if the indebtedness did not exist.

10.4 Remission of Indebtedness

If a court-martial forfeiture of an enlisted member, warrant officer or limited duty officer is not credited to the Armed Forces Retirement Home Trust Fund due to outstanding debts, and the unliquidated portion of the debts is thereafter remitted or cancelled, do not credit the forfeiture that equals the amount of indebtedness remitted or cancelled to the Armed Forces Retirement Home Trust Fund. That amount remains in the military personnel appropriation.

10.5 Commissioned Officers

Credit court-martial forfeitures and fines of commissioned officers (except limited duty officers and warrant officers) to the appropriation to which the member's pay is properly chargeable.

11.0 FORFEITURE SENTENCES CARRIED OVER TO SUBSEQUENT RESERVE COMPONENT DUTY

11.1 General

In the case of a forfeiture sentence carried forward according to paragraph 6.9, convert the stated amount of forfeiture to a percentage using the monthly rate of basic pay in Chapter 1, Tables 1-7 through 1-10 for the member's grade and length of service on the date the forfeiture sentence is entered into the record. Apply that percentage to the pay for every period of duty the member actually performs during the stated period of the forfeiture sentence.

11.2 Time Restriction

The forfeiture sentence is satisfied by collection from duty performed during the stated period of forfeiture only. If a member performs no duty during the stated period of the forfeiture sentence, no further collection action is necessary.

Example:

11.2.1. A member, E-4, receives a sentence which includes a forfeiture (either non-judicial punishment or court-martial sentence) of $200 a month for 2 months ($400).

11.2.2. The member's monthly rate of pay is $912.60.

11.2.3. Convert the original forfeiture to a percentage, (200/912.60) = 21.92%.

11.2.4. For each period of duty performed during the stated period of the sentence (2 months), collect 21.92% of the member's pay from active duty and inactive duty training pay.

*REFERENCES

CHAPTER 48 – COURT-MARTIAL SENTENCES

Manual for Courts-Martial (MCM) 2024

2.0 – EFFECT OF SENTENCES ON PAY AND ALLOWANCES

2.1	MCM 2024, Part II, Chapter X, Rule 1003(b)(2)
2.2	MCM 2024, Part II, Chapter X, Rule 1003(b)(3)
	1 Comptroller General (Comp Gen) 291 (1921)
	41 Comp Gen 296 (1961)

3.0 – REDUCTIONS IN GRADE

3.1	10 U.S.C. § 858a
	MCM 2024, Part II, Chapter XI, Rule 1102(b)(6)
3.2	10 U.S.C. § 857(a)(1)

4.0 – FORFEITURES

	36 Comp Gen 79
	36 Comp Gen 755
4.1.2.	MCM 2024, Part II, Chapter X, Rule 1003(b)(2)
4.7.1. & 4.7.2.	10 U.S.C. § 858b
4.7.3.	U.S. v. Gorski
4.8	63 Comp Gen 341, 344 (1984)
	10 U.S.C. § 706(a)

5.0 – EFFECTIVE DATES OF FINES AND FORFEITURES

	10 U.S.C. § 857
5.1	MCM 2024, Part II, Chapter XI, Rule 1102
5.2.2.	MCM 2024, Part II, Chapter XI, Rule 1103
5.2.3.	42 Comp Gen. 279

6.0 – COLLECTION

	36 Comp Gen 79
	38 Comp Gen 788
	36 Comp Gen 755
	41 Comp Gen 269
6.2.1.	37 U.S.C. § 1007(c)
6.2.2.	37 U.S.C. § 1007(d)
6.3	U.S. v. Johnson, 32 C.M.R. 127 (C.M.A. 1962)
6.9	MCM 2024, Part II, Rule 204

7.0 – REMISSION, SUSPENSION, AND CANCELLATION OF FORFEITURES

7.1	MCM 2024, Part II, Chapter XI, Rule 1107(e)
7.3	10 U.S.C. § 509
	37 U.S.C. § 906
7.4	U.S. v. Stewart, 62 M.J. 291, (C.A.A.F. 2006)
7.7	10 U.S.C. § 872

8.0 – SENTENCES DISAPPROVED OR SET ASIDE

	10 U.S.C. § 875
	10 U.S.C. § 858b(c)
8.2	MCM 2024, Part II, Chapter XI, Rule 1208
8.3	10 U.S.C. § 863
	MCM 2024, Part II, Chapter VIII, Rule 810(d)

9.0 – PAY AND ALLOWANCES WHILE ON PAROLE

59 Comp Gen 12

10.0 – DISPOSITION OF COURT-MARTIAL FORFEITURES AND FINES

24 U.S.C. 419 (a) (4)
10 U.S.C. 2772

11.0 – FORFEITURE SENTENCES CARRIED OVER TO SUBSEQUENT RESERVE COMPONENT DUTY

MCM 2024, Part II, Chapter II, Rule 204

VOLUME 7A, CHAPTER 49: "NON-JUDICIAL PUNISHMENT"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated June 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
References	Updated to reflect current references.	Revision

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CHAPTER 49

NON-JUDICIAL PUNISHMENT

1.0 GENERAL

1.1 Purpose

This chapter describes the impact and limitations of non-judicial punishment on a member's pay.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with, the United States Code (U.S.C.), including Title 10. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 AUTHORIZED PUNISHMENTS AFFECTING PAY

Non-judicial punishments which affect pay are forfeiture of pay, reduction in grade, or a combination of these. Except as provided in this chapter, provisions of Chapter 48 relating to forfeiture of pay and reduction in grade by courts-martial also apply when such penalties are imposed as non-judicial punishment.

3.0 LIMITATIONS

3.1 Maximum Forfeiture of Pay

The maximum forfeiture of pay which may be imposed under Article 15, Uniform Code of Military Justice, is outlined in the Manual for Courts-Martial (MCM), United States (2024 Edition), Part V; and Title 10, U.S.C., section 815 (***10 U.S.C. § 815***).

3.2 Forfeiture of Pay

When punishment includes both a reduction in grade, whether or not suspended, and a forfeiture of pay, the forfeiture of pay is based on the grade to which the member was reduced. The amount to be forfeited must be expressed in whole dollar amounts only and not in a number of days pay or fractions of monthly pay. If the forfeiture is to be applied for more than 1 month, the amount to be forfeited per month and the number of months should be stated. Forfeiture of pay may not extend to any pay accrued before the date of its imposition.

4.0 SUSPENSION, REMISSION, SETTING ASIDE, AND MITIGATION OF NON-JUDICIAL PUNISHMENT

See Table 49-1.

5.0 EXECUTION OF PUNISHMENT DURING APPEAL PROCEDURES

A member who incurs non-judicial punishment that the member considers unjust or out of proportion to the offense may, through proper channels, appeal to the next higher authority. The member may be required to undergo the adjudged punishment pending determination of the appeal.

6.0 EFFECTIVE DATES

Forfeitures of pay and reductions in grade, if unsuspended, are effective on the date the commander imposes the punishment. (For Navy and Marine Corps members, however, non-judicial forfeitures of pay do not run concurrently. If a forfeiture of pay is imposed by a non-judicial punishment while a prior forfeiture of pay is still in effect, it will not commence until the prior forfeiture of pay is completed.) Pay accrued by a member before the imposition of the punishment is not subject to forfeiture. When a forfeiture of pay is suspended, the suspension takes effect on the date of the action. When a member is restored to a higher grade by suspension of a reduction in grade, the member is entitled to pay of the higher grade only from the date of suspension. If, however, a reduction in grade or forfeiture of pay is set aside and all rights, privileges, and property affected by it are restored, then the member is entitled to pay as though the reduction in grade had never been imposed. When the suspension of a punishment is vacated, the effective date for pay purposes is the date of the vacation.

7.0 DISPOSITION OF FORFEITURES OF PAY COLLECTED BY NON-JUDICIAL PUNISHMENT

Disposition of pay forfeited as a result of a non-judicial punishment is treated similarly to pay forfeited by court-martial action. Refer to Chapter 48, section 10.0 for disposition policies.

Table 49-1. Suspension, Remission, Setting Aside, and Mitigation of Non-Judicial Punishment

RULE	When non-judicial punishment is	and the punishment has	then the officer imposing the punishment, or the successor in command, may suspend the punishment probationally	or
1	forfeiture of pay	not been executed (note 1)	at any time	remit or set the forfeiture of pay aside (in whole or in part), or mitigate it to lesser forfeiture of pay (note 2).
2	reduction in grade	not been executed	at any time	remit or set the reduction in grade aside, or mitigate it to a forfeiture of pay (note 2 and 3).
3	forfeiture of pay	been executed	only within 4 months after execution	set the forfeiture of pay aside (in whole or in part) (note 4).
4	reduction in grade	been executed	only within 4 months after execution	set the reduction in grade aside in whole or in part, or mitigate it to forfeiture of pay (note 3 and 4).

NOTES:

1. An uncollected forfeiture of pay is considered to be unexecuted during the period for which it was imposed. Upon the expiration of the forfeiture period all unsuspended forfeitures of pay, whether or not collected, are fully executed.
2. The unexecuted portion of a forfeiture or reduction in grade can be remitted at any time.
3. If mitigated, the amount of forfeiture of pay may not be greater than the amount that could have been imposed initially by the officer who imposed the reduction in grade.
4. The power to set aside an executed punishment should ordinarily be exercised only within a reasonable time after the punishment has been executed. Four months is a reasonable time in the absence of unusual circumstances.

*REFERENCES

CHAPTER 49 – NON-JUDICIAL PUNISHMENT

1.0 – GENERAL

10 U.S.C. § 815

2.0 – AUTHORIZED PUNISHMENTS AFFECTING PAY

10 U.S.C. § 815

3.0 – LIMITATIONS

MCM, United States (2024 Edition), Part V, paragraph 1.f

4.0 – SUSPENSION, REMISSION, AND MITIGATION

10 U.S.C. § 815(d)

5.0 – EXECUTION OF PUNISHMENT DURING APPEAL PROCEDURES

10 U.S.C. § 815(e)

6.0 – EFFECTIVE DATES

MCM, United States (2024 Edition), Part V, paragraph 5.g
Army Regulation 27-10, November 20, 2020, Chapter 3, section IV, paragraph 3-21
Navy Judge Advocate General Instruction 5800.7G, CH-2, December 1, 2023, Part B, section 0113
Department of the Air Force Instruction 51-202, January 4, 2022, Chapter 3, section 3C, paragraph 3.17

7.0 – DISPOSITION OF FORFEITURES OF PAY COLLECTED BY NON-JUDICIAL PUNISHMENT

10 U.S.C. § 2772

Table 49-1

MCM, United States (2024 Edition), Part V, paragraph 6
10 U.S.C. § 815(e)
Note 3 10 U.S.C. § 815(d)
Note 4 MCM, United States (2024 Edition), Part V, paragraph 6.d

VOLUME 7A, CHAPTER 50: "BANKRUPTCY"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated April 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated the formatting and hyperlinks to comply with current administrative instructions.	Revision
2.2.5.	Updated subparagraph content for clarity.	Revision

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CHAPTER 50

BANKRUPTCY

1.0 GENERAL

1.1 Purpose

This chapter prescribes the policies to be followed when a Service member files a petition of bankruptcy under Title 11, United States Code (U.S.C.), Chapter 7 or 13.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with U.S.C. Titles 11 and 31. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in the reference section at the end of the chapter.

2.0 BANKRUPTCIES

2.1 General Information

2.1.1. Filing. A member may file a petition of bankruptcy under 11 U.S.C., Chapter 7 or 13 of the Bankruptcy Code. The law waives the U.S. Government's sovereign immunity for purposes of compliance with payroll deduction orders issued by the bankruptcy courts. Accordingly, the Defense Finance and Accounting Service (DFAS) will honor the bankruptcy withholding orders.

2.1.2. Automatic Stay Provisions. An amount of indebtedness owed to the United States that was incurred prior to the filing date of the petition, is described as a pre-petition debt. Collecting debts by offset from the member's pay account is authorized only through the day prior to the date the bankruptcy petition is filed. Continuing deductions from the member's pay after the filing of a petition in a bankruptcy is improper and violates the automatic stay provisions of the bankruptcy statute. Amounts withheld after the date the bankruptcy petition is filed must be refunded to the member. The automatic stay provisions of the bankruptcy statute do not preclude continued deductions based on court-ordered support obligations or divisions of retired pay unless the bankruptcy court orders otherwise. If there are any questions about collecting a debt when a debtor has filed bankruptcy, coordinate with the DFAS Office of General Counsel, Garnishment Law Directorate, as there may be exceptions that affect the collection of a debt or refund due a debtor.

2.1.3. Proof of Claim. Upon notice or actual knowledge of the filing of a bankruptcy petition, when the member has listed the U.S. Government as a creditor, the military pay office will file a proof of claim with the bankruptcy court concerned for all Chapter 13 filings and if requested by the bankruptcy trustee in a Chapter 7 case. The proof of claim is filed with the bankruptcy court on ***Official Form 410***.

2.1.4. Post-Petition Debt. If the bankruptcy is completed and the debtor receives a discharge, then, generally, the listed indebtedness to the United States for pre-petition debts is discharged with few exceptions. Any new debt that was incurred after the filing of the bankruptcy petition is known as a post-petition debt. The bankruptcy proceedings do not affect liability of the debtor for post-petition debts, but may affect the collectability of post-petition debts during the pendency of the bankruptcy. Therefore, prior to taking any collection action on post-petition debts, the matter should be coordinated with the DFAS Office of General Counsel, Garnishment Law Directorate.

2.1.5. Dismissal. If the court subsequently dismisses a bankruptcy case, then collection is permitted by offset if otherwise authorized.

2.2 Procedures

2.2.1. All Bankruptcy Notices and Chapter 13 withholding orders should be submitted or faxed to:

DFAS Office of General Counsel
Attn: Garnishment Law Directorate
P.O. Box 998002
Cleveland, OH 44199-8002
Toll Free Fax: (877) 622-5930
Commercial Fax: (216) 367-3675

NOTE: DFAS Office of General Counsel, Garnishment Law Directorate, is the designated agent for service of process for all military members' bankruptcy notices and bankruptcy withholding orders.

2.2.2. The following information should be included with the bankruptcy order: full name, and full Social Security number.

2.2.3. The bankruptcy notice is effective when it is filed with the court and the provisions of the automatic stay are effective on that date.

2.2.4. When the notice does not sufficiently identify the member, it will be returned directly to the person who submitted the order, with an explanation of the deficiency.

* 2.2.5. Upon receipt of an effective bankruptcy notice, together with all the required information, the Garnishment Law Directorate (office of the designated official) will review the case to determine if there are any involuntary allotments or garnishments that need to be terminated as a result of the automatic stay (child support, alimony, child support arrears, and alimony arrears are not terminated unless the bankruptcy order specifically states so). If applicable, the Garnishment Law Directorate will then establish the withholding order against the member's pay to comply with the bankruptcy order within 30 days. Withholdings will continue until the amount specified in the order is collected, or the order is modified or terminated, or the bankruptcy case is dismissed or discharged.

2.2.5.1. Within 30 calendar days after the date of receipt of the order, the designated official will send notice to the member stating this fact.

2.2.5.2. The letter will inform the member of the date that the withholding is scheduled to begin and the amount or percentage that will be deducted.

2.2.5.3. When the member identified in the order is found not to be entitled to money due from, or payable by, DFAS, the designated official will return the order to the person who submitted it and advise him or her that no money is due from, or payable by, DFAS to the named individual. When it appears that amounts are exhausted temporarily or are otherwise unavailable, the authorized person will be told why and for how long any money is unavailable, if known.

2.3 Chapter 13, Adjustment of Debts of an Individual With Regular Income - The Plan

2.3.1. A member may file a petition with the court to enter into a "Chapter 13 Plan" under the Bankruptcy Code. Under Chapter 13, a member must submit a proposed repayment plan to the bankruptcy court that provides, among other things, that all or a specified amount of future income as is necessary to pay claims under the plan will be sent to the control of the bankruptcy trustee.

2.3.2. When the plan is confirmed by the court, its provisions are binding upon the member and all creditors of the member, regardless of whether they are affected by the plan or have been included in the plan.

2.3.3. Once the bankruptcy court confirms a plan, it usually orders the employer to pay a specific amount of a member's income to the trustee named in the order.

2.3.4. The pay of a member is subject to payment to the trustee appointed by the court, pursuant to Chapter 13 of the Bankruptcy Act. The payment by DFAS of part of the member's pay in response to a court order issued under a Chapter 13 Wage Earner's Plan case does not conflict with ***31 U.S.C. § 3713*** (Priority of Government Claims). Compliance with such a court order gives the Government a valid acquittance against the member since the court order is binding on the member.

2.3.5. If the United States is both the employer and creditor when the member files a Chapter 13 Plan, then the Government's priority under 31 U.S.C. § 3713 (Priority of Government Claims) may be asserted in the absence of a judicial determination to the contrary. This is done through a filing of the proof of claim by the appropriate pay office.

REFERENCES

CHAPTER 50 - BANKRUPTCY

1.0 – GENERAL

11 U.S.C. §§ 101 – 1330 (Bankruptcy Reform Act of 2005)

2.0 – BANKRUPTCIES

2.3.4.	31 U.S.C. § 3713
2.3.5.	31 U.S.C. § 3713

VOLUME 7A, CHAPTER 51: "SAVINGS PROGRAMS AND FLEXIBLE SPENDING ACCOUNTS (FSA)"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated January 2024 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
2.5	Updated the examples to clarify when a member can contribute to the Savings Deposit Program.	Revision
3.7	Inserted Higher Catch-up Contributions effective January 1, 2025.	Addition
6.0	Updated to include Health Care Flexible Spending Account.	Revision
References	Updated statutes and supporting references.	Revision

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CHAPTER 51

SAVINGS PROGRAMS AND FLEXIBLE SPENDING ACCOUNTS (FSA)

1.0 GENERAL

1.1 Purpose

The chapter provides policy for the Savings Deposit Program (SDP), the Thrift Savings Plan (TSP) to include TSP under the Blended Retirement System (BRS), and the Federal Flexible Spending Account Program (FSAFEDS).

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with, the United States Code (U.S.C.). Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 SDP

As prescribed by the Secretaries concerned, a member of the Armed Forces who is serving in a designated SDP area may deposit during that tour of duty, not more than the member's unallotted current pay and allowances in amounts of $5 or more, with any branch, office, disbursing officer, finance officer, or any other designated officer of the Armed Forces. Amounts so deposited will be deposited in the Treasury and kept as a separate fund and must be accounted for in the same manner as public funds. See the definitions for SDP area in subparagraph 2.2.2.

2.1 Eligibility

2.1.1. Any member serving in an assignment outside of the United States, its possessions, or the Commonwealth of Puerto Rico for at least 30 consecutive days or 1 day for each 3 consecutive months is eligible to participate in SDP if serving:

2.1.1.1. In a Combat Zone (CZ); or

2.1.1.2. While qualified to receive hostile fire or imminent danger pay while in a:

2.1.1.2.1. Qualified Hazardous Duty Area (QHDA); or

2.1.1.2.2. Designated direct support area of a CZ.

2.1.2. Members already contributing to the SDP on May 1, 2016, will be allowed to continue to contribute to the SDP until they depart from the member's SDP-eligible assignment.

NOTE: See Chapter 44 for designated direct support areas of a CZ, designated CZs, and QHDAs. For the most current listings, see ***Designated Direct Support Areas of a CZ***, ***Designated CZs***, and ***QHDAs*** on the Defense Finance and Accounting Service (DFAS) website.

2.2 Definitions

2.2.1. Designated Duty Assignment. A designated duty assignment is a permanent duty or temporary additional duty/temporary duty (TAD/TDY) assignment in an SDP area.

2.2.2. SDP Area. An SDP area is an area outside the United States, its possessions, or the Commonwealth of Puerto Rico, in a CZ or an area in which members are entitled to receive hostile fire or imminent danger pay while serving in a QHDA or in a designated direct support area of a CZ.

2.2.3. Unallotted Current Pay and Allowances. The amount of money a member is entitled to receive on the payday immediately before the date of deposit, less authorized deductions and allotments (e.g., for dependents or insurance). Pay and allowances include special continuation pay, reenlistment bonus, travel allowance on discharge, or pay and allowances for unused accrued leave. Advance pay and travel allowance for permanent change of station and TAD or TDY travel may not be deposited.

2.2.4. Missing Status. Includes missing, missing in action, interned in a foreign country, captured, beleaguered, besieged by a hostile force, or detained in a foreign country against a member's will.

2.3 Allotments

Active-duty officers and enlisted members may make deposits into the SDP by allotment. Such allotment must be processed in accordance with the procedural instructions of the Military Service concerned. However, the restrictions of this chapter are applicable when starting this type of allotment.

2.4 Member in a Missing Status

For a member who is in a missing status (see paragraph 2.2), the Secretary of the Military Department concerned may, in the interest of a member or the member's dependents, initiate, stop, modify, and change allotments for deposit of unpaid pay and allowances accruing in a missing member's pay account, and authorize withdrawal of deposits made under the SDP, even though the member had an opportunity to make deposits and elected not to do so. Interest may be computed from the day the member entered into a missing status, or January 1, 1991, whichever is later. The $10,000 limitation on the amount that interest is payable does not apply to the deposit account of a member in a missing status.

Example 1. A member entered into a missing status on February 1, 2012. Unpaid pay and allowances have been accruing in the member's pay account at the rate of $100 per month since that date. An account was opened for the member on

May 1, 2012, with an initial deposit of $300 (February, March, and April). The member's account was credited with $100 per month on June 1, 2012, and the first day of each month thereafter while he remains in a missing status, or until modified, stopped, or repaid at the direction of the Secretary of the Military Department concerned. Interest accrued from February 1, 2012.

Example 2. A member entered into a missing status on February 18, 2012. The amount of unpaid pay and allowance due to the member on the payday following February 18, 2012, determined the amount of the initial deposit. The member's account was opened on March 1, 2012, with the initial deposit, and the member's account was credited with the member's unallotted pay and allowances monthly on the first day of each month thereafter as prescribed in example 1. Interest accrued from February 18, 2012.

*2.5 Deposits

2.5.1. Amounts. Amounts up to $10,000 may be deposited with interest accrual at the rate of 10 percent per annum.

2.5.1.1. The maximum amount on which 10 percent interest is computed is $10,000 (principal and accrued interest combined). Deposits may not be more than the amount defined as unallotted current pay and allowances in subparagraph 2.2.3. When, however, the member can establish to the satisfaction of the commanding officer that the member was unable to make a deposit in the normal manner, unallotted pay in excess of current pay and allowances may be deposited.

2.5.1.2. Members may not accumulate back pay prior to departing for a designated duty assignment in an SDP area in order to deposit the back pay once the member becomes eligible for the SDP.

2.5.1.3. After a member has served in a covered SDP area for at least 30 consecutive days or at least 1 day for each 3 consecutive months, the member is qualified to begin making deposits, see subparagraph 2.2.3. The initial deposit is limited to the amount earned beginning with the first day of arrival in a covered SDP location.

Example 1. A member arrives in Pakistan (a designated direct support area as defined in Chapter 44, Table 44-2 and an Imminent Danger Pay (IDP) location as defined in Chapter 10, Table 10-1) on April 1, 2024. The member is authorized to make an initial deposit on May 1, 2024, for the amount accrued beginning April 1, 2024, using the April 15th and 30th unallotted pay. The member may make additional deposits until departure from SDP eligible locations.

Example 2. A member arrives in Albania (a designated CZ area as defined in Chapter 44, Table 44-3) on July 19,2024. The member is authorized to make an initial deposit on August 18, 2024, for the unallotted pay earned beginning

July 19 through August 18, 2024. The member may make additional deposits until departure from SDP eligible locations.

Example 3. A member is TDY to the Sinai Peninsula of Egypt (a QHDA as defined in Chapter 44, Table 44-4 and an IDP location as defined in Chapter 10, Table 10-1) on April 17-20, May 2-6, and June 19-25, 2024. The member is authorized to make their initial deposit on June 20, 2024, for the amount accrued in the Sinai Peninsula of Egypt for the actual days in the SDP locations.

2.5.1.4. Members who are paid twice monthly may combine pay accrued at midmonth and pay accrued at end-of-month or combine end-of-month pay with pay accrued on the following midmonth payday for a single deposit, provided the total amount deposited in a one-month period does not exceed the amount they are entitled to be paid for one month.

2.5.2. Power of Attorney. An agent with a power of attorney from the member may make deposits, either by allotment or by cash, into the SDP on behalf of the member, if the power of attorney states the authority to establish, change, or stop allotments. When accepting a cash deposit from the agent on the member's behalf, the disbursing officer must ensure that the amount deposited does not exceed the member's unallotted pay and allowances for the period involved.

2.6 Interest

2.6.1. Accrual of Interest. See Table 51-2.

2.6.2. Conditions Under Which Deposits, Plus Interest, Are Repaid. See Table 51-3.

2.6.3. Computation of Interest. Deposits made on or before the 10th of the month accrue interest from the 1st of the month. Deposits made after the 10th of the month accrue interest from the first day of the following month. The effective date of deposit is the date the deposit is made to the disbursing officer, finance officer, or any other designated officer of the members of the Uniformed Services. Compute interest at the rate of 10 percent per annum, compounded quarterly, according to the calendar quarter. Compute the quarterly interest on the average quarterly balance on deposit. Ten percent is compounded quarterly on amounts less than $10,000. Once $10,000 is on deposit, simple interest will be computed on the $10,000. No interest is paid on amounts exceeding $10,000, except on amounts for a member who is in a missing status using simple interest.

2.6.4. Taxability of Interest Paid. Interest paid on the amounts deposited into the SDP is taxable.

2.7 Computation

2.7.1. Computing Average Quarterly Balance

2.7.1.1. If there were no emergency withdrawals during the quarter, determine the average quarterly balance by adding amounts on deposit on the 10th day of each month of the quarter, and divide the total by three.

Example 1.

Date	Deposits	Amount On Deposits	On 10th Day of
Jan 5	$20.00	$20.00	Jan
Feb 3	20.00	40.00	Feb
Feb 20	20.00		
Mar 10	20.00	80.00	Mar
		$140.00	

$140.00 divided by 3 = $46.67 average quarterly balance.

Example 2.

Date	Deposits	Amount On Deposit	On 10th Day of
Jan 1	$0.00	$ 0.00	Jan
Feb 3	20.00	20.00	Feb
Feb 20	20.00		
Mar 3	20.00	60.00	Mar
		$80.00	

$80.00 divided by 3 = $26.67 average quarterly balance.

2.7.1.2. Emergency withdrawals at any time during a quarter reduce the average quarterly balance on which interest accrues.

Example.

Date	Deposits	With-drawals	Amount On Deposit	On 10th Day of
Apr 1	$147.12	$0.00		(BAL FWD)
Apr 3	20.00		$167.12	Apr
			167.12	May
May 15	10.00			
Jun 4	30.00			Jun
Jun 15		$80.00	127.12	
			$461.36	

$461.00 divided by 3 = $153.79 average quarterly balance.

2.7.1.3. The maximum amount upon which 10 percent interest is payable is $10,000 (principal and accrued interest combined), except for amounts on deposit in the case of a member who is in a missing status. See paragraph 2.4.

Example.

Date	Quarterly Interest	Amount on Deposit
Jan 10	-0-	$10,000.00
Apr 1	250.00	10,250.00
July 1	250.00	10,500.00

2.7.2. Computation of Interest at 10 Percent Rate

Repay deposits, plus interest, under the conditions shown in Table 51-2. Compute interest at the rate of:

1 Month-1/12 of 10 percent or .00833
2 Months-2/12 of 10 percent or .01666
3 Months-(Full Quarter) 3/12 of 10 percent or .025

Example 1. Member's Request. A member has $355 on deposit (principal plus compounded interest as of June 30, 2009). The member requested repayment of the SDP deposit on August 12, 2009. The member was repaid the $355 deposit plus interest of $5.92 for the months of July and August (.01666… x $355) or $360.92.

Example 2. Member Discharged. A member has $355 on deposit (principal plus compounded interest as of June 30, 2009). The member was discharged overseas for the member's convenience on July 15, 2009. The member was repaid the $355 deposit plus interest of $2.96 for the month of July (.00833… x $355) or $357.96, assuming full repayment was in effect in the month of July.

Example 3. Member Dies. On March 8, 2009, the member had on deposit the maximum amount of $10,000 (principal plus simple interest) and made no new deposits. On November 15, 2009, while assigned in the Operation Enduring Freedom area the member dies, and settlement of unpaid pay and allowances was made to member's heir(s) on December 15, 2009. The amount of deposit repaid was $10,000 plus simple interest of $833.33 for period March 1 through December 31, 2009 (.00833… x 10), or $10,833.33.

2.8 Payment of Interest Upon Final Settlement of Deposit Account

2.8.1. Except when the 90-day limitation discussed in subparagraph 2.8.2 and paragraph 2.13 applies, interest will stop at the end of the month in which full repayment is made to the member or member's heirs.

2.8.2. In no case will interest accrue for a period longer than 90 days (computed on a day-for-day basis of actual elapsed time) after the member's eligibility to make deposits terminates.

Should the 90-day limitation period end on any day other than the last day of the month, interest will accrue through the last day of the preceding month. If the 90-day limitation period ends on the last day of the month, interest accrues for that month. In determining when the 90-day limitation period terminates, the last day of the month is February 28 (February 29 in leap year), the 30th of a 30-day month, or the 31st day of a 31-day month.

> Example. Ninety-Day Rule. A member has $355 on deposit (principal plus compounded interest as of June 30, 2009). The member was discharged overseas for the member's convenience on July 15, 2009. The member requested repayment of the deposit on October 15, 2009. The member was repaid $355 plus interest of $8.88 for the months of July, August, and September (.025 x $355) or $363.88. Interest for October 1-15, 2009, was not allowed since the 90-day limitation period ended on October 12, 2009 (a day other than the last day of the month).

2.9 Withdrawal of Deposits – Emergency

Withdrawals may be made in an emergency only when the health or welfare of a member or the member's dependent(s) would be jeopardized if the withdrawal was not granted. Emergency withdrawals may be authorized by the member's commanding officer.

2.10 Withdrawal of Deposits – Members in a Missing Status

Withdrawals may be made when directed by the Secretary of the Military Department concerned when deemed in the best interest of the member, the member's dependent(s), or the U.S. Government.

2.11 Discharge While Eligible to Make Deposits

Members eligible to make deposits, who are discharged in order to immediately reenlist, extend an enlistment, or accept a commission, may not withdraw their deposits.

2.12 Accounts Which Have Reached $10,000

In situations where the member's principal and interest on deposit reaches $10,000, any amounts representing interest accruing in the account subsequent to that time which causes the $10,000 total to be exceeded, may be withdrawn quarterly at the member's request.

2.13 Automatic Refund

Accounts will accrue interest no more than 90 days after a member leaves an SDP area. Members should withdraw all funds after the 90-day period. If no withdrawal is made within 120 days after the qualifying duty terminates, DFAS will automatically transfer the funds to the military pay account of the SDP account owner.

2.14 Application to Indebtedness or Forfeiture

Savings deposits and accrued interest are exempt from collection for members' debts, including debts owed to the U.S. Government or its agencies, except for levies issued by the Internal Revenue Service (IRS). Deposits are not subject to forfeiture by sentence of a court-martial and are not forfeited by desertion.

2.15 Liability of Disbursing Officers

A disbursing officer who fails to process a deposit properly into the Savings Deposit Fund account is liable for the amount of the deposit, plus interest, from the effective date of the deposit to date of withdrawal or repayment.

3.0 TSP GUIDELINES

TSP is a Government-sponsored retirement savings and investment plan operated by the Federal Retirement Thrift Investment Board (FRTIB). Members of the Uniformed Services participating in TSP will be governed by statutes and regulations applicable to TSP as set forth by the FRTIB and the IRS. Specific TSP rules for BRS members are discussed in section 4.0. Specific TSP rules for members not under BRS are discussed in section 5.0. The TSP guidelines under this section apply to both BRS members and members not under BRS.

3.1 Contributions

3.1.1. A member may make traditional or Roth TSP contributions. Traditional TSP offers tax deferral advantages similar to those offered to employees by private corporations under 401(k) plans. The Roth TSP option offers a member the option of making after-tax contributions.

3.1.2. All TSP contributions, traditional or Roth, must be made through payroll deduction.

3.1.3. A member may choose to stop contributing to TSP at any time. Any change is effective at the end of the pay period in which that election is accepted by the member's servicing activity. If basic pay contributions are terminated, TSP deductions for bonuses, incentive pays, or special pays will also be terminated with the same effective date.

3.1.4. A member may choose the percentage of basic pay to contribute. A member's contribution election may be limited by the priority of pay deductions set forth in Chapter 52.

3.1.5. In order for a member to contribute bonuses, incentive pays, or special pays to TSP, the member must also be contributing a minimum of 1-percent of the member's basic pay or inactive-duty pay. See Table 51-1.

3.2 Contribution Limits

3.2.1. Annual Elective Deferral Contribution Limit. Total annual elective deferral contributions, for both Roth and traditional TSPs may not exceed the annual limits set forth by the IRS in accordance with ***26 U.S.C. § 402(g)***. The annual limits are available on the ***TSP*** website.

3.2.2. TSP Contributions in a CZ Tax Exclusion (CZTE) Area

3.2.2.1. Roth Contributions. Roth contributions to the TSP are limited to the annual elective contribution deferral limit even if the member is contributing from pay earned in a CZTE Area. See TSP website for annual limits.

3.2.2.2. Traditional Contributions. A member serving in a CZTE area who reaches the annual elective deferral contribution limit may still elect to make traditional contributions from their tax-exempt pay to their TSP fund, which will count against the annual additions limit for the tax year.

3.2.2.3. Annual Additions CZ Limit. Total contributions, including agency (1-percent) contributions, agency matching contributions and individual contributions, for members serving in a CZ may not exceed the annual addition limit set forth by the IRS pursuant to ***26 U.S.C. § 415(c)***. See TSP website for annual limits.

3.2.2.4. Agency Automatic (1-percent) Contributions and Agency Matching Contributions (BRS Participants Only). Agency automatic (1-percent) contributions and agency matching contributions do not count against the annual elective deferral contribution limit, but both agency automatic (1-percent) and agency matching contributions count against the annual additions limit. A member not serving in a CZ who has met the total annual individual elective deferral contribution limit will continue to receive agency automatic (1-percent) contributions. For a member serving in a CZ, all contributions must stop when the total amount of individual and agency contributions reaches the annual additions limit.

3.3 TSP Funds

3.3.1. Choice of TSP Funds. A member may indicate his or her choice of TSP Funds for the investment of deposits to TSP by making a contribution allocation among the TSP Funds at any time. A BRS Opt-In Member may maintain his or her previous contribution allocation to TSP Funds, but the BRS Opt-In Member is ultimately responsible for ensuring TSP contributions are being properly allocated under BRS.

3.3.2. Default Allocation

3.3.2.1. BRS Members

3.3.2.1.1. New Accessions. All newly enrolled members of the Uniformed Services TSP members first enrolled in the TSP on or after January 1, 2018, and covered by BRS

will have their TSP contributions invested in an age-appropriate Lifecycle Fund (L Fund) until they make a contribution allocation with the TSP.

3.3.2.1.2. BRS Opt-In Members. Members who were enrolled in the TSP prior to January 1, 2018, and who do not have a contribution allocation in effect at the time of the election, will have all deposits made after the date of such election invested in the age-appropriate TSP Lifecycle Fund. Deposits made prior to the date of the election will retain their previous contribution allocations.

3.3.2.1.3. BRS Members Who Reenter Service on or After January 1, 2018. A BRS Member who reenters service on or after January 1, 2018, who:

3.3.2.1.3.1. Has $0.00 balances in their TSP accounts from their previous period of service, will have their TSP contributions invested in an age-appropriate L Fund;

3.3.2.1.3.2. Has an existing TSP account with a balance greater than $0.00, will retain the last contribution allocation on file with the TSP; or

3.3.2.1.3.3. Has no contribution allocation on file, and who reenters service with a positive account balance will have their future TSP contributions invested in an age-appropriate L Fund.

3.3.2.2. TSP for Members Not Under BRS. If the member does not opt into BRS or was not auto-enrolled in BRS, the default investment fund will remain the Government Securities Fund (G Fund).

NOTE: Members may change the member's investment elections by contacting TSP.

3.4 Default Traditional Individual Contributions

A member's individual contributions to TSP are treated by default as traditional tax-deferred contributions. A member may elect to designate all or part of his or her individual contributions as Roth. Agency automatic (1-percent) contributions and agency matching contributions are always tax-deferred traditional contributions.

3.5 Roth TSP

Members may elect to contribute to a Roth TSP account instead of, or in addition to, a traditional TSP account. Any member eligible to contribute to a traditional TSP account may also contribute to a Roth TSP account. However, traditional TSP contributions will be deducted before Roth TSP if there is a conflict in regard to which contribution has priority.

3.5.1. Payroll Deductions. Roth TSP contributions are taken after-tax. However, members serving in a CZ, or in direct support of a CZ, may contribute tax-exempt pay to the member's Roth TSP account. In the same manner as with the traditional TSP account,

payroll deductions will begin the first full pay period after the service accepts the Thrift Savings Plan Election ***Form TSP-U-1***. Roth TSP contributions must be made through payroll deductions. Lump-sum contributions for bonuses, incentive pays, or special pays are permitted only through payroll deductions.

3.5.2. Maximum Contribution Limits. The same maximum contribution limits that apply to traditional TSP also apply to Roth TSP. If a member elects to contribute to both traditional TSP and Roth TSP, the maximum contribution limits apply to the combined accounts, not to each account separately. See the ***TSP Contribution Limits***.

3.6 TSP Loan Program

A member may apply for a TSP loan or hardship withdrawal in accordance with TSP regulations and guidance. Information on loans and hardship withdrawals may be found on the ***TSP Loans*** website.

*3.7 Catch-Up Contributions

3.7.1. General. Effective January 1, 2021, the spillover method was implemented for catch-up contributions, applicable to TSP participants who turn age 50 or older in the applicable calendar year. Eligible members will no longer need to make a separate contribution election for catch-up contributions. Once the contribution limit has been reached, the member's contributions will "spillover" toward the catch-up limit. See ***TSP Bulletin 19-5*** for spillover method catch-up contributions information. Contributions spilling over toward the catch-up limit are eligible for agency matching contributions, but only up to the 5-percent of pay to which participants are already entitled.

3.7.2. Catch-up Contributions and CZTE. The TSP cannot accept traditional tax-exempt contributions toward the catch-limit. See TSP bulletin 20-1 for additional information. Members of the Uniformed Services cannot make catch-up contributions from bonuses, incentive pays, or special pays.

3.7.3. Higher Catch-up. Effective January 1, 2025, section 109 of the SECURE Act 2.0 increased the catch-up contribution limit for active participants turning ages 60, 61, 62, or 63 in the calendar year to either $10,000 or 50 percent more than the regular catch-up contribution limit, whichever is greater. See ***TSP Bulletin 24-2***.

3.8 Make-Up Contributions

Make-up contributions are individual contributions that should have been deducted from a member's basic pay, inactive-duty pay, bonuses, incentive pays, or special pays; or agency contributions that should have been charged to the agency on an earlier date, but were not deducted or charged and, consequently, are being deducted or charged currently.

3.8.1. Make-up Contributions and CZTE. If, while the member was in a CZTE area, contributions were not deducted that should have been deducted, the member may be able to

make-up those contributions in accordance with FRTIB regulations. If make-up contributions are made when the member is no longer subject to the CZTE, the contributions will be tax-deferred, but not tax-free. No CZTE tax-free contributions may be made from taxable pay.

3.8.2. Payroll Deductions. Make-up contributions from basic pay, bonuses, incentive pays, or special pays are permitted only through payroll deductions.

3.9 Breakage (Lost TSP Earnings) Due to Agency Error

3.9.1. Detailed Information on Breakage. Breakage is the loss incurred, or the gain realized on make-up or late contributions. It is the difference between the value of the shares of the applicable investment fund(s) that would have been purchased had the contribution been made on the "as of" date and the value of the shares of the same investment fund(s) on the date the contribution is posted to the account. For detailed information concerning the breakage, refer to TSP regulations in Title 5, Code of Federal Regulations (CFR), part 1605 ***(5 C.F.R. § 1605)*** or TSP Bulletins. TSP bulletins are available on the ***TSP Agency/Service Representatives*** page on the TSP website.

3.9.2. Conditions. If a member receives earnings from which member contributions should have been deducted, but as a result of agency error, all or any part of those deductions were not made, even if the member makes up those member contributions, the belated member contributions will not require payment of breakage, except under the following circumstances.

3.9.2.1. Delayed or Erroneous Contributions When Member Received Earnings

3.9.2.1.1. If a member receives earnings, but as a result of an agency error all or any part of the agency matching contribution associated with the earnings are not timely received by the TSP record keeper, the agency belated contributions will be subject to breakage.

3.9.2.1.2. If a member receives earnings where contributions were properly deducted but, as a result of an agency error, all or any part of the associated agency matching contributions were not timely received by the TSP record keeper, the belated contributions will be subject to breakage.

3.9.2.1.3. If a member receives earnings where contributions were properly deducted but, as a result of an agency error all or any part of those member contributions were not timely received by the TSP record keeper, the belated contributions will be subject to breakage.

3.9.2.1.4. Generally, an agency must submit a negative adjustment record to TSP in order to identify and remove excess or erroneous contributions for each pay date. TSP will credit the agency with the actual value of the adjusted contribution. The agency must return the original amount of the employee contribution to the participant if applicable. Any positive earnings on employee contributions remain in the participant's account. Positive earnings on agency contributions are forfeited to TSP. Excess or erroneous contributions submitted to TSP before January 1, 2000, may not be returned and remain in the participant's account. See 5 CFR 1605.12.

3.9.2.2. Agency Delay in Basic Pay, Special Pay, Incentive Pay, and Bonus. Where, as the result of an agency error, a member does not timely receive all or any part of pay to which entitled, all such belated member contributions and agency matching contributions will be subject to breakage.

3.9.2.3. Late Payroll Submissions. All contributions contained in a payroll submission received by the TSP record keeper more than one pay period after the pay date associated with that payroll submission will be subject to breakage.

3.9.2.4. Loan Allotments. Loan allotments deducted from the member's pay but not timely received by the TSP record keeper due to agency error will be subject to breakage.

3.9.3. Minimum Dollar Amount. Breakage on loan allotments and late contributions will be calculated by the TSP system only for those contributions and loan allotments that are $1 or more.

3.9.4. Agency Responsibility. The employing agency that caused the error, or late or erroneous investment of money in the TSP is responsible for payment of any breakage resulting from that error. The paying office that submitted payment records or loan allotments that are subject to breakage is also responsible for submitting the appropriate payment records relating to those submissions. The amount of breakage that is calculated will be charged to the TSP Deposit Fund Account of the submitting paying office. Where another employing agency caused the late or erroneous submission by the submitting paying office, the paying office that was charged for the amount of breakage calculated should seek reimbursement from the other employing agency.

3.9.5. Member Election. Agency error does not result when TSP contributions are made pursuant to a member's election, but the member then subsequently elects not to continue/start contributions.

3.10 Member Transfers

3.10.1. When members transfer between components or branches of the Uniformed Services, the member's TSP contributions may be continued. The member must notify the member's gaining servicing organization of his or her existing TSP contribution election in order to continue TSP contributions and/or loan repayments without interruption.

3.10.2. If a member separates from the service and rejoins after a break in service of 31 days or more, the member may sign up immediately to contribute to TSP.

3.10.3. If a member separates from the service and rejoins after a break in service of less than 31 days, and the member had been contributing to TSP, contributions to TSP will resume the first pay period after rejoining the service.

3.10.4. A member of the Uniformed Service who is also a federal civilian employee may contribute under both programs to the TSP. The annual contribution limitations in subparagraph 3.1.6 apply to the combined accounts and not to each account separately.

4.0 TSP FOR BRS MEMBERS

4.1 Eligibility

4.1.1. This section describes policy related to TSP changes under the BRS. The BRS became effective January 1, 2018. The Deputy Secretary of Defense memorandum, "Implementation of the Blended Retirement System," dated January 27, 2017, and Volume 7B, provide comprehensive policy and guidance regarding retirement under the BRS.

4.1.2. A member, defined in this section, applies to both Auto-Enrolled and Opt-In Members.

4.1.2.1. Auto-Enrolled BRS Member. A member who is enrolled in BRS by virtue of the member's Date of Initial Entry into Military Service (commonly referred to as DIEMS) on or after January 1, 2018.

4.1.2.2. BRS Opt-In Member. A member who elected to enroll in BRS in accordance with procedures outlined in the Deputy Secretary of Defense Memo, dated January 27, 2017.

4.2 Participation and Initial TSP Contribution

The Secretary concerned will establish a TSP account, if one does not already exist, for both Auto-Enrolled BRS Members and BRS Opt-In Members. The initial individual and agency contributions to TSP will occur no later than as specified in accordance with subparagraphs 4.2.1 and 4.2.2.

4.2.1. Auto-Enrolled BRS Members. Contributions will begin the pay period following the member's 60th day of service as calculated from Pay Entry Base Date (PEBD).

4.2.2. BRS Opt-In Members. Contributions will begin the pay period that begins on or after the date of the member's election to enroll in BRS. When an election is made on the first day of the month, which is the first day of the pay period, initial individual and agency contributions will be in effect for that month.

> Example. BRS Opt-In Member submits election on January 1st. The member will receive matching and individual contributions for the January pay period. A member who elects any other day of the January pay period will have contributions begin for the February pay period.

4.3 BRS Opt-In Member Individual TSP Contribution

4.3.1. Prior Participation in TSP and Carry-Over. If a BRS Opt-In Member previously contributed to TSP, the balance of any prior TSP contributions will carry over following enrollment in BRS. Individual TSP contributions made prior to BRS will not be matched.

4.3.2. Contribution Election as a BRS Opt-In Member. BRS Opt-In Members will not be automatically enrolled in TSP. BRS Opt-In Members must affirm their prior contribution election or make a new contribution election. A BRS Opt-In Member may contribute to TSP at the individual contribution percentage or dollar amount the member elects at the time of enrollment in BRS. A contribution election may be changed any time in accordance with TSP regulations.

4.4 Auto-Enrolled BRS Member Individual TSP Contribution

4.4.1. Default Contribution Between January 1, 2018, and September 30, 2020. A member automatically enrolled in BRS by virtue of his or her accession on or after January 1, 2018, and on or before September 30, 2020, will be automatically enrolled in TSP with an individual contribution election of 3 percent of the member's monthly basic pay or inactive-duty pay. This amount will be contributed to the member's TSP account beginning with the first pay period following the member's 60th day of service as calculated from the PEBD.

4.4.2. Default Contribution on or After October 1, 2020. A member enrolled in BRS by virtue of his or her accession on or after October 1, 2020, will be automatically enrolled in TSP at the level of 5-percent individual contribution from his or her monthly basic pay or inactive-duty pay. This amount will be contributed to the member's TSP account beginning with the first pay period following the member's 60th day of service as calculated from the PEBD.

4.4.3. Contribution Changes. Auto-Enrolled BRS Members may change the individual TSP contribution amount at any time before or after the initial deduction. All members must follow regulations prescribed by the IRS and the FRTIB when requesting a refund or changing the amount of individual contributions.

4.4.4. Annual Re-Enrollment in TSP for Auto-Enrolled BRS Members

4.4.4.1. Annual Re-Enrollment Requirement. Annual TSP re-enrollment, or "annual re-enrollment," is required for any Auto-Enrolled BRS Member who has stopped his or her automatic TSP contribution by reducing the individual contribution to 0 percent or $0 per pay period. If an Auto-Enrolled BRS Member has stopped TSP contributions and the member's individual contribution from his or her pay in the final full pay period of the year is 0 percent or $0, the member will be re-enrolled in TSP on January 1 of the following calendar year. As of October 1, 2020, the re-enrollment individual contribution rate is 5-percent of the member's basic pay or inactive-duty pay.

4.4.4.2. Exception. This provision does not apply if the member's individual contribution is at a percentage or amount greater than zero, but whose contributions may have stopped during the previous year because the member reached the maximum annual contribution limit allowed under IRS regulations.

4.4.5. Non-Contribution Periods. Auto-Enrolled Members who are in a non-TSP contribution status at the end of a year will not be auto re-enrolled in TSP in January. However, if the member does not resume contributions when eligible to do so, the member will be auto re-enrolled in TSP in January of the following year.

Example. An Auto-Enrolled BRS Member takes a hardship withdrawal in November 2018. The member should not be re-enrolled in TSP in January 2019 because the member may not contribute to TSP for a period of 6 months after the hardship withdrawal is processed. The member may restart contributions again in May 2019 (6 months after the hardship withdrawal is processed). If the member does not elect to restart TSP contributions by the final pay period of 2019, he or she must be auto re-enrolled in January 2020.

4.4.6. No Expiration of Annual Re-Enrollment. Annual re-enrollment in accordance with paragraph 4.4 will occur each year of a member's career in which the criteria are met.

4.4.7. Deadline for Declining Annual Re-Enrollment. A member may decline the annual re-enrollment described in paragraph 4.4 for the following year no earlier than December 1st of the year in which the member is determined to be subject to annual re-enrollment.

4.5 Agency Contributions for Auto-Enrolled BRS Members

4.5.1. Agency Automatic (1-percent) Contributions

4.5.1.1. Start Date. Commencing with the pay period that begins on or after the member's 60th day of service, as calculated from the PEBD, the agency will automatically contribute to that member's TSP account, at no cost to the member and without relation to the amount the member contributes, an amount equal to:

4.5.1.1.1. The equivalent of 1-percent of basic pay earned by that member during that pay period for active service; or

4.5.1.1.2. The equivalent of 1-percent of inactive-duty pay earned by that member during that pay period for Inactive-Duty Training (IDT).

4.5.1.2. End Date. The agency (1-percent) contribution will continue for each pay period in which a member is entitled to receive either basic pay or inactive-duty pay, or both, through the end of the pay period during which the member attains 26 years of service, as calculated from the PEBD.

4.5.2. Agency Matching Contributions

4.5.2.1. Start Date. Commencing with the pay period that follows a member's completion of 24 months of service, as calculated from the PEBD, the agency will contribute an amount that matches the member's individual contribution to TSP (up to 4 percent) as prescribed in Table 51-4.

4.5.2.2. End Date. No agency matching contributions will be made to a member's TSP account after the pay period during which the member attains 26 years of service, as calculated from the PEBD.

4.6 Agency Contributions for BRS Opt-In Members

4.6.1. Agency Automatic (1-percent) Contributions

4.6.1.1. Start Date. Commencing with the pay period that begins on or after the date a member opts into BRS, the agency will automatically contribute to that member's TSP account, at no cost to the member and without regard to the amount the member contributes, an amount equal to:

4.6.1.1.1. The equivalent of 1-percent of basic pay earned by that member during that pay period for active service; or

4.6.1.1.2. The equivalent of 1-percent of inactive-duty pay earned by that member during that pay period for IDT.

4.6.1.2. End Date. The agency (1-percent) contribution will continue for each pay period in which a member receives either basic pay or inactive-duty pay, or both, through the end of the pay period during which the member attains 26 years of service, as calculated from the PEBD.

4.6.2. Agency Matching Contributions

4.6.2.1. Start Date. Commencing with the pay period that begins on or after the date a member opts into BRS, the agency will contribute an amount that matches the member's individual contribution to TSP (up to 4 percent) in accordance with Table 51-4.

4.6.2.2. End Date. No matching agency contributions will be made to a member's TSP account after the pay period during which the member attains 26 years of service, as calculated from the PEBD.

4.7 Vesting of Individual TSP Contributions

Individual contributions made by an Auto-Enrolled BRS Member or a BRS Opt-In Member are immediately vested upon payment to TSP. Subsequent earnings on those contributions are also immediately vested when the earnings accrue.

4.8 Vesting of Agency Contributions

The two types of agency contributions to TSP are subject to different vesting rules. The following vesting rules apply to both Auto-Enrolled BRS Members and BRS Opt-In Members:

4.8.1. Agency (1-percent) Contributions. The agency automatic (1-percent) contributions described in subparagraphs 4.5.1 or 4.6.1, become fully vested on the first day of the 25th month of service, as calculated from a member's PEBD. Members who separate from a Uniformed Service before this date forfeit the agency automatic (1-percent) contributions and any earnings on those contributions.

4.8.2. Agency Matching Contributions. Any agency matching contributions, as described in subparagraphs 4.5.2 or 4.6.2, are fully vested upon receipt in the member's TSP account, regardless of accrued service. Any earnings on the agency matching contributions are immediately vested when they accrue.

4.9 Carry-Over of Individual TSP Elections for All BRS Members

4.9.1. Reenrollment in TSP After Separation. A member covered under the BRS who separates from a component of the Uniformed Services, and later re-affiliates with any component of a Uniformed Service following a break in service, will be re-enrolled in TSP. Effective October 1, 2020, all members are re-enrolled at an individual contribution rate of 5-percent of the member's monthly basic pay or 5-percent of inactive-duty pay regardless of any previous contribution elections made prior to separation.

4.9.2. Start Date for Individual Contributions. A reentrant will be automatically enrolled, and the 5-percent individual contribution will begin no later than the first pay period following re-entry.

4.9.3. Agency (1-percent) Contributions. A member covered under the BRS who re-enters service after a break in service and who previously qualified for the agency automatic (1-percent) contribution, in subparagraphs 4.5.1 or 4.6.1 will resume receiving the agency 1-percent contribution into the member's TSP account no later than the first pay period after re-entry.

4.9.4. Agency Matching Contributions. A member covered under the BRS who re-enters service after a break in service and who previously qualified for agency matching contributions in subparagraphs 4.5.2 or 4.6.2 will resume receiving agency matching contributions into the member's TSP account concurrent with re-enrollment.

4.10 TSP Elections for Transitioning Reserve Component (RC) Members

Members of the RC enrolled in the BRS are considered continuous participants in the BRS while they remain in a paid status. Payroll offices should not submit TSP separation codes for RC members. RC members will not be re-enrolled at the automatic 5-percent individual contribution level each time they transition from a paid status in the Selected Reserve (SELRES) to active-duty or from active-duty back to a paid status in SELRES. The member's previously-elected TSP contribution levels will carry-over through transitions related to activation and deactivation, unless and until the member elects to modify the member's own contribution level. Loan payments, if any, will also carry through. Such RC members are subject to annual auto re-enrollment as set out in paragraph 4.4.

4.11 BRS Erroneous Enrollment and TSP

BRS enrollment will be voided for any member who is found to be ineligible to be enrolled or to elect to enroll in BRS under the provisions outlined in the Deputy Secretary of Defense Memo, dated January 27, 2017. Such members will be placed under the correct retirement system

upon discovery of the error. Any erroneous agency TSP contributions made to the member's TSP account will be subject to correction in accordance with FRTIB regulations.

4.12 Hardship Extension of Enrollment Periods and TSP

If an agency concerned extends the BRS period in accordance with the guidance on hardship extensions of enrollment periods in Service regulations and in accordance with ***10 U.S.C. § 1409(b)*** this will not allow for retroactive TSP contributions.

5.0 TSP FOR MEMBERS NOT UNDER BRS

5.1 Participation

Any member of the Uniformed Services, not enrolled in BRS as prescribed in section 4.0, may elect to participate in TSP. A member choosing to participate in TSP is required to contribute at least 1-percent of the member's basic pay or inactive-duty pay. Members participating, not under BRS, are not eligible for agency automatic and matching contributions. These members, otherwise, remain subject to the contribution limits outlined in section 3.0.

NOTE: In order for a member to contribute bonuses, incentive pays, or special pays to TSP, the member must also be contributing a minimum of 1-percent of the member's basic pay or inactive-duty pay.

5.2 Start Date

The payroll deduction for individual TSP contributions will commence the first full pay period after the Service concerned accepts the TSP-U-1.

*6.0 CONTRIBUTIONS FOR FEDERAL FLEXIBLE SPENDING ACCOUNT PROGRAM (FSAFEDS)

6.1 General

The DoD offers members of the Uniformed Services access to Dependent Care Flexible Spending Accounts (DCFSAs) and Health Care Flexible Spending Accounts (HCFSAs) via FSAFEDS. ***FSAFEDS*** administers DCFSAs and HCFSAs on behalf of the DoD. Eligible members of the Uniformed Services under this program may open a DCFSA or HCFSA or both and make an annual election to deposit a portion of their pay into the account for the upcoming benefit period. The members of the Uniformed Service's Military Service Pay Office withholds contributions through payroll deductions from the member's salary on a pretax basis and deposits the funds into the DCFSA or HCFSA or both. Members of the Uniformed Services may request to accelerate deductions over fewer pay periods. Members of the Uniformed Services' DCFSA contributions are for reimbursement of qualifying dependent care expenses (such as day care) for qualifying dependents. Members of the Uniformed Services' HCFSA contributions are for qualifying health care expenses (such as co-payments) for qualifying dependents. To receive

reimbursement, the member must submit a claim for funds in their HCFSA and/or DCFSA with required documentation. FSAFEDS is not a part of the TRICARE Program.

6.2 Eligibility

6.2.1. DCFSA. Members of the Uniformed Services of the Active Component, and National Guard and Reserve Component members performing Active Guard and Reserve (AGR) duty are eligible to enroll. Members of the U.S. Coast Guard Reserve, including Reserve Component Managers, performing active duty for more than 180 days are eligible. Members of the Uniformed Services must also have a qualifying dependent, which is a tax dependent under the age of 13 or a dependent of any age who is physically or mentally incapable of self-care.

6.2.2. HCFSA. Members of the Uniformed Services of the Active Component, and National Guard and Reserve Component members performing AGR duty are eligible to enroll. Members of the U.S. Coast Guard Reserve, including Reserve Component Managers, performing active duty for more than 180 days are eligible.

6.3. Federal Benefits Open Season

Eligible members of the Uniformed Services must enroll in FSAFEDS each year during the Federal Benefits Open Season. Open season enrollments are effective January 1 of the following year. Enrollment does not carry forward year-to-year, and members of the Uniformed Services must reenroll each year. New members of the Uniformed Services may enroll in the program within 60 days (but no later than October 1) of their entry on duty. Newly eligible members of the Uniformed Services may be eligible to enroll after open enrollment has ended, or during the plan year if they experience a change in status or qualifying life event. If a qualifying life event occurs, members of the Uniformed Services can enroll in DCFSA from 31 days before through 60 days after the qualifying life event.

6.3.1. Enrollment. Members of the Uniformed Services must enroll directly with FSAFEDS either through FSAFEDS online or by calling FSAFEDS at 1-877-372-3337.

6.3.2. HCFSA Special Enrollment Period. For the 2025 benefit period, members of the Army, Navy, Air Force, Marines and Space Force must enroll during the Special Enrollment Period scheduled for March 3 through 31, 2025 to access a HCFSA. Members of the U.S. Coast Guard must enroll during the Special Enrollment Period to access a DCFSA and/or HCFSA for the 2025 benefit period. In all future benefit periods, members of the Uniformed Services enroll in an HCFSA during Federal Benefits Open Season.

6.4 Types of FSAs

6.4.1. DCFSA. Eligible members of the Uniformed Services may contribute to DCFSA to pay for qualified dependent care expenses (such as day care) for qualifying dependents.

6.4.2. HCFSA. Eligible member of the Uniformed Services may contribute to a HCFSA to pay for qualified health care expenses (such as co-payments) for themselves and/or qualifying

dependents. Members of the Uniformed Services may claim and receive reimbursement for the entire contribution amount before FSAFEDS has deducted the full amount from the member of the Uniformed Service's pay. A full list of eligible expenses can be found at FSAFEDS online.

6.5 Contributions for DCFSAs

6.5.1. Payment of Contributions. Contributions withheld from the member of the Uniformed Service's pay are forwarded to BENEFEDS on the first of the month excluding holidays and weekends. Payments are sent to BENEFEDS in accordance with the annual payroll schedule agreed upon by DoD and BENEFEDS.

6.5.2. Carryover and Grace Period. DCFSA accounts do not permit any carryover of funds. However, a DCFSA does have a grace period allowing expenses to continue to incur through March 15 of the year following the plan year. For additional information on the grace period, see the FSAFEDS website.

6.5.3. Absent Without Leave (AWOL) and Non-pay Status

6.5.3.1. Effect of Non-pay Status. The Government will not make up a member of the Uniformed Service's contribution to a DCFSA if the member of the Uniformed Service is AWOL or in a non-pay status. If a member of the Uniformed Service maintains a DCFSA during a non-pay status, certain dependent care expenses that meet IRS guidelines for eligible expenses may continue to be reimbursed up to the account balance.

6.5.3.2. Return to a Pay Status. Upon the member of the Uniformed Service's return to pay status, the Military Service Pay Office will restart the contributions. FSAFEDS will recalculate any future contribution amounts based on the number of paydays remaining in the benefit period to ensure the member of the Uniformed Service reaches their annual election amount.

6.5.4. Separation From Active-Duty Service and Termination of FSAFEDS Participation. If a member of the Uniformed Service separates or retires, contributions will stop as of the separation or retirement date. The member of the Uniformed Service may continue to use the remaining balance in DCFSA until the end of the calendar year or until the depletion of the account balance, whichever comes first. Termination of FSAFEDS participation may occur due to a change in status causing the member of the Uniformed Service to lose eligibility or separation from military service.

6.6 Contributions for HCFSAs

6.6.1. Payment of Contributions. Contributions withheld from the member of the Uniformed Service's pay are forwarded to BENEFEDS on the first of the month excluding holidays and weekends. Payments are sent to BENEFEDS in accordance with the annual payroll schedule agreed upon by DoD and BENEFEDS.

6.6.2. Carryover. HCFSA accounts do permit carryover of funds. The maximum carryover amount is subject to IRS limits. For additional information on carryover, see the FSAFEDS website.

6.6.3. Absent Without Leave (AWOL) and Non-pay Status

6.6.3.1. Effect of Non-pay Status. The Government will not make up the member of the Uniformed Service's contribution to a HCFSA if the member of the Uniformed Service is AWOL or in a non-pay status. If a member of the Uniformed Service maintains a HCFSA during a non-pay status, members of the Uniformed Services will not be eligible for reimbursement of health care expenses incurred during the AWOL or non-pay status until the member of the Uniformed Service returns to pay status and allotments are successfully restarted.

6.6.3.2. Return to a Pay Status. Upon the member of the Uniformed Service's return to pay status, the Military Service Pay Office will restart the contributions. FSAFEDS will recalculate any future contribution amounts based on the number of paydays remaining in the benefit period to ensure the member of the Uniformed Services reaches their annual election amount.

6.6.4. Separation From Active-Duty Service and Termination of FSAFEDS Participation. If a member of the Uniformed Service separates or retires, contributions will stop as of the separation or retirement date. The member of the Uniformed Service account terminates as of the date of separation or retirement. The member of the Uniformed Service may continue to use the remaining balance in HCFSA for qualifying expenses that occurred prior to the date of separation or retirement. Expenses incurred after the separation or retirement date are not reimbursable. If the member of the Uniformed Service used the entire election amount before FSAFEDS has completed all deductions from the members of the Uniformed Service's pay, the member of the Uniformed Service is not responsible for the remaining contributions. Termination of FSAFEDS participation may occur due to a change in status causing the member of the Uniformed Service to lose eligibility or separation from military service.

Table 51-1. Pay Entitlements Available For TSP Contributions

Bonuses	Chapter, section, paragraph, or subparagraph
Accession Bonus for Health Professions	Chapter 5, section 3.0
Accession Bonus (Officer)	Chapter 3, section 3.0
Active-Duty Enlisted Members Enlistment, Reenlistment, and Retention Bonuses: -- Bonus for Transfer between Military Services; -- Bonus for Transfer between Components of a Military Service -- Conversion Bonus -- Critical Skill Retention Bonus; -- Enlistment Bonus; -- Prior Service Reenlistment Bonus; and -- Selective Retention Bonus	Chapter 9
Aviation Bonus	Chapter 20
Bonus Program for the Individual Ready Reserve and Inactive National Guard	Chapter 61
Career Status Bonus/Continuation Pay	Chapter 66
Critical Wartime Skills Accession Bonus	Chapter 5, section 4.0
Foreign Language Proficiency Bonus	Chapter 19
Incentive for Qualified Members Extending Duty at Designated Locations Overseas	Chapter 14
Nuclear Officer Continuation Bonus	Chapter 3, paragraph 7.2
Nuclear Power Accession Bonus	Chapter 3, paragraph 7.1
Ready Reserve Accession, Affiliation, Enlistment, And Retention Bonuses: -- Conversion Bonus; -- Enlisted Affiliation Bonus; -- Enlistment Bonus; -- Officer Accession and Affiliation Bonus; -- Prior Service Reenlistment Bonus; -- Selective Retention Bonus; -- Transfer between Components of a Military Service Bonus; and -- Transfer between Military Services Bonus.	Chapter 56
Retention Bonus (Health Professions)	Chapter 5, section 7.0
Retention Bonus (Officer)	Chapter 3, section 5.0
RC Affiliation Bonus	Chapter 3, section 4.0
Transfer Bonus (Officer)	Chapter 3, section 6.0

Table 51-1. Pay Entitlements Available For TSP Contributions (Continued)

Incentive Pays	Chapter, section, paragraph, or subparagraph
Assignment Incentive Pay	Chapter 15
Aviation Incentive Pays (AvIP): -- AvIP for Aviators in Operational Flying Duty or Proficiency Flying Duty Positions; -- AvIP for Aviators not in Operational Flying Duty or Proficiency Flying Duty Positions; -- Critical Skill Incentive Pay; and -- Hazardous Duty Incentive Pay for Flying	Chapter 22
Board Certification Pay	Chapter 5, section 5.0
Hazardous Duty Incentive Pays: -- Chemical Munitions Duty; -- Dangerous Viruses (or Bacteria) Lab Duty; -- Demolition Duty; -- Experimental Stress Duty; -- Flight Deck Duty; -- Maritime Visit, Board, Search and Seizure; -- Parachute Duty; -- Polar Region Flight Operations Duty; -- Toxic Fuels (or Propellants) Duty; and -- Toxic Pesticides	Chapter 24
Incentive Pay (Health Professions)	Chapter 5, section 6.0
Submarine Duty	Chapter 23

Special Pays	Chapter, section, paragraph, or subparagraph
Career Sea Pay	Chapter 18
Career Sea Pay Premium	Chapter 18
Combat-Related Injury Rehabilitation Pay	Chapter 13
Command Pay	Chapter 3, section.8.0
Designated Unit Pay	Chapter 58, paragraph 2.8
Diving Duty Pay	Chapter 11
Hardship Duty Pay	Chapter 17
Hostile Fire or Imminent Danger Pay	Chapter 10
Nuclear Career Annual Incentive Pay	Chapter 3, section 7.3
Prototype Shift Engineer Incentive Pay	Chapter 3, section 7.4
Special Duty Assignment Pay	Chapter 8
Weapons of Mass Destruction Civil Support Team Pay	Chapter 57, paragraph 4.5

Table 51-2. Savings Deposits, Special Determinations on Accrual of Interest

RULE	When an eligible member has a saving deposit account in effect and the member	and	then interest
1	was in a deserter status	is returned to military control	accrues to the end of the month before the month the member entered a deserter status and resumes the first of the month after the month the member returns to military control (note 1).
2	returns to military control after desertion	has personnel records corrected to remove a mark of desertion	accrues during the period the member was originally considered to be a deserter (note 2).
3	is separated or discharged	repayment of deposits is delayed for any reason (note 3)	accrues to the end of the month in which repayment is made, not to exceed 90 days after eligibility to make deposits terminates.
4	does not request repayment after termination of eligibility to make deposits	within 90 days is again entitled to make deposits	continuously accrues.
5	is in a missing status	the Secretary of the Military Department concerned (or designee) directs repayment of total amount of deposit	accrues to the end of the month in which repayment is directed.
6	is in a missing status	a finding of death is made	accrues to the end of the month in which repayment is made not to exceed 90 days after the date pay and allowances terminate.
7	goes on official TDY or TAD away from the SDP authorized duty assignment or SDP authorized area for a period of 90 days or more		accrues for the first 90 days of TDY or TAD, but not after 90 days (note 4).

Table 51-2. Savings Deposits, Special Determinations on Accrual of Interest (Continued)

NOTES:

1. Interest does not accrue on deposits during the period a member is in a desertion status.
2. Interest will be computed and retroactively credited.
3. Delays in repayment of deposits include withholding of issued discharge certificates pending release from confinement when sentenced to dishonorable discharge.
4. Interest would again accrue upon return to the SDP authorized duty assignment or the authorized SDP area.

Table 51-3. Savings Deposits, Conditions Under Which Deposits, Plus Interest Are Repaid

RULE	When an eligible member has a savings deposit account and the member	then all deposits, plus interest will be repaid upon
1	permanently departs the authorized SDP area or has departed the authorized area for more than 90 days	the member's request after departure from the SDP authorized duty assignment or the SDP authorized location. If no request is received after 120 days from the departure from the authorized SDP area, all deposits, plus interest will be automatically repaid to the member.
2	is discharged or separated overseas (not for reentry into the Military Service)	discharge or separation from the Military Service or not to exceed 90 days thereafter.
3	is in a missing status	direction of the Secretary concerned or designee.
4	dies	settlement of member's unpaid pay and allowances as provided in Chapter 36 (note).

NOTE:

Interest on deposits stops at the end of the month in which full repayment is made. Do not continue interest beyond 90 days after the date of the member's death, or when a member's SDP authorized duty assignment terminates, whichever is earlier. See Table 51-2, Rule 6, for death cases where a missing status is involved.

Table 51-4. Automatic and Matching Contributions

Individual Contributions	Agency Automatic Contribution (Note)	Agency Matching Contribution (Note)	Total TSP Monthly Contribution
0%	1%	0%	1%
1%	1%	1%	3%
2%	1%	2%	5%
3%	1%	3%	7%
4%	1%	3.5%	8.5%
5%	1%	4%	10%

Note: The rules for agency automatic contributions and agency matching contributions differ between Auto-Enrolled and Opt-In Members. Specific rules are located in paragraphs 4.5 and 4.6.

*REFERENCES

CHAPTER 51 – SAVINGS PROGRAMS

2.0 – SDP

	10 U.S.C. § 1035(a)
2.1	Assistant Secretary of Defense Manpower and Reserve Affairs Memo, April 28, 2016
2.4	10 U.S.C. § 1035(e)
2.13	Office of the Under Secretary of Defense Comptroller Memo, April 16, 2008
2.2	37 U.S.C. § 551

3.0 – TSP GUIDELINES

	Deputy Secretary of Defense Memo, January 27, 2017
	5 U.S.C. § 8432b-8440
3.2	IRS Notice 2018-83
	Treasury Regulation 1.402(g)-1
3.2.2.3 & 3.2.2.4.	26 C.F.R. 1.415(c)-1(b)
3.3	5 C.F.R. § 1600.14
3.5	5 U.S.C. § 8432d
3.7	26 U.S.C. § 402(g)(1)(C)
	5 C.F.R. § 1600.23
	TSP Bulletins 19-5;20-1 and 24-2
3.9	5 U.S.C. § 8432a
	5 C.F.R. § 1605
	5 C.F.R. § 1605.12

4.0 – TSP FOR BRS MEMBERS

	Deputy Secretary of Defense Memo, January 27, 2017
	5 U.S.C. § 8440e(e)
	Under Secretary of Defense Personnel and Readiness Memo, September 28, 2020

5.0 – TSP FOR MEMBERS NOT UNDER BRS

	5 U.S.C. § 8440e(e)

6.0 – CONTRIBUTIONS FOR FSAFEDs

Executive Order 14100, Advancing Economic Security for Military and Veteran Spouses, Military Caregivers, and Survivors, June 9, 2023
Secretary of Defense Memo, March 22, 2023
Secretary of Defense Memo, September 13, 2024

Table 51-4 – Automatic and Matching Contributions

Deputy Secretary of Defense Memo, January 27, 2017

VOLUME 7A, CHAPTER 52: "PRIORITY OF PAY DEDUCTIONS AND COLLECTIONS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated December 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision
Table 52-1	Added "Health Care Flexible Spending Account" contributions to priority 15.	Addition
Table 52-1	Renamed "Dependent Care Flexible Spending Account" contributions to "Flexible Spending Account" contributions as priority 15.	Revision
References	Updated supporting statutes and references.	Revision

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CHAPTER 52

PRIORITY OF PAY DEDUCTIONS AND COLLECTIONS

1.0 GENERAL

1.1 Purpose

This chapter guides military service central site pay operations and field military finance/disbursing offices, henceforth referred to as "finance offices", concerning the sequence order for processing deductions and debt collections from a Service member's military pay entitlements when the member does not have sufficient pay. Finance offices must review a Service member's military pay entitlements to determine if the member has sufficient pay to offset all deductions and debt collections. If a Service member does not have enough pay, Table 52-1, Priority of Deductions and Collections, states which deduction/collection will collect first from the current pay. If a Service member has voluntary deductions for Thrift Savings Plan (TSP) contributions and/or discretionary allotments that prevent the finance office from collecting debts due the United States, or to other entities listed in Table 52-1, the finance office has the authority to stop those voluntary deductions and process the debt collection. The finance office will notify the Service member that he/she has 30 days to voluntarily change, their TSP contribution, or discretionary allotment amounts. If they fail to make the changes, the finance office will initiate stoppages and specify when the changes will appear on the Service member's military pay account. These actions will not substitute for, but may be included in, any indebtedness notification required by Volume 16.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 5, 10, 11, 26, 31, 37, 38 and 42. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

*Table 52-1. Priority of Deductions and Collections

RULE	When the amounts due to a member are not enough to cover authorized deductions or collections, collect applicable amounts shown in the following sequence:	
1	Reduction of pay entitlement	Losses of pay entitlement take precedence over all items for deduction or collection: a. Forfeiture (note 1) b. Reduction for educational benefit under the "Montgomery G.I. Bill" (note 1)
2	Reimbursement to the United States	Collected amounts for deposit to the credit of the U.S. Treasury, in the following order: a. Federal Insurance Contribution Act tax b. Deductions for Armed Forces Retirement Homes c. Federal Income Tax Withholding (this includes any amounts voluntarily authorized by member in excess of the minimum withholding required) d. Deductions for Servicemembers' Group Life Insurance (SGLI), Family SGLI, and Traumatic SGLI
3	State income tax withholding	
4	Involuntary repayment of indebtedness to the United States	a. Routine pay adjustment as referenced in Volume 16, Chapter 3, subparagraph 3.6.4 b. Repayment of advances of pay/allowances or advances of travel c. Other collections (overpayments of pay or allowances outside the scope of a routine pay adjustment) d. Repayment of public funds entrusted to an accountable member or funds obtained by any member through fraud, larceny, embezzlement, or other unlawful means e. Clothing allowance charges f. Transportation charges g. Subsistence charges h. Government property lost or damaged (note 2) i. Telephone or telegraph charges j. Damage to assigned housing due to negligence or abuse k. Indebtedness to a Commissary, DoD contracted Military Banking Facility overseas, or other appropriated fund activity for an uncollectable check or defaulted loan l. Unpaid hospital bills for medical services furnished to a dependent m. Compensation or stipend payments received by a medical officer from state, county, municipal, or privately owned hospitals for medical services n. Jury duty fees received by a member o. Amounts due to other Uniformed Services or departments or agencies outside DoD, including court judgments
5	Garnishment for alimony and child support payments	

*Table 52-1. Priority of Deductions and Collections (Continued)

RULE	When the amounts due to a member are not enough to cover authorized deductions or collections, collect applicable amounts shown in the following sequence:	
6	Statutorily required child and spousal support allotments	
7	Reimbursement to individuals and agencies	Remittances to an individual or agency by disbursing officer making deductions as follows: a. Deductions for rental of premises occupied by dependents b. Deduction for payment for damages to private property
8	Court-ordered bankruptcy payments under Chapter 13 of the revised Bankruptcy Act	(note 3)
9	Indebtedness to a nonappropriated fund activity	
10	Amounts due Service relief society (Army Emergency Relief, Air Force Aid Society, Navy-Marine Corps Relief Society, or Coast Guard Mutual Assistance) only at final separation	
11	Voluntary repayment of indebtedness to the United States	In order specified by the Military Service member (note 4)
12	Involuntary allotment for commercial debts	(note 5)
13	TSP	Payments to TSP in the following order: a. TSP loan repayments b. TSP catch-up deductions c. TSP deductions d. Roth TSP deductions

*Table 52-1. Priority of Deductions and Collections (Continued)

RULE	When the amounts due to a member are not enough to cover authorized deductions or collections, collect applicable amounts shown in the following sequence:	
14	Allotments	Payments made to an allottee by the United States will be disbursed in the following order: a. Emergency support of dependent b. Government insurance (discretionary allotment) c. Repayment of individual indebtedness or for payment to an individual or financial organization for disposition as authorized by the allotter (discretionary allotment) d. Purchase of U.S. Savings bonds e. Donation to charity drives f. Other discretionary allotments (note 5)
15	Flexible Spending Account Contributions	(See Chapter 51) a. Health Care Flexible Spending Account b. Dependent Care Flexible Spending Account
16	Internal Revenue Service paper levy for delinquent Federal income taxes	(See Chapter 44, section 3.0 and Table 52-1, note 5)
17	Court-Martial fines	

NOTES:

1. Gross pay to which the Military Service member would otherwise be entitled must be reduced by the monthly amount of the forfeiture or educational benefit under the Montgomery G.I. Bill. The forfeiture or educational benefit is subtracted to determine a new, reduced monthly gross pay amount. Deductions based on gross pay will be computed on the reduced gross pay.
2. This is a voluntary indebtedness for members of the Navy or Marine Corps, who fall under Volume 16, Chapter 3, Table 3-3, Rule 5.
3. In cases where the U.S. Bankruptcy Court has mandated that a sum be deducted monthly, the court order will be followed as prescribed in Military Service regulations. The order of precedence in Table 52-1 will apply unless otherwise specified in the court order in which case the court's order prevails.
4. Upon separation, these become involuntary and fall under rule 4.
5. If the date of a tax levy is earlier than the effective date of a voluntary allotment or an involuntary allotment for commercial debts, then the tax levy should be collected before either allotment.

*REFERENCES

CHAPTER 52 – PRIORITY OF PAY DEDUCTIONS AND COLLECTIONS

Table 52-1

Rule 1(a)	36 Comptroller General 79
Rule 1(b)	38 U.S.C., section 3011(b)
Rule 2(a)	26 U.S.C. §§ 3102, 3121
Rule 2(b)	37 U.S.C. § 1007(i)
Rule 2(c)	26 U.S.C. § 3402
Rule 2(d)	38 U.S.C. § 1969
Rule 3	5 U.S.C. § 5517
Rule 4	37 U.S.C. § 1007(c) 5 U.S.C. § 5514 31 U.S.C. § 3716
Rule 4(n)	5 U.S.C. § 5537
Rule 5	42 U.S.C. § 659
Rule 6	42 U.S.C. § 665
Rule 7(b)	10 U.S.C. § 939
Rule 8	11 U.S.C. § 1325(c)
Rule 9	37 U.S.C. § 1007(c)
Rule 10	37 U.S.C. § 1007(h)
Rule 12	5 U.S.C. § 5520a(k) DoD Instruction 1344.09, February 1, 2022
Rule 13	5 U.S.C. §§ 8432, 8432b, 8432d
Rule 14	37 U.S.C. §§ 701, 703, 704, 706
Rule 15	Secretary of Defense Memo, March 22, 2023 Secretary of Defense Memo, September 13, 2024
Rule 16	26 U.S.C. §§ 6331, 6334

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 53: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 7A, CHAPTER 54: "TRICARE DENTAL PROGRAM"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision
References	Updated supporting statutes and references.	Revision

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CHAPTER 54

TRICARE DENTAL PROGRAM

1.0 GENERAL

1.1 Purpose

The TRICARE Dental Program (TDP), administered by United Concordia Companies, Inc., is a worldwide dental care plan offered to eligible beneficiaries by the DoD through the Defense Health Agency.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Title 10. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 TDP

2.1 Enrollment Eligibility

The TDP is a voluntary dental plan available to eligible family members of all Active Duty Uniformed Service personnel and to Selected Reserve (SELRES) and Individual Ready Reserve (IRR) Service members and/or their eligible family members. To be eligible for the TDP, the sponsor must have at least 12 months remaining on his or her Service commitment with the parent Service at the time of enrollment. Individuals eligible to enroll in the TDP include the following:

2.1.1. SELRES and IRR Service members; and

2.1.2. Family members of active duty, SELRES, and IRR Service members. This includes spouses and unmarried children (including stepchildren, adopted children, and wards) under the age of 21. Family members will be eligible up to the end of the month in which they turn 21. Family members may be eligible after 21 if:

2.1.2.1. They are enrolled full-time at an accredited college or university and are more than 50 percent dependent on the sponsor for their financial support. These students are eligible to the end of the month in which they turn age 23. If the student terminates his or her education prior to turning 23, then eligibility ends at the end of the month in which education terminates; or

2.1.2.2. They have a disabling illness or injury that occurred before their 21st birthday or between the ages of 21 and 23 if enrolled as a full-time student at the time of illness or injury, and they were more than 50 percent dependent on the sponsor for financial support.

2.1.3. TDP Survivor Benefits

Surviving spouses and children are eligible for the TDP Survivor Benefit when a sponsor dies. Surviving family members are eligible to receive TDP benefits when:

2.1.3.1. An Active Duty sponsor dies while on active duty for a period of more than 30 days; or

2.1.3.2. A Ready Reserve sponsor [i.e., Selected Reserve or Individual Ready Reserve (mobilization asset), as specified in ***10 U.S.C., section 10143*** and ***10 U.S.C. § 10144(b)*** respectively] dies. The Reserve sponsor does not have to be on active duty for the family member to be eligible for survivor benefits.

2.1.3.3. The Government will pay for 100% of the TDP premium for survivors as follows:

2.1.3.3.1. Spouse. The surviving spouse is eligible to receive TDP Survivor Benefits for up to three years from the sponsor's date of death.

2.1.3.3.2. Children. The TDP Survivor Benefit for children ends at the age of 21, or 23 if enrolled in a full-time course of study in a secondary school or in a full-time course of study in an institution of higher education (subject to TRICARE eligibility limitations).

2.1.3.3.3. Incapacitated Children. The TDP Survivor Benefit for incapacitated children (subject to TRICARE eligibility limitations) is the greater of:

2.1.3.3.3.1. Three years from the sponsor's date of death (not to exceed 21 years of age);

2.1.3.3.3.2. The date on which such dependent attains 21 years of age; or

2.1.3.3.3.3. The date on which the dependent attains 23 years of age if enrolled in a full-time course of study in a secondary school or in a full-time course of study in an institution of higher education (subject to TRICARE eligibility limitations).

2.2 Individuals Who Are Not Eligible for TDP Coverage

Active duty Service members are not eligible for the TDP. In addition, former spouses, parents, parents-in-laws, disabled veterans, foreign military personnel, Service members in the Transitional Assistance Management Program following activation for a contingency operation, and retirees and their families are not eligible for TDP benefits.

2.3 Enrollment Period

All new enrollees must remain enrolled in the TDP for at least 12 months. Enrollment may continue on a month-to-month basis after completing the 12-month minimum enrollment lock-in period. Anyone who fails to pay premiums or disenrolls for other than a valid disenrollment reason is prohibited from reenrolling in the program for 12 months.

2.4 Enrollment Form

The sponsor must initiate enrollment by completing a TDP Enrollment Form. If the sponsor is not available to complete and sign the form, an individual with a Power of Attorney (POA) can initiate enrollment, provided the POA allows the individual to enter into contracts. TDP Enrollment Forms are available at the local military dental treatment facility, TRICARE Service Center, Health Benefits Advisor/installation point of contact, ***TRICARE Dental***, or the ***Beneficiaries Web Enrollment*** website.

2.5 Effective Date of Coverage

In most cases, coverage is effective the first day of the month after the month in which the TDP contractor receives the completed form and 1 month's premium payment. TDP Enrollment Forms must be received by the 20th of the month for coverage to begin on the first day of the next month. For applications received after the 20th of the month, coverage will not become effective until the first day of the second month.

2.6 Disenrollment

New enrollees must remain enrolled in the TDP for a minimum of 12 months. Anyone who fails to pay premiums during the 12-month lock-in period or disenrolls for other than valid reasons will be locked-out of the program for 12 months. The following are valid reasons for disenrolling from the TDP prior to completion of the mandatory 12-month enrollment:

2.6.1. When a sponsor or family member loses Defense Enrollment Eligibility Reporting System (commonly referred to as DEERS) eligibility due to death, divorce, marriage of a child, end of entitlement, or when a family member reaches age 21 (or 23 if enrolled full-time at an accredited college or university);

2.6.2. When TDP-enrolled members relocate outside the continental United States service area, the Service members may elect (within 90 calendar days of the relocation) to disenroll their family members and/or themselves from the TDP (TRICARE Service Centers are available to assist with enrollment options.);

2.6.3. When an active duty Service member transfers with enrolled family members to a duty station where space-available dental care for the enrolled members is readily available at the local Uniformed Service dental treatment facility, the active duty Service member may elect (within 90 days of the transfer) to disenroll his/her family members from the TDP; or

2.6.4. When an active duty, SELRES or IRR member is transferred to the Standby Reserve or Retired Reserve.

2.7 Other Disenrollment Situations

The TDP contractor will notify the sponsor of the disenrollment and explain the enrollment/disenrollment options and any associated premium changes and time limitations for the following situations:

2.7.1. If one member in a marriage of two Service members leaves the Uniformed Services and has family members assigned to him, then the family members can be reenrolled to the other Service member without incurring a new 12-month lock-in period;

2.7.2. When an Active Component Service member transfers to the Reserve Component (SELRES, Guard/Reserves on active duty, or IRR), the enrolled family members will be enrolled under the sponsor's new status;

2.7.3. When a Service member of the Reserve Component transfers to an Active Component, the enrolled member, and/or family members will be enrolled under the sponsor's new status;

2.7.4. When the sponsor changes from one branch of service to another;

2.7.5. When a Service member of the SELRES or IRR (Special Mobilization Category) changes status to IRR (other than Special Mobilization Category), the enrolled member, and/or family members are disenrolled from their current plan and automatically reenrolled into the appropriate plan. The reenrolled member/family members may elect to disenroll from the TDP if desired; or

2.7.6. When a Service member of the SELRES or IRR is called to active duty for more than 30 consecutive days, the member is disenrolled effective on the first day of the active duty orders. Enrolled family members remain enrolled in the current TDP plan until the last day of the month in which the sponsor changes status. Family members are automatically reenrolled in the program as active duty family members with the lower premium rate under the existing lock-in period.

2.8 Premium Amounts

The TDP premium rate period runs on an annual basis. The most current rate period and premium rates are available at ***TRICARE Dental Costs***.

2.9 Premium Billing Allotments

If the Service member has a payroll account, and there are sufficient funds available at the time of collection, then the Government will collect the member's share of the premium, in advance, through a Uniformed Service finance office, or on the TRICARE Dental website under

the "Monthly Premiums" section, "Ongoing Recurring Payments" paragraph. Members must verify monthly that the correct dental allotment appears on their Leave and Earnings Statement.

2.10 Direct Billing Process

If there are insufficient funds or no payroll account is available at the time of collection, then the Service member must pay the premium costs by means of direct billing. When this occurs, premium collection will transfer, from the Uniformed Service finance office or site payroll allotment, to direct billing by the TDP contractor. Once the TDP contractor direct bills, this payment process will continue, until the member requests the TDP contractor to restart the payroll allotment. The TDP contractor will immediately direct bill for premiums due from IRR Service members and from SELRES and IRR family members.

*REFERENCES

CHAPTER 54 – TRICARE DENTAL PROGRAM (TDP)

1.0 – GENERAL

1.1 TDP Handbook, October 2021

2.0 – TDP

10 U.S.C., § 1076a

VOLUME 7A, CHAPTER 55: "RESERVE INCOME REPLACEMENT PROGRAM"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated May 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated language to comply with current DoD Instruction 1241.05, Reserve Income Replacement Program, dated May 15, 2018.	Revision

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CHAPTER 55

RESERVE INCOME REPLACEMENT PROGRAM

1.0 GENERAL

1.1 Purpose

This chapter establishes policy pertaining to the Reserve Income Replacement Program (RIRP) for members of the Reserve Components (RC) as defined in Volume 7A Definitions.

1.2 Authoritative Guidance

The RIRP policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with Title 37, United States Code (U.S.C.), section 910 (***37 U.S.C. § 910***). Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 DEFINITIONS

2.1 Involuntary Active Duty

For the purposes of this chapter, involuntary active duty is defined as an order to active duty without the consent of the member in accordance with the authority under ***10 U.S.C. § 688***, ***10 U.S.C. § 12301(a)***, ***10 U.S.C. § 12301(g)***, ***10 U.S.C. § 12302***, ***10 U.S.C. § 12304***, ***10 U.S.C. § 12304a***, or ***10 U.S.C. § 12304b***, an order to full-time National Guard duty under ***32 U.S.C. § 502(f)(1)*** or ***14 U.S.C. § 3713***.

2.2 Monthly Active-Duty Income Differential

This differential is the difference between the average monthly civilian income of the member and the member's total monthly military compensation (TMMC) when the member's average monthly civilian income exceeds the TMMC.

2.3 TMMC

TMMC is the amount computed on a monthly basis that is the sum of the member's regular military compensation and the amount of any special pays, incentive pays, and allowances (not included in regular military compensation) that are paid on a monthly basis (e.g., Foreign Language Proficiency annual bonus that may be paid in monthly installments). Bonuses paid in a lump sum or anniversary installments, such as enlistments, reenlistment, and affiliation bonuses, will not be included in TMMC. Cost of living allowances will be included in TMMC. Per Diem, to include meals and incidental expenses, will not be included in TMMC.

3.0 RIRP ELIGIBILITY

3.1 Service Requirement

An RC member currently serving on involuntary active duty is eligible for RIRP payments for any entire month of involuntary active duty that is served after the member:

3.1.1. Completes 547 continuous days of service on active duty under an involuntary mobilization order;

3.1.2. Completes 730 cumulative days on active duty under an involuntary mobilization order during the previous 1,826 days; or

3.1.3. Is involuntarily mobilized for service on active duty for a period of 180 days or more within 180 days after the date of the member's separation from a previous period of active duty for a period of 180 days or more.

> Example: If continuous service on active duty began on February 1, 2016, the 547 days to establish eligibility would end at midnight on July 31, 2017. The member would meet the eligibility requirement for RIRP on August 1, 2017, and would be entitled to RIRP payment on September 1, 2017, for the month of August 2017, if the member serves on active duty for the entire month of August.

3.2 RIRP Entitlement

Payment for RIRP is based on each full month of involuntary active duty following the date on which the member meets the service requirement in paragraph 3.1 and has a monthly active-duty income differential. RIRP payments are based on full months of service only partial payments are not authorized. Changes in pay grade, longevity, number of dependents, and special pays will be taken into account in calculating the RIRP payment in the month following the change.

3.3 Special Conditions

Effective January 29, 2008, the entitlement of an RC member to RIRP payment will commence, or if previously commenced, will continue if the member satisfies the service requirement specified in paragraph 3.1, and is retained on active duty under 10 U.S.C. § 12301(h)(1)(A) or (B) because of an injury or illness incurred, or aggravated while assigned to duty in an area for which special pay under ***37 U.S.C. § 351*** is available.

4.0 RESTRICTIONS

A civilian employee of the Federal Government, who is also a member of an RC is not entitled to a payment of RIRP for any period for which the employee is entitled to a civilian pay differential payment under ***5 U.S.C. § 5538***, as described in Volume 8, Chapter 3, paragraph 5.9; or a comparable civilian pay benefit under an administratively established program for civilian

employees absent from a position of employment with the Federal Government in order to perform active duty in the Uniformed Services.

5.0 PAYMENT

5.1 Frequency

After an RC member has met the service requirement in paragraph 3.1, the member is entitled to payment of RIRP on a monthly basis. Payment is made on the first day of the calendar month after performing a full calendar month of involuntary active-duty service, if the member has a monthly active-duty income differential. See the example in subparagraph 3.1.3.

5.2 Limitation

RIRP payments will be made to an eligible RC member only if the monthly active-duty income differential is greater than $50. The RIRP payment to a member will not exceed $3,000 per month, notwithstanding a higher monthly active-duty income differential.

5.3 Termination of Payment

5.3.1. Payment will terminate when one of the conditions in Table 55-1 is met.

5.3.2. Unless reauthorized by Congress, RIRP may not be paid after the date on the ***Duration of Authority*** table, unless a member's entitlement to RIRP payments commenced on or before that date.

6.0 TAXABILITY

6.1 Federal and State Tax Deduction

RIRP payments are subject to federal and state income tax withholding.

6.2 Federal Insurance Contribution Act (FICA)

RIRP payments are not subject to FICA withholding.

Table 55-1. Date to Terminate RIRP Payment

RULE	When the	then RIRP payment is terminated after
1	member is released from a qualifying period of active duty	the last full month of qualifying service. A partial month is not pro-rated.
2	member no longer meets eligibility requirements due to changes in the TMMC	the last full month of service in which the member had a monthly active-duty income differential. A partial month is not pro-rated.
3	member's monthly active-duty income differential decreases to $50 or less due to changes in TMMC	the last full month of service in which the member had a monthly active-duty income differential exceeding $50. A partial month is not pro-rated.
4	member's order duty status changes from involuntary to voluntary	the last full month of involuntary active duty. A partial month is not pro-rated.

REFERENCES

CHAPTER 55 – RESERVE INCOME REPLACEMENT PROGRAM

2.0 – DEFINITIONS

DoD Instruction (DoDI) 1241.05 May 15, 2018, paragraph G.2

3.0 – RIRP ELIGIBILITY

37 U.S.C. § 910(b)

3.1 DoDI 1241.05 May 15, 2018, paragraph 3.1

3.2 DoDI 1241.05 May 15, 2018, paragraph 3.2.e

3.3 DoDI 1241.05 May 15, 2018, paragraph 3.1.b

4.0 – RESTRICTIONS

37 U.S.C. § 910(b)(3)
5 U.S.C. § 5538

5.0 – PAYMENT

5.2 37 U.S.C. § 910(c)
DoDI 1241.05 May 15, 2018, paragraph 3.3

5.3 37 U.S.C. § 910(g)

VOLUME 7A, CHAPTER 56: "READY RESERVE (RR) ACCESSION, AFFILIATION, ENLISTMENT, AND RETENTION BONUSES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated April 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting and hyperlinks to comply with current administrative instructions.	Revision
3.2 4.2	Updated bonus amount limitations to comply with current statutes.	Revision
References	Updated statutes and supporting references.	Revision

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CHAPTER 56

READY RESERVE (RR) ACCESSION, AFFILIATION, ENLISTMENT, AND RETENTION BONUSES

1.0 GENERAL

1.1 Purpose

The purpose of this chapter is to provide policy guidance pertaining to the accession, affiliation, enlistment, and retention bonuses for members of the RR.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with Title 37, United States Code (U.S.C.), sections 331 and 332, (*37 U.S.C. § 331* and *37 U.S.C. § 332*). Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 OFFICER ACCESSION AND AFFILIATION BONUS

2.1 Officer Accession Bonus

2.1.1. Conditions of Entitlement. Pursuant to 37 U.S.C. § 332(a)(1), and implemented by *DoD Instruction (DoDI) 1304.34*, July 11, 2016, the Secretary concerned may pay an accession bonus to an eligible officer who enters into an agreement with the Secretary:

2.1.1.1. To accept an appointment as an officer in the Armed Forces; and

2.1.1.2. To serve in the Selected Reserve (SELRES) of the RR in a designated skill for the period specified in the agreement.

2.1.2. Skills Designation. The Secretary will designate the officer skills to which the bonus authority is to be applied. A skill may be designated if it is critical to increase the number of members accessed who are qualified in that skill or are to be trained in that skill, or to mitigate a current or projected significant shortage of personnel who are qualified in that skill.

2.2 Officer Affiliation Bonus

2.2.1. Conditions of Entitlement. In accordance with 37 U.S.C. § 332(a)(2) and DoDI 1304.34, the Secretary concerned may pay an affiliation bonus to an eligible officer in the Military Department who enters into an agreement with the Secretary to serve, for the specified period in the agreement, in the SELRES of the RR. The officer must enter into an agreement:

2.2.1.1. To serve in a critical officer skill designated by the Secretary; or

2.2.1.2. To meet a manpower shortage in:

2.2.1.2.1. A unit of that SELRES; or

2.2.1.2.2. A particular pay grade in that Armed Force.

2.2.2. Eligibility Criteria. An officer is eligible for an affiliation bonus if the officer either:

2.2.2.1. Is serving on active duty for a period of more than 30 days; or

2.2.2.2. Is a member of a Reserve Component (RC) not on active duty (if the member formerly served on active duty but was released from active duty under honorable conditions); and

2.2.2.3. Is not entitled to retired or retainer pay.

2.2.3. Critical Skills Designation. The Secretary concerned will designate the critical officer skills to which the bonus authority is to be applied. A skill may be designated as a critical officer skill if it is critical to have a sufficient number of officers who are qualified in that skill.

2.3 Period of Obligated Service

An agreement entered into with the Secretary concerned will require the person entering into that agreement to serve in the SELRES for a specified period. The period specified in the agreement will be any period not less than 3 years that the Secretary determines appropriate to meet the needs of the RC in which the service is to be performed.

2.4 Bonus Amounts

2.4.1. The maximum accession bonus may not exceed $60,000 for a minimum 4-year period of obligated service, nor may it exceed an annual amount of $15,000.

2.4.2. The maximum affiliation bonus may not exceed $10,000 for a minimum 3-year service obligation.

2.5 Payment

2.5.1. Upon acceptance of a written agreement by the Secretary, the total amount of the bonus payable under the agreement becomes fixed. The agreement will specify whether the bonus is to be paid in one lump sum or installments.

2.5.2. A person entitled to a bonus who is called or ordered to active duty will be paid, during that period of active duty, any amount of the bonus that becomes payable to the member during that period of active duty.

2.6 Relation to Other Accession Bonus

A person may not receive an affiliation bonus, accession bonus, and financial assistance through a loan repayment program for the same period of service.

2.7 Repayment

A person or officer who receives a bonus in accordance with 37 U.S.C. § 332, and fails to complete the period of obligated service or other conditions of service specified in the written agreement for which the bonus is paid, must repay any unearned portion of the bonus consistent with ***37 U.S.C. § 373*** and Chapter 2.

2.8 Duration of Authority

Unless reauthorized by Congress, an officer accession or affiliation bonus may not be paid after the date listed on the ***Duration of Authority*** table, located on DFAS.MIL, unless an officer accession or affiliation agreement was entered into prior to the date on the table.

3.0 ENLISTMENT BONUS

The Secretaries concerned may pay a bonus to a person who enlists in or affiliates with the SELRES and agrees to serve for a specified period of obligated service in a designated skill, unit, or pay grade, or to meet some other condition or conditions imposed by the Secretary concerned.

3.1 Eligibility

An enlistment bonus is authorized for individuals who enlist in an RC for a specific period and, if applicable, for service in a skill that is experiencing critical personnel shortages as designated by the Secretary concerned. The individual must:

3.1.1. Possess a high school diploma, a completion or attendance certificate in lieu of a high school diploma, or a General Educational Development (GED) program certificate; and

3.1.2. Be an initial enlistee, a prior Service enlistee, or a reservist not on active duty who enlists in the RC of an Armed Force, as defined in subparagraphs 3.1.2.1 and 3.1.2.2.

3.1.2.1. Initial/Non-prior Service Enlistee. An Initial or Non-prior Service Enlistee is a person who has either never served or has served, but was released from such service before completing the basic training requirements of the Service of which the person was a member and the service was characterized as either honorable or uncharacterized.

3.1.2.2. Prior Service Enlistee. A Prior Service Enlistee is a person who has prior experience but has not previously received an enlistment or retention bonus, or who currently is not entitled to a Selective Retention Bonus (SRB) under section 7.0.

3.1.3. Enlist for at least 2 years in an RC of an Armed Force and serve for a specified period of obligated service in at least one of the following categories:

3.1.3.1. A designated skill;

3.1.3.2. Career field;

3.1.3.3. Unit; or

3.1.3.4. Grade;

3.1.4. Execute a written agreement with the Secretary concerned that specifies the:

3.1.4.1. Amount of the bonus;

3.1.4.2. Method of bonus payment;

3.1.4.3. Period of obligated service; and

3.1.4.4. Designated skill or specialty, career field, unit, or grade, or such other condition or conditions of service imposed by the Secretary concerned;

3.1.5. Not be in receipt of an enlistment bonus, a retention bonus, an affiliation bonus, or a transfer bonus for the same period of service;

3.1.6. Not have previously received or be eligible to receive an SRB under section 7.0 or a Critical Skills Retention Bonus (CSRB);

3.1.7. Successfully complete training and become technically qualified in a designated skill if completion of such training and technical qualification forms the basis under which the bonus is paid; and

3.1.8. Meet any additional service specific eligibility criteria and quality standards established by the Secretary concerned.

NOTE: Reservists currently obligated to Military Service under the delayed entry program are not eligible for an enlistment bonus from another Military Service.

*3.2 Amount

The bonus amount to be paid will:

3.2.1. Be fixed upon acceptance of the agreement by the Secretary concerned;

3.2.2. Be paid in a lump sum or in periodic installments; and

3.2.3. 37 U.S.C. § 331 limits the amount not to exceed $75,000 for a minimum 2-year period of obligated service for an enlistment described in paragraph 3.1. The current DoD limit is found in the ***DoD Instruction (DoDI) 1304.31***.

3.3 Repayment

A member who enters into an agreement and receives all or part of the bonus under the agreement, but who does not commence to serve in the SELRES or does not satisfactorily participate in the SELRES for the total period of service specified in the agreement, will be subject to the repayment provisions of 37 U.S.C. § 373 and Chapter 2.

3.4 Duration of Authority

Unless reauthorized by Congress, an enlistment bonus may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless an enlistment bonus agreement was entered into prior to the date on the table.

4.0 ENLISTED AFFILIATION BONUS

4.1 Eligibility

The Secretary concerned may pay an affiliation bonus to an enlisted member who:

4.1.1. Is currently serving on active duty or has served on active duty and is discharged or released under honorable conditions;

4.1.2. Has less than 20 years of total uniformed service;

4.1.3. Provides the original DoD (DD) Form 214, Certificate of Release or Discharge from Active Duty (copy 1 or copy 4), or a reproduction with a certified true-copy stamp and the appropriate Federal Government authenticating seal imprinted thereon for each period of prior military service;

4.1.4. Executes an agreement to serve as an enlisted member in the SELRES of the RR of an Armed Force for a period of not less than 2 years as specified in subparagraph 3.1.2, in a:

4.1.4.1. Skill;

4.1.4.2. Unit; or

4.1.4.3. Pay grade designated after being discharged or released from active duty under honorable conditions;

4.1.5. Executes a written agreement with the Secretary concerned that specifies the:

4.1.5.1. Amount of the bonus;

4.1.5.2. Method of bonus payment;

4.1.5.3. Period of obligated service; and

4.1.5.4. Designated skill or specialty, career field, unit, or grade, or such other condition or conditions of service imposed by the Secretary concerned;

4.1.6. Is not in receipt of an enlistment, retention, or transfer bonus for the same period of time as an affiliation bonus; and

4.1.7. Has not previously received an affiliation bonus in the SELRES.

*4.2 Amount

The bonus amount:

4.2.1. Is fixed upon acceptance of the agreement by the Secretary concerned;

4.2.2. May be paid in a lump sum or in periodic installments; and

4.2.3. Is limited by 37 U.S.C. § 331 to a maximum amount of $75,000 for a minimum 2-year period of obligated service for an affiliation described in paragraph 4.1. The current DoD limit is found in the DoDI 1304.31.

4.3 Repayment

A member who enters into an agreement and receives all or part of the bonus under the agreement, but who does not commence to serve in the SELRES or does not satisfactorily participate in the SELRES for the total period of service specified in the agreement, will be subject to the repayment provisions of 37 U.S.C. § 373 and Chapter 2.

4.4 Duration of Authority

Unless reauthorized by Congress, an enlistment affiliation bonus may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless an enlistment affiliation bonus agreement was entered into prior to the date on the table.

5.0 PRIOR SERVICE ENLISTMENT BONUS

5.1 Eligibility

The Secretary concerned may pay an individual with prior military service who reenlists in an RC of an Armed Force after a break in reserve duty. The individual must:

5.1.1. Enlist in an RC of an Armed Force;

5.1.2. Reenlist for a period of at least 2 years or extend the initial period of obligated service;

5.1.3. Execute a written agreement with the Secretary concerned to serve as an enlisted member in an RC that specifies the:

5.1.3.1. Amount of the bonus;

5.1.3.2. Method of bonus payment;

5.1.3.3. Period of obligated service; and

5.1.3.4. Designated skill or specialty, career field, unit, or grade, or such other condition or conditions of service imposed by the Secretary concerned;

5.1.4. Agree to serve for a specified period in at least one of the following reenlistment or extension categories:

5.1.4.1. A designated skill;

5.1.4.2. Career field;

5.1.4.3. Unit; or

5.1.4.4. Grade;

5.1.5. Successfully complete training or retraining and become technically qualified in a designated military skill, when additional training is required;

5.1.6. Provide the original DD 214 (copy 1 or copy 4), or a reproduction of the DD 214 with a certified true copy stamp and the appropriate Federal Government authenticating seal imprinted thereon for any period of prior uniformed service, or other official documentation verifying member's satisfactory participation for all periods of prior service in the Regular Component;

5.1.7. Qualify under any additional eligibility criteria prescribed by the Secretary concerned;

5.1.8. Possess a high school diploma, a completion or attendance certificate in lieu of a high school diploma, or a GED program certificate; and

5.1.9. Be an initial enlistee, a prior Service enlistee, or a reservist not on active duty who enlists in a SELRES of an Armed Force in subparagraph 5.1.2.

5.2 Limitations

A member may not be paid a Prior Service Enlistment Bonus if he/she:

5.2.1. Has previously received an enlistment bonus;

5.2.2. Has previously received or is currently entitled to an SRB per DoDI 1304.31 or a CSRB under *37 U.S.C. § 355*;

5.2.3. Has more than 16 years of total uniformed service and received a less than honorable discharge at the conclusion of any of the prior periods of service;

5.2.4. Was released or is being released from active duty for the purpose of enlistment in an RC;

5.2.5. Is not projected to occupy a position for which the member previously served successfully and has completed training or retraining in the critical specialty for the position;

5.2.6. Does not execute an agreement to serve in the SELRES of the RR for a period of not less than 3 years as specified in subparagraph 5.1.4; or

5.2.7. Fails to provide the original DD 214 as specified in subparagraph 5.1.6.

5.3 Amount

The bonus amount to be paid will:

5.3.1. Be fixed upon acceptance of the agreement by the Secretary concerned; and

5.3.2. Not exceed $15,000 for each year of obligated service in a reserve component.

5.4 Method of Payment

5.4.1. The Secretary concerned must establish the method of payment for the bonus (lump sum or periodic installments). Payment should be disbursed based on training milestones, amounts, and length of enlistment. The Secretary concerned must not pay a person or member any portion of the bonus prior to completion of basic recruit training.

5.4.2. Members with prior uniformed service who do not require formal training to be technically qualified in the skill for which the bonus is being paid will receive their first installment no earlier than 30 days after arrival at the first permanent duty station following entry on active duty.

5.5 Repayment

A member who receives all or part of the bonus under the agreement, who does not complete the term of enlistment or who is not technically qualified in the skill for which the bonus was paid, will be subject to the repayment provisions of 37 U.S.C. § 373 and Chapter 2.

5.6 Duration of Authority

Unless reauthorized by Congress, a prior service enlistment bonus may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless a prior service enlistment bonus agreement was entered into prior to the date on the table.

6.0 NONAVAILABILITY

6.1 RR

Members of the RR who incur a period of authorized absence (such as temporary overseas residence, missionary obligation, or overseas employment obligation) will have their incentive suspended, and will not be entitled to incentive payments. The period of authorized absence may be up to 1 year for valid personal reasons as determined by the Secretary concerned. In cases with unusual and extenuating circumstances, the Secretary of the Military Department concerned may grant a one-time suspension up to 3 years on a case-by-case basis. If subsequently assigned to the Reserve status and skill that they had previously contracted for, members may be reinstated in the incentive program if they extend their term of service, or service obligation, to be able to serve the full original incentive contract period. Entitlement to subsequent payments will resume on the adjusted anniversary date of satisfactory and creditable Reserve Service, as appropriate. The date will be adjusted for periods of authorized absence. Failure to meet reinstatement criteria will result in termination of the incentive and recoupment, as appropriate.

6.2 SELRES

Members of the SELRES may incur a period of authorized absence of up to 1 year for valid personal reasons as determined by the Secretary concerned. In cases with unusual and extenuating circumstances, the Secretary of the Military Department concerned may grant a one-time suspension up to 3 years on a case-by-case basis. These members will be:

6.2.1. Transferred to the Individual RR or the Inactive National Guard, as appropriate, during the period of authorized absence, and will be suspended from their incentive. During the period of authorized absence, the member will not be entitled to subsequent incentive payments or any incentives available to members of the RR, not in the SELRES; and

6.2.2. If, within 1 year, members are subsequently reassigned to a SELRES skill or unit type that they had previously contracted for, then the members may be reinstated in the incentives program if they extend their term of service, or contract for service, to be able to serve the full original incentive contract period. Entitlement to subsequent payments will resume on the adjusted anniversary date of satisfactory creditable SELRES service. The date will be adjusted for that

period of authorized absence. Failure to meet reinstatement criteria will result in termination of the incentive and recoupment, as appropriate.

7.0 SRB

An SRB authorized under 37 U.S.C. § 331(a)(3) and implemented in DoDI 1304.31, provides a monetary incentive that may be offered to retain adequate numbers of qualified enlisted personnel in certain reenlistment categories. The bonus may be used to obtain the reenlistment or voluntary extension of an enlistment in exchange for a member's agreement to serve for a specified period.

7.1 Eligibility

The Secretary concerned may pay an SRB to a person, including a member of the Armed Forces who reenlists in a Military Service for a specific period and, if applicable, for service in a military skill that is experiencing critical personnel shortages as designated by the Secretary concerned. The individual must:

7.1.1. Serve in pay grade E-3 or higher;

7.1.2. Reenlist for a period of at least 3 years or voluntarily extend an enlistment for a period of at least 1 year in an active status in the SELRES in a Military Service;

7.1.3. Execute a written agreement with the Secretary concerned that specifies the:

7.1.3.1. Amount of the bonus;

7.1.3.2. Method of bonus payment (lump sum amount or periodic installments);

7.1.3.3. Period of obligated service; and

7.1.3.4. Designated skill or specialty, career field, unit, or grade, or such other condition or conditions of service imposed by the Secretary concerned;

7.1.4. Agree to serve for a specified period in at least one of the following reenlistment or extension categories:

7.1.4.1. A designated military skill;

7.1.4.2. Career field;

7.1.4.3. Unit; or

7.1.4.4. Grade;

7.1.5. Meet skill qualification prior to payment of an SRB for a member transferring into a designated skill; and

7.1.6. Qualify under any additional eligibility criteria prescribed by the Secretary concerned.

7.2 Limitations

7.2.1. A re-entry or reenlistment must occur no later than 3 months after the date of discharge or release from active duty.

7.2.2. Veterans with more than a 3-month but less than a 4-year break in active status may qualify for reentry after a break in service or prior service reentry, subject to the regulations prescribed by the Secretary concerned.

7.2.3. The original DD 214 (copy 1 or copy 4), a reproduction of the DD 214 with a certified true-copy stamp and appropriate Federal Government authenticating seal imprinted thereon, or other official documentation verifying the member's satisfactory participation for all periods of prior service in the active component and SELRES are acceptable documentation of prior active duty service for a break in active duty service greater than 24 hours.

7.2.4. Individuals with prior enlisted service and subsequent service as officers who were discharged or released from active duty and who, within 3 months after discharge or release from active duty as an officer, reenlist in the same RC of a uniformed service in which they previously served as an enlisted member may be eligible for an SRB. The individual must meet all other requirements established in paragraph 7.1.

7.2.5. Members who reenlist or voluntarily extend an enlistment to gain sufficient obligated service to participate in a program leading to commissioned or warrant officer status are not eligible for an SRB.

7.2.6. A member is not eligible for an SRB if the member was discharged or released from active duty, or service in an active status based upon a determination of misconduct, substandard duty performance, or moral or professional dereliction.

7.2.7. Generally, a member may not use any preexisting period of obligated service to satisfy an obligated service requirement under an SRB agreement, unless such service is determined by the Secretary concerned to be consistent with the requirements of ***37 U.S.C. § 371***.

7.2.7.1. A preexisting period of obligated service is necessary for the member to qualify for continuous submarine duty incentive pay and is service for which no bonus was previously authorized or payable.

7.2.7.2. A preexisting period of obligated service includes no more than a 2-year period of an unserved voluntary extension of enlistment for which no bonus was previously

authorized or payable, and the member agrees to an additional 2-year period of obligated service in connection with an SRB.

7.2.8. An SRB may be paid to an enlisted member with up to 28 years of active duty or service in an active status. The Deputy Assistant Secretary of Defense for Military Personnel Policy may waive this restriction based upon a request and justification submitted by the Secretary of the Military Department concerned.

7.3 Amount

An SRB may not exceed $15,000 for each year of obligated service in an RC. The maximum amount for an SRB is $90,000.

7.3.1. The Secretary concerned must determine the amount of an SRB based on a business case model that targets retention of adequate levels of enlisted personnel in a reenlistment or extension category.

7.3.2. RC members may receive more than one SRB at a time, but the total combined SRB payments over a career must not exceed $180,000.

7.3.3. SRB amounts may be prorated for extension requests greater than 1 year and reenlistments greater than 3 years. The additional service time will be calculated on a monthly basis at a rate equal to 1/12th the annual amount. Total bonus amounts are limited to $90,000 per SRB and $180,000 over a career.

7.4 Method of Payment

An SRB may be paid either in installments or in a lump sum. If an SRB is paid in periodic installments:

7.4.1. The installment amount will be at the discretion of the Secretary concerned and may be paid at the time of reenlistment, or at the beginning of the member's service commitment for the voluntary extension of enlistment. All payments must be made before the member completes a total of 28 years of service.

7.4.2. The initial payment to a Service member who reenlists after a break in active duty service greater than 24 hours is to be made no earlier than 30 days after arrival at the first permanent duty station following reenlistment.

7.4.3. Where there is lost time, the subsequent installment payments will be delayed by the number of days of lost time.

7.4.4. Discharge for the purpose of immediate reenlistment does not affect a member's entitlement to subsequent SRB installment payments.

7.5 Repayment

A member who does not complete the term of enlistment within the element of the SELRES for which the bonus was paid to the member under this section will be subject to the repayment provisions of 37 U.S.C. § 373 and Chapter 2.

7.6 Duration of Authority

Unless reauthorized by Congress, an SRB may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless an SRB agreement was entered into prior to the date on the table.

8.0 MILITARY OCCUPATIONAL SPECIALTY (MOS) CONVERSION BONUS

8.1 Eligibility

Consistent with 37 U.S.C. § 331 the, Secretaries concerned may pay a conversion bonus to a member who agrees to convert to a designated military skill in which there is a shortage of trained and qualified personnel and to serve for a period of not less than 3 years on active duty, or in an active status in the SELRES in that military skill or specialty. In addition to other enlisted bonus program eligibility requirements specified in DoDI 1304.31, a member must:

8.1.1. Be serving in a pay grade E-6 or below with no more than 12 years of service as computed in accordance with ***37 U.S.C. § 205***; and

8.1.2. Have completed all service obligations incurred for receipt of an enlistment or retention bonus, in accordance with 37 U.S.C. §§ 331 or 355 for a CSRB at the time of conversion.

8.2 Amount

The bonus payment will not exceed $10,000 for a reenlistment or conversion that involves an agreement to convert to a designated military skill.

8.3 Payment

The bonus may be payable in a lump sum, upon approval and completion of the conversion training.

8.4 Repayment

A member who does not convert and complete the period of service in the MOS specified in the agreement will be subject to the repayment provisions of 37 U.S.C. § 373 and Chapter 2.

8.5 Duration of Authority

Unless reauthorized by Congress, an MOS conversion bonus may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless an MOS conversion bonus agreement was entered into prior to the date on the table.

9.0 TRANSFER BETWEEN COMPONENTS OF A MILITARY SERVICE BONUS

9.1 Eligibility

The Secretary concerned may pay a bonus in accordance with 37 U.S.C. § 331(a)(4) to an enlisted member who agrees to transfer from the Regular Component to the RR or vice versa of the same service. The member must:

9.1.1. Execute a written agreement with the Secretary concerned that specifies the:

9.1.1.1. Amount of the bonus;

9.1.1.2. Method of bonus payment (lump sum amount or periodic installments);

9.1.1.3. Period of obligated service; and

9.1.1.4. Designated military skill or specialty, career field, unit, or grade, or such other condition or conditions of service imposed by the Secretary concerned;

9.1.2. Agree to serve for a specified period in at least one of the following reenlistment or extension categories:

9.1.2.1. A designated skill;

9.1.2.2. Career field;

9.1.2.3. Unit; or

9.1.2.4. Grade;

9.1.3. Not be in receipt of an enlistment bonus, retention bonus, an affiliation bonus, or a transfer bonus for the same period of service;

9.1.4. Satisfactorily complete all terms of enlistment within their current component; and

9.1.5. Qualify for reenlistment in the Regular Component or RC of the Armed Force to which the member is transferring.

9.2 Amount and Method of Payment

The Secretary concerned must establish the method of payment for the bonus (lump sum or periodic installments). The bonus amount may not exceed $10,000 and is payable upon approval of the Secretary concerned.

9.3 Repayment

A member who does not complete the terms of the transfer bonus or who is not technically qualified in the skill for which the bonus was paid will be subject to the repayment provisions of 37 U.S.C. § 373 and Chapter 2.

9.4 Duration of Authority

Unless reauthorized by Congress, a transfer between components of a military service bonus may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless a transfer between components of a military service bonus agreement was entered into prior to the date on the table.

10.0 TRANSFER BETWEEN MILITARY SERVICES BONUS

10.1 Eligibility

The Secretary concerned may pay a bonus in accordance with 37 U.S.C. § 331(a)(5) to an enlisted member who agrees to transfer and serve in another uniformed service for a specified period in a designated skill, career field, unit, or grade, or to meet some other condition or conditions imposed by the Secretary concerned. The member must:

10.1.1. Execute a written agreement with the Secretary concerned that specifies the:

10.1.1.1. Amount of the bonus;

10.1.1.2. Method of bonus payment;

10.1.1.3. Period of obligated service; and

10.1.1.4. Designated skill, career field, unit, or grade, or such other condition or conditions of service imposed by the Secretary concerned;

10.1.2. Agree to serve for a specified period in at least one of the following reenlistment or extension categories:

10.1.2.1. A designated skill;

10.1.2.2. Career field;

10.1.2.3. Unit; or

10.1.2.4. Grade;

10.1.3. Not have failed to satisfactorily complete any term of enlistment in a Military Service;

10.1.4. Qualify for reenlistment in the Regular Component of the Armed Force to which the member is transferring;

10.1.5. Prior to the transfer, have fulfilled the requirements established by the Secretary with jurisdiction over the Armed Force to which the member is transferring; and

10.1.6. Not be in receipt of an enlistment bonus, a retention bonus, an affiliation bonus, or a transfer bonus for the same period of service.

10.2 Amount and Method of Payment

The Secretary of the gaining Service may pay the transfer bonus in one $10,000 lump sum amount upon approval of the transfer by the Secretary concerned. Alternatively, the bonus may be paid in annual installments, the total of which may not exceed $10,000.

10.3 Repayment

A member who does not complete the terms of the transfer bonus or who is not technically qualified in the skill for which the bonus was paid will be subject to the repayment provisions of 37 U.S.C. § 373 and Chapter 2.

10.4 Duration of Authority

Unless reauthorized by Congress, a transfer between military services bonus may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless a transfer between military services agreement was entered into prior to the date on the table.

*REFERENCES

CHAPTER 56 – READY RESERVE (RR) ACCESSION, AFFILIATION, ENLISTMENT, AND RETENTION BONUSES

2.0 – OFFICER ACCESSION AND AFFILIATION BONUS

	DoDI 1304.34, July 11, 2016
2.1	37 U.S.C. § 332(a)(1)
2.2	37 U.S.C. § 332(a)(2)
2.4	DoDI 1304.34, July 11, 2016, paragraph 3.1.c
2.6	DoDI 1304.34, July 11, 2016, paragraph 1.2.c
2.7	DoDI 1304.34, July 11, 2016, paragraph 3.1.f

3.0 – ENLISTMENT BONUS

	37 U.S.C. § 331(a)(2)
3.0	DoDI 1304.31, November 5, 2020, paragraph 4.1
3.2	DoDI 1304.31, November 5, 2020, paragraph 4.1.e

4.0 – ENLISTED AFFILIATION BONUS

	37 U.S.C. § 331(a)(2)
	DoDI 1304.31, November 5, 2020, paragraph 4.2

5.0 – PRIOR SERVICE ENLISTMENT BONUS

	37 U.S.C. § 331
5.2	DoDI 1304.31, November 5, 2020, paragraph 4.3.b
5.2.6	DoDI 1304.31, November 5, 2020, paragraph 4.3.b.7
5.3	DoDI 1304.31, November 5, 2020, paragraph 4.3.c

6.0 – NONAVAILABILITY

	DoDI 1304.31, November 5, 2020, paragraph 3.1.i

7.0 – SRB

	37 U.S.C. § 331(a)(3)
7.2.8	DoDI 1304.31, November 5, 2020, paragraph 4.4.d.(3)(b)
7.3	DoDI 1304.31, November 5, 2020, paragraph 4.4.d(5)

8.0 – MILITARY OCCUPATIONAL SPECIALTY (MOS) CONVERSION BONUS

	37 U.S.C. § 331
8.2	DoDI 1304.31, November 5, 2020, paragraph 4.4.e(2)

9.0 – TRANSFER BETWEEN COMPONENTS OF A MILITARY SERVICE BONUS

37 U.S.C. § 331(a)(4)
DoDI 1304.31, November 5, 2020, paragraph 4.5.a

10.0 – TRANSFER BETWEEN MILITARY SERVICES BONUS

37 U.S.C. § 331(a)(5)
DoDI 1304.31, November 5, 2020, paragraph 4.5.b

VOLUME 7A, CHAPTER 57: "RESERVE ENTITLEMENTS FOR ACTIVE DUTY (AD)"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated September 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision

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CHAPTER 57

RESERVE ENTITLEMENTS FOR ACTIVE DUTY (AD)

1.0 GENERAL

1.1 Purpose

This chapter establishes the policy guidance pertaining to reserve entitlements for AD.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with, the United States Code (U.S.C.), including Titles 5, 10, and 37. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 PROVISIONS

2.1 Entitlements

2.1.1. AD With Pay. A member of a Reserve Component (RC) serving on AD with pay is entitled to receive pay according to the member's years of service and the grade in which the member is serving.

NOTE: The term AD is defined in the Definitions chapter.

2.1.2. AD Without Pay. An RC member may, with the member's consent, be ordered to AD without pay when authorized by the Secretary of the Military Department concerned. See section 5.0 for entitlement to allowances.

2.1.3. Combination AD and Inactive Duty. An RC member may be paid the equivalent total of more than 360 days of pay in a year, when so directed, if this total is based on a combination of AD pay and inactive duty training (IDT) pay.

2.1.4. Effective Date of Promotion for Increase in Pay and Allowances, Reserve and National Guard Officers. See Table 57-1.

2.1.5. Effective Date of Promotion for Increase in Pay and Allowances, Enlisted Members of the RC. Chapter 1, Table 1-4, rules 8 through 14 apply to these members.

2.2 Saved Pay

The provisions of Chapter 1, paragraph 3.3 apply to RC members.

2.3 Limitation

An RC member cannot be paid inactive duty pay on any day that the member is entitled to AD pay.

2.4 Waiver of Benefits

2.4.1. An RC member who is drawing retirement pay or retainer pay from the United States for prior Military Service, and who performs duty for which the member is entitled to pay, may elect to receive either:

2.4.1.1. The pay and allowances authorized by law for the duty that the RC member is performing. A member who receives military pay and allowances loses entitlement to one calendar day of retired or retainer pay for each calendar day of AD or inactive duty performed. Thus, receipt of military pay for two inactive duty periods performed in one calendar day results in the loss of one calendar day of retired or retainer pay; or

2.4.1.2. If the RC member specifically waives those payments, the retired or retainer pay to which the member is entitled because of the member's earlier military service.

2.4.2. An RC member who is drawing disability compensation or pension from the United States for prior Military Service, and who performs duty for which the member is entitled to pay, may elect to receive either:

2.4.2.1. The disability compensation or pension to which the member is entitled because of the member's earlier military service; or

2.4.2.2. If the RC member specifically waives those payments, the pay and allowances authorized by law for the duty that the member is performing. A member who receives military pay and allowances loses entitlement to Department of Veterans Affairs (VA) disability compensation or VA pension payments for the corresponding number of days of AD or number of inactive duty periods performed. Thus, receipt of military pay for two inactive duty periods performed in one calendar day results in the loss of VA disability compensation or VA pension benefits for two calendar days.

2.4.3. Refer to Chapter 1 subparagraph 3.1.4.3 for reserve members called to duty for more than 30 days during a time of war or national emergency.

2.5 Allotments of Pay

Except as prescribed in paragraph 7.8, an RC member may not have pay allotted. Members of the RC serving on AD under competent orders that specify periods of duty of more than 180 days, or upon involuntary recall, are excluded from this restriction when prescribed in Military Service regulations and may allot their pay, even though such pay is chargeable to Reserve or National Guard appropriations. Chapter 34, section 5.0 applies should a member enter a missing status, and Chapter 57, paragraph 6.4 applies should a member incur a disability.

NOTE: Due to the military pay system limitations, members of an RC are not able to make allotments from their pay.

2.6 Leave

An RC member who serves on AD with pay for periods of 30 consecutive days or more accrues leave at the rate of 2.5 calendar days for each month of AD, excluding periods of:

2.6.1. Absence from duty without leave;

2.6.2. Absence over leave; or

2.6.3. Confinement as a result of a court-martial.

NOTE: The member is entitled to lump-sum settlement of unused accrued leave upon completion of a tour per Table 57-2. When consecutive tours are involved, a member may be reimbursed for unused accrued leave or it may be carried forward, at the member's option, until completion of the final tour. When computing the length of a period of AD, include allowable travel time. See also Chapter 35, paragraphs 2.1 and 2.2, and procedural instructions of the Military Services concerned. Refer to Chapter 35, Tables 35-1 through 35-4 for specific entitlement criteria.

2.7 Allowable Travel Time for Pay Entitlement Purposes

The provisions of Chapter 1, paragraph 3.5 apply to RC members.

3.0 COMPUTATION OF PAY

3.1 Annual Salary

The provisions of Chapter 1, subparagraph 3.2.3 apply to RC members.

3.2 Computation of Monthly Pay

3.2.1. AD for 30 Days or More. When a member is ordered to AD for 30 days or more, and a tour of duty starts on the first day or an intermediate day of a calendar month, the member is entitled to pay and allowances through the 30th day. Payment is not authorized for the 31st day of a calendar month. This includes a member who is ordered to AD for less than 30 days and is continued on AD for 30 days or more by new orders or an amendment to the original orders. When computing the number of days for which pay is due, include the entire period the member actually serves on AD, including allowable travel time. See Table 57-2, rules 1 and 2.

3.2.2. AD for Less Than 30 Days. A member ordered to AD for less than 30 days is entitled to pay and allowances at 1/30 of the monthly rate for each day actually served, including the 31st day of a calendar month. This includes a member ordered to AD for 30 days or more, but released before performing at least 30 days of AD, including allowable travel time. See Table 57-2 rule 3.

3.2.3. AD During February. See Table 57-2, rules 4 through 11.

3.3 Absence From Duty

3.3.1. AD for Less Than 30 Days. Deduct 1/30 of the monthly rate of pay for each day of unauthorized absence.

3.3.2. AD for 30 Days or More. The provisions of Chapter 1, subparagraph 3.2.1 apply to RC members.

3.4 Basic Pay Rates

Reference the ***Military Pay Tables*** for the current monthly rates of basic pay.

4.0 SPECIAL AND INCENTIVE PAYS

4.1 Entitlement

Members of the RC on AD are entitled to special and incentive pays under the same conditions as members of the Regular Component. For exceptions, see paragraphs 4.2 through 4.7.

4.2 Career Sea Duty and Hardship Duty Pay

For career sea duty and hardship duty pay, the ship or duty station at which a member is performing AD is considered the member's permanent duty station.

4.3 Aviation Incentive Pay (AvIP) and Hazardous Duty Incentive Pay (HDIP) for the Performance of Aerial Flights

4.3.1. Entitlement. An RC officer is entitled to AvIP (continuous or conditional) while performing AD, as defined in subparagraph 2.1.1, when the requirements of Chapter 22, section 3.0 have been met and are within limitations and restrictions for AvIP as defined in Chapter 22, paragraph 2.2. Active Guard Reserve aviators will be entitled to AvIP (continuous or conditional) under provisions of Chapter 22, paragraph 3.3.

4.3.2. Excess Flying Time. The excess flying time provisions in Chapter 22 for rated officers, flight surgeons, and rated or designated warrant officers entitled to AvIP, and for enlisted crewmembers entitled to Critical Skill Incentive Pay, apply to an RC member only if on continuous AD for a period of 30 days or more.

4.3.3. Combined Flight Requirements. When a member performs both AD and inactive duty with pay in the same month, designated flying time earned in that month may be combined to satisfy any AvIP or HDIP flight requirements for that month, as defined in Chapter 58, paragraph 3.2.

4.3.4. Flying Pay for Allowable Travel Time. A member on AD for 30 days or less is entitled to flying pay (if otherwise entitled) for travel time from duty station to home, even though the period extends into the following calendar month.

4.3.5. Entitlement to AvIP While on AD for Members Who Perform IDT Without Pay. An officer who performs IDT without pay is entitled to AvIP when performing AD only if the member is considered to be performing aviation service on a career basis.

4.4 Parachute Duty Pay

Parachute jumps performed during periods of AD, or during IDT periods, if performed per Chapter 24, section 3.0, may be used to qualify the member for parachute pay for either type of duty. Parachute jumps performed while on extended active duty do not qualify a reservist for parachute pay in an IDT status.

4.5 Weapons of Mass Destruction Civil Support Team Pay

When determined necessary to address recruitment and retention concerns, the Secretary of the Military Department concerned may pay up to $150 per month in special pay to RC members assigned to Weapons of Mass Destruction Civil Support Teams. In order to be eligible for Weapons of Mass Destruction Civil Support Team pay, a member must be:

4.5.1. Entitled to basic pay for full-time duty in the National Guard;

4.5.2. Fully qualified for Weapons of Mass Destruction Civil Support Team operations; and

4.5.3. Serving on an approved AD tour in excess of 139 days in the DoD designated and certified Weapons of Mass Destruction Civil Support Team position.

4.6 Foreign Language Proficiency Bonus

An officer or enlisted member on AD is entitled to Foreign Language Proficiency Bonus if otherwise entitled under Chapter 19.

4.7 Assignment Incentive Pay (AIP)

An RC member may be authorized to receive AIP. See Chapter 15 for current programs.

5.0 ALLOWANCES

5.1 Basic Allowance for Subsistence (BAS)

5.1.1. Entitlement – AD With Pay. An RC member ordered to AD with pay is entitled to BAS as prescribed in Chapter 25.

5.1.2. Entitlement – AD Without Pay. An RC member ordered to AD without pay is entitled to subsistence in kind or commutation thereof. When a member is ordered to AD without pay and allowances, no payment is authorized.

5.1.2.1. If commutation of subsistence in kind is authorized, then the commutation will be paid at the rate of BAS specified in Chapter 25 that is applicable to the situation.

5.1.2.2. If a military technician (dual status) is performing AD outside the United States without pay, while on leave from technician employment as authorized under *5 U.S.C § 6323*, then the Secretary of the Military Department concerned may authorize a per diem allowance in lieu of the commutation for subsistence.

5.2 Basic Allowance for Housing (BAH)

The provisions of Chapter 26 apply to members of the RC.

5.3 Family Separation Allowance (FSA)

5.3.1. The provisions of Chapter 27 apply to a member of an RC on AD with pay for periods of more than 30 days.

5.3.2. An RC member may be entitled to FSA or Family Separation Housing, depending on the length of tour specified in orders and whether or not dependent travel is authorized at government expense under Chapter 26, section 7.0.

5.4 Station Allowances Outside the United States

The provisions of Chapter 68 apply to members of the RC.

5.5 Clothing Monetary Allowances – Enlisted Members

5.5.1. AD for Periods of 6 Months or Less. An enlisted member of the RC ordered to AD for 6 months or less is not entitled to a clothing monetary allowance, except as specified in subparagraphs 5.5.3 and 5.5.4.

5.5.2. AD for Periods of More Than 6 Months. See Chapter 29 for specific references to enlisted members of the RC ordered to AD for periods of more than 6 months.

5.5.3. Initial Cash Allowance for Enlisted Member. An enlisted RC member is entitled to an initial cash allowance for the purchase of items specifically designated by the Secretary of the Military Department concerned to be purchased by the member rather than to be furnished in kind. See Chapter 29, paragraph 2.1.

5.5.4. Maternity Clothing. Pregnant enlisted women of an RC are entitled to a supplemental maternity clothing allowance in accordance with the provisions of:

5.5.4.1. Army: ***Army Regulation 700-84***, Chapter 4, section 4-9;

5.5.4.2. Navy: See Chapter 29, Table 29-6;

5.5.4.3. Air Force: Chapter 29, Table 29-7; and

5.5.4.4. Marine Corps: Marine Corps provides supplemental clothing allowances as a combination of in-kind issues and cash payments, see Chapter 29, Table 29-8 for cash payments.

NOTE: Current rates for Tables ***29-6***, ***29-7***, and ***29-8*** are located on the Defense Finance and Accounting Service (DFAS) website.

5.6 Officers' Uniform and Equipment Allowances

See specific references to Reserve officers in Chapter 30.

6.0 MISCELLANEOUS PAYMENTS

6.1 Advance Pay

6.1.1. An RC member in receipt of orders for Permanent Change of Station movement (140 days or more) is entitled to advance pay per Chapter 32, paragraph 2.1. Army and Air Force enlistees with no prior service may be paid an advance pay under the conditions set forth in Table 32-1, rule 4.

6.1.2. A member of an RC (including the Retired Reserve), the Fleet Reserve, or Fleet Marine Corps Reserve, who is mobilized or recalled to AD for any period is entitled to advance pay and allowances per Chapter 32, paragraph 2.2.

6.2 Payments on Behalf of Mentally Incompetent Members

The provisions of Chapter 33 apply to these members.

6.2.1. A member may qualify for disability pay and allowances under the provisions of paragraph 6.4.

6.2.2. A member may be entitled to miscellaneous payments resulting from separation (that is, travel allowance and accrued leave).

6.3 Pay Entitlement of Members Missing, Missing in Action, Interned, and Payments to Dependents

The provisions of Chapter 34 apply to members of the RC.

6.4 Incapacitation Pay/Disability Entitlements for RC Service Members

6.4.1. RC Service Member Unable to Perform Military Duties

6.4.1.1. Entitlement. In accordance with ***37 U.S.C. § 204(g)*** and DoD Instruction ***(DoDI) 1241.01***, "Reserve Component (RC) Line of Duty Determination for Medical and Dental Treatments and Incapacitation Pay Entitlements," an RC member is entitled to the pay and allowances (incapacitation pay) provided by law or regulation for a member of a Regular Component of corresponding grade and length of service whenever such member is physically disabled as the result of an injury, illness, or disease incurred or aggravated in the line of duty (LOD) while:

6.4.1.1.1. Performing AD;

6.4.1.1.2. Performing IDT (other than work or study in connection with a correspondence course of an Armed Force, approved Electronic Based Distributed Learning, or attendance in an inactive status at an educational institution under the sponsorship of an Armed Force or the Public Health Service);

6.4.1.1.3. Traveling directly to or from such duty or training;

6.4.1.1.4. Remaining overnight immediately before the commencement of IDT, or while remaining overnight between successive periods of IDT, at or in the vicinity of the site of the IDT;

6.4.1.1.5. Serving on funeral honors duty;

6.4.1.1.6. Traveling to or from the place at which the funeral honors duty was to be performed; or

6.4.1.1.7. Remaining overnight at or in the vicinity of the place at which funeral honors duty was to be performed immediately before serving on such duty, if the place is outside reasonable commuting distance from the member's residence.

6.4.1.2. Special Considerations

6.4.1.2.1. In the case of a member who receives earned income from nonmilitary employment or self-employment performed in any month in which the member is otherwise entitled to pay and allowances under subparagraph 6.4.1.1, the total pay and allowances must be reduced by the amount of such income. In calculating such earned income, income from an income protection plan, vacation pay, or sick leave which the member elects to receive must be considered.

6.4.1.2.2. The total amount of pay and allowances (incapacitation pay) for any period may not exceed the amount of pay and allowances provided by law or regulation for a member of a Regular Component of corresponding grade and length of service.

6.4.1.2.3. Pay and allowances may not be paid for a period of more than 6 months. The Secretary concerned may extend such period in the interest of fairness and equity.

6.4.1.2.4. A member is not entitled to benefits if the injury, illness, disease, or aggravation of an injury, illness, or disease is the result of the gross negligence or misconduct of the member.

NOTE: Reference Table 57-3 for specific rules regarding disability entitlements for Reserve Forces.

6.4.2. RC Service Member Able to Perform Military Duties

6.4.2.1. Entitlement. In accordance with 37 U.S.C. § 204(h) and DoDI 1241.01, an RC member who is physically able to perform military duties is entitled, upon request, to a portion of the monthly pay and allowances provided by law or regulation for a member of a Regular Component of corresponding grade and length of service for each month for which the member demonstrates a loss of earned income from nonmilitary employment or self-employment as a result of injury, illness, or disease incurred or aggravated in the LOD while:

6.4.2.1.1. Performing AD;

6.4.2.1.2. Performing IDT (other than work or study in connection with a correspondence course of an Armed Force, approved Electronic Based Distributed Learning, or attendance in an inactive status at an educational institution under the sponsorship of an Armed Force or the Public Health Service);

6.4.2.1.3. Traveling directly to or from such duty or training;

6.4.2.1.4. Remaining overnight immediately before the commencement of IDT, or while remaining overnight between successive periods of IDT, at or in the vicinity of the site of the IDT;

6.4.2.1.5. Serving on funeral honors duty;

6.4.2.1.6. Traveling to or from the place at which the funeral honors duty was to be performed; or

6.4.2.1.7. Remaining overnight at or in the vicinity of the place at which funeral honors duty was to be performed immediately before serving on such duty, if the place is outside reasonable commuting distance from the member's residence.

6.4.2.2. Special Considerations

6.4.2.2.1. The monthly entitlement may not exceed the member's demonstrated loss of earned income from nonmilitary or self-employment. In calculating such loss of income, income from an income protection plan, vacation pay, or sick leave that the member elects to receive will be considered earned income from nonmilitary or self-employment.

6.4.2.2.2. The total amount of pay and allowances for any period may not exceed the amount of pay and allowances provided by law or regulation for a member of a Regular Component of a uniformed service of corresponding grade and length of service for that period.

6.4.2.2.3. Pay and allowances may not be paid for a period of more than 6 months. The Secretary of the Military Department concerned may extend such period in the interest of fairness and equity.

6.4.2.2.4. A member is not entitled to benefits if the injury, illness, disease, or aggravation of an injury, illness, or disease is the result of the gross negligence or misconduct of the member.

6.4.3. Miscellaneous Provisions

6.4.3.1. Duty Without Pay. Duty without pay is considered for all purposes as if it were a duty with pay. The rules in Table 57-3 apply equally to duty with and duty without pay. The rate of pay and allowances applicable is the rate the member would have been entitled to if in a pay status at the time the injury, illness, or disease was incurred or aggravated.

6.4.3.2. Incentive Pay for Hazardous Duty. A member who is entitled to any of the incentive pays identified in Chapters 22 through 24 on the date of disability continues to be entitled through the ending date of the orders and for the disability period beyond, provided the orders to perform the hazardous duty remain in effect, all performance requirements were met, and any other conditions in Chapters 22 through 24 are satisfied.

6.4.3.3. Special Pays. A member who is entitled to any special pays on the date of disability continues to be entitled through the ending date of the orders and for the disability period beyond, provided the special conditions are met.

6.4.3.4. Disability Not in LOD

6.4.3.4.1. In the case of ordered to AD, not in LOD determinations will cause pay and allowances to cease on the date of expiration of the ordered AD plus allowable travel time, if any, or on the date the member is relieved from AD by competent authority.

6.4.3.4.2. In the case of inactive duty performance, not in LOD determinations cause pay to cease on the day disability occurs.

6.4.4. Termination of Pay and Allowances. Subject to the provisions in Table 57-3, a member's entitlement to pay and allowances while disabled terminates upon:

6.4.4.1. Retirement;

6.4.4.2. Separation for physical disability;

6.4.4.3. Discharge from the RC;

6.4.4.4. For members receiving pay and allowances under subparagraph 6.4.1, determination by the Military Service medical personnel that the member has recovered sufficiently to perform normal military duties, or when actually restored to normal military duties, whichever occurs first. The member must submit to timely Service medical examination(s) necessary for the preparation of required medical certificate(s) in order to extend entitlement to pay and allowances beyond the ordered duty or training period; or

6.4.4.5. For members receiving pay and allowances under subparagraph 6.4.2, when a member can no longer demonstrate a loss of earned income from nonmilitary employment or self-employment as a result of an in LOD condition.

6.5 Payments on Behalf of Deceased Members

6.5.1. Death Gratuity. The eligible beneficiaries of a member of an RC are entitled to payment of death gratuity under the provisions of Chapter 36.

6.5.2. Settling Deceased Members Accounts. The provisions of Chapter 36, section 3.0 apply to members of the RC.

6.5.3. Allowance for Housing to Surviving Dependents. The provisions of Chapter 26, paragraph 10.13 apply to the surviving dependents of RC members who were on AD at the time of death.

6.6 Disability Severance Pay

6.6.1. A member called or ordered to AD for more than 30 days and separated for a physical disability, which was the proximate result of the performance of such duty, is entitled to disability severance pay if otherwise qualified under appropriate personnel regulations.

6.6.2. A member on AD for 30 days or less, or a member on AD training for any period and separated for physical disability resulting from injury, is entitled to disability severance pay when injury was the proximate result of performance of such duty, if otherwise qualified under appropriate personnel regulations.

6.6.3. Computation of disability severance pay will be as prescribed in Chapter 35.

7.0 DEDUCTIONS AND COLLECTIONS

7.1 Income Tax Withholding

7.1.1. Federal Income Tax Withholding (FITW). The FITW provisions of Chapter 44 apply to members of the RC.

7.1.2. State Income Tax Withholding. A reservist's taxable income for FITW purposes is also subject to state tax withholding providing the state has entered into a withholding agreement with the Secretary of the Treasury as published within the Treasury Financial Manual (TFM). See

also ***States and territories that entered withholding agreements with Treasury*** on www.dfas.mil for states that have entered into such an agreement.

7.1.3. Legal Residence. Each member must designate a legal residence and report any change of legal residence. The provisions of Chapter 44, subparagraph 2.6.2 apply to members of the RC.

7.1.4. Local Tax Withholding. Only localities having agreements with the Department of the Treasury, as published in the TFM, are eligible for withholding. Withholding is only mandatory when the reservist resides and performs duty in the same city or county covered by the agreement, and the reservist is a:

7.1.4.1. National Guard member performing duty under ***32 U.S.C. § 502***; or

7.1.4.2. Member of the Ready Reserve participating in scheduled drills or training periods, or serving on active duty for training under ***10 U.S.C. § 10147***.

7.2 Federal Insurance Contributions Act

The provisions of Chapter 45 apply to members of the RC.

7.3 Deductions for Armed Forces Retirement Home (AFRH)

An RC member's pay is not subject to deductions for AFRH.

7.4 Servicemembers' Group Life Insurance

7.4.1. Duty in Excess of 30 Days Specified. The provisions of Chapter 47 apply to members of the RC who are under a call or order to duty that does not specify a period of 30 days or less.

7.4.2. Duty of 30 Days or Less Specified. The provisions of Chapter 58, section 8.0 apply to members of the RC, who are under a call or order to duty that specifies a period of 30 days or less.

7.5 Court-Martial Sentences

The provisions of Chapter 48 apply to members of the RC.

7.6 Non-judicial Punishment

The provisions of Chapter 49 apply to members of the RC.

7.7 Stoppages and Collections Other Than Court-Martial Forfeitures

The provisions of Volume 16, Chapter 3, section 3.0 apply to members of the RC.

7.8 Allotments for National Guard Members

Members of the National Guard who are not on AD are authorized to make one allotment from pay for the payment of premiums under a group life insurance program sponsored by the state military department in which such member holds a National Guard membership or by the state associations of the National Guard. Details covering the administration of the allotment program for National Guard members are contained in the pay procedural instructions of the Military Services concerned.

NOTE: Due to the military pay system limitations, members of an RC are not able to make allotments from their pay.

7.9 TRICARE Dental Program (TDP)

Reserve members on AD with dependents, who meet the eligibility requirements under Chapter 54, paragraph 2.1, may enroll their dependents in the TDP. Enrollment forms are available at the local military dental treatment facility or TRICARE Service Center, with the Health Benefits Advisor or installation point of contact, or on ***TRICARE Dental***. Members must intend to be on AD for the minimum period of enrollment set in Chapter 54, paragraph 2.3.

7.10 Uniformed Services Savings Deposit Program (USSDP)

Members serving on AD who meet the eligibility criteria as set forth in Chapter 51, section 2.0 are eligible to participate in the USSDP.

Table 57-1. Increase in Pay on Promotion – Reserve and National Guard Officers

RULE	When a Reserve officer is	in the	then the effective date of increase in pay and allowances is the
1	promoted to a higher Reserve grade	Army or Air Force Reserve or National Guard	effective date of the promotion stated in the orders (note 1).
2	promoted to a grade above lieutenant (junior grade)	Navy Reserve	date on which member became eligible for promotion to the higher grade (see note 2).
3	promoted to a grade above first lieutenant	Marine Corps Reserve	date on which member became eligible for promotion to the higher grade (see note 2).
4	promoted to the grade of lieutenant (junior grade)	Navy Reserve	date given as date of rank.
5	promoted to the grade of first lieutenant	Marine Corps Reserve	date given as date of rank.

NOTES:

1. For officers serving on AD (other than for training) which is not on the AD list, see Chapter 1, Table 1-4.
2. If an officer has not established the moral and professional qualifications prescribed by the Secretary of the Navy within 1 year after the date on which the President approved the selection board's recommendation for promotion, the officer is entitled to the pay and allowances of the grade to which promoted only from the date appointed to that grade.

Table 57-2. Entitlement to Pay and Allowances for Various Periods of AD

RULE	If a member serves on AD under competent orders for	during the period	then the member is entitled to pay and allowances for AD for	and lump-sum settlement of accrued leave
1	31 days	May 1-31	30 days (note 1)	Yes
2	40 days	Jan 2-Feb 10	39 days (note 1)	Yes
3	29 days	Jan 4-Feb 1	29 days	No
4	28 days	Feb 1-28 (not leap year)	28 days	No
5	28 days	Feb 1-28 (leap year)	28 days	No
6	29 days	Feb 1-29 (leap year)	29 days	No
7	33 days	Feb 6-Mar 10 (not leap year)	35 days (note 2)	Yes
8	29 days	Feb 2- Mar 2 (not leap year)	29 days	No
9	30 days	Feb 2-Mar 2 (leap year)	31 days (note 3)	Yes
10	31 days	Feb 1-Mar 2 (leap year)	32 days (note 3)	Yes
11	29 days	Feb 1-Mar 1 (not leap year)	29 days	No
12	30 days	Jan 2-Jan 31	29 days (note 1)	Yes

NOTES:

1. Member is not entitled to pay and allowances for the 31st day of the calendar month.
2. Member is entitled to pay and allowances for the constructive days of February 29 and 30.
3. Member is entitled to pay and allowances for the constructive day of February 30.

Table 57-3. Disability Entitlements for the Reserve Forces

RULE	If a member is physically disabled in LOD while	and the member is not fit for military duty	and the member is fit for military duty and can show lost civilian income Yes	and the member is fit for military duty and can show lost civilian income No	then the member is entitled to	and
1	serving on AD, or while traveling directly to or from such AD (notes 1 and 2)	X			AD pay and allowances for the period of the orders, plus authorized travel time. If the disability continues beyond this period, or if there is a subsequent recurrence of this disability, entitlement exists to pay and allowances, less the full amount of all civilian earned income received for the disability period, for not more than a total of 6 months (notes 3, 4, 5, 6, and 7)	medical and dental care appropriate for the disability until it cannot be materially improved by further hospitalization or treatment. The member is entitled to travel and transportation, or a monetary allowance, for travel incident to medical and dental care. Member is also entitled to subsistence in kind during hospitalization when not entitled to BAS (note 8).
2	serving on AD, or while traveling directly to or from such AD (notes 1 and 2)		X		AD pay and allowances for the period of orders, plus authorized travel time. Thereafter, the member is entitled, upon request, to a portion of pay and allowances in an amount equal to lost civilian earned income or full pay and allowances, whichever is less, for not more than a total of 6 months (notes 3, 5, 6, 9, and 10)	medical and dental care appropriate for the disability until it cannot be materially improved by further hospitalization or treatment. The member is entitled to travel and transportation, or a monetary allowance, for travel incident to medical and dental care. Member is also entitled to subsistence in kind during hospitalization when not entitled to BAS (note 8).
3	serving on AD, or while traveling directly to or from such AD (notes 1 and 2)			X	AD pay and allowances for the period of the orders, plus authorized travel time	medical and dental care appropriate for the disability until it cannot be materially improved by further hospitalization or treatment. The member is entitled to travel and transportation, or a monetary allowance, for travel incident to medical and dental care. Member is also entitled to subsistence in kind during hospitalization when not entitled to BAS (note 8).

Table 57-3. Disability Entitlements for the Reserve Forces (Continued)

RULE	If a member is physically disabled in LOD while	and the member is not fit for military duty	and the member is fit for military duty and can show lost civilian income Yes	and the member is fit for military duty and can show lost civilian income No	then the member is entitled to	and
4	performing IDT or while, on the day of training, traveling directly to or from such training (notes 1 and 11)	X			IDT compensation for the day (both periods if two had been scheduled). If the disability continues beyond this period, or if there is a subsequent recurrence of this disability, entitlement exists to pay and allowances, less the full amount of all civilian earned income received for the disability period, for not more than a total of 6 months (notes 3, 4, 5, 6, and 7)	medical and dental care appropriate for the disability until it cannot be materially improved by further hospitalization or treatment. The member is entitled to travel and transportation, or a monetary allowance, for travel incident to medical and dental care. Member is also entitled to subsistence in kind during hospitalization when not entitled to BAS (note 8).
5	performing IDT or while, on the day of training, traveling directly to or from such training (notes 1 and 11)		X		IDT compensation for the day (both periods if two had been scheduled). Thereafter, the member is entitled, upon request, to a portion of pay and allowances in an amount equal to lost civilian earned income or full pay and allowances, whichever is less, for not more than a total of 6 months (notes 3, 5, 6, 9, and 10)	medical and dental care appropriate for the disability until it cannot be materially improved by further hospitalization or treatment. The member is entitled to travel and transportation, or a monetary allowance, for travel incident to medical and dental care. Member is also entitled to subsistence in kind during hospitalization when not entitled to BAS (note 8)
6	performing IDT or while, on the day of training, traveling directly to or from such training (notes 1 and 11)			X	IDT compensation for the day (both periods if two had been scheduled)	medical and dental care appropriate for the disability until it cannot be materially improved by further hospitalization or treatment. The member is entitled to travel and transportation, or a monetary allowance, for travel incident to medical and dental care. Member is also entitled to subsistence in kind during hospitalization when not entitled to BAS (note 8)

Table 57-3. Disability Entitlements for the Reserve Forces (Continued)

RULE	If a member is physically disabled in LOD while	and the member is not fit for military duty	and the member is fit for military duty and can show lost civilian income Yes	and the member is fit for military duty and can show lost civilian income No	then the member is entitled to	and
7	traveling directly to or from IDT on a day(s) other than the training day (notes 1 and 11)	X			beginning on the day of disability, pay and allowances less the full amount of all civilian earned income received for the disability period, for not more than a total of 6 months (notes 3, 4, 5, 6, and 7)	medical and dental care appropriate for the disability until it cannot be materially improved by further hospitalization or treatment. The member is entitled to travel and transportation, or a monetary allowance, for travel incident to medical and dental care. Member is also entitled to subsistence in kind during hospitalization when not entitled to BAS (note 8)
8	traveling directly to or from IDT on a day(s) other than the training day (notes 1 and 11)		X		beginning on the day of disability, and upon request, a portion of pay and allowances in an amount equal to lost civilian earned income or full pay and allowances, whichever is less, for not more than a total of 6 months (notes 3, 5, 6, 9, and 10)	medical and dental care appropriate for the disability until it cannot be materially improved by further hospitalization or treatment. The member is entitled to travel and transportation, or a monetary allowance, for travel incident to medical and dental care. Member is also entitled to subsistence in kind during hospitalization when not entitled to BAS (note 8)
9	traveling directly to or from IDT on a day(s) other than the training day (notes 1 and 11)			X	beginning on the day of disability, and upon request, a portion of pay and allowances in an amount equal to lost civilian earned income or full pay and allowances, whichever is less, for not more than a total of 6 months (notes 3, 5, 6, 9, and 10)	medical and dental care appropriate for the disability until it cannot be materially improved by further hospitalization or treatment. The member is entitled to travel and transportation, or a monetary allowance, for travel incident to medical and dental care. Member is also entitled to subsistence in kind during hospitalization when not entitled to BAS (note 8)

Table 57-3. Disability Entitlements for the Reserve Forces (Continued)

RULE	If a member is physically disabled in LOD while	and the member is not fit for military duty	and the member is fit for military duty and can show lost civilian income Yes	and the member is fit for military duty and can show lost civilian income No	then the member is entitled to	and
10	remaining overnight immediately before the start of IDT, or while remaining overnight between successive periods of IDT, if the site is outside reasonable commuting distance from member's residence	X			beginning on the day of disability, pay and allowances less the full amount of all civilian earned income received for the disability period, for not more than a total of 6 months (notes 3, 4, 5, 6, and 7)	medical and dental care appropriate for the disability until it cannot be materially improved by further hospitalization or treatment. The member is entitled to travel and transportation, or a monetary allowance, for travel incident to medical and dental care. Member is also entitled to subsistence in kind during hospitalization when not entitled to BAS (note 8)
11	remaining overnight immediately before the start of IDT, or while remaining overnight between successive periods of IDT, if the site is outside reasonable commuting distance from member's residence		X		beginning on the day of disability, and upon request, a portion of pay and allowances in an amount equal to lost civilian earned income or full pay and allowances, whichever is less, for not more than a total of 6 months (notes 3, 5, 6, 9, and 10)	medical and dental care appropriate for the disability until it cannot be materially improved by further hospitalization or treatment. The member is entitled to travel and transportation, or a monetary allowance, for travel incident to medical and dental care. Member is also entitled to subsistence in kind during hospitalization when not entitled to BAS (note 8)

Table 57-3. Disability Entitlements for the Reserve Forces (Continued)

RULE	If a member is physically disabled in LOD while	and the member is not fit for military duty	and the member is fit for military duty and can show lost civilian income Yes	and the member is fit for military duty and can show lost civilian income No	then the member is entitled to	and
12	remaining overnight immediately before the start of IDT, or while remaining overnight between successive periods of IDT, if the site is outside reasonable commuting distance from member's residence			X	beginning on the day of disability, and upon request, a portion of pay and allowances in an amount equal to lost civilian earned income or full pay and allowances, whichever is less, for not more than a total of 6 months (notes 3, 5, 6, 9, and 10)	medical and dental care appropriate for the disability until it cannot be materially improved by further hospitalization or treatment. The member is entitled to travel and transportation, or a monetary allowance, for travel incident to medical and dental care. Member is also entitled to subsistence in kind during hospitalization when not entitled to BAS (note 8)

NOTES:

1. A member is considered to be traveling to the duty or training site upon departing residence with the intention of going directly to such duty or training site. A member is considered to be traveling from the duty or training site upon direct return to residence after completion of the duty or training.
2. A member who is called to AD to undergo a physical examination, not incident to a call to AD for more than 30 days, becomes entitled to provisions of rules 1, 2, or 3, as applicable, on the day of incurrence of disability.
3. Failure of the member to provide current and sufficient information as established by administrative regulations of the Military Service concerned may result in discontinuation of pay and allowances.
4. A member is entitled to compensation (but not retirement point credit) at the rate of 1/30 of monthly basic pay for each scheduled IDT period the member is unable to attend because of the disability; however, there is no entitlement if, while traveling to or from the training or duty site, the member was disabled because of the member's gross negligence or misconduct. This entitlement will be factored into the pay and allowances payable so that total payments to the member for the disability period do not exceed the pay and allowances of a member of the Regular Component of a uniformed service of corresponding grade and length of service for that period.
5. The Secretary of the Military Department concerned may extend the period of entitlement beyond 6 months in the interest of fairness and equity.
6. There is no entitlement to pay and allowances beyond the training or duty period if the disability resulted from the member's gross negligence or misconduct.
7. Earned income is the total amount a member received from civilian employment or self-employment. It includes receipts from an income protection plan, vacation pay, or sick leave the member elects to receive.
8. There is no entitlement to medical and dental care if the member is disabled because of gross negligence or misconduct and the disability occurred while traveling to or from the training or duty site.

Table 57-3. Disability Entitlements for the Reserve Forces (Continued)

NOTES (Continued):

9. Lost civilian earned income is the difference between the member's normal wages or salary or other earnings (including self-employment earnings) that would have been payable for the disability period had the member been fully engaged in civilian employment, less any payments the member received. Civilian earned income does not include retirement income. The member must report all income from an income protection plan, vacation pay, or sick leave that is received during the disability period. If the sum of all these equals or exceeds the member's usual and customary earned income, then no pay and allowances payments will be made. Any payments to the member will first be paid as the basic pay element and then, if necessary, as allowances (BAH and BAS).
10. Any military duty, which the member performs, will be factored into the pay and allowances payable in note 2 so that the total payments to the member do not exceed the pay and allowances of a member of the Regular Component of a uniformed service of corresponding grade and length of service for that period.
11. Does not include work or study in connection with a correspondence course of an Armed Force or attendance in an inactive status at an educational institution under the sponsorship of an Armed Force or the Public Health Service.

REFERENCES

CHAPTER 57 – RESERVE ENTITLEMENTS FOR ACTIVE DUTY (AD)

2.0 – GENERAL PROVISIONS

2.1.1.	10 U.S.C. § 12315
	37 U.S.C. § 204
2.1.2.	10 U.S.C. § 12315
	44 Comptroller General Decision (Comp Gen) 613
2.1.3.	Comp Gen B-207339, February 8, 1983
2.2	37 U.S.C. § 907
2.3	37 U.S.C. § 206
2.4	10 U.S.C. § 12316
2.4.1.3.	Comp Gen B-179882, December 4, 1974
2.5	Comp Gen B-176604, August 28, 1972
2.6	10 U.S.C. § 701
	37 U.S.C. § 501
2.7	Executive Order (EO) 10153, August 17, 1950, as amended by EO 10649, December 28, 1955

3.0 – COMPUTATION OF PAY

3.2.1.	5 U.S.C. § 5505
	54 Comp Gen 952
	45 Comp Gen 395
3.2.2.	37 U.S.C. § 1004
	54 Comp Gen 952
3.2.3.	47 Comp Gen 515
	54 Comp Gen 952
3.3	12 Comp Gen 452
	5 U.S.C. § 5505

4.0 – SPECIAL AND INCENTIVE PAY

4.1	37 U.S.C. §§ 331-356
4.5	DoDI 1340.09, January 26, 2018

5.0 – ALLOWANCES

5.1	37 U.S.C. § 1002
5.3	37 U.S.C. § 427(b)
5.5	37 U.S.C. § 418
5.6	37 U.S.C. §§ 415-417

6.0 – MISCELLANEOUS PAYMENTS

6.4.1.	37 U.S.C. § 204(g)
6.4.1.2.1	37 U.S.C. § 204(g)(2)
6.4.2.	37 U.S.C. § 204(h)
6.4.3.1.	10 U.S.C. § 12315
	37 U.S.C. § 1002
6.4.3.4.	37 U.S.C. § 204(b), (g) & (h)
	9 Comp Gen 236
	Comp Gen B-146551, December 13, 1961
6.4.4.1.	47 Comp Gen 531
6.4.4.4.	36 Comp Gen 692
	70 Comp Gen 350
6.6	10 U.S.C. §§ 1203, 1206, 1212
	DoDI 1332.18, November 10, 2022, paragraphs 7.1 and 7.2

7.0 – DEDUCTIONS AND COLLECTIONS

7.1	5 U.S.C. § 5517
	5 U.S.C. § 5520
7.8	37 U.S.C. § 707

Table 57-1 – INCREASE IN PAY ON PROMOTION – RESERVE AND NATIONAL GUARD OFFICERS

Rules 2, 3	37 U.S.C. § 905(a)
	10 U.S.C., Chapter 1405
Rules 4, 5	37 U.S.C. § 905(b)
	10 U.S.C. § 14308
Note 2	10 U.S.C. § 624

Table 57-2 – ENTITLEMENT TO PAY AND ALLOWANCES FOR VARIOUS PERIODS OF AD

Rules 1, 2, 7, 10	5 U.S.C. § 5505
Rules 3, 4, 5, 8, 9, 11	37 U.S.C. § 1004

Table 57-3 – DISABILITY ENTITLEMENTS FOR THE RESERVE FORCES

Rules 1, 4, 7	37 U.S.C. § 204(g)
Rules 2, 3, 5, 6, 8, 9	37 U.S.C. § 204(h)
	10 U.S.C. §§ 1074 and 1074a
Rules 10, 11, 12	37 U.S.C. § 204(g) and (h)
Column D	37 U.S.C. § 402
Note 1	58 Comp Gen 232
Note 2	33 Comp Gen 551

	Comp Gen B-181762, July 18, 1975
Note 3	Comp Gen B-195470, November 14, 1979
Notes 4, 5, 9, 10	37 U.S.C. § 204(h) and (i)
Note 6	37 U.S.C. § 204(i)
Note 7	37 U.S.C. § 204(g)
Note 8	10 U.S.C. § 10

VOLUME 7A, CHAPTER 58: "PAY AND ALLOWANCES FOR INACTIVE DUTY TRAINING (IDT)"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated May 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting and hyperlinks to comply with current administrative instructions.	Revision
2.5	Inserted clarification of Muster Duty Allowance.	Addition
8.5	Increased the maximum coverage to $500,000 for Servicemembers' Group Life Insurance.	Revision
Table 58-1	Updated to include the Muster Duty Allowances rates for calendar years 2024 and 2025.	Revision
References	Updated to reflect current statutes and references.	Revision

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CHAPTER 58

PAY AND ALLOWANCES FOR INACTIVE DUTY TRAINING (IDT)

1.0 GENERAL

1.1 Purpose

This chapter establishes policy pertaining to the pay and allowances for IDT for members of the National Guard and Reserve Component. For the purpose of this chapter, the term "Reserve Component" includes both National Guard and Reserve members unless stated otherwise.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.). Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 PROVISIONS

2.1 Entitlement

2.1.1. IDT With Pay. A member of a Reserve Component is entitled to compensation at the rate of one-thirtieth of the basic pay prescribed for grade and years of service for the performance of each authorized period of:

2.1.1.1. Regular IDT; and

2.1.1.2. Equivalent training, instruction, or duty as specified in Service regulations.

2.1.1.2.1. Army. For details and exceptions, see ***Army Regulation 140-1*** and ***Army Regulation 350-1***.

2.1.1.2.2. Navy. See Bureau of Naval Personnel Instruction 1001.39F CH-1, (***BUPERSINST 1001.39F CH-1***).

2.1.1.2.3. Air Force. See ***Air National Guard Instruction 36-2001*** and ***Air Force Instruction 36-2254 V1***.

2.1.1.2.4. Marine Corps. See ***Marine Corps Order 1001R.1L Ch.*** ;

2.1.1.3. Readiness Management Periods (for Marine Corps, see subparagraph 2.1.2);

2.1.1.4. Additional flying training period (AFTP);

2.1.1.5. Additional Training Periods; and

2.1.1.6. Training that resulted in the successful completion of a course of instruction undertaken by the member, using electronic-based distributed learning methodologies, to accomplish training requirements related to unit readiness or mobilization, as directed for the member by the Secretary of the Military Department concerned (for Marine Corps, see subparagraph 2.1.2).

NOTE: To qualify for pay for a period of IDT, each member must engage in such duty or training for the period (not less than 2 hours) as prescribed by the Secretary of the Military Department concerned. Compensation will not accrue for periods of inactive duty performed in excess of the number authorized by the appropriate regulations of the Military Service concerned. A member cannot qualify for pay for more than two periods of IDT during a single calendar day.

2.1.2. IDT Without Pay. The Secretary of the Military Department concerned may authorize members of a Reserve Component, with their consent, to IDT without pay.

2.1.3. Combination Active Duty (AD) and Inactive Duty. Members of a Reserve Component may be paid the equivalent total of pay for more than 360 days in a year, when so directed based on the actual entitlement if the total is based on a combination of AD pay and IDT compensation.

2.2 Limitation

A member cannot accrue compensation for IDT performed on a day on which he or she is also entitled to basic pay for AD or on a day on which he or she is entitled to Muster Duty Allowance (MDA).

2.3 Waiver of Benefits

The provisions of Chapter 57, paragraph 2.4 apply to members of a Reserve Component who perform IDT in a pay status.

2.4 Allotment of Pay

Except as prescribed in Chapter 57, paragraph 2.5, there is no authorization for members of a Reserve Component to allot IDT compensation.

*2.5 MDA for Ready Reserve Service Member

2.5.1. Entitlement. The Secretary of Defense may order a member of the Individual Ready Reserve (IRR) without the member's consent, to muster duty one-time each year. A member ordered to muster duty will be required to perform a minimum of 2 hours muster duty, as determined by the Secretary of the Military Department concerned, on the day of muster.

2.5.2. Amount Payable. The General Services Administration Office of Government-wide Policy, Office of Travel, and Relocation Policy calculates the Average Domestic Per Diem Rate to establish the MDA rate. The MDA is 125 percent of the average per diem rate in effect on September 30 of the calendar year preceding the calendar year in which the muster duty is performed. See Table 58-1 for the most current rates; see the ***Muster Duty Allowance*** table on DFAS.MIL.

2.5.3. Payment. A Ready Reserve Service member may be paid the MDA before, on, or after the date on which he or she performs muster duty, but not more than 30 days after that date. The Ready Reserve Service member is not entitled to other payment of any kind, including IDT compensation under paragraph 2.1, for the performance of muster duty.

2.5.3.1. MDA shall constitute the single, flat-rate monetary allowance authorized for the performance of muster duty and shall constitute payment in full to the member, regardless of grade or rank in which serving, as commutation for travel to the immediate vicinity of the designated muster duty location, transportation, subsistence, and the special or extraordinary costs of enforced absence from home and civilian pursuits, including such absence on weekends and holidays.

2.5.3.2. MDA is not the same as drill pay (IDT) or training pay (ADT).

2.5.4. Retirement Point Credit. Muster duty will not be credited in determining entitlement to, nor computing, retired pay.

2.5.5. Collections. From the MDA, collect:

2.5.5.1. Federal Income Tax Withholdings (FITW) at the authorized rate for one-time payments;

2.5.5.2. State Income Tax Withholdings (SITW) at the authorized rate for one-time payments; and

2.5.5.3. The premium for Servicemembers' Group Life Insurance (SGLI) program. See Chapter 47, section 5.0 for the premium rates and Table 47-1 for coverage effective dates.

NOTE: MDA is not subject to collection of the Federal Insurance Contributions Act (FICA) taxes.

2.6 Electronic Screening Allowance (ESA) Stipend for Ready Reserve Service Member

2.6.1. Entitlement. The Secretary of the Military Department concerned may authorize payment of an ESA stipend to a member of the IRR for participating in the screening performed by electronic means. Electronic screening may be performed in lieu of muster duty performed. A maximum of one ESA is paid during a calendar year. The ESA stipend authorized may not be disbursed in kind. Payment of a stipend to a member of the IRR for participation in screening will be made on or after the date of participation in such screening, but not later than 30 days after such date.

2.6.2. Maximum Amount Payable. The aggregate amount of the ESA stipend paid to an IRR member, in any calendar year, may not exceed $50, regardless of pay grade.

2.6.3. Restriction. ESA stipend is the only monetary compensation authorized to be paid to a member for the performance of electronic screening and will constitute full payment to the member, regardless of the grade or rank in which the member is serving.

2.6.4. Collections. From the ESA stipend, collect:

2.6.4.1. FITW at the authorized rate for one-time payments;

2.6.4.2. SITW at the authorized rate for one-time payments; and

2.6.4.3. The premium for SGLI program. See Chapter 47, section 5.0 for the premium rates and Table 47-1 for coverage effective dates.

NOTE: ESA stipend is not subject to collection of FICA taxes.

2.7 Funeral Honors Duty Allowance (FHDA)

2.7.1. Entitlement. The Secretary of the Military Department concerned may authorize payment of FHDA to members of the Ready Reserve and the Retired Reserve. A member is entitled to FHDA for a minimum of 2 hours of funeral honors duty (FHD). A maximum of 1 FHDA may be earned and paid in 1 calendar day.

2.7.2. Amount Payable. FHDA is payable at $50 for each FHD period regardless of pay grade, or one-thirtieth of the member's basic pay rate for each FHD period.

2.7.3. Restriction. Except for expenses reimbursed for travel and transportation incident to FHD, the FHDA is the only monetary compensation authorized to be paid to a member for the performance of FHD and will constitute full payment to the member.

2.7.4. Collections. From the FHDA, collect:

2.7.4.1. FITW at the rate claimed on the member's Internal Revenue Service (IRS) ***Form W-4, Employee's Withholding Allowance Certificate***. When a W-4 is not submitted, collect at the rate authorized for one-time payments;

2.7.4.2. SITW at the rate claimed on the member's W-4. When a W-4 is not submitted, collect at the rate authorized for one-time payments; and

2.7.4.3. The premium for SGLI coverage, if elected by Retired Reserve members when performing FHD. See Chapter 47, section 5.0 for the premium rates and Table 47-1 for coverage effective dates.

NOTE: FHDA is not subject to collection of FICA taxes.

2.8 Designated Unit Pay

2.8.1. A member assigned to a unit designated as a high-priority unit of the Selected Reserves (SELRES) by the Secretary of the Military Department concerned is, while performing IDT for compensation, entitled to a maximum of $50 Designated Unit Pay for the performance of each authorized period of:

2.8.1.1. Regular IDT; or

2.8.1.2. Equivalent training, instruction, or duty provided each authorized period is not less than 4 hours duration. Authorized periods, as listed in paragraph 2.1, may be performed on a Sunday or a legal holiday.

2.8.2. A member of a designated unit is entitled to Designated Unit Pay for authorized periods of drill or duty performed with a non-designated unit, but members of a non-designated unit may not receive Designated Unit Pay for authorized periods of drill or duty performed with a designated unit.

2.8.3. From the Designated Unit Pay, collect:

2.8.3.1. FITW at the rate claimed on the member's W-4. When a W-4 is not submitted, collect at the rate authorized for one-time payments; and

2.8.3.2. SITW at the rate claimed on the member's W-4. When a W-4 is not submitted, collect at the rate authorized for one-time payments.

NOTE: Designated Unit Pay is not subject to collection of FICA taxes.

2.8.4. No payment of Designated Unit Pay may be made for any period before the date the Secretary of the Military Department concerned designates a unit as a high-priority unit, nor may any payment be made for any period of drill or instruction performed after the date on the ***Duration of Authority*** table.

3.0 INCENTIVE PAY (IP)

3.1 Entitlement

Members of a Reserve Component who are in a pay status and under competent orders are entitled to IP for hazardous duty performed during IDT periods if they otherwise meet the requirements of this section. Members entitled to IP for hazardous duty are entitled to an increase in compensation equal to one-thirtieth the applicable monthly rate for each authorized period of IDT of not less than 2 hours.

3.2 Aviation IP (AvIP), Continuous or Conditional, or Hazardous Duty IP (HDIP) for Flying Duty

3.2.1. Entitlement

3.2.1.1. Members of a Reserve Component who perform IDT in a pay status are entitled to AvIP or HDIP for flying under the conditions of Chapter 22, sections 2.0 or 3.0. The provisions of Chapter 22, paragraph 2.1 or subparagraph 3.2.5, regarding the use of hours flown during the preceding 5 months not already used to qualify for flight pay, are equally applicable to otherwise eligible members who are performing IDT. Exception: Minimum flight requirements are one half of those prescribed for a member on AD - that is, 2 hours per month when the calendar month is the IDT period. If a fraction of a calendar month is the IDT period, then flying time required for such period will be as shown in Chapter 22, Table 22-1 under "Inactive Duty."

3.2.1.2. A member, who has performed less than the total number of regularly scheduled drills during a month or a fractional part of a month, must meet the minimum flight requirements for the month, or fraction thereof, in order to be entitled to any flying pay for the drills actually performed. When scheduled IDT was not attended and performed in a subsequent month, flying pay for such period(s) is payable, provided the member met minimum flight requirements for each period involved.

3.2.2. Combined Flight Requirements. When a member performs both active and inactive duty with pay in the same month, designated flying time earned in that month may be combined to satisfy any AvIP or HDIP flight requirements for that month.

3.2.2.1. Active and inactive duty flying time may be combined for application to flight requirements only in the month in which the flying is performed. The combined flying time that is in excess of the requirements of the month in which it was performed, or that otherwise cannot be used in the month earned, will be redistributed into active and inactive flying time categories. Combined flying time may be applied only to other monthly flight requirements (see Chapter 22) for the appropriate status category into which redistributed (i.e., AD flying time for AD requirements and inactive duty flying time for inactive duty requirements). Combined flying time will be applied and any excess or unused time will be divided and placed into appropriate categories as set forth in subparagraph 3.2.2.1.1 through 3.2.2.1.4.

NOTE: Unless the member is performing continuous AD in excess of 30 days, or unless the AD period extends uninterrupted from one month into the following month, the excess/unused active flying duty hours may not be banked, as described in subparagraph 3.2.2.1.1, for potential application to other requirements.

3.2.2.1.1. When the hours flown while on AD are in excess of the AD flight requirement of the month, and the hours flown during the inactive duty period are also in excess of the inactive duty flight requirement of the month, all excess hours will be retained in their respective categories for application to the requirements for other months, if otherwise allowable.

Example 1: A member performed 15 days of AD and was in an IDT status 15 days in the same calendar month. The member performed 5.0 hours of flying duty while on AD and 1.5 hours while on inactive duty. The 5.0 hours earned while on AD are in excess to the 2.0 hours required, and the 1.5 hours earned while on

inactive duty are in excess to the 1.0 hour required. The 3.0 hours that are in excess of the AD requirement will be "banked" as AD time if the criteria of the note in subparagraph 3.2.1.1 are met. The 0.5 hour in excess of the inactive duty requirement will be banked as inactive duty time.

3.2.2.1.2. When the hours flown while on AD are in excess of the AD flight requirement of the month, and the hours flown during the inactive duty period are insufficient for the inactive duty flight requirement of the month, the excess AD hours will be applied to the inactive duty requirement. Any remaining excess or unused AD hours will be retained for application to the requirements for other months of AD, if otherwise allowable. If the excess AD hours applied to the inactive duty requirement are not sufficient to meet the inactive duty requirement for that month, then any banked inactive hours will also be applied. If the inactive duty requirement is still not satisfied, then all hours revert to their respective categories to be used in meeting the requirements for other months, as allowable.

Example 2: A member performed 15 days of AD and was in an IDT status for 15 days in the same calendar month. The member performed 5.0 hours of flying duty while on AD and 0.5 hour while on inactive duty. The AD flying time is in excess of the AD requirement of 2.0 hours, while the inactive flying time is insufficient for the inactive duty requirement of 1.0 hour. Apply 0.5 of the excess AD hours to the inactive requirement. The remaining 2.5 excess AD hours may be banked as AD time, if the criteria of the note in subparagraph 3.2.1.1 are met.

3.2.2.1.3. When the hours flown while on AD are insufficient for the AD flight requirement of the month, and the hours flown during the inactive duty period are in excess of the inactive duty flight requirement of the month, the excess inactive duty hours will be applied to the AD requirement. Any remaining excess or unused inactive duty hours will be retained for application to inactive duty requirements in a subsequent month. If the excess inactive duty hours applied to the AD requirement are not sufficient for a month's AD requirement, then any banked AD hours will be applied. If the AD requirement is still not satisfied, then all hours revert to their respective categories for use in meeting requirements for other months, as allowable.

Example 3: A member performed 15 days of AD and was in an IDT status 15 days in the same calendar month. The member performed 0.5 hour of flying duty while on AD and 1.5 hours while on inactive duty. The member has 0.0 hours of AD flying time and 3.0 hours of inactive flying time banked. The AD flying time is insufficient for the AD requirement of 2.0 hours and the inactive flying time is in excess of the inactive duty requirement of 1.0 hour. Apply the 0.5 excess inactive duty hours to the AD requirement. Combined, the AD and inactive duty flying time is short of the requirement by 1.0 hour. In this case, there are no banked AD hours, and the AD requirement remains unfulfilled. Therefore, the 0.5 unused AD hour may be banked as AD time if the criteria of the note in subparagraph 3.2.1.1 are met and the 0.5 hour of unused inactive duty time will be banked as inactive duty time.

3.2.2.1.4. When the hours flown while on AD are insufficient for the AD flight requirement of the month, and the hours flown during the inactive duty period are also insufficient for the inactive duty flight requirement of the month, the hours will be applied in the following sequence. The inactive duty hours flown will first be applied to the AD requirement. If the combined active and inactive duty hours flown are not sufficient to meet the AD requirement, then any banked AD hours will also be applied. If the AD requirement is still not satisfied, then the AD hours flown will instead be applied to the inactive duty requirement. If the combined active and inactive duty hours flown are not sufficient for the inactive duty requirement, then any banked inactive duty hours will also be applied. If the inactive duty requirement is still not satisfied, then all hours revert to their respective categories for use in meeting requirements for other months, as allowable.

Example 4: A member performed 15 days of AD and was in an IDT status 15 days in the same calendar month. The member performed 0.3 hours of flying duty while on AD and 0.4 hours while on inactive duty. The member has 0.1 hours of AD flying time (because of a period of AD that began near the middle of the previous month and was continuous into the present month) and 0.2 hours of inactive duty flying time banked. The AD flying time is insufficient for the AD requirement of 2.0 hours and the inactive flying time is insufficient for the inactive duty requirement of 1.0 hour.

First, apply the 0.4 hours of inactive duty flying time to the AD requirement. Combined, the AD and inactive duty flying time is short of the requirement by 1.3 hours. In this case, there are 0.1 hours of banked AD flying time, but that also is insufficient, and the AD requirement remains unfulfilled.

Next, apply the 0.3 hours of AD flying time to the inactive duty requirement. Again, the coverage is not sufficient, because it is 0.3 hours short of the inactive duty requirement. In this case, there are 0.2 hours of banked inactive duty flying time, but that also is insufficient, and the inactive duty requirement remains unfulfilled.

Finally, since neither the active nor the inactive requirements are fulfilled, the unused time will be banked as allowed. The unused 0.3 hours of active flying time may be banked as AD time if the criterion of the note in subparagraph 3.2.1.1 is met and the unused 0.4 hour of inactive flying time will be banked as inactive duty time.

3.2.2.2. When AD of less than 30 days continues uninterrupted from one month into the following month, flights performed on IDT may be combined to satisfy requirements for the whole period of AD if the inactive duty flight requirements for both months have been met.

Example 1: A member performed 3.4 hours of flying while on an IDT status from April 1-23. The member did not fly during AD for the training period of April 24 to May 7, or while in an IDT status May 8-31. A total of 1.1 hours of excess flying time was accumulated before April 1. Flying time of 3.4 hours is first applied

to the IDT flight requirements for April (1.6 hours) and then to AD flight requirements for April (1.0 hour). The 0.8 hours of excess flying time during April added to the 1.1 hours of excess flying time accumulated before April results in 1.9 hours of excess flying time available to apply against May flight requirements. Flight time in May totals 2.6 hours (24 days of inactive duty requires 1.6 hours; 7 days of AD requires 1.0 hour). See Chapter 22, Table 22-3. Accumulated excess hours first are applied to the IDT flight requirements. Do not credit pay for the period of May 1-7 since 0.3 unused hours available is less than the 1.0-hour requirement.

Example 2: A member performed the following flights while on active and IDT during parts of 2 calendar months. No excess flying hours were available on March 1.

Periods	Time Flown	Flight Requirements
(Inactive) March 1	1.8 hours	1.0 hour
(Active) March 16-31	1.2 hours	2.2 hours
(Active) April 1-9	1.0 hour	1.2 hours
(Inactive) April 10-30	1.6 hours	1.4 hours

NOTE: The continuous period of AD (March 16 to April 9) is an AD period of 25 days, which requires 3.4 hours flying time. For that reason, the 31st day of March imposes required flying time. Since this member is unable to meet the flight requirements for the AD flight period, which covers parts of 2 calendar months, it is necessary to determine if the member can meet the requirements for a single month. Entitlement for the month of March requires a composite of only 3 hours of flying time, and the month of April requires 2.6 hours. Thus, a member qualifies for flying pay for each inactive duty period and for the AD periods.

3.2.3. AFTP. A member who performs an AFTP in a pay status, if otherwise qualified, is entitled to IP for flying if he or she meets the flight for the month in which the AFTP is performed. Flying time accumulated during an AFTP may be used to satisfy requirements for IDT and the provisions of subparagraphs 3.2.1.1 and 3.2.1.2 may also be used for requirements for periods of AD.

3.2.4. Operational Flying. Flying duty required by competent orders and performed by members of a Reserve Component, irrespective of unit of assignment, is considered to be operational flying.

3.3 AvIP

An officer of a Reserve Component who performs IDT in a pay status is eligible for AvIP under the provisions of Chapter 22, section 3.0.

3.4 Submarine Duty Pay

A member of a Reserve Component who participates in scheduled drills aboard a submarine during underway operations, while under competent orders and in a pay status, is entitled to IP for Submarine Duty.

3.5 HDIP for Parachute Duty

A member of a Reserve Component who performs IDT in a pay status is entitled to IP for Parachute Duty under the provisions of Chapter 24, section 3.0.

3.5.1. Parachute jumps performed during periods of IDT or AD qualify a member for IP for either duty.

3.5.2. Parachute jumps performed while on extended active duty do not qualify a member for IP in an IDT status (see Chapter 57, paragraph 4.4).

3.6 HDIP for Flight Deck Duty, Demolition Duty, and Experimental Stress Duty

A member of a Reserve Component who performs IDT in a pay status is entitled to IP under provisions of Chapter 24.

3.7 Unmanned Aerial Systems IP and Critical Skills IP

A member of the Air Force Reserve Component who performs IDT in a pay status is entitled to IP under provisions of Chapter 22.

4.0 SPECIAL PAY

4.1 Entitlement

Members of a Reserve Component are not entitled to special pay for periods of inactive duty except as noted in the following paragraphs.

4.2 Foreign Language Proficiency Bonus (FLPB)

The Secretary of the Military Department concerned may pay FLPB to a member of a Reserve Component who is certified proficient by the Defense Language Proficiency system of tests in one, two, or three language modalities of reading, listening, and speaking with respect to foreign languages identified on the Services' or ***DoD Strategic Language List***. A member of a Reserve Component, who meets the requirements of Chapter 19, section 2.0; and any additional requirements of the Military Service concerned (see applicable Service FLPB Instructions), is entitled to FLPB for each regular period of instruction or period of appropriate duty at which the member is engaged for at least 2 hours. This includes instruction received or duty performed on a Sunday or holiday and each period of performance of such equivalent training, instruction duty, or appropriate duties as the Secretary of the Military Department concerned may prescribe. The total

of FLPB for Ready Reserve Service member must equal the annual FLPB paid to an AD member with the same certified language proficiency.

4.3 Diving Duty Pay

The Secretary of the Military Department concerned may pay a member of a Reserve Component who is entitled to compensation under ***37 U.S.C. § 206***, a special pay in the amounts set forth in Chapter 11, Tables 11-2 through 11-9 for which the member:

4.3.1. Is assigned by orders to the duty of diving;

4.3.2. Is required to maintain proficiency as a diver by frequent and regular dives; and

4.3.3. Is either:

4.3.3.1. Actually performing diving duty while serving in an assignment for which diving is a primary duty; or

4.3.3.2. Meeting the requirements to maintain proficiency as described in Chapter 11, subparagraph 2.2.2 while serving in an assignment that includes diving duty other than as a primary duty.

NOTE: A member of a Reserve Component who meets the requirements of Chapter 11, and any additional requirements of the Military Service concerned, is entitled to diving duty pay for each regular period of instruction or period of appropriate duty at which the member is engaged for at least 2 hours. This includes instruction received or duty performed on a Sunday or holiday and each period of performance of such equivalent training, instruction duty, or appropriate duties as the Secretary of the Military Department concerned may prescribe. The compensation for each such period will be equal to one-thirtieth of the monthly special pay authorized under Chapter 11, paragraph 3.4.

4.4 Special Duty Assignment Pay (SDAP)

4.4.1. A member of a Reserve Component who is entitled to compensation under 37 U.S.C. § 206 may qualify for SDAP when the member performs duties designated by the Secretary of the Military Department concerned as extremely demanding requiring a greater than normal degree of responsibility or difficulty, or requiring special qualifications, as described in Chapter 8. A member entitled to SDAP may receive such pay in addition to any other pay or allowances to which entitled. The rate of compensation for such member is provided in Chapter 8, para. 2.3.1.

4.5 Command Pay

The Secretary of the Military Department concerned may designate positions of unusual responsibility that are of a critical nature to an Armed Force under his or her jurisdiction and authorize special pay to officers performing the duties of such a position. An officer of a Reserve Component, who meets the requirements of Chapter 3, section 8.0, and any additional requirements of the Military Service concerned, is entitled to command pay for each day of the performance of duties in a designated position. This applies to days on which regular periods of instruction, or periods of appropriate duty are performed, including periods of instruction received or duty performed on a Sunday or holiday and duties as the Secretary of the Military Department concerned may prescribe.

4.6 Hostile Fire Pay (HFP) or Imminent Danger Pay (IDP)

See Chapter 10.

4.7 Assignment IP (AIP)

The Secretary of the Military Department concerned may pay AIP to a member of a uniformed service who is entitled to compensation under 37 U.S.C. § 206 and performs an assignment, location, or unit designated by the Secretary of the Military Department concerned as described in Chapter 15.

5.0 ALLOWANCES

5.1 Clothing Monetary Allowances, Enlisted Members

Except as provided for in subparagraphs 5.1.1 through 5.1.3, an enlisted member of a Reserve Component is not entitled to any cash clothing allowances when on IDT.

5.1.1. Special Initial Clothing Monetary Allowance (Navy). Chief Petty Officers of the Naval Reserve who are assigned to SELRES and Voluntary Training Units (VTU) are entitled to a special initial clothing monetary allowance upon first advancement to Chief. Payment will be made in one full prescribed cash portion payment. See Chapter 29, paragraph 3.4 and the ***Military Clothing Allowances*** table on DFAS.MIL.

5.1.2. Quarterly Maintenance Clothing Allowance (Navy). Chief Petty Officers of the Naval Reserve who are assigned to SELRES and VTU, and who maintain satisfactory reserve participation per current Bureau of Naval Personnel policy in the quarter concerned, are entitled to an annual Reserve Maintenance Clothing Allowance (RMA) in the equivalent amount of 18 percent of the ***Special Cash Clothing Replacement Allowances*** (see DFAS.MIL). A Chief Petty Officer who is advanced to that grade or who becomes a member of a pay unit in a pay or non-pay status on other than the first day of a quarter is not entitled to a quarterly allowance until the first day of the next quarter. The allowance will not be paid for a fractional part of a quarter. New Chiefs are not entitled to the RMA until the first day of the following fiscal year after advancement.

5.1.3. Initial Cash Allowance for Enlisted Members. An enlisted member of a Reserve Component is entitled to an initial cash allowance for the purchase of items specifically designated by the Military Department concerned to be purchased by the member rather than to be furnished in kind. See Chapter 29, paragraph 2.1.

5.2 Officers' Initial Uniform Allowance

An officer of a Reserve Component is entitled to an initial uniform allowance upon completing 14 periods of IDT as an officer in the Ready Reserve, provided each period is of at least 2 hours duration. See Chapter 30, section 2.0.

5.3 Basic Allowance for Subsistence (BAS)

Enlisted members of a Reserve Component may receive subsistence in kind or a cash commutation for meals when not entitled to basic pay if the member's period of instruction or duty totals at least 8 hours in 1 day. This entitlement is at the discretion of the Secretary of the Military Department concerned who will issue written instructions specifying eligibility criteria. When a cash commutation is authorized, it will be paid at one-thirtieth of the applicable monthly BAS rate from Chapter 25 for each such day authorized, further pro-rated by meal. Breakfast will be pro-rated at 20 percent of the daily BAS rate; lunch and dinner will each be prorated at 40 percent of the daily BAS rate.

6.0 MISCELLANEOUS PAYMENTS

6.1 Pay and Allowances While Disabled

See Chapter 57, paragraph 6.4 for entitlements when a member of a Reserve Component is disabled while performing IDT.

6.2 Payment on Behalf of Deceased Members

6.2.1. Death Gratuity. The eligible beneficiaries of a member of a Reserve Component are entitled to payment of death gratuity, regardless of whether death occurred in the line of duty or was the result of the member's misconduct, if the member dies:

6.2.1.1. While on IDT;

6.2.1.2. While traveling directly to or from IDT; or

6.2.1.3. Within 120 days after discharge or release from IDT, if the Department of Veterans Affairs (VA) determines that the death resulted from an injury or disease incurred or aggravated while performing or traveling directly to or from such training.

6.2.2. Eligible Beneficiaries. The provisions of Chapter 36, Table 36-1 apply to members of a Reserve Component.

6.2.3. Determining Eligible Beneficiaries. The provisions of Chapter 36, paragraph 2.5 apply to members of a Reserve Component.

6.2.4. Determination Affecting Entitlement. The provisions of Chapter 36, paragraph 2.6 apply to members of a Reserve Component.

6.2.5. Amounts Payable. The provisions of Chapter 36, paragraph 2.7 apply to members of a Reserve Component.

6.2.6. Expediting Payments. The provisions of Chapter 36, paragraph 2.8 apply to members of a Reserve Component.

6.2.7. Erroneous Payment. The provisions of Chapter 36, paragraph 2.10 apply to members of a Reserve Component.

6.2.8. Settling Deceased Member's Accounts. The provisions of Chapter 36, section 3.0, and Chapter 2 apply to members of a Reserve Component.

6.3 Disability Severance Pay

6.3.1. A member who performs IDT, and is separated for physical disability due to injury, which was the proximate result of the performance of such duty, is entitled to severance pay, if otherwise qualified under appropriate personnel regulations.

6.3.2. Computation of severance pay will be as prescribed in Chapter 35.

6.4 Ready Reserve Service Members' Involuntary Separation Pay (RISP)

6.4.1. Payment. Upon approval by the Secretary of the Military Department concerned, and subject to the restrictions in this paragraph, pay RISP to a member of the SELRES who has at least 6 years but less than 15 years of service as of the date of discharge from a Reserve Component or involuntary transfer from the SELRES.

6.4.2. Computation

6.4.2.1. Using an official statement of service, determine years of service, computing to three decimal places and rounding to two decimal places. Do not include in the service any days or points for which the member previously received separation, severance, or readjustment pay.

6.4.2.2. Multiply the number of years of service times 15 percent times 62 times the member's daily rate of basic pay if serving on AD as of the date of separation or transfer from the SELRES. The product is the RISP.

Example: A member who is an E-5 over 8 years total service for pay purposes (daily rate of pay $47.55) and a total of 1,760 retirement points credit is approved for discharge on August 27, 2016, by the Secretary of the Military Department concerned. Compute RISP as follows: Divide total Retirement Points Credit 1,760 by 360 = 4.89 years (computing to 3 decimal places rounding to 2 decimal places) x 15 percent x 62 x $47.55 (daily rate of pay) = $2,162.43 RISP.

6.4.2.3. Withhold federal and state income taxes. RISP payments are not subject to FICA or Medicare taxes.

6.4.2.4. A recipient of RISP who later receives basic pay, IDT compensation, or retired or retainer pay will have such pay, compensation, or retired pay reduced by 75 percent until the total reductions equal the total RISP received.

6.4.2.5. A member who has received RISP, who later receives disability compensation from the Department of VA, will have deducted from such disability compensation the total amount of RISP. However, there will be no such reduction if the disability compensation is for a disability incurred or aggravated after the period for which the RISP was paid.

6.4.2.6. Members are not authorized to receive RISP when they are authorized to receive early (completed at least 15 but less than 20 years of service) non-regular retired pay at age 60.

7.0 DEDUCTIONS AND COLLECTIONS

7.1 Income Tax Withholding

See Chapter 44, paragraph 2.1 for provisions for members of a Reserve Component who are performing IDT.

7.2 FICA

See Chapter 45.

7.3 Courts-Martial Sentences

The provisions of Chapter 48 apply to members of a Reserve Component who are performing IDT.

7.4 Non-judicial Punishment

7.4.1. The provisions of Chapter 49 apply to members of a Reserve Component who are performing IDT.

7.4.2. The maximum forfeiture to which a member of a Reserve Component is subject, while in an inactive duty status, is limited to one-half of the IDT compensation to which entitled

during the period of the sentence. This applies also to a member who is on AD when the non-judicial punishment is imposed and reverts to an inactive duty status during the period of the sentence.

7.5 Stoppages and Collections Other Than Courts-Martial Forfeitures

The provisions of Volume 16 apply to members of a Reserve Component who are performing IDT.

7.6 Waiver of Claims for Erroneous Payment of Pay and Allowances

See Volume 16.

7.7 Legal Process for the Enforcement of Child Support and Alimony Obligations

See Chapter 41, section 3.0.

8.0 SGLI PROGRAM FOR RESERVE COMPONENTS

8.1 Basic Coverage

SGLI automatically insures eligible members against death for $500,000, unless the member elects a reduced coverage or declines coverage. SGLI is payable upon the member's death while insured.

8.2 Periods of Coverage

See Chapter 47, Table 47-1.

8.3 Changes in Coverage

See Chapter 47, Table 47-1. A member who is covered for an amount less than the maximum coverage may later apply for increased coverage in writing, with proof of good health, up to the maximum coverage stated in paragraph 8.1.

8.4 Full-Time Coverage

All members of the Ready Reserve and National Guard, who are assigned or attached to a unit or position that requires performing AD, and who will be scheduled to perform at least 12 periods of IDT annually that is creditable for retirement purposes, are automatically insured for full-time SGLI coverage, unless the member elects in writing to decline the insurance. Additionally, members of the IRR are automatically insured for full-time SGLI coverage, unless the member elects in writing to decline the insurance, if they volunteer to be mobilized involuntarily and if they are selected by the Secretary concerned, based upon the needs of the service and the grade and military skills of the member. These IRR members may not be carried in this status, and therefore will not be entitled to full-time coverage beyond 24 months from their

separation date from active duty. Services' SGLI procedures must provide for timely determination of the effective start dates for eligible members and stop dates whenever a member does not meet the eligibility criteria. When a member ceases to meet the conditions of eligibility for full-time SGLI coverage, the Service must notify the member of the pending termination of benefits. Also, see Chapter 47, paragraph 2.1.

8.4.1. Member in a Pay Status. SGLI premiums will be collected from the member's AD pay or drill pay whenever possible. This should apply to members who drill regularly, even if they are not scheduled to drill every month. Even though a member may not drill on a particular month and may not receive any pay, premium due is still included in the monthly transfer of funds to the Department of VA and must be collected from the member as quickly as possible. This can be done by deduction either from pay or direct payment from the member. DFAS will establish a debt on the member's pay account and collect the total premium due when pay is due. When a member ceases to meet the conditions of eligibility for SGLI coverage, the member's parent Service must inform DFAS in a timely manner to allow any final premium liability to be deducted from final pay and to preclude further overpayments.

8.4.2. Member in a Non-Pay Status. When a member is insured under an insurance policy purchased by the VA, the Secretary concerned will contribute from the appropriation for AD pay, the share of the cost attributable to insuring the member under this policy during any month in which:

8.4.2.1. The member is in a non-pay status; and

8.4.2.2. The member is assigned to the Ready Reserve of a Uniformed Service, which requires the member to perform at least 12 periods of IDT annually that is creditable for retirement purposes. This includes Direct Remitters who are scheduled to drill but don't attend, in addition to those drilling for points.

Note: Any amounts contributed on behalf of the member must be collected by DoD via direct remittance, if the member has been identified by the Service concerned as a Direct Remitter. Collection may include establishing a debt against the member's pay account and monies collected must be credited to the appropriation from which the contribution was made.

8.4.3. Direct Remitters. Each Service must have clearly established programs to identify members who are required to make a direct remittance of premiums. Services must notify members at least 30 days in advance of the date the direct remittance is due. The notice will include the amount of the payment, the date it is due, and the Service's address to which the payment should be sent. The member must make remittance within 30 days from the date of the notice.

8.4.3.1. Failure to Make Remittance Within 60 Days. When a member fails to make the direct remittance within 60 days from the due date, the Secretary of the Military Department concerned must notify the member of termination of SGLI coverage unless the member justifies the delinquency to the satisfaction of the Secretary of the Military Department concerned.

8.4.3.2. Termination of SGLI Coverage. When the Secretary of the Military Department concerned determines that the member failed to make direct remittance within 60 days of the due date, the Secretary will send a "Notice of SGLI Termination" to the member's official address. The notice must clearly state that effective 60 days from the date of such notice, the member's SGLI will be terminated. If a member fails to justify the delinquency within 60 days, then the Secretary of the Military Department concerned will send the "Final Notice of SGLI Termination" by certified mail to the member's official address. The Secretary of the Military Department concerned must notify DFAS of the member's effective date of termination. Once SGLI coverage is terminated, it will remain terminated with reinstatement only as approved by the Secretary of VA.

8.4.3.3. Continuation of Coverage. SGLI coverage may be continued if, and only if, the member remits all required premiums within 60 days from the "Notice of SGLI Termination" and justifies the reason for the late payment (subject to approval by the Secretary of the Military Department concerned). A copy of all requests for continuation of SGLI coverage and the Service's final determination will be forwarded within 30 days to:

Director of Compensation
Attn: Termination of SGLI Coverage
ODASD(FMP)(MPP)(Comp)
Washington, DC 20301-4000

*8.5 Part-Time Coverage

Part-time coverage is available to certain eligible members of a Reserve Component who do not qualify for full-time coverage while performing AD under calls or orders of specified periods of 30 days or less. Members may elect coverage of $500,000 or less in $50,000 increments or decline coverage. See Chapter 47, section 5.0 for premium rates.

8.5.1. Election Changes. Amounts deducted for coverage before the effective date of a waiver of coverage, or before an election of a lesser amount of coverage, are not refunded. If a member elects to increase coverage during a year in which the duty period has already been performed, the difference between the two annual premiums should be collected during the first period of duty in which the member is in a pay status that same year. Proof of good health is required for any increase of coverage. A member may use the SGLI On-Line Enrollment System or electronic ***Servicemembers' Group Life Insurance Election and Certificate*** if permitted, to make election changes.

8.5.2. Continuation of Coverage. Any election made continues in effect during continuous obligation to perform duty in the same Uniformed Service, including any AD for a period of more than 30 days. For mobilization, see Chapter 47, Table 47-1, rule 8.

8.6 Appellate Leave

See Chapter 47, section 4.0.

8.7 Forfeiture of Coverage

See Chapter 47, paragraph 2.4.

8.8 Refunds

See Chapter 47, paragraph 5.4.

8.9 Settlement of SGLI Claims

See Chapter 47, section 7.0.

8.10 Retired Reserve

Ready Reserve Service members with full-time coverage have 240 days to apply to convert their SGLI coverage to Veterans' Group Life Insurance (VGLI) without proof of insurability. Ready Reserve Service members have a total of 1 year and 120 days to apply for VGLI following separation but must meet good health requirements if they apply more than 240 days following separation.

8.11 Family Coverage Under SGLI

See Chapter 47, section 8.0.

*Table 58-1. MDA

MDA	
Effective	**Amount**
January 1, 2009	$197.86
January 1, 2010	$205.00
January 1, 2011	$215.63
January 1, 2012	$207.28
January 1, 2013	$209.71
January 1, 2014	$210.90
January 1, 2015	$216.25
January 1, 2016	$211.25
January 1, 2017	$230.00
January 1, 2018	$241.25
January 1, 2019	$241.25
January 1, 2020	$237.50
January 1, 2021	$242.50
January 1, 2022	$231.25
January 1, 2023	$236.25
January 1, 2024	$242.50
January 1, 2025	$253.75

*REFERENCES

CHAPTER 58 – PAY AND ALLOWANCES FOR INACTIVE DUTY TRAINING (IDT)

2.0 – PROVISIONS

2.1	DoD Instruction (DoDI) 1215.06, March 11, 2014, Incorporating Change 2, July 12, 2022
2.1.1	37 U.S.C. § 206
2.1.2	10 U.S.C. § 12315
	37 U.S.C. § 1002
2.1.3	Comptroller General (Comp Gen) B-207339, February 8, 1983
	37 U.S.C. § 204
2.2	37 U.S.C. § 433(d)
2.3	10 U.S.C. § 12316
	Comp Gen B-179882, December 4, 1974
	Comp Gen B-207913, April 15, 1983
2.5.1	10 U.S.C. § 12319
	37 U.S.C. § 433
2.5.2	37 U.S.C. § 433
2.5.3.1 & 2	37 U.S.C. § 433
2.5.4	10 U.S.C. § 12319(d)
2.6	10 U.S.C. § 10149
	10 U.S.C. § 12319
	37 U.S.C. § 433a
2.7	37 U.S.C. § 435
2.8	37 U.S.C. § 355
	37 U.S.C. § 206(d)(2)
	DoDI 1340.26, September 25, 2017, Incorporating Change 1, January 11, 2019
2.8.4	37 U.S.C. § 355(h)

3.0 – INCENTIVE PAY (IP)

3.1	37 U.S.C. § 351
3.2	Executive Order (EO) 11157, June 22, 1964
	DoDI 7730.67, October 20, 2016
3.2.1	EO 11157, June 22, 1964
3.2.1.1	Comp Gen B-132283, August 21, 1957 (Example 1)
3.2.1.2	EO 11157, June 22, 1964
3.2.2	37 U.S.C. § 351
	EO 11157, June 22, 1964
3.3	37 U.S.C. § 334
	DoDI 7730.67, October 20, 2016
	37 U.S.C. § 206

REFERENCES (Continued)

	EO 11157, June 22, 1964
3.4	37 U.S.C. § 352 DoDI 1340.26, September 25, 2017, Incorporating Change 1, January 11, 2019
3.5	37 U.S.C. § 351 DoDI 1340.09, January 26, 2018 Incorporating Change 1, February 2, 2024
3.6	37 U.S.C. § 351 DoDI 1340.09, January 26, 2018
3.7	37 U.S.C. § 353 37 U.S.C. § 334 DoDI 7730.67, October 20, 2016

4.0 – SPECIAL PAY

	37 U.S.C. § 353 37 U.S.C. § 352
4.2	37 U.S.C. § 353 DoDI 1340.27, August 17, 2022
4.3	37 U.S.C. § 351 DoDI 1340.09, January 26, 2018
4.4	37 U.S.C. § 352 DoDI 1340.26, September 25, 2017, Incorporating Change 1, January 11, 2019
4.5	37 U.S.C. § 352 DoDI 1340.26, September 25, 2017, Incorporating Change 1, January 11, 2019
4.6	37 U.S.C. § 351 DoDI 1340.09, January 26, 2018
4.7	37 U.S.C. § 352 DoDI 1340.26, September 25, 2017, Incorporating Change 1, January 11, 2019

5.0 – ALLOWANCES

5.1	37 U.S.C. § 418
5.2	37 U.S.C. §§ 415-417
5.3	37 U.S.C. § 402(e)

REFERENCES (Continued)

6.0 – MISCELLANEOUS PAYMENTS

6.2.1	10 U.S.C. §§ 1475-1476
6.2.2	10 U.S.C. § 1477
6.2.3	10 U.S.C. § 1477
6.2.4	10 U.S.C. § 1480
6.2.5	10 U.S.C. § 1478
6.2.6	10 U.S.C. § 1479
6.2.7	Comp Gen B-132407, August 22, 1957
6.2.8	10 U.S.C. § 2771
	37 U.S.C. § 501(d)
6.3	10 U.S.C. § 1206
6.4	10 U.S.C. § 12732
	10 U.S.C. § 12733
	10 U.S.C. § 12681 Notes

7.0 – DEDUCTIONS AND COLLECTIONS

7.1	10 U.S.C. § 12315
7.3	10 U.S.C. § 802
7.4	10 U.S.C. § 815
	Comp Gen B-165244, October 2, 1968
7.5	37 U.S.C. § 1007
	10 U.S.C. § 8271
	10 U.S.C. § 9837(a)

8.0 – SGLI PROGRAM FOR RESERVE COMPONENTS

8.1 – 8.2	38 U.S.C. §§ 1965-1976
	Title 38, Code of Federal Regulations, PART 9
8.4	10 U.S.C. § 10144
	10 U.S.C. § 12304
8.4.2.2	DoDI 1341.14, January 19, 2017
	Office of Assistant Secretary of Defense Force Management Policy Memo, September 1, 1998

Table 58-1	37 U.S.C. § 433

VOLUME 7A, CHAPTER 59: "PAYMENT TO MEMBERS OF THE SENIOR RESERVE OFFICERS' TRAINING CORPS (SROTC)"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated November 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting and hyperlinks to comply with current administrative instructions.	Revision
4.9	Updated the termination date on the "Duration of Authority" table on DFAS.MIL to comply with the National Defense Authorization Act for Fiscal Year 2024, Public Law 118-31, section 613(d)(8), dated December 22, 2023.	Revision
5.2	Updated the "Servicemembers' Group Life Insurance" paragraph for clarity and accuracy.	Revision
References	Verified and updated supporting statutes and references.	Revision

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CHAPTER 59

PAYMENT TO MEMBERS OF THE SENIOR RESERVE OFFICERS' TRAINING CORPS (SROTC)

1.0 GENERAL

1.1 Purpose

This chapter establishes policy pertaining to the pay and allowances for members of the SROTC.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with, the United States Code (U.S.C.), including Titles 5, 10, and 37. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 ENTITLEMENTS

2.1 Pay While Attending Training

Under ***Title 37, U.S.C., section 203(c)***, pay for cadets and midshipmen at the U.S. Military, Naval, and Air Force Academies is authorized at a prescribed rate. The rate for a cadet or midshipman, who is a member of the regular component of an Armed Force, will be at the rate of basic pay applicable to the member. These rates apply for:

2.1.1. A cadet or midshipman in the SROTC, while attending training or practice cruises, if the training or cruise is of at least four weeks duration and is completed before the cadet or midshipman is commissioned; or

2.1.2. An applicant for membership in the SROTC program, while attending field training or practice cruises to satisfy the requirements for admission to advanced training.

NOTE: A member or applicant for membership in the SROTC program is not entitled to longevity increases or basic pay while performing authorized travel to or from a training site.

2.2 Advance Pay

See Chapter 32, paragraph 2.10.

2.3 Commutation In Lieu of Uniforms

2.3.1. Army. See Army Regulation ***(AR) 700-84***, Chapter 10.

2.3.2. Navy. See Regulations for Officer Development, Naval Service Training Command *(NSTC) Manual-1533.2D* Series.

2.3.3. Air Force. See Holm Center Instructions 65-101.

NOTE: The Air Force Reserve Officers' Training Corps (ROTC) Cadet Payment Programs (Holm Center Instructions 65-101) is available via the Air Force Portal.

2.4 Textbook Allowances, Scholarship Cadets, and Midshipmen

2.4.1. Army. The Commander, U.S. Army Cadet Command prescribes the rates.

2.4.2. Navy. See Naval ROTC (NROTC), NSTC Manual 1533.2D Series.

2.4.3. Air Force. See Holm Center Instructions 65-101.

NOTE: The Air Force ROTC Cadet Payment Programs (Holm Center Instructions 65-101) is available via the Air Force Portal.

2.5 Restrictions

2.5.1. Travel Allowances. A member or applicant for membership in the SROTC program is not entitled to travel allowances while performing field training or at-sea training, except as authorized in section 8.0.

2.5.2. Special and Incentive Pay. A member or applicant for membership in the SROTC program is not entitled to special or incentive pay, except as provided in section 4.0.

2.5.3. Navy Reserve Drill Pay. Drill payments to Navy SROTC members are authorized only for students selected for advanced training in their freshman and sophomore years, and who specifically request continuation in a drill status.

3.0 SUBSISTENCE ALLOWANCE

3.1. Scholarship Cadets or Midshipmen

Except as prescribed in paragraph 3.7, a member of the SROTC program selected for advanced training is entitled to a monthly subsistence allowance; see the ***SROTC Monthly Subsistence Allowance Table***. Entitlement begins on the day the cadet or midshipman starts advanced training and ends upon the completion of their instruction. In no event, however, will any member receive such pay for more than 30 months.

3.2 SROTC Members Appointed in Reserves

Except as prescribed in paragraph 3.7, a member of the SROTC, enrolled in the first two years of a four-year program, is entitled to a monthly subsistence allowance as provided in the

SROTC Monthly Subsistence Allowance Table when appointed for a maximum of 20 months. A member enrolled in the advanced course is entitled to subsistence as prescribed in paragraph 3.1.

3.3 Non-scholarship SROTC Members Not in Advanced Training

A member of the SROTC who has entered into an agreement under ***10 U.S.C. § 2103a*** is entitled to a monthly subsistence allowance at the rate provided in the SROTC Monthly Subsistence Allowance Table. That allowance may be paid to the member by reason of such agreement for a maximum of 20 months.

3.4 Non-scholarship Cadets or Midshipmen

Non-scholarship cadets and midshipmen are not entitled to subsistence allowance, except as noted in paragraph 4.7.

3.5 Subsistence Allowance for Marine Corps Platoon Leaders Class

Except while serving on active duty, members of the Marine Corps Platoon Leaders Class program are entitled to subsistence allowance at the rates provided in the SROTC Monthly Subsistence Allowance Table. Only members in the sophomore, junior, and senior class (Levels II, III, and IV) are entitled to a subsistence allowance. Members of the freshman class are not entitled to a subsistence allowance. Detailed instructions governing the payment of the subsistence allowance are in the Marine Corps Total Force System Personnel Reporting Instructions Manual.

3.6 Accelerated Completion of Military Instruction

A cadet or midshipman participating in advanced training at an institution that has withdrawn from the program may complete the third and fourth year (or the fourth and fifth year of a five-year program) of military training in the third year (or the fourth year of a five-year program) and be paid subsistence allowance during the fourth academic year (AY) (or the fifth year of a five-year program), as though enrolled for training in the fourth year (or the fifth year of a five-year program).

3.7 Limitations

3.7.1. Deduction for Field Training and At-Sea Training. A cadet or midshipman is not entitled to subsistence allowance while performing field training or at-sea training. During the period of field training or at-sea training, the cadet or midshipman is entitled to basic pay as specified in paragraph 2.1.

3.7.2. Vacation Periods

3.7.2.1. A cadet or midshipman enrolled in the first 2 years of the program is not entitled to subsistence allowance for any period(s) between academic school years, such as for

summer vacations between academic school years. Holiday breaks do not interrupt the entitlement.

3.7.2.2. A cadet or midshipman enrolled in the advanced course is entitled to subsistence allowance uninterrupted by any periods between academic school years, subject only to the overall 20 months (30 months in an approved five-year program) of entitlement limitation and subject to deduction for any periods of field training or at-sea training.

3.7.3. Government Meals Furnished Without Charge. SROTC members will have deducted from their subsistence allowance, on a per-meal basis, the charge for government meals furnished without charge. The total deduction for any day will not exceed 1/30th of the subsistence allowance. This recoupment provision does not apply, when meals are furnished while participating in training events conducted during the AY.

3.8 Payment Procedures

Detailed instructions governing the payment of subsistence allowance to the respective SROTC members are contained in:

3.8.1. Army. See ***AR 145-1***;

3.8.2. Navy. See NROTC, ***NSTC Manual 1533.2A*** Series; and

3.8.3. Air Force. See Holm Center Instructions 65-101.

NOTE: The Air Force ROTC Cadet Payment Programs (Holm Center Instructions 65-101) is accessible via the Air Force Portal.

4.0 SROTC SKILL PROFICIENCY BONUS (SPB)

4.1 Eligibility

The Secretary of the Military Department concerned may pay an SROTC SPB under this section and the DoD Instruction ***(DoDI) 1340.27***, "Military Foreign Language SPB," to a cadet or midshipman of SROTC who:

4.1.1. Is enrolled as a cadet or midshipman of SROTC, as determined in accordance with regulations prescribed by the Secretary of Defense;

4.1.2. Participates in a language immersion program approved for the purposes of SROTC, or in study abroad, or is enrolled in an academic course that involves instruction in a foreign language of strategic interest. A foreign language of strategic interest includes a language listed on the DoD Strategic Language List, or other foreign language of strategic interest, which may be designated by the Secretary of the Military Department concerned as critical for purposes of foreign language SPB to the DoD, as designated by the Secretary of Defense for purposes of this section;

4.1.3. Enters into a written agreement under paragraph 4.3;

4.1.4. Pursues a course of study to acquire a critical foreign language as defined by the Secretary of the Military Department concerned; and

4.1.5. Satisfactorily completes the course. To satisfactorily complete the course, a contracted cadet or midshipmen must attain a letter grade of "B" or higher to warrant the SPB payment.

NOTE: An SROTC member may be paid an SROTC SPB even though the is in the first year of a four-year SROTC course.

4.2 Limitations

4.2.1. SROTC SPB will not be paid retroactively for courses completed at another institution in the event a newly contracted cadet or midshipman transfers from that institution to an ROTC-affiliated college or university or ROTC consortium.

4.2.2. SROTC SPB will not be paid to cadets or midshipmen who take the College Level Examination Program test, distance learning, or on-line courses to receive college credit for foreign language or cultural studies classes.

4.3 Written Agreement

The Secretary of the Military Department concerned will require a contracted cadet or midshipman to enter into a written agreement. The written agreement will specify:

4.3.1. The required status of the cadet or midshipman as a contracted ROTC student while participating in an SROTC SPB course of study;

4.3.2. The amount of the SROTC SPB;

4.3.3. The academic period(s) in which the SROTC SPB will be paid;

4.3.4. The required SROTC SPB course of study or language-related event; and

4.3.5. That the cadet or midshipman will be paid the SPB after satisfactory completion of the SROTC SPB course.

4.3.6. That the cadet or midshipman may be subject to repayment provisions of 37 U.S.C. § 353(g), 37 U.S.C. § 373, and Chapter 2, and any additional stipulations identified by the Secretary concerned.

4.4 Amounts

4.4.1. An SROTC SPB will not exceed $3,000 for each 12-month period that follows a qualifying academic period in which a cadet or midshipmen satisfactorily completes a course of study to develop an SROTC SPB critical skill.

4.4.2. Any SROTC SPB payments for summer language immersion or study abroad programs, combined with any previous SPB payments for that AY, must not exceed the 12-month (full AY) SROTC SPB entitlement (summer immersion payment plus previous SPB payments) limit of $3,000.

NOTE: The Secretary of the Military Department concerned may change the start and end dates of this 12-month period to accommodate different schedules, for their ROTC-affiliated colleges or universities or ROTC consortiums, provided that the newly defined 12-month period reflects a minimum of 365 consecutive days.

4.5 Method of Payment

The SROTC SPB, for a qualifying course(s) or immersion training will only be paid in a lump-sum payment, following the satisfactory completion of that course or immersion training.

4.6 Certification of Proficiency and Waiver

The DoD may waive the annual proficiency certification requirement for an SPB. In order for the DoD to waive this requirement, the contracted cadet or midshipman must satisfactorily complete the course of study, during the qualifying academic period or year preceding the payment of the SPB.

4.7 Monthly Subsistence Allowance

During the period covered by the SROTC SPB, the student is entitled to a monthly subsistence allowance as detailed in section 3.0, even though the student has not entered into an agreement under 10 U.S.C. § 2103a. If paid, the monthly subsistence allowance will be as authorized in the SROTC Monthly Subsistence Allowance Table. An SROTC cadet may only receive a single monthly subsistence allowance.

4.8 Repayment

A member, who is paid a proficiency bonus under this section, but does not satisfactorily complete participation in the language program or study as described in paragraph 4.1 (or does not complete the requirements of the SROTC, as applicable), may be subject to the repayment provisions of Chapter 2. SROTC SPB must not be calculated in the cost of advanced education, should the Secretary of the Military Department concerned choose to exercise his/her written agreement option to seek reimbursement of the cost of a former student's advanced education.

*4.9 Duration of Authority

Unless reauthorized by Congress, SROTC SPB may not be paid after the date on the ***Duration of Authority*** table unless an SROTC SPB agreement was entered into prior to the date on the table.

5.0 DEDUCTIONS

5.1 General

The basic pay of a member, or applicant for membership, in the SROTC program is subject to Federal Income Tax Withholding and Federal Insurance Contributions Act taxes. See the Department of the Treasury ***Internal Revenue Service Publication 15-A*** and Chapter 45, Table 45-1, for tax withholding rates.

*5.2 Servicemembers' Group Life Insurance (SGLI)

Members, cadets and midshipmen of the SROTC are provided SGLI coverage while attending field training or practice cruises in accordance with the Servicemembers' and Veterans' Group Life Insurance ***(VGLI) Handbook, Appendix F***. See Chapter 47, section 2.0 and Chapter 58, section 8.0.

5.3 Allotments

A member or applicant for membership in the SROTC program is not authorized to register allotments.

6.0 DISABILITY BENEFITS

6.1 Entitlements for Cadets and Midshipmen Disabled While En Route To or From Field or At-Sea Training

A cadet or midshipman who is disabled en route to or from field or at-sea training and is otherwise entitled to a subsistence allowance described in section 3.0, is entitled to a subsistence allowance for the day of incurrence of the disability and continuing thereafter, subject to the provisions of section 3.0.

6.2 Entitlement for Cadets and Midshipmen Disabled While Attending Field or At-Sea Training

A cadet or midshipman who is disabled while attending field or at-sea training, is entitled to the monthly cadet rate of pay prescribed in the ***Military Pay Tables*** through the last day of the ordered training period. If the disability continues beyond the ordered tour, the cadet or midshipman, if otherwise entitled, is entitled to a subsistence allowance described in section 3.0.

7.0 PAYMENTS ON BEHALF OF DECEASED MEMBERS

Beneficiaries of any member or applicant for membership in the SROTC program, who dies under the conditions specified in paragraph 6.2 are entitled to Death Gratuity under the provisions of Chapter 36, section 2.0, and unpaid pay and allowances under section 3.0.

8.0 TRAVEL AND TRANSPORTATION ALLOWANCES

The travel and transportation allowances payable to SROTC cadets and midshipmen are prescribed in the ***Joint Travel Regulations***.

*REFERENCES

CHAPTER 59 – PAYMENT TO MEMBERS OF THE SENIOR RESERVE OFFICERS' TRAINING CORPS (SROTC)

2.0 – ENTITLEMENTS

2.1	37 U.S.C. § 203(c) 10 U.S.C., Subtitle A, Part III, Chapter 103 10 U.S.C. § 2104(b)(6)(A) and (B)
2.1.1. & 2.1.2.	37 U.S.C. § 209(d)
2.3	DoDI 1215.08, January 19, 2017, Incorporating Change 1, effective March 7, 2018, paragraph 3.9

3.0 – SUBSISTENCE ALLOWANCE

3.1	37 U.S.C. § 209(a) Assistant Secretary of Defense Memo, July 24, 2001 Office of the Under Secretary of Defense (Personnel & Readiness) Memo, August 22, 2005

4.0 – SROTC SPB

4.0	DoDI 1340.27, August 17, 2022
4.1	37 U.S.C. § 353(f)
4.7	37 U.S.C. § 353(b)(2)
4.8	10 U.S.C. § 2005(a)(3) 37 U.S.C. § 353(g) 37 U.S.C. § 353(i)
4.9	Public Law 118-31, section 613(d)(8), December 22, 2023

5.0 – DEDUCTIONS

5.2	Servicemembers' and Veterans' Group Life Insurance Handbook, November 2002, revised August 2023

6.0 – DISABILITY BENEFITS

6.1	10 U.S.C. § 2109
6.2	5 U.S.C. § 8140

7.0 – PAYMENTS ON BEHALF OF DECEASED MEMBERS

10 U.S.C. §§ 1475-1480

8.0 – TRAVEL AND TRANSPORTATION ALLOWANCES

37 U.S.C. § 422

VOLUME 7A, CHAPTER 60: "HEALTH PROFESSIONS SCHOLARSHIP PROGRAM FOR ACTIVE AND RESERVE SERVICE"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by *bold, italic, blue, and underlined font*.

The previous version dated November 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Merged Chapter 62 into this chapter, updated formatting, and hyperlinks to comply with current administrative instructions.	Revision
2.2	Increased Accession Bonus not to exceed $100,000 in accordance with Title 10 United States Code, section 2128(a).	Revision
Table 60-1	Updated the Stipend and Financial Assistance Grant to include the 2025 – 2026 school year amounts in accordance with Assistant Secretary of Defense Health Affairs Memo dated May 22, 2025.	Revision
References	Updated statutes and supporting references.	Revision

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CHAPTER 60

HEALTH PROFESSIONS SCHOLARSHIP PROGRAM FOR ACTIVE AND RESERVE SERVICE

1.0 GENERAL

1.1 Purpose

The purpose of this chapter is to establish policy pertaining to the Health Professions Scholarship Program for Active and Reserve Service. The Secretary of the Military Department concerned may provide for the payment of all educational expenses incurred by a member of the Armed Forces Health Professions Scholarship Program (AFHPSP), including tuition, fees, books, and laboratory expenses. Such payments, however, will be limited to those educational expenses normally incurred by students at the institution and in the health profession concerned. An educational institution cannot charge the government for educational costs that it does not charge to all students attending their university in pursuit of the degree in question.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with, the United States Code (U.S.C.) Titles 10, 26,37, and 38. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in the reference section at the end of the chapter.

2.0 ACTIVE DUTY

2.1 AFHPSP

2.1.1. Purpose. The purpose of the AFHPSP is to obtain adequate numbers of commissioned officers on active duty who are qualified in the various health professions, including health professionals with specific skills to assist in providing mental health care to members of the Armed Forces.

2.1.2. Responsibility. The Secretary of the Military Department concerned, under regulations prescribed by the Secretary of Defense, may establish and maintain a Health Professions Scholarship and Financial Assistance Program (FAP) for their department. The Secretary of the Military Department concerned will allocate a portion of the total number of scholarships available in their department to health professionals with specific skills in mental health care. This is to assist such members in pursuing a degree at the master and doctoral level, with obligatory periods of military training, in any of the following disciplines:

2.1.2.1. Social work;

2.1.2.2. Clinical psychology;

2.1.2.3. Psychiatry; or

2.1.2.4. Other disciplines that contribute to mental health care programs in that Military Department.

2.1.3. Eligibility. To be eligible for participation in the AFHPSP, a person must be a citizen of the United States and must:

2.1.3.1. Be accepted for admission to, or enrolled in, an institution in a course of study, or selected to receive specialized training, or, if offered, agree to accept residency training in a health profession skill which has been designated by the Secretary of the Military Department concerned as a critically needed wartime skill;

2.1.3.2. Sign an agreement to complete all of the following:

2.1.3.2.1. Complete the educational phase of AFHPSP;

2.1.3.2.2. Accept an appropriate reappointment or designation within his or her military service, if tendered, based upon his or her health profession, following satisfactory completion of AFHPSP;

2.1.3.2.3. Participate in the intern program of his or her service, if selected for such participation;

2.1.3.2.4. Participate in the residency program of his or her service, if selected, or be released from active duty for the period required to undergo civilian residency, if selected for such training;

2.1.3.2.5. Participate in military training while in AFHPSP, under regulations prescribed by the Secretary of Defense; and

2.1.3.2.6. Meet the requirements for appointment as a commissioned officer.

2.1.4. Active–Duty Obligation. A member of AFHPSP incurs an active–duty obligation based upon the following conditions:

2.1.4.1. The period of obligation, as prescribed under regulations by the Secretary of Defense, may not be less than 1 year for each year of participation in AFHPSP;

2.1.4.2. A period spent as a military intern or in residency training will not be creditable in satisfying the active-duty obligation;

2.1.4.3. A member of AFHPSP, who is dropped from AFHPSP for deficiency in conduct or studies or for other reasons, may be required to perform active duty in an appropriate military capacity in accordance with the active-duty obligation imposed in this program;

2.1.4.4. The Secretary of the Military Department concerned may relieve a member of AFHPSP, who is dropped from AFHPSP, from an active-duty obligation, but such relief will not relieve the member from any military obligation imposed by any other law; and

2.1.4.5. A member of AFHPSP, who is relieved of the member's active-duty obligation before the completion of that active-duty obligation, may be given, with or without the consent of the member, any of the following alternative obligations, as determined by the Secretary of the Military Department concerned:

2.1.4.5.1. A service obligation in another Armed Force for a period of time not less than the member's remaining active-duty service obligation;

2.1.4.5.2. A service obligation in a component of the Selected Reserve for a period not less than twice as long as the member's remaining active-duty service obligation; or

2.1.4.5.3. Repayment of a percentage of the total cost incurred pursuant to the repayment provisions of Chapter 2.

2.1.4.6. If a member is relieved of an active-duty obligation by reason of separation because of a physical disability, then the Secretary of the Military Department concerned may give the member a service obligation as a civilian employee. The member may be employed as a health care professional, in a facility of the uniformed services, for a period equal to the member's remaining active-duty service obligation.

*2.2 Accession Bonus (AB)

2.2.1. Eligibility. To be eligible for AFHPSP, an individual must meet the requirements of subparagraph 2.1.3.

2.2.2. Amount. The Secretary of Defense may offer a member, who enters into an agreement under subparagraph 2.1.3.2, an AB not to exceed $100,000.

2.2.3. Relationship to Other Payments. An AB paid to a member is in addition to any other amounts payable under the AFHPSP.

2.2.4. Repayment. A member who receives an AB under this section, but fails to comply with the agreement under subparagraph 2.1.3.2, or fails to commence, or complete the active-duty obligation discussed in subparagraph 2.1.4, will be subject to the repayment provisions of Chapter 2.

2.3 Pay Entitlements

2.3.1. Active Duty. Members participating in AFHPSP will be commissioned officers in the Reserve Component of the Armed Forces and will be ordered to active duty for a period of 45 days during each year of participation. Members in AFHPSP:

2.3.1.1. Pursuing a course of study will serve on active duty in pay grade O–1 with full pay and allowances of that grade.

2.3.1.2. Pursuing specialized training will serve on active duty in a pay grade commensurate with their educational level, as determined by appointment, with full pay and allowances of that grade for a period of 14 days during each year of participation in AFHPSP.

2.3.1.3. Will be detailed as students at accredited civilian institutions, located in the United States or Puerto Rico, for the purpose of acquiring knowledge or training in a designated health profession. This active-duty period may be served at the location where the member is receiving specialized training, if it would otherwise interrupt the member's residency or fellowship training to serve elsewhere on active duty.

2.3.2. Prior Active Service. Effective January 28, 2008, a member, who has been selected as a medical student and who has prior military service at a pay grade with years of service credited for pay, will be paid basic pay at such prior pay grade and years of service, if this rate of basic pay exceeds the rate of basic pay to which he would be entitled as a medical student. The amount of the basic pay will be increased on January 1 of each year by the percentage of increase established by executive order. The member will continue to receive the higher basic pay of his or her prior pay grade until the basic pay for the member's actual grade and years of service credited for pay exceeds the basic pay, he or she is receiving, regardless of whether this occurs before or after the conclusion of his or her participation as a medical student.

2.3.3. Stipend. Except during periods of active duty (see subparagraph 2.3.1), members enrolled in this program are entitled to a monthly stipend shown on Table 60-1. These rates are payable during periods of absence. For the most current rates, see the Armed Forces Health Professions Stipend and Financial Assistance ***(AFHPS&FA) Program Grant*** table on DFAS.MIL.

2.3.3.1. Payment. Payment starts on the date of execution of the oath of office, the date of execution of AFHPSP contract, or the date of commencement of the academic curriculum, whichever is latest. Payment normally continues until the date of graduation or completion of specialized training. The stipend is payable during the course of study and during vacation periods when members are not on active duty. The stipend is prorated for portions of a month at the beginning and end of the course of study, and the beginning and end of any active-duty period.

2.3.3.2. Termination. If a member of AFHPSP is suspended or disenrolled from the designated course of training, stipend payments terminate on that date. Some students complete their professional degree requirements several months before the formal graduation ceremony and conferral of the professional degree. In those cases, where the actual award of a professional degree is a prerequisite to re-commissioning into a professional corps or utilization in the profession, and a lapse of time occurs for administrative reasons, the payment of the stipend should be terminated. The date for termination of the stipend should be the completion of the academic training, if this date precedes the date of graduation by more than 45 days.

2.3.3.3. Recoupment. Educational costs of AFHPSP and stipends are subject to recoupment when members of AFHPSP are dropped for deficiency in conduct or studies, or when

members, for other reasons, fail to fulfill their contractual agreement as a result of action not initiated by the government. Recoupment is subject to the repayment provisions of Chapter 2.

2.3.4. Advance Pay. Members may be paid an advance pay when reporting for the 45-day active-duty tour, see Chapter 32, paragraph 2.8.

2.3.5. Travel Time. During the active-duty period, including allowable travel time under Chapter 1, Table 1-6, members serve in pay grade O–1 and are normally entitled to full pay and allowances (see Chapter 57) for that grade.

2.3.6. Officer's Initial Uniform Allowance. A member of the AFHPSP is entitled to an initial uniform allowance upon reporting for the first period of active duty, see Chapter 30, section 2.0.

2.3.7. Servicemembers' Group Life Insurance (SGLI). Members, while under this program, are entitled to SGLI coverage for the 45-day active-duty tour. For premiums during active-duty periods, see Chapter 47, section 5.0.

2.3.8. Tax Withholding. Active-duty pay paid under this program is subject to federal income tax withholding (FITW), state income tax withholding (SITW) (if applicable), and federal insurance contribution act (FICA) withholding in the same manner as prescribed in Chapters 44 and 45. Monthly stipends:

2.3.8.1. Paid to students entering AFHPSP are subject to FITW and SITW.

2.3.8.2. Are not subject to FICA.

NOTE: Amounts paid directly to schools on behalf of students for tuition, books, fees, laboratory expenses, and any reimbursements for such items paid to students participating at any time in AFHPSP are not subject to withholding for FITW, SITW, or FICA.

2.3.9. Settlement of Deceased Member's Accounts. See Chapter 36, section 3.0 for authority for payment of any unpaid pay and allowances (includes the amount of unpaid stipend).

2.3.10. Creditable Service. Except as provided in subparagraph 2.3.10.2, service performed while a member of AFHPSP will not be counted in:

2.3.10.1. Determining eligibility for retirement, other than by reason of physical disability incurred while on active duty as a member of AFHPSP; or

2.3.10.2. Computing years of service creditable.

2.3.10.3. The Secretary of the Military Department concerned may authorize service performed by a member of AFHPSP, in pursuit of a course of study under this section, to be counted as creditable service, if the member:

2.3.10.3.1. Completes the course of study;

2.3.10.3.2. Completes the active-duty obligation; and

2.3.10.3.3. Possesses a specialty designated by the Secretary of the Military Department concerned as critically needed in wartime.

2.3.10.4. Service credited under subparagraph 2.3.10.2 counts only for the award of retirement points for the computation of years of service and retired pay.

2.3.10.5. The number of points credited to a member under subparagraph 2.3.10.3.1 for a year of participation in the course of study is 50. The points will be credited to the member at the end of each year after the completion of the course of study, when the member serves in the Selected Reserve and is credited with at least 50 points.

2.3.10.6. Service may not be counted under subparagraph 2.3.10.2 for more than 4 years of participation in the course of study as a member of AFHPSP.

2.3.10.7. A member is not entitled to any retroactive award of, or increase in, pay or allowances by reason of an award of service credit under subparagraph 2.3.10.2.

2.4 FAP

2.4.1. Grant. Effective July 1, 2008, a member participating in the AFHPSP specialized training will be paid an annual grant in an amount not to exceed $45,000, in addition to the stipend under subparagraph 2.3.3. For the most current rates, see Table 60-1 and the AFHPS & FA Program Grant table on DFAS.MIL.

2.4.1.1. A grant is paid annually based on the rate in effect on the date of entitlement.

2.4.1.2. A grant is prorated only for partial years of participation, to include the final payment. Subsequent installments are to be issued on the anniversary date of the initial payment.

2.4.1.3. The amount of the grant is reviewed and increased as appropriate in the same manner as provided for the stipend.

2.4.1.4. Payment starts on the date of execution of the oath of office, the date of execution of the FAP contract, or the date of commencement of the academic curriculum, whichever is latest.

2.4.1.5. Payment will continue until the date of graduation or completion of specialized training, unless the program participant is suspended or disenrolled from the designated course of study or specialized training or fails to comply with terms of the program agreement, Service policy, or regulation.

2.4.1.6. The authority to make the grant and stipend payments is not affected by any payments made to the member by the civilian training institution.

2.4.2. Recoupment. A member of the FAP who fails to complete specialty training because of a deficiency in conduct or studies, or who, for other reasons, fails to fulfill the contractual agreement as a result of action not initiated by the government, may be required to reimburse the government for all or a portion of payments received during participation in FAP. Recoupment is subject to the repayment provisions of Chapter 2.

3.0 RESERVE DUTY

3.1 Pay Computation

3.1.1. Stipend. When a participant has agreed to serve in the Selected Reserve, the amount of a stipend listed on Table 60-1, or one-half of that rate if the participant has agreed to serve in the Individual Ready Reserve. For the most current rates, see the Armed Forces Health Professions Stipend and Financial Assistance (AFHPS & FA) Program Grant table on DFAS.MIL.

3.1.1.1. Payment. The stipend is payable during specialized advanced training, during vacation periods, and during periods when officers are participating in annual training with the Selected Reserve. The stipend is prorated for portions of a month at the beginning and end of the course of specialized advanced training.

3.1.1.2. Termination. When an officer's eligibility for the stipend program is terminated, the officer no longer is entitled to receive a stipend. The effective date of termination is set by program administrators and communicated to the paying activity. Termination is based on criteria set by the DoD.

3.1.1.3. Recoupment. A member of the program who, under regulations prescribed by the Secretary of Defense, is dropped from the program for deficiency in training, or for other reasons, will be required:

3.1.1.3.1. To perform 1 year of active duty for each year (or part thereof) for which such person was provided financial assistance under this section; or

3.1.1.3.2. To comply with the repayment provisions of ***37 U.S.C. § 373*** and Chapter 2.

NOTE: The Secretary of the Military Department concerned may relieve a member who is dropped from the program from any requirement that may be imposed under subparagraph 3.1.1.3, but such relief will not relieve the member from any military obligation imposed by any other law.

3.1.1.4. Prohibition of Duplicate Benefits. Financial assistance may be provided under this section to a member receiving financial assistance under ***10 U.S.C. § 2107***.

3.1.2. Servicemembers' Group Life Insurance. For coverage, see Chapter 47, section 2.0. For premiums during active-duty periods, see Chapter 47, section 5.0.

3.1.3. Tax Withholding. Active-duty pay paid under this program is subject to FITW and FICA withholding in the same manner as prescribed in Chapters 44 and 45. Monthly Stipends:

3.1.3.1. Paid to students entering the program are subject to FITW.

3.1.3.2. Are not subject to FICA withholding.

3.1.4. Settlement of Deceased Members' Accounts. See Chapter 36, section 3.0 for authority for payment of any unpaid pay and allowances (includes the amount of unpaid stipend).

3.2 Required Active-Duty Training

3.2.1. Selected Reserve. A person who is required under the agreements described in paragraphs 3.3 through 3.7 to serve in the Selected Reserve will serve not less than 12 days of active duty for training each year during the period of service required by the agreement.

3.2.2. Nonavailability. Members of the Ready Reserve, who incur a period of authorized nonavailability, will be suspended without recoupment from their incentive. If subsequently assigned to the Reserve status and skill originally contracted for, then members may be reinstated in the incentive program if they extend their term of service or contract for service to be able to serve the full original incentive contract period. Entitlement to subsequent payments will resume on the adjusted anniversary date of satisfactory and creditable Reserve service, as appropriate. These members are assigned temporarily to the Standby Reserve or to the Inactive National Guard, as appropriate, during the period of authorized nonavailability and are required to extend their Selected Reserve service agreement for a period that equals the period of authorized nonavailability.

3.2.2.1. Members of the Selected Reserve may incur a period of authorized nonavailability for up to 1 year for valid personal reasons as determined by the Secretary of the Military Department concerned.

3.2.2.2. During the period of nonavailability, a member is suspended without concurrent recoupment. A member will not be entitled to subsequent payments or any other available incentives.

3.2.2.3. An officer is entitled to stipend payments when the anniversary date of satisfactory and creditable Ready Reserve service is adjusted for the period of authorized nonavailability.

3.3 Medical and Dental School Students

3.3.1. Eligibility. The Secretary of the Military Department concerned may enter into an agreement with a person who:

3.3.1.1. Is eligible to be appointed as an officer in a Reserve Component (RC);

3.3.1.2. Is enrolled or has been accepted for enrollment in an institution in a course of study that results in a degree in medicine or dentistry;

3.3.1.3. Signs an agreement that, unless sooner separated, the person will:

3.3.1.3.1. Complete the educational phase of the program;

3.3.1.3.2. Accept a re-appointment or re-designation within the person's RC, if tendered, based upon the person's health profession, following satisfactory completion of the educational and intern programs; and

3.3.1.3.3. Participate in a residency program; and

3.3.1.4. If required by regulations prescribed by the Secretary of Defense, agrees to apply for (if eligible) and accept (if offered), residency training in a health profession skill, which has been designated by the Secretary of Defense as a critically needed wartime skill.

3.3.2. Agreement. The Secretary of the Military Department concerned shall agree to pay the participant a stipend, in the amount contained in subparagraph 3.1.1, for the period or the remainder of the period that the student is satisfactorily progressing toward a degree in medicine or dentistry while enrolled in an accredited medical or dental school. The participant shall:

3.3.2.1. Not be eligible to receive such stipend before appointment, designation, or assignment as an officer for service in the Ready Reserve.

3.3.2.2. Be subject to such active-duty requirements as may be specified in the agreement and to active duty in time of war or national emergency as provided by law for members of the Ready Reserve.

3.3.2.3. Agree to serve in the Selected Reserve, upon successful completion of the program, for the period of 1 year for each 6 months, or part thereof, for which the participant is provided a stipend pursuant to the agreement.

NOTE: In the case of a participant who enters into a subsequent agreement under section 5.0 and successfully completes residency training in a specialty designated by the Secretary of Defense as a specialty critically needed by the Military Department in wartime, the requirement to serve in the Selected Reserve may be reduced to 1 year for each year, or part thereof, for which the stipend was provided while enrolled in medical or dental school.

3.4 Physicians and Dentists in Critical Wartime Specialties

3.4.1. Eligibility. Under the stipend program, the Secretary of the Military Department concerned may enter into an agreement with a person who:

3.4.1.1. Is a graduate of a medical school or dental school; and

3.4.1.2. Is eligible for appointment, designation, or assignment as a medical officer or dental officer in the RC of the Armed Force concerned or has been appointed as a medical or dental officer in the RC of the Armed Force concerned; or

3.4.1.3. Is enrolled or has been accepted for enrollment in a residency program for physicians or dentists in a medical or dental specialty designated by the Secretary of the Military Department concerned as a specialty critically needed by that Military Department in wartime.

3.4.2. Agreement. The Secretary of the Military Department concerned shall agree to pay the participant a stipend, in the amount contained in subparagraph 3.1.1, for the period or the remainder of the period of the residency program in which the participant enrolls or is enrolled. The participant shall:

3.4.2.1. Not be eligible to receive such stipend before appointment, designation, or assignment as a medical officer or dental officer for service in the Ready Reserve.

3.4.2.2. Be subject to such active-duty requirements as may be specified in the agreement and to active duty in time of war or national emergency as provided by law for members of the Ready Reserve.

3.4.2.3. Agree to serve, upon successful completion of the program, 1 year in the Selected Reserve for each 6 months, or part thereof, for which the stipend is provided.

3.5 Registered Nurses in Critical Specialties

3.5.1. Eligibility. Under the stipend program, the Secretary of the Military Department concerned may enter into an agreement with a person who:

3.5.1.1. Is a registered nurse;

3.5.1.2. Is eligible for appointment as a Reserve Officer for service in an RC as a nurse; and

3.5.1.3. Is enrolled or has been accepted for enrollment in an accredited program in nursing in a specialty designated by the Secretary of the Military Department concerned as a specialty critically needed by that Military Department in wartime.

3.5.2. Agreement. The Secretary of the Military Department concerned shall agree to pay the participant a stipend, in the amount contained in subparagraph 3.1.1, for the period or the

remainder of the period of the nursing program in which the participant enrolls or is enrolled. The participant shall:

3.5.2.1. Not be eligible to receive such stipend before being appointed as a Reserve Officer for service in the Ready Reserve as a nurse.

3.5.2.2. Be subject to such active-duty requirements as may be specified in the agreement and to active duty in time of war or national emergency as provided by law for members of the Ready Reserve.

3.5.2.3. Agree to serve, upon successful completion of the program, 1 year in the Selected Reserve for each 6 months, or part thereof, for which the stipend is provided.

3.6 Baccalaureate Students in Nursing or Other Health Professions

3.6.1. Eligibility. Under the stipend program, the Secretary of the Military Department concerned may enter into an agreement with a person who:

3.6.1.1. Will, upon completion of the program, be eligible to be appointed, designated, or assigned as a Reserve officer for duty as a nurse or other health professional; and

3.6.1.2. Is enrolled, or has been accepted for enrollment, in the third or fourth year of:

3.6.1.2.1. An accredited baccalaureate nursing program; or

3.6.1.2.2. Any other accredited baccalaureate program leading to a degree in a health profession designated by the Secretary of the Military Department concerned as a profession critically needed by that Military Department in wartime.

3.6.2. Agreement. The Secretary of the Military Department concerned shall agree to pay the participant a monthly stipend in the amount contained in subparagraph 3.1.1 for the period or the remainder of the period of the baccalaureate program in which the participant enrolls or is enrolled. The participant shall:

3.6.2.1. Not be eligible to receive such stipend before enlistment in the Ready Reserve.

3.6.2.2. Be subject to such active-duty requirements as may be specified in the agreement and to active duty in time of war or national emergency as provided by law for members of the Ready Reserve.

3.6.2.3. Agree to serve, upon graduation from the baccalaureate program, 1 year in the Selected Reserve for each year, or part thereof, for which the stipend is paid.

3.7 Mental Health Professionals in Critical Wartime Specialties

3.7.1. Eligibility. Under the stipend program, the Secretary of the Military Department concerned may enter into an agreement with a person who:

3.7.1.1. Is eligible to be appointed as an officer in an RC;

3.7.1.2. Is enrolled or has been accepted for enrollment in an institution in a course of study that results in a degree in clinical psychology or social work;

3.7.1.3. Signs an agreement that, unless earlier separated, the person will:

3.7.1.3.1. Complete the educational phase of the program;

3.7.1.3.2. Accept a re-appointment or re-designation within the person's RC, if tendered, based upon the person's health profession, following satisfactory completion of the educational and intern programs; and

3.7.1.3.3. Participate in a residency program if required for clinical licensure in a mental health profession skill; and

3.7.1.4. If required by regulations prescribed by the Secretary of Defense, agrees to apply for, if eligible, and accept, if offered, residency training in a mental health profession skill that has been designated by the Secretary of the Military Department concerned as a critically needed wartime skill.

3.7.2. Agreement. The Secretary of the Military Department concerned shall agree to pay the participant a stipend, in the amount contained in subparagraph 3.1.1, for the period or the remainder of the period that the student is satisfactorily progressing toward a degree in clinical psychology or social work while enrolled in a school accredited in the designated mental health discipline. The participant shall:

3.7.2.1. Not be eligible to receive such stipend before appointment, designation, or assignment as an officer for service in the Selected Reserve.

3.7.2.2. Be subject to such active-duty requirements as may be specified in the agreement and to active duty in time of war or national emergency as provided by law for members of the Selected Reserve.

3.7.2.3. Agree to serve, upon successful completion of the program, 1 year in the Selected Reserve for each 6 months, or part thereof, for which the stipend is provided.

*Table 60-1 – Stipend and Financial Assistance Program Grant
For the most current rates, see the AFHPS & FA Program Grant table on DFAS.MIL.

STIPEND Effective	STIPEND Amount	GRANT Amount
July 1, 2025	$2,999.00	$45,000
July 1, 2024	$2,870.00	$45,000
July 1, 2023	$2,728.00	$45,000
July 1, 2022	$2,608.00	$45,000
July 1, 2021	$2,540.00	$45,000
July 1, 2020	$2,466.00	$45,000
July 1, 2019	$2,391.60	$45,000
July 1, 2018	$2,330.78	$45,000
July 1, 2017	$2,276.10	$45,000
July 1, 2016	$2,230.90	$45,000
July 1, 2015	$2,200.73	$45,000
July 1, 2014	$2,178.90	$45,000
July 1, 2013	$2,157.30	$45,000
July 1, 2012	$2,122.00	$45,000
July 1, 2011	$2,088.00	$45,000
July 1, 2010	$2,060.00	$45,000
July 1, 2009	$1,992.00	$45,000

*REFERENCES

CHAPTER 60 – HEALTH PROFESSIONS SCHOLARSHIP PROGRAM FOR ACTIVE AND RESERVE SERVICE

2.0 – ACTIVE DUTY

2.1.1.	10 U.S.C. § 2121(a)(1)
2.1.2.	10 U.S.C. § 2121(a)(2)
2.1.3.	10 U.S.C. § 2122
2.1.4.	10 U.S.C. § 2123
2.2.1.	Assistant Secretary of Defense Health Affairs (ASD (HA)) Memo, April 25, 2011
2.2.2.	10 U.S.C. § 2128(a)
2.2.3.	10 U.S.C. § 2128(b)
2.2.4.	10 U.S.C. § 2128(c)
2.3.1.	10 U.S.C. § 2121(c)(1)
2.3.1.3.	10 U.S.C. § 12207
2.3.2.	10 U.S.C. § 2121(c)(2) 37 U.S.C. § 1009
2.3.3.	10 U.S.C. § 2121(d)
2.3.4.	37 U.S.C. § 1006(i)
2.3.6.	37 U.S.C. § 415 10 U.S.C. § 2121(c)
2.3.7.	38 U.S.C. §§ 1965-1976
2.3.8.	26 U.S.C. § 117
2.3.9.	10 U.S.C. § 2771
2.3.10.	10 U.S.C. § 2126
2.3.10.1.2.	37 U.S.C. § 205
2.3.2.1.2.	10 U.S.C. § 2123(a)
2.3.10.2.2.	10 U.S.C. §§ 12732 and 12733
2.3.10.2.3.	10 U.S.C. § 12732(a)(2) 10 U.S.C. §§ 12732(a) and 12733
2.4.1.	DoD Instruction 6000.13 December 30, 2015, Incorporating Change 1, May 3, 2016 10 U.S.C. § 2127(e)

3.0 – RESERVE DUTY

3.1	10 U.S.C. § 16201(g) 10 U.S.C. § 16203 10 U.S.C. § 2121(d)
3.1.1.	Assistant Secretary of Defense Health Affairs (ASD (HA)) Memo, May 22, 2025
3.1.2.	38 U.S.C. §§ 1965-1976
3.1.3.	26 U.S.C. § 117
3.1.4.	10 U.S.C. § 2771

	37 U.S.C. § 501(d)
3.2.1.	10 U.S.C. § 16202
	DoD Instruction (DoDI) 6000.13, December 30, 2015, Incorporating Change 1, May 3, 2016
3.2.2.	DoDI 1205.21, September 20, 1999
3.3	10 U.S.C. § 16201(b)(2)
3.4	10 U.S.C. § 16201(c)(2)
3.5	10 U.S.C. § 16201(d)(2)
3.6	10 U.S.C. § 16201(e)(2)
3.7	10 U.S.C. § 16201(f)(2)

Table 60-1 – STIPEND and FINANCIAL ASSISTANCE PROGRAM GRANT

ASD HA Memo, May 22, 2025
ASD HA Memo, April 16, 2024
ASD HA Memo, June 1, 2023
ASD HA Memo, May 12, 2022

VOLUME 7A, CHAPTER 61: "BONUS PROGRAM FOR THE INDIVIDUAL READY RESERVE (IRR)"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated July 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision

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CHAPTER 61

BONUS PROGRAM FOR THE INDIVIDUAL READY RESERVE (IRR)

1.0 GENERAL

1.1 Purpose

The Secretary concerned may pay bonus to individuals with previous military service who reenlist in the reserve component of a Military Service after a break in active duty or reserve duty, or eligible service member who transfer to or from the IRR to the regular component of the same Military Service or who transfers to another Military Service, and signs an agreement with the Secretary of the Military Department concerned to serve on active duty or in an active status for a specified period in a Reserve Component (RC) of an Armed Force for assignment to (other than the Selected Reserve (SELRES)) the IRR.

1.2 Authoritative Guidance

The pay policies and requirements established by the Department of Defense (DoD) in this chapter are derived primarily from, and prepared in accordance with Title 37, United States Code (U.S.C.), section 331 (***37 U.S.C. § 331***) and ***DoD Instruction (DoDI) 1304.31*** – Enlisted Bonus Program. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 DURATION OF AUTHORITY

Unless reauthorized by Congress, a bonus may not be paid for service provided after the date listed on the ***Duration of Authority*** table for the IRR bonus programs unless the bonus agreement was entered into prior to the date on the table.

3.0 BONUS

The Secretary concerned may offer a prior service reenlistment bonus or transfer bonus to individuals or Service members who:

3.1 Prior Service Reenlistment Bonus

The Secretary of the Military Department may offer a prior service reenlistment bonus to individuals with previous military service who reenlist in the IRR of the Reserve Component of a Military Service after a break in active duty or reserve duty;

3.2 Bonus For Transfer Between Components of a Military Service Includes Transfers From:

3.2.1. A regular component of an Armed Force to the IRR of the Ready Reserve of that same Armed Force; or

3.2.2. The IRR of the Ready Reserve of an Armed Force to the regular component of that same Armed Force.

3.3 Bonus For Transfer Between Military Services Includes Transfers From:

3.3.1. A regular component or RC of an Armed Force to the IRR of the Ready Reserve of another Armed Force, subject to the approval of the Secretary with jurisdiction over the Armed Force to which the member is transferring; or

3.3.2. The IRR of the Ready Reserve to a regular component or RC of another Armed Force, subject to the approval of the Secretary with jurisdiction over the Armed Force to which the member is transferring.

4.0 ELIGIBILITY

To be eligible for a bonus listed in this section an individual or IRR Service member must not only meet the eligibility requirement in paragraph 3.1.b. of DoDI 1304.31, but also the additional requirements for the bonus listed below:

4.1 Prior Service Reenlistment Bonus

4.1.1. Not have previously received, or currently be entitled to, an Selected Retention Bonus in accordance with Chapter 9 or a critical skills retention bonus in accordance with ***37 U.S.C. § 355***.

4.1.2. Not have more than 16 years of total military service and have received an honorable discharge at the conclusion of all previous periods of service.

4.1.3. Not have been released, or not be released, from active duty for the purpose of enlistment in a Reserve Component.

4.1.4. Provide either:

4.1.4.1. The original DD Form 214 (copy 1 or copy 4);

4.1.4.2. A reproduction of the DD Form 214 with a certified true copy stamp and the appropriate Federal Government authenticating seal imprinted on the reproduction for any period of previous military service; or

4.1.4.3. Other official documentation verifying member's satisfactory participation for all periods of previous service in the Active Component and Selected Reserve.

4.1.5. Successfully complete any additional training or re-training required to become technically qualified in a designated critical skill for which the member is projected to occupy.

4.1.6. Reenlist for at least 3 years in the Regular or Reserve Component of a Military Service for the purpose of qualifying for award of a prior service reenlistment bonus in accordance with this issuance.

4.1.7. Execute an agreement to serve as an enlisted member in the Regular or Reserve Component of a Military Service for a period of not less than 3 years upon acceptance of the agreement by the Secretary of the Military Department concerned.

4.2. Intra-Service Transfers Within Service Components

4.2.1. The member has satisfactorily completed all terms of enlistment within their current component.

4.2.2. The member is qualified for reenlistment in the Regular or Reserve Component of the Military Service to which the member is transferring.

4.2.3. The member agrees to remain in the component of the Military Service for which the transfer bonus is offered for a minimum 2-year period.

4.2.4. The member has fewer than 15 years of active service time.

4.2.5. A member may not receive an intra-service transfer bonus in conjunction with an affiliation bonus.

4.3. Inter-Service Transfers Between Components and Services

4.3.1. The member has satisfactorily completed all terms of enlistment in a Military Service as defined in the Service specific policy.

4.3.2. The member is qualified for reenlistment in the Regular or Reserve Component of the Military Service to which the member is transferring.

4.3.3. Before the transfer, the member has fulfilled the requirements established by the Secretary of the gaining Military Department.

4.3.4. The member must sign a written agreement to remain in the Military Service for which the transfer bonus is offered for a minimum 3-year period.

4.3.5. The member has fewer than 15 years of active service time.

4.3.6. The member has not received an inter-Service transfer bonus in conjunction with an affiliation bonus.

4.4 Called or Ordered to Active Duty

A person entitled to a bonus, who is called or ordered to active duty, will be paid during that period of active duty any amount of the bonus that becomes payable to the member.

5.0 MAXIMUM AMOUNTS PAYABLE AND METHOD OF PAYMENT

5.1 Maximum Amount

The Secretary concerned shall determine the amount of a bonus to be paid under this section, except that:

5.1.1. A bonus paid under subparagraph 3.1 may not exceed $15,000 for each year of obligated service.

5.1.2. A bonus paid under subparagraphs 3.2 and 3.3 may not exceed $10,000.

5.2 Lump Sum or Installments

A bonus under this section may be paid in a lump sum or in periodic installments, as determined by the Secretary concerned.

5.3 Fixing Bonus Amount

Upon acceptance by the Secretary concerned of the written agreement, the total amount of the bonus to be paid under the agreement shall be fixed.

6.0 OBLIGATION

A member must be contractually obligated to serve satisfactorily, as prescribed by the regulations of the Military Service concerned, in the IRR for the full term of reenlistment or transfer. As a condition of receipt of the bonus, recipients must agree to participate in an annual muster of the RC or on active duty for training, as may be required by the Secretary concerned.

6.1. Service

Participants must obligate themselves to continue to serve in the same Military Occupation Specialty (MOS) unless excused for the convenience of the Government.

6.2. Transfers

A bonus recipient who later transfers to the SELRES is not required to refund the IRR bonus. Bonus recipients who transfer to the SELRES are not eligible for a SELRES reenlistment bonus during the period for which an IRR bonus was paid.

7.0 TERMINATION OF BONUS ENTITLEMENT

Entitlement to the IRR bonus will be terminated under the following conditions in paragraphs 6.1 through 6.5.

7.1 Participation

The member fails to participate satisfactorily in the IRR in accordance with the regulations of the Military Service concerned.

7.2 Civilian Position

The member accepts a federal civilian position where membership in the SELRES is a condition of employment (persons on temporary assignment excluded).

7.3 Separation

The member is separated from the IRR as an enlisted member for any reason (including enlistment or voluntary recall into the active forces).

7.4 Officer Commissioning Program

The member becomes a simultaneous member of an authorized officer program drawing a stipend.

7.5 Non-Qualified MOS

The member moves to a non-bonus-qualified MOS unless at the express direction of the Military Service concerned (through no fault of the member).

8.0 RECOUPMENT OF PAYMENTS

See Chapter 2.

REFERENCES

CHAPTER 61 – BONUS PROGRAM FOR THE INDIVIDUAL READY RESERVE (IRR)

2.0 – DURATION OF AUTHORITY

37 U.S.C. § 331(h)

3.0 – BONUS

3.1	37 U.S.C. § 331(a) DoD Instruction (DoDI) 1304.31, November 5, 2020 Paragraph 4.3 and 4.5

4.0 – ELIGIBILITY

4.1	DoDI 1304.31, November 5, 2020, paragraph 4.3.
4.2	DoDI 1304.31, November 5, 2020, paragraph 4.5.a.
4.3	DoDI 1304.31, November 5, 2020, paragraph 4.5.b.

5.0 – MAXIMUM AMOUNTS PAYABLE AND METHOD OF PAYMENT

	37 U.S.C. § 331(c)
5.1.1	DoDI 1304.31, November 5, 2020, paragraph 4.3.c.
5.1.2	DoDI 1304.31, November 5, 2020, paragraph 4.5.b(5)

6.0 – OBLIGATION

DoDI 1304.31, November 5, 2020, paragraph 3.1.f

7.0 – TERMINATION OF BONUS ENTITLEMENT

7.2	DoDI 1304.31, November 5, 2020, paragraph 3.1.c(6)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 62: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 7A, CHAPTER 63: "ACCESSION AND CONTINUATION BONUSES FOR NURSE OFFICER CANDIDATES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

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Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by *bold, italic, blue, and underlined font*.

The previous version dated November 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
4.1	Increased the Accession Bonus to $40,000.	Revision
Table 63-1	Updated to include the 2025-2026 school year Stipend and Financial Assistance Grant amounts.	Revision
References	Updated statutes and supporting references.	Revision

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CHAPTER 63

ACCESSION AND CONTINUATION BONUSES FOR NURSE OFFICER CANDIDATES

1.0 GENERAL

1.1 Purpose

The Secretary of the Military Department concerned is authorized to provide financial assistance to full-time students enrolled in an accredited baccalaureate degree program in nursing to assist in the completion of degree requirements and acceptance of an appointment as a nurse officer. For the purpose of this chapter, "continuation bonus" and "monthly stipend" are synonymous.

1.2 Authoritative Guidance

The Health Professions Scholarship Program for Active Service policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), including Titles 10 and 37. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 ELIGIBLE STUDENTS

The Accession and Continuation Bonuses are authorized for nursing students who execute an agreement under each of the following conditions:

2.1 Senior Reserve Officers Training Corps (SROTC)

The student is enrolled full-time in an accredited nursing baccalaureate degree program at a civilian educational institution that either does not have an SROTC program established by the Secretary of the Military Department concerned who is selecting the student or has an SROTC for which the student is ineligible.

2.2 Baccalaureate Degree Program

The student has completed the second year of an accredited baccalaureate degree program in nursing and has more than 6 months of academic work remaining before graduation.

2.3 Officer Appointment

The student meets the qualifications for appointment as an officer of a Reserve Component (RC) of the Army, Navy, or Air Force as set forth in ***10 U.S.C. § 12201*** and the regulations of the Military Department concerned.

3.0 AGREEMENT

The student described in section 2.0 will execute a written agreement in which the student agrees to the following four provisions:

3.1 Degree Completion

The student will complete the nursing degree program described in paragraphs 2.1 and 2.2.

3.2 Reserve Enlistment

The student will, upon acceptance of the agreement by the Secretary of the Military Department concerned, enlist in an RC of the Armed Forces.

3.3 Officer Appointment

The student will accept an appointment as an officer in the Nurse Corps of the Army, or the Navy, or as an officer designated as a nurse officer in the Air Force upon graduation from the nursing degree program.

3.4 Active Duty Obligation

The member will serve on active duty as an officer described in paragraph 3.3 as follows:

3.4.1. For a period of 4 years in the case of a person whose agreement was accepted by the Secretary of the Military Department concerned during that person's fourth year of the nursing degree program; or

3.4.2. For a period of 5 years in the case of a person whose agreement was accepted by the Secretary of the Military Department concerned during that person's third year of the nursing degree program.

4.0 AMOUNTS PAYABLE

*4.1 Accession Bonus (AB)

The Secretary of the Military Department concerned may, upon acceptance of a written agreement, pay an AB to an eligible person in an amount not to exceed $40,000. The AB will be paid in periodic installments, as determined by the Secretary of the Military Department concerned at the time the agreement is accepted, except that the first installment may not exceed $20,000. Unless authorized by the Congress, an accession bonus may not be paid for service provided after the date listed on the ***Duration of Authority*** unless a contract was entered into prior to the date on the table.

4.2 Monthly Stipend

In addition to the AB, a person selected into the program shall be entitled to a monthly stipend in an amount not to exceed the amount listed on Table 63-1. The stipend is payable for each month the individual is enrolled as a full-time student in an accredited baccalaureate degree program in nursing at a civilian educational institution approved by the Secretary of the Military Department concerned who selected the individual. The continuation bonus may be paid for not more than 24 months. For the most current rates, see the Armed Forces Health Professions Stipend and Financial Assistance ***(AFHPS&FA) Program Grant*** table on DFAS.MIL.

NOTE: Accession and continuation bonuses are subject to Federal income tax withholding, but not subject to Federal Insurance Contributions Act.

5.0 REPAYMENT

A person will be subject to the repayment provisions of Chapter 2, section 3.0, under any of the following conditions:

5.1 Withdraws From Program

The student does not complete a nursing degree program in which the student is enrolled in accordance with section 3.0.

5.2 Commissioning

Having completed a nursing degree program, the student does not become an officer in the Nurse Corps of the Army, or the Navy, or an officer designated as a nurse officer of the Air Force.

5.3 Fails to Complete Service Obligation

The member does not complete the period of obligated active service required under the agreement.

*Table 63-1 – Monthly Stipend
For the most current rates, see the AFHPS&FA Program Grant table on DFAS.MIL.

Each School Year Beginning:	Amount
July 1, 2025	$2,999.00
July 1, 2024	$2,870.00
July 1, 2023	$2,728.00
July 1, 2022	$2,608.00
July 1, 2021	$2,540.00
July 1, 2020	$2,466.00
July 1, 2019	$2,391.60
July 1, 2018	$2,330.78
July 1, 2017	$2,276.10
July 1, 2016	$2,230.90
July 1, 2015	$2,200.73
July 1, 2014	$2,178.90
July 1, 2013	$2,157.30
July 1, 2012	$2,122.00
July 1, 2011	$2,088.00
July 1, 2010	$2,060.00
July 1, 2009	$1,992.00

*REFERENCES

CHAPTER 63 – ACCESSION AND CONTINUATION BONUSES FOR NURSE OFFICER CANDIDATES

2.0 – ELIGIBLE STUDENTS

10 U.S.C. § 2130a(b)
2.3 10 U.S.C. § 12201

3.0 – AGREEMENT

10 U.S.C. § 2130a(c)

4.0 – AMOUNTS PAYABLE

4.1 10 U.S.C. § 2130a(a)(1)
Public Law 118-31, § 544, December 22, 2023
4.2 10 U.S.C. §§ 2121(d), 2130a(a)(2)
Assistant Secretary of Defense Health Affairs (ASD (HA)) Memo, May 22, 2025

5.0 – REPAYMENT

10 U.S.C. § 2130a(d)
37 U.S.C. §§ 303a(e), 373

TABLE 63-1 – ARMED FORCES HEALTH PROFESSIONS STIPEND AND FINANCIAL ASSISTANCE PROGRAM GRANT

ASD HA Memo, May 22, 2025
ASD HA Memo, April 16, 2024
ASD HA Memo, June 1, 2023
ASD HA Memo, May 12, 2022

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 64: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 7A, CHAPTER 65: "HIGH-DEPLOYMENT ALLOWANCE"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated September 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision
References	Updated supporting statutes and references in the "References" section.	Revision

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CHAPTER 65

HIGH-DEPLOYMENT ALLOWANCE

1.0 GENERAL

1.1 Purpose

A high-deployment allowance may be paid to members who perform lengthy or numerous deployments or frequent mobilizations. However, in a memorandum dated October 8, 2001, the Deputy Secretary of Defense indefinitely suspended the accumulation of deployment days for purposes of determining eligibility for high-deployment allowance due to national security issues.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with, the United States Code (U.S.C.), including Titles 10 and 37. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 ENTITLEMENT CRITERIA

2.1 General

The Secretary of the Military Department concerned may pay a high-deployment allowance to a member for each month during which the member is:

2.1.1. Deployed and at any time during that month:

2.1.1.1. Has been deployed for 191 or more consecutive days; or

2.1.1.2. Has been deployed 401 or more days out of the preceding 730 days; or

2.1.2. A Reserve member who is on active duty:

2.1.2.1. Under a call or order to active duty for a period of more than 30 days that is the second (or later) such call or order to active duty for that member in support of the same contingency operation; or

2.1.2.2. For a period of more than 30 days under the provisions of ***10 U.S.C. § 12304b***, or a provision of law referred to in ***10 U.S.C. § 101(a)(13)(B)***, if such period begins within one year after the date on which the member was released from previous service on active duty for a period of more than 30 days under a call or order issued under such provision of law.

2.2 Payment

2.2.1. A member may be paid a monthly rate as determined by the Secretary of the Military Department concerned, not to exceed $1,000 per month.

2.2.2. Generally, the high-deployment allowance is taxable income. If the high-deployment allowance is earned while the member is serving within a combat zone, then the allowance is eligible for the Combat Zone Tax Exclusion (CZTE). For more information on CZTE, refer to Chapter 44.

2.3 Deployment

2.3.1. A Service member of a Military Service within the DoD is considered deployed or on a deployment on any day on which, pursuant to orders, the Service member performs service for an operation at a location or under circumstances that make it impossible for them to spend off-duty time in the housing in which they reside when on garrison duty at their permanent duty station or homeport. In accordance with Section 991 of Title 10, U.S.C., if an RC Service member is performing active service pursuant to orders that do not establish a permanent change of station, that housing is any housing, including the Service member's residence, that the Service member usually occupies during off-duty time when on garrison duty at the Service member's permanent duty station or homeport.

2.3.1.1. A deployment begins when a unit, detachment, or individual not attached to a unit or detachment leaves a homeport, station, or base or leaves from an enroute training location to meet a Secretary of Defense–approved operation to meet an operational requirement. An event is an operation if it is recorded in the joint capabilities requirement manager or contained in the annual Global Force Management Data Initiative–compliant tool under the Global Force Management Data Initiative reporting structure specified in DoD Instruction 8260.03. Forces deployed pursuant to Executive orders, operational plans, or concept plans approved by the Secretary of Defense are also considered deployed.

2.3.1.2. A deployment ends when most of the unit or detachment, or an individual not attached to a unit or detachment, returns to their homeport, station, or base. Forces operationally employed by Secretary of Defense's orders or in "prepare-to-deploy order" status at their home station are not deployed. Movement of forces that do not meet operational requirements (e.g., movement of forces to meet training, readiness, or exercise requirements) are not considered deployments and, therefore, are not subject to deployment-to-dwell and mobilization-to-dwell limits and specified goals.

2.3.2. There are five categories of deployments that must be tracked and counted towards the established management and pay thresholds. See Table 65-1 for categories of Personnel Tempo (PERSTEMPO) events. The term "PERSTEMPO" means the amount of time members of the armed forces are engaged in their official duties at a location or under circumstances that make it infeasible for a member to spend off-duty time in the housing in which the member resides.

2.3.2.1. Operations. Operations is a military action or the carrying out of a strategic, tactical, service, training, or administrative military mission; providing support to domestic civil, humanitarian, or counter-drug military mission; and the process of carrying on combat, including movement, supply, attack, defense, and maneuvers needed to gain the objectives of any battle or campaign. Operations are generally named by the Joint Staff.

2.3.2.2. Exercise. An exercise is a named military maneuver or simulated wartime operation involving planning, preparation, and execution. It is carried out for the purpose of training or evaluation. It may be a combined, joint, or single-Service exercise, depending on participating organizations.

2.3.2.3. Unit Training. Unit training consists of all or part of a unit accomplishing a training objective at a location other than the permanent duty location. Unit training includes exercises that have not received an official designation.

2.3.2.4. Home Station Training/Local Operating Area of a Ship or Vessel. Home station training/local operating area of a ship or vessel training is conducted within the limits of an installation/base/local operating area of a ship or vessel. The area must have been predetermined and documented by appropriate authorities.

2.3.2.5. Mission Support Temporary Duty (TDY). Mission support TDY consists of duties that include meetings, conferences, staff visits, staff augmentation, and medical appointments.

2.4 Nondeployment

For the purpose of this chapter, a member is not deployed or in a deployment when the member is:

2.4.1. A student or trainee at a school (including any government school);

2.4.2. Performing administrative, guard, or detail duties in garrison at the member's permanent duty station; or

2.4.3. Unavailable because of:

2.4.3.1. Hospitalization of the member at the member's permanent duty station or homeport or in the immediate vicinity of the member's permanent residence; or

2.4.3.2. Disciplinary action taken against the member.

2.5 Exceptions to Deployment Time

2.5.1. Suspension. Pursuant to ***10 U.S.C. § 991(d)***, the Secretary of the Military Department concerned may suspend the management of the PERSTEMPO program when such a suspension is in the "national security interests."

2.5.2. Day Away. A day away begins on one day and ends on another day. A day away does not require a full 24 hours to be considered a PERSTEMPO day, and the day of return will not count as a day away. For example, if a member departs on Monday afternoon and returns on Tuesday morning, only Monday counts as a PERSTEMPO day.

2.5.3. Leave While Deployed. Leave in conjunction with a deployment will not count as deployed time away from home. Exceptions to this may be granted at the discretion of the Secretary of the Military Department concerned for those circumstances under which personnel are required to take chargeable leave in order to be exempted from duty requirements or watch standing requirements. In general, leave that would extend the actual or projected deployed time away from home will not be counted as deployed time.

2.5.4. Hospitalization When Deployed. When a member is deployed and requires hospitalization away from the permanent duty station, the member is still considered deployed. If a member is deployed and requires hospitalization at the permanent duty station, then the member is no longer considered deployed. If a line of duty investigation determines injuries are due to member's misconduct, then deployment days do not accrue in the hospital.

Table 65-1. PERSTEMPO Events

PERSTEMPO Event Type	PERSTEMPO Event Category	PERSTEMPO Event Purpose
Deployment	Operations (includes TDY)	Contingency Operations
Deployment	Operations (includes TDY)	National Emergency
Deployment	Operations (includes TDY)	War
Deployment	Operations (includes TDY)	Counter-Drug
Deployment	Operations (includes TDY)	Law Enforcement Operations
Deployment	Operations (includes TDY)	U. S. Domestic Civil
Deployment	Operations (includes TDY)	Humanitarian Assistance
Deployment	Operations (includes TDY)	Peacekeeping
Deployment	Operations (includes TDY)	Surveillance
Deployment	Operations (includes TDY)	Forward Presence
Deployment	Operations (includes TDY)	Hospitalization
Deployment	Named Exercise (includes TDY)	Joint/Combined Service
Deployment	Named Exercise (includes TDY)	North Atlantic Treaty Organization (commonly referred to as NATO)
Deployment	Named Exercise (includes TDY)	Hospitalization
Deployment	Unit Training (includes TDY)	Combined Training Center
Deployment	Unit Training (includes TDY)	Training Area
Deployment	Unit Training (includes TDY)	Hospitalization
Deployment	Home Station Training/Local Operating Area of a Ship or Vessel	
Deployment	Mission Support TDY (includes meetings, conferences, staff visits, staff augmentation, and medical appointments)	
Non-Deployment	Individual Training/School TDY	
Non-Deployment	Duty in Garrison (home station/home port duty)	
Non-Deployment	Hospitalization (except deployed)	
Non-Deployment	Discipline	
Non-Deployment	Inactive Duty Training (if away from permanent training site (PTS))	
Non-Deployment	Muster Duty (if away from PTS)	
Non-Deployment	Funeral Honors Duty (if away from PTS)	

*REFERENCES

CHAPTER 65 – HIGH-DEPLOYMENT ALLOWANCE

1.0 – GENERAL

Deputy Secretary of Defense Memo, October 8, 2001

2.0 – ENTITLEMENT CRITERIA

10 U.S.C. § 991
37 U.S.C. § 436
Directive-type Memorandum 21-005, August 16, 2021, Incorporating Change 1, October 13, 2022

Table 65-1

Department of Defense Instruction 1336.07, December 28, 2020

VOLUME 7A, CHAPTER 66: "CONTINUATION PAY (CP)"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated February 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Title	Updated to remove "Career Status Bonus.	Revision
All	Removed Career Status Bonus from this chapter because program ended.	Deletion
References	Removed all references to Career Status Bonus.	Deletion

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CHAPTER 66

CONTINUATION PAY (CP)

1.0 GENERAL

1.1 Purpose

The purpose of this chapter is to provide policy pertaining to the Continuation Pay (CP) bonus, which is payable only to members who are in the Blended Retirement System (BRS).

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), including Titles 10, 26 and 37. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 CP

2.1 General

Public Law (P.L.) 114-92, as amended by P.L.114-328 (section 633), established CP as a bonus payable on or after January 1, 2018. CP is a one-time, mid-career bonus payment for Service members of the Uniformed Services covered by the BRS, in exchange for an agreement to perform additional obligated service. CP is only payable to members in the BRS. A CP payment is in addition to any other career field-specific incentives or retention bonuses.

Note: The Deputy Secretary of Defense (DepSecDef) memo, January 27, 2017, Volume 7B, and Service regulations provide comprehensive policy and guidance regarding retirement under the BRS.

2.2 Eligibility

2.2.1. The following Active Component (AC) members are eligible to receive CP. Any AC member who:

2.2.1.1. Is covered under the BRS;

2.2.1.2. Has completed not less than 8 and not more than 12 years of service (YOS), as computed from the member's Pay Entry Base Date (PEBD); and

2.2.1.3. Is eligible to enter into an agreement to serve not less than an additional 3 years in the AC.

2.2.2. The following Reserve Component (RC) members are eligible to receive CP. Any RC member who:

2.2.2.1. Is covered under the BRS;

2.2.2.2. Has completed not less than 8 and not more than 12 YOS as computed from the member's PEBD;

2.2.2.3. Is a Service member of the Selected Reserve (SELRES), or otherwise a member of the Ready Reserve in a status in which the member is eligible to receive basic pay or inactive duty pay.

2.2.2.4. Is eligible in accordance with criteria published by the Secretary of the Department concerned; and

2.2.2.5. Is eligible to enter into an agreement to serve not less than an additional 3 years in the SELRES.

2.3 CP Amount

The Secretary concerned determines the CP amount, the timing of when CP is offered, and the duration of the associated additional obligated service. The amount of CP payable depends on whether a member is AC or RC.

2.3.1. For an AC member, CP will be not less than 2.5 times and not more than 13 times the monthly basic pay of an AC member based on the member's current paygrade and YOS.

2.3.2. For an RC member, CP will be an amount not less than 0.5 times and not more than 6 times the monthly basic pay of a member of the same grade and YOS on AD. An RC member performing active Guard and Reserve service, as defined in ***10 U.S.C. § 101(d)(6)***, will be paid CP at the rate of an AC member subject to agreement to continue serving not less than an additional 3 years in active service as defined in 10 U.S.C. § 101(d)(3).

2.4 Obligated Service

2.4.1. A Service member who accepts CP and enters into an agreement will serve not less than 3 years of additional service, the length of mandatory service to be determined by the Secretary concerned in the component they were serving in at the time of agreement, commencing upon acceptance by the Secretary concerned of the agreement to continue serving.

2.4.2. The obligated service will run concurrently with any other service obligations unless other service obligations incurred specifically preclude concurrent obligations.

2.4.3. RC members will perform obligated service in the SELRES, subject to the conditions and requirements prescribed by the Secretary concerned.

2.4.4. RC members performing active Guard and Reserve service, as defined in 10 U.S.C. § 101(d)(6), who receive CP at the rate of an AD member, will perform obligated service on AD unless otherwise prescribed by the Secretary concerned.

2.5 Payment

A Service member who qualifies for CP may elect to receive the payment in a single lump sum or elect a series of equal installment payments, not to exceed four annual payments over 4 consecutive years.

2.6 Timing

2.6.1. Full Thrift Saving Plan (TSP) Members. In accordance with ***37 U.S.C. § 356***, the Secretary concerned will pay CP to full TSP members (as defined in ***5 U.S.C. § 8440e(a)***) who meet the eligibility requirements in paragraph 2.2 and who have completed not less than 8 and not more than 12 YOS.

2.6.2. CP Multiple. The CP multiple used in calculating is the actual paygrade and YOS of a member on the day CP is authorized. See subparagraphs 2.3.1 and 2.3.2 for the AC and RC multiples for calculating CP.

2.6.3. YOS Rate. For CP payments, the following rates apply:

2.6.3.1. A member with at least 8 YOS but less than 10 YOS will be paid at the rate of over 8 YOS.

2.6.3.2. A member with at least 10 YOS but less than 12 YOS will be paid at the rate of over 10 YOS.

2.6.3.3. A member with exactly 12 YOS but no more than 12 YOS will be paid at the rate of over 12 YOS.

2.7 Non-availability

Service members who incur a period of extended absence, subject to the approval of the Secretary concerned, which precludes meeting the terms of obligated service must have installment payments suspended during this period. If subsequently re-assigned to the member's previous status, or a new status at the discretion of the Secretary concerned, CP installment payments may resume and the term of service extended accordingly to ensure fulfillment of the original agreement period. The date of completion of the obligated service must be adjusted for periods of authorized absence. Failure to meet reinstatement criteria will result in termination of the CP and repayment, as appropriate.

2.8 Repayment

2.8.1. A Service member who received CP but who fails to complete the period of obligated service described in paragraph 2.4, or fails to maintain the skills for which an amount greater than the minimum amount specified in paragraph 2.3 was paid; is subject to full or partial repayment in accordance with ***37 U.S.C. § 373***.

2.8.2. A Service member who received CP but is later discovered to be ineligible to enroll or whose enrollment is determined to be erroneous will have their enrollment voided. Such members will be placed under the correct retirement system upon discovery of the error. The Secretary concerned will initiate action to obtain repayment of CP, in accordance with 37 U.S.C. § 373.

2.8.3. The Secretary concerned may grant an exception to the repayment requirement and requirement to terminate the payment of unpaid amounts of CP if the Secretary concerned determines that the imposition of the repayment and termination requirements with regard to a member of the Uniformed Services would be contrary to a personnel policy or management objective, would be against equity and good conscience, or would be contrary to the best interests of the United States.

Note: The Secretary of the Military Department concerned will not grant the exception for repayment if the member's separation is due to misconduct or if an exception of repayment would be inconsistent with other prescribed law, regulation, or policy.

2.9 CP and Combat Zone Tax Exclusion (CZTE)

2.9.1 Service members, who become entitled to CP while serving in a designated combat zone, are entitled to have the amount of the CP excluded from their gross income for the tax year in which the CP is received, subject to the limitation amount as discussed in Chapter 44.

2.9.2. A Service member must be eligible for CP in accordance with their Service's eligibility requirements and enter into agreement while serving in the designated combat zone to be eligible to exclude the payment from their taxable income. The CZTE applies to CP when the member becomes entitled to the pay while serving in a combat zone, even if received outside of a combat zone.

2.9.3. The CZTE is not dependent upon when the Service member receives the compensation.

2.9.4. Examples

Example 1: The Service member is deployed in a combat zone. Just before departing the combat zone, the member reaches 11 years, 10 months of service and signs an agreement for an additional 4 YOS in return for CP. The Secretary concerned has established that to be eligible for the CP, the member must have 12 YOS. The member reaches 12 YOS two months after returning from the combat zone and receives a lump sum payment of $8,000.

The Service member's $8,000 CP is not eligible for CZTE and must be included in the member's gross income for the year in which received. It is not eligible for CZTE because it was not earned in a combat zone. The Service member did not become entitled to the CP until two months after returning from the combat zone, when the member met the eligibility requirements for CP.

Example 2: The Service member is deployed in a combat zone. While in the combat zone, the member enters into an agreement for CP in exchange for an additional 4 YOS. The member also elects to receive CP in annual installment payments. The Secretary concerned has established that to be eligible for the CP, the member must have 12 YOS. The member reaches 12 YOS just before departure from the combat zone. The member receives each of the subsequent annual installment payments of $2,000 outside of a combat zone.

Each of the Service member's $2,000 annual installment payments for CP are eligible for the CZTE and are not included in the member's gross income for the year in which received. The member became entitled to the CP while serving in a combat zone. Each of the annual payments relates back to the member's service in the combat zone, and thus retains the CZTE.

REFERENCES

CHAPTER 66 - CONTINUATION PAY (CP)

1.0 – GENERAL

37 U.S.C. § 354
Assistant Secretary of Defense (ASD)
Memo, February 2, 2001
P.L. 114-92, section 635, November 25, 2015
P.L. 114-328, sections 631-633, December 28, 2016
DepSecDef Memo, January 27, 2017

2.0 –CP

37 U.S.C. § 356
P.L. 114-92, sections 631-635, November 25, 2015
P.L. 114-328, section 633, December 28, 2016
DepSecDef Memo, January 27, 2017

2.9 26 U.S.C. § 112(c)
Title 26, Code of Federal Regulations, part 1.112-1

VOLUME 7A, CHAPTER 67: "COST OF LIVING ALLOWANCE (COLA) IN THE CONTINENTAL UNITED STATES (CONUS)"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated January 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated the hyperlinks and formatting to comply with current administrative instructions.	Revision
2.0	Removed "Base Period" and "Threshold Percentages" paragraphs and updated the "High-Cost Area" paragraph in accordance with Public Law 118-31, section 625, dated December 22, 2023. Renumbered subsequent paragraphs.	Revision
References	Updated supporting statutes and references in "References" section.	Revision

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CHAPTER 67

COST OF LIVING ALLOWANCE (COLA) IN THE CONTINENTAL UNITED STATES (CONUS)

1.0 GENERAL

1.1 Purpose

This chapter identifies the eligibility requirements for a Service member to receive COLA for an assignment in CONUS. This chapter specifies the rates payable and the effect that a dependent has upon those rates.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with Title 37, United States Code (U.S.C.). The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

*2.0 DEFINITIONS SPECIFIC TO CONUS COLA

2.1 High-Cost Area

An area is a high-cost area for a fiscal year for purposes of this chapter if the Uniformed Services cost of living for that area for the base period (the 12-month period ending on June 30 of the year in which such fiscal year begins) exceeds the average cost of living in the continental United States for such base period by at least the threshold percentage. The Secretary of Defense, in consultation with the other administering Secretaries, shall establish the threshold percentage, except that the threshold percentage may not be less than 5 percent. The administering Secretaries may prescribe a higher threshold percentage to be applied for a fiscal year.

2.2 Service Member With a Dependent

A Service member is with a dependent if they are authorized the basic allowance for housing (BAH) or would be authorized BAH at the with-dependent rate if Government quarters were not occupied. This does not include a Service member authorized BAH at the with-dependent rate solely based on paying child support. A spouse who is also a Service member on active duty may not be a dependent for CONUS COLA purposes. See Chapter 26 for BAH.

2.3 Service Member Without a Dependent

A Service member is considered without a dependent if any of the following conditions are met:

2.3.1. The Service member is authorized BAH at the without dependent rate;

2.3.2. The Service member would be authorized the without dependent BAH rate if Government quarters were not occupied; or

2.3.3. The Service member is authorized the with-dependent BAH rate solely based on paying child support.

2.4 Primary Dependent

A primary dependent is the Service member's spouse when the Service member is married. When a Service member is unmarried, a primary dependent is a dependent as defined in Volume 7A, "Definitions," terms 2 through 6 and term 8, excluding term 7, concerning parents.

2.5 Unaccompanied Status

A Service member is considered to be in an unaccompanied status during any portion of an assignment to a permanent duty station (PDS) OCONUS while a dependent resides in, or returns to, a location in the CONUS to establish a permanent residence.

2.6 PDS for Service Member Assigned to Ship or Afloat Staff

The home port of the ship or afloat staff to which a Service member is assigned is their PDS for CONUS COLA purposes.

3.0 CONUS COLA ELIGIBILITY

3.1 CONUS COLA Rates Payable

3.1.1. Rates Based Upon High-Cost Area Location. CONUS COLA rates are based on the Service member's PDS, their home port, a designated place, or the primary dependent's location in a CONUS high-cost area when authorized in this chapter or approved through the Secretarial Process, as applicable. The CONUS COLA rate paid to the Service member does not change when the Service member is on leave.

3.1.1.1. CONUS COLA based on a PDS begins on the day the Service member reports to the PDS and ends the day before reporting to the next PDS. The CONUS COLA rate applicable to the primary dependent's permanent residence starts on either the date the primary dependent arrives at the new residence or the date the Service member reports to the new PDS in connection with the transfer, whichever is later. When a Service member is departing from a PDS OCONUS and the new PDS is in the CONUS, then the Service member is authorized CONUS COLA for the new PDS starting on their reporting date at the new PDS.

3.1.1.1.1. The CONUS COLA rate payable based on the primary dependent's old permanent residence or the Service member's old PDS continues through the day before the Service member reports to the new PDS or the rate for the new permanent residence begins. CONUS COLA at the old rate ends the day before the rate based on the new permanent residence begins.

3.1.1.1.2. When a Service member is stationed OCONUS, but the primary dependent is in the CONUS, see paragraph 4.7 for exceptions.

3.1.1.2. The Service member may be authorized through the Secretarial Process, CONUS COLA at the rate for the dependent's location instead of the rate for the new PDS when it is necessary for the Service member and dependent to maintain separate residences.

3.1.1.2.1. If the primary dependent does not relocate, CONUS COLA would continue to be based on the rate payable for the primary dependent's permanent residence or the Service member's old PDS.

3.1.1.2.2. When the primary dependent's permanent residence is at a location different than the old PDS, and the Service member was paid based on the rate for the old PDS, the rate payable for the primary dependent's residence begins on the day the Service member reports to the new PDS.

3.1.1.3. If two married Service members maintain a joint residence with a dependent, CONUS COLA is paid to one spouse at the with-dependent rate and to the other spouse at the without dependent rate.

3.1.1.4. When a Service member is on a Permanent Change of Station (PCS) to a new PDS in the CONUS and has a Temporary Duty (TDY) in route, CONUS COLA at the new PDS rate begins the day after per diem stops provided both of the following occur:

3.1.1.4.1. The TDY is near but not at the PDS; and

3.1.1.4.2. The Service member commutes to the TDY location from what will become the permanent quarters after reporting to the new PDS.

3.1.2. Service Member Assigned to a Ship or Afloat Staff Home Port. Regardless of BAH eligibility, a Service member assigned to a ship or afloat staff is eligible for CONUS COLA unless the Service member is already drawing CONUS COLA for a dependent at another location.

3.1.2.1. The CONUS COLA rate is based on the home port of the Service member's assigned ship or afloat staff.

3.1.2.2. For CONUS COLA related to a home port change:

3.1.2.2.1. The CONUS COLA rate for the old home port stops on the day before the effective date of the home port change, and the rate for the new home port begins on the effective date of the home port change; and

3.1.2.2.2. A Service member without a dependent who ordinarily resides onboard the ship is authorized the CONUS COLA rate for the old home port until the day they move back aboard the ship, under all of the following conditions:

3.1.2.2.2.1. Quarters on board the ship are not available, such as when a ship is in dry-dock; and

3.1.2.2.2.2. The ship or afloat staff is delayed at the old home port after the effective date of the home port change.

3.1.3. Accessions. The location applicable to determining the CONUS COLA entitlement of a new Service member depends upon whether they have a dependent.

3.1.3.1. For a member without dependents, the duty location applies. The rate changes on the Service member's arrival day at each duty location until the Service member arrives at the first PDS.

3.1.3.2. A Service member with a dependent may, as applicable, elect CONUS COLA at the with-dependent rate for either the duty location or the primary dependent's location. If the Service member selects the primary dependent's location, the rate is based on the primary dependent's location until the day before the Service member arrive at the first PDS.

3.1.4. Service Member Processing for Separation or Retirement. CONUS COLA is paid during separation or retirement processing based on one of the following, if in a high-cost area:

3.1.4.1. The last PDS rate;

3.1.4.2. The primary dependent's location immediately before separation processing, if previously authorized that rate instead of the PDS rate; or

3.1.4.3. The separation or retirement processing station in the CONUS for a Service member who separates in the CONUS from a PDS OCONUS.

3.2 Secretarial Waiver When the Primary Dependent Does Not Reside at the PDS in the CONUS

Ordinarily, CONUS COLA is paid based on the Service member's PDS, or a ship, or afloat unit's home port. However, the Service may determine through the Secretarial Process that a Service member's assignment to a PDS or the circumstances of that assignment requires the dependent to reside separately and authorize or approve CONUS COLA payment based on the dependent's location. If the Secretarial Process determines that it is necessary for the primary dependent to maintain a permanent residence in a high-cost area in the CONUS at a location other than the Service member's PDS, the Service member may be authorized CONUS COLA at the rate for the primary dependent's permanent residence instead of for the Service member's PDS.

3.3 Concurrent Payment of OCONUS COLA and CONUS COLA

A Service member assigned to a PDS OCONUS may be paid OCONUS COLA at the without dependent rate and a CONUS COLA at the with-dependent rate applicable for the

high-cost area in the CONUS where the primary dependent resides only if no command-sponsored dependent is residing OCONUS with the Service member.

3.3.1. Service Member Departs. If, after a Service member departs, the Service member is authorized an extension of OCONUS COLA for a dependent residing OCONUS through the Secretarial Process, the Service member may be paid OCONUS COLA at the with-dependent rate, and CONUS COLA at the without dependent rate based on the new PDS. The specified COLA continues through the date the OCONUS COLA extension ends.

3.3.2. Dependent Leaves OCONUS Residence. Beginning the day the dependent permanently leaves the OCONUS residence, the Service member may be paid CONUS COLA at the with-dependent rate for the PDS in the CONUS.

4.0 CONUS COLA AND DEPENDENT CIRCUMSTANCES

4.1 Service Member Paying Child Support

A Service member is authorized CONUS COLA at the without-dependent rate when they are authorized BAH at the with-dependent rate or BAH Differential (see Chapter 26) based solely on the payment of child-support and not based on custody.

4.2 Effect of Physical Custody of a Child on CONUS COLA

Ordinarily, a divorced or legally separated Service member who is not identified as the primary custodial parent of a child in the divorce decree or legal separation agreement, is not authorized CONUS COLA at the with-dependent rate.

4.2.1. Service Member Has Physical Custody But Not Court Ordered/Agreed to in Legal Separation. A Service member parent who has physical custody, of at least one child, even though the physical custody is not court-ordered in the divorce decree or in a legal separation agreement, is authorized CONUS COLA at the with-dependent rate if both of the following conditions are met:

4.2.1.1. The Service member is authorized BAH; and

4.2.1.2. The Service member has physical custody of the child for a minimum of 90 consecutive days. A break of 5 or fewer days is not considered an interruption of the 90-day period, even if there are multiple breaks of 5 or fewer days.

4.2.2. Two Service Members Divorce or Separate. When the divorce or separation is between two Service members, it is possible for both Service members to be authorized CONUS COLA at the with-dependent rate if each Service member has physical custody of one or more children at the same time.

4.2.3. Service Member Paying Child Support Has Physical Custody. If a Service member paying child support has physical custody of a child for 91 or more consecutive days, excluding

any breaks for 5 or fewer days, the Service member is not considered to be receiving BAH at the with-dependent rate solely because of child support payments.

4.3 Service Member Acquires a Dependent

4.3.1. General Rules. When a Service member acquires a primary dependent, CONUS COLA is paid based on the PDS if the Service member is assigned to a PDS in the CONUS and meets the conditions in Table 67-2.

4.3.2. Dependent Visits or Moves to the PDS. A dependent may visit the Service member for 90 or fewer days at the PDS without changes to the CONUS COLA. When the visit exceeds 90 days, the CONUS COLA rate changes to the rate for the Service member's PDS location on the 91st day. If the dependent leaves the PDS area after the CONUS COLA changes, the CONUS COLA previously authorized for the dependent's location is reinstated as of the departure date.

4.4 Advance and Delayed Dependent Travel to a PDS OCONUS

When a PCS order is issued, the Service member's family may perform PCS travel at a different time than the Service member. See paragraph 3.2 when a dependent is required to reside away from the Service member's PDS.

4.4.1. CONUS COLA Based on a Dependent's Location or Old PDS

4.4.1.1. Unless otherwise authorized or approved, a Service member's CONUS COLA is based on the PDS.

4.4.1.2. If authorized or approved through the Secretarial Process, a Service member may be authorized CONUS COLA based on the dependent's permanent residence or the old PDS.

4.4.2. Applicable Rates. If a dependent relocates, the rate for the dependent's location starts on the date the primary dependent arrives at the new residence. If the dependent does not relocate, CONUS COLA is based on the primary dependent's location and continues until the primary dependent departs the authorized or approved location.

4.5 Government Defers Dependent Travel

4.5.1. Government Defers Dependent Travel to a PDS OCONUS. Table 67-5 specifies the decision process for CONUS COLA when the Government defers a dependent's travel to a PDS OCONUS.

4.5.2. Government Defers Dependent Travel to a PDS in the CONUS. CONUS COLA payment based on the primary dependent's location or old PDS continues for up to 60 days after dependent travel is authorized. If the dependent has not arrived at the Service member's PDS by the end of 60 days, and an extension to, or a waiver of, the 60-day limit has not been granted through the Secretarial Process, CONUS COLA based on the dependent's location changes to CONUS COLA based on the PDS location.

4.5.2.1. If a dependent is not relocated at Government expense, then Table 67-6 specifies the decision process for CONUS COLA when the Government delays the dependent's travel to a PDS in the CONUS and the expected travel delay is 139 or fewer days (20 weeks).

4.5.2.2. Table 67-7 specifies the decision process for CONUS COLA when the Government delays a dependent's travel to a PDS in the CONUS and the expected travel delay is 140 or more days (20 weeks).

4.6 Early Return of Dependents (ERD)

4.6.1. Early Return at Government Expense. When all of a Service member's dependents are returned from a PDS OCONUS to a CONUS location at Government expense for circumstances other than for a PCS (regardless of the reason for the return) the Service member is authorized CONUS COLA based on the primary dependent's permanent residence, starting on the arrival day at that location or the date the ERD order was issued, whichever is later.

4.6.2. Early Return at Personal Expense. When all of a Service member's dependents return early from a PDS OCONUS to a CONUS location at personal expense, the Service member is not authorized CONUS COLA.

4.7 Service Member Serving in an Unaccompanied Status OCONUS

If a Service member serving in an unaccompanied status OCONUS has dependents in multiple locations, CONUS COLA authority is based on the primary dependent's residence.

4.7.1. Eligibility. When the primary dependent establishes a residence or resides in the CONUS due to a Service member's transfer to, or while assigned at, an unaccompanied PDS OCONUS, CONUS COLA is authorized in any of the following situations:

4.7.1.1. The primary dependent relocates in the CONUS from a PDS in the CONUS;

4.7.1.2. The primary dependent resides in the CONUS and the Service member is required to perform TDY incident to a transfer to an unaccompanied PDS in the CONUS; or

4.7.1.3. The primary dependent establishes a residence in the CONUS due to the Service member's transfer from an accompanied status at a PDS OCONUS to an unaccompanied status.

4.7.2. Allowances. Table 67-8 specifies CONUS COLA for a Service member with a dependent assigned to an unaccompanied tour at a PDS OCONUS.

5.0 CONUS COLA AND UNUSUAL CIRCUMSTANCES

5.1 Service Member in a Missing Status

5.1.1. Service Member Without a Dependent. A Service member without a dependent whose PDS is in the CONUS and is in a missing status receives CONUS COLA based on the PDS location.

5.1.2. Service Member With a Dependent. A Service member with a dependent continues to receive CONUS COLA at the rate paid when they were placed in a missing status. Pay CONUS COLA based on the dependent's location when a dependent relocates.

5.2 Service Member in Confinement

If a Service member in confinement is authorized allowances, they receive the same CONUS COLA rate paid immediately before confinement. If a Service member with a dependent is transferred to a confinement facility, then the CONUS COLA is based on the dependent's location.

5.3 Service Member Requires Prolonged Hospitalization

The hospital where a Service member is transferred becomes their PDS for CONUS COLA purposes when they require prolonged hospitalization and are issued an appropriate order. This applies when a Service member is transferred from any PDS to a hospital in the CONUS for observation and treatment.

5.4 Service Member Whose PDS is Evacuated

5.4.1. Service Member With a Dependent

5.4.1.1. CONUS COLA Continuation at the Service Member's PDS

5.4.1.1.1. A Service member who is authorized CONUS COLA at the with-dependent rate based on their PDS, and who's dependent is evacuated, continues to receive CONUS COLA on the effective date of the evacuation unless the Service member's PDS changes.

5.4.1.1.2. When a determination is made through the Secretarial Process that it is necessary for a dependent to maintain a permanent residence in an area other than where the PDS is located, CONUS COLA at the with-dependent rate is based on the designated place for the primary dependent. The CONUS COLA starts the day after per diem at the designated place ends.

5.4.1.2. CONUS COLA at a Designated Place. When a Service member's command-sponsored dependent resides at a designated place in the CONUS due to an evacuation from a location OCONUS, the Service member is authorized CONUS COLA at the with-dependent rate starting the day after per diem at the designated place ends. The rate is based on the designated place for the primary dependent.

5.4.2. Service Member Without a Dependent. A Service member without a dependent who was authorized CONUS COLA at the PDS on the date an evacuation is ordered is authorized CONUS COLA through the day before the Service member reports at the new PDS.

6.0 RESERVE COMPONENT (RC) MEMBER

6.1 Called or Ordered to Active Duty

Table 67-9 specifies CONUS COLA for an RC member called or ordered to active duty for a period of 140 or more days or in support of a contingency operation. A DoD or U.S. Coast Guard retired Service member called or ordered to active duty is authorized the same CONUS COLA as an RC member.

6.2 Modified or Amended Order

If an RC member receives an order modification or amendment that extends the original assignment, the modification or amendment determines the eligibility for CONUS COLA.

Table 67-1. CONUS COLA Eligibility

RULE	CONUS COLA Eligibility	Circumstances
1	CONUS COLA Eligible	a. A Service member is assigned to a high-cost area in the CONUS. b. A Service member is in an unaccompanied status OCONUS, if the Service member's primary dependent resides in a high-cost area in the CONUS. c. A new Service member is ordered to active duty to a high-cost area through accession. d. A Service member is married to another Service member. Each is authorized CONUS COLA. This authority exists whether the married Service members maintain a joint residence or separate residences. e. A Service member is assigned to duty in the CONUS and the primary dependent does not reside at the PDS in the CONUS and it is determined through the Secretarial Process that both of the following conditions apply: 1. The Service member's primary dependent resides in a high-cost area in the CONUS because of the Service member's PDS or other circumstances. 2. It would be inequitable for the allowance to be determined on the basis of the Service member's PDS. f. A RC member is called to active duty is for a period of 140 or more days or in support of a contingency operation.
2	CONUS COLA Ineligible	a. During the travel days a Service member is authorized for a permanent change of station (PCS) between the old PDS and new PDS. If the Service member is receiving CONUS COLA before the PCS, then the CONUS COLA payments stop on the first travel day. b. During the travel days a Service member (including an RC member) is authorized for a PCS (see ***Joint Travel Regulations, Chapter 5, Para. 051201***) from the place last entered (or called to) active duty (PLEAD) to the first PDS. If the Service member is receiving CONUS COLA before the PCS, then the CONUS COLA payments stop on the day before the first travel day. c. An RC member on active duty under an order for 139 or fewer days, unless the duty is in support of a contingency operation (see section 6.0). d. For more than one location at a time.

Table 67-2. Service Member Acquires a Dependent Who is in the CONUS

RULE	Location of Service Member's PDS	Basis for CONUS COLA
1	In the CONUS	a. If the dependent is located at or near the PDS, change CONUS COLA to the with-dependent rate based on the PDS as of the date the Service member gained the dependent. b. If the dependent is not located at or near the PDS, change CONUS COLA to the with-dependent rate based on the Service member's PDS as of the date the Service member gained the dependent or, if the Service member requested and received a Secretarial waiver, based on the dependent's location as of that date (see par. 3.2).
2	OCONUS	a. The dependent's location if the dependent does not reside at or near the PDS OCONUS. b. Start CONUS COLA at the with-dependent rate based on the dependent's location as of the date they became a dependent.

Table 67-3. Dependent Performs PCS Travel Before the Service Member

RULE	If…	and the CONUS COLA for the dependent's location…	then…
1	the old PDS was in the CONUS and the new PDS is in the CONUS,	was authorized or approved through the Secretarial Process,	(1) stop CONUS COLA based on the old PDS the day before the primary dependent arrives. (2) start CONUS COLA based on the primary dependent's location on the arrival date or the date specified by the authorizing or approving document, whichever is later.
2	the old PDS was in the CONUS and the new PDS is in the CONUS,	was not authorized or approved through the Secretarial Process,	(1) continue CONUS COLA based on the current PDS until the Service member arrives at the new PDS.* (2) start CONUS COLA based on the new PDS the day the Service member arrives at the new PDS.
3	the old PDS was in the CONUS and the new PDS is OCONUS	was authorized or approved through the Secretarial Process,	(1) continue CONUS COLA based on the current PDS until the Service member arrives at new PDS.* (2) start OCONUS COLA based on the dependent's location on the arrival date, or the date specified by the authorizing or approving document, whichever is later.
4	the old PDS was in the CONUS and the new PDS is OCONUS	was not authorized or approved through the Secretarial Process,	continue CONUS COLA based on the current PDS until the Service member arrives at new PDS.*

Table 67-3. Dependent Performs PCS Travel Before the Service Member (Continued)

RULE	If…	and the CONUS COLA for the dependent's location…	then…
5	the old PDS was OCONUS and the new PDS is in the CONUS	was authorized or approved through the Secretarial Process,	start CONUS COLA based on the primary dependent's location on the arrival date, or the date specified by the authorizing or approving document, whichever is later.
6	the old PDS was OCONUS and the new PDS is in the CONUS	was not authorized or approved through the Secretarial Process,	start CONUS COLA based on the new PDS the day the Service member arrives at the new PDS.*
*COLA is not payable on authorized days of travel.			

Table 67-4. Dependent Travel After a Service Member

RULE	If…	and the CONUS COLA for the dependent's location…	then…
1	the old PDS was in the CONUS and the new PDS is in the CONUS	was authorized or approved through the Secretarial Process,	(1) continue the CONUS COLA based on the old PDS or the primary dependent's location, whichever has a higher rate.* (2) start CONUS COLA based on the new PDS as of the date the primary dependent departs provided the Service member has arrived at the new PDS.
2	the old PDS was in the CONUS and the new PDS is in the CONUS	was not authorized or approved through the Secretarial Process,	(1) continue CONUS COLA based on the current PDS until the Service member arrives at the new PDS.* (2) start CONUS COLA based on the new PDS the day the Service member arrives at the new PDS.
3	the old PDS was in the CONUS and the new PDS is OCONUS	was authorized or approved through the Secretarial Process,	(1) continue the CONUS COLA based on the old PDS or the primary dependent's location, whichever has a higher rate.* (2) stop CONUS COLA on the day before the primary dependent departs.
4	the old PDS was in the CONUS and the new PDS is OCONUS	was not authorized or approved through the Secretarial Process,	continue the CONUS COLA based on the current PDS until the Service member arrives at the new PDS.*
*COLA is not payable on authorized days of travel.			

Table 67-5. Government Defers Dependent's Authorized Travel to a PDS OCONUS

RULE	If the expected travel delay is…	and…	then…
1	at least 61 days but less than 20 weeks and the dependent did not relocate at Government expense,	the dependent arrives within 60 days of being given permission to travel to the PDS OCONUS,	(1) continue CONUS COLA based on the old PDS upon the Service member's departure.* (2) start CONUS COLA for the authorized dependent's location upon the Service member's arrival date. (3) stop CONUS COLA on the day before the primary dependent arrives at the new PDS.
2	at least 61 days but less than 20 weeks and the dependent did not relocate at Government expense,	the dependent does not arrive within 60 days of being given permission to travel to the PDS OCONUS,	(1) continue CONUS COLA based on the old PDS upon the Service member's departure.* (2) start CONUS COLA for the authorized dependent's location upon the Service member's arrival date. (3) stop CONUS COLA on the 60th day.
3	20 or more weeks and the dependent did not relocate at Government expense,	the dependent arrives within 60 days of being given permission to travel to the PDS OCONUS,	(1) continue CONUS COLA based on the old PDS upon the Service member's departure.* (2) start CONUS COLA for the authorized dependent's location upon the Service member's arrival date. (3) stop CONUS COLA on the day before the primary dependent arrives at the new PDS.
4	20 or more weeks and the dependent did not relocate at Government expense,	the dependent does not arrive within 60 days of being given permission to travel to the PDS OCONUS,	(1) continue CONUS COLA based on the old PDS upon the Service member's departure.* (2) start CONUS COLA for the authorized dependent's location upon the Service member's arrival date. (3) stop CONUS COLA on the 60th day.

Table 67-5. Government Defers Dependent's Authorized Travel to a PDS OCONUS (Continued)

RULE	If the expected travel delay is…	and…	then…
5	20 or more weeks and the dependent relocates at Government expense,	the dependent arrives within 60 days of being given permission to travel to the PDS OCONUS,	(1) change the CONUS COLA rate on the date the primary dependent arrives at the designated location from the rate based on the old PDS to the rate based on the designated location.* (2) stop CONUS COLA on the day before the primary dependent arrives at the new PDS.
6	20 or more weeks and the dependent relocates at Government expense,	the dependent does not arrive within 60 days of being given permission to travel to the PDS OCONUS,	(1) change the CONUS COLA rate on the date the primary dependent arrives at the designated location from the rate based on the old PDS to the rate based on the designated location.* (2) stop CONUS COLA on the 60th day.
*COLA is not payable on authorized days of travel.			

Table 67-6. Government Defers Dependent's Travel to a PDS in the CONUS When the Old PDS is in the U.S. and the Expected Travel Delay is 139 or Fewer Days (20 Weeks)

RULE	If the dependent…	and the CONUS COLA for the dependent's location …	then upon the Service member's departure, continue CONUS COLA based on the old PDS*
1	arrives within 60 days of travel authority,	was authorized or approved through the Secretarial Process,	(1) upon the Service member's arrival date, start CONUS COLA for the authorized dependent's location through the day before the primary dependent arrives at the new PDS. (2) beginning on the primary dependent's arrival date at the PDS, start CONUS COLA based on the new PDS.
2	does not arrive within 60 days of travel authority,	was authorized or approved through the Secretarial Process,	(1) upon the Service member's arrival date, start CONUS COLA for the authorized dependent's location for up to 60 days. (2) beginning on the 61st day, base CONUS COLA on the new PDS.
3	does not travel	was not authorized or approved through the Secretarial Process,	and beginning on the arrival date, start CONUS COLA based on the new PDS.*
*COLA is not payable on authorized days of travel.			

Table 67-7. Government Defers Dependent's Travel to a PDS in the CONUS When the Old PDS is Outside the U.S. or the Old PDS is in the U.S. and the Expected Travel Delay is 140 or More Days (20 Weeks)

RULE	If the dependent…	and the CONUS COLA for the dependent's location …	then…
1	arrives within 60 days of travel authority and they are relocated at Government expense,	was authorized or approved through the Secretarial Process,	(1) change the CONUS COLA basis on the date the primary dependent arrives at the designated location and continue it through the day before the primary dependent arrives at the PDS.* (2) beginning on the primary dependent's arrival date at the PDS, change the basis for CONUS COLA to the PDS.
2	arrives within 60 days of travel authority and they are not relocated at Government expense,	was authorized or approved through the Secretarial Process,	(1) continue CONUS COLA through the day before the primary dependent arrives at the new PDS and base it on the old PDS as of the Service member's departure.* (2) beginning on the primary dependent's arrival date at the PDS, change the basis for CONUS COLA to the new PDS.
3	does not arrive within 60 days of travel authority and they are relocated at Government expense,	was authorized or approved through the Secretarial Process,	(1) change the CONUS COLA basis on the date the primary dependent arrives at the designated location from the old PDS to the designated location through the 60th day after travel is authorized to begin.* (2) beginning on the 61st day after travel is authorized to begin, change the basis for CONUS COLA from the dependent's location to the new PDS.
4	does not arrive within 60 days of travel authority and they are not relocated at Government expense,	was authorized or approved through the Secretarial Process,	(1) continue CONUS COLA through the 60th day after travel is authorized to begin based on the old PDS. (2) beginning on the 61st day after travel is authorized to begin, change the basis for CONUS COLA from the old PDS to the new PDS.

Table 67-7. Government Defers Dependent's Travel to a PDS in the CONUS When the Old PDS is Outside the U.S. or the Old PDS is in the U.S. and the Expected Travel Delay is 140 or More Days (20 Weeks) (Continued)

RULE	If the dependent…	and the CONUS COLA for the dependent's location …	then…
5	does not travel	was not authorized or approved through the Secretarial Process,	start CONUS COLA based on the new PDS as of the Service member's arrival date.
*COLA is not payable on authorized days of travel.			

Table 67-8. Service Member (With a Dependent) Assigned to an Unaccompanied Tour at a PDS OCONUS

See CONUS COLA			
RULE	**If the Service member's dependent…**	**and…**	**then…**
1	retains a permanent residence in the CONUS	the primary dependent remains at the old PDS,	continue to pay CONUS COLA, based on the old PDS.
2	retains a permanent residence in the CONUS	the primary dependent is at a location in the CONUS other than the old PDS and the Service member is receiving CONUS COLA for the dependent's location based on a Secretarial waiver,	continue the CONUS COLA previously paid.
3	retains a permanent residence in the CONUS	the primary dependent is at a location in the CONUS other than either the old PDS or location for which the Service member had a Secretarial waiver,	continue to pay CONUS COLA, based on the old PDS and start CONUS COLA the day the Service member arrives at the new PDS based on the primary dependent's location.
4	relocates the permanent residence from the CONUS to another location in the CONUS at Government expense	a. the primary dependent either travels with or in advance of the Service member,	(1) stop the old CONUS COLA rate the day before the dependent's arrival day. (2) start CONUS COLA the day the primary dependent arrives at the new residence location based on the dependent's location.*
		b. a dependent travels after the Service member,	(1) continue CONUS COLA based on the Service member's old PDS through the day before the primary dependent's arrival at the new residence location. (2) start CONUS COLA on the arrival day based on the dependent's location.*
5	relocates the permanent residence from OCONUS to the CONUS at Government expense	a dependent travels in advance of, with, or after the Service member,	start CONUS COLA based on the dependent's location the day the primary dependent arrives at the new residence.*
6	relocates permanent residence from the CONUS to a location OCONUS at Government expense	a. a dependent travels in advance of the Service member or with the Service member,	continue CONUS COLA based on the old PDS through the day before the Service member's arrival at the new PDS.
		b. a dependent travels after the Service member,	continue CONUS COLA based on the old PDS through the day before the primary dependent's arrival.*

Table 67-8. Service Member (With a Dependent) Assigned to an Unaccompanied Tour at a PDS OCONUS (Continued)

See CONUS COLA			
RULE	**If the Service member's dependent…**	**and…**	**then…**
7	relocates the residence at personal expense	a. CONUS COLA is authorized through the Secretarial Process,	continue CONUS COLA based on the rules in this table.*
	relocates the residence at personal expense	b. CONUS COLA based on the new location is not authorized through the Secretarial Process,	continue CONUS COLA based on the rules in this table through the day before the primary dependent's arrival.*
8	is not OCONUS	the Service member is assigned to an unaccompanied assignment OCONUS or unusually arduous sea duty,	(1) pay CONUS COLA based on the old PDS rate if the dependent does not relocate. (2) pay CONUS COLA based on the dependent's location if the dependent does relocate.
9	continues to reside at same location	the Service member is required to perform a TDY, inside or outside the CONUS, due to a transfer to another unaccompanied tour,	continue CONUS COLA based on the primary dependent's permanent residence.
10	continues to reside at same location	the Service member is required to perform a TDY due to a transfer in the U.S.,	(1) continue CONUS COLA based on the primary dependent's permanent residence through the day before the day the Service member reports to the new PDS. (2) start CONUS COLA at the rate for the new PDS on the day the Service member reports at that PDS.
*COLA is not payable on authorized days of travel.			

Table 67-9. RC Member CONUS COLA Determination

RULE	If an RC member is called or ordered to active duty …	and PCS HHG transportation …	then…
1	for 140 or more days	a. is authorized,	(1) start CONUS COLA on the first active-duty day based on the primary residence at the time called or ordered to active duty through the day before arrival at the PDS. (2) starting the day the Service member reports to the PDS, change the basis for CONUS COLA to the PDS location.
	for 140 or more days	b. is not authorized,	start CONUS COLA on the first active-duty day based on the primary residence at the time called or ordered to active duty.
2	for 139 or fewer days for a contingency operation	is not authorized,	(1) start CONUS COLA on the first active-duty day of an assignment that supports a contingency operation and base it on the primary residence at the time called or ordered to active duty. (2) there is no authority to pay CONUS COLA when the assignment is fewer than 140 days and not in support of a contingency operation.

Table 67-10. RC Member's Order is Modified or Amended

See CONUS COLA			
RULE	**If an RC member's order is modified or amended…**	**and PCS HHG transportation …**	**then…**
1	and the days remaining on the existing order plus the number of days added by the extension total 140 or more days	is not authorized,	CONUS COLA based on the primary residence continues or would start on the modification or amendment date.
2	and the days remaining on the existing order plus the number of days added by the extension total 140 or more days	is authorized,	CONUS COLA based on the primary residence, if currently authorized, would stop the day before the modification or amendment in CONUS COLA based on the PDS rate would begin on the modification or amendment date or CONUS COLA based on the PDS would continue.

*REFERENCES

1.0 – GENERAL

37 U.S.C. § 403b

2.0 – DEFINITIONS SPECIFIC TO CONUS COLA

2.1	37 U.S.C. § 403b(c) National Defense Authorization Act for Fiscal Year (FY) 2024, Public Law 118-31, Section 625, December 22, 2023

4.0 – CONUS COLA AND DEPENDENT CIRCUMSTANCES

4.5.1.	Office of the Assistant Secretary of Defense (OASD) Manpower and Reserve Affairs (M&RA) Memo, August 12, 2020
4.6	OASD (M&RA) Memo, May 5, 2020

VOLUME 7A, CHAPTER 68: "COST OF LIVING ALLOWANCE OUTSIDE THE CONTINENTAL UNITED STATES (OCONUS COLA) AND TEMPORARY LODGING ALLOWANCE (TLA)"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated February 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated chapter, formatting and hyperlinks to comply with current administrative instructions.	Revision
Table 68-4	Numbered the notes on Table 68-4.	Revision
References	Updated references.	Revision

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CHAPTER 68

COST OF LIVING ALLOWANCE OUTSIDE THE CONTINENTAL UNITED STATES (OCONUS COLA) AND TEMPORARY LODGING ALLOWANCE (TLA)

1.0 GENERAL

1.1 Purpose

The ***OCONUS COLA*** is a non-taxable allowance that offsets the higher prices of goods and services, excluding housing, in foreign countries, U.S. territories, Alaska, and Hawaii. OCONUS COLA equalizes purchasing power so that a Service member can purchase the same level of goods and services OCONUS as he or she could if stationed inside the continental United States (CONUS). In addition to OCONUS COLA, station allowances in Chapter 68 include the TLA. The TLA partially offsets the cost of lodging and meals, and incidental expenses incurred while occupying temporary lodgings OCONUS.

1.2 Authoritative Guidance

This chapter includes policy previously cited in the Joint Travel Regulations (***JTR***), Chapter 9. The statutory requirements for the chapter are provided by Title 37, United States Code (U.S.C.), section 405 (***37 U.S.C. § 405***). The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 STANDARD ALLOWANCES

2.1 Definitions Specific to OCONUS COLA and TLA

2.1.1. Vicinity. The "vicinity" is the entire country, U.S. territory or possession, or state when in Alaska or Hawaii where the Service member's permanent duty station (PDS) is located. When a Service member resides with a dependent and commutes to the PDS, the dependent is considered to be residing at or in the vicinity of the PDS even if in an adjacent country or state. If the Service member transfers to a new PDS in the same country, state, or U.S. territory or possession as the designated place, and the Service member is required to maintain two separate households (for example, the Service member cannot commute daily from the dependent's location to the PDS), then a second station allowance may be authorized or approved through the Secretarial Process. In this case, the dependent is not considered at or in the vicinity of the Service member's PDS even though located in the same country, state, or U.S. territory or possession.

2.1.2. Government Dining Facility. Government dining facilities operate using appropriated funds and provide meals to Service members with or without charge under an agreement between the facility and the Government. Common terms for Government dining facilities include: Government mess, general mess, dining hall, dining activity, mess hall, galley, field kitchen, flight kitchen, or similar terms. Activities operated by non-appropriated funds, such

as an officer's mess, club, organized mess and other similar terms are not considered Government dining facilities. See Definitions for more information.

2.1.3. Government Quarters. "Government quarters" include individual quarters provided with or without charge under agreement with the Government. For COLA purposes, barracks are considered Government quarters, including dormitory and quarters aboard a ship. See Definitions for more information.

2.1.4. OCONUS COLA Index. The OCONUS COLA index represents how much more expensive it is to purchase goods and services OCONUS compared to the same level of goods and services available in an average location within the CONUS. For example, an OCONUS COLA index of 110 indicates that the prices in the area OCONUS are overall 10% more expensive than in the CONUS. An index of 100 indicates that the overall cost of the goods and services surveyed is approximately the same at the location OCONUS as in the CONUS and no COLA is warranted.

2.1.5. Service Member With-Dependent. A Service member is considered with-dependent if any of the following criteria apply:

2.1.5.1. The Service member is authorized to have a dependent reside at or in the vicinity of the Service member's PDS OCONUS and the dependent resides there;

2.1.5.2. The Service member was married to another Service member on effective date of the permanent change of station (PCS) order. If one Service member is later released from active duty or separated or retired from the Service, then he or she becomes a dependent if he or she remains near the active-duty Service member's former PDS; or

2.1.5.3. The Service member is joined by a dependent or acquires a dependent while serving OCONUS and the dependent is one of the following:

2.1.5.3.1. Command-sponsored and residing with a Service member at an OCONUS location at which an "accompanied by dependents" tour is authorized, the Service member is authorized to serve that tour, and the dependents are authorized by the appropriate authority to be at the Service member's PDS;

2.1.5.3.2. A bona fide resident of the same area as the Service member's non-foreign PDS OCONUS; or

2.1.5.3.3. An officer or civilian employee of the United States stationed in the same area as the Service member's non-foreign PDS OCONUS.

2.1.6. Service Member Without Dependent. A Service member is considered to be without dependent if any of the following criteria apply:

2.1.6.1. The Service member has no dependents;

2.1.6.2. The Service member does not have a dependent who resides at or in the PDS vicinity;

2.1.6.3. The Service member is joined by a dependent or acquires a dependent while serving OCONUS and the Service member is not a Service member with-dependent as defined in subparagraph 2.1.5;

2.1.6.4. The Service member has a dependent residing at or in the PDS vicinity who is not command-sponsored; or

2.1.6.5. The Service member does not have legal custody and control of a dependent (***Comp Gen B-131142, June 3, 1957***). For the purposes of COLA or TLA, a Service member paying child support for a child but who does not have legal custody or control of the child is without a dependent unless the Service member has a command-sponsored dependent at the PDS other than the dependent on whose behalf the Service member pays child support.

2.2 Eligibility for OCONUS COLA and TLA

2.2.1. Service Member Married to Another Service Member. When a Service member is married to another Service member who is on active duty, the spouse on active duty is not considered a dependent.

2.2.2. Unaccompanied Tour and "Unusually Arduous Sea Duty." When a Service member is assigned to an unaccompanied tour or "unusually arduous sea duty" and a dependent remains at the Service member's old PDS OCONUS or is at an approved designated place OCONUS, then the Service member is not considered to have a dependent at the unaccompanied or sea duty PDS. The Service member is eligible for OCONUS COLA or TLA at the with-dependent rate for the dependent's location.

2.2.3. Command-Sponsored. A dependent must be command-sponsored for the Service member to receive OCONUS COLA or TLA based on the dependent's presence unless the Service member is eligible for these allowances as specified under subparagraphs 2.1.5.2, 2.1.5.3 and/or the JTR, paragraphs 050809, 050814, 050903, or 050907.

2.3 Special Circumstances Affecting OCONUS COLA or TLA

2.3.1. Dependents Travel Before or After the Service Member Travels. Authorization or approval by either the Secretary concerned or the Secretarial Process may be made for the following:

2.3.1.1. Advance Travel. When dependents are command-sponsored and authorized to travel before the Service member and arrive at the new PDS OCONUS before the Service member, housing allowance changes can be based on the advance arrival at the PDS

OCONUS under Chapter 26, paragraph 10.7. If advance travel of dependents has been authorized or approved by the selected process, COLA payment is also authorized or approved, without separate action based on the number of dependents at the new PDS;

2.3.1.2. Delayed Travel. When dependents are authorized (or required) to travel from a PDS OCONUS after the Service member and arrive at a new PDS after the Service member, the housing allowance for the old PDS OCONUS can continue based on the dependents' delayed travel under Chapter 26, paragraph 10.7, and COLA for the same time period continues without separate action;

2.3.1.3. Deferred Travel. When dependent travel to a new PDS OCONUS is deferred, COLA at an old PDS OCONUS or designated place continues until the dependents depart or for 60 days after dependent travel to the new PDS is authorized. The Secretarial Process may extend the 60-day period (see Chapter 26, paragraph 10.6); or

2.3.1.4. Other Circumstances. Authorization or approval of housing allowance continuation under Chapter 26, paragraph 10.2 (e.g., training or a Service member's pending retirement), authorizes COLA continuation for the same time period without separate action.

2.3.2. Foreign-Born Dependent Returned to Country of Origin. If the Secretary concerned authorizes the return of a foreign-born dependent to the country of the dependent's origin, as specified in the JTR, paragraph 050804, including when the Service member is stationed in the same country, the Service member is authorized OCONUS COLA or TLA, as appropriate, at the with-dependent rate based on the dependent's location OCONUS. OCONUS COLA or TLA payments on behalf of the dependent's location begin on the day a dependent arrives at that location. See the DoD Instruction *(DoDI 1315.18)* (Procedures for Military Personnel Assignments) for the return of foreign-born dependents.

2.3.3. Observer to United Nations (UN) Peacekeeping Organization on a PCS. A Service member assigned on a PCS as an observer to a UN peacekeeping organization who receives a UN mission subsistence allowance is also authorized OCONUS COLA or TLA as specified in this chapter. The OCONUS COLA and TLA amount combined with the UN mission subsistence allowance is limited to the OCONUS COLA and TLA of a Service member permanently assigned to other than a UN Peacekeeping Organization in the same area. This paragraph does not authorize a reduction in the UN mission subsistence allowance.

2.3.4. Service Member Assigned to Unaccompanied Tour or "Unusually Arduous Sea Duty." The OCONUS COLA or TLA payment for the dependent's location begins on the day he or she arrives at that location.

2.3.4.1. Requirements. Table 68-1 specifies OCONUS COLA and TLA when a Service member with a dependent serves an unaccompanied tour or is on "unusually arduous sea duty."

2.3.4.1.1. If the location is a designated place in a non-foreign area OCONUS and the Service member is assigned to an unaccompanied tour, a dependent-restricted tour, or "unusually arduous sea duty," one of the following conditions must apply:

2.3.4.1.1.1. The Service member was a legal resident of that area before entering active duty;

2.3.4.1.1.2. The Service member's spouse was a legal resident of that area when they married,

2.3.4.1.1.3. The Service member was called to active duty from that area,

2.3.4.1.1.4. It is the Service member's home of record,

2.3.4.1.1.5. The relocation of the Service member's dependent was authorized or approved through the Secretarial Process, or

2.3.4.1.1.6. The dependent remained at his or her current location prior to the Service member's assignment.

2.3.4.1.2. If the Service member is scheduled to serve an accompanied tour immediately after completing an unaccompanied tour or "unusually arduous sea duty," OCONUS COLA or TLA for a location OCONUS may be authorized. The Service member must have sufficient time in Service remaining as specified in the JTR, paragraph 050806 for an unaccompanied tour or as specified in the JTR, paragraph 050814 for a dependent-restricted tour or "unusually arduous sea duty."

2.3.4.1.3. If the Service member is serving a dependent-restricted tour or "unusually arduous sea duty," a location OCONUS may be justified under unusual conditions or circumstances if authorized or approved by the Secretary concerned.

2.3.4.2. Payment of Allowances to Service Member at Unaccompanied Tour or "Unusually Arduous Sea Duty" Station. While a Service member is authorized station allowances for a dependent's location, the Service member is also authorized the OCONUS COLA and TLA, if any, at the "without dependent" rate at the new PDS.

2.3.4.3. Subsequent Reassignment to an Accompanied Tour Area. Upon a subsequent PCS order to an accompanied tour area to which dependent transportation is authorized, OCONUS COLA and TLA stop the day before the Service member departs due to the PCS order or the day before the effective date of the home port change from OCONUS. See paragraph 3.2 for OCONUS COLA exceptions.

2.3.4.4. Dependent Relocates from a Designated Place at Personal Expense. If a dependent relocates from a designated place at personal expense, station allowances must stop or be reduced by the number of dependents departing the day before the dependent departs the

designated place. Station allowances are not authorized at the dependent's new location because that location is not a designated place.

3.0 OCONUS COLA

An OCONUS COLA is authorized for a Service member assigned to a PDS OCONUS to help maintain the equivalent purchasing power of the discretionary portion of spendable income as the Service member's counterparts based in the CONUS. This allowance compensates for the higher cost of goods and services OCONUS. To calculate the OCONUS COLA, the goods and services purchased in an area OCONUS, excluding housing, are compared to the cost of goods and services purchased in the CONUS. See paragraph 2.3 for special circumstances affecting OCONUS COLA.

3.1 Factors That Affect OCONUS COLA Rates

3.1.1. Geographic Location. The geographic location of the PDS governs the OCONUS COLA payable unless otherwise authorized or approved through the Secretarial Process. See COLA Information for current geographic information.

3.1.2. COLA Indexes. See ***OCONUS COLA Calculator*** for specific locations OCONUS. COLA rates are based on a Service member's PDS. Paragraph 3.3 provides the rates when any of the following occur:

3.1.2.1. A ship's home port is the PDS for OCONUS COLA purposes;

3.1.2.2. A dependent resides at a location other than the PDS in connection with an unaccompanied assignment; or

3.1.2.3. A dependent is evacuated.

3.1.3. Calculating OCONUS COLA Indexes. See Calculation of OCONUS COLA Index.

3.1.4. Surveys. The two surveys conducted to determine prices OCONUS are the Living Pattern Survey (LPS) and the Retail Price Schedule (RPS). See the Defense Travel Management Office ***(DTMO) Survey Instruments*** for more detailed information about the LPS and RPS data surveys. Data from these surveys help determine the OCONUS COLA indexes.

3.1.5. Foreign Currency Exchange Rates. The Office of the Undersecretary of Defense, Personnel and Readiness (OUSD (P&R)) reviews and adjusts exchange rates when necessary for countries where Service members are assigned. OUSD (P&R) adjusts OCONUS COLA based on currency fluctuations as frequently as twice monthly. See the ***DTMO Currency Adjustment*** for more information.

3.1.6. COLA Unique Expenses. In some areas OCONUS, a Service member or dependent incurs mandatory and excessive expenses that a Service member based in CONUS does not normally incur. Since the expenses are not incurred by every Service member OCONUS, they

cannot be a part of the ordinary COLA index calculation. For these expenses, payment is a lump-sum dollar-for-dollar reimbursement for a specifically authorized expense at a designated authorized location.

3.1.6.1. Authorization. All requests to authorize a COLA Unique Expense must be submitted from a Major Command to OUSD (P&R) through the applicable Service representative listed at ***Uniformed Services Contact Information***. OUSD (P&R) specifically authorizes or approves the expense for reimbursement according to the ***DoD Overseas Station and Housing Allowance Process Guide***. OUSD (P&R) does not accept requests from individual Service members to authorize a COLA Unique Expense.

3.1.6.2. Reimbursement. The Secretary concerned may reimburse a COLA Unique Expense if Table 68-2 authorizes the location and expense. Services may alternatively use the Secretarial Process to reimburse an authorized expense or expenses. Once a COLA Unique Expense has been authorized for a location, no further examination may be made to compare the spendable income of the claimant to the amount of the expense claimed. Any claim based on a valid receipt for an authorized COLA Unique Expense may be reimbursed in a lump sum, dollar-for-dollar, through Service payment procedures. The Service concerned is not required to recover any amount refunded to a Service member by a foreign government agency.

3.1.6.3. Authorized Locations and Expenses. Table 68-2 specifies the authorized locations and expenses for a COLA Unique Expense reimbursement.

3.1.7. OCONUS COLA Report Submission. See Part 2 of the DoD Overseas Station and Housing Allowance Process Guide.

3.2 Start and Stop OCONUS COLA

3.2.1. Start OCONUS COLA. Generally, OCONUS COLA starts on the day a Service member reports to a new PDS, the effective day of a home port change, or the day his or her dependent arrives before the Service member at either the new PDS or the new home port, as specified in paragraph 3.3. However, if the Service member is authorized a monetary allowance in lieu of transportation plus per diem (MALT Plus) on the reporting day, OCONUS COLA starts on the day after the Service member's reporting day.

3.2.2. Stop OCONUS COLA. OCONUS COLA stops the day before a Service member departs from OCONUS on a PCS order or the day before the effective date of a ship's or unit's home port change unless any of the following occur:

3.2.2.1. An extension is authorized through the Secretarial Process;

3.2.2.2. OCONUS COLA is authorized during a PCS between PDSs in close proximity, when at the new PDS the member continues to commute from the residence occupied at the old PDS. OCONUS COLA continues during temporary duty (TDY) en route. If the COLA rate differs, the rate for the old PDS is paid through the day prior to the member's report date. COLA for dependents is paid as specified in paragraph 3.3; or

3.2.2.3. A Service member without a dependent undergoes a home port change. In that circumstance, the Service member is authorized OCONUS COLA based on the old home port until the day he or she moves back aboard the ship under the following conditions:

3.2.2.3.1. The ship does not depart from the old home port before or on the effective date of the home port change; and

3.2.2.3.2. Quarters on board the ship are not available, such as when the ship is in dry dock.

3.3 OCONUS COLA for Service Member With a Dependent

A Service member with a dependent is authorized OCONUS COLA based on the number of command-sponsored dependents at the PDS vicinity, regardless of Government dining facility availability. This includes when the Service member has a dining facility aboard ship available. Table 68-3 specifies exceptions. A Service member is authorized OCONUS COLA for all command-sponsored dependents, including a Federal employee who is a spouse or child and eligible for a post allowance in his or her own right. Paragraph 3.5 specifies OCONUS COLA authority for a Service member married to another Service member.

3.3.1. Home Port Change. If a Service member is currently assigned to a ship or other fleet unit with an announced home port change (or receives a PCS order to a ship or other fleet unit with an announced home port change) and a dependent is authorized to travel to the new home port, the new home port is the Service member's PDS for COLA purposes (*65 Comp Gen 888 (1986)*).

3.3.2. PCS Order Amendment Changes the PDS. When a Service member receives a PCS order amendment that names a different PDS before he or she joins a dependent who has already arrived at or in the vicinity of a new PDS OCONUS, and on whose behalf OCONUS COLA was authorized, OCONUS COLA at the original PDS rate ends on the dependent's departure day for the newly designated PDS. OCONUS COLA at the initial PDS can extend more than 60 days after the amended order effective date only if specifically authorized or approved through the Secretarial Process. OCONUS COLA at the new PDS rate based on the number of command-sponsored dependents begins on the dependent's arrival day.

3.3.3. OCONUS COLA Due to Evacuation of the Service Member's PDS. If a Service member's PDS is evacuated, OCONUS COLA at the with-dependent rate stops on the dependent's departure date due to the evacuation. Until the dependent returns to the Service member's PDS, the Service member is considered "without a dependent" for OCONUS COLA purposes. When a dependent is evacuated from OCONUS or from a location in the CONUS to reside at an authorized or approved designated place OCONUS, the Service member is authorized OCONUS COLA at the with-dependent rate for the designated place beginning the day after per diem stops. Station allowances are not payable for a dependent who is not command-sponsored at the Service member's PDS OCONUS.

3.4 OCONUS COLA for Service Member Without a Dependent

3.4.1. Reduced OCONUS COLA. When both Government quarters and a Government dining facility are available, a Service member is paid a reduced OCONUS COLA. Reduced OCONUS COLA is calculated using a fixed percentage of the COLA rate for a Service member with no dependents living in private-sector housing.

3.4.2. Government Dining Facility Availability. The decision to authorize OCONUS COLA for a Service member without a dependent is based on whether the dining facility is actually available to the Service member, whether he or she is expected to purchase food for preparation in Government quarters, and whether the Government quarters have facilities to keep and prepare meals.

3.4.2.1. For OCONUS COLA purposes, if a permanently assigned Service member purchases meals or receives meals at no cost at a Government dining facility, or receives meals using a Government-provided meal card, then a Government dining facility is available.

3.4.2.2. Table 68-4 specifies the conditions for determining OCONUS COLA authorization for a Service member without a dependent.

3.4.3. Leave Periods. If a Service member without dependent takes leave away from the PDS vicinity OCONUS, OCONUS COLA continues for the first 30 days and stops on day 31. If OCONUS COLA is stopped, it starts again the day the Service member returns to the PDS from leave.

3.5 Service Member Married to Another Service Member

Table 68-5 specifies OCONUS COLA for a Service member married to another Service member. See Table 68-4 for COLA when both Service members are grade E-5 or below, are serving on sea duty, and have no other dependents.

3.6 Non-Command-Sponsored Dependent in PDS Vicinity

A Service member who is serving an unaccompanied tour at a PDS OCONUS is not authorized with-dependent OCONUS COLA when a non-command-sponsored dependent accompanies or joins the Service member, even if the Service member chooses not to use an available Government dining facility. The Service member is authorized the same OCONUS COLA as any other Service member without a dependent under the same conditions (see subparagraph 3.4.1). If the Service member changes the tour election and agrees to serve the tour as accompanied, with-dependent, OCONUS COLA as specified in paragraph 3.3 starts on the day the dependent becomes command-sponsored.

3.7 Fractional Cost of Living Allowance for a Service Member Without a Dependent

3.7.1. Eligibility. This paragraph applies only to a Service member receiving the reduced OCONUS COLA. The PDS includes a ship or other unit having an assigned home port OCONUS as opposed to an assigned PDS OCONUS.

3.7.1.1. The Service member's duty, as distinguished from a travel status, must require his or her absence from the PDS during one or more meals.

3.7.1.2. The commanding officer, or an officer designated by the commanding officer for that purpose, must validate that the meals are not furnished.

3.7.2. Allowances

3.7.2.1. The COLA is for the PDS, or in the case of a Service member assigned to a ship or other unit having an assigned home port OCONUS, the place where the Service member takes meals. Calculate the fractional COLA amount payable by applying the percentages specified in Table 68-6 for the meals involved to the daily COLA at the "0 dependent" rate for the PDS.

3.7.2.2. A Service member without a dependent receiving the reduced OCONUS COLA rate is authorized a percentage of the "0 dependent" COLA rate for each meal not provided in a Government dining facility in addition to the reduced OCONUS COLA.

3.8 Service Member Assigned to Ship or Fleet Unit

3.8.1. Delayed Travel. Secretarial authorization or approval of the housing allowance for a dependent continuing during the delayed departure from a PDS OCONUS, as specified in Chapter 26, also authorizes COLA continuation for the same time period without a separate authorization or approval. Subparagraph 4.8.3 applies whether the Service member's new PDS is in the CONUS or OCONUS.

3.8.2. Service Member Assigned to Duty Aboard a Two-Crew Nuclear Submarine. The ship's home port is the Service member's PDS for station allowances.

3.8.2.1. When a Service Member Reports to the Home Port Before Reporting Aboard. When a Service member is assigned to a two-crew nuclear submarine and reports to the ship's home port before reporting aboard because the ship is deployed, the Service member is authorized station allowances the day after he or she arrives at the home port, and no further travel is required by the order before reporting aboard the submarine (***57 Comp Gen 178 (1977)***).

3.8.2.2. Service Member Without a Dependent Ordered to a TDY at Home Port (OCONUS COLA Only). OCONUS COLA is authorized for a Service member without a dependent while the Service member is performing a TDY ashore if all of the following conditions are met:

3.8.2.2.1. The Service member is assigned to a two-crew nuclear submarine,

3.8.2.2.2. The Service member has reported aboard, and

3.8.2.2.3. The training and rehabilitation is for a period of 16 or more days at the ship's home port OCONUS.

3.9 Reserve Component (RC) Member

3.9.1. Eligibility. An RC member called or ordered from a residence OCONUS to active duty or active duty for training (ADT) may be authorized OCONUS COLA. Command sponsorship is not required when a Service member is authorized OCONUS COLA at the with-dependent rate for the place last entered (or called to) active duty (PLEAD). The Service member must reside permanently in the area concerned at the time called or ordered to active duty (*55 Comp Gen 135 (1975)*).

3.9.2. Allowances. An RC member is authorized OCONUS COLA for the tour duration as specified in Table 68-7 unless he or she is called or ordered to active duty for any of the following reasons:

3.9.2.1. Training for 140 or More Days. The initial OCONUS COLA rate ends on the day before the Service member reports at the duty location specified in the active-duty order. Authority for OCONUS COLA for the PDS location begins the day the Service member reports at that location. A Service member called or ordered to ADT from a location in the CONUS for 140 or more days at one location is authorized OCONUS COLA in the same manner as a Service member already on active duty;

3.9.2.2. Other Than Training for 181 or More Days With PCS Allowances. A Service member called or ordered to active duty for other than training from a location in the CONUS for 181 or more days at one PDS location OCONUS is authorized OCONUS COLA as of the day he or she reports at that location except as in subparagraph 3.9.2.3. The initial rate for the primary residence OCONUS stops the day before the Service member reports at the PDS duty location specified in the active-duty order. OCONUS COLA authority for the PDS location begins the day the Service member reports at that location; or

3.9.2.3. Other Than Training for 181 or More Days But Not Authorized HHG Transportation. When HHG transportation is not authorized, an RC member called or ordered to active duty for other than training for 181 or more days at one location, away from his or her primary place of residence OCONUS at the time called or ordered to active duty, is assigned to duty at that residence and paid OCONUS COLA at that location rate. HHG transportation under a TDY order does not affect this authority. OCONUS COLA authority begins on the first active-duty day.

3.10 Calculations for OCONUS COLA

Calculate a Service member's OCONUS COLA payment using data from three individual sources and tables: the Annual Compensation Table, the Spendable Income Table, and the COLA Index Table. OCONUS COLA is specified as a daily rate. The annual COLA is calculated by multiplying the Service member's annual spendable income by the authorized COLA index. For OCONUS COLA, spendable income is that portion of the Service member's annual compensation used to purchase items in the RPS. Use Table 68-8 to calculate annual OCONUS COLA and Table 68-9 to calculate monthly OCONUS COLA. See ***Overseas COLA Computation Example***.

4.0 TLA

TLA is intended to partially pay a Service member for higher-than-normal expenses incurred by a Service member or dependent while occupying temporary lodging OCONUS. OCONUS TLA is available when it is necessary for a Service member or dependent to occupy temporary lodging upon arrival at, or immediately before leaving, a PDS OCONUS, or during other periods as specified in this section. Personal inconvenience to a Service member or dependent is never a determining factor. TLA is not intended, and must not be used, for the personal enrichment of a Service member, including authorization or approval of TLA Special (see paragraph 4.10).

NOTE: Organizations are expected to take appropriate disciplinary action when TLA is provided for inappropriate reasons.

4.1 TLA Authority

The senior commander of the Service in the country or area is the TLA Authority. In countries or areas where more than one Service is represented, the senior commander of all of the Services is the TLA Authority. The TLA Authority may delegate authority as determined appropriate to judiciously administer TLA. TLA may be authorized when a Service member or dependent needs to occupy temporary lodging at personal expense. The TLA Authority authorizes or approves TLA only for the number of days needed to prevent undue financial hardship to the Service member during that period.

4.2 TLA Authority Responsibilities

The TLA Authority must issue written TLA guidance for the country or area under his or her responsibility. Effective guidance and management at all levels should minimize TLA costs by preventing the need for TLA, shortening the authorized period, and reducing the amount payable.

4.2.1. Submit Written Guidance. An electronic (Word) copy of the required written guidance and changes to or re-issuances of the written material implementing this authority must

be provided, via the Service Compensation Chief, to the Allowances Division, OUSD (P&R). This written material must be coordinated with the Uniformed Services present in the country or area, consistent with the general payment conditions listed in this chapter and designed to uniformly authorize TLA to each Service member.

4.2.2. Establish Efficient Policies. To ensure economical TLA administration, the OCONUS TLA Authority's written guidance to help the Service member locate permanent quarters should emphasize all of the following:

4.2.2.1. A Service member and any dependents should use existing Government transient facilities to the fullest extent possible upon PDS arrival or departure. The Service member must be advised of and encouraged to use recommended temporary lodging;

4.2.2.2. A Service member in a TLA status should be given priority over other potential occupants of transient facilities;

4.2.2.3. A Service member uses, when practical, leased quarters furnished and equipped for temporary occupancy by a family;

4.2.2.4. Promote the use of temporary lodging with facilities for preparing and consuming meals;

4.2.2.5. Maintain contact with the local, private-sector market for permanent housing and provide incoming families with reliable, realistic, and current information concerning location, availability, description, and cost;

4.2.2.6. Maintain an up-to-date list of approved, regularly inspected temporary lodging;

4.2.2.7. Inform the Service member of Government furniture available upon arrival at the new PDS for temporary loan while occupying permanent Government quarters or private-sector housing before the household goods (HHG) arrive. Before departure from the PDS, inform the Service member of Government furniture available for temporary loan after the HHG has been picked up for shipment;

4.2.2.8. The Service member should occupy permanent Government quarters or private-sector housing as soon as possible upon arrival and should not vacate sooner than necessary upon departure on a PCS order. This should ensure that TLA ends the day before the Service member could reasonably occupy permanent Government quarters or private-sector housing upon arrival at the PDS OCONUS, even if he or she does not occupy permanent Government quarters or private-sector housing;

4.2.2.9. Requirements for dependent travel should contain advice to the Service member about appropriate household items to include in unaccompanied baggage; and

4.2.2.10. Any additional TLA period will not be authorized or approved when a Service member is not expected to incur any excess costs or suffer undue financial hardship.

4.2.3. Advise Service Members. It is the TLA Authority's responsibility to ensure that a Service member is advised of all of the following responsibilities and requirements:

4.2.3.1. The Service member must aggressively seek permanent Government quarters or private-sector housing upon arrival. When the Service member will be assigned Government quarters, the provision to seek private-sector housing is not applicable;

4.2.3.2. The Service member must register with an official upon arrival and keep that official informed of progress in obtaining permanent Government quarters or private-sector housing at intervals of 15 or fewer days, as determined by the TLA Authority;

4.2.3.3. The Service member must provide a statement to the official indicating the beginning and end of TLA;

4.2.3.4. The limitations on the number of authorized TLA days for arrival or departure and of any requirement for a written justification to extend TLA to the maximum number of days;

4.2.3.5. The requirement to relocate as soon as practical to other permanent Government quarters or private-sector housing, or to reoccupy the Government quarters or private-sector housing formerly occupied;

4.2.3.6. The amount of the TLA payment depends on the expenses incurred at the temporary lodging;

4.2.3.7. The Service member must obtain and keep receipts for lodging expenses to support TLA payment; and

4.2.3.8. Lodging expenses are not allowed while staying with friends or relatives, but the meal and incidental expense rate (M&IE) is payable for the eligible TLA period.

4.3 Applicable Situations for a TLA

4.3.1. Situations That Require Temporary Housing. TLA may be authorized during any of the following periods:

4.3.1.1. Upon initial arrival or reporting at a PDS OCONUS either while waiting for Government quarters or while completing arrangements for other private-sector housing when Government quarters are not available. This includes reporting for a TDY at an activity within the limits of the new PDS OCONUS (***Comp Gen B-208740, January 31, 1983***);

4.3.1.2. Immediately preceding departure for a PCS from a PDS OCONUS after a Service member vacates Government quarters or private-sector housing in connection with a PCS

order. This includes reporting for a TDY at a location within the limits of the old PDS OCONUS (Comp Gen B-208740, January 31, 1983);

4.3.1.3. While a Service member without a dependent is seeking permanent Government quarters or private-sector housing following a TDY assignment of 90 or more days when he or she vacated permanent Government quarters or private-sector housing before beginning the TDY (***59 Comp Gen 486 (1980)***);

4.3.1.4. During a Service member's hospitalization when a dependent must use temporary lodging OCONUS because the Service member was hospitalized en route between PDSs;

4.3.1.5. While house hunting after the Service member arrives at the new PDS and reports for duty in connection with a PCS; or

4.3.1.6. When the appropriate official determines that TLA is necessary for a Service member, once he or she is established in, must vacate, or is waiting to reoccupy permanent Government quarters, private-sector housing, or privatized housing for reasons beyond the Service member's control. This does not include a ship entering any type of maintenance availability. The appropriate official must base the determination on the OCONUS TLA Authority's written guidance.

4.3.1.6.1. TLA begins the day temporary lodging is first used and ends on the day before permanent Government quarters, private-sector housing, or privatized housing is reoccupied, or when the OCONUS TLA Authority determines TLA is no longer justified.

4.3.1.6.2. TLA does not include any expenses incurred before the TLA period begins or after it ends, except for extra lodging charges authorized as specified in section 6.0.

4.3.1.6.3. TLA ends if the OCONUS TLA Authority determines that TLA is no longer necessary due to any of the following reasons:

4.3.1.6.3.1. There are no excess costs,

4.3.1.6.3.2. The Service member failed to accept adequate permanent Government quarters; or

4.3.1.6.3.3. The Service member stopped diligently searching for permanent private-sector housing.

4.3.2. Additional TLA

4.3.2.1. In addition to the responsibilities in paragraph 4.2, the OCONUS TLA Authority's written guidance is used to determine whether undue financial hardship can result if an additional TLA period is not authorized or approved. The guidance must be used before

authorizing or approving additional TLA periods upon initial arrival, delayed departure, or early termination of either permanent Government quarters or private-sector housing.

4.3.2.2. Applications for additional TLA periods must establish the need for TLA.

4.3.2.3. The OCONUS TLA Authority must direct consideration of the daily amount of all of the following payments and expenses before authorizing additional TLA:

4.3.2.3.1. The amount of TLA the Service member has received or will receive;

4.3.2.3.2. Current and estimated expenses for temporary lodging;

4.3.2.3.3. The housing allowance for a Service member. However, the housing allowance is not considered when paid for a dependent at a place other than the Service member's PDS, or for a Service member receiving TLA at the with-dependent rate for the Service member only; and

4.3.2.3.4. Family Separation Housing.

4.4 General Payment Conditions

4.4.1. Service Member Responsibilities. The Service member must either meet the requirements in subparagraph 4.2.3 or submit acceptable reasons for noncompliance before TLA payment. TLA payment or further TLA authority must be denied if the Service member has not complied with those TLA requirements in accordance with the OCONUS TLA Authority's written guidance or if he or she failed to submit acceptable reasons for noncompliance.

4.4.2. Government Quarters. When Government quarters are available and other lodging is used, lodging reimbursement is limited to the cost of Government quarters as specified in the JTR, subparagraph 020303.C. If Government quarters are not available, the Service member should provide written certification to support any voucher documentation submitted to comply with finance regulations.

4.4.3. Non-Occupancy. If the temporary lodging is not occupied during a portion of the TLA period, reimbursement is allowed for the other days when it is occupied during the authorized TLA period.

4.4.4. TLA Periods. There may be a break between an initial TLA period and any additional authorized TLA period.

4.4.5. Unaccompanied Tour. A Service member serving an unaccompanied tour is not authorized TLA when he or she chooses not to use an available Government dining facility or available Government quarters because a non-command-sponsored dependent is in the PDS vicinity.

4.4.6. PCS Order Canceled or Revoked. When the Service member's PCS order is canceled or revoked after he or she occupies temporary lodging, the Service member may receive TLA reimbursement up to the maximum number of days allowed by the OCONUS TLA Authority.

4.4.7. Advance Payment. An advance may be paid for the number of authorized TLA days, after authority is provided, based on the appropriate directive issued as specified in the OCONUS TLA Authority's guidance.

4.4.8. Old and New PDS in Close Proximity or in the Same Country. When a Service member's old and new PDSs are in close proximity to each other or in the same country, the TLA authority does not change. However, when a Service member's new PDS is within commuting distance of the Government quarters or private-sector housing occupied while at the old PDS, the Service member may not be authorized TLA unless the Service member's commanding officer approves temporary lodging based on a necessary residence change for reasons beyond the Service member's control.

4.4.9. Certification Confirming Military Necessity. The following situations require that a Service member's order be annotated with or include an attached certification that retaining TLA lodging was due to military necessity and not due to the Service member's personal choice or convenience:

4.4.9.1. When a Service member receiving TLA is ordered on a TDY while away from the PDS;

4.4.9.2. When a Service member receiving TLA before his or her PCS departure is ordered on deployment from the PDS, including the home port or permanent duty location of a ship, staff, or afloat unit; or

4.4.9.3. When a Service member receiving TLA is hospitalized after arrival at a new PDS or before a PCS departure.

4.5 Receipt of Multiple Allowances

Duplicate payment for the same expense is not authorized.

4.5.1. COLA and Housing Allowances. A Service member may be paid a COLA, a ***Basic Allowance for Housing***, or an ***Overseas Housing Allowance (OHA)***, if applicable, when paid TLA.

4.5.2. Evacuation Allowances. TLA is not payable due to an evacuation.

4.5.3. Temporary Quarters Subsistence Expenses (TQSE) or Temporary Quarters Subsistence Allowances (TQSA). A Service member married to a civilian employee may be authorized TLA while the civilian employee receives TQSE or TQSA, (see the JTR, section 0542) as long as the TLA and TQSE or TQSA payments cover different expenses.

4.5.4. Dependent Receives Basic Pay. A Service member may not be paid allowances on behalf of a dependent for any period while that dependent is entitled to basic pay as specified in *37 U.S.C. § 204* and *37 U.S.C. § 421*.

4.6 TLA for Initial Assignment

4.6.1. Authorization Period. TLA authorization for a PDS assignment OCONUS requiring a residence change ordinarily should not exceed 60 days, which do not have to be consecutive. The initial 60-day period begins on the same date as the COLA. The OCONUS TLA Authority's Authorizing Official (AO) may authorize or approve a period in addition to the initial 60-day maximum to follow immediately after the first 60 days or begin at some later date after the initial period expires. The additional period may be authorized or approved in increments of 15 or fewer days for any of the following reasons beyond the Service member's or dependent's control:

4.6.1.1. HHG does not arrive;

4.6.1.2. Service requirements cause a delay in the availability of or assignment to Government quarters;

4.6.1.3. Acts of God, fire, flood, earthquake, riot, civil unrest, or other disturbances that make normally available or anticipated Government quarters or private-sector housing temporarily or permanently uninhabitable or unavailable;

4.6.1.4. A landlord withdraws the private-sector housing from the market;

4.6.1.5. The Service member is unable to secure private-sector housing that the housing officer considers suitable to the Service member's needs, in an acceptable location, and comparable to and within the price range of housing that other Service members in the area are currently using. The lease cost for housing can exceed the OHA ceiling; or

4.6.1.6. Either the Service member or dependent is hospitalized, or the Service member's duties require the Service member to be away from the PDS (or home port, if attached to a ship) limiting opportunities to arrange for permanent Government quarters or private-sector housing.

4.6.2. Review of Effort to Find Permanent Housing. At the end of the first TLA period of 15 or fewer days, or a longer period authorized under extenuating circumstances, the OCONUS TLA Authority's AO should review the Service member's progress in obtaining permanent housing.

4.6.2.1. If the Service member's efforts appear deficient, the OCONUS TLA Authority's AO must remind the Service member of his or her responsibilities. A Service member who does not comply, without an acceptable reason, will lose authorization for TLA unless the Service member is awaiting assignment to Government quarters.

4.6.2.2. The Service member's absence from the PDS due to a TDY, maneuvers, being aboard ship, sickness, hospitalization, serious illness of dependents, or other acceptable reasons, excuses the Service member from aggressively seeking permanent housing during the absence and postpones the date for submitting the required information. This applies when evaluating the Service member's progress toward obtaining permanent Government quarters or private-sector housing and in determining TLA authorization or approval during each succeeding period.

4.6.3. TLA Authorization. TLA authorization that starts upon initial arrival continues until a Service member occupies permanent Government quarters or private-sector housing unless TLA is terminated earlier for an acceptable reason specified in this chapter. The allowance stops accruing on the day before a Service member occupies the permanent housing. With the exception of allowed extra lodging charges, no expenses incurred on the permanent Government quarters or private-sector housing occupancy day are used in computing TLA (see section 6.0). In any case, TLA must stop the day HHG is delivered.

4.7 TLA for Initial Assignment When New PDS is a Ship

4.7.1. Reporting Day. On the actual reporting day aboard a ship, the lodging cost for lodging jointly occupied by the Service member and a dependent is not divided between the Service member and the dependent. The entire lodging cost is included as a TLA expense.

4.7.2. Period While Awaiting the Ship's Arrival

4.7.2.1. When a Service member is in a TDY status at the home port OCONUS awaiting arrival of his or her assigned ship, he or she is eligible for per diem. Therefore, the Service member is ineligible for TLA during the waiting period. The waiting period begins on the arrival day at the home port and continues through the day before the actual reporting day aboard the ship. During this waiting period, the ship is the Service member's new PDS for personal travel. For TLA purposes, the Service member has not reached the new PDS until reporting to the ship. TLA can begin after the Service member reports to the ship and meets the other criteria in this chapter.

4.7.2.2. The number of dependents occupying temporary lodging in the PDS area or the home port when the new PDS is a ship determines the amount to authorize for meals, which is used to compute the TLA rate payable on behalf of any dependents for days when a Service member is authorized per diem.

4.7.2.3. When a Service member receiving per diem is also receiving TLA for a dependent, and both are at the home port, lodging costs for jointly occupied lodging are apportioned 50% for the Service member and 50% for all dependents combined for all days except on the reporting day to the ship, regardless of the number of family members.

4.7.3. TLA During Home Port Change for Initial Assignment. If a Service member is currently assigned to a ship or other fleet unit with an announced home port change, or is in receipt of a PCS order to a ship or other fleet unit with an announced home port change, and the dependent

is authorized to travel to the new home port as the new home port is the Service member's PDS for TLA purposes (65 Comp Gen 888 (1986)).

4.8 Service Member Arrives or Departs at a Different Time Than a Dependent

4.8.1. Service Member Arrives Before Dependent. When a Service member arrives at a PDS OCONUS before a dependent, the Service member may be authorized TLA if the conditions specified in section 4.0 are met. Upon the dependent's arrival, TLA may also be authorized or approved for the Service member and dependent. If the dependent arrives after the initial 60-day period expires, an additional TLA period may be authorized as specified in subparagraph 4.8.3 whether or not TLA was paid during the initial 60-day period.

4.8.2. Dependent Arrives at or in the PDS Vicinity OCONUS Before the Service Member. Authorization or approval through the Secretarial Process is required for the dependent's arrival in advance of the Service member as specified in Chapter 26 before TLA payment. Once advance travel is authorized or approved, and a dependent arrives at or in the PDS vicinity OCONUS, the dependent's TLA starts the day TLA is authorized for the Service member provided the dependent is command-sponsored.

4.8.3. Dependent Departs the PDS Vicinity OCONUS After the Service Member. Before TLA payment, authorization or approval through the Secretarial Process is required for the dependent's delayed travel as specified in Chapter 26. Once delayed travel is authorized or approved, TLA for the dependent is authorized under the same conditions as applicable to a Service member when a dependent departs the PDS vicinity OCONUS after the Service member.

4.9 TLA Upon Departure

4.9.1. Time Limitation. The TLA period cannot start more than 10 days before the Service member leaves the PDS in compliance with a PCS order, except in the following situations:

4.9.1.1. One or more dependents remain in the old PDS vicinity as specified in Table 68-10. TLA may be authorized up to 10 days immediately preceding the day the last dependent leaves the PDS. This is regardless of the effective date of the PCS order from that PDS;

4.9.1.2. A longer TLA period is authorized due to delayed departure or the early termination of permanent Government quarters or private-sector housing; or

4.9.1.3. The Service member or dependent is hospitalized, or the Service member's duties require the Service member to be away from the PDS or home port, if attached to a ship.

4.9.2. Departure From PDS. Table 68-10 specifies the TLA authorization upon departure from a PDS under certain circumstances.

4.10 Special TLA Requests (TLA Special)

TLA requests for a higher lodging factor (TLA Special) under special or unusual circumstances may be authorized only before the dates required and by the Allowances Division Director's issued determination. See TLA Special computation examples at the DTMO Computation Examples web page.

4.10.1. TLA Special Warranted. When lodging costs escalate due to a special event and TLA is insufficient for lodging, a TLA Special may be warranted for a specific period.

4.10.2. Request Requirements. Commands must submit requests before the days that the higher rate is needed. The request must include all of the following:

4.10.2.1. The event dates and the dates when a TLA Special is required;

4.10.2.2. Hotel prices before the event and anticipated prices during the event stated in U.S. currency from at least five and preferably seven different hotels located in the affected area;

4.10.2.3. The number of authorized travelers and the ages of any dependents;

4.10.2.4. Locations affected;

4.10.2.5. Recommended lodging amount; and

4.10.2.6. Documentation indicating when the forthcoming special event will occur (***47 Comp Gen 127 (1967)*** and ***Comp Gen B-161396, May 3, 1976***).

4.10.3. Submission Process. The Service member's command may request TLA Special authority before the requested dates by email to:

E-Mail: dodhra.mc-alex.dtmo.mbx.allowances-branch@mail.mil

4.10.4. Limitations. Allowances Division, OUSD (P&R) will not take action on a TLA Special request received after the dates the TLA Special rate was needed, regardless of the circumstances.

4.10.4.1. TLA Special is not authorized for a Service member who is in a TDY status and receiving per diem at a home port OCONUS awaiting arrival of the assigned ship. The Allowances Division Director may authorize TLA Special for an accompanying dependent.

4.10.4.2. TLA Special stops the day after a Service member voluntarily refuses adequate Government quarters for personal convenience.

5.0 OTHER SITUATIONS FOR TLA

5.1 Service Member Married to Another Service Member

If two Service members married to each other maintain separate households at or in the vicinity of their PDS or PDSs OCONUS, each Service member is authorized TLA based on whether the Service member concerned has a dependent at or in the vicinity of the PDS OCONUS. See computation examples at the DTMO Computation Examples web page.

5.2 Period of TDY or Deployment While Away From PDS

A Service member receiving TLA who is ordered on a TDY (whether after arrival at the new PDS or before his or her PCS departure) or who is ordered on deployment from the home port of a ship, staff, or afloat unit, is authorized to continue to receive TLA on his or her own behalf. The temporary lodgings must be retained because of the Service member's military assignment. This may include the lodging cost at the TLA location while the Service member is on TDY.

5.3 Converted Tour

A Service member whose tour is converted to an accompanied tour may be eligible for TLA for him or herself and any command-sponsored dependent who was a dependent on the effective date of the PCS order to the PDS OCONUS if the conditions specified in the TLA Authority's written guidance are met. The Service member must make every reasonable effort to find suitable permanent Government quarters or private-sector housing for a dependent before the dependent arrives. TLA may be authorized or approved for the Service member and dependent only if the Service member is unable to find suitable housing before the dependent arrives for reasons beyond the Service member's control.

5.4 Service Member Acquires a Dependent

A Service member serving a tour OCONUS who has no dependents on arrival but who acquires a dependent during that tour is ineligible for TLA for the dependent when the dependent arrives at the PDS because the Service member was without a dependent on the effective date of the PCS order (***Comp Gen B-186628, September 17, 1976***). A Service member may be authorized TLA for him or herself, when eligible, or for a dependent acquired while serving at a PDS OCONUS if the dependent is command-sponsored at the PDS from which the dependent departs.

5.5 Hospitalization Period

A Service member receiving TLA who is hospitalized after arrival at a new PDS or before a PCS departure may continue to receive TLA on his or her own behalf. This may include the Service member's share of the temporary lodging cost as a TLA expense when, due to the hospitalization, temporary lodging must be retained at the PDS. The Service member's order must be annotated or have certification attached that states the TLA lodging was retained due to military necessity and not due to the Service member's personal choice or convenience.

5.6 Leave or Permissive Travel

5.6.1. Leave or Permissive Travel in the PDS Vicinity. After a Service member has reported for duty, TLA may be paid for any day he or she is on leave or permissive travel in the PDS vicinity and seeking private-sector housing or awaiting assignment to Government quarters. This enables a Service member to complete PCS travel and be placed on leave so that station allowance eligibility is established by reporting to the new PDS.

5.6.2. Leave or Permissive Travel Away From the PDS Vicinity. TLA is not payable for any day a Service member is on leave or permissive travel away from the PDS vicinity unless one or more dependents remain in the PDS vicinity to continue to seek private-sector housing or while awaiting assignment to Government quarters. In that case, the number of dependents who continue to occupy temporary lodging determines the rate payable. In either case, postponement of TLA pending return is not authorized. This provision helps ensure that TLA is paid only in connection with the PDS.

5.7 Dependent Assigned to Government Quarters

When a dependent is assigned to Government quarters in connection with advance arrival at a Service member's PDS OCONUS, during delayed departure from a Service member's PDS OCONUS, or "other circumstances" as specified in Chapter 26, a decision is made by either the Secretary concerned or through the Secretarial Process at the Service's discretion to pay or continue station allowances. When a dependent resides in Government quarters, a housing allowance is not authorized.

5.8 TLA for RC Member

An RC member called or ordered to ADT for 140 or more days or active duty for other than training for 181 or more days who is authorized PCS allowances is authorized TLA as specified in this chapter. When an RC member is authorized TLA at the with-dependent rate for the PLEAD, command sponsorship is not required. The RC member must reside permanently in the area concerned at the time called or ordered to active duty (55 Comp Gen 135 (1975)). COLA authorization begins on the first active-duty day.

5.9 Retirement or Separation From Service

A Service member who retires or separates from service, stays in the PDS area, and then moves at a later date or moves OCONUS to either a home of record or home of selection chosen by the Service member is ineligible for TLA or TLA Special.

6.0 TLA CALCULATIONS

6.1 TLA Rates Payable and Calculation Procedures

6.1.1. TLA Computation. Apply TLA accrual provisions for the standard TLA computation specified in paragraph 6.2 when computing TLA upon arrival and departure.

Expenses incurred on the departure day are not considered. However, when lodging expenses are incurred on the day of departure, calculate TLA as specified in this section. See TLA and TLA Special computation examples.

6.1.2. Extra Room-Charge Payment. When the Service member or a dependent, checks into or out of temporary lodging at a time of day that results in the payment of room charges for an extra day, calculate the lodging rate at 1.5 times the percentage rates specified in Table 68-11 for that extra day, except as specified in paragraph 6.3.1. M&IE remains at the specified percentages.

6.1.3. Number of Persons Occupying Temporary Lodging. When determining the number of persons occupying temporary lodging, do not count the Service member for any day that he or she is not authorized TLA on his or her own behalf.

6.1.4. TLA Authorized on the Reporting Day

6.1.4.1. When TLA is authorized on the reporting day, per diem is 75% of the locality M&IE rate for the new PDS OCONUS as determined in the JTR, paragraph 020310 when the Service member or dependent travels on a PCS order by commercial air, train, bus, ship, Government transportation, or Government-procured transportation. See the JTR, paragraph 050202 for reimbursement for commercial transportation and per diem. The lodging expense on the reporting day is reimbursed as TLA. See TLA computation examples.

6.1.4.2. TLA is not payable on the reporting day when MALT Plus is payable. The Service member may be authorized TLA when he or she, or a dependent, occupies temporary lodging on the reporting day to the new PDS and MALT Plus is not payable.

6.2 Standard TLA Computation

6.2.1. Time Limit. TLA is calculated in increments of 15 days, except when more than one TLA rate applies within the computation period. If the final lodging period is greater than 15 days, but less than 30 days it may be processed as a single payment.

6.2.2. Currency Conversion Fees. When determining the lodging expense in connection with TLA, add the International Transaction Fees, also known as currency conversion fees, charged by the Government Travel Charge Card (GTCC) to the actual daily lodging cost along with any lodging tax or value-added tax (VAT) relief certificate cost, and other authorized lodging costs. When using a personal charge card instead of the GTCC while not formally exempt from having a GTCC, International Transaction Fees charged by the credit card company are not part of the calculation.

6.2.3. TLA Calculation. Steps 1-3 explain how to calculate standard TLA using Table 68-11. When calculating TLA, use the actual amount without rounding.

6.2.3.1. Step 1: Calculate the daily M&IE and lodging ceiling by multiplying the percentage specified in Table 68-11 by the applicable locality ***per diem rate***. Exceptions to this

ceiling are specified in paragraph 6.3. Use the percentages specified in Table 68-11 for both lodging and M&IE except when any of the following circumstances apply:

6.2.3.1.1. A TLA Special has been authorized for lodging;

6.2.3.1.2. Temporary lodging is not available at the PDS;

6.2.3.1.3. Permanent Government quarters are being renovated or lack adequate cooking and eating facilities;

6.2.3.1.4. Temporary quarters contain adequate cooking facilities;

6.2.3.1.5. The Service member or dependent stays with friends or relatives. In that case, reimbursement of lodging cost is not authorized, but the TLA M&IE is paid;

6.2.3.1.6. A Service member is authorized a temporary lodging cost at the new PDS as specified in paragraph 5.2 as a TLA expense during a TDY or deployment period. In that case, the Service member is included in the number of persons for lodging, but not for M&IE. Determine the TLA amount payable by subtracting the Service member's share of the meal allowance from the total M&IE. To calculate the Service member's share, divide the M&IE amount by the total number of persons in the Service member's family, including the Service member, occupying the temporary lodging; or

6.2.3.1.7. The applicable percentage is 100% for the Service member and (non-service member) spouse. Add the percentage in Table 68-11 for the rest of the dependents. When calculating the percentage for a family without the spouse, use the Service member and one (the oldest) dependent at the 100% rate. Add the percentages in Table 68-11 for the rest of the dependents.

6.2.3.2. Step 2: Determine the payable lodging cost by comparing the actual daily lodging cost, including lodging tax or VAT relief certificate cost, International Transaction Fees charged by the GTCC, and other authorized lodging costs, as specified in subparagraph 6.2.2, with the lodging cost ceiling calculated using Table 68-11. Select the lesser amount:

6.2.3.2.1. Itemized lodging receipts, invoices, or vendor statements are required to verify lodging expenses; or

6.2.3.2.2. When the Service member is in a TDY status at the TLA location, regardless of the per diem amount received, reduce the lodging expense by the lodging cost used to determine the Service member's per diem rate.

6.2.3.3. Step 3: Determine the daily TLA amount by adding the payable lodging to the M&IE rate calculated as specified in Table 68-11. See TLA computation examples.

6.3 TLA Computation in Non-Standard Circumstances

6.3.1. TLA for Lodging Contracted by the Government or Under Government Jurisdiction. When the Service member or a dependent, checks into or out of lodging at a time of day that results in the payment of a lodging, rental, or service charge for an extra day, add the extra amount paid to the daily TLA amount for the check in day or the day before check out. TLA is computed according to standard TLA computations in either of the following situations:

6.3.1.1. A Government contractor furnishes temporary lodging; or

6.3.1.2. The temporary lodging is a guesthouse, exchange hotel, temporary lodging facility, or transient facility (such as visiting officer's quarters) under Government jurisdiction, whether operated with appropriated or non-appropriated funds.

6.3.2. Temporary Lodging Not Available at PDS. When neither Government nor commercial temporary lodging is available at the PDS and the Service member must obtain lodging nearby, determine the maximum daily TLA amount by multiplying the lodging location per diem rate by the percentage in Table 68-11. If the per diem rate for the lodging location is lower than that for the PDS, use the PDS locality per diem rate. Finance regulations may require a statement from the Service member's commanding officer or designee that the lodging used was the nearest suitable accommodations available to the Service member's PDS.

6.3.3. TLA Authorized for Limited Kitchen Facilities

6.3.3.1. A Service member may be authorized TLA to cover the cost of restaurant meals when kitchen facilities are limited and any of the following apply:

6.3.3.1.1. The Service member or dependent occupies Government quarters while the kitchen is being renovated;

6.3.3.1.2. The Service member or dependent occupies Government quarters or private-sector housing during utility loss; or

6.3.3.1.3. The Service member or dependent initially occupies permanent Government quarters or private-sector housing without a stove or refrigerator and meals cannot be prepared.

6.3.3.2. Calculate TLA for meals by multiplying the applicable percentage in Table 68-11 by the meals portion of the locality M&IE per diem rate.

6.3.4. Temporary Quarters Contain Facilities for Preparing and Consuming Meals. The presence of a stove and oven, counter or tabletop space, refrigerator, sink, water, table, chairs, and cooking and eating utensils is evidence of adequate cooking and eating facilities; however, the absence of one or more of these amenities does not automatically constitute inadequate cooking and eating facilities for TLA purposes.

6.3.4.1. When temporary lodging has adequate cooking and eating facilities, the daily TLA rate for lodging does not change, but the M&IE amount is reduced by one half. The reduced M&IE amount based on adequate cooking facilities does not apply when a friend or relative provides lodging or to the first and last days of TLA; in those cases, the full amount of M&IE is paid.

6.3.4.2. When the Service member demonstrates to the official designated in the local TLA regulations that the facilities for preparing and consuming meals are inadequate or, for other reasons, may not be used for all or part of the period involved, the Service member may be authorized TLA without the M&IE reduction.

Table 68-1. OCONUS COLA and TLA for a Service Member With a Dependent Serving an Unaccompanied Tour or on "Unusually Arduous Sea Duty"

RULE	If…	and…	then the applicable station allowance is authorized…
1	station allowances are authorized or approved by the same level of Secretarial approval as required for dependent travel,	a dependent relocates in connection with the Service member's PCS,	at the with-dependent rate based on the dependent's location OCONUS.
2	station allowances are authorized or approved by the same level of Secretarial approval as required for dependent travel,	a dependent does not relocate in connection with the PCS,	at the with-dependent rate based on the old PDS.
3	it is the Service member's first PDS,	the dependent's location is approved through the Secretarial Process,	for the dependent's location.
4	a Service member is transferred between unaccompanied tours or "unusually arduous sea duty" assignments,	a dependent remains at the Service member's prior PDS OCONUS or previously designated place and is authorized station allowances,	during the second tour.
5	a Service member is transferred between unaccompanied tours or "unusually arduous sea duty" assignments,	a dependent relocates to a new designated place in connection with the Service member's transfer,	for the new designated place as otherwise specified in this table.
6	a dependent is residing at or in the Service member's PDS vicinity (home port for "unusually arduous sea duty") when the PDS is declared an unaccompanied tour area,	a dependent moves to a designated place,	as otherwise specified in this table.
7	a dependent is residing at or in the Service member's PDS vicinity (home port for "unusually arduous sea duty") when the PDS is declared an unaccompanied tour area,	the dependent's initial move from the PDS was under evacuation conditions,	as specified in paragraph 3.3.4.

Table 68-1. OCONUS COLA and TLA for a Service Member With a Dependent Serving an Unaccompanied Tour or on "Unusually Arduous Sea Duty" (Continued)

RULE	If…	and…	then the applicable station allowance is authorized…
8	a dependent is en route to a Service member's PDS OCONUS or to a designated place to which transportation at Government expense has been authorized,	the new PDS (or home port for "unusually arduous sea duty") is declared an unaccompanied tour area,	based on the place to which the dependent is diverted, starting on the dependent's arrival date and stopping on the dependent's departure date from that location. A statement from the Service member's commanding officer, or an officer designated by the commanding officer, should support that the dependent was notified that permission to complete travel was withdrawn and that the dependent was directed to proceed to a specified place to await further instructions.
9	a dependent is en route to a Service member's PDS OCONUS or to a designated place to which transportation at Government expense has been authorized,	an amendment to the initial order or a new PCS order is issued assigning the Service member to another unaccompanied tour area or "unusually arduous sea duty" assignment,	based on the place to which the dependent is diverted, starting on the dependent's arrival date and stopping on the dependent's departure date from that location. A statement from the Service member's commanding officer, or an officer designated by the commanding officer, should support that the dependent was notified that permission to complete travel was withdrawn and that the dependent was directed to proceed to a specified place to await further instructions.

Table 68-2. Authorized Locations and Expenses for COLA Unique Expense Reimbursement

Location	Expense	Effective Date
Singapore	1. Mandatory and excessive road tax for one POV.	June 6, 2006
	2. Mandatory and excessive registration and transfer fees for one POV.	June 6, 2006

NOTE: For the most current approved locations and expenses, see the appropriate drop-down box on the OCONUS COLA landing page of on the DTMO website.

Table 68-3. OCONUS COLA for a Service Member With a Dependent

RULE	If…	then…
1	a Service member is on leave away from the PDS vicinity for 31 or more days and is accompanied by all command-sponsored dependents,	OCONUS COLA is not authorized beginning on the 31st day.
2	a command-sponsored dependent departs the PDS vicinity for a period of 31 or more consecutive calendar days,	OCONUS COLA payment beginning on the 31st day is reduced to the rate for the number of command-sponsored dependents remaining at the PDS.
3	a command-sponsored dependent departs the PDS vicinity to attend school,	OCONUS COLA payment is reduced the day after the dependent's departure to the rate for the number of command-sponsored dependents remaining. For early return of dependents (ERD), the rate is reduced the day after the dependent's departure or on the date the order was issued, whichever is later.
4	one or more, but not all, command-sponsored dependents depart the PDS vicinity for early or advance return,	OCONUS COLA payment is reduced the day after the dependent's departure to the rate for the number of command-sponsored dependents remaining. For early return of dependents (ERD), the rate is reduced the day after the dependent's departure or on the date the order was issued, whichever is later.
5	all the command-sponsored dependents depart the PDS vicinity for early or advance return,	the Service member becomes a Service member "without a dependent" and the OCONUS COLA at the with-dependent rate terminates the day before the command-sponsored dependent departs the Service member's PDS or the day before the date an ERD order is issued, whichever is later.
6	a Service member is in a confinement status due to disciplinary action,	OCONUS COLA is authorized only at the rate for the number of command-sponsored dependents who continue to reside in the PDS vicinity.

Table 68-3. OCONUS COLA for a Service Member With a Dependent (Continued)

NOTE: See paragraph 2.3 for early or advance return of a foreign-born, command-sponsored dependent authorized to travel to his or her native country.

*Table 68-4. Determining OCONUS COLA for a Service Member Without a Dependent
See Notes.

RULE	If…	then…
1	a Service member has Government quarters available but does not have a Government dining facility available for three meals a day at the PDS,	the Service member is authorized OCONUS COLA at the "0 dependent" rate.
2	the commander authorizing OCONUS COLA expects the Service member to cook and eat meals in Government quarters,	the Service member is authorized OCONUS COLA at the "0 dependent" rate.
3	a Service member has Government quarters available, but the commanding officer, installation commander, or delegated designee, provides a statement that using the Government dining facility is impractical due to mission or operational needs. (Note 1.)	the Service member is authorized OCONUS COLA at the "0 dependent" rate.
4	an enlisted Service member does not have Government quarters available and is authorized to mess separately,	the Service member is authorized OCONUS COLA at the "0 dependent" rate.
5	a Service member is authorized to mess separately and maintains a joint residence with a spouse who also is a Service member,	the Service member is authorized OCONUS COLA at the "0 dependent" rate.
6	a Service member in grade E-7 or higher who has no dependent chooses to occupy private-sector housing instead of Government quarters,	the Service member is authorized OCONUS COLA at the "0 dependent" rate.
7	a Service member in grade E-6 who has no dependent chooses to occupy private-sector housing instead of inadequate Government quarters,	the Service member is authorized OCONUS COLA at the "0 dependent" rate.

Table 68-4. Determining OCONUS COLA for a Service Member Without a Dependent (Continued)
See Notes.

RULE	If…	then…
8	a Service member has no dependent, is assigned to permanent duty aboard a ship, and occupies private-sector housing. (Note 2.)	the Service member is authorized OCONUS COLA at the "0 dependent" rate.
9	each Service member of a married Service member couple is in grade E-5 or below, has no other dependent, is assigned to permanent duty aboard a ship, and chooses to occupy private-sector housing instead of assigned Government quarters aboard a ship,	the Service member is authorized OCONUS COLA at the "0 dependent" rate.
10	the Service member has Government quarters available and eats, or is expected to eat, the majority of meals in a Government dining facility because meal preparation in the Government quarters is not expected or permitted,	the Service member is authorized the reduced OCONUS COLA rate.
11	a Service member has both a Government dining facility and Government quarters available at the PDS, including aboard a ship,	the Service member is authorized the reduced OCONUS COLA rate.
12	a Service member has Government quarters available and routinely eats two or more meals a day in a dining facility,	the Service member is authorized to receive only the reduced OCONUS COLA rate, not the "0 dependent" rate.
13	a Service member has Government quarters available but his or her non-command-sponsored dependents live at or near the PDS,	the Service member is authorized to receive only the reduced OCONUS COLA rate, not the "0 dependent" rate.

Table 68-4. Determining OCONUS COLA for a Service Member Without a Dependent (Continued)
See Notes.

RULE	If…	then…
14	a Service member without a dependent is in a confinement status and serving a sentence due to disciplinary action,	the Service member is not authorized OCONUS COLA.

NOTE:
1. Personal convenience is not a determining factor.
2. If the Service member is in grade E-6 or above, he or she may choose not to occupy assigned Government quarters aboard a ship. A member in grade E-4 or E-5 may be authorized to not occupy assigned Government quarters aboard a ship.

Table 68-5. OCONUS COLA for Two Service Members Married to Each Other

RULE	If two Service members married to each other…	then…
1	maintain separate households at or in the vicinity of their PDS or PDSs OCONUS,	each Service member is authorized OCONUS COLA, based on whether the Service member concerned has a dependent at or in the vicinity of the PDS OCONUS.
2	maintain a joint household at or in the vicinity of their PDS OCONUS,	one Service member is authorized to receive OCONUS COLA at a rate based on the number of dependents present, if any. The other Service member is authorized to receive OCONUS COLA at the "0 dependent" rate.

Table 68-6. Fractional COLA Rates by Meal

Meal	Applicable Percentage
Morning	7
Noon	15
Evening	15

Table 68-7. OCONUS COLA for RC Member Called or Ordered to Active Duty From OCONUS

Number of Days Called or Ordered to Active Duty	OCONUS COLA
31 or More	OCONUS COLA for the primary residence OCONUS at the time called or ordered to active duty, whether for a TDY or a PCS, beginning on the first active-duty day.
30 or Fewer	OCONUS COLA if the call or order to active duty is in support of a contingency operation or whenever there is no per diem authority. The Service member is authorized OCONUS COLA at the rate for his or her principal place of residence at the time called or ordered to active duty (55 Comp Gen 135 (1975)).

Table 68-8. Calculate Annual OCONUS COLA

Step	Procedure
1	Determine the Service member's annual compensation.
2	Determine the Service member's average annual spendable income: a. Locate the dollar range for the appropriate annual compensation amount, as determined in Step 1. b. Find where this dollar range intersects with the number of command-sponsored dependents on the annual spendable income table. c. This number is the Service member's average annual spendable income.
3	Find the Service member's COLA index based on the PDS.
4	Subtract 100 from the prescribed COLA index. Divide the difference by 100 to change it to a percentage (for example, 20 becomes 0.20 or 20%).
5	Multiply the Service member's average annual spendable income, in Step 2, by the percentage in Step 4. The result is the Service member's annual OCONUS COLA.

Table 68-9. Calculate Monthly OCONUS COLA

Step	Procedure
1	Divide the annual OCONUS COLA amount by 360 (days) (see Table 68-8).
2	Carry the result to five digits to the right of the decimal to get the daily amount.
3	Multiply the result by the number of days in the month for which the allowance is payable.
4	Round the amount to the nearest cent to get the monthly OCONUS COLA.

Table 68-10. TLA When Departing a PDS

RULE	Departure	TLA Authorization
1	Dependent Departs before the Service Member	When a dependent departs a PDS OCONUS before the Service member, TLA may be authorized for the Service member and dependent when eligible. TLA due to the dependent's departure is limited to 10 days immediately preceding the day the last dependent departs, and must not begin earlier than the issue date of the PCS order or official alert notice. Upon departure of the Service member at a later date, TLA may again be authorized or approved for the Service member.
2	Delayed Departure	When the authorized TLA period has begun and actual departure is delayed through no fault of the Service member or dependent, TLA may be authorized or approved by the AO, in increments of 10 or fewer days, for the entire period that temporary lodging is required. This includes a dependent's delay due to the Service member's death.
3	Early Permanent Housing Termination	When, for reasons beyond the control of the Service member or dependent, permanent Government quarters or private-sector housing must be relinquished more than 10 days before the estimated departure date, the AO may authorize or approve TLA beginning the day the permanent Government quarters or private-sector housing is relinquished. Acceptable reasons include: a. The Transportation Officer determines it necessary to ship HHG after considering anticipated leave; necessary travel time; HHG shipment transit times; compliance with requirements of local packing, crating, and shipping agencies; meeting shipping schedules; and other requirements related to HHG shipments. b. Expiration or termination of lease or rental agreement occurs after a Service member receives the PCS order or alert notice. c. A landlord withdraws the private-sector housing from the market. d. The AO determines that an Act of God, civil unrest, or other disturbance makes occupancy of permanent housing inadvisable. e. The Service member is required by lease, custom, or law to surrender housing at a fixed date more than 10 days before the scheduled departure or before a lease's expiration to permit inspection, finalization of utility bills and deposits, redecoration, or adjudication of damage claims. f. Housing authorities require the Service member to vacate permanent Government quarters for the Government's convenience. g. The OCONUS TLA Authority determines that permanent Government quarters or private-sector housing must be relinquished.

Table 68-10. TLA When Departing a PDS (Continued)

RULE	Departure	TLA Authorization
4	Service Member Detaches from a Ship Away from Home Port	When a Service member detaches on a PCS from a ship in a home port OCONUS while the ship is away from its home port and he or she returns to the home port, then TLA may be authorized unless he or she receives per diem. If per diem is authorized at the home port, the Service member can receive TLA only if a dependent occupies temporary lodging at the home port.
5	TLA before PCS Order Issuance	A Service member may be authorized TLA before a PCS order is issued. The PCS AO, or the designated representative, must provide a written statement that the Service member was advised that the order would be issued before the PCS order is actually issued. The Service member must provide this statement if required by finance procedures. Information, such as the date of eventual release from active duty, expiration of term of service, retirement eligibility, or expected rotation from duty OCONUS, is not notification of intent to issue an order (***52 Comp Gen 769 (1973)***). The length of time between when the Service member receives written advice that a PCS order will be issued and when the order is issued may not exceed the relatively short period between when a PCS order determination is made and when the order is actually issued.

Table 68-11. Daily M&IE and Lodging Percentages
See Notes.

Number of Eligible Persons Occupying Temporary Lodging	Lodging Percentage	M&IE Percentage
Service member or one dependent (total one person)	100 (Note 2)	65
Service member couples (total two persons - percentage each when lodging together)	65	65
Service member and one dependent, or two dependents (total two persons - percentage together)	100	100
Each additional dependent age 12 and older	35	35
Each additional dependent under age 12	25	25

NOTE:
1. See ***Temporary Lodging Allowances – Calculation Percentages*** on the DTMO website for the most current rates.
2. Prior to October 1, 2020, the one-person lodging rate was 65 percent.

*REFERENCES

CHAPTER 68 - COST OF LIVING ALLOWANCE OUTSIDE THE CONTINENTAL UNITED STATES (OCONUS COLA) AND TEMPORARY LODGING ALLOWANCE (TLA)

1.0 – GENERAL

1.1	37 U.S.C. § 405

2.0 – STANDARD ALLOWANCES

2.1.6.5.	Comp Gen B-131142, June 3, 1957
2.3.1.3.	Office of the Assistant Secretary of Defense, Manpower and Reserve Affairs Memo, dated December 6, 2022

3.0 – OCONUS COLA

3.3.1.	65 Comp Gen 888 (1986)
3.8.2.1.	57 Comp Gen 178 (1977)
3.9.1.	55 Comp Gen 135 (1975)

4.0 – TEMPORARY LODGING ALLOWANCE (TLA)

4.3.1.1.	Comp Gen B-208740, January 31, 1983
4.3.1.3.	59 Comp Gen 486 (1980)
4.5.4.	37 U.S.C. § 204
4.5.4.	37 U.S.C. § 421
4.7.3.	65 Comp Gen 888 (1986)
4.10.2.6.	47 Comp Gen 127 (1967)
4.10.2.6.	Comp Gen B-161396, May 3, 1976
4.10.4.3.	Office of the Assistant Secretary of Defense, Manpower and Reserve Affairs Memo, dated September 23, 2020

*5.0 – OTHER SITUATIONS FOR TLA

5.4	Comp Gen B-186628, September 17, 1976
5.8	55 Comp Gen 135 (1975)
Table 68-3	Office of the Assistant Secretary of Defense, Manpower and Reserve Affairs Memo, dated May 19, 2020

*REFERENCES (Continued)

Table 68-7	55 Comp Gen 135 (1975)
Table 68-10	52 Comp Gen 769 (1973)
Table 68-11	Office of the Assistant Secretary of Defense, Manpower and Reserve Affairs Memo, dated September 23, 2020

VOLUME 7A, APPENDIX A: "REIMBURSEMENT OF ADOPTION EXPENSES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated April 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision

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APPENDIX A

REIMBURSEMENT OF ADOPTION EXPENSES

1.0 GENERAL

1.1 Purpose

The purpose of this appendix is to prescribe the DoD policy for the reimbursement of adoption expenses to qualified members, as authorized by law.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with ***Title 10, United States Code (U.S.C.), section 1052***. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 APPLICABILITY AND SCOPE

This appendix applies to the Defense Finance and Accounting Service (DFAS)-Cleveland (CL) site, each Military Service personnel activity, and Service members serving on continuous active duty for at least 180 days. This appendix also applies to full-time Active Guard/Reserve members on active duty orders for at least 180 days.

3.0 POLICY

The members specified in section 4.0, whose adoption of a child under 18 years of age has been finalized, may be reimbursed a maximum of $2,000 per child for qualified expenses related to the adoption. In the event of multiple adoptions, the maximum reimbursable amount is $5,000 per calendar year. A benefit may not be paid for any expense paid to or for a member of the Armed Forces under any other adoption benefits program administered by the Federal Government or under any such program administered by a state or local government. The DFAS-CL site is responsible for paying all approved adoption reimbursement claims. DFAS-CL is also responsible for providing primary guidance concerning adoption expense reimbursement procedures. The date the claim is received by DFAS-CL determines the creditable calendar year for determining the maximum reimbursable amount for multiple adoptions.

4.0 ELIGIBILITY REQUIREMENTS

4.1 Active Duty Requirements

Service members must serve on continuous active duty for at least 180 days. In addition, members are not entitled to reimbursement expenses if they separate from active duty before the adoption is final. Members are eligible for reimbursement expenses if the adoption is finalized

before separation from active duty, the claim form has been signed and certified by the member's commanding officer, and the claim is submitted to the DFAS-CL site prior to discharge. Members may request a voluntary extension of assignment beyond their normal expiration of term of service to complete the adoption process.

4.2. Period of Eligibility

4.2.1. A member described in paragraph 4.1, who incurs expenses when adopting a child under 18 years of age, must have the adoption finalized while on active duty to be eligible for reimbursement. Prior to separation from active duty, members must submit an application for reimbursement no later than:

4.2.1.1. 2 years after finalization of the adoption; or

4.2.1.2. 2 years after date that documentation of U.S. citizenship is issued (in the case of a foreign adoption).

4.2.2. If deployment responsibilities impact the member's ability to comply with the 2-year deadline, DFAS can make exceptions. In these cases, the verifying official who signs the DoD (DD) Form 2675, Reimbursement Request for Adoption Expenses, will submit a letter stating that the member's deployment impacted the member's ability to comply with the 2-year deadline.

4.3 Eligible Members

Adoption expense reimbursements may be paid to married or single members. If both parents are military members (including members of the Coast Guard when operating as a Military Service in the Navy), then only one member may be reimbursed for expenses related to the adoption of the same child.

4.4 Qualifying Adoptions

4.4.1. Adoption expenses that may be reimbursed include:

4.4.1.1. Adoption of a child under the age of 18;

4.4.1.2. Adoption by a single person;

4.4.1.3. Infant adoption;

4.4.1.4. Inter-country adoption;

4.4.1.5. Adoption of a child with special needs; and

4.4.1.6. Adoption of stepchildren.

4.4.2. Adoptions qualify for reimbursement only if the adoption is arranged by:

4.4.2.1. A qualified adoption agency; or

4.4.2.2. Other source authorized to place children for adoption under state or local law.

4.4.3. A qualified adoption agency means any of the following:

4.4.3.1. State or local government agency which has responsibility under state or local law for child placement through adoption;

4.4.3.2. A nonprofit, voluntary adoption agency that is authorized by state or local law to place children for adoption; or

4.4.3.3. Any other source authorized by a state to provide adoption placement, if the adoption is supervised by a court under state or local law. (As used in this appendix, "state or local" refers to a state or locality in the United States.)

4.4.4. A qualified adoption agency for inter-country adoptions would be a foreign government or an agency authorized by a foreign government to place children for adoption, in any case which:

4.4.4.1. The adopted child is entitled to automatic citizenship in accordance with ***8 U.S.C. § 1431***, also known as the Immigration and Nationality Act; or

4.4.4.2. A certificate of citizenship has been issued for such child under ***8 U.S.C. § 1433***.

NOTE: In either case, documentation that describes the mission of the foreign agency and the authority delegated from the foreign government should be provided.

5.0 RESPONSIBILITIES

5.1 Member Responsibilities

5.1.1. A member must submit a Reimbursement Request for Adoption Expenses for reimbursement of qualifying expenses using a separate DD Form 2675 for each qualifying adoption. Application assistance is available through ***Military One Source adoption consultation*** or installation personnel designated by the Military Service. The completed DD 2675 and substantiating documentation must be submitted no later than:

5.1.1.1. 2 years after finalization of the adoption; or

5.1.1.2. 2 years after date that documentation of U.S. citizenship is issued (in the case of a foreign adoption).

5.1.2. A member must manually or digitally sign a thoroughly completed application for reimbursement and have it verified by the member's commander or designated verifying official.

5.1.2.1. When the DD 2675 is manually signed, the member's command must submit the application via AskDFAS or Postal Mail:

Note: The preferred method for Adoption Reimbursement Claims submission is through AskDFAS: See ***Adoption Reimbursement*** on DFAS.MIL.

Defense Finance and Accounting Service - Cleveland
Special Actions Team/JFLADA
ATTN: Adoption Reimbursement
1240 East Ninth Street
Cleveland, OH 44199

5.1.2.2. When the completed DD 2675 is digitally signed, either the member's command or the member must submit a copy of the application via AskDFAS or Postal Mail (see subparagraph 5.1.2.1).

NOTE: The member must retain the original application, including all supporting documents and proof (e.g., postal tracking receipt or AskDFAS confirmation receipt) that the application was submitted by the 2-year deadline.

5.1.3. If neither the member nor the spouse is able to appear personally at the servicing personnel activity, then the completed claim forms may be mailed to the personnel activity. The spouse of a Service member, who is unable to complete a claim package due to military duty, can sign a claim form under a power of attorney. All claims signed by a spouse must include the power of attorney as a part of the claims package.

5.1.4. Service members must substantiate all expenses with documentation. Documentation must include receipts marked "PAID" or canceled checks.

5.1.4.1. If the receipts are from a foreign entity, then they should list the U.S. currency equivalency.

5.1.4.2. Reconstruction of expense records is permissible when the original records are unavailable, and the member submits a notarized affidavit stating the costs.

5.1.4.3. The member must submit a full English translation of any foreign language document, to include the translator's certification that he or she is competent to translate the foreign language into English, and that his or her translation is complete and correct.

5.1.4.4. The member is responsible for providing the appropriate documentation that establishes the adoption is final and that it was arranged by a qualified adoption agency, as defined in paragraph 4.4.

5.1.4.5. With respect to documents originating from a state or other authorized adoption agency, copies of those documents must be certified as true copies of the original by the state or adoption agency. If the original document is filed with the court, then the member must submit a copy of the adoption order certified by the clerk of courts. NOTE: These documents will not be returned to the member.

5.1.5. In determining whether an adoption of a child in a foreign country is final, the member must submit a copy of the final court documents, as well as proof of U.S. citizenship for the child. The following documents are acceptable forms of proof of U.S. citizenship:

5.1.5.1. A copy of a U.S. court order that recognizes foreign adoption or documents the "re-adopting" of the child in the United States, granting the child U.S. citizenship;

5.1.5.2. A letter from the U.S. Citizenship and Immigration Services which states the status of the child's adoption, granting the child U.S. citizenship;

5.1.5.3. A copy of a U.S. passport (page with personal information only); or

5.1.5.4. A copy of a U.S. Certificate of Citizenship.

5.1.6. The member is responsible for maintaining a file for the reimbursement claim. This file should contain copies of all paperwork related to the claim, including the receipts, agency documentation, and court papers associated with the adoption proceedings or court-certified copies until the claim is paid or denied.

5.1.7. The member will submit only one reimbursement claim per adoption.

5.2 Secretaries of the Military Departments Responsibilities

Each Service Secretary will designate personnel as reviewing officials to evaluate and approve submission of payment claims for reimbursement by Service members under the jurisdiction of the Military Department concerned; accept and maintain a copy of claims for reimbursement; and forward the authorization for payment of the adoption reimbursement claim to DFAS for final approval and payment. See subparagraphs 5.1.2.1 and 5.1.2.2 for instructions on how the application should be submitted.

5.3 DFAS-CL Responsibilities

The DFAS-CL site is the central site location for review, certification, and payment of adoption expense reimbursement payments. DFAS-CL is the primary source for guidance concerning the adoption expense reimbursement program. DFAS-CL will also maintain data on expenditures on a fiscal year basis. The contact information for DFAS-CL adoption expense reimbursement program is:

DFAS-CL8
(Code JFLADA)
Commercial phone: 216-522-5576/6701
DSN: 580-5576/6701

Note: The DFAS-CL adoption reimbursement program can be contacted through AskDFAS: See https://www.dfas.mil/MilitaryMembers/payentitlements/adoptionreimbursement/.

5.4 Military Services' Adoption Expense Reimbursement Funding Responsibilities

The Military Services provide funding authorization to DFAS-CL by memorandum each fiscal year. The DFAS-CL site charges the applicable Military Service provided appropriations according to standard cross-disbursing operating procedures.

6.0 ADOPTION REIMBURSEMENT PROCEDURES

6.1 Authorized Reimbursable Expenses

The DFAS-CL site will pay documented, reasonable, and necessary adoption expenses, up to $2,000 per adoptive child. Not more than $5,000 will be paid per calendar year to any member. In the case of two married members (including the Coast Guard when operating as a Military Service in the Navy), only one member may claim expenses for each adopted child and the couple is limited to the $5,000 per calendar year maximum. The calendar year is determined by the date the claim is received by DFAS-CL for payment. Reasonable and necessary expenses include the following:

6.1.1. Public and private agency fees, including adoptive fees charged by an agency in a foreign country;

6.1.2. Placement fees, including fees charged adoptive parents for counseling;

6.1.3. Legal fees, including court costs, for services that are unavailable to a member for the Military Services;

6.1.4. Medical expenses, including hospital expenses, of the biological mother of the child to be adopted and of a newborn infant to be adopted; and

6.1.5. Temporary foster care charges when payment of such charges is required to be made before the adoptive child's placement.

6.2 Unqualified Expenses

The term "reasonable and necessary expenses" does not include:

6.2.1. Travel expenses;

6.2.2. Items such as clothing, bedding, toys, and books; or

6.2.3. Any costs associated with an adoption arranged in violation of federal, state, or local law.

6.3 Payment Processing Requirements

6.3.1. A separate DD 2675 must support each claim.

6.3.2. Eligibility for reimbursement is supported by the documentation submitted. If the eligibility for reimbursement cannot be determined from the documents provided or claimed expenses are not properly supported by receipts, then the DFAS-CL site will retain the claim and request the necessary information or documentation.

6.3.3. The DFAS-CL site will issue the reimbursement by Electronic Funds Transfer (EFT) to the member's EFT account as designated on the DD 2675 within 30 days of receipt of a properly prepared and supported claim package. A member without access to an EFT method of payment must submit a request for EFT waiver to receive a check.

6.3.4. If the claim is denied, then DFAS-CL will send a letter to the member stating this fact. DFAS-CL will not return documents to the members.

6.4 Appeals

If a member receives a claim denial, they can request reconsideration in writing and add additional explanation or documentation. If, upon reconsideration, the member receives a notice of final action regarding the denial of the claim, the member may appeal to the Defense Office of Hearings and Appeals, in accordance with DoD Instruction (DoDI) 1340.21, Enclosure 7. The request for appeal should include copies of all relevant court documents and statements of the member or other persons in support of the claim and be sent to DFAS at the address listed in subparagraph 5.1.2.1.

REFERENCES

APPENDIX A – REIMBURSEMENT OF ADOPTION EXPENSES

1.0 – GENERAL

10 U.S.C. § 1052

3.0 – POLICY

10 U.S.C. § 1052(e)
DoDI 1341.09, July 5, 2016

4.0 – ELIGIBILITY REQUIREMENTS

DoDI 1341.09, July 5, 2016
4.4.1. 10 U.S.C. §§ 1052(a) and (b)
4.4.2. 10 U.S.C. § 1052(g)(1)
4.4.3. 10 U.S.C. § 1052(g)(3)
4.4.4. 10 U.S.C. § 1052(g)(3)(D)
4.4.4.1. 8 U.S.C. § 1431
4.4.4.2. 8 U.S.C. § 1433

5.0 – RESPONSIBILITIES

5.1 DoDI 1341.09, Paragraph 3.2, July 5, 2016
5.2 DoDI 1341.09, Paragraph 2.3, July 5, 2016

6.0 – ADOPTION REIMBURSEMENT PROCEDURES

DoDI 1341.09, Section 3, July 5, 2016
6.4 DoDI 1340.21, May 12, 2004

VOLUME 7A, APPENDIX B: "DISPOSITION OF FORFEITURES AND FINES AS A RESULT OF COURTS-MARTIAL, NONJUDICIAL PUNISHMENT, AND DESERTION"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision

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APPENDIX B

DISPOSITION OF FORFEITURES AND FINES AS A RESULT OF COURTS-MARTIAL, NONJUDICIAL PUNISHMENT, AND DESERTION

1.0 GENERAL

1.1 Purpose

This appendix describes the transfer of certain forfeitures and fines as a result of courts-martial, nonjudicial punishment, and desertion to the Armed Forces Retirement Home Trust Fund (AFRHTF).

1.2 Authoritative Guidance

The policy prescribed in this appendix was prepared in accordance with applicable statutes, regulations, and other guidance referenced throughout the appendix. The primary authoritative source is ***Title 10, United States Code (U.S.C.), section 2772***. To ensure accuracy and completeness, a reference page listing the authoritative sources that support this appendix is provided at the end of the appendix. The references are listed in the order they appear in the appendix.

2.0 SCOPE

This appendix applies to the Defense Finance and Accounting Service (DFAS) site, or the military service pay office and to limited-duty officers, regular and Reserve warrant officers, and regular and Reserve enlisted members of the Army, Navy, Air Force, and Marine Corps.

3.0 GENERAL POLICY

The Chief Operating Officer (COO) for the Armed Forces Retirement Home (AFRH) determines, on the basis of the financial needs of the AFRH, a percentage of forfeitures and fines adjudged by courts-martial and nonjudicial punishment, and amounts forfeited on account of desertion against limited-duty officers, warrant officers, and enlisted members to be transferred to the AFRHTF. The COO has determined that 100 percent of all forfeitures and fines will be transferred to the AFRHTF. Transfer only those amounts that are in excess of any indebtedness to the United States and amounts owed to individuals. For the purpose of this appendix, the term "indebted" or "debt" refers to amounts due from the member for reimbursement to the United States.

> Example: An amount due the Internal Revenue Service pursuant to a tax levy, which may ordinarily be thought of as a "debt" to the United States, is not a "reimbursement" or "debt" for purposes of this appendix. The term "amounts owed to individuals" refers to amounts owed from a member's pay by direction of a commanding officer, pursuant to ***10 U.S.C. § 939***, or Article 139 of the Uniform Code of Military Justice.

4.0 PROCEDURES

4.1 Transfer of Fines

When a limited-duty officer, warrant officer, or enlisted member is sentenced by a court-martial or nonjudicial punishment to pay a fine, the DFAS site or military service pay office, as applicable, will ensure the funds are transferred to the AFRHTF within 30 days from the end of the month in which the fine was collected.

4.2 Transfer of Courts-Martial and Nonjudicial Punishment Forfeitures

When a limited-duty officer, warrant officer, or enlisted member is sentenced to forfeit all or part of his/her pay, the DFAS site or military service pay office, as applicable, will ensure the funds are transferred to the AFRHTF within 30 days from the end of the month in which the forfeiture is collected. Multiple-month forfeitures, or forfeiture amounts which are collected over 2 or more months, will be transferred on a monthly basis to the AFRHTF. Do not wait until the entire amount of the forfeiture has been collected before making such transfers.

> Example: A member is sentenced to forfeiture of pay of $500 per month for 2 months, and the effective date of the forfeiture is November 29. The transfer would be $33.33 ($500 divided by 30 days, times 2 days left in the month) no later than December 30; $500 ($500 divided by 30 days times 30 days) no later than January 30; and $466.67 ($500 divided by 30 days times 28 days left uncollected) no later than March 2, into the AFRHTF.

4.3 Transfer of Courts-Martial and Nonjudicial Punishment Forfeitures When Indebted to the Government

When a limited-duty officer, warrant officer, or enlisted member is sentenced to forfeit all or part of his/her pay, and the member is indebted to the Government, the DFAS site or military service pay office, as applicable, will not transfer any amounts to the AFRHTF until all known debts have been established. Any forfeiture amounts exceeding the uncollected indebtedness will be transferred to the AFRHTF. All amounts collected thereafter, not to exceed the total amount of the forfeiture, will be transferred to the AFRHTF.

> Example 1: A member has a forfeiture of $200 per month for 2 months, with outstanding debts totaling $300. Transfer $100 to the AFRHTF only after the first $300 of forfeitures has been collected.
>
> Example 2: If the debt is $500 and forfeiture is $600, then the DFAS site or military service pay office, as applicable, will transfer the difference of $100 to the AFRHTF.
>
> Example 3: If the debt is $800 and forfeiture is $500, then no amounts will be transferred to the AFRHTF at this time. If subsequent debt collection recovers $700, then the first $300 ($800 indebtedness minus $500 forfeiture) collected will

be credited to the applicable military personnel appropriation, and the next $400 received will be credited to the AFRHTF.

4.4 Indebtedness After Forfeiture Becomes Effective

Debts incurred by a limited-duty officer, warrant officer, or enlisted member after a sentence has been executed, and before credit of the forfeiture to the AFRHTF, do not affect the disposition of the forfeiture. The forfeiture will be credited to the AFRHTF as if the indebtedness did not exist.

4.5 Remission of Indebtedness

If a forfeiture of a limited-duty officer, warrant officer, or enlisted member is not credited to the AFRHTF due to outstanding debts, and the unliquidated portion of the debts is thereafter remitted or canceled, then the DFAS site or military service pay office, as applicable, will not credit the forfeiture that equals the amount of indebtedness remitted or canceled to the AFRHTF. It remains in the military personnel appropriation.

4.6 Commissioned Officers

The DFAS site or military service pay office, as applicable, will credit forfeitures and fines of Regular and Reserve commissioned officers (except warrant and limited-duty officers), to the appropriation to which the member's pay is properly chargeable.

4.7 Forfeitures as a Result of Desertion

When a limited-duty officer, warrant officer, or enlisted member is declared a deserter, the amount of forfeitures on account of the desertion will be credited to the AFRHTF. For the purpose of this paragraph, the phrase "forfeitures on account of the desertion" refers to all pay and allowances due and unpaid at the time of a member's desertion that are automatically forfeited when a member is determined to be a deserter.

4.8 Transfer of Desertion Forfeitures

The DFAS site or military service pay office, as applicable, will transfer desertion forfeitures according to the procedures in paragraph 4.2.

REFERENCES

APPENDIX B - DISPOSITION OF FORFEITURES AND FINES AS A RESULT OF COURTS-MARTIAL, NONJUDICIAL PUNISHMENT, AND DESERTION

3.0 – GENERAL POLICY

10 U.S.C. § 2772(b)

4.0 – PROCEDURES

4.1	10 U.S.C. § 2772
4.7	10 U.S.C. § 2772(a)(2) United States v. Landers, 92 U.S. 77 (1876) Comptroller General B-145618, May 11, 1961

VOLUME 7A, APPENDIX C: "IMPLEMENTING PROCEDURES FOR MANDATORY ELECTRONIC FUNDS TRANSFER (EFT) OF MILITARY PAY"

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All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
References	Updated supporting Service instruction references.	Revision

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APPENDIX C

IMPLEMENTING PROCEDURES FOR MANDATORY ELECTRONIC FUNDS TRANSFER (EFT) OF MILITARY PAY

1.0 GENERAL

1.1 Purpose

This appendix provides the policy for the administration and delivery of payments to military members, retirees, and annuitants through the EFT method of payment.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with the Treasury Financial Manual (TFM) and United States Code (U.S.C.), Title 31. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 DoD METHOD OF PAYMENT

2.1 Policy

All Federal payments must be made by EFT, with the exception of tax refunds. See ***31 U.S.C. § 3332*** and corresponding regulations published by U.S. Department of Treasury (Treasury), Bureau of Fiscal Service at ***TFM Part 4A, section 2040***.

2.2 Personnel Subject to EFT Participation

2.2.1. Active Duty (AD) Military

AD military personnel and personnel entering or reentering the military service must provide the EFT method of payment information upon arrival at their respective military processing station, unless exempt under paragraph 2.3 or they have filed a waiver request under paragraph 2.4. Personnel currently on AD but not enrolled in the EFT method of payment are required to submit EFT method of payment information when they perform Temporary Assigned Duty, Temporary Duty Travel, Permanent Change of Station travel, are promoted, reenlist, or become eligible for a new payment.

2.2.2. Reserve and National Guard (NG)

Reserve and NG personnel entering or reentering a Reserve Component, upon processing into their respective component, or upon mobilization or recall to AD must provide the EFT method of payment information, unless exempt under paragraph 2.3 or they have filed a waiver request under paragraph 2.4. Mobilized or recalled personnel are also required to continue participation after demobilization or deactivation. Personnel currently affiliated with a Reserve or

NG unit, but not enrolled in the EFT method of payment, are required to submit the EFT method of payment information when they become eligible for any new payment.

2.2.3. Military Retirees and Annuitants

All retirees, separated military personnel, and Survivor Benefit Plan annuitants who become eligible for new payments or annuities must provide the EFT method of payment information, unless exempt under paragraph 2.3 or they have filed a waiver request under paragraph 2.4. NOTE: Personnel currently receiving payments at a financial institution or address in a foreign country where the EFT method of payment is not available are exempt from this policy until the EFT method of payment becomes available.

2.2.4. Academy and Reserve Officer Training Corps (ROTC) Cadets and Midshipmen

Military Service Academy, ROTC cadets, and midshipmen are required to participate in the EFT method of payment. Personnel not presently enrolled must enroll immediately, unless exempt under paragraph 2.3 or they have filed a waiver request under paragraph 2.4.

2.2.5. Individual Ready Reservist (IRR)

IRRs and annual muster participants are required to participate in the EFT method of payment. Personnel not presently enrolled must enroll immediately, unless exempt under paragraph 2.3 or they have filed a waiver request under paragraph 2.4.

2.3 Personnel Exempt From EFT Participation

AD military, retirees, or survivor annuitants receiving payments in an overseas area where the EFT method of payment is not available are exempt from this policy until the EFT method of payment becomes available at a financial institution in their area or until they relocate to an area, where the EFT method of payment is available.

2.4 Waivers

Payment by electronic funds transfer is not required in the following cases:

2.4.1. Where an individual:

2.4.1.1. Was born prior to May 1, 1921, and was receiving payment by check on March 1, 2013;

2.4.1.2. Receives a type of payment for which Treasury does not offer delivery to a Treasury-sponsored account. In such cases, those payments are not required to be made by electronic funds transfer, unless and until such payments become eligible for deposit to a Treasury-sponsored account;

2.4.1.3. Is ineligible for a Treasury-sponsored account because of suspension or cancellation of the individual's Treasury-sponsored account by the Financial Agent;

2.4.1.4. Has filed a waiver request with Treasury certifying that payment by electronic funds transfer would impose a hardship because of the individual's inability to manage an account at a financial institution or a Treasury-sponsored account due to a mental impairment, and Treasury has not rejected the request; or

2.4.1.5. Has filed a waiver request with Treasury certifying that payment by electronic funds transfer would impose a hardship because of the individual's inability to manage an account at a financial institution or a Treasury-sponsored account due to the individual living in a remote geographic location lacking the infrastructure to support electronic financial transactions, and Treasury has not rejected the request;

2.4.2. Where the political, financial, or communications infrastructure in a foreign country does not support payment by electronic funds transfer;

2.4.3. Where the payment is to a recipient within an area designated by the President or an authorized agency administrator as a disaster area. This waiver is limited to payments made within 120 days after the disaster is declared;

2.4.4. Where either:

2.4.4.1. A military operation is designated by the Secretary of Defense in which uniformed services undertake military actions against an enemy; or

2.4.4.2. A call or order to, or retention on, active duty of members of the uniformed services is made during a war or national emergency declared by the President or Congress;

2.4.5. Where a threat may be posed to national security, the life or physical safety of any individual may be endangered, or a law enforcement action may be compromised;

2.4.6. Where the agency does not expect to make payments to the same recipient within a one-year period on a regular, recurring basis and remittance data explaining the purpose of the payment is not readily available from the recipient's financial institution receiving the payment by electronic funds transfer;

2.4.7. Where an agency's need for goods and services is of such unusual and compelling urgency that the Government would be seriously injured unless payment is made by a method other than electronic funds transfer; or, where there is only one source for goods or services and the Government would be seriously injured unless payment is made by a method other than electronic funds transfer; and

2.4.8. An individual who requests a waiver under subparagraphs 2.4.1.4 and 2.4.5 of this section shall provide, in writing, to Treasury a certification supporting that request, in such form that Treasury may prescribe. The individual shall attest to the certification before a notary public, or otherwise file the certification in such form that Treasury may prescribe.

2.4.8.1. For AD members and reservists, certifications will be submitted in writing to the Unit Commander.

2.4.8.2. For military retirees, certifications will be submitted in writing to:

DFAS, U.S. Military Retired Pay
8899 E. 56th Street
Indianapolis, IN 46249-1200

2.4.8.3. For survivor annuitants, certifications will be submitted in writing to:

DFAS, U.S. Military Annuitant Pay
8899 E. 56th Street
Indianapolis, IN 46249-1300

Example: I certify that I do not have a financial institution or authorized payment agent. Signature_____ Date _____

NOTE: Treasury reserves the right to reject any waiver request it receives.

2.5 Exception

Emergency payments (defined in Chapter 32, section 3.2) and certification of no account with a financial institution, as described in paragraph 2.4, are the only exceptions to the requirement for delivery by the EFT method of payment. All pay for which an exception to the EFT method of payment requirement has not been granted, and for which the payee has not designated an account for receipt, is held at the DFAS central site or military service pay office until the required financial institution information is provided. Check payments are mailed on payday from the servicing DFAS central site or military service pay office to the member's mailing address.

3.0 REIMBURSEMENT FOR FINANCIAL INSTITUTION FEES

3.1 Reimbursements

Charges resulting from erroneous information provided by the individual or the financial institution to the servicing financial office are not the liability of the government and are not reimbursed. Reimbursement for financial institution fees is authorized when an administrative or mechanical error on the part of the government causes the pay of a military member to be deposited late or in an incorrect manner or amount. Such reimbursements are limited to overdraft charges, minimum balance, or average balance charges levied by the financial institution.

3.2 Procedures

The servicing DFAS central site or military service pay office contacts the financial institution to explain the error and requests that charges levied against the account holder be reversed. If the financial institution declines to reverse the charges, then government reimbursement of the charges is made via the EFT method of payment, directly to the applicable account involved. Such charges are funded from the appropriation available for the pay of the member concerned.

4.0 ALLOTMENTS

4.1 General

The EFT method of payment is the preferred method for paying all allotments and should be used whenever possible. It is DoD's intention to work with recipients of all allotments, such as courts receiving child support and/or alimony payments, dependents, spouses, insurance companies, and mortgage companies, to accept allotment payment by the EFT method of payment when systems become available for third party EFT method of payment.

4.2 Savings Allotments

The EFT method of payment is required for all savings allotments sent to financial institutions participating in the Federal Reserve System.

4.3 Allotments to Non-Individuals

The EFT method of payment is required for all discretionary allotments to non-individuals.

*REFERENCES

APPENDIX C - IMPLEMENTING PROCEDURES FOR MANDATORY ELECTRONIC FUNDS TRANSFER (EFT) OF MILITARY PAY

2.0 – DoD METHOD OF PAYMENT

2.1	31 U.S.C. § 3332 TFM Part 4A § 2040 Title 31, Code of Federal Regulation (CFR), § 208.3
2.4	31 CFR § 208.4
Note	31 CFR § 208.4(a)(v)

3.0 – REIMBURSEMENT FOR FINANCIAL INSTITUTION FEES

3.1	10 U.S.C. § 1053

VOLUME 7A, "COMPARABLE GRADES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated April 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	This chapter has been certified as current.	Current

Comparable Grades

Pay Grade	Army	Navy/Coast Guard	Marine Corps
O-10	General	Admiral	General
O-9	Lieutenant General	Vice Admiral	Lieutenant General
O-8	Major General	Rear Admiral (UH)	Major General
O-7	Brigadier General	Rear Admiral (LH)	Brigadier General
O-6	Colonel	Captain	Colonel
O-5	Lieutenant Colonel	Commander	Lieutenant Colonel
O-4	Major	Lieutenant Commander	Major
O-3	Captain	Lieutenant	Captain
O-2	1st Lieutenant	Lieutenant (JG)	1st Lieutenant
O-1	2nd Lieutenant	Ensign	2nd Lieutenant
W-5	Chief Warrant Officer	Chief Warrant Officer (note 1)	Chief Warrant Officer 5
W-4	Chief Warrant Officer	Chief Warrant Officer	Chief Warrant Officer 4
W-3	Chief Warrant Officer	Chief Warrant Officer	Chief Warrant Officer 3
W-2	Chief Warrant Officer	Chief Warrant Officer	Chief Warrant Officer 2
W-1	Warrant Officer		Warrant Officer
E-9	Sergeant Major of the Army	Master Chief Petty Officer of the Navy	Sergeant Major of the Marine Corps
E-9	Command Sergeant Major or Sergeant Major	Master Chief Petty Officer	Sergeant Major or Master Gunnery Sergeant
E-8	First Sergeant or Master Sergeant	Senior Chief Petty Officer	First Sergeant or Master Sergeant
E-7	Sergeant First Class	Chief Petty Officer	Gunnery Sergeant
E-6	Staff Sergeant	Petty Officer, 1st Class	Staff Sergeant
E-5	Sergeant	Petty Officer, 2nd Class	Sergeant
E-4	Corporal or Specialist	Petty Officer, 3rd Class	Corporal
E-3	Private First Class	Seaman	Lance Corporal
E-2	Private	Seaman Apprentice	Private First Class
E-1	Private	Seaman Recruit	Private

Note 1: The W-5 grade is not used by the Coast Guard.

Comparable Grades (Continued)

Pay Grade	Air Force	Space Force
O-10	General	General
O-9	Lieutenant General	Lieutenant General
O-8	Major General	Major General
O-7	Brigadier General	Brigadier General
O-6	Colonel	Colonel
O-5	Lieutenant Colonel	Lieutenant Colonel
O-4	Major	Major
O-3	Captain	Captain
O-2	1st Lieutenant	1st Lieutenant
O-1	2nd Lieutenant	2nd Lieutenant
W-5		
W-4		
W-3		
W-2		
W-1		
E-9	Chief Master Sergeant of the Air Force	Chief Master Sergeant of the Space Force
E-9	Chief Master Sergeant	Chief Master Sergeant
E-8	Senior Master Sergeant	Senior Master Sergeant
E-7	Master Sergeant	Master Sergeant
E-6	Technical Sergeant	Technical Sergeant
E-5	Staff Sergeant	Sergeant
E-4	Senior Airman	Specialist 4
E-3	Airman, First Class	Specialist 3
E-2	Airman	Specialist 2
E-1	Airman, Basic	Specialist 1

VOLUME 7A, "DEFINITIONS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated July 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Allowance; Active Duty; Active Service; Basic Pay; Certifying Officer (CO); Dependent; Designated Place; Excess Leave; Field Duty; Flag Officer; Fully Qualified Health Professional; He, His, Him; Hostile Fire; Operational Flying Duty; Permanent Change of Station; Permanent Duty Station (PDS);	Updated definitions for clarity amongst Volume 7A chapters.	Revision

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Reserve Officers' Training Corps (ROTC); Spouse; Support	Updated definitions for clarity amongst Volume 7A chapters.	Revision
Active-Duty List	Updated to include the U.S. Space Force in accordance with Public Law 116-92, section 952, dated December 20, 2019.	Revision
Combat Zone	Updated definition to match the definitions as they appear in DoDI 1340.09, "Hazard Pay Program," January 26, 2018, Change 1, February 2, 2024, and DoDI 1340.24, "Combat Zone Tax Exclusion (CZTE)," September 28, 2010.	Revision
PDS Vicinity	Added definition for clarity amongst Volume 7A chapters.	Added
Reenlistment Bonus	Updated the definition with the correct statute. The Fiscal Year 2008 National Defense Authorization Act consolidated special pays, incentive pays, and bonuses, resulting in cancellation of Section 308 of Title 37. Reenlistment bonus provisions are now found in Section 331 of Title 37.	Revision

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DEFINITIONS

1.0 GENERAL

The following list defines general terms of significance or importance relating to military pay entitlement policies for the DoD that are discussed in various chapters in Volume 7A. This list of definitions provides general information. It is by no means an exhaustive list of all financial management terms, and it does not define terms when standard dictionary definitions apply. Authoritative guidance with more detailed explanations or nuances may be found in Volume 7A specific chapters.

2.0 LIST OF DEFINITIONS

Absence Over Leave

Absent beyond the period for which leave was authorized.

Absent Without Leave

Absence from a place of duty without permission or authorization and without the intention of deserting.

Active Duty

Full-time duty in the active military service of the United States, including full-time training duty, annual training duty, and attendance, while in the active service, at a school designated as a Military Service school by law or by the Secretary concerned.

Active Duty for a Period of More Than 30 Days

Active duty under a call or order that does not specify a period of 30 days or less.

Active Duty for Training

Full-time duty in the active Military Service of the United States for training purposes.

*Active-Duty List

A single list for the Army, Navy, Air Force, Marine Corps or Space Force, which contain the names of all officers of that Armed Force who are serving on active duty, other than officers described in ***10 United States Code (U.S.C.) § 641***.

*Active Service

Active service means service on active duty or full-time National Guard duty.

Advance Payment

Payment of pay (pay and allowances in certain cases) before it is earned.

Advanced Leave

Leave authorized before it is accrued.

Aerial Flights

Flights in military aircraft or spacecraft, and also flights in nonmilitary aircraft when required by competent orders to fly in such aircraft. A flight begins when the aircraft or spacecraft takes off from rest at any point of support located on the surface of the earth and terminates when it next comes to a complete stop at a point of support located on the surface of the earth.

Air National Guard

The part of the organized militia of several states, Puerto Rico, Guam, the Canal Zone, the Virgin Islands, and the District of Columbia, active and inactive, that:

1. is an air force;

2. is trained, and has its officers appointed, under the sixteenth clause of section 8 article I, of the Constitution;

3. is organized, armed, and equipped wholly or partly at Federal expense; and

4. is federally recognized.

Allotment

A definite portion of the pay and allowances of a person in the Military Service, which is authorized to be paid to a qualified allottee.

Allottee

The person or institution to whom the allotment is made payable.

Allotter

The person from whose pay the allotment is made.

*Allowance

A monetary amount paid to an individual for specific needs, such as food, housing, uniforms, or equipment.

Appropriation

An amount of money specifically authorized by Congress against which obligations may be incurred and from which payments may be made.

Approved

The ratification or confirmation of an act already done.

Armed Forces of the United States

Includes the Army, Navy, Air Force, Marine Corps, Space Force, and Coast Guard, and all components thereof.

Army National Guard

The part of the organized militia of several states, Puerto Rico, Guam, the Canal Zone, the Virgin Islands, and the District of Columbia, active and inactive, that:

1. is a land force;

2. is trained, and has its officers appointed, under the sixteenth clause of section 8 article I, of the Constitution;

3. is organized, armed, and equipped wholly or partly at Federal expense; and

4. is federally recognized.

Authorized

1. Permission given before an act.

2. Giving through regulations an allowance to an eligible individual requiring no other action.

Example: When the regulation states that a Service member is authorized an allowance, it means that an eligible individual has that allowance without further action by any other activity.

Aviation Service and Aviation Skills

Service or skills identified by the Secretary of the Military Department concerned that require the knowledge, skills, or ability to fly or operate flight capable machines.

Basic Allowance for Housing (BAH)

An amount of money prescribed and limited by law which an officer or enlisted member receives to pay for quarters not provided by the Government.

Basic Allowance for Subsistence (BAS)

An allowance payable to officers and enlisted members for the purpose of subsisting themselves. BAS is payable at all times when entitled to basic pay after completion of initial military training, except as otherwise prohibited by law.

*Basic Pay

The fundamental component of military pay of an officer or enlisted member, determined according to grade/rank and years of service. Basic pay does not include special pay, retainer pay, incentive pay, retired pay, or equivalent pay, or allowances.

Beneficiary

The recipient of certain benefits due as a result of relationship to or designation by a member consistent with applicable law.

Captive Status

A missing status resulting from a member's involvement in a hostile action. Hostile action is determined by the Secretary of Defense.

Captivity-Related Offense

An offense, committed while in a captive status and related to the status, which is listed in ***5 U.S.C. § 8312(b)*** or (c) or ***10 U.S.C. Chapter 47***, that is punishable by dishonorable discharge, dismissal, or confinement for a minimum of 1 year.

*Certifying Officer (CO)

An individual designated to attest to the correctness of statements, facts, accounts, and amounts appearing on a voucher, or other documents. A CO is pecuniarily liable for payments in accordance with 31 U.S.C. § 3528.

Clothing Monetary Allowance

Refers to the several types of clothing maintenance allowances paid by cash; (for example: standard, basic, or special).

Combat Operation

A military action that may involve carrying out a strategic, operational, or tactical mission against a hostile or unfriendly force, to include carrying on combat and any related movement, supply, attack, defense, and maneuvers needed to gain the objectives of a battle or campaign.

*Combat Zone

An area the President of the United States designates by Executive Order in accordance with ***26 U.S.C., § 112*** as an area in which U.S. Armed Forces are engaging in or have engaged in combat. In this context, the combat zone is generally designated in response to a national emergency and involves persistent, violent confrontations with hostile forces. Usually, an area becomes a combat zone or ceases to be a combat zone on the dates the President designates by Executive Order.

Command Sponsored Dependent

1. A dependent residing with a Service member at an Outside Continental United States (OCONUS) location at which an accompanied by dependents tour is authorized, the Service member is authorized to serve that tour, and who is authorized by the appropriate authority to be at the Service member's Permanent Duty Station (PDS).

2. The Service member is authorized to receive station allowances, Cost of Living Allowance (COLA), and Temporary Lodging Allowance (TLA) at the with dependent rate on behalf of a command sponsored dependent as a result of the dependent's residence at/in the Service Member's PDS vicinity.

3. Command sponsorship is not required to receive Overseas Housing Allowance (OHA) at the with dependents rate.

Commissioned Officer

Unless otherwise qualified, a member of the uniformed services having rank or grade of second lieutenant, ensign, or above, either permanent or temporary, in any of the uniformed services.

Commuted Rations

The value of in-kind government subsistence (rations) converted to a cash equivalent payment.

Competent Orders

Orders issued by the Secretary concerned, or such officer or officers as the Secretary may designate, to members of their respective Service or to members of other Services when such latter members are performing duty with a Service other than their own.

Continental United States (CONUS)

Unless otherwise qualified, means the 48 contiguous states and the District of Columbia.

Contingency Operation

Any military operation that:

1. Is designated by the Secretary of Defense as an operation in which members of the U.S. Armed Forces are or may become involved in military actions, operations, or hostilities against an enemy of the United States or against an opposing military force; or

2. Results in the call or order to, or retention on, active duty of members of the uniformed services under ***10 U.S.C. §§ 688***, ***12301(a)***, ***12302***, ***12304***, ***12304a***, ***12305***, or ***12406***; ***10 U.S.C. Chapter 13***; ***14 U.S.C. § 3713***; or any other provision of law during a war or national emergency declared by the President or the Congress.

Cost of Living Allowance (COLA)

A supplemental allowance designed to offset higher prices in the highest cost locations.

*Dependent

The term dependent means the following individuals in relation to a Service member:

1. Spouse, as defined by this chapter;

2. Unmarried child under the age of 21, including an adopted child or a stepchild, but not after the divorce of the member from the stepchild's natural parent;

3. An unmarried illegitimate child under the age of 21, provided the parentage on the part of the Service member is established by one of the following: a birth certificate with the member's name cited, a court order, or a signed affidavit of parentage (signed and sworn by a notary) from the member;

4. An unmarried child under the age of 21 who has been placed in the member's home by a local, state, or foreign government placement agency, or a government-approved adoption agency as a part of a normal adoption process provided the member produces a document from such agency establishing the fact of relationship and the effective date of relationship;

5. An unmarried child who is at least 21 years of age, but under 23 years of age, and is enrolled in a full-time course of study at an institution of higher learning approved by the Secretary concerned, when the member demonstrates in the manner prescribed that the child is in fact dependent on the member for over one half of the child's support;

6. An unmarried child who is, 21 years of age or older, and is incapable of self-support because of a mental or physical incapacity that occurred (1) before the age of 21 or (2) before the age of 23 while the child was enrolled in a full-time course of study at an institution of higher learning approved by the Secretary concerned, and who is in fact dependent upon the member for more than one half of the incapacitated child's support;

7. A parent of the member or the member's spouse, including a stepparent or parent by adoption, or any person who has stood in loco parentis to the member at any time for a continuous period of at least five years before the member's 21st birthday, and whose dependency on the member has been determined in accordance with the rules and regulations established by the Secretary concerned; and

8. A ward, who is an unmarried person who meets each of the following criteria:

8.1. A court of competent jurisdiction in the United States, Puerto Rico, or a possession of the United States has placed the person in the legal custody of the member:

8.1.1. either permanently; or

8.1.2. for a period which lasts at least 12 months from the date of the order;

8.2. The person must be:

8.2.1. Under 21 years of age;

8.2.2. At least 21 years of age, but under 23 years of age, and enrolled in a full-time course of study at an institution of higher learning approved by the Secretary concerned; or

8.2.3. Incapable of self-support because of a mental or physical incapacity that occurred while the person was in the legal custody of the member, met the criteria of subparagraph 8.2.1 or 8.2.2, and was in fact dependent upon the member for more than one half of their support.

8.3. The person must be dependent upon the member for over one half of the person's support;

8.4. The person must reside with the member unless separated by the necessity of Military Service to receive institutional care as a result of disability or incapacitation, or under such other circumstances as the Secretary concerned may prescribe;

8.5. The person may not be a dependent of any member under any other part of this definition; and

8.6. The person is considered to be in the same class of dependents as a member's children, if any, for the purpose of determining entitlement.

Deployment

1. A Service member of a Military Service within the DoD is considered deployed or on a deployment on any day on which, pursuant to orders, the Service member performs service for an operation at a location or under circumstances that make it impossible for them to spend off-duty time in the housing in which they reside when on garrison duty at their permanent duty station or homeport. In accordance with ***10 U.S.C. § 991***, if an RC Service member is performing active service pursuant to orders that do not establish a permanent change of station, that housing is any housing, including the Service member's residence, that the Service member usually occupies during off-duty time when on garrison duty at the Service member's permanent duty station or homeport.

2. A deployment begins when a unit, detachment, or individual not attached to a unit or detachment leaves a homeport, station, or base or leaves from an en-route training location to meet a Secretary of Defense–approved operation to meet an operational requirement. An event is an operation if it is recorded in the joint capabilities requirement manager or contained in the annual Global Force Management Data Initiative–compliant tool under the Global Force Management Data Initiative reporting structure specified in DoD Instruction 8260.03. Forces deployed pursuant to Executive orders, operational plans, or concept plans approved by the Secretary of Defense are also considered deployed.

3. A deployment ends when most of the unit or detachment, or an individual not attached to a unit or detachment, returns to their homeport, station, or base. Forces operationally employed by Secretary of Defense's orders or in "prepare-to-deploy order" status at their home station are not deployed. Movement of forces that do not meet operational requirements (e.g., movement of forces to meet training, readiness, or exercise requirements) are not considered deployments and, therefore, are not subject to deployment-to-dwell and mobilization-to-dwell limits and specified goals.

Deployment-to-Dwell Ratio for Active Component (AC)

The ratio of time a unit, detachment, or individual is deployed to the time the unit, detachment, or individual is in dwell. For example, an AC unit that is deployed for 7 months and in dwell for 21 months has a deployment-to-dwell ratio of 1:3.

Desertion

Absence without leave with intent to remain away permanently.

*Designated Place

Except as noted in item 6, the location where a Service member's dependent intends to establish a bona fide residence until authorized further dependent transportation at Government expense. The Service member must certify this intent to receive allowances associated with a designated place move. A designated place may be one of the following locations:

1. A location in the CONUS or non-foreign OCONUS area.

2. A foreign location OCONUS where a dependent is specifically authorized to travel at Government expense when a Service member is ordered to an unaccompanied or dependent-restricted tour. This is limited to the native country of a foreign-born spouse for DoD Services and Coast Guard.

3. A location OCONUS where a Service member is scheduled to serve an accompanied tour after completing an unaccompanied or dependent restricted tour, and to which dependents are specifically authorized travel at Government expense.

4. The OCONUS location in the old PDS vicinity at which a dependent remains while a Service member serves an unaccompanied or dependent-restricted tour.

5. A location in the CONUS, non-foreign OCONUS, or foreign OCONUS place to which a dependent is specifically authorized travel at Government expense when early return of dependents is authorized. This is limited to the native country of a foreign-born spouse for DoD Services and Coast Guard.

6. For evacuation allowances, a designated place is a location where a dependent establishes a permanent residence during an evacuation if conditions are not expected to improve.

Disbursing Officer

A military member or a civilian employee of a DoD Component designated to disburse monies and render accounts according to laws and regulations governing the disbursement of public money (see ***31 U.S.C. § 3321***). Disbursing officers must be U.S. citizens.

Dual Status

Enlisted members of the Navy or Marine Corps Reserve on duty as temporary officers.

Duty Station

The place at which the member is assigned for regular duty. Also, the place at which the member performs an assigned duty.

Dwell Time Active Component (AC)

In accordance with 10 U.S.C. § 991, dwell time ("dwell"), for the purposes of calculating the AC deployment-to-dwell ratio, is redefined as the time a unit, detachment, or individual not attached to a unit or detachment is not on a deployment. Dwell begins when most of a unit or detachment, or an individual not attached to a unit or detachment, returns to their homeport, station, or base from a deployment. Dwell ends when the unit or individual leaves on a deployment. An AC unit or individual is either on a deployment or in dwell.

Dwell Time Reserve Component (RC)

Defined in ***DoD Instruction 1235.12*** as the term "dwell."

Enforced Separation

Involuntary separation of the member from dependents as a result of official orders.

Enlisted Member

A person enlisted, enrolled, or conscripted into a Military Service.

Enlistee

A person who has voluntarily enlisted for Military Service.

Enlistment

The term enlistment refers to:

1. A voluntary entrance into Military Service under enlisted status, as distinguished from induction through Selective Service; or

2. A period of time, contractual or prescribed by law, which enlisted members serve between enrollment and discharge.

Entitlement

The legal right to receive items of pay and/or allowances.

Erroneous Payment

A payment of pay and/or allowances to a member to which he/she is not entitled.

*Excess Leave

Leave granted in excess of that accrued or advanced and for which the Service member is not entitled to pay and allowances. Generally, a negative leave balance at the time of release from active military duty, discharge, first extension of an enlistment, desertion, or death shall be considered excess leave regardless of the authority under which the leave resulting in the negative balance was granted.

Exigencies of the Service

Urgent demands of a Military Service.

Expiration of Term of Service

The end of a required or contracted period of service.

Extension of Enlistment

Contractual agreement, which extends an enlisted member's current enlistment for a stated period beyond normal expiration of that enlistment.

*Field Duty

Any maneuvers, war games, field exercises, or similar operations where a member is assigned to a unit being subsisted in a dining facility operated by or on behalf of the U.S. Government or with an organization drawing field rations. Members may be on per diem orders.

Financial Organizations

Any bank, savings and loan association or similar institution, or federal or state-chartered credit union.

*Flag Officer

An officer of the Navy or Coast Guard serving in or having the grade of admiral, vice admiral, or rear admiral or rear admiral (lower half); comparable to an Army, Air Force, Marine Corps and Space Force general officer.

Fleet Reserve or Fleet Marine Corps Reserve

A component of the Regular service to which members may be transferred and released from active duty after obtaining 20 or more years of active federal service.

Flight Requirement

The number of hours or minutes of flying time required to qualify for entitlement to incentive pay for a specific period of time.

Former Captive

A member who was held in a captive status.

Full-Time National Guard Duty

Training or other duty, other than inactive duty, performed by a member of the Army National Guard of the United States or Air National Guard of the United States, as a member of the National Guard of a state or territory, Puerto Rico, or the District of Columbia under

32 U.S.C. §§ 316, *502*, *503*, or *505*, for which the member is entitled to (or has waived entitlement to) pay from the United States.

*Fully Qualified Health Professional

A fully trained or licensed, registered, or certified health professional (non-HCP) who meets the requirements of the Secretary concerned for accession or retention on AD.

Government Dining Facility

A generic term used for Government mess, general mess, dining hall, dining activity, mess hall, galley, field kitchen, flight kitchen, or similar terms describing appropriated funds dining facilities. Includes general or Service organizational dining facility, a state National Guard Camp dining facility, an officers' wardroom mess, a warrant officers' and chief petty officers' mess afloat, and a flight kitchen that furnishes box lunches, in-flight meals, or rations on military aircraft are government dining facilities if used by or made available to Service members. This does not include activities operated with non-appropriated funds such as officer's club, enlisted club, squadron mess, organized mess, or similar terms, except when those activities provide meals or rations under contract or agreement with the applicable operating and food costs borne by appropriated funds.

Government Quarters or Housing Facilities

1. Sleeping accommodations owned, operated, or leased by the U.S. Government, or obtained by contract, at no cost to the traveler;

2. Dormitories or similar facilities operated by cost-plus-a-fixed-fee contractors;

3. Quarters in a state-owned National Guard Camp at no expense to the member; or

4. Any sleeping or housing facilities furnished by a foreign government on behalf of the U.S. Government.

*He, His, Him

"He," "his," and "him" include the terms "she," "her," "hers," "they," "them," and "theirs."

Home

The place recorded as home of record when the member was ordered to active duty.

*Hostile Fire

A use of force against the United States, U.S. forces, or other designated persons by an enemy of the U.S., a foreign terrorist, or a person or group of people inspired or motivated by a foreign terrorist organization.

Inactive Duty Training

The term "inactive duty training" describes:

1. Duty prescribed for members of a Reserve Component by the Secretary concerned under ***37 U.S.C. § 206*** or any other law;

2. Special additional duties authorized for members of a Reserve Component by an authority designated by the Secretary concerned and performed by them on a voluntary basis in connection with prescribed training or maintenance activities of the units to which they are assigned; and

3. The special additional duties described in paragraph 2 when performed by members of a Reserve Component in their status as members of the National Guard, but (except as provided in ***37 U.S.C. § 206 (d)(2)***) does not include work or study in connection with a correspondence course of a uniformed service.

NOTE: For pay purposes, inactive duty training may be documented on a Service-prescribed form or order covering a specific assignment and prescribed time limit.

Inductee

One who is inducted.

Induction

The act of taking a person into any of the U.S. Armed Services without voluntary action on his or her part.

In Loco Parentis

A person who stands in the place of the natural parent(s) to the Military Service member. (See also "Parent.")

Issue in-Kind

An issue in goods rather than in money.

Lost Time

That period of time not included in determining cumulative years of service for all military purposes.

Medical Officer

An officer of the Medical Corps of the Army, an officer of the Medical Corps of the Navy, or an officer of the Air Force designated as a medical officer.

Member

A person appointed or enlisted in, or conscripted into, uniformed service. (Cadets or midshipmen of the Service academies are considered members only for the purpose of establishing entitlement under the provisions of Chapter 34.)

Military Specialty

An element of the enlisted classification structure Military Occupational Specialty, Air Force Specialty Code, Navy Enlisted Classification, career field subdivision, career management field, and occupational field, as appropriate to the Military Service concerned, that identifies an individual position or group of closely related positions on the basis of the similarity of the duties involved. It is also the primary identifier of members who possess the ability, knowledge and other occupational qualifications required for effective performance in such positions.

A military specialty provides occupational standards for procurement, training, classification, and career development; identifies military skills so closely related that a degree of interchangeability exists between members assigned to the military specialty; and provides a normal career progression pattern for members within that military specialty.

Missing Status

Includes missing, missing in action, interned in a foreign country, captured, beleaguered, besieged by a hostile force, or detained in a foreign country against a member's will.

Mobilization-to-Dwell Ratio (RC)

For Reserve units, detachments, or individuals, the mobilization-to-dwell ratio is defined in DoD Instruction 1235.12.

National Guard

The Army National Guard and the Air National Guard.

Non-Foreign OCONUS Area

The States of Alaska and Hawaii, the Commonwealths of Puerto Rico and the Northern Marianas Islands, Guam, the U.S. Virgin Islands, U.S. territories and possessions.

Nurse Corps Officer

An officer of the Nurse Corps of the Army or Navy, or an officer of the Air Force designated as a nurse.

Officer

A commissioned or warrant officer.

Operational Deployment

An operational deployment begins when the majority of a unit or detachment, or an individual not attached to a unit or detachment, departs homeport, station, base, or departs from an en route training location to meet a Secretary of Defense-approved operational requirement.

*Operational Flying Duty

Enlisted. Flying performed under competent military orders by Regular or Reserve Component Enlisted Service members while holding or training for a military career enlisted flyer occupational specialty or ratings designated by the Secretary of the Military Department concerned. Personnel must be serving in assignments, to include assignments as Unmanned Aerial System and dropsonde system operators, in which basic aviation skills normally are maintained in the performance of assigned duties, as determined by the Secretary of the Military Department concerned.

Officer. Flying performed under competent military orders by a Regular or Reserve Component officer while holding or training for an aeronautical rating or designation and while serving in assignments in which basic aviation skills normally are maintained in the performance of assigned duties, as determined by the Secretary of the Military Department concerned.

Outside the Continental United States (OCONUS)

Locations outside of the 48 contiguous states and the District of Columbia.

Overpayment

An amount paid to a member, which is in excess of that to which entitled.

Parent

The natural father or mother, or father or mother through adoption. It also includes persons who have stood "in loco parentis" to a member. Also see definition for "Dependent."

*Permanent Change of Station

The permanent assignment, detail, or transfer of a member or unit to a different permanent duty station (PDS) under competent orders, which does not specify the duty as temporary, provide for further assignment to a second new PDS, or direct return to the old PDS. (For a more detailed definition, see the Joint Travel Regulations (JTR), Appendix A.)

*Permanent Duty Station (PDS)

In general, the post of duty or official station to which the member is assigned for permanent duty. (For a more detailed definition, see the JTR, Appendix A.) The primary residence of a Reserve Component member is considered the PDS for the purpose of determining allowances.

*PDS Vicinity

1. The PDS vicinity is the U.S. territory or possession, state when in Alaska or Hawaii, or the entire country (excluding the United States), where the Service member's PDS is located.

2. Member Assigned to PDS in the Continental United States (CONUS). The PDS vicinity is the local commuting area of the PDS.

3. Member commutes to OCONUS/CONUS PDS. When a Service member resides with a dependent outside the applicable PDS vicinity and commutes to the PDS, the dependent is considered to be residing at or near the vicinity of the PDS.

Primary Residence of a Reserve Component (RC) Service Member Other Than a Member of the Active Guard and Reserve (AGR)

1. The dwelling (e.g., house, townhouse, apartment, condominium, mobile home, houseboat, vessel) where the RC member resides before being ordered to active duty.

2. An RC member can have only one primary residence at any given time.

3. The primary residence location may determine an RC member's entitlement to certain allowances as otherwise specified in Volume 7A.

4. The Services' administrative policy shall ensure this is a known location prior to notification (verbal or written) of the call to active duty or issuance of the travel order.

5. If the RC member relocates the primary residence during an active-duty order period, and upon termination of the order is issued a new active-duty order, the allowances under the new order are based on the new primary residence on the first active-duty day only if there is a break in service or active duty exceeding one full day. The command may request the RC member provide documentation to support the location of their primary residence.

6. The primary residence can only change if there is a break in service or active duty exceeding one full day.

Prisoner of War

A member who was or is held in captivity by another nation's government as a result of hostilities between that nation and the United States (whether or not by declaration of war).

Privatized Housing

Housing units on or near a military facility in the U.S. and/or its territories and possessions that are acquired/constructed by a private company under the authority of ***10 U.S.C. §§ 2871 - 2885.*** Privatized housing is not considered Government quarters or Government-controlled quarters, for allowance purposes.

Punitive Discharge

A dishonorable or bad conduct discharge ordered as punishment under the Uniform Code of Military Justice (UCMJ).

Rations in-Kind

Meals or rations furnished by or on behalf of the government at no charge when BAS or commuted rations are not otherwise payable to a member in a pay status.

Ready Reserve

The Ready Reserve is comprised of Service members of the Reserve and National Guard, organized in units or as individuals, or both. These Service members are accessible for involuntary order to active duty in time of war or national emergency pursuant to 10 U.S.C. §§ 12301 or 12302 and 14 U.S.C. § 3713 in the case of members of the Coast Guard Reserve. The Ready Reserve consists of three sub-categories: the Selected Reserve, the Individual Ready Reserve, and the Inactive National Guard.

*Reenlistment Bonus

A monetary incentive offered to an enlisted member who reenlists under provisions of ***37 U.S.C. § 331***.

Reserve Components

The U.S. Army National Guard, Army Reserve, Navy Reserve, Marine Corps Reserve, U.S. Air National Guard, Air Force Reserve, Coast Guard Reserve, and the Reserve Corps of the Public Health Service.

*Reserve Officers' Training Corps (ROTC)

An officer training and scholarship program for postsecondary students authorized under Chapter 103 of Title 10 of the United States Code.

Retired Reserve

The Retired Reserve consists of:

1. Reserves who are or have been retired under ***10 U.S.C. §§ 7311, 8323,*** or ***9311***; or

2. Reserves who have been transferred to the Retired Reserve, retain their status as Reserves, if otherwise qualified.

Saved Pay

Special pay provisions that allow military members, under certain circumstances, to retain entitlement to amounts of pay and/or allowances authorized under prior laws or for a lower grade from which promoted.

Secretarial Process

Action by the Service Secretary or subordinate level specified by the Service Secretary. The Secretarial Process is an administrative and/or procedural issuance under the Service Regulation review process.

Selected Reserve

Within the Ready Reserve of each of the Reserve Components, there is a Selected Reserve. The Selected Reserves consists of units and, as designed by the Secretary concerned, are trained as prescribed in ***10 U.S.C. § 10147(a)(1)*** or ***32 U.S.C. § 502(a)***, as appropriate.

Separation

A general term that includes discharge, release from active duty or active service, release from custody and control of the Military Services, transfer to the Individual Ready Reserve, and similar changes in Active or Reserve status.

Service Academy Cadet or Midshipman

A person in training at one of the Service academies to become a commissioned officer.

Service Member

A member serving in one of the Uniformed Services including:

1. A commissioned officer, commissioned warrant officer, warrant officer, or enlisted person.

2. A retired Service member and members of the Fleet Reserve and Fleet Marine Corps Reserve who are in receipt of retainer pay.

*Spouse

An individual who is lawfully married (unless legally separated) to a Service member. An individual shall be considered married if that individual's marriage is between two individuals and is valid in the State where the marriage was entered into or, in the case of a marriage entered into outside any State, if the marriage is between two individuals and is valid in the place where entered into and the marriage could have been entered into in a State.

Statutory Limitations

The legal limits or restrictions as provided by law.

Stipend Payment

A fixed sum of money paid periodically for services or to defray expenses, especially payment to medical officers on duty at civilian medical facilities.

*Support

The term “support” includes food, shelter, clothing, medical and dental care, education, and the like.

Temporary Lodging Facilities

1. Specifically identified, Service-operated interim housing facilities that provide short-term housing accommodations for which there is a charge levied, without direct charge against the occupant’s housing allowance.

2. Includes guesthouses, except transient visiting officer quarters occupied by official visitors to the installation.

3. Does not include facilities used primarily for rest and recuperation purposes, or unaccompanied officer and enlisted quarters.

Temporary Officer Status

A member of the Navy or Marine Corps appointed as a temporary officer under the provisions of ***10 U.S.C. § 8146***.

Territories and Possessions of the United States

Territories and Possessions of the United States are incorporated and unincorporated territories over which the United States exercises sovereignty or jurisdiction. These include but are not limited to; American Samoa, Baker Island, Commonwealth of the Northern Marina Islands, Commonwealth of Puerto Rico, Guam, Howland Island, Jarvis Island, Johnson Atoll, Kingman Reef, Midway Island, Navassa Island, Palmyra Atoll, U.S. Virgin Islands, Wake Island, Petrel Island, and Serranilla Bank.

Total Forfeiture

Forfeiture of all pay and allowances as punishment under the UCMJ.

Uniformed Services

The Army, Navy, Air Force, Marine Corps, Space Force, Coast Guard, the commissioned corps of the National Oceanic and Atmospheric Administration, and the commissioned corps of the Public Health Service.

United States

The 50 states, and the District of Columbia.

Unusually Arduous Sea Duty

Duty, specified in writing through the Secretarial process, aboard a ship, unit or afloat staff with expected absences from the assigned home port for the major portion of the sea duty assignment.

Warrant Officer

A person who is designated an officer by a warrant, as distinguished from a commissioned officer who is designated an officer by a commission, and a non-commissioned officer who is designated an officer, often by virtue of seniority.

DoD 7000.14 - R

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 7B: "MILITARY PAY POLICY - RETIRED PAY"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

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VOLUME 7B, CHAPTER 1: "INITIAL ENTITLEMENTS – RETIREMENTS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated December 2024 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated chapter and formatting to comply with administrative instructions.	Revision
3.8.3	Expanded title into a sentence to comply with formatting administrative instructions.	Revision
8.1	Updated to provide for elimination of the 75 percent cap on additional retired pay for extraordinary heroism for members of the Army, Air Force, and Space Force who served during the Vietnam Era.	Revision
References	Updated references.	Revision

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CHAPTER 1

INITIAL ENTITLEMENTS – RETIREMENTS

1.0 GENERAL

1.1 Purpose

1.1.1. This chapter provides information for the specific qualifications and entitlement for military retired pay, describes the basic types of retirement (regular, non-regular, and disability), discusses voluntary and involuntary retirements, and explains basic qualifications for the differing military retired pay programs (Final Pay, High-3, reduced retirement (i.e., REDUX), Blended Retirement System (BRS), and Temporary Early Retirement Act (TERA)).

1.1.2. Additionally, this chapter provides guidance for all involuntary (mandatory) retirements, and voluntary retirements for all officers, warrant officers, and Army, Air Force, and Space Force enlisted members. Chapter 2 of this volume discusses the processes and procedures for voluntarily transferring enlisted members of the Navy and Marine Corps to the Fleet Reserve or Fleet Marine Corps Reserve.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with, the United States Code (U.S.C.), including Titles 5, 10, 14, 37 and 38. Due to the subject matter in the chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 MILITARY RETIRED PAY – INITIAL ENTITLEMENTS

2.1 Overview

Officers and enlisted members of the military may be retired for voluntary or involuntary reasons. Military retired pay is divided into three general categories: retired pay for Regular service, retired pay for non-Regular (Reserve/Guard) service, and retired pay for physical disability. With the exception of retirement for physical disability and certain temporary authorities for early retirement, a member must complete the requisite years of service (generally at least 20 years of service) in order to be eligible for retired/retainer pay. See section 3.0 for determining years of service for retired/retainer pay eligibility.

2.1.1. A warrant officer or an enlisted member of the Army, Air Force, or Space Force may be voluntarily retired after completion of 20 years of creditable service. Following such a voluntary retirement, an enlisted member of the Army, Air Force or Space Force becomes a member of the Retired Reserve. See Chapter 2 for rules on an enlisted member of the Navy or Marine Corps.

2.1.2. A commissioned officer may be voluntarily retired after completion of 20 years of active service, of which at least 10 years is active commissioned service.

2.1.3. Any members who continue on active duty after completion of 20 years of service may be retired for voluntary or involuntary reasons.

2.1.4. Members who incur a disability while serving on active duty or while called to active duty for training for 30 days or less may be retired.

2.1.5. Various chapters in Volume 7B provide specific details on eligibility, computation, and payment for each type of retirement.

2.2 Retired Pay Base

The retired pay base is usually determined by the date the member first entered military service. The specific method for calculating the retired pay base may differ for certain involuntary retirements, but it is always calculated using one of the following two methods defined in subparagraphs 2.2.1.1 and 2.2.1.2. Details are in Chapter 3.

2.2.1. The Date of Initial Entry into Military Service (DIEMS) determines whether the retired pay base is the monthly basic pay of the member just before retirement or an average of the highest 36 months of basic pay applicable during the member's career.

2.2.1.1. Final Basic Pay. For members who first entered military service before September 8, 1980, the retired pay base is generally the final basic monthly pay that the member received upon the date of retirement.

2.2.1.2. High-Three Average (High 36 Month Average). For members who entered the military service on or after September 8, 1980, the retired pay base is generally the average of the highest three years (36 months) of monthly basic pay to which the member received for any 36 months of active service whether those months are consecutive or not.

2.2.2. For a member entitled to retired pay for non-Regular (Reserve/Guard) service, the final basic pay or the high-36 average is usually determined using the rates to which the member was actually paid or to which the member would have been entitled if serving on active duty immediately before the date when retired pay is to begin. However, if a person opted to be discharged from the Service upon meeting service requirements for eligibility for retired pay but before meeting the age requirements for eligibility for retired pay, that person is a former member at the age of eligibility to receive retired pay, and, if that person entered the military service on or after September 8, 1980, the applicable rates are those in effect at the time of discharge.

2.3 Retired Pay Multiplier

There are three methods for computing a retired pay multiplier, depending on the applicable retirement system. For each of these methods, a member retired with a physical disability may alternatively have their retired pay multiplier calculated using their percentage of

disability, up to a maximum of 75 percent. The years of service for computing retired pay for Regular retirement are generally the total of years of active service. For non-Regular (Reserve/Guard) members, the years of service are the total of accumulated drill points combined with one point for each day of active duty divided by 360. See section 4.0 for determining years of service creditable for computing retired pay.

2.3.1. For members covered by Final Pay or High-3 legacy retirement plans, the retired pay multiplier is either 2.5 percent multiplied by the years of service creditable for computing retired pay or the percentage of disability awarded by the military service at retirement.

2.3.2. For members covered by the BRS, the percentage multiplier is either 2.0 percent multiplied by the years of service creditable for computing retired pay or the percentage of disability awarded by the military service at retirement.

2.3.3. Regular members who have a DIEMS date on or after August 1, 1986, but before January 1, 2018, were allowed the option to elect a reduced retirement (i.e., REDUX) accompanied by the Career Status Bonus (CSB). Except for disability retirees, the retired pay multiplier is the same as computed in subparagraph 2.3.1, except that it is reduced by one percentage point for each year the member retires short of completing 30 years of service. Section 631 of the National Defense Authorization Act Fiscal Year 2016, Public Law 114-92, amended 37 U.S.C. § 354 to discontinue authorization of any new CSB agreements after December 31, 2017. Note: The CSB reduction factor does not apply to disability retirees, notwithstanding the changes made by Public Law 114–92 (enacted on November 25, 2015 and effective on January 1, 2018) to ***10 U.S.C. § 1401***.

2.3.4. A member who retires for disability may choose a multiplier based on years of service, in accordance with subparagraphs 2.3.1, 2.3.2, or 2.3.3, as applicable, or based on the disability percentage awarded by the Service. However, if the member chooses the Service disability percentage, then the percentage is limited to no more than 75 percent.

2.4 Retired Pay Formulae

If a member entitled to retired or retainer pay would otherwise be entitled to retired pay computed under more than one formula, then the member is entitled to be paid under the applicable formula that is most favorable to the member. The retired pay formulae are more fully covered in Chapter 3. The formulae are as follows:

2.4.1. For Regular and non-Regular (Reserve/Guard) members covered by the legacy retirement pay plan, monthly retired pay is equal to the retired pay base multiplied by 2.5 percent multiplied by years of service. For Regular and non-Regular (Reserve/Guard) members covered by the BRS, monthly retired pay is equal to the retired pay base multiplied by 2.0 percent multiplied by years of service.

2.4.2. For disability retirement, the member may elect retired pay computed under subparagraph 2.4.1, or monthly pay equal to the retired pay base multiplied by military disability percentage, not to exceed 75 percent.

2.4.3. For members retiring for Regular service that elected the REDUX retirement and received the CSB, retired pay is as computed in subparagraph 2.4.1, except the multiplier is reduced by one percentage point for each year the member retires short of completing 30 years of service. Note: Non-regular members who are retired for disability become entitled to immediate retired pay for disability. Once the retired pay for disability commences under ***10 U.S.C., Chapter 61***, the member's pay may not be recomputed at eligibility age (usually age 60) under ***10 U.S.C., Chapter 1223***. Retired pay under 10 U.S.C., Chapter 1223 may only be paid to a member who "is not entitled under any other provision of law, to retired pay from an armed force or retainer pay as a member of the Fleet Reserve or the Fleet Marine Corps Reserve."

2.5 Temporary Early Retirement Authority (TERA)

2.5.1. TERA provides the Secretary of Defense a temporary force management tool with which to affect the drawdown of military forces and yet maintain an adequate and effective well-trained military force. TERA provides the authority for voluntary retirement of members on active duty with at least 15 years, but less than 20 years of creditable service. An eligible member of the Armed Forces may apply for early retirement under the program and receive an annuity equivalent to 2.5 percent of the retired pay base for each year of service completed and a deduction of 1 percent for each year short of 20 years of service. The request is subject to the approval of the Secretary concerned. Drawdown periods are referenced in subparagraph 3.1.2. See Chapter 3 for computation of TERA payment.

2.5.2. A member of the Armed Forces approved for early retirement must:

2.5.2.1. Be currently serving on active duty;

2.5.2.2. Complete 15 or more years of active service upon the effective date of retirement;

2.5.2.3. Not be under evaluation for disability retirement under ***10 U.S.C., Chapter 61***; and

2.5.2.4. Meet grade, skill, years of service, and other eligibility criteria as established by the Secretary of the Military Department concerned.

2.6 Survivor Benefit Plan (SBP)

Retiring members may participate in the SBP program. The SBP program pays a lifetime annuity to the designated survivor of 55 percent of a base amount elected by the member not to exceed full retired pay. Upon receiving notice of having completed sufficient service to qualify for retirement, a non-Regular (Reserve/Guard) member (except for not having attained the requisite age) may also participate in the SBP program. Detailed information regarding the SBP program begins in Chapter 42.

2.7 Cost of Living Adjustments (COLA)

Both retired pay and survivor annuities are adjusted annually by the change in the Consumer Price Index. See Chapter 8 for detailed information on COLAs.

3.0 SERVICE CREDITABLE FOR RETIREMENT ELIGIBILITY

3.1 Creditable Service and Service Reduction for Retirement Eligibility

3.1.1. Computation of Creditable Service for Determining Retirement Eligibility. A computation of creditable service for determining retirement eligibility may be required at any time during a member's military career. Generally, a member must complete at least 20 years of creditable service in order to qualify for retired or retainer pay. Upon completion of 20 years of creditable service, a member may request to be transferred to a retired or retainer status.

3.1.1.1. An enlisted member of the Army, Air Force, or Space Force who completes 20 years of creditable active service may request to be retired.

3.1.1.2. An enlisted member of the Navy or the Marine Corps who completes 20 years of creditable active service may request transfer to the Fleet Reserve or Fleet Marine Corps Reserve. See Chapter 2 for details regarding creditable service for transfers to the Fleet Reserve and Fleet Marine Corps Reserve.

3.1.1.3. An enlisted member of the Regular Army, Air Force, Space Force, Navy, or Marine Corps who completes 30 years of creditable active service or an enlisted member in the Fleet Reserve or Fleet Marine Corps Reserve upon completion of a total of 30 years of combined active and Fleet Reserve service will, upon request, be retired.

3.1.1.4. A Regular or Reserve commissioned officer may voluntarily be retired after completion of 20 years of active service, at least 10 years of which is active commissioned service.

3.1.1.5. A non-Regular member who completes 20 years of creditable qualifying service, but has not yet attained the eligibility age applicable for retired pay, may request transfer to the inactive status list.

3.1.1.6. Members who incur a qualifying disability while serving on active duty, while called to active duty for training for 30 days or less, or while performing inactive duty training may be retired for disability, at which time a service computation is required.

3.1.2. Reduction of the 20-Year Creditable Service Requirement. Under TERA, the Secretary of the Military Department concerned may reduce the 20 years of creditable service requirement to as few as 15 years for retirements during the periods of:

3.1.2.1. December 31, 2011 through December 31, 2025, for Regular retirements only;

3.1.2.2. October 23, 1992 through September 1, 2002, for Regular retirements; and

3.1.2.3. October 23, 1992 through December 31, 2001, for non-Regular retirements.

3.1.3. Reduction of the 10-Year Active Commissioned Service Requirement. The Secretary of the Military Department concerned may also reduce the 10-year active commissioned service requirement to not less than 8 years for retirements during the following periods:

3.1.3.1. January 7, 2011 through September 30, 2018;

3.1.3.2. January 6, 2006 through December 31, 2008; and

3.1.3.3. October 1, 1990 through December 31, 2001.

3.1.4. Active Duty Beyond 20 Years of Service. A member who continues on active duty after completion of 20 years of service may be retired for voluntary or involuntary reasons. Involuntary reasons include court martial sentence, poor performance, failure to qualify for promotion, high year tenure, and age.

3.1.5. Service Creditable for Retirement Eligibility. Service creditable for the purpose of determining retirement eligibility varies with each type of retirement. For retirement types and the specific service creditable for each type, see paragraphs 3.2 through 3.8. See paragraph 3.9 for service that is not creditable.

3.2 Service Creditable for Regular Voluntary Retirement - Enlisted Members (Table 1-1)

The following is service creditable for Regular voluntary retirement for enlisted members:

3.2.1. All active service in the Uniformed Services; and

3.2.2. Service as a cadet or midshipman at Service academy.

3.3 Service Creditable for Voluntary Retirement - Regular and Reserve Commissioned Officers (Table 1-1)

The following constitutes service creditable for voluntary retirement for Regular and Reserve commissioned officers:

3.3.1. Active service in the Uniformed Services;

3.3.2. All service performed by an officer of the Regular Army, Regular Air Force, or Regular Space Force in the Medical Corps, under a contract to serve full-time and to take and change station as ordered, as:

3.3.2.1. A contract surgeon;

3.3.2.2. An acting assistant surgeon; or

3.3.2.3. A contract physician; and

3.3.3. All full-time service performed by an officer of the Regular Army, Regular Air Force, or Regular Space Force in the Dental Corps as:

3.3.3.1. A contract dental surgeon, or

3.3.3.2. An acting dental surgeon.

3.4 Service Creditable for Voluntary or Mandatory Retirement - Warrant Officers

The following constitutes service creditable for voluntary or mandatory retirement for warrant officers:

3.4.1. Active service in the Uniformed Services, except that for mandatory retirement at 30 years of service of an Army Warrant Officer, years of service includes only years of active service as a Warrant Officer; and

3.4.2. All service as:

3.4.2.1. A contract surgeon;

3.4.2.2. A Reserve nurse;

3.4.2.3. A contract dental surgeon;

3.4.2.4. An acting dental surgeon; and

3.4.2.5. A veterinarian in the quartermaster department, cavalry, or field artillery.

3.5 Service Creditable for Mandatory Retirement - Regular Commissioned Officers, Army, Air Force, and Space Force (Table 1-2)

The service creditable for mandatory retirement for Regular commissioned officers of the Army, Air Force, and Space Force includes years of service credited at the time of original appointment in the Regular Army, Regular Air Force, and Regular Space Force. Compute service creditable as stated in subparagraphs 3.5.1 through 3.5.7 to determine eligibility for promotion, except service in subparagraph 3.9.3, plus all years of active commissioned service in the Regular Army, Regular Air Force, and Regular Space Force after that appointment, or the applicable years of service.

3.5.1. A Reserve judge advocate appointed in the Regular Army is credited service after becoming 21 years of age, after December 7, 1941, and before the date of that appointment, or the number of the days, months and years by which the member's age at the time of appointment exceeds 25 years, whichever is greater, plus years of active commissioned service in the Regular Army or Regular Air Force after that appointment.

3.5.2. An officer appointed in the Regular Army, except the Army Nurse Corps or Army Medical Specialist Corps before December 31, 1947, other than an officer covered by subparagraph 3.5.1, or appointed in the Regular Army under the Act of December 28, 1945, is credited the sum of:

3.5.2.1. Years of active commissioned service in the Regular Army after that appointment, and

3.5.2.2. Years of active commissioned service in the Army after becoming 21 years of age and after December 7, 1941, under any earlier appointment.

3.5.3. An officer appointed in the Regular Army, except the Army Nurse Corps or Army Medical Specialist Corps after December 31, 1947, other than an officer appointed in the Women's Army Corps, Regular Army, under section 108 of the Women's Armed Services Integration Act of 1948, is credited the sum of:

3.5.3.1. Years of active commissioned service in the Regular Army after that appointment, and

3.5.3.2. Years of active commissioned service in the Army after becoming 21 years of age and after December 31, 1947, under any earlier appointment.

3.5.4. An officer of the Regular Air Force appointed in the Regular Army or Regular Air Force after December 31, 1947, under section 506 of the Officer Personnel Act of 1947, is credited the sum of:

3.5.4.1. The years of active commissioned service in the Regular Army or Regular Air Force after that appointment; and

3.5.4.2. The years of active commissioned service in the Armed Forces after becoming 21 years of age and after December 6, 1941, under any earlier appointment.

3.5.5. An officer of the Air Force who was appointed in the Regular Army or Regular Air Force after December 31, 1947, other than an officer covered by subparagraphs 3.5.4 or 3.5.6, is credited the sum of:

3.5.5.1. The years of active commissioned service in the Regular Army or Regular Air Force after that appointment; and

3.5.5.2. The years of active commissioned service in the Air Force after becoming 21 years of age and after December 31, 1947, under any earlier appointment.

3.5.6. An officer of the Regular Air Force who was appointed in the Regular Air Force after July 19, 1956, other than an officer covered by subparagraph 3.5.4, or who is designated as a medical or dental officer, is credited the sum of:

3.5.6.1. The years of active commissioned service in the Regular Air Force after that appointment;

3.5.6.2. The years of active commissioned service in the Armed Forces after becoming 21 years of age and before appointment; and

3.5.6.3. The years credited for the purpose of determining grade, position on a promotion list, seniority, and eligibility for promotion under one of the following conditions:

3.5.6.3.1. Three years, if appointed in the Regular Air Force with a view to designation as a medical service officer, and if holding a degree of Doctor of Philosophy or comparable degree in science allied to medicine;

3.5.6.3.2. Not more than 8 years, if one of not more than 100 persons in any calendar year who are appointed from civil life or from Reserves of the Air Force who have qualifications not otherwise available from members of the Air Force on active duty; or

3.5.6.3.3. Not more than 2 years, if appointed while on active duty in the Air Force.

3.5.7. An officer of the Army, Air Force, or Space Force under the Defense Officer Personnel Management Act (DOPMA) is credited with the sum of:

3.5.7.1. The years of active service; and

3.5.7.2. The years of service, other than active service in subparagraph 3.5.7.1, with which the member was entitled to be credited on May 31, 1958, in computing basic pay.

3.5.8. The following rules apply to a regular commissioned officer who is to be retired or separated due to age under ***10 U.S.C. § 1251***:

3.5.8.1. If the officer has fewer than 20 years of creditable service, the officer shall be separated.

3.5.8.2. If the officer has at least 6 but fewer than 20 years of creditable service, the officer is entitled to separation pay computed under ***10 U.S.C. § 1174(d)(1)***.

3.5.8.3. Notwithstanding subparagraphs 3.5.8.1 and 3.5.8.2, a regular commissioned officer who was added to the retired list before January 1, 2021, shall be retired with retired pay computed under 10 U.S.C. § 1401.

3.6 Service Creditable for Mandatory Retirement - Regular Officers, Navy and Marine Corps (Table 1-2)

The following constitutes service creditable for mandatory retirement of Regular officers of the Navy and Marine Corps:

3.6.1. The total commissioned service of an officer on the active list in the line of the Navy or of the Marine Corps is computed from June 30 of the fiscal year in which the officer accepted that appointment. The computation applies when the officer has served continuously on the active list since appointment in the grade of ensign or second lieutenant, either upon graduation from the Naval Academy or under ***10 U.S.C. § 2106*** or ***10 U.S.C. § 2107***.

3.6.2. Every other officer on the active list in the line of the Navy or Marine Corps is considered to have the same service as in subparagraph 3.6.1, who:

3.6.2.1. Has not lost numbers or precedence; and

3.6.2.2. Is, or at any time has been, junior to the other officer for the purposes of eligibility for promotion and selection for promotion during the other officer's latest period of continuous service on the active list.

3.6.3. The total commissioned service of each officer on the active list of the Navy in the Supply Corps or the Civil Engineer Corps who originally was appointed as a Regular or as a Reserve in the grade of ensign in the line, or any staff corps, or in the grade of lieutenant (junior grade) in the Civil Engineer Corps, and who has served continuously on active duty since that appointment, is computed from June 30 of the fiscal year in which the officer accepted that appointment, beginning August 7, 1947.

3.6.4. The total commissioned service of each officer originally appointed in the grade of lieutenant (junior grade) or ensign in any staff corps of the Navy, except the Supply Corps and the Civil Engineer Corps, who since that appointment has served continuously on the active list of the Navy, is computed from June 30 of the fiscal year in which the officer accepted that appointment. This provision does not apply, however, to officers appointed under the Act of April 18, 1946.

3.6.5. Every other commissioned officer on the active list of the Navy in any staff corps is considered to have the same total commissioned service as the officer in the same corps described in subparagraphs 3.6.3 and 3.6.4, having the maximum total commissioned service who:

3.6.5.1. Has not lost numbers or precedence; and

3.6.5.2. Is, or at any time has been, junior to the other officer for the purposes of eligibility for promotion and selection for promotion during that other officer's latest period of continuous service on the active list.

3.6.6. Notwithstanding the provisions of subparagraph 3.6.5, officers on the active list of the Navy in the Medical Service Corps, appointed under the Act of April 18, 1946, are considered to have total commissioned service equivalent to that of their running mates.

3.6.7. Officers on the active list of the Navy in the Nurse Corps are credited with:

3.6.7.1. Active service in the Nurse Corps and the Nurse Corps Reserve; and

3.6.7.2. Active service in the Nurse Corps and the Nurse Corps Reserve, which was abolished by the Army-Navy Nurses Act of 1947.

3.6.8. An officer of the Navy or Marine Corps under the DOPMA is credited with:

3.6.8.1. The years of active service; and

3.6.8.2. The years of service, other than the service included in subparagraph 3.6.8.1, with which member was entitled to be credited on May 31, 1958, in computing basic pay.

3.6.9. For regular commissioned officers to be retired or separated due to age under 10 U.S.C. § 1251, apply the rules set forth in subparagraph 3.5.8.

3.7 Service Creditable for Disability Retirement (Table 1-3)

3.7.1. Members who are unfit to perform their duties because of a disability incurred on active duty where the disability is at least 30 percent may be retired for disability. No minimum amount of creditable service is required.

3.7.2. Members who are unfit to perform their duties because of a disability incurred on active duty where the disability is less than 30 percent may be retired for disability but only if they have 20 years of service computed under ***10 U.S.C. § 1208***, as set forth in subparagraphs 3.7.3 and 3.7.4.

3.7.3. In computing those years of service for this purpose, a member of a Regular Component of the Armed Forces is credited with the greater of:

3.7.3.1. All service the member is considered to have for the purpose of separation, discharge, or retirement for length-of-service, or

3.7.3.2. The sum of active service as a member of the Armed Forces as a nurse, Reserve nurse after February 2, 1901, contract surgeon, contract dental surgeon, or acting dental surgeon;

3.7.3.3. Active service as a commissioned officer of the National Oceanic and Atmospheric Administration (NOAA), or the Public Health Service (PHS). This includes active service as a member of the Environmental Science Services Administration and of the Coast and Geodetic Survey, the predecessor organizations to NOAA and PHS; and

3.7.3.4. Active service while participating in exercises or performing active duty training and drills in the National Guard, under ***32 U.S.C. §§ 502***, ***503***, ***504***, and ***505***.

3.7.4. A member who is not a member of a Regular Component of the Armed Forces is credited with the number of years of service that would count if computing years of service under ***10 U.S.C. § 12733***, dividing the sum of the following by 360:

3.7.4.1. All days of active service;

3.7.4.2. All days of full-time service while performing annual training duty or attending prescribed periods of instruction at a school designated as a military service school by law or by the Secretary concerned; and

3.7.4.3. One day for each point credited under ***10 U.S.C. § 12732(a)(1)(B)-(F)***, but not more than:

3.7.4.3.1. 130 days for any one year of service that includes October 30, 2007, and in any subsequent year of service;

3.7.4.3.2. 90 days in any one year of service between October 30, 2000 and October 29, 2007;

3.7.4.3.3. 75 days in any one year of service between September 23, 1996 and October 29, 2000; or

3.7.4.3.4. 60 days in any one year of service before the year of service that includes September 23, 1996.

Note: The credit includes points at the rate of 15 per year for membership in a Reserve Component of an Armed Force, in the Army or the Air Force without component, or service (except in a regular component) before July 1, 1949 in the categories provided in 10 U.S.C. § 12732(a)(1).

3.7.4.4. One day for each point credited under 10 U.S.C. § 12732(a)(2)(E) related to funeral honors.

3.7.5. The service is responsible for determining the creditable service for a member who is retired for disability.

3.8 Service Creditable for Age and Service Retirement - Non-Regular Member (Table 1-4)

3.8.1. A member or former member of the Reserve Component of an Armed Force, including the National Guard is entitled to retired pay computed under ***10 U.S.C. § 12739*** (See Chapter 3, Table 3-1, Rule 13) for non-Regular service upon application if he or she:

3.8.1.1. Has attained the eligibility age applicable under subparagraph 3.8.6;

3.8.1.2. Has performed at least 20 years of service (subject to subparagraph 3.8.5), as set forth in subparagraph 3.8.2;

3.8.1.3. If completing 20 years of service before April 25, 2005, performed the last 6 years of qualifying service while a member of any category named in 10 U.S.C. § 12732(a)(1) (but not while a member of a Regular Component, the Fleet Reserve, or the Fleet Marine Corps Reserve). If completing 20 years of service before October 5, 1994, the number of years of such qualifying service must be 8 years; and

3.8.1.4. Is not entitled under any other provision of law to retired pay from the Armed Forces or retainer pay as a member of the Fleet Reserve or the Fleet Marine Corps Reserve, except as provided in Chapter 7, section 1.0.

3.8.2. Creditable service to meet the 20 years requirement includes:

3.8.2.1. Service performed in the Uniformed Services;

3.8.2.2. Years of service before July 1, 1949, pursuant to 10 U.S.C. § 12732; or

3.8.2.3. Each 1-year period after July 1, 1949, in which the member earned at least 50 points as calculated under 10 U.S.C. § 12732(a)(2).

3.8.2.4. For the purpose of subparagraph 3.8.2.3 all service in the National Guard is treated as if it were service in a Reserve Component if the member was later appointed in the U.S. Army National Guard or U.S. Air National Guard, or as a Reserve of the Army, Air Force, or Space Force and served continuously in the National Guard from date of Federal recognition to date of that appointment.

* 3.8.3. The Secretary concerned will notify each member who has completed the years of service required for eligibility for retired pay. A Notice of Eligibility will be sent to the member concerned within one year after the person completes that service.

3.8.3.1. A member who has been notified under ***10 U.S.C. § 12731(d)*** that the years of service requirement has been met for eligibility for retired pay may not have that eligibility denied or revoked on the basis of any error, miscalculation, misinformation, or administrative determination of years of service performed, unless it resulted directly from fraud or misrepresentation of the member.

3.8.3.2. The notification of eligibility, which is based on the member's completion of the service requirement, conforms to applicable Military Department regulations. A nonconforming written notice, administratively issued, which shows completion of service requirements of eligibility for retired pay, may not result in the denial of retired pay unless evidence shows that the member caused the service record to be altered or confused.

3.8.3.3. The number of years of creditable service upon which retired pay is computed may be adjusted to correct any error, miscalculation, misinformation, or administrative determination. When a correction is made, the retiree is entitled to retired pay in accordance with the number of years of creditable service, as corrected, from the date the retiree is granted retired pay.

3.8.3.4. Notwithstanding subparagraph 3.8.3.3, the granting of retired pay to a retiree under 10 U.S.C., Chapter 1223 is conclusive as to that retiree's entitlement to such pay only if the payment of retired pay began after October 14, 1966. A notification that a member has completed the years of service required for eligibility for retired pay under 10 U.S.C., Chapter 1223 is conclusive as to that member's subsequent entitlement to such pay only if the notification is made after October 14, 1966.

3.8.4. A member who has met age and service requirements for retired pay, but is retained under ***10 U.S.C. § 12308***, with member's consent, may be credited with that service for all purposes. A member, however, who elects to receive retired pay under 10 U.S.C. § 12731, may not be retained simultaneously on active duty or in active service under 10 U.S.C. § 12308.

3.8.5. A temporary special retirement qualification authority, ***10 U.S.C. § 12731a***, authorized the Secretary of the Military Department concerned to treat a member as having met the 20 years of service requirement if the member completed at least 15 years of service and requested transfer to the Retired Reserve, during the period beginning on October 23, 1992, and ending on December 31, 2001.

3.8.6. Subject to subparagraph 3.8.6.1, the eligibility age for a non-regular retirement for age and service is 60 years of age.

3.8.6.1. After January 28, 2008, the eligibility age for purposes of subparagraph 3.8.6 will be reduced, subject to subparagraph 3.8.6.5, below 60 years of age in the case of a member who, as a member of the Ready Reserve, serves on active duty or performs active service described in subparagraphs 3.8.6.2 through 3.8.6.4. The reduction will be 3 months for each aggregate of 90 days on which the member serves on such active duty or performs such active service in any fiscal year after January 28, 2008, or in any two fiscal years after September 30, 2014. A day of duty may be included in only one aggregate of 90 days for purposes of this subparagraph.

3.8.6.2. Service on active duty is pursuant to a call or order to active duty under a provision of law referred to in ***10 U.S.C. § 101(a)(13)(B)*** or under ***10 U.S.C. § 12301(d)*** or ***10 U.S.C. § 12304b***. Such service does not include a call or order to active duty under ***10 U.S.C. § 12310***.

3.8.6.3. Active service is also service under a call to active service authorized by the President or the Secretary of Defense under 32 U.S.C. § 502(f) for purposes of responding to a national emergency declared by the President or supported by Federal funds.

3.8.6.4. If the member is wounded, otherwise injured, or becomes ill while serving on active duty pursuant to a call or order to active duty under subparagraph 3.8.6.2 or 3.8.6.3, and the member is ordered to active duty under 10 U.S.C. § 12301(h)(1) to receive medical care for the wound, injury, or illness, then each day of active duty under that order for medical care will be treated as a continuation of the original call or order to active duty for purposes of reducing the eligibility age of the member under this subparagraph.

3.8.6.5. The eligibility age under subparagraph 3.8.6.1 may not be reduced below 50 years of age for any person.

3.9 Service Not Creditable for Determining Retirement Eligibility

3.9.1. Enlisted Member's Lost Time. The following periods of absence from duty during a term of enlistment are not creditable to an enlisted member unless they are made up by the member upon return to full duty so as to complete the term for which the member was enlisted. The periods of absence from duty are:

3.9.1.1. Desertion;

3.9.1.2. Absence from organization, station, or duty for more than 1 day without proper authority, as determined by competent authority;

3.9.1.3. Confinement by military or civilian authorities for more than 1 day in connection with a trial, whether before, during, or after the trial; and

3.9.1.4. The member's inability for more than 1 day, as determined by competent authority, to perform assigned duties because of intemperate use of drugs or alcoholic liquor, or because of disease or injury resulting from the member's misconduct.

3.9.2. Officer's Lost Time. Prior to February 11, 1996, a commissioned or warrant officer was entitled to credit for every day in a commissioned or warrant status, without regard to absence of any kind, whether authorized or unauthorized, and including confinement prior to and during trial. In addition, absence during which a member was serving on active duty as an enlisted member was creditable if the enlisted member also held a commission as a Reserve officer. After February 10, 1996, a commissioned or warrant officer may not count the following periods of absence for any purpose other than the computation of length-of-service for basic pay:

3.9.2.1. Desertion;

3.9.2.2. Absence from organization, station, or duty for more than 1 day without proper authority, as determined by competent authority;

3.9.2.3. Confinement by military or civilian authority for more than 1 day in connection with a trial, whether before, during, or after the trial; or

3.9.2.4. Inability to perform assigned duties for more than 1 day, as determined by competent authority, because of intemperate use of drugs or alcoholic liquor, or because of disease or injury resulting from the member's misconduct. The period of such desertion, absence, confinement, or inability to perform duties may not be counted in computing, for any purpose other than basic pay under ***37 U.S.C. § 205***, the officer's length-of-service.

3.9.3. Constructive Service. Constructive service, credited under 10 U.S.C. § 3287 (a)(2)(A) or (B) (repealed), 10 U.S.C. § 3294(b) (repealed), or section 506(c) of the Officer Personnel Act of 1947, is not included in the service computation under subparagraph 3.5.1. Creditable constructive service creditable may be:

3.9.3.1. Three years, if appointed as a chaplain, or for service in the Judge Advocate General's Corps or in the Veterinary Corps of the Regular Army;

3.9.3.2. Three years, if appointed in the Medical Service Corps and if holding the degree of Doctor of Philosophy or comparable degree recognized by the Surgeon General; or

3.9.3.3. Four years (five, if member completed a 1-year internship) credited at the time of appointment in the Medical or Dental Corps for the purpose of determining grade, position on a promotion list, seniority in grade in the Regular Army, and eligibility for promotion.

3.9.4. Other Non-creditable Service. This service may not be counted for the purpose of determining retirement eligibility under paragraph 3.7:

3.9.4.1. Service, other than active service, in an inactive section of the Organized Reserve Corps or Army Reserve, or inactive section of the officer's section of the Air Force Reserve;

3.9.4.2. Service, other than active service, after June 30, 1949, while on the Honorary Retired List of the Naval Reserve or of the Marine Corps Reserve;

3.9.4.3. Service in the inactive National Guard or in a non-federally recognized status of the National Guard;

3.9.4.4. Inactive service in the Fleet Reserve or Fleet Marine Corps Reserve; and

3.9.4.5. Service in any status other than that as a commissioned officer, warrant officer, nurse, flight officer, aviation midshipman, appointed aviation cadet, or enlisted member, and that is described in paragraph 3.1 as creditable.

4.0 SERVICE CREDITABLE FOR COMPUTING RETIRED PAY

4.1 Service for Percentage Multiple

Service authorized to be used as a percentage multiple is specified in each law section authorizing computation of retired pay for each type of retirement. Information on retirement types and service for percentage multiple are provided in this section.

4.2 Voluntary Retirement - Enlisted Members

4.2.1. Years of active service.

4.2.2. Years of service not included in subparagraphs 4.3.1 with which the member was entitled to be credited on June 1, 1958, in computing basic pay. See Volume 7A, Chapter 1, section 2.0.

4.2.3. Years of service not included in subparagraphs 4.2.1 or 4.2.2, with which the member would be entitled to be credited under 10 U.S.C. § 12733. See paragraph 4.7.

4.3 Voluntary Retirement Commissioned Officers

4.3.1. Years of active service is creditable in the Uniformed Services.

4.3.2. Crediting of constructive service for medical and dental officers or an internship is not authorized after September 14, 1981, unless a member was already enrolled in such a program and later graduated, and was commissioned as a medical or dental officer; however, post-September 14, 1981, time is creditable in computing retired pay provided the officer is retirement eligible.

4.3.3. Service creditable in computing retired pay should include time an officer served in the Uniformed Services University of Health Sciences (USUHS). For an officer of the Medical Corps or Dental Corps of the Army or Navy, an officer of the Air Force designated as a medical or dental officer, or an officer of the PHS commissioned as a medical or dental officer, credit actual time served in the program. Any credit otherwise accrued during the same period by reason of Reserve membership would not be used in determining the multiplier for computing retired pay.

> Example: An O-6 with 20 years and 6 months service under 37 U.S.C. § 205 (excludes time at USUHS) is receiving basic pay for an O-6 over 20 years. If this member served 4 years and 6 months at USUHS, then, upon retirement, the member is to receive retired pay computed at 62.5 percent of basic pay as an O-6. The 62.5 percent is computed as 2.5 percent times 25 (20.5 plus 4.5) years of service as this computation will include the USUHS time.

4.3.4. The years of service, not included in subparagraphs 4.3.1 or 4.3.2, with which the member was entitled to be credited on June 1, 1958, in computing basic pay. See Volume 7A, Chapter 1, section 2.0.

4.3.5. Years of service not included in subparagraphs 4.3.1, 4.3.2, or 4.3.3, with which the member would be entitled to be credited under 10 U.S.C. § 12733. See paragraph 4.7.

4.4 Voluntary Retirement - Warrant Officers

See service credited under paragraph 4.3.

4.5 Mandatory Retirement

4.5.1. Army, Air Force, and Space Force service credited is the same as under paragraphs 3.5 or 4.3, whichever is more favorable.

4.5.2. Navy and Marine Corps service credited is the same as under paragraphs 3.6 or paragraphs 4.3, whichever is more favorable.

4.6 Disability Retirement

Service is credited as described under subparagraph 3.7.3 and 3.7.4, regardless of disability percentage.

4.7 Age and Service Retirement – Non-Regular

Total days of service, divided by 360 equals equivalent years and any fraction of a year of service. Note: Under 10 U.S.C. § 1401, before applying percentage factor, each full month of service that is in addition to the number of full years of service is creditable as one-twelfth of a year. The remaining fractional parts of a month are disregarded.

4.7.1. Days of active service;

4.7.2. Days of full-time service under ***32 U.S.C. § 316*** and 32 U.S.C. §§ 502 through 505, while performing annual training duty or attending a prescribed course of instruction at a school designated as a Service school by law or by the Secretary of the Military Department concerned (or designee); or

4.7.3. One day for each point credited under 10 U.S.C. § 12732(a)(1)(B)-(F), but not more than:

4.7.3.1. 130 days for any one year of service that includes October 30, 2007, and in any subsequent year of service;

4.7.3.2. 90 days in any one year of service between October 30, 2000, and October 29, 2007;

4.7.3.3. 75 days in any one year of service between September 23, 1996, and October 29, 2000; or

4.7.3.4. 60 days in any one year of service before the year of service that includes September 23, 1996.

Note: The credit includes points at the rate of 15 per year for membership in a Reserve Component of an Armed Force, in the Army, the Air Force, or the Space Force without component, or service (except in a regular component) before July 1, 1949, in the categories named in 10 U.S.C. § 12732.

4.7.4. One day for each point credited under 10 U.S.C. 12732(a)(2)(E) related to funeral honors.

5.0 UNIFORM RETIREMENT DATE ACT (URDA), TITLE 5, UNITED STATES CODE SECTION 8301

5.1 Authority

5.1.1. Retirement is effective on the first day of the month after that in which retirement would otherwise be effective, except as otherwise specifically provided by statute.

5.1.2. Notwithstanding subparagraph 5.1.1, the rate of final pay under ***10 U.S.C. § 1406***, applicable to members who first became members before September 8, 1980, is computed as of the date retirement would have occurred but for the provisions of subparagraph 5.1.1. See Table 1-5. Members who enter a Uniformed Service after September 7, 1980, receive the retired pay based on an average of basic pay rates for the period actually served, not to exceed a 36-month period. See Chapter 3 for gross pay computation.

5.2 Special Provisions

Under specific circumstances, computation may be based on another basic pay rate that may provide greater pay. See Chapter 3, sections 2.0, 3.0, and 4.0.

6.0 RANK AND PAY GRADE

6.1 General Determination

6.1.1. Grade at Retirement. Unless entitled to a higher grade under some other provisions of law, those Regular and Reserve members who retire other than for disability will retire in the Regular or Reserve grade they hold on the date of retirement. See Volume 7A, Comparable Grades.

6.1.2. Time-in-Grade Requirement. Pursuant to ***10 U.S.C. § 1370***, a commissioned officer, other than a commissioned warrant officer of the Army, Air Force, Space Force, Navy, or Marine Corps, who voluntarily retires in a grade above the grade of O-3, (captain in the Army, Air Force, Marine Corps, Space Force, or lieutenant in the Navy), must have served on active duty in that grade for a period of not less than 3 years.

6.1.2.1. The Secretary of Defense may reduce the active-duty service in-grade requirement of not less than three years to a period of not less than two years for any officer. This authority may not be delegated.

6.1.2.2. In the case of an officer to be retired in a grade at or below the grade of major general or rear admiral, the Secretary of Defense may authorize the Secretary of the military department concerned to reduce the active-duty service in-grade requirement to a period of not less than two years. This authority may not be further delegated.

6.1.3. Waiver of Not Less Than Two Years Active-Duty Service In-Grade Requirement. The President may waive the service in-grade requirements, as stated in subparagraphs 6.1.2.1 and 6.1.2.2, in individual cases involving extreme hardship or, exceptional or unusual circumstances. This authority of the President may not be delegated.

6.1.4. Retirement to the Next Lower Grade. An officer who does not meet the service-in-grade requirement retires in the next lower grade in which the member served on active duty satisfactorily. Officer grade determinations are made by the Service.

6.1.5. Officers in Grades 0-9 and 0-10.

6.1.5.1. An officer in the grade of general or admiral, or lieutenant general or vice admiral, may retire in that grade if the Secretary of Defense certifies, in writing, to the President and the Committees on Armed Services of the Senate and House of Representatives that the officer served on active duty satisfactorily in that grade.

6.1.5.2. The 3-year service in-grade requirement cannot be reduced or waived if the officer is under investigation for alleged misconduct or if an adverse personnel action is pending against the officer for alleged misconduct.

6.1.6. Reserve Officers

6.1.6.1. Pursuant to ***10 U.S.C. § 1370a***, unless entitled to a higher grade, or to credit for satisfactory service in a higher grade under some other provision of law, a member who becomes entitled to a non-Regular Reserve retirement will, upon application, receive credit for satisfactory service in the highest grade held in which that person served satisfactorily, as determined by the Secretary of the Military Department concerned (or designee).

6.1.6.2. To receive credit for satisfactory service in an officer grade below lieutenant colonel or commander, other than a warrant officer grade, a member must serve satisfactorily in that grade, as determined by the Secretary of the Military Department concerned (or designee) as a Reserve commissioned officer in an active status, or in a retired status on active duty, for at least 6 months.

6.1.6.3. To receive credit for satisfactory service in a grade above major or lieutenant commander, a member must serve satisfactorily in that grade, as determined by the Secretary of the Military Department concerned, as a Reserve commissioned officer in an active status, or in a retired status on active duty, for at least 3 years.

6.1.6.3.1. A member who completes at least 6 months of satisfactory service-in-grade, upon transfer from an active status or upon discharge as a Reserve commissioned officer for mandatory age or years of service, may receive credit for satisfactory service in the grade in which serving at time of transfer or discharge in that grade, notwithstanding failure of the person to complete three years of service in that grade, if the person transferred from an active status or discharged as a reserve commissioned officer:

6.1.6.3.1.1. Solely due to the requirements of a nondiscretionary provision of law requiring that transfer or discharge due to the member's age or years of service; or

6.1.6.3.1.2. Because the member no longer meets qualifications for membership in the Ready Reserves solely because of a physical disability, in accordance with Chapter 61 of Title 10, and at the time of such transfer or discharge the member meets the service requirements established by 10 U.S.C. § 12731(a) for eligibility for retired pay under chapter 1223 of Title 10, unless the disability is described in 10 U.S.C. § 12731(b).

6.1.6.3.2. If a member completes at least 6 months of satisfactory service-in-grade while serving as adjutant general under ***32 U.S.C. § 314*** or as assistant adjutant general to such adjutant general, and the member has failed to complete 3 years of service in such grade solely because the member's appointment to such position has been terminated or vacated under ***32 U.S.C. § 324(b)***, then the member may be credited with satisfactory service in that grade, notwithstanding the failure of the member to complete three years of service in that grade.

6.1.6.3.3. The Secretary of the Military Department concerned may allow credit in a higher grade to a member who has been recommended for promotion in a report of a promotion board but before the member is promoted to the recommended grade. Such credit may be allowed when a member who is in the next lower grade serves in a position after recommendation where the minimum authorized grade for the position the member is serving in is the higher grade to which the member is recommended for promotion. The period of service credited may not include any period before the date that the Senate provides advice and consent for the appointment of that member in the recommended grade.

6.1.6.3.4. A member who qualifies for Federal recognition in a higher grade by a board under ***32 U.S.C. § 307*** who serves in that grade in a position for which the higher grade is the minimum authorized grade and is appointed as a Reserve officer in that grade may receive credit for having served in that grade. The period of service for which the credit is afforded to the extent authorized by the Secretary of the Military Department concerned may be only the period the member served in the position after the Senate provides advice and consent for the appointment.

6.1.6.3.5. A member who completes at least 6 months of satisfactory service in a grade above colonel (or, in the case of the Navy, in a grade above captain), and while serving in an active status in such grade, is involuntarily transferred (other than for cause) from active status, may be credited with satisfactory service for the grade in which serving at the time of such transfer, even though he or she does not complete 3 years of service in that grade.

6.1.6.4. When a member's length-of-service in the highest grade held does not meet the service-in-grade requirements, the member receives credit for satisfactory service in the next lower grade in which the member serves satisfactorily for at least 6 months as determined by the Secretary of the Military Department concerned.

6.1.6.5. The Secretary of Defense may authorize the Secretary of a Military Department concerned to reduce the 3-year period required in subparagraph 6.1.6.3 for an officer above major or lieutenant commander, to a period of not less than 2 years for any person, including a person who, upon transfer to the Retired Reserve or discharge, is to be credited with satisfactory service in a general or flag officer grade. The authority of the Secretary of Defense may not be delegated.

6.1.6.6. The number of reserve commissioned officers of an armed force in the same grade for whom a reduction is made under this section may not exceed the number equal to 2 percent of the strength authorized for that fiscal year for reserve commissioned officers of that armed force in an active status in that grade.

6.1.7. Grade on Retirement for Physical Disability. Pursuant to ***10 U.S.C. § 1372***, unless entitled to a higher grade under some other provision of law, members of the Armed Forces who retire for disability under Chapter 61 of Title 10 are entitled to the highest of:

6.1.7.1. The grade or rank in which serving when placed on the Temporary Disability Retired List or, if not carried on that list, on date of retirement;

6.1.7.2. The highest temporary grade or rank in which member satisfactorily served, as determined by the Secretary of the armed force from which the member retired;

6.1.7.3. The permanent regular or reserve grade to which the member would have been promoted had it not been for the disability for which the member is retired and which was found to exist upon physical examination; or

6.1.7.4. The temporary grade to which the member would have been promoted had it not been for the disability for which the member is retired, if eligibility for that promotion was required based on the cumulative years of service or years of service in grade, and the disability was found upon physical examination.

6.2 Special Provisions

6.2.1. Commissioned officers of the Regular or Reserve Component of the Army, Air Force, or Space Force and Regular officers of the Navy or Marine Corps may, at the discretion of the President, be retired by and with the consent of the Senate, in the highest grade held at any time on the active list if they have served as:

6.2.1.1. Chief of Staff to the President;

6.2.1.2. Chief of Staff of the Army;

6.2.1.3. Chief of Naval Operations;

6.2.1.4. Chief of Staff of the Air Force;

6.2.1.5. Chief of Space Operations;

6.2.1.6. Senior member of the Military Staff Committee of the United Nations;

6.2.1.7. General or lieutenant general in a position of importance and responsibility designated by the President;

6.2.1.8. Admirals or vice admirals in positions of great importance and responsibility designated by the President under ***10 U.S.C. § 601***;

6.2.1.9. Chief or assistant chief of a branch of the Regular Army for at least 4 years;

6.2.1.10. Surgeon General of the Army or Air Force in the grade of lieutenant general;

6.2.1.11. Permanent professor of the U.S. Military Academy (USMA) or U.S. Air Force Academy (USAFA). If the grade is below brigadier general and service as professor is long and distinguished, then the professor may, at the discretion of the President, be retired in the grade of brigadier general; or

6.2.1.12. Chiefs of Bureaus or Judge Advocate General.

6.2.2. Regular and Reserve commissioned officers of the Army and Air Force are entitled to the grade equal to the highest temporary grade in which they served on active duty satisfactorily for not less than 6 months. See exception in subparagraph 6.1.2.

6.2.3. Where an existing statute authorizes computation of pay based on a grade in which the member served satisfactorily that is higher than the pay of the grade otherwise entitled, computation is based on the higher grade:

6.2.3.1. Without regard to whether that grade was temporary or permanent, and

6.2.3.2. Even though the military service in which the member held that higher grade is not the military service in which retired.

6.2.4. Retired warrant officers of the Army, Air Force, and Space Force and enlisted members of the Regular Army, Regular Air Force, and Regular Space Force are entitled to be advanced on the retired list to the highest grade in which they served on active duty satisfactorily, when their active service plus time on the retired list equals 30 years.

6.2.5. Unless otherwise entitled to a higher grade, officers of the Regular Navy or Regular Marine Corps holding a permanent grade of W-1 or above, retired with 30 or more years of service, are retired in the grade in which they are serving at the time of retirement.

6.2.6. Unless otherwise entitled to a higher grade, members of the Navy and Marine Corps retired while serving in a temporary grade to which they were appointed in time of war or national emergency that terminates on date of detachment are retired in the grade they would hold if they had not received such appointment.

6.2.7. Warrant officers of the Navy and Marine Corps who retire after completion of 20 years of service may elect to be retired in the highest grade entitled under any provision of law.

6.2.8. Unless otherwise entitled to a higher grade, members, other than retired members of the Navy or Marine Corps, when retired, are advanced on the retired list to the highest officer grade in which they served satisfactorily under a temporary appointment.

6.2.9. A courtesy title is not to be used for computation of pay. The grade for pay purposes is determined under the criteria of general determinations and special provisions as prescribed in this paragraph, with specific reference to the section of law that authorizes the grade for pay purposes.

6.2.10. Members promoted while missing-in-action, whose status is changed to killed in action, are exempted from the 6-month time-in-grade requirement since promotions received while in a missing status are "fully effective for all purposes" under ***37 U.S.C. § 552(a)***. Note: This provision is applicable only to members of the Army and Air Force.

6.2.11. A member who enters a Uniformed Service after September 7, 1980, and who later retires, may receive retired pay computed from a retired pay base made up of active duty pay rates from more than one grade.

6.3 Satisfactory Service

The determination as to what constitutes satisfactory service for the purpose of retirement in the highest grade is within the discretionary power of the Secretary of the Military Department concerned (or designee). The Service determines the retired grade.

7.0 NON-CITIZENS

7.1 Philippine Constabulary/Philippine Scout

The Act of February 2, 1901, as amended by the Act of May 16, 1908, authorized the President of the United States to organize a Military Component to be known as the Philippine Scouts and make it a part of the Regular Army. Retirement eligibility was the same as for enlisted men of the Regular Army. Officers were entitled to the same pay, privileges, and retirement benefits as authorized officers of like grade and service of the Regular Army. The Philippine Constabulary/Philippine Scouts are no longer maintained as a continuing part of the Army.

7.2 Insular Force

The Insular Force of the U.S. Navy was established by Executive Order on April 5, 1901, as amended on June 25, 1901. The Secretary of the Navy was authorized to enlist 500 natives of the Islands of the Philippines and Guam. Members of the Insular Force were eligible for transfer to the Fleet Reserve or to the retired list. The Insular Force is no longer maintained as a continuing part of the Navy.

7.3 Payment

7.3.1. Philippine Scouts. Adjustments of retired pay of Philippine Scouts will be made to reflect changes in the Consumer Price Index as provided by ***10 U.S.C. § 1401a***.

7.3.2. Change in Citizenship of Non-Regular Retirees. If a member's citizenship status changes after retirement, then it may have an impact on the member's retired pay. See Chapter 6 for additional information on change or loss of U.S. citizenship.

8.0 HEROISM PAY

*8.1 Entitlement

8.1.1. Regular Retirement. Enlisted members of the Army, Air Force, Space Force, Navy, and Marine Corps, retired after the completion of 20 or more but less than 30 years of active service for Regular retired pay computation purposes, who are credited by the Secretary concerned with extraordinary heroism in the line of duty, will receive a 10 percent increase to retired or retainer pay. Enlisted members of the Army, the Air Force, and the Space Force, with 20 or more, but less than 30, years of service who are credited by the Secretary concerned with extraordinary heroism in the line of duty, will receive a 10 percent increase to their retired pay, but the total amount of monthly retired pay may not exceed 75 percent of the retired pay base upon which retired pay is

based. Effective December 23, 2024, members who served during the Vietnam Era (the period beginning on August 5, 1964 and ending on March 27, 1973) are not subject to the restriction of 75 percent of the retired pay base upon which retired pay is based. Enlisted members of the Navy, Marine Corps, and Coast Guard with 20 or more, but less than 30, years of active service are eligible to have retired or retainer pay increased by 10 percent without the restriction of 75 percent of the retired pay base upon which retired pay is based.

8.1.2. Non-Regular Retirement. Entitlement to increased Reserve retired pay for heroism became effective October 1, 2002, and applies with respect to retired pay for months beginning on or after that date. Enlisted members of the Reserve Component retired after the completion of less than 30 years of service for non-Regular retired pay computation purposes, who are credited by the Secretary concerned with extraordinary heroism in the line of duty, will receive a 10 percent increase to their retired pay, but the total amount of monthly retired pay may not exceed 75 percent of the retired pay base upon which the computation is based. For enlisted members who retired after December 31, 2006, with more than 30 years of service, the total amount of monthly retired pay may not exceed the sum of 75 percent of the retired pay base upon which the computation is based and 2.5 percent of years of service credited for the computation of retired pay.

8.1.3. Disability Retirement. Enlisted members retired for disability who otherwise are eligible for voluntary retirement for 20 or more, but less than 30, years of service, and who are entitled to a 10 percent increase in pay for certified acts of extraordinary heroism, are entitled to an additional computation under the computation for a length-of-service retirement. However, in no case may the retired pay multiplier for a disability retirement based upon less than 30 years of service exceed 75 percent.

8.2 Determination of Entitlement

The Secretary of the Military Department concerned (or designee) has the authority to grant 10 percent of additional retired pay to an individual who has performed an act of extraordinary heroism in the line of duty. The Secretary's determination as to extraordinary heroism is conclusive for all purposes.

8.3 Special Provisions

8.3.1. Advancement on the Retired List. Retired enlisted members of the Regular Army or Air Force receiving the 10 percent additional increase in pay for extraordinary heroism are not entitled to the 10 percent increase when advanced to a higher grade on the completion of 30 years of service. See Chapter 9.

8.3.2. Recomputation After a Period of Active Duty. For detailed information on recomputation after subsequent active duty, see Chapter 7, section 2.0.

8.3.2.1. Retired enlisted members of the Army, Air Force, and Space Force are entitled to the 10 percent increase in retired pay for extraordinary heroism when pay is recomputed to reflect active service performed after the date of retirement. The retired pay may not exceed 75 percent of the monthly basic pay upon which retired pay is based. Effective

December 23, 2024, members who served during the Vietnam Era (the period beginning on August 5, 1964 and ending on March 27, 1973) are not subject to the restriction of 75 percent of the retired pay base upon which retired pay is based. Regardless of when the member's retired pay was recomputed, benefits will not accrue under this provision for any period prior to November 1, 1992.

8.3.2.2. Enlisted members of the Navy and Marine Corps who elected to receive retainer pay are entitled to the 10 percent increase in their pay for extraordinary heroism when that pay is recomputed to reflect active service performed after date of transfer.

9.0 PAYMENT

9.1 Effective Date of Payment

Pay accrues on a day-to-day basis from and including the date on which retirement is effective, except members who are transferred to the Fleet Reserve/Fleet Marine Corps Reserve. These members become entitled to pay on the day after the date of transfer. Amounts of retired pay and retainer pay due a retired member of the uniformed services will be paid on the first day of each month beginning after the month in which the right to such pay accrues. When the payment date falls on a Saturday, Sunday, or legal holiday, the Director of the Defense Finance and Accounting Service may authorize the payment of retired pay and retainer pay on the preceding workday but not more than three days before the last day of the pay period. See also Chapter 14.

9.1.1. Regular Retirement. Except as otherwise provided by law, the effective date of retirement is the first day of the month after the month in which service requirements are fully met.

9.1.2. Disability Retirement. Placement on the Temporary and Permanent Disability Retired Lists may become effective on any day of the month as specified by the Secretary of the military service concerned (or designee).

9.1.3. Mandatory Retirement for Age and Service. Members attaining age and service requirements for involuntary retirements are retained on active duty through the last day of the month in which age and service requirements are met.

9.1.4. Non-Regular Retirement. Reservists are entitled to pay effective on the date on which the requirements for age and service have been met, or on the first day of any later month that the retiree may elect.

9.2 Revocation of Retirement and/or Transfers

9.2.1. Where proper officials have made a determination that a member is entitled to retirement and retired pay on the basis of physical disability, after the effective date of retirement, the retirement orders are final and can be reopened only upon a showing of fraud, substantial new evidence, mistake of law, or mathematical miscalculation. Subsequent information showing that the decision may have resulted from the exercise of poor judgement alone does not provide a basis

to cancel or modify the prior order. However, the initial retiring action may be cancelled or revoked before the date that it is legally effective because the individual concerned has not yet acquired any rights or become entitled to any retirement benefits under the revoked retiring order.

9.2.2. Transfer of members to the Fleet Reserve/Fleet Marine Corps Reserve and to the retired list of the Regular Navy or Marine Corps or the Retired Reserve is conclusive for all purposes. The Secretary may correct any error or omission in the determination as to the member's grade and years of creditable service.

9.2.3. Payment of active duty pay and allowances may be permitted after the first of the month in which retirement is effective until retirement orders are actually delivered to the member later in the same month, provided prior notice of retirement orders had not been received.

9.2.4. Where advance notice of retirement orders is given, but orders are not delivered, an attempt may be made to revoke them after they become effective and replace them with orders directing retirement at a later date. When it is apparent that the member had no knowledge of the lack of legal authority for this action, and active duty pay and allowances were received "under color of authority," the "de facto rule" permits repayment of active duty pay and allowances paid for the period and later collected.

9.3 Computation

For detailed information on gross pay computation, see Chapter 3.

9.3.1. Monthly Pay. Compute monthly pay as if each month had 30 days. The daily rate is 1/30 of the monthly rate.

9.3.2. Intermediate Day. When retirement begins on an intermediate day of the month, compute pay at the rate of 1/30 for the actual number of days after date of retirement but only through the 30th day of that month. If pay begins on February 28, then pay accrues for 3 days. If the pay begins on February 29, then pay accrues for 2 days.

Table 1-1. Voluntary Retirement

RULE	A person who is	of the	and years of service total	including at least	may retire under 10 U.S.C. §	with retired pay computed under Chapter 3, Table 3-1
1	an enlisted member	Army	20 (note 1)		7314	rule 4.
2	an enlisted member	Air Force (AF) or Space Force (SF)	20 (note 1)		9314	rule 4.
3	a Regular enlisted member	Army	30		7317	rule 4.
4	a Regular enlisted member	AF or SF	30		9317	rule 4.
5	a commissioned officer	Army	20 (note 1)	10 years of active commissioned service (note 2)	7311	rule 5.
6	a commissioned officer	AF or SF	20 (note 1)	10 years of active commissioned service (note 2)	9311	rule 5.
7	a Regular commissioned officer	Army	30		7318	rule 5.
8	a Regular commissioned officer	AF or SF	30		9318	rule 5.
9	a commissioned officer	Army	40		7324	rule 5.
10	a commissioned officer	AF or SF	40		9324	rule 5.
11	a warrant officer	Armed Forces	20 (note 1)		1293	rule 3.
12	a warrant officer	Army	40		7324	rule 5.
13	a warrant officer	AF or SF	40		9324	rule 5.
14	a Regular officer W-1 and above	Navy or Marine Corps (MC) Reserve	40		8321	rule 6.
15	a Regular officer W-1 and above	Navy or MC Reserve	30		8322	rule 7.

Table 1-1. Voluntary Retirement (Continued)

RULE	A person who is	of the	and years of service total	including at least	may retire under 10 U.S.C. §	with retired pay computed under Chapter 3, Table 3-1
16	a Regular officer W-1 and above	Navy or MC	20 (note 1)	10 years of active commissioned service (note 2)	8323 (note 3)	rule 6.
17	a Regular enlisted member (note 4)	Navy or MC Reserve	30		8326	rule 7.
18	an enlisted member	Navy, MC, Navy Reserve, or MC Reserve	20 (Note 1)		may transfer to Fleet Reserve/ Fleet MC Reserve under section 8330	with retainer pay computed under rule 14.
19	an officer or enlisted member	Navy Reserve or MC Reserve	30		8327 (note 5)	rule 8.
20	an officer or enlisted member	Navy Reserve or MC Reserve	20 (Note 1)	10 years of active service served in the 11 years immediately before retirement	8327 (note 5)	rule 8.

NOTES:

1. See subparagraphs 3.1.1 and 3.1.2. Under TERA, Public Law (P.L.) 102-484, § 4403, October 23, 1992, the Secretary of the Military Department concerned (or designee) may reduce the 20 years of creditable service requirement for regular retirement to 15 years of creditable service. Legislative history for TERA is located at 10 U.S.C. § 1293 note. The authority was continuously extended numerous times and ended on September 1, 2002, under P.L. 107-314, § 554. ***P.L. 112-81, section 504(b)*** reinstated this authority effective December 31, 2011, with the end date extended to December 31, 2025, under P.L. 114-328, § 508(a), December 23, 2016. For non-regular retirement, see 10 U.S.C. § 12731a, Temporary special retirement qualification authority, in effect October 23, 1992 - December 31, 2001.
2. See subparagraph 3.1.3.1. Under the Temporary Authority to Reduce Minimum Length of Active Service as a Commissioned Officer Required for Voluntary Retirement as an Officer, the Secretary of the Military Department concerned (or designee) may reduce the 10-year active service requirement to not less than 8 years. ***P.L. 111-383, section 506***, January 7, 2011, extended this authority to September 30, 2013. The most recent period for this authority commenced January 7, 2011, and ended September 30, 2013. Title 10, U.S.C. § 7311(b)(2), 10 U.S.C. § 9311(b)(2), and 10 U.S.C. § 8323(a)(2)(B).
3. Members mandatorily retired under P.L. 86-155 thereafter are considered as having retired voluntarily pursuant to 10 U.S.C. § 8323. See P.L. 86-155, section 3. There are no officers processed under P.L. 86-155 after June 1, 1966.
4. Includes Regular enlisted members holding temporary appointment as commissioned officer or warrant officer.
5. ***Title 10, U.S.C. § 8327*** applies only to persons who were members of the Navy Reserve or the Marine Corps Reserve on January 1, 1953. This section terminates on January 1, 1973.

Table 1-2. Mandatory Retirement - Commissioned Officers and Warrant Officers

RULE	A person who is a	and has at least	who holds the Regular grade of	and time in grade is	and is age	is retired by Secretary of the Military Department concerned under 10 U.S.C. §				with retired pay computed under Chapter 3, Table 3-1
						Army	AF or SF	Navy or Marine Corps	Armed Forces	
1	Regular commis-sioned officer of the Army, AF, SF, Navy, or MC	20 years	below Brigadier General or Rear Admiral (lower half) (note 1)		62 (notes 4 and 23)	1251	1251	1251	1251	rule 9.
2	Regular commis-sioned officer of the Army or AF	20 years	below Major General (note 1)		60	3883 (note 2)	8883 (note 3)			rule 10 or 12.
3	Regular commis-sioned officer of the Army or AF	35 years (note 3)	Major General	5 years	60	3884 (note 2)	8884 (note 2)			rule 10 or 12.
4	Regular commis-sioned officer of the Army or AF	35 years (note 3)	Major General	5 years	62	3885 (note 2)	8885 (note 2)			
5	Regular commis-sioned officer of the Army or AF	35 years (note 3)	Major General	5 years	64	3886 (note 2)	8886 (note 2)			
6	Regular commis-sioned officer of the Army or AF	20 years (note 3)	any grade (note 5)			3913 (note 2)	8913 (note 2)			
7	Regular commis-sioned officer of the Army or AF	28 years (note 3)	Lieutenant Colonel (note 6)			3916 (note 2)	8916 (note 2)			

Table 1-2. Mandatory Retirement – Commissioned Officers and Warrant Officers (Continued)

RULE	A person who is a	and has at least	who holds the Regular grade of	and time in grade is	and is age	is retired by Secretary of the Military Department concerned under 10 U.S.C. §				with retired pay computed under Chapter 3, Table 3-1
						Army	AF or SF	Navy or Marine Corps	Armed Forces	
8	Regular commis-sioned officer of the Army or AF	30 years (note 3)	any grade (note 7)	5 years		3919 (note 2)	8919 (note 2)			rule 10 or 12.
9	Regular commis-sioned officer of the Army or AF		Colonel (note 8)	5 years		3921 (note 2)	8921 (note 2)			rule 10 or 12.
10	Regular commis-sioned officer of the Army or AF		Brigadier General	5 years		3922 (note 2)	8922 (note 2)			rule 10 or 12.
11	Regular commis-sioned officer of the Army or AF		Major General	5 years		3923 (note 2)	8923 (note 2)			rule 10 or 12.
12	Regular officer of the Navy or MC	35 years of total commis-sioned service (note 3)	Rear Admiral (notes 9 and 11)	5 years				6371 (notes 2 and 10)		rule 11.
13	Regular officer of the Navy or MC	35 years of total commis-sioned service (note 3)	Rear Admiral (notes 11 and 12)	7 years				6372 (notes 2 and 13)		rule 11.
14	Regular officer of the Navy or MC	35 years of total commis-sioned service (note 3)	Major General (notes 11 and 14)	5 years				6373 (note 2)		rule 11.

Table 1-2. Mandatory Retirement – Commissioned Officers and Warrant Officers (Continued)

RULE	A person who is a	and has at least	who holds the Regular grade of	and time in grade is	and is age	is retired by Secretary of the Military Department concerned under 10 U.S.C. §				with retired pay computed under Chapter 3, Table 3-1
						Army	AF or SF	Navy or Marine Corps	Armed Forces	
15	Regular officer of the Navy or MC	35 years of total commis-sioned service (note 3)	Rear Admiral (Navy), - Brigadier General (USMC) (note 9)					6374 (note 2)		rule 11.
16	Regular officer of the Navy or MC	35 years of total commis-sioned service (note 3)	Rear Admiral (Navy), Brigadier General (USMC) (notes 11 and 14)	5 years				6375 (note 15)		rule 11.
17	Regular officer of the Navy or MC	30 years of total commis sioned service (note 3)	Captain (Navy), Colonel (USMC) (notes 9 and 16)					6376 (note 2)		rule 11.
18	Regular officer of the Navy or MC	31 years of total commis sioned service (note 3)	Captain (Navy), Colonel (USMC) (notes 11 and 17)							rule 11.
19	Regular officer of the Navy or MC	30 years of total commis sioned service (note 3)	Captain (Navy), Colonel (USMC) (notes 12 and 16)					6377 (notes 2 & 18)		rule 11.
20	Regular officer of the Navy or MC	31 years of total commis sioned service (note 3)	Captain (Navy), Colonel (USMC) (notes 11, 12, and 17)					6377 (notes 2 & 18)		rule 11.

Table 1-2. Mandatory Retirement – Commissioned Officers and Warrant Officers (Continued)

RULE	A person who is a	and has at least	who holds the Regular grade of	and time in grade is	and is age	is retired by Secretary of the Military Department concerned under 10 U.S.C. §				with retired pay computed under Chapter 3, Table 3-1
						Army	AF or SF	Navy or Marine Corps	Armed Forces	
21	Regular officer of the Navy or MC	26 years (note 3)	Commander (Nurse Corps) (notes 11, 12, and 16)					6377 (notes 2 & 18)		rule 11.
22	Regular officer of the Navy or MC	35 years (note 3)	Captain (Navy), Commander (Nurse Corps) (notes 7 and 12)		62			6378 (notes 2 & 19)		
23	Regular officer of the Navy or MC	26 years of total commis-sioned service (note 3)	Commander, Lieutenant Colonel (note 16)					6379 (note 2)		rule 11.
24	Regular officer of the Navy or MC	20 years of total commis-sioned service (note 3)	Lieutenant Commander, Major (note 16)					6380 (note 2)		rule 11.
25	Regular officer of the Navy or MC designated for limited duty	30 years of active naval service	Navy officer serving in grade below Commander MC officer of any grade					8372		rule 11.
26	Regular officer of the Navy or MC designated for limited duty who twice fails promotion	Eligible to retire under any provisio n of law	Commander or Lieutenant Commander (Navy), Major (MC) (notes 16 and 20)					8372		rule 11.

Table 1-2. Mandatory Retirement – Commissioned Officers and Warrant Officers (Continued)

RULE	A person who is a	and has at least	who holds the Regular grade of	and time in grade is	and is age	is retired by Secretary of the Military Department concerned under 10 U.S.C. §				with retired pay computed under Chapter 3, Table 3-1
						Army	AF or SF	Navy or Marine Corps	Armed Forces	
27	Regular officer of the Navy designated for limited duty who is not recommended for promotion	35 years of service	Commander					8372		rule 11.
28	Regular officer of the Navy designated for limited duty	38 years of service	Captain					8372		rule 11.
29	Regular officer of the Navy or MC		any grade below Fleet Admiral		62			6390 (note 2)		rule 11.
30	Regular officer of the Navy or MC		Rear Admiral, Major General, and Brigadier General		62			6394 (note 2)		rule 11.
31	Regular officer of the Navy or MC	20 years of active commis-sioned service (note 3)	Lieutenant Commander, Major and below (Nurse Corps)					6396 (note 2)		rule 11.
32	female Regular officer of the Navy or MC	26 years of active commis sioned service						6398 (note 2)		rule 11.

Table 1-2. Mandatory Retirement – Commissioned Officers and Warrant Officers (Continued)

RULE	A person who is a	and has at least	who holds the Regular grade of	and time in grade is	and is age	is retired by Secretary of the Military Department concerned under 10 U.S.C. §				with retired pay computed under Chapter 3, Table 3-1
						Army	AF or SF	Navy or Marine Corps	Armed Forces	
33	female Regular officer of the Navy or MC	30 years of active commis-sioned service	Captain Colonel (note 21)					6398 (note 2)		rule 11.
34	female Regular officer of the Navy or MC	20 years of active commis-sioned service	Lieutenant Commander, Major (note 5) and below					6400 (note 2		rule 11.
35	commis-sioned officer of the Army	More than 30 years of commis-sioned service (note 22)	USMA - permanent professor or Director of Admissions			7320				rule 10.
36	commis-sioned officer of the AF or SF	More than 30 years of commis-sioned service (note 22)	USAFA - permanent professor or Director of Admissions				9320			rule 12.
37	commis-sioned officer of the Army, AF, SF or Navy	blank	USMA - permanent professor or Director of Admissions USAFA - permanent professor or registrar, and U.S. Naval Academy - permanent professor		64	1251(a), 1252	1251(a), 1252	1251(a), 1252		rule 9.

Table 1-2. Mandatory Retirement – Commissioned Officers and Warrant Officers (Continued)

RULE	A person who is a	and has at least	who holds the Regular grade of	and time in grade is	and is age	is retired by Secretary of the Military Department concerned under 10 U.S.C. §				with retired pay computed under Chapter 3, Table 3-1
						Army	AF or SF	Navy or Marine Corps	Armed Forces	
38	permanent Regular warrant officer of the Armed Forces who twice fails to be selected for promotion	20 years (note 23)	Warrant Officer 1, Warrant Officer 2, and Warrant Officer 3						580	rule 9.
39	permanent Regular warrant officer of the Armed Forces	20 years	Warrant Officer 1, Warrant Officer 2, Warrant Officer 3, and Warrant Officer 4		55 (note 24)				1255 (repealed by P.L. 90.130, November 8, 1967)	rule 9.
40	permanent Regular warrant officer of the Armed Forces	20 years (note 23	Warrant Officer 1, Warrant Officer 2, Warrant Officer 3, and Warrant Officer 4		62				1263	rule 9.
41	permanent Regular warrant officer of the Armed Forces	30 years of active service (For Army warrant officer, must be 30 years active service as a warrant officer)	Any grade, except Navy W-5 shall be retired upon completion of 33 years of total active service.						1305	rule 9.

Table 1-2. Mandatory Retirement – Commissioned Officers and Warrant Officers (Continued)

RULE	A person who is a	and has at least	who holds the Regular grade of	and time in grade is	and is age	is retired by Secretary of the Military Department concerned under 10 U.S.C. §				with retired pay computed under Chapter 3, Table 3-1
						Army	AF or SF	Navy or Marine Corps	Armed Forces	
42	Regular officer of the Army, AF, SF, MC, or Navy	28 years of commis-sioned service Note 25	Lieutenant Colonel, Commander (Navy)			633	633	633	633	rule 9.
43	Regular officer of the Army, AF, SF, MC, or Navy	30 years of commis-sioned service	Colonel, Captain (Navy)			634	634	634	634	rule 9.
44	Regular officer of the Army, AF, SF, MC, or Navy	30 years of commis-sioned service	Brigadier General, Rear Admiral (Lower Half) (Navy)	At least 5 years		635	635	635	635	rule 9.
45	Regular officer of the Army, AF, SF, MC, or Navy	35 years of commis-sioned service	Major General, Rear Admiral (Navy)	At least 5 years		636	636	636	636	rule 9.
46	Regular officer of the Army, AF, SF, MC, or Navy	38 years commis-sioned service	Lt General, Vice Admiral (Navy)	At least 5 years		636	636	636	636	rule 9.
47	Regular officer of the Army, AF, SF, MC, or Navy	40 years commis-sioned service	General, Admiral (Navy)	At least 5 years		636	636	636	636	rule 9.

Table 1-2. Mandatory Retirement - Commissioned Officers and Warrant Officers (Continued)

NOTES:

1. Member is exempt from mandatory retirement at age 62 if holding one of the following positions: permanent professor or director of admissions of U.S. Military Academy, permanent professor at U.S. Naval Academy, or permanent professor or registrar of U.S. Air Force Academy. See Rule 37.
2. Sections repealed by P.L. 96-513, December 12, 1980, effective September 15, 1981.
3. Army or AF service is computed under paragraph 3.5 (10 U.S.C. §§ 3927 and 8927 were repealed by P.L. 96-513).
4. Deleted.
5. Member was not recommended for promotion.
6. Member was on the lieutenant colonel promotion list.
7. Member was excessive number in any grade.
8. Member was on the colonel promotion list.
9. Member was not restricted in performance of duty.
10. Title 10, U.S.C. § 6371, Executive Order 11284, May 27, 1966 was revoked by Executive Order 12553, February 25, 1986.
11. Member was not recommended for continuation on active duty.
12. Member is restricted in performance of duty.
13. Title 10, U.S.C. § 6372 was repealed by P.L. 96-513, December 12, 1980 (94 Stat. 2898).
14. Member who served as Commandant of the U.S. Marine Corps.
15. Title 10, U.S.C. § 6375 was repealed by P.L. 87-123, August 3, 1961.
16. Member failed selection for promotion twice to next higher grade and was not on promotion list.
17. Member was not on promotion list and retirement subject to completion of 5-years of service in grade.
18. Title 10, U.S.C. § 6377(c) was repealed by P.L. 90-130, November 8, 1967.
19. Any Navy captain or commander who will complete 35 years of total commissioned service or who will become age 62 in the fiscal year in which the selection board is convened is ineligible for consideration for retention.
20. Deleted.
21. Except female officers on promotion list or serving as assistant to Chief of Naval Personnel with rank of captain, or assistant to Commandant of the U.S. Marine Corps with rank of colonel.
22. Compute service under paragraph 3.3.
23. Compute service under paragraphs 3.5 and 3.6. Title 10, U.S.C. § 1263 allows a retirement of a Warrant Officer age (at age 62), but only if the member already has 20 years of service.
24. The statute, which pertained to female Regular warrant officers, was repealed by P.L. 90-130, November 8, 1967 (81 Statute 374).
25. This rule is not applicable to a Navy officer to whom Rule 25 or 26 applies or who is a permanent professor at the U.S. Naval Academy.

Table 1-3. Disability Retirement

RULE	A person who is	of the	ordered to active duty for	and is determined	may retire under 10 U.S.C. §	with retired pay computed under Chapter 3, Table 3-1
1	an enlisted member, warrant officer, or commissioned officer	Armed Forces entitled to basic pay	30 days or less or on inactivity-duty training	unfit to perform duties of his or her office, grade, rank, or rating because of physical disability (note 1)	1204	rule 1.
2	an enlisted member, warrant officer, or commissioned officer	Armed Forces entitled to basic pay	30 days or less	unfit to perform duties of his or her office, grade, rank, or rating because of physical disability and placed on the TDRL (note 1 and 2)	1205	rule 2.
3	an enlisted member, warrant officer, or commissioned officer	Armed Forces entitled to basic pay	more than 30 days	unfit to perform duties of his or her office, grade, rank, or rating because of physical disability (note 1)	1201	rule 1.
4	an enlisted member, warrant officer, or commissioned officer	Armed Forces entitled to basic pay	more than 30 days	unfit to perform duties of his or her office, grade, rank, or rating because of physical disability and placed on the TDRL (note 1 and 2)	1202	rule 2.

NOTES:

1. Member must have at least 20 years of service as computed under 10 U.S.C. § 1208 (see para. 3.7) or a disability rating of at least 30 percent. (***10 U.S.C. §§ 1201***, ***1202***, ***1204***, and ***1205***).
2. Disability is not determined to be of a permanent nature and stable, but Secretary determines that accepted medical principles indicate that the disability may be of a permanent nature.

Table 1-4. Age and Service, Non-Regular Retirement

RULE	A person who is	of the	and has at least	and is age	may retire under	with retired pay computed under
1	an enlisted member, warrant officer, or commissioned officer	Armed Forces, Reserve, or National Guard (note 1)	20 years of service (note 2)	60 or is otherwise eligible (note 3)	10 U.S.C. § 12731 (note 4)	Chapter 3, Table 3-1, rule 13.

NOTES:

1. Persons completing the 20-year requirement before April 25, 2005, must have performed the last 6 years of qualifying service as a member of a Reserve Component, except that in the case of a member who completed 20 years of service before October 5, 1994, the number of years of such qualifying service will be 8 years.
2. Compute service for entitlement to retired pay under 10 U.S.C. § 12732; see paragraph 3.8. The Secretary concerned had authority to reduce the 20 years of service requirement to 15 years during the period October 23, 1992, to December 31, 2001, under 10 U.S.C. § 12731a.
3. The eligibility will be reduced below 60 years of age by 3 months for each aggregate of 90 days on which a member of the Ready Reserve performs active duty or active service pursuant to a call or order under 10 U.S.C. §§ 101(a)(13)(B), 12301(d), or 12304b or 32 U.S.C. § 502(f) in any fiscal year after January 28, 2008, or in any two consecutive fiscal years after September 30, 2014. The eligibility age may not be reduced below 50 years of age.
4. Member is entitled to retired pay under 10 U.S.C. § 12739 upon application only if not entitled to retired or retainer pay under any other provision of law.

Table 1-5. Rate of Basic Pay for Retired Computation Pay Computation under 10 U.S.C. § 1406 - Final Basic Pay Retirees (note 1)

RULE	A member who	and is	who fully qualified or met requirements to be retired	and retirement is	will have retired pay computed using active-duty basic pay rates in effect on
1	retires on other than the first day of an active-duty basic pay rate change	an enlisted member, warrant officer, or commissioned officer	at any time	voluntary, mandatory, disability, Reservist (age and service)	the first day of retirement (notes 2 and 3).
2	retires on the first day of an active-duty basic pay rate change	an enlisted member (note 3)	at any time	voluntary	the first day of retirement (note 2).
3	retires on the first day of an active-duty basic pay rate change	a warrant officer	at any time	voluntary	the day before the first day of retirement (notes 2 and 3).
4	retires on the first day of an active-duty basic pay rate change	a commissioned officer	before the month immediately preceding the active-duty basic pay rate change date (note 4)		the first day of retirement (note 2).
5	retires on the first day of an active duty basic-pay rate change	a commissioned officer	at any time prior to the active-duty basic pay rate change date	voluntary (note 4)	the first day of retirement (note 2).
6	retires on the first day of an active-duty basic pay rate change	a commissioned officer	during the month immediately preceding the active-duty basic pay rate change date	voluntary	the day before the first day of retirement unless the member specifically requests retirement on a day later than the first day of eligibility for voluntary retirement under the applicable statute; in which case, use active-duty pay rates in effect on the first day of retirement (notes 2 and 6).
7	retires on the first day of an active-duty basic pay rate change	a warrant officer	any time	mandatory	the day before the first day of retirement (note 2).

Table 1-5. Rate of Basic Pay for Retired Computation Pay Computation under 10 U.S.C. § 1406 - Final Basic Pay Retirees (note 1) (Continued)

RULE	A member who	and is	who fully qualified or met requirements to be retired	and retirement is	will have retired pay computed using active-duty basic pay rates in effect on
8	retires on the first day of an active-duty basic pay rate change	a commissioned officer	any time	mandatory	the day before the first day of retirement (note 2).
9	retires on the first day of an active-duty basic pay rate change	an enlisted member, warrant officer, or commissioned officer	during the month immediately preceding the active-duty basic pay rate change date without Secretarial action designating an earlier retirement date	disability (note 5)	the day before the first day of retirement (note 2).
10	retires on the first day of an active-duty basic pay rate change		any time	Non-regular (age and service)	the date the member is granted retired pay; however, if a discharged former member, who entered the military service on or after September 8, 1980, the rate in effect at discharge. See subparagraph 2.2.2. (note 2).

NOTES:

1. See ***5 U.S.C. § 8301(b)***. A retired pay base of average high-36 basic pay is used in lieu of a final basic pay rate in the computation of retired pay for members who enter the Uniformed Services after September 7, 1980. 10 U.S.C. §§ 1406 and 1407.
2. For members who qualify for retirement on an earlier computation date under the same or some other provision of law, compute under rates in effect on that earlier date based on grade **a**nd service credited at that time, if that rate is greater (10 U.S.C. § 1401a(f)).
3. Not applicable to Navy and Marine Corps enlisted members transferred to the Fleet Reserve or Fleet Marine Corps Reserve.
4. Applicable only to retirements under 10 U.S.C. § 8323.
5. If otherwise retirement eligible, then follow rule for that retirement.
6. This rule is effective for retirements on or after December 1, 2000. For retirements prior to that date, compute retired pay using active-duty basic pay rates in effect on the day before the first day of retirement, regardless of the date on which the member requested to be retired. See section 5.0.

*REFERENCES

CHAPTER 1 – INITIAL ENTITLEMENTS-RETIREMENTS

1.0 – GENERAL

1.1	10 U.S.C. §§ 1401, 1406, 1407, 1409 P.L. 114-92, sections 631-635, November 25, 2015 P.L. 114-328, sections 631-634, December 26, 2016

2.0 – MILITARY RETIRED PAY – INITIAL ENTITLEMENTS

2.1	10 U.S.C. §§ 1406, 1407, 1409
2.1.2	P.L. 114-92, sections 631-635, November 25, 2015 P.L. 114-328, sections 631-634, December 26, 2016
2.2	10 U.S.C. §§ 1406, 1407
2.3	10 U.S.C. § 1409 P.L. 114-92, sections 631-635, November 25, 2015 P.L. 114-328, sections 631-634, December 26, 2016
2.3.2	10 U.S.C. § 1401
2.3.3	P.L. 114-92, section 634, November 25, 2015 37 U.S.C. § 354
2.4.1	P.L. 114-92, sections 631-635, November 25, 2015 P.L. 114-328, sections 631-634, December 26, 2016 P.L. 111-383, section 631, January 7, 2011
2.5	P.L. 111-383, section 532, January 7, 2011 P.L. 102-484, section 4403, October 23, 1992
2.6	10 U.S.C. § 1447(6)(A)

3.0 – SERVICE CREDITABLE FOR RETIREMENT ELIGIBILITY

3.1	10 U.S.C. §§ 7311, 8323, 9311 P.L. 111-383, section 506, January 7, 2011 P.L. 112-239, section 505, January 2, 2013
3.1.1	10 U.S.C. §§ 1293, 7311, 8323, 9311
3.1.2	DoDI 1332.46, December 21, 2018
3.1.2.1	P.L. 112-81, section 504, December 21, 2011 P.L. 114-328, section 508, December 23, 2016
3.1.2.2	P.L. 102-484, section 4403, October 23, 1992 P.L. 107-314, section 554, December 2, 2002
3.1.2.3	10 U.S.C. § 12731a 10 U.S.C. § 1293 note

REFERENCES (continued)

3.1.3	10 U.S.C. §§ 7311, 8323, 9311 P.L. 101-510, section 523, November 5, 1990 P.L. 106-398, section 571, October 30, 2000 P.L. 109-502, section 506, January 1, 2006 P.L. 111-383, section 506, January 7, 2011 P.L. 112-239, section 505, January 2, 2013
3.2	10 U.S.C. §§ 7325, 9325, 8330, 8326, 8683 (repealed), 1043
3.2.6	Manuscript (MS) Comptroller General (Comp Gen) B-195448, April 3, 1980
3.3	10 U.S.C. §§ 7326, 9326, 8321-8323, 1043
3.4	10 U.S.C. §§ 1293, 1305, 8321, 8322, 1043
3.4.2	P.L. 81-351, § 511, October 12, 1949
3.5.7	10 U.S.C. §§ 1401, 1405
3.6	10 U.S.C. §§ 2106, 2107
3.7	10 U.S.C. §§ 1208, 1043, 12732, 12733
3.8.1 through 3.8.6	10 U.S.C. §§ 12731, 12732, 12733, 1043, 12738 58 Comp Gen 390 10 U.S.C. § 12731a
3.8.6	P.L. 113-291, section 625, December 19, 2014 P.L. 116-92, section 604, December 20, 2019 10 U.S.C. §§ 101, 12301, 12304b, 12731 10 U.S.C. § 12731(f)
3.9.1 and 3.9.2	10 U.S.C. § 972 38 Comp Gen 352 38 Comp Gen 553 10 U.S.C. § 972(b)(4)
3.9.4.5	10 U.S.C. § 12732(b)(7)

4.0 – SERVICE CREDITABLE FOR COMPUTING RETIRED PAY

4.1	10 U.S.C. §§ 1405, 7361, 9361, 8333
4.3	10 U.S.C. §§ 1405, 7361, 9361, 8333 37 U.S.C. § 205(a)(7) MS Comp Gen B-195855, April 1, 1980
4.3.2	Office of the Under Secretary of Defense - Military Personnel Policy memo, July 1, 2002 54 Comp Gen 675
4.4	10 U.S.C. §§ 1351, 1401, 1405
4.5.1 and 4.5.2	10 U.S.C. §§ 3927 (repealed), 8927 (repealed), 1405
4.6	10 U.S.C. § 1208
4.7	10 U.S.C. § 12733

REFERENCES (continued)

5.0 – UNIFORM RETIREMENT DATE ACT (URDA) APPLICATION 5 U.S.C. 8301	
5.1.2	P.L. 96-342, September 8, 1980
6.0 – RANK AND PAY GRADE	
6.1.1 through 6.1.7	10 U.S.C. §§ 7341, 7342, 7343, 9341, 9342, 9343 10 U.S.C. § 1370(b) - (d) 10 U.S.C. § 1370a P.L. 96-513, section 629, December 12, 1980 P.L. 101-510, section 522, November 5, 1990 P.L. 106-398, section 571, October 30, 2000 40 Comp Gen 240 10 U.S.C. § 1372 32 U.S.C. § 307
6.2.1 through 6.2.10	10 U.S.C. §§ 1370(c), 1406(i), 7342, 7343, 5133, 8962 49 Comp Gen 618 10 U.S.C. §§ 8325, 8321, 8322, 8323, 89343 10 U.S.C. §§ 601, 602 (repealed), 603 P. L. 96-342, September 8, 1980
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VOLUME 7B, CHAPTER 2: "INITIAL ENTITLEMENTS - FLEET RESERVE/FLEET MARINE CORPS RESERVE"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated May 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated chapter with hyperlinks and formatting to comply with administrative instructions.	Revision
References	Updated references.	Revision

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CHAPTER 2

INITIAL ENTITLEMENT-FLEET RESERVE/ FLEET MARINE CORPS RESERVE

1.0 GENERAL

1.1 Purpose

This chapter provides information for the entitlement to military retirement pay when an enlisted member transfers, at his or her request, to the Fleet Reserve/Fleet Marine Corps Reserve. Pursuant to the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2016, as amended by the NDAA FY 2017, the Department of Defense (DoD) established the Modernized Retirement System, commonly known as the Blended Retirement System (BRS). The BRS is the retired pay system for all Service members who enter military service on or after January 1, 2018. Service members who were already in uniformed service before January 1, 2018, were grandfathered under the applicable legacy retirement system. The law permitted active duty Service members with less than 12 years of service on December 31, 2017, or Service members in the Reserve Component who were in a paid status and had accrued fewer than 4,320 retirement points as of December 31, 2017, the option to elect to be covered under the BRS or to remain with their applicable legacy retirement system. The law provided a 1-year election period for those Service members who were eligible to opt into BRS from January 1, 2018, and ending on December 31, 2018. The decision to opt into BRS was irrevocable.

1.1.1. Fleet Reserve and Fleet Marine Corps Reserve

The Fleet Reserve and Fleet Marine Corps Reserve are composed of enlisted members of the naval service transferred to that status under ***Title 10, United States Code (U.S.C.) section 8330***. They were established to provide an available source of experienced former members of the Regular Navy or Navy Reserve and the Regular Marine Corps or Marine Corps Reserve. These members could be organized without further training to fill billets requiring experienced personnel in the first stages of mobilization during an emergency or in time of war.

1.1.1.1. Members of the Fleet Reserve and Fleet Marine Corps Reserve may be ordered to active duty without their consent in time of:

1.1.1.1.1. War or national emergency declared by the Congress, for the duration of the war or national emergency and for 6 months thereafter; or

1.1.1.1.2. National emergency declared by the President or when otherwise authorized by law.

1.1.1.2. In time of peace, any member of the Fleet Reserve or Fleet Marine Corps Reserve may be required to perform not more than 2 months' active duty for training during each 4-year period.

1.1.2. Retirement for Physical Disability

If a member of the Fleet Reserve or Fleet Marine Corps Reserve is found physically unfit for duty, the member will be transferred to the Regular retired list or Reserve retired list of the Navy or Marine Corps, as appropriate. Such retirement is by reason of physical disability.

1.1.3. Retirement After 30 Years of Service

Upon completion of 30 years of active and inactive service, a member of the Fleet Reserve or Fleet Marine Corps Reserve is transferred to the Regular retired list or the Retired Reserve of the Navy or Marine Corps, as appropriate.

1.1.3.1. Unless otherwise entitled to higher pay, each member transferred to the retired list or the Retired Reserve is entitled to retired pay at the same rate as the retainer pay to which he was entitled at the time of his transfer to the retired list or the Retired Reserve.

1.1.3.2. Upon placement on the retired list, a member may be advanced to the highest officer grade in which the member served satisfactorily under a temporary appointment with retired pay based on that grade. See Chapter 9, section 3.0 for advancement on the retired list.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 5, 10, and 37. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 TRANSFER ELIGIBILITY-SERVICE FOR PERCENTAGE MULTIPLE PURPOSES

2.1 Minimum Required Service

Upon completion of at least 20 years of active service in the Armed Forces (to include service as a cadet or midshipman), enlisted members of the Regular Navy, Regular Marine Corps, Navy Reserve, or Marine Corps Reserve may request transfer to the Fleet Reserve or Fleet Marine Corps Reserve under 10 U.S.C. § 8330(d). In this section, service as a cadet or midshipman refers to service as a cadet at the U.S. Military Academy, U.S. Air Force Academy, or U.S. Coast Guard Academy; or service as a midshipman at the U.S. Naval Academy. This service is not creditable service for any Officer.

2.1.1. Prior to December 31, 1977, a member became eligible for transfer upon completion of 19 years and 6 months of active service since that part of a year that is 6 months or more was creditable as a whole year. If service is creditable to the member for such purpose before December 31, 1977, then:

2.1.1.1. A completed minority enlistment of the member is counted as 4 years of active service, and

2.1.1.2. An enlistment of the member terminated within 3 months before the end of the term of enlistment is counted as active service for the full term.

2.1.2. On or after December 31, 1977, a member must complete a total of 20 years of active service to be eligible for transfer to the Fleet Reserve or Fleet Marine Corps Reserve. For such members, service creditable under subparagraph 2.1.1, which was not actually served by the member, may not be counted in determining eligibility for transfer.

2.2 Service Creditable for Transfer to the Fleet Reserve or Fleet Marine Corps Reserve

The following service is creditable for transfer eligibility and percentage multiple purposes if performed in an active duty (and active duty for training) status after August 9, 1956:

2.2.1. Service in the Army, Navy, Air Force, Marine Corps, and Coast Guard;

2.2.2. Service as an appointed or enlisted aviation cadet in the Navy Reserve or Marine Corps Reserve; or

2.2.3. Service as a cadet or midshipman at a Service academy (this pertains to only the credit for enlisted members transferring to the Fleet Reserve or Marine Corps Reserve). See Chapter 1, paragraphs 3.2 and 3.3 for rules pertaining to cadet/midshipman credit for officers.

2.3 Service Not Creditable for Transfer to the Fleet Reserve or Fleet Marine Corps Reserve

The following service is not creditable for transfer eligibility and percentage multiple purposes:

2.3.1. Service in the Philippine Constabulary;

2.3.2. Furlough without pay;

2.3.3. Inactive service as a member of a Reserve Component;

2.3.4. Inactive service while on the Temporary Disability Retired List; and

2.3.5. Time lost in excess of 1 day (24 consecutive hours) because of:

2.3.5.1. Sickness due to misconduct (SKMC) before June 17, 1955, the Bureau of Naval Personnel credited time lost due to SKMC for transfer purposes;

2.3.5.2. Nonperformance of duty before July 24, 1956, due to imprisonment because of a general court-martial sentence and while under arrest awaiting trial and during trial that results in conviction as finally approved;

2.3.5.3. Nonperformance of duty after July 23, 1956, due to confinement under a sentence by any court-martial, as finally approved, before, during, and after trial. If the member is acquitted or sentence is set aside and charges dismissed, the period of confinement is not considered time lost;

2.3.5.4. Absence while the member is in civil arrest (while in custody of civil authorities), unless the member is acquitted or released without making restitution or reparation; or

2.3.5.5. Unauthorized absence, which includes absence without leave (AWOL), absence over leave (AOL), and desertion (the latter of which previously was shown as AOL or AWOL and now is shown as Unauthorized Absence).

2.4 Constructive Service

Constructive service is service for which credit is given although not actually performed. Constructive service earned prior to December 31, 1977, is creditable as service for transfer eligibility and percentage multiple purposes. Constructive service is not creditable for determining basic pay rate upon which retainer pay is computed. No constructive service is creditable after December 31, 1977.

2.4.1. Minority Enlistments. A minority enlistment is the enlistment of a male between the age of 14 and 18 or female between the age of 18 and 21 who enlists with the consent of his or her parents or guardians to serve in the Navy or Marine Corps until reaching the age of 21. (The Navy policy is to accept members for enlistment at 17 years of age with written parental consent or 18 years of age without parental consent.) A completed minority enlistment, or a minority enlistment which terminates within 3 months of the expiration date of the enlistment, is counted as 4 years of active service when actual day-for-day service performed totals at least the period constituting the member's minority status upon enlistment, less 3 months. After December 31, 1977, time which is not actually served by the member may not be counted.

2.4.2. Short-Term Enlistment. A short-term enlistment refers to an enlistment that is terminated within 3 months before the end of the term of enlistment. This enlistment is counted as active service for the full term when the actual day-for-day active service performed amounts to at least the full term of the enlistment, less 3 months. After December 31, 1977, time which is not actually served by the member may not be counted.

2.4.3. Involuntary Extension. An involuntary extension is when an enlistment (including a minority enlistment) is extended involuntarily for a specific period. Compute service based on the constructive service principle for short-term enlistments, which applies equally for computing service for transfer by the Bureau of Naval Personnel on and after March 15, 1966, and by the Commandant of the Marine Corps on and after January 1, 1968.

2.4.4. Voluntary Extension. A voluntary extension is when the member agrees to serve beyond the scheduled term, modify the original minority or term enlistment contract by increasing the period agreed to by the member. The same rule established for crediting constructive service for short-term enlistments applies for voluntary extensions.

2.4.5. Lost Time and Inactive Service. Before crediting constructive service for a period of service, deduct any lost time and any inactive service from the member's day-for-day service. After these deductions, if the member is eligible to receive constructive service for the period of enlistment, credit it. If, after deductions, the member is not eligible for constructive service for a period of enlistment, give credit only for the actual day-for-day service. For the definition of lost time, see Chapter 1, subparagraphs 3.9.1 and 3.9.2.

2.4.6. Waiver of Recoupment of Time Lost for Confinement. The circumstances under which the Secretary concerned may waive recoupment of time lost for confinement are provided in ***10 U.S.C. § 972(c)***.

2.5 Conclusiveness of Transfer

All transfers of members to the Fleet Reserve or Fleet Marine Corps Reserve, when effected, are conclusive for all purposes, except that the Chief of Naval Personnel or the Commandant of the Marine Corps, acting for the Secretary of the Navy, may correct any error or omission in the determination as to a member's grade and years of creditable service. When such a correction is made, the member is entitled, when not on active duty, to retainer pay based on the grade and number of years of creditable service, as corrected, from the effective date of transfer.

3.0 SERVICE FOR BASIC PAY PURPOSES

The total service for basic pay purposes follows the same principle as service for percentage multiple purposes. For an explanation of service creditable for basic pay purposes, see Volume 7A, Chapter 1, section 2.0.

4.0 DATE OF TRANSFER

4.1 Effective Date of Transfer

Members are transferred to the Fleet Reserve and Fleet Marine Corps Reserve only by the authority of, and on the date specified by, the Chief of Naval Personnel or the Commandant of the Marine Corps. Commanding officers may defer transfers to the Fleet Reserve up to 30 days beyond the date authorized when urgent operational commitments demand the member's service. Transfers to the Fleet Marine Corps Reserve may not be made on a date other than the date

specified in the authority for release. The Commandant of the Marine Corps must authorize any change in this date prior to the effective date of transfer. The date of transfer is the member's last day of active duty and the member is entitled to active duty pay and allowances for that date.

4.2 Application of Uniform Retirement Date Act

Since a transfer to the Fleet Reserve or Fleet Marine Corps Reserve is not considered a retirement, the Uniform Retirement Date Act (URDA), ***5 U.S.C. § 8301***, does not apply. Once the member has completed a total of 30 years of active service and is eligible for retirement, the member's date of retirement comes under the URDA. A transfer to the Fleet Reserve may be made on any intermediate day of a month as approved by the Chief of Naval Personnel. Transfers to the Fleet Marine Corps Reserve are made on the last day of the month except where transfer has been requested on the effective date of an expiration of enlistment. Except in time of war or national emergency, personnel transferred to the Fleet Marine Corps Reserve are released from active duty on the date of such transfer, unless an order to the contrary is received.

4.3 Modification of "Not Earlier Than Date"

The Chief of Naval Personnel normally does not approve a requested change of authorized date for transfer to the Fleet Reserve. In case of hardship, meritorious circumstances, or unusual conditions, a member may submit a request for a change of authorized date for the transfer to the Chief of Naval Personnel through the commanding officer and appropriate personnel distribution. If an earlier date of transfer is requested, the commanding officer's endorsement must state whether the member's services can be spared. If approved, the Chief of Naval Personnel issues a message to the commanding officer and sends a copy to the Defense Finance and Accounting Service-Cleveland, Retired and Annuitant Pay.

4.4 Effective Date of Retainer Pay

Members transferred to the Fleet Reserve and Fleet Marine Corps Reserve receive "retainer" pay versus "retired" pay, as they are considered to have their services retained for possible use. A member becomes entitled to retainer pay starting on the day after the effective date of transfer to the Fleet Reserve or Fleet Marine Corps Reserve.

4.5 Retainer Pay Effective on the First Day of New Active Duty Pay Rates

4.5.1. When a member is transferred to the Fleet Reserve or Fleet Marine Corps Reserve, compute retainer pay using the rate of active-duty pay received at the time of transfer. For example, if a member is transferred on December 31, 1991, with retainer pay effective on January 1, 1992, compute the member's retainer pay using the January 1, 1991, active-duty pay rates. If a member transferred on January 1, 1992, with retainer pay effective on January 2, 1992, compute retainer pay using the January 1, 1992, active-duty pay rates.

4.5.2. If a member of the Fleet Reserve or Fleet Marine Corps Reserve first became entitled to a monthly retainer pay on or after January 1, 1971, that pay may not be less than the monthly retainer pay to which the member would be entitled if he or she had become entitled to retainer pay at an earlier date. Adjust this monthly retainer pay to reflect any applicable increase in such pay under ***10 U.S.C. § 1401a(f)***. In computing the amount of retainer pay to which the member would have been entitled on that earlier date, base the computation, subject to 10 U.S.C. § 1401a(f), on the member's grade, length of service, and the rate of basic pay applicable at that time. This subparagraph does not authorize any increase in the monthly retainer pay to which a member was entitled for any period before October 7, 1975.

5.0 RANK AND GRADE

A member transferred to the Fleet Reserve or Fleet Marine Corps Reserve has retainer pay computed based on the pay grade in which serving on the date of transfer.

5.1 Pay Grade

A member who served as a temporary officer but holds permanent enlisted status will revert to a permanent enlisted pay grade upon transfer to the Fleet Reserve or Fleet Marine Corps Reserve.

5.2 Retainer Pay

A member who has served as the Master Chief Petty Officer of the Navy or as Sergeant Major of the Marine Corps is entitled to retainer pay at the highest basic pay rate to which the member was entitled while so serving, if that rate is higher.

6.0 GROSS PAY COMPUTATION

6.1 Computation

See Chapter 3, section 2.0 for basic computation.

6.2 Extraordinary Heroism

See Chapter 1, section 8.0 for guidance. See Chapter 3, subparagraph 2.3.3 and Chapter 3, paragraph 5.6 for computation rules.

6.3 Good Conduct (Markings)

For members retired and being paid under laws in effect before October 1, 1949, a 10 percent credit for good conduct may apply. To qualify for this credit, a member must have been retired under the specific citation that contains the authority for this increase, and the member's average marks for conduct for 20 or more years must not have been less than 95 percent of the maximum.

6.3.1. Section 203 of the Naval Reserve Act of 1938, which authorized the 10 percent "good conduct" increase added to retired pay of enlisted members of the Coast Guard who retire from the Coast Guard after 20 years of service, was repealed by Public Law 88-114, dated September 6, 1963.

6.3.2. The saving provision of Public Law 88-114 retained the 10 percent increase for members on active duty with the Coast Guard on or before September 6, 1963. The provision may apply to retired enlisted members of the Coast Guard who served on active duty in the Regular Coast Guard on or before September 6, 1963. Members who served in the Regular Coast Guard before September 6, 1963, but who were not serving in the Coast Guard on September 6, 1963, and who later retired from the Coast Guard, are entitled to the 10 percent good conduct increase, if otherwise qualified.

6.4 Insular Force

Members of the Insular Force were eligible for transfer to the Fleet Reserve or to the retired list. The Insular Force is no longer maintained as a continuing part of the Navy. See Chapter 1, paragraph 7.2 for guidance.

7.0 PAYMENT DATE

See Chapter 1, section 9.0.

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CHAPTER 2 – INITIAL ENTITLEMENT – FLEET RESERVE/FLEET MARINE CORPS RESERVE

1.0 – GENERAL

1.1	10 U.S.C. §§ 1401, 1406, 1407, 1409 Public Law 114-328, sections 631-634, December 26, 2016 Public Law 114-92, sections 631-635, November 25, 2015 Deputy Secretary of Defense, Memorandum, Subject: Implementation of the Blended Retirement System, January 27, 2017
1.1.1	10 U.S.C. § 8330
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1.1.2	10 U.S.C. § 8331
1.1.3	10 U.S.C. § 8331
1.1.3.2	10 U.S.C. § 8262(a)

2.0 – TRANSFER ELIGIBILITY – SERVICE FOR PERCENTAGE MULTIPLE PURPOSES

2.1	10 U.S.C. § 8330(b) and (d) Manuscript Comptroller General (MS Comp Gen) B-195448, April 3, 1980
2.1.1 &2	10 U.S.C. § 8330 (d)(2)(3)
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3.0 – SERVICE FOR BASIC PAY PURPOSES

	10 U.S.C. § 8330(d)

4.0 – DATE OF TRANSFER

4.2	5 U.S.C. § 8301 44 Comp Gen 584, March 26, 1965
4.5.1	44 Comp Gen 584, March 26, 1965
4.5.2	10 U.S.C. § 1401a(f)

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5.0 – RANK AND GRADE

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6.0 – GROSS PAY COMPUTATION

6.3	Naval Reserve Act of 1938, section 203 34 U.S.C. § 854(b)(repealed) Public Law 88-114, September 6, 1963 MS Comp Gen B-193199, Apr 11, 1979

VOLUME 7B, CHAPTER 3: "GROSS PAY COMPUTATION"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

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The previous version dated September 2024 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated chapter and formatting to comply with administrative instructions.	Revision
2.13	Added special rule for officers who served in grade O-9 or O-10 and retired in grade O-8.	Addition
5.4.1	Pursuant to Title 10, United States Code, sections 1370(b)(1)(A) and 1370(b)(2), updated subparagraph to state, "The Secretary of Defense may reduce the active-duty 3 year service in grade requirement to not less than 2 years. This authority may not be delegated."	Revision
Table 3-1	Updated table to include Space Force when Air Force is mentioned.	Revision
Table 3-1 Note 4	Updated to provide elimination of the 75 percent cap on additional retired pay for extraordinary heroism for members of the Army, Air Force, and Space Force who served during the Vietnam Era.	Revision
References	Updated references.	Revision

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CHAPTER 3

GROSS PAY COMPUTATION

1.0 GENERAL

1.1 Purpose

This chapter establishes the standard way of computing basic retired pay, which includes the application of saved pay, impact of the Tower Amendment, impact of other special provisions related to retired pay, and calculations and payment of a lump sum of retired pay. This update introduces guidance for the Modernized Retirement System, known as the Blended Retirement System (BRS). BRS is authorized by the Fiscal Year (FY) 2016 National Defense Authorization Act (NDAA), ***Public Law (P.L.) 114-92***, sections 631 through 635. BRS was further modified in the FY 2017 NDAA, ***P.L. 114-328***, sections 631 through 633 and FY 2018 NDAA, ***P.L. 115-91***, section 622. BRS became effective January 1, 2018. Unless specifically stated in P.L. 114-92, P.L. 114-328, or P.L. 115-91, all existing provisions in statute, regulation, and policy related to retired pay, retainer pay, and survivor benefits remain in effect under the BRS.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with, the United States Code (U.S.C.), including Titles 10, 37, and 38. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 BASIC COMPUTATION

2.1 Overview

In most cases, retired or retainer pay is the product of multiplying the retired pay base by the years of service multiplier. In some military disability retirement cases, retired pay is the product of multiplying the retired pay base by the percentage of disability determined by the military service.

2.1.1. Retired Pay Base. The retired pay base is determined by using the active-duty basic pay entitlement of the member.

2.1.1.1. Pre-September 8, 1980 Member. For individuals who first became members before September 8, 1980, the retired or retainer pay base is the basic pay of the member on the day before retirement. See paragraphs 2.2 through 2.6 for exceptions.

2.1.1.2. Post-September 7, 1980 Member. For individuals who first became members after September 7, 1980, the retired or retainer pay base is the average of the highest 36 months of basic pay received.

2.1.1.2.1. The retired pay base for a member with 36 or more months of active service is the average monthly basic pay the member received over their highest earning 36 months. In the case of a Reserve component member, this is the total amount of basic pay to which the member was entitled during the member's high 36 months or to which the member would have been entitled if the member had served on "active duty" during the entire period of the member or former member's high 36 months. Only months during which the individual was a member of a uniformed service may be used. Starting with the highest rate of pay, add together the monthly basic pay amounts until the total number of months equals 36 months. Divide the total pay derived from the sum of months by 36, and round to the nearest cent to obtain the retired pay base applicable to the member. Any lost time the member had is not to be included in the computation.

2.1.1.2.2. The retired pay base for a member with less than 36 months of active service is the member's basic pay for the entire period of the member's active service added together divided by the number of months (including any fractions thereof) of the member's active service. In the case of a Reserve component member, this is the total amount of basic pay to which the member was entitled or to which the member would have been entitled if the member had served on active duty during the entire period before being retired. Divide the total pay by the total time expressed as months and days, count days that are less than 30 as 1/30th of a month. Round the result to the nearest cent.

2.1.1.2.3. A full month served counts as 1 month regardless of any interruption by a pay rate change and regardless of the number of days in that month. Service for an entire calendar month at a single rate of basic pay counts as 1 month under that rate of basic pay, regardless of the number of days in the month, i.e., 28, 29, 30, or 31 days. For a calendar month that has multiple rates of basic pay, compute service for an entire calendar month, for the number of days paid at each rate. For example, if a member has a longevity pay increase effective February 11th, the old rate is applicable for 10 days and the new rate is applicable for 20 days (regardless of leap year). If a month has 31 days, ignore the 31st. For example, if the member has a longevity pay increase effective August 11th, the old rate is applicable for 10 days and the new rate is applicable for 20 days. Allocate the computation of pay for a 30-day month in a straightforward manner.

2.1.1.2.4. When a member serves less than a full month, count only the number of days actually paid so that each total of 30 days equals 1 month. If a member serves less than a full month and one or more rates of basic pay apply, compute each rate as applicable for the number of days paid to the member at that rate. For example, assume the member had a break in service and returned to active duty on February 8th, but has a longevity increase effective February 11th. When a member serves through the end of February, consider the month to have 30 days. This member receives 3 days at one rate and 20 days at the new rate or 23 days of pay.

Example: A member receives monthly basic pay of $17,658.30 over 14 months and 11 days:

$\frac{\$17,658.30}{14 \text{ months} + 11 \text{ days}} = \frac{\$17,658.30}{14.36667} = \$1,229.12$ Retired Pay Base

$1,229.12 Retired Pay Base
x % Retired Pay Multiplier
= $x,xxx.xx Retired Pay Rounded

2.1.1.3. Consider an individual to have first become a member of a uniformed service when that individual is first appointed or is enlisted in the uniformed services. A member who first enlists under the delayed entry program; in a Reserve Component as part of the Senior Reserve Officers' Training Corps (ROTC) or ROTC Financial Assistance programs; as a student at the Uniformed Services University of Health Sciences; or as a participant in the Armed Forces Health Professions Scholarship Program, is considered to have first become a member on the date of enlistment or entry into those programs.

Example 1: A member who first enlists before September 8, 1980, under the delayed entry program; in a Reserve Component as part of the Senior Reserve Officers' Training Corps (ROTC) or ROTC Financial Assistance programs; as a student at the Uniformed Services University of Health Sciences; or as a participant in the Armed Forces Health Professions Scholarship Program, is considered to have first become a member before September 8, 1980.

Example 2: A member who first enlists before January 1, 2018, under the delayed entry program; in a Reserve Component as part of the Senior ROTC or ROTC Financial Assistance programs; as a student at the Uniformed Services University of Health Sciences; or as a participant in the Armed Forces Health Professions Scholarship Program, is considered to have first become a member before January 1, 2018.

2.1.1.4. The Defense Finance and Accounting Service (DFAS) may use a saved pay rate under the provisions of the Tower Amendment to compute retired pay when it is to the member's advantage. See paragraph 4.1 for eligibility. The Tower Amendment authorizes the use of the basic pay rates in effect on the day before the effective date of the rates of monthly basic pay on which the member's retired pay would otherwise be based.

2.1.2. Retired Pay Multiplier

2.1.2.1. In computing retired or retainer pay, other than for disability or non-regular service retirement, the retired pay or retainer pay multiplier is the product of the applicable percentage and the member's years of creditable service. The percentage varies according to the member's retirement program. See Table 3-4 (pre-BRS - 2.5 percent) and Table 3-5 (BRS - 2.0 percent). The term "years of creditable service" means the number of years of service that are creditable to a member in computing the member's retired or retainer pay,

including credit for each full month of service in addition to full years of service. See Chapter 1, section 4.0 for determining creditable years of service for computing retired pay.

2.1.2.1.1. Pre-January 1, 1980 Member. The retired pay or retainer pay multiplier for a member with a Date of Initial Entry into Military Service (DIEMS) before January 1, 1980, is the product of 2.5 percent and the member's years of creditable service unless that member elected to enroll in the BRS.

2.1.2.1.2. Post-January 1, 1980 Member. The retired pay or retainer pay multiplier for a member with a DIEMS on or after January 1, 1980, is the product of 2.5 percent and the member's years of creditable service, unless that member accepted the Career Status Bonus (CSB) or elected to enroll in the BRS.

2.1.2.2. The retired pay or retainer pay multiplier for a regular member with a DIEMS on or after August 1, 1986, but before January 1, 2018, who has accepted the CSB and who retires with less than 30 years of creditable service is:

2.1.2.2.1. The product of 2.5 percent multiplied by the member's years of creditable service;

2.1.2.2.2. Minus 1 percentage point for each full year of creditable service less than 30; and

2.1.2.2.3. One twelfth of 1 percentage point for each full month of creditable service less than a full year.

NOTE: See subparagraph 2.10.2 for the restoring of retired pay at age 62.

2.1.2.3. The retired pay or retainer pay multiplier for a member with a DIEMS on or after January 1, 2018, or a member with a DIEMS before January 1, 2018, who elected to enroll in the BRS, is 2 percent multiplied by the years of creditable service.

2.1.2.3.1. For a regular retirement under the BRS, the years of service multiplier is determined by multiplying 2 percent by the member's years of creditable service, as computed in accordance with ***Title 10, U.S.C. § 1405***. The term "years of creditable service" means the number of years of service that are creditable to a member in computing the member's retired or retainer pay, including credit for each full month of service in addition to full years of service.

2.1.2.3.2. For a non-regular retirement under the BRS, the years of service multiplier is determined by multiplying 2 percent by the years of service credited for percentage purposes. In accordance with ***DoD Instruction (DoDI) 1215.07***, as determined under ***10 U.S.C. § 12733***, the formula for converting retirement points into years of service credited for percentage purposes is total number of retirement points divided by 360.

2.1.2.3.3. For a disability retirement under the provisions of ***10 U.S.C., Chapter 61***, the years of service multiplier is determined by multiplying 2 percent by the member's years of creditable service if enrolled in BRS (otherwise 2.5 percent multiplied by the member's years of creditable service), as computed in accordance with ***10 U.S.C. § 1208***. However, a member may elect to receive retired pay equal to their retired base pay multiplied by the member's rated percent of disability in accordance with ***10 U.S.C. § 1401***. All other provisions of 10 U.S.C., Chapter 61 apply.

2.1.2.4. If retired before January 1, 2007, the retired pay or retainer pay multiplier is limited to 75 percent for a member with more than 30 years of creditable service. If retired after December 31, 2006, for other than disability, there is no restriction on the retired pay multiplier.

2.2 Disability Retirement (Table 3-1, Rules 1 and 2)

2.2.1. The retired pay base pay for a disability retirement is determined based on when a member entered service.

2.2.1.1. Pre-September 8, 1980. For a member who entered service before September 8, 1980, the retired pay base is the monthly basic pay of the grade or rank in which the member was serving when placed on the Temporary Disability Retired List (TDRL), or the highest temporary grade or rank in which the member served satisfactorily or to which the member was entitled on the day before retirement or placement on the TDRL, whichever is the higher.

2.2.1.2. Post-September 7, 1980. For a member who entered service after September 7, 1980, the retired pay base is determined as prescribed in subparagraph 2.1.1.2.

2.2.2. The retired pay multiplier for a disability retirement is determined as follows:

2.2.2.1. A member permanently retired for disability receives retired pay that is equal to the retired pay base under Table 3-1, Rule 1, multiplied by the member's election of either:

2.2.2.1.1. The applicable percentage described in subparagraph 2.1.2.3.3 multiplied by the years of service credited for percentage purposes under 10 U.S.C. § 1208, except as provided in subparagraph 2.2.3;

2.2.2.1.2. Percentage of disability, not to exceed 75 percent, on date retired;

2.2.2.1.3. The retired pay multiplier may not exceed 75 percent for a member with 30 or more years of service, retiring on or before January 7, 2011. The retired pay multiplier is not limited for members with 30 or more years of service who retire on or after January 8, 2011; or

2.2.2.1.4. The retired pay multiplier is 2 percent multiplied by the years credited for percentage purposes under 10 U.S.C. § 1208, for a member who was enrolled in BRS or the percentage of disability, not to exceed 75 percent, on date retired for those who elected to enroll in the BRS.

2.2.2.2. A member placed on the TDRL receives retired pay that is equal to the retired pay base under Table 3-1, Rule 2, multiplied by the member's election of either:

2.2.2.2.1. The applicable percentage described in subparagraph 2.1.2 multiplied by the years of service credited for percentage purposes under 10 U.S.C. § 1208; or,

2.2.2.2.2. Percentage of disability, not to exceed 75 percent, on the date when the military department concerned places the member's name on the TDRL.

2.2.2.2.3. If neither multiplier as described under subparagraphs 2.2.2.2.1 and 2.2.2.2.2 is at least 50 percent, DFAS will pay a minimum of 50 percent of the retired pay base while the member is on the TDRL.

2.2.2.2.4. For a member placed on the TDRL on or before January 7, 2011, the retired pay multiplier may not exceed 75 percent. The retired pay multiplier is not limited for members with 30 or more years of service who retire on or after January 8, 2011.

2.2.3. If a member is retired for disability and is eligible under another provision of law, follow the rule in Table 3-1 applicable to the section of law that is more advantageous to the member. Note, however, for a non-regular member who is retired for disability and becomes entitled to immediate retired pay under Chapter 61 before eligibility age, the retired pay may not be recomputed at eligibility age (usually age 60) based on ***10 U.S.C. § 12731***. To be entitled to retired pay for non-regular service under 10 U.S.C. § 12731, a member must "not be entitled under any other provision of law, to retired pay from an armed force." See 10 U.S.C. § 12731.

2.2.4. DoD will compute creditable service for disability retirees under 10 U.S.C. § 1208. DoD will not apply CSB reduction factors when computing retired pay for disability retirees.

2.3 Voluntary Retirement (Table 3-1, Rules 3 through 8)

2.3.1. The retired or retainer pay base pay for a voluntary retirement is determined based on when a member entered service.

2.3.1.1. Pre-September 8, 1980. For a member who entered service before September 8, 1980, the retired or retainer pay base is the monthly basic pay rate applicable on the date of the member's retirement for the grade or rank in which the member was retired or to which the member advances on the retired list. Compute the retired pay base as shown in Table 3-1, Rules 3 through 8.

2.3.1.1.1. A Reserve enlisted member, who is retired in the highest enlisted grade satisfactorily held on active duty (or in which the member served on full-time National Guard duty satisfactorily) after being administratively reduced in grade not as the result of the member's misconduct, may use the basic pay rate of the retired grade.

2.3.1.1.2. For Army, Air Force, and Space Force Reserve enlisted personnel, the basic pay applicable on the member's date of retirement for the retired grade is the retired pay base, in lieu of the retired pay base under ***10 U.S.C. § 1406(c) or (e)***.

2.3.1.1.3. For Navy and Marine Corps Reserve enlisted personnel transferred to the Fleet Reserve/Fleet Marine Corps Reserve (FR/FMCR) in the highest grade satisfactorily held on active duty after being administratively reduced in grade not as the result of the member's misconduct, use the basic pay rate of the grade in which the member transferred for the retired or retainer pay base. This subparagraph applies to the member who entered a uniformed service before September 8, 1980, and who retired (or transferred to the FR/FMCR) after September 30, 1996.

2.3.1.1.4. For warrant officers, compute the retired pay base on the monthly basic pay to which the member would be entitled if serving on active duty in the retired grade on the day before retirement. If the member, however, is entitled to a higher rate of pay using any other warrant officer grade satisfactorily held by the member on active duty, retired pay may be computed using the basic pay for that warrant officer grade.

2.3.1.2. Post-September 7, 1980. For a member who entered service after September 7, 1980, the retired pay base is determined as prescribed in subparagraphs 2.1.1.2.1 and 2.1.1.2.2.

2.3.1.2.1. An Army, Air Force or Space Force enlisted member with less than 30 years of service who is retired under ***10 U.S.C. § 7314*** or ***10 U.S.C. § 9314*** will have the retired pay base computed using only the rates of basic pay for months of active duty as an enlisted member.

2.3.1.2.2. A Navy and Marine Corps enlisted member who is transferred to the FR/FMCR in accordance with ***10 U.S.C. § 8330*** will have the retired pay base computed using only the rates of basic pay for months of active duty as an enlisted member.

2.3.2. The retired or retainer pay multiplier for a voluntary retirement is determined in accordance with subparagraph 2.1.2.

2.3.2.1. For service credited for percentage purposes of enlisted members, see Chapter 1, paragraph 4.2.

2.3.2.2. For service credited for percentage purposes of commissioned officers, see Chapter 1, paragraph 4.3.

2.3.2.3. For service credited for percentage purposes of warrant officers, see Chapter 1.

2.3.2.4. The retired pay multiplier for a member who enters a uniformed service after July 31, 1986, and who has accepted the CSB, is determined under subparagraph 2.1.2.2.

2.3.2.5. See paragraph 2.11 for retired pay computation for a member retired under the Temporary Early Retirement (TERA).

2.3.3. DFAS may increase retired or retainer pay by 10 percent of retired pay for extraordinary heroism in the line of duty. See paragraph 5.6.

2.4 Involuntarily Retirement (Table 3-1, Rules 9 through 12)

2.4.1. The retired pay base pay for a mandatory retirement is determined as follows:

2.4.1.1. For a member who entered service before September 8, 1980, the retired pay base is the basic pay rate of member's grade that is applicable on member's date of retirement. Do not use the grade of brigadier general if the member was a permanent professor at a military academy and was conferred such a title upon retirement. If a warrant officer is entitled to a higher rate of pay, using any other warrant officer grade satisfactorily held by the member on active duty, retired pay may be computed using the basic pay for that warrant officer grade.

2.4.1.2. For a member who entered service after September 7, 1980, the retired pay base is determined as prescribed in subparagraph 2.1.1.

2.4.2. The retired pay multiplier for a mandatory retirement is determined in accordance with subparagraph 2.1.2.

2.4.2.1. For service credited for percentage purposes of Army, Air Force, and Space Force retirees, see Chapter 1.

2.4.2.2. For service credited for percentage purposes of Navy and Marine Corps retirees, see Chapter 1.

2.4.2.3. The retired pay multiplier for a member who enters a uniformed service after July 31, 1986, and who has accepted the CSB, is determined under subparagraph 2.1.2.2.

2.5 Reservist (Meets Age and Service Requirements) (Table 3-1, Rule 13)

2.5.1. The retired pay base pay for a non-regular retirement is determined as follows:

2.5.1.1. For a member who entered service before September 8, 1980, the retired pay base is the monthly basic pay at the rate applicable on the date granted retired pay, at the highest grade held satisfactorily at any time in the Armed Forces.

2.5.1.2. For a member who entered service after September 7, 1980, the retired pay base is determined as prescribed in subparagraph 2.1.1.2. The high-36 months of such a member are the 36 months for which the pay was the highest, whether or not consecutive, out of all the months before the member became entitled to retired pay or would have become entitled to retired pay. This will generally be the 36 months immediately preceding receipt of retired pay even

though the member may not have been in an active status during such time. However, DFAS may only use months during which the individual was a member of a uniformed service for this purpose.

2.5.1.3. Non-regular members who, after completing 20 years of service computed under 10 U.S.C. § 12732, elect to be discharged to civilian status (awaiting pay at eligibility age) are former members. The high-36 months of such a member would only include the months prior the discharge.

2.5.2. The retired pay multiplier for a non-regular retirement is determined by multiplying the applicable percentage in accordance with subparagraph 2.1.2 by the years of service credited for percentage purposes. See Chapter 1 for service credited for percentage purposes.

NOTE: Pursuant to 10 U.S.C. § 12733, the formula for converting retirement points into percentage years is the total number of retirement points divided by 360. Carry the result to three decimal places; round to two decimal places. Example: 4,735 retirement points divided by 360 equals 13.152 years or 13.15 years for percentage purposes.

2.5.3 For non-regular members who were previously retired for disability and became entitled to immediate retired pay under Chapter 61, see subparagraph 2.2.3.

2.6 Fleet Reserve/Fleet Marine Corps Reserve (FR/FMCR) Transfer (Table 3-1, Rule 14)

When not on active duty, a member transferred to the FR/FMCR is entitled to retainer pay computed by multiplying the retainer pay base by the applicable percentage in accordance with subparagraph 2.1.2 multiplied by the years of service credited for percentage purposes. In lieu of the retainer pay base computed in accordance with ***10 U.S.C. § 1406(d)***, a Reserve enlisted member may use the monthly basic pay for the highest enlisted grade in which the member served satisfactorily, as determined by the Secretary of the Navy. This paragraph applies to an individual who first became a member of the uniformed service before September 8, 1980, and who at the time of transfer is serving on active duty in a grade lower than the highest enlisted grade held by the member while on active duty not as a result of the member's misconduct.

2.6.1. Pre-September 8, 1980 Member. The retainer pay base is the basic pay that the member received at the time of transfer to the FR/FMCR. The retainer pay base is multiplied by the applicable percentage in accordance with subparagraph 2.1.2 multiplied by the number of years of active service (as adjusted in subparagraph 2.1.1) in the Armed Forces.

2.6.2. Post-September 7, 1980 Member. The retainer pay base is the person's high-three average. The high-three average is the total amount of monthly basic pay for the highest 36 months of member's active service, whether or not consecutive, divided by 36. When a member transfers to the FR/FMCR with less than 30 years of service, DFAS computes the high-36 average using only rates of basic pay applicable to months of active duty as an enlisted member.

2.7 Historical Pay Computations

2.7.1. The laws that governed the computation of retainer pay for a member transferred to the FR/FMCR from its inception in 1916, through June 30, 1938, are of no value since assimilated in the Naval Reserve Act of 1938, effective July 1, 1938. Therefore, the earlier computations are not included since they were restated effective July 1, 1938. See Table 3-2 for the pay computations.

2.7.2. A member transferred to the FR/FMCR was administratively placed in a class to differentiate between laws and conditions governing the computation of these pay entitlements. The following classes are applicable to these members:

COMPONENT	CODE	APPLICABLE TO
FR/FMCR	F-4c 1-b	Member who is in the Naval service on July 1, 1925, and later transferred to the FR/FMCR after completion of 16 years but less than 20 years of active service.
FR/FMCR	F-4d 1-c	Member who was in the Naval service on July 1, 1925, and later transferred to the FR/FMCR after completion of 20 years but less than 30 years of active service.
FR/FMCR	F-5 H-1	Member who first enlisted in the Naval service after July 1, 1925, and later transferred to the FR/FMCR before August 10, 1946, after completion of 20 years but less than 30 years of active service.
FR/FMCR	F-6 1-d	Member who first enlisted in the Naval service after July 1, 1925, and later transferred to the FR/FMCR on or after August 10, 1946, after completion of 20 years but less than 30 years of active service.

2.7.3. Longevity is the length of service performed by each member.

2.7.3.1. Before October 1, 1949, longevity pay was a significant factor in computing retainer pay. Certain pay laws contained provisions for computing longevity pay based on the member's length of service. During this period, base pay and longevity fit into the framework of pay formulas to arrive at retainer pay. The computation for the longevity pay changed several times before being superseded by basic pay. The various computations and the periods applicable are:

2.7.3.1.1. Until May 31, 1942, for Navy members, the computation was 10 percent of base pay for the first increment of 4 years of Naval service, plus 5 percent of base pay for each 4-year increment thereafter, not to exceed 16 years, or 25 percent. For example, a member who served 18 years; on transfer to the FR, the longevity pay credit computed as:

2.7.3.1.1.1. 10 percent – 4 years;

2.7.3.1.1.2. 5 percent – 4 years;

2.7.3.1.1.3. 5 percent – 4 years;

2.7.3.1.1.4. 5 percent – 4 years; and

2.7.3.1.1.5. 0 percent – 4 years.

2.7.3.1.2. From June 1, 1942 to September 30, 1949, the computation was 5 percent of base pay for each 3 years of service up to 30 years; a maximum of 50 percent.

2.7.3.2. On October 1, 1949, when basic pay became an important factor, longevity pay was not computed separately but was included in the rate of basic pay.

2.7.3.2.1. A member who transferred to the FR/FMCR on or after October 1, 1949, was required to elect the formula under which DFAS would compute their pay. The two formulas were the fractional (under which a member would receive one third or one-half of base pay) and the percentage (2.5 percent multiplied by years of active Federal service multiplied by basic pay). The authorization for transfer to the FR indicates such election.

2.7.3.2.2. Under P.L. 1028, effective August 10, 1956, a member who transfers to the FR/FMCR receives retainer pay computed on the formula included in the codification of the military pay laws under Title 10 U.S.C. The prior computations were still in effect for the members to whom they applied. A member who enters a uniformed service before September 8, 1980, receives retainer pay computed under this formula.

2.7.3.2.3. A member who enters the uniformed service after September 7, 1980, receives retainer pay under the formula codified in 1956, except the retainer pay base is used instead of a monthly basic pay rate.

2.8 Service Credit Rounding of Months

For percentage purposes in computing retired or retainer pay:

2.8.1. A member who retired before January 1, 1982, receives credit for any fractional part of a year that is 6 months or more as an additional year. Disregard any portion of a year that is less than 6 months. See Table 3-3. This applies to any member who, before January 1, 1982:

2.8.1.1. Applied for retirement;

2.8.1.2. Applied for transfer to the FR/FMCR;

2.8.1.3. Was being processed for retirement under the provisions of 10 U.S.C., Chapter 61; or

2.8.1.4. Was on the TDRL and thereafter retired under the provisions of *10 U.S.C. § 1210(c) or (d)*.

2.8.2. Unless covered by subparagraph 2.1.1, a member who became entitled to retired or retainer pay January 1, 1982 through September 30, 1983, inclusive, received credit on a month-by-month basis for each full month served of 6 months or more. Disregard any fraction of a year less than 6 months. See Table 3-3.

2.8.3. A member who became entitled to retired or retainer pay on or after October 1, 1983, receives credit for each full month served. Disregard less than full months. See Table 3-4.

NOTE: If a member retires October 1, 1983 or later and the member is entitled to retired pay under *10 U.S.C. § 1401a(f)* using a hypothetical retirement date which is before January 1, 1982, service credit of 6 months or more was rounded to a full year. However, funding limitations each FY prohibited payment for months in excess of whole months actually served until permanent codification was effective July 1, 1986.

2.8.4. In calculating the percentage factor under subparagraphs 2.8.2 or 2.8.3, round the percent to the nearest 1/100 of 1 percentage point. For example, 20 years, 7 months (20.58 years) time's 2.5 percent equals 51.45 percent. See Table 3-4. This rounding method will also be used if the member is entitled to retired pay computed under the saved pay provision in paragraph 3.3 or under 10 U.S.C. § 1401a(f) in section 4.0.

2.9 Rounding Retired Pay

Under P.L. 98-94, the 1984 DoD Authorization Act, round the monthly retired or retainer pay entitlement as initially computed and as subsequently adjusted.

2.9.1. Effective October 1, 1983, the initial computation of gross retired pay, if not a multiple of $1, round down to the next lower multiple of $1. Make all further reductions, deductions, withholdings, and allotments from this rounded figure. When retired pay is subsequently increased under 10 U.S.C. § 1401a by cost-of-living adjustment (COLA), the retired or retainer pay, if not a multiple of $1, is rounded down to the next lower multiple of $1.

2.9.2. The retired or retainer pay for a member already retired on September 30, 1983, was not rounded until the next COLA, December 1, 1984. If not a multiple of $1, round the retired or retainer pay to the next lower multiple of $1. The same rounding procedure applies to all subsequent COLA.

2.10 Special Computations for Career Status Bonus With Reduced Retirement (CSB/REDUX)

2.10.1. Except for disability retirees, the retired pay or retainer pay multiplier of members who elected the CSB with REDUX retirement will be reduced 1 percentage point for each full year of creditable service less than 30 and 1/12th of 1 percent for each full month of creditable service

less than a full year. Note: The CSB reduction factors in this subparagraph will not apply to members who are retired for disability under Title 10, Chapter 61 of the U.S. Code.

2.10.2. Effective on the first day of the month following the member's 62nd birthday, DFAS will recompute the retired pay of members who elected the CSB with REDUX to equal the amount of retired pay to which the member would have been entitled on that date if the member had not taken the CSB with REDUX retirement and had no reduction in their multiplier or COLA. Following the restoration discussed in the preceding sentence, DFAS will continue to apply the annual COLA reduction to the member's retired pay each year throughout the member's retirement.

2.10.3. Members who elected the CSB/REDUX retirement and accepted early retirement under the TERA program will have their retired pay recomputed as discussed in subparagraph 2.10.1; however, they will be subject to the TERA reduction factor from Table 3-6 for the entirety of their retirement with no restoration of that reduction at age 62 or at any other time.

2.11 Temporary Early Retirement Authority (TERA)

The TERA legislation provided the Secretary of Defense a temporary additional force management tool with which to affect the drawdown of military forces from October 23, 1992 through September 1, 2002. Congress amended that legislation and reinstated certain TERA provisions for the period beginning December 31, 2011 and ending on December 31, 2025. DFAS will compute the basic TERA retired pay entitlement for members of the Army, Navy, Marine Corps, Air Force, and Space Force as described in this paragraph.

2.11.1. Computation of Retired Pay. DFAS will multiply the applicable reduction factor from Table 3-6 to compute the amount of retired pay otherwise prescribed for a retiring member using years of creditable service, high-36-month average basic pay, and the applicable retired pay percentage factor. The resulting reduced amount of retired pay, if not a multiple of $1, round to the next lower multiple of $1. This rounded amount is the initial gross monthly retired pay entitlement.

2.11.2. Reduction Factor. To determine the appropriate reduction factor from Table 3-6, take the difference between 240 months (20-year career) and the number of months of active service as of the date of the member's retirement or transfer to the FR/FMCR under TERA.

2.11.2.1. Round up to the next whole month any portion of a month of active service in excess of a whole month. For example, round up the total active service of 15 years, 7 months, and 13 days to 15 years, 8 months. Then compute the reduction factor based on 15 years and 8 months as: $(15 \times 12) + 8 = 188$ months and the applicable reduction factor corresponds to the Table 3-6 entry for 240 less 188 or 52 months. The applicable reduction factor for 52 months from Table 3-6 is .95667. Note: In computing the retired pay, disregard the 13 days in excess of 187 months of service. Compute retired pay based on 187 months. The rounding up is applied only to determine the TERA reduction factor.

2.11.2.2. As an example, the retired pay for a member retired under TERA as an E-7, with 15 years, 7 months, 13 days of creditable service and a high-36-month average basic pay of $3,783.50 would be computed as follows:

RPB × ((AS ÷ MO) × RPF) × TRF =
$3,783.50 × ((187 ÷ 12) × .025) × .95667 =
$3,783.50 × (15.5833 ×.025) × .95667 =
$3,783.50 × .3896 × .95667 = $1,410.18 (round down to $1,410.00)

RPB	-	Retired Pay Base (i.e., high-36-month average basic pay)
AS	-	Active Service (in months)
MO	-	Months in a year
RPF	-	Retired Pay Percentage Factor
TRF	-	TERA Reduction Factor (Table 3-6)

2.11.3. TERA Computation Modified for CSB/REDUX. DFAS must modify the basic TERA retired pay entitlement if a member has elected to receive a CSB and is subject to the REDUX retirement plan. In such case, the normal retired pay multiplier must first be reduced by $1/12^{th}$ of 1 percentage point for each month that the member's creditable service is less than 30 years (360 months) under the REDUX computation before the application of the TERA reduction factor from Table 3-6.

Using the example in subparagraph 2.11.2.2, compute the TERA retired pay for a member who has elected to receive a CSB as follows:

RPB × ((AS ÷ MO) × RPF) – (((360 – AS) ÷ MO) ×RRF)) × TRF =
$3,783.50 × ((187 ÷ 12) × .025) – (((360 – 187) ÷ 12) × .01)) × .95667 =
$3,783.50 × ((15.5833 ×.025) – ((173 ÷ 12) × .01)) × .95667 =
$3,783.50 × (.3896 – (14.42 × .01)) × .95667 =
$3,783.50 × (.3896 – .1442) × .95667 =
$3,783.50 × .2454 × .95667 = $888.24 (round down to $888.00)

RPB	-	Retired Pay Base
AS	-	Active Service (in months)
MO	-	Months in a year
RPF	-	Retired Pay Percentage Factor
360	-	30 Years (360 months)
RRF	-	REDUX Reduction Factor (1%)
TRF	-	TERA Reduction Factor (Table 3-6)

Note: The amount determined in subparagraph 2.11.3 will be increased by the annual COLA as determined for other members who have elected the CSB and REDUX retirement. This will result in a COLA that is reduced by 1 percentage point whenever the standard military retirement COLA is greater than 1 percent and the same COLA whenever the standard is 1 percent or less.

2.11.4. Unlike the prior TERA eligibility period from 1992 through 2002, under the new TERA authority, commencing on December 31, 2011, members may not earn additional credit for purposes of re-computing retired pay for any employment by a public service or community service organization.

2.11.5. Persons retired under the TERA provisions have all the same entitlement rights, privileges, and responsibilities of participation in the Survivor Benefit Plan (SBP), as retired members of their respective branch of service.

2.11.5.1. Full coverage under SBP means coverage on the amount of retired pay computed in subparagraph 2.11.1 which is the initial computation of TERA retired pay as reduced by the applicable reduction factor from Table 3-6.

2.11.5.2. For a CSB/REDUX member, the base amount for full SBP coverage is the amount computed using the TERA formula in subparagraph 2.11.1 including the reduction from Table 3-6. The SBP full base amount for a CSB recipient does not include the REDUX retirement reduction in subparagraph 2.11.3. If the member elects a reduced base amount, with spouse concurrence, at the time of retirement, even if based on the REDUX re-computation in subparagraph 2.10.3, no increase will be made in that base amount as a result of the re-computation at age 62 other than an increase to restore the elected base amount to what would have been in effect had full COLAs been in effect. No increase will be made in that base amount as a result of the re-computation at age 62 for the restoration of the retired pay multiplier.

2.12 Exception to High-36-Month Retired Pay Computation for Members Retired Following a Disciplinary Reduction in Grade

Members or former members who entered the uniformed services on or after September 8, 1980, will have their retired pay base computed using the high-36-month average, except for the members described as follows, whose retired pay base is based on the final basic pay of the grade prescribed under 10 U.S.C. § 1406, rather than the highest-36-month average of basic pay.

2.12.1. Affected Members. A member or former member subject to the exception in paragraph 2.12 is one who, by reason of conduct occurring after October 30, 2000:

2.12.1.1. In the case of an enlisted member retired or transferred to the FR/FMCR, is reduced in grade as a result of court-martial sentence, nonjudicial punishment, or an administrative action, unless the member was subsequently promoted to a higher enlisted grade or appointed to a commissioned or warrant grade, in which case see subparagraph 2.12.2.

2.12.1.2. In the case of an officer, retired in a grade lower than the highest grade in which the officer served by reason of denial of a determination or certification under ***10 U.S.C. § 1370*** that the officer served on active duty satisfactorily in that grade, apply this determination only in those circumstances where such determination is the result of conduct occurring after October 30, 2000. Conduct for the purposes of this subparagraph will not include failure to complete the time necessary for certification under 10 U.S.C. § 1370, absent any other conduct bearing on such certification.

2.12.2. Special Rule for Enlisted Members. In the case of an enlisted member retired within 3 years after having been reduced in grade as prescribed in subparagraph 2.12.1.1, and who was not subsequently promoted to a higher enlisted grade (or appointed to a warrant or commissioned grade), the retired pay base will be computed using the final basic pay rather than the high-36-month average. If, however, the member is subsequently promoted to a higher enlisted grade (or appointed to a warrant or commissioned grade), the member's retired pay will be computed using a high-36-month average computation. The computation will use the final 36 months of basic pay, except for the months in which the member served in a grade higher than the grade in which retired. The basic pay for such months will be the rates that would have applied to the member at that time if serving in the grade in which retired such as:

2.12.2.1. An E-7 is reduced to an E-5 and retired as an E-5. This member comes under subparagraph 2.12.1.1, with retired pay base computed under the pre-September 1980 system, which is final pay rules using the pay of an E-5.

2.12.2.2. An E-7 is reduced to an E-5 two years before retirement, is promoted 1 year later to an E-6 and retired as an E-6. This member uses the "Special Rule" and computes a high-36 average as specified in subparagraph 2.11.2 rather than using the final pay of an E-6. In computing the high-36 average, it would include 12 months as an E-7, 12 months as an E-5, and 12 months as an E-6. The "Special Rule" requires that the time as an E-7 will be replaced in the high-36 formula with pay rates of an E-6.

*2.13 Retired Pay Base for Officers Serving in the Grade of O-9 or O-10 Who Are Conditionally or Permanently Retired in the Grade of O-8

Effective December 23, 2024, officers who previously served in the grade of O-9 or O-10 who are conditionally or permanently retired in the grade of O-8 pursuant to 10 U.S.C. § 1370 ***10 U.S.C. § 1370a***, will have their retired or retainer pay base computed using the lower of:

2.13.1. The member's high-36 average as determined under ***10 U.S.C. § 1407(c) or (d)***, as applicable; or

2.13.2. The amount determined under 10 U.S.C. § 1406, as if the officer first became a member of a uniformed service before September 8, 1980.

3.0 APPLICATION OF SAVED PAY

3.1 Career Compensation Act, Effective October 1, 1949

3.1.1. An officer retired for disability before October 1, 1949, who failed to elect within a 5-year period to receive pay under the 1949 Act, or who did not qualify for pay under the 1949 Act, continued to receive pay under laws in effect before October 1, 1949, computed at 75 percent of the basic pay of the grade authorized.

3.1.2. A member who, on October 1, 1949, was a hospital patient and who, before January 1, 1951, retired for disability as the result of the disease or injury for which hospitalized could elect to receive retired pay:

3.1.2.1. Computed under laws in effect on September 30, 1949, at 75 percent of the basic pay of the grade authorized; or

3.1.2.2. Computed under section 402(d) of P.L. 81-351.

3.1.3. A member, who on October 1, 1949, was receiving or was entitled to receive retired pay under any provision of law, was authorized to continue the entitlement to receive the pay to which entitled under the laws in effect on September 30, 1949.

3.2 Military Pay Act, Effective June 1, 1958

3.2.1. A member who:

3.2.1.1. Retired or transferred to the FR/FMCR on or after June 1, 1958 and before April 1, 1963; and

3.2.1.2. Was receiving active-duty basic pay under the April 1, 1955, saved pay rates will continue to receive pay computed under the 1955 rates, based upon service credited for basic pay purposes as of June 1, 1958.

3.2.2. A member who retired or transferred to the FR/FMCR on June 1, 1958, was entitled to pay computed on the June 1, 1958 active duty basic pay rates, or on the April 1, 1955, active duty basic pay rates plus 6 percent, whichever was greater.

3.2.3. A member retired or transferred to the FR/FMCR after June 1, 1958, who was receiving active duty saved pay, was entitled to retired pay computed on the April 1, 1955, active duty basic pay rates, but was not entitled to the additional 6 percent increase.

3.3 Military Pay Act, Effective October 1, 1967

3.3.1. With respect to a member entitled to retired pay computed under this paragraph, the retired or retainer pay may not be less than it would have been if the member had become entitled to that pay based on the same basic pay grade, years of service for basic pay and percentage purposes, and percent of disability (if any) on the day before the effective date of the rates of monthly basic pay on which retired or retainer pay is based. Such members receive pay:

3.3.1.1. Computed under the current basic pay rates in effect on the date of retirement or transfer, or

3.3.1.2. Computed under the rates of basic pay in effect immediately before the current rates, whichever is greater.

3.3.2. The computations in paragraph 3.3 were, in some instances, subject to the provisions of the Uniform Retirement Date Act.

3.3.3. The "1-year look-back" provision codified at 10 U.S.C. § 1401a(e) was repealed by section 921 of the DoD Authorization Act, FY 1984. Under the provisions of that repeal, this paragraph now applies only to:

3.3.3.1. A member retired or transferred to the FR/FMCR October 1, 1967, through September 24, 1983, inclusive; and

3.3.3.2. A member eligible for retirement or transfer on or before September 24, 1983, provided the member retires or transfers on or before September 24, 1986. If the member retires or transfers after September 24, 1986, the retired or retainer pay may not be less than it would have, had the member actually retired or transferred on September 23, 1986.

4.0 TOWER AMENDMENT

4.1 Basic Provisions

4.1.1. A member, who retires or transfers to the FR/FMCR on or after January 1, 1971, and who fully qualifies for retirement on a date earlier than the actual retirement date, receives the most favorable rate of pay, as though the member had actually retired or been transferred on the earlier date:

4.1.1.1. After becoming retirement-eligible on or after January 1, 1971 (see Chapter 1, section 2.0);

4.1.1.2. Based upon the grade and the service creditable on the earlier computation date. (For retirements on or after October 5, 1994, the grade used in the computation cannot be higher than the grade in which the member is retired.);

4.1.1.3. Using the rate of basic pay applicable to the member on the earlier computation date in determining the retired pay base; or

4.1.1.4. Subject to the provisions of paragraph 3.3.

4.1.2. A member, who retired or transferred to the FR/FMCR before October 7, 1975, the effective date of the Tower Amendment, is entitled to pay adjusted from October 7, 1975. No adjustment is authorized under the provisions of the amendment for any period before October 7, 1975.

4.1.3. A member who retired between October 1, 1988 and October 4, 1994, and who is reduced in grade under sentence of court-martial after initially becoming eligible for retired pay is not entitled to computation on a grade higher than the grade in which retired.

4.1.4. See subparagraph 5.3.1 for provision concerning an officer who served in a special position as Chairman or Vice Chairman of the Joint Chiefs of Staff or as a Chief of Service.

4.1.5. See paragraph 5.5 for the provision concerning an enlisted member who served in a special position as a senior enlisted member.

4.2 Earlier Computation Dates

4.2.1. Predetermined earlier computation dates are established for uniformity in computing the pay of a member who qualifies under 10 U.S.C. § 1401a(f), and the Tower Amendment, as amended. Generally, the day immediately preceding an active-duty basic pay rate change is the earlier date of voluntary retirement eligibility, unless the computation is more favorable based on the first day of the month preceding an active-duty basic pay rate change.

4.2.2. A member of the FR/FMCR may transfer on any intermediate day of a month. Therefore, the earlier computation date for this member is the day before new active-duty basic pay rates are effective.

4.2.3. A warrant officer retired under provisions of ***10 U.S.C. § 1293*** (see Table 3-1, rule 3), on the effective date of a change in the active-duty pay rates, receives retired pay computed by using the rate of basic pay in effect on the day before the date of retirement. Thus, the earlier retirement eligibility date under 10 U.S.C. § 1401a(f) computation would be one year earlier with retired pay based upon rates in effect on the day before the earlier eligibility date. If the member is entitled to use the saved pay rate under paragraph 3.3, the rate in effect immediately prior to the rate in effect on the day before the earlier retirement eligibility date is used.

4.3 Computation at the Time of Retirement or Transfer to the FR/FMCR

4.3.1. A member receives the most favorable retired pay, as adjusted by applicable COLA, computed by using:

4.3.1.1. The active-duty basic pay rate applicable on the actual retirement or transfer date;

4.3.1.2. One prior active-duty basic pay rate at the same grade and service applicable on the actual retirement or transfer date if the provisions of paragraph 2.3 apply; or

4.3.1.3. Any active-duty basic pay rate in effect on or after January 1, 1971, at the grade and service credited on the earlier computation date, if retirement-eligible on the earlier date. After this rule is used, apply subparagraph 4.3.1.2 without further loss of grade and service.

4.3.2. A member retiring for disability who is eligible for voluntary retirement or transfer to the FR/FMCR on an earlier date may have gross retired pay entitlement computed in accordance with the provisions of 10 U.S.C. § 1401a(f) when more favorable; however, the basic pay rate applicable for an earlier retirement date under this condition for gross pay computation cannot be used for computing pay based upon the disability rating. DFAS calculates the rate of pay based upon degree of disability only on the basic pay rate applicable under subparagraph 4.3.1.1 or 4.3.1.2 (if applicable).

5.0 SPECIAL PROVISIONS

5.1 Entitlement Under More Than One Pay Formula

A member who is entitled to pay computed under more than one pay formula or provision of law is entitled to be paid under the formula that is most favorable. Note, however, that for a non-regular member who is retired for disability and becomes entitled to immediate retired pay under Chapter 61 before eligibility age, the retired pay may not be recomputed at eligibility age (usually age 60) based on 10 U.S.C. § 12731. See subparagraph 2.2.3.

5.2 Commissioned Officer With More Than Four Years of Active Enlisted and/or Warrant Officer Service

A member, who at the time of retirement, is in pay grade O1E, O2E, or O3E, having served more than 4 years of active duty as an enlisted member and/or warrant officer, receives pay computed on the special basic pay rate that is authorized.

5.3 Commissioned Officer Serving in a Special Position

5.3.1. Joint Chief of Staff and Chief of Service. An officer who serves as Chairman or Vice Chairman of the Joint Chiefs of Staff or as a Chief of the Service may receive retired pay which is computed on the highest rate of basic pay applicable to the member while serving in the special position, if that rate is higher than the rate otherwise authorized as a retired pay base for a member who first became a member before September 8, 1980. Except as provided in paragraph 5.9, effective January 1, 2007, the rate of basic pay cannot exceed Level II of the Executive Schedule. The term “Chief of Service” refers to one of the following:

5.3.1.1. Chief of Staff of the Army;

5.3.1.2. Chief of Naval Operations;

5.3.1.3. Chief of Staff of the Air Force;

5.3.1.4. Commandant of the Marine Corps; or

5.3.1.5. Commandant of the Coast Guard.

NOTE: The member may not use the rate of the special position for computation of retired pay if, during or after serving in the special position, and by the member's conduct after October 16, 1998, the officer is not certified as having served satisfactorily in the grade of general or admiral while serving in that position.

5.3.2. Special Rule for Computation of Retired Pay Base for Commanders of Combatant Commands. An officer who serves as a Commander of a Unified or Specified Combatant Command may receive retired pay that is computed on the highest rate of basic pay applicable to the member while serving in that position. The member may not use the rate of the special position for computation of retired pay if, during or after serving in the special position and by the member's conduct after October 16, 1998, the officer is not certified as having served satisfactorily in the grade of general or admiral while serving in that position. Except as provided in paragraph 5.9, effective January 1, 2007, the rate of basic pay cannot exceed Level II of the Executive Schedule. This special rule will apply with respect to officers who first become entitled to retired pay on or after November 23, 2004.

5.4 Officer in Grade O-9 or O-10

* 5.4.1. An officer who served in grade O-9 or O-10 for not less than 3 years is entitled to retired pay based on that grade if the Secretary of Defense certifies in writing to the President and the Congress that the officer served on active duty satisfactorily. The Secretary of Defense may reduce the active duty 3 year service in grade requirement to not less than 2 years. This authority may not be delegated. (see Chapter 1, subparagraph 6.1.2.1). The Secretary of Defense may not reduce or waive the 3 year time in grade requirement if the officer is under investigation for alleged misconduct or while an adverse personnel action is pending against the officer for alleged misconduct.

5.4.2. An officer who served in grade O-9 or O-10 for a period of less than 3 years before retirement will have retired pay based on the next lower grade, unless a waiver of the time-in-grade requirement has been granted by the appropriate authority. The granting of the waiver will affect only the pay computation for the date of retirement. Computations for earlier dates on which eligible to retire must be based on the next lower grade.

5.4.3. Section 601(e) of ***P.L. 106-65***, October 5, 1999, provides that retired pay be recomputed effective January 1, 2000, for certain members who retired during the period April 30, 1999 through December 31, 1999. As a result, DFAS will recompute the retired pay of

members' grade O-9 with over 26 years of service and O-10s with over 16 years of service. The new rates will be for months beginning on or after January 1, 2000, and will be computed as if the Level II limit had applied at the time of a qualified member's retirement. No increased amount is payable for any period before January 1, 2000, as a result of this subparagraph. DFAS will recompute retired pay rates for affected members as though the following rates of basic pay had been applicable at the time of retirement:

O-9	Over 26 years of service:	$9,528.00
O-10	Over 16 years of service:	$9,528.00
O-10	Over 18 years of service:	$9,528.00
O-10	Over 20 years of service:	$10,167.00
O-10	Over 22 years of service:	$10,167.00
O-10	Over 24 years of service:	$10,167.00
O-10	Over 26 years of service:	$10,491.60

5.5 Enlisted Member Serving in a Special Position

The senior enlisted member of an Armed Force may receive retired pay, which DFAS computes on the highest rate of basic pay applicable to the member while serving in that special position, if that rate is higher than the rate otherwise authorized as a retired pay base for a member who first became a member before September 8, 1980. The term "senior enlisted member" refers to one of the following:

5.5.1. Sergeant Major of the Army;

5.5.2. Master Chief Petty Officer of the Navy;

5.5.3. Chief Master Sergeant of the Air Force;

5.5.4. Sergeant Major of the Marine Corps; or

5.5.5. Master Chief Petty Officer of the Coast Guard.

NOTE: The member may not use the rate of the special position for computation of retired pay if, during or after serving in the special position, and by member's conduct after October 16, 1998, the member is reduced in grade by court-martial, nonjudicial punishment, or other administrative process.

5.6 Heroism Pay

An enlisted member retired after 20 years of service, to include an enlisted member retired due to disability, may be entitled to an additional 10 percent retired pay for extraordinary heroism, if authorized. See Chapter 1, section 8.0.

5.7 Computation Under the Uniformed Services Pay Act, October 2, 1963

5.7.1. Beginning October 1, 1963, a member retired between October 1, 1949 and May 31, 1958, including a member retired before October 1, 1949, receiving pay under the 1949 Act, received the greater of:

5.7.1.1. An increase of 5 percent in the retired pay to which entitled on September 30, 1963; or

5.7.1.2. Pay computed on the basic pay rates established under the June 1, 1958 Act without a 5 percent increase.

5.7.2. Beginning October 1, 1963, a member retired for service before October 1, 1949, and being paid under laws in effect on September 30, 1949 receives the greater of:

5.7.2.1. An increase of 5 percent in the retired pay to which entitled on September 30, 1963; or

5.7.2.2. Pay recomputed on the basic pay rates established by the Military Pay Act of 1958 without a 5 percent increase, based on actual active service creditable.

5.8 Computation Under the Military Pay Act, May 20, 1958

5.8.1. The Military Pay Act, May 20, 1958, authorizes a member who first became entitled to retired pay on June 1, 1958, to receive pay computed on the new June 1, 1958 basic pay rates or on the April 1, 1955 active duty basic pay rates plus 6 percent, whichever is greater.

5.8.2. A member retired after June 1, 1958, who was receiving active duty saved pay was entitled to retired pay computed on the April 1, 1955, active duty basic pay rate, but was not entitled to the additional 6 percent increase.

5.8.3. The basic pay rate used in the computation of pay was increased by increments of $200 for generals and admirals and $100 for lieutenant generals and vice admirals before the 6 percent increase on June 1, 1958, for a retired officer who:

5.8.3.1. Served in that grade for at least 180 days, and

5.8.3.2. Was entitled to retired pay on the day before the effective date of the Military Pay Act of 1958.

5.9 Retired Pay Base for Officers Retired in General or Flag Officer Grades

5.9.1. The retired pay base of a general or flag officer who retires between October 1, 2006 and December 31, 2014 will not be restricted by the requirement in ***37 U.S.C. § 203 (a)(2)*** to reduce basic pay in excess of Level II of the Executive Schedule. The retired pay base will be determined using the rate of basic pay for such period provided by law, rather than such rate reduced.

5.9.2. A general or flag officer who retires on or after January 1, 2015, and who served at any point between October 1, 2006 and December 31, 2014, has partial preservation of the computation of the retired pay base using the rate of basic pay for such period provided by law, rather than such rate reduced with the following guidance as stated in ***10 U.S.C. § 1407a***:

5.9.2.1. The retired pay base amount for a general or flag officer under the Final Pay retirement system is based upon the higher of the following:

5.9.2.1.1. The basic pay rate in effect for the highest grade in which the general or flag officer satisfactorily served and his or her years of service as of the date of retirement, as limited by the Executive Level II ceiling, or

5.9.2.1.2. The basic pay rate in effect on December 31, 2014, not limited by the Executive Level II ceiling, for the grade and years of service for which the general or flag officer had satisfactorily served as of December 31, 2014.

5.9.2.2. The retired pay base amount for a general or flag officer under the high-36 retirement system may include the monthly basic pay rate for the general or flag officer's grade and years of service for:

5.9.2.2.1. All months served during this period of October 1, 2006 and December 31, 2014, not limited by the Executive Level II ceiling, or

5.9.2.2.2. A combination of months served during this period not limited by the Executive Level II ceiling and months served after January 1, 2015, now limited by the Executive Level II ceiling.

5.9.3. A general or flag officer who retires on or after January 1, 2015, and did not serve at any point between October 1, 2006 and December 31, 2014 will be restricted by the requirement in 37 U.S.C. § 203 (a)(2) to reduce basic pay in excess of Level II of the Executive Schedule. The retired pay base will be determined using the reduced rate of basic pay provided by law. NOTE: This subparagraph pertains only to the computation of the retired pay base for Officers Retired in General or Flag Officer Grades. It does not pertain to the retired pay multiplier. All service creditable on the date of retirement is included for purposes of computing the retired pay multiplier for a general or flag officer who retires on or after January 1, 2015.

6.0 LUMP SUM PAYMENTS OF RETIREMENT ANNUITY

6.1 Eligibility

Public Law 114-92, section 633 enacts ***10 U.S.C. § 1415***, affording a member of a uniformed service covered by the BRS at retirement the option to elect to receive a discounted portion of his or her retired pay as a lump sum. To be eligible to elect the lump sum a member must be covered under the BRS, and qualify for a regular retirement or a non-regular retirement. Members who are retired for a physical disability under provisions of 10 U.S.C., Chapter 61 are not eligible for the lump sum option. A member who is not eligible for the BRS or who does not elect to enroll in the BRS is not eligible to elect a lump sum payment of his or her retirement annuity.

6.2 Election

6.2.1. A member, covered by the BRS, who elects to receive a portion of his or her retired pay as a lump sum must make this election not later than 90 days before:

6.2.1.1. The date upon which the member retires and receives a regular retirement; or

6.2.1.2. The date upon which the member first reaches eligibility age required to receive retired pay under the non-regular retirement program, in accordance with DoDI 1215.07.

6.2.2. A member's decision to elect the lump sum must be recorded on a DoD (DD) Form 2656, "Data for Payment of Retired Personnel," in Part II, "Lump Sum Election."

6.2.2.1. The member will indicate the lump sum percentage, either 25 percent or 50 percent, and the number of equal lump sum payments, up to four, on the DD 2656.

6.2.2.2. The DD 2656 must be signed and dated no later than 90 days prior to the date of retirement, or the date the member is eligible to receive retired pay.

6.2.2.3. The lump sum election must be transmitted to DFAS no less than 30 days prior to the date of retirement, or the date the member is eligible to receive retired pay.

6.2.3. An election of a lump sum of retired pay may not be revoked on or after the date of retirement, or on or after the date the member is first eligible to receive retired pay. To revoke a previous lump sum election prior to retirement, the member must submit a signed, notarized statement rescinding the previous election, dated prior to the date of retirement, acknowledging that this decision to refuse the lump sum is final, and must complete a new DD 2656.

6.3 Amount

A member who elects to receive a portion of his or her retired pay as a lump sum may elect to receive the discounted present value of either 25 percent or 50 percent of the gross estimated retired pay. Pursuant to 10 U.S.C. § 1415(b)(2), the lump sum amount takes into account the projected COLA applicable to that member on the day that member elected the lump sum option. The amount is calculated for the period from the day that member is eligible to begin receiving retired pay to the first day of the month following the month during which the retiree attains the age that was the full social security retirement age.

6.4 Discount Rate

The discount rate applied in computing the amount of the lump sum described in paragraph 6.3 will be determined and published in accordance with procedures specified in and subparagraph 6.4.1.

6.4.1. In computing the amount of the lump sum described in paragraph 6.3, the discounted present value will be:

6.4.1.1. The 7-year average of the 23-year maturity monthly average spot rate taken from the "Treasury High Quality Market (HQM) Corporate Bond Yield Curve;"

6.4.1.2. The 7-year average rate is adjusted for inflation using the 7-year average of the 23-year maturity monthly average rate taken from the "Treasury Breakeven Inflation (TBI) Curve." The inflation adjustment is a multi-step procedure:

6.4.1.2.1. Annualize the 7-year average HQM rate;

6.4.1.2.2. Geometrically back out inflation using the 7-year average TBI rate; and

6.4.1.2.3. Transform the result to a semi-annual rate.

6.4.1.3. The resulting inflation-adjusted rate is increased by an additional 4.28 percentage points; and

6.4.1.4. The result is rounded to the nearest 0.01 percentage point.

6.4.2. The Chief Actuary, DoD Office of the Actuary, calculates the discount rate and the Deputy Assistant Secretary of Defense for Military Personnel Policy promulgates the discount rate annually no later than June 1 of each year to be effective as of January 1 of the succeeding year. The rate promulgated on June 1 of each year will be the Department of Treasury published yield curves as of March of that year averaged with the preceding 83 months plus the adjustment factor of 4.28 percentage points. Accordingly, the initial discount rate used for 2018, as described in subparagraph 6.4.1, was published on June 1, 2017, at 6.99 percent.

6.5 Installment Payments

A member who elects to receive a lump sum payment of his or her retired pay may elect to receive this payment in up to four annual installments over no more than 4 years.

6.6 Timing of Payments

A member who elects installment payments in accordance with paragraph 6.5 will receive equal lump sum distributions payable each year on the anniversary of the first installment; the first installment of which will be paid no later than 60 days after:

6.6.1. The date on which that member retires if eligible for a regular retirement; or

6.6.2. The date on which the member first becomes eligible to begin receiving retired pay if eligible for a non-regular retirement.

6.7 Restoration of Full Annuity Payment

The retired pay of a member who elects to receive a lump sum payment of their retired pay in accordance with paragraph 6.2 will be restored to its full monthly annuitized amount as of the first day of the month following the month in which the member attains the full retirement age that was applicable to that member on the day that the member elected the lump sum option, in accordance with 10 U.S.C. § 1415.

6.8 Relationship to Disability Compensation

Public Law 114-92, section 633, modified ***38 U.S.C. § 5304***, "Prohibition against duplication of benefits," to establish that a member electing to receive a portion of his or her retired pay as a lump sum may not concurrently receive Department of Veteran Affairs (VA) disability compensation, except under specified circumstances. Accordingly:

6.8.1. DFAS will report the amount of any lump sum election to the VA.

6.8.2. Pursuant to 38 U.S.C. § 5304, the VA will withhold disability payments to any retiree who elects to receive a portion of their retired pay as a lump sum until the amount withheld (i.e., not paid to the retiree on a monthly basis) equals the gross amount of the lump sum payment received by that retiree. Once the amount of VA disability compensation withheld equals the amount previously received as a lump sum, the retiree is considered to have fully offset the lump sum distribution. The retiree must then agree to waive a portion of each month's future retired pay, equal to the amount of the VA disability compensation to which he or she is now entitled, to begin receiving that VA disability compensation in accordance with 38 U.S.C. § 5304 and ***38 U.S.C. § 5305***.

6.8.3. A retiree who is eligible for Concurrent Military Retirement Pay and Department of Veterans Affairs (VA) Disability Compensation due to a service-connected disability rating of 50 percent or more, is entitled to be paid both his or her military retired pay and his or her VA disability compensation without regard to the required offsets described in 38 U.S.C. § 5304 and subparagraph 6.8.2. Accordingly, retirees who qualify for Concurrent Military Retirement Pay and VA Disability Compensation and who elect to receive a portion of their retired pay as a lump sum are not subject to withholding of VA disability compensation upon receipt of a lump sum payment. See also 10 U.S.C. § 1414.

6.8.4. A retiree who would otherwise be eligible for Combat-Related Special Compensation (CRSC) in accordance with 10 U.S.C. § 1413a, remains subject to the provisions of 38 U.S.C. § 5304 and 38 U.S.C. § 5305, requiring a waiver of retired pay before a retiree can receive VA disability compensation, as discussed in subparagraph 6.8.2. Specific policies and procedures for payment of CRSC to members who elect a lump sum of retired pay follows:

6.8.4.1. In order to be eligible for CRSC, a retiree must first be determined to have a service-connected, compensable disability in accordance with regulations prescribed by the Secretary of the VA.

6.8.4.2. The Secretary concerned will determine what, if any, portion of that member's service-connected, compensable disability meets the criteria for CRSC eligibility in accordance with existing guidance. The Secretary concerned will notify DFAS of the percentage of the retiree's disability related to combat in accordance with existing CRSC guidance.

6.8.4.3. DFAS will determine the resulting value of CRSC entitlement for which the member would otherwise have been eligible, but for the withholding of disability compensation as required by section 633 of P.L. 114-92, such that the member will receive VA disability compensation only for disabilities determined to be CRSC eligible.

6.8.4.4. DFAS will report to the VA which disabilities have been determined to be CRSC eligible, the associated rating, and the resulting value of the CRSC for which the member would otherwise have been eligible, but for receipt of the lump sum.

6.8.4.5. Prior to receiving disability compensation from the VA, the retiree must agree to waive receipt of retired pay, equal to the amount of VA disability compensation payable from that retiree's actual monthly retired pay received.

6.8.4.6. By agreement, the VA will pay disability compensation only for the disabilities determined by the Secretary concerned to be eligible for CRSC utilizing information provided by DFAS for such determination.

6.8.4.7. DFAS will pay CRSC to the retiree in an amount equal to the amount of the retired pay waived. The VA will continue to withhold any amount of disability compensation to which the retiree is eligible in excess of the amount related to combat until such time as the amount withheld equals the gross amount of the lump sum payment received by that retiree.

6.9 Lump Sum Payment Effect on Survivor Benefit Plan

Pursuant to ***10 U.S.C. § 1447(6)(A)*** and ***10 U.S.C. § 1452***, as amended by P.L. 115-91, section 622, FY 2018 NDAA, a member of a uniformed service who elects a lump sum of retired pay, in accordance with 10 U.S.C. § 1415, and is a participant in Survivor Benefit Plan (SBP) or Reserve Component – SBP (RC-SBP) will have coverage at the full base amount, unless the member elects or previously elected, with spousal concurrence if required, to reduce the base amount.

6.9.1. The full base amount for a retiree who elects to receive a lump sum of retired pay is the amount equal to the amount of his or her unreduced monthly retired pay, without regard to the required reduction in monthly retired pay pursuant to the lump sum.

6.9.2. If electing to reduce coverage less than the full base amount, the reduced base amount may be any whole dollar amount that is greater than or equal to $300, but less than the amount of the unreduced retired pay.

6.9.3. All retiring uniformed service member s, including those who elect a lump sum of retired pay, are considered full participants in SBP or RC-SBP having maximum coverage unless:

6.9.3.1. For members retiring with a regular retirement, or members retiring with a non-regular retirement who previously declined to make an election until reaching the age of eligibility for retired pay, an election for less than full SBP coverage is made prior to the first day of entitlement to retired pay, with spousal concurrence if required; or

6.9.3.2. For members qualifying for a non-regular retirement, an election for less than full RC-SBP coverage is made, with spousal concurrence if required, prior to the completion of the 90 day period immediately following notification to the member that he or she has completed the years of service required to be eligible for a non-regular retirement pursuant to 10 U.S.C., Chapter 1223.

6.9.4. The requirements of ***10 U.S.C. § 1450(f)(3)***, regarding former spouse elections remain applicable to members who elect a lump sum of retired pay.

6.10 Disputes

Members who accept the lump sum distribution may not seek review of, or otherwise retrospectively challenge, the amount of the lump sum, particularly in regards to discount rate, actuarial assumptions, or other factors used in computing this amount.

6.11 Division of Retired Pay

Any lump sum payment of retired pay remains subject to the conditions of ***10 U.S.C. § 1408***, with consideration to court orders.

*Table 3-1. Computation of Retired Pay

COMPUTATION OF RETIRED PAY							
RULE	**A** **A member of the**	**B** **who is**	**C** **under provisions of 10 U.S.C.**	**D** **receives the retired pay base**	**E** **multiplied by**	**F** **plus**	**G** **minus/add (note 1)**
1	Armed Forces	retired for disability	§ 1201 § 1204	computed under 10 U.S.C. § 1406(b) or § 1407 (note 2)	the percentage of disability assigned, not to exceed 75 percent or 2.5 percent multiplied by the years of service credited to the member under 10 U.S.C. § 1208, except for a member retiring on or before January 7, 2011, the multiplier is limited to 75 percent (note 3)		
2	Armed Forces	retired for disability	§ 1202 § 1205	computed under 10 U.S.C. § 1406(b) or § 1407 (note 2)	the percentage of disability assigned, not to exceed 75 percent or 2.5 percent multiplied by the years of service credited to the member under 10 U.S.C. § 1208, except for a member retiring on or before January 7, 2011, the multiplier is limited to 75 percent (note 3)	the amount necessary to increase the product of columns D and E to 50 percent of retired pay base.	
3	Armed Forces	voluntarily retired	§ 1293	computed under 10 U.S.C. § 1406(b) or 10 U.S.C. § 1407 (note 2)			excess over 75 percent of retired pay base upon which computation is based if member retires before January 1, 2007 (note 5).

Table 3-1. Computation of Retired Pay (Continued)

COMPUTATION OF RETIRED PAY							
RULE	**A** **A member of the**	**B** **who is**	**C** **under provisions of 10 U.S.C.**	**D** **receives the retired pay base**	**E** **multiplied by**	**F** **plus**	**G** **minus/add (note 1)**
4	Army, Air Force, or Space Force	voluntarily retired	§ 7314 § 7317 § 9314 § 9317	computed under 10 U.S.C. § 1406(c) for Army, 10 U.S.C. § 1406(e) for Air Force and Space Force, or 10 U.S.C. § 1407 (notes 2 and 6)		10 percent of the product of Columns D and E, if applicable (note 4)	excess over 75 percent of retired pay base upon which computation is based if member retires before January 1, 2007 (note 5).
5	Army, Air Force, or Space Force	voluntarily retired	§ 7311 § 7318 § 7320 § 7324 § 9311 § 9318 § 9324	computed under 10 U.S.C. § 1406(c) for Army, § 1406(e) for Air Force and Space Force, or § 1407 (notes 2 and 6)			excess over 75 percent of retired pay base upon which computation is based if member retires before January 1, 2007 (note 5).
6	Navy or Marine Corps	voluntarily retired	§ 8321 § 8323	computed under 10 U.S.C. § 1406(d) or 10 U.S.C. § 1407 (note 2)			excess over 75 percent of retired pay base upon which computation is based if member retires before January 1, 2007 (note 5).

Table 3-1. Computation of Retired Pay (Continued)

COMPUTATION OF RETIRED PAY							
RULE	**A** **A member of the**	**B** **who is**	**C** **under provisions of 10 U.S.C.**	**D** **receives the retired pay base**	**E** **multiplied by**	**F** **plus**	**G** **minus/add (note 1)**
7	Navy or Marine Corps	voluntarily retired	§ 8322 § 8326	computed under 10 U.S.C. § 1406(d) or 10 U.S.C. § 1407 (note 2)	retired pay multiplier from 10 U.S.C. § 1409 for years of service credited for percentage purposes (note 3)	10 percent of columns D and E if applicable (note 4)	excess over 75 percent of retired pay base upon which computation is based, if the member retired before January 1, 2007 (note 5).
8	Navy or Marine Corps	voluntarily retired	§ 8327	computed under 10 U.S.C. § 1406(d) or 10 U.S.C. § 1407 (note 2)	50 percent (note 7)	10 percent of columns D and E if applicable (note 4).	
9	Armed Forces	involuntarily retired	§ 580 § 633 § 634 § 635 § 636 § 1251 § 1263 § 1305 (note 8)	computed under 10 U.S.C. § 1406(b) or 10 U.S.C. § 1407 (note 2)	retired pay multiplier from 10 U.S.C. § 1409 for years of service credited for percentage purposes (note 3)		excess over 75 percent of retired pay base upon which computation is based, if the member retired before January 1, 2007 (note 5).
10	Army	involuntarily retired	§ 7320 § 7321 (note 5)	computed under 10 U.S.C. § 1406(c) or 10 U.S.C. § 1407 (note 2)	retired pay multiplier from 10 U.S.C. § 1409 for years of service credited for percentage purposes (note 3)		excess over 75 percent of retired pay base upon which computation is based, if the member retired before January 1, 2007 (note 5).

Table 3-1. Computation of Retired Pay (Continued)

COMPUTATION OF RETIRED PAY							
RULE	**A** **A member of the**	**B** **who is**	**C** **under provisions of 10 U.S.C.**	**D** **receives the retired pay base**	**E** **multiplied by**	**F** **plus**	**G** **minus/add (note 1)**
11	Navy or Marine Corps	involuntarily retired	§ 8371 § 8372 (note 5)	computed under 10 U.S.C. § 1406(d) or §10 U.S.C. 1407 (note 2)	retired pay multiplier from 10 U.S.C. § 1409 for years of service credited for percentage purposes (note 3)		excess over 75 percent of retired pay base upon which computation is based, if the member retired before January 1, 2007 (note 5).
12	Air Force or Space Force	involuntarily retired	§ 9320 § 9321 (note 5)	computed under 10 U.S.C. § 1406(e) or 10 U.S.C. § 1407 (note 2)	retired pay multiplier for the years of service credited for percentage purposes (note 3)		excess over 75 percent of retired pay base upon which computation is based, if the member retired before January 1, 2007 (note 5).
13	Armed Forces, Reserve, or National Guard	a reservist (meets age and service requirement)	§ 12731	computed under 10 U.S.C. § 1406(b)(2) or 10 U.S.C. § 1407 (note 2)	2.5 percent (or 2.0 percent for members covered by BRS) multiplied by the years of service credited for percentage purposes, (notes 3 and 10)	10 percent of the product of columns D and E (note 4)	excess over 75 percent of retired pay base upon which computation is based if member retired before January 1, 2007 (note 5).
14	Navy or Marine Corps	transferred to the FR/FMCR	§ 8330	computed under 10 U.S.C. § 1406(d) or 10 U.S.C. § 1407 (notes 2 and 9)	the retainer pay multiplier for the years of service credited for percentage purposes (note 3)	10 percent of the product of columns D and E (note 4)	excess over 75 percent of retired pay base upon which computation is based if member retired before January 1, 2007 (note 5).

Table 3-1. Computation of Retired Pay (Continued)

***NOTES:**

1. If a member was initially retired on or after October 1, 1983, the amount computed, if not a multiple of $1, must be rounded to the next lower multiple of $1. Any future adjustments to such pay must be made on the rounded figure. Retired pay of members retired on September 30, 1983 will not be rounded until there is an adjustment under 10 U.S.C. § 1401a; then, and with each subsequent adjustment, the amount as adjusted, if not a multiple of $1, must be rounded to the next lower multiple of $1. The rounded amount becomes the member's entitlement and any future adjustments must be based on this rounded entitlement.
2. For applicable active-duty basic pay rate, see sections 4.0 and 5.0, Chapter 1, paragraph 5.2, and paragraph 3.1. For a person who first became a member of a uniformed service after September 7, 1980, use the high-36-month average. For exception to high-36 months retired pay computation for members retired following a disciplinary reduction in grade, refer to paragraph 2.12.
3. See Chapter 1 for service creditable for percentage purposes:

Voluntary retirement:
Chapter 1, Paragraph 3.2—Enlisted members
Chapter 1, Paragraph 3.3—Commissioned Officers
Chapter 1, Paragraph 3.4—Warrant Officers

Disability retirement:
Chapter 1, Paragraph 3.6

Mandatory retirement:
Chapter 1, Subparagraph 3.5.1—Army, Air Force, and Space Force
Chapter 1, Subparagraph 3.5.2—Navy and Marine Corps

Reservist age and service retirement:
Chapter 1, Paragraph 3.7

4. For enlisted members credited with an act of extraordinary heroism in the line of duty. For Army, Air Force, and Space Force enlisted members, the total retired pay to include the 10 percent increase may not exceed the maximum pay of 75 percent of the retired pay base upon which the computation of such retired pay is based. Effective December 23, 2024, the 75 percent cap referenced in the preceding sentence does not apply to those who served during the Vietnam Era (August 5, 1964 and ending on March 27, 1973). For Navy and Marine Corps enlisted members, the total maximum retired pay is 75 percent of the retired pay base upon which the computation of such retired pay is based, plus the 10 percent increase. Members with more than 30 years of creditable service should also have retired pay computed without the 10 percent add-on and awarded the higher of the two calculations. All members who retire under the provisions of 10 U.S.C. § 12731 with credit for extraordinary heroism are restricted to a maximum pay of 75 percent of the retired pay base upon which the computation of such retired pay is based.
5. For members who retired on or after January 1, 2007, the retired pay multiplier is the sum of 75 percent for 30 years of service plus 2.5 percent for every year over 30 years.
6. For a Reserve enlisted member retired under 10 U.S.C. § 7314 or § 9314 after September 30, 1996, the retired pay base is the monthly basic pay of the member's retired grade (based on rates applicable on date of member's retirement) in lieu of the retired pay base under 10 U.S.C. § 1406(e).
7. Members retired under ***10 U.S.C. § 8327*** are authorized to receive retired pay at 50 percent of the active duty basic pay of their grade when not on active duty. This provision applies only to persons who were members of the Naval Reserve or Marine Corps Reserve on January 1, 1953. The provisions of 10 U.S.C. § 8327 terminated on January 1, 1973. However, termination of the section did not affect any accrued rights to retired pay.
8. Section 564 repealed by P.L. 102-190, December 5, 1991. Section 1255 repealed by P.L. 90-130, November 8, 1967. An officer who was on active duty on September 15, 1981 and who is retired under 10 U.S.C. § 1251 is entitled to retired pay of at least 50 percent of the basic pay upon which the retired pay is based. Title 10, U.S.C. § 1251 allows a retirement for age (at age 62), but only if the member already has 20 years of service. See also 10 U.S.C. § 12731.
9. In lieu of the retainer pay base computed under 10 U.S.C. § 1406(d), a Reserve enlisted member may be entitled to retainer pay computed by using the monthly basic pay for the highest enlisted grade in which the member served satisfactorily, as determined by the Secretary of the Navy. This provision applies to an individual who first became a member of the uniformed service before September 8, 1980 and who, at the time of transfer, is serving on active duty in a grade lower than the highest enlisted grade held by the member while on active duty not as a result of the member's own misconduct.

Table 3-1. Computation of Retired Pay (Continued)

10. Total number of retirement points divided by 360. Carry the resultant figure to three decimal places, round to two decimal places. EXAMPLE: 4735 retirement points divided by 360 = 13.152 or 13.15 years of service for percentage purposes (for the 10 U.S.C. § 12731 retiree only) to be multiplied by the applicable percentage rate described at subparagraph 2.1.2.

Table 3-2. Historical Pay Computations – FR/FMCR

HISTORICAL PAY COMPUTATIONS – FLEET RESERVE AND FLEET MARINE CORPS RESERVE						
RULE	**If member retires in class**	**during period**	**with years of service of at least**	**then pay computation formula is**	**plus**	**and applicable law is**
1	F-4c 1-b	pre-1938 to May 31, 1942	16; less than 20	1/3 x base pay rating in which transferred (note 1)	longevity pay (25 percent maximum), extraordinary heroism (10 percent)	52 Stat 1179, section 203, 34 U.S.C. § 854b.
2	F-4d 1-c	pre-1938 to May 31, 1942	20; less than 30	1/2 x base pay rating in which transferred (note 1)	longevity pay (25 percent maximum), extraordinary heroism (10 percent), or good conduct (10 percent)	52 Stat 1179, section 203, 34 U.S.C. § 854b.
3	F-5 H-1	pre-1938 to May 31, 1942	20; less than 30	1/2 x base pay rating in which transferred (note 1)		52 Stat 1179, section 204, 34 U.S.C. § 854c.
4	F-4c 1-b	June 1, 1942 to August 9, 1946	16; less than 20	1/3 x base pay rating in which transferred (note 1)	longevity pay (50 percent maximum), extraordinary heroism (10 percent)	56 Stat 359, P.L. 607, June 6, 1942.
5	F-4d 1-c	June 1, 1942 to August 9, 1946	20; less than 30	1/2 x base pay rating in which transferred (note 1)	longevity pay (50 percent maximum), extraordinary heroism (10 percent), or good conduct (10 percent)	56 Stat 359, P.L. 607, June 6, 1942.
6	F-5, H-1	June 1, 1942 to August 9, 1946	20; less than 30	1/2 x base pay rating in which transferred (note 1)	longevity pay (50 percent maximum), extraordinary heroism (10 percent), or good conduct (10 percent)	56 Stat 359, P.L. 607, June 6, 1942.
7	F-4c 1-b	August 10, 1946 to September 30, 1949	16; less than 20 (note 2)	1/3 x base pay rating in which transferred (notes 1 or 2)	longevity pay (50 percent maximum), extraordinary heroism (10 percent)	60 Stat 993, P.L. 720, August 10, 1946.
8	F-4d 1-c	August 10, 1946 to September 30, 1949	20; less than 30	1/2 x base pay rating in which transferred (note 2)	longevity pay (50 percent maximum), extraordinary heroism (10 percent), or good conduct (10 percent).	

Table 3-2. Historical Pay Computations – FR/FMCR (Continued)

HISTORICAL PAY COMPUTATIONS – FLEET RESERVE AND FLEET MARINE CORPS RESERVE						
RULE	**If member retires in class**	**during period**	**with years of service of at least**	**then pay computation formula is**	**plus**	**and applicable law is**
9	F-6 (note 3) 1-d		20 years	1/2 x base pay rating in which transferred (note 1) or 2.5 percent x years of active federal service multiplied by base pay of rating in which transferred (note 2)	longevity pay (75 percent maximum), extraordinary heroism (10 percent)	
10	all classes	transferred before October 1, 1949, effective on October 1, 1949	20 years	pay received on 9/30/49 (saved pay) or 2.5 percent x years of active service = percent; percent x basic pay of highest federally recognized rating satisfactorily held (note 4).		
11	F-4c 1-b	on or after October 1, 1949	20 years	1/3 x basic pay receiving at transfer (note 5) or 2.5 percent x years of active federal service = percent; percent x basic pay of rating in which transferred (notes 6 and 8)	extraordinary heroism (10 percent)	
12	F-4d 1-c	on or after October 1, 1949	20 years	1/2 x basic pay receiving at transfer (note 5) or 2.5 percent x years of active federal service = percent; percent x basic pay of rating in which transferred (notes 6 and 8)	extraordinary heroism (10 percent), or good conduct (10 percent)	
13	F-6 1-d	on or after October 1, 1949	20 years	1/2 x basic pay receiving at transfer (note 5) or 2.5 percent x years of active federal service = percent	extraordinary heroism (10 percent)	

Table 3-2. Historical Pay Computations – FR/FMCR (Continued)

HISTORICAL PAY COMPUTATIONS – FLEET RESERVE AND FLEET MARINE CORPS RESERVE						
RULE	**If member retires in class**	**during period**	**with years of service of at least**	**then pay computation formula is**	**plus**	**and applicable law is**
14	F-6 1-d	on or after August 10, 1956	20 years	2.5 percent x years of active service in Armed Forces = percent; percent x basic pay receiving at transfer (notes 7 and 8)	extraordinary heroism (10 percent)	P.L. 1028, August 10, 1956, 10 U.S.C. § 8330.

NOTES:
1. Fractional year of 6 months or more not creditable as 1 year for longevity or transfer.
2. Fractional year of 6 months or more creditable equals' full year for transfer and longevity, effective August 10, 1946.
3. Effective August 10, 1946, class F-5 changed to class F-6.
4. Six months or more equals 1 year for active service; 6 months or more does not equal 1 year for basic pay; nor good conduct or extraordinary heroism.
5. Six months equals 1 year for basic pay and not for computing years of Naval service for transfer.
6. Six months or more equals 1 full year for active service and basic pay.
7. Six months equals 1 year for active service (include constructive service in active service). Six months equals 1 year for basic pay (do not include constructive service in service for basic pay).
8. If member entered a uniformed service after September 7, 1980, substitute the retainer pay base for the base or basic pay.

Table 3-3. Pre-1982 Retirement Percentage Multiple Conversions

PRE-1982 RETIREMENT PERCENTAGE MULTIPLE CONVERSIONS							
At Least			Not More Than				
Years	Months	Days	Years	Months	Days	Converted Years	Percentage
0	6	0	1	5	29	1	2.50
1	6	0	2	5	29	2	5.00
2	6	0	3	5	29	3	7.50
3	6	0	4	5	29	4	10.00
4	6	0	5	5	29	5	12.50
5	6	0	6	5	29	6	15.00
6	6	0	7	5	29	7	17.50
7	6	0	8	5	29	8	20.00
8	6	0	9	5	29	9	22.50
9	6	0	10	5	29	10	25.00
10	6	0	11	5	29	11	27.50
11	6	0	12	5	29	12	30.00
12	6	0	13	5	29	13	32.50
13	6	0	14	5	29	14	35.00
14	6	0	15	5	29	15	37.50
15	6	0	16	5	29	16	40.00
16	6	0	17	5	29	17	42.50
17	6	0	18	5	29	18	45.00
18	6	0	19	5	29	19	47.50
19	6	0	20	5	29	20	50.00
20	6	0	21	5	29	21	52.50
21	6	0	22	5	29	22	55.00
22	6	0	23	5	29	23	57.50
23	6	0	24	5	29	24	60.00
24	6	0	25	5	29	25	62.50
25	6	0	26	5	29	26	65.00
26	6	0	27	5	29	27	67.50
27	6	0	28	5	29	28	70.00
28	6	0	29	5	29	29	72.50
29	6	0				30	75.00

NOTE: This Table applies to members retired before January 1, 1982, with several exceptions covered in paragraph 2.8.

Table 3-4. Post-1981 – Pre-2018 Retirement Percentage Multiplier Conversions

POST-1981 – PRE-2018 RETIREMENT PERCENTAGE MULTIPLIER CONVERSIONS											
Service Multiplier			Service Multiplier			Service Multiplier			Service Multiplier		
Years	Months	(%)	Years	Months	(%)	Years	Months	(%)	Years	Months	(%)
blank	blank	00.	3	blank	7.50	6	blank	15.00	9	blank	22.50
	1	00.20	3	1	7.70	6	1	15.20	9	1	22.70
blank	2	00.43	3	2	7.93	6	2	15.43	9	2	22.93
	3	00.63	3	3	8.13	6	3	15.63	9	3	23.13
blank	4	00.83	3	4	8.33	6	4	15.83	9	4	23.33
	5	1.05	3	5	8.55	6	5	16.05	9	5	23.55
blank	6	1.25	3	6	8.75	6	6	16.25	9	6	23.75
	7	1.45	3	7	8.95	6	7	16.45	9	7	23.95
blank	8	1.68	3	8	9.18	6	8	16.68	9	8	24.18
	9	1.88	3	9	9.38	6	9	16.88	9	9	24.38
blank	10	2.08	3	10	9.58	6	10	17.08	9	10	24.58
	11	2.30	3	11	9.80	6	11	17.30	9	11	24.80
1	blank	2.50	4	blank	10.00	7	blank	17.50	10	blank	25.00
1	1	2.70	4	1	10.20	7	1	17.70	10	1	25.20
1	2	2.93	4	2	10.43	7	2	17.93	10	2	25.43
1	3	3.13	4	3	10.63	7	3	18.13	10	3	25.63
1	4	3.33	4	4	10.83	7	4	18.33	10	4	25.83
1	5	3.55	4	5	11.05	7	5	18.55	10	5	26.05
1	6	3.75	4	6	11.25	7	6	18.75	10	6	26.25
1	7	3.95	4	7	11.45	7	7	18.95	10	7	26.45
1	8	4.18	4	8	11.68	7	8	19.18	10	8	26.68
1	9	4.38	4	9	11.88	7	9	19.38	10	9	26.88
1	10	4.58	4	10	12.08	7	10	19.58	10	10	27.08
1	11	4.80	4	11	12.30	7	11	19.80	10	11	27.30
2	blank	5.00	5	blank	12.50	8	blank	20.00	11	blank	27.50
2	1	5.20	5	1	12.70	8	1	20.20	11	1	27.70
2	2	5.43	5	2	12.93	8	2	20.43	11	2	27.93
2	3	5.63	5	3	13.13	8	3	20.63	11	3	28.13
2	4	5.83	5	4	13.33	8	4	20.83	11	4	28.33
2	5	6.05	5	5	13.55	8	5	21.05	11	5	28.55
2	6	6.25	5	6	13.75	8	6	21.25	11	6	28.75
2	7	6.45	5	7	13.95	8	7	21.45	11	7	28.95
2	8	6.68	5	8	14.18	8	8	21.68	11	8	29.18
2	9	6.88	5	9	14.38	8	9	21.88	11	9	29.38
2	10	7.08	5	10	14.58	8	10	22.08	11	10	29.58
2	11	7.30	5	11	14.80	8	11	22.30	11	11	29.80

Table 3-4. Post-1981 – Pre-2018 Retirement Percentage Multiplier Conversions (Continued)

POST-1981 – PRE-2018 RETIREMENT PERCENTAGE MULTIPLIER CONVERSIONS											
Service Multiplier			Service Multiplier			Service Multiplier			Service Multiplier		
Years	Months	(%)	Years	Months	(%)	Years	Months	(%)	Years	Months	(%)
12	blank	30.00	15	blank	37.50	18	blank	45.00	21	blank	52.50
12	1	30.20	15	1	37.70	18	1	45.20	21	1	52.70
12	2	30.43	15	2	37.93	18	2	45.43	21	2	52.93
12	3	30.63	15	3	38.13	18	3	45.63	21	3	53.13
12	4	30.83	15	4	38.33	18	4	45.83	21	4	53.33
12	5	31.05	15	5	38.55	18	5	46.05	21	5	53.55
12	6	31.25	15	6	38.75	18	6	46.25	21	6	53.75
12	7	31.45	15	7	38.95	18	7	46.45	21	7	53.95
12	8	31.68	15	8	39.18	18	8	46.68	21	8	54.18
12	9	31.88	15	9	39.38	18	9	46.88	21	9	54.38
12	10	32.08	15	10	39.58	18	10	47.08	21	10	54.58
12	11	32.30	15	11	39.80	18	11	47.30	21	11	54.80
13	blank	32.50	16	blank	40.00	19	blank	47.50	22	blank	55.00
13	1	32.70	16	1	40.20	19	1	47.70	22	1	55.20
13	2	32.93	16	2	40.43	19	2	47.93	22	2	55.43
13	3	33.13	16	3	40.63	19	3	48.13	22	3	55.63
13	4	33.33	16	4	40.83	19	4	48.33	22	4	55.83
13	5	33.55	16	5	41.05	19	5	48.55	22	5	56.05
13	6	33.75	16	6	41.25	19	6	48.75	22	6	56.25
13	7	33.95	16	7	41.45	19	7	48.95	22	7	56.45
13	8	34.18	16	8	41.68	19	8	49.18	22	8	56.68
13	9	34.38	16	9	41.88	19	9	49.38	22	9	56.88
13	10	34.58	16	10	42.08	19	10	49.58	22	10	57.08
13	11	34.80	16	11	42.30	19	11	49.80	22	11	57.30
14	blank	35.00	17	blank	42.50	20	blank	50.00	23	blank	57.50
14	1	35.20	17	1	42.70	20	1	50.20	23	1	57.70
14	2	35.43	17	2	42.93	20	2	50.43	23	2	57.93
14	3	35.63	17	3	43.13	20	3	50.63	23	3	58.13
14	4	35.83	17	4	43.33	20	4	50.83	23	4	58.33
14	5	36.05	17	5	43.55	20	5	51.05	23	5	58.55
14	6	36.25	17	6	43.75	20	6	51.25	23	6	58.75
14	7	36.45	17	7	43.95	20	7	51.45	23	7	58.95
14	8	36.68	17	8	44.18	20	8	51.68	23	8	59.18
14	9	36.88	17	9	44.38	20	9	51.88	23	9	59.38
14	10	37.08	17	10	44.58	20	10	52.08	23	10	59.58
14	11	37.30	17	11	44.80	20	11	52.30	23	11	59.80

Table 3-4. Post-1981 – Pre-2018 Retirement Percentage Multiplier Conversions (Continued)

POST-1981 – PRE-2018 RETIREMENT PERCENTAGE MULTIPLIER CONVERSIONS											
Service Multiplier			Service Multiplier			Service Multiplier			Service Multiplier		
Years	Months	(%)	Years	Months	(%)	Years	Months	(%)	Years	Months	(%)
24	blank	60.00	27	blank	67.50	30	blank	75.00	33	blank	82.50
24	1	60.20	27	1	67.70	30	1	75.20	33	1	82.70
24	2	60.43	27	2	67.93	30	2	75.43	33	2	82.93
24	3	60.63	27	3	68.13	30	3	75.63	33	3	83.13
24	4	60.83	27	4	68.33	30	4	75.83	33	4	83.33
24	5	61.05	27	5	68.55	30	5	76.05	33	5	83.55
24	6	61.25	27	6	68.75	30	6	76.25	33	6	83.75
24	7	61.45	27	7	68.95	30	7	76.45	33	7	83.95
24	8	61.68	27	8	69.18	30	8	76.68	33	8	84.18
24	9	61.88	27	9	69.38	30	9	76.88	33	9	84.38
24	10	62.08	27	10	69.58	30	10	77.08	33	10	84.58
24	11	62.30	27	11	69.80	30	11	77.30	33	11	84.80
25	blank	62.50	28	blank	70.00	31	blank	77.50	34	blank	85.00
25	1	62.70	28	1	70.20	31	1	77.70	34	1	85.20
25	2	62.93	28	2	70.43	31	2	77.93	34	2	85.43
25	3	63.13	28	3	70.63	31	3	78.13	34	3	85.63
25	4	63.33	28	4	70.83	31	4	78.33	34	4	85.83
25	5	63.55	28	5	71.05	31	5	78.55	34	5	86.05
25	6	63.75	28	6	71.25	31	6	78.75	34	6	86.25
25	7	63.95	28	7	71.45	31	7	78.95	34	7	86.45
25	8	64.18	28	8	71.68	31	8	79.18	34	8	86.68
25	9	64.38	28	9	71.88	31	9	79.38	34	9	86.88
25	10	64.58	28	10	72.08	31	10	79.58	34	10	87.08
25	11	64.80	28	11	72.30	31	11	79.80	34	11	87.30
26	blank	65.00	29	blank	72.50	32	blank	80.00	35	blank	87.50
26	1	65.20	29	1	72.70	32	1	80.20	35	1	87.70
26	2	65.43	29	2	72.93	32	2	80.43	35	2	87.93
26	3	65.63	29	3	73.13	32	3	80.63	35	3	88.13
26	4	65.83	29	4	73.33	32	4	80.83	35	4	88.33
26	5	66.05	29	5	73.55	32	5	81.05	35	5	88.55
26	6	66.25	29	6	73.75	32	6	81.25	35	6	88.75
26	7	66.45	29	7	73.95	32	7	81.45	35	7	88.95
26	8	66.68	29	8	74.18	32	8	81.68	35	8	89.18
26	9	66.88	29	9	74.38	32	9	81.88	35	9	89.38
26	10	67.08	29	10	74.58	32	10	82.08	35	10	89.58
26	11	67.30	29	11	74.80	32	11	82.30	35	11	89.80

Table 3-4. Post-1981 – Pre-2018 Retirement Percentage Multiplier Conversions (Continued)

POST-1981 – PRE-2018 RETIREMENT PERCENTAGE MULTIPLIER CONVERSIONS											
Service Multiplier			Service Multiplier			Service Multiplier			Service Multiplier		
Years	Months	(%)	Years	Months	(%)	Years	Months	(%)	Years	Months	(%)
36	blank	90.00	38	blank	95.00	40	blank	100.00	42	blank	105.00
36	1	90.20	38	1	95.20	40	1	100.20	42	1	105.20
36	2	90.43	38	2	95.43	40	2	100.43	42	2	105.43
36	3	90.63	38	3	95.63	40	3	100.63	42	3	105.63
36	4	90.83	38	4	95.83	40	4	100.83	42	4	105.83
36	5	91.05	38	5	96.05	40	5	101.05	42	5	106.05
36	6	91.25	38	6	96.25	40	6	101.25	42	6	106.25
36	7	91.45	38	7	96.45	40	7	101.45	42	7	106.45
36	8	91.68	38	8	96.68	40	8	101.68	42	8	106.68
36	9	91.88	38	9	96.88	40	9	101.88	42	9	106.88
36	10	92.08	38	10	97.08	40	10	102.08	42	10	107.08
36	11	92.30	38	11	97.30	40	11	102.30	42	11	107.30
37	blank	92.50	39	blank	97.50	41	blank	102.50	43	blank	107.50
37	1	92.70	39	1	97.70	41	1	102.70	43	1	107.70
37	2	92.93	39	2	97.93	41	2	102.93	43	2	107.93
37	3	93.13	39	3	98.13	41	3	103.13	43	3	108.13
37	4	93.33	39	4	98.33	41	4	103.33	43	4	108.33
37	5	93.55	39	5	98.55	41	5	103.55	43	5	108.55
37	6	93.75	39	6	98.75	41	6	103.75	43	6	108.75
37	7	93.95	39	7	98.95	41	7	103.95	43	7	108.95
37	8	94.18	39	8	99.18	41	8	104.18	43	8	109.18
37	9	94.38	39	9	99.38	41	9	104.38	43	9	109.38
37	10	94.58	39	10	99.58	41	10	104.58	43	10	109.58
37	11	94.80	39	11	99.80	41	11	104.80	43	11	109.80

NOTE: To derive multipliers for service in excess of 43 years and 11 months, divide the number of whole months by 12, compute the quotient to three digits, round to two digits, and add this to the number of years. Then, multiply by .025.

Example 1: 20 years, 7 months, 13 days
7 months ÷ 12 = .583 (.58)
20.58 × .025 = 51.45%

Example 2: 44 years, 8 months, 28 days
8 months ÷ 12 = .667 (.67)
44.67 × .025 = 111.68%

Exception: Members who retire between January 1, 1982 and September 30, 1983 and meet requirements of paragraph 2.7 will round service credit of 6 months or more, as shown on the Table.

Table 3-5. Effective January 1, 2018, BRS Percentage Multiplier Conversions

BRS PERCENTAGE MULTIPLIER CONVERSIONS - EFFECTIVE JANUARY 1, 2018											
Service Multiplier			Service Multiplier			Service Multiplier			Service Multiplier		
Years	Months	(%)	Years	Months	(%)	Years	Months	(%)	Years	Months	(%)
blank	blank	0	3	blank	6.00	6	blank	12.00	9	blank	18.00
	1	.17	3	1	6.17	6	1	12.17	9	1	18.17
blank	2	.33	3	2	6.33	6	2	12.34	9	2	18.34
	3	.50	3	3	6.50	6	3	12.50	9	3	18.50
blank	4	.67	3	4	6.67	6	4	12.67	9	4	18.67
	5	.83	3	5	6.83	6	5	12.84	9	5	18.84
blank	6	1.00	3	6	7.00	6	6	13.00	9	6	19.00
	7	1.17	3	7	7.17	6	7	13.17	9	7	19.17
blank	8	1.33	3	8	7.33	6	8	13.34	9	8	19.34
	9	1.50	3	9	7.50	6	9	13.50	9	9	19.50
blank	10	1.67	3	10	7.67	6	10	13.67	9	10	19.67
	11	1.83	3	11	7.83	6	11	13.84	9	11	19.84
1	blank	2.00	4	blank	8.00	7	blank	14.00	10	blank	20.00
1	1	2.17	4	1	8.17	7	1	14.17	10	1	20.17
1	2	2.33	4	2	8.34	7	2	14.34	10	2	20.34
1	3	2.50	4	3	8.50	7	3	14.50	10	3	20.50
1	4	2.67	4	4	8.67	7	4	14.67	10	4	20.67
1	5	2.83	4	5	8.84	7	5	14.84	10	5	20.84
1	6	3.00	4	6	9.00	7	6	15.00	10	6	21.00
1	7	3.17	4	7	9.17	7	7	15.17	10	7	21.17
1	8	3.33	4	8	9.34	7	8	15.34	10	8	21.34
1	9	3.50	4	9	9.50	7	9	15.50	10	9	21.50
1	10	3.67	4	10	9.67	7	10	15.67	10	10	21.67
1	11	3.83	4	11	9.84	7	11	15.84	10	11	21.84
2	blank	4.00	5	blank	10.00	8	blank	16.00	11	blank	22.00
2	1	4.17	5	1	10.17	8	1	16.17	11	1	22.17
2	2	4.33	5	2	10.34	8	2	16.34	11	2	22.34
2	3	4.50	5	3	10.50	8	3	16.50	11	3	22.50
2	4	4.67	5	4	10.67	8	4	16.67	11	4	22.67
2	5	4.83	5	5	10.84	8	5	16.84	11	5	22.84
2	6	5.00	5	6	11.00	8	6	17.00	11	6	23.00
2	7	5.17	5	7	11.17	8	7	17.17	11	7	23.17
2	8	5.33	5	8	11.34	8	8	17.34	11	8	23.34
2	9	5.50	5	9	11.50	8	9	17.50	11	9	23.50
2	10	5.67	5	10	11.67	8	10	17.67	11	10	23.67
2	11	5.83	5	11	11.84	8	11	17.84	11	11	23.84

Table 3-5. Effective January 1, 2018, BRS Percentage Multiplier Conversions (Continued)

BRS PERCENTAGE MULTIPLIER CONVERSIONS - EFFECTIVE JANUARY 1, 2018											
Service Multiplier			Service Multiplier			Service Multiplier			Service Multiplier		
Years	Months	(%)	Years	Months	(%)	Years	Months	(%)	Years	Months	(%)
12	blank	24.00	15	blank	30.00	18	blank	36.00	21	blank	42
12	1	24.17	15	1	30.17	18	1	36.17	21	1	42.18
12	2	24.34	15	2	30.34	18	2	36.34	21	2	42.34
12	3	24.50	15	3	30.51	18	3	36.51	21	3	42.51
12	4	24.67	15	4	30.67	18	4	36.67	21	4	42.68
12	5	24.84	15	5	30.84	18	5	36.84	21	5	42.84
12	6	25.01	15	6	31.01	18	6	37.01	21	6	43.01
12	7	25.17	15	7	31.17	18	7	37.17	21	7	43.18
12	8	25.34	15	8	31.34	18	8	37.34	21	8	43.34
12	9	25.51	15	9	31.51	18	9	37.51	21	9	43.51
12	10	25.67	15	10	31.67	18	10	37.67	21	10	43.68
12	11	25.84	15	11	31.84	18	11	37.84	21	11	43.84
13	blank	26.00	16	blank	32.00	19	blank	38.00	22	blank	44.00
13	1	26.17	16	1	32.17	19	1	38.17	22	1	44.18
13	2	26.34	16	2	32.34	19	2	38.34	22	2	44.34
13	3	26.51	16	3	32.51	19	3	38.51	22	3	44.51
13	4	26.67	16	4	32.67	19	4	38.67	22	4	44.68
13	5	26.84	16	5	32.84	19	5	38.84	22	5	44.84
13	6	27.01	16	6	33.01	19	6	39.01	22	6	45.01
13	7	27.17	16	7	33.17	19	7	39.17	22	7	45.18
13	8	27.34	16	8	33.34	19	8	39.34	22	8	45.34
13	9	27.51	16	9	33.51	19	9	39.51	22	9	45.51
13	10	27.67	16	10	33.67	19	10	39.67	22	10	45.68
13	11	27.84	16	11	33.84	19	11	39.84	22	11	45.84
14	blank	28.00	17	blank	34.00	20	blank	40.00	23	blank	46.00
14	1	28.17	17	1	34.17	20	1	40.17	23	1	46.18
14	2	28.34	17	2	34.34	20	2	40.34	23	2	46.34
14	3	28.51	17	3	34.51	20	3	40.51	23	3	46.51
14	4	28.67	17	4	34.67	20	4	40.67	23	4	46.68
14	5	28.84	17	5	34.84	20	5	40.84	23	5	46.84
14	6	29.01	17	6	35.01	20	6	41.01	23	6	47.01
14	7	29.17	17	7	35.17	20	7	41.16	23	7	47.18
14	8	29.34	17	8	35.34	20	8	41.34	23	8	47.34
14	9	29.51	17	9	35.51	20	9	41.51	23	9	47.51
14	10	29.67	17	10	35.67	20	10	41.67	23	10	47.68
14	11	29.84	17	11	35.84	20	11	41.84	23	11	47.84

Table 3-5. Effective January 1, 2018, BRS Percentage Multiplier Conversions (Continued)

BRS PERCENTAGE MULTIPLIER CONVERSIONS - EFFECTIVE JANUARY 1, 2018											
Service Multiplier			Service Multiplier			Service Multiplier			Service Multiplier		
Years	Months	(%)	Years	Months	(%)	Years	Months	(%)	Years	Months	(%)
24	blank	48.00	27	blank	54.00	30	blank	60.00	33	blank	66.00
24	1	48.18	27	1	54.18	30	1	60.18	33	1	66.18
24	2	48.34	27	2	54.34	30	2	60.35	33	2	66.35
24	3	48.51	27	3	54.51	30	3	60.51	33	3	66.51
24	4	48.68	27	4	54.68	30	4	60.68	33	4	66.68
24	5	48.84	27	5	54.84	30	5	60.85	33	5	66.85
24	6	49.01	27	6	55.01	30	6	61.01	33	6	67.01
24	7	49.18	27	7	55.18	30	7	61.18	33	7	67.18
24	8	49.34	27	8	55.34	30	8	61.35	33	8	67.35
24	9	49.51	27	9	55.51	30	9	61.51	33	9	67.51
24	10	49.68	27	10	55.68	30	10	61.68	33	10	67.68
24	11	49.84	27	11	55.84	30	11	61.85	33	11	67.85
25	blank	50.00	28	blank	56.00	31	blank	62.00	34	blank	68.00
25	1	50.18	28	1	56.18	31	1	62.18	34	1	68.18
25	2	50.34	28	2	56.34	31	2	62.35	34	2	68.35
25	3	50.51	28	3	56.51	31	3	62.51	34	3	68.51
25	4	50.68	28	4	56.68	31	4	62.68	34	4	68.68
25	5	50.84	28	5	56.84	31	5	62.85	34	5	68.85
25	6	51.01	28	6	57.01	31	6	63.01	34	6	69.01
25	7	51.18	28	7	57.18	31	7	63.18	34	7	69.18
25	8	51.34	28	8	57.34	31	8	63.35	34	8	69.35
25	9	51.51	28	9	57.51	31	9	63.51	34	9	69.51
25	10	51.68	28	10	57.68	31	10	63.68	34	10	69.68
25	11	51.84	28	11	57.84	31	11	63.85	34	11	69.85
26	blank	52.00	29	blank	58.00	32	blank	64.00	35	blank	70.00
26	1	52.18	29	1	58.18	32	1	64.18	35	1	70.18
26	2	52.34	29	2	58.35	32	2	64.35	35	2	70.35
26	3	52.51	29	3	58.51	32	3	64.51	35	3	70.51
26	4	52.68	29	4	58.68	32	4	64.68	35	4	70.68
26	5	52.84	29	5	58.85	32	5	64.85	35	5	70.85
26	6	53.01	29	6	59.01	32	6	65.01	35	6	71.01
26	7	53.18	29	7	59.18	32	7	65.18	35	7	71.18
26	8	53.34	29	8	59.35	32	8	65.35	35	8	71.35
26	9	53.51	29	9	59.51	32	9	65.51	35	9	71.51
26	10	53.68	29	10	59.68	32	10	65.68	35	10	71.68
26	11	53.84	29	11	59.85	32	11	65.85	35	11	71.85

Table 3-5. Effective January 1, 2018, BRS Percentage Multiplier Conversions (Continued)

BRS PERCENTAGE MULTIPLIER CONVERSIONS - EFFECTIVE JANUARY 1, 2018											
Service Multiplier			Service Multiplier			Service Multiplier			Service Multiplier		
Years	Months	(%)	Years	Months	(%)	Years	Months	(%)	Years	Months	(%)
36	blank	72.00	38	blank	76.00	40	blank	80.00	42	blank	84.00
36	1	72.18	38	1	76.18	40	1	80.18	42	1	84.18
36	2	72.35	38	2	76.35	40	2	80.35	42	2	84.35
36	3	72.51	38	3	76.52	40	3	80.52	42	3	84.52
36	4	72.68	38	4	76.68	40	4	80.68	42	4	84.68
36	5	72.85	38	5	76.85	40	5	80.85	42	5	84.85
36	6	73.01	38	6	77.02	40	6	81.02	42	6	85.02
36	7	73.18	38	7	77.18	40	7	81.18	42	7	85.18
36	8	73.35	38	8	77.35	40	8	81.35	42	8	85.35
36	9	73.51	38	9	77.52	40	9	81.52	42	9	85.52
36	10	73.68	38	10	77.68	40	10	81.68	42	10	85.68
36	11	73.85	38	11	77.85	40	11	81.85	42	11	85.85
37	blank	74.00	39	blank	78.00	41	blank	82.00	43	blank	86.00
37	1	74.18	39	1	78.18	41	1	82.18	43	1	86.18
37	2	74.35	39	2	78.35	41	2	82.35	43	2	86.35
37	3	74.51	39	3	78.52	41	3	82.52	43	3	86.52
37	4	74.68	39	4	78.68	41	4	82.68	43	4	86.68
37	5	74.85	39	5	78.85	41	5	82.85	43	5	86.85
37	6	75.02	39	6	79.02	41	6	83.02	43	6	87.02
37	7	75.18	39	7	79.18	41	7	83.18	43	7	87.18
37	8	75.35	39	8	79.35	41	8	83.35	43	8	87.35
37	9	75.52	39	9	79.52	41	9	83.52	43	9	87.52
37	10	75.68	39	10	79.68	41	10	83.68	43	10	87.68
37	11	75.85	39	11	79.85	41	11	83.85	43	11	87.85

NOTE: To derive multipliers for service in excess of 43 years and 11 months, divide the number of whole months by 12, compute the quotient to three digits, round to two digits, and add this to the number of years. Then, multiply by .02.

Example 1: 20 years, 7 months, 13 days
7 months ÷ 12 = .583 (.58)
20.58 × .02 = 41.16%

Example 2: 44 years, 8 months, 28 days
8 months ÷ 12 = .667 (.67)
44.67 × .02 = 89.34%

Table 3-6. Reduction Factors Applicable to TERA

REDUCTION FACTORS APPLICABLE TO TEMPORARY EARLY RETIREMENT AUTHORITY					
Months Less than 240	**Reduction Factor**	**Months Less than 240**	**Reduction Factor**	**Months Less than 240**	**Reduction Factor**
1	.99917	2	.99833	3	.99750
4	.99667	5	.99583	6	.99500
7	.99417	8	.99333	9	.99250
10	.99167	11	.99083	12	.99000
13	.98917	14	.98833	15	.98750
16	.98667	17	.98583	18	.98500
19	.98417	20	.98333	21	.98250
22	.98167	23	.98083	24	.98000
25	.97917	26	.97833	27	.97750
28	.97667	29	.97583	30	.97500
31	.97417	32	.97333	33	.97250
34	.97167	35	.97083	36	.97000
37	.96917	38	.96833	39	.96750
40	.96667	41	.96583	42	.96500
43	.96417	44	.96333	45	.96250
46	.96167	47	.96083	48	.96000
49	.95917	50	.95833	51	.95750
52	.95667	53	.95583	54	.95500
55	.95417	56	.95333	57	.95250
58	.95167	59	.95083	60	.95000

NOTE: Mathematically, the reduction factor (RF) is one minus one twelve hundredth of the difference between 240 and the number of months or remaining portion of a month of active service of such member. Thus, for 188 months the reduction factor is computed as:

RF = 1.0 – [(240-188)/1200]
1.0 – [52/1200]
1.0 – .04333
.95667

*REFERENCES

CHAPTER 3 – GROSS PAY COMPUTATION

1.0 – GENERAL

1.1	10 U.S.C. §§ 1401, 1406, 1407, 1409 P.L. 114-92, sections 631-635, November 25, 2015 P.L. 114-328, sections 631-634, December 26, 2016 P.L. 115-91, section 622, December 12, 2017 Office of the Deputy Secretary of Defense, memo, Subject: Implementation of the Blended Retirement System, January 27, 2017

2.0 – BASIC COMPUTATION

2.1.1.1	10 U.S.C. § 1406
2.1.1.2	10 U.S.C. § 1407 10 U.S.C. § 1407(c)(2) 10 U.S.C. § 1407(d)(2)
2.1.2	P.L. 109-364, section 642, October 17, 2006 10 U.S.C. § 1409(b) P.L. 110-181, section 646, January 28, 2008 10 U.S.C. § 8333(a)
2.1.2.3.1	10 U.S.C. § 1405
2.1.2.3.2	10 U.S.C. § 12733 DoD Instruction (DoDI) 1215.07, July 30, 2019, Change 1, May 17. 2021
2.1.2.3.3	10 U.S.C., Chapter 61 10 U.S.C. § 1208 10 U.S.C. § 1401
2.1.2.4	10 U.S.C., Chapter 61 10 U.S.C. § 1208 10 U.S.C. § 1401 10 U.S.C. § 1409 10 U.S.C. § 12733 DoDI 1215.07, July 30, 2019, Incorporating Change 1, May 17, 2021

REFERENCES (Continued)

2.2.1.1	10 U.S.C. § 1406(b)(1) 10 U.S.C. § 1372
2.2.1.2	10 U.S.C. § 1407
2.2.2.1	P.L. 111-383, section 631, January 7, 2011 10 U.S.C. § 1401(a) 10 U.S.C. § 1402(d) 10 U.S.C. § 1402a(d)
2.2.2.2	P.L. 111-383, section 631, January 7, 2011 10 U.S.C. § 1401(a) 10 U.S.C. § 1402(d) 10 U.S.C. § 1402a(d)
2.2.3	10 U.S.C. § 12731
2.2.4	P.L. 114-92, section 631(c)(1)(A), November 25, 2015 10 U.S.C. § 1401 10 U.S.C. § 1409
2.3.1.1	10 U.S.C. § 1406(b)(1) 10 U.S.C. § 1372
2.3.1.1.2	10 U.S.C. § 1406(c) or (e)
2.3.1.2.1	10 U.S.C. §§ 1407, 7314, and 9314
2.4.1.1	10 U.S.C. § 1406(b)(1)
2.4.1.2	10 U.S.C. § 1407
2.5.1.1	10 U.S.C. § 1406(b)(2) 10 U.S.C. § 1370(d)
2.5.1.2	10 U.S.C. § 1407
2.5.1.3	10 U.S.C. § 12732
2.5.2	10 U.S.C. § 12733 10 U.S.C. § 12739

REFERENCES (Continued)

2.5.2 NOTE	10 U.S.C. § 12733
2.5.3	10 U.S.C., Chapter 61
2.6	10 U.S.C. § 1406(d)
2.8.1.3	10 U.S.C., Chapter 61
2.8.1.4	10 U.S.C. § 1210(c) or (d)
2.9	P.L. 98-94, section 922, September 24, 1983 10 U.S.C. § 1412 Office of the Secretary of Defense (OSD)/Military Personnel and Force Management (MP&FM) Memo, September 29, 1983
2.10	10 U.S.C. §§ 1401a(b), 1409, and 1410 DoD Office of the Actuary Memo, May 5, 1987 Office of the Under Secretary of Defense (OUSD) (Military Personnel Policy (MPP)) Memo, April 12, 2012 DoDI 1332.46, December 21, 2018
2.11	P.L. 102-484, sections 4403 and 4417, October 23, 1992 10 U.S.C., Chapter 67 10 U.S.C. § 1293 note P.L. 112-81, section 504, December 31, 2011 OUSD (MPP) Memo, April 12, 2012 P.L. 114-328, section 508, December 23, 2016 10 U.S.C. § 1293 note DoDI 1332.46, December 21, 2018
2.11.1	10 U.S.C. § 1401 10 U.S.C. § 7361(a) 10 U.S.C. § 8333(a) 10 U.S.C. § 9361(a) 10 U.S.C. § 12739
2.11.3	37 U.S.C. § 322 (renumbered § 354) 10 U.S.C. § 1409

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2.11.4	P.L. 112-81, section 504, December 31, 2011 10 U.S.C. § 1293 note OUSD (MPP) Memo, April 12, 2012
2.11.5	OUSD (MPP) Memo, April 12, 2012
2.12	P.L. 106-398, section 651, October 30, 2000 10 U.S.C. § 1406 10 U.S.C. § 1407
2.12.1.2	Office of the Assistant Secretary of Defense/ Military Personnel Policy (OASD/MPP) Memo, December 20, 2001 10 U.S.C. § 1370
2.13	10 U.S.C. § 1370 10 U.S.C. § 1370a 10 U.S.C. § 1407(f)(4) P.L. 118-159, section 605, December 23, 2024
2.13.1	10 U.S.C. § 1407
2.13.2	10 U.S.C. § 1406

4.0 – TOWER AMENDMENT

4.1	10 U.S.C. § 1401a(f)
4.1.3	P.L. 100-456, section 622, September 29, 1988 10 U.S.C. § 1401a(f)
4.2.1	Manuscripts Comptroller General (MS Comp Gen) B-189029, September 2, 1980 10 U.S.C. § 1401a(f)
4.2.3	10 U.S.C. § 1293 10 U.S.C. § 1401a(f)
4.3	P.L. 103-337, section 633, October 5, 1994 10 U.S.C. § 1401a(f) MS Comp Gen B-189029, September 2, 1980 70 Comp Gen 398 MS Comp Gen B-231406, March 22, 1989 66 Comp Gen 425 MS Comp Gen B-204120, March 25, 1982

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4.3.2	10 U.S.C. § 1401a(f)
5.0 – SPECIAL PROVISIONS	
5.1	10 U.S.C. § 12731
5.3.1	10 U.S.C. §§ 601(b), 1406(i), 7361, 8325, 8333, and 9361 37 U.S.C. § 203
5.3.2	P.L. 108-136, section 643, November 24, 2003 10 U.S.C. § 1406 37 U.S.C. § 203
5.4	10 U.S.C. § 1370
5.4.1	10 U.S.C. § 1370(b)
5.4.3	P.L. 106-65, section 601(e), October 5, 1999
5.5	10 U.S.C. § 1406(i) DoD General Counsel Opinion, April 21, 1998
5.6	10 U.S.C. §§ 7361(a), 8330(c), and 9361(a) 55 Comp Gen 701 MS Comp Gen B-259559, June 6, 1995 10 U.S.C. § 1402
5.7	P.L. 88-132, section 5, October 2, 1963 10 U.S.C. § 1402
5.9	P.L. 109-364, section 641, October 17, 2006 P.L. 113-291, section 622, December 19, 2014 10 U.S.C. § 1407a 37 U.S.C. § 203(a)(2)
6.0 - LUMP SUM PAYMENTS OF RETIREMENT ANNUITY	
	P.L. 114-92, section 633, November 25, 2015
6.1	10 U.S.C. § 1415
6.3	10 U.S.C. § 1415(b)(2)

REFERENCES (Continued)

6.7	10 U.S.C. § 1415
6.8	10 U.S.C. § 1413a 10 U.S.C. § 1414 38 U.S.C. § 5304 38 U.S.C. § 5305
6.9	10 U.S.C. § 1415 10 U.S.C. § 1447(6)(A) 10 U.S.C. § 1450 10 U.S.C. § 1452
6.11	10 U.S.C. § 1408
Table 3-1, Rule 1 and 2	P.L. 111-383, section 631, January 7, 2011 10 U.S.C. § 1401(a) 10 U.S.C. § 1402(d) 10 U.S.C. § 1402a(d)
Table 3-1, Note 4	10 U.S.C., Chapter 1223 P. L. 118-159, section 604, December 23, 2024 10 U.S.C. § 1402(f)(2) 10 U.S.C. § 12731(c)(2)(E)
Table 3-1, Note 7	P.L. 96-342, September 8, 1980 10 U.S.C. § 1406(d)
Table 3-2, Note 8	P.L. 96-342, September 8, 1980 10 U.S.C. § 1401(a)
Table 3-5	P.L. 114-92, section 633, November 25, 2015
Table 3-6	Assistant Secretary of Defense/Force Management and Personnel, Manpower Management and Personnel Policy Memo, April 22, 1993 DoDI 1332.46, December 21, 2018

VOLUME 7B, CHAPTER 4: "RECOUPMENT OF SEPARATION PAY"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated January 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated chapter and formatting to comply with administrative instructions.	Revision
2.7, 5.1 and 9.1	Provided administrative information for specific type of pay pursuant to DoD Instruction (DoDI) 1332.29 and DoDI 1332.43.	Revision
10.3	Updated the formerly used term, "Concurrent Retired and Disability Pay," to new term, "Concurrent Military Retirement Pay and Department of Veterans Affairs Disability Compensation."	Revision
Reference	Updated references.	Revision

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CHAPTER 4

RECOUPMENT OF SEPARATION PAYMENTS

1.0 GENERAL

1.1 Purpose

This chapter provides guidance for the recoupment of payments made to members whose status transitions from involuntary discharge, release from active duty, disability separation, or voluntary separation, to retiree.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 10, 14, and 38. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 DEFINITIONS

2.1 Readjustment Pay

Readjustment Pay is a lump-sum payment to members of a Reserve Component of any Military Service, members of the Army or Air Force without component, and Regular Army commissioned officers below the grade of O-4 who were on active duty (other than for training) on September 14, 1981, and were involuntarily released after completing at least 5 years of continuous active duty and who did not qualify for retirement. Separation Pay superseded Readjustment Pay.

2.2 Nondisability Severance Pay

Nondisability Severance Pay is a lump-sum payment to certain commissioned and warrant officers, who were on active duty (other than for training) on September 14, 1981, and involuntarily discharged from active duty under certain conditions. Separation Pay superseded Nondisability Severance Pay. Note: This chapter uses the term “Nondisability Severance Pay” when referring to what is commonly known as “Severance Pay” as a mechanism to distinguish severance pay from disability severance pay.

2.3 Separation Pay

Separation Pay is a lump-sum payment to a member of the Uniformed Services who is discharged involuntarily or released from active duty and who does not qualify for retired pay. For more information, see Volume 7A, Chapter 35.

2.4 Disability Severance Pay (DSP)

The DSP is a lump-sum payment to a member of the Uniformed Services involuntarily separated from the military service for minor physical disability and who does not qualify for disability retired pay.

2.5 Voluntary Separation Incentive (VSI)

The VSI is an annual payment to members who separated voluntarily from service before December 31, 2001, under conditions prescribed by the Secretary of the Military Department concerned (or designee). Voluntary Separation Pay (VSP) superseded VSI.

2.6 Special Separation Benefit (SSB)

The SSB is a lump-sum payment to members who separated voluntarily from service before December 31, 2001, under conditions prescribed by the Secretary of the Military Department concerned (or designee). VSP superseded SSB.

*2.7 Voluntary Separation Pay (VSP)

The VSP is an annual or lump-sum payment to certain members to encourage them to leave active duty voluntarily. The authority to separate a member in conjunction with VSP applies for the period of October 17, 2006, through December 31, 2025. Specific administration of the VSP program procedures is detailed in DoDI 1332.43, to include: eligibility; ineligibility; application and approval; Ready Reserve obligations, benefits, and payment methods; repayment; deduction for disability compensation; and separation program designation codes and reentry codes.

2.8 Recoupment

To align entitlement to retirement benefits with applicable active service, this chapter uses the term recoupment in conjunction with the recovery of readjustment pay, nondisability severance pay, separation pay, DSP, VSI, SSB, or VSP previously received.

2.9 Reserve Special Separation Pay (RSSP)

The RSSP is payable to Reserve members who had completed more than 20 years of service but who had not reached age 60. Payment of RSSP is not subject to recoupment from retired pay. For more information, see Volume 7A, Chapter 58.

3.0 READJUSTMENT PAY

3.1 General Provisions

3.1.1. A member who received readjustment pay before September 15, 1981, because of involuntary discharge or release from active duty after June 28, 1962, and who later qualifies for retired pay under Title's 10 or 14, U.S.C. upon completion of 20 years of active service, must have the retired pay withheld until a total of 75 percent of the readjustment pay has been recovered. For this purpose, consider a member who transferred to the Fleet Reserve or the Fleet Marine Corps Reserve to have "qualified for retired pay under a statute authorizing retirement upon completion of 20 years of active service," even though such transfer may have occurred after completion of less than 20 years of actual service. See Table 4-1.

3.1.2. A Regular Army commissioned officer in the grade of O-1, O-2, or O-3 who received readjustment pay from December 30, 1974 through December 30, 1977, and who later qualifies for retired pay upon completion of 20 years of active service, must have the retired pay withheld until a total of 75 percent of the readjustment pay has been recovered. See Table 4-1.

3.1.3. A member of the Uniformed Services who served on active duty as a temporary officer and held a Reserve officer status upon release from active duty, and received readjustment pay after June 28, 1962, but before September 15, 1981, and who later qualifies for retired pay upon completion of 20 years of active service, must have the retired pay withheld until a total of 75 percent of the readjustment pay has been recovered. See Table 4-1.

3.1.4. A member who received readjustment pay on September 15, 1981, or later, and who later qualifies for retired pay, must have the retired pay reduced until the recovery of the full amount of the readjustment pay. See subparagraph 3.2.2.

3.2 Recoupment of Readjustment Pay

3.2.1. Readjustment Pay Received Before September 15, 1981.

3.2.1.1. Defense Finance and Accounting Service (DFAS) will deduct a total of 75 percent of the gross readjustment pay without interest immediately from retired pay.

3.2.1.2. There is no entitlement to retired pay until the recovery of 75 percent of the lump-sum readjustment pay. During the period that the member is not entitled to retired pay, the member must pay the cost for coverage under the Survivor Benefit Plan (SBP) by direct remittance to:

Defense Finance and Accounting Service, DFAS-CL
SBP and RSFPP Remittance
P.O. Box 979013
St. Louis, MO 63197-9000

3.2.2. Readjustment Pay Received September 15, 1981, or Later. A member who received readjustment pay on September 15, 1981, or later, and who subsequently qualifies for retired pay will have the retired pay reduced in accordance with section 10.0 until the recovery of the full amount of the readjustment pay.

4.0 NONDISABILITY SEVERANCE PAY

4.1 General Provisions

Before September 15, 1981, certain provisions of law governing separation from the active list required recoupment of nondisability severance pay upon a member's retirement. See Table 4-2 for conditions governing recoupment of nondisability severance pay received before September 15, 1981. Members who receive nondisability severance pay on September 15, 1981 or later, and who subsequently qualify for retirement, are subject to recoupment under paragraph 4.2.

4.2 Recoupment of Nondisability Severance Pay

DFAS must recoup lump-sum nondisability severance pay by deducting from retired pay each month an amount as specified in section 10.0 until the total deducted equals the amount of the nondisability severance pay received.

5.0 SEPARATION PAY

*5.1 General Provisions

Separation pay has replaced readjustment pay and nondisability severance pay for involuntary separation of all members of the active and reserve forces other than those separated for disability. For information on eligibility requirements for separation pay, see Volume 7A, Chapter 35. Specific administration of the Involuntary Separation Pay procedures is detailed in DoDI 1332.29, to include: eligibility; computation; repayment; and sole survivorship discharge.

5.2 Recoupment of Separation Pay

5.2.1. A member who received separation pay and who later qualifies for retired or retainer pay under Titles 10 or 14 of the U.S.C. will have a monthly installment deducted from payment of such retired or retainer pay. See section 10.0.

5.2.2. A member who receives separation pay, and who also is eligible for disability compensation from Department of Veteran Affairs (VA), will have an amount, equal to the total amount of separation pay received, deducted by the VA from the disability compensation awarded. The VA will not deduct separation pay from disability compensation if disability is based on service performed after receiving separation pay.

5.3 Collection of Separation Pay - Boards for Correction of Military Record Cases

Pursuant to ***10 U.S.C. § 1552***, the Secretary concerned may correct the military record of a member who was previously paid separation pay to reflect the member has been retired or has been restored to active duty and then retired. Based on the corrected record, the separation pay payment, which was proper when made, is now considered an erroneous payment. Thus, a debt must be established for any separation pay previously paid to the member and must be collected from the member. If the member is restored to active duty and then retired, the Correction of Records/Claims Directorate, Debt and Claims Management Office should coordinate with Retirement and Annuitant (R&A) Pay regarding the priority for the collection of the separation pay debt. Generally, the separation pay is first offset from any active pay due and then any military retired pay or Combat-Related Special Compensation (CRSC) payments due as a result of the record correction. If the separation debt cannot be fully collected from retroactive amounts due, then collection of the remainder of the debt must be made pursuant to the authority under Volume 16.

6.0 DISABILITY SEVERANCE PAY (DSP)

6.1 General Provisions

Upon determination by the Secretary concerned that a member of the Armed Forces is unfit to perform the duties of his office, grade, rank or rating because of physical disability rated less than 30 percent, the department may separate the member with disability severance pay. For information on eligibility requirements for disability severance pay, see Volume 7A, Chapter 35.

6.2 Recoupment of DSP

When the Secretary concerned approves a recommendation from the Physical Disability Board of Review (PDBR) to award military disability retirement, DFAS must take action to recoup any disability severance pay previously paid to that member. Recoupment will be consistent with the parameters established in section 10.0, except as noted in paragraph 6.3 and subparagraphs 6.2.1 and 6.2.2.

6.2.1. In most cases, members entitled to disability severance pay will also qualify for the VA disability compensation. In order to avoid duplicate collection, DFAS will reduce the recovery amount of disability severance pay by any amount already separately recovered by the VA through reduction of the VA disability compensation. In such cases, the amount deducted by the VA from the disability compensation will reduce the gross amount of disability severance pay to be recouped by the DoD.

6.2.1.1. To determine the retroactive entitlement of retired pay that is payable to the member, offset the entire VA disability compensation amount that is awarded (prior to any reduction of such VA disability compensation to offset the collection of disability severance pay) from the total retroactive retired pay entitlement. This will result in an amount of the VA disability compensation plus military retired pay paid to the member that is equal to that which the member would have been entitled to had he/she originally been retired instead of separated.

6.2.1.2. DFAS will first apply the entire amount of any retroactive retired pay and/or CRSC entitlement to any required recoupment of disability severance pay without regard to the percentage limitations specified in section 10.0. In determining the retroactive entitlement to retired pay, service members must be treated as though they were retired on the original date of separation, without regard to any disability severance payment received or any reduction in the VA disability compensation to recoup previously paid disability severance pay. In order to determine the amount subject to recoupment, as well as any amount payable to a member, DFAS will determine the amount of retired pay that would have been available had the member originally been retired instead of separated. The total amount to recoup will be the full gross amount of disability severance pay originally paid to the member.

6.2.1.3. As stated in subparagraph 6.2.1, the VA deducts disability severance compensation from any VA compensation for the same disability to which the member or member's dependents become entitled under any law administered by the VA. There are two exceptions:

6.2.1.3.1. The VA will make no deduction in the case of disability severance pay received by a member for a disability incurred in the line of duty in a combat zone or incurred during performance of duty in combat-related operations as designated by the Secretary of Defense.

6.2.1.3.2. The VA will make no deduction from any death compensation to which a member's dependents become entitled after the member's death.

6.2.2. Members must be promptly notified that future payments of disability retired pay will be subject to reduction until the gross amount of the disability severance pay has been recovered.

6.3 Collection of DSP – Board for Correction of Military Record Cases

The Secretary concerned may change a military record pursuant to the authority at 10 U.S.C. § 1552 in order to award military disability retirement to a member who has previously received DSP. If this occurs, any DSP previously paid to the member must be established as a debt and collected from the member. The DSP amount must first be offset from any military retired pay or CRSC payments due the military retiree as a result of the record correction. If the DSP debt cannot be fully collected from retroactive amounts due, then collection of the remainder of the debt must be made pursuant to the authority under Volume 16.

6.4 Survivor Benefit Plan (SBP) Participation

6.4.1. Members whose record is corrected to a military disability retirement under the PDBR process, and who were married on the retirement effective date, will receive automatic full spouse coverage under the SBP, unless the member makes an affirmative election on a DoD (DD) ***DD Form 2656***, Data for Payment of Retired Personnel, for less than full spouse coverage within 90 days of being provided a DD Form 2656. If the member elects less than full spouse coverage, including an election not to participate in SBP program or an election for child-only

coverage, the election must include a spousal concurrence signed by the person who was the member's spouse on the effective retirement date, as determined by the PDBR, unless such person is deceased. If the member was married on the effective retirement date, but has since divorced that spouse, the member must still submit a concurrence to elect less than full spouse coverage signed by the person who was the member's spouse on the effective retirement date, unless the whereabouts of the member's now former spouse are unknown and the member submits an affidavit verifying that the former spouse's whereabouts are unknown, along with a copy of the parties' divorce decree. The spouse's concurrence on the DD Form 2656 must be signed on or after the date of the member's signature and otherwise conform to an election regarding spouse coverage.

6.4.2. A spouse who was married to the member on the effective date of retirement, who was subsequently divorced from the member and who has not signed the spousal concurrence on DD Form 2656, has 1 year from the date of the approved PDBR recommendation authorizing disability retirement to make a deemed former spouse SBP election, provided there is already in effect a court-approved written agreement or court order requiring the member to elect to provide such an annuity to the former spouse.

6.4.3. If the member had a former spouse on the effective retirement date, the member may elect former spouse SBP coverage. There is no requirement for spousal concurrence for a former spouse election, although the member’s current spouse should be provided written notice of the former spouse election. A member who was not married and had no dependent child on the effective date of retirement, who remarries or acquires a dependent child subsequent to the effective date of retirement, may elect to participate in the SBP. The member has 1 year from either the date of acquiring a spouse or dependent child or the date of the approved PDBR recommendation authorizing disability retirement, whichever is later.

6.4.4. If the member had no spouse or dependent child on the effective retirement date and is not otherwise required to provide former spouse coverage, the member may elect to provide an annuity for an insurable interest person if such individual would have been qualified on the effective date of retirement.

6.4.5. Monthly SBP premiums for automatic or properly elected coverage must be charged from the effective retirement date, with the exception that no SBP premiums will be due if the member elects not to participate in the SBP program with proper spousal concurrence within 90 days of the PDBR action awarding a disability retirement or 90 days of the date that the member has been provided a DD Form 2656 to elect SBP participation.

6.4.6. If a member, who is retired for disability as a result of an approved PDBR action, had previously made a Reserve Component Survivor Benefit Plan (RCSBP) election, that RCSBP election will be considered of no effect if the PDBR action is approved prior to the date that the member would have become eligible for reserve retired pay under ***10 U.S.C., Chapter 1223***.

7.0 VOLUNTARY SEPARATION INCENTIVE (VSI)

7.1 General Provisions

Certain members who voluntarily separated before December 31, 2001, received annual payments of VSI based on their grade or rank at separation and number of years of service creditable for retirement purposes. See Volume 7A, Chapter 35 for eligibility requirements.

7.2 Beneficiary Payment Procedures

Upon the death of the member, DFAS Cleveland Site will pay all remaining VSI installments to the designated beneficiaries. DFAS will distribute VSI installment payments according to the legal order of precedence if there is no valid designation on file and maintained at DFAS Cleveland Site. See Chapter 23 for more information regarding beneficiary payment procedures.

7.3 Recoupment of VSI

7.3.1. A member who has received VSI, who later qualifies for retired or retainer pay under Titles 10 or 14 of the U.S.C., must have the amount of VSI deducted from each payment of such retired or retainer pay by a monthly installment not to exceed 40 percent of the member's gross retired pay as specified in paragraph 10.4. The gross retired pay amount paid does not include any amounts offset because of the member's receipt of military compensation between the date of separation which caused the VSI to begin and the date that he or she became eligible for receipt of retired pay.

7.3.2. In a case in which a member is receiving simultaneous VSI and retired pay, the member may elect to terminate the receipt of VSI. Such election is permanent and irrevocable. Under these circumstances, effective after such election to terminate VSI, DFAS will reduce the rate of monthly recoupment from retired pay of VSI received in accordance with subparagraph 7.3.1. The rate of recoupment will be reduced in accordance with the following formula: Divide the total number of months that would not be paid as a result of the member's election to terminate the VSI by the number of months that the VSI was scheduled to be paid. Multiply the resulting fraction, which is a percentage rate of reduction, by the percentage in subparagraph 7.3.1 to compute a percentage that is the proportionate rate of reduction; and, subtract the proportionate rate of reduction from the original rate of reduction in subparagraph 7.3.1 to determine the reduced rate of recoupment from retired pay.

7.3.3. A member who is receiving VSI payments will not be deprived of this incentive by reason of entitlement to disability compensation under the laws administered by the VA, but there will be deducted from VSI payments an amount equal to the amount of any such disability compensation concurrently received. Notwithstanding the preceding sentence, DFAS will make no deduction from VSI payments for any disability compensation received because of an earlier period of active duty if the member receives VSI because of discharge or release from a later period of active duty.

7.3.3.1. Any reduction in VSI as a result of receipt of the VA disability compensation will reduce the gross amount of VSI paid, as described in subparagraph 7.3.1, and will not be recovered through recoupment from retired pay.

7.3.3.2. In a case in which a member is receiving simultaneous VSI and retired pay, DFAS will reduce the VSI payment by the amount of any VA disability compensation. In addition, the member's election to waive retired pay, as described under Chapter 12, subparagraph 1.1.1.1, will also still apply. Furthermore, DFAS will reduce the member's retired pay as described in subparagraph 7.3.1.

8.0 SPECIAL SEPARATION BENEFIT (SSB)

8.1 General Provisions

Under conditions prescribed by the Secretary of the Military Department concerned (or designee), a member who separated voluntarily from a Military Service before December 31, 2001, could elect to receive an SSB.

8.2 Recoupment of SSB

If a member who has received an SSB payment later qualifies for retired or retainer pay under Titles 10 or 14 of the U.S.C., DFAS will recoup the gross amount of SSB received through a monthly installment from each payment of such retired or retainer pay as specified in section 10.0.

9.0 VOLUNTARY SEPARATION PAY (VSP)

*9.1 General Provisions

Certain members who voluntarily separate between October 17, 2006 and December 31, 2025, may receive a lump-sum VSP in an amount up to four times the full amount of the separation pay a member may receive. See Volume 7A, Chapter 35 for more information on separation pay. Specific administration of the VSP program procedures is detailed in DoDI 1332.43, to include: eligibility; ineligibility; application and approval; Ready Reserve obligations, benefits, and payment methods; repayment; deduction for disability compensation; and separation program designation codes and reentry codes.

9.2 Recoupment of VSP

9.2.1. A member who is paid VSP and who later qualifies for retired or retainer pay under Titles 10 or 14 of the U.S.C., will have deducted from each payment of such retired or retainer pay a monthly installment specified by the Secretary of the Military Department concerned (or designee). The total amount of retired or retainer pay deductions will equal the total amount paid to the member. See also Volume 7A, Chapter 35, paragraph 8.9.

9.2.2. The requirement to repay VSP following retirement from the Armed Forces does not apply to an officer who was eligible to retire at the time the officer applied and was accepted for VSP benefits.

9.2.3. The Secretary of the Military Department concerned (or designee) may waive the requirement to repay VSP if it is determined that recovery would be against equity and good conscience and would be contrary to the best interests of the United States. Upon approval, the Military Department concerned will forward a copy of all waivers to the Deputy Under Secretary of Defense, Military Personnel Policy.

9.2.4. Waivers by the Secretary of the Military Department concerned (or designee) must be determined on a case-by-case basis, which requires identification of the individual member, the amount of debt, and the circumstances of each case. The Principal Deputy Under Secretary of Defense, Personnel and Readiness, will review, in coordination with the DoD Office of General Counsel, any waiver by a Secretary of the Military Department (or designee) that applies to more than one individual. This review process will ensure a consistent consideration of the equities in such cases throughout DoD.

9.3 Repayment For Members Who Return to Active Duty

See Volume 7A, Chapter 35, paragraph 8.11.

10.0 RECOUPMENT OF SEPARATION PAY, NONDISABILITY SEVERANCE PAY, READJUSTMENT PAY, OR DISABILITY SEVERANCE PAY

10.1 Members Affected

Service members who received separation pay, nondisability severance pay, readjustment pay, or DSP under any provision of law based on service in the Armed Forces, or a member awarded disability retirement from the PDBR, as described in paragraph 6.2, who subsequently qualify under Titles 10 or 14 of the U.S.C. for retired or retainer pay will have deducted an amount equal to the total amount of separation pay, nondisability severance pay, readjustment pay, or DSP, without regard to any withholding for taxes. DFAS will make such deductions from each payment of retired or retainer pay until the total amount recouped is equal to the total amount of separation pay, nondisability severance pay, readjustment pay, or DSP. The member may authorize a deduction in an amount greater than that required by law.

10.2 VA Disability Compensation

10.2.1. In some cases, members entitled to disability retired pay will also qualify for the VA disability compensation. In such cases, the amount deducted to recoup the separation payment by the VA will reduce the gross amount of separation, severance or readjustment pay to be recouped by DoD.

10.2.2. DFAS will subtract the gross monthly amount of the VA disability compensation from the gross monthly amount of the retired pay subject to recoupment. DFAS will then use this

adjusted gross retired pay in place of gross retired pay for members with a VA waiver. In cases where the amount of the VA disability compensation award is greater than military retired pay, recoupment of disability severance pay will be suspended until, when or if, the amount of gross retired pay exceeds the monthly VA disability compensation except as provided in paragraph 10.3.

*10.3 Concurrent Receipt Programs

Members who meet all the eligibility criteria for the CRSC program or for Concurrent Military Retirement Pay and Department of Veterans Affairs Disability Compensation must have their CRSC or retired pay entitlement computed based on the full amount of retired pay and the full amount of the applicable VA disability compensation (i.e., before any reductions for recoupment of separation, nondisability severance, readjustment pay, or DSP). In other words, DFAS must compute the CRSC or retired pay entitlement amount without regard to the recoupment of separation, severance, or readjustment pay. DFAS must add the CRSC or retired pay entitlement to the adjusted gross retired pay remaining after the VA disability compensation offset in determining the amount of the monthly disability severance pay recoupment and must be, along with the adjusted gross retired pay, available for reduction.

10.4 Recoupment Rates

The maximum rate of recoupment will be no more than an amount equal to 40 percent of the member's gross retired pay.

10.4.1. DFAS will re-compute the monthly recoupment rate when there is an increase in gross or adjusted gross retired pay for cost-of-living adjustments, except when the member has authorized withholding at a higher monthly rate.

10.4.2. DFAS will make no income tax withholding from retired pay used for satisfying the recoupment of separation pay, nondisability severance pay, readjustment pay, or DSP. Neither is such pay included on Internal Revenue Service Form 1099-R, Distribution from Pensions, Annuities, Retirement Profit Sharing Plans, IRAs, Insurance Contracts, nor is it reported as taxable income. The gross taxable income is the difference between the amount of the recoupment and adjusted gross retired pay.

10.4.3. DFAS will provide written notification to members subject to recoupment. DFAS sends this notice 90 days in advance of the initial collection from the member's retired pay. The written notification will provide the current outstanding balance and the proposed monthly recoupment amount and explain the options of a more lenient repayment request if the member asserts that the maximum rate of recoupment imposes a financial hardship. See paragraph 10.6. The written notification will also explain the requirement for concurrent recoupment of the separation or nondisability severance pay by both DFAS and VA.

10.5 Exceptions

10.5.1. Those members whose recoupment rates were suspended in May 2009, by the direction of the Office of the Under Secretary of Defense (Comptroller) memorandum, dated May 18, 2009, and whose recoupment rates under the previous formula were less than the new maximum percentage will be reinstated at the previously established lower rate.

10.5.2. Members may, at their personal discretion, request to increase their recoupment to a rate greater than the maximum, in order to shorten the term of recoupment.

10.6 Financial Hardship

A member whose retired pay is subject to recoupment based on paragraph 10.1 may, at any time, request a review of the amount recouped based upon materially changed circumstances such as disability, divorce, or illness that results in the imposition of undue financial hardship on the member and the member's dependents. A member requesting such a review will submit the basis for claiming that the current rate of recoupment results in an undue financial hardship along with supporting documentation. DFAS will consider any information submitted and make a determination in accordance with the following procedures and standards.

10.6.1. A rate of recoupment results in an undue financial hardship for a member and his dependents if the recoupment amount prevents the member from meeting the costs necessarily incurred for essential subsistence expenses of the member and the member's dependents. These essential subsistence expenses include costs incurred for food, housing, necessary public utilities, clothing, transportation and medical care.

10.6.2. In determining whether the recoupment amount prevents the member from meeting the essential subsistence expenses described in subparagraph 10.6.1, DFAS will consider the following:

10.6.2.1. The income from all sources of the member, the member's spouse, and dependents;

10.6.2.2. Whether these essential subsistence expenses have been minimized to the greatest extent possible; and

10.6.2.3. The extent to which the member and the member's spouse and dependents have other exceptional expenses that DFAS should take into account and whether these expenses have been minimized to the greatest extent possible.

10.6.3. If there is an undue financial hardship, DFAS will reduce the recoupment rate based on the member's financial condition. Any reduction of the recoupment rate will be effective for 1 year. Upon the expiration of 1 year, the recoupment rate will revert back to 40 percent unless the member has reapplied for a reduction in rate and can again demonstrate financial hardship.

10.6.4. DFAS will adjust the rate of recoupment based on the following formula:

10.6.4.1. Subtract the total monthly living expenses from the total monthly income. The result is the net income available for monthly recoupment.

10.6.4.2. The net income available for monthly recoupment will be divided by the gross monthly retired pay to determine the actual recoupment percentage. If the result is 40 percent or greater, the recoupment is limited to 40 percent. A result of 10 percent or less limits the recoupment to 10 percent. DFAS will apply any factor within the range of 10 to 39 percent as the actual percentage with any fractional portions of a percentage point rounded down to the lower whole percentage point.

Figure 4-1. Financial Hardship Calculation Examples

EXAMPLE A:

Gross Monthly Income:		**Actual Monthly Expenses:**	
Retired Pay	$ 3,000.00	Rent/Mortgage	$ 1,500.00
Other income	460.00	Electric	$ 80.00
Spouse's income	$ 500.00	Natural Gas	$ 125.00
Total Income	$ 3,960.00	Telephone	$ 35.00
		Water	$ 20.00
		Food	$ 400.00
		Car Payment	$ 280.00
		Health Care	$ 500.00
		Total Expenses	$ 2,940.00

Total Income	$ 3,960.00	
Total Expenses	$ 2,940.00	
Net Income	$ 1,020.00	(Available for recoupment)

Divide the member's Net Income ($1,020.00) by the gross retired pay ($3,000.00) which equals .34 or a recoupment rate of 34%.

EXAMPLE B:

Gross Monthly Income:		**Actual Monthly Expenses:**	
Retired Pay	$ 2,000.00	Rent/Mortgage	$ 800.00
Spouse's income	$ 500.00	Electric	$ 80.00
Total Income	$ 2,500.00	Natural Gas	$ 125.00
		Telephone	$ 35.00
		Water	$ 20.00
		Food	$ 200.00
		Car Payment	$ 280.00
		Health Care	$ 900.00
		Total Expenses	$ 2,440.00

Total Income	$ 2,500.00	
less: Total Expenses	$ 2,440.00	
Net Income	$ 60.00	(Available for recoupment)

Divide the member's Net Income ($60.00) by the gross retired pay ($2,000.00) which equals .03. In this case, it defers to the minimum recoupment rate of 10% or $200.00 as referenced in subparagraph 10.6.4.2.

Table 4-1. Recoupment of Readjustment Pay Received Before September 15, 1981 (Note 1)

RULE	**If a member was a**	**and received before September 15, 1981 (note 1)**	**and later qualifies for retirement**	**then readjustment pay is**
1	Reserve member (or member of the Army or Air Force without component (temporary))	readjustment payment upon involuntary release after at least 5 years of continuous active service after June 28, 1962	after 20 years of active service (note 2)	recouped immediately upon retirement at the rate of 75 percent of the gross readjustment pay (note 3).
2	regular Army officer below the grade of O-4	readjustment payment upon involuntary release after at least 5 years of continuous active service because of a reduction in force for the period December 30, 1974 through December 30, 1977	after 20 years of active service (note 2)	recouped immediately upon retirement at the rate of 75 percent of the gross readjustment pay (note 3).
3	temporary officer on active duty and held a Reserve officer status	readjustment payment upon involuntary release after at least 5 years of continuous active service after June 28, 1962	for disability after a period of enlisted service and also qualifies for retirement for 20 years of active service	recouped immediately upon retirement at the rate of 75 percent of the gross readjustment pay (note 3).

NOTES:

1. For recoupment of readjustment pay received September 15, 1981, or later, see subparagraph 3.2.2.
2. Includes transfer to Fleet Reserve or Fleet Marine Corps Reserve with less than 20 years of active service if otherwise qualified.
3. Payment of readjustment pay before June 28, 1962 is not recouped from retired pay.

Table 4-2. Recoupment of Nondisability Severance Pay Received Before September 15, 1981 (Note)

RULE	If a member was	and was discharged	and received before September 15, 1981 (note)	and later qualifies for	then
1	a Regular commissioned Air Force or Army officer	because of failure of selection for promotion to grade O-3 or above	nondisability severance pay	retired pay	do not deduct nondisability severance pay.
2	a Regular commissioned Air Force or Army officer	because of moral or professional dereliction, or unsatisfactory performance	nondisability severance pay	retired pay	do not deduct nondisability severance pay.
3	a Regular commissioned officer of the Navy, Marine Corps, or Coast Guard	because of unsatisfactory performance with less than 20 years	nondisability severance pay	retired pay	deduct full amount of nondisability severance pay.
4	a Regular commissioned officer of the Navy, Marine Corps, or Coast Guard	because of failure of selection for promotion to grade O-3 or above	nondisability severance pay	retired pay	deduct full amount of nondisability severance pay.
5	a Regular warrant officer of any Military Service	because of unfitness or unsatisfactory performance of duty and did not reenlist	nondisability severance pay	retired pay	deduct full amount of nondisability severance pay.
6	a Regular warrant officer of any Military Service	because of failure of selection for promotion and did not reenlist or was not retained on active duty as a regular warrant officer	nondisability severance pay	retired pay	deduct full amount of nondisability severance pay.
7	an officer of the Navy or Marine Corps	because found not qualified from causes arising from own misconduct upon reexamination for promotion	nondisability severance pay	retired pay	do not deduct nondisability severance pay.
8	a female officer of the Regular Navy or Regular Marine Corps in grade O-3	because she is not on a promotion list and has completed 13 years of active service in the Navy or Marine Corps	nondisability severance pay		

Table 4-2. Recoupment of Nondisability Severance Pay Received Before September 15, 1981 (Note) (Continued)

RULE	If a member was	and was discharged	and received before September 15, 1981 (note)	and later qualifies for	then
9	a female officer of the Regular Navy or Regular Marine Corps in grade O-2	because she is not on a promotion list and has completed 7 years of active service in the Navy or Marine Corps	nondisability severance pay	retired pay	do not deduct nondisability severance pay.
10	an ensign in the Navy or a second lieutenant in the Marine Corps	because found not professionally qualified upon reexamination for promotion	nondisability severance pay	retired pay	do not deduct nondisability severance pay.
11	a Reserve member of any Military Service	without the member's consent before active duty agreement under 10 U.S.C. § 12311(a) expired	nondisability severance pay	retired pay	do not deduct nondisability severance pay.
12	a Regular commissioned officer of the Coast Guard	because performance is below standard or because of moral or professional dereliction	nondisability severance pay	retired pay	do not deduct nondisability severance pay.

NOTE: For recoupment of nondisability severance pay received September 15, 1981 or later, see paragraph 4.2.

*REFERENCES

CHAPTER 4 – RECOUPMENT OF SEPARATION PAYMENTS

2.0 – DEFINITIONS

2.1	Public Law 96-513, section 631, December 12, 1980 10 U.S.C. § 611 note
2.2	Public Law 96-513, section 631, December 12, 1980 10 U.S.C. §611 note
2.3	10 U.S.C. § 1174
2.4	10 U.S.C. § 1212
2.5	10 U.S.C. § 1175
2.6	10 U.S.C. § 1174a
2.7	Public Law 114-328, section 508, December 23, 2016 10 U.S.C. § 1175a(k) DoD Instruction 1332.43, November 28, 2017
2.8	Public Law 102-484, section 4416, October 23, 1992 10 U.S.C. § 1331 10 U.S.C. § 12732

3.0 – READJUSTMENT PAY

3.1.1	10 U.S.C. § 687(f) (repealed) Public Law 96-513, section 109, December 12, 1980 10 U.S.C. § 611 note 50 U.S.C. § 1016 (repealed) 43 Comptroller General (Comp Gen) 402 Public Law 96-513, December 12, 1980 10 U.S.C. § 611 note
3.1.2	Public Law 93-558, December 30, 1974 10 U.S.C. § 3814a (repealed) Public Law 96-513, section 631, December 12, 1980 10 U.S.C. § 611 note
3.1.3	46 Comp Gen 107 Public Law 96-513, December 12, 1980 10 U.S.C. § 611 note
3.1.4	Public Law 96-513, section 631, December 12, 1980 10 U.S.C. § 611 note 10 U.S.C. § 1174(h)(1)
3.2.1.2	10 U.S.C. § 1452
3.2.2	10 U.S.C. § 1174(h)

REFERENCES (continued)

4.0 – NONDISABILITY SEVERANCE PAY

4.2	53 Comp Gen 921, id: 923

5.0 – SEPARATION PAY

5.1	10 U.S.C. § 1174 DoD Instruction 1332.29, March 3, 2017
5.2.1	Public Law 96-513, section 631, December 12, 1980 10 U.S.C. § 611 note
5.2.2	10 U.S.C. § 1174(h)(2)
5.3	10 U.S.C. § 1552 Comptroller General Decision B-270349, December 17, 1996

6.0 – DISABILITY SEVERANCE PAY (DSP)

6.1	10 U.S.C. § 1212 Deputy Under Secretary of Defense, Military Personnel Policy ((DUSD (MPP)) Policy Memorandum, August 10, 2010
6.2	10 U.S.C. § 1554a(e)(2) DUSD (MPP) Policy Memorandum, August 10, 2010
6.2.1.2	10 U.S.C. § 1413a 10 U.S.C. § 1554a DUSD (MPP) Policy Memorandum, August 10, 2010
6.2.1.3	10 U.S.C. § 1212(d)(1)
6.2.1.3.1	10 U.S.C. § 1212(d)(2)
6.2.1.3.2	10 U.S.C. § 1212(d)(3)
6.3	10 U.S.C. § 1552(a) and (e) Comptroller General Decision B-270349, December 17, 1996
6.4	DUSD (MPP) Policy Memorandum, August 10, 2010
6.4.6	10 U.S.C., Chapter 1223 DUSD (MPP) Policy Memorandum, August 10, 2010

7.0 – VOLUNTARY SEPARATION INCENTIVE (VSI)

7.1	10 U.S.C. § 1175(d)(3)
7.2	10 U.S.C. § 1175(f) 10 U.S.C. § 2771(a)
7.3.1	10 U.S.C. § 1175(e)(3)(A)
7.3.2	10 U.S.C. § 1175(e)(3)(B)

REFERENCES (continued)

7.3.3	10 U.S.C. § 1175(e)(4) 38 U.S.C. § 5305

8.0 – SPECIAL SEPARATION BENEFIT (SSB)

8.1	10 U.S.C. § 1174a(g) 10 U.S.C. § 1174(h)

9.0 – VOLUNTARY SEPARATION PAY (VSP)

9.1	Public Law 114-328, section 508, December 23, 2016 10 U.S.C. § 1175a(k) DoD Instruction 1332.43, November 28, 2017 Principal Deputy Under Secretary of Defense for Personnel and Readiness ((PDUSD) (P&R)) Policy Memorandum, April 14, 2008
9.2	PDUSD (P&R) Policy Memorandum, April 14, 2008
9.3	10 U.S.C. § 1175a(j)

10.0 – RECOUPMENT OF SEPARATION PAY, NONDISABILITY SEVERANCE PAY, READJUSTMENT PAY, OR DISABILITY SEVERANCE PAY

10.1	10 U.S.C. § 1174(h)(1) DUSD (MPP) Policy Memorandum, March 19, 2010
10.2	10 U.S.C. § 1174(h)(2) DUSD (MPP) Policy Memorandum, March 19, 2010 Public Law 111-32, section 318, June 24, 2009 DUSD (MPP) Policy Memorandum, August 17, 2010
10.3	DUSD (MPP) Policy Memorandum, March 19, 2010 OUSD (Compt) Memo, May 18, 2009 DUSD (MPP) Policy Memorandum, August 17, 2010
10.4	DUSD (MPP) Policy Memorandum, March 19, 2010 Public Law 111-32, section 318, June 24, 2009
10.5	DUSD (MPP) Policy Memorandum, March 19, 2010 DUSD (MPP) Policy Memorandum, August 17, 2010
10.6	DUSD (MPP) Policy Memorandum, March 19, 2010 DUSD (MPP) Policy Memorandum, August 17, 2010

Table 4-1

Rule 1	10 U.S.C. § 687(f) (repealed) Public Law 96-513, section 631, December 12, 1980 10 U.S.C. § 611 note
Rule 2	10 U.S.C. § 3814a (repealed) Public Law 96-513, December 12, 1980

REFERENCES (continued)

Rule 3	46 Comp Gen 107 Public Law 96-513, December 12, 1980
Note 1	43 Comp Gen 402
Table 4-2	
Rules 1 & 2	10 U.S.C. § 3303 (repealed), 3786 (repealed), 3796 (repealed), 8303, 8786, 8796
Rules 3 & 4	10 U.S.C. § 6382(c) (repealed), 6383(f), 6384(b) (repealed) 14 U.S.C. § 286 (repealed)
Rules 5 & 6	10 U.S.C. § 564 (repealed), 1166, 1167(b)
Rule 7	10 U.S.C. § 5864 (repealed)
Rule 8	10 U.S.C. § 6401 (repealed)
Rule 9	10 U.S.C. § 6402 (repealed)
Rule 10	10 U.S.C. § 5865 (repealed)
Rule 11	10 U.S.C. § 12312
Rule 12	14 U.S.C. § 327 (repealed)

VOLUME 7B, CHAPTER 5: "CONFLICT-OF-INTEREST, CONVICTIONS AND FOREIGN GOVERNMENT EMPLOYMENT"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated December 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks, renumbered, and formatted chapter to comply with current administrative instructions.	Revision
References	Updated references where applicable.	Revision

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CHAPTER 5

CONFLICT-OF-INTEREST, CONVICTIONS AND FOREIGN GOVERNMENT EMPLOYMENT

1.0 GENERAL

1.1 Purpose

This chapter addresses employment of personnel who are drawing military retired pay. This includes, but is not limited to foreign government employment, service in military forces of newly democratic nations, conflict-of-interest issues, and convictions of crimes affecting retired pay.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), including Titles 5, 10, 18, 37, and 42. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in reference section at the end of the chapter.

2.0 CONFLICT-OF-INTEREST

2.1 Statutes

2.1.1. Conflict-of-interest statutes are intended to safeguard the integrity of public administration and prevent government officials from using their positions and influence for personal gain. Some conflict-of-interest statutes apply to personnel who have left Government service.

2.1.2. A comprehensive digest of laws, including conflict-of-interest laws applicable to retired military personnel, is set forth in the ***DoD Regulation 5500.7-R***, Joint Ethics Regulation (JER).

2.2 Withholding Military Retired Pay

Military retired pay may be withheld or forfeited when the employment falls under certain categories of activities prohibited under conflict-of-interest laws.

3.0 CONVICTION FOR CRIMES AFFECTING RETIRED PAY

3.1 Entitlement

Entitlement to military retired pay is directly affected when a retired member is convicted of violating the law under ***5 U.S.C. §§ 8311 – 8322***.

3.2 Violation of Title 5 U.S.C. § 8312

The receipt of military retired pay by the retired member, or receipt of the annuity by the retired member's survivor or beneficiary is prohibited, subject to certain exceptions described in 5 U.S.C. § 8311(2) or (3):

3.2.1. If a retired member is convicted of any crime as described in 5 U.S.C. § 8312(b) before, on, or after September 1, 1954, payment is prohibited. The prohibition on payment applies to the period after the date of conviction or after September 1, 1954, whichever is later.

3.2.2. If a retired member is convicted of any crime as described in 5 U.S.C. § 8312(c) before, on, or after September 26, 1961, payment is prohibited. The prohibition on payment applies to the period after the date of conviction or after September 26, 1961, whichever is later.

3.2.3. If an individual, who was convicted of an offense named by 5 U.S.C. § 8312, or an offense constituting a violation of 5 U.S.C. § 8314 or § 8315, is pardoned by the President, in accordance with 5 U.S.C. § 8318, the right of the individual and his survivor or beneficiary to receive annuity or retired pay previously denied under this paragraph is restored as of the date of the pardon or the effective date of restoration prescribed by the President.

3.2.4. After January 6, 1996, the spouse of an individual, whose annuity or retired pay is forfeited under 5 U.S.C. § 8312 or § 8313, may have his or her rights to a spousal survivor benefit plan restored, if the U.S. Attorney General determines that the spouse fully cooperated with Federal authorities in the conduct of a criminal investigation and subsequent prosecution of the individual which resulted in the forfeiture. In no event will the spousal survivor benefit plan benefits be paid to the spouse before the retired member has passed away.

3.3 Convictions Under Other Statutes

3.3.1. An individual, or his or her survivor or beneficiary, may not be paid annuity or retired pay on the basis of the service of the individual, which is creditable toward the annuity or retired pay, subject to the exceptions in 5 U.S.C. § 8311 (2) and (3), if the individual before, on, or after September 1, 1954:

3.3.1.1. Refuses, or knowingly and willfully fails to appear, testify, or produce documents relating to his or her service as an employee, before a Federal grand jury, U. S. court, court-martial, or congressional committee, in a proceeding concerning:

3.3.1.1.1. Past or present relationship with a foreign government; or

3.3.1.1.2. A matter involving or relating to a plan or attempt to interfere with or endanger, the national security or defense of the United States, in accordance with 5 U.S.C. § 8314; or

3.3.1.1.3. The prohibition on payment of annuity or retired pay under subparagraph 3.3.1.1, applies to the period after the date of the failure or refusal of the individual, or after September 1, 1954, whichever is later.

3.3.1.1.4. The prohibition of payment of an annuity or retired pay under subparagraph 3.3.1.2 applies to the period after the statement, representation, or concealment of fact is made or occurs, or after September 1, 1954, whichever is later.

3.3.1.2. Knowingly and willfully makes false, fictitious, or fraudulent statements or representations, concealing material facts concerning his or her past or present membership, affiliation, association with, or support of the Communist Party, chapter, branch, or subdivision, in or outside the United States, or other organization, party, or group advocating:

3.3.1.2.1. The overthrow, by force, violence, or other unconstitutional means, of the Government of the United States;

3.3.1.2.2. The establishment, by force, violence, or other unconstitutional means, of a Communist totalitarian dictatorship in the United States; or

3.3.1.2.3. The right to strike against the United States; as stated in 5 U.S.C. § 8315.

3.3.2. Fines levied for convictions under other statutes may result in debts to the United States. However, they do not affect a convicted member's entitlement to receive retired pay.

3.4 Repayment of Annuity or Retired Pay Properly Paid; Waiver

An individual, to whom payment of retired pay is denied due to a conviction under 5 U.S.C. §§ 8311 – 8322, is not required to repay amounts received before the date of conviction. Any amounts of retired pay paid in error after the conviction that, but for the conviction, were otherwise proper, may be subject to repayment.

4.0 FOREIGN GOVERNMENT EMPLOYMENT AND/OR FOREIGN PAYMENTS

4.1 Background

4.1.1. Employment of retired members by a foreign government is restricted. The primary restriction is in Article I, section 9, clause 8 of the Constitution of the United States (known as the Emoluments Clause), which reads: "No Title of Nobility shall be granted by the United States: And no Person holding any Office of Profit or Trust under them, shall, without the Consent of Congress, accept any present, Emolument, Office, or Title, of any kind whatever, from any King, Prince, or foreign State." The Comptroller General interpreted this to prohibit employment of all retired personnel, including members of the Fleet Reserve or Fleet Marine Corps Reserve, by a foreign government unless congressional consent is granted. In addition to the Emoluments Clause, there are other laws that may apply to restrict the foreign government employment of certain former DoD personnel. For example, 50 U.S.C. § 3073a places restrictions on post-service employment of

members of the intelligence community who previously held certain intelligence positions. The information in paragraph 4.0 only addresses the restrictions on retirees under the Emoluments Clause.

4.1.2. The conditions for accepting foreign employment were modified by Public Law ***(PL) 95-105, section 509(a)(1) and (2)***, codified in 37 U.S.C. § 908. The Congress granted consent for retired members to accept employment or compensation from foreign governments if the members obtain the approval of the Secretary of the Military Department concerned (or designee) and the Secretary of State before accepting employment or compensation. ***PL 116-283, section 641***, further amended 37 U.S.C. § 908 to permit retired members of the uniformed services to accept payment from foreign governments for speeches, travel, meals, lodging, registration fees, or non-cash awards (hereinafter "foreign payments"), if the payment and/or award is approved in advance by the Secretary concerned.

4.1.2.1. The approval to accept foreign employment/foreign payments is only effective prospectively from the date the approval is granted and may not be made retroactively to authorize foreign employment, compensation, or payments received before approval is granted. For foreign employment (and compensation for that employment) approval by both the Secretary of the Military Department concerned (or designee) and Secretary of State are required. For foreign payments (for speeches, travel, meals, lodging, or registration fees/non-cash awards described 10 U.S.C. § 908) approval by the Secretary of the Military Department concerned is required.

4.1.2.2. Compensation received from a foreign government without the required approval from both the Secretary concerned and Secretary of State is considered received by the retired member for the United States. A debt in favor of the government is created which is to be collected by withholding from military retired pay. The debt is an amount equal to the compensation received from the foreign government.

4.1.2.3. What constitutes compensation received from a foreign government in connection with a member's employment by that government must be given its broadest possible scope and includes (but is not limited to) salary, transportation, household goods shipments at employer's expense, housing allowances, consulting and other fees, proportionate profit-sharing, and gratuities. Value should be set fairly, considering the actual value or estimates of the compensation received.

4.2 Legislative History

4.2.1. The history of the constitutional provisions under consideration indicates that the condition intended to be avoided is the exercise of undue influence by a foreign government upon the United States Government.

4.2.2. In determining the existence of an employer-employee relationship between a retired member and a foreign government, or instrumentality thereof, the common law rules of agency are applied to determine whether such instrumentality has the right to control and direct an employee in performance of his or her work and the manner in which the work is done.

4.2.3. When determining whether the relationship of employer and employee exists, there are at least five criteria that may be considered:

4.2.3.1. The selection and engagement of the employee;

4.2.3.2. The payments of wages;

4.2.3.3. The power to discharge;

4.2.3.4. The power to control the employee's conduct; and

4.2.3.5. The relationship of the work to the employer's business, whether the work is a part of the regular business of the employer.

4.2.4. The decisive test to determine the existence of an employer-employee relationship is whether the employer has the right to control and direct the employee in the performance of his or her work and in the manner in which the work is to be done.

4.3 Types of Employment

4.3.1. Employment by educational or commercial institutions that are owned, operated, or controlled by a foreign government is included within the scope of this restriction.

4.3.2. Employment with a foreign government which requires foreign citizenship results in forfeiture of entitlement to retired pay. See Chapter 6 for additional information.

4.3.3. Employment by international agencies, such as the United Nations, is not prohibited.

4.4 Adjustment to Retired Pay

4.4.1. A member's military retired pay will not be suspended or adjusted unless the Secretary concerned makes a determination that a member has accepted foreign employment/foreign payments without first obtaining the required prior approval, prepares a memorandum advising DFAS of the determination, and requests that DFAS establish a debt (to include the amount of the debt to be established).

4.4.2. The Secretaries of the military departments are responsible to investigate any instances in which a retired member is believed to have accepted foreign employment/foreign payments without first obtaining the required prior approval. If substantiated, the Secretary concerned will:

4.4.2.1. Determine the dollar amount of compensation/foreign payments received from the foreign government without approval.

4.4.2.2. Prepare a memorandum to the Director DFAS advising of the determination that a violation has occurred and requesting that DFAS establish a debt for the amount of the

compensation/foreign payments received as determined by the Secretary concerned. The debt determined by the service will normally be an amount equal to the amount of compensation received from the foreign government without approval. The memorandum to DFAS should include a determination regarding the rate of collection of the debt as further explained by subparagraph 4.4.3.

4.4.2.3. Notify the member of the service determination that a violation has occurred, the amount of the debt owed to the United States, and the action the Secretary has taken to initiate the establishment and collection of the debt by DFAS.

4.4.3. Upon receipt of the memorandum from the Secretary concerned, DFAS will establish the debt in the amount specified by the service and provide the member with written notice of all due process rights prior to collection by offset pursuant to Volume 16. The notice will provide the member with the debt amount, the reason for the debt, repayment options, an explanation of the review process available to contest the validity and/or amount of the debt, an explanation and instructions on how the member may seek a waiver of the obligation to repay the debt under 10 U.S.C. § 2774, and any other information required by Volume 16.

4.4.4. Rate of Collection. In the event that the debt must be collected through administrative offset of retired pay, then the rate of collection will be established as follows:

4.4.4.1. If the service has determined that the member was at fault, then up to two-thirds (2/3) of a member's disposable monthly military/retired pay (as specified by the service) may be deducted and applied to the indebtedness. The service will specify the rate, but it may not exceed 2/3.

4.4.4.2. If the service has determined that the member was not at fault, (or if the service makes no finding), then the amount deducted may not reduce a member's disposable monthly retired pay by more than fifteen percent (15%).

4.4.5. Amounts of retired pay withheld from retired members of the uniformed services who accept foreign employment and/or foreign payments without congressional consent, as required by the United States Constitution, should be treated as though the retired member has no entitlement to them and should not be "held in trust" for them pending possible future congressional consent to their receipt.

5.0 SERVICE IN MILITARY FORCE OF NEWLY DEMOCRATIC NATIONS

5.1 Consent of Congress

5.1.1. Consent. Under 10 U.S.C. § 1060, Congress has consented to a retired member of the uniformed services accepting:

5.1.1.1. Employment by, or holding an office or position in, the military forces of a newly democratic nation as jointly determined by Secretary of the Military Department concerned (or designee) and the Secretary of State; and

5.1.1.2. Compensation associated with such employment, office, or position.

5.1.2. Approval Required. The consent provided for a retired member of the uniformed services to accept employment or hold an office or position applies to a retired member only if the Secretary of the Military Department concerned (or designee) and the Secretary of State jointly approve the employment or the holding of such office or position.

5.2 Continued Entitlement to Retired Pay and Benefits

The eligibility of retired members to receive retired or retainer pay and other benefits, arising from the retired member's status as a retired member of the uniformed services, may not be terminated by reason of employment or holding of an office or position consented to in paragraph 5.1. The eligibility of such retired member's dependents to benefits may not be terminated based on the retired member's status consented to in this section.

*REFERENCES

CHAPTER 5 – EMPLOYMENT

2.0 – CONFLICT-OF-INTEREST

2.1.1	10 U.S.C. § 207 Section 1045 of the National Defense Authorization Act for Fiscal Year 2018 39 Comptroller General (Comp Gen) 366, B-140581, November 9, 1959 PL 104-106, section 4304(b)(3), February 10, 1996 PL 100-180, December 6, 1987 PL 103-335, section 5001, October 13, 1994
2.1.2	DoD Regulation 5500.07-R, August 1993

3.0 – CONVICTION OF CRIMES AFFECTING RETIRED PAY

3.2	5 U.S.C. §§ 8311 - 8322 18 U.S.C. §§ 2151 - 2156 42 U.S.C. §§ 2272 - 2276
3.3	5 U.S.C. §§ 8311 - 8318 10 U.S.C. § 1450
3.4	5 U.S.C. § 8317

4.0 – FOREIGN GOVERNMENT EMPLOYMENT

4.1.2	37 U.S.C. § 908
4.1.2.2	Comp Gen B-178538, October 13, 1977 Comp Gen B-198557, July 17, 1980 61 Comp Gen 306, B-198557, March 25, 1982 61 Comp Gen 306, March 25, 1982 Comp Gen B-231498, June 21, 1989 69 Comp Gen 220, B-220860, February 2, 1990
4.1.2.3	Comp Gen B-178538, October 13, 1977
4.2.1	53 Comp Gen 753, B-178538, April 9, 1974 Comp Gen, B-152844, December 12, 1963
4.2.3	*Maloof v. United States,* 242 F. Supp. 175, 181 (1965)
4.2.4	41 Comp Gen 715, B-147777, May 1, 1962 44 Comp Gen 130, B-154213, September 11, 1964 53 Comp Gen 750, B-180419, April 8, 1974 62 Comp Gen 432, B-210346, June 2, 1983
4.3.1	Comp Gen, B-152844, December 12, 1963
4.4	5 U.S.C. § 7342

*REFERENCES (Continued)

	Comp Gen, B-178538, October 13, 1977
4.4.2	58 Comp Gen 487, B-193562, December 4, 1979

5.0 – SERVICE IN MILITARY FORCE OF NEWLY DEMOCRATIC NATIONS

10 U.S.C. § 1060

VOLUME 7B, CHAPTER 6: "FOREIGN CITIZENSHIP AFTER RETIREMENT"

SUMMARY OF MAJOR CHANGES

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	This chapter is certified as current. No revision necessary.	Current

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CHAPTER 6

FOREIGN CITIZENSHIP AFTER RETIREMENT

1.0 GENERAL

1.1 Overview

The right to retired pay based on years of active service or disability for Regular or Reserve officers and Regular enlisted personnel is generally contingent upon the continuation of their military status.

1.1.1. Article I, section 9, clause 8 of the Constitution of the United States prohibits any person "holding any Office of Profit or Trust" under the United States from accepting any present, emolument, office or title, "of any kind whatever," from a foreign government without the consent of Congress. This provision prohibits employment by a foreign government of retired personnel with a continuing military status, including Fleet Reserve or Fleet Marine Corps Reserve, unless prior congressional consent is granted. Without prior congressional consent, it also subjects such persons to withholding of their retired pay in an amount equal to the amounts received from the foreign government. This constitutional provision also considers retired regular officer and enlisted members of regular components to hold an office under the U.S. military.

1.1.2. While receiving retired pay, a retired member remains subject to rules, regulations, and recall to active duty as required. A retired member of the armed forces who becomes a citizen of a foreign country by naturalization and who voluntarily renounces his or her U.S. citizenship loses the right to retired pay when entitlement to the retired pay depends upon the retiree's continued military status.

1.1.3. The effect of a retired member's loss of U.S. citizenship upon payment of retired pay must be determined by reviewing each case according to individual circumstances, governing laws, and regulations.

1.2 Purpose

The purpose of this chapter is to provide guidance to retired members who have lost their citizenship, have dual citizenship, or who are retired alien enlisted members living in foreign countries.

1.3 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 8, 10, 18, and 37. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 FOREIGN RESIDENCE

A citizen of the United States may live outside the United States indefinitely without losing U.S. citizenship.

3.0 LOSS OF U.S. CITIZENSHIP

3.1 Loss of Citizenship

Generally, loss of U.S. citizenship requires a measure of voluntary positive action. A retired member cannot renounce U.S. citizenship on behalf of their minor child(ren) (see subparagraphs 3.1.5 and 3.1.6). After having attained age 18 years or older, a person who is a citizen of the United States loses that citizenship by voluntarily taking one of the following actions with the intention of relinquishing U.S. citizenship:

3.1.1. Obtaining citizenship in a foreign state upon the retired member's application or upon an application filed on his or her behalf by a duly authorized agent;

3.1.2. Taking an oath or making an affirmation or other formal declaration of allegiance to a foreign state or a political subdivision thereof;

3.1.3. Entering, or serving in, the armed forces of a foreign state if:

3.1.3.1. Such armed forces are engaged in hostilities against the United States, or

3.1.3.2. Such persons serve as a commissioned or non-commissioned officer;

3.1.4. Accepting, serving in, or performing the duties of any office, post, or employment under the government of a foreign state or a political subdivision thereof, if:

3.1.4.1. The retired member has or acquires the nationality of such a foreign state, or

3.1.4.2. The acceptance of the office, post, or employment requires the retired member to take an oath, affirmation, or declaration of allegiance thereof;

3.1.5. Making a formal renunciation of nationality before a diplomatic or consular officer of the United States in a foreign state, in such form as may be prescribed by the Secretary of State;

3.1.6. Making a formal written renunciation of nationality in such form as may be prescribed by, and before such officer as may be designated by, the Attorney General, whenever the United States is in a state of war and the Attorney General approves such renunciation as not contrary to the interests of national defense; or

3.1.7. Committing any act of treason against, or attempting by force to overthrow, or bearing arms against, the United States, violating or conspiring to violate any of the provisions of ***18 U.S.C. § 2383***, or willfully performing any act in violation of ***18 U.S.C. § 2385***, or violating ***18 U.S.C. § 2384***, by engaging in a conspiracy to overthrow, put down, or to destroy by force the Government of the United States, or to levy war against them, if and when convicted thereof by a court martial or by a court of competent jurisdiction.

3.2 Loss of Citizenship at Issue

If the loss of U.S. citizenship is put at issue in any action or proceeding commenced on or after September 26, 1961, the burden of proof is upon the person or party stating the claim. Any person who has renounced his or her citizenship or performs any act of expatriation under the provisions of ***8 U.S.C., Chapter 12*** or any other Act, is presumed to have done so voluntarily unless it can be proven otherwise by a preponderance of the evidence.

3.3 Comptroller General (Comp Gen) Decisions on Loss of Citizenship

See Table 6-1 for decisions of the Comptroller General pertaining to loss of U.S. citizenship upon acquisition of foreign citizenship.

4.0 CONDITIONS NOT SUBJECTED TO LOSS OF U.S. CITIZENSHIP AND/OR LOSS OF ENTITLEMENT TO RETIRED PAY

4.1 Retired Pay for Non-regular Service

Retired pay benefits authorized for non-regular members of the uniformed services in ***10 U.S.C., Chapter 1223*** are viewed as a pension and entitlement to retired pay under ***10 U.S.C. § 12731*** is not dependent on the continuation of military status.

4.1.1. A military member entitled to receive retired pay under 10 U.S.C. § 12731(a)(1), who acquires foreign citizenship and/or status in a foreign military service prior to becoming eligible to receive retired pay does not lose entitlement to retired pay at the age of eligibility. See Chapter 1 for information regarding entitlements to retired pay under 10 U.S.C. § 12731.

4.1.2. A retired member who receives retired pay pursuant to 10 U.S.C. § 12731 is not required to forfeit such pay upon becoming a citizen of a foreign country. Further, if the retiree enters the armed forces of the foreign country, then the retiree's entitlement to retired pay continues if:

4.1.2.1. The foreign country is not one that is engaged in hostile military operations against the United States, or

4.1.2.2. The retired member is not serving as a commissioned or non-commissioned officer of the foreign services.

4.1.2.3. A right to retirement pay for non-regular members retired for disability under the provisions of the Act of August 27, 1940 is not conditioned on their remaining in military service. Therefore, these non-regular members are entitled to retirement pay without regard to whether they remain citizens of the United States, since that retired pay is viewed in the nature of a pension.

4.2 Retired Alien Enlisted of the Armed Forces

A retired alien enlisted member of a Regular Component of the armed forces who lives in a foreign country does not lose the right to retired pay in the absence of some provision of law or regulation affecting the member's right in such circumstances.

5.0 DUAL CITIZENSHIP AND/OR SERVICE IN THE ARMED FORCES OF A FOREIGN COUNTRY

5.1 Dual Citizenship

A retired member of a Regular Component, who resides in a foreign country and acquires foreign citizenship by operation of that country's law, and who does not relinquish U.S. citizenship is considered to have dual citizenship. Dual citizenship alone does not require a member to lose entitlement to retired pay.

5.2 Service in the Armed Forces of a Foreign Country

5.2.1. Service in the military force of a foreign country by a retired member of the Regular Component is inconsistent with the obligations of regular retired status, as well as being prohibited without congressional consent under Article I, section 9, clause 8 of the Constitution. Conditional congressional consent to accept foreign government "civil employment" granted by ***37 U.S.C. § 908*** does not apply to foreign military service.

5.2.2. Retired pay must be discontinued when a retired member becomes a member of a foreign military service without legislation indicating congressional consent. The eligibility of a retired member to receive retired or retainer pay and other benefits arising from the retired member's status as a retired member of the uniformed services, and the eligibility of dependents of the retired member to receive benefits based on the retiree's status, may not be terminated by reason of employment or holding of an office or position consented to by Congress. See Chapter 5 for provisions regarding service in military forces of newly democratic nations.

Table 6-1. Comp Gen Decisions-Foreign Citizenship

COMP GEN Decision Number	Synopsis
1. 37 Comp Gen 207	Reserve officers of the Navy who retire for physical disability are entitled to disability retired pay regardless of whether they continue to hold a status as a commissioned officer in a Reserve component, and the right to disability retired pay does not terminate upon becoming a citizen of another nation. The right of a retired member of Regular Navy to receive disability retired pay is contingent upon continuation of a status in the Regular Navy and loss of U.S. citizenship by a member is inconsistent with continuation of military status. Therefore, the right to retired pay terminates if a member of the Regular Navy becomes a citizen of a foreign country.
2. 41 Comp Gen 715	a. Retired Reserve officers, receiving retired pay for length of service under laws other than 10 U.S.C. § 12731, who lose U.S. citizenship by acquiring foreign citizenship are no longer eligible for involuntary recall to active duty in times of war or national emergency, and the acquisition of foreign nationality would be inconsistent with the oath prescribed for Reserve officers to support and defend the Constitution of the United States. Therefore, in the absence of any law authorizing continuation of an officer's membership in a Reserve organization after the officer becomes a citizen of a foreign country, payment of retired pay may not be approved. b. A Reserve officer described above may not terminate retired status through resignation or other means, then acquire foreign citizenship and continue to receive retired pay. Resignation terminates the right to retired pay. c. Retired enlisted members of the Regular Components remain a part of the armed forces, and their right to retired or retirement pay is dependent on continuation of their military status.
3. 44 Comp Gen 51	a. A retired enlisted member of a Regular Component of the armed forces who loses U.S. citizenship when the retired member acquires citizenship in a foreign country has taken a voluntary action so inconsistent with the oath of allegiance to the United States and status as a member of the armed forces to warrant termination of retired pay. b. U.S. citizenship is not a prerequisite to receipt of retired pay; however, if a citizen of the United States by birth acquires foreign citizenship, then his or her retired pay may be terminated
4. 44 Comp Gen 227	A retired member who voluntarily loses U.S. citizenship by becoming a citizen of a foreign country is regarded as having taken a voluntary action so inconsistent with an oath of allegiance to the United States to warrant termination of retired pay.
5. 48 Comp Gen 699	Retired pay benefits authorized non-Regular service members under 10 U.S.C. § 12731, viewed as a pension, are not dependent on continuation of military status. Member acquiring foreign citizenship and/or status in a foreign military service before age 60 does not lose entitlement to retired pay at age 60. Neither is retired pay forfeited upon becoming a citizen of a foreign country, and/or entry in the armed forces of a foreign country, provided that country is not one engaged in hostile military operations against the United States.
6. 50 Comp Gen 269	Payment of retired pay to an alien who chooses to live outside the United States after retirement would not constitute a bar to the receipt of retired pay in the absence of some provision of law or regulation affecting retiree's right in such circumstances.
7. Manuscript (MS) Comp Gen B-144694, February 14, 1961	An alien who had met the statutory requirement for enlistment in the Regular Air Force by filing a legal intention to become a citizen of the United States, but who never acquired U.S. citizenship, was entitled to receive retired pay when placed on the Temporary Disability Retired List. In the absence of a provision of law barring the payment of retired pay to an alien or indicating the lack of citizenship is inconsistent with status as a retired member of the Regular Air Force, there was no basis to question the member's right to retired pay benefits.
8. MS Comp Gen B-157646, October 5, 1965	Member was a naturalized citizen who was an officer in the Army Reserve and called to active duty. He retired from active duty for disability under 10 U.S.C. § 1201 and returned to his country of birth. If he resumed former nationality, he would no longer be eligible for retired pay. There is a distinction between a retirement creating a status with an accompanying right to retired pay and a mere grant of retirement pay. This member received retired pay under a law providing for retirement, as distinguished from a grant of retirement pay. The member was transferred to the retired Reserve and was subject to recall to active duty. His continuing retired status would terminate if he became a citizen of another country, and he would not be eligible to receive retired pay.

Table 6-1. Comp Gen Decisions-Foreign Citizenship (Continued)

COMP GEN Decision Number	Synopsis
9. 58 Comp Gen 566	a. A retired Regular Army officer residing in Israel acquired Israeli citizenship by operation of Israeli law, but also remains a U.S. citizen. While the loss of U.S. citizenship is inconsistent with status as a retired Regular officer and thus results in loss of status as an officer and loss of entitlement to retired pay, dual Israeli/U.S. citizenship alone does not require loss of entitlement to retired pay. b. A retired Regular Army officer residing in Israel who has dual Israeli/U.S. citizenship is subject to service in the Israel Defense Forces, the Israeli armed force. Such service in a foreign armed force by a retired Regular officer appears inherently inconsistent with his position as a Regular Army officer, as well as being prohibited (without congressional consent) by Article I, section 9, clause 8 of the Constitution of the United States. Thus, service in the foreign armed force would make the status as a retired Army officer very doubtful. Retired pay may not be paid without authorizing legislation.
10. MS Comp Gen B-212481, February 2, 1984	A retired member of the armed forces who becomes a citizen of a foreign country by naturalization and who voluntarily renounces U.S. citizenship, loses the right to retired pay since entitlement to retired pay depends upon the continuation of the individual's status as a retired member of the military service available for service as required, and that status is incompatible with renunciation of U.S. citizenship. Such a person, however, who elected to participate in the Survivor Benefit Plan and from whose retired pay the required deductions were being made for coverage under the plan when U.S. citizenship is renounced, may continue coverage under the plan by making the required payments into the Treasury.

REFERENCES

CHAPTER 06 – FOREIGN CITIZENSHIP AFTER RETIREMENT

1.0 – General

1.1.1	Comp Gen (B-212481) February 2, 1984 58 Comp Gen 487 (B-193562) May 3, 1979 65 Comp Gen 382 (B-220860) March 10, 1986 40 Comp Gen 541 (B-120533) March 23, 1961
1.1.2	37 Comp Gen 207 (B-132458) September 24, 1957 41 Comp Gen 715 (B-147777) May 1, 1962
1.1.3	Comp Gen (B-159945) January 30, 1957 United States v. Tyler, 105 U.S. 244 (1882) MS Comp Gen (B-157646) October 5, 1965 48 Comp Gen 699 (B-166142) April 24, 1969

2.0 – Foreign Residence

	United States v. Gay, 264 U.S. 353 (1924) Schneider v. Rusk, 377 U.S. 163 (1964)

3.0 – Loss of U.S. Citizenship

3.1	8 U.S.C. § 1481(a) 18 U.S.C. §§ 2383, 2384, and 2385 Comp Gen (B-212481) February 2, 1984
3.2	8 U.S.C. § 1481(b)

4.0 – Conditions Not Subjected to Loss of U.S. Citizenship and/or Loss of Entitlement to Retired Pay

4.1	48 Comp Gen 699 (B-166142) April 24, 1969 10 U.S.C., Chapter 1223 10 U.S.C. § 12731 37 Comp Gen 207 (B-132458) September 24, 1957
4.2	44 Comp Gen 51 (B-154218) August 4, 1964 MS Comp Gen (B-144694) February 14, 1961

5.0 – Dual Citizenship and/or Service in the Armed Forces of a Foreign Country

5.2	37 U.S.C. § 908
5.2.2	10 U.S.C. § 1060

VOLUME 7B, CHAPTER 7: "ACTIVE/RESERVE DUTY AFTER RETIREMENT"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated May 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
3.3.1	Renumbered from 3.3.2 and rephrased for clarity.	Revision
3.3.2	Renumbered from 3.3.1 and rephrased for clarity.	Revision
3.5.3	Rephrased to clarify a provision related to disability retirement computation on or after January 8, 2011.	Revision
Table 7-1	Updated with 2 percent multiplier for Blended Retirement System (BRS) to comply with subparagraph 3.3.3.	Revision
References	Updated references.	Revision

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CHAPTER 7

ACTIVE/RESERVE DUTY AFTER RETIREMENT

1.0 GENERAL

1.1 Purpose

The purpose of this chapter is to provide information for retired members who subsequently perform additional active/reserve duty and their entitlement to retired or retainer pay recomputation.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), including Title 10. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 ENTITLEMENT AND ELIGIBILITY

2.1 Entitlement to Recomputation of Retired Pay

A member of the Armed Forces who has become entitled to retired or retainer pay, and later serves on active duty (other than for training) is entitled to have retired or retainer pay recomputed upon the member's release from active duty to take into account any additional service. A retiree or member eligible for retired pay who serves in an active status in the Selected Reserve is entitled to elect recomputation of their Reserve (non-regular) retired pay, if the criteria described in paragraph 2.2 or 2.3 are met. The term "active duty" is defined under ***10 U.S.C., section 101(d)(1)*** to mean "full-time duty in the active military service of the United States. Such term includes full-time training duty, annual training duty, and attendance, while in the active military service, at a school designated as a service school by law or by the Secretary of the military department concerned. Such term does not include full-time National Guard duty." As used here, it does not include training.

2.2 Active Reserve (Non-Regular) Service After Regular Retirement or Eligibility for Regular Retirement

A member who served in an active status in the Selected Reserve of the Ready Reserve after becoming eligible for regular retired or retainer pay based on years of service, without regard to whether the member actually retired or received retired or retainer pay for regular service, may apply for Reserve (non-regular) retired pay if the member:

2.2.1. Has attained the Reserve (non-regular) pay eligibility age of 60 years or such other reduced eligibility age as provided for in ***10 U.S.C. § 12731(f)***;

2.2.2. Has performed at least 20 years of service for a Reserve (non-regular) retirement; and

2.2.3. After October 28, 2009, has completed two or more years of satisfactory service, as determined by the Secretary concerned, in an active status (excluding any period of active service) subsequent to the date upon which he or she previously became eligible for regular retired or retainer pay. The term "active status" means the status of a member of a reserve component who is not in the inactive Army National Guard or inactive Air National Guard, on an inactive status list, or in the Retired Reserve. See 10 U.S.C. § 101(d)(4). A member who was eligible for regular retired or retainer pay on or before October 27, 2009, whose service was determined to be satisfactory by the Secretary concerned, is not subject to the 2-year service requirement. See paragraph 2.4 for exceptions to the 2-year requirement subsequent to the date upon which he or she previously became eligible for regular retired or retainer pay.

2.3 Active Reserve Service After Reserve (Non-Regular) Retirement

The following subparagraphs address members of the Retired Reserve recalled to an active status in the Selected Reserve under ***10 U.S.C. § 10145(d)*** on or after October 28, 2009, and are subject to the exception in paragraph 2.4:

2.3.1. A member of the Retired Reserve is entitled to recomputation of Reserve (non-regular) retired pay if the member serves in such status for not less than 2 years; or

2.3.2. A commissioned officer of the Retired Reserve who completes not less than 2 years in an active status is entitled to an adjustment in the retired grade, subject to service requirements.

2.4 Exception to 2-Year Active Status Service

The Secretary concerned may reduce the minimum 2-year service requirement specified in subparagraph 2.2.3 and paragraph 2.3 in the case of an officer of the National Guard who:

2.4.1. Completes at least 1 year of service in a position of adjutant general or assistant adjutant general; and

2.4.2. Fails to complete the minimum 2 years of service solely because the appointment of the person to such position was terminated or vacated as provided by:

2.4.2.1. The laws of the State of whose National Guard he or she is a member; or

2.4.2.2. The laws of the Commonwealth of Puerto Rico, or the District of Columbia, Guam, or the Virgin Islands, of whose National Guard he or she is a member.

3.0 RECOMPUTATION FOR ACTIVE DUTY SERVICE OR ACTIVE STATUS IN THE SELECTED RESERVE AFTER RETIREMENT

3.1 Basic Recomputation Formula

A retired member who subsequently serves on active duty is generally entitled, after completion of that active duty, to retired pay recomputed by multiplying a revised retired or retainer pay base by a revised retired pay multiplier.

3.2 Revised Retired or Retainer Pay Base

The retired or retainer pay base for a recomputation of retired pay differs depending on the date the member first became a member of the uniformed services and whether the recomputation is for subsequent service in the Selected Reserve or subsequent active duty in a Regular Component.

3.2.1. Service in an Active Status in the Selected Reserve. A member, who after retirement or eligibility for retired or retainer pay serves in an active status in the Selected Reserve, as described in paragraph 2.2 or 2.3, is entitled, upon request, to elect to receive reserve retired pay computed using a revised retired pay base.

3.2.1.1. Before September 8, 1980. If the member first became a member of the uniformed service before September 8, 1980, the retired pay base is the monthly basic pay determined at the rates applicable on the date the member completes the qualifying active Reserve service.

3.2.1.2. After September 7, 1980. If the member first became a member of the uniformed service after September 7, 1980, the retired pay base used is the average of the member's high-36 months (whether or not consecutive) out of all the months before the member became entitled to retired pay by reason of election of retired pay under the provisions of this paragraph.

3.2.2. Service on Active Duty. A member entitled to retired or retainer pay, who subsequently serves on active duty, other than for training, is entitled to recomputed retired or retainer pay using a revised retired pay base.

3.2.2.1. Before September 8, 1980. For a member who first became a member of the uniformed service before September 8, 1980, the revised retired or retainer pay base is the monthly basic pay of the grade determined as follows. If the member served:

3.2.2.1.1. Less than 2 continuous years on subsequent active duty, the member's revised retired or retainer pay base is the rate of basic pay under which the member's previous retired or retainer pay was computed upon entrance to subsequent active duty; increased by any applicable cost-of-living adjustment (COLA) issued during that period of active duty; or

3.2.2.1.2. At least 2 or more continuous years on subsequent active duty, the member's revised retired or retainer pay base is the appropriate rate of basic pay of the grade and years of service to which eligible if retired (or transferred to the Fleet Reserve (FR) or Fleet Marine Corps Reserve (FMCR)) upon release from this period of active duty. The revised retired or retainer pay base is computed using the pay tables in effect immediately prior to the tables under which the member was paid during the period of that active duty, increased by any applicable COLA issued during this period of active duty. In the rare case when a member serves for two or more continuous years of subsequent active duty under the same pay table and that table is in effect at the time of the member's release from that period of active duty, use the appropriate basic pay from that table.

3.2.2.2. After September 7, 1980. For a member who first became a member of the uniformed service after September 7, 1980, the revised retired or retainer pay base is the high-36 month average of all service, including subsequent active duty, as though retiring or transferring to the FR or the FMCR for the first time.

3.2.2.3. Optional Pay Base. A retired member entitled to recomputation of retired pay (for other than disability) after subsequent active duty, may elect to substitute the retired pay base in use upon entry to such active duty which is increased by any applicable COLA issued during the period of the subsequent active duty.

3.3 Revised Retired Pay Multiplier

* 3.3.1. The years of service for determining the revised retired or retainer pay multiplier for a member described in paragraph 3.2.1 will be computed in accordance with ***10 U.S.C., Chapter 1223***, pertaining to Reserve (non-regular) retirement.

* 3.3.2. The years of service for determining the revised retired or retainer pay multiplier for a member described in paragraph 3.2.2 are those already credited in computing the original retired or retainer pay, plus all years of active service after having become entitled to retired or retainer pay.

3.3.2.1. Increase the years of service as follows:

	Year	Month	Day
Date released from active duty	2014	05	28
Date recalled to active duty	2011	09	09
Additional time on active duty	02	08	19 + 1
	(1 day added for inclusive dates)		
Service credited upon retirement	22	06	03
Plus additional active duty	02	08	20
Service credited for recomputation	25	02	23

3.3.2.2. After computing, convert to years and fraction of years by crediting each full month of service that is in addition to the number of full years of service creditable to the member as one-twelfth of a year and disregard any remaining fractional part of a month.

3.3.3. The percentage to apply to the years of service for determining the revised or retainer pay multiplier is determined by the member's applicable retirement system. For members who first entered service on or before December 31, 2017, and who did not opt to enroll in the Blended Retirement System (BRS), the retired pay multiplier is 2.5 percent for each year of service. However, such a member who accepted the post July 31, 1986, reduced retirement (REDUX) and Career Status Bonus (CSB) remains subject to a 1 percent reduction in the final multiplier for each year less than 30 years of service. This reduction to the final multiplier will be decreased as a result of the additional active service credited. For members who first entered service on or after January 1, 2018, or who opted to enroll in the BRS, the retired pay multiplier is 2.0 percent for each year of service.

3.4 Special Considerations for Recomputation

The following subparagraphs address special considerations for recomputation of retired pay for members who first became a member of the uniformed services before September 8, 1980 (Final Pay Members).

3.4.1. A retiree advanced in grade on the retired list while serving on active duty after retirement may decline advancement to the higher grade upon release from active duty if advancement results in a reduction in retired pay entitlement. The retiree is entitled to recomputation using either:

3.4.1.1. The higher grade based on the basic pay rates applicable at the time of retirement increased by the applicable COLA in that pay (see Chapter 8); or

3.4.1.2. The grade held before advancement based on the basic pay rates replaced by those in effect upon release from active duty if active duty after retirement was for a continuous period of at least 2 years.

3.4.2. It is not mandatory that a retiree be advanced on the retired list. Once advanced, the retiree has retired pay rights determined under the section governing such advancement.

3.4.3. A retired officer recalled to active duty (other than for training) in the grade held on the retired list, under any law that authorized advancement on the retired list based on a special commendation for the performance of duty in actual combat, may have retired pay recomputed upon release from active duty based on that grade as prescribed in Table 7-1, rule 1 and on the basis of the rate:

3.4.3.1. In effect upon release from active duty if the retiree received these rates for a continuous period of at least 3 years; or

3.4.3.2. Replaced by those in effect upon release from active duty if the retiree did not receive the current rates for a continuous period of at least 3 years.

3.4.4. A retiree recalled to active duty after retirement and promoted in grade while on active duty may elect, upon release from that active duty, to have retired pay recomputed based on either:

3.4.4.1. The higher grade to which promoted in which the retiree served satisfactorily, if the member met service time-in grade requirements; or

3.4.4.2. The lower grade held at initial retirement.

3.4.5. A retiree recalled to active duty after retirement and demoted in grade while on active duty may elect, upon release from that active duty, to have retired pay recomputed based on either:

3.4.5.1. The grade to which demoted; or

3.4.5.2. The retired pay to which entitled in the grade held at initial retirement, increased by the applicable COLA.

3.5 Special Considerations for Disability Retirees

3.5.1. A member who reverts to retired pay after active duty with a new or aggravated physical disability rated at 30 percent or more may elect to receive:

3.5.1.1. The retired pay to which they became entitled when previously retired, increased by any applicable subsequent COLA; or

3.5.1.2. Retired pay recomputed using a revised pay base and revised retired pay multiplier. The revised pay base for a member under high-36 rules is described in subparagraph 3.2.1. The revised pay base for a member under final pay rules is the highest monthly basic pay received while on active duty after retirement or after the date when placed on the Temporary Disability Retired List (TDRL). The revised retired pay multiplier is as the member elects either 2.5 percent for each year of service creditable for a disability retirement or the highest percentage of disability, not to exceed 75 percent, attained while on active duty after retirement or after the date when placed on the TDRL.

3.5.2. A member who was retired for physical disability or whose name is on the TDRL who reverts to the retired list after subsequent active duty, but who did not incur a new or aggravate any existing physical disability while on the subsequent active duty, may elect to receive either:

3.5.2.1. Retired pay to which they became entitled when previously retired, increased by any applicable COLA; or

3.5.2.2. Retired pay as computed for a non-disability reversion under the provisions of paragraphs 3.2 and 3.3.

* 3.5.3. The retired pay of a member who retired or became eligible to retire due to a physical disability on the Permanent Disability Retired List, or TDRL, on or before January 7, 2011, is limited to 75 percent of the retired pay base upon which the computation is based. A member who first becomes eligible to retire or retires for a physical disability on or after January 8, 2011, is entitled to the more favorable retired pay multiplier computed as either:

3.5.3.1. 2.5 percent of years of creditable service under ***10 U.S.C. § 1208***, or

3.5.3.2. The percentage of disability, not to exceed 75 percent, on date when retired (or placed on the TDRL).

3.5.4. A member placed on the TDRL may not have a retired pay multiplier less than 50 percent.

4.0 COST-OF-LIVING ADJUSTMENT (COLA)

4.1 Application of COLA Increases

Apply the COLA increases to recomputed retired pay in the same manner as for initial retirement. The first COLA after reversion to retired pay following a period of active duty may be a partial COLA depending upon the reversion date. When the recomputed retired pay is based on the original retired pay or the original retired pay base, apply all COLA increases from the date of initial retirement. See Figure 7-1 for application of the COLA increases to recompute retired pay. Chapter 8 contains the annual COLA rates.

4.2 Compare Basic Pay Rates to Tower Amendment Provisions

The Tower Amendment authorizes the use of the basic pay rates in effect on the day before the effective date of the rates of monthly basic pay on which the member's retired pay would otherwise be based. See the provisions in Chapter 3, regarding the Tower Amendment to determine if basic pay rates authorized under that provision afford greater retired pay entitlement than those computed under this chapter.

5.0 HEROISM PAY

5.1 Extraordinary Heroism

An enlisted member who has been credited by the Secretary concerned with extraordinary heroism in the line of duty during any period of active service in the armed forces and who is entitled to recomputation of retired pay based on subsequent active duty will have the recomputation of retired pay increased by 10 percent, subject to the limits listed in Chapter 1.

5.2 Extraordinary Heroism and the Retired Pay Multiplier

The addition of heroism pay is limited to certain maximum retired or retainer pay percentages. For details on heroism pay refer to Chapter 1.

6.0 RETIRED PAY AND ACTIVE SERVICE

A retired member who elects to receive compensation for periods of active duty or inactive duty training must waive 1 day of retired pay for each calendar day while serving on active duty, inactive duty training, or in an active Reserve status. See Chapter 12.

Figure 7-1. Recomputation After Recall to Active Duty

Examples of Retired Pay Recomputation After Recall to Active Duty

1. Final Basic Pay Method

E-7 retired 8/1/2006 with exactly 27 years of service

Retired Pay Entitlement	$4,113.60 (E-7 over 26/2006 pay rates) X 67.5% (27 years X 2.5%) = $2,776.00 (initial retired pay)

Recalled to active duty 6/1/2008 and released 5/31/2010

Pay Recomputation:

10 U.S.C. § 1402(a) E-7 with 29 years (Notes 1, 2, and 5)

$4,521.00 (E-7 over 28/2009 pay rates (Note 2))
X 72.5% (29 years X 2.5%) = $3,277.00 (recomputed retired pay)

10 U.S.C. § 1402(e) E-7 with 29 years (Notes 2, 3, and 5)

$4,113.60 (E-7 over 28/2006 pay rates)
X 72.5% (29 years X 2.5%) = $2,982.00)

12/2006 COLA	2.8%	$3,065.00 (2.8% X $2982.00 = $3,065.50) (partial COLA)
12/2007 COLA	2.3%	$3,135.00 (2.3% X $3065.00 = $3,135.50)
12/2008 COLA	5.8%	$3,316.00 (5.8% X $3135.00 = $3,316.83)
12/2009 COLA	0.0%	$3,316.00 (No COLA increase. Recomputed retired pay for 2009 remains the same as 2008)

Saved Pay (Notes 2, 4, and 5)

$2,776.00 (initial retired pay)

12/2006 COLA	2.8%	$2,853.00 (2.8% X $2776.00 = $2,853.73) (partial COLA)
12/2007 COLA	2.3%	$2,918.00 (2.3% X $2853.00 = $2,918.62)
12/2008 COLA	5.8%	$3,087.00 (5.8% X $2918.00 = $3,087.24)
12/2009 COLA	0.0%	$3,087.00 (No COLA increase. Recomputed retired pay for 2009 remains the same as 2008)

Notes:
1. The 1402(a) recomputation utilizes a more current active duty pay table and the new total years of service.
2. Use the active duty pay rates in effect on date of release only if the member received pay from that rate table for at least 2 years. If recalled for over 2 years, but did not receive pay from the same table for 2 years, the immediately preceding rates of active duty pay are utilized. If recall is less than 2 years, utilize the pay table in effect upon original retirement.

Figure 7-1. Recomputation After Recall to Active Duty (Continued)

Notes (Continued):
3. The 1402(e) recomputation utilizes the pay table in effect at retirement, but uses the new service totals and updated by applicable COLAs. See Chapter 8 for the COLA rates.
4. Saved Pay is the member's original retired pay entitlement, as updated by the COLA.
5. The highest option is paid.

Figure 7-1. Recomputation After Recall to Active Duty (Continued)

2. High-36 Average Method

E-7 retired 10/1/2006 with exactly 22 years of service

Retired Pay Entitlement — $3,408.08 (high-36 average base)
X 55% (22 years X 2.5%) = $1,874.00 (initial retired pay)

Recalled to active duty 6/1/2008 and released 5/31/2010 (Note 1)

Pay Recomputation:

10 U.S.C § 1402a(a) E-7 with 24 years (Note 2)
$3,963.75 (new high-36 with recall service)
X 60% (24 years X 2.5%) = $2,378.00

10 U.S.C § 1402a(e) E-7 with 24 years (Note 2)
$3,408.08 (original high-36 pay base)
X 60% (24 years X 2.5%) = $2,044.00

12/2006 COLA	0.0%	$2,044.00 (partial COLA)
12/2007 COLA	2.3%	$2,091.00 (2.3% X $2044.00 = $2,091.01)
12/2008 COLA	5.8%	$2,212.00 (5.8% X $2091.00 = $2,212.28)
12/2009 COLA	0.0%	$2,212.00 (No COLA increase. Recomputed retired pay for 2009 remains the same as 2008)

Note:
1. If the member's post-retirement service is not continuous, the recomputation will be done only after the period during which the member was permitted to serve expires.
2. The higher option is paid.

Figure 7-1. Recomputation After Recall to Active Duty (Continued)

3. High-36 Average with REDUX/CSB Method

E-7 retired 10/1/2006 with exactly 20 years of service

Pay Entitlement
$3,351.03 (high average base)
X 40% (20 years X 2.5% less 10% (Note 1)) = $1,340.00

Recalled to active duty 6/1/2008 and released 5/31/2010

Pay Recomputation:

10 U.S.C. § 1402a(a) E-7 with 22 years (Note 1)
$3,816.61 (recomputed high-36 average base using the 24 months of subsequent service)
X 47% (22 years X 2.5% less 8% (Note 2)) = $1,793.00

10 U.S.C. § 1402a(e) E-7 with 22 years (Note 1)
$3,351.03 (original high-36 pay base)
X 47% (22 years X 2.5% less 8% (Note 2)) = $1,574.00

12/2006 COLA	0.0%	$1,574.00 (partial COLA)
12/2007 COLA	1.3%	$1,594.00 (1.3% X $1,574.00)
12/2008 COLA	4.8%	$1,670.00 (4.8% X $1,594.00)
12/2009 COLA	0.0%	$1,670.00 (No COLA increase. Recomputed retired pay for 2009 remains the same as 2008)

Notes:
1. The higher option is paid.
2. Reduced by 1% for each year less than 30 years.

*Table 7-1. Computation of Retired Pay Following Active/Reserve Duty after Retirement or Eligibility for Retired Pay

RULE	If	and	take	multiply by	add	subtract (Notes 4 & 5)
1	a member previously retired for other than disability, reverts to retired status without a disability retirement (Note 1)	the member first became a member before September 8, 1980	monthly basic pay (note 2) of the grade in which member would be eligible: (1) to retire if retiring upon that release from active duty; or (2) to transfer to the FR or FMCR if transferring to either upon that release from active duty	2.5 percent of the sum of: (1) the years of service that may be credited to the retiree in computing retired pay or retainer pay; and (2) years of active service after becoming entitled to retired pay or retainer pay (Note 3)		the excess over 75 percent of pay upon which the computation is based, only if the member originally retired before January 1, 2007, with more than 30 years of service and did not serve at least 2 years on the recall to active duty.
2	a member previously retired for other than disability, reverts to retired status without a disability retirement (Note 1)	the member first became a member after September 7, 1980	retired pay base or retainer pay base to which member would be entitled to use if: (1) retiring upon release from that active duty; or (2) transferring to the FR or FMCR upon that release from active duty	the retired pay multiplier or the retainer pay multiplier for a high-36 retiree (with reduction described under paragraph 3.3 for post-August 1, 1986 members who elected the CSB with REDUX retirement) for the sum of: (1) the years of service that may be credited to the retiree in computing retired pay; and (2) years of active service after becoming entitled to retired or retainer pay		the excess over 75 percent of retired or retainer pay based upon computation only if the member originally retired before January 1, 2007, with more than 30 years of service and did not serve at least 2 years on the recall to active duty.

Table 7-1. Computation of Retired Pay Following Active/Reserve Duty after Retirement or Eligibility for Retired Pay (Continued)

RULE	If	and	take	multiply by	add	subtract (Notes 4 & 5)
3	a member reverts with a new or aggravated disability rating that qualifies for disability retirement (Note 6)	member first became a member before September 8, 1980	highest monthly basic pay that member received while on active duty after retirement or after date when member's name was placed on TDRL	as a member elects: (1) 2.5 percent of years of service credited under 10 U.S.C. § 1208 (Note 3); or (2) the highest disability percentage, not to exceed 75 percent, attained while on active duty after retirement or after the date member's name was placed on TDRL	the amount necessary to increase product of columns C and D to 50 percent of pay upon which computation is based, if member is on TDRL.	
4	a member reverts with a new or aggravated disability rating that qualifies for disability retirement (Note 6)	member first became a member after September 7, 1980	the retired pay base	as a member elects: (1) 2.5 percent for pre-BRS or 2 percent for BRS times years of service credited under 10 U.S.C. § 1208 (Note 3); or (2) the highest disability percentage, not to exceed 75 percent, attained while on active duty after retirement or after the date member's name was placed on TDRL	the amount necessary to increase product of columns C and D to 50 percent of pay upon which computation is based, if member is on TDRL.	
5	a member previously retired for disability, reverts to retired status without incurring any additional or aggravating disability that would qualify for disability retirement (Note 6)		either the highest monthly pay they received on active duty or the retired pay base as appropriate under rule 3 or 4	2.5 percent for pre-BRS or 2 percent for BRS times years of service credited under 10 U.S.C. § 1208 (Note 3).		

Table 7-1. Computation of Retired Pay Following Active/Reserve Duty after Retirement or Eligibility for Retired Pay (Continued)

RULE	If	and	take	multiply by	add	subtract (Notes 4 & 5)
6	a member entitled to or receiving regular retired pay based on years of service that has attained Reserve Retired pay eligibility and age and has performed at least 20 years of service qualifying for a Reserve retirement	served in an active status as a member of an Reserve Component on or after October 28, 2009, completing 2 or more years of satisfactory service after becoming eligible for regular retired pay based on years of service without regard to whether the member actually retired or received retired or retainer pay for regular service (Notes 7 & 8)	either the basic pay for the highest grade held while serving in the active status or the retired pay base computed through the new retirement date	2.5 percent for pre-BRS or 2 percent for BRS times the years of service credited for percentage purposes (Note 9).		
7	a member of Retired Reserve serves in active status in Selected Reserve on or after October 28, 2009	serves for not less than 2 years in such active status	either the basic pay for the highest grade held while serving in the active status or the retired pay base computed through the date of release from duty	2.5 percent for pre-BRS or 2 percent for BRS times the years of service credited for percentage purposes (Note 9).		

Table 7-1. Computation of Retired Pay Following Active/Reserve Duty after Retirement or Eligibility for Retired Pay (Continued)

Notes:
1. Alternatively, members eligible under rules 1 or 2 may elect to substitute the rate of basic or monthly retired pay base (high-36 average) under which the original retired pay was computed at the time of entering on this period of active duty (increased by any applicable adjustments in the COLA) for the amount in column C of the table.
2. For a member who has been entitled, for a continuous period of at least 2 years, to basic pay under the rates of basic pay in effect upon release from active duty, compute under those rates. For a member who has been entitled to basic pay for a continuous period of at least 2 years upon that release from active duty, but who is not covered by the preceding sentence**,** compute under the rates of basic pay replaced by those in effect upon that release from active duty. For any other member**,** compute under the rates of basic pay under which the member's retired pay or retainer pay was computed when member entered on that active duty.
3. Before applying percentage factor, credit each full month of service that is in addition to the number of full years of service creditable to the member as one-twelfth of a year. Disregard any remaining fractional part of a month.
4. The amount computed, if not a multiple of $1, is rounded to the next lower multiple of $1. Any future adjustments to such pay must be made on the rounded figure. The rounded amount becomes the member's entitlement and any future adjustments is based on this rounded entitlement.
5. The reduction only applies to a member who retired before January 1, 2007, with more than 30 years of creditable service who is recalled to active duty and serves on active duty for a continuous period of less than 2 years that ends after January 1, 2007, per DoD Memorandum dated December 22, 2006.
6. Alternatively, members eligible under rules 3, 4, or 5 may elect to substitute the retired pay to which entitled when originally retired increased by any applicable adjustments in the COLA.
7. A member who was eligible for regular retired or retainer pay on or before October 27, 2009, whose service was determined to be satisfactory, is not subject to the 2-year requirement.
8. The 2-year service requirement may be reduced by the Secretary concerned if an officer of the National Guard completes at least 1 year of service in a position of adjutant general or assistant adjutant general and fails to complete the minimum years of service solely because the appointment to such position is terminated or vacated under applicable State or territorial law.
9. Total number of retirement points divided by 360. Carry the resultant figure to three decimal places, then round to two decimal places. Example: 4,735 retirement points divided by 360 = 13.152 or 13.15 years of service for percentage purposes (for the 10 U.S.C. § 12731 retiree only) to be multiplied by 2.5 percent for pre-BRS or 2 percent for BRS.

*REFERENCES

CHAPTER 07 — ACTIVE/RESERVE DUTY AFTER RETIREMENT

2.0 – ENTITLEMENT AND ELIGIBILITY

2.1	10 U.S.C. § 1402
	10 U.S.C. § 1402a
2.2	10 U.S.C. § 12731(a)
	10 U.S.C. § 12741(a)
	10 U.S.C. § 10145(d)
2.2.1	10 U.S.C. § 12731(a)(1)
	10 U.S.C. § 12731(f)
2.2.2	10 U.S.C. § 12731(a)(2)
2.2.3	10 U.S.C. § 12741
2.3.1	10 U.S.C. § 12739(e)(1)
2.3.2	10 U.S.C. § 12771(b)
	10 U.S.C. § 10145(d)
2.4.1	10 U.S.C. § 12739(e)(2)
	10 U.S.C. § 12771(b)(2)
2.4.2	32 U.S.C. § 324(b)

3.0 – RECOMPUTATION FOR ACTIVE DUTY SERVICE OR ACTIVE STATUS IN THE SELECTED RESERVE AFTER RETIREMENT

3.2.1	10 U.S.C. §12741
	10 U.S.C. § 1406
	10 U.S.C. § 1407
3.2.2	10 U.S.C. § 1402
	10 U.S.C. § 1402a
	10 U.S.C. § 1407(b)
	10 U.S.C., Chapter 1223
3.2.2.1	10 U.S.C. § 1402
3.2.2.1.1	Comptroller General (Comp Gen), B-234888, July 16, 1990
3.2.2.1.2	69 Comp Gen 141, B-236552, December 18, 1989
3.2.2.2	10 U.S.C. § 1402a
	10 U.S.C. § 1407
3.2.2.3	10 U.S.C. § 1402(e)
	10 U.S.C. § 1402a(e)
3.3	10 U.S.C. § 1402(a)
	10 U.S.C. § 1402a(a)
3.3.3	10 U.S.C. § 1409
3.4.1.2	51 Comp Gen 137, B-173293, August 31, 1971
3.4.2	44 Comp Gen 510, B-155940, February 23, 1965
3.4.3	10 U.S.C. § 1402(a)

REFERENCES (Continued)

3.4.4	47 Comp Gen 289, B-162676, November 22, 1967 10 U.S.C. § 1402(e)
3.4.5.2	10 U.S.C. § 1402(e)
3.5.1	10 U.S.C. § 1402(b)-(d) 10 U.S.C. § 1402a(b)-(d)
3.5.1.1	10 U.S.C. § 1402(d)(1) 10 U.S.C. § 1402a(d)(1)
3.5.1.2	10 U.S.C. § 1402(d)(2) 10 U.S.C. § 1402a(d)(2)
3.5.2	Comp Gen 178, B-204055, May 17, 1982
3.5.3	Public Law 111-383, Section 631, January 7, 2011 10 U.S.C. § 1208 10 U.S.C. § 1401(a)
3.5.4	10 U.S.C. 1402(d) 10 U.S.C. § 1402a(d)

5.0 – HEROISM PAY

5.1	10 U.S.C. § 1402(f), 1402a(f), 7361(a)(2), 8330(c)(3), 9361(a)(2), and 12739(b)

6.0 – RETIRED PAY AND ACTIVE SERVICE

Comp Gen B-179882, December 4, 1974

VOLUME 7B, CHAPTER 8: "BASIC PAY RATES, LEGISLATIVE CHANGES, AND COST-OF-LIVING ADJUSTMENTS (COLA) TO RETIRED PAY"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated May 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated the hyperlinks and revised the chapter to comply with current administrative instructions.	Revision
5.16	Added COLA rates for retired pay, effective December 1, 2023.	Addition
5.16	Added Executive Order 14113, which provides monthly basic pay increase for members of the uniformed services, effective January 1, 2024.	Addition
5.17	Added COLA rates for retired pay, effective December 1, 2024.	Addition
5.17	Added Executive Order 14132, which provides monthly basic pay increase for members of the uniformed services, effective January 1, 2025.	Addition
Table 8-1	Updated Table 8-1, Full COLA Percentage Table.	Revision
References	Updated references.	Revision

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CHAPTER 8

BASIC PAY RATES, LEGISLATIVE CHANGES, AND COST-OF-LIVING ADJUSTMENTS (COLA) TO RETIRED PAY

1.0 GENERAL

1.1 Overview

Historical information on legislative actions for, the application of special provision in determining the accuracy of retired pay from October 1949 to Fiscal Year (FY) 2009, is located in the archived Chapter 8, dated July 2013, to include COLA rates for the period. Additionally, beginning with FY 1998, the COLA Memorandums are located at ***https://militarypay.defense.gov/Pay/Retirement/Cola.aspx***.

1.2 Purpose

This chapter provides information on legislative actions for the application of special provisions in determining the accuracy of retired pay. Pursuant to Title 10, United States Code (U.S.C.), ***section 1401a(b)***, COLA rates are listed in this chapter for the periods from FY 2010 to the present.

1.2.1. Accuracy of Retired Pay

The member's retired pay is determined through a history of basic pay rates, retired pay increases, and the application of special provisions. Retired pay for members who have entered a uniformed service after September 7, 1980, is computed using a retired or retainer pay base. See Chapter 3 for gross pay computation. This chapter explains the effect of legislation and COLA on retired pay that has been computed using a retired or retainer pay base.

1.2.2. The Use and Effect of Active Duty Pay Rate Increases on Retired Pay

Before June 1, 1958, all members (except the pre-October 1, 1949, "saved pay" accounts) received a direct percentage of the active duty basic pay rates in effect October 1, 1949 through May 31, 1958. With the enactment of Public Law 85-422, effective June 1, 1958, it became increasingly more difficult to prepare and maintain tables reflecting the pay of members on the retired rolls and, eventually, preparing such tables was no longer feasible. Public Law 85-422 prohibited the recomputation of retired pay based on changes in the active duty basic pay rates after retirement. The date of retirement was a factor in computing retired pay because the retired member's pay was fixed to the basic pay rate in effect on the date of retirement. The exceptions permitting members to use another basic pay rate under certain conditions and circumstances are outlined in later paragraphs. The applicable active duty pay tables now serve as the basis for determining the rate of retired pay.

1.2.3. Service After September 7, 1980

For members who have entered a uniformed service after September 7, 1980:

1.2.3.1. The amount of retired pay is individualized. Members who retire with the same grade and years of service for percentage and basic pay purposes may not receive the same amount of retired pay; and

1.2.3.2. The member's current retired pay can be verified from the retired or retainer pay base, years of service for percentage purposes or percentage of disability, retired pay increases, and the application of any special provisions in retired pay identified in this chapter.

1.3 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with, the U.S.C., including Titles 5 and 10. Due to the subject matter in the chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each section are listed in a reference section at the end of the chapter.

2.0 DEFINITIONS

2.1 Base Index

The base index is the price index for the base quarter for the most recent adjustment under 10 U.S.C. § 1401a(b).

2.2 Base Quarter

Base Quarter is the calendar quarter ending on September 30 of each year.

2.3 Burchinal Decision

The Burchinal Decision is a Comptroller General (Comp. Gen.) decision ***53 Comp. Gen. 698 (1974)*** that retired pay is computed only under the current pay rates or the pay rates in effect immediately before the current rate pursuant to 10 U.S.C. § 1401a(e). Public Law 90-207, effective October 1, 1967, added subsection (e) under 10 U.S.C. § 1401a as a method to prevent pay inversion. See also paragraph 3.4. On October 7, 1975, ***Public Law 94-106*** added subsection (f) under 10 U.S.C. § 1401a, which superseded 10 U.S.C. § 1401a(e).

2.4 COLA

Percentage change increases are applied to retired pay based on laws using the Consumer Price Index (CPI), Urban Wage Earners and Clerical Workers-U.S. City Average (commonly referred to as CPI-W), as published by the Bureau of Labor Statistics, to determine the amount of the increase. Full COLA percentages appear in Table 8-1.

2.4.1. Full COLA. Members on the retired rolls receive the full COLA if their retired pay is computed using the basic pay rates which were effective before the previous COLA.

2.4.2. Partial COLA. Members whose retired pay is computed using the basic pay rates that become effective at the same time or after the previous COLA receive a partial COLA. This increase is effective from the later of the date of the full COLA or the date of retirement.

2.5 Legislative Increase

A legislative increase refers to any adjustment in retired pay authorized by legislation that identifies a percentage increase rather than based on the CPI.

2.6 Otherwise Qualified

This term refers to members, retired under a particular law, who are eligible for retirement under another law that may provide greater benefits. It pertains primarily to disability retirees when members have enough service to be retired for nondisability.

2.7 Pay Table Code

Pay table code refers to the designation by number (or other means) used by the Defense Finance and Accounting Service to identify active duty pay rates in effect during various periods.

2.8 Price Index

Price index refers to the CPI (all items, U.S. city average) published by the Bureau of Labor Statistics.

2.9 Price Index for a Quarter

For purposes of this chapter, the price index for a calendar quarter is the arithmetical mean (average) of the price index for the three months comprising that quarter.

2.10 Recomputation

Recomputation is the provision for recomputing retired pay using a pay table other than that used in the first computation of retired pay.

2.11 Retired Pay

The term "retired pay" includes retainer pay.

2.12 Retired Pay Base

The retired pay base is an average of the highest monthly basic pay rates applicable to a member, determined by the length of time the member was a member of a uniformed service (less than or at least 36 months) and/or the type of retirement (e.g., disability or voluntary). The retired pay base or retainer pay base applies to members who entered a uniformed service after September 7, 1980. It replaced the monthly basic pay rate formerly used to compute retired or retainer pay. See Chapter 3 for pre-September 8, 1980, members.

2.13 Uniform Retirement Date Act (URDA)

Pursuant to ***5 U.S.C. § 8301***, the URDA provides, under certain retirement laws, that members cannot be retired before the first day of the month after the date of first eligibility; and determines the pay table used in computing retired pay. This provision is especially significant when the retirement date coincides with the effective date of an active duty basic pay rate increase. There is an additional requirement to compute pay on the rates in effect by the date retirement would have occurred except for this restriction.

2.14 Years of Service for Basic Pay

Computation of service years creditable in determining the basic pay rate upon which retired pay is based may vary depending upon retirement law. See Volume 7A, Chapter 1.

2.15 Years of Service for Percentage Multiplier

The years of service for percentage multiplier refers to service years creditable in determining the percentage multiplier factor (applicable percentage rate described in Chapter 3, subparagraph 2.1.2 times years of creditable service) in retired pay computation. Computation of years of service may vary depending upon retirement law. For reserve retirements under ***10 U.S.C., Chapter 1223***, reserve service points are converted to years of service (i.e., total points divided by 360 equal years of service). See Chapter 1.

3.0 MAJOR CHANGES IN THE USE OF BASIC PAY RATES AND CONDITIONS APPLICABLE TO COMPUTATION OF RETIRED PAY

3.1 Retired Pay Based on the Consumer Price Index (CPI)

Effective October 1, 1963, 10 U.S.C. § 1401a, as added by Public Law 88-132, stipulated that future adjustments to retired pay would be based on the CPI. Each January, the Secretary of Defense was to review the CPI from the previous calendar year and, if it had increased 3 percent or more, then would affect a percentage increase in retired pay by April 1 using the percentages of increase in the CPI.

3.2 Effects of Public Law 90-207 on Retired Pay Computation

Public Law 90-207, effective October 1, 1967, added subsections (c) through (e) under 10 U.S.C. § 1401a. Subsections (c) and (d) stipulated that retired pay, when computed from the current basic pay rates, would increase at the later of the next COLA or retirement date by a partial adjustment. The partial adjustment represented the percent by which the new base index exceeded the index in effect on the day before the basic pay increase. Subsection (e), a saved pay provision, permitted computation of retired pay on the basic pay rates in effect immediately preceding those in effect on the retirement date if they were more favorable because of a COLA. Public Law 98-94, section 921, effective September 24, 1983, repealed the 1-year look-back provision that was under 10 U.S.C. § 1401a(e).

NOTE: For additional information on the repealed section, see paragraph 080213 in archived Chapter 8. Section 8(a) of Public Law 90-207 provided that, effective January 1, 1968, whenever the General Schedule of Compensation for Federal classified employees increased, an adjustment in the monthly basic pay to authorized members of the uniformed services immediately would become effective.

3.3 One Percent Increase to COLA

Public Law 91-179, effective October 31, 1969, stipulated that 1 percent would be added to the percentage increase each time there was a general COLA to retired pay. Partial COLA increases did not include the 1 percent. The add-on was provided to make up for the 3-month time lag between the rise in the CPI and the actual increase in retired pay. ***Public Law 94-440***, effective October 1, 1976, eliminated the 1 percent increase.

3.4 Pay Inversion

Public Law 85-422, effective June 1, 1958, prohibited recomputation of retired pay each time active duty pay was increased. Therefore, it was assumed that members of the same pay grade and years of service who retired under later active duty pay increases would receive greater retired pay. Beginning in 1971, there were instances where the cumulative COLA applied to retired pay was greater than the increases in the active duty pay rates, which was known as “pay inversion.” Pay inversion created some retention problems because, through early retirement, members could increase their retired pay rather than remaining on active duty. Under 53 Comp. Gen. 698 (1974), known as the “Burchinal Decision,” members were restricted to the greater amount of pay, based on two computations of retired pay, computed on the active duty pay rates in effect:

3.4.1. At the time of retirement using the pay grade and years of service for both basic pay and percentage multiplier at the time of retirement; or

3.4.2. Immediately before the active duty basic pay rates in effect on the date of retirement, plus the COLA in retired pay applicable to those basic pay rates. For this computation, the same pay grade and years of service for both basic pay and multiplier at the time of retirement were used even though the computation used the earlier basic pay rates.

3.5 Tower Amendment

3.5.1. Public Law 94-106, dated October 7, 1975, added subparagraph (f) to 10 U.S.C. § 1401a. The new provision stipulated another method to offset, in part, the effect of "pay inversion." This method involved computing pay based on any previous basic pay rates, on or after January 1, 1971, plus COLA, if the member was eligible for retirement at the time those rates were in effect. The computation was restricted to the pay grade and years of service at that earlier time (for retirements on October 5, 1994, or later, the computation may not be based on a grade higher than that held at the time of retirement). The statute applies to all members retired on or after January 1, 1971. There were no retroactive pay adjustments for the period before October 7, 1975.

3.5.2. Pursuant to ***Public Law 113-66***, dated December 26, 2013, for a retired member who first became a member of a uniformed service on or after September 8, 1980, and whose retired pay is computed using the high-three method, the Tower Amendment applies only at the time of retirement and not when the first COLA is announced. A member recalled to active duty after retirement is not entitled to recomputation of retired pay under the Tower Amendment upon release from that active duty. Pay recomputation upon that release is restricted to the methods prescribed in ***10 U.S.C. § 1402*** and covered in Chapter 7. The Tower Amendment did not repeal or modify those provisions.

3.6 Basic Pay Average

Public Law 96-342, dated September 8, 1980, as codified at ***10 U.S.C. § 1407***, established a retired pay base for use in computing retired or retainer pay. Title 10, U.S.C. § 1407 applies to members who have entered a uniformed service after September 7, 1980. The percentage of cost-of-living increases is determined by the most recent basic pay rate used in the computation of the retired or retainer pay base.

3.7 Modification of COLAs Applicable to Military Retired and Retainer Pay

Public Law 98-270, dated April 18, 1984, amended ***5 U.S.C. § 8340(a) and (b)*** to modify COLAs that also applied to military retired and retainer pay under 10 U.S.C. § 1401a(b). The effective date for COLAs was changed from March 1 to December 1. The COLA equaled the percentage change in the price index for the base quarter of the year over the price index for the base quarter of the preceding year. The price index is defined in paragraph 2.8. The partial COLA equaled the percentage increase of the average CPI for July, August, and September over the CPI for the preceding December.

3.8 The Military Retirement Reform Act of 1986

The Military Retirement Reform Act of 1986, Public Law 99-348:

3.8.1. Reduced the retired pay multiplier for any member who first became a member of a uniformed service after July 31, 1986, and who retired before age 62 with less than 30 years of creditable service (excluding retirements under ***10 U.S.C., Chapters 61*** and 1223). The multiplier was reduced by:

3.8.1.1. One percentage point for each full year that the member's years of creditable service were less than 30; and

3.8.1.2. One-twelfth of 1 percentage point for each month by which the member's years of creditable service (after counting all full years of such service) was less than a full year.

3.8.2. Stipulated cost-of-living increases for any member who first became a member of a uniformed service on or after August 1, 1986, when the increase in the CPI exceeded 1 percent. The cost-of-living increase was 1 percentage point less than the increase in CPI.

3.8.3. Restored the reduction in retired pay multiplier under subparagraph 3.8.1 at age 62 and provided a one-time restoral at age 62 for the reduction in cost-of-living increase under subparagraph 3.8.2.

4.0 PROVISIONS OF PAY CHANGES, EXCEPTIONS, AND SPECIAL COMPUTATIONS BETWEEN DECEMBER 1, 1949 AND DECEMBER 1, 2005

For historical information on legislative actions affecting retired pay from October 1949 to December 2005, see archived Chapter 8, dated July 2013 and July 2018.

5.0 PROVISIONS OF PAY CHANGES, EXCEPTIONS, AND SPECIAL COMPUTATIONS STARTING DECEMBER 2005

For historical information on legislative actions affecting retired pay from December 2005 to December 2008, see archived Chapter 8, dated July 2018.

5.1 COLA and Basic Pay Rates FY 2010

5.1.1. A COLA, effective December 1, 2009, provided:

5.1.1.1. For those who first became members of a uniformed service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2009	0.0 percent	1401a(b)(2)
January 1 – December 31, 2009	0.0 percent	1401a(c) & 1401a(f)

5.1.1.2. For those who first became members of a uniformed service on or after September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2009	0.0 percent	1401a(b)(2)
January 1 – March 31, 2009	0.0 percent	1401a(d) & 1401a(f)
April 1 – June 30, 2009	0.0 percent	1401a(d) & 1401a(f)
July 1 – September 30, 2009	0.0 percent	1401a(d) & 1401a(f)
October 1 – December 31, 2009	0.0 percent	1401a(d) & 1401a(f)

5.1.1.3. For those who first became members of the uniformed service on or after August 1, 1986, and who elected to receive a Career Status Bonus (CSB) under the provisions of ***37 U.S.C. § 322*** (as in effect before January 28, 2008) or ***37 U.S.C. § 354***, the retired pay COLA is specified according to their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2009	0.0 percent	1401a(e)
January 1 – March 31, 2009	0.0 percent	1401a(e) & 1401a(f)
April 1 – June 30, 2009	0.0 percent	1401a(e) & 1401a(f)
July 1 – September 30, 2009	0.0 percent	1401a(e) & 1401a(f)
October 1– December 31, 2009	0.0 percent	1401a(e) & 1401a(f)

5.1.2. For basic pay rates effective January 1, 2010, ***Public Law 111-84*** and ***Executive Order 13525*** provided for:

5.1.2.1. Increased basic pay rates;

5.1.2.2. No increase for members retired before January 1, 2010; and

5.1.2.3. No entitlement to pay computed on the January 1, 2010 basic pay rates for members who retired on January 1, 2010, and who were:

5.1.3.1. Warrant officers;

5.1.3.2. Fleet Reservists or Fleet Marine Corps Reservists (December 31, 2009 transfers); or

5.1.3.3. Subject to the URDA. For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 2.13.

5.2 COLA and Basic Pay Rates FY 2011

5.2.1. A COLA, effective December 1, 2010, provided:

5.2.1.1. For those who first became members of a uniformed service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2010	0.0 percent	1401a(b)(2)
January 1 – December 31, 2010	0.0 percent	1401a(c) & 1401a(f)

5.2.1.2. For those who first became members of a uniformed service on or after September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2010	0.0 percent	1401a(b)(2)
January 1 – March 31, 2010	0.0 percent	1401a(d) & 1401a(f)
April 1 – June 30, 2010	0.0 percent	1401a(d) & 1401a(f)
July 1 – September 30, 2010	0.0 percent	1401a(d) & 1401a(f)
October 1 – December 31, 2010	0.0 percent	1401a(d) & 1401a(f)

5.2.1.3. For those who first became members of the uniformed service on or after August 1, 1986, and also elected to receive a CSB under the provisions of 37 U.S.C. § 322 (as in effect before January 28, 2008) or 37 U.S.C. § 354, the retired pay COLA is specified according to the date of their retirement, as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2010	0.0 percent	1401a(e)
January 1 – March 31, 2010	0.0 percent	1401a(e) & 1401a(f)
April 1 – June 30, 2010	0.0 percent	1401a(e) & 1401a(f)
July 1 – September 30, 2010	0.0 percent	1401a(e) & 1401a(f)
October 1 – December 31, 2010	0.0 percent	1401a(e) & 1401a(f)

5.2.2. For basic pay rates effective January 1, 2011, ***Executive Order 13561*** provided for:

5.2.2.1. Increased basic pay rates;

5.2.2.2. No increase for members retired before January 1, 2011; and

5.2.2.3. No entitlement to pay computed on the January 1, 2011 basic pay rates for members who retired on January 1, 2011, and who were:

5.2.2.3.1. Warrant officers;

5.2.2.3.2. Fleet Reservists or Fleet Marine Corps Reservists (December 31, 2010 transfers); or

5.2.2.3.3. Subject to the URDA. For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 2.13.

5.3 Removal of the 75 Percent Cap Subject to Provision

A member who retired, or became entitled to retired pay, due to physical disability on or before January 7, 2011, may not have a retired pay multiplier more than 75 percent. Under Public Law 111-383, a member with more than 30 years of creditable service who first becomes entitled to retired pay due to physical disability, on or after January 8, 2011, will not have their multiplier reduced if it is more than 75 percent.

5.4 COLA and Basic Pay Rates FY 2012

5.4.1. A COLA, effective December 1, 2011, provided:

5.4.1.1. For those who first became members of a uniformed service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2011	3.6 percent	1401a(b)(2)
January 1 – December 31, 2011	3.6 percent	1401a(c)

5.4.1.2. For those who first became members of a uniformed service on or after September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2011	3.6 percent	1401a(b)(2)
January 1 – March 31, 2011	3.6 percent	1401a(d)
April 1 – June 30, 2011	2.4 percent	1401a(d)
July 1 – September 30, 2011	0.4 percent	1401a(d)
October 1 – December 31, 2011	0.0 percent	1401a(d)

5.4.1.3. For those who first became members of the uniformed service on or after August 1, 1986, and also elected to receive a CSB under the provisions of 37 U.S.C. § 322 (as in effect before January 28, 2008) or 37 U.S.C. § 354, the retired pay COLA is specified according to the date of their retirement, as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2011	2.6 percent	1401a(e)
January 1 – March 31, 2011	2.6 percent	1401a(e)
April 1 – June 30, 2011	1.9 percent	1401a(e)
July 1 – September 30, 2011	0.1 percent	1401a(e)
October 1 – December 31, 2011	0.0 percent	1401a(e)

5.4.2. For basic pay rates effective January 1, 2012, ***Executive Order 13594*** provided for:

5.4.2.1. Increased basic pay rates;

5.4.2.2. No increase for members retired before January 1, 2012; and

5.4.2.3. No entitlement to pay computed on the January 1, 2012 basic pay rates for members who retired on January 1, 2012, and who were:

5.4.2.3.1. Warrant officers;

5.4.2.3.2. Fleet Reservists or Fleet Marine Corps Reservists (December 31, 2011 transfers); or

5.4.2.3.3. Subject to the URDA. For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 2.13.

NOTE: Members retiring in 2012 may be entitled to more retired pay using the 2011 pay rates increased by a partial COLA, instead of using the increased pay rates with more service credit. Under 10 U.S.C. § 1401a(f)(1), inversions to retired pay entitlements are prevented by allowing computation of retired pay based on retirement at an earlier date. In such computations, the grade and service credit must be those applicable on the earlier date being used. Also, the retiree must meet the retirement eligibility requirements by the earlier date.

5.5 COLA and Basic Pay Rates FY 2013

5.5.1. A COLA, effective December 1, 2012, provided:

5.5.1.1. For those who first became members of a uniformed service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2012	1.7 percent	1401a(b)(2)
January 1 – December 31, 2012	1.7 percent	1401a(c)

5.5.1.2. For those who first became members of a uniformed service on or after September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2012	1.7 percent	1401a(b)(2)
January 1 – March 31, 2012	1.7 percent	1401a(d)
April 1 – June 30, 2012	1.0 percent	1401a(d)
July 1 – September 30, 2012	0.2 percent	1401a(d)
October 1 – December 31, 2012	0.0 percent	1401a(d)

5.5.1.3. For those who first became members of the uniformed service on or after August 1, 1986, and also elected to receive a CSB under the provisions of 37 U.S.C. § 322 (as in effect before January 28, 2008) or 37 U.S.C. § 354, the retired pay COLA is specified according to the date of their retirement, as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2012	0.7 percent	1401a(e)
January 1 – March 31, 2012	0.7 percent	1401a(e)
April 1 – June 30, 2012	0.5 percent	1401a(e)
July 1 – September 30, 2012	0.0 percent	1401a(e)
October 1 – December 31, 2012	0.0 percent	1401a(e)

5.5.2. For basic pay rates effective January 1, 2013, ***Executive Order 13641*** provided for:

5.5.2.1. Increased basic pay rates;

5.5.2.2. No increase for members retired before January 1, 2013; and

5.5.2.3. No entitlement to pay computed on the January 1, 2013 basic pay rates for members who retired on January 1, 2013, and who were:

5.5.2.3.1. Warrant officers;

5.5.2.3.2. Fleet Reservists or Fleet Marine Corps Reservists (December 31, 2012 transfers); or

5.5.2.3.3. Subject to the URDA. For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 2.13.

5.6 COLA and Basic Pay Rates FY 2014

5.6.1. A COLA, effective December 1, 2013, provided:

5.6.1.1. For those who first became members of a uniformed service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2013	1.5 percent	1401a(b)(2)
January 1 – December 31, 2013	1.5 percent	1401a(c)

5.6.1.2. For those who first became members of a uniformed service on or after September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2013	1.5 percent	1401a(b)(2)
January 1 – March 31, 2013	1.5 percent	1401a(d)
April 1 – June 30, 2013	0.9 percent	1401a(d)
July 1 – September 30, 2013	0.4 percent	1401a(d)
October 1 – December 31, 2013	0.0 percent	1401a(d)

5.6.1.3. For those who first became members of the uniformed service on or after August 1, 1986, and also elected to receive a CSB under the provisions of 37 U.S.C. § 322 (as in effect before January 28, 2008) or 37 U.S.C. § 354, the retired pay COLA is specified according to the date of their retirement, as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2013	0.5 percent	1401a(e)
January 1 – March 31, 2013	0.5 percent	1401a(e)
April 1 – June 30, 2013	0.4 percent	1401a(e)
July 1 – September 30, 2013	0.0 percent	1401a(e)
October 1 – December 31, 2013	0.0 percent	1401a(e)

5.6.2. For basic pay rates effective January 1, 2014, ***Executive Order 13655*** provided for:

5.6.2.1. Increased basic pay rates;

5.6.2.2. No increase for members retired before January 1, 2014; and

5.6.2.3. No entitlement to pay computed on the January 1, 2014 basic pay rates for members who retired on January 1, 2014, and who were:

5.6.2.3.1. Warrant officers;

5.6.2.3.2. Fleet Reservists or Fleet Marine Corps Reservists (December 31, 2013 transfers); or

5.6.2.3.3. Subject to the URDA. For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 2.13.

5.7 COLA and Basic Pay Rates FY 2015

5.7.1. A COLA, effective December 1, 2014, provided:

5.7.1.1. For those who first became members of a uniformed service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2014	1.7 percent	1401a(b)(2)
January 1 – December 31, 2014	1.7 percent	1401a(c)

5.7.1.2. For those who first became members of a uniformed service on or after September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2014	1.7 percent	1401a(b)(2)
January 1 – March 31, 2014	1.7 percent	1401a(d)
April 1 – June 30, 2014	1.3 percent	1401a(d)
July 1 – September 30, 2014	0.1 percent	1401a(d)
October 1 – December 31, 2014	0.0 percent	1401a(d)

5.7.1.3. For those who first became members of the uniformed service on or after August 1, 1986, and also elected to receive a CSB under the provisions of 37 U.S.C. § 322 (as in effect before January 28, 2008) or 37 U.S.C. § 354, the retired pay COLA is specified according to the date of their retirement, as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2014	0.7 percent	1401a(e)
January 1 – March 31, 2014	0.7 percent	1401a(e)
April 1 – June 30, 2014	0.7 percent	1401a(e)
July 1 – September 30, 2014	0.0 percent	1401a(e)
October 1 – December 31, 2014	0.0 percent	1401a(e)

5.7.2. For basic pay rates effective January 1, 2015, ***Executive Order 13686*** provided for:

5.7.2.1. Increased basic pay rates;

5.7.2.2. No increase for members retired before January 1, 2015; and

5.7.2.3. No entitlement to pay computed on the January 1, 2015 basic pay rates for members who retired on January 1, 2015, and who were:

5.7.2.3.1. Warrant officers;

5.7.2.3.2. Fleet Reservists or Fleet Marine Corps Reservists (December 31, 2014 transfers); or

5.7.2.3.3. Subject to the URDA. For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 2.13.

5.8 COLA and Basic Pay Rates FY 2016

5.8.1. A COLA, effective December 1, 2015, provided:

5.8.1.1. Retired pay COLA for those who first became members of a uniformed service before September 8, 1980, is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2015	0.0 percent	1401a(b)(2)
January 1 – December 31, 2015	0.0 percent	1401a(c) & 1401a(f)

5.8.1.2. For those who first became members of a uniformed service on or after September 8, 1980, the retired pay COLA is set out according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2015	0.0 percent	1401a(b)(2)
January 1 – March 31, 2015	0.0 percent	1401a(d) & 1401a(f)
April 1 – June 30, 2015	0.0 percent	1401a(d) & 1401a(f)
July 1 – September 30, 2015	0.0 percent	1401a(d) & 1401a(f)
October 1 – December 31, 2015	0.0 percent	1401a(d) & 1401a(f)

5.8.1.3. The retired pay COLA for those who first became members of the uniformed service on or after August 1, 1986, and also elected to receive a CSB under the provisions of 37 U.S.C. § 322 (as in effect before January 28, 2008) or 37 U.S.C. § 354 is specified according to the date of their retirement, as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2015	0.0 percent	1401a(e)
January 1 – March 31, 2015	0.0 percent	1401a(e) & 1401a(f)
April 1 – June 30, 2015	0.0 percent	1401a(e) & 1401a(f)
July 1 – September 30, 2015	0.0 percent	1401a(e) & 1401a(f)
October 1 – December 31, 2015	0.0 percent	1401a(e) & 1401a(f)

5.8.2. For basic pay rates effective January 1, 2016, ***Executive Order 13715*** provided for:

5.8.2.1. Increased basic pay rates;

5.8.2.2. No increase for members retired before January 1, 2016; and

5.8.2.3. No entitlement to pay computed on the January 1, 2016 basic pay rates for members who retired on January 1, 2016, and who were:

5.8.2.3.1. Warrant officers;

5.8.2.3.2. Fleet Reservists or Fleet Marine Corps Reservists (December 31, 2015 transfers); or

5.8.2.3.3. Subject to the URDA. For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 2.13.

5.9 COLA and Basic Pay Rates FY 2017

5.9.1. A COLA, effective December 1, 2016, provided:

5.9.1.1. For those who first became members of a uniformed service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2016	0.3 percent	1401a(b)(2)
January 1 – December 31, 2016	0.3 percent	1401a(c)

5.9.1.2. For those who first became members of a uniformed service on or after September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2016	0.3 percent	1401a(b)(2)
January 1 – March 31, 2016	0.3 percent	1401a(d)
April 1 – June 30, 2016	0.3 percent	1401a(d)
July 1 – September 30, 2016	0.3 percent	1401a(d)
October 1 – December 31, 2016	0.0 percent	1401a(d)

5.9.1.3. For those who first became members of the uniformed service on or after August 1, 1986, and also elected to receive a CSB under the provisions of 37 U.S.C. § 322 (as in effect before January 28, 2008) or 37 U.S.C. § 354, the retired pay COLA is specified according to the date of their retirement, as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2016	0.3 percent	1401a(e)
January 1 – March 31, 2016	0.3 percent	1401a(e) & 1401a(f)
April 1 – June 30, 2016	0.3 percent	1401a(e) & 1401a(f)
July 1 – September 30, 2016	0.0 percent	1401a(e)
October 1 – December 31, 2016	0.0 percent	1401a(e)

5.9.2. For basic pay rates effective January 1, 2017, ***Executive Order 13756*** provided for:

5.9.2.1. Increased basic pay rates;

5.9.2.2. No increase for members retired before January 1, 2017; and

5.9.2.3. No entitlement to pay computed on the January 1, 2017 basic pay rates for members who retired on January 1, 2017, and who were:

5.9.2.3.1. Warrant officers;

5.9.2.3.2. Fleet Reservists or Fleet Marine Corps Reservists (December 31, 2016 transfers); or

5.9.2.3.3. Subject to the URDA. For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 2.13.

5.10 COLA and Basic Pay Rates FY 2018

5.10.1. A COLA, effective December 1, 2017, provided:

5.10.1.1. For those who first became members of a uniformed service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2017	2.0 percent	1401a(b)(2)
January 1 – December 31, 2017	1.8 percent	1401a(c)

5.10.1.2. For those who first became members of a uniformed service on or after September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2017	2.0 percent	1401a(b)(2)
January 1 – March 31, 2017	1.8 percent	1401a(d)
April 1 – June 30, 2017	1.0 percent	1401a(d)
July 1 – September 30, 2017	0.4 percent	1401a(d)
October 1 – December 31, 2017	0.0 percent	1401a(d)

5.10.1.3. For those who first became members of the uniformed service on or after August 1, 1986, and also elected to receive a CSB under the provisions of 37 U.S.C. § 322 (as in effect before January 28, 2008) or 37 U.S.C. § 354, the retired pay COLA is specified according to the date of their retirement, as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2017	1.0 percent	1401a(e)
January 1 – March 31, 2017	1.0 percent	1401a(e)
April 1 – June 30, 2017	0.5 percent	1401a(e)
July 1 – September 30, 2017	0.2 percent	1401a(e)
October 1 – December 31, 2017	0.0 percent	1401a(e)

5.10.2. For basic pay rates effective January 1, 2018, ***Executive Order 13819*** provided for:

5.10.2.1. Increased basic pay rates;

5.10.2.2. No increase for members retired before January 1, 2018; and

5.10.2.3. No entitlement to pay computed on the January 1, 2018 basic pay rates for members who retired on January 1, 2018, and who were:

5.10.2.3.1. Warrant officers;

5.10.2.3.2. Fleet Reservists or Fleet Marine Corps Reservists (December 31, 2017 transfers); or

5.10.2.3.3. Subject to the URDA. For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 2.13.

5.11 COLA and Basic Pay Rates FY 2019

5.11.1. A COLA, effective December 1, 2018, provided:

5.11.1.1. For those who first became members of a uniformed service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2018	2.8 percent	1401a(b)(2)
January 1 – December 31, 2018	2.4 percent	1401a(c)

5.11.1.2. For those who first became members of a uniformed service on or after September 8, 1980, including those members covered by the Blended Retirement System, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2018	2.8 percent	1401a(b)(2)
January 1 – March 31, 2018	2.4 percent	1401a(d)
April 1 – June 30, 2018	1.5 percent	1401a(d)
July 1 – September 30, 2018	0.3 percent	1401a(d)
October 1 – December 31, 2018	0.0 percent	1401a(d)

5.11.1.3. For those who first became members of the uniformed service on or after August 1, 1986, and also elected to receive a CSB under the provisions of 37 U.S.C. § 322 (as in effect before January 28, 2008) or 37 U.S.C. § 354, the retired pay COLA is specified according to the date of their retirement, as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2018	1.8 percent	1401a(e)
January 1 – March 31, 2018	1.6 percent	1401a(e)
April 1 – June 30, 2018	1.0 percent	1401a(e)
July 1 – September 30, 2018	0.1 percent	1401a(e)
October 1 – December 31, 2018	0.0 percent	1401a(e)

5.11.2. For basic pay rates effective January 1, 2019, ***Executive Order 13856*** provided for:

5.11.2.1. Increased basic pay rates;

5.11.2.2. No increase for members retired before January 1, 2019; and

5.11.2.3. No entitlement to pay computed on the January 1, 2019 basic pay rates for members who retired on January 1, 2019, and who were:

5.11.2.3.1. Warrant officers;

5.11.2.3.2. Fleet Reservists or Fleet Marine Corps Reservists (December 31, 2018 transfers); or

5.11.2.3.3. Subject to the URDA. For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 2.13.

5.12 COLA and Basic Pay Rates FY 2020

5.12.1. A COLA, effective December 1, 2019, provided:

5.12.1.1. For those who first became members of a uniformed service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2019	1.6 percent	1401a(b)(2)
January 1 – December 31, 2019	1.6 percent	1401a(c)

5.12.1.2. For those who first became members of a uniformed service on or after September 8, 1980, including those members covered by the High-3 or Blended Retirement System, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2019	1.6 percent	1401a(b)(2)
January 1 – March 31, 2019	1.6 percent	1401a(d)
April 1 – June 30, 2019	1.6 percent	1401a(d)
July 1 – September 30, 2019	0.2 percent	1401a(d)
October 1 – December 31, 2019	0.0 percent	1401a(d)

5.12.1.3. For those who first became members of the uniformed service on or after August 1, 1986, and also elected to receive a CSB under the provisions of 37 U.S.C. § 322 (as in effect before January 28, 2008) or 37 U.S.C. § 354, the retired pay COLA is specified according to the date of their retirement, as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2019	0.6 percent	1401a(e)
January 1 – March 31, 2019	0.6 percent	1401a(e)
April 1 – June 30, 2019	0.6 percent	1401a(e)
July 1 – September 30, 2019	0.0 percent	1401a(e)
October 1 – December 31, 2019	0.0 percent	1401a(e)

5.12.2. For basic pay rates effective January 1, 2020, ***Executive Order 13901*** provided for:

5.12.2.1. Increased basic pay rates;

5.12.2.2. No increase for members retired before January 1, 2020; and

5.12.2.3. No entitlement to pay computed on the January 1, 2020 basic pay rates for members who retired on January 1, 2020, and who were:

5.12.2.3.1. Warrant officers;

5.12.2.3.2. Fleet Reservists or Fleet Marine Corps Reservists (December 31, 2019 transfers); or

5.12.2.3.3. Subject to the URDA. For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 2.13.

5.13 COLA and Basic Pay Rates FY 2021

5.13.1. A COLA, effective December 1, 2020, provided:

5.13.1.1. For those who first became members of a uniformed service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2020	1.3 percent	1401a(b)(2)
January 1 – December 31, 2020	1.1 percent	1401a(c)

5.13.1.2. For those who first became members of a uniformed service on or after September 8, 1980, including those members covered by the High-3 or Blended Retirement System, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2020	1.3 percent	1401a(b)(2)
January 1 – March 31, 2020	1.1 percent	1401a(d)
April 1 – June 30, 2020	0.7 percent	1401a(d)
July 1 – September 30, 2020	1.3 percent	1401a(d)
October 1 – December 31, 2020	0.0 percent	1401a(d)

5.13.1.3. For those who first became members of the uniformed service on or after August 1, 1986, and also elected to receive a CSB under the provisions of 37 U.S.C. § 322 (as in effect before January 28, 2008) or 37 U.S.C. § 354, the retired pay COLA is specified according to the date of their retirement, as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2020	0.3 percent	1401a(e)
January 1 – March 31, 2020	0.3 percent	1401a(e)
April 1 – June 30, 2020	0.2 percent	1401a(e)
July 1 – September 30, 2020	0.3 percent	1401a(e)
October 1 – December 31, 2020	0.0 percent	1401a(e)

5.13.2. For basic pay rates effective January 1, 2021, ***Executive Order 13970*** provided for:

5.13.2.1. Increased basic pay rates;

5.13.2.2. No increase for members retired before January 1, 2021; and

5.13.2.3. No entitlement to pay computed on the January 1, 2021 basic pay rates for members who retired on January 1, 2021, and who were:

5.13.2.3.1. Warrant officers;

5.13.2.3.2. Fleet Reservists or Fleet Marine Corps Reservists (December 31, 2020 transfers); or

5.13.2.3.3. Subject to the URDA. For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 2.13.

5.14 COLA and Basic Pay Rates FY 2022

5.14.1. A COLA, effective December 1, 2021, provided:

5.14.1.1. For those who first became members of a uniformed service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2021	5.9 percent	1401a(b)(2)
January 1 – December 31, 2021	5.7 percent	1401a(c)

5.14.1.2. For those who first became members of a uniformed service on or after September 8, 1980, including those members covered by the High-3 or Blended Retirement System, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2021	5.9 percent	1401a(b)(2)
January 1 – March 31, 2021	5.7 percent	1401a(d)
April 1 – June 30, 2021	4.4 percent	1401a(d)
July 1 – September 30, 2021	1.8 percent	1401a(d)
October 1 – December 31, 2021	0.0 percent	1401a(d)

5.14.1.3. For those who first became members of the uniformed service on or after August 1, 1986, and also elected to receive a CSB under the provisions 37 U.S.C. § 322 (as in effect before January 28, 2008) or 37 U.S.C. § 354, the retired pay COLA is specified according to the date of their retirement, as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2021	4.9 percent	1401a(e)
January 1 – March 31, 2021	4.9 percent	1401a(e)
April 1 – June 30, 2021	3.9 percent	1401a(e)
July 1 – September 30, 2021	1.5 percent	1401a(e)
October 1 – December 31, 2021	0.0 percent	1401a(e)

5.14.2. For basic pay rates effective January 1, 2022, ***Executive Order 14061*** provided for:

5.14.2.1. Increased basic pay rates;

5.14.2.2. No increase for members retired before January 1, 2022; and

5.14.2.3. No entitlement to pay computed on the January 1, 2022 basic pay rates for members who retired on January 1, 2022, and who were:

5.14.2.3.1. Warrant officers;

5.14.2.3.2. Fleet Reservists or Fleet Marine Corps Reservists (December 31, 2021 transfers); or

5.14.2.3.3. Subject to the URDA. For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 2.13.

5.15 COLA and Basic Pay Rates FY 2023

5.15.1. A COLA, effective December 1, 2022, provided:

5.15.1.1. For those who first became members of a uniformed service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2022	8.7 percent	1401a(b)(2)
January 1 – December 31, 2022	7.0 percent	1401a(c)

5.15.1.2. For those who first became members of a uniformed service on or after September 8, 1980, including those members covered by the High-3 or Blended Retirement System, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2022	8.7 percent	1401a(b)(2)
January 1 – March 31, 2022	7.0 percent	1401a(d)
April 1 – June 30, 2022	4.4 percent	1401a(d)
July 1 – September 30, 2022	1.2 percent	1401a(d)
October 1 – December 31, 2022	0.0 percent	1401a(d)

5.15.1.3. For those who first became members of the uniformed service on or after August 1, 1986, and also elected to receive a CSB under the provisions of 37 U.S.C. § 322 (as in effect before January 28, 2008) or 37 U.S.C. § 354, the retired pay COLA is specified according to the date of their retirement, as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2022	7.7 percent	1401a(e)
January 1 – March 31, 2022	6.2 percent	1401a(e)
April 1 – June 30, 2022	3.9 percent	1401a(e)
July 1 – September 30, 2022	1.0 percent	1401a(e)
October 1 – December 31, 2022	0.0 percent	1401a(e)

5.15.2. For basic pay rates effective January 1, 2023, ***Executive Order 14090*** provided for:

5.15.2.1. Increased basic pay rates;

5.15.2.2. No increase for members retired before January 1, 2023; and

5.15.2.3. No entitlement to pay computed on the January 1, 2023 basic pay rates for members who retired on January 1, 2023, and who were:

5.15.2.3.1. Warrant officers;

5.15.2.3.2. Fleet Reservists or Fleet Marine Corps Reservists (December 31, 2022 transfers); or

5.15.2.3.3. Subject to the URDA. For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 2.13.

*5.16 COLA and Basic Pay Rates FY 2024

5.16.1. A COLA, effective December 1, 2023, provided:

5.16.1.1. For those who first became members of a uniformed service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2023	3.2 percent	1401a(b)(2)
January 1 – December 31, 2023	3.1 percent	1401a(c)

5.16.1.2. For those who first became members of a uniformed service on or after September 8, 1980, including those members covered by the High-3 or Blended Retirement System, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2023	3.2 percent	1401a(b)(2)
January 1 – March 31, 2023	3.1 percent	1401a(d)
April 1 – June 30, 2023	2.2 percent	1401a(d)
July 1 – September 30, 2023	0.9 percent	1401a(d)
October 1 – December 31, 2023	0.0 percent	1401a(d)

5.16.1.3. For those who first became members of the uniformed service on or after August 1, 1986, and also elected to receive a CSB under the provisions of 37 U.S.C. § 322 (as in effect before January 28, 2008) or 37 U.S.C. § 354, the retired pay COLA is specified according to the date of their retirement, as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2023	2.2 percent	1401a(e)
January 1 – March 31, 2023	2.2 percent	1401a(e)
April 1 – June 30, 2023	1.7 percent	1401a(e)
July 1 – September 30, 2023	0.7 percent	1401a(e)
October 1 – December 31, 2023	0.0 percent	1401a(e)

5.16.2. For basic pay rates effective January 1, 2024, ***Executive Order 14113*** provided for:

5.16.2.1. Increased basic pay rates;

5.16.2.2. No increase for members retired before January 1, 2024; and

5.16.2.3. No entitlement to pay computed on the January 1, 2024 basic pay rates for members who retired on January 1, 2024, and who were:

5.16.2.3.1. Warrant officers;

5.16.2.3.2. Fleet Reservists or Fleet Marine Corps Reservists (December 31, 2023 transfers); or

5.16.2.3.3. Subject to the URDA. For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 2.13.

*5.17 COLA and Basic Pay Rates FY 2025

5.17.1. A COLA, effective December 1, 2024, provided:

5.17.1.1. For those who first became members of a uniformed service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2024	2.5 percent	1401a(b)(2)
January 1 – December 31, 2024	2.5 percent	1401a(c)

5.17.1.2. For those who first became members of a uniformed service on or after September 8, 1980, including those members covered by the High-3 or Blended Retirement System, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2024	2.5 percent	1401a(b)(2)
January 1 – March 31, 2024	2.5 percent	1401a(c)
April 1 – June 30, 2024	1.4 percent	1401a(d)
July 1 – September 30, 2024	0.2 percent	1401a(d)
October 1 – December 31, 2024	0.0 percent	1401a(d)

5.17.1.3. For those who first became members of the uniformed service on or after August 1, 1986, and also elected to receive a CSB under the provisions of 37 U.S.C. § 322 (as in effect before January 28, 2008) or 37 U.S.C. § 354, the retired pay COLA is specified according to the date of their retirement, as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2024	1.5 percent	1401a(e)
January 1 – March 31, 2024	1.5 percent	1401a(e)
April 1 – June 30, 2024	0.9 percent	1401a(e)
July 1 – September 30, 2024	0.0 percent	1401a(e)
October 1 – December 31, 2024	0.0 percent	1401a(e)

5.17.2. For basic pay rates effective January 1, 2025, ***Executive Order 14132*** provided for:

5.17.2.1. Increased basic pay rates;

5.17.2.2. No increase for members retired before January 1, 2025; and

5.17.2.3. No entitlement to pay computed on the January 1, 2025 basic pay rates for members who retired on January 1, 2025, and who were:

5.17.2.3.1. Warrant officers;

5.17.2.3.2. Fleet Reservists or Fleet Marine Corps Reservists (December 31, 2024 transfers); or

5.17.2.3.3. Subject to the URDA. For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 2.13.

*Table 8-1. Full COLA Percentage Table

No.	Date of COLA	Percent
1	Sep 1, 1965	4.4
2	Dec 1, 1966	3.7
3	Apr 1, 1968	3.9
4	Feb 1, 1969	4.0
5	Nov 1, 1969	4.3
6	Aug 1, 1970	5.6
7	Jun 1, 1971	4.5
8	Jul 1, 1972	4.8
9	Jul 1, 1973	6.1
10	Jan 1, 1974	5.5
11	Jul 1, 1974	6.3
12	Jan 1, 1975	7.3
13	Aug 1, 1975	5.1
14	Mar 1, 1976	5.4
15	Mar 1, 1977	4.8
16	Sep 1, 1977	4.3
17	Mar 1, 1978	2.4
18	Sep 1, 1978	4.9
19	Mar 1, 1979	3.9
20	Sep 1, 1979	6.9
21	Mar 1, 1980	6.0
22	Sep 1, 1980	7.7
23	Mar 1, 1981	4.4
24	Mar 1, 1982	8.7
25	Apr 1, 1983 (note 1)	3.3
		3.9
26	Dec 1, 1984	3.5
27	Dec 1, 1986	1.3
28	Dec 1, 1987	4.2 Pre-Aug 86 Member 3.2 Post-Aug 86 Member
29	Dec 1, 1988	4.0 Pre-Aug 86 Member 3.0 Post-Aug 86 Member
30	Dec 1, 1989	4.7 Pre-Aug 86 Member 3.7 Post-Aug 86 Member

Table 8-1. Full COLA Percentage Table (Continued)

No.	Date of COLA	Percent
31	Dec 1, 1990	5.4 Pre-Aug 86 Member 4.4 Post-Aug 86 Member
32	Dec 1, 1991	3.7 Pre-Aug 86 Member 2.7 Post-Aug 86 Member
33	Dec 1, 1992	3.0 Pre-Aug 86 Member 2.0 Post-Aug 86 Member
34	Dec 1, 1993 (note 2)	2.6 Pre-Aug 86 Member 1.6 Post-Aug 86 Member
35	Dec 1, 1994 (note 2)	2.8 Pre-Aug 86 Member 1.8 Post-Aug 86 Member
36	Dec 1, 1995 (note 2)	2.6 Pre-Aug 86 Member 1.6 Post-Aug 86 Member
37	Dec 1, 1996	2.9 Pre-Aug 86 Member 1.9 Post-Aug 86 Member
38	Dec 1, 1997	2.1 Pre-Aug 86 Member 1.1 Post-Aug 86 Member
39	Dec 1, 1998	1.3 Pre-Aug 86 Member 0.3 Post-Aug 86 Member
40	Dec 1, 1999 (note 3)	2.4 Pre-Aug 86 Member 2.4 Post-Aug 86 Member w/o CSB 1.4 Post-Aug 86 Member w/CSB
41	Dec 1, 2000 (note 3)	3.5 Pre-Aug 86 Member 3.5 Post-Aug 86 Member w/o CSB 2.5 Post-Aug 86 Member w/CSB
42	Dec 1, 2001 (note 3)	2.6 Pre-Aug 86 Member 2.6 Post-Aug 86 Member w/o CSB 1.6 Post-Aug 86 Member w/CSB
43	Dec 1, 2002 (note 3)	1.4 Pre-Aug 86 Member 1.4 Post-Aug 86 Member w/o CSB 0.4 Post-Aug 86 Member w/CSB
44	Dec 1, 2003 (note 3)	2.1 Pre-Aug 86 Member 2.1 Post-Aug 86 Member w/o CSB 1.1 Post-Aug 86 Member w/CSB
45	Dec 1, 2004 (note 3)	2.7 Pre-Aug 86 Member 2.7 Post-Aug 86 Member w/o CSB 1.7 Post-Aug 86 Member w/CSB

Table 8-1. Full COLA Percentage Table (Continued)

No.	Date of COLA	Percent
46	Dec 1, 2005 (note 3)	4.1 Pre-Aug 86 Member 4.1 Post-Aug 86 Member w/o CSB 3.1 Post-Aug 86 Member w/CSB
47	Dec 1, 2006 (note 3)	3.3 Pre-Aug 86 Member 3.3 Post-Aug 86 Member w/o CSB 2.3 Post-Aug 86 Member w/CSB
48	Dec 1, 2007 (note 3)	2.3 Pre-Aug 86 Member 2.3 Post-Aug 86 Member w/o CSB 1.3 Post-Aug 86 Member w/CSB
49	Dec 1, 2008 (note 3)	5.8 Pre-Aug 86 Member 5.8 Post-Aug 86 Member w/o CSB 4.8 Post-Aug 86 Member w/CSB
50	Dec 1, 2009 (note 3)	0.0 Pre-Aug 86 Member 0.0 Post-Aug 86 Member w/o CSB 0.0 Post-Aug 86 Member w/CSB
51	Dec 1, 2010 (note 3)	0.0 Pre-Aug 86 Member 0.0 Post-Aug 86 Member w/o CSB 0.0 Post-Aug 86 Member w/CSB
52	Dec. 1, 2011 (note 3)	3.6 Pre-Aug 86 Member 3.6 Post-Aug 86 Member w/o CSB 2.6 Post-Aug 86 Member w/CSB
53	Dec. 1, 2012 (note 3)	1.7 Pre-Aug 86 Member 1.7 Post-Aug 86 Member w/o CSB 0.7 Post-Aug 86 Member w/CSB
54	Dec. 1, 2013 (note 3)	1.5 Pre-Aug 86 Member 1.5 Post-Aug 86 Member w/o CSB 0.5 Post-Aug 86 Member w/CSB
55	Dec. 1, 2014 (note 3)	1.7 Pre-Aug 86 Member 1.7 Post-Aug 86 Member w/o CSB 0.7 Post-Aug 86 Member w/CSB
56	Dec. 1, 2015 (note 3)	0.0 Pre-Aug 86 Member 0.0 Post-Aug 86 Member w/o CSB 0.0 Post-Aug 86 Member w/CSB
57	Dec. 1, 2016 (note 3)	0.3 Pre-Aug 86 Member 0.3 Post-Aug 86 Member w/o CSB 0.3 Post-Aug 86 Member w/CSB
58	Dec. 1, 2017 (note 3)	2.0 Pre-Aug 86 Member 2.0 Post-Aug 86 Member w/o CSB 1.0 Post-Aug 86 Member w/CSB

Table 8-1. Full COLA Percentage Table (Continued)

No.	Date of COLA	Percent
59	Dec 1, 2018 (note 3)	2.8 Pre-Aug 86 Member 2.8 Post-Aug 86 Member w/o CSB 1.8 Post-Aug 86 Member w/CSB
60	Dec 1, 2019 (note 3)	1.6 Pre-Aug 86 Member 1.6 Post-Aug 86 Member w/o CSB 0.6 Post-Aug 86 Member w/CSB
61	Dec 1, 2020 (note 3)	1.3 Pre-Aug 86 Member 1.3 Post-Aug 86 Member w/o CSB 0.3 Post-Aug 86 Member w/CSB
62	Dec 1, 2021 (note 3)	5.9 Pre-Aug 86 Member 5.9 Post-Aug 86 Member w/o CSB 4.9 Post-Aug 86 Member w/CSB
63	Dec 1, 2022 (note 3)	8.7 Pre-Aug 86 Member 8.7 Post-Aug 86 Member w/o CSB 7.7 Post-Aug 86 Member w/CSB
***64**	Dec 1, 2023 (note 3)	3.2 Pre-Aug 86 Member 3.2 Post-Aug 86 Member w/o CSB 2.2 Post-Aug 86 Member w/CSB
***65**	Dec 1, 2024 (note 3)	2.5 Pre-Aug 86 Member 2.5 Post-Aug 86 Member w/o CSB 1.5 Post-Aug 86 Member w/CSB

NOTES:

1. Effective April 1, 1983, COLA provided a 3.3 percent or 3.9 percent adjustment for members whose pay was computed on basic pay rates in effect before October 1, 1982. Members under age 62 on March 1, 1983, were entitled to a 3.3 percent increase. Members who are age 62 or older on March 1, 1983, or who retired by reason of physical disability under ***10 U.S.C., Chapter 61***, were entitled to a 3.9 percent increase. There is no entitlement to a partial COLA on April 1, 1983, for members whose pay was computed on the basic pay rates effective October 1, 1982. (The CPI declined from 292.8 in September 1982 to 290.0 in December 1982.)

2. See the associated COLA paragraph in section 4.0 to determine whether member's COLA is delayed.

3. Separate retired pay COLA is applicable for those who first became members of a uniformed service on or after August 1, 1986, who elected to receive a CSB. See Volume 7A, Chapter 66 for information on CSB.

*REFERENCES

CHAPTER 8 - BASIC PAY RATES, LEGISLATIVE CHANGES, AND COST-OF-LIVING ADJUSTMENTS (COLA) TO RETIRED PAY

1.0 – GENERAL

1.2	10 U.S.C. § 1401a(b) Public Law 85-422, June 1, 1958

2.0 – DEFINITIONS

2.1	10 U.S.C. § 1401a(b)
2.3	53 Comp. Gen. 698 Public Law 94-106, October 7, 1975
2.10	10 U.S.C. § 1401a(h)
2.13	5 U.S.C. § 8301
2.15	10 U.S.C., Chapter 1223

3.0 - MAJOR CHANGES IN THE USE OF BASIC PAY RATES AND CONDITIONS APPLICABLE TO COMPUTATION OF RETIRED PAY

3.1	10 U.S.C. § 1401a Public Law 88-132, October 2, 1963
3.2	10 U.S.C. § 1401a 10 U.S.C. § 1401a(c) through (e) Public Law 90-207, October 1, 1967 10 U.S.C. § 1401a(e) Public Law 98-94, section 921, September 24, 1983
3.3	10 U.S.C. § 1401a Public Law 91-179, October 31, 1969 Public Law 94-440, October 1, 1976
3.4	Public Law 85-422, June 1, 1958 53 Comp. Gen. 698
3.5	10 U.S.C. § 1401a(f) Public Law 94-106, October 7, 1975 10 U.S.C. § 1402 Public Law 113-66, section 631, December 26, 2013
3.6	10 U.S.C. § 1407 Public Law 96-342, September 8, 1980
3.7	5 U.S.C. § 8301(a) and (b) Public Law 98-270, April 18, 1984
3.8	10 U.S.C., Chapters 61 and 1223

REFERENCES (Continued)

5.0 – PROVISIONS OF PAY CHANGES, EXCEPTIONS, AND SPECIAL COMPUTATIONS STARTING DECEMBER 2005

5.1.1	OUSD (P&R) Memo, November 17, 2009
5.1.2	Public Law 111-84, October 28, 2009 Executive Order 13525, December 23, 2009
5.2.1	OUSD (P&R) Memo, November 12, 2010
5.2.2	Executive Order 13561, December 22, 2010
5.3	Public Law 111-383, section 631, January 7, 2011
5.4.1	OUSD (P&R) Memo, November 22, 2011
5.4.2	Executive Order 13594, December 19, 2011
5.5.1	Office of the Assistant Secretary of Defense (OASD) (Manpower and Reserve Affairs (M&RA)) Memo, November 08, 2012
5.5.2	Executive Order 13641, April 5, 2013
5.6.1	OASD (M&RA) Memo, November 14, 2013
5.6.2	Executive Order 13655, December 23, 2013
5.7.1	OASD (M&RA) Memo, November 13, 2014
5.7.2	Executive Order 13686, December 19, 2014
5.8.1	OASD (M&RA) Memo, November 5, 2015
5.8.2	Executive Order 13715, December 18, 2015
5.9.1	OASD (M&RA) Memo, November 21, 2016
5.9.2	Executive Order 13756, December 27, 2016
5.10.1	OASD (M&RA) Memo, November 27, 2017
5.10.2	Executive Order 13819, December 22, 2017
5.11.1	OASD (M&RA) Memo, November 1, 2018
5.11.2	Executive Order 13856, December 28, 2018
5.12.1	OASD (M&RA) Memo, October 30, 2019
5.12.2	Executive Order 13901, December 26, 2019
5.13.1	OASD (M&RA) Memo, November 4, 2020
5.13.2	Executive Order 13970, December 31, 2020
5.14.1	OASD (M&RA) Memo, November 18, 2021
5.14.2	Executive Order 14061, December 22, 2021
5.15.1	OASD (M&RA) Memo, November 14, 2022
5.15.2	Executive Order 14090, December 23, 2022
5.16.1	OASD (M&RA) Memo, November 9, 2023
5.16.2	Executive Order 14113, December 26, 2023
5.17.1	OASD (M&RA) Memo, November 13, 2024
5.17.2	Executive Order 14132, December 23, 2024

REFERENCES (Continued)

Table 8-1

OSD (FMP) (Comp) Memo, December 10, 1999
OSD (FMP) (MPP) (Comp) Memo, November 9, 2000
OSD (FMP) (MPP) (Comp) Memo, December 20, 2001
OSD (FMP) (MPP) (Comp) Memo, March 24, 2003
OSD (FMP) (MPP) (Comp) Memo, December 8, 2003
OSD (FMP) (MPP) (Comp) Memo, December 2, 2004
OUSD (P&R) Memo, November 28, 2005
OUSD (P&R) Memo, November 8, 2006
OUSD (P&R) Memo, November 9, 2007
OUSD (P&R) Memo, October 29, 2008
OUSD (P&R) Memo, November 17, 2009
OUSD (P&R) Memo, November 12, 2010
OUSD (P&R) Memo, November 22, 2011
OASD (M&RA) Memo, November 8, 2012
OASD (M&RA) Memo, November 14, 2013
OASD (M&RA) Memo, November 13, 2014
OASD (M&RA) Memo, November 5, 2016
OASD (M&RA) Memo, November 21, 2015
OASD (M&RA) Memo, November 21, 2016
OASD (M&RA) Memo, November 27, 2017
OASD (M&RA) Memo, November 1, 2018
OASD (M&RA) Memo, October 30, 2019
OASD (M&RA) Memo, November 4, 2020
OASD (M&RA) Memo, November 18, 2021
OASD (M&RA) Memo, November 14, 2022
OASD (M&RA) Memo, November 9, 2023
OASD (M&RA) Memo, November 13, 2024

VOLUME 7B, CHAPTER 9: "ADVANCEMENTS ON RETIRED LIST"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated February 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatted chapter to comply with current administrative instructions.	Revision

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CHAPTER 9

ADVANCEMENTS ON RETIRED LIST

1.0 GENERAL

1.1 Overview

Enlisted Service members and warrant officers who held a higher grade than their retired grade can be advanced on the retired list. Title 10, United States Code (U.S.C.), sections 7344, 8334, and 9344 (***10 U.S.C. § 7344***, ***10 U.S.C. § 8334***, and ***10 U.S.C. § 9344***) entitle certain retired members who retired with less than 30 years of active service to be advanced to the highest grade satisfactorily held when their active service plus service on the retired list totals 30 years. The Secretary of the Military Department concerned (or designee) from which the member retired is responsible for determining whether to advance a member on the retired list. Chapter 1 covers grade at placement on the retired list.

1.2 Purpose

This chapter provides an overview of the requirements for advancements on the retired list of:

1.2.1. Retired members;

1.2.2. Fleet Reservists, and Fleet Marine Corps Reservists, who are retired and whose active service, inactive service (Navy or Marine Corps members only), and service on the retired list or in the Fleet Reserve or Fleet Marine Corps Reserve totals 30 years; and

1.2.3. Members who are found not physically qualified for retention in the Fleet Reserve or Fleet Marine Corps Reserve.

1.3 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with the U.S.C., including Title 10. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 ADVANCEMENTS

2.1 Air Force

A member of the Air Force who retires with less than 30 years of active service is entitled, when his active service plus his service on the retired list totals 30 years, to be advanced on the retired list to the highest grade in which the member served on active duty satisfactorily (or in the

case of the National Guard, in which he served on full-time duty satisfactorily), as determined by the Secretary of the Air Force. This applies to:

2.1.1. Warrant officers of the Air Force;

2.1.2. Enlisted members of the Air Force; and

2.1.3. Reserve enlisted members of the Air Force who, at the time of retirement, are serving on active duty (or, in the case of members of the National Guard, on full-time duty).

2.2 Army

2.2.1. A member of the Army who retires with less than 30 years of service is entitled, when his active service plus service on the retired list totals 30 years, to be advanced on the retired list to the highest grade served on active duty satisfactorily, as determined by the Secretary of the Army.

2.2.2. The Army Grade Determination Review Board (AGDRB) reviews each case individually to determine the highest grade served during active service satisfactorily. This is not an automatic advancement on the retired list and applies to warrant officers of the Army; enlisted members of the Regular Army; and Reserve enlisted members of the Army who, at the time of retirement, were serving on active duty.

2.2.3. Members who retired prior to July 12, 2002, without a grade determination review by the AGDRB, must apply to the AGDRB to initiate the grade determination process. Advancements will not occur until the member reaches the 30-year mark, in accordance with ***Army Regulation 15-80***. If an application is submitted after the 30-year mark, then the effective date of advancement and pay is retroactive to the date of the application to the AGDRB. This applies to:

2.2.3.1. Warrant officers of the Army;

2.2.3.2. Enlisted members of the Regular Army; and

2.2.3.3. Reserve enlisted members of the Army, who at the time of retirement, were serving on active duty (or, in the case of members of the National Guard, on full-time duty).

2.3 Navy and Marine Corps

2.3.1. A member of the naval service who retires with less than 30 years of active service, or who is transferred to the Fleet Reserve or Fleet Marine Corps Reserve, is entitled to be advanced on the retired list to the highest grade in which he served on active duty satisfactorily as determined by the Secretary of the Navy when:

2.3.1.1. The member's active service plus their service on the retired list; or

2.3.1.2. The member's service in the Fleet Reserve or the Fleet Marine Corps Reserve totals 30 years as determined by the Secretary of the Navy.

2.3.2. This applies to:

2.3.2.1. Warrant officers of the naval service;

2.3.2.2. Enlisted members of the Regular Navy and Regular Marine Corps; and

2.3.2.3. Reserve enlisted members of the Navy and Marine Corps who, at the time of retirement or transfer to Fleet Reserve or Fleet Marine Corps Reserve, are serving on active duty.

2.3.3. When a member of the Fleet Reserve or Fleet Marine Corps Reserve has completed 30 years of service, or when the member is found not physically qualified for retention in the Fleet Reserve or Fleet Marine Corps Reserve, as a result of the required quadrennial (every 4 years) physical examination under 10 U.S.C. § 8385, the member may be transferred to:

2.3.3.1. The retired list of the Regular Navy or Regular Marine Corps, if the member was a member of the Regular Navy or Regular Marine Corps at the time of the member's transfer to the Fleet Reserve or Fleet Marine Corps Reserve; or

2.3.3.2. The appropriate Retired Reserve, if the member was a member of the Navy Reserve or Marine Corps Reserve at the time of the member's transfer to the Fleet Reserve or Fleet Marine Corps Reserve.

3.0 EFFECTS ON PAY

3.1 Reduction in Pay Due to Advancement

There is no absolute requirement that a member of the armed forces be advanced on the retired list. If advancement and recomputation results in a reduction of retired pay for the member and is based solely on administrative determination, then, prior to the advancement, the member should be consulted by the military service and advised that the member's retired pay would be reduced if advanced.

3.1.1. If an enlisted member is advanced on the retired list, the retired pay must be recomputed even though a reduction of retired pay would result.

3.1.2. Warrant officers advanced on the retired list are entitled to use only years of active service in determining the percentage multiplier used in computing retired pay for the advanced grade.

3.2 Computation of Retired Pay

Retired pay may be computed at the higher grade in which a member had served satisfactorily without regard to whether the higher grade was temporary or permanent or if the Military Service in which the member held the higher grade is not the Military Service from which the member retired. Where required by statute, the Secretary of the Military Department (or designee) in which the member performed service at the higher grade must provide an administrative approval confirming the member's satisfactory performance at the higher grade.

3.3 Extraordinary Heroism

An enlisted member who was awarded a 10 percent increase in retired pay because of extraordinary heroism performed in the line of duty, is no longer eligible to continue receiving the additional 10 percent upon advancement to officer rank.

3.4 Recomputation of Retired Pay

A member of the armed forces advanced on the retired list is entitled to a recomputation of retired pay by:

3.4.1. Using the rate of monthly basic pay for the grade on the initial date of retirement or transfer if the member first entered a Uniformed Service prior to September 8, 1980, or using the high 36 months retired pay base if the member entered a Uniformed Service after September 7, 1980;

3.4.2. Multiplying the appropriate percentage under ***10 U.S.C. § 1409*** by the total number of years of active service using whole months actually served, in excess of whole years, as 1/12 of a year;

3.4.3. Reducing the percentage determined under subparagraph 3.4.2, in the case of a member who first entered a uniformed service after July 31, 1986, has elected to receive a bonus under ***37 U.S.C. § 354***, has less than 30 years of creditable service, and is under the age of 62 at the time of retirement by:

3.4.3.1. One percentage point for each full year that the member's years of creditable service are less than 30; and

3.4.3.2. One-twelfth of 1 percentage point for each month by which the member's years of creditable service (after counting all full years of such service) are less than a full year; and

3.4.4. Applying all applicable cost-of-living adjustments from the date of initial retirement or transfer

4.0 RESTORATION OF FORMER GRADE

Each retired warrant officer, enlisted member of the Regular Army or Air Force, or enlisted member retired from the Fleet Reserve or Fleet Marine Corps Reserve who has been advanced on

the retired list to a higher commissioned grade, within 3 months after advancement, may apply to the Secretary of the Military Department concerned (or designee) for restoration to the former warrant officer or enlisted grade. If the Secretary of the Military Department concerned (or designee) approves the request, then the member may be restored to the former warrant officer or enlisted grade. A member so restored thereafter is considered for all purposes to be a warrant officer or an enlisted member, as applicable.

REFERENCES

CHAPTER 9 – ADVANCEMENTS ON RETIRED LIST

1.0 – GENERAL

10 U.S.C. § 7344
10 U.S.C. § 8334
10 U.S.C. § 9344

2.0 – ADVANCEMENTS

2.1	10 U.S.C. §§ 7344 and 9344
2.2	10 U.S.C. § 7344 Army Regulation 15-80
2.3	10 U.S.C. § 8331 10 U.S.C. § 8334 10 U.S.C. § 8262(a)

3.0 – EFFECTS ON PAY

3.1	Comp Gen B-155940, February 23, 1965 Comp Gen B-156576, July 22, 1965
3.2	Comp Gen B-164281, March 23, 1970
3.3	10 U.S.C. § 12739 10 U.S.C. § 9361
3.4	10 U.S.C. § 9362 10 U.S.C. § 7362 10 U.S.C. § 8262
3.4.1	Public Law 96-342, section 813, September 8, 1980 10 U.S.C. § 1402a
3.4.2	10 U.S.C. § 1409
3.4.2.3	10 U.S.C. § 1409 10 U.S.C. § 1401a(f)

4.0 – RESTORATION OF FORMER GRADE

10 U.S.C. § 7345
10 U.S.C. § 9345
10 U.S.C. § 8262

VOLUME 7B, CHAPTER 10: "CORRECTION OF RECORDS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated March 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated chapter and formatting to comply with administrative instructions.	Revision
3.2.1	Rephrased subparagraph for clarity.	Revision

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CHAPTER 10

CORRECTION OF RECORDS

1.0 GENERAL

1.1 Purpose

This chapter provides guidance on the payment of claims resulting from the correction of military records. The Boards for Correction of Military Records are the highest level of administrative review within the DoD with the mission to correct errors or remove injustices from military records.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), including Title 10. Due to the subject matter in the chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 BACKGROUND

The Secretary of a Military Department concerned may correct any military record of the Secretary's department when the Secretary considers it necessary to correct an error or remove an injustice. The Secretary will establish procedures for the correction of a military record as approved by the Secretary of Defense. The Secretary of a Military Department, acting through a panel comprised of civilians (Board) of the executive part of that Military Department, will make such corrections. The responsibilities for the Correction of Records can be found under the ***DoD Directive (DoDD) 1332.41***, "Boards for Correction of Military Records (BCMRs) and Discharge Review Boards (DRBs)."

2.1 Final and Conclusive

Corrections of military records are final and conclusive on all officers of the United States except when such corrections were obtained through fraud.

2.2 Reaffirmation of Existing Facts

A reaffirmation of existing facts already in the original record does not constitute a proper correction of that record. A proper correction and a right to the payment of money must be a result of a change of facts from those already in the original record, or an addition or deletion of a fact. A recounting of existing facts does not avoid the application of the statute of limitations.

2.3 Statute of Limitations

If a payment is due as a result of a correction of record, the claim for such payment accrues on the date of the correction. A claimant has 6 years from the date of the correction of record to claim the payment owed as a result of the correction of record.

Example: A member of the Navy is transferred to the Fleet Reserve or the Fleet Marine Corps Reserve on May 1, 1999, with 21 years and 3 months of service. On January 2, 2008, his or her record is corrected to show that at the time of transfer the member had 22 years and 3 months of service. Upon correction, the member is entitled to additional retainer pay from the date of transfer in accordance with his or her grade and corrected number of years of creditable service. The claim for the additional payment begins accruing on the date of the Board's decision (January 2, 2008), not on May 1, 1999. The statute of limitation period starts from the date of the record correction rather than from the date of transfer.

3.0 PAY COMPUTATION

3.1 Amounts

Payments based on a correction of military records must be made in the amounts determined to be due by applying pertinent laws and regulations to all the material facts shown in the corrected record. Generally, the payments resulting from the correction of military records are based on the:

3.1.1. Pay entitlement the member had before the correction;

3.1.2. Actual payments made for these entitlements; or

3.1.3. New pay entitlements that accrue as a result of the correction. For specific computation, see Chapter 3 concerning the entitlement to and computation of retired or retainer pay, Chapter 37 for participation in and payment of survivor annuities under the Retired Serviceman's Family Protection Plan (RSFPP), and/or Chapter 46 for the Survivor Benefit Plan (SBP).

3.2 Settlement

The settlement of retired pay, retainer pay, or survivor annuities due as a result of the correction of a military record must be reduced, as applicable, by:

* 3.2.1. Pay and allowances previously received by a member for active duty military duty or reserve duty involving the same period of time for which the member is now entitled to retired or retainer pay given the record correction;

3.2.2. Prior payments of separation pay, readjustment pay, or disability severance pay;

3.2.3. Prior payments of disability compensation, pensions, or Dependency and Indemnity Compensation made by the Department of Veterans Affairs (DVA);

3.2.4. Federal income tax;

3.2.5. Cost of participation in the RSFPP and/or SBP;

3.2.6. Dual compensation, if a retired Regular officer was employed by the United States Government prior to October 1, 1999; or

3.2.7. Prior payments of the mother's benefit received from Social Security and the amount of the spouse's Social Security entitlement, if any, resulting from the retiree's active military service.

3.3 Deductions From Pay and Allowance

Earnings received from civilian employment, self-employment, or any income protection plan (including unemployment insurance) for such employment during any period for which active duty pay and allowances are payable will be deducted from the settlement. To the extent authorized by law and regulation, amounts found due must be reduced by the amount of any existing indebtedness to the government arising from military service.

3.4 Demand for Payment

When payment cannot be made to the member because of member's death, payment may be made to member's legal representative. In the absence of a demand for payment by the legal representative, payments are made:

3.4.1. To the surviving spouse, heir, or beneficiaries, in the order prescribed by the law applicable to that kind of payment; or

3.4.2. In the order of precedence in Chapter 30, subparagraph 2.4.1.

3.5 Claimants Acceptance

A claimant's acceptance of settlement fully satisfies the claim concerned. Settlement of this claim does not preclude payment of a separate and distinct claim and acceptance of settlement does not preclude computation and adjustment when there is a mutual mistake. Payments are not authorized for any claim compensated by private law before October 25, 1951.

4.0 TAX ADJUSTMENT

See Chapter 24, section 10.0.

5.0 APPROPRIATION CHARGES

Any amounts of retired pay, retainer pay, combat related special compensation, concurrent military retirement pay and DVA disability compensation, and SBP annuities that are due in the future as a result of the correction are charged to the DoD Military Retirement Fund. Any other amounts due and payable for past periods as a result of the correction (for a time period before the date of approval by the Secretary of the Military Department) are paid utilizing an applicable appropriation.

6.0 RESTRICTIONS

No payment resulting from a correction of records may be made for a benefit to which the claimant might later become entitled under the laws and regulations administered by the Secretary of Veterans Affairs.

REFERENCES

CHAPTER 10 – CORRECTION OF RECORDS

2.0 – BACKGROUND	
	10 U.S.C. § 1552(a)(2)
	DoDD 1332.41, February 2, 2022
2.1	10 U.S.C. § 1552(a)(4)
2.2	B-179467, May 2, 1974
	39 Comptroller General 178 (1959)
	Defense Office of Hearing and Appeals Claims Case Number 04090713, (December 8, 2004)
2.3	10 U.S.C. § 1552(a) and (b)
	31 U.S.C. § 3702
3.0 – PAY COMPUTATION	
3.4	10 U.S.C. § 1552(c)(2)
	10 U.S.C. § 2771
3.5	10 U.S.C. § 1552(c)(3)
5.0 – APPROPRIATION CHARGES	
	10 U.S.C. § 1552(c)(1)
6.0 – RESTRICTIONS	
	10 U.S.C. § 1552(e)

VOLUME 7B, CHAPTER 11: "REMOVAL FROM THE TEMPORARY DISABILITY RETIRED LIST (TDRL)"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated May 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
5.2, 5.3, and 5.4	Renumbered and rephrased paragraphs with reference to 10 U.S.C. § 1201, 10 U.S.C. § 1204, and 10 U.S.C. § 1210 for clarity.	Revision
6.5	Updated with clarification on the recoupment or collection as a debt for Disability Severance Pay subsequent to the entitlement of military retirement pay.	Revision
References	Updated references.	Revision

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CHAPTER 11

REMOVAL FROM THE TEMPORARY DISABILITY RETIRED LIST (TDRL)

1.0 GENERAL

1.1 Purpose

The purpose of this chapter is to provide information and guidance for the Secretary concerned and members who are on the TDRL or become eligible for placement on the TDRL because of physical disability in accordance with Title 10, United States Code (U.S.C.), Chapter 61. A Service member may be placed on the TDRL when the member meets the requirements for permanent disability retirement, except that the member's disability is not determined to be stable. A disability must be determined to be stable when the preponderance of medical evidence indicates the severity of the condition will probably not change. A determination on whether a disability is stable must occur within 5 years of the member being placed on the TDRL prior to January 1, 2017, or within 3 years for members placed on the TDRL on or after January 1, 2017. TDRL must be managed to meet the requirements under 10 U.S.C., Chapter 61 for periodic physical examination, suspension of retired pay, and prompt removal from the TDRL.

1.2 Authoritative Guidance

The pay policies and requirements established by Department of Defense (DoD) in this chapter are derived primarily from, and prepared in accordance with Title 10 of the U.S.C. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 TDRL

2.1 Placement on the TDRL

If the Secretary concerned determines that a member is unfit to perform the duties of his or her office, grade, rank, or rating because of physical disability that would qualify for disability retirement, except that the member’s disability is not determined to be stable, the member may be placed on the TDRL. For retired pay computations, see Chapter 3.

2.2 Members Eligible to be Placed on the TDRL

The following members are eligible upon determination by the Secretary concerned for placement on the TDRL:

2.2.1. A member of a regular component of the Armed Forces entitled to basic pay;

2.2.2. Any other member of the Armed Forces entitled to basic pay who has been called or ordered to active duty (other than for training under ***10 U.S.C., section 10148(a)***) for a period of more than 30 days; or

2.2.3. Any other member of the Armed Forces who is on active duty but is not entitled to basic pay by reason of ***37 U.S.C. § 502(b)*** due to authorized absence to participate in an educational program, or for an emergency purpose, as determined by the Secretary concerned.

2.3 Requirements While on the TDRL

A member may be placed on the TDRL upon a determination by the Secretary concerned that the member meets the requirements for permanent disability retirement, except that the member's disability is not determined to be stable. The following requirements under ***10 U.S.C. § 1210*** must be met by the member and/or the Secretary of the Military Department concerned (or designee), as applicable, in maintaining the TDRL.

2.3.1. A member on the TDRL must be given a physical examination at least once every 18 months to determine whether there has been a change in the disability, for which the member was temporarily retired.

2.3.2. The maximum period a member may be carried on the TDRL is:

2.3.2.1. Five years after the date the member's name was placed on the TDRL, if the member was placed on the TDRL prior to January 1, 2017; or

2.3.2.2. Three years after the date the member was placed on the TDRL, if the member was placed on the TDRL on or after January 1, 2017.

2.3.3. The Secretary of the Military Department concerned (or designee) may make a final determination as to the member's disability after a periodic physical examination and will make a final determination no later than the expiration date of the member's eligibility to be on the TDRL. If, at the time of that determination, the physical disability for which the member's name was carried on the TDRL still exists, it is considered to be of a permanent nature and stable.

3.0 TERMINATION DATE OF TEMPORARY DISABILITY RETIRED PAY

3.1 Final Determination by the Secretary of the Military Department Concerned

The Secretary concerned makes a final determination that a member on the TDRL is either fit for duty or unfit for duty. A qualified member found fit for duty may be returned to active duty, appointed, reappointed, enlisted or reenlisted in a reserve component, transferred to the inactive reserve, or transferred to the Fleet Reserve or the Fleet Marine Corps Reserve. If the member declines these options and is otherwise eligible, he or she may be retired or discharged without

disability. A qualified member found unfit for duty will be separated with either a disability severance or transferred to the Permanent Disability Retired List (PDRL).

3.2 Termination of Disability Retired Pay

Unless immediately transferred to the PDRL, the disability retired pay of a member terminates on the earlier of the following:

3.2.1. The date of recall to active duty;

3.2.2. The date of resumption of status in Fleet Reserve or Fleet Marine Corps Reserve;

3.2.3. The date of appointment, reappointment, enlistment, or reenlistment in the reserve forces, including the inactive reserve;

3.2.4. The date of discharge, if a qualified member declines any offer in subparagraphs 3.2.1 through 3.2.3;

3.2.5. The date a member's disability is determined to be less than 30 percent, if the member will be separated for physical disability;

3.2.6. Any date specified by the Secretary concerned in the event the member fails to report for a periodic physical examination; or

3.2.7. If a member is not otherwise removed from the TDRL for any of the reasons stated in subparagraphs 3.2.1 through 3.2.6, the member's disability retired pay will terminate upon expiration of:

3.2.7.1. The 5-year period after the date the member was placed on the TDRL, if the member was placed on the TDRL prior to January 1, 2017, or

3.2.7.2. The 3-year period after the date the member was placed on the TDRL, if the member was placed on the TDRL on or after January 1, 2017.

3.3 Notification to Department of Veterans Affairs (VA)

If a total or partial VA waiver of retired pay is in effect on the date of the retiree's discharge from the TDRL, Defense Finance and Accounting Service, Cleveland (DFAS-CL) must notify the appropriate VA office of the effective date of discharge. The notification, if applicable, should include the amount of Disability Severance Pay (DSP) entitlement, and whether the disability resulting in that pay incurred in the line of duty in a combat zone or from performance of duty in combat-related operations. When available, DFAS-CL will also provide the VA with the DoD assigned disability codes for which the DSP was paid.

4.0 FOUND FIT FOR DUTY

4.1 Determined to be Physically Fit for Duty

If, as a result of the physical examination or determination by the Secretary of the Military Department concerned (or designee), as referenced in section 2.0, it is determined that the member is physically fit to perform the duties of the office, grade, rank, or rating, the member will be removed from the TDRL. See Table 11-1.

4.2 Available Options for Member Found Fit for Duty

Any member removed from the TDRL may, with his or her consent, be recalled to active duty, appointed, reappointed, enlisted, or reenlisted; resume status in the Fleet Reserve or Fleet Marine Corps Reserve; or be placed on the non-disability retired list, if eligible. A member found fit for duty, who does not consent to recall, appointment, reappointment, enlistment, reenlistment, resumption of status, or placement on a retired list, must be discharged without disability as soon as practicable.

5.0 FOUND UNFIT FOR DUTY

5.1 Determined to be Physically Unfit for Duty

If it is established by the physical examination or determination by the Secretary of the Military Department concerned that the member is physically unfit to perform the duties of the office, grade, rank, or rating, and that the disability is of a permanent nature, the member will be removed from the TDRL (referenced in section 3.0). Except for members approved for permanent limited duty, a member who is found to be unfit will be retired, if eligible for retirement, or if not eligible for retirement, separated. DSP is described in Volume 7A, Chapter 35. See Table 11-1.

*5.2 Physical Disability of at Least 30 Percent

If the member's physical disability is determined to be at least 30 percent under the standard schedule of rating disabilities in use by the VA at the time of the determination, the member may be removed from the TDRL and will be retired by reason of permanent physical disability, pursuant to ***10 U.S.C. § 1201*** or ***10 U.S.C. § 1204*** with retired pay computed under ***10 U.S.C. § 1401***. See Table 11-1, Rule 3.

*5.3 Physical Disability Less Than 30 Percent and at Least 20 Years of Service

If the member's physical disability is determined to be less than 30 percent under the standard schedule of rating disabilities in use by the VA at the time of the determination, and the member has at least 20 years of service, the member may be removed from the TDRL and will be retired by reason of permanent physical disability, pursuant to 10 U.S.C. § 1201 or 10 U.S.C. § 1204, with retired pay computed under 10 U.S.C. § 1401. See Table 11-1, Rule 2.

*5.4 Physical Disability Less Than 30 Percent and Less Than 20 Years of Service

If the member's physical disability is determined to be less than 30 percent under the standard schedule of rating disabilities in use by the VA at the time of the determination, and the member has less than 20 years of service, the member may be separated by reason of permanent physical disability with DSP. See Table 11-1, Rule 1.

6.0 DISABILITY SEVERANCE PAY (DSP)

6.1 DSP

A member removed from the TDRL under subparagraph 5.4 may be separated with DSP as described in Volume 7A, Chapter 35.

6.2 Service Requirement for DSP

There is no minimum amount of service time required to be eligible for DSP. The maximum number of years of service for computing the DSP will be 19 years. The minimum number of years for computation purposes will be:

6.2.1. Six years in the case of a member separated from the Armed Forces for a disability incurred in the line of duty in a combat zone (as designated by the Secretary of Defense) or incurred during the performance of duty in combat-related operations as designated by the Secretary of Defense; or

6.2.2. Three years in the case of any other member.

6.3 Tax Requirement

To determine the taxability of the DSP, see Volume 7A, Chapter 35.

6.4 DSP and VA Disability Compensation

The amount of DSP received under ***10 U.S.C. § 1212*** may be subject to recoupment by the VA. The member should contact the applicable VA office for more information. Effective January 28, 2008 and later, no deduction is made in the case of DSP received by a member for a disability incurred in the line of duty in a combat zone or incurred during performance of duty in combat-related operations as designated by the Secretary of Defense. No deduction is made from any death compensation to which the former member's dependents become entitled after the member's death.

*6.5 Subsequent Entitlement to Retired Pay

DSP will be recouped or collected as a debt subsequent to the entitlement of military retired pay as follows:

6.5.1. In the event a member is separated due to physical disability and is paid DSP, and then subsequently becomes entitled to military retired or retainer pay under Chapters 71, 741, 841, 941, 1223 of Title 10 or any other provision of law, each payment of retired or retainer pay is subject to recoupment until the total amount recouped is equal to the total amount of DSP. See Chapter 4, Paragraph 6.2.

6.5.2. In the event a member is separated due to physical disability and is paid DSP, and then subsequently becomes entitled to military retired or retainer pay due to a change to his military record to show that he was retired rather than separated, the payment of DSP becomes erroneous and subject to collection as a debt. The full amount of the member's debt will be deducted from any retroactive retired pay entitlements that become due as a result of the retirement. The debt is subject to consideration for waiver under ***10 U.S.C. § 2774***. See Chapter 4, Paragraph 6.3.

Table 11-1. Removal From the TDRL

RULE	If the member's disability	the member may be	and is entitled to
1	is less than 30 percent and member has less than 20 years of service as determined by *10 U.S.C. § 1208*	discharged under *10 U.S.C § 1203* or *10 U.S.C. § 1206*	disability severance pay computed under 10 U.S.C. § 1212 and Volume 7A, Chapter 35.
2	is less than 30 percent and member has at least 20 years of service	removed from the TDRL and retired under 10 U.S.C. § 1201 or 10 U.S.C. § 1204	retired pay computed under 10 U.S.C. § 1401 and Chapter 3. The TDRL entitlement terminates on date of removal and transfer to PDRL (Notes 1 and 2).
3	is 30 percent or more	removed from the TDRL and retired under 10 U.S.C. § 1201 or 10 U.S.C. § 1204	retired pay computed under 10 U.S.C. § 1401 and Chapter 3. The TDRL entitlement terminates on date of removal and transfer to PDRL (Notes 1 and 2).
4	no longer exists and member is found fit for duty and is a member of the Army or Air Force (Note 3)	with his or her consent, recalled to active duty, appointed, reappointed, enlisted, or reenlisted	termination of disability retired pay, computed under 10 U.S.C § 1401 and Volume 7A, Chapter 35, on the date of appointment, reappointment, enlistment, reenlistment, or resumption of duties or status (Notes 1 and 2).
5	no longer exists and member is found fit for duty and is a member of the Navy, Marine Corps, or Coast Guard (Note 3)	with his or her consent, recalled to active duty, appointed, reappointed, enlisted, or reenlisted, or resume status in the Fleet Reserve or Fleet Marine Corps Reserve	termination of disability retired pay, computed under 10 U.S.C § 1401 and Volume 7A, Chapter 35, on the date of appointment, reappointment, enlistment, reenlistment, or resumption of duties or status (Notes 1 and 2).
6	no longer exists and member is found fit for duty (Note 3)	discharged without disability severance pay if member does not consent to be recalled, appointed, reappointed, enlisted, or reenlisted	no retired pay after effective date of separation under 10 U.S.C. § 1203 or 10 U.S.C. § 1206 (Note 3).

Notes:
1. The date the member completes 5 years on the TDRL supersedes this effective date. See subparagraph 2.3.2.1.
2. Effective January 1, 2017, this is the date the member completes 3 years if placed on the TDRL. See subparagraph 2.3.2.2.
3. If the member is fit, there is no disability percentage. See 10 U.S.C. § 1210(f).

*REFERENCES

CHAPTER 11 – REMOVAL FROM THE TEMPORARY DISABILITY RETIRED LIST (TDRL)

1.0 – GENERAL	10 U.S.C., Chapter 61 DoD Instruction (DoDI) 1332.18, August 5, 2014 (Incorporating Change 1, May 17, 2018)

2.0 – TEMPORARY DISABILITY RETIREMENT LIST (TDRL)

2.1	10 U.S.C. § 1202 10 U.S.C. § 1205
2.2	10 U.S.C. § 1201(c)
2.3.1	10 U.S.C. § 1210(a)
2.3.2.2	10 U.S.C. § 1210(h)
2.3.3	10 U.S.C. § 1210(b) National Defense Authorization Act (NDAA) for FY 2017, section 525

3.0 – TERMINATION DATE OF TEMPORARY DISABILITY RETIRED PAY

3.2	10 U.S.C. § 1210(c) and (d)
3.2.1	10 U.S.C. § 1211(d)(1)
3.2.2	10 U.S.C. § 1211(d)(2)
3.2.3	10 U.S.C. § 1211(d)(3)
3.2.4	10 U.S.C. § 1211(c)
3.2.5	10 U.S.C. § 1210(e)
3.2.6	10 U.S.C. § 1210(a)
3.2.7	10 U.S.C. § 1210(h) NDAA for FY 2017, section 525

4.0 – FOUND FIT FOR DUTY

4.1	10 U.S.C. § 1210(f)
4.2	10 U.S.C. § 1211(c)

5.0 – FOUND UNFIT FOR DUTY

5.1	10 U.S.C. § 1210(c), (d) and (e)
5.2	10 U.S.C. § 1201(b)(3)(B) 10 U.S.C. § 1204(4)(B) 10 U.S.C. § 1210(c) 10 U.S.C. § 1210(f)

REFERENCES (Continued)

5.3	10 U.S.C. § 1201(b)(3)(A) 10 U.S.C. § 1204(4)(A) 10 U.S.C. § 1210(d)
5.4	10 U.S.C. § 1210(e)

6.0 – DISABILITY SEVERANCE PAY

6.2	10 U.S.C. § 1212(c)
6.3	10 U.S.C. § 1212(d)
6.5	Comptroller General B-270349, Dec. 17, 1996 10 U.S.C. 1174(h)

VOLUME 7B, CHAPTER 12: "WAIVER OF RETIRED PAY"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated July 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated chapter with hyperlinks and formatting to comply with current administrative instructions.	Revision
2.6	Language previously used to eliminate stigmatizing language replaced by the Office of the General Counsel with the word "incapacitated."	Revision

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CHAPTER 12

WAIVER OF RETIRED PAY

1.0 GENERAL

1.1 Purpose

This chapter provides guidance for the waiver of retired pay. It includes the member's rights to retired pay, explains the exception provisions as authorized by law to waive retired pay and the impact of Veterans benefits on retired pay.

1.1.1. Retired pay is a statutory right and, as such, cannot be waived except as authorized by law. The following statutes and regulations authorize a member to waive entitlement to retired pay:

1.1.1.1. Title 38, United States Code, section 5305 (***38 U.S.C. § 5305***) permits a member to waive military retired pay in order to receive compensation or pension from the Department of Veterans Affairs (VA).

1.1.1.2. ***Title 5, Code of Federal Regulations (CFR), section 831.301***, ***5 U.S.C. § 8332(c)***, *and* ***5 U.S.C. § 8411***, permit a member to include creditable military service in computing a civil service retirement annuity.

1.1.2. Generally, a member may not waive his or her right to retired pay. See subparagraphs 1.1.1.1 and 1.1.1.2 for exceptions. Even if retired pay is not being sent to a member on a monthly basis (for example, the member's whereabouts are unknown), the retired pay continues to accrue. Since, for income tax purposes, such retired pay is deemed to have been constructively received by the member once it is made available and can be drawn upon, it is subject to the tax withholding and reporting requirements of ordinary wages.

1.1.3. VA benefits are nontaxable income for federal, state, and local income taxation. See Chapter 24 for computation of taxable pay and Chapter 25 for federal income tax withholding.

1.1.4. VA benefits may exceed the retired pay entitlement.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the U.S.C., including Titles 5, 10, 22, 31, 37, and 38. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 DEPARTMENT OF VETERANS AFFAIRS (VA) BENEFITS

2.1 Dual Benefits

In general, a retiree receiving retired pay who is also eligible to receive disability compensation/pension from the VA is barred from receiving concurrent payments of both retired pay and the VA benefit, unless the member elects to waive the portion of retired pay that is equal to the amount of the VA benefit awarded. However, effective January 1, 2004, pursuant to Public Law 108-136, section 641 (e), November 24, 2003, codified at ***10 U.S.C. § 1414***, certain retirees may receive both retired pay and the VA disability compensation concurrently. See Chapter 64 for additional information on concurrent receipt of both retired pay and VA disability compensation.

2.2 Improved VA Pension

A retiree receiving retired pay who also is eligible to receive an improved VA pension from the VA is not required to waive any retired pay, effective October 1, 1980.

2.3 Initial Award of VA Disability Compensation

2.3.1. The time frame for processing the initial waiver of military retired pay in favor of an initial award of VA disability compensation is in accordance with agreements set forth in the "Memorandum of Understanding (MOU) between the Department of Veterans Affairs (VA) and the Defense Finance and Accounting Service (DFAS) – Cleveland" for Retired Pay and Survivor Annuities, hereinafter referred to as "MOU".

2.3.2. Responsibility between the DFAS and the VA for recouping overpayments is in accordance with the MOU.

2.3.3. The Dual Compensation Act, ***5 U.S.C. § 5532***, which required a reduction in retired pay for military retirees employed in civil service positions, was repealed effective October 1, 1999. Prior to the repeal, when a regular retired officer employed by the Federal Government or instrumentality thereof waived his or her retired pay in lieu of VA benefits during the period of a retroactive initial award of VA benefits, all amounts classified as retired pay were subject to reduction under the dual compensation formula. Disability compensation payable by the VA is not retired pay. Payments equal to the VA compensation entitlement, and received after the effective date of the waiver, are classified as disability compensation and have never been subject to reduction under the Dual Compensation Act. If a member executes a retroactive waiver of retired pay for a period prior to October 1, 1999, then the DFAS Cleveland site must recompute any dual compensation reduction as of the retroactive effective date of the waiver. The member must authorize the VA in writing to pay any additional compensation due after deducting any retired pay overpayment. The VA will forward new pay data to the DFAS Cleveland site in accordance with the MOU.

2.4 Change in VA Disability Compensation Awards

2.4.1. For increased or reduced awards, or a statutory increase, see the MOU.

2.4.2. If a retiree is receiving Federal Employee Compensation Act benefits and is receiving VA benefits, the member will continue to receive both benefits unless the benefits are payable for the same injury.

2.5 Withdrawal of Waiver

A retiree who has waived retired pay in favor of VA benefits may withdraw the waiver and elect to receive retired pay at any time. The retiree must submit a notification of the withdrawal of the previous waiver of retired pay to the VA on VA Form 21-526, Veteran's Application for Compensation and/or Pension. The retiree will check the box on VA Form 21-526, Part V, Item 25, under the statement, "NO, I DO NOT WANT VA COMPENSATION IN LIEU OF MILITARY PAY." This renouncement of VA benefits does not preclude the retiree from filing a new waiver of retired pay at a later date, enabling the retiree to receive VA benefits again. The effective date or reinstatement of retired pay is determined by the VA procedures outlined in subparagraphs 2.5.1 and 2.5.2.

2.5.1. When the VA is the initial recipient of the request or withdrawal, the VA will notify the DFAS retired pay activity of the effective date of termination of VA benefits. The effective date is the first of the month after the month of the request for withdrawal or termination of VA benefits, whichever is later. See the MOU.

2.5.2. When the DFAS retired pay activity is the first recipient of the request for withdrawal, it will send the request to the appropriate VA office with a cover letter indicating the monthly gross retired pay. Upon receipt, the VA follows the procedure in subparagraph 2.5.1.

*2.6 Withdrawal When the Retiree is Ruled Incapacitated

The trustee or guardian may request withdrawal of a previously executed waiver of retired pay of a retired member who has been determined to be incapacitated. The VA will terminate VA benefits and the DFAS will restore retired pay. The effective date for the restoration of retired pay will be the first day of the month following the month of the termination of VA benefits. See the MOU.

2.7 Survivor Benefit Plan (SBP)

Any retiree participating in SBP who waives retired pay in favor of VA benefits may:

2.7.1. Authorize the VA to withhold the cost of the SBP from the benefits awarded and remit that amount to the cognizant retired pay activity (see Chapters 45 and 54);

2.7.2. Be subject to involuntary collection action by DFAS. Such collection action is subject to the provisions of ***31 U.S.C. § 3701(a)(1)*** and ***31 U.S.C. § 3716***; or

2.7.3. Directly remit the cost of the SBP to the cognizant retired pay activity.

3.0 CIVIL SERVICE RETIREMENT AND FEDERAL EMPLOYMENT RETIREMENT SYSTEM

3.1 Credit of Military Service for Computing Civil Service Annuity

A retiree receiving retired pay, pursuant to any provision of law authorizing such payments, who applies for a retirement annuity under the laws administered by the Office of Personnel Management (OPM), or the Foreign Service, may elect to waive their retired pay in order to obtain credit for their military service for the purpose of increasing their civil service annuity. To avoid a delay in adjudicating a civil service retirement claim, the member should execute a waiver and send it to the DFAS at least 60 days before the anticipated starting date of the annuity.

3.2 Creditable Service

If a member waives retired pay, then all periods of military service before the date of separation on which entitlement to military retired pay is based are creditable.

3.2.1. A member will receive credit for military service without waiver of retired pay, if the member was awarded retired pay:

3.2.1.1. On account of a service connected disability:

3.2.1.1.1. Incurred in combat with an enemy of the United States; or

3.2.1.1.2. Caused by an instrumentality of war and incurred in the line of duty during a period of war as defined by ***38 U.S.C. § 1101***. The term "period of war" includes, in the case of any veteran, any period of continuous service performed after December 31, 1946 and before July 26, 1947, if such period began before January 1, 1947.

3.2.1.2. For non-regular (reserve) service under ***10 U.S.C., Chapter 1223***.

3.2.2. A member who was awarded retired pay because of military service other than service described in subparagraph 3.2.1 will be required to waive retired pay in order to receive credit for military service for Civil Service Retirement.

3.3 Initial Waiver

A retiree may request waiver of retired pay so that military service may be used in establishing eligibility for and/or computation of civil service retirement annuity. The request for waiver of retired pay must contain the retiree's signature and the effective date of the waiver of retired pay. Certain civil service annuities, starting on or after October 1, 1982, commence the first day of the month after separation from civil service or when pay ceases and the service and age requirements for entitlement to annuity are met. Individuals retiring during the first 3 days of a month are excluded; their annuities begin the following day. Also excluded are survivor

annuities, disability annuities, or discontinued service annuities based on involuntary separation, death, or last day of pay. The member should also authorize the OPM to withhold amounts necessary from the civil service retirement annuity to repay amounts of retired pay paid beyond the effective date of the waiver. The retired pay activity notifies the OPM of the date retired pay is waived. The OPM, in turn, advises the retired pay activity of the actual date a member's civil service retirement annuity started, enabling the retired pay activity to make any final settlement that might be due the retired member.

3.4 Dual Waivers

3.4.1. Federal law prohibits the credit of military service for civil service retirement annuity purposes if the retiree is receiving retired pay based on any period of military service, except retired pay awarded in accordance with subparagraph 3.2.1.

3.4.2. A retiree who is in receipt of retired pay which bars credit for military service may elect to waive the retired pay and have the military service added to civilian service for civil service annuity computation purposes subject to deposit requirements established by civil service law.

3.4.3. Individuals whose civilian retirement is not based on disability need not renounce VA benefits to receive credit for military service if they waive their military retired pay for civil service annuity computation purposes.

3.5 Withdrawal of Waiver

The waiver of military retired pay to receive an increased civil service retirement annuity may be withdrawn and military retired pay reinstated under these conditions:

3.5.1. The waiver of military retired pay may be withdrawn when the member becomes a reemployed annuitant and the civil service annuity terminates.

3.5.2. A civil service retirement retiree, who becomes eligible for Social Security benefits based on the member's wages and/or self-employment income, must exclude their military service performed after 1956 from the computation of their civil service annuity. The waiver may be withdrawn, and retired pay must be reinstated, but only if the military service was not used to establish eligibility for a civil service retirement annuity.

3.5.3. A member may revoke a waiver of military retired pay at any time providing this will not produce dual retirement benefits based on the same period of service.

3.6 Relationship of Civil Service Survivor Annuity to Military SBP

When a retiree, who is participating in the survivor annuity program, elects to waive retired pay in favor of civil service retirement, the retiree is required to pay the SBP cost during the period the waiver is in effect unless the OPM notifies the DFAS that the member elected to provide spouse coverage under the civil service annuity program.

3.7 Address

The correspondence address for the OPM and the Foreign Service are:

U.S. Office of Personnel Management
Retirement Operations Center
Post Office Box 45
Boyers, PA 16017

Office of Retirement
Department of State, SA-1, H-620
2401 E. Street NW
Washington, DC 20522

4.0 WAIVER OF PAY FOR RESERVE DUTY AFTER RETIREMENT

4.1 Definitions

4.1.1. Retired member, as used in this section refers to a member of the Army, Navy, Air Force, Space Force, Marine Corps or Coast Guard who because of earlier military service is entitled to pension, retired or retainer pay, or disability compensation.

4.1.2. Active duty, as used in this section, does not include extended active duty (more than 30 days) where strength accountability passes from the Reserve Components to the active military establishment.

4.2 Reserve Training Category

Each Armed Forces Reserve Component is divided into three categories: Ready (active status), Standby (inactive status), and Retired (retired status).

4.2.1. Ready Reserve

4.2.1.1. A member of the Ready Reserve may, without consent, be ordered to active duty by the Secretary of the Military Department concerned (or designee) during a period of war or national emergency, or when otherwise authorized by law.

4.2.1.2. Retired personnel having Ready Reserve status may participate in active duty for training or inactive duty training required by virtue of their assignment in a Reserve Component. Each period of training must be at least 2 hours with a maximum of two training periods in 1 calendar day. Compensation for each regular period of instruction or period of appropriate duty is at the rate of 1/30 of the member's authorized monthly pay and allowance, including that performed on a Sunday or holiday. Where the duty performed is for a continuous period of less than 1 month, compensation for each day of the period is at the rate of 1/30 of the monthly pay and allowances. The 31st day may not be excluded from the computation. A member may perform inactive duty training without pay.

4.2.1.2.1. Active Duty for Training. This duty may include full-time training, annual training tours, or attendance at a school designated as a Military Service school by the Secretary of the Military Department concerned.

4.2.1.2.2. Inactive Duty Training. This training may include assemblies, additional flying training periods, and other additional duties as authorized by the Secretary of the Military Department concerned.

4.2.2. Standby Reserve. A member of the Standby Reserve may be called to active duty only in time of war or national emergency declared by the Congress or when otherwise authorized by law. This member does not participate in the duty referred to in subparagraphs 4.2.1.2.1 or 4.2.1.2.2.

4.2.3. Retired Reserve. A member of the Retired Reserve who is entitled to retired pay may not be placed in the Ready Reserve unless the Secretary of the Military Department concerned (or designee) makes a special finding that the member's services in the Ready Reserve are indispensable. The Secretary or designee may not delegate authority in this instance.

4.3 Entitlement Prior to June 30, 2021

Prior to June 30, 2021, a Reservist entitled to retired pay who performed Reserve training for compensation, except during a period of war or national emergency, may have elected to receive for that duty:

4.3.1. The retired pay to which the member was entitled because of earlier military service; or

4.3.2. The pay and allowances authorized for the duty being performed, if the member specifically waives retired pay. For periods of war or national emergency, see 10 U.S.C. § 12316.

4.4 Effect on Pay Prior to June 30, 2021

Prior to June 30, 2021, a retired member who elected to receive compensation for periods of active duty for training or inactive duty training was required to waive 1 day of retired pay for each calendar day on which the Reserve training was performed. Performance of more than one drill in one calendar day required the withholding of only 1 day of retired pay for that calendar day.

4.4.1. Waiver of Pay. The member must prepare in advance a waiver of retired pay for the entire or remainder of the fiscal year in which the training is to be performed. The waiver form should show, by month, the number of training periods for inactive duty and the inclusive dates of each anticipated active duty tour. Timely preparation of the waiver helped to prevent a possible overpayment of pay.

4.4.2. Supplemental Certificate of Waiver. The certificate is required when a member performed active or inactive duty not covered by the first declaration. This certificate showed the additional days of duty performed by month and was added to the first declaration.

4.4.3. Certificate of Recoupment. The certificate recovered previously waived benefits that exceed active or inactive duty training performed. This request for recoupment must have been signed by the unit commander and could not be submitted earlier than the last day of the fiscal year involved. The schedule for both the active and inactive duty for training could be shown on the same waiver form or certificate.

4.4.4. Adjustment of Pay. Pay is adjusted on an individual basis. Procedures for liquidating an outstanding debt or for collecting cash payment for SBP coverage are the same as for all other retired members.

5.0 PAYMENT OF CERTAIN RESERVES WHILE ON ACTIVE DUTY, PURSUANT TO PUBLIC LAW 116-283, SECTION 621, EFFECTIVE JUNE 30, 2021

5.1 Entitled to Retired or Retainer Pay

Except as provided by paragraph 5.3, a Reserve member of the Army, Navy, Air Force, Space Force, Marine Corps, or Coast Guard who because the Reserve member's earlier military service is entitled to a retired or retainer pay and who performs duty for which the Reserve member is entitled to compensation, may elect to receive for that duty either:

5.1.1. The pay and allowances authorized by law for the duty that the Reserve member is performing; or

5.1.2. If the Reserve member specifically waives those payments, the retired or retainer pay to which the Reserve member is entitled because of the Reserve member's earlier military service.

5.2 Entitled to a Pension or Disability Compensation

Except as provided by paragraph 5.3, a Reserve member of the Army, Navy, Air Force, Space Force, Marine Corps, or Coast Guard who because of the Reserve member's earlier military service is entitled to a pension or disability compensation, and who performs duty for which the Reserve member is entitled to compensation, may elect to receive for that duty either:

5.2.1. The pension or disability compensation to which the Reserve member is entitled because of the Reserve member's earlier military service; or

5.2.2. If the Reserve member specifically waives those payments, the pay and allowances authorized by law for the duty that the Reserve member is performing.

Note: Under 38 U.S.C. § 5304(c), a member is prohibited from receiving VA disability compensation for any period for which he receives active service pay.

5.3 Not Entitled to Retired or Retainer Pay When Ordered to Active Duty for More Than 30 Days in Time of War or National Emergency

A Reserve member ordered to active duty for a period of more than 30 days in time of war or national emergency and found physically qualified to perform that duty is not entitled to retired or retainer payments until the period of active duty ends, unless the retired or retainer payments are greater than the compensation prescribed by subparagraphs 5.1.1 or 5.2.2. Other rights and benefits of the Reserve member or the Reserve member's dependents are unaffected by this paragraph.

5.4 Regulations

The Secretary of Defense shall prescribe regulations under which a Reserve member of the Army, Navy, Air Force, Space Force, Marine Corps, or Coast Guard may waive the pay and allowances authorized by law for the duty the Reserve member is performing under subparagraphs 5.1.2 or 5.2.2.

REFERENCES

CHAPTER 12 – WAIVER OF RETIRED PAY

1.0 – GENERAL

1.1.1	38 U.S.C. § 5305 5 U.S.C. § 8332(c) 5 U.S.C. § 8411 5 CFR 831.301
1.1.2	26 U.S.C. § 3402

2.0 – DEPARTMENT OF VETERANS AFFAIRS (VA) BENEFITS

2.1	38 U.S.C. § 5304 38 U.S.C. § 5305 10 U.S.C. § 1414 Public Law 108-136, section 641(e) November 24, 2003
2.2	MOU between VA/DFAS, February 16, 2017 Public Law 96-385, section 503, October 7, 1980 38 U.S.C. § 5304 38 CFR 3.750
2.3	MOU between VA/DFAS, February 16, 2017
2.3.1	MOU between VA/DFAS, February 16, 2017
2.3.2	MOU between VA/DFAS, February 16, 2017
2.3.3	MOU between VA/DFAS, February 16, 2017 5 U.S.C. § 5532 55 Comptroller General (Comp Gen) 1402
2.4	5 U.S.C § 8116 Public Law 93-416, September 7, 1974 Manuscript (MS) Comp Gen B-222852, April 28, 1987 39 Comp Gen 321
2.5	MOU between VA/DFAS, February 16, 2017

REFERENCES (continued)

2.6	MOU between VA/DFAS, February 16, 2017 50 Comp Gen 80 Deputy Secretary of Defense memo, "Review of Policies to Eliminate Stigmatizing Language Related to Mental Health, dated November 7, 2022
2.7	MOU between VA/DFAS, February 16, 2017 MS Comp Gen B-188932, December 23, 1977 31 U.S.C. § 3701(a)(1) 31 U.S.C. § 3716

3.0 – CIVIL SERVICE RETIREMENT & FEDERAL EMPLOYMENT RETIREMENT SYSTEM

3.1	5 U.S.C., Chapter 83, 84 22 U.S.C., Chapter 14 25 Comp Gen 631 28 Comp Gen 367 43 Comp Gen 551 46 Comp Gen 404
3.2	5 U.S.C. § 8332 (CSRS) 5 U.S.C. § 8411 (FERS) 10 U.S.C., Chapter 1223 38 U.S.C. § 1101
3.3	Public Law 97-253, section 303 September 8, 1982 5 U.S.C. § 8334 and note 5 U.S.C. § 8342 and note 5 U.S.C. § 8348 Public Law 97-377, section 768 December 21, 1982 10 U.S.C. § 1210(c) and (d) 10 U.S.C., Chapter 61
3.4	5 U.S.C. § 8332(c) 5 U.S.C. § 8334 5 U.S.C. § 8411(c) 5 CFR 831.301 55 Comp Gen 684
3.5.1	49 Comp Gen 581

REFERENCES (continued)

3.5.2	5 U.S.C. § 8332(j) 49 Comp Gen 581 41 Comp Gen 460 52 Comp Gen 429 50 Comp Gen 80
3.5.3	41 Comp Gen 460

4.0 – WAIVER OF PAY FOR RESERVE DUTY AFTER RETIREMENT

4.1.1	10 U.S.C. § 12316(a)
4.2	10 U.S.C. § 10141(a) and (b) 32 CFR 64.4 32 CFR 101.5
4.2.1.2	10 U.S.C. § 12301 Volume 7A, Chapter 57 37 U.S.C. §§ 206, 1002, and 1004
4.2.2	10 U.S.C. § 12301 10 U.S.C. §§ 10145, 10146, and 12301 10 U.S.C. § 12316(a)
4.4	MS Comp Gen, B-179882, December 4, 1974 MS Comp Gen, B-207370, March 22, 1983

5.0 – PAYMENT OF CERTAIN RESERVES WHILE ON DUTY, PURSUANT TO PUBLIC LAW 116-283, SECTION 621, EFFECTIVE JUNE 30, 2021

	Public Law 116-283, enacted January 1, 2021, section 621, effective June 30, 2021 10 U.S.C. § 12316

VOLUME 7B, CHAPTER 13: "SUSPENSION OF PAY"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by *bold, italic, blue, and underlined font*.

The previous version dated June 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated chapter and formatting to comply with administrative instructions.	Revision
4.2	Added the annual requirement for retirees having a foreign address to return a completed form for Foreign Address Update for Mailed Check.	Addition
References	Updated references.	Revision

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CHAPTER 13

SUSPENSION OF PAY

1.0 GENERAL

1.1 Purpose

The pay account of a retiree may be placed in a suspended (nonpayment) status for a definite or indefinite period of time. The pay may be suspended to comply with statutory or regulatory requirements or Defense Finance and Accounting Service (DFAS) retired pay procedures. Such suspension may not necessarily affect continued or future entitlement when the requirements or procedures that were the basis for the suspension no longer apply. When a retired member is missing and there is no information concerning his or her whereabouts, the member's retired pay must be suspended from the date that he or she was last known to be alive.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 5, 10, 37 and 38. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 STATUTORY REQUIREMENTS

2.1 Failure to Comply With Statutes

As specified herein, applicable statutes may prohibit the retiree's receipt of concurrent payments, payments after a specific period of time, or payments if a member fails to comply with statutory requirements.

2.2 Retired Pay Suspended

A retiree's pay is suspended (see Table 13-1) if he or she:

2.2.1. Is recalled to active duty, or is otherwise in receipt of active duty pay;

2.2.2. Requests waiver of retired pay because of:

2.2.2.1. An award of Department of Veterans Affairs disability compensation or pension payments, or

2.2.2.2. Military service being used for purposes of qualifying for a U.S. civil service retirement annuity;

2.2.3. Completes 5 years on the Temporary Disability Retired List (TDRL), subject to placement on the Permanent Disability Retired List, if placed on the TDRL prior to January 1, 2017;

2.2.4. Completes 3 years on the TDRL, subject to placement on the Permanent Disability Retired List, if placed on the TDRL on or after January 1, 2017;

2.2.5. Fails to report for a required physical examination while on the TDRL or while a member of the Fleet Reserve/Fleet Marine Corps Reserve;

2.2.6. Is employed by a foreign government (to include local government units within a foreign country, as well as the national government itself) without applicable congressional or secretarial approvals but only after an appropriate determination by the Secretary of the Service concerned; or

2.2.7. Is found to be mentally incapable of managing his or her affairs, and no guardian, trustee, or other legal representative has been appointed. See Chapter 16 for further information.

2.2.8. Is convicted of certain offenses as provided in ***5 U.S.C. § 8312***.

2.3 Retired Pay Suspended by Secretary of the Military Department Concerned

2.3.1. The Secretary of the Military Department concerned may order a retiree's pay suspended after determining that:

2.3.1.1. A felony warrant has been issued against the absent member by the United States:

2.3.1.1.1. Under the authority of ***18 U.S.C. § 1073***, "Flight to avoid prosecution or giving testimony," and the Department of Justice has sought extradition; or

2.3.1.1.2. For violation of the International Parental Kidnapping Act, ***18 U.S.C. § 1204***, or for a crime stated in 5 U.S.C. § 8312; and

2.3.1.2. The member is outside the United States and has willfully remained outside the United States to avoid criminal prosecution for 30 or more consecutive days subsequent to the date of issue of the felony warrant.

2.3.2. Upon receipt of an order issued by the Secretary of the Military Department concerned (or designee) that a retiree's pay be suspended:

2.3.2.1. The DFAS Cleveland site must immediately suspend retired pay. Payment of any amounts subject to involuntary withholding or paid as insurance premiums by previously established allotments must not be suspended, but must continue to be paid from the member's pay unless otherwise directed by the Secretary of the Military Department concerned (or designee).

2.3.2.2. Suspension continues until DFAS Cleveland site receives orders from the Secretary of the Military Department concerned (or designee) to resume monthly payments and to pay the balance of suspended payments. No interest may be paid on any suspended amounts.

3.0 REGULATORY REQUIREMENTS

Retired pay may be suspended if certain situations exist where regulations prohibit making payments. For example, retired pay is suspended if the retiree requests that their check be mailed to addresses outside the United States listed in ***Title 31, Code of Federal Regulations (CFR), part 211.1***. Retiree requests for international Electronic Fund Transfer (EFT) receive specialized processing. The DFAS Cleveland site will send an inquiry to the Federal Reserve Bank to ascertain if the EFT is permitted to the foreign country. The retiree will be advised if the EFT is not permitted.

4.0 ADMINISTRATIVE REQUIREMENTS

4.1 Failure to Provide Timely Administrative Actions and Declines Further Payments

In accordance with the requirements of the DoD Financial Management Regulation and DFAS Cleveland site, Office of Retired Pay procedures, the head of the retired pay activity may suspend retired pay if the retiree fails to take necessary administrative actions on time, or if the retiree declines further payments.

*4.2 Failure to Provide Proof of Existence and Address

Retired pay may be suspended if the retiree:

4.2.1. Fails to furnish the required proof of existence and address. Retiree's having a foreign address and receiving retired pay in the form of a mailed (paper) check will be required to return a Foreign Address Update for Mailed Check (***FAUMC***), to the Retired Pay Department, DFAS Cleveland on an annual basis. Failure to submit an annual receipt of FAUMC to the Retired Pay Department, DFAS Cleveland is a condition for suspension of payment. See also Chapter 15 for further information;

4.2.2. Fails to notify DFAS Cleveland site, Office of Retired Pay, of an address change and the retiree's current address is unknown; or

4.2.3. Refuses to accept further payments.

5.0 EFFECT OF SUSPENSION ON TAXABLE INCOME, FEDERAL INCOME TAX WITHHELD, AND OTHER ACTIONS

5.1 Taxable Income and Federal Income Tax Withheld

The suspension of a retiree's pay account for any reason cited in sections 2.0 through 4.0 may result in the suspension of reporting of taxable income and income taxes withheld as related to retired pay. See Chapter 24 regarding taxable income, tax withheld, and issuance of Internal Revenue Service Form 1099R, "Distribution From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc." The reporting of taxable income and taxes withheld resumes upon removal of the suspension of pay.

5.2 Allotment Deductions

Voluntary allotments of retired pay or retainer pay for military retirees are limited to discretionary and nondiscretionary allotments. General provisions governing allotments of retired pay and administrative procedures are located in Chapter 19.

5.3 Survivor Annuity Deductions

Generally, the retiree's cost for participation in the Retired Serviceman's Protection Plan and/or the Survivor Benefit Plan (SBP), while the retired pay is suspended, will be deducted from the accumulated retired pay or Combat Related Special Compensation (CRSC) (when deductions from the member's retired pay are insufficient to pay the full amount of the SBP premium) upon reinstatement of retired pay or CRSC, pursuant to ***10 U.S.C. § 1452(d)(2)***. See Chapter 63, paragraph 8.3. For special rules regarding SBP, also refer to Chapter 45, Table 45-4.

Table 13-1. Suspension of Retired Pay Statutory Requirements

SUSPENSION OF RETIRED PAY — STATUTORY REQUIREMENTS			
RULE	**If a member of the**	**has pay suspended for**	**then authority is**
1	Army	recall to active duty under ***10 U.S.C. § 688*** or ***10 U.S.C. § 688a***, or for otherwise being in receipt of active duty pay	***38 U.S.C. § 5304(c)*** and ***37 U.S.C. § 903***.
2	Air Force	recall to active duty under 10 U.S.C. § 688 or 10 U.S.C. § 688a, or for otherwise being in receipt of active duty pay	38 U.S.C. § 5304(c) and 37 U.S.C. § 903.
3	Navy or Marine Corps	recall to active duty under 10 U.S.C. § 688 or ***10 U.S.C. § 8385***, or for otherwise being in receipt of active duty pay	38 U.S.C. § 5304(c) and 37 U.S.C. § 903.
4	Armed Forces	waiver of retired pay in favor of Veterans Administration compensation or pension	***38 U.S.C. § 5305***.
5	Armed Forces	waiver of retired pay in favor of civil service annuity	***5 U.S.C. § 8332***.
6	Armed Forces	completion of 5 years on TDRL, if prior to January 1, 2017	***10 U.S.C. § 1210(b) and (h)***.
7	Armed Forces	completion of 3 years on TDRL, if on or after January 1, 2017	10 U.S.C. § 1210(b) and (h)
8	Armed Forces	failure to report for periodic physical for TDRL or while a member of the Fleet Reserve/Fleet Marine Corps Reserve	10 U.S.C. § 1210(a).
9	Armed Forces	employment by a foreign government without congressional or secretarial approvals	Article 1, section 9, clause 8, United States Constitution, ***37 U.S.C. § 908***.
10	Armed Forces	being mentally incapable of managing own affairs	***37 U.S.C., Chapter 11***.
11	Armed Forces	conviction of certain offenses as stated in 5 U.S.C. § 8312	5 U.S.C. § 8312.
12	Armed Forces	being absent from the United States to avoid prosecution for specified crimes.	***Public Law 104-201***, section 633, September 23, 1996; 18 U.S.C. § 1073; 18 U.S.C. § 1204; and 5 U.S.C. § 8312.

*REFERENCES

CHAPTER 13 – SUSPENSION OF PAY

1.0 – GENERAL

1.1	62 Comptroller General (Comp Gen) 211 (1983) 71 Comp Gen 107 (1991)

2.0 - STATUTORY REQUIREMENTS

2.2.1	10 U.S.C. § 688 10 U.S.C. § 688a 10 U.S.C. § 8385
2.2.2.1	38 U.S.C. § 5305
2.2.2.2	5 U.S.C. § 8332
2.2.3	10 U.S.C. § 1210(b) and (h)
2.2.4	10 U.S.C. § 1210(a)
2.2.5	10 U.S.C. § 908 Article 1, Section 9, Clause 8, United States Constitution Comp Gen Decision B-251084, October 12, 1993
2.2.6	37 U.S.C., Chapter 11
2.3	Office of the Under Secretary of Defense, Personnel and Readiness, Directive-Type Memorandum, issued May 29, 1997 Public Law (PL) 104-201, section 633, September 23, 1996
2.3.1	18 U.S.C. § 1073 5 U.S.C. § 8312 18 U.S.C. § 1204

3.0 - REGULATORY REQUIREMENTS

	31 CFR 211

REFERENCES (Continued)

4.0 – ADMINISTRATIVE REQUIREMENTS

4.2	PL 117-81, section 605, December 27, 2021

VOLUME 7B, CHAPTER 14: "PAYMENT RESTRICTIONS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

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The previous version dated June 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated chapter and formatting to comply with administrative instructions.	Revision

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CHAPTER 14

PAYMENT RESTRICTIONS

1.0 GENERAL

1.1 Purpose

This chapter provides information for certain payment restrictions to military retirement pay. Amounts of retired pay and retainer pay due to a retired member of the uniformed services will be paid on the first day of each month beginning after the month in which the right to such pay accrues.

1.1.1. Payment Date Falls on Saturday, Sunday, or Legal Holiday

When the payment date falls on a Saturday, Sunday, or legal holiday, the Director of Defense Finance and Accounting Service (DFAS) may authorize the payment of retired pay and retainer pay on the preceding workday but not more than three days before last day of the pay period.

1.1.2. Payrolls Paid on October 1

For payrolls otherwise payable on October 1, the DoD Comptroller will determine if the payroll may be dated in September.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 5, 10, 31, and 37. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 CHECKS

2.1 Mailing of Checks to Foreign Countries

The Secretary of the Treasury has determined that the mailing of checks is prohibited to the countries listed in ***Title 31, Code of Federal Regulations (CFR), section 211.1*** because postal, transportation, and banking facilities in general, or local conditions, are such that there is not a reasonable assurance that a retiree or annuitant in the listed countries will actually receive checks drawn against funds of the United States, or be able to negotiate checks for full value. Powers of attorney for receipt or collection of checks, or for the proceeds of checks included within the determination of the Secretary of the Treasury, will not be recognized.

2.2 Claims

Claims for the release of checks withheld from delivery, or for proceeds thereof, are filed with the DFAS site that originally authorized issuance.

3.0 ELECTRONIC FUNDS TRANSFER (EFT)

The prescribed method of payment within the DoD is EFT. See Volume 7A, Appendix C, for implementing DoD policy on EFT procedures for retirees and annuitants.

4.0 LOSS OF ENTITLEMENT TO RETIRED PAY

4.1 Conditions

Each of the following may result in a loss of entitlement to retired pay. See appropriate corresponding chapter for additional information.

4.1.1. Expiration of Allowable Duration on the Temporary Disability Retired List

See Chapter 11.

4.1.2. Loss of United States Citizenship

See Chapter 6.

4.1.3. Employment by Foreign Government

See Chapter 5.

4.1.4. Conflict of Interest

See Chapter 5.

4.1.5. National Security Violations

See ***5 U.S.C. §§ 8311-8322***.

NOTE: The Hiss Act, codified as 5 U.S.C. §§ 8311-8322 as amended, prohibited the payment of retired pay to military personnel who were convicted of any criminal offense enumerated in the statute. The Act did not prohibit the payment of retired pay if both the criminal offense and the award of retired pay occurred before September 1, 1954. Retired pay awarded on or after September 1, 1954, however, could not be paid regardless of the date on which the offense or conviction occurred. If the individual involved received a presidential pardon or later was cleared by decision of a higher court, the right to retired pay was restored. ***Public Law 87-299***, September 26, 1961, amended the Hiss Act and limited provisions to cases involving national security. Members convicted by court-martial or by Federal civil court of felony offenses or the equivalent of felonies but not involving national security, were no longer subject to the provisions of the Hiss Act.

4.1.6. Denial Upon Certain Punitive Discharges or Dismissals

The non-Regular service retired pay entitlement of a member is denied when his or her court-martial sentence includes death or separation by dishonorable discharge, bad conduct discharge, or dismissal effective with court-martial sentences adjudged after February 10, 1996.

4.2 Recall to Active Duty

A retiree who receives orders, issued by proper authority, for recall to active duty for an indefinite or definite period is not entitled to retired pay for the period of active duty. Members on active duty for training are covered in Chapter 12, section 4.0.

4.3 Prohibition Against Duplication of Benefits

A retired member who serves on active duty is not entitled to receive both active pay and retired pay simultaneously.

REFERENCES

CHAPTER 14 – PAYMENT RESTRICTIONS

1.0 – GENERAL

Public Law 111-383, section 632, January 7, 2011
10 U.S.C. § 1412
37 U.S.C. § 1006(h)
59 Comptroller General 219, B-193772, January 22, 1980
DoD Directive 5118.05, April 20, 2012

2.0 – CHECKS

2.1	31 U.S.C. § 3329 31 CFR 211.1
2.2	31 U.S.C. § 3329 31 CFR 211.2

3.0 – ELECTRONIC FUNDS TRANSFER (EFT)

31 U.S.C. § 3332

4.0 –LOSS OF ENTITLEMENT TO RETIRED PAY

4.1.1	10 U.S.C. § 1210(b), (h) and note Public Law 114-328, section 525, December 23, 2016
4.1.2	10 U.S.C. § 12731
4.1.5	Public Law 103-337, section 639, October 5, 1994 Public Law 87-299, September 26, 1961 5 U.S.C. §§ 8311-8322
4.1.6	Public Law 104-106, section 632, February 10, 1996 10 U.S.C. § 12740

VOLUME 7B, CHAPTER 15: "PROOF OF EXISTENCE"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

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The previous version dated October 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Replaced all references to Report of Existence and associated instructions with Foreign Address Update for Mailed Checks per section 605 of the National Defense Authorization Act for Fiscal Year 2022.	Revision
3.0	Stigmatizing language was modified in accordance with the Deputy Secretary of Defense memo, "Review of Policies to Eliminate Stigmatizing Language Related to Mental Health, " dated November 7, 2022.	Revision
All	Updated hyperlinks, statutes, and formatting in compliance with current administrative instructions.	Revision

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CHAPTER 15

PROOF OF EXISTENCE

1.0 GENERAL

1.1 Purpose

For the protection of the U.S. Government, certain safeguards are required for retired military paychecks mailed through the international postal system. The proof of existence protects the U.S. Government from continuing to issue payments to deceased retirees. Military retired pay and Combat-Related Special Compensation payment instruments may not be negotiated after the retiree's death.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 31 and 37. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in reference section at the end of the chapter.

2.0 COMPETENT RETIREE

2.1 Annual Submission of Foreign Address Update for Mailed Check (FAUMC)

In order to receive a paper military paycheck in a foreign country, through the international postal system, a retiree must submit an annual ***FAUMC*** to the Defense Finance and Accounting Service (DFAS) Indianapolis site. The FAUMC may be submitted either electronically or by mail.

Note: FAUMCs are not required for military retirees who reside in the United States or whose military pay is directly deposited by electronic funds transfer.

2.1.1. Electronic Submission. To submit the FAUMC electronically, the retiree may upload the completed and signed form online using the ***askDFAS online upload tool***.

2.1.2. Mail Submission. The fully executed paper FAUMC should be mailed to the following address:

DFAS
U. S. Military Retired Pay
8899 East 56th Street
Indianapolis, IN 46249-1200

2.2 FAUMC Not Required

An FAUMC is not required when:

2.2.1. A retiree resides in the United States and their retired military paycheck is mailed to an address other than that of a financial institution;

2.2.2. The retiree's military paycheck is mailed to an Army/Air Post Office, Fleet Post Office, or a finance or disbursing officer at an overseas address; or

2.2.3. The retiree's military paycheck is mailed to a financial institution in the United States. The financial institution's endorsement constitutes proof of existence for the retiree.

2.3 Exceptions

The Director, DFAS, or designee may suspend FAUMC requirements when a Federal or State disaster, a pandemic, or any other natural emergency is declared. The Director, DFAS, or designee may also determine the amount of time of the suspension, not to exceed 90 days. Upon expiration of the 90-day term, the suspension may be reviewed for further extension, but in no instance may the suspension exceed one year. The action to suspend the FAUMC requirement should take into consideration audit and risk management protocols including the ability to validate the identity of the annuitant from other government sources.

2.4 Restriction

Retired military paychecks must not be addressed to a U.S. Consulate, Embassy, or Military Attaché unless the retiree is employed by that particular agency.

*3.0 RETIREES DETERMINED TO LACK DECISION MAKING CAPACITY DUE TO PHYSICAL OR MENTAL ILLNESS OR DISABILITY

3.1 Checks to retirees determined to lack decision making capacity due to physical or mental illness or disability.

In the case of a retiree who has been found to be incapable of managing their affairs due to a mental incapacity, the retiree may not receive the check. Instead, checks may be made payable to a legal guardian, trustee, or other legal representative after receipt of proper documentation verifying the authority of the guardian, trustee, or other legal representative to receive such payments. See Chapter 16 for appointment or designation of legal representatives.

3.2 Legal Representative Requirement

The retired military paycheck may be mailed to the legal representative or to a financial institution established by the legal representative for the retiree (ward).

3.3 Department of Veterans Affairs (VA) Hospital Authority

In the absence of the appointment of a guardian, trustee, or other legal representative for a retiree determined to lack decision making capacity due to physical or mental illness or disability who is a patient of a VA hospital, payment may be made to the Administrator of the VA hospital to provide the retiree with health and comfort items. See Chapter 16.

4.0 MAILING OF RETIRED MILITARY PAYCHECKS

Retired military paper paychecks are normally mailed at the end of each month, provided a signed FAUMC, when required, has been received and certifies the retiree's continued existence. Failure to return the required FAUMC will result in suspension of retired pay.

*REFERENCES

CHAPTER 15 – PROOF OF EXISTENCE

1.0 – GENERAL

Comptroller General (Comp Gen) B-206129, June 28, 1982
Title 31, Code Federal Regulations (CFR), section 240.15

2.0 –COMPETENT RETIREE

2.1	Comp Gen B-206129, June 28, 1982

3.0 – RETIREES DETERMINED TO LACK DECISION MAKING CAPACITY DUE TO PHYSICAL OR MENTAL ILLNESS OR DISABILITY

3.1	31 CFR 240.14 31 CFR 240.15 44 Comp Gen 208, October 12, 1964
3.2	37 U.S.C. § 602

4.0 – MAILING OF RETIRED MILITARY PAYCHECKS

44 Comp Gen 208, October 12, 1964
Comp Gen B-206129, June 28, 1982
37 U.S.C. § 602 Comp Gen A-3551 Decisions, April 6, 1931; June 23, 1931; October 24, 1946; March 9, 1951; and February 3, 1964

VOLUME 7B, CHAPTER 16: "PHYSICAL OR MENTAL INCAPACITATION"

SUMMARY OF MAJOR CHANGES

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Unless otherwise noted, chapters referenced are contained in this volume.

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The previous version dated April 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
6.1 and 6.1.7	Added the annual requirement for an agent or trustee to return a completed form for Foreign Address Update for Mailed Check to replace the former requirement of a bi-annual Report of Existence for incapacitated retirees having a foreign address, pursuant to section 605 of the National Defense Authorization Act for Fiscal Year 2022.	Addition
3.2.2	Revised subparagraph to include a Doctor of Osteopathic Medicine as a qualified medical officer or physician, pursuant to Title 37, United States Code, section 602.	Revision
Table of Contents and 1.1, 2.6, 3.5.2.1, 3.5.2.2, 3.6, 3.7, 3.8, 4.2, 4.2.2, 6.1, 6.1.1, 6.1.3, 6.1.5, 6.1.6, 6.3, 7.1	Stigmatizing language was modified in accordance with the Deputy Secretary of Defense memo, "Review of Policies to Eliminate Stigmatizing Language Related to Mental Health, dated November 7, 2022.	Revision
References	Updated references.	Revision

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CHAPTER 16

PHYSICAL OR MENTAL INCAPACITATION

1.0 GENERAL

*1.1 Purpose

This chapter provides information and guidance on the duties and responsibilities performed on behalf of a retiree determined to be mentally and/or physically incapable of managing their affairs. This chapter applies to members of a uniformed service who are on a retired list of that Service and members of the Fleet Reserve or Fleet Marine Corps Reserve. Federal law provides legal authority for the payment of amounts due incapacitated retirees of the uniformed services to designated persons for their use and benefit, and for the use and benefit of their dependents where the state court has not appointed a committee, guardian, or legal representative.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Title 37. Due to the subject matter in the chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 DEFINITIONS

2.1 Physically or Mentally Incapacitated Retiree

A physically or mentally incapacitated retiree is an individual who is impaired by physical disability, mental illness, mental deficiency, advanced age, chronic use of drugs or alcohol, or other causes that prevent sufficient understanding or capacity to manage their own affairs competently.

2.2 Committee

A committee is a person, assembly, or board of persons to whom (or which) the consideration or management of any matter is committed or referred by a court as a person or persons having guardianship of the person and property of an insane person.

2.3 Competency Board

The competency board consists of at least three qualified medical officers or physicians, one of whom is specially qualified in the treatment of mental disorders. The Secretary of the Department having jurisdiction of the member appoints the board.

2.4 Conservator

A conservator is a guardian, protector, or preserver; a maintainer.

2.5 Court of Competent Jurisdiction

A court of competent jurisdiction has the power and authority of law at the time of acting to do the particular act; has jurisdiction both of the person and of the subject matter; is provided for in the Constitution of the United States; or created by the legislature and has jurisdiction of the subject matter and of the person.

*2.6 Guardian

A guardian is a person who legally has the care of the person or property (or both) of another person who has been determined by a court of competent jurisdiction to be incapacitated to act for themself.

2.7 Trustee

A trustee, as used in the legal sense, is:

2.7.1. A person who takes and holds the legal title to the trust property for the benefit of another,

2.7.2. One to whom another's property is legally committed in trust, or

2.7.3. A person holding the legal title to property under an expressed or implied agreement to apply it and the income arising from it, for the use and benefit of another person.

Note: As referenced in this chapter, a trustee is a person appointed by the Defense Finance and Accounting Service (DFAS) Cleveland (DFAS-CL) to receive payment of retired or retainer pay on behalf of a retiree determined to be mentally incapable of managing their affairs. The term "trustee" does not include an agent holding a valid and legally executed durable power of attorney pursuant to Title ***37 U.S.C. § 602(a)(2)***.

2.8 Durable Power of Attorney

The term "Durable Power of Attorney" means a writing or other record that grants authority to an agent to act in the place of the principal, where the authority of the agent is not terminated by the principal's incapacity. A durable power of attorney is distinctive from a regular power of attorney and allows the agent to act on the principal's behalf beyond the incapacity of the principal. There are two types of durable powers of attorney which are immediate and springing.

2.8.1. Immediate. The immediate power of attorney starts immediately after the durable power of attorney has been executed.

2.8.2. Springing. The springing power of attorney goes into effect after a specific event occurs (for example, when the person granting the power of attorney becomes mentally incapable of managing their affairs).

Note: DFAS-CL will accept either the immediate or a springing durable power of attorney, but will only honor either upon a showing of mental incompetency.

2.9 Principal

A principal is an individual who grants authority to an agent in a power of attorney.

2.10 Agent

An agent is a person granted authority to act for a principal under a power of attorney.

3.0 MENTAL INCAPACITY

3.1 Legally Appointed Representative

3.1.1. Legally Appointed Representative. When a court of competent jurisdiction appoints a legal committee, guardian, or other representative for the retiree, DFAS will normally accept such appointment and will not appoint a trustee or recognize an agent holding a durable power of attorney. For more information regarding court appointments see section 5.0.

3.1.2. Agent Holding a Valid and Legally Executed Durable Power of Attorney. Amounts due a retiree for retired or retainer pay, who is mentally incapable of managing their own affairs, may be paid for that retiree's use or benefit to an agent who presents a valid and legally executed durable power of attorney and also presents evidence showing that the retiree (principal) is incapable of managing their affairs in accordance with the process provided in paragraph 3.2.

3.1.3. No Legally Appointed Representative or Agent Holding a Valid and Legally Executed Durable Power of Attorney. When there is no legally appointed representative and no agent holding a durable power of attorney, amounts due a retiree for retired or retainer pay who, according to a board of medical officers or physicians, is mentally incapable of managing their own affairs, may be paid for that retiree's use or benefit to any person designated by the Director, DFAS-CL under paragraph 3.5 without the appointment in judicial proceedings of a committee, guardian, or other legal representative.

3.2 Effectiveness of a Durable Power of Attorney

In order for an agent holding a durable power of attorney to receive amounts due a retiree (principal) who is mentally and/or physically incapable of managing their own affairs, evidence of the retiree's (principal's) incapacity must be provided. Pursuant to Public Law 114-328, section 645, the evidence DFAS will accept to show that a member is incapable of managing their affairs must reflect the following:

3.2.1. A durable power of attorney, either immediate or springing; and

* 3.2.2. A medical statement with a current evaluation (within the past 4 months) prepared and signed by a Doctor of Medicine, Doctor of Osteopathic Medicine, or Psychiatrist, i.e., not a Psychologist, Nurse, Physician Assistant, Registered Nurse, or Clinical Social Worker. The statement must include:

3.2.2.1. A statement that the retiree is (at the time of evaluation) medically incapable of managing their affairs;

3.2.2.2. A description of the condition afflicting the retiree which led to this diagnosis;

3.2.2.3. A statement regarding the retiree's prognosis for possible improvement; and

3.2.2.4. A statement that the determination of incapacity was made based on both a physical examination and mental evaluation of the retiree.

Note: Upon presentation of the evidence as described in subparagraphs 3.2.1 and 3.2.2, the amounts due to the retiree may be paid to the agent. Amounts due may only be used for the use and benefit of the retiree. Neither accounting reports nor a surety bond will be required unless, in the discretion of the Director, DFAS-CL, special circumstances warrant. DFAS will not normally allow an agent holding a durable power of attorney to receive amounts due an incompetent retiree in a case in which a court of competent jurisdiction has appointed a legal committee, guardian, or other representative.

3.3 Authorized Mental Health Determination (in cases where there is no agent holding a durable power of attorney)

Federal agencies authorized to make determinations of the mental competency of a retired service member hospitalized in a facility under its jurisdiction are the:

3.3.1. Department of the Army,

3.3.2. Department of the Navy,

3.3.3. Department of the Air Force,

3.3.4. Department of Health and Human Services, and

3.3.5. Department of Veterans Affairs (VA).

3.4 Competency Board Determination

When there is no agent qualifying under paragraph 3.2, upon receipt of information that a retiree may be mentally incapacitated, a board of no fewer than three medical officers or physicians (including one specially trained in the treatment of mental disorders) is convened to determine whether the retiree is competent. The board also convenes when requested to do so by proper authority.

3.4.1. The convening authority ensures that three members of the board certify the board's findings.

3.4.2. The convening authority of the appropriate Military Service must send one copy of the board's findings, as applicable, to:

Defense Finance and Accounting Service
U.S. Military Retired Pay
8899 E. 56th Street
Indianapolis, IN 46249-1200

3.5 Appointment of Trustee (in cases where there is no agent holding a durable power of attorney)

3.5.1. Appointed Trustee Authority. The authority of the Secretaries of the Military Departments to appoint trustees under 37 U.S.C. § 602 has been delegated to the Director, DFAS-CL.

3.5.2. Persons Eligible for Appointment as Designated Trustee

* 3.5.2.1. If a competency board finds a retiree mentally incapacitated and the retiree has no court appointed legal committee, guardian, or other representative, when there is no agent qualifying under paragraph 3.2, the Director, DFAS-CL, may appoint a trustee to act on the retiree's behalf. The Director, DFAS-CL, may designate one of the following persons as trustee for all incompetent military retirees if the trustee is 21 years of age or over:

3.5.2.1.1. Lawful spouse (not subject to the age requirement);

3.5.2.1.2. Legitimate son or daughter or legally adopted son or daughter;

3.5.2.1.3. Parents;

3.5.2.1.4. Head of an institution, if the retiree is a patient; or

3.5.2.1.5. Any other person or persons if in the best interest of the retiree.

* 3.5.2.2. While next of kin or other relatives of the retiree ordinarily are preferred for designation as trustee, DFAS may designate any other person, willing and suitable to act, as a temporary or permanent trustee unless a court of competent jurisdiction appoints a committee, guardian, or other legal representative. If more than one qualified person applies to be trustee for a mentally incapacitated retiree, then the Director, DFAS-CL, will determine which applicant is the more appropriate trustee.

3.5.3. Submitting Application and Documentation for Appointment of Trustee

Submit all applications to appoint a trustee and related documentation to:

Defense Finance and Accounting Service
U.S. Military Retired Pay
8899 E. 56th Street
Indianapolis, IN 46249-1200

*3.6 Bond Requirement for Appointed Trustee

The trustee, designated to receive monies on behalf of the incapacitated retiree, must furnish a suitable bond in all cases when the amounts may exceed $25,000. The bond so required and furnished must have, as the surety, a company approved by the U. S. Government and must be in such amount as required by the Retired Pay Department, DFAS-CL. The person designated as trustee acts in this capacity without remuneration; however, if a bond is required, the trustee may pay the premium fee charged by the bonding company from the funds received on behalf of the mentally incompetent retiree. The trustee may not pay any other expenses incurred in securing the bond from the amount payable to the incompetent retiree.

*3.7 DFAS-Cleveland Appointed Trustee Authority

The trustee appointed by the Retired Pay Department, DFAS-CL, has the authority only to receive, expend, and account for monies received from the military. The appointment does not convey authority to act as a trustee in a civilian capacity without prior authority from a court of competent jurisdiction. The trustee must use the monies received for the benefit of the retiree who is mentally incapable of managing their affairs. Payment made to a person so designated under 37 U.S.C. § 602 discharges the obligation of the United States as to the amount paid. The Government may not appoint a trustee in any case in which a court of competent jurisdiction has appointed a legal committee, guardian, or other representative.

*3.8 Required Reports and Documents

The designated trustee submits accounting reports annually or at such times as directed by the Retired Pay Department, DFAS-CL. The reports must show all funds received, all expenditures made on behalf of the retiree who is mentally incapable of managing their affairs, and a statement of the condition of the trustee account. The trustee also may be required to provide

all receipts, canceled checks, voucher accounts, savings account passbooks or statements, and/or other records concerning the trustee account. If the trustee fails to report promptly at the end of the accounting period, then the appointing authority may either temporarily suspend or terminate further payments to the trustee and may designate a successor trustee.

4.0 PHYSICAL INCAPACITY

4.1 Physical Infirmity

4.1.1. Physical infirmity alone does not warrant the appointment of a guardian for the estate of a person. In some cases, incompetence to manage an estate or property has been found primarily from evidence of advanced age and physical infirmity, and a guardian or conservator has been appointed. In some jurisdictions, there are statutes, held to be constitutional, which authorize the appointment of guardians of the estates of those who, because of old age or physical incapacity, are incapable of managing their property.

4.1.2. In the case of a retiree suffering from a physical condition/infirmity that renders him or her mentally incapable of managing their affairs, see section 3.0 for guidance regarding the use of a durable power of attorney to receive amounts due the retiree, guidance in preparing and submitting the application for trustee in the absence of a durable power of attorney, and the DFAS-CL requirements in establishing and appointing a trustee.

*4.2 Conservator or Guardian

In several states, statutes authorize persons who, although of sound mind, believe themselves incapable of managing their own estates or of caring for their own property, to apply for, request, or consent to the appointment of a conservator or guardian of the estate or of their persons, or both. The conservator or guardian, when appointed, possesses over the estate substantially the same power and is subject to substantially the same duties as a guardian of a person who is incapable of managing their property. The following are examples for determining whether the appointment of a conservator may be necessary for a physically incapacitated retiree:

4.2.1. A person who is bedfast and physically incapacitated as the result of two strokes is not necessarily incompetent to require the appointment of a guardian.

* 4.2.2. A 77-year-old woman suffering from complete paralysis of the left side was unable to speak except for an occasional word, could not swallow, and could write only with difficulty and very briefly, but could hear, read, watch television, walk with assistance, and could be out of bed and sit up for short periods of time. According to medical testimony, she was mentally competent, but the evidence was sufficient to support a finding that she was incapable of managing her property as a result of her physical disability.

4.2.3. When an adult person has sufficient mental capacity to understand the nature and consequences of the application for a conservator, that person's wishes, if conducive to welfare and contentment of mind may properly be given great weight in determining whether a conservator (rather than a guardian) should be appointed.

4.2.4. The physical condition of the person for whom a conservator is required can be considered only insofar as it may affect the person's mental condition.

4.3 Court Orders

Because of the variety of county and state statutes regarding the appointment of legal representatives for physically incapacitated retirees, DFAS-CL accepts and processes court orders appointing such representatives. It is not the responsibility of DFAS-CL to authenticate each order.

5.0 COURT APPOINTMENT OF GUARDIAN OR OTHER LEGAL REPRESENTATIVE FOR PHYSICALLY OR MENTALLY INCAPACITATED RETIREE

5.1 Request for Incapacity Determination

The incapacitated retiree or any person interested in the welfare of the retiree may petition a court of competent jurisdiction for a finding of incapacity and appointment of a guardian or other legal representative.

5.2 Certification of Court Appointment

A copy of the appropriate court order certifying the appointment of the guardian, committee, or conservator is required before DFAS may make payments to the appointee.

5.3 No Requirement for Accounting Reports

Accounting reports, similar to those identified in paragraph 3.7, are not required. Such reports, if required by the court, are matters of concern between the court-appointed guardian or legal representative and the court.

6.0 TERMINATION OF PAYMENTS AND DISCHARGE OF TRUSTEE

*6.1 Conditions for Termination of Payments

DFAS will terminate payments that are due a retiree who has been determined incapable of managing their affairs and paid to a trustee appointed under paragraph 3.4 or an agent recognized under paragraph 3.2 upon notification receipt of the conditions listed in subparagraphs 6.1.1 through 6.1.6 or non-receipt of the annual requirement for the completed form, ***Foreign Address Update for Mailed Check (FAUMC)*** as defined in subparagraph 6.1.7.

* 6.1.1. Death of a retiree who has been determined incapable of managing their affairs;

6.1.2. Death or disability of the trustee or agent;

* 6.1.3. Appointment of a committee, guardian, or other legal representative for the retiree determined by a court of competent jurisdiction to lack decision-making capacity;

6.1.4. Failure of a trustee (or agent if required) to render required accounting reports;

* 6.1.5. Reasonable cause to believe that there is improper use of monies received on behalf of the retiree who has been determined incapable of managing their affairs;

* 6.1.6. Findings from a board of medical officers or other appropriate medical authorities indicating that the retiree is capable of managing their own affairs. The appointing authority may accept, at their discretion, the findings of a VA or Public Health Service medical facility, or the findings of other public or private medical facilities that a person formerly found incapable of managing their affairs is now found capable of managing their affairs; or

* 6.1.7. Agents for incapacitated retirees having a foreign address and receiving retired pay in the form of a mailed (paper) check will be required to return a FAUMC to the Retired Pay Department, DFAS-CL on an annual basis. Failure of an annual receipt of FAUMC in the Retired Pay Department, DFAS-CL is a condition for termination of payment. See Volume 7B, Chapter 15.

6.2 Discharge of Trustee Duties

6.2.1. When payments to the trustee terminate as described in paragraph 6.1, the trustee files a final accounting report with the Retired Pay Department, DFAS-CL. Upon approval of the final accounting report, the trustee is discharged and the surety is released of its bond.

6.2.2. If payment terminates for reasons described under subparagraphs 6.1.2, 6.1.4, or 6.1.5, then the Retired Pay Department, DFAS-CL, may appoint a successor trustee. Upon death or disability of a trustee, the trustee's legal representative makes the final accounting report.

*6.3 Death of Incapacitated Retiree

Upon the death of the incompetent retiree, any funds remaining in the fiduciary account, maintained on behalf of the incapacitated retiree by the trustee or agent, must be made payable to the deceased retiree's estate. A notification of death from any source is sufficient to suspend payments of retired pay to the trustee or agent. To settle (pay) the arrears of the member's retired pay, the following documentation must be on file:

6.3.1. A copy of the death certificate;

6.3.2. Completed ***Standard Form 1174***, Claim for Unpaid Compensation of Deceased Member of the Uniformed Services, from the beneficiary; and

6.3.3. Proof of recoupment of outstanding payments. All outstanding checks or direct deposits (not negotiated before the annuitant's death or forwarded past the date of entitlement) or the proceeds thereof must be returned to DFAS-CL before a settlement of arrears of military retired pay may be made.

7.0 COMFORT ITEMS DURING HOSPITAL STAY

*7.1 Hospital Stay of Incapacitated Retiree

The commanding officer of any military hospital or the director of a VA hospital may designate an officer under the command to receive and receipt for a sum of money from the accrued pay of a retiree who, as a patient at the hospital, is found physically or mentally incapacitated in a report of medical officers.

7.2 Money Received for Comfort Items

During the retiree's hospital stay, the designated officer may use the sum of money received from the accrued pay of a retiree only for the purchase of comfort items for the use and benefit of that retiree when all of the following conditions exist:

7.2.1. DFAS did not designate a trustee and a court of competent jurisdiction did not appoint a guardian or other legal representative;

7.2.2. There are no other funds available for use on behalf of the retiree; and

7.2.3. Competent medical authority agrees that the purchase of items will serve the comfort of the retiree.

*REFERENCES

CHAPTER 16 – PHYSICAL OR MENTAL INCAPACITATION

1.0 – GENERAL

1.1	37 U.S.C. § 601 Deputy Secretary of Defense memo, "Review of Policies to Eliminate Stigmatizing Language Related to Mental Health, dated November 7, 2022

2.0 – DEFINITIONS

	37 U.S.C. § 602 15A Corpus Juris Secundum (C.J.S.) Committee 15A C.J.S. Conservator 21 C.J.S. Courts 22 39 C.J.S. Guard and W2 89 C.J.S. Trusts 3
2.6	Deputy Secretary of Defense memo, "Review of Policies to Eliminate Stigmatizing Language Related to Mental Health, dated November 7, 2022

3.0 – MENTAL INCAPACITY

3.1	37 U.S.C. § 602
3.2	Public Law (PL) 114-328, section 645, December 23, 2016 37 U.S.C. § 602
3.3 – 3.4	37 U.S.C., Chapter 11 37 U.S.C. §§ 601-604
3.5	37 U.S.C. § 602
3.5.2.1	Deputy Secretary of Defense memo, "Review of Policies to Eliminate Stigmatizing Language Related to Mental Health, dated November 7, 2022
3.5.2.2	Deputy Secretary of Defense memo, "Review of Policies to Eliminate Stigmatizing Language Related to Mental Health, dated November 7, 2022

REFERENCES (Continued)

3.6 – 3.8	37 U.S.C. § 602(c) and (e) Deputy Secretary of Defense memo, "Review of Policies to Eliminate Stigmatizing Language Related to Mental Health, dated November 7, 2022

4.0 – PHYSICAL INCAPACITY

4.2	39 American Jurisprudence (Am Jur) 2d, Guardian and Ward, 21 and 22 Deputy Secretary of Defense memo, "Review of Policies to Eliminate Stigmatizing Language Related to Mental Health, dated November 7, 2022
4.2.1	In re (Latin for "In the matter of") Cass/Guardianship 155 Neb 792, 54 NW 2d 68, 1952
4.2.2	Loss vs. Loss, 251 12d 515, 185 NE 2d 228, 1962 Deputy Secretary of Defense memo, "Review of Policies to Eliminate Stigmatizing Language Related to Mental Health, dated November 7, 2022
4.2.3	Hogan's Appeal, 135, Me 249, 194A 854, 113 American Law Review 350, 1937
4.2.4	Shapter vs. Pillar, 28 Col 209, 63P 302, 1900
4.3	39 Am Jur 2d, Guardian and Ward, 21 and 22

6.0 – TERMINATION OF PAYMENTS AND DISCHARGE OF TRUSTEE

6.1	37 U.S.C. § 602(e) PL 117-81, section 605, December 27, 2021 Deputy Secretary of Defense memo, "Review of Policies to Eliminate Stigmatizing Language Related to Mental Health, dated November 7, 2022
6.1.1	Deputy Secretary of Defense memo, "Review of Policies to Eliminate Stigmatizing Language Related to Mental Health, dated November 7, 2022
6.1.3	Deputy Secretary of Defense memo, "Review of Policies to Eliminate Stigmatizing Language Related to Mental Health, dated November 7, 2022

REFERENCES (Continued)

6.1.5	Deputy Secretary of Defense memo, "Review of Policies to Eliminate Stigmatizing Language Related to Mental Health, dated November 7, 2022
6.1.6	Deputy Secretary of Defense memo, "Review of Policies to Eliminate Stigmatizing Language Related to Mental Health, dated November 7, 2022
6.1.7	PL 117-81, section 605, December 27, 2021
6.2	37 U.S.C. § 602(e)
6.3	Deputy Secretary of Defense memo, "Review of Policies to Eliminate Stigmatizing Language Related to Mental Health, dated November 7, 2022

7.0 – COMFORT ITEMS DURING HOSPITAL STAY

7.1	Deputy Secretary of Defense memo, "Review of Policies to Eliminate Stigmatizing Language Related to Mental Health, dated November 7, 2022

VOLUME 7B, CHAPTER 17: "BANKRUPTCIES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated August 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
1.1.2	Clarified coordination with Defense Finance and Accounting Service, Office of the General Counsel, Garnishment Law Directorate upon notification of bankruptcy.	Revision

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CHAPTER 17

BANKRUPTCIES

1.0 GENERAL

1.1 Purpose

This chapter applies to military retirees who have filed a bankruptcy petition under ***Title 11, United States Code (U.S.C.), Chapter 7*** or ***11 U.S.C., Chapter 13*** of the Bankruptcy Code. (Note: When hyperlinks to 11 U.S.C., Chapters 7 or 13 are opened, scroll down to access more information on bankruptcy). The law waives the U.S. Government's sovereign immunity for purposes of compliance with payroll deduction orders issued by the bankruptcy courts. Accordingly, the Defense Finance and Accounting Service (DFAS) will honor the bankruptcy withholding orders.

1.1.1. Voluntary Bankruptcy. Military retirees may seek protection of voluntary bankruptcy as "debtors."

* 1.1.2. Automatic Stay Provisions. Continued deduction from the retiree's pay of most types of debts, including debts owed to the United States, after the filing of a petition in a bankruptcy is improper and violates the automatic stay provisions of the bankruptcy statute. Any debt amounts withheld after the date the bankruptcy petition is filed must be refunded to the retiree's pay account. The automatic stay provisions of the bankruptcy statute do not preclude continued deductions based on court-ordered support obligations or divisions of retired pay unless the bankruptcy court orders otherwise. Coordinate with the DFAS Office of General Counsel, Garnishment Law Directorate when notified of a bankruptcy filing and prior to making a determination as to the collection of a debt, as there may be exceptions that affect the collection of a debt or refund due a debtor.

1.1.3. Proof of Claim. Upon notice or actual knowledge of the filing of a bankruptcy petition, when the retiree has listed the U.S. Government as a creditor, DFAS-Cleveland, Retired and Annuitant Pay Operations will file ***Official Form 410***, Proof of Claim, with the bankruptcy court concerned.

1.1.4. Post-Petition Debt. A new item of indebtedness incurred after the filing of the bankruptcy petition is known as a post-petition debt. Post-petition debt collection should be coordinated with the DFAS Office of the General Counsel, Garnishment Law Directorate prior to taking any action.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the U.S.C., including Titles 11 and 31. Due to

the subject matter in the chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 ADJUSTMENT OF DEBTS OF AN INDIVIDUAL WITH REGULAR INCOME, BANKRUPTCY, TITLE 11, UNITED STATES CODE (U.S.C.), CHAPTER 13 (THE PLAN)

2.1 Repayment Plan

A retiree may file a petition with the court to enter a Chapter 13 plan under the Bankruptcy Code (11 U.S.C., Chapter 13), henceforth called "the plan." Under 11 U.S.C., Chapter 13, a retiree must submit a proposed repayment plan to the bankruptcy court that provides, among other things, that all or a specified amount of future income, as is necessary to pay claims according to the plan, is under the control of the bankruptcy trustee. The plan will provide for the submission of such earnings or wages to the supervision and control of the court for the purpose of enforcing the plan.

2.2 Provisions

Generally, when the plan is confirmed by the court, its provisions are binding upon the debtor and all creditors of the debtor, whether they are affected by the plan, whether they have accepted it and have filed their claims, or whether their claims have been scheduled or allowed, or are allowable. Coordinate with the DFAS Office of General Counsel, Garnishment Law Directorate as there may be exceptions that do not bind creditors against the plan and/or discharge depending on the characterization of the indebtedness, the date the indebtedness was incurred, and/or the effectiveness of service of the bankruptcy notice to the creditor.

2.3 Authority

The court has authority to issue orders needed to implement the provisions of the plan including orders directed to an employer of the debtor.

2.4 Retired Pay

The retired pay of a retiree may be used to pay the plan and is payable to the trustee appointed by the court. The payment by DFAS of part of the retiree's pay in response to a court order issued in the plan does not conflict with ***31 U.S.C. § 3713*** (Priority of Government Claims). Compliance with such a court order gives the government a valid acquittance against the retiree since the court order is binding on the retiree.

Note: See ***11 U.S.C. § 101(10A)(B)(ii)(IV)***, for the definition of current monthly income which excludes any monthly compensation, pension, pay, annuity, or allowance paid under Titles 10, 37, or 38 in connection with a disability, combat-related injury or disability, or death of a member of the uniformed services. However, any retired pay excluded shall include retired pay paid under chapter 61 of Title 10 only to the extent that such retired pay exceeds the amount of retired pay to which the debtor would otherwise be entitled if retired under any provisions of Title 10 other than chapter 61 of that title. Additionally, the current monthly income in the definition section affects

the income that is used for determining the amount of payment for the plan. Once DFAS receives the court order issued in the plan, DFAS will withhold from all available sources to satisfy the court order obligation as the retiree voluntarily entered the plan.

2.5 Judicial Determination

If the U.S. Government is a creditor when the retiree files the plan, then Government's priority under 31 U.S.C. § 3713 may be asserted in the absence of a judicial determination to the contrary.

2.6 Delinquent Taxes

A retiree who is participating in the plan must pay the delinquent taxes which he or she owes that had not been assessed before the date of confirmation of the plan. The retiree is also responsible for all taxes that may become due. The United States may accept the provisions of any plan that includes the assumption, settlement, or payment of any such delinquent taxes.

2.6.1. When DFAS-Cleveland, Retired and Annuitant Pay Operations sends the entire amount of the retiree's pay to the court-appointed trustee, the Internal Revenue Service (IRS) Notice of Levy should be forwarded to the court-appointed trustee for disposition.

2.6.2. When DFAS-Cleveland, Retired and Annuitant Pay Operations sends part of the pay due the retiree to the court-appointed trustee, the IRS Notice of Levy should be processed in the normal manner against the amount due the retiree. The court-appointed trustee is provided a copy of the IRS Notice of Levy and notified of the action taken in establishing the liquidation procedures on a continuing Notice of Levy.

3.0 PROCEDURES

3.1 Bankruptcy Notices and Withholding Orders

3.1.1. All bankruptcy notices and withholding orders should be submitted or faxed to:

DFAS Office of General Counsel
Attn: Garnishment Law Directorate
P.O. Box 998002
Cleveland, OH 44199-8002

Toll Free Fax: (877) 622-5930
Commercial Fax: (216) 367-3675

3.1.2. DFAS Office of General Counsel, Garnishment Law Directorate is the designated agent for service of process for all military retiree bankruptcy notices and withholding orders.

3.1.3. The following information should be included with the withholding order:

3.1.3.1. Full name and

3.1.3.2. Full social security number.

3.1.4. The notice is effective when it is received in the office of the designated official.

3.1.5. When the notice does not sufficiently identify the retiree, it will be returned directly to the person who submitted the order with an explanation of the deficiency.

3.2 Case Review and Execution of Bankruptcy Withholding Order

Upon receipt of notice of a bankruptcy, together with all the required information, the office of the designated official will review the case to determine if there are any garnishments or debt collections that must be terminated as a result of the automatic stay (child support, alimony, child support arrears, alimony arrears, and division of property awards are not terminated unless the bankruptcy order requires it). If a bankruptcy withholding order is submitted, the office of the designated official will establish the withholding against the retiree's pay to comply with the bankruptcy order within 30 days. Withholdings will continue until the amount specified in the order is collected, or the order is modified or terminated, or the bankruptcy case is dismissed or discharged.

3.2.1. Within 30 calendar days after the date of receipt of the order, the designated official will send notice to the retiree.

3.2.2. The letter will inform the retiree the date that the bankruptcy withholding is scheduled to begin and the amount or percentage that will be deducted.

3.2.3. When the retiree identified in the order is found not to be entitled to money due from or payable by DFAS, the designated official will return the order to the person who submitted it and advise him or her that no money is due from or payable by DFAS to the named individual. When it appears that amounts are exhausted temporarily or otherwise unavailable, the authorized person must be told why and for how long any money is unavailable, if known.

REFERENCES

CHAPTER 17 – BANKRUPTCIES

1.0 – GENERAL

1.1.1	11 U.S.C. § 109
1.1.2	11 U.S.C. § 362
1.1.3	11 U.S.C. § 501
1.1.4	11 U.S.C. § 1305

2.0 – ADJUSTMENT OF DEBTS OF AN INDIVIDUAL WITH REGULAR INCOME, BANKRUPTCY, CHAPTER 13 (THE PLAN)

2.1	11 U.S.C. §§ 1301-1330
2.2	11 U.S.C. § 1327
2.3	11 U.S.C. § 105
2.4	11 U.S.C. § 101(10A)(B)(ii)(IV) 11 U.S.C. § 1326 31 U.S.C. § 3713
2.5	31 U.S.C. § 3713 47 Comptroller General (Comp Gen) 522, United States vs. Shannon, 342 US 288, 1951
2.6	31 U.S.C. § 3713 47 Comp Gen 522

VOLUME 7B, CHAPTER 18: "RELEASE OF INFORMATION"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated May 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
4.2 4.3	Combined paragraphs to streamline the Air Force and Space Force administration and the Navy and Marine Corps administration.	Revision

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CHAPTER 18

RELEASE OF INFORMATION

1.0 GENERAL

1.1 Purpose

This chapter provides regulatory policy on the Freedom of Information and Privacy Acts. Guidance references are from United States Code (U.S.C.), Public Law (PL), DoD and agency regulations.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), including Title 5. Due to the subject matter in the chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 FREEDOM OF INFORMATION ACT

PL 89-554, enacted September 6, 1966, commonly known as the Freedom of Information Act (FOIA) and codified in ***Title 5, U.S.C., section 552***, as amended, provides for openness in government and making information available to the public. ***DoD Directive (DoDD) 5400.07***, DoD Freedom of Information Act Program, provides guidance on 5 U.S.C. § 552, as amended, and prescribes uniform policies and procedures for the DoD implementation of the FOIA.

3.0 PRIVACY ACT

PL 93-579, enacted December 31, 1974, commonly known as the Privacy Act of 1974 and codified in 5 U.S.C. § 552a, as amended, safeguards individual privacy by governing the collection, safeguarding, maintenance, public notice, use, access, amendment, and dissemination of personal information. ***DoD Instruction (DoDI) 5400.11***, DoD Privacy and Civil Liberties Programs, provides guidance on 5 U.S.C. § 552a, as amended, and prescribes uniform procedures for implementation of the DoD Privacy Program.

4.0 ADMINISTRATION

Administration of the FOIA and the Privacy Act must be in accordance with the respective Component regulations and instructions.

4.1 Army

Army administration of the FOIA and the Privacy Act must be in accordance with ***Title 32, Code of Federal Regulations (CFR), part 286***, Army Regulations (AR) ***AR 25-55***, and ***AR 25-22***,

*4.2 Air Force and Space Force

Air Force and Space Force administration of the FOIA and the Privacy Act must be in accordance with ***DoDM 5400.07_Air Force Manual (AFMAN) 33-302*** and ***Air Force Instruction 33-332***.

*4.3 Navy and Marine Corps

Navy and Marine Corps administration of the FOIA and the Privacy Act must be in accordance with ***Secretary of the Navy Instructions (SECNAVINST) 5720.42G*** and ***SECNAVINST 5211.5F***.

4.4 Defense Finance and Accounting Service

The Defense Finance and Accounting Service (DFAS) FOIA and Privacy Act Office manages FOIA and Privacy Act requests received by DFAS to ensure compliance with the FOIA and Privacy Act of 1974.

REFERENCES

CHAPTER 18 – RELEASE OF INFORMATION

2.0 – FREEDOM OF INFORMATION ACT

PL 89-554, September 6, 1966
PL 90-23, June 5, 1967
PL 93-502, November 21, 1974
PL 94-409, September 13, 1976
PL 95-454, October 13, 1978
PL 98-620, November 8, 1984
5 U.S.C. § 552, as enacted by PL 89-554, thereafter, amended by PL 90-23, PL 93-502, PL 94-409, PL 95-454, and PL 98-620
DoDD 5400.07, January 2, 2008

3.0 – PRIVACY ACT

PL 93-579, December 31, 1974
5 U.S.C. § 552a, as amended
DoDI 5400.11, December 8, 2020

4.0 – ADMINISTRATION

AR 25-55
AR 25-22
32 CFR, part 286
DoDM 5400.07_AFMAN 33-302
Air Force Instruction 33-332
SECNAVINST 5720.42G
SECNAVINST 5211.5F

VOLUME 7B, CHAPTER 19: "GENERAL PROVISION GOVERNING ALLOTMENTS OF RETIRED PAY"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated October 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated chapter formatting to comply with current administrative instructions.	Revision
Table 19-4	Added Space Force within the 5th column of the header.	Addition

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CHAPTER 19

GENERAL PROVISIONS GOVERNING ALLOTMENTS OF RETIRED PAY

1.0 GENERAL

1.1 Purpose

1.1.1. Allotments are designed for the convenience and privilege of retirees and are not to be exploited or abused. The retired pay activity acts solely as an agent of the retiree in the payment of the allotments and assumes no liability concerning any contract between the retiree and the allottee. Allotments paid erroneously through administrative error must be recovered from the allottee, if possible, or may be collected from the retiree if such payment provided a benefit to that retiree.

1.1.2. Voluntary allotments of retired pay or retainer pay for military retirees are limited to discretionary and nondiscretionary allotments. To aid personnel in the transition from active duty to retired status, all existing authorized allotments of members on active military service may be continued as approved allotments. Authorized allotments include a maximum of six discretionary allotments, as outlined in paragraph 2.1 and Volume 7A.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with, the United States Code (U.S.C.). Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 DISCRETIONARY ALLOTMENTS

2.1. Discretionary Allotments

Retirees are authorized no more than six discretionary allotments. A retiree may start a new allotment as long as the total number of discretionary allotments does not exceed six. Discretionary allotments are identified as “class D” allotments. The retiree must certify that the allotment is within the limits of the law (e.g., allotments may not be used to repay gambling debts in a state where gambling is not permitted). Discretionary allotments include, but are not restricted to, the allotments described in this section. A retired member may terminate a discretionary allotment upon request using the procedures set out in paragraph 4.3.

2.2 Allotments for Insurance Premiums

Allotments are authorized for paying various types of commercial insurance premiums. This includes payment for life, dental, health, and vehicle insurance. Premium payments are combined when a retiree has more than one life insurance allotment within the same company. All payments to an insurer are made via Electronic Funds Transfer (EFT). The insurer is responsible for

establishing an account for these payments. The start, change and stop dates for the insurance allotments are set out in Tables 19-1, 19-2, and 19-3.

2.2.1. Cash Deposit for Insurance. If a retiree's retired pay account is in a nonpay status due to full waiver of pay, failure to report for periodic physical examination, or the expiration of 3 years after the date the member's name was placed on the Temporary Disability Retired List, the member may request the Department of Veterans Affairs (VA) pay VA insurance premiums by deduction from disability compensation benefits, or the member may pay premiums by sending remittances directly to:

Department of Veterans Affairs
P.O. Box 7787
Philadelphia, PA 19101

2.2.2. Eligible Allottees. Eligible allottees include:

2.2.2.1. U.S. Government Life Insurance/National Service Life Insurance (USGLI/NSLI);

2.2.2.2. Navy Mutual Aid Association;

2.2.2.3. American Armed Forces Mutual Aid Association (AAFMAA);

2.2.2.4. Dental and Health Insurers;

2.2.2.5. Vehicle Insurers; and

2.2.2.6. Commercial Insurers.

2.3 Allotments to Dependents or Relatives

Voluntary payment may be made by allotment to a spouse, other dependent(s), or to a relative(s) not legally designated as a dependent(s). Allotments must be made payable to the allottee through a financial institution for credit to the account of the allottee. An allottee can be a state agency, court trustee, welfare agency, former spouse, or a child's guardian or custodian. The member or allottee must make satisfactory arrangements with the financial institution to accept EFT payment before starting the allotment.

2.4 Allotment Deposits to Financial Organizations

Retirees may authorize allotments of pay to financial organizations for credit to the account of the member. Allotments may be deposited to:

2.4.1. A financial organization for credit to a savings, checking, or trust account of the allotter; or

2.4.2. A mutual fund or other company or investment firm.

2.5 Allotments for Payment of Mortgage or Rent

Retirees may authorize allotments for mortgage or rent payment to a financial institution, mortgage company, realtor, or landlord.

2.6 Other Allotments

Retirees may authorize an allotment for payment of personal loans; however, the restrictions in paragraph 4.8 apply. Personal loans may include, but are not limited to the following:

2.6.1. Payment of a car loan; and

2.6.2. Payment of a loan to repay consumer credit, such as to a finance company.

2.7 Air Force Retired Members Only

Only retired Air Force members may authorize allotment payments to the Air Force Enlisted Members Widow's Home.

3.0 NONDISCRETIONARY ALLOTMENTS

3.1 Nondiscretionary Allotments

Nondiscretionary allotments of retired and retainer pay are limited to those described in this section.

3.2 Voluntary Liquidation of Indebtedness

An allotment for repayment of indebtedness to the United States is registered for a definite period required to liquidate the indebtedness. Retired members may make allotments for payment of:

3.2.1. Indebtedness incurred due to defaulted notes insured by the Federal Housing Administration or guaranteed by the VA;

3.2.2. Any other indebtedness to any department or agency of the U.S. Government (except DoD) debts, to include those assigned to a collection agency;

3.2.3. Delinquent Federal income taxes. A member may execute an agreement with the Internal Revenue Service (IRS) to pay delinquent taxes by monthly deductions from retired pay. Agreements are made by executing an ***IRS Form 2159***, Payroll Deduction Agreement;

3.2.4. Delinquent state or local income or employment taxes; and

3.2.5. Loan debt to Navy-Marine Corps Relief Society, Army Emergency Relief, Air Force Aid Society, or American Red Cross.

3.3 Charitable Contributions

Retirees are authorized to establish an allotment for making charitable contributions to any of the Service Relief Organizations including the Army Emergency Relief, Navy-Marine Corps Relief Society, or affiliates of the Air Force Assistance Fund. Payment of pledges for these specified charities is authorized. These payments are for a definite period. Individual organizations are responsible for identifying an account for receipt of payment.

3.4 Savings Bonds Allotments

3.4.1. Purchasing and Establishment of Savings Bonds by Nondiscretionary Allotment. As of October 1, 2010, the U.S. Treasury no longer issues paper savings bonds to federal employees (military, retired, and civilian personnel members) through payroll deduction. Retired members may purchase electronic savings bonds by establishing a personal TreasuryDirect account with the Treasury through TreasuryDirect. This account can be used to purchase multiple bonds. Members are authorized one nondiscretionary allotment for the purchase of bonds. For information on TreasuryDirect, go to ***www.treasurydirect.gov***.

3.4.2. Establishment of Savings Bonds Nondiscretionary Allotment. To establish an allotment to their TreasuryDirect account, members must either contact the Defense Finance and Accounting Service (DFAS) Retired and Annuitant Pay or create the allotment through myPay. The following information is required to initiate the allotment:

3.4.2.1. The routing transit number for TreasuryDirect: 051736158;

3.4.2.2. The TreasuryDirect account number provided by Treasury; and

3.4.2.3. The specific dollar amount to be deducted monthly.

NOTE: The myPay system also requires that the member designate the account type, either checking or savings, even though that designation is not applicable to an allotment to a TreasuryDirect account. Send written requests to begin Savings Bonds Allotments to:

Defense Finance and Accounting Service
U.S. Military Retired Pay
8899 East 56th Street
Indianapolis, IN 46249-1200

4.0 ALLOTMENT ADMINISTRATION

4.1 Definitions

4.1.1. Allotment. An allotment is a definite portion of the retired pay of a person retired from a Military Service, which the retiree authorizes to be paid to a person, institution, or agency. This payment may be for the purpose of supporting relatives or for any other purpose that the Secretary of the military department concerned considers proper.

4.1.2. Allottee. An allottee is a person, institution, or agency to whom the allotment is made payable.

4.1.3. Allotter. An allotter is the person from whose retired pay the allotment is made.

4.1.4. Financial Institution. A financial institution is a bank (to include a military banking facility), credit union, or thrift association.

4.2 Excluded Amounts in Retired Pay Allotment

The amount of retired pay which may be allotted can be limited administratively to exclude amounts required to be withheld for:

4.2.1. Tax purposes;

4.2.2. Liquidation of an indebtedness determined under applicable provisions of law to be chargeable against the member's retired pay account;

4.2.3. Cost of participation in the Retired Serviceman's Family Protection Plan and/or Survivor Benefit Plan;

4.2.4. Garnishments;

4.2.5. Continuing tax levies;

4.2.6. VA compensation; and

4.2.7. Payments to a former spouse.

4.3 Establishment, Discontinuance, and Changes to Existing Allotments

A properly executed DoD ***(DD) Form 2558***, Authorization to Start, Stop or Change an Allotment), a written request, or an automated data exchange (from specific organizations) may be used to establish, discontinue, or change an allotment. Automated computer programs that allow members to establish, discontinue, or change an allotment using a personal identification number are also permitted. In addition, requests may be accepted telephonically from members without written

documentation, but only after the member's identity has been validated. Requests for allotment actions should be provided to DFAS, Retired and Annuitant Pay. Normally, allotments are not established retroactively.

4.4 Administrative Changes

4.4.1. Changes beyond the control of the retiree are considered administrative in nature. These are dictated by events incidental to the purpose of the allotment. Examples include changes to the name, address, account number, and financial institution of the allottee. Other examples include amount changes due to contractual obligations existing at the time the allotment was executed (such as a mortgage payment changed because of variable rate mortgage or change in escrow requirement). Administrative changes may be made without the member's consent.

4.4.2. In addition to the situations described in subparagraph 4.4.1, upon notice and request from an insurance allottee, administrative changes may be made without the member's consent under the following circumstances:

4.4.2.1. Death of retired member;

4.4.2.2. Policy terminated;

4.4.2.3. Policy has been surrendered;

4.4.2.4. Policy changed;

4.4.2.5. Policy paid up, no premiums due;

4.4.2.6. Policy not in force; or

4.4.2.7. Lapsed policy.

Note: The allotment will be terminated or reduced at the insurance allottee's request; refund and notification of the returned premium must be forwarded to the retired member.

4.5 Duration of Allotments

Allotments are registered for an indefinite period except in the following circumstances:

4.5.1. Repayment of indebtedness to the United States, to include payment of delinquent Federal income taxes; and

4.5.2. Charitable contributions as specified in paragraph 3.3.

4.6 Allotment Overpayment Responsibilities

Any check issued and mailed to a recipient or transmitted via EFT to the recipient's financial institution for which an entitlement does not exist must be recovered immediately by the issuing office. If an allotment is made after deductions from retiree's retired pay have stopped, and the recipient does not return the amount of that payment, then the office of issuance must start a recovery action of an equal amount from the recipient, or the retiree, if that office determines that the retiree benefited from the payment. If the retiree is liable, then the overpayment must be recovered through deductions from the retired pay due the retiree.

4.7 Method of Payment

EFT is the method of payment required for all individual allotments. For a list of exceptions to this requirement see Title 31, Code of Federal Regulations (CFR), part 208.4 (***31 CFR 208.4***) and Volume 8, Chapter 1.

4.8 Restrictions

The following restrictions apply to allottees:

4.8.1. Minors. Allotments (except to purchase U.S. Savings Bonds) may not be made payable to children under 16 years of age. Allotments may be made payable to the child's guardian or custodian. Spouses of retirees may be named as allottees regardless of age.

4.8.2. Persons Lacking Decision-Making Capacity. Allotments are not payable to persons determined by a court to lack decision-making capacity. Such allotments are payable to a guardian or the institution where confined.

4.8.3. Multiple Allotments. See restrictions in paragraphs 1.1 and 2.1.

4.8.4. Special Power of Attorney. A special power of attorney may be used to establish, change, or stop an allotment. This special power of attorney must specifically grant the authority to establish, change or stop allotments. A general power of attorney is not acceptable to establish, change, or stop an allotment.

4.8.5. Reduced Retired Pay of Allotter. When a stoppage or reduction of retired pay does not leave enough funds for deduction of allotments in force, then those allotments are stopped administratively by the disbursing officer without the signature of the retiree, as described in section 4.0 and Figure 19-1.

4.8.6. Administrative Stops. Allotments may be stopped because of the required deductions from retired pay listed in paragraph 4.2. When possible, the retiree is allowed to determine the allotments to be stopped. However, if the retiree involved refuses or is unable to identify which allotments should be stopped, then the allotments of that retiree will be stopped involuntarily in accordance with the order of precedence contained in Figure 19-1.

5.0 RIGHT TO ALLOTMENTS IN CASE OF DEATH

5.1 Death of Retiree

Entitlements to allotments end with the death of the member. No further allotment payments may be made after receipt of notice of the allotter's death. Deductions made from the retiree's pay, but not paid to the allottee, become part of the arrears of retired pay. Allotments paid after the retiree's death may not be collected from the allottee, except:

5.1.1. Allotments erroneously established after notice of death of the retiree; and

5.1.2. Unearned insurance premiums (insurance premiums are paid 1 month before the day payment is actually due).

5.2 Death of Allottee

An allotment check, even though endorsed, does not become part of an allottee's estate if it is not cashed or negotiated before the allottee's death. Allotment checks are not subject to expenses incurred by or on behalf of the allottee before or after death. All unnegotiated allotment checks must be returned to the office that issued the check. The returned checks are then credited to the retiree's account.

Figure 19-1. Order of Precedence

Precedence	Type	Letter Designation
1	Charitable contributions to Army Emergency Relief, Navy-Marine Corps Relief Society, or Air Force Assistance Fund	See Table 19-4
2	Bonds	B
3	Savings	D
4	Loans to service organizations	L
5	Payment of delinquent state or local income or employment taxes	T
6	Dependents	D
7	Home loans	D
8	Commercial life insurance/ AAFMAA	D
9	Navy Mutual Aid Insurance	M
10	Government life insurance	N
11	Veterans Group Life Insurance	See Table 19-1
12	Deductions for court-ordered support	D
13	Repayment of indebtedness to the United States	T
14	Payment of delinquent Federal income taxes	T

Table 19-1. Effective Dates for Starting Insurance Allotments (D, M, V, or N)

RULE	If a retired member of	is authorized a class	and the	then start the allotment effective the first day of the month
1	any Military Service	N allotment		before the month in which insurance premium is due (note).
2	any Military Service	N allotment	insurance policy is dated back to save age	in which application is made. Retiree must pay the Reserve to cover previous months by direct payments to VA.
3	the Army, Air Force, or Space Force	D allotment		specified by retiree, if authorization reaches the servicing finance center before the date specified in Military Service procedural regulations.
4	the Navy or Marine Corps	D or M allotment		specified by retiree, if authorization reaches the servicing finance center before the date specified in Military Service procedural regulations
5	any Military Service	D or V allotment		submitted by the Veterans Group Life Insurance through the automated data exchange process.

NOTE: A U.S. Government or NSLI allotment deducted for 1 month pays the premium for the succeeding month. For example, if premium for July is paid by allotment, then allotment must be effective June 1.

Table 19-2. Effective Dates for Changing Insurance Allotments (D, M, V, or N)

RULE	If a retired member of	has a class	and	then stop the present allotment effective the last day of the month	and start the new allotment effective the first day of the month
1	the Army, Air Force, or Space Force	D or N allotment	the retiree, fiduciary, or guardian requests a change in allotment	specified in request if allotment change can be processed by the date specified in procedural regulations of the Military Service concerned	after the month old allotment is stopped.
2	the Navy or Marine Corps	D, M, or N allotment	the retiree, fiduciary, or guardian requests a change in allotment	specified in request if allotment change can be processed by the date specified in procedural regulations of the Military Service concerned	after the month old allotment is stopped.
3	any Military Service	N allotment	the allotment was authorized with an incorrect amount or effective date	before its effective date	specified in the original request or the date requested by the VA.
4	any Military Service	D or V allotment	the Office of Servicemembers' Group Life Insurance (OSGLI) automated data exchange provides a change in the allotment	specified by the automated data exchange process	specified by the automated data exchange process.

Table 19-3. Effective Dates for Stopping Insurance Allotments (D, M, V, or N)

RULE	If a retired member of	has a class	and	then stop the allotment effective the last day of the
1	the Army, Air Force, or Space Force	D or N allotment	the retiree requests the allotment be stopped	month specified by the retiree, if authorization reaches the servicing DFAS Site before the date specified in the procedural regulations of the Military Service concerned.
2	the Navy or Marine Corps	D, M, or N allotment	the retiree requests the allotment be stopped	month specified by the retiree, if authorization reaches the servicing DFAS Site before the date specified in the procedural regulations of the Military Service concerned.
3	any Military Service	N allotment	the application for insurance is disapproved by the VA	month before the effective start date of the allotment.
4	the Army, Air Force, or Space Force	D allotment	has insufficient "net" pay to satisfy an IRS Notice of Levy for delinquent income tax, and is determined by the IRS to be a "problem case"	month before the month in which the IRS levy is received (stop insurance allotments only if discontinuance of other voluntary allotments will not satisfy the levy).
5	the Navy or Marine Corps	D or M allotment	has insufficient "net" pay to satisfy an IRS Notice of Levy for delinquent income tax, and is determined by the IRS to be a "problem case"	month before the month in which the IRS levy is received (stop insurance allotments only if discontinuance of other voluntary allotments will not satisfy the levy).
6	the Army, Air Force, or Space Force	D or N allotment	has pay suspended (note 1) or insufficient pay	last month in which enough pay accrues to satisfy the deduction. Avoid stopping the allotment unnecessarily or earlier than required.
7	the Navy or Marine Corps	D, M, or N allotment	has pay suspended (note 1) or insufficient pay	last month in which enough pay accrues to satisfy the deduction. Avoid stopping the allotment unnecessarily or earlier than required.

Table 19-3. Effective Dates for Stopping Insurance Allotments (D, M, V, or N) (Continued)

RULE	If a retired member of	has a class	and	then stop the allotment effective the last day of the
8	the Army, Air Force, or Space Force	D or N allotment	dies	(note 1.)
9	the Navy or Marine Corps	D, M, or N allotment	dies	(note 1.)
10	any Military Service	D or V allotment	the retiree or OSGLI requests the allotment be stopped	month specified by the retiree, if authorization reaches the servicing DFAS Site before the date specified in Military Service procedural regulations. If OSGLI, stop specified by the automated data exchange process (note 2).

NOTES:
1. See procedural regulations of Military Service concerned.
2. Advise OSGLI immediately of reason for stoppage of allotment if it was discontinued by the automated data exchange process.

*Table 19-4. Allotments of Retired Pay – General

RULE	When the purpose of allotment is for	and Service's letter designation is			and member is not on active duty and has allotments (notes 1 and 2)		then the allotment period required is	
		Army	Navy/ USMC	Air Force/ Space Force	authorized for carryover from active duty	authorized for establish-ment from active duty	Indefinite	Definite
1	purchase of U.S. Savings Bonds	B	B	B	X	X	X	
2	payment to dependents (note 5)	D	D	D	X	X	X	
3	repayment of home loans	D	D	D	X		X	
4	commercial life insurance/ AAFMAA (note 3)	D	D	D	X	X	X	
5	repayment of loans to Navy-Marine Corps Relief Society, Army Emergency Relief, American Red Cross, or Air Force Aid Society	L	L	L	X	X		X
6	Navy Mutual Aid Insurance (note 2)	None	M	None	X	X	X	
7	USGLI and/or NSLI (note 4)	N	N	N	X	X	X	
8	repayment of loans on VA insurance (note 4)	N	N	N			X	
9	payment to financial institution or credit to account of retiree (note 6)	D	D	D	X		X	
10	payment of delinquent Federal income taxes and/or payment of indebtedness to the United States (note 7)	T	T	T		X		X
11	charitable contributions to the Army Emergency Relief, Navy-Marine Corps Relief Society, or affiliates of the Air Force Assistance Fund	L	C	F	X	X		X

Table 19-4. Allotments of Retired Pay - General (Continued)

RULE	When the purpose of allotment is for	and Service's letter designation is			and member is not on active duty and has allotments (notes 1 and 2)		then the allotment period required is	
		Army	Navy/ USMC	Air Force/ Space Force	authorized for carryover from active duty	authorized for establish-ment from active duty	Indefinite	Definite
12	payment of delinquent state or local income or employment taxes (note 8)	T	T	T	X			X
13	Veterans Group Life Insurance	D	D,V	D		X	X	

NOTES:

1. Includes members of the Fleet Reserve or Fleet Marine Corps Reserve when not on active duty.
2. In addition to allotments authorized, member may continue any other allotments in effect (except Combined Federal Campaign and aviation premiums payable to the Navy Mutual Aid Association) at the time of retirement.
3. On the life of the allotter, spouse, and/or child(ren).
4. Payment of allotments for insurance premiums and repayment of insurance loans are made by one NSLI or class N allotment.
5. Authorized to a spouse, former spouse, and/or child(ren) of the retired member having a permanent residence other than that of the retired member.
6. Includes credit unions within the United States, its possessions, Puerto Rico, and Panama Canal Zone operating under a Federal or state charter. Also includes credit unions authorized under Volume 12, Chapter 33 to operate on an overseas U.S. military installation.
7. Delinquent Federal income taxes are payable to the applicable District Director, IRS.
8. Delinquent state or local and employment taxes are payable to the applicable state or local tax authorities.

REFERENCES

CHAPTER 19 – GENERAL PROVISIONS GOVERNING ALLOTMENTS OF RETIRED PAY

1.0 GENERAL

1.1	Title 37, United States Code (U.S.C.), section 701

2.0 – DISCRETIONARY ALLOTMENTS

2.1	37 U.S.C. § 701
2.2.1	10 U.S.C. § 1210(b)

3.0 – NONDISCRETIONARY ALLOTMENTS

3.4	31 CFR 363

4.0 – ALLOTMENT ADMINISTRATION

4.1	37 U.S.C. § 701
4.7	31 U.S.C. § 3332

5.0 – RIGHT TO ALLOTMENTS IN CASE OF DEATH

5.1	Comptroller General B-225873.2 31 U.S.C. § 3727(e)(2)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 20: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 21: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 7B, CHAPTER 22: "FUNERAL HONORS DETAIL STIPEND FOR RETIREES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision

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CHAPTER 22

.

FUNERAL HONORS DETAIL STIPEND FOR RETIREES

1.0 GENERAL

1.1 Overview

The Secretary of a Military Department is authorized to provide support for persons participating in a funeral honors detail, including retired military members, in the form of either transportation allowances (or reimbursement for transportation allowances) and expenses, or a daily stipend as prescribed by the Secretary of Defense. The prescribed daily stipend must be set at a single rate designed to defray the typical costs of transportation and other miscellaneous expenses for persons participating in a funeral honors detail who are members of the Armed Forces in a retired status and other persons who are not members of the Armed Forces or employees of the United States. See Volume 9, Chapter 4 for information regarding reimbursement for transportation allowances and expenses.

1.2 Purpose

This chapter provides policy for the entitlement, funding, and amount payable for funeral honors detail stipends.

1.3 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), including Titles 10 and 37. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 ENTITLEMENT TO STIPEND

Secretaries of Military Departments are asked to authorize stipend payments for retirees under ***10 U.S.C. § 1491(d)*** in lieu of authorizing an allowance under ***37 U.S.C. § 435(a)***. These stipends ensure uniform payments to all volunteers who assist in providing funeral honors. A member of the Armed Forces in a retired status, including a member of the Retired Reserves without pay, may receive a daily stipend payment, in addition to any payment of retired or retainer pay or other compensation to which they are entitled, for performing funeral honors detail. Only one daily stipend may be earned and paid for 1 calendar day.

2.1 Amount Payable

The Secretary of Defense is required to prescribe annually a flat rate daily stipend for certain individuals who volunteer to assist the active military in the delivery of funeral honors. The daily stipend payable to a member receiving retired or retainer pay, or a member of the Retired Reserves without pay, is currently $50.

2.2 Taxability

The daily stipend payment under 10 U.S.C. § 1491(d) is not reported as taxable income.

2.3 Funding

The approving Military Department must make the payment under this chapter from Operation and Maintenance funds for the fiscal year in which the payment is made.

2.4 Payments

2.4.1. Retirees considered for the stipend must be an authorized provider to participate in the specific honor detail and perform the honors as anticipated. The retirees that perform funeral honors should be a provider under the Authorized Provider Partnership Program (AP3). The DoD established the AP3 for the benefit of commanders who have the responsibility to provide funeral honors to active duty Service members, retirees, and veterans.

2.4.2. The Military Department concerned is responsible for processing claims for authorized providers (retirees). The authorized provider (retiree) must complete and submit Optional Form 1164, Claim for Reimbursement for Expenditures on Official Business, to the parent Service of the honored veteran.

REFERENCES

CHAPTER 22—FUNERAL HONORS DETAIL STIPEND FOR RETIREES

1.0 — GENERAL	DoDI 1300.15, December 27, 2017 10 U.S.C. § 1491(d)
2.0 — ENTITLEMENT TO STIPEND	10 U.S.C. § 1491(d) 37 U.S.C. § 435(a)
2.1	10 U.S.C. § 1491(d)(2)
2.2	Office of the Under Secretary of Defense Personnel and Readiness Memorandum, February 10, 2014
2.4	DoDI 1300.15, December 27, 2017

VOLUME 7B, CHAPTER 23: "SPECIAL SEPARATION BENEFITS (SSB) AND VOLUNTARY SEPARATION INCENTIVE (VSI) PAY"

SUMMARY OF MAJOR CHANGES

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
1.1	Added clarifying language to include Voluntary Separation Pay superseded SSB and VSI.	Current

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CHAPTER 23

SPECIAL SEPARATION BENEFITS (SSB) AND VOLUNTARY SEPARATION INCENTIVE (VSI) PAY

1.0 GENERAL

*1.1 Purpose

The purpose of this chapter is to provide policy for the authorization, administration, and payment of the SSB and VSI programs to mid-career Service members of the military services in over-strength inventories. The applicable period for SSB and VSI was January 1992 through December 2001. Both programs required member affiliation with a Reserve Component. Voluntary Separation Pay (VSP) superseded SSB and VSI. The authority to separate a member in conjunction with VSP applies through December 31, 2025. See Chapter 4 and Volume 7A, Chapter 35 for more information on VSP.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 10 and 31. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 RESPONSIBILITIES

2.1 Defense Finance and Accounting Service (DFAS), Cleveland (CL)

DFAS-CL will:

2.1.1. Maintain the VSI account until all annual installments are paid, or until the death of the VSI member recipient. A member's entitlement to VSI is not transferable, except that the member may designate beneficiaries to receive the payments in the event of the member's death, in accordance with paragraph 5.0; and

2.1.2. Make all VSI annual beneficiary payments. Following the death of a VSI member recipient, DFAS-CL will provide customer service support for designated beneficiaries and be the primary source for VSI member beneficiary account assistance and maintenance.

2.2 Defense Manpower Data Center (DMDC)

DMDC will:

2.2.1. Maintain a personnel database that identifies and tracks participation in the VSI programs; and

2.2.2. Provide information concerning Reserve participation to DFAS-CL due to the requirement of Reserve affiliation.

2.3 Secretary of the Treasury

The Secretary of the Treasury administers the VSI Fund (hereafter referred to as the "Fund"). All VSI payments made by the Secretary of Defense after December 31, 1992, pursuant to ***10 U.S.C. § 1175***, are to be paid out of the Fund. The Fund is classified as a trust fund and has been designated as account number 97X8335. This fund consists of a receipt and expenditure account.

2.4 DoD Board of Actuaries

For each fiscal year (FY) after September 30, 1999, the Board:

2.4.1. Carries out an actuarial valuation for the Fund and determines any new unfunded liabilities arising from gains and losses to the Fund;

2.4.2. Determines an amortization schedule for liquidating these new unfunded liabilities; and

2.4.3. Determines for the upcoming FYs the amount of DoD contributions to the Fund necessary to comply with the amortization schedules for the Fund's original and new unfunded liabilities in sufficient time to be included in the FY budget requests.

3.0 PAYMENT PROCESSING

3.1 VSI Payments

3.1.1. Upon Separation. A Service member completed a DoD ***(DD) Form 2058***, State of Legal Residence Certificate, and Internal Revenue Service ***(IRS) Form W-4***, Employee's Withholding Allowance Certificate at the time of separation and a ***DD Form 2864***, VSI Beneficiary Designation in order to designate any beneficiaries if desired.

3.1.2. Annual Payments. DFAS-CL issues annual payments on the anniversary of the member's separation. In the event that the anniversary date falls on a weekend or holiday, DFAS-CL will make the payment according to the same rules followed for regular active-duty paydays. DFAS-CL will send annual VSI payments to the VSI recipient's bank via Electronic Funds Transfer (EFT). The Service member should complete an updated Standard Form ***(SF) 1199A***, Direct Deposit Sign-Up Form, as information changes. If an SF 1199A is not available, the VSI recipient must submit a signed and dated request with the address of the bank and a canceled check that shows account number and routing transit number.

3.2 Effect of Disability Compensation

A member receiving VSI must not be deprived of the VSI by reason of entitlement to

disability compensation under the laws administered by the Department of Veterans Affairs (VA).

3.2.1. Deduction. The amount of any such disability compensation concurrently received must be deducted from VSI payments.

3.2.2. No Deduction. No deduction is made from VSI for any disability compensation received because of an earlier period of active duty if the VSI is received because of discharge or release from a later period of active duty.

3.3 Withholding Requirements for Members

3.3.1. Federal Income Tax Withholding (FITW). FITW is withheld from VSI payments based upon the annual Percentage Method of Withholding Table. A valid IRS Form W-4 is required to compute the proper withholding amount under this method. If the member has not submitted an IRS Form W-4, the tax withholding is computed as if the member is single, with no withholding exemptions.

3.3.2. State Income Tax Withholding. VSI payments are subject to state income tax withholding for residents of states that have entered into an agreement with the Secretary of the Treasury. State withholding and reporting for the SSB and the initial VSI payment is based on the member's legal residence at the time of separation from active duty. For annual VSI payments, state income tax is withheld based upon the state of legal residence claimed on the member's DD Form 2058. See Volume 7A, Chapter 44 for those states that have entered into an agreement with the Secretary of the Treasury.

3.3.3. Withholding of Federal Insurance Contributions Act (FICA). FICA (or any other payroll taxes) is not withheld from VSI payments.

3.4 Recoupment of SSB or VSI

A member who has received SSB or VSI and who later qualifies for retired or retainer pay will have the amount of the SSB or VSI received deducted from each payment of such retired or retainer pay. SSB will also be deducted from disability compensation under the laws administered by the VA. See Chapter 4 for detailed information on recoupment.

4.0 DEBT COLLECTION

SSB and VSI initial payments were subject to offset for debt collection. If a Service member separated from active duty with debts due to the United States (including non-appropriated fund instrumentalities and non-DoD debts), the amount of the debt was subject to offset from the SSB and initial VSI entitlement. In the case of VSI, if the debt was greater than the initial payment, the remaining debt will be collected from subsequent installments. Collections are made according to the administrative offset provisions contained in ***31 U.S.C. § 3716*** and are subject to standard debt collection procedures and policies in Volume 16. Garnishment orders remain in effect for VSI recipients and must be transferred to DFAS-CL for administration.

5.0 BENEFICIARY PAYMENT

5.1 Designation of Beneficiaries

5.1.1. Service members may designate beneficiaries to receive VSI installments that remain unpaid after the death of the member using a DD Form 2864. The VSI recipient may designate different percentages for multiple recipients to receive. In the event percentage elections are not made, payments are divided evenly among the designated beneficiaries. The VSI recipient may change his/her beneficiary information by sending a signed and dated DD Form 2864 to DFAS-CL at any time after separation.

5.1.2. DFAS-CL will maintain beneficiary forms for all VSI accounts at least until the end of the VSI entitlement period. If the member dies before the end of the VSI entitlement period, the beneficiary forms will be retained and will not be disposed until after the settlement and payment of any claims made by beneficiaries and until after the retention periods in DFAS 5015.2M (Records Disposition Schedules for Administrative Records Manual) expire.

5.2 Notification of Death and Beneficiary Claim

5.2.1. DFAS-CL requires notification of a VSI recipient's death. Proof of death, such as a certified death certificate, is required. Upon receipt of proof of death, DFAS-CL will close out the member account and establish the beneficiary account. If the beneficiary is responsible for the death of the retiree, the annuity may not be paid to that person unless evidence is received which clearly absolves the beneficiary of any felonious intent.

5.2.2. No specific form is required for making a claim for beneficiary payments. A statement signed by the beneficiary claiming future VSI payments will be sufficient. A claim by a beneficiary for VSI payments will be settled in accordance with 31 U.S.C. § 3702 and therefore must be received within 6 years after the date the claim accrues in order to be timely. The statement should include the beneficiary's social security number. Mail beneficiary claims to DFAS-CL, Retired and Annuitant Pay (R&A):

DFAS Indianapolis
Attn: Voluntary Separation Incentive
8899 East 56th Street
Indianapolis, IN 46249-1300

5.3 Beneficiary Payment

5.3.1. Death of the Member. Upon the death of the member, DFAS-CL will make all remaining annual payments to the member's designated beneficiaries for the remainder of the deceased VSI recipient's entitlement period. If a valid designation was not made or received, payments will be distributed to the person highest on the list, living on the date of death (see ***10 U.S.C. § 2771***) as follows:

5.3.1.1. The Beneficiary designated by the member in writing, if the designation is received by the Military Department concerned before the member's death;

5.3.1.2. The surviving spouse;

5.3.1.3. The children and their descendants, by representation:

5.3.1.3.1. Adopted Child. An adopted child is a legal heir in every state and, therefore, is entitled to payment of unpaid pay and allowances, if otherwise proper. If others adopt the deceased member's child, the child is a beneficiary only in those states where an adopted child inherits from its natural parent.

5.3.1.3.2. Stepchild. A stepchild is not an eligible beneficiary unless adopted by the deceased retiree.

Note: In certain instances, evidence of paternity may be required to determine eligibility.

5.3.1.4. The father and mother in equal parts or, if either is dead, the survivor;

5.3.1.5. The legal representative; or

5.3.1.6. The person entitled under the law of the domicile of the deceased retiree.

5.3.2. Death of the Beneficiary. Upon presentation of a claim, payments will be distributed to a beneficiary's estate in the event a beneficiary dies after a VSI recipient's date of death. DFAS-CL will make such payments according to the laws governing the beneficiary's state of legal residence.

5.3.3. Withholding Requirements

5.3.3.1. A payment to a beneficiary is subject to FITW. The FITW is based upon the ***IRS Form W-4P***, Withholding Certificate for Pension or Annuity Payments, submitted by the recipient. If an IRS Form W-4P is not submitted, the DFAS site will calculate withholding as for a married person claiming three withholding allowances.

5.3.3.2. State income taxes or FICA will not be withheld from beneficiary payments.

5.3.3.3. DFAS-CL will issue an IRS Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., to each beneficiary recipient.

5.3.4. Garnishment of Beneficiary Payments. DFAS-CL will not honor garnishment orders against beneficiary payments.

5.3.4. Offset of Beneficiary Payments. Beneficiary payments generally are not subject to

offset. For instance, VSI beneficiary payments are not offset even though the beneficiary is entitled to receive Social Security on behalf of the deceased VSI recipient. However, if a beneficiary is indebted to the government, the debt may be collected from VSI installment payments.

REFERENCES

CHAPTER 23 – SPECIAL SEPARATION BENEFITS (SSB) AND VOLUNTARY SEPARATION INCENTIVE (VSI) PAY

1.0 – GENERAL

10 U.S.C. §§ 1174a and 1175

2.0 – RESPONSIBILITIES

1.2	10 U.S.C. § 1174a(h)(2) 10 U.S.C. § 1175
2.2.1	10 U.S.C. § 1175(f)
2.2.3 and 2.2.4	10 U.S.C. § 1175(h)

3.0 – PAYMENT PROCESSING

3.1	Comptroller General Decision, B-187743, July 7, 1977
3.2	10 U.S.C. § 1175(e)(4)
3.4	10 U.S.C. § 1175(e)(3)(A) 10 U.S.C. § 1174a(g) 10 U.S.C. § 1174(h)(1) 10 U.S.C. § 1175(e)(3) 10 U.S.C. § 1174(g) and 1174(h)

4.0 – DEBT COLLECTION

31 U.S.C. § 3716

5.0 – BENEFICIARY PAYMENT

5.3.1	10 U.S.C. § 2771

VOLUME 7B, CHAPTER 24: "COMPUTATION OF WAGES SUBJECT TO FEDERAL INCOME TAX WITHHOLDING (FITW)"

SUMMARY OF MAJOR CHANGES

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated chapter formatting and hyperlinks to comply with administrative instructions.	Revision

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CHAPTER 24

COMPUTATION OF WAGES SUBJECT TO FEDERAL INCOME TAX WITHHOLDING (FITW)

1.0 GENERAL

1.1 Purpose

The purpose of this chapter is to provide information on retired pay subject to FITW. FITW is based on payments actually or constructively paid, regardless of the date earned. Retired pay is constructively paid (or received) when credited to the account for a retiree or set apart for a retiree to draw on it at any time, although it is not actually reduced to possession. Retired pay must also have been credited to or set apart for the retiree without any substantial limitations or restrictions as to the time and manner of payment or condition under which it is to be made and brought within the retiree's control and disposition.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), specifically Titles 10 and 26. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 GROSS RETIRED PAY AND FITW

2.1 Subject to FITW

Retired pay is income and constitutes wages subject to FITW, except as otherwise indicated in this chapter. See Title 26 of the Code of Federal Regulations, section 31.3401(a)-1(b) (***26 CFR 31.3401(a)-1(b)***) for more information on collection of income tax at the source.

2.2 Not Subject to FITW

The gross retired pay of a member may not be subject to FITW if the member is on the Temporary Disability Retired List (TDRL) or Permanent Disability Retired List (PDRL), receiving disability retired pay and if:

2.2.1. On or before September 24, 1975, the member was entitled to receive retired pay computed on the basis of percentage of disability in accordance with ***26 U.S.C. § 104(a)(4)*** and 26 U.S.C. § 104(b)(2)(A);

2.2.2. On September 24, 1975, he or she was a member of the Armed Forces (or Reserve Component thereof) or under a binding written commitment to become such a member (26 U.S.C. §§ 104(a)(4) and 104(b)(2)(B));

2.2.3. The member is receiving disability retired pay because of a combat-related injury. The term "combat-related injury" means personal injury or sickness incurred as a direct result of armed conflict, or while engaged in extra hazardous service, or under conditions simulating war, or caused by an instrument of war. See 26 U.S.C. §§ 104(a)(4) and 104(b)(2)(C). The applicable Service makes the determination at the time of discharge. See DoD Instruction ***(DoDI) 1332.18***, Disability Evaluation System (DES); or

Note: The amount of disability retired pay described in subparagraph 2.2.3 not subject to FITW is the amount related to the combat-related injury, but in no circumstances, will the nontaxable amount be less than the amount the member would be entitled to receive from the Department of Veterans Affairs (VA) for that injury.

2.2.4. The member would be entitled to disability compensation from the VA. See 26 U.S.C. §§ 104(a)(4) and 104(b)(2)(D). For those members who have waived all or a portion of retired pay in order to receive disability compensation from the VA, subtract the amount of retired pay waived from the gross retired pay to compute the member's taxable income. Subtract the waived retired pay amount prior to subtracting other income reducing amounts, such as Survivor Benefit Plan (SBP) premiums. For members who receive retired pay computed based upon years of service and have a portion of retired pay that is tax exempt due to their retirement for disability under ***10 U.S.C., Chapter 61***, taxable pay is determined by reducing the gross retired pay by either the VA disability compensation entitlement or by the retired pay that would be exempt due to the percentage of disability, whichever is greater.

3.0 DISABILITY COMPENSATION NOT SUBJECT TO FITW

A member is entitled to exclude the disability compensation, additional amount, and retroactive disability compensation from the taxable portion of retired pay. In order to exclude retroactive amounts, a member must follow applicable Internal Revenue Service (IRS) procedures. Amended 1099-Rs are not provided for the retroactive period.

3.1 Disability Compensation

Disability compensation is the maximum amount that a member would be entitled to receive upon application to the VA.

3.2 Additional Amount

An additional amount is the difference between a prospective VA disability compensation award and the amount excluded under section 2.0.

3.3 Retroactive Disability Compensation

The retroactive disability compensation is the amount of a VA disability compensation award not previously excluded from retired pay.

4.0 GROSS RETIRED PAY PARTIALLY TAXABLE

For members who are entitled to have their retired pay computed based on both percentage of disability and years of service, a portion of their retired pay may be subject to FITW. Any reduction of wages subject to FITW for disability retired pay must meet one of the conditions set forth in paragraph 2.2. See also ***26 CFR 1.104-1*** for more information on compensation for injuries or sickness.

4.1 PDRL

If the member is placed on the PDRL, subtract retired pay based on the percentage of disability from retired pay based on the years of service. The difference is the amount of wages subject to FITW.

4.2 TDRL

If the member is placed on the TDRL, use one of these methods:

4.2.1. If the member's disability rating is 50 percent or more, compute as in paragraph 4.1.

4.2.1. If the member's disability rating is less than 50 percent on the TDRL and the member is receiving retired pay computed based on years of service, subtract the amount of retired pay the member would have received if retired pay were computed solely on the basis of the member's actual percentage of disability from the gross retired pay the member is receiving. The difference is the amount of wages subject to FITW.

4.2.3. If a member with 20 years or less of service is placed on the TDRL, has a disability rating of less than 50 percent, and elects to receive disability retired pay based on the percentage of disability, the retired pay received is not subject to FITW.

5.0 FITW WAGE REDUCTIONS

Deductions that reduce the amount of wages subject to FITW include participation in the Retired Serviceman's Family Protection Plan (RSFPP), participation in the SBP, and VA Disability Compensation.

5.1 RSFPP Participation

The amount of the member's retired pay subject to FITW is reduced by the full amount of the RSFPP costs deducted from the member's retired pay in order to participate in the RSFPP. Effective January 1, 1966, tax laws changed to permit a dollar-for-dollar reduction in taxable income. Prior to January 1, 1966, deductions did not reduce taxable income. See section 9.0 for information on tax implications for a member who pays for this protection by direct remittance.

5.2 SBP Participation

The amount of the member's retired pay subject to FITW is reduced by the full amount of the SBP costs deducted from the member's retired pay in order to participate in the SBP. See section 9.0 for information on the tax implications for a member who pays for this protection by direct remittance.

5.3 VA Disability Compensation

There is a waiver of military retired pay when a member receives disability compensation or a pension from the VA, unless the member is entitled to concurrent retirement and disability pay on or after January 1, 2014, as provided under ***10 U.S.C. § 1414***.

5.3.1. If the member's gross retired pay is fully subject to FITW, subtract the amount of the retired pay waived applied to wages. The amount of retired pay waived reduces the member's retired pay entitlement.

5.3.2. If a member has retired due to physical disability, reduce wages subject to FITW, if any, by the amount of retired pay waived or the portion of the member's retired pay based on the actual percentage of disability, whichever is greater.

6.0 U.S. CITIZENS ABROAD

The retired pay of members who temporarily or permanently reside in a foreign country is subject to FITW the same as if they resided in the United States or its possessions. The same withholding rules from section 2.0 apply.

7.0 ARREARS OF PAY

For information on taxation policies that apply to deceased members and their beneficiaries, see Chapter 30.

8.0 DELINQUENT FEDERAL TAXES

8.1 Voluntary Withholding

A retiree may, with the consent of the IRS, have deductions made from his or her retired pay to satisfy a debt due to tax delinquency. The class T, nondiscretionary allotment, allows a member to make payments to the IRS for this purpose.

8.2 Involuntary Withholding

If a retiree neglects or refuses to pay his or her federal income tax liability within 10 days after receiving notice of liability, the IRS District Director may collect the amount by placing a levy on the member's retired pay. The IRS is required to give the member 10 days' notice prior to levy execution. This notice is normally included with the notification of liability. For additional information on the collection of delinquent federal tax debts by tax levy, see Chapter 28 and ***26 U.S.C. § 6331***.

9.0 SBP/RSFPP PREMIUMS

For more information on the taxation of SBP premiums, see Chapter 45.

9.1 Paid by Deduction From Retired Pay

SBP/RSFPP premiums are deducted from a retiree's gross pay. This method reduces the retiree's amount of taxable income.

9.2 Paid by Direct Remittance

SBP/RSFPP premiums paid by direct remittance do not reduce the retiree's taxable income.

10.0 MILITARY CORRECTION OF RECORDS PAYMENTS

If a correction of military records results in payment to the retiree, the payment is processed according to whether or not it is subject to FITW.

10.1 Amounts Previously Paid and Reported

When amounts previously paid and reported as FITW wages are not subject to FITW as a result of the correction of record pursuant to ***10 U.S.C. § 1552***, the member may be provided a corrected ***IRS Form 1099-R***, Distributions From Pension, Annuities, Retirement or Profit-Sharing Plans, Individual Retirement Accounts, Insurance Contracts, etc., for the 3 calendar years before the year that the correction action is made, if such correction is appropriate in accordance with the Internal Revenue Code. Alternatively, the member may be provided a letter citing the previous amount taxed and the amount that would have been withheld based upon the record as corrected. The member may seek to obtain a tax refund, if any is due, from the IRS based on his or her total tax liability. Any additional claims for tax liability may be treated as a claim for pecuniary benefits under 10 U.S.C. § 1552.

10.2 Subject to FITW

When the member's retired pay is subject to FITW, the payment is reported as FITW wages for the current year and paid out of the Military Retirement Fund.

11.0 DISABILITY SEVERANCE PAY

For information on the taxability and withholding of disability severance pay, see Volume 7A, Chapter 35.

12.0 RETIRED PAY FOR FLEET RESERVIST/FLEET MARINE CORPS RESERVIST (FR/FMCR) NOT PHYSICALLY QUALIFIED FOR RETENTION

The retired pay of a member of the FR/FMCR, who is transferred to the retired list after being found physically unqualified for retention in the FR/FMCR, is subject to FITW. See Chapter 2.

REFERENCES

CHAPTER 24 - COMPUTATION OF WAGES SUBJECT TO FEDERAL INCOME TAX WITHHOLDING (FITW)

2.0 – GROSS RETIRED PAY AND FITW

2.1	26 CFR 31.3401(a)-1(b)
2.2.1	26 U.S.C. § 104(a)(4) 26 U.S.C. § 104(b) 26 U.S.C. § 104(b)(2)(A)
2.2.2	26 U.S.C. § 104(a)(4) 26 U.S.C. § 104(b)(2)(B)
2.2.3	26 U.S.C. § 104(a)(4) 26 U.S.C. § 104(b)(2)(C) DoDI 1332.18, Disability Evaluation System (DES), November 10, 2022
2.2.4	26 U.S.C. § 104(a)(4) 26 U.S.C. § 104(b)(2)(D)

3.0 – EFFECT OF DISABILITY COMPENSATION AWARD ON FITW

	26 U.S.C. § 104(b)(4)
3.3	Strickland v Commissioner of Internal Revenue, 540 F.2d 1196 (1976)

4.0 – GROSS PAY PARTIALLY TAXABLE

	26 CFR 1.104-1

5.0 – FITW WAGE REDUCTIONS

5.3	10 U.S.C. § 1414

8.0 – DELINQUENT FEDERAL TAXES

8.2	26 U.S.C. § 6331

REFERENCES (Continued)

9.0 – SBP/RSFPP PREMIUMS

10 U.S.C. § 1448(g)(5)

10.0 – MILITARY CORRECTION OF RECORDS PAYMENTS

10.1	Ray v U.S., 453 F.2d 754, 197 Ct.Cl.2 (1972) 52 Comp Gen 420 10 U.S.C. § 1552

VOLUME 7B, CHAPTER 25: "COMPUTATION OF FEDERAL INCOME TAX WITHHOLDING (FITW)"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

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CHAPTER 25

COMPUTATION OF FEDERAL INCOME TAX WITHHOLDING (FITW)

1.0 GENERAL

1.1 Purpose

This chapter provides information pertaining to Retired and Annuitant (R&A) pay that is subject to FITW and the computation of FITW.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with Title 26 of the United States Code (U.S.C.). Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each section are listed in a reference section at the end of the chapter.

2.0 RATES FOR REGULAR AND ADDITIONAL WITHOLDING OF FITW

2.1 FITW

Federal income tax is withheld in accordance with the Department of the Treasury, Internal Revenue Service ***(IRS) Publication 15, (Circular E)***, Employer's Tax Guide. Taxable pay, as computed under provisions of Chapter 24, is subject to FITW.

2.2 Request Additional FITW

A member may authorize an additional monthly amount of federal income tax to be withheld.

2.3 FITW for an Annuitant

The gross monthly amount of the annuity, or the monthly amount of the Survivor Benefit Plan (SBP) annuity remaining after it has been reduced by a Dependency and Indemnity Compensation award and/or Social Security offset (as applicable), is taxable income and subject to FITW unless the annuitant elects no withholding. See also Chapter 37 for Retired Serviceman's Family Protection Plan Annuities and Chapter 46 for SBP Annuities.

2.4 Nonresident Alien

Federal income tax is withheld for a nonresident alien pursuant to ***26 U.S.C. § 871*** and Title 26, Code of Federal Regulations (CFR), section 1.861-4 (***26 CFR 1.861-4***). Taxable retired pay, as determined under Chapter 24, is subject to FITW at the rate of 30 percent, without being reduced by withholding allowances of personal exemptions, unless the member is a citizen of a country that has a tax treaty with the United States. Use the withholding rate specified in the treaty if the member files ***IRS Form W8BEN***, Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding and Reporting (Individuals), with the Defense Finance and Accounting Service (DFAS), Military Retirement Pay.

Note: When a member files an income tax return, the IRS will refund any excess tax withheld. A member who is not a U.S. citizen or resident alien is responsible for reporting the income to the country of the member's citizenship and paying any tax owed on this income.

3.0 RATES OF FITW FOR ONE-TIME PAYMENTS

3.1 One-Time Payments

When DFAS Retired Pay pays a one-time payment concurrently with a regular monthly payment, it separately identifies the one-time payment from the regular payment. As such, the same FITW computation rules apply if the one-time payment is made concurrently with or separately from the regular monthly payment. There are two computation methods, and the method that may be used depends upon whether federal income tax was withheld from regular monthly payments of retired pay made to the member during the current or immediately preceding calendar year. (See IRS Publication 15, section 7.)

3.1.1. When federal income tax was not withheld from regular payments during the current or preceding calendar year, the one-time payment must be combined with the wages paid for the last pay period (in the same calendar year) or with the wages paid for the current pay period. The amount of withholding is then computed as if this was a single payment, taking into consideration the member's claimed withholding exemptions. Compute the aggregate withholding amount. Subtract the amount of federal income tax previously withheld or the amount scheduled to be withheld from the regular wages for the current period. The excess amount would then be deducted from the one-time payment.

3.1.2. When federal income tax was withheld from regular monthly payments made during either the current or immediately preceding calendar year, there are two alternatives:

3.1.2.1. Use the procedure described in subparagraph 3.1.1; or

3.1.2.2. Withhold a flat 22 percent of the taxable portion of the one-time payment without regard to the withholding exemptions claimed. (See Revenue Ruling 66-190, 1966-2 CB 457.)

3.2 Blended Retirement System (BRS) Lump Sum Payments

BRS lump sum payments made under ***10 U.S.C. § 1415(b)*** are treated as supplemental wages for tax purposes. Federal income tax is withheld from BRS lump sum payments in the same manner as described in paragraph 3.1.

REFERENCES

CHAPTER 25 – COMPUTATION OF FITW

2.0 – RATES FOR REGULAR AND ADDITIONAL WITHOLDING OF FITW

2.1	IRS Publication 15, (Circular E)
2.4	26 U.S.C. § 871 26 CFR 1.861-4 26 U.S.C. § 1441

3.0 – RATES OF FITW FOR ONE-TIME PAYMENTS

3.1	IRS Publication 15, (Circular E), Section 7 26 CFR § 31.3402(g)-1 Revenue Ruling 82-200
3.2	26 CFR § 31.3402(g)-1 Revenue Ruling 66-190, 1966-2 CB 457 10 U.S.C. § 1415(b)

VOLUME 7B, CHAPTER 26: "STATE TAXES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

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CHAPTER 26

STATE TAXES

1.0 GENERAL

1.1 Purpose

The state taxing authority of a member's residence(s) may tax the member's retired or retainer pay. The designated state must have a signed, standard written agreement with the DoD for the voluntary withholding of state income tax. This agreement will provide the Secretary concerned the authority to withhold state income tax from the member's monthly retired or retainer pay.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), including Title 10. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 WITHHOLDING

2.1 State Income Tax Withholding (SITW)

A retiree may request voluntary SITW from their retired or retainer pay. The request must include the member's full name, signature, Social Security number, the fixed amount withheld monthly from retired pay, the state designated to receive the withholding, and the member's current address of residence. The retiree may submit the request via letter, email, or fax to the address in section 4.0 or submit the request through the member's myPay account. If using myPay, the member's signature is not required. In the case of mental incompetence, the member's guardian or trustee must sign the request.

2.2 Amount

The withholding amount requested must be in a whole dollar amount and at least $10 or the state's minimum, if that amount is higher.

3.0 PAYMENTS AND REPORTS

3.1 Amounts Withheld

The Defense Finance and Accounting Service (DFAS) will disburse amounts withheld to the states in the month following the month of collection. Payment procedures and state income tax withholdings will follow the usual fiscal practices of the uniformed services.

3.2 Internal Revenue Service (IRS) Form 1099-R

The DFAS will provide each retiree an ***IRS Form 1099-R***, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., that indicates the total tax withheld for each state, following each calendar year end.

4.0 UNIFORMED SERVICES' RETIRED PAY OFFICE ADDRESSES

4.1 U.S. Military

The address and websites for the U.S. Military Retired Pay office follows:

Defense Finance and Accounting Service
U.S. Military Retired Pay
8899 East 56th Street
Indianapolis, IN 46249-1200

Phone: 800-321-1080
Fax: 800-469-6559

Website for general tax information:
https://www.dfas.mil/retiredmilitary/manage/taxes

Website for state withholding tax:
https://www.dfas.mil/retiredmilitary/manage/taxes/sitw

4.2 U.S. Coast Guard (USCG), National Oceanic Atmospheric Administration (NOAA), and Public Health Service (PHS)

Submit change requests (mail, email, telephone, or fax) for retired members of the USCG, NOAA, and PHS to:

Commanding Officer (RAS)
U.S. Coast Guard
Pay & Personnel Center
444 SE Quincy Street
Topeka, Kansas 66683-3591

Email: PPC-DG-RAS@uscg.mil
Phone: 1-800-772-8724 or 785-339-3415
Fax: 785-339-3770

USCG website: ***https://www.dcms.uscg.mil***
NOAA website: ***http://www.noaa.gov***
PHS website: ***https://dcp.psc.gov/ccmis/***

REFERENCES

CHAPTER 26 - STATE TAXES

1.0 – GENERAL	10 U.S.C. § 1045
2.0 – WITHHOLDING	10 U.S.C. § 1045
3.0 - PAYMENTS AND REPORTS	
3.1	Public Law 109-163, section 661, January 6, 2006 10 U.S.C. § 1045(a)

VOLUME 7B, CHAPTER 27: "GARNISHMENTS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

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Chapter 27

GARNISHMENTS

1.0 GENERAL

1.1 Purpose

The purpose of this chapter is to provide information unique to the collection of child support and/or alimony from military retired pay. The provisions of Title 42, United States Code (U.S.C.), section 659 (***42 U.S.C. § 659***) and Title 5, Code of Federal Regulations (CFR), part 581 (***5 CFR 581***) take precedence when in conflict with this chapter.

1.1.1. Pursuant to 42 U.S.C. § 659(h)(1)(A) and 5 CFR 581.103, remuneration for employment includes retired and retainer pay, including disability retired pay. These entitlements are hereafter referred to as "retired pay."

1.1.2. The processing of garnishment orders for child support and/or alimony from the pay of individuals receiving remuneration for employment from the United States is governed by 42 U.S.C. § 659 and 5 CFR 581.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the U.S.C., including Titles 15, 26, and 42. Due to the subject matter in the chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 DEFINITIONS

2.1 Alimony

Alimony is defined as periodic payments of funds for the support and maintenance of a spouse or former spouse. Subject to and in accordance with state law, alimony includes separate maintenance, alimony pending legal process, maintenance, and spousal support. It also includes attorney fees, interest, and court costs when, and to the extent that they are, expressly made recoverable as such by a decree, order, or judgment issued in accordance with applicable state law by a court of competent jurisdiction. Alimony, as used in this chapter and Chapter 29, excludes payments or transfers of property made in compliance with any community property settlement, equitable distribution of property, or other division of property between the spouse(s) or former spouse(s).

2.2 Child Support

Child support is defined as periodic payments of funds for the support and maintenance of a child or children. Subject to and in accordance with state law, child support includes (but is not limited to) payments to provide for health care, education, recreation, clothing, or other specific needs. It also includes related attorney fees, interest, court costs, and other relief. Child Support, as used in this chapter and Chapter 29, excludes payments made in compliance with the satisfaction of child abuse garnishments under Chapter 29, paragraph 3.6.

2.3 Disposable Earnings

Disposable earnings are defined as an individual's gross retired pay less deductions for the following items:

2.3.1. Amounts withheld in payment of debts owed to the United States, except that an indebtedness based on a levy for income tax under ***26 U.S.C. § 6331*** will not be excluded in complying with legal process for the support of minor children if the legal process was entered prior to the date of the levy;

2.3.2. Deductions required by law (e.g., Survivor Benefit Plan and Retired Serviceman's Family Protection Plan cost deductions and deductions for Department of Veterans Affairs waivers); and

2.3.3. Regular Federal income tax withholding (FITW) and state income tax withholding, if required or authorized by law and amounts withheld are not greater than would be the case if the individual claimed all dependents to which he/she were entitled.

2.4 Legal Process

Legal process is defined as any writ, order, summons, or other similar process in the nature of garnishment. Legal process may be issued by:

2.4.1. A court of competent jurisdiction within any state, territory, or possession of the United States;

2.4.2. A court of competent jurisdiction in any foreign country with which the United States has entered into an agreement that obligates the United States to honor such process; or

2.4.3. An authorized official according to an order of such a court of competent jurisdiction or pursuant to state or local law.

3.0 DESIGNATED AGENT

The Defense Finance and Accounting Service (DFAS), Office of General Counsel, Deputy General Counsel of Garnishment Law Directorate, or his or her representative, is responsible for receiving and implementing all legal process concerning retired members. Legal process may be served by regular mail or by fax to:

DFAS Office of General Counsel
Attn: Garnishment Law Directorate
P.O. Box 998002
Cleveland, OH 44199-8002
Fax: 216-367-3675; Toll-Free Fax: 877-622-5930

Any legal process served on DoD entities other than the designated agent, for the purpose of enforcing payment of child support and/or alimony, will be forwarded to the designated agent for processing. For additional information or assistance call:

Garnishment Law Directorate Customer Service
Toll-Free: 888-DFAS411 (888-332-7411)

4.0 IMPLEMENTING LEGAL PROCESS

4.1 Legal Review

Once legal process has been served on the designated agent, the designated agent will review the legal process to determine if it is regular on its face, appears to conform to the laws of the jurisdiction from which it was issued, was issued to enforce a member's legal obligation to provide child support and/or alimony, and contains sufficient information to accurately identify the member.

4.2 Written Notification

The designated agent will notify the member within 15 days after valid service of legal process. The written notification will explain the potential effect of the legal process on the member's pay, including allotments, and advise the member that the member has the burden of raising any available defenses, such as violation of the member's rights under the Servicemembers Civil Relief Act or lack of personal jurisdiction over the member, to the court who issued the order. A copy of the legal process will be included with the written notice. The notice will be sent to the member's address of record in the retired pay system. When the designated agent has the capability to make notification through electronic means such as email, the notice will be made using those electronic means.

4.3 Response

Within 30 days of effective service, or such longer period as may be allowed by applicable state law, the designated agent will:

4.3.1. Determine the amount of the member's disposable earnings, as defined in paragraph 2.3;

4.3.2. Where required, file an answer to the legal process with the court in which the proceeding was brought and answer any interrogatories regarding the disposable earnings due the member (the designated agent may use its standard answer form for this purpose); and

4.3.3. Establish deductions from the member's disposable earnings. In accordance with 5 CFR 581.305(f), governmental agencies, including DoD agencies, are not required to vary their pay or disbursing cycles to comply with the legal process.

4.4 Maximum Percentage of Pay Subject to Garnishment

Unless a lower maximum garnishment percentage limitation is provided by applicable state or local law, the maximum part of disposable earnings for any pay period which is subject to legal process will not exceed:

4.4.1. Fifty percent of disposable earnings if the member concerned asserts by affidavit or other acceptable evidence that he or she is providing over half of the support for a spouse or dependent child (other than a spouse or dependent child with respect to whose support the legal process is issued);

4.4.2. Sixty percent if the member concerned is not supporting a spouse or dependent child as stated in subparagraph 4.4.1; or

4.4.3. If it appears from the face of the legal process that the member is in arrears for a period that is 12 weeks or greater, the maximum percentage under subparagraph 4.4.1 is 55 percent and under subparagraph 4.4.2 is 65 percent.

4.5 Allotments to be Discontinued

If the member does not have enough net pay available to comply with the legal process, then one or more of the member's allotments will be stopped in accordance with the order of precedence for items 1 through 14 in Figure 19-1 of Chapter 19.

4.6 Priority of Legal Obligation

If the designated official is served with legal process concerning more than one legal obligation owed by the same member, then the legal obligations will be satisfied from the available funds in the following order of priority:

4.6.1. Legal process to enforce current support will have priority over legal process to enforce support arrearages;

4.6.2. Legal process to enforce current child support will have priority over legal process to enforce current alimony; and

4.6.3. If the legal process is to enforce more than one child support obligation, and there are not enough funds available to fully satisfy all legal process served, then the available funds will be allocated among the obligations in proportion to the amounts of current child support due. Alimony obligations will be satisfied on a first-come, first-served basis.

5.0 APPEALS

Where notice is received that the member has appealed either the legal process or the underlying alimony and/or child support order, payment of money subject to the legal process will be suspended, i.e., money will continue to be withheld, but these amounts will be retained until the Government is ordered by the court, or other authority, to resume payments or otherwise disburse the suspended amounts. However, no suspension action will be taken where the applicable law of the jurisdiction wherein the appeal is filed requires compliance with the legal process while an appeal is pending.

6.0 GARNISHMENT OF RENOUNCED RETIRED PAY

6.1 Retired Pay Subject to Garnishment

Legal process, as defined in paragraph 2.4, must be honored even though the member has renounced receipt of retired pay. The member's refusal to receive retired pay does not permit the Government to deny satisfying a writ, order, summons, or other similar process in the nature of a garnishment. The entitlement to retired pay, even if renounced, continues to be treated as an amount "due from or payable by" the United States, which accrues to a member's retired pay account and is subject to garnishment.

6.2 Waiver of Retired Pay

The right to accrue retired pay may not be waived, except as authorized by law. See Chapter 12 concerning the waiver of retired pay.

7.0 INDEMNIFICATION

7.1 Liability for Payment

Neither the DoD, nor any disbursing officer or employee, will be liable for any payment made from money due from, or payable by, the DoD, to any individual pursuant to the legal process, if such payment is made in compliance with 42 U.S.C. § 659, 5 CFR 581, and this chapter.

7.2 Disciplinary Action, Civil or Criminal Liability, or Penalty for Disclosure of Information

DoD employees, whose duties include responding to relevant interrogatories, will not be subject to any disciplinary action, civil or criminal liability, or penalty for any disclosure of information made in connection with answering such interrogatories.

7.3 Liability for Failure to Comply With Legal Process

Neither the DoD, nor any disbursing officer or employee, will be liable to pay monetary damages for failure to comply with legal process.

REFERENCES

CHAPTER 27 – GARNISHMENTS

1.0	GENERAL	
		5 CFR 581 42 U.S.C. § 659
2.0	DEFINITIONS	
	2.3	26 U.S.C. § 6331
4.0	IMPLEMENTING LEGAL PROCESS	
	4.3.3	5 CFR 581.305(f)
	4.4	15 U.S.C. § 1673(b) 42 U.S.C. § 659(h) 42 U.S.C. § 666(b)
6.0	GARNISHMENT OF RENOUNCED RETIRED PAY	
		Manuscripts Comptroller General B-196839, April 24, 1980
7.0	INDEMNIFICATION	
	7.1	5 CFR 581 42 U.S.C. § 659

VOLUME 7B, CHAPTER 28: "COLLECTION OF NON-DOD DEBT AND DELINQUENT FEDERAL TAXES BY TAX LEVY"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated September 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated chapter and formatting to comply with administrative instructions.	Revision
3.2	Removed hyperlink to Internal Revenue Service (IRS) Form 668-W(c) because it is no longer available by IRS or a federal government website.	Revision

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CHAPTER 28

COLLECTION OF NON-DOD DEBT AND DELINQUENT FEDERAL TAXES BY TAX LEVY

1.0 GENERAL

1.1 Purpose

The purpose of this chapter is to provide guidance on the collection of non-DoD debt from the retired pay of members. Non-DoD debt discussed in this chapter include debts owed to other non-DoD federal creditor agencies and debt owed to the United States as a result of a civil judgment against a member. This chapter also provides guidance on tax levies issued by the Internal Revenue Service (IRS) in order to collect delinquent income tax debt from members. See Volume 16 for the collection of DoD debts from members.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 5, 26, 31, and 37. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 INVOLUNTARY COLLECTION

2.1 Recovery of Debt

Current pay is available for repayment of indebtedness without the member's consent only if such recovery is expressly authorized by statute.

2.2 Offsetting Retired Pay to Collect Debts Owed to Non-DoD Federal Creditor Agencies

Title 5, U.S.C., section 5514 provides authority to offset retired pay in order to collect debts owed to non-DoD federal creditor agencies.

2.2.1. Non-DoD Federal Creditor Agencies. A non-DoD federal creditor agency is a non-DoD federal agency to which an employee owes a debt. Examples of non-DoD federal creditor agency debts include debts owed by members for overpayments of civilian pay the member earned as an employee of a non-DoD federal agency or federal loan debts from non-DoD agencies. See section 3.0 for collection of delinquent federal tax by levy. See paragraph 2.4 for court judgments.

2.2.2. Offset Authority. Non-DoD federal creditor agency debts may be collected by offset of retired pay under 5 U.S.C. § 5514. When non-DoD federal creditor agencies identify members as having outstanding debts, those agencies must address their salary offset requests to the Secretary of Defense designee for such collection, which is the Defense Finance and

Accounting Service (DFAS). The following designated agent is responsible for receiving these collection requests:

Defense Finance and Accounting Service (DFAS)-AHADC
1240 E. 9th Street
Cleveland, OH 44199-8002

2.2.3. Due Process. A request for offset must include certification that due process rights have been afforded to an indebted employee by the non-DoD creditor agency. A federal tax levy takes precedence over other pay or salary offset deductions, pursuant to 5 U.S.C. § 5514. See also Volume 16, Chapter 3, paragraph 4.4.

2.2.4. Deduction Limitation. Collection may be made in monthly installments or at established pay intervals not to exceed 15 percent of disposable pay for any pay period, unless a greater percentage is authorized by written consent of the member. Unsatisfied debts at retirement must be deducted from subsequent payments of any nature due the member. See Volume 16, Chapter 3, subparagraph 3.6.2.

2.3 Administrative Offset of Debts Owed to Non-DoD Federal Creditor Agencies

Debts owed to non-DoD federal creditor agencies may be collected by administrative offset under ***31 U.S.C. § 3716***. See also Volume 16, Chapter 3, paragraph 4.4.2.3.

2.4 Collection of Other Debts

A member's retired pay may be subject to garnishment, tax levy, or a court judgment.

2.4.1. Garnishment or Levy

A retired member may not be deprived of pay by the civil process of garnishment or tax levy except as set out in Chapter 27 (garnishment of child support and alimony) or in section 3.0 (levy of delinquent federal taxes) of this chapter.

2.4.2. Judgments in Favor of the United States

Court judgments against a member, or retired member, in favor of the United States may not be collected under Public Law (P.L.) 97-276, section 124. However, such judgments in favor of the United States may be collected under 5 U.S.C. § 5514.

2.4.3. Judgments in Favor of Private Individuals

Court judgments ordered to be collected to pay private individuals are not debts owed to the United States government and cannot be collected by offset under 5 U.S.C. § 5514 or 31 U.S.C. § 3716.

3.0 COLLECTION OF DELINQUENT FEDERAL TAXES BY LEVY

3.1 General

When a member does not pay any federal income taxes due within 30 days after the IRS has issued a notice and demand for payment to the member, the IRS may collect the tax by levy on the member's salary or other income, including retired or retainer pay. IRS tax levies are requests on IRS Form 668-W, Notice of Levy on Wages, Salary, and Other Income, for a continuous levy from a member's retired pay to collect taxes owed. The effect of a levy on wages, salary, or other income payable to or received by the member will be continuous from the date such levy is first made until such levy is released by the IRS on Form 668-D, Release of Levy. Medal of Honor recipients are exempt from tax levy.

3.2 IRS Form 668-W

The IRS will transmit IRS Form 668-W or Form 668-W(c), in five parts (the letter "c" designates a computer-generated form which is the same as the version of the form without the "c"). The IRS Form 668-W will identify the member, specify the amount of the tax liability, give instructions for providing due process, show how to compute the levy based on input from the taxpayer, and give the payment address. The DFAS Retired and Annuitant Pay Office (hereinafter "Office") must follow the instructions on the IRS Form 668-W. In general, the Office must notify the taxpayer (see Figure 28-1 for an example of a sample letter), compute the amounts available for payment to the IRS, and make the payment. Currently, the IRS Form 668-W requires the employer to send to the IRS all of the taxpayer's net pay less what is exempt from levy. Net pay is gross retired pay less all deductions and allotments in effect as of the date of receipt of IRS Form 668-W. The Office must follow the instructions on IRS Form 668-W when computing exemptions.

3.3 Problem Cases

When the IRS has determined the taxpayer's case is a problem case, the taxpayer will be furnished with the IRS Form 668-W, a statement of the amount of delinquent taxes and a statement that "net pay" is not enough to pay the levy and that all available accrued pay should be sent to the IRS. Available accrued pay is gross retired pay less:

3.3.1 Withholding for current Federal taxes (statutory amounts only);

3.3.2. Amounts required to satisfy prior overpayments of pay;

3.3.3. Amounts waived in favor of compensation from the Department of Veterans Affairs;

3.3.4. United States Government Life Insurance/National Service Life Insurance premiums;

3.3.5. Deductions for Retired Serviceman's Family Protection Plan and/or Survivor Benefit Plan costs;

3.3.6. Voluntary child-support allotments to satisfy court orders, provided the court order is dated prior to the date of the levy from the IRS;

3.3.7. Pay attached or garnished for child support or alimony; and

3.3.8. The levy exemptions calculated under normal levy procedures.

NOTE: The main difference between a regular levy and a problem case levy is that, under the latter, the Office must stop the member's voluntary allotments of retired pay to satisfy the levy. If it is not necessary to stop all allotments, the Office should request the member elect which allotments to stop. If the member does not respond to the request, the Office must stop such allotments as are necessary, stopping any commercial insurance allotments last. See Chapter 19, Figure 19-1 for the order of precedence.

Figure 28-1. Example of Notification Letter for IRS Notice of Levy

Defense Finance and Accounting Service
Retired and Annuitant Pay

December 1, 20XX

CMSGT John Doe, U.S. Air Force (Retired)
1240 East 97th Street
Cleveland, OH 44199-2055

Dear CMSGT Doe,

The IRS has sent us the attached IRS Form 668-W, (Notice of Levy on Wages, Salary, and Other Income). Please read the IRS Form 668-W carefully, as it may be advisable to discuss it with your attorney or other tax adviser.

Complete the attached form and return it to us within 3 working days to claim your partial exemption. If we do not receive the completed form, we will compute your exemption for you, using the exemption for a married person filing separately with one personal exemption. Please note that the exemptions you claimed for tax withholding purposes are NOT the same and we will not use them to compute your exemption from levy.

This is a continuous levy against your retired pay to collect delinquent federal taxes. We will deduct the levy from your (month/year) retired pay. We will make a specified collection from your retired pay and continue the collection until the levy has been satisfied. This levy remains in force and effect until the IRS serves our office with IRS Form 668-D, (Release of Levy).

If you have been awarded the Medal of Honor, you are exempt from levy. Send us a copy of the citation awarding you the Medal of Honor to prevent the levy of your retired pay.

Please contact the IRS office that issued the levy for questions that you may have concerning the levy.

Sincerely,

Military Pay Technician
Retired and Annuitant Pay

Attachment:
As stated

REFERENCES

CHAPTER 28 – COLLECTION OF NON-DOD DEBT AND DELINQUENT FEDERAL TAXES BY TAX LEVY

2.0 –INVOLUNTARY COLLECTION

2.1	37 U.S.C. § 1007(c) 5 U.S.C. § 5514 31 U.S.C. § 3716
2.2	37 U.S.C. § 1007(c) 5 U.S.C. § 5514
2.3	31 U.S.C. § 3716
2.4	5 U.S.C. § 5514 31 U.S.C. § 3716 P.L. 97-276, section 124, October 2, 1982 Comptroller General, B-230865 (1990), United States v. Tafoya, 803 F.2d 140 (5th. Cir 1986)

3.0 – COLLECTION OF DELINQUENT FEDERAL TAXES BY LEVY

	26 U.S.C. § 6321(a) 26 U.S.C. §§ 6331 and 6334

VOLUME 7B, CHAPTER 29: "FORMER SPOUSE PAYMENTS FROM RETIRED PAY"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated February 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatted chapter to comply with current administrative instructions.	Revision
7.2.3.1	Updated the table formatting in compliance with current administrative instructions.	Revision
7.2.3.2	Updated the table formatting in compliance with current administrative instructions.	Revision
8.0	Revised section for clarity.	Revision
Figure 29-2	Added a figure to illustrate sample court orders for all retired members who are divorced/legally separated after retirement and for clarification.	Addition
Figure 29-3	Added a figure to illustrate sample court orders for active-duty members who are divorced/legally separated on or before December 23, 2016, and for clarification.	Addition
Figure 29-4	Added a figure to illustrate sample court orders for active-duty members who are divorced/legally separated after December 23, 2016, and for clarification.	Addition
Figure 29-5	Added a figure to illustrate sample court orders for reserve members who are divorced/legally separated on or before December 23, 2016, and for clarification.	Addition
Figure 29-6	Added a figure to illustrate sample court orders for reserve members who are divorced/legally separated after December 23, 2016, and for clarification.	Addition

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CHAPTER 29

FORMER SPOUSE PAYMENTS FROM RETIRED PAY

1.0 GENERAL

1.1 Purpose

This chapter explains how a former spouse can apply for direct payments from a military member's military retired pay and how the former spouse's payments will be administered.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 10, 15, 28, 31, 38, 42 and 50. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 DEFINITIONS

2.1 Alimony

Alimony is a legal obligation where a member is ordered to pay an amount for the support and maintenance of a spouse or former spouse. This definition includes attorney's fees, interest, and court costs. Alimony does not include child support, property settlement, equitable distribution of property, or any other division of property.

2.2 Child Support

Child support is a legal obligation where a member is ordered to pay an amount for the support and maintenance of a child. This definition includes costs for health care, arrearages, attorney's fees, interest, penalties, and other related relief.

2.3 Court

Court means any court of competent jurisdiction of any state (in the United States), the District of Columbia, the Commonwealth of Puerto Rico, Guam, American Samoa, the Virgin Islands, the Northern Mariana Islands, and the Trust Territory of the Pacific Islands and any court of the United States, as defined in ***28 U.S.C. § 451***. Court also includes a court of a foreign country with which the United States has an agreement requiring the United States to honor any court order of such country.

2.4 Court Order

Court order means a final decree of divorce, dissolution, annulment, or legal separation issued by a court, or a property settlement incorporated into such an order. Court order also includes orders issued incident to a divorce, such as an order dividing military retired pay or a domestic relations order (DRO) that divides military retired pay.

Note: A DRO is not required but will be accepted. A court order also includes a support order as defined in section 453 of the Social Security Act (***42 U.S.C. § 653(p)***).

2.5 Creditable Service

Creditable service means years and full months of military service creditable for the purpose of computing a member's retired pay entitlement if the member is on active duty or the Reserve retirement points creditable if the member is a Reserve component member. See ***10 U.S.C. § 1405*** and ***10 U.S.C. §12733***, and Volume 7B, Chapter 1 and Chapter 3.

2.6 Designated Agent

Designated agent is the agent authorized to review applications for direct payments made. See section 4.0 for specific designations.

2.7 Disposable Retired Pay

Disposable retired pay is defined in paragraphs 7.1 and 8.2.

2.8 Entitlement

Entitlement is the legal right of a military member to receive military retired pay. The term refers to members who actually receive retired pay rather than those who qualify by completing the required years of service.

2.9 Final Decree

A final decree is an order from which no appeal may be taken or from which no appeal has been taken within the time allowed for taking such appeals under the laws applicable to such appeals, or a decree from which timely appeal has been taken and such appeal has been finally decided under the laws applicable to such appeals.

2.10 Former Spouse

Former spouse is the former husband or wife, or if the parties are legally separated, the current husband or wife, of a military member.

2.11 Formula Award

A formula award computes a former spouse's property interest in a military member's retired pay based on the relationship of a period of time (i.e., the length of the parties' marriage through the date of separation or total marriage through the date of divorce) during the member's creditable service (numerator) to the member's total service that is creditable toward retirement (denominator). A formula award is stated as a marital fraction in which the numerator and denominator are multiplied by a given percentage.

2.11.1. For members qualifying for an active duty (i.e., regular service) retirement, the numerator is the number of months the parties were married while the member was performing creditable military service, and the denominator is the number of months of the member's total creditable military service. The elements must be expressed in terms of whole months. The former spouse's award is usually calculated by multiplying the marital fraction by one-half or 50 percent, or any other given percentage amount. See paragraph 6.7 for acceptable active-duty formula award language.

2.11.2. For members qualifying for a Reserve (i.e., non-regular service) retirement, the numerator is the number of Reserve retirement points earned during the parties' marriage, and the denominator is the member's total number of Reserve retirement points. The elements must be expressed in terms of Reserve retirement points. The former spouse's award is usually calculated by multiplying the marital fraction by one-half or 50 percent, or any other given percentage amount. See subparagraph 6.7.2 for acceptable Reserve formula award language.

2.12 Garnishment Order

A garnishment order is an order directing the designated agent to issue payments from a member's pay to satisfy a legal obligation for child support, alimony, or division of property other than a division of military retired pay, or a monetary judgment rendered against a member for the physical, sexual, or emotional abuse of a child. See Public Law ***(PL) 115-91, section 534***.

2.13 Hypothetical Retired Pay Award

Hypothetical retired pay award is an award based on a percentage of retired pay that is calculated using variables provided in a court order that are different from the member's actual retirement variables (i.e., hypothetically what would the member's retired pay be if the member retired on this date). The retired pay calculated using the court ordered variables is called the member's hypothetical retired pay. A hypothetical award typically attempts to define the property interest in the retired pay as if the member had retired at the time the court divided the member's military retired pay based upon the member's rank, or high-3 amount, and years of service accrued to that point in time. Thus, the former spouse does not benefit from the member's pay increases due to promotions or increased service time after the divorce.

2.14 Member

A member is an individual who is on active duty, one who is a reservist, or one who is retired from military service.

2.15 Renounced Pay

Renounced pay is military retired pay to which a member is entitled, but which the member has waived receipt.

2.16 Retired Pay

Retired pay is the statutory entitlement due a member based on conditions of the retirement law, pay grade or high-3 pay amount, years of service, and the date of retirement. Retired pay includes "retainer pay."

Note: A Reserve member is generally not eligible to start receiving retired pay until they reach age 60. However, the National Defense Authorization Act (NDAA) for Fiscal Year 2008 enacted the Reduced Retirement Age for Reserve Component (RC) soldiers based on Active Duty (AD) performance. The NDAA for 2008 reduces the retirement age for RC members from 60 to a lesser age, but not below age 50, for those who have served on AD in an eligible status (qualifying service) after January 28, 2008.

2.17 Retired Pay Award

Retired pay award is a portion of a member's disposable military retired pay awarded to a former spouse or current spouse by a court of competent jurisdiction as a property division.

2.18 Standard Retired Pay Multiplier

The standard retired pay multiplier used to compute retired pay for members with a Date of Initial Entry into Military Service (DIEMS) prior to January 1, 2018, who have not elected to participate in the Blended Retirement System (BRS) is 2.5 percent times the member's years of creditable service. See Chapter 3. The retired pay or retainer pay multiplier for a member with a DIEMS on or after January 1, 2018, or a member with a DIEMS before January 1, 2018, who elected to enroll in the BRS, is 2 percent times the years of creditable service. See Chapter 3.

2.19 Uniformed Services Former Spouses' Protection Act (USFSPA)

PL 97-252, enacted on September 8, 1982, states that the section of Title 10 addressing former spouse protection may be cited as the "USFSPA." Therefore, USFSPA is used throughout and refers to the provisions of ***10 U.S.C. § 1408***.

3.0 AWARDS THAT CAN BE COLLECTED UNDER THE USFSPA

3.1 Child Support

A former spouse can collect child support if there is a court order that awards child support, and the former spouse and military member have ever been married to each other.

3.2 Child Support Arrearages

To collect child support arrearages, a former spouse must submit a recent court order that lists the total arrearages. The order cannot be older than two years from the date the designated agent receives it.

3.3 Alimony

A former spouse can collect current alimony under the USFSPA, but not alimony arrearages through the Defense Finance and Accounting Service (DFAS).

3.4 Retired Pay Award

A former spouse can collect current retired pay award payments, but not retired pay award arrearages through DFAS.

3.5 Property Other Than a Division of Retired Pay

A former spouse can collect a property division, other than a retired pay award, by garnishment if an order awards it to the former spouse and if the former spouse was also awarded alimony, child support, or a division of retired pay. A former spouse must be receiving at least one type of payment (i.e., division of property, alimony, or child support) from the designated agent and must provide the designated agent a garnishment writ to commence payments under this provision. See subparagraph 4.1.2 for more information.

3.6 Child Abuse Garnishments

Garnishment of a military retiree's retired pay in satisfaction of a judgment for physical, sexual or emotional abuse of a child under 18 years of age.

3.6.1. Subject to a court order, any payment of retired pay that would otherwise be made to a member shall be paid (in whole or in part) by the designated agent to another person as provided for in the terms of a child abuse garnishment order. The total amount payable under a child abuse garnishment order cannot exceed 25 percent of the member's disposable retired pay.

3.6.2. A court order providing for the payment of child support, alimony, or division of property, to the spouse or a former spouse of the member, is given priority over a child abuse garnishment order.

3.7 BRS Lump Sum Awards

3.7.1. A member who retires under the BRS has the option of electing to receive a lump sum of a portion of their retired pay (either 25 or 50 percent) as a "discounted present value of his or her retired pay." The lump sum amount is classified as retired pay and therefore is subject to division between a member and a spouse or former spouse pursuant to the provisions of a court order. A member has several options of how to receive the lump sum, including a number of annual payments. A spouse or former spouse who is entitled to receive a portion of those payments will be paid at the time the member receives each payment.

3.7.2. For a spouse or former spouse to receive a portion of lump sum payments made to a member pursuant to the member's election under the BRS, the designated agent must have received and approved the application for former spouse payments prior to the member's receipt of the lump sum amount. Lump sum payments will not be divided retroactively if the application for former spouse payments was not received prior to the members' receipt of the lump sum payment. For example, if the retiree elects to receive the lump sum amount in four annual payments, (June 2026, 2027, 2028, and 2029) but the former spouse does not submit an application for former spouse payments until January 2028, the designated agent upon approval of the application, will only divide the June 2028 and June 2029 annual lump sum payments. See ***10 U.S.C. § 1415*** and Chapter 3 for complete information on the BRS.

4.0 APPLICATION BY FORMER SPOUSE

4.1 Application Process

4.1.1. The former spouse must submit a completed ***DoD (DD) Form 2293***, Application for Former Spouse Payments From Retired Pay, and a certified copy of the court order awarding alimony, child support, or military retired pay. A court order for child support arrearages cannot be older than 2 years from the date the designated agent receives it. The court order must be certified by the clerk of the court that issued the order.

4.1.2. If the former spouse is applying for a property division other than a retired pay award, the former spouse must submit a garnishment order (writ of garnishment) in addition to the DD Form 2293 and the court order. To be eligible for payments under this section, a former spouse must be receiving at least one type of payment (i.e., division of property, alimony, or child support) from the designated agent.

4.1.3. The former spouse may mail the application to the appropriate designated agent given in paragraph 4.3 or may fax it to the number provided in paragraph 4.3. Please read the instructions and certification on the DD Form 2293 carefully.

4.2 Additional Documentation

4.2.1. A former spouse may need to provide additional documentation if the designated agent cannot determine whether the former spouse is eligible for USFSPA payments based solely on the DD Form 2293 and the court order. The designated agent may request additional

documentation to support the party's application or entitlement to continued eligibility for payment. Failure to timely submit additional documentation may result in suspension or termination of payments.

4.2.2. A person designated by the former spouse in a Power of Attorney (POA) form may assist the former spouse in completing the DD Form 2293 and in notifying the designated agent of address changes. However, a person designated in the POA form cannot change the payment account number. Only the former spouse can request such changes. Additionally, payments can only be made to the account in the name of the former spouse. A copy of a POA form that properly references entitlement of payments under USFSPA must be provided.

4.2.3. A person appointed by the court to hold fiduciary responsibilities over the estate and/or property of the former spouse may make address and account changes on behalf of the former spouse. A certified copy of the order (i.e., conservatorship and guardianship) must be provided within one year of the appointment or before the specified termination date.

4.3 Where to Send an Application for USFSPA Payments

The former spouse should send the application and all supporting documents to the following designated agent for the appropriate Uniformed Service.

4.3.1. For Army, Navy, Air Force, Space Force, and Marine Corps mail to:

DFAS Office of General Counsel
Attn: Garnishment Law Directorate
P.O. Box 998002
Cleveland, OH 44199-8002
Fax: 877-622-5930

4.3.2. For U.S. Coast Guard, Public Health Services, and National Oceanic and Atmospheric Administration mail to:

Commanding Officer (LGL)
Pay and Personnel Center
444 S.E. Quincy Street
Topeka, KS 66683-3591
Fax: 785-339-3788

4.4 When to Apply for USFSPA Payments

A former spouse may apply for payments any time after the court has issued a court order enforceable under the USFSPA. Although payments will not start under the USFSPA until after the member starts to receive retired pay, the designated agent can conditionally approve a former spouse's application prior to that, and retain the application pending the member's retirement.

4.5 Conditional Preapproval

4.5.1. If the former spouse applies prior to the member receiving retired pay, the designated agent will perform a legal review of the application, and may conditionally approve it based on information available at the time of the review concerning the member's duty status (active or Reserve).

4.5.2. At the time the member begins to receive retired pay, the designated agent will perform a second review prior to establishing the former spouse's direct payments. If the former spouse's award was based on a formula or hypothetical retired pay amount, and the member's status has changed since the initial legal review, it may be necessary to reject the application and require the former spouse to submit a clarifying order providing the necessary information. For example, if the formula or hypothetical award lists the Reserve retirement points, but the member retires from active duty, the designated agent will need a new court order that lists a valid active-duty formula. See paragraph 6.7 concerning formula awards and paragraph 6.8 concerning hypothetical retired pay awards.

5.0 NOTIFICATION

5.1 Notification to Former Spouse of Approval or Disapproval

Within 30 days of the date of receipt of a former spouse's application, the designated agent will notify the former spouse if his or her application has been approved or disapproved. If approved, the designated agent will state the month the former spouse's payments will tentatively begin. If the designated agent cannot approve the application, the notice will include an explanation regarding the reason(s) why.

5.2 Notification to the Member of Approval of an Application

If a former spouse's application is approved, the designated agent will notify the member affected within 30 days of the date of receipt of the application. The member will not be notified if the application is not approved.

5.3 Second Notice

If the designated agent notified the member as part of a conditional preapproval more than 90 days prior to the member's becoming entitled to receive retired pay, the designated agent will provide a second notice to the member when the designated agent establishes the former spouse's payments at the time the member begins to receive retired pay.

5.4 Contents of Notice to Member

5.4.1. The notice will explain that payments issued under the USFSPA cannot exceed 50 percent of the member's disposable retired pay (or 65 percent of the member's disposable pay when also withholding for an income withholding order issued pursuant to ***42 U.S.C. § 659***), and will contain the month that the payments will tentatively begin.

5.4.2. The notice will inform the member that he or she must notify the designated agent if the court order has been amended, superseded, or set aside.

5.4.3. The notice will inform the member that if he or she submits information in response to this notice, he or she consents to the disclosure of that information.

5.4.4. The notice will include a copy of the court order.

5.4.5. The notice will advise that the member's failure to respond within 30 days of the date that the notification is mailed may result in the payment of a portion of the member's retired pay to a spouse or former spouse as set out in the notice to the member.

5.5 How to Prevent USFSPA Payments From Starting

The member must provide documentary evidence that a former spouse's court order is legally defective or has been appealed, amended, or set aside. If the designated agent determines that the documentary evidence is sufficient to bar payments to a former spouse, the designated agent will not start the payments. The designated agent will then inform the former spouse that payments will not start and provide copies of the documentary evidence to the former spouse.

6.0 COURT ORDERS

6.1 Contents of Court Order

6.1.1. The court order must be regular on its face. This means that a court of competent jurisdiction issued the order and nothing on its face provides reasonable notice that it was issued without authority of law.

6.1.2. If the court order awarding child support or alimony appears on its face to conform to the laws of the jurisdiction from which it was issued, the designated agent will not be required to ascertain whether the court had obtained personal jurisdiction over the member.

6.1.3. The court order must award former spouse alimony, child support, or a retired pay award. There is no requirement in Federal law that specifies how military retired pay is to be divided.

6.1.4. If the order contains a retired pay award, that award must be expressed as a fixed dollar amount or as a percentage of disposable retired pay. A retired pay award expressed as a percentage will automatically receive a proportionate share of the member's cost-of-living adjustments (COLA), while one expressed as a fixed amount will not. There is no authority for a retired pay award to state a fixed dollar amount and also order COLAs. Retired pay awards phrased in that manner will be construed as a fixed dollar amount and will not receive COLAs.

6.1.5. The designated agent will construe percentage awards such as a percentage of gross retired pay, as a percentage of disposable retired pay regardless of the language in the order.

6.1.6. If the former spouse and the member were divorced before the member became entitled to receive military retired pay, the retired pay award may be expressed as a formula or hypothetical retired pay award in accordance with paragraphs 6.7 and 6.8. Since the computation of formula and hypothetical retired pay awards result in a percentage, they are considered a type of percentage award, and would automatically receive a proportionate share of the member's retired pay COLAs.

6.2 Divorces Finalized While the Member is Still on Active Duty

6.2.1. For court orders issued prior to December 19, 2003, the court order must show that the member's rights under the Soldiers' and Sailors' Civil Relief Act of 1940 (50 U.S.C. Appendix 501 et. seq.) were complied with.

6.2.2. For court orders issued on or after December 19, 2003, the court order must show that the member's rights under the Servicemembers Civil Relief Act ***50 U.S.C. § 3901*** et. seq. (formerly cited as 50 U.S.C. Appendix 501 et. seq.) were complied with.

6.3 Domestic Relations Order

There is no requirement in USFSPA that a former spouse submit a DRO, but the designated agent will accept one if it is submitted and if it meets the requirements of the USFSPA. If the divorce decree or dissolution order states a DRO was entered, it must be submitted to the designated agent unless a subsequent court order has been entered and provided.

6.4 Requirements Specific to a Retired Pay Award

6.4.1. In the case of a retired pay award, the designated agent must be able to determine from the court order that the court dividing military retired pay had jurisdiction over the member in one of the following ways:

6.4.1.1. The member resided in the territorial jurisdiction of the court at the time of the legal proceeding due to other than military assignment;

6.4.1.2. The court finds that member's domicile was in the territorial jurisdiction of the court at the time of the legal proceeding; or

6.4.1.3. The member consented to the jurisdiction of the court. If the court order does not "explicitly" state that the member consented to the court's jurisdiction, the designated agent will regard the member's participation in the legal proceeding, other than to contest the court's jurisdiction, as evidence of the member's consent to the court's jurisdiction in the proceeding dividing the member's military retired pay.

6.4.2. Also, in the case of a retired pay award, the designated agent must be able to determine from the application that the former spouse and the member were married for at least 10 years during which the member performed 10 years or more of service creditable toward retirement eligibility (the "10/10" requirement). The 10 years of creditable service is determined

exclusively by the designated agent upon the effective dates of marriage and divorce, dissolution, legal separation, or annulment. There is no "10/10" requirement for payment of alimony, child support awards, or child abuse garnishments under USFSPA.

6.5 State Law Jurisdiction

The satisfaction of state law jurisdictional requirements is not sufficient alone to satisfy the additional jurisdictional requirement stated in paragraph 6.4. If the court order states that it has USFSPA jurisdiction, it must state the basis for the finding, i.e., member's residence, member's domicile or member's consent. The designated agent will make a determination of whether the court order meets the additional jurisdictional requirements stated in paragraph 6.4.

6.6 Member's Consent to a Separation Agreement

If the member signed a separation agreement, the designated agent will presume that the member consented to the jurisdiction of any court that at any time incorporates the agreement into a court order.

6.7 Acceptable Formula Awards

6.7.1. If the former spouse's award is expressed in terms of a formula, all the variables needed to calculate the formula must be included in the court order, with the exception of a member's total number of months of creditable service or total number of Reserve retirement points, which the designated agent will provide in accordance with subparagraphs 6.7.2 and 6.7.3. If the order provides all the variables needed to do the calculation, including total months of military service or total Reserve retirement points, the designated agent will calculate the formula using the variables provided, even if the figure is different from the member's actual total. If the member disagrees with the number listed in the court order (i.e., the denominator), the member will have to petition the court to get the order corrected to show the member's actual total months or points of military service. If any needed variable besides the total number of months of creditable service or total number of Reserve retirement points is not provided in the order, the applicant will have to provide the designated agent with a clarifying court order, which provides the necessary variable. The designated agent will carry out any percentages derived from formulas to four decimal places.

6.7.2. If the court order requires the designated agent to supply the denominator of a marital or coverture fraction, and the member qualifies for an active duty (i.e., regular service) retirement, the formula award must be expressed in terms of whole months. The numerator of the formula fraction is the number of months of marriage during the member's creditable military service. This number must specifically be provided in the court order. The denominator of the formula is the member's total number of months of creditable military service. If needed, the designated agent will provide the denominator if the order states it represents the member's total number of months of creditable military service. If the denominator represents anything other than the member's total number of

months of creditable service at the time of retirement (for example, number of months of creditable service as of the date of the separation or divorce), the designated agent is unable to provide it. Any days or partial months of service will not be considered. If the award is expressed in terms of years instead of months, the designated agent will convert years into whole months by rounding down to the nearest month.

6.7.3. If the court order requires the designated agent to supply the denominator of a marital or coverture fraction, and the member qualifies for a Reserve (i.e., non-regular service) retirement, the formula award must be expressed in terms of Reserve retirement points. In the case of a Reserve retirement, the numerator of the formula is the number of Reserve retirement points earned during the marriage. The Reserve retirement points that are to be used for the numerator must be provided in the court order. The denominator of the formula is the member's total number of Reserve retirement points at the time of retirement. If needed, the designated agent will provide the denominator if the order states it represents the member's total number of Reserve retirement points at the time of retirement. If the denominator represents anything other than the member's total Reserve retirement points at the time of the retirement (for example, Reserve retirement points as of the date of divorce), the designated agent is unable to provide it. The designated agent cannot honor a formula award for a member that qualifies for Reserve retirement that is expressed in terms of whole months, even if both the numerator and denominator are provided.

6.7.4. The sample Military Retired Pay Division Orders (see Figures 29-1 and 29-2) provide examples of acceptable formula award language. All the blanks in the sample awards represent variables that must be provided in the court order. The sample language is not required, but any award expressed using the applicable sample language will be acceptable.

> Example of active-duty formula: The court order awarded the former spouse a percentage of the member's disposable retired pay calculated by multiplying 50 percent times a fraction, where the numerator is 144 months of marriage during creditable military service, and the denominator is the member's total months of active-duty service. The member later retired after 20 years (or 240 months) of creditable service. The former spouse's award would be computed as follows: 50% x 144 months/240 months = 30%. The designated agent would pay 30 percent of the member's disposable retired pay.

6.8 Hypothetical Retired Pay Awards

6.8.1. Military retired pay is computed at the time the member retires, and it is based on two possible methods depending on when the member initially enters service. It will either be computed by using the member's rank and total years of service at the time of retirement, or the member's retired pay base, also known as high-3 (highest 36 months of earnings), and total years of service at the time of retirement. For members who entered military service before September 8, 1980, the member's rank is used. For members who entered military service on or after September 8, 1980, the member's retired pay base (high-3) is used.

6.8.2. A hypothetical retired pay award determines the amount awarded to a former spouse by using retirement information different from what will exist at the time a member actually retires.

Typically, the court will use variables to determine the retired pay award as though the member had retired at the time of the court order dividing military retired pay or some other date prior to the member's actual retirement. In this manner, the former spouse is awarded a portion of the member's retirement without accounting for promotions or service completed after the date of the order.

6.8.3. The hypothetical retired pay amount is calculated by multiplying the hypothetical retired pay multiplier (see subparagraph 6.8.4) times the hypothetical retired pay base (i.e., the member's active duty pay based on their rank and years of service or the average of their monthly pay for their highest 36 months of pay; their "high-3"). If the initial retired pay computation is not a multiple of $1, it is rounded down to the next lower multiple of $1. See Chapter 3 for retired pay calculations.

6.8.4. Retired Pay Multiplier

6.8.4.1. The standard retired pay multiplier is 2.5 percent multiplied by the member's years of creditable service. This means that a member will receive 2 ½ (2.5) percent for every year served (unless the member entered under, or switched to, the BRS).

For example, the retired pay multiplier for an active-duty member who serves 20 years will be 50 percent (2.5% x 20 years = 50%).

In the case of a hypothetical retired pay award, the hypothetical retired pay multiplier is determined by multiplying 2.5 percent times the hypothetical years of creditable service provided in the court order. The hypothetical years of creditable service must only include years and full months. If the figure provided in the court order includes days of service, the designated agent will round down to the nearest month. For example, if the hypothetical years of service provided is 14.57, since this figure includes more than 14 years, 6 months of service but not enough for 14 years, 7 months of service, 14 years, 6 months (or 14.5) will be used for the calculation. See paragraph 2.5. The resulting percentage is rounded to two decimal places. See Chapter 3 for retired pay calculations.

6.8.4.2. For members who retire under the BRS, the retired pay multiplier is 2 percent multiplied by the member's years of creditable service.

6.8.4.3. A hypothetical retired pay award for a reservist must be expressed in terms of Reserve retirement points rather than years of creditable service. The Reserve retirement points are converted into years of creditable service by dividing the Reserve retirement points on which the award is based by 360. The resultant figure is carried to three decimal places; then rounded to two. (See Chapter 3.) This resultant figure is used to compute the hypothetical retired pay multiplier. For example: 5,258 Reserve retirement points would convert to 14.61 years of service for multiplier purposes (5,258 points/360 = 14.61 years).

6.8.5. Retired Pay Base

6.8.5.1. For members entering military service before September 8, 1980, the retired pay base is the member's basic pay at retirement based on the member's rank and years of service for basic pay purposes. See Chapter 3. When computing a hypothetical award for one of these members, their hypothetical retired pay base would usually be their basic pay as of the hypothetical retirement date.

6.8.5.2. For members entering military service on or after September 8, 1980, the retired pay base is the average of the member's highest 36 months of basic pay at retirement (high-3 amount). See Chapter 3. For these members, their hypothetical retired pay base would usually be their average basic pay for the most recent 36 months prior to the hypothetical retirement date. If the court order provides the annual amount of retired pay base (high-3), the designated agent will convert it to a monthly amount by dividing the yearly amount by 12 to arrive at the monthly average.

Note: The retired pay base is not the member's actual monthly military retired pay amount.

6.8.6. In order to enable the designated agent to calculate the hypothetical retired pay amount, the court order must provide:

6.8.6.1. The percentage the former spouse was awarded;

6.8.6.2. The hypothetical years of creditable service, or, in the case of a reservist, the Reserve retirement points on which the hypothetical retired pay is to be based;

6.8.6.3. The hypothetical retired pay base (high-3). In the case of members entering military service before September 8, 1980, the court order may provide either the member's hypothetical retired pay base or the member's hypothetical rank and years of service for basic pay purposes; and

6.8.6.4. The hypothetical retirement date.

6.8.7. For members whose divorce, dissolution, legal separation, or annulment was effective on or before December 23, 2016, (the effective date of the NDAA 2017), if the court intends that the hypothetical retired pay be calculated based on the pay tables in effect at the time the member becomes entitled to receive military retired pay, the designated agent will use as the retired pay base either the basic pay for the hypothetical rank and years of service as of the date the member becomes eligible to receive retired pay, or the member's actual retired pay base, whichever is lower. The court order must provide:

6.8.7.1. The percentage the former spouse is awarded;

6.8.7.2. The hypothetical years of creditable service, or, in the case of a reservist, the Reserve retirement points on which the hypothetical retired pay is to be based and the member's years of service for basic pay purposes;

6.8.7.3. The member's hypothetical rank; and

6.8.7.4. An unequivocal statement that the calculation is to be made as of the member's actual retirement date.

6.8.7.5. If the court order awards a Reserve hypothetical calculated as of the time the member attains age 60, but the reserve member begins to receive retirement pay earlier based upon the Reduced Retirement Age provision of NDAA 2008, the designated agent cannot pay the former spouse until the member turns age 60. Additionally, the designated agent cannot compute the award if the member has not turned 60 years of age because the pay tables for a future date are not published until that date.

The applicant will need to either wait until the member turns age 60 to start receiving the division of property award or obtain a clarifying court order.

6.8.8. If the award language is missing any necessary variables, the court will have to clarify the award. See the sample Military Retired Pay Division Order (Figures 29-1 and 29-2) for examples of acceptable hypothetical retired pay award language.

6.8.9. All percentage hypothetical retired pay awards will be converted into a percentage of a member's actual retired pay according to the following example:

> The court order awarded the former spouse 50 percent of the disposable retired pay the member would have received had the member retired with 17 years of creditable service, a retired pay base of $2,200.00 per month, and a hypothetical retirement date of June 1, 1999. The member actually retired on June 1, 2002, with 20 years of creditable service, a retired pay base of $2,400.00 per month, and an initial gross retired pay of $1,200.00 per month (2.5% x 20 years = 50%; 50% x $2,400.00 = $1,200.00).
>
> First, the designated agent will calculate the member's hypothetical retired pay multiplier, which in this example is 42.5 percent (2.5% x 17 years = 42.5%).
>
> Next, the designated agent will calculate the hypothetical retired pay amount, which in this example is $935.00 per month (42.5% x $2,200.00 = $935.00).
>
> Then, the designated agent will apply retired pay COLAs to the hypothetical retired pay amount from the hypothetical retirement date to the date the member became eligible to receive retired pay. COLAs will only be applied to computations in cases in which the parties' legal separation or divorce were effective January 1, 2009, or later, unless the court order specifically states that COLAs are not to be added to the hypothetical computation (with the exception of NDAA). COLAs are statutorily required to be included in all NDAA cases, regardless of what the court order states.
>
> This calculation will determine the present value of the hypothetical retired pay as of the member's actual retirement date. In this case, if the member had become eligible to receive

retired pay on June 1, 1999, the hypothetical retirement date, the hypothetical retired pay, after adding the COLAs, would have been $1,008 per month on June 1, 2002, the actual retirement date.

In these examples, the addition of the partial annual COLAs would be as follows:

Year	COLA	Formula
12/1/1999	1.7 percent	$935.00 x 1.017 = $950.00 (rounded down)
12/1/2000	3.5 percent	$950.00 x 1.035 = $983.00 (rounded down)
12/1/2001	2.6 percent	$983.00 x 1.026 = $1,008.00 (rounded down)

Finally, the designated agent will convert the former spouse's percentage of hypothetical retired pay to a percentage of the member's actual retired pay as follows: 50% x 1,008.00/$1,200.00 = 42%. (All percentages derived from hypothetical computations will be carried out to four decimal places if applicable without rounding). In this example, 42 percent is the amount that the designated agent would enter into the retired pay system as the spouse/former spouse's retired pay award.

6.8.10. The military retired pay of a post-July 1986 member who has accepted a Career Status Bonus (CSB) is calculated using a reduced multiplier. (See Chapter 3.) However, when computing a retired pay award based on a hypothetical, the CSB member's hypothetical retired pay will be calculated using the standard multiplier. The retired pay of a member who has accepted a CSB will be recomputed using a standard multiplier effective the first day of the month after the member attains age 62. The former spouse's percentage will also be adjusted at the same time in accordance with subparagraph 6.8.8, using the member's recomputed retired pay in the denominator of the conversion fraction. This adjustment will result in a lower percentage being applied to a higher disposable pay figure, and will ensure that the former spouse continues to receive the amount intended in the court order.

6.8.11. When computing hypothetical awards for members under the BRS the former spouse's hypothetical award (percentage) will be calculated in accordance with subparagraph 6.8.8. However, since the actual military retired pay for members who retire under the BRS is calculated using the 2 percent multiplier, the BRS member's hypothetical retired pay will also be calculated using the 2 percent multiplier. Additionally, the designated agent will use the unreduced gross retired pay in the denominator of the conversion fraction, even if the member elects to receive a lump sum payment. Using the unreduced gross retired pay for the denominator ensures that the numerator and denominator are computed in an equalized manner (i.e., the same variables are used and one is not reduced).

6.9 Orders Issued Before June 26, 1981, That Did Not Divide Retired Pay

Any court order that contains a retired pay award that was issued before June 26, 1981, will be honored if it otherwise satisfies the requirements and conditions shown in this chapter. If a pre-June 26, 1981 decree or property settlement incident to the decree did not divide the member's military retired pay, and did not reserve jurisdiction to divide it, the designated agent

cannot honor an application for payment based on a subsequent order issued on or after June 26, 1981 dividing retired pay as property.

6.10 Survivor Benefit Plan (SBP) Premium

6.10.1. Pursuant to ***10 U.S.C. § 1452***, the SBP premium must be deducted from the member's retired pay. The SBP premium cannot be deducted from the former spouse's portion of the member's retired pay. Any provision in a court order stating that the premium should be deducted from the former spouse's portion is unenforceable by the designated agent. Any adjustments between the parties for the SBP premium payment will need to be made outside of the stated procedures. However, those adjustments will not be considered by the designated agent when computing the retired pay award.

6.10.2. SBP premiums for members who elect a lump sum payment, or payments will not be collected from the lump sum payment. Premiums will be deducted from the portion of retired pay that the member receives as regular retired pay after the lump sum payment. For more information on SBP premiums and BRS see Chapters 3, 42, and 45.

Note: A court order associated with a divorce that requires a retired member to establish former spouse SBP coverage is not self-executing. If a former spouse seeks to be deemed as the former spouse SBP beneficiary (to commence or continue SBP coverage after a divorce) (s)he must complete a DD Form 2656-10 ("Survivor Benefit Plan (SBP) Former Spouse Request for Deemed Election")) and submit it along with a copy of the relevant court order, within one year of the order requiring the member to elect former spouse coverage. See Volume 7B, Chapter 43, subparagraph 4.4.3 and paragraph 5.2.

6.11 Conflicting Retired Pay Awards

6.11.1. If the designated agent is served with court orders issued by different jurisdictions which contain conflicting awards enforceable under the USFSPA, the designated agent will deduct an amount equal to the largest amount required to be paid to the former spouse by either order, but will pay to the former spouse the least amount directed to be paid. The designated agent will retain the difference between the upper and lower ordered amounts until served with an order certified by the member and former spouse to be valid, and then pay the retained funds in accordance with the order.

6.11.2. If the designated agent is served with a court order containing conflicting retired pay award language within the same court order, or two orders issued on the same date that do not contain a time stamp, the designated agent will pay the former spouse the lower award amount; if the orders contain a time stamp, the order issued last controls. If one of the parties disagrees with the amount being paid, that party must provide the designated agent with a new court order stating the correct amount.

6.12 Court Orders Modifying Retired Pay Awards

6.12.1. If the designated agent is served with a court order containing valid award language in accordance with this chapter and the USFSPA, that modifies or clarifies a retired pay award, the designated agent will implement the order issued most recently. The order with valid award language issued most recently supersedes all prior orders.

6.12.2. If the designated agent is served with a court order containing valid award language that modifies or clarifies a retired pay award that was issued by a court of a state other than the state that issued the prior court order, the designated agent may implement the new order containing valid award language only if the court issuing this order had jurisdiction over both the member and former spouse in the manner specified in subparagraph 6.4.1.

6.12.3. If the designated agent is served with a court order containing invalid award language that modifies or clarifies a retired pay award and the order does not vacate or set aside a prior order with valid award language, the designated agent will enforce or continue to honor the prior valid court order. If the designated agent is served with a subsequent court order containing invalid award language that vacates or sets aside a prior order with valid award language, the designated agent will terminate former spouse payments until served with a subsequent order containing valid award language.

6.13 Conditional Awards

The designated agent cannot honor a court order that makes the former spouse's payments conditional on the occurrence of some other event. There is no authority for the designated agent to ascertain whether a condition in a court order has been satisfied. The former spouse will need to obtain a modified court order without the condition.

6.14 Awards Based on Retired Pay Accrued During Marriage

The designated agent cannot honor awards based on the value of the member's retired pay that has "accrued" during the marriage because military retired pay does not accrue over time. Military retired pay is not a pension. Rather, it is a statutory entitlement computed at the time the member retires and it is based on the member's rank and total years of service at the time of retirement, or member's high-3 and total years of service.

6.15 Awards of a Percentage of the Marital Portion

The designated agent cannot honor an award of a percentage of the "marital portion" or "marital share" of a member's retired pay or as of a particular date or time period, unless the court order also provides all variables necessary for the calculation of the marital portion/share/time period. See paragraphs 6.7 and 6.8 for examples.

6.16 Factual Errors in Court Orders

If a party submits documentary evidence that shows a factual error in a court order, this will not be sufficient to modify or stop payments being made pursuant to the court order. Subject to compliance with existing law, if a court order provides elements needed to calculate a former spouse award, including but not limited to, formulas, hypotheticals, and/or NDAA awards, the designated agent will use the elements provided even if the elements vary from the member's actual figures and result in a different percentage (higher or lower) than the parties set forth in the court order. The party asserting the error must petition the court to correct the order. The designated agent does not have the authority to correct errors in court orders.

7.0 DISPOSABLE RETIRED PAY

7.1 Disposable Retired Pay for Regular and non-Regular Retirements

7.1.1. Disposable retired pay is defined by the USFSPA as a member's total monthly retired pay (gross pay) entitlement minus authorized deductions. See 10 U.S.C. § 1408(a)(4).

7.1.2. If the former spouse and member were divorced on or before February 2, 1991, then USFSPA authorizes the following deductions:

7.1.2.1. Amounts owed to the United States;

7.1.2.2. Amounts withheld as Federal and state income tax withholding, consistent with the member's current actual tax liability;

7.1.2.3. Fines and forfeitures ordered by a court-martial;

7.1.2.4. Amounts waived in order to receive compensation under Titles 5 or 38 of the U.S.C.;

7.1.2.5. SBP premiums paid, but only if the former spouse applying for a retired pay award payment under USFSPA is the beneficiary of the SBP; and

7.1.2.6. The amount of retired pay for a member retired under Title 10, Chapter 61 computed based on percentage of disability.

7.1.3. If the former spouse and member were divorced on or after February 3, 1991, then the USFSPA authorizes the following deductions:

7.1.3.1. Amounts owed to the United States due to the overpayment of retired pay, or amounts required to be recouped due to the member's entitlement to retired pay;

7.1.3.2. Fines and forfeitures ordered by a court-martial;

7.1.3.3. Amounts waived in order to receive compensation under Titles 5 or 38 of the U.S.C.;

7.1.3.4. SBP premiums paid but only if the former spouse applying for a retired pay award payment under USFSPA is the beneficiary of the SBP; and

7.1.3.5. The amount of retired pay for a member retired under Title 10, Chapter 61 computed based on percentage of disability.

7.2 Computing Disposable Retired Pay for Disability Retirements

7.2.1. Effective January 1, 2004, pursuant to Pub. L. 108-136, div. A, title VI, § 641(e) (Nov. 24, 2003), codified at 10 U.S.C. § 1414 certain retired members may receive both disability compensation from the Department of Veterans Affairs (VA) and military retired pay concurrently. When a retired member qualifies for concurrent payments, the military retired pay provided to the member must be included in the member's gross retired pay. The disposable retired pay may then be computed in accordance with paragraph 7.1 and section 8.0. The disposable pay is subject to division under the USFSPA. See Chapter 64 for additional information on concurrent receipt of both retired pay and VA disability compensation.

7.2.2. Members who were retired for disability under Title 10, Chapter 61 for being found unfit to perform the duties of their office because of physical disability are entitled to disability retired pay. The amount to which a member is entitled is determined by applying a percentage multiplier to the member's basic pay (or high 36-month average) at the time of retirement. There are two possible multipliers and the choice of which multiplier to use is made by the member. The percentage multiplier may be either:

7.2.2.1. The number of years of the member's creditable service, or

7.2.2.2. The disability percentage assigned by the Service.

7.2.3. In general, the disposable retired pay equals a member's total gross monthly retired pay entitlement minus certain authorized deductions. One of the authorized deductions is "[t]he amount of retired pay for a member retired under Title 10, Chapter 61 computed based on percentage of disability." Accordingly, to compute disposable retired pay for members retired for disability under Title 10, Chapter 61, it is necessary to segregate the portion of gross monthly retired pay attributable to the percentage of disability from that attributable to years of creditable service:

* 7.2.3.1. Example 1 – Disposable Retired Pay using years of creditable service. A disability retiree who selected disability retired pay computed using creditable service in the monthly amount of $900 and declined disability retired pay computed using the percentage of disability in the monthly amount of $700. In this case, no other deductions apply.

Assumption: Disability retiree (i.e., retired under Chapter 61 of Title 10, U.S.C.)* with an option between a retired pay multiplier based on years of service and a retired pay multiplier based on percentage of disability.

Member's Options	Entitlement Amount for Each Option	Member's Choice	Gross Retired Pay as Chosen by Member (Monthly)	Amount that may be deducted*	Disposable Retired Pay
Option 1: Retired Pay based on years of service	$900	Elect	$900	$700	$200 ($900 - $700)**
Option 2: Retired pay based on percentage of disability.	$700	Decline	$900	$700	$200 ($900 - $700)**

* 7.2.3.2. Example 2 – Disposable Retired Pay using percentage of disability. A disability retiree who selected disability retired pay using the percentage of disability in the monthly amount of $1000 and declined disability retired pay using years of creditable service in the monthly amount of $500. In this case, no other deductions apply.

Assumption: Disability retiree (i.e., retired under Chapter 61 of Title 10, U.S.C.)* with an option between a retired pay multiplier based on years of service and a retired pay multiplier based on percentage of disability.

Member's Options	Entitlement Amount for Each Option	Member's Choice	Gross Retired Pay as Chosen by Member (Monthly)	Amount that may be deducted*	Disposable Retired Pay
Option 1: Retired Pay based on years of service	$500	Decline	$1000	$1000	$0 ($1000 - $1000)**
Option 2: Retired pay based on percentage of disability.	$1000	Elect	$1000	$1000	$0 ($1000 - $1000)**

* Examples 1 and 2 include disability retirees who are entitled to receive both disability compensation from the VA and military retired pay concurrently. Under subparagraph 7.2.1, when a retired member qualifies for concurrent payments, the military retired pay provided to the member must be included in the member's gross retired pay.

** Examples 1 and 2 are computed assuming no other authorized deductions apply.

7.2.4. Only disposable retired pay is subject to division under the USFSPA. If a disability retiree is entitled to receive both military disability retired pay from the DoD and disability

compensation from the VA concurrently and the deduction under 10 U.S.C. § 1408(a)(4)(A)(iii) for "The amount of retired pay… computed based on percentage of disability" results in disposable retired pay of $0, then no direct payments from a military member's military retired pay will be made.

7.2.5. Under ***10 U.S.C. § 1414***, certain retired members may receive both disability compensation from the VA and military retired pay concurrently. When a member who was retired for disability under Title 10, Chapter 61, is in receipt of both disability compensation from the VA and military disability retired pay, the retired pay is still disability retired pay and it is no different than disability retired pay paid to a retired member who is not eligible for concurrent receipt under 10 U.S.C. § 1414. The nature of the Disability Retired Pay is not changed simply because the retiree is found by the VA to have a service-connected disability that entitles the member to receive both benefits concurrently under 10 U.S.C. § 1414 even though the amount of Disability Retired Pay that can be received concurrently with VA Disability Compensation may be limited. For more information about concurrent receipt of disability compensation from the VA and military disability retired pay, see Chapter 64.

7.3 Other Deductions Included in Court Order

If a court order directs the use of deductions other than those authorized in paragraph 7.1 to compute the former spouse's award, that provision of the court order is unenforceable. The designated agent will use only the deductions authorized in paragraph 7.1 for the computation of disposable retired pay.

*8.0 DISPOSABLE RETIRED PAY UNDER NDAA FY 2017

8.1 Application of section 641 of the NDAA FY 2017

The NDAA FY 2017, PL 114-328 section 641, amended the 10 U.S.C. § 1408(a)(4) by clarifying that the division of property is to be calculated based on the date of the divorce decree, dissolution, annulment, or legal separation. This provision applies to divorces, dissolutions, annulments, and legal separations effective after December 23, 2016, that award the former spouse a retired pay award and:

8.1.1. That occur prior to an active-duty member becoming entitled to military retirement pay, or

8.1.2. That occur prior to a reserve member becoming entitled to retired pay (generally 60).

Note: If a member retires from active duty and divorces after he/she retires, NDAA does not apply. Additionally, if a reserve member has started to receive retirement pay or is eligible to start receiving retired pay (generally age 60) and divorces after this date, NDAA does not apply.

8.2 NDAA FY 2017 Disposable Pay Limits

In addition to the definition of Disposable Retired Pay in paragraph 7.1, and the authorized deductions in subparagraph 7.1.2, section 641 of the NDAA FY 2017 also limits disposable retired pay as follows:

8.2.1. The amount of retired pay is limited to that which the member would have been entitled using the member's retired pay base (rank or high-3) and years of service on the date of the final decree of divorce, dissolution, annulment, or legal separation; and

Note: The statute limitation is "no later than the date of the final decree of divorce, dissolution, annulment, or legal separation. For example, if the parties were divorced on October 1, 2024, but the court order states "the member's high-3 was $5,540 and had 17 years of service as of June 1, 2022 (date the parties separated)" this is acceptable.

8.2.2. Increased by any COLA awards added from the effective date of divorce, dissolution, annulment, or legal separation to the member's date of retirement. A provision in a court order purporting to restrict COLAs from being applied to a former spouse's award of retired pay is not enforceable and will not be honored.

8.3 Variables Required to Calculate the NDAA FY 2017 Disposable Retired Pay

In order to enable the designated agent to calculate disposable retired pay amount in accordance with the NDAA FY 2017, the court order must provide the variables listed in subparagraphs 8.3.1 or 8.3.2. See Figures 29-1 and 29-2 for examples of acceptable NDAA FY 2017 required language.

8.3.1. If the member entered the service before September 8, 1980:

8.3.1.1. The fixed amount, the percentage, the formula, or the hypothetical award that the former spouse is granted;

8.3.1.2. The member's pay grade (rank) at the time of divorce, dissolution, legal separation, or annulment; and

8.3.1.3. The member's years of creditable service, on the date of divorce, dissolution, annulment, or legal separation. In the case of a reservist, the Reserve retirement points, on the date of divorce, dissolution, annulment, or legal separation and years of creditable service for basic pay purposes.

8.3.2. If the member entered the service on or after September 8, 1980:

8.3.2.1. The fixed amount, the percentage, the formula, or the hypothetical award that the former spouse is granted;

8.3.2.2. The member's retired pay base (high-3) amount at the time of divorce, dissolution, legal separation, or annulment (the actual dollar figure); and

8.3.2.3. The member's years of creditable service, on the date of divorce, dissolution, annulment, or legal separation. In the case of a reservist, the Reserve retirement points, on the date of divorce, dissolution, annulment, or legal separation.

8.4 Clarification Order

If the award language in the court order is missing any of the listed variables in paragraph 8.3, then the applicant will need to obtain a clarifying court order that provides the variables as described in paragraph 8.3.

9.0 STARTING PAYMENTS

9.1 Starting Payments

If the former spouse's application is approved, payments will start no later than 90 days after the date the designated agent received the former spouse's complete application, or no later than 90 days after the date the member becomes entitled to receive military retired pay, whichever is later.

9.2 Timing of Payments

Payments will be issued in conformity with normal pay and disbursement cycles, which mean that payments will be issued monthly. Payments will be deducted from the month's pay and paid on the first business day of the following month. For example, a payment issued for the month of March would be sent at the beginning of April.

10.0 PAYMENT AMOUNT

10.1 Limitations

10.1.1. If the spouse or former spouse applies for payments under the USFSPA only, the maximum amount a former spouse can receive is 50 percent of the member's disposable retired pay.

10.1.2. If the spouse or former spouse applies for payments under the USFSPA and there is also a garnishment order for support, the maximum amount that can be paid toward both obligations is 65 percent of the member's disposable earnings calculated in accordance with 42 U.S.C. § 659 (child and spousal support statute) and its implementing regulation.

10.1.3. For garnishments for property other than a retired pay award, the maximum amount payable is 25 percent of disposable earnings in accordance with ***15 U.S.C. § 1673***.

10.1.4. In the event a member receives a retroactive award for Disability Compensation (under Title 38 of the U.S. Code) or a retroactive award for Combat-Related Special Compensation (under ***10 U.S.C. § 1413a***), the payments of retired pay previously made to a former spouse pursuant to a valid court order that were proper when paid do not become erroneous overpayments.

10.2 COLA

If a retired pay award is expressed as a percentage of disposable retired pay, the former spouse will automatically receive a proportionate share of the member's COLAs regardless of any language in a court order to the contrary. Formula and hypothetical retired pay awards are considered a type of percentage award, and thus will automatically include a proportionate share of the member's COLAs. If the retired pay award is a fixed amount, COLAs cannot be added, even if awarded in the court order, and the former spouse's payments will remain fixed. In an NDAA applicable case, COLAs will be added to the disposable income calculation on all awards regardless of what the court order states. Also, the former spouse will automatically receive a proportionate share of the member's COLAs on all NDAA applicable cases in which the award is a percentage, formula, or hypothetical regardless of what the court order states.

10.3 Offset of Former Spouse's Payment for Garnishment or Other Obligation

A former spouse's payment cannot be offset or garnished by the designated agent for any legal obligation, including child support owed to the member.

11.0 PRIORITY OF PAYMENTS

11.1 Multiple Awards

If a court order includes multiple types of awards to a former spouse, the former spouse may designate the priority of payments on the DD Form 2293. If the former spouse does not specify otherwise, the designated agent will pay the retired pay award first, child support second and spousal support third.

11.2 Multiple Former Spouses

If the designated agent is served with applications from more than one former spouse, the designated agent will honor the applications on a first-come, first-served basis. Subsequently served USFSPA applications shall be satisfied out of the disposable retired pay that remains after the satisfaction of all previously served court orders, subject to the limitations of paragraph 10.1.

11.3 Garnishment Orders for Support and Applications Under USFSPA

If the designated agent is served with both a garnishment for support and an application under USFSPA, the designated agent will pay whichever is served first. If the garnishment is served first and is payable directly to the former spouse, the former spouse may reverse the priority of payments by instructing the designated agent to pay the division of property first and then pay the support under a non-IV-D agency order. The designated agent will not change the priority of

payments between a division of property award and a support garnishment if the garnishment was served by an IV-D agency unless the agency agrees to withdraw (terminate) the support order in order to allow the division of property award to have priority over the support order.

12.0 STOPPING PAYMENTS

12.1 Erroneous Payment Information From Former Spouse

The former spouse has a continuing duty to provide the designated agent with correct payment instructions and current contact information. If a former spouse's payments are returned due to erroneous payment instructions (i.e., invalid address or incorrect account number for direct deposit payments), the designated agent will send notice to the last known correspondence address that, unless new payment instructions are received within 30 days of the date of the notice, payments will stop. If the former spouse submits new payment instructions after the payments have terminated, the designated agent will restart the payments on a current basis, and will not make up any missed payments.

12.2 Termination and Suspension of Retired Pay Award Payments

12.2.1. Unless the court order specifies a termination date or event, payments will stop upon the designated agent's receipt of notice of the death of either party. Payments will be prorated for the month of the death of either party.

12.2.2. Unless the court order specifies that payments terminate upon the former spouse's remarriage, retired pay award payments will not stop upon the designated agent's receipt of notice of the former spouse's remarriage. Please note, this provision does not apply to circumstances where the former spouse is receiving payments under 10 U.S.C. § 1408(h).

12.2.3. If the designated agent is served with an order staying payments, the designated agent will stop the payments until served with an order indicating that the former spouse's payments are to resume.

12.2.4. If the designated agent has already started payments and is served with documentation showing that an appeal of the order has been filed within the forum state's appeal timeframe, payments will terminate. The designated agent will not recoup any payments already issued. A former spouse can provide documentation evidencing finality of the appeal and any subsequent court orders, if applicable, for reestablishment of payments.

12.2.5. A former spouse may stop payments under USFSPA by sending the designated agent a letter with his or her signature notarized withdrawing their application for payments under the USFSPA. A former spouse can later reapply for payments by submitting a new DD Form 2293 and a certified copy of the court order that awards him/her the division of military retired pay.

12.2.6. If the designated agent has already started payments and the member goes into a non-pay status (thus is no longer receiving pay from DFAS), payments will stop. If the member goes back into a pay status, payments will resume.

12.3 Termination of Child Support Payments Under USFSPA

Child support payments will stop in accordance with the provisions of the court order. If the court order is silent as to when the payments should stop, payments will stop in accordance with the law of the state that issued the court order. The member has the burden of providing sufficient documentation to justify stopping payments on or before a child's age of majority. The former spouse has the burden of providing sufficient documentation to justify continuing payments after a child's age of majority.

12.4 Termination of Alimony Payments Under USFSPA

Alimony payments will stop in accordance with the provisions of the court order. If the court order is silent as to when the payments should stop, payments will stop in accordance with the law of the state that issued the court order, or upon receiving a court order terminating the alimony payments. (NOTE: The law of some states does not provide that an alimony obligation automatically terminates upon a former spouse's remarriage. For such states, a court order terminating the alimony will need to be provided.) If the designated agent does not already have sufficient documentation to stop payments, additional evidence such as a marriage certificate will be required.

12.5 Payments and Bankruptcy

Absent a court order, there is no authority to stop a former spouse's retired pay award, current and arrearage child support payments, and current spousal support payments, if a member files bankruptcy.

12.6 Certification of Eligibility

The designated agent may request that a former spouse submit a signed certification of continued eligibility to receive payments under USFSPA. The certificate of eligibility should include notice of a change in status or circumstance that affects eligibility, if any such change exists. If the former spouse fails or refuses to comply with the certification requirement, the designated agent may stop the payments after notice to the former spouse.

13.0 RETIRED PAY ARREARS OWED A DECEASED FORMER SPOUSE

13.1 Applicability

This section applies to the settlement of arrears of a retired pay award that may be due a deceased former spouse pursuant to a previous application for direct payment completed under section 4.0. Arrears of a retired pay award may result from prorating a member's disposable retired pay for the month of the former spouse's death, from checks not negotiated before the former spouse's death, or the designated agent's failure to establish and/or make payments to the former spouse in the correct amount prior to the former spouse's death for a period that the former spouse was entitled to a property division.

13.2 Processing of Death Notice

To settle the arrears of retired pay owed a deceased former spouse, the following documentation must be on file:

13.2.1. Copy of Death Certificate. A notification of death from any source (next of kin, post office, or neighbor) is sufficient to suspend future payment of the retired pay award. However, an official copy of a certificate of death for the former spouse is required before the arrears of a retired pay award are paid under this section.

13.2.2. Written Claim. A written claim must contain the claimant's signature and address, or that of the claimant's authorized agent or attorney. A ***Standard Form 1174***, Claim for Unpaid Compensation of Deceased Member of the Uniformed Service, is not required, but may be used for this purpose, as long as the claim specifies the claimant's relationship to the deceased former spouse and documents other living relatives of the deceased former spouse.

13.2.3. Additional Documentation as Required. A claimant may be required to submit any additional documentation the designated agent deems necessary to establish the claimant's status and entitlement to the retired pay award arrears including, but not limited to, marriage certificates, birth certificates, divorce decrees, or other documentation that validates the living beneficiaries of a former spouse in any class of persons entitled to the arrears pursuant to paragraph 13.4.

13.3 Recoupment of Outstanding Payments

All outstanding checks or direct deposits (not negotiated before the former spouse's death or made after the former spouse's death) or the proceeds thereof must be returned to the designated agent before a settlement of arrears may be made.

13.4 Payment of the Arrears

Former spouse payments from retired pay are prorated for the month of the former spouse's death. When all documentation has been received and all outstanding payments have been recouped, payment of the arrears is made to the person living on the date of the former spouse's death who is highest on the order of precedence set forth in Chapter 30. For the purpose of payment of arrears under this paragraph, the provisions of Chapter 30, subparagraphs 2.4.3, 2.4.4, and 2.4.5 apply, and all references to a "retiree" in subparagraphs 2.4.1.2 through 2.4.1.6, 2.4.3, 2.4.4, and 2.4.5 should be considered as referring to a deceased former spouse rather than a retiree.

13.5 Indebtedness Resulting From Overpayment to a Former Spouse

Any indebtedness resulting from overpayment to a deceased former spouse must be liquidated before retired pay award arrears can be settled.

13.6 Claim for Arrears

A claim for arrears must be filed within the 6-year statute-of-limitation restriction. See ***31 U.S.C. § 3702(b)(1)***. Any claim received 6 years after the date of the former spouse's death is barred.

13.7 Taxability

In the case of deceased former spouses, one or more ***Treasury Department (TD) Forms 1099-R***, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., may be used. If no former spouse arrears are paid, one TD 1099-R will be issued in the former spouse's name to cover any entitlement through date of death. If arrears are paid, an additional TD 1099-R is issued to each claimant to whom the arrears were paid.

14.0 ADMINISTRATIVE APPEAL PROCESS

14.1 Either Party Disagrees

If either party disagrees with the designated agent's determination concerning a former spouse's entitlement to payments under the USFSPA, that party may request reconsideration by writing to the designated agent. If the party requesting reconsideration asserts that the designated agent has erroneously overpaid the other party, the request for reconsideration will be considered a claim against the designated agent. An attorney will review the request and issue a decision in writing.

14.2 Party Requesting Reconsideration Disagrees

If the party requesting reconsideration disagrees with the attorney's determination, that party may submit an appeal to the designated agent, which must be received within 30 days of the date of the initial determination. The designated agent will forward the appeal to the Defense Office of Hearings and Appeals for their decision.

14.3 Additional Information

Parties are referred to ***Department of Defense Instruction (DoDI) 1340.21*** for additional information concerning the submission of claims and appeals.

15.0 LIABILITY

15.1 Payments Made in Accordance With the USFSPA

Neither the United States nor any employee of the United States shall be liable regarding any payment made from retired pay to a retiree or former spouse pursuant to a court order that is regular on its face, if such payment is made pursuant to the USFSPA.

15.2 Designated Agent Liability

If the designated agent processes a former spouse's USFSPA application and administers the former spouse's payments in accordance with the USFSPA and in accordance with all documentation in its files, the designated agent is not liable for any former spouse payments issued after a former spouse's eligibility to receive payments has ended. Nor is the designated agent liable for any payments that the former spouse may have been entitled to prior to the designated agent's beginning direct payments pursuant to the former spouse's USFSPA application.

Figure 29 – 1. Sample Court Orders – Findings of Facts

STATE OF _____ COURT OF _____
COUNTY OF _____ Case No. _____

_____
Petitioner

_____
Respondent

MILITARY RETIRED PAY DIVISION ORDER

This cause came before the undersigned judge upon the petitioner/respondent's claim for a distribution of the respondent/petitioner's military retired pay benefits. The court makes the following:

FINDINGS OF FACT:

The Petitioner's Social Security Number is _____ and current address is _____.

The Respondent's Social Security Number is _____ and current address is _____.

The Parties were married on _____. Their marital status was terminated on _____ pursuant to a(n) _____entered in _____ County, State of _____. This current order is entered incident to the aforementioned order.

The parties were married for a period of ten or more years during which time the Petitioner/Respondent performed at least ten years of service creditable for retirement eligibility purposes.

If the military member was on active duty at the time of this order, Respondent/Petitioner's rights under the Service Members' Civil Relief Act, 50 U.S.C. App. 501-548 and 560-591, have been observed and honored.

This court has jurisdiction over the Respondent/Petitioner by reason of [**choose** those that apply] (A) his or her residence, other than because of military assignment, in the territorial jurisdiction of the court, during the [divorce, dissolution, annulment, or legal separation] proceeding, (B) his or her domicile in the territorial jurisdiction of the court during the [divorce, dissolution, annulment, or legal separation] proceeding, or (C) his or her consent to the jurisdiction of the court.

[Note: All awards expressed as a percentage of disposable retired pay, including formulas and hypothetical awards, will automatically include a proportionate share of the member's COLA regardless of any language in a court order to the contrary.

Additionally, if the former spouse is awarded a fixed dollar amount, she/he will not receive any cost-of-living-allowance (COLA) increases.

[The below examples apply to Decree of Divorce, Dissolution, Annulment, or Legal Separation]

*Figure 29 – 2. Retired Military Members Who are Divorced/Legally Separated After Retirements

All of the blank spaces represent variables that MUST be provided in the court order.

CONCLUSIONS OF LAW:

Petitioner/Respondent is entitled to a portion of Respondent/Petitioner's U.S. military retired pay as set forth herein.

IT IS THEREFORE ORDERED THAT:

The former spouse is awarded ___ percent (or $___dollar amount) of the member's disposable military retired pay.

This _____ day of _____, 20__. _____
JUDGE

*Figure 29 – 3. For Active-Duty Members Who are Divorced/Legally Separated on or Before December 23, 2016.

All of the blank spaces represent variables that MUST be provided in the court order. Choose and complete only ONE:

CONCLUSIONS OF LAW:

Petitioner/Respondent is entitled to a portion of Respondent/Petitioner's U.S. military retired pay as set forth herein.

IT IS THEREFORE ORDERED THAT:

Active-duty formula:

The former spouse is awarded a percentage of the member's disposable military retired pay, to be computed by multiplying ____ percent times a fraction, the numerator of which is _____ months of marriage during the member's creditable military service, divided by the member's total number of months of creditable military service.

Active-duty hypothetical calculated as of time of division, for all members regardless of service entry date:

The former spouse is awarded _____percent of the disposable military retired pay the member would have received had the member retired with a retired pay base (high-3) of _____and with _____years of creditable service on _____.

Active-duty hypothetical calculated as of time of division; may ***only*** be used for members entering service before September 8, 1980:

The former spouse is awarded _____percent of the disposable military retired pay the member would have received had the member retired with the rank of _____ and with _____ years of creditable service on _____

Active-duty hypothetical calculated as of member's actual retirement date:

The former spouse is awarded _____percent of the disposable military retired pay the member would have received had the member retired on his actual retirement date with the rank of _____ and with _____ years of creditable service."

This _____day of_____, 20__. _____
JUDGE

*Figure 29 – 4. For Active-Duty Members Who are Divorced/Legally Separated After December 23, 2026.

All of the blank spaces represent variables that MUST be provided in the court order. Choose and complete ONE:

CONCLUSIONS OF LAW:
Petitioner/Respondent is entitled to a portion of Respondent/Petitioner's U.S. military retired pay as set forth herein.

IT IS THEREFORE ORDERED THAT:

1 Fixed Award: **The former spouse is awarded $___ (dollar amount) of the member's disposable military retirement pay.**

2. Percentage Award: **The former spouse is awarded ___percentage of the member's disposable military retirement pay.**

3 Formula Award: **The former spouse is awarded a percentage of the member's disposable military retired pay, to be computed by multiplying _____ percent times a fraction, the numerator of which is _____months of marriage during the member's creditable military service, divided by the member's total number of months of creditable military service.**

4. Hypothetical Retired Pay Award for members entering military service:

A. BEFORE September 8, 1980: **The former spouse is awarded _____ percent of the disposable military retired pay the member would have received had the member retired with the rank of _____ and with _____ years of creditable service on _____.**

B. ON OR AFTER September 8, 1980: **The former spouse is awarded _____ percent of the disposable military retired pay the member would have received had the member retired with a retired base (high-3) of _____ and with _____ years of creditable service on _____.**

AND ONE OF THE BELOW SECTIONS MUST ALSO BE COMPLETED.

1. If the member entered the service BEFORE September 8, 1980

On the date of the decree of divorce, dissolution, annulment, or legal separation _____ (list the date), the member's military pay grade (rank) was_____, and the member had _____ years of creditable service (list amount of years and months).

2. If the member entered the service ON OR AFTER September 8, 1980:

On the date of the decree of divorce, dissolution, annulment, or legal separation _____ (list the date), the member's military retired pay base (high-3) was $_____ (must provide a dollar amount) and the member had _____ years of creditable service (list amount of years and months).

This _____ day of _____, 20__. _____
JUDGE

*Figure 29 – 5. For Reserve Members Who are Divorced/Legally Separated on or Before December 23, 2016

All of the blank spaces below represent variables that MUST be provided in the court order. Choose and complete ONE:

CONCLUSIONS OF LAW:
Petitioner/Respondent is entitled to a portion of Respondent/Petitioner's U.S. military retired pay as set forth herein.

IT IS THEREFORE ORDERED THAT:

Reservist formula:

The former spouse is awarded a percentage of the member's disposable military retired pay, to be computed by multiplying ____percent times a fraction, the numerator of which is _____ Reserve retirement points earned during the period of the marriage, divided by the member's total number of Reserve retirement points earned.

Reservist hypothetical calculated as of time of division, for all members regardless of service entry date:

The former spouse is awarded _____percent of the disposable military retired pay the member would have received had the member become eligible to receive military retired pay with a retired pay base (high-3) of _____ and with _____ Reserve retirement points on _____.

Reservist hypothetical calculated as of time of division; may be used for members entering service before September 8, 1980:

The former spouse is awarded _____percent of the disposable military retired pay the member would have received had the member become eligible to receive retired pay on _____, with the rank of _____, with _____ Reserve retirement points, and with _____ years of service for basic pay purposes.

Reservist hypothetical calculated as of the date the member becomes eligible to receive retired pay:

The former spouse is awarded _____percent of the disposable military retired pay the member would have received had the member become eligible to receive retired pay on the date he or she attained age 60, with the rank of _____, with _____ Reserve retirement points, and with _____ years of service for basic pay purposes."

This _____ day of _____, 20__. _____
JUDGE

*Figure 29 – 6. For Reserve Members Who are Divorced/Legally Separated After December 23, 2016 (Including Gray Area Members)

All of the blank spaces represent variables that MUST be provided in the court order. Choose and complete ONE:

CONCLUSIONS OF LAW:
Petitioner/Respondent is entitled to a portion of Respondent/Petitioner's U.S. military retired pay as set forth herein.

IT IS THEREFORE ORDERED THAT:

1. Fixed award: **The former spouse is awarded $_____ (dollar amount) of the member's disposable military retirement pay.**

2. Percentage award: **The former spouse is awarded _____ percentage of the member's disposable military retirement pay.**

3. Formula award: **The former spouse is awarded a percentage of the member's disposable military retired pay, to be computed by multiplying _____ percent times a fraction, the numerator of which is _____ Reserve retirement points earned during the period of the marriage, divided by the member's total number of Reserve retirement points earned.**

4. Reservist hypothetical retired pay award as of time of division;

A. May be used for members entering service BEFORE September 8, 1980: **The former spouse is awarded ____ percent of the disposable military retired pay the member would have received had the member become eligible to receive retired pay on _____, with the rank of _____, with _____Reserve retirement points, and with _____years of service for basic pay purposes.**

B. May be used for members entering service ON OR AFTER September 8, 1980: **The former spouse is awarded _____ percent of the disposable military retired pay the member would have received had the member become eligible to receive military retired pay with a retired pay base (high-3) of _____ and with _____Reserve retirement points on _____.**

AND ONE OF THE BELOW SECTIONS MUST ALSO BE COMPLETED.

1. If the member entered the service BEFORE September 8, 1980:

On the date of decree of divorce, dissolution, annulment, or legal separation_____(list the date), the member's pay grade (rank) was _____ and the member had Reserve retirement points _____ (enter amounts), and the member had _____years of service for basic pay purposes _____ (list amount of years and months).

2. If the member entered the service ON OR AFTER September 8, 1980:

On the date of the decree of divorce, dissolution, annulment, or legal separation_____(list the date), the member's military retired pay base (high-3) was $_____, (must provide a dollar amount) and the member had _____ Reserve retirement points (enter amount).

This _____day of _____, 20___.

_____
JUDGE

REFERENCES

CHAPTER 29 – FORMER SPOUSE PAYMENTS FROM RETIRED PAY

1.0 – GENERAL	USFSPA 10 U.S.C. § 1408 PL 114-328, section 641 10 U.S.C. § 1415 31 U.S.C. § 3702 DoDI 1340.21 50 U.S.C. § 3901 et. seq.
2.0 – DEFINITIONS	
2.12	PL 115-91, section 534
3.0 – AWARDS THAT CAN BE COLLECTED UNDER THE USFSPA	
3.6	10 U.S.C. § 1408 PL 115-91, section 534
3.7	10 U.S.C. § 1415

VOLUME 7B, CHAPTER 30: "DEATH OF A RETIRED MEMBER"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font***.

The previous version dated July 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks, statutes, and formatting in compliance with current administrative instructions.	Revision
2.9	Stigmatizing language was modified in accordance with the Deputy Secretary of Defense memo, "Review of Policies to Eliminate Stigmatizing Language Related to Mental Health," dated November 7, 2022.	Revision

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CHAPTER 30

DEATH OF A RETIRED MEMBER

1.0 GENERAL

1.1 Purpose

This chapter provides policy on the death of a retired member. This includes but is not limited to: required documentation, arrears of pay (AOP), death gratuity, and taxable income.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 10, 26, 31, and 38. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 ARREARS OF PAY

2.1 Basic Information

Entitlement to retired pay terminates on the date of the retired member's death. The AOP is the retired member's final month of prorated retired pay and all unencumbered amounts due the deceased retired member. If the retired member waived retired pay in favor of a civil service annuity, there is no AOP due. A retired member who waived retired pay in order to receive disability compensation from the Department of Veterans Affairs (VA) may be due retired pay for the month of death because VA disability compensation entitlement terminates on the last day of the month before death. Upon the Defense Finance and Account Service (DFAS) being notified of a retired member's death, a retired member's account is placed in a suspended status until the date of death can be verified. The DFAS must attempt to obtain proof of death before closing an account. Acceptable forms of proof of death documentation include:

2.1.1. Death certificate,

2.1.2. ***DoD (DD) Form 1300***, Report of Casualty,

2.1.3. Funeral Director's Report,

2.1.4. VA Cemetery Files,

2.1.5. The Defense Enrollment Eligibility Reporting System,

2.1.6. Social Security Reports, or

2.1.7. Other forms of official notification of death.

2.2 Related Inquiries

The Military Department concerned advises the surviving spouse to contact the VA or the Social Security Administration on matters relating to entitlement benefits payable by those agencies.

2.3 Responsibilities

When the Military Department concerned receives notification of the death of a retired member, they will notify DFAS-Cleveland. The DFAS-Cleveland site:

2.3.1. Terminates payment of retired pay,

2.3.2. Reclaims outstanding retired pay checks or direct deposit payments,

2.3.3. Discontinues and collects overpayments of allotments,

2.3.4. Pays death gratuity if applicable,

2.3.5. Collects debts,

2.3.6. Provides claim forms to prospective beneficiaries, and

2.3.7. Prepares vouchers and tax statements for final account settlement.

2.4 Eligible Beneficiaries

Each Military Service and DFAS periodically advise retired members of their right to designate a beneficiary or beneficiaries to receive any AOP amount that may be available upon the retired member's death, and the disposition of AOP when no beneficiary or beneficiaries have been designated. Any person or persons, or legal entity, including the estate or trust of the retired member, may be designated. In order for the retired member's estate to be an eligible beneficiary, the estate must be established pursuant to the laws of the retired member's domicile after the retired member's death. If the estate is not established, the designation to the estate will fail.

2.4.1. Pursuant to ***10 U.S.C., § 2771*** upon presentation of a ***Standard Form (SF) 1174***, Claim for Unpaid Compensation of Deceased Member of the Uniformed Services, arrears of retired pay are to be paid to the person highest on the following list, living on the date of the retired member's death in the following order of precedence:

2.4.1.1. Beneficiary designated by the retired member in writing, if received by DFAS-Cleveland or the Military Department concerned before the retired member's death;

2.4.1.2. Surviving spouse;

2.4.1.3. Children and their descendants, by representation:

2.4.1.3.1. Natural Child;

2.4.1.3.2. Adopted Child. An adopted child is a legal heir in every state and, therefore, is entitled to payment of unpaid pay and allowances, if otherwise proper. If another person(s) adopts the deceased retired member's natural child, the child is a beneficiary only in those states where an adopted child may still inherit from a natural parent;

2.4.1.3.3. Stepchild. A stepchild is not an eligible beneficiary unless adopted by the deceased retired member;

2.4.1.4. Father and mother in equal parts or, if either is dead, the survivor;

2.4.1.5. Legal representative; or

2.4.1.6. Person entitled under the law of the domicile of the deceased retired member.

2.4.2. The retired member may change a designated beneficiary either in writing or electronically via ***myPay*** as long as the change is received by DFAS-Cleveland before the retired member's death.

2.4.3. Where payment is to be made to the person entitled under the law of the domicile of the deceased individual in subparagraph 2.4.1.6, DFAS may require the claimant(s) to submit evidence of entitlement under state law. This includes, but is not limited to funeral expense receipts, small estate affidavit, trust documents, court orders granting summary administration and where necessary, the deceased person's will.

2.4.4. A person may not profit from their own wrongful acts. It is against public policy to permit payment by the government of arrears of pay, compensation or other such benefits to an heir or beneficiary who feloniously kills the person upon whose death such payments hinge. No payment is authorized if the beneficiary is involved in the member's death, even in cases where that beneficiary has not been convicted of criminal charges, if the facts do not reasonably establish a lack of felonious intent on that person's part. Where the beneficiary or heir causes the member's death, before any payment can be made, there must be a showing that the claimant is entitled to the payment notwithstanding the claimant's actions, as opposed to the record having to establish felonious intent before payment will be withheld. Any indication that the beneficiary feloniously or wrongfully participated in the death the retired member bars payment to that beneficiary. The arrears are not paid to that person unless evidence is received which clearly absolves the beneficiary of any felonious or wrongful intent. The burden of proving the absence of felonious or wrongful intent falls on the beneficiary.

2.4.5. If the beneficiary dies after the retired member but before receiving final settlement, upon presentation of a SF 1174 claim form, the AOP may be paid to the beneficiary's estate. If the beneficiary does not have an estate established and the AOP is $3,000 or less, the AOP may

be paid to the deceased beneficiary's survivors in the order of precedence set out in subparagraph 2.4.1.2 through 2.4.1.5. If the AOP is greater than $3,000, DFAS may pay the AOP in accordance with laws of the domicile of the deceased beneficiary. If doubt exists as to entitlement, the DoD will settle the claim.

2.5 Substantiating Documents and Collection of Overpayments

2.5.1. Substantiating Documents. To effect settlement of AOP, the following documents must be a matter of record:

2.5.1.1. Completed SF 1174, Claim for Unpaid Compensation of Deceased Member of the Uniformed Services, from the beneficiary;

2.5.1.2. DD Form 1300 or a copy of the death certificate;

2.5.1.3. Retirement orders; and

2.5.1.4. Miscellaneous documentation (e.g., adoption papers; court orders of appointment; custodianship papers; ***Internal Revenue Service Form W-8BEN***; Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding and Reporting (Individuals) (for individuals who are not United States citizens or resident aliens)) as required.

2.5.2. Collection of Overpayments. Every attempt should be made to recover all outstanding checks or direct deposits (not negotiated before the retired member's death or outstanding checks forwarded past the date of entitlement) or the proceeds thereof. Unrecovered funds are treated as erroneous payments to the retired member or the withdrawer of funds with the indebtedness subject to the debt collection authority.

2.5.2.1. If the funds are not recovered, there is no AOP due until the arrears due to the retired member exceed the erroneous payment. In situations where the recipient of the retired member's erroneous payment is also the beneficiary for the AOP, the amount of arrears due the individual is offset administratively by the erroneous payments received by the individual. The remaining erroneous payment, if any, is still subject to the debt collection authority.

2.5.2.2. If there has been an erroneous payment of AOP made to an individual not entitled to the retired member's AOP, and another individual is entitled to the retired member's AOP, the payment of the amount due as arrears must be made to the appropriate payee, regardless of whether collection has been made from the recipient of the erroneous pay.

2.6 Questionable Date of Death

2.6.1. When the date of death is shown as a "found date," DFAS-Cleveland will verify whether an autopsy was performed. If an autopsy was performed, the date of death determined by the coroner is used. If the results of the autopsy are reported on the death certificate, a copy of the autopsy report is not required. If an autopsy was not performed, but the state has certified the date of death on the death certificate, that date is used. If two dates are shown, such as the retired

member died between 11:00 p.m. June 10, 2008, and 4:00 a.m. June 11, 2008, use the earlier date since that was the last date the retired member was known to be alive. If neither is available, obtain a statement from one or more disinterested persons attesting to the last known date that the retired member was alive. When this statement is received, the AOP is settled based on that date.

2.6.2. In claims involving missing persons, provided there is no evidence to the contrary, assume the date of death to be the presumed date established by state court decree.

2.6.3. If evidence exists that a retired member died on a particular date several years before the date of presumptive death declared by a state court, the AOP is payable only through the earlier date of suspected death.

2.6.4. A judicial decree is not necessary to establish Retired Serviceman's Family Protection Plan or Survivor Benefit Plan annuity payments if a person has been missing for more than 30 days under circumstances from which a reasonably prudent person would conclude that such person is dead and the Secretary of the Military Department concerned (or designee) makes a determination that presumes the retired member is deceased. See Chapters 37 and 42.

2.7 Doubtful Claims

2.7.1. In accordance with ***Title 32, Code of Federal Regulations (CFR), part 282.5***, cases involving questions of fact or law are submitted to the Defense Office of Hearings and Appeals (DOHA) for resolution. These include cases when:

2.7.1.1. Doubt exists as to the amount or validity of the claim, or

2.7.1.2. Doubt exists as to the person or persons properly entitled to the payment. Upon receipt of a doubtful claim, notify the claimant that the claim has been forwarded to DOHA for approval of settlement.

2.8 Six Year Statute of Limitations

2.8.1. Title ***31 U.S.C. § 3702*** provides general authority for settling claims against the United States. Section 3702 provides that any claim against the U.S. Government is barred forever unless such claim, bearing the signature and address of the claimant or authorized agent or attorney is received by the responsible agency within 6 years after the date such claim first accrued. Under authority delegated from the Secretary of Defense, the Director, DOHA, may waive the time limitation for late claims involving the pay, retired pay, and survivor benefits of military personnel. Any claim that became payable as a result of waiver of time limitation is limited to $25,000.

2.8.2. In any case where two or more beneficiaries are entitled to share a retired member's AOP equally, each claimant/beneficiary will become entitled to their own proportional share upon presentation of a timely claim. In the event that one (or more) of the claimant/beneficiaries fails to make a timely claim within 6 years, such claimant/beneficiary's claim will be barred under

31 U.S.C. § 3702 as untimely; however, the time limitation may be waived by DOHA if appropriate. In no event will the share of the untimely claimant/beneficiary be paid to the claimant/beneficiary who submitted a timely claim.

*2.9 Death of Mentally Incapacitated Retired Member

If retired pay was waived in favor of VA compensation, but compensation was withheld because the retired member's estate exceeded $1,500, contact the VA to ascertain periods and reasons for nonpayment of VA compensation and verify whether withdrawal of the waiver was made by guardian or trustee before the retired member's death. See Chapter 12 regarding withdrawal of waiver.

Note: Nonpayment of compensation could occur at any time from the effective date of VA waiver through the month of death and is not limited to the month of death.

3.0 DEATH GRATUITY

3.1 Basic Information

3.1.1. Death gratuity is payable when the military member's death occurs within the 120-day period which begins on the day after release from active duty or active duty for training. The VA must certify entitlement to death gratuity. The Secretary of the VA must determine that the decedent was discharged or released under conditions other than dishonorable from the last period of the duty of training that he or she performed. The Secretary of the VA must also determine that death resulted from an injury or disease that was incurred or aggravated during the period of service of active duty, inactive-duty training or travel directly to or from such duty. See ***10 U.S.C. § 1476***.

3.1.2. Death gratuity is not payable for a member who retires for non-Regular service (age and service) unless the member was on active duty the day before retirement.

3.1.3. Submit the application for Death Gratuity on a ***DD 397***, Claim Certification and Voucher for Death Gratuity Payment.

Note: For detailed information on Death Gratuity, see Volume 7A, Chapter 36.

3.2 Eligible Beneficiaries

3.2.1. Eligible Beneficiaries Prior to July 1, 2008. Before May 25, 2007, payment of a death gratuity was made to or on behalf of the deceased member's living survivors as prescribed by the statute in effect at the time. Beginning on May 25, 2007, and ending on June 30, 2008, a qualified member was able to designate another person to receive not more than 50 percent of the death gratuity payable upon the death of the member with any remaining amount not designated paid in the order prescribed by statute. The designated amount of the death gratuity had to be specified in increments of 10 percent. Death gratuity payments were made to the

deceased member's living survivors as prescribed by the statute at the time. (For order of precedence prior to July 1, 2008, please see the archived version of Chapter 30, dated July 2008).

3.2.2. Eligible Beneficiaries on and After July 1, 2008. Effective July 1, 2008, a qualified member may designate up to 100 percent of their death gratuity entitlements, in 10 percent increments, to any person(s) of their choosing. If the qualified member has a spouse, but designates a person other than the spouse to receive all or a portion of the amount payable, the Secretary concerned must provide notice of the designation to the spouse. If a qualified person does not make a designation or designates only a portion of the amount payable, then pay the amount of the death gratuity not covered by a designation as follows:

3.2.2.1. To the surviving spouse of the person, if any;

3.2.2.2. If there is no surviving spouse, any surviving children of the person and the descendants of any deceased children by representation. Surviving children without regard to age or marital status include:

3.2.2.2.1. Legitimate children,

3.2.2.2.2. Adopted children,

3.2.2.2.3. Stepchildren who were a part of the decedent's household at the time of death, or

3.2.2.2.4. Illegitimate children of the decedent (see subparagraph 3.3.1.4);

3.2.2.3. If there is no surviving spouse or children, the decedent's surviving parents in equal shares or the survivor of them. Surviving parents as prescribed by the following:

3.2.2.3.1. Parents include fathers and mothers through adoption;

3.2.2.3.2. Only one father and one mother may be recognized in any case;

3.2.2.3.3. Those who exercised a parental relationship on the date, or most nearly before the date of the member's death are given preference;

3.2.2.3.4. If there is no surviving spouse, child, or parent of the decedent, the duly appointed executor or administrator of the estate of the decedent; or

3.2.2.3.5. If there are no survivors as prescribed in subparagraphs 3.2.2.1 through 3.2.2.4, other next of kin of the person entitled under the laws of domicile of the person at the time of the person's death.

3.3 Documentary Evidence

3.3.1. In some cases, the beneficiary must furnish proof of relationship:

3.3.1.1. Lawful Spouse. Documentation may be required to substantiate the marriage or proof of termination of prior marriages entered into by the beneficiary or deceased member;

3.3.1.2. Legally Adopted Child. A copy of adoption papers;

3.3.1.3. Stepchild. Information to prove that the child was a member of the deceased member's household;

3.3.1.4. Illegitimate Child. Documentation is required as proof that the member was the parent of the child and must include one of the following:

3.3.1.4.1. An acknowledgement in writing signed by the decedent;

3.3.1.4.2. A judicial determination made before the decedent's death that the claimant is a child of the decedent;

3.3.1.4.3. Evidence that the Secretary of VA has determined the claimant to be the child of the decedent; or

3.3.1.4.4. A copy of the court order that ordered the parent to contribute to the child's support; or

3.3.1.5. Designated Relative

3.3.1.5.1. Designated relative must provide documentary evidence that any marriage entered into by the deceased member has been terminated and a notarized statement that there are no living children.

3.3.1.5.2. Persons in loco parentis must furnish satisfactory evidence of the relationship as deemed necessary by the Military Department concerned.

3.3.2. Custodianship documents or court orders of guardianship appointments must support all payments made for minor children.

3.4 Death of Eligible Survivor Before Receipt of Death Gratuity

If a person entitled to all or a portion of a death gratuity under subparagraph 3.2.2 dies before the person receives the death gratuity, it will be paid to the living survivor next in the order prescribed in subparagraph 3.2.2.

3.5 Determinations Affecting Entitlement

3.5.1. Death as Lawful Punishment. No death gratuity is payable in the case of a military member whose death is the result of a lawful punishment for a crime or military offense, except when such death was inflicted by any hostile force with which the armed forces of the United

States was engaged in armed conflict.

3.5.2. Military Member Killed by Beneficiary. No death gratuity is payable to a beneficiary or survivor who kills a military member, unless there is evidence that clearly absolves the beneficiary or survivor of any felonious intent.

3.6 Amount Payable

3.6.1. Deaths On or After October 7, 2001. For deaths on or after October 7, 2001, the amount of death gratuity is $100,000.

3.6.2. Debt Collection. Do not collect debts from death gratuity payments.

3.7 Erroneous Payment

An erroneous payment of death gratuity is one made because of administrative error to a person clearly not entitled to that payment, rather than a payment made reliant on statements of record made by the member about matters such as marital status and dependency status. Make a second payment to the rightful beneficiary when the error resulted from improper maintenance of records or administrative negligence. This payment should not be delayed pending recovery of the erroneous payment from the ineligible recipient. The respective DFAS site will follow the prescribed collection procedures in an attempt to recover an erroneous payment.

4.0 TAXABLE INCOME

4.1 Taxability of AOP

4.1.1. The AOP due the deceased retired member at time of death is taxable to the beneficiary who receives payment if the AOP was taxable to the retired member. The tax liability is in accordance with the Internal Revenue Code of 1986, as amended.

4.1.2. If AOP is paid, a Treasury Department (TD) Form 1099-R is issued to each beneficiary using the tax identification number of the beneficiary. If no AOP is paid, the retired pay activity issues one TD Form 1099-R in the decedent's name.

4.2 Taxability of Death Gratuity

4.2.1. Death Occurred Between August 20, 1996, and September 10, 2001. The amount of death gratuity payments made to survivors of military members who died after August 20, 1996, that is excludable from income may not exceed $3,000, regardless of the number of beneficiaries. If there are multiple beneficiaries, apply proportionately the $3,000 exclusion. All death gratuity payments are reported separately, using TD Form 1099-R. The total amount of the gross distribution is entered in Box 1. The appropriate taxable amount is entered in Box 2a. For members who died on or before August 20, 1996, the maximum exclusion amount is $5,000.

4.2.2. Death Occurred on or After September 11, 2001. The total amount of death gratuity is excludable from gross income for tax purposes.

REFERENCES

CHAPTER 30 – DEATH OF RETIREE

2.0 – ARREARS OF PAY

2.4	10 U.S.C. § 2771
2.4.1.4	Comp Gen B-113031, July 6, 1960
	Comp Gen B-113240, October 5, 1961
	Comp Gen B-59917, May 31, 1961
	Comp Gen B-93772, December 2, 1963
2.4.1.5	Comp Gen B-151337, October 7, 1963
2.4.2	10 U.S.C. § 2771
2.4.4	Comp Gen B-187743, July 7, 1977
	Comp Gen B-191953, July 3, 1978
	Comp Gen B-233351, July 27, 1989
	Comp Gen B-245996, March 11, 1994
	DOHA Claims Case No. 2017-CL-0702101.2, May 24, 2021
2.4.5	Comp Gen B-69787-O.M.
2.5	31 U.S.C. § 3716
	Comp Gen B-132407, 37 Comp Gen 131
2.6.1	Comp Gen A-58284, 14 Comp Gen 411
	Comp Gen A-80384, 16 Comp Gen 384
	Comp Gen B-148485, 43 Comp Gen 503
2.6.2	Comp Gen B-243829, December 13, 1991
2.6.3	Comp Gen B-251968, July 22, 1993
2.6.4	10 U.S.C. § 1437
	10 U.S.C. § 1450
2.7	32 CFR 282, Appendix C, Submitting a Claim
2.8	31 U.S.C. § 3702(b) and (e)(3)
2.9	32 CFR 282, Appendix D, Processing a Claim
	31 U.S.C. § 3702(e)(2)
	38 U.S.C. § 5306
	Comp Gen B-156553, October 31, 1967
	Deputy Secretary of Defense memo, "Review of Policies to Eliminate Stigmatizing Language Related to Mental Health", dated November 7, 2022

3.0 – DEATH GRATUITY

3.1.1	10 U.S.C. § 1476
3.2.1	10 U.S.C. § 1477
3.2.2	10 U.S.C. § 1477
	Volume 7A, Chapter 36

REFERENCES (Continued)

3.4	10 U.S.C. § 1477
3.5.1	10 U.S.C. § 1480
3.5.2	Comp Gen B-172014, August 25, 1971 Comp Gen B-187743, July 7, 1977
3.6.1	10 U.S.C. § 1478
3.7	Comp Gen B-132407, 37 Comp Gen 131 August 22, 1957

4.0 – TAXABLE INCOME

4.2.1	Public Law 104-188, section 1402, August 20, 1996 26 U.S.C. § 134 Internal Revenue Service, Publication 3, Armed Forces' Tax Guide

VOLUME 7B, CHAPTER 31: "DEATH OF A SURVIVOR ANNUITANT"

SUMMARY OF MAJOR CHANGES

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Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated June 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
2.3	Clarification on documentation required to claim the arrears of an annuitant.	Revision

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CHAPTER 31

DEATH OF A SURVIVOR ANNUITANT

1.0 GENERAL

1.1 Purpose

This chapter addresses the settlement of the arrears of an annuity where the annuitant is a spouse (or former spouse) with no eligible child annuitant, the last remaining child annuitant, or a natural person with an insurable interest. In accordance with the procedures in section 2.0, the Defense Finance and Accounting Service (DFAS) pays the arrears of the annuity under Retired Serviceman's Family Protection Plan, Survivor Benefit Plan (SBP), and minimum income widow provisions of the SBP law.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), including Titles 10, 26 and 31. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 SETTLEMENT OF THE ARREARS

2.1 Documentation

A notification of death from any source is sufficient to suspend future payment of the annuity. To settle (pay) the arrears of an annuity, the following documentation must be on file:

2.1.1. A copy of the death certificate;

2.1.2. A written claim containing the signature and address of the claimant or of the claimant's authorized agent or attorney; and

2.1.3. Proof of recoupment of outstanding payments. All outstanding checks or direct deposits (not negotiated before the annuitant's death or forwarded past the date of entitlement) or the proceeds thereof must be returned to DFAS Cleveland before a settlement of arrears of annuity may be made.

Note: Refer to the DFAS website on how to ***Report an SBP Annuitants Death*** for more information.

2.2 Payment of the Arrears

The annuity is not prorated for the month of the annuitant's death. Entitlement stops as of the last day of the month before the date of the annuitant's death. When all documentation is

received, payment of the arrears is made to the person living on the date of the annuitant's death who is highest on the order of precedence set forth in Chapter 30. For the purpose of payment of the arrears of an annuity under this section, the provisions of Chapter 30, subparagraphs 2.4.3 through 2.4.5 apply, and all references to a "retiree" in Chapter 30, subparagraphs 2.4.1.2 through 2.4.1.6, and 2.4.4 through 2.4.5 should be considered as referring to the deceased annuitant rather than a retiree.

*2.3 Claim for Arrears

A claim for arrears of an annuity must be filed within the 6-year statute-of-limitation restriction. Any claim received 6 years after the date of the annuitant's death is barred. The Standard Form 1174, Claim for Unpaid Compensation of Deceased Member of the Uniformed Services, should be used to claim the arrears of an annuity under this section and all references to a "member of the uniformed services" on the form should be considered as referring to the deceased annuitant rather than a retiree.

3.0 TAXABILITY

In the case of deceased annuitants, one or more Department of Treasury – Internal Revenue Service ***(IRS) Form(s) 1099-R***, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., may be used. If no arrears of an annuity are paid, then one Form 1099-R will be issued in the annuitant's name to cover any payments received by the annuitant before death. If arrears of an annuity are paid, then an additional Form 1099-R is issued to each claimant to whom the arrears were paid.

REFERENCES

CHAPTER 31 – DEATH OF A SURVIVOR ANNUITANT

1.0 – GENERAL

1.1	Title 10, U.S.C. § 1450(b)(2)

2.0 – SETTLEMENT OF THE ARREARS

2.3	Title 31, U.S.C. § 3702(b)

3.0 – TAXABILITY

Title 26 U.S.C. § 3405

VOLUME 7B, CHAPTER 32: "RECOVERY OF PAYMENTS MADE TO A FINANCIAL ORGANIZATION"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated May 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with administrative instructions.	Revision
References	Updated references.	Revision

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CHAPTER 32

RECOVERY OF PAYMENTS MADE TO A FINANCIAL ORGANIZATION

1.0 GENERAL

1.1 Purpose

This chapter provides information regarding the accountability of a financial organization for direct deposit payments returned to the Defense Finance and Accounting Service (DFAS) because of the death of a retiree or annuitant. By accepting a recurring benefit payment from the government, a receiving financial institution agrees to the provisions of ***Title 31, Code of Federal Regulations (CFR), Part 210***, including the reclamation actions and debiting of the financial institution's Federal Reserve Bank account for any reclamation for which it is liable. The government's right to reclaim funds is established in 31 CFR 210, section 210.10(a).

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 5, 12, and 31. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 LIABILITY OF FINANCIAL INSTITUTIONS FOR DIRECT DEPOSIT PAYMENTS

2.1 Liability of Financial Institution

A financial institution is liable for all benefit payments received after the death or legal incapacity of a recipient, or death of a beneficiary, unless the financial institution meets the qualifications for limiting its liability under paragraph 2.3.

2.2 Reclamation

Upon the notification of the death of a military retiree or annuitant, the DFAS Cleveland Disbursing Officer (DO) will contact the decedent's financial institution to request the return of all payments made since the retiree's or annuitant's death via a Notice of Reclamation in the amount of all post death payments.

2.2.1. The DO must initiate reclamation within 120 days after actual or constructive receipt of notification of the death of a retiree or annuitant. The financial institution is not liable for payments made more than 6 years prior to date of reclamation.

2.2.2. Effective January 2, 2008, the Department of the Treasury, Financial Management Service (FMS) established a policy for the reclamation of federal payments disbursed electronically through the Automated Clearing House. On October 7, 2012, the FMS and the Bureau of the Public Debt were consolidated into the Bureau of the Fiscal Service. See the Department of the Treasury's ***Green Book*** for detailed instructions on the reclamation procedures.

2.3 Limiting Liability

A financial institution may qualify to limit its liability by full compliance with the regulations if it:

2.3.1. Certifies it had no actual or constructive knowledge of the death at the time of the deposit of any post-death benefit payments;

2.3.2. Returns all post-death benefit payments it receives after it learns of the death of a retiree or annuitant; and

2.3.3. Responds to the reclamation notice to ensure that it is received by the DO within 60 days of the date on the notice.

2.4 Calculating Limited Liability Amount

If a financial institution qualifies for limited liability, the amount which can be debited from the financial institution is the amount of the account balance at the time it first receives notice of death plus the lesser of the outstanding balance of the reclamation notice amount (after any collection from the withdrawers) or the 45-day amount. The 45-day amount is the dollar amount of the post-death benefit payments received within 45 calendar days following the death. See the Department of the Treasury's Green Book for examples of calculating the limited liability amount.

3.0 LIABILITY OF DISBURSING OFFICER

The accountability of the financial institution does not affect the liability of the DO for any amounts not recovered. The DO may be relieved of liability for amounts not recovered when the officer has shown that he or she did not know and could not have known of a retiree's or annuitant's death prior to making payments after the date of death.

*REFERENCES

CHAPTER 32 – RECOVERY OF PAYMENTS MADE TO A FINANCIAL ORGANIZATION

2.0 - LIABILITY OF FINANCIAL INSTITUTIONS FOR DIRECT DEPOSIT PAYMENTS (3202)

31 CFR Part 210
Department of the Treasury, Green Book,
Chapter 5 – Reclamations
(Revised February 1, 2023)

3.0 - LIABILITY OF DISBURSING OFFICER (3203)

59 Comptroller General 597 (1980)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 33: "ARCHIVED"

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FINANCIAL MANAGEMENT REGULATION

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UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 7B, CHAPTER 37: "RETIRED SERVICEMAN'S FAMILY PROTECTION PLAN (RSFPP) - ANNUITIES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

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The previous version dated May 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
13.0	Removed outdated instructions for the annual certificate of eligibility and replaced with a redirection to the new Survivor Benefit Plan – Marriage Status Update instructions in Chapter 46.	Revision
13.0	Stigmatizing language was removed in accordance with the Deputy Secretary of Defense memo, "Review of Policies to Eliminate Stigmatizing Language Related to Mental Health", dated November 7, 2022.	Revision
14.0	Removed outdated instructions for the annual report of eligibility and replaced with a redirection to the new Foreign Address Update for Mailed Check for Annuitants.	Revision
References	Updated references.	Revision

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CHAPTER 37

RETIRED SERVICEMAN'S FAMILY PROTECTION PLAN (RSFPP) – ANNUITIES

1.0 GENERAL

1.1 Purpose

The purpose of the RSFPP was to permit members of the uniformed services who retired on or before September 20, 1972, to elect to receive a reduced amount of any retired pay in order to provide an annuity payable to eligible annuitant(s) upon that retired member's death. This election was subject to certain limitations specified in the law and elaborated in the regulations in this chapter. The Survivor Benefit Plan (SBP) replaced the RSFPP (see Chapters 42 through 49) as the primary military retired pay annuity protection plan on September 21, 1972. An annuity payable under the RSFPP is not assignable or subject to execution, levy, attachment, or garnishment, except for child support or alimony, or to collect a debt caused by an overpayment described in section 9.0. A debt to the United States or its instrumentalities incurred by the annuitant may be offset from the annuity. The annuity may be paid to a trustee through bankruptcy court proceedings.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 10, 11, 26, 31, and 42. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 EFFECTIVE DATE OF ANNUITY

2.1 Annuity Accrual

Each annuity payable normally accrues as of the first day of the month in which the retired member dies. If the Secretary concerned makes a determination that a participating retired member is presumed dead, the annuity accrues from the first day of the month in which retired or retainer pay was suspended on the basis of the retired member's missing status. For retired members who elected coverage for spouse and children (often referred to as "Option 3"), an annuity is payable to the eligible children on the first day of the month in which the widow or widower becomes an ineligible annuitant. For a child who is at least age 18, but under age 23, and pursuing a full-time course of study at a recognized educational institution (see section 12.0 for more information), the annuity accrues:

2.1.1. As of the first day of the month in which the retired member dies, if the eligible child's 18th birthday occurs in the same or a preceding month; or

2.1.2. As of the first day of the month in which the child's 18th birthday occurs, if the retired member died in the preceding month; or

2.1.3. As of the first day of the month in which the child becomes or again becomes eligible, if that child's 18th birthday and the retired member's death occurred in a preceding month or months.

2.2 Application

2.2.1. A completed application is required for payment of the annuity.

2.2.2. Payments are made in equal monthly installments thereafter as long as entitlement exists. If a properly completed application was received, the first payment must be made no later than:

2.2.2.1. The 15th of the month after the month in which the retired member dies, or

2.2.2.2. The 15th of the month after the month in which the Secretary of the Military Department concerned (or designee) has made a determination that the retired member is presumed dead.

2.3 Annuitant Eligibility

No annuity accrues or is paid for a month in which all annuitants lose eligibility.

2.4 Special Circumstance

If a member retires and dies during the same month, the annuity is payable for the full month.

3.0 ANNUITY PAYMENTS

3.1 Upon Death or Presumption of Death

Upon official notification of death or Secretarial determination that a participating retired member is presumed dead, annuity accounts are established in accordance with the provisions of the election made by or on behalf of the retired member using DoD ***(DD) Form 2656-7***, Verification for Survivor Annuity to validate the annuity account. Payment of annuity is barred when the member is retired for disability before completing 19 years of service (18 years of service before October 1968) if beneficiaries are eligible for Veterans Affairs (VA) Dependency and Indemnity Compensation (DIC). Payments for a representative payee of an RSFPP annuitant follow the same requirements as payment under the Survivor Benefit Plan. See Chapter 46 for more information.

3.2 Additional Annuity Information

Annuities payable are in addition to any pension(s) or other payment(s) to which the beneficiaries may now or later be entitled by law, and may not be considered income under any law administered by the VA, except when the annuitant is entitled to DIC as a parent of a veteran. For additional information affecting annuity payments, see Table 37-1.

3.3 Settlement of Arrears

For information concerning the settlement of arrears of annuities, see Chapter 31.

4.0 CLAIMS FOR ANNUITY

The claim for annuity payments must be properly completed and signed by the person(s) authorized to receive the annuity.

4.1 Power of Attorney

An individual holding a valid power of attorney may complete (including the signature element) and file the annuity application form on behalf of an annuitant provided:

4.1.1. The payments are to be made directly to the annuitant; and

4.1.2. The annuitant has not been determined to be incompetent of managing their own affairs by a state court, physician, or psychologist.

NOTE: For additional information on annuity payments, see Chapter 46. An annuitant whose application is signed with an "X" must be witnessed (by two disinterested persons), notarized, or countersigned by the person holding the power of attorney. A copy of the power of attorney and explanation why the annuitant required assistance must be submitted with the annuity application.

4.2 Court Order

A claim signed by a legal representative must be accompanied by a copy of the court order of appointment.

4.3 Custodianship

A claim signed by the custodian of a minor child or children must be accompanied by a document evidencing custodianship.

4.4 Doubtful Claim

A doubtful claim must be submitted to the Defense Office of Hearings and Appeals (DOHA) for certification before payment.

4.5 Limitation

4.5.1. The Barring Act. This act bars payment of any claim not received within 6 years from the date it accrues. See ***31 U.S.C. § 3702***.

4.5.2. Denial of Claim. A claim not received within 6 years of the retired member's death must be denied as untimely pursuant to the Barring Act and Department of Defense Instruction (DoDI) 1332.42.

5.0 ANNUITY AMOUNTS

5.1 Single Option

5.1.1. Retirements Before November 1, 1968. The monthly annuity payable, as elected by the retiree, is one-eighth, one-quarter, or one-half of the retired member's reduced retired pay as computed on the date of retirement or effective date of election, whichever is later.

5.1.2. Retirements From November 1, 1968, Through September 20, 1972. The monthly annuity payable as elected by the retired member is:

5.1.2.1. One-eighth, one-quarter, or one-half of the retired member's gross retired pay on date of retirement; or

5.1.2.2. A specific dollar amount of not more than 50 percent, nor less than 12.5 percent of the retired member's gross retired pay on date of retirement, but in no case less than $25.

5.2 Multiple Options

5.2.1. Retirements Before November 1, 1968. The monthly annuity payable for each option, as elected by the retired member, is one-eighth or one-quarter of the retired member's total reduced retired pay as computed on the date of retirement or effective date of election, whichever is later. The combined amount of annuities cannot exceed 50 percent of the retired member's total reduced retired pay.

5.2.2. Retirements From November 1, 1968, Through September 20, 1972. The monthly annuity payable for each option, as elected by the retired member, is:

5.2.2.1. One-eighth or one-quarter of the retired member's gross retired pay on date of retirement; or

5.2.2.2. A specific dollar amount of not more than 25 percent, nor less than 12.5 percent of the retiree's gross retired pay on date of retirement, but in no case less than $25.

5.3 Cost-of-Living Adjustments for Annuities

Whenever retired pay is increased through a COLA, each annuity payable on the day before the effective date of that increase to a spouse or child of a member who died on or before March 20, 1974, is increased at the same time by the same percentage. Annuities payable on September 30, 1978, to a spouse or child of a member who died on or before March 20, 1974, were increased by 66.1 percent, effective October 1, 1978. The 66.1 percent increase was the percentage change in retired and retainer pay authorized by 10 U.S.C. § 1401a from September 21, 1972, to September 30, 1978.

5.4 Rounding

All monthly annuities to which a survivor becomes entitled on or after October 1, 1983, if not a multiple of $1, is rounded to the next lower multiple of $1. Annuities to which survivors were entitled on September 30, 1983 were not rounded until there was an adjustment made in accordance with ***10 U.S.C. § 1401a***; then, and with each subsequent adjustment, the amount as adjusted, if not a multiple of $1, is rounded to the next lower multiple of $1. All subsequent adjustments are based on the rounded amount.

6.0 PAYMENTS

6.1 Payments to Widow(ers)

For unique conditions affecting entitlement of annuity payments to widow or widower, see Table 37-2 for Comptroller General (Comp Gen) decisions.

6.2 Payment to Children

6.2.1. Whom Payable. Annuities for a minor child or children are paid to the legal guardian or, if there is no legal guardian, to the natural parent who has care, custody, and control of the child or children as the custodian, or to a representative payee of the child or children.

6.2.2. Majority Age. Annuities may be paid directly to the child when the law governing the state of residence stipulates the child to be majority age. The child is considered an adult for annuity payment purposes, and a custodian or legal fiduciary is not required. See Appendix H for majority age.

6.2.3. Equal Shares. The annuity is payable in equal shares to or on behalf of all eligible children. If there are no other eligible children, the annuity entitlement terminates when the youngest child becomes an ineligible annuitant.

6.2.4. Unique Conditions. For unique conditions affecting entitlement and payment of annuities for a child or children, see Table 37-3 for Comp Gen decisions.

7.0 CAUSES OF OVERPAYMENTS

One or more of the following situations may cause overpayments in annuity payments:

7.1 Failure to Notify

Failure of the annuitant, custodian, or guardian to notify the Secretary of the Military Department concerned (or designee) of:

7.1.1. Remarriage of the annuitant, before age 60 or death;

7.1.2. Youngest child reaching age 18;

7.1.3. Marriage or death of a child annuitant;

7.1.4. Recovery of an incapacitated child;

7.1.5. Termination of student status;

7.1.6. Erroneous computation; or

7.1.7. Correction of member's military records.

7.2 Concurrent Payment

Concurrent payment of RSFPP annuity and DIC if the RSFPP was payable based on the service of a member who retired for disability before completing 18 years of service after October 5, 1961, or before completing 19 years of service after November 1, 1968.

7.3 Presumption of Death

A Secretarial determination that a retired member is alive after the Secretary of the Military Department concerned (or designee) previously determined that the retired member was presumed dead. The retired member is liable for any indebtedness created where the annuity payments were made based on the presumption of such retired member's death. The retired member's indebtedness cannot be considered for waiver under ***10 U.S.C. § 2774*** or ***10 U.S.C. § 1442***. If the retired member dies before those payments are fully recovered, the annuitant may be liable for the indebtedness if the annuitant was the recipient of the annuity payments made under the presumption of death. (See Volume 16, Chapter 3 and Table 3-7, for collection of indebtedness from retired or retainer pay.)

8.0 RECOVERY OF OVERPAYMENTS

Upon discovery of an overpayment, recovery action will begin immediately. The annuitant will be advised of the debt and the method in which the overpayment is being, or may be, recovered, in accordance with Volume 16.

9.0 METHOD OF RECOVERY

One of the following methods will be used to liquidate the debt resulting from an annuity overpayment:

9.1 Direct Remittance

Send a direct remittance to the Defense Finance and Accounting Service (DFAS), Cleveland (CL) Center.

9.2 Future Payment Amounts

The DFAS-CL Center reduces the later RSFPP annuity payments, or withholding of future annuity payments until debt has been liquidated.

10.0 WAIVER OF INDEBTEDNESS

When applicable, the DFAS-CL Center advises the annuitant of the right to request a waiver of indebtedness.

10.1 Overpayment Recovery

Recovery of an overpayment of the RSFPP annuity is not required if, in the judgment of the DFAS Director or the Director's designee, there was no fault by the person to whom the amount was erroneously paid and recovery would be contrary to the purpose of the plan or against equity and good conscience. Proof of hardship is not required if the waiver otherwise is in order. Suspension of collection action may be authorized on receipt of a waiver request. Refund of an amount withheld before receipt of a request for waiver is not authorized. When a waiver is granted, refund amounts collected after receipt of the waiver request.

10.2 Failure to Withhold

Failure to withhold the cost of coverage from retired pay of a member cannot be considered an overpayment of annuity to a designated beneficiary to authorize waiver of recovery of the overpayment.

10.3 Correction of Records

RSFPP annuitants who obtain a correction of records for entitlement to additional survivorship annuity under a second election may not retain the benefits of the original election. A correction made under ***10 U.S.C. § 1552***, except when procured by fraud is final and conclusive on all officers of the United States. Recovery of overpayments that occur in these instances may not be waived under 10 U.S.C. § 1442. Repayment may be made over a reasonable period-of-time as determined by the retired pay activity.

11.0 TERMINATIONS

11.1 Time of Termination

Entitlement to the RSFPP annuity terminates as of the end of the month that precedes the month in which eligibility ceases.

11.2 Reasons for Termination of the RSFPP Annuity

11.2.1. Death of Widow or Widower. Payments are terminated the last day of the month that precedes the month in which widow or widower dies. If children are involved, see paragraph 12.2 for further information.

11.2.2. Remarriage of Widow or Widower Before Age 60. Payments are terminated the last day of the month that precedes the month in which widow or widower, younger than age 60, remarries. If children are involved, see paragraph 12.2 for further information.

11.2.3. Loss of Eligibility by Child Annuitant. Reasons for loss are:

11.2.3.1. The youngest child reaching age 18 and not incapable of self-support (applicable to children of members who retired before November 1, 1968);

11.2.3.2. The youngest child reaching age 18 and not pursuing a full-time course of study nor incapable of self-support (applicable to children of members retiring on or after November 1, 1968);

11.2.3.3. The youngest child who is pursuing full-time course of study, reaching age 23 and not incapable of self-support (applicable to children of members who retired on or after November 1, 1968);

11.2.3.4. The marriage or death of child annuitant;

11.2.3.5. The recovery of an incapacitated child over age 18. Annuity may be suspended if the annuitant becomes independently capable of earning amounts sufficient for his or her own particular personal needs through substantial and sustainable gainful employment. The annuitant will receive advance written notice from DFAS prior to suspension. The annuitant will be given an opportunity to submit rebutting evidence. The annuity may be reinstated (see subparagraph 12.2.2);

11.2.3.6. The termination of student status of a child over age 18 and under age 23 (applicable only to retirees who retired on or after November 1, 1968); or

11.2.3.7. The reinstatement to widow or widower of annuity previously terminated.

11.2.4. Secretarial Determination. Payments are terminated the last day of the month preceding the month in which the Secretary of the Military Department concerned (or designee) determines that a participating member previously presumed to be dead is now alive.

11.3 Due and Unpaid Annuity

If, upon death of the annuitant, an amount remains payable to the annuitant but is unpaid because the annuity checks were not negotiated or because payments had not been established, the account is settled in accordance with Chapter 31. There is no designated beneficiary for settlement of arrears of an annuity.

12.0 REINSTATEMENTS

12.1 Remarriage Before Age 60

The RSFPP annuity is not reinstated.

12.2 Reinstatement on Behalf of Children

12.2.1. If an annuity was terminated because of the death or remarriage of the widow or widower before age 60, and the member's election also included coverage for children, then the full annuity is reestablished in equal shares in favor of the eligible children (see section 6.0). The effective date is the first day of the month in which the death or remarriage of the widow or widower occurred.

12.2.2. An annuity to an incapacitated child over 18 years of age may be reinstated upon either a recurrence of the original disability that rendered the annuitant incapable of self-support or upon receipt of evidence from the annuitant that, although engaged in substantial and sustainable gainful employment, wages are not sufficient to cover his or her particular needs.

12.3 Annulment

12.3.1. Annulment of a Void Marriage

12.3.1.1. The annuity may not be reinstated for any period earlier than the date of separation after the discovery that the marriage was void. A void marriage is invalid and never existed therefore; it requires no formal termination.

12.3.1.2. The annuity may not be reinstated for any period in which annuity payments were made on behalf of children under paragraph 12.2. When notice is received that the widow or widower's remarriage was void, payment to these children is suspended pending resolution of the issues involved.

12.3.1.3. In the absence of a judicial decree terminating the marriage as void, the case be sent to the DOHA for a decision.

12.3.2. Annulment of a Voidable Marriage. The annuity may not be reinstated when a voidable marriage is annulled.

12.4 Reinstatement After Age 60 Remarriage

If the annuity was terminated because of remarriage, and the widow or widower was 60 years of age or older, the annuity may be reinstated not earlier than October 1, 1978. The annuity will be increased by the COLA, if appropriate, in accordance with paragraph 5.3.

*13.0 ANNUAL CERTIFICATE OF ELIGIBILITY (COE)

Effective August 2023, the annual COE was replaced by the Survivor Benefit Plan - Marital Status Update (SBP-MSU). See ***FMR Archives*** to reference previous COE policy. See chapter 46 for details on SBP-MSU.

*14.0 REPORT OF ELIGIBILITY (ROE)

Effective August 2023, the annual ROE was replaced by the Foreign Address Update for Mailed Check - Annuitants (FAUMC- Annuitants). See FMR Archives to reference previous ROE policy. See chapter 46 for details on FAUMC-Annuitants.

15.0 FEDERAL INCOME TAX

Annuities paid under the RSFPP are taxable for Federal income tax purposes. Refunds for coverage premiums are taxable income to the annuitant. The refund of premiums may result from administrative error, corrections of record, late receipt of withdrawal request, or youngest child attaining age 18.

16.0 FEDERAL INCOME TAX WITHHOLDING (FITW)

16.1 General Provisions

RSFPP annuity payments are subject to FITW. An annuitant has the right to elect no withholding. In the absence of such an election, or if the annuitant does not otherwise submit a withholding certificate, the DFAS-CL Center will withhold on a "married-three exemptions" basis. See Internal Revenue Service (IRS) ***IRS Publication 15-A***.

16.2 Notice Requirements

The DFAS-CL Center must advise the annuitant of the withholding requirement and the right to elect "no withholding" when making the first payment to the annuitant. Thereafter, the DFAS-CL Center must send an annual notice to the annuitant of the right to elect no withholding, to revoke an election, or to submit a new withholding certificate. An annuitant also may submit a withholding certificate at any time to elect no withholding, revoke such election, or request any rate of withholding.

16.3 One-Time Payments

RSFPP annuity payments, other than the regular monthly entitlement, are subject to FITW at the rate of 22 percent unless the annuitant has elected no withholding.

17.0 INCOME EXCLUSION

17.1 Gross Income Exclusion

The annuitant may exclude from gross income:

17.1.1. Premiums for coverage deducted from retired pay before January 1, 1966, not previously excluded from the member's retired pay; and

17.1.2. The amount of direct remittance for any RSFPP premiums not previously excluded from the member's retired pay.

17.2 Special Exclusion

In addition, the annuitant may exclude from the RSFPP annuity gross income an amount not to exceed $5,000 if the member retired on disability and dies prior to attaining retirement age (Public Law (PL) 89-365). As of August 20, 1996, PL 104-188, section 1402(a) repealed the $5,000 exclusion.

18.0 FEDERAL ESTATE TAX

The value of the annuity at the time of the member's death may be subject to Federal estate tax if any portion of the cost was paid by direct remittance, or if the value of the annuity exceeds the amount that may be excluded from the gross estate. The DFAS-CL Center may furnish the annuitant the current annuity amount and/or a summary of annual payments, and total cost paid (separate totals for deductions and direct remittances). For more information on the computation of the amount of an annuity that will be subject to the tax, if any, the executor of the member's estate may go to the ***IRS Pension and Annuity tax page***.

19.0 STATE TAXATION

Whether RSFPP annuities are subject to state inheritance or income tax and the method of calculating such tax depends upon the laws of the state concerned; however, the IRS Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., information is furnished to the appropriate state tax authority.

20.0 FURTHER TAX INFORMATION

Survivors should be advised that further information concerning taxation of RSFPP annuities may be obtained from the District Director of Internal Revenue or the state tax authority (see Appendix J, for state tax reporting addresses).

Table 37-1. Comp Gen Decisions – Annuity Payments, General

#	Comp Gen Decision Number	Synopsis
1	35 Comp Gen 12 B-123191, July 13, 1995 and 41 Comp Gen 500 B-147403, February 1, 1962	Unpaid Cost for Coverage. Any unpaid RSFPP cost at time of a retiree's death, including nonpayment of direct remittance or erroneous computation of cost, must be collected before payment of any annuities.
2	34 Comp Gen 664 B-123189, June 8, 1995	Retired Pay Status Relinquished. Personnel who relinquish retired status (either voluntarily or involuntarily) are not permitted to pay RSFPP costs to entitle beneficiaries to annuities.
3	43 Comp Gen 125 B-151843, August 5, 1963	Effective Date of Payment. Annuity payments are paid under provisions of the RSFPP law as amended effective October 4, 1961, even though the election was made on October 4, 1961, before the hour in which the President signed the bill which amended the law.
4	34 Comp Gen 151 B-121144, October 4, 1954 and 38 Comp Gen 146 B-113387, August 25, 1958	Annuity Payment Adjustments. Annuity payments must be adjusted based on proper retired pay at the time the election became effective as though the member had actually been receiving such pay at that time. This applies to elections by members who elected while in a "saved pay" status, who later elected and received pay under the Career Compensation Act retroactive to October 1, 1949.
5	Comp Gen B-156862, June 30, 1965	Failure to Submit Valid Election Form. After a member's death, a copy of the RSFPP election is found in his personal effects. If it is not attested or notarized, and neither the original nor duplicate is located, it cannot be established that the member made an election. Based on information available, no annuity is payable.
6	43 Comp Gen 418 B-152520, October 25, 1963	Allocations of Annuity. The allocation of annuity payable under option 3 between the present spouse and the children of a former marriage applies to elections made before and after the October 4, 1961 RSFPP amendment. PL 90-485, August 13, 1968.
7	Comp Gen B-139217, June 29, 1959 and August 12, 1960	Withholding Annuity to Satisfy Members Indebtedness. Annuity payments may not be withheld to satisfy the member's indebtedness for overpayment of retired pay since the annuitant is under no obligation to the United States. However, the annuitant may voluntarily agree to repay the indebtedness by withholding from the annuity.

Table 37-1. Comp Gen Decisions – Annuity Payments, General (Continued)

	Comp Gen Decision Number	Synopsis
8	39 Comp Gen 481 B-141131, December 30, 1959	Valid Intent of Member to Elect Spouse and Child Coverage. Both the spouse and children are covered when it can be established that the member intended to cover the children listed on the election certificate even though the election was checked to show spouse only.
9	65 Comp Gen 621 B-221545, June 3, 1986	Annuity Payments. Should not be made payable to an agent acting under power of attorney when the annuitant is mentally incompetent even if a state statute had preserved the validity of a power of attorney executed before the annuitant was declared to be incompetent.
10	66 Comp Gen 340 B-226018, March 18, 1987	In the Absence of a Determination of Incompetence. Made by a state court, physician, or psychologist that an annuitant is incapable of managing his or her own affairs, payments may be made directly to the annuitant. An individual, in accordance with a valid power of attorney, may assist the annuitant in completing and filing the annuity application form. (65 Comp Gen 621, clarified).

Table 37-2. Comp Gen Decisions – Annuity Payments, Widow or Widower

#	Comp Gen Decision Number	Synopsis
1	Comp Gen B-158906, June 7, 1966	Validity of Annuitant's Marriage to the Member. Evidence must be of record to establish that a former marriage was legally ended. No annuity payments are authorized to be paid until legal proceedings are instituted to determine the validity of the marriage.
2	44 Comp Gen 480 B-155792, February 16, 1965	Foreign Divorce. The State of New York does not recognize a foreign divorce unless both parties appear personally or through authorized counsel in the country where the foreign divorce is obtained.
3	43 Comp Gen 567 B-153183, February 14, 1964	Foreign Divorce. A member's marriage to a woman who had previously obtained an illegal foreign divorce is not valid for annuity payment purposes.
4	Comp Gen B-154387, July 16, 1964	Interlocutory Decree of Divorce. An interlocutory decree does not end a marriage. A foreign divorce in the interim period is not valid. The final divorce decree terminates the marriage.
5	42 Comp Gen 112 B-149378, August 10, 1962	Divorce and Later Remarriage to Same Spouse. A spouse who divorces the member after retirement terminates eligibility for annuity. A later remarriage of the same people to each other does not reinstate eligibility to the annuity, even though deductions from pay are continued under terms of the member's election.
6	38 Comp Gen 208 B-136499, September 16, 1958	Annuity Elections at Time of Correction of Records. A member is regarded as having been in a retired status on November 1, 1953, effective date of the RSFPP law, if after that date a Correction of Records retired the member retroactive to a date before November 1, 1953. A spouse whom the member married after November 1, 1953 is not entitled to annuity since he or she was not the spouse on November 1, 1953.

Table 37-3. Comp Gen Decisions – Annuity Payments, Child or Children

#	Comp Gen Decision Number	Synopsis
1	47 Comp Gen 270 B-160939, November 14, 1967	Custodianship of Minor Child. Payment of RSFPP Annuity may be made to a natural parent having care and custody of minor child or children, without the appointment of a legal guardian, even though such payments might eventually exceed the sum of $1,000.
2	35 Comp Gen 521 B-126138, March 21, 1956	Custodianship of Minor Children. Payment can also be made to an adopting parent, as custodian of minor child since all rights and duties were acquired with the adoption.
3	47 Comp Gen 371 B-163102, January 18, 1968	Child Physically Incapacitated. A chiropractor's statement attesting to a child's physical incapacity is sufficient to substantiate eligibility as a beneficiary under RSFPP.
4	48 Comp Gen 167 B-165095, October 1, 1968	Ineligible Child. Child born May 1, 1950, became eligible for annuity benefits on May 1, 1968. Payment for month of April 1968 is proper.
5	Comp Gen, B-160876, April 18, 1967	Incapacitated Child. An incapacitated child does not have to meet that condition as of member's retirement date of November 1, 1953, if later (as required by Department of Defense Directive 1332.17, section 102c) to qualify as an eligible RSFPP beneficiary. In addition, proof of continued incapacitation of a child annuitant is required at least every 2 years after age 18.
6	Comp Gen B-158411, March 10, 1966	Mentally Incapacitated Child. Mentally incapacitated child who married and whose marriage was annulled is considered unmarried and an eligible contingent beneficiary.
7	44 Comp Gen 280 B-154831, November 10, 1964	Unmarried Child. The term "unmarried child" is defined as not having a husband or wife at time of member's retirement, and without regard to the fact that the child may have been previously married.
8	Comp Gen B-131677, June 3, 1957	Legitimate Child. Children born from illegal marriage (one spouse not legally divorced from prior marriage) may be considered legitimate children for RSFPP annuity payments.
9	Comp Gen B-132012, June 17, 1957	Clarification of Election Fraction. A member who elected option 2 with both 1/2 and 1/8 factors checked, who failed to clarify the fraction desired, and who later stated a wish not to participate in the plan, must be assumed to have elected the minimum of 1/8 rate.
10	36 Comp Gen 325 B-129194, October 18, 1956	Adoption of Child. Child of deceased retired member receiving annuity under option 2 who is adopted after death of a retired member, is entitled to continue receiving the annuity. An adoption before death of retired member, or divorce from wife in which member elected option covering stepchild constitutes basis for terminating reduction of retired pay if option 4 included, and likewise voids entitlement to annuity upon later death of retiree.

Table 37-3. Comp Gen Decisions – Annuity Payments, Child or Children (Continued)

#	Comp Gen Decision Number	Synopsis
11	35 Comp Gen 521 B-126138, March 21, 1956	Amendatory Birth Certificate. Amendatory birth certificate along with statement on election form is normally sufficient to substantiate date of birth and claimed relationship of adopted child.
12	62 Comp Gen 193 B-207764, February 8, 1983	Incapacitated Annuitant. Annuity payable to an incapacitated annuitant may not be suspended unless annuitant is capable of earning amounts sufficient for own particular personal needs through substantial and sustainable gainful employment. Advance written notice will be made prior to suspension and annuitant is given the opportunity to submit rebutting evidence.
13	62 Comp Gen 302 B-207626, April 13, 1983	Incapacitated Annuitant - Reinstatement of Annuity - Payment to Third Parties. An annuity may be reinstated upon the recurrence of original disabling condition. Annuity payments to incapacitated adult can be made to third parties only if appointed as guardian by court or under valid power of attorney. Power of attorney executed by mentally incapacitated annuitant may be invalid, even in absence of formal adjudication of incompetence. If annuitant suffering from mental illness has not been adjudged incompetent, and is considered by psychiatrist to be competent to manage annuity properly for personal maintenance, annuity may be paid directly to annuitant. If the annuity cannot be paid directly to annuitant or properly paid to third party, the annuity should accrue to annuitant's account until annuitant recovers or until guardian is appointed by court.

*REFERENCES

CHAPTER 37 – RETIRED SERVICEMAN'S FAMILY PROTECTION PLAN (RSFPP) – ANNUITIES

1.0 – GENERAL

	PL 98-525, October 19, 1984
	11 U.S.C., Chapter 13
1.1	PL 87-381, October 4, 1961
	66 Comp Gen 260
	42 U.S.C. § 659
	PL 83-239, section 9, August 8, 1953

2.0 – EFFECTIVE DATE OF ANNUITY

	PL 98-525, October 19, 1984
2.1.3	10 U.S.C. § 1437
	32 CFR 48.504(b)(3)
2.2	PL 83-239, section 10, August 8, 1953
	10 U.S.C. § 1437
2.4	Comp Gen B-134298, November 27, 1957

3.0 – ANNUITY PAYMENTS

	PL 90-485, August 13, 1968
	PL 98-525, October 19, 1984
	PL 102-190, December 5, 1991
	10 U.S.C. § 1444a

4.0 – CLAIMS FOR ANNUITY

4.1	66 Comp Gen 340 B-226018, March 18, 1987
4.3	4 CFR 338
4.5	31 U.S.C. § 3702

5.0 – ANNUITY AMOUNTS

5.1.1	PL 83-239, August 8, 1953
5.1.2.2	PL 90-485, August 13, 1968
5.2.1	PL 83-239, August 8, 1953
	PL 87-381, October 4, 1961
5.2.2.2	PL 90-485, August 13, 1968
5.3	PL 95-397, September 30, 1978
5.4	10 U.S.C. § 1401a
	PL 98-94, September 24, 1983

REFERENCES (Continued)

6.0 – PAYMENTS	
6.2	PL 90-485, August 13, 1968
7.0– CAUSES OF OVERPAYMENTS	
	PL 98-525, October 19, 1984
7.1	PL 95-397, September 30, 1978
7.3	10 U.S.C. § 2774
	10 U.S.C. § 1442
7.4	10 U.S.C. § 1446
10.0 – WAIVER OF INDEBTEDNESS	
10.1	Comp Gen B-184532, September 16, 1975
	Comp Gen B-185545, March 18, 1976
	55 Comp Gen 1238 B-182704, July 2, 1976
	10 U.S.C. § 1442
10.2	41 Comp Gen 28 B-145943, July 13, 1961
10.3	42 Comp Gen 98 B-149364, August 9, 1962
	10 U.S.C. § 1552
11.0 – TERMINATIONS	
11.2	PL 98-525, October 19, 1984
11.2.1	PL 83-239, August 8, 1953
	PL 90-485, August 13, 1968
11.2.2	PL 83-239, August 8, 1953
	PL 90-485, August 13, 1968
	PL 95-397, September 30, 1978
11.2.3.5	62 Comp Gen 193 B-207764, February 8, 1983
12.0 – REINSTATEMENTS	
12.1	PL 95-397, September 30, 1978
12.2	PL 95-397, September 30, 1978
	62 Comp Gen 193 B-207764, February 8, 1983
	62 Comp Gen 302 B-207626, April 13, 1983

REFERENCES (Continued)

12.3.1.3	44 Comp Gen 269 B-152506, November 6, 1964 43 Comp Gen 531 B-152506, January 30, 1964
12.3.3	42 Comp Gen 500 B-147403, February 1, 1962 43 Comp Gen 531 B-152506, January 30, 1964
12.4	PL 95-397, September 30, 1978

13.0 – ANNUAL CERTIFICATE OF ELIGIBILITY

	PL 117-81, Section 605, NDAA FY 2022
13.1.1 - 6	10 U.S.C. § 1435
13.2.3.1	10 U.S.C. § 1435
13.2.6	36 Comp Gen 325

14.0 – REPORT OF EXISTENCE

	PL 117-81, Section 605, NDAA FY 2022
14.1	31 CFR 211.1 Treasury Fiscal Requirements Manual 2090.10
14.2	54 Comp Gen 285 B-178270, October 17, 1974

16.0 – FEDERAL INCOME TAX WITHHOLDING (FITW)

	26 U.S.C. § 3402(o)(3)

18.0 – FEDERAL ESTATE TAX

	26 CFR 20.2039-2(c)(1) 26 U.S.C. § 2039(c)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 38: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 39: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 40: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 41: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 7B, CHAPTER 42: "SURVIVOR BENEFIT PLAN (SBP) – APPLICATION OF THE PLAN"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated July 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	This chapter is certified as current.	Current

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CHAPTER 42

SURVIVOR BENEFIT PLAN (SBP) - APPLICATION OF THE PLAN

1.0 GENERAL

1.1 Purpose

This chapter provides an overview of the establishment of the SBP (also referred to as the Plan), eligibility and benefits, and specialized terminology and definitions used when referring to the Plan.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 10 and 37. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 SBP OVERVIEW

2.1 Establishment of SBP

On September 21, 1972, Public Law ***(PL) 92-425*** established the SBP to provide a survivor benefit program for military personnel in retirement to complement the survivor benefits under Social Security laws. The Plan gives all retiring uniformed services retirees an opportunity to elect to have their retired pay reduced by a designated amount in order to provide their survivors an annuity payable after the retiree's death.

2.1.1. Under the Plan, a member who retired before September 21, 1972, and who had previously elected to participate in the Retired Serviceman's Family Protection Plan (RSFPP) had the option to retain or cancel the RSFPP coverage when electing to participate in the SBP.

2.1.2. The Plan provides, without cost, a minimum guarantee to an unmarried widow or widower of a member who died before March 21, 1974. For additional information, see Chapter 46. A surviving spouse of a member who died before November 1, 1953, is entitled to an annuity, which may be in addition to the annuity payable under the minimum income annuity provisions.

2.2 Additional Coverage

The Plan also includes:

2.2.1. Survivor benefits for the child, limited insurable interest, surviving spouse, or former spouse of a member who dies on active duty (See Chapter 46 regarding line of duty determinations);

2.2.2. A Reserve Component (RC) annuity on behalf of a member who is eligible to provide a Reserve Component Survivor Benefit Plan (RCSBP) Annuity and dies:

2.2.2.1. Before notification of retirement eligibility;

2.2.2.2. During the 90-day period following notification of retirement eligibility if the member had not made an election; or

2.2.2.3. After electing to participate in RCSBP following notification of retirement eligibility but before reaching the age of eligibility to receive retired pay; and

2.2.2.4. From an injury or illness incurred or aggravated in the line of duty during inactive duty for training.

2.2.3. An annuity calculated in the same manner as an annuity based on an active-duty death paid to the qualified survivors of a member who, under certain circumstances, dies in the line of duty during inactive duty training (IDT) (see Chapter 54); or

2.2.4. An annuity calculated in the same manner as an annuity based on an RC death paid to the qualified survivors of a member who, under certain circumstances, dies during IDT but not in the line of duty (see Chapter 54).

2.3 Death Presumption Authority

2.3.1. The Plan provides for annuity payments under a determination by the Secretary of the Military Department concerned (or designee) that a participating member is presumed dead. Upon application of the beneficiary of a participant in the Plan who is missing, the Secretary of the Military Department concerned may determine that the participant is presumed dead.

2.3.2. A determination of presumed death is a determination by the Secretary of the Military Department concerned (or designee) that a participating member is presumed dead if:

2.3.2.1. The member's retired or retainer pay has been suspended or would have been suspended had the member been in receipt of pay; and

2.3.2.2. The member has been missing at least 30 days under circumstances that lead to a reasonable conclusion that the member is dead.

2.4 Effects of Lump Sum Retirement Payment on SBP

A member covered under the Blended Retirement System (BRS) who chooses to receive a lump sum of retired pay, in accordance with ***10 U.S.C. § 1415***, will have their SBP premiums calculated using the full base amount of their unreduced retired pay without regard to a reduction in retired pay pursuant to the lump sum. The member may choose to lower the amount of coverage, with spousal concurrence, if married. Premiums are to be deducted from the portion of retired pay that the member continues to receive after the lump sum payment. For more information about SBP premiums, see Chapter 45.

3.0 ELIGIBLE MEMBERS

3.1 Members Eligible to Participate in the Plan

The following members are eligible to participate in the Plan:

3.1.1. Members entitled to retired pay; and

3.1.2. Members who would be eligible for non-regular retired pay, but have not yet become entitled to receive retired pay because of age. See Chapter 54.

3.2 Participants in the Plan

3.2.1. Standard Annuity Participants. The Plan applies to a person who is eligible to participate in the Plan under subparagraph 3.1.1 and who is married or has a dependent child when the member becomes entitled to retired pay, unless the member elects (with the spouse's concurrence, if required) not to participate in the Plan.

3.2.2. RCSBP Annuity Participants. The Plan applies to a person who is eligible to participate in the Plan under subparagraph 3.1.2 and is married or has a dependent child when the member is notified that he or she has completed the years of service required for eligibility for RC retired pay, unless the member elects (with spousal concurrence, if required) not to participate in the Plan. Note: If such member elects not to participate in the Plan (chooses option "A") upon becoming entitled to retired pay, the member may elect to participate in the Plan as a Standard annuity participant under subparagraph 3.2.1.

3.3 Exceptions

A member otherwise eligible according to subparagraph 3.2.1 or 3.2.2, except that:

3.3.1. The member does not have a spouse or dependent child and did not elect coverage for a former spouse (if applicable) at the time of eligibility for the program, may elect coverage for a person who has an insurable interest in the member; or

3.3.2. The member does not have a spouse or dependent child at the time of eligibility for the program, may elect SBP or RCSBP coverage upon notification to the Secretary concerned within the 1-year period after acquiring a spouse or dependent child. Such an election must be

written, signed by the person making the election, and received by the Secretary concerned. An election is effective as of the first day of the first month following the month in which the Secretary concerned receives the election.

3.4 Member on the Temporary Disability Retired List (TDRL)

A member's eligibility ends when the member is removed from TDRL without further entitlement to retired pay. The coverage continues when the member is transferred from TDRL to Permanent Disability Retired List (PDRL). If the member's retired pay is reduced to an amount less than the base amount originally elected, the full retired pay to which the member is entitled thereafter is considered the base amount.

3.5 Mentally Incompetent Member

If a person to whom the Plan applies is determined to be mentally incompetent, the Secretary of the Military Department concerned, upon request, may act on behalf of the member and elect other than the maximum automatic coverage. In the absence of an eligible spouse or children, the Secretary of the Military Department concerned, upon request, may elect coverage for a natural person with an insurable interest. The person applying to have an election made is not given preference in designation as the beneficiary.

3.6 Qualifying Member During an Open Enrollment Period

The Plan applies to any member who qualifies during an open enrollment period according to the provisions established by law. Open enrollment periods typically occur when there are major changes to the SBP program and must be specifically prescribed by law.

3.7 Retired Member After a Record Correction

3.7.1. A member whose military record is corrected on or after September 20, 1972, to show retirement before September 21, 1972, is not automatically covered under the Plan. Coverage may be established upon request of the member if the election is received within 18 months from the date of notification of the correction action.

3.7.2. A member who retroactively becomes entitled to retired pay on a date on or after September 20, 1972, generally, will be given automatic full SBP coverage. However, the member may elect reduced coverage or decline participation, (with proper concurrence of the eligible spouse, if applicable) within 18 months of the correction entitling the member to retired pay unless the member's Service Secretary or Service's Board for Correction of Military Records directs the member to do so within 12 months of the member's record correction.

4.0 DEFINITIONS

4.1 Base Amount

The base amount is the money amount selected by the member, with the concurrence of the member's spouse if required, or the amount selected on behalf of a member by the Secretary of the Military Department concerned (or designee), on which the annuity is based. The base amount may range from a $300 minimum up to full gross retired pay entitlement. The base amount is adjusted consistent with the cost-of-living increases in retired pay. For a member entitled to retired pay under a regular retirement, non-regular retirement, or disability retirement, the full base amount is the amount of money to which the member:

4.1.1. Was entitled to when he or she became eligible for retired pay without regard to any reduction in retired pay pursuant to:

4.1.1.1. An election of a lump sum of retired pay in accordance with ***10 U.S.C. § 1415***; or

4.1.1.2. An election of a Career Status Bonus (CSB) in accordance with ***10 U.S.C. § 1409(b)(2)*** and ***37 U.S.C. § 354***. NOTE: After December 31, 2017, CSB could not be elected. For more information concerning the selection of CSB refer to Volume 7A, Chapter 66; or

4.1.2. Later became entitled to by being advanced on the retired list, performing active duty subsequent to eligibility for retired pay, being transferred from the TDRL to the PDRL, or having his or her retired pay re-computed at age 62 due to credit for community service under Temporary Early Retirement Authority or a reduced retirement.

4.2 Change in Coverage

A change in coverage is an action taken because of a change in the retired member's family status that requires a change in beneficiaries.

4.3 Change in Election

A change in election is an authorized change in the type of beneficiary eligible for SBP coverage because of a change in the retired member's family status.

4.4 Consideration for Contract

The total amount of premiums paid by the participant member for the type of SBP selected is known as consideration for contract.

4.5 Cost of Coverage

The cost of coverage is the amount paid by deductions from retired pay, from the retired member's Combat-Related Special Compensation (CRSC), or by direct remittance when member is not receiving retired pay.

NOTE: Beginning April 2018, if a member's SBP premium cannot be deducted in the full amount required and the retired member has been awarded CRSC pay under ***10 U.S.C. § 1413a*** the deduction that would otherwise have been made from the retired pay will be taken from the retired member's CRSC for that period. See ***10 U.S.C. § 1452(d)(2)***. This new deduction is due to a change in the law (***PL 114-328, section 643***) which requires SBP premiums to be deducted from CRSC.

4.6 Cost Refund

A cost refund is the difference between cost paid by the member and the recalculated cost of the annuity after Dependency and Indemnity Compensation (DIC) reduction.

4.7 Date of Receipt

The date of receipt is the day of receipt of an election or election change by the office administering payment of retired pay. The postmarked date of an election may be considered as date of receipt when the validity of such election might be prejudiced because of a limited time factor.

4.8 Dependency and Indemnity Compensation (DIC) Offset

Prior to January 1, 2023, DIC offset reduced the SBP annuity due to compensation entitlement from the Department of Veterans Affairs to the widow or widower of a member who died from a service-connected or comparable disability. A multi-year phase out of the DIC offset of SBP annuities began January 1, 2021, and ended December 31, 2022. See Chapter 46 for details regarding the phase out periods and corresponding offset amounts.

4.9 Former Spouse

A former spouse is the surviving former husband or wife of a person who is eligible to participate in the Plan. For more information about former spouses, see Chapter 29.

4.10 Maximum Level

The maximum level is the full gross retired pay used as a base amount for coverage. For members who elect lump sums under the BRS, the full base amount will be equivalent to what full retired pay would have been without the lump sum. A member who elected to receive a CSB prior

to January 1, 2018, will, at the time of program election, have the maximum base amount computed as if that member had not been subject to the Military Retirement Reform Act of 1986 (referred to as REDUX) under 10 U.S.C. § 1409(b)(2).

4.11 Minimum Income Widow

A minimum income widow is a person who on September 21, 1972, was, or during the period beginning on September 22, 1972, and ending on March 20, 1974, became, the widow of a person who was entitled to retired or retainer pay when they died. This individual must have income below the threshold and meet the eligibility criteria in Chapter 46.

4.12 Natural Person With an Insurable Interest

A natural person with an insurable interest is a person who has a reasonable and lawful expectation of pecuniary benefits from the continued life of the participating member. For further information, see Chapter 44. Insurable interest for active duty or IDT death is limited to someone not otherwise covered by the law as an SBP beneficiary who has a Military Dependent Identification Card as the deceased member's dependent or would have qualified as the member's dependent in accordance with ***10 U.S.C. § 1072(2)***.

4.13 Pre- and Post-September 21, 1972, Retiree

A pre-September 21, 1972, retiree is a member who retired before September 21, 1972; a post-September 21, 1972, retiree is a member who retired on or after September 21, 1972.

4.14 Reduced Base Amount

The reduced base amount is an amount less than the member's full gross retired pay or what the full retired pay would have been if the CSB or lump sum retired pay had not been elected but not less than $300 unless the full gross retired pay (or what the full retired pay would have been) is less than $300.

4.15 Reduction Factor

The RCSBP reduction factor is a four-digit actuarially determined decimal used to compute the monthly cost for reservists who become entitled to receive retired pay before age 60.

4.16 RCSBP Annuity

The RCSBP Annuity is the annuity provided to the survivor(s) of a reservist, who completed the years of service required for eligibility for RC retired pay or was a member of a RC and died from an illness or injury incurred or aggravated in the line of duty during IDT. For additional information about the RCSBP, see Chapter 54.

4.17 Social Security Offset

Social Security offset means a reduction from the SBP annuity due to the widow's or widower's Social Security entitlements. Social Security offset was eliminated effective April 1, 2008.

4.18 Standard Annuity

The standard annuity is the annuity provided to a survivor(s) by virtue of eligibility of persons entitled to retired pay.

4.19 Supplemental Survivor Benefit Plan (SSBP)

An SSBP annuity is a type of annuity provided to a spouse or former spouse. SSBP was repealed effective April 1, 2008.

4.20 Surviving Spouse

A surviving spouse applies to:

4.20.1. The surviving husband or wife of a retired member:

4.20.1.1. Married to the member at the time the member became eligible for retired pay. Members of the RC become eligible for retired pay upon completion of the requisite years of service necessary to become entitled to retired pay at a later age; or

4.20.1.2. If not married to the member at the time the member became eligible for retired pay:

4.20.1.1.1. Was married to the member for at least 1 year before the member's death, or

4.20.1.1.2. Is the parent of issue by that marriage;

4.20.2. The surviving spouse of a member who dies on active duty or:

4.20.2.1. While in line of duty, on or after September 10, 2001; or

4.20.2.2. After becoming eligible to receive retired pay; or

4.20.2.3. After qualifying for retired pay except that the member has not applied for or been granted that pay; or

4.20.2.4. After completing 20 years of active service but before the member is eligible to retire as a commissioned officer, because the member has not completed the required years of active commissioned service (usually 10 years).

4.20.3. The surviving spouse of a member who is eligible to provide an RCSBP Annuity and dies:

4.20.3.1. Before being notified under ***10 U.S.C. § 12731(d)*** that the member has completed the years of service required for eligibility for RC retired pay, or

4.20.3.2. During the 90-day period beginning on the date the member receives notification under 10 U.S.C. § 12731(d) that they have completed the years of service required for eligibility for RC retired pay if an election to participate in the Plan was not made, provided:

4.20.3.2.1. That the parties were married at the time the member became eligible for retired pay; or

4.20.3.2.2. If not married at the time the member became eligible for retired pay, was married to the member for at least 1 year before the member's death, or is the parent of issue by that marriage.

4.20.4. The surviving spouse of a member of an RC not described in subparagraphs 4.20.2.1, 4.20.2.2, or 4.20.2.3 who dies before being eligible to elect to participate in the Plan from an injury or illness incurred or aggravated in the line of duty during IDT.

4.21 Threshold

The threshold amount is an alternative to the base amount that may be used to calculate the reduction in retired pay described in basic premiums. The original threshold amount was established on October 1, 1985, in the amount of $300. This amount has been increased by the same percentage as the annual increase in basic military pay for each year subsequent to 1985. The threshold increases at the same time and by the same percentage as the average increase in basic pay. Threshold increases are published in the annual ***DoD Retirement Cost of Living Adjustments (COLA) Memorandum***. For example, using the cost formula of 2.5 percent of the first $XXX.XX, plus 10 percent of the remainder of the base amount (see paragraph 4.1), the portion of the base amount upon which the member is charged 2.5 percent cost is the threshold. See Chapter 45, section 3.0.

REFERENCES

CHAPTER 42 - SURVIVOR BENEFIT PLAN (SBP) - APPLICATION OF THE PLAN

2.0 - SBP OVERVIEW

2.1	DoD Instruction 1332.42, December 30, 2020 10 U.S.C., Chapter 1223 10 U.S.C. § 1448 10 U.S.C. § 1448a 10 U.S.C. § 1449 10 U.S.C. § 1450 10 U.S.C. § 1451 10 U.S.C. § 1452 DoD Directive 1332.27, June 26, 2003 53 Comptroller General (Comp Gen) 847, B-179018, May 10, 1974 53 Comp Gen 971, B-179018, June 18, 1974
2.2	PL 107-107, Section 642, December 28, 2001 National Defense Authorization Act (NDAA) for Fiscal Year 2002 PL 108-136, Section 644, November 24, 2003 NDAA for Fiscal Year 2004 10 U.S.C. § 1448(f)
2.3	10 U.S.C. § 1450(l)(1)
2.4	PL 115-91, Section 622, December 12, 2017, NDAA for Fiscal Year 2018

3.0 - ELIGIBLE MEMBERS

3.1 – 3.4	10 U.S.C. § 1448 53 Comp Gen 971, B-179018, June 18, 1974
3.5	10 U.S.C. § 1449
3.6	10 U.S.C. § 1448
3.7	54 Comp Gen 116, B-180050, August 14, 1974

4.0 - DEFINITIONS

4.1	10 U.S.C. § 1447(6)
4.4	26 U.S.C. § 122(b)(2)
4.5	10 U.S.C. § 1452(d)(2) PL 114-328, section 643, December 23, 2016, NDAA for Fiscal Year 2017
4.8	10 U.S.C. §§ 1450(c) and 1451(c)(2)
4.9	10 U.S.C. § 1447(6)(A)
4.11	10 U.S.C. § 1448

REFERENCES (Continued)

4.15	10 U.S.C. § 1447
4.16	10 U.S.C. § 1447
4.18	10 U.S.C. § 1447
4.19	10 U.S.C. § 1451(e)(3) and (4)
4.20	10 U.S.C. § 1447 PL 107-107, Section 642, December 28, 2001 PL 108-136, Section 644, November 24, 2003
4.21	10 U.S.C. § 1448(d)(1)(A)(iii)

VOLUME 7B, CHAPTER 43: "SURVIVOR BENEFIT PLAN (SBP) - ELECTIONS AND ELECTION CHANGES"

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated June 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks, references, and formatting to comply with current administrative instructions.	Revision
6.1.2.6	Clarified the consequences in declining to elect spouse or child coverage for any of the situations described in subparagraphs 6.1.2.1 – 6.1.2.4.	Revision
References	Updated references where applicable.	Revision

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CHAPTER 43

SURVIVOR BENEFIT PLAN (SBP) - ELECTIONS AND ELECTION CHANGES

1.0 GENERAL

1.1 Purpose

The purpose of this chapter is to provide information for SBP election options, changes to elections, coverage, and termination of coverage.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 5 and 10. The ***Department of Defense Instruction (DoDI) 1332.42*** establishes and administers the policy. Due to the subject matter in the chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 ELECTION OPTIONS

2.1 Base Amount

A member who participates in SBP must elect a base amount of maximum coverage or reduced coverage. The base amount at any level is adjusted with each cost-of-living increase after retirement. See Chapter 42.

The annuity amount is 55 percent of the base amount elected. See Chapter 46.

2.2 SBP Elections

In the case of a member electing a standard SBP annuity, the member must make such election before retired pay becomes payable, or if there is no eligible beneficiary at that time, within 1 year of acquiring an eligible beneficiary. All elections are irrevocable once the member is placed on the retired list, unless otherwise provided by law. See paragraph 3.1.

2.3 Reserve Component SBP (RCSBP) Elections

In the case of a member electing a Reserve Component annuity, the member must select either an immediate or deferred annuity. In the case where a Reserve Component member has elected an immediate annuity, or dies while being eligible to make such an election, the annuity to the beneficiary will commence the day following the death of the member. In the case of a member electing a deferred annuity, the annuity commences the later of the day following the member's death, or the date the member would have been age 60. See Chapter 54.

2.4 Special Rules Concerning Elections

2.4.1. In the case of a member electing SBP or RCSBP coverage for a spouse who was not married to the member at the time the member became eligible for retired pay, the surviving spouse must have been married to the member for at least 1 year immediately before the member's death or be the parent of issue by that marriage to be an eligible beneficiary.

2.4.2. A member who did not elect child coverage for a dependent child, either at the time of becoming eligible for retired pay (if applicable) or within 1 year of acquiring the first dependent child, may not elect child coverage for subsequently acquired child or children unless otherwise provided by law.

2.4.3. A member who elected insurable interest coverage under Chapter 42 may upon death of such beneficiary, elect to cover a new beneficiary who is a natural person with an insurable interest in the member. Such an election must be made prior to the end of the 180-day period beginning on the date of the death of the previous beneficiary. The member is required to pay, if applicable, an additional amount and interest. The additional amount is equal to the difference in the amount of the reduction in the member's retired pay for the previous beneficiary and the reduction in retired pay that would have been made had the previous beneficiary not died and been a covered beneficiary through the date of the new election. The interest on the additional amount is computed from the date on which the retired pay would have been reduced and charged at such rate or rates as determined by the Secretary of Defense.

2.4.4. In the case of a member who is already participating in the SBP and elects to change spouse coverage or spouse and child coverage to former spouse coverage or former spouse and child coverage, any such election terminates any previous coverage under the SBP.

2.5 Beneficiaries

Coverage may be provided for:

2.5.1. Spouse and/or child(ren);

2.5.2. Former spouse and/or child(ren); or

2.5.3. Natural person with an insurable interest (at maximum level of coverage only).

3.0 IRREVOCABLE ELECTIONS AND EXCEPTIONS

3.1 Irrevocability and Exceptions

An election is irrevocable, except under the following circumstances:

3.1.1. A member retired March 1, 1986, or later, who elected and received less than maximum SBP coverage without the spouse's concurrence, will have such coverage changed to full coverage if the Secretary concerned later determines that the spouse's concurrence in such election was required, but not obtained;

3.1.2. The Secretary concerned may revoke an election when necessary to correct an administrative error. Revocation or correction based on administrative error is a Secretarial prerogative and, except when procured by fraud, is final and conclusive on all officers of the United States;

3.1.3. A mentally incapacitated member who is later determined to be mentally competent may revoke or change the SBP election within 180 days after such determination of competence.

4.0 ELECTION COVERAGE

4.1 Spouse and/or Child

4.1.1. A member may elect coverage at the maximum level or at a reduced amount with spouse's concurrence, if required, for:

4.1.1.1. An eligible spouse only;

4.1.1.2. An eligible spouse and dependent child(ren); or

4.1.1.3. Dependent child(ren) only.

4.1.2. Every retiring member who is married at retirement is automatically enrolled in SBP for full coverage unless the spouse concurs in writing with the member's election to decline participation in SBP, to elect a reduced annuity for the spouse, or to elect an annuity for a dependent child, but not for the spouse, before the first day of eligibility to receive retired pay. See subparagraph 4.1.4.

4.1.3. A member with an eligible spouse and dependent child on the date of retirement who has obtained the concurrence of their spouse:

4.1.3.1. Declines coverage is prohibited from electing into SBP, even after obtaining a new spouse, except under section 8.0;

4.1.3.2. Declines coverage for an eligible spouse, and chooses to elect coverage for child only, is prohibited from electing spouse coverage at a later date, even after obtaining a new spouse, except under section 8.0; or

4.1.3.3. Declines coverage for the member's dependent child, and elects coverage for spouse only, is prohibited from electing child coverage at a later date.

4.1.4. A married member who is eligible to provide SBP may not, without the concurrence of their spouse, decline participation in SBP, elect a reduced annuity for the spouse, or elect an annuity for a dependent child, but not for a spouse, unless the member establishes to the satisfaction of the Secretary concerned that:

4.1.4.1. The spouse's whereabouts cannot be determined, or

4.1.4.2. Due to exceptional circumstances, a requirement that the member seek the spouse's concurrence would otherwise be inappropriate.

4.1.5. A member with a dependent child, who was unmarried on the date of retirement, may elect spouse coverage upon subsequent marriage regardless of whether coverage was elected for their dependent child. The election must be received by the Secretary concerned within 1 year of the marriage date.

4.1.6. A member with an eligible spouse who did not have a dependent child on date of retirement later may elect coverage for a dependent child. The election must be received by the Secretary concerned within 1 year of the date of acquiring their first dependent child.

4.1.7. If a member elects to provide an SBP annuity for a former spouse or a former spouse and child after the member has remarried, the member's spouse must be notified of that election. The member may make this election without spousal concurrence.

4.2 Same-Sex Spouses

4.2.1. Any claims to SBP spouse coverage for same-sex spouses of eligible SBP participants for periods before June 26, 2013, are not valid as the Defense of Marriage Act was still the law and in effect prior to June 26, 2013. As a result, no SBP premiums for such coverage will be charged prior to June 26, 2013. Further, no SBP annuity payments for such coverage will be paid for deaths occurring before June 26, 2013.

4.2.2. Effective on June 26, 2013, a person who becomes eligible to participate under ***10 U.S.C. § 1448(a)(1)*** and is married to a same-sex partner has the SBP program applied as for any other married couple under 10 U.S.C. § 1448, including the requirements for spousal concurrence for less than full annuity coverage of the spouse.

4.2.3. A person who was married to a same-sex partner upon becoming eligible to participate in the plan prior to June 26, 2013, and who had married that same-sex partner before June 26, 2013, had 1 year from June 26, 2013, to make a spouse election under

10 U.S.C. § 1448(a)(3). Such person may not participate at less than maximum coverage described in 10 U.S.C. § 1448(a)(3) without the concurrence of the person's spouse unless they already had provided an annuity for a dependent child. If an election was not received on or before June 25, 2014, full spousal coverage was entered, and the member was responsible for payment of premiums effective from June 26, 2013.

4.2.4. A person who was not married upon becoming eligible to participate in the plan, but who married a same-sex partner before June 26, 2013, had 1 year from June 26, 2013, to make a spouse election under 10 U.S.C. § 1448(a)(5). The election must have been received on or before June 25, 2014, or the person was prohibited by law from making such election.

4.2.5. Generally, a person who is a participant in the plan and is providing coverage under SBP for a spouse, who later does not have an eligible spouse beneficiary may, under 10 U.S.C. § 1448(a)(6), elect not to provide coverage for a new spouse in the event of a remarriage.

4.2.5.1. For a person who enters into a same-sex marriage after June 26, 2013, the election to discontinue participation under 10 U.S.C. § 1448(a)(6) must be made within 1 year of the remarriage. If a member does not discontinue participation, pursuant to 10 U.S.C. § 1448(a)(6), spouse coverage will resume effective on the first anniversary of the marriage.

4.2.5.2. If the remarriage took place prior to June 26, 2013, the participant has 1 year from June 26, 2013, to elect out of SBP. If a member does not make such an election within 1 year of June 26, 2013, pursuant to 10 U.S.C. § 1448(a)(6), spouse coverage will resume effective no earlier than June 25, 2014.

4.2.5.3. Any such person falling within the parameters of 10 U.S.C. § 1448(g), had 1 year from June 26, 2013, or the date of any marriage subsequent to June 26, 2013, to elect to increase the level of coverage under 10 U.S.C. § 1448(g).

4.2.6. A person who is married to a same-sex partner on June 26, 2013, and has insurable interest coverage under 10 U.S.C. § 1448(b) may terminate the insurable interest coverage as provided for in that section and, if eligible, elect spouse coverage under 10 U.S.C. § 1448(a)(5) as described in subparagraph 4.4.3.

4.3 Natural Person With Insurable Interest

An election for a natural person with an insurable interest may be made only when the member is not married and does not have any dependent children upon becoming eligible to participate. The Secretary concerned must receive the election before the first day of eligibility for retired pay. A member must elect full coverage when electing for a natural person with an insurable interest. If the member is retired for reasons of disability under ***10 U.S.C., Chapter 61***, refer to paragraph 7.3.

4.4 Former Spouse or Former Spouse and Child

When a member elects former spouse coverage, the member and the former spouse must complete and sign an election statement indicating whether the election is being made pursuant to the requirements of a court order or by a voluntary written agreement. If the member entered into a voluntary written agreement as a part of, or incident to, a proceeding of divorce, dissolution or annulment, the member must indicate on the written statement whether the agreement has been incorporated in, ratified, or approved by a court order. If the member has a spouse or child, a former spouse election prevents an annuity to that spouse or child (other than the child beneficiary under an election for a former spouse and child). If there is more than one former spouse, the member must designate which former spouse is to receive the annuity:

4.4.1. Upon Retirement (Retiring Members)

4.4.1.1. If a member becomes eligible to participate and has a former spouse and dependent child, who resulted from that marriage, member may elect former spouse or former spouse and child coverage.

4.4.1.2. If the former spouse is the member's former spouse at the time the member becomes eligible to participate in SBP, an election for former spouse must take place at or before the member's retirement.

4.4.1.3. If the former spouse is the member's former spouse at the time the member becomes eligible to participate in RCSBP (date of Notice of Eligibility (NOE)), an election for former spouse coverage must take place at or before the end of the 90-day period following receipt of the NOE.

4.4.1.4. If a member has a former spouse upon becoming eligible to participate but is not required by a court order or court-approved agreement to provide former spouse coverage, any subsequent court order that requires former spouse coverage will not be honored.

4.4.2. Following Retirement (Retired Members)

4.4.2.1. A member with spouse or spouse and child coverage may, within 1 year of date of the decree of divorce, dissolution, or annulment, whichever is later, change that election to provide an annuity to a former spouse or to a former spouse and child.

4.4.2.2. A member may elect coverage for a former spouse who the member acquired after becoming eligible for retired pay. The member and former spouse must have been married at least 1 year, or the former spouse must be the parent of a child or children born of that marriage in order for the former spouse to be an eligible beneficiary. For provisions regarding the effective date of former spouse coverage, see subparagraph 4.4.4.

4.4.3. Deemed Elections. Deemed elections are applicable in cases where a member enters, incident to a proceeding of divorce, dissolution, or annulment, into a written agreement to elect to provide an SBP annuity to a former spouse, and such agreement has been incorporated in,

ratified or approved by a court order, or has been filed with the court of appropriate jurisdiction in accordance with applicable state law. Deemed elections are also applicable in cases where the member is required by a court order to make a former spouse election. If such member fails or refuses to make such election, the member is deemed to have made such election if the Secretary concerned receives a completed DoD ***(DD) Form 2656-10***, SBP Former Spouse Request for Deemed Election, from a former spouse or the former spouse's attorney on behalf of the former spouse. A copy of the pertinent court order or agreement referring to the SBP coverage must accompany the DD 2656-10. See subparagraph 4.4.3.1. Effective September 27, 2008, use of the DD 2656-10 to make a deemed election is mandatory.

4.4.3.1. The former spouse will provide a copy of the court order, regular on its face, which requires such election, or incorporates, ratifies, or approves the written agreement of the member; a statement from the clerk of the court (or other appropriate official) that such agreement has been filed with the court in accordance with applicable state law; or for a deemed SBP election only, a copy of the court order which requires the SBP election. A court order which requires the member to elect SBP for a former spouse or former spouse and child or an agreement to provide former spouse or former spouse child coverage must be issued on or after November 14, 1986. If the member was ordered by a court to elect former spouse coverage before November 14, 1986, a second court order, issued on or after November 14, 1986, enforcing the original order which requires a former spouse election, constitutes a modification of the previous order and establishes a new 1-year period during which a request for a deemed election may be filed.

4.4.3.2. The Secretary concerned must receive the request from the former spouse within 1 year of the date of the first court order or filing that:

4.4.3.2.1. Requires the member to make a former spouse SBP election, or

4.4.3.2.2. Shows that the member entered into a written agreement to elect to provide an SBP annuity to the former spouse. (See subparagraph 4.4.3).

If an election of former spouse coverage was agreed to or ordered by an earlier court order, a subsequent order or modification that merely restates the previous provision and imposes no new obligation on the member does not begin a new 1-year period. A subsequent court order holding a member in contempt of court for failing to fulfill the prior agreement is not the type of court order that can be used to begin a new 1-year period to deem an election.

4.4.3.3. No election may be deemed to have been made which could never have been made by the member concerned.

4.4.3.4. If a member dies before making an election, a former spouse's request, which is otherwise qualified, must be honored even if the date of the request is after the date of the member's death. However, if the request for a court order was initiated with the court after the member's death, the order will not be honored.

4.4.3.5. If a member has more than one former spouse, the first request for a deemed election received with complete documentation will be the one honored.

4.4.4. Death of Former Spouse. The National Defense Authorization Act (NDAA) Fiscal Year (FY) 2016, Public Law (PL) 114-92, section 641, effective November 25, 2015, amended the SBP law to allow for members to elect spouse coverage after the death of a former spouse.

4.4.4.1. Married on the Date of Death of Former Spouse. The following applies when a person who is married at the time of the death of the former spouse beneficiary and elects to provide coverage to their spouse:

4.4.4.1.1. The election must be received by the Secretary concerned within one year from the date of the death of the former spouse beneficiary;

4.4.4.1.2. The effective date of election will be the first day of the first calendar month following the death of the former spouse beneficiary;

4.4.4.1.3. The level of coverage on the annuity base amount cannot be changed; and

4.4.4.1.4. An election under this paragraph is irrevocable.

4.4.4.2. Marriage After Death of Former Spouse Beneficiary. The following applies when a person who married after the death of the former spouse beneficiary elects to provide coverage to their spouse:

4.4.4.2.1. The election must be received by the Secretary concerned within 1 year from the date on which that person marries;

4.4.4.2.2. The effective date of the election will be the first day of the first calendar month following the month in which the election is received by the Secretary concerned;

4.4.4.2.3. The level of coverage on the annuity base amount cannot be changed; and

4.4.4.2.4. An election under this paragraph is irrevocable.

4.5 Federal Civil Service Retiree

4.5.1. A member with SBP coverage who: (1) retires under the civil service retirement program; (2) waives military retired pay to combine civilian and military service credits; and (3) elects survivor coverage, at any level, under the civil service retirement, has SBP coverage suspended while the waiver is in effect. If the waiver is terminated for any reason, SBP coverage resumes concurrent with the resumption of retired pay. The type of coverage and level of participation, as adjusted by any changes in retired pay during the period of waiver, is as first

elected. If the retired service member dies while the waiver of military retired pay is in effect, no SBP annuity becomes due and payable to either the surviving spouse and/or child.

4.5.2. An election in SBP with concurrent cancellation of previous Retired Servicemen Family Protection Plan (RSFPP) coverage is without force or effect if retired pay previously was waived for civilian retirement and survivor coverage from the civilian annuity was elected.

4.5.3. A member who elects SBP coverage, and who does not waive military retired pay for civil service retirement, may have survivor coverage under both retirement plans.

4.5.4. Provisions in subparagraph 4.5.1 do not apply to a member who retired under ***10 U.S.C. § 12731*** or who retired due to a combat-incurred disability as determined by the service.

4.5.5. The survivor of a federal civil service employee who was awarded military retired pay based on any period of military service and whose death occurs before separation from civil service, will receive a survivor annuity computed using military service. The survivor annuity from civil service will be reduced by any military survivor benefits payable. The survivor may elect not to be covered by this provision, which automatically uses military service credit in computing the federal survivor annuity.

4.5.6. Except for participation in federal service survivor annuity programs, SBP coverage does not terminate when a member participates in other survivor benefit plans administered by the United States Government such as under the Foreign Service or Federal Judges Retirement systems.

5.0 ELECTION DATA

5.1 Elections by the Member

The ***DD Form 2656***, Data for Payment of Retired Personnel, ***DD Form 2656-1***, Survivor Benefit Plan (SBP) Election Statement for Former Spouse Coverage, ***DD Form 2656-2***, Survivor Benefit Plan (SBP) Termination Request, ***DD Form 2656-6***, Survivor Benefit Plan Election Change Certificate, are available, for use by the member. Unless otherwise provided, elections in writing signed by the member, other than a request for termination, which contain all information necessary for establishing or declining coverage, are acceptable. Spousal concurrence of certain elections has been required since March 1, 1986.

5.1.1. Former Spouse Elections (Retiring Members). A member who is retiring and is electing former spouse coverage should complete the former spouse election on a DD Form 2656. In addition to the former spouse election, the member must also provide a separate written statement on a DD Form 2656-1 (when applicable), that is signed by the member and the former spouse certifying whether the former spouse election is pursuant to court order or a voluntary written agreement. Information concerning content of the separate written statement and the proper court order appears in paragraph 4.4.

5.1.2. Change in Election Coverage Spouse to Former Spouse (Retired Members). Members who are already retired should complete changes from spouse coverage to former spouse coverage on a DD 2656-1.

5.2 Deemed Elections Requested by the Former Spouse

A former spouse or former spouse's legal representative requesting the Secretary concerned to deem on his/her behalf must request the deemed election by completing the DD Form 2656-10. The DD Form 2656-10 must be accompanied by the decree of divorce, dissolution, or annulment and the first court order incident to the divorce, dissolution, or annulment that:

5.2.1. Requires the member to make a former spouse SBP election, or

5.2.2. Shows that the member entered a written agreement to elect to provide an SBP annuity to the former spouse.

Note: The first court order may be the decree of divorce, dissolution, or annulment. See subparagraph 4.4.3.

The DD Form 2656-10, the decree of divorce, dissolution, or annulment, and applicable court order must be provided. Information concerning content of the request by the former spouse or the former spouse's attorney and the statement from the clerk of the court, where necessary, appears in subparagraph 4.4.3.

5.3 Election Data Requirements

The election data requirements are:

5.3.1. Identification. Enter the member's name, social security number, birth date, and date of retirement.

5.3.2. Base Amount. The election form must specify full coverage, in lieu of a dollar amount, when maximum coverage is selected. When a reduced base amount is chosen, the dollar amount must be specified on the election form. The reduced base amount must not be less than $300. When retired pay is less than $300, the election form must indicate full coverage.

5.3.3. Beneficiary. Provide the name, birth date, and social security number for each beneficiary named.

5.3.3.1. If coverage includes a spouse, or former spouse, the member must provide the date of marriage and date of divorce, as applicable.

5.3.3.2. When the beneficiary is a natural person with an insurable interest, the address and relationship must be shown. For the natural person with an insurable interest, the

member must provide a signed statement to show proof of financial benefit if the person designated is a first cousin or anyone more distantly related than a first cousin if such statement is requested.

5.3.3.3. If the beneficiary designation is for a former spouse, then, in addition to the former spouse election, the member must submit in writing whether the election is being made pursuant to a written agreement previously entered into voluntarily by the member as a part of or incident to a proceeding of divorce, dissolution, or annulment and (if so), whether that voluntary written agreement has been incorporated in, ratified or approved by, a court order. This information should be provided on a DD Form 2656-1.

5.3.4. Signature. The member must sign and date the election. If the document is signed with an "X", two impartial persons must witness the signature. Note: An election made on behalf of the member through a power of attorney is not valid. Such an election is not binding and is without force or effect of law.

5.3.5. Spousal Concurrence. Written spousal concurrence is required when the member elects to decline coverage or provide the spouse with less than the maximum SBP coverage available, include electing child-only coverage, and when a member eligible for RCSBP declines coverage or elects coverage that provides less than a maximum immediate spouse annuity. The signature of the spouse must be notarized and must be dated on or after the member's election date. The requirement to have the spouse's signature notarized is not to suggest that the spouse has received additional counseling regarding the option being selected. It simply provides certification that the spouse signed the form and acknowledges the election made on the form.

5.3.5.1. If all requirements for an election needing the spouse's concurrence have not been satisfied prior to retirement, full spouse costs and coverage will be implemented, regardless of any request by the member to do otherwise. In such cases, when the member has requested any form of child coverage, full spouse and child coverage will be implemented. Any change in SBP election subsequent to retirement will be done through an administrative correction of records as permitted by law. The requirements for spousal concurrence do not affect any obligation or right of the member to provide coverage for a former spouse. If former spouse coverage is elected or deemed, the spouse's concurrence is not required; however, the spouse will be notified of that election.

5.3.5.2. The Secretary concerned may waive the requirement for spousal concurrence when the spouse's whereabouts cannot be determined or, when due to exceptional circumstances, requiring the member to seek the spouse's concurrence would otherwise be inappropriate. Exceptional circumstances, such as mental or physical incapacitation of the spouse, require appropriate documentation such as a physician's statement attesting to the spouse's incapacity. Exceptional circumstances will be evaluated on a case-by-case basis.

5.3.5.3. The Secretary concerned notifies the member's current spouse when a member who is eligible to provide an annuity to that spouse elects former spouse or former spouse and dependent child coverage.

5.3.5.4. The Secretary concerned notifies the affected beneficiary when a member elects to discontinue coverage for a former spouse or insurable interest beneficiary.

6.0 CHANGES IN ELECTION AND COVERAGE

6.1 Later-Acquired Spouse and/or Child

A member who acquires a new spouse and/or child after retirement must make an election within 1 year of the event with the exception that there is no time restriction on the election period for a change under subparagraph 6.1.2.5.

6.1.1. A member who is participating with spouse or spouse and child coverage and who does not have an eligible spouse beneficiary may, upon remarriage: resume coverage, increase the level of coverage up to and including full retired pay, or elect not to have spouse coverage resumed. Unless a member elects not to cover the new spouse within 1 year after the marriage, spouse coverage automatically resumes at the first anniversary of the marriage.

6.1.1.1. The member may not add child coverage by virtue of remarriage alone if child coverage was previously bypassed; and

6.1.1.2. The level of SBP coverage may not be reduced nor may child coverage be eliminated.

6.1.1.3. SBP elections become effective when the new spouse becomes an eligible beneficiary, and any increase in premium, plus interest, has been paid. When the level of SBP coverage is increased, the member must pay the difference between the present premium and the premium that would have been incurred had the higher level of coverage been elected originally, plus interest. Interest is compounded monthly using a factor equal to the 12th root of one plus the current annual interest rate approved by the DoD Board of Actuaries to calculate the retirement accrual costs. Interest is to be compounded monthly on the accumulated difference existing prior to any computation month. If payment of cost, plus interest is not completed before the spouse becomes an eligible beneficiary, the election becomes null and void and a refund of cost and interest and reinstatement of original election coverage occurs. Cost plus interest will be paid to member's estate should the member die before refund is completed.

6.1.1.4. If a member has spouse or spouse and child coverage and elects not to resume SBP participation for the spouse, the spouse must be notified. An election to terminate spouse coverage is irrevocable. If the member elects to change the level of spouse coverage to an amount less than full retired pay, the spouse must be notified.

6.1.1.5. Any newly acquired dependent child is automatically covered if child or spouse and child coverage was previously elected.

6.1.2. If, on date of retirement the member:

6.1.2.1. Has no eligible beneficiaries and does not elect to participate; the member may, within 1 year of the acquisition of a spouse or child, elect for that spouse and/or child. However, if the member does not elect spouse coverage within 1 year of acquiring their spouse and later has a child with that same spouse, the member cannot add the spouse coverage within 1 year from the birth of the child with that spouse; or;

6.1.2.2. Has no eligible spouse and elected for child only; the member may, within 1 year after marriage or remarriage, include the spouse with coverage previously elected for the child;

6.1.2.3. Has no eligible child and elected for spouse only; the member may, within 1 year of acquisition of a child, include the child with coverage previously elected for the spouse;

6.1.2.4. Has no eligible spouse and declines coverage for an eligible child; the member may, within 1 year of the acquisition of a spouse, elect for that spouse; or

6.1.2.5. Has elected coverage for a former spouse or former spouse and child, or has elected coverage for a natural person with an insurable interest; the member may later change the election to spouse and/or child, if not otherwise prohibited. See paragraph 6.2. The member is not required to change the election to spouse and/or child; however, if such a change is made, it permanently terminates the eligibility of the former spouse or the natural person with insurable interest. It is not necessary that maximum level coverage be elected for the spouse and/or child. See subparagraph 6.2.2 and paragraph 6.3, for additional information concerning changes in former spouse coverage.

* 6.1.2.6. Declining to elect spouse or child coverage for any of the situations described in subparagraphs 6.1.2.1 – 6.1.2.4 terminates eligibility for that spouse and/or child and any future spouse(s)/children, unless otherwise provided by law.

6.2 Change From Spouse or Spouse and Child

A member who elected spouse or spouse and child coverage may terminate that election for that spouse or spouse and child and provide an SBP annuity for a former spouse or former spouse and child, provided the child resulted from the member's marriage to that former spouse. If the member is married when the former spouse election is made, that spouse must be notified. See subparagraph 4.1.7. A former spouse may request that an election be deemed by the Secretary concerned (or designee).

6.2.1. Notification

The Secretary concerned must notify the former spouse of any changes to the former spouse election.

6.2.2. Changes to a Former Spouse Election

6.2.2.1. If a member was required to elect former spouse coverage by a court order, incident to a proceeding of divorce, dissolution, or annulment, the member may change to spouse or child coverage if the member furnishes, to the Secretary concerned (or designee) a certified copy of a court order that permits such a change. The court order, regular on its face, must modify the provisions of all previous court orders relating to the former spouse election so that the member is permitted to change the election. The member must certify to the Secretary concerned that the court order is valid and in effect. These same restrictions apply to the member who elected former spouse coverage pursuant to a written agreement that was incorporated in, or ratified or approved by, a court order.

6.2.2.2. In the case of a written agreement that has not been incorporated, ratified or approved by a court order, the member must furnish, a statement signed by the member and the former spouse that evidences the former spouse's agreement to an election change. The statement must be furnished to the Secretary concerned in a format prescribed by that Secretary. The member must certify that the statement is current and in effect.

6.3 Change to Former Spouse Coverage Under Insurable Interest

A member was allowed to change an election for former spouse coverage under the insurable interest category to former spouse coverage under the spouse category during the period November 8, 1985, through November 7, 1986. A member also could add child coverage to former spouse coverage provided the child was the result of the member's marriage to that former spouse and if the member was providing coverage for the former spouse under the spouse category. These election changes apply to elections effective before March 1, 1986.

6.4 Changed Retirement Eligibility

If a member elects the RCSBP coverage and subsequently becomes eligible for retirement under another law, thereby losing eligibility under 10 U.S.C. § 12731, the RCSBP election remains effective until the member actually retires. A member may make a new election as any other retiring member.

6.5 Mental Incompetency

The Secretary of the Military Department concerned may make an SBP or RCSBP election on behalf of a member who is declared incompetent by medical officers of the armed force concerned, by the Department of Veterans Affairs (VA), or by a court of competent jurisdiction. In the event the member is later declared competent by one of these authorities, the member may elect to revoke that election within the 180-day period following a determination of competency. There are no refunds of premiums paid for coverage during a period of declared incompetence. The Comptroller General has held the authority to make a SBP election is a personal choice that is a matter of the member's own choosing, and that authority cannot be delegated to an agent (such as through a Power of Attorney).

6.6 Correction of Administrative Error

The Secretary of the Military Department concerned (or designee) may correct any election or any change or revocation of an election when the Secretary considers it necessary to correct an administrative error. See Chapter 42.

7.0 DISCONTINUANCE OF PARTICIPATION

7.1 Discontinuance of SBP Participation on Second Anniversary

7.1.1. An SBP participant may choose to voluntarily discontinue SBP participation during a 1-year period which begins on the second anniversary of the date of commencement of retired pay. The date of commencement of retired pay is defined as the date that the retiree becomes entitled to retired pay. A recall to active duty following retirement will not alter this date.

7.1.2. An SBP participant who is eligible to discontinue participation must send a written request to the Defense Finance and Accounting Services (DFAS) on a DD 2656-2. A request for information or a request for termination that is not on a DD 2656-2 is not considered a valid request to discontinue.

7.1.2.1. A married participant may not discontinue spouse coverage without the spouse's written concurrence, unless it is established that the spouse's whereabouts cannot be determined, or that, due to exceptional circumstances, obtaining the spouse's concurrence would be inappropriate. In exceptional circumstances, such as mental or physical incapacitation of the spouse, DFAS requires the appropriate documentation such as a physician's statement, which attests to the spouse's mental or physical incapacitation. Additionally, the incapacity must exist continuously since the date of the member's request.

7.1.2.2. If the SBP participant is providing former spouse coverage based on a court order, an amended court order should accompany the request, even if the former spouse concurs with the request.

7.1.3. If termination is not otherwise prohibited by ***10 U.S.C. § 1448***, a spouse or former spouse who concurs in the request for termination is considered notified in accordance with the law. A spouse or former spouse who changes his/her mind after concurrence has 30 days from the date of the first request to submit a letter withdrawing their concurrence. If concurrence is withdrawn within 30 days, the request to withdraw from SBP participation is void. The concurrence of the former spouse is applicable even though the coverage may be currently in a suspended status due to the former spouse's remarriage. Child concurrence is not required when a member elects to discontinue SBP participation for child coverage.

7.1.4. DFAS must ensure that a natural person or former spouse who is not required to concur in the request for termination is notified of the termination of SBP coverage by sending a letter to such beneficiary at the address in the retired member's file.

7.1.5. A member's participation terminates on the first day of the month following the month in which DFAS receives a request for discontinuance. Any premiums deducted for periods on or after the effective date must be refunded and the member notified of the final action concerning termination of coverage.

7.1.6. A member may withdraw the request to discontinue participation within 30 days of having submitted such request to DFAS. The 30-day period begins on the date that DFAS considers the withdrawal request received. Generally, this is the received date stamped on the DD 2656-2 by DFAS.

7.1.6.1. To withdraw the request to discontinue SBP participation, the member must notify DFAS by a legible, signed, written notice. The request must identify the member by name and social security number and state that the member no longer wants to discontinue SBP participation. When available, the request should include a photocopy of the original DD 2656-2.

7.1.6.2. If the member withdraws a request to discontinue participation within the prescribed 30-day period, the member's participation will not be discontinued. If the withdrawal notice is received after the prescribed date, it will have no effect, and the member must be so notified within 30 days. If the member provides proof of the date of mailing and such date is favorable to honoring the member's withdrawal request, the date of mailing serves as the date submitted.

7.1.6.3. If the member effectively withdraws a request to discontinue participation, that member must be so notified within 30 days. If participation had already been discontinued, it must be reinstated as though no break in coverage existed. Premiums not collected or paid, or that were refunded will be collected from the member's retired pay and the member notified of the final action concerning participation.

7.1.7. Once participation is discontinued under this provision, no benefits may be paid in conjunction with the member's previous participation. No refund of any premiums properly collected will be made.

7.1.8. A member who discontinues SBP participation pursuant to this paragraph may not later resume coverage or elect SBP coverage upon acquisition of another class of beneficiary.

7.2 Voluntary Termination of Coverage

7.2.1. A member who is participating in SBP with coverage for a natural person with an insurable interest (not a former spouse) may voluntarily terminate their participation in SBP.

7.2.2. A member considering termination of insurable interest coverage under RCSBP should contact the responsible agent at DFAS or the Military Service Reserve Component Personnel Center (or an appropriately determined office for non-DoD Uniformed Services).

7.2.3. A member who is eligible and wants to terminate coverage may send a written request to the responsible agent identified in subparagraph 7.2.2. The request, signed by the

member, must identify the member and state that the member wants to terminate SBP participation. A request for information is not a request to terminate SBP participation.

7.2.4. When the responsible agent receives a request from an SBP participant eligible to terminate coverage, the agent will determine whether the request is for information or actually is a request to terminate participation. In either case, the member will be mailed two fact sheets that explain the procedures for terminating participation, the advantages and disadvantages of participation, and the disadvantages of terminating participation. If the request is determined to be a request for termination, the member will be advised in the cover letter that a request for termination can be withdrawn within 30 days of the date of that letter.

7.2.5. No premiums are refunded as a result of terminating coverage. No premiums will be charged after the effective date of termination unless the member had RCSBP coverage. See Chapter 54, for recomputation of the original "add-on" portion of the RCSBP premium when member terminates coverage before age 60.

7.2.6. A member who wishes to withdraw the request to terminate participation must notify the Secretary concerned (or designee) using a legible, signed written notice to the member's responsible agent in subparagraph 7.2.2. The notice must identify the member's name and social security number and state that the member no longer wants to discontinue SBP participation. Such requests are handled in accordance with the provisions of subparagraphs 7.1.6.2 and 7.1.6.3.

7.2.7. The member may only resume SBP participation by electing coverage for a spouse or dependent child within 1 year of acquiring the family member.

7.3 Invalidation of Certain SBP Elections Made by Disability

7.3.1. The SBP elections for a natural person with an insurable interest, other than for a person who is a qualified dependent, is void for members who retired for reasons of disability under 10 U.S.C., Chapter 61, if they die within 1 year after the disability retirement date with the cause of death being related to the disability for which the member retired.

7.3.2. For voided election, SBP deducted from the member's retired pay is refunded to the person to whom the SBP annuity would have been paid pursuant to such election.

7.4 Withdrawal by a Totally Disabled Member

7.4.1. Any person who elects to participate in SBP with a service-connected disability rated by the VA as totally disabling and is so rated for 10 or more continuous years (or, if so rated for a lesser period, at least 5 years from the date of last discharge or release from active duty) may request to discontinue participation in the Plan by submitting a request to the Secretary concerned (or designee). The initial date for determining the 5- or 10-year period is the effective date of the VA rating of total disability. Validation must be obtained from the VA if not available from the individual.

7.4.1.1. The request for discontinuance must be with the written concurrence of the beneficiary or beneficiaries under the Plan. Should that beneficiary be a dependent child, written concurrence may be accepted from a parent, stepparent, foster parent, guardian, or an individual appointed by a court of competent jurisdiction.

7.4.1.2. The Secretary concerned must furnish to each person requesting discontinuance a written statement of the advantages of participating and the possible disadvantages of discontinuing participation in the plan.

7.4.1.3. A person may withdraw the discontinuance request within 30 days of submission to the Secretary concerned.

7.4.1.4. Participation in the Plan and cost of SBP coverage is discontinued on the first day of the month after receipt of the request by the Secretary concerned.

7.4.1.5. If a member dies after the date that the request for withdrawal has been received by the Secretary concerned, but before the effective date of that request, the beneficiary is entitled to the annuity.

7.4.2. Upon the death of a person who has discontinued participation in the Plan who is a totally disabled member, a refund of SBP amounts deducted from retired or retainer pay without interest will be made to the widow or widower.

7.4.3. Any person who has discontinued participation in the Plan may again elect to participate if the VA reduces the disability rating to less than total and the person applies within 1 year to participate in the Plan and includes the required information determined by the Secretary concerned.

7.4.3.1. Participation in the Plan and reduction in pay is effective the first day of the month after receipt of the application to the Secretary concerned on the DD 2656. Documentation attesting to the less than total disability rating must accompany the application.

7.4.3.2. If the member applies for resumption of participation, but dies before the effective date, the beneficiary is entitled to an annuity on the date the election would have been effective.

7.4.3.3. Resumption of participation is limited to the type and level of coverage initially elected allowing for beneficiary changes as otherwise provided for in Chapters 42 through 54.

8.0 OPEN SEASON PERIODS

8.1 Regular Recurring Open Season for Enrollment and Discontinuation

There are no regular recurring open season periods. Open seasons must be specifically prescribed by law. The most recent SBP open season, which was authorized by

section 643 of PL 117-263, began December 23, 2022, and ended January 1, 2024. This open season allowed eligible members to participate or discontinue participation. For this open season, an "eligible member" is a retired member or former member who, on December 22, 2022, were entitled to retired pay, or would be entitled to retired pay but for the member or former member was under the eligibility age to receive retired pay. In the absence of such a legislatively prescribed period, members may only enroll or disenroll as specified in this chapter.

8.2 NDAA FY 2023 SBP Open Season for Enrollment

The SBP Open Season allowed for eligible members who, on December 22, 2022, were not currently enrolled in SBP or RCSBP to enroll. For a member who enrolled during the SBP Open Season, the law generally required the member to pay retroactive SBP premium costs that would have been paid if the member had enrolled at retirement (or enrolled at another earlier date, depending on the member's family circumstances). See the ***Implementing and Procedural Guidance for Section 643 of PL 117-263, December 23, 2022, Survivor Benefit Plan Open Season***, dated March 9, 2023.

8.3 NDAA FY 2023 SBP Open Season for Discontinuation

The SBP Open Season also allowed eligible members who were currently enrolled in either SBP or RCSBP to permanently discontinue their SBP coverage. The law generally required the covered beneficiaries to concur on the ***SBP and RCSBP Open Season Election to Discontinue Participation*** form in writing with the election to discontinue. Previously paid premiums will not be refunded. See the Implementing and Procedural Guidance for Section 643 of PL 117-263, December 23, 2022, Survivor Benefit Plan Open Season, dated March 9, 2023.

*REFERENCES

CHAPTER 43: SURVIVOR BENEFIT PLAN (SBP) - ELECTIONS AND ELECTION CHANGES

1.0 - GENERAL

	DoD Instruction 1332.42, December 30, 2020
	10 U.S.C. § 1448(b)(3)(A)(ii)

2.0 - ELECTION OPTIONS

	10 U.S.C. § 1447(2)
	10 U.S.C. § 1448(a) and (b)
	DoD Directive 1332.27, paragraphs 201a, 201c, and 201d, January 4, 1974
2.3	10 U.S.C. § 1451
2.4.3	10 U.S.C. § 1452(c)(5)

3.0 - IRREVOCABLE ELECTIONS, CORRECTIONS, AND DISCONTINUED PARTICIPATION

	10 U.S.C. § 1452(g)
	10 U.S.C. § 1449
	10 U.S.C. § 1448(a)
	10 U.S.C. § 1454
3.1.3	10 U.S.C. § 1448(b)(1)(B)

4.0 - ELECTION COVERAGE

4.1.1	10 U.S.C. § 1448(a)
4.1.2	10 U.S.C. § 1448(a)
4.1.3	10 U.S.C. § 1448(a)(4)
	10 U.S.C. § 1454
4.1.4	10 U.S.C. § 1448(a)
	10 U.S.C. § 1458(a)
4.1.5	10 U.S.C. § 1448(a)(5)
4.1.6	10 U.S.C. § 1448
4.1.7	10 U.S.C. § 1448(b)(3)
4.3	10 U.S.C. § 1448(b)
4.3.2	10 U.S.C. § 1448(b)
4.3.3	10 U.S.C. § 1450(f)
4.4.4	PL 114-92, section 641, November 25, 2015
4.4.4.1.2	10 U.S.C. § 1448(b)(7)(B)(i) and (C)(i)
4.4.4.2.2	10 U.S.C. § 1448(b)(7)(B)(ii) and (C)(ii)

REFERENCES (Continued)

	PL 114-92, section 641, November 25, 2015
4.5.1	10 U.S.C. § 1450(d)
4.5.6	5 U.S.C. § 8332(c)

5.0 - ELECTION DATA

	PL 98-525, section 644, October 19, 1984
	10 U.S.C. § 1458(c)
5.1	10 U.S.C. § 1448(a)
5.3.5	DoDI 1332.42, December 30, 2020

6.0 - CHANGES IN ELECTION AND COVERAGE

	10 U.S.C. § 1450(f)
6.1.1	10 U.S.C. § 1448(a)(6)
6.1.2.4	10 U.S.C. § 1450(f)
6.1.2.6	DoDI 1332.42, December 30, 2020
6.2	10 U.S.C. § 1448(b)(4)
	10 U.S.C. § 1450(f)
6.5	Comp. Gen. B-135468 (August 19, 1959)
6.6	DoDI 1332.42, December 30, 2020

7.0 - DISCONTINUANCE OF PARTICIPATION

7.1	10 U.S.C. § 1448a
7.1.2	10 U.S.C. § 1448
7.1.3	10 U.S.C. § 1448(a)
7.2.1.2	10 U.S.C. § 1452(g)(3)
	10 U.S.C. § 1448(b)(1)
7.3	Office of the Under Secretary of Defense (Personnel and Readiness) Memo, April 27, 2004
7.4.2	10 U.S.C. § 1452(g)

8.0 - OPEN ENROLLMENT PERIODS

8.1	10 U.S.C. §1448
8.2	10 U.S.C. § 1452(g)
	PL 117-263, section 643, December 23, 2022
	10 U.S.C. § 12731

VOLUME 7B, CHAPTER 44: "SURVIVOR BENEFIT PLAN (SBP) - BENEFICIARIES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated June 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
2.2.2.2.	Revised section to add the definition of "recognized educational institution" for clarity.	Revision
All	Updated formatting to comply with current administrative instructions.	Revision

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CHAPTER 44

SURVIVOR BENEFIT PLAN (SBP) – BENEFICIARIES

1.0 GENERAL

1.1 Purpose

The eligible beneficiaries under the SBP (also referred to as the Plan) are the spouse and/or dependent children, a former spouse and/or dependent children, or a natural person with an insurable interest, providing they meet certain eligibility requirements. The election, if required, must be received within the time period allowed. An individual may not receive more than one annuity as the surviving spouse or former spouse of different members (see Chapter 46); however, an individual may be the recipient of two or more annuities concurrently, as long as only one is a spouse or former spouse annuity. For example, the child of two members could receive an annuity from each parent, or an individual who was a spouse beneficiary of one member could also be a beneficiary of another member under the insurable interest category.

1.2 Authoritative Guidance

The pay policies and requirements established by the DOD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), including Titles 10 and 38. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 ELIGIBLE BENEFICIARIES

2.1 Spouse (Including the Spouse of a Common-Law Marriage)

2.1.1. If the spouse is married to a retiree on the date of retirement, the spouse is an eligible beneficiary. The spouse is automatically designated as the beneficiary even if the beneficiary data is not received before the date of retirement. However, the spouse is not automatically the beneficiary if prior to retirement the member elects, with the spouse's written concurrence, to not participate in SBP or to provide child, but not spouse coverage.

2.1.2. If the member elected spouse coverage at retirement and the member’s previous spouse has become ineligible for SBP due to death or divorce, the spouse who marries the member after the date of retirement is the eligible beneficiary. Spouse coverage is resumed upon the first anniversary of remarriage or birth of a child of that remarriage, whichever is earlier, unless the member elects not to resume spouse coverage within 1 year of the remarriage.

2.1.3. If the spouse marries the member after the date of retirement, and the member did not have a spouse at retirement and did not elect insurable interest coverage, the spouse is an eligible beneficiary only if the member elects to provide spouse SBP coverage within 1 year of the marriage. The spouse coverage is effective on the first anniversary of the marriage or birth of a child of that marriage, whichever is earlier.

2.1.4. If the spouse is married to a retiree at the time of retirement and the member elected spouse coverage, then divorced (and no former spouse coverage is established), and later remarried the same spouse, the spouse becomes eligible immediately upon remarriage provided spouse coverage was resumed. However, the member may elect to decline the resumption of spouse coverage within one year of remarriage.

2.1.5. If the spouse marries a retiree after the date of retirement (and spouse coverage is elected), then divorces (and no former spouse coverage is established), and later remarries the member, the spouse becomes eligible upon the first anniversary of remarriage or date of the birth of a child of that remarriage. However, the member may elect to decline the resumption of spouse coverage within one year of remarriage.

2.1.6. A spouse who is married to a member who dies in the line of duty while on active or inactive duty, or to a retirement eligible member regardless of the line of duty determination, is an eligible SBP beneficiary. See Chapters 46 and 54.

2.1.7. A member may change election coverage from a natural person with insurable interest to coverage for a spouse within 1 year of marriage. The spouse becomes an eligible beneficiary upon the first anniversary of the marriage or the date of birth of a child of that marriage, whichever is earlier, provided the member changes to spouse coverage. Until the spouse and/or child are eligible, the previously elected class of beneficiary remains eligible.

2.1.8. A member may change election coverage from a former spouse to coverage for a spouse in accordance with Chapter 43, paragraph 6.2 at any time following remarriage, provided the former spouse is still living at the time the Secretary concerned receives the member's election. The spouse becomes an eligible beneficiary on the date of the election receipt and the associated premium is effective on the first day of the month following receipt of election.

2.2 Children (Including Children of a Common-Law Marriage)

2.2.1. Child is an Eligible Beneficiary. The child is an eligible beneficiary only if the child is:

2.2.1.1. Unmarried and:

2.2.1.1.1. Under age 18 (including a child serving on active duty in the Uniformed Services);

2.2.1.1.2. At least 18 but under 22 and pursuing a full-time course of study in a recognized educational institution; or

2.2.1.1.3. Incapable of self-support because of a physical or mental incapacity, which existed before the child's 18th birthday or was incurred before age 22 while pursuing a full-time course of study; and

2.2.1.2. A child of the member, which includes:

2.2.1.2.1. A child determined by a paternity test or a court of competent jurisdiction to be a child of the member (documentation will be required to substantiate a claim);

2.2.1.2.2. An adopted child; or

2.2.1.2.3. A stepchild, foster child, or recognized natural child, if that stepchild, foster child, or recognized natural child lived with the retiree in a regular parent-child relationship.

2.2.2. Special Eligibility Rules for Child Seeking Full-Time Course of Study

2.2.2.1. A child whose 22nd birthday occurs before July 1st or after August 31st of a calendar year, and while regularly pursuing such a course of study or training, is considered to have become 22 years of age on the first day of July after that birthday.

2.2.2.2. The eligibility of a child over the age of 18 terminates if the child does not maintain a certified program of full-time course of study or training in a high school, trade school, technical or vocational institute, junior college, college, university, or comparable recognized educational institution. A recognized educational institution means the high school, trade school, state law compliant home school (effective May 8, 2013), technical or vocational institute, junior college, college, university, or comparable educational institution. The term also includes home schools that operate in compliance with the compulsory attendance laws of the states in which they are located, whether treated as private schools or home schools under state law. The term "home school" is limited to courses of instruction for grades kindergarten through 12 only. If the child resumes schooling as described, eligibility is reinstated (see Chapter 46).

2.2.3. Special Eligibility Rules for Foster Child. A foster child must have resided with the retiree at time of death, received over one-half of his or her support from the retiree, and not be cared for under a social agency contract.

2.2.4. Relatives or Grandchildren. A relative of the member (such as a grandchild) may qualify as an eligible child beneficiary if a foster parent/foster child relationship exists. Adoption of a grandchild is not required for the member to designate that child as an eligible child beneficiary.

2.2.5. Child of Former Spouse. A child of the member and the former spouse is an eligible child beneficiary, if the member elects former spouse and child coverage. If a member who elected spouse and child coverage later divorces, the child coverage continues after the divorce. However, if the coverage is changed to provide coverage for the former spouse only, the child coverage will not continue. The election of former spouse coverage will terminate the child coverage unless the new coverage elected includes both former spouse and child coverage.

2.2.6. Active or Inactive Duty. A child of a member who died on active or inactive duty is an eligible beneficiary provided:

2.2.6.1. There is no eligible former spouse established by a court order;

2.2.6.2. There is no eligible surviving spouse; or

2.2.6.3. The Service Secretary has determined the annuity is payable to the child(ren) in lieu of the surviving spouse. See Chapters 46 and 54.

2.2.7. Termination by Marriage. Child eligibility terminates by marriage of the child, regardless of whether the child is an incapacitated child entering into a valid marriage with another incapacitated individual. The termination of a child's marriage by death or divorce does not serve as a basis for reinstating child coverage, regardless of age or school attendance. An annulment of the child's marriage which renders the marriage void or invalid, or a judicial decree by a court of competent jurisdiction declaring the marriage void, may serve as a basis for reinstating child coverage.

2.2.8. Child Entering Active Duty. The child of a deceased member who is under 18 years of age and serving on active duty in a uniformed service is an eligible beneficiary until their 18th birthday even though they are provided pay, quarters, and subsistence by the Government.

2.2.9. Child Serving as a Cadet or Midshipman at Service Academy or Scholarship Student. The child of a deceased member who is under age 22 and serving as a cadet or midshipman at a service academy, or are enrolled in an institute of higher learning under a military scholarship program, is an eligible beneficiary even though they provided pay, quarters, and subsistence by the Government.

2.3 Spouse and Children

Eligibility requirements are as shown in paragraphs 2.1 and 2.2.

2.3.1. General. The spouse is the primary beneficiary with coverage passing to the children if the spouse remarries before age 55, dies, or otherwise becomes ineligible. If the spouse again becomes eligible due to a remarriage ending in death or divorce, the annuity to the spouse resumes.

2.3.2. Death on Active or Inactive Duty. If the annuity is payable because the member dies on active or inactive duty, and there is no eligible spouse or former spouse, the annuity will be paid to any dependent children. In the case of a surviving spouse and children, the Service Secretary may pay the annuity to the member's dependent children in lieu of an annuity to the spouse. See Chapters 46 and 56 and subparagraph 2.2.6.

2.4 Former Spouse

A former spouse is an eligible beneficiary if:

2.4.1. The former spouse was the member's former spouse when the member became eligible to participate in the Plan and the member elected the former spouse as beneficiary or the former spouse submits a valid deemed election (see Chapter 43); or

2.4.2. The former spouse was not the member's former spouse at the time the member became eligible to participate in the Plan, and the prior spouse election is changed to provide coverage for the former spouse or the former spouse submits a valid deemed election pursuant to Chapter 43. A former spouse acquired after the member became eligible to participate in the Plan may only be an eligible beneficiary if married to the member for at least 1 year or the parent of an issue of the marriage.

2.4.3. See Chapter 46, paragraph 3.1 if the annuity is payable because the member dies on active or inactive duty.

2.5 Former Spouse and Child

If coverage includes child, then the former spouse is the primary beneficiary with coverage passing to the children if the former spouse remarries before age 55, dies, or otherwise becomes ineligible. The child is an eligible beneficiary provided the conditions in subparagraph 2.2.1 are met and the child resulted from the member and former spouse's marriage.

2.6 Natural Person with Insurable Interest

An eligible natural person with insurable interest is:

2.6.1. A person who has a reasonable and lawful expectation of pecuniary benefit from the continued life of the member. This category may include parents, stepparents, grandparents, grandchildren, aunts, uncles, sisters, brothers, half-sisters, half-brothers, dependent or non-dependent child or stepchild, or any other person more closely related than cousin;

2.6.2. Any individual having a reasonable and lawful basis, founded upon the relationship of parties to each other, either pecuniary or of blood or affinity, to expect some benefit or advantage from the continuance of the life of the retiree. Proof of financial benefit from the continuance of the life of the member is required for persons other than those listed in subparagraph 2.6.1; or

2.6.3. In the case of a member who dies on active or inactive duty and no other beneficiary is eligible to receive an annuity, a person who is, as determined by the Secretary concerned, a dependent of that member as defined in ***10 U.S.C. section 1072(2)***.

2.7 Special Needs Trust (SNT)

Service members and retirees who elect child coverage may direct payment of a SBP annuity for a dependent child to a SNT. If a SNT was not designated as a beneficiary prior to the death of the Service member or retiree who had previously elected child coverage, the disabled dependent child's surviving parent, grandparent, or court-appointed legal guardian or fiduciary may irrevocably elect to designate a SNT as beneficiary. A SNT is also known as a supplemental needs trust. A SNT is a legal instrument that can be established by certain individuals in order to ensure that assets are retained that can be used for the supplemental needs of a certain disabled individual, without disqualifying that individual from other Federal or State benefits which that person may be entitled to receive. To be an eligible beneficiary, the SNT must be for the benefit of a person considered disabled under ***42 U.S.C. § 1382c(a)(3)*** and in accordance with the SBP statute. The SNT must also comply with ***42 U.S.C. § 1396p(d)(4)***. See Chapter 46 for further information regarding qualifying a SNT as a beneficiary.

2.8 Exception

If the beneficiary is responsible for the death of the retiree, the annuity may not be paid to that person unless evidence is received which clearly absolves the beneficiary of any felonious intent.

REFERENCES

CHAPTER 44 – SURVIVOR BENEFIT PLAN (SBP) – BENEFICIARIES

1.0 – GENERAL

1.1	10 U.S.C. § 1447 10 U.S.C. § 1450(a) and (b)

2.0 – ELIGIBLE BENEFICIARIES

2.1.1	10 U.S.C. § 1448(a)(2)
2.1.2	Department of Defense Instruction (DoDI)1332.42, December 30, 2020
2.1.3	10 U.S.C. § 1447(7) and (8) 10 U.S.C. § 1448(a)(6)
2.1.4	10 U.S.C. § 1448(a)(6) 10 U.S.C. § 1447(7) and (8) 53 Comptroller General (Comp Gen) 470 B-180407, January 16, 1974 53 Comp Gen 847, B-179018, May 10, 1974
2.1.6	National Defense Authorization Act (NDAA), FY 2017, Public Law (PL) 114-328, section 642 10 U.S.C. § 1448
2.1.7	10 U.S.C. § 1447(7) and (8) 10 U.S.C. § 1448(a)(6)
2.1.8	10 U.S.C. § 1450(f)(1)(C)
2.2.2	DoDI 1332.42, December 30, 2020 10 U.S.C. § 1447(11)
2.2.6	NDAA, FY 2017, PL 114-328, section 642 10 U.S.C. § 1448
2.2.8	53 Comp. Gen. 420, B-178966, December 6, 1973
2.2.9	53 Comp. Gen. 420, B-178966, December 6, 1973
2.3	38 U.S.C. § 103 10 U.S.C. § 1448(d) 10 U.S.C. § 1448(f)
2.3.2	NDAA, FY 2017, PL 114-328, section 642 10 U.S.C. § 1448
2.4	10 U.S.C. § 1408 38 U.S.C. § 103 10 U.S.C. § 1448(b)
2.5	10 U.S.C. § 1448(b)(4)
2.6	Comp Gen, B-179465, July 19, 1974 52 Comp Gen 973, B-178270, June 26, 1973 10 U.S.C. § 1448(d)(6)(A)
2.7	NDAA for FY 2015, PL 113-291, section 624

REFERENCES (Continued)

	10 U.S.C. §§ 1448 and 1450
2.8	Comp Gen B-187743, July 7, 1977

VOLUME 7B, CHAPTER 45: "SURVIVOR BENEFIT PLAN (SBP) PREMIUMS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font***.

The previous version dated December 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks, statutes, and formatting in compliance with current administrative instructions.	Revision
8.5	Updated to include open enrollment period of December 22, 2022, through January 1, 2024, and renumbered subsequent subparagraphs.	Revision
References	Updated references where applicable.	Revision

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CHAPTER 45

SURVIVOR BENEFIT PLAN (SBP) PREMIUMS

1.0 GENERAL

1.1 Purpose

The purpose of this chapter is to provide information on premiums for SBP coverage based on the type of coverage, as well as the computation and payment of these premiums.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Title 10. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in the reference section at the end of the chapter.

2.0 PREMIUM

2.1 Premium Coverage

The Survivor Benefit Plan was designed as a contributory plan. In return for protection of their dependents upon their death, participating retirees contribute premiums normally through deductions from their retired pay. The amount of the monthly premium is based on the type of coverage and the base amount (maximum or reduced), as elected by or on behalf of the member. The types of SBP coverage are natural person with an insurable interest (also referred to as natural interest person or NIP), spouse, spouse and child, child only, former spouse, and former spouse and child. Coverage may also be directed to a Special Needs Trust for the sole benefit of certain dependent children. SBP premiums normally increase at the same time, and by the same percentage, as do increases for retired pay or retainer pay.

2.2 Premiums Not Specified

All premiums not specified in this chapter are calculated by the DoD using assumptions (as to mortality and economic conditions) consistent with those approved by the DoD Board of Actuaries for the Valuation of the Military Retirement Fund. The Director of Military Compensation approves these calculations and resulting premiums. For more information, refer to the ***Office of the Actuary*** site.

2.3 Effective Date of Premium

See Table 45-2 or Table 45-3 as applicable.

2.4 Cost of Living Adjustment (COLA)

SBP premiums normally increase at the same time, and by the same percentage, that retired pay increases by COLA. When the payment of increased retired pay resulting from a COLA is delayed, the increase to SBP premiums will occur at the same time the retired pay is increased rather than the effective date of the COLA increase (or the date that the retired pay would have increased if the retired member was currently in receipt of retired pay).

3.0 BASIC SPOUSE/FORMER SPOUSE PREMIUM CALCULATION

3.1 Initial Premium Calculation

There are two methods for calculating the initial premium for the standard SBP annuity coverage for a spouse or former spouse. These methods are:

3.1.1. An amount equal to 6.5 percent of the base amount (see Chapter 42, paragraph 4.1), and

3.1.2. An amount equal to 2.5 percent of a threshold-amount plus 10 percent of the difference between the base amount and the threshold-amount. The threshold-amount is adjusted at the same time and by the same percentage as the average increase in basic pay. See paragraph 3.4. The original threshold-amount of $300 has been increased by the same percentage increase as basic pay since October 1, 1985.

3.2 Premium Calculation Before March 1, 1990

3.2.1. A person who became a member before March 1, 1990, or who is entitled to disability or non-regular (Reserve) retirement, is entitled to whichever method is more favorable as described in subparagraphs 3.1.1 and 3.1.2.

3.2.2. For a person who first participates in SBP for spouse or former spouse coverage before March 1, 1990, the initial premium was computed on a standard cost formula of 2.5 percent of the threshold-amount, plus 10 percent of the base amount in excess of the threshold-amount. The threshold-amount is increased as set out in paragraph 3.4.

3.2.3. If the individual first became a member of a uniformed service before March 1, 1990, is providing spouse coverage, and the SBP premium exceeds 6.5 percent of the base amount, the SBP premium was recomputed effective March 1, 1990, on the flat-rate reduction formula of 6.5 percent.

3.3 Premium Calculation on or After March 1, 1990

Effective March 1, 1990, the initial SBP premium formula for spouse or former spouse coverage for a member who did not have a disability or non-regular (Reserve) retirement became 6.5 percent of the base amount as described in subparagraph 3.2.3.

3.4 Threshold-Amount Increase

The threshold-amount is increased by:

3.4.1. The same percentage as the increase in basic pay effective on or after October 1, 1985. The increase occurs at the same time. This applies to a retired member whose retired pay is computed on the basic pay rate in effect or after the effective date of such increase in basic pay; or

3.4.2. The same percentage as a COLA applied to the retired member's retired pay on or after October 1, 1985, if the retired member first participates in the SBP after the effective date of the COLA increase and after the effective date of the basic pay rates on which the retired member's retired pay is computed. This is in addition to the increase in subparagraph 3.2.1 and the increase occurs at the same time as the COLA increase.

4.0 COMPUTATION OF PREMIUMS

4.1 Spouse Only or Former Spouse Only

See Table 45-1, Rule 1.

4.2 Spouse and Child, Former Spouse and Child, or Child Only

If the SBP coverage is for spouse and child, former spouse and child, or child only, a formula must be applied against the base amount (or base amount times 55 percent before April 1983) to determine the charge for coverage of the child. The age of the youngest child is used to determine the premium. If there is an incapacitated child over 18 years of age and there also is a competent child over age 18 but younger than the incapacitated child, or there is an incapacitated child over age 22 who is eligible for SBP benefits and there are no other eligible children, then age 17 is used to determine the premium. The premium can be determined from the SBP Factor Tables by contacting Defense Finance and Accounting Service-Cleveland (DFAS-CL), Retired and Annuitant Pay Directorate. A cost computation can be obtained by contacting an SBP counselor at the nearest military installation. See Table 45-1, Rules 2 and 3.

4.2.1. The following steps are used to compute the premium:

4.2.1.1. Determine the age of the:

4.2.1.1.1. Retired member, spouse, and child for spouse and child coverage;

4.2.1.1.2. Retired member, former spouse, and child for former spouse and child coverage; or

4.2.1.1.3. Retired member and child for child coverage;

4.2.1.2. Determine the cost factor from the appropriate SBP Factor Tables;

4.2.1.3. Multiply the base amount by the factor to determine the child premium; then

4.2.1.4. Add the child premium to the spouse (or former spouse) premium.

4.2.2. The following are examples of computing premiums:

Example 1: A member retires on February 1, 2018, with 20 years of active service. The gross retired pay is $1,000.00. The retired member elects maximum coverage for spouse and child. Birth dates are February 1, 1979 (retired member); June 2, 1983 (spouse); and May 1, 2009 (child).

Step 1. Compute ages. Six months or more is considered a full year. Note: Months are computed in 30-day increments for pay purposes only.

Retired	20180201	Spouse	20180201	Child	20180201
Member	19790201		19830602		20090501
	390000		340729		80900
	(39)		(35)		(9)

Step 2. Using the SBP Factor Table as determined by the Department of the Actuary to locate the combination of a retired member age 39, spouse age 35, and child age nine. A cost computation can be obtained by contacting the DFAS-CL, Retired and Annuitant Pay Directorate or by contacting an SBP counselor at the nearest military installation.

Steps 3 and 4. Determine total premium:

Spouse premium:		
(Flat-rate formula)	$1,000.00	
	× .065	
	$ 65.00	$65.00
Child premium:	$1,000.00	
	x .00001	
	$ .01	+$ .01
Total Premium:		$65.01

Example 2: The spouse in Example 1 becomes an ineligible beneficiary on March 3, 2019. Coverage changes to child only.

Step 1. Recompute the ages for retired member and child.

Retired member	20190303	Child	20190303
	19790201		20090501
	400102		91002
	(40)		(10)

Step 2. The SBP Factor Table is used to locate the combination of a retired member age 40 and child age 10. The resulting factor is .0016.

Step 3. Determine total premium: $1,000.00 x .0016 = $1.60

Example 3a: The retired member elects spouse and child coverage (Example 1) at retirement on February 1, 2018. The spouse becomes an ineligible beneficiary (dies or divorces) and coverage changes to child only (Example 2) on March 3, 2019. The retired member marries a different spouse on May 14, 2019. The birth date for the new spouse is October 12, 1982. Spouse and child coverage resumes on May 14, 2020, unless the retired member elects not to resume spouse coverage. The new premium for spouse and child is effective on May 14, 2020. See Table 45-3, Rule 9 and Note 8.

Step 1. Recompute ages for retired member, spouse, and child.

Retired	20200514	Spouse	20200514	Child	20200514
Member	19790201		19821012		20090501
	410313		370702		110013
	(41)		(38)		(11)

Step 2. The SBP Factor Table is used to locate the combination of a retired member age 41, spouse age 38, and child age 11.

Steps 3 and 4. Determine the total premium:

Spouse premium:		
(Flat-rate formula)	$1,000.00	
	× .065	
	$ 65.00	$ 65.00
Child premium:	$1,000.00	
	× .00001	
	$ .01	+ $ .01
Total Premium		$ 65.01

Example 3b: The member elects spouse and child coverage at retirement on February 1, 2018 (Example 1). The spouse becomes an ineligible beneficiary and coverage changes to child only (Example 2) effective March 3, 2019. The retired member remarries on May 14, 2019. The birth date for the new spouse is October 12, 1982. Coverage would have resumed for the spouse and child on May 14, 2020, the first anniversary of the marriage; however, the spouse becomes the parent of issue by that marriage before the first anniversary. Coverage changes to spouse and child on the date the child is born of that marriage. The new premium is effective the first day of the month following the birth. See Table 45-3, Rule 9 and Note 8. Assume that the child is born March 27, 2019.

Step 1. Recompute ages for retired member, spouse, and child.

Retired	20190327	Spouse	20190327	Child	20190327
Member	19790201		19821012		20190327
	400126		360515		000000
	(40)		(36)		(00)

Step 2. The SBP Factor Table is used to locate the combination of a retired member age 40, spouse age 36, and child age 0.

Steps 3 and 4. Determine total premium:

Spouse premium:		
(Flat-rate formula)	$1,000.00	
	× .065	
	$ 65.00	$ 65.00
Child premium:	$1,000.00	
	× .00001	
	$.01	+ $.01
Total Premium		$ 65.01

Example 4: The retired member elects spouse and child coverage at retirement on February 1, 2018 (Example 1). The retired member divorces on March 3, 2019, and coverage changes to child only. See Example 2 for recomputation. The retired member elects coverage for former spouse and child based on a court order dated June 2, 2019, and received June 28, 2019. The premium for the former spouse and the child is effective July 1, 2018. The ages are recomputed on the date the election is received.

Step 1. Recompute ages.

Retired	20190628	Former	20190628	Child	20190628
Member	19790201	Spouse	19830602		20090501
	390427		350026		090127
	(40)		(35)		(10)

Step 2. Use The SBP Factor Table to locate the combination of a retired member age 40, spouse age 35, and child age 10.

Step 3. Determine the premium as in Example 1.

4.3 Natural Interest Person (NIP)

In some cases, the insurable interest category may include former spouse. The premium formula for the insurable interest category is 10 percent of retired pay plus 5 percent for each full 5 years the individual designated is younger than the retired member. However, the total insurable interest premium cannot exceed 40 percent and must be based on full retired pay. Refer to Table 45-1, Rule 4.

5.0 COLLECTION AND PAYMENT OF PREMIUM

Members electing SBP coverage must pay a premium for such coverage. Premiums are collected either through reduction of retired pay, deductions from the retired member's Combat-Related Special Compensation (CRSC), or direct remittance.

5.1 Payments

5.1.1. When Retired Pay is Sufficient. A retired member who receives enough retired pay to cover the premiums for SBP has those premiums withheld from his or her retired pay.

5.1.2. When Retired Pay is Not Sufficient or Not Paid

5.1.2.1. Not Sufficient. In the case of a person who has elected to participate in SBP and who has been awarded both retired pay and CRSC under 10 U.S.C. § 1413a, if a deduction from the person's retired pay for any period cannot be made in the full amount required, there shall be deducted from the person's CRSC in lieu of deduction from the person's retired pay the amount that

would otherwise have been deducted from the person's retired pay for that period. (See Chapter 42, paragraph 4.5).

5.1.2.2. Not Paid. If a person who has elected to participate in SBP has been awarded retired pay and is not entitled to that pay for any period, that person must remit the premium in the amount that would otherwise have been deducted from his pay for that period, except to the extent that the required deduction is made pursuant to subparagraph 5.1.2.1.

5.2 Waiver of Retired Pay

5.2.1. For any period in which the retired member is not receiving retired pay because of non-entitlement to or waiver of such pay or the pay received is not enough to cover the total cost of coverage, the payments are to be deducted from the retired member's CRSC or the retired member must remit the amount due to DFAS-CL. Premiums are due on the effective date of coverage. For example, member retires June 1; the first payment is due June 1, for the period June 1-30. A retired member who waives full retired pay for Veterans Affairs (VA) disability compensation may pay the premium by direct remittance or by deduction from the VA disability compensation payments (see Chapter 12, subparagraph 2.7.1).

5.2.2. If the retired member waives participation in the military SBP and elects participation in the civil service SBP, and the civil service waiver later becomes ineffective for any period for any reason, previous participation in the military SBP is resumed and military SBP premium is due from the retired member.

5.3 Emergency Officer's Retired List (EORL)

A retired member on the EORL may pay premiums by direct remittance or by deduction from EORL payments.

5.4 Active-Duty Recall

If a retired member is recalled to active duty for more than 30 days after a break in service, the retired member does not pay the premium while on active duty.

5.5 Active Judicial Duty

The retired member remains an SBP participant while on active judicial duty and is required to pay the SBP premiums while military retired pay is suspended.

6.0 SUSPENSION, CHANGE, AND TERMINATION OF PREMIUM

6.1 No Eligible Beneficiary

Premiums are suspended for spouse or former spouse coverage when there is no longer an eligible beneficiary. Premiums are also suspended for child coverage when there is no eligible child beneficiary (see Chapter 54 for Reserve Component Survivor Benefit Plan (RCSBP) child coverage).

6.2 School Nonattendance

If the SBP premium was adjusted or discontinued based on school nonattendance of the child beneficiary, the premium is adjusted retroactively to the first day of the month after the child resumed school attendance.

6.3 Premium Changes

The premium changes when:

6.3.1. Coverage is for spouse and child (or former spouse and child) and the last dependent child is no longer an eligible beneficiary. The premium for coverage is changed to spouse (or former spouse) only. The child coverage is suspended. See Table 45-3, Rule 8; or

6.3.2. Coverage is for spouse only, the covered spouse is no longer eligible, and the retired member remarries. Within 1 year after the retired member's remarriage, the retired member may:

6.3.2.1. Resume coverage;

6.3.2.2. Elect not to resume spouse coverage; or

6.3.2.3. Increase the base amount up to and including full retired pay for spouse or spouse and child coverage. The retired member may increase the base amount at any increment up to full coverage. An increase in level of coverage will result in an increased premium. When level of coverage is increased upon remarriage, a retired member must pay for premiums as if that level of spouse coverage had always been in effect. The retired member must pay for premiums which would have been charged had this level of coverage always been in effect less the amount of premiums already paid by the retired member. In addition, this amount owed will be charged with interest. Full coverage is based on full retired pay which means the spouse will receive 55 percent of the retirement pay. If lesser coverage is selected, then the spouse will receive 55 percent of the elected base amount. See Table 45-3, Rule 6;

Note: If no action is taken, coverage will resume at the same amount on the first day of the month following the first anniversary of the new marriage.

6.3.3. Coverage is for spouse and child and the spouse is no longer eligible or the coverage is for former spouse and child and the former spouse is no longer eligible. See Table 45-3, Rule 7, for computation for the child premium.

6.3.4. Coverage is for spouse at the time of the retired member's retirement (on or before March 21, 1974, for a pre-September 21, 1972, retired member), and the retired member subsequently divorces and then remarries that former spouse. The premium is effective the first day of the month following the remarriage, unless the remarriage is the first day of the month, then the premium is effective on the date of marriage;

6.3.5. Coverage is for spouse after date of retirement and the retired member subsequently divorces and then remarries that former spouse. The premium of coverage is resumed the first day of the month following the first anniversary unless the remarriage is the first day of the month, then the premium resumes on the first day of the first anniversary;

6.3.6. Coverage is for spouse or spouse and child and is changed to former spouse under Chapter 43. In the case of a person required to make the election by reason of a court order or the filing of which is after October 16, 1998, then the premium is effective the first day of the month after the date of that court order or filing. See Table 45-3, Rule 10; or

6.3.7. Coverage for spouse begins after the death of a covered former spouse. Upon electing coverage for a spouse after the death of a covered former spouse, the retired member may not increase or decrease the amount of coverage. The retired member must have been:

6.3.7.1. Married for at least 1 year on the date of former spouse's death. If the retired member had been married for at least 1 year on the former spouse's date of death, and the retired member makes a spouse election within 1 year of the former spouse's death, premiums will resume on the first day of the month following the death of the former spouse.

6.3.7.2. Married within the 1-year period preceding the date of death of the former spouse. If the retired member married within the 1-year period preceding the date of death of the former spouse and the retired member makes a spouse election within 1 year of the former spouse's death, premiums will resume on the first day of the month following the first anniversary of the marriage; or

6.3.7.3. Married after the death of the former spouse. If the retired member marries after the former spouse's date of death, and the retired member makes a spouse election within 1 year of the marriage, premiums will resume on the first day of the month following the first anniversary of the marriage.

6.4 Premium Termination

The SBP premium terminates for a NIP under the following circumstances:

6.4.1. When the beneficiary dies;

6.4.2. When the retired member terminates coverage for the NIP; or

6.4.3. On the date a spouse or child acquired after retirement becomes the eligible beneficiary if the retired member elected coverage for such spouse or child. The SBP premium is terminated as of the date shown in Table 45-4. See Chapter 43, section 7.0 for more information on termination procedures.

6.5 Voluntary Termination

If a retired member voluntarily discontinues SBP participation under Chapter 43, the premium terminates on the effective date of the election, which is the first day of the month following the date of the receipt of the request. Any premium deducted for periods on or after such effective date must be refunded and the retired member notified of the final action concerning termination of coverage.

6.6 Other Suspension and Termination Situations

See Table 45-4 for other suspension and termination of premium situations.

7.0 DELINQUENT SBP PREMIUMS

Interest is owed for any delinquent SBP premiums. The interest rate is a percentage that is compounded annually and based on assumptions approved by the DoD Board of Actuaries for the Valuation of the Military Retirement Fund. Any delinquent Retired Serviceman's Family Protection Plan (RSFPP) premiums existing on date of conversion to SBP continue with interest, until paid. Upon the death of a retired member, any delinquency, plus interest, is collected from the annuitant's benefits before payment of any annuity will commence.

8.0 PAID-UP SBP PREMIUMS AFTER 30 YEARS AND AGE 70

8.1 Paid-Up Premiums

8.1.1. Premiums for SBP participation are permanently paid up (no further reductions to retired pay or remittances) when a retired member attains age 70 and has paid 360 months of premium payments.

8.1.2. A retired member who became an SBP participant or increased the base amount coverage during April 1, 1992, through March 31, 1993, was required to pay the basic SBP premium and an additional premium, which was a percentage of the basic premium determined by the actuary. The additional premium accounted for the premiums the retired member would have paid if the

retired member had elected SBP at the earliest possible date. A retired member who paid the additional premium received credit towards the paid-up 360 months based upon the additional premium paid.

8.2 Coverage in Effect October 2008

Effective with the retired pay entitlement and SBP coverage in effect for the month of October 2008, SBP premium reductions will no longer be made if the retired member is a qualified SBP participant described in paragraph 8.3. Deposits of monthly SBP premiums made by an SBP participant during a period when the participant is not entitled to retired pay qualify as premium reductions.

8.3 Birthday Month

A retired member is a qualified participant for purposes of paid-up SBP coverage if the retired member is age 70 or older whose retired pay has been reduced for SBP coverage for 360 months or more. If the retired member's 70th birthday occurs later than the 360th month for which the retired member paid SBP premiums, no SBP premiums will be required for the month in which the member reaches age 70, regardless of the day on which that occurs in the month.

8.4 Effective Date

The first payment that can be affected is the payment for the period of retired pay entitlement beginning October 1, 2008 (due November 3, 2008).

*8.5 Open Season Buy-In Premium

8.5.1. A retired member who elected or changed SBP coverage during the open enrollment periods March 1, 1999, through February 29, 2000, and October 1, 2005, through September 30, 2006, was charged a one-time buy-in premium in addition to the prospective monthly premium. The buy-in premium was due and payable in a lump sum payment at the time the retired member filed the election. A retired member who paid the lump sum, buy-in premium received credit toward the 360 months as if the retired member's retired pay had been reduced monthly for SBP premiums.

8.5.2. A retired member who elected SBP coverage during the open enrollment period of December 23, 2022, through January 1, 2024, was charged a one-time buy-in premium in addition to the prospective monthly premium. The buy-in premium is the total amount by which the retired pay of the person would have been reduced if the person had elected to participate in the SBP at their first opportunity plus interest on such amount plus any additional amount necessary to protect the actuarial soundness of the DoD Military Retirement Fund. The buy-in premium was due and payable at the time a member filed an election to enroll in SBP, though members may have elected to pay a portion of the premium in installments over a 12-month period.

9.0 TAXABILITY OF PREMIUMS

A retired member whose pay is subject to tax reporting will, while in a pay status, receive the tax benefit through a reduction in the taxable income reported to the Internal Revenue Service. No reduction against the taxable income can be given for interest paid on the delinquent premiums.

10.0 INCOME EXCLUSION

For federal income tax purposes, premiums for SBP/RSFPP coverage are excluded from taxable income when they are directly withheld from the retired member's gross retired pay. Only premiums directly withheld from the retired member's pay qualify for this exclusion.

Table 45-1. Computation of SBP Premium on Establishment

RULE	If beneficiary is	the formula is
1	spouse or former spouse (spouse category)	6.5 percent of the base amount (Note 1) or 2.5 percent of the threshold-amount (Note 2), as adjusted, plus 10 percent of the remaining base amount. If gross retired pay is less than the threshold-amount, use 2.5 percent of gross retired pay.
2	spouse (former spouse-spouse category) and child (Notes 3 and 4)	determined under Rule 1, plus an additional premium for child computed by applying the factor from the SBP Factor Table against the base amount. See section 4.0 for examples.
3	child only (Notes 3 and 4)	shown in the SBP Factor Table, based on the ages of the retired member and youngest dependent child, against the base amount. See section 4.0 for example.
4	NIP or former spouse (NIP category)	10 percent of the retired member's gross retired pay if the age of the beneficiary is equal to or greater than retired member's age. If the beneficiary's age is less than retired member's age, the formula is 10 percent of the retired member's gross retired pay, plus an additional 5 percent of the gross retired pay for each full 5 years that the beneficiary is younger than retired member. Six months or more is not counted as an additional year. Total premium may not exceed 40 percent of gross retired pay.

NOTES:

1. Retired members who first became a member of a uniformed service on or after March 1, 1990, and receive a regular retirement will have their spouse premium computed under the flat-rate formula of 6.5 percent of the base amount. The following retired members are entitled to spouse premium computation under the formula that provides the lesser premium:
   a. A retired member who is entitled to retired pay based on disability;
   b. A retired member who is entitled to retired pay based on a non-regular service retirement; or
   c. A retired member who first became a member of a uniformed service before March 1, 1990.
2. The threshold-amount is subject to indexing equal to the percentage increases for active-duty basic pay rates.
3. Do not recalculate premiums when a child different from the child first established as the youngest child becomes the youngest eligible child.
4. For a dependent child the age of the youngest child is used in the formula. Exception: Use age 17 for an incapacitated child over 18 years of age when there is a competent child also over 18, but younger than the incapacitated child, or there is an incapacitated child over age 22 who is eligible for SBP benefits and there are no other eligible children.

Table 45-2. Effective Date of Premium - Initial Election

RULE	If on the date of election (pre-September 21, 1972, retired member) or date of retirement (post-September 21, 1972, retired member), the retired member has	the effective date of premium is first day of the month following			
		retirement	election by the Secretary of the Military Department concerned	receipt of the election	the first anniversary of the marriage
1	spouse, spouse and child, child only, or NIP (pre-September 21, 1972, retired member)			X	
2	spouse, spouse and child, child only, or NIP (post-September 21, 1972, retired member)	X			
3	no dependents, later marries (Note 1)				X (Note 4)
4	no dependents, later acquires dependent child (Note 1)			X (Note 2)	
5	no dependents, later marries and acquires dependent child (Note 1)			X (Note 3)	X (Note 5)
6	been declared mentally incompetent (Secretary may make election)		X		
7	former spouse (post-September 7, 1982, retired member) or former spouse and child (post-February 28, 1986, retired member)	X (Note 6)			

Notes:

1. Retired member must elect within 1 year of marriage or acquiring dependent child.
2. Compute the child premium using the ages of the retired member and the youngest child as of date of receipt of the election.
3. The child only premium is established and continues until the first of the month following the first anniversary of the marriage. Compute child only premium using the ages of the retired member and youngest child on date of receipt of the election. When the spouse becomes an eligible beneficiary, child only coverage is changed to spouse and child coverage and compute the new premium using the ages of the retired member, spouse, and the youngest child on the date the spouse becomes an eligible spouse beneficiary.
4. If the first anniversary is on the first day of the month, the premium is charged for that month.
5. If a child is born of that marriage before the first anniversary, the premium for spouse and child coverage is effective the first of the month following the birth of the child. If the birth or anniversary is the first day of the month, the premium is charged for that month.
6. The effective date of the premium for an election for a former spouse election made from September 8, 1982, through January 31, 1983, is February 1, 1983.

Table 45-3. Effective Date for Change of Premium

RULE	If on the date of election (pre-September 21, 1972, retired member) or date of retirement (post-September 21, 1972, retired member), the retired member has	the effective date of premium is first day of the month			
		following receipt of election.	following family status change.	following first anniversary of (re)marriage.	after the loss of eligibility or October 1, 1976, whichever is later.
1	spouse, no child, later acquires child (Notes 1 and 2)	X			
2	no spouse, child only, later acquires spouse (Notes 1, 7 and 8)			X	
3	NIP (or former spouse), later marries (Notes 1, 7, 8 and 11)			X	
4	NIP (or former spouse), later acquires child (Notes 1, 3, 8 and 11)	X			
5	NIP (or former spouse), later acquires spouse and child (Notes 1, 4, 7, 8 and 11)	X (child)		X (spouse)	
6	spouse, loses spouse, remarries (Notes 1, 7, 8 and 9)			X	
7	spouse and child (or former spouse and child), loses spouse (or former spouse), premium is recomputed for child (Notes 5 and 9)				X
8	spouse and child (or former spouse and child), loses child (Note 6)		X		X
9	(a) Spouse and child, loses spouse, premium recomputed for child, retired member later marries (Notes 4, 7, 8 and 11) (b) Spouse or spouse and child, divorces and changes to former spouse and child, loses former spouse, premium recomputed for child, retired member later marries (Note 12) (c) Former spouse and child, loses former spouse, premium recomputed for child, retired member later marries and was not married at retirement (Note 13)		X (child only until first anniversary)	X	X

Table 45-3. Effective Date for Change of Premium (Continued)

RULE	If on the date of election (pre-September 21, 1972, retired member) or date of retirement (post-September 21, 1972, retired member), the retired member has	the effective date of premium is first day of the month			
		following receipt of election.	following family status change.	following first anniversary of (re)marriage.	and after the loss of eligibility or October 1, 1976, whichever is later.
10	spouse and/or child, acquires former spouse, changes coverage to former spouse or former spouse and child	X			
11	former spouse or former spouse and child, loses former spouse, changes coverage to spouse or spouse and child	X			
12	elected former spouse deemed by Secretary concerned (Note 14).				
13	been declared mentally incompetent but later adjudged competent may, within 180 days, change a Secretarial election	X			

Notes:

1. Retired member must elect within 1 year of (re)marriage or acquiring the dependent child or child. If the election change is from former spouse coverage to spouse coverage, there is no time limitation on the election period so long as the former spouse is still living. If the retired member elects to change from former spouse to spouse coverage after 1 year of remarriage, the coverage is effective on the date of election receipt and the associated premium is effective on the first day of the month after election receipt.
2. Compute premium for additional child using ages of retired member, spouse, and youngest child as of date of receipt of election.
3. Compute premium for child using ages of retired member and youngest child as of date of receipt of election.
4. Child only premium is effective until the first of the month following the first anniversary of the (re)marriage. Compute child only premium using ages of retired member and youngest child on the date of receipt of the election or on the day after the date spouse eligibility is lost (Rules 5 and 8). When spouse becomes an eligible beneficiary, child only coverage is changed to spouse and child coverage and compute child premium using ages of retired member, spouse, and youngest child on date spouse becomes an eligible spouse beneficiary.
5. Compute child only premium using ages of retired member and youngest child as of the first date following the date the spouse (or former spouse) became an ineligible beneficiary or October 1, 1976, whichever is later. If eligibility was lost the first day of the month, the child only premium begins the following month.
6. If the retired member gives exact date of loss of last dependent child, the change in premium is effective the first of the month following date provided. If the exact date is not given, use first day of the month after receipt of notification.

Table 45-3. Effective Date for Change of Premium (Continued)

7. The premium for spouse coverage is effective on the first day of the month following the birth of the child of that marriage if earlier than first anniversary of the marriage.
8. If birth or anniversary is the first day of the month, the premium is effective that month.
9. Before enactment of PL 94-496, October 14, 1976, the deduction for spouse premium continued past the date spouse became an ineligible beneficiary.
10. The retired member must make election within 1 year of the date of a decree of divorce, dissolution, or annulment of marriage to spouse. Election for former spouse only may not be effective before September 24, 1983 (earliest day for premium is October 1, 1983). Election for former spouse and child may not be effective before March 1, 1986 (earliest date for premium is March 1, 1986).
11. An election to terminate coverage for a NIP premium, a former spouse, a spouse or spouse and child must be done in accordance with Chapter 43.
12. If a retired member elects former spouse (or former spouse and child) coverage, and if the retired member is married at the time the former spouse dies, the retired member may elect spouse coverage within 1 year of the death of the former spouse (10 U.S.C. § 1448(a)(7)(B)(ii)).
13. If a retired member elects former spouse or former spouse and child coverage at the time the retired member becomes eligible to participate (10 U.S.C. § 1448(b)(2)), but is not married when the retired member becomes eligible to participate and remarries after the former spouse dies, the retired member may elect spouse coverage within 1 year of the marriage to that spouse (10 U.S.C. § 1448(a)(5)).
14. The effective date of premium and coverage is on the later of: (a) retired member's retirement date; (b) the first day retired member could have voluntarily made such an election; or (c) the first day of month after the effective date of court order involved.

Table 45-4. Suspension and Termination of Premium

RULE	If a retired member	the premium is	with an effective date of the	and the retired member is
1	is deceased	terminated	date of the retired member's death.	
2	is recalled to active duty for more than 30 days	suspended	day before entry on active duty	not required to remit premium for coverage while on active duty.
3	waives retired pay for a civil service retirement	suspended	waiver as furnished by retired member	provided coverage elected under civil service retirement.
4	is removed from the Temporary Disability Retired List (TDRL) and retired pay is terminated (Note 1)	terminated	removal from the TDRL	not entitled to a refund of prior premiums.
5	elected for child and the last dependent child is no longer an eligible beneficiary (Note 2)	terminated	first of the month after loss of eligibility (Notes 3 and 4)	due a refund from first of month after loss of eligibility (Note 5).
6	who has been declared mentally incompetent is restored to competency and, within 180 days, revokes election made on his or her behalf	terminated	first of month after receipt of election	not due a refund for period of coverage.
7	elected for spouse (or former spouse) and spouse (or former spouse) becomes an ineligible beneficiary	suspended	first day of month after that in which spouse (or former spouse) became an ineligible beneficiary.	
8	elected coverage for a NIP (or former spouse in NIP category) who dies before the retired member	terminated	last day of month in which beneficiary dies.	
9	elected coverage for a NIP (not a former spouse) and retired member discontinues participation from the Plan (see Chapter 54, section 7.0 for the Reserve Component Survivor Benefit Plan participant).	terminated	first day of month after receipt of request.	

Table 45-4. Suspension and Termination of Premium (Continued)

RULE	If a retired member	the premium is	with an effective date of the	and retired member is
10	discontinues participation between the second and third anniversary of the date of retirement	Terminated	first day of month after receipt of request.	
11	is age 70 and has paid 360 monthly premiums	Terminated	later of: (a) The premium for October 2008; (b) First day of the month after the 360th monthly premium; or, (c) The first day of the month after the retired member reaches age 70.	
12	elected former spouse coverage (or former spouse coverage was deemed) after retirement or eligibility to participate and former spouse dies, and retired member did not change former spouse to spouse coverage while former spouse was still living (Note 6)	Terminated	last day of the month in which the beneficiary dies	no longer a participant in the SBP.
13	discontinues SBP participation due to a qualifying VA disability rating	Terminated	first day of the month following receipt of the retired member's request	not entitled to a refund of prior premiums. (However, after the member's death, prior premiums may be payable to a surviving spouse depending on the circumstances).

Notes:

1. If the retired member returns to active duty and is subsequently retired, a new election must be made. Any election in effect while on TDRL is void.
2. A child is no longer an eligible beneficiary when he or she dies, marries, is between ages 18 and 22 and not attending school, or has reached age 22 (see Note 3).

Table 45-4. Suspension and Termination of Premium (Continued)

3. A student whose 22nd birthday occurs before July 1st or after August 31st of any calendar year is considered age 22 on July 1st after that birthday and the premium is discontinued.
4. When the birthday is the first day of the month, the premium terminates the first day of that month.
5. If the retired member gives the exact date of loss of last dependent child, the cost is terminated the first of the next month. If the exact date is not given, use the first day of month after receipt of notification.
6. Once an election from spouse or spouse and child is changed to former spouse or former spouse and child, all previous coverage under the Plan terminates (10 U.S.C. § 1448(b)(3)). In that instance, if the retired member remarries, an election from former spouse coverage to spouse coverage can only be made while the former spouse is still living. However, if a retired member elects former spouse or former spouse and child coverage at the time the retired member becomes eligible to participate (10 U.S.C. § 1448(b)(2)), but is not married when the retired member becomes eligible to participate and remarries after the spouse dies, the retired member may elect spouse coverage within 1 year of the marriage to that spouse (10 U.S.C. § 1448(a)(5)).

*REFERENCES

CHAPTER 45 - SURVIVOR BENEFIT PLAN (SBP) PREMIUMS

1.0 - GENERAL

1.1	10 U.S.C. § 1452(h)
1.2	10 U.S.C. § 1452 DoD Instructions (DoDI) 1332.42, June 23, 2009 Office of the Under Secretary of Defense (OUSD) Personnel and Readiness (P&R) Memorandum (Memo), June 1, 2005

2.0 – PREMIUM

	10 U.S.C. § 183 10 U.S.C. § 1465 DoD Directive (DoDD) 1332.27, June 26, 2003 DoDI 1332.42, June 23, 2009 PL 102-190, section 653, December 5, 1991 OUSD P&R Memo, June 1, 2005 OUSD P&R Memo, August 1, 2005

5.0 – COLLECTION AND PAYMENT OF PREMIUM

	10 U.S.C. § 1452 10 U.S.C. § 1452(d)(1) 10 U.S.C. § 1452(d)(2) PL 114-328, section 643, December 23, 2016
5.1	DoDI 1332.42, June 23, 2009
5.2 & 5.3	10 U.S.C. § 1452(d) 10 U.S.C. § 1452(e) Comp Gen B-212481, February 2, 1984 Comp Gen B-244827, September 9, 1992
5.5	Comp Gen B-252391, October 22, 1993

6.0 - SUSPENSION, CHANGE, AND TERMINATION OF PREMIUM

6.1	10 U.S.C. § 1452(a)(3), (b)(2) DoDI 1332.42, June 23, 2009
6.2	10 U.S.C. § 1452 65 Comptroller General (Comp Gen) 767, B-221945, August 4, 1986
6.3	10 U.S.C. § 1448(a)(6)

*REFERENCES (Continued)

	10 U.S.C. § 1448(a)(7)
	10 U.S.C. § 1448(b)(3)
	10 U.S.C. § 1450(f)(3)
	10 U.S.C. § 1452
6.3.3	10 U.S.C. § 1450(f)(1)(C)
6.3.4 & 6.3.5	Comp Gen B-195349, January 10, 1980
	Defense Office of Hearings and Appeals, Case No. 96070219
6.4	10 U.S.C. § 1452(c)(3)
6.8	10 U.S.C. § 1452(a)(4)(B)
	10 U.S.C. § 1452(h)
	PL 104-201, section 635, September 23, 1996
	DoDI 1332.42, paragraph 13.L, June 23, 2009

7.0 - DELINQUENT SBP PREMIUMS

	DoDI 1332.42, June 23, 2009

8.0 – PAID-UP SBP PREMIUMS AFTER 30 YEARS AND AGE 70

	PL 105-261, section 641, October 17, 1998
	10 U.S.C. § 1436a
	PL 108-375, section 645, October 28, 2004
	PL 106-65, section 654, October 5, 1999
8.5	10 U.S.C. § 1452(j)
	OUSD P&R Memo, November 6, 2006
8.5.2	10 U.S.C. § 1452(g)
	PL 117-263, section 643, December 23, 2022
	10 U.S.C. § 12731

Table 45-1 Computation of SBP Premium on Establishment

Rules 1-4	10 U.S.C. § 1452
	DoDD 1332.27, January 4, 1974, Chapter 5
Notes 1-4	10 U.S.C. § 1452
	62 Comp Gen 553, B-210053, July 13, 1983

Table 45-2 Effective Date of Premium - Initial Election

Rule 1	10 U.S.C. § 1448
Rule 2	10 U.S.C. § 1448
Rule 3	10 U.S.C. § 1448
Rule 6	Comp Gen B-226018, March 18, 1987
Rule 7	10 U.S.C. § 1448(b)(4)

*REFERENCES (Continued)

Note 1	10 U.S.C. § 1448(a)(5)
Note 3	57 Comp Gen 847, B-192127, September 25, 1978
Note 4	57 Comp Gen 847, B-192127, September 25, 1978
Note 6	Comp Gen B-226018, March 18, 1987

Table 45-3 Effective Date for Change of Premium

Rules 2 & 3	10 U.S.C. § 1448
Rule 6	10 U.S.C. § 1448
Rules 7-9	57 Comp Gen 847, B-192127, September 25, 1978,
Rule 10	10 U.S.C. § 1448(b)
Rule 11	10 U.S.C. § 1448(b)
Rule 12	10 U.S.C. § 1449
Note 1	10 U.S.C. § 1448(a)(5)
	10 U.S.C. § 1450(f)(1)(C)
Notes 2-5	57 Comp Gen 847, B-192127, September 25, 1978
	62 Comp Gen 553, B-210053, July 13, 1983
Note 7	57 Comp Gen 847, B-192127, September 25, 1978
Note 8	48 Comp Gen 167
Note 10	10 U.S.C. § 1448(b)(3)
Note 14	10 U.S.C. § 1448
	10 U.S.C. § 1450

Table 45-4 Suspension and Termination of Premium

Rule 2	10 U.S.C. § 1452(d)
Rule 3	10 U.S.C. § 1452(e)
Rule 4	10 U.S.C. § 1448(c)
Rule 5	62 Comp Gen 553, B-210053, July 13, 1983
Rule 6	10 U.S.C. § 1449
Rule 7	10 U.S.C. § 1452
	PL 99-661, section 645, November 14, 1986
	PL 94-496, October 14, 1976
Rule 8	10 U.S.C. § 1452
	PL 94-496, October 14, 1976
Rule 10	10 U.S.C. § 1448a
Rule 12	PL 108-375, section 644, October 28, 2004
Note 1	53 Comp Gen 971
	10 U.S.C. § 1448(c)
Notes 2 & 3	10 U.S.C. § 1447(5)

VOLUME 7B, CHAPTER 46: "SURVIVOR BENEFIT PLAN (SBP) – ANNUITIES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated June 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
2.0	Removed references to Dependency and Indemnity Compensation (DIC) since it is repealed effective January 1, 2023. Updated in-text citations.	Revision
3.2	Updated and added clarification for "Qualified Annuitants."	Revision
5.0	Removed details as the DIC offset has been repealed. Provided instruction for finding archived rates.	Revision
12.0	Renamed and provided updated instruction for the verification of certain annuitants prior to August 2023.	Revision
13.0	Renamed and provided updated instruction for the verification of certain annuitants effective August 2023.	Revision
16.0	Relocated the legislative changes from section "1.0 General" to a new section "16.0 Legislative Changes."	Revision
Table 46-1	Updated to reflect repeal of DIC.	Revision
Table 46-4	Reinserted the "Taxability of Survivor Benefit Plan/Retired Serviceman's Family Protection Plan – Nonresident Annuitants Residing Outside of the United States."	Addition
References	Updated references as needed.	Revision

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CHAPTER 46

SURVIVOR BENEFIT PLAN (SBP) – ANNUITIES

1.0 GENERAL

1.1 Overview

The SBP provides a monthly annuity of up to 55 percent of the annuity base amount with a cost-of-living adjustment (COLA), to an eligible spouse or children. The monthly annuity for a natural person with an insurable interest, which also includes a COLA, is 55 percent of the amount of the gross retired pay after the cost of participation is subtracted.

1.2 Purpose

The purpose of this chapter is to provide information for those eligible to receive annuities, how they are paid, and the amounts to be paid.

1.3 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), including Titles 10, 26, and 38. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

*2.0 ANNUITIES

2.1 Eligible Annuitants

2.1.1. Spouse or Former Spouse Only. The surviving spouse or former spouse may be eligible. The surviving spouse and former spouse cannot both be simultaneously eligible for the same annuity. For amounts payable prior to January 1, 2023, the SBP annuity for the eligible surviving or former spouse may be reduced by a percentage of Dependency and Indemnity Compensation (DIC) if the annuity was payable on behalf of the same member. See section 16.0 for recent legislative changes.

2.1.2. Child Only. If there is more than one eligible child, the annuity is paid in equal shares.

2.1.3. Spouse and Child or Former Spouse and Child. The annuity is paid to the spouse or former spouse as long as eligibility exists. If the surviving spouse or former spouse dies, remarries before age 55, or otherwise loses eligibility, the annuity is paid to the child annuitant(s). An election for the former spouse and child includes only the children that resulted from the member/former spouse marriage. The annuity amount for the spouse or former spouse is shown on Table 46-l. The annuity for children is divided into equal shares.

2.1.4. Natural Person With an Insurable Interest. The annuity is payable only to the natural person with an insurable interest as designated by, or on behalf of, the member. The initial annuity amount is 55 percent of the member's gross retired pay less the SBP premium cost at the time of member's death.

2.2 Payment of Annuity

2.2.1. Payments in General. Payment of an SBP annuity is not automatic. Before any claim for an annuity can be considered, it is necessary for the claimant to submit a claim in writing. The claim must minimally contain a signature and an address. Before the annuity can be paid, the claimant must submit a ***DD Form 2656-7, "Verification for Survivor Annuity***." The information on that form allows Defense Finance and Accounting (DFAS) to verify information necessary to start annuity payments.

The SBP annuity is paid monthly to the eligible annuitant. The SBP payment is effective the first day after the death of a member unless death occurs on the 30th day of a 31-day month. In that case, the annuity starts on the first day of the next month. Annuity payments end effective the last day of the month before the month in which the annuitant becomes ineligible.

2.2.1.1. Payments subject to offset:

2.2.1.1.1. When the payment of premiums is in arrears, no annuity may be paid until the unpaid premiums, with interest accrued at the rate approved by the DoD Board of Actuaries under ***10 U.S.C. § 1465*** for the purpose of determining the retirement accrual cost, has been recovered. See ***Office of the Actuary*** and subparagraph 6.2.3. For the establishment and collection of a debt for unpaid SBP premiums, see Volume 16, Chapter 2.

2.2.1.1.2. Debts to the United States or any of its instrumentalities incurred by the annuitant may be offset from the annuity.

2.2.1.2. Debts of a deceased member, other than for delinquent premiums, are not the responsibility of the annuitant and may not be offset involuntarily against the annuity.

2.2.1.3. The annuity is neither assignable nor subject to execution, levy, attachment, or garnishment (except for alimony or child support).

2.2.1.4. If the Secretary of the Military Department concerned (or designee) determines that a participating member is presumed dead, the annuity accrues from the first day after retired or retainer pay was suspended or would have been suspended had the member been in receipt of pay on the basis that the member is missing.

2.2.1.5. Checks are not mailed to an annuitant living in a currency-blocked country. See ***Title 31, Code of Federal Regulations (CFR), section 211.1*** for specific conditions for withholding the delivery of checks to addresses outside the United States.

2.2.2. Third Party Payees

2.2.2.1. Trustees in Bankruptcy. The annuity may be paid on behalf of an annuitant to a trustee in bankruptcy pursuant to an order of the bankruptcy court in a proceeding under ***Chapter 13 of the Bankruptcy Code*** since such proceeding is voluntary.

2.2.2.2. Incapacitated Annuitants. An annuity may be paid to a third party on behalf of an incapacitated annuitant only if the third party has been appointed as guardian, custodian, or other fiduciary pursuant to a state court order or has been designated a representative payee under subparagraph 2.2.3. Otherwise, the annuity may be paid only to the annuitant unless the annuitant has been determined to be incompetent of managing his or her own affairs by a state court, physician, or psychologist. If the annuity cannot be paid directly to the annuitant or to a third party, amounts will remain unpaid and credited on account until the annuitant is determined to be competent or until a third party has been properly appointed to receive the annuity on behalf of the annuitant. The annuity payment will still be treated as income to the annuitant. Regardless of whether the Representative Payee is a trustee (unless a trustee of Special Needs Trust as described in subparagraph 2.2.3.6), an Internal Revenue Service (IRS) Form 1099, Miscellaneous Income, will be issued in the annuitant's name.

2.2.2.3. Power of Attorney. An eligible annuitant who is physically or mentally incapacitated (but who has not been determined to be mentally incompetent by a state court, physician, or psychologist) may accept assistance from a person holding a power of attorney in completing (including the signature element) and filing the annuity application form. Benefit payments based on an annuity application signed by the person holding the power of attorney must be made payable directly to the annuitant.

2.2.2.4. Minor Child Annuitants. An annuity for a minor child is paid to the legal guardian or, if there is no legal guardian, to the natural parent who has care, custody, and control of the child as the custodian, or to a representative payee of the child. An annuity may be paid directly to the child when the child is considered to be of majority age under the law in the state of residence. The child is considered an adult for annuity purposes and a custodian or legal fiduciary is not required. See Appendix H for age of majority by state.

2.2.2.5. Surety Bonds. In cases where it appears necessary to protect the annuitant, the Secretary of the Military Department concerned may require a person receiving payments on behalf of the annuitant to provide a surety bond in an amount sufficient to protect the interests of the annuitant. The payee may pay for such bond(s) out of the SBP annuity. This is part of the periodic financial accounting by the payee. The Secretary of the Military Department concerned will determine the amount necessary in the surety bond(s) based on the amount of the SBP annuity payable. A surety bond ordinarily will not be required if the payee is a close family member or a government or financial institution.

2.2.2.6. Special Needs Trusts (SNT). A special needs trust is also known as a supplemental needs trust. A SNT is a legal instrument that can be established in order to ensure that assets are retained that can be used for the supplemental needs of a certain disabled individual, without disqualifying that individual from other Federal or State benefits that the disabled

individual may be entitled to receive. The NDAA for FY 15, PL 113-291, amended 10 U.S.C. §§ 1448, 1450, and 1455, to give Military Service members and retirees the option to direct payment of an SBP annuity for a dependent child to an SNT. An SNT is a legal instrument specifically designed for the benefit of a person considered disabled under ***42 U.S.C. § 1382c(a)(3)***. State law governs an SNT. In accordance with the SBP statute, an SNT must also comply with ***42 U.S.C. § 1396p(d)(4)***. If an SNT was not designated as a beneficiary prior to the death of the Service member or retiree who had previously elected child coverage, the disabled dependent child's surviving parent, grandparent, or court-appointed legal guardian or fiduciary may irrevocably elect to designate an SNT as beneficiary. The following documentation is required to establish an SNT as beneficiary:

2.2.2.6.1. A written statement of the decision to have the annuity paid to the SNT;

2.2.2.6.2. An attorney's SNT Certification, or, in the case of a pooled trust, a copy of the non-profit organizations' agreement to handle the trust; and

2.2.2.6.3. The name and tax identification number for the SNT by or before the time the beneficiary applies for their annuity. Certified SNT paperwork must be submitted to the following Defense Finance and Accounting Service (DFAS) address:

DFAS
U.S. Military Annuitant Pay
8899 East 56th Street
Indianapolis, IN 46249-1300

There are two types of SNTs that comply with 42 U.S.C. § 1396p(d)(4), a "First-Party SNT" prepared in compliance with 42 U.S.C. § 1396p(d)(4)(A), and a "Pooled Trust" prepared in compliance with 42 U.S.C. § 1396p(d)(4)(C).

2.2.2.6.3.1. First-Party SNT. A First-Party SNT is a type of SNT that is established by a disabled dependent child's parent, grandparent, legal guardian, or a court for the benefit of the disabled dependent child. Transfers into a First-Party SNT do not prevent a person with special needs from accessing government benefits. See 42 U.S.C. § 1396p(d)(4)(A).

2.2.2.6.3.2. Pooled Trust. A pooled trust is a type of SNT established by a non-profit organization, with individual beneficiaries creating accounts within the larger trust. Thus, the assets of many people with special needs are "pooled." Transfers into a pooled trust, like transfers into a First-Party SNT, do not prevent a person with special needs from accessing government benefits. See 42 U.S.C. § 1396p(d)(4)(C).

2.2.2.7. Accounting. Any person receiving payment on behalf of the annuitant is required to maintain and, upon request by the Secretary of the Military Department concerned, provide a periodic accounting of expenditures and investments of amounts paid to the payee. If the payee is a close family member or a government or financial institution, a periodic

accounting will not be required, but may be requested. In situations where a periodic accounting is required, it ordinarily will be submitted annually, unless the Secretary of the Military Department concerned determines that a more frequent submission is required.

2.2.2.7.1. Final financial reporting will be required upon the loss of a beneficiary's eligibility, a change of representative payee, or the determination later that an annuitant is competent to manage their financial affairs.

2.2.2.7.2. Major expenditures (i.e., those in excess of $1,000 or the value of the annuity for 1 year, whichever is less) from the payee's bank account for the annuitant require prior written approval by the Secretary of the Military Department concerned.

2.2.2.7.3. If the Secretary of the Military Department concerned has evidence to suggest that the annuity funds have been or are being misused by the payee, the annuity may be suspended. An investigation will be conducted to determine if a new payee should be appointed or if payments may be resumed to the payee.

2.2.3. Representative Payee. The SBP annuity due a minor who is a mentally incompetent, or otherwise legally disabled person for whom a guardian or other fiduciary has not been appointed may be paid to a representative payee who, in the judgment of the Secretary of the Military Department concerned, is responsible for the care of the annuitant. The representative payee is required to spend or invest the amount paid on behalf of the annuitant solely for the benefit of the annuitant. The representative payee must certify that SBP payments received on the annuitant's behalf are used for the annuitant's benefit.

2.2.3.1. An annuitant is determined to be incompetent if the Secretary of the Military Department concerned receives an actual determination of incompetency made either by a state court or by a physician or psychologist. A representative payee will not be established solely on the basis of a letter from a third party that an annuitant is incapable of handling financial affairs. The annuitant will be notified of actions being taken to make a determination of incompetency and will be provided an opportunity to review the evidence being considered. The annuitant will also have the opportunity to submit additional evidence before a determination is made.

2.2.3.2. If a court order provides for payment of a fee to the representative payee, or if the Secretary of the Military Department concerned determines that payment of a fee is necessary in order to obtain the fiduciary services of a representative payee, a monthly fee will be allowed. In such circumstances, a fee of 4 percent of the monthly SBP annuity will be allowed, unless a court order dictates a lesser fee. In the case of a spouse or former spouse annuitant, the fee will be no more than 4 percent of the adjusted annuity (gross annuity less any DIC offset). Any court order that provides for a fee in excess of 4 percent will be limited to 4 percent. The representative payee will be notified of the fee percentage allowed. The fee is not a separate payment mailed to a representative payee, but can be withheld by the representative payee from the monthly annuity payment. The fee is part of the periodic financial accounting by the representative payee.

2.2.3.3. The selection of a representative payee will be made on the basis of the individual annuitant's circumstances. Generally, the order of preference for appointing a representative payee is:

2.2.3.3.1. Spouse,

2.2.3.3.2. Son or daughter or legally adopted son or daughter,

2.2.3.3.3. Brother or sister,

2.2.3.3.4. Parents,

2.2.3.3.5. Head of federal or state institution,

2.2.3.3.6. Trustee of a private trust, or

2.2.3.3.7. Any other individual whose appointment appears to be in the best interest of the annuitant.

Note: If more than one person or institution requests to be named the representative payee of the annuitant, the Secretary of the Military Department concerned will determine which applicant is a more appropriate payee.

2.2.3.4. In addition to SBP annuity payments (including payments to Minimum Income Widows covered under section 15.0), annuity payments under the Uniformed Services Contingency Option Act Retired Serviceman Family Protection Plan (RSFPP), and Reserve Component (RC) RCSBP may also be made to a representative payee.

2.2.3.5. The representative payee will be required to submit an Annuitant Foreign Address Update for Mailed Check (FAUMC) and/or a Survivor Benefit Plan-Marital Status Update (SBP-MSU) as specified in section 12.0 or 13.0.

2.2.3.6. An annuity paid to a person on behalf of the annuitant in accordance with these provisions discharges the obligation of the United States for the payment to the annuitant in the amount of the annuity paid.

2.2.4. Rounding. Monthly annuities, if not a whole dollar, are rounded to the next lower whole dollar (for example, if a monthly annuity is calculated to be $500.99 the annuity paid will be $500).

2.2.5. COLA

2.2.5.1. Normally, SBP annuities increase at the same time and by the same percentage that retired pay increases. Exception: When the payment of increased retired pay due to a COLA is delayed by law, the increased annuity due to a COLA is not delayed. The COLA applies to the monthly gross annuity amount before any reductions, such as DIC.

2.2.5.2. See subparagraph 15.2.1 regarding COLA for the minimum income widow annuity.

2.3 More than One Annuity

A spouse or former spouse who is a potential SBP or RC-SBP beneficiary due to marriages to more than one member who participated in SBP may not receive a double SBP benefit and must choose which annuity to receive. Therefore, a surviving spouse may not receive more than one annuity concurrently as:

2.3.1. The surviving spouse of two different members;

2.3.2. The surviving former spouse of two different members; or

2.3.3. The surviving spouse of one member and also the surviving former spouse of a different member.

Example 1: An individual is the surviving spouse of a member and the surviving former spouse of a different member. The individual may only receive one annuity. In that circumstance, the surviving spouse must choose which annuity to receive. However, an individual may be the recipient of two or more annuities concurrently, as long as only one is a spouse or former spouse annuity.

Example 2: A child of two members could receive an annuity from each parent, or an individual who was a spouse beneficiary of one member could also be a beneficiary of another member under the insurable interest category.

3.0 DEATH OF MEMBER ON ACTIVE DUTY

3.1 Active Duty Deaths

3.1.1. SBP Benefits. SBP benefits under this section may be payable as provided in section 1.0 for:

3.1.1.1. A member who dies while on active duty after:

3.1.1.1.1. Becoming eligible to receive retired pay;

3.1.1.1.2. Qualifying for retired pay, except that the member has not applied for or been granted that pay; or

3.1.1.1.3. Completing 20 years of service but before the member is eligible to retire as a commissioned officer, because the member has not completed the required years of active commissioned service (usually 10 years); or

3.1.1.2. A member who dies on active duty in the line of duty on or after September 10, 2001. Active duty includes members on active duty for annual training. Reserve members on active duty are included whether or not their orders specify a period of more than 30 days. Limited benefits may be payable under this section when the death is not in the line of duty in the case of a member who is eligible to receive retired pay prior to the date of death.

3.1.2. Death in the Line of Duty. If the member was on active duty at the time of death and death is in the line of duty, the death qualifies for SBP benefits under this section.

3.1.3. Death is Not in the Line of Duty

3.1.3.1. If the member was on active duty and retirement eligible at the time of death, as described in paragraph 3.1 and death is not in the line of duty, the SBP base amount is equal to the member's retired pay. The retired pay is computed as if the member were retired for length of service under applicable law of the respective service of the deceased member.

3.1.3.2. If the member was not on active duty, or was on active duty but was not eligible for retired pay and death is not in the line of duty, the member's death does not qualify for SBP benefits.

*3.2 Qualified Annuitants

The annuity payment will be made based on the following priority:

3.2.1. Former Spouse Based on a Court Order or a Deemed Election. The annuity is payable to a former spouse if any of the following three circumstances exist:

3.2.1.1. The member is required under a court order or spousal agreement to provide an annuity to a former spouse upon becoming eligible to be a participant in the Plan and that court order or spousal agreement was entered into prior to the member's death; or

3.2.1.2. Prior to the member's death, the member made an election to provide an annuity to a former spouse; or

3.2.1.3. The Secretary receives a written request from the former spouse prior to the member's death that the member be deemed to have made an election to provide an annuity to a former spouse and the request meets the requirements of 10 U.S.C. §1450(f)(3).

Note: A court order (or modification of a prior court order) that is entered after a member's death that requires an already deceased member to provide an annuity to a former spouse is not effective to permit payment of an annuity to a former spouse or to change the annuity from a spouse to a former spouse.

3.2.1.4. If, pursuant to subparagraph 3.2.1.1, the member was required under a court order or agreement to provide an annuity to a former spouse at the time of death, then the annuity is payable to the former spouse and no payment may be made to a surviving spouse. In

this circumstance the former spouse is not required to have submitted a request pursuant to 10 U.S.C. §1450(f)(3). Pursuant to 10 U.S.C. §1448(d)(3)(B), the issuance of the court order or spousal agreement alone is sufficient. If there are multiple court orders ordering the member to elect former spouse SBP coverage, the court order with the earliest date will take precedence.

3.2.2. Current Spouse. The annuity is payable to a surviving spouse unless the annuity is payable to a former spouse.

3.2.3. Child. The annuity is payable to the dependent children of the member when:

3.2.3.1. There is no eligible former spouse and either there is no eligible surviving spouse or the surviving spouse later dies; or

3.2.3.2. For a member who dies on or after October 7, 2001, but before January 1, 2023, the Secretary of the Military Department concerned, in consultation with the surviving spouse, determines it appropriate to provide an annuity for the dependent children instead of paying an annuity to the surviving spouse.

3.2.3.3. Effective January 1, 2023, if after consultation with the surviving spouse, the service previously determined it was appropriate to provide an annuity for the dependent child(ren) of the member instead of the surviving spouse, the annuity will be restored to the surviving spouse if still eligible. If the surviving spouse is ineligible to receive SBP, the annuity shall continue to be paid to the eligible child or children, unless and until the spouse regains SBP eligibility.

3.2.4. Insurable Interest Deemed Election. If no annuity is payable under subparagraphs 3.2.1, 3.2.2, or 3.2.3, the Secretary of the Military Department concerned may pay an annuity to a natural person with an insurable interest in the member, if the person is a dependent of the member as defined in ***10 U.S.C. § 1072(2)***.

3.3 Annuity Amount

3.3.1. Qualified Death in the Line of Duty. The SBP base amount is equal to the higher of the retired pay of the member based on length of service, or the retired pay as if the member retired with a total (100 percent) disability equal to 75 percent of the appropriate retired pay base. The annuity is computed at 55 percent of the SBP base amount. For members of the RC who die while serving on active duty, the retired pay base will be computed as if the member had been entitled to basic pay for the 36 months preceding retirement or the entire period the member was a member of a uniformed service (if less than 36 months), regardless of whether the member served the entire period on active duty.

3.3.2. Qualified Death Not in the Line of Duty. The SBP base amount will be computed as if the member retired for length of service based on the final basic pay or high-36 average as applicable. However, for members who elected to receive the Career Status Bonus (see Volume 7A, Chapter 66), the SBP base will be computed using the Reduced Retirement (REDUX)

method with the prescribed reduced COLA. The annuity is computed at 55 percent of the SBP base amount.

3.3.3. Insurable Interest Deemed Election. If an annuity is payable pursuant to subparagraph 3.2.4., the SBP base amount is equal to retired pay computed as if the member retired with a total (100 percent) disability, which is equal to 75 percent of the appropriate retired pay base, less the cost of participation. The annuity is computed at 55 percent of the SBP base amount.

3.4 Line of Duty Determination

3.4.1. Purpose. For the purpose of determining eligibility for SBP benefits, a member's death will generally be considered to have occurred in the line of duty unless the death:

3.4.1.1. Occurred while the member was not serving on active duty;

3.4.1.2. Was the result of the member's own intentional misconduct or willful negligence; or

3.4.1.3. Occurred during a period of unauthorized absence.

3.4.2. Investigation to Determine the Cause of Death. The Military Services will conduct an investigation and make a written finding as to whether a member's death was in the line of duty while the member was on active duty. The written finding must describe the circumstances under which the member died, and it also must address whether the death was caused by the member's own intentional misconduct or willful negligence, or whether the death occurred during a period of unauthorized absence.

3.5 Responsibilities

3.5.1. Military Services. The Military Services must review the death of each member who died on active duty to ascertain whether the death was in the line of duty and whether there are any qualified survivors entitled to an SBP annuity. The Military Services will inform DFAS-CL of their line of duty determinations using the ***DoD (DD) Form 1300***, Report of Casualty; section 10 of the ***DD Form 261***, Report of Investigation Line of Duty and Misconduct Status; or any other form authorized under individual Service regulations. All in the line of duty determinations must be supported by a written finding describing the circumstances of death that support the line of duty determination.

3.5.2. DFAS-CL. DFAS-CL does not require a copy of the written finding, only an official communication from the Military Service to indicate the Military Service's determination that death is in the line of duty, i.e., "YES" or "NO." Once DFAS-CL receives the determination, they will compute and pay SBP annuities to qualified survivors for qualified deaths.

4.0 DEATH OF MEMBER ON IN-ACTIVE DUTY TRAINING (IDT)

An RC member who dies from injuries or illness incurred or aggravated while performing IDT is entitled to coverage under the SBP program if the death is determined to have occurred in the line of duty. See Chapter 54.

*5.0 DIC OFFSETS AND SPECIAL SURVIVOR INDEMNITY ALLOWANCE (SSIA)

5.1 DIC

A multi-year phase-out of the DIC offset of SBP annuities began on January 1, 2021. Effective January 1, 2023, the DIC offset was fully phased out. See section 16.0 for details regarding the phase-out periods and corresponding offset amounts. See ***FMR Archives*** for details regarding prior DIC offset and SBP premium refund policy.

5.2 SSIA

Prior to January 1, 2023, a surviving spouse who was entitled to ***DIC*** under 38 U.S.C. § 1311 and who was not collecting the full amount of SBP due to receipt of DIC may be entitled to SSIA. See 10 U.S.C. § 1450(m). Effective January 1, 2023, SSIA was fully phased out. See FMR Archives for details regarding prior years.

6.0 CAUSES OF OVERPAYMENTS AND SUSPENSION OF PAYMENT

6.1 General Causes of Overpayment

Generally, SBP annuity overpayments are caused by:

6.1.1. Failure to reduce an annuity by the amount of DIC;

6.1.2. Non-termination of annuity because of ineligibility;

6.1.3. Erroneous computation;

6.1.4. Insufficient or untimely information; or

6.1.5. A determination by the Secretary of the Military Department concerned (or designee) that a participating member is alive after the Secretary of the Military Department concerned previously determined that the member was presumed dead.

6.2 General Reasons for Suspension of Payment

Generally, payments are suspended for:

6.2.1. Non-receipt of a SBP-MSU or FAUMC;

6.2.2. Non-receipt of verification of school attendance;

6.2.3. An annuitant will not receive annuity payments while there are still premiums owed on the SBP account. Once all premiums (with interest accrued at the rate approved by the DoD Board of Actuaries under 10 U.S.C. § 1465 for the purpose of determining the retirement accrual cost) that are owed have been recouped, payment of the annuity will commence/recommence;

6.2.4. Adjustment of the annuity due to administrative error; and/or

6.2.5. An incapacitated child over age 18 becomes independently capable of earning amounts sufficient for his or her own particular personal needs through substantial and sustainable gainful employment. Once suspended, payments can be reinstated. See paragraph 11.2.

7.0 LIABILITY AND OVERVIEW OF ANNUITANT INDEBTEDNESS

The annuitant is liable for debts created from the overpayment of an annuity. The member is liable for any indebtedness created because annuity payments were made based on the presumption of such member's death. The member's indebtedness cannot be considered for waiver under ***10 U.S.C. § 2774*** or ***10 U.S.C. § 1453***. If the member dies before such payments are fully recovered, the annuitant may be liable for the indebtedness if such annuitant was the recipient of the annuity payments made under the presumption of death. See Volume 16, Chapter 2 for the collection of member's indebtedness.

8.0 LIQUIDATION OF DEBT

8.1 Debt Liquidation

Upon discovery of an overpayment, the annuitant must be provided with due process notice in accordance with Volume 16, Chapter 2, or in other regulations pertaining to debt collection found elsewhere. The due process notice must include the amount of the debt and the method in which the overpayment is being, or may be, liquidated.

8.2 Direct Remittance

The annuitant may liquidate the overpayment by making direct remittance to DFAS-CL.

8.3 Reduced DIC

The Veteran's Affairs (VA) may reduce DIC and remit the amount collected to DFAS-CL.

8.4 Reduced SBP Annuity

DFAS-CL may reduce later SBP annuity payments.

9.0 WAIVER OF INDEBTEDNESS

9.1 Request a Waiver of Indebtedness

When applicable, DFAS-CL advises the annuitant of the right to request a waiver of indebtedness. The right to request a waiver does not constitute removal of the responsibility for repayment of the debt. If a waiver request is granted, repayment of the debt is not required.

9.2 Receipt of Waiver Request

Collection action is not routinely suspended pending waiver determination. If requested, the waiver determination will be made under the standards found in Volume 16, Chapter 4. Refund of an amount withheld before receipt of a request for a waiver is not authorized. When a waiver is granted, any amount collected after the receipt of the waiver request is refunded to the annuitant.

10.0 TERMINATION OF ANNUITY

10.1 Time of Termination

Entitlement to an SBP annuity terminates effective as of the first day of the month in which eligibility is lost. The annuity is terminated immediately if a determination is made by the Secretary of the Military Department concerned (or designee) that a participating member is alive after it was previously determined that the member was presumed dead.

10.2 Reasons for Termination

The SBP annuity is terminated when:

10.2.1. The spouse or former spouse (spouse category) annuitant remarries before age 55 or dies. If the member also provided coverage for children, the full annuity is payable, in equal shares, to the remaining eligible dependent children effective on the first day of the month in which the spouse or former spouse dies or remarries;

10.2.2. The child annuitant(s) lose eligibility because of:

10.2.2.1. Child's attaining age 18 and not pursuing a full-time course of study;

10.2.2.2. Marriage or death of child annuitant;

10.2.2.3. An incapacitated child over age 18 becomes independently capable of earning amounts sufficient for his or her own particular personal needs through substantial and sustainable gainful employment. This termination is not automatic; an annuitant will be given an opportunity to submit rebutting evidence. This annuity may be reinstated; see paragraph 11.2;

10.2.2.4. Termination of student status (child over age 18 and under age 22). If the student reaches age 22 before July 1 or after August 31 of a calendar year, the child's annuity

terminates on the first of July after the student's 22nd birthday. If a student reaches age 22 between July 1 and August 31 (inclusive) of a calendar year, the student loses eligibility and the annuity terminates on the first day of the month in which the age of 22 was reached; or

10.2.2.5. Reinstatement of a spouse or former spouse (spouse category) annuity following divorce or annulment;

10.2.3. A natural person with an insurable interest dies. The termination is final because there are no provisions for designating a contingent survivor annuitant; or

10.2.4. The Secretary of the Military Department concerned (or designee) determines that a participating member is alive after it was previously determined that the member was presumed dead.

10.3 Death of Annuitant

For the payment of any unpaid annuity amounts, see Chapter 31.

11.0 REINSTATEMENT OF ANNUITY

11.1 Reinstatement of Spousal Annuity

11.1.1. Remarriage Before Age 55 Terminated by Death of Spouse. Reinstatement of the annuity is effective the first day of the month in which the death occurs. If annuity entitlement from the terminated marriage exists, the spouse or former spouse may not receive both annuities but must elect the one desired. If the spouse or former spouse elects to receive the annuity that had formerly been terminated, the annuity is updated by any COLA increases that occurred after termination.

11.1.2. Remarriage Terminated by Divorce or Annulment. Reinstatement of the SBP annuity is effective the first day of the month in which the marriage terminated by divorce or annulment. Legal review is appropriate if discrepant information or annotations result in doubt or if the divorce or annulment was granted by a court in a foreign country. If the spouse or former spouse elects to receive the annuity that had formerly been terminated, the annuity is updated by any COLA increases that occurred after termination.

11.1.3. Loss of DIC Entitlement Because of Remarriage Between Ages 55 and 57. For periods prior to January 5, 2021, the annuity is reinstated effective as of the date of the loss of the DIC entitlement, adjusted to reflect all COLAs. Effective January 5, 2021, 38 U.S.C.§ 103(d)(2)(B) was amended by reducing the DIC remarriage provision from age 57 to 55.

11.2 Reinstatement of Child Annuity

11.2.1. Reinstatement of Annuity to Incapacitated Annuitant. An annuity to an incapacitated child over 18 years of age may be reinstated upon the recurrence of the original

disability rendering the annuitant incapable of self-support, or if the annuitant furnishes evidence that, although engaged in substantial and sustainable gainful employment, wages are not sufficient to cover his or her particular personal needs.

11.2.2. Child Resumes School Attendance. The child's eligibility for an annuity that was terminated for school nonattendance is reinstated effective the first day of the month that the child resumes school attendance.

11.2.3. Child's Marriage Terminated by Annulment. An annulment of a child's marriage which renders the marriage void or invalid, or by a judicial decree by a court of competent jurisdiction declaring the marriage void, would serve as a basis for reinstating a child's eligibility for annuity prospectively from the date of the judicial decree. The termination of a child's marriage by death or divorce does not serve as a basis for reinstatement of annuity eligibility.

*12.0 ELIGIBILITY VERIFICATION PRIOR TO AUGUST 1, 2023

12.1 Certificate of Eligibility (COE)

Effective August 1, 2023, the annual COE was replaced by the SBP-MSU. See ***FMR Archives*** to reference previous COE policy. See section 13.0 for details on SBP-MSU.

12.2 Report of Eligibility (ROE)

Effective August 1, 2023, the annual ROE was replaced by the Foreign Address Update for Mailed Check - Annuitants (FAUMC- Annuitants). See FMR Archives to reference previous ROE policy. See section 13.0 for details on SBP-MSU.

*13.0 ANNUAL ELIGIBILITY VERIFICATION EFFECTIVE AUGUST 1, 2023

13.1 SBP-MSU

The ***SBP-MSU*** replaces the COE effective August 1, 2023. The SBP-MSU is required annually to confirm the marital status and continued eligibility for the SBP. In general, the SBP-MSU is due the first day of the month of the annuitant's birthday.

13.1.1. Affected Annuitants:

13.1.1.1. A spouse or former spouse under the age of 55.

13.1.1.2. A child annuitant between the ages of 14 and 17 who have not been documented as being incompetent.

13.1.1.3. An annuitant who has been determined incapable of managing their affairs who receives payments through either a court-ordered legal representative or representative payee.

13.2 FAUMC - Annuitants

The ***FAUMC-Annuitants*** replaces the ROE effective August 2023. It is a requirement for any annuitants receiving a check in the mail outside the United States if they do not need to submit a School Certification or an SBP-MSU. In general, the FAUMC is due the first day of the month of the annuitant's birthday.

13.2.1. Affected Annuitants:

13.2.1.1. Spouse and former spouse annuitants aged 55 and over receiving a check in the mail outside the U.S.

13.2.1.2. Child SBP Annuitants under 14 years of age receiving a paycheck in the mail to a foreign address.

13.2.1.3. Child SBP Annuitants documented as incapacitated under age 14 years and receiving a paycheck in the mail to a foreign address.

13.2.1.4. Spouse and former spouse annuitants documented as incapacitated will need to fill out the SBP-MSU form regardless if they are receiving mail inside or outside of the U.S.

13.3 School Certification

A ***DD Form 2788, Child Annuitant's School Certification*** and a Child Annuitant's Certification for Previous Attendance Letter are required annually to confirm full-time school attendance and marital status for continued eligibility for the Survivor Benefit Plan. In general, the School Certification and Child Annuitant's Certification for Previous Attendance Letter are due the first day of the month the annuitant's school year ends.

13.3.1. Affected Annuitants:

13.3.1.1. Student Child SBP Annuitants turning 18.

13.3.1.2. Student Child SBP Annuitants ages 18-22.

13.4 Failure to Return Annual Eligibility Verification

If the annuitant fails to return completed verification when it is due, DFAS will suspend payment until a properly completed document is received.

13.5 Annuity Mailing Address

All completed annuitant verification forms must be sent by mail, fax, or upload to:

Mail:	Defense Finance and Accounting Service U.S. Military Annuitant Pay 8899 E 56th Street Indianapolis, IN 46249-1300
Annuitant/Survivor Fax:	1-800-982-8459
askDFAS upload:	***askDFAS***

Note: The Director, DFAS or designee may temporarily suspend annual eligibility verification requirements when a Federal or State disaster, a pandemic, or any other natural emergency is declared. The Director, DFAS, or designee may also determine the amount of time of the suspension. The action to suspend annual eligibility verification takes into consideration audit and risk management protocols including the ability to validate the identity of the annuitant from other government sources.

14.0 TAXABILITY OF ANNUITIES

14.1 Taxability of SBP Annuity Payments

SBP annuity payments are taxable for Federal income tax purposes. See ***IRS Publication 525*** for exceptions. In the case of a representative payee receiving an annuity payment on behalf of an annuitant, the income is attributable to the annuitant and an Internal Revenue Service (IRS) Form 1099 will be issued in the annuitant's name.

14.2 Taxability of SBP Cost Refunds

A refund of SBP costs (i.e., SBP premiums), resulting from an administrative error, correction of records, or award of DIC may or may not be taxable income to the member or the annuitant. The taxability of an SBP cost refund depends on the source from which it is made, as discussed in this section (also see Table 46-3). The SBP cost refund:

14.2.1. Constitutes taxable gross income to the retired member or the annuitant when it includes premium deductions taken from the retired member's taxable retired pay in order to pay for the cost of SBP coverage;

14.2.2. Does not constitute taxable gross income to the retired member or the annuitant when it is made from the retired member's direct remittance payments (by check or electronic mechanism, i.e., Pay.gov or Electronic Fund Transfer) to pay for the cost of SBP coverage; and

14.2.3. Does not constitute taxable gross income to the retired member or the annuitant when it is made from the retired member's VA disability compensation or by deduction from nontaxable military disability retired pay.

14.3 Federal Income Tax Withholding (FITW)

14.3.1. Monthly or Periodic Payments. Monthly or periodic SBP annuity payments are treated as income for FITW purposes. An annuitant, however, may elect no withholding of Federal income tax. In the absence of an annuitant election, or if the annuitant does not otherwise submit a withholding certificate, DFAS-CL will withhold on the basis of "married, three exemptions." The annuitant may use Form W-4P, Withholding Certificate for Pension and Annuity Payments, or any substitute form furnished by DFAS.

14.3.1.2. Annuitants Who are US Citizens. An annuitant who is a U.S. citizen may elect no withholding of Federal income tax. In the absence of an annuitant election, or if the annuitant does not otherwise submit a withholding certificate, DFAS-CL will withhold on the basis of the default rate established under the Secretary of Treasury and published by the IRS. The annuitant may use Form W-4P, Withholding Certificate for Pension and Annuity Payments, or any substitute form furnished by DFAS.

14.3.1.3. Foreign Annuitants. In order for an annuitant who is a citizen of a country other than the United States to receive the SBP annuity they must provide DFAS an Individual Tax Identification Number (ITIN). If the annuitant is a citizen of the United States and another country (dual) they may provide their SSN. If an SSN is provided, the rules in subparagraph 14.3.2 apply.

14.3.1.4. SBP Annuity Payments. The SBP annuity paid to foreign annuitant is still subject to Federal Income Tax Withholding. The required withholding rate set by the IRS is 30%. There are certain countries who have a lesser rate due to tax treaties (see Table 46-4). In order to qualify for the lesser rate for those countries, the annuitant must file a W-8BEN with DFAS.

14.3.2. Notice Requirements. DFAS-CL must advise the annuitant of the withholding requirement, as well as the right to elect that no tax be withheld, when making the first monthly or periodic payment to the annuitant. Thereafter, DFAS-CL must provide annual notice to the annuitant of the right to elect no withholding, to revoke an election, or to submit a new withholding certificate. An annuitant also may submit a withholding certificate at any time to elect no withholding, revoke an election, or request any rate of withholding.

14.3.3. Lump-Sum (One-Time) or Non-Periodic Distribution Payments

14.3.3.1. SBP Cost Refunds. An SBP cost refund is a refund of premiums rather than a distribution of benefits. As a non-periodic distribution, an SBP cost refund is subject to FITW at the rate of 10 percent. The annuitant, however, may elect no withholding of FITW. The annuitant has the right to make an FITW election for this refund separately from any election already in operation for all other SBP annuity payments.

14.3.3.2. Other. Retroactive SBP annuity payments paid in a lump sum constitute periodic distributions and are subject to the tax withholding rules of subparagraph 14.3.1. Likewise, if the lump-sum payment of an SBP annuity is the result of administrative error or delay

in the start of an annuity, the payment is treated as a periodic payment subject to the withholding rules of subparagraph 14.3.1.

14.4 Income Exclusion

14.4.1. Consideration for Contract. The SBP annuitant is entitled to an income exclusion when, upon the death of the participant member, the "consideration for contract" has been excluded in whole from the member's gross income. The member's survivor receiving the annuity may exclude from gross income such annuity payments received until the total exclusion equals the portion of the "consideration of contract" not previously excluded from the member's taxable income. DFAS-CL will accomplish the applicable direct reduction in taxable income for the annuitant and report the residual amount as taxable income on the annuitant's IRS Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit Sharing Plans, IRAs, Insurance Contracts, etc. Contact the IRS for further assistance.

> Example: When a member dies, and $1,000 of the total "consideration for contract" was not excluded from the member's non-disability retired pay, DFAS-CL will report the taxable annuity less $1,000, and the surviving spouse will use this reported residual amount in his or her income-tax computation for the calendar year.

14.4.2. Direct-Cost Payments. The tax-free benefit on SBP premiums is not available to members who waived military retired pay to receive disability compensation from the VA. See Chapter 12. Instead, upon the member's death, the annuity paid to the member's survivor may qualify to be exempt from Federal income tax until the amount excluded equals the total of the member's direct-cost payments, as explained in paragraph 14.2.

14.5 Amount of Annuity Subject to Federal Estate Tax

The value of the annuity at the time of the member's death may be subject to Federal estate tax if any portion of the cost was paid by direct remittance, or if the value of the annuity exceeds the amount that may be excluded from the gross estate. DFAS-CL may furnish the annuitant the current annuity amount and/or a summary of annual payments, and total cost paid (separate totals for deductions and direct remittances). For a computation of the amount of an annuity that will be subject to the tax, if any, the executor of the member's estate can contact the IRS for further assistance.

14.6 State Taxation

The IRS Form 1099-R information is furnished to the appropriate state tax authority regardless of whether SBP annuities are subject to state inheritance or income tax. The method of calculating such tax depends upon the laws of the state concerned.

15.0 MINIMUM INCOME WIDOW/SURVIVING SPOUSE

15.1 Eligibility Criteria

An annuity under the minimum income widow/surviving spouse provision of the SBP law (see Chapter 42) is payable to surviving spouses who meet all of the following conditions:

15.1.1. The surviving spouse is not otherwise entitled to an annuity under other provisions of the SBP, or to DIC from the VA;

15.1.2. The surviving spouse is eligible for a widow's non service-connected death pension from the VA;

15.1.3. The surviving spouse has annual income from all sources (including amount of RSFPP annuity entitlement, but excluding the amount of VA pension), as determined by the VA, that is less than the annual income rate in Appendix R. If the surviving spouse previously was denied an annuity because of income in excess of income limitations, entitlement may exist upon notice from the widow or from the VA that his or her current yearly income, as determined by the VA, is less than the income limitation; and

15.1.4. The surviving spouse is a person who, on September 21, 1972, was, or during the period beginning on September 22, 1972, and ending on March 20, 1974, became, a surviving spouse of a person who was entitled to retired or retainer pay when he or she died. Remarriage by the surviving spouse bars entitlement to an annuity under this provision of law unless the remarriage is terminated by an annulment. If there are questions as to whether an annuity should be reinstated after an annulment, refer the matter to the appropriate legal office.

Note: The DD 1885, Survivor Benefit Plan – Minimum Income Claim, and DD 1895, Request for Veterans Administration Pension and Annual Income Information, are used in administering the minimum income widow annuity. These forms are not currently available electronically. Hardcopies may be obtained by contacting the ***DoD Forms Management Program*** office.

15.2 Amount of Annuity

The maximum annuity payable is shown in Appendix R. The VA determines the yearly entitlement and advises DFAS-CL. This amount is prorated by DFAS-CL and is paid on a monthly basis.

15.2.1. The amount of the annuity is neither rounded nor increased to reflect retired pay COLA however, the annual income rates (Appendix R) is increased by the same amount and has the same effective date whenever there is an increase in the limitation on annual income for the purposes of eligibility for pension benefits.

15.2.2. The annuity is subject to Federal income tax.

15.2.3. The annuity is neither assignable nor subject to execution, levy, attachment, or garnishment (except for alimony or child support).

15.3 Effective Date of Entitlement

The effective date of entitlement is the date on which the requirements of law are met, subject to the 6-year statute of limitations.

15.4 Annuitant, Mentally or Physically Incapacitated

15.4.1. If, for any reason, a minimum income surviving spouse is mentally or physically incapable of applying for or negotiating the payment of the annuity, a court-appointed guardian may act on his or her behalf. If no guardian has or will be appointed, the person having care, custody, and control of the incapacitated annuitant is authorized to act on his or her behalf.

15.4.2. An FAUMC is required when the annuitant receives payments through foreign postal channels, or through a third party if the annuitant is incapacitated. See section 13.0.

15.4.3. The yearly certificate of continued eligibility is not required.

15.5 Changes and Termination

Changes in the amount of the annuity payable or termination of the annuity must be in accordance with the effective date of change or termination as shown by the VA. If termination is due to death of the annuitant, entitlement ceases as of the first day of the month in which death occurs. Any amounts that are due and payable at the time of annuitant's death may, upon receipt of a properly executed and documented claim, be paid to the person living on the date of the annuitant’s death who is the highest in the order of precedence. See Chapters 30 and 31.

15.6 Reopened Claim

DFAS-CL will reestablish an annuity that has been temporarily suspended because of the excessive income or net worth of the surviving spouse as of the first day of the month in which the surviving spouse meets the income level for an annuity as determined by the VA. Notification of any change in income is the responsibility of the surviving spouse.

15.7 Causes of Overpayment

The following are possible causes of overpayments of an annuity, but such list is not exhaustive:

15.7.1. The minimum income annuity for the surviving spouse was not timely terminated when his or her annual income exceeded the applicable rates shown in Appendix R;

15.7.2. Erroneous computation; or

15.7.3. Insufficient or untimely information.

15.8 Liability

The annuitant is liable for debts caused by overpayment of the annuity. The annuity may not be used as an offset against an indebtedness incurred by the member. The debt may be liquidated by:

15.8.1. The annuitant by making direct remittance to DFAS-CL;

15.8.2. The annuitant authorizing the VA to reduce the pension and remitting the amount collected to DFAS-CL; or

15.8.3. DFAS-CL by reducing later annuity payments to minimum income widows.

15.9 Waiver of Indebtedness

The request for waiver consideration is handled under the provisions of section 9.0.

*16.0 LEGISLATIVE CHANGES

16.1 Public Law (PL) 114-328, Section 642 for Fiscal Year (FY) 2017

Effective December 23, 2016, PL 114-328, Section 642 of the National Defense Authorization Act (NDAA) for FY 2017, amended Title 10, U.S.C, §§ 1448, 1450, and 1451. The amendments expanded entitlement to the SSIA and updated the amount of the annuity payable and the processes for paying an annuity to the survivors of RC members who die in the line of duty and RC members who die after completing the years of service to be eligible for a non-regular retirement. See Chapter 54.

16.2 PL 116-92, Section 622 of the NDAA for FY 2020,

PL 116-92, Section 622 of the NDAA for FY2020, signed into law on December 20, 2019, amended 10 U.S.C. §1450(c). This legislation created a multi-year phase out of the SBP-DIC offset, beginning in FY 2021, as follows:

16.2.1. For amounts payable for all periods prior to and including the period ending on December 31, 2020, the full amount of DIC paid by the VA to the surviving spouse and former spouse will continue to offset the SBP. The spouse or surviving spouse will continue to receive SSIA, if eligible.

16.2.2. For amounts payable for the period beginning on January 1, 2021, but ending on December 31, 2021, two-thirds of the amount of DIC paid by the VA to the surviving spouse or former spouse will offset the SBP annuity amount. The spouse or surviving spouse will continue to receive SSIA, if eligible.

16.2.3. For amounts payable for the period beginning on January 1, 2022, but ending on December 31, 2022, one-third of the amount of DIC paid by the VA the surviving spouse or former spouse will offset the SBP annuity. The spouse or surviving spouse will continue to receive SSIA, if eligible.

16.2.4. For amounts payable for all periods beginning on or after January 1, 2023, there will be no reduction.

Example: A surviving spouse who is entitled to a $1,200 SBP annuity and $1,500 DIC paid by VA, will continue to have his or her SBP fully offset in 2020. Because DIC is greater than the amount of SBP, it results in a net SBP payment of $0 after offset for all months of 2020. Beginning in 2021, this same spouse would receive a $200 SBP payment, because only $1,000 of the $1,500 DIC paid by VA (i.e., two-thirds of the $1,500 amount of DIC) would be used to offset the SBP. In addition, this spouse would receive SSIA because he or she remains subject to the SBP-DIC offset. In 2022, this same surviving spouse would receive $700 for SBP, because only $500 DIC paid by VA (i.e., one-third of the $1,500 amount of DIC) would be used to offset the SBP. This spouse would remain eligible for SSIA. In 2023, the offset is lifted and the surviving spouse receives both SBP and DIC in full. In 2023, SSIA is no longer payable.

16.2.5. The SBP annuity is restored on January 1, 2023, to any eligible surviving spouse for whom the service previously determined it was appropriate to provide an annuity for the dependent child(ren) of the member instead of the surviving spouse in accordance with subparagraph 3.2.3.

16.2.6. Effective January 1, 2023, SSIA is discontinued.

*Table 46-1. Annuity for Surviving Spouse or Former Spouse

RULE	If member dies or is declared dead	and	and the annuitant	then the annuity is (Notes 2 and 6)	and is offset by (Notes 9, 10 and 11)
1	in a retired status	the member elected to participate in the program	was married to member on date of election or on date of retirement and is married to member at time of member's death (Note 1)	55 percent of base amount of coverage on date of member's death	N/A effective January 1, 2023.
2	in a retired status	the member elected to participate in the program	was married to member a minimum of 1 year at time of member's death (Note 3)	55 percent of base amount of coverage on date of member's death	N/A effective January 1, 2023.
3	in a retired status	the member elected to participate in the program	is the parent of a "living issue" of the marriage which occurred after the date of retirement (Note 4)	55 percent of base amount of coverage on date of member's death	N/A effective January 1, 2023.
4	in a retired status	the member became eligible and elected to participate on or after September 8, 1982	is the former spouse of a member when member became eligible or the former spouse that a member acquired after becoming eligible to participate and who had been married to member at least 1 year or is the parent of issue of that marriage (Note 4)	55 percent of base amount of coverage on date of member's death	N/A effective January 1, 2023.
5	on active duty	the member's death was found to be in the line of duty	is married to member on member's date of death, or was the former spouse of a member required under a court order or spousal agreement to provide an annuity upon becoming eligible to participate	55 percent of retired pay base to which member would have been entitled had they been retired for a 100 percent disability on the date of death	N/A effective January 1, 2023.

*Table 46-1. Annuity for Surviving Spouse or Former Spouse (Continued)

RULE	If member dies or is declared dead	and	and the annuitant	then the annuity is (Notes 2 and 6)	and is offset by (Notes 9, 10 and 11)
6	on active duty and was entitled to retired or retainer pay,	the member's death was found to be NOT in the line of duty	is married to member on member's date of death, or was the former spouse of a member required under a court order or spousal agreement to provide an annuity upon becoming eligible to participate	55 percent of retired pay to which the member would have been entitled at date of death based upon the member's years of active service	N/A effective January 1, 2023.
7	on active duty and qualified for retired pay but had not yet applied for or been granted such pay or after completing 20 years of active service, but before member is able to retire as a commissioned officer because member has less than 10 years of active commissioned service (Note 7)	the member's death was found to be NOT in the line of duty	is married to member on member's date of death, or was the former spouse of a member required under a court order or spousal agreement to provide an annuity upon becoming eligible to participate	55 percent of retired pay to which the member would have been entitled at date of death based upon the member's years of active service, in the case of a member who first became a member before September 8, 1980, use the rate of basic pay in effect for the grade in which serving at time of death, unless, as determined by the Secretary of the Military Department concerned, the member would have been entitled to be retired in a higher grade	N/A effective January 1, 2023.

*Table 46-1. Annuity for Surviving Spouse or Former Spouse (Continued)

RULE	If member dies or is declared dead	and	and the annuitant	then the annuity is (Notes 2 and 6)	and is offset by (Notes 9, 10 and 11)
8	while eligible to provide an RC annuity but: (a) before being notified of retirement eligibility, or (b) during the 90-day period beginning when member receives notification of retirement eligibility	the member had not made an RCSBP election	is married to member on member's date of death, or was the former spouse of a member required under a court order or spousal agreement to provide an annuity upon becoming eligible to participate	55 percent of retired pay to which the member would have been entitled on the date of death based upon the member's years of creditable service	N/A effective January 1, 2023.
9	before becoming eligible to provide an RC annuity	the member's death is in the line of duty from injuries or illness incurred or aggravated while performing IDT (Note 9)	is married to member on member's date of death, or was the former spouse of a member required under a court order or spousal agreement to provide an annuity upon becoming eligible to participate	55 percent of retired pay to which the member would have been entitled on the date of death based upon the member's years of creditable service	N/A effective January 1, 2023.

*Table 46-1. Annuity for Surviving Spouse or Former Spouse (Continued)

RULE	If member dies or is declared dead	and	and the annuitant	then the annuity is (Notes 2 and 6)	and is offset by (Notes 9, 10 and 11)
10	and retired from both military and civil service	the member elected to participate in the program and did not waive military service for civil service purposes	is the spouse or former spouse of a member when member became eligible or the spouse or former spouse that a member acquired after becoming eligible to participate and who had been married to member at least 1 year or is the parent of issue of that marriage (Notes 1, 2, 3, and 4)	55 percent of base amount of coverage on date of member's death	N/A effective January 1, 2023.
11	and retired from both military and civil service	the member elected to participate in the program and waived military retired pay for civil service purposes, but did not elect survivor coverage at any level under the civil service retirement	is the spouse or former spouse of a member when member became eligible or the spouse or former spouse that a member acquired after becoming eligible to participate and who had been married to member at least 1 year or is the parent of issue of that marriage (Notes 1, 2, 3, and 4)	55 percent of base amount of coverage on date of member's death	N/A effective January 1, 2023.

Notes:

1. For a member married to the same spouse at time of retirement and date of death, the statute does not require that an intervening divorce be followed by 1 year of remarriage immediately before date of death.
2. An annuity ends for a spouse of former spouse if remarried before age 55. If the annuity is terminated because of remarriage, it is to be reinstated if the new marriage ends.
3. Minimum requirement for a marriage is 1 year.
4. "Living issue" means the "issue by that marriage" or a child of such marriage who dies shortly after birth (such child's birth is the criterion, not the duration of the child's life).
5. If member is required under a court order or spousal agreement to provide an annuity to a former spouse upon becoming eligible to participate in the SBP or if a member has made an election to provide former spouse annuity, the Secretary of the Military Department concerned may not pay the annuity to the surviving spouse.
6. All SBP monthly annuities if not a multiple of $1, is rounded to the next lower multiple of $1.
7. If the "forgotten widow" is entitled to an SBP annuity resulting from a subsequent marriage to a member, the individual may not receive the two annuities, but must elect in writing which to receive. The annuity for a "forgotten widow" is effective December 1, 1980.
8. An offset for DIC must be removed if, prior to January 5, 2021, an annuitant remarries subsequent to their 57th birthday. DIC offset must be removed when an annuitant remarries after 55 on or after January 5, 2021.
9. The Secretary of the Military Department concerned may determine, after consulting with the surviving spouse, if it is more advantageous to pay the annuity to the child instead of the spouse due to the DIC offset of spouse SBP. See 10 U.S.C. § 1448(f)(1) and (2), and Chapter 54 for additional information. Effective January 1, 2023, the option for a surviving spouse of a member who dies on active or inactive duty, in consultation with the Secretary concerned to transfer the annuity to a surviving child was discontinued. An eligible surviving spouse, who previously elected to transfer the annuity to a surviving child or children under the provisions of 10 U.S.C. § 1448(d)(2)(B), will have their eligibility restored. If the surviving spouse is ineligible to receive SBP, the annuity shall continue to be paid to the eligible child or children, unless and until the spouse regains SBP eligibility.
10. See 10 U.S.C. § 1448(f) for additional information.

11. Per the NDAA for FY 2020, SBP-DIC offset was phased out over multiple years beginning in FY 2021 and was fully phased out beginning January 1, 2023. See section 16.0 for specific details regarding the phase out.

Table 46-2. Refund of Monthly Premium for SBP Effective January 4, 1994

REFUND OF MONTHLY PREMIUM FOR SBP EFFECTIVE JANUARY 4, 1994 (See Note)

The refund of premiums due a spouse or former spouse is determined using the following defined values:

Current Basic Premium (CBP): The actual current premium amount for the basic SBP spouse coverage elected by the member. This does not include premiums for child coverage, SSBP premiums, open-enrollment premium additions, or any interest charges.

Current Recalculated Premium (CRP): The implied current premium associated with recalculated SBP basic annuity as reduced due to receipt of DIC. This does not include premiums for child coverage, SSBP premiums, open-enrollment premium additions, or any interest charges.

Total Premiums (TP): The Total Premiums paid by the member for basic SBP. (Lump sum open-enrollment buy-in premiums are not refundable). This does not include any premiums for child coverage, SSBP premiums, or interest charges. This amount may be obtained from historical pay files pertaining to the member and/or from a file of total spouse premiums to be produced under the Director of Compensation, Office of the Deputy Assistant Secretary of Defense (Military Personnel Policy) by the DoD Actuary and the Defense Manpower Data Center in coordination with DFAS-CL.

Premium Refund (PR): This is the premium refund amount. The premium refund is determined according to the following formula:

PR = (1 - CRP/CBP) X TP

For example: Member is a retired O-5, deceased July 1, 1993.
Data is for June 1994.

Retired Pay:	$2,297.00
Current Basic Premium (CBP):	149.31
SBP Spouse Annuity: .55 X 2,297 =	1,263.00 (Note 1)
DIC Annuity:	750.00 (Note 2)
Recalculated SBP Annuity	1,263.00 - 750.00 = 513.00
Implied Base Amount = $513.00/.55	= 932.73
Current Recalculated Premium (CRP)	= 60.63
Total Premiums (TP) from Data Files	= 10,153.08

Premium Refund (PR) is:

PR = (1 - 60.63/149.31) X 10,153.08
= (1 - .4060679) X 10,153.08
= .5939321 X 10,153.08 = 6,030.24

Table 46-2 is effective January 4, 1994 for deaths which occurred on or after January 1, 1993.

Notes:

1. SBP Spouse Annuity amount is rounded down.
2. Per the NDAA for FY 20, SBP-DIC offset was be phased out over multiple years beginning on FY 21 and was fully phased out beginning January 1, 2023. See section 16.0 for specific details.

Table 46-3. Taxability of SBP Cost Refunds

RULE	If the source of refunded cost is for	then it is taxable to the	
		member	annuitant
1	premium deductions from taxable retired pay	yes (Note 1)	yes (Note 2)
2	premiums paid from VA Disability compensation or premiums deducted from nontaxable military disability retired pay	no (Note 3)	no (Note 4)
3	premiums paid directly by member	no (Note 5)	no (Note 6)

Note:

1. Under ***26 U.S.C. § 122***, amounts deducted from military retired pay to fund an SBP annuity are excluded from income. Had the deducted amount been paid directly to the member instead, it would have been fully taxable. Consequently, refunded costs that were taken from military retired pay constitute gross income to the member.
2. Under ***26 U.S.C. § 691***, the refund is income in respect of a decedent. The tax status of the refund is the same to the annuitant as it would have been had it been refunded to the member. Since the refund of costs deducted from military retired pay would have been gross income to the member, it is also gross income to the annuitant.
3. VA disability compensation is exempt from taxation, as shown in ***38 U.S.C. § 5301***. Under certain circumstances, military disability retired pay is also nontaxable, as shown in ***26 U.S.C. § 104***. If the deducted amount had been paid directly to the member instead, it would have been exempt from taxation. Consequently, refunded costs that were taken from VA disability compensation or nontaxable military disability retired pay are also exempt from taxation.
4. Under 26 U.S.C. § 691, the refund is income in respect of a decedent. The tax status of the refund is the same to the annuitant as it would have been had it been refunded to the member. Since the refund of costs deducted from VA disability compensation or from nontaxable military disability retired pay would have been excluded from the gross income of the member, it is excluded from the gross income of the annuitant.
5. Amounts paid directly by the member to fund the SBP annuity were subject to tax before they were paid by the member. Direct payments by the member do not result in any tax benefit to the member. Consequently, refunds of premiums that were directly paid by the member constitute a nontaxable return of capital and do not constitute gross income.
6. Because the refund would have been a return of capital in the hands of the decedent (and would not have been includible in the decedent's gross income), it is also a return of capital to the decedent's beneficiary (and is not includible in the gross income of the beneficiary of the decedent).

*Table 46-4. Taxability of Survivor Benefit Plan/Retired Serviceman's Family Protection Plan – Nonresident Annuitants Residing Outside of the United States

RULE	If the SBP annuitant resides in the country of	and	then the SBP annuity is	at the rate of
1	Australia, Austria, Barbados, Cyprus, Czech Republic, Egypt, Greece, Israel, Kazakhstan, Morocco, New Zealand, Norway, Pakistan, Romania, Russia, Slovak Republic, South Korea, Sweden, Trinidad & Tobago, Tunisia, and Ukraine	is a citizen of the country in which residing	not taxable (note)	N/A
2	Bangladesh, Belgium, Bulgaria, China, Denmark*, Estonia, Finland, France, Germany, Hungary, Iceland, India, Ireland, Italy, Jamaica, Japan, Latvia, Lithuania, Luxembourg, Malta, Mexico, Netherlands, Portugal, South Africa, Slovenia, Spain, Switzerland, Thailand, Turkey, United Kingdom, and Venezuela	is a national of the country in which residing	not taxable (note)	N/A
3	Bangladesh, Belgium, Bulgaria, China, Denmark*, Estonia, Finland, France, Germany, Hungary, Iceland, India, Ireland, Italy, Jamaica, Japan, Latvia, Lithuania, Luxembourg, Malta, Mexico, Netherlands, Portugal, South Africa, Slovenia, Spain, Switzerland, Thailand, Turkey, United Kingdom, and Venezuela	is not a national of the country in which residing	taxable	30 percent
4	Canada	N/A	taxable	15 percent
5	South Africa	is a national of the country in which residing	not taxable (note)	N/A
6	South Africa	is not a national of the country in which residing	taxable	15 percent
7	Any country not listed above	N/A	taxable	30 percent

Note:
In order to claim entitlement to exemption from taxation based upon a tax convention or Treaty, a nonresident alien annuitant is required to file IRS Form W-8BEN (Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding and Reporting).

*If the SBP annuitant is a national of or a resident of these countries, then the SBP annuity is not taxable.

*REFERENCES

CHAPTER 46 SURVIVOR BENEFIT PLAN (SBP) – ANNUITIES

1.0 – GENERAL

	10 U.S.C. § 1450

2.0 – ANNUITIES

2.1	10 U.S.C. § 1450
2.1.2	10 U.S.C. § 1450(a)(3)
2.1.3	10 U.S.C. § 1447(7)-(10) 10 U.S.C. § 1450(b)
2.1.4	DoD Instruction (DoDI) 1332.42, December 30, 2020
2.2	10 U.S.C. §1450(b) DoDI 1332.42, December 30, 2020
2.2.1	DoDI 1332.42, December 30, 2020 GAO Principles of Appropriations Law (1994), § 12-16
2.2.1.1.1	10 U.S.C. § 1465
2.2.1.4	65 Comptroller General (Comp Gen) 260, B-222190, February 17, 1987
2.2.1.5	61 Comp Gen 245, B-205176, February 8, 1982 31 CFR 211.1
2.2.2.1	10 U.S.C. § 1455 DoDI 1332.42, December 30, 2020
2.2.2.2 & 2.2.2.3	66 Comp Gen 340, B-226018, March 18, 1987 10 U.S.C. § 1455
2.2.2.6	10 U.S.C. §§ 1448, 1450, and 1455 DoDI 1332,42, December 30, 2020
2.2.3	10 U.S.C. § 1455(d)
2.2.4	10 U.S.C. § 1451(g)(2)
2.3	DoDI 1332.42, December 30, 2020 10 U.S.C. § 1450(b) Croteau v. United States, 823 F.2d 539 (Fed. Cir. 1987)

3.0 – DEATH OF MEMBER ON ACTIVE DUTY

3.1	10 U.S.C. § 1448(d)
3.2	10 U.S.C. § 1448(d)

REFERENCES (Continued)

3.2.1	Department of Hearings and Appeals, Appeals Board Reconsideration decision 2019-CL-012301.2 (June 25, 2019)
3.2.3.2	10 U.S.C. § 1448(d)(2)(B)
3.2.3.3	PL 116-92, Section 622, NDAA FY 2020
3.2.4	10 U.S.C. § 1448(d)(6)(A)
3.3	10 U.S.C. § 1451(c)
3.3.1	10 U.S.C. § 1407(c)(3) 10 U.S.C. § 1451(c)
3.3.2	10 U.S.C. § 1401a(b)(3)
3.3.3	10 U.S.C. § 1448(d)(6)(B)

4.0 – DEATH OF MEMBER ON INACTIVE-DUTY TRAINING (IDT)

4.1	10 U.S.C. § 1448(f)(1)(B) DoDI 1332.42, December 30, 2020

5.0 – DEPENDENCY AND INDEMNITY COMPENSATION (DIC) OFFSETS AND SPECIAL SURVIVOR INDEMNITY ALLOWANCE (SSIA)

5.1	10 U.S.C. § 1450(c) 38 U.S.C. § 1311(e) PL 116-315, Section 2009 Office of the Under Secretary of Defense, Personnel and Readiness, October 22, 2009
5.2	38 U.S.C. § 1311 38 U.S.C. § 5110(d) 38 U.S.C. § 5111(a) 10 U.S.C. § 1450(c) 63 Comp Gen 536, B-21446, August 20, 1984 10 U.S.C. § 1451(c) PL 116-92, Section 622, NDAA FY 2020 DoDI 1332.42, December 30, 2020
5.2.2	10 U.S.C. § 1450(e) 10 U.S.C. §1450(k) 61 Comp Gen 287, B-203380, March 2, 1982
5.2.3.1	10 U.S.C. § 1450(k) 61 Comp Gen 287, B-203380, March 2, 1982 54 Comp Gen 838, B-181712, April 7, 1975
5.2.3.2	10 U.S.C. § 1450(k) 31 CFR 901.2
5.2.4	56 Comp Gen 482, B-186504, April 6, 1977
5.2.5	10 U.S.C. § 1450(m)

REFERENCES (Continued)

5.3	PL 108-375, Section 644, October 28, 2004
6.0 – CAUSES OF OVERPAYMENTS AND SUSPENSION OF PAYMENT	
6.1.5	10 U.S.C. § 1450(l)(3)
7.0 – LIABILITY	
	10 U.S.C. § 1450(l)(3)
8.0 – LIQUIDATION OF DEBT	
8.1	31 CFR 901
9.0 – WAIVER OF INDEBTEDNESS	
9.1	10 U.S.C. § 1453
9.2	10 U.S.C. § 1453 54 Comp Gen 249, B-182704, July 2, 1976 Comp Gen B-185466, August 19, 1976
10.0 – TERMINATION OF ANNUITY	
10.2.2	10 U.S.C. § 1450
10.2.3.1 & 10.2.3.2	10 U.S.C. § 1447(11)
10.2.3.4	10 U.S.C. § 1447(11)
10.2.3.5	DoDI 1332.42, December 30, 2020 10 U.S.C. § 1450(b)
10.2.5	10 U.S.C. § 1450(1)(3)
11.0 – REINSTATEMENT OF ANNUITY	
11.1 – 11.3	10 U.S.C. § 1450(b) and (k) 38 U.S.C. § 103
12.0 –ELIGIBLITY VERIFICATION PRIOR TO AUGUST 2023	
	DoDI 1332.42, December 30, 2020 10 U.S.C. § 1447(11)
13.0 – ANNUAL ELIGIBILITY VERIFICATION EFFECTIVE AUGUST 2023	
	PL 117-81, Section 605, NDAA FY 2022
13.2 & 13.3	44 Comp Gen 208, A-3551, October 12, 1964

REFERENCES (Continued)

14.0 – TAXABILITY OF ANNUITIES

14.1	26 U.S.C. § 3405
14.2	26 U.S.C. § 3402(o)(3)
14.3	26 U.S.C. § 3405(a)(1) and (2) and (4) 26 CFR 35.3405-1T(b-8) 26 C.F.R. 31.3405(a)-1
14.4	26 U.S.C. § 101 26 CFR 1.122-1(b) 26 CFR 1.122-1(d) IRS Publications 575 and 939
14.5	IRS Publication 950

15.0 – MINIMUM INCOME WIDOW/SURVIVING SPOUSE

15.1.4	10 U.S.C. § 1448
15.2	10 U.S.C. § 1448 10 U.S.C. § 1450(i) 42 U.S.C. § 659
15.3	31 U.S.C. § 3702
15.5	10 U.S.C. § 1450(b)
15.6	54 Comp Gen 493, B-180545, December 17, 1974
15.8	54 Comp Gen 493, B-180545, December 17, 1974

16.0 – LEGISLATIVE CHANGES

	10 U.S.C. § 1448 10 U.S.C. § 1450(m) 10 U.S.C. § 1451 PL 114-328, Section 642, NDAA FY 2017 PL 116-92, Section 622, NDAA FY 2020

Table 46-1 – ANNUITY FOR SURVIVING SPOUSE OR FORMER SPOUSE

Rule 1	10 U.S.C. § 1447
Rule 2	10 U.S.C. § 1448(a)
Rule 4	10 U.S.C. § 1448
Rule 6	10 U.S.C. § 1451(c)(1)(A)(ii)
Rule 7	10 U.S.C. § 1451(c)(3)
Rule 10	10 U.S.C. § 1448(f)
Note 10	10 U.S.C. § 1448(f)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 47: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 48: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

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UNDER SECRETARY OF DEFENSE (COMPTROLLER)

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CHAPTER 51: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

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UNDER SECRETARY OF DEFENSE (COMPTROLLER)

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FINANCIAL MANAGEMENT REGULATION

CHAPTER 53: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 7B, CHAPTER 54: "RESERVE COMPONENT SURVIVOR BENEFIT PLAN (RCSBP)"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated June 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated chapter and format to comply with administrative instructions.	Revision
6.4 6.5 6.6	Updated Open Enrollment Periods section with the SBP open enrollment and disenrollment period authorized by section 643 of Public Law 117-263.	Revision
References	Updated references.	Revision

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CHAPTER 54

RESERVE COMPONENT SURVIVOR BENEFIT PLAN (RCSBP)

1.0 GENERAL

1.1 Purpose

This chapter provides information for RCSBP. RCSBP extends eligibility to the Survivor Benefit Plan (SBP) to Reserve Component members who completed the years of service to be eligible to receive retired pay but have not yet reached retirement age. RCSBP allows members to provide an annuity based on their retired pay to qualified survivors.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.). Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 DEFINITIONS OF SPECIALIZED TERMS

2.1 Base Amount

The dollar amount selected by the member upon which the SBP premium and the annuity are calculated. A member may elect a full base amount or a reduced base amount. See paragraph 4.3 for base amount elections.

2.2 Date of Receipt of Election for RCSBP

The date of the receipt of the election by the member's records custodian, or the date of postmark on the envelope in which the records custodian received the election when the election intent may be prejudiced.

2.3 Date of Retirement

The first day the member is entitled to receive retired pay or the first day the member would have received pay if alive at retirement age.

2.4 The 90-Day Period

The 90-day period in which the member must complete an election for RCSBP begins on the date that the member receives notification that the member has completed the requisite years of service to be eligible for retired pay at a later age (usually age 60).

2.5 Eligible for Retired Pay

A member becomes eligible for non-regular retired pay upon completion of 20 qualifying years of satisfactory service. Often notification is provided by letter referred to as the "20-year letter" because it notifies the member that he or she has served the requisite years of service to be eligible for retired pay, but is not yet entitled to receive the pay because of his or her age. See Chapter 1, subparagraph 2.8.6.

2.6 Eligible to Participate in RCSBP

The date the member receives notice of eligibility for retired pay except for not having reached the age for entitlement to retired pay (usually age 60).

2.7 Entitled to Retired Pay

A person who has completed the requisite service and reached the requisite age (usually age 60) is entitled to receive retired pay for non-regular service.

2.8 Member

A member of a Reserve Component.

2.9 RCSBP

The RCSBP is a benefit plan that enables members who served in the Reserve Components to leave a benefit called an "annuity." An annuity is a monthly payment that normally lasts the lifetime of the beneficiary after the member passes away. The amount of the monthly payment is a percentage of the retired pay, and that percentage depends upon the election the member made when the member signed up for RCSBP.

2.10 SBP

The SBP is for members of the Uniformed Services. NOTE: SBP (see Chapter 42) and RCSBP share many of the same terms. Chapter 42, section 2.0 provides additional terms not specifically defined in this section.

2.11 SBP Premium

SBP Premium is the combination of the "Standard Premium," the "Reserve Component Premium," and the "Survivor's Annuity Premium Deduction."

2.12 Standard Premium

Standard Premium is the reduction in retired pay made to provide the member with SBP coverage for the period after a member becomes entitled to retired pay. The Standard Premium is

described in Chapter 45. It is distinct and separate from the Reserve Component Premium and the Survivor's Annuity Premium Deduction which are described in paragraphs 2.13 and 2.14.

2.13 Reserve Component Premium

When a Reserve member participates in the RCSBP after first becoming eligible based on 20 qualifying years of satisfactory service, coverage for the member's survivors commences but premiums are not paid until the member first becomes actually entitled to retired pay (usually age 60). Note: See also Chapter 1, subparagraphs 3.8.6.1 through 3.8.6.5 which reduces the eligibility age below 60 years of age for a reservist to receive retirement pay. At that time, reductions in the member's retired pay are made that are specifically related only to the RCSBP coverage that was already provided while the member awaited the requisite age of entitlement to retired pay. These reductions are the Reserve Component Premium. They are made after the member begins receiving retired pay for the RCSBP coverage that was provided before the member received retired pay. They are distinct from the Standard Premium (in paragraph 2.12) which are reductions made for the SBP coverage that is provided after the member becomes entitled to retired pay. They are also distinct from the Survivor's Annuity Premium Deduction.

2.14 Survivor's Annuity Premium Deduction

When an RCSBP participant dies, any annuity payable to a survivor is reduced for the RCSBP coverage provided while the member awaited the requisite age of entitlement to retired pay. This reduction is unique to RCSBP coverage. The DoD Office of the Actuary, herein referred to as the Actuary, sets the rate of the reduction of the survivor's annuity and the rate is currently set at .0001 of the base amount. The reduction in the annuity is known as the Survivor's Annuity Premium Deduction. The Survivor's Annuity Premium Deduction is distinct from the Standard Premium and Reserve Component Premium described in paragraphs 2.12 and 2.13.

2.15 Reserve Components

The following is a listing of the Reserve Components:

2.15.1. The Army National Guard of the United States,

2.15.2. The Army Reserve,

2.15.3. The Navy Reserve,

2.15.4. The Marine Corps Reserve,

2.15.5. The Air National Guard of the United States,

2.15.6. The Air Force Reserve, and

2.15.7. The Coast Guard Reserve.

3.0 ELIGIBLE BENEFICIARIES

Eligible beneficiaries under the RCSBP include spouse, child, former spouse, and natural person with an insurable interest. Members eligible to participate in RCSBP may elect coverage in one of the following coverage categories: spouse; spouse and child; child only; former spouse; former spouse and child; natural person with an insurable interest; or Special Needs Trust (SNT).

3.1 Spouse (Including the Spouse of a Common-Law Marriage)

A spouse is an eligible beneficiary if he or she:

3.1.1. Was married to the member on the date that the member became eligible to participate in RCSBP and was continuously married to the member through the date when the member died;

3.1.2. Married the member after the date the member became eligible to participate in RCSBP and, as set forth in Section 6.0:

3.1.2.1. The member had a spouse at the time the member became eligible to participate in RCSBP and elected spouse coverage;

3.1.2.2. The original spouse became ineligible due to divorce or death;

3.1.2.3. The member did not choose within one year of the marriage to not elect coverage for the new spouse and has no eligible former spouse beneficiary (i.e., defaulted to resuming spouse coverage); and

3.1.2.4. The spouse and member were continuously married for at least one year on the date the member died or the spouse is a parent of a child from that marriage.

3.1.3. Married to the member after the date the member became eligible to participate in RCSBP and, as set forth in Section 6.0:

3.1.3.1. The member had elected to participate in RCSBP when eligible (Option B or Option C);

3.1.3.2. The member had no spouse at the time of becoming eligible for RCSBP, but after marrying the spouse, the member elected spouse coverage within one year of the marriage (or, where former spouse coverage had been previously elected, within one year of the former spouse's death if occurring after the marriage, as set forth in Section 6.2); and

3.1.3.3. The spouse and member were continuously married for at least one year on the date the member died or the spouse is a parent of a child from that marriage.

3.1.4. Married to a member who completed the years of service required to be eligible for a non-regular service retirement but died before receiving notice of eligibility or during the 90-day period and had not made an RCSBP election.

3.2 Children (Including Children of a Common-Law Marriage)

Children are eligible beneficiaries if they are:

3.2.1. Children of a member who elected child coverage when he or she initially became eligible to participate in RCSBP. Note: Child age requirements are described in Chapter 44, paragraph 2.2;

3.2.2. Children of a member who elected child coverage within one year of first acquiring a dependent child after initially becoming eligible to participate in RCSBP;

3.2.3. Children of a member who died after meeting years of service requirements for a non-regular retirement, but before being notified of retirement eligibility or during the 90-day period immediately following such notification without having made an RCSBP election; or

3.2.4. Children of a member who elected spouse and child or former spouse and child coverage, if the spouse or former spouse dies, remarries before age 55 or otherwise becomes ineligible. If former spouse coverage is in place, only the child(ren) who resulted from the marriage to the former spouse are eligible beneficiaries.

3.3 Former Spouse

The former spouse is an eligible beneficiary if he or she:

3.3.1. Is the member's former spouse when the member becomes eligible to participate in RCSBP and was elected as the beneficiary by the member or an election of former spouse coverage was deemed to have been made by the Secretary concerned upon timely request by the former spouse;

3.3.2. Was not the member's former spouse when the member became eligible to participate in RCSBP and a prior spouse election is changed to provide coverage for a former spouse in accordance with subparagraph 7.2.3. A former spouse must have been married to the member for at least one year or be a parent of a child born of the marriage; or

3.3.3. Was the former spouse for whom coverage was provided under the insurable interest category for an election made before November 8, 1985. The former spouse will remain an eligible beneficiary following a remarriage, unless the remarriage is to a member who is providing the former spouse coverage.

3.4 Natural Person With Insurable Interest

A member may make an election for a natural person with an insurable interest only when there is no eligible spouse or dependent child(ren). A member must elect gross retired pay as the base amount under an election for a natural person with an insurable interest. Pursuant to 10 U.S.C. § 1448(b), any Reserve member who is not married and does not have a dependent child, may elect to provide RCSBP coverage for a natural person with an insurable interest. Additionally, a member

who is unmarried but who has one dependent child may provide coverage for that child under the insurable interest provision. The natural person with an insurable interest is an eligible beneficiary if the beneficiary that member designated is:

3.4.1. A person who has a reasonable and lawful expectation of pecuniary benefit from the continued life of the member. This may include parents, stepparents, grandparents, grandchildren, aunts, uncles, sisters, brothers, half-sisters, half-brothers, a dependent or non-dependent child or step-child, or any other person more nearly related than a cousin; or

3.4.2. Any individual having a reasonable and lawful basis, founded upon the relationship of parties to each other, either pecuniary or of blood or affinity, to expect some benefit or advantage from the continuance of the life of the retiree.

NOTE: Proof of financial benefit from the continuance of the life of the member may be required.

3.5 Special Needs Trust (SNT)

The National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2015, Public Law (PL) 113-291, amended 10 U.S.C. §§ 1448, 1450, and 1455, to give Military Service members and retirees the option to direct payment of an annuity for a dependent child to an SNT. See Chapter 46.

3.6 Same-Sex Spouses

See ***DoD Instruction (DoDI) 1332.42***, Section 4.3(d), December 30, 2020 and Chapter 43, paragraph 4.2.

4.0 ELECTION TO PARTICIPATE

4.1 90-Day Period

Any member who is notified of his or her completion of the years of service required for retired pay eligibility for non-regular retirement may elect to participate in RCSBP before the end of the 90-day period. A member who is married or has a dependent child, and who receives notice of eligibility for retired pay, after January 1, 2001, is automatically an immediate participant in RCSBP unless the member elects (with spousal concurrence, if required) not to participate or to defer the decision or delay coverage before the end of the 90-day period. See subparagraph 5.2.7.

4.2 Annuity Options

A member electing to participate must designate an immediate election, a deferred election, or indicate a decision to delay the election until reaching retirement age. These are described as Options A, B, or C.

4.2.1. Option A. The member defers a survivor annuity election or declines coverage until retirement age. There is no coverage for the years between becoming eligible for retirement and

reaching retirement entitlement age. If a member dies before reaching retirement age, no survivor annuity is payable. At retirement age, regardless if that age is before age 60, the member may elect to participate in SBP as any other member becoming entitled to retired pay. If a married member chooses Option A, spousal concurrence is required. See subparagraph 5.2.7.

4.2.2. Option B. The member elects to provide a deferred survivor annuity that begins on the date that the member would have attained the age of 60, or on the day after the member's death, whichever is later. If a married member chooses Option B, spousal concurrence is required. See subparagraph 5.2.7.

4.2.3. Option C. The member elects to provide an immediate survivor annuity beginning on the day after the member's death, whether before or after reaching retirement age.

4.3 Base Amount

A member who receives a 20-year notification of eligibility and who elects to participate in RCSBP must elect to cover:

4.3.1. One hundred percent of retired pay or a given dollar amount which is greater than or equal to $300, but less than 100 percent of retired pay;

4.3.2. One hundred percent of retired pay, if member's full retired pay computed as of the effective date of election, is less than $300.00;

4.3.3. One hundred percent of retired pay, if the member elects to cover a dollar amount greater than 100 percent of his or her retired pay as of the effective date of election; or

4.3.4. An elected dollar amount of retired pay, but which is not less than $300.00. However, any dollar election is converted to a percentage of retired pay as of the effective date of the election. A member who elects less than full base amount should be advised that his or her election will be converted to a percentage of retired pay as would be payable if he or she were of retirement age on the date the RCSBP election becomes effective. The base amount is that same percentage of retired pay regardless of the changes in the retired pay that may occur because of pay rate increases, additional points accumulated, promotion or longevity step increases. Note: Spousal concurrence is required when member elects spousal coverage for less than the maximum coverage. See subparagraph 5.2.7.1.

5.0 ELECTION DATA

5.1 RCSBP Election Certificate

The ***DoD (DD) Form 2656-5***, Reserve Component Survivor Benefit Plan (RCSBP) Election Certificate, is required for making an RCSBP election and is also required if the member defers the election under Option A in subparagraph 4.2.1.

5.2 Contents of DD 2656-5

The contents of the election document should show:

5.2.1. The member's name, Social Security number, date of birth, and date of retirement (if known);

5.2.2. If participating, the member has elected coverage for:

5.2.2.1. Spouse and/or children,

5.2.2.2. Former spouse or former spouse and children, or

5.2.2.3. Natural person with an insurable interest (at maximum level of coverage only);

5.2.3. If participating, the member has elected coverage amount or percentage;

5.2.4. If participating, the member's election must contain an election for Option B or Option C. See subparagraphs 4.2.2 or 4.2.3;

5.2.5. If participating, the member's designated beneficiary. Show the name, birth date, and Social Security number for each beneficiary named. If the coverage includes spouse, the member must furnish the date of marriage. Show the address and relationship when the beneficiary is a natural person with an insurable interest. For a natural person with an insurable interest, the member must provide a signed statement to show proof of financial benefit if the person designated is more distantly related than a cousin;

5.2.6. The member must sign and date the election. The member's signature must be witnessed. The witness may not be the member's spouse or beneficiary. The witness should not be a minor, but minority of a witness will not necessarily invalidate the member's election. In the event a member is unable to complete his signature and instead makes his mark (such as an "X"), two disinterested persons must witness the election form. An addendum to the DD 2656-5 will suffice in such situations. NOTE: An election made on behalf of the member through a power of attorney is not valid. Such an election is not binding and is without force or effect of law; and

5.2.7. Spousal concurrence in certain elections is a requirement. The spouse signature must appear on the DD 2656-5, the spouse's signature must be notarized, and the spouse must sign after the member has signed the form. If the spouse and member are not co-located, exception to the use of the DD 2656-5 to record the concurrence may be approved in accordance with DoDI 1332.42, Subsection 4.2.a.(3).

5.2.7.1. A retirement eligible Reserve member who elects RCSBP spouse coverage for less than maximum coverage when the member becomes eligible to participate must obtain the concurrence of the spouse in writing. With respect to members who receive notification of retired pay eligibility pursuant to ***10 U.S.C., Chapter 1223*** after January 1, 2001, a retirement eligible

Reserve member must obtain the concurrence of the spouse in writing. Spousal concurrence is required if the member declines coverage (Option A), elects deferred coverage (Option B), elects coverage for spouse at less than the maximum level, or elects coverage for a dependent child but not for the spouse. Without spousal concurrence, an election for less than maximum coverage is invalid.

5.2.7.2. If a member marries during the 90-day period (see paragraph 4.1), spousal concurrence is not required, but the spouse must be notified of the member's election. Note: The failure to retain evidence that the spouse was notified of the member's election will not invalidate the member's election.

5.2.7.3. If former spouse coverage is elected or deemed, the spousal concurrence is not required; however, a reasonable attempt will be made to notify the spouse of the former spouse coverage. Note: The failure to retain evidence that the spouse was notified of an election for coverage for a former spouse will not invalidate the former spouse election.

5.2.7.3.1. To elect former spouse coverage, the member must complete a ***DD Form 2656-1***, Survivor Benefit Plan (SBP) Election Statement for Former Spouse Coverage. If the member elects former spouse coverage, the election must include information setting forth whether the election was made pursuant to the requirements of a court order, or a voluntary written agreement previously entered into by the member as part of, or incidental to, a proceeding of divorce, dissolution, or annulment, and, if so, whether such agreement was incorporated, ratified, or approved by a court order.

5.2.7.3.2. In order for a former spouse to deem an election, the former spouse must, within one year of the date of the court order involved, complete and send a ***DD Form 2656-10***, Survivor Benefit Plan (SBP)/Reserve Component (RC) SBP Request for Deemed Election, and a copy of the court order, regular on its face, which requires the former spouse SBP election, or which incorporates, ratifies, or approves the voluntary, written agreement of such a person or a statement from the clerk of the court (or other appropriate official) that such agreement has been filed with the court in accordance with applicable State law. A deemed election will fail unless both the DD 2656-10 and a copy of the court order or written agreement are received in accordance with the applicable instructions in the form.

6.0 CHANGES IN ELECTION AND COVERAGE

In some circumstances, a member may make a change in RCSBP election or coverage after first becoming eligible for RCSBP (at the time of receiving notice of eligibility (NOE) of meeting service requirements for a non-regular retirement) and making an initial election. See DoDI 1332.42, Section 4.4.

6.1 Later-Acquired Spouse and/or Child

6.1.1. Remarriage of Participating Member. If a member participating in RCSBP with spouse or spouse and child coverage loses the spouse beneficiary through death or divorce, the member may, within one year of remarriage, increase the level of coverage up to and including full-retired pay if a reduced base amount was previously elected, or elect not to resume spouse coverage (child coverage, if previously elected, remains irrevocable). If a member takes no action, spouse coverage will automatically resume upon the one-year anniversary of the remarriage at the coverage amount originally elected. If the member elects not to resume spouse coverage or provides spouse coverage at a less-than-maximum level, the spouse must be notified. Note: The failure to retain evidence that the spouse was notified of the member's election will not invalidate the member's election.

6.1.2. Marriage Where No Spouse at NOE. A member who had no eligible spouse at NOE (and was not required to elect former spouse coverage) and later marries may elect RCSBP spouse coverage as follows.

6.1.2.1. Member Participating. If the member elected to participate in RCSBP at NOE (i.e., elected Option B or C for a child or insurable interest), the member may elect to add spouse coverage to child coverage or terminate an insurable interest beneficiary coverage in favor of spouse coverage. The election must be made on a DD Form 2656-6 and received within one year of the marriage. The level of coverage cannot be changed. The member is not required to have the concurrence of the new spouse to elect not to add spouse coverage. Failure to make the election within one year terminates eligibility for that spouse and any subsequent spouse. See section 6.3 regarding spouse elections where a former spouse election was made and the former spouse subsequently dies.

6.1.2.2. Member Not Participating. If the member deferred the SBP election and declined RCSBP coverage for a child at NOE (i.e., elected Option A), the member cannot elect RCSBP coverage for the spouse upon marriage. The one-year election requirement in subparagraph 6.1.2.1 does not apply. The member cannot elect to cover the spouse until making an election for SBP coverage upon reaching the age of eligibility to receive retired pay. Once reaching eligibility age, the member may not without the concurrence of the spouse elect- (i) not to participate in the Plan; (ii) to provide an annuity for the spouse at less than the maximum level; or (iii) to provide an annuity for the dependent child but not for the spouse.

6.1.2.3. Member Not Participating Because There Was Neither a Spouse Nor a Dependent Child at NOE. If the member had neither a spouse nor a dependent child at NOE and made no election to participate in RCSBP at NOE, the member may elect to participate with spouse coverage. The election must be made on a DD Form 2656-6 and received within one year of the marriage. Failure to make the election within one year terminates eligibility for that spouse and any subsequent spouse. The decision to cover or not cover the new spouse is the member's unilateral decision; the new spouse is not required to concur.

6.1.3. Dependent Child After NOE. A member who had no eligible dependent child at NOE, but subsequently has a dependent child, may elect RCSBP child coverage as follows.

6.1.3.1. Member Participating. A member already participating in RCSBP (i.e., election Option B or C at NOE for a spouse) may elect to add child coverage using a DD Form 2656-6. The election must be received within one year of acquiring the dependent child. The level of coverage cannot be changed. Failure to make the election within one year terminates eligibility for that child and any subsequent child.

6.1.3.2. Member Not Participating. If the member deferred the SBP election and declined RCSBP coverage for a spouse at NOE (i.e., elected Option A), the member cannot elect RCSBP coverage for the newly acquired child and must wait to make an election for SBP coverage upon reaching the age of eligibility to receive retired pay. The one-year election requirement in subparagraph 6.1.3.1 does not apply.

6.1.3.3. Member Not Participating Because There Was Neither a Spouse Nor a Dependent Child at NOE. If the member had neither a spouse nor a dependent child at NOE and made no election to participate in RCSBP at NOE, the member may elect to participate with child coverage. The election must be made on a DD Form 2656-6 and received within one year of acquiring the child. Failure to make the election within one year terminates eligibility for that child and any subsequent child.

6.1.3.4. Member Who Had a Dependent Child at NOE. A member who had a dependent child at NOE and who did not elect child coverage at that time cannot later elect child coverage for subsequent dependent children. Except as provided for in subparagraph 6.1.3.2, a member with no dependent child at NOE who subsequently acquires a dependent child and does not elect child coverage within one year may not later elect child coverage for subsequent dependent children unless otherwise provided by law.

6.2 Former Spouse or Former Spouse and Child Elections

6.2.1. General Rules.

6.2.1.1. A former spouse election prevents an annuity to the member's current spouse and child (other than a child beneficiary under a former spouse and child election).

6.2.1.2. If the member is married at the time of the former spouse election, a reasonable attempt must be made to notify the spouse of the member's election for the former spouse. Note: The failure to retain evidence that the spouse was notified of an election for coverage for a former spouse will not invalidate the former spouse election.

6.2.2. Former Spouse Elections When the Member Becomes Eligible to Participate.

6.2.2.1. A member who has a former spouse and/or dependent child when becoming eligible to participate may elect former spouse or former spouse and child coverage provided the child is the result of the member-former spouse marriage.

6.2.2.2. If there is no court order or voluntary written agreement requiring the member to elect former spouse coverage in place at the time the member makes the election, the former spouse's ability to retain former spouse coverage could be affected at a later date.

6.2.3. Former Spouse Elections After the Member Becomes Eligible to Participate but Before the Member Meets Age Requirements.

A member who elected spouse or spouse and child coverage when becoming eligible to participate in the RCSBP, may within one year of the date of the decree of divorce, dissolution, or annulment of that marriage, change that election to provide the RCSBP annuity to the former spouse or the former spouse and child.

6.2.4. Deemed Former Spouse Elections.

Upon written request of a former spouse or their legal representative, the Secretary concerned may deem an election for former spouse coverage when a member is ordered by a court or voluntarily enters into a written agreement, incidental to a proceeding of divorce, dissolution, or annulment, to elect former spouse SBP coverage, and the agreement has been incorporated in, or ratified or approved by the court, and the member fails or refuses to make the election. The provisions for deemed former spouse elections for SBP coverage contained in Chapter 43, paragraph 5.2 apply to RCSBP deemed former spouse elections.

6.3 Electing Spouse Coverage Upon Death of Covered Former Spouse

In accordance with Section 1448(b) of Title 10, U.S.C., as amended by Section 641 of Public Law (PL) 114-92, a retiree who is participating in SBP or RC-SBP with former spouse coverage, may, upon the death of that former spouse, elect to cover his or her spouse under certain conditions described in subparagraph 6.4.1 through 6.4.3.

6.3.1. Remarried Before Death of Former Spouse on or After November 25, 2015.

6.3.1.1. If the covered participant was married to a new spouse before the death of his or her former spouse, the participant may elect to cover his or her spouse if the former spouse died on or after November 25, 2015.

6.3.1.2. The election to cover the new spouse must be made by the participant in writing to the Secretary concerned within 1 year of the death of the former spouse. Coverage is not automatic.

6.3.1.3. The covered participant may not change level of coverage already in place.

6.3.1.4. Coverage for the new spouse is effective as of the first day of the first month following the month of the death of the former spouse beneficiary, or the first anniversary of the marriage, whichever is later.

6.3.2. Remarried After Death of Former Spouse on or After November 25, 2015.

6.3.2.1. If the covered participant marries a new spouse after the death of his or her former spouse, the participant may elect to cover his or her spouse if the former spouse died on or after November 25, 2015.

6.3.2.2. The election to cover the new spouse must be made by the participant in writing to the Secretary concerned within 1 year of remarriage. Coverage is not automatic.

6.3.2.3. The covered participant may not change the level of coverage.

6.3.2.4. Coverage for the new spouse is effective as of the first day of the first month following the month in which the election is received by the Secretary concerned, or the first anniversary of the marriage, whichever is later.

6.3.3. Special Provisions When the Former Spouse Died Before November 25, 2015.

6.3.3.1. In the case of a covered participant who was already remarried before November 25, 2015, and whose former spouse beneficiary died before November 25, 2015, there is a 1-year window to designate the new spouse as beneficiary, in accordance with PL 114-92. The enrollment window for such participants ended on November 24, 2016. While the level of coverage was required to remain the same, the effective date of coverage depended on how long the covered participants was married to the new spouse in relation to the death of the former spouse:

6.3.3.1.1. If the covered participant was married to the new spouse for at least 1 year at the time of the death of the former spouse, the effective date of spouse coverage is the first day of the first month after the death of the former spouse.

6.3.3.1.2. If the covered participant married the new spouse within the year immediately before the death of the former spouse, or after the death of the former spouse, the effective date of spouse coverage is the first day of the first month following the first anniversary of the remarriage.

6.3.3.2. If the former spouse died before November 25, 2015, but the covered participant was not yet married to the new spouse as of November 25, 2015, that covered participant has 1 year from the date of marriage to elect coverage for the new spouse. Coverage is not automatic.

*6.4 Regular Recurring Open Season for Enrollment and Discontinuation

From time to time, Congress approves limited “open enrollment periods” during which time persons who are not participating are allowed to enroll in the plan and persons who are participating are allowed to disenroll. There are no regular recurring open season periods. Open seasons must be specifically prescribed by law and each open season is unique to the law

establishing the open season. In the absence of such a legislatively prescribed period, members may only enroll in the plan as specified in this chapter.

The most recent RCSBP open season, which was authorized by ***Section 643 of PL 117-263***, began December 23, 2022, and ended at midnight (EST) on January 1, 2024, and allowed eligible members to participate or discontinue participation. For this open season, an "eligible member" was a retired member or former member who, on December 22, 2022, was entitled to retired pay, or would be entitled to retired pay but for the member or former member being under the eligibility age to receive retired pay.

*6.5 NDAA FY 2023 SBP Open Season for Enrollment

The 2023 SBP Open Season allowed for eligible members who, on December 22, 2022, were not currently participating in SBP or RCSBP to enroll. For a member who enrolled during the SBP Open Season, the law required that the member responsible to pay retroactive SBP premium costs that would have been paid if the member had enrolled at retirement (or enrolled at another earlier date, depending on the member's family circumstances). See the Implementing and Procedural Guidance for Section 643 of PL 117-263, December 23, 2022, Survivor Benefit Plan Open Season, dated March 9, 2023.

Note: The terms "participating" includes those retired members who previously elected to participate in SBP and have not terminated participation in any way allowed under 10 U.S.C. Ch 73), even if they no longer have an eligible beneficiary. This can occur when a beneficiary who was previously elected undergoes a life change. For example, a (previously elected) child beneficiary may reach adulthood, a (previously elected) spouse beneficiary may obtain a divorce, or a (previously elected) beneficiary may die. Unless otherwise terminated under one of the provisions allowed by law (e.g., electing to discontinue participation under the provisions of 10 U.S.C. § 1448a), an SBP participant without an eligible beneficiary is placed in a "suspended" status. As participants (even in a suspended status), such members are not eligible to make an election to enroll during the 2023 open season. Reference: Deputy Assistant Secretary of Defense for Military Personnel Policy memorandum "Clarification of Policy — 2023 Survivor Benefit Plan Open Season" of November 6, 2023.

*6.6 NDAA FY 2023 SBP Open Season for Discontinuation

The 2023 SBP Open Season also allowed eligible members who are currently enrolled in either SBP or RCSBP to permanently discontinue their SBP coverage. The law required the covered beneficiaries to concur on the SBP and RCSBP Open Season Election to Discontinue Participation form in writing with the election to discontinue. Previously paid premiums will not be refunded. If a reserve member discontinued their RCSBP coverage before receiving retired pay, then upon receiving retired pay, they are still responsible for paying premiums for the period in which they had coverage. The cost would be the rate charged based on the member and their beneficiary's age, pro-rated to the amount of time they had RCSBP coverage. See the Implementing and Procedural Guidance for Section 643 of PL 117-263, December 23, 2022, Survivor Benefit Plan Open Season, dated March 9, 2023.

7.0 IRREVOCABLE ELECTIONS AND DISCONTINUED PARTICIPATION

7.1 90-Day Period

Elections filed during the 90-day period referred to in paragraph 4.1 are generally irrevocable unless revoked before the expiration of the 90-day period.

7.2 Exceptions

Exceptions to the general rule on irrevocability occur under the following circumstances:

7.2.1. The member discontinues participation as a totally disabled member as described in Chapter 43, paragraph 7.4.

7.2.2. A mentally incapacitated member is later determined to be mentally competent and revokes or changes the RCSBP election within 180 days after such determination of judgment. See Chapter 43, subparagraph 3.1.3;

7.2.3. The member elected less than maximum coverage without spousal concurrence and the member fails to establish to the Secretary of the Military Department concerned (or designee) that spousal concurrence was not required, either because the spouse's whereabouts cannot be determined or other exceptional circumstances prevent obtaining the spouse's concurrence. In this instance, the member's election is invalid. See subparagraph 5.2.7.1;

7.2.4. The Secretary concerned revokes an election when necessary to correct an administrative error. Revocation or correction based on administrative error is a Secretarial prerogative and, except when procured by fraud, is final and conclusive on all officers of the United States;

7.2.5. A member may change the beneficiary election to provide former spouse coverage or to remove former spouse coverage as described in section 6.0 and Chapter 43, section 6.0; or

7.2.6. The member voluntarily terminates RCSBP coverage for a natural person with an insurable interest who is not a former spouse.

7.3 Changed Retirement Eligibility

If a member elects RCSBP coverage and subsequently becomes eligible for retirement under another law, thereby losing eligibility, the RCSBP election remains effective until the member actually retires under the law. A member may at that time make a new election as any other retiring member.

8.0 PREMIUMS

The Government does not subsidize the cost of providing RCSBP coverage under the immediate or deferred annuity option, but the members and beneficiaries who potentially will benefit

from the coverage share the cost. The cost to the retiree, known as the Reserve Component Premium, is in the form of an additional deduction from his or her retired pay beyond the Standard Premium. The RCSBP, unlike SBP, requires a reduction in the survivor annuity. That reduction, known as the Survivor's Annuity Premium Deduction, begins when the survivor begins to receive an annuity. The Reserve Component Premium and the Survivor's Annuity Premium Deduction increase at the same time and by the same percentage that retired pay increases by cost-of-living adjustments.

9.0 RCSBP COST RATE TABLES

The Actuary provides RCSBP rate tables to reflect military-specific death rates, to include remarriage and divorce rates and to incorporate dynamic actuarial assumptions. The tables are built on a "years younger or older than member" concept. The ages at the nearest birthday to date of election receipt are used. When ages expressed in years are the same, the table is determined by comparing months and days. Note: The tables for child only rates use the ages of the member and child; not years younger or older. If a member elects spouse and child or former spouse and child, the premium is based only on the member and spouse ages in the RCSBP cost tables; i.e., there is no cost for the child coverage.

10.0 CALCULATION OF THE RESERVE COMPONENT PREMIUM AND THE SURVIVOR'S ANNUITY PREMIUM DEDUCTION

10.1 Premium Description

The SBP Premium consists of a Standard Premium, Reserve Component Premium, and a Survivor's Annuity Premium Deduction. The Standard Premium is the reduction in retired pay made to provide coverage for the period after a member becomes entitled to retired pay. The Reserve Component Premium is the reduction in retired pay made for the RCSBP coverage that was already provided while the member awaited the requisite age of entitlement to retired pay. The Survivor's Annuity Premium Deduction is a premium applied to the survivor's annuity for the RCSBP coverage provided while the member awaited the requisite age of entitlement to retired pay. The premiums described in paragraph 10.2 pertain only to the Reserve Component Premium and the Survivor's Annuity Premium Deduction. The method to compute the Standard Premium may be found in Chapter 45. The amount of the Reserve Component Premium depends on the type of beneficiary option elected, the annuity type elected, and the ages of the member and the beneficiary.

10.2 Calculating the Premiums Based on RCSBP Coverage Amount

10.2.1. The member must elect a given dollar amount or full retired pay as the base amount. Convert any dollar election to a percentage of gross retired pay as of the effective date of an election to guarantee full indexing in proportion to member's retired pay.

10.2.2. Address questions to the Actuary about the methods and assumptions used to determine the RCSBP rate in calculating the Reserve Component Premium. Go to ***http://actuary.defense.gov/*** and select "Contact Us" and then "Survivor Benefit Plan."

10.2.3. The following table serves as an example for calculating the premium based on the RCSBP coverage amount:

Information at RCSBP election:	Calculation:
Member's age =	52
Spouse's age =	45
Election type	Option C – Immediate Annuity, Spouse Coverage
Member's elected monthly base amount =	$300.00
Member's estimated current monthly retired pay =	$1,000.00
Ratio =	300/1000 = .30 (30 percent)
Eight years later:	
Member's monthly retired pay at age 60 =	$2,000.00
Member's base amount at age 60 =	.30 (30 percent) x $2,000.00 = $600.00
RCSBP rate from RCSBP table =	.0161
Reserve Component Premium at age 60 =	$9.66 ($600.00 x .0161)
Survivor's Premium rate (determined by Actuary)	.0001
Survivor's Annuity	$330.00 (.55 X $600.00)
Survivor's Annuity Premium	$0.03 (.0001 X $330.00)

10.2.3.1. If the dollar amount elected by the member as the base amount exceeds 100 percent of the member's retired pay on the effective date of the election, the base amount is 100 percent of the monthly retired pay. If the given dollar amount is less than 100 percent of gross retired pay, but greater than $300.00 when computed against the retired pay, use the ratio against the gross retired pay entitlement at age 60, assuming the member has met age and service requirements.

10.2.3.2. To calculate the Reserve Component Premium, multiply the member's base amount at age 60 by the ratio of the elected base/retired pay of .30 (30 percent) and then by the applicable rate from the Actuary RCSBP table for the election and coverage type, here of 1.61 percent. See also subparagraph 10.2.2. The example in subparagraph 10.2.3 provides the member's base amount at age 60 as $600.00 ($2,000.00 x .30). Therefore, the Reserve Component Premium would be computed as follows: $600.00 x .0161 = $9.66.

10.2.3.3. To calculate the Survivor's Annuity Premium Deduction, first multiply the member's base amount by .55 to compute the Survivor's Annuity, next multiply the Survivor's Annuity amount by the rate of .0001. The example in subparagraph 10.2.3 provides the calculation for the survivor's annuity and the survivor's annuity premium. Therefore, the survivor's annuity would be $600 x .55 = $330 and the Survivor's Annuity Premium would be $330.00 x .0001 = $0.03.

11.0 INITIAL PREMIUM AND EFFECTIVE DATE OF THE RESERVE COMPONENT PREMIUM

11.1 Beginning Date

If a member has eligible beneficiaries, the Reserve Component Premium begins on the first day of the month after the member meets the age and service requirements necessary to be entitled to non-regular retired pay even if the member meets those age and service requirements before age 60. The payment of premiums will be required if the member chose Option B or Option C from paragraph 4.2. If the member meets the age and service requirements on the first day of the month, the premium is effective that month. If the member specifies a retirement date which is after the date the member meets age and service requirements, or if the member delays application for retirement, the premium is retroactive to the date that the member meets age and service requirements.

11.2 Member's Death

If a member who elected RCSBP (Option B or Option C) dies before reaching the age required to receive retired pay, the Survivor's Annuity Premium Deduction for the pre-eligibility age coverage begins with the immediate or deferred annuity as an actuarial reduction of the survivor's annuity.

11.3 Coverage Change

In some instances, a member may change the type of coverage before retired pay and premiums begin. See section 6.0 for allowable election changes. The initial premium for election changes is effective on the first day of the month after the member meets age and service requirements (or, if the member meets age and service requirements on the first day of the month, the premium is effective that month).

12.0 RESERVE COMPONENT PREMIUM

12.1 Changes in Reserve Component SBP Coverage

A change in the type of Reserve Component SBP coverage elected can impact the Reserve Component Premium that will be deducted from a member's retired pay. There are an extensive number of possible changes available under the law depending on changes to a member's individual family circumstances. The most prevalent election options and changes, and the impact of those elections and changes are reflected in Tables 54-1 and 54-2. Note: The premium deduction rules reflected on those tables pertain only to the Reserve Component Premiums.

12.2 RCSBP Premium Deductions

The Reserve Component Premiums are the deductions from the member's retired pay that are made for RCSBP coverage provided while the member waits to attain the requisite age necessary to become entitled to retired pay. Tables 54-1 and 54-2 do not reflect the Standard

Premium which is the reduction in the member's retired pay made to provide coverage for the period after a member becomes entitled to retired pay. Chapter 45 provides the method to compute the Standard Premium. The tables also do not reflect the Survivor's Annuity Premium Deduction which is a further premium applied to the survivor's annuity for the RCSBP coverage provided while the member awaited the requisite age of entitlement to retired pay.

12.3 RCSBP Premium Deductions for Qualifying Reservist Retired Pay Before Age 60

Pursuant to ***10 U.S.C. § 12731(f)***, after January 28, 2008, the eligibility age for non-regular retiree's to receive retired pay may be reduced below 60 years of age. When this happens, a reduction factor at Figure 54-1 is applied to the RCSBP premium. See also Chapter 1, subparagraph 3.8.6.

13.0 DEATH OF MEMBER ON INACTIVE DUTY TRAINING (IDT)

Effective December 23, 2016, section 642 of the NDAA for FY 2017 amended 10 U.S.C. §§ 1448, 1450, and 1451. The amendments changed the calculation of SBP annuities paid to the survivors of Reserve Component members who die in the "line of duty" while performing IDT to align that benefit with the annuity paid to the survivors of Reserve Component members who die on active duty. Additionally, the amendments allow the payment of an RCSBP annuity in certain circumstances to dependent children of covered Reserve Component members who die in the line of duty on IDT or after completing the years of service required for a non-regular retirement and clarifies how retired pay is calculated for those Reserve Component members who die after completing the years of service but prior to notification or prior to electing RCSBP coverage. See also Table 54-3 and Table 54-4.

13.1 Entitlement

A Reserve Component member who dies from injuries or illness incurred or aggravated while performing IDT in which the death is determined to have occurred in the line of duty is entitled to automatic coverage under the SBP program whether or not the member is retirement eligible.

13.1.1. Death in the Line of Duty

13.1.1.1. The Secretary concerned will make a written determination as to whether the member's death occurred while in the line of duty while performing IDT. A member who is determined to have died in the line of duty is one who is in an authorized duty status and whose death is determined not to be the result of his or her own intentional misconduct or willful negligence. A member is considered to be in a duty status as set forth in ***37 U.S.C. § 204(g)(1)***. The finding must describe the circumstances under which the member died.

13.1.1.2. In accordance with PL 114-328, the survivor of a Reserve Component member who died in the line of duty while performing IDT will receive an RCSBP annuity calculated as if the member was a fully-disabled retiree on the date of his or her death. Survivors of Reserve Component members who died in the line of duty on IDT prior to December 23, 2016, are entitled to prospective recalculation of future benefits beginning December 23, 2016, or the date the survivor annuity commenced, whichever is later. Note: These calculations are not retroactive for any payments made prior to December 23, 2016.

13.1.2. Not in the Line of Duty Death Prior to Retirement Eligibility. The death of a Reserve Component member who is not retirement eligible and whose death is determined to have occurred "not in the line of duty" does not qualify under this section.

13.1.3. Not in the Line of Duty Death After Retirement Eligibility But Before Notification. The survivor of a Reserve Component member whose death is determined to have occurred "not in the line of duty," and who had completed 20 qualifying years of satisfactory service but had not yet been notified of such completion as required by 10 U.S.C. §12731(d), is eligible for an RCSBP annuity. The annuity is computed based upon that member's or former member's years of service in accordance with 10 U.S.C. § 12733.

13.1.4. Not in the Line of Duty Death Within 90 Days of Notification. The survivor of a Reserve Component member whose death is determined to have occurred "not in the line of duty" after completing 20 qualifying years of satisfactory service and within 90 days of notification of such completion as required by 10 U.S.C. § 12731(d) but before making an RCSBP election is eligible for an SBP annuity. The annuity is computed based upon that former member's years of service in accordance with 10 U.S.C. § 12733.

13.2 Qualified Annuitants

In order of precedence, qualified annuitants are former spouse by court order, current spouse, and children.

13.2.1. Former Spouse by Court Order. The annuity is payable to the former spouse if the member was required under a court order or spousal agreement to provide an annuity to the former spouse upon becoming eligible to participate in the RCSBP or if the member has made an election to provide an annuity to the former spouse. No deemed election under subparagraph 6.2.4 is necessary.

13.2.2. Surviving Spouse. The annuity is payable to the current surviving spouse unless the annuity is payable to the former spouse.

13.2.3. Dependent Children

13.2.3.1. In the case the surviving spouse becomes ineligible to receive an annuity, the Secretary concerned may pay an annuity to the dependent children of that person under 10 U.S.C. §§ 1448(f)(2) and 1450(a)(2).

13.2.3.1.1. For deaths occurring prior to December 23, 2016, dependent children were not considered eligible annuitants if a surviving spouse lost entitlement to an annuity for a reason other than death. Note: Pursuant to NDAA FY 2017 and PL 114-328, December 23, 2016, dependent children became eligible annuitants if the surviving spouse lost entitlement to an annuity for reasons other than death.

13.2.3.1.2. For deaths occurring on or after December 23, 2016, if the annuity was suspended because the spouse became ineligible due to remarriage, that annuity may resume and be paid to a dependent child or children, if any. These payments may resume no sooner than December 23, 2016, or the date the annuity suspended, whichever is later.

13.2.3.2. If, in consultation with an eligible surviving spouse who has an eligible dependent child or children, the Secretary concerned determines it is more appropriate for the dependent child or children to receive the RCSBP annuity rather than the surviving spouse, the RCSBP annuity may be paid directly to a dependent child or children in lieu of payment to the eligible spouse.

13.3 Line of Duty Determination

The Secretary concerned will make a written determination as to whether the member's death occurred while in the line of duty while performing IDT. For the purpose of determining eligibility for SBP benefits, a service member's death will be generally considered being in the line of duty unless:

13.3.1. The death occurred while the member was not serving on IDT;

13.3.2. The death was the result of the member's own intentional misconduct or willful negligence; or

13.3.3. The death occurred from injuries or illness incurred or aggravated during a period of unauthorized absence.

14.0 ANNUITY AMOUNT

14.1 General

14.1.1. RCSBP Annuity. Compute the amount of RCSBP annuity payable to a surviving spouse, former spouse, or dependent child beneficiary in the same manner as the SBP (see Chapter 46) except that the annuity amount is 55 percent of the difference between the base amount and the cost of the Survivor's Annuity Premium Deduction. Compute the monthly annuity for a natural person with an insurable interest or former spouse (insurable interest category) as 55 percent of the member's retired pay as reduced by both the Insurable Interest premium (which continues for the lifetime of the annuitant) and the Survivor's Annuity Premium Deduction. The Actuary determines amount of the Survivor's Annuity Premium Deduction. See section 10.0. Round monthly RCSBP annuities, if not a multiple of $1.00, to the next lower multiple of $1.00.

14.1.1.1. If a member dies before attaining the eligibility age applicable to that member to begin receiving retired pay and elected the immediate annuity option, Option C, the initial annuity amount is payable beginning immediately following death and is computed on the basis of what the member's retired pay would have been on the date of the member's death using the basic pay rates on that date. Note: If a member retires before age 60 pursuant to 10 U.S.C. § 12731, and subsequently dies before what would have been his 60th birthday, the initial annuity amount is payable beginning immediately following death.

14.1.1.2. If a member dies before attaining the eligibility age applicable to that member to begin receiving retired pay and elected the deferred annuity option, Option B, the initial annuity amount is payable beginning the first day of the month following the date the member would have attained the age of 60. Compute the initial annuity amount based on the retired pay the member would have received at age of eligibility.

14.1.2. RCSBP Annuity - Death in Line of Duty. An annuity paid to the survivor of a member who died or who dies in the line of duty while performing IDT will be 55 percent of the retired pay the member was or would have been entitled to on the day the member died, computed as if the member was retired with a total (100 percent) disability under 10 U.S.C. § 1201.

14.1.3. Age 62 Offset. Prior to March 31, 2008, a spouse or former spouse incurred a reduction of RCSBP at age 62 because of entitlement to Social Security benefits. The age 62 offset was eliminated effective April 1, 2008.

14.2 Eligible Annuitants and Amounts

14.2.1. Spouse or Former Spouse. See Chapter 46, Table 46-1. The RCSBP annuity may be less than 55 percent, depending on the Survivor's Annuity Premium Deduction, which is deducted in determining the annuity amount.

14.2.2. Children Only. If there is more than one eligible child, pay the annuity in equal shares. The annuity for children is not subject to Dependency and Indemnity Compensation (DIC) offset.

14.2.3. Spouse and Child or Former Spouse and Child. Pay annuity to the spouse or former spouse, as long as eligibility exists. If the surviving spouse or former spouse loses eligibility due to death or remarriage before age 55, or otherwise become ineligible, pay the annuity to the child annuitants. A former spouse and child election includes only the children of the member's marriage to the former spouse. See also Chapter 42 for definition of a surviving spouse.

14.2.4. Natural Person With an Insurable Interest. The annuity is payable only to the natural person with an insurable interest as designated by or on behalf of the member. The annuity is not transferable to another person.

14.3 Payment of Annuity

The provisions in Chapter 46 for making annuity payments to representative payees also apply to the RCSBP program.

15.0 OFFSETS TO THE ANNUITY

See Chapter 46 for DIC offsets paid to a surviving spouse by the Department of Veteran Affairs. Public Law (PL) 116-92, Section 622 of the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2020, signed into law on December 20, 2019, amended 10 U.S.C. § 1450(c). This legislation created a multi-year phase out of the SBP-Dependency Indemnity Compensation (DIC) offset, beginning in FY 2021. Note: The information in Chapter 46, excluding the minimum-income annuitant material, applies to the RCSBP annuitant.

16.0 TAXABILITY OF ANNUITY

The provisions of Chapter 46 regarding the taxability of annuities also apply to annuities under RCSBP.

Figure 54-1. RCSBP Reduction Factors

Age	Spouse	Child
59	.8516	.8739
58	.7216	.7635
57	.6080	.6657
56	.5097	.5803
55	.4259	.5052
54	.3554	.4402
53	.2967	.3835
52	.2477	.3340
51	.2066	.2904
50	.1722	.2516

Table 54-1. Reserve Component Premiums for Spouse, Former Spouse, and Child Only Coverage

The Premium deduction rules reflected on this table pertain only to the Reserve Component Premiums. The Reserve Component Premiums are the deductions from the member's retired pay that are made for RCSBP coverage provided while the member waited to attain the requisite age necessary to become entitled to retired pay. This table does not reflect the Standard Premium which is the reduction in the member's retired pay made to provide coverage for the period after a member becomes entitled to retired pay. The method to compute the Standard Premium may be found in Chapter 45. This table also does not reflect the Survivor's Annuity Premium Deduction which is a further premium applied to the survivor's annuity for the RCSBP coverage provided while the member awaited the requisite age of entitlement to retired pay. The method to compute the Survivor's Annuity Premium Deduction may be found in section 10.0.

RULE	If the member made the below listed RCSBP election (Options B or C) when first eligible to participate in the RCSBP	and at the time the member met the age and service requirements to become actually entitled to receive retired pay, the below listed condition also existed:	then the below listed Reserve Component Premium deductions will be made from the member's retired pay:
1	Spouse Coverage	the spouse upon whom the initial election was based is still an eligible spouse beneficiary	full spouse premium deductions will be made until the earlier of: (a) the first day of the month in which the spouse is no longer eligible due to death, divorce, or annulment; or (b) the first day of the month following the month in which the member has retired pay reduced for a total of 360 months.
2	Spouse Coverage	the spouse upon whom the initial election was based is no longer an eligible beneficiary due to death	no spouse premium deductions will be made for spouse coverage previously provided before the spouse died, subject to Note 1 where the member remarried.

Table 54-1. Reserve Component Premiums for Spouse, Former Spouse, and Child Only Coverage (Continued)

RULE	If the member made the below listed RCSBP election (Options B or C) when first eligible to participate in the RCSBP	and at the time the member met the age and service requirements to become actually entitled to receive retired pay, the below listed condition also existed:	then the below listed Reserve Component Premium deductions will be made from the member's retired pay:
3	Spouse Coverage	the spouse upon whom the initial election was based is no longer an eligible spouse beneficiary due to divorce or annulment	no spouse premium deductions will be made for the period that spouse RCSBP coverage was previously provided before the marriage ended; subject to Notes 1 where the member remarried and Note 2 where former spouse coverage is elected.
4	Former Spouse Coverage	the former spouse upon whom the initial election was based is still an eligible former spouse beneficiary	full former spouse premium deductions will be made until the earlier of : (a) the first day of the month in which the former spouse is no longer eligible due to death, (b) the first day of the month in which the former spouse coverage is suspended due to remarriage before age 55, or (c) the first day of the month following the month in which the member has retired pay reduced for a total of 360 months. Note 3.
5	Former Spouse Coverage	the former spouse upon whom the initial election was based is no longer an eligible beneficiary due to death	no former spouse premium deductions will be made for the former spouse coverage previously provided before the former spouse died. Note 4.

Table 54-1. Reserve Component Premiums for Spouse, Former Spouse, and Child Only Coverage (Continued)

RULE	If the member made the below listed RCSBP election (Options B or C) when first eligible to participate in the RCSBP	and at the time the member met the age and service requirements to become actually entitled to receive retired pay, the below listed condition also existed:	then the below listed Reserve Component Premium deductions will be made from the member's retired pay:
6	Former Spouse Coverage	coverage for the former spouse upon whom the initial election was based was suspended due to remarriage before age 55	former Spouse premium deductions for the period that former spouse coverage was previously provided are suspended. No premium deductions are made during the period of suspension. Note 5.
7	Spouse and Child or Former Spouse and Child	the spouse or former spouse upon whom the initial election was based is no longer an eligible beneficiary	no spouse or former spouse premium will be deducted. Child premiums will be deducted. Child premiums will be deducted based on the ages of the member and youngest child at the time the spouse coverage was suspended until the earlier of: (a) the first day of the month in which all children for whom RCSBP child only coverage was previously provided are no longer eligible due to death, or (b) the first day of the month following the month in which the member has retired pay reduced for a total of 360 months. Note 6.

Table 54-1. Reserve Component Premiums for Spouse, Former Spouse, and Child Only Coverage (Continued)

RULE	If the member made the below listed RCSBP election (Options B or C) when first eligible to participate in the RCSBP	and at the time the member met the age and service requirements to become actually entitled to receive retired pay, the below listed condition also existed:	then the below listed Reserve Component Premium deductions will be made from the member's retired pay:
8	Child Only Coverage	the member has any child who is still an eligible child beneficiary	child premium deductions will be made until the earlier of: (a) the first day of the month in which all of the children for whom RCSBP child only coverage was previously provided are no longer eligible due to death, or (b) the first day of the month following the month in which the member has retired pay reduced for a total of 360 months. Note 6.
9	Child Only Coverage	the member has no living children for whom RCSBP coverage was provided	no child premium deductions will be made for the RCSBP child only coverage previously provided before the child(ren) died.

Table 54-1. Reserve Component Premiums for Spouse, Former Spouse, and Child Only Coverage (Continued)

RULE	If the member made the below listed RCSBP election (Options B or C) when first eligible to participate in the RCSBP	and at the time the member met the age and service requirements to become actually entitled to receive retired pay, the below listed condition also existed:	then the below listed Reserve Component Premium deductions will be made from the member's retired pay:
10	Child Only Coverage	all of the member's children have lost eligibility due to age or marriage	child premium deductions will be made until the earlier of: (a) the first day of the month in which all of the children for whom RCSBP child only coverage was previously provided are no longer eligible due to death, or (b) the first day of the month following the month in which the member has retired pay reduced for a total of 360 months. Note 6.

NOTES:

(a) If the member subsequently remarried (i.e., acquired a subsequent spouse) before meeting the age and service requirements to become actually entitled to receive retired pay and spouse coverage was established for the subsequent spouse, full spouse premium deductions will be made in accordance with Rule (1) in Table 54-1. The premium rate is based on the ages of the member and the spouse for whom the initial election is made. If the base amount was increased, the premium rate is applied against the increased base amount.

(b) If, after the divorce from the spouse upon whom the initial election was based, former spouse coverage is elected by the member (or deemed to be elected by the former spouse) before the member meets the age and service requirements to become actually entitled to receive retired pay, full former spouse premium deductions will be made from the member's retired pay in accordance with Rule (4) in Table 54-1.

Table 54-1. Reserve Component Premiums for Spouse, Former Spouse, and Child Only Coverage (Continued)

(c)If premiums are suspended because the former spouse loses eligibility due to remarriage before age 55, in the event that marriage ends due to death or divorce, the former spouse regains eligibility and deductions will be restarted and made until the earlier of (a) the first day of the month in which the former spouse is no longer eligible due to death; (b) the first day of the month that the former spouse coverage is suspended again due to remarriage before age 55; or (c) the first day of the month following the month in which the member has retired pay reduced for a total of 360 months.

(d) If, after the former spouse died and before the time the member met the age and service requirements to become actually entitled to receive retired pay, the member had a spouse for whom and spouse coverage was established, full spouse premium deductions will be made from the member's retired pay for the spouse in accordance with Rule 1.

(e)If premiums are suspended because the former spouse lost eligibility due to remarriage before age 55, in the event that the former spouse's marriage ends due to death or divorce, the former spouse regains eligibility and deductions will be started and made until the earlier of (a) the first day of the month in which the former spouse is no longer eligible due to death; (b) the first day of the month that the former spouse coverage is suspended again due to remarriage before age 55; or (c) the first day of the month following the month in which the member has retired pay reduced for a total of 360 months.

(f) As long as one of the children for whom RCSBP coverage was provided is still living, premium deductions will be made until member has retired pay reduced for a total of 360 months. The child only deductions are made even after the child(ren)'s eligibility is lost due to age or marriage. See the "Special Rule for Certain RCSBP Participants" in 10 U.S.C. § 1452(b)(3). If a member acquires a new youngest child, the original Reserve Component Premium will remain.

Table 54-2. Reserve Component Premiums for Insurable Interest Coverage

The Premium deduction rules reflected on this table pertain only to the Reserve Component Premiums. The Reserve Component Premiums are the deductions from the member's retired pay that are made for RCSBP coverage provided while the member waits to attain the requisite age necessary to become entitled to retired pay. This table does not reflect the Standard Premium which is the reduction in the member's retired pay made to provide coverage for the period after a member becomes entitled to retired pay. The method to compute the Standard Premium may be found in Chapter 45. This table also does not reflect the Survivor's Annuity Premium Deduction which is a further premium applied to the survivor's annuity for the RCSBP coverage provided while the member awaited the requisite age of entitlement to retired pay. The method to compute the Survivor's Annuity Premium Deduction may be found in section 10.0.

RULE	If the member made the below listed RCSBP election (Options B or C) when first eligible to participate in the RCSBP	and at the time the member met the age and service requirements to become actually entitled to receive retired pay, the below listed condition also existed:	and after the member started to receive retired pay, the below listed condition occurs:	then the below listed Reserve Component Premium deductions will be made from the member's retired pay:
1	Insurable Interest Coverage	the insurable interest beneficiary upon whom the initial election was based is still an eligible insurable interest beneficiary	no changes are made to the insurable interest coverage	full insurable interest premium deductions will be made until the earlier of: (a) the first day of the month in which the insurable interest beneficiary dies, or (b) the first day of the month following the month in which the member has retired pay reduced for a total of 360 months.

Table 54-2. Reserve Component Premiums for Insurable Interest Coverage (Continued)

RULE	If the member made the below listed RCSBP election (Options B or C) when first eligible to participate in the RCSBP	and at the time the member met the age and service requirements to become actually entitled to receive retired pay, the below listed condition also existed:	and after the member started to receive retired pay, the below listed condition occurs:	then the below listed Reserve Component Premium deductions will be made from the member's retired pay:
2	Insurable Interest Coverage	the insurable interest beneficiary upon whom the initial election was based is still an eligible insurable interest beneficiary	the insurable interest beneficiary dies	full insurable interest premium deductions will be made until the earlier of: (a) the first day of the month in which the insurable interest beneficiary dies, or (b) the first day of the month following the month in which the member has retired pay reduced for a total of 360 months.

Table 54-2. Reserve Component Premiums for Insurable Interest Coverage (Continued)

RULE	If the member made the below listed RCSBP election (Options B or C) when first eligible to participate in the RCSBP	and at the time the member met the age and service requirements to become actually entitled to receive retired pay, the below listed condition also existed:	and after the member started to receive retired pay, the below listed condition occurs:	then the below listed Reserve Component Premium deductions will be made from the member's retired pay:
3	Insurable Interest Coverage	the insurable interest beneficiary upon whom the initial election was based is still an eligible insurable interest beneficiary	the member voluntarily elected to terminate/discontinue insurable interest coverage under 10 U.S.C. § 1448(b)(1)(B)	full insurable interest premium deductions will be made until the earlier of: (a) the first day of the month in which the insurable interest beneficiary dies, or (b) the first day of the month following the month in which the member has retired pay reduced for a total of 360 months.

Table 54-2. Reserve Component Premiums for Insurable Interest Coverage (Continued)

RULE	If the member made the below listed RCSBP election (Options B or C) when first eligible to participate in the RCSBP	and at the time the member met the age and service requirements to become actually entitled to receive retired pay, the below listed condition also existed:	and after the member started to receive retired pay, the below listed condition occurs:	then the below listed Reserve Component Premium deductions will be made from the member's retired pay:
4	Insurable Interest Coverage	the insurable interest beneficiary upon whom the initial election was based is still an eligible insurable interest beneficiary	the member voluntarily elects to change the insurable interest election to provide an annuity to a spouse or dependent child under 10 U.S.C. § 1450(f).	full insurable interest premium deductions will be made until the earlier of: (a) the first day of the month following the month in which the member voluntarily elects to change the insurable interest election to provide an annuity to a spouse or dependent child under 10 U.S.C. § 1450(f), or (b) the first day of the month following the month in which the member has retired pay reduced for a total of 360 months.

Table 54-2. Reserve Component Premiums for Insurable Interest Coverage (Continued)

RULE	If the member made the below listed RCSBP election (Options B or C) when first eligible to participate in the RCSBP	and at the time the member met the age and service requirements to become actually entitled to receive retired pay, the below listed condition also existed:	and after the member started to receive retired pay, the below listed condition occurs:	then the below listed Reserve Component Premium deductions will be made from the member's retired pay:
5	Insurable Interest Coverage	the insurable interest beneficiary upon whom the initial election was based is no longer an eligible beneficiary due to death	no subsequent changes are made to the insurable interest coverage	no insurable interest premium deductions will be made for the RCSBP insurable interest coverage previously provided before the insurable interest beneficiary died.

Table 54-2. Reserve Component Premiums for Insurable Interest Coverage (Continued)

RULE	If the member made the below listed RCSBP election (Options B or C) when first eligible to participate in the RCSBP	and at the time the member met the age and service requirements to become actually entitled to receive retired pay, the below listed condition also existed:	and after the member started to receive retired pay, the below listed condition occurs:	then the below listed Reserve Component Premium deductions will be made from the member's retired pay:
6	Insurable Interest Coverage	the insurable interest beneficiary upon whom the initial election was based is no longer an eligible beneficiary because the member voluntarily elected to terminate/discontinue insurable interest coverage under 10 U.S.C. § 1448(b)(1)(B)	blank	prorated insurable interest premium deductions will be made until the earlier of: (a) the first day of the month in which the insurable interest beneficiary dies, or (b) the first day of the month following the month in which the member has retired pay reduced for a total of 360 months. The deductions will be prorated based on the number of months that coverage was in effect in accordance with the Note.

Table 54-2. Reserve Component Premiums for Insurable Interest Coverage (Continued)

RULE	If the member made the below listed RCSBP election (Options B or C) when first eligible to participate in the RCSBP	and at the time the member met the age and service requirements to become actually entitled to receive retired pay, the below listed condition also existed:	and after the member started to receive retired pay, the below listed condition occurs:	then the below listed Reserve Component Premium deductions will be made from the member's retired pay:
7	Insurable Interest Coverage	the insurable interest beneficiary upon whom the initial election was based is no longer an eligible beneficiary because the member voluntarily elected to change the insurable interest election to provide an annuity to a spouse or dependent child under 10 U.S.C. § 1450(f)	blank	premiums will be deducted for the spouse or dependent child coverage that was elected under 10 U.S.C. § 1450(f). The premiums will be established in accordance with Table 54-1 and will be based on the ages of the member, spouse and/or child at the time the coverage is elected. Additionally, deduction for Insurable Interest coverage will be deducted and prorated based on the number of months that coverage was in effect in accordance with the Note.

Table 54-2. Reserve Component Premiums for Insurable Interest Coverage (Continued)

Note: An RCSBP participant who voluntarily terminates coverage for a natural person with an insurable interest (not a former spouse) before the member meets the age and service requirements to become actually entitled to receive retired pay, will pay a prorated Reserve Component Premium based on the number of months for which coverage was effective. To calculate the prorated premium, multiply the original RCSBP rate by the number of full months during which the member had coverage, dividing the result by the number of full months the member would have had coverage if coverage had not terminated before age 60. The result, rounded to 4 decimal places, will serve as the member's prorated Reserve Component Premium.

Revised RCSBP Rate	=	Original RCSBP Rate	x	No. of months member had pre-age 60 coverage	÷	No. of months member would have had pre-age 60 coverage

Table 54-3. RCSBP – General Information

RULE	A reservist who is	and dies in the line of duty, then	dies not in the line of duty, then
1	serving on Active Duty with fewer than 20 creditable years of service	the RCSBP annuity is calculated as if the member is totally disabled in accordance with 10 U.S.C. § 1201, or	the member is not eligible to participate in the RCSBP.
2	serving on Active Duty with more than 20 creditable years of service	the RCSBP annuity is calculated as if the member is totally disabled in accordance with 10 U.S.C. § 1201, or	the RCSBP annuity is calculated based on years of active service in accordance with 10 U.S.C. § 1451 (c)(1)(A)(ii).
3	serving on Inactive Duty with fewer than 20 creditable years of service	the RCSBP annuity is calculated as if the member is totally disabled in accordance with 10 U.S.C. § 1201, or	the member is not eligible to participate in the RCSBP.
4	serving on Inactive Duty with more than 20 creditable years of service	the RCSBP annuity is calculated as if the member is totally disabled in accordance with 10 U.S.C. § 1201, or	the RCSBP annuity is calculated based on years of active service in accordance with 10 U.S.C. § 12733.

Table 54-4. Reservist Who Dies Not in the Line of Duty or Not in a Duty Status

RULE	If a reservist, who is not in the line of duty or not in a duty status, dies	and	then
1	after completing 20 years of service	has not yet received a letter of notification of eligibility to retire (NOE),	the RCSBP annuity is calculated based on years of active service in accordance with 10 U.S.C. § 12733.
2	after completing 20 years of service	within 90 days of receiving NOE, has not yet elected RCSBP coverage,	the RCSBP annuity is calculated based on years of active service in accordance with 10 U.S.C. § 12733.
3	after completing 20 years of service	received NOE and elected to participate in RCSBP,	the RCSBP annuity is calculated based on years of active service in accordance with 10 U.S.C. § 12733.
4	having not yet completed 20 years of service	blank	the member is not eligible to participate in RCSBP.

*REFERENCES

CHAPTER 54 - RESERVE COMPONENT SURVIVOR BENEFIT PLAN (RCSBP)

2.0 - DEFINITIONS OF SPECIALIZED TERMS

2.1	10 U.S.C. § 1447(6)(B) 10 U.S.C. § 101(c) 10 U.S.C. Chapter 1223

3.0 - ELIGIBLE BENEFICIARIES

	10 U.S.C. § 1450
3.1.1	Manuscript (MS) Comptroller (Comp) General (Gen) B-195349, January 10, 1980 Defense Office of Hearings and Appeals Claims Case No. 96070219 (1997) MS Comp Gen B-229248, December 19, 1989
3.1.2	10 U.S.C. § 1447(7),(8) 10 U.S.C. § 1448(a)(5) DoD Instruction (DoDI) 1332.42, Subsection 4.4.b, and 4.4.c, December 30, 2020
3.1.3	10 U.S.C. § 1447(7),(8) DoDI 1332.42, Subsections 4.4.d and 4.4.a.(4), December 30, 2020
3.2	10 U.S.C. § 1448(a)(5) 10 U.S.C. § 1448(a)(2)(B) 10 U.S.C. § 1450(f)(1)
3.3.1	10 U.S.C. § 1448(b)(2)
3.3.2	10 U.S.C. § 1448(b)(3)
3.3.3	10 U.S.C. § 1448, Note
3.4	10 U.S.C. §§ 1448, 1450, 1447(7)

4.0 - ELECTION TO PARTICIPATE

4.1	10 U.S.C. § 1448(a)(2)(B) PL 106-398, section 655, October 30, 2000
4.2	10 U.S.C. § 1448(a)(2)(B) 10 U.S.C. § 1448(e) DoDI 1332.42, Section 4.3, December 30, 2020
4.3	10 U.S.C. § 1447(6)(B)
4.4	10 U.S.C. § 1448(a)(5)
4.5	10 U.S.C. §1448(b) Comp Gen, B-179465, July 19, 1974

REFERENCES (Continued)

5.0 - ELECTION DATA

5.1	DoDI 1332.42, Subsection 1.3.b.(4), December 30, 2020
5.2.4	10 U.S.C. § 1448(e)
5.2.7	10 U.S.C. § 1448(a)(3)(B) DoDI 1332.42, Subsection 4.2.a, December 30, 2020 PL 106-398, section 655, October 30, 2000
5.2.7.3	DoDI 1332.42, Subsection 5.1.d, December 30, 2020
5.2.7.3.1	10 U.S.C. § 1448(b)(2)-(3) DoDI 1332.42, Subsection 5.3.a, December 30, 2020
5.2.7.3.2	10 U.S.C. § 1450(f)(3) DoDI 1332.42, Subsection 5.3(b), December 30, 2020

6.0 - CHANGES IN ELECTION AND COVERAGE

6.1	10 U.S.C. § 1448(a)(5) DoDI 1332.42, Subsection 4.4(c), December 30, 2020
6.1.1.	DoDI 1332.42, Subsection 4.4.d. and 4.4.e, December 30, 2020 10 U.S.C. §§ 1448(a)(6) and 1448(g)
6.1.2.	10 U.S.C. §§ 1448(a)(6) and 1448(g) DoDI 1332.42, Subsection 4.4.b.(3), December 30, 2020
6.1.2.1	DoDI 1332.42, Subsection 4.4. d(1)-(c), 4.4.a.(4), 3.1.d.(2), December 30, 2020
6.1.2.2	DoDI 1332.42, Subsection 4.4. d.(1)(d), December 30, 2020 10 U.S.C. § 1448(a)(2)
6.1.3.	DoDI 1332.42, Subsection 4.4.e.(2), December 30, 2020
6.1.5	10 U.S.C. § 1448(a)(6)
6.1.6	10 U.S.C. § 1450(f)
6.1.7	10 U.S.C. § 1450(f)
6.2	10 U.S.C. § 1450(f)(2)
6.2.1.1	10 U.S.C. § 1448(b)(2)(B)
6.2.2.1	10 U.S.C. § 1448(b)(2)

REFERENCES (Continued)

6.2.2.2	10 U.S.C. § 1450(f)(1)
6.2.3.1	10 U.S.C. § 1448(b)(3)
6.3	10 U.S.C. § 1448(b)(1)(A) 10 U.S.C. §1451(b)
6.4	DoDI 1332.42, Section 4.5, December 30, 2020 PL 117-263 Section 643, December 23, 2022

7.0 - IRREVOCABLE ELECTIONS AND DISCONTINUED PARTICIPATION

7.1	10 U.S.C. § 1448(a)(4)(B)
7.2.2	10 U.S.C. § 1449
7.2.4	10 U.S.C. § 1454
7.2.6	10 U.S.C. § 1448(b)(1)(B)

8.0 - PREMIUMS

10 U.S.C. §§ 1451, 1452
DoDI 1332.42, Section 9, December 30, 2020
10 U.S.C. § 1452(h)

9.0 - RCSBP COST RATE TABLES

9.1	DoDI 1332.42, Section 9, December 30, 2020

10.0 - CALCULATION OF THE RESERVE COMPONENT PREMIUM AND THE SURVIVOR'S ANNUITY PREMIUM DEDUCTION

10.1	10 U.S.C. §§ 1451, 1452 PL 101-189, section 1402, November 29, 1989
10.2	10 U.S.C. §§ 1451, 1452 PL 101-189, section 1402, November 29, 1989

11.0 - INITIAL PREMIUM AND EFFECTIVE DATE OF THE RESERVE COMPONENT PREMIUM

DoDI 1332.42, Section 9, December 30, 2020

12.0 - RESERVE COMPONENT PREMIUM

DoDI 1332.42, Section 9, December 30, 2020
10 U.S.C. § 1448(b)
10 U.S.C. § 1450(b)
10 U.S.C. § 1452(a)
10 U.S.C. § 12731(f)

REFERENCES (Continued)

13.0 - DEATH OF MEMBER ON INACTIVE DUTY TRAINING (IDT)

PL 114-328, section 642, December 23, 2016
10 U.S.C. § 1448
10 U.S.C. § 1450
10 U.S.C. § 1451
Assistant Secretary of Defense Memorandum, April 26, 2017, Subject: Amendments to Survivor Benefit Plan for Reserve Component Members

13.1.4 10 U.S.C. § 12731

14.0 - ANNUITY AMOUNT

14.1 DoDI 1332.42, Subsection 9.1.d, December 30, 2020
DoDI 1332.42, Section 10, December 30, 2020
10 U.S.C. § 1452(c)
DoDI 1332.42, Subsection 10.4.c, December 30, 2020
10 U.S.C. §1451(a)(B)
10 U.S.C. § 1451(f)

14.2 DoDI 1332.42, Section 10, December 30, 2020
10 U.S.C. § 1451

15.0 - OFFSETS TO THE ANNUITY

10 U.S.C. § 1450(c)
10 U.S.C. § 1450(e)

Table 54-1 RESERVE COMPONENT PREMIUMS FOR SPOUSE, FORMER SPOUSE, AND CHILD ONLY COVERAGE

DoDI 1332.42, Section 9, December 30, 2020
10 U.S.C. § 1448(b)
10 U.S.C. § 1450(b)
10 U.S.C. § 1452(a)

REFERENCES (Continued)

Table 54-2. RESERVE COMPONENT PREMIUMS FOR INSURABLE INTEREST COVERAGE

DoDI 1332.42, Section 9, December 30, 2009
10 U.S.C. § 1448(b)
10 U.S.C. § 1450(a)(4)
10 U.S.C. § 1452(c)(3)

Table 54-3 RCSBP – GENERAL INFORMATION

PL 114-328, section 642, December 23, 2016
10 U.S.C. § 1448
10 U.S.C. § 1450
10 U.S.C. § 1451
Assistant Secretary of Defense Memorandum, April 26, 2017, Subject: Amendments to Survivor Benefit Plan for Reserve Component Members

Table 54-4 RESERVIST WHO DIES NOT IN THE LINE OF DUTY OR NOT IN A DUTY STATUS

PL 114-328, section 642, December 23, 2016
10 U.S.C. § 1448
10 U.S.C. § 1450
10 U.S.C. § 1451
Assistant Secretary of Defense Memorandum, April 26, 2017, Subject: Amendments to Survivor Benefit Plan for Reserve Component Members

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 55: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 56: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 57: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 58: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 7B, CHAPTER 59: "VICTIMS OF ABUSE – RETIREMENT-ELIGIBLE MEMBERS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated January 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated chapter and formatting to comply with administrative instructions.	Revision

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CHAPTER 59

VICTIMS OF ABUSE - RETIREMENT-ELIGIBLE MEMBERS

1.0 GENERAL

1.1 Overview

Title 10, United States Code, section 1408(h) (***10 U.S.C. § 1408(h)***) authorizes various benefits for the spouses, former spouses, and dependent child(ren) of retirement-eligible members who lose eligibility for retired pay because of misconduct involving abuse of dependents. Generally, the spouses and former spouses are provided the same rights and benefits that they would have received had there been no abuse and the member had retired under normal circumstances.

1.2 Purpose

This chapter provides policy on benefits and payments of retired pay in compliance with a court order for spouses, former spouses, and dependent child(ren) of the retirement-eligible member or former member. A member or former member, while in the armed forces and after becoming eligible to retire from the armed forces on the basis of years of service, may have his or her eligibility to receive retired pay terminated as a result of misconduct involving abuse of a spouse and/or dependent child.

1.3 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the U.S.C., including Titles 10 and 42. Due to the subject matter in the chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 DEFINITIONS

2.1 Court Order

A court order is:

2.1.1. A final decree of divorce, dissolution, annulment, or legal separation issued by a court;

2.1.2. A court ordered, ratified, or approved property settlement incident to such a decree (including a final decree modifying the terms of a previously issued decree of divorce, dissolution, annulment, or legal separation or a court ordered, ratified, or approved property settlement incident to such previously issued decree); or

2.1.3. A support order, as defined in ***Section 453(p) of the Social Security Act*** and ***42 U.S.C. § 653(p)***, which:

2.1.3.1. Is issued in accordance with the laws of the jurisdiction of that court; and

2.1.3.2. Provides for:

2.1.3.2.1. Payment of child support (as defined in ***42 U.S.C. § 659(i)(2)***);

2.1.3.2.2. Payment of alimony (as defined in 42 U.S.C. § 659(i)(3)); or

2.1.3.2.3. Division of property (including a division of community property), which specifically provides for the payment of an amount, expressed in dollars or as a percentage of disposable retired pay, from the disposable retired pay of a member to the spouse or former spouse of that member.

2.2 Dependent Child

In this chapter, dependent child means an unmarried legitimate child, including an adopted child or stepchild, of the member or former member who is:

2.2.1. Under 18 years of age;

2.2.2. Incapable of self-support because of a mental or physical incapacity that existed before 18 years of age and is dependent on the member or former member for over one-half of the child's support; or

2.2.3. Enrolled in a full-time course of study in an institution of higher education recognized by the Secretary of Defense for the purposes of this subparagraph, is less than 23 years of age and is dependent on the member or former member for over one-half of the child's support.

2.3 Disposable Retired Pay

Disposable retired pay is the total monthly retired pay to which a member is entitled, less amounts which:

2.3.1. Are owed by that member to the United States for previous overpayments of retired pay and for recoupments from entitlement to retired pay as required by law;

2.3.2. Are deducted from the retired pay of such member as a result of forfeitures of retired pay ordered by a court-martial or as a result of a waiver of retired pay required by law in order to receive compensation under Titles 5 or 38 of the U.S.C.;

2.3.3. Are equal to the amount of the member's retired pay under ***10 U.S.C., Chapter 61***, computed using the percentage of the member's disability on:

2.3.3.1. The date when the member was retired; or

2.3.3.2. The date on which the member's name was placed on the temporary disability retired list; or

2.3.4. Are deducted because of an election under ***10 U.S.C., Chapter 73*** to provide an annuity to a spouse or former spouse to whom payment of a portion of such member's retired pay is being made pursuant to a court order under section 2.0.

Note: Public Law (PL) 114-328, section 641, (National Defense Authorization Act, Fiscal Year 2017) and 10 U.S.C. § 1408(a)(4)(B), authorized a new definition of disposable retired pay which applies to divorces that occur after December 23, 2016, where the court awards the former spouse a division of property and the member has not yet retired. The disposable retired pay for these cases will be computed in accordance with Chapter 29, paragraphs 8.2 and 8.3. Since members under Chapter 59 would have been considered retirement eligible but for the court martial and revocation of retired pay, Public Law (PL) 114-328, section 641 will not apply.

2.4 Spouse or Former Spouse

The term spouse or former spouse means the husband or wife, or former husband or wife, respectively, of a member who, on or before the date of a court order, was married to that member.

2.5 Retired Pay

The term retired pay includes retainer pay.

3.0 ELIGIBILITY

3.1 Eligibility

The following individuals are eligible for payments by the Defense Finance and Accounting Service (DFAS):

3.1.1. Spouse or Former Spouse. A spouse or former spouse is eligible if the spouse or former spouse was married to the member for a period of 10 years or more, during which the member performed at least 10 years of service creditable in determining the member's eligibility for retired pay; and

3.1.1.1. Was the victim of the abuse and married to the member or former member at the time of that abuse; or

3.1.1.2. Is a natural or adopted parent of a dependent child of the member or former member who was the victim of the abuse.

3.1.2. Dependent Child. A dependent child is considered eligible if the other parent of the child died because of misconduct that resulted in the termination of the member's retired pay.

3.2 Court Order

3.2.1. The court order must specifically provide for the payment of an amount, expressed in dollars or as a percentage, from the disposable retired pay of a member to the spouse or former spouse of that member. The court order must satisfy the requirements of 10 U.S.C. § 1408(a)(2).

3.2.2. If a court order provides for the payment of child support from the disposable retired pay of a member or former member to an eligible dependent child of the member or former member, then the Secretary of the Military Department concerned (or designee) will:

3.2.2.1. Ensure payment of such amount is made to the dependent child; and

3.2.2.2. Ensure payments to the dependent child begin upon effective service of such court order.

3.3 Court-Martial

If a member of the armed forces receives a sentence by a court-martial that will terminate the member's eligibility to receive retired pay, then the member's eligibility to receive retired pay, as determined by the Secretary of the Military Department concerned (or designee), is terminated effective upon entry of judgment under ***10 U.S.C. § 860c*** (Article 60c of the Uniform Code of Military Justice).

3.4 Civilian Court Conviction

If a member of the armed forces is convicted by a civilian court of a crime involving abuse of a spouse or dependent child(ren), after becoming eligible for retirement on the basis of years of service, and the Secretary of the Military Department concerned (or designee) discharges the member from the armed forces as a result of that civilian court conviction, then the member's eligibility to receive retired pay is terminated effective upon the member's discharge from the armed forces.

4.0 APPLICATION FOR PAYMENT

An eligible spouse or former spouse must apply for payment from the supporting DFAS site in the same manner as an application for former spouse payments from retired pay, as described in Chapter 29, section 4.0.

5.0 CONDITIONS FOR PAYMENT

5.1 Payment

5.1.1. The court or an eligible spouse or former spouse, or an eligible dependent child, of a member or former member of the armed forces, may request the Secretary of the Military Department concerned (or designee) to provide certification of the amount of the monthly retired pay in connection with a civil action for the issuance of a court order.

The Secretary of the Military Department concerned (or designee) will determine and certify the amount of the monthly retired pay (including any cost-of-living increases to retired pay through the date of certification) to which the member or former member would have been entitled on the date of the certification if:

5.1.1.1. The member or former member's eligibility for retired pay had not been terminated as a result of misconduct involving abuse of a spouse or dependent child; and

5.1.1.2. In the case of a member or former member not receiving retired pay immediately before termination of eligibility for retired pay, the member or former member had retired on the effective date of that termination of eligibility.

5.1.2. When certifying retired pay of a member separated for misconduct involving abuse of a dependent, the Secretary of the Military Department concerned (or designee) will ignore reductions in grade and forfeitures of pay or retired pay resulting from the administrative separation or court-martial for the misconduct.

5.1.3. The amount certified by the Secretary of the Military Department concerned (or designee) will be deemed to be the disposable retired pay of the member for the purposes of this provision. The total amount payable under this provision may not exceed 50 percent of such disposable retired pay.

5.1.4. A court order may provide that whenever retired pay is increased under ***10 U.S.C. § 1401a*** (or any other provision of law), the amount payable under the court order to the spouse or former spouse will be increased at that time and by the percent retired pay would have increased if the member or former member were receiving retired pay.

5.1.5. Payments will not be made more frequently than once a month, and the Secretary of the Military Department concerned (or designee) will not be required to vary normal pay and disbursement cycles for retired pay in order to comply with a court order.

5.1.6. If a member's eligibility for retired pay is terminated as described in paragraph 3.3, then the effective date for computing retired pay will be the date that the sentence terminating eligibility for retired pay is approved by the appropriate official. If a member's retired pay eligibility is terminated as described in paragraph 3.4, then the effective date for computing retired pay will be the effective date of the member's discharge.

5.1.7. Payments made to an eligible spouse based on being the natural or adopted parent of a dependent child, who was the victim of abuse, will not cease solely because the dependent child is no longer considered a dependent child. Payment requires only that the child was dependent at the time of the abuse, and not necessarily at the time of payment.

5.1.8. Payments will be made from funds in the Department of Defense Military Retirement Fund or, in the case of the Coast Guard, out of funds appropriated to the Department of Homeland Security for payment of retired pay for the Coast Guard.

5.1.9. Payments under this chapter must be coordinated with Transitional Compensation benefits payable to an eligible spouse under Chapter 60, paragraph 4.1.

5.2 Termination of Payment

5.2.1. Payments from the disposable retired pay of a member will terminate pursuant to the terms of the applicable court order, on the date of death of the member or former member, or on the date of death of the spouse or former spouse to whom payments are made, whichever occurs first.

5.2.2. If a former spouse who is receiving payments under these conditions marries again after the payments begin, then his or her eligibility to receive further payments terminates on the date of the marriage. In the event of termination of that marriage by death, annulment, or divorce, payments resume as of the first day of the month in which the marriage is terminated. The monthly amount will be the amount that would have been paid if the continuity of the payments had not been interrupted by the marriage.

5.2.3. If the punishment that results in the termination of eligibility to receive retired pay is later remitted, set aside, or mitigated to a punishment that does not result in termination of eligibility, then benefits to the eligible dependent based on that punishment will cease. Such benefits cease on the first day of the first month after the month in which the Secretary of the Military Department concerned (or designee) notifies the recipient in writing that benefits will cease. The recipient will not be required to repay the benefits received prior to that effective date, excluding any erroneous payments.

5.3 Other Entitlements

5.3.1. A spouse or former spouse, while receiving payments under this chapter, will be entitled to receive medical and dental care, commissary and exchange privileges, and any other benefits a spouse or former spouse of a retired member may be entitled as if the member or former member was entitled to retired pay. This entitlement includes the right to the Survivor Benefit Plan if the spouse or former spouse is an eligible beneficiary pursuant to ***10 U.S.C. § 1448***.

5.3.2. A dependent child, who was a member of the household of the member or former member at the time of the misconduct, is entitled to receive medical and dental care, commissary and exchange privileges, and any other benefits provided to dependents of retired members of the armed forces in the same manner as if the member or former member was entitled to retired pay.

5.4 Accrual of Payments

No payments under this chapter will accrue for periods before October 23, 1992.

5.5 Taxability

The spouse or former spouse who receives payment under this chapter will be responsible for the tax liability. DFAS will withhold taxes and will issue the appropriate annual tax form, Form 1099-R, "Distribution From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRA's, Insurance Contracts, etc."

REFERENCES

CHAPTER 59 – VICTIMS OF ABUSE – RETIREMENT-ELIGIBLE MEMBERS

1.0 – GENERAL	10 U.S.C. § 1408
2.0 – DEFINITIONS	
2.1	10 U.S.C. § 1408(a)(2)
	42 U.S.C. § 653(p)
	42 U.S.C. § 659(i)
2.2	10 U.S.C. § 1408(h)(11)
2.3	10 U.S.C. § 1408(a)(4)
	PL 114-328, section 641, December 23, 2016
	10 U.S.C. § 1408(a)(4)(B)
2.4	10 U.S.C. § 1408(a)(6)
3.0 – ELIGIBILITY	
3.1.1	10 U.S.C. § 1408(d)(2)
3.3	10 U.S.C. § 860c
	10 U.S.C. § 1408(h)(10)(A)
5.0 – CONDITIONS FOR PAYMENT	
5.1.1	10 U.S.C. § 1408(h)(4)
5.1.4	10 U.S.C. § 1401a
	10 U.S.C. § 1408(h)(5)
5.2.2	10 U.S.C. § 1408(h)(7)
5.3.1	10 U.S.C. § 1408(h)(9)(A)
	10 U.S.C. § 1448
5.3.2	10 U.S.C. § 1408(h)(9)(B)

VOLUME 7B, CHAPTER 60: "VICTIMS OF ABUSE – NONRETIREMENT ELIGIBLE MEMBERS (TRANSITIONAL COMPENSATION)"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated July 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with administrative instructions.	Revision
1.1.1, 2.2.3, 3.2.4, 4.2.1, and 4.2.2	Added modification to Transitional Compensation for dependents of members separated for dependent abuse pursuant to National Defense Authorization Act (NDAA), Fiscal Year (FY) 2024, section 631.	Addition
3.3.4	Updated address to where Transitional Compensation applications are submitted.	Revision
4.5.1.2	Provided additional information for the entitlement to transitional compensation when a former spouse remarries.	Revision
4.5.2	Redesignated the Certificate of Eligibility form as the Transitional Compensation Certificate of Eligibility form.	Revision
5.4	Added the provision of lodging expense to dependent or former dependent entitled to payment of monthly Transitional Compensation due to dependent abuse, pursuant to NDAA, FY 2024, section 632.	Addition
Table 60-1, Table 60-2, and Table 60-3	Added the Dependency and Indemnity Compensation rates, effective December 1, 2022, and December 1, 2023.	Addition
References	Updated references.	Revision

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CHAPTER 60

VICTIMS OF ABUSE – NONRETIREMENT ELIGIBLE MEMBERS (TRANSITIONAL COMPENSATION)

1.0 GENERAL

1.1 Purpose

This chapter covers transitional compensation, a congressionally authorized program pursuant to ***Title 10, United States Code (U.S.C.), section 1059***, which provides temporary monetary payments and benefits to dependents or former dependents of Service members or former Service members who were separated from the military because they committed dependent-abuse offenses. It may be paid for a period of not less than 12 and not more than 36 months. For information on benefits for spouses and former spouses of retirement-eligible members who lose eligibility for retired pay because of misconduct involving abuse of dependents, see Volume 7B, Chapter 59.

* 1.1.1. Effective December 22, 2023, the existing transitional compensation provisions were expanded to additionally apply to members of the armed forces on active duty for a period of more than 30 days who are convicted of a dependent-abuse offense in a district court of the United States or a State Court and are separated from active duty pursuant to a sentence of a court martial or administratively separated from active duty, for an offense other than the dependent-abuse offense.

Note: For transitional compensation provisions prior to December 22, 2023, please see archived versions of Volume 7B, Chapter 60, which are publicly available at ***https://comptroller.defense.gov/fmr/archives.aspx***.

1.1.2. Transitional compensation is payable to dependents who qualify on or after November 30, 1993. No payment will be made for any period before November 30, 1993. In cases where a spouse or former spouse is receiving payments, and there is an eligible dependent child or children not residing in the same household as the spouse, former spouse, or member, transitional compensation is payable to the dependent children for periods on or after November 1, 1998. See paragraph 4.1 for detailed explanation.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the U.S.C., including Titles 10 and 38. Due to the subject matter in the chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 DEFINITIONS

2.1 Dependent-Abuse Offense

A dependent-abuse offense is conduct by a member of the Armed Forces, while on active duty for more than 30 days, that involves the abuse of a then-current spouse or dependent child of the member or an attempt or conspiracy to commit such abuse, and that is a criminal offense defined by ***10 U.S.C. §§ 801-940*** or other criminal code applicable to the jurisdiction where the act of abuse is committed. The term "involves the abuse of the then-current spouse or dependent child" means that the criminal offense is against the person of that spouse or a dependent child. Crimes that may qualify as dependent-abuse offenses include sexual assault, rape, sodomy, maiming, assault, battery, murder, and manslaughter. The aforementioned offenses are not an exhaustive or exclusive listing of dependent-abuse offenses.

2.2 Punitive or Other Adverse Actions

Effective December 22, 2023, punitive or other adverse actions are actions in which a member of the Armed Forces who has been on active duty more than 30 days is:

2.2.1. Convicted of a dependent-abuse offense that results in separation from active duty under a court-martial sentence or forfeiture of all pay and allowances under a court-martial sentence;

2.2.2. Administratively separated, voluntarily or involuntarily, from active duty according to applicable Military Service regulations, if the basis for separation includes a dependent-abuse offense; or

* 2.2.3. Who is:

2.2.3.1. Convicted of a dependent-abuse offense in a district court of the United States or State court; and

2.2.3.2. Separated from active duty pursuant to a sentence of court martial, or administratively separated, voluntarily or involuntarily, from active duty for an offense other than the dependent-abuse offense.

Note: For transitional compensation provisions prior to December 22, 2023, please see archived versions of Volume 7B, Chapter 60, which are publicly available at https://comptroller.defense.gov/fmr/archives.aspx

2.3 Cohabitation

Cohabitation is when the spouse, former spouse, or dependent child is residing in the same household as the former member after punitive or other adverse action is executed against the member or former member.

2.4 Dependent Child

A dependent child:

2.4.1. Is an unmarried child, including an adopted child or stepchild:

2.4.1.1. Who resided with the member or eligible spouse at the time of the dependent-abuse offense; or

2.4.1.2. As of January 2, 2013, a child who was carried during pregnancy at the time of the dependent-abuse offense and was subsequently born alive to the eligible spouse or former spouse. However, such child will not receive payment until after the child is born and is not entitled to payment for any period prior to the birth of the child; and

2.4.2. Meets one of the following age requirements:

2.4.2.1. Is under age 18;

2.4.2.2. Is age 18 or older and incapable of self-support due to a mental or physical incapacity that existed before age 18 and is (or, at the time a punitive or other adverse action was carried out in the case of the former member, was) dependent on the former member for over one-half of the child's support; or

2.4.2.3. Is age 18 or older, but less than age 23, is enrolled in a full-time course of study in an institution of higher learning approved by the Secretary of Defense, and is (or, at the time a punitive or other adverse action was carried out in the case of the former member, was) dependent on the former member for over one-half of the child's support.

2.5 Spouse or Former Spouse

The term spouse or former spouse refers to the individual who was legally married to the member at the time of the commission of the dependent-abuse offense resulting in separation from military service.

3.0 ELIGIBILITY FOR TRANSITIONAL COMPENSATION

3.1 Eligibility for Transitional Compensation Payment

The dependents of a member or former member who is separated on or after November 30, 1993, the basis for the separation which includes a dependent-abuse offense, are eligible for transitional compensation payments. If a recipient is incapable of handling his or her affairs, then payments are made only to a court-appointed guardian. In the case of a dependent child under 18 years of age, payments are made only to a court-appointed guardian or a parent who has legal custody of the dependent child and who is not also the abuser.

3.1.1. Spouse or Former Spouse

In the case of a separation from active duty under punitive or other adverse action, payments are made to the person who was the member's spouse at the time of the offense. The spouse or former spouse does not have to be the victim in order to receive transitional compensation.

3.1.2. Dependent Child

Payments may be made to a dependent child as prescribed in paragraph 4.1.

3.2 Exceptional Eligibility Authority

3.2.1. The Secretary of the Military Department concerned may authorize eligibility for transitional compensation benefits for a spouse, former spouse, or dependents of a member or former member of the Armed Forces who is not otherwise eligible for such benefits if the Secretary of the Military Department concerned determines that:

3.2.1.1. The member or former member engaged in conduct that is a dependent-abuse offense; and

3.2.1.2. The member or former member was separated from active duty in a manner other than those described in paragraph 2.2, on or after November 24, 2003.

3.2.2. The Secretary of the Military Department concerned may determine commencement and duration of payments in a manner similar to that described in paragraph 4.2.

3.2.3. For the purposes of the provision of benefits under this paragraph, a member will be considered separated from active duty upon the earliest of:

3.2.3.1. The date an administrative separation is initiated by the commander of the member;

3.2.3.2. The date the court-martial sentence is adjudged if the sentence, as adjudged, includes a dismissal, dishonorable discharge, bad-conduct discharge, or forfeiture of all pay and allowances; or

3.2.3.3. The date the member's term of service expires.

* 3.2.4. Effective December 22, 2023, the Secretary of the Military Department concerned may delegate exceptional eligibility authority to the first general or flag officer (or civilian equivalent) in the chain of command of the member.

3.3 Application

An individual can request transitional compensation through a Military Service representative. The Military Service representative:

3.3.1. Assists the applicant in filling out the ***DoD (DD) Form 2698***, Application for Transitional Compensation;

3.3.2. Approves payment;

3.3.3. Requests the applicant submit a ***Standard Form 1199A***, Direct Deposit Sign-up Form, completed by the applicant and the financial institution or a voided check/deposit slip with a written authorization for direct deposit of payments; and

* 3.3.4. Provides the Operation and Maintenance fund citation, and forwards the application and information for direct deposit to the Defense Finance and Accounting Service (DFAS) at the following address:

Defense Finance and Accounting Service
U.S. Military Retired Pay
8899 E. 56th Street
Indianapolis, IN 46249-1200

Facsimile Numbers:
DSN: 580-6470
Commercial Number: (216) 204-6470

4.0 PAYMENT

4.1 Recipients of Payments

Transitional compensation will be paid as follows:

4.1.1 If the member or former member was married at the time of the dependent-abuse offense, then compensation will be paid to the spouse or former spouse to whom the member or former member was married at that time. An amount will be included for each, if any, dependent child of the member or former member who resides in the same household as the spouse or former spouse.

4.1.2 If the spouse or former spouse is eligible to receive compensation and the member or former member has one or more dependent children who do not reside in the household of the spouse or former spouse, compensation is also paid to each of the dependent children who were residing in the household at the time of the abuse, but do not reside with the spouse or current spouse. This provision became effective November 1, 1998.

4.1.3. If a spouse or former spouse has forfeited his or her entitlement for reasons described in paragraph 4.5, then compensation will be paid only to each dependent child who was residing in the household at the time of the abuse, but does not reside with the spouse or former spouse.

4.1.4. If there is no eligible spouse or former spouse, then such compensation will be paid to each of the member's dependent children who do not reside in the member's or former member's household.

4.2 Commencement and Duration of Payment

* 4.2.1. Effective December 22, 2023, in the case of a member convicted due to a punitive or adverse action involving dependent abuse as defined in paragraph 2.2, payments begin:

4.2.1.1. As of the date that the court-martial sentence is adjudged if the sentence, as adjudged, includes a dismissal, dishonorable discharge, bad-conduct discharge, or forfeiture of all pay and allowances; or

4.2.1.2. If there is a pretrial agreement that provides for disapproval or suspension of the dismissal, dishonorable discharge, bad-conduct discharge, or forfeiture of all pay and allowances, as of the date entry of judgement under ***10 U.S.C. § 860(c)***, only if the sentence as approved, includes an unsuspended dismissal, dishonorable discharge, bad-conduct discharge, or forfeiture of all pay and allowances.

* 4.2.2. In the case of a member being considered for administrative separation due to a punitive or adverse action involving dependent abuse, as defined in paragraph 2.2, payment begins as of the date that the separation action was initiated by the commander under regulations determined by the Secretary of the Military Department concerned.

Note: For transitional compensation provisions prior to December 22, 2023, please see archived versions of Volume 7B, Chapter 60, which are publicly available at https://comptroller.defense.gov/fmr/archives.aspx

4.2.3. In the case of a total forfeiture of pay and allowances pursuant to a sentence of a court-martial, payment will not be made for any period for which an order:

4.2.3.1. Defers or suspends, in whole or in part, that part of a sentence that includes total forfeiture of the Service member's pay and allowance; or

4.2.3.2. Otherwise results in continuation, in whole or in part, of the Service member's pay and allowances.

4.2.4. Payments are made for a period of not less than 12 months, but cannot exceed 36 months, based on policies established by the Secretary of the Military Department concerned.

4.2.4.1. When the unserved portion of the member's obligated active duty service, as of the starting date of payment, is greater than 12 months and less than or equal to 36 months, the duration of payments will be no less than the unserved portion.

4.2.4.2. For enlisted members, the obligated active duty service is the time remaining on their term of enlistment. For officers, the obligated active duty service is indefinite unless the officer has a date of separation established, in which case it is the time remaining until the date of separation.

4.2.5. As long as the payee meets the eligibility criteria at the time payments begin, the payee is entitled to transitional compensation for the duration established by Service regulations even if the payee ceases to meet the definition of dependent child at some point during receipt of the compensation.

4.3 Amount of Payment

Use the monthly Dependency and Indemnity Compensation (DIC) rates to pay transitional compensation. The Veterans Affairs (VA) website provides information on DIC rates at ***http://benefits.va.gov/Compensation/current_rates_dic.asp***. DIC rates for prior years are located at the end of the VA webpage under "Historical Rate Tables."

4.3.1. A spouse or former spouse receives transitional compensation in an amount equal to the monthly rate currently in effect for DIC. See Table 60-1 for transitional compensation rates paid to a spouse or former spouse.

4.3.2. If the spouse or former spouse has custody of a dependent child or children of the member who resides in the same household as that spouse or former spouse, then transitional compensation is increased for each child by an amount equal to the monthly DIC amount payable for dependent children. See Table 60-2 for additional transitional compensation rates paid to spouse or former spouse with an eligible dependent child or children.

4.3.3. If transitional compensation is payable to a dependent child under paragraph 4.1, then payments are made in equal shares, in an amount equal to the monthly DIC amount payable for dependent children. When paying multiple children and the payment amount does not divide equally, the youngest child will receive the odd cent(s). See Table 60-3 for transitional compensation rates paid to an eligible child or children.

4.3.4. Payments will be prorated for months when payments start or stop in the middle of a month (e.g., if the former spouse receiving transitional compensation remarries, then compensation terminates effective as of the date of the marriage).

4.3.5. Transitional compensation payments will stop effective the date of death of the recipient. Arrears of compensation will not be paid.

4.3.6. Advance payment of transitional compensation benefits is not authorized.

4.4 Effect of Continuation of Military Pay

In the case of payment of transitional compensation by reason of a total forfeiture of pay and allowances pursuant to a sentence of a court-martial, payment of transitional compensation will not be made for any period for which an order, in whole or in part:

4.4.1. Suspends that part of a sentence that includes forfeiture of the member's pay and allowances; or

4.4.2. Otherwise results in the continuation of the member's pay and allowances.

4.5 Forfeiture Provisions

4.5.1. The following will result in the forfeiture of transitional compensation.

4.5.1.1. If, after a punitive or other adverse action has been executed, the former member resides in the same household as the spouse or former spouse or child who is receiving transitional compensation, compensation terminates as of the date the former member begins residing in the household. The spouse or former spouse must notify DFAS within 30 days of the date the member begins residing in the same household as them or any dependent children receiving compensation payments. Any compensation paid before the member resides in the household will not be recouped. Once terminated for cohabitation, the payments do not resume.

* 4.5.1.2. If the former spouse receiving compensation remarries, then compensation terminates effective as of the date of the former spouse's remarriage. If the former spouse remarries after the date of the dependent-abuse offense but prior to the date that transitional compensation payments would otherwise commence, the former spouse is not entitled to transitional compensation payments. The former spouse must notify DFAS within 30 days of the date of remarriage. Payments do not resume if the subsequent marriage is terminated. If the payments to the spouse terminate due to remarriage and there are dependent children not living in the same household as the spouse or member, payment will be made to each of those dependent children.

4.5.1.3. If the victim was a dependent child, and the competent authority designated by the Secretary of the Military Department concerned has found that the spouse was an active participant in the conduct constituting the dependent-abuse offense, or actively aided or abetted the member in such conduct against that dependent child, then the spouse or former spouse may not be paid transitional compensation.

* 4.5.2. To ensure compliance with subparagraphs 4.5.1.1 and 4.5.1.2, the following must be submitted to DFAS on an annual basis.

4.5.2.1. Spouse/Former Spouse Certification. A former spouse receiving transitional compensation must certify annually to DFAS that he or she has not remarried. A former spouse or spouse receiving transitional compensation must certify annually that he or she has not been cohabiting with the member. They must complete, sign, and return the Transitional Compensation Certificate of Eligibility (TC-COE) that was mailed to them. It can be submitted via mail to:

Defense Finance and Accounting Service
U.S. Military Retired Pay
8899 E. 56th Street
Indianapolis, IN 46249-1200

4.5.2.2. Parent or Court-Approved Guardian TC-COE. The parent or court-approved guardian will certify annually that the dependent child or children are not residing with the member or ineligible spouse via the TC-COE process. If the TC-COE is not received within 60 days of the date of the TC-COE, then payments will be suspended until verification of eligibility is received.

4.6 Termination of Payments

Transitional compensation is not payable when a member's court-martial sentence, which includes a dismissal, dishonorable discharge, or bad-conduct discharge, is remitted, set aside, or mitigated to a lesser punishment that does not include such punishment, or the administrative separation is disapproved. Any payment of transitional compensation that has started will stop effective the first day of the month after the Secretary of the Military Department concerned notifies the recipient in writing that payment will cease for such reason. The recipient is not required to repay transitional compensation received before the effective date of termination, excluding erroneous payments.

4.7 Taxability

Transitional compensation payments are considered benefits that are excludable from taxation and should not be reported on ***Internal Revenue Service Form 1099R***, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, Individual Retirement Accounts, Insurance Contracts, etc.

5.0 OTHER BENEFITS

5.1 Coordination of Benefits

5.1.1. Election of Benefits. A spouse or former spouse may not concurrently receive both payments of transitional compensation under 10 U.S.C. § 1059 and payments under ***10 U.S.C. § 1408(h)*** (see Chapter 59 for spouses and former spouses of retirement-eligible members who lost eligibility for retired pay as a result of misconduct involving abuse of dependents). If a spouse or former spouse has obtained a court order awarding compensation pursuant to 10 U.S.C. § 1408(h), then the spouse or former spouse will elect which benefit to receive. An application for payment under 10 U.S.C. § 1408(h), pursuant to the requirements of Chapter 59, will be considered an election to receive 10 U.S.C. § 1408(h) payments. See Chapter 59, section 4.0 for application requirements.

5.1.2. Effective Date. The election to receive benefits under 10 U.S.C. § 1408(h) is effective on the date that a complete application is received. If the applicant is not eligible to receive benefits under 10 U.S.C. § 1408(h) on the date the application is received, then the effective date will be the date the applicant becomes eligible for payments under 10 U.S.C. § 1408(h). Payments of transitional compensation under 10 U.S.C. § 1059 will be terminated and payments under 10 U.S.C. § 1408(h) will commence on the first day of the first month after the date the election to receive payments under 10 U.S.C. § 1408(h) is effective.

5.2 Commissary and Exchange Benefits

5.2.1. A recipient of transitional compensation payments is entitled to use commissary and exchange stores to the same extent and manner as a dependent of a member of the Armed Forces on active duty for a period of more than 30 days.

5.2.2. If the recipient is entitled to use commissary and exchange stores under another provision of law, then the entitlement is determined under the other provision of law rather than under this paragraph.

5.3 Medical Benefits

5.3.1. The Secretary concerned will determine appropriate medical and dental care eligibility for transitional compensation recipients and affected dependents. At a minimum, an abused dependent who is receiving transitional compensation, may receive medical and dental care, including mental health services, in facilities of the military services or through the TRICARE program as outlined in ***10 U.S.C. § 1076 - 1077***.

5.3.2. Dental care may be provided on a space-available basis in facilities of the Military Services.

5.3.3. Eligible dependents of a member who is retirement eligible, but who loses eligibility for retirement pay because of dependent-abuse misconduct, may receive medical and dental care in accordance with 10 U.S.C. § 1408(h).

*5.4 Lodging Expenses

Effective December 22, 2023, a dependent or former dependent entitled to payment of monthly transitional compensation is entitled to lodging expenses for a period not longer than 30 days.

*Table 60-1. Spouse or Former Spouse Transitional Compensation Rate

Effective Date	DIC Rate
December 1, 2014	$1,254.19
December 1, 2015	$1,254.19
December 1, 2016	$1,257.95
December 1, 2017	$1,283.11
December 1, 2018	$1,319.04
December 1, 2019	$1,340.14
December 1, 2020	$1,357.56
December 1, 2021	$1,437.66
December 1, 2022	$1,562.74
December 1, 2023	$1,612.75

*Table 60-2. Spouse or Former Spouse with Dependent Child Transitional Compensation Rate

Effective Date	DIC Rate
December 1, 2014	$310.71
December 1, 2015	$310.71
December 1, 2016	$311.64
December 1, 2017	$317.87
December 1, 2018	$326.77
December 1, 2019	$332.00
December 1, 2020	$336.32
December 1, 2021	$356.16
December 1, 2022	$387.15
December 1, 2023	$399.54

*Table 60-3. Dependent Child Transitional Compensation Rate

DIC Child Rates				
Effective Date	1 Child	2 Children	3 Children	Over 3 Children
December 1, 2014	$529.55	$761.80	$994.07	$994.07 plus $188.91 for each child over 3
December 1, 2015	$529.55	$761.80	$994.07	$994.07 plus $188.91 for each child over 3
December 1, 2016	$531.14	$764.09	$997.05	$997.05 plus $189.48 for each child over 3
December 1, 2017	$541.76	$779.37	$1,016.99	$1,016.99 plus $193.27 for each child over 3
December 1, 2018	$556.93	$801.18	$1,045.47	$1,045.47 plus $198.68 for each child over 3
December 1, 2019	$565.84	$814.01	$1,062.20	$1,062.20 plus $201.95 for the fourth child. Refer to rate table for additional children over four located at: http://benefits.va.gov/compensation/current_rates_dic.asp.
December 1, 2020	$573.20	$824.59	$1,076.01	$1,076.01 plus $320.12 for the fourth child. Refer to rate table for additional children over four located at: http://benefits.va.gov/compensation/current_rates_dic.asp.
December 1, 2021	$607.02	$873.24	$1,139.49	$1,139.49 plus $339.01 for the fourth child. Refer to rate table for additional children over four located at: http://benefits.va.gov/compensation/current_rates_dic.asp.
December 1, 2022	$659.83	$949.21	$1,238.63	$1,238.63 plus $368.50 for the fourth child. Refer to rate table for additional children over four located at: http://benefits.va.gov/compensation/current_rates_dic.asp.
December 1, 2023	$680.94	$979.58	$1,278.27	$1,278.27 plus $380.30 for the fourth child. Refer to rate table for additional children over four located at: http://benefits.va.gov/compensation/current_rates_dic.asp.

*REFERENCES

CHAPTER 60: VICTIMS OF ABUSE – NONRETIREMENT ELIGIBLE MEMBERS (TRANSITIONAL COMPESATION)

1.0 – GENERAL

1.1	10 U.S.C. § 1059 DoD Instruction 1342.24, September 23, 2019 Office of the Assistant Secretary of Defense/Force Management Memorandum, October 19, 1994
1.1.1.4	Public Law 118-31, section 631, December 22, 2023
1.1.1.5	Public Law 118-31, section 631, December 22, 2023

2.0 – DEFINITIONS

2.1-2.5	10 U.S.C. § 1059
2.2.3	10 U.S.C. § 1059(b)(3) Public Law 118-31, section 631, December 22, 2023
2.4	10 U.S.C. § 1059(n) Public Law 112-239, section 564, January 2, 2013 Public Law 113-181, section 2, November 13, 2014
2.4.1.1	Public Law 118-31, section 631, December 22, 2023
2.4.1.2	Public Law 118-31, section 631, December 22, 2023

3.0 – ELIGIBILITY FOR TRANSITIONAL COMPENSATION

3.1.2	10 U.S.C. § 1059(d)(2)
3.2	10 U.S.C. § 1059(l) Public Law 116-92, section 621, December 20, 2019 Fiscal Year 2020 National Defense Authorization Act, section 621, December 20, 2019
3.2.4	Public Law 118-31, section 631, December 22, 2023

4.0 – PAYMENT

4.1	10 U.S.C. § 1059(d)
4.1.2	DoD Instruction 1342.24, paragraph 3.1.b, September 23, 2019
4.2	10 U.S.C. § 1059(e)
4.2.1	Public Law 118-31, section 631, December 22, 2023
4.2.2	Public Law 118-31, section 631, December 22, 2023
4.2.3	DoD Instruction 1342.24, paragraph 3.2.a.(3), September 23, 2019

REFERENCES (Continued)

	Principal Deputy Under Secretary of Defense for Personnel and Readiness Policy Memorandum, June 14, 2004
4.2.5	DoD Instruction 1342.24, paragraph 3.2, September 23, 2019
4.3	38 U.S.C. § 1114 38 U.S.C. § 1115 38 U.S.C. § 1311(a)(1) 38 U.S.C. § 1311(b) 38 U.S.C. § 1313 38 U.S.C. § 1314 Public Law 112-53, sections 2(a) – (c), (e), November 9, 2011 Public Law 112-198, sections 2(a) – (c) and 3, November 27, 2012 Public Law 113-52, sections 2(a) – (c), (e), November 21, 2013 Public Law 113-181, sections 2(a) – (c), (e), September 26, 2014 Public Law 114-197, sections 2(a) – (c) and 3, July 22, 2016 Public Law 115-75, sections 2(a) – (c) and 3, November 2, 2017 Public Law 115-258, sections 2(a) – (c) and 3, October 9, 2018 Public Law 116-58, sections 2(a) – (c) and 3, September 26, 2019 Public Law 116-178, sections 2(a) – (c) and 3, October 20, 2020 Public Law 117-45, sections 2(a) – (c) and 3, October 8, 2021 Public Law 117-191, sections 2(a) – (c) and 3, October 10, 2022 Public Law 118-6, sections 2(a) – (c) and 3, June 14, 2023
4.3.1 and 4.3.2	38 U.S.C. § 1114 38 U.S.C. § 1115 38 U.S.C. § 1311(a)(1) 38 U.S.C. § 1311(b) 38 U.S.C. § 1314
4.3.3	38 U.S.C. § 1313
4.5	10 U.S.C. § 1059(f)(3) 10 U.S.C. § 1059(g)
4.6	10 U.S.C. § 1059(e)(3)(C)

REFERENCES (Continued)

4.7	Armed Forces Tax Council Memorandum, December 16, 1994
5.0 – OTHER BENEFITS	
5.1	10 U.S.C. § 1059(i)
5.2	10 U.S.C. § 1059(j)
5.3	10 U.S.C. § 1076(e) DoD Instruction 1342.24, paragraph 3.8, September 23, 2019
5.4	10 U.S.C. § 1059(k) Public Law 118-31, section 632, December 22, 2023

VOLUME 7B, CHAPTER 61: "ANNUITIES FOR CERTAIN MILITARY SURVIVING SPOUSES (ACMSS)"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated March 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
5.3	Replaced references to Report of Existence, Certificate of Eligibility and associated instructions with Foreign Address Update for Mailed Checks and Survivor Benefit Plan-Marital Status Update per section 605 of the National Defense Authorization Act for Fiscal Year 2022.	Revision
6.2.4	Removed references to Dependency and Indemnity Compensation offset since it is repealed effective January 1, 2023. Updated in-text citations.	Deletion
Table 61-1	Updated table to include new annuity amounts effective December 1, 2024.	Revision
References	Updated to include the memorandum from the Office of the Assistant Secretary of Defense for the "Fiscal Year 2024 Adjustments to Military Retired and Retainer Pay, Annuities and Premiums" dated November 14, 2024.	Revision

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CHAPTER 61

ANNUITIES FOR CERTAIN MILITARY SURVIVING SPOUSES (ACMSS)

1.0 GENERAL

1.1 Purpose

The purpose of this chapter is to provide guidance, policy, delegation of authority, and assignment of responsibilities, as they apply to ACMSS.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Title 10. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in the reference section at the end of the chapter.

2.0 ELIGIBILITY FOR PAYMENT

2.1 General

Effective November 18, 1997, ACMSS was established under Public Law (PL) 105-85 to provide annuity payments to certain qualified surviving spouses.

3.0 QUALIFIED SURVIVING SPOUSE AND DECEASED RETIRED MEMBER

3.1 Qualified Surviving Spouse

Only an individual who meets the following criteria qualifies for these annuity payments.

3.1.1. Is a surviving spouse of a deceased retired member, as defined in paragraph 3.2, who:

3.1.1.1. Was married to the retired member at the time the member became eligible for retired pay;

3.1.1.2. Had been married to the retired member for at least 1 year before the date of death; or

3.1.1.3. Is the parent of a child born of the marriage; and

3.1.1.4. Has not remarried.

3.2 Deceased Retired Member

A deceased retired member for the purpose of this annuity is one who:

3.2.1. Became entitled to retired or retainer pay before September 21, 1972, died before March 21, 1974, and was entitled to retired or retainer pay on the date of death; or

3.2.2. Died before October 1, 1978, and at the time of death, would have been entitled to retired pay under Title 10, U.S.C., Chapter 67 (renumbered to ***10 U.S.C., Chapter 1223*** by PL 103-337, effective December 1, 1994), but for the fact that he or she was under 60 years of age.

4.0 ANNUITY APPLICATION

4.1 General

An annuity application is required before payment will be made.

4.2 Application Procedure

4.2.1. Application. A ***(DD) Form 2769***, Application for Annuity Certain Military Surviving Spouses, must be submitted to the Military Service concerned.

4.2.2. Documentation. If information is unavailable from existing records, such as the Defense Enrollment Eligibility Reporting System, the applicant may be required to submit the following documentation to the Military Service concerned:

4.2.2.1. Certified copies of the retired member's death certificate and/or marriage certificate;

4.2.2.2. DD Form 214, Certificate of Release or Discharge from Active Duty;

4.2.2.3. Retirement order;

4.2.2.4. Retired pay statement; and

4.2.2.5. Any additional information needed to substantiate the claim.

4.2.3. Review and Approval. The Military Service concerned will then:

4.2.3.1. Review the claim and determine whether the applicant is qualified for an ACMSS annuity;

4.2.3.2. Notify the applicant on the disposition of the claim within 60 days; and

4.2.3.3. Forward approved claims to the Defense Finance and Accounting Service Cleveland site (DFAS-CL) for payment.

5.0 PAYMENT OF ANNUITY

5.1 Payment Effective Date

Payment to a qualified surviving spouse begins within 30 days upon receipt by DFAS-CL of a validated claim endorsed by the Military Service. The monthly payments begin not earlier than December 1, 1997, except where entitlement is under subparagraph 3.3.2, in which case entitlement begins not earlier than October 1, 1999.

5.2 Representative Payee

ACMSS payments due to a mentally incompetent or otherwise legally disabled person, for whom a guardian or other fiduciary has not been appointed, may be paid to a representative payee the same as the Survivor Benefit Plan (SBP). See Chapter 46.

*5.3 Report of Existence (ROE) and Certificate of Eligibility (COE)

The SBP-Marital Status Update (MSU) replaces the COE effective August 1, 2023, and is required annually to confirm the marital status and continued eligibility for the SBP, generally due the first day of the month of the annuitant's birthday. Similarly, the Foreign Address Update for Mailed Checks (FAUMC)-Annuitants replaces the ROE effective August 2023, requiring any annuitants receiving a check in the mail outside the United States, who do not need to submit a School Certification or an SBP-MSU, to submit the FAUMC, also generally due the first day of the month of the annuitant's birthday. The procedures for SBP-MSU and FAUMC-Annuitants on SBP annuity payments also apply to ACMSS payments. See Chapter 46.

5.4 Debt Collection

Overpayments of an annuity are subject to the same collection action as SBP. See Chapter 46.

5.5 Taxability

The taxability of ACMSS payments is similar to an SBP annuity. See Chapter 46.

5.6 Death of Annuitant

The annuity terminates the last day of the month before the date the annuitant dies. Any amounts that are due and payable at the time of the annuitant's death may be paid in accordance with the provisions of Chapter 31. The unpaid annuity will only be paid upon receipt of a properly executed and documented claim, approved by the Secretary of the Military Department concerned (or designee).

5.7 Remarriage

The annuity terminates the first day of the month in which the annuitant remarries, without regard to the age of the annuitant.

6.0 ANNUITY AMOUNT AND OFFSET

6.1 Amount

The annuity to a qualified surviving spouse was initially established at $165 per month. The amount is subject to the same cost-of-living adjustment (COLA) and effective at the same time as military retired pay increases. The first COLA was effective December 1, 1997, as shown on Table 61-1. The annual ***COLA memorandums*** are published to the Military Pay and Benefits Website that is sponsored by the Office of the Under Secretary of Defense for Personnel and Readiness. The provision for rounding monthly SBP annuity is not applicable.

6.2 Offset

The amount of annuity to which a surviving spouse is entitled under this section for any period is reduced (but not below zero) by any amount paid to the surviving spouse for the same period under any of the following:

6.2.1. Retired and Reserve Component SBP;

6.2.2. Retired Serviceman's Family Protection Plan;

6.2.3. Minimum Widows Income-SBP.

7.0 FUNDING

The approving Military Service must fund the annuities from operations and maintenance funds for the fiscal year in which the payment is made.

*Table 61-1. ACMSS ANNUITY AMOUNT
Table Revision Effective Date: December 1, 2024

Date of Increase	Percent	Amount
November 1, 1997		$165.00
December 1, 1997	2.1	$168.47
December 1, 1998	1.3	$170.66
December 1, 1999	2.4	$174.76
December 1, 2000	3.6	$181.05
December 1, 2001	2.6	$185.76
December 1, 2002	1.4	$188.36
December 1, 2003	2.1	$192.32
December 1, 2004	2.7	$197.51
December 1, 2005	4.1	$205.61
December 1, 2006	3.3	$212.40
December 1, 2007	2.3	$217.29
December 1, 2008	5.8	$229.89
December 1, 2009	0	$229.89
December 1, 2010	0	$229.89
December 1, 2011	3.6	$238.17
December 1, 2012	1.7	$242.22
December 1, 2013	1.5	$245.85
December 1, 2014	1.7	$250.03
December 1, 2015	0	$250.03
December 1, 2016	0.3	$250.78
December 1, 2017	2.0	$255.80
December 1, 2018	2.8	$262.96
December 1, 2019	1.6	$267.17
December 1, 2020	1.3	$270.64
December 1, 2021	5.9	$286.61
December 1, 2022	8.7	$311.55
December 1, 2023	3.2	$321.52
December 1, 2024	2.5	$329.56

*REFERENCES

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2.0	Eligibility for Payment	
		10 U.S.C. § 1448, note, "Annuities for Certain Military Surviving Spouses"
		10 U.S.C., Chapter 1223
		10 U.S.C. § 12731
3.0	Qualified Surviving Spouse and Deceased Retired Member	
		10 U.S.C. § 1448, note, "Annuities for Certain Military Surviving Spouses"
	3.1.1	10 U.S.C. § 1447(7)-(9)
4.0	Annuity Application	
		10 U.S.C. § 1448, note, "Annuities for Certain Military Surviving Spouses"
5.0	Payment of Annuity	
		Public Law (PL) 105-85, November 18, 1997
	5.1	PL 106-65, October 5, 1999
6.0	Annuity Amount and Offset	
	6.1	10 U.S.C. § 1401a
	6.2.1	10 U.S.C., Chapter 73, Subchapter II
	6.2.2	10 U.S.C., Chapter 73, Subchapter I
	6.2.3	PL 92-425, section 4, September 21, 1972
	Table 61-1	PL 105-85, section 644, November 18, 1997
		Office of the Undersecretary of Defense (OUSD), Personnel and Readiness (P&R) Memorandum (Memo), December 8, 2003
		OUSD (P&R) Memo, November 9, 2007
		OUSD (P&R) Memo, October 29, 2008
		OUSD (P&R) Memo, November 17, 2009
		OUSD (P&R) Memo, November 12, 2010
		OUSD (P&R) Memo, November 22, 2011

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Office of the Assistant Secretary of Defense (OASD), Manpower and Reserve Affairs (M&RA) Memo, November 8, 2012
OASD (M&RA) Memo, November 14, 2013
OASD (M&RA) Memo, November 13, 2014
OASD (M&RA) Memo, November 5, 2015
OASD (M&RA) Memo, November 21, 2016
OASD (M&RA) Memo, November 27, 2017
OASD (M&RA) Memo, November 01, 2018
OASD (M&RA) Memo, October 30, 2019
OASD (M&RA) Memo, November 4, 2019
OASD (M&RA) Memo, November 4, 2020
OASD (M&RA) Memo, November 18, 2021
OASD (M&RA) Memo, November 14, 2022
OASD (M&RA) Memo, November 9, 2023
OASD Military Personnel Policy (MPP) Memo, November 13, 2024

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 62: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 7B, CHAPTER 63: "COMBAT-RELATED SPECIAL COMPENSATION (CRSC)"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated May 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with administrative instructions.	Revision
1.1.3	Subparagraph restructured to define CRSC relationship to other provisions for clarity.	Revision
3.2	Provided information to indicate that the member bears the responsibility to elect either CRSC or the Concurrent Military Retirement Pay and DVA Disability Compensation.	Revision
3.2 and 9.4	Updated the formerly used term, "Concurrent Retired and Disability Pay (CRDP)," to new term, "Concurrent Military Retirement Pay and DVA Disability Compensation."	Revision

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CHAPTER 63

COMBAT-RELATED SPECIAL COMPENSATION (CRSC)

1.0 GENERAL

1.1 Purpose

CRSC provides special compensation to members of the Uniformed Services who have retired pay reduced because of receiving U.S. Department of Veterans Affairs (DVA) disability compensation where a portion of such DVA disability compensation is the result of disabilities that are combat-related as determined by the Military Department.

1.1.1. Effective Date

The CRSC program became effective May 31, 2003. Payments are made on the first day of the first month following the month in which the compensation accrued, provided the member is receiving DVA disability compensation for a disability that has been determined to be combat-related by the Military Department. No CRSC is payable for any month prior to June 2003.

1.1.1.1. For a member who qualifies on May 31, 2003, compensation accrues beginning in June 2003.

1.1.1.2. For an eligible member whose disability percentage is less than 60 percent, compensation is effective January 1, 2004.

1.1.1.3. For an eligible member who is retired under Title 10, United States Code, Chapter 61 (***10 U.S.C. Chapter 61***) with less than 20 years of active duty or with less than sufficient service and age to qualify for retirement under ***10 U.S.C. § 12731***, compensation is effective January 1, 2008.

1.1.1.4. For a member who did not meet the qualifications on June 1, 2003, January 1, 2004, or January 1, 2008, but who later meets the qualifications, entitlement accrues the first day of the following month.

1.1.2. Funding and Payment

CRSC is not military retired pay. It is a monthly entitlement that is paid only in whole-month increments. Prior to October 1, 2003, CRSC was payable from funds appropriated for pay and allowances payable by the Secretary of the Military Department concerned (or designee) for that fiscal year (FY). Effective October 1, 2003, the source of funding is the DoD Military Retirement Fund.

* 1.1.3. Relationship to Other Provisions

CRSC is not retired pay, and it is not subject to the provisions of ***10 U.S.C. § 1408*** relating to payment of retired or retainer pay in compliance with court orders. Additionally, CRSC payments are not subject to Chapter 13 bankruptcy court orders to pay a Chapter 13 trustee. However, CRSC is subject to other provisions for recovering debt owed by the retiree.

1.1.3.1. CRSC is subject to a Treasury offset to recover a debt owed to the United States as well as to garnishment for child support or alimony. In addition, debts due the government may be collected from CRSC, including overpayments of retired pay or erroneous payments of CRSC, by means of an administrative offset. An administrative offset of CRSC to collect a debt due the government is subject to the due process requirements of ***31 U.S.C. § 3716*** and ***31 Code of Federal Regulations (CFR), part 901***. Claims for overpayments of CRSC may be considered for waiver in accordance with ***10 U.S.C. § 2774***

1.1.3.2. CRSC is subject to a deduction of Survivor's Benefit Plan (SBP) premium, when retired pay is not adequate, for a person who has elected to participate in the SBP. See paragraph 8.3.

1.1.4. Tax Consideration

CRSC payments are considered tax exempt from Federal income tax under provisions of ***26 U.S.C. § 104***.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with the U.S.C., including Titles 10, 31, and 37. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 ENTITLEMENT

2.1 Monthly Entitlement

CRSC is a monthly entitlement. A retiree is entitled to CRSC for each month during which, for the entire month, the member:

2.1.1. Has applied for and elected CRSC under these provisions (section 3.0),

2.1.2. Meets preliminary CRSC criteria (section 4.0), and

2.1.3. Meets final CRSC criteria (section 5.0).

2.2 Expanded Eligibility in 2008

As of January 1, 2008, section 641 of the FY 2008 National Defense Authorization Act and ***10 U.S.C. § 1413a*** provide special rules for CRSC-eligible retirees with fewer than 20 years of service, to include members who have waived their retired pay in order to receive DVA disability compensation. This expanded authority includes both 10 U.S.C., Chapter 61 (10 U.S.C. §§ 1201-1222) disability retirees and Temporary Early Retirement Authority (TERA) retirees. However, a Reserve Component retiree who receives retired pay for early retirement with physical disabilities under ***10 U.S.C. § 12731b*** is specifically excluded from entitlement to CRSC by 10 U.S.C. § 1413a(c)(1).

3.0 APPLICATION AND ELECTION

3.1 Application and Election

A member may not be paid CRSC unless he or she has applied for and elected to receive compensation under the CRSC program by filing an application on DoD (DD) Form 2860, Claim For Combat-Related Special Compensation (CRSC), with the Military Department from which he or she retired. A member may submit an application for CRSC at any time and, if otherwise qualified for CRSC, compensation will be paid for any month after May 2003 for which all conditions of eligibility were met, subject to any legal limitations.

*3.2 Election of CRSC or Concurrent Military Retirement Pay and DVA Disability Compensation

The law states that a member eligible for both CRSC, under 10 U.S.C. § 1413a, and Concurrent Military Retirement Pay and DVA Disability Compensation, under ***10 U.S.C. § 1414***, may not receive both, but must elect which compensation to receive. The Defense Finance and Accounting Service (DFAS)-Cleveland site will advise the member which of the two payments is being paid pursuant to such election. In addition, the DFAS-Cleveland site will provide an annual notice to the member of their entitlements under both programs. If the gross amounts payable change under either program, a member may then change their election during the annual open season period (normally between January 1 and January 31) as set forth by DFAS each year. The member will have one opportunity annually to reverse the current election. This will allow the member to assess the impact of annual adjustments to retired pay, DVA disability compensation, CRSC, and Concurrent Military Retirement Pay and DVA Disability Compensation. The DFAS-Cleveland site will advise members of their options and the procedures to make such elections. The member bears the responsibility for electing which benefit to receive. If the member makes no request to change the current election during the annual open season, the current election will be continued. See also Chapter 64 for more information.

4.0 PRELIMINARY CRITERIA

A retired member of the Uniformed Services must satisfy the following applicable conditions to meet the preliminary criteria to receive CRSC.

4.1 Years of Service Requirement

4.1.1. June 1, 2003 Through December 31, 2003

A retired member must have had 20 or more years of service for the purpose of computing retired pay.

4.1.2. January 1, 2004 Through December 31, 2007

Beginning January 1, 2004, and prior to January 1, 2008, a retired member must have had 20 or more years of service for the purpose of computing retired pay or have been entitled to Reserve Component retired pay under 10 U.S.C. § 12731 (other than by reason of § 12731b) to be eligible for CRSC.

4.1.3. Before January 1, 2008

For the purposes of both subparagraphs 4.1.1 and 4.1.2 the following apply:

4.1.3.1. The 20 years of service required for computing retired pay may be inferred from the retired pay multiplier. Thus, a member who retired for years of service (not for disability under 10 U.S.C., Chapter 61) who has a retired pay multiplier of not less than 50 percent, or a member retired under the Military Retirement Reform Act of 1986 (referred to as REDUX) who is still under age 62 with a retired pay multiplier of not less than 40 percent, may be presumed to have at least 20 years of service for retired pay computation purposes. The Military Departments are not bound by such presumption if there is documentary information to the contrary. In such cases the Military Departments shall base their determinations on the documentary information available. A member who retired under 10 U.S.C., Chapter 61 should be evaluated in terms of what the multiplier would be if the member had not retired for disability. See subparagraph 4.1.3.4.

4.1.3.2. A member retired under the provisions of section 4403 of ***Public Law 102-484***, October 23, 1992, as amended, and by section 504 of ***Public Law 112-81***, December 31, 2011 (commonly known as the TERA program) is generally not eligible unless the member is credited with sufficient service for a 50 percent multiplier or has been recalled to active duty long enough to accumulate 20 years or more of service in the Uniformed Services for the purpose of computing retired pay. Service in Public and Community Service positions under the provisions of section 4403 of Public Law 102-484, October 23, 1992, that is creditable for re-computation of retired pay at age 62 does not count for these purposes. A TERA retiree who has a retired pay increase of 10 percent granted on the basis of extraordinary heroism is not eligible under these provisions if the retired pay multiplier would otherwise be less than 50 percent.

4.1.3.3. Prior to January 1, 2004, a retired reservist had to have at least 7,200 points to be eligible for CRSC. Effective January 1, 2004, a retired Reservist with retired pay computed under 10 U.S.C. § 12731 is eligible for CRSC unless retired for disability under 10 U.S.C. § 12731b with more than 15 but less than 20 years as required under 10 U.S.C. § 12731(a)(2). Specifically, those retired under the Reserve TERA provisions, as prescribed in ***10 U.S.C. § 12731a***, who served fewer than 20 years, but were considered to meet the criteria of 10 U.S.C. § 12731(a)(2) are eligible under these provisions.

4.1.3.4. CRSC is payable to otherwise qualifying applicants receiving retired pay based on the DoD-assigned percentage of disability under 10 U.S.C., Chapter 61. For such members, the CRSC payment is subject to reduction as explained in paragraph 8.5.

4.1.4. On or After January 1, 2008

A retired member who meets the criteria of paragraphs 4.2 through 4.4 satisfies the preliminary criteria to receive CRSC, without regard to having 20 or more years of creditable service for computing retired pay.

4.1.4.1. A member retired for disability under 10 U.S.C., Chapter 61**,** with less than 20 years of service is eligible to receive CRSC, subject to reduction under subparagraph 8.5.2.

4.1.4.2. A member retired under the provisions of section 4403 of Public Law 102-484, October 23, 1992, as amended, and by section 504 of Public Law 112-81, December 31, 2011, (commonly known as the TERA program) is entitled to CRSC. The monthly amount of CRSC payable to qualifying TERA retirees will not be reduced under the special rules for CRSC-entitled disability retirees with less than 20 years of service that are applicable only to Chapter 61 retirees.

4.2 Retired Status

A member must be in a retired status (i.e., on the retired rolls), or have been transferred to the Fleet Reserve or Fleet Marine Corps Reserve. A member who is recalled to, or retained on, active duty is not in a retired status and therefore is not entitled to CRSC for such period of active duty.

4.3 Entitled to Retired Pay

4.3.1. A member must be entitled to retired pay, notwithstanding that such retired pay may be reduced due to receipt of DVA disability compensation. A reservist who has not reached the requisite age to receive retired pay (generally age 60) is not eligible to receive CRSC payments. See Chapter 1, subparagraph 3.8.6, for when the eligibility age of a reservist will be reduced below 60 years of age and become eligible for retired pay.

4.3.2. A member who waives retired pay in order to credit military service for the purposes of establishing eligibility for a civil service retirement, or for any reason other than to receive disability compensation from the DVA, is not eligible to receive CRSC payments. A member who

combines his military time with his civil service time for the sole purpose of enhancing his civil service retirement may be eligible for CRSC if the member is still eligible to receive military retired pay. Members should consult the Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS) ***Handbook for Personnel and Payroll Offices*** for further information on eligibility.

4.4 Qualifying Disability Ratings (Percentages)

A member must be entitled to compensation for service-connected disabilities under ***38 U.S.C.***, as rated by the DVA. The rating must be awarded prior to the member's date of death.

4.4.1. Disability ratings by the Secretary of the Military Department concerned (or designee), as of the date on which the member retired, may be used to help make determinations of whether the member meets preliminary CRSC criteria.

4.4.2. The actual computation of the amount of CRSC payable to an eligible retiree is based solely on DVA disability determinations and the amount of DVA compensation paid, without regard to any disability that is not combat-related. Military retirement decisions may be used to determine whether such disabilities are combat-related.

5.0 FINAL CRITERIA

In order for the member to be entitled to CRSC, the member must meet all four preliminary CRSC criteria (as prescribed in paragraphs 4.1 through 4.4), and the appropriate Service must determine that the member has a combat-related disability or disabilities, as defined by paragraphs 5.1 and 5.2, that are compensated by the DVA.

5.1 Purple Heart Disability

Purple Heart Disability is a disability with an assigned medical diagnosis code from the DVA Schedule for Rating Disability (VASRD) that was attributed to injuries for which the member was awarded a Purple Heart.

5.1.1. If the member meets the preliminary CRSC criteria and has been awarded a Purple Heart, then the Military Department must determine which disabilities of the member, if any, are attributed to Purple Heart injuries. If the member was not awarded a Purple Heart, then no such determination will be made.

5.1.2. Determination that a disability is a Purple Heart Disability requires documentary information that there is a sufficient causal relationship between the disability and injury for which a Purple Heart was awarded to conclude that the disability is attributable to such injury. Such a disability will be classified as a Purple Heart Disability and will be included in any other CRSC determinations based on combat-related disabilities.

5.2 Other Combat-Related Disabilities

A combat-related disability is a disability with an assigned medical diagnosis code from the VASRD and which a Military Department has determined is combat-related based on the following criteria:

5.2.1. The disability was incurred as a direct result of armed conflict,

5.2.2. The disability was incurred while engaged in hazardous service,

5.2.3. The disability was incurred in the performance of duty under conditions simulating war, or

5.2.4. The disability was incurred through an instrumentality of war.

NOTE: The Department will record for each disability determined to be combat-related which of the criteria provided at subparagraphs 5.2.1 through 5.2.4 qualifies the disability as combat-related. A determination of combat-relatedness (see section 6.0) will be made concerning each separate disability with an assigned medical diagnosis code from the VASRD. A retiree may have disabilities that are not combat-related. Such disabilities will not be considered in determining eligibility for CRSC or the amount of CRSC payable. An uncorroborated statement in a record that a disability is combat-related will not, by itself, be considered determinative for purposes of meeting the combat-related standards for CRSC prescribed herein. CRSC determinations must be made based on the program criteria.

6.0 DETERMINATIONS OF COMBAT-RELATEDNESS

The following criteria, terms, definitions, and explanations will apply to making combat-related determinations in the CRSC Program.

6.1 Direct Result of Armed Conflict

6.1.1. The disability is a disease or injury incurred in the line of duty as a direct result of armed conflict. To support a combat-related determination, it is not sufficient to only state the fact that a member incurred the disability during a period of war, in an area of armed conflict, or while participating in combat operations. There must be a definite causal relationship between the armed conflict and the resulting disability.

6.1.2. Armed conflict includes a war, expedition, occupation of an area or territory, battle, skirmish, raid, invasion, rebellion, insurrection, guerilla action, riot, or any other action in which Service members are engaged with a hostile or belligerent nation, faction, force, or with terrorists.

6.1.3. Armed conflict may also include incidents involving a member while interned as a prisoner of war, while detained against his or her will in the custody of a hostile or belligerent force, or while escaping or attempting to escape from such confinement, prisoner of war, or detained status.

6.2 While Engaged in Hazardous Service

Hazardous service is service that includes, but is not limited to, aerial flight, parachute duty, demolition duty, experimental stress duty, and diving duty. A finding that a disability is the result of hazardous service requires that the injury or disease be the direct result of actions taken in the performance of such service. Travel to and from such service, or actions incidental to a normal duty status not considered hazardous, are not included.

6.3 In the Performance of Duty Under Conditions Simulating War

In general, performance of duty under conditions simulating war covers disabilities resulting from military training, such as war games, practice alerts, tactical exercises, airborne operations, leadership reaction courses, grenade and live fire weapon practice, bayonet training, hand-to-hand combat training, repelling, and negotiation of combat confidence and obstacle courses. It does not include physical training activities such as calisthenics, jogging, formation running, or supervised sport activities.

6.4 Instrumentality of War

6.4.1. There must be a direct causal relationship between the instrumentality of war and the disability. It is not required that a member's disability be incurred during an actual period of war. The disability must be incurred incident to a hazard or risk of the service.

6.4.2. An instrumentality of war is a vehicle, vessel, or device designed primarily for Military Service and intended for use in such Service at the time of the occurrence or injury. It may also include such instrumentality not designed primarily for Military Service if use of or occurrence involving such instrumentality subjects the individual to a hazard peculiar to Military Service. Such use or occurrence differs from the use or occurrence under similar circumstances in civilian pursuits.

6.4.3. A determination that a disability is the result of an instrumentality of war may be made if the disability was incurred in any period of service as a result of such diverse causes as wounds caused by a military weapon, accidents involving a military combat vehicle, injury or sickness caused by fumes, gases, or explosion of military ordnance, vehicles, or materiel.

6.4.4. For example, if a member is engaging in a sporting activity while on a field exercise and falls and strikes an armored vehicle, the injury would not be considered the result of an instrumentality of war (armored vehicle) because it was the sporting activity that was the cause of the injury, not the vehicle. On the other hand, if the individual was engaged in the same sporting activity and the armored vehicle struck the member, then the injury would be considered the result of an instrumentality of war.

7.0 SPECIAL MONTHLY COMPENSATION (SMC)

7.1 General

SMC, under ***38 U.S.C. § 1114***, is payable for anatomical loss or loss of use of specific organs or parts of the body as a result of service-connected disabilities. SMC is payable in addition to the basic rate of compensation otherwise payable on the basis of degree of disability, provided that the combined rate of compensation does not exceed the monthly rate set forth in 38 U.S.C. § 1114(k).

7.2 Special Determination

Each Military Department will make a special determination regarding whether a member entitled to CRSC who also receives SMC from the DVA under 38 U.S.C. § 1114(k) through (s) could receive increased CRSC as a result of an SMC determination. The Military Department will first determine whether all the member's DVA-compensated disabilities have been determined to be combat-related disabilities under the CRSC program. For members with DVA-compensated disabilities that are both combat-related and non-combat-related, the Military Department will classify each award of SMC as either Combat-Related SMC (CR-SMC) or Non-Combat-Related SMC (Non-CR-SMC), consistent with the corresponding determination of the diagnostic codes on which the SMC is based. The DFAS-Cleveland site will be notified of all such determinations and will include any CR-SMC in CRSC computations.

7.3 Grades Not Requiring SMC Determinations

The Military Department need not make a combat-related determination for any member who would not receive added compensation even if SMC was determined to be combat-related. Any SMC on such member will be passed to DFAS as "undetermined combat-relatedness."

8.0 CRSC AMOUNT

The monthly amount of CRSC is equal to the full monthly amount prescribed in paragraph 8.1, reduced as prescribed in paragraph 8.5 and limited in accordance with paragraph 8.2.

8.1 Gross Monthly Amount

The monthly amount of disability compensation the member would be paid by the DVA under the provisions of 38 U.S.C. if compensated solely for the disabilities determined to be attributable to an injury for which the member received the Purple Heart or determined to be otherwise combat-related. Applicable compensation is set forth in ***38 U.S.C., Chapter 11***. See section 5.0.

Example: A member with a spouse and two children has qualifying combat-related disabilities rated at 100 percent by the DVA. The member's current monthly DVA benefit amount is $3,537.49 which is the prescribed rate for a 100 percent disability for a veteran with a spouse and two children as of December 1, 2020. The gross monthly amount for CRSC purposes is based on this full rate and not just the veteran-alone amounts as applied to CRSC for periods on or after January 1, 2004.

8.1.1. Compensation of Dependents

Additional compensation for dependents is to be included as part of any applicable CRSC compensation. DFAS will use the same dependency rates for the combat-related compensation as DVA uses to determine the member's full disability compensation. For example, if a member is compensated by DVA at the 100 percent disability rate for a veteran with spouse and one child and the combat-related percentage is 60 percent, then the gross CRSC will be determined as the 60 percent rate for a veteran with a spouse and one child. The rates of such compensation are set forth in ***38 U.S.C. § 1115*** and are also located at ***https://www.va.gov/disability/compensation-rates/veteran-rates***.

8.1.2. SMC

The amount of SMC will be considered as part of gross CRSC compensation only if the SMC is paid on the basis of disabilities determined by the Military Department to be combat-related. See section 7.0.

8.1.3. Retired Members Considered Unemployable

Under the laws governing the DVA, members who qualify for the Individual Unemployability supplement to DVA Disability Compensation under the provisions of ***38 CFR 4.16*** are entitled to receive monthly DVA disability compensation payment equal to the amount that they would receive if rated by the DVA as 100 percent disabled. In such cases, DFAS will coordinate with DVA to determine the amount of DVA Disability compensation actually provided to the member, irrespective of the DVA schedule rating percentage. CRSC entitlement will be determined based on the amount of DVA Disability compensation actually paid by the DVA and the amount of military retired pay waived to receive DVA Disability compensation, subject to the other criteria and limitations found in this chapter. See paragraphs 8.2 and 8.5.

8.2 Adjusted Amount

The CRSC payment may not exceed the current reduction in retired pay applicable to the retiree under ***38 U.S.C. § 5304*** and ***38 U.S.C. § 5305***. Thus, CRSC is not payable if there is no reduction because the member is not receiving any monthly disability compensation from DVA, or because the member is not receiving retired pay (such as a reserve member before reaching retirement age at 60 or other reduced retirement age), or for other reasons (such as a member who waives military retired pay in order to credit military service for a civil service retirement). The amount of a member's CRSC entitlement will be adjusted to be the lesser of the gross CRSC from paragraph 8.1 or the reduction to the retired pay entitlement.

Example: The member, described in paragraph 8.1 is retired after 22 years of service with a high-three pay base of $4,500, resulting in retired pay of $2,475 monthly (55 percent of $4,500). The potential retired pay of $2,475 is reduced to $0 by receipt of the DVA disability compensation. Thus, the adjusted amount of CRSC is the $2,475 reduction in retired pay since it is less than the DVA benefit amount of $3,537.49 determined in the example in paragraph 8.1.

8.3 Deduction From CRSC When Retired Pay Not Adequate

Pursuant to 10 U.S.C. § 1452(d)(2), if a deduction from the member's retired pay for any period cannot be made in the full amount required to satisfy the SBP premium, the premium will be deducted from the retiree's CRSC in lieu of deduction from the member's retired pay in the amount that would otherwise have been deducted from the member's retired pay for that period.

8.4 SBP Premium Deduction From CRSC When Dependency and Indemnity Compensation (DIC) Offset is Applicable

Pursuant to 10 U.S.C. § 1450(e), the SBP premium deducted from CRSC of the deceased will be refunded to the surviving spouse when DIC offset is applicable. See Chapter 46.

8.5 CRSC Payment Reduction for 10 U.S.C., Chapter 61 Disability Retirees

The adjusted monthly amount specified in paragraph 8.2 will be reduced according to the provisions of subparagraph 8.5.1 or 8.5.2, whichever is applicable.

8.5.1. Reduction for Periods Prior to January 1, 2013

Provisions for CRSC payment reduction for periods prior to January 1, 2013, follow:

8.5.1.1. Members retired for disability under 10 U.S.C., Chapter 61 with 20 years or more of creditable service computed under section ***10 U.S.C. § 1208*** will have the maximum CRSC payment reduced by the amount, if any, by which the amount of the member's gross retired pay under Chapter 61 exceeds the applicable retired pay to which the member would otherwise have been entitled under any other provisions of law. A retiree who accepted the Career Status Bonus will have the reduced amount calculated based on retired pay that would otherwise have been computed under ***10 U.S.C. § 1409(b)(2)***.

Example: The member described in paragraph 8.2, who would have received $2,475 in retired pay had he retired for his years of service, was retired under 10 U.S.C., Chapter 61 with a disability rated at 60 percent. Thus, the member receives retired pay of $2,700 monthly (60 percent of $4,500). However, in this case, the member has a combined DVA rating of 100 percent, but combat-related disabilities rated at 60 percent. The member's current monthly DVA benefit amount is $3,537.49, of which $1,380.39 is combat-related. The member has a total offset of retired pay. The maximum CRSC entitlement under paragraphs 8.1 and 8.2 is $1,380.39. The maximum CRSC entitlement will be reduced by the

difference in the Chapter 61 retirement and the longevity retirement amounts, or $225 ($2,700 less $2,475). This reduction reflects the amount by which the member's disability retired pay exceeds his or her longevity retired pay. The member's CRSC benefit of $1,380.39 is reduced by $225 to $1,155.39. In this case, the member will receive $3,537.49 from the DVA and $1,155.39 in CRSC from DoD.

8.5.1.2. Members retired for disability under 10 U.S.C., Chapter 61 with less than 20 years of creditable service computed under 10 U.S.C. § 1208 and who initially qualify for CRSC on or after January 1, 2008, will have the maximum CRSC payment reduced by the amount, if any, by which the amount of the member's gross retired pay under Chapter 61 exceeds the amount that is equal to 2½ percent of the member's years of creditable service multiplied by the member's retired pay base under ***10 U.S.C. § 1406(b)(1)*** or ***10 U.S.C. § 1407***, whichever is applicable to the member.

NOTE: A retired reserve member, retired under the provisions of 10 U.S.C., Chapter 61 is entitled to CRSC. The gross amount of CRSC determined under paragraph 8.1 will be adjusted as required under paragraph 8.2 and then further reduced under paragraph 8.5. For Reserve Component members with less than 20 years of service as determined under ***10 U.S.C. § 12733***, reduce the adjusted CRSC amount by the amount, if any, by which the disability retired pay exceeds the amount equal to 2½ percent times the years of creditable service determined under 10 U.S.C. § 12733 multiplied by the member's applicable retired pay base. For Reserve Component members with 20 or more years of service as determined under 10 U.S.C. § 12733, reduce the adjusted CRSC amount by the amount, if any, by which the disability retired pay exceeds the retired pay to which the member would be entitled if the member were 60 years old.

8.5.2. Reductions for Periods On or After January 1, 2013

Provisions for CRSC payment reduction for periods after January 1, 2013, follow:

8.5.2.1. Members retired for disability under 10 U.S.C., Chapter 61 with 20 or more years of creditable service computed under section 10 U.S.C. § 1208 will have the maximum CRSC payment restricted to the amount, which when combined with any remaining retired pay after DVA offset, will not exceed the applicable retired pay to which the member would otherwise have been entitled under any other provisions of law. A retiree who accepted the Career Status Bonus will have the reduced amount calculated based on retired pay that would otherwise have been computed under 10 U.S.C. § 1409(b)(2).

Example: The same member, as described in paragraph 8.2, was retired under 10 U.S.C., Chapter 61, with a disability rated at 60 percent. Thus, the member receives retired pay of $2,700 monthly (60 percent of $4,500). However, in this case, the member has a combined DVA rating of 100 percent, but combat-related disabilities rated at 60 percent. The member's current monthly DVA benefit amount is $3,537.49, of which $1,380.39 is combat-related. The member has a total offset of retired pay. Since there is no residual retired pay after offset of the full DVA benefit amount, the member's CRSC entitlement of $1,380.39, is fully

payable as it does not exceed the applicable retired pay to which the member would otherwise have been entitled under any other provisions of law. In this case, the member will receive $3,537.49 from the DVA and $1,380.39 in CRSC from DoD.

8.5.2.2. Members retired for disability under 10 U.S.C., Chapter 61, with less than 20 years of creditable service computed under 10 U.S.C. § 1208, and who are qualified for CRSC, on or after January 1, 2013, will have the maximum CRSC payment restrictions. The CRSC payment amount, which when combined with any remaining retired pay after DVA offset, will not exceed the amount that is equal to 2½ percent of the member's years of creditable service multiplied by the member's retired pay base under 10 U.S.C. § 1406(b)(1) or 10 U.S.C. § 1407, whichever is applicable to the member.

NOTE: A retired reserve member, retired under the provisions of 10 U.S.C., Chapter 61, is entitled to CRSC. The gross amount of CRSC determined under paragraph 8.1 will be adjusted as required under paragraph 8.2. For Reserve Component members with less than 20 years of service as determined under 10 U.S.C. § 12733, the CRSC amount when combined with the amount of retired pay payable to the retiree after reduction for the full DVA disability compensation, if any, may not exceed the disability retired pay amount that is equal to 2½ percent (2 percent if under Blended Retirement System) times the years of creditable service determined under 10 U.S.C. § 12733 multiplied by the member's applicable retired pay base. For Reserve Component members with 20 or more years of service as determined under 10 U.S.C. § 12733, the CRSC amount when combined with the amount of retired pay payable to the retiree after reduction for the full DVA disability compensation, if any, may not exceed the disability retired pay to which the member would be entitled if the member were 60 years old.

8.5.3. Chapter 61 Disability Retiree Out-Year Deductions

In all cases, once established (based on date the member was first placed on either the Permanent or Temporary Disability Retirement List), the CRSC reduction amount will be increased by each increase in the retired pay cost of living allowance. It will not be re-computed using current pay tables unless the member otherwise qualifies for re-computation of retired pay by reason of recall to duty or correction of official records.

9.0 COMBINED DISABILITY RATING PERCENTAGE

9.1 The DVA Combined Ratings Table

The combined disability rating table combines multiple disability ratings as set forth in ***38 CFR 4.25***. The table is based on the consideration of an individual's efficiency, as affected by the most disabling conditions, if any, in the order of severity. Thus, a person having a 60 percent disability is considered 40 percent efficient. Proceeding from this 40 percent efficiency, the effect of a further 30 percent disability is to leave only 70 percent of the efficiency remaining after consideration of the first disability (70 percent of 40 percent), leaving 28 percent efficiency altogether. The individual is thus 72 percent disabled.

9.2 Multiple Combined Disability Ratings

When a retiree has two or more disability ratings, use the following formula to determine the combined rating of multiple disabilities:

9.2.1. Subtract each disability percent from 100 percent to obtain the remaining efficiency,

9.2.2. Multiply the remaining efficiencies together,

9.2.3. Subtract the result from 100 percent, and

9.2.4. Round to the nearest 10 percent (round upward for 5 percent and up, down for 4 percent and below) to determine the combined disability rating.

Example 1: Consider a retiree having three disabilities from DVA, rated 50 percent, 40 percent, and 30 percent. If added together, then the total would be 120 percent. Instead, the member's combined rating is determined as follows:

1. The three disabilities leave efficiencies of 50 percent, 60 percent, and 70 percent respectively;

2. Multiply the three efficiencies together:

.50 x .60 x .70 = .21 or 21 percent;

3. The disability is 100 percent less 21 percent = 79 percent; and

4. Adjust the result upward to a combined disability rating of 80 percent.

Example 2: Now consider what happens if the Military Department determines that only the 40 percent and 30 percent disabilities are combat-related, then the member's combined disability rating for CRSC would be:

1. The two disabilities of 40 percent and 30 percent leave efficiencies of 60 percent and 70 percent;

2. Multiply the two efficiencies together:

.60 x .70 = .42 or 42 percent;

3. The disability is 100 percent less 42 percent = 58 percent; and

4. Adjust the result upward to a combined disability rating of 60 percent.

9.3 DVA Retroactive Increase

When DVA makes a retroactive increase in a member's DVA disability compensation pertinent to a member's combat-related disabilities under CRSC, DFAS and DVA will exchange data to determine the additional retroactive amount that the member is entitled to receive as the result of CRSC. DFAS will compute the additional CRSC entitlement and advise DVA in order for DVA to pay the member the appropriate additional authorized DVA disability compensation. Any increase affecting CRSC qualified disabilities in the current month requires that CRSC be re-computed. No retroactive CRSC may be paid to a deceased member or to a survivor based on a retroactive DVA Disability compensation increase that was awarded after a member died.

*9.4 Impact to Uniformed Services Former Spouse's Protection Act Payments When a Military Retiree is Retroactively Awarded Disability Compensation or CRSC

CRSC payments that become payable to a retiree as a result of a retroactive DVA or CRSC award will be reduced by all amounts of the retired pay or Concurrent Military Retirement Pay and DVA Disability Compensation previously paid from the retiree's account, including payments to his or her former spouse. Payments of retired pay to a former spouse pursuant to a valid court order, but prior to a retroactive DVA or CRSC award, were not and do not become erroneous overpayments.

10.0 REVIEW PROCESS

10.1 Basis for Determination

10.1.1. Determinations of whether a disability is combat-related will be based on the preponderance of available documentary information where quality of information is more important than quantity. All relevant documentary information is to be weighed in relation to known facts and circumstances, and determinations will be made on the basis of credible, objective documentary information in the records as distinguished from personal opinion, speculation, or conjecture.

10.1.2. The burden of proof that a disability is combat-related rests with the applicant, who is required to provide copies of documents in his or her possession to the best of his or her ability. A record submitted by a member may be used in support of his or her application if that record appears regular on its face and is consistent with Military Service documents and procedures in use at the time, based on the best information available. Military Departments may compile a list of typical documents used in various time periods. If necessary, the Military Departments, under agreement with DVA may request copies of certain documents (i.e., DD 214, "Certificate of Release or Discharge From Active Duty", medical records, final DVA ratings) from DVA to support CRSC determinations.

10.2 Processing of Applications

Each Military Department will receive and process applications submitted by members retired from that Military Department on DD 2860, Claim For Combat-Related Special Compensation (CRSC). Applications will be reviewed, and an application will be approved only if the applicant satisfies both preliminary and final CRSC criteria. An application must be received by the military department prior to the member's death in order to be considered. An application for CRSC submitted by a member's survivors will not be considered. The DFAS-Cleveland site will be notified of each approved application for payment.

10.2.1. Initial Review

Each Service Department will review the member's application to determine if the member meets the preliminary criteria in section 4.0. If a member does not satisfy each of the preliminary CRSC criteria, then the application will be denied and no further consideration is necessary. The member may reapply when his or her ratings satisfy the specified thresholds and meet all four preliminary CRSC criteria in section 4.0.

10.2.2. Final Review

If the member meets all four preliminary criteria in section 4.0, then the Military Department will determine whether the member's disabilities are qualifying combat-related disabilities, as prescribed in section 6.0. The Military Department will record each disability determined to be combat-related with assigned medical diagnosis code from VASRD. The Military Department will forward the approved claims with VASRD codes categorized as either combat or Purple Heart to the DFAS-Cleveland site for payment.

10.3 Denial and Appeal

Provisions for denial and appeal processes follow.

10.3.1. Denial

When a Military Department denies a CRSC application, they will provide a letter to the member specifying the reasons(s) for the denial. The Military Department will inform the member that he or she may seek reconsideration by submitting additional, clarifying, or new documentary information to the Military Department in support of his or her claim. The Military Department will review the additional or new information and will inform the member of the results of the review. The Military Department will also inform the member that CRSC is subject to the same appeals and correction processes applicable to military pay and allowances, including application to the appropriate Board for Correction of Military Records (BCMR) under the provisions of ***10 U.S.C. § 1552***.

10.3.2. Appeal

The Military Department will provide the member a ***DD 149***, Application for Correction of Military Record Under the Provisions of Title 10, U.S. Code, section 1552, and the address of the BCMR, including its website.

REFERENCES

CHAPTER 63 – COMBAT-RELATED SPECIAL COMPENSATION (CRSC)

1.0 – GENERAL

Public Law 107-314, section 636, December 2, 2002
Public Law 108-136, section 642, November 24, 2003
Principal Director for the Under Secretary of Defense (PDUSD) Personnel and Readiness (P&R) Memo, May 21, 2003
PDUSD (P&R) Memo, April 27, 2004
Public Law 110-181, section 641, January 28, 2008
Office of the Under Secretary of Defense (OUSD) (P&R) Memo, June 3, 2008
10 U.S.C. § 1413a

1.1	10 U.S.C. § 1413a OUSD (P&R) Memo, June 3, 2008
1.1.1	10 U.S.C., Chapter 61 10 U.S.C. § 12731 OUSD (P&R) Memo, June 3, 2008
1.1.3	10 U.S.C. § 1408 10 U.S.C., Chapter 73 10 U.S.C. § 2774 31 U.S.C. § 3716 31 CFR, part 901
1.1.4	26 U.S.C. § 104

2.0 – ENTITLEMENT

2.2	Public Law 110-131, section 641, January 28, 2008 10 U.S.C. § 1413a 10 U.S.C., Chapter 61 10 U.S.C. § 12731(b)(1)

3.0 – APPLICATION AND ELECTION

3.2	10 U.S.C. § 1414 10 U.S.C. § 1413a

REFERENCES (Continued)

3.3	Deputy Secretary of Defense Memo, January 27, 2022

4.0 – PRELIMINARY CRITERIA

4.1.2	10 U.S.C. § 12731 OUSD (P&R) Memo, June 3, 2008
4.1.3	PDUSD (P&R) Memo, April 27, 2004
4.1.3.1	10 U.S.C., Chapter 61
4.1.3.2	Public Law 102-484, section 4403, October 23, 1992 10 U.S.C. § 1293, note Public Law 112-81, section 504, December 31, 2011
4.1.3.3	10 U.S.C. § 12731 10 U.S.C. § 12731a 10 U.S.C. § 12731b 10 U.S.C. § 12731(a)(2)
4.1.3.4	10 U.S.C., Chapter 61
4.1.4.1	10 U.S.C., Chapter 61
4.1.4.2	Public Law 102-484, section 4403, October 23, 1992 10 U.S.C. § 1293, note Public Law 112-81, section 504, December 31, 2011
4.3.1	38 U.S.C. § 5305
4.3.2	38 U.S.C. § 5304
4.4	38 U.S.C.

5. 0 – FINAL CRITERIA

	10 U.S.C. § 1413[a] PDUSD (P&R) Memo, May 21, 2003

6. 0 – DETERMINATIONS OF COMBAT READINESS

	10 U.S.C. § 1413[a] PDUSD (P&R) Memo, May 21, 2003

REFERENCES (Continued)

7.0 – SPECIAL MONTHLY COMPENSATION (SMC)	
	PDUSD (P&R) Memo, April 27, 2004
7.1	38 U.S.C. § 1114 38 U.S.C. § 1114(k)
7.2	38 U.S.C. § 1114(k) through (s)
8.0 – CRSC Amount	
8.1	10 U.S.C. § 1413a 38 U.S.C., Chapter 11
8.1.1	38 U.S.C. § 1115 PDUSD (P&R) Memo, April 27, 2004
8.1.3	38 U.S.C. § 1114(j) 38 CFR 4.16 and 4.18 PDUSD (P&R) Memo, April 27, 2004
8.2	38 U.S.C. § 5304 38 U.S.C. § 5305 OUSD (P&R) Memo, June 3, 2008 OUSD (P&R) Memo, June 3, 2008
8.3	10 U.S.C. § 1452(d)(2)
8.4	10 U.S.C. § 1450(e)
8.5.1	10 U.S.C., Chapter 61 10 U.S.C. § 1208 10 U.S.C. 1409(b)(2) Public Law 112-239, section 643, January 2, 2013 10 U.S.C. § 1413a(b)(3)
8.5.1.1	OUSD (P&R) Memo, June 3, 2008
8.5.2	10 U.S.C., Chapter 61 10 U.S.C. § 1208 10 U.S.C. § 1406(b)(1) 10 U.S.C. § 1407 10 U.S.C. § 12733 Public Law 112-239, section 643, January 2, 2013

REFERENCES (Continued)

	10 U.S.C. § 1413a(b)(3)
8.5.2.1	10 U.S.C. § 1413a(b)(3)(B) as amended by Public Law 114-328, January 1, 2018
8.5.3	OUSD (P&R) Memo, June 3, 2008

9.0 – COMBINED DISABILITY RATING PERCENTAGE

9.1	38 CFR 4.25
9.4	DoD Office of the General Counsel (Fiscal) Memorandum, August 6, 2019

10.0 – REVIEW PROCESS

	PDUSD (P&R) Memo, May 21, 2003
10.3	10 U.S.C. § 1552 10 U.S.C. § 1556

VOLUME 7B, CHAPTER 64: "CONCURRENT MILITARY RETIREMENT PAY AND DEPARTMENT OF VETERANS AFFAIRS (DVA) DISABILITY COMPENSATION"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated February 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with administrative instructions.	Revision
5.5	Added paragraph to provide the relation of payment of concurrent military retired pay and DVA disability compensation to Individual Unemployability pursuant to Title 10, United States Code (U.S.C.), Chapter 61, and 10 U.S.C., section 1414.	Addition
References	Updated references.	Revision

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CHAPTER 64
CONCURRENT MILITARY RETIREMENT PAY AND DEPARTMENT OF VETERANS AFFAIRS (DVA) DISABILITY COMPENSATION

1.0 GENERAL

1.1 Purpose

This chapter provides information on the implementation of ***Title 10 United States Code (U.S.C.), section 1414***. It includes the requirements for receipt of concurrent military retired pay and Disability Compensation from the Department of Veterans Affairs (DVA) (hereinafter "DVA Disability Compensation") pursuant to 10 U.S.C. § 1414. It establishes that except for certain Disability Retirees, qualifying members (and former members) who are entitled to military retired pay who are also entitled to DVA Disability Compensation are not required to waive military retired pay in order to receive DVA Disability Compensation. It clarifies the waiver requirement applicable to Career Disability Retirees with more than 20 years of service. To accurately represent the retired pay entitlement under Congress' express language of 10 U.S.C. § 1414, this chapter removes all prior statements suggesting that military retired pay paid concurrently with DVA Disability Compensation pursuant to 10 U.S.C. § 1414 is "restored" retired pay. The law provides authority for military retirees to receive military retired pay either without application of the waiver requirements set out in ***38 U.S.C. § 5304*** and ***38 U.S.C. § 5305*** or with only limited application of such waiver requirements. Additionally, this chapter provides examples clarifying the rule for determining disposable retired pay under ***10 U.S.C. § 1408*** when a qualified retiree receives concurrent military retired pay and DVA Disability Compensation.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the U.S.C., including Titles 5, 10, and 38. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

1.3 Definitions

1.3.1. DVA Disability Compensation. A monthly tax-free benefit paid by the DVA to veterans (including retirees) found by the Secretary of Veterans Affairs to be at least 10 percent disabled per the DVA schedule for rating disabilities because of injuries or diseases that were incurred in or aggravated during active duty, active duty for training, or inactive duty training. The benefit amount is graduated according to the degree of the veteran's disability on a scale from 10 percent to 100 percent (in increments of 10 percent). This benefit is paid by the DVA.

1.3.2. Disability Retiree. This is a member who was retired under ***Title 10, U.S.C., Chapter 61*** by virtue of being unfit to perform the duties of his office, grade, rank, or rating because of physical disability.

1.3.3. Career Disability Retiree. This is a member who was retired under Title 10, U.S.C., Chapter 61 with 20 years or more of service creditable under ***10 U.S.C. § 1405***, or at least 20 years of service computed under ***10 U.S.C. § 12732***, at the time of the member's retirement.

1.3.4. Military Retired Pay. This is an amount computed under ***Title 10, U.S.C., Chapter 71*** and paid to those retired under Title 10, U.S.C., Chapter 61 (Disability), ***Title 10, U.S.C., Chapter 63*** (Age), ***Title 10, U.S.C., Chapter 65*** (Warrant Officers), ***Title 10, U.S.C., Chapter 741*** (Army), ***Title 10, U.S.C., Chapter 841*** (Navy) ***Title 10, U.S.C., Chapter 941*** (Air Force), or ***Title 10, U.S.C., Chapter 1223*** (Non-Regular Service). All references to military retired pay in this chapter, include the term Title 10, U.S.C., Chapter 61 Disability Retired Pay.

1.3.5. Title 10, U.S.C., Chapter 61 Disability Retired Pay. This is the type of military retired pay to which a member who was retired under Title 10, U.S.C., Chapter 61 is entitled. Disability Retired Pay is computed pursuant to Title 10, U.S.C., Chapter 71. It is determined by applying a percentage multiplier to the member's basic pay at the time of retirement. The percentage multiplier may be computed based on the number of years of creditable service or the disability percentage assigned by the Service (as elected by the member). See Chapter 3. It is paid by the DoD (or the Department who retired the member pursuant to Title 10, U.S.C., Chapter 61). It is not DVA Disability Compensation.

1.3.6. Hypothetical Longevity Retired Pay. This is the amount of retired pay to which the member would have hypothetically been entitled if the member had hypothetically been retired for reasons other than physical disability under Title 10, U.S.C., Chapter 61.

1.3.7. General Waiver Requirement. This is the general rule that a military retiree may not receive both DVA Disability Compensation and military retired pay simultaneously, but may waive military retired pay in order to receive DVA Disability Compensation. See 38 U.S.C. § 5304 and 38 U.S.C. § 5305. The General Waiver Requirement is always subject to the exception under 10 U.S.C. § 1414.

1.3.8. Exception to the General Waiver Requirement. This is the rule enacted in 10 U.S.C. § 1414 to make specific and limited exceptions to the General Waiver Requirement.

1.3.9. Qualified Retiree. This is a member or former member of the Uniformed Services who is entitled for any month to both retired pay and DVA Disability Compensation based on a service-connected disability (or combination of service-connected disabilities) that is rated by the Secretary of Veterans Affairs as not less than 50 percent disabling on the DVA schedule for rating disabilities. A Disability Retiree must be a Career Disability Retiree to be a Qualified Retiree.

1.3.10. Qualified Career Disability Retiree. This is a person who meets both the definition of Career Disability Retiree and Qualified Retiree.

2.0 ELIGIBILITY

2.1 Qualified Retiree

To qualify for the Exception to the General Waiver requirement and receive military retired pay concurrently with DVA Disability Compensation, the member must be a "Qualified Retiree" as defined in paragraph 1.3.9. Career Disability Retirees who are qualified retirees may receive concurrent Title 10, U.S.C., Chapter 61 Disability Retired Pay and DVA Disability Compensation, subject to certain limitations described in paragraph 2.3.4.

2.2 Qualifying Service-Connected Disability

A qualifying service-connected disability is a service-connected disability (or combination of service-connected disabilities) that is rated by the Secretary of Veterans Affairs as not less than 50 percent disabling on the DVA schedule for rating disabilities.

2.3 Physical Disability Retirement

2.3.1. Disability Retirees - Less Than 20 Years. Such members who do not have 20 years or more of service creditable under 10 U.S.C. § 1405, or 20 years of service computed under 10 U.S.C. § 12732, at the time of the retirement are not eligible to receive Title 10, U.S.C., Chapter 61 Disability Retired Pay and DVA Disability Compensation concurrently. Accordingly, such members are subject to the General Waiver Requirement and must waive Title 10, U.S.C., Chapter 61 Disability Retired Pay in order to receive DVA Disability Compensation.

2.3.2. Qualified Career Disability Retirees - 20 Years or More. Such members may receive concurrent Title 10, U.S.C., Chapter 61 Disability Retired Pay and DVA Disability Compensation but, in certain circumstances, may be required to waive a portion of the Title 10, U.S.C., Chapter 61 Disability Retired Pay.

2.3.3. Nature of the Payments. A Qualified Career Disability Retiree is entitled to be paid Title 10, U.S.C., Chapter 61 Disability Retired Pay concurrently with DVA Disability Compensation. The Qualified Career Disability Retiree continues to receive Title 10, U.S.C., Chapter 61 Disability Retired Pay. The nature of the Title 10, U.S.C., Chapter 61 Disability Retired Pay is not changed because Career Disability Retiree becomes a Qualified Retiree under 10 U.S.C. § 1414.

2.3.4. Special Rules for Qualified Career Disability Retirees. The law limits the amount of Chapter 61 Disability Retired Pay that remains subject to the General Waiver Requirement. Specifically, a Career Disability Retiree receiving Title 10, U.S.C., Chapter 61 Disability Retired Pay must waive Chapter 61 Disability Retired Pay, but only to the extent that the amount of Chapter 61 Disability Retired Pay exceeds the amount of hypothetical longevity retired pay to which the member would have been entitled under any other provision of law if the member had not been retired for disability under Title 10, U.S.C., Chapter 61. After application of the limited general waiver requirement, a Qualified Career Disability Retirees will receive their

Title 10, U.S.C., Chapter 61 Disability Retired Pay in an amount equal to the dollar amount of hypothetical longevity retired pay. In cases where a Qualified Career Disability Retiree's hypothetical retired pay computation exceeds their Title 10, U.S.C., Chapter 61 Disability Retired Pay (based on percentage of disability), the General Waiver Requirement does not apply.

Example 1. Qualified Career Disability Retiree Whose Title 10, U.S.C., Chapter 61 Disability Retired Pay Exceeds Hypothetical Longevity Retired Pay.

If a Qualified Career Disability Retiree who was retired for disability under Title 10, U.S.C., Chapter 61 is entitled to $1000 per month in Disability Retired Pay based on his/her percentage of disability, and that same retiree would hypothetically have been entitled to $800 per month in retired pay if (s)he had (hypothetically) been retired under Title 10, U.S.C., Chapter 741 (Army), Title 10, U.S.C., Chapter 841 (Navy) or Title 10, U.S.C., Chapter 941 (Air Force) based on completion of 20 years of service (i.e., length of service), then the amount of Disability Retired Pay that can be received concurrently with DVA Disability Compensation is $800. The remaining $200 in Disability Retired Pay is still subject to the General Waiver Requirement (i.e., the requirement that a member must waive military retired pay in order to receive DVA Disability Compensation). Assume DVA Disability Compensation paid by the DVA is $1,500. Table 64-1 illustrates this example.

Note: In the example, the $800 per month in Chapter 61 Disability Retired Pay is paid concurrently with the DVA Disability Compensation ($1,500). The nature of the Title 10, U.S.C., Chapter 61 Disability Retired Pay is not changed. Such a member is eligible to receive both the Title 10, U.S.C., Chapter 61 Disability Retired Pay and DVA Disability Compensation, but must waive $200 in Title 10, U.S.C., Chapter 61 Disability Retired Pay. Thus $200 is still subject to the General Waiver Requirement. The $800 per month in Title 10, U.S.C., Chapter 61 Disability Retired Pay is not "waived" and then "restored." It is Title 10, U.S.C., Chapter 61 Retired Pay paid concurrently with the DVA Disability Compensation.

Example 2. Qualified Career Disability Retiree Whose Hypothetical Longevity Retired Pay is Equal or Exceeds Chapter 61 Disability Retired Pay.

In some cases, a Qualified Career Disability Retiree's Hypothetical Longevity Retired Pay will either equal or exceed their Title 10, U.S.C., Chapter 61 Disability Retired Pay (based on percentage of disability). In such cases the General Waiver Requirement will not apply. Assume a Qualified Career Disability Retiree who was retired for disability under Title 10, U.S.C., Chapter 61 and who chooses the more favorable of the following two computation methods: either (a) $900 per month in Title 10, U.S.C., Chapter 61 Disability Retired Pay based on his/her percentage of disability, or (b) $1,500 per month in retired pay based on years of service. (As a reminder, for a Title 10, U.S.C., Chapter 61 retiree, the percentage multiplier may be based on the number of years of creditable service or the disability percentage assigned by the Service as elected by the member). Assume

that same retiree would hypothetically have been entitled to $1,500 per month in retired pay if the member had (hypothetically) been retired under Title 10, U.S.C., Chapter 741 (Army), Title 10, U.S.C., Chapter 841 (Navy) or Title 10, U.S.C., Chapter 941 (Air Force) based on completion of 20 years of service (i.e., length of service). In such an instance, the amount of Title 10, U.S.C., Chapter 61 Disability Retired Pay that can be received concurrently with DVA Disability Compensation is $1,500. There is no amount that is subject to the general waiver requirement. Table 64-2 illustrates this example. (Assume DVA Disability Compensation paid by the DVA is $1,500).

2.4 Non-Regular Retired Pay

Members eligible for retirement for non-regular service are not eligible to receive both military retired pay and DVA Disability Compensation concurrently until they reach retirement age and have applied for and have become entitled to receive military retired pay. A member is generally not eligible for non-regular retired pay until they reach age 60. The eligibility age may be reduced in certain cases based on qualifying active duty in response to a national emergency after January 28, 2008.

2.5 Retired Pay Waived (Other Than for DVA Disability Compensation)

A member who waives retired pay in order to credit military service for the purpose of establishing eligibility for a civil service retirement, or for any reason other than to receive VA disability compensation, is not eligible to receive both military retired pay and DVA Disability Compensation concurrently. A member who combines his military time with his civil service time for the sole purpose of enhancing his civil service retirement may be eligible to receive both military retired pay and DVA Disability Compensation concurrently. Members who are in receipt of a civil service retirement and believe they may be eligible to receive both benefits simultaneously should consult the Civil Service Retirement System and Federal Employees Retirement System Handbook for Personnel and Payroll Offices for further information on eligibility. See also ***https://www.opm.gov/retire/pubs/handbook/hod.htm***.

3.0 APPLICATION

A member who has already met the requirements to receive military retired pay is not required to submit an application to receive military retired pay and DVA Disability Compensation concurrently. The Defense Finance and Accounting Service (DFAS) will establish procedures to ensure that qualified retirees receive military retired pay to which they are entitled pursuant to 10 U.S.C. § 1414. Members who believe they are entitled to military retired pay, but are not receiving it, should submit a written claim to DFAS to ascertain the reason they are not currently receiving military retired pay. The claim should be sent to DFAS, U.S. Military Retired Pay, 8899 East 56th Street, Indianapolis, IN 46249-1200 or use the askDFAS Online Tools for Retirees at ***https://www.dfas.mil/retiredmilitary/retiree-askDFAS-Online-Tool***. Any survivors seeking retroactive military retired pay, owed a deceased member as arrears of pay, must submit a written claim on a completed Standard Form 1174. See Chapter 30, paragraph 2.5 for additional information.

4.0 PHASE-IN-PERIOD

4.1 Phase-In-Period – 10 Year Period

The law that first allowed retirees to receive military retirement pay and DVA Disability Compensation concurrently was effective on January 1, 2004. It provided for a 10-year phase-in period (January 1, 2004 through December 31, 2013) in which, for most retirees, the amount of military retired pay that was not subject to the General Waiver Requirement would increase gradually each year until the retiree began receiving full military retirement pay simultaneously with DVA Disability Compensation. There was no phase-in period for retirees with a VA disability rating of 100 percent. The limitations on Career Disability Retirees was applicable.

4.2 Phase-In-Period – Expired

The phase-in period ended on December 31, 2013. Effective on January 1, 2014, (with the exception of Career Disability Retirees who are still subject to the limitations in subparagraph 2.3.4), Qualified Retirees are eligible to receive military retired pay, in full, and concurrently with DVA Disability Compensation. For historical information on the computation of the amount of military retirement pay that could be paid concurrently with DVA Disability Compensation during the phase-in period, see the archived version of ***Chapter 64***, October 2020.

5.0 RELATION TO OTHER PROVISIONS

5.1 Relation to Combat-Related Special Compensation (CRSC)

Military retirees with disabilities that are attributable to a combat-related event may be eligible for CRSC under ***10 U.S.C. § 1413a***. Combat-related determinations are made by the branch of service from which the member retired. A retired member may receive either CRSC under 10 U.S.C. § 1413a or, in the alternative, military retirement pay and DVA Disability Compensation concurrently under 10 U.S.C. § 1414, but not both. If a retired member is already in receipt of military retirement pay and DVA Disability Compensation concurrently pursuant to 10 U.S.C. § 1414 and then subsequently receives a determination from the branch of service that the member has disabilities that are attributable to a combat-related event under 10 U.S.C. § 1413a, DFAS will compare the possible entitlements under both laws. Unless the member elects otherwise, the CRSC benefit under 10 U.S.C. § 1413a will be paid if it is found to exceed the gross military retired pay entitlement.

5.1.1. All members entitled to both (a) military retirement pay and DVA Disability Compensation concurrently pursuant to 10 U.S.C. § 1414 and (b) CRSC under 10 U.S.C. § 1413a, will be provided an annual open season period during which the member may elect to change between the two entitlement alternatives.

5.1.2. Eligible members will be notified of the opportunity to elect to change between the two alternative entitlements. The notification will be based on the entitlement information available at the time the notice is provided and will specify the date that an election change will be effective.

5.1.3. If a change in the entitlement amount under either alternative entitlement (under 10 U.S.C. § 1414 or 10 U.S.C. § 1413a) occurs after the close of an annual open season period, the change in the entitlement amount will not serve as a basis to alter the current election. The existing election may only be changed at the next annual open season period. This limitation applies to changes in a member's VA disability rating, which have a retroactive effective date specified by VA that precedes the date that DFAS is notified of the change.

Note: The limitation in the prior sentence does not apply if maintaining the member's most recent open season election would result in the establishment of a retired pay debt or result in the loss of the entitlement previously elected altogether.

5.2 Relation to Uniformed Services Former Spouses' Protection Act (USFSPA)

5.2.1. Title 10, U.S.C., section 1408, provides a mechanism for a former spouse to enforce a retired pay property award for direct payments from the member's disposable military retired pay. Disposable military retired pay is defined in Chapter 29 and equals a member's total monthly military retired pay (gross pay) entitlement minus certain authorized deductions. The disposable military retired pay of a retired member who is a Qualified Retiree (including Qualified Career Disability Retiree) is computed by taking the member's total monthly retired pay (gross pay) entitlement being received concurrently and reducing it by the authorized deductions pursuant to 10 U.S.C. § 1408.

5.2.2. Qualified Career Disability Retirees. Qualified Career Disability Retirees continue to receive Chapter 61 Disability Retired Pay. In computing, disposable retired pay, the pay received by the retiree must be considered as Chapter 61 Disability Retired Pay.

> Example. Assume a Qualified Career Disability Retiree who elected to receive Chapter 61 Disability Retired Pay computed based on the number of years of creditable service (in the amount of $900 per month) and in doing so elected to decline Chapter 61 Disability Retired Pay computed based on the percentage of disability (which, if elected, would have been $700 per month). Assume further that this same Qualified Career Disability Retiree is entitled to receive Title 10, U.S.C., Chapter 61 Disability Retired Pay and DVA Disability Compensation concurrently pursuant to 10 U.S.C. § 1414. When computing disposable military retired pay under Chapter 29, one of the authorized deductions is "The amount of retired pay for a member retired under Title 10, U.S.C., Chapter 61 computed based on percentage of disability." Assume that no other deductions apply. To compute the disposable military retired pay, take the member's total monthly retired pay (gross pay) entitlement being received concurrently ($900) and reduce it by the authorized deductions ($700). The disposable military retired pay in this example is $900 - $700 =$200.
>
> Note. The $700 deduction amount is equal to the amount of retired pay of the member under Title 10, U.S.C., Chapter 61 using the percentage of the member's disability on the date when the member was retired.

5.3 Relation to Other Laws and Processes

When a member is entitled to receive military retired pay and DVA Disability Compensation concurrently pursuant to 10 U.S.C. § 1414, the military retired pay that is paid is still military retired pay. As military retired pay, it remains subject to any other action or process, and to the same extent, that applies to military retired pay as described in law or this regulation. In all instances, when military retired pay is paid concurrently with DVA Disability Compensation pursuant to 10 U.S.C. § 1414 military retired pay, the nature of the military retired pay is not changed because the retiree is a Qualified Retiree under 10 U.S.C. § 1414.

5.3.1. Pursuant to ***10 U.S.C. § 1452***, premium deductions from military retired pay are made for participants in the Survivor Benefit Plan (SBP). Military retired pay which is paid concurrently with DVA Disability Compensation pursuant to 10 U.S.C. § 1414 is available for SBP premium deductions. If a member has sufficient military retired pay to cover SBP premium deductions, then SBP premiums will be deducted from the military retired pay. See Chapter 45.

5.3.2. The Treasury Offset Program allows military retired pay to be offset (reduced) to recover a debt owed to the United States. Military retired pay which is paid concurrently with DVA Disability Compensation pursuant to 10 U.S.C. § 1414 is available for collection of a debt through the Treasury Offset Program. See Volume 16.

5.3.3. Military retired pay which is paid concurrently with DVA Disability Compensation pursuant to 10 U.S.C. § 1414 is subject to any other action or process and is governed by the specific laws and regulations governing the other action or process, including but not limited to garnishment for child support or alimony allotments.

5.4 Taxability

5.4.1. A Qualified Retiree who is entitled to be paid Military Retired Pay concurrently with the DVA Disability Compensation is receiving Military Retired Pay. Military Retired Pay is taxable unless it qualifies for exemption to taxation under the Internal Revenue Code. See Chapter 24.

5.4.2. A Qualified Career Disability Retiree receiving Title 10, U.S.C., Chapter 61 Military Retired Pay concurrently with the DVA Disability Compensation pursuant to 10 U.S.C. § 1414, receives Title 10, U.S.C., Chapter 61 Military Retired Pay, which is subject to the taxation rules for Title 10, U.S.C., Chapter 61 Military Retired Pay found in ***10 U.S.C. § 1403*** and ***26 U.S.C. § 104***.

5.4.2.1. If a Qualified Career Disability Retiree's Title 10, U.S.C., Chapter 61 Disability Retired Pay exceeds Hypothetical Longevity Retired Pay, and the retiree is receiving Title 10, U.S.C., Chapter 61 Disability Retired Pay based upon percentage of disability, then all of Title 10, U.S.C., Chapter 61 Disability Retired Pay received concurrently with DVA Disability Compensation may be non-taxable if otherwise qualified to be excluded from gross income under 26 U.S.C. § 104. See Chapter 24, paragraph 2.2.

5.4.2.2. If a Qualified Career Disability Retiree has elected to receive Title 10, U.S.C., Chapter 61 Retired Pay based upon a percentage multiplier for number of years of creditable service because it exceeds the Title 10, U.S.C., Chapter 61 Disability Retired Pay they would have received based on percentage of disability, then only a portion of Title 10, U.S.C., Chapter 61 Disability Retired Pay received concurrently with DVA Disability Compensation may be non-taxable. In accordance with 10 U.S.C. § 1403, the amount of Title 10, U.S.C., Chapter 61 Disability Retired Pay that may qualify for tax exempt status cannot exceed the amount that equals Title 10, U.S.C., Chapter 61 Military Retired Pay based upon the disability percentage assigned by the Service at retirement. In order to be non-taxable, the Title 10, U.S.C., Chapter 61 Disability Retired pay received concurrently with DVA Disability Compensation must otherwise be qualified to be excluded from gross income under 26 U.S.C. § 104. See Chapter 24, Section 4.0.

> Example. Assume Qualified Career Disability Retiree is entitled to receive either $1,500 a month in Title 10, U.S.C., Chapter 61 Military Retired Pay based upon percentage multiplier for years of service or $900 a month based upon disability percentage and has elected to receive $1,500 a month in Title 10, U.S.C., Chapter 61 Disability Retired Pay. Only $900 a month of the $1,500 of Title 10, U.S.C., Chapter 61 Retired Pay of received concurrently with DVA disability compensation may be considered non-taxable if otherwise qualified to be excluded from gross income under 26 U.S.C. § 104. Thus, in this example, $600 of Title 10, U.S.C., Chapter 61 Disability Retired Pay received concurrently with DVA Disability compensation is taxable and cannot be excluded from gross income under 26 U.S.C. § 104.

*5.5 Relation to Individual Unemployability

5.5.1. Individual Unemployability (IU) is a supplement to the DVA's disability compensation program that allows the DVA to pay certain veterans disability compensation at the 100 percent rate, even though the DVA may not have rated the member’s service-connected disabilities at the total level. A veteran qualifying for the IU supplement receives a monthly VA disability compensation payment equal to the amount that he or she would receive if rated 100 percent disabled.

5.5.2. Subject to the exceptions for Disability Retirees explained in subparagraphs 5.5.2.1 and 5.5.2.2, a member or former member of the Uniformed Services who is entitled for any month to both military retired pay and DVA Disability Compensation based on a service-connected disability (or combination of service-connected disabilities) which the Secretary of Veterans Affairs determines qualifies the member for the IU supplement may receive concurrent military retired pay and DVA Disability Compensation.

5.5.2.1. Disability Retirees (Less than 20 years)

Disability Retirees with less than 20 years of service creditable under 10 U.S.C. § 1405 or less than 20 years of service computed under 10 U.S.C. § 12732 at the time of the retirement are not eligible to receive Title 10, U.S.C., Chapter 61 Disability Retired Pay and DVA Disability Compensation concurrently even if the Secretary of Veterans Affairs determines that the member qualifies for the IU supplement.

5.5.2.2. Disability Retirees (More than 20 years)

Disability Retirees with 20 years or more of service creditable under 10 U.S.C. § 1405 or 20 years or more of service computed under 10 U.S.C. § 12732 at the time of the retirement and for whom the Secretary of Veterans Affairs determines that the member qualifies for the IU supplement are eligible to receive Title 10, U.S.C., Chapter 61 Disability Retired Pay and DVA Disability Compensation concurrently. However, the Special Rule for Qualified Career Disability Retirees applies. As a result, the retiree must waive Chapter 61 Disability Retired Pay to the extent that the amount of Chapter 61 Disability Retired Pay exceeds the amount of hypothetical longevity retired pay to which the member would have been entitled under any other provision of law if the member had not been retired for disability under Title 10, U.S.C., Chapter 61.

Table 64-1. Example 1 - Illustration to subparagraph 2.3.4.

Entitlement Type	Amount	Amount payable from VA	Amount payable from DoD
Hypothetical Longevity Retired Pay	$800	Blank	Blank
Chapter 61 Disability Retired Pay Entitlement based on percentage of disability	$1,000	Blank	$800 (Note 1)
Amount Disability Retired Pay Exceeds Hypothetical Length of Service entitlement	$200 (Note 2) ($1,000- $800)	Blank	Blank
DVA Disability Compensation Entitlement	$1,500	$1,500	Blank

Note:
1. This $800 amount is Chapter 61 Disability Retired Pay paid concurrently and is not subject to General Waiver Requirement as it is not required to be waived to receive it concurrently with DVA Disability Compensation. It is paid as Chapter 61 Disability Retired Pay concurrently with the DVA Disability Compensation.

2. This $200 amount is subject to the General Waiver Requirement as it must be waived to receive DVA Disability Compensation concurrently.

Table 64-2. Example 2 - Illustration to subparagraph 2.3.4.

Entitlement Type	Amount	Amount payable from VA	Amount payable from DoD
Hypothetical Length of Service Entitlement	$1,500 (Note 1)	Blank	$1,500 (Note 2)
Chapter 61, Disability Retired Pay Entitlement computed based on years of service (Note 1)	$1,500	Blank	Blank
Chapter 61, Disability Retired Pay Entitlement computed based on percentage of disability (Note 1)	$900	Blank	Blank
Amount Chapter 61 Disability Retired Pay that Exceeds Hypothetical Length of Service entitlement	$0 (Note 3)	Blank	Blank
DVA Disability Compensation Entitlement	$1,500	$1,500	Blank

Note:
1. Pursuant to ***10 U.S.C. § 1401***, a member retired under Chapter 61 is entitled have their Chapter 61 Disability Retired Pay computed based upon their disability percentage or their years of service. Assume the member elected the more favorable computation of $1,500.

2. This $1,500 is Chapter 61 Disability Retired Pay paid concurrently with DVA Disability Compensation and is not subject to general waiver requirement, as members are not required to waive this compensation to receive it concurrently with DVA Disability Compensation. See Paragraph 5.4 for taxability.

3. The amount the Chapter 61 Disability Retired Pay based upon years of service ($1500) that exceeds the Hypothetical Length of Service entitlement ($1500) is $0. Thus, there is no amount that must be waived to receive DVA Disability Compensation concurrently.

*REFERENCES

CHAPTER 64 – CONCURRENT MILITARY RETIREMENT PAY AND DEPARTMENT OF VETERANS AFFAIRS (DVA) DISABILITY COMPENSATION

1.0	General	
		Public Law 108-136, section 641, November 24, 2003 10 U.S.C. § 1414 38 U.S.C. § 5304 38 U.S.C. § 5305
	1.3	38 U.S.C. § 5304 38 U.S.C. § 5305 Chapter 61 of Title 10 10 U.S.C. § 1414
2.0	Eligibility	10 U.S.C. § 1414
	2.3	10 U.S.C. § 1201(b)(3)(A) 10 U.S.C. § 1208 10 U.S.C. § 1405 10 U.S.C. § 12732
	2.4	10 U.S.C. § 12731
	2.5	5 U.S.C. § 8332 5 U.S.C. § 8411
4.0	Phase-in- Period	Public Law 108-136, section 641, November 24, 2004
5.0	Relation to Other Provisions	
	5.1	10 U.S.C. § 1413a 10 U.S.C. § 1414(d)
	5.2	10 U.S.C. § 1408
	5.3	10 U.S.C. § 1452
	5.4	Title 26, Code of Federal Regulation, section 1.104-1(e) 26 U.S.C. § 104(a)(4) 10 U.S.C. § 1403

REFERENCES (continued)

5.5	10 U.S.C. § 1414 10 U.S.C., Chapter 61

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

APPENDIX A: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

APPENDIX B: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DEPARTMENT OF DEFENSE

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APPENDIX C: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DEPARTMENT OF DEFENSE

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APPENDIX D: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DEPARTMENT OF DEFENSE

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APPENDIX E: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 7B, APPENDIX F: "SURVIVOR BENEFIT PLAN (SBP)/RETIRED SERVICEMAN'S FAMILY PROTECTION PLAN (RSFPP) COMPOUND INTEREST TABLE"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated April 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Cancelled chapter since Compound Interest Table rates are published on the Office of the Actuary website along with prior Compound Interest Table rates. Prior Dependency Indemnity Compensation rates may also be found in Financial Management Regulation Archives and the Department of Veterans Affairs website.	Cancellation

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

APPENDIX G: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 7B, APPENDIX H: "AGE OF MAJORITY BY STATE AND UNITED STATES' POSSESSIONS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated May 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision
All	Updated table to include when a state or United States possession has a different age of majority for purposes of child support.	Revision
Guam	Added Guam to the table.	Addition

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*AGE OF MAJORITY BY STATE AND UNITED STATES' POSSESSIONS

State	Age
Alabama	19
Alaska	18 (for the purpose of a parent paying child support, child support may be extended for an unmarried child, by order, until graduation from high school, or technical/vocational training or age 19, whichever comes first)
Arizona	18 (for the purpose of a parent paying child support, age 18; child support shall continue while the child is attending high school or equivalency program, but no later than age 19)
Arkansas	18 (for the purpose of a parent paying child support, age 18; if child is still attending high school at age 18, child support continues until high school graduation or end of the school year after child turns age 19, whichever comes first)
California	18 (for the purpose of a parent paying child support, age 18; if unmarried child is attending high school full-time, child support continues until child completes 12th grade, or age 19, whichever comes first)
Colorado	18 (for the purpose of a parent paying child support, age 19; if child is still in high school or equivalent program, support continues until the end of the month following graduation. If child ceases attending high school or equivalent program before graduation, and re-enrolls, child support continues until end of the month following graduation, but no later than age 21)
Connecticut	18 (for the purpose of a parent paying child support, age 18; if unmarried child is attending high school full-time, child support continues until child completes 12th grade, or age 19, whichever comes first)
Delaware	18 (for the purpose of a parent paying child support, age 18; if child is attending high school, support continues until graduation, or age 19, whichever comes first)
District of Columbia	18 (for the purpose of a parent paying child support, age 21, unless otherwise emancipated)
Florida	18*
Georgia	18 (for the purpose of a parent paying child support, age 18; or until the child graduates from high school or age 20, whichever comes first)

*AGE OF MAJORITY BY STATE AND UNITED STATES POSSESSIONS (Continued)

State	Age
Guam	18 (for the purpose of a parent paying child support, age 18 or graduation from high school, whichever comes later, not to exceed age 19)
Hawaii	18 (for the purpose of a parent paying child support, may be extended beyond age 18 if child is attending school full-time)
Idaho	18 (for the purpose of a parent paying child support, may be extended until the child discontinues high school education or age 19, whichever is sooner)
Illinois	18 (for the purpose of a parent paying child support, age 18; if child is 18 and attending high school, support terminates upon graduation or age 19, whichever comes first)
Indiana	18 (for the purpose of a parent paying child support, age 19; if age 19 and child is attending secondary school, support may be extended, upon petition, until graduation from secondary school)
Iowa	18 (for the purpose of a parent paying child support, age 19, if child is attending high school full-time and expected to graduate or obtain GED)
Kansas	18 (for the purpose a parent paying child support, age 18; if age 18 and child is still in high school, extended until June 30 of year child turns age 18)
Kentucky	18 (for the purpose of a parent paying child support, age18, but if child is not emancipated by marriage, child support will continue while child is in high school, but no later than end of the school year in which the child turns age19)
Louisiana	18*
Maine	18*
Maryland	18*
Massachusetts	18 (for the purpose of a parent paying child support, may be extended beyond age 18 if child is still in high school, or to age 21 or 23, under certain conditions)
Michigan	18 (for the purpose of a parent paying child support, may be extended to age 19.5 if the child is attending high school full-time with a reasonable expectation of graduating)

*AGE OF MAJORITY BY STATE AND UNITED STATES POSSESSIONS (Continued)

State	Age
Minnesota	18 (for the purpose of a parent paying child support, age 18 or until age 20, if child is attending secondary school)
Mississippi	21 (for the purpose of a parent paying child support, age 21, if child support order was issued by a Mississippi court)
Missouri	18 (for the purpose of a parent paying child support, 18, or until child completes secondary school program or age 21, whichever comes first. Child support may extend to age 21, if the child is enrolled in an institution of vocation or higher education and meets certain requirements)
Montana	18*
Nebraska	19**
Nevada	18*
New Hampshire	18 (for the purpose of a parent paying child support, age 18 or when the child graduates high school, whichever is later)
New Jersey	18 (unless otherwise emancipated, age 19, for the purpose of a parent paying child support)
New Mexico	18*
New York	18 (unless otherwise emancipated, age 21, for the purpose of a parent paying child support)
North Carolina	18 (up to age 20, for the purpose of a parent paying child support, if the child is still attending high school and has not graduated)
North Dakota	18 (for the purpose of a parent paying child support, child support continues beyond age 18 until child graduates from high school or age 19, whichever comes first)
Ohio	18 (for the purpose of a parent paying child support, child support continues beyond age 18 until child graduates from high school or age 19, whichever comes first)
Oklahoma	18 (for the purpose of a parent paying child support, if the child is attending high school, child support continues until graduation or age 20, whichever occurs first)
Oregon	18 (for the purpose of a parent paying child support, child support may be extended up to age 21 while the child is attending school)
Pennsylvania	18 (for the purpose of a parent paying child support, age 18 or until the child graduates from high school, whichever occurs later)
Puerto Rico	21 (for the purpose of a parent paying child support, age 21, unless otherwise emancipated)

*AGE OF MAJORITY BY STATE AND UNITED STATES POSSESSIONS (Continued)

State	Age
Rhode Island	18 (for the purpose of a parent paying child support, until high school graduation or age 19, whichever comes first)
South Carolina	18 (for the purpose of a parent paying child support, age 18 and has finished high school, or until the end of the school year after the child turns age 19, whichever is later)
South Dakota	18*
Tennessee	18 (for the purpose of a parent paying child support, age 18 and has graduated from high school, or until the class of which the child is a member when the child turned 18 graduates, whichever occurs first)
Texas	18 (for the purpose of a parent paying child support, age 18 or until graduation from high school, whichever occurs later)
Utah	18 (for the purpose of a parent paying child support, age 18, or graduation from high school during the child's normal and expected year of graduation, whichever occurs later)
Vermont	18 (for the purpose of a parent paying child support, age 18 or termination of secondary education, whichever occurs later)
Virginia	18 (for the purpose of a parent paying child support, child support continues until high school graduation or age 19, whichever comes first)
Virgin Islands	18
Washington	18 (for the purpose of a parent paying child support, support continues if child is participating full-time in a secondary school program and is under the age of 19)
West Virginia	18 (for the purpose of a parent paying child support, age 18 or until age 20 if enrolled in a secondary educational or vocational program)
Wisconsin	18*
Wyoming	18 (for the purpose of a parent paying child support, age 18, or until age 20 if attending high school or an equivalent program full-time)

*AGE OF MAJORITY BY STATE AND UNITED STATES POSSESSIONS (Continued)

Note: The age listed for the purpose of a parent paying child support is the age under the corresponding state's law, and presumes a child is not otherwise emancipated by military service, marriage, death, judicial decree, or self-support. Child support may also be extended due to disability.

*The age of majority in this state is age 18. However, for the purpose of a parent paying child support, this state dictates that child support is to continue until age 19 if the child is still attending high school or a secondary school.

**If a child under age 19 marries, child support ends.

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APPENDIX J: "ARCHIVED"

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APPENDIX K: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

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UNDER SECRETARY OF DEFENSE (COMPTROLLER)

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UNDER SECRETARY OF DEFENSE (COMPTROLLER)

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APPENDIX O: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 7B, APPENDIX P: "DATA FOR PAYMENT OF RETIRED PERSONNEL"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated June 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision

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APPENDIX P

DATA FOR PAYMENT OF RETIRED PERSONNEL

1.0 GENERAL

1.1 Purpose

This appendix provides for the administration and completion of the Department of Defense ***(DD) Form 2656***, Data for Payment of Retired Personnel, and ***DD 2656-1***, Survivor Benefit Plan (SBP) Election Statement for Former Spouse Coverage, if appropriate.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), Title 10. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 APPLICABILITY AND SCOPE

2.1 Establishing Retired/Retainer Pay Account

Those Service members requesting retirement, and former members who are entitled to retired pay under 10 U.S.C. Chapter 1223, must complete the DD 2656 and DD 2656-1, if appropriate, in order to be provided retired pay. The DD 2656 is the most important financial related document to complete in preparing for military retirement. The Defense Finance and Accounting Service Cleveland (DFAS-CL) will establish the Service member's retired/retainer pay account based on the data provided on the form(s) and retirement/transfer orders.

2.2 Required Data

The Service member's personnel office and SBP counselor will assist them in the proper completion and submission of the DD 2656 and DD 2656-1, if appropriate. See section 3.0. The data provided is required to establish a retired/retainer pay account, including:

2.2.1. The retirement plan under which the Service member is covered;

2.2.2. Direct deposit/electronic funds transfer information;

2.2.3. Designation of beneficiaries for unpaid retired pay;

2.2.4. Federal and state tax withholding information;

2.2.5. Information on dependents;

2.2.6. An election of SBP coverage; and

2.2.7. Lump sum payment election, when applicable.

Note: The DD 2656 replaced Navy Comptroller Form 2272, Department of Army Form 4240, and Air Force Form(s) 1266, 1267, and 1268.

3.0 RESPONSIBILITIES

3.1 DFAS Responsibilities

DFAS-CL is the primary source for information and technical guidance concerning the DD 2656 and DD 2656-1. DFAS-CL processes the documents for military retirement submitted by the Military Services.

3.2 Military Service Responsibilities

Each respective personnel activity will provide pre-retirement counseling to prospective retirees. As part of the counseling process, each personnel activity will ensure that the prospective retirees properly complete the DD 2656 and DD 2656-1, if appropriate. The personnel activity will forward the forms and appropriate documentation to DFAS-CL electronically, or mail to:

DFAS
U.S. Military Retired Pay
8899 E. 56th Street
Indianapolis, IN 46249-1200

3.3 Service Member Responsibilities

Members requesting retirement and former members who qualify under 10 U.S.C., Chapter 1223, will complete the DD 2656 and DD 2656-1, if appropriate. Completion of these forms is necessary to establish the retired/retainer pay account. See paragraph 2.2.

REFERENCES

APPENDIX P – DATA FOR PAYMENT OF RETIRED PERSONNEL

1.0 – GENERAL

10 U.S.C., Chapter 73, subchapter II

2.0 – APPLICABILITY AND SCOPE

10 U.S.C., Chapter 1223
DoD Instruction 1332.42, Survivor Benefit Plan (current version)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

APPENDIX Q: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 7B, APPENDIX R: "ANNUAL INCOME RATES FOR MINIMUM INCOME ANNUITIES UNDER SURVIVOR BENEFIT PLAN (SBP)"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlink and formatting to comply with current administrative instructions.	Revision
Table R-1	Updated appendix to reflect the maximum and minimum annual income rate changes, effective December 1, 2024.	Revision

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ANNUAL INCOME RATES FOR MINIMUM INCOME ANNUITIES UNDER SURVIVOR BENEFIT PLAN (SBP)

1.0 GENERAL

1.1 Purpose

A minimum income widow (MIW) is a person who on September 21, 1972, was, or during the period beginning on September 22, 1972, and ending on March 20, 1974, became, the widow of a member who was entitled to retired or retainer pay when they died. This individual must have income below the threshold and meet the eligibility criteria in Chapter 46. The widow's annual income from all sources (including the amount of Retired Serviceman's Family Protection Plan annuity entitlement, but excluding the amount of disability pension), as determined by the Department of Veterans Affairs (VA), must be less than the annual income rate reflected in the SBP/MIW Annuity Limitation table as determined by the VA. Annually, the VA will publish the most current ***SBP/MIW Annuity Limitation*** to the VA website. This amount, divided by 12, represents the maximum monthly payable to MIW annuitants. See Chapter 46.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), Title 10. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

*Table R-1. ANNUAL INCOME RATES FOR MINIMUM INCOME ANNUITIES UNDER SURVIVOR BENEFIT PLAN (SBP) (See Notes 1 and 2)
Table Revision Effective Date: December 1, 2024

MAXIMUM MONTHLY ANNUITY PAYABLE	MINIMUM ANNUAL INCOME	EFFECTIVE DATE
$948.33	$11,380	December 1, 2024
925.17	11,102	December 1, 2023
896.42	10,757	December 1, 2022
824.67	9,896	December 1, 2021
778.67	9,344	December 1, 2020
768.67	9,224	December 1, 2019
756.50	9,078	December 1, 2018
735.83	8,830	December 1, 2017
721.33	8,656	December 1, 2016
719.17	8,630	December 1, 2015
719.17	8,630	December 1, 2014
707.08	8,485	December 1, 2013
696.58	8,359	December 1, 2012
684.92	8,219	December 1, 2011
661.08	7,933	December 1, 2010
661.08	7,933	December 1, 2009
661.08	7,933	December 1, 2008
624.83	7,498	December 1, 2007
610.75	7,329	December 1, 2006
591.17	7,094	December 1, 2005
567.83	6,814	December 1, 2004
552.83	6,634	December 1, 2003
541.42	6,497	December 1, 2002
533.92	6,407	December 1, 2001
519.75	6,237	December 1, 2000
502.17	6,026	December 1, 1999
490.33	5,884	December 1, 1998
484.00	5,808	December 1, 1997
470.75	5,649	December 1, 1996
457.33	5,488	December 1, 1995
445.58	5,347	December 1, 1994
433.33	5,200	December 1, 1993
422.25	5,067	December 1, 1992
409.83	4,918	December 1, 1991
395.08	4,741	December 1, 1990
374.67	4,496	December 1, 1989
357.67	4,292	December 1, 1988
343.75	4,125	December 1, 1987
329.75	3,957	December 1, 1986

Table R-1. ANNUAL INCOME RATES FOR MINIMUM INCOME ANNUITIES UNDER SURVIVOR BENEFIT PLAN (SBP) (Continued)
Table Revision Effective Date: December 1, 2024

MAXIMUM MONTHLY ANNUITY PAYABLE	MINIMUM ANNUAL INCOME	EFFECTIVE DATE
325.42	3,905	December 1, 1985
315.50	3,786	December 1, 1984
304.67	3,656	December 1, 1983
294.25	3,531	June 1, 1982
273.75	3,285	June 1, 1981
245.83	2,950	June 1, 1980
214.67	2,576	June 1, 1979
195.00	2,340	October 1, 1978
175.00	2,100	October 1, 1976
116.67	1,400	September 21, 1972

Notes:
1. The rate remained unchanged from December 1, 2008, through November 30, 2011.
2. The rate remained unchanged from December 1, 2014, through November 30, 2016.

REFERENCES

APPENDIX R – ANNUAL INCOME RATES FOR MINIMUM INCOME ANNUITIES UNDER SURVIVOR BENEFIT PLAN (SBP)

1.0 GENERAL

1.1 OVERVIEW 10 U.S.C. § 1448

VOLUME 7B, "DEFINITIONS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

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The previous version dated September 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
Combat-Related Special Compensation (CRSC)	Revised acronym for the Department of Veterans Affairs from DVA to VA.	Revision

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DEFINITIONS

1.0 General

The following list defines general terms of significance or importance relating to military retired pay policies for the DoD that are discussed in various chapters. These definitions are provided for general information; it is by no means an exhaustive list of all financial management terms, and it does not define terms when standard dictionary definitions apply.

2.0 List of Definitions

Active Duty

Fulltime duty in the active service of a uniformed service, including fulltime training duty, annual training duty, and attendance while in the active service at a school designated as a military service school by law or by the Secretary of the Military Service concerned (or designee).

Active Duty List (ADL)

A single list for the Army, Navy, Air Force, Space Force, or Marine Corps which contains the names of all officers of that Armed Force, other than officers described in Title 10, United States Code, section 641 (***10 U.S.C. § 641***), who are serving on active duty.

Active Service

Service on active duty or full-time National Guard duty.

Active Status

The status of a member of a Reserve Component (RC) who is not in the inactive Army National Guard or inactive Air National Guard, on an inactive status list, or in the Retired Reserve.

Actuarial

Relating to actuaries and their work.

Actuary

A professional with expertise in the measurement of future contingent events and risk relating to financial outcomes. An actuary is skilled in the application of mathematics, statistics, and economics.

Amendatory Birth Certificate

A birth certificate that has been corrected, changed, or revised.

Annuitant

The person receiving a monthly payment as a result of a Service member's specific survivorship plan.

Annuity

A monthly payment made to a person as a result of a specific survivorship plan.

Annuity Base Amount

The amount of retired pay that determines annuity payable to Survivor Benefit Plan (SBP) beneficiaries.

Armed Forces of the United States

A term used to denote collectively all components of the Army, Marine Corps, Navy, Air Force, Space Force, and the Coast Guard when mobilized to augment the Navy.

Basic Pay

The active duty pay rates prescribed for an officer or enlisted member according to pay grade and years of service.

Beneficiary

The term beneficiary means the recipient of certain benefits due as a result of a relationship to or designation by a member.

*Combat-Related Special Compensation (CRSC)

CRSC is special compensation to members of the Uniformed Services who have their retired pay reduced due to receiving Department of Veterans Affairs (VA) disability compensation where a portion of such VA compensation is the result of disabilities that are combat related as determined by the Service.

Common-Law Marriage

A marriage recognized by state law that is not solemnized by religious or civil ceremony as defined in pertinent state law.

NOTE: Marriages are legal relationships that are governed by state law. Most states no longer recognize marriages under common law. Merely being in a relationship with a member does not mean that a common law marriage exists. To have a common law marriage, there must be clear and convincing evidence that a common law marriage exists under the governing state law.

Concurrent Military Retirement and VA Disability Pay

Formerly known as Concurrent Retirement and Disability Pay. Regular or reserve members who are entitled to military retired pay based on either length of service or disability, and who are also entitled to disability compensation paid by the VA-based on a combined VA disability rating of 50 percent or greater and not subject to the waiver requirements of 38 U.S.C. §§ 5304 and 5305, may receive both military retired pay and VA disability pay concurrently. See ***10 U.S.C. § 1414***. Members retired under military disability provisions under 10 U.S.C., Chapter 61 must have at least 20 years of creditable service and otherwise be entitled to receive retired pay under another provision of law in order to be eligible for concurrent military retired pay and VA disability compensation.

Constructive Payment (or Receipt)

An accounting or tax term used for federal income tax purposes that provides that income is received by the taxpayer in the taxable year in which it is set aside for the taxpayer or credited to his/her account, regardless of whether or not it has been physically received or when it was earned. A constructive payment must be available to the taxpayer for use without substantial limitations or restrictions. See ***26 CFR 1.451-2***.

Cost-of-Living Adjustment (COLA)

The percentage change applied to retired pay and SBP annuities based on laws using the Consumer Price Index, Urban Wage Earners, and Clerical Workers-U.S. City Average, as published by the Bureau of Labor Statistics.

Currency-Blocked Country

A country specified by the U.S. Department of Treasury to which dollar instruments may not be transmitted.

Dependency and Indemnity Compensation (DIC)

Tax-exempt compensation paid by the VA to the eligible survivors of Military Service members who died after December 31, 1956, from a service-connected or compensable disability.

Entitlement

Legally established benefits available to any person meeting eligibility requirements established by law.

Fiduciary

A person, legally designated, who holds something in trust for another person.

Fleet Reserve or Fleet Marine Corps Reserve

A Component of the Regular Service to which members may be transferred and released from active duty after obtaining 20 or more years of active Federal service.

Foreign Address

An address outside of the United States, its possessions and territories, is a foreign address.

Former Member

See definition of Member. A person who was previously appointed or enlisted in, or conscripted into a uniformed service and who has been permanently separated from that service to civilian status is no longer in the service and is considered a former member.

NOTE: Former members may be entitled to retired pay for non-regular service under ***10 U.S.C., Chapter 1223***, if they have met the required age and service requirements. Deceased former members, who met the age and service requirements of 10 U.S.C., Chapter 1223, are not entitled to retired pay.

Inactive Duty Training

Inactive duty training refers to:

1. Duty prescribed for members of an RC by the Secretary of the Military Service concerned (or designee); or

2. Special additional duties authorized for members of an RC by an authority designated by the Secretary of the Military Service concerned and performed by them on a voluntary basis in connection with prescribed training or maintenance activities of the units to which they are assigned.

Member

A person is either in the service or out of the service. A person who was previously appointed or enlisted in, or conscripted into a uniformed service and has not been permanently separated from that service to civilian status is still in the service and is considered a member. Members who become entitled to retired pay do not lose their status as members of the service simply because they are entitled to retired pay. Member status is only lost through permanent separation from the service to civilian status. For purposes of retired pay, a member is a person who was previously appointed or enlisted in, or conscripted into a uniformed service, who has not been permanently separated from that service, who is entitled to retired pay and who is still living. Deceased members are not entitled to retired pay. See 10 U.S.C., Chapter 1223.

Military Departments

The Department of the Army, the Department of the Navy, and the Department of the Air Force. See ***10 U.S.C. § 101(a)(8)***.

Military Retired Pay (Includes Fleet Reserve and Fleet Marine Corps Reserve Retainer Pay)

The gross entitlement for a member based on conditions of the retirement law, pay grade, years of service for basic pay, years of service for percentage multiplier, percentage of disability (if applicable), and date of retirement (transfer).

Missing Status

Includes missing, missing-in-action, interned in a foreign country, captured, beleaguered, besieged by a hostile force, or detained in a foreign country against a member's will.

National Defense Authorization Act (NDAA)

The NDAA authorizes appropriations each fiscal year for military activities of the DoD, for military construction, and for defense activities of the Department of Energy, to prescribe military personnel strengths for such fiscal year, and for other purposes.

Non-Service Connected

With respect to disability or death, that such disability was not incurred or aggravated, or that the death did not result from a disability incurred or aggravated, in line of duty in the active military, naval, air, or space service (VA definition only).

Office of the Actuary

The Office of the Actuary provides actuarial expertise on matters relating to military benefits.

Overpayment

An amount paid to a retiree, annuitant, or legal fiduciary, which is more than that to which entitlement exists.

Parent of Issue

The biological parent, other than the member, of a child.

Pay Grade

The step or degree in a graduated scale to which members of the Uniformed Services are assigned or distributed for military pay and allowances purposes. See Volume 7A, "Comparable Grades."

Representative Payee

A person or organization designated to receive payments for a minor or an individual who is mentally incompetent or under other legal disability, for whom a guardian or other fiduciary has not been appointed.

Reserve Component (RC)

With respect to the Armed Forces, the Army Reserve, the Naval Reserve, the Marine Corps Reserve, the Air Force Reserve, the Coast Guard Reserve, the National Guard of the United States, and the Air National Guard of the United States.

Retainer Pay

Pay received by a member of the Fleet Reserve/Fleet Marine Corps Reserve.

Retired List

Any one of several lists of military members retired from active duty or a RC of the Armed Forces.

Retirement Date

The first day of entitlement to retired pay, not a day of active duty.

Saved Pay

Special pay provisions that allow retired members, under certain conditions, to retain entitlement to pay under prior laws when beneficial to the member.

Service Connected

With respect to disability or death, such disability was incurred or aggravated, or the death resulted from a disability incurred or aggravated in the line of duty in the active military, naval, air, or space service (VA definition only).

Surviving Spouse

A person who was legally married to the decedent on the date of the decedent's death and who survived the decedent is the surviving spouse. There may be additional requirements in order to qualify as a surviving spouse for certain entitlements.

Tower Amendment

A law providing that a member retiring after January 1, 1971, may not receive less retired pay than the monthly retired or retainer pay to which he or she would be entitled if the member had become entitled to retired or retainer pay at an earlier date. A member who fully qualifies for retirement on a date earlier than the actual retirement date receives the most favorable rate of pay as though the member actually retired on the earlier date.

Transfer Date (Fleet Reservists, Fleet Marine Corps Reservists)

Date of release from active duty (a day of entitlement to active duty pay and allowances).

Uniformed Services

The Army, Navy, Air Force, Space Force, Marine Corps, Coast Guard, National Oceanic and Atmospheric Administration, and Public Health Service comprise the Uniformed Services.

United States (U.S.)

The country includes the 50 states and the District of Columbia, unless otherwise qualified.

DoD 7000.14 - R

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 8: "CIVILIAN PAY POLICY"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

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SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by *bold, italic, blue and underlined font*.

The previous version dated October 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
2.4.1	Updated references for Privacy Program.	Revision
References	Updated section.	Revision.

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CHAPTER 1

INTRODUCTION AND OVERALL REQUIREMENTS

1.0 GENERAL

1.1 Purpose

This chapter prescribes the principles, objectives, and related requirements for DoD employee pay operations and systems. The regulations provided in this chapter apply to payments made by the Defense Civilian Pay System (DCPS) to employees who are paid from appropriated, revolving, or trust funds. The Under Secretary of Defense (Comptroller)/Chief Financial Officer has determined DCPS is DoD's only approved standard payroll system. These requirements apply to the processes related to computing payments, leave, deductions, and maintaining records for permanent, temporary, full-time, part-time, irregular, and special category employees.

1.2 Authoritative Guidance

The authority of DoD to establish payroll policy and procedures is derived from Title 5, United States Code (U.S.C.), ***Chapters 53***, ***55***, and ***81***. Other responsibilities, duties, and liabilities are established under 31 U.S.C., sections ***3527***, ***3528***, ***3529***, and ***3541***. Due to the subject matter in the chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each section are listed in a reference section at the end of this chapter.

1.3 Additional Guidance

Additional guidance referenced includes, but is not limited to, the following:

1.3.1. ***Title 5, Code of Federal Regulations (CFR)***. Final rules pertaining to civilian pay operations are typically published in Title 5 of the CFR. Title 5 may be updated by interim changes published in the ***Federal Register*** (FR). Both publications must be read together to determine the latest version of any rule.

1.3.2. FR. The FR is the official journal of the Federal Government that makes publicly available all government agency rules, proposed rules, and public notices. The FR is published daily, except on Federal holidays. The final rules posted by a Federal agency and published in the FR are then organized by topic or subject matter and codified in the CFR. See ***1 CFR, Part 2***.

1.3.3. Executive Order. An executive order is an order or regulation issued by the President in order to implement, interpret, or give effect to a Federal law, treaty or provision of the Constitution. To have the effect of law, an executive order must be published in the FR.

1.3.4. Public Laws. After the President signs a bill into law, it is delivered to the Office of the FR where it is assigned a public law number. The public laws are compiled, indexed and published in the United States Statutes at Large, the permanent bound volume of the laws for each session of Congress.

1.3.5. ***DoD Instruction (DoDI) 1400.25***. The DoDI 1400.25, Civilian Personnel Management, is comprised of several volumes. The purpose of the Instruction is to establish and implement policy, establish uniform procedures, provide guidelines, provide model programs, delegate authority, and assign responsibilities regarding civilian personnel management within the DoD.

1.3.6. Policy and Guidance From the Office of Personnel Management (OPM). OPM provides guidance to other agencies on pay and leave administration policies and programs. OPM maintains pay tables for General Schedule employees, manages the Federal Wage System, and develops and provides government-wide regulations and policies on other pay and leave authorities. Each agency is responsible for complying with the law and regulations and following OPM's policies and guidance to administer pay policies and programs for its own employees. OPM issues policies and guidance in the following publications:

1.3.6.1. ***Benefits Administrative Letters (BALs)*** provide guidance to agencies on various aspects of benefits administration;

1.3.6.2. ***Handbooks*** provide information on various topics pertaining to employee pay, leave, and work schedules; and

1.3.6.3. ***Memoranda*** are provided by the Chief Human Capital Officers Council (CHCOC), a forum of senior agency management officials who support OPM. The CHCOC memoranda are issued to agencies to advise and coordinate on matters such as legislation affecting human resources operations and organizations.

2.0 OVERALL REQUIREMENTS

2.1 Overview

2.1.1. The Defense Finance and Accounting Service (DFAS) is responsible for maintaining system requirements in compliance with all applicable laws and regulations, guidance issued by OPM, the Department of the Treasury (Treasury), the Department of State, the Department of Labor, and taxing authorities (federal, state, and/or local).

2.1.1.1. Any approved unique payroll system must be integrated or interfaced with other applicable systems, such as DCPS, general ledger systems, or installation-level general accounting systems.

2.1.1.2. The Director, DFAS must approve continued operation of any such unique payroll system.

2.1.2. DoD payroll operations and systems must meet the following objectives:

2.1.2.1. Make timely and accurate payments to employees entitled to be paid, in compliance with appropriate statutes and regulations, with consideration being given to all authorized deductions from gross pay;

2.1.2.2. Account for and disposition of all authorized deductions from gross pay;

2.1.2.3. Control, retention, and disposition of all payroll related documents;

2.1.2.4. Prepare adequate and reliable payroll records to support managerial responsibilities;

2.1.2.5. Plan, prepare, execute, and review the budget;

2.1.2.6. Prepare required internal and external reporting;

2.1.2.7. Support effective communication between employing activities and employees on payroll matters in addition to timely, accurate, and responsive customer service action to resolve payroll related inquiries from employees;

2.1.2.8. Control all phases of processing pay, leave, entitlements, and allowances;

2.1.2.9. Interface the payroll function with general ledger, cost accounting, and personnel functions, with provisions for reconciling common data elements in DCPS and these interrelated systems;

2.1.2.10. Provide capability to query current, historical, and/or archived data;

2.1.2.11. Provide audit trails to permit the tracing of transactions through DCPS;

2.1.2.12. Comply with accounting system development criteria specified in Volume 1;

2.1.2.13. Comply with internal control requirements, including data security and prevention of data disclosure, as specified in Volume 1; and

2.1.2.14. Comply with DoD direction to standardize data elements to promote cross-functionality and integration efforts.

2.2 Funds Control

2.2.1. Funds used to pay DoD employees are appropriated by Congress and apportioned to the Department by the Office of Management and Budget. At least monthly, an estimate of obligations must be made for the payroll. As the payments are made, estimates must be adjusted to reflect actual payment data.

2.2.2. DCPS must be integrated, or interfaced with, and support the accounting systems. DCPS must consist of detailed accounts and records that are kept as a subsidiary to, or support for, controlling or summary accounts in the general ledger of the accounting systems. DCPS must produce required obligation and accrual data needed by accounting systems.

2.3 Requirements

The Director, DFAS, is responsible for the overall planning and general direction of the pay, leave, and allowance functions along with system requirements. This responsibility necessitates that adequate written procedures are established and implemented, that all personnel are adequately trained in their functions, and that sufficient internal controls are installed and management oversight is established and implemented to ensure compliance with DCPS objectives. See ***DoD Directive 5118.05***. The Director, DFAS must also ensure that DCPS meets legal criteria and the following requirements.

2.3.1. Payroll procedures must be:

2.3.1.1. Clearly written and be in accordance with applicable laws, regulations, and legal decisions;

2.3.1.2. Amended to reflect changes in applicable laws, regulations, and legal decisions;

2.3.1.3. As uniform as possible throughout DoD;

2.3.1.4. Distributed to payroll staff and be available to individual employees as needed to ensure efficient and effective operations; and

2.3.1.5. Reflective of clear assignments of responsibility, delegation of authority, and separation of duties for personnel who compute the payroll, certify payments, record payroll data in the accounts, distribute pay, review payroll transactions, and develop, test and maintain supporting computer systems.

2.3.2. Personnel engaged in pay, leave, and allowance activities must:

2.3.2.1. Be adequately trained and kept informed about the requirements of laws, regulations, and legal decisions;

2.3.2.2. Be adequately supervised to help prevent any unauthorized, fraudulent, or other irregular act;

2.3.2.3. Perform operations effectively, efficiently, and economically in accordance with laws, regulations, and legal decisions;

2.3.2.4. Review the operations, including internal controls, on an ongoing basis to ensure such performance; and

2.3.2.5. Identify and resolve inconsistencies in information submitted, processed, and reported during the various payroll cycles.

2.3.3. DCPS must be integrated or interfaced with:

2.3.3.1. Personnel systems to obtain current information on which to process pay entitlements, leave, and allowances. Timely information is needed to minimize the possibility of fraud, waste, and mismanagement and maximize the accuracy of employee payments;

2.3.3.2. The general ledger systems to provide information to prepare various financial statements;

2.3.3.3. Cost accounting systems to distribute and charge payroll labor cost data to appropriations, jobs, projects, programs, and departments. This also helps in properly evaluating operations and management; and to support budget formulation and execution; and

2.3.3.4. Other financial management systems to meet reporting and management objectives.

2.3.4. The interfaces discussed in subparagraph 2.3.3 must be used to assist in timely reconciliation of data elements and discrepancies noted between systems.

2.3.5. Transactions recorded in the pay, leave, and allowance records must be adequately supported by properly authorized documents.

2.3.6. Continuity of Operations Plans and associated procedures will be established and maintained to back-up data properly in the event of power failure, equipment malfunction, terrorist threat, natural disasters, or other hazards.

2.3.7. External audits and internal examinations of payroll operations must be made by persons not engaged in those operations to determine whether such operations are efficient, effective, economical, and are in accordance with laws, regulations, and legal decisions.

2.3.8. The frequency with which payrolls must be prepared has considerable bearing upon the cost of carrying out the payroll functions. So that payroll operations are performed without incurring undue cost, payroll must be computed on a biweekly basis, unless the law requires a different timeframe. Special payments are prohibited except as addressed in Chapter 8, paragraph 2.2. Advances of pay are covered in Chapter 3, section 9.0. All employees will be informed of the designated payday. Pay should be made available to the employees on the day designated as the payday. The payday lag between the close of the pay period and payday must not exceed 12 calendar days. When a payday falls on a holiday or an “in lieu of” holiday, the payday will be on the first preceding business day.

2.4 Privacy Act Requirements

* 2.4.1. Privacy Act Statements. All forms used to collect personal information covered by the Privacy Act of 1974 (codified at ***5 U.S.C. § 552a***), must have a Privacy Act statement either incorporated in the body of the document, at the top of the form, or in a separate statement accompanying each form. See ***DoD 5400.11-R***, DoD Privacy Program, for information on what is included in the Privacy Act statement. A Privacy Act statement must be provided to an employee when they are required to furnish personal information such as name, date of birth, or Social Security Number (SSN) for inclusion in a system of records. See the Washington Headquarters Services ***Privacy Program*** or the ***Privacy and Civil Liberties Directorate*** for the Privacy Act system of records for information pertaining to DCPS.

2.4.2. Access and Accountability. Refer to DoD 5400.11-R for guidance on employee access to records in accordance with the Privacy Act. Agencies responsible for maintaining Privacy Act information must maintain records of information released and process requests for correction of records in accordance with the DoD 5400.11-R.

3.0 ELECTRONIC FUNDS TRANSFER (EFT) FOR FEDERAL CIVILIAN SALARY PAYMENTS

3.1 General

3.1.1. Authority. All Federal payments must be made by EFT, with the exception of tax refunds. See ***31 U.S.C. § 3332*** and corresponding regulations published by Treasury, Financial Management Service at ***31 CFR 208***.

3.1.2. Policy. The ***Treasury Financial Manual, Part 4A, section 2040*** requires participation in EFT unless a waiver applies. The policy covers all categories of DoD personnel including civilians, military, military retirees, non-appropriated fund (NAF) personnel, and annuitants. See Volume 5, Chapter 7, subparagraph 2.4.

3.1.3. Agency Responsibilities. An agency must put into place procedures that allow recipients to provide the information necessary for the delivery of payments to the recipient by EFT to an account at the recipient's financial institution. See 31 CFR 208.7.

3.1.3.1. The Director, DFAS, in conjunction with the Office of the Deputy Chief Financial Officer, must:

3.1.3.1.1. Publish EFT payment policy and implementation procedures for payment of all DoD civilian personnel;

3.1.3.1.2. Coordinate the presentation of issues and proposed exceptions in DoD's mandatory EFT policy to Treasury for approval;

3.1.3.1.3. Prepare appropriate reports for submission to Treasury;

3.1.3.1.4. Provide quarterly reports that reflect the level of EFT participation to DoD and non-DoD agencies serviced by DFAS (hereinafter referred to as "serviced agencies"); and

3.1.3.1.5. Furnish a report of employees paid by DFAS, who do not participate in EFT, to employing agencies at the end of each quarter.

3.1.3.2. DoD Component Personnel Directors must:

3.1.3.2.1. Ensure all employees are informed of the conditions under which participation in the EFT program is required, and

3.1.3.2.2. Promote EFT enrollment by providing a report containing a list of employees that are not enrolled in EFT to the employing activity after the end of each fiscal year quarter.

3.1.3.2.3. Directors or Commanders of all DoD Activities must:

3.1.3.2.3.1. Ensure that all personnel are made aware of, and comply with, the mandatory EFT provisions;

3.1.3.2.3.2. Monitor EFT participation;

3.1.3.2.3.3. Ensure that waivers for all eligible employees are on file;

3.1.3.2.3.4. Ensure reimbursements are made to employees who incur charges due to the government's failure to accurately and timely deposit pay in their EFT accounts; and

3.1.3.2.3.5. Provide information for reporting purposes to DFAS sites when so requested including NAF personnel.

3.1.4. Waivers

3.1.4.1. Authorized Waivers. Payment by EFT is not required in all cases and may be waived under certain circumstances. See 31 CFR 208.4.

3.1.4.2. Waiver Submission. An employee who requests a waiver must provide Treasury with a certification supporting that request, in such form that the Treasury may prescribe. The employee must attest to the certification before a notary public or otherwise file the certification in such form that Treasury may prescribe. See 31 CFR 208.4.

3.2 Reimbursement of Financial Institution Charges

Charges by financial institutions resulting from erroneous information provided by the individual or the financial institution to the civilian payroll office (PRO) are not the liability of the government and will not be reimbursed. Reimbursement is authorized and limited to overdraft charges or minimum balance or average balance charges levied by the financial institution because of an administrative or mechanical error on the part of the government that causes pay to be deposited late, or in an incorrect manner or amount. See ***10 U.S.C. § 1594***.

3.3 Reporting Requirements

Each quarter, the PROs will provide EFT participation and non-participation reports to the serviced agencies for managing EFT participation. See Chapter 9, subparagraph 3.4.6.

3.4 Payments Other Than EFT

3.4.1. The disbursing officer mails checks to the non-work address provided by the employee. On an exception basis, checks may be delivered to designated agents in the employing offices for delivery to the employees at the work locations.

3.4.2. In those situations when delivery of paychecks to individuals by designated agents is authorized, persons designated to deliver these paychecks must not participate in the following activities: preparing, approving, or certifying vouchers and personnel action documents; maintaining the payroll; time and attendance (T&A) records; and leave records. Each employee must be known by, or identified by, the person who delivers the employee's paycheck. Checks not delivered within the time specified by the disbursing officer must be returned to the disbursing or issuing officer. All checks must be kept in a safe or locked fireproof cabinet, pending distribution to the employee or return to the disbursing or issuing officer. See Volume 5, Chapter 7.

3.4.3. If, under extraordinary circumstances, payments must be made in cash, then employees must properly identify themselves and must acknowledge payment by signing a receipt form when payments are received. Requiring receipts in advance of actual cash payments are prohibited. All payments must be made only by persons who have been authorized to perform disbursing functions and who are not part of the pay computation process. See Volume 5, Chapter 9, section 4.0.

4.0 ESTABLISHMENT AND CONTROL OF EMPLOYEES' PAY RECORDS

4.1 Use of the SSN for Identification

4.1.1. The SSN will be used to identify all employees paid by DFAS.

4.1.2. The SSN has nine digits, with hyphens as separators before the fourth and sixth digits. The Social Security Administration (SSA) does not issue SSNs containing alpha characters. Therefore, adding a prefix or suffix is not authorized for reporting purposes. Only the nine digits are used in internal computer processing; however, the hyphens may or may not be printed on output documents.

4.1.3. Employees who do not have and are not eligible to obtain a SSN from the SSA are issued an ***Individual Taxpayer Identification Number (ITIN)***.

4.1.4. Civilians who are concurrently employed in more than one position must use the same identifier (SSN or ITIN) across every position. Person identifier data will support the capability to correct and update a person's identity information. See ***DoDI 1444.02, Volume 1***, Data Submission Requirements for DoD Personnel: Appropriated Fund Civilians.

4.2 Individual Employee Pay Records

4.2.1. Each employee must have an individual pay record maintained as part of the master pay record. Except in the case of multiple appointments, only one pay record must be active at any given time for each authorized position. If more than one pay record is maintained, then the rationale must be thoroughly documented and an audit trail maintained. Sufficient information on active pay records must be retained or be accessible at the servicing PRO to facilitate manual input, payment, and/or performance of other required administrative functions.

4.2.2. The pay record must contain all transaction information related to payments and deductions with an audit trail to the authorizing source document, subject-to paragraph 4.5. The pay record must contain information on rates of pay pertaining to:

4.2.2.1. All earnings separately identified by type (e.g., overtime, night differential, or danger pay);

4.2.2.2. All deductions separately identified by type (e.g., charity, union, Federal Employees Health Benefits (FEHB), Federal Employees' Group Life Insurance (FEGLI), income taxes, payroll taxes, or retirement);

4.2.2.3. Subject-to amounts for computation of applicable deductions (e.g., subject-to income taxes, subject-to payroll taxes, subject-to Thrift Savings Plan (TSP), or subject-to retirement);

4.2.2.4. All government contribution amounts separately identified by type (e.g., FEHB, basic FEGLI, or TSP matching); and

4.2.2.5. Gross and net pay amounts.

4.2.3. The pay records must be supported by T&A, leave records, and personnel records. T&A records contain all hours for a pay period based on the effective work schedule. All hours worked (regular and premium) and leave taken (paid and unpaid) are used in the computation of pay.

Leave records include annual, sick, and any other leave earned, taken, lost, forfeited, restored, or advanced, including appropriate unused leave balances. The pay record must contain other information, such as year-to-date and quarter-to-date totals, as necessary, for computing pay and preparing reports.

4.2.4. Year-to-date information must be maintained for the current and prior pay years. Disposition of pay records must be in accordance with the National Archives and Records Administration ***(NARA), General Records Schedule (GRS) 2.4***: Employee Compensation and Benefits Records.

4.3 Payroll Substantiating Document File

4.3.1. With a centralized civilian payroll function, separate document files are required and maintained for each employee. The servicing PRO must maintain those documents applicable to the PRO functions and responsibilities. The Customer Service Representative (CSR)/employing activity must maintain those documents applicable to CSR responsibilities.

4.3.2. All source documents that substantiate the employee's entitlement to compensation, leave, benefits, and authorizations or support deductions, whether maintained in hardcopy or electronic format, must be safeguarded from improper, unauthorized access or use. Disposition of payroll related documents, whether maintained by the PRO or the CSR, must be in accordance with the NARA, GRS 2.4. Each agency may establish a specific document retention policy, however, the policy must not impose a lesser retention requirement than the NARA requirements.

4.3.3. Other records incidental to the payroll process, such as employee requests for tax withholding, TSP deductions, savings bond records, and other records not pertaining to individuals, but rather to the general administration of the PRO and the payroll function, are addressed in the NARA, GRS 2.4. Employee separation records are addressed in the ***NARA, GRS 2.5***: Employee Separation Records.

4.3.4. All source documents must be readily available for research. The disposition of active and inactive files must be in accordance with NARA, GRS 2.4 for current employees and the NARA, GRS 2.5 in the case of separated employees.

4.3.5. All documents, manual and electronic, must be protected in accordance with Privacy Act requirements.

4.4 Document Control

Retention sites control source documents in order to ensure timely processing of payroll documents, auditing, and reconciling individual pay accounts. Local document control procedures may be used as long as appropriate control and access are maintained.

4.5 Personnel Actions

4.5.1. DCPS is integrated or interfaced with the personnel system used by the employee's agency. DCPS must use the information authorized by the personnel system as the basis for pay, leave entitlements, and some deduction calculations.

4.5.2. Source documentation for actions originating with the Human Resources Office (HRO) must be maintained by the servicing HRO. For those instances where the systems do not permit interface of the actions, the servicing HRO must provide the servicing PRO a hardcopy or electronic copy of the document, which also must be maintained by the servicing PRO.

4.6 Payroll Controls

Appropriate controls must be established for all payroll functions.

4.6.1. The controls must ensure the timely, correct, complete, accurate, and properly authorized processing of payroll documents, which include, but are not limited to, the following:

4.6.1.1. Corrections and Adjustments. An authorized official must approve in writing or through electronic signature (made by entering designated codes into an automated system under safeguards to prevent unauthorized use) corrections and other adjustments to data in official records, as follows:

4.6.1.1.1. Records of all changes made after records have been approved or certified must be generated and maintained,

4.6.1.1.2. Manual corrections to documents made after the documents have been approved or certified must be made in a way that does not obliterate the original entries. Corrections must be approved by a designated authorizing official, and

4.6.1.1.3. Automated system changes to data must be made in such a way that an audit trail is maintained to show or provide a reference to documents which show the original and new data and the authorization for the change. Such changes may be made only based on properly approved documents authorizing the changes.

4.6.1.2. Separation of Duties. Separation of duties refers to the PRO and system development personnel. In order to minimize opportunities for unauthorized, fraudulent, or otherwise irregular acts, the following list of payroll duties must be separated to ensure that no one person performs all phases of a transaction without the possibility of intervention or review by some other person or persons:

4.6.1.2.1. Certification of payments;

4.6.1.2.2. Payroll computation;

4.6.1.2.3. Recording of data to the employee's payroll account;

4.6.1.2.4. Distribution of pay;

4.6.1.2.5. Review of payroll transactions;

4.6.1.2.6. Automated system development;

4.6.1.2.7. System testing;

4.6.1.2.8. System implementation; and

4.6.1.2.9. System maintenance.

4.6.1.3. Access Restrictions. The following access must be restricted to authorized personnel:

4.6.1.3.1. Personnel, payroll, and disbursement records or data files;

4.6.1.3.2. Forms used in authorizing special entitlements, allowances, and pay rates; and

4.6.1.3.3. Payroll processing equipment and related software.

4.6.1.4. Employee Access. Employees must not maintain or service their own payroll and/or personnel records. This internal control must be incorporated into security system software that governs access to DCPS records. Employees may provide authorizing source documentation to the servicing CSR or input data using an electronic self-service application. Types of employee transactions maintained by the CSR or input by the employee through such an application are:

4.6.1.4.1 Distribution of net pay election and voluntary allotments;

4.6.1.4.2. Routine deductions, such as withholding elections for federal, state, and local tax purposes; and

4.6.1.4.3. T&A as provided for in Chapter 2.

4.6.1.5. CSR Access. Examples of transactions that the servicing CSRs have access to are:

4.6.1.5.1. Authorizations for charity contributions;

4.6.1.5.2. Authorizations for employee organization dues withholding;

4.6.1.5.3. Leave transferred-in for a new employee based on the employee's latest Leave and Earnings Statement; and

4.6.1.5.4. Restored annual leave.

4.6.1.6. Computerized Access. To detect inappropriate data at the earliest time and to the extent practical, data entered into DCPS must be subjected to computerized edits at the time of entry.

4.6.2. Controls that help ensure that computerized payroll operations process transactions and produce reports accurately include but are not limited to the following techniques:

4.6.2.1. Employing generally accepted testing procedures for computer programs and changes to programs prior to placing them in the production/operation environment. Testing procedures must include testing the various data elements and computational procedures as needed to ensure that all are operating as intended;

4.6.2.2. Certifying acceptance of software changes by the DCPS acceptance team;

4.6.2.3. Performing periodic preventive maintenance on hardware, noting and promptly resolving problems;

4.6.2.4. Including the following techniques in the tests performed:

4.6.2.4.1. Ensure that the most current personnel data is available for verification and pay computations;

4.6.2.4.2. Use proper security authorization protocol by all authorized system users;

4.6.2.4.3. Accept data entry from authorized sources only;

4.6.2.4.4. Verify data entry using batch control procedures, when applicable and

4.6.2.4.5. Provide system-generated research tools useful in the resolution of any detected anomalies.

4.6.2.5. Providing audit trails for the detection and systematic correction of errors by enabling the system to trace or replicate transactions (including system-generated transactions) from the source to the resulting record or report and from the record or report back to the source.

4.7 Reconciliation With the HRO

The PROs must ensure that payroll data is complete and accurate. DCPS and the HRO must each perform a reconciliation of employee records to ensure that shared data matches.

4.7.1. Reconciliation of common data (for example, work schedule, salary, and date of birth) between the human resources system and DCPS must be accomplished at least every 4 months. The

servicing HRO reviews the reconciliation and annotates any mismatches. The servicing HRO resolves mismatches where possible and provides supporting documentation to the servicing PRO for resolution in the cases of payroll record errors. The servicing PRO must ensure thorough reviews of and necessary corrections to the DCPS database. The servicing PRO must accomplish the payroll portion of the reconciliation within 10 workdays after receipt of the annotated reconciliation documentation from the servicing HRO. The servicing PRO must maintain historic records to ensure timely compliance with this reconciliation requirement.

4.7.2. Based on the predetermined schedule, DCPS will generate and transmit reconciliation files to the appropriate personnel system host. The schedule is established and published by the DCPS manager in conjunction with the personnel system manager.

*REFERENCES

CHAPTER 1- INTRODUCTION AND OVERALL REQUIREMENTS

1.0 – GENERAL

1.2	Title 5, Chapter 53 Title 5, Chapter 55 Title 5, Chapter 81 31 U.S.C. § 3527 31 U.S.C. § 3528 31 U.S.C. § 3529 31 U.S.C. § 3541
1.3.1	Title 5, CFR F.R.
1.3.2	1 CFR, Part 2
1.3.5	DoDI 1400.25

2.0 – OVERALL REQUIREMENTS

2.3	DoD Directive 5118.05
2.4.1	5 U.S.C. § 522a DoD 5400.11-R Washington Headquarters Services Privacy Program Privacy and Civil Liberties Directorate

3.0 – EFT FOR FEDERAL CIVILIAN SALARY PAYMENTS

3.1.1	31 U.S.C. § 3332 31 CFR 208
3.1.2	Treasury Financial Manual, Part 4A, section 2040 Volume 5, Chapter 7, subparagraph 2.4
3.1.3	31 CFR 208.7
3.1.4.1	31 CFR 208.4
3.1.4.2	31 CFR 208.4
3.2	10 U.S.C. § 1594
3.3	Chapter 9, subparagraph 3.4.6
3.4.2	Volume 5, Chapter 7
3.4.3	Volume 5, Chapter 9, section 4.0

4.0 – ESTABLISHMENT AND CONTROL OF EMPLOYEE'S PAY RECORDS

4.1.4	DoDI 1444.02, Volume 1
4.2.4	NARA, GRS 2.4
4.3.2	NARA, GRS 2.4

REFERENCES (Continued)

4.3.3	NARA, GRS 2.4 NARA, GRS 2.5
4.3.4	NARA, GRS 2.4 NARA, GRS 2.5

VOLUME 8, CHAPTER 2: "TIME AND ATTENDANCE (T&A)"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated April 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instruction.	Revision

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CHAPTER 2

TIME AND ATTENDANCE (T&A)

1.0 GENERAL

1.1 Overview

This chapter sets out T&A policy and requirements for DoD agencies. It contains established policies, defines responsibilities, and prescribes internal controls in support of T&A recording and reporting requirements for the civilian payroll offices (PRO).

1.2 Purpose

This chapter provides guidance on DoD civilian employee T&A policy and requirements.

1.3 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 5 and 31. The specific statutes, regulations, and other applicable guidance that govern each section are listed in a reference section at the end of this chapter. See also the Government Accountability Office ***(GAO)-03-352G***, Maintaining Effective Control over Employee Time and Attendance Reporting.

2.0 RESPONSIBILITIES OF EMPLOYING AGENCY, APPROVING OFFICIALS, AND TIMEKEEPERS

2.1 Employing Agency Responsibilities

2.1.1 Administration of Absence and Leave. The head of an agency is responsible for the proper administration of absence and leave as it pertains to employees under his or her jurisdiction, and for maintaining an account of leave for each employee in accordance with methods prescribed by the GAO. See Title 5, Code of Federal Regulations, section 630.101, (***5 CFR 630.101***). An employing activity must ensure compliance with T&A functions as prescribed by the agency policies.

2.1.2. Internal Controls. It is important that agencies implement and maintain well-defined internal control activities that provide management with the confidence that the system is working as designed. Consistent with the internal control standards set forth within GAO-03-352G, agency development of control activities over T&A information should:

2.1.2.1. Have a well-defined organizational structure and flow of T&A information with clearly written and communicated policies and procedures;

2.1.2.2. Apply available technology and concepts to achieve efficient and effective T&A system processes and controls in accordance with applicable legal and other requirements; and

2.1.2.3. Review and test all aspects of the T&A systems' processing procedures and controls.

2.2 Approving Official Responsibilities

An approving official, usually the employee's supervisor, maintains the primary responsibility for authorizing and approving T&A transactions.

2.2.1. Certifying. When approving T&A, all supervisors, other equivalent officials, or higher-level managers must certify, to the best of their knowledge, that work schedules are accurately recorded. An employee's supervisor should be aware of an employee's work schedule, leave taken, and any absence from duty and must review and approve the T&A to ensure its accuracy. Supervisors must ensure that exceptions to the employee's normal tour of duty are recorded in a timely and accurate manner.

2.2.2. Recording and Reporting T&A. The supervisor may assign responsibility for observing daily attendance or accurately recording T&A data to a timekeeper (if applicable) or, in limited circumstances, to the individual employee. However, the supervisor is still ultimately responsible for the timely and accurate reporting of the T&A in accordance with applicable policies, regulations, instructions, and bargaining agreements. The supervisor must inform the timekeeper when an employee is on leave or has worked any type of premium work. The supervisor may assign an alternate timekeeper to maintain T&A during the absence of the primary timekeeper.

2.3 Timekeeper Responsibilities

The traditional T&A system normally involved a timekeeper who is/was responsible for assisting supervisors in recording and verifying employees' work time and absences. However, new T&A systems have reduced or even eliminated timekeepers' duties and shifted the responsibilities to the employees or supervisors. Regardless of the changes made, the internal control objectives in the GAO guidance remain the same.

3.0 GENERAL T&A REQUIREMENTS

3.1 Recording Time

A proper record of the time an employee works should be retained as an official agency record available for review or inspection. Traditionally, daily arrival and departure times were required to be recorded. Although it is not required that daily records be maintained, agency management may choose to do so by using sign-in/sign-out sheets or other means.

3.2 Time Period

The period shown on the T&A must correspond to the length of a pay period. For example, if payment is made for a two-week period, then the T&A must cover a two-week period.

3.3 T&A Information

Controls over T&A information should provide reasonable assurance that such information:

3.3.1. Is recorded completely, accurately, and as promptly as practicable;

3.3.2. Relates to authorized individuals; and

3.3.3. Reflects actual work performed and leave taken or other absences during authorized work hours and periods.

3.4 Accounting for Time and Leave

Where T&A information supports amounts appearing in financial reports, an audit trail should exist between the T&A information and the accounting records underlying the financial reports to allow for verification of reported amounts.

3.5 Work Schedules and Alternate Work Schedules (AWS)

3.5.1. Work Schedules. The work schedule defines the basic work requirement as the number of hours, excluding overtime hours, an employee is required to work or to account for by charging leave. Generally, a full-time employee's basic work requirement is 80 hours per pay period. Attendance and absence must be consistent with the employment status for the individual. An approved work schedule for each employee will be maintained showing the planned arrival and departure for each day. When an employee's work schedule differs from the agency-wide schedule established by management or reflects an AWS, the supervisor, or the official most knowledgeable of the employee's schedule in advance of the period when the plan takes effect should approve the employee's work schedule. If the schedule is not approved in advance, the plan should be approved as soon after the start of the pay period as possible.

3.5.2. AWS. An AWS includes both flexible work schedules (FWS) and compressed work schedules. Although the decision to establish an AWS program is at the discretion of the agency head, this discretion is subject to the obligation to negotiate with the exclusive representative(s) of bargaining unit employees. For additional guidance on AWS, refer to the Office of Personnel Management ***(OPM) Handbook on Alternative Work Schedules***. Refer also to DoD Instruction ***(DoDI) 1400.25-V610***, DoD Civilian Personnel Management System: Hours of Duty.

3.5.3. Flexible Work Schedule (FWS)

Under certain FWS, DoD civilian employees may work longer or shorter hours, including credit hours on any given workday, without taking leave or being paid overtime, so long as basic biweekly work requirements are met. See ***5 U.S.C. § 6121***, DoDI 1400.25-V610, and the ***OPM FWS Fact Sheet***. By electing to work hours in excess of their tour of duty, employees may also complete the biweekly basic work requirements in fewer than 10 workdays without being paid overtime or being charged leave for non-workdays.

3.5.3.1. Material Variances or Deviations. Material variances or deviations, as determined by the FWS, must be approved by the supervisor before the change occurs, or promptly after occurring, if not feasible prior to the change. Supervisors must verify that the dates and the material variances or deviations have been recorded in the T&A.

3.5.3.2. Types of FWS. Full-time employees with an 80-hour, biweekly work requirement may determine their own schedule within the limits set by the employing activity. A part-time employee may determine his or her own schedule for a biweekly work requirement of less than 80 hours. According to the OPM Handbook of Alternative Work Schedules, the FWSs include the following:

3.5.3.2.1. Flexitour. Flexitour is a work schedule that allows an employee to select starting and stopping times within flexible hours. The employee adheres to selected starting and stopping times until the employing activity provides further opportunities to select different starting and stopping times.

3.5.3.2.2. Gliding Schedule. Gliding schedule is an FWS in which an employee has a basic work requirement of 8 hours in each day and 40 hours in each week. Employees may select an arrival time each day and may change that arrival time daily as long as it is within the established flexible hours.

3.5.3.2.3. Maxiflex. Maxiflex is an FWS that contains core hours on fewer than 10 workdays in the biweekly pay period and in which an employee has a basic work requirement of 80 hours for the biweekly pay period. The employee may vary the number of hours worked on a given workday or the number of hours each week, within the limits established for the organization.

3.5.3.2.4. Variable Day Schedule. Variable day schedule is an FWS that contains core hours on each workday in the week. Under the variable day schedule, a full-time employee has a basic work requirement of 40 hours in each week of the biweekly pay period. The employee may vary the number of hours worked on a given workday within the week as long as the variation remains within the limits established for the organization.

3.5.3.2.5. Variable Week Schedule. Variable week schedule is an FWS that contains core hours on each workday in the biweekly pay period. Under the variable week schedule, a full-time employee has a basic work requirement of 80 hours for the biweekly pay period. The employee may vary the number of hours worked on a given workday or the number of hours each week, as long as the variation remains within the limits established for the organization.

3.5.4. Compressed Work Schedule. A compressed schedule is a fixed schedule that enables a full-time employee to complete the basic work requirements of 80 hours in fewer than 10 workdays in each biweekly pay period by increasing the number of hours in the workday. See 5 U.S.C. § 6121 and the ***OPM Compressed Work Schedules Fact Sheet***.

3.5.4.1. Set Time and Days of Work. There is no flexibility in a compressed schedule. An employee's time of arrival and departure from work is set, as are the days on which the employee is to complete the basic work requirement.

3.5.4.2. Overtime. For employees working under compressed schedules, overtime pay will continue to be paid for work in excess of the compressed schedule. See ***5 U.S.C. § 6128***.

3.5.4.3. Absences. For employees working under compressed schedules, recording absences is treated in the same manner as for employees working a regular or alternative work schedule. Employees working a compressed work schedule must be charged leave in accordance with their basic work schedule.

3.5.4.4. Variations of the Compressed Work Schedule. Compressed work schedules are determined either by management or through negotiations with exclusive employee representatives. The following are variations of the compressed work schedule:

3.5.4.4.1. 4-10 Schedule. On the 4-10 schedule, employees work 10 hours each day for 4 days each workweek;

3.5.4.4.2. 5-4/9 Schedule. On the 5-4/9 schedule, employees work 9 hours each day for 8 days, 8 hours for 1 day, and record 1 nonworking day each pay period; and

3.5.4.4.3. 3-day Workweek Schedule. On the 3-day workweek schedule, employees work 13 hours and 20 minutes each day for 3 days each workweek.

3.6 Approval of Leave

The employee's supervisor, or other designated approving official, should approve an employee's request for leave before the employee takes leave. If leave is not approved in advance, due to unusual situation or emergency, it should be reviewed for approval or disapproval as soon as reasonably possible after the leave is taken.

3.7 Overtime, Compensatory Time Earned, and Credit Hours Authorizations

3.7.1. Overtime or Compensatory Time Earned. Approval should be obtained from the employee's supervisor for overtime before the work has been performed when feasible and, when not feasible, as soon as possible after the work has been performed. T&A codes should distinguish between regular overtime and irregular overtime or occasional overtime (or compensatory time in lieu of overtime, where allowed) in order for the agency to properly document and calculate an employee's overtime pay entitlements.

3.7.2. Credit Hours. When agency work schedule programs allow for credit hours to be earned, employee requests to work such hours should be reviewed by the supervisor to determine if work demands warrant the employee working the additional hours and, if so, approved before the work has been performed when feasible.

3.8 Temporary Assignment (TDY)

3.8.1. Recording T&A. For an employee on TDY, the hours worked and hours of leave must be recorded on the T&A. All time actually spent away from the permanent duty station during the basic workweek must be recorded at the employee's permanent duty station as time worked or leave taken. The travel order must support entries on the T&A for regular time.

3.8.2. Extended TDY. For an employee on extended TDY (official Government-directed travel exceeding three weeks), the supervisor may require the employee to submit the T&A. Overnight mail, electronic mail, facsimile machine, or other acceptable means of communication may be used.

3.9 Data Integrity

Agencies using an electronic signature system to input T&A data should identify and document the criteria used in the selection of the signature system and how the criteria and the selected system comply with the Government Paperwork Elimination Act (GPEA) of 1998 definition of an electronic signature. See GAO-03-352G, footnote 9.

4.0 T&A RECORDING

4.1 Requirements

Scheduled starting and ending times of the day for each employee or for groups of employees must be established and recorded. The day that an employee's shift begins is designated as the day of work for night and shift differential purposes. These requirements are modified for employees working a flexible or compressed work schedule under the AWS plans. See paragraph 3.5.

4.1.1. Control Objectives. Information in T&A records should be promptly and properly recorded to meet control objectives. It should be complete, accurate, valid, and comply with legal requirements.

4.1.2. Accountability. Agency policy should establish accountability for recording T&A information and for the maintenance of and access to T&A and supplementary records.

4.1.3. Audit Ready. T&A information that supports financial reporting or cost reporting should be auditable.

4.2 Certification and Approval of Absences

T&A approvals should be such that management has assurance that supervisors or other authorized officials know they are accountable for the approval of an employee's work time and absences. Employees either must initial or sign for indicated absences or submit an approved application for leave. A supervisor may require a medical certificate or other evidence of illness from an employee when granting sick leave. The employing activity retains such certification in accordance with section 8.0.

4.3 Attestation and/or Verification

4.3.1. Attestation. Attestation refers to an employee affirming T&A information to be proper. Employees should affirm each leave charge, except for administrative leave, absent without leave charges, suspension, or holiday absences.

4.3.2. Verification. Verification is a confirmation, usually by the timekeeper or supervisor, that to the best of his or her knowledge, recorded information is proper.

NOTE: GAO guidance does not require such attestations and/or verifications. However, if management requires such attestations and/or verifications, they should be performed as close to the end of the pay period as possible.

4.4 Leave Charges

All leave types are charged to the employee by days, hours, or fractions of hours.

NOTE: Timecards must clearly indicate whether annual leave taken is to be charged against the employee's current leave account or to a separate leave account established for restored leave. The employee's regular leave account will be charged unless the annual leave taken is identified as being charged to the employee's restored leave account.

4.5 Recording Daylight Savings Time

4.5.1. Hour Lost. Civilian employees working a tour of duty when ***Daylight Savings Time*** goes into effect are credited with the actual number of hours worked on the tour of duty. The hour lost is charged to either annual leave, compensatory time used, credit hours used, or leave without pay, as requested by the employee. Employees may also be allowed to work 1 hour beyond the end of their shift.

4.5.2. Hour Gained. Civilian employees working a tour of duty when standard time goes into effect are credited with the actual number of hours worked. Time worked in excess of 8 hours, or the regular tour of duty hours, must be paid as overtime, compensatory time earned, or recorded as credit hours.

4.6 Recording Clock

A recording clock may not be used to record time of an employee of an executive department in the District of Columbia. See ***5 U.S.C. § 6106***.

5.0 T&A CERTIFICATION

5.1 Responsibility

All T&A and supporting documents must be reviewed and approved by the supervisor or designated alternate certifier. The supervisor or designated alternate certifier must be aware of his or her responsibilities for ensuring accuracy of the reports and must have knowledge of the time worked and absence of employees for whom approval is given.

5.2 Certification, Controls and Approval of T&A

5.2.1. Certification. The certification of T&A constitutes authorization for the expenditure of government funds. Each employee's T&A must be certified correct by the employee's supervisor, acting supervisor, other equivalent official, or a higher-level manager authorized to act as an alternate certifier at the end of the pay period. Certification ordinarily must not be made earlier than the last workday of a pay period. In some circumstances, such as when a legal holiday falls on a Friday or Monday, it is not practical to operate without an early cutoff. In such cases, additional controls, which must be demonstrated in the system design, must be in place and operating. The supervisor or designated alternate certifier must have a reasonable basis for relying on systems of internal control to ensure accuracy and legal compliance if he or she does not have personal knowledge of the presence and absence of, or other information concerning employees whose T&A are being approved. This basis must involve periodic testing of internal controls to ensure they are working as intended. Certification of T&A documents must be based on:

5.2.1.1. Knowledge from personal observation, work output, or timekeeper verification;

5.2.1.2. Checking data against other independent sources such as validating starting and ending times of work, using sign-in and sign-out sheets or time clock entries;

5.2.1.3. Reliance on other internal controls; or

5.2.1.4. A combination of controls.

5.2.2. Controls. In some circumstances, the additional controls must ensure that any change in attendance or absence certified by a supervisor that occurs after the cutoff date is identified and reported before pay computation or is reported for the next pay computation. The employee may initial the corrected entries or submit ***OPM Form 71***, Request for Leave or Approved Absence, or locally approved electronic leave request, for such absence, as appropriate.

5.3 Approval

5.3.1. Approval of T&A. Approvals must be made individually for each employee, and a signature must accompany each T&A.

5.3.2. Approval of Multiple T&As. A single supervisory or designated alternate certifier signature for a multiple employee T&A report may be made to approve the information recorded for all employees listed on the report. There are three prerequisites for a single signature:

5.3.2.1. The data elements required by the agency must appear on the report for each employee listed on the report;

5.3.2.2. Supporting documents required for the information on the report must be reviewed by the supervisor or designated alternate certifier; and

5.3.2.3. The supervisor or designated alternate must initial or sign each page of the report and either sign the last page of the report or enter an approval code into an automated system.

5.3.3. Electronic Approval. When a paperless T&A system is used and T&A data is contained in an electronic file and displayed on a terminal, a single automated code may be entered by the supervisor to approve the information contained in the file. Prior to approving the T&A, the supervisor, or designated alternate certifier, must review supporting documents and computerized files. A record of any changes made to a file, when approved by someone other than the original approving official, must be generated and sent to the original approving official or other designated person.

5.4 Delay of Certification

Certification of the T&A may not be delayed for obtaining the employee's initials or signature for requested leave when the employee is not available. The employee must submit a request for leave (OPM Form 71, when required) upon return to duty to confirm the requested leave.

5.5 Maintenance and Approval of T&A by Employee

5.5.1. When Maintenance of T&A by Employee is Appropriate. Situations in which employees may maintain their own official T&A are as follows:

5.5.1.1 The employee is the timekeeper;

5.5.1.2. Employees work flexible hours outside the hours of the timekeeper and supervisor;

5.5.1.3. An employee is working alone at a remote site;

5.5.1.4. Employees are based at the same location as their supervisors and timekeepers but are frequently away during working hours; or

5.5.1.5. The employing organization determines that individual timekeeping by all employees is warranted. The employing organization must maintain documentation demonstrating that the T&A reporting system has sufficient capacity and internal controls to ensure timely and accurate recording of T&A by these individual employees.

5.5.2. When Approval of T&A by Employee is Appropriate. Employees are generally prohibited from approving their own T&A. Exceptions to this general prohibition apply only when it is not feasible for employees to have their T&A approved by a supervisor. In such instances, the Component head, or his or her designee, must grant an official authorization in writing in order for the employee to approve his or her own T&A. An employee may be authorized to approve his or her own T&A under the following circumstances:

5.5.2.1. The employee works alone at a remote site for long periods;

5.5.2.2. The employee is based at, but frequently away from, the location of their supervisor and timekeeper during working hours; or

5.5.2.3. The employee is the head of an organization within an agency that has no supervisor on site.

5.5.3. Controls. To provide reasonable assurance that employees are working when scheduled, supervisors must take reasonable measures, such as occasional telephone calls during employees scheduled work times, or an assessment of the reasonableness of output for the time spent, to determine the accuracy of T&A data submitted by individuals who maintain their own T&A. The supervisor is responsible for the accuracy of the T&A data submitted by the individual.

5.6 Prior Approval

When it is not practical for the supervisor to approve a T&A prior to the receipt of supporting documents, the employee may be paid and a subsequent review performed of the documents by the supervisor.

6.0 T&A REPORTING

6.1 Methods

T&A data must be transmitted to the payroll system, as required, by using positive (100 percent) reporting or exception reporting. Under positive reporting, all T&A data is reported to the payroll system for each employee. Under exception reporting, only exceptions to the employee's scheduled tour of duty are reported to the payroll system. When reporting to the payroll system by source data automation, positive reporting must be required for each employee.

6.2 Controls

Regardless of the reporting method, controls must ensure that all required T&A data, including current period corrections and prior period adjustments, are properly reviewed and approved by the supervisor and reported in a timely and accurate manner.

6.3 Generating a Charge to Annual Leave

If any required T&A data is missing for an employee, then the PRO will generate a charge against the employee's annual leave balance. If the annual leave balance is not sufficient to support the employee's regularly scheduled tour of duty, any remainder must be charged to another leave category in order to fulfill the employee's scheduled tour of duty. The employee's pay and leave record must be corrected upon submission of the certified T&A data.

7.0 ADJUSTMENTS OR CORRECTIONS

7.1 Adjustments After T&A Approval

Adjustments or corrections required because of changes after T&A information was approved should be processed promptly and be traceable to the pay period for which the correction applies. Electronic corrections for current period corrections and prior period adjustments must be made in accordance with the PRO's established procedural guidance. T&A corrections, for pay periods no longer available electronically, will require a hard copy of the certified T&A for each pay period; certified by the supervisor; and forwarded to the PRO. The PRO will process the manual correction. An authorizing official should approve all changes.

7.2 Corrected Timecards When Awarding Back Pay

If an appropriate authority corrects or directs the correction of an unjustified or unwarranted personnel action under the provisions of the Back Pay Act at ***5 U.S.C. § 5596***, time card corrections may be requested by the servicing PRO for the period covered by the corrective action. Corrected timecards ensure the proper award of any pay, allowances, and differentials owed to the employee, including leave or other monetary employment benefits to which an employee is entitled by statute or regulation.

8.0 RECORD RETENTION

8.1 Storage Location

Management may require employees and timekeepers, if any, to attest or verify T&A information. T&A information that supports financial reporting or cost reporting should be auditable. Employing activities must establish a uniform practice to be followed as to the locations at which the T&A reports and related supporting documentation are to be maintained. T&A reports, together with approved applications for leave, overtime approvals, military orders, jury duty certification, or other supporting documents, may be retained by the timekeeper, supervisor, or sent to a designated storage location.

8.2 Internal Controls for Records

Sufficient internal controls must be established to prevent unauthorized changes to completed T&A, regardless of where they are retained.

8.3 Retention Period

T&A records, to include leave application files, source records, input records, and leave records, must be retained by the employee's supervisor or activity in accordance with records retention requirements as set forth in the ***National Archives, General Records Schedule 2***.

NOTE: There are different retention requirements for these four types of records.

9.0 COST REPORTING

9.1 Controls Over T&A

Information that is used to support cost reporting should ensure the information is captured in sufficient detail, such as by appropriation, organizational code, work activity, or other unit as necessary to meet the cost reporting objectives and be auditable.

9.2 Accounting and Internal Controls

The head of each executive agency should establish and maintain systems of accounting and internal controls that provide:

9.2.1. Complete disclosure of the financial results of the activities of the agency;

9.2.2. Adequate financial information the agency needs for management purposes;

9.2.3. Effective control over, and accountability for, assets for which the agency is responsible, including internal audit;

9.2.4. Reliable accounting results that will be the basis for:

9.2.4.1. Preparing and supporting the budget requests of the agency;

9.2.4.2. Controlling the carrying out of the agency budget; and

9.2.4.3. Providing financial information the President requires under ***31 U.S.C. § 1104(e)*** of this title; and

9.2.5. Suitable integration of the accounting of the agency with the central accounting and reporting responsibilities of the Secretary of the Treasury under ***31 U.S.C. § 3513***. See the Federal Financial Management Improvement Act (FFMIA) of 1996, Public Law (PL) 104-208, which is set out as a note under ***31 U.S.C. § 3512***.

REFERENCES

CHAPTER 2 - TIME AND ATTENDANCE (T&A)

1.0 – GENERAL

1.3	GAO-03-352G

2.0 – RESPONSIBILITIES OF EMPLOYING AGENCY, APPROVING OFFICIALS, AND TIMEKEEPERS

2.1.1	GAO-03-352G 5 CFR 630.101
2.1.2	GAO-03-352G

3.0 – GENERAL T&A REQUIREMENTS

3.5.2	OPM Handbook, Alternative Work Schedules DoDI 1400.25-V610
3.5.3	5 U.S.C. § 6121 DoDI 1400.25-V610 OPM FWS Fact Sheet
3.5.4	5 U.S.C. § 6121 OPM Fact Sheet, Compressed Work Schedules
3.5.4.2	5 U.S.C. § 6128
3.9	GPEA of 1998 GAO-03-352G, footnote 9

4.0 – T&A RECORDING

4.6	5 U.S.C. § 6106

7.0 – ADJUSTMENTS OR CORRECTIONS

7.2	5 U.S.C. § 5596

8.0 – RECORD RETENTION

8.3	National Archives, General Records Schedule 2

9.0 – COST REPORTING

9.2.4.3	31 U.S.C. § 1104(e)
9.2.5	31 U.S.C. § 3513 FFMIA of 1996, PL 104-208 31 U.S.C. § 3512

VOLUME 8, CHAPTER 3: "PAY ADMINISTRATION"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font***.

The previous version dated February 2024 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Revised hyperlinks and formatted chapter to comply with current administrative instructions.	Revision
All	Revised and reorganized chapter to remove obsolete language, clearly communicate intent, and limit the chapter to binding rules while placing transient guidance or advice in other documents. Renumbered where appropriate.	Revision
2.3.1.4.2	Removed subparagraphs 2.3.1.4.2.1-2.3.1.4.2.18 for archives and renumbered section as appropriate.	Deletion
2.3.1.4.2.2	Added information concerning annual premium pay caps.	Addition
4.2.1.1.2	Updated information regarding living quarters allowance advances in accordance with latest guidance.	Revision
4.2.2.2	Updated information concerning foreign transfer allowance.	Revision
4.2.2.3	Updated information concerning home service transfer allowance.	Revision
5.1.3.5	Added podiatrists to the "Physicians and Dentists Pay Plan" and renamed plan the "Physicians, Podiatrists, and Dentists Pay Plan".	Addition
5.8	Added podiatrists to market pay.	Addition
References	Updated References section.	Revision

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CHAPTER 3

PAY ADMINISTRATION

1.0 GENERAL

1.1 Purpose

This chapter provides policy and guidance on DoD civilian employee pay and entitlements.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with (IAW) the Office of Personnel Management's ***(OPM) Pay and Leave***, ***Title 5, United States Code (U.S.C.)***, DoD Instruction ***(DoDI) 1400.25***, Civilian Personnel Management, and ***Title 5, Code of Federal Regulations*** (CFR). Due to the subject matter in the chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each section are listed in a reference section at the end of this chapter.

2.0 GENERAL PROVISIONS ON PAY

This section provides general information on computing pay and transmitting pay data to the servicing payroll office (PRO). This section also provides guidance on statutory limits on pay ("pay caps") and general information on computing pay for General Schedule (GS), Senior Executive Service (SES), and other categories of employees.

2.1 Pay and Payroll Data

2.1.1. Computing Pay. Payroll computations must be based on statutorily authorized entitlements IAW Title 5, U.S.C., Title 5 CFR, and other statutory or regulatory requirements as stated herein. The payment of any entitlement must be supported by one or more of the following source documents, as appropriate:

2.1.1.1. Standard Form (SF) 50, Notification of Personnel Action and/or other similar personnel documents;

2.1.1.2. Certified copies of travel orders;

2.1.1.3. Time and attendance reports, including any necessary supporting documents such as sign-in and sign-out registers or ***OPM Form 71***, Request for Leave or Approved Absence; and

2.1.1.4. Authorizations or approvals of overtime and compensatory time worked.

2.1.2. Transmitting Documents to the Servicing PRO. If the servicing Human Resources Office (HRO) electronically transmits the pay entitlement data from source documents to the servicing PRO, then the servicing HRO must send the source documents back to the PRO upon request. The servicing HRO must ensure the integrity and accuracy of the pay computation data, establish effective controls, and ensure that all data transmits successfully. The servicing HRO must retain source documents, along with transmittal and control data, for audit purposes IAW the ***National Archives General Records Schedule 2.4***.

2.1.3. PROs Must Ensure Payroll Data is Accurate. The PROs must ensure that an employee's compensation is consistent with their grade, position classification, other entitlements, and employment location. For example, an agency may not pay any foreign area allowances, regardless of authorizing documents, to an employee assigned to stateside duties. In this example, the servicing PRO must request the servicing HRO clarify or correct the documents.

2.1.4. Time and Attendance Records. The servicing PRO must ensure pay computations are based on the completed time and attendance records maintained for each employee. The servicing PROs must complete computations as soon as possible after the close of the pay period.

2.1.5. Reconciliation. The servicing PRO, the servicing HRO, and the customer service representative (CSR) must communicate to ensure that all appropriate entitlement information is considered for each pay computation and that the computations are supported by the appropriate documentation. At least every 4 months, personnel and pay data must be reconciled and discrepancies corrected. The functional area that entered the incorrect data has primary responsibility for reconciling discrepancies in common data. For additional information, see Chapter 1.

2.2 Notification of Changes to Pay

The servicing HRO must notify the servicing PRO of employee pay changes. The servicing PRO must inform each employee in writing of gross pay changes, total pay, allowances, deductions and net pay. The information may be included on the employees Leave and Earnings Statement (LES).

2.3 Statutory Limits on Compensation ("Pay Caps")

2.3.1. Premium Pay Limits

2.3.1.1. Biweekly Premium Pay Cap. Premium pay includes night pay, the dollar value of compensatory pay, overtime pay, premium pay on an annual basis, and pay for Sunday and holiday work. See 5 CFR 550.103. Except as explained in subparagraphs 2.3.1.2 and 2.3.1.3, the sum of an employee's basic pay and premium pay for any pay period may not exceed the greater of the biweekly rate of basic pay payable for: GS-15, step 10 (including any applicable locality pay under ***5 U.S.C. § 5304*** or special rate of pay under ***5 U.S.C. § 5305***); or Level V of the Executive Schedule. See ***5 U.S.C. § 5547(a)***, 5 CFR 550.105, and OPM Pay and Leave. When GS employees are receiving a locality-based comparability payment, use OPM GS Locality Pay Tables to determine the maximum GS-15, step 10 rate payable for the employee's locality.

Employees in established special rate occupations and/or locations may have a higher biweekly limitation equal to the special rate for GS-15, step 10. The biweekly limitation does not apply to the following:

2.3.1.1.1. Overtime pay earned by employees who are nonexempt from (covered by) the Fair Labor Standards Act (FLSA);

2.3.1.1.2. Hazardous duty pay (HDP);

2.3.1.1.3. Pay earned by Federal Wage System (FWS) employees, who are excluded from coverage under 5 U.S.C. § 5547; or

2.3.1.1.4. Compensatory Time for Title 32 National Guard Technicians. Title 32 National Guard technicians are not paid for overtime work pursuant to ***32 U.S.C. § 709(h)***. Title 32 National Guard technicians are granted an amount of compensatory time off from their scheduled tour of duty equal to the amount of any time spent by them in irregular or overtime work. However, they are not entitled to compensation for such work.

2.3.1.2. Types of Pay Subject to Biweekly Cap When an Annual Premium Pay Cap Applies. In certain emergency or mission critical situations, an agency may apply an annual premium pay cap in lieu of a biweekly premium pay cap. See 5 U.S.C. § 5547(b) and ***5 CFR 550.106*** and ***5 CFR 550.107***. However, the following types of premium pay, as listed in 5 CFR 550.107, remain subject to the biweekly limitation:

2.3.1.2.1. Standby duty pay under ***5 U.S.C. § 5545(c)(1)***;

2.3.1.2.2. Administratively uncontrollable overtime (AUO) pay under 5 U.S.C. § 5545(c)(2);

2.3.1.2.3. Availability pay for criminal investigators under 5 U.S.C. § 5545(a);

2.3.1.2.4. Overtime pay for hours in the regular tour of duty of a firefighter under 5 U.S.C. § 5545(b); and

2.3.1.2.5. An overtime supplement for regularly scheduled overtime hours within a border patrol agent's regular tour of duty under ***5 U.S.C. § 5550***.

2.3.1.3. Annual Premium Pay Cap. When the head of an agency, the agency designee, or OPM determines that an emergency exists, the biweekly caps on premium pay described in subparagraph 2.3.1.1 will not apply to employees who are paid premium pay for work in connection with that emergency. However, such employees remain subject to an annual maximum earnings limitation. The total basic pay and premium pay for most GS employees is limited to the annual rate for GS-15, step 10 (including locality-based comparability or special salary rates) or a Level V of the Executive Schedule for the calendar year. Pay exceeding the cap is forfeited and is not deferred for payment in the next calendar year. The cap does not apply to

overtime earned by FLSA nonexempt (FLSA covered) employees. See 5 U.S.C. § 5547(b) and 5 CFR 550.106.

2.3.1.4. Increased Annual Premium Pay Limitation

2.3.1.4.1. In 2005, Congress authorized the Secretary of Defense to waive the annual premium pay limitation in response to an emergency declared by the President or in direct support of, or directly related to, a military operation. Eligible DoD employees are authorized an increase to the annual premium pay limitation, not to exceed the annual rate of salary payable to the Vice President. Waiver authority applies to employees who work in an overseas area of responsibility (AOR) of the Commander of the U.S. Central Command (CENTCOM) or an overseas location that has been moved from the U.S. CENTCOM to the Commander of the U.S. Africa Command AOR. See 5 U.S.C. § 5547 and ***3 U.S.C. § 104***.

* 2.3.1.4.2. Eligible DoD employees who are granted a waiver of the annual premium pay limitation are entitled to premium payments as provided in yearly guidance published by the Office of the Under Secretary of Defense (OUSD), Personnel and Readiness (P&R) based on Public Law (PL): (This authorization began in 2005. Each calendar year since 2005 has a corresponding authorization, see archived chapters for a past year's respective authorization.)

2.3.1.4.2.1. Calendar Year 2023 authorized by ***PL 117-263***; and

* 2.3.1.4.2.2. Calendar Year 2024 authorized by ***PL 118-31***.

2.3.2. Aggregate Limitation on Pay

2.3.2.1. Aggregate Limitation. The aggregate limitation on pay was established by the ***Federal Employees Pay Comparability Act (FEPCA) of 1990*** and ***5 CFR 530, subpart B***. The aggregate limitation applies to most federal employees who were previously covered by an aggregate limitation applied on a fiscal year basis under ***5 U.S.C. § 5383(b)***. Under ***5 U.S.C. § 5307***, a covered employee may not receive any allowance, differential, bonus, award, or other payment in any calendar year to the extent that such payment, in combination with the employee's basic pay, would cause the employee's aggregate compensation to exceed the rate payable for Level I of the Executive Schedule at the end of that calendar year.

2.3.2.2. Aggregate Compensation. Aggregate compensation is the total of basic pay, premium pay, allowances, differentials, bonuses, awards, incentives, and other similar cash payments. Certain payments are excluded from aggregate compensation such as overtime pay under FLSA, severance pay, lump-sum payment for accrued annual leave, back pay awards, student loan repayments, and non-foreign area cost-of-living allowances (COLAs). See ***5 CFR 530.202***.

2.3.2.3. Payments of Excess Amounts. Amounts in excess of the aggregate limitation must be deferred and are generally paid in a lump-sum payment at the beginning of the next calendar year. See 5 CFR 530.204. If an employee transfers to another agency, the gaining agency is responsible for this payment. If an employee separates from federal service, the entire excess amount is payable following a 30-day break in service. If an employee dies, the agency must pay the entire excess amount as part of the deceased employee's unpaid compensation. See ***5 U.S.C. § 5582*** and 5 CFR 530.204.

2.3.2.4. Deferring Payments. An agency must defer payment of any portion of a discretionary payment that would cause an employee's aggregate compensation to exceed the aggregate limitation. After deferring discretionary payments, all nondiscretionary payments (other than basic pay) must be deferred if continuing to pay the nondiscretionary payments would cause the employee's aggregate compensation to exceed the aggregate limitation for the calendar year. See 5 CFR 530.203(d) and (e) and 5 CFR 530.204.

2.3.2.4.1. Discretionary Payments. A discretionary payment is an optional payment that an agency has discretion to pay an employee (e.g., retention allowances, supervisory differentials, and physicians' comparability). See 5 CFR 530.202.

2.3.2.4.2. Nondiscretionary Payments. Nondiscretionary payments are payments made to an employee under the terms of a service agreement or preauthorized to be paid at a regular fixed rate each pay period (e.g., basic pay, locality-based comparability payments, COLAs, post differential, and remote worksite allowances). An agency may not defer a nondiscretionary payment to make a discretionary payment. Basic pay may not be deferred or discontinued under any circumstances.

2.4 Multiple Appointments

An employee is not entitled to receive pay from more than one position for more than an aggregate of 40 hours of work in one calendar week (Sunday through Saturday). See ***5 U.S.C. § 5533(a)***. Generally, there is no restriction on the number of appointments, only the number of hours, for which an employee may be paid. An employee may hold more than one simultaneous part-time or intermittent appointment, or an employee on leave without pay (LWOP) may accept another federal appointment. However, the employee may not receive pay for more than 40 hours a week, unless the employee's regular tour of duty is for more than 40 hours a week under an authorized alternative work schedule (AWS) or from two sources for the same hours. The HRO will notify the servicing PRO of multiple appointments via SF 50 data.

2.5 General Schedule (GS) Employees

2.5.1. Basic Pay. Basic pay for GS employees is defined in ***5 CFR 531.203*** as the rate of pay fixed by law or by administrative action for the position held by a GS employee prior to withholding any deductions and excludes additional pay of any kind.

2.5.2. Pay Computation. Computations of salaries are based on the rates contained in OPM, Pay and Leave, ***OPM Salary Table***.

2.5.3. Determining Basic Rates. To determine basic pay rates, see ***5 U.S.C. § 5504*** and ***5 U.S.C. § 5505***.

2.5.4. Interim Geographic Adjustment (IGA). On February 1, 1996, OPM issued final regulations at ***61 Federal Register (FR) 3539*** to address the termination of IGAs. Locality-based comparability payments replaced the IGAs effective August 2, 1996.

2.5.5. Special Higher Minimum Base Rates for Law Enforcement Officers (LEO) at Grades GS-3 Through GS-10. Special base rates for LEOs at grades GS-3 through GS-10 are authorized under section 403 of the FEPCA of 1990 and 5 CFR 531.204 and are used in lieu of a GS rate. OPM publishes the special base rates for LEOs in a special salary table. These rates are the basis for computing locality payments under 5 CFR 531, subpart F.

2.5.6. Locality-Based Comparability Payments. Title 5, CFR 531, subpart F and 5 U.S.C. § 5304 govern locality payments for GS employees and other employment positions in locality pay areas. Locality pay is considered as basic pay for retirement, Federal Employees' Group Life Insurance (FEGLI), premium pay, advance pay, severance pay, lump-sum leave, and workers' compensation purposes. The HRO bases locality pay eligibility on where an employee's official duty station is, and not where he or she lives. Locality pay does not transfer with an employee from one pay locality to another. Employees must receive whatever rate of pay applies at his or her new duty station. Employees on temporary assignment in a different pay locality must continue receiving their current salary. Locality pay does not apply overseas. The official worksite for an employee covered by a telework agreement must be determined on a case-by-case basis using criteria established by OPM.

2.6 Employees in Performance Management and Recognition System (PMRS)

2.6.1. General. The PMRS Termination Act of 1993 terminated the PMRS effective November 1, 1993. The provisions of this law applied to any employee covered by a PMRS position on October 31, 1993, and provided for the transition of former PMRS employees into their agency's Performance Management System and the GS pay plan. See OPM Performance Reference Materials, ***OPM Instructions: How to Comply with PL 103-89***.

2.6.2. Identification of PMRS Employees. In order to identify all employees covered by the provisions of this law, OPM retained the General Merit (GM) pay plan code. The step for all employees using the GM pay plan code will continue to be zeros ("00").

2.6.3. Within-Grade Increases. All GS employees, including those still designated GM after October 31, 1993, are eligible for within-grade increases according to the waiting periods established in the statute. The last PMRS merit increase received, including one for zero dollars, is an equivalent increase for the purpose of calculating and completing the prescribed waiting periods. Within-grade increases have the dollar value of one-ninth of the pay range. Employees will have the within-grade increase added to their basic pay rate, including an off-step rate, upon completion of the appropriate waiting period, provided performance has been at an acceptable level of competence.

2.6.4. Termination. An employee's coverage under the PMRS will end and the employee's rate of basic pay is adjusted to the designated GS step rate that meets or exceeds the current rate of pay, not to exceed step 10, if any of the following actions occur:

2.6.4.1. Promotion;

2.6.4.2. Change to a lower grade;

2.6.4.3. Break in service of more than 3 days;

2.6.4.4. Transfer to another non-DoD agency; or

2.6.4.5. Reassignment to a non-supervisory or non-management position.

2.7 Senior Executive Service Positions

2.7.1. Definition. IAW ***5 U.S.C. § 3132(a)(2)*** and ***5 CFR Part 317***, an SES position is any position within an agency above a GS-15 grade level under ***5 U.S.C. § 5108***, or in Level IV or V of the Executive Schedule, or an equivalent position, which is not required to be filled by an appointment by the President with Senate confirmation. The SES includes managerial, supervisory, and policy positions classified above a GS-15 or equivalent in the Executive Branch. Non-supervisory positions are not covered unless they carry significant policymaking responsibilities.

2.7.2. Rate of Pay. The SES pay range has a minimum rate of basic pay equal to 120 percent of GS-15, step 1, and a maximum rate equal to that of a Level III of the Executive Schedule. See ***5 U.S.C. § 5382*** and ***5 CFR 534.403***. The maximum rate of basic pay for an SES employee covered by a performance appraisal system is set at the rate for Level II of the Executive Schedule. Minimum rates of basic pay for the SES rate range are adjusted by Executive Order issued by the President to allow for consistency with any increase in the minimum rate of basic pay for these positions. See ***5 U.S.C. § 5376***.

2.8 Senior Level (SL) Positions

2.8.1. Definition. SL positions are non-SES positions classified above GS-15 pursuant to 5 U.S.C. § 5108 and ***5 CFR 319.102***. These positions do not include administrative law judges or board of contract appeals positions that have their own pay schedules.

2.8.2. Rate of Pay. Title 5, U.S.C. § 5376 and 5 CFR 534, subpart E govern the rates of pay for SL positions and are located in OPM Pay Tables, see subparagraph 2.5.2. See 5 U.S.C. § 5304. The minimum rate of basic pay is set at 120 percent of GS-15, step 1, and the maximum rate equal to Level III of the Executive Schedule. The maximum rate of basic pay for an SL employee covered by a performance appraisal system is set at the rate for Level II of the Executive Schedule. There are no grades or steps under 5 U.S.C. § 5376; therefore, employees may be paid at any rate between the minimum and maximum rates.

2.9 Scientific or Professional (ST) Positions

2.9.1. Definition. ST employees are those in non-executive positions classified above GS-15 who are engaged in high-level research and development in the physical, biological, medical or engineering sciences established under ***5 U.S.C. § 3104*** and 5 CFR 319.103.

2.9.2. Rate of Pay. The rates of pay for ST level positions are governed by 5 U.S.C. § 5376 and 5 CFR 534, subpart E, and are located in OPM Pay Tables, see subparagraph 2.5.2. The minimum rate of basic pay is set at 120 percent of GS-15, step 1, and the maximum rate equal to Level III of the Executive Schedule. The maximum rate of basic pay for a ST position employee covered by a performance appraisal system is set at the rate for Level II of the Executive Schedule. There are no grades or steps under 5 U.S.C. § 5376; therefore, employees may be paid at any rate between the minimum and maximum.

2.10 Executive Schedule Positions

2.10.1. Definition. The Executive Schedule is, as defined in ***5 U.S.C. § 5311***, divided into five pay levels (Level I through Level V) and is the basic pay schedule for senior management positions described at ***5 U.S.C. §§ 5312-5316***. SES positions are not included.

2.10.2. Rate of Pay. The rate of pay for Executive Schedule positions is contained in OPM Salary Table.

2.11 Federal Wage System (FWS) Positions

2.11.1. Definition. The FWS was established for federal trade, craft, and laboring employees to allow for the payment of wages comparable to prevailing private sector rates in each local wage area. These positions are also referred to “wage grade” or “wage board” positions. ***Title 5, U.S.C. § 5342*** defines an FWS employee as a prevailing rate employee who is in a recognized trade or craft, other skilled mechanical craft, or in an unskilled, semi-skilled, or skilled manual labor occupation. Individuals in positions having trade, craft or laboring experience and knowledge as a paramount requirement, such as a supervisor or foreman, may be FWS employees. See OPM Fact Sheet: ***OPM FWS Overview*** and the Prevailing Rate Systems at ***5 CFR Part 532***. FWS employees are hourly rate employees who receive annual wage adjustments based on a review of comparability pay by wage area. Each area pay scale is divided into the following five parts or classes: wage grade, wage leader, wage supervisor, non-supervisory and supervisory employees covered by the production facilitating pay plan.

2.11.2. Rate of Pay. OPM adjusts the rates from time to time for comparable work within a local wage area. Basic pay for FWS employees means the scheduled rate of pay plus any night shift or environmental differential.

2.12 Administratively Determined (AD) Pay Plans

Pay rates may be established under an AD pay system that was created under a separate statutory authority. An agency must have independent authority to administratively determine the rates of pay for any group or category of employees. See OPM Pay and Leave, Pay Administration, Fact Sheet: ***OPM Pay Plans***.

3.0 PREMIUM PAY

3.1 General

Premium pay consists of certain types of pay, such as overtime, night, and holiday pay for employees not in receipt of annual premium pay for standby duty, Sunday pay, annual premium pay for regularly scheduled standby duty, annual premium pay for administratively uncontrollable work, availability pay for LEOs, environmental pay for FWS employees, and hazard pay for GS employees. Rates and authorization for these various types of pay are contained in ***5 U.S.C. §§ 5542-5547***, ***5 U.S.C. § 5549***, and ***5 CFR 550, subpart A***. SES employees, Teaching Position (TP) Pay Plan employees, and other employees identified under 5 CFR 550.101 are not entitled to premium pay under any circumstances. However, the premium pay provisions apply to SL and ST positions. For information on statutory limits on premium pay, also referred to as biweekly and annual premium pay caps, see paragraph 2.3.

3.2 Overtime

Each employing activity is responsible for controlling overtime. Supervisors must ensure funds targeted for their employing activity will cover overtime worked. Approval or disapproval of overtime must be consistent with direction from the Deputy Secretary of Defense. The employee is only paid approved overtime as certified on the employee's time and attendance report. Normally, employees must request approval to work overtime in writing in advance of performing the work. See ***5 U.S.C. § 5542***.

3.2.1. Overtime Pay

3.2.1.1. Regularly Scheduled. Title 5, CFR 550, subpart A covers regulations on premium pay for overtime. Regular overtime work is overtime work that has been scheduled prior to the beginning of an employee's regularly scheduled administrative workweek. For a GS employee whose rate of pay does not exceed a minimum applicable rate for a GS-10, the overtime-hourly rate is one and one-half times the employee's rate of pay. For an employee whose rate of basic pay exceeds the minimum rate for a GS-10, the overtime-hourly rate is equal to the greater of one and one-half times the applicable minimum hourly rate of basic pay for a GS-10 or the employee's hourly rate of basic pay. Agencies may authorize regular overtime for full-time, part-time, and intermittent GS employees. An intermittent work schedule is appropriate when work is unpredictable and sporadic and therefore, repetitive regularly scheduled overtime should seldom occur. See ***5 CFR 340.403***.

3.2.1.2. Irregular/Occasional. Irregular or occasional overtime work is overtime work that is not part of an employee's regularly scheduled administrative workweek.

3.2.2. Overtime Pay for FLSA Nonexempt (Covered) Employees

3.2.2.1. General. Generally, the servicing PRO must compensate a nonexempt FLSA employee pursuant to the provisions of ***29 U.S.C. § 207*** and ***5 CFR 551, subpart E*** for all hours of work in excess of 8 hours a day or 40 hours in a workweek at a rate equal to one and one-half times the employee's hourly regular rate of pay. The "hourly regular rate" of pay for all nonexempt employees is computed by adding all includible payments for the week, then dividing by the total hours of work and paid leave. See 5 CFR 551.511 and 5 CFR 551.512 for complete instruction on overtime pay computation. The biweekly and annual premium pay caps discussed in paragraph 2.3 do not apply to FLSA nonexempt employees.

3.2.2.1.1. Flexible Work Schedule. Overtime, when worked under a flexible work schedule pursuant to ***5 U.S.C. §§ 6122-6126***, consists of hours officially ordered in advance and in excess of 8 hours per day or 40 hours per week. Pursuant to ***5 U.S.C. § 6121(6)***, overtime hours do not include credit hours worked voluntarily under a flexible work schedule.

3.2.2.1.2. Compressed Work Schedule. For a full-time employee, overtime work consists of all hours of work in excess of the established compressed work schedule. For a part-time employee, overtime work consists of hours in excess of the compressed work schedule for the day (more than at least 8 hours) or for the week (more than at least 40 hours).

3.2.2.2. Calculation of Overtime After FEPCA. Overtime pay computations for FLSA nonexempt (covered) employees must be made solely IAW FLSA regulations at 5 CFR Part 551, as amended. Entitlements prior to May 3, 1991, must be calculated using the previous rules. FLSA nonexempt employees continue to be covered by other premium pay provisions of ***5 U.S.C., Chapter 55***, Subchapter V for night, Sunday, or holiday and annual premium pay for regularly scheduled standby duty or AUO work.

3.2.2.3. Other. Hours of work exceeding 8 hours in a day are deemed to be overtime hours for the purposes of Section 7 of FLSA. See 29 U.S.C. § 207(e)(7). The excess hours are considered overtime only if an employee is not receiving annual premium pay for regularly scheduled standby duty or annual premium pay for AUO work under for FWS employees. Under FLSA, such hours are overtime hours regardless of the total number of hours of work in the workweek. For example, an employee on a flexible work schedule who works 10 hours on the first day of the workweek and is on LWOP for the remainder of the workweek is entitled to 2 hours of overtime pay under FLSA, even though the employee has worked a total of only 10 hours in the workweek. However, an employee working a compressed work schedule of eight 10-hour days would not receive overtime pay until the work exceeds 10 hours on a scheduled day.

3.2.3. Callback Overtime. Pursuant to 5 CFR 550.112(h), a minimum of two hours of overtime are paid if an employee is required to return to the place of employment for unscheduled overtime work or to work unscheduled overtime on a nonscheduled workday. If the callback

occurs on a holiday during the employee's regular schedule, then a minimum of two hours holiday premium pay is paid. Pursuant to 5 CFR 551.401(e), when an FLSA nonexempt employee performs unscheduled overtime work on a day when work was not scheduled for the employee, or for which the employee is required to return to the place of employment, the employee is paid for two hours of work or the actual number of hours worked, whichever is greater. In all cases, the employee must record the actual time worked.

3.2.4. Excluded Employees. SES employees are excluded from premium pay. See 5 CFR 534.408 and 5 CFR 550.101. Certain GS and all Executive Schedule employees are also excluded because premium pay may be paid only to the extent that aggregate pay does not exceed the maximum rate of pay for a GS-15 employee. See 5 U.S.C. § 5547. Title 32 National Guard technicians are not entitled to premium pay for overtime; instead, they may earn compensatory time.

3.2.5. Compensatory Time Off

3.2.5.1. Agency Approval. Under 5 U.S.C. § 5543 and 5 CFR 550.114, eligible employees, including FWS and FLSA nonexempt employees, may request compensatory time off from their scheduled tour of duty instead of payment for an equal amount of time spent in irregular or occasional overtime work. An agency may require that FLSA exempt employees (who are not prevailing rate employees) whose rate of basic pay is greater than the rate for GS-10, step 10 take compensatory time off instead of being paid overtime pay. An agency may not require FWS and FLSA nonexempt employees to take compensatory time off instead of being paid overtime pay, unless the employee requests compensatory time. See 5 CFR 532.504 and 5 CFR 551.531.

3.2.5.2. Dollar Value of Compensatory Time Off and Premium Pay Cap Limitations. An employee must receive advanced written approval for compensatory time worked. Such approval must be made IAW Chapter 2. Compensatory time off is an alternative form of payment for overtime work. For the purpose of applying pay cap limitations or liquidating compensatory time, the dollar value of the compensatory time equals the amount of overtime pay the employee would otherwise have received for performing the same number of hours of overtime work. Pay limitations apply as follows:

3.2.5.2.1. Biweekly Premium Pay Cap. If invoking the biweekly cap, an employee cannot receive credit for compensatory time worked if the basic rate of pay equals or exceeds the maximum rate for grade GS-15, step 10, or Level V of the Executive Schedule. An employee whose basic rate is less than the maximum rate of GS-15, step 10, or Level V of the Executive Schedule, may earn compensatory time. However, it may only be credited to the extent that the monetary value of the compensatory time does not cause the total rate of pay to exceed the maximum earnings limitations under 5 CFR 550.106(c).

3.2.5.2.2. Annual Premium Pay Cap. If invoking an annual premium pay cap, an employee may only receive credit for compensatory time to the extent that the monetary value of the compensatory time does not cause the total rate of pay to exceed the maximum earnings limitations. See 5 CFR 550.106(c).

3.2.5.2.3. FLSA Considerations. The granting of compensatory time off in lieu of overtime pay under 5 U.S.C. § 5542 must not violate the overtime pay requirements of FLSA. For instructions on compensatory time off for nonexempt employees, refer to 5 CFR 551.531. For FLSA exempt employees, refer to 5 CFR 550.114.

3.2.5.3. Occasional or Irregular Overtime Work. FWS, FLSA nonexempt and FLSA exempt GS employees may choose to earn compensatory time in place of payment for an equal amount of time spent in occasional or irregular overtime work, i.e., overtime work not scheduled in advance of the employee's workweek. Compensatory time off may be approved in lieu of regularly scheduled overtime work for FLSA exempt employees who are ordered to work overtime hours under a flexible work schedule under ***5 U.S.C. § 6122***. Additionally, an FWS or FLSA nonexempt employee may request compensatory time off if the employee is on a flexible work schedule under 5 U.S.C. § 6122. In this situation, the compensatory time off is granted instead of payment under 5 CFR 532.504 and 5 CFR 551.501 for an equal amount of time spent in overtime work, without regard to whether the overtime work was irregular or occasional in nature.

3.2.5.4. Time Limits. Pursuant to 5 CFR 550.114 and 5 CFR 551.531, the limit for the use of compensatory time off is the end of the 26th pay period after that in which the overtime was worked.

3.2.5.4.1. FLSA/FWS Employees. Compensatory time off must be granted to an FLSA exempt or nonexempt employee within a reasonable time after the overtime is worked. If an FLSA exempt employee fails to take earned compensatory time off within 26 pay periods, the unused compensatory time worked pays out at the overtime rate earned or is forfeited based off the employing agency's discretion. See ***OPM Fact Sheet: Compensatory Time Off***. If an FWS or FLSA nonexempt employee fails to use compensatory time before the expiration of the established period, the employee is entitled to receive payment for the overtime work at FLSA overtime rate in effect at the time it was earned. See 5 CFR 532.504 and 5 CFR 551.531.

3.2.5.4.2. Title 32 National Guard Technicians. Title 32 National Guard technicians are not entitled to overtime and may not receive payment for unused compensatory time worked. Title 32 National Guard technicians must use their compensatory time by the end of the 26th pay period after it is earned or the compensatory time will be forfeited.

3.2.5.5. AWS. Employees on a flexible work schedule or compressed work schedule may earn compensatory time off in lieu of overtime pay.

3.2.5.5.1. Flexible Work Schedule. An agency may approve compensatory time off in lieu of overtime pay for non-SES employees under a flexible work schedule at the employee's request. See ***5 U.S.C. § 6123(a)(1)***.

3.2.5.5.2. Compressed Work Schedule. Compensatory time off may be approved in lieu of overtime pay only for irregular or occasional overtime work by an employee as defined in 5 U.S.C. § 5541(2) or by an FWS prevailing rate employee as defined in 5 U.S.C. § 5342(a)(2), but may not be approved for an SES member. Mandatory compensatory

time off is limited to FLSA exempt employees, who are not prevailing rate employees, whose rate of basic pay is greater than the rate for GS-10, step 10.

3.2.5.6. Compensatory Time Off in Relation to Night Pay. When a GS employee takes compensatory time off during the employee's scheduled tour of duty that includes night pay, the employee is still entitled to night pay for that time only if the scheduled tour of duty is between 6 p.m. and 6 a.m. and the employee's leave total is less than 8 hours in a pay period. See 5 CFR 550.122.

3.2.5.7. Compensatory Time Off in Relation to Annual Leave. Compensatory time off may be granted before annual leave is approved except when annual leave would otherwise be forfeited. If the use of earned compensatory time off or credit hours that are about to expire results in the forfeiture of excess annual leave, the forfeited leave cannot be restored. See OPM Pay and Leave, Pay and Leave Administration, Fact Sheet: ***OPM Restoration of Annual Leave***.

3.2.5.8. Payment for Unused Compensatory Time

3.2.5.8.1. Separation or Transfers. When an FLSA exempt or nonexempt employee separates, dies, or transfers to another DoD Component (e.g., from Army to Navy, or Air Force to the Defense Logistics Agency) or the employee moves to a non-DoD agency (e.g., Army to Department of the Treasury), the losing Component must pay for any unused compensatory time balances. The agency must pay the balance at the overtime rate in effect when the employee earned the compensatory time. Title 32 National Guard technicians are not paid for unused compensatory time. See the ***DoDI 1400.25-V550***, 5 CFR 550.114 and 5 CFR 551.531.

3.2.5.8.2. Uniformed Service or Injury-on-the-Job. Agencies must pay an FLSA exempt or nonexempt employee for compensatory time off not used by the end of the 26th pay period after the pay period earned. Payment is at the overtime rate in effect when earned when the employee is unable to use the compensatory time off because of separation or placement in a leave without pay status because of:

3.2.5.8.2.1. Performing service in the uniformed services (5 CFR 550.114(f)) or

3.2.5.8.2.2. An on-the-job injury with an entitlement to injury compensation under ***5 U.S.C. § 8102***.

3.2.6. Time Off for Religious Observances. Employees may earn compensatory time off for religious observances under provisions of ***5 U.S.C. § 5550a*** and ***5 CFR 550, subpart J***. Time off for religious reasons is recorded in a special leave account. Religious compensatory time off may be earned within 13 pay periods in advance of the pay period in which it is intended to be used, or within 13 pay periods following the pay period in which it was used. Time off balances do not transfer. When an employee separates, dies, or transfers to another Federal agency, any unused time off balance must be paid by the losing activity at the basic hourly rate in effect when the time was worked. If the employee has an advanced time off balance at the time of separation, death, or transfer, a debt must be created. Compensatory overtime worked in this manner is exempt

from maximum pay limitations and all other provisions of overtime and premium pay contained in 5 CFR 550.1001-1002, 5 U.S.C., Chapter 55, Subchapter V, and 29 U.S.C. § 207. For additional information, see Chapter 5, subsection 10.5.

3.3 Night Pay Differential and Night Shift Differential

3.3.1. GS Employees. Under 5 U.S.C. § 5545(a), night pay differential, at the rate of 10 percent of the hourly basic rate, is payable to employees for regularly scheduled work performed between 6 p.m. and 6 a.m. Accordingly, the hourly basic rate is multiplied by 10 percent, with the result adjusted to the nearest cent, counting one-half cent and over as a whole cent. Night pay differential is not included in the rate of basic pay used to calculate overtime, Sunday, or holiday pay. Night pay differential is in addition to overtime, Sunday, or holiday pay. The head of a department may designate another time between 6 p.m. and 6 a.m., as the beginning and end of the night work for activities outside of the U.S. See 5 CFR 550.121. Employees are not entitled to night pay differential while engaged in training, except where the situation they are learning to handle occurs only at night. An employee is entitled to night pay differential under the following circumstances:

3.3.1.1. For the hours actually worked between 6 p.m. and 6 a.m. when such hours are part of the employee's regularly scheduled work;

3.3.1.2. For overtime work performed between the hours of 6 p.m. and 6 a.m. if the overtime is regularly scheduled in advance of the administrative workweek;

3.3.1.3. For a period of paid leave during night work hours, only when the total amount of leave in a pay period, including both night and day hours, is less than 8 hours. Exceptions to this rule are employees on court leave; military leave; including leave for law enforcement and encampment purposes; time off with pay for a holiday; official travel status; administrative leave; compensatory time used; credit hours used; continuation of pay and time off awards;

3.3.1.4. When excused from night work during a tour of duty while on official travel status, whether performing actual duty or not. See 5 CFR 550.122(a);

3.3.1.5. When temporarily assigned during the administrative workweek to a daily tour of duty that includes night work. See 5 CFR 550.122(d); or

3.3.1.6. When excused from night work on a holiday or other non-workday. See 5 CFR 550.122(a).

3.3.2. Part-Time Employees. Part-time GS employees are eligible for night pay differential for work performed between 6 p.m. and 6 a.m. as part of their regularly scheduled administrative workweek.

3.3.3. Intermittent Employees. Intermittent GS employees who have no regularly scheduled tour of duty are not eligible for night pay differential. These employees are eligible for night pay differential during temporary assignment to a regular tour of duty with night work.

3.3.4. FWS Employees. Under ***5 U.S.C. § 5343(f)***, FWS employees receive night shift differential at one of the two following rates: the rate of 7.5 percent of their hourly rate for non-overtime work when a majority of their scheduled hours occur between 3 p.m. and midnight; or 10 percent of their hourly rate for non-overtime work when the majority of scheduled hours occur between 11 p.m. and 8 a.m. For additional information, see 5 CFR 532.505. Night shift differential is considered as part of basic pay in the calculation of overtime pay, Sunday pay, holiday pay, and deductions for retirement and FEGLI. An employee regularly assigned to a night shift is entitled to night shift differential under the following circumstances:

3.3.4.1. For all non-overtime hours worked during an entire shift when the majority of hours fall within the specified periods;

3.3.4.2. On paid leave, such as court leave, holiday leave, compensatory time used, and administrative leave. See 5 CFR 532.505(e);

3.3.4.3. During a tour of duty while on official travel status, whether performing actual duty or not. See 5 CFR 532.505(c);

3.3.4.4. When temporarily assigned to a different tour of duty. See 5 CFR 532.505(d); or

3.3.4.5. When excused from night work on a holiday or other non-workday. See 5 CFR 532.505(b).

3.3.5. Title 32 National Guard Technicians. Title 32 Army and Air National Guard technicians are not entitled to payment of night differential or premium pay for overtime pay during periods of overtime worked. Title 32 National Guard technicians earn compensatory time.

3.4 Sunday Premium Pay

Additional pay at a rate of 25 percent of the hourly basic rate is payable to full and part-time employees whose regularly scheduled workweek, which does not include overtime hours, however, includes Sunday. Part-time employees are eligible for Sunday premium pay. See ***OPM Memorandum: Fathauer v. U.S. 566 F.3d 1352 (Fed. Cir. 2009)***, December 8, 2009. Sunday premium pay is payable for the entire period of non-overtime work during an employee's regularly scheduled daily tour of duty, not to exceed 8 hours, that begins or ends on a Sunday. Employees who do not actually perform work on Sunday do not earn Sunday premium pay. See ***5 U.S.C. § 5546***. Therefore, employees who are regularly scheduled to work on Sunday and who are on paid leave, excused absence, taking compensatory time off, using credit hours, or not working because Sunday is a holiday, are not entitled to Sunday premium pay. Intermittent employees are not entitled to Sunday premium pay. See 5 U.S.C. § 5544 and 5 U.S.C. § 5546. FWS employees are entitled to Sunday premium pay under 5 U.S.C. § 5544(a).

3.4.1. Flexible Work Schedule. A full-time or part-time employee on a flexible work schedule who performs regularly scheduled non-overtime work during a period of duty, a part of which is performed on Sunday, is entitled to Sunday pay for the entire period of duty, not to exceed 8 hours.

3.4.2. Compressed Work Schedule. A full-time or part-time employee on a compressed work schedule who performs non-overtime work during a period of duty, a part of which is on Sunday, is entitled to Sunday pay for the entire period of duty on that day, even if the hours worked exceeded 8 hours. See ***5 U.S.C. § 6128***.

3.4.3. First 40-Hour Tour of Duty. A first 40-hour tour of duty is regularly scheduled work. An employee under a first 40-hour schedule is entitled to up to 8 hours of Sunday premium pay when performing non-overtime work on a Sunday. See ***5 CFR 610.111*** and OPM, Pay and Leave, ***OPM Work Schedules***. Any additional hours over 8 hours in a day are paid as overtime unless the employee is: engaged in professional or technical engineering or scientific activities for whom the first 40 hours of duty in an administrative workweek is the basic workweek; or the employee's basic pay exceeds the minimum rate for GS-10, step 1 (including any applicable locality-based comparability payment under section 5304 or similar provision of law and any applicable special rate of pay under section 5305 or similar provision of law) for whom the first 40 hours of duty in an administrative workweek is the basic workweek. An employee on a first-40 tour who does not fall under one of these two exceptions is entitled to overtime pay for hours worked in excess of 8 hours in a day or 40 hours in an administrative workweek. See 5 U.S.C. § 5542 and 5 CFR 550.111(d)(2).

3.4.4. Maximum Hours. The maximum number of hours of Sunday premium pay that an employee is paid for one Sunday is 16 hours. The 16 hours would include two 8-hour tours: one starting on Saturday night and ending on Sunday morning, and the next tour starting Sunday night and ending on Monday morning.

3.4.5. Rate of Payment. The hourly basic rate is multiplied by 25 percent with the result adjusted to the nearest cent, counting one-half cent and over as a whole cent. See ***OPM Operating Manual, Federal Wage System-Appropriated Fund, subchapter S8-4e***.

3.5 Holiday Premium Pay

IAW ***5 U.S.C. § 5546*** and 5 CFR 550.131, an employee who performs non-overtime work on a holiday designated by federal statute or executive order is entitled to holiday premium pay. Holiday premium pay is equal to the employee's rate of basic pay. An employee receives basic pay, plus holiday premium pay, for each hour of holiday work that is not in excess of their regularly scheduled non-overtime basic tour of duty, not to exceed 8 hours. Overtime work on a holiday is paid IAW paragraph 3.2. An employee required to perform any work on a designated holiday is entitled to be paid for at least 2 hours of holiday work. Holiday premium pay is in addition to overtime pay, night pay differential, or Sunday pay. See also ***OPM Fact Sheet, Federal Holidays-Work Schedules and Pay***.

3.5.1. Flexible Work Schedule. For an employee working a flexible work schedule, holiday pay for non-overtime work is limited to 8 hours in a day. A part-time employee, scheduled to work on a day designated as an "in lieu of" holiday for full-time employees, is not entitled to a premium for work performed on that day. See 5 U.S.C. § 6123.

3.5.2. Compressed Work Schedule. For an employee working a compressed work schedule, holiday pay for non-overtime work is limited to the number of hours normally scheduled for that day. A part-time employee, scheduled to work on a day designated as an "in lieu of" holiday for full-time employees, is not entitled to a premium for work performed on that day. See 5 U.S.C. § 6128.

3.5.3. GS Employees. GS employees receive their basic pay, including any night differential, for holidays on which they are not required to work. Employees are entitled to additional holiday premium pay for work performed on a holiday not to exceed 8 hours, during the hours of their regularly scheduled tour of duty.

3.5.4. FWS Employees. FWS employees who have a regular tour of duty and are not required to work due to a holiday are entitled to the same rate of pay for that day as if they had worked. For work performed on a holiday, FWS employees are entitled to their basic rate plus premium pay at a rate equal to their basic pay for holiday work that is not more than 8 hours or is not overtime work. For additional information, see 5 CFR 532.507.

3.5.5. Callback. Unscheduled overtime work performed by an employee on a day when work was not scheduled, or for which the employee is required to return to the place of employment is deemed to be at least 2 hours in duration. See 5 U.S.C. § 5542. If the callback occurs on a holiday during the employee's regular schedule, an agency must pay a minimum of 2 hours holiday premium. The employee must record the actual time worked for time and attendance purposes. Employees working more than 2 hours are entitled to pay for the actual number of hours worked.

3.5.6. Training. An employee is not entitled to holiday premium pay while engaged in training, except under limited circumstances set out at ***5 CFR 410.402***.

3.6 Annual Premium Pay for Standby Duty

Employees may receive premium pay on an annual basis when working in a position regularly requiring them to remain at, or within the confines of, their station during longer than ordinary periods of duty, and a substantial part of which consists of remaining in a standby status rather than performing work. See 5 U.S.C. § 5545(c) and 5 CFR 550.141-144. Annual premium pay for standby duty is in lieu of premiums for regularly scheduled overtime, night, holiday, and Sunday work.

3.6.1. Irregular or Unscheduled Overtime. Additional hours of irregular or unscheduled overtime duty in excess of the regularly scheduled weekly tour are not compensated by standby premium pay, but are eligible for overtime pay consideration under 5 U.S.C. § 5542 or the FLSA overtime provisions at 29 U.S.C. § 207.

3.6.2. Rate of Payment. Premium pay is determined as an appropriate percentage, not in excess of 25 percent, of the rate of basic pay for the position not exceeding the minimum applicable rate of basic pay for GS-10, including any applicable locality-based comparability payment or similar provision of law, and any applicable special rate of or similar provisions of law. See 5 CFR 550.141 and 5 U.S.C. § 5304.

3.7 Annual Premium Pay for Administratively Uncontrollable Overtime (AUO)

3.7.1. Eligibility Criteria. Premium pay may be paid on an annual basis instead of other premium pay (except premium pay for regular overtime work and work at night, on Sundays, and on holidays) when an employee is in a position in which the hours of duty cannot be controlled administratively. The position must require substantial amounts of irregular, unscheduled overtime work, with the employee generally responsible for recognizing, without supervision, circumstances that require an employee to remain on duty. The circumstances under which payment of AUO is appropriate are extremely limited; in particular, AUO is not appropriate for FLSA nonexempt employees.

3.7.2. Rate of Payment. Title 5, U.S.C. § 5545(c)(2) provides that premium pay for AUO is an appropriate percentage, not less than 10 percent nor more than 25 percent, of the employee's rate of basic pay. This includes any special rate of pay for LEOs, or special pay adjustment for LEOs under section 302 and 403 of the FEPCA, a locality-based comparability payment under 5 U.S.C. § 5304**,** and any applicable special rate of pay under 5 U.S.C. § 5305, or similar provision of law. See 5 CFR 550.151. The servicing PRO pays AUO according to the rate information provided by the servicing HRO via SF 50 data. AUO for law enforcement personnel, which includes the office of special investigations agents, is subject to retirement and FEGLI deductions. See ***5 U.S.C. § 8331(3)(D)*** and ***5 U.S.C. § 8704(c)(2)***. The AUO for Open Mess/Club Managers is not subject to retirement or FEGLI deductions. See 5 U.S.C. § 8331(3)(C) and (D), and 5 U.S.C. § 8704(c)(1) and (2). See also Civilian Personnel Manual (CPM) Guidance on AUO, ***(CPM 97-5)***.

3.8 Hazardous Duty Pay (HDP) and Environmental Differential Pay (EDP)

3.8.1. HDP

3.8.1.1. General. Under 5 U.S.C. § 5545(d) and 5 CFR 550.901-907, GS employees who are assigned hazardous duty or duty involving physical hardship may be entitled to premium pay in the form of HDP. The servicing PRO pays HDP according to information provided by the servicing HRO. Hazardous duty means duty performed under conditions in which an accident could result in serious injury or death. Duty involving physical hardship means duty that may not be hazardous, but may cause extreme physical discomfort or distress that is not adequately alleviated by protective or mechanical devices. Some examples of duty involving physical hardship include duties involving exposure to extreme temperatures for a long period, arduous physical exertion, or exposure to fumes, dust, or noise that causes nausea, skin, eye, ear, or nose irritation.

3.8.1.2. Rate of Pay. The amount of HDP is determined by multiplying the percentage rate authorized for the exposure, found in 5 CFR 550, subpart I, by the employee's hourly rate of pay. That amount is multiplied by the number of HDP hours to be paid. HDP is paid for overtime hours based on the employee's hourly rate of basic pay, not the hourly overtime rate.

3.8.1.3. Other

3.8.1.3.1. HDP is not included as part of the employee's basic rate of pay for computation of overtime, holiday pay, Sunday premium, or the amount of retirement, Thrift Savings Plan (TSP), and FEGLI deductions.

3.8.1.3.2. HDP is paid for all hours in a pay status the day on which the exposure occurs.

3.8.1.3.3. Payment of HDP is not subject to the biweekly pay cap placed on other premium pay as discussed in subparagraph 2.3.1. However, HDP is included in the aggregate limitation on pay as discussed in subparagraph 2.3.2.

3.8.1.3.4. HDP may not be more than 25 percent of the employee's rate of basic pay.

3.8.1.3.5. TP Pay Plan employees are not authorized HDP.

3.8.1.3.6. Agencies may not pay HDP for hours of work during which an employee is paid annual premium pay for standby duty, AUO work, or availability pay.

3.8.2. Environmental Differential Pay

3.8.2.1. General. Under 5 U.S.C. § 5343(c)(4), an FWS employee is entitled to an environmental differential when exposed to a working condition or hazard that falls within one of the categories approved by OPM. Pursuant to 5 CFR 532.511, EDP is included as part of an FWS employee's basic rate of pay for computation of overtime, holiday pay, Sunday premium, and the amount of retirement, TSP, and FEGLI deductions. It is not part of basic pay for purposes of lump-sum leave payments and severance pay. The servicing HRO determines when EDP is payable and obtains approval from OPM for additional categories not listed in ***OPM Appropriated Fund Operating Manual, Appendix J***, Federal Wage System. TP pay plan employees are not authorized EDP.

3.8.2.2. Pay Rate. EDP is payable on an actual exposure basis and is payable for all hours the employee is in a pay status on the day on which exposure to the situation occurs, including overtime hours. The amount that is payable is determined by multiplying the percentage rate authorized for the exposure by the basic hourly rate of a Wage Grade 10, step 2, then multiplying that amount by the number of EDP hours to be paid. When EDP is payable for actual exposure, each exposure is separately considered. Hours posted must not exceed the hours of active duty on the day of exposure. If the exposure is less than 1 hour, agencies must pay a

minimum of 1 hour. If the exposure is longer than 1 hour, the actual amount of time exposed is payable in 15-minute increments. See 5 CFR 532.511.

4.0 FOREIGN AND NON-FOREIGN ALLOWANCES AND DIFFERENTIALS

4.1 General

4.1.1. Foreign Area. Allowances and differentials payable to employees officially stationed in foreign areas are established by the Secretary of State and published in the Department of State Standardized Regulations (***DSSR***). See ***5 U.S.C. §§ 5921-5928***. The ***DoDI 1400.25-V1250*** sets forth additional rules regarding foreign allowances and differentials for DoD civilian employees. Foreign differentials and allowances are paid upon receipt through the interface of a properly completed and signed ***SF 1190***, Foreign Allowances Application, Grant, and Report.

4.1.2. Non-foreign Area. Allowances and differentials payable to employees officially stationed in non-foreign areas and the 50 states are established by OPM. See ***5 U.S.C. § 5941*** and 5 CFR Part 591. The servicing HRO will interface SF 50 data to inform the servicing PRO when an employee is eligible for a non-foreign differential or allowance.

4.1.3. Employees in a Non-Pay Status. All allowances granted under the DSSR may continue during periods when the employee is in a non-pay status not in excess of 14 calendar days at any one time. If a non-pay status lasts longer than 14 calendar days, allowances are suspended as of the day the employee enters the non-pay status, and payment is not to be made for any part of such period, unless otherwise specifically provided under the DSSR. For further information, see the ***DSSR, Chapter 050, section 051.2***.

4.2 Foreign Area Allowances and Differentials

4.2.1. Quarters Allowances. Quarters allowances are intended to reimburse an employee substantially for all costs associated with either temporary or residence quarters whenever government-owned or government-rented quarters are not provided to the employee without charge. Living Quarters Allowance (LQA) and Temporary Quarters Subsistence Allowance (TQSA) are designed to cover substantially all average allowable costs for suitable, adequate quarters, including utilities. They are not intended to reimburse 100 percent of an employee's quarters costs or to provide ostentatious housing or extravagant meals. For further information, see ***5 U.S.C. § 5923(a)(1) and (2)*** and the DoDI 1400.25-V1250.

4.2.1.1. LQA. LQA is intended to reimburse an employee for rent and any costs not included in the rent amount for heat, light, fuel, gas, electricity, and water. Employees receiving LQA may not receive the TQSA for the same period except under special circumstances as specified in the ***DSSR, Chapter 100, section 124.1***, the ***DSSR, Chapter 100, section 132.41***, and subparagraphs 4.2.1.2.5 through 4.2.1.2.6.

4.2.1.1.1. LQA Rate. The daily LQA rate is determined by dividing the annual amount by the number of days in a calendar year. This daily rate is paid for all applicable days in a pay period. LQA is paid on a biweekly basis. LQA is not paid to an employee who is

Absent Without Leave (AWOL) or on a suspension. For information on the continuation of living quarters allowances during periods of a non-pay status, see the DSSR, Chapter 100, section 132.2.b(2).

* 4.2.1.1.2. LQA Advance. LQA may be advanced for a period of no more than 1 year (unless specifically approved by the officer designated to authorize allowances). Advanced LQA must not exceed the lesser of the total rent advanced to the lessor, or the employee's maximum LQA rate. See ***DSSR, Chapter 100, section 113.35***.

4.2.1.2. TQSA. TQSA is an allowance granted to an employee for the reasonable cost-of-temporary quarters, meals, and laundry expenses incurred by the employee and/or family members. See 5 U.S.C. § 5923, the DSSR, Chapter 100, section 120, and the DoDI 1400.25-V1250. Receipts are required for lodging and laundry expenses, and the employee must submit a certified statement for the daily cost-of-meals. TQSA is based on the maximum per diem rate for the foreign location found in the DSSR, Chapter 900, at Foreign Per Diem Rates by location IAW the DSSR, Chapter 100, section 120.

4.2.1.2.1. TQSA is payable:

4.2.1.2.1.1. for a period not to exceed 90 days after first arrival at a new post in a foreign area, or

4.2.1.2.1.2. for a period ending with the occupation of residence (permanent) quarters, if earlier; or for a period not to exceed 30 days immediately preceding final departure from the post when the employee must vacate residence quarters.

4.2.1.2.2. Travel. TQSA may continue during periods of official travel which authorize per diem, if the head of the agency determines the employee acted responsibly in retaining temporary quarters during the period of travel. See the DSSR, Chapter 100, section 126.2.

4.2.1.2.3. Extension. The 90- and 30-day TQSA period may be extended up to 60 additional days if it is determined by the head of the agency that compelling reasons beyond the control of the employee require continued occupancy of temporary quarters. See the DSSR, Chapter 100, section 122.2.

4.2.1.2.4. Post Allowance. Employees are not authorized post allowance while receiving TQSA. See the DSSR, Chapter 100, section 127.

4.2.1.2.5. Payments. Payment of TQSA may be made:

4.2.1.2.5.1. In advance for up to 30-day increments,

4.2.1.2.5.2. In biweekly payments, or

4.2.1.2.5.3. Upon completion of the TQSA period at the request of the employee and as authorized by the HRO.

4.2.1.2.6. Prior to Termination of LQA Upon First Arrival. Upon arrival to the new duty station, the head of agency or designee may determine that up to 3 days are required for payment of both the TQSA and the LQA because the employee needs this overlap to move newly-arrived household goods into permanent quarters in good order. See the ***DSSR, Chapter 100, section 123.2***.

4.2.1.2.7. Prior to Termination of LQA Upon Departure. Upon departing the duty station, TQSA may be authorized for up to 5 days prior to the termination of LQA when it is necessary to vacate permanent quarters in order to meet lease requirements for heavy cleaning, painting, repairs, or while movers are there preparing the employee's household effects for shipment when preceding final departure from the post. See the DSSR, Chapter 100, section 124.1.

4.2.2. COLAs. COLAs are intended to reimburse an employee for certain excess costs, exclusive of any quarters cost, which result from being officially stationed in a foreign area. COLAs include post allowance, the foreign transfer allowance (FTA), the home service transfer allowance (HSTA), the separate maintenance allowance (SMA), the education allowance, and the educational travel reimbursement. See the DSSR, Chapter 200 and ***5 U.S.C. § 5924***.

4.2.2.1. Post Allowance. Post Allowance is a COLA granted to an employee officially stationed at a post in a foreign area where the cost-of-living, exclusive of the cost of quarters, is substantially higher than in Washington, District of Columbia (D.C.). See the DSSR, Chapter 200, section 220 and the DoDI 1400.25-V1250.

4.2.2.1.1. Pay Rate. The amount paid is a flat rate varying only by basic salary, size of the family, and location of the assigned post. The daily rate is determined by dividing the annual amount by the number of days in a calendar year, then multiplying the daily rate by the number of days involved to obtain the biweekly amount. The daily rate is paid for all applicable days in a pay period, with the exception of days on AWOL or a suspension. Post allowance is not authorized to be paid at the same time an employee is receiving TQSA.

4.2.2.1.2. Payment Upon Separation. Post allowance is included in the computation of lump-sum leave payments upon separation from federal service if the employee's official duty station is in the foreign area when the employee becomes eligible for the lump-sum payment.

* 4.2.2.2. FTA. FTA is an allowance for extraordinary, necessary, and reasonable expenses, not otherwise compensated for, that the employee incurs incident to being established at any post of assignment in a foreign area. The subsistence expense portion of FTA reimburses an employee for allowable expenses incurred prior to departure from a post in the U.S., its territories, possessions, the Commonwealth of Puerto Rico, and the Commonwealth of the Northern Mariana Islands to a post in a foreign area. FTA consists of five elements of which the following three are authorized within DoD for payment: the miscellaneous expense portion, the lease penalty expense portion, and the subsistence expense portion. The wardrobe expense portion and the pet shipment and required quarantine portion are not authorized for payment within DoD. See the ***DSSR, Chapter 200, section 240*** and the DoDI 1400.25-V1250.

* 4.2.2.3. HSTA. HSTA is an allowance for extraordinary, necessary, and reasonable expenses, not otherwise compensated for, incurred by an employee in connection with a transfer to a post of assignment in the United States. The employee must sign a certification indicating he or she agrees to complete 12 months of government service following the effective date of transfer. HSTA consists of five elements of which the following three are authorized within DoD for payment: the miscellaneous expense portion, the lease penalty expense portion, and the subsistence expense portion. The wardrobe expense portion and the pet shipment and required quarantine portion are not authorized for payment within DoD. An employee is not authorized the subsistence expense portion of HSTA in excess of the amounts reimbursed as per diem or other allowances under pertinent regulations. See the ***DSSR, Chapter 200, section 250***, and the DoDI 1400.25-V1250.

4.2.2.4. SMA. SMA is an additional COLA paid to assist an employee to maintain a separate household other than at the employee's foreign post of assignment for the employee's family or a member of the family. The agency must determine the employee is compelled to obtain separate family quarters for reasons such as: dangerous, notably unhealthy, or excessively adverse living conditions, for the convenience of the government, or because of special family needs. The rate is determined by the number of dependents maintained other than at the post of assignment and is computed at an annual rate. Agencies pay SMA for all applicable days in a pay period. The daily rate is determined by dividing the annual amount by the number of days in a calendar year. The biweekly amount is determined by multiplying the daily rate by 14. If any other period is involved, the amount payable is determined by multiplying the daily rate by the number of days involved. See the ***DSSR, Chapter 200, section 260*** and the DoDI 1400.25-V1250.

4.2.2.5. Education Allowance. The education allowance assists the employee with the extraordinary and necessary expenses incurred because of service in a foreign area in providing adequate elementary and secondary education for a child or children. The education allowance covers expenses for which the employee is not otherwise compensated. The education allowance is not authorized for payment within DoD. However, reimbursement is authorized for transportation costs of dormitory student family members of eligible employees between the employee's overseas duty station and the DoD Education Activity (DoDEA) approved school. See the ***DSSR, Chapter 200, section 270***, 5 U.S.C. § 5924, and the DoDI 1400.25-V1250.

4.2.2.6. Educational Travel. Educational travel is reimbursement for travel to and from a school in the U.S. for purposes of attending a full-time course for secondary or college education. Reimbursement will be limited to one annual roundtrip. An annual roundtrip is defined as one roundtrip at any time within any one 12-month period. Any portion of the roundtrip not taken in the 12-month period does not accrue to a subsequent period. See the ***DSSR, Chapter 200, section 280***, the DoDI 1400.25-V1250, and 5 U.S.C. § 5924.

4.2.3. Representation Allowance. Representation allowances are intended to cover allowable items of expenditure by employees, including foreign national employees, whose official positions entail responsibility for establishing and maintaining relationships of value to the U.S. in foreign countries and by adult family members acting with, or for, these employees. Examples of allowable items are those of an entertainment or protocol nature, tips and gratuities, flowers and wreaths, or other representational expenses, which the head of an agency may authorize or approve as being of the type to promote the interest of the U.S. The employee's position first must be designated by the Deputy Under Secretary of Defense for Civilian Personnel Policy as eligible for the allowance. A voucher of expenses incurred will be the basis for payment. See the DSSR, Chapter 300 and the DoDI 1400.25-V1250.

4.2.4. Official Residence Allowance. The defraying of official residence expenses is intended to make possible the operation and maintenance of official residences in which a principal representative can properly represent the U.S. abroad. Such representation includes extending official (as distinct from personal) hospitality to foreign dignitaries and important visitors, receiving official deputations and callers, and holding requisite and appropriate ceremonies smoothly and with dignity. This representation also includes keeping the residence appropriately staffed and operating. The Secretary of State must designate eligible employees. See the DSSR, Chapter 400, ***5 U.S.C. § 5913***, and the DoDI 1400.25-V1250.

4.2.5. Post Hardship Differential. Post hardship differential is additional compensation paid as an established percentage over basic compensation ranging from 5 to 35 percent. Post hardship differential is paid on an employee living in a location with extraordinarily difficult living conditions, excessive physical hardship, or notably unhealthful conditions, as determined by the Secretary of State. Living costs are not considered in the determination. Post hardship differential is paid on a biweekly basis with regular salary and only for hours for which basic compensation is paid. Post hardship differential is included in gross income and is subject to Social Security (Old Age, Survivors, and Disability Insurance (OASDI)) and/or Medicare, federal, state, and local tax withholding. For employees with tours of duty commencing on or after October 28, 1991, post hardship differential is excluded from the lump-sum leave payment. See the DSSR, Chapter 500, ***5 U.S.C. § 5551***, ***5 U.S.C. § 5925***, and the DoDI 1400.25-V1250.

4.2.5.1. Post hardship differential is granted to full-time employees and temporary employees who are appointed on a full-time basis and who are U.S. citizens permanently assigned or on extended detail to a post where the differential is granted. Post differential may not be granted to a non-spouse, or non-domestic partner dependent employee, who is a member of the household of another employee, or of a member of the U.S. Armed Forces. See the ***DSSR, Chapter 031, section 031.3***.

4.2.5.2. Post hardship differential for employees permanently assigned to a post commences on the latest of the following dates:

4.2.5.2.1. The date the employee arrives at the post or the date the employee enters on duty if recruited locally,

4.2.5.2.2. The effective date of assignment, if the employee is already at the new post on detail or leave, or

4.2.5.2.3. The effective date a post is classified for a differential.

4.2.5.3. Post hardship differential for employees temporarily assigned, to a post with a different differential rate, commences after the employee has spent 30 cumulative days at one or more differential locations without returning to a non-differential permanent post of assignment. The servicing PRO pays the differential prescribed for the post in which the employee is detailed starting on day 31. See ***DSSR, Chapter 500, section 533***.

4.2.5.4. For eligibility for post hardship differential when an employee is on a detail from a post of assignment in the United States or non-foreign area, the employee must have served during any one period of absence from the employee's assignment 30 cumulative, but not necessarily consecutive days, on detail at one or more foreign posts with a differential rate of 5 percent or higher. The servicing PRO pays the differential prescribed for the post which the employee is detailed starting on day 31. See ***DSSR, Chapter 500, section 541***.

4.2.6. Danger Pay Allowance (DPA) and Imminent Danger Pay (IDP). Two forms of danger pay are available to eligible civilian employees:

4.2.6.1. DPA. DPA under the ***DSSR, Chapter 650, section 652(f)***, may be paid to an employee serving in a foreign area or post where certain conditions exist, as established by the Secretary of State. Conditions include civil insurrection, civil war, terrorism, or wartime conditions that threaten physical harm or present imminent danger to the health or well-being of the employee. DPA is additional compensation of up to 35 percent of the basic pay of the employee.

4.2.6.1.1. DPA is paid to full-time, temporary, part-time, and intermittent employees assigned for a minimum of 4 cumulative hours in 1 day to a danger pay post or area. All periods of leave taken while present at the danger pay post or areas may be included to meet the 4-hour requirement, but days of absence away from the post or area may not be included. When the employee is detailed to a danger pay post or area for 4 hours or more, he/she may receive DPA for the full day.

4.2.6.1.2. For full-time employees and temporary employees, the DPA is computed at the percentage of basic compensation established for the post or area. For part-time regularly scheduled employees and intermittent employees, DPA is computed at the prescribed percentage of basic compensation earned during the applicable period. DPA is not subject to any ceiling that would provide less than the full percentage rate authorized for the post or area. DPA

is paid only for those hours for which basic compensation is paid and is subject to OASDI and/or Medicare, federal, state, and local tax withholding. Where there is no duplication of benefits for the same living condition, a civilian employee may receive DPA and post hardship differential pay for the same period. DPA is not included as part of the lump-sum leave payment. See the DSSR, Chapter 650, section 656.

4.2.6.2. IDP. IDP is paid to a civilian employee who accompanies U.S. military forces in areas designated by the Secretary of Defense as being subject to hostile fire or imminent danger. See ***5 U.S.C. § 5928***, the DSSR, Chapters 650 and 652(g) and the DoDI 1400.25-V1250. On October 1, 1995, the State Department, at DoD's request, added section 652(g) to the DSSR concerning IDP. The monthly amount of IDP is the same as the monthly flat rate paid to uniformed military personnel.

4.2.6.2.1. An employee may not receive IDP and a post hardship differential that would duplicate political violence credit. Nor may an employee receive IDP and DPA at the same time.

4.2.6.2.2. IDP is calculated as a daily rate and paid on a monthly basis. Daily rates are determined by dividing the monthly amount by the number of days in a month. This rate will change based on the number of days in a month. For periods of less than a month, an employee is entitled to the daily rate times the number of days in the month the employee is in the eligible area. IDP is subject to OASDI and/or Medicare, federal, state, and local tax withholding. The IDP is not included as part of the lump-sum leave payment.

4.2.6.3. Commencement of DPA or IDP. DPA or IDP commences on the date of designation by the Secretary of State for employees already present at the post on assignment or detail. DPA or IDP commences on the date of arrival at the post or detail for subsequently assigned or detailed employees, or for employees returning after a temporary absence.

4.2.6.4. Receiving Both DPA/IDP and a Post Hardship Differential. If authorized by the agency, an employee may receive both DPA/IDP and the post hardship differential. Extra pay from either an allowance or a differential is limited to no more than 35 percent of the employee's rate of basic pay. When both an allowance and a differential are authorized, the total pay for the allowance and the differential may not exceed 70 percent of the employee's rate of basic pay.

4.2.7. Extraordinary Quarters Allowance. The head of agency or designee may authorize an extraordinary quarters allowance, for a period not to exceed 90 days, when it is determined that an employee and eligible family members must necessarily vacate their permanent quarters due to U.S. Government renovations or repairs; the host government or the U.S. Government requires they leave their residence due to conditions beyond the employee's control; or for other unhealthy, unsafe, or dangerous conditions. See the ***DSSR, Chapter 138***.

4.2.7.1. Extension. The 90-day period may be extended for not more than 60 additional days if the head of agency or designee determines that there are compelling reasons

beyond the control of the employee for the continued occupancy of temporary quarters. See the DSSR, Chapter 138.

4.2.7.2. Rate. The extraordinary quarters allowance rate will be based on the per diem rate and the post allowance rate (See subparagraph 4.2.2.1) in effect on the first day of vacating the permanent residence. The components of the special quarters allowance are an actual lodging amount up to a maximum and a flat meal amount intended to help defray costs in excess of meals normally consumed in the permanent residence. Agencies may have a policy in place to appropriately reduce the amounts if no cost quarters and/or military or U.S. government dining facilities are available. Agencies may also pay only the meal portion of this allowance when U.S. government renovations or repairs do not require vacating the permanent residence, but kitchen facilities are not accessible nor usable. See the DSSR, Chapter 138.

4.2.7.3. Relationship to Post Allowance and LQA. Post allowance does not terminate during the period of payment of the extraordinary quarters allowance. LQA may continue to be paid during the period of payment of the extraordinary quarters allowance. See the DSSR, Chapter 138.

4.3 Non-foreign Area Allowances and Differentials

4.3.1. Non-foreign COLA. Non-foreign COLA is an allowance that OPM established at a location in a non-foreign area where living cost is substantially higher than the living cost in the area of Washington, D.C. Rates are available at OPM's Pay and Leave, Non-foreign Area ***Cost-of-Living Allowances***.

4.3.1.1. Non-foreign areas are the states of Alaska and Hawaii, the Commonwealths of Northern Mariana Islands and Puerto Rico, and territories and possessions of the U.S. and any additional areas as designated by the Secretary of State. See 5 U.S.C. § 5941.

4.3.1.2. The Non-foreign Area Retirement Equity Assurance Act transitioned the non-foreign area COLA authorized under 5 U.S.C. § 5941(a)(1) to locality pay authorized under 5 U.S.C. § 5304 in the non-foreign areas as listed in ***5 CFR 591.205***. The Act also extended locality pay to American Samoa and other non-foreign territories and possessions of the U.S. where no COLA rate applied. OPM phased in locality pay over a 3-year period beginning in January 2010. Under the law, COLA rates issued under 5 CFR Part 591 were frozen on October 28, 2009, the date of enactment. As locality pay increased under the Act, payable COLA rates were reduced as specified in ***CPM Memorandum 2010-23***, Retained Rate Adjustments in Non-foreign Areas. Consequently, covered employees may have received both locality pay and a reduced COLA for a number of years.

4.3.2. Non-foreign Post Differential. Non-foreign post differential is payable under 5 U.S.C. § 5941(a)(2), if conditions of the duty station's environment differ substantially from the conditions of the environment in the continental U.S. and warrant an allowance as a recruitment incentive. Non-foreign post differentials are designed to attract persons from outside the non-foreign area to work for the Federal Government in the post differential area. Rates and locations are available on OPM, Pay and Leave, Non-foreign Areas website. Agencies must make these payments to all eligible civilian employees in the area whose basic pay is fixed by statute. Generally, allowances and differentials are not paid during periods an employee does not receive basic pay. The pay of FWS employees is based on the wages paid in the locality. See OPM's ***Non-foreign Areas, Post Differentials*** and ***5 CFR 532.259(c)***.

4.3.3. Processing Non-foreign COLA and Non-foreign Post Differentials

4.3.3.1. Limitation. Extra pay from an allowance or a differential, or both, may not exceed 25 percent of the employee's rate of basic pay. In areas where OPM has authorized both a non-foreign COLA and a non-foreign post differential, the employee receives the full COLA and a partial post differential so as not to exceed the 25 percent of the employee's hourly rate of basic pay. See 5 CFR 591.238.

4.3.3.2. Computation. Employees receive non-foreign COLA and non-foreign post differential as a percentage of the employee's hourly rate of basic pay, including a retained rate of pay under ***5 U.S.C. § 3594(c)*** or ***5 U.S.C. § 5363***, for those hours during which the employee receives basic pay. This includes all periods of paid leave, detail, or travel status outside COLA or non-foreign post differential area. See OPM, Pay and Leave, Non-foreign Areas website for rates.

4.3.3.3. Taxation. Non-foreign COLA is not included in gross income for OASDI and/or Medicare, federal, or state income tax withholding. Non-foreign post differential is included in gross income for OASDI and/or Medicare, federal, state, and local income tax withholding. See Table 4-1 of Chapter 4.

4.3.3.4. Treatment for the Purposes of Overtime and Other Entitlements. Non-foreign COLA and non-foreign post differential may not be included as part of an employee's rate of basic pay for the purpose of computing entitlements to overtime pay, retirement, TSP, FEGLI or any other additional pay. See 5 CFR 591.239. The allowance or differential is included in an employee's regular rate of pay for computing overtime pay for FLSA nonexempt employees. See 5 CFR 591.239. The allowance or differential is included in the computation of lump-sum leave payments if the employee's official duty station is in the non-foreign area when he or she becomes eligible for a lump-sum payment under 5 CFR 550.1203. See 5 CFR 550.1205(b)(8).

5.0 OTHER PAY, DIFFERENTIALS, AND ALLOWANCES

5.1 Physicians' Comparability Allowance

5.1.1. Eligible physicians who enter into service agreements with their agencies may be authorized a physician comparability allowance to aid with recruitment and/ or retention needs of their agency. See 5 CFR Part 595 and ***5 U.S.C. § 5948***. Unless otherwise provided in the agreement, if the physician fails to complete at least 1 year of service, either voluntarily or because of misconduct, the physician must refund of the total amount received (unless the head of the agency determines that the failure was beyond the control of the physician). If the physician completes more than 1 year of service but fails to complete the full period of service specified in the agreement, the physician must refund the amount of allowance he or she received under the agreement for the 26 weeks of service immediately preceding the termination (or longer if specified in the service agreement).

5.1.2. The amount received must not exceed:

5.1.2.1. $14,000 per annum if, at the time the agreement is entered into, the physician had served as a government physician for 24 months or less; or

5.1.2.2. $30,000 per annum if the physician has served as a government physician for more than 24 months. See 5 U.S.C. § 5948(a).

5.1.3. A physician may not receive an allowance if the physician:

5.1.3.1. Is employed less than 20 hours per week or on an intermittent basis,

5.1.3.2. Is employed in an internship or residency training position,

5.1.3.3. Is a reemployed annuitant,

5.1.3.4. Is fulfilling a scholarship obligation to the U.S. Government, or

* 5.1.3.5. Is participating in the Physicians, Podiatrists, and Dentists Pay Plan. See ***DoDI 1400.25-V543***.

5.1.4. This allowance is not considered basic pay for the purposes of 5 U.S.C. § 5551 (lump-sum leave payments), ***5 U.S.C. § 5552*** (lump-sum leave on entering active duty), and ***5 U.S.C. § 5595*** (severance pay), 5 U.S.C., Chapters 81 (compensation for work injuries), and ***5 U.S.C., Chapter 87*** (FEGLI), or other benefits related to basic pay. See also 5 U.S.C. § 5948(h)(1). However, this allowance is included as basic pay for computing Civil Service Retirement System (CSRS), Federal Employees Retirement System (FERS) and TSP contribution amounts, and for computing disability retirement benefits and survivor benefits for death-in-service. See OPM Benefits Administration Letter ***(BAL) 04-102***.

5.1.5. This allowance is paid in the same manner and at the same time as the physician's basic pay is paid. This allowance is subject to retirement, TSP deductions, OASDI and/or Medicare, federal, state, and local income tax withholding.

5.1.6. This allowance is subject to the aggregate limitation on pay discussed in subparagraph 2.3.2.

5.2 Supervisory Differential

5.2.1. The authority to approve payment of supervisory differentials under ***5 U.S.C. § 5755*** and ***5 CFR 575, subpart D*** is delegated through, and subject to, the authority of the head of the DoD Component and the Component chain of command to the official(s) who exercises personnel-appointing authority (normally, the head of an installation or activity). Only the Secretary or Deputy Secretary of Defense may approve a supervisory differential for an individual appointed to a Schedule C position, as defined by ***5 CFR Part 213***. The ***DoDI 1400.25-V575*** contains additional detailed guidance on the supervisory differential entitlement. The agency authorizes payment of a supervisory differential to a GS employee who has supervisory responsibility for one or more non-GS employees. The differential may be authorized if one or more of the subordinate civilian employees would be paid more than the supervisory employee in the absence of such a differential.

5.2.2. The servicing HRO will provide a dollar amount equal to the value of the authorized percentage by submission of SF 50 data. The servicing PRO calculates the supervisory differential as a percentage of the supervisor's rate of basic pay. The servicing PRO pays the supervisory differential in the same manner and at the same time as basic pay. The supervisory differential is not considered part of basic pay for any purpose, including retirement, FEGLI, or TSP. This differential is subject to OASDI and/or Medicare, federal, state, and local income tax withholding. The supervisory differential is subject to the aggregate limitation on pay discussed in subparagraph 2.3.2.

5.3 Remote Site Allowance

Employees are paid a remote site allowance when permanently assigned to duty at a site so remote from the nearest community or suitable place of residence as to require an appreciable degree of expense, hardship, and inconvenience in commuting. This allowance is not to exceed $10 per day. See ***5 U.S.C. § 5942*** and 5 CFR 591, subpart C.

5.4 Uniform Allowance

Defense agency employees required by law or regulation to wear uniforms during the performance of official duties may be reimbursed a uniform allowance IAW the rates posted in the ***DoDI 1400.25-V591***. The agency's authorized management official must approve the payment of a uniform allowance. Uniform allowances are not considered wages.

5.5 Qualified Transportation Fringe Benefits

5.5.1. ***Title 5 U.S.C. § 7905*** authorizes federal agencies to offer transportation fringe benefits to employees IAW ***26 CFR 1.132-9***. Pursuant to ***26 U.S.C. § 132***, qualified transportation fringe benefits provided to employees, including transit passes, qualified parking, and transportation in commuter highway vehicles, is not included in gross income for federal tax purposes. The ***DoDI 1000.27*** implemented the Mass Transportation Benefit Program (MTBP) on October 28, 2008, for eligible DoD employees. The MTBP provides benefits for qualified means of transportation, such as commuter bus or train, subway or light rail, ferry or vanpool. A DoD employee who receives subsidized parking is not eligible to participate in the MTBP. Each DoD Component implements policy and procedures IAW the MTBP. Agencies may offer qualified federal employees transit-pass-transportation fringe benefits in the National Capital Region as described in ***Executive Order 13150***. See 26 U.S.C. § 132 (f).

5.5.2. Each year, the Internal Revenue Service (IRS) sets limits on the amount that may be excluded from an employee's taxable wages each month for the total value of qualified transportation fringe benefits. See ***IRS Publication 15-B***, Employer's Tax Guide to Fringe Benefits. Amounts within the monthly limit are not considered wages and therefore, are paid through the servicing commercial accounts office. If the value of the benefit for any month is in excess of the qualified published limits, the amount over the limit is includible as gross income and is subject to OASDI and/or Medicare, federal, state, and local income tax withholding. The value of the benefit is not subject to retirement, FEGLI, or TSP deductions. See Chapter 9 for reporting information.

5.6 Government-Provided Home-to-Work Transportation

5.6.1. ***Title 26, CFR, section 1.61-21*** provides detailed rules for determining the employer-provided home-to-work benefit that is reported on an eligible employee's Form W-2, Wage and Tax Statement. The ***DoDI 4500.36-R*** requires the OUSD Comptroller, in coordination with the OUSD P&R, provide annual guidance concerning the valuation methods for home-to-work transportation. Employers are responsible for determining the value of the employer-provided benefit and reporting it to the Defense Finance and Accounting Service (DFAS) for the employee's Form W-2. The benefit may be subject to OASDI and/or Medicare, federal, state, and local income tax withholding. The benefit is not subject to retirement, FEGLI, or TSP deductions.

5.6.2. DoD employing activities will not report on a calendar year basis. Rather, they will report for the 12-month period from November 1 through October 31. The value of the benefits received in November and December are considered paid in the next year as authorized by the IRS Publication 15-B.

5.7 Foreign Language Proficiency Pay (FLPP)

Under ***10 U.S.C. § 1596*** and ***10 U.S.C. § 1596a***, the Secretary of Defense is authorized to pay FLPP to eligible DoD employees who are performing intelligence or non-intelligence duties requiring proficiency in foreign languages. FLPP is not considered basic pay for any purpose and

does not count toward retirement, TSP, FEGLI or any other benefit related to basic pay. FLPP is not pay for the purposes of lump-sum payments for leave under 5 U.S.C. §§ 5551 or 5552. FLPP is considered a discretionary, continuing payment for calculation of the aggregate limitation on pay. See information regarding aggregate limitation on pay in subparagraph 2.3.2. FLPP is not to be paid if the employee is in a LWOP or other unpaid status in excess of 10 consecutive workdays, or in an extended paid absence in excess of 30 consecutive workdays.

5.7.1. FLPP for Intelligence Interests Under 10 U.S.C. § 1596. The annual rate of special pay under 10 U.S.C. § 1596 is determined by the Secretary of Defense. FLPP may be paid in addition to pay under 10 U.S.C. § 1602. See the ***DoDI 1400.25-V2016***. The Secretary of Defense has the authority to pay special pay to an employee of DoD who:

5.7.1.1. Has been certified as being proficient in a foreign language identified by the Secretary of Defense as being a language in which proficiency by civilian personnel of the DoD is important for the effective collection, production, or dissemination of foreign intelligence information; and

5.7.1.2. Is serving in a position, or is subject to assignment to a position, in which proficiency in that language facilitates performance of officially assigned intelligence or intelligence-related duties.

5.7.2. FLPP for Non-intelligence Interests Under 10 U.S.C. § 1596a. Special pay for an employee under 10 U.S.C. § 1596a may be prescribed by the Secretary of Defense, but may not exceed 5 percent of the employee's pay. Special pay under 10 U.S.C. § 1596a is in addition to any other pay or allowances to which the employee is entitled. See the DoDI 1400.25-V2016. Pursuant to 10 U.S.C. § 1596a the Secretary of Defense has the authority to pay special pay to a DoD employee who:

5.7.2.1. Has been certified by the Secretary of Defense to be proficient in a foreign language identified by the Secretary of Defense as being a language in which proficiency by civilian personnel of the DoD is necessary because of national security interests,

5.7.2.2. Is assigned duties requiring proficiency in that foreign language, and

5.7.2.3. Is not receiving special pay under 5 U.S.C. § 1596.

*5.8 Market Pay

5.8.1. Purpose. Each physician, podiatrist, and dentist covered by the DoDI 1400.25-V543, is eligible for market pay in lieu of locality pay. Market pay is an element of annual pay (base pay rate plus market pay) intended to reflect the recruitment and retention needs for the specialty or assignment of a particular DoD physician, podiatrist, or dentist.

5.8.2. Payment Determinations. A compensation panel must make a recommendation to an authorized management official regarding the appropriate market pay amounts for individual physicians, podiatrists, and dentists according to guidelines established by the Health Professions

Civilian Compensation Standing Committee (HPCCSC). Market pay is based on criteria such as level of experience, need for medical specialty practice, the healthcare labor market, board certifications, and personal accomplishments. See the DoDI 1400.25-V543.

5.8.2.1. The authorized management official determines the amount of market pay for the physician, podiatrist, or dentist, which may require additional approval of the HPCCSC. The compensation panel must review the market pay of each physician, podiatrist, or dentist upon changes in assignment and not less than once every 24 months. The review will not be used to reduce market pay while the affected physician, podiatrist, or dentist is in the same position or assignment at the same duty station or facility. See the DoDI 1400.25-V543 and ***38 U.S.C. § 7431(c)***.

5.8.2.2. The agency must approve market pay for newly appointed physicians, podiatrists, or dentists within 30 days following their appointment; all payments are retroactive to the effective date of the appointment.

5.8.3. Limitations. Physicians, podiatrists, or dentists who receive market pay are not eligible for the physicians' comparability allowance under paragraph 5.1, or premium pay (such as overtime, night pay, compensatory time off) under paragraph 3.1. A physician, podiatrist, or dentist receiving market pay may not receive grade or pay retention under ***5 U.S.C., Chapter 53***. The sum of all payments paid to the physician, podiatrist, or dentist including base pay, but excluding market pay, is subject to the Executive Level I annual limitation. The sum of all payments subject to the Executive Level I annual limitation and market pay cannot exceed the annual salary of the President, excluding expenses. Pay over the annual salary of the President is forfeited and is not deferred until the next calendar year.

5.9 Reservist Differential

5.9.1. Purpose. Under ***5 U.S.C. § 5538***, effective March 15, 2009, federal agencies are required to make reservist differential payments to eligible federal civilian employees who are members of the Reserve or National Guard called or ordered to active duty under certain specified provisions of law. A reservist differential is payable to an employee during a qualifying period in the amount of basic pay which would have been payable had they not been called or ordered to active duty in the uniformed service. Additional information on this topic is provided in ***OPM's Reservist Differential***, Agency Implementation Guidance, and pages 10-11 of ***OPM's Frequently Asked Questions***.

5.9.2. Payment. Reservist differential is payable when an eligible employee's projected civilian basic pay for a covered pay period exceeds actual military pay and allowances allocable to that pay period. See 5 U.S.C. § 5538. Payments are made from the same appropriation that is used when the employee is in a pay status. Reservist differential is considered due no later than 8 weeks after the normal scheduled civilian pay date, unless the necessary information is not received 4 weeks prior to that date. Reservist differential is not considered as basic pay for any purposes; it is a supplemental payment based on a comparison of projected civilian basic pay and military pay and allowances. Payments are not subject to OASDI, and/or Medicare tax

withholding for periods of active duty of more than 30 days. However, reservist differential is subject to:

5.9.2.1. Federal tax (must appear in box 1 of the Form W-2), and

5.9.2.2. OASDI and/or Medicare tax withholding for periods of active duty 30 days or less.

5.9.3. Leave and LWOP. An employee receiving reservist differential is still considered to be on LWOP unless on paid leave or paid time off (including military leave). An employee may not receive reservist differential for a period for which the employee receives basic pay for time worked, the use of any type paid leave, or other paid time off.

6.0 RECRUITMENT, RELOCATION, AND RETENTION INCENTIVES

Recruitment, relocation, and retention incentives are compensation flexibilities available to help federal agencies recruit and retain employees. See 5 U.S.C. §§ 5753 and 5754 and 5 CFR 575, subparts A, B, and C.

6.1 Recruitment Incentive

6.1.1. Purpose. Payment of recruitment incentives is authorized by ***5 U.S.C. § 5753*** and 5 CFR 575, subpart A. An agency may pay a recruitment incentive to an eligible newly appointed employee, under the conditions specified in the regulations**,** provided the agency has determined that the employee's position is likely to be difficult to fill in the absence of an incentive. The total amount of recruitment incentive payments paid to an employee in a service period may not exceed 25 percent of the annual rate of basic pay of the employee at the beginning of the service period multiplied by the number of years (including fractions of a year) in the service period, not to exceed 4 years. OPM may waive the 25 percent limitation based on critical agency need. The agency must document the justification for paying a recruitment incentive.

6.1.2. Service Agreement. Before a recruitment incentive may be paid, the employee must sign a written agreement to serve a specified period of employment with the agency. The service period may not be less than 6 months or more than 4 years. See 5 CFR 575.110.

6.1.3. Payment Options. The agency authorizes and establishes payment options. See 5 CFR 575.109. An agency may pay the recruitment incentive by any of the following methods, or combination thereof, as specified in the service agreement:

6.1.3.1. An initial lump-sum payment at the commencement of the service period, or before the start of the service period once the employee has signed the agreement;

6.1.3.2. Installment payments throughout the service period; or

6.1.3.3. A lump-sum payment upon completion of the full service period.

6.1.4. Payment of Recruitment Incentive. Recruitment incentives are not considered part of the employee's basic pay for any reason.

6.1.4.1. An incentive may only be paid to an employee who has received a written offer of employment and signed a written service agreement.

6.1.4.2. The recruitment incentive is subject to OASDI and/or Medicare, federal, state, and local income tax withholding. This incentive is not subject to retirement, FEGLI, or TSP.

6.1.4.3. The recruitment incentive is included in the aggregate limitation on pay as discussed at subparagraph 2.3.2. See 5 CFR 530, subpart B.

6.1.4.4. The incentive will be included with regular salary payments and separately identified on the LES.

6.1.5. Termination of a Service Agreement. An agency must notify an employee in writing when it terminates the service agreement. The employee may not grieve or appeal the termination of a service agreement.

6.1.5.1. Mandatory Termination. A demotion or separation for cause, or a less than "Fully Successful" or equivalent rating terminates the service agreement. An employee who fails to complete the period of service for these reasons, or otherwise fails to fulfill the terms of the agreement, must repay any portion of the incentive attributable to uncompleted service. The servicing PRO prorates the full amount of the authorized recruitment incentive across the length of the service period to determine the amount attributable to completed and uncompleted service. The PRO must recover the amount owed by the employee IAW provisions established by debt collection regulations. See Volume 16, Chapter 3. The servicing HRO must notify the servicing PRO of the recruitment incentive repayment/debt via SF 50 data.

6.1.5.2. Discretionary Termination. An authorized management official may terminate the agreement based solely on management needs, such as reduction in force or insufficient funds. An employee who does not fulfill a service agreement due to a termination based on management needs is entitled to all incentive payments already received.

6.1.6. Documentation and Recordkeeping. The servicing HRO must document each recruitment incentive via information derived from an SF 50.

6.2 Relocation Incentive

6.2.1. Purpose. Payment of relocation incentives is authorized by 5 U.S.C. § 5753 and 5 CFR 575, subpart B. An agency may pay a relocation incentive to a current eligible employee who must relocate, without a break in service, to accept a position in a different geographic area that is likely to be difficult to fill in the absence of an incentive. See 5 CFR 575.205(b). The total amount of relocation incentive payments paid to an employee in a service period may not exceed 25 percent of the annual rate of basic pay of the employee at the beginning of the service period

multiplied by the number of years (including fractions of a year) in the service period, not to exceed 4 years. OPM may waive the 25 percent limitation based on critical agency need. Agencies must document the justification for paying a relocation incentive.

6.2.2. Service Agreement. Before a relocation incentive may be paid, the employee must sign a written agreement to serve a specified period of employment with the agency. The service period may not be more than 4 years. See 5 CFR 575.210.

6.2.3. Group Relocation Incentives. An authorized management official may make a determination to approve group relocation incentives rather than on a case-by-case basis. The determination is appropriate if a group of employees is subject to a mobility agreement and relocation incentives are necessary to ensure continuation of operations, or when a major organization unit is relocating to a new duty station and the incentive will ensure continued operations of that unit without disruption. The group incentive is supported by written determinations that specifies the group and the period of time during which the authorization is valid.

6.2.4. Payment Options. The agency authorizes and establishes the payment options for relocation incentives. See 5 CFR 575.209. An agency may pay the relocation incentive by any of the following methods as specified in the service agreement:

6.2.4.1. An initial lump-sum payment at the commencement of the service period, or before the start of the service period once the employee has signed the agreement;

6.2.4.2. Installment payments throughout the service period; or

6.2.4.3. A lump-sum payment upon completion of the full service period.

6.2.5. Payment of Relocation Incentive. The relocation incentive must not be considered a part of the employee's basic pay for any reason.

6.2.5.1. The relocation incentive is subject to OASDI and/or Medicare and federal, state, and local income tax withholding. This incentive is not subject to retirement, FEGLI, or TSP.

6.2.5.2. The relocation incentive is included in the aggregate limitation on pay as discussed at subparagraph 2.3.2. See 5 CFR 530, subpart B.

6.2.5.3. The incentive will be included with regular salary payments and separately identified on the LES.

6.2.5.4. The agency will not pay the incentive until the employee establishes a residence in the new geographic location.

6.2.6. Termination of a Service Agreement. An agency must notify an employee in writing when it terminates the service agreement for the relocation incentive. The employee may not grieve or appeal the termination of a service agreement.

6.2.6.1. Mandatory Termination. If the employee is demoted for cause, separates for cause, or the employee receives a less than "Fully Successful" or equivalent rating, the service agreement will terminate. An employee who fails to complete the period of service for these reasons, or otherwise fails to fulfill the terms of the agreement, must reimburse DoD for the amount of all benefits received under the agreement that is in excess of the amount attributable to completed service. The servicing PRO must prorate the full amount of the authorized relocation incentive across the length of the service period to determine the amount of the relocation incentive attributable to completed service and uncompleted service. The servicing PRO must recover the amount owed by the employee IAW agency debt collection regulations. See Volume 16, Chapter 3. The servicing HRO must notify the servicing PRO of the relocation incentive repayment/debt via SF 50 data.

6.2.6.2. Discretionary Termination. An authorized management official may terminate the agreement based solely on management needs, such as reduction in force or insufficient funds. An employee who does not fulfill a service agreement due to the termination based on management needs is entitled to all incentive payments already received.

6.2.7. Documentation and Recordkeeping. The servicing HRO must document each relocation incentive via an SF 50.

6.3 Retention Incentive

6.3.1. Purpose. ***Title 5, U.S.C. § 5754*** and 5 CFR 575, subpart C, authorizes a payment of retention incentives. An agency may offer a retention incentive of up to 25 percent of basic pay to a current eligible employee who has unusually high or unique qualifications or when the agency has a special need for the employee's services making it essential to retain the employee. See 5 CFR 575.305. Retention incentives may be granted when the employee is likely to leave federal service without an incentive given. See DoDI 1400.25, V575. OPM may waive the 25 percent limitation based on critical agency need. Agencies must document justification for paying retention incentives.

6.3.2. Service Agreement. The employee must sign a written agreement to serve a specified period of employment with the agency before a retention incentive is paid. However, a service agreement is required for biweekly installment payments only when the incentive is granted under special provisions by the DoD or the employee receives a reduced percentage for each installment made prior to the final payment.

6.3.3. Group Retention Incentives. An authorized management official may make a determination to approve group retention incentives rather than on a case-by-case basis. The determination is appropriate if a group of employees has unusually high or unique qualifications or the group's services make it essential to retain the employees in that group. Additionally, there must be a high risk that a significant number of the employees in the group would be likely to

leave federal service without the retention incentive. Unless OPM authorizes a higher rate, group retention incentives may be up to 10 percent of an employee's rate of basic pay. Agencies may not pay group retention incentives to employees in SL, ST, or Executive Schedule positions or other employees with approved recruitment incentives from OPM.

6.3.4. Payment Options. Title 5, U.S.C. § 5754 and 5 CFR 575.309 set out payment options for retention incentives. Agencies may not pay retention incentives as an initial lump-sum payment at the start of a service period or as an installment paid in advance. An agency may pay retention incentives using the following methods as specified in the service agreement:

6.3.4.1. Installments after the completion of specified periods of service, or

6.3.4.2. A single lump-sum payment after completion of the full-service period.

6.3.5. Payment of Retention Incentive. Retention incentives are not considered a part of the employee's basic pay for any purpose.

6.3.5.1. The retention incentive is subject to OASDI and/or Medicare and federal, state, and local income tax withholding. This incentive is not subject to retirement, FEGLI, or TSP.

6.3.5.2. The retention incentive is included in the aggregate limitation on pay as discussed at subparagraph 2.3.2. See 5 CFR 530, subpart B.

6.3.5.3. The incentive will be included with regular salary payments and separately identified on the LES.

6.3.6. Termination of a Service Agreement

6.3.6.1. Mandatory Termination. If an employee is demoted for cause, separates for cause, or the employee receives a less than "Fully Successful" or equivalent rating, the service agreement will terminate. An employee who fails to complete the period of service for these reasons, or otherwise fails to fulfill the terms of the agreement, must reimburse DoD for the amount of all benefits received under the agreement that are in excess of the amount attributable to completed service. The employee is entitled to retain any retention incentive payments attributable to completed service and is entitled to receive any portion of a retention incentive payment owed by the agency for completed service. The amount owed by the employee must be recovered IAW agency debt collection regulations. See Volume 16, Chapter 3. The servicing HRO must notify the servicing PRO of the retention incentive repayment/debt via SF 50 data.

6.3.6.2. Discretionary Termination. An authorized management official may terminate the agreement based solely on management needs, such as reduction in force or insufficient funds. An employee who does not fulfill a service agreement due to a termination based on management needs is entitled to all incentive payments already received.

6.3.6.3. Decisions to Terminate. Employees may not grieve or appeal decisions to terminate the service agreement.

6.3.7. Documentation and Recordkeeping. The servicing HRO documents each retention incentive via an SF 50.

6.4 DoD Student Loan Repayment Program

6.4.1. Purpose. ***Title 5, U.S.C. § 5379*** and ***5 CFR Part 537*** authorizes the establishment of student loan repayment programs for the purpose of recruiting and retaining highly qualified personnel. An agency may pay a maximum of $10,000 per employee for any one calendar year, and $60,000 in aggregate for any one employee. See the ***DoDI 1400.25-V537***.

6.4.2. Service Agreement. The minimum service agreement is three years. Employees who fail to complete the period of service specified in the service agreement must reimburse the DoD for the amount of all benefits received under the existing agreement unless:

6.4.2.1. The employee is involuntary separated for reasons other than misconduct or performance;

6.4.2.2. The employee leaves voluntarily to enter into service in another agency outside of DoD, and reimbursement of DoD is not specified in the employee's service agreement; or

6.4.2.3. An authorized loan-approving official determines that recovery would be against equity and good conscience, or against the public interest, and waives, in whole or in part, the DoD's right to recover.

6.4.3. Payment Options. The servicing PRO remits the student loan repayment directly to the lender under the terms, limitations, and conditions of the written service agreement. The incentive is paid in either lump-sum, periodic, or in biweekly installments, and is in addition to basic pay or any other form of compensation payable to the employee.

6.4.4. Student Loan Repayment Program Payments. Student Loan Repayment Program payments are not considered a part of the employee's basic pay for any purpose.

6.4.4.1. The ***Coronavirus Aid, Relief, and Economic Security Act***, PL 116-136, allows for the first $5,250.00 of an employee's annual Student Loan Repayment Program payment to be tax free. This exclusion ran from March 27, 2020 to December 31, 2020. The ***Consolidated Appropriations Act 2021***, PL 116-260, section 120 extended the provision for any payment made before January 1, 2026. Any portion of a Student Loan Repayment Program payment exceeding $5,250 is subject to OASDI and/or Medicare and federal, state and local income tax withholding. See ***26 U.S.C. § 127***, see also IRS Publication 15B. The Student Loan Repayment Program payment is not subject to retirement, FEGLI or TSP. See Section II of the April 13, 2001, Chief Human Capital Officers Council ***(CHCOC) Student Loan Repayment*** memorandum.

6.4.4.2. The Student Loan Repayment Program payment is not included in the aggregate limitation on pay as discussed at subparagraph 2.3.2. The aggregate limitation on pay applies to direct payments made to the employee, whereas student loan payments are paid to the loan holder for the employee. See ***OPM Fact Sheet, Student Loan Repayment***.

6.4.4.3. The DoD is not responsible for any late fees or penalties assessed by loan holders before, during, or subsequent to the student loan repayment agreement.

6.4.5. Documentation and Recordkeeping. The servicing HRO documents each retention incentive via an SF 50. The servicing HRO must transmit the SF 50 and a copy of the service agreement to the servicing PRO to begin payments.

7.0 LUMP-SUM LEAVE PAYMENTS

7.1 Lump-Sum Payments for Annual Leave

Lump-sum payments for unused annual leave are generally payable when an employee separates from federal service, dies, transfers to a position not under a leave system under ***5 U.S.C., Chapter 63, subchapter I***, or enters active duty in the Armed Forces. See 5 U.S.C. §§ 5551-5552, ***5 U.S.C. § 6306*** and 5 CFR 550, subpart L.

7.2 Lump-Sum Payable

Lump-sum payments for accumulated and accrued annual leave are paid as follows:

7.2.1. Payment to Separated Employees. An employee, as defined by ***5 U.S.C. § 2105***, who separates or retires from federal service is paid in a lump-sum for all unused annual leave through the last full pay period before separation. If the employee is separated or has a break in service (from one agency to another) and is reemployed in a position before a lump-sum is paid, then payment is made for the days the employee was not in the federal service (less withholding tax). The remainder of the annual leave is transferred to the gaining agency.

7.2.2. Payment to Certain Other Employees. An employee is entitled to a lump-sum payment for accumulated and accrued annual leave when he or she:

7.2.2.1. Transfers to a position not under a leave system to which annual leave may be transferred;

7.2.2.2. Moves to a position as an intermittent employee with no established regular tour of duty or to a position as a temporary employee engaged in construction work at hourly rates;

7.2.2.3. Enters active duty in the Armed Forces, provided the employee does not elect to retain the annual leave to the employee's credit. See 5 U.S.C. § 5552. However, leave previously restored under ***5 U.S.C. § 6304(d)*** must be liquidated by lump-sum payment when the

employee enters active duty. The agency may not re-credit the previously restored leave when the employee returns to federal service. See 5 U.S.C. § 6304(d)(2); or

7.2.2.4. Transfers to a public international organization, provided the employee does not elect to retain the annual leave to the employee's credit. See ***5 U.S.C. § 3582***. However, leave previously restored under 5 U.S.C. § 6304(d) must be liquidated by lump-sum payment when an employee transfers to the public international organization. The agency may not re-credit the previously restored leave under these circumstances. Additionally, only employees who the agency reemploys within 6 months after the transfer are required to refund the lump-sum payment.

7.2.3. Payment to Beneficiary. The balance of the annual leave of a deceased employee must be paid in a lump-sum to the employee's designated beneficiary. If an employee has not designated a beneficiary, a lump-sum is paid in the established order of precedence under 5 U.S.C. § 5582(b).

7.3 Lump-Sum Not Payable

The servicing PRO may not make a lump-sum payment to an employee for accumulated annual leave when the employee is:

7.3.1. An employee transferring to another federal position to which annual leave is transferable without a break in service of one workday or more;

7.3.2. A DoD or non-appropriated fund employee who moves without a break in service of more than 3 days to an appropriated fund position within DoD. See ***5 U.S.C. § 6308(b)***;

7.3.3. A student trainee placed in an intermittent status between full-time tours of duty when no separation actually takes place;

7.3.4. An employee who transfers to the government of Washington D.C. or the U.S. Postal Service;

7.3.5. An employee employed in more than one part-time position who separates from one of the part-time positions. The former employing agency must transfer the accumulated and accrued leave to the current agency if the positions are in different agencies. If the positions are in the same agency, credit the accumulated and accrued leave to the employee's current leave account in the current position; or

7.3.6. An employee who elects to retain their leave upon accepting a Presidential appointment. See ***5 U.S.C. § 3392(c)***.

7.4 Computation of Lump-Sum Payment

7.4.1. General. The servicing PRO calculates the lump-sum payment for annual leave, including restored and reinstated annual leave, and includes all pay changes the employee would have received had he or she remained in a duty status throughout the projected leave period. See

OPM Leave Administration Fact Sheet on ***OPM Lump-Sum Payments for Annual Leave*** and 5 U.S.C. § 5551. Holidays count as workdays in projecting the lump-sum leave period. For example, an employee whose retained pay is scheduled to terminate during the projected leave period should have the lump-sum leave payment computed based on the pay received at the time of separation for the period covered by the retained rate, with the remainder computed at the scheduled reduced rate. An employee is entitled to an adjustment in the lump-sum leave payment when a statutory change in pay becomes effective on a date that occurs during the projected leave period. Pay included in a lump-sum payment is as follows:

7.4.1.1. Rate of basic pay;

7.4.1.2. Locality pay or other geographic adjustment;

7.4.1.3. Within-grade increases (if waiting period met on date of separation);

7.4.1.4. Across-the-board annual pay adjustments;

7.4.1.5. AUO pay, availability pay, and standby duty pay;

7.4.1.6. Night shift differential (FWS employees only, see 5 U.S.C. § 5343(f));

7.4.1.7. Regularly scheduled overtime pay under FLSA for employees on uncommon tours of duty;

7.4.1.8. Supervisory differentials;

7.4.1.9. Non-foreign area COLAs and post differentials; and

7.4.1.10. Foreign area post allowances.

7.4.2. FWS Employees. The lump-sum payment for an FWS employee is adjusted if the separation occurs after the issue date of a wage schedule or after a wage survey was ordered, but before the effective date of the wage increase, as follows:

7.4.2.1. When an FWS employee separates before the effective date of a wage increase and the employee's accrued annual leave extends beyond the effective date, the employee is entitled to have their lump-sum annual leave payment paid at the higher rate for the leave that extends beyond the effective date of the increase.

7.4.2.2. When an FWS employee separates after a wage survey is ordered, but before the date of the order granting the wage increase is issued, the employee is entitled to have the lump-sum annual leave payment paid at the higher rate for the leave that extends beyond the effective date of the increase. The order that grants the new wage rate must be issued before the effective date set by ***5 U.S.C. § 5344(b)(1) and (2)***.

7.4.3. Projecting the Leave. Lump-sum payments must equal the pay an employee would have received had the employee remained in federal service and used this leave. Non-workdays, except holidays, do not count against the leave when projecting the period for payment of lump-sum leave. The period covered by a lump-sum leave payment is not counted as federal civilian service. See ***5 U.S.C. § 6103*** and 5 CFR 550.1204.

7.4.4. Reemployed Annuitants. The lump-sum payment for reemployed annuitants upon separation from the service is based on the full pay rate without any reduction by the amount of the annuity. See 5 CFR 550.1203.

7.4.5. Temporary Promotions. If the temporary promotion is not terminated before, or as of, the employee's separation date, the lump-sum leave will be paid at the rate of the temporary promotion through the not to exceed date. After that time, the rate will revert to the employee's permanent rate of pay.

7.4.6. Payment. DFAS pays lump-sum leave at the end of the pay period in which it receives the separation transaction. Thus, lump-sum leave may or may not be included with any regular pay earned, depending on when DFAS receives the separation transaction. DFAS identifies payments separately, allowing for taxation of the lump-sum leave at a flat 25 percent for federal withholding, except when the employee's exemptions claimed on the Form W-4, Employee's Withholding Certificate, exceed the regular pay. In the latter situation, the lump-sum leave and the regular pay for the pay period are combined, and the taxes are computed as if the total were a single payment. Lump-sum annual leave payments are not subject to deductions for FEHB, FERS, FEGLI or TSP. Payments are subject to offset for debts owed to the United States. See 5 CFR 550.1205.

7.5 Refunds

When an employee receives a lump-sum leave payment, and subsequently returns to the federal service in a position subject to a formal leave system, the employee is required to refund the unexpired portion of the period covered by the lump-sum leave payment. The refund amount is equal to the payment covering the period between the date of reemployment and the expiration of the lump-sum period. This refund is required because all such unexpired leave is subject to re-credit even though transfer to a different leave system is involved. Re-credit of leave will be determined subject to the following subparagraphs.

7.5.1. Regular Annual Leave

7.5.1.1. If reemployment is in the same leave year, any part of the refund (which is for a period of leave in excess of the employee's formerly established leave ceiling for the year) is subject to the regular procedures regarding forfeiture or possible restoration at the end of the leave year. The servicing PRO may pay excess leave in another lump-sum payment if another separation occurs before the end of the leave year.

7.5.1.2. If reemployment is in a subsequent leave year, and any part of the refund is for a period exceeding the leave ceiling (e.g., 240 hours for stateside and 360 for overseas), a

refund will be required of the unexpired portion. However, only a maximum of the leave ceiling hours may be credited to the regular leave account and any hours in excess of the leave ceiling are considered forfeited, unless it can clearly be established that the excess would have become restored in a separate account if the separation had not occurred.

7.5.2. Restored Annual Leave. A period of restored leave under 5 U.S.C. § 6304(d) is not subject to refund if the agency reemploys the employee prior to the expiration of the lump-sum leave period. The servicing PRO subtracts such leave from the lump-sum leave period before calculating the refund. If the employee is reemployed, the agency will not credit restored annual leave to an employee prior to the expiration date of the lump-sum leave period.

7.6 Payment for Restored Leave for Base Realignment and Closure (BRAC)

Title 5, U.S.C. § 5551 requires payment of restored annual leave under 5 U.S.C. § 6304(d)(3) in certain situations. A lump-sum payment must be made to any DoD employee moving to a position in any non-DoD federal agency or to any position within DoD that is not located at an installation being closed or realigned under 5 U.S.C. § 6304(d)(3). The servicing HRO must notify the servicing PRO via SF 50 data when the employee is no longer authorized the restored leave under this authority. The lump-sum payment calculation is the rate of pay at the time of the separation or transfer to the non-BRAC installation.

8.0 SEVERANCE

8.1 Qualifications

An employee who qualifies under 5 U.S.C. § 5595 is entitled to severance pay in regular pay period intervals and amounts equal to that paid immediately before separation. Title 5, U.S.C. § 5595(i) allows for the heads of DoD Components to authorize payment of severance pay in a lump-sum rather than on a biweekly basis for separations taking effect before October 1, 2018. An employee separated within a pay period rather than at the end of the pay period receives an initial payment of severance pay for the remainder of that pay period. Severance pay for employees with variable work schedules or rates of basic pay are computed using the average rate of basic pay for the last position held during the 26 biweekly pay periods immediately preceding separation. See 5 CFR 550.707(b).

8.2 Payments

8.2.1. Severance Payments. Authorized severance payments are paid based on the information processed on an SF 50. Severance payments for employees are subject to appropriate withholding for income and OASDI/Medicare taxes. See 5 CFR 550.709(b).

8.2.2. Severance Payments Upon Death of Employee. If an employee dies prior to the end of the period covered by severance pay, then the severance pay will continue to be paid as if the employee were still living (5 U.S.C. § 5595(e)), and must be paid to the employee's beneficiary IAW 5 U.S.C. § 5582(b). Appropriate withholding will be made for OASDI and/or Medicare and federal, state, and local income taxes. Payments made to beneficiaries are not subject to federal

tax withholding requirements. However, if a beneficiary receives payment in the year in which the employee dies, the payment is subject to the withholding of OASDI and/or Medicare taxes.

8.2.3. Debt Collection and Garnishment. Collection of indebtedness from an employee's severance pay is permissible under ***31 U.S.C. § 3716***. These payments are subject to collection for any outstanding debts owed to the Government. Additionally, under ***5 CFR 581.103***, severance pay is subject to court-ordered garnishments for alimony, child support, and commercial debts. Upon the death of the employee, court-ordered garnishments are cancelled.

8.3 Withholding Tax Reporting

Severance pay is taxable in the year that the employee receives the pay. This amount is included on the employee's Form W-2 and appropriate government and state taxes are withheld. If an employee dies, the servicing PRO must report any severance pay paid to the beneficiaries on Form 1099-MISC.

8.4 Termination of Severance Pay

If an agency reemploys a former employee in federal service, severance pay is discontinued. Discontinuation of payments is effective on the date of reemployment. The losing agency must report the total of amounts paid to the gaining activity or agency. The agency uses this information to determine future entitlement to severance pay since total severance pay during an employee's lifetime cannot exceed one-year's pay at the rate received immediately before separation. See 5 U.S.C. § 5595(c).

9.0 ADVANCED PAY

9.1 Foreign Post Assignment Advances

Advances of pay for DoD civilian employees proceeding to or arriving at a post of assignment in a foreign area are authorized, when applicable. An advance of pay is a prepayment made available to an employee in a pay status. Upon the assignment of an employee to a post in a foreign area, an employee may be authorized a single, lump-sum pay advance of up to 3 months of base pay. The purpose of advances is to finance unusual employee expenses associated with overseas assignments and to aid foreign assignment recruitment and retention. Such expenses may include transportation, storage of household goods, shipping costs, deposits on living quarters overseas, and purchase of household items. See ***5 U.S.C. § 5927*** and the DoDI 1400.25-V1250. For additional information pertaining to advances of LQA and TQSA, see subparagraph 4.2.1.

9.1.1. Eligibility. For purposes of this section, a DoD civilian employee is defined as a full-time DoD employee who is a U.S. citizen paid from appropriated, revolving, or trust funds. New hires that are in a pay status and traveling to a foreign area on travel orders are also included.

9.1.2. Foreign Areas. A foreign area is an area located outside the U.S., exclusive of the Commonwealth of Puerto Rico, territories of the U.S., and other areas designated by the Secretary of State.

9.1.3. Payment Procedures. Advances of pay for overseas transfers are paid only by the disbursing officer (or the disbursing officer's overseas agent) who supports the servicing PRO servicing the overseas area, or Outside the Continental U.S. from a disbursing officer who is a deputy to the Continental U.S. office. Payment may be included in the next regular biweekly pay or made in a single lump-sum. An employee may request an advance of pay 3 weeks before the estimated departure date for an assignment to a foreign duty post or up to 2 months after arrival. The employee must request an advance on the SF 1190 for employees proceeding to or arriving at a post of assignment in a foreign area. The form serves as the request, authorization, and voucher document.

9.1.4. HRO Duties. The HRO responsible for the employee must verify the eligibility for an advance by confirming the travel orders and the appropriate pay grade and step at the foreign post. If the HRO does not provide confirmation of the foreign pay grade or step, the servicing PRO may use the current gross pay at the time of the advance. The HRO counsels each employee eligible for an advance concerning authorized purposes of the advance, repayment requirements, anticipated expenses at the foreign assignment, and application procedures.

9.2 Advance Payments to Evacuees

Guidance on advance payments for DoD civilians ordered to evacuate can be found in ***5 U.S.C. § 5522***, 5 CFR 550.403, and 5 CFR 550.404. For more information concerning emergency evacuation, see Chapter 6.

9.3 Collection of Advance Payments

9.3.1. Repayment is collected by payroll deduction over a maximum of 26 pay periods. Deductions must begin the first pay period after receipt of the advance or following arrival at the foreign post, whichever is later. The losing agency must forward a copy of the SF 1190 to the gaining PRO for collection.

9.3.2. Partial or lump-sum repayments, in addition to payroll deductions, may be accepted.

9.3.3. When an employee separates or transfers, the outstanding balance is due in full. Advances of pay are recoverable from the employee or the employee's estate by deduction from accrued pay, amount of retirement credit, other amounts due the employee from the Government, or by other methods as provided by ***5 U.S.C. § 5514***, 31 U.S.C. § 3716, and corresponding regulations.

9.3.4. The Defense Debt and Claims Management Office, DFAS Indianapolis Center, may waive, in certain cases, the Government's right of recovery of an erroneous pay advance IAW the requirements in the ***DoDI 1340.23***, Waiver Procedures for Debts Resulting from Erroneous Pay and Allowances and ***5 U.S.C. § 5584***.

9.4 Other Requirements or Conditions for Advances

9.4.1. An employee is authorized only one outstanding advance at a time, regardless of the frequency of assignments to a foreign area. If an employee becomes eligible for a second advance, the employee must liquidate the first advance before the employee requests the first payment of the second advance.

9.4.2. More than one member of a household may be eligible for an advance.

9.4.3. Allotments and assignments of advances are not authorized.

9.4.4. Advances are paid to employees of another federal agency on a reimbursable basis provided there is an agreement between the other agency and DFAS to make similar payments to DoD employees.

9.4.5. Submission of statements and documents from the employee establishing the need for, and the use of, an advance may be required.

9.4.6. Management must develop controls to ensure only authorized employees obtain an advance and that complete accountability procedures exist for the disbursement and collection of pay advances. Accounting records must include current, accurate, and complete records of obligations, receivables, and collections.

9.5 Additional Advance Payments

Agencies may authorize an additional advance payment when circumstances warrant, and the employee has not received the full amount of the maximum possible advance consistent with the employee's pay grade. Examples of exceptional circumstances warranting a second payment include: a substantial understatement of the maximum advance authorized, inadequate or inappropriate counseling on the purpose of the advance, and unforeseeable events leading to a significant increase in the cash outlay requirements of an employee at the foreign assignment location.

9.6 Advances in Pay for Newly Hired Employees

The head of an agency has the authority to provide for the advance payment of basic pay to an employee who is newly appointed to a position in the agency. See 5 CFR 550.203. The authority to advance pay is delegated to officials who exercise personnel-appointing authority (normally the head of an installation or activity). This authority is delegated through and subject to the authority of the DoD Component heads to be used on a case-by-case basis. See the DoDI 1400.25-V550.

9.7 Advances in Pay for Employees Relocating Within the United States or its Territories

Section 1134 of the ***2017 National Defense Authorization Act*** allows the head of an agency to authorize on a case-by-case basis, an advance of pay covering no more than 4 pay periods to employees relocating within the United States and/or its territories to a location outside the employee's current commuting area. See ***5 U.S.C. § 5524a***. The employee must repay the advance through payroll deductions over a maximum of 14 pay periods, although partial or lump-sum payments may be accepted. If the employee accepts employment with another organization, including one within DoD or another federal agency, or if the employee is terminated, the entire balance will be due in full. See 5 CFR 550.205. Any remaining balance of an advance of pay will be recovered through the debt collection process outlined in Volume 16, Chapter 3.

10.0 SPECIAL PAYMENTS

Special salary payments (e.g., beneficiary payments, employees erroneously omitted from the payroll) are made IAW Chapter 8.

11.0 AWARDS

11.1 General

Title 5 U.S.C., Chapter 45 is the legal basis for the government wide incentive awards program for civilian employees. OPM regulations regarding agency award programs are published at ***5 CFR Part 451***. The ***DoDI 1400.25-V451*** prescribes award policies governing the award program for DoD civilian employees.

11.1.1. Incentive Awards. The DoDI 1400.25 delegates to the heads of the DoD Components the authority to pay cash awards, grant time off as an award, and incur the necessary expense for the honorary recognition of an employee (either as an individual or as a member of a group) based on:

11.1.1.1. Suggestions, inventions, superior accomplishments, productivity gains, or other personal efforts that contribute to the efficiency, economy, or other improvements of Government operations;

11.1.1.2. A special act or service in the public interest in connection with or related to official employment; or

11.1.1.3. Performance as reflected in the employee's most recent record of rating.

11.1.2. Time Off as an Incentive Award. Authorized by ***5 U.S.C. § 4502(e)***, a time off award may be granted in lieu of cash. See 5 CFR 451.101-107 and the DoDI 1400.25-V451.

11.1.2.1. An employee must use the time off granted as an incentive award within 1 year from the effective date. Supervisors and employees are responsible for scheduling the use of this leave within 1 year. If an employee does not use the time off award within the one-year timeframe, the employee will forfeit the incentive leave. There is no provision for restoring time off awards. For time off awards given from March 19, 2019 through September 30, 2020, the 1-year time limit to use a time off award is lifted. An employee must use a time off award given from this time frame prior to using any time off award given after September 30, 2020. For additional information see the Defense Civilian Personnel Advisory Service memorandum, ***Removal of Expiration Date for Certain Time Off Awards*** .

11.1.2.2. Provisions should be made to accommodate employees who are on long-term training, extended sick leave, called to active duty, or similar situations so that the employee does not forfeit the employee's time off award. Agencies may approve sick leave if an employee is unable to perform duty during a period of time off.

11.1.2.3. The maximum amount of time off granted to any one individual for a single achievement should not exceed 40 hours. The maximum amount of time off granted to any one individual within one leave year should not exceed 80 hours. Agencies may grant part-time employees or those with uncommon tours of duty a maximum of one-half the average number of hours in their biweekly tour of duty for a single achievement. The maximum amount of time off which can be granted to part-time employees and employees with uncommon tours of duty during any one leave year is the average number of hours of work in the employee's biweekly scheduled tour of duty.

11.1.2.4. A time off award cannot be transferred between DoD Components or outside of the DoD. Managers and supervisors should make every effort to ensure that the employee is able to use the time off award before he or she leaves the granting Component. DoD Components may establish procedures to accommodate the transfer of time off awards within their respective Components. Time off awards cannot be converted to a cash award under any circumstances. Unused time off awards are lost when an employee separates or transfers to another agency or component. See 5 CFR 451.104(f) and DoD 1400.25-V451.

11.1.2.5. Awards are processed on an SF 50 and issued by the servicing HRO to the servicing PRO as authorization for payment of cash awards or granting of time off awards. The award is paid to the employees in the same manner as their net pay. Incentive award payments are not distributed to the worksite.

11.1.2.6. Time off awards must be posted to the employee's record and reduced when the time off is taken and/or forfeited. Usage of a time off award by an employee reported prior to the receipt of notification of the award must be reflected as a negative balance in the civilian payroll system. If the servicing HRO does not post a time off award to the employee's record within two pay periods of a negative balance being reflected in the civilian payroll system, then the employee's use of a time off award will be assumed to be a time and attendance error.

11.1.3. Foreign Language Awards. An agency may pay a cash award, up to five percent of basic pay, to any law enforcement officer employed in or under such agency that possesses and

makes substantial use of one or more foreign languages in the performance of official duties. Additional information is in 5 U.S.C., Chapter 45, Subchapter III.

11.1.4. Presidential Rank Awards for SES Employees. The President may award the rank of Distinguished Executive and Meritorious Executive Service to an SES career appointee IAW the guidance in ***5 U.S.C. § 4507*** and 5 CFR 451.301. To be eligible for a rank award, an SES must:

11.1.4.1. Hold a career appointment as defined by 5 U.S.C. § 3132(a)(4);

11.1.4.2. Be an employee of the agency, as defined at 5 U.S.C. § 3132(a)(1); and

11.1.4.3. Have at least three years of career or career-type federal civilian service at the SES level.

11.1.5. Presidential Rank Awards for Senior Career Employees. The President may award the rank of Distinguished Senior Professional and Meritorious Senior Professional to a senior career employee as set forth in 5 U.S.C. § 4507 and 5 CFR 451.302. To be eligible for a rank award, a senior career employee must:

11.1.5.1. Hold a career appointment in a SL or ST position as defined by 5 CFR 319, subpart A and paid under 5 U.S.C. § 5376 on the nomination deadline;

11.1.5.2. Be employed by the agency on the nomination deadline; and

11.1.5.3. Have at least three years of career or career-type federal civilian service above a GS-15 level.

11.1.6. Referral Bonus Awards. A referral bonus award was established for agency heads to authorize award payments to employees, as defined by 5 U.S.C. § 2105, for referring new employees who are subsequently selected and employed in hard-to-fill positions IAW ***5 U.S.C. § 4503*** and 5 CFR Part 451. Referral bonus awards are granted at management's discretion and are not considered an entitlement.

11.2 Payment of Awards

11.2.1. Cash Awards. Cash award payments are subject to the withholding provisions of federal, state, and local income tax laws. The payroll system will deduct 22 percent federal tax automatically on special earnings of this nature. See ***IRS Publication 15***, Employer's Tax Guide. The servicing PRO computes the applicable state and local tax and OASDI and/or Medicare withholding based on tax information in the employee's current master record. The servicing PRO will not withhold state and local taxes for employees assigned to overseas duty locations unless requested by the employee.

11.2.2. Payment of Awards to Separated Employees. The agency must reestablish the employee on the payroll using the last known information on the employee's master account record for applicable deductions and mailing address.

11.2.3. Reporting Awards. Cash award payments must be included on an employee's LES as well as the Form W-2.

*REFERENCES

CHAPTER 3 PAYROLL ADMINISTRATION

2.0 – GENERAL PROVISIONS ON PAY

2.1.1	Title 5, U.S.C.
	Title 5, CFR
2.3.1.1	5 CFR 550.103
	5 U.S.C. § 5304
	5 U.S.C. § 5305
	5 U.S.C. § 5547(a)
	5 CFR 550.105
	OPM Pay and Leave
2.3.1.1.3	5 U.S.C. § 5547
2.3.1.1.4	32 U.S.C. § 709(h)
2.3.1.2	5 U.S.C. § 5547(b)
	5 CFR 550.106-107
2.3.1.2.1	5 U.S.C. § 5545(c)(1)
2.3.1.2.2	5 U.S.C. § 5545(c)(2)
2.3.1.2.3	5 U.S.C. § 5545(a)
2.3.1.2.4	5 U.S.C. § 5545(b)
2.3.1.2.5	5 U.S.C. § 5550
2.3.1.3	5 U.S.C. § 5547(b)
	5 CFR 550.106
2.3.1.4.1	5 U.S.C. § 5547
	3 U.S.C. § 104
2.3.1.4.2.1	PL 117-263
2.3.1.4.2.2	PL 118-31
2.3.2.1	FEPCA of 1990
	5 CFR 530, subpart B
	5 U.S.C. § 5383(h)
	5 U.S.C. § 5307
2.3.2.2	5 CFR 530.202
2.3.2.3	5 CFR 530.204
	5 U.S.C. § 5582
	5 CFR 530.204
2.3.2.4	5 CFR 530.203(d) and (e)
	5 CFR 530.204
2.3.2.4.1	5 CFR 550.202
2.4	5 U.S.C. § 5533(a)
2.5.1	5 CFR 531.203
2.5.2	OPM Salary Table
2.5.3	5 U.S.C. § 5504
	5 U.S.C. § 5505
2.5.4	61 Federal Register 3539

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2.5.5	5 CFR 531.204 5 CFR 531, subpart F 5 U.S.C. § 5304
2.5.6	5 CFR 531, subpart F 5 U.S.C. § 5304
2.6.1	PMRS Termination Act of 1993 OPM Performance Reference Materials, Instructions: How to Comply with PL 103.89
2.7.1	5 U.S.C. § 3132(a)(2) 5 CFR Part 317 5 U.S.C. § 5108
2.7.2	5 U.S.C. § 5382 5 CFR 534.403 5 U.S.C. § 5376
2.8.1	5 U.S.C. § 5108 5 CFR 319.102
2.8.2	5 U.S.C. § 5376 5 CFR 534, subpart E 5 U.S.C. § 5304
2.9.1	5 U.S.C. § 3104 5 CFR 319.103
2.9.2	5 U.S.C. § 5376 5 CFR 534, subpart E
2.10.1	5 U.S.C. § 5311 5 U.S.C. §§ 5312-5316
2.11.1	5 U.S.C. § 5342 OPM Fact Sheet, FWS Overview 5 CFR Part 532
2.12	OPM Pay and Leave, Pay Administration, Fact Sheet: Pay Plans

3.0 PREMIUM PAY

3.1	5 U.S.C. § 5542 5 U.S.C. § 5543 5 U.S.C. § 5544 5 U.S.C. § 5545 5 U.S.C. § 5545a 5 U.S.C. § 5545b 5 U.S.C. § 5546a 5 U.S.C. § 5547 5 U.S.C. § 5549 5 CFR 550, subpart A 5 CFR 550.101

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3.2	5 U.S.C. § 5542
3.2.1.1	5 CFR 550, subpart A
	5 CFR 340.403
3.2.2.1	29 U.S.C. § 207
	5 CFR 551, subpart E
	5 CFR 551.511
	5 CFR 551.512
3.2.2.1.1	5 U.S.C. §§ 6122-6126
	5 U.S.C. § 6126(6)
3.2.2.2	FEPCA, section 210
	5 CFR Part 551
	5 CFR Part 550
	5 U.S.C., Chapter 55, Subchapter V
3.2.2.3	5 U.S.C. § 5544(a)
	5 U.S.C. § 5542
	5 U.S.C. § 5545(c)(1)
	5 U.S.C. § 5545(c)(2)
	5 U.S.C. § 5544(a)
3.2.3	5 CFR 550.112(h)
	5 CFR 551.401(e)
3.2.4	5 U.S.C. § 5541
	5 CFR 534.408
	5 CFR 550.101
	5 U.S.C. § 5547
3.2.5.1	5 U.S.C. § 5543
	5 CFR 550.114
	5 U.S.C. § 5543(a)(2)
	5 CFR 550.114(c)
	5 CFR 532.504
	5 CFR 551.531
3.2.5.2.1	5 CFR 550.106(c)
3.2.5.2.2	5 CFR 550.106(c)
3.2.5.2.3	5 U.S.C. § 5542
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	5 CFR 550.114
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	5 CFR 532.504
	5 CFR 551.501
3.2.5.4	5 CFR 550.114
	5 CFR 551.531
3.2.5.4.1	OPM Fact Sheet: Compensatory Time Off
	5 CFR 532.504
	5 CFR 551.531
3.2.5.5.1	5 U.S.C. § 6123(a)(1)

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3.2.5.5.2	5 U.S.C. § 5541(2) 5 U.S.C. § 5342(a)(2)
3.2.5.6	5 CFR 550.122
3.2.5.7	OPM Pay and Leave, Pay and Leave Administration, Fact Sheet: Restoration of Annual Leave
3.2.5.8.1	DoDI 1400.25-V550 5 CFR 550.114 5 CFR 551.531
3.2.5.8.2.1	5 CFR 550.114(f)
3.2.5.8.2.2	5 U.S.C., Chapter 81
3.2.6	5 U.S.C. § 5550a 5 CFR 550, subpart J 5 CFR 550.1001-1002 5 U.S.C., Chapter 55, Subchapter V 29 U.S.C. § 207
3.3.1	5 U.S.C. § 5545(a) 5 CFR 550.121
3.3.1.4	5 CFR 550.122(a)
3.3.1.5	5 CFR 550.122(d)
3.3.4	5 U.S.C. § 5543(f) 5 CFR 532.505
3.3.4.2	5 CFR 532.505(e)
3.3.4.3	5 CFR 532.505(c)
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3.4	OPM Memorandum: Fathauer v. U.S. F.3d 1352 (Fed. Cir. 2009), December 8, 2009 5 U.S.C. § 5542 5 U.S.C. § 5544 5 U.S.C. § 5546 5 U.S.C. § 5544(a)
3.4.2	5 U.S.C. § 6128
3.4.3	5 CFR 610.111 OPM Pay and Leave, Work Schedules 5 U.S.C. § 5542 5 CFR 550.111(d)(2)
3.4.5	OPM Operating Manual, Federal Wage System-Appropriated Fund, Subchapter S8-4e
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3.5.1	5 U.S.C. § 6123

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3.5.4	5 CFR 532.507
3.5.5	5 U.S.C. § 5542
3.5.6	5 CFR 410.402
3.6	5 U.S.C. § 5545(c)
	5 CFR 550.141-144
3.6.1	5 U.S.C. § 5542
	29 U.S.C. § 207
3.6.2	5 CFR 550.141
	5 U.S.C. § 5304
3.7.2	5 U.S.C. § 5545(c)(2)
	5 U.S.C. § 5304
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	5 CFR 550.151
	5 U.S.C. § 8331(3)(D)
	5 U.S.C. § 8704(c)(2)
	5 U.S.C. § 8331(3)(C)
	5 U.S.C. § 8704(c)(1)
	CPM 97-5
3.8.1.1	5 U.S.C. § 5545(d)
	5 CFR 550.901-907
3.8.1.2	5 CFR 550, subpart 1
3.8.2.1	5 U.S.C. § 5343(c)(4)
	5 CFR 532.511
	Appropriated Fund Operating Manual, Appendix J, Federal Wage System
3.8.2.2	5 CFR 532.511

4.0 FOREIGN AND NON-FOREIGN DIFFERENTIALS

4.1.1	DSSR
	5 U.S.C. §§5921-5928
	DoDI 1400.25-V1250
4.1.2	5 U.S.C. § 5941
	5 CFR 591
4.1.3	DSSR, Chapter 050, section 051.2
4.2.1	5 U.S.C. § 5923(a)(1) and (2)
	DoDI 1400.25-V1250
4.2.1.1	DSSR, Chapter 100 sections 124.1 and 132.41
4.2.1.1.2	DSSR, Chapter 100, section 113.35
4.2.1.2	5 U.S.C. § 5923
	DSSR, Chapter 100, section 120
	DoDI 1400.25-V1250
	DSSR , Chapter 900

REFERENCES (Continued)

4.2.1.2.2	DSSR, Chapter 100, section 126.2
4.2.1.2.3	DSSR, Chapter 100, section 122.2
4.2.1.2.4	DSSR, Chapter 100, section 127
4.2.1.2.6	DSSR, Chapter 100, section 123.2
4.2.1.2.7	DSSR, Chapter 100, section 124.1
4.2.2	DSSR, Chapter 200
	5 U.S.C. § 5924
4.2.2.1	DSSR, Chapter 200, section 220
	DoDI 1400.25-V1250
4.2.2.2	DSSR, Chapter 200, section 240
	DoDI 1400.25-V1250
4.2.2.3	DSSR, Chapter 200, section 250
	DoDI 1400.25-V1250
4.2.2.4	DSSR, Chapter 200, section 260
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4.2.2.5	DSSR, Chapter 200, section 270
	DoDI 1400.25-V1250
4.2.2.6	DSSR, Chapter 200, section 280
	DoDI 1400.25-V1250
	5 U.S.C. § 5924
4.2.3	DSSR, Chapter 300
	DoDI, 1400.25-V1250
4.2.3	DSSR, Chapter 400
	5 U.S.C. § 5913
	DoDI 1400.25-V1250
4.2.5	DSSR, Chapter 500
	5 U.S.C. § 5551
	5 U.S.C. § 5925
	DoDI 1400.25-V1250
4.2.5.1	DSSR, Chapter 031, section 031
4.2.5.3	DSSR, Chapter 500, section 533
4.2.5.4	DSSR, Chapter 500, section 541
4.2.6.1	DSSR, Chapter 650, section 652(f)
4.2.6.2	5 U.S.C. § 5928
	DSSR, Chapters 650 and 652
	DoDI 1400.25-V1250
4.2.7	DSSR, Chapter 138
4.2.7.1	DSSR, Chapter 138
4.2.7.2	DSSR, Chapter 138
4.2.7.3	DSSR, Chapter 138
4.3.1	OPM, Pay and Leave, Non-foreign Area Cost-of-Living Allowances
4.3.1.1	5 U.S.C. § 5941
4.3.1.2	5 U.S.C. § 5941(a)(1)

REFERENCES (Continued)

	5 U.S.C. § 5304
	5 CFR 591.205
	5 CFR Part 591
	CPM Memorandum 2010-23, Retained Adjustments in Non-foreign Areas
4.3.2	5 U.S.C. § 5941(a)(2)
	OPM's Non-foreign Areas, Post Differentials
	5 CFR 532.529(c)
4.3.2.1	5 CFR 591.238
4.3.2.2	5 U.S.C. § 3594(c)
	5 U.S.C. § 5363
4.3.2.4	5 CFR 591.239
	5 CFR 550.1203
	5 CFR 550.1205(b)(8)

5.0 – OTHER PAY, DIFFERENTIALS, AND ALLOWANCES

5.1.1	5 CFR Part 595
	5 U.S.C. § 5948
5.1.2.2	5 U.S.C. § 5948(a)
5.1.3.5	DoDI 1400.25-V543
5.1.4	5 U.S.C. §5551
	5 U.S.C. §5552
	5 U.S.C. §5595
	5 U.S.C., Chapter 81
	5 U.S.C., Chapter 87
	5 U.S.C. § 5948(h)(1)
	OPM BAL 04-102
5.2.1	5 U.S.C. § 5755
	5 CFR 575, subpart D
	5 CFR Part 213
	DoDI 1400.25-V575
5.3	5 U.S.C. § 5942
	5 CFR 591, subpart C
5.4	DoDI 1400.25-V591
5.5.1	5 U.S.C. § 7905
	26 CFR 1.132-9
	26 U.S.C. § 132
	DoDI 1000.27
	Executive Order 13150
	26 U.S.C. § 132(f)
5.5.2	IRS Publication 15-B
5.6.1	26 CFR 1.61-21
	DoD 4500.36-R

REFERENCES (Continued)

5.6.1	IRS Publication 15-B
5.7	10 U.S.C. § 1596
	10 U.S.C. § 1596(a)
	5 U.S.C. § 5551
	5 U.S.C. § 5552
5.7.1	10 U.S.C. § 1596
	10 U.S.C. § 1602
	DoDI 1400.25-V2016
5.7.2	10 U.S.C. § 1596(a)
	DoDI 1400.25-V2016
5.7.2.3	5 U.S.C. § 1596
5.8.1	10 U.S.C. § 1599c
	DoDI 1400.25-V543
5.8.2	DoDI 1400.25-V543
5.8.2.1	DoDI 1400.25-V543
	38 U.S.C. § 7431(c)
5.8.3	5 U.S.C., Chapter 53
5.9.1	5 U.S.C. § 5538
	OPM's Reservist Differential
	OPM Frequently Asked Questions
5.9.2	5 U.S.C. § 5538

6.0 – RECRUITMENT, RELOCATION, AND RETENTION INCENTIVES

6.0	5 U.S.C. § 5753
	5 U.S.C. § 5754
	5 CFR 575, subparts A, B, and C
6.1.1	5 U.S.C. § 5753
	5 CFR 575, subpart A
6.1.2	5 CFR 557.110
6.1.3	5 CFR 575.109
6.1.3.3	5 CFR 530, subpart B
6.2.1	5 U.S.C. § 5753
	5 CFR 575, subpart B
	5 CFR 575.205(b)
6.2.2	5 CFR 575.210
6.2.4	5 CFR 575.209
6.2.5.2	5 CFR 530, subpart B
6.3.1	5 U.S.C. § 5754
	5 CFR 575, subpart C
	5 CFR 575.305
	DoDI 1400.25, V.575
6.3.4	5 U.S.C. § 5754

REFERENCES (Continued)

	5 CFR 575.309
6.3.4.2	5 CFR 530, subpart B
6.4.1	5 U.S.C § 5379
	5 CFR Part 537
	DoDI 1400.25-V537
6.4.4.1	PL 116-136
	PL 116-260, section 120
	26 U.S.C § 127
	IRS Publication15-B
	CHCOC Memorandum, Student Loan Repayment, April 13, 2001
6.4.4.2	OPM Fact Sheet, Student Loan Repayment

7.0 – LUMP-SUM LEAVE PAYMENTS

7.1	5 U.S.C., Chapter 63, subchapter I
	5 U.S.C. § 5551
	5 U.S.C. § 5552
	5 U.S.C. § 6306
	5 CFR 550, subpart L
7.2.1	5 U.S.C. § 2105
7.2.2.3	5 U.S.C. § 5552
	5 U.S.C. § 6304(d)
7.2.2.4	5 U.S.C. § 3582
	5 U.S.C. § 6304(d)
7.2.3	5 U.S.C. § 5582(b)
7.3.2	5 U.S.C. § 6308(b)
7.3.6	5 U.S.C. § 3392(c)
7.4.1	OPM Leave Administration Fact Sheet on Lump Sum Payments for Annual Leave
	5 U.S.C. § 5551
7.4.1.6	5 U.S.C. § 5343(f)
7.4.2.2	5 U.S.C. § 5344(b)(1) and (2)
7.4.3	5 U.S.C. § 6103
	5 CFR 550.1204
7.4.4	5 CFR 550.1203
7.4.6	5 CFR 550.1205
7.5.2	5 U.S.C. § 6304(d)
7.6	5 U.S.C. § 5551
	5 U.S.C. § 6304(d)(3)

8.0 – SEVERANCE

8.1	5 U.S.C. § 5595

REFERENCES (Continued)

	5 CFR 550.707(b)
8.2.1	5 CFR 550.709(b)
8.2.2	5 U.S.C. § 5595(e)
	5 U.S.C. § 5582(b)
8.2.3	31 U.S.C. § 3716
	5 CFR 581.103
8.4	5 U.S.C. § 5595(c)

9.0 ADVANCED PAY

9.1	5 U.S.C. § 5927
	DoDI 1400.25-V1250
9.2	5 U.S.C. § 5522
	5 CFR 550.403
	5 CFR 550.404
9.3.3	5 U.S.C. § 5514
	31 U.S.C. § 3716
9.3.4	DoDI 1340.23
	5 U.S.C. § 5584
9.6	5 CFR 550.203
	DoDI 1400.25-V550
9.7	2017 NDAA, section 1134
	5 U.S.C. § 5524a
	5 CFR 550.205

11.0 – AWARDS

11.1	5 U.S.C., Chapter 45
	5 CFR Part 451
	DoDI 1400.25-V451
11.1.2	5 U.S.C. § 4502(e)
	5 CFR 451.101-107
	DoDI 1400.25-V451
11.1.2.1	Defense Civilian Personnel Advisory Service Memorandum, Removal of Expiration Date for Certain Time Off Awards
11.1.2.4	5 CFR 451.14(f)
	DoDI 1400.25-V451
11.1.3	5 U.S.C., Chapter 45, Subchapter III
11.1.4	5 U.S.C. § 4507
	5 CFR 451.301
11.1.4.1	5 U.S.C. § 3132(a)(4)
11.1.4.2	5 U.S.C. § 3132(a)(1)
11.1.5	5 U.S.C. § 4507a

REFERENCES (Continued)

	5 CFR 451.302
11.1.5.1	5 CFR 319, subpart A
	5 U.S.C. § 5376
11.1.5	5 U.S.C. § 2105
	5 U.S.C. § 4503
	5 CFR Part 451
11.2.1	IRS Publication 15 (Circular E)

VOLUME 8, CHAPTER 4: "MANDATORY DEDUCTIONS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated January 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instruction.	Revision
Figure 4-1	Revised to include references to pre-tax benefits under Federal Flexible Benefits Plan or cafeteria plan where applicable.	Revision
Table 4-2	Revised to include Social Security tax rates for calendar year 2023 and update reference in footnote.	Revision

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CHAPTER 4

MANDATORY DEDUCTIONS

1.0 GENERAL

1.1 Overview

This chapter sets out policy and requirements pertaining to mandatory payroll deductions the DoD must make from a DoD employee's pay. It contains established policies, defines responsibilities, and prescribes direction in support of processing mandatory deductions.

1.2 Purpose

This chapter provides guidance regarding mandatory payroll deductions as they apply to an employee's gross pay.

1.3 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Title 5. The specific statutes, regulations, and other applicable guidance that govern each section are listed in a reference section at the end of this chapter.

2.0 MANDATORY DEDUCTIONS

2.1 General

Mandatory payroll deductions are those deductions required by law, regulation, or by court order and include federal or state income tax, Old Age, Survivors and Disability Insurance (OASDI), Medicare, and child support. Voluntary deductions are at the employee's request and require written authorization from the employee prior to withholding the deduction. Voluntary deductions include health and life insurance premiums, flexible spending account program contributions, and Thrift Savings Plan (TSP) contributions. See Chapter 11 for information on voluntary deductions and allotments.

2.2 Mandatory Deductions

Mandatory payroll deductions withheld from a DoD employee's pay must include:

2.2.1. Sufficient information to establish the deduction;

2.2.2. Adequate documentation and certification;

2.2.3. Payment to the appropriate recipient for the correct amount; and

2.2.4. A provision of law or court order, which supports the deduction.

2.3 Deduction Authorizations

The Defense Finance and Accounting Service (DFAS) must retain deduction authorizations in the Civilian Payroll Office (PRO) or at a designated storage site in accordance with ***National Archives General Records Schedule 2***.

3.0 ORDER OF PRECEDENCE

3.1 Deductions

The Office of Personnel Management (OPM) issued policy guidance to standardize the order of precedence for processing mandatory and voluntary deductions when gross pay is not sufficient to permit all deductions. See ***OPM Memorandum PPM-2008-01***, "Order of Precedence When Gross Pay Is Not Sufficient To Permit All Deductions," July 30, 2008.

3.1.1. When Gross Pay is Not Sufficient. If a DoD employee's gross pay is not sufficient to permit all required deductions, the order of precedence under which deductions must be withheld according to the order of precedence as indicated in Figure 4-1.

3.1.2. Priority of Deductions vs. Net Pay Exclusions. The order of precedence determines which authorized deductions apply first in the event that the employee's gross pay is not sufficient to cover all deductions. This issue is separate from determining the net amount of an employee's pay subject to a particular deduction. Pay applied toward certain other deductions may be excluded in determining the net amount of pay for which a given deduction is made; however, that does not necessarily mean that any of the other deductions listed are applied first. For example:

3.1.2.1. Federal income tax withholdings are deducted from the net amount of pay subject to federal income taxes (taxable pay). An employee's deduction for TSP contributions is pre-tax, meaning the contribution is excluded from the net amount of taxable pay. However, the TSP deduction is lower in the order of precedence than federal income taxes.

3.1.2.2. Court-ordered alimony payments are deducted from the net amount of pay subject to garnishment (garnishable pay). An employee's TSP deduction is excluded from the net amount of garnishable pay. See Title 5, Code of Federal Regulations, section 581.105(e), (***5 CFR 581.105(e)***). However, the TSP deduction is lower in the order of precedence than the alimony garnishment.

3.2 Available Pay

An employee's available gross pay is reduced by the amount of each deduction withheld in the specific order of precedence listed in paragraph 3.1. After an authorized deduction is withheld, if an employee's remaining pay is not sufficient to allow for the deduction next in the order of precedence to be withheld in its entirety, the following applies:

3.2.1. Mandatory Deduction. If the deduction next in the order of precedence is a mandatory deduction, the PRO will use the remaining available pay to make a partial deduction. When this situation occurs, the employee's net pay is zero.

3.2.2. Voluntary Deduction. If the deduction next in the order of precedence is a voluntary deduction, the PRO will not make the next voluntary deduction or any other deductions thereafter. The employee's remaining available pay is paid to the employee as net pay.

4.0 RETIREMENT DEDUCTIONS

4.1 Civil Service Retirement System (CSRS), CSRS-Offset, and Federal Employees Retirement System (FERS) Administration and Recordkeeping

4.1.1. General. OPM's ***CSRS and FERS Handbook*** for Personnel and Payroll Offices guidance is necessary for the PRO to report:

4.1.1.1. The withholding of mandatory deductions from employees enrolled in the CSRS; and

4.1.1.2. The withholding of mandatory deductions under FERS. Employees hired after January 1, 1987 are under the FERS program. Employees hired during calendar year (CY) 2013 are FERS Revised Annuity Employees (FERS-RAE). For more information, see ***5 U.S.C. § 8401***(37). Employees hired on or after January 1, 2014, are FERS Further Revised Annuity Employees (FERS-FRAE). See also 5 U.S.C. § 8401(38).

4.1.2. Phased Retirement. Employees eligible for phased retirement work a part-time schedule while beginning to draw CSRS or FERS retirement benefits. During phased employment, retirement deductions for CSRS or FERS will continue to be withheld from pay the employee receives from the employing agency. The deductions are made at the normal rates and are based on the pay the employee actually receives during phased employment, not on the amount the employee would have received had the employee continued to work fulltime. See also ***5 U.S.C. § 8336a***, ***5 CFR Part 848***, Chief Human Capital Officers Council ***(CHCOC) Phased Retirement Guidance***, ***OPM Phased Retirement***, and Chapter 10 for additional information.

4.1.3. Coverage. For employees subject to retirement deductions, the Standard Form ***(SF) 50***, Notification of Personnel Action, will reflect the correct retirement system for each employee. See Table 4-1 for pay subject to retirement deductions. For current deduction rates and employer contributions, refer to the CSRS and FERS Handbook and OPM Benefits Administration Letter ***(BAL) 15-303***.

4.1.4. PRO Responsibilities for Retirement Deductions. The PRO must fulfill the responsibilities relating to CSRS, CSRS-Offset and FERS retirement contributions listed in the CSRS and FERS Handbook, Chapter 1, section 1C3.1-D.

4.1.5. Communication With OPM. Forward records of separated employees to:

4.1.5.1. Office of Personnel Management
CSRS Retirement Records
P.O. Box 45
Boyers, PA 16017

4.1.5.2. Office of Personnel Management
FERS Retirement Records
P.O. Box 200
Boyers, PA 16017

4.1.6. Maintaining the Individual Retirement Record (IRR) SF 2806/3100

4.1.6.1. General. The PRO maintains an IRR for each employee subject to CSRS, CSRS-Offset, or FERS, according to the CSRS and FERS Handbook, Chapter 81, part 81A2. Since OPM uses the IRR to adjudicate the retirement rights of separated employees or their survivors, it is important that each IRR is complete, accurate, clearly detailed, and properly certified. Timely and accurate maintenance of each IRR expedites closeout when an employee separates or transfers to the paying jurisdiction of another agency.

4.1.6.2. Required Information. Certain information is required on the IRR for all employees. There are additional requirements for law enforcement officers, firefighters, foreign nationals, customs officers, and employees who have any periods of active duty service. Data should be taken from the SF 50 and posted to the IRR as it occurs. The OPM Operating Manual, The Guide to Data Standards, includes the standard abbreviations and remarks required for completing the IRR. Examples of how to post the service history are located in the CSRS and FERS Handbook, Chapter 81, section 81A2.2-2. Each IRR should be reviewed to ensure complete service history and that all dates and types of appointments are accurately reflected for each period of service.

4.1.6.2.1. Sick Leave. When an employee dies, retires, converts to FERS with a CSRS annuity component, has an uncommon tour of duty, or applies for disability retirement, the amount of unused sick leave must be recorded on the IRR. An employee who has had a break-in-service is entitled to a recredit of sick leave (without regard to the date of his or her separation) if he or she returns to federal employment on or after December 2, 1994. However, sick leave is not recredited to employees who were reemployed in the federal service before December 2, 1994, and who previously forfeited sick leave under the former rules. See ***5 CFR 630.502(b)***. For examples, see the CSRS and FERS Handbook, Chapter 81, section 81A2.3-1.

4.1.6.2.2. Health Benefits Data. All IRRs sent to OPM for regular retirement, disability retirement, or deceased employees must be annotated with the status of health benefits. See examples in the CSRS and FERS Handbook, Chapter 81, subchapter 81B.

4.1.6.2.3. Federal Employees Group Life Insurance (FEGLI). FEGLI must be shown on the IRR as specified in the CSRS and FERS Handbook. For further information, see the ***FEGLI Program Handbook***.

4.1.6.2.4. Additional Reportable Items for Separations, Removals, or Resignations. All IRRs sent to OPM regarding a separation, removal, or resignation must include the following employee's information: Last Day of Pay, Unused Sick Leave, Federal Employees Health Benefits plan code, Federal Employees Group Life Insurance enrollment code, and Service Computation Date. For further information, see ***OPM BAL 15-102***.

4.1.6.3. Closing Out the IRR. For information on the closing out, certification and forwarding to OPM of an IRR upon an employee's separation, see the CSRS and FERS Handbook, Chapter 81, section 81A2.2-4.

4.1.6.3.1. Employee Death. When the PRO receives notification of an employee's death, the PRO must send the IRR to OPM within 5 days of the date that final pay is computed. OPM must receive the deceased employee's records and associated applications within 30 days from the date of death. For information on retirement deductions and matching agency contributions in final pay, see the CSRS and FERS Handbook, Chapter 80.

4.1.6.3.2. Separation and Application for Refund of Retirement. A refund is the lump-sum payment (to a former employee or an employee no longer covered by CSRS or FERS) for the amount of his or her retirement contributions. An individual seeking a refund must meet eligibility requirements. The PRO is responsible for sending the employee's IRR to OPM with the employee's refund application ***SF 2802***, Application for Refund of Retirement Deductions CSRS; or ***SF 3106***, Application for Refund of Retirement Deductions FERS. See the CSRS and FERS Handbook, Chapter 32, subchapters 32A (CSRS) and 32B (FERS). A refund payment may include any of the following:

4.1.6.3.2.1. Retirement contributions deducted from basic pay, including CSRS-Offset contributions for employees covered under CSRS-Offset, or FERS basic annuity deductions from pay;

4.1.6.3.2.2. Deposits and/or redeposits;

4.1.6.3.2.3. Military service credit deposits;

4.1.6.3.2.4. Voluntary contributions; or

4.1.6.3.2.5. Interest payable under law.

4.1.6.3.3. Disability Retirement Separations. Disability cases require different close out procedures due to the approval or denial of the application submitted by the employee for disability retirement. Agencies must execute both a preliminary and final IRR. See the CSRS and FERS Handbook, Chapter 60 for Disability Retirements. See the CSRS and FERS Handbook, Chapter 81, section 81A.2.3-2 for examples on closing out a disability retirement IRR.

4.1.6.3.4. Non-disability Retirement Separations. When a separation occurs for reasons other than a disability retirement, the PRO must close out, certify, and forward the IRR to the address in subparagraph 3.1.5. Information and examples on the process required to close out an IRR are located in the CSRS and FERS Handbook, Chapter 81, section 81A2.3-1.

4.1.6.3.5. Service Credit Deposits for Post-1956 Military Service. For the preparation of the IRR for deposits of creditable post-1956 military service, see the CSRS and FERS Handbook, Chapter 23. For additional information, see Chapter 11.

4.1.7. Storing, Safeguarding and Disposing of the IRR

4.1.7.1. Any IRRs not maintained in a mechanized manner must be stored in a lockable metal file cabinet or in a secured facility with limited access provided only to employees whose official duties require access. Manually maintained IRRs must be stored electronically (after being manually posted), and kept separately from the record itself, in accordance with OPM requirements.

4.1.7.2. Retirement claims, life insurance, health benefits, and tax withholdings are permanent records and maintained in either paper or electronic imaged format. Medical records used to determine suitability are maintained for 18 months. Requests for review of health benefits claims should be maintained for up to 3 years.

4.1.7.3. Manual records should be disposed of by shredding.

4.1.8. Register of Separations and Transfers (SF 2807/3103)

4.1.8.1. The ***SF 2807*** (CSRS) and ***SF 3103*** (FERS), Register of Separations and Transfers, serve to authenticate the IRR for transmittal to other PROs and to OPM. In addition to other fiscal and accounting data available to OPM, the SF 2807/3103 is an essential document for controlling retirement monies. For information on how to prepare and maintain the SF 2807/3103, see the CSRS and FERS Handbook, Chapter 81, part 81A3.

4.1.8.2. More than one IRR may be submitted with an SF 2807/3103. However, transmitting completed retirement records should not be delayed while other IRRs are being prepared for forwarding to OPM.

4.1.9. Adjustments and Corrections. When possible, adjust and correct any errors detected on the IRR before submission to OPM. If an error is detected after the IRR is sent to OPM, prepare an ***SF 2806-1*** (CSRS) or ***SF 3101*** (FERS), Notice of Correction of Individual Retirement Record. See the CSRS and FERS Handbook, Chapter 81, section 81A2.3-3.

4.1.9.1. Current Employees

4.1.9.1.1. Over-deduction. If an over-deduction occurs for retirement from the pay of a current employee, the PRO must make an adjustment during the next payroll cycle. The PRO must decrease the current retirement deductions from the employee's current pay period earnings, and make a corresponding adjustment in the employer's contributions.

4.1.9.1.2. Under-deduction. If an under-deduction occurs, or if deductions were not made for a period when an employee was covered by CSRS or FERS, then that employee must be afforded due process rights before being indebted for the erroneous pay received because of the under-deduction. If deductions were made for a non-appropriated fund (NAF) retirement plan when deductions are required for CSRS or FERS, then the PRO must adjust the NAF retirement deductions and contributions and the Social Security deductions and contributions in the next pay period. These amounts should be offset against the amounts that should have been submitted for CSRS or FERS to determine the net amount that must be withheld from the employee's current period pay.

4.1.9.2. Separated Employees

4.1.9.2.1. Over-deduction

4.1.9.2.1.1. When excess retirement amounts have been deducted from a former employee's pay and the IRR ***SF 2806*** (CSRS) or ***SF 3100*** (FERS) has not yet been forwarded to OPM, the PRO must correct the amount in the current calendar year and correct the accumulated deductions posted on the SF 2806/3100 prior to forwarding to OPM.

4.1.9.2.1.2. If an over-deduction for retirement is found after the SF 2806/3100 was sent to OPM, the PRO must prepare and submit the SF 2806-1/3101 to OPM.

4.1.9.2.1.3. If an over-deduction from a former employee's pay results in excess employer contributions for retirement, the PRO must deduct the amount of the excess from the next pay period's submission of the Retirement and Insurance Transfer System (RITS) file.

4.1.9.2.2. Under-deduction

4.1.9.2.2.1. When an insufficient amount for retirement has been deducted from a former employee's pay and the SF 2806/3100 has not yet been submitted to OPM, the PRO must note the amount of the deficiency on the SF 2806/3100. If the SF 2806/3100 has been submitted, then another SF 2806/3100 must be prepared and annotated "Supplemental" in the upper left margin.

4.1.9.2.2.2. When an under-deduction from a former employee's pay results in insufficient employer retirement benefits contributions, the insufficient amount will normally be included in the RITS file for the next pay period.

4.1.9.3. Transferred Employees

4.1.9.3.1. Over-deduction

4.1.9.3.1.1. When excess retirement amounts have been deducted from a transferred employee's pay and the SF 2806/3100 has not been forwarded to OPM, the PRO must correct the amount in the current calendar year and correct the total accumulative deductions posted on the SF 2806/3100 prior to forwarding.

4.1.9.3.1.2. If the over-deduction for retirement is found after the SF 2806 was forwarded to another PRO within the DoD, an SF 2806-1 must be prepared and submitted to the gaining PRO.

4.1.9.3.1.3. When an over-deduction from a transferred employee's pay results in excess employer retirement contributions, the PRO must deduct the amount of excess employer contributions from the RITS file for the next pay period.

4.1.9.3.2. Under-deduction. When an insufficient retirement amount has been deducted from a former employee's pay and the SF 2806 has not yet been forwarded to another PRO within the same Component, the losing PRO must note the amount of under-deductions on the SF 2806. The losing PRO must prepare and forward a supplemental SF 2806 to the gaining PRO, if the SF 2806 was previously submitted.

4.1.9.3.3. Service History Corrections. The PRO must correct the “Service History” portion of the SF 2806 if the error is detected before the record is sent to another PRO within the same Component. If the error is detected after the record is submitted, the losing PRO must prepare and submit an SF 2806-1 to the gaining PRO.

4.1.9.4. Retroactive Payments

4.1.9.4.1. The PRO must report CSRS or FERS deductions withheld from a retroactive salary payment for a separated employee by preparing a supplemental SF 2806/3100, and forwarding it to OPM using an SF 2807/3103.

4.1.9.4.2. For a current employee, the PRO must include CSRS or FERS deductions withheld from a retroactive salary payment in the current year salary deduction on the SF 2806/3100 being maintained for the employee.

4.1.9.4.3. A losing PRO must report CSRS or FERS deductions withheld from a retroactive salary payment for an employee transferred to another PRO within the same Component by preparing a supplemental SF 2806/3100. The losing PRO must send the SF 2806 to the gaining PRO using an SF 2807. The losing PRO must send the SF 3100 to OPM using an SF 3103.

4.1.10. Availability of Retirement Funds for Loans, Garnishments, and Indebtedness

4.1.10.1. Loans and Garnishments. See the CSRS and FERS Handbook, Chapter 5 for Court Orders. An employee cannot borrow from the retirement fund or use money credited to his or her account as security for a loan or any other purpose. Additionally, an employee's retirement account is not subject to the execution of levies, attachments, garnishments, or other legal processes except as follows:

4.1.10.1.1. OPM will comply with a garnishment or attachment order issued to enforce child support or alimony obligation; and

4.1.10.1.2. OPM will comply with the assignment of retirement benefits in a qualifying state court order, decree, or community property settlement agreement in connection with a divorce, annulment of marriage, or legal separation of a federal employee or retiree.

4.1.10.2. Indebtedness. The PRO may request OPM to use administrative offset to collect a debt owed to the United States by offsetting any money due and payable to a separated employee from his or her CSRS or FERS benefits. See Volume 16, Chapter 3 for guidance on recovering debts from retirement funds. The PRO must ensure the former employee receives due process as specified in Volume 16. See also the CSRS and FERS Handbook, Chapters 4 and 5.

4.1.11. Submission of Deductions and Contributions. Employee deductions and employer contributions for CSRS or FERS must be reported separately to OPM each pay period. The PROs reporting to OPM via the RITS must report deductions and contributions using procedures described in Chapter 9. Employer contributions must be charged to the appropriation(s) from which the employee's salary is paid. See the CSRS and FERS Handbook, Chapter 80.

4.2 State Retirement Programs for National Guard Technicians

Effective January 1, 1969, pursuant to ***32 U.S.C. § 709***, all National Guard Technicians appointed in a position not excluded from coverage are considered federal employees who are automatically covered by CSRS or FERS. However, technicians employed on December 31, 1968, had the option of irrevocably electing to remain covered by a state retirement system. The DoD negotiated agreements with states for federal employee contributions to a state or state-sponsored contributory retirement program. For further information, see the CSRS and FERS Handbook, Chapter 12.

4.3 DoD Employees Covered by Retirement Systems for Non-Appropriated Fund Instrumentalities

4.3.1. General. NAF employees are federal employees within DoD. However, NAF employees are not subject to many of the personnel laws administered by OPM for appropriated fund (APF) employees. The status of NAF employees is explained at ***5 U.S.C. § 2105(c)***. NAF employee retirement benefits are not subject to the same requirements as that of civil service positions. Each NAF employer administers its own retirement program pursuant to DoD Instruction (DoDI) 1400.25-V1408, DoD Civilian Personnel Management System, Insurance and Annuities for NAF Employees.

4.3.2. Portability. If a NAF employee moves to an APF position, unless specifically provided by law, the employee's NAF service is not creditable for civil service benefits. Likewise, service in an APF position is not creditable for NAF benefits unless DoD policy provides such credit. Laws and regulations regarding service credit and portability of benefits for employees who move between NAF and APF positions are discussed in this section and in the Defense Civilian Personnel Advisory Service ***(DCPAS) Portability of Benefits Reference Guide***. See also ***5 CFR Part 847*** and ***5 CFR 1620, subpart D***.

4.3.3. DoD Components Offering NAF Retirement Plans. The following DoD Components offer NAF retirement plans for eligible DoD NAF employees;

4.3.3.1. Department of the Army,

4.3.3.2. Department of the Air Force,

4.3.3.3. U. S. Marine Corps,

4.3.3.4. Bureau of Naval Personnel,

4.3.3.5. Navy Exchange Service Command, and

4.3.3.6. Army and Air Force Exchange Service.

4.3.4. History of Public Laws Relating to Portability of Retirement Benefits for NAF Employees.

4.3.4.1. NAFI Employee's Retirement Credit Act of 1986. Public Law (PL) 99-638, (*5 U.S.C. § 8332*). The Act was the first to permit CSRS credit for former NAF service. The law required that NAF service be provided in certain morale, welfare, and recreation (MWR) positions after June 18, 1952, and before January 1, 1966. Covered employees were primarily Army NAF employees in recreation, youth activities, or arts and crafts positions, which were not covered with a NAF retirement system.

4.3.4.2. The Portability of Benefits for NAF Employees Act of 1990. PL 101-508, section 7202, (5 U.S.C. § 8332). The law provides pay and benefit portability for employees who move between NAF and APF positions. The law covers moves between DoD NAF and DoD APF positions made on or after January 1, 1987. An employee who moves with a break-in-service of no more than 3 days between such positions may be eligible for pay, leave, reduction-in-force, and retirement benefit protection. An employee who moves between positions may remain in his or her civil service or NAF retirement plan, if vested.

4.3.4.3. Fiscal Year (FY) 1996 National Defense Authorization Act (NDAA). PL 104-106, section 1043, (5 U.S.C. § 8332). The law further expanded portability, primarily in the area of retirement coverage. Retirement election provisions were expanded to include moves to APF positions outside of DoD and to cover moves on or after August 10, 1996, with a break-in-service of not more than 1 year. Employees must be vested in the losing employment system's retirement plan in order to elect to retain coverage. The law provided eligible FERS or NAF employees the opportunity to combine FERS and NAF service credit retroactively if the move occurred on or after January 1, 1966, but before August 10, 1996, with an election deadline of August 11, 1997. Waivers of this deadline are authorized for employees who did not receive notice and counseling from their Human Resources Office (HRO).

4.3.4.4. FY 2002 NDAA. PL 107-107, sections 1131 and 1132, (5 U.S.C. § 8332). The law further expanded the retirement election opportunity making it easier for employees who have performed service with a DoD or Coast Guard NAFI to continue retirement coverage after moving between NAF and APF positions. Section 1131 permits employees moving between NAF and APF positions on or after December 28, 2001, to continue coverage in the retirement plan under which they were covered immediately before the move, even if they were not vested in that retirement plan. Employee moves between retirement-covered positions must not involve a break of more than 1 year. Additionally, section 1132 permits employees in CSRS or FERS to use prior NAF service to qualify for an immediate retirement on or after December 28, 2001. Credit for NAF service under section 1132 will not result in higher CSRS or FERS annuity benefits.

4.3.5. Elections to Continue Retirement Coverage After a Qualifying Move From a NAF Position. In accordance with 5 CFR 847.202, NAF employees must meet the requirements of a qualifying move in order to be eligible to retain NAF retirement coverage after moving to a civil position covered by CSRS or FERS. The criteria requirements for a qualifying move may vary by the date(s) of when the move actually occurred.

4.3.5.1. Qualifying Move Between January 1, 1987 and August 9, 1996. A qualifying move occurring between January 1, 1987 and August 9, 1996, which would allow a NAF employee the opportunity to elect to continue retirement coverage under a NAF retirement system, must meet all the following criteria:

4.3.5.1.1. Employee must not have had a prior opportunity to elect to continue NAF retirement system coverage;

4.3.5.1.2. Employee must have been a vested participant in the NAF retirement system prior to the move to the civil service;

4.3.5.1.3. Employee must have moved from an NAF to a CSRS or FERS covered position within DoD or the U.S. Coast Guard; and

4.3.5.1.4. Employee must be appointed to a CSRS or FERS covered position no later than 4 days after separation from retirement-covered NAF employment.

4.3.5.2. Qualifying Move Between August 10, 1996 and December 28, 2001. A qualifying move occurring on or after August 10, 1996 and before December 28, 2001, that would allow a NAF employee an opportunity to elect to continue retirement coverage under a NAF retirement system, must meet all the following criteria:

4.3.5.2.1. Employee must not have had a prior opportunity to elect to continue NAF retirement system coverage;

4.3.5.2.2. Employee must have been a vested participant in the NAF retirement system prior to the move to a CSRS or FERS covered position;

4.3.5.2.3. Employee must have moved from a NAF to a civil service position subject to CSRS or FERS coverage; and

4.3.5.2.4. Employee must be appointed to a CSRS or FERS covered position no later than 1 year after separation from retirement-covered NAF employment.

4.3.5.3. Qualifying Move After December 28, 2001. A qualifying move occurring on or after December 28, 2001, that would allow a NAF employee an opportunity to elect to continue retirement coverage under a NAF retirement system must meet all the following criteria:

4.3.5.3.1. Employee must not have had a prior opportunity to elect to continue NAF retirement system coverage;

4.3.5.3.2. Employee must have moved from a NAF to a civil service position subject to CSRS or FERS coverage; and

4.3.5.3.3. Employee must be appointed to a CSRS or FERS covered position no later than 1 year after separation from retirement-covered NAF employment.

4.3.5.4. Electing NAF Retirement System Coverage After a Qualifying Move

4.3.5.4.1. Employees who elect to retain coverage under a NAF retirement system will have their SF 50 annotated as "5-Other" for the retirement code. The SF 50 will state that the employee has elected to retain coverage under a NAF retirement system.

4.3.5.4.2. Employees who elect to remain covered by a NAF retirement plan are excluded from coverage under CSRS or FERS during that and all subsequent periods of employment, including periods of service as a reemployed annuitant.

4.3.5.4.3. Employee retirement deductions, employer contributions, employee contributions to applicable 401(k) plans, and loan repayments will be made biweekly and submitted to the appropriate NAF employee benefit system. Federal Insurance Contribution Act (FICA) contributions must be withheld and reported in accordance with the U.S. Department of the Treasury's current guidance.

4.3.5.4.4. Employees who elect to retain coverage under a NAF retirement system are eligible to contribute to the applicable NAF 401(k) plan, but are not eligible to participate in TSP.

4.3.5.4.5. Employees who elect to retain NAF retirement coverage will continue coverage with the NAF retirement plan in effect at the time of election.

4.4 Uniformed Services University of the Health Sciences (USUHS) Faculty Retirement

4.4.1. The USUHS has established a policy on granting of retirement benefits for faculty and staff covered under the Administratively Determined (AD) pay plan. See ***10 U.S.C. § 2113*** and USUHS Instruction 1418, Civilian Faculty Benefits Plan. All full-time civilian faculty members of the USUHS appointed to an AD position with an appointment of more than 1 year may elect coverage under one the following plan options:

4.4.1.1. Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF). This is a tax-deferred retirement plan offering both fixed and variable annuity distributions, which allows employees to enroll in a variety of available funds. For additional information, see ***TIAA-CREF***.

4.4.1.2. Fidelity Investments. This is a tax-deferred investment program through which the employee may enroll in a variety of available funds.

4.4.2. A total of 15 percent of the employee's total salary will be contributed to either TIAA-CREF or Fidelity Investments. The employer (USUHS) will contribute 10 percent and the employee will contribute a mandatory 5 percent through payroll deduction.

4.4.3. Part-time AD employees, visiting employees who carry a J-1 visa, faculty whose titles have the prefix Visiting and Postdoctoral Fellows are not eligible to participate in TIAA-CREF or Fidelity Investments.

5.0 FEDERAL INSURANCE CONTRIBUTIONS ACT (FICA) TAX

5.1 Authority

The FICA provides for a federal system of OASDI and hospital insurance. See ***26 U.S.C., Chapter 21***. The OASDI program is financed by the Social Security tax, and the Hospital Insurance program is financed by the Medicare tax. Wages for covered employment are taxable regardless of the worker's age or whether the worker is receiving Social Security or Medicare benefits. Employers must match the taxes withheld from employee wages. The term FICA applies to the combined amount of the deductions withheld for both Social Security and Medicare. However, each of the taxes is reported separately. For purposes of this guidance, taxes withheld under FICA will be referred to separately as Social Security tax and Medicare tax. The guidance applies to both Social Security and Medicare withholding. For additional information, see the ***Social Security Handbook***.

5.1.1. Coverage. Federal employees are generally subject to both Social Security and Medicare tax withholding, but some employees are subject to only Medicare tax. Prior to 1984, most federal civilian employment was exempt from Social Security coverage. However, for federal employees hired on or after January 1, 1984, most services are covered by Social Security. Whether an employee is covered under Social Security is based on the type of appointment and is determined by the HRO and reflected on the SF 50. Federal employees became subject to Medicare withholding the first pay period in CY 1983. See the Social Security Handbook, section 940. Social Security and/or Medicare taxes are withheld on the same wages, but only Social Security taxes have a wage base limit (i.e. the maximum wage amount subject to Social Security tax for the year). The deductions are shown separately on the Internal Revenue Service ***(IRS) Form W-2***, Wage and Tax Statement. DoD is considered one employer for purposes of determining the maximum wages subject to Social Security and/or Medicare withholding. Employees who are exempt from the Social Security and/or Medicare withholding are:

5.1.1.1. Noncitizens employed outside the United States, the U.S. Virgin Islands, and Puerto Rico;

5.1.1.2. Interns, (except medical and dental interns and residents), student nurses, and other student employees of federal hospitals (***26 U.S.C. § 3121(b)(6)***);

5.1.1.3. Employees hired temporarily to handle fires, storms, earthquakes, floods, and other similar emergencies and disasters (26 U.S.C. § 3121(b)(6));

5.1.1.4. If a civilian chaplain wants to be covered under Social Security and/or Medicare, he or she must apply as a self-employed person. Social Security and/or Medicare may also cover the chaplain if the order under which the chaplain belongs has elected its members to be covered;

5.1.1.5. Employees of instrumentalities of the U.S. Government that are specifically exempt from Social Security and/or Medicare by law (***26 U.S.C. § 3112***); and

5.1.1.6. Title 32 National Guard technicians in Massachusetts and Nevada who elected to remain in the state employees retirement systems.

5.1.2. Transfers Between DoD Components. Beginning January 1, 1984, based on FICA, OPM directed that all newly hired federal employees be subject to Social Security and Medicare withholding, as well as retirement deductions. If an employee transfers between DoD Components, then the gaining PRO must count those Social Security and/or Medicare taxes already deducted by the losing PRO in order not to exceed the maximum Social Security and/or Medicare tax liability due for that payroll year. When an employee transfers, the PRO must include Social Security and/or Medicare year-to-date wages, and Social Security and/or Medicare year-to-date taxes on the ***SF 1150***, Record of Leave Data.

5.2 Compensation Subject to Social Security and/or Medicare Tax

5.2.1. Current Earnings and Allowances. For employees covered under FICA, compensation subject to federal income tax (without regard to exemption status) is generally subject to Social Security and Medicare deductions (see Table 4-1). Employees covered under CSRS are subject only to Medicare withholding. The basis for Social Security and/or Medicare tax deductions is the employee's gross pay for each pay period.

5.2.2. Back Pay Awards. Employee and employer portions of Social Security and/or Medicare tax computed for back pay awards must be calculated at the rate in effect at the time the payment of back pay is made.

5.3 Tax Amounts

Social Security and Medicare tax have different tax rate percentages, and Social Security is subject to a wage base limitation. Therefore, Social Security and/or Medicare tax must be computed and reported separately.

5.3.1. Employee Deductions. For each pay period, deduct the appropriate Social Security and/or Medicare tax amount from the gross pay of each employee covered by Social Security and/or Medicare. With respect to the Social Security wage base limit, when the employee's earnings reach the applicable maximum limitation in a taxable year, discontinue the deductions for Social Security for the remainder of that tax year. Refer to the Internal Revenue Service ***(IRS) Publication 15, (Circular E)***, Employer's Tax Guide, for the yearly update. Maximum limitations for prior years are in Table 4-2.

5.3.2. Social Security Tax Deferral of 2020. Between September 2020 and December 2020 the collection of the employee share of Social Security tax was deferred for employees that earned less than $4,000 during a bi-weekly pay period pursuant to a Presidential Memorandum and at the direction of the Office of Management and Budget. See ***85 Federal Register (FR) 49587***. The Social Security tax that was deferred during CY 2020 was subsequently paid during CY 2021. See ***IRS Notice 2021-11***.

5.3.3. Employer's Social Security and/or Medicare Tax. The U.S. Government must pay the employer's contribution equal to the same tax rate used for employees.

5.3.4. Official Social Security and Medicare Tax Tables. Tax tables are published in Circular E.

6.0 FEDERAL INCOME TAX WITHHOLDING (FITW)

6.1 General

6.1.1. Withholding Authority for Federal Income Tax. The Internal Revenue Code at ***26 U.S.C. § 3402*** requires each federal agency withhold federal income taxes from wages paid to employees. The current Circular E summarizes the employer's responsibilities and contains rates and tables for withholding. Federal employees are exempt from the tax imposed under the Federal Unemployment Tax Act (FUTA). See ***26 U.S.C. § 3306***.

6.1.2. Employer's Identification Number (EIN). An EIN is assigned by the appropriate District Director of the IRS to identify the tax accounts of employers. Only one identification number per PRO is authorized for use in reporting all federal and Social Security and/or Medicare taxes. The PRO must collect federal and Social Security and/or Medicare taxes from employee wages and report all taxes using the ***IRS Form 941***, Employer’s Quarterly Federal Tax Return. For guidance on withholding and reporting federal income tax and Social Security and/or Medicare, consult the current Circular E.

6.1.3. Tax Reform. The Tax Cuts and Jobs Act (TCJA) of 2017 (***PL 115-97***) signed into law on December 22, 2017, amended several provisions of the Internal Revenue Code of 1986. Specifically, the TCJA legislation resulted in the ***IRS Form W-4***, Employee’s Withholding Certificate, being redesigned. Previously, the value of a withholding allowance was tied to the value of the personal exemption. The TCJA eliminates personal exemptions claimed by taxpayers for themselves, their spouse, and dependents through CY 2025.

6.1.4. Method of Withholding. The two most common methods for withholding tax provided by the IRS are the percentage method and the wage bracket method. Beginning in CY 2020, employers with automated payroll systems are to withhold taxes based on the percentage method. Refer to the ***IRS Publication 15-T***, Federal Income Tax Withholding Methods.

6.2 IRS Form W-4, Employee's Withholding Certificate

The W-4 was revised for CY 2020. The PRO must use the W-4 to support statutory deductions for federal income taxes from each employee. Therefore, an employee must complete the W-4 and any additional forms required for withholding state or local taxes at the start of employment. If an employee fails to submit the W-4, the PRO must treat the employee as a single filer with a standard deduction and no other adjustments. Once filed, the W-4 remains in effect until the employee amends it or files a new withholding certificate. Employees may obtain the W-4 from their servicing HRO. Employees may also process tax changes through an automated computer program, such as the DFAS ***myPay*** website, by using a personal identification code.

6.2.1. Additional Withholding. An employee may also specify that a fixed dollar amount is withheld from pay in addition to the amount of required withholdings. The amount of additional withholding remains in effect until changed by the employee.

6.2.2. Reporting the W-4 to the IRS.

6.2.2.1. Employers may be directed by a written notice from IRS to send a specific W-4 to the IRS for review. If the PRO receives a written notice, then the PRO will obtain a copy of the requested W-4 and follow the guidance for submitting the W-4 to the IRS.

6.2.2.2. If the IRS determines that an employee does not have enough withholding, then the IRS may send the PRO a letter commonly called a lock-in-letter. The lock-in-letter will specify the filing status, multiple job adjustments, and maximum amount of credit or deductions permitted for a specific employee for purposes of calculating the required withholding. The PRO must furnish a copy of this letter to the employee within 10 business days of receipt of the letter. The PRO will begin the withholding based on the date specified in the letter.

6.3 Withholding Status Change

If an employee submits a new W-4, the PRO will change the withholding effective the next pay period. Retroactive adjustments are not permissible, even if an employee claims the W-4 on file is erroneous and submits a corrected one.

6.4 Compensation Subject to Income Tax

See Table 4-1 for taxability of particular types of compensation.

6.5 Exemption From Withholding

An employer is not required to deduct and withhold any federal income tax from wages paid to an employee who has certified to the employer (as prescribed by IRS) that the employee incurred no income tax liability for the preceding year and that the employee expects no liability for the current year. A W-4 claiming exemption from withholding is effective when it is given to the employer and only for that calendar year. To continue to be exempt from withholding, an employee must submit a new W-4 by February 15. If the employee fails to file the W-4 claiming

exemption from withholding by February 15, the PRO will treat the employee as a single filer with no adjustments when withholding tax. If the employee provides a new W-4 on February 16 or later, the PRO will apply it to future wages but will not refund any taxes already withheld.

6.6 Retained Copies of Form 941 and Related Reports

As forms become superseded or obsolete, the PRO should remove them from the active file and place in an inactive file. The Treasury's forms (e.g., the 941 or W-4) do not have to be sent to the IRS District Director. However, if requested, the PRO must show that the information is on file as a supporting record.

6.7 Adjustments in Tax Withheld

6.7.1. Under-Withheld Taxes. If the PRO does not withhold income, Social Security, or Medicare taxes, or if less than the correct amount is withheld from the employee's wages, the adjustment to the employee's pay may be made in a later pay period of the same calendar year. The underpayment must be paid to the IRS by the employer. Under-withheld income tax should be recovered from the employee on or before the last day of the calendar year that the tax was due. See Chapter 8 and Circular E for information on collection of a prior year tax debts. Make no adjustment if the error occurred in a prior calendar year or the employee is no longer on the payroll.

6.7.2. Refunding Taxes Incorrectly Withheld. If more than the correct amount of income, Social Security, or Medicare tax is withheld from employee's wages, the excess amount must be refunded to the employee before the end of the 3-year statute of limitations that applies to tax refunds. For example, if excess Social Security taxes were withheld from an employee's pay in CY 2019, the excess Social Security taxes could be refunded to the employee through April 15, 2022.

6.8 Tax Payments - Payment of Withheld Tax

6.8.1. Tax Collection. The PRO remits all federal income, Social Security, and Medicare taxes collected by the PRO directly to IRS through the Electronic Federal Tax Payment System (EFTPS). The EFTPS is a service offered by the Treasury that allows an agency to electronically file and make payments for the 941 taxes each quarter.

6.8.2. Accounting. The PRO making the tax collection is responsible for preparing and issuing the W-2 to the employee.

6.8.3. Disbursement. The disbursing office will disburse all taxes withheld based on the information provided by the PRO and the frequency of the payroll involved. The taxes are remitted for amounts withheld from wages for federal income, Social Security and/or Medicare taxes, and employer's contributions for Social Security and/or Medicare via the EFTPS.

6.9 Resident and Nonresident Aliens

6.9.1. Withholding Tax. Wages paid to both resident and nonresident aliens for services performed in the United States are subject to the withholding of federal income tax. The same regulations, procedures, and rates that govern U.S. citizens apply to resident and nonresident aliens. Generally, resident aliens are taxed in the same manner as U.S. citizens. However, for nonresident aliens, employers may be instructed to withhold an additional amount from a nonresident alien's wages. See Circular E for any additional withholding adjustments.

6.9.2. Withholding Allowances and Exemptions. Resident aliens may claim the full number of withholding allowances to which they would be entitled if they were U.S. citizens. Generally, nonresident aliens may claim one withholding allowance on the W-4. Nonresident aliens who are residents of Canada, Mexico, or South Korea, or a student/business apprentice from India, or a U.S. National may be able to claim additional withholding allowances. See ***IRS Publication 519***, U.S. Tax Guide for Aliens, for additional information. In general, federal income taxes on the wages of nonresident alien employees must be withheld. See ***IRS Publication 515***, Withholding of Tax on Nonresident Aliens and Foreign Entities, for exemptions to wage withholding.

6.9.3. Payment of Taxes and Tax Return. Federal income and Social Security/Medicare taxes withheld for resident and nonresident aliens covered in this chapter will be included with the total tax deposit payment and reported on the 941.

6.10 Lump-Sum Leave Payment Refunds From Reemployed Individuals

6.10.1. General. When a separated employee who received a lump-sum payment for annual leave is reemployed in federal service prior to the end of the period covered by the lump-sum payment, the employee must refund an amount equal to the pay covering the period between the date of reemployment and the expiration of the lump-sum period. See ***5 U.S.C. § 6306***. Refer to Chapter 8 regarding procedures on corrections of overpayments and underpayments.

6.10.2. Refunded Payments. See Chapter 8 regarding pay corrections and tax reporting on refunded lump-sum leave payments.

6.11 Advance Earned Income Credit (EIC)

The Education Jobs and Medicaid Assistance Act of 2010 (***PL 111-226***) signed into law on August 10, 2010, repealed the Advance EIC. After December 31, 2010, workers may not receive Advance EIC in their paychecks.

7.0 STATE INCOME TAX WITHHOLDING (SITW)

7.1 Withholding Authority

The withholding of state and territorial income taxes from the compensation of federal employees is allowed if an agreement has been entered into between the Secretary of the Treasury and the proper official of the state or territory. See ***5 U.S.C. § 5517***. Agreements exist between the Secretary of the Treasury and many of the states for withholding income tax from the compensation of federal employees whose regular place of employment is within the state. See Treasury Financial Manual ***(TFM), Volume 1, Part 6, Chapter 5000, Appendix 2*** for a list of states with existing agreements. If there is no existing agreement between a state and the Secretary of Treasury, then the employee may elect to have discretionary withholding for a state.

7.1.1. Wages Subject to State Withholding. Wages and salaries subject to federal income tax withholding are generally subject to state withholding. Cost-of-living allowances paid to employees in Hawaii are included as taxable income. Severance pay paid in accordance with ***5 U.S.C. § 5595*** is included; however, state income tax should not be withheld from severance pay paid to the survivor of a deceased employee.

7.1.2. Withholding Requirements. When a state statute provides for the collection of a tax by the employer, withholding is required for any DoD employee who is subject to the tax and whose regular place of federal employment is within the state (if the state has entered into an agreement). Generally, the employee's official duty station is where the employee reports regularly to perform services. For an employee whose duties are performed at a place other than his or her official duty station, the regular place of federal employment is the place where the employee actually and normally performs their duties.

7.1.3. Withholding Certificate. The DoD requires employees to complete a withholding certificate as the basis to properly withhold state taxes. The certificate should specify if the employee is subject to the tax, the employee's residence and regular place of employment, exemptions, allowances (if applicable). This certificate remains in effect until the employee submits a new certificate. If an employee does not furnish a withholding certificate for a designated state, the maximum amount applicable to the employee's annual compensation is withheld.

7.1.4. Methods for Withholding. The amount of state, city, or county income or employment tax withheld from the compensation of an employee or member of the armed forces must, at a minimum, approximate the tax required to be withheld. Withholding may be accomplished based on one of the following methods:

7.1.4.1. Applicable tax withholding rate(s) specified in the state, city, or county instructions;

7.1.4.2. Any other percentage or formula method; or

7.1.4.3. A calculated, fixed amount to be deducted each pay period from the compensation of the employee.

7.1.5. Reciprocal Agreements. The state requirements for withholding income tax may be modified by reciprocal agreements between states. The effect of reciprocal agreements generally is to relieve nonresident employees of their tax liability to the state in which they are employed. Reciprocal agreements also relieve the employer of the duty to withhold such taxes. To comply with Treasury-state withholding agreements, agencies must conform to the withholding provisions of reciprocal agreements. If an employee is subject to withholding in more than one state, use separate deduction codes to identify tax remittance for each state.

7.1.5.1. Employees usually are subject to withholding for the state in which their duty station is located. The employee's SF 50 shows the duty location. The duty station also governs withholding for employees in continual travel status. For an employee who performs duties at a place other than the official duty station, the place where the employee regularly performs his or her duties is considered the regular place of employment for state tax withholding purposes.

7.1.5.2. Reciprocal agreements between states may affect automatic withholding according to the duty station. In all disputed cases, the PRO will:

7.1.5.2.1. Withhold tax; and

7.1.5.2.2. Advise the employee to negotiate the tax liability directly with the proper taxing authority.

7.1.6. Nonresident Employees

7.1.6.1. Some states permit nonresident employees to certify their compensation is not subject to that state's income tax. When the agreement or state law contains such a provision, the employee's signed statement is accepted as justification to discontinue withholding of state income tax. The statement is filed with the employee's W-4.

7.1.6.2. Nonresident employees, who under the state income tax law are required to allocate at least three-fourths of their compensation to the state, are subject to withholding on their entire compensation. Nonresident employees, who under the state income tax law are required to allocate less than three-fourths of their compensation to the state, may elect to:

7.1.6.2.1. Have state income tax withheld on their entire compensation; or

7.1.6.2.2. Have no state income tax withheld on their compensation (***31 CFR 215.10(a)***).

7.1.7. State Income Tax Discretionary Deductions

7.1.7.1. When a state provides for discretionary allotment withholdings, the PROs will withhold state taxes only for those employees who have a legal obligation to pay and who elect such withholding. This applies whether or not the Treasury has a withholding agreement with the state.

7.1.7.1.1. Employees must request the allotment on a proper withholding certificate.

7.1.7.1.2. Employee tenure does not affect the allotment.

7.1.7.2. Employees located in foreign areas must assume the responsibility for determining the need for state and local taxes. However, before submitting a request, an employee must be advised to:

7.1.7.2.1. Obtain assistance from the employing activity legal staff available to him or her; or

7.1.7.2.2. Contact the appropriate state or local income tax office as to the applicability of withholding taxes while on an overseas assignment. Preferably, this should be completed prior to an employee's departure from the continental United States (CONUS). If the employee determines a withholding liability applies, then the PROs will honor the request.

7.1.7.3. The PRO must comply with the agreement, regulations, and instructions of the state concerned.

7.1.7.3.1. The PRO will base the allotment amount on either:

7.1.7.3.1.1. The amount (in whole dollars) set by an employee; or

7.1.7.3.1.2. The withholding certificate filed by an employee and the state withholding tables or formulas.

7.1.7.3.2. The PRO will pay withheld state income taxes to each state concerned as prescribed for that state.

7.1.8. State Exemption Certificates. Employees are subject to mandatory withholding under Treasury-state withholding agreements. However, an employee may claim exemption from withholding under certain conditions. The PROs must:

7.1.8.1. Require the use of state-furnished tax exemption certificates, if available; and

7.1.8.2. Give the designated official of the taxing state the following information (on request) about employees claiming exemption;

7.1.8.2.1. Name,

7.1.8.2.2. SSN, and

7.1.8.2.3. The basis for the claimed exemption.

7.1.9. Military Spouses Residency Relief Act (MSRRA)

7.1.9.1. The MSRRA (***PL 111-97***), enacted November 11, 2009 (50 U.S.C. § 571), allows for an employee, who is also a spouse of a military service member, to claim an exemption from state withholding on wages because:

7.1.9.1.1. The employee's spouse is a member of the Armed Forces assigned to duty in the state of the employee's employment in compliance with military orders;

7.1.9.1.2. The employee is present in the state of employment solely to be with the employee's military spouse; and

7.1.9.1.3. The employee maintains a residence or domicile in another state.

7.1.9.2. Under the MSRRA, employees must establish that they have a residence or domicile in a state other than the state of employment. An employee who is a military spouse is still liable for income taxes imposed by his or her state of legal residence or domicile. Once an employee establishes that he or she has a residence or domicile in a state other than the state of employment, the employee may claim an exemption from state tax in the state of employment.

7.2 PRO Responsibilities

The PRO will send copies of the W-2 to states that have negotiated agreements with the Secretary of the Treasury with respect to employees who are subject to mandatory state withholding, or who may elect withholding under a state law. See the ***TFM, Volume 1, Part 6, Chapter 5000***, Withholding of District of Columbia, State, City, and County Income or Employment Taxes.

7.2.1. Accounting for Withheld Taxes

7.2.1.1. Employee Pay Records. The PRO will record the amounts withheld each pay period on an employee's pay record when a special payment occurs; otherwise, the system will automatically update an employee's records.

7.2.1.2. Deposit Accounts. The PRO will:

7.2.1.2.1. Compute the total of withheld state taxes; and

7.2.1.2.2. Deposit the total amount for withheld state income taxes in accordance with Treasury's Federal Account Symbols and Titles (FAST) Book II. Credit the appropriate deposit account regardless of the employing activity of the employee.

7.2.1.3. Error Corrections. The PRO should correct a clerical error made in the prior pay period to the current calendar year if the employee is still on the payroll. If the error resulted in the under-deduction of taxes, the PRO must follow due process procedures to collect the taxes paid on behalf of the employee. If the error resulted in the over-deduction of withheld taxes, the PRO must refund the amount of the over-deduction to the employee on the next regular payroll cycle. The PRO will not make any adjustment if:

7.2.1.3.1. The employee is no longer on the payroll; or

7.2.1.3.2. The error was in a prior calendar year.

7.2.1.4. Paying Out Withheld Taxes

7.2.1.4.1. Frequency. The PROs will comply with the state's current tax law, whether payment is required biweekly, monthly, or quarterly. The PROs will not make payments more often than required under state tax law.

7.2.1.4.2. Payment Identification. The disbursing officer will issue checks based on an approved voucher prepared by the PRO. The PRO must prepare required tax payment documents.

7.2.1.5. Balancing State Wage and Tax Information. The PRO will balance the amounts reported on the W-2 to each state with year-to-date control totals for state taxes withheld and state taxable wages. These amounts must balance before the W-2s are distributed to employees and forwarded to the states.

7.2.1.6. Collection of Delinquent Taxes. The collection of a tax levy from a state or local government is authorized by ***5 CFR Part 582***. The DFAS Cleveland (DFAS-CL/L) has been designated as the agent to accept legal process for DoD civilian employees for state or local tax levies. Send all state income tax liens to the following address:

DFAS-CL/L
Attention: OGC
P.O. Box 998002
Cleveland, OH 44199-8002

7.2.1.7. Notice to Employees. The DoD Components should advise their employees that information returns will be sent to state and other taxing authorities of the employee's place of employment (and, in some cases, place of residence) where such authorities have requested the information. Only information properly releasable under the Privacy Act of 1974 (***5 U.S.C. § 552a***) or the applicable notice of routine use may be released.

7.2.2. Recordkeeping

7.2.2.1. The PROs must retain the following records of state tax deductions:

7.2.2.1.1. EIN assigned by the state;

7.2.2.1.2. Amounts and dates of all payments and wages subject to state tax withholding;

7.2.2.1.3. Names, addresses, and Social Security Numbers (SSNs) of employees; and

7.2.2.1.4. Dates and amounts of tax deposits made.

7.2.2.2. The HROs will retain the following:

7.2.2.2.1. The employee's state withholding allowance certificate, which will be kept until superseded or canceled; and

7.2.2.2.2. Dates of employment.

7.2.3. Official State and Territory Codes and Abbreviations. The official abbreviations and codes for the United States (including D.C.) are listed in Table 4-3. The official abbreviations for U.S. possessions and territories are listed in Table 4-4. No other abbreviations or codes may be used.

7.3 Guam or the Commonwealth of Northern Mariana Islands Federal Income Taxes

The total amount of federal income taxes withheld from employee salaries creditable to Guam or the Commonwealth of Northern Mariana Islands must be certified and submitted each calendar quarter to the IRS. The certifications must include the employer identification number, the quarter covered by the certifications, and the dollar amount withheld. The submission may contain one certification, but amounts attributable to Guam and the Commonwealth of Northern Mariana Islands must be reported separately. Refer to the ***IRS Publication 80, (Circular SS)***, Federal Tax Guide for Employers in the U.S. Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands.

8.0 CITY AND LOCAL INCOME TAX WITHHOLDING

8.1 Withholding Authority

Withholding of city, county, or employment tax from compensation of federal employees who are subject to tax and whose regular place of federal employment is within the city or county which has entered into a proper agreement with the Secretary of the Treasury is authorized by ***5 U.S.C. § 5520***. Withholding is also required if the employee is a resident of the city or county. Each DoD employee must complete a withholding certificate for city or local taxes as a basis for proper withholding. An out-of-state employee's consent to have city or local taxes withheld is also required when applicable.

8.1.1. Treasury Agreements. An agreement must be reached between the Secretary of the Treasury and the applicable city, county, or local taxing authority before withholding is required. See TFM, Volume 1, Part 6, Chapter 5000. The agreement provides for mandatory withholding of income or employment tax from the compensation of federal employees whose regular place of employment is within the city or county or who are residents of the city or county. Generally, this is where employees report for work. In the case of employees who perform their services other than where they report, the regular place of employment is where the employee regularly performs his or her services.

8.1.2. Wages Subject to City and County Withholding. The PROs must apply policies and follow procedures as prescribed for each state in the determination of employee wages subject to mandatory city and county withholding.

8.1.2.1. Basic Wages. All wages and salaries subject to federal income tax withholding are normally subject to city and county withholding. Severance pay paid to an employee is generally included. However, when paid to the survivor of a deceased employee, exclude severance pay.

8.1.2.2. Mandatory Withholding

8.1.2.2.1. The PRO must withhold tax from wages of federal employees who reside in cities or counties that have entered into withholding agreements.

8.1.2.2.2. The PRO must withhold tax from the wages of federal employees whose regular place of federal employment is within a city or county where they are subject to tax. If employees reside in a state other than the state in which the city or county is located, then they are exempt from mandatory withholding.

8.1.2.2.3. The federal employee's regular place of employment usually is the employee's official duty station that is on the SF 50. If an employee actually performs service at a location other than the official duty station, that alternate location becomes the regular place of employment.

8.1.2.2.4. Many local ordinances tax only wages for services performed within the city or county; in most cases, this applies only to nonresident employees. Employees eligible to exclude part of their annual income under such provisions must submit a withholding certificate that specifies the amount or percentage. The PRO must reduce withholding accordingly. If the employee does not file a certificate, the PRO must withhold tax based on the employee's total compensation. The PROs must not make an adjustment in withholding if employees perform less than 25 percent of their services outside the city or county.

8.1.3. Withholding Certificates

8.1.3.1. Employees must submit withholding certificates and provide all the information needed to deduct city or county income taxes. If employees do not provide a certificate, then the PRO must withhold tax at the highest level that applies to their annual wages. However, the PRO must not withhold any tax from wages of out-of-state employees until they present a form consenting to withholding.

8.1.3.2. Employing activities may use a withholding or exemption certificate furnished by a city or county only if it contains all required information. If the form does not contain all needed information, then employing activities may use Treasury's Fiscal Service ***(FS) Form 7311***, Employee Withholding Certificate for Local Taxes. See TFM, Volume 1, Part 6, Chapter 5000.

8.1.3.3. Agencies may provide copies of completed withholding forms to the city or county when requested by the taxing authority for which the tax was withheld.

8.1.4. Discretionary Withholding of City or Local Tax

8.1.4.1. Nonresident Employees. An employee who does not reside in the state in which the city or county (place of employment) is located is exempt from mandatory withholding; however, the PRO may withhold tax with the employee's consent. The employee must submit a withholding certificate.

8.1.4.2. Allotment for Discretionary Deduction. Employees have the option of making discretionary allotments for the payroll deduction of taxes of their city or county of residence if employed outside that location. The fact that taxes are withheld for the city or county of employment does not affect the employee's discretionary allotment.

8.1.4.2.1. An employee may make a discretionary allotment for withholding even though the city or county does not have a withholding agreement.

8.1.4.2.2. The PRO must set the allotment amount on the city or county withholding method or deduct a whole dollar amount set by the employee. The employee must submit a proper withholding certificate.

8.1.4.3. Accounting for Discretionary Withholding. The PRO must account for discretionary tax deductions as prescribed for mandatory withholdings.

8.1.4.4. Methods for Withholding. The PRO must withhold tax based on one of the following methods:

8.1.4.4.1. The proper city or county tax withholding rate set in the city or county instructions;

8.1.4.4.2. The prescribed percentage or formula method; or

8.1.4.4.3. Computation of a set amount to be deducted from the employee's pay each pay period.

8.1.4.5. Minimum Withholding. The PRO must deduct an amount, at a minimum, nearly equal to the tax required by the city or county.

8.2 PRO Responsibilities

The PRO must record amounts withheld each pay period in the employee's pay record when a special payment occurs. Otherwise, the system will automatically update an employee's record.

8.2.1. Deposits. The PRO must:

8.2.1.1. Compute withheld city (or county) income tax below state or territorial tax and the total amount withheld each pay period; and

8.2.1.2. Credit the withheld tax into the appropriate deposit fund account for city and county tax.

8.2.2. Correcting Errors. The PROs must apply the same instructions applicable to the withholding of state taxes.

8.2.3. Paying Out Withheld Taxes. The PROs must apply instructions for state tax.

8.3 Recordkeeping

8.3.1. The PROs must keep all records of city or county income tax deductions. Records should include the following:

8.3.1.1. EIN assigned by the city or county;

8.3.1.2. Amounts and dates of all wages subject to city or county tax withholding;

8.3.1.3. Names, addresses, and SSN of employees;

8.3.1.4. Dates and amounts of city or county tax paid; and

8.3.1.5. Copies of all returns filed.

8.3.2. The employing activity must retain withholding authorization certificates for city tax deductions for each employee until superseded or canceled.

*Figure 4-1: Order of Precedence for Processing Mandatory and Voluntary Deductions

When Gross Pay is Not Sufficient. If a DoD employee's gross pay is not sufficient to permit all required deductions, the order of precedence under which deductions must be withheld as indicated in the list below:

1. RETIREMENT DEDUCTIONS
   a. Civil Service Retirement System (CSRS)
   b. Federal Employees Retirement System (FERS)
   c. Civil Service Retirement System - Offset (CSRS-Offset)
   d. Title 32 National Guard
   e. Non-Appropriated Fund Instrumentality (NAFI) Employee Retirement Contributions
2. OASDI (Social Security) (collected under the authority of FICA)
3. MEDICARE TAX (collected under the authority of FICA)
4. FEDERAL INCOME TAX
5. HEALTH INSURANCE PREMIUMS (may be pre-tax benefit under Federal Flexible Benefits Plan or cafeteria plan)
6. BASIC GROUP LIFE INSURANCE PREMIUMS
   a. Federal Employees Group Life Insurance (FEGLI)
   b. State Life Insurance Premiums
7. STATE INCOME TAX
8. LOCAL INCOME TAX
9. COLLECTION OF DEBTS OWED TO THE UNITED STATES
   a. Continuous Levy under the Federal Payment Levy Program (tax debt)
   b. Salary Offsets
10. COURT-ORDERED COLLECTION/DEBT
    a. Child Support
    b. Alimony
    c. Bankruptcy
    d. Commercial Garnishments

*Figure 4-1: Order of Precedence for Processing Mandatory and Voluntary Deductions (Continued)

11. OPTIONAL BENEFITS (see Chapter 11)

a. Health Care/Limited-Expense Health Care Flexible Spending Accounts (pre-tax benefit under Federal Flexible Benefits Plan or cafeteria plan)

b. Dental (pre-tax benefit under Federal Flexible Benefits Plan or cafeteria plan)

c. Vision (pre-tax benefit under Federal Flexible Benefits Plan or cafeteria plan)

d. Health Savings Account (pre-tax)

e. Optional Life Insurance Premiums

f. Long-Term Care Insurance Premiums

g. Dependent Care Flexible Spending Accounts (pre-tax benefit under Federal Flexible Benefits Plan or cafeteria plan)

h. TSP

(1) Loan Payments

(2) Basic Contributions (may be pre-tax)

(3) Catch-up Contributions (may be pre-tax)

i. Other Optional Benefits

12. OTHER VOLUNTARY DEDUCTIONS/ALLOTMENTS

a. Military Service Deposits

b. Professional Associations

c. Union Dues

d. Charities

e. Bonds

f. Personal Account Allotments (to savings or checking accounts)

g. Additional Voluntary Deductions (on first-come, first-served basis)

13. INTERNAL REVENUE SERVICE (IRS) PAPER LEVIES

Table 4-1: Mandatory Deductions Withheld From Civilian Pay for CSRS and FERS Employees

COMPENSATION TYPE	FED. TAX	SOCIAL SECURITY	MEDI-CARE	STATE	CITY/ LOCAL	RET	TSP
1. Premium pay: Sunday, Holiday and Overtime;	YES	YES	YES	YES	YES	NO	NO
Standby Duty, Availability Pay, and Administratively Uncontrollable Overtime	YES	YES	YES	YES	YES	YES	YES
2. Basic Pay	YES	YES	YES	YES	YES	YES	YES
3. Differentials include Night, Hazardous, Post (Non-foreign & foreign), Staffing, Supervisory	YES	YES	YES	YES	YES	NO	NO
4. Other Differentials: Shift, Environmental, and Tropical	YES	YES	YES	YES	YES	YES	YES
5. Lump-Sum Leave	YES	YES	YES	YES	YES	NO	NO
6. Severance Pay	YES	YES	YES	YES	YES	NO	NO
7. Awards	YES	YES	YES	YES	YES	NO	NO
8. Allowances include Living Quarters, Temporary Quarters Subsistence, Post, Foreign Transfer, Home Service Transfer, Separate Maintenance, Official Residence, Representation, Cuba Benefit	NO	NO	NO	NO	NO	NO	NO
9. Other Allowances: a. Non-foreign Cost-of-Living b. Physicians Comparability c. Remote Site d. Danger Pay	 NO YES YES YES	 NO YES YES YES	 NO YES YES YES	 * YES * YES	 * YES * YES	 NO YES NO NO	 NO YES NO NO
10. Recruitment, Relocation, and Retention Incentives	YES	YES*	YES	YES	YES	NO	NO
11. Separation Incentive Pay	YES	YES	YES	YES	YES	NO	NO

*Varies by state and city/local taxing authority. See also Chapter 3 for additional guidance.

*Table 4-2: 1994-2023 FICA Percent Rates: Social Security and Total Maximum Tax

CALENDAR YEAR	MAXIMUM GROSS PAY	SOCIAL SECURITY	MEDICARE*	MAXIMUM TAX PAYABLE
1994	60,600	6.20%		3,757.20
1995	61,200	6.20%		3,794.40
1996	62,700	6.20%		3,887.40
1997	65,400	6.20%		4,054.80
1998	68,400	6.20%		4,240.80
1999	72,600	6.20%		4,501.20
2000	76,200	6.20%		4,724.40
2001	80,400	6.20%		4,984.80
2002	84,900	6.20%		5,263.00
2003	87,000	6.20%		5,394.00
2004	87,900	6.20%		5,449.80
2005	90,000	6.20%		5,580.00
2006	94,200	6.20%		5,840.40
2007	97,500	6.20%		6,045.00
2008	102,000	6.20%		6,324.00
2009-2010	106,800	6.20%		6,621.60
2011**	106,800	4.20%		4,485.60
2012***	110,100	4.20%		4,624.20
2013****	113,700	6.20%		7,049.40
2014	117,000	6.20%		7,254.00
2015-2016	118,500	6.20%		7,347.00
2017	127,200	6.20%		7,886.40
2018	128,400	6.20%		7,960.80
2019	132,900	6.20%		8,239.80
2020	137,700	6.20%		8,537.40
2021	142,800	6.20%		8,853.60
2022	147,000	6.20%		9,114.00
2023	160,200	6.20%		9,932.40

* From 1994 to 2011, the Medicare tax is 1.45% with no limit on the maximum amount of taxable wages for Medicare. Beginning in 2013, the employee's portion of the Medicare tax is increased by an additional 0.9% (a total of 2.35%) for wages in excess of $200,000.
** For 2011, the employee's portion of the Social Security tax is 4.2%. The employer's portion of the Social Security tax in 2011 remains 6.2% for the employee's first $106,800 of taxable earnings. In addition to the Social Security tax, an employee is subject to a Medicare tax of 1.45%, with no limit on the maximum amount of taxable wages for Medicare. The employer must pay a Medicare tax of 1.45% and the combined Medicare tax for 2011 remains at 2.9% on all employee earnings.
*** For 2012, the employee's portion of the Social Security tax remained at 4.2%.
**** For 2013, the employee's portion of the Social Security tax is 6.2%.

See the Social Security Administration's ***Social Security & Medicare Tax Rates*** for historical information (CY 1993 and prior years) or regarding rates and limits in Table 4-2.

Table 4-3: State Abbreviations and Numeric Codes

STATE	ABBREVIATION	CODE
Alabama	AL	01
Alaska	AK	02
Arizona	AZ	04
Arkansas	AR	05
California	CA	06
Colorado	CO	08
Connecticut	CT	09
Delaware	DE	10
District of Columbia	DC	11
Florida	FL	12
Georgia	GA	13
Hawaii	HI	15
Idaho	ID	16
Illinois	IL	17
Indiana	IN	18
Iowa	IA	19
Kansas	KS	20
Kentucky	KY	21
Louisiana	LA	22
Maine	ME	23
Maryland	MD	24
Massachusetts	MA	25
Michigan	MI	26
Minnesota	MN	27
Mississippi	MS	28
Missouri	MO	29
Montana	MT	30
Nebraska	NE	31
Nevada	NV	32
New Hampshire	NH	33
New Jersey	NJ	34
New Mexico	NM	35
New York	NY	36
North Carolina	NC	37
North Dakota	ND	38
Ohio	OH	39

Table 4-3: State Abbreviations and Numeric Codes (Continued)

STATE	ABBREVIATION	CODE
Oklahoma	OK	40
Oregon	OR	41
Pennsylvania	PA	42
Rhode Island	RI	44
South Carolina	SC	45
South Dakota	SD	46
Tennessee	TN	47
Texas	TX	48
Utah	UT	49
Vermont	VT	50
Virginia	VA	51
Washington	WA	53
West Virginia	WV	54
Wisconsin	WI	55
Wyoming	WY	56

Table 4-4: U.S. Possessions and Territories Abbreviations and Numeric Codes

U.S. POSSESSION OR TERRITORY	CODE
American Samoa	60
Defense Complex Panama	61
Canton and Enderbury Islands	62
Guam	66
Johnston Atoll	67
Midway Islands	71
Puerto Rico	72
Ryuku Islands, Southern	73
Swan Islands	74
Trust Territories of Pacific Islands	75
U.S. Miscellaneous Caribbean Islands	76
U.S. Miscellaneous Pacific Islands	77
Virgin Islands	78
Wake Island	79

REFERENCES

CHAPTER 4 – MANDATORY DEDUCTIONS

2.0 – MANDATORY DEDUCTIONS

2.1	DoD FMR Volume 8, Chapter 11
2.3	National Archives, General Records Schedule 2

3.0 – ORDER OF PRECEDENCE

3.1	OPM Memorandum, PPM-2008-01
3.1.2.2	5 CFR 581.105(e)

4.0 – RETIREMENT DEDUCTIONS

4.1.1	CSRS and FERS Handbook
4.1.1.2	5 U.S.C. § 8401
4.1.2	5 U.S.C. § 8336a
	5 CFR Part 848
	CHCOC Phased Retirement Guidance
	OPM Phased Retirement
	DoD FMR Volume 8, Chapter 10
4.1.3	CSRS and FERS Handbook
	BAL 15-303
4.1.3.1	CSRS and FERS Handbook, Chapter 1, section 1C3.1-D
4.1.6.1	CSRS and FERS Handbook, Chapter 81, part 81A2
4.1.6.2	OPM Operating Manual, Guide to Data Standards
	CSRS and FERS Handbook, Chapter 81, part 81A2-2
4.1.6.2.1	5 CFR 630.502(b)
	CSRS and FERS Handbook, Chapter 81, section 81A2.3-1
4.1.6.2.2	CSRS and FERS Handbook, Chapter 81B
4.1.6.2.3	FEGLI Program Handbook
4.1.6.2.4	BAL 15-102
4.1.6.3	CSRS and FERS Handbook, Chapter 81, section 81A2.2-4
4.1.6.3.1	CSRS and FERS Handbook, Chapter80
4.1.6.3.2	CSRS and FERS Handbook, Chapter 32A
	CSRS and FERS Handbook, Chapter 32B

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4.1.6.3.2.1	CSRS and FERS Handbook, Chapter 60 CSRS and FERS Handbook, Chapter 81, section 81A.2.3-2
4.1.6.3.4	CSRS and FERS Handbook, Chapter 81, section 81A2.3-1
4.1.6.3.5	CSRS and FERS Handbook, Chapter 23 DoD FMR Volume 8, Chapter 11
4.1.8.1	CSRS and FERS Handbook, Chapter 81, part 81A3.
4.1.9	CSRS and FERS Handbook, Chapter 81, section 81A2.3-3
4.1.10.1	CSRS and FERS Handbook, Chapter 5
4.1.10.2	DoD FMR Volume 16, Chapter 3 CSRS and FERS Handbook, Chapter 4 CSRS and FERS Handbook, Chapter 5
4.1.11	DoD FMR Volume 8, Chapter 9 CSRS and FERS Handbook, Chapter 80
4.2	32 U.S.C. § 709 CSRS and FERS Handbook, Chapter 12
4.3	5 U.S.C. § 2105(c) DoDI 1400.25-V1408, Insurance and Annuities for NAF Employees
4.3.2	DCPAS Portability of Benefits Reference Guide 5 CFR Part 847 5 CFR 1620, subpart D
4.3.4.1	NAFI Employee's Retirement Credit Act of 1986, PL 99-638 5 U.S.C. § 8332
4.3.4.2	The Portability of Benefits for NAF Employees Act of 1990, PL 101-508, section 7202 5 U.S.C. § 8332
4.3.4.3	NDAA FY 1996, PL 104-106, section 1043 5 U.S.C. § 8332
4.3.4.4	NDAA FY 2002, PL107-107, sections 1131 and 1132 5 U.S.C. § 8332
4.3.5	5 CFR 847.202
4.4.1	10 U.S.C. § 2113 USUHS Instruction 1418, Civilian Faculty Benefits Plan

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5.0 – FEDERAL INSURANCE CONTRIBUTIONS ACT (FICA) TAX

5.1	26 U.S.C., Chapter 21
	Social Security Handbook
5.1.1	Social Security Handbook, section 940
5.1.1.2	26 U.S.C. § 3121(b)(6)
5.1.1.3	26 U.S.C. § 3121(b)(6)
5.1.1.5	26 U.S.C. § 3112
5.3.1	IRS Publication 15, Circular E
5.3.2	85 FR 49587
	IRS Notice 2021-11
5.3.3	IRS Publication 15, Circular E

6.0 – FEDERAL INCOME TAX WITHHOLDING (FITW)

6.1.1	26 U.S.C. § 3402
	IRS Publication 15, Circular E
	26 U.S.C. § 3306
6.1.2	IRS Publication 15, Circular E
6.1.3	TCJA of 2017, PL 115-97
6.1.4	IRS Publication 15-T
6.7.1	DoD FMR Volume 8, Chapter 8
	IRS Publication 15, Circular E
6.9.1	IRS Publication 15, Circular E
6.9.2	IRS Publication 519
	IRS Publication 515
6.10.1	5 U.S.C. § 6306
	DoD FMR Volume 8, Chapter 8
6.10.2	DoD FMR Volume 8, Chapter 8
6.11	Education Jobs and Medicaid Assistance Act of 2010, PL 111-226

7.0 – STATE INCOME TAX WITHHOLDING (SITW)

7.1	5 U.S.C. § 5517
	TFM, Volume 1, Part 6, Chapter 5000, Appendix 2
7.1.1	5 U.S.C. § 5595
7.1.6.2.2	31 CFR 215.10(a)
7.1.9.1	MSSRA, PL 111-97
	50 U.S.C. § 571
7.2.1.2.2	Treasury's FAST Book II
7.2.1.6	5 CFR Part 582
7.2.1.7	Privacy Act of 1974, 5 U.S.C. § 552a
7.3	IRS Publication 80, Circular SS

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8.0 – CITY AND LOCAL INCOME TAX WITHHOLDING

8.1	5 U.S.C. § 5520
8.1.1	TFM, Volume 1, Part 6, Chapter 5000
8.1.3.2	TFM, Volume 1, Part 6, Chapter 5000

VOLUME 8, CHAPTER 5: "LEAVE AND OTHER ABSENCES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated December 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instruction.	Revision
3.5.8	Removed paragraph concerning higher annual leave carryover limit under Section 1111 of the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2021 due to this entitlement expiring at the beginning of Leave Year 2022.	Deletion
4.7	Removed paragraph concerning emergency paid sick leave due to this entitlement expiring on December 31, 2020.	Deletion
5.1.2.3	Added paragraph with guidance from the FY 2024 NDAA and renumbered section appropriately.	Addition
5.3.5	Clarified information regarding work obligation for parental paid leave.	Revision
14.4	Updated section and section title in accordance with current guidance.	Revision
14.5	Updated paragraph in accordance with current guidance.	Revision
14.7	Updated reference for representative time.	Revision
14.11	Updated section in accordance with current guidance for vaccinations for employees and their family members.	Revision
14.12	Added section regarding excused absence for permanent change of station.	Addition
14.13	Added section regarding excused absence for employment interview.	Addition
14.14	Added section regarding excused absence for counseling.	Addition
14.15	Added section regarding excused absence for volunteer activities.	Addition
14.16	Added section regarding excused absence for emergency situations.	Addition

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
14.17	Added section regarding excused absence for physical examinations for enlistment or induction into the armed forces.	Addition
14.18	Added section regarding excused absence for Medal of Honor holders.	Addition
17.0	Updated shore leave in accordance with current guidance with the NDAA for FY 2024.	Revision
Previous Section 27.0	Removed section due to emergency paid leave expiring on September 30, 2021.	Deletion
27.0	Updated parental bereavement leave with current guidance.	Revision
References	Updated section with new references.	Addition

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CHAPTER 5

LEAVE AND OTHER ABSENCES

1.0 GENERAL

1.1 Purpose

The Office of Personnel Management (OPM) provides government-wide information on Federal leave policies and programs. Each Federal agency is responsible for administering leave policies and programs for its employees. The purpose of this chapter is to provide information on leave policies specific to DoD employees as they apply to the various types of leave, including annual leave, sick leave, leave sharing, leave under the Family and Medical Leave Act (FMLA), leave options for child birth/placement, and time off for special circumstances, such as weather and safety leave, disabled veteran leave, or court leave. The type, amount, and nature of leave benefits are dependent on the type and length of employment, military status, and other eligibility requirements.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with ***OPM's Pay and Leave***; Title 5, United States Code (U.S.C.), Chapter 63; (***5 U.S.C. Chapter 63***); Title 5, Code of Federal Regulations (CFR), Part 630 (***5 CFR Part 630***); and the DoD Instruction ***(DoDI) 1400.25-V630***. Due to the subject matter in the chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each section are listed in a reference section at the end of this chapter.

2.0 GENERAL REQUIREMENTS AND RESPONSIBILITIES

2.1 Objectives

Civilian Payroll Offices (PRO) and payroll systems areas are responsible for meeting the following objectives:

2.1.1. Maintaining leave records and balances for each employee as provided in paragraph 2.3,

2.1.2. Recording accrued and accumulated leave. Accrued leave is leave earned by an employee during the current leave year that is unused at any given time in that year. Accumulated leave means unused leave remaining to the credit of an employee at the beginning of the leave year,

2.1.3. Reporting all leave taken, and

2.1.4. Reporting accurate data on leave use and accruals in order to simplify the collection of leave-related debts and preparation of financial reports.

2.2 Maintaining Leave Records

A leave record must be maintained for each employee in order to show:

2.2.1. Rate of accrual for each type of leave,

2.2.2. Hours or days accrued, and type of leave used,

2.2.3. Hours or days of leave advanced by leave type, and

2.2.4. Leave balances.

2.3 Rate of Leave Accrual

2.3.1. Leave Year. The leave year begins on the first day of the first full biweekly pay period in a calendar year. A leave year ends on the day immediately before the first day of the first full biweekly pay period in the following calendar year (or first complete pay period in the following calendar year). See the leave years for 2012 through 2030 at the OPM Fact Sheet, ***Leave Year Beginning and Ending Dates***.

2.3.2. System Requirements for Accurate Leave Records. To ensure proper accrual rates, the civilian payroll system must contain accurate information on the type of appointment for each employee and the types of leave hours or days to which the employee is entitled. Leave earned for each type of leave using the correct rates effective for the proper times must be accurately recorded.

2.3.3. Reductions in Leave Credits. Reductions in the leave balances are made at the beginning of each leave year for any accumulated leave that exceeds statutory limits. Reductions in leave credits must be made in accordance with ***5 CFR 630.208***.

2.3.4. Reductions Resulting in a Debit. When a reduction in leave credits results in a debit to an employee's annual leave account at the end of a leave year, the agency must:

2.3.4.1. Carry the debit forward as a charge against the annual leave to be earned by the employee in the next leave year; or

2.3.4.2. Require the employee to refund the amount paid him for the period covering the excess leave that resulted in the debit.

2.3.5. Recording Leave Credits and Usage. Annual and sick leave earned for each pay period must be posted to the employee's leave record. The leave record must also reflect all leave used during the same pay period.

2.3.6. Prorating the Accrual of Leave. When an employee's service is interrupted by a non-leave-earning period, leave is earned on a pro rata basis for the portion of the pay period that the employee is in a pay status. See ***5 CFR 630.204***. See Table 5-1 for proration of leave.

2.4 Approval

To support the time and attendance record, employees must request approval of leave. The employee's supervisor, or other designated official, should approve leave before the leave is taken. If the leave cannot be approved in advance due to an unusual or emergency situation, it should be reviewed for approval or disapproval as soon as possible after the leave is taken. See General Accounting Office ***(GAO)-03-352G***, Maintaining Effective Control over Employee Time and Attendance Reporting. Supervisors designated to approve leave must document leave used in writing. Documentation for leave used must show the dates, times, and types of leave taken.

2.5 Minimum Charge

Heads of DoD Components and their designees have the authority to establish minimum charges for leave as outlined in the DoDI 1400.25-V630. The minimum charge for leave will be 1 hour unless an agency determines a need to establish a minimum charge for leave of less than 1 hour or establishes a different minimal charge through negotiations. In any case, the agency may not charge for leave in increments of less than 6 minutes. See ***5 CFR 630.206***.

3.0 ANNUAL LEAVE

3.1 General

Annual leave is an approved leave of absence from duty with pay for personal, emergency, or other reasons. An employee may use annual leave for vacations, rest and relaxation, and personal business or emergencies. Annual leave may be used for pregnancy, childbirth and recovery, bonding with or caring for a baby, or for other childcare responsibilities. An employee has a right to take annual leave, subject to the right of the supervisor to schedule the time at which annual leave may be taken. An employee will receive a lump-sum payment for accumulated and accrued annual leave when he or she separates from Federal service. An employee may also elect to have a lump-sum payment at the time they enter on active duty in the Armed Forces. For additional information, see ***5 CFR 630, subpart C*** and OPM's Handbook on ***Leave and Workplace Flexibilities for Childbirth, Adoption, and Foster Care***.

3.1.1. Creditable Service for Annual Leave Accrual. When a new employee is hired, the hiring agency establishes a Service Computation Date (SCD) at the time of the appointment. The SCD is used to determine the rate that the employee accrues annual leave (4, 6, or 8 hours per pay period for most employees). See subparagraph 3.2.2, ***5 CFR 630.205***, and ***OPM's Creditable Service for Leave Accrual***.

3.1.2. Charging Annual Leave Accrued During the Same Pay Period. To ensure the proper documentation of leave, any annual leave earned should be posted in a pay period to the employee's record before charging the leave taken during the same pay period.

3.1.3. Substituting Annual Leave for Sick Leave. If requested by an employee (and approved by a supervisor), any absence that is otherwise chargeable to sick leave may be charged to annual leave. Retroactively substituting annual leave for sick leave is not authorized except to

liquidate advanced sick leave indebtedness. The substitution of annual leave for sick leave may not be made retroactively for the purpose of avoiding a forfeiture of annual leave at the end of the leave year.

3.1.4. Scheduling of Annual Leave. Employees and their supervisors are mutually responsible for planning and scheduling the use of employees' annual leave throughout the leave year. Employees should request annual leave in a timely manner, and supervisors should provide timely responses to employees' requests.

3.2 Annual Leave Accrual

3.2.1. General. Most employees earn leave based on their work schedule, status, and time in service. Paragraph 3.2 does not apply to employees who are Senior Executive Service (SES), Senior Level (SL)/Scientific or Professional (ST) employees. See paragraph 3.3 for leave accrual for SES, SL/ST employees.

3.2.2. Eligibility for Annual Leave. Generally, most employees are eligible to take authorized absences from work using accrued annual leave, subject to the following requirements.

3.2.2.1. Uncommon Tour of Duty

3.2.2.1.1. General. Full-time, part-time, temporary, and employees on uncommon tours of duty are eligible to accrue annual leave. Employees with an uncommon tour of duty accrue leave directly proportional (based on the number of hours in the biweekly tour of duty and the accrual rate of the corresponding leave category) to the standard leave accrual rates for employees who accrue and use leave on the basis of an 80-hour biweekly tour of duty. When an employee is converted to a different tour of duty for leave purposes, his or her leave balances must be converted to the proper number of hours based on the proportion of hours in the new tour of duty compared to the former tour of duty. See ***5 CFR 630.210(b)***.

3.2.2.1.2. Formula. The following formula is used to arrive at the maximum hour accumulation for a newly assigned standby employee who has a 30-day maximum accumulation. Multiply 240 times the number of hours in the standby workweek then divide the result by 40. Using this formula, the maximum accumulation for an employee with a 72-hour standby workweek would be 432 hours. For an employee with a 56-hour standby workweek, the maximum accumulation would be 336 hours. See citation to the Federal Personnel Manual Supplement 990-2, Book 630, paragraph S2-6 (reference (k)) at ***59 Federal Register 248***, December 28, 1994.

3.2.2.2. Temporary. Temporary employees with an appointment of less than 90 days are entitled to accrue annual leave only after being employed for a 90-day continuous period under successive appointments with no break in service. After completing the 90-day period of continuous employment, the employee is entitled to be credited with the leave that would have accrued during that period.

3.2.2.3. Intermittent and Seasonal Employees. Employees without an established scheduled tour of duty during the administrative workweek are not eligible to accrue annual leave. See ***5 CFR 340, subpart D***.

3.2.3. Accrual Rates. Employees must be employed for the full pay period to accrue leave for that pay period. An employee is considered to be employed for a full pay period if they are employed during the days falling within that period, exclusive of holidays and non-workdays established by Federal statute, Executive Order, or administrative order. See ***5 U.S.C § 6302(b)***. The amount of annual leave earned is based on the length of Federal service, including creditable military service or service credit for prior non-Federal service under ***5 U.S.C. § 6303(e)*** and 5 CFR 630.205. Leave for full-time employees is earned as follows (see Table 5-1):

3.2.3.1. Full-time employees with less than 3 years of service earn 4 hours of annual leave per pay period or a total of 13 days per year;

3.2.3.2. Full-time employees with over 3 years, but less than 15 years of service, earn 6 hours per pay period or a total of 20 days per year. These employees earn an additional 4 hours in the last full pay period of the calendar year; or

3.2.3.3. Full-time employees with 15 or more years of service earn 8 hours per pay period or a total of 26 days per year.

3.2.4. Nonpay Status and Annual Leave Accrual. The accumulation of nonpay status hours during the leave year may affect the accrual of annual leave. Each time the number of hours in a nonpay status in a full-time employee's leave year equals the number of base pay hours in a pay period, the civilian payroll system reduces leave credits by the amount of leave the employee earned during the pay period. When an employee's accumulated nonpay hours do not require a reduction of leave credits, the civilian payroll system drops the nonpay hours at the end of the employee's leave year. Annual leave does not accrue for employees who are in a nonpay status and who are receiving compensation from the Office of Workers' Compensation Program (OWCP). Therefore, for such employees, no reduction in leave credits is required. See 5 CFR 630.208.

3.2.5. Part-Time Employee Annual Leave Accrual

3.2.5.1. Under ***5 CFR 630.303***, part-time employees with regularly scheduled tours of duty earn annual leave on a pro rata basis for the time they are in a pay status. Leave is earned as follows:

3.2.5.1.1. Part-time employees with less than 3 years of service earn 1 hour of annual leave for each 20 hours in a pay status.

3.2.5.1.2. Part-time employees with 3 years but less than 15 years of service earn 1 hour of annual leave for each 13 hours in a pay status.

3.2.5.1.3. Part-time employees with 15 or more years of service earn 1 hour of annual leave for each 10 hours in a pay status.

3.2.5.2. Hours in a pay status that exceed the activity's basic work hours in a pay period (normally 80 hours) are disregarded when computing the leave earnings for part-time employees. See ***5 CFR 630.202(b)***.

3.2.5.3. Part-time employees may carry forward from one pay period to the next those excess hours that are not evenly divisible by 10, 13, or 20 hours; as applicable, these hours must be added to the next pay period work hours for leave accrual.

3.2.5.4. Part-time employees who work concurrently in two part-time Federal positions may earn annual leave on the same pro rata basis for the hours worked in each part-time position. Only the leave earned in the given part-time position may be used for absences from that position.

3.2.6. Uncommon Tours of Duty and Annual Leave Accrual. An uncommon tour of duty means an established tour of duty that exceeds 80 hours of work in a pay period. See ***5 CFR 630.201***. Employees working uncommon tours of duty accrue leave in direct proportion to the standard leave rates for employees who accrue and use leave based on an 80-hour biweekly tour of duty**.** See 5 CFR 630.210(a). See the Application of the Directionally Proportional Table in DoDI 1400.25-V630 to determine the appropriate amount of leave to credit an employee working an uncommon tour of duty. For employees on uncommon tours of duty, 1 hour of leave is charged for each hour of absence from the uncommon tour of duty.

3.3 Annual Leave Accrual Rates for SES, SL/ST, or Defense Intelligence Senior Level (DISL) Employees

3.3.1. General. Section 202(b) of the Federal Workforce Flexibility Act of 2004, effective October 30, 2004, provides a higher annual leave accrual rate of 1 full day (8 hours) per pay period, without regard to the length of service with the Federal Government. This act affects members of the SES (***5 U.S.C. § 5383***), SL and ST positions (***5 U.S.C. § 5376***), and DISL employees (***10 U.S.C. § 1607(a)***), hereinafter SES members. See 5 U.S.C. § 6303(f) and ***5 CFR 630.301***.

3.3.2. OPM Approval of Additional Categories of Employees. The head of an agency may request that OPM authorize an annual leave accrual rate of one full day (8 hours) for each pay period for additional categories of employees covered by ***5 U.S.C. § 6301***. The positions must be determined by OPM to be equivalent to positions subject to the pay systems under 5 U.S.C. § 5383 or 5376. Such requests must include an explanation of the rationale for considering the affected pay system to be equivalent to the SES member pay system. See 5 CFR 630.301(b). Once OPM approves an agency's request to cover additional categories of employees, the higher annual leave accrual rate will become effective for the pay period that OPM approves the agency's request. Agencies must credit annual leave at the 8-hour accrual rate for affected employees employed for the full pay period.

3.3.3. SES Members Who Change Positions

3.3.3.1. Revising Accrual Rates. SES members who move to a position not covered by the higher annual leave accrual rate will no longer be entitled to the higher rate. Upon movement

to a non-covered position, an SES member's annual leave accrual rate must be determined based on his or her years of creditable service, as provided in 5 U.S.C. § 6303(a) and 5 CFR 630.301(d).

3.3.3.2. Crediting Accumulated Annual Leave. An SES member moving from a position not covered by the higher annual leave accrual rate to a new position that is covered by the higher accrual rate retains any annual leave accumulated prior to the move and the leave remains to the employee's credit. See 5 CFR 630.301(f).

3.3.3.2.1. Forfeited Leave. Annual leave accumulated before an employee moves to a position covered by the higher annual leave accrual rate that exceeds the amount allowed under ***5 U.S.C. § 6304(a) or (b)***, and that is not used by the beginning of the first full pay period in the next leave year, is subject to forfeiture under 5 U.S.C. § 6304(c).

3.3.3.2.2. Special Circumstances. If an employee serves less than a full pay period in a position covered by the higher annual leave accrual rate, then the annual leave accrued for that portion of the pay period will be subject to the 720-hour (90 day) limitation on accumulation of annual leave. Annual leave accrued during the remainder of the pay period that the employee was not covered by the higher annual leave accrual rate is subject to the limitations under 5 U.S.C. § 6304 (a), (b), and (c), as appropriate.

3.3.4. Presidential Appointees. Executive Schedule employees appointed by the President do not accrue leave, and therefore, an absence from work is not charged as leave. See 5 U.S.C. § 6301(2)(x) and ***5 CFR 630.211***.

3.3.4.1. Lump-Sum Payments of Accrued Annual Leave for Presidential Appointees. A current Federal employee who receives a Presidential appointment is not entitled to a lump-sum payment for his or her unused annual leave. See ***5 CFR 550.1203(e)*** and Chapter 3. Maintain the unused annual leave credit on the employee's record in the event the employee is reemployed in a position covered by the Federal leave system. However, if the employee separates from Federal service while under a Presidential appointment, the employee will receive a lump-sum payment for unused annual leave based on the rate of pay in effect for the position the employee held immediately before the employee accepted the appointment. See ***5 U.S.C. § 5551(b)***.

3.3.4.2. Exceptions for Certain SES Career Appointees. An SES career appointee appointed at a rate of basic pay equal to or greater than the rate payable for Level V of the Executive Schedule may elect to retain certain SES benefits, including annual and sick leave accrual, upon accepting the Presidential appointment. If the appointee elects to continue their leave benefits, then the liquidation of leave by lump-sum payment would not apply. See ***5 U.S.C. § 3392(c)***, 5 CFR 550.1203(e), and ***5 CFR 317.801***.

3.4 Advanced Annual Leave

3.4.1. General. Under 5 U.S.C. § 6302(d), annual leave may be advanced to an employee in the amount not to exceed the total amount the employee would accrue within the leave year. A supervisor must have reasonable assurance the employee will be in a duty status long enough to earn the advanced leave. Leave must not be advanced to an employee when it is known or expected that the employee will not return to duty, such as when the employee has applied for disability retirement. Annual leave should be advanced to the maximum extent practicable for purposes related to pregnancy and childbirth.

3.4.2. Refunding Advanced Annual Leave

3.4.2.1. General. Advanced leave is liquidated with any subsequently earned annual leave. An employee who separates from Federal service must refund the amount of the advanced leave, or the agency may deduct the amount from any pay due the employee. See ***5 CFR 630.209(a)***.

3.4.2.2. Exceptions. An employee who dies or retires for a disability is not required to refund the amount of advanced leave due. An employee who has been determined by the employing office as having separated or resigned because of a disability is not required to refund the amount of advanced leave. However, medical evidence may be required by the employing office in order to determine if the disability prevents his or her return to duty or continued service. See 5 CFR 630.209(b).

3.4.2.3. Military Service. An employee who enters active military service with a right to restoration is not considered separated and is not required to refund the advanced annual leave when entering military service. The employee must liquidate the advanced annual leave after the employee returns to duty or refund the advanced leave if the employee is separated from Federal service. See 5 CFR 630.209(a).

3.4.2.4. Transfers to Another Federal Agency. If an employee has been indebted for advanced annual leave and transfers to another Federal agency without a break in service, the losing agency must certify the annual leave account to the new agency for charge. An employee is not required to refund the advanced annual leave in order to achieve a zero balance before the time of transfer. In such cases, a negative annual leave balance will transfer with the employee to the employee's new agency. See ***5 CFR 630.501*** and the OPM Fact Sheet, ***Advanced Annual Leave***.

3.5 Annual Leave Ceilings

3.5.1. General. Under 5 U.S.C. § 6304, Federal employees are subject to a limit, or annual leave ceiling, on the maximum amount of annual leave that may be carried forward into the next leave year. Most employees may carry 240 hours (30 days) of annual leave from one year to the next. See ***5 CFR 630.302***.

3.5.2. "Use or Lose" Annual Leave. "Use or lose" annual leave is the amount of leave in excess of the employee's annual leave ceiling. The employee forfeits excess leave not used by the final day of the leave year. Forfeited annual leave may be restored under certain circumstances. See paragraph 3.6. "Use or lose" annual leave must be scheduled in writing before the start of the third pay period prior to the end of the leave year. The employee forfeits any annual leave not scheduled by that date and not used by the final day of the leave year.

3.5.3. Thirty-Day Annual Leave Ceiling for Federal Employees Stationed Within the United States. The maximum carried forward from one leave year to another is usually 240 hours (30 days). See paragraph 3.6 regarding annual leave carryover for DoD employees who are employed at installations that are facing planned base closures. See 5 U.S.C. § 6304.

3.5.4. Forty-Five Day Annual Leave Ceiling for Federal Employees Assigned Outside of the Continental United States (OCONUS).

3.5.4.1. Forty-Five Day Limit and Effective Date. Employees stationed OCONUS, who meet the conditions for eligibility established by 5 U.S.C. § 6304(b) and 5 CFR 630.302, may carry forward a maximum of 360 hours (45 days). For an OCONUS employee working an uncommon tour of duty, the maximum carryover hours will be in proportion to 360 hours (45 days). See subparagraph 3.2.2.1.2 (to compute the proportional amount, substitute 360 hours for 240 hours within the formula). The effective date that an employee becomes subject to 5 U.S.C. § 6304(b) is the:

3.5.4.1.1. Date of entry on duty when employed locally,

3.5.4.1.2. Date of arrival at a post of regular assignment for duty, or

3.5.4.1.3. Date on which the employee begins to perform duty in an area OCONUS when the employee is required to perform duty en route to his post of regular assignment for duty.

3.5.4.2. Returning From OCONUS Assignment. Employees returning from an OCONUS assignment may carry forward the balance of leave to their credit at the end of the pay period, including the date the employee departs for reassignment (not to exceed 360 hours). If detailed to another OCONUS assignment, the date they cease to perform duty at the detailed post is considered the date of departure for reassignment. Annual leave in excess of 240 hours that was accumulated under 5 U.S.C. § 6304(b), by an employee who becomes subject to the 240-hour maximum carry forward, remains to the credit of the employee until used. Excess annual leave at the beginning of the first full pay period occurring in a leave year is reduced by the amount of annual

leave the employee used during the preceding year that is in excess of the amount that accrued during that year. This process continues until the employee's accumulated leave does not exceed 240 hours.

3.5.5. Annual Leave Ceiling for Part-Time Employees. Part-time employees may not carry forward more than 240 hours of annual leave if serving in the United States or 360 hours of annual leave if serving OCONUS. See ***5 CFR 630.304***.

3.5.6. Ninety-Day Annual Leave Ceiling for SES Members

3.5.6.1. General. Under 5 U.S.C. § 6304(f), the annual leave ceiling for SES members is 720 hours (90 days). Unused annual leave accrued by SES members must accumulate for use in subsequent years until the leave totals not more than 720 hours at the beginning of the first full pay period, or corresponding period for an employee whose pay is not based on a pay period, occurring in a calendar year. See 5 CFR 630.301(e).

3.5.6.2. Personal Leave Ceiling for SES Members. There is a 90-day (720-hour) maximum limitation on the amount of annual leave that an SES member may carry forward from one leave year to the next. The 720-hour limit became effective October 13, 1994, under Public Law 103-56. Prior to this date, there was no limit. Effective October 13, 1994, any SES member who had accumulated annual leave that exceeded 720 hours was permitted to carry the balance forward as a personal leave ceiling. See 5 CFR 630.301(h).

3.5.6.2.1. The amount of annual leave credited to an SES member's personal leave ceiling will be based on the amount of annual leave accumulated by the employee as of the end of the pay period preceding the first applicable pay period beginning after October 13, 1994.

3.5.6.2.2. Annual leave accrued is prorated for any pay period during which only a portion the employee served under an appointment to the SES.

3.5.6.2.3. The personal leave ceiling is reduced by the number of hours used in excess of the number of hours earned during the previous year.

3.5.6.2.4. When the personal leave ceiling falls below 720 hours, the personal ceiling is eliminated, and the SES member becomes subject to the regular 720-hour limit. See 5 CFR 630.301(h).

3.5.6.3. Changing Positions

3.5.6.3.1. Partial Pay Periods. If an employee serves less than a full pay period in an SES appointment, only that portion of accrued annual leave that is earned while serving in that position must be subject to the 720-hour limitation. Annual leave accrued during the remainder of the pay period is subject to the limitations in 5 U.S.C. § 6304(a), (b), and (c), as appropriate. See 5 CFR 630.301(f)(2).

3.5.6.3.2. Moving to an SES Appointment. If an employee moves from a non-SES appointment to an SES appointment, any annual leave accumulated in the non-SES

position that exceeds the amount allowed for that position under 5 U.S.C. § 6304(a), (b), and (c) that is not used by the beginning of the first full pay period in the next leave year is subject to forfeiture. See 5 U.S.C. § 6304(c) and 5 CFR 630.301(f)(1). Although an employee serving in an SES position may not accumulate credit hours, credit hours earned in a prior non-SES appointment may remain in the employee's account for use.

3.5.6.3.3. Moving From an SES Appointment. When the SES member moves to a non-SES position, any annual leave accumulated while serving in the SES position that is in excess of the amount allowed for the non-SES position under 5 U.S.C. § 6304(a), (b), and (c) remains to the employee's credit. Any excess annual leave must be subject to reduction as described under 5 U.S.C. § 6304(c) and 5 CFR 630.301(g).

3.5.7. Annual Leave Ceilings for Employees Who Have Converted From an Uncommon Tour of Duty. When an employee on an uncommon tour of duty moves to a position under a common tour of duty, any annual leave which was accumulated while under the uncommon tour of duty and which is in excess of the limits applicable to a position under a common tour of duty, shall become the employee's individual leave ceiling for purposes of carryover into succeeding leave years. This individual ceiling is applicable until the employee carries a smaller accumulation of annual leave to a succeeding leave year, at which time this smaller accumulation or 30 days (240 hours), whichever is greater, becomes the employee's new leave ceiling. See ***5 U.S.C. § 6308***.

3.6 Restoring Forfeited Annual Leave

3.6.1. General. Agencies may restore annual leave that was forfeited due to being in excess of the maximum leave ceilings (e.g., 30, 45, or 90 days) if the leave was forfeited because of administrative error, exigency of the public business, sickness of the employee, or a national emergency.

3.6.1.1. The agency makes the determination as to what constitutes an administrative error.

3.6.1.2. Exigency of the public business means there is an urgent need for the employee to be at work such that excess annual leave cannot be used. An employee's use of earned compensatory time off or credit hours does not constitute an exigency of the public business. If the use of earned compensatory time off or credit hours that are about to expire results in the forfeiture of excess annual leave, the forfeited leave may not be restored.

3.6.1.3. An employee's sickness or injury must occur late in the leave year or be of such duration that it prevented the scheduling of the excess annual leave before the end of the leave year. See the OPM Fact Sheet, Restoration of Annual Leave.

3.6.1.4. Employees who are determined by the head of their agency to be performing services that are essential in responding to a national emergency, as determined by the Director of OPM, are entitled to have their excess annual leave restored as if it had been scheduled in advance. See ***5 CFR 630.310***.

3.6.2. Requirements for Restoring Annual Leave. One of the following requirements must be met before consideration for restoration of forfeited leave:

3.6.2.1. An agency may consider for restoration annual leave that was forfeited due to an exigency of the public business or sickness of the employee only if the annual leave was scheduled in writing before the start of the third pay period prior to the end of the leave year; and

3.6.2.2. If restoration is based on exigency of the public business, the responsibility for determining that a need is of such importance that it prevents the use of annual leave subject to forfeiture should be delegated to the lowest practical level. Those who approve exigencies are responsible for establishing termination dates for the exigencies. See ***5 CFR 630.305***, ***5 CFR 630.306(a)(2)***, and the DoDI 1400.25-V630.

3.6.3. Time Limit for Using Restored Annual Leave

3.6.3.1. General. Under ***5 CFR 630.306***, and except as otherwise authorized by regulation, annual leave restored under 5 U.S.C. § 6304(d) must be scheduled and used not later than the end of the leave year ending 2 years after:

3.6.3.1.1. The date of restoration of the annual leave forfeited because of administrative error,

3.6.3.1.2. The date fixed by the agency head, or his or her designated official, as the termination date of the exigency of the public business that resulted in forfeiture of the annual leave, or

3.6.3.1.3. The date the employee is determined to be recovered and able to return to duty if the leave is forfeited because of sickness or injury.

3.6.3.2. Time Limits for Employees on Uncommon Tours of Duty. For an employee on an uncommon tour of duty, the conversion rules in 5 CFR 630.210(b) regarding the referenced number of hours for full-time employees (416 hours and 208 hours) must be applied under ***5 CFR 630.310(d)***.

3.6.3.3. Time Limits for SES Members. To avoid forfeiture of restored leave, the time limit established under 5 CFR 630.306 must be met. The time limit is not changed when the employee receives an SES appointment.

3.6.3.4. Extended Exigency of the Public Business. For an extended exigency of the public business, the time-period for use of restored leave is 2 years for each calendar year, or part thereof, during which the exigency existed. This time-period starts at the beginning of the leave year following the leave year in which the exigency is declared to be ended. Under ***5 CFR 630.309***, an extended exigency is one that threatens the national security, safety, or welfare; lasts more than 3 calendar years; affects a segment of an agency or occupational class; and precludes subsequent use of both restored and accrued annual leave within the time limit specified in 5 CFR 630.306.

3.6.4. Separate Leave Account for Restored Annual Leave. The payroll system must maintain separate restored leave accounts for each calendar year. The servicing Human Resources Office (HRO) identifies the reason for restoration as well as the category of leave being restored. The servicing HRO then provides the information to the Customer Service Representative (CSR) in writing. Credit restored annual leave to a separate leave account identifying the date of restoration, the date of forfeiture, the amount credited for use, the amount of usage, and the unused balance. Restored annual leave is not included in, and does not increase, the maximum annual leave carryover for an employee. See 5 U.S.C. § 6304(d)(2).

3.6.5. Time and Attendance Reports. Timekeeping instructions in Chapter 2 specify the method used to identify the leave account to be charged.

3.6.6. Forfeiture of Restored Annual Leave. If restored leave is unused by the employee at the expiration of the time limitation, the leave is forfeited with no further right to restoration. This is the case even if the employee's failure to use the leave was due to an agency error. Administrative error may not serve as the basis to extend the time limit in which to use the restored leave. Administrative error includes failing to establish a separate leave account, failing to fix the date for the expiration of the time limit, or failing to properly advise the employee regarding the rules for using the restored annual leave.

3.6.7. Lump-Sum Payment. Upon separation, the servicing PRO will pay employees entitled to lump-sum payment for their unused restored annual leave, excluding forfeited leave. If the leave is forfeited because of an administrative error, the employee must file a claim within 3 years of the discovery of the administrative error leading to the forfeiture. See 5 U.S.C. § 6304(e). Employees entering active duty in the Armed Forces may elect to have leave remain to their credit until their return from active duty. See ***5 U.S.C. § 5552*** and Chapter 3, section 7.0.

3.6.8. Restored Annual Leave Resulting From Correction of Unjustified or Unwarranted Personnel Action Under the Back Pay Act. Annual leave that is restored to an employee resulting from the correction of an unjustified or unwarranted personnel action in excess of the maximum leave accumulation authorized by law must be credited to a separate leave account for use by the employee. See ***5 CFR 550.805(g)***. The restored leave, also referred to as reinstated leave, must be scheduled and used as provided in subparagraphs 3.6.8.1 and 3.6.8.2. Any unused restored leave, also referred to as reinstated leave, will be forfeited if not used or included in a lump-sum payment within the prescribed timeframe. See ***5 U.S.C. § 5596(b)(1)(B)***. The restored leave must be scheduled and used as follows:

3.6.8.1. Full-Time Employees. Excess annual leave of 416 hours or less must be scheduled and used by the end of the leave year ending 2 years after the date on which the leave is credited to the separate account. This period is extended by 1 leave year for each additional 208 hours of excess annual leave or any portion thereof. See Table 5-2.

3.6.8.2. Part-Time Employees. These employees must schedule and use excess annual leave in an amount equal to or less than 20 percent of the employee's scheduled tour of duty over a period of 52 calendar weeks by the end of the leave year ending 2 years after the date that the annual leave credits to the separate account. This period is extended by one leave year for each additional number of hours of excess annual leave, or any portion thereof, equal to 10 percent of the scheduled tour of duty over a period of 52 calendar weeks. See Table 5-2.

3.6.9. Base Realignment and Closure (BRAC) Restored Leave. In accordance with 5 U.S.C. § 6304(d)(3), employees assigned to DoD activities designated by the BRAC Commission for closure or realignment, deemed to create an exigency of the public business, are entitled to have forfeited annual leave restored. Leave in excess of the statutory maximum (normally 240 hours) will be restored and placed in a separate leave account. There is no requirement for an employee to use restored leave prior to using other available annual leave. Lump-sum payment of annual leave in a BRAC restored leave account is required under certain situations. Under 5 U.S.C. § 5551(c), lump-sum payments are made to eligible DoD employees upon their being assigned to a position in any other Federal agency or department outside the DoD, or to any DoD position at an installation that is not being closed or realigned. If it is determined that the required lump-sum payment was not processed at the time of transfer, then see ***DoDI 1400.25-V1705*** for additional information on liquidating leave and computing any interest due.

3.7 Lump-Sum Payments of Annual Leave Upon Retirement or Separation

Lump-sum payments for unused annual leave are generally payable when an employee separates from Federal service, dies, or transfers to a position under a different leave system. Employees who enter active duty in the Armed Forces are entitled to elect to have their leave remain to their credit until they return from active duty. See 5 U.S.C. § 5551, 5 U.S.C. § 5552, and ***5 U.S.C. § 6306***; and ***5 CFR 550, subpart L***. For details on requirements regarding lump-sum payments for accumulated and accrued annual leave, see Chapter 3.

4.0 SICK LEAVE

4.1 General

Under ***5 U.S.C. § 6307***, ***5 CFR 630, subpart B***, and ***5 CFR 630, subpart D***, sick leave is authorized for personal medical needs, care of a family member, care of a family member with a serious health condition, adoption-related purposes, and bereavement. See paragraph 4.4 for authorized uses for sick leave.

4.1.1. Expanded Family and Medical Leave Policies. The Federal Employees Family Friendly Leave Act, October 22, 1994, expanded the use of accrued sick leave for family care or

bereavement purposes. See subparagraph 4.4.2. In addition, employees may be entitled to unpaid leave under FMLA to care for a family member or covered Service member. See section 5.0. There is no certain order for using various family friendly leave policies. See Table 5-3 for information on leave flexibilities available to care for a family member or a covered Service member. See section 6.0 for information on leave flexibilities for childbirth, adoption, and foster care.

4.1.2. Substituting Sick Leave for Annual Leave. Employees may substitute sick leave for annual leave if they become ill during a period of annual leave. See ***5 CFR 630.406***.

4.1.3. Charging Sick Leave. Earned sick leave is posted to an employee's record each pay period before any sick leave taken in that period is charged against the employee's sick leave balance.

4.2 Sick Leave Accrual

4.2.1. General. Full-time employees earn 4 hours of sick leave for each full pay period. Other employees accrue sick leave at different rates as follows:

4.2.1.1. Uncommon Tours of Duty. Employees working uncommon tours of duty accrue leave in direct proportion to the standard leave rates for employees who accrue leave based on an 80-hour biweekly tour of duty**.** See 5 CFR 630.210(a). To determine the appropriate amount of sick leave to credit an employee working an uncommon tour of duty, see the Application of the Directionally Proportional Table in DoDI 1400.25-V630. For example, employees on uncommon tours of duty accrue 7 hours and 12 minutes of sick leave per pay period for a 72-hour workweek and 5 hours and 36 minutes of sick leave per pay period for a 56-hour workweek.

4.2.1.2. Part-Time Employees. Part-time employees earn 1 hour of sick leave for each 20 hours in a pay status. Part-time employees may not earn more than 4 hours of sick leave for 80 hours in a pay status during any pay period.

4.2.1.3. Other Employees. SES members and SL/ST employees earn sick leave at the same rate as non-SES employees. Employees without a regularly scheduled tour of duty do not earn sick leave.

4.2.2. Nonpay Status and Sick Leave Accrual. The accumulation of nonpay status hours during the leave year may affect the accrual of sick leave. Each time the number of hours in a nonpay status in a full-time employee's leave year equals the number of base pay hours in a pay period, the civilian payroll system reduces the employee's credits for sick leave by an amount equal to the amount of sick leave the employee earns during the pay period. When the employee's accumulated nonpay hours do not require a reduction of leave credits, the civilian payroll system drops the nonpay hours at the end of the employee's leave year. An employee in a nonpay status due to receiving compensation from the OWCP, or in a nonpay status due to absence while in Uniformed Service, does not accrue sick leave and a reduction in leave credits is not required. See 5 CFR 630.208.

4.2.3. Limitation on Sick Leave Accrual. An employee may accumulate an unlimited amount of sick leave. See 5 U.S.C. § 6307.

4.2.4. Presidential Appointees. Executive Schedule employees appointed by the President do not accrue leave. See 5 U.S.C. § 6301(2)(x) and 5 CFR 630.211. When an employee moves to an appointment under the Executive Schedule, the employee's sick leave balance is certified on a Standard Form ***(SF) 1150***, Record of Leave Data. The SF 1150 is sent to the servicing HRO for retention in the Official Personnel Folder in the event the employee is reemployed in a leave accruing position or separated from the Executive Schedule position. SES Members appointed at a rate of basic pay equal to or greater than the rate payable for Level V of the Executive Schedule may elect to retain certain SES benefits, including annual and sick leave accrual. See 5 CFR 317.801.

4.3 Recrediting Sick Leave After Transfer or Break in Service

4.3.1. Transferring Employees. When an employee transfers to a different Federal agency using the same leave system under 5 U.S.C., Chapter 63, the losing agency must certify the employee's sick leave account to the gaining agency for credit or charge. If the employee is transferred to an agency operating under a different leave system, see 5 U.S.C. § 6308 and ***5 CFR 630.502***.

4.3.2. Recredit After a Break in Service. Prior to 1994, regulations provided that an employee was entitled to a recredit of sick leave only if he or she was reemployed in another Federal position within 3 years after separation. On December 2, 1994, the 3-year break in service limitation on the recredit of sick leave for former employees was removed for those who were reemployed on or after December 2, 1994. Sick leave may not be recredited to employees who were reemployed in the Federal service before December 2, 1994, and who previously forfeited sick leave under the former rule. Therefore, under 5 CFR 630.502, an employee who has a break in service and returns to work for the Federal Government on or after December 2, 1994 is entitled to the recredit of sick leave, regardless of the length of the break in service, unless:

4.3.2.1. The employee was reemployed in the Federal Government before December 2, 1994 and the employee forfeited the sick leave under the previous regulation; or

4.3.2.2. For reemployed annuitants, the sick leave was used in the computation of an annuity for the employee. See ***5 CFR 630.407***.

4.4 Authorized Uses for Sick Leave

4.4.1. Granting Sick Leave. Pursuant to ***5 CFR 630.401***, an agency must grant sick leave to an employee when the employee:

4.4.1.1. Is unable to perform duties because of physical or mental illness, injury, pregnancy, or childbirth;

4.4.1.2. Is receiving medical, dental, or optical examination or treatment;

4.4.1.3. Must provide care for a family member:

4.4.1.3.1. Who is incapacitated by a medical or mental condition, or attends to a family member receiving medical, dental, or optical examination or treatment;

4.4.1.3.2. With a serious health condition; or

4.4.1.3.3. Who would jeopardize the health of others by that family member's presence in the community because of exposure to a communicable disease (as determined by the health authorities having jurisdiction or by a health care provider);

4.4.1.4. Must make arrangements due to a death in the family or attend the funeral of a family member;

4.4.1.5. Would jeopardize the health of others by his or her presence on the job because of exposure to a communicable disease; or

4.4.1.6. Must be absent from duty for purposes relating to the adoption of a child.

4.4.2. Using Accrued Sick Leave to Care for Family Members

4.4.2.1. General. An employee is entitled to use accrued sick leave to care for a family member. A family member includes spouse, parents, parents-in-law, children, siblings, grandparents, and other family members as defined under 5 CFR 630.201. An employee may be requested to document their relationship with the family member. An employee must request advanced approval for sick leave, to the extent possible, for caring for a family member, making arrangements necessitated by the death of a family member, attending the funeral of a family member, or for absence related to the adoption of a child. See ***5 CFR 630.404***. In addition to using paid sick leave to care for a family member, an employee may be entitled to unpaid leave under the FMLA. See Table 5-3.

4.4.2.2. Limits Per Year

4.4.2.2.1. General Care of Family Member and/or Bereavement. A covered full-time employee may use a total of up to 104 hours (13 days) of accrued sick leave each year for general family care or for bereavement. For part-time employees and employees with an uncommon tour of duty, the amount of sick leave permitted for family care and bereavement purposes is the number of hours of sick leave the employee normally accrues during the leave year. See 5 CFR 630.401(b).

4.4.2.2.2. Care of a Family Member With a Serious Health Condition. Most Federal employees may use a total of up to 480 hours (12 administrative workweeks) of accrued sick leave each leave year to care for a family member with a serious health condition. A serious health condition includes cancer, stroke, severe injuries, Alzheimer's disease, pregnancy, and other conditions as defined under ***5 CFR 630.1202***. An employee is entitled to a total of 12 weeks of sick leave each year for all family care purposes. See 5 CFR 630.401(c) and (d).

4.4.2.2.2.1. For a part-time employee or an employee with an uncommon tour of duty, the amount of sick leave is equal to 12 times the average number of hours in the employee's scheduled tour of duty each week.

4.4.2.2.2.2. For an employee who has previously used any portion of the 13 days of sick leave for family care or bereavement purposes in a leave year, that amount is subtracted from the 12-week entitlement.

4.4.2.2.2.3. For an employee who has already used 12 weeks of sick leave to care for a family member with a serious health condition, the employee cannot use an additional 13 days in the same leave year for general family care purposes.

4.4.3. Sick Leave for Adoption. An employee may use accrued sick leave for purposes related to the adoption of a child including appointments with adoption agencies, social workers, attorneys, court proceedings, required travel, and any other activities necessary to allow the adoption to proceed. This includes the time the employee is ordered by a court, or required by the adoption agency, to take time off from work to care for the child. There is no limit on the amount of sick leave that may be used for adoption-related purposes. The sick leave for adoption-related purposes does not count toward the 104-hour limit of sick leave for family care and bereavement purposes, or the overall limit of 12 weeks of sick leave for all family care purposes. The agency may advance up to 240 hours (30 days) of sick leave for adoption-related purposes. See 5 CFR 630.401 and section 5.0 regarding FMLA leave for adoption-related purposes.

4.4.4. Sick Leave for Exposure to a Communicable Disease. An employee is authorized to use accrued sick leave if health authorities or a health care provider determines that the employee's presence on the job would jeopardize the health of others because of exposure to a communicable disease. An employee may also use sick leave to care for a family member who has been similarly exposed. The agency determination as to what constitutes a communicable disease is based on guidance issued by the Center for Disease Control (CDC). The Secretary of Health and Human Services publishes a list of communicable diseases for which Federal isolation and quarantine are authorized. The communicable diseases currently listed include, but are not limited to cholera, diphtheria, infectious tuberculosis, plague, smallpox, Severe Acute Respiratory Syndrome and influenza viruses that cause or have the potential to cause a pandemic. The current list of communicable diseases is available on the CDC website for use in the authorization of this type of sick leave. See 5 CFR 630.401.

4.5 Advanced Sick Leave

4.5.1. General. In cases of serious disability or illness, employees may be advanced sick leave. Before granting advanced sick leave, the approving authority must consider whether the employee expects to return to duty, the need for the employee's services, and the benefits to the agency of retaining the employee. Advanced sick leave is not available to an employee when it is known, or reasonably expected, that the employee will not return to duty. For example, advanced sick leave is not appropriate if the employee has applied for disability retirement. Advanced sick leave may be granted regardless of an employee's annual leave balance. Employees should submit requests in writing for advanced sick leave to the approving official. Employees must liquidate the advanced sick leave indebtedness as discussed in subparagraph 4.5.3. See ***5 CFR 630.402***.

4.5.2. Limitations. The maximum amount of advanced sick leave a full-time employee may have to their credit at any one time is 240 hours (30 days). Prorate the amount of advanced sick leave for part-time employees and employees on uncommon tours of duty based on the number of hours in the employee's biweekly work schedule. An agency may grant advanced sick leave in the amount of:

4.5.2.1. Up to 240 hours (30 days) to a full-time employee for the following reasons pursuant to 5 CFR 630.402(a)(1):

4.5.2.1.1. The employee is unable to perform work duties due to incapacitation by physical or mental illness, injury, pregnancy, or childbirth;

4.5.2.1.2. The employee or a family member has a serious health condition;

4.5.2.1.3. The employee's presence on the job would jeopardize the health of others by his or her presence on the job because of exposure to a communicable disease;

4.5.2.1.4. The employee adopts a child; or

4.5.2.1.5. The employee cares for a covered Service member with a serious injury or illness, provided the employee is exercising his or her entitlement to FMLA leave to care for the covered Service member; or

4.5.2.2. Up to 104 hours (13 days) to a full-time employee for the following reasons (5 CFR 630.402(a)(2)):

4.5.2.2.1. To receive medical, dental, or optical examinations or treatment;

4.5.2.2.2. To provide care for a family member incapacitated by a medical or mental condition, or to attend to a family member receiving medical, dental, or optical examination or treatment;

4.5.2.2.3. To provide care for a family member who would jeopardize the health of others by their presence in the community because of exposure to a communicable disease; or

4.5.2.2.4. To make arrangements necessitated by the death of a family member or attend the funeral of a family member.

4.5.3. Liquidating Advanced Sick Leave Indebtedness

4.5.3.1. General. Advanced sick leave indebtedness is liquidated by subsequently earned sick leave, by charges against annual leave, or by a refund upon separation. An employee who is a participant in the agency's Voluntary Leave Transfer Program (VLTP) or Voluntary Leave Bank Program (VLBP) may liquidate the advanced sick leave by substituting donated annual leave for sick leave that was advanced on or after the date of the medical emergency. See ***5 CFR 630.906***. The agency may also allow an employee to refund advanced sick leave in cash, at the pay rate in effect at the time the employee used the advanced sick leave.

4.5.3.2. Transferring Employees. If an employee with a debt for advanced sick leave transfers to another Federal agency without a break in service, the losing agency must certify the employee's sick leave account to the receiving agency for charge. An employee is not required to refund the advanced sick leave in order to achieve a zero balance before transfer. A negative sick leave balance transfers to the gaining agency. See Chapter 9, section 3.0 for instructions on preparing the SF 1150 to transfer sick leave balances.

4.5.3.3. Separated Employees. If an employee indebted for advanced sick leave separates from Federal service, the employee must refund the amount of advanced sick leave, or the agency may deduct the amount from any pay due the employee upon separation. If the employee dies, retires for disability, or separates or resigns because of disability as determined by the agency, the repayment requirement does not apply. An employee who enters active military service with a right of restoration is not considered separated for refund purposes, and advanced sick leave should be liquidated either after the employee returns to duty or is separated from Federal service. See 5 CFR 630.209.

4.6 Unused Sick Leave Upon Separation

Employees are not paid for unused sick leave upon separation. Unused sick leave is used in the calculation of an employee or survivor's annuity based on retirement with an immediate annuity or a death in service. The unused sick leave balance upon retirement or death is annotated in the remarks column of the ***SF 2806***, Service History on the Civil Service Retirement System (CSRS) Individual Retirement Record, or the ***SF 3100***, Federal Employees Retirement System Individual Retirement Record. See 5 CFR 630.209. Sick leave used in the computation of an annuity is charged against an employee's sick leave account and may not thereafter be used, transferred, or recredited. See ***5 U.S.C. § 8415(l)(2)***, ***5 U.S.C. § 8339(m)***, and 5 CFR 630.407.

5.0 FMLA

5.1 General

FMLA provides eligible Federal employees with up to 12 administrative workweeks of leave without pay (LWOP) during any 12-month period for family and medical needs. See ***5 U.S.C. §§ 6381-6387*** and ***5 CFR 630, subpart L*** (Note: OPM is responsible for the regulations for Title II of the FMLA that govern Federal employees. The Department of Labor (DOL) is responsible for regulations under Title I of the FMLA for the non-Federal sector). For definitions pertaining to FMLA, see 5 U.S.C. § 6381 and 5 CFR 630.1202.

5.1.1. Entitlement. A total of up to 12 administrative workweeks of unpaid leave, or 26 administrative workweeks if the leave is to care for a covered Service member, are available during any 12-month period. The 12-month period begins when FMLA leave is first used and ends 12 months later. An employee may elect to substitute annual leave, sick leave, educator leave, or leave made available to the employee under VLTP or VLBP for LWOP. See ***5 CFR 630.1205***. The normal leave year limitations on the use of sick leave to care for a family member still apply, except when substituting sick leave to care for a covered Service member.

5.1.2. Eligibility

5.1.2.1. Prior to January 1, 2021. To qualify for FMLA leave, an employee must have completed at least 12 months of Federal service. See ***5 CFR 630.1201(b)***. FMLA leave is available to full and part-time employees; however, temporary employees serving under an appointment of 1 year or less and employees without a regularly scheduled tour of duty are not entitled to FMLA leave.

5.1.2.2. Effective January 1, 2021. With the enactment of the FY 2021 NDAA, the FMLA law was amended requiring that an employee complete at least 12 months of service as an employee as defined in ***5 U.S.C. § 2105***. Thus, all types of civilian Federal service (including employment on a temporary or intermittent basis) are now qualifying for purposes of applying the FMLA eligibility requirement for 12 months of qualifying service. Those currently employed on a temporary or intermittent basis remain ineligible to use FMLA leave. The change does not affect the FMLA leave eligibility rule applicable during periods of time before January 1, 2021. However, this change does mean that some employees with Federal service previously treated as non-qualifying may become immediately eligible for FMLA leave on January 1, 2021, which could also trigger immediate eligibility for paid parental leave (substituted for qualifying FMLA leave) for otherwise eligible employees who had a child born or placed on or after October 1, 2020. See the OPM Memorandum: ***Technical Amendments Related to FMLA and Paid Parental Leave*** under Section 1103 of the NDAA for FY 2021 and paragraph 5.3 regarding paid parental leave.

* 5.1.2.3. Effective December 22, 2023. The ***FY 2024 NDAA***, Public Law 118-31, amended 5 U.S.C. § 6381(1)(B) to add a provision providing that honorable active military service is qualifying service for the purpose of establishing eligibility for FMLA leave (and for paid parental leave on the birth or placement of a child). See: 5 U.S.C. § 6381(1)(B), 5 CFR 630.1201(b), and the OPM Memorandum dated February 13, 2024, "Amendment Related to ***Inclusion of Certain Military Active Service for FMLA and Paid Parental Leave Eligibility*** Purposes under Section 114 of the NDAA for FY 2024".

5.1.2.4. Calculating the FMLA Entitlement. FMLA leave is available in direct proportion to the number of hours in the employee's regularly scheduled administrative workweek. The 12 administrative workweeks of FMLA are calculated on an hourly basis, which equals 12 times the average number of hours in the regularly scheduled administrative workweek. For example, an 80-hour full-time employee will have 480 hours available for FMLA leave (40 hours per week x 12 weeks = 480 hours). If the employee's administrative workweek varies from week to week, a weekly average of the hours scheduled over the 12 administrative workweeks prior to the date FMLA leave begins is used for the calculation. Holidays and non-workdays that occur during the period that the employee is on FMLA do not count toward the 12 administrative workweek entitlement. See 5 U.S.C. § 6382 and 5 CFR 630.1203.

5.1.2.5. Regular FMLA Leave. Under 5 CFR 630.1203(a), an eligible employee may take 12 workweeks of FMLA leave in a 12-month period for one or more of the following reasons:

5.1.2.5.1. The birth of a child, or to care for the newborn child within 1 year of birth (may not be taken intermittently or on a reduced leave schedule unless the employee and agency agree to do so, see 5 CFR 630.1205(a));

5.1.2.5.2. Placement of a child adopted, or foster care, and to care for the newly placed child within 1 year (may not be taken intermittently or on a reduced leave schedule unless the employee and agency agree to do so, see 5 CFR 630.1205(a));

5.1.2.5.3. Care of a spouse, son, daughter, or parent with a serious health condition (may be taken intermittently or on a reduced leave schedule when medically necessary, see 5 CFR 630.1205(b));

5.1.2.5.4. Serious health condition that makes the employee unable to perform their duties (may be taken intermittently or on a reduced leave schedule when medically necessary, see 5 CFR 630.1205(b)); or

5.1.2.5.5. A qualifying exigency arising out of the fact that the employee's spouse, son, daughter, or parent is a covered military member on covered active duty (or notified of an impending call or order) in the Armed Forces under ***10 U.S.C. § 101***. Leave may be taken intermittently. Employees must provide notice as soon as practicable if the need for leave is foreseeable. An employee may be requested to provide certification for the leave as provided under ***5 CFR 630.1209***. See the OPM Fact Sheet, ***FMLA Qualifying Exigency Leave***. Under ***5 CFR 630.1204***, qualifying exigencies include:

5.1.2.5.5.1. Addressing issues associated with short-notice deployment,

5.1.2.5.5.2. Attending military events and related activities,

5.1.2.5.5.3. Arranging and attending childcare and school activities,

5.1.2.5.5.4. Making financial and legal arrangements,

5.1.2.5.5.5. Attending counseling,

5.1.2.5.5.6. Spending time with a Service member on rest and recuperation,

5.1.2.5.5.7. Attending post-deployment activities, or

5.1.2.5.5.8. Addressing other events that arise out of the military member's covered active duty that qualify as exigencies.

5.1.2.6. FMLA Leave to Care for a Covered Service Member. An employee is eligible for 26 workweeks of unpaid leave during a single 12-month period to care for a covered Service member, who is a current member or veteran of the Armed Forces as defined under 5 U.S.C. § 6381, with a serious injury or illness. The covered Service member must be the employee's spouse, son, daughter, parent, or next of kin. See the OPM guidance in ***Compensation Policy Memoranda 2010-06***, issued March 5, 2010, for additional information regarding the following.

5.1.2.6.1. The injury or illness incurred by the Service member was in the line of duty while on active duty in the Armed Forces.

5.1.2.6.2. During a single 12-month period, an employee is entitled to a combined total of 26 weeks of regular FMLA leave and FMLA leave to care for a covered Service member. For example, if during the 12-month period the employee takes 6 weeks of regular FMLA leave for the birth of a child, the employee would have 20 weeks of FMLA leave to care for a covered Service member.

5.1.2.6.3. Use of FMLA leave to care for a covered Service member in one 12-month period does not limit the use of regular FMLA leave during any other subsequent 12-month period.

5.1.2.6.4. The normal leave year limitations on the use of sick leave to care for a family member do not apply. Specifically, the 480-hour (12 weeks) limitation per leave year on the use of sick leave to care for a family member with a serious health condition does not apply. The employee may substitute accrued sick leave or annual leave for any or all of the 26 workweeks of FMLA leave to care for a covered Service member. See ***5 CFR 630.403***. An eligible employee may potentially take leave for up to 38 weeks of leave. For example, an employee may take 12

weeks of sick leave to care for a family member with a serious illness in addition to 26 weeks of FMLA leave to care for a covered Service member.

5.1.2.7. Intermittent FMLA Leave or Reduced Leave Schedule. Under certain conditions, FMLA leave may be taken intermittently, or the employee may work under a work schedule that is reduced by the number of hours of leave taken as FMLA leave. See 5 CFR 630.1205.

5.2 Advance Notice of FMLA Leave and Medical Certification

If FMLA leave is foreseeable, based on an expected birth, placement for adoption or foster care, or planned medical treatment, the employee must provide notice to the agency of his or her intention to take leave not less than 30 calendar days before the date the leave is to begin. However, if the date of birth, placement or planned medical treatment requires leave to begin within 30 calendar days, the employee shall provide such notice as soon as practicable. See ***5 CFR 630.1207***. An agency may require that a request for leave under certain circumstances be supported by evidence that is administratively acceptable to the agency. See ***5 CFR 630.1208***.

5.3 Paid Parental Leave

5.3.1. General. Section 7602(c) of the Federal Employees Paid Leave Act (FEPLA) provides for 12 weeks of paid parental leave within a 12-month timeframe after the birth, adoption, or placement of a child. This benefit is gender neutral and can apply to either parent. If two covered employees are parents of the same newly born or placed child, each employee will have their own separate entitlement. The amendments to 5 U.S.C. § 6382 dealing with paid parental leave are not effective with respect to any birth or placement (for adoption or foster care) occurring before October 1, 2020. Thus, by law, paid parental leave is available to covered employees only in connection with the birth or placement of a child that occurs on or after October 1, 2020. Paid parental leave expires after 12 months and the entitlement to unused leave elapses at that time. There is no reimbursement of unused paid parental leave if the employee separates from the agency. Paid parental leave cannot be used prior to the birth or placement involved. See ***5 CFR 630, subpart Q*** and subparagraph 5.1.2.2.

5.3.2. Entitlement. An employee, who meets eligibility requirements for FMLA, and invokes such, can substitute up to 12 administrative workweeks of paid parental leave for FMLA, dependent upon the amount of time available in their current FMLA entitlement for that period, for each birth or placement event. This entitlement is triggered by the actual occurrence of a birth or placement, which results in the employee having a parental role. Since paid parental leave is substituted for FMLA unpaid leave, therefore, paid parental leave is constrained by the use of FMLA unpaid leave, which is limited to 12 weeks in any 12-month FMLA period. Consequently, if an employee has used FMLA unpaid leave for any reason within the 12-month period of the birth or placement of the child, that amount will be deducted from the 12-week paid parental leave entitlement. See paragraph 5.1, ***5 CFR 630.1703***, and 5 U.S.C., Chapter 63, subpart V.

5.3.2.1. Uncommon Tour of Duty. For an employee with an uncommon tour of duty, the hours equivalent of 12 administrative workweeks is derived by multiplying 6 times the

number of hours in the employee's biweekly scheduled tour of duty (or 6 times the average hours if the biweekly tour hours vary over an established cycle).

5.3.2.2. Part-Time Employees. For a part-time employee, the hours equivalent of 12 administrative workweeks is derived by multiplying 6 times the number of hours in the employee's scheduled tour of duty over a biweekly pay period.

5.3.2.3. Seasonal Employees. An employee with a seasonal work schedule may not use paid parental leave during the off-season period designated by the agency, the period during which the employee is scheduled to be released from work and placed in a nonpay status.

5.3.3. Required Documentation. Upon request of the employee's agency, an employee must provide the agency with appropriate documentation that shows the employee's use of paid parental leave being directly connected to a birth or placement that has occurred. Appropriate documentation may include, but is not limited to, a birth certificate or a document from an adoption or foster care agency regarding the placement. An agency may also require that an employee sign a certification attesting that the paid parental leave is being taken in connection with a birth or placement. An agency is responsible for determining what documentation is sufficient proof of entitlement. Failure to provide the required documentation or certification within the specified time-period could result in a determination that the employee is not entitled to paid parental leave. See 5 CFR 630.1703.

5.3.4. Pay During Leave. The pay an employee receives using paid parental leave will be the same as if the employee were using annual leave. The employee is not entitled to receive any Sunday premium pay when using paid parental leave. Paid parental leave is a type of leave that is counted in applying the 8-hour rule in 5 CFR 550.122(b) that determines whether night pay is payable during periods of leave. See ***5 CFR 630.1704***.

* 5.3.5. Work Obligation. The employee cannot use paid parental leave unless the employee agrees in writing to continue working for the employing agency for 12 weeks beginning on the first scheduled workday after the paid parental leave ends. Paid parental leave is not authorized unless the employee enters into such an agreement. In the event an employee does not complete the 12-week work obligation, the employee may be required to reimburse the employing agency for the total amount of any government contributions paid by the agency on behalf of the employee to maintain the employee's health insurance coverage under the FEHB program during the period of paid parental leave was used. The reimbursement is required unless an exception is granted or if the employee is unable to return to work because of the continuation, recurrence, or onset of a serious health condition (including mental health) of the employee or the child whose birth or placement was the basis for the paid parental leave; or any other circumstances beyond the employee's control. See ***5 CFR 630.1705***.

5.3.6. Multiple Births and/or Placements in the Same Time-Period. If an employee has multiple births and/or multiple placements on the same day, those events will be treated as a single event that triggers a single entitlement of up to 12 weeks of paid parental leave during the 12-month period following the event. If an employee has one or more children born or placed within a 12-month period following the date of an earlier birth or placement, each subsequent birth or placement event will be independently administered. See ***5 CFR 630.1707***.

6.0 LEAVE FLEXIBILITIES FOR CHILDBIRTH, ADOPTION, AND FOSTER CARE

6.1 General

6.1.1. A ***January 15, 2015 Presidential Memorandum***, "Modernizing Federal Leave Policies for Childbirth, Adoption and Foster Care to Recruit and Retain Talent and Improve Productivity," was issued directing all Federal agencies to:

6.1.1.1. Offer 240 hours of advanced sick leave, at the request of an employee and in appropriate circumstances, in connection with the birth or adoption of a child, or for other sick leave eligible uses (see paragraph 4.5); and

6.1.1.2. Offer the maximum amount of advanced annual leave, at the request of an employee, for foster care placement in their home or bonding with a healthy newborn or newly adopted child (see paragraph 3.4).

6.1.2. Agencies have been directed to provide this advanced leave for purposes specified in law and regulation irrespective of existing leave balances.

6.1.3. The FEPLA authorized paid parental leave effective October 1, 2020. The paid parental leave provides for leave flexibility for childbirth, adoption, and foster care. See paragraph 5.3.

6.2 OPM Handbook

6.2.1. General. OPM has published a Handbook on Leave and Workplace Flexibilities for Childbirth, Adoption, and Foster Care. The handbook contains guidance on the use of advanced sick and annual leave policies as required by the President's memorandum, and provides information on the various leave entitlements and flexibilities available to assist employees.

6.2.2. Utilization of Leave Flexibilities. The Handbook is divided into three sections; each section addresses the specific circumstance of the employee related to:

6.2.2.1. Pregnancy and childbirth,

6.2.2.2. Adoption and foster care, and

6.2.2.3. Information on the interaction of the various leave programs and workplace flexibilities and how they can be used together.

7.0 BONE MARROW OR ORGAN DONOR LEAVE

The use of up to 7 days (56 hours) of paid leave in a calendar year, in addition to sick or annual leave, to serve as a bone marrow donor, or up to 30 days (240 hours) of paid leave in a calendar year to serve as an organ donor is authorized under ***5 U.S.C. § 6327***. The directly proportional rule applies to an employee whose leave is administered on other than an 80-hour pay period. See DoDI 1400.25-V630. An individual having bone marrow removed and stored for their future personal use is not considered a donor and the benefit of 7 days of paid time off does not apply. In such a case, the employee must use sick leave, annual leave, or advanced annual and sick leave.

8.0 FEDERAL LEAVE SHARING PROGRAMS

The VLTP allows Federal employees to donate annual leave to other employees who have personal or other family medical emergencies and who have exhausted their own leave. Alternatively, the VLBP allows members with medical emergencies to withdraw leave from the bank if they exhaust their own leave. Each agency has established its own method of administering these programs and employees may participate in both programs. Additionally, an Emergency Leave Transfer Program (ELTP) has been established to transfer annual leave from donors to employees in other agencies who are adversely affected by disasters or emergencies.

8.1 VLTP

In accordance with ***5 U.S.C. § 6332*** and ***5 CFR 630, subpart I***, Federal employees may donate unused accrued annual leave directly to a specified employee (leave recipient) who needs leave because of a medical emergency and who has exhausted his or her available paid leave. Medical emergency is defined as a medical condition of an employee or a family member of an employee that is likely to require the employee to be absent from duty for a prolonged period, of at least 24 work hours, and result in a substantial loss of income to the employee because of the unavailability of paid leave. See ***5 CFR 630.902***.

8.1.1. Leave Donors

8.1.1.1. General. A leave donor is an employee who makes a request to transfer annual leave to the annual leave account of a leave recipient. Leave donors may not contribute to an immediate supervisor. The annual leave donated must be accrued and available at the date of donation.

8.1.1.2. Maximum Donation Amount. Maximum limitations exist for the amount of leave an employee may donate in any one leave year. See ***5 CFR 630.908***. Each agency shall establish written criteria for waiving the limitations on donating annual leave. In the case of the donor, having annual leave projected which:

8.1.1.2.1. Will not be forfeited at the end of the leave year (i.e., does not have “use or lose”), the maximum amount of annual leave that may be donated is one-half of the

amount of annual leave the leave donor would be entitled to accrue during the leave year the donation is made; or

8.1.1.2.2. Will be forfeited at the end of the leave year (i.e., has "use or lose"), the maximum amount of annual leave that may be donated is:

8.1.1.2.2.1. The lesser of one-half of the amount of annual leave the donor would be entitled to accrue during the leave year the donation is made, or

8.1.1.2.2.2. The number of hours remaining in the leave year, as of the date of the transfer, for which the donor is scheduled to work and receive pay.

8.1.2. Leave Recipients

8.1.2.1. General. A leave recipient is a current employee approved by the employing agency to receive annual leave from the annual leave accounts of one or more leave donors. There is no limit on the amount of donated annual leave a leave recipient may receive.

8.1.2.2. Limits on Use of Donated Leave. A leave recipient may use the donated leave transferred to his or her annual leave account under 5 CFR 630.906 only for the purpose of a medical emergency for which the leave recipient was approved. See 5 CFR 630.909. Substitution of donated leave is permitted for a prior period of LWOP or to liquidate a debt for advanced annual or sick leave. Donated leave may not be included in a lump-sum payment for annual leave. Donated leave may not be recredited to a former employee who returns to Federal service. See 5 CFR 630.906 and ***630.909***.

8.1.2.3. Requirement to Exhaust Accrued Annual and Sick Leave. Except for leave placed in a separate leave account (set aside leave account), any annual or sick leave accrued or accumulated by the leave recipient and available for the medical emergency must be exhausted before any donated leave may be used. See 5 CFR 630.909. However, this does not apply to a recipient who:

8.1.2.3.1. Sustains a combat-related disability while a member of the Armed Forces, including a reserve component of the Armed Forces; and

8.1.2.3.2. Is undergoing medical treatment for that combat-related disability (see ***5 U.S.C. § 6333(b)(2)***); or

8.1.2.3.3. Exhausts a total of 12 weeks of sick leave for family care purposes. If an employee applies to receive donated leave for a medical emergency affecting a family member and the employee has already exhausted the 12 weeks of sick leave for family care purposes in that leave year, he or she would not be required to exhaust his or her sick leave balance before being eligible for donated leave.

8.1.2.4. Leave Recipient's Accrual of Annual and Sick Leave. A leave recipient may earn annual and sick leave while using donated leave, but only up to 40 hours of each type. In

the case of a part-time employee or employee with an uncommon tour of duty, the employee may earn up to the average number of hours in the employee's weekly scheduled tour of duty.

8.1.2.4.1. Set Aside Leave Account. Any accrued annual or sick leave earned by the leave recipient must be placed in a separate leave account, referred to as a set aside leave account. The accrued annual or sick leave in the set aside leave account is available for transfer to the leave recipient's regular leave account after the leave recipient either exhausts all donated leave or the medical emergency ends. Leave in a set aside leave account is not available for use until transferred to the leave recipient's regular leave account. See ***5 CFR 630.907***.

8.1.2.4.2. Intermittent Use of Donated Leave and Accrued Leave. Leave accruals for an employee who uses donated leave intermittently must be prorated between the regular leave account and the set-aside leave account until it reaches the maximum accrual or the medical emergency ends. Accruals are prorated based on the number of hours of donated leave used within the pay period.

8.1.3. Interagency Transfers of Donated Leave. Under ***5 CFR 630.906(f)***, an agency must accept the transfer of annual leave from the leave donors employed by other agencies when any of the following conditions are met:

8.1.3.1. A family member of a leave recipient is employed by another agency and requests the transfer of annual leave to the leave recipient;

8.1.3.2. If, in the judgment of the leave recipient's employing agency, the amount of annual leave transferred from leave donors employed by the leave recipient's employing agency may not be sufficient to meet the needs of the leave recipient; or

8.1.3.3. If, in the judgment of the leave recipient's employing agency, acceptance of leave transferred from another agency would further the purpose of the VLTP.

8.1.4. Restoring Transferred Leave to the Donor. Upon termination of the medical emergency, any unused donated leave must be transferred pro rata back to each donor. See ***5 CFR 630.911***. The leave is not restored if the leave donor retires, dies, or separates from Federal service before the date the unused transferred annual leave can be restored. If returned to the leave donor's account, the leave is treated the same as other annual leave and becomes subject to the "use or lose" carryover limitations. Each donor may elect how the leave is to be recredited from the following options:

8.1.4.1. Crediting the donated annual leave to the donor's annual leave account in the current leave year;

8.1.4.2. Crediting the donated annual leave to the donor's annual leave account effective as of the first day of the first leave year beginning after the date of election; or

8.1.4.3. Donating it, in whole or part, to another leave recipient.

8.2 VLBP

Under the VLBP at ***5 U.S.C. § 6361*** and ***5 CFR 630, subpart J***, employees may contribute unused accrued annual leave to their agency's leave bank for use by other leave bank members who are experiencing a personal or family medical emergency and who have exhausted all available paid leave. Each agency may establish a leave bank board to administer the VLBP. See ***5 CFR 630.1003***. An employee may participate in both the VLTP and the VLBP in the same agency for the same medical emergency if his or her agency has established both programs. See ***5 U.S.C. § 6373*** and ***5 CFR 630.1013***.

8.2.1. Leave Bank Members and Minimum Donations. An employee must make an application to become a leave bank member and must contribute a minimum amount of annual leave to the leave bank each year. The minimum donation may not be less than the amount of annual leave the employee normally accrues in a pay period (e.g., 4, 6, or 8 hours). See ***5 CFR 630.1004(g) through (i)***. An employee must make the donation to establish leave bank membership during the annual open enrollment period, or within 30 days of the employee's appointment to the agency or return from extended absence.

8.2.2. Leave Bank Recipients

8.2.2.1. Application and Approval by Leave Bank Board. A leave bank member, or a personal representative on behalf of the employee, who is affected by a personal or family medical emergency must make a written application to the leave bank board in order to become a leave bank recipient. See ***5 CFR 630.1006***. The board must find that the leave recipient's absence from duty without paid leave is expected to be at least 24 work hours for a full-time employee, this leave may be intermittent. A part-time employee or employee with an uncommon tour of duty expects to be absent without available paid leave at least 30 percent of the average number of hours in the employee's biweekly scheduled tour of duty. See ***5 CFR 630.1007***.

8.2.2.2. Limits on Use of Leave From the Leave Bank. Donated annual leave withdrawn from the leave bank may be used only for the approved medical emergency. A leave recipient may use donated leave retroactively to substitute for a period of LWOP or to liquidate the advanced annual or sick leave that began on or after the date fixed by the leave bank board at the start of the medical emergency. Donated leave may not be included in a lump-sum payment for annual leave. Donated leave may not be recredited to a former employee who returns to Federal service. See ***5 CFR 630.1009***.

8.2.2.3. Requirement to Exhaust Accrued Annual and Sick Leave. The leave bank recipient must use any available paid leave, but not leave from a set aside leave account, before using any donated leave. See 5 CFR 630.1009.

8.2.2.4. Leave Bank Recipient's Accrual of Annual and Sick Leave. A leave bank recipient may earn annual and sick leave while using donated leave, but only up to 40 hours of each type. In the case of a part-time employee or employee with an uncommon tour of duty, the employee may earn up to the average number of hours in the employee's weekly scheduled tour of duty. See ***5 CFR 630.1008***.

8.2.2.4.1. Set-Aside Leave Account. Any accrued annual or sick leave earned by the leave bank recipient must be placed in a separate leave account, referred to as a set-aside leave account. The accrued annual or sick leave in the set-aside leave account is available for transfer to the leave recipient's regular leave account after the leave recipient either exhausts all donated leave or the medical emergency ends. Leave in a set-aside leave account is not available for use until transferred to the leave recipient's regular leave account. See 5 CFR 630.1008.

8.2.2.4.2. Intermittent Use of Donated Leave and Accrued Leave. Leave accruals for an employee who uses donated leave intermittently must be prorated between the regular leave account and the set-aside leave account until the maximum accrual is reached or the medical emergency ends. Accruals are prorated based on the number of hours of donated leave used within the pay period.

8.2.3. Termination of the Medical Emergency. Any unused leave withdrawn from the leave bank and not used before the termination of the leave recipient's medical emergency must be returned to the leave bank. The medical emergency of the leave recipient terminates when the following occurs:

8.2.3.1. The leave recipient's Federal service is terminated;

8.2.3.2. The leave recipient leaves the agency or participating organization, unless determined otherwise by the leave bank board;

8.2.3.3. At the end of the pay period in which the leave recipient provides written notice that the medical emergency is over;

8.2.3.4. At the end of the pay period in which the leave bank board determines, after written notice to the leave recipient and opportunity for response, that the medical emergency is over; or

8.2.3.5. At the end of the pay period in which the agency receives notice that the leave recipient has been approved for disability retirement.

8.2.4. Transferring Between Agencies

8.2.4.1. If an employee moves between an agency operating a leave bank to another agency operating a different leave bank, the following procedures apply:

8.2.4.1.1. On the date the employee moves to the new agency, the employee will become subject to the policies and procedures of the new agency's leave bank; and

8.2.4.1.2. The employee's right to submit an application to become a leave contributor or leave recipient in accordance with the new agency's policies and procedures of the leave bank must not be restricted by ***5 CFR 630.1010(a)(2) or (b)***.

8.2.4.2. See ***5 CFR 630.1015*** for similar procedures for transfers between an agency covered by a VLBP and an agency covered by a VLTP.

8.3 ELTP

8.3.1. Authority. ***5 U.S.C. § 6391*** and ***5 CFR 630, subpart K*** provide that in the event of a major disaster or emergency, as declared by the President, resulting in severe adverse effects for a substantial number of Federal employees, the President may direct OPM to establish an ELTP. Such disasters or emergencies involve loss of life or property, serious injury, or mental illness because of a direct threat to life or health. Under the ELTP, an employee in an executive agency may donate annual leave for transfer to employees of the employing agency or to employees in other agencies adversely affected by such disaster or emergency.

8.3.2. Establishing ELTP Program. OPM will notify agencies of the establishment of an ELTP for a specific disaster or emergency, as declared by the President. Immediately after a disaster or an emergency, agencies can typically grant excused absence or advanced annual leave or sick leave as appropriate to affected employees. Once notified, each agency affected by the disaster or emergency is authorized to:

8.3.2.1. Determine the amount of donated annual leave needed by affected employees;

8.3.2.2. Approve emergency leave donors and/or emergency leave recipients within the agency, as appropriate;

8.3.2.3. Facilitate the distribution of donated annual leave from approved emergency leave donors to approved emergency leave recipients within the agency; and

8.3.2.4. Determine the period of time that donated annual leave may be accepted for distribution to approved emergency leave recipients.

8.3.3. ELTP Leave Donor. An employee may voluntarily submit a written request to transfer a specified number of hours of their accrued annual leave to the employing agency's ELTP using ***OPM Form 1638***, Request to Donate Annual Leave Under the ELTP. When choosing to donate, a donor may not contribute less than 1 hour nor more than 104 hours of annual leave in a leave year. Each agency may establish written criteria for waiving the 104-hour limitation per employee for donating annual leave in a leave year. After the initial 1-hour donation, leave may be donated in 15-minute increments. A donor may not donate annual leave for transfer to a specific emergency leave recipient; rather it goes to the ELTP bank. Annual leave donated to an ELTP is not applied against limits on donations of annual leave to a VLBP or VLTP. See ***5 CFR 630.1109*** and ***630.1110***.

8.3.4. ELTP Leave Recipient

8.3.4.1. Eligibility. An employee, as defined in ***5 U.S.C. § 6331(1)***, who has been adversely affected by a major disaster or emergency may receive donated leave under the ELTP. An employee who has a family member adversely affected by a disaster or emergency and does not have reasonable access to other forms of assistance may receive donated leave under the ELTP. An employee is considered adversely affected if the disaster or emergency has caused severe hardship to the employee or family member to such a degree that the employee's absence from work is required. See ***5 CFR 630.1105***.

8.3.4.2. Limitation on Amount of ELTP Leave Received. The ELTP recipient may receive a maximum of 240 hours of donated annual leave at any one time for each disaster or emergency. See ***5 CFR 630.1111*** for exceptions.

8.3.4.3. Application and Notification of Approval/Disapproval. An employee, personal representative, or the agency on the employee's behalf must make a written application to become an ELTP recipient using the ***OPM Form 1637***, Application to Become a Leave Recipient Under the ELTP. Agency written notification of approval or disapproval must be issued to the employee within 10 calendar days (excluding Saturdays, Sundays, and legal public holidays) after the receipt of the application (or a date established by the agency if that date is later). If disapproved, the agency must state the reason(s) for the disapproval. If approved, the agency must specify the major disaster or emergency for which the recipient was approved.

8.3.4.4. Leave Recipient's Accrual of Annual and Sick Leave. An ELTP recipient is not required to exhaust his or her accrued annual or sick leave before receiving donated leave under the ELTP. Annual and sick leave will continue to accrue to the credit of the recipient at the same rate as if the recipient were in a paid leave status.

8.3.4.5. Limitations on Use of ELTP Leave. Donated leave must be used only for the purposes related to the approved disaster or emergency for which the leave recipient was approved. Donated ELTP leave may be substituted retroactively by the recipient for any period of LWOP used because of the adverse effects of the disaster or emergency. ELTP leave may be used to liquidate indebtedness incurred by the ELTP recipient for any advanced annual or sick leave used due to the adverse effects of the disaster or emergency. If the recipient transfers to another agency without a break in service, the leave must be transferred. The ELTP leave transferred to a recipient may not be included in a lump-sum payment upon separation or entry into active duty, recredited to a former employee reemployed by a Federal agency, or used to establish eligibility for immediate retirement or to continue health benefits into retirement. See ***5 CFR 630.1113*** and ***630.1114***.

8.3.5. Insufficient Agency ELTP Donated Leave. If a federal agency does not have sufficient donated leave to meet the needs of its approved emergency leave recipients, then the agency must notify OPM. OPM will coordinate a government-wide transfer of annual leave from donating agencies to affected agencies for crediting to their emergency leave recipients. The ***OPM Form 1639***, Transfer of Donated Annual Leave To or From the ELTP, is used for the purpose of donating or receiving annual leave from other agencies. OPM will facilitate the transfer of donated leave to/from agencies. See ***5 CFR 630.1112***. In addition, an agency's VLBP under 5 U.S.C., Chapter 63, with the concurrence of the leave bank board, may also donate annual leave to the employing agency's ELTP or another agency's ELTP. See ***5 CFR 630.1104***.

8.3.6. Procedures Upon Termination of Disaster or Emergency

8.3.6.1. Determining Termination of Disaster or Emergency. The disaster or emergency ends when OPM or the agency determines the termination or the recipient's Federal service terminates. See ***5 CFR 630.1116***. The emergency terminates at the end of the pay period when:

8.3.6.1.1. The recipient or his or her personal representative notifies the agency that the recipient is no longer affected by the disaster or emergency,

8.3.6.1.2. The agency determines that the emergency leave recipient is no longer affected by such disaster or emergency (see 5 CFR 630.1116(d) for notice requirements), or

8.3.6.1.3. The recipient's agency receives notice that the OPM has approved an application for disability retirement.

8.3.6.2. Recrediting Donated Leave to Donors and Leave Banks. When a disaster or emergency affecting an emergency leave recipient terminates, any unused ELTP leave must be returned to the emergency leave donors, or to the leave bank if donated by a leave bank. The ELTP administrator will determine the amount of remaining annual leave to be restored to each emergency leave donor who, on the date of the leave restoration, is employed by a federal agency. The unused ELTP leave returned must be proportional to the amount of annual leave donated by the employee (or leave bank) to the ELTP for such disaster or emergency. Annual leave donated to an ELTP for a specific disaster or emergency may not be transferred to another ELTP established for a different disaster or emergency. An emergency leave donor may request the agency restore unused donated annual leave by crediting the leave to the leave donor's annual leave account in either the current leave year, or on the first pay period of the following leave year. See ***5 CFR 630.1117***.

9.0 NON-APPROPRIATED FUND (NAF) TRANSFER OF LEAVE UNDER EMPLOYEE BENEFITS PORTABILITY PROGRAM

9.1 General

In accordance with 5 U.S.C. §§ 5551(a), 6308(b), and ***6312***, an employee who transfers from a NAF position to an appropriated fund (APF) position, or the reverse, without a break in service of more than 3 days, must transfer their entire annual and sick leave balances to the gaining employment office. The employee must not be paid for any accrued hours of annual leave. Leave will be administered in accordance with the rules of the gaining employment system (APF or NAF). The employee is credited with the full amount of leave even in those cases where the employee may receive a higher rate of pay from the gaining employment system (APF or NAF). See ***DoDI 1400.25-V1401***, Personnel Policy for NAF Instrumentalities.

9.2 Annual Leave Accrual Rates

Employees who move between DoD NAF and APF positions without a break in service of more than 3 days receive service credit for annual leave purposes. Service in the losing employment system (APF or NAF) is credited when determining the appropriate leave accrual rate. The employee's leave accrual rate is applied in exactly the same manner, regardless of whether the move is voluntary or involuntary, and regardless of the direction of the move, APF to NAF or NAF to APF.

10.0 COMPENSATORY TIME

10.1 General

Compensatory time off means time off in lieu of overtime pay for irregular or occasional overtime work. One hour of compensatory time off is granted for each hour of overtime. At the request of an employee, the head of an agency may grant an eligible employee compensatory time off from the employee's scheduled tour of duty instead of payment for an equal amount of time spent in irregular or occasional overtime work. Compensatory time off must be granted to an employee within a reasonable time after the overtime is worked. See ***5 U.S.C. §§ 5542*** – 5544, ***5 U.S.C. §§ 6122*** – 6123, ***5 U.S.C. §§ 6127*** – 6128, ***5 CFR 550.114***, and ***5 CFR 551.531***.

10.2 Eligible Employees

10.2.1. Fair Labor Standards Act (FLSA) Exempt and Nonexempt Employees. Compensatory time off may be approved in lieu of overtime for irregular or occasional overtime work for both FLSA exempt and FLSA nonexempt (i.e., FLSA covered) employees who meet the definition of employee under ***5 U.S.C. § 5541(2)***. An agency may require that an FLSA exempt employee with a rate of basic pay the rate of General Schedule-10, step 10 receive compensatory time off for irregular or occasional overtime.

10.2.2. Prevailing Rate Employees. Compensatory time off may be approved for prevailing rate employees (wage employees), as defined at ***5 U.S.C. § 5342(2)***. There is no requirement to compensate a prevailing rate employee irregular or occasional overtime by granting compensatory time off.

10.2.3. Flexible Work Schedules. Compensatory time off may be approved (but not required) in lieu of regularly schedule overtime only for employees (including prevailing rate employees) who are ordered to work overtime hours under flexible work schedules. See 5 U.S.C. § 6123(a)(1).

10.3 Forfeiture of Unused Compensatory Time Off

10.3.1. FLSA Exempt Employees. The time limit for using compensatory time is the end of the 26th pay period after the pay period during which it was earned. An agency may provide that an FLSA exempt employee who fails to take the compensatory time within 26 pay periods, or who transfers to another agency or separates from service before the compensatory time expires, must:

10.3.1.1. Receive payment for unused compensatory time at the overtime rate in effect when earned; or

10.3.1.2. Forfeit the unused compensatory time unless failure to use the compensatory time is due to an exigency of the service beyond the employee's control. An FLSA employee whose compensatory time off was forfeited due to an exigency of service beyond the employee's control must receive payment for the unused compensatory time at the overtime rate in effect when earned. See 5 CFR 550.114.

10.3.2. FLSA Nonexempt (FLSA Covered) Employees. The time limit for using compensatory time is the end of the 26th pay period after the pay period when it was earned. If the FLSA nonexempt employee fails to take the compensatory time within 26 pay periods, or the employee transfers to another agency or separates from Federal service before the compensatory time expires, pay the earned compensatory time off at the overtime rate in effect when earned. See 5 CFR 551.531.

10.3.3. National Guard Technicians. National Guard technicians are not paid for unused compensatory time worked. Compensatory time must be used by the end of the 26th pay period after it is earned, or it will be forfeited. See ***32 U.S.C. § 709 (h)***.

10.4 Separation or Transfer

When a DoD employee separates or transfers to another DoD Component or federal agency before the expiration of the 26th pay period time limit, unused compensatory time balances must be paid at the overtime rate in effect when the compensatory time was earned. Title 32 National Guard technicians forfeit any unused compensatory time when they separate or transfer to another DoD Component or Federal agency.

10.5 Compensatory Time Off for Religious Observances

10.5.1. General. An employee whose personal religious beliefs require not working during certain periods may elect to work compensatory time for the time lost to meet those religious requirements. See ***5 U.S.C. § 5550a*** and 5 CFR 550, subpart J. Religious compensatory time off differs from other forms of compensatory time off in that the sole purpose is to adjust an employee's work schedule to accommodate a religious observance. An employee who works compensatory time for religious reasons must be granted equal compensatory time off from the scheduled tour of duty. The employee must work the compensatory overtime not earlier than 13 pay periods before or not later than 13 pay periods after the grant of compensatory time off. Compensatory overtime must be credited to the employee on an hour for hour basis, or authorized fraction thereof. See Chapter 3 for additional information regarding compensatory time off for religious reasons.

10.5.2. Employee Responsibilities. An employee must request to work and use religious compensatory time in accordance with his or her agency's established policies. The employee must provide the agency with the name and/or description of the religious observance, the dates and times the employee plans to be absent, and the dates and times the employee plans to work overtime to earn religious compensatory time.

10.5.3. Agency Responsibilities

10.5.3.1. The agency must approve the employee's request for taking off religious compensatory time unless the request would interfere with the agency's ability to efficiently carry out its mission.

10.5.3.2. The agency must provide the employee with the opportunity to earn the compensatory religious time off before the deadline of 13 pay periods. The specific timing of when the employee can work overtime to earn the religious compensatory time off is at the agency's discretion.

10.5.4. Scheduling Time to Earn and Use Religious Compensatory Time Off.

10.5.4.1. The scheduling of time to earn and use religious compensatory time off by employee is subject to the employing agency's approval.

10.5.4.2. For an employee who earns religious compensatory time off prior to using it, religious compensatory time off may be earned up to 13 pay periods in advance of the pay period in which the targeted religious observance commences and must be linked to specific dates and times for future use, as compatible with agency mission requirements.

10.5.4.3. An employee who uses religious compensatory time off prior to earning it must fulfill his or her obligation to perform overtime work in exchange for the advanced religious compensatory time off. The overtime must be worked within 13 pay periods after the pay period in which the employee used religious compensatory time off, or the agency may take action as described in subparagraph 10.5.4.4.

10.5.4.4. The 13 pay periods are calculated beginning with the first pay period beginning after the date on which the religious compensatory time off was used. If the employee fails to earn religious compensatory time off within 13 pay periods after taking religious compensatory time off, the agency may take corrective action to eliminate or reduce the negative balance. The employee's balance of annual leave, credit hours, compensatory time off in lieu of regular overtime pay, compensatory time off for travel, or time-off awards can be reduced in order to offset the negative balance. An agency may determine the order of precedence for applying the various types of paid time off to offset the negative balance. Any negative balance of religious compensatory time off remaining after any charging of these types of paid time off must be resolved by charging the employee LWOP, which would result in an indebtedness that is subject to the agency's internal debt collection procedures.

10.5.5. Effective May 29, 2019. Employees who have a positive balance of earned, but unused religious compensatory time off hours, must direct these hours to future religious observances. The agency must confirm and document that the hours are connected to one or more specific religious observances requiring the employee's absence from work in order to meet the employee's personal religious requirements. The agency must give the employee the opportunity to direct all unused hours to such a future religious observance. If the employee does not direct all of the unused hours, the employee may not earn any additional religious compensatory time hours until the employee establishes a need to earn such time off hours. See 5 CFR 550, subpart J.

10.6 Compensatory Time Off for Travel

An employee may earn compensatory time off for travel for time spent in travel status away from the employee's official duty station. An employee may earn compensatory time off for travel only for hours that are not otherwise compensable. Because an employee is entitled to their rate of basic pay for travel during basic (non-overtime) holiday hours, an employee may not earn compensatory time off for travel during holiday hours. See ***5 CFR 550, subpart N***; the OPM Fact Sheet, ***Compensatory Time Off for Travel***; and ***5 U.S.C. § 5550b***.

10.6.1. Eligible Employees. Compensatory time off for travel may be earned by an employee, as defined in ***5 U.S.C. § 5541(2)***, who is employed in an Executive agency, as defined in ***5 U.S.C. § 105***, without regard to whether the employee is exempt from or covered by the overtime pay provisions of the FLSA of 1938, as amended. The definition includes employees in SL and ST positions, but not members of the SES. Prevailing rate (wage) employees are eligible for compensatory time off for travel.

10.6.2. Employees Who Receive Availability Pay. Availability pay is premium pay paid to Federal law enforcement officers who are criminal investigators required to work substantial amounts of unscheduled duty. See 5 CFR 550.181.

10.6.2.1. When Travel Hours Are Not Eligible. For availability pay recipients, travel hours are not eligible for compensatory time off if the hours are compensated by basic pay, regularly scheduled overtime hours creditable under 5 U.S.C. §§ 5542 or 5543, or unscheduled duty hours. Unscheduled duty hours means either irregular overtime hours, or the first 2 overtime hours on a day containing part of the employee's basic 40-hour workweek without regard to whether the hours are

unscheduled or regularly scheduled, or any approved non-work availability hours. See 5 CFR 550.182(a), (c), and (d). An availability pay recipient may not earn compensatory time off for travel during unscheduled duty hours because the employee is entitled to availability pay for those hours. Compensatory time off for travel is earned only for hours not otherwise compensable.

10.6.2.2. When Travel Hours Are Eligible. For availability pay recipients, travel hours are eligible for compensatory time off for travel when the employee is required to travel on a non-workday or on a regular workday (in excess of the basic workday) and the travel does not meet one of the four criteria listed under 5 U.S.C. § 5542(b)(2)(B) and ***5 CFR 550.112(g)(2)***. In such cases, since the travel time is not compensable as overtime hours of work for regular overtime or availability pay, the employee may earn compensatory time off subject to the exclusions specified in 5 CFR 550.1404(b)(2) and the requirements in 5 CFR 550.1404(c), (d), and (e). See ***5 U.S.C. § 5542(b)(2)(B)*** and 5 CFR 550.112(g)(2) for information regarding when travel time is compensable as overtime hours of work.

10.6.3. Creditable Travel Time. To be creditable, travel time must be for work purposes and must be approved by an authorized agency official or otherwise authorized under agency policy. Once the employee arrives at a temporary duty station, the employee is not considered to be in a travel status just because he or she is away from the official duty station. In other words, do not credit the time spent at a temporary duty station between arrival and departure as time in a travel status. Time in travel status includes:

10.6.3.1. Time an employee actually spends traveling between the official duty station and a temporary duty station;

10.6.3.2. Time an employee spends traveling between two temporary duty stations; and

10.6.3.3. The usual waiting time that precedes or interrupts such travel, such as waiting at an airport or train station for departure. This does not include any extended or unusual waiting time between actual period of travel when the employee is free to rest, sleep, or otherwise use the time for his or her own purposes.

10.6.4. Deducting Commuting Time

10.6.4.1. Travel Between Home and Temporary Duty Station (or Transportation Terminal) Outside of Official Duty Station Limits. Time spent traveling directly between home and a temporary duty station (or transportation terminal) outside the limits of the employee's official duty station is creditable as travel time. However, the agency must deduct from such travel hours the time the employee would have spent in normal home-to-work or work-to-home commuting (the commuting time offset). See 5 CFR 550.1404.

10.6.4.2. Between Home and Transportation Terminal Within Official Duty Station Limits. Time spent traveling outside of regular work hours between home and to or from a transportation terminal that is within the official duty station as part of travel away from that duty station is considered equivalent to commuting time and is not creditable travel time. See 5 CFR 550.1404(d).

10.6.4.3. Between Worksite and Transportation Terminal Within Official Duty Station Limits. Time spent traveling outside of regular work hours between the employee's worksite and a transportation terminal is creditable travel time, and no commuting time offset applies.

10.6.5. Crediting Compensatory Time Off for Travel. An employee must comply with the procedures for requesting credit of compensatory time off for travel. Within five workdays after returning to the official duty station, the employee must submit his or her travel itinerary, or any other documentation acceptable to the employee's supervisor, in support of a request for credit for the compensatory time off. Upon receipt of a proper and complete request from the employee, the agency must credit the employee with compensatory time off for creditable time in a travel status. The agency may authorize credit in increments of one-tenth of an hour (6 minutes) or one-quarter of an hour (15 minutes). There is no limit on the amount of compensatory time off for travel an employee may earn. Agencies must track and manage compensatory time granted for time in a travel status separately from other forms of compensatory time off.

10.6.6. Use of Accrued Compensatory Time Off for Travel. An employee must request permission from his or her supervisor to schedule the use of his or her accrued compensatory time off in accordance with agency-established policies and procedures. Compensatory time off for travel may be used when the employee is granted time off from scheduled tour of duty established for leave purposes. An employee must use earned compensatory time off in increments of one-tenth of an hour (6 minutes) or one-quarter of an hour (15 minutes). If the employee elects to use earned compensatory time off for travel instead of using excess annual leave, there is no legal authority to restore an employee's forfeited annual leave.

10.6.7. Forfeiture of Unused Compensatory Time Off for Travel

10.6.7.1. Forfeiture. Compensatory time off for travel is forfeited in following circumstances. See ***5 CFR 550.1407***.

10.6.7.1.1. Not Used Within 26 Pay Periods. Compensatory time off for travel is forfeited unless it is used by the end of the 26th pay period after the pay period it was credited.

10.6.7.1.2. Upon Transfer or Separation. When an employee voluntarily transfers to another agency or separates from Federal service, any unused compensatory time off for travel is forfeited. Agency means an Executive agency as defined in 5 U.S.C. § 105 (e.g., DoD). An employee does not receive a lump-sum payment for accrued compensatory time off for travel upon separation from an agency.

10.6.7.1.3. Upon Movement to Non-Covered Position. Compensatory time off for travel is forfeited when the employee transfers to a non-covered position (such as to the U.S. Postal Service).

10.6.7.2. Exceptions to the 26 Pay Period Limit

10.6.7.2.1. LWOP. Special circumstances apply when an employee has unused compensatory time off for travel and the employee separates from Federal service or is placed on LWOP status under the following circumstances. If the employee later returns to service with the same agency, the employee must use all of the compensatory time off by the end of the 26th pay period following the pay period that the employee returns to duty, otherwise the compensatory time off is forfeited. See 5 CFR 550.1407(a)(2). LWOP status under this provision is as follows:

10.6.7.2.1.1. LWOP to Perform Uniformed Service. The employee separates or is placed on LWOP status to perform service in the Uniformed Services, as defined in ***38 U.S.C. § 4303*** and ***5 CFR 353.102***, and later returns to service through the exercise of a reemployment right provided by law, Executive order, or regulation.

10.6.7.2.1.2. LWOP for Work Injury. The employee separates or is placed on LWOP status because of an on-the-job injury with entitlement to injury compensation under ***5 U.S.C., Chapter 81*** and later recovers sufficiently to return to work.

10.6.7.2.2. Exigency. If an employee fails to use compensatory time off for travel within 26 pay periods after earned due to an exigency of the service beyond the employee's control, an authorized agency official may extend the time limit for using such compensatory time off for up to an additional 26 pay periods. See 5 CFR 550.1407(e).

10.6.8. Prohibition Against Payment for Unused Compensatory Time Off for Travel. As provided by 5 U.S.C. § 5550b(b), an individual must not receive payment under any circumstances for any unused compensatory time off for travel earned under 5 CFR 550, subpart N. This prohibition against payment also applies to surviving beneficiaries of deceased employees.

10.6.9. Inapplicability of Premium Pay and Aggregate Pay Caps. Accrued compensatory time off for travel is not considered when applying the premium pay limitations established under ***5 U.S.C. § 5547*** and ***5 CFR 550.105-107*** or the aggregate limitation of pay established under ***5 U.S.C. § 5307*** and ***5 CFR 530, subpart B***. There is no pay cap limitation on the amount of compensatory time off for travel an employee may earn.

11.0 HOLIDAY LEAVE

11.1 General

Employees must be in a pay status or a paid time off status (e.g., leave, compensatory time off, compensatory time off for travel, or using credit hours) on their scheduled workdays either before or after a holiday in order to be entitled to regular pay for a holiday. Employees in a nonpay

status for the workdays immediately before and after the holiday may not receive compensation for that holiday.

11.2 Work Schedules

11.2.1. Full-Time Employees. Regular full-time employees who are not required to work on a holiday receive their regular straight-time pay, including night and shift differential.

11.2.1.1. Flexible Work Schedule. A full-time employee on a flexible work schedule, who is prevented from working on a holiday, or an in lieu of holiday, is entitled to 8 hours of holiday leave for each holiday. See ***5 U.S.C. § 6124***. Employees under flexible work schedules are credited with 8 holiday hours even if they would otherwise work more hours on that day.

11.2.1.2. Compressed Work Schedule. A full-time employee on a compressed work schedule who is prevented from working on a holiday, or an in lieu of holiday, is entitled to holiday leave for the number of hours of the ***OPM compressed work schedule*** for the employee on that day. See ***5 U.S.C. § 6121(5)***. For example, if a holiday falls on a 9 or 10-hour basic workday, the employee's holiday is 9 or 10 hours, respectively. See ***5 CFR 610.406***.

11.2.2. Part-Time Employees. Part-time employees receive their regular pay for holidays that fall on their regularly scheduled workdays; this does not include overtime work. When a holiday falls on a part-time employee's non-workday, there is no entitlement to pay for an in lieu of holiday. When prevented from working because the activity is closed due to an in lieu of holiday, the part-time employee may either be placed in an appropriate leave category or be excused, placed on administrative leave, without loss of pay for the number of hours they are regularly scheduled to work on that day. See ***DoDI 1400.25-V610***. For more information on part-time employees, see the OPM Fact Sheet, ***Federal Holidays - Work Schedules and Pay***.

11.2.2.1. Flexible Work Schedule. A part-time employee on a flexible work schedule who is prevented from working on a holiday is entitled to leave for the number of hours they would have worked but for the holiday, not to exceed 8 hours. See ***5 CFR 610.405***.

11.2.2.2. Compressed Work Schedule. A part-time employee prevented from working on a holiday is entitled to leave for the number of hours of the compressed work schedule on that day. See 5 CFR 610.406.

11.2.3. Intermittent Employment. Intermittent employees, including experts and consultants, means employees without a regularly scheduled tour of duty. Intermittent employees receive compensation only when work is actually performed.

12.0 CREDIT HOURS

12.1 General

Credit hours are any hours within a flexible schedule established under 5 U.S.C. § 6122 that are in excess of an employee's basic work requirement and that the employee elects (consistent with agency policy) to work to vary the length of a workweek or a workday. Credit hours are distinguished from overtime hours in that they are not officially ordered and approved in advance by management. See ***5 U.S.C. §§ 6121-6126***.

12.2 Requirements for Earning and Using Credit Hours

12.2.1. Earning Credit Hours. Only full-time and part-time employees under flexible work schedules may earn credit hours. SES members may not earn credit hours. See ***5 CFR 610.408***. Credit hours may be earned only within the flexible time bands established by the agency or union agreement. Work hours that count toward the employee's basic work requirement should not be considered credit hours. Credit hours are those hours that are in excess of the employee's basic work requirement (8 hours in a day, 40 hours in a week, or 80 hours in the pay period). There is no legal authority to advance credit hours to an employee. See 5 U.S.C. § 6121(4).

12.2.2. Using Credit Hours. Credit hours must be used within the tour of duty. Credit hours must be earned and used in the same increments as other absences with pay.

12.3 Accumulation

A full-time employee may accumulate up to 24 credit hours to be carried forward for credit against a later pay period. The 24 credit hours carried forward must be accounted for the same as other types of absences with pay. See 5 U.S.C. § 6126.

12.4 Part-Time Employees

A part-time employee under a flexible work schedule may earn credit hours. A part-time employee may carry forward credit hours from one pay period to a subsequent pay period, in an amount equal to 25 percent of the biweekly scheduled hours of work. See 5 U.S.C. § 6126(a).

12.5 Payment for Credit Hours

Generally, an employee receives no additional pay for credit hours. When used by the employee, credit hours are considered a part of the basic work requirement (non-overtime work) in the pay period that they are applied. An employee is entitled to his or her basic rate of pay for any credit hours used. However, upon separation from Federal service, or when an employee is no longer subject to a flexible work schedule program or transfers to another employing activity (provided the agency and Major Claimant/Command changes), any accumulated credit hours must be liquidated/paid at the employee's current hourly rate. For full-time employees, not more than 24 accumulated credit hours may be paid. For part-time employees, accumulated credit hours may be paid in an amount that is not more than 25 percent of the employee's scheduled hours.

See 5 U.S.C. § 6126(b). Premium pay limitations under 5 U.S.C. § 5547 do not apply to payment for credit hours even though the limits apply to payments for unused compensatory time off.

12.6 Entitlement

12.6.1. Overtime. An employee must not use credit hours to increase the entitlement of overtime pay. No overtime pay or compensatory time off will be paid when employees earn credit hours or when credit hours are liquidated when Federal service ends. See 5 U.S.C. §§ 6123(b) and 6126.

12.6.2. Sundays. An employee will not be paid Sunday pay when earning credit hours on a Sunday. Sunday premium pay is limited to 8 hours for each regularly scheduled basic tour of duty that begins or ends on Sunday. Since credit hours may only be earned when employees work in excess of their regularly scheduled basic work requirement, Sunday premium pay may not be paid when employees earn credit hours on Sunday. Neither may employees receive Sunday premium pay if they use credit hours in order to be absent from regularly scheduled Sunday work. Employees may not receive Sunday premium pay for any period of time they do not actually perform work on a Sunday.

12.6.3. Nights. An employee must not be paid night pay when credit hours are earned at night. Night pay is authorized for work performed at night during an employee's regularly scheduled tour of duty. See ***5 U.S.C. § 5545(a)***. Since employees who earn credit hours are not performing regularly scheduled work, they may not be paid night pay for credit hours earned at night. Neither may employees be paid for credit hours used at night to be absent from the employee's basic tour of duty. There is no provision of law or regulation permitting night pay to be paid when credit hours are used to be absent from regularly scheduled night work. Credit hours are considered as daytime hours. For example, when an employee's schedule includes daytime and nighttime hours, credit hours are applied only to the daytime portion of the schedule. See 5 U.S.C. § 6123(c). For requirements on entitlement to night differential when credit hours are earned by prevailing rate (wage) employees and employees under 38 U.S.C (Title 38 employees), see 5 U.S.C. § 6123(c)(2).

12.6.4. Holidays. An employee may not earn additional compensation or credit hours for voluntarily working during holiday hours. If permitted by agency policy or negotiated agreements for union members, supervisors may approve requests from employees working under flexible work schedules to earn credit hours for work in excess of their basic work requirement on a holiday. Full-time employees under flexible work schedules are excused from 8 hours of their basic work requirement because of a holiday. See 5 U.S.C. § 6124. If an employee is scheduled to complete 9 or 10 hours of basic work requirement on a holiday, the agency may permit the employee to use previously accrued credit hours or annual leave in order to be absent with pay during the ninth and tenth hours.

12.6.5. Excused Absences. An employee may not earn credit hours during excused absences, such as a weather emergency. If employees work during the hours of their basic work requirement, despite being excused from work, they are not entitled to additional compensation or credit hours. However, if permitted by policy or negotiated agreements, a supervisor may approve a request from an employee to earn credit hours for work in excess of their basic work requirement on a day when an excused absence is granted.

12.6.6. Training. An employee cannot earn credit hours for training required by an agency.

12.7 Biweekly Pay Period

There is no limit on the accumulated number of credit hours during the biweekly pay period, subject to a supervisor's approval. Any credit hours worked in a pay period that exceeds the 24-hour maximum carryover will be forfeited if not used during that pay period. Credit hours must be earned before they are used. Employees may carry forward only 24 credit hours into the succeeding pay period. Credit hours under a maxi-flex schedule may be used during the pay period that they are earned.

13.0 TIME OFF AS AN INCENTIVE AWARD

As authorized by ***5 U.S.C. § 4502(e)***, a time-off award may be granted in lieu of cash. See ***5 CFR 451.101-107***. A time-off award is an absence with pay without charge to leave. See Chapter 3, section 11.0.

14.0 ADMINISTRATIVE LEAVE (EXCUSED ABSENCE)

14.1 General

Administrative leave (also referred to as "excused absence") is an absence from duty, administratively authorized, without loss of pay and without charge to leave. Periods of administrative leave are considered part of an employee's basic workday even though the employee does not perform regular duties. The following are some of the more common situations in which agencies generally permit absence from duty without a loss of pay and without charge to leave. See the OPM Fact Sheet, ***Administrative Leave*** and DoDI 1400.25-V630.

14.2 Blood Donation

Employees serving as blood donors may be excused from work without charge to leave for the time necessary to donate the blood, for recuperation following blood donation, and for necessary travel to and from the donation site. This provision does not cover an employee who gives blood for his or her personal use or receives compensation for giving blood.

14.3 Tardiness and Brief Absence

If an employee is unavoidably or necessarily absent for less than one hour, or tardy, the agency, for adequate reason, may excuse the employee without charge to leave.

*14.4 Voting and/or Nonpartisan Poll Worker

14.4.1. General. ***Executive Order 14019 on Promoting Access to Voting*** was issued on March 7, 2021. This allows for employees to be granted up to 4 hours of administrative leave for the purpose of voting or serving as a non-partisan poll worker or non-partisan observer. If an employee needs to spend less than 4 hours to vote, only the needed amount of administrative leave should be granted. See DoDI 1400.25-V630 and the OPM Memorandum, ***Executive Order on Promoting Access to Voting***.

14.4.2. Voting

14.4.2.1. Agencies should allow employees to use up to 4 hours of administrative leave for voting in connection with each Federal general election day. The administrative leave may be used for voting on the Federal general election day or for early voting (i.e., voting prior to Federal general election day, as authorized by their jurisdiction).

14.4.2.2. Agencies should allow employees to use up to 4 hours of administrative leave for voting in connection with each election event (including primaries and caucuses) at the Federal, State, local (i.e., county and municipal), Tribal, and territorial level that does not coincide with a Federal general election day. (If an election simultaneously involves more than one level, it is considered to be a single election event.) This administrative leave may be used for voting on the established election day or for early voting, whichever option is used by the employee with respect to an election event.

14.4.2.3. For Federal special Congressional elections not held on the date of a Federal general election, agencies should allow employees to use up to 4 hours of administrative leave for voting. This administrative leave may be granted for voting on the established date of a special election or for authorized early voting in connection with that election.

14.4.3. Non-partisan Poll Worker or Observer. Agencies should also allow employees to use up to 4 hours of administrative leave per leave year to serve as a non-partisan poll worker or to participate in non-partisan observer activities at the Federal, State, local (i.e., county and municipal), Tribal, and territorial levels. This leave is in addition to any administrative leave an employee uses to vote.

14.4.4. Restrictions

14.4.4.1. Administrative leave may not be used during a non-workday or during overtime work hours outside the tour of duty established for leave charging purposes.

14.4.4.2. Administrative leave may be used for any travel time to and from the employee's voting poll location.

14.4.3.3. An employee may use administrative leave for voting in connection with each covered election event in which the employee participates by voting. However, an employee is limited to 4 hours of administrative leave for voting per election event.

14.4.3.4. An employee may use up to 4 hours of administrative leave per leave year for the purpose of serving as a non-partisan poll worker or non-partisan observer, including training periods. If those duties require the employee to be absent for a longer period of time, the employee must use annual leave (accrued or advanced), earned compensatory time off, or credit hours earned under a flexible work schedule. An employee may also request leave without pay according to agency internal policies and any applicable collective bargaining agreement.

*14.5 Taking Examinations for Certification

An employee may be granted excused absence to take an examination (e.g., certified public accountant examination) in their functional area if securing the certification or license would enhance the employee's professional stature, thereby benefiting the DoD. This provision does not cover time spent preparing for such examinations. See DoDI 1400.25-V630.

14.6 Attending Conferences or Conventions

Employees may be excused to attend conferences or conventions when it is determined that the attendance will serve the best interest of the Federal service. Such absences may be restricted to those situations that the employee is an official representative of the organization involved or is a contributor on the agenda. Employees may not be excused to attend conferences or conventions of political parties or partisan political groups or committees.

*14.7 Representing Employee Organizations

Representative leave hours must be reported using 4 separate categories. The categories are term negotiations, mid-term negotiations, dispute resolution, and general labor-management relations. Absence charged as representative leave may be subject to the provisions of local negotiated agreements and/or supervisory approval. See ***5 CFR 551.424*** and ***OPM's Taxpayer Funded Union Time Usage in the Federal Government, FY 2019, Appendix A***.

14.8 Official Duty Status Funerals of Fellow Federal Law Enforcement Officers or Federal Firefighters

A Federal firefighter or Federal law enforcement officer may be excused from duty without charge to pay or leave in order to attend the funeral of a fellow Federal firefighter or Federal law enforcement officer who was killed in the line of duty. See ***5 U.S.C. § 6328***. When excused from duty, attendance at the funeral service is considered as official duty for the firefighter or officer. Under ***31 U.S.C. § 1345***, an agency may pay the expenses of an official or employee of the United States carrying out an official function.

14.9 Absence of Veterans to Attend Funeral Services

An eligible employee may be excused from duty to participate as an active pallbearer, a member of a firing squad, or a guard of honor in a funeral ceremony for a member of the Armed Forces whose remains are returned from abroad for final interment in the United States (not to exceed 4 hours in any 1 day). See ***5 U.S.C. § 6321***.

14.10 Excused Absence for Employees Returning From Active Military Duty

14.10.1. Entitlement. Pursuant to a Presidential Memorandum of November 14, 2003, a federal employee is entitled to 5 days of excused absence after he or she returns from active military service in connection with the continuing Overseas Contingency Operations (OCO). Upon receiving notification from a returning employee of his or her intent to return to civilian duty on a specific date, an agency must grant an eligible employee 5 days of excused absence immediately prior to the employee's actual resumption of his or her duties. See the OPM Fact Sheet, ***5 Days of Excused Absence for Employees Returning from Active Military Duty***.

14.10.2. Usage. The commencement of the 5 days of excused absence represents a return to Federal employment, and the employee is obligated to report for work at the end of the 5-day period. The excused absence is intended to provide returning employees with continuous paid time off to spend with their families before returning to Federal service; therefore, the 5 days must be used consecutively. If the employee does not use all 5 days at once, the remaining days may not be carried over for later use.

14.10.3. Eligibility

14.10.3.1. Minimum Service Requirement. An employee must be on active duty in support of the OCO for at least 42 consecutive days to qualify for 5 days of excused absence. An employee does not qualify if the period of active duty is less than 42 days. The 42 days must be consecutively served, and an accumulation of 42 or more nonconsecutive days of active duty does not meet the requirement.

14.10.3.2. Multiple Deployments. An employee deployed on multiple occasions is entitled to receive 5 days of excused absence for each deployment as long as the deployment meets the 42-day requirement, and the employee has not received 5 days of excused absence during the previous 365 days.

14.10.3.3. New Employees. A new employee who was not a federal employee at the time of his or her activation does not qualify for the 5 days of excused absence.

14.10.3.4. Employees With an Uncommon Tour of Duty. The period of excused absence for an employee on an uncommon tour of duty or an employee on a part-time work schedule will be prorated according to the number of hours in the employee's regularly scheduled workweek.

*14.11 COVID–19 Vaccinations and Boosters

14.11.1. Policy. Agencies may grant employees up to 4 hours of administrative leave, per vaccination event, to receive COVID–19 vaccinations, booster shots, or any other authorized additional COVID–19 vaccination. Employees should obtain advance approval from their supervisor before being permitted to use administrative leave for any type of COVID–19 vaccination purposes. Employees may not be authorized to perform overtime work for the purposes of receiving a vaccination outside of their normal scheduled tour of duty. For further information, refer to the most recent revision of the Consolidated DoD Coronavirus Disease 2019 Force Health Protection Guidance available at "***Coronavirus: Latest DoD Guidance***."

14.11.2. Usage. The use of administrative leave is limited to time spent traveling to and from the vaccination location, time at the vaccination location, and, if needed for a reasonable amount of recovery time. Generally, employees should not require more than 4 hours for each event (e.g., up to 12 hours for receiving 3 doses).

14.11.3. Other Leave. If an employee needs time to recover from a COVID–19 vaccine, they can request any other paid leave, such as annual leave or sick leave, for which the employee is eligible. This also applies to the time taken for employees to accompany their family members, including children ages 6 months to 5 years old, to receive any COVID–19 vaccination; administered by DoD, Federal, State, and local government organizations, or private health care organizations and pharmacies. See the OPM Memo dated Apri1 12, 2024, "***Leave Polices Related to COVID-19 Vaccinations and Boosters for Federal Employees***."

*14.12 Permanent Change of Station (PCS)

Employees authorized a PCS move within DoD may be granted excused absence before departing the old duty station and following arrival at the new duty station to accomplish personal tasks resulting from the move (e.g., to close or open personal bank accounts or to obtain driver's licenses or car tags). In similar situations, employees coming to the DoD from other federal agencies may also be granted excused absence after the employee is placed on the DoD employment roll. This provision does not cover time involved in complying with PCS requirements such as obtaining passports and vaccinations, adhering to government housing authority requirements, or being present for packing and receiving of household goods. Accomplishing tasks that are conditional to the PCS is considered to be an official duty. See DoDI 1400.25-V630.

*14.13 Employment Interview

Employees under notice of separation or change to lower grade for any reason except personal cause may be granted excused absence for job searches and interviews. Employees competing for positions within DoD may also be granted excused absence for merit placement interviews. See DoDI 1400.25-V630.

*14.14 Counseling

Excused absence may be granted to permit an employee to attend the initial counseling session (e.g., drug, alcohol, financial) resulting from a referral under the Employee Assistance Program. This provision does not include the official duty status an employee is in during the initial referral to the Employee Assistance Program. See DoDI 1400.25-V630.

*14.15 Volunteer Activities

Excused absence may be granted to employees participating in management sponsored volunteer projects (e.g., education mentorship or tutoring programs). This provision does not apply to time spent on volunteer activities not sponsored by management. Volunteer activity not sponsored by management may be promoted through established leave programs and the flexibility offered through alternative work schedules. See DoDI 1400.25-V630.

*14.16 Emergency Situations

Excused absence may be granted to employees to assist in emergency situations that is declared by, or requested from, authorized officials. This provision does not cover employees who respond to emergencies in National Guard or Reserve status. See DoDI 1400.25-V630.

*14.17 Physical Examinations for Enlistment or Induction

Excused absence may be granted to an employee to undergo medical examinations required by appropriate military authorities for enlistment or induction into the Military Services. This provision does not cover travel time outside the commuting area or situations in which the employee receives military compensation, can use military leave, or undergoes additional tests, examinations, or treatments for conditions discovered or suspected as a result of the examinations. See DoDI 1400.25-V630.

*14.18 Medal of Honor Holders

Invited Medal of Honor holders may be granted excused absence to attend or participate in events such as the inauguration of the President of the United States, Congressional Medal of Honor Society conventions, and services on Memorial Day or Veterans Day. See DoDI 1400.25-V630.

15.0 WEATHER AND SAFETY LEAVE

The NDAA for FY 2017, section 1138 ***(PL 114-328)*** granted agencies authority to authorize weather and safety leave to employees due to an act of God, a terrorist attack, or any other condition that prevents employees from traveling safely to work or to safely perform work at an approved location. Employees who are participating in a telework program may not be eligible for weather and safety leave depending on their agency's telework policies. An employee may not receive weather and safety leave for hours in which they have preapproved leave (paid or unpaid) or paid time off. Approval of weather and safety leave is not an employee entitlement. See ***5 CFR 630, subpart P***.

16.0 COURT LEAVE AND JURY DUTY

16.1 General

Employees are authorized paid time off (court leave) when summoned to serve as a juror or as a witness in a nonofficial capacity on behalf of any party in connection with any judicial proceeding that the United States, the District of Columbia, or a state or local government is a party. See ***5 U.S.C. § 6322***, ***5 U.S.C. § 5537***, and ***5 U.S.C. § 5515***, and the OPM Fact Sheet, ***Court Leave***.

16.2 Summoned While on Annual Leave

If an employee is on annual leave when called for jury duty or witness service, court leave will be charged. No charge should be made to annual leave for the court service.

16.3 Requirements

An employee who is under summons from a court to serve on a jury should be granted court leave for the service for which an employee is entitled to court leave does not include periods when the employee is excused or discharged by the court, subject to call by the court, for an indefinite period or for a definite period in excess of 1 day. Therefore, an employee may be required to return to duty or be charged annual leave if excused from jury service for 1 day or even a substantial part of a day. However, the employee should not be required to return to work if it will cause a hardship. In a case where a return to work would present a hardship on the employee because of the distance of the court from their residence or place of duty, or in the case of an employee engaged in night work, court leave may be approved. See ***26 Comp Gen. 413***.

16.4 Intermittent Employment

Employees hired with no scheduled tour of duty are not eligible for court leave. See ***5 U.S.C. § 2105***.

16.5 FLSA Nonexempt Employees

FLSA nonexempt (e.g., FLSA covered) employees must not have their pay reduced under FLSA due to court leave for jury duty or witness service during their regularly scheduled tour of duty. See 5 U.S.C. § 6322.

16.6 Documentation Required

When an employee is called for court service (as a witness or juror), the court order, subpoena, or summons, if one was issued, must be presented to the supervisor as far in advance as possible.

16.7 Jury Duty Service Payment

Employees may not retain fees paid for jury duty service. If an employee performs jury duty service for a state or local court and the employee is paid jury duty fees, the fees must be collected from the employee as provided under paragraph 16.10. Employees who perform jury duty service for the United States or the District of Columbia governments are not paid jury duty fees. See 5 U.S.C. § 5537.

16.8 Official Capacity Witness

Employees who perform witness service in an official capacity on behalf of the United States or the District of Columbia government, a state or local government, or a private party must not be paid witness fees, nor must the time served as a witness be charged to court leave or annual leave. The time must be recorded as official duty. If any fees are paid, they must be turned into the employing activity.

16.9 Nonofficial Capacity Witness

An employee is not entitled to court leave if the employee testifies as a witness in a nonofficial capacity on behalf of a private party in a matter that the United States, the District of Columbia, a state, or local government is not a party. The employee must take annual leave or LWOP to serve in such a capacity. Employees are entitled to the fees and expenses related to such witness service.

16.10 Certificate of Attendance and Collection of Fees Paid

16.10.1. Amounts Subject to Collection.

16.10.1.1. Fees for Jury Duty or Witness Services. Unless otherwise allowable under this section, an employee in a pay status may not retain fees received for jury duty or witness services. The employee must submit any fees received to their employing activity in the form of a money order or personal check.

16.10.1.2. Certificate of Attendance. A certificate of attendance from the clerk of the court must also be submitted to the employing activity. The certificate of attendance should show the dates of jury duty or witness service and any amount of fees the court paid to the employee. The certificate of attendance should separately identify fees and other allowances or expenses. If the certificate of attendance does not identify allowances separately, then all monies received are considered fees for jury duty or witness services and must be collected.

16.10.1.3. Employee Waiver or Refusal of Fees. An employee serving on a jury in a state or local court who waives or refuses to accept jury fees is still liable to the U.S. Government for the fees they would have received. Under 5 U.S.C. § 5515, the Federal government is entitled to be reimbursed for any fees available and the employee has no discretion to waive payment of the fees on the government's behalf. The amount of any waived or refused fees must be collected from the employee as a salary overpayment.

16.10.2. Amounts Not Subject to Collection

16.10.2.1. Allowances or Reimbursement. The employee may keep reimbursements for expenses received from the court, authority, or party that summoned the employee. Allowances or reimbursement for expenses includes transportation or parking expenses.

16.10.2.2. Fees That Exceed Compensation. An employee may keep fees that exceed the employee's compensation for the days of service.

16.11 Collection of Fees Paid Incorrectly

If fees are paid incorrectly to an employee who is serving in a nonofficial capacity, then the employee may not retain the fees. The fees must be turned into the CSR at the employing activity.

16.12 Holiday

When a holiday occurs during the time an employee is on jury duty or witness service, the employee may keep the jury duty or witness service fee paid for the holiday.

16.13 Non-Workday

If called to jury duty on a non-workday, then the employee may keep the fees paid.

16.14 Submission and Crediting of Fees Collected

Monies submitted to the CSR for fees collected by employees for jury duty or witness service must be accounted for on a DoD ***(DD) Form 1131***, Cash Collection Voucher. The servicing PRO must credit the appropriation and accounting classification that paid the employee's salary while the employee was on jury duty or serving as a witness with these monies. See 5 U.S.C. § 5515.

16.15 Employee Absence

See Table 5-4 for employee absences for court or court-related services.

16.16 Payroll Deduction

Fees not submitted in a timely manner are subject to payroll deduction. Payroll deductions to collect the fees will be made in the next regular pay period. See 5 U.S.C. § 5515.

*17.0 SHORE LEAVE

17.1 General

Shore leave means paid leave authorized under ***5 U.S.C. § 6305(c)*** and ***5 CFR 630, subpart G*** that is earned by an employee who is regularly assigned to duties onboard an oceangoing vessel. The employee appointed in the civil service can be an officer, crewmember, or other employee serving aboard an oceangoing vessel on an extended voyage. An employee is considered to be regularly assigned when his or her continuing duties are such that all or a significant part of them require that they serve aboard an oceangoing vessel. Temporary assignments of a shore-based employee, such as for limited work projects or for training, do not constitute a regular assignment. An eligible officer, crew member, or other employee serving onboard an oceangoing vessel on an extended voyage earns shore leave (***5 U.S.C. § 6305(d)*** and 5 CFR 630.701-704) at a rate not to exceed 2 days for each 7 calendar days of absence on one or more extended voyages. See the FY 2024 NDAA.

17.2 Extended Voyage

Shore leave is earned by eligible employees who are on an extended voyage. An extended voyage must be at least 30 consecutive calendar days in duration, including voyage-preparation time on board the vessel. See ***5 CFR 630.701*** and 5 U.S.C. § 6305(d).

17.3 Computing Shore Leave

An employee earns shore leave at the rate of 1 day of shore leave for each 15-calendar days of absence on one or more extended voyages. The master of the vessel will keep a record of the accrual of shore leave for each employee. See ***5 CFR 630.703***.

17.3.1. Officer and Crewmembers. For an employee who is an officer or crewmember, a voyage begins either on the date the employee assumes duties aboard an oceangoing vessel to begin preparation for a voyage or on the date the employee comes aboard when a voyage is in progress. The voyage terminates on the earliest of the following dates:

17.3.1.1. The employee ceases to be an officer or crewmember of the oceangoing vessel, or

17.3.1.2. The employee is released from assigned duties relating to the voyage aboard the oceangoing vessel at the port of origin or port of final discharge.

17.3.2. Other Employees. For an employee, other than an officer or crewmember, a voyage begins on the date of sailing and terminates on the earliest of the following dates:

17.3.2.1. The oceangoing vessel returns to a port where the employee will disembark in completion of his or her assignment aboard the vessel, or

17.3.2.2. The employee is released from the assignment aboard the vessel.

17.4 Computing Days of Absence

The master of the vessel keeps a record on the use of shore leave for each employee. When computing the days of absence, an agency must use the guidance set out at 5 CFR 630.703(c).

17.5 Granting Shore Leave

An employee has an absolute right to use shore leave, subject to the right of the head of the agency to fix the time when shore leave may be used. Shore leave may be granted during a voyage at the written request of the employee. If so requested and denied, the denial must also be in writing. See ***5 CFR 630.704***.

17.6 Minimum Charge

The minimum charge for shore leave is 1 day; additional charges are in whole days.

17.7 Time and Attendance Report

The time and attendance report must reflect shore leave taken.

17.8 Limitation

Shore leave is in addition to annual leave, and it may be accumulated for future use without limitation.

17.9 Lump-Sum Leave Payment

Shore leave is not included in a lump-sum leave payment.

17.10 Terminal Leave

An agency must not grant shore leave to an employee as terminal leave. Terminal leave is an approved absence immediately before an employee's separation when an agency knows the employee will not return to duty before the date of their separation. The exception to this rule is that

an agency must grant shore leave as terminal leave when the employee's inability to use shore leave was due to circumstances beyond their control and not due to his or her own act or omission.

17.11 Forfeiture

Shore leave is forfeited if not granted before:

17.11.1. Separation from the service, or

17.11.2. An official assignment, other than by temporary detail, to a position in which the employee does not earn shore leave. To the extent administratively practicable, the employing activity must give an employee an opportunity to use the shore leave to their credit either before the reassignment or not later than 6 months after the date of their reassignment when the employing activity is unable to grant the shore leave before the reassignment.

17.12 Transfer

At the time of an employee's transfer to a position at another employing activity or agency, accumulated shore leave must be transferred if:

17.12.1. The employee is entitled to shore leave in the new position, and

17.12.2. There is no break in service.

18.0 HOME LEAVE

18.1 General

Home leave means leave authorized by ***5 U.S.C. § 6305(a)*** and ***5 CFR 630.601*** and earned by service abroad. Home leave can be earned and granted to eligible employees who have been recruited for overseas duty and who meet the requirements of 5 U.S.C. § 6304(b) for the accumulation of a maximum of 45 days of annual leave. There is no maximum accumulation of home leave. Balances are posted on the SF 1150 for future use.

18.2 Earning Home Leave

To determine the rate of accrual for home leave, the computation of service abroad must be completed. When computing service abroad full credit is given for the day of arrival and the day of departure.

18.2.1. Computation of Service Abroad. Service abroad means service on or after September 6, 1960, at a post of duty OCONUS and outside the employee's residence if it is in the Commonwealth of Puerto Rico or a territory or possession of the United States. Computation of service abroad:

18.2.1.1. Begins on the date of the employee's arrival at a post of duty OCONUS, or on the date of his entrance on duty when recruited abroad;

18.2.1.2. Ends on the date of the employee's departure from the post for separation or for assignment in the United States, or on the date of his separation from duty when separated abroad; and

18.2.1.3. Includes:

18.2.1.3.1. Absence in a nonpay status up to a maximum of 2 workweeks within each 12 months of service abroad;

18.2.1.3.2. Authorized leave with pay;

18.2.1.3.3. Time spent in the Armed Forces of the United States which interrupts service abroad (but only for eligibility, not leave-earning, purposes); and

18.2.1.3.4. A period of detail.

18.2.2. Earning Rates. For each 12 months of service abroad, an employee earns home leave at the following rate:

18.2.2.1. An employee who accepts an appointment to, or occupies, a position for which the agency has prescribed the requirement that the incumbent accept assignments anywhere in the world as the needs of the agency dictate earns 15 days;

18.2.2.2. An employee serving with a U.S. mission to a public international organization earns 15 days;

18.2.2.3. An employee serving at a post that payment of a foreign or non-foreign (but not a tropical) differential of 20 percent or more is authorized by law or regulation earns 15 days;

18.2.2.4. An employee not included in subparagraphs 17.2.2.1 through 17.2.2.3, who is serving at a post that payment of a foreign or territorial (but not a tropical) differential of at least 10 percent (but less than 20 percent) is authorized by law or regulation, earns 10 days;

18.2.2.5. An employee not included in subparagraphs 17.2.2.1 through 17.2.2.4 of this section earns 5 days; or

18.2.2.6. An employee not included in subparagraphs 17.2.2.1 through 17.2.2.5, whose service abroad is interrupted by a tour of duty in the Armed Forces of the United States, for the duration of such tour earns 0 days.

18.2.3. Home Leave Earning Table. The employee earns home leave under the rates fixed by ***5 CFR 630.604*** for each month of service abroad. An agency must credit home leave to an employee's leave account, as earned, in multiples of 1 day as set forth in the table under ***5 CFR 630.605***.

18.2.4. Varying Rates. When a change in the employee's earning rate occurs, the agency must credit the employee with the amount of home leave for the month at the rate that they were entitled to prior to the change.

18.3 Home Leave Usage

A grant of home leave is at the discretion of the employee's agency. An agency may grant home leave in combination with other leaves of absence in accordance with established agency policy.

18.3.1. Entitlement. Except as otherwise authorized by statute, an employee is entitled to home leave only when they have completed a basic service period of 24 months of continuous service abroad. The 24 months of continuous service abroad is a one-time requirement. This basic service period is terminated by a break in service of 1 or more workdays or an assignment (other than a detail) to a position that an employee is no longer subject to 5 U.S.C. § 6305(a). An employee is entitled to home leave upon completion of 12-month overseas assignments in certain areas affected by OCO. See ***22 U.S.C. § 4083(a)***.

18.3.2. Limitations. An agency may grant home leave only under the following circumstances:

18.3.2.1. For use in the United States, the Commonwealth of Puerto Rico, or a territory or possession of the United States; and

18.3.2.2. During an employee's period of service abroad, or within a reasonable period after his or her return from service abroad when it is contemplated that the employee will return to service abroad immediately or on completion of an assignment in the United States. See 5 U.S.C. § 6305(a)(1) and ***5 CFR 630.606***.

18.4 Charging of Home Leave

The minimum charge for home leave is one day and additional charges are in multiples thereof.

18.5 Indebtedness

An employee is indebted for the home leave used when the employee fails to return to service abroad after the period of home leave or after the completion of an assignment in the United States. However, a refund for this indebtedness is not required when:

18.5.1. The employee has completed at least 6 months service in an assignment in the United States following the period of home leave;

18.5.2. The agency determines the employee's failure to return was due to compelling personal reasons of a humanitarian or compassionate nature, such as physical or mental health issues, or circumstances of which the employee has no control; or

18.5.3. The agency that granted the home leave determines that it is in the public interest not to return the employee to their overseas assignment.

18.6 Transfer and Recredit of Home Leave

An employee is entitled to have their home leave account transferred or recredited to his or her account when the employee moves between agencies or is reemployed without a break in service of more than 90 days. Home leave is not included in lump-sum leave calculations.

19.0 FUNERAL LEAVE

19.1 General

Funeral leave is granted to allow an employee to arrange for or to attend the funeral or memorial service for an immediate relative who died of wounds, disease, or injury incurred while serving as a member of the Armed Forces in a combat zone. An activity is required to grant an employee funeral leave as is needed and requested, not to exceed 3 workdays. See ***5 U.S.C. § 6326*** and ***5 CFR 630, subpart H***. The granting of funeral leave should not cause the employee to lose leave the employee is otherwise entitled to or lose credit for time or service. The 3 days need not be consecutive, but if not, the employee must furnish the approving authority with satisfactory reasons justifying a grant of funeral leave for nonconsecutive days. Combat zone means those areas determined by the President under the authority of ***26 U.S.C. § 112***. An activity may grant funeral leave only from a prescribed tour of duty, including regularly scheduled overtime. An immediate relative is an individual with any of the following relationships to the employee:

19.1.1. Spouse and their parents;

19.1.2. Sons and daughters (including adopted, step, or foster) and their spouses;

19.1.3. Parents and their spouses;

19.1.4. Brothers and sisters, and their spouses;

19.1.5. Grandparents and grandchildren, and their spouses;

19.1.6. Domestic partner and their parents, including domestic partners of any individual in subparagraphs 18.1.2 through 18.1.5; or

19.1.7. Any person related by blood or affinity whose close association with the employee was the equivalent of a family relationship. See ***5 CFR 630.801-804*** and 5 U.S.C. § 6326.

19.2 Official Duty Status

Under ***31 U.S.C. § 1345***, an agency is authorized to pay the expenses of an official or employee of the United States carrying out an official function as part of the funeral or memorial service. See paragraph 14.9 for information concerning the official duty status of an employee in connection with funerals of fellow Federal law enforcement officers or Federal firefighters under 5 U.S.C. § 6328.

20.0 CONTINUATION OF PAY (COP) AND OWCP

20.1 General

The Federal Employees' Compensation Act, ***5 U.S.C. Chapter 81***, provides for the payment of workers' compensation benefits and authorized medical care for all civilian employees of the United States for disability due to personal injury sustained while in the performance of duty. For information on placing employees who are eligible for COP in a leave status for time lost from work due to injury in excess of the 45 days of COP, see Chapter 6. See also ***20 CFR 10*** and the ***DoDI 1400.25-V810***.

20.2 Use of Leave

An employee may use annual, sick, or advanced leave to cover all or part of an absence due to an injury.

21.0 MILITARY LEAVE

21.1 Four Types of Military Leave

Eligible employees are entitled to time off with full pay for certain types of active or inactive duty in the National Guard or as a Reserve of the Armed Forces. See ***5 U.S.C. § 6323***.

The four types of military leave are as follows:

21.1.1. Leave under 5 U.S.C. § 6323(a) provides employees with 120 hours (15 days) of leave per FY for active duty, active-duty training, and inactive duty training. See paragraph 21.2.

21.1.2. Leave under 5 U.S.C. § 6323(b) provides 22 workdays per calendar year for employees who perform military duties in support of civil authorities in the protection of life and property, or who perform full-time military service as a result of a call or order to active duty in support of a contingency operation. See paragraph 21.3.

21.1.3. Leave under 5 U.S.C. § 6323(c) provides unlimited military leave to members of the National Guard of the District of Columbia for certain types of duty. See paragraph 21.4.

21.1.4. Leave under 5 U.S.C. § 6323(d) provides that military reserve technicians are entitled to 44 workdays of military leave for duties overseas under certain conditions. See paragraph 21.5.

21.2 Military Leave for Active Duty, Active-Duty Training, and Inactive Duty Training Under 5 U.S.C. § 6323(a)

Military leave is available for active duty, active-duty training, inactive duty training, funeral honors duty, or engaging in field or coast defense training. See 5 U.S.C. § 6323(a). Eligible employees are entitled to 120 hours (15 days) of military leave on a FY rather than a calendar year basis. Unused military leave must carry forward to the next FY, not to exceed a maximum balance of up to 30 days. Eligible part-time employees are entitled to military leave on a prorated basis. See ***5 U.S.C. § 3401(2)***. Employees with temporary appointments of 1 year or less or intermittent work schedules are not entitled to military leave, even if the appointments are extended in 1–year increments without a break in service. Employees with appointments exceeding 1 year are entitled to military leave.

21.2.1. Receipt of Both Military Pay and Civilian Pay. Employees using military leave under 5 U.S.C. § 6323(a) keep both their military and civilian pay.

21.2.2. Crediting Military Leave. At the beginning of each FY (October 1), eligible full-time employees must be credited with 120 hours (15 days) of military leave. Eligible part-time employees must be credited with leave on a prorated basis. The prorated percentage is determined by dividing 40 into the number of hours in the employee's regularly scheduled workweek during that FY. Any portion of military leave unused at the end of the FY, not to exceed 120 hours (15 days), must be carried forward to the next FY (not to exceed a maximum balance of 240 hours (30 days)). Newly eligible employees and new members of Reserve Components must be credited with the full 120 hours (15 days) (prorated if employed part-time) when entering upon duty or upon joining the Reserve unit. The 120 hours must not be prorated for a partial year for newly eligible employees or new members of the Reserve unit.

21.2.3. Crediting Military Leave After Change in a Tour of Duty. If a civilian employee changes their tour of duty from part-time to full-time in the middle of the FY, the servicing PRO must determine the number of days of military leave used by the employee during that FY. The days of used leave are subtracted from the days authorized under the current tour of duty in the case of an employee who increases the hours in their workweek.

21.2.3.1. Example. An employee worked a 32–hour workweek and was entitled to 96 hours of military leave (120 hours x (32/40 = .8) = 96 hours). The employee used 40 military leave hours before the tour of duty was changed to full-time in the middle of the FY. The employee had a balance of 56 hours. After changing to full-time, the employee's available military leave hours would equal the number of hours on the current full-time tour of duty (120) minus the number of used hours, on the previous tour of duty (40 hours) or 120-40 = 80 remaining hours of military leave.

21.2.3.2. Formula. The formula is as follows:

(military leave hours authorized in current tour) - (military leave hours used from previous tour) = military leave hours available for the remainder of the FY.

21.2.4. Charging Leave. Military leave under 5 U.S.C. § 6323(a) is charged on a daily basis, and the minimum charge is 1 hour. Military leave may be taken intermittently, a day at a time, or all at one time, regardless of the number of training sessions. Hours in the regularly scheduled workday that are not chargeable to military leave must be worked or charged to another leave category such as annual leave, LWOP, or compensatory time. No charge is made for non-workdays at the beginning and end of a period of absence on active military duty. Military leave is not charged for weekends and holidays that occur within the period of service. Under 5 CFR 353.208, an employee performing military service must be permitted to also use any accrued annual leave, earned compensatory time off for travel, or accrued sick leave (consistent with requirements for using sick leave) during military service. An employee may use annual leave, military leave, and earned compensatory time off for travel or sick leave intermittently with LWOP while on active duty or active/inactive duty training.

21.2.5. Weekend Drills. Civilian employees whose regular workweek includes Saturday and Sunday may take military leave under 5 U.S.C. § 6323(a) to attend weekend drills.

21.2.6. Inactive Duty Training (Drills). Inactive duty training means authorized training performed by members of a Reserve component, not on active duty and performed in connection with the prescribed activities of the Reserve component. It consists of regular scheduled unit training periods, additional training periods, and equivalent training.

21.2.7. Using Carryover Leave. A maximum of 240 hours (30 days) of military leave may be used in any FY. The military leave may be used during one or more periods of military duty during the FY. Employees may take the full 120 hours (15 days) of military leave immediately at the beginning of a FY, even if up to a maximum of 240 hours (30 days) had been taken during the prior FY, and even if the military duty is continuous.

21.3 Military Leave for Mobilized Federal Civilian Employees in Support of Contingency Operations or Employees Who Assist With Law Enforcement Under 5 U.S.C. § 6323(b).

21.3.1. Entitlement. There are two conditions under which employees are entitled to an additional 22 workdays of military leave under the provisions of 5 U.S.C. § 6323(b).

21.3.1.1. Military Service In Support of a Contingency Operation. Employees who perform full-time military service as a result of a call or order to active duty in support of a contingency operation as defined in ***10 U.S.C. § 101(a)(13)*** are eligible for military leave, not to exceed 22 workdays.

21.3.1.2. Military Duty in Support of Civil Authorities. Reservists or National Guard members who perform military duty in support of civil authorities in the protection of life and property are eligible for military leave, not to exceed 22 workdays.

21.3.2. Reduction of Civilian Pay for Leave Under 5 U.S.C. § 6323(b). An employee's civilian pay is reduced (offset) by the amount received by the employee for military service as a member of the Reserves or National Guard for the period the employee is granted military leave under 5 U.S.C. § 6323(b). The military pay to be offset against the civilian pay does not include travel, transportation or per diem paid by the military. If the military pay exceeds the employee's civilian pay, the employee retains that portion of military pay that exceeds the civilian pay. If the employee uses annual leave or compensatory time, the offset rules do not apply, and the employee receives full military pay and full civilian pay. See ***5 U.S.C. § 5519***.

21.3.3. Crediting Leave. Military leave must be credited to the employee upon each eligible occurrence. Leave remaining at the end of the calendar year may not be carried over into the next calendar year.

21.3.4. Charging Leave. The 22 workdays (176 hours) are charged on the same basis as annual and sick leave. An employee working an uncommon tour of duty must have this additional leave entitlement adjusted on a pro rata basis. Leave may also be charged to the employee's accrued annual leave or to accrued compensatory time instead of being charged as leave to which the employee is entitled under this subsection. The period of absence may not be charged to sick leave.

21.4 Leave for National Guard of the District of Columbia Under 5 U.S.C § 6323(c)

Employees who are members of the National Guard of the District of Columbia are entitled to unlimited military leave without loss of pay or leave for each day of a parade or encampment ordered or authorized under ***Title 49, District of Columbia Code***. This leave covers each day of service or a portion thereof the National Guard is ordered to perform by the commanding general. See 5 U.S.C. § 6323(c).

21.4.1. Civilian Pay for Leave Under 5 U.S.C. § 6323(c).

21.4.1.1. Prior to December 27, 2021. Under the provisions of 5 U.S.C. § 5519, an employee's civilian pay is reduced (offset) by the amount received by the employee for military service as a member of the Reserve or National Guard for the period for which the employee is granted military leave under 5 U.S.C. § 6323(c). The military pay to be offset against the civilian pay does not include travel, transportation, or per diem paid by the military. If the military pay exceeds the employee's civilian pay, the employee may retain that portion of military pay that exceeds the civilian pay. If the employee uses annual leave or compensatory time, the offset rules do not apply and the employee receives full military pay and full civilian pay.

21.4.1.2. Effective December 27, 2021. Section 1109 of the ***NDAA for FY 2022*** (Public Law 117-81) amends 5 U.S.C. § 5519 so that the offset to an employee's civilian pay, equal to military pay, no longer applies to military leave under 5 U.S.C. § 6323(c), which is taken by civilian employees who are members of the National Guard of the District of Columbia called up for parades and encampments. See the OPM Memo: ***Recent Pay and Leave Related Legislative Changes in the NDAA for FY 2022***.

21.4.2. Crediting Leave. This leave must be credited to the employee upon each eligible occurrence. The balances at the end of each calendar do not carry into the next calendar year.

21.4.3. Charging Leave. The unlimited leave is charged on the same basis as annual and sick leave for employees who work both a common and uncommon tour of duty.

21.5 Leave for Military Reserve Technicians (Military Technicians (Dual Status)) Under 5 U.S.C. § 6323(d)

Under 5 U.S.C. § 6323(d), employees who are defined by ***5 U.S.C. § 8401(30)*** as military reserve technicians are entitled an additional 44 workdays (352 hours) of military leave in a calendar year. This military leave is in addition to the military leave already available under 5 U.S.C. §§ 6323(a), (b), and (c). To be eligible, the military reserve technician must be on active duty without pay under ***10 U.S.C. § 12315***, ***10 U.S.C. § 12301(b)***, or 10 U.S.C. § 12301(d) for participation in noncombat operations OCONUS, its territories, and its possessions. Army National Guard and Air National Guard technicians will no longer receive paid military leave under 5 USC § 6323(a)(1) while performing active duty. See Section 513 of the FY 2017 NDAA (Public Law 114-238) and the amendment to ***32 U.S.C. § 709(g)***. This military leave does not apply to active duty during a war or national emergency declared by the President or the Congress. A copy of the military orders or a statement by the employee's commanding officer that shows either 10 U.S.C. §§ 12301(b) or 12301(d) authority is required as acceptable evidence that the military duty was performed and was without military pay.

21.5.1. No Offset of Civilian Pay. The compensation of an employee granted leave under 5 U.S.C. § 6323(d) will not be reduced by reason of such absence since the employee will be on active duty without pay. An employee will receive the same civilian pay they would have received for regularly scheduled work.

21.5.2. Charging Leave. There is no charge for holidays and non-workdays. At the employee's request, the period the employee is absent to perform service may be charged to the employee's accrued annual leave or available compensatory time. The period may not be charged to sick leave. See 5 U.S.C. § 6323(d)(2) for additional information. The unused portion of the 44 workdays may not be carried forward to the next calendar year.

21.6 Substantiating All Military Leave Charges

To substantiate all types of military leave charges, the employee is required to submit a copy of their military orders or substantiating documentation directing them to report to active military duty. Upon return to civilian status from military leave, the employee is required to submit a certified verification of attendance. If an employee has separate sets of orders or orders that cover separate periods with return to civilian status between the periods covered in the orders, then the military leave must not be charged for the time the employee is returned to civilian status.

21.7 Separation From Federal Service and Military Leave

Before a Reservist or National Guard member separates from civilian employment, they are given the chance to use any accrued military leave. If a member takes military leave and then separates, the date the separation is effective must be the date the military leave expires.

21.8 FLSA Nonexempt Employees

FLSA nonexempt (e.g., FLSA covered) employees may not have their customary and regular pay, including overtime pay under the FLSA, reduced during periods of military leave. Thus, if overtime pay is a part of the employee's regularly scheduled administrative workweek (not irregular or occasional) the employee is entitled to receive the overtime pay even for pay periods in which military leave is used by the employee. In such a case, the employee's civilian pay will still be offset by the amount received by the employee for military service as provided under 5 U.S.C. § 5519. For example, an employee with a regularly scheduled tour of duty of 144 hours per biweekly pay period (106 hours plus 38 hours of overtime) is entitled to receive pay for all 144 hours while on military leave, provided the civilian pay is offset by military pay pursuant to 5 U.S.C. § 5519.

21.9 Additional Information Regarding Absence During Uniformed Service

21.9.1. Deemed to be on Leave of Absence. The Uniformed Services Employment and Reemployment Rights Act (USERRA) at ***38 U.S.C. § 4316(b)(1)*** provides that when an employee is absent from employment due to service in the Uniformed Services, the employee is deemed to be on furlough or leave of absence. Service includes:

21.9.1.1. Active duty, active duty for training, initial active duty for training, or inactive duty training;

21.9.1.2. Full-time National Guard duty;

21.9.1.3. A period in which an employee is absent from duty for the purpose of an examination to determine the employee’s fitness to perform any such duty; and

21.9.1.4. A period in which an employee is absent from duty for the purpose of performing funeral honors duty as authorized by ***10 U.S.C. § 12503*** or ***32 U.S.C. § 115***.

21.9.2. Provisions Under 5 U.S.C., Chapter 83 (CSRS). An absence from work to perform military duty for purposes of ***5 U.S.C. Chapter 83*** ordinarily should be processed as a military separation except during a period of war or national emergency when the provisions of 5 U.S.C. § 8332(g) have been explicitly invoked. Under 5 U.S.C. § 8332(g), an employee who enters on military duty will be granted a leave of absence unless the employee has applied for and received a lump-sum credit under 5 U.S.C., Chapter 83. See ***38 U.S.C. Chapter 43*** and 5 CFR Part 353.

21.9.3. Use of Other Leave. Regulations under 5 CFR 353.208 implementing the USERRA provide that an employee performing service with the Uniformed Services must be permitted, upon request, to use any accrued annual leave, military leave, earned compensatory time off for travel, or accrued sick leave (consistent with the statutory and regulatory criteria for using sick leave) during such service. An employee is entitled to use these types of leave intermittently with LWOP while on active duty or active/inactive duty training.

22.0 FURLOUGH

22.1 General

There are two types of furloughs, shutdown and administrative. In a furlough situation, the servicing PRO must rely on the detailed guidance issued by OPM and the Defense Civilian Personnel Advisory Service (DCPAS). See the ***OPM Pay and Leave Furlough Guidance***. Furloughs of 30 calendar days or less are covered under adverse action procedures found under ***5 CFR 752, subpart D***. Furloughs of more than 30 calendar days are covered under reduction in force procedures found under ***5 CFR 351, subpart B***. Furloughs for SES members are covered in ***5 CFR 359, subpart H***.

22.2 Shutdown Furlough

22.2.1. General. A shutdown furlough (also referred to as an emergency furlough) occurs when funds are not available through an appropriations law or continuing resolution, and an agency no longer has the necessary funds to operate. Unlike an administrative furlough, agencies will not prepare an SF 50 for submission to the servicing PRO at the outset of a shutdown furlough. At the conclusion of a shutdown furlough, OPM will release specific guidance on how to prepare an SF 50 for each individual subject to furlough. See the ***OPM Guidance For Shutdown Furloughs***. During a shutdown furlough, the agency must shut down any activities that are not excepted pursuant to the Antideficiency Act. See ***31 U.S.C. § 1341***. A furloughed employee cannot volunteer to do their job on a nonpay basis. See ***31 U.S.C. § 1342***. An employee scheduled for training during a furlough must be placed in furlough status and ordered not to attend the scheduled training. Excepted and exempt employees may continue to work during a shutdown furlough as follows:

22.2.1.1. Excepted Employees. Excepted employees are employees who are funded through annual appropriations but who are excepted from the furlough because they are performing work that, by law, may continue to be performed during a lapse in appropriations. Each agency must determine which employees are excepted employees.

22.2.1.2. Exempt Employees. Employees are exempt from furlough if not affected by the lapse in appropriations. This includes employees not funded by annually appropriated funds. Employees performing such functions will generally continue to be governed by the normal pay, leave, and other civil service rules.

22.2.2. Pay During a Shutdown Furlough

22.2.2.1. Furloughed Employees. ***Public Law 116-92*** provides that employees are authorized to receive retroactive pay in the case of a shutdown furlough. See ***BAL 22-202***. If a furlough occurs in the middle of a pay period and an employee receives a partial paycheck, the servicing PRO must use the order of precedence listed under Chapter 4, Table 4-1 in applying deductions. Furloughed employees receive pay for any hours worked prior to the lapse in appropriations.

22.2.2.2. Excepted Employees. Excepted employees who perform services during a furlough period will be paid when Congress passes, and the President signs a new appropriation or continuing resolution. Excepted employees are permitted to earn premium pay in accordance with applicable rules and subject to relevant pay limitations.

22.2.2.3. Holidays. Furloughed employees and excepted employees who do not work on a holiday do not receive pay for a holiday that occurs during a shutdown furlough.

22.2.3. Previously Approved Leave During a Shutdown Furlough. The Antideficiency Act at 31 U.S.C. § 1341 does not allow for the authorization of any expenditure or obligation before an appropriation is made, unless authorized by law. Paid time off creates a debt that is not authorized by the Act. Therefore, all paid time off during a shutdown furlough must be cancelled. Any unpaid leave under the FMLA that was scheduled to be taken during a shutdown furlough does not count toward the employee's 12-week FMLA leave entitlement. Military leave under 5 U.S.C. § 6323 must be cancelled for days covered by the furlough. Excepted employees:

22.2.3.1. Must either be performing excepted activities or be furloughed during any absence from work,

22.2.3.2. May not take previously approved paid time off or be granted new requests for paid time off during a shutdown furlough,

22.2.3.3. May be permitted to earn compensatory time off and credit hours during the shutdown furlough, and

22.2.3.4. Are not permitted to use the compensatory time off or credit hours during the shutdown period.

22.3 Administrative Furlough

22.3.1. General. An administrative furlough is a planned event by an agency, which is designed to absorb reductions necessitated by downsizing, reduced funding, lack of work, or any budget situation other than a lapse in appropriations. Furloughs resulting from sequestration would generally be considered administrative furloughs. See OPM's Guidance for ***Administrative Furloughs***.

22.3.2. Covered Employees. Agencies are responsible for identifying the employees affected by administrative furloughs based on budget conditions, funding sources, mission priorities (including the need to perform emergency work involving the safety of human life or protection of property), and other mission-related factors.

22.3.2.1. All political appointees who are covered by the leave system in 5 U.S.C., Chapter 63, or an equivalent formal leave system, are subject to administrative furlough.

22.3.2.2. Individuals appointed by the President, with or without Senate confirmation, who are not covered by the leave system in 5 U.S.C., Chapter 63, or an equivalent formal leave system, are not subject to furlough. A leave-exempt Presidential appointee cannot be placed on non-duty status.

22.3.3. Pay During an Administrative Furlough

22.3.3.1. Ordered to Work. If an employee is ordered to work during the furlough hours, the assignment of work cancels the employee's furlough status for the duration of the order and such work is subject to normal compensation requirements.

22.3.3.2. Work Outside of Basic Workweek. Employees who are required to work hours outside of a basic workweek during which they have been furloughed are compensated with their rate of basic pay if overtime thresholds have not been met, and/or with overtime pay or compensatory time off in lieu of overtime pay, as appropriate, once the thresholds have been met.

22.3.3.3. Post Allowance. Post Allowance continues without interruption while the employee is in nonpay status not in excess of 14 consecutive calendar days, including periods outside the employee's regular tour of duty (e.g., weekends).

22.3.3.4. Living Quarters Allowance (LQA). LQA continues without interruption while the employee is in nonpay status not in excess of 30 consecutive calendar days at any one time. For periods in nonpay status longer than 30 consecutive calendar days, LQA payment must be suspended as of the day the employee enters such status, and payment is not to be made for any part of such period.

22.3.4. Voluntary Services. An employee on administrative furlough may not volunteer to do his or her job on a nonpay basis. See 31 U.S.C. § 1342.

23.0 LWOP

23.1 General

LWOP is a temporary nonpay status and absence from duty that, in most cases, is granted at the employee's request. In most instances, granting LWOP is a matter of supervisory discretion and limited by agency internal policy.

23.2 Employee Request

An employee's request for paid leave of absence, such as for annual or sick leave, will convert to a request for LWOP if annual or sick leave is insufficient.

23.3 Authorization

Authorizing LWOP is a matter of administrative discretion. An employee generally cannot demand LWOP as a matter of right. However, in some instances, employees may have an entitlement to LWOP.

23.3.1. FMLA. Employees may be entitled to unpaid leave under the FMLA to care for a family member or covered Service member. See section 5.0.

23.3.2. Disabled Veterans. Disabled veterans are entitled to LWOP if required for medical treatment under Executive Order 5396, July 17, 1930.

23.3.3. Reserve and National Guard Members. Reserve and National Guard members are entitled to LWOP if required to perform military duties under 38 U.S.C. § 4316(b)(1). See paragraph 20.2.

23.3.4. Workers' Compensation. For limited periods, employees are entitled to LWOP if receiving injury compensation under 5 U.S.C., Chapter 81. Generally, when receiving workers' compensation from the DOL, employees may not be in a pay status.

23.4 Leave Conversion

LWOP that has been granted to an employee will not be converted to annual or sick leave except in the case of:

23.4.1. Administrative error;

23.4.2. Participation in the VLTP, VLBP, and/or ELTP;

23.4.3. Disability retirement and employee compensation cases in which claims are disallowed; or

23.4.4. When there has been a settlement or an order of an arbitrator, administrative law judge, or Federal judge in an employee dispute.

23.5 Reduction of Leave Accrual

When the number of LWOP status hours in a full-time employee's leave year equals the employee's biweekly tour of duty (e.g., 80, 112, or 144 hours), the employee's leave accrual is reduced by an amount equal to the amount of leave (sick and annual) earned during the pay period. For example, when reduction of accrual is required during the last pay period in the calendar year for an employee in the 6-hour accrual category (entitled to accrue 10 hours of leave in such period), leave accrual for that period reduces by 10 hours. When an employee has one or more breaks in service during the leave year, the servicing PRO will include all hours in a LWOP status (other than nonpay status during a fractional pay period when no leave accrues). When an employee's number of LWOP hours at the end of the leave year is less than his or her biweekly tour of duty, the LWOP hours are dropped. See 5 CFR 630.208.

24.0 ABSENCE WITHOUT LEAVE (AWOL)

24.1 General

If an employee who is required to work fails to report for duty without adequate reason for their absence, the agency may choose to place the employee on AWOL, and the employee may potentially be disciplined for the AWOL at the agency's discretion. The agency makes the determination as to whether the employee has adequate reason for his or her absence. An absence from duty which is not authorized or approved, or for which a leave request has been denied, is properly charged as AWOL.

24.2 Reduction of Leave Accrual

The reduction of leave accrual is the same as for LWOP.

25.0 SUSPENSION

Suspension is the placement of an employee in a temporary nonpay and non-duty status for disciplinary reasons. An SF 50 must be issued for all suspensions. See ***5 U.S.C., Chapter 75*** and ***5 CFR Part 752***.

26.0 DISABLED VETERAN LEAVE (DVL)

26.1 Purpose

The ***Wounded Warriors Federal Leave Act of 2015***, passed on November 5, 2015, established a new leave category for newly hired veterans of military service with a service-connected disability rating of 30 percent or more from the Veterans Benefits Administration (VBA). The intent of the law was to grant newly-hired veterans immediate access to up to 13 days (104 hours) of paid leave so that the employee does not need to take unpaid leave for the treatment of their service-connected injuries. An employee can use up to 104 hours of DVL to attend medical appointments related to their service-connected disability during a 12-month period of eligibility beginning on their first day of employment, as defined under subparagraph 26.2.2. DVL is a one-time benefit provided to an eligible employee. See ***5 U.S.C. § 6329***; ***5 CFR 630, subpart M***; and the OPM Fact Sheet, ***Disabled Veteran Leave***.

26.2 Eligibility and Submission of Certifying Documentation

26.2.1. Eligible Employees. An employee, hired on or after November 5, 2016, who is a veteran with a qualifying service-connected disability is eligible for disabled veteran leave. See ***5 CFR 630.1304***. For the purposes of DVL, hired after November 5, 2016, means the following:

26.2.1.1. Receiving an initial appointment to a civilian position qualifying for DVL,

26.2.1.2. Receiving a qualifying reappointment to a civilian position qualifying for DVL, or

26.2.1.3. Returning to duty status in a civilian position qualifying for DVL when the return immediately follows a break in civilian duty to perform military service. Employee must be in a continuous civilian leave status during the break.

26.2.2. Eligibility Period. An employee may use disabled veteran leave during the 12-month eligibility period beginning on their first day of employment. For purposes of determining the 12-month period, the first day of employment means the later of:

26.2.2.1. The earliest date an employee is hired (after the effective date of the employee's qualifying service-connected disability as determined by the VBA), or

26.2.2.2. The effective date of the employee's qualifying service-connected disability as determined by the VBA.

26.2.3. Certifying Documentation. The employee must provide their employing agency with documentation from the VBA certifying the employee has a service-connected disability rating of at least 30 percent or more. The certifying documentation must be provided to the employing agency as follows:

26.2.3.1. Upon the first day of employment, if the employee has already received certifying documentation from the VBA; or

26.2.3.2. If the employee has not yet received certifying documentation from the VBA, as soon as practicable after the employee receives the documentation.

26.2.4. Eligibility Period if Certifying Documentation is Submitted Late. If the employee submits the certifying documentation on a date later than required under subparagraph 25.2.3, the 12-month eligibility period is not affected and is still based on the first day of employment.

26.2.5. Changes in Eligibility. The employee must notify the agency if the disability rating is decreased below a 30 percent rating or discontinued in the 12-month eligibility period.

26.3 Crediting and Offsetting DVL

After confirming the employee's eligibility for DVL, the servicing PRO must credit the employee with the appropriate amount of DVL. The number of hours credited is based on the employee's work schedule. The total number of DVL hours initially credited must be offset by certain sick leave or "equivalent" disabled veteran leave as described in subparagraphs 26.3.1-26.3.6. See ***5 CFR 630.1305*** and the OPM Fact Sheet for examples.

26.3.1. Full-Time Employees. Full-time nonseasonal employees may receive a credit of 104 hours of DVL.

26.3.2. Part-Time Employees. The 104 hours is prorated based on the number of hours in the part-time schedule (as established for leave charging purposes) relative to a full-time schedule. For example, 52 hours of DVL is given to a half-time employee.

26.3.3. Seasonal Employees. The 104 hours is prorated based on the total projected hours to be worked in an annual period of 52 weeks relative to a full-time work year of 2,080 hours (for example, 52 hours for a seasonal employee who works full-time for half a year).

26.3.4. Uncommon Tour of Duty. The 104 hours is proportionally increased based on the number of hours in the uncommon tour of duty relative to the hours in a full-time tour (for example, 187 hours for an employee with a 72-hour weekly uncommon tour of duty).

26.3.5. Tour of Duty Change. If an employee's tour of duty is converted to a different tour of duty, the employee's balance of DVL must be converted to the proper number of hours based on the proportion of hours in the new tour of duty. See 5 CFR 630.1305.

26.3.6. Offsetting DVL Credits. When determining the initial number of hours of DVL credit, the servicing PRO must offset the credit for the following:

26.3.6.1. Sick Leave. Any hours of sick leave the employee has credited to their account as of the first day of employment (for example, if the employee is being reappointed and will have recredited sick leave, the DVL must be reduced by the recredited sick leave).

26.3.6.2. Equivalent DVL. Any hours of equivalent DVL used by an employee in a position not covered under 5 U.S.C. § 6329 (for example, if the employee has equivalent DVL granted under other statutory authority such as for personnel with the Federal Aviation Administration, the DVL must be reduced by the equivalent leave hours). See 5 CFR 630.1305(e).

26.4 Requesting and Using DVL

An employee may only use DVL only for medical treatment of a qualifying service-connected disability. The medical treatment may include a period of rest if so directed by a medical provider for treatment of the service-connected disability. See ***5 CFR 630.1306***.

26.4.1. Application for Leave. The application for leave may be a written, electronic, or oral request. The application must state the DVL will be used for medical treatment of the qualifying disability. The leave application must include the days and hours required of absence for treatment. The application must be submitted according to the employing agency's leave submission requirements.

26.4.2. Retroactive Substitution of DVL Leave. If an employee does not provide the agency with certification for the service-connected disability prior to having to take leave connected to treatment of the service-connected disability, the employee is entitled to substitute approved DVL retroactively for such absences in the 12-month eligibility period (excluding periods of suspension or AWOL). The DVL may be retroactively substituted for LWOP, sick leave, annual leave, compensatory time off, or other paid time off in the 12-month eligibility period. Upon substituting the DVL, the servicing PRO must make appropriate adjustments to leave balances. If the employee retroactively substitutes DVL for advanced annual or advanced sick leave, the substitution will liquidate any leave indebtedness.

26.5 Medical Certification

26.5.1. Required Documentation. In addition to the employee's request to utilize DVL as described in subparagraph 25.4.1, an agency may require a signed written medical certification issued by a health care provider. The agency may request any of the following:

26.5.1.1. A statement by a health care provider affirming the medical treatment is for the service-connected disability that resulted in 30 percent or more disability rating;

26.5.1.2. The dates and times of treatment (if the treatment extends over several days, then the beginning and ending dates of treatment);

26.5.1.3. If the leave was not requested in advance, a statement that the treatment required was urgent or there were other circumstances that made advance scheduling impossible; and

26.5.1.4. Any additional information the agency deems necessary to verify the employee's eligibility.

26.5.2. Time Limit for Submission of the Medical Certification. An employee must provide any required written medical certification to the agency within 15 calendar days after the date requested by the agency. If the agency determines it is not practicable for the employee to provide the requested medical certification within 15 calendar days (despite the employee's diligent and good faith efforts), the employee may be allowed to provide the medical certification within a reasonable period of time under the circumstances involved. The medical certification should be provided no later than 30 calendar days after the date the agency requests such documentation. If the employee does not provide the appropriate documentation within the allotted time, the employee is not entitled to use DVL. In such cases, the agency may charge the employee as AWOL or allow the employee to request that the absence be charged to LWOP, sick leave, annual leave, or other forms of paid time off. See ***5 CFR 630.1307***.

26.6 DVL Forfeiture, Transfer, and Reinstatement and Lump-Sum Payments

26.6.1. Forfeiture

DVL not used during the 12-month eligibility period, may not be carried over to the next year and must be forfeited. If an employee's disability rating is decreased under 30 percent during the 12-month eligibility period, any unused DVL on the employee's leave account is forfeited effective the date of the change in rating.

26.6.2. Transfer or Reinstatement

When an employee transfers between agencies or is reinstated to civilian service after a break in service, the following actions must be taken:

26.6.2.1. Transfer Between Agencies With No Break in Service. When an employee with DVL transfers or moves from a position in one agency to a different agency during the 12-month eligibility period without a break in service, the losing agency must certify the number of DVL hours available for credit by the gaining agency. The losing agency must also certify the expiration date of the employee's 12-month eligibility period. Any remaining unused DVL at the end of the 12-month eligibility period is forfeited.

26.6.2.2. Reinstatement After a Break in Service. When an employee with DVL has a break in service of at least 1 workday and is reemployed in a position covered by 5 U.S.C. § 6329 within the same 12-month eligibility period, the employee is entitled to a recredit of the unused balance. The losing agency must certify the number of unused DVL hours available for recredit by the gaining agency. The losing agency must certify the expiration date of the 12-month eligibility period. In absence of such certification by the losing agency, the recredit may be supported as set out under ***5 CFR 630.1308(d)(3)***. Any remaining unused DVL at the end of the 12-month eligibility period must be forfeited.

26.6.3. Lump-Sum Leave Payments

An employee will not receive a lump-sum payment for unused DVL under any circumstance.

*27.0 PARENTAL BEREAVEMENT LEAVE

Section 1111 of the NDAA for FY 2022 (Public Law 117-81) added a new section to ***5 U.S.C. § 6329d***, providing an employee up to 2 workweeks of paid leave due to the death of a son or daughter as defined in 5 U.S.C. § 6381. This leave became effective December 27, 2021. In the case in which the necessity for leave is foreseeable, the employee must provide the employing agency with such notice as is reasonable and practicable. Once parental bereavement leave commences, it must be used continuously (nonintermittently) unless there is a mutual agreement between the supervisor and the employee to allow intermittent use. This leave must be used during the scheduled hours within the employee's tour of duty, established for leave-charging purposes. An employee may not receive more than 2 workweeks of parental bereavement leave in any 12-month period. Multiple children who pass on the same day commences a single 12-month period. See DoDI 1400.25-V630.

Table 5-1. Leave Proration for Fractional Pay Periods

Pay Period Workdays	Hourly Accrual Rate		
	Category 1	Category 2	Category 3
	4-hour accrual	6-hour accrual	8-hour accrual
1	1	1	1
2	1	1	2
3	1	2	2
4	2	2	3
5	2	3	4
6	2	4	5
7	3	4	6
8	3	5	6
9	3	5	7
10	4	6	8

Note: Use Category 1 for sick leave purposes.

Table 5-2. Time Limitations for Use of Reinstated Leave

Full-Time Employees	
Hours in excess of maximum accumulation	Time limitation for use of reinstated leave (end of the leave year in progress after)
416 or less	2 years
417 – 624	3 years
625 – 832	4 years
833 – 1040	5 years
1041 – 1248	6 years

Part-Time Employees	
Hours in excess of maximum accumulation	Time limitation for use of reinstated leave (end of leave year in progress after)
If 208 or less multiply tour of duty by 20% (1040 × 20% = 208)	2 years
If 209 – 312 multiply tour of duty by 10% (1040 ×10% = 104)	3 years
313 – 416	4 years
417 – 520	5 years
521 – 624	6 years

Table 5-3. Leave Flexibilities Available to Care for a Family Member and/or a Covered Service Member

Entitlement	Amount of Hours	Purpose	Family Members for Whom Leave May be Taken
Accrued Sick Leave for General Care of a Family Member and Bereavement	13 days (104 hours) of paid leave	1- Provide care for a family member who is incapacitated by medical or mental condition. 2- Provide care for a family member with a serious health condition. 3- Provide care for a family member receiving medical, dental, or optical examination or treatment. 4- Make arrangements necessary due to a death of a family member or attend the funeral of a family member. 5- Who would, as determined by the health authorities having jurisdiction or by a health care provider, jeopardize the health of others by that family member's presence in the community because of exposure to a communicable disease.	See definition of a family member at 5 CFR 630.201(b). Family members include: 1- Spouse and their parents 2- Sons/daughters and their spouses 3- Parents and their spouses 4- Brothers/sisters and their spouses 5-Grandparents/ grandchildren and their spouses 6- Domestic partners and their parents (including domestic partners of any individual in 2-5) 7- Any individual related by blood or whose relationship with the employee is equivalent of a family.
Accrued Sick Leave for Care of a Family Member With a Serious Health Condition	12 weeks (480 hours) of paid leave	To care for a family member with a serious health condition as defined by 5 CFR 630.1202.	See the definition of a family member at 5 CFR 630.201(b).
Advanced Sick Leave	up to 30 days (240 hours) of paid leave	To care for a family member with a serious disability or ailment. (Agency discretion)	See the definition of a family member at 5 CFR 630.201(b).

Table 5-3. Leave Flexibilities Available to Care for a Family Member and/or a Covered Service Member (Continued)

Entitlement	Amount of Hours	Purpose	Family Members for Whom Leave May be Taken
FMLA (Basic/Regular)	12 weeks (480 hours) of unpaid leave during a 12-month period	To care for a family member with a serious health condition.	Spouse, son, daughter or parent with a serious health condition. The son or daughter must be under 18, or over 18 but incapable of self-care due to a mental or physical disability (5 CFR 630.1203(a)(3) and 630.1202).
		For the birth or adoption / foster care of a child	Newborn child within 1 year of birth or child placed with employee for adoption or foster care within 1 year of placement.
		For a qualifying exigency arising out the fact that the spouse, son, daughter, or parent of the employee is on covered active duty.	Employee's spouse, son, daughter, or parent.
Paid Parental Leave- subject to FMLA usage	12 Weeks (480 Hours) of paid leave during a 12-month period	For the birth or adoption/foster care of a child.	Newborn child within 1 year of birth or child placed with employee for adoption or foster care within 1 year of placement. 5 CFR 630, Subpart Q.
FMLA to Care for a Covered Service Member	26 weeks (1,040 hours) of unpaid leave in a 12-month period	To care for a covered Service member with a serious injury or illness.	Spouse, son, daughter, parent, or next of kin of a covered Service member. Next of kin means the nearest blood relative of that individual.

Table 5-4. Employee Absences for Court or Court-Related Services

Nature of Service	Type of Absence			Fees			Government Travel Expenses	
	Court Leave	Official Duty	Annual Leave or LWOP	No	Yes		No	Yes (see Note)
					Retain	Turn Into Agency		
I. JURY SERVICE A. United States or District of Columbia.	X			X			X	
B. State or local court	X					X	X	
II. WITNESS SERVICE A. On behalf of the United States or District of Columbia court.		X		X				X
B. On behalf of state or local: 1. Official capacity, or		X				X		X
2. Nonofficial capacity	X					X	X	
C. On behalf of a private party:								
1. Official capacity, or		X				X		
2. Nonofficial capacity:						X		X

Table 5-4. Employee Absences for Court or Court-Related Services (Continued)

Nature of Service	Type of Absence			Fees			Government Travel Expenses	
a. When party is the United States, District of Columbia, or local government	X						X	
b. When party is not United States, District of Columbia, or local government			X		X		X	

Note: Offset to the extent paid by the court, authority, or party that caused the employee to be summoned.

*REFERENCES

CHAPTER 5 – LEAVE AND OTHER ABSENCES

1.0 – GENERAL

1.2	OPM's Pay and Leave 5 U.S.C., Chapter 63 5 CFR, Part 630 DoDI 1400.25-V630

2. 0– GENERAL REQUIREMENTS AND RESPONSIBILITIES

2.3.1	OPM Fact Sheet, Leave Year Beginning and Ending Dates
2.3.3	5 CFR 630.208
2.3.6	5 CFR 630.204
2.4	GAO-03-352G, Maintaining Effective Control over Employee Time and Attendance Reporting
2.5	DoDI 1400.25-V630 5 CFR 630.206

3.0 – ANNUAL LEAVE

3.1	5 CFR 630, subpart C OPM Handbook on Leave and Workplace Flexibilities for Childbirth, Adoption, and Foster Care
3.1.1	OPM's Credible Service for Leave Accrual
3.2.2.1.1	5 CFR 630.210(b)
3.2.2.1.2	FPM Supplement 990-2, Book 630, paragraph S2-6 (reference (k)) 59 Federal Register 66631, December 28, 1994
3.2.2.3	5 CFR 340, subpart D
3.2.3	5 U.S.C. § 6302(b) 5 U.S.C. § 6303(e) 5 CFR 630.205
3.2.4	5 CFR 630.208
3.2.5.1	5 CFR 630.303
3.2.5.2	5 CFR 630.202(b)
3.2.6	5 CFR 630.201 5 CFR 630.210(a) DoDI 1400.25-V630
3.3.1	Section 202(b) of the Federal Workforce Flexibility Act of 2004 5 U.S.C. § 5383 5 U.S.C. § 5376

REFERENCES (Continued)

	10 U.S.C. § 1607(a)
	5 U.S.C. § 6303(f)
	5 CFR 630.301
3.3.2	5 U.S.C. § 6301
	5 U.S.C. § 5383
	5 U.S.C. § 5376
	5 CFR 630.301(b)
3.3.3.1	5 U.S.C. § 6303(a)
	5 CFR 630.301(d)
3.3.3.2	5 CFR 630.301(f)
3.3.3.2.1	5 U.S.C. § 6304(a) or (b)
	5 U.S.C. § 6304(c)
3.3.3.2.2	5 U.S.C. § 6304(a), (b), or (c)
3.3.4	5 U.S.C. § 6301(2)(x)
	5 CFR 630.211
3.3.4.1	5 CFR 550.1203(e)
	5 U.S.C. § 5551(b)
3.3.4.2	5 U.S.C. § 3392(c)
	5 CFR 550.1203(e)
	5 CFR 317.801
3.4.1	5 U.S.C. § 6302(d)
3.4.2.1	5 CFR 630.209(a)
3.4.2.2	5 CFR 630.209(b)
3.4.2.3	5 CFR 630.209(a)
	OPM Fact Sheet, Advanced Annual Leave
3.5.1	5 U.S.C. § 6304
	5 CFR 630.302
3.5.2	5 CFR 630.310
3.5.3	5 U.S.C. § 6304
3.5.4.1	5 U.S.C. § 6304(b)
	5 CFR 630.302
3.5.4.3	5 U.S.C. § 6304(b)
3.5.5	5 CFR 630.304
3.5.6.1	5 U.S.C. § 6304(f)
	5 CFR 630.301(e)
3.5.6.2	Public Law 103-56
	5 CFR 630.301(h)
3.5.6.2.4	5 CFR 630.301(h)
3.5.6.3.1	5 U.S.C. § 6304(a), (b), and (c)
	5 CFR 630.301(f)(2)
3.5.6.3.2	5 U.S.C. § 6304(a), (b), and (c)
	5 CFR 630.301(f)(1)
3.5.6.3.3	5 U.S.C. § 6304(a), (b), and (c)
	5 CFR 630.301(g)

REFERENCES (Continued)

3.5.7	5 U.S.C. § 6308
3.6.1.3	OPM Fact Sheet, Restoration of Annual Leave
3.6.1.4	5 CFR 630.610
3.6.2.1	5 CFR 630.310
3.6.2.2	5 CFR 630.305
	5 CFR 630.306(a)2)
	DoDI 1400.25-V630
	5 CFR 630.306(a)(2)
	DoDI 1400.25-V630
3.6.3.1	5 CFR 630.306
	5 U.S.C. § 6304(d)
3.6.3.1.4	5 CFR 630.210(d)
	5 CFR 630.310(d)(1)
3.6.3.2	5 CFR 630.210(b)
	5 CFR 630.310(d)
3.6.3.3	5 CFR 630.309
	5 CFR 630.306
3.6.3.4	5 CFR 630.311
3.6.4	5 U.S.C. § 6304(d)(2)
3.6.7	5 U.S.C. § 5552
3.6.8	5 CFR 550.805(g)
	5 U.S.C. § 5596(b)(1)(B)
3.6.7	5 U.S.C. § 6304(d)(3)
	5 U.S.C. § 5551(c)
	DoDI 1400.25-V1705
3.7	5 U.S.C. §§ 5551, 5552, and 6306
	5 CFR 550, subpart L

4.0 – SICK LEAVE

4.1	5 U.S.C. § 6307
	5 CFR, subparts B and D
4.1.2	5 CFR 630.406
4.2.1.1	5 CFR 630.210(a)
	DoDI, 1400.25, V630
4.2.2	5 CFR 630.208
4.2.3	5 U.S.C. § 6307
4.2.4	5 U.S.C. § 6301(2)(x)
	5 CFR 630.211
	5 CFR 317.801
4.3.1	5 U.S.C. § 6308
	5 CFR 630.502
4.3.2	5 CFR 630.502
4.3.2.2	5 CFR 630.407
4.4.1	5 CFR 630.401

REFERENCES (Continued)

4.4.2.1	5 CFR 630.201
	5 CFR 630.404
4.4.2.2.1	5 CFR 630.401(b)
4.4.2.2.2	5 CFR 630.1202
	5 CFR 630.401(c) and (d)
4.4.3	5 CFR 630.401
4.4.4	5 CFR 630.401
4.5.1	5 CFR 630.402
4.5.2.1	5 CFR 630.402(a)(1)
4.5.2.2	5 CFR 630.402(a)(2)
4.5.3.1	5 CFR 630.906
4.5.3.3	5 CFR 630.209
4.6	5 CFR 630.209
	5 U.S.C. § 8415(1)(2)
	5 U.S.C. § 8339(m)
	5 CFR 630.407

5.0 – FMLA

5.1	5 U.S.C. §§ 6381 to 6387
	5 CFR 630, subpart L
	5 U.S.C. § 6381
	5 CFR 630.1202
5.1.1	5 CFR 630.1205
5.1.2.1	5 CFR 630.1201(b)
5.1.2.2	5 U.S.C. § 2105
	Technical Amendments Related FMLA and Paid Parental Leave under Section 1103 of the NDAA for FY 2021
5.1.2.3	FY 2024 NDAA, Public Law 118-31
	5 U.S.C. § 6381(1)(B)
	5 CFR 630.1201.(b)
	Amendment Related to Inclusion to Certain Military Service for FMLA and Paid Parental Leave Eligibility Purposes under Section 114 of the NDAA for FY 2024
5.1.3	5 U.S.C. § 6382
	5 CFR 630.1203
5.1.4	5 CFR 630.1203(a)
5.1.4.5	10 U.S.C. § 101
	5 CFR 630.1209
	OPM Fact Sheet, FMLA Qualifying Exigency Leave
5.4.1.5	Compensation Policy Memoranda 2010-06
5.1.5.4	5 CFR 630.403

REFERENCES (Continued)

5.1.6.4	5 CFR 630.1205
5.2	5 CFR 630.1207
	5 CFR 630.1208
5.3.1	Federal Employees Paid Leave Act, Section 7602(c)
	5 U.S.C. § 6382
	5 CFR 630, subpart Q
5.3.2	5 U.S.C., Chapter 63, subpart V
	5 CFR 630.1703
5.3.3	5 CFR 630.1703
5.3.4	5 CFR 630.1704
5.3.5	5 CFR 630.1705
5.3.5	5 CFR 630.1707

6.0 – LEAVE FLEXIBILITIES FOR CHILDBIRTH, ADOPTION, AND FOSTER CARE

6.1.1	Leave Policies for Childbirth, Adoption, and Foster Care

7.0 – BONE MARROW OR ORGAN DONOR LEAVE

7.0	5 U.S.C. § 6327
	DoDI 1400.25-V630

8.0 – FEDERAL LEAVE SHARING PROGRAMS

8.1	5 U.S.C. § 6332
	5 CFR 630, subpart L
	5 CFR 630.902
8.1.1.2	5 CFR 630.908
8.1.2.2	5 CFR 630.906
	5 CFR 630.909
8.1.2.3	5 CFR 630.909
8.1.2.3.2	5 U.S.C. § 6333(b)(2)
8.1.2.4.1	5 CFR 630.907
8.1.3	5 CFR 630.906(f)
8.1.4	5 CFR 630.911
8.2	5 U.S.C. § 6361
	5 CFR 630, subpart J
	5 CFR 630.1003
	5 U.S.C. § 6373
	5 CFR 630.1013
8.2.1	5 CFR 630.1004(g)
8.2.2.1	5 CFR 630.1006
	5 CFR 630.1007

REFERENCES (Continued)

8.2.2.2	5 CFR 630.1009
8.2.2.3	5 CFR 630.1009
8.2.2.4	5 CFR 630.1008
8.2.2.5	5 CFR 630.1008
8.2.2.5.1	5 CFR 630.1008
8.2.4.1.2	5 CFR 630.1010(a)(2) or (b)
8.2.4.2	5 CFR 630.1015
8.3.1	5 U.S.C. § 6371
	5 CFR 630, subpart K
8.3.3	5 CFR 630.1109
	5 CFR 630.1110
8.3.4.1	5 U.S.C. § 6331(1)
	5 CFR 630.1105
8.3.4.2	5 CFR 630.1111
8.3.4.5	5 CFR 630.1113
	5 CFR 630.1114
8.3.5	5 CFR 630.1112
	5 U.S.C., Chapter 63
	5 CFR 630.1104
8.3.5.1	5 CFR 630.1116
8.3.5.1.2	5 CFR 630.1116(d)
8.3.5.2	5 CFR 630.1117

9.0 – NAF TRANSFER OR LEAVE UNDER EMPLOYEE BENEFITS PORTABILITY PROGRAM

9.1	5 U.S.C. § 5551(a)
	5 U.S.C. § 6308(b)
	5 U.S.C. § 6312
	DoDI 1400.25-V1401
	OPM Benefits Officers Center

10.0 – COMPENSATORY TIME

10.1	5 U.S.C. § 5542
	5 U.S.C. § 6543
	5 U.S.C. § 5544
	5 U.S.C. § 6122
	5 U.S.C. § 6123
	5 U.S.C. § 6127
	5 U.S.C. § 6128
	5 CFR 550.114
	5 CFR 551.531
10.2.1	5 U.S.C. § 5541(2)

REFERENCES (Continued)

10.2.2	5 U.S.C. § 5342(2)
10.2.3	5 U.S.C. § 6123(a)(1)
10.3.1.2	5 CFR 550.114
10.3.2	5 CFR 551.531
10.3.3	32 U.S.C. § 709(h)
10.5.1	5 U.S.C. § 5550a
	5 CFR 550, subpart J
10.5.5	5 CFR 550, subpart J
10.6	5 CFR 550, subpart N
	OPM Fact Sheet, Compensatory Time Off for Travel
	5 U.S.C. § 5550b
10.6.1	5 U.S.C. § 5541(2)
	5 U.S.C. § 105
10.6.2	5 CFR 550.181
10.6.2.1	5 U.S.C. §§ 5542 or 5543
	5 CFR 550.182(a), (c), and (d)
10.6.2.2	5 U.S.C. § 5542(b)(2)(B)
	5 CFR 550.112(g)(2)
	5 CFR 550.1404(b)(2)
	5 CFR 550.1404(c), (d), and (e)
	5 U.S.C. § 5542(b)(2)(B)
	5 CFR 550.112(g)(2)
10.6.4.1	5 CFR 550.1404
10.6.4.2	5 CFR 550.1404(d)
10.6.7.1	5 CFR 550.1407
10.6.7.1.2	5 U.S.C. § 105
10.6.7.2.1	5 CFR 550.1407(a)(2)
10.6.7.2.1.1	38 U.S.C. § 4303
	5 CFR 353.102
10.6.7.2.1.2	5 U.S.C., Chapter 81
10.6.7.2.2	5 CFR 550.1407(e)
10.6.8	5 U.S.C. § 5550b(b)
	5 CFR 550, subpart N
10.6.9	5 U.S.C. § 5547
	5 CFR 550.105 through 550.107
	5 U.S.C. § 5307
	5 U.S.C. § 530, subpart B

11.0 – HOLDIAY LEAVE

11.2.1	5 U.S.C. § 6124
11.2.1.2	5 U.S.C. § 6121(5)
	5 CFR 610.406

REFERENCES (Continued)

11.2.2	DoDI 1400.25-V610 OPM Fact Sheet, Federal Holidays- Work Schedules and Pay
11.2.2.1	5 CFR 610.405
1.2.2.2	5 CFR 610.406

12.0 – CREDIT HOURS

12.1	5 U.S.C. §§ 6121-6126
12.2.1	5 CFR 610.408 5 U.S.C. § 6121(4)
12.3	5 U.S.C. § 6126
12.4	5 U.S.C. § 6126(a)
12.5	5 U.S.C. § 6126(b) 5 U.S.C. § 5547
12.6.1	5 U.S.C. § 6126
12.6.3	5 U.S.C. § 5545(a) 5 U.S.C. § 6123(c) 5 U.S.C. § 6123(c)(2)
12.6.4	5 U.S.C. § 6124

13.0 – TIME OFF AS AN INCENTIVE AWARD

13.0	5 U.S.C. § 4502(e) 5 CFR 451.101 through 451.107

14.0 – ADMINISTRATIVE LEAVE (EXCUSED ABSENCE)

14.1	OPM Fact Sheet, Administrative leave DoDI 1400.25-V630
14.3	5 CFR 630.206
14.4.1	Executive Order 14019 on Promoting Access to Voting DoDI 1400.25-V630 OPM Memorandum: Executive Order on Promoting Access to Voting
14.5	DoDI 1400.25-V630
14.7	5 CFR 551.424 OPM's Official Taxpayer Funded Union Time Usage in the Federal Government, FY 2019, Appendix A
14.8	5 U.S.C. § 6328 31 U.S.C. § 1345
14.9	5 U.S.C. § 6321

REFERENCES (Continued)

14.10.1	OPM Fact Sheet, 5 Days of Excused Absence for Employees Returning from Active Military Duty
14.11.1	Coronavirus: Latest DoD Guidance
14.11.3	Leave Policies Related to COVID-19 Vaccinations and Boosters for Federal Employees
14.12	DoDI 1400.25-V630
14.13	DoDI 1400.25-V630
14.14	DoDI 1400.25-V630
14.15	DoDI 1400.25-V630
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14.18	DoDI 1400.25-V630

15.0 – WEATHER AND SAFETY LEAVE

15.0	P.L. 114-328 5 CFR 630, subpart P

16.0 – COURT LEAVE AND JURY DUTY

16.1	5 U.S.C. § 6322 5 U.S.C. § 5537 5 U.S.C. § 5515 OPM Fact Sheet, Court Leave
16.3	26 Comp Gen. 413
16.4	5 U.S.C. § 2105
16.5	5 U.S.C. § 6322
16.7	5 U.S.C. § 5537
16.10.1.3	5 U.S.C. § 5515
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16.16	5 U.S.C. § 5515

17.0 – SHORE LEAVE

17.1	5 U.S.C. § 6305(c) 5 CFR 630, subpart G 5 U.S.C. § 6305(d) 5 CFR 630.701-704 FY 2024 NDAA
17.2	5 CFR 630.701 5 U.S.C. § 6305(d)
17.3	5 CFR 630.703 5 U.S.C. § 6305(d)

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17.4	5 CFR 630.703(c)

18.0 – HOME LEAVE

18.1	5 U.S.C. § 6305(a) 5 CFR 630.601 5 U.S.C. § 6304(b)
18.2.3	5 CFR 630.604 5 CFR 630.605
18.3.1	5 U.S.C. § 6305(a) 22 U.S.C. § 4083(a)
18.3.2.2	5 U.S.C. § 6305(a)(1) 5 CFR 630.606

19.0 – FUNERAL LEAVE

19.1	5 U.S.C. § 6326 5 CFR 630, subpart H 26 U.S.C. § 112
19.1.8	5 CFR 630.801-804 5 U.S.C. § 6326
19.2	31 U.S.C. § 1345 5 U.S.C. § 6328

20.0 – CONTINUATION OF PAY (COP) AND OWCP

20.1	5 U.S.C., Chapter 81 20 CFR 10 DoDI 1400.25-V810

21.0 – MILITARY LEAVE

21.1	5 U.S.C. § 6323
21.1.1	5 U.S.C. § 6323(a)
21.1.2	5 U.S.C. § 6323(b)
21.1.3	5 U.S.C. § 6323(c)
21.1.4	5 U.S.C. § 6323(d)
21.2	5 U.S.C. § 6323(a) 5 U.S.C. § 3401(2)
20.2.1	5 U.S.C. § 6323(a)
21.2.4	5 U.S.C. § 6323(a) 5 CFR 353.208
21.2.5	5 U.S.C. § 6323(a)
21.3	5 U.S.C. § 6323(b)

REFERENCES (Continued)

21.3.1	5 U.S.C. § 6323(b)
21.3.1.1	10 U.S.C. § 101(a)(13)
21.3.2	5 U.S.C. § 6323(b)
	5 U.S.C. § 5519
21.4	Title 49, District of Columbia Code
	5 U.S.C. § 6323(c)
21.4.1.1	5 U.S.C. § 5519
	5 U.S.C. § 6323(c)
21.4.1.2	NDAA for FY 2022, Section 1109 (Public Law 117-81)
	OPM Memo: Recent Pay and Leave-Related Legislative Changes in the NDAA for FY 2022
21.5	5 U.S.C. § 6323(d)
	5 U.S.C. § 8401(30)
	5 U.S.C. § 6323(a), (b), and (c)
	10 U.S.C. § 12315
	10 U.S.C. § 12301(b)
	10 U.S.C. § 12301(d)
	5 U.S.C. § 6323(a)(1)
	Section 513 of the 2017 NDAA
	32 U.S.C. § 709(g)
21.5.1	5 U.S.C. § 6323(d)
21.5.2	5 U.S.C. § 6323(d)(2)
21.8	5 U.S.C. § 5519
21.9.1	38 U.S.C. § 4316(b)(1)
21.9.1.1	10 U.S.C. § 12503
	32 U.S.C. § 115
21.9.2	5 U.S.C., Chapter 83
	5 U.S.C. § 8332(g)
	38 U.S.C., Chapter 43
	5 CFR, part 353
21.9.3	5 CFR 353.208

22.0 – FURLOUGH

22.1	OPM's Pay and Leave Furlough Guidance
	5 CFR 752, subpart D
	5 CFR 351, subpart B
	5 CFR 359, subpart H
22.2.1	OPM Guidance for Shutdown Furloughs
	31 U.S.C. § 1341
	31 U.S.C. § 1342
22.2.2.1	Public Law 116-92
	BAL 22-202

REFERENCES (Continued)

22.2.3	31 U.S.C. § 1341 5 U.S.C. § 6323
22.3	OPM Guidance to Administrative Furloughs
22.3.2.1	5 U.S.C., Chapter 63
22.3.2.2	5 U.S.C., Chapter 63
22.3.4	31 U.S.C. § 1342

23.0 – LWOP

23.3.2	Executive Order 5396, July 17, 1930
23.3.3	38 U.S.C. § 4316(b)(1)
23.3.5	5 U.S.C., Chapter 81
23.5	5 CFR 630.208

25.0 – SUSPENSION

25.0	5 U.S.C., Chapter 75 5 CFR, part 752

26.0 – DISABLED VETERAN LEAVE (DVL)

26.1	Wounded Warriors Federal Leave Act of 2015 5 U.S.C. § 6329 5 CFR 630, subpart M OPM Fact Sheet, Disabled Veteran Leave
26.2.1	5 CFR 630.1304
26.3	5 CFR 630.1305
26.3.5	5 CFR 630.1305
26.3.5.2	5 U.S.C. § 6329 5 CFR 630.1305(e)
26.4	5 CFR 630.1306
26.5.2	5 CFR 630.1307
26.6.2.2	5 U.S.C. § 6329 5 CFR 630.1308(d)(3)

27.0 – PARENTAL BEREAVEMENT LEAVE

	Section 1111 of the NDAA for FY 2022 5 U.S.C. § 6329d 5 U.S.C. § 6381 DoDI 1400.25-V630

REFERENCES (Continued)

Table 5-3 – Leave Flexibilities Available to Care for a Family Member and /or a Covered Service Member

Table 5-3	5 CFR 630.1202 5 CFR 630.201(b) 5 CFR 630.1203(a)(3) 5 CFR 630, Subpart Q

VOLUME 8, CHAPTER 6: "MISCELLANEOUS ACTIONS (SPECIAL ACTIONS)"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated April 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
2.2.2	Updated name of Department of Labor's Form Employment Security (ES) 931 to Employment and Training Administration (ETA) 931.	Revision
4.10.3.4	Added subparagraph to clarify computation of Back Pay for employees that had Federal Employees Group Life Insurance coverage during the back pay period.	Addition
References	Updated References to include subparagraph 4.10.3.4.	Revision

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CHAPTER 6

MISCELLANEOUS ACTIONS (SPECIAL ACTIONS)

1.0 GENERAL

1.1 Purpose

This chapter prescribes the policy for miscellaneous actions, which occur outside of normal payroll processing.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with Title 5 of the United States Code (U.S.C.), and Titles 5 and 20 of the Code of Federal Regulations (CFR). Due to the subject matter in the chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each section are listed in a reference section at the end of this chapter.

2.0 UNEMPLOYMENT COMPENSATION FOR FEDERAL EMPLOYEES (UCFE)

2.1 General

2.1.1. Purpose. The UCFE program provides eligible former federal civilian employees with unemployment compensation benefits during periods of unemployment. The Department of Labor (DOL) is responsible for implementing the UCFE Program.

2.1.2. UCFE Program Administration. UCFE is administered by the states as agents of the federal government under ***5 U.S.C., Chapter 85*** and ***20 CFR Part 609***. UCFE operates under the same terms and conditions as those that apply to regular state unemployment insurance programs. Generally, UCFE benefits are determined under the law of the state where the employee's last official duty station as a federal civilian employee was located. State laws are not uniform and may vary in eligibility requirements. Each DoD component is responsible for managing its respective UCFE. The employing agency is responsible for the payment of these benefits; therefore, there is no payroll deduction from a federal employee's wages for UCFE protection. See DoD Instruction ***(DoDI) 1400.25-V850***, DoD Civilian Personnel Management System: Unemployment Compensation (UC), for additional information.

*2.2 UCFE Claim-Related Forms

There are two primary claim forms pertaining to UCFE. Various State Employment Security Agencies (SESA) may require other claim forms. See DoDI 1400.25-V850 for other UCFE claim forms.

2.2.1. Standard Form (SF) 8, Notice to Federal Employees About Unemployment Insurance. The Human Resources Office (HRO) must issue the ***SF 8*** to the employee when the employee separates from federal civilian service, transfers, or is placed in a nonpay status for 7 consecutive days or more. The form explains eligibility requirements for UCFE and provides general information on how to file a claim. The HRO should explain the form during an employee's out-processing. For additional information on the SF 8, see DoDI 1400.25-V850.

* 2.2.2. Form Employment and Training Administration (ETA) 931, Request for Wage and Separation Information. The SESA generates an ETA 931 when a former federal employee files an initial claim for unemployment compensation. The state forwards the ETA 931 to the servicing HRO to obtain wage information for specific work-year quarters. The HRO must complete and return the ETA 931 to the SESA within 4 workdays of receipt. For additional information, see ***20 CFR 609.21-22*** and ***UCFE Instructions for Federal Agencies, Chapter VI***.

2.3 Employing Activity Responsibilities

2.3.1. Provide Accurate Wage Data. The Civilian Payroll Office (PRO) must provide exact wage data through the HRO to the SESA in order for the SESA to determine the former employee's weekly and maximum unemployment benefit amounts. The PRO must accurately report all monetary information affecting the claim, such as lump sum annual leave payments, severance pay, annuity pay, or incentive pay.

2.3.2. Respond Timely to SESA Requests. The HRO must complete and return the ETA 931 to the SESA within 4 workdays of receipt. If the PRO is unable to provide the requested information within a 4-workday period, the PRO must notify the HRO immediately and the HRO must follow the procedures in 20 CFR 609.21(b).

2.3.3. Refer All Inquiries to HRO. The central point of contact for all UCFE matters is the servicing HRO. All inquiries received by the PROs (such as state queries, telephone calls, and requests for UCFE documentation) will be referred to the servicing HRO. The servicing HRO must contact the PRO for any additional information.

2.4 Base-Period Wages and Annual Leave Information

2.4.1. Base-Period. Each state sets the amount and duration of unemployment compensation under UCFE that is payable to individuals. A base-period is defined by state law and used for determining the amount payable. A base-period is comprised of either 4 consecutive quarters or 52 weeks. Most states use a base-period that includes the first 4 of the last 5 completed calendar quarters. The amount of unemployment compensation benefits is based on the gross federal wages paid to or earned by an employee during the base-period preceding the date of claim.

2.4.2. Reportable Base-Period Federal Wages. Federal wages for purposes of UCFE means all allowances and pay in cash or in kind (including cash allowances and remuneration in any medium other than cash) for federal civilian service. See ***5 U.S.C. § 8501***.

2.4.2.1. Report Gross Amount of Base-Period Federal Wages. The amounts reported as base-period wages are gross wages before deductions for Social Security/Medicare, Civil Service Retirement System (CSRS), Federal Employees Retirement System (FERS), Thrift Savings Plan (TSP), and federal, state, and local taxes. Gross wages also include allowances and pay in a medium other than cash. Expenses for official business, such as taxi fares, per diem, or mileage, and payments for uniform allowances should not be included.

2.4.2.2. Types of Wages Included in Base-Period Wages. The DOL has determined the following specific types of wages are to be included in the amount reported as gross (base-period) wages:

2.4.2.2.1. Foreign and Non-Foreign Differentials and Allowances. Federal wages include cost-of-living differentials paid at various foreign posts and cash allowances for quarters and subsistence. An exemption from federal income tax for any such item does not exclude the payment from gross wages for the purposes of UCFE.

2.4.2.2.2. Back Pay. Federal wages include back pay awards. Back pay awards are counted as wages in the period for which they are paid. Include wages paid during the base-period, even though earned prior to that period. For additional information, see section 4.0.

2.4.2.2.3. Salaries Paid by DoD to Reemployed Annuitants. In the case of a civil service annuitant, who receives the difference between the salary rate and the amount of annuity, only the amount paid by the employing agency is federal wages. Thus, federal wages for UCFE is the amount equal to the difference between the salary of the position and the annuity received. The annuity paid by Office of Personnel Management (OPM) is not federal wages for UCFE purposes.

2.4.2.2.4. Increases in Rates of Compensation Authorized by Acts of Congress. Such increases must be reported as wages for the pay period in which the increases are paid. This is required even if the first payment covers a retroactive period. If the base-period begins or ends during the pay period in which this payment was made, then the entire payment should be allocated to the second week of the pay period.

2.4.2.3. Reporting Methods for Base-Period Wages. The PRO reports wages the same way the records are kept. Adjustments are not made for wages earned by the employee for any days before the beginning of the quarter or the remaining days between the last payroll cutoff date and the end of the quarter. For example, if the pay period ends March 28, do not include March 29 through March 31 in the wages reported for the January 1 to March 31 quarter. Do not report wages for periods other than those periods requested. If the claimant had no base-period wages, then indicate it on the report.

2.4.3. Other Wages Reported, but Not Included in Base-Period Wages

2.4.3.1. Lump Sum Annual Leave. All lump sum annual leave payments are federal wages for purposes of UCFE, but not reported as base-period wages. Report lump sum leave payments separately from gross wages (base-period wages).

2.4.3.1.1. If the employee received a lump sum payment for annual leave after the beginning date of the base-period, the PRO must furnish the following:

2.4.3.1.1.1. Amount of payment,

2.4.3.1.1.2. Date(s) of payment,

2.4.3.1.1.3. Amount of annual leave (days and hours), and

2.4.3.1.1.4. Period of lump sum annual leave.

2.4.3.1.2. If lump sum annual leave is payable but has not been paid, then report "annual leave payment due but not paid," and provide details (period covered, amount of payment, when it will be paid) if known.

2.4.3.2. Severance Pay. Severance payments are reported separately from base-period wages. If the employee receives or entitled to receive severance pay, the PRO must report the information to the HRO. States with laws that require an offset of severance pay from UCFE benefits must be advised whether the former employee is receiving or will receive severance pay. The SESA obtains severance pay details from the employee's copy of the ***SF 50***, Notification of Personnel Action, and/or the ETA 931, if appropriate.

2.4.3.3. Voluntary Early Retirement Authority (VERA) or Voluntary Separation Incentive Payment (VSIP). If the employee received authorization for VERA or VSIP, report the information in accordance with subparagraph 2.4.3.2.

2.5 Employees on Leave Without Pay (LWOP)

Upon the HRO's receipt of the ETA 931, the HRO must report the nonpay status of an employee to the SESA. The HRO must report LWOP from the starting date through the ending date and must include any other pertinent data. If the employee is in a nonpay status for more than 30 days, then the SF 50 provides the LWOP information. For LWOP of 30 days or less, the biweekly interface extract provides this information to the HRO. The HRO must indicate whether employees on LWOP are awaiting an on-the-job injury approval or disability retirement from the Office of Workers' Compensation Programs (OWCP). If an employee is awaiting an OWCP determination, then the SESA is responsible for contacting the OWCP for any necessary data it needs.

2.6 Obtaining Data From the National Personnel Records Center (*NPRC*)

If the necessary records required to furnish wage data to the HRO have already been forwarded to the NPRC, the records must be requested via written authorization. This information is subject to The Privacy Act of 1974 (*5 U.S.C. § 552a*). Therefore, records must be handled in accordance with the provisions of the Act. Authorized representatives of federal personnel offices may request records by forwarding the *SF 127*, Request for Official Personnel Folder, to the following address:

National Personnel Records Center, Annex
(Civilian Personnel Records)
1411 Boulder Boulevard
Valmeyer, IL 62295-2603

Fax: (618) 935-3014

3.0 CLAIMS FROM EMPLOYEES FOR ADDITIONAL COMPENSATION

3.1 General

3.1.1. Authority to Settle Claims. Employees may file claims involving compensation or leave under *31 U.S.C. § 3702*. The General Accounting Office Act of 1996, Public Law *(PL) 104 316*, transferred the claims settlement functions previously performed by the Government Accountability Office (GAO) to certain executive branch agencies. Therefore, both former and current employees must submit claims for additional compensation to the DoD employing activity in accordance with Volume 5, Chapter 12. Claims are individually processed, and an administrative determination must be made as to whether or not the employee is entitled to the amount claimed. If the claim relates to the determination of an entitlement or similar matter that is the responsibility of the HRO, then the claim should be negotiated and documented through the employing activity's personnel channels.

3.1.2. Review of Denied Claims. If a claim for payment is denied and the employee wishes to request further review, then the PRO must assemble all documentation pertaining to the claim, including documents from any review process, and forward the file to the Defense Finance and Accounting Service (DFAS).

DFAS Indianapolis
Debt and Claims Management Office (DCMO)
Department 3300, ATTN: COR/Claims
8899 East 56th Street
Indianapolis, IN 46249-3300

The OPM Merit System Accountability and Compliance (MSAC) office maintains the final authority to settle claims involving federal employees' compensation and leave and deceased employees' compensation. See *5 CFR Part 178* and Volume 5, Chapter 12.

3.1.3. Fair Labor Standards Act (FLSA) Claims. If an employee is not required to file an FLSA claim using a negotiated grievance procedure, he or she may file a claim with either the employing agency during the claim period or OPM, but not with both at the same time. An employee, whose claim is denied by the agency, may file the claim with OPM. See ***5 CFR 551.703*** and ***5 CFR 551.705***.

3.1.4. Statute of Limitations for Filing a Claim. Under 31 U.S.C. § 3702, a claim for payment must be filed within 6 years of the date the right to payment accrued. Claims for overtime pay under the FLSA are generally subject to a 2-year statute of limitations (3 years for willful violations). See 5 CFR 178.104 and ***5 CFR 551.702***.

3.2 Claims Submission

3.2.1. Filing a Claim. Claims should be filed with the activity at which the individual was/is employed during the period for which the additional compensation is claimed. When civilian pay claims cannot be resolved at the employing activity or major command level, the fully documented claim should be sent to the DCMO at the address listed in subparagraph 3.1.2.

3.2.2. Processing Claims

3.2.2.1. Approved Claims

3.2.2.1.1. Paying Unquestionable Claims. Claims received by the PRO from the claimant may be approved and paid when there is no question of law or fact.

3.2.2.1.2. Claims Subsequently Approved by OPM. Any claim received by the PRO from OPM, including those originally received by the DCMO and forwarded to OPM for final review, must be acted upon in accordance with instructions in the letter or order transmitting the claim to the PRO. When payment is made by the PRO, the claim must be paid as part of the regular payroll.

3.2.2.2. Disapproved Claims. Claims not received through OPM that are denied administratively by the PRO must be returned to the claimant with a letter providing a detailed explanation concerning why the claim was disapproved. If the employee appeals the denial of the claim, then the PRO must forward the claim with a transmittal letter (prepared by the PRO) to OPM via the DCMO. See subparagraph 3.1.2.

3.2.3. Content of Claims. All claims submitted by the claimant/employee to the employing activity must be in writing and signed by the claimant or his/her representative. While no specific form is required, the request should describe the basis for the claim and state the monetary amount sought.

3.2.4. Submission of Disapproved/Denied Claims to OPM for Review. If a denied claim is submitted at the claimant's request for final review by OPM, the claim should include:

3.2.4.1. Claimant's name, address, telephone number, and facsimile number, if available;

3.2.4.2. Name, address, telephone number, and facsimile number of the agency employee who denied the claim;

3.2.4.3. A copy of the agency's denial of the claim; and

3.2.4.4. Any other information the claimant wants OPM to consider.

3.2.5. Administrative Report. At OPM's request, the PRO/DCMO will submit an administrative report, which will include:

3.2.5.1. Factual findings;

3.2.5.2. Conclusions of law with relevant citations;

3.2.5.3. Recommendation for the claims disposition;

3.2.5.4. Copy of any supporting regulations or policy memorandums;

3.2.5.5. A statement that the claimant is or is not a member of a collective bargaining unit and, if so, a statement that the claim is or is not covered by a negotiated grievance procedure that specifically excludes the claim from coverage; and

3.2.5.6. Any other information that OPM should consider.

3.3 Advance Decisions

OPM maintains the authority to issue advance decisions for claims settlement.

4.0 BACK PAY UNDER 5 U.S.C. § 5596 (THE BACK PAY ACT)

4.1 General

4.1.1. Authority. The Back Pay Act at ***5 U.S.C. § 5596*** provides the authority for the payment of back pay, interest, and reasonable attorney fees for the purpose of making a federal employee financially whole (to the extent possible) after an unwarranted or unjustified personnel action. See also ***5 CFR 550, subpart H***.

4.1.2. Introduction. Back pay is appropriate when, based on a timely appeal or an administrative determination (including a decision relating to an unfair labor practice or a grievance), an appropriate authority finds that the employee was affected by an unjustified or unwarranted personnel action. Such action must have resulted in the withdrawal, reduction, or denial of all or part of the pay, allowances, and differentials otherwise due the employee under an applicable law, rule, regulation, or provision of a collective bargaining agreement. The HRO will determine an employee's entitlement to back pay and document the determination in the "Remarks" section of the SF 50.

4.1.3. Invoking the Back Pay Act. Some settlement agreements or orders may not directly invoke the requirements of the Back Pay Act by citing 5 U.S.C. § 5596. Generally, if an agreement or order uses an undefined term of art like "back pay" without defining it, DFAS will apply the regulatory or statutory definition of the term. In such cases, back pay will be processed pursuant to the Back Pay Act unless the agreement or order expresses a contrary intent.

4.1.4. Equal Employment Opportunity Commission Cases Under Title VII. Title VII of the Civil Rights Act provides authority for agencies to award back pay to employees in discrimination cases. Such cases are independent of the Back Pay Act and back pay is authorized under Title VII without the finding of an unjustified or unwarranted personnel action. An award of back pay under Title VII is computed in the same manner as under the Back Pay Act regulations pursuant to ***29 CFR 1614.501***. See ***42 U.S.C. § 2000e*** and ***42 U.S.C. § 1981a***.

4.1.5. Non-Appropriated Fund (NAF) Employees. The Back Pay Act does not apply to NAF employees. NAF employees may receive back pay, but such payments are not made under the Back Pay Act and interest is not payable.

4.1.6. Lump Sum Payments In Lieu of Back Pay. A lump sum payment "in lieu of back pay" is a payment offered in settlement of a case and not considered back pay processed under the Back Pay Act. See paragraph 4.14 for information on processing lump sum payments and proper tax reporting and withholding.

4.2 Correcting an Unjustified or Unwarranted Personnel Action

4.2.1. Back Pay May Not Exceed Originally Owed Entitlements. When an unjustified or unwarranted personnel action is corrected or awaiting correction, the employee may receive credit for performing federal service during the period covered by the corrective action (back pay period). The PRO must compute, for the back pay period, the employee's pay, allowances, and differentials as if the improper personnel action had never occurred. In no case, can the amount of pay, allowances, or differentials (including leave benefits) paid under the Back Pay Act exceed the amount that the employee would have been entitled to had the unwarranted personnel action not occurred. See 5 CFR 550.805.

4.2.2. Employees Who Return to Duty or Resign From Duty. When an employee has been separated, corrective action will be completed on the date the DoD has reasonably set for the employee's return to duty. The DoD will notify the employee of the return date in writing. Until that date, the erroneous action remains in effect. Failure by the employee to report for duty on the

date set by the DoD may result in the employee being charged annual leave, LWOP, or absence without leave for the period from the date set for return to duty until the date the employee actually returns to work. An employee who resigns instead of returning to duty is still entitled to back pay since there is no requirement that the employee return to duty. In that event, the employee will receive back pay up to the date that he or she is considered separated from federal service, which may or may not be the date that he or she is requested to report for duty.

4.3 Statute of Limitations

4.3.1. Six-Year Limitation. Under the Back Pay Act, an agency may not authorize pay, allowances, and differentials for a period beginning more than 6 years before the date of the filing of a timely written claim, or absent such filing, the date of the administrative determination that the employee is entitled to back pay. See 5 CFR 550.804.

4.3.2. FLSA Claims. If a back pay claim involves an entitlement under the FLSA at ***29 U.S.C. § 207***, then an agency must apply a 2-year statute of limitations (3 years for willful violations). This applies to all FLSA claims filed on or after June 30, 1994. See ***5 CFR 551, subpart G***.

4.3.3. Back Pay Act vs Barring Act. The Barring Act statute of limitation under 31 U.S.C. § 3702 sets a time limit on how long an individual has to file a claim against the United States (within 6 years after the claim accrues). The Back Pay Act statute of limitation sets a time limit on the remedy received (no more than 6 years of back pay).

4.4 Gross Back Pay Computations

4.4.1. General. When computing the amount of gross back pay due an employee, the agency must compute all pay, allowances, and differentials the employee would have received if the unjustified or unwarranted personnel action had not occurred. This includes pay, leave, and other monetary employment benefits the employee would have been entitled to receive during the back pay period. The PRO must include premium pay and any changes that would affect the amount of pay owed. See 5 CFR 550.805.

4.4.2. Periods Excluded From Back Pay Computations. The following periods are not included in the computation of back pay. See 5 CFR 550.805(c) and (d).

4.4.2.1. Periods of Incapacitating Illness. Back pay is not paid for any period during which the employee was not ready, willing, and able to perform his or her duties because of an incapacitating illness. However, the employing agency must grant, upon request of the employee, any accrued sick or annual leave to cover the period of incapacity due to illness or injury.

4.4.2.2. Periods of Unavailability. Back pay is not paid for any period during which the employee was unavailable for performance of his or her duties for reasons not related to, or caused by, the unjustified or unwarranted personnel action.

4.4.3. Within-Grade Increases (WGI). When computing an employee's pay, the PRO must include any WGI to which the employee became entitled during the back pay period. If the grant or denial of a WGI requires an acceptable level of competence determination under ***5 CFR Part 531***, the requirements for such a determination, including the right of reconsideration and appeal, must be followed before the WGI may be included in the computation of the amount of back pay due the employee. This also applies to determinations made retroactively. Regulations governing WGIs allow for a waiver of the requirement of an acceptable level of competence determination when the employee has not served in any position for the minimum period during the final 52 calendar weeks of the waiting period because the employee received service credit under the Back Pay Act.

4.4.4. Overtime the Employee Would Have Earned. When computing the back pay of an employee who is restored to duty, any overtime the employee would have earned during the period of wrongful suspension or separation should be included in the back pay even though the overtime was not actually scheduled. The method of computing overtime incident to a back pay award due an employee may be based on the average number of overtime hours worked by fellow employees occupying similar positions during the same period.

4.4.5. Overtime Under a Collective Bargaining Agreement or Regulation. An employee who should have been selected for overtime work because a regulation or a collective bargaining agreement provided for assignment of overtime work in a prescribed manner is entitled to back pay for the overtime if the regulation or nondiscretionary provision of the agreement was violated. The appropriate authority must find that the action taken was unjustified or unwarranted, and direct corrective action. The overtime will be computed based on the number of hours worked by an employee who was actually selected to perform the overtime work during the same period.

4.4.6. Allowances or Differentials. The PRO must include in the back pay owed to the employee any allowances or differentials that the employee would have received if the improper personnel action had not occurred. This is true even though the employee did not physically remain in the location upon which the entitlement is based.

4.4.7. Hazardous Duty Pay. General Schedule employees that also meet the requirements in ***5 CFR 550.904***, may be eligible to receive irregular or intermittent pay for physical hardship or hazard duty. The PRO may assist the HRO to determine the number of days per week the employee performed the irregular or intermittent hardship or hazard duty during the 52 weeks preceding the wrongful suspension or separation for which the employee would have been compensated. The PRO may use an average of the amounts to make the necessary computations as authorized by the HRO.

4.4.8. Environmental Differentials. Federal Wage System (FWS) prevailing rate (wage) employees may be eligible to receive environmental differential pay under the separate provisions of ***5 U.S.C. § 5343(c)(4)***. Payment of environmental differentials on an actual exposure basis, or based on hours in a pay status, must be computed in accordance with OPM regulations and instructions. The DoD determines entitlement to such differentials based on the 52 weeks preceding the wrongful suspension or separation for which the FWS employee would have been compensated. See ***5 CFR 532.511***.

4.4.9. Intermittent Employees. When the DoD is not able to determine with certainty the number of hours that the intermittent employee would have worked during the back pay period, the HRO may estimate the amount of back pay due. This estimate is determined by taking an average of the number of hours worked by other DoD employees under the same type of appointment and performing the same kind of work that the employee would have been assigned to during this period. Alternatively, the HRO also may determine the average number of hours a week the employee actually worked to obtain a representative period preceding the unjustified or unwarranted personnel action (such as 26 or 52 weeks, whichever would represent a fairer approximation of the employee's earnings if he or she had actually worked). The HRO may use the average weekly hours to make the necessary computations.

4.4.10. Cash Awards. Back pay includes any cash award the employee would have been entitled to if the unjustified or unwarranted personnel action had not occurred. The award must be supported by the appropriate personnel action.

4.5 Adjusted Gross Back Pay

4.5.1. General. Adjusted gross back pay means gross back pay less the offset for outside earnings under 5 CFR 550.805(e)(1), but before adding interest. See Figures 6-1 and 6-2 for examples showing various entitlements, deductions for erroneous payments, and other authorized deductions in the computation of back pay.

4.5.2. Outside or Interim Earnings

4.5.2.1. Interim Earnings Defined. Under 5 CFR 550.805(e)(1), interim or outside earnings refer to gross earnings, less any associated business loses or expenses, received by an employee for any employment or business enterprise undertaken to replace the employment from which the employee was separated due to the unjustified or unwarranted personnel action. However, deductions for losses sustained in a venture unrelated to the separation are not allowable.

4.5.2.2. PRO Duties. The PRO must determine the adjusted gross back pay by offsetting (deducting) any outside earnings that were earned by an employee from other employment during the period of wrongful suspension or separation. The amount of back pay entitlement is the difference between the amount of compensation the employee would have earned in government service, and the amount actually earned in other employment undertaken by the employee to replace the government employment. Overtime earned during the period of wrongful suspension or separation that is in excess of that overtime, which would have been earned in the position from which the employee was separated, should not be offset. When an employee's total outside earnings (including those from other federal employment) exceed the total amount of back pay, the employee may retain the excess amount.

4.5.2.3. Outside Earnings Exceed Back Pay. When an employee's outside earnings exceed the back pay award, the employee does not owe the difference to the government. The employee must be indebted for any amounts owed for retirement contributions or health care premiums. See paragraph 4.11 for TSP contributions.

4.5.3. Exception for Additional or "Moonlight" Employment. The only earnings from other employment that are not deducted from back pay are earnings from outside employment the employee already had before the period of wrongful suspension or separation. For example, if an employee usually worked 20 hours at a second part-time job ("moonlighting") prior to separation from government employment, and during the period of separation worked 40 hours at the outside job, then the amount representing the extra 20 hours worked would be offset against the back pay computation. To determine whether the pay for outside employment increased substantially during the period of separation, the DoD should obtain a statement or an affidavit from the employee covering his or her outside earnings.

4.6 Interest on Back Pay Awards

4.6.1. General. Under 5 U.S.C. § 5596, interest is paid on all back pay awards that are finalized on or after December 22, 1987. Interest begins to accrue on the effective date on which the employee would have received the pay, allowances, and differentials if the unjustified or unwarranted personnel action had not occurred. As a result, most computations will involve a series of effective dates, one for each date (usually, a pay date) on which the employee failed to receive an amount of pay, allowances, and differentials due him or her because of the unjustified or unwarranted personnel action. See 5 CFR 550.806.

4.6.2. Outside Earnings Offset. Interest is paid on the adjusted gross pay amount (gross back pay less any offset for outside earnings). Interest is computed before making any deductions for erroneous payments. For purposes of computing back pay interest, an outside earnings offset is applied as a constant percentage offset to each payment of back pay for each pay period during the period covered by the corrected action. This percentage offset is determined by dividing the employee's outside earnings under 5 CFR 550.805(e)(1) by the total amount of back pay owed to the employee prior to any deductions. See 5 CFR 550.806(b).

4.6.3. Date Interest Accrual Ends. The DoD must issue interest within 30 calendar days of the date on which accrual of interest ends. If issuance of the interest payment is delayed, more than 30 calendar days after the date on which accrual of interest ends, then interest must be recomputed based on a new ending date meeting the 30-day requirement. Back pay and interest should be paid simultaneously whenever possible. When the interest payment is issued after the payment of the back pay, see 5 CFR 550.806(g) for calculation on any interest on interest owed.

4.6.4. Interest Rate. The applicable interest rate is the "overpayment rate" adjusted quarterly by the Secretary of the Treasury and published in an Internal Revenue Service (IRS) bulletin issued before the beginning of each quarter.

4.6.5. OPM Interest Calculator and Taxation of Interest. The PRO must compute interest in accordance with the formula or computer software provided to the PROs by OPM. The PRO may not withhold taxes from interest payments on back pay awards. The PROs will provide employees with the ***IRS Form 1099-INT***, Interest Income, for all interest payments.

4.7 Deductions of Erroneous Payments From Back Pay

4.7.1. General. In the context of back pay, erroneous payments are payments that were received by an employee from the government as a result of the unjustified or unwarranted personnel action. Erroneous payments must be returned to the appropriate government agency or pay system. Such payments must be recovered from the back pay award. If the back pay award is insufficient to satisfy the full recovery, then a debt must be established against the employee. See 5 CFR 550.805(e)(2).

4.7.1.1. Retirement Annuity Payments

4.7.1.1.1. An erroneously separated employee, who received retirement annuity payments (either special payments or regular annuity payments) as a result of the separation, is indebted to the United States Federal Government for the gross amount of retirement annuity payments paid to the employee during the period of wrongful separation.

4.7.1.1.2. Because the gross amount of annuity payments was previously reduced by required health and life insurance premiums, the PRO will recover an annuity amount from the back pay award that equals the gross annuity less health and life insurance premiums.

4.7.1.1.3. The PRO must transfer the recovered annuity amount to the retirement system.

4.7.1.1.4. The government will recover amounts paid from the CSRS or FERS gross annuity for health and life insurance premiums from the respective carriers for those programs in order to settle the retired employee's account.

4.7.1.1.5. The PRO then must collect from the back pay any required health insurance premiums for coverage during the period following restoration and transfer that amount, plus the agency's share, to OPM.

4.7.1.2. Refund of Retirement Contributions. ***Title 5, U.S.C. § 8342(a)*** authorizes a refund of an employee's retirement contributions only upon absolute separation from the service or transfer to a position not subject to the law. An employee must be separated, or transferred, for at least 31 consecutive days to be eligible for this refund. Therefore, a refund of retirement contributions paid to an employee based on a separation, which subsequently is found erroneous and canceled by restoring the employee to duty retroactively so that there was no break in service, removes the legal basis for the refund. A refund paid in error represents a debt due the retirement fund and must be deducted from any back pay entitlement. If the restored employee is entitled to back pay, then the PRO must contact OPM to determine if the employee received such a refund and then offset the amount from the back pay entitlement. The PRO must remit the appropriate amount to OPM.

4.7.1.3. Severance Pay. The gross severance pay paid to an erroneously separated employee at the time of his or her removal must be deducted from the back pay award upon restoration to duty.

4.7.1.4. Lump Sum Payment for Annual Leave. Any erroneously separated employee who receives a lump sum payment under ***5 U.S.C. § 5551(a)*** prior to separation, must repay the lump sum payment upon reinstatement to duty. The PRO must restore the employee to duty and cancel the separation, thereby making the lump sum payment erroneous. The PRO must offset any lump sum payment received by the employee against the employee's back pay award and credit the leave to the employee's leave account. No authority exists that would permit an employee to retain the lump sum payment in lieu of receiving credit for the leave.

4.7.2. Order of Precedence. The order of precedence for deducting erroneous payments from back pay awards when the net amount of back pay is insufficient to cover all the deductions is as follows:

4.7.2.1. Retirement annuity payments,

4.7.2.2. Refunds of retirement contributions,

4.7.2.3. Severance pay, then

4.7.2.4. Any lump sum payment for accrued annual leave.

4.7.3. Waiver of Erroneous Payments

4.7.3.1. Retirement Fund Payments. Employees may request OPM waive recovery of erroneous payments from the Civil Service Retirement and Disability Fund (CSRDF). Requests for waiver should be submitted to the following address:

U.S. Office of Personnel Management
Office of Retirement Programs
Reconsideration and Debt Collection Division
1900 East Street NW, Room 3H30
Washington, D.C. 20415

Employees may also submit requests to the same address to repay debts owed to the CSRDF by installment deductions from salary.

4.7.3.2. Waiver of Lump Sum Annual Leave and Severance Payments. For severance pay and lump sum annual leave payments, any net indebtedness remaining after liquidation of back pay may be eligible for a waiver of repayment (by the GAO or DFAS, as applicable) under the authority of ***5 U.S.C. § 5584***.

4.8 Other Authorized Deductions From Back Pay

Authorized deductions that would have been made from the employee's pay (if paid when due) should be made by the PRO in accordance with the normal order of precedence for deductions from pay. See 5 CFR 550.805(e)(3). Authorized deductions include the following:

4.8.1. Mandatory Employee Retirement Contributions. The PRO must compute the employee retirement contributions on the employee's gross back pay subject to retirement and deduct the contributions after subtracting the earnings from outside employment. Even if no amount of back pay is due because of excessive outside earnings, the employee must be indebted for the appropriate amount of retirement fund contributions. See ***5 U.S.C. § 8334(c)***. If an employee is retroactively placed in an LWOP status under the terms of a settlement agreement or order and no back pay is due, both the employee and agency contributions for the LWOP period must still be submitted to OPM. ***Title 5, CFR 842.304(a)(4)***, which grants retirement credit during periods of LWOP without requiring employee contributions, does not apply to situations involving retroactively applied LWOP granted under a settlement agreement or order.

4.8.2. Social Security and Medicare Taxes. The PRO must compute and deduct the Social Security taxes, also known as Old Age Survivor Disability Insurance (OASDI), and Medicare taxes on the adjusted gross back pay.

4.8.3. Federal Income Tax Withholding. The PRO must compute income tax withholdings on the adjusted gross back pay less any part of back pay not subject to income tax deductions. Therefore, if the back pay amount includes any amount not subject to income tax deductions, such as non-foreign area cost-of-living allowances and contributions to TSP, the PRO must compute the taxes after reducing the adjusted gross back pay by these nontaxable amounts.

4.8.4. Insurance Premiums and TSP. If applicable, health and life insurance premiums and TSP contributions may be made from the remaining back pay due the employee. Health insurance premiums for an employee restored to duty following an erroneous separation for retirement must be deducted if coverage under the health benefits program continued without interruption during the erroneous retirement. The PRO must withhold any additional premiums the employee owes due to a retroactive increase in basic pay.

4.8.5. Flexible Spending Accounts (FSA). At the request of the employee, FSA contributions may be deducted from the back pay award in the amount that would have been allotted to the employee's FSA if the unjustified or unwarranted personnel action had not occurred. The FSA contributions may be used to cover eligible medical expenses incurred during the corresponding back pay period.

4.9 Restoration of Leave

4.9.1. Annual Leave. Annual leave that is restored to an employee as a result of the correction of an unjustified or unwarranted personnel action in excess of the maximum leave accumulation amount authorized by law must be credited to a separate leave account for use by the employee. See 5 CFR 550.805(g). The restored leave must be scheduled and used as provided in this section. If restored leave is not used within the prescribed periods, it is forfeited. Refer to 5 U.S.C. § 5596(b)(1)(B) for additional information.

4.9.1.1. Full-Time Employees. For a full-time employee, excess annual leave of 416 hours or less must be scheduled and used by the end of the leave year in progress 2 years after the date on which the annual leave is credited to the separate account. This period is extended by 1-leave year for each additional 208 hours of excess annual leave or any portion thereof.

4.9.1.2. Part-Time Employees. A part-time employee must schedule and use excess annual leave in an amount equal to or less than 20 percent of the employee's scheduled tour of duty over a 52-calendar week period by the end of the leave year in progress 2 years after the date on which the annual leave is credited to the separate account. The agency will extend this period by 1-leave year for each additional number of hours of excess annual leave, or any portion thereof, equal to 10 percent of the employee's scheduled tour of duty over a period of 52 calendar weeks.

4.9.1.3. Time Limitations

4.9.1.3.1. For both part-time and full-time employees, the ending date of the time limit for use of excess annual leave may not be exactly 2 years from the date on which the annual leave is credited to the separate account (or exactly at the end of any additional year added to the 2-year period). Rather, the time limit ends at the end of the leave year ending 2 years after the restoration. For example, if the 2-year period ends in July, an employee would have until the end of the current leave year (December or January) to use the restored annual leave.

4.9.1.3.2. To determine the time limitations for use of restored leave, see Chapter 5.

4.9.2. Sick Leave. If an employee is reinstated to an agency as a result of an appeal, the agency must reestablish the employee's sick leave account as a credit or charge as it was at the time of separation. See ***5 CFR 630.502***. Upon request of an employee, the PRO may grant any sick or annual leave available to the employee for a period of incapacitation if the employee can establish that the period of incapacitation was the result of illness or injury. See 5 CFR 550.805(d).

*4.10 Health Insurance and Life Insurance Coverage

4.10.1. Health Insurance. Under ***5 U.S.C. § 8908***, an employee who was removed or suspended without pay, and who was restored to duty on the grounds that the removal or suspension was unjustified, may elect one of the following options:

4.10.1.1. The employee may have the prior enrollment reinstated retroactive to the termination date, with appropriate adjustments made in contributions and claims, as if no removal or suspension had occurred. If the employee elects to have the enrollment retroactively reinstated, then payroll deductions for the period of suspension or removal must be made from the back pay award and the government premium contributions should be made as though the suspension or removal had not occurred.

4.10.1.2. The employee may enroll in the same manner as a new employee.

4.10.2. Health Insurance Provision for Erroneous Retirement. The statutory provisions of 5 U.S.C. § 8908 do not apply to an employee separated erroneously for retirement under conditions entitling him or her to continued enrollment. In such cases, there is no need to restore health benefits coverage since coverage transfers to the retirement system and continues automatically. For additional information, refer to the Federal Employees Health Benefits ***(FEHB) Program Handbook***.

4.10.3. Life Insurance

4.10.3.1. Withholding for Employees With Coverage at the Time of Removal. If an employee is retroactively restored to duty with back pay after a period of wrongful suspension or separation, no life insurance premium withholding is made from the retroactive pay adjustment for the period of suspension or separation. However, if death or dismemberment occurred during the period of wrongful suspension or separation, premiums are withheld from the back pay. Additionally, if the employee maintains Option C coverage and a covered family member dies during the period of separation or removal, Option C premiums should be withheld from the back pay award. See ***5 CFR 880.304*** and the Federal Employees Group Life Insurance ***(FEGLI) Handbook*** for additional information.

4.10.3.2. Employees With Coverage Who Missed Open Season. If an employee had life insurance coverage prior to a wrongful suspension or removal, and the employee is restored to duty after the closing date of an open season for life insurance that occurred during the employee's period of wrongful suspension or separation, the employee is entitled upon restoration to elect additional life insurance coverage as permitted during the open season. The effective date is the first day in a pay-and-duty status on or after the date that the employing office receives the ***SF 2817***, Life Insurance Election.

4.10.3.3. Employees Who Had No Coverage Prior to Removal. If an employee had no life insurance coverage prior to a wrongful suspension or separation, and the employee is restored to duty after the closing date of open season for life insurance that occurred during the employee's period of wrongful suspension or separation, the employee is entitled upon restoration

to elect life insurance coverage as permitted during the open season. Since coverage for basic life insurance is automatic, the effective date is the first day in a pay-and-duty status. For options A, B, and C, the effective date is the first day in a pay-and-duty status on or after the date the SF 2817 is received by the employing office.

* 4.10.3.4. Employees Who Had Coverage During the Back Pay Period. If an employee had FEGLI coverage during the back pay period, the employee must have FEGLI premiums deducted from back pay. See 5 CFR 550.805(e)(3)(iv).

4.11 TSP

4.11.1. TSP Contributions From Back Pay Award. An erroneously separated employee may request that any employee TSP contributions not made during the period of erroneous separation be deducted from his or her back pay award. The makeup contributions may be elected by reinstating the employee's contribution election on file at the time of separation. Alternatively, the employee may submit a new contribution election if he or she would have been eligible to make such an election but for the erroneous separation. Unless otherwise specified by the agency or reinstatement order, breakage or "lost earnings" is paid on all makeup contributions and calculated in accordance with 5 CFR 1605.2. The employee will receive the tax benefit in the year the contributions are made. The PRO must calculate the TSP amount using the gross basic pay amount of the back pay award prior to any offset for outside earnings. For additional information, see ***5 CFR Part 1605*** and Chapter 11.

4.11.2. TSP Contributions When Back Pay Is Insufficient. An employee's outside earnings may offset the total amount of back pay owed, or the employee may otherwise have insufficient back pay to deduct TSP contributions. Basic pay is the only allowable source for TSP contributions. See ***5 U.S.C. § 8432*** and 5 CFR 1605.11. An employee's makeup contributions may only be made through payroll deductions. TSP contributions may not be made by check, money order, cash, or other form of payment directly from the employee to TSP, or from the employee to DFAS for deposit to TSP. If no back pay is available for TSP contributions, a current or reinstated employee may only make up TSP contributions through future payroll deductions.

4.12 Payment of Reasonable Attorney Fees

Title 5, U.S.C. § 5596(b)(1)(A)(ii) provides for payment of reasonable attorney fees in accordance with the standards established under ***5 U.S.C. § 7701(g)***, under certain conditions. Under 5 CFR 550.807, an employee, or an employee's personal representative, may request payment of reasonable attorney fees related to an unjustified or unwarranted personnel action that resulted in the withdrawal, reduction, or denial of all or part of the amount due the employee.

4.13 Back Pay and Offsetting UCFE

4.13.1. If a reinstated employee is entitled to back pay, then the HRO must determine if the employee applied for unemployment compensation via the UCFE program within the last 52 weeks. If the employee applied for or received unemployment compensation, then the HRO must promptly notify the SESA of the date of the back pay payment, the amount, and the period covered.

4.13.2. DoD will not deduct the amount of unemployment compensation paid during the back pay period from the back pay award unless state law requires the employer (rather than the employee) to reimburse the state for overpayments. In some cases, a state agency may also determine that an overpayment has occurred and notify the federal government as the employing agency. See the ***DOL's Comparison of State Unemployment Insurance Laws***, Chapter 5, Table 5-20 and ***65 Comp Gen 865 (1986)***. See also DoDI 1400.25-V850.

4.14 Tax Withholding and Reporting in Back Pay Matters

4.14.1. General. For information on proper tax withholding and reporting in back pay matters, refer to ***IRS Memorandum PMTA 2009-035***, Income and Employment Tax Consequences and Proper Reporting of Employment-Related Judgements and Settlements (October 22, 2008). For income tax purposes, the IRS treats back pay as wages in the year paid. See also ***IRS Publication 957***, Reporting Back Pay and Special Wage Payments to the Social Security Administration (SSA).

4.14.2. Lump Sum Payments. A settlement or order may require an employing agency to issue a lump sum payment be paid to the employee in lieu of back pay or as an award of damages. To ensure proper tax reporting and withholding, employing agencies should make every effort to identify the nature of lump sum payment(s) awarded as being wages or non-wages. The PRO must review the nature of the payment before processing and should contact the agency if there is a question as to the identity or apportionment of a lump sum payment.

4.14.2.1. Wages. Generally, if a settlement or order requires an employing agency to pay the employee a lump sum payment, the payment should be considered wages for tax purposes if the payment is not clearly identified as damages or attorney fees. A lump sum representing wages must be submitted to the PRO as an individual award to ensure proper processing. Federal and state taxes, OASDI, and Medicare taxes are withheld from wage payments. A wage payment is reported on the ***IRS Form W-2***, Wage and Tax Statement.

4.14.2.2. Non-Wages. Lump sum payments of damages are processed by the DFAS Vendor Pay (or other appropriate vendor pay office) and are reported on the ***IRS Form 1099-MISC***, Miscellaneous Income, with no taxes withheld.

4.14.3. Attorney Fees. Payments to attorneys are generally taxable to the employee. An employee must include in their gross income the entire amount of the judgment or settlement, including the amount paid to the attorney. Depending on how the payment is made, there may be tax reporting to both the attorney and the employee.

4.14.4. Judgment Fund Payments. The U.S. Department of Treasury operates the Judgment Fund under ***31 U.S.C. § 1304***. Back pay awards may be paid out of the Judgment Fund. Treasury regulations require the agency that submits a request for payment from the Judgment Fund issue the tax reporting. Therefore, for employees paid by DFAS, DFAS will issue the tax reporting on behalf of the employing agency even when the award of back pay or damages is made from the Judgment Fund. See ***31 CFR 256.51***.

5.0 CONTINUATION OF PAY (COP) (INJURY COMPENSATION)

5.1 General

The Federal Employees' Compensation Act (FECA), ***5 U.S.C., Chapter 81***, provides for the payment of workers' compensation benefits and authorized medical care for all civilian employees of the United States for disability due to personal injury sustained while in the performance of duty. The U.S. DOL OWCP administers FECA through district offices. Each HRO maintains the address of the district office servicing its region. The regulations governing injury compensation are contained in ***20 CFR Part 10***. For additional information, see Injury Compensation in DoDI 1400.25-V810. See also the DOL's Division of Federal Employees' Compensation ***(DFEC) Procedure Manual***.

5.2 45-Calendar Days of COP

Civilian employees are entitled to medical care and compensation for absences due to traumatic on-the-job injuries and disease sustained while in the performance of duty. Traumatic injury is not the same as disability from occupational disease. Eligible employees are entitled to the continuation of regular pay, or COP, for a period not to exceed 45 calendar days per occurrence. The pay is subject to OASDI and/or Medicare, federal, state, and local tax, retirement, and all other normal deductions. For a separated employee (unless the date of termination has been established prior to the injury), COP will be subject to OASDI and/or Medicare, federal, state, and local tax, where appropriate. The PRO may not take any additional deductions. The injured employee's pay will continue unless the DOL denies the claim.

5.3 Calculation of COP

5.3.1. Computation of COP Days

5.3.1.1. Calendar Days. Days are counted on a calendar basis. If an employee is charged COP on Friday and the disability continues through the weekend, then the employee is charged COP for Saturday and Sunday. Holidays, weekends, and regular days off following a COP day count as COP days. If 1 hour is used to see a physician and 7 hours are worked, the day is still counted as 1 full day of COP. The employee's time and attendance must reflect the actual hours worked to accurately reflect the employee's work record.

5.3.1.2. Period Charged to COP. Unless the injury occurs before the beginning of the workday, time lost on the day of injury must be charged to administrative leave. The period charged to COP begins with the first day or shift of disability or medical treatment following the date of injury, provided the absence began within 45 days after the injury. COP must be charged for weekends and holidays if the medical evidence shows the employee was disabled on the days in question. For example, if the physician indicates that disability will continue only through Saturday for an individual who has Saturday and Sunday off, then COP will be charged only through Saturday.

5.3.1.3. Full Days Charged to COP. If work stoppage occurs for only a portion of a day or shift other than the date of injury, then a full day of COP will be counted against the 45-calendar day entitlement, even though the employee is not entitled to COP for the entire day or shift. For example, if an employee who has returned to work uses 3 hours in order to receive physical therapy for the effects of the injury, then the employee is entitled only to 3 hours of COP, even though 1 full calendar day will be charged against the 45-day limit. If an employee is absent for all or part of the same remaining workday, then the time lost must be covered by leave, as appropriate, since absence beyond the time needed to obtain the physical therapy must not be charged to COP.

5.3.1.4. Full Days Charged When Employee Works Partial Days. If the employee is partially disabled following the injury and continues to work several hours each workday, then each day or partial day of absence from work is chargeable as a full day of COP against the 45-day period.

5.3.2. Recurrence of Disability. If an employee returns to work and then becomes disabled again and stops work, the PRO may continue COP only if the 45-calendar days of entitlement to COP were not completely used during the initial period of disability. For COP to be continued, the employee must have experienced the recurrence of the disability and stopped working within 45 days of the time the employee first returned to work following the initial period of disability. When a recurrence happens after the 45-day window has expired, the PRO must discontinue the regular pay, even if some of the 45 days of COP eligibility may remain unused. In this event, the employee is only entitled to compensation payable by the OWCP and is not entitled to COP. See 20 CFR 10.207.

5.3.3. Weekly Pay Rate for COP. Standby premium, night or shift differential, holiday pay, or other extra pay should be included in regular pay in all instances. Overtime pay is not a part of COP, except in the case of firefighters and law enforcement officers. If a salary increases or decreases (e.g., promotion, demotion, and WGI increases) during the 45-day period, then the PRO will use the new salary rate as of the effective date of the change for computing the remaining COP. See 20 CFR 10.216. For COP purposes, weekly pay rate is determined as follows:

5.3.3.1. Full-Time and Part-Time Employees. For a full-time or part-time employee who works the same number of hours per week, the weekly pay rate must be equal to the number of hours regularly worked each week times the hourly pay rate on the date of injury including premium pay, night or shift differential, holiday pay, and other extra pay, exclusive of overtime.

5.3.3.2. Part-Time Employees Only. For a part-time employee who does not work the same number of hours per week, the weekly pay rate will be the average weekly earnings for the 1-year period before the date of injury, exclusive of overtime.

5.3.3.3. Intermittent Employees. For an intermittent or part-time employee, either permanent or temporary, who does not work each week of the year (or the period of appointment), the weekly pay rate equals the average of the employee's weekly earnings during the 1-year period before the injury. It is computed based on the total earnings divided by the number of weeks worked (partial weeks worked are counted as whole weeks). The annual earnings used for this

computation must not be less than 150 times the average daily wage earned within 1 year before the date of injury.

5.3.4. Light-duty Status. When a determination has been made that an injured employee may return to duty in a light-duty status within the first 45 days of disability following an injury, each day or portion of a day in light-duty status may be counted as 1 day of COP. This also includes any day or portion of a day worked while under injury-related work restrictions imposed by a physician.

5.3.4.1. Official Personnel Actions. An employee performing light-duty because of an on-the-job injury normally is not charged COP. However, COP must be charged if an employee has been assigned light-duty by the SF 50 and pay loss results. The employee must be furnished with documentation of the personnel action before the effective date of the action. When a determination is made that an employee is capable of performing light-duty after an on-the-job injury, COP is still chargeable against the 45-day entitlement if a personnel action has been issued to:

5.3.4.1.1. Assign or detail the employee to an identified position for which a position description exists which is classified at a lower salary level than that earned by the employee when injured,

5.3.4.1.2. Change the employee to a lower grade or to a lower rate of basic pay, or

5.3.4.1.3. Change the employee to a different schedule of work that results in loss of salary or premium pay (other than Sunday premium) authorized for the employee's normal administrative workweek.

5.3.4.2. Loss of Night Differential Pay. When an employee is detailed to a work schedule involving the loss of night differential pay earned before the injury, COP days will be charged, even though the employee is working. The cost of COP is calculated as the difference between the employee's normal pay and pay earned in the detail position.

5.3.4.3. An employee placed in light-duty who refuses to work after the offer of suitable work is not entitled to COP. See 20 CFR 10.217 and 20 CFR 10.517.

5.3.5. Return to Duty. The injury compensation program administrator may contact the attending physician in writing to inquire about the employee's estimated return to light-duty and/or contact the servicing OWCP office for an expected date of return to duty.

5.4 Conversion and Termination of COP

5.4.1. Denial of COP. Absences charged to COP and later disapproved by the DOL will require conversion to sick or annual leave. If sick or annual leave is not available, then COP will be converted to LWOP and reimbursements to the government must be made for any gross earnings paid while in a COP status. Due process procedures apply to the collection of any such debt owed by an employee. The amount collected must include payments made on behalf of the employee and any adjustments to the deposit fund accounts by the PRO. COP is not payable when one of the following occurs (see 20 CFR 10.220):

5.4.1.1. A traumatic injury is not the cause of the employee's disability;

5.4.1.2. The employee is not a U.S. or Canadian citizen;

5.4.1.3. The employee does not file a written claim within 30 days of the date of injury;

5.4.1.4. The injury was not reported until after separation from employment;

5.4.1.5. The employee received the injury away from the activity's premises and the employee was not performing his or her official duties;

5.4.1.6. The injury was due to the employee's own willful misconduct, intent to injure himself/herself or another person, or the injury was proximately caused by intoxication by alcohol or illegal drugs; or

5.1.4.7. The work did not stop until more than 45-calendar days after the injury.

5.4.2. Controverting a Claim. An agency may object to paying a claim for COP in a process referred to as "controverting a claim." The employing activity may controvert a claim by completing the indicated portion of ***DOL Form CA-1***, Federal Employee's Notice of Traumatic Injury and Claim for COP/Compensation, and submitting detailed information in support of the objection to the OWCP. See 20 CFR 10.221.

5.4.3. Termination of COP Already Begun. Generally, COP should continue after the employee stops work due to a disabling injury. Pay may be stopped only when at least one of the following circumstances is present (see 20 CFR 10.222):

5.4.3.1. The employee does not provide prima facie medical evidence of a work-related injury within 10 calendar days after he/she submits a claim for COP;

5.4.3.2. The treating physician provides medical information to the activity indicating that the employee is not disabled from his or her regular position;

5.4.3.3. The treating physician provides medical information to the activity indicating the employee is not totally disabled, and the employee refuses a written offer of a suitable alternative position;

5.4.3.4. The OWCP provides notification to the activity to terminate COP;

5.4.3.5. COP has been paid for 45-calendar days;

5.4.3.6. The employee's scheduled term of employment expires, and the date of termination is prior to the date of injury; and/or

5.4.3.7. The employee returns to work with no loss of pay.

5.4.4. Disciplinary Actions and COP. If a preliminary notice regarding a disciplinary action was issued to the employee before the date of the injury and the action becomes final or otherwise takes effect during the COP period, COP may be interrupted or stopped. See 20 CFR 10.222.

5.4.5. COP Suspended When Employee Obstructs a Medical Examination. If an employee or his or her representative refuses or obstructs a medical examination, the right to receive COP is suspended until the refusal or obstruction ceases. COP already paid or payable for the period of suspension is forfeited. If COP has already been paid, then COP may be charged to annual or sick leave or considered an overpayment of pay in accordance with 5 U.S.C. § 5584. See 20 CFR 10.223.

5.5 Use of Annual or Sick Leave Instead of COP

5.5.1. Application of the 45-Day COP Period. An employee may use annual, sick, or advanced leave to cover all or part of an absence due to an injury. If an employee elects to use leave, then count each full or partial day the employee takes leave against the 45 days of COP entitlement. If an employee uses COP intermittently along with sick or annual leave, the COP entitlement period is still limited to 45 days. An employee may not use annual or sick leave to delay or extend the 45-day COP period.

5.5.2. One-Year Limitation to Elect COP in Lieu of Annual or Sick Leave. There are times when the employee may elect sick, annual, or advanced leave and the election is irrevocable. However, if an employee who has elected to use annual or sick leave for the period is otherwise eligible to elect COP instead, then the employing activity must make that change on a prospective basis from the date of the employee's request. The employee may receive COP in lieu of previously requested annual or sick leave if the employee makes the request within 1 year of either the date the leave is used or written approval of the claim was granted, whichever is later. To authorize a change from annual or sick leave to COP, a corrected time and attendance report is required.

5.5.3. Leave Status of Employees

5.5.3.1. Leave Status When Injury Exceeds 45 Days. Employees who are eligible for COP must be placed in a leave status for time lost from work due to injury that is in excess of the 45-day COP period. During this period, an employee may take annual leave, sick leave, advanced leave, or LWOP until the OWCP approves the employee's claim for compensation. The employee should be in an LWOP status if the employee is receiving the OWCP compensation after the 45-day period.

5.5.3.2. Leave Status of Employees Who Are Ineligible for COP. Employees who are ineligible for COP must be in a leave status during an absence due to injury. Employees may take annual leave, sick leave, advanced leave, or LWOP while awaiting a decision from the OWCP on their claims. Employees must be in an LWOP status while receiving the OWCP compensation. These employees may buy back, and have reinstated, annual and sick leave used for time lost from work due to injury if the OWCP approves their claims for compensation.

5.6 Buy Back of Leave

5.6.1. General. If an employee is found eligible to receive OWCP compensation and the employee used sick, annual or a combination of both types of leave during a period of disability extending beyond the 45-day COP period, the employee may arrange with the PRO to buy back the leave used (referred to as "leave buy back"). An employee may not receive dual compensation for pay and leave plus the OWCP compensation for lost time due to injury. Leave will be reinstated when bought back. See 20 CFR 10.425.

5.6.2. Time Limit for Submitting a Claim for Leave Buy Back and Payment Arrangements. The ***DOL Form CA-7***, Claim for Compensation, for leave buy back must be submitted within one year of the date the leave was used or the claim was accepted, whichever is later. The PRO will arrange with the OWCP to have compensation for the buy back period paid directly to that office. After receipt, the PRO will notify the employee of the repayment amount and method of repayment.

5.6.3. Effect of Leave Buy Back. Leave buy back will reduce an employee's earnings. An employee is placed in LWOP status, which may result in leave accrual reduction, reduced retirement contributions, and reduced TSP contributions. Employees may be required to pay health insurance and income taxes.

5.6.4. Leave Not Eligible for Buy Back. Employees who are eligible for COP who take annual, sick, or advanced leave for time lost due to injury instead of COP during the 45-day COP period are not eligible for the OWCP compensation for that leave. These employees may not buy back the annual or sick leave and have it reinstated.

5.6.5. Computation. The PRO must recover any gross amount paid for leave used during a period retroactively covered by the OWCP compensation. Certain deductions are recoverable by payroll adjustment. The amount recovered from the employee and/or the OWCP will depend

on whether payment for leave is paid in the current or prior year. See Figures 6-3 and 6-4 for buy back of sick leave computation examples.

5.6.6. Current Year Recovery

5.6.6.1. Deductions. The amount collected for leave payments made in the current calendar year will be the net pay plus deductions for the following:

5.6.6.1.1. Bonds,

5.6.6.1.2. Savings allotments,

5.6.6.1.3. Alimony/Child support,

5.6.6.1.4. Rent,

5.6.6.1.5. Indebtedness to the United States, and

5.6.6.1.6. Other deductions the employee received value but not otherwise collected.

5.6.6.2. Reversed Deductions. Current deductions that will be reversed (if applicable and if the moneys are recovered) in the payroll system are:

5.6.6.2.1. CSRS or FERS;

5.6.6.2.2. OASDI and/or Medicare;

5.6.6.2.3. Federal, state, and local taxes;

5.6.6.2.4. FEHB (if the OWCP payment is for more than 28 days);

5.6.6.2.5. FEGLI (basic and optional);

5.6.6.2.6. TSP;

5.6.6.2.7. Union dues;

5.6.6.2.8. Charitable contributions; and

5.6.6.2.9. Military service credit deposits and civilian service credit deposits.

5.6.6.3. Other. The PRO must make adjustments in the payroll system to earnings-to-date for those items other than the reversed deductions. Amounts collected from the employee and/or the OWCP must be identified as a cash refund on a voucher for disbursement and/or collection.

5.6.7. Prior Year Recovery

5.6.7.1. Amount Collected. The amount to be collected for leave payments made during a prior year will be the gross amount less CSRS/FERS, OASDI and/or Medicare, TSP, FEHB (if the OWCP payment is for more than 28 days), and FEGLI (basic and optional). The PRO must post the credit to the CSRS/FERS as a separate credit line item on the ***SF 2806***, Individual Retirement Record CSRS, or the ***SF 3100***, Individual Retirement Record FERS, fiscal side indicating the year of the adjustment along with an explanation in the "Remarks" column. Adjustments are unauthorized for federal, state, and local income taxes.

5.6.7.2. Separating Employees. When an employee separates or at the end of the payroll year, the PRO must prepare a W-2, as appropriate, but may not include any tax adjustments for a prior year. The PRO must prepare a certified statement to go with the current year's W-2 stating that a refund for prior year was paid in the amount of $XX.XX, but that the gross wages shown on the current year W-2 were not reduced by the amount of the refund.

5.6.8. Partial Payroll Deductions. If circumstances permit, the employee may repay the amount due (after recovery of the amount repaid by the OWCP) through partial payroll deductions. The PRO will not reverse deductions under subparagraph 5.6.6.2 until the full amount is paid.

5.6.9. Recrediting of Leave. Credit the full amount of leave used during the buy back period to the employee's leave account. The PRO will not recredit leave bought back until the total amount is repaid.

6.0 EMERGENCY EVACUATION PAYMENTS

6.1 Purpose

The ***DoD Joint Travel Regulations, Chapter 6***, identifies the responsibilities of the PRO in the event the proper authorities declare an official emergency evacuation of civilian employees. The PROs will use the guidelines to determine whether it is appropriate to make advance payments to employees based on an ordered evacuation for military actions, natural disasters or other reasons that create imminent danger to lives and property. This section applies to areas located within the United States based on the provisions of ***5 CFR 550, subpart D*** and outside of the United States based on the provisions of the Department of State Standardized Regulations ***(DSSR), Chapter 600***.

6.1.1. Eligibility. This guidance pertains to civilian DoD and DoD component employees when an official evacuation is ordered.

6.1.2. Forms. The DoD *(DD) 2461*, Authorization for Emergency Evacuation Advance and Allotment Payments for DoD Civilian Employees, authorizes and records emergency payments to employees and dependents. The PRO is responsible for maintaining this record of payments on the employee's permanent pay account. In appropriate cases, information on this form may be disclosed to other federal agencies (i.e., SSA, IRS, and OPM), to state and local taxing/welfare authorities, and to certain private organizations for crediting payments to the employee's account. The PRO must receive DD 2461 before making payment of amounts due the evacuated civilian employees or family members.

6.1.3. Determining Entitlements and Payee. Determine specific rates of entitlement, duration of evacuation/departure payments, and eligible payees as follows:

6.1.3.1. For employees at foreign installations, see the DSSR, Chapter 600.

6.1.3.2. For employees within the United States, see 5 CFR 550, subpart D.

6.1.4. Payments. Compute employee's payments at the rate they are entitled to immediately before the order of evacuation/departure. Adult family members or designated representatives may receive payments in the form of allotments. The PRO must make all advance payments (and any necessary adjustments) in accordance with DoD component's procedures.

6.2 Transmission of Data to Safe-Haven Post

6.2.1. Methods of Transmission. After authorities issue an evacuation order, the PRO must immediately forward all significant payroll data from the evacuated installation to the safe-haven post.

6.2.2. Considerations. The physical conditions and circumstances at the evacuation installation will determine the method and timing for transmitting data. Safeguarding and preserving payroll leave, and travel records are matters of primary concern because of the continuing need for the records after the conditions, which gave rise to the emergency evacuation have been resolved. Take all necessary steps to safeguard and preserve the records at the safe-haven post.

6.3 Action Upon and During Evacuation

To the extent possible and practicable, the PRO must pay employees and dependents remaining at the evacuated installation in accordance with the normal fiscal procedures of that installation. A special advance payroll may be prepared in accordance with normal payroll procedures and charged against the appropriate funds available to the evacuated installation for authorized advance payments.

6.4 Actions After Evacuation

6.4.1. Review of Accounts. The PRO with jurisdiction over the employee's account will review the account for necessary adjustments at the earliest possible date after the evacuation is terminated (or earlier if circumstances apply), or after the employee returns to his or her duty station, or when the employee is officially reassigned. See 5 CFR 550.408.

6.4.2. Reconcile Amounts Paid. The PRO will adjust the employee's pay based on the rates of pay, allowances, or differentials, if any, to which he or she would otherwise be entitled. Adjustments will reflect any advance payments the employee may have received. If the employee is indebted for any part of the advance payment(s) made to him or her, or to his or her dependent(s), or designated representative, the PRO with jurisdiction over the account must recover the debt, unless there is an approved waiver. See 5 CFR 550.408.

6.5 Evacuation Payments During a Pandemic Health Crisis

An agency may direct an employee to work from home or a mutually agreed upon alternative location during a pandemic health crisis. The designated location is the safe-haven location during a pandemic health crisis and used as an alternate worksite during the pandemic crisis. The agency may make special allowance payments to the employee, as determined on a case-by-case basis, to help cover additional expenses caused by the crisis. See 5 CFR 550.409 and also the DSSR, Chapter 600.

Figure 6-1. Example 1 - Format of Back Pay Computation

An employee's gross back pay computation is $32,420, as follows:

Basic pay	$31,000.00
Overtime pay	$300.00
Holiday pay	$120.00
On-call pay	$1,000.00

The employee received lump sum payments in the amount of $1,000, and net retirement payments (gross retirement less the amounts withheld for health insurance premiums and for post-retirement basic life insurance premiums) amounting to $10,000. During the period covered by the corrective action, the employee earned $11,000 from outside employment (interim earnings).

Gross back pay	$32,420.00
Less outside earning	($11,000.00)
Subtotal (Adjusted Gross Back Pay)	$21,420.00
Less erroneous payments	
Erroneous Retirement Annuity payments	$10,000.00
Erroneous lump sum payments for annual leave	$1,000.00
Total	($11,000.00)
Subtotal	$10,420.00
Less other authorized deductions	
Retirement deductions (FERS-FRAE) computed on gross basic pay ($31,000)	$1,364.00
TSP computed on gross basic pay ($31,000 - if applicable)	$0.00
Federal tax computed on adjusted gross back pay ($21,420)	$4,712.40
State tax computed on adjusted gross back pay ($21,420)	$856.80
Social Security computed on adjusted gross back pay ($21,420)	$1,328.04
Medicare computed on adjusted gross back pay ($21,420)	$310.59
Total deductions	($8,571.83)
Net back pay	$1,848.17

Figure 6-2. Example 2 - Format of Back Pay Computation

An employee's gross back pay computation (based on basic pay only) is $10,000. During the period covered by the corrective action, the employee earned $7,000 from outside employment (interim earnings).

Gross back pay	$10,000.00
Less interim earning	($7,000.00)
Subtotal (Adjusted Gross Back Pay)	$3,000.00
Less authorized deductions	
Retirement deductions (FERS-FRAE) computed on gross back pay ($10,000)	$440.00
Federal tax computed on adjusted gross back pay ($3,000)	$660.00
State tax computed on the adjusted gross back pay ($3,000)	$120.00
Social Security computed on the adjusted gross pay ($3,000)	$186.00
Medicare computed on the adjusted gross back pay ($3,000)	$43.50
Total deductions	($1,449.50)
Net back pay	$1,550.50

Figure 6-3. Example 1 - Buy Back of Sick Leave Computation – Full Pay Period

PP#	HRS	GROSS	CSRS	FICA/ MED	TAX	FEHB	FEGLI	OPT FEGLI	CHARITY	UNION DUES
21	80	$680.80	47.66	9.87	120.57	31.50	5.50	16.00	2.00	1.75

ALLOT	TSP	NET
50.00	10.00	$385.95

Current Year Recovery:

Net Pay	$385.95
Allotment	$50.00
Charity	$2.00
Amount of repayment	($437.95)
Amount of OWCP check (75% × 680.80)	$510.60
Amount due employee	$72.65

Prior Year Recovery:

Net Pay	$385.95
Allotment	$50.00
Tax	$120.57
Charity	$2.00
Health Insurance Premiums	$31.50
Union dues	$1.75
Amount of repayment	($591.77)
Amount of OWCP check (75% × $680.80)	$510.60
Amount due from employee	($81.17)

Figure 6-4. Example 2 - Buy Back of Sick Leave Computation – Less Than Full Pay Period

PP#	HRS	GROSS	CSRS	FICA MED	TAX	FEHB	FEGLI	OPT FEGLI	CHARITY	UNION DUES	ALLOT	NET
20	80	$680.80	47.66	9.87	120.57	31.50	5.50	16.00	2.00	1.75	50.00	$395.95
Worked	47	$399.97	28.00	5.80	71.14	31.50	5.50	16.00	2.00	1.75	50.00	$188.28
Sick Lv	33	$280.83	19.66	4.07	49.43	-	-	-	-	-	-	$207.67
21	80	$680.80	47.66	9.87	120.57	31.50	5.50	16.00	2.00	1.75	50.00	$395.95
Worked	12	$102.12	7.15	1.48	18.09	31.50	5.50	16.00	2.00	1.75	-	$18.65
Sick Lv	68	$578.68	40.51	8.39	102.48	-	-	-	-	-	50.00	$377.30

Current Year Recovery:

Net Pay	$584.97
Allotment	$50.00
Amount of repayment	($634.97)
Amount of OWCP check (75% × $859.51)	$644.63
Amount due employee	$9.66

Prior Year Recovery:

Net Pay	$584.97
Allotment	$50.00
Tax	$151.91
Amount of repayment	($786.88)
Amount of OWCP check (75% × $859.51)	$644.63
Amount due from employee	($142.25)

*REFERENCES

CHAPTER 6 – MISCELLANEOUS ACTIONS (SPECIAL ACTIONS)

2.0 – UNEMPLOYMENT COMPENSATION FOR FEDERAL EMPLOYEES (UCFE)

2.1.2	5 U.S.C., Chapter 85
	20 CFR Part 609
	DoDI 1400.25-V850
2.2	DoDI 1400.25-V850
2.2.1	DoDI 1400.25-V850
2.2.2	20 CFR 609.21-22
	UCFE Instructions for Federal Agencies, Chapter VI
2.3.2	20 CFR 609.21(b)
2.4.2	5 U.S.C. § 8501
2.6	National Personnel Records Center
	5 U.S.C. § 552a

3.0 – CLAIMS FROM EMPLOYEES FOR ADDITIONAL COMPENSATION

3.1.1	31 U.S.C. § 3702
	PL 104-316
3.1.2	5 CFR Part 178
3.1.3	5 CFR 551.703
	5 CFR 551.705
3.1.4	31 U.S.C. § 3702
	5 CFR 178.104
	5 CFR 551.702

4.0 – BACK PAY UNDER 5 U.S.C. § 5596 (THE BACK PAY ACT)

4.1.1	5 U.S.C. § 5596
	5 CFR 550, subpart H
4.1.3	5 U.S.C. § 5596
4.1.4	29 CFR 1614.501
	42 U.S.C. § 2000e
	42 U.S.C. § 1981a
4.2	5 CFR 550.805
4.3.1	5 CFR 550.804
4.3.2	29 U.S.C. § 207
	5 CFR 551, subpart G
4.3.3	31 U.S.C. § 3702

*REFERENCES (Continued)

4.4.1	5 CFR 550.805
4.4.2	5 CFR 550.805(c)
	5 CFR 550.805(d)
4.4.3	5 CFR Part 531
4.4.7	5 CFR 550.904
4.4.8	5 U.S.C. § 5343(c)(4)
	5 CFR 532.511
4.5.1	5 CFR 550.805(e)(1)
4.5.2.1	5 CFR 550.805(e)(1)
4.6.1	5 U.S.C. § 5596
	5 CFR 550.806
4.6.2	5 CFR 550.805(e)(1)
	5 CFR 550.806(b)
4.6.3	5 CFR 550.806(g)
4.7.1	5 CFR 550.805(e)(2)
4.7.1.2	5 U.S.C. § 8342(a)
4.7.1.4	5 U.S.C. § 5551(a)
4.7.3.2	5 U.S.C. § 5584
4.8	5 CFR 550.805(e)(3)
4.8.1	5 U.S.C. § 8334(c)
	5 CFR 842.304(a)(4)
4.9.1	5 CFR 550.805(g)
	5 U.S.C. § 5596(b)(1)(B)
4.9.2	5 CFR 630.502
	5 CFR 550.805(d)
4.10.1	5 U.S.C. § 8908
4.10.2	5 U.S.C. § 8908
	FEHB Program Handbook
4.10.3	5 CFR 880.304
	FEGLI Handbook
4.10.3.4	5 CFR 550.805(e)(3)(iv)
4.11.1	5 CFR 1605.2
	5 CFR Part 1605
4.11.2	5 U.S.C. § 8432
	5 CFR 1605.11
4.12	5 U.S.C. § 5596(b)(1)(A)(ii)
	5 U.S.C. § 7701(g)
	5 CFR 550.807

*REFERENCES (Continued)

4.13.2	DOL's Comparison of State Unemployment Insurance Laws, Chapter 5, Table 5-15
	65 Comp Gen 865 (1986)
	DoDI 1400.25-V850
4.14.1	IRS Memorandum PMTA 2009-035
	IRS Publication 957
4.14.4	31 U.S.C. § 1304
	31 CFR 256.51

5.0 – CONTINUATION OF PAY (COP) (INJURY COMPENSATION)

5.1	5 U.S.C., Chapter 81
	20 CFR Part 10
	DoDI 1400.25-V810
	DOL's DFEC Procedure Manual
5.3.2.	20 CFR 10.207
5.3.3	20 CFR 10.216
5.3.4.3	20 CFR 10.217
	20 CFR 10.517
5.4.1	20 CFR 10.220
5.4.2	20 CFR 10.221
5.4.3	20 CFR 10.222
5.4.4	20 CFR 10.222
5.4.5	5 U.S.C. § 5584
	20 CFR 10.223
5.6.1	20 CFR 10.425

6.0 – EMERGENCY EVACUATION PAYMENTS

6.1	DoD Joint Travel Regulations, Chapter 6
	5 CFR 550, subpart D
	DSSR, Chapter 600
6.1.3.1	DSSR, Chapter 600
6.1.3.2	5 CFR 550, subpart D
6.4.1	5 CFR 550.408
6.4.2	5 CFR 550.408
6.5	5 CFR 550.409
	DSSR, Chapter 600

VOLUME 8, CHAPTER 7: "DEPARTMENT OF DEFENSE EDUCATION ACTIVITY (DoDEA) EMPLOYEES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated February 2020 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instruction.	Revision
5.3.6	Removed paragraph covering step increases for continuity and eliminate redundant information provided in paragraph 2.5.	Deletion
5.5	Revised subsections to include reference to Department of Defense Education Activity (DoDEA) Administrative Instruction (AI) 5303.01, Compensation for Department of Defense Dependent Schools (DoDDS) Educators During School Recess Periods.	Revision
5.7.1	Replaced outdated reference to DoDDS Regulation 5550.9, Compensation for Extra Duty Assignments with DoDEA AI 1417.01, Extra Duty Assignment.	Revision

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CHAPTER 7

DEPARTMENT OF DEFENSE EDUCATION ACTIVITY (DoDEA) EMPLOYEES

1.0 GENERAL

1.1 Purpose

This chapter establishes policy and procedures for the pay and leave of the DoDEA employees employed under the Teaching Position (TP) Pay Plan. These employees include teachers, principals, administrators, instructional systems specialists (ISS), guidance counselors, social workers, nurses, and school psychologists.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), Title 20. The specific statutes, regulations, and other applicable guidance that govern each section are listed in a reference section at the end of this chapter. Specifically, ***20 U.S.C. §§ 901-907*** govern the salaries and personnel practices applicable to educators employed overseas by the DoDEA on a school year basis. The pay and personnel practices are implemented by policies and regulations issued by the DoDEA under the authority and direction of the Secretary of Defense. The regulations on pay include ***DoDEA Regulation 1400.13***, Salaries and Personnel Practices Applicable to Teachers and Other Employees of the DoD Dependents Schools (DoDDS), and the Dependent Schools ***(DS) Regulation 5301.4***, DoDDS Salaries and Personnel Practices Applicable to Principals and Assistant Principals, as amended. These policies and regulations differ considerably from those applicable to other federal civilian employees paid under Title 5, U.S.C. or other statutes.

2.0 TP PAY PLAN

Individuals, such as educators and administrators who hold a TP (hereinafter referred to as educators, administrators, and ISS employees) as defined in 20 U.S.C. § 901 are governed by the policies and regulations prescribed by the DoDEA. Educators including teachers, social workers, guidance counselors, school psychologists, and nurses earn a school year salary based on 190 duty days (also referred to as working days) and typically receive compensation over 22 or 26 pay periods depending upon the written election of the employee. Administrators including school principals and assistant principals earn a school year salary based on 222 duty days and are paid out over 26 pay periods. ISS employees (educator positions that support the DoDEA schools above the school level, rather than at the school level) earn a school year salary based on 222 duty days and are paid out over 26 pay periods. Educators, administrators, and ISS employees do not earn annual, sick, or home leave under Title 5, U.S.C., but instead, are entitled to "educator's leave" under 20 U.S.C. § 904.

2.1 School Year Duty Days

2.1.1. Educators. The school year for educators consists of 190 duty days and includes no less than 175 days of classroom instruction. The 190 duty days include the days required before and after the first and last day of school when educators must prepare for the opening and closing of school. The school year calendar may be adjusted after the school year begins with no change in school year salary, as long as 190 duty days are required and no less than 175 days of classroom instruction are provided. If the school year extends beyond 190 duty days, the educator receives compensation at the appropriate daily rate as of the 191st working day. Should an emergency preclude completion of a full school year at one or more schools, the educators must be furloughed, separated, or salary continued until the full school-year salary has been paid out.

2.1.2. Administrators. The school year requirement for administrators consists of 222 duty days and includes no less than 175 days of classroom instruction. Also, included in the 222 duty days is any time when the services of a majority of educators at the school are required. The school year calendar may adjust after the school year begins with no change in school year salary as long as the required 222 duty days for principals and assistant principals and no less than 175 days of classroom instruction remain. If the school year extends beyond 222 duty days during a given school year, the administrator receives compensation at the appropriate daily rate as of the 223rd working day. Should an emergency preclude completion of a full school year at one or more schools, the administrators must be furloughed, separated, or salary continued until the full school-year salary has been paid out.

2.1.3. ISS Employees. The school year for an ISS employee consists of 222 duty days, the same schedule as administrators. ISS employees coordinate their 222-day schedule with their supervisors at the start of the school year.

2.1.4. Overseas School Year Calendars. Overseas school year calendars issued by the DoDEA may vary due to local customs and holidays. The calendars identify the first and last duty days of the school year, instructional days, and exception days for educators and students. The DoDEA provides a copy of school calendars to the servicing Civilian Payroll Office (PRO) and to the Defense Finance and Accounting Service (DFAS) Information and Technology (I&T) Office no later than 4 weeks prior to the first duty day of the new school year. Submit calendar(s) and updates, if necessary, via email to the PRO (dfas.indianapolis in.jfv.mbx.dodea@mail.mil) and DFAS I&T (dfas.indianapolis in.ztb.list.cin dcps-dodea@mail.mil) as soon as possible.

2.2 Work Schedules

Educators, administrators, and ISS employees work in full or half day increments and work either a seasonal part-time or seasonal full-time schedule. Substitute teachers work an intermittent work schedule. See also ***DoDEA Administrative Instruction (AI) 1422.01***, DoDEA Work Schedule Program, for additional information.

2.3 Salary Schedules

The DoD Wage and Salary Division (WSD) establishes the rates of basic compensation for teachers and TP in the DoD. The DoD WSD issues Pay Plan salary schedules in April or May of the current school year. The schedules are effective retroactive to August 1st of the current school year (i.e., the prior calendar year). Use prior school year salary schedules until WSD issues salary schedules for the current school year. There are separate salary schedules issued for educator, management, specialist, and administrator overseas school year positions. Salary schedules are further differentiated by step and academic salary lane (i.e., Bachelor's, Bachelor's plus 15, Bachelor's plus 30, Master's, Master's plus 15, Master's plus 30, and Doctorate).

2.4 Retroactive Pay Adjustment

After the DoD WSD issues the salary schedule in April or May of the current school year, the servicing Human Resources Office (HRO) processes a retroactive pay adjustment effective August 1st of the current school year (i.e., prior calendar year) using the Standard Form ***(SF) 50***, Notification of Personnel Action. When the retroactive adjustment processes, biweekly payments for foreign post allowance and foreign post differential adjust accordingly. The servicing PRO then reconciles educator, administrator, and ISS employee pay and makes any necessary "retro payments" based on increases in salary. The gross amount of the retroactive adjustment computed under the new salary schedules are subject to applicable withholdings (e.g., Civil Service Retirement System (CSRS) or Federal Employee Retirement System (FERS), federal income tax, Social Security tax, Medicare tax, and state income tax). When the retroactive adjustment processes, biweekly deductions adjust accordingly. The biweekly deductions adjust as follows:

2.4.1. Basic and Optional Federal Employees Group Life Insurance (FEGLI),

2.4.2. Thrift Savings Plan (TSP), and

2.4.3. TSP basic one percent and matching employer contributions for FERS employees.

2.5 Step Increases

Step increases for educators, administrators, and ISS employees are similar to step increases for General Schedule (GS) employees. Generally, steps 1 through 14 are regular step increases and steps 15 through 18 are longevity steps. Substitute teachers are not eligible for step increases.

2.5.1. Eligibility.

2.5.1.1. A full-time educator assigned to a 190-day position may receive a regular step increase (steps 1 through 14) provided they have been in a pay status at least 150 duty days during their last previous school year as an educator.

2.5.1.2. A full-time educator assigned to a 190-day position may receive a longevity step increase (steps 15 through 18) provided they have been in a pay status at least 150 duty days during each of the previous 4 school years as an educator.

2.5.1.3. A half-time educator assigned to a 190-day position may receive a regular step increase (steps 1 through 14) provided they have been in a pay status at least one-half of 150 duty days during each of the previous 2 school years. A half-time educator may receive a longevity step increase (steps 15 through 18) after they have been in a pay status at least one-half of the 150 working day minimum during each of the previous 8 school years.

2.5.1.4. A full-time administrator assigned to a 222-day position may receive a step increase (steps 1 through 10) provided they have been in a pay status at least 175 duty days during their last previous school year as an administrator.

2.5.1.5. A full-time ISS employee assigned to a 222-day position may receive a regular step increase (steps 1 through 14) provided they have been in a pay status at least 175 duty days during their last previous school year as an educator.

2.5.1.6. A full-time ISS employee assigned to a 222-day position may receive a longevity step increase (steps 15 through 18) provided they have been in a pay status at least 175 duty days during each of the previous 4 school years as an educator.

2.5.1.7. A half-time ISS employee assigned to a 222-day position may receive a regular step increase (steps 1 through 14) provided they have been in a pay status at least one-half of 175 duty days during each of the previous 2 school years. A half-time educator may receive a longevity step increase (steps 15 through 18) after they have been in a pay status at least one-half of the 175 working day minimum during each of the previous 8 school years.

2.5.1.8. A full-time educator assigned to a 190-day position may receive an annual step increase (or service credit towards a longevity step) for the last satisfactory year of service, plus an additional annual step (or service credit) for the first year of absence, only upon return to duty after successfully completing a program of study or employment of one or more years under the Administrative Reemployment Rights Program.

2.5.2. Effective Date. Step increases take effect August 1st of each school year following completion of the school year. However, the step increase is not payable until the educator returns to duty for the subsequent year. When moving to a higher or lower salary schedule, there is no change to the effective date of step increases.

2.6 Arrival at Post

2.6.1. Late Arrival. Newly recruited educators from the Continental United States are appointed with the understanding that they will serve for an entire school year or a specified partial month. When an educator arrives late to the post of assignment through no personal fault (e.g., due to transportation or processing delays), then administratively excuse the absence and pay the educator as though he/she arrived on time and served during the lost time.

DoDEA dates the offer letter 14 days prior to the reporting date. Educators, other than described, who arrive late at the post of assignment after the start of the school year, do not receive compensation for the duty days prior to the day of arrival unless granted paid leave by a supervisor.

2.6.2. Early Arrival. Educators who arrive at their post of assignment prior to the start of the school year normally are not entitled to compensation until the start of the school year. However, educators who are required to report at their post of assignment and perform work prior to the start of the school year receive compensation at the daily salary rate from the prior school year salary schedule for each day worked. Note: This salary is not subject to retroactive adjustment.

2.7 Departure From Post

Educators who are unable to depart promptly after the end of the school year for personal reasons or because of circumstances beyond their control (e.g., lack of available transportation), are not entitled to compensation for the period between the end of the school year and the date of departure.

2.8 During Travel

While en route during a permanent change of station (PCS) between school years, an educator is in a non-pay status and not paid basic compensation. While en route during a PCS between school years, a principal or assistant principal (otherwise in a non-pay, non-duty status) remains in a non-pay status and receives appropriate per diem payments as provided in the ***DoD Joint Travel Regulations***.

2.9 Work at More Than One Post of Assignment

2.9.1. When educators PCS during the school year, action will be taken to ensure that, after working the scheduled duty days during the remaining pay periods at the new post of assignment, the educator receives the full school year salary as entitled. If the total number of days actually worked during the school year (to include paid leave at the former duty station and the new duty station) exceed 190 days, the educator receives compensation at the daily rate for any days worked in excess of 190 days.

2.9.2. When administrators or ISS employees PCS during the school year, action will be taken to ensure that, after working the scheduled duty days during the remaining pay periods at the new post of assignment, the administrator or ISS employee receives the full school year salary as entitled. If the total number of days actually worked during the school year (to include paid leave at the former and new duty stations) exceed 222 days, the employee receives compensation at the daily rate for any days worked in excess of 222 days.

2.10 Substitute Teachers

2.10.1. School Year Substitute Teachers. A substitute teacher receives the flat daily rate prescribed under Salary Schedule A. The minimum increment paid for substitute work is one-half day.

2.10.2. Summer School Substitute Teachers. The Salary Schedule for "Other Compensation" provides the daily rate for a summer school substitute teacher and is two-thirds of the regular school year substitute teacher rate established for the prior school year. This salary is not subject to retroactive adjustment. For example, the prior school year rate for a 2023 summer school substitute teacher is published in the 2022-2023 salary schedules. The minimum increment earned and paid is one-half day the equivalent of one-third of the regular substitute teacher rate. Substitute teachers who teach an academic enrichment K-8 program during the summer recess period receive a stipend as authorized by the memorandum of understanding (MOU).

2.11 Allowances and Differentials

Educators, administrators, and ISS employees may be entitled to certain allowances and differentials such as government quarters, living quarters allowance (LQA), temporary quarters subsistence allowance (TQSA), separate maintenance allowance (SMA), post allowance, post differential and/or storage of household goods. See section 5.0 for payment information on post allowances and foreign post differentials for TP Pay Plan employees. See Chapter 3 for payment information on LQA, TQSA, and SMA. An educator employed as a substitute is not entitled to government quarters, quarters allowance, post allowance, post differential, or storage of household goods.

3.0 LEAVE

3.1 Accrual of Leave

3.1.1. Educators. Under 20 U.S.C. § 904, educators (excluding substitute teachers) are entitled to cumulative leave with pay, also referred to as educator leave. If the school year consists of less than 8 months, the leave accrues at the rate of 1 day for each calendar month worked or partial month. When the school year includes more than 8 months, an employee who serves the entire school year is entitled to 10 days of cumulative educator leave with pay for the school year. The full school year accumulation of leave is credited to the employee's leave record when the school year begins (normally, in August) or whenever the employee enters on duty under ***DS Regulation 5630.4***, DoDDS Absence and Leave.

3.1.2. Administrators and ISS Employees. Administrators and ISS employees may earn 13 days of cumulative educator leave with pay under 20 U.S.C. § 904 and DS Regulation 5301.4. The credit reflects on the employee's leave record each year on August 1st.

3.1.3. Liquidation of Unused Leave Upon Separation. If an educator, administrator, or ISS employee separates for any reason before the school year ends, any leave credited, but not earned, will be subtracted from the leave balance. If already used, a debt will be established and appropriate collection action taken.

3.1.4. Leave Accrual for Part-Time Educators and Part-Time ISS Employees. Educators and ISS employees regularly employed on a part-time basis earn leave in an amount proportionate to the amount of leave earned as compared to full-time. Part-time ISS employees, such as those in a job-sharing arrangement, earn 6.5 days per year (or one-half day (4 hours) per pay period, if less than 8 months remain in the school year).

Example 1: A part-time educator appointed to a part-time position for the full school year. The educator is scheduled to work one-half day on each duty day during the regular school year. The educator is entitled to accrue 10 half days (or 5 days) of educator leave.

Example 2: A part-time educator appointed to a part-time position for the full school year. The educator is scheduled to work each Tuesday and Thursday during the regular school year. The educator is entitled to accrue two-fifths (4 days) of the 10 days of educator leave that would be earned during full-time employment.

Example 3: A part-time educator appointed to a part-time position for the last semester (one-half) of the school year. The educator is scheduled to work one-half day on each scheduled duty day during the semester. The educator is entitled to accrue one-fourth (2.5 days) of educator leave.

3.1.5. Substitute Teachers. Substitute teachers employed in positions on a temporary intermittent basis and are not entitled to earn leave.

3.1.6. Summer Recess Period. Educators and administrators who perform activities during the summer recess period do not earn leave.

3.2 Leave Usage

3.2.1. Minimum Charge. The minimum charge for educator leave is one-half day, and additional charges are in multiples thereof. An administrative authority may use discretion and excuse an occasional absence from duty of less than one-half day for adequate reasons without charge to educator leave. Report leave charges to the PRO and record on the employee's timecard.

3.2.2. Authorized Absences. An educator, administrator, or ISS employee may use accrued educator leave during the school year for the following:

3.2.2.1. Maternity purposes;

3.2.2.2. Illness of the educator;

3.2.2.3. Illness, contagious disease, or death in the immediate family of the educator that requires his or her absence;

3.2.2.4. Any personal emergency; or

3.2.2.5. Any purpose.

With the appropriate advance notice and prior approval of the supervisor, an educator, administrator, or ISS employee may use up to 3 days of leave in a given school year for any purpose. Educator leave used for any purpose normally may not be used during orientation week or the first or last week of the school year. An exception may be made when an employee is accepted for an educational program and must report prior to the end of the school year.

3.2.3. Summer Recess Period. Using accrued educator leave during any summer recess period is not permissible. An absence during a summer recess period is without pay.

3.2.4. Non-work Days. Except for unique tours of duty established by the host nation (e.g., Bahrain), Saturdays, Sundays, regularly scheduled holidays including U.S. holidays and host nation holidays and other administratively authorized non-work days are not normally days of leave. See 20 U.S.C. § 904(b). Therefore, Leave Without Pay (LWOP) is not charged to an educator, administrator, or ISS employee, who is in a non-pay status immediately preceding or following a scheduled holiday.

3.3 Advances of Leave

Under unusual circumstances, an educator, administrator, or ISS employee may receive up to 30 days of advanced educator leave (above the amount already credited for the current school year) for use on any scheduled duty day within the school year. Such an advance is subject to subsequent earning of educator leave, or repayment upon separation for leave advanced but not earned. The immediate supervisor may approve requests for up to 10 days of advance educator leave. Submit requests in excess of 10 days of advance educator leave to the Director for Student Excellence or District Superintendent, as appropriate. Submit approved requests to the PRO upon receipt from the approving official.

3.4 LWOP

The immediate supervisor of an educator or ISS employee may approve an LWOP request of up to 3 days. The Director for Student Excellence or District Superintendent may approve LWOP requests in excess of 3 days, but less than 30 days. The Director for Student Excellence may approve LWOP requests of 30 days or more. The District Superintendent must approve LWOP requests in excess of 3 days, but less than 30 days for administrators. The Director for Student Excellence or their delegate must approve LWOP requests in excess of 30 days by administrators.

3.5 Conversion of Leave for Federal Employees Transferring to the DoDEA

3.5.1. Sick Leave. An employee of the federal government or the District of Columbia, who transfers without a break in service from a position under a different leave system to an educator, ISS employee or administrator position, receives credit for sick leave immediately prior to the effective date of their conversion, transfer, promotion, or reappointment. Sick leave so credited is included in the employee's balance of educator leave.

3.5.2. Annual Leave. There is no annual leave credited to an educator, ISS employee, or administrator's balance of educator leave when he or she transfers without a break in service from a position under a different leave system. The employee will receive a lump-sum payment for accrued annual leave from the previous employer. However, administrators who converted from GS or General Merit positions to Salary Schedules K and L on October 11, 1987, received credit for annual leave during the initial conversion.

3.6 Transfer and Recredit of Educator's Leave

3.6.1. Reappointed to Another Educator, Administrator, or ISS Employee Position. When an educator, administrator, or ISS employee is separated from their current position and reappointed in another educator, administrator, or ISS employee position without a break in service of more than 3 years, the employee's educator leave is certified to the employing agency for credit as sick leave on the ***SF 1150***, Record of Leave Data.

3.6.2. Reappointed to Federal Position. When an educator, administrator, or ISS employee is separated from their position and reappointed (without a break in service to another federal position subject to another leave act), the leave account is certified to the employing agency for credit in accordance with Title 5, Code of Federal Regulations, section 630.501, (***5 CFR 630.501***).

3.6.3. Temporary Employment During Recess. If an educator, administrator, or ISS employee accepts temporary employment with the federal government in a non-educator position during a recess period, their educator's leave account will not be transferred to the leave account of the summer position. Any sick leave earned during the temporary summer employment will be credited and any unused sick leave balance will be transferred to the educator's leave account when they return to duty in their regular educator or administrator position.

3.7 Liquidation of Leave Upon Separation

3.7.1. Any annual leave earned under a different leave system and remaining to the credit of an educator, administrator, or ISS employee upon their separation will be liquidated by a lump-sum payment in accordance with ***5 U.S.C. § 5551*** and 20 U.S.C. § 904(f).

3.7.2. Liquidation of educator leave upon separation through lump-sum payment is prohibited. Educator leave that may not be liquidated includes leave earned by an educator, administrator, ISS employee, or the leave balance pursuant to subparagraph 3.5.1.

3.8 Sabbatical Leave

3.8.1. Authority. Yearlong educator leave at half-pay (sabbatical leave) may be authorized for an educator, administrator, or ISS employee, and for educational purposes, when the course of study is determined to be appropriate by the Director for Student Excellence. An SF 50 is not required. The approved request for training should reflect that the educator, administrator, or ISS employee will be in an LWOP status one-half of each day during the yearlong period.

3.8.2. Benefits and Entitlements During Sabbatical Leave. Educators and administrators granted sabbatical leave at half-pay will continue to receive life insurance and health benefits coverage in the same manner as if they were in full pay status. Retirement contributions will be deducted for only one-half year; however, the employee is entitled to credit for a full year toward retirement. Educator leave is not earned, nor should it be deducted from the employee's leave account during the training period. Any pay step increase that would have been authorized should be processed as if the educator or administrator had worked a full school year.

3.8.3. Pay Status Reporting During Sabbatical Leave. The educator or administrator's work schedule should not change during sabbatical leave. The time and attendance report for each pay period should reflect that the employee is in an LWOP status one-half of each day.

4.0 PAY STATUS DURING SCHOOL YEAR AND SUMMER RECESS

4.1 School Year

An educator's school year consists of 190 duty days. In most overseas locations, these duty days fall on days during the normal workweek (i.e., Monday through Friday). An educator, however, does not work every Monday through Friday during the school year because of exception days (e.g., winter and spring recess, federal holidays, and certain host nation holidays). As a result, the school year may include 22 pay periods with approximately 213 days, Monday through Friday, between the educator's first and last duty day of the school year. There are typically 21 full pay periods, plus 3 additional days in the 22nd pay period in a given school year.

4.2 Summer Recess

During the summer recess period, while school is not in session, educators ordinarily are in a non-pay status. Educators who are returning to duty for the following full school year are entitled to have LQA payments continued during the summer recess period while they are in a non-pay status. See the Department of State Standardized Regulation (***DSSR***), Chapter 100, Quarter Allowances, and Chapter 700, DoD Teachers. The servicing HRO will notify the servicing PRO of any change (e.g., transfer, resignation, or retirement) in the status of educators.

5.0 COMPENSATION

5.1 Educators with a 190-Day School Year

5.1.1. Daily/Biweekly Rate. Educators earn pay at a rate that differs from the typical rate used to pay employee salaries. If one used the usual pay calculations, the educator's seasonal work schedule, in conjunction with recess periods, would cause pay to fluctuate during each pay period of the school year. Therefore, in order to provide consistency, calculate the biweekly pay for educators using the following information and formulas:

5.1.1.1. Duty Days and "Daily Rate" or "190 Rate" for Educators. The number of duty days in the school year is 190. The educator's daily rate, or "190-Rate," is the school year salary divided by 190 days.

5.1.1.2. School Year Days and "School Year Rate" or "213-Rate" for Educators. For most school years, the school year days will total 213, 214, or 215 days, depending on the calendar year. School year days equal the total number of days (Monday through Friday) falling within an educator's first through last duty day during the school year. School year days include 190 duty days, as well as all other non-work recess days that occur on Monday through Friday during the regular school year. Non-work (or exception) days include federal holidays (e.g., Labor Day) and school recess days (e.g., spring recess) when educators are normally not scheduled to work. Use the number of school year days to determine an educator's school year rate, or "213-Rate." The school year rate is the daily rate used to provide a uniform payment for each biweekly pay period. Multiply the school year rate by 10 days to determine the educator's biweekly basic pay amount. Educators may elect biweekly payments over 260, 261, or 262 days (depending on how many workdays are in the fiscal year). Determine the school year rate by dividing the school year salary by either 260, 261, or 262 days.

5.1.1.3. Formula for Educator's Biweekly Pay. An educator's salary normally pays out over 21 full and 1 partial pay periods. To calculate the biweekly pay, use the following formula:

5.1.1.3.1. School Year Salary ÷ (213, 214, 215, 260, 261, or 262 School Year Days) = School Year Rate, and

5.1.1.3.2. School Year Rate × 10 Days = Biweekly Pay.

5.1.2. Educator Post Allowance. In computing the post allowance for educators paid on a 190-day school year basis, divide the total annual amount of post allowance payable by the number of calendar days in the school year (i.e., school year days plus weekend days) to obtain the daily rate. Multiply the daily rate by the number of calendar days in the pay period (normally, 14 days). See also paragraph 5.6 regarding post allowances.

5.1.3 Reducing Pay for Absences Without Pay. For educators on non-paid absence (e.g., LWOP or absence without leave (AWOL)), the biweekly pay is reduced by 1/190th of the school year salary for each scheduled duty day that the educator is in a non-paid status. Since educators do not receive pay for federal holidays or recess periods, there is no reduction in biweekly pay when the educator is in a non-paid status before or after an exception day.

5.1.4. Biweekly Pay for Educators Beginning Work After Start of School Year. When an educator's appointment begins after the start of the school year, the school year salary adjusts according to the number of duty days remaining in the school year. Multiply the daily rate ("190-Rate") by the number of duty days remaining in the school year to obtain the adjusted school year salary. To determine the biweekly pay, divide the adjusted school year salary by the remaining number of school year days, and then multiply by 10 days. To calculate the biweekly pay for educators who begin work after the start of the school year, use the following formula:

5.1.4.1. "190-Rate" × Duty Days Remaining = Adjusted School Year Salary,

5.1.4.2. Adjusted School Year Salary ÷ School Year Days Remaining = Adjusted School Year Daily Rate, and

5.1.4.3. Adjusted School Year Daily Rate × 10 Days = Biweekly Pay.

Example: An educator reports for work after the beginning of the school year and receives a salary of $38,000 for working a full school year (i.e., 190 duty days). The educator would have a "190-Rate" (daily rate) of $200.00 ($38,000 ÷ 190). This salary normally would be paid out over 213 school year days. However, the educator in this example begins work on October 1st. Due to the late start, 23 duty days (August through September) will not be worked. The school year calendar indicates that 167 (190 - 23) duty days remain in the school year. Thus, the "adjusted school year salary" would be $33,400 ($200.00 × 167). To determine how the adjusted school year salary of $33,400 will be paid biweekly, the remaining school year days must be identified. In this example, 188 school year days remain (167 duty days + exception days). The adjusted school year daily rate is computed as follows: $33,400 ÷ 188 = $177.66. The biweekly pay equals the adjusted school year daily rate multiplied by 10: $177.66 × 10 = $1,776.60.

5.1.5. Educators Who Separate Before the End of the School Year. When an educator separates (i.e., resigns, retires, or dies) before the end of a school year, the school year salary adjusts according to the number of duty days worked. Determine the adjusted school year salary by multiplying the daily rate ("190-Rate") by the number of duty days worked (include any days in a paid leave status). To calculate the adjusted school year salary for educators who separate before the end of the school year and to reconcile difference(s) in the salary actually paid, use the following formula:

5.1.5.1. "190 Rate" × Duty Days Worked = Adjusted School Year Salary, and

5.1.5.2. Adjusted School Year Salary ÷ School Days Completed (Duty Days + Exception Days) = Adjusted School Year Daily Rate.

Example: An educator separates before the end of the school year. The educator has been receiving a school year salary of $38,000 at the "190-Rate" (daily rate) of $200.00 ($38,000 ÷ 190). This salary normally would be paid out over 21 full and 1 partial pay periods at the school year daily rate of $178.40 ($38,000 ÷ 213 = 178.40). Should the educator resign after working only 120 of the scheduled 190 duty days in the school year, the adjusted school year salary would be $24,000 ($200.00 × 120). In this example, the number of school days completed by the educator (duty days worked + exception days) for the school year was 123 (120 duty days worked + 3 exception days). The adjusted school year daily rate would be $195.12 ($24,000 ÷ 123). Any difference between the adjusted school year salary and the salary actually paid to date must be reconciled. Reconcile the adjusted school year salary and the salary actually paid by recomputing the entire school year using the adjusted school year daily rate to determine what the educator should have been paid from the start of the school year to the date of separation. In this example, the employee was actually paid $21,900 ($178.40 × 123). The educator should have been paid $24,000 ($195.12 × 123).

5.2 Administrators with a 222-Day School Year

5.2.1. Daily/Biweekly Rate. Administrators earn pay at a rate that differs from the typical rate used to pay employee salaries. If the usual pay calculations were used, the administrator's seasonal work schedule, in conjunction with recess periods, would cause pay to fluctuate during each pay period of the school year. Therefore, to provide consistency, the biweekly pay for administrators is calculated using the following information and formulas:

5.2.1.1. Duty Days and "Daily Rate" or "222 Rate" for Administrators. The number of duty days in the school year for administrators is 222. The administrator's daily rate, or "222-Rate," is the school year salary divided by 222 days.

5.2.1.2. School Year Days and "School Year Rate" or "260 Rate" for Administrators. The school year days for administrators will total between 260 and 262 days, depending on the calendar year. The days during the school year include days that fall within and outside of the school year for educators.

School year days for administrators include 222 duty days and all other exception days that occur on Monday through Friday during the school year. Exception days include federal holidays (e.g., Labor Day) and school recess days (e.g., spring recess) when administrators are not normally scheduled to work. Use the number of school year days to determine an administrator's school year rate, or "260-Rate." The school year rate is the daily rate used to provide a uniform payment for each biweekly pay period. Multiply the school year rate by 10 days to determine the administrator's biweekly basic pay amount.

5.2.1.3. Formula for Administrator's Biweekly Pay. Administrators typically receive compensation over 26 pay periods. Use the following to calculate biweekly pay:

5.2.1.3.1. School Year Salary ÷ (260, 261, or 262 School Year Days) = School Year Rate, and

5.2.1.3.2. School Year Rate × 10 Days = Biweekly Pay.

5.2.2. Administrator Post Allowance. In addition to basic pay, administrators are entitled to a post allowance for employees assigned to foreign areas where the cost of goods and services is substantially higher. See 20 U.S.C. § 906. To compute the foreign post allowance for an administrator, divide the total annual amount of post allowance payable by 365 calendar days (366 days for a leap year). See paragraph 5.6 for information regarding post allowance.

5.2.3. Reducing Pay for Absences Without Pay. For administrators in a non-paid absence (e.g., LWOP or AWOL), reduce the biweekly pay by 1/222th of the school year salary for each scheduled duty day in a non-paid status. Since administrators do not receive pay for exception days, there is no reduction in biweekly pay when the administrator is in a non-paid status before or after a federal holiday or recess day.

5.2.4. Biweekly Pay for Administrators Beginning Work After Start of School Year. When an administrator's appointment begins after August 1st and will not work 222 duty days by July 31st, the school year salary adjusts according to the number of actual duty days remaining in the school year. Multiply the daily rate ("222-Rate") by the number of duty days remaining in the school year in order to obtain the "adjusted school year salary." To determine the biweekly pay, divide the adjusted school year salary by the remaining number of school year days and then multiply by 10 days. To calculate biweekly pay for administrators who begin work after the start of the school year, use the following formula:

5.2.4.1. "222-Rate" × Duty Days Remaining = Adjusted School Year Salary,

5.2.4.2. Adjusted School Year Salary ÷ School Year Days Remaining = Adjusted School Year Daily Rate, and

5.2.4.3. Adjusted School Year Daily Rate × 10 Days = Biweekly Pay.

Example: An administrator reports for work after the beginning of the school year and receives a salary of $55,500 for working a full school year (i.e., 222 duty days). The administrator has a "222-Rate" (daily rate) of $250.00 ($55,500 ÷ 222). This salary is paid evenly over 26 pay periods. However, the administrator in this example begins work on September 15th. Due to the late start, 33 duty days are not worked. The administrator will work only 189 of the duty days remaining by July 31st. Thus, the adjusted school year salary is $47,250 ($250.00 × 189). To determine how the adjusted school year salary of $47,250 will be paid biweekly, the remaining school year days must be identified. In this example, 228 school year days remain (189 duty days + exception days). The adjusted school year daily rate is computed as follows: $47,250 ÷ 228 = $207.24. The biweekly pay equals the adjusted school year daily rate multiplied by 10 days: $207.24 × 10 = $2,072.40.

5.2.5. Administrators Separating Before End of School Year. When an administrator separates (i.e., resigns, retires, or dies) before the end of a school year, the school year salary must be adjusted according to the number of duty days already worked. The adjusted school year salary is determined by multiplying the daily rate ("222-Rate") by the number of duty days worked (including days in a paid leave status). To calculate the adjusted school year salary for administrators who separate before the end of the school year, use the following formula:

(School Year Salary ÷ 222 Days) × Duty Days Worked = Adjusted School Year Salary for Separated Administrators

Example: An administrator separates before the end of the school year. The administrator has been receiving a school year salary of $55,500 at the "222-Rate" (daily rate) of $250.00 ($55,500 ÷ 222). This salary normally would be paid out over 26 pay periods. Should the administrator resign after working only 120 of the scheduled 222 duty days in the school year, the adjusted school year salary would be $30,000 ($250.00 × 120). Any difference between the adjusted school year salary and the salary actually paid to date must be reconciled.

5.3 ISS Employees with a 222-Day School Year

5.3.1. Daily/Biweekly Rate. ISS employees build their own calendar to schedule 222 duty days out of the 260 to 262 school year. The remaining 38 (or 39) days in the school year are considered non-work days for the purposes of this regulation. The ISS employee establishes the schedule; then, receives supervisor approval. If the ISS employee schedules work on a federal holiday, then the employee will not receive holiday pay and will still have the same number of non-work days (either 38 or 39) in the school year. However, if the employee schedules work on a holiday or a Sunday when normal school operations are in session, the employee is entitled to the appropriate premium pay. For example, if school is in session on Sundays due to local custom and the ISS employee's approved schedule allows for Sunday as a workday, the employee is entitled to Sunday premium pay. However, if Sunday is not normally a workday for school staff and the ISS employee schedules Sunday as a workday, the employee is not entitled to Sunday premium pay. To provide consistency, calculate biweekly pay as follows:

5.3.1.1. Duty Days and "Daily Rate" or "222 Rate" for ISS Employees. The number of duty days in the school year to ISS employees is 222. The ISS employee's daily rate, or "222-Rate," is the school year salary divided by 222 days.

5.3.1.2. School Year Days and "School Year Rate" or "260 Rate" for ISS Employees. The school year days for ISS employees will total between 260 and 262 days, depending on the calendar year. Thus, the days during the school year include days that fall within and outside of the school year for educators. The school year days for ISS employees include 222 duty days and exception days that occur on Monday through Friday during the regular school year. Exception days include federal holidays (e.g., Labor Day) and school recess days (e.g., spring recess) when ISS employees are not normally scheduled to work. However, due to the schedule flexibility, ISS employees may elect to work on a federal holiday (but will not receive holiday pay) and schedule non-work days on days that other educators generally work. Use the number of school year days to determine an ISS employee's school year rate, or "260-Rate." The school year rate is the daily rate used to provide uniform payment for each biweekly pay period. Multiply the school year rate by 10 days to determine the ISS employee's biweekly basic pay amount.

5.3.1.3. Formula for ISS Employee's Biweekly Pay. ISS employees typically receive compensation over 26 pay periods. Use the following to calculate the biweekly pay:

5.3.1.3.1. School Year Salary ÷ (260, 261, or 262 School Year Days) = School Year Rate, and

5.3.1.3.2. School Year Rate × 10 Days = Biweekly Pay.

5.3.2. ISS Employee Post Allowance. In addition to basic pay, ISS employees are entitled to a post allowance under 20 U.S.C. § 906. To compute the foreign post allowance for an ISS employee, divide the total annual amount of post allowance payable by 365 calendar days (366 days for a leap year).

5.3.3. Reducing Pay for Absences Without Pay. For ISS employees on non-paid absence (e.g., LWOP or AWOL) the biweekly pay reduces by 1/222th of the school year salary for each scheduled duty day that the ISS employee is in a non-paid status. Since ISS employees do not receive compensation for scheduled non-work days, no reduction of biweekly pay is necessary when the ISS employee is in a non-paid status before or after an exception day.

5.3.4. Biweekly Pay for ISS Employees Beginning Work After Start of School Year. When an appointment is after August 1st and the ISS employee will not work 222 duty days by July 31st, the school year salary must adjust according to the number of actual duty days remaining in the school year. Multiply the daily rate ("222-Rate") by the number of duty days remaining in the school year in order to obtain the adjusted school year salary. To determine the biweekly pay, divide the adjusted school year salary by the remaining number of school year days. Then, multiply by 10 days. To calculate biweekly pay for ISS employees who begin work after the start of the school year, use the following formula:

5.3.4.1. "222-Rate" × Duty Days Remaining = Adjusted School Year Salary,

5.3.4.2. Adjusted School Year Salary ÷ School Year Days Remaining = Adjusted School Year Daily Rate, and

5.3.4.3. Adjusted School Year Daily Rate × 10 Days = Biweekly Pay.

Example: An ISS employee reports for work after the beginning of the school year and receives a salary of $55,500 for working a full school year (i.e., 222 duty days). The ISS employee has a "222-Rate" (daily rate) of $250.00 ($55,500 ÷ 222). This salary normally pays out in even payments over 26 pay periods. However, the ISS employee in this example begins work on September 15th. Due to the late start, it may be difficult to schedule all 222 duty days by July 31st (in this example, the employee can only schedule 189 duty days for the rest of the school year). The adjusted school year salary equals the daily rate multiplied by the total number of scheduled duty days remaining. Thus, the adjusted school year salary is $47,250 ($250.00 × 189). To determine how the adjusted school year salary of $47,250 is paid biweekly, the remaining school year days must be identified. In this example, 228 school year days remain. The adjusted school year daily rate is computed as follows: $47,250 ÷ 228 = $207.24. The biweekly pay equals the adjusted school year daily rate multiplied by 10 days: $207.24 × 10 = $2,072.40.

5.3.5. ISS Employee Separating Before End of School Year. When an ISS employee separates (i.e., resigns, retires, or dies) before the end of a school year, the school year salary must be adjusted according to the number of actual duty days already worked. The adjusted school year salary is determined by multiplying the daily rate ("222-Rate") by the number of duty days worked including any days in a paid leave status. To calculate the adjusted school year salary for ISS employees who separate before the end of the school year, use the following formula:

(School Year Salary ÷ 222 Days) × Duty Days Worked = Adjusted School Year Salary for Separated ISS Employees

Example: An ISS employee separates before the end of the school year. The ISS employee has been receiving a school year salary of $55,500 at the "222-Rate" (daily rate) of $250.00 ($55,500 ÷ 222). This salary would normally be paid out over 26 pay periods. Should the employee resign after working only 120 of the scheduled 222 duty days in the school year, the adjusted school year salary would be $30,000 ($250.00 × 120). Any difference between the adjusted school year salary and the salary actually paid to date must be reconciled.

5.4 Premium Pay, Sunday Work, and Holiday Work

5.4.1. Overtime and Compensatory Time. Educators and administrators are ineligible for overtime pay or compensatory time off.

5.4.2. Work Performed on Sunday. Educators appointed to a 190-day position whose regular tour of duty requires them to work on a Sunday are entitled to basic pay, plus a premium of 25 percent of the daily rate ("190-Rate"). Administrators on a 222-day position whose regular tour of duty requires them to work on a Sunday (providing that is part of the 190-duty day school year or within summer school session) are entitled to basic pay, plus premium pay at a rate equal to 25 percent of the regular daily rate ("222-Rate"). If an ISS educator works on a Sunday when normal school operations are in session, the employee is entitled to the appropriate premium pay. See paragraph 5.3.

5.4.3. Work Performed on a Federal Holiday. Educators appointed to a 190-day position whose regular tour of duty requires them to work on any of the federal holidays are entitled to basic pay, plus premium pay at a rate equal to the daily rate. Administrators on a 222-day position whose regular tour of duty requires them to work on any of the federal holidays (providing that is part of the 190-duty day school year or within summer school session) are entitled to basic pay, plus premium pay at a rate equal to the daily rate. If an ISS employee schedules work on a federal holiday, then the employee typically will not receive holiday pay. However, if the ISS employee schedules work on a federal holiday when normal school operations are in session, the ISS employee is entitled to the appropriate premium pay. See paragraph 5.3.

*5.5 Employment During the Summer Recess Period

5.5.1. Educators. Educators are in a non-pay/non-duty status during the summer recess period. However, educators may receive pay for certain duties performed during the summer recess period. An educator who participates in a non-summer, school-related activity (e.g., agency sponsored and approved training, early return, and late departure) during the summer recess period receives compensation at a daily rate of 1/190th of the prior school year salary. An educator who participates in a summer school-related activity (e.g., teaching) typically receives two-thirds of the daily rate of their prior school year salary. However, exceptions are possible, and the educator may receive a different salary amount as stated on the employee's notification for teaching summer school. The minimum increment earned and paid for summer recess activities is one-half day. Educators who work an academic enrichment K-8 program during the summer recess period receive a stipend as authorized by the MOU. An educator receives payment for participating in summer recess activities via the submission of a memorandum by the DoDEA to the PRO, similar to the one used to authorize payment for extra duty assignments. This period of employment is exempt from dual pay provisions, as provided by ***5 U.S.C. § 5533(d)(7)(D)*** and is not subject to CSRS, FERS, FEGLI, or TSP deductions. See also ***DoDEA AI 5303.01***, Compensation for DoDDS Educators During School Recess Periods.

5.5.2. Administrators and ISS Employees. An administrator or ISS employee who participates in a non-summer, school-related activity (e.g., agency sponsored and approved training) during the summer recess period that is in excess of the 222-day work year, receives compensation at a daily rate of 1/222nd of the prior school year salary. An administrator or ISS employee who participates in a summer school-related activity receives two-thirds of the daily rate of the prior school year salary. The minimum increment earned and paid for summer recess activities is one-half day. An administrator or ISS employee receives payment for participating in summer recess activities via the submission of a memorandum by the DoDEA to the PRO, similar to the one used to authorize payment for extra duty assignments. This period of employment is exempt from dual pay provisions, as provided by 5 U.S.C. § 5533(d)(7)(D) and is not subject to CSRS, FERS, FEGLI, or TSP deductions. See also ***DoDEA AI 5303.01***, Compensation for DoDDS Educators During School Recess Periods.

5.6 Post Allowance and Foreign Post Differential

Payment of allowances and/or differentials is determined in accordance with the DSSR, and the DoD Instruction ***(DoDI) 1400.25-V1250***, DoD Civilian Personnel Management System: Overseas Allowances and Differentials.

5.6.1. Post Allowance. In addition to basic pay, under 20 U.S.C. § 906, full-time educators, administrators, and ISS employees are eligible to receive a post allowance for employees assigned to a foreign area where the cost of goods and services is substantially higher. The amount paid is a flat rate based on the employee's basic salary, family size, and post assignment. The amount of the annual foreign post allowance is located on the ***SF 1190***, Foreign Allowances Application, Grant and Report. If an employee's annual salary is adjusted, the post allowance may also be adjusted and if so, the daily rate should be recomputed. Compute daily rates as follows:

5.6.1.1. Educator Post Allowance Daily Rate. To compute the post allowance for educators paid on a 190-day school year basis, divide the total annual amount of post allowance payable (as shown on the SF 1190) by the number of calendar days in the school year (i.e., school year days plus weekend days) to obtain the daily rate. Multiply the daily rate by the number of calendar days in the pay period (normally, 14 days).

5.6.1.2. Administrator Post Allowance Daily Rate. To compute the foreign post allowance for an administrator, divide the total annual amount of post allowance payable (as shown on the SF 1190) by 365 calendar days (366 days for a leap year).

5.6.1.3. ISS Employee Post Allowance Daily Rate. To compute the foreign post allowance for an ISS employee, divide the total annual amount of post allowance payable (as shown on the SF 1190) by 365 calendar days (366 days for a leap year).

5.6.2. Foreign Post (Hardship) Differential. An educator, administrator, or ISS employee may receive compensation for a foreign post (hardship) differential under the DSSR, Chapter 500. The foreign post differential is additional compensation paid to an eligible employee in a foreign

area where conditions of the environment differ substantially from conditions in the United States and additional compensation is available as a recruitment and retention incentive.

The foreign post differential is 5 to 35 percent over basic compensation. The Department of State periodically reviews and updates rates based on changes in living conditions at various foreign posts. Rates are subject to change at any time. Additionally, any adjustment in an employee's annual salary may cause adjustments to foreign post differential.

5.7 Extra Duty Program for Educators

* 5.7.1. Eligibility. This program applies to certain DoDEA employees who are employed under the pay plan and who are assigned extra duty assignments, such as coaching, or activity sponsorship, in addition to regular school duties. See ***DoDEA AI 1417.01***, Extra Duty Assignments. Educators receive extra duty compensation for extra duty assignments conducted and completed outside the educator's duty day. When a selected educator performs an extra duty assignment, the educator and school principal will sign an MOU. The MOU identifies the extra duty assignment, and includes a description of duties, hourly range, amount of compensation, and a statement that prohibits performing duties during regular duty hours. Administrators are not eligible for extra duty assignments and any extra duties performed by an administrator will be considered voluntarily. Compensatory time and holiday pay are not authorized forms of extra duty compensation.

5.7.2. Compensation.

5.7.2.1. Requirements for Pay. The DoD WSD publishes the compensation rate for completing an extra duty assignment as part of the yearly DoDEA salary schedules (Schedule for Other Compensation). Before receiving extra duty compensation, the educator must complete the activity and perform the minimum number of established hours for the activity. The administrator certifies satisfactory completion of the extra duty assignment and authorization for compensation. The administrator forwards a memorandum to the PRO as soon as possible, no later than May 31, to facilitate payment by the end of the school year.

5.7.2.2. Hourly Range of Assigned Duties. The Director of DoDEA determines an appropriate hourly range for the completion of each type of authorized extra duty activity. Hourly ranges established by the DoD WSD for extra duty compensation are as follows:

5.7.2.2.1. 1 - 19 hours,

5.7.2.2.2. 20 - 39 hours,

5.7.2.2.3. 40 - 79 hours,

5.7.2.2.4. 80 - 119 hours,

5.7.2.2.5. 120 - 159 hours,

5.7.2.2.6. 160 - 199 hours, and

5.7.2.2.7. 200 hours and over.

5.7.2.3. Reducing Compensation for Fewer Hours Worked. If the administrator determines the extra duty assignment has been completed satisfactorily in less time than identified in the approved MOU, compensation must be reduced and the educator should be compensated at the rate established for the appropriate lower hourly range. The educator receives compensation at the rate established for the appropriate lower hourly range. When the hours worked fall short of the original range, or completion of an extra duty assignment is less than acceptable to the administrator, a lesser payment, than the amount indicated in the approved MOU pays on a pro rata basis. To compute a lesser payment, divide the mid-point hour of the appropriate hourly range by the hours actually worked. Then, multiply by the dollar value assigned to the regular hourly category. (For 200 hours and over, the mid-point is 220 hours.)

Example: An educator works 10 hours towards a 20-39 hourly range extra duty assignment ($910 for school year 2016-2017). When the mid-point (30 hours) is divided into the hours worked (10 hours), and the results rounded to 2 decimal places (.33) and is multiplied by the dollar value of the hourly range for the duty (.33 × $910), the payment due will be $300.30.

5.7.2.4. Substitutes. Substitute teachers receive compensation for completing an extra duty assignment at the rate of compensation published by the DoD WSD.

5.8 Accelerated Deductions of Premiums and Allotments for Educators

5.8.1. FEGLI and Federal Employees Health Benefits (FEHB) Accelerated Premium Deductions. Deductions for FEGLI and FEHB premiums from an educator working a 190-day work schedule accelerate to allow the total annual premiums to pay in 22 pay periods, rather than 26 pay periods. Accelerated premium deductions over the course of 22 pay periods allow the employee to maintain coverage and pay no additional premiums during the summer recess when the educator is in non-pay status. The coverage period typically runs from the first duty day of the school year until the day prior to the first duty day of the next school year. Accelerated premium deductions are not required for an administrator or ISS employee assigned to a 222-day work schedule.

5.8.2. Calculation of Accelerated Premium Deduction for FEGLI and FEHB.

5.8.2.1. FEGLI. To determine the amount of the accelerated biweekly premium deduction for FEGLI, first determine the normal (i.e., 26 pay periods) biweekly premium rate deducted for other federal employees in the same salary bracket. Convert the biweekly rate to an annual rate by multiplying the biweekly rate by 26 (to arrive at the amount paid over the entire calendar year). Second, divide the annual rate by 22 (or the number of pay periods over which the educator is normally paid) in order to determine the accelerated premium deduction for each pay period for the educator. The calculation applies to both basic and optional insurance. For optional

insurance, use the age band rate to convert the biweekly rate to an annual rate. Use the following to calculate the accelerated premium deduction amount:

5.8.2.1.1. Biweekly Premium Rate × 26 Pay Periods = Annual Premium Rate, and

5.8.2.1.2. Annual Premium Rate ÷ 22 Pay Periods = Accelerated Premium Deduction.

5.8.2.2. FEHB. To determine the accelerated biweekly premium amount deducted from an educator's pay for FEHB, first determine the normal (i.e., 26 pay periods) biweekly premium rate deducted for other federal employees. Convert the biweekly rate to an annual rate by multiplying the biweekly rate by 26 (to arrive at the amount paid over the entire calendar year). Second, divide the annual rate by 22 (or the number of pay periods over which the educator is normally paid) in order to determine the accelerated premium deduction for each pay period for the educator.

5.8.2.3. Accelerated Deductions Beginning After the Start of the School Year. If the educator begins work after the first scheduled duty day of the school year, the total annual premium rate for FEGLI and FEHB must be reduced by a proportionate amount for the coverage period remaining (i.e., through the day prior to the first scheduled duty day of the next school year). Divide the reduced annual premium rate by the number of pay periods remaining to determine the accelerated premium deduction amount. To calculate the accelerated premium deduction amount, use the following:

5.8.2.3.1. Reduced Annual Premium Rate ÷ Pay Periods Remaining = Accelerated Premium Deduction.

5.8.3. Coverage Upon Separation or Movement Under FEGLI and FEHB. If an educator resigns at the close of the school year and he or she has elected coverage under FEGLI and/or FEHB, the actual date of separation will be delayed. The delayed separation date provides the employee with FEGLI and/or FEHB benefits throughout the period covered by accelerated premium deductions. Thus, the period of coverage for an educator employed for a full school year continues until the day prior to the first duty day of the next school year. If the educator separates earlier than the end of the school year, the resignation will specify an earlier date for termination of coverage, and require employee acknowledgement that FEGLI and/or FEHB coverage will continue for only 31 days after the date of separation. An educator who separates before the end of the school year will be reimbursed proportionately if the separation date is earlier than the end of the extended period of prepaid FEHB coverage. If an educator converts to or is appointed to a 222-day or calendar year work schedule, accelerated premium deductions may need refunded, if the effective date of the conversion or appointment occurs during the prepaid coverage period and withholding for the employee's new position results in duplicate premium payments.

5.8.4. Deductions for Federal Flexible Spending Account (FSAFEDS) and Long-Term Care (LTC). Educators, enrolled in the FSAFEDS Program and paid over 21 pay periods, may elect the option to accelerate these allotments. The Federal LTC Program does not offer

accelerated payments to educators paid over 21 pay periods. For periods of non-pay status, the educator receives a "Bill for Uncollected Payroll Premium."

5.9 Other Deductions

5.9.1. Allotments of Pay.

5.9.1.1. Labor Organization Dues

5.9.1.1.1. Allotments of pay for labor organization dues are effective the second pay period in October of each school year for an educator who is a bargaining unit member. The amount of the allotment will be the dues amount identified by the employee on the ***SF 1187***, Request for Payroll Deductions for Labor Organization Dues, or the amount identified on a list issued by each local or regional bargaining unit, divided by 12 full pay periods unless otherwise agreed to by all parties.

5.9.1.1.2. Educators who enter the dues withholding agreement at a time when less than 12 full pay periods remain in the school year will have their dues allotments prorated over the remaining full pay periods within the dues withholding period.

5.9.1.1.3. An SF 1187 authorization for dues withholding remains in effect when a "Not-to-Exceed" (NTE) employee converts to an excepted service position in the bargaining unit prior to the expiration of the NTE appointment.

5.9.1.1.4. After each pay period, the PRO will prepare and forward the remittance to the designated labor organization electronically. A report that lists names and amounts withheld accompanies each remittance.

5.9.1.1.5. An educator's authorization for dues withholding is carried forward automatically to the next school year unless notification to stop the deduction is received from the employee. No later than September 1st, educators may request cancellation of labor organization dues deductions by submitting a ***SF 1188***, Cancellation of Payroll Deductions for Labor Organization Dues, to the PRO. Proper completion and timely submission of the SF 1188 is the employee's responsibility. If the SF 1188 is late (received after September 1st), it processes for the next school year.

5.9.1.1.6. No later than 2 weeks prior to the date withholding is to begin, the local or area units of the labor organization will forward a list of employees who have requested dues withholding. The list will identify the bargaining unit name or number, location, address, point(s) of contact and phone number(s). The list will also include the following employee information: name, Social Security Number, location assigned, and amount of dues to withhold for that school year.

5.9.1.2. Savings Allotments and Allotment Allowed for 190-Day Educators Assigned in Overseas Areas. Savings and other allotments, as authorized in Chapter 11, deduct over the number of full pay periods in the school year.

5.9.2. TSP. An educator, administrator, or ISS employee may elect to have either a percentage or a dollar deduction for TSP in accordance with guidelines in Chapter 11. If the educator, administrator, or ISS employee specifies a percentage withholding, the employee receives TSP deductions taken from the annual retroactive salary adjustment each year.

5.10 Educators Appointed as Junior Reserve Officer Training Corps (JROTC)

The DoDEA employs retired military officers and noncommissioned officers as educators in its JROTC overseas program. The school year salary of JROTC instructors is set using the comprehensive Schedule for Educators and Specialist (Schedule C).

5.11 Waiver of Erroneous Payments of Pay and Allowances

DoDEA employees may apply for a waiver of erroneous payments of pay and allowances by following procedures outlined in Chapter 8. However, the PRO forwards DoDEA employee applications to the DoDEA Human Resources Division, Classification and Compensation Section, for adjudication rather than to the Defense Debt and Claims Management Office at DFAS.

REFERENCES

CHAPTER 7— DEPARTMENT OF DEFENSE EDUCATION ACTIVITY (DoDEA) EMPLOYEES

1.0 — GENERAL

1.2	20 U.S.C. §§ 901-907 DoDEA Regulation 1400.13 DS Regulation 5301.4

2.0 — TP PAY PLAN

	20 U.S.C. § 901 20 U.S.C. § 904
2.2	DoDEA AI 1422.01
2.8	DoD Joint Travel Regulations

3.0 — LEAVE

3.1	20 U.S.C. § 904 DS Regulation 5630.4
3.1.2	20 U.S.C. § 904 DS Regulation 5301.4
3.2.4	20 U.S.C. § 904(b)
3.6.2	5 CFR 630.501
3.7.1	5 U.S.C. § 5551 20 U.S.C. § 904(f)

4.0 — PAY STATUS DURING SCHOOL YEAR AND SUMMER RECESS

4.2	DSSR, Chapter 100 DSSR, Chapter 700

5.0 — COMPENSATION

5.2.2	20 U.S.C. § 906
5.3.2	20 U.S.C. § 906
5.5.1	5 U.S.C. § 5533(d)(7)(D)
5.5	DoDEA AI 5303.01
5.6	DoDI 1400.25-V1250
5.6.1	20 U.S.C. § 906
5.6.2	DSSR, Chapter 500
5.7.1	DoDEA AI 1417.01

VOLUME 8, CHAPTER 8: "UNDERPAYMENTS, COLLECTION OF NON-DOD DEBTS, GARNISHMENTS, BANKRUPTCY ACTION, AND TAX LEVIES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated October 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
4.1 and 5.1	Revised to clarify Defense Finance and Accounting Service, Office General Counsel, Garnishment Law Directorate's role for bankruptcy cases.	Revision

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CHAPTER 8

UNDERPAYMENTS, COLLECTION OF NON-DOD DEBTS, GARNISHMENTS, BANKRUPTCY ACTION, AND TAX LEVIES

1.0 GENERAL

1.1 Purpose

This chapter establishes policy pertaining to underpayments, special payments, collection of non-DoD debts, processing garnishments, bankruptcy actions, tax levies, and tax reporting on pay corrections. For regulations governing the collection of debts owed to DoD, see Volume 16.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), including Titles 5, 11, and 31. The specific statutes, regulations, and other applicable guidance that govern each section are listed in a reference section at the end of this chapter.

2.0 UNDERPAYMENTS

2.1 General

Salary underpayments to employees or former employees may result from computation or time and attendance errors. Current or former employees, who believe they have not been credited with the proper amount of pay or leave, should contact their timekeeper to make time and attendance corrections or their personnel office to make pay or allowance changes. Employees may also file a claim for additional earnings. For more information on the process for filing a claim, see Chapter 6.

2.1.1. Computation Errors. Underpayments may be the result of computation errors involving income tax withholding, retirement or other employee benefit deductions, Social Security/Medicare tax, or the rate of pay. Every effort should be made to correct the underpayments by increasing or decreasing the pay factors affected on the first payroll prepared after the error is discovered.

2.1.2. Time and Attendance Errors. Underpayments may also be the result of time and attendance errors. All salary payments to employees must be paid in accordance with the time and attendance reported and certified by the employee's supervisor. Reported time and attendance, which is less than an employee's normal work schedule, is presumed to accurately reflect the employee's hours of work and non-work. Any errors in time and attendance must be corrected and certified in order to adjust underpayments.

2.2 Special Payments

Special payments are defined as payments made outside of the normal payroll-processing schedule and are used to correct salary underpayments. Special payments are processed manually. Employees do not receive a Leave and Earnings Statement (LES) at the time of the special payment, but the Civilian Payroll Office (PRO) should notify the employee that the payment is being made. After the special payment is processed through the payroll system, an LES will reflect the gross amount of the special pay and all applicable deductions.

2.2.1. Guidelines for Issuing Special Payments

An employing activity must submit a request to the PRO for a special payment. The PRO may receive special payment requests via interfaced action(s). The PRO must request copies of substantiating and supporting documentation in order to process the special payment. The PRO makes the final determination on whether a special payment is appropriate and will process a special payment only under the following circumstances:

2.2.1.1. Employee Receives Less Than 90 Percent of Pay. A special payment may be issued to correct a salary underpayment when an employee has received less than 90 percent of their regular biweekly pay and allowances. The request for the special payment must be made by the commanding officer/director and must include a certified time and attendance report (or corrected time and attendance report). The PRO Directors may waive the 90 percent rule for making special payments when extenuating circumstances exist.

2.2.1.2. Employee Erroneously Omitted From Payroll. A special payment may be issued to pay an employee erroneously omitted from the payroll. Before the special payment is processed, the PRO must verify an individual's employment using the Standard Form ***(SF) 50***, Notification of Personnel Action. The request for the special payment must be made by the commanding officer/director and must include a certified and corrected time and attendance report and any necessary source documents to support deductions.

2.2.1.3. Employee on Leave Without Pay (LWOP). A special payment may be issued to pay an employee placed in an LWOP status for payroll processing when LWOP is approved for conversion to advanced annual, sick, and/or donated leave. The commanding officer/director may request a special payment after determining a financial hardship exists for the employee and that the employee has received less than 90 percent of their regular biweekly pay and allowances. The request must include a certified and corrected time and attendance report.

2.2.1.4. Special Payments to Beneficiaries. A special payment may be issued to pay a beneficiary entitled to receive a deceased employee's unpaid compensation under ***5 U.S.C. § 5582***. Beneficiaries of deceased employees may request a special payment by sending a letter to the PRO identifying the need for payment to defray expenses. The PRO may issue the special payment only after the employing activity's human resources office submits sufficient documentation to support the payment. For more information on deceased employee unpaid compensation and the computation of such payments, see Chapter 10.

2.2.2. Special Payments Not Authorized

Special payment requested for the following reasons will not be processed:

2.2.2.1. Partial Payment of Salary. The PRO will not honor a request for partial payment of salary before the regular pay date.

2.2.2.2. Special Payments of Premium Pay. The PRO will not process a request for special payments for overtime or other premium pay earned but not reported and, therefore, not paid in the corresponding pay period. However, authorization for a special payment for other reasons will include the payment of any unpaid premium pay for the corresponding pay period.

2.2.3. Computation of Special Payments to Employees

The PRO must compute the special payments to current and former employees using the "gross-to-net" method. Gross-to-net payments represent the regular biweekly pay and allowances normally due the employee (plus unpaid premium pay for the corresponding pay period, if applicable,) less required deductions and withholdings withheld from the employee's biweekly pay. Gross-to-net special payment computations should be applied as follows:

2.2.3.1. Biweekly Payment of Less Than 90 Percent. If the employee received less than 90 percent of their biweekly pay, the employee is entitled to the difference between what was paid and what should have been paid. The PRO will deduct additional amounts for applicable items, such as those identified in subparagraph 2.2.6, unless previous payroll processing has satisfied those deductions. The employee is responsible for existing voluntary allotments not deducted during the previous processing. All deductions and withholdings must resume the following pay cycle, including voluntary allotments.

2.2.3.2. No Pay Received. If the employee received no biweekly pay, the gross entitlements, less applicable deductions and withholdings, are payable to the employee. The PRO must exclude deductions for voluntary allotments. The employee is responsible for existing voluntary allotments. All deductions and withholdings must resume on the following pay cycle, including voluntary allotments.

2.2.3.3. Final Pay as Special Payment. An employee's final pay may be issued as a special payment. The gross entitlements, less required deductions and withholdings in subparagraph 2.2.5, is payable to the employee. The employee is responsible for voluntary allotments. Under ***5 U.S.C. § 5514***, when an employee separates by resignation, retirement, death, or termination of appointment, the employee's final pay (including lump-sum leave payments) will be applied to the extent necessary to liquidate any previously established debt. See Volume 16, Chapter 3.

2.2.4. Disbursement of Special Payments

Employees will receive special payment disbursements in the same manner as their net pay, by electronic funds transfer (EFT). If the employee has received a waiver of the EFT requirement for payroll disbursements, the PRO will send the employee a U.S. Treasury check via express mail to the employee's address of record. Payments are normally issued within 3 business days following the PRO's receipt of the special payment request and required supporting documentation.

2.2.5. Processing Special Payments Made After the Last Regular Pay Period of the Tax Year, But Prior to the End of the Calendar Year

2.2.5.1. Federal, State, and Local Taxes and Social Security/Medicare. For special payments made after the last regular pay period of the tax year, but prior to the end of the calendar year, the PRO must withhold federal, state, and local taxes, and Social Security/Medicare from the special payments. When computing or making deductions for Social Security, the PRO must ensure the employee has not reached maximum withholdings for the year. The PRO must forward the withholdings to the applicable offices as soon as possible. The PRO will include all deductions and contributions for Social Security/Medicare, federal, state, and local taxes for canceled checks or special payments.

2.2.5.2. Internal Revenue Service ***(IRS) Form W-2***, Wage and Tax Statement. The PRO will process updates to ensure special payments or canceled checks are included in the history totals. After the final pay period of the tax year, if the PRO identifies incorrect reporting on the W-2, the PRO will issue the W-2c and the ***IRS Form 941-X***, Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund, in accordance with the ***IRS Publication 15, (Circular E)***, Employer's Tax Guide.

2.2.5.3. Thrift Savings Plan (TSP). Special payments for TSP participants are subject to TSP deductions provided the employee has not reached the maximum contribution level established by law. TSP deductions withheld from special payments after the last regular pay period in the tax year, but before the end of the calendar year, will be combined with the next pay cycle for reporting and submission to the Federal Retirement Thrift Investment Board.

2.2.6. Tax Rates for Special Payments

2.2.6.1. Tax Rate. The PRO must use the tax rate associated with the current ***IRS Form W-4***, Employee's Withholding Certificate, when processing all time and attendance retroactive transactions. The PRO must combine the retroactive wages with the wages from the last pay period (i.e., the pay period prior to the current pay period) to determine the basis for recomputing tax withholdings. The PRO must recompute the taxes and determine the retroactive tax withholdings by subtracting the taxes withheld during the last pay period from the recomputed taxes.

2.2.6.2. Retroactive Wage Increases. In accordance with Circular E, retroactive wage increases are supplemental wages, not regular wages. The amount of federal tax withheld will depend on how the supplemental wages are paid. For prior year retroactive payments, the

amount of federal tax withheld is calculated using the supplemental tax rate, which is updated by the IRS annually. For current year retroactive payments, the amount of federal tax withheld is calculated using the employee's current tax rate.

3.0 COLLECTION OF NON-DOD DEBTS BY SALARY OFFSET; JUDGMENTS AGAINST EMPLOYEES FOR DEBTS OWED TO THE FEDERAL GOVERNMENT

3.1 Non-DoD Federal Creditor Agencies

3.1.1. Request for Salary Offset. A non-DoD federal creditor agency is a non-DoD agency to which an employee owes a debt. When non-DoD federal creditor agencies (except for the IRS or U.S. Courts) identify DoD employees as having outstanding debts, those agencies must address their salary offset requests to the Secretary of Defense designee for such collection, which is the Defense Finance and Accounting Service (DFAS) Cleveland (CL).

DFAS-AHADC/CL
1240 East 9th Street
Cleveland, OH 44199-8002

A request for offset must include certification that due process rights have been afforded to an indebted employee by the non-DoD creditor agency. Debts established in the payroll system for collection from non-DoD employees serviced by DFAS, who later transfer and become DoD employees, should be transferred systematically to the employing DoD agency for continued collection.

3.1.2. Statute of Limitations. There is no statute of limitations for collection of a debt by salary or administrative offset. Debts more than 10 years delinquent as of December 31, 2009, that were previously ineligible for collection may now be collected by administrative offset. Additional notice and due process requirements must be met. For further information, see Volume 16, Chapter 2.

3.2 Government Travel Charge Card (GTCC) Contractor

3.2.1. Authority. Public Law ***(PL) 105-264*** authorizes federal agencies to collect undisputed delinquent amounts incurred on an individually billed GTCC from the DoD employee's disposable pay. The amount deducted may not exceed 15 percent of an employee's disposable pay for each pay period, unless the employee has provided written consent for a greater amount. For further information, see the Federal Travel Regulation ***(FTR) Part 301-54***; ***FTR Part 301-76***; and Title 41, Code of Federal Regulations, Part 301-76, (***41 CFR Part 301-76***).

3.2.2. Request for Collection. After undisputed debts become 90 days delinquent, the travel charge card contractor must send a 90-day demand letter to the employee that includes all due process requirements for initiating salary offset. If the debt is not disputed or paid, or arrangements are not made for payment by installment agreement within the 30-day period following the final debt letter, then the travel charge card contractor may request initiation of the salary offset process through payroll deduction.

3.2.3. Responsibilities

3.2.3.1. Travel Charge Card Contractor

3.2.3.1.1. Request for Offset. The travel charge card contractor must forward delinquent debts to DFAS-CL Salary Offset Project Office.

3.2.3.1.2. Record of Charges, Late Fees, and Costs. The undisputed 120-day old delinquent accounts referred for salary offset must contain the full balance of the account, regardless of whether some of the individual charges relate to an official travel document. In addition to the delinquent charges, the amount referred for salary offset must include any late fees assessed and costs of collection.

3.2.3.1.3. Financial Institution Information. The file must include the travel charge card contractor's financial institution and account routing information to facilitate electronic transmission of delinquent amounts collected.

3.2.3.1.4. Private Collection Agency Referrals. Any delinquent debt the travel charge card contractor has already forwarded to a private collection agency for collection must not be included in the salary offset process. Likewise, a travel charge card contractor must not refer any delinquent debt already submitted to DFAS for collection by salary offset to a private collection agency.

3.2.3.2. Salary Offset Project Office

3.2.3.2.1. Processing Requests. The Salary Offset Project Office must process the request for initiation of travel charge card delinquent debt salary offset in the same manner as is done for federal salary offset requests from other federal agencies.

3.2.3.2.2. Debt Balance. The Salary Offset Project Office must manage the debt balance during the salary offset process. If for any reason changes to the debt balance occur, the travel charge card contractor must immediately advise the Salary Offset Project Office of those changes.

3.2.3.2.3. Reports From the PRO. The PROs must provide reports listing the collection transactions to the Salary Offset Project Office for each collection file in order to monitor amounts collected and remaining debt balances due.

3.2.3.3. Due Process - Inquiries, Disputes, and Hearing Process. Any inquiries or disputes regarding the debt and the 90-day demand notice, which are received by the travel charge card contractor prior to forwarding the debt to DFAS for collection, will be handled and resolved by the travel charge card contractor. If the employee wants to negotiate an installment agreement prior to the referral of the debt for salary offset, the employee will make any such agreement with the travel charge card contractor. If the employee is not satisfied with the travel charge card contractor's disposition of the dispute, he or she may submit a petition to the travel charge card contractor for a debt hearing.

3.3 Collection of State Debts

Under ***31 U.S.C. § 3716(h)*** and ***31 CFR 285.6***, a state may enter into a reciprocal agreement with the Department of Treasury to collect unpaid state debt by offset of federal non-tax payments. DFAS does not offset non-tax state debts from federal employee salaries.

3.4 Judgment Against an Employee

When a U.S. Court determines that a federal employee is indebted to the United States and enters a judgment against the employee, PL 97-276, section 124 (published as a note to 5 U.S.C. § 5514), allows collection of the debt by deduction from the employee's current pay account. The employee's consent is not required. Any federal agency requesting salary offset under this authority must send a request for offset to the PRO with a copy of the judgment entered against the employee. The PRO may request DFAS Office of General Counsel (OGC) to review the judgment if questions arise. After confirmation of the validity or interpretation of the judgment, the PRO will:

3.4.1. Compute the amount to be collected each pay period using the percentage specified in the offset request. The maximum amount deducted for a pay period may not exceed 25 percent of the employee's disposable pay, unless a greater percentage is necessary to recover the amount owed within the time of the anticipated employment. Deductions may be made from basic pay, special pay, incentive pay, or in the case of an individual not entitled to basic pay, other authorized pay.

3.4.2. Collect the total unpaid balance as specified in the offset request. This amount may include accumulated interest and administrative charges. The agency requesting offset should notify the PRO approximately 90 days before completion of the judgment offset with the final judgment amount, which includes the balance of accrued interest charges.

3.4.3. Forward a copy of the offset request to the employee with written notification advising the employee of the deduction amount and pay period the deduction will start.

3.4.4. Apply final pay (salary and lump-sum leave) to any unliquidated debt balance if the employee retires, resigns, dies, or if employment otherwise ends.

3.4.5. Forward payment each pay period to the agency requesting salary offset.

4.0 CHILD SUPPORT, ALIMONY AND COMMERCIAL GARNISHMENTS

*4.1 General

DFAS serves as the paying agency for DoD, as well as non-DoD federal agencies. In this capacity, DFAS-OGC, Garnishment Law Directorate, is the designated agent for service of the legal garnishment process for agencies paid by DFAS.

Submit court orders, related documents, and forms for child support, alimony, and commercial garnishments to the Garnishment Law Directorate by mail, fax, or online through the ***askDFAS*** module. For additional information, see the DFAS Garnishments website: ***https://www.dfas.mil/Garnishment/***.

DFAS Office of General Counsel
Attn: Garnishment Law Directorate
PO Box 998002
Cleveland, OH 44199-8002

Toll free fax: (877) 622-5930
Fax: (216) 367-3675

Upon review of the court order, DFAS will process the garnishment deduction in the payroll system. A cancellation to the order will be automatic on the date of separation from DoD, upon death of the employee, or upon notification from the court that the garnishment is terminated. The employee cannot voluntarily stop court-ordered deductions.

4.2 Child Support and Alimony Garnishments

4.2.1. Authority. ***Title 42, U.S.C. § 659*** provides consent by the United States for garnishment and similar proceedings for enforcement of child support and alimony obligations against employees. The PRO must deduct court-ordered garnishment under this section from the employee's pay in accordance with ***5 CFR Part 581***.

4.2.2. Pay Subject to Garnishment. All moneys due employees, the entitlement to which is based upon "remuneration for employment," are subject to court-order garnishment. The term "remuneration for employment" means all compensation paid or payable for personal services performed by an individual, whether such compensation is denominated as wages, salary, commission, bonus pay, or otherwise, and includes, but not limited to, those items as defined in ***5 CFR 581.103***.

4.2.3. Pay Not Subject to Garnishment. Moneys paid as reimbursement (normally defined by law or regulations as allowances, awards paid for making suggestions, and injury compensation payments) are not deemed "remuneration for employment" and, therefore, are not subject to garnishment. Amounts not subject to garnishment are defined in ***5 CFR 581.104***. Other exclusions not subject to garnishment are deductions, as defined in ***5 CFR 581.105***.

4.2.4. Maximum Garnishment Limitations. Aggregate disposable earnings means the amount of any pay that is due or payable to an employee as "remuneration for employment" minus the deductions that are listed as exclusions. Unless a lower maximum garnishment limitation is provided by applicable state or local law, the maximum part of the aggregate disposable earnings subject to garnishment to enforce a support order (***5 CFR 581.402***) will not exceed the percentages specified in the following subparagraphs:

4.2.4.1. Up to 50 percent of the employee's aggregate disposable earnings for any workweek if the employee is supporting a spouse, a dependent child, or both, other than the former spouse, child, or both for whose support is required by the garnishment order. An additional 5 percent of the employee's disposable earnings is subject to garnishment in each case if the outstanding arrearages are over 12 weeks old; or

4.2.4.2. Up to 60 percent of the employee's aggregate disposable earnings for any workweek if the employee is not supporting a spouse, dependent child, or both, other than the former spouse, child or both for whose support is required by the garnishment order. An additional 5 percent of the employee's disposable earnings are subject to garnishment in each case if the outstanding arrearages are over 12 weeks old.

4.3 Commercial Garnishments

4.3.1. Authority. The public law, as codified in ***5 U.S.C. § 5520a*** and enabled by ***5 CFR Part 582***, authorizes the pay of federal civilian employees to be garnished for commercial obligations in accordance with state law. Commercial obligations and garnishments do not include those for child support or alimony.

4.3.2. Pay Subject to Commercial Garnishment. Pay due to employees, as defined in 5 U.S.C. § 5520a, is subject to commercial garnishment.

4.3.3. Pay Not Subject to Commercial Garnishment. Suggestion awards and injury compensation payments are not subject to garnishment. Other amounts excluded from pay subject to garnishment are payroll deductions as defined in ***5 CFR 582.103***.

4.3.4. Maximum Garnishment Limitations. Under ***15 U.S.C. § 1673(a)(1)***, involuntary withholding for the collection of a commercial debt is limited to a maximum of 25 percent of the employee's disposable earnings. However, state law prevails when it provides a maximum collection percentage less than 25 percent. If the employee already has a child support or alimony withholding order in effect, and the total deduction for child support and alimony equal or exceeds 25 percent of an employee's disposable pay, then no commercial debt deduction will be processed by the PRO. Further, limitations on the amount to be garnished are found in ***5 CFR 582.402***. There is no limit on the percentage amount for garnishment for federal, state, or local tax obligations, or for bankruptcy court orders.

4.3.5. Administrative Fee. For each commercial garnishment received and processed, an administrative fee may be added to the garnishment amount and collected from the employee in full before any payments are remitted to the creditor. In accordance with 5 CFR 582.305, the agency may retain administrative fees as offsetting collections.

4.4 State Tax Levies

Involuntary state tax levies will be processed similar to commercial garnishments. Involuntary state tax levies are submitted to the Garnishment Law Directorate to begin legal review, whereas the PRO can establish voluntary state tax levies as allotments.

5.0 BANKRUPTCIES

*5.1 General

This section applies to DoD employees who have filed a bankruptcy petition under either ***11 U.S.C. Chapter 7*** or ***11 U.S.C. Chapter 13***. The law waives the U.S. Government's sovereign immunity for purposes of compliance with payroll deduction orders issued by the bankruptcy courts (***11 U.S.C. § 106***). Therefore, collections will be processed in accordance with the court order.

DFAS serves as the paying agency for DoD, as well as non-DoD federal agencies. In this capacity, DFAS-OGC, Garnishment Law Directorate, is the designated agent for service of personal bankruptcy cases for agencies paid by DFAS.

Submit bankruptcy notices and Chapter 13 withholding orders to the Garnishment Law Directorate by mail, fax, or online using the askDFAS module. See also DFAS Garnishments website for additional information on bankruptcies.

DFAS Office of General Counsel
Attn: Garnishment Law Directorate
PO Box 998002
Cleveland, OH 44199-8002

Toll free fax: (877) 622-5930
Fax: (216) 367-3675

5.1.1. Automatic Stay Provisions. Collecting an amount of indebtedness owed to the United States that was incurred prior to the filing date of the petition is described as a pre-petition debt. Collecting debts by offset from the employee's pay account is authorized only through the day prior to the date the bankruptcy petition is filed. Continuing deductions from the employee's pay after the filing of a petition in a bankruptcy is improper and violates the automatic stay provisions of the bankruptcy statute. Amounts withheld after the date the bankruptcy petition is filed must be refunded to the employee. Child support and alimony garnishments are not terminated unless the bankruptcy order specifically directs termination. Coordinate with DFAS-OGC, Garnishment Law Directorate, if there are questions about collecting a debt when a debtor has filed bankruptcy, as there may be exceptions that affect the collection of a debt or refund due a debtor.

5.1.2. Proof of Claim. Upon notice or actual knowledge of the filing of a bankruptcy petition, when the employee has listed the United States as a creditor, the PRO files a proof of claim with the bankruptcy court concerned for all Chapter 13 filings and, if requested by the bankruptcy trustee, for Chapter 7 cases.

5.1.3. Post-Petition Debt. If the bankruptcy is completed and the employee receives a discharge, then generally, the listed indebtedness to the United States for pre-petition debts is discharged with some exceptions. Any new debt incurred after the filing of the bankruptcy petition is known as a post-petition debt. Typically, the bankruptcy proceedings do not affect liability of the debtor for post-petition debts, but may affect a creditor's ability to collect for the post-petition debts if the bankruptcy case is still active. Therefore, prior to taking any collection action on post-petition debts, the PRO should coordinate with DFAS-OGC, Garnishment Law Directorate.

5.1.4. Court Dismissal. If the court dismisses the bankruptcy case, all debt collection and garnishments may resume because there is no longer a valid bankruptcy case.

5.2 Chapter 13 Bankruptcies (The Plan)

5.2.1. Under the Chapter 13 of the Bankruptcy Code, an employee may file a petition with the court to enter into a Plan. ***Title 11, U.S.C. § 1325*** permits an indebted individual who has a regular income to file a Plan with the bankruptcy court designed to liquidate all or part of the creditor's claim. When a Plan has been approved, the court may order DoD to pay all or part of the employee's wages to a trustee for the employee.

5.2.2. Generally, when the court confirms the Plan, its provisions are binding upon the employee and all creditors of the employee, regardless of whether they are affected by the Plan or have been included in the Plan. Coordinate with DFAS-OGC, Garnishment Law Directorate, as there may be exceptions that do not bind creditors against the plan and/or discharge depending on the characterization of the indebtedness, the date the indebtedness was incurred, and/or the effectiveness of service of the bankruptcy notice to the creditor.

5.2.3. Once the bankruptcy court confirms a Plan, it usually orders the employer to pay a specific amount of an employee's income to the trustee named in the order. Payment to the trustee will be made in accordance with the employee's normal pay cycle. Bankruptcy law authorizes

withholdings of up to 100 percent of the employee's disposable earnings, as directed by court-ordered, wage order.

5.2.4. The pay of an employee is subject to payment to the trustee appointed by the court pursuant to Chapter 13 of the Bankruptcy Code. Compliance with the court order gives the government valid acquittance against the employee since the court order is binding on the employee.

5.2.5. If the United States is both the employer and creditor when the individual files bankruptcy under Chapter 13, then the government's priority under ***31 U.S.C. § 3713*** may be asserted in the absence of a judicial determination to the contrary. An ***Official Form 410***, Proof of Claim, should be timely filed by the appropriate PRO with the bankruptcy court.

6.0 TAX LEVY FOR UNPAID FEDERAL INCOME TAX

6.1 Authority

The IRS District Directors are authorized under ***26 U.S.C. § 6331*** to collect delinquent federal income taxes by levy on the salary or wages of any United States or Washington, D.C. employee. When the employee fails to pay federal income tax due within 30 days after the IRS issues a notice and payment demand, a levy against the employee's wages may be issued. The levy is served against the take home pay of the employee and attaches only to the salary check or cash disbursement the employee would receive on payday if it were not for the levy.

6.1.1. Allotments. After the PRO receives a levy, the PRO must not allow employees to increase or add any voluntary allotments. Changes that increase existing voluntary allotments are only authorized after the total tax liability is paid or arrangements are made with the IRS.

6.1.2. Time Limits. The IRS has the authority to collect outstanding federal taxes for 10 years from the date the tax liability was assessed. However, the 10-year collection period can be suspended and the amount of time the suspension is in effect will be added to the time remaining in the 10-year period. For example, if the 10-year period is suspended for 6 months, the time left in the period the IRS will have to collect will increase by 6 months.

6.2 Procedures

When the IRS serves Form 668-W, Notice of Levy on Wages, Salary, and Other Income, the PRO will take immediate action to implement the levy. Once the PRO processes the levy, the levy will continue in effect until the collection is complete or until the IRS releases the levy.

6.2.1. Notice to Employee. The PRO must follow instructions as indicated on the 668-W and provide notice to the employee that a levy has been received.

6.2.2. Claiming of Exemptions. Employees may claim a biweekly personal exemption and a biweekly exemption for each dependent. The IRS updates exemption amounts annually. The PRO must use the ***IRS Publication 1494***, Tables for Figuring Amount Exempt from Levy on Wages, Salary, and Other Income, along with the 668-W for the current exemption amounts.

6.2.2.1. Employee Responsibilities. The employee must certify exemptions and provide the information to the PRO on the 668-W under "Statement of Exemptions and Filing Status." The employee must return the completed form to the PRO for processing. If the employee fails to provide exemption information to the PRO, a dependency exemption will not be allowed and only the minimum personal exemption for each pay period will be allowed. An employee may provide a new statement to the PRO at a later date to have the exempt amount recomputed. The employee does not have to return the form if they have no dependency exemptions to claim.

6.2.2.2. Court Judgment. If the employee is required by a court judgment (made before the date of the levy) to contribute to the support of minor children, that amount of salary, wages, or other income is already exempt from the levy and the employee may not claim the minor children as exemptions.

6.2.2.3. Computing Take Home Pay. The levy attaches to the employee's take home pay minus the allowable exceptions. Unless otherwise instructed by the IRS, the employee's payroll deductions in effect at the time the levy was received will be allowed when determining the employee's take home pay. However, a voluntary allotment may be disallowed if the deduction is so large it defeats the levy. The IRS may notify the PRO when different procedures should be followed for specific employees. To determine the employee's take home pay, the levy attaches to the gross amount of the employee's accrued wages or salary, less the following specified deductions:

6.2.2.3.1. Social Security/Medicare;

6.2.2.3.2. Retirement;

6.2.2.3.3. Federal Employees' Health Benefits;

6.2.2.3.4. Federal Employees' Group Life Insurance;

6.2.2.3.5. Pay attached or garnished for child support or alimony;

6.2.2.3.6. Overpayments due the U.S. Government; and

6.2.2.3.7. Allowable personal exemptions on the 668-W.

6.2.2.4. Return the 668-W to the IRS. After the PRO makes the first deduction for the levy against the employee's pay, the PRO must follow the instructions on the 668-W and return Part 3 of the form to the IRS.

6.2.2.5. Employee Transfers or Separation

6.2.2.5.1. Transfers Within DoD. If the employee has been reassigned to an organization serviced by another PRO, then the losing PRO must inform the IRS District Director of the employee's new address. The losing PRO must mail the complete levy package to the new PRO for processing.

6.2.2.5.2. Other Employee Transfers or Separation. If the employee has moved from overseas, transferred to another federal agency, separated or retired, then the PRO will return the levy to the IRS District Director and provide the employee's new address on the 668-W.

6.2.2.6. No Employee Record Found. If the PRO receiving the levy has no record that payroll service has been furnished for the employee, the PRO must annotate that fact on the bottom of the levy and return the levy to the IRS District Director.

6.3 Voluntary Deductions for Unpaid Federal Income Tax

An employee may arrange with the IRS to liquidate a delinquent federal income tax debt through voluntary biweekly payroll deductions. The ***IRS Form 2159***, Payroll Deduction Agreement, must be submitted to the PRO to initiate the deduction process.

7.0 PAY CORRECTIONS AND TAX REPORTING

7.1 General

7.1.1. Purpose. This section provides guidance on correcting tax reporting for underpaid or overpaid earnings.

7.1.2. Authoritative Guidance. The authority used to derive procedures for this section includes Circular E and corresponding statutes and regulations.

7.2 Tax Reporting for Underpayment of Earnings

A payment made to correct an underpayment of earnings ("corrective payment") is reported as wages in the year the corrective payment is issued, even if the underpayment occurred in a prior calendar year. The PRO must process the corrective payment in the current pay cycle. The PRO must report the corrective payment as gross wages subject to Social Security/Medicare taxes on the employee's current year W-2. Social Security/Medicare tax should be withheld from the corrective payment. The gross wages must be reported as current quarterly earnings on the ***IRS Form 941***, Employer's Quarterly Federal Tax Return. For separated employees, the PRO may be required to prepare the ***IRS Form W-2c***, Corrected Wage and Tax Statement, if a W-2 was previously issued.

7.3 Tax Reporting for Overpayment of Earnings

If an employee has been overpaid earnings, the earnings are reported in the year the employee was overpaid (see paragraph 7.3.1 for adjustments to tax reporting if the employee repays the debt in the same year as the overpayment). If the employee repays a debt for an overpayment of earnings, the procedures for correcting tax reporting depend on whether the repayment was made in the same year as the overpayment, or in a subsequent year.

7.3.1. Repayment of Current Year Overpayments

If the employee was overpaid earnings and repaid the debt in the same year as the overpayment, the following applies:

7.3.1.1. Active Employees. For active employees, the PRO must follow debt collection procedures in Volume 16 in order to establish a debt for the overpaid earnings. If the employee repays the debt, in whole or in part, in the same year the overpayment occurs, the PRO will need to record the repaid amount as a reversal in the base pay, gross pay, net pay, or other pay as applicable. Such action is required to recover income tax withholding and Social Security and Medicare taxes for the repaid wages and to correct the yearly gross income. If the entire debt is not repaid in the same year in which the overpayment occurred, see paragraph 7.3.2.

7.3.1.2. Separated Employees. The PRO must follow the same procedures for active employees outlined in subparagraph 7.3.1.1, but must reestablish the employee on the payroll prior to processing the required reversals. If a W-2 was previously issued to the separated employee, the PRO must prepare a W-2c. If the entire debt is not repaid in the same year in which the overpayment occurred, see paragraph 7.3.2.

7.3.2. Repayment of Prior Year Overpayments

If the employee was overpaid earnings and repaid the debt in a year subsequent to the year of the overpayment, the following applies:

7.3.2.1. Active Employees.

7.3.2.1.1. Tax Reporting. If an active employee repays an overpayment of earnings paid in a prior year, Social Security/Medicare wages and taxes may need to be corrected. If the year of repayment is still within the 3-year statute of limitations for Social Security and/or Medicare tax refunds, the PRO must prepare a W-2c and W-3c for the prior year to reduce the gross wages subject to Social Security/Medicare (box 3). Wages reflected in box 1 of the W-2c should not be corrected. Additionally, no adjustments are made for income tax withholding or additional Medicare tax withholding. In accordance with the Circular E, the PRO will prepare the 941-X to correct errors on the 941 and retain copies of the corrected forms. If the repayment is beyond the 3-year statute of limitations, then the PRO will not make corrections to the prior year W-2 and the 941.

7.3.2.1.2. Tax Certificate. The PRO should prepare a tax certificate for the employee representing the repaid wages in the year of repayment. The amount entered on the certificate is the total amount of the reverse deductions plus the amount the employee repaid. The employee may be entitled to a deduction (or a credit, in some cases) for the repaid wages on the employee's income tax return for the year of repayment. For additional information, also see ***26 U.S.C. § 1341*** and ***IRS Publication 525***, Taxable and Nontaxable Income.

7.3.2.2. Separated Employees. For separated employees, the PRO will follow the procedures outlined for active employees, but will retain copies of the W-2c and the 941-X to balance annual federal tax deposits.

REFERENCES

CHAPTER 8 – UNDERPAYMENTS, COLLECTION OF NON-DOD DEBTS, GARNISHMENTS, BANKRUPTCY ACTION, AND TAX LEVIES

2.0 – UNDERPAYMENTS

2.2.1.4	5 U.S.C. § 5582
2.2.3.3	5 U.S.C. § 5514
	DoD FMR Volume 16, Chapter 3
2.2.5.2	IRS Publication 15, (Circular E)
2.2.6.2	IRS Publication 15, (Circular E)

3.0 – COLLECTION OF NON-DOD DEBTS BY SALARY OFFSET; JUDGMENTS AGAINST EMPLOYEES FOR DEBTS OWED TO THE FEDERAL GOVERNMENT

3.1.2	DoD FMR Volume 16, Chapter 2
3.2.1	PL 105-264
	41 CFR Part 301-76
3.3	31 U.S.C. § 3716(h)
	31 CFR 285.6

4.0 – CHILD SUPPORT, ALIMONY AND COMMERCIAL GARNISHMENTS

4.2.1	42 U.SC. § 659
	5 CFR Part 581
4.2.2	5 CFR 581.103
4.2.3	5 CFR 581.104
	5 CFR 581.105
4.2.4	5 CFR 581.402
4.3.1	5 U.S.C. § 5520a
	5 CFR Part 582
4.3.2	5 U.S.C. § 5520a
4.3.3	5 CFR 582.103
4.3.4	15 U.S.C. § 1673(a)(1)
	5 CFR 582.402
4.3.5	5 CFR 582.305

REFERENCES (Continued)

5.0 – BANKRUPTCIES

5.1	11 U.S.C., Chapter 7
	11 U.S.C., Chapter 13
	11 U.S.C. § 106
5.2	11 U.S.C., Chapter 13
5.2.1	11 U.S.C. § 1325
5.2.5	31 U.S.C. § 3713

6.0 – TAX LEVY FOR UNPAID FEDERAL INCOME TAX

6.1	26 U.S.C. § 6331
6.2.2	IRS Publication 1494

7.0 – PAY CORRECTIONS AND TAX REPORTING

7.1	IRS Publication 15, (Circular E)
7.3.2.1.2	26 U.S.C. § 1341
	IRS Publication 525

VOLUME 8, CHAPTER 9: "RECORDS, FILES, AND REPORTS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated July 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision

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CHAPTER 9

RECORDS, FILES, AND REPORTS

1.0 GENERAL

1.1 Purpose

This chapter provides guidance on records, files, and reports relative to the Civilian Payroll Offices (PRO).

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with, the United States Code (U.S.C.), including Title 5. The specific statutes, regulations, and other applicable guidance that govern each section are listed in the References section at the end of this chapter.

2.0 RECORDS AND FILES

2.1 Payroll Documentation

2.1.1. Disbursement Documentation. Documentation in the form of a voucher must be prepared for each disbursement or group of disbursements authorized to be paid by any DoD Component. A voucher is the authority for payment and must be correctly prepared in accordance with all legal and regulatory guidance, supported with proper documentation, and certified by an authorized certifying official prior to disbursement submission. DoD agencies are not permitted to give an employee the authority to certify his or her own disbursements.

2.1.1.1. Disbursements to the Office of Personnel Management (OPM). Deductions for the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS), life insurance, and health benefit programs with employer contributions are routinely paid to OPM each pay period. The automated ***Standard Form (SF) 2812-A***, Report of Withholdings and Contributions for Health Benefits by Enrollment Code, is used to report these deductions to OPM. A consolidated SF 2812-A must be submitted biweekly to OPM through the Retirement and Insurance Transfer System (RITS). For additional information on RITS, see subparagraph 3.3.3.

2.1.1.2. Disbursements to Taxing Authorities. Federal income, Social Security, and Medicare taxes withheld must be paid to the Internal Revenue Service (IRS) as provided by the ***IRS Publication 15, (Circular E)***, Employer's Tax Guide. State or city/local income taxes withheld must be paid to the appropriate taxing authority in accordance with the Treasury Financial Manual ***(TFM), Volume I, Part 6, Chapter 5000*** and Title 31, Code of Federal Regulations, Part 215 (***31 CFR Part 215***).

2.1.1.3. Disbursements to Thrift Savings Plan (TSP). Employee and employer contributions for traditional or Roth TSP accounts, and deductions for TSP loan repayments must be paid to the TSP Record Keeping Service Provider. See ***TSP PRO Resources***.

2.1.1.4. Other Disbursements. All other amounts withheld must be paid in accordance with applicable regulations or instructions furnished by the employee.

2.1.2. Deduction Documentation. Payments to those for whom deductions are authorized to be paid must be reconciled on a cyclical basis, at least annually, with the amounts withheld plus the related employer contributions, if any, as shown by the pay or other records. This procedure is necessary to determine whether the correct amounts are reported to those authorized to receive deductions and contributions withheld from the employee's pay. Payroll records must provide a clear audit trail from the gross pay calculation to the net pay received by the employee by pay period and by year-to-date totals.

2.1.2.1. Tax Withholding. The amounts reported on the annual ***IRS Form W-2***, Wage and Tax Statement, must match the total amounts withheld during the year as shown by the PRO records.

2.1.2.2. Individual Retirement Record (IRR). A related control account and either the ***SF 2806***, IRR (CSRS) or the ***SF 3100*** IRR (FERS), must be maintained in accordance with the OPM requirements for each civilian employee for whom retirement deductions are made. For information on items reported on the IRR, refer to the ***CSRS/FERS Handbook, Chapter 81*** and OPM Benefits Administration Letter ***(BAL) 15-102***.

2.1.2.3. Federal Employees' Group Life Insurance (FEGLI). Each DoD PRO must keep a record of the total amounts withheld from employees' salaries and the total amount of the employer's contributions for FEGLI for each calendar year. These records must be kept in a ledger or other appropriate form or represented by file copies of vouchers that were used to report information to the OPM.

2.1.2.4. Federal Employees Health Benefit (FEHB). A record of employee deductions and the employer's contributions for health benefits must be kept by each enrollment code number. The PRO and the health benefit carrier must submit the enrollee data included in this record to the National Finance Center's (NFC) FEHB Centralized Electronic Enrollment Reconciliation Clearinghouse (CLER) system on a quarterly basis. (See the ***NFC OPM/FEHB CLER*** website.) The Human Resources Office (HRO) and the PRO must review any error codes identified in the CLER system and resolve the discrepancies. The discrepancies are resolved by comparing the health benefits coverage reported by the PRO, the health benefits coverage reported by the carriers, the ***SF 2809***, Health Benefits Election Form, and the ***SF 2810***, Notice of Change in Health Benefits Enrollment, sent in support of the coverage.

2.1.2.5. TSP Deductions. The HROs must maintain a record of traditional and/or Roth TSP deductions and agency contributions for each employee.

2.2 Retroactive Computations Involving Former PROs

2.2.1. General. When retroactive payroll computations are required that involve one or more former PROs, the consolidated PRO maintains overall responsibility for the adjustment process. If it is determined that a former PRO is involved, the consolidated PRO is responsible for contacting each former PRO to obtain the necessary information.

2.2.2. Documentation Requests. If the consolidated PRO is unable to obtain the documentation necessary to perform the retroactive calculation, the consolidated PRO may take one or more of the following steps:

2.2.2.1. Request Archived Documents From the National Personnel Records Center (NPRC). When copies of the ***SF 135***, Records Transmittal and Receipt, are unavailable at the employee's former office, the current PRO must complete a National Archives and Records Administration (NARA) ***Optional Form 11***, Reference Request - Federal Records Centers, with all available information. The employee's name, Social Security number (SSN), known places of employment, names and PRO numbers of applicable PROs, and year(s) for which the records are requested must be included in the description and remarks section of the form.

2.2.2.2. Contact the Appropriate HRO. If the NPRC cannot locate the records, the PRO must prepare a memorandum to the appropriate HRO requesting copies of the ***SF 50***, Notification of Personnel Action, or other related pay and/or leave information. Since there may have been consolidations of both the PRO and the appropriate HRO prior to the Defense Civilian Pay System (DCPS) consolidations, it is imperative that both offices work together to obtain information that will assist in the determination of pay and leave adjustments for the employee.

2.2.2.3. Contact the Employee. If the PRO cannot locate documentation from the NPRC or the appropriate HRO, the PRO must contact the employee for the necessary documentation. If the employee has copies of the SF 50 and/or the Leave and Earnings Statement (LES), the PRO may accept this information and use it to reconstruct the pay and/or leave records.

2.2.2.4. Contact OPM. If the transmittal letters to OPM and/or copies of the retirement records cannot be located, the PRO may submit a request to OPM in writing to procure the necessary copies of the records. The PRO may use the information on the retirement records for reconstruction of pay information for adjustments.

3.0 REPORTS

3.1 General

DoD civilian payroll systems must conform to various legal and regulatory requirements by generating reports at regular intervals, on an as-needed basis or by producing reports to meet special requirements. The PRO must support management by generating reports that provide the necessary information to ensure the system's integrity. Individuals who create reports are responsible for correcting errors due to inaccurate reading or entering of data. Discrepancies in reporting, transmitting, or depositing funds must be resolved promptly. Pursuant to the provisions of the Government Accountability Office ***(GAO)-03-352G***, Maintaining Effective Control Over Employee Time and Attendance Reporting, reports must be:

3.1.1. Prepared accurately, promptly, and distributed to the appropriate recipients to ensure receipt when the information will be of maximum benefit;

3.1.2. Based on, supported by, and periodically validated against appropriate detailed information in the payroll system;

3.1.3. Sent in a timely manner to officials who authorized, or were responsible for, processing payroll transactions, and reviewed by those officials for completeness and accuracy;

3.1.4. Discussed periodically with users and modified or eliminated as appropriate to meet user needs; and

3.1.5. Retained and disposed of in accordance with ***NARA General Records Schedule 2.0***, Human Resources, which includes: ***NARA General Records Schedule 2.4***, Employee Compensation and Benefits Records, and ***NARA General Records Schedule 2.5***, Employee Separation Records, with sensitive data handled in accordance with the provisions of the Privacy Act. See ***5 CFR Part 2606***.

3.2 As-Required Reports

3.2.1. Income and Employment Tax Reports. Income and employment tax reports are submitted to cities/localities that have an agreement with the Secretary of the Treasury and to cities/localities where voluntary deductions have been taken from employees. Reports are sent to the city/local taxing authorities based on the frequency prescribed by each municipality. See TFM, Volume I Part 6, Chapter 5000.

3.2.2. State Income Tax Reports. These reports are required by states that reached an agreement with the Secretary of the Treasury. These reports are submitted to the state taxing authorities based on the frequency prescribed by each state. See TFM, Volume I, Part 6, Chapter 5000.

3.2.3. Report on Transfer of Employee

3.2.3.1. SF 1150, Record of Leave Data. The losing PRO must prepare an ***SF 1150*** at the time of the employee's separation if the employee transfers within DoD to another PRO or to another Federal agency. All blocks on the SF 1150 must reflect accurate data. In addition to reporting transferred leave data, the form contains other pertinent information for the employee in the Remarks section. This includes, but is not limited to: year-to-date wages for Social Security and/or Medicare tax purposes, year-to-date TSP deductions, last deduction for FEHB and FEGLI, date through which the insurance deductions were made, and overseas or territorial differential data.

3.2.3.1.1. The losing PRO forwards the completed SF 1150 to the losing HRO.

3.2.3.1.2. The losing HRO includes the SF 1150 in the employee's Official Personnel Folder (OPF) and forwards it to the gaining HRO.

3.2.3.1.3. The gaining HRO then forwards the SF 1150 to the gaining PRO.

3.2.3.2. Delayed Receipt of SF 1150. If there is a delay of the OPF containing the SF 1150 reaching the appropriate gaining HRO, and the employee is taking leave, the leave balances from the employee's latest LES may be entered into DCPS. Once the gaining PRO receives the SF 1150, any transferred-in leave balances will be overridden if the SF 1150 data differs.

3.2.3.3. ***OPM Form 630***, Application to Become a Leave Recipient Under the Voluntary Leave Transfer Program (VLTP). Use version A, B, or C as appropriate for the VLTP action requested. This form records the transfer of leave for leave recipients covered by the VLTP. The OPM Form 630 is used when a current leave recipient transfers to another PRO or Federal agency without a break in service and will be attached to the SF 1150.

3.2.3.4. Request for Wage and Separation Information. The PRO must report wage data to the appropriate HRO in accordance with Chapter 6. The appropriate HRO maintains a file copy of all data furnished for two years in accordance with the General Records Schedule 2.0, and then the file copy is destroyed.

3.2.3.5. SF 2806 (CSRS)/SF 3100 (FERS). The PRO will prepare and maintain the SF 2806/SF 3100 in accordance with Chapter 4.

3.2.3.6. Other Forms. The Defense Finance and Accounting Service (DFAS) is responsible for:

3.2.3.6.1. Preparing the ***IRS Form W-2c***, Corrected Wage and Tax Statement, in accordance with Circular E, to correct prior year wages and tax withholdings as applicable;

3.2.3.6.2. Providing copies to the employee and copy A to the Social Security Administration (SSA);

3.2.3.6.3. Sending a separate ***IRS Form W-3c***, Transmittal of Corrected Wage and Tax Statements, with the corrected W-2c to SSA upon completion of the correction;

3.2.3.6.4. Retaining the employer's copy of the W-2c in the PRO;

3.2.3.6.5. Preparing the 941-X to adjust the gross wages subject to Social Security and/or Medicare taxes;

3.2.3.6.6. Attaching the ***IRS Form 941-X***, Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund (formerly Form 941c) to the current quarterly ***IRS Form 941***, Employer's Quarterly Federal Tax Return, and entering the amount of the adjustment on the 941. The PRO must maintain copies of both forms;

3.2.3.6.7. Retaining a copy of the W-2c and the Form 941-X in the current year quarterly tax folder to balance annual Federal tax deposits;

3.2.3.6.8. Preparing ***IRS Form 1095-C***, Employer-Provided Health Insurance Offer and Coverage, for the IRS and the employee for the previous tax year; and

3.2.3.6.9. Preparing ***IRS Form 1094-C***, Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns. This form is sent to the IRS in conjunction with the 1095-C.

3.3 Biweekly Reports

3.3.1. Civilian LES. The LES must show gross pay, deductions, net pay, and employer contributions for the current pay period and cumulative totals for the current year. The LES must reflect the accrued and used leave balances for the pay period and year-to-date values. The LES must be made available electronically by accessing the ***DFAS myPay*** web application or mailed to the employee's non-work address every pay period.

3.3.2. SF 2812-A, Report of Withholdings and Contributions for Health Benefits by Enrollment Code. The amount collected for employee retirement (CSRS and FERS), FEHB, and FEGLI deductions, military service deposits, reemployment offsets, and the agency's contributions for retirement (CSRS and FERS), FEHB, and FEGLI are transferred to OPM. As prescribed by OPM, the PRO uses a "no-check-issue" as the means of payment to OPM. Funds are transferred to OPM using the SF 2812-A. The SF 2812-A reports the total employee deductions and agency contributions for health benefits by health benefits plan enrollment code for the pay period (see subparagraph 2.1.1.1).

3.3.3. Retirement and Insurance Transfer System (RITS).

3.3.3.1. RITS is part of the Intra-Governmental Payment and Collection (IPAC) system developed by OPM and the Department of the Treasury (Treasury) to report civilian retirement and insurance contributions. The automated RITS interfaces with the payroll system and replaces the manual reporting of the SF 2812-A to OPM.

3.3.3.2. To process RITS transactions, the PRO must provide the disbursing office with the payroll system-generated hardcopy of the payroll for personal services certification and summary, the SF 2812-A and any disbursement vouchers for cash payments.

3.3.3.2.1. Cash payments received from employees, such as military deposits and health benefits payments, are considered current transactions. The funds are collected and disbursed from a holding account. The total of the payroll for personal services certification and summary and cash disbursement vouchers must equal the total on the SF 2812-A. Cash collections for health benefit indebtedness received from pay accounts not carried forward from the former PROs, must be reported to OPM separately on a supplemental SF 2812-A.

3.3.3.2.2. The disbursing office must ensure the voucher amounts agree and the vouchers contain proper certifying signatures before authorizing the transmission of the file to OPM. The delay between the creation of the system file and transmission is a necessary step in the process to establish adequate internal controls for the disbursement of government funds. If the file is transmitted before the payment date, OPM must warehouse the data until the settlement date.

3.3.3.2.3. The IPAC transaction is a direct payment to OPM. Report the transaction on the SF 1219, Statement of Accountability.

3.3.3.3. RITS provides the capability to report on a regular biweekly basis, as well as to report adjustments in a supplemental off-cycle mode. Reporting during the regular biweekly cycle is the preferred method and automated capabilities of the payroll system must be fully utilized in order to do so. Use of a supplemental reporting cycle must be limited to the greatest extent possible.

3.3.3.4. Consolidated PROs using RITS may find it necessary to report adjustments related to former PROs, as well as adjustments related to the consolidated office. In these situations, the following may be applicable:

3.3.3.4.1. Adjustments for Accounts That Have Not Been Transferred to the Consolidated PRO. These accounts were inactive on former PRO records and did not convert to the consolidated office. Responsibility for these adjustments is now with the consolidated payroll operation and is under the DFAS PRO operations. These adjustments could involve correction of a retirement plan, cash collection for military deposits, or health benefit indebtedness.

3.3.3.4.1.1. Retirement Plan Correction. These adjustments must be reported to OPM via a hard copy SF 2812-A citing the PRO number that originally reported the deductions and contributions. Corrected retirement records and registers citing the former PRO must be prepared and forwarded to OPM. Copies of the SF 2812-A, registers, and records must be forwarded to the departmental reporter for the former PRO so that cumulative balances may be adjusted.

3.3.3.4.1.2. Cash Collections for Military Deposits. The PRO must report cash collections for military deposits via a hard copy SF 2812-A citing the PRO number that originally reported the deductions and contributions. Corrected retirement records and registers citing the former PRO must be prepared and forwarded to OPM. Copies of the registers, records, and SF 2812-A must be forwarded to the departmental reporter for the former PRO so that cumulative balances may be adjusted.

3.3.3.4.1.3. Cash Collections for Health Benefit Indebtedness. Cash collections for health benefit indebtedness must be reported via RITS as a supplemental SF 2812-A from the consolidated PRO using the consolidated PRO Number.

3.3.3.4.2. Adjustments for Accounts That Have Been Transferred to the Consolidated PRO. These accounts were active on former PRO records and converted to the consolidated office. Adjustments may be for accounts that have become inactive since consolidation or for those still in an active status. As part of the consolidated payroll operation, the DFAS PRO is responsible for these adjustments. Records for both the former and consolidated PROs may need to be corrected, depending on the effective date of the correction involved.

3.3.3.4.2.1. Retirement Plan Correction. The adjustment may involve both hard copy reporting via the SF 2812-A and reporting via RITS. Adjustments that are effective prior to the transfer to the consolidated office must be reported to OPM, via the SF 2812-A, citing the former PRO number. Corrected retirement records and registers for that portion applicable to the former PRO must be prepared and forwarded to OPM. A copy of the SF 2812-A, registers, and records must be forwarded to the departmental reporter for the former PRO so that cumulative balances may be adjusted. That portion of the adjustment applicable to the consolidated PRO must be corrected through the payroll system and reported via the RITS regular biweekly cycle. Adjustments for accounts that have become inactive since consolidation must be corrected through the payroll system by reactivating the account.

3.3.3.4.2.2. Cash Collections for Military Deposits. Cash collections for military deposits must be reported via RITS during the regular reporting cycle. Collections for accounts that have become inactive since consolidation must be corrected through the payroll system by reactivating the account. Correction through the payroll system is necessary in order to maintain the proper sequencing of system-assigned register numbers.

3.3.3.4.2.3. Cash Collections for Health Benefit Indebtedness. Cash collections for health benefit indebtedness must be reported via RITS during the regular biweekly reporting cycle.

3.3.4. TSP Form TSP-2, Certification of Transfer of Funds and Journal Voucher. A "no-check-issue" procedure is used to transfer the amount collected for employee TSP deductions as well as the agency contributions to NFC. Funds are transferred to NFC using the TSP FormTSP-2.

3.3.5. Payroll for Personal Services Certification and Summary. The payroll for personal services certification and summary provides total payroll costs and detailed accounting data by appropriation and accounting activity in connection with the civilian payroll.

3.3.6. Reports of Salary Offsets for Non-DoD Federal Agencies

3.3.6.1. Report of Collections. The PRO must forward a biweekly report to each creditor agency of the collections made for the pay period. This report must include, at a minimum, the non-DoD agency to which the collections apply, the PRO name and address, the employee's name, the amount collected for each employee, the period for which the collection applies, and the total amount of collections remitted to the non-DoD agency.

3.3.6.2. Report of Employees With Salary Offset. The PRO forwards a biweekly report of employees with salary offsets for non-DoD federal agencies to the DFAS site that originally forwarded the salary offset request to the PRO. This report must include, at a minimum, the employee's name, SSN, creditor agency, amount of the last biweekly collection amount, pay date of the last collection, and the debt balance amount. In the case of employees with more than one debt to a non-DoD Federal agency, the information required in this paragraph must be provided for each debt.

3.3.7. Reporting Union Dues to Labor Organizations or Associations of Management Officials or Supervisors. Each pay period, the PRO must prepare a listing for each recipient of withheld dues. At a minimum, the listing must include the name and address of the PRO, the labor organization or association for which the listing pertains, employee names and amount of dues deducted for each, total amount collected and system-generated remarks that explain the lack of deductions.

3.3.8. Combined Federal Campaign (CFC) Report. The PRO must provide a transmittal report to the Central Campaign Administrator to include:

3.3.8.1. The employing agency, e.g., Army, Navy, Air Force;

3.3.8.2. The employee names and deduction amounts per individual employee;

3.3.8.3. The pay period number; and

3.3.8.4. The pay period date of the CFC data. See ***5 CFR 950.801***.

3.4 Quarterly Reports

3.4.1. Continuation of Pay (COP) for Disabling, Job-Related Traumatic Injuries Sustained by Federal Employees. The Department of Labor requires a quarterly report on COP. The requirement applies to all PROs including National Guard units. See ***20 CFR 10.200***.

3.4.2. Employment Statistics Program. Upon request, the PRO furnishes feeder data to the appropriate HRO on total wages paid to civilian employees for specific calendar quarters. The appropriate HRO must prepare and submit the final report.

3.4.3. IRS Form 941, Employer's Quarterly Federal Tax Return. Each PRO must report tax payment information to the IRS on the Form 941. The report must be completed and filed by the due date established by the IRS. This is normally the end of the month following the close of the quarter. If all taxes for the quarter are deposited when due, the PRO must file the Form 941 by the 10th day of the second month following the close of the quarter. The tax payment information required under ***IRS Schedule B (Form 941)***, Report of Tax Liability for Semiweekly Schedule Depositors, must be derived from the payment records. The total amount of tax payments during a quarter must agree with the total taxes reported on the Form 941.

3.4.3.1. The PRO forwards the system-generated IRS disbursement voucher, "In Lieu of SF 1049, Public Voucher for Refunds," to the disbursing office at an agreed upon time preceding the payment date for transmitting the voucher data through the Electronic Federal Tax Payment System (EFTPS). EFTPS is a service offered by the Treasury, which allows an agency to electronically file and make tax payments reported on the Form 941 each quarter. See ***Treasury's EFTPS*** website for IRS information.

3.4.3.2. The DFAS Cleveland Disbursing Office makes the daily tax deposits that are reported on the Form 941 through EFTPS. The tax deposit information is entered on the Form 941, using a fillable form available from the IRS website. After the Form 941 is prepared, it is reviewed and signed by a supervisor then e-faxed to the IRS point of contact.

3.4.3.3. The disbursing office returns the Form 941 printout to the PRO the day following each IRS disbursement. This printout reflects the cumulative totals for the quarter.

3.4.3.4. The PRO must correct any discrepancies.

3.4.4. Health Benefits Reconciliation Data File. Each quarter, the OPM FEHB CLER data must be reported to NFC, which implements a system to reconcile health benefits data for government agencies. The quarterly report of enrollees must include enrollee names, the total amount for employee deductions, and the total amount for employer contributions. The quarterly report must include enrollment data for all health plans for the payroll paid during the 1st through the 15th of March, June, September, and December. If there are two payrolls paid during that period, the PRO reports only the enrollment data for the last payroll paid. The data in this report is first sorted by the FEHB enrollment code and then by the SSN. The report must provide a subtotal for each enrollment code and a grand total for each plan.

3.4.5. Transportation Fringe Benefit Report. A fringe benefit is a form of pay for the performance of services that is in addition to the employee's regular salary or wages. Examples of transportation fringe benefits include the use of a business vehicle, transit passes, and the value of parking.

3.4.5.1. Employers are required to report the value of transportation fringe benefits as taxable income for amounts that exceed the established IRS threshold.

3.4.5.2. The parking fringe benefit valuation must be reported by the employing activity directly to the servicing PRO on a quarterly basis to ensure proper reporting of income and collection of taxable wages on the W-2.

3.4.5.3. The monthly value of the transportation fringe benefits and the reportable taxable benefit must be included in the report.

3.4.5.4. Certain qualified transportation fringe benefit amounts may be excluded from an employee's wages each month. See Chapter 3 for information on qualified transportation fringe benefits and ***IRS Publication 15-B***, Employer's Tax Guide to Fringe Benefits.

3.4.6. Civilian Direct Deposit Participation Report. When directed, the PRO must furnish data to the appropriate functional organization on civilian employees participating in Direct Deposit/Electronic Funds Transfer (EFT). This feeder-type information is used by DoD managers to report payment volumes and the percentage of payments made by EFT to the Bureau of the Fiscal Services within 25 days after the end of each quarter.

3.4.7. Reporting Workforce Information. OPM collects data from agencies relating to civilian employees in a manner and at times prescribed by OPM. See ***5 CFR 9.2***. The Office of Management and Budget (OMB) primarily uses the reported data as a baseline for making policy decisions on personnel budget requests.

3.4.7.1. SF 113-A, Monthly Report of Federal Civilian Employment. The PRO must submit this report to OPM on a quarterly basis covering three months for the quarter or on a pay period basis covering the quarter. If the PRO submits data on a pay period basis, the PRO must report total employment "as of" September 30th for its September (fiscal year) submission. The report must reflect lump sum payments, wages, and salaries earned during the reporting period. The turnover data must include accessions and separations when the effective data occurs during the period covered. See ***SF 113-A***.

3.4.7.2. SF 113-G, Monthly Report of Full-Time Equivalent/Work-Year Civilian Employment. The PRO must provide feeder data to the Defense Manpower Data Center for reporting to OMB. See ***SF 113-G***.

3.5 Semiannual Reports

3.5.1. Semiannual Headcount Report. OPM requires that a report of the withholdings and contributions for retirement, FEGLI, and FEHB be sent in the form of a semiannual headcount report. This report is required for the last pay period paid during the 1st through the 15th of March and September, in conjunction with the quarterly reporting of enrollment in all health benefits plans.

3.5.2. Report of Work Years and Personnel Cost. This report provides information required by OMB to estimate the cost of proposed federal pay increases, evaluate the financial effects of proposed legislation on civilian personnel compensation and benefits, and prepare analysis of pay and personnel benefits of federal employees. The consolidated PRO provides feeder-type data on the leave data for part C of this report.

3.6 Annual Reports

3.6.1. Wage and Tax Statements

3.6.1.1. Wage and Tax Statements to SSA. The W-2 is used to report taxable income to SSA and the IRS. The PRO must issue a W-2 to each employee no later than January 31st of the year following the applicable tax (calendar) year. This also applies to employees who died or separated during the year. Individuals may request the form at an earlier date by making their request in writing to the PRO. In such instances, the form is to be issued within 30 calendar days of receipt of the request or of the final payment, whichever is later. The DoD PROs are required to use the DFAS approved standardized W-2 each year.

3.6.1.2. Wage and Tax Statements to States

3.6.1.2.1. The PRO provides this information to states that have entered into a Standard Agreement with Treasury or as authorized pursuant to a published routine use statement. See TFM, Volume I, Part 6, Chapter 5000, section 5070. The PRO will issue returns with respect to those employees who:

3.6.1.2.1.1. Are employed in the state and subject to mandatory withholding of state income tax; or

3.6.1.2.1.2. Have established voluntary allotments for the state's income tax.

3.6.1.2.2. The PRO provides annual information returns on the W-2. Other forms prescribed by states must not be used.

3.6.1.2.3. The PRO must include only the information on the W-2.

3.6.1.2.4. The PRO must submit the W-2 to the states in print or electronically. The PRO must file all returns in accordance with regulations issued by the state taxing authorities. A list of state taxing authority contacts is available at the IRS website.

3.6.1.2.5. The PRO may need to report information to more than one taxing authority for the same employee. If so, it must supply a copy of the W-2 to the proper state, city, or local taxing authorities on request. Those authorities will decide if the employee is liable for any tax.

3.6.1.2.6. A state requirement to file information returns monthly does not affect existing arrangements to submit the W-2 only once a year.

3.6.1.3. Wage and Tax Statements to Cities or Other Localities

3.6.1.3.1. In the case of an agreement with the city or locality, the PRO will issue returns with respect to those employees who are:

3.6.1.3.1.1. Employed in the city or locality and subject to the tax (whether or not tax is withheld); or

3.6.1.3.1.2. Residents of the city or locality and are subject to the tax (whether or not tax is withheld). If the city or locality has not entered into a standard agreement, with the prior written consent of the employee, or if authorized pursuant to a published routine use statement, the PRO will issue returns to the taxing authority with respect to an employee who has voluntary deductions for the city or locality's income tax.

3.6.1.3.2. The PRO provides annual returns on the W-2. Other forms prescribed by cities or localities must not be used.

3.6.1.3.3. The PRO must include only the information on the W-2.

3.6.1.3.4. The PRO must submit the W-2 in accordance with regulations issued by the city or locality taxing authorities.

3.6.1.3.5. A city or locality requirement to file information returns monthly does not affect existing arrangements to submit the W-2 only once a year.

3.6.1.4. Wage and Tax Statements to Employees

3.6.1.4.1. If the employee has not yet transitioned to an electronic W-2 format, the PRO must mail a paper W-2 to each employee's non-work address by January 31st of the next year. The W-2 must include the:

3.6.1.4.1.1. Employee's name, SSN, and address;

3.6.1.4.1.2. Wages subject to Social Security/Medicare, federal, state, city, or local withholding;

3.6.1.4.1.3. Social Security and/or Medicare, federal, state, or local tax withheld, if any;

3.6.1.4.1.4. Name of state, city, or county; and

3.6.1.4.1.5. City and/or county assigned Employer Identification Number.

3.6.1.4.2. The PRO must mail corrections to the annual wage and tax statement(s) to an employee's non-work address as soon as an error is discovered. Refer to subparagraph 3.2.3.6 for information on the W-2c and W-3c.

3.6.1.4.3. The PRO must issue the 1095-C to employees no later than January 31st of the year following the applicable tax (calendar) year.

3.6.2. Student Loans. Agencies are required to report annually to OPM on their use of the student loan repayment authority. Before March 31st of each year, agencies must submit their reports for the previous calendar year. See ***5 CFR 537.110***. The reports must contain:

3.6.2.1. The number of employees, who received student loan repayment benefits;

3.6.2.2. The job classifications of the employees who received student loan repayment benefits; and

3.6.2.3. The cost to the Federal Government of providing student loan repayment benefits.

3.6.3. Telework. The Telework Enhancement Act of 2010, codified at ***5 U.S.C., Chapter 65***, requires that agencies report an annual telework participation goal. OPM issues an annual report to Congress summarizing information provided by agencies on the status of their telework programs. See ***OPM's Reports to Congress***, Status of Telework in the Federal Government. The reports provide a baseline for measuring each agency's progress toward meeting the requirements of the Telework Enhancement Act. Agencies are required to make an annual assessment of progress towards meeting participation goals. In cases where agencies do not meet goals, they must detail actions to be taken to identify and eliminate barriers to maximizing telework opportunities for the next reporting period. See 5 U.S.C. § 6506 and ***OPM's telework.gov*** website. Each report submitted must include:

3.6.3.1. The total number of employees in the agency;

3.6.3.2. The number and percent of employees in the agency who are eligible to telework; and

3.6.3.3. The number and percent of eligible employees in the agency who are teleworking:

3.6.3.3.1. Three or more days per pay period;

3.6.3.3.2. One or two days per pay period;

3.6.3.3.3. Once per month; or

3.6.3.3.4. Occasional, episodic, or short-term basis.

3.6.4. Child Development Programs. Agencies initiating a child care subsidy program are required to track and report the utilization of their funds to OPM annually on a DoD ***(DD) Form 2605***, Department of Defense Child Development Program Annual Summary of Operations. See ***5 CFR 792.204***.

3.6.5. Experts and Consultants. Each agency that used and paid experts and consultants is required to submit an annual report to OPM. See ***5 U.S.C. § 3109*** and ***5 CFR 304.107***. This report must cover the entire agency for the year ending December 31st and be submitted by February 28th of the following year. See ***OPM Form 1623***, List of Experts and Consultants Hired Under 5 U.S.C. § 3109. This report must contain:

3.6.5.1. The number of days the agency employed each paid expert or consultant; and

3.6.5.2. The total amount paid by the agency to each expert and consultant, not including payments for travel and related expenses.

3.6.6. Affordable Care Act Reporting. Applicable Large Employers (ALE) must report to the IRS whether the employer has made an offer of coverage to their full-time employees. An ALE is an employer with 50 or more employees. Reporting is completed using the 1095-C and the 1094-C for the previous tax year. For additional information, see also the ***IRS Information Reporting by Applicable Large Employers***.

3.6.7. Foreign Language Pay Reporting. Each DoD Component with Defense Civilian Intelligence Personnel System (DCIPS) positions must submit a report on its foreign language pay program to the Under Secretary of Defense for Intelligence through the Director, Human Capital Management Office. See DoD Instruction ***(DoDI) 1400.25-V2016***. Annual reports must:

3.6.7.1. Include a copy of the Component's current foreign language pay policy or guidance, and copies of any related documents or communications issued on foreign language pay since the previous report was submitted;

3.6.7.2. Identify the total number of language-coded authorizations and official tasking that requests language and proficiency in support of mission requirements;

3.6.7.3. Identify the total number of DCIPS employees receiving foreign language pay, and whether or not they are assigned to designated foreign language positions. Include a breakout of the number of DCIPS employees identified as receiving foreign language pay by each language;

3.6.7.4. Identify the total amount of foreign language payments made in the past calendar year and a breakout of the amounts by language;

3.6.7.5. Identify for Interagency Language Roundtable Level 3 proficiency and above (combined), the percentage of recipients paid, by language; and

3.6.7.6. Discuss the current state of recruitment and fill of foreign language positions, including overages, trends, shortfalls, recommendations regarding foreign language pay policy, trends in payments (by language and amount of payment) from the previous year, and a brief statement reflecting the effectiveness of incentive pay in the recruitment.

REFERENCES

CHAPTER 9 – RECORDS, FILES, AND REPORTS

2.0 – RECORDS AND FILES

2.1.1.2	IRS Publication 15, Circular E TFM, Volume I, Part 6, Chapter 5000 31 CFR Part 215
2.1.2.2	CSRS/FERS Handbook, Chapter 81 BAL 15-102

3.0 – REPORTS

3.1	GAO-03-352G
3.1.5	NARA General Records Schedule 2.0 NARA General Records Schedule 2.4 NARA General Records Schedule 2.5 5 CFR Part 2606
3.2.1	TFM, Volume I, Part 6, Chapter 5000
3.2.2	TFM, Volume I, Part 6, Chapter 5000
3.2.3.6.1	IRS Publication 15, Circular E
3.3.8.4	5 CFR 950.801
3.4.1	20 CFR 10.200
3.4.5.4	IRS Publication 15-B
3.4.7	5 CFR 9.2
3.6.1	TFM, Volume I, Part 6, Chapter 5000, section 5070
3.6.2	5 CFR 537.110
3.6.3	5 U.S.C., Chapter 65 OPM Reports to Congress: Status of Telework in the Federal Government
3.6.4	5 CFR 792.204
3.6.5	5 U.S.C. § 3109 5 CFR 304.107
3.6.6	IRS Information Reporting by Applicable Large Employers
3.6.7	DoDI 1400.25-V2016

VOLUME 8, CHAPTER 10: "SPECIAL CATEGORY EMPLOYEES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated February 2024 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks, references, and formatting to comply with current administrative instructions.	Revision
All	Revised and reorganized chapter to remove obsolete language, clearly communicate intent, and limit the chapter to binding rules while placing transient guidance or advice in other documents. Renumbered where appropriate.	Revision
16.11	Added section for firefighter trade-of-time.	Addition
20.5	Added guidance to include podiatrists. Renamed section as appropriate.	Addition
References	Updated section.	Revision

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CHAPTER 10

SPECIAL CATEGORY EMPLOYEES

1.0 GENERAL

1.1 Purpose

This chapter provides policy and guidance on special category employees. Special category employees include those whose retirement, leave, or pay may be specific to an occupational series or tour of duty. Special category employees also include employees deemed legally incapacitated, missing or deceased, and de facto employees.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with, the United States Office of Personnel Management's (OPM) ***Pay and Leave***, Title 5, Code of Federal Regulations (CFR), Chapter I, OPM, ***subchapter B, Civil Service Regulations***; ***Title 5, United States Code (U.S.C.), Part III***; and the DoD Instruction (DoDI) 1400.25, ***DoD Civilian Personnel Management System***. Due to the subject matter in the chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each section are listed in a reference section at the end of this chapter.

2.0 OVERSEAS EMPLOYEES

2.1 Purpose

The general pay provisions for General Schedule (GS) employees who work stateside also apply to GS employees stationed overseas. The ***DoDI 1400.25-V1250***, Overseas Allowances and Differentials, authorizes and governs the payment of allowances and differentials to DoD civilian employees who are citizens of the United States and located in a foreign area. The ***DoDI 1400.25. V-1261***, Observance of Holidays in Foreign Areas, covers time off for observed holidays for employees who are citizens of the United States located in a foreign area and foreign national employees. The Department of State Standardized Regulations (***DSSR***) prescribe eligibility requirements, the applicable rates to be paid, and the provisions to be observed in paying overseas foreign area allowances and differentials to employees.

2.2 Foreign Nationals

2.2.1. Authority. ***Title 22 U.S.C. § 3968*** establishes the pay for foreign national employees. Delegation of authority is established by ***DoDI 1400.25-V1231***, Employment of Foreign Nationals. Authority is delegated to each military department to re-delegate to its Service Component Commanders the authority to establish salaries, wages, fringe benefits, related compensation items, and other terms of employment for foreign national employees. Additional guidance can be found in the ***DoD Manual 1416.08***, DoD Manual for Foreign National

Compensation, which prescribes procedures and instructions for the development of pay and compensation programs for foreign nationals employed by the U.S. Forces in foreign areas.

2.2.2. Entitlements. The Wage and Salary Division of the Defense Civilian Personnel Advisory Service (DCPAS) monitors the foreign national compensation program and advises the Deputy Assistant Secretary of Defense for Civilian Personnel Policy on statutory pay restrictions related to foreign national wage schedules, foreign national total compensation comparability plans, and public interest determinations addressing such plans, as necessary. See DoDI 5120.39, ***DoD Wage Fixing Authority*** - Appropriated Fund and Nonappropriated Fund Compensation Programs.

2.3 Canadian Employees

2.3.1. Purpose. Canadian national direct-hire employees receive compensation comparable to that paid to Canadian government employees in the same locality and performing essentially the same work with relatively the same degree of responsibility.

2.3.2. Authority. DoDI 1400.25-V1231 contains the authority for the administration of foreign nationals, including Canadians.

2.3.3. Entitlements

2.3.3.1. Holidays. Canadian legal holidays are observed with no charge to leave. If an emergency requires work on a Canadian holiday, the employee must be paid premium pay at a rate of 1.5 times the employee's regular rate of pay (for example, if an employee is paid $16 per hour, the employee will be paid premium pay of $24 per hour for work on a Canadian holiday), in addition to receiving either holiday pay equal to regular wages earned by the employee in the four weeks before the Canadian holiday divided by 20 (for example, if an employee works a 5-day week and earns $120 per day, the employee earns regular wages of $600 per week; $600 per week x 4 weeks = $2,400 ÷ 20 = $120 holiday pay), or compensatory time off (subject to local labor laws pursuant to DoDI 1400.25-V1231). The following are the legal Canadian holidays:

2.3.3.1.1. New Year's Day (January 1),

2.3.3.1.2. Good Friday (March-April),

2.3.3.1.3. Easter Monday (March-April),

2.3.3.1.4. Victoria Day (May 24),

2.3.3.1.5. Canada Day (July 1),

2.3.3.1.6. Civic Holiday (1st Monday in August),

2.3.3.1.7. Labor Day (1st Monday in September),

2.3.3.1.8. Thanksgiving Day (2nd Monday in October),

2.3.3.1.9. Remembrance Day (November 11),

2.3.3.1.10. Christmas Day (December 25), and

2.3.3.1.11. Boxing Day (December 26).

2.3.3.2. Absence and Leave. Canadian employees accrue sick leave at a rate of 4.25 hours each pay period except for the last pay period of the leave year. During the last pay period, 6.25 hours accrue. The total annual accumulation is 112.5 hours or 15 days of sick leave.

2.3.3.3. Work-Related Injury or Illness. The Federal Employees' Compensation Act covers work-related injuries or illness.

2.3.4. Pay. Salaries are based on rates in approved agreements between the Treasury Board of Canada and the Public Service Alliance of Canada for Canadian Civil Service Employees. The effective dates are the same as in the basic Canadian agreements. Pay is in Canadian Dollars on a biweekly basis.

2.3.5. Hours of Duty. The workday is 7.5 hours, and the workweek is 37.5 hours.

2.3.6. Step Increases. Employees receive step increases until they reach the top step. Step increases require written certification by the supervisor that an employee has demonstrated an acceptable level of competence during the waiting period. Certification is completed and forwarded to the Human Resources Office (HRO) for processing prior to the effective date of the step increase. Step increases are effective at the beginning of the first pay period following the effective date of the anniversary.

2.3.7. Retroactive Pay. Retroactive pay adjustments are made based on agreements covering Canadian Civil Service employees. These adjustments are payable to employees separated during the retroactive period.

2.3.8. Leave Without Pay (LWOP). Aggregate periods of LWOP of more than 80 hours during the waiting period for a step increase will delay the increase. Extended periods of LWOP also affect leave accruals.

2.3.9. Awards. Canadian National employees generally are eligible for all awards, except quality step increases.

2.3.10. Canada Pension Plan. Employee contributions for the Canada Pension Plan are deducted from employee salaries. The U.S. Government pays the employer’s contribution.

2.3.11. Registered/Retirement Pension Plan. The U.S. Government pays an amount equivalent to the employees’ contributions up to a legal maximum of annual salaries.

2.3.12. Severance Pay. Employees are paid a lump-sum amount according to the following.

2.3.12.1. Lay-Off. Two weeks of pay for the first complete year of continuous employment and 1 week of pay for each complete additional year of continuous employment with a maximum benefit of 28 weeks of pay.

2.3.12.2. Resignation. When an employee resigns with 10 or more years of continuous employment, they will be paid one-half week of pay for each complete year of continuous employment up to a maximum of 26 years with a maximum benefit of 13 weeks of pay.

2.3.12.3. Retirement. Upon retirement, when an employee would be entitled to an immediate annuity, or to an immediate annual allowance had the employee been under the Canadian Government Public Service Superannuation Act, an employee is paid 1 week of pay for each complete year of continuous employment with a maximum benefit of 28 weeks of pay.

2.3.12.4. Death. Upon death, the employee's estate will be paid 1 week of pay for each complete year of continuous employment, with a maximum benefit of 28 weeks of pay.

2.3.13. Ontario Health Insurance Plan. Employees enrolled in the Ontario Health Insurance Plan are reimbursed an amount equivalent to the Canadian government contributions under the plan. Claims for reimbursement, supported by receipts, are submitted annually by the end of the calendar year.

2.3.14. Employment Insurance. The U.S. Government participates in the ***Canadian Employment Insurance Program*** for Canadians employed in Canada by the DoD. Any DoD installation that employs personnel in Canada should follow the guidance issued by the ***Canada Revenue Agency***. The U.S. Government contributes an amount equal to that paid by a Canadian government employer to the Canadian fund. The employee's contributions are deducted from their salary.

2.3.14.1. Deductions and Remittances. The Payroll Office (PRO) must use the Canada Revenue Agency T4001 ***Employer's Guide – Payroll Deductions and Remittances*** to determine insurable employment and earnings for withholding.

2.3.14.1.1. Employee's Share. Funds must be withheld from the pay of all insurable employees at the rate set in the Canada Revenue Agency T4001 Employer's Guide.

2.3.14.1.2. Employer's Share. The employer's share must equal 1.4 times the amount withheld from the employee's pay on each payroll voucher. The contribution is charged to the fund from which employees' salaries are paid.

2.3.14.2. Retroactive Payments. The DoD may not make retroactive payments of deductions to the Canada Revenue Agency if the employee concerned has not given correct information to the employing installation. This includes cases that have been adjudicated.

2.3.14.3. Audits and Record Retention. The DoD records of deductions, contributions, and remittances are subject to audit by Canadian authorities. The audit requirements may be met by sending copies of records of covered personnel and insurance remittance documents to the proper Canada Revenue Agency district office. The PRO must send copies of records required by Canadian authorities on request.

2.3.15. Canadian Income Tax. The employee's income tax contributions are deducted from their biweekly salary.

2.3.16. Accidental Life Insurance. This is a voluntary contribution deducted from the employee's biweekly salary at the employee's request.

3.0 OTHER THAN FULL-TIME CAREER EMPLOYEES

3.1 Purpose

This section provides guidance regarding employees who do not work the typical 40-hour workweek established under ***5 CFR 610.111***. Such employees include part-time, intermittent, seasonal, and piecework employees.

3.2 Part-Time Employment

Part-time employment generally is no less than 16 hours and no more than 32 hours per week under a schedule consisting of an equal or varied number of hours per day. Agencies may permit employees to work less than the minimum 16 hours per week based on guidance provided in ***5 CFR 340.202(b)*** and ***DoDI 1400.25, V340***, DoD Civilian Personnel Management System: Other Than Full-Time Employment. Employment may be between 32 and 64 hours in a biweekly pay period in the case of a flexible or compressed work schedule. See ***5 U.S.C. § 3401(2)***. Part-time employment does not include employment on a temporary or intermittent basis. A part-time employee must have a regular schedule of at least 1 hour, set in advance, in each administrative workweek in each biweekly pay period. See ***5 CFR Part 340*** and ***5 U.S.C. §§ 3401-3408***.

3.2.1. Benefits. Part-time permanent employees are eligible to receive the same benefits as full-time employees. On a prorated basis, part-time employees are eligible to receive leave, retirement, and health and life insurance coverage. See ***OPM Benefits for Part-Time Employees***.

3.2.1.1. Leave

3.2.1.1.1. Annual Leave. Part-time employees, who have a regular tour of duty established in advance of one or more days during each administrative workweek, earn annual leave on a prorated basis based on the total number of hours in a pay status in each biweekly pay period, excluding overtime hours. See ***5 U.S.C. § 6302*** and ***5 U.S.C. § 6303***. Hours in a pay status include straight time and additional hours worked, up to a total 80 hours in the biweekly pay period. Maximum carryover at the end of the leave year is the same as for a full-time employee. Leave is charged for an absence during the hours an employee is regularly scheduled to work. See Chapter 5.

3.2.1.1.2. Sick Leave. Part-time employees with a regularly scheduled tour of duty will earn and be credited with 1 hour for each 20 hours in a pay status. See ***5 U.S.C. § 6307***.

3.2.1.1.3. Other Leave. Part-time employees are eligible for other leave categories (e.g., absent without leave (AWOL), LWOP, court leave, funeral leave, or excused absence) on the same basis as full-time employees. Part-time employees are eligible to receive the same benefits under the ***Family and Medical Leave Act (FMLA) of 1993*** and the ***Federal Employees Family Friendly Leave Act*** as full-time employees. See Chapter 5.

3.2.1.1.4. Military Leave. Each member of a Reserve Component who is an employee of the U.S. is entitled to a leave of absence from their duties without loss of pay, time, or efficiency rating for each day, but for no more than 15 days in any fiscal year in which he or she is on active duty or training. Eligible part-time employees accrue military leave that is prorated based on the tour of duty. See ***5 U.S.C. § 6323(a)(2)*** and Chapter 5.

3.2.1.1.5. Holiday Leave. When a holiday falls on a scheduled workday, a part-time employee is entitled to basic pay for the number of hours the employee is regularly scheduled to work on that day, not-to-exceed 8 hours, unless covered by a compressed work schedule. A part-time employee is not entitled to pay for a holiday that falls on a day the employee is not normally scheduled to work.

3.2.1.1.6. In-Lieu-of Holiday. An in-lieu-of holiday is granted to replace the day designated as a holiday by federal statute or executive order when the holiday falls on a full-time employee's non-work day. Under ***DoDI 1400.25-V610***, Hours of Duty, part-time employees are not entitled to in-lieu-of holidays. However, if a part-time employee is prevented from working because the activity is closed, he or she may either be placed in an appropriate leave category or be excused (placed on administrative leave at the agency's discretion) without loss of pay for the number of hours that he or she is regularly scheduled to work on that day.

3.2.1.2. Retirement. Part-time employees are subject to deductions for retirement benefits on the same basis as full-time employees.

3.2.1.3. Federal Employees Health Benefits (FEHB). Part-time employees are eligible to participate in the FEHB Program. See the ***FEHB Handbook***. The cost to the employee is the total cost of health benefits (both the employee and the employer's share) less the prorated government contribution. See Chapter 11 for more information on FEHB for part-time employees.

3.2.1.4. Federal Employees Group Life Insurance (FEGLI)

3.2.1.4.1. Part-time Eligibility. A part-time employee is eligible to participate in the FEGLI Program. Participation is voluntary and eligible part-time employees are automatically covered under the basic insurance option unless they waive the insurance coverage. The part-time employee's basic insurance amount is the greater of their annual rate of basic pay rounded up to the next $1,000 plus $2,000, or a flat $10,000. Basic life insurance coverage is effective from the first day the employee is in an official duty status. Employees may elect additional optional insurance within 60 days from their appointment date. All new employees must complete a Standard Form ***(SF) 2817***, Life Insurance Election, or its electronic equivalent, to cancel basic insurance or to elect additional optional insurance. If a part-time employee becomes a full-time employee in the middle of a pay period, the amount withheld for basic life insurance is based on the amount of insurance last in force for the employee during the pay period (that is, the full-time rate). See the ***FEGLI Program Handbook***.

3.2.1.4.2. Nonpay Status. FEGLI coverage continues for up to 12 months when an employee enters nonpay status. FEGLI ends at the end of the 12 months with a 31-day extension of coverage and a right to convert to an individual policy. If the employee is in nonpay status for part of the pay period, withholding for premiums and the government contribution is still required. The employee is not required to pay premiums while on LWOP unless they are receiving benefits from the Department of Labor (DOL), Office of Workers' Compensation Program (OWCP). See the FEGLI Program Handbook for special nonpay situations during which the employee must continue to make premium payments.

3.2.1.4.3. Part-Time Annual Rate of Basic Pay. For life insurance purposes, the annual pay for a part-time employee is the annual rate of basic pay applicable to their tour of duty in a 52-week work year. For example, an employee whose pay is $56,282 per annum, employed half-time, would have an annual pay for insurance purposes of $28,141.

3.2.1.4.4. Concurrent Part-Time Employment. An employee may be employed on a part-time basis in more than one Federal agency and eligible for FEGLI coverage in one or both of the positions. However, an employee may not maintain more than one FEGLI election even if he or she is serving in more than one position. See the FEGLI Program Handbook (under Concurrent Employment) for exceptions including guidance concerning part-time employees in nonpay status at one of the agency positions. The amount of insurance is based on the sum of annual pay for all positions including annual pay for a position excluded from life insurance coverage. The agency must take the following steps to ensure that the correct premiums are applied:

3.2.1.4.4.1. The agency that pays the greater of the two salaries withholds and pays the government contribution;

3.2.1.4.4.2. The agency must contact the other employing office, confirm the salaries paid, and assume responsibility for withholding all of the required premiums from the salary; and

3.2.1.4.4.3. The agency that pays the greater salary to the individual must also provide the government contribution for basic insurance based on the aggregate amount of basic coverage the employee has from all covered positions. This eliminates the need for the other employing office to make partial withholdings and government contributions.

3.2.2. Pay. Gross basic pay is computed by multiplying the employee's hourly rate of pay by the total number of hours worked and the hours of paid leave during the pay period.

3.2.2.1. Overtime Pay. Under ***5 U.S.C. § 5542***, overtime pay for eligible part-time employees is authorized only for work over 8 hours a day or 40 hours in a week.

3.2.2.2. Compensatory Time Off. Under ***5 U.S.C. § 5543***, part-time employees may elect to take compensatory time off in-lieu-of overtime pay. Under ***5 U.S.C. § 5550(a)***, part-time employees may elect to perform compensatory overtime work to replace time taken off for religious observances. See Chapter 5.

3.2.2.3. Sunday Premium Pay. Under ***5 U.S.C. § 5544(a)*** and ***5 U.S.C. § 5546***, a part-time employee is entitled to pay at their rate of basic pay plus premium pay at a rate equal to 25 percent of their basic pay for each hour of Sunday work. Up to 8 hours of Sunday premium pay may be paid to a part-time employee who has Sunday as part of their non-overtime regularly scheduled tour of duty (i.e., Sunday through Thursday basic workweek). An employee with a tour of duty of Monday through Friday who works either regularly scheduled overtime or irregular or occasional overtime work on a Sunday is entitled to overtime pay and is not entitled to Sunday premium pay. An employee must perform actual work to receive Sunday premium pay. Employees who do not work during their Sunday tour of duty because they are on paid leave or excused absence, using compensatory time off or credit hours, or because Sunday is a holiday, are not entitled to Sunday premium pay. See OPM Memorandum for ***Administrative Claims for Sunday Premium Pay***. For additional information pertaining to Sunday premium pay, see Chapter 3.

3.2.2.4. Night Differential Pay. Under ***5 U.S.C. § 5545***, GS part-time employees are entitled to night pay for work performed between 6:00 p.m. and 6:00 a.m. as part of their regularly scheduled administrative workweek. See Chapter 3.

3.2.2.5. Night Shift Differential Pay. Under ***5 U.S.C. § 5343(f)***, Federal Wage System (FWS) part-time employees who work a regular scheduled shift of 8 hours or less are entitled to night shift differential. A majority of the hours worked, however, must be on the second or third shift. For information on pay for the second and third shifts, see Chapter 3.

3.2.2.6. Holiday Premium Pay. Under 5 U.S.C. § 5546, a part-time employee who works on a holiday that falls during their regularly scheduled hours is entitled to holiday premium pay only for those scheduled hours. However, part-time employees who are excused from work

on a holiday may only receive their rate of basic pay for the hours they are regularly scheduled to work on that day. Additionally, part-time employees do not receive holiday premium pay for working on an in-lieu-of holiday that is scheduled for full-time employees.

3.3 Intermittent Employment

3.3.1. Purpose. The term intermittent relates to an employee's work schedule and not the appointment type. Intermittent employees can be either permanent or temporary employees. Intermittent employees work sporadically and have no fixed or guaranteed schedules. This is other than full-time employment in which employees serve under an excepted or competitive service appointment without a regularly scheduled tour of duty. See ***5 CFR 340.403***. An intermittent work schedule is appropriate for a position involving work that is sporadic and unpredictable such that a regular tour of duty cannot be scheduled in advance.

3.3.1.1. Pay. Intermittent employees are paid only for hours of work performed while in a duty status. The gross basic pay is computed by multiplying the employee's hourly rate of pay by the total of the hours worked during the pay period. Because employees working on an intermittent basis do not maintain a regularly scheduled workweek as defined in ***5 CFR 610.102***, intermittent employees are not eligible for pay for holiday work, night pay or night shift differential, or Sunday premium pay. See ***5 CFR 532.509***, ***5 CFR 550.121***, and ***5 CFR 550.103***. Intermittent employees are entitled to overtime when appropriate. Intermittent employees receive their normal salary for working holidays, Sundays, or during a night shift. An exception exists for an FWS intermittent employee assigned to a regularly scheduled shift of fewer than 8 hours. The FWS employee in this situation is entitled to night shift differential pay if a majority of the hours are worked during the period when night shift differential is payable. See ***OPM Appropriated Fund Operating Manual, subchapter S8-4***. A GS intermittent employee is not eligible for night pay differential unless temporarily assigned to a regular tour of duty with night work.

3.3.1.2. Leave. Intermittent employees do not earn annual or sick leave.

3.3.1.3. Sick Leave Recredit Upon Transfer. When a full or part-time employee transfers to an intermittent job to which he or she cannot transfer previously earned sick leave, the sick leave must be held in abeyance until the employee returns to the original leave system under which the leave was earned. The sick leave is recredited if the employee returns to the original leave system on or after December 2, 1994, without regard to the original date of transfer. See ***5 CFR 630.502***.

3.3.1.4. Lump-Sum Annual Leave Payment. When a full-time or part-time employee is changed to an intermittent employee, any unused annual leave is paid as lump-sum. A lump-sum payment is not required when the employee is part of a continuing program under which employees are required to return to full-time or part-time employment after a period of intermittent employment (e.g., student trainee). See ***5 CFR 550.1203***.

3.3.2. Deductions

3.3.2.1. Retirement. Intermittent employees are not eligible for retirement coverage except when the intermittent employment follows employment in a covered position, and there has not been a break in service of more than 3 days. Intermittent employees are subject to Social Security and Medicare deductions. See ***5 CFR 831.201***.

3.3.2.2. FEHB. Intermittent employees who are expected to work 130 hours or more per month for at least 90 days are eligible to enroll in an FEHB plan. These eligible employees will receive the same government contribution as full-time permanent employees. See ***5 CFR 890.102(j)*** and OPM Benefits Administration Letter ***(BAL) 14-210***.

3.3.2.3. FEGLI. Intermittent employees are excluded from FEGLI coverage by regulation, except when intermittent employment follows, with a break in service of no more than 3 days, a position in which the employee was eligible to be insured and to which the employee is expected to return. The agency makes this determination, not OPM. See the FEGLI Program Handbook. For insurance purposes, the annual pay for intermittent employees is the annual rate that they were receiving at the end of the pay period or, in the event of death or dismemberment, the annual rate they were receiving at the time of the death or accident. For example, if an intermittent employee is paid $17.84/hour, their rate of pay fixed by law is $37,232 ($17.84/hour x 2,087 hours per year = $37,232/year). If this employee works only 2 days or 16 hours during a particular pay period, the annual rate of pay for insurance purposes is based on actual time worked during that pay period. In this example, $7,421 is the annual rate of pay for insurance purposes ($17.84/hour x 16 hours during the pay period x 26 pay periods per annum = $7,421/year). However, insured employees whose annual pay is $8,000 or less are covered for the minimum $10,000 of basic insurance. See the FEGLI Program Handbook.

3.4 Seasonal Employment

The term “seasonal” relates to an employee’s work schedule and not the appointment type. Seasonal employment was established to allow agencies to recruit and train employees for duty that occurs on a predictable yearly basis and is expected to last less than 12 months each year. See ***5 CFR 340.402***. As with other career employees, seasonal employees are entitled to receive full benefits. At the end of the season, the employee is placed into a non-duty/nonpay status and will be recalled at the onset of the next season in accordance with a pre-established agreement between the agency and the employee.

3.4.1. Pay. Gross basic pay is computed by multiplying the employee’s hourly rate of pay by the total of the hours worked and the hours of paid leave during the pay period.

3.4.2. Leave. Employees in a seasonal position earn leave during the time in pay status and during the first 80 hours in nonpay status each year. A seasonal employee earns leave on the same basis as any other employee eligible to earn leave. See ***5 CFR 630.208*** for information on leave during nonpay status.

3.4.3. Deductions

3.4.3.1. Regularly scheduled seasonal employees under career or career-conditional appointments and who are expected to work at least 6 months per year are subject to FEGLI and retirement deductions. These deductions are made on the same basis as those of full-time employees.

3.4.3.2. Employees in a seasonal position who are expected to work 130 hours or more per month for at least 90 days are eligible to enroll in an FEHB plan. These eligible employees will receive the same government contribution as full-time permanent employees. See 5 CFR 890.102(j) and BAL 14-210.

3.5 Piecework Employees

When Executive Agency employees are hired on a piecework basis, the employee's earnings are determined based on the amount of work produced. The general authority for entitlement of pay, scheduling of work, and excusing absences for piecework employees are granted under ***5 U.S.C. § 6104*** and ***5 CFR 610.301-306***. Employees working limited appointments of 1 year or less and being paid piecework rates are excluded from retirement coverage unless they are covered by an exception. See ***5 CFR 831.201(a)(5)***.

3.5.1. FEGLI. For life insurance purposes, the annual pay for a piecework employee is the total basic earnings for the previous calendar (52-week) year, not counting premium pay for overtime or holidays. See ***5 CFR 870.204(d)***.

3.5.2. FEHB. Piecework employees are excluded from FEHB coverage except for those with a work schedule that provides for full-time or part-time service with a regularly scheduled tour of duty. See ***5 CFR 890.102(c)(6)***.

4.0 REEMPLOYED ANNUITANTS

4.1 Purpose

A retired federal employee may be rehired in federal service as a reemployed annuitant. The retired employee's annuity may continue to be paid upon reemployment, or may be terminated or suspended. Reemployment may result in an increase in the employee's retirement and death benefits. Special provisions apply to annuitants reemployed by DoD on or after November 25, 2003, and to former Members of Congress.

4.1.1. Employees Retired From Competitive Service

4.1.1.1. Regulations Governing Reemployment. Instructions governing the reemployment of employees retired from the regular competitive service under the Civilian Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS) are contained in ***5 U.S.C. § 8344***, ***5 U.S.C. § 8468***, ***5 U.S.C. § 9002***, ***5 CFR Part 837*** and the ***CSRS/FERS Handbook, Chapter 100***, Reemployed Annuitants. See subparagraph 4.1.2 for annuitants reemployed by DoD on or after November 25, 2003.

4.1.1.2. Treatment of Annuity Upon Reemployment. As a general rule, if a CSRS or FERS annuitant is reemployed, the annuity continues to be paid, but the annuity payment is offset from the reemployed annuitant's salary. Certain exceptions apply which may result in the CSRS or FERS annuity being terminated or suspended upon reemployment. The Director of OPM may waive the reemployment provisions for CSRS or FERS annuitants on a case-by-case basis for a position where there is exceptional difficulty in recruiting or retaining a qualified employee.

4.1.1.2.1. Termination of a Disability Annuity. A CSRS or FERS disability annuitant may be reemployed in a temporary or permanent position and given the same type of appointment that would be given to any other person appointed to the position. Reemployment may cause the disability annuity to terminate if OPM determines the annuitant has recovered or been restored to earning capacity prior to reemployment. Additionally, reemployment may terminate the annuity of a CSRS or FERS disability annuitant who was medically disqualified for continued membership in the National Guard.

4.1.1.2.2. Termination of an Annuity Based on Involuntarily Separation. When involuntary separation such as for reduction-in-force and lack of funds is the basis for a CSRS annuitant's retirement, and the new appointment is subject to retirement coverage, the annuity payment is terminated upon reemployment and retirement deductions must be taken from the salary.

4.1.1.2.3. Termination Upon Presidential Appointment or Election to Congress. When a CSRS annuitant receives a Presidential appointment subject to retirement deductions, or is elected as a member of Congress, payment of the annuity terminates upon reemployment.

4.1.1.2.4. Suspension Upon Judicial Appointment. When a CSRS or FERS annuitant is appointed as a justice or a judge of the United States, payment of the annuity is suspended.

4.1.1.2.5. Suspension Upon Interim Appointment by Merit Systems Protection Board (MSPB). When a CSRS or FERS annuitant receives an interim appointment under ***5 U.S.C. § 7702*** by the MSPB, payment of the annuity is suspended.

4.1.1.3. Reemployment of Law Enforcement Officers (LEOs), Firefighters, and Air Traffic Controllers (ATCs). A retired LEO or firefighter mandatorily separated is generally barred from reemployment in a primary position involving law enforcement or firefighting duties after reaching age 57. However, he or she is not barred from reemployment in a secondary position or any other position. Similarly, a retired ATC is generally barred from reemployment in the same position after reaching age 56. He or she is not barred from reemployment in any other position not covered by the special retirement provisions for ATCs. The agency must withhold the required deductions from the reemployed annuitant's pay (0.5 percent higher than the regular deduction rate). See ***5 U.S.C. § 8335*** and ***5 U.S.C. § 8425***.

4.1.1.4. Supplemental Annuity or Redetermined Annuity. A reemployed annuitant may earn future benefits either in the form of a supplemental annuity or a redetermined annuity.

4.1.1.4.1. Supplemental Annuity. A supplemental annuity is an annuity added to the reemployed annuitant's present annuity. An employee who works as a reemployed annuitant on a full-time basis for at least 1 year, or on a part-time basis for a proportionately longer period, may be entitled to a supplemental annuity. For a reemployed annuitant who qualifies for a supplemental annuity, the ***SF 2806***, Individual Retirement Record CSRS, or ***SF 3100***, Individual Retirement Record FERS, typically prepared for a new employee, is prepared at the time of separation rather than at the time of appointment.

4.1.1.4.2. Redetermined Annuity. A redetermined annuity is a recomputed annuity that takes the place of the employee's present annuity. A redetermined annuity is computed using all of the reemployed annuitant's creditable service. A reemployed annuitant who completes at least five years of actual continuous full-time service and/or part-time service that is equivalent may elect to have their annuity computed as a redetermined annuity under the law in effect at the time of separation from reemployment, in-lieu-of a supplemental annuity.

4.1.1.4.3. Exception. The special retirement provisions for LEOs, firefighters, and ATCs do not apply to service from reemployment. Therefore, any service credit from reemployment that is used to calculate a supplemental or redetermined annuity is treated as regular service, even if the employee is reemployed in an approved LEO, firefighter, or ATC position.

4.1.2. Annuitants Reemployed by DoD on or After November 25, 2003. The Secretary of Defense was granted the authority to reemploy annuitants without a reduction in pay or of the annuity (***5 U.S.C. § 9902***). Instructions governing annuitants who are reappointed by DoD on or after November 25, 2003, are found in the ***DoDI 1400.25-V300***, Employment of Federal Civilian Annuitants in the DoD. Generally, annuitants hired by DoD prior to November 25, 2003, are subject to salary offset unless an exception is approved by OPM or DoD. However, reemployed annuitants hired by DoD after November 25, 2003, may continue to receive their full annuity and salary upon appointment and will not have their salary offset by their annuity or further retirement deductions. An exception applies for certain discontinued service retirement (DSR) annuitants who are receiving annuities based on involuntary separation for reasons other than for cause based on misconduct or delinquency. A DSR annuitant hired by DoD after November 25, 2003, may elect retirement contributions and earn further retirement credit in-lieu-of receiving their full salary plus annuity. See ***CSRS/FERS Handbook, Chapter 44***.

4.1.3. Former Members of Congress

4.1.3.1. Suspension of Annuity Upon Reemployment. The CSRS annuity of a retired Member of Congress is generally suspended when the annuitant becomes reemployed or accepts an appointment. See ***5 U.S.C. § 8344(d)***. Contact OPM Retirement and Insurance Programs, Annuitant Services Division, Washington, DC 20415 for further guidance regarding reemployment of Members.

4.1.3.2. Supplemental or Redetermined Annuities. Members of Congress are not covered under the provisions for supplemental or redetermined annuities. The agency retirement counselor should contact OPM concerning the benefits for reemployed former Members.

4.2 Prorating Annuities for Appropriate Reductions of Wage and GS Salaries

4.2.1. Purpose. Upon reemployment, HRO provides the SF 50, Notification of Personnel Action, data to the servicing PRO as to the amount of annuity paid to a reemployed annuitant.

4.2.2. Employees Retired From the Competitive Service. A reemployed annuitant, who retains their annuity, must have their salary reduced by a sum equal to the retirement annuity allocable to the period of actual employment. The appropriate reduction and adjusted salary must be determined as follows:

4.2.2.1. An annuitant reemployed on an annual pay basis must have their per annum salary reduced by the amount of the annual annuity. The remainder of the salary is computed in amounts payable on a biweekly pay period basis. Payment for overtime worked is based on an annuitant's full rate of basic pay before any reduction by the amount of their annuity.

4.2.2.2. An annuitant reemployed on an hourly pay basis must have their daily or hourly rate of pay converted to the per annum equivalent. The per annum rate is reduced by the total amount of the annuity being received by the employee. The remainder converts to a per diem or per hour rate, as appropriate.

4.2.2.3. The reimbursement to OPM is adjusted following increases in an annuity as provided in the CSRS and FERS Handbook and any OPM instructions issued with periodic cost-of-living adjustments.

4.2.3. Former Members of Congress. A former Member of Congress who is employed in an appointive position on an intermittent service basis, and who retains their annuity, must have their salary reduced by a sum equal to the retirement annuity allocable to the period of actual employment. The amount of annuity allocable to each pay period must be processed as a payroll deduction rather than as a reduction in pay period earnings, as is the case with reemployed competitive service annuitants. Therefore, annuities withheld must not reduce earnings for tax and other purposes. Annuities withheld in the case of former Members of Congress must be remitted to OPM.

4.3 Processing

Retirement deductions are optional for CSRS reemployed annuitants, and there is no requirement for a matching government contribution. See the CSRS and FERS Handbook, Chapter 100. Retirement deductions are required for FERS reemployed annuitants, as are government contributions. These deductions are computed on the reemployed annuitant's basic pay before any offset due to receipt of an annuity. Deductions for Medicare (CSRS employees) or Social Security/Medicare (FERS employees) are computed on the amount remaining after subtracting the annuity offset, in accordance with Social Security Administration guidance. Federal, state, and local taxes are computed on the amount remaining after subtracting the annuity offset. A reemployed annuitant may not be credited with sick leave that was reported to OPM for use in the calculation of the employee's annuity. Sick leave used in the annuity computation is charged against an employee's sick leave account and is considered used. The sick leave may not thereafter be used, transferred, or recredited. See ***5 CFR 630.407***.

4.4 Computation of Lump-Sum Leave Pay

Under the provisions of 5 U.S.C. § 8344, the lump-sum payment for unused annual leave payable to a reemployed annuitant upon separation will be computed on the basis of the employee's wage or salary rate fixed for their position or occupation without reduction for the amount of annuity received by the employee. This includes reemployed annuitants who are retired from the competitive service or who are former Members of Congress.

5.0 DECEASED EMPLOYEES

5.1 Purpose

Procedures governing the settlement of accounts of deceased civilian employees are set in ***5 U.S.C. §§ 5581-5584*** and ***5 CFR 178.201-208***. An employee may designate a beneficiary or beneficiaries to receive their unpaid compensation using an ***SF 1152***, Designation of Beneficiary Unpaid Compensation of Deceased Civilian Employee. If no beneficiary has been designated by the employee, payment is made pursuant to the order of precedence set out in 5 U.S.C. § 5582(b). Deceased civilian employees also include former employees who die after separation from the

employing installation, but prior to receiving final pay and allowances. The procedures do not apply to the settlement of accounts for deceased Members of Congress or to the employees of certain federal banks. For death gratuity payments, refer to paragraph 5.9.

5.2 Unpaid Compensation

The settlement of a deceased employee's account includes payment of any unpaid compensation due the employee in the form of pay, allowances, or other amounts due at the time of death including, but not limited to:

5.2.1. Current salary (including any retroactive salary), including cost-of-living allowances, overtime and premium pay;

5.2.2. Unclaimed or unnegotiated checks;

5.2.3. Cash awards;

5.2.4. Foreign and non-foreign area differentials and allowances;

5.2.5. Lump-sum annual leave payment;

5.2.6. Travel reimbursement; or

5.2.7. Severance pay.

5.3 Payment of Unpaid Compensation Due a Deceased Employee

When the HRO is notified of the death of an employee, they forward a copy of the employee's SF 1152, (if available) and all ***SF 1153s***, Claim for Compensation of Deceased Civilian Employee, submitted by the claimants to the servicing PRO. Claimants must provide supporting documentation as requested by the servicing PRO. Upon notice of the death of a civilian employee, an ***SF 1154***, Public Voucher for Unpaid Compensation Due a Deceased Civilian Employee, is prepared to permit prompt payment of the amounts due. If undisputed, the unpaid compensation due a deceased employee may be paid directly by the agency to the designated beneficiary/beneficiaries or, if none, to the person or persons eligible for payment under the order of precedence set out in 5 U.S.C. § 5582(b) and 5 CFR 178.204. Disputed claims for unpaid compensation due to a deceased employee are submitted to OPM Merit System Accountability and Compliance (MSAC) for settlement.

5.3.1. Undisputed Claims for Unpaid Compensation. As soon as practicable after the death of an employee, the agency in which the employee was last employed will request the appropriate person or persons execute an SF 1153. See 5 CFR 178.205(a). Direct payment is permitted to the claimant(s) who is legally entitled to an employee's unpaid compensation. When paying more than one beneficiary, percentages are applied due each beneficiary as specified by the deceased employee on the SF 1152. If the SF 1152 does not specify percentages, the total amount of unpaid compensation should be divided equally among the eligible claimants. The SF 1152

must be signed by the employee and filed with the employee's employing activity prior to their death. A properly executed and filed SF 1152 will be effective so long as employment with the agency continues. If the employee resigns and is reemployed or transferred to another agency, the employee must execute another SF 1152 with the employee's new employing agency, in accordance with 5 CFR 178.203(e). However, if the employee's agency or site, function, records, equipment, and personnel are absorbed by another agency, then the employee's designation form may continue, and a new designation form is not required. Money due an employee at the time death is paid to the person or persons surviving at the date of death, in the following order of precedence, and the payment bars recovery by another person of amounts so paid:

5.3.1.1. First, to the beneficiary or beneficiaries designated by the employee in writing (SF 1152) received in the employing agency before their death;

5.3.1.2. Second, if there is no designated beneficiary, to surviving spouse of the employee;

5.3.1.3. Third, if none of the above, to the child or children of the employee, and descendants of deceased children by representation;

5.3.1.4. Fourth, if none of the above, to the parents or surviving parent of the employee;

5.3.1.5. Fifth, if none of the above, to the duly appointed legal representative of the estate of the employee; and

5.3.1.6. Sixth, if none of the above, to the person or persons entitled under the laws of the domicile of the employee at the time of their death.

5.3.2. Other Claim Considerations

5.3.2.1. Claims by a Child(ren) of Deceased Employee. For purposes of claims of unpaid compensation under 5 U.S.C. § 5582(b), a "child" of a deceased employee includes a natural or legally adopted child of the employee. If another person adopts the employee's natural child, the child is a beneficiary of the employee only in those states where an adopted child may still inherit from a natural parent. A stepchild is not an eligible beneficiary unless adopted by the employee or unless the stepchild is permitted to inherit pursuant to the intestacy laws of the employee's domicile at death.

5.3.2.2. Additional Evidence Required. Where payment is to be made to the duly appointed legal representative of the estate of the employee or a person entitled under the law of the domicile of the deceased individual, the servicing PRO may require the claimant(s) to submit evidence of entitlement under state law. This includes, but is not limited to: funeral expense receipts, small estate affidavit, trust documents, court orders granting summary administration, letters of administration, and where necessary, the deceased person's will.

5.3.2.3. Felonious Intent. If the beneficiary's actions caused the death of the employee, the employee's unpaid compensation will not be paid to that person unless evidence is received and determined by the servicing PRO to clearly absolve the beneficiary of any felonious intent.

5.3.2.4. Death of Beneficiary Prior to Final Settlement. If the beneficiary survives the employee but dies before receiving final settlement, upon presentation of a SF 1153 claim form, the unpaid compensation may be paid to the beneficiary's estate or heirs at law.

5.3.3. Disputed Claims. Disputed claims include those claims where doubt exists as to the amount or validity of the claim or as to the person properly entitled to payment. Disputed claims may also include unnegotiated or undelivered checks for money due to the decedent. Disputed claims are submitted to the MSAC in accordance with ***5 CFR 178.102*** and ***5 CFR 178.207*** either by the claimant or by the agency on the claimant's behalf. After the MSAC settles the dispute and certifies the SF 1154, the claim will be paid.

5.4 Computation of and Deductions From Final Pay

The employee's pay earned and applicable deductions are computed through the date of death.

5.4.1. Retirement. If the employee was covered by a retirement system, the retirement contributions are deducted from the unpaid salary earned through the date of death.

5.4.2. Social Security and Medicare Portions of the Federal Insurance Contributions Act (FICA) Tax. If the employee was subject to Social Security/Medicare, deduct for Social Security/Medicare tax from unpaid salary paid in the same calendar year as the employee's death. See Internal Revenue Service ***(IRS) Publication 15, (Circular E)***. Gross wages paid in the calendar year through the date of death, subject to the statutory limitation, are subject to Social Security/Medicare. Social Security/Medicare taxes must be withheld from wages paid to a beneficiary or to the estate of the deceased employee in the same calendar year that the employee died. If the payment is made after the calendar year of employee's death, wages are exempt from Social Security/Medicare taxes.

5.4.3. Federal Income Tax. A deceased employee's unpaid wages are not subject to federal income tax withholding in either the calendar year in which the employee died or afterward. Federal income tax withholding is not deducted from unpaid salary earned by an employee through the date of death. See IRS Circular E.

5.4.4. State Tax. State, territory, or District of Columbia income tax is not deducted from the unpaid salary and lump-sum leave earned by an employee through the date of death.

5.4.5. Local Tax. Local taxes are not deducted from the unpaid salary and lump-sum leave earned by an employee through the date of death.

5.4.6. FEHB. If a survivor is eligible to continue enrollment, withholding for premiums are made using the daily proration rule according to Chapter 11. If there is no eligible survivor, or the employee self-only enrollment, a full premium deduction is withheld for the pay period during which the employee died.

5.4.7. FEGLI. If the employee was subject to FEGLI, premiums for the periods for which pay is due, must be withheld, including the pay period during which death occurred.

5.4.8. Thrift Savings Plan (TSP). Deductions for TSP contributions and any TSP loans outstanding must be withheld.

5.4.9. Allotments. Allotment deductions for the pay period in which death occurred are not withheld.

5.4.10. Other Deductions. Any other required deductions must be taken, such as for any indebtedness owed by the employee.

5.5 Lump-sum Payment for Accrued Leave

The PRO does not deduct retirement, federal, state, or local income tax, health benefits, or life insurance from the lump-sum payment.

5.6 Tax Reporting

5.6.1. ***IRS Form W-2***, Wage and Tax Statement. Gross amounts of final pay for the pay period of death plus any lump-sum annual leave payments must be reported as Social Security wages (box 3) and Medicare wages (box 5) only if these amounts are paid to the estate or beneficiary in the same year that the death of the employee occurs. The Social Security and Medicare taxes withheld are reported in boxes 4 and 6. These amounts are not included as wages, tips, or other compensation in box 1. The PRO does not report payments made after the year of death on a W-2 and will not withhold Social Security and Medicare taxes.

5.6.2. Miscellaneous Income. The PRO will take the following actions:

5.6.2.1. Prepare an ***IRS Form 1099-MISC***, Miscellaneous Income, for amounts payable to the decedent's estate or to beneficiary(s) whether the PRO makes the payment in the year of death or after the year of death;

5.6.2.2. Report the payment in box 3, "Other income;"

5.6.2.3. Include the gross amounts of final pay for the pay period of death, lump-sum annual leave, and other moneys such as travel reimbursements; and

5.6.2.4. Enter the name and Social Security Number of the individual if the recipient of the payment is an individual beneficiary. Enter the name and federal tax identification number for the estate if the recipient of the payment is the Employee's estate.

5.7 Transfer of Funds

The unpaid compensation is placed in the deposit fund account pending receipt of a claim for the compensation. If after one year, a claim has not been paid out from the deposit fund account, the funds should be transferred according to the Treasury guidelines. Subsequent payment of claims from this account is made by preparing an SF 1154. See Department of Treasury Financial Manual, ***(TFM), Volume 1, Part 6, Chapter 3000***.

5.8 Life Insurance Status for Employee Death Cases Within the Department

When an employee dies, the ***SF 2821***, Agency Certification of Insurance Status, is processed according to the guidance in the FEGLI Program Handbook.

5.9 Death Gratuity Payments for Federal Employees

5.9.1. $10,000 Death Gratuity. ***Title 5 U.S.C. § 8133*** authorizes agencies to pay a death gratuity payment not-to-exceed $10,000 to the personal representative of any federal employee who dies from an injury sustained in the performance of duty on or after August 2, 1990. The gratuity is also payable if the employee died after separating from service and the death was a direct result of injuries received in the line of duty on or after August 2, 1990. The following information should be considered when making the $10,000 death gratuity payment:

5.9.1.1. The gratuity payment, when combined with certain other payments, may not exceed $10,000. Other payments include the $200 payable under 5 U.S.C. § 8133(f) for reimbursement of the cost of termination of the decedent's status as an employee of the United States and up to $800 payable under ***5 U.S.C. § 8134(a)*** for funeral and burial expenses. Pursuant to ***DCPAS Benefits Reference Guide: Death in Service***, the death gratuity is payable only if the death claim is approved by the OWCP.

5.9.1.2. The gratuity payment is not considered wages for the purpose of Social Security, Medicare, or federal, state, or local tax withholding. An ***IRS Form 1099-R***, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., must be prepared by the Defense Finance and Accounting Service (DFAS) and forwarded to the personal representative.

5.9.2. Death Gratuity Under 5 U.S.C. § 9904. Under the provisions of ***5 U.S.C § 9904***, DoD civilian employees who are assigned to certain activities outside the United States determined to be hazardous to life or health or that involve specialized security requirements may be eligible for benefits comparable to those provided under ***22 U.S.C. § 3973*** by the Secretary of State to members of the Foreign Services. Pursuant to 22 U.S.C. § 3973, a death gratuity is paid when an employee dies as a result of injuries received in the performance of duties. The amount of the gratuity is equal to Level II of the Executive Schedule under ***5 U.S.C. § 5313***, at the time of an employee's death. This gratuity payment must be made as follows, regardless of other beneficiaries designated to receive any other benefits:

5.9.2.1. First, to the widow or widower, as defined under ***5 U.S.C. § 8101(6) and (11)***; or

5.9.2.2. Second, to the child, or children as defined under 5 U.S.C. § 8101(9), in equal shares, if there is no widow or widower; or

5.9.2.3. Third, to dependent parent, or dependent parents, defined under 5 U.S.C. § 8101(7), in equal shares, if there is no widow, widower, or child. If there are no survivors as indicated in subparagraph 5.9.2, the death gratuity must not be paid.

5.9.3. Death Gratuity for Service With Armed Forces in a Contingency Operation. ***Title 5 U.S.C. § 8102(a)*** provides a death gratuity of up to $100,000 to the survivors of a federal employee who dies from injuries received in connection with services performed with an Armed Force in a contingency operation. The gratuity is reduced by the amount of any death gratuity payments that have been paid under any other law of the United States based on the same death. See ***20 CFR 10.916***. The OWCP is responsible for administering and adjudicating all claims under this authority. For additional information, see ***20 CFR 10, subpart J***. See also ***DOL Death Gratuity Page***.

6.0 EXPERTS AND CONSULTANTS

6.1 Purpose

An agency may make excepted service appointments to hire experts and consultants. Agencies may appoint experts and consultants on a temporary basis (i.e., not-to-exceed 1 year) or an intermittent basis (i.e., without a regularly scheduled tour of duty) under ***5 U.S.C. § 3109*** and ***5 CFR Part 304***. Experts and consultants are paid based on the SF 50 data received from the HRO. Experts and consultants appointed under 5 U.S.C. § 3109 are considered to be federal civil service employees under ***5 U.S.C. § 2105***. See 5 CFR 304.101. Unless expressly provided otherwise, they are covered by laws applicable to federal employees, including pay and leave requirements.

6.2 Setting Pay on Initial Appointment

Determining the appropriate rate of basic pay for experts and consultants, including a decision to pay no salary, is made on an individual case basis. The rate of basic pay may be an hourly or daily rate. Normally, pay is set equal to a GS rate in grades GS-13 through GS-15. Unless specifically authorized by an appropriation or other statute, the highest payable rate is the daily rate for GS-15, step 10, or if paid on a biweekly basis, the biweekly rate for GS-15, step 10 (both excluding locality pay or any other additional pay). See 5 CFR 304.105 for daily and biweekly basic pay limitations.

6.3 Overtime and Premium Pay

6.3.1. Overtime. Experts and consultants paid on a daily rate basis are not normally entitled to overtime pay under 5 U.S.C. § 5542, regardless of the number of hours worked. Nevertheless, the designation of a regular tour of duty in the appointment documents does not necessarily preclude receipt of compensation at the agreed daily rate for work performed outside

of that tour of duty. For example, if such an employee works 6 days a week, the 6th day is paid at the straight time rate rather than the overtime rate. Experts and consultants employed on a daily basis may be paid the rate of basic compensation for work on days outside the prescribed tour of duty, provided the compensation within any biweekly pay period does not exceed the rate of basic pay for Level V of the Executive Schedule. Experts and consultants who are nonexempt under the Fair Labor Standards Act (FLSA) may be entitled to overtime pay. Overtime must be authorized and approved in advance by an appropriate official.

6.3.2. Holiday Pay. Experts and consultants with a regularly scheduled tour of duty (i.e., not intermittent) are entitled to pay for any holiday occurring on a workday on which they perform no work, provided that workday is part of the basic workweek. Those employed on an intermittent basis do not earn leave and are not entitled to paid holidays. See 5 CFR 304.106.

6.4 Salary Increases

Experts and consultants are not automatically entitled to an equivalent pay increase when the GS is adjusted under ***5 U.S.C. § 5303*** unless noted in an appointment document. However, agencies may adjust expert or consultant pay on an ad hoc basis, subject to the limitations of 5 CFR 304.105, with an SF 50 action.

6.5 Exception From Dual Pay Restriction

Generally, an individual is prohibited by statute from receiving basic pay from more than one position for more than an aggregate of 40 hours of work in 1-calendar week. An exception to this restriction is provided for an individual who earns pay for service on an intermittent basis from more than one consultant or expert position, provided the pay is not received for the same hours of the same day. See ***5 U.S.C § 5533(d)(1)***.

6.6 Annual and Sick Leave

6.6.1. An expert, consultant, or other employee who serves on an intermittent or other basis without a prearranged regular tour of duty does not earn annual and sick leave. See ***5 U.S.C. § 6301(2)(B)(ii)***.

6.6.2. An expert or consultant who serves on a regularly prescribed tour of duty, full-time or part-time, earns annual and sick leave. HRO must determine the regular tour of duty in advance and annotate the appointment document specifically to show whether the employee earns leave. The accrual rate is the same as for other full-time and part-time federal employees as discussed in ***5 CFR Part 630***. See 5 CFR 304.106.

6.7 Retirement

Experts and consultants are appointed on a temporary or an intermittent basis and therefore, they are not covered under the federal retirement systems. See 5 CFR 831.201 and ***5 CFR 842.105***. However, coverage is continued for an employee who is currently covered by a federal retirement system and who is later appointed as an intermittent or temporary (full-time or

part-time) expert or consultant without a break in service or after a separation from the service of 3 days or less.

6.8 FEGLI

Experts and consultants are ineligible for FEGLI due to their temporary or intermittent appointment status. However, coverage is continued if an employee currently covered by FEGLI is appointed as an intermittent or temporary appointment (full-time or part-time) expert or consultant without a break in service or after a separation from the service of 3 days or less. To continue life insurance coverage for an intermittent employee, there must be an expectation that the employee will return to the previous position on a full-time basis.

6.9 FEHB

Employees in an expert or consultant position who are expected to work 130 hours per month or more for at least 90 days will be eligible to enroll in an FEHB plan. These eligible employees will receive the same government contribution as full-time permanent employees. See 5 CFR 890.102 and BAL 14-210.

7.0 LEGALLY INCAPCITATED EMPLOYEES

7.1 Purpose

An SF 50 action showing the employee's separation because of mental incapacity is initiated by the servicing HRO. The agency may also place the employee on an extended leave of absence by means of an SF 50 action. No payments will be made to the employee once the servicing PRO has been notified that the employee is declared legally incapacitated. A claim must be filed on the employee's behalf before the pay account can be settled. No specific form is required to file a claim for amounts due mentally incapacitated or former employees. The claim must be filed in writing over the signature of the person claiming on behalf of the legally incapacitated employee. If the claim is from a claimant other than a guardian or committee, the servicing PRO's Office of General Counsel should be consulted prior to making payment.

7.1.1. Guardian or Committee. The initial claim filed by the guardian or committee of the estate of a legally incapacitated employee must be accompanied by a certificate of the court showing the appointment and qualification of the claimant as guardian or committee. After making the first payment, subsequent recurring payments may be made to the same payee without further claim as long as the appointment as guardian or committee remains in effect and the matter is otherwise free from doubt. Each subsequent payment voucher must include a citation to the voucher upon which the initial claim was paid.

7.1.2. Other Than Guardian or Committee. If a guardian or committee has not been appointed and will not be appointed, a sworn statement that includes the following information to support the initial claim:

7.1.2.1. The claimant's relationship to the legally incapacitated employee, if any;

7.1.2.2. The name and address of the person having care and custody of the legally incapacitated employee;

7.1.2.3. A remark that any amount paid to the claimant must be applied only to the use and benefit of the legally incapacitated employee; and

7.1.2.4. A remark that no appointment of a guardian or committee is contemplated.

7.2 Claim Action

Upon receipt of a claim, the proposed date of separation is considered to determine whether compensation is due currently or a payroll voucher for final settlement should be processed. To avoid invalid payments when the employee is on extended paid leave, the HRO monitors the case for any changes in the employee's condition and immediately advises the servicing PRO.

7.3 Claims

Claims for unpaid amounts owed to legally incapacitated employees may be paid once the claim and claimant's entitlement have been verified.

7.3.1. Any unclaimed, undelivered, or uncashed salary checks drawn in favor of the employee must be returned to the disbursing officer for cancellation and credited to the appropriation fund originally charged.

7.3.2. The net amount of any returned check must be posted to the appropriate pay record. Adjustment of the items originally deducted from the gross pay is not required if the proceeds of the check are due the employee. If the proceeds of the check are not due an ***SF 1098*** Schedule of Canceled or Undelivered Checks, to cancel the check and must adjust entries for the deductions from gross pay.

7.3.3. The amount to be paid to the claimant must be computed and must include any further payments due to the employee for each pay period in the regular payroll cycle, such as payments due when the employee is carried on sick leave.

7.4 Doubtful Claims

Doubtful claims are submitted to OPM for certification.

8.0 MISSING PERSONS, CAPTURED OR INTERNED

8.1 Purpose

Civilian personnel who are determined officially to be missing are entitled to continued pay and allotments from their pay under the Missing Persons Act (***5 U.S.C. §§ 5561-5568***) and the Terrorism Compensation Act (***5 U.S.C. § 5569***). Missing status includes persons:

8.1.1. Missing;

8.1.2. Missing-in-action;

8.1.3. Interned in a foreign country;

8.1.4. Captured, beleaguered, or besieged by a hostile force; or

8.1.5. Detained in a foreign country against the employee's will.

8.2 Pay, Allotments, and Leave Account

An employee in a missing status is entitled to receive or have credited to their account, for the period while in that status, the same pay and allowances to which he or she was entitled at the beginning of that period or may become entitled thereafter. The servicing PRO retains responsibility for the employee's pay, leave, and retirement records. See ***5 U.S.C. § 5562***.

8.2.1. Pay. The employee's pay account is maintained on a pay-period basis. Standard deductions are applied for retirement, FICA, federal and state income tax withholding, FEHB, and FEGLI in the totals for the regular payroll voucher. Upon receipt of an official determination that a civilian employee is in a missing status, any unclaimed or uncashed checks must be returned to the disbursing office.

8.2.2. Allotments. The initiation, continuance, discontinuance, increase, decrease, suspension, or resumption of an allotment from the pay and allowances of an employee in a missing status, is authorized when that action is in the interest of the employee, the dependents, or the United States. See ***5 U.S.C. § 5563***.

8.2.2.1. Allotments authorized by an employee before the missing status began normally continue for the period of absence.

8.2.2.2. The missing employee's dependents may receive an allotment of the employee's pay. Dependent payments cannot exceed the employee's net pay. The needs of the dependents, the number of dependents and their relationship to the employee, however, should be considered when determining the payment amount. If possible, reserve a reasonable amount each pay period to ensure that the employee will have funds available upon return.

8.2.2.3. The pay and allowances of a missing employee in a captive status may be allotted to an interest-bearing savings fund established by the Secretary of the Treasury. See 5 U.S.C. § 5569. Captive status means a missing status, which, as determined by the President, arises, because of a hostile action and is a result of the individual's relationship with the government. All or any portion of the employee's pay and allowances may be allotted to the extent that such pay and allowances are not subject to an allotment under 5 U.S.C. § 5563 as outlined in subparagraph 8.2.3.

8.2.3. Leave. A special leave account should be established to restore any annual leave forfeited by an employee while in a missing status. Notwithstanding any other provision of law, an employee in a missing status on or after January 1, 1965, is entitled to:

8.2.3.1. Payment for annual leave which accrued to their account on or after January 1, 1965, but which was forfeited under ***5 U.S.C. § 6304*** because he or she was unable to use that leave by virtue of the missing status; or

8.2.3.2. Have all of that leave restored and credited to a separate leave account in accordance with the provisions of 5 U.S.C. § 6304(d)(2).

8.3 Termination of Absence

Employees should not be separated from federal service while they are entitled to pay and allowances under the Missing Persons Act (5 U.S.C. §§ 5561-5568).

8.3.1. If an employee returns from a missing status, future salaries are paid using normal payroll procedures.

8.3.2. If the employee returns from missing status, a statement of the special leave account balance must be furnished to their HRO. The employee must elect, in writing, to receive either a payment or credit for the leave. If the employee requests payment, the payment is made using the employee's rate of pay in effect at the time of the forfeiture of the leave.

8.3.3. If the HRO receives an official notice of the employee's death or presumed death, the servicing PRO will take action22 as outlined in section 5.0.

8.3.4. If the employee returns from missing status, the agency must charge the pay adjustment or final settlement, including local allotment payments to dependents, to the employee's appropriated fund account.

9.0 AUTHORITY FOR TEMPORARY ASSIGNMENTS

The authority for temporary assignments of employees between executive agencies and State, local, and Indian Tribal governments, institutions of higher education, and other eligible organizations is found in ***5 U.S.C. §§ 3371-3376*** and ***5 CFR Part 334***. An employee's pay and leave provisions will be included in the employee's written assignment agreement as required by 5 CFR 334.106.

10.0 EMPLOYEES TRANSFERRED TO INTERNATIONAL ORGANIZATIONS

10.1 Purpose

An agency may detail or transfer an employee to any organization that the Department of State has designated as an International Organization (IO). See ***5 U.S.C. §§ 3581-3584*** and ***5 CFR 352, subpart C***. A detail or transfer may not exceed 5 years;

however, this may be extended 3 additional years upon the approval of the head of the agency. A detail or combination of details and transfers must not exceed 8 years in the aggregate throughout an employee's Federal career. See 5 CFR 352.306. An employee who transfers is entitled to be reemployed in their former position, or one of like status, within 30 days of their application for reemployment.

10.2 Deductions

Under ***5 U.S.C. § 3582***, an employee who transfers to an IO may elect to keep coverage for retirement, FEGLI, and FEHB. The agency continues to make the agency contributions to the funds, and the employee's coverage continues as long as the employee's share of the payments remains current. At the time an employing Federal agency consents to the transfer of an employee, the agency must advise the employee in writing of the employee's right to continue retirement, health benefits, and group life insurance coverage, as applicable, for the duration of the assignment or transfer. The notice must explain the conditions for continued coverage and the employee's obligations and responsibilities with regard to continued coverage. The notice must also explain that, if the employee elects to retain coverage, the agency will continue to make the agency contributions to the funds, and the employee's coverage will continue as long as employee payments are currently deposited in the respective funds. See 5 CFR 352.309(a).

10.2.1. Retirement and FEGLI. Contributions must be based on the salary that the employee would have received had he or she remained in the position from which he or she transferred. If these amounts are changed by law, regulation, or a change in basic pay while an employee is serving with an IO, the amounts will be recomputed, and the IO will be notified (if applicable) of the effective date and new amount. For regulations on retirement and FEGLI, refer to 5 CFR 352.309.

10.2.2. FEHB. Deductions are based on the cost of the plan of the employee's choice. If the enrollment cost changes while the employee is serving with an IO, the amount is recomputed based on notification from the HRO.

10.2.3. TSP. An employee who transfers to an IO is not eligible to participate in the TSP while employed by the IO even if he or she elects to retain Federal retirement coverage. However, upon reemployment, an employee who elected to retain Federal retirement coverage while employed by the IO and has made all deposits required for such coverage may make contributions to the TSP which he or she missed as a result of the service with an IO, and receive make-up agency contributions and lost earnings on the agency contributions, as provided under 5 CFR 352.311(e).

10.2.4. FICA. Effective January 1, 1995, ***Public Law (PL) 103-296, section 319***, the Social Security Independence and Program Improvements Act of 1994, required that FERS and CSRS Offset employees who transfer to an IO continue their FICA coverage (including the Old-Age, Survivors, and Disability Insurance and Medicare taxes), if both of the following conditions are met:

10.2.4.1. The transferring employee must have been employed at a federal agency and subject to FICA immediately prior to the transfer; and

10.2.4.2. The employee must retain Federal reemployment rights under 5 U.S.C. § 3582.

Note: FICA tax is required for these transferred employees even if they are not continuing CSRS Offset or FERS coverage during the transfer. While employed by an IO, an employee's FICA tax is based on the amount of pay the employee would have received had he or she remained at the transferring agency.

10.3 Payments From Transferred Employees

The agency advises transferred employees to make payments for retirement, FEHB, and FEGLI promptly for each pay period. Payments are current if received within 3 months after the end of the pay period covered by the payment. See 5 CFR 352.309(d). If payments are not timely, coverage terminates on the last day of the pay period for which the required payment was timely, subject to a 31-day extension of FEGLI and FEHB as provided in Chapter 11.

10.4 Accounting for Payments

A DoD ***(DD) Form 1131***, Cash Collection Voucher, is used to deposit amounts received from either the individual or the employing organization into a deposit fund established for such purposes. An ***SF 1080***, Voucher for Transfers Between Appropriations and/or Funds, or ***SF 1081***, Voucher and Schedule of Withdrawals and Credits, is used to transfer the employer's contribution, if required, from the appropriation which would have been charged for the employee's pay to the proper deposit fund account. Total amounts (employee payments and government contributions) are included on the ***SF 2812-A***, Report of Withholdings and Contributions for Health Benefits by Enrollment Code, submissions to OPM through the Retirement and Insurance Transfer System (RITS). RITS calculates and tracks obligation due dates and payment timeliness.

10.5 Leave Account

Employees who are transferred to an IO may elect to receive payment for accumulated annual leave or have it remain to their credit until they return to federal employment. Employees also may request payment at any time before reemployment. Upon reemployment, sick and annual leave will be recredited to the employee when applicable. If the employee is paid the balance of their leave and is reemployed within 6 months after transfer, he or she must refund to the agency the amount of the lump-sum payment. See 5 U.S.C. § 3582(a)(4) and Chapter 3.

10.6 Pay Upon Reemployment

Agencies are required to provide an employee who is reemployed after transfer to an IO with the rate of basic pay to which the employee would have been entitled had the employee remained in the civil service. See ***PL 105-277, section 2504*** and 5 U.S.C. § 3582(b).

10.7 Retirement

An employee who transfers from a position covered by CSRS, CSRS Offset, or FERS to a public IO may continue retirement coverage for up to 5 years of such service or up to 8 years if authorized by the Secretary of State. See ***CSRS and FERS Handbook, Chapter 12***, § 12A3.1-4.

11.0 TEMPORARY AND TERM EMPLOYMENT

11.1 Purpose

11.1.1. Temporary and term appointments are used to fill positions when there is not a continuing need for the job to be filled. Employees occupying either category of appointment are not entitled to competitive status nor reinstatement eligibility, based on this type of service. Within the DoD, temporary and term appointments may be permitted to last longer than the time restrictions of ***5 CFR Part 316*** and may also allow such employees consideration for permanent employment.

11.1.2. For further information regarding subparagraph 11.1.1, see the following memorandums:

11.1.2.1. Deputy Secretary of Defense Memorandum, "***Noncompetitive Temporary and Term Appointments to Meet Critical Hiring Needs*** in the Department of Defense," dated July 14, 2017;

11.1.2.2. Office of the Under Secretary of Defense (Personnel & Readiness) (OUSD (P&R)) Memorandum, "***Modification of Temporary and Term Appointments*** Within the Department of Defense," dated June 12, 2017;

11.1.2.3. OUSD (P&R) Memorandum "Modification of Temporary and Term Appointments Within the Department of Defense," dated June 12, 2017 as modified by Deputy Secretary of Defense Memorandum, "***Extensions of Term Appointments*** in the Competitive Service in the DoD," dated August 10, 2018; and

11.1.2.4. OUSD (P&R) Memorandum, "Modification of Direct-Hire Authority for the Department of Defense for ***Post-Secondary Students and Recent Graduates***," dated January 15, 2019.

11.2 Temporary Employment

11.2.1. Appointments. Pursuant to DoD policy, a component may make a temporary appointment to:

11.2.1.1. Noncompetitively fill a short-term position based on a critical hiring need that is not expected to last more than 1 year. A critical hiring need means the need to fill the position(s) to meet mission requirements brought about by circumstances such as, but not limited to, extraordinary workload or unusual or unanticipated event(s) or circumstances creating the need

to fill the position(s). Such appointment may be extended up to 6 additional months but may not exceed a total of 18 months and does not convey noncompetitive conversion to any other appointment. See Deputy Secretary of Defense Memorandum, "Noncompetitive Temporary and Term Appointments to Meet Critical Hiring Needs in the Department of Defense," dated July 14, 2017; and

11.2.1.2. Temporarily fill a position for less than 1 year and may extend such appointment in increments of up to 1, not-to-exceed a total of 3 years. See the OUSD (P&R) Memorandum "Modification of Temporary and Term Appointments Within the Department of Defense," dated June 12, 2017 as modified by Deputy Secretary of Defense Memorandum "Extensions of Term Appointments in the Competitive Service in the DoD," dated August 10, 2018 and ***5 CFR 316.401***.

11.2.2. Benefits. Temporary employees are eligible to earn annual and sick leave and are covered by Social Security and unemployment compensation, but do not receive the other benefits provided to career civil service employees. Employees in a temporary position who are expected to work 130 hours or more per month for at least 90 days are eligible to enroll in an FEHB plan. These eligible employees will receive the same government contribution as full-time permanent employees. See 5 CFR 890.102 and BAL 14-210. Temporary employees are generally ineligible for coverage under FEGLI or FERS.

11.3 Term Employment

11.3.1. Appointments. Pursuant to DoD policy, a component may make a term appointment to:

11.3.1.1. Noncompetitively fill a short-term position based on a critical hiring need that is expected to last more than 1 year. Critical hiring need means the need to fill the position(s) to meet mission requirements brought about by circumstances such as, but not limited to, extraordinary workload or unusual or unanticipated event(s) or circumstances creating the need to fill the position(s). Such appointment may not exceed a total of 18 months and does not convey noncompetitive conversion to any other appointment. See Deputy Secretary of Defense Memorandum, "Noncompetitive Temporary and Term Appointments to Meet Critical Hiring Needs in the Department of Defense," dated July 14, 2017;

11.3.1.2. Fill a position initially for more than 1 year, but not more than 6 years. Components may extend term appointments beyond 6 years and up to 8 years in increments of up to1 year according to policy. Under certain conditions as prescribed in policy, an employee in a term position may be noncompetitively converted to a career or career-conditional appointment. See the OUSD (P&R) Memorandum "Modification of Temporary and Term Appointments Within the Department of Defense," dated June 12, 2017 as modified by Deputy Secretary of Defense Memorandum "Extensions of Term Appointments in the Competitive Service in the DoD," dated August 10, 2018; and

11.3.1.3. Pursuant to the direct-hire authority, initially appoint a current post-secondary student for a period expected to last more than 1 year and not-to-exceed the time

limits stated in section 5 CFR 316.301, to include any future legislative and/or regulatory modification to those time limits. Within 120 days of successful completion of their academic program, the student may be noncompetitively converted into a career or career-conditional appointment. See the OUSD (P&R) Memorandum the "Modification of Direct-Hire Authority for the Department of Defense for Post-Secondary Students and Recent Graduates," dated January 15, 2019.

11.3.2. Benefits. Term employees are eligible to earn annual leave and sick leave. Term employees are also eligible for coverage under FERS, FEHB, and FEGLI. Term employees can work full or part-time work schedules and are eligible for promotions and within-grade increases upon satisfying the required waiting period.

12.0 EMPLOYEES WHOSE WHEREABOUTS ARE UNKNOWN

In the event an employee's whereabouts are unknown and payment cannot be made to the employee, refer to Volume 5, Chapter 7 for guidance.

13.0 AIR TRAFFIC CONTROLLERS (ATC)

13.1 Purpose

ATCs are employees in an ATC facility (i.e., tower, ground-controlled approach, and approach control), actively engaged in the separation and control of air traffic or in providing preflight, in-flight, or airport advisory service to aircraft operations, or the immediate supervisor of any such employee. See ***DoDI 1400.25-V331***.

13.2 Overtime

All overtime work scheduled in advance of the administrative workweek on a day containing part of an ATC's basic 40-hour workweek must be compensated under ***5 CFR 550.111***.

13.3 Premium Pay

Differential pay is authorized for certain DoD employees. The Secretary of Defense has authorized five percent ATC premium pay under 5 U.S.C. § 5546a(a)(1). The payment of the premium is mandatory for DoD ATCs who are in the GS-2152 occupational series and occupy a position no lower than GS-9 at air traffic control centers, terminal or flight service stations. The HRO provides this information to the servicing PRO via an SF 50.

13.4 Leave

Leave accruals are based on guidelines published in 5 CFR Part 630.

13.5 Mandatory Separation

Generally, under 5 U.S.C. § 8335(a) for CSRS employees and 5 U.S.C. § 8425(a) for FERS employees, an ATC who is otherwise eligible for immediate retirement must be separated from the federal service on the last day of the month in which the employee becomes 56 years of age. However, if the ATC has been granted a waiver of the mandatory separation age based on exceptional skills and experience, an ATC may delay separation until the day he or she becomes age 61. Additionally, an ATC who has received a waiver of the maximum entry age under ***5 U.S.C. § 3307(b)*** may delay separation until the last day of the month he or she completes 20 years of service.

13.6 Retirement

ATCs have unique retirement deduction percentages for CSRS and FERS coverage. OPM publishes the rates in the ***CSRS and FERS Handbook, Chapter 30***.

14.0 PERSONNEL ON LONG-TERM, FULL-TIME TRAINING

14.1 Purpose

Long-term, full-time training is defined as a training period of 120 consecutive workdays or more. See ***5 U.S.C., Chapter 41*** and ***5 CFR Part 410***. Employees on long-term, full-time training are authorized payment of salary.

14.2 Leave

If salary payments continue during the training period, annual and sick leave regulations apply. Leave is reported via the time and attendance reporting mechanism and is administered as specified for the following leave types:

14.2.1. Annual Leave. Personnel on long-term, full-time training will continue to accrue annual leave. Ordinarily, an employee will be charged with annual leave during school vacation periods that fall on government workdays unless he or she returns to the work site or has made documented arrangements with their DoD point of contact to be actively involved in academic work. These documented arrangements should be accomplished well in advance of the vacation periods. Annual leave charges are reported on the employee's time and attendance report. See ***OPM Training and Development Policy***.

14.2.2. Sick Leave. Personnel on long-term, full-time training continue to accrue sick leave. The agency should charge sick leave on the time and attendance report when the employee is unable to attend classes due to illness.

15.0 EMERGENCY MEDICAL TECHNICIAN (EMT)

15.1 Purpose

This section applies to EMTs or paramedics who are not classified as firefighters.

15.2 Tour of Duty

EMTs and paramedics work various schedules including the basic 40-hour workweek, compressed work schedules, and uncommon tours of duty. An uncommon tour of duty means an established tour of duty that exceeds 80 hours of work in a biweekly pay period. See ***5 CFR 630.201***. Schedules and changes to tours of duty for an EMT or paramedic working uncommon tours must be on file in the employing activity/timekeeper site. Sleep and meal time also must be documented. The EMT's hourly rate is multiplied by 40 hours, and the base pay and premium pay is based on this weekly rate regardless of the hours in the scheduled tour of duty for that week.

15.3 Overtime Computation

15.3.1. Standby Duty Pay

15.3.1.1. FLSA-nonexempt EMTs and paramedics are compensated for regularly scheduled overtime hours in excess of 40 hours in a week by the payment of annual premium pay for standby duty plus .5 times the employee's hourly regular rate for all overtime hours worked. If an EMT performs an additional 24-hour shift during a pay period, and the shift is scheduled in advance of the workweek, standby duty pay covers all regularly scheduled overtime hours, but the employee is entitled to .5 times the employee's hourly regular rate for all overtime hours worked. Sleep and meal periods during regularly scheduled tours of duty are hours of work for EMTs who receive annual premium pay for regularly scheduled standby duty. EMTs and paramedics are compensated for irregular or occasional hours of work in excess of 40 hours in a week by payment of the straight-time rate of pay for all irregular or occasional overtime hours of work plus .5 times the employee's hourly regular rate of pay times the overtime hours. When an employee works an additional 24-hour shift, which is irregular or occasional overtime work, the two-thirds rule will apply. Up to 8 hours of sleep and meal time (a shift of 24 hours or more) are excluded from irregular overtime hours providing all regulatory conditions under ***5 CFR 551.432*** are met.

15.3.1.2. FLSA-exempt EMTs and paramedics are compensated for regularly scheduled overtime hours in excess of 40 hours in a week by the payment of annual premium pay for standby duty. If an EMT performs an additional 24-hour shift during a pay period and the shift is scheduled in advance of the workweek, standby duty pay covers all regularly scheduled overtime hours. When an employee works an additional 24-hour shift that is irregular or occasional overtime work, overtime is paid in accordance with ***5 CFR 550.113*** or ***5 CFR 550.114***. The two-thirds rule will apply providing all regulatory conditions under ***5 CFR 550.112(m)*** are met.

15.3.1.3. On-duty sleep and meal periods during regularly scheduled hours for which standby duty premium pay under 5 U.S.C. § 5545(c)(1) are payable may not be excluded from hours of work. See ***5 CFR 551.432(e)***.

15.3.2. Compressed Work Schedule. The customary FLSA standard of compensating an employee with overtime pay for all hours of work in excess of 8 hours in a day and 40 hours in a week does not apply to an employee covered by a compressed work schedule under ***5 U.S.C. § 6128***. For example, an EMT with a 12-hour day in their schedule will not be entitled to FLSA overtime until they work over the 12-hour schedule for the day.

15.4 Charging Leave

One hour (or an appropriate fraction thereof) of leave must be charged for each hour (or an appropriate fraction thereof) of absence from the uncommon tour of duty. For additional guidance on leave accruals for EMTs refer to ***DoDI 1400.25-V630***, Leave, and ***5 CFR 630.210***. When an employee takes 24 hours of leave, 8 hours of sleep and meal time for that employee are deducted from actual hours of work under FLSA. Sleep and meal time for days of partial leave must be documented on the time and attendance report so that actual hours of work are shown. Sleep and meal time scheduled during leave periods must be added to total sleep and meal time so that total hours of actual work and total hours of sleep and meal time will be shown. Employees with uncommon tours of duty, established under 5 CFR 630.201 and 5 CFR 630.210, may be charged leave for regularly scheduled overtime hours outside the 40-hour basic workweek. Thus, such employees may receive applicable premium pay and FLSA overtime pay during hours of paid leave.

15.5 Accruing Leave

Employees on uncommon tours of duty accrue and use leave on the basis of that uncommon tour. Accrual rates for such employees are directly proportional to the standard leave accrual rates for employees on an 80-hour biweekly tour of duty. See 5 CFR 630.210(a). The number of hours in the uncommon tour is multiplied by the accrual rate divided by 80 ((uncommon tour of duty hours) x (accrual rate/80) = uncommon accrual rate). See the table in DoDI 1400.25-V630. Employees on uncommon tours of duty repeating a cycle of more than 1 biweekly pay period (e.g., a 3 biweekly pay period cycle) accrue leave based on the average hours in the biweekly tour. For example, an emergency medical technician on a tour of duty of 96 hours for 1 biweekly pay period and 120 hours for each of the following 2 biweekly pay periods works an average tour of 112 hours per pay period, and accrues leave based on a 112-hour tour of duty.

15.6 Premium Pay

The HRO determines the amount of the premium pay for the irregular tour of duty and reports it on the SF 50. An EMT employed as an intermittent employee is not entitled to premium pay on an annual basis, nor is he or she entitled to paid leave. An EMT is paid under regular overtime rules. Refer to ***5 CFR Part 551*** for additional guidance on pay administration for EMTs under FLSA.

16.0 FIREFIGHTERS

16.1 Purpose

Firefighter pay is governed under 5 U.S.C. § 5542(f), 5 U.S.C. § 5545(b), and ***5 CFR 550, subpart M***. A firefighter is an employee classified in the ***GS-0081***, Fire Protection and Prevention Series which includes line firefighters, supervisory firefighters, and fire inspectors whose regular tour of duty averages at least 106 hours per biweekly pay period. Newly hired firefighters going through initial basic training with a 40-hour basic workweek are covered by the GS classification and pay system and classified in the ***GS-0099***, General Student Trainee Series (as required by ***5 CFR362.203(f)***). Uniform allowances may be authorized for firefighters, refer to Chapter 3.

16.2 Regular Tour of Duty

The term "regular tour of duty" means a firefighter's official work schedule as established by the employing agency on a regular recurring basis. The regular tour of duty may consist of a fixed number of hours each week or a fixed recurring cycle of work schedules in which the number of hours per week varies in a repeating pattern. The regular tour of duty includes only those overtime hours that are part of the fixed recurring work schedule. However, irregular hours are deemed included in a firefighter's regular tour of duty if those hours are substituted for hours in the regular tour of duty for which LWOP is taken, as provided in ***5 CFR 550.1303(d)***. There are generally two types of official work schedules for firefighters.

16.2.1. 24-Hour Shift Firefighters. Most commonly, firefighters work a 72-hour workweek consisting of three 24-hour shifts. These shifts include periods of actual work and substantial periods of time during which firefighters are in a standby status. In standby status, firefighters are free to eat, sleep, and engage in personal activities, but are confined to the worksite and remain in a state of readiness to perform actual work as required.

16.2.2. 40-Hour Plus Firefighters. Other firefighters (most commonly supervisors) have a regular 40-hour workweek consisting of five 8-hour days in addition to regularly scheduled standby duty (e.g., an extra 16-hour standby shift).

16.3 Uncommon Tour of Duty

An agency must establish an uncommon tour of duty for each firefighter compensated under 5 CFR 550, subpart M, for the purpose of leave use and accrual. The uncommon tour of duty must correspond directly to the firefighter's regular tour of duty so that each firefighter accrues and uses leave based on that tour. See 5 CFR 630.210.

16.4 Meal and Sleep Time

For firefighters compensated under ***5 U.S.C. § 5545(b)***, meal time and on-duty sleep time may not be excluded from hours of work.

16.5 Hourly Rate of Basic Pay

The firefighter's regular tour of duty is used in determining the appropriate pay computation method. Firefighters are paid on an hourly rate basis. A firefighter's daily, weekly, or biweekly rate of basic pay must be computed using the applicable hourly rates derived under 5 CFR 550.1303(a) and (b). Premium pay caps apply to the additional nonovertime pay received by firefighters with schedules exceeding the basic 40-hour workweek. Nonovertime pay is considered as basic pay and is not subject to reduction, but is included in the aggregate pay when determining the overtime pay cap. See ***5 CFR 550.1305*** and ***5 CFR 550.107***.

16.5.1. 24-Hour Shift Firefighters. For firefighters with a regular tour of duty that does not include a basic 40-hour workweek (firefighters whose schedules generally consist of 24-hour shifts with a significant amount of designated standby and sleep time), the hourly rate of basic pay is computed by dividing the applicable annual rate of basic pay by 2,756 hours.

16.5.2. Basic 40-Hour-Plus Firefighters. For firefighters with a regular tour of duty that includes a basic 40-hour workweek plus additional nonovertime hours, the hourly rate of basic pay is computed by dividing the applicable annual rate of basic pay by:

16.5.2.1. 2,087 hours, for hours within the basic 40-hour workweek (or an 80-hour biweekly pay period); and

16.5.2.2. 2,756 hours, for any additional nonovertime hours.

16.5.3. Training. Firefighters are entitled to pay for their regular tour of duty during training. A firefighter should receive basic pay and overtime pay for the firefighter's regular tour of duty in any week in which attendance at agency-sanctioned training reduces the hours in the firefighter's regular tour of duty. This guidance does not pertain to student trainee employees in the GS-0099 series. A firefighter is not prohibited from receiving a higher amount of pay if he or she is entitled to that higher amount based on hours of actual work. See ***5 CFR 410.402(b)(6)***.

16.6 Overtime Computation

Under 5 U.S.C. § 5542, for firefighters compensated under 5 CFR 550, subpart M, overtime work means officially ordered or approved work in excess of 106 hours in a biweekly pay period, or in excess of 53 hours in an administrative workweek if the agency establishes a weekly basis for overtime pay computations. See 5 CFR 550.111(g). Overtime pay is considered part of continuation of pay for firefighters. Overtime hourly rates of pay are calculated as follows:

16.6.1. FLSA-exempt (FLSA noncovered). For a firefighter who is exempt from FLSA, the overtime hourly rate is computed as provided in 5 CFR 550.113(e). Generally, the overtime hourly rate is capped at 1-1/2 times the GS-10 minimum rate, but the rate may not fall below the firefighter's own hourly rate of basic pay.

16.6.2. FLSA-nonexempt (FLSA covered). For a firefighter who is covered by nonexempt from the overtime provisions of FLSA, the overtime hourly rate of pay equals 1-1/2 times the firefighter hourly rate of basic pay for that particular firefighter as established under 5 CFR 550.1303(a) or 5 CFR 550.1303(b)(2).

16.7 Premium Pay

Except for overtime pay in accordance with paragraph 16.6, a firefighter is barred from being paid any other premium pay including night pay, Sunday premium pay, holiday pay, and hazardous duty pay. Premium pay for overtime in the firefighter's regular tour of duty covered by 5 U.S.C. § 5545(b) is subject to a biweekly limitation rather than an annual limitation. See 5 CFR 550.107.

16.8 Leave Accrual

The leave accrual rates for firefighters are established based on an uncommon tour of duty. See paragraph 16.3. Leave accrual for firefighters is directly proportional based on the number of hours in the biweekly tour of duty and the accrual rate of the corresponding leave category to the standard leave accrual rates for employees who accrue and use leave on the basis of an 80-hour biweekly tour of duty. One hour or an appropriate fraction thereof of leave is charged for each hour or appropriate fraction thereof of absence from the uncommon tour of duty. See 5 CFR 630.210(c).

16.9 Mandatory Separation

A firefighter, who is otherwise eligible for immediate retirement under ***5 U.S.C. § 8336(c)*** (CSRS) and ***5 U.S.C. § 8412(d)*** (FERS), must be separated from the federal service on the last day of the month in which the employee becomes 57 years of age unless he or she has not yet completed 20 years of service. In that case, the employee must be separated on the last day of the month in which he or she completes 20 years of service. See 5 U.S.C. § 8335(b) and 5 U.S.C. § 8425(b).

16.10 Retirement

Firefighters have a unique retirement deduction percentage for CSRS and FERS employees. These rates are published by OPM in the CSRS and FERS Handbook, Chapter 30. Percentages of basic pay for withholding and contributions for FERS employees are described in ***5 U.S.C. § 8422(a)(2)(B)*** and ***5 U.S.C. § 8423(a)(1)(B)***. Percentages of basic pay for withholdings and contributions for CSRS employees are described in ***5 U.S.C. § 8334(a)***. Additionally, a firefighter's special retirement coverage provides for an enhanced annuity formula and reduced age/service requirements as follows:

16.10.1. CSRS Coverage. Under ***5 U.S.C. § 8336(c)*** once an employee reaches 50 years of age and completes 20 years of service as a firefighter or LEO, or any combination of such service totaling at least 20 years, they are entitled to a special annuity computation as provided under ***5 U.S.C. § 8339(d)***.

16.10.2. FERS Coverage. Under ***5 U.S.C. § 8412(d)***, an employee is entitled to a special annuity computation as provided under ***5 U.S.C. § 8415(d)*** after:

16.10.2.1. Completing 25 years of service as an LEO or a firefighter, or any combination of such service totaling at least 25 years; or

16.10.2.2. Reaching the age of 50 and completing 20 years of service as an LEO or firefighter, or any combination of such service totaling at least 20 years.

*16.11 Trade-of-Time

16.11.1. Authority. Under ***5 U.S.C. §5542(h)(1)(A)***, eligible firefighters are authorized to voluntarily exchange scheduled hours of work (i.e., "trading time" or a "trade-of-time arrangement"). See DoDI 1400.25, V610.

16.11.2. Eligibility

16.11.2.1. A firefighter is eligible to trade time with another eligible firefighter if both have work schedules including 24-hour duty shifts and satisfy the other requirements under the definition of a "firefighter." See 5 U.S.C. § 5542.

16.11.2.2. Both firefighters involved in a trade-of-time arrangement must be subject to the supervision of the same fire chief and must be capable of performing the core duties that could be required during traded hours. If one firefighter who would be covered by an arrangement is at a lower grade than the other firefighter under that arrangement, the fire chief may withhold approval if the affected unit would not have the necessary skills among those assigned to an affected shift to effectively accomplish its mission.

16.11.3. Elements of a Qualified Trade-of-Time Arrangement

16.11.3.1. Tradeable Hours. Firefighters may trade only hours within the firefighter's regular tour of duty established for leave-charging purposes. However, trading time is not restricted to the same pay period.

16.11.3.2. Full Shifts and Partial Shifts. Firefighters may agree to substitute either entire shifts or a portion of a shift.

16.11.3.3. Written Agreement. All trading time agreements must be in writing and signed by both firefighters and the fire chief before a trade can occur. Trading time agreements must contain the elements required by OPM's Memorandum: "***Firefighter Trading Time Policy***."

16.11.3.4. Conditions for Approval. Proposed trade-of-time arrangements are not entitlements and reasons for disapproval may include, but are not limited to:

16.11.3.4.1. The proposed arrangement would result in either of the involved firefighters having a balance of hours committed (but not yet executed) for substitution under one or more pending-completion qualified trade-of-time arrangements in excess of 144 hours;

16.11.3.4.2. A proposed substitution would occur more than 1 year after the date of the approval of the qualified trade-of-time arrangement;

16.11.3.4.3. Either of the involved firefighters owes a debt of hours to the agency, as described in subparagraph 16.11.3.5;

16.11.3.4.4. Either of the firefighters does not meet a requirement or eligibility condition established under agency policies, including policies established via collective bargaining. Examples of such policies could be a requirement that an arrangement not result in:

16.11.3.4.4.1. A firefighter being on duty for consecutive hours in excess of an established limit (including duty hours as a substituting firefighter and excluding hours as an excused firefighter);

16.11.3.4.4.2. A condition that the employee has served as a firefighter for at least 90 days;

16.11.3.4.4.3. Or a condition that the firefighter has a fully successful performance rating; or

16.11.3.4.4.4. The arrangement involves the trading of hours for which pay is computed using a different methodology (e.g., a firefighter with a 40-plus 16 regular tour of duty has 40 basic workweek hours computed using a GS hourly rate based on a 2,087-hour divisor and 16 overnight overtime hours computed using a 2,756-hour divisor). In other words, the pay of both firefighters must be determined using the same methodology.

16.11.3.5. Uncompleted Trades

16.11.3.5.1. If a substituting firefighter fails to work during the agreed upon substitution period, the excused firefighter will be entitled to credit for hours and pay as if the substitution had been made. The substituting firefighter will become indebted to the agency and will be required to later perform work outside the firefighter's tour of duty to satisfy the debt of hours, as assigned by an authorized agency official.

16.11.3.5.1.1. Those debt-repayment hours are not credited as hours of work in determining the firefighter's pay entitlements in the pay period in which they are performed.

16.11.3.5.1.2. A substituting firefighter who, without authorization, fails to report to duty when scheduled to substitute for another firefighter under a qualified trade-of-time arrangement will be considered AWOL and subject to appropriate discipline, unless the DoD component decides to retroactively approve the absence after reviewing the circumstances.

16.11.3.5.1.3. A firefighter who owes a debt of hours and, without authorization, fails to report to duty when scheduled to perform work to satisfy that debt will be considered AWOL and subject to appropriate discipline, unless the DoD component decides to retroactively approve the absence after reviewing the circumstances.

16.11.3.5.2. A firefighter with a debt of hours may not enter into a new trade-of-time arrangement until the debt is eliminated.

16.11.3.5.3. A firefighter owing a debt of hours may be allowed to reduce or eliminate the debt by agreeing to adjustments in the firefighter's balances of annual leave, compensatory time off (for overtime work, travel, or religious observances), or paid time-off awards, if allowed by DoD component policies.

16.11.3.5.3.1. If a firefighter owes a debt of hours when separating from Federal service, when transferring to a different agency, or when moving to a position in the same agency in which the employee is no longer an eligible firefighter, the debt of hours must be recovered to the extent possible by offsetting any balances of annual leave, compensatory time off (for overtime work, travel, or religious observances), or paid-time-off awards.

16.11.3.5.3.2. Any remaining amount of the hours debt must be converted to a monetary debt owed to the agency. The amount of the monetary debt will be determined based on the firefighter's pay entitlements at the time of separation and the hourly value of the hours using the same method used to compute the cash value of hours of annual leave, except that no increase to the value of annual leave based on pay rate increases that would have applied post-separation (i.e., pay increases that would otherwise have applied in calculating the lump-sum payment for annual leave based on projection of the lump sum leave period). See ***5 CFR 550.1204***.

16.11.3.5.3.3. Any remaining monetary debt is subject to the standard provisions that govern debt collection. See Volume 16, Chapter 3.

16.11.3.6. Treatment of Hours for Pay and Other Purposes

16.11.3.6.1. Purpose. Credit for hours and associated pay for an excused firefighter must be determined as if the excused firefighter performed the work performed by the substituting firefighter; likewise, a substituting firefighter may not receive credit for hours and associated pay based on periods of substitution. For example, any hours worked by a substituting firefighter under a qualified trade-of-time arrangement must be disregarded when determining that firefighter's eligibility for overtime pay or calculating the amount of such pay under the provisions of ***29 U.S.C., Chapter 8*** also known as the "Fair Labor Standards Act" and

5 U.S.C. §5542(h)(1)(A). Instead, the excused firefighter must be credited with hours worked by the substituting firefighter in determining the excused firefighter's overtime pay entitlements.

16.11.3.6.2. Service Credit. Hours worked by a substituting firefighter under a qualified trade-of-time arrangement will be included in creditable service for leave accrual, retirement, and other purposes for the excused firefighter, not the substituting one.

16.11.3.6.3. Workers' Compensation

16.11.3.6.3.1. The fact that a firefighter is injured while substituting for another firefighter under a qualified trade-of-time arrangement has no bearing on the substituting firefighter's possible entitlement to workers' compensation benefits.

16.11.3.6.3.2. A substituting firefighter is considered to be in the performance of duty during a period of substitution for workers' compensation purposes, except that any payments (e.g., continuation of pay) for the remainder of the affected biweekly pay period must be based on pay to which the substituting firefighter is entitled, without regard to pay for hours worked on behalf of an excused firefighter.

16.11.3.6.3.3. Excused firefighters are not considered to be in the performance of duty during the period when a substituting firefighter is working on their behalf.

16.11.3.6.3.4. If a firefighter had been scheduled (before the work injury) to work as a substituting firefighter during a future period when the firefighter is receiving continuation of pay or wage-loss compensation, the firefighter's leave status will be considered to satisfy the firefighter's work hours obligation, but only if the other firefighter under the affected qualified trade-of-time arrangement had already completed their part of the trade.

16.11.3.6.3.5. If neither firefighter had completed their respective parts of the trade before the work injury leading to workers' compensation benefits, the trade-of-time arrangement will be automatically cancelled.

16.11.3.7. Recordkeeping

16.11.3.7.1. DoD components must keep records of a qualified trade-of-time arrangement (including uncompleted arrangements) for 4 years after the last substituted work performed under the arrangement.

16.11.3.7.2. DoD components must keep current records that show pending-completion qualified trade-of-time arrangements for each firefighter, including the current balance of hours committed (but not yet executed) for substitution, as required to apply the rule in subparagraph 16.11.3.4.1.

17.0 JUDGES

17.1 Administrative Law Judges (ALJs)

17.1.1. Authority. Under ***5 U.S.C. § 3105***, the Department may appoint ALJs for proceedings conducted in accordance with administrative procedures under ***5 U.S.C. §§ 556-557***. These employees may not perform duties inconsistent with their duties and responsibilities as administrative law judges.

17.1.2. Pay for ALJs. There are three levels of basic pay for ALJs (designated as AL-1, AL-2, and AL-3, respectively), and each ALJ is paid at one of the levels as established under ***5 U.S.C. § 5372***. The ALJ positions are (lowest to highest): AL-3, Rate A; AL-3, Rate B; AL-3, Rate C; AL-3, Rate D; AL-3, Rate E; AL-3, Rate F; AL-2; and AL-1. The minimum rate for an ALJ (AL-3, Rate A) is set at 65 percent of Level IV of the Executive Schedule. The maximum rate for an ALJ (AL-1) is set at 100 percent of Level IV of the Executive Schedule.

17.2 Judges of the U.S. Court of Appeals for the Armed Forces

The U.S. Court of Appeals for the Armed Forces (formerly the U.S. Court of Military Appeals) is established under ***10 U.S.C. §§ 941-946***. See ***DoDI 1400.25-V805***, Special Retirement and Survivor Benefits for Judges of the U.S. Court of Appeals for the Armed Forces. The President, with the advice and consent of the U.S. Senate, appoints the judges for a term of 15 years. The court, consisting of five judges, is located within the DoD for administrative purposes. Washington Headquarters Services (WHS) is the employing office for the judges. For pay purposes, the judges are civilian employees as defined in ***5 CFR Part 213***. The judges are entitled to the same salaries and travel allowances provided to the judges of the U.S. Courts of Appeals (GS Salary Table, Schedule 7, for Judicial Salaries). The maximum annual salary is that of Level I of the Executive Schedule.

17.2.1. Entitlements. Judges are entitled only to regular base pay. Judges are excluded from the leave provisions of 5 U.S.C. § 6301(2). As federal judges under ***5 U.S.C. § 5541(2)(i)***, they also are excluded from the provisions of premium pay under ***5 U.S.C. § 55, subchapter V***.

17.2.2. Deductions

17.2.2.1. Judges under CSRS are required to contribute eight percent of basic pay for retirement. Judges under FERS have the same deduction rate as other FERS employees. See the CSRS and FERS Handbook, Chapter 30.

17.2.2.2. The FEGLI for the judges is based on Level II of the Executive Schedule.

17.2.2.3. Judges are subject to the Social Security tax wage base limit as published yearly by the IRS. There is no wage base limit for Medicare tax, and all covered wages are subject to Medicare tax.

17.2.3. Special Retirement and Survivor Benefits for Judges of the U.S. Court of Appeals for the Armed Forces. Upon becoming eligible for retirement, judges may elect to receive a retirement annuity from the DoD Military Retirement Fund (MRF) in-lieu-of an annuity under CSRS or FERS. See ***10 U.S.C. § 945***. Survivor and former spouse annuities may also be elected. The DFAS Indianapolis site serves as the PRO for retiree and survivor entitlements. DFAS must perform functions such as:

17.2.3.1. Maintaining individual retirement records of individuals who elect annuity benefits under 10 U.S.C. § 945;

17.2.3.2. Issuing annuity payments from moneys in the DoD MRF, including the collection of applicable federal and state income taxes, and collections of debts owed the U.S. Government;

17.2.3.3. Arranging with OPM for transfer of moneys, including interest payments authorized under 10 U.S.C. § 945(a)(3)(A), from the Civil Service Retirement and Disability Fund (CSRDF) to the DoD MRF;

17.2.3.4. Withholding, as appropriate, contributions from the annuity for payment of FEHB, FEGLI, making correct agency contributions, and transmitting these moneys to the CSRDF;

17.2.3.5. Readjusting the annuity payment when events change the retiree or survivor entitlements;

17.2.3.6. Accounting for retirement moneys received from OPM and disbursing to benefit recipients, insurance carriers, and federal and state tax entities; and

17.2.3.7. Ceasing annuity payment if the employee elects judiciary retirement benefits under 10 U.S.C. § 945(g).

17.2.4. Notifications. Judges in receipt of an annuity under 10 U.S.C. § 945 are responsible for notifying WHS of their election of judicial retirement benefits under 10 U.S.C. § 945(g).

17.2.5. Dual Compensation. ***PL 114-328***, December 23, 2016, (2017 National Defense Authorization Act (NDAA)) removed the dual compensation prohibition for retired judges. As of December 27, 2016, a retired judge who returns to federal service in a position other than that of a senior judge, may receive both their retirement annuity and any pay he or she earns as a federal employee.

17.2.6. Senior Judges of the U.S. Court of Appeals for the Armed Forces. Under ***10 U.S.C. § 942(e)***, a retired judge who formerly served on the Court of Appeals for the Armed Forces may be called upon to perform judicial duties for the court as a senior judge. When performing duties, a senior judge is considered an employee or official of the government. Senior judges receive their full retirement annuity. Senior judges are also paid an additional amount equal

to the difference between the sitting judge's pay and the senior judge's annuity pay for each day judicial duties are performed. The additional amount is calculated using the difference between the daily equivalent of the annual rate of pay for a sitting judge and the daily equivalent of the retired judge's annuity. See 10 U.S.C. § 942(e)(2) and PL 114-328 (2017 NDAA). A senior judge may also continue to receive their retired and annuity pay if the senior judge performs non-judicial duties for the court and receives no pay other than per diem and travel expenses. See the U.S. Court of Appeals for the Armed Forces Rules of Practice and Procedure.

18.0 AUXILIARY CHAPLAINS AND WEST POINT MILITARY ACADEMY CHAPLAINS

18.1 Auxiliary Chaplains

Civilian clergy may be assigned to perform essential religious services of the chapel program that are beyond the staffing capabilities of the commissioned officer Armed Forces chaplains. Auxiliary chaplains normally perform their services on military installations. To serve as auxiliary chaplains, civilian clergy must be ordained or accredited by a faith group recognized by the ***Armed Forces Chaplains Board***. They must meet any additional qualifications required by the Armed Forces.

18.2 Appointing and Paying Auxiliary Chaplains

18.2.1. Auxiliary chaplains may be appointed by the HRO on an intermittent basis. They are paid on a fee basis from the employing activity's appropriated funds for civilian personnel such as Operation and Maintenance funds. The HRO may appoint auxiliary chaplains under the excepted service authority in ***5 CFR 213.3101***.

18.2.2. Work Schedules. Auxiliary chaplains employed on an intermittent basis have no work schedule. They are paid for religious services performed.

18.2.3. Absence and Leave. There is no entitlement for leave.

18.2.4. Entitlements. The pay scale for auxiliary chaplains is determined by the employing activity's HRO. Social Security, Medicare, federal and state income tax withholdings are made in accordance with the tax documents filed by the chaplain. Social Security, Medicare, federal and state income tax withholdings do not apply to chaplains under non-personal service contracts.

18.3 West Point Military Academy Chaplain

Under ***10 U.S.C. § 7437***, the President may appoint a chaplain to serve at the United States Military Academy at West Point. The civilian chaplain is entitled to a monthly housing allowance, in the same amount as the basic allowance for housing (BAH) allowed to a lieutenant colonel and to fuel and light for quarters. However, because utility costs are already factored into the BAH rate, no separate allowance for fuel and light should be paid. The chaplain's salary is taxable and is subject to the withholding of income, Social Security, and Medicare taxes. The BAH is not subject to the withholding of income taxes under ***26 U.S.C. § 107*** which excludes from a minister's

gross income the value of rental allowances he or she receives for a home. However, Social Security and Medicare taxes must be withheld from the BAH.

19.0 SERVICE SECRETARIES

19.1 Purpose

Effective the pay period beginning November 30, 2003, ***5 U.S.C. § 5504*** was amended to allow the Cabinet Secretaries (e.g., the Secretary of Defense) and the Secretaries of the Military Departments to be paid on a biweekly basis.

19.2 Time and Attendance

Time and attendance is not reported for Service Secretaries. Accrual or usage of annual and sick leave is not authorized. Military Department Secretaries are not eligible for premium pay.

20.0 ADDITIONAL PAY FOR CERTAIN HEALTHCARE PROFESSIONALS

20.1 Purpose

OPM has delegated to DoD the discretionary use of certain Title 38 provisions that are primarily available to the Department of Veterans Affairs (VA). If DoD uses one of these authorities in the delegation agreement, the comparable authority in Title 5 is waived. However, DoD does not use all of the Title 38 authorities it has been delegated. The following Title 38 provisions as provided in ***5 U.S.C. § 5371*** have been delegated:

20.1.1. Special Salary Rate Authority (***38 U.S.C. § 7455(a)(2)(A)***) and (B), (b), (c), and (d));

20.1.2. Baylor Plan and Alternate Work Schedules (***38 U.S.C. § 7456*** and 7456(A));

20.1.3. Premium Pay (***38 U.S.C. § 7454*** and 38 U.S.C. § 7456(a) and (b));

20.1.4. Authority to Establish Qualifications (***38 U.S.C. § 7402(a)***, (b), (d), and (f));

20.1.5. Qualification-based Grading System (***38 U.S.C. § 7403(a)***, (b)(4), (c), (e), and (f)(1));

20.1.6. Head Nurse Pay and Nurse Executive Special Pay (***38 U.S.C. § 7452(a)(2)*** and (g));

20.1.7. Hours of Employment (***38 U.S.C. § 7421(a)***);

20.1.8. Pay for Physicians and Dentists (***38 U.S.C. § 7431(a)***, (b), (c), (d)(1)-(5), (e)(2)-(4), (f) and (h); ***38 U.S.C. § 7432*** and ***38 U.S.C. § 7433(a)***);

20.1.9. Nurse Locality Pay System (***38 U.S.C. § 7451(a)***, (b), (c), (d), (e), and (f)); and

20.1.10. Special Incentive Pay for Pharmacist Executives (***38 U.S.C. § 7410(b)***).

20.2 Premium Pay

The authority to compensate certain DoD healthcare professionals with additional pay is used to recruit and retain qualified employees in specific medical fields. For additional guidance, see ***DoDI 1400.25-V540***, Pay Pursuant to Title 38–Additional Pay for Certain Healthcare Professionals.

20.3 Baylor Plan Nurses

Baylor Plan nurses work at DoD Health facilities and are hired to work a Baylor workweek consisting of two regularly scheduled 12-hour tours of duty. The tours are worked entirely between the last day and the first day of the administrative workweek (Friday midnight to Sunday midnight) authorized under 38 U.S.C. § 7456. The Baylor workweek is considered to be a full 40-hour workweek for pay and leave accrual purposes. For additional guidance on Baylor Plan nurses see ***DoDI 1400.25-V541***, Pay Pursuant to Title 38-Special Rules for Nurses Pursuant to the Baylor Plan.

20.4 On-Call Employees

Health care professionals are eligible to receive on-call pay when assigned to a work unit that has been officially designated as requiring employees to be on-call. On-call pay is a premium paid to certain professionals for working under circumstances or conditions authorized by ***38 U.S.C. § 7457***. The employee must be officially scheduled to be on-call outside of their regular duty hours. An employee, who is excused from regular duty on a holiday, or in-lieu-of holiday, may be scheduled to be on-call and receive on-call pay.

*20.5 Physicians, Podiatrists, and Dentists Pay Plan (PPDPP)

20.5.1. General. The ***DoDI 1400.25-V543***, DoD Civilian Physicians, Podiatrists, and Dentists Pay Plan, establishes policy and provides guidance to establish the PPDPPs for eligible DoD civilian physicians, podiatrists, and dentists who:

20.5.1.1. Work full-time or part-time with tours of at least 20 hours per pay period at grade GS-15 equivalent or below, and

20.5.1.2. Provide direct patient care and services.

20.5.2. Pay. Every 2 years, the VA publishes the minimum and maximum amounts of annual pay for the PPDPP in the Federal Register. Under the PPDPP, a physician, podiatrist, or dentist's annual pay is the sum of base pay plus market pay. Base pay is the GS rate for the physician, podiatrist, or dentist before any deductions and without additional pay of any kind. Market pay reflects the recruitment and retention needs for the specialty or assignment of a

particular physician, podiatrist, or dentist. Annual pay is basic pay for all purposes, including the computation of retirement benefits, lump-sum annual leave payments, life insurance, TSP, and other benefits. See 38 U.S.C. § 7431(f).

20.5.3. Pay Limitation. Title 38 U.S.C. § 7431(e) provides that in no instance should the total amount of compensation paid in any year to a physician, podiatrist, or dentist under Title 38 exceed the salary of the President of the United States as in effect on the last day of that calendar year. Section 7431 does not allow pay over the cap to be deferred and paid the next calendar year. Payments that exceed the salary of the President may not be made at any time. For further information and a discussion of limitations on market pay, see DoDI 1400.25-V543 and Chapter 3.

21.0 LEOs

21.1 Purpose

LEOs as defined by ***5 U.S.C. § 8331(20)***, are employees whose primary responsibility is the investigation, apprehension, or detention of individuals suspected or convicted of offenses against the United States.

21.2 Premium Pay

The majority of LEOs are covered by the standard premium pay provisions established in ***5 U.S.C., Chapter 55, subchapter V*** (including provisions that reflect overtime pay entitlements under FLSA for covered nonexempt employees). Premium pay with specific implications for LEOs includes:

21.2.1. Availability Pay. LEOs, as defined by 5 U.S.C. § 8331(20) and 5 CFR 550.103, are authorized to receive premium pay in the form of availability pay in accordance with 5 U.S.C. § 5545a and ***5 CFR 550.185***. Availability pay was established to compensate the employee for unscheduled duty in excess of a 40-hour workweek based on the needs of the employing agency. An exception under ***5 CFR 550.181(b)*** allows any Office of Inspector General employing less than five investigators to elect not to cover their employees under the provisions of 5 U.S.C. § 5545(a). Availability pay recipients are not covered by FLSA. Availability pay is subject to a biweekly limitation under 5 CFR 550.107. Under ***5 CFR 550.186***, LEOs receiving availability pay are not entitled to other types of premium pay based on unscheduled duty hours;

21.2.2. Annual Premium Pay for Standby Duty. The rate of annual premium pay for standby duty is determined by the HRO and sent via SF 50 to the servicing PRO. (See Chapter 4, Table 4-1 for a list of deductions withheld). Standby duty pay is generally not used for federal law enforcement employees however, for more information concerning standby duty pay, refer to Chapter 3. Standby duty pay under ***5 CFR 550.141*** may not be paid to an LEO, who is receiving availability pay. See ***5 CFR 550.163***;

21.2.3. Overtime Computation. Overtime work scheduled in advance of the administrative workweek on a day containing part of a criminal investigator's basic 40-hour workweek must be compensated under 5 CFR 550.111; and

21.2.4. Administratively Uncontrollable Overtime (AUO). Information concerning AUO for LEOs is located in Chapter 3 and on OPM Fact Sheet: Guidance on Applying FLSA Overtime Provisions to ***Law Enforcement Employees Receiving AUO Pay***.

21.3 Leave Accrual

Leave accrual guidance for LEOs is based on the guidelines published in 5 CFR Part 630.

21.4 Mandatory Separation

LEOs eligible for immediate retirement must separate from the federal service on the last day of the month in which the employee becomes 57 years of age unless he or she has not yet completed 20 years of service. In that case, the employee separates on the last day of the month in which he or she completes 20 years of service. See 5 U.S.C. §§ 8335(b), 8425(b), 8336(c), and 8412(d).

21.5 Retirement

LEOs have a unique retirement deduction percentage rate for CSRS and FERS employees, which are published by OPM in the CSRS and FERS Handbook, Chapter 30.

22.0 MILITARY SEALIFT COMMAND (MSC)

The pay of officers and members of crews of vessels must be fixed and adjusted from time-to-time as nearly as is consistent with the public interest in accordance with prevailing rates and practices in the maritime industry. See ***5 U.S.C. § 5348***. Hours of work and premium pay policy for MSC civil service mariners are covered by Department of the Navy Civilian Marine Personnel Instruction 610, Hours of Work and Premium Pay, which has been approved by the Department of the Navy's Office of Civilian Human Resources. Base wage and premium pay scales for MSC civil service mariners are approved by the DoD Wage Setting Authority, in coordination with OPM.

23.0 DE FACTO EMPLOYEES

23.1 Purpose

A de facto employee is an individual who, in good faith, renders services to the government but who was never properly appointed or never actually appointed as an employee. There are four common de facto employment situations:

23.1.1. When an individual performed services, but was not recorded as an employee in the pay system because either the record was not yet established or the individual began working prior to their official starting date,

23.1.2. When a current employee received pay for an erroneous promotion,

23.1.3. When an employee performed services after their official separation date or after the end date of their service appointment, or

23.1.4. When an individual was hired and performed services under an erroneous appointment, but is not expected to receive a legal appointment.

23.2 Payment of De Facto Employees

23.2.1. Purpose. Under the principles of quantum meruit (i.e., the actual value of services performed) an individual whose appointment is found to be improper or erroneous is entitled to receive compensation earned, service credit for purposes of accrual of annual leave, and lump-sum payment for unused leave upon separation, unless:

23.2.1.1. The appointment was made in violation of an absolute statutory prohibition, or

23.2.1.2. The employee was guilty of fraud in regard to the appointment or deliberately misrepresented or falsified a material matter. See Comptroller General (Comp. Gen.) decisions ***58 Comp. Gen. 734, B-191977***, August 17, 1979 and ***61 Comp. Gen. 127, B-197400***, December 10, 1981.

23.2.2. De Facto Determination and Payment Processing. Payment of de facto employees for services rendered to the government will depend on the facts of each individual's situation. The employing agency must make a determination identifying the employee as a de facto employee who acted in good faith and must convey that determination to DFAS. The employing agency must submit a payroll processing request to initiate the payment of a de facto employee. A de facto determination from the agency will invalidate any debt that may have been established for wages paid.

23.2.3. De Facto Guidance. The payment of de facto employees has been addressed in the following Comptroller General opinions:

23.2.3.1. Individual Serving Before Appointment. Individuals serving in a de facto status before officially appointed should be compensated for the reasonable value of their services performed during that period. Payment is established at the rate of basic compensation set for the positions to which they are ultimately appointed. See ***Comp. Gen. B-191397***, September 6, 1978 and ***Comp. Gen. B-189741***, April 4, 1978;

23.2.3.2. Individual Never Appointed. The reasonable value of the services of an individual who was never in fact appointed to the position which the individual purportedly filled, should be established at the rate of basic compensation for the position that was ultimately advertised and filled. See ***Comp. Gen. B-193605***, January 8, 1979;

23.2.3.3. Premium Pay. The rule that a de facto employee is entitled to the reasonable value of their services does not limit the employee to receipt of basic compensation only. The reasonable value of their services includes premium pay, including holiday pay. See ***Comp. Gen. B-188574***, December 29, 1977;

23.2.3.4. Termination and Reemployment. In the event an individual is terminated from employment after the appointment was found to be erroneous and is then reemployed after a break in service, the individual is entitled to compensation earned, lump-sum payment for accrued annual leave, service credit for annual leave accrual purposes, and recredit of accrued sick leave. If OPM denies service credit for the period of the improper appointment, the employee would be entitled to a refund of the retirement deductions made from their salary during the period of the erroneous appointment, less any necessary Social Security deductions. See ***Comp. Gen. B-197400***, December 10, 1981;

23.2.3.5. Dual Compensation Prohibition. De facto status may not be applied to nullify the effect of a statutory provision that prohibits dual compensation. See ***Comp. Gen. B-157983***, December 13, 1965; and

23.2.3.6. Erroneous Promotions. A current employee who receives an erroneous promotion may be regarded as a de facto employee. For example, an employee is regarded as a de facto employee if the employee is promoted but it is later determined the employee did not meet the general requirements of the higher position. The employee is entitled to retain the compensation received for the services performed in good faith as a de facto employee during the period of the erroneous promotion unless there is a statutory bar prohibiting such payment. See ***Comp. Gen. B-221745***, April 28, 1986.

23.2.4. Tax Reporting. Pay to a de facto employee should be reported as if the individual had been a correctly appointed employee during the de facto period. De facto status has no impact on how pay is reported. Any pay that includes wages should be reported on a W-2 form for the year in which payment is made.

23.2.4.1. Example: An employee was erroneously promoted and performed duties and received pay associated with the erroneous promotion in 2013. The error was not discovered until 2014. The payments for the de facto employment were reported as taxable income on the 2013 W-2. There should be no adjustment to the 2013 W-2 even though the error was discovered in 2014.

23.2.4.2. Example: An employee was erroneously promoted and performed duties and received pay associated with the erroneous promotion in 2013. The error was discovered in 2013 and the full amount paid was collected as a debt from the employee in 2013. A de facto determination was submitted in 2014, which authorized the employee to be paid for the services performed as a de facto employee. The wages for the de facto period were repaid to the employee in 2014. The wages for the de facto period are reported in the year actually paid, or 2014.

23.2.5. FEHB and FEGLI Deductions

23.2.5.1. FEHB. Under the Affordable Care Act, health insurers may not cancel coverage retroactively if premiums have already been paid, even when an employer has erroneously allowed an ineligible employee to enroll in FEHB. Premiums should not be refunded to the de facto employee.

23.2.5.2. FEGLI. If the error is discovered before 2 years have passed, incontestability does not apply, and the erroneous coverage is not valid. Any erroneous coverage should be voided and the premiums should be refunded. See FEGLI Program Handbook and Chapter 11.

23.2.6. TSP. The regulations at ***5 CFR 1605.12*** set out procedures for removing erroneous contributions received by TSP from employees and employers.

23.2.7. Retirement Credit. The question of whether a de facto employee is entitled to service credit for retirement purposes should be referred to OPM. If OPM denies service credit for the period the de facto employee worked, the de facto employee is entitled to a refund of retirement contributions made during the de facto period, less any Social Security deductions. See 61 Comp. Gen. 127 (1981).

23.3 Variations

OPM assists Federal agencies with correcting errors made during the competitive hiring process. Variations are used to correct errors made in the competitive hiring process when no other remedy exists within the regulation. See OPM Guidance, Hiring Authorities and ***5 CFR 5.1***.

24.0 HIGHLY QUALIFIED EXPERTS (HQEs) AND HIGHLY QUALIFIED EXPERTS-SENIOR MENTORS (HQEs-SMs)

24.1 Purpose

Employees appointed as an HQE must possess an uncommon level of expertise and recognition. Such expertise, with the exception of HQE-SMs, is generally not available within the federal workforce at the time of need, nor is it typically gained within the civil service or uniformed services. HQE-SMs, by nature, have the expertise and experience required to fulfill their intended roles, having been recruited from former or retired civil service or uniformed service personnel. See ***5 U.S.C. § 9903*** and ***DoDI 1400.25-V922***, DoD Civilian Personnel Management System: Employment of HQEs.

24.2 Appointments

Employees hired as HQEs will be given “Excepted Not-to-Exceed” appointments (up to 5 years) under an Experts Other pay plan. The HQE or HQE-SM must sign a written service agreement.

24.3 Pay

Compensation for an HQE or HQE-SM should reflect the salary paid in the labor market for comparable positions, taking into account such factors as applicant's skills, professional and educational accomplishments, and the complexity of the work the applicant is asked to perform. See DoDI 1400.25-V922 for other relevant factors. Basic pay for an HQE or HQE-SM typically will be within the range from GS-15, step 1 (or equivalent) up to the statutory limit of Level IV of the Executive Schedule. In addition to basic pay, HQEs and HQE-SMs may receive locality-based comparability payments applicable to the geographic location of their position of record as prescribed by ***5 U.S.C. § 5304***. When added to the rate of basic pay, locality-based comparability payments may not exceed Level III of the Executive Schedule as described in 5 U.S.C. § 5304(g)(2)(C). See DoDI 1400.25-V922 for additional pay information.

24.4 Performance Awards

HQEs and HQE-SMs are not eligible to receive performance awards.

24.5 Leave

HQEs and HQE-SMs are subject to the annual leave accrual provisions of 5 U.S.C. § 6304(a), which sets the maximum number of annual leave hours carried forward from one leave year to another at 240 hours. Full-time HQEs and HQE-SMs accrue 8 hours of annual leave per pay period and at a prorated rate for other eligible part-time employees.

25.0 RESEARCH POSITIONS IN THE SCIENTIFIC AND TECHNOLOGY REINVENTION LABORATORIES (STRL)

The 2023 NDAA (***PL 117-263***) authorized the Secretary of Defense to carry out a program to fix the rate of basic pay not to exceed 150 percent of the Level 1 of the Executive Schedule for certain research and technology positions in the STRL of the DoD. These positions are term and temporary appointments not-to-exceed 5 years. See ***10 USC § 4094*** and ***87 FR 40200***.

*REFERENCES

CHAPTER 10 - SPECIAL CATEGORY EMPLOYEES

1.0 - GENERAL

1.2	OPM Pay and Leave, Title 5, U.S.C., Part III Title 5, CFR, Chapter I, Office of OPM, subchapter B DoDI 1400.25, DoD Civilian Personnel Management System

2.0 - OVERSEAS EMPLOYEES

2.1	DoDI 1400.25-V1250, Overseas Allowances and Differentials DoDI 1400.25. V-1261, Observance of Holidays in Foreign Areas DSSR
2.2.1	22 U.S.C. § 3968 DoDI 1400.25-V1231, Employment of Foreign Nationals DoD Manual 1416.08, DoD Manual for Foreign National Compensation
2.2.2	DoDI 5120.39
2.3.2	DoDI 1400.25-V1231
2.3.3	DoDI 1400.25-V1231
2.3.14	Canadian Employment Insurance Program Canada Revenue Agency
2.3.14.1	Canada Revenue Agency T4001 Employer's Guide -Payroll Deductions and Remittances

3.0 - OTHER THAN FULL-TIME CAREER EMPLOYEES

3.1	5 CFR 610.111 DoDI 1400.25, V340
3.2	5 CFR 340.202(b) 5 U.S.C. § 3401(2) 5 CFR Part 340 5 U.S.C. §§ 3401-3408
3.2.1	OPM Benefits for Part-Time Employees
3.2.1.1.1	5 U.S.C. § 6302 5 U.S.C. § 6303
3.2.1.1.2	5 U.S.C. § 6307
3.2.1.1.4	5 U.S.C. § 6323(a)(2) DoDI 1400.25-V610, Hours of Duty

REFERENCES (Continued)

3.2.1.3	FEHB Handbook
3.2.1.4.1	FEGLI Program Handbook
3.2.1.4.2	FEGLI Program Handbook
3.2.1.4.4	FEGLI Program Handbook
3.2.2.1	5 U.S.C. § 5542
3.2.2.2	5 U.S.C. § 5543
	5 U.S.C. § 5550(a)
3.2.2.3	5 U.S.C. § 5544(a)
	5 U.S.C. § 5546(a)
	OPM Memorandum for Administrative Claims for Sunday Premium Pay
3.2.2.4	5 U.S.C. § 5545
3.2.2.5	5 U.S.C. § 5343(f)
3.2.2.6	5 U.S.C. § 5546
3.3.1	5 CFR 340.403
3.3.1.1	5 CFR 610.102
	5 CFR 532.506
	5 CFR 550.121
	5 CFR 550.103
	OPM Appropriated Fund Operating Manual for FWS Employees, subchapter S8-4
3.3.1.3	5 CFR 630.502
3.3.1.4	5 CFR 550.1203
3.3.2.1	5 CFR 831.201
3.3.2.2	5 CFR 890.102(c)(6)
	BAL 14-210
3.3.2.3	FEGLI Program Handbook
3.4	5 CFR 340.402
3.4.2	5 CFR 630.208
3.4.3.2	5 CFR 890.102
	BAL 14-210
3.5	5 U.S.C. § 6104
	5 CFR 610.301-306
	5 CFR 532.241
3.5.1	5 CFR 870.204(d)
3.5.2	5 CFR 890.102(c)(6)

4.0 - REEMPLOYED ANNUITANTS

4.1.1.1	5 U.S.C. § 8344
	5 U.S.C. § 8468
	5 U.S.C. § 9002
	5 CFR Part 837

REFERENCES (Continued)

	CSRS / FERS Handbook for Personnel and Payroll Offices, Chapter 100, Reemployed Annuitants
4.1.1.2.5	5 U.S.C. § 7702
4.1.1.3	5 U.S.C. § 8335
	5 U.S.C. § 8425
4.1.2	5 U.S.C. §9902
	DoDI 1400.25-V300
	CSRS/FERS Handbook, Chapter 44
4.3	5 CFR 630.407
4.4	5 U.S.C. § 8344

5.0 - DECEASED EMPLOYEES

5.1	5 U.S.C. §§ 5581-5583
	5 CFR 178.201-208
	5 U.S.C. § 5582(b)
5.3	5 U.S.C. § 5582
	5 CFR 178.204
5.3.1	5 CFR 178.205
5.3.2	5 CFR 178.102
	5 CFR 178.207
5.4.2	IRS Publication 15 (Circular E)
5.4.3	IRS Publication 15 (Circular E)
5.7	TFM, Volume 1, Part 6, Chapter 3000
5.9.1	PL 104-208 (5 U.S.C. § 8133)
5.9.1.1	5 U.S.C. § 8133(f)
	5 U.S.C. § 8134(a)
	DCPAS Death in Service
5.9.2	5 U.S.C. § 9904
	22 U.S.C. § 3973
	5 U.S.C. § 5313
5.9.2.1	5 U.S.C. § 8101(6)
	5 U.S.C. § 8101 (11)
5.9.2.2	5 U.S.C. § 8101(9)
5.9.2.3	5 U.S.C. § 8101(7)
5.9.3	5 U.S.C. § 8102(a)
	20 CFR 10.916
	20 CFR 10, subpart J
	DOL Death Gratuity Page

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6.0 - EXPERTS AND CONSULTANTS

6.1	5 U.S.C. § 3109
	5 CFR Part 304
	5 U.S.C. § 2105
	5 CFR 304.101
6.2	5 CFR 304.105
6.3.1	5 U.S.C. § 5542
6.3.2	5 CFR 304.106
6.4	5 U.S.C. § 5303
	5 CFR 304.105
6.5	5 U.S.C. § 5533(d)(1)
6.6.1	5 U.S.C. § 6301(2)(B)(ii)
6.6.2	5 CFR Part 630
	5 CFR 304.106
6.7	5 CFR 831.201
	5 CFR 842.105
6.9	5 CFR 890.102
	BAL 14-210

7.0 - LEGALLY INCAPICATED EMPLOYEES

	Deputy Secretary of Defense memo, “Review of Policies to Eliminate Stigmatizing Language Related to Mental Health,” dated November 7, 2022

8.0 - MISSING PERSONS, CAPTURED OR INTERNED

8.1	5 U.S.C. §§ 5561-5568
	5 U.S.C. § 5569
8.2	5 U.S.C. § 5562
8.2.2	5 U.S.C. § 5563
8.2.2.3	5 U.S.C. § 5569
	5 U.S.C. § 5563
8.2.3.1	5 U.S.C. § 6304
8.2.3.2	5 U.S.C. § 6304(d)(2)
8.3	5 U.S.C. §§ 5561-5568

9.0 - AUTHORITY FOR TEMPORARY ASSIGNMENTS

	5 U.S.C. §§ 3371-3376
	5 CFR Part 334

10.0 - EMPLOYEES TRANSFERRED TO INTERNATIONAL ORGANIZATIONS

REFERENCES (Continued)

10.1	5 U.S.C. § 3581-3584 5 CFR 352, subpart C 5 CFR 352.306
10.2	5 U.S.C. § 3582 5 CFR 352.309(a)
10.2.1	5 CFR 352.309
10.2.3	5 CFR 352.311(e)
10.2.4	PL 103-296, section 317, the Social Security Independence and Program Improvements Act of 1994
10.2.4.2	5 U.S.C. § 3582
10.3	5 CFR 352.309(d)
10.5	5 U.S.C. § 3582(a)(4)
10.6	PL 105-277, Section 2504 5 U.S.C. § 3582(b) CSRS and FERS Handbook, Chapter 12, § 12A3.1-4

11.0 - TEMPORARY AND TERM EMPLOYMENT

11.1.1	5 CFR Part 316
11.1.2.1	Deputy Secretary of Defense Memorandum, "Noncompetitive Temporary and Term Appointments to Meet Critical Hiring Needs in the Department of Defense," July 17, 2017
11.1.2.2	OUSD (P&R) Memorandum, "Modification of Temporary and Term Appointments Within the Department of Defense," June 12, 2017
11.1.2.3	OUSD (P&R) Memorandum, "Modification of Temporary and Term Appointments Within the Department of Defense" as modified by Deputy Secretary of Defense Memorandum, "Extensions of Term Appointments in the Competitive Service in the DoD," August 10, 2018
11.1.2.4	OUSD (P&R) Memorandum, "Modification of Direct-Hire Authority for the Department of Defense for Post-Secondary Students and Recent Graduates," January 15, 2019
11.2.1.1	Deputy Secretary of Defense Memorandum, "Noncompetitive Temporary and Term Appointments to Meet Critical Hiring Needs in the Department of Defense," July 17, 2017
11.2.1.2	OUSD (P&R) Memorandum, "Modification of Temporary and Term Appointments Within the Department of Defense," June 12, 2017

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	5 CFR 316.401
11.2.2	5 CFR 890.102
	BAL 14-210
11.3.1.1	Deputy Secretary of Defense Memorandum, "Noncompetitive Temporary and Term Appointments to Meet Critical Hiring Needs in the Department of Defense," July 17, 2017
11.3.1.2	OUSD (P&R) Memorandum, "Modification of Temporary and Term Appointments Within the Department of Defense," as modified by Deputy Secretary of Defense Memorandum, "Extensions of Term Appointments in the Competitive Service in the DoD," August 10, 2018
11.3.1.3	5 CFR 316.301
	OUSD (P & R) Memorandum, "Modification of Direct-Hire Authority for the Department of Defense for Post-Secondary Students and Recent Graduates," January 15, 2019

13.0 - AIR TRAFFIC CONTROLLERS (ATC)

13.1	DoDI 1400.25, V331
13.2	5 CFR 550.111
13.3	5 U.S.C. §§ 5546a(a)(1)
13.4	5 CFR Part 630
13.5	5 U.S.C. § 8335(a)
	5 U.S.C. § 8425(a)
	5 U.S.C. § 3307(b)
13.6	CSRS and FERS Handbook, Chapter 30

14.0 - PERSONNEL ON LONG-TERM, FULL-TIME TRAINING

14.1	5 U.S.C., Chapter 41
	5 CFR Part 410
14.2	OPM Training and Development Policy

15.0 - EMT

15.2	5 CFR 630.201
15.3.1.1	5 CFR 551.432
15.3.1.2	5 CFR 550.113
	5 CFR 550.114
	5 CFR 550.112(m)
15.3.1.3	5 U.S.C. § 5545(c)(1)

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	5 CFR 551.432(e)
15.3.2	5 U.S.C. § 6128
15.4	DoDI 1400.25-V630, Leave
	5 CFR 630.210
	5 CFR 630.201
15.5	5 CFR 630.210(a)
	DoDI 1400.25-V630
15.6	5 CFR Part 551

16.0 - FIREFIGHTERS

16.1	5 U.S.C. § 5542(f)
	5 U.S.C. § 5545(b)
	5 CFR 550, subpart M
	5 CFR 213.3202(b)
16.2	5 CFR 550.1303(d)
16.3	5 CFR 630.210
16.4	5 CFR 550.1303(a) and (b)
	5 CFR 550.1305
	5 CFR 550.107
16.4.3	5 CFR 410.402(b)(6)
16.5	5 U.S.C. § 5545(b)
16.6	5 U.S.C. § 5542
	5 CFR 550, subpart M
	5 CFR 550.111(g)
16.6.1	5 CFR 550.113(e)
16.6.2	5 CFR 550.1303(a)
	5 CFR 550.1303(b)(2)
16.7	5 U.S.C. § 5545(b)
	5 CFR 550.107
16.8	5 CFR 630.210(c)
16.9	5 U.S.C. § 8336(c)
	5 U.S.C. § 8412(d)
	5 U.S.C. § 8335(b)
	5 U.S.C. § 8425(b)
16.10	CSRS and FERS Handbook, Chapter 30
	5 U.S.C. § 8422(a)(2)(B)
	5 U.S.C. § 8423 (a)(1)(B)
	5 U.S.C. § 8334(a)
16.10.1	5 U.S.C. § 8336(c)
	5 U.S.C. § 8339(d)
16.10.2	5 U.S.C. § 8412(d)
	5 U.S.C. § 8415(d)
16.11.1	5 U.S.C. § 5542(h)(1)(A)

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	DoDI 1400.25, V610
16.11.2	5 U.S.C. § 5542
16.11.3.3	OPM's, "Firefighter Trading Time Policy"
16.11.3.5.3.2	5 CFR 550.1204
16.11.3.5.3.3	Volume 16, Chapter 3
16.11.3.6.1	29 U.S.C., Chapter 8
	5 U.S.C. § 5542(h)(1)(A)

17.0 - JUDGES

17.1.1	5 U.S.C. § 3105
	5 U.S.C. §§ 556-557
17.1.2	5 U.S.C. § 5372
17.2	10 U.S.C. §§ 941-946
	DoDI 1400.25-V805, Special Retirement and Survivor Benefits for Judges of the U.S. Court of Appeals for the Armed Forces
	5 CFR Part 213
17.2.1	5 U.S.C. § 6301(2)
	5 U.S.C. § 5541(2)(i)
	5 U.S.C. § 55, subchapter V
17.2.2.1	CSRS and FERS Handbook, Chapter 30
17.2.3	10 U.S.C. § 945
17.2.3.1	10 U.S.C. § 945
17.2.3.3	10 U.S.C. § 945(a)(3)(A)
17.3.3.7	10 U.S.C. § 945(g)
17.3.4	10 U.S.C. § 945
17.3.5	PL 114-328, December 23, 2016 (2017 NDAA)
17.3.6	10 U.S.C. § 942(e)
	10 U.S.C. § 942(e)(2)
	PL 114-328 (2017 NDAA)
	U.S. Court of Appeals for the Armed Forces Rules of Practice and Procedure

18.0 - AUXILARY CHAPLAINS AND WEST POINT MILITARY ACADEMY CHAPLAINS

18.1	Armed Forces Chaplains Board
18.2.1	5 CFR 213.3101
18.3	10 U.S.C. § 4337
	26 U.S.C. § 107

19.0 - SERVICE SECRETARIES

19.1	5 U.S.C. § 5504

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20.0 - ADDITIONAL PAY FOR CERTAIN HEALTHCARE PROFESSIONALS

20.1	5 U.S.C. § 5371
20.1.1	38 U.S.C. § 7455(a)(2)(A) and (B), (b), (c), (d)
20.1.2	38 U.S.C. § 7456 and 7456(A)
20.1.3	38 U.S.C. § 7454 38 U.S.C. § 7456(a) and (b)
20.1.4	38 U.S.C. §7402(a), (b), (d), and (f)
20.1.5	38 U.S.C. § 7403(a), (b)(4), (c), (e), and (f)(1)
20.1.6	38 U.S.C. § 7452(a)(2) and (g)
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20.1.8	38 U.S.C. § 7431(a), (b), (c), (d)(1-5), (e)(2)-(4), (f), and (h) 38 U.S.C. § 7432 38 U.S.C. § 7433(a)
20.1.9	38 U.S.C. § 7451(a), (b), (d), (e), and (f)
20.1.10	38 U.S.C. § 7410(b)
20.2	DoDI 1400.25-V540, Pay Pursuant to Title 38 Additional Pay for Certain Healthcare Professionals
20.3	38 U.S.C. § 7456 DoDI 1400.25-V541, Pay Pursuant to Title 38 Special Rules for Nurses Pursuant to the Baylor Plan
20.4	38 U.S.C. § 7457
20.5.1	DoDI 1400.25-V543, Pay Plan for DoD Physicians and Dentists Covered by the General Schedule
20.5.2	38 U.S.C. § 7431(f)
20.5.3	38 U.S.C. § 7431(e) DoDI 1400.25-V543

21.0 - LEOs

21.1	5 U.S.C. § 8331(20)
21.2	5 U.S.C., Chapter 55, subchapter V
21.2.1	5 U.S.C. § 8331(20) 5 CFR 550.103 5 U.S.C. § 5545a 5 CFR 550.185 5 CFR 550.181(b) 5 U.S.C. § 5545(a) 5 CFR 550.107 5 CFR 550.186
21.2.2	5 CFR 550.141

REFERENCES (Continued)

	5 CFR 550.163
21.2.3	5 CFR 550.111
21.2.4	OPM Fact Sheet: Guidance to Applying FLSA Overtime Provisions to Law Enforcement Employees Receiving AUO Pay
21.3	5 CFR Part 630
21.4	5 U.S.C. § 8335(b) 5 U.S.C. § 8425(b) 5 U.S.C. § 8336(c) 5 U.S.C. § 8412(d)
21.5	CSRS and FERS Handbook, Chapter 30

22.0 - MSC

	5 U.S.C. § 5348 Department of the Navy, Civilian Marine Personnel Instruction, 610, Hours of Work and Premium Pay

23.0 - DE FACTO EMPLOYEES

23.2.1.2	58 Comp. Gen. 734 B-191977, August 17, 1979 61 Comp. Gen. 127 B-197400, December 10, 1981
23.2.3.1	Comp. Gen. B-191397, September 6, 1978 Comp. Gen. B-189741 April 4, 1978
23.2.3.2	Comp. Gen. B-193605, January 8, 1979
23.2.3.3	Comp. Gen. B-188574 December 29, 1977
23.2.3.4	Comp. Gen B-197400, December 10, 1981
23.2.3.5	Comp. Gen. B-157983, December 13, 1965
23.2.3.6	Comp. Gen. B-221745, April 28, 1986
23.2.6	5 CFR 1605.12
23.2.7	61 Comp. Gen. 127 (1981)
23.3	5 CFR 5.1

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24.0 - HIGHLY QUALIFIED EXPERTS AND HIGHLY QUALIFIED EXPERTS- SENIOR MENTORS

24.1	5 U.S.C § 9903
	DoDI 1400.25-V922
24.3	DoDI 1400.25-V922
	5 U.S.C § 5304
	5 U.S.C § 5304 (g)(2)(C)
24.5	5 U.S.C § 6304(a)

25.0 -RESEARCH POSITIONS IN THE STRL

PL 117-263
10 USC § 4094
87 FR 40200

VOLUME 8, CHAPTER 11: "ALLOTMENTS AND VOLUNTARY DEDUCTIONS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated August 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
All	Revised information for clarity.	Revision
2.2.3.4	Clarified information that the Combined Federal Campaign allotments are for a 1-year term.	Revision
10.8.3	Added subparagraph "Catch-Up Contributions for Back Pay Awards and Other Retroactive Pay Adjustments".	Addition
10.9.2.7	Added reference.	Addition
References	Updated References section.	Revision

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CHAPTER 11

ALLOTMENTS AND VOLUNTARY DEDUCTIONS

1.0 GENERAL

1.1 Overview

Allotments and voluntary payroll deductions are made from an employee's gross pay. Both allotments and voluntary deductions are executed at the employee's request and require written authorization from the employee prior to withholding the deduction. Authorized deductions may be made through automated computer programs, such as myPay, using a personal identification code. See Chapter 4 for information on mandatory deductions.

1.2 Purpose

The purpose of this chapter is to provide guidance on mandatory, discretionary, and voluntary deductions as they may be applied to an employee's gross pay.

1.3 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with, the United States Code (U.S.C.), including Titles 5, 10, 31, and 38. Due to the subject matter in the chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each section are listed in a reference section at the end of this chapter.

2.0 ALLOTMENTS

2.1 Overview

An allotment is a recurring deduction from an employee's pay that is authorized by the employee. An allotment is paid to a specific person or institution as directed by the employee. An agency must permit an employee to make certain mandatory allotments as discussed in paragraph 2.2. Additionally, an agency may permit an employee to make additional discretionary allotments that have been deemed appropriate by the agency. For additional information, see ***5 U.S.C. § 5525***, Title 5, Code of Federal Regulations, Part 550, subpart C, (***5 CFR 550, subpart C***), and paragraph 2.3. For information concerning the order of precedence for processing both mandatory and voluntary deductions and allotments, see Chapter 4.

2.1.1. Allotment Processing. An allotment must be requested in writing by the employee. The request may be made electronically or by regular mail. The allotment request must identify the authority under which the allotment is permitted, the specified amount to be deducted, the period of time over which the deduction is to be made, and the name and address of the person or institution to whom the allotment is payable.

2.1.2. General Limitations on Allotments. Any allotment is subject to the following limitations:

2.1.2.1. The employee must designate the amount of the allotment and the person or institution to whom the allotment is made payable;

2.1.2.2. The total amount of allotments may not exceed the pay due to the employee for a particular pay period;

2.1.2.3. The employee must personally authorize a change or cancellation of an allotment,

2.1.2.4. The agency has no liability in connection with any authorized allotment disbursed by the agency in accordance with the employee's request; and

2.1.2.5. Any disputes regarding any authorized allotment are a matter between the employee and the allottee.

2.1.3. Allotments Not Authorized. The following allotments are not authorized:

2.1.3.1. Collection of debts to private creditors and nongovernmental agencies;

2.1.3.2. Contributions to charities, except as authorized in subparagraphs 2.2.3 and 2.3.2;

2.1.3.3. Payment of insurance premiums, except as authorized in subparagraph 2.2.7; and

2.1.3.4. Payment of dues to civic, fraternal or other organizations, except as authorized in subparagraphs 2.2.1, 2.2.2, and 2.3.2.

2.2 Mandatory Allotments

Mandatory allotments are those allotments an agency must permit an employee to make as authorized under ***5 CFR 550.311(a)***.

2.2.1. Allotments for Labor Organization (Union) Dues. An allotment for dues payable to a labor organization is authorized under ***5 U.S.C. § 7115***. Any eligible employee has the right to make a voluntary allotment for the payment of dues to labor organizations. Employees must submit a Standard Form ***(SF) 1187***, Request for Payroll Deductions for Labor Organization Dues, to request and authorize the allotment of pay. The allotment is effective the first pay period beginning after receipt of the properly executed SF 1187.

2.2.1.1. Deductions for Dues. Unless the negotiated collective bargaining agreement states otherwise, the amount of the dues deduction indicated on the SF 1187 will remain the same until the appropriate official in the labor organization certifies the dues amount has changed. When

an employee is in a nonpay status for an entire pay period, the Payroll Office (PRO) will not deduct a missed allotment for that pay period from future earnings. The PRO will not take a partial deduction if an employee is in a nonpay status for part of a pay period and the employee's earnings are not sufficient to cover the full deduction. An employee's biweekly deductions for labor organization dues should be calculated as follows:

2.2.1.1.1. If the amount stated on the SF 1187 refers to a total annual deduction for a 12-month period, then divide the total annual deduction by 26 to determine the biweekly deduction.

2.2.1.1.2. If the amount stated on the SF 1187 refers to a monthly deduction, then multiply the monthly deduction by 12 to determine the total annual deduction. Divide the total annual deduction by 26 to determine the biweekly deduction.

2.2.1.2. Cancellation of Dues Allotment by Employee. An employee may submit a request to cancel the allotment for payment of labor organization dues at any time.

2.2.1.2.1. Written Cancellation Required. An employee may file an ***SF 1188***, Cancellation of Payroll Deductions for Labor Organization Dues, to cancel an allotment. However, any written request signed by the employee for the cancellation of an allotment that contains sufficient information may be acceptable. Unless the collective bargaining agreement states otherwise, the employing activity is responsible for furnishing the SF 1188 to employees upon request.

2.2.1.2.2. Effective Date. Under 5 U.S.C. § 7115(a), an employee may cancel a union dues allotment at yearly intervals (or as negotiated in a collective bargaining agreement as long as the intervals are consistent with section 5 U.S.C. § 7115(a)). An employee may not be prevented from cancelling a dues allotment for a period of greater than one year.

2.2.1.3. Automatic Termination of Allotment. An allotment for payment of labor organization dues is automatically terminated pursuant to 5 U.S.C. § 7115(b) when any of the following events occurs:

2.2.1.3.1. The collective bargaining agreement between the agency and the labor organization ceases to be applicable to the employee. For example:

2.2.1.3.1.1. When an employee is no longer a member of the bargaining unit due to separation from the employing activity, the termination of the allotment will be effective with the employee's final pay from the activity;

2.2.1.3.1.2. When an employee is no longer eligible to be a member of the bargaining unit due to a promotion or reassignment to a supervisory position, the termination of dues will be effective at the beginning of the first pay period after the employee loses eligibility to be a member; or

2.2.1.3.1.3. When the labor organization loses eligibility for exclusive recognition, the termination of the allotment will be effective at the beginning of the first pay period after notification is received concerning the loss of recognition.

2.2.1.3.2. The employee is suspended or expelled from membership in the labor organization. Termination of dues will be effective the first pay period after the Defense Finance and Accounting Service (DFAS) receives the written notification from the labor organization indicating that an employee was suspended or expelled from membership.

2.2.1.4. Erroneous Deduction of Dues After Automatic Termination of Allotment. The agency must automatically terminate an allotment for labor organization dues when the employee ceases to be a member of the bargaining unit. There is no additional requirement for the employee to submit a cancellation form or to take any other action to terminate the allotment. If the agency does not terminate the allotment for labor organization dues in a timely manner, the PRO must refund any erroneously deducted labor organization dues, without interest, to the employee. The agency has a claim against the labor organization for the overpayment amount.

2.2.2. Allotments for Association of Management Officials and/or Supervisors Dues. An allotment for dues payable to an association of management officials and/or supervisors is authorized under ***5 CFR 550.331***. An employee is eligible to make a voluntary allotment for the payment of dues if the employee is a supervisor or management official and is a member of the association. The agency and the association of management officials and/or supervisors must maintain a written agreement allowing for the deduction of allotments for the payment of dues.

2.2.3. Allotments for Charitable Contributions. An agency must permit an employee to make an allotment for charitable contributions through the Combined Federal Campaign (CFC) under ***5 CFR 550.341***. For additional information, see DoD Instruction ***(DoDI) 5035.01*** and ***DoDI 5035.05***. The CFC is a charitable fundraising program established and administered by the Office of Personnel Management (OPM) and is the only authorized solicitation for charitable contributions from employees in the Federal workplace. OPM designates a Local Federal Coordinating Committee (LFCC) to conduct the CFC in a particular community. For additional information, see ***5 CFR Part 950***, ***Executive Order 12353***, and ***Executive Order 12404***.

2.2.3.1. Geographic Boundaries of the Local Campaign. An employee may participate in a particular CFC only if that employee's official duty station is located within the geographic boundaries of that CFC. The Director, OPM may grant permission for solicitations of Federal employees, outside the CFC, in support of victims in cases of emergencies and disasters. Any special solicitations will be managed through a Disaster Relief Program developed by OPM. See ***5 CFR 950.102(a)(2)*** and ***79 Federal Register 21581***.

2.2.3.2. Ways to Donate. An agency must conduct a campaign during the period determined by the LFCC, which will not begin before September 1 and will not extend beyond January 15. New employees may make pledges within 30 days of entry on duty, if outside of the campaign period. See 5 CFR 950.102 and ***5 CFR 950.601***. Employees can start allotments to CFC by either:

2.2.3.2.1. CFC Pledge Form. The CFC Pledge Form, in conformance with 5 CFR 950.402, is the only form an employee may use to authorize a CFC payroll allotment. Agencies will make the form available to employees electronically, along with other campaign materials, including the official charity list, when the charitable contributions are solicited. The electronic pledge is completed by the employee and transmitted to the employee's servicing PRO in real time via the centralized pledge system in order to establish a CFC payroll allotment. Employees may also submit a paper pledge form. Paper pledge forms may be given to the campaign manager or mailed directly to: CFC Processing Center, P.O. Box 7820, Madison, WI 53707-7820. The CFC Processing Center will input the pledge into the centralized pledge system which then will be transmitted to the employee's servicing PRO; or

2.2.3.2.2. CFC Mobile Application. The mobile application allows employees to have the same options for giving to start, stop, or change their CFC allotments as they would by using the CFC Pledge Form or using an electronic online form. Employees can search and donate to charities using payroll information. See the ***CFC Giving Mobile Application***.

2.2.3.3. CFC Allotments Are Voluntary. A CFC allotment is voluntary and based on the employee's authorization. See ***5 CFR 950.701(c)***.

* 2.2.3.4. 1-Year CFC Allotment Term. A CFC allotment will be in effect for 1 full year, e.g., 26, 24, or 12 pay periods, depending on the employee's pay schedule. The term begins with the first pay period after January 15 and ends with the last pay period that includes January 15 of the following year. See 5 CFR 950.701(d).

2.2.3.5. Central Campaign Administrator (CCA). OPM has established that a CCA will administer the CFC donor pledging system. Any pledges made must be pledged through the centralized administrator. See ***OPM Memorandum, 2017 Combined Federal Campaign***, dated August 3, 2017, and ***5 CFR 950.106***.

2.2.3.6. CFC Allotment Amount. Employees specify an allotment amount to be deducted each pay period during the year. Allotments will not be less than $1 per biweekly pay period. There is no restriction on the size of the increment above the minimum amount. The amount of the allotment may not be adjusted during the 1-year term. See 5 CFR 950.701(e).

2.2.3.7. Discontinuance of CFC Allotments. Allotments discontinue automatically after the expiration of the 1-year term, or upon the death, retirement, or separation of the employee from Federal service. CFC payroll deductions may be cancelled at any time via the centralized pledge system, but this is the only change permitted outside the official solicitation period. If a pledge is cancelled during the official solicitation period, a new pledge cannot be submitted. See 5 CFR 950.701(f).

2.2.3.8. Transfer of CFC Allotment Authorization. If an employee transfers during the 1-year term of the allotment, the allotment authorization must be transferred to the new PRO. See 5 CFR 950.701(g).

2.2.4. Allotments for Income Tax Withholding. An employee may make an allotment for income tax withholding when the employee has a legal obligation to pay, but the agency has no legal obligation to withhold taxes. The allotment for payment of taxes authorized by ***5 CFR 550.351*** applies to State, District of Columbia, and local income or employment taxes.

2.2.5. Allotments for Personal Accounts at Financial Organizations. An employee may authorize two or more allotments for a personal account(s) at a financial organization. The allotment deductions must be a fixed amount for each biweekly pay period and will continue until canceled by the employee.

2.2.5.1. Initiation. To initiate an allotment to a personal account at a financial organization, an employee submits an ***SF 1199A***, Direct Deposit Sign-Up Form, and a Financial Management Service ***(FMS) 2231***, Fast Start Direct Deposit Form. Employees may also initiate an allotment to a financial organization through an automated computer program that allows employees to process allotments using a personal identification code. To initiate the allotment, the employee must provide a routing transit number, the employee's account number, account type, and the biweekly amount.

2.2.5.2. Changes. To change the amount of the allotment or the financial organization or account, the employee must submit a new SF 1199A and an FMS 2231. The employee may also make a change through an available automated computer program.

2.2.5.3. Cancellations. An employee may cancel an allotment to a financial organization at any time by submitting the appropriate form to the Customer Service Representative (CSR) for processing. The employee may also cancel the allotment through an available automated computer program.

2.2.5.4. Deductions

2.2.5.4.1. If the salary is sufficient to cover the deduction, the PRO will deduct the full allotment amount each pay period even if an employee is in a pay status for only part of a pay period. No deductions will be made if the salary amount is insufficient to cover the full allotment deduction.

2.2.5.4.2. Retroactive deductions will not be made for a period during which the employee's net pay was insufficient to cover the allotment. The PRO will not make adjustments during future pay periods for amounts it failed to deduct during a current pay period.

2.2.6. Child Support and/or Alimony Payments. Employees are permitted to make an allotment for child support and/or alimony when he or she voluntarily elects to do so as authorized by ***5 CFR 550.361***. This provision for a voluntary allotment does not apply to garnishment orders issued to enforce child support or alimony obligations.

2.2.7. Flexible Benefits Plan Allotments. The PRO permits eligible employees to make an allotment as part of a flexible benefits plan established by OPM. The Federal Flexible Benefits Plan

(FedFlex) is OPM's cafeteria plan that offers pretax benefits to employees in accordance with Internal Revenue Service (IRS) regulations. The FedFlex offers the following options.

2.2.7.1. ***Premium Conversion***. Premium conversion for medical, dental, and vision plans allows employees to pay premiums using pretax dollars. See subparagraph 3.2.8.

2.2.7.2. ***Flexible Spending Accounts (FSAs)***. FedFlex offers employees the opportunity to participate in the Federal Flexible Spending Accounts Program (FSAFEDS). See section 5.0.

2.2.7.3. ***Health Savings Accounts (HSAs)***. Eligible employees enrolled in a high deductible health plan (HDHP) may establish an HSA with an HSA trustee or custodian and may request allotments to fund the HSA. An HSA is funded with pretax monies and may be used to cover current and future qualified medical expenses. The allotment continues until the employee revokes or modifies the allotment election. An employee may modify an HSA allotment at any time in order to effect a prospective change. Any balance remaining in an HSA at the end of a plan year automatically carries forward in the account and no HSA account is subject to forfeiture. Employees are responsible for ensuring their enrollment and contributions are in accordance with IRS rules and within annual limits. Payroll providers are not responsible for verifying employee eligibility or checking to ensure employee contributions are within annual limits.

2.3 Discretionary Allotments

In addition to the mandatory allotments that an agency is required to accept from employees, an agency may also permit employees to authorize discretionary allotments made at the employee's request for any legal purpose deemed appropriate by the head of the agency (or designee). The authority to accept discretionary allotments does not constitute independent authority by an agency to permit pretax allotments in addition to those authorized by OPM under subparagraph 2.2.8. See 5 CFR 550.311(b).

2.3.1. Purchase of Savings Bonds. The U.S. Department of Treasury (Treasury) has discontinued the issuance of paper savings bonds through federal agency payroll savings plans. Savings bonds may be purchased in the following manner:

2.3.1.1. An employee must open a ***TreasuryDirect*** account. As instructed by the TreasuryDirect payroll savings plan, the employee must submit a request to the civilian PRO for a payroll deduction in the form of an allotment. The employee's request must include the TreasuryDirect account and the amount to be deducted biweekly.

2.3.1.2. Savings bonds purchased in TreasuryDirect post to the employee's account one business day after the scheduled purchase date.

2.3.2. Foreign Affairs Agency Organizations. An employee may elect to make an allotment to pay dues to a foreign affairs agency organization in accordance with ***5 CFR 550.371***.

2.3.2.1. The employee is allowed to revoke the authorization at least every six months; and

2.3.2.2. The allotment terminates when the dues withholding agreement between a foreign affairs agency and the organization is terminated or ceases to be applicable to the employee.

2.3.3. Military Welfare Societies (MWSs). An employee may elect to contribute voluntarily to the MWSs as an authorized charitable campaign. The MWSs include Army Emergency Relief Society, Navy-Marine Relief Society, and the Air Force Aid Society. With the exception of CFC (see subparagraph 2.2.3), MWSs are prohibited from soliciting Federal civilian employees.

3.0 FEDERAL EMPLOYEES HEALTH BENEFITS (FEHB)

3.1 General

The FEHB Program was originally authorized in 1960 and is governed under ***5 U.S.C., Chapter 89*** and ***5 CFR Part 890***. FEHB is an employer-sponsored group health insurance program for eligible Federal civilian employees, retirees, former employees, family members, and former spouses. In January 2016, the Self Plus One enrollment type became available. See Benefits Administration Letter ***(BAL) 15-210***. Employees are eligible to enroll themselves and eligible family members in a health plan offered by FEHB. An employee's participation in the program is voluntary. OPM sets the amount that the government contributes toward an employee's health plan cost, and the employee is responsible for paying the remaining balance of the premium cost through salary withholding. OPM designates a three-digit enrollment code to identify health plans. The first two digits identify the plan and the third digit identifies the option (high or standard) and the type of enrollment (self only, self and family, or self plus one). For more information, visit ***FEHB Facts***.

3.1.1. Authorized FEHB Forms

3.1.1.1. The ***SF 2809***, Health Benefits Election Form, must be completed by the employee in order to:

3.1.1.1.1. Switch designated eligible family member;

3.1.1.1.2. Enroll or re-enroll in the FEHB Program;

3.1.1.1.3. Elect not to enroll in the FEHB Program;

3.1.1.1.4. Change FEHB enrollment;

3.1.1.1.5. Cancel FEHB enrollment; or

3.1.1.1.6. Suspend FEHB enrollment (only annuitants or former spouses).

3.1.1.2. The ***SF 2810***, Notice of Change in Health Benefits Enrollment, must be completed by the employee for the purpose of:

3.1.1.2.1. Termination;

3.1.1.2.2. Transfer in;

3.1.1.2.3. Reinstatement; or

3.1.1.2.4. Change in name of an enrollee.

3.1.2. Effective Dates. Except for open season, or unless otherwise provided, most enrollments and changes to enrollments are effective the first day of the pay period after the employing office receives the SF 2809 enrollment or SF 2810 change request. An employee must be in a pay status at least part of the pay period preceding the effective date of enrollment or change request. If an employee was not in a pay status during the pay period preceding the request, the enrollment or change becomes effective on the first day of the pay period after the employee returns to pay status. Open season begins the Monday of the second full workweek in November and ends the Monday of the second full workweek in December. OPM sets the effective date for enrollments and changes made during the annual open season.

3.2 FEHB Premium Contributions and Withholdings

Information concerning government employer contributions (government contribution) and employee withholdings for FEHB premiums can be found in 5 CFR 890, subpart E. See the ***FEHB Handbook***. Premium contributions and withholdings begin the first pay period that the enrollment is effective. The PRO forwards the contributions and withholdings to OPM using the Retirement and Insurance Transfer System (RITS) on the same date payroll is paid.

3.2.1. Government Premium Contributions. The government's contribution must be paid every biweekly pay period during which an employee's enrollment continues, whether the employee is in a pay or nonpay status. The government contribution for eligible employees is paid out of agency appropriations or other funds available for payment of salaries.

3.2.2. Full-Time Employee Premium Withholding. Unless otherwise provided, full-time employees are responsible for paying their share of the premium for every pay period that enrollment continues. The PRO deducts the withholding amount each pay period from the employee's pay. The amount is determined by the rate applicable to the plan, option, and coverage selected by each employee. The plan brochure describes the benefits, biweekly deduction, and other major features of each participating plan. If the withholding is insufficient, the employee incurs a debt to the United States in the amount of the proper withholding required for each pay period. Employees must check their Leave and Earnings Statements (LES) to verify the premium withholding is correct and must report discrepancies to their employing office immediately.

3.2.3. Part-Time Employees Premium Withholding and Contributions. Part-time employees, as defined in ***5 U.S.C. § 3402***, may elect coverage under FEHB and must pay the employee share of the FEHB premium. The agency pays the employer contribution in whole or in part depending on the following, as determined by the Human Resources Office (HRO).

3.2.3.1. A part-time career employee hired after April 8, 1979, who works 16 to 32 hours a week (or 32 to 64 hours biweekly) is entitled to a partial government contribution toward the FEHB premium that is in proportion to the number of hours scheduled to work in a pay period. The partial contribution is determined as follows:

3.2.3.1.1. The pro-rated share of the government's contribution is determined by dividing the number of scheduled hours the part-time employee works as indicated on the ***SF 50***, Notification of Personnel Action, by the number of hours worked by a full-time employee serving in the same or comparable position (normally 80 hours per biweekly pay period).

3.2.3.1.2. The resulting percentage is applied to the government contribution made for full-time employees enrolled in that plan.

3.2.3.1.3. The amount of the government contribution is deducted from the total premium (government contribution plus employee share), and the remaining amount is withheld from the employee's pay. See ***5 U.S.C. § 8906(b)(3)*** and refer to the FEHB Handbook.

3.2.3.2. Employees who served on a part-time basis before April 8, 1979, and who have continued to serve on a part-time basis without a break in service, are eligible for the full government contribution.

3.2.4. Temporary Employee Premium Withholdings and Contributions.

3.2.4.1. Effective November 17, 2014, employees on temporary appointments, employees on seasonal schedules who will be working a schedule of less than six months per year, and intermittent employees who are expected to work 130 hours per month or more for at least 90 days will be eligible to enroll in an FEHB plan. These newly eligible employees will receive the same government contribution as full-time permanent employees. See ***BAL 14-210***. Temporary employees who had worked for 12 consecutive months, were already eligible to enroll in the FEHB Program, and who were expected to work for 130 hours per month for at least 90 days also became eligible to receive the same government contribution as full-time permanent employees.

3.2.4.2. The Federal Employees Health Benefits Amendments Act of 1988 provides FEHB coverage for certain temporary employees excluded from coverage under subparagraph 3.2.4.1. To be eligible for coverage, a temporary employee must have completed 1 year of current continuous employment, excluding any break in service of 5 days or less. See 5 U.S.C. § 8906a(a). The employee must pay both the employee and the government share of the FEHB premium.

3.2.5. Withholding and Contributions Under Certain Conditions

3.2.5.1. Withholding From Lump-Sum Leave (LSL) Payment. The PRO will not deduct the regular biweekly withholding for FEHB premiums from an employee's LSL payment. However, the PRO may collect from the LSL payment any previously established debt that is the result of an employee's underpayment or failure to pay premiums.

3.2.5.2. Withholdings and Contributions Upon Transfer. An employee's health plan enrollment and coverage continue without change when the employee transfers from one PRO to another without a break in service of more than 3 days. Each PRO is responsible for FEHB premium withholdings and contributions during the time the employee was in a position serviced by the PRO. The PRO will prorate the withholdings and contributions using the Daily Proration Rule if the employee transfers to a different PRO at any time other than the first day of the pay period. See subparagraph 3.2.7.

3.2.5.3. Withholding and Contributions Upon Retirement. If an employee retires and is eligible to continue enrollment in a health plan as an annuitant, the PRO's responsibility for FEHB premium withholdings and contributions is based on the date the annuity starts. If the annuity starts after the end of the employee's final pay period, the PRO makes withholdings and contributions for the entire final pay period. If the annuity starts before the end of the employee's final pay period, the PRO makes withholdings and contributions through the day before the starting date of the annuity using the Daily Proration Rule discussed in subparagraph 3.2.7. OPM will make withholdings beginning with the effective date of the annuity.

3.2.5.4. Withholding and Contributions Upon Death. If an employee dies and there is no survivor annuity, or if the employee maintained self only enrollment, the PRO must make full FEHB premium withholdings and contributions for the pay period in which the employee dies. If a survivor annuitant is eligible to continue enrollment, the PRO will prorate the calculation using the Daily Proration Rule and the employee's date of death.

3.2.5.5. Withholding and Contributions Upon Retroactive Reinstatement. An employee who is restored to duty retroactively after an erroneous suspension or removal may elect to have his or her enrollment retroactively reinstated, or may enroll in the plan and option of their choice in the same manner as a new employee. If the employee elects to have the enrollment retroactively reinstated, the PRO must take deductions for the period of suspension or removal from the retroactive pay adjustment (i.e., back pay award) and the government premium contributions should be made as though the suspension or removal had not occurred.

3.2.5.6. Withholding and Contributions Upon Termination or Reinstatement for Military Service. If enrollment is terminated or reinstated because of an employee's entry into or return from military service, the Daily Proration Rule is applied. The effective date of the action is the date the employee entered into or returned from military service.

3.2.5.7. Withholding Upon Return From Shutdown Furlough. An employee's FEHB coverage continues during a shutdown furlough. The National Defense Authorization Act (NDAA) for fiscal year (FY) 2020 provides that employees are authorized to receive retroactive pay in the case of a shutdown furlough. Therefore, FEHB premiums missed due to the lapse of appropriations are to be collected from retroactive pay. See ***BAL 22-202***.

3.2.6. Withholding and Contributions During Leave Without Pay (LWOP) or Insufficient Pay Status

3.2.6.1. 365-Day Limit. Enrollment may continue while an employee is in a nonpay status for up to 365 days. The 365 days of continuous enrollment is not considered to be broken by any period of less than 4 consecutive months in pay status. If an employee has 4 consecutive months in pay status after a period of nonpay status, the employee is entitled to begin a new 365-day period of continuous enrollment. See 5 CFR 890.303(e).

3.2.6.2. PRO Forwards Premium Payments Each Pay Period. An employee is responsible for continuing to pay the employee's share of the FEHB premium during periods of LWOP or insufficient pay, unless the employee terminates the enrollment. The PRO will not withhold the employee's share of premiums for a pay period when an employee is on LWOP or has insufficient pay to cover the full FEHB premium. However, the PRO must continue to forward the full FEHB premium (both the government contribution and the employee's share) to OPM each pay period. The PRO must advance salary to cover the employee's share of the FEHB premium and the employee will incur a debt for the advance payments.

3.2.6.3. Notification to Employee. The payroll system must be capable of identifying all employees on LWOP or who have insufficient pay to cover premiums. Written notice must be provided to an employee by the PRO as soon as the PRO becomes aware that premium payments cannot be withheld from the employee's salary. Notice should be provided in accordance with instructions in the FEHB Handbook and ***5 CFR 890.502(b)*** and sent by first-class mail or delivered in person. If mailed, the notice is considered to be received 5 days after the date of the notice. The notice must advise the employee of the following:

3.2.6.3.1. Options for continuing or terminating enrollment;

3.2.6.3.2. Effect of termination;

3.2.6.3.3. If the employee decides to continue coverage, the employee must agree to pay the premium directly, incur a debt, or pre-pay premiums;

3.2.6.3.4. If the employee elects to incur a debt or fails to pay the entire amount due, the employee thereby agrees to repay the debt in full and allow the debt to be collected by salary offset. The notice should indicate that if the debt cannot be collected by salary offset, it will be recovered from a LSL payment, income tax refunds, retirement payments, or any other source available for the recovery of a debt due the government; and

3.2.6.3.5. If the employee does not complete the election indicating whether the employee chooses to continue or terminate enrollment and return the notice within 31 days after receipt (45 days if the employee lives overseas), enrollment will automatically terminate.

3.2.6.4. Employee Must Continue or Terminate Enrollment. If the employee enters LWOP or pay is insufficient, the employee must either terminate enrollment or agree to pay the premium (or incur a debt) in order to continue enrollment. See the FEHB Handbook for additional information.

3.2.6.4.1. Terminating Enrollment

3.2.6.4.1.1. Coverage. If the employee elects to terminate enrollment, the termination is effective at the end of the last pay period in which the PRO withheld the premiums from pay. Upon termination, FEHB coverage continues for an additional 31 days at no cost to the employee. During the 31-day period, the employee and covered family members may convert to an individual contract with the insurance carrier (commonly referred to as the "conversion right").

3.2.6.4.1.2. Reenrollment. If the employee returns to a pay status, or at the end of the first pay period that pay becomes sufficient to cover premiums, the employee must reenroll within 60 days if the employee wishes to elect FEHB coverage again. If the PRO has forwarded the government contribution to OPM using RITS and an adjustment is required in a subsequent pay period due to the late receipt of the FEHB cancellation, appropriate changes must be made to the payroll for personal services summary and the ***SF 2812-A***, Report of Withholdings and Contributions for Health Benefits by Enrollment Code. See the ***CSRS and FERS Handbook***.

3.2.6.4.2. Continuing Enrollment. If the employee elects to continue coverage, the employee may pay premiums directly to the employing agency while on leave ("pay-as-you-go" option), incur a debt for the unpaid premiums while on leave ("catch-up" option), or pre-pay the premiums before the employee goes on LWOP. The PRO must notify the employee of choices available (using the notification discussed at subparagraph 3.2.6.3) and provide the employee with a method to make direct premium payments. If the employee elects to incur a debt, the employee must repay the debt in full or the employee will be subject to debt collection action. If the employee pre-pays the premiums, the amount may be deducted from pay or may be paid out-of-pocket. Out-of-pocket payments are after-tax monies.

3.2.6.4.3. Employee Takes No Action. If the employee does not sign and return the written notice within 31 days of receiving the notice (45 days for overseas employees), the PRO must terminate the enrollment on the SF 2810. The effective date of enrollment termination is retroactive to the end of the last pay period that premiums were withheld from pay.

3.2.6.5. Coordinating Withholding From Disability Retirement or Workers' Compensation

3.2.6.5.1. Pending Applications

3.2.6.5.1.1. General. An employee's period of LWOP may be associated with an employee's pending application for disability retirement or workers' compensation benefits. Generally, if the employee's application is approved, the disability retirement annuity or workers' compensation benefits will be payable from the day following the last day of pay.

3.2.6.5.1.2. PRO Actions. If the employee does not continue to make premium payments during LWOP, the PRO must recover the employee's share of the FEHB premium from the annuity or workers' compensation benefits payment. If the employee's share of FEHB premiums were paid during LWOP and withholding is also made from the annuity or workers' compensation benefits for the same period, the PRO will refund the amounts to the employee to avoid double premium payments. If the disability retirement annuity does not begin on the day following the last day of pay, the PRO will not refund premium payments until the office receives a notice from OPM indicating the disability retirement application has been approved.

3.2.6.5.2. Withholding While Receiving Workers' Compensation. Health benefits enrollment continues while an employee is receiving compensation through the Office of Workers' Compensation Programs (OWCP). Historically, if compensation lasted fewer than 29 days, FEHB enrollment remained with the PRO. In August of 2010, the OWCP discontinued the practice of delaying deductions for the 28-day period and began making the FEHB deductions effective the first day of LWOP to prevent interruptions in insurance deductions. See Federal Employees Compensation Act ***(FECA) Circular No. 09-04*** and ***FECA Circular No. 12-05***. Enrollment continues during the first 365 days in LWOP status while an employee is receiving compensation. After 365 days, an employee must meet certain participation requirements (see FEHB Handbook) and enrollment eligibility is determined by the OWCP.

3.2.6.6. Special Circumstances Involving Employees on LWOP. An employee may elect to continue their benefits and pay the employee share of their premiums under the following ***special circumstances***.

3.2.6.6.1. Student Trainees on LWOP. Enrollment for student trainees with a career or career conditional appointment continues during LWOP as long as the student is participating in the Pathways Program under ***5 CFR Part 362***. The student must continue to pay the employee share of FEHB premiums during LWOP status.

3.2.6.6.2. Part-Time Employees on LWOP. During LWOP, a part-time career employee who receives a prorated government contribution toward FEHB premiums must continue to pay the same amount of health benefits premiums that were withheld from the employee's pay when the employee was in pay status.

3.2.6.6.3. Temporary Employees on LWOP. A temporary employee enrolled in FEHB must pay both the employee share and the government share of premiums during periods of LWOP. An employee who accepts a temporary position with another employing office must have the enrollment transferred from their original employing office to the new employing office. If the employee is still in LWOP status when the temporary position at the new employing office ends, enrollment must be transferred back to the original employing office. The original employing office must determine the remaining time the employee is entitled to continue FEHB coverage under LWOP. If the employee's temporary position in the original employing office has expired, the FEHB enrollment must be terminated. Both offices must coordinate the action so that withholdings and contributions are made in a timely manner.

3.2.6.6.4. Employees on Family and Medical Leave. An employee is entitled to 12 weeks of unpaid leave under the Family and Medical Leave Act (FMLA). See ***5 U.S.C. § 6382***. The 12 weeks of FMLA leave usually runs concurrently with the 365-day period for FEHB coverage during LWOP status. During the 12 weeks of FMLA leave, the general requirements for premium withholding and contributions described in paragraph 3.2 apply. During any FMLA leave period that extends beyond 365 days (for example, if the employee has used an extensive amount of LWOP before beginning FMLA leave), the employee must pay the employee's share of FEHB premiums directly to the PRO on a current basis.

3.2.6.6.5. Employees Appointed to Employee Organizations

3.2.6.6.5.1. Eligibility. An employee who is authorized LWOP status in order to serve as a full-time officer/employee of an employee organization may continue health benefit coverage if elected within 60 days from the start of LWOP. Coverage continues for the entire length of the appointment, even if LWOP lasts longer than 365 days. The employee pays the full cost of the health plan premium (both the employee and government share). The employee must make the premium payment to the PRO before, during, or within 3 months after the end of each pay period.

3.2.6.6.5.2. Termination. Coverage terminates if the employee does not pay premiums within this timeframe (subject to the 31-day extension of coverage and conversion right). Coverage will not resume until the employee enters pay and duty status in Federal service. Coverage may be restored retroactively if the employing agency finds that the employee was unable to make premium payments for reasons beyond the employee's control and payment is made at the first opportunity.

3.2.6.6.6. Appointments to State or Local Governments, Institutions of Higher Education, Indian Tribal Government, or Other Organizations. An employee granted LWOP for the purpose of an appointment to a State or local government, an institution of higher education, Indian tribal government, or certain other organizations specified in ***5 CFR Part 334***, may elect to continue health benefits coverage for the duration of the assignment. Employees are entitled to continue coverage even if LWOP lasts longer than 365 days. The employee must pay the employee's share of the premiums to the PRO before, during, or within 3 months after the end of each pay period. The employing office must continue to pay the government share of the premiums as long as the

employee continues to make premium payments. If the employee does not make premium payments in a timely manner, coverage:

3.2.6.6.6.1. Terminates if the employee does not pay premiums in a timely manner (subject to the 31-day extension of coverage and conversion right);

3.2.6.6.6.2. Will not resume until the employee enters pay and duty status in Federal service; and

3.2.6.6.6.3. May be restored retroactively if the employing agency finds that the employee was unable to make premium payments for reasons beyond the employee's control and payment is made at the first opportunity.

3.2.6.6.7. Transfer to International Organization. An employee who is transferred to an international organization under ***5 U.S.C. § 3582*** may elect to continue health benefits coverage and must pay the employee share of premiums to the employing office before, during, or within 3 months after the end of each pay period. The employing office must continue to pay the government contribution as long as the employee pays their share of the premium. Coverage terminates if the employee does not pay premiums within this timeframe (subject to the 31-day extension of coverage and conversion right). Coverage will not resume until the employee enters pay and duty status in Federal service. Coverage may be restored retroactively if the employing agency finds that the employee was unable to make premium payments for reasons beyond the employee's control and payment is made at the first opportunity. See ***5 CFR 352.309***.

3.2.6.6.8. Employee Salary Paid in Less Than 12 Months. If an employee's salary is paid over a period of less than 12 months (for example, a teacher who is paid over 10 months), the employing office should prorate the annual premium installments over the number of salary installments during the year so that the employee does not owe additional premiums during the nonpay period. If the employee is on LWOP status during the normal work period, the employee must pay premiums for that period.

3.2.7. Daily Proration Rule

3.2.7.1. General. The Daily Proration Rule is a formula used to calculate partial employee withholdings and government contributions for FEHB premiums. Unless otherwise provided, the full withholding and contributions must be made for each pay period even if the employee is in pay status for only part of the period. The PRO uses the Daily Proration Rule to compute partial withholdings and contributions under the following circumstances:

3.2.7.1.1. The employee transfers to a position serviced by a different PRO other than at the beginning of a pay period;

3.2.7.1.2. The employee retires other than at the end of a pay period and is eligible to continue FEHB enrollment;

3.2.7.1.3. The employee dies, and there is a survivor annuitant eligible to

continue FEHB enrollment; or

3.2.7.1.4. The employee terminates or reinstates enrollment because of entry into or return from military service.

3.2.7.2. Application of the Daily Proration Rule. The FEHB Handbook provides examples for computing a prorated amount of withholdings and contributions using the Daily Proration Rule. Each PRO (gaining and losing) is responsible for FEHB withholdings and contributions for the actual time the employee occupied a position serviced by the PRO. The PRO must compute daily FEHB premium withholdings and contribution rates as follows:

3.2.7.2.1. Daily Withholding Rate. To determine the daily withholding rate for partial employee withholding, multiply the employee's biweekly withholding rate by 26 and divide by 364; the result will equal the daily withholding rate. Multiply the daily withholding rate by the number of days on the payroll, the result will equal the amount of withholding for which the PRO is responsible. Use the denominator of 364 even during a leap year.

3.2.7.2.2. Daily Contribution Rate. To determine the daily contribution rate for partial government contributions, multiply the biweekly government contribution rate by 26 and divide by 364; the result will equal the daily contribution rate. Multiply the daily contribution rate by the number of days on the payroll, the result will equal the amount of contributions for which the PRO is responsible. Use the denominator of 364 even during a leap year.

3.2.8. FEHB Premium Conversion. Premium conversion is a method for reducing taxable income by the amount of an employee's contribution to his or her FEHB premium. Premium conversion reduces the employee's taxable income thereby lowering the employee's Federal income tax, Social Security and Medicare taxes, and state and local taxes. See ***5 CFR 892.102***. The HRO automatically enrolls eligible employees in premium conversion. Before the effective date of coverage, an employee may waive participation in the premium conversion benefit by filing an ***FEHB Premium Conversion Waiver/Election Form***. Thereafter, an employee may file a waiver of participation in premium conversion only under the limited circumstances set out at ***5 CFR 892.205***. See 5 CFR 892, subpart B for additional information.

3.2.9. Collection of Unpaid FEHB Premiums Debt

3.2.9.1. Debt Collection. Debt collection actions will be made pursuant to the debt collection authority in Volume 16. If the employee received a salary advance to cover FEHB premiums (using the "catch-up option"), and the employee signed a statement agreeing that the debt may be withheld from future pay, then the agency is not required to offer the employee a hearing before beginning salary offset, but notice of the intent to collect the debt must be provided. See ***5 CFR 550.1104(b)***.

3.2.9.2. Payments and Offsets. The PRO will note payments received or payroll deductions withheld and record those payments in OPM deposit fund for FEHB withholdings. If the employee separates, the amount owed must be offset against any entitlements due. If the employee retires and final pay is not sufficient to cover the debt, then the ***OPM Form 1522***, Request for Offset for Health Benefits Premiums from Monies Payable Under the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS), must be used to offset against a CSRS or FERS annuity. In addition, note on the ***SF 2806***, Individual Retirement Record (CSRS), or ***SF 3100***, Individual Retirement Record (FERS), that the separating employee has been indebted. There is no minimum amount subject to offset. If the employee has made any duplicate payments that are later offset, the duplicate payments must be refunded.

3.2.9.3. Debt Collection After Transfer to a Different PRO. The date of last withholding and amount due must be shown on the ***SF 1150***, Record of Leave Data, when an employee has a debt for unpaid FEHB premiums and transfers to a different PRO. Amounts due from employees transferring to another PRO should be collected by the gaining PRO, paid to the former employing office, and reported to OPM by the gaining PRO.

3.2.9.4. Employees Erroneously Allowed to Continue FEHB Coverage Beyond 365 Days of LWOP. The Affordable Care Act does not allow a health insurer to cancel coverage retroactively if premiums have been paid, including if an employer has erroneously allowed an ineligible employee to enroll. Where an employee who was on LWOP elected to incur a debt for the employee portion of the premium, and the employee's enrollment was erroneously allowed to continue for an extended period of time beyond the 365th day, the premium debt incurred by the employee for coverage may be significant. Therefore, OPM has directed agencies that in such a case, the agency must allow the employee to choose whether to:

3.2.9.4.1. Terminate the enrollment prospectively effective last day of the pay period in which the error was discovered and keep the coverage during the erroneous enrollment period. This means, if the employee incurred a debt, the employee owes the employee share of the premiums to the agency for that period, however the employee is entitled to full benefits during the period of the erroneous enrollment; or

3.2.9.4.2. Terminate the enrollment retroactively back to the date the FEHB enrollment should have terminated (meaning the employee owes no premiums for the erroneous enrollment period, but was not covered during that period and is responsible for any claims paid). This will allow the employee to avoid a large premium debt if little or no services were used due to the agency's error.

3.3 FEHB for Employees Entering Active Military Service

3.3.1. General. Federal law allows up to 24 months of continued FEHB benefits for Federal employees, and their covered dependents, who separate or enter into nonpay status to serve in the uniformed services, referred to as Absent-Uniformed Service (AUS). See ***38 U.S.C. § 4317(a)(1)(A)*** and ***5 U.S.C. § 8905a***.

3.3.1.1. Active Duty 30 Days or Less. If the employee is on active duty for 30 days or less and is in pay status, the employee's FEHB enrollment continues without change to the employee withholding or government contributions.

3.3.1.2. Active Duty Over 30 Days. An employee who enters active duty for more than 30 days may continue enrollment for up to 24 months unless the employee terminates enrollment.

3.3.1.3. Cost of FEHB Coverage. As discussed in subparagraph 3.3.2, the cost of FEHB is dependent upon the nature and length of the employee's active duty. Eligible DoD employees called to active duty in support of a contingency operation receive an enhanced benefit that results in the agency paying both the employee and government shares of the premiums for up to 24 months. However, if status changes to non-contingency during the employee's active duty service, a debt will incur. See also 5 CFR 890.303(i), 5 CFR 890.304, and 5 CFR 890.502(f).

3.3.2. Premium Payments General Information

3.3.2.1. First 365 Days. For the first 365 days AUS (12 months), the employee must pay the employee share of the FEHB premium (the employee may elect to postpone payment using the "catch-up option").

3.3.2.2. After 365 Days. After 365 days on AUS, the employee must pay both the employee share and the government share of the FEHB premium, plus an administrative charge of 2 percent of the total plan premiums. Payment is made directly to the PRO on a current basis (each pay period). See 5 CFR 890.502(f). As discussed in subparagraph 3.3.3, DoD Components pay both the employee and government's share of the FEHB premium if the employee is called or ordered to active duty in support of a contingency operation.

3.3.2.3. Enrollment Termination and Reenrollment. An employee's enrollment ends 24 months after absence for military service began, or 90 days after service ends, whichever is earlier. At the end of the 24 months, FEHB coverage will continue for an additional 31 days during which the employee and covered family members may convert to an individual contract with the insurance carrier. If the employee has terminated enrollment during active duty, they may enroll again within 60 days after returning to civilian employment.

3.3.2.4. Additional Guidance. See OPM's guidance on Coverage for Federal ***Civilian Employees on Active Military Duty***.

3.3.3. Premium Payments When Service is in Support of a Contingency Operation. Eligible Federal employees called to active duty in support of a contingency operation, as defined in ***10 U.S.C. § 101(a)(13)***, on or after September 14, 2001, are allowed an extension of coverage under the FEHB Program for up to 24 months. See 5 U.S.C. § 8905a and 5 CFR 890.502(f). DoD agencies may pay both the employee's share and the government's share of the FEHB premiums (in addition to any administrative charges the employee may otherwise be required to pay) for up to 24 months for eligible employees. See 5 U.S.C. § 8906(e)(3). When an employee moves from a contingency to non-contingency operation, the agency is required to cease paying the employee share of premiums.

3.3.3.1. Eligibility Requirements. To be eligible for continued FEHB coverage and payment of the employee's share of the FEHB premium under these authorities, the employee must be:

3.3.3.1.1. Enrolled in FEHB and elect to continue that enrollment;

3.3.3.1.2. A member of a Reserve component of the Armed Forces, which includes the Army National Guard, the Army Reserve, the Naval Reserve, the Marine Corps Reserve, the Air National Guard, the Air Force Reserve, and the Coast Guard Reserve;

3.3.3.1.3. Called or ordered to active duty (voluntarily or involuntarily) in support of a contingency operation as defined in 10 U.S.C. § 101(a)(13);

3.3.3.1.4. Placed on AUS or separated from civilian service to perform active duty; and

3.3.3.1.5. On active duty for a period of more than 30 consecutive days.

3.3.3.2. Effective Date. Continued coverage and agency full premium payment for eligible employees will be effective the date the employee is initially placed on AUS or separated from civilian service to perform active duty. Eligibility continues for up to 24 months while the employee is on active duty. The 24-month period will not be extended by the employee's intermittent use of paid leave during a period of military service.

3.3.4. Historical Information

3.3.4.1. Service in Support of a Contingency Operation on or After December 8, 1995, but Before September 14, 2001. Title 5 U.S.C. § 8906(e)(3) provided an extension of coverage under FEHB for no longer than 18 months for eligible employees. Under the law, agencies were authorized to pay the full FEHB premium (employee share and government share) for a period no longer than 18 months for eligible employees. The period of continued FEHB coverage began on the date of the employee's absence from their civilian position. The agency paid full FEHB premiums during periods of AUS or separation, but not during any pay period the employee used paid leave.

3.3.4.2. Service Not in Support of a Contingency Operation on or After December 12, 1994 and Before December 10, 2004. The Uniformed Services Employment and Reemployment Rights Act (USERRA) protects all employees serving on active duty in the uniformed services, including those serving under non-contingency orders. See 38 U.S.C. § 4317(a)(1)(A). Under USERRA, employees called to active duty under Title 32 or Title 10 between the aforementioned dates, were entitled to continued coverage of FEHB for 18 months. The period of continued FEHB coverage began on the date of the employee's absence from their civilian position.

3.3.4.2.1. First 12 Months. The employee was responsible for payment of the employee's share of the FEHB premium for the first 12 months.

3.3.4.2.2. 12 to 18 Months. The employee was responsible for the full FEHB premium (employee share and government share) plus an administrative charge of 2 percent of the total plan premiums after 12 months and up to the 18-month limitation.

3.4 Retroactive Changes and Adjustment of Errors

3.4.1. Retroactive Changes in Enrollment. If the employee does not participate in premium conversion, the employee may change enrollment from self and family to self plus one or from self and family or self plus one to self only at any time. An employee who participates in premium conversion is limited to changing their enrollment from self and family to self plus one or from self and family or self plus one to self only during open season, or within 60 days after the employee has a qualifying life event. Generally, a qualifying life event is an increase or decrease in the number of eligible family members as described in the FEHB Handbook.

3.4.1.1. The HRO may make enrollment changes retroactively to the first day of the pay period that began after the employing office received the employee's enrollment change request.

3.4.1.2. The retroactive change, and corresponding adjustments to health benefits withholdings and contributions, may be made only upon the employee's written request. The request must identify the event and date when the employee became the only person covered by family enrollment.

3.4.1.3. If an employee retroactively changes from self and family to self only, the PRO must make corrective adjustments to refund premiums back to the beginning date of the change in coverage provided by the employing agency. The Barring Act (Statute of Limitations), under ***31 U.S.C. § 3702(b)(1)***, does not apply to these specific changes.

3.4.2. Adjustment of Errors

3.4.2.1. Underdeduction. An underdeduction of FEHB withholding represents an overpayment of the employee's pay. Collection of the overpayment is exempt from due process if the amount was accumulated over four pay periods or less immediately preceding the current pay period. See 5 CFR 550.1104(c). Collection is subject to due process procedures when the amount accumulated is for a period of more than four pay periods. The PRO must collect the overpayment from a separated employee's final pay. See Volume 16, Chapter 3, paragraph 2.7 for additional information.

3.4.2.2. Overdeduction. If the PRO overdeducts the FEHB premium amount owed by the employee, the PRO must refund the overdeduction to the employee and adjust the government contribution on a subsequent pay period.

3.5 Temporary Continuation of Coverage (TCC)

3.5.1. General. An employee who loses FEHB coverage because he or she separates from Federal service may enroll under the TCC of FEHB. TCC allows an employee to continue health benefits coverage for up to 18 months from the date of separation. An employee's family member (child or former spouse) who loses coverage because he/she is no longer eligible may also enroll under TCC and may continue coverage for up to 36 months from the date of their change in status as a family member. HRO provides the employee with a notification of TCC election rights. For specific details regarding TCC, see 5 CFR 890, subpart K.

3.5.2. Notification. Once the employee's HRO establishes TCC eligibility, the HRO will forward the election form to the National Finance Center (NFC), which administers the TCC program for the DoD. The NFC will notify eligible individuals and provide further information on benefits, and will process enrollment changes and cancellations. NFC will collect premiums and send them to OPM.

3.5.3. Premium Payments. Individuals eligible for TCC must pay the full premium for the health benefit plan, which includes the employee withholding amount and the government contribution plus an administrative charge of 2 percent of the total plan premiums. However, if the individual has TCC based on a separation due to a reduction in force under 5 U.S.C. § 8905A(d)(4), the employee only pays their share, and the agency continues to pay the government contribution amount plus the administrative charge of 2 percent of the total plan premiums.

4.0 FEDERAL EMPLOYEES DENTAL AND VISION INSURANCE PROGRAM (FEDVIP)

4.1 General

FEDVIP provides dental and vision insurance to Federal employees at competitive group rates. While FEDVIP enrollment occurs during the annual Federal benefits open season process, FEDVIP is separate from the FEHB Program. For additional information, see ***5 CFR Part 894***.

4.2 FEDVIP Eligibility and Participation

4.2.1. Eligibility. Generally, in order to be eligible to enroll in FEDVIP, employees must be eligible for enrollment in the FEHB Program however; enrollment is not required. Certain employees, such as some temporary employees or intermittent employees, are not eligible for FEDVIP even though they may be eligible for FEHB. Enrollees in the FEHB TCC are not eligible for FEDVIP. Coverage of FEDVIP continues each year, and employees do not need to re-enroll each year to continue current coverage. Employees may enroll in FEDVIP through BENEFEDS, which administers enrollment for the FEDVIP program. Employees can utilize the secure enrollment site ***BENEFEDS***, or call BENEFEDS Customer Service at 1-877-888-3337.

4.2.2. Enrollment. Employees may enroll in FEDVIP:

4.2.2.1. During the annual open season;

4.2.2.2. Within 60 days after first becoming eligible as a new employee, or a previously ineligible employee who transfers to a covered position;

4.2.2.3. Within 60 days after returning to work following a break in service of at least 30 days; or

4.2.2.4. From 31 days before the employee (or eligible family member) loses other dental/vision coverage to 60 days after a qualifying life event allowing the employee to enroll. See 5 CFR 894.502 and BENEFEDS for information on qualifying life events.

4.2.3. Types of Enrollment. Under the FEDVIP, employees may select from the following types of enrollment:

4.2.3.1. Self only, which covers only the employee;

4.2.3.2. Self plus one, which covers the employee plus one eligible family member as specified by the employee; or

4.2.3.3. Self and family, which covers the employee and all eligible family members.

4.2.4. Cancellation, Termination, and Extension of Enrollment

4.2.4.1. Cancellation of Enrollment. Generally, an employee may only cancel FEDVIP participation during open season. An employee may cancel FEDVIP participation outside of open season only under the following two circumstances and the cancellation is effective at the end of the pay period in which the employee submits the cancellation request:

4.2.4.1.1. When the employee or employee's spouse is called to active military duty; or

4.2.4.1.2. When the employee transfers to an eligible position with another Federal Agency that provides dental and/or vision coverage and the employer pays 50 percent or more of the premium.

4.2.4.2. Ineligibility. When an employee no longer meets the definition of an eligible employee, FEDVIP coverage stops at the end of the pay period in which the employee was last eligible.

4.2.4.3. Extension of Coverage and TCC. Upon termination, there is no extension of coverage or right to convert to an individual contract with the insurance carrier. There is no TCC for employees or family members when FEDVIP coverage stops or family members become ineligible.

4.3 FEDVIP Premiums

4.3.1. General. Employees who elect to participate in FEDVIP pay the entire premium, as there is no government contribution for FEDVIP. Part-time employees pay the same premium as full-time employees.

4.3.2. Premium Conversion. The PRO withholds FEDVIP premiums from the employee's biweekly salary on a pre-tax basis using premium conversion, the method for reducing taxable income by the amount of the employee's contribution to their FEDVIP premium. Unlike the FEHB program, an employee may not opt out of premium conversion for FEDVIP. Premiums are not paid on a pre-tax basis if the employee has insufficient pay to cover the premium or is in a nonpay status. An employee who pays a premium directly to the FEDVIP administrator is not eligible for premium conversion. When an employee's enrollment is retroactively changed and additional premium withholding is required, the employee is not eligible for premium conversion unless the change is the result of a birth or adoption of a child.

4.3.3. Insufficient Pay or Nonpay Status. If an employee misses a premium payment for FEDVIP, they must make up the payment in subsequent pay periods or FEDVIP coverage will stop on the last day of the pay period in which FEDVIP received an allotment. An employee who is in a nonpay status, or who has insufficient pay to cover premiums, may also arrange to pay premiums directly to the FEDVIP administrator. If the employee stops making direct premium payments, FEDVIP coverage stops at the end of the pay period in which the employee last made a payment. If FEDVIP coverage stops, the employee will not be able to reenroll until the next open season after the employee is in pay status or the employee's pay is sufficient to pay the premium.

4.3.4. Withholding Upon Return From Shutdown Furlough. An employee's FEDVIP coverage continues during a shutdown furlough. The FY20 NDAA provides that employees are authorized to receive retroactive pay in the case of a shutdown furlough. Therefore, FEDVIP premiums not paid due to the lapse of appropriations are to be collected from retroactive pay. See BAL 22-202.

5.0 ALLOTMENTS FOR FEDERAL FLEXIBLE SPENDING ACCOUNT PROGRAM (FSAFEDS)

5.1 General

FSAFEDS offers three different ***Flexible Spending Accounts*** (FSAs). Eligible employees under this program open a FSA and make an annual election to deposit a portion of their pay into the account for the upcoming benefit period. The PRO withholds allotments from the employee's biweekly salary on a pretax basis and deposits the funds into the FSA. Employees may request to accelerate allotments over fewer pay periods. The employee may use their FSA for reimbursement of out-of-pocket costs for health care (such as co-payments and expenses not covered by insurance). Employees may also set up an account for dependent care expenses for a qualifying dependent. FSAFEDS is not a part of the FEHB program.

5.1.1. Open Season. Eligible employees must enroll in FSAFEDS each year during the Federal Benefits Open Season. Open season enrollments are effective January 1 of the following year. Enrollment does not carry forward year-to-year, and an employee must reenroll each year. New and newly eligible employees must enroll in the program within 60 days (but no later than October 1) of their entry on duty.

5.1.2. Enrollment. Employees must enroll directly with FSAFEDS either through ***FSAFEDS*** online or by calling FSAFEDS at 1-877-372-3337.

5.2 Types of Flexible Spending Accounts

5.2.1. Health Care Flexible Spending Account (HCFSA). An eligible employee may make an allotment to an HCFSA to pay for qualified health care costs not covered by FEHB. If an employee maintains an HCFSA and enrolls in an HDHP, the employee may not maintain an HSA.

5.2.2. Dependent Care Flexible Spending Account (DCFSA). An eligible employee may make an allotment to a DCFSA to pay for qualified dependent care (such as day care) expenses.

5.2.3. Limited Expense Health Care Flexible Spending Account (LEX HCFSA). The LEX HCFSA is only available to employees who enroll in an FEHB HDHP with an HSA. Eligible expenses are limited to dental and vision care services.

5.3 Allotments for FSAs

5.3.1. Payment of Allotments. Allotments withheld from the employee's pay are forwarded to BENEFEDS on the same date payroll is paid.

5.3.2. Carryover

5.3.2.1. Prior to 2015. Any unused FSA allotments were forfeited if the employee did not incur an eligible expense and file a timely claim for reimbursement.

5.3.2.2. After 2015. In October 2013, the Treasury and the IRS modified the forfeiture ("use-or-lose") rule for health care FSAs. Effective January 1, 2015, FSA programs allowed participants to carry over up to $500 of unused health care FSA funds to the next plan year (as long as they re-enroll in health care FSAs). Each year, by January 15, a carryover account will be established with their remaining funds from the prior calendar year, up to $500. Any amount over $500 will remain in the prior year account and will be forfeited if prior year claims are not submitted by the April 30 deadline. The carryover funds can be used for prior year expenses that are submitted by April 30 or current year expenses. The carryover balance will be set to a "secondary priority" for claim reimbursement; this means that the carryover balance will be used only if the prior and/or current year balances have been depleted. See ***BAL 14-801***. For additional information on carry over rules, see FSAFEDS website.

5.3.3. LWOP and Nonpay Status

5.3.3.1. Effect of Nonpay Status. The government will not make up the employee's allotments to an FSA if the employee is on LWOP or in a nonpay status. However, the employee may prepay allotments for periods of LWOP. If allotments are not prepaid, the HCFSA or LEX HCFSA account will be frozen. The employee will not be eligible for reimbursement of expenses incurred during LWOP or while in a nonpay status until the employee returns to pay status and allotments have restarted (even if the government continues to pay the employee's FEHB premiums for medical coverage). If an employee maintains a DCFSA during nonpay status, certain dependent care expenses that meet IRS guidelines for eligible expenses may continue to be reimbursed up to the account balance.

5.3.3.2. Return to a Pay Status. Upon the employee's return to pay status, the PRO will restart the allotment. FSAFEDS will recalculate any future allotment amounts based on the number of pay dates remaining in the benefit period to ensure the employee reaches their annual election amount.

5.3.4. Separation From Employment and Termination of FSAFEDS Participation. Participation in FSAFEDS stops as of the employee's separation date, or the last day of the pay period in which FSAFEDS received an allotment. HCFSA or LEX HCFSA expenses incurred after participation ends are not eligible for reimbursement. Reimbursement is only available for expenses incurred prior to the date of termination. However, the employee may continue to use the remaining balance in a DCFSA for eligible dependent care expenses until the end of the Benefit Period or until the depletion of the account balance, whichever comes first. Termination may be due to a change in employment status causing the employee to lose eligibility, separation from Federal employment, or transfer to a Federal agency not covered by FSAFEDS.

6.0 FEDERAL EMPLOYEES GROUP LIFE INSURANCE (FEGLI) PROGRAM

6.1 General

The FEGLI Program is a term life insurance program that provides life insurance coverage for Federal employees and their families. See ***5 U.S.C., Chapter 87***. The FEGLI Act of 1954, ***Public Law (PL) 83-598***, created the FEGLI Program. OPM administers the Program and sets the amounts for employee withholdings and government contributions. For additional information, see ***5 CFR Part 870*** or the ***FEGLI Handbook***. FEGLI benefits are payable regardless of the cause of death. The employee's SF 50 (in block 27) reflects the employee's current FEGLI enrollment code. See ***SF 50 Insurance Code Translator*** for a description of the FEGLI code.

6.2 Types of Life Insurance

There are two types of life insurance coverage under the FEGLI Program, Basic and Optional. The employee and the government share the cost of Basic insurance. The employee pays the entire cost for any of the three additional types of Optional insurance. Additionally, accidental death and dismemberment coverage is an automatic part of Basic and Option A insurance at no additional cost to employees.

6.2.1. Basic Insurance. On the date the eligible employee is initially placed in pay and duty status, the HRO automatically enrolls the employee in Basic insurance, unless the employee specifically waives Basic insurance coverage. A new employee may opt out of Basic insurance by filing a waiver of Basic insurance with the employing office before the end of the first pay period. A transferred employee or an employee who returns after 12 months in a nonpay status may also use a previously filed waiver from earlier employment which remains in effect. See ***5 CFR 870.501***.

6.2.1.1. Basic Insurance Amount (BIA). The amount of an employee's Basic insurance coverage is equal to their BIA multiplied by a factor based on the employee's age. An employee's BIA is either the annual rate of basic pay, rounded to the next higher thousand (plus $2,000) or $10,000, whichever is higher. An employee's BIA automatically changes whenever an employee's pay changes. Effective October 30, 1998, there is no maximum BIA. Note: if the employee's salary is limited or "capped" by law, the amount of Basic insurance is based on the capped amount, not on the amount of pay without the cap. See ***5 CFR 870.202***.

6.2.1.2. Annual Rate of Basic Pay for Determining BIA. BIA is based on the employee's annual pay as fixed by law or regulation. See ***5 CFR 870.204***. An employee's annual pay for life insurance purposes includes the following pay:

6.2.1.2.1. Interim geographic adjustments and locality-based comparability payments;

6.2.1.2.2. Premium pay for standby duty under ***5 U.S.C. § 5545(c)(1)***;

6.2.1.2.3. For a law enforcement officer, as defined under ***5 U.S.C. § 8331(20)***, ***5 CFR 831.902,*** and ***5 CFR 842.802***, premium pay for administratively uncontrollable overtime is authorized under 5 U.S.C. § 5545(c)(2):

6.2.1.2.4. Night Shift differential pay for wage employees;

6.2.1.2.5. Environmental differential pay for employees exposed to danger or physical hardship;

6.2.1.2.6. Special pay adjustments for law enforcement officers;

6.2.1.2.7. Availability pay for criminal investigators under 5 U.S.C. § 5545a;

6.2.1.2.8. Market pay for physicians and dentists of the Department of Veterans Affairs under ***38 U.S.C. § 7431***; and

6.2.1.2.9. Straight-time pay for regular overtime hours for firefighters.

6.2.1.3. Annual Rate of Pay for Employee Paid Multiple Rates. An employee may be paid for work using different pay rates. The annual rate of pay for such employees for life insurance purposes is based on their work schedule as follows:

6.2.1.3.1. Regular Schedule. Annual pay for employees regularly scheduled to work at different pay rates, such as day and night rates or two positions at different rates for each position, is the weighted average of the rates at which the employees are paid, projected to an annual basis. A regular schedule may exist even though the schedule varies within a year or even within a pay period.

6.2.1.3.2. No Regular Schedule. The annual pay of employees, who work at different pay rates but not on a regular schedule, is the annual rate the employee was receiving at the end of the pay period. In the event of death or dismemberment, it is the annual rate at the time of the death or accident.

6.2.1.4. Annual Rate of Pay for Part-Time Employees. A part-time employee's annual pay for life insurance purposes is the employee's basic pay applied to the tour of duty on record, based on the most recent SF 50, in a 52-week work year.

6.2.1.5. Annual Rate of Pay for Employees Serving in More Than One Position at the Same Time. If the employee legally services in more than one position at the same time and the employee is entitled to FEGLI for at least one of the positions, the annual rate of basic pay for life insurance purposes is the sum of the annual rate of basic pay fixed by law or regulation for each position. Certain exceptions apply. See 5 CFR 870.204(g) and subparagraph 6.5.7.

6.2.2. Optional Insurance. An employee who has not waived Basic insurance may elect additional Optional life insurance. Optional insurance is not automatic, and employees must specifically elect coverage within 60 days after becoming eligible for coverage, unless a previous election or waiver from earlier employment remains in effect. The cost of Optional coverage depends on the employee's age and is based on 5-year age bands beginning at age 35. Changes in rates based on age are effective on the first day of the first pay period following the pay period during which the employee's birthday occurs. See ***5 CFR 870.504***.

6.2.2.1. Eligibility to Elect Optional Insurance. An employee may elect one or more types of Optional life insurance coverage provided that:

6.2.2.1.1. The employee is enrolled in Basic life insurance coverage;

6.2.2.1.2. The employee does not have a waiver of that type of Optional insurance still in effect (or a waiver of that number of Option B or Option C multiples still in effect); and

6.2.2.1.3. The employee's pay, after all other deductions, covers the full cost.

6.2.2.2. Types of Optional Life Insurance. There are three types of optional insurance. See ***5 CFR 870.201***.

6.2.2.2.1. Option A (Standard Optional Insurance). Option A coverage is available only for the employee and is fixed in the amount of $10,000.

6.2.2.2.2. Option B (Additional Optional Insurance). Option B coverage is available only for the employee and is an amount equal to 1, 2, 3, 4 or 5 times the employee's annual basic pay after rounding to the next higher thousand if not an even thousand. The amount of coverage under this option automatically changes whenever the employee's annual pay increases or decreases by an amount sufficient to raise or lower pay to a different $1,000 bracket.

6.2.2.2.3. Option C (Family Optional Insurance). Option C provides coverage for the death of an employee's spouse or eligible dependent children. Eligible family members are automatically covered. The employee elects either 1, 2, 3, 4 or 5 multiples of coverage. Each multiple is equal to $5,000 for the spouse and $2,500 for each eligible dependent child. Payment is made to the insured employee.

6.3 Effective Dates for Withholding Premiums and Coverage

Withholding of premiums for new employees begins with the same pay period during which coverage begins as follows:

6.3.1. Basic Insurance. Coverage is effective on the first day the employee enters on duty in pay status. See 5 CFR 870.501(a)(1).

6.3.2. Optional Insurance (all options). Coverage is effective the first day the employee enters on duty in pay status on or after the date the HRO receives the election. See 5 CFR 870.504(d).

6.4 Effective Date of Waiver or Cancellation of FEGLI

At any time, an employee may waive Basic insurance, cancel any or all Optional insurance, or reduce the number of multiples under additional Optional insurance. Cancellation of Basic insurance automatically cancels all forms of Optional insurance. Coverage and deductions stop or are reduced effective the last day of the pay period in which the employee files an ***SF 2817***, Life Insurance Election: Federal Employees' Group Life Insurance Program. See 5 CFR 870.502 to ***5 CFR 870.505***.

6.5 FEGLI Premium Withholdings and Contributions

6.5.1. General. The cost of Basic insurance is shared between the insured employee and the government. The employee pays two-thirds of the cost, and the government pays one-third. See ***5 CFR 870.401***. The employee pays the full cost of all Optional insurance. OPM periodically reviews the cost of insurance and notifies agencies of premium rate changes.

6.5.2. Amount of FEGLI Premium Withholding. During each pay period in which an insured employee is in pay status for any part of the period, the PRO must withhold the employee's share of the FEGLI premium from their biweekly pay. Premium withholding is subject to the following requirements.

6.5.2.1. The amount of premium withholding is based on the amount of insurance last in force during the pay period.

6.5.2.2. If the employee dies or separates during a pay period, the PRO bases the withholding on the amount of insurance in force on the date of death or separation.

6.5.2.3. If the employee's BIA changes during the pay period, the PRO bases the withholding amount on the BIA last in force during the pay period.

6.5.2.4. If an employee works only a partial pay period, there is no pro-rated premium withholding.

6.5.2.5. If the employee works less than 52 weeks per year, the PRO must convert the biweekly rate to an annual rate. The PRO then prorates the annual rate over the number of pay periods in the year to determine the withholding amount.

6.5.2.6. The PRO must report withholdings and contributions for FEGLI to OPM each pay period as described in Chapter 9. See 5 CFR 870, subpart D.

6.5.3. Withholding FEGLI Premiums During Periods of Insufficient Pay

6.5.3.1. Short-Term Periods of Insufficient Pay. Withholdings will be made from an employee's salary when the employee is in pay status for any part of a pay period. If the salary is insufficient to permit all payroll deductions, the PRO must use the order of precedence for deductions in Chapter 4. After all other required deductions are made, if pay for a particular period is not enough to cover the full withholdings for life insurance premiums, the amount withheld must first be applied to Basic insurance. Any balance of pay remaining must then be applied to Optional insurance (first to Option B, then Option A, then Option C). See ***5 CFR 870.404(f)***.

6.5.3.2. Extended Periods of Insufficient Pay. A review and determination of insufficient pay must be made by the HRO when it is expected that an employee's pay, after all other applicable deductions, is insufficient to cover the cost of the premiums for a period of 6 months or more. The HRO must notify the employee if an employee's pay will be insufficient to cover FEGLI premiums over the course of 6 months or more. See FEGLI Handbook. The employee may wish to reduce or cancel other deductions from pay or may reduce FEGLI coverage in order to increase pay to cover the withholdings. An employee may elect to make direct payments to the employing office for periods when the pay is insufficient to cover the cost of the premiums. If the employee does not make direct payments, adjust, or cancel coverage, the HRO will terminate coverage as follows:

6.5.3.2.1. The HRO will terminate all coverage if pay is not sufficient for any premium withholding.

6.5.3.2.2. If the employee has pay available to cover part of the premiums, the HRO will administratively terminate as much coverage as necessary to allow for premium withholdings in the following order:

6.5.3.2.2.1. Multiples of Option C,

6.5.3.2.2.2. Option A,

6.5.3.2.2.3. Multiples of Option B, then

6.5.3.2.2.4. Basic insurance.

6.5.3.2.3. Coverage terminates at the end of the last pay period during which premiums were withheld.

6.5.3.3. Reinstating FEGLI Premium Withholding When Pay is Sufficient. If the HRO terminated coverage administratively, the HRO will automatically reinstate FEGLI coverage when the employee's pay becomes sufficient to cover the withholdings. If an employee paid premiums directly, the employing office must start withholding premiums from the employee's pay as soon as the pay becomes sufficient.

6.5.4. Withholding FEGLI Premiums and FEGLI Coverage During Nonpay Status

6.5.4.1. Twelve Months of Free Coverage. When an employee enters a nonpay status, the employee is entitled to 12 months of free FEGLI coverage from the last date of pay. No premium payments are required if the employee is in a nonpay status for an entire pay period (unless the employee is receiving benefits from the OWCP). See subparagraph 6.5.6. Make-up withholdings from future salary payments are not required.

6.5.4.1.1. The employee's coverage stops on the date the employee completes 12 months in a nonpay status, subject to the 31-day extension of coverage and right of conversion under subparagraph 6.5.3. The 12 months in a nonpay status may be broken by periods of less than 4 consecutive months in a pay status.

6.5.4.1.2. The employee is entitled to begin a new period of 12-month coverage if the employee has at least 4 consecutive months in pay status after a period of nonpay status.

6.5.4.1.3. If the employee has exhausted the 12 months of FEGLI coverage while in a nonpay status and returns to duty for less than 4 consecutive months, the Basic insurance stops 32 days after the last day of the last pay period in a pay status. See ***5 CFR 870.601(d)***.

6.5.4.2. Partial Pay Period. If an employee is in a nonpay status for part of a pay period, the full premium (for both Basic and Optional coverage) is withheld, and the government contribution is paid.

6.5.4.3. Withholding Premiums From Back Pay Awards. Except under the circumstances described at subparagraph 6.10.1, no FEGLI premium withholdings are made by the PRO from back pay awarded to an employee who was determined to be erroneously suspended or terminated from employment.

6.5.4.4. Withholding Premiums When Employee on LWOP Accepts Temporary Employment in Another Position. If an employee, who is entitled to 12 months of free coverage while in a nonpay status, accepts a temporary appointment to another position, in which he or she normally would be excluded from insurance coverage, insurance (Basic and Optional) continues.

6.5.4.4.1. The amount of Basic insurance is based on whichever position's salary is higher. The PRO takes withholdings from pay earned in the temporary position.

6.5.4.4.2. When the employee has completed the 12 months of nonpay status from the first position that entitled the employee to free coverage, FEGLI coverage will terminate, even if the employee remains in the temporary position. If the temporary position ends before the 12-month period and the employee is still on LWOP from the first position, the free coverage under the first position continues until the employee is separated or until the end of the 12-month nonpay status. After the 12-month period, an employee is eligible for the 31-day extension period and the right to convert to private insurance. See ***5 CFR 870.508(b)***.

6.5.4.5. Special Nonpay Situations. Special nonpay situations involve employees appointed to employee organizations, state or local government, Indian tribal organizations, institutions of higher education, or when an employee transfers to an international organization. Employees in these special nonpay situations may elect to continue their FEGLI coverage for the duration of their appointment. If elected, coverage continues even if the employee remains in a nonpay status for more than 12 months.

6.5.4.5.1. Payment of Premiums. If the employee elects to continue coverage, the employee must pay the premiums from the beginning of the nonpay status, and the employee is not eligible for 12 months of free coverage. Whether the government continues contributing depends on the appointment. See FEGLI Handbook and 5 CFR 870.508.

6.5.4.5.2. Continued Coverage Not Elected. If the employee does not elect to continue coverage, the employee is still eligible for 12 months of free coverage and coverage will terminate at the end of the 12-month period, the same as for any other employee in a nonpay status.

6.5.5. Withholding FEGLI Premiums From LSL Payments Upon Separation. No insurance premium is withheld from the LSL payment when the employee separates from Federal service. However, if the employee has an established debt that is being collected due to the underpayment of premiums, the agency may collect the debt from the LSL payment.

6.5.6. Withholding FEGLI Premiums While Employee is Receiving OWCP Payments

6.5.6.1. Twelve Months of Coverage as Employee. If an employee is in a nonpay status while receiving workers' compensation benefits, the employee receives 12 months of coverage. The HRO must notify the OWCP of the type and amount of life insurance the employee has in effect. The OWCP will make withholdings from workers' compensation benefits when compensation begins, even during the first 12 months of nonpay status, at the same rate that was withheld from the employee's salary. The OWCP deductions for FEGLI will begin effective the first day of LWOP. See FECA Circular No. 12-05. The employing agency continues to pay the government contribution until the employee separates from service or completes 12 months in nonpay status, whichever happens first. Thereafter, OPM pays the government contribution. See FEGLI Handbook.

6.5.6.2. Continuing Coverage as an OWCP Compensationer. If FEGLI coverage stops after 12 months in a nonpay status or due to separation, under 5 CFR 870.701, an OWCP compensationer may be eligible to continue Basic coverage (but not accidental death or dismemberment) and may continue or reinstate Optional insurance if:

6.5.6.2.1. The compensationer was insured during the 5 years of service immediately before the date of entitlement to compensation, or for the full period of service during which the employee was eligible to be insured if less than 5 years; and

6.5.6.2.2. The compensationer has not converted to an individual policy.

6.5.6.3. Requesting Continuation of Coverage. The compensationer must complete an ***SF 2818***, Continuation of Life Insurance Coverage, as an Annuitant or Compensationer. The HRO must provide the compensationer with a copy of the ***SF 2819***, Notice of Conversion Privilege, Federal Employee's Group Life Insurance Program. The HRO must complete an ***SF 2821***, Agency Certification of Insurance Status. The HRO must send the SF 2818 and SF 2821, a copy of the SF 2819, and all pertinent life insurance information from the employee's file to OPM for verification of eligibility to continue coverage. If eligible, OPM's Retirement Operations Center will serve as the "employing office" and will maintain the compensationer's life insurance file. See 5 CFR 870, subpart F.

6.5.6.4. Notice of Ineligibility. If the employee does not meet the requirements for continuation of life insurance (subparagraph 6.5.6.2), the HRO must notify the OWCP by completing a "Notice of Life Insurance Ineligibility" and issue a copy to the employee. The OWCP will stop withholding at the end of the 12 months of free coverage. If the employee separates before the end of the 12 months, the agency must notify the OWCP so that withholdings will end. See FEGLI Handbook.

6.5.7. Withholding FEGLI Premiums for Employees in Concurrent Employment Positions. An employee who legally serves in more than one position at the same time, in either the same agency or different agencies, is eligible for coverage if at least one position is a covered position. The amount of Basic and Option B insurance is based on the sum of annual pay for both positions (salaries are added together before rounding up to the next even thousand and before adding the additional $2,000 for Basic insurance). The agency paying the higher salary withholds the employee's premium share and pays the government contribution. If the employee goes into a nonpay status in an excluded position, at the end of 12 months in nonpay status, the amount of coverage is no longer based on the combined salary but is based solely on the salary from the covered position. If one of the positions is excluded from coverage, see the FEGLI Handbook.

6.5.8. Withholding Upon Return From Shutdown Furlough. An employee's FEGLI coverage continues during a shutdown furlough. The FY20 NDAA provides that employees are authorized to receive retroactive pay in the case of a shutdown furlough. Therefore, FEGLI premiums not paid due to the lapse of appropriations are to be collected from retroactive pay. See BAL 22-202.

6.6 FEGLI Daily Proration Rule

6.6.1. General. The FEGLI Daily Proration Rule is a formula used to calculate partial employee withholdings and government contributions for FEGLI premiums. Unless otherwise provided, the PRO deducts full withholdings and contributions for each pay period even if the employee is in pay status for only part of the pay period. The PRO uses the FEGLI Daily Proration Rule to compute partial withholdings and contributions under the following circumstances:

6.6.1.1. The employee transfers to a position serviced by a different PRO other than at the beginning of a pay period or, the transfer involves two agencies that are on different pay schedules; or

6.6.1.2. The employee retires other than at the end of a pay period.

6.6.2. Application of the FEGLI Daily Proration Rule. The FEGLI Handbook provides examples for computing a prorated amount of withholdings and contributions using the Proration Rule. Each PRO is responsible for withholdings and contributions for the actual time the employee occupied the position that the PRO serviced. Each PRO (gaining and losing) must compute daily FEGLI premium withholding and contribution rates as follows:

6.6.2.1. Determine the Daily Rate. To determine the Daily Rate for partial employee withholdings and government contributions (for Basic insurance), multiply the biweekly employee withholding and government contribution rates by 26, then divide by 364, the results will equal the daily rate. Use the denominator of 364 even during a leap year. The formula is as follows:

Biweekly Employee Withholdings × 26 ÷ 364 = Daily Rate, and

Biweekly Government Contributions × 26 ÷ 364 = Daily Rate.

6.6.2.2. Apply the Daily Rate to Formulas for Insurance Types. The PRO computes the Daily Rate using the formula discussed in subparagraph 6.6.2.1. Once computed, the PRO must use the following formulas to determine the amount of withholdings and contributions (for Basic insurance) for which losing and gaining PROs are responsible:

6.6.2.2.1. For Option A, the formula is:

Daily Rate × Days on Payroll;

6.6.2.2.2. For Basic Insurance and Option B the formula is:

Daily Rate × Coverage Amount ÷ $1,000 × Days on Payroll; and

6.6.2.2.3. For Option C, the formula is:

Daily Rate × Number of Multiples × Days on Payroll.

6.6.3. Active Employees. Use the FEGLI Daily Proration Rule to determine the PRO's (gaining and losing) responsibility for withholdings and contribution.

6.6.4. Retiring Employees. Withholdings and contributions depend on the employee's age at the time of retirement.

6.6.4.1. If the employee is under 65 years of age on the starting date of the annuity, the PRO will make Basic insurance withholdings and contributions and Optional insurance withholdings based on the following:

6.6.4.1.1. If the annuity starts after the end of the pay period, the PRO will make full withholdings and contributions for the entire pay period. Withholdings and contributions are not required for the period between the end of the pay period in which the employee separates and the date the annuity begins. See 5 CFR 870.404(b).

6.6.4.1.2. If the annuity starts before the end of the pay period, the PRO will make withholdings and contributions through the day before the annuity commencement date using the FEGLI Daily Proration Rule.

6.6.4.2. If the employee is 65 years or older on the starting date of the annuity, the PRO will make Basic insurance withholdings and contributions and Optional insurance withholding based on the post-65 election chosen by the employee.

6.6.4.2.1. If the employee elects Basic insurance with the 75 percent reduction, the PRO will make withholdings and contributions through the end of the pay period in which the employee separates for retirement without any proration.

6.6.4.2.2. If the employee elects Basic insurance with the 50 percent reduction, or no reduction, the PRO will make withholdings and contributions based on the starting date of the annuity, the same as for retiring employees under age 65.

6.6.4.2.3. If the employee has Option A, the PRO will make the withholdings through the end of the pay period in which the employee separates for retirement without any proration.

6.6.4.2.4. If the employee has Option B or Option C and elects full reduction, the PRO will make withholdings through the end of the pay period in which the employee separates for retirement without any proration. If the employee elects no reduction for Option B or Option C, the PRO will make the withholdings based on the starting date of the annuity, the same as for retiring employees under age 65.

6.7 FEGLI Termination, Cancellation, Extension or Conversion

6.7.1. Termination. Termination of FEGLI coverage is an involuntary action. An employee whose life insurance terminates receives a 31-day extension of coverage and a right to convert coverage. Termination does not affect an employee's eligibility to continue coverage into retirement. Life insurance terminates when the following occurs:

6.7.1.1. The employee separates from service (see FEGLI Handbook for exceptions);

6.7.1.2. Pay is insufficient to make any premium withholdings, and the employee does not elect to make direct payments;

6.7.1.3. The employee completes 12 months in nonpay status, and the employee is not eligible to continue coverage;

6.7.1.4. The employee moves to a position that is excluded by law from FEGLI coverage; or

6.7.1.5. Upon the death of the employee.

6.7.2. Cancellation of FEGLI Coverage. Cancellation of life insurance coverage is voluntary. Employees who cancel coverage are not eligible to receive the 31-day extension of coverage or a right to convert the coverage. Cancellation of life insurance may affect an employee's eligibility to continue life insurance coverage after retiring. See also paragragh 6.4.

6.7.2.1. Cancellation of Basic Insurance. An employee may cancel Basic insurance at any time by filing a waiver of Basic insurance coverage with their HRO. Coverage is canceled at the end of the pay period in which the waiver is properly filed. Cancellation of Basic insurance automatically cancels all forms of Optional insurance.

6.7.2.2. Cancellation of Optional Insurance. An employee may cancel Optional life insurance, or reduce the number of multiples under Option B, at any time by filing a waiver of Optional insurance coverage with their HRO. An employee will not receive a refund of premiums paid prior to the effective date of cancellation. Coverage terminates at the end of the pay period in which the employee files the waiver. Exception: If Option C is canceled because there are no eligible family members, the effective date is retroactive to the end of the pay period in which there were no longer any eligible family members. See 5 CFR 870.505(b). Cancellation of Optional insurance does not cancel Basic insurance. The Barring Act (Statute of Limitations) at 31 U.S.C. § 3702(b)(1) does not apply to retroactive refunds for Option C.

6.7.2.3. Reinstating Insurance. For detailed information concerning cancelling a waiver of coverage, see the FEGLI Handbook and ***5 CFR 870.503-505***.

6.7.3. 31-Day Extension of Coverage and Conversion. When Basic and Optional insurance terminates, except by an employee's waiver or cancellation, coverage automatically continues without cost for an additional 31 days. No withholding or government contributions are required during the 31-day extension. An employee may convert to an individual policy and may convert any or all of his or her Basic and Optional coverage. Conversion is effective at the end of the 31-day extension of coverage. The employing agency must notify the employee of the loss of coverage and the right to convert to an individual policy either before or immediately after the event causing loss of coverage. See ***5 CFR 870.603***.

6.8. Office of Federal Employees' Group Life Insurance (OFEGLI) Requests for Pre-Payment Verification

PROs must cooperate with the OFEGLI when it requests pre-payment verification. The OFEGLI is required to obtain verification before making payment to beneficiaries of enrollees with $200,000 or more of FEGLI coverage. OFEGLI will request the insured's current salary, annual salary (if different) and details on enrollment in Optional insurance, if applicable.

6.9. Continuation of Coverage for Federal Employees Called to Active Duty

Effective January 28, 2008, for Federal employees called to active duty or active duty for training, FEGLI coverage continues for up to 24 months. See 5 CFR 870.601(d)(3). Coverage applies to a member of a Reserve component of the Armed Forces called or ordered to active duty for greater than 30 days and is on approved AUS to perform active duty or active duty for training.

6.9.1. Months 1 through 12. An employee called to active duty maintains continued FEGLI coverage for up to 12 months just as any other employee in a nonpay status. Employees do not pay for coverage during this 12-month period.

6.9.2. Months 13 through 24. An employee called to active duty must elect to have life insurance continue for an additional 12 months and must pay the employee and agency share of the premium from the beginning of the additional 12 months of coverage. An employee may cancel some or all of the coverage during this period. See ***5 U.S.C. § 8706(d)(1)***.

6.9.3. Termination. At the end of the first 12 months, or 90 days after the military service ends, whichever is earlier, coverage will terminate unless the employee elects to continue coverage for the additional 12 months, subject to the 31-day extension of coverage and right to convert to an individual policy. An employee may cancel an election at any time, in which case insurance will stop upon receipt of notice of cancellation.

6.9.4. Return to Federal Service. When the employee returns to active Federal service after military duty, the employee is afforded the same level of life insurance that was in place before the employee entered nonpay status or separated for military service, as long as the position is not excluded from coverage. HRO reinstates the same type of insurance even if the employee declined to continue coverage for the additional 12 months, reduced some or all of the coverage, or allowed coverage to terminate due to nonpayment.

6.10. Increasing Coverage for Employees Deployed in Support of a Contingency Operation

Civilian employees eligible for FEGLI, who are deployed in support of a contingency operation, as defined at 10 U.S.C. § 101(a)(13), or DoD employees eligible for FEGLI, who are designated as emergency essential under ***10 U.S.C. § 1580***, may elect Basic, Option A and Option B, up to 5 multiples, within 60 days after the date of notification of deployment. See 5 CFR 870.503(e) and (f).

6.11. Retroactive Changes and Adjustment of Errors

6.11.1. Retroactive Changes to Pay

6.11.1.1. Erroneous Suspension/Removal and Back Pay Awards. If an employee is retroactively restored to duty with back pay after an erroneous suspension or removal, no life insurance premium withholding is made from the back pay award. However, if death or dismemberment occurred during the period of suspension or separation, the PRO must withhold premiums from the back pay. Additionally, if the employee had Option C coverage and a covered family member dies during the period of separation or removal, the PRO must withhold Option C premiums from the back pay award. See 5 CFR 870.404(e) and the FEGLI Handbook.

6.11.1.2. Retroactive Pay Increase. If an employee receives a retroactive pay increase that was delayed beyond the effective date due to administrative error or oversight, and the pay increase resulted in higher life insurance premiums, deductions for the increased premium adjustment must be applied retroactively.

6.11.2. Adjustment of Errors for Overdeductions and Underdeductions of FEGLI Premiums

6.11.2.1. Current Employees

6.11.2.1.1. Overdeduction of FEGLI Premiums Owed. When the PRO erroneously overwithholds premiums from the salary of an employee, the PRO must refund the erroneous withholding to the employee the next pay period. This automatically corrects the excess government contribution.

6.11.2.1.2. Underdeduction of FEGLI Premiums Owed. When less than or none of the proper amount of FEGLI premiums are withheld from the salary of the employee, the underdeduction represents an overpayment of regular pay to the employee that must be collected as a debt. The collection of the debt may be exempt from due process requirements under 5 CFR 550.1104(c). See Volume 16, Chapter 3, paragraph 2.7 for additional information. The agency must submit the uncollected amount due, including the government contributions, to OPM within 60 calendar days after the date the agency discovers the underdeduction, regardless of whether collection from the employee has been made. Government contributions must be adjusted when payment is received from the employee.

6.11.2.1.3. OWCP Compensationers. The procedures for refunding overdeductions and collecting underdeductions are the same for employees who are receiving compensation from the OWCP.

6.11.2.2. Separated Employees. When it is necessary for the PRO to make an adjustment in withholdings for a separated employee, the adjustment is withheld from the final salary payment to the employee (or if deceased, to the employee's beneficiary or estate).

6.11.3. Incontestability

6.11.3.1. General. Incontestability is a provision of law that allows erroneous coverage to remain in effect under certain conditions. See ***5 CFR 870.104***. Coverage allowed to stand due to incontestability becomes valid coverage. Erroneous coverage always involves more coverage than an employee is entitled to receive or more than the employee elected. Incontestability does not apply to premiums being withheld for less coverage than an employee elected since such underwitholding is considered an overpayment of salary, annuity, or compensation. For purposes of incontestability, erroneous coverage may occur under the following circumstances:

6.11.3.1.1. The employee was allowed to elect coverage when not entitled to do so;

6.11.3.1.2. The SF 50 was coded incorrectly, giving the employee more coverage than he or she elected;

6.11.3.1.3. The PRO collected premiums for a coverage that the employee did not elect on the election form; or

6.11.3.1.4 OPM erroneously continued an employee's coverage beginning when the employee became an annuitant or compensationer.

6.11.3.2. Requirements of Incontestability. An employee becomes insured under the provision of incontestability only if both of the following conditions are met:

6.11.3.2.1. The erroneous coverage was in effect for at least 2 years between the time the error was made and the time the error is discovered; and

6.11.3.2.2. The employee paid the applicable premiums for the erroneous coverage while it was in effect.

6.11.3.3. If Incontestability Applies and the Individual Does Not Want Coverage. When incontestability applies, an employee may cancel the coverage, but only prospectively. The PRO will not refund the premiums for the erroneous coverage period unless the employee had erroneous Option C coverage and did not have any eligible family members. An employee may cancel erroneous Option C coverage retroactively and the PRO must refund any erroneous Option C premiums retroactive to when the employee ceased having eligible family members. The Barring Act does not apply.

6.11.3.4. When Incontestability Does Not Apply. If the erroneous coverage is discovered before 2 years, incontestability does not apply and the coverage is not valid. The PRO must void the coverage and refund the premiums.

7.0 FEDERAL LONG-TERM CARE INSURANCE PROGRAM (FLTCIP)

7.1 General

The Long-Term Care Security Act authorized OPM to design a long-term care insurance program for Federal employees and their families. See ***5 U.S.C., Chapter 90***. OPM created the ***FLTCIP*** and contracted with the John Hancock Life Insurance Company as the carrier that provides Long-Term Care (LTC) insurance. Long-Term Care Partners, LLC (LTCP), a subsidiary of John Hancock, is the exclusive administrator of FLTCIP. See ***5 CFR Part 875*** for additional information. LTC insurance provides coverage for eligible employees, annuitants, and qualified family members. Coverage applies to those who can no longer perform activities of daily living without assistance due to a chronic illness, injury, disability or the aging process as determined by the LTCP. LTC insurance pays a portion of the cost of covered services, such as home health care, adult day care, or nursing home or assisted living facility costs.

7.1.1. Duties of LTCP. The LTCP administers all aspects of the program. Eligible employees must submit their application directly to the LTCP for approval of coverage. The LTCP is responsible for:

7.1.1.1. Accepting and approving employee applications,

7.1.1.2. Answering employee questions about the program,

7.1.1.3. Maintaining their web site to include current information, and

7.1.1.4. Transmitting applicable payroll data for automatic payroll deductions.

7.1.2. Duties of Federal Agencies. Federal agencies are responsible for the following:

7.1.2.1. Providing access to information about the FLTCIP to eligible employee,

7.1.2.2. Responding to questions from the LTCP including questions on the employment status of an applicant or enrollee,

7.1.2.3. Providing reports as OPM requires,

7.1.2.4. Complying with BALs and other OPM issuances, and

7.1.2.5. Deducting premiums as authorized by employees and remitting those payments on a biweekly basis to the LTCP.

7.2. Eligibility and Cost

7.2.1. Eligibility. Participation is voluntary and elections must be made through LTCP. Most Federal civilian employees are eligible to apply for the LTC coverage. If an employee is eligible for the FEHB program, the employee is also eligible to apply for LTC insurance through

FLTCIP, even if not enrolled in FEHB. Retirees are eligible to apply. Eligibility also extends to qualified relatives including spouses and adult children of eligible employees and retirees, as well as parents, parents-in-law, and stepparents of current employees. Qualified relatives may apply for coverage even if the employee does not apply.

7.2.2. Cost of Coverage. The employee pays the full cost of LTC insurance and there are no government contributions toward LTC insurance premiums. LTC premiums are based on both the employee's age and the cost of options that the employee selects.

7.3. Coverage and Payment Options

7.3.1. Effective Date of Coverage. If LTCP approves the employee's application for coverage, the LTCP will send approval notification to the employee and provide the employee with an effective date of coverage. If enrollment occurs during open season, the effective dates of coverage are announced. If enrollment occurs any time outside of open season, coverage is effective the first day of the month after the approval date of the application. Additional requirements apply for active workforce members who apply for coverage under abbreviated underwriting and for those employees whose eligibility changes prior to their announced effective date of coverage. See ***5 CFR 875.404***.

7.3.2. Payment of Premiums

7.3.2.1. Payment Options. An employee who qualifies for participation in the LTCIP may choose from three payment options:

7.3.2.1.1. Payroll deduction,

7.3.2.1.2. Automatic bank withdrawal, or

7.3.2.1.3. Direct billing.

7.3.2.2. Payroll Deductions. If premiums are paid through payroll deductions, deductions begin on the first full pay period on or after the effective date of coverage. Payroll deductions for LTC premiums occur each biweekly pay period until the employee separates, transfers, or elects a different payment option.

7.3.2.3. Correcting Underpayments and Overpayments. If the carrier determines that the employee has underpaid premiums, the employee will pay retroactive premiums to the carrier for the amount due. If the carrier determines that the employee has overpaid premiums, the carrier will reimburse the employee or reduce future premium payments by the amount of the overpayment. See 5 CFR 875.303.

7.3.2.4. Withholding Upon Return From Shutdown Furlough. An employee's FLTCIP coverage continues during a shutdown furlough. The FY20 NDAA provides that employees are authorized to receive retroactive pay in the case of a shutdown furlough. Therefore, FLTCIP premiums not paid due to the lapse of appropriations are to be collected from retroactive pay. See BAL 22-202.

7.3.3. Transferring Employees. Employees transferring to a new agency must notify LTCP regarding where and when the transfer will occur. The employee's current payroll deductions will continue until the separation action processes. An employee will automatically receive a direct bill from the LTCP for any premiums not collected through payroll deduction due to the transfer. Payroll deductions are not adjusted to "catch-up" uncollected premiums.

8.0 DISABILITY INSURANCE FOR EMPLOYEES OF THE UNIFORMED SERVICES UNIVERSITY OF THE HEALTH SCIENCES (USUHS)

Full-time civilian faculty members appointed to an Administratively Determined (AD) position of the USUHS School of Medicine receive mandatory coverage under a long-term disability insurance plan. In order to participate in the long-term disability insurance plan, the employee must be covered under the Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF) or the Fidelity Investments program. The employer and employee share the cost of the disability insurance and each contributes 50 percent of the premium. USUHS AD employees covered under FERS or CSRS are not eligible for the long-term disability insurance plan.

9.0 NATIONAL GUARD ASSOCIATION OF UNITED STATES (NGAUS) INSURANCE TRUST (IT) PROGRAM

Army and Air National Guard Technicians (Title 32 Technicians) may choose to participate in the NGAUS-IT, which provides disability and life insurance products through its underwriter, ReliaStar Life Insurance Company. Technicians should contact their HRO or NGAUS-IT for enrollment instructions and forms. Technicians who participate agree to have premiums deducted from their biweekly pay on the NGAUS-IT enrollment form. CSRs work closely with ReliaStar Life Insurance Company, which confirms the approval of enrollment and provides the CSR with start dates and amounts of payroll deductions. ReliaStar will notify CSRs of any revisions to premium deductions due to age or salary changes. CSRs enter the appropriate premium deduction information into the Defense Civilian Pay System. The PRO deducts premiums for the entire pay period, regardless of the day of termination, and proration is not required.

10.0 THRIFT SAVINGS PLAN (TSP)

10.1 General

The Federal Employees' Retirement System Act of 1986 established the TSP, a retirement savings and investment plan for Federal employees. See ***5 U.S.C., Chapter 83***, ***5 U.S.C., Chapter 84,*** and ***5 CFR Part 1600***. TSP offers eligible employees traditional tax deferral advantages and a Roth-TSP option The Federal Retirement Thrift Investment Board administers the plan. FERS, CSRS, and CSRS-Offset employees are eligible to participate in the TSP. TSP benefits depend on an employee's retirement system. If the employee's coverage is under CSRS, TSP is a supplement to the CSRS annuity. If the employee's coverage is under FERS, TSP is part of the three-part retirement package that includes the FERS basic annuity and Social Security. See also ***TSP*** for additional information.

10.2 Establishing a TSP Account, Contribution Elections, and Automatic Enrollment

10.2.1. Employees Hired Between August 1, 2010 and September 30, 2020. Employees (including FERS or CSRS rehired employees) hired after July 31, 2010, are automatically enrolled in TSP. The PRO deducts 3 percent of the employee's basic pay each pay period and deposits the funds into the employee's TSP account. The employee must make a contribution election to stop or change the contribution. FERS employees also receive contributions from the government. TSP invests all contributions in the age appropriate Lifecycle Fund until the employee changes the contribution allocation with the TSP. See ***TSP Bulletin 10-7***, ***TSP Bulletin 15-2***, and ***TSP Bulletin 19-4***.

10.2.2. Employees Hired on or After October 1, 2020. Employees (including FERS or CSRS rehired employees) hired after October 1, 2020 are automatically enrolled in TSP. The PRO deducts 5 percent of the employee's basic pay each pay period and deposits the funds into the employee's TSP account. This change will not affect the contribution rates for existing employees who were enrolled in TSP prior to October 1, 2020. See TSP Bulletin 19-4.

10.2.3. FERS Employees Hired Before August 1, 2010. The agency establishes a TSP account accruing Agency Automatic (1 percent) Contributions for FERS employees hired before August 1, 2010. Employees must make a contribution election in order to begin employee contributions and to receive Agency Matching Contributions.

10.2.4. CSRS Employees. CSRS employees may make a TSP contribution election at any time through their HRO in order to establish a TSP account. CSRS employees do not receive Agency Automatic (1 percent) Contributions or Agency Matching Contributions.

10.2.5. Contribution Elections. A contribution election is used by an employee to start, stop, or change employee contributions. The employee may elect to contribute at any time as instructed by the employing agency, by submitting a paper election form, by using electronic media, such as the Employee Benefits Information System. An election may not exceed the maximum contribution limit under ***5 CFR 1600.22***. The contribution election may be a percentage of basic pay or a dollar amount that is deducted each biweekly pay period. Percentages and dollar amounts must be expressed in whole numbers. Contribution elections are effective the first full pay period after the agency receives the election. For more information on TSP forms, visit the ***Civilian Forms*** section on the TSP's website.

10.3. TSP Contributions

10.3.1. General. TSP contributions come from three sources: Employee Contributions, Agency Automatic (1 percent) Contributions, and Agency Matching Contributions. Additional information on employee contribution elections, contribution allocations, and agency automatic and matching contributions can be found in 5 CFR Part 1600 and ***5 CFR Part 1601*** or on the TSP website.

10.3.2. Employee Contributions. Employee Contributions are payroll deductions taken from an employee's basic pay before taxes are withheld. The PRO withholds contributions each pay period in the amount directed by the employee (or the automatic enrollment amount if no election is made). See 5 CFR 1600.34. An employee is immediately vested in his or her own contributions and any accrued earnings on such contributions. Maximum contribution limits are as follows:

10.3.2.1. Internal Revenue Service (IRS) Limits. Contribution amounts are subject to the Internal Revenue Code (IRC) limitations on the maximum dollar amount of contributions. The limits set by the IRS may change annually and are published on the TSP website. See 5 CFR 1600.22 and TSP's ***Contribution Limits***.

10.3.2.2. Contribution Limits Through 2005. The maximum employee contribution for FERS, CSRS and CSRS-Offset participants was limited through 2005 to a percentage of basic pay. After 2005, the IRS began setting contribution limits. Additional information regarding FERS limits for 2005 and before can be found at ***5 U.S.C. § 8432(a)(2)***, ***5 U.S.C. § 8351(b)(2)(B)***, and 5 CFR 1600.22.

10.3.2.3. Catch-up Contributions. A TSP participant age 50 or older may be eligible to make tax-deferred or Roth catch-up contributions from basic pay that are separate from the participant's regular contribution election. Except as provided in subparagraph 10.3.2.3.4, catch-up contributions for FERS employees are not eligible for Agency Matching Contributions. Catch-up contributions may be made at any time during the calendar year if the employee is:

10.3.2.3.1. At least age 50 by the end of the calendar year;

10.3.2.3.2. Making regular TSP contributions at a rate that will result in the participant making the maximum regular contributions permitted under the IRC; and

10.3.2.3.3. The catch-up contribution does not exceed the contribution catch-up annual limit. See 5 CFR 1600.23.

10.3.2.3.4. Beginning the first pay period of calendar year 2021, the Spillover Method was implemented for catch-up contributions. Eligible employee's will no longer need to make a separate contribution election for catch-up contributions. Once the contribution limit has been reached, the employee's contributions will "spill over" toward the catch-up limit. Contributions spilling over toward the catch-up limit are eligible for Agency Matching Contributions, but only up to the 5 percent of pay to which participants are already entitled under subparagraph 10.3.4. See ***TSP Bulletin 19-5*** and ***TSP Bulletin 20-1***.

10.3.3. Agency Automatic (1 Percent) Contributions. Beginning with an employee's first pay period, an agency contributes an amount equal to 1 percent of the employee's basic pay to the employee's TSP account each pay period. For employees hired on or after December 1, 2008, The TSP Enhancement Act of 2009 (established with ***PL 111-31***) eliminated the waiting period for FERS employees to receive the Agency Automatic Contributions. See TSP Bulletin 10-7. The agency contribution is not deducted from the employee's pay, nor is it used to determine tax owed by the employee. CSRS employees do not receive an agency contribution. Generally, most FERS employees become vested and entitled to the Agency Automatic Contributions, and associated earnings, after completing 3 years of service. If an employee:

10.3.3.1. Dies before separating from service, he or she is automatically vested in all of the money in the employee's TSP account; or

10.3.3.2. Separates from Federal service, the employee must meet the TSP vesting requirement in order to keep Agency Automatic Contributions and associated earnings.

10.3.4. Agency Matching Contributions. Employees covered under FERS will receive Agency Matching Contributions on the first 5 percent of pay that the employee contributes each pay period to their TSP account. The agency matches the first 3 percent of pay the employee contributes dollar for dollar. The agency matches the next 2 percent of pay at 50 cents per dollar. The agency does not match the employee contributions above 5 percent. Employees covered under CSRS do not receive Agency Matching Contributions.

10.3.5. Contribution Allocations. Employees may make a contribution allocation directing how money deposited into the employee's TSP account is to be invested. This applies only to future deposits and does not affect funds already in the account (an Interfund Transfer reallocates existing investments). The allocation directs the investment of employee contributions, Agency Automatic (1 percent) Contributions, and Agency Matching Contributions. The allocation remains in effect until superseded by a subsequent contribution allocation submitted by the employee. Allocations must be in 1 percent increments and the sum of the percentages elected must equal 100 percent. An employee may change an allocation using the TSP website or using ThriftLine (the automated system or speaking to a TSP Participant Service Representative). Employees may allocate investments among any of the following ***TSP investment funds***:

10.3.5.1. Government Securities Investment (G) Fund,

10.3.5.2. Fixed Income Index Investment (F) Fund,

10.3.5.3. Common Stock Index Investment (C) Fund,

10.3.5.4. Small Capitalization Stock Index Investment (S) Fund,

10.3.5.5. International Stock Index Investment (I) Fund, and

10.3.5.6. Lifecycle (L) Funds.

10.4 TSP Loan Program

10.4.1. General. The ***TSP Loan Program*** allows employees to borrow money from their TSP account while actively employed by the Federal government. TSP participants must apply for a TSP loan and must meet the eligibility criteria set forth in ***5 CFR 1655.2***. Employees may not have more than two outstanding loans (one general purpose and one residential loan) at any time and must set up loan payments through payroll deduction. Repayment must restore the original loan amount, plus interest. Deductions for repayment each pay period is in the amount set out in the Loan Agreement. An employee may make additional payments and may pay off the loan early by making payment directly to TSP.

10.4.2. Types of TSP Loans. There are two types of TSP loans authorized under the TSP loan program, the general purpose loan and the residential loan.

10.4.2.1. General Purpose Loans. General purpose loans may be used for any purpose. Obtaining the loan requires no documentation. The repayment term is 1 to 5 years.

10.4.2.2. Residential Loans. Residential loans may be used only for the purchase or construction of a primary residence. Residential loans require documentation regarding the cost of purchasing or constructing the residence and other documentation as requested by TSP. The repayment term is 1 to 15 years.

10.4.3. Borrowing Limits for TSP Loans

10.4.3.1. Minimum Loan Amount. The initial principal amount of any loan cannot be less than $1,000.

10.4.3.2. Maximum Loan Amount. The principal amount of a new loan must be less than or equal to the smallest of the following:

10.4.3.2.1. The employee's own contributions and earnings on those contributions in the employee's TSP account balance, not including any outstanding loan balance;

10.4.3.2.2. Fifty percent of the employee's vested account balance, including outstanding loan balance or $10,000, whichever is greater, minus any outstanding loan balance; or

10.4.3.2.3. $50,000 minus the employee's highest outstanding loan balance, if any, during the last 12 months.

10.5 In-Service Hardship Withdraw

Employees who meet eligibility requirements may make a financial hardship withdrawal from their TSP account. An employee cannot return or repay the money removed from the TSP account. See ***5 CFR 1650.32***, ***TSP In-Service Withdrawal Basics***, and ***TSP In-Service Withdrawals for Financial Hardship***.

10.5.1. Prior to September 15, 2019. After making the withdrawal, the employee cannot make employee contributions to their TSP account for six months. FERS participants will not receive any Agency Matching Contributions for the period during which the employee is not making employee contributions. However, Agency Automatic (1 percent) Contributions will continue.

10.5.2. On or After September 15, 2019. The rule requiring employee contributions to be suspended for 6 months is eliminated. A financial hardship withdrawal will have no effect on an employee's contributions. After making the withdrawal, restarting the TSP contributions is the employee's responsibility. See ***TSP Bulletin 19-9***.

10.6 Correction of Late Contributions

10.6.1. Late Contributions. A late contribution is a contribution that is timely deducted from an employee's basic pay, but is not timely reported to the TSP for investment. A late contribution may also result from an employee contribution that was timely reported to TSP, but was not timely posted to the participant's account by TSP because the payment record submitted contained errors. See ***5 CFR 1605.2***.

10.6.2. Corrections. The PRO must submit late contributions to TSP as soon as the error is discovered. The PRO must show the "as of" date for the contributions. Breakage for both the employee and agency contributions is calculated by TSP. See ***5 CFR 1605.15***.

10.7 Correction of Employing Agency Errors

10.7.1. General. Agency errors occur when an agency either erroneously submits less contributions to a TSP participant's account than it should have or more than it should have. An error is an act or omission by TSP or the employing agency that is not in accordance with applicable statues, regulations, or administrative procedures. It does not mean an act or omission caused by events that are beyond the control of TSP or the employing agency. It is the responsibility of the employing agency to determine whether it has made an error that entitles a TSP participant to a correction for missed or insufficient contributions. See ***5 CFR 1605, subpart B***.

10.7.2. Missed or Insufficient Contributions. Types of errors resulting in missed or insufficient contributions include, but are not limited to, when the agency actions prevent an employee from making an election to contribute, when the agency fails to implement an election properly submitted, or when the agency fails to make agency automatic or matching contributions. See ***5 CFR 1605.11***. If as a result of an agency error, a participant does not receive all of the TSP contributions to which he or she is entitled, the following applies.

10.7.2.1. Employer Makeup Contributions. An agency is required to correct any agency automatic (1 percent) contributions and agency matching contributions it failed to make. The PRO should promptly submit all missed contribution to TSP. TSP will calculate breakage due the participant and post the contributions and breakage to the participant's account. See 5 CFR 1605.11. See subparagraph 10.6.2 for information concerning breakage.

10.7.2.2. Employee Makeup Contributions. Missed or insufficient contributions that are the result of an agency error are corrected prospectively. The agency must notify the TSP participant if he or she is eligible to make up the missed contributions and receive matching agency contributions (if applicable). Employee contributions may only be made through future payroll deductions from basic pay. Contributions by check, money order, cash or other form of payment directly from the participant to TSP or to the employing agency for deposit into TSP are not permitted. There is no payment of breakage on makeup employee contributions for missed or insufficient contributions. The employee will receive the tax benefit in the year the contributions are made up.

10.7.2.3. Notification to Employee. The PRO should issue a written notification to the employee indicating that the agency acknowledges that an error has occurred which has caused a smaller amount of employee contributions to be made to the participant's account than should have been made. The agency must advise the employee that he or she may, but is not required, to elect to establish a schedule to make up the deficient contributions through future payroll deductions. An employee has 30 days from the date the notification was received to set up a schedule to make up any deficient contributions.

10.7.2.4. Repayment Schedule. An agency may not require a TSP participant to make up contributions in less than twice the number of pay periods over which error occurred. The maximum length of the repayment schedule may not exceed four times the number of pay periods over which the error occurred.

10.7.3. Removal of Excess or Erroneous Contributions. Generally, an agency must submit a negative adjustment record to TSP in order to identify and remove excess or erroneous contributions for each pay date. TSP will credit the agency with the actual value of the adjusted contribution. The agency must return the original amount of the employee contribution to the participant if applicable. Any positive earnings on employee contributions remain in the participant's account. Positive earnings on agency contributions are forfeited to TSP. Excess or erroneous contributions submitted to TSP before January 1, 2000, may not be returned and remain in the participant's account. See ***5 CFR 1605.12***.

10.8. Corrections Following an Award of Back Pay or Retroactive Pay Adjustment

10.8.1. Erroneously Separated Employee. An erroneously separated employee may request that any employee contributions not made during the period of erroneous separation be deducted from his or her back pay award. See ***5 CFR 1605.13***. If the employee elects to make up contributions for the back pay period, the HRO will either reinstate the employee's contribution election on file at the time of separation, or the employee may submit a new contribution election if he or she would have been eligible to make such an election but for the erroneous separation. The TSP makeup contributions are subject to the following requirements:

10.8.1.1. Breakage is paid on all makeup contributions, both employee and agency. Unless otherwise required by the employing agency or the court or other tribunal with jurisdiction over the back pay case, breakage will be invested according to the participant's contribution allocation on the posting date. If there is no contribution allocation on file, breakage will be calculated using the share prices for the default investment fund in effect for the participant. See 5 CFR 1605.2.

10.8.1.2. The employee will receive the tax benefit in the year the contributions are made. The PRO must annotate retroactive employee contributions by year on the IRS Form W-2, Wage and Tax Statement.

10.8.1.3. TSP will not accept retroactive contributions for erroneous separations directly from the Department of Justice Judgment Fund or by check, money order, cash or other form of payment directly from the participant or agency.

10.8.1.4. If, by error, back pay is paid to an employee prior to making TSP contribution deductions, an individual who is still employed with the agency may make up the missed contributions through future payroll deductions.

10.8.2. Other Retroactive Pay Adjustments. The agency must deduct TSP contributions from the pay adjustment using the employee's election on file for the period of the pay award. Breakage is calculated based on the contribution allocation on file when the contribution would have been made. See 5 CFR Part 1605 and subparagraph 10.10.

* 10.8.3. Catch-Up Contributions for Back Pay Awards and Other Retroactive Pay Adjustments. Any corrective contributions or make-up contributions attributable to prior years must not exceed the elective deferral, catch-up, or (if including tax-exempt contributions) annual addition limits applicable to those years. If the participant was age 50 or older during the year to which the back-pay award or other retroactive pay adjustment is attributable, then corrective contributions or make-up contributions will spill over toward the catch-up limit for those years. Any adjustment records will remove catch-up contributions first (if applicable) based on the origination date. Corrective contributions and make-up contributions will spill over, even if the contributions are attributable to years before 2021. However, catch-up contributions attributable to years before 2021 are not eligible for matching. To submit these corrections, agencies should use the regular records, even for amounts beyond the elective deferral limit. See TSP Bulletin 20-1.

10.9. Corrections Due to Misclassification of Retirement System Coverage

An employee that has his or her retirement system coverage misclassified by the employing agency is entitled to have their record corrected.

10.9.1. Misclassified as FERS. When the CSRS employee is misclassified as a FERS participant, the following applies to the corrected record:

10.9.1.1. Employee contributions that exceed any applicable contribution percentage for the pay periods involved may remain in the employee's account. The employee may request the return of excess employee contributions made on or after January 1, 2000, but contributions made before January 1, 2000, must remain in the employee's account; and

10.9.1.2. TSP will forfeit agency contributions made to the CSRS employee's account.

10.9.2. Misclassified as CSRS. When the HRO misclassifies a FERS employee as a CSRS participant, the following applies to the corrected record:

10.9.2.1. The employee may not elect to have the contributions made while misclassified as a CSRS participant removed from the account;

10.9.2.2. The employee may elect to make up contributions that he or she would have been eligible to make as a FERS employee during the period of misclassification;

10.9.2.3. The employing agency must make Agency Automatic (1 percent) Contributions and Agency Matching Contributions on employee contributions made while the employee was misclassified;

10.9.2.4. If the misclassified coverage is a Federal Erroneous Retirement Coverage Corrections Act (FERCCA) correction, the employing agency must submit makeup employee contributions on late payment records. The employee is entitled to breakage on employee contributions, Agency Automatic (1 percent) Contributions, and Agency Matching Contributions;

10.9.2.5. If the misclassification coverage is not a FERCCA correction, the employing agency must submit makeup employee contributions on current payment records. The employee is not entitled to breakage on employee contributions, but breakage is required for retroactive agency contributions; and

10.9.2.6. If employee contributions were made up before OPM implemented regulations on FERCCA corrections and the correction is considered to be a FERCCA correction, an amount to replicate TSP lost earnings will be calculated by OPM and provided to the employing agency for transmission to the TSP record keeper.

* 10.9.2.7. If employee contributions were made up before OPM implemented regulations on FERCCA corrections and the correction is considered to be a FERCCA correction, an amount to replicate TSP lost earnings will be calculated by OPM and provided to the employing agency for transmission to the TSP record keeper. See ***5 CFR 1605.14(b)(5)***.

10.9.3. Misclassifications That are Corrected to Federal Insurance Contribution Act (FICA) Only. If the HRO misclassifies the employee as either FERS or CSRS and later corrects the retirement coverage to FICA only, the employee is no longer eligible to participate in TSP. For regulations regarding employee and agency contribution in the employee's account, see ***5 CFR 1605.14(c)***.

10.9.4. Misclassified as FICA Only. If the HRO misclassifies the employee as FICA only and later corrects the retirement coverage to either FERS or CSRS, the employee may elect to make up contributions that he or she would have been eligible to make as a FERS or CSRS employee during the period of misclassification.

10.10 Breakage

10.10.1. General. Breakage, also referred to as "lost earnings," is the loss incurred or the gain realized on makeup or late contributions. Breakage for both the employee and agency contributions is calculated, posted and charged to the agency or forfeited to TSP in accordance with 5 CFR 1605.2. This includes breakage on late contributions, makeup agency contributions, and loan payments. When breakage is payable, breakage calculations are subject to the following requirements:

10.10.1.1. The contribution is submitted to TSP for deposit more than 30 days from the original pay date; and

10.10.1.2. The net contribution (employee and agency combined) is at least $1.00.

10.10.2. Posting of Multiple Contributions. If the TSP posts multiple makeup or late contributions, or late loan payments with different "as of" dates for a participant on the same business day, the amount of breakage charged to the employing agency or forfeited to the TSP will be determined separately for each transaction, without netting any gains or losses attributable to different "as of" dates. In addition, gains and losses from different sources of contributions or different TSP Funds will not be netted against each other. Instead, breakage will be determined separately for each "as of" date, TSP Fund, and source of contributions. This is done to provide clarity due to multiply occurrences and to provide the employee complete information in order to make accurate and sound decisions.

10.11 Contributions Missed as a Result of Military Service Under USERRA

10.11.1. Employee Contributions. Upon their return to service, FERS and CSRS employees who separated from Federal civilian service or who were on AUS in order to perform military service may be eligible to make up employee contributions (including any catch-up

contributions for employees age 50 or older) missed because of their military service. FERS employees are eligible to receive matching agency contributions.

10.11.1.1. The PRO must deduct employee contributions from future pay. Employees must meet conditions specified in ***5 CFR 1620.40***. The allowable amount of any makeup contributions will be offset by the dollar amounts an employee contributed to TSP while performing military service. Total contributions may not exceed the IRS limit in effect the year the contribution would have been made.

10.11.1.2. Upon reemployment or return to a pay status after military service, an employee has 60 days to elect to make up any missed contributions. Missed employee contributions are made up in accordance with 5 CFR 1605.11(c). Employees who wish to makeup contributions under this authority should review the information on the TSP website regarding ***Resuming and Making Up Contributions*** and 5 CFR 1605.31.

10.11.2. Agency Automatic (1 percent) Contributions. The agency must deposit the Agency Automatic (1 percent) Contribution a FERS employee would have been eligible to receive during the period of AUS or separation. The contribution is based on the basic pay the employee would have earned and is entitled to breakage.

10.11.3. Agency Matching Contributions. The agency must deposit matching contributions based on the amount a FERS employee contributed to the uniformed services account from his or her military basic pay. Amounts contributed from other sources (such as uniformed services incentive, special, or bonus pay) are not used to determine Agency Matching Contributions. The agency pays matching contributions on any makeup employee contributions made after the employee returns from military service (unless the maximum matching has already been received). Agency Matching Contributions are entitled to breakage.

11.0 POST-56 MILITARY DEPOSIT

11.1. General

11.1.1. Background. On January 1, 1957, Social Security began using military service in the computation of Social Security benefits. As a result, Federal (employee) retirees with an annuity that included credit for military service performed after 1956 lost credit for time spent in military service when they became entitled to Social Security benefits. In 1982, Congress enacted a law allowing Federal employees who were also veterans with post-1956 military service to pay a deposit into FERS or CSRS to avoid the loss of their military service credit.

11.1.2. Post-56 Military Deposit. An employee must pay a deposit prior to retirement for military service performed after December 31, 1956, or the military service will not count toward the CSRS or FERS retirement annuity. This deposit is referred to as the Post-56 Military Deposit. Making the Post-56 Military Deposit allows an employee to receive credit for military service under both Social Security and CSRS or FERS.

11.1.3. Authoritative Guidance. See *5 U.S.C. § 8334(j)* and *5 U.S.C. § 8422(e)(1)(A)*; *5 CFR 831.2101-2107* and *5 CFR 842.307*; and the CSRS and FERS Handbook, Chapter 23.

11.1.4. Post-56 Deposit Payments. The employee may make a Post-56 Military Deposit in installment payments or a lump-sum payment. Installment payments must be in whole dollar amounts not less than $25 per pay period, except for the last payment that may be in any amount to complete repayment. Unpaid balances are subject to interest calculations, and OPM issues *BALs* concerning the *rate of interest* to use. The employee must submit payments, other than payroll deductions, directly to either *pay.gov* or:

DFAS-Cleveland
ATTN: J3DCBB/559
1240 East 9th Street
Cleveland, OH 44199

The payment must be in the form of a negotiable instrument made payable to "Disbursing Officer." Mailed payments must be received by the disbursing officer by the close of business on the last regular business day before the interest accrual date. The date of receipt by the disbursing officer will constitute the date of payment, not the date of the postmark. The PRO computes interest on the unpaid balance on the employee's interest accrual date.

11.1.4.1. Timing of Payment. Employees must complete the deposit for military service prior to separation from service. If an employee dies, but was eligible at the time of death to make a deposit, the employee's survivor may make the deposit in one lump sum to the former employing agency before OPM completes adjudication of the survivor annuity application.

11.1.4.2. Administrative Errors. An employee, who was eligible to make a deposit for military service but failed to complete the deposit prior to separation due to an administrative error may complete the deposit in a lump sum if OPM determines an agency error occurred. If, after separation, a retiree requests to make a deposit and OPM determines that an agency error occurred, OPM will issue a letter to the agency. This letter will explain the administrative error in detail and advise the agency to compute and accept the Post-1956 Military Service Deposit. See *BAL 13-103*.

11.2. FERS Post-56 Military Deposit ("Buy Back")

11.2.1. General. A FERS employee may receive credit for post-1956 military service under FERS rules only if he or she makes a Post-56 Military Deposit equal to the applicable percentage rate based on the period of service and the military basic pay he or she earned during the period of military service, plus interest. See *Credit for Military Service*. The deposit is required in order to receive credit for military service performed after December 31, 1956. The deposit is necessary to get credit for both FERS eligibility and annuity computation purposes. No deposit is due for military service performed before January 1, 1957. The employee is not charged interest if the deposit is paid in full before the first interest accrual date (IAD). Interest accrual starts and is compounded annually beginning 2 years from the date of the first employment under

FERS.

11.2.2. IAD. For FERS employees first employed prior to January 1, 1987, interest started to accrue on January 1, 1989. Therefore, the initial IAD for these employees is January 1, 1990. For employees first employed on or after January 1, 1987, interest began to accrue 2 years from the date the employee was first employed and subject to FERS. Therefore, the initial IAD for these employees is 1 year after the 2-year interest free grace period ends.

11.3 CSRS Post-56 Military Deposit ("Buy Back")

11.3.1. General. A CSRS employee first employed on or after October 1, 1982, will receive credit for post-1956 military service only if he or she makes a Post-56 Military Deposit equal to 7 percent of the military basic pay earned during the post-1956 military service, plus interest. Employees first employed under CSRS before October 1, 1982, have the option of making deposits for post-1956 military service and avoiding a possible annuity reduction.

11.3.2. Interest Accrual Dates. For CSRS employees, interest begins to accrue on the military service deposits on October 1, 1985, or 2 years after an employee is first employed or reemployed after a period of military service in a position subject to CSRS. The IAD is the date each year when the PRO adds the accrued interest to the amount owed by the employee. The initial IAD is the date 1 year after the end of the interest free grace period. Thereafter, the IAD falls on the anniversary of the first IAD until the employee pays the deposit in full. The employee is not charged interest if the deposit is paid in full before the first IAD.

*REFERENCES

CHAPTER 11 – ALLOTMENTS AND MANDATORY DEDUCTIONS

2.0 – ALLOTMENTS

2.1	5 U.S.C §5525
	5 CFR 550, subpart C
2.2	5 CFR 550.311
2.2.1	5 U.S.C. § 7115
2.2.2	5 CFR 550.331
	CFC Giving Mobile Application
2.2.3	5 CFR 550.341
	DoDI 5035.01
	DoDI 5035.05
	5 CFR Part 950
	Executive Order 12353
	Executive Order 12404
	79 Federal Register 21581
	Campaign, August 3, 2017
2.2.4	5 CFR Part 351
2.2.6	5 CFR 550.361
2.3	5 CFR 550.311(b)
2.3.2	5 CFR 550.371

3.0 – FEDERAL EMPLOYEES HEALTH BENEFITS (FEHB)

3.1	5 U.S.C., Chapter 89
	5 CFR Part 890
	BAL 15-210
3.2.3	5 U.S.C. § 3402
3.2.3.1.3	5 U.S.C. § 8906(b)(3)
3.2.4.1	BAL 14-210
3.2.4.2	5 U.S.C. § 8906
3.2.5.7	BAL 22-202
3.2.6.1	5 CFR 890.303(e)
3.2.6.3	5 CFR 890.502.b
3.2.6.5.2	FECA Circular No. 09-04
	FECA Circular No. 12-05
3.2.6.6.4	5 U.S.C. § 6382
3.2.6.6.6	5 CFR Part 334
3.2.6.6.7	5 U.S.C. § 3582
	5 CFR 352.309
3.2.8	5 CFR 892.102
	5 CFR 892.205
	5 CFR 892, subpart B

References (Continued)

3.2.9.1	5 CFR 550.1102(b)
3.3.1	38 U.S.C. § 4317(a)(1)(A)
	5 U.S.C. § 8905a
3.3.1.3	5 CFR 890.303(i)
	5 CFR 890.304
	5 CFR 890.502(f)
3.3.2.2	5 CFR 890.502(f)
3.3.2.4	OPM Guidance for Federal Civilian Employees on Active Military Duty
3.3.3	10 U.S.C. § 101(a)(13)
	5 U.S.C. § 8905a
	5 CFR 890.502(f)
	5 U.S.C. § 8906 (e)(3)
3.3.3.1.3	10 U.S.C. § 101(a)(13)
3.3.4	5 U.S.C. § 8906(e)(3)
3.3.4.2	5 U.S.C. § 4317(a)(1)(A)
3.4.1.3	5 U.S.C. § 3702(b)(1)
3.4.2.1	5 CFR 550.1104.(c)
3.5.1	5 CFR 890, subpart K
3.5.3	5 U.S.C. § 8905A(d)(4)

4.0 – FEDERAL EMPLOYEES DENTAL AND VISION INSURANCE PROGRAM (FEDVIP)

4.1	5 CFR Part 894
4.2.2.4	5 CFR 894.502
4.3.4	BAL 22-202

5.0 – ALLOTMENTS FOR FEDERAL FLEXIBLE SPENDING ACCOUNT PROGRAM (FSAFEDS)

5.3.2.2	BAL 14-801

6.0 – FEDERAL EMPLOYEES GROUP LIFE INSURANCE (FEGLI) PROGRAM

6.1	5 U.S.C., Chapter 87
	Public Law (PL) 83-598
	5 CFR Part 870
	FEGLI Program
6.2.1	5 CFR 870.501
6.2.1.1	5 CFR 870.202
6.2.1.2	5 CFR 870.204
6.2.1.2.2	5 U.S.C. § 5545(c)(1)
6.2.1.2.3	5 U.S.C. § 8331(20)
	5 CFR 831.902

References (Continued)

	5 CFR 842.802
	5 U.S.C. § 5545 (c)(2)
6.2.1.2.8	38 U.S.C. § 7431
6.2.1.5	5 CFR 870.204
6.2.2	5 CFR 870.504
6.2.2.2	5 CFR 870.201
6.3.1	5 CFR 870.501(a)(1)
6.3.2	5 CFR 870.504(d)
6.4	5 CFR 870.502-505
6.5	5 CFR 870.401
6.5.2.6	5 CFR 870, subpart D
6.5.3	5 CFR 870.404(f)
6.5.4.1.3	5 CFR 870.601(d)
6.5.4.4.2	5 CFR 870.508.(b)
6.5.4.5.1	5 CFR 870.508
6.5.5.1	FECA Circular No. 12-05
6.5.5.2	5 CFR 870.701
6.5.5.3	5 CFR 870, subpart F
6.5.8	BAL 22-202
6.6.4.1.1	5 CFR 870.404(b)
6.7.2.2	5 CFR 870.505(b)
	31 U.S.C. § 3702(b)(1)
6.7.2.3	5 CFR 870.503-870.505
6.7.3	5 CFR 870.603
6.9	5 CFR 870.601(d)(3)
6.9.2	5 U.S.C. § 8706(d)(1)
6.10	10 U.S.C. § 101(a)(13)
	10 U.S.C. § 1580
	5 CFR 870.503 (e) and (f)
6.11.1.1	5 CFR 870.404(e)
6.11.2.1.2	5 CFR 550.1104(c)
6.11.3.1	5 CFR 870.104

7.0 – FEDERAL LONG-TERM CARE INSURANCE PROGRAM (FLTCIP)

7.1	5 U.S.C., Chapter 90
	5 CFR Part 875
7.3.1	5 CFR 875.404
7.3.2.3	5 CFR 875.303
7.3.2.4	BAL 22-202

10.0 – THRIFT SAVINGS PLAN (TSP)

10.1	5 U.S.C., Chapter 83
	References (Continued)
	5 U.S.C., Chapter 84
	5 CFR Part 1600
10.2.1	TSP Bulletin 10-7
	TSP Bulletin 15-2
	TSP Bulletin 19-4
10.2.2	TSP Bulletin 19-4
10.2.5	5 CFR 1600.22
10.3.1	5 CFR Part1600
	5 CFR Part 1601
10.3.2	5 CFR 1600.34
10.3.2.1	5 CFR 1600.22
10.3.2.2	5 U.S.C. § 8432(a)(2)
	5 U.S.C. § 8351(b)(2)(B)
	5 CFR 1600.22
10.3.2.2.3	5 CFR 1600.23
10.3.2.2.4	TSP Bulletin 19-5
	TSP Bulletin 20-1
10.3.3	Public Law 111-31
	TSP Bulletin 10-7
10.4.1	5 CFR 1655.2
10.5	5 CFR 1650.32
	TSP In-Service Withdrawl Basics
	TSP In-Service Withdrawals Financial Hardship
10.5.2	TSP Bulletin 19-9
10.6.1	5 CFR 1605.2
10.6.2	5 CFR 1605.15
10.7.1	5 CFR 1605, subpart B
10.7.2	5 CFR 1605.11
10.7.2.1	5 CFR 1605.11
10.7.3	5 CFR 1605.12
10.8.1	5 CFR 1605.13
10.8.1.1	5 CFR 1605.2
10.8.2	5 CFR Part1605
10.8.3	TSP Bulletin 20-1
10.9.2.7	5 CFR 1605.14(b)(5)
10.9.3	5 CFR 1605.14(c)
10.10.1	5 CFR 1605.2
10.11.1.1	5 CFR 1620.40
10.11.1.2	5 CFR 1605.11(c)
	TSP Resuming and Making up Contributions
	5 CFR 1605.31

References (Continued)

11.0 – POST-56 MILITARY DEPOSIT

11.13.3	5 U.S.C. § 8334(j) 5 U.S.C. § 8422(e)(1)(A) 5 CFR 831.2101-2107 5 CFR 842.307 OPM Service Credits for Post-1956 Military Service
11.1.4.2	BAL 13-103
11.2.1	OPM Credit for Military Service

VOLUME 8, "DEFINITIONS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated November 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
Civilian Payroll Office (PRO)	Added definition.	Addition
Due Process	Updated definition by adding reference.	Revision
Remote Work	Revised definition.	Revision
Telework	Revised definition.	Revision

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DEFINITIONS

1.0 General

The following list defines general terms of significance or importance relating to federal civilian pay policies for the DoD that are discussed in various chapters. Definitions are provided for general information and, by no means, represent an exhaustive list of all financial management terms. Terms are not defined where standard dictionary definitions apply.

2.0 List of Definitions

Absent Without Leave (AWOL)

Absence from a place of duty without permission or authorization.

Absent-Uniformed Service (AUS)

An employee is absent (whether in pay or non-pay status) to perform duty with the uniformed services and has reemployment rights under Uniformed Services Employment and Reemployment Rights Act (USERRA). See Title 38, United States Code (U.S.C.), Chapter 43 (***38 U.S.C., Chapter 43***).

Administrative Offset

Withholding funds payable by the United States (including funds payable by the United States on behalf of a state government) to, or held by the United States for, a person to satisfy a claim. See ***31 U.S.C. § 3701(a)(1)***. This includes offset from disposable pay (salary).

Administrative Workweek

Any period of seven consecutive 24-hour periods designated in advance by the head of the agency. See ***5 U.S.C. § 6101***, Title 5 Code of Federal Regulations (CFR), section 532.501 (***5 CFR 532.501***), and ***5 CFR 550.103***.

Advance of Pay

Single lump-sum payment authorized for payment in advance of an employee's scheduled pay date in accordance with Chapter 3.

Agency

See Federal Agency.

Advanced Compensatory Time for Religious Reasons

Compensatory time requested by the employee and granted by the supervisor for the employee to meet religious requirements. See ***5 U.S.C. § 5550a***.

Allotment

A recurring, specified deduction from pay, authorized by a civilian employee, paid to an allottee.

Allottee

A person or institution to whom an allotment is made payable.

Alternative Work Schedule (AWS)

An arranged tour of duty that varies from a regular tour of duty and includes flexible and compressed work schedules. See the Office of Personnel Management's ***(OPM) Handbook on AWS*** for more information.

Annuitant

A retired federal employee or his/her survivor who is receiving payments from OPM.

Appropriated Fund

The amount that agencies may obligate during the period of time specified in a particular appropriation act.

Availability Pay

Premium pay provided for criminal investigators in job series 1811 and 1812 who are required to work, or be available to work, substantial amounts of unscheduled overtime duty based on the needs of the employing activity.

Base Realignment and Closure (BRAC)

The congressionally authorized process under ***10 U.S.C. § 2687*** that gives the Secretary of Defense the authority to reorganize the base structure to more efficiently and effectively support the forces, increase operational readiness, and facilitate new ways of doing business.

Basic Pay

Also referred to as "base pay." Basic pay is the total amount of pay received at a rate fixed by law or administrative action for the position held by the employee. Basic pay does not include certain types of pay, for example: bonuses, allowances, overtime or holiday pay.

Basic Work Requirement

The number of hours, excluding overtime hours, which an employee must work or otherwise account for by leave, credit hours, holiday hours, excused absences, compensatory time off, or time off as an award. See ***5 U.S.C. § 6121***.

Basic Workweek

For a full-time employee, a basic workweek is the 40-hour workweek established in accordance with ***5 CFR 610.111***. Unless specifically designated, a basic workweek for full-time employees is five 8-hour days, Monday through Friday. See ***5 CFR 610.121***.

Beneficiary

For purposes of Volume 8, a beneficiary is the person, or persons, authorized by law to receive the employee's unpaid compensation. Person or persons may include a legal entity, or the estate of the deceased employee. See ***5 CFR 178.203*** and ***5 U.S.C. § 5582***.

Buy-Back of Leave

The process by which an employee makes arrangements with the civilian payroll office (PRO) to repurchase sick or annual leave that was used by the employee, prior to the approval of his or her claim for compensation under the Federal Employees' Compensation Act at ***5 U.S.C., Chapter 81***.

Calendar Year (CY)

The period starting January 1 and ending December 31.

Civil Service Retirement System (CSRS)

A defined benefit retirement and disability benefits system for federal government employees and members of Congress under ***5 U.S.C. §§ 8331-8351***. The Federal Employees Retirement System (FERS) replaced CSRS under ***5 U.S.C., Chapter 84*** for federal employees who first entered covered service on or after January 1, 1987.

*Civilian Payroll Office (PRO)

For the purposes of Volume 8, a federal agency's PRO is the Defense Finance and Accounting Service (DFAS) Civilian Payroll Operations department and personnel responsible for processing payroll and related information for civilian employees and other activities related to its employees. These activities may include maintaining payroll records, tax and wage statements, and adhering to reporting requirements.

CSRS-Offset

The plan for federal employees whose service is subject to CSRS deductions and Social Security taxes, as described under 5 U.S.C. § 8349. CSRS-Offset employees are covered by Social Security because they were separated from CSRS covered federal employment for more than 1 year and returned to a position in which they were covered by CSRS after 1983. Old-Age, Survivors, and Disability Insurance (OASDI) withholdings are offset from their CSRS contributions so that the combined Social Security and CSRS contributions are the same as for employees who have CSRS coverage only.

Commercial Garnishment

For purposes of Volume 8, a commercial garnishment is the process by which a federal agency withholds pay from a federal civilian employee pursuant to ***5 U.S.C. § 5520a*** in order to honor a garnishment order or similar legal process issued by a court of competent jurisdiction in the enforcement of a commercial debt against the employee.

Compensatory Time Off

Time off granted in lieu of pay for an equal amount of time spent in irregular or occasional overtime work. See ***5 U.S.C. § 5543***.

Compressed Work Schedule

For a full-time employee, consists of an 80-hour biweekly basic work requirement scheduled by an agency for less than 10 workdays. For a part-time employee, denotes a biweekly basic work requirement of less than 80 hours scheduled by an agency for less than 10 workdays. See 5 U.S.C. § 6121(5).

Continental United States (CONUS)

The 48 contiguous states and the District of Columbia.

Continuation of Pay (COP)

Payment made to an employee during an absence from the job due to a traumatic on-the-job injury.

Core Hours

Designated hours and days during which an employee covered by a flexible work schedule is required to be present for duty. See ***5 U.S.C. § 6122(a)(1)***.

Credit Hours

Hours an employee elects to work with supervisory approval that are in excess of the employee's basic work requirements under a flexible work schedule. See 5 U.S.C. § 6121(4).

Customer Service Representative (CSR)

The liaison between the employee and the PRO and/or the HRO that provides assistance in resolving payroll and leave issues.

Data Element

A named identifier and attributes for each of the entities represented within the Defense Civilian Pay System (DCPS).

Debt

A. Any amount of money or any property owed to a DoD Component or another federal agency by any person, organization, or entity except another federal agency. Debts include insured or guaranteed loans and any other amounts due from fees, leases, rents, royalties, services, sales of real or personal property, or overpayments; penalties, damages, interest, fines and forfeitures; and all other claims and similar sources. See 31 U.S.C. § 3701(b)(1).

B. Delays in processing employee-elected coverage or a change in coverage under federal benefits programs are not normally debts if processing delays did not exceed two monthly or four biweekly pay periods. Amounts due a non-appropriated fund instrumentality are not debts owed the United States unless specifically included by this Regulation.

Deductions

Monies withheld, by law (mandatory deductions) or voluntarily (voluntary deductions), from an employee's pay (salary). The three basic types of deductions are:

1. Those required by law, regulations, or decision issued by a court or administrative body;

2. Those for benefits specifically authorized by law, such as health and life insurance; and

3. Voluntary personal allotments to a designated allottee.

Defense Civilian Pay System (DCPS)

The standard DoD civilian pay system approved by the Under Secretary of Defense (Comptroller) Chief Financial Officer to pay employees from appropriated, revolving, or trust funds.

Departmental Reporting

The DFAS organizational entity serving as the focal point for a Military Service, when dealing with OPM and the Federal Retirement Thrift Investment Board (FRTIB) concerning retirement or Thrift Savings Plan (TSP) reporting.

Disposable Pay

The amount that remains after pay (salary) reduced by amounts that are:

1. Required by law for deduction;
2. Properly withheld for federal, state, and local income taxes;
3. Deducted as health insurance premiums;
4. Deducted as normal retirement contributions; and
5. Deducted as normal life insurance premiums.

Disabled Veteran Leave (DVL)

Leave granted to a newly hired civilian employee who is a military veteran with a service-connected disability rated at 30 percent or more. Such leave may be used in the first year of civil service duty to receive treatment for service-connected injuries. See Chapter 5; ***5 U.S.C. § 6329***; ***5 CFR 630, subpart M***; and ***OPM Fact Sheet, Disabled Veteran Leave***.

*Due Process

For purposes of Volume 8, due process refers to legal proceedings carried out in accordance with established law and regulations in connection with the collection of debts due the United States. See Volume 16, Chapter 2, sections 4.0 and 5.0 for policy regarding due process and debt notification requirements.

Emergency Medical Technician (EMT)

A specialist in the technical details of medical treatment responding to an urgent need for assistance requiring immediate action.

Employee

An employee refers to an individual appointed to a position in DoD and paid from appropriated, revolving, or trust funds. See ***5 U.S.C. § 2105***.

Employer Identification Number (EIN)

A nine-digit number the Internal Revenue Service assigns to identify the tax accounts of employers, sole proprietors, corporations, partnerships, non-profit associations, trusts, estates, government agencies, and other business entities pursuant to ***26 U.S.C. § 6109***.

Entitlement

Legally established benefit available to any person or unit of the federal government meeting eligibility requirements established by law.

Environmental Differential Pay (EDP)

Pay for duty involving unusually severe hazards or working conditions. See ***5 U.S.C. § 5343(c)(4)***.

Executive Schedule (EX) Employees

Position is appointed and paid to a federal employee according to the Executive Schedule under ***5 U.S.C. §§ 5311-5318***.

Fair Labor Standards Act (FLSA)

The federal law, codified at ***29 U.S.C., Chapter 8***, establishes minimum wage, overtime pay, recordkeeping, and child labor standards for full-time and part-time workers in the private sector and in federal, state, and local governments.

Family and Medical Leave Act (FMLA)

Sets an entitlement for a total of 12 administrative workweeks of unpaid leave for family and medical needs during any 12-month period. FMLA allows employees to use or substitute up to 26 weeks of accrued or accumulated sick leave for unpaid FMLA leave to care for a seriously injured/ill covered Service member as authorized by the fiscal year 2008 National Defense Authorization Act (NDAA) including up to 30 days (or 240 hours) of advance sick leave. See ***5 CFR 630, subparts D*** and F.

Federal Agency

Any executive agency as defined by ***5 U.S.C. § 105***, including the U.S. Postal Service and the Postal Rate Commission; a Military Department as defined by ***5 U.S.C. § 102***; an agency of the legislative branch, including the U.S. Senate and U.S. House of Representatives; and an agency or court of the judicial branch.

Federal Employee Retirement System (FERS)

The retirement plan for employees, described in ***5 U.S.C., Chapter 84***, and effective January 1, 1987.

Federal Wage System (FWS)

The FWS is a uniform pay-setting system that covers federal appropriated fund and non-appropriated fund blue-collar employees paid by the hour. "Wage grade" is the term used to describe non-supervisory FWS employees. "Wage supervisors" are supervisory FWS employees.

Flexible Hours

The times during the workday, workweek, or pay period within the tour of duty during which an employee covered by a flexible work schedule may choose to vary his or her times of arrival to and departure from the worksite consistent with the duties and requirements of the position. See 5 U.S.C. § 6122(a)(2).

Flexible Work Schedule (FWS)

A work schedule established under 5 U.S.C. § 6122. In the case of a full-time employee, has an 80-hour biweekly basic work requirement that allows an employee to determine his or her own schedule within the limits set by the agency. In the case of a part-time employee, has a biweekly basic work requirement of less than 80 hours that allows an employee to determine his or her own schedule within the limits set by the agency.

Financial Institution

Bank, savings association, or credit union eligible under ***31 CFR Part 210*** to serve as a government depository.

Fiscal Year (FY)

For the federal government, a fiscal year refers to the customized, 12-month period, starting October 1 and ending September 30, used for accounting purposes and preparing financial statements.

Foreign Areas

Geographical locations defined in the Department of State Standardized Regulations (***DSSR***) as any area situated outside of the United States, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, and the possessions of the United States.

Foreign National

A foreign national is a person who is not a citizen or national of the United States.

Foreign National Employee

For the purposes of Volume 8, a foreign national employee is an individual employed by or performing work for U.S. forces outside the United States, its territories, and possessions in a system of employment. See DoD Instruction ***(DoDI) 1400.25, V-1231***.

Garnishment

Written notification concerning the attachment of monies to satisfy a debt that results in the withholding of a specified amount from the employee's pay (salary).

General Schedule (GS)

The classification and most common pay scale for the majority of federal government employees, especially employees in professional, technical, administrative, or clerical positions. Administered by OPM, the system consists of 15 grades, from GS-1, the lowest level, to GS-15, the highest level. There are 10 pay steps within each grade.

Holiday Work

Non-overtime work performed by an employee during a regularly scheduled daily tour of duty on a holiday designated in accordance with ***5 CFR 610.202***. See ***5 U.S.C. § 5546***.

Human Resource Office (HRO)

For the purposes of Volume 8, a federal agency's HRO includes any entity, department, or personnel responsible for managing human resource activities related to its employees. These activities may include recruiting and hiring of new employees, orientation and training of current employees, employee benefits, and retention.

Intermittent Work Schedule

Employment on an irregular or occasional basis, without a regularly scheduled tour of duty. See ***5 CFR 340.401***.

Involuntary Repayment

Recovery of debt owed to the federal government by means of salary offset under ***5 U.S.C. § 5514*** by deduction from the current pay of employee without his or her consent.

Irregular or Occasional Overtime Work

Overtime work that is not part of an employee's regularly scheduled administrative workweek. See 5 CFR 532.501.

Leave and Earnings Statement (LES)

A document provided to each employee showing gross pay, deductions, net pay for a pay period and cumulative totals for the year to date, along with leave balances at the end of the pay period.

Leave Record

The amounts of leave earned and used, and the balance available.

Leave Without Pay (LWOP)

A temporary non-pay status and absence from duty and, in most cases, granted at the employee's request.

Leave Year

The period beginning with the first complete pay period in a calendar year and ending with the day immediately before the first day on the first complete pay period of the following calendar year.

Limitations on Premium Pay (Pay Cap)

The maximum biweekly and aggregate limitations for premium pay. See ***5 CFR 550.105***.

Locality Payment

A locality-based comparability payment, payable to GS employees under ***5 U.S.C. § 5304*** and ***5 CFR 531, subpart F***. See ***5 CFR 531.602***.

Lump-Sum Leave Pay

Payment for accumulated annual leave upon separation or change to a nonconvertible leave system.

Military Leave

An approved absence with pay authorized under ***5 U.S.C. § 6323***.

Military Service Deposit (MSD)

A payment made to the civilian retirement fund to allow creditable military service to be used toward civilian retirement eligibility and in civilian annuity computations. For additional information on MSDs, see the ***DFAS MSD*** webpage.

National Guard

The Army or Air National Guard of a state, a United States territory (e.g., Guam, Puerto Rico, or the Virgin Islands) or the District of Columbia.

National Guard Technician

A federal employee of the National Guard hired under ***32 U.S.C. § 709*** and does not include National Guard Bureau employees hired under Title 5 of the U.S. Code or other authority.

Net Pay

The remaining amount of wages or salary due after all payroll deductions.

Non-Appropriated Funds (NAFs)

Monies that are not appropriated by the Congress to incur obligations and make payments out of the U.S. Treasury. NAFs come primarily from the sale of goods and services to DoD military and civilian personnel and their family members.

Non-Appropriated Fund (NAF) Employee

A civilian employee who is paid from non-appropriated funds of the Army and Air Force Exchange Service, Navy Exchanges, Marine Corps Exchanges, Coast Guard Exchanges, or any other instrumentality of the United States under the jurisdiction of the Armed Forces which is conducted for the comfort, pleasure, contentment, or physical and mental improvement of members of the Armed Forces. See 5 U.S.C. § 2105(c) and ***DoDI 1400.25, V-1401***.

Non-Foreign Areas

The states of Alaska and Hawaii, the Commonwealths of Northern Mariana Island and Puerto Rico, territories and possessions of the United States that the Secretary of State has designated as being within the scope of Part II of ***Executive Order 10000***.

Overtime Hours

For flexible work schedule, refers to all hours in excess of 8 hours in a day or 40 hours in a week officially ordered in advance and excludes credit hours. For compressed work schedules, overtime hours refers to any hours in excess of those specified hours for full-time employees that constitute the compressed work schedule. For part-time employees, overtime hours are hours in excess of the compressed work schedule for a day (must be more than 8 hours) or, for a week (must be more than 40 hours).

Pay (Salary)

Pay and salary have the same meaning. They include basic, premium, and any other authorized pay and allowances other than travel and transportation expenses.

Pay Period

A segment of time during which employees perform work and receive pay. For most federal civilian employees, a pay period covers 14 consecutive days, which normally begins on Sundays.

Pay Record

Part of each civilian employee's master pay record that contains all transaction information on payments and deductions with an audit trail to the authorizing documents. The pay record includes information such as pay grade, record of payments, all earnings separately identified by type (e.g., basic pay, bonuses, premium pays, and allowances), allotments, any deductions, year-to-date gross earnings, taxable earnings, and taxes withheld.

Payroll Certifying Officer

A person appointed to certify the accuracy and propriety of payroll for compensation for personal services.

Permanent Change of Station (PCS)

The assignment, detail, or transfer of an employee to a different permanent duty station (PDS) under a competent travel authorization that does not specify the duty as temporary, provide for further assignment to a new PDS, or direct the employee to return to the old PDS.

Premium Pay

The dollar value of earned hours of compensatory time off and additional pay authorized by ***5 U.S.C. § 5541***, and includes pay for overtime, night, Sunday, or holiday work, stand by duty, administratively uncontrollable overtime work or availability duty. See 5 CFR 550.103.

Prevailing Rate Employee

An individual employed in a particular trade or craft, or other skilled mechanical craft; or in an unskilled, semiskilled, or skilled manual labor occupation: or any other individual in a position having trade, craft or laboring experience and knowledge as the paramount requirement. Also referred to as "federal wage employees." See ***5 U.S.C. § 5342***.

Rate of Basic Pay

The rate of pay fixed by law or administrative action for the position held by the employee, to include locality pay, and special pay adjustments for law enforcement officers, but does not include any other types of pay. See ***5 CFR 531.203***.

Reemployed Annuitant

A person who is receiving a CSRS or FERS retirement annuity and, at the same time, is earning a paycheck as a federal government employee. See ***5 CFR Part 837***.

Regularly Scheduled Work

Work scheduled in advance of an administrative workweek under an agency's procedures for establishing workweeks in accordance with 5 CFR 610.111, excluding any such work to which availability pay under ***5 CFR 550.181*** applies. See 5 CFR 550.103.

*Remote Work

An alternative work arrangement that involves an employee performing their official duties at an approved alternative worksite away from an agency worksite. Work arrangements can be full-time, part-time, or occasional, depending on the employer's policies and the nature of the job.

Salary Offset

An administrative offset under 5 U.S.C. § 5514 to collect a debt owed by a federal government employee through deductions, at one or more officially established pay intervals, from the current pay account of the employee without his or her consent.

Scheduled Overtime Work

Overtime work scheduled and approved prior to the beginning of the employee's regularly scheduled administrative workweek.

Severance Pay

Pay authorized for eligible employees involuntarily separated from federal service. See ***5 U.S.C. § 5595***.

State

A state or territory of the United States, including the Commonwealth of Puerto Rico.

*Telework

A flexible work arrangement that allows employees to perform their official duties at an alternative worksite other than their assigned duty station. This could include working from home, a telework center, or other approved locations.

Thrift Savings Plan (TSP)

The tax-deferred savings plan established under ***5 U.S.C. §§ 8431-8440f***. The TSP Enhancement Act of 2009, ***TSP Bulletin 11-U-4***, authorized TSP to add a Roth feature to the plan in addition to the current traditional contribution plan. See ***TSP*** website for additional information.

TSP Loan

Funds borrowed by employees and members of the uniformed services from their individual TSP accounts in accordance with the requirements at ***5 U.S.C. § 8433(g)***.

Tour of Duty

The hours of a day (a daily tour of duty) and the days of an administrative workweek (a weekly tour of duty) that creates an employee's regularly scheduled administrative workweek. See ***5 CFR 610.102***. Under a flexible work schedule means the limits set by an agency within which an employee must complete his or her basic work requirement. Under a compressed work schedule or other fixed schedule, tour of duty is synonymous with basic work requirement.

United States (U.S.)

Includes the 50 states and the District of Columbia, unless otherwise qualified.

Voluntary Deduction

Deductions from an employee's pay requiring written authorization from the employee to affect withholding.

Waiver

In the context of debt collection, the cancellation, forgiveness, or non-recovery of a debt owed by an employee to an agency as permitted or required by law. See Volume 16, Chapter 4 for waiver standards.

DoD 7000.14 - R

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 9: "TRAVEL POLICY"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

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VOLUME 9, CHAPTER 1: "GENERAL INFORMATION"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated June 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Verified and updated references, hyperlinks, and formatting to comply with current administrative instructions, and made clarifying editorial changes.	Revision
All	This instruction has been reviewed by the Per Diem, Travel, and Transportation Allowance Committee (PDTATAC) staff in accordance with Department of Defense Directive 5154.31, Volume 5, dated October 16, 2015 as PDTATAC Case RR24009. Any conflict between this publication and the Joint Travel Regulations (JTR) is resolved based on the JTR and not this publication.	Revision

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CHAPTER 1

GENERAL INFORMATION

1.0 PURPOSE

The policies addressed in Volume 9 apply to all personnel traveling under orders funded by the DoD. This includes military members, civilian employees, members of the Reserve Components, dependents on official orders, and travelers on DoD invitational travel authorizations. Individual DoD Component travel implementing guidance remains in use to provide direction for travel order preparation, administration and accounting.

2.0 AUTHORITATIVE GUIDANCE

Volume 9 provides supplemental instructions on the payment of allowances authorized by the Joint Travel Regulations (***JTR***). The DoD chartered Per Diem, Travel and Transportation Allowance Committee (PDTATAC) publishes the JTR. The JTR directly implements the travel and transportation allowances authorized by law for members of the Uniformed Services, and also implements guidance from the General Services Administration's (GSA) Federal Travel Regulation (***FTR***) for DoD civilian employees.

2.1 Additional Guidance

2.1.1. Additional guidance pertinent to the U.S. Air Force and Space Force is in the ***Department of the Air Force Instruction 24-602, Volume 1, Passenger Movement***.

2.1.2. Additional guidance pertinent to the U.S. Navy is available in the ***Navy Passenger Transportation Manual (OPNAVINST 4650.15C CH-1)***.

2.1.3. Additional guidance pertinent to the U.S. Marine Corps is in the ***Marine Corps Assignment, Classification, and Travel System Manual (ACTSMAN)***.

2.1.4. Additional guidance pertinent to the use of Nonappropriated Funds is in the ***DoD Instruction 1400.25, Volume 1405***.

2.2 Exceptions

The Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) is the approving authority for exceptions to policy. Requests for exceptions must include a justification, a recommendation and approval from the appropriate DoD Component command channel at or above the level of the Deputy Chief Financial Officer (DCFO), OUSD(C). Send requests through the appropriate DoD Component to the Defense Finance and Accounting Service (DFAS), Director, Accounting and Finance Policy Division (DFAS-ZPT), 8899 E. 56th Street, Indianapolis, IN, 46249. DFAS-ZPF will review and recommend approval/disapproval to the DCFO, OUSD(C), who will make the final decision.

3.0 EFFECTIVE DATE OF JTR CHANGES

See the information on "EFFECTIVE DATE OF REGULATION CHANGES" in the Introduction to the JTR for explanations of JTR effective dates. The DFAS-ZPT may release policy memorandums affecting Volume 9 that implement PDTATAC determinations, if necessary. These policy memorandums remain in effect until published in a change to Volume 9.

4.0 RESPONSIBILITIES

The OUSD(C) has ultimate responsibility for the policies contained in Volume 9. The DoD Components may submit requests for changes to DFAS-ZPT. The DFAS-ZPT will review requests and initiate recommended changes to Volume 9 if necessary.

5.0 ROUTING AND FORMAT FOR RECOMMENDING CHANGES

Recommendations for changes should include a full explanation regarding the need and rationale for the proposed change. Provide details when the proposal is the result of an actual situation. Addresses for submission of proposed changes are:

Army:	Assistant Secretary of the Army (Financial Management and Comptroller) 109 Army Pentagon Washington, DC 20310-0109
Navy:	Senior Civilian Official Office of the Assistant Secretary of the Navy (Financial Management and Comptroller) 1000 Navy Pentagon Washington, DC 20350-1000
Air Force and Space Force:	Assistant Secretary of the Air Force (Financial Management and Comptroller) 1130 Air Force Pentagon Washington, DC 20330-1130
U.S. Marine Corps:	Commandant of the Marine Corps Headquarters, U.S. Marine Corps Programs & Resources Department 3000 Marine Corps Pentagon Washington, DC 20350-3000
Defense Agencies and DoD Field Activities:	Defense Finance and Accounting Service Attention: DFAS-ZPT 8899 East 56th Street Indianapolis, IN 46249

NOTE: DFAS-ZPT will return recommendations from the Military Services if they have not passed through the specified organization.

6.0 REQUIREMENTS FOR REPORTING EMPLOYEE TRAVEL

Federal agencies are required by the GSA to report the use of Government aircraft to carry senior Federal officials and non-Federal travelers, on a semi-annual basis in accordance with (IAW) the FTR 301-70.906 and 301-70.907. Agencies must also report all instances of first class and business class travel, on an annual basis IAW the FTR 300-70, Subpart B.

NOTE: DoD Service Components/Agencies must be mindful of any additional Office of Management and Budget travel-specific reporting requirements, which often originate from Executive Orders (EO).

6.1 Report for Travel on Government Aircraft by Senior Federal Officials

Except when a trip is classified, the following information must be reported to the GSA:

6.1.1. The person's name with indication that he/she is either a senior Federal official or a non-Federal traveler, whichever is appropriate;

6.1.2. The traveler's organization and title or other appropriate descriptive information (e.g., dependent or press);

6.1.3. Name of the authorizing agency;

6.1.4. The official purpose(s) of the trip;

6.1.5. The destination(s);

6.1.6. For personal or political travel, the amount that the traveler must reimburse the Government (i.e., the full coach fare or appropriate share of that fare);

6.1.7. For official travel, the comparable City Pair Program fare (if available to the traveler) or the full coach fare if the City Pair Program fare is not available; and

6.1.8. The cost to the Government to carry this person (i.e., the appropriate allocated share of the Federal or Close Air Support aircraft trip costs).

NOTE: Additional information concerning the GSA's requirement to report travel on Government aircraft by senior Federal officials and non-Federal travelers, to include the Senior Federal Travel Reporting tool and submitting negative reports is available at ***Senior Federal Travel Reporting***.

6.2 Other Than Coach Class (OTCC) Reporting

OTCC accommodations are defined in the FTR as first class, business class and premium economy class. When reporting OTCC accommodations to GSA, agencies are only required to report first class and business class. Reporting is not required for premium economy class accommodations. Agencies must separate first class from business class when reporting. An agency must submit a negative report when it has no OTCC accommodations to report. All instances of first class and business class accommodations paid by the Government, which includes any accommodations used as part of a multi-leg or multi-segmented trip paid by the Government must be reported. Beginning in fiscal year 2015, GSA requires agencies to report premium class travel by ticket, rather than segments as in previous years. If any portion of the ticket purchased involves first class or business class accommodations, the entire cost of the ticket must be reported.

6.3 First Class and Business Class Accommodations That Do Not Require Reporting:

6.3.1. Any first class or business class accommodation paid by the traveler with personal funds,

6.3.2. Those acquired by the traveler through frequent flyer points or benefits,

6.3.3. Those which are considered a free upgrade, or

6.3.4. When the Federal Government pays coach class fares for first class or business class accommodations.

6.4 Negative Reports and Exceptions to Reporting First Class and Business Class Travel

6.4.1. Negative Reports. DoD Components that have no first class or business class accommodations to report must still submit a negative report to GSA annually.

6.4.2. Exceptions to Reporting Premium Class Travel. Agencies are not required to report data protected from public disclosure by statute or EO; however, they must submit, in a cover letter to the GSA the following aggregate information:

6.4.2.1. Aggregate number of authorized OTCC trips protected from disclosure,

6.4.2.2. Total cost of actual OTCC fares paid that exceeded coach class fare, and

6.4.2.3. Total cost of coach class fares that would have been paid for the same travel.

NOTE: Additional information concerning the GSA requirements for reporting first class or business class accommodations, to include gaining access to the on-line reporting tool, may be found at ***Travel Reporting***.

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 2: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 3: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 9, CHAPTER 4: "TRANSPORTATION ALLOWANCES"

SUMMARY OF MAJOR CHANGES

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The previous version dated August 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Verified and updated references, hyperlinks, and formatting to comply with current administrative instructions, and made clarifying editorial changes.	Revision
3.2	Updated privately owned vehicle authorization information in accordance with Military Advisory Panel - Civilian Advisory Panel 104-23(S), "Sustainable Transportation for Official Temporary Duty (TDY) Travel."	Revision
4.0	Revised "premium class" language in accordance with the Federal Register Volume 87, Number 175 published September 12, 2022.	Revision
All	This publication has been reviewed by the Per Diem, Travel and Transportation Allowance Committee (PDTATAC) in accordance with DoD Instruction 5154.31, Volume 5, dated October 16, 2015, as PDTATAC Case RR24003. Any conflict between this publication and the Joint Travel Regulation (JTR) is resolved based on the JTR and not this publication.	Revision

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CHAPTER 4

TRANSPORTATION ALLOWANCES

1.0 GENERAL

1.1 Purpose

This chapter provides general policy guidance to official travelers on transportation allowances.

1.2 Authoritative Guidance

This chapter provides guidance under authorities contained in statute, the Joint Travel Regulations ***(JTR)***, and the Federal Travel Regulation ***(FTR)***.

2.0 TRANSPORTATION MODE

The Authorizing Official (AO) should direct or authorize the transportation mode for official travel. If the AO does not direct a specific transportation mode, air transportation is ordinarily the authorized mode. The traveler must use the Travel Management Company (TMC). See the JTR, paragraph 010201. The Transportation Office(r) (TO) is responsible for issuing policy on the use and procurement of transportation. Travelers should contact the TO for information regarding available transportation services and costs.

3.0 TRAVEL BY PRIVATELY OWNED VEHICLE (POV)

3.1 Use of POV

An AO may authorize, but cannot direct a traveler to use a POV in connection with travel on official Government business. This limitation also applies to travel as a passenger in a POV. See the JTR, paragraph 020210. An employee may not be prohibited from using a POV on official travel. See the FTR 301-70.105 on administering the authorization and payment of employee POV travel expenses.

*3.2 When POV Use is More Advantageous to the Government

POV use on a temporary duty (TDY) assignment is not automatically considered to be advantageous to the government. AOs must consider the preferred transportation methods and the determination factors outlined in the JTR, paragraph 020203 before authorizing POV transportation.

3.3 When POV Use is Not More Advantageous to the Government

If a traveler elects to use a POV instead of the transportation mode authorized, then:

3.3.1. Reimbursement must be limited to the constructed cost of the authorized transportation mode, which is the sum of per diem and the transportation cost the Government would have incurred when traveling by the authorized transportation mode, unless otherwise stated in the JTR. See the JTR, paragraph 020210.F; and

3.3.2. Charge leave in accordance with personnel regulations for travel time that is not official travel time. See the JTR, paragraph 020302.

3.4 Allowable Travel Time Policy

The standard DoD procedure for administering travel time for all DoD travelers is based on the traveler's required period of duty at the TDY point. All time that is not official travel time must be accounted for in accordance with appropriate personnel regulations. See the JTR, paragraph 020302.

3.4.1. Day of Arrival at the TDY Point. When the traveler is required to perform duty at the TDY point on the day of arrival, that day is a day of duty. Travel time is granted prior to that first duty day. When the traveler performs no duty at the TDY point on the day of arrival, that day is a travel day.

EXAMPLE: POV travel is authorized as advantageous to the Government. The authorized travel time is two days. The traveler performs duty on the day of arrival at the TDY point. For this example, Departure/Arrival is D/A, Permanent Duty Station is PDS, Private Automobile is PA, TD is TDY and Mission Complete is MC.

D/A	DATE	LOCATION	MODE	REASON FOR STOP
Dep	1 Oct	PDS	PA	
Arr	3 Oct	TDY point A		TD
Dep	8 Oct	TDY point A	PA	
Arr	10 Oct	PDS		MC

NOTE: Refer also to DoD ***(DD) Form 1351-2***, Travel Voucher or Subvoucher, for explanation of codes.

In this example, October 3 is a day of duty and October 1 and 2 are travel days. Using the same example, if the traveler did not perform duty on October 3 at the TDY point, October 2 and 3 are the travel days. The AO must determine if October 1 should be charged as leave in accordance with DoD Component procedures.

3.4.2. Day of Departure From the TDY Point. When a traveler is required to perform duty at the TDY point on the day of departure, that day is a day of duty. Travel time is granted after that last day. When a traveler is not required to perform duty at the TDY point on the day of departure from the TDY point, that day is a travel day.

EXAMPLE: POV travel is authorized as advantageous to the Government. The authorized travel time is two days. The traveler performs duty on the day of departure from the TDY point.

D/A	DATE	LOCATION	MODE	REASON FOR STOP
Dep	1 Oct	PDS	PA	
Arr	3 Oct	TDY point A		TD
Dep	8 Oct	TDY point A	PA	
Arr	10 Oct	PDS		MC

In this example, October 8 is a day of duty and October 9 and 10 are travel days. Using the same example, if a traveler performs no duty on October 8 at the TDY point, October 8 and 9 are travel days. The AO must determine if October 10 should be charged as leave in accordance with DoD Component procedures.

*4.0 FIRST CLASS OR BUSINESS CLASS ACCOMMODATIONS

Travelers are not entitled to reimbursement for first class or business class accommodations unless properly authorized or approved. See the JTR, paragraph 020206. It is DoD policy that travelers using commercial air carriers for official travel must use economy or coach accommodations. This does not preclude the traveler from accepting a complimentary seating upgrade offered by the carrier.

5.0 UNUSED/LOST/STOLEN TRANSPORTATION REQUESTS OR TICKETS

5.1 Unused/Lost/Stolen Transportation Requests or Tickets

If a traveler does not use the ticket (paper or electronic) for Government-procured transportation, the traveler must return that ticket to the TO/TMC. Travelers utilizing electronic tickets for which they do not have an issued boarding pass must return a copy of their itinerary to the TO/TMC. The traveler must complete and have the issuing authority (i.e., TO/TMC) sign an original and one copy of a ***DD Form 730***, Receipt for Unused Transportation Requests and/or Tickets, Including Unused Meal Tickets. The ***Standard Form (SF) 1170, Redemption of Unused Tickets***, may also be used if its use is in accordance with Service regulations. The traveler must attach a copy of the DD Form 730/SF 1170 (or other receipt) to the travel claim. If a traveler loses a paper ticket or transportation request, the traveler must contact the TO/TMC for assistance. A traveler remains financially responsible to the Government for the cost of a lost or stolen paper ticket or transportation request, regardless of fault or negligence. If the travel order directs use of Government-procured transportation, do not reimburse the traveler for personally procured transportation unless the AO provides a statement to allow reimbursement.

5.2 Involuntarily Relinquished Airline Accommodations

Penalty payments or credits issued by air carriers under certain provisions of their tariffs for failing to furnish accommodations for confirmed reserved space belong to the U.S.

Government, and not the traveler, when the payments result from travel on official business and the traveler was involuntarily denied boarding. In accordance with the JTR, paragraph 020206, travelers must request that the transportation carrier show "Treasurer of the United States" as the payee on the compensation check and forward the payment according to Service/DoD Agency directives.

6.0 RENTAL VEHICLES

An AO must authorize or approve use of a rental vehicle. It is mandatory that travelers use an available TMC to obtain a rental vehicle. When a TMC is available, but not used, reimbursement is limited to what the cost would have been if a TMC made the arrangements. See the JTR, Table 2-8. Only the individual authorized a rental vehicle on their travel order, and named on the rental agreement/contract, may receive reimbursement for authorized rental car expenses. See the JTR, paragraph 020209.

6.1 Receipts

When a traveler is authorized and uses a commercial rental vehicle, a receipt from the rental agency must be attached to the claim for costs of $75.00 or more. See the JTR, paragraph 010301.

6.2 Mileage Charges

When a mileage charge is included in the cost of a rental vehicle, the total cost of which is $75.00 or more, a statement showing the official distance driven must be attached to the claim.

6.3. Leisure Use With Official Use

A traveler who is on official travel with an authorized rental vehicle will only be reimbursed for the use of a rental car while on official travel. The Defense Travel Management Office (DTMO), ***U.S. Government Rental Car Agreement***, only covers official travel. Rental car vendors have different procedures and the traveler must check with the rental car vendor to determine if the rental car must be returned after the official business portion of TDY in order to obtain another rental car for personal use.

6.4 Reimbursement for the Cost of Damages to Commercial Rental Vehicles

Rental cars covered by the DTMO rental car agreement include full liability and vehicle loss, and damage insurance coverage in the Government rate. Reimbursement or payment to the rental agency for damages must be made by the Government, or by the traveler if it is determined that the traveler was not within the scope of employment when the loss occurred. When Government reimbursement is approved, and extra collision insurance is not purchased or included in the basic rental contract (e.g., in accordance with DTMO negotiated agreements), the traveler may be reimbursed for personal funds paid to the rental agency for the full amount of damage sustained, or the deductible amount (when contained in the rental agreement), for a vehicle properly rented and damaged in the performance of official business. The JTR, paragraph 020209 defines official purposes. The traveler submits a claim for reimbursement through the AO to the

claims office of the supporting Staff Judge Advocate for adjudication. Supporting documentation must include, but is not limited to:

6.4.1. Police accident reports and traffic citations;

6.4.2. Statements from witnesses; and

6.4.3. Statements and itemized bills from the traveler and rental agency to ensure that the claim is valid, not settled, and in an amount commensurate to the actual damage.

NOTE: The inclusion of an accident report assists legal authorities in establishing fault on the part of the party not employed by the Government, which may enable the Government to recoup its loss when the negligence of that party can be established without costly investigation. Reimbursement is prohibited for damage sustained to a rental vehicle while being used on other than official business, or by willful and wanton negligence on the part of the traveler.

6.5 Damage Claims Received From Rental Agencies

Rental agencies may submit a damage claim directly to the Government. To be considered for payment, these claims must be supported by appropriate documentation. Claims for reimbursement or payments made directly to the rental agency may be made in the full amount of damage sustained or the deductible amount (when contained in the rental agreement). At a minimum, include documentation provided in paragraph 6.4.

7.0 LOCAL TRAVEL IN AND AROUND PERMANENT OR TEMPORARY DUTY STATIONS

7.1 General

The AO should make sure local directives clearly define the local area in which transportation expenses may be authorized or approved for conducting official business. See the JTR, paragraph 0206. When two or more installations are in close proximity, the senior commander or senior Service commander should determine the local area. When travelers perform TDY in the local area and require lodging, travel orders are necessary to support the claim.

7.2 Prohibition on Self Approval

Appointed AOs and approving officials may not approve their own vouchers for payment of local travel.

7.3 Permanent Duty Station

Travelers performing local travel in a POV must provide a trip-by-trip accounting of all travel performed on official business. Refer to Chapter 8, paragraph 6.2 for claim submission instructions and the JTR, paragraph 020204 for distance determinations. When like trips between the same points occur on a repeated basis, one entry on the claim suffices, provided that it reflects

the distance or costs between these points and the dates on which the trips occurred.

7.4 Temporary Duty Station

Travelers performing local travel in a POV at the TDY site may be authorized/approved reimbursement for transportation expenses necessarily incurred for conducting official business in the local area of their TDY stations using the TDY mileage rates for local and TDY travel. See the JTR, paragraphs 020210 and 020212.

8.0 TRAVEL AND TRANSPORTATION FOR FUNERAL HONORS DETAIL

8.1 General

A person not employed by the Government, who participates in a funeral honors detail for a veteran in accordance with Title 10, United States Code, section 1491, ***(10 U.S.C. § 1491)*** may be authorized transportation or transportation reimbursement and expenses. See the JTR, paragraph 032004.

8.2 Transportation Mode

The transportation mode used should be the least costly mode available that adequately meets the needs of the detail. When a POV is the authorized mode, actual expenses rather than a mileage allowance may be paid. Reimbursement for POV actual expenses are limited to fuel, oil, parking, ferry fares, and road, bridge, and/or tunnel tolls.

8.3 Lodging and Meals

The actual cost of lodging and meals may be reimbursed up to the per diem rate prescribed for the area concerned. If individuals serving on the funeral honors detail incur costs to include per diem, an invitational travel authorization will be used.

8.4 Reimbursable Expenses

Reimbursable expenses, in accordance with the JTR, paragraph 0204, may be authorized or approved.

VOLUME 9, CHAPTER 5: "TEMPORARY DUTY TRAVEL (TDY) AND TRAVEL ADVANCES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated January 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Verified and updated references, hyperlinks, and formatting to comply with current administrative instructions, and made clarifying editorial changes.	Revision
All	This publication has been reviewed by the Per Diem, Travel, and Transportation Allowance Committee (PDTATAC) staff in accordance with DoD Instruction 5154.31, Volume 5, dated October 16, 2015 as PDTATAC Case RR23009. Any conflict between this publication and the Joint Travel Regulations (JTR) is resolved based on the JTR and not this publication.	Revision

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CHAPTER 5

TEMPORARY DUTY TRAVEL (TDY) AND TRAVEL ADVANCES

1.0 GENERAL

1.1 Purpose

This chapter identifies the DoD financial management policies and guidance governing travel administration for travelers performing Temporary Duty (TDY) travel, and for travel advances.

1.2 Authoritative Guidance

Guidance in this chapter is provided under authorities contained in statute, the Joint Travel Regulations (***JTR***), the ***Federal Travel Regulation***, and other portions of the ***DoD Financial Management Regulation***. It does not include every condition in which travel and transportation allowances are either authorized, or limited by, the JTR. Information contained in this volume does not supersede the JTR.

2.0 RESPONSIBILITIES

2.1 Departmental Accountable Official (DAO) Responsibilities

DAO's involved in the travel management process must serve as control points within the organization. Individuals that may be officially appointed as DAO's for the travel process may include reviewing officials, approving officials, and authorizing officials (AO). If appointed, DAO's may be held pecuniarily liable under guidance contained in Volume 5, Chapter 5, section 7.0 for illegal, improper or incorrect payments resulting from information, data, or services they negligently provide to certifying officers; and upon which the certifying officers relied to certify payment vouchers. DAO's must be appointed and terminated using a DoD ***(DD) Form 577***, Appointment/Termination Record-Authorized Signature.

2.1.1. General Responsibilities

2.1.1.1. Acknowledge appointment and responsibilities as a DAO by signature.

2.1.1.2. Implement, maintain, and enforce system internal procedures and control points within an organization to minimize opportunities for erroneous payments.

2.1.1.3. Comply with all applicable DoD regulations, policies, and procedures.

2.1.1.4. Respond in a timely manner to inquiries by reviewing officials.

2.1.2 Reviewing Officials. The person appointed as a reviewing official may not serve concurrently as a certifying or disbursing officer. Except where impracticable within afloat or tactical operating forces, persons appointed as reviewing officials must not be in the supervisory chain of command of a certifying or disbursing officer.

2.1.2.1. Conduct prepayment review of travel claims.

2.1.2.2. Conduct post-payment review of travel payments certified by Certifying Officers.

2.1.3 Approving Officials

2.1.3.1. Approve TDY orders.

2.1.3.2. Approve travel claims.

2.1.3.3. If required by the DoD Component, approve claims by signing and dating the ***DD Form 1351-2***, Travel Voucher or Subvoucher, and forward approved vouchers to the appropriate travel computation office. If a voucher is disapproved, annotate the reason and return to the traveler for correction or clarification as necessary.

2.1.3.4. If an allowance or itinerary changes, approve after-the-fact allowable expenses and itinerary or status changes by signing and dating the DD Form 1351-2 and forwarding the approved voucher to the travel computation office.

2.1.4 Authorizing Officials

2.1.4.1. Authorize all appropriate travel allowances except when a higher authority is required such as for premium-class travel.

2.1.4.2. Review lines of accounting for accuracy.

2.1.4.3. Assign travel order control numbers.

2.1.4.4. Determine if travel was performed as authorized.

2.1.4.5. Approve appropriate travel claims when there is a change from the written travel order involving allowances, itinerary, or reimbursable expense, such as a rental car. NOTE: The act of signing and dating the traveler's DD Form 1351-2 in block 21, with remarks in block 29, negates the need for amendments.

2.1.4.6. Sign and date all appropriate travel claims when required by the DoD Component.

2.1.4.7. Ensure the claim is forwarded to the appropriate liaison office or travel computation office within 2 working days following the traveler's submission.

2.2 Certifying Officers

Certifying Officers are pecuniarily liable under Title 31 United States Code (U.S.C.), section 3528 ***(31 U.S.C. § 3528)***. Also, see Title 41 Code of Federal Regulations (CFR) ***(41 CFR § 301-71.203)*** and Volume 5, Chapter 5. Responsibilities for individuals appointed as Certifying Officers are applicable to both Defense Travel System (DTS) and non-DTS travel claims. They must:

2.2.1. Be appointed by appropriate authority as prescribed in Volume 5, Chapter 5;

2.2.2. Acknowledge by signature their appointment as a certifying officer;

2.2.3. Complete a DD Form 577;

2.2.4. Certify travel claims for validity and reasonableness;

2.2.5. Certify claims for payment as outlined in Volume 5, Chapter 5;

2.2.6. Forward certified claims to the supporting disbursing office;

2.2.7. Compare pre-trip and post-trip estimate of expenses;

2.2.8. Review all lodging receipts; and

2.2.9. Review individual reimbursable expense receipts of $75 or more.

2.3 Responsibilities of Others Involved in the Travel Process

2.3.1. Government Travel Charge Card (GTCC) Agency Program Coordinators (APCs). APCs implement and execute the GTCC program. See DoD Instruction ***(DoDI) 5154.31, Volume 4*** and the ***DoD GTCC Regulations*** for additional information and APC responsibilities.

2.3.2. Resource Managers/Fundholders

2.3.2.1. Ensure proper assignment of funding.

2.3.2.2. Maintain funds control.

2.3.2.3. Certify fund availability.

2.3.3. Supervisor Review

2.3.3.1. Review, sign, and date all appropriate travel claims for military and civilian personnel.

2.3.3.2. Submit the travel claim to the appropriate travel computation office for processing prior to payment.

2.3.4. Travel Computation Offices

2.3.4.1. Establish adequate internal controls to process travel claims.

2.3.4.2. Notify traveler if voucher is incorrect, incomplete, or missing required documentation; and request correction.

2.3.4.3. Notify the submitting office or person if travel claim is received at the wrong office for computation.

2.3.4.4. Compute and determine the travel allowance.

2.3.4.5. Forward the computed travel claim and supporting documents to the disbursing office for payment or interface with the disbursing system for payment.

2.3.5. Automated Information System (AIS) Administrators. The AIS administrators operate and maintain systems to support travel management. They support the allowance, certifying, and disbursing systems.

2.3.6. Travelers. Travelers must:

2.3.6.1. Prepare the DD Form 1351-2 after travel has been completed, to include identifying the duration of the TDY in block 17;

2.3.6.2. Attach all supporting documentation including the original or legible copies of orders and receipts for all lodging expenses, as well as claimed reimbursable expenses of $75 or more;

2.3.6.3. Ensure that current electronic funds transfer (EFT) information is on file with the travel computation office. If not, identify EFT information using a Standard Form ***(SF) 1199A***, Direct Deposit Sign-Up Form including account and financial institution routing transit number and account type;

2.3.6.4. Ensure that GTCC information is on record and indicate the mandatory split-disbursement dollar amount to be sent to the GTCC account;

2.3.6.5. Sign, date, and include home or unit address and unit telephone number on travel claim;

2.3.6.6. Forward or fax the original DD Form 1351-2 and supporting documents to the AO or travel computation office as appropriate; and

2.4 Suspected False Claims

Travelers are liable under ***18 U.S.C. § 287*** and ***18 U.S.C. § 1001***, and the False Claims Act ***31 U.S.C. §§ 3729 through 3731***, if they knowingly submit false, fictitious, or fraudulent claims. When a suspected fraudulent claim is presented for payment, certifying officers or disbursing officers must follow the policies and procedures outlined in Volume 5, Chapter 12, section 4.0.

3.0 TRAVEL ORDERS

Travel orders are prepared in accordance with DoD Component management guidance and administrative instructions including the JTR, paragraph 010206 for Service members and civilian employees, and the JTR, paragraph 030501 for invitational travel authorizations. The travel order establishes in writing the conditions for official travel and transportation at government expense. To ensure proper reimbursement, the actual TDY duty location must be listed on the travel orders (i.e., if going TDY to Ft. Bliss, TX, the travel orders must explicitly state "Ft. Bliss, TX" not "El Paso, TX"). Travel orders must identify the traveler as either a GTCC cardholder or non-cardholder. This statement authorizes alternative payment methods (e.g., transportation tickets being charged to a centrally billed account). The TDY travel orders must include the travel computation unit (location/address) to which travel vouchers must be submitted.

3.1 Funding

3.1.1. All orders, wherever possible, must be funded by the traveler's organization unless group orders or alternative methods are more efficient. If funding is to be provided by another office, the traveler's organization must obtain a fund cite from that office in an amount sufficient to pay for the travel prior to issuing travel orders.

3.1.2. In the event of a split-year funded trip, the traveler must return to his or her official duty station if no DoD Appropriation Act has been signed or continuing resolution has been enacted. Expenses incurred in returning to the traveler's duty station will be posted in the new fiscal year as necessary costs to close down operations.

3.2 Itinerary Variations

3.2.1. Variations Authorized. The authorization of travel variations should not be used in place of adequate advance planning, nor must they be used to grant an open travel authorization. Variations must be authorized in the order and are permitted only when considered mission essential in accordance with Per Diem, Travel, and Transportation Allowance Committee ***(PDTATAC) Travel Orders***. "Variations Authorized" permit:

3.2.1.1. Omission of travel to a place, or places, stated in the travel order;

3.2.1.2. Change in the order of travel to places shown;

3.2.1.3. Travel to places not shown; and

3.2.1.4. Change of the specified time spent at a named destination.

3.2.2. Verbal Variations. Confirmation of a verbal order is required, and may not be delegated, when the AO gives the traveler a verbal order to:

3.2.2.1. Change the order of places to be visited;

3.2.2.2. Change the time at each location; or

3.2.2.3 Add or omit locations.

3.2.3. No Amendments Needed. No amendments are needed if:

3.2.3.1. The traveler departs within a period of 7 days before or after the specified date of departure; or

3.2.3.2. The TDY is extended by 100 percent of the original time or 7 days, whichever is less. For example, if a TDY of 5 days is authorized, then the traveler could be extended for 5 additional days (100 percent) without amendments (the lesser of 7 days and 100 percent is 5 days). On the other hand, if a TDY is authorized for 14 days, then the traveler could extend 7 additional days without amendments (the lesser of 7 days and 100 percent is 14 days).

3.3 Issued in Advance

A written travel order is issued before travel is performed unless an urgent or unusual situation prevents prior issuance. Travel orders may not be revised or modified retroactively after the effective date to increase or decrease the rights and benefits that have been fixed under the applicable statutes or regulations. Note: This does not prohibit confirmation of verbal orders.

3.4 Basis for Reimbursement

The travel order is the basis for the traveler's reimbursement. Reimbursement for travel is not authorized when travel is performed in anticipation of verbal orders. The right to allowances is established when travel expenses are incurred under orders. Travelers are entitled to travel and transportation allowances only while in a travel status.

3.5 Object Classification

Accounting for TDY travel is accomplished through the use of a single object classification code. All TDY orders must be issued using the single object classification code of 21, "Travel and Transportation of Persons." Temporary exemptions to the mandatory use of the two-digit (21) object classification code to accommodate component-unique accounting requirements may be permitted only with the advance approval of the Under Secretary of Defense (Comptroller) or designee.

3.6 Registration Fees

All registration fees incurred while DoD travelers are on TDY travel must be charged to object classification code 21, "Travel and Transportation of Persons."

3.7 Errors on Travel Orders

3.7.1. Personal Data. When travel orders contain erroneous data (e.g., misspelled names, incorrect Social Security numbers, or incorrect grades), claims may be paid without amending the orders. The traveler may make and initial any necessary changes.

3.7.2. Appropriation Data. When the accountable (funding) station is the disbursing station, the incorrect accounting classification data may be corrected without an amendment. If the accountable (funding) station is different than the disbursing station, then changes to the incorrect accounting classification data must be supported by one of the following:

3.7.2.1. Separate funding documents;

3.7.2.2. A letter from the accountable disbursing official/comptroller; or

3.7.2.3. A documented telephone call to the accountable disbursing official or comptroller.

3.8 Retroactive Amendments to Orders

3.8.1. Amendment Required. Travel orders cannot be amended to increase or decrease a travel allowance after travel is performed. The original order, however, may be amended after travel is performed when issued in error or travel requirements change en route. A written amendment confirming a verbal order is not included in this category provided the verbal order was issued on or before the effective date of the directed change.

3.8.2. Amendment Not Required. Some provisions of the JTR provide for after-the-fact approval (e.g., rental cars). In this case, the approval is not a retroactive amendment. Such expenses are claimed on the voucher and approved by the AO. An AO's signature on a DD Form 1351-2 constitutes approval of the claim.

4.0 TRAVEL ADVANCES

4.1 Policy

Cash travel advances must not be authorized unless an exception is granted. Annotate the maximum advance amount authorized on the travel order. The standard practice is for the traveler to use his or her GTCC to obtain cash from an automated teller machine (ATM) for expenses that cannot be charged to the GTCC. Also, annotate on the travel order the maximum ATM cash advance amount that may be withdrawn using the GTCC. Personnel who are not eligible or who are exempted from mandatory use of the GTCC may obtain travel advances only via EFT. See

section 5.0 for limitations on advances. The Commander or supervisor, in coordination with the disbursing officer, may authorize cash advances in limited situations where no other process is available to accomplish the mission. See DoDI 5154.31, Volume 4 for additional guidance on the GTCC program. To determine if an individual is exempt from mandatory use of the GTCC, see the GTCC Regulations.

4.2 Managing Financial Resources

To manage financial resources more effectively for travel expense purposes, DoD Components must:

4.2.1. Hold to a minimum the amounts of cash advances for travel purposes as provided in section 5.0;

4.2.2. Ensure that travelers submit vouchers within established time frames, as provided in paragraph 4.5; and

4.2.3. Process travel vouchers promptly to assure timely payment to civilian employees or Service members or to recover any excess travel advances. DoD Components must establish internal policies and procedures to ensure travel vouchers are paid within 25 working days after the end of a trip or travel period.

4.3 Cadets and Midshipmen

Cadets and midshipmen travel in accordance with the policies of the respective service academy. If a cadet or midshipman requires a travel advance or seeks settlement at a disbursing office, the following offices must be contacted for authorization:

U.S. Military Academy:

Defense Finance and Accounting Service
ATTN: Travel Operations
325 Brooks Road
Rome, NY 13441
DFAS-TRAVELADVANCE@MAIL.MIL

U.S. Naval Academy:

Midshipman Disbursing Office
101 Buchanan Road
Annapolis, MD 21402-5024
Commercial Phone: (410) 293-3297

U.S. Air Force Academy:

10 ABW/FMFPPP
2304 Cadet Drive Suite 220
U.S. Air Force Academy
Colorado Springs, CO 80840-5040
Commercial Phone: (719) 333-4298

4.4 Invitational Travel Authorizations

Travel advances may be authorized for travelers using invitational travel authorizations. The amount of the advance must be approved by the order-issuing AO and included on the invitational travel authorization. Limit advances to the authorized amount (see paragraph 4.1).

4.5 Monitoring Advances

4.5.1. General. When a travel advance is authorized, it must be monitored to ensure that a corresponding travel claim is filed within 5 working days of the traveler's return to or arrival at the permanent duty station (PDS), or immediately when the orders are canceled. Travelers whose TDY extends beyond 30 days may file travel claims within 5 working days after the end of every 30 calendar day period or travel accrual payments may be provided in accordance with service-specific regulations.

4.5.2. Failure To Submit Travel Claim. If a traveler has not submitted a claim within 15 days after the estimated date of return/arrival (provisions for separatees/retirees are in paragraph 5.15), then the following action will be taken.

4.5.2.1. Marine Corps Members. Fifteen days after the Service member's estimated date of arrival/return, recoup the total amount of the advance through pay account deduction (see Headquarters Marine Corps - Personnel & Readiness (Resources, Fiscal and Finance) ***Finance Policy Manual, Volume 2, Travel***. System acceptance of this transaction activates the delayed deduction program. The Service member is notified of the impending deduction on the next leave and earnings statement. The amount then is deducted from the Service member's pay the following month.

4.5.2.2. Other Travelers. Each DoD Component must ensure that it has a process to monitor travelers' advances. Issue a letter advising travelers of his or her responsibility to submit travel claims and/or repay advances. On the 46th day after the traveler's estimated date of return/arrival, if no response to the letter has been received, then collect from the traveler's pay account. See Volume 16, Chapter 2 regarding administrative offset procedures.

5.0 TRAVEL ADVANCE LIMITATIONS

5.1 General

Except as provided in paragraph 5.3, DoD Components must limit travel advances to those estimated expenses that a traveler is expected to incur for authorized travel including travel incident to permanent duty travel/civilian employee temporary change of station (PDT/TCS) that ordinarily would be paid using cash (see "cash transaction expenses" as defined in paragraph 5.2). This limitation applies to all advances. Advances issued for travel under single trip, as well as open travel authorizations, are limited to the estimated cash transaction expenses for no more than a 45-day period.

5.2 Cash Transaction Expenses

Cash transaction expenses are those travel expenses that, as a general rule, cannot be charged and, therefore, must be paid using cash, personal checks, or traveler's checks. Travelers must use the GTCC for all authorized travel expenses. If the card cannot be used to charge the expense, the card should be used to withdraw cash from an ATM to pay for those expenses. The following are cash transaction expenses:

5.2.1. Meals, when the GTCC is not accepted, and incidental expenses covered by the per diem rate, or Actual Expense Allowance (AEA); or

5.2.2. Other authorized miscellaneous expenses which cannot be charged using a charge card and for which a cost reasonably can be estimated before travel.

5.3 Exceptions to Travel Advance Limitations

5.3.1. Authorized Exceptions. The limitation in paragraph 5.1 does not apply to any of the following civilian employee PDT/TCS expenses:

5.3.1.1. Temporary quarters subsistence,

5.3.1.2. Transportation and temporary storage of household goods (HHG), or

5.3.1.3. Mobile home transportation.

5.3.2. Discounted Conference or Training Registration Fee (***41 CFR § 301-74.23***). Advance payment of discounted conference or training registration fee may be paid as indicated in paragraph 5.7. See the JTR, subparagraph 030201.D.

5.3.3. Order-Issuing Official's Discretion. The order-issuing/authorizing official may, under limited circumstances, authorize a travel advance for non-cash transaction expenses (e.g., lodging, common carrier transportation, advance payment of discounted conference registration fee) to be paid to a traveler. Those circumstances are as follows:

5.3.3.1. Use of GTCC Not Accepted. When travel circumstances are such that the GTCC is not expected to be accepted to purchase transportation, lodging, car rental, or other travel expenses that ordinarily are charged;

5.3.3.2. GTCC Not Offered. When the civilian employee is not offered a GTCC in accordance with GTCC Regulations 040602.B;

5.3.3.3. PDT/TCS. When use of a GTCC is not feasible for PDT/TCS travel or a house hunting trip incident to a transfer between official stations, particularly a transfer between agencies; or

5.3.3.4 Financial Hardship. When not issuing an advance to a civilian employee would cause financial hardship for the traveler.

5.3.4. Allowable Amount for Meals and Incidental Expenses (M&IE). Unless a different amount is prescribed in the travel order/AEA, the amount advanced for meals and incidental expenses must not exceed the M&IE allowances prescribed in the JTR, paragraph 020304.

5.3.5. Amount Allowed. Travel advances should not exceed 80 percent of the estimated lodging and transportation costs in the event that a GTCC is not accepted at the TDY location; a Service/Agency does not authorize use of the GTCC for PDT or TCS travel; or the civilian employee has not been offered the GTCC. This information must be shown in block 16 of the travel order and will serve as the basis for authorizing an advance up to 80 percent. If the 80 percent limitation results in a financial hardship on the civilian employee, then the order-issuing official may authorize an advance for up to 100 percent of the estimated expenses for:

5.3.5.1. An individual trip, or

5.3.5.2. An open travel authorization not to exceed a 45-day period.

5.3.6. Travel Under a Reduced Per Diem Rate. When a reduced per diem rate is prescribed in accordance with the JTR, paragraph 020308, civilian employees or Service members may be authorized a cash travel advance of 100 percent of the authorized per diem rate for no more than a 45-day period, provided that the following three conditions are all met:

5.3.6.1. The period of TDY exceeds 60 days;

5.3.6.2. Travel vouchers will be filed at least every 30 days; and

5.3.6.3. The GTCC cannot be used.

5.4 Per Diem Amount

5.4.1. TDY or AEA. An advance based on the per diem allowance is limited to a period of 45 days under an individual travel order unless the civilian employee is:

5.4.1.1 Assigned to TDY for a period in excess of 45 days at a place where there are no facilities available for processing travel vouchers, or

5.4.1.2. Performing extended TDY aboard a Navy ship.

5.4.2. Civilian Employee PDT/TCS

5.4.2.1. Travel Between Old and New PDSs. An advance for the civilian employee and/or dependents, based on the applicable per diem allowance, must be limited to the amount payable for the allowable travel time.

5.4.2.2. Round-Trip Travel to Seek Permanent Residence. An advance for the civilian employee and/or spouse, based on the per diem allowance, must be limited to the amount payable for the actual number of days authorized in the travel orders.

5.5 Mileage Amount

5.5.1. TDY. An advance based on the mileage allowance must be limited to the official distance between the PDS and the TDY location.

5.5.2. Civilian Employee PDT/TCS

5.5.2.1. Travel Between Old and New PDSs. An advance, based on the mileage allowance of the Service member/civilian employee and/or dependents, must be limited to the official distance between the old PDS and new PDS.

5.5.2.2. Round-Trip Travel to Seek Permanent Residence. An advance, based on the mileage allowance of the civilian employee and/or spouse, must be limited to the official distance between the old PDS and new PDS.

5.6 Commercial Transportation Amount

When a civilian employee who does not have a GTCC is authorized to perform travel by commercial transportation, an advance may be paid based on the estimated cost of the required transportation, not to exceed 80 percent for each trip authorized under the travel orders. If the 80 percent limitation results in a financial hardship on the civilian employee, then the order-issuing official may authorize an advance for up to 100 percent.

5.7 Advance Payment of Discounted Conference or Training Registration Fee

5.7.1. General. Travelers may be permitted to register early and be reimbursed for an advanced discounted payment for a conference or training registration fee as soon as they are approved for the event and they submit a proper claim for the expenses incurred.

5.7.2. Traveler is Unable to Attend an Event for Which Reimbursement Was Made. If the advance payment was made in accordance with subparagraph 5.7.1 and the traveler is unable to attend the event, the traveler must seek a refund of the registration fee and repay the advance with any refund received. If no refund is made, the DoD Component concerned must absorb the advanced payment as a preparatory travel expense if the traveler's failure to attend the event was caused either by a decision of the DoD Component concerned or for reasons beyond the traveler's control that are acceptable to the DoD Component concerned, (e.g., unforeseen illness or emergency). The traveler must repay the amount advanced if no refund is made, and the traveler's failure to attend the scheduled event is due to reasons deemed inexcusable by the DoD Component concerned.

5.8 HHG Amount

An advance for the cost of HHG transportation must be limited to the cost of shipping the estimated weight of the civilian employee's HHG within the maximum weight for which a civilian employee is eligible at the applicable rate and distance shown in the ***commuted rate table***. An advance for the cost of temporary storage must be limited to the applicable commuted rate for the weight of HHG and period of storage, not in excess of 90 days and not in excess of the maximum HHG weight for which a civilian employee is eligible. A request for an advance by a civilian employee should be accompanied by a written statement designating the points of origin and destination, the estimated HHG weight to be shipped, and any anticipated temporary storage not to exceed 90 days. The estimate of weight required in support of an advance may consist of a statement of the estimated weight signed by the carrier selected to handle the shipments.

5.9 Temporary Quarters Subsistence Expense (TQSE) Amount

Advances may be paid in 30-day increments for subsistence expenses covered in the JTR, Table 5-84. The initial advance of funds for TQSE must not exceed the maximum amount allowable under the JTR, Table 5-85 for the first authorized period of 30 days or less. Thereafter, advances for subsequent 30-day periods may be paid as authorized by the DoD Component. When an advance is needed for the second and subsequently authorized 30-day periods, DoD Components should advise civilian employees to submit the request for advance in sufficient time to allow for processing, approval, and issuance of the advance.

5.10 Mobile Home Transportation Amount

5.10.1. Within the Continental United States (CONUS). When the point of origin and the PDS to which movement is authorized are both located within CONUS, an advance for the cost of transportation of a mobile home moved by a commercial transporter must be limited to an amount computed at the applicable rates for transportation for the official distance and 90 days temporary storage prescribed in the commuted rate schedules for the maximum weight of HHG for which a civilian employee is eligible. When a civilian employee tows a mobile home by a Privately Owned Vehicle (POV), an allowance of $.11/mile is paid to cover the transportation costs listed in the JTR, subparagraph 054406.B.

5.10.2. Between CONUS and Alaska. For travel between the CONUS and Alaska involving movement through Canada, limit the advance to the constructive cost for transportation and temporary storage of HHG under a Government bill of lading, subject to the provisions and limitations prescribed in subparagraph 5.10.1.

5.11 Group or Charter Arrangements

When payment for transportation under group or charter arrangements cannot be made to a carrier with Government-procured transportation documents, an advance may be paid based on the estimated cost of the transportation to be furnished.

5.12 Requesting an Advance

Subject to the conditions in subparagraph 5.12.1 an advance must, upon request, be paid to a civilian employee. The appropriate office must compute the amount paid. An exception to this requirement is authorized when individual travel orders are received via the Department of the Navy certified Automated Travel Order delivery system. Do not pay an advance more than 10 days before travel begins unless specifically authorized by the authority directing the travel as necessary because of early departure incident to leave and Service exigencies. An advance is subject to the conditions stated in the following subparagraphs:

5.12.1. Number of Advances Authorized. Ordinarily, only one advance may be paid for a specific purpose under the same travel order. An exception to this rule may be made for civilian employees or Service members on TDY in excess of 45 days aboard Navy ships or civilian employees or Service members on other TDY assignments under an individual travel order in excess of 45 days at a place where there are no facilities available for processing travel vouchers. The total of the amounts advanced during the TDY assignment may not exceed the total amount authorized to be advanced in the traveler's orders.

5.12.2. Prior Advance Outstanding. No advances will be paid to personnel who failed, for reasons unacceptable to the approving official, to submit a reimbursement voucher on a previous travel authorization/order in which an advance was paid, or have not made arrangements to settle an outstanding advance. This requirement may be waived when personnel have not had reasonable time to prepare and submit vouchers between successive travel assignments.

5.12.3. HHG Shipments. Advances for transportation or temporary storage of HHG or mobile home movement must not be paid if such expenses are not expected to be incurred by the civilian employee concerned within 30 days from the authorizing date. In such cases, the advance may be paid later.

5.13 Obtaining an Advance Payment

5.13.1. Document Submission

5.13.1.1. Department of the Navy. Prepare and submit to the disbursing office one copy of the original travel order after it is signed. The travel order must indicate the amount of the advance authorized.

5.13.1.2. Marine Corps. Prepare and submit to the appropriate paying office an original and three copies of the ***DD Form 1351***, Travel Voucher, accompanied by three copies of the civilian employee's travel order; or other requirements as provided by the appropriate paying office.

5.13.1.3. All Others. Prepare and submit to the appropriate paying office an original and three copies of the DD Form 1351 accompanied by three copies of the civilian employee's travel order.

5.13.2. Payment. The disbursing office pays an advance. Necessary records of advances paid to civilian employees or Service members are maintained by the appropriate office as specified in paragraph 5.14.

5.14 Advance Repayment

5.14.1. General. A civilian employee or Service member who has received an advance must submit a travel claim voucher within 5 working days of the civilian employee's or Service member's return after the end of each trip so that settlement of the advance account can be made. The responsible settlement office that accounts for funds against which the advance is charged is responsible for settlement or collection action in accordance with the applicable Component's accounting or disbursing regulation. The DoD Components must implement internal controls to assure that:

5.14.1.1. Travelers with outstanding travel advances are notified of any delinquencies in filing vouchers and repaying outstanding travel advances,

5.14.1.2. Travelers are paid amounts owed them within 15 working days after receipt of claims in the paying office, and

5.14.1.3. Outstanding travel advances and unpaid travel vouchers are reviewed and settled prior to an individual's separation.

5.14.2. Deduction From Vouchers. The settlement office must ensure that the amount previously advanced is deducted from the total expenses allowed or otherwise is recovered. In instances where a traveler is in a continuous travel status, or where periodic reimbursement vouchers are submitted on individual trip authorizations, the full amount of travel expenses allowed may be reimbursed to that traveler without any deduction of the advance until such time as the final voucher is submitted. If the amount advanced is less than the amount of the voucher

on which the advance is deducted, pay the traveler the net amount. If the advance exceeds the reimbursable amount, then the traveler immediately must refund the excess.

5.14.3. Delayed Use of Advance Funds. In the event of cancellation or indefinite postponement of authorized travel, the traveler must promptly notify the finance office and refund any advance for the authorized travel. If a traveler does not refund the advance promptly, the finance office must take immediate steps to collect the advance from the traveler.

5.14.4. Outstanding Advances. A civilian employee or Service member must be informed that any over-advanced amount indicated in a travel claim settlement voucher must be immediately repaid. If a traveler does not make voluntary settlement of the indebtedness, take action to collect the outstanding advance from money due the civilian employee or Service member.

5.14.5. Recovery of Advances. Outstanding travel or transportation advances that have not been fully recovered by deductions from reimbursement vouchers or voluntary refunds by the traveler must be collected promptly in accordance with applicable debt collection laws and regulations. In the event that a civilian employee or Service member dies before settling a travel advance, any travel advance in excess of earned allowance is subject to collection. In the event the amount due is not refunded within a reasonable period, effect collection by salary offset, retired pay, or otherwise from the person to whom advanced, or the traveler's estate, by deduction from any amount due from the U.S. Government or by such other legal recovery method as may be necessary. Salary or other amounts due must be used to settle the advance before set-off against the retirement credit. In view of these protections, a traveler is not required to furnish a bond in order to obtain a travel advance.

5.14.6. Accounting for Advances. Accounting for cash advances for travel purposes, recovery, and reimbursements must be in accordance with procedures prescribed by the Government Accountability Office (GAO). See the GAO Policy and Procedures Manual for Guidance of Federal Agencies, ***GAO Title 7, Fiscal Guidance***.

5.15 Advances for Service Member Separatees or Retirees

5.15.1. General. A Service member who is separating or retiring may be paid an advance through EFT incidental to separation/retirement no more than 10 days prior to the Service member and/or dependent(s) actual travel dates. Upon completion of the travel, a Service member who has received an advance must submit the travel claim to the appropriate settlement office.

5.15.2. Late Travel Claim. If the claim is not received within the required time frame, the travel official responsible for settling the advance must prepare a letter to the Service member advising that: he or she is responsible for submitting the travel claim to the appropriate travel settlement office; a response is required within 30 days; and if the travel claim is not received within this required time, the total amount of the advance becomes a debt (Volume 16, Chapter 2). For retirees, refer the debt for offset against the retired pay account. For separated Service members, refer the debt for collection action to include possible offset against future Federal income tax returns. If no response is received within the 30-day time frame, then the responsible disbursing official holding the debt must forward the debt and necessary documentation to:

DFAS-IN/Debt and Claims
Dept. 3300 ATTN: Debt Establishment
8899 East 56th Street
Indianapolis, IN 46249-3300

6.0 TRAVEL STATUS

6.1 General

Travel status begins when a traveler departs the home or office and ends when the traveler returns to the office or home. See the JTR, paragraph 010203, and Appendix A.

6.2 Aircrew

Generally, aircrew travel status begins with take-off from the PDS and ends with landing at the PDS. See the JTR, subparagraph 010203.D.

7.0 FURNISHED MEALS

7.1 Complimentary Meals Furnished by a Hotel

When a traveler is furnished a complimentary meal by a commercial lodging establishment for which a charge is not added in the lodging cost, that meal is not a deductible meal. There is no deduction from the M&IE rate regardless of whether the meal is consumed by the traveler. For rules concerning lodgings and meals furnished by Government contract, see the JTR, paragraph 020304. Additional information on what constitutes deductible/non-deductible meals can be found in the JTR, Table 2-18.

7.2 Meals Furnished at Conferences

When some but not all meals are included in conference fees, the proportional meal rate applies on each day one or two meals are provided, except on travel days to and from the PDS. Light refreshments, including a continental breakfast, are a deductible meal when served at a mealtime (e.g., breakfast 0600-0800). Light refreshments served during a break (not at a mealtime) are not a deductible meal. See the JTR, subparagraphs 030201.B and 030201.C.

8.0 GOVERNMENT QUARTERS AND GOVERNMENT DINING FACILITY AVAILABILITY

8.1 Non-availability Statements

Travelers are not required to obtain written non-availability statements before obtaining reimbursement for commercial lodging costs and the local M&IE rate. The availability of Government quarters, contract quarters, and dining facilities must be confirmed when a reservation request is made. The traveler must obtain the confirmation by using the following procedures:

8.1.1. Lodging Reservations. A traveler on TDY must reserve lodging through the electronic travel system, the servicing Travel Management Company (TMC), or by contacting the Government quarters facility directly for availability of quarters. A DoD traveler must use the ***Integrated Lodging Program (ILP)*** facilities if available. See the JTR, paragraph 020303. If quarters are confirmed as not available, then the Government quarters facility is required to give the TMC or the traveler a confirmation or non-availability number, or the name and phone number of the person contacted. The traveler enters the confirmation or non-availability number on the travel order or voucher. If the TMC or the traveler is not able to obtain a confirmation or non-availability number from the billeting office, the traveler must note on the travel order or voucher the date and time the attempt was made. The commercial lodging and per diem rate, not to exceed the locality per diem rate (unless AEA is authorized or approved) must then be paid.

8.1.2. Dining Facility Availability. If the AO directs use of a Government dining facility while the traveler is quartered on-base, the traveler should obtain information on the availability of a Government dining facility through the responsible office at the destination U.S. installation office. If not available, the M&IE rate for commercial meals is authorized. For Service members attending courses of instruction at a school or installation, the schoolhouse commander determines the availability of meals. When a travel authorization directs the use of a Government dining facility for TDY travel, and it is not available, a traveler must provide a statement of non-availability explaining which meals were not available and why, to receive reimbursement. The reason for non-availability must be acceptable to and approved by the AO. Once approved, the travel authorization must be modified to document the change in meal rate. See the JTR, subparagraph 020304.D.3

8.2 Government Dining Facility

8.2.1. Government Dining Use Required. If the AO directs use of a government dining facility while the traveler is quartered on-base but, during the trip, no such facility is available, the Service member may be reimbursed the full M&IE rate if all three meals are not available. Note: The dining facility and on-base government quarters must be on the same installation. If one or two meals are not available (provided the AO accepts the Service member's certification of non-availability), the traveler must be reimbursed the proportional meal rate or the full M&IE rate as determined by the AO. The appropriate government facility rate must be paid when civilian travelers consume all three meals in a government mess or the proportional rate on any day in which one or two, but not all three, meals are consumed in a government mess. See the JTR, paragraphs 020304 and 032901.

8.2.2. Government Dining Use Impractical. The use of a government dining facility is impractical on any day in which the Service member is traveling between or among locations, except for meals incident to special status as outlined in section 9.0. See the JTR, paragraph 020304.

8.3 TDY Not at an Installation

Travelers on TDY to an ILP site must use approved DoD Preferred lodging accommodations when Government quarters or Public-Private Venture lodging are not available.

The Defense Travel Management Office website lists ILP approved properties. See the ***DoD Preferred Commercial Lodging Metro Locations*** list. A traveler must book DoD Preferred commercial lodging through the DTS or the contracted TMC. When the TDY location is not at an installation, a Service member is not required to use a nearby Government facility. If a Service member chooses to use Government quarters at a nearby installation, however, a Government dining facility is "not available" for M&IE purposes. See the JTR, paragraphs 020303 and 020304.

8.4 TDY at an Installation

8.4.1. Military Personnel TDY to an Installation. Service members are required to check for Government quarters availability when TDY to a U.S. installation. Availability/non-availability documentation must be obtained per the JTR, paragraph 020303. Service members should use adequate available Government quarters when TDY to a U.S. installation; however, when adequate Government quarters are available on that U.S. installation and other lodgings are used, lodging reimbursement is limited to Government quarters cost. See the JTR, paragraph 020303.

8.4.2. Civilian Personnel TDY to an Installation. A civilian employee is encouraged, but not required, to use available Government quarters unless traveling to an ILP site. A civilian employee is required to use Government quarters at an ILP site. See the JTR, subparagraph 020303.B.2. If the electronic reservation system cannot reserve Government quarters, then make reservations through ***Department of Defense Lodging***, or by contacting the Government quarters facility directly. In compliance with the requirement to exercise prudence when incurring expenses, civilian employees should exercise the same care in incurring expenses for Government travel that a prudent person would exercise if traveling at personal expense. An AO should request reduced per diem when a per diem rate is more than the amount necessary, based on known lodging or meal cost reductions in effect due to prearrangements, special discounts, or other reasons. The AO must request and authorize reduced per diem before travel occurs. Only a DoD Component head may authorize a reduced per diem rate for a civilian employee, except as otherwise specified in the JTR. See the JTR, paragraphs 010102, 020303, and 020308.

9.0 SPECIAL STATUS AND PER DIEM RATES

Reduced or zero per diem rates for a special status, such as field duty, sea duty, hospitalization, rehabilitation, and essential unit dining, take effect at 12:01 a.m. the day after the traveler enters the status and ends at 12:00 a.m. the day preceding the day the traveler leaves that status. See the JTR, paragraph 020315.

9.1 Departure From and Return to PDS

Seventy-five percent of the appropriate M&IE rate is paid to travelers on the day of departure from and return to the PDS when entering or exiting a special status providing all meals.

9.2 Other Changes in Status

For all other days of travel when the traveler enters or exits a special status providing all meals, those meals provided before entering and after exiting the status are available and the proportional meal rate applies on those days. For all days of travel, meals are not available unless traveling within the Area of Responsibility (AOR). See the JTR, paragraph 032901, for information on meals within the AOR. If no travel is involved and the traveler goes from a zero per diem status directly into another zero per diem status, no per diem is paid for that day. Otherwise, apply normal per diem computations, at the special status rates, for that day.

9.3 Occasional Meals or Lodging

Occasional meals or occasional lodging may be authorized or approved when a traveler must either purchase meals from commercial or nonappropriated funds (NAF) sources, or obtain lodging through commercial, Government, or NAF sources when per diem is not otherwise authorized. The reimbursement may be made not to exceed the proportional meal rate for the meal or lodging portion of the locality per diem allowance. This does not include payment of the basic food cost for officers, civilian employees, or Service members in field duty, sea duty, or under essential unit messing. See the JTR, paragraph 020305. Note: Civilian employees may be reimbursed expenses for occasional meals or occasional lodging expenses that the civilian employee must incur at a time when the meals or lodging are furnished without cost (or at nominal cost) for TDY of more than 12 hours.

9.4 Travel Orders

Travel orders must identify the reduced per diem rates, availability or non-availability of Government quarters, authorization for Government or proportional meal rate as applicable, identification of special status, and reference to the letter or message in which they were established.

10.0 CONSECUTIVE TDY

10.1 Per Diem

Per diem is payable for the interval between two periods of TDY if the interval exists through no fault of the traveler and the traveler either remains at the first TDY location or travels to the next TDY location within the allowable travel time.

EXAMPLE: The traveler completes the first TDY on October 5 and the next TDY starts October 8. The traveler is paid per diem during the delay at an authorized delay (AD) point in between the first and second TDY point. Note: Privately owned Automobile (PA), Temporary Duty (TD), Mission Complete (MC).

D/A	DATE	LOCATION	MODE	REASON FOR STOP
Dep	1 Oct	PDS	PA	
Arr	1 Oct	TDY Point A		TD
Dep	8 Oct	TDY Point A	PA	
Arr	8 Oct	TDY Point B		TD
Dep	12 Oct	TDY Point B	PA	
Arr	12 Oct	PDS		MC

10.2 Authorized Delay En Route

A traveler may receive per diem if awaiting transportation at an authorized delay point between TDY locations. To attain savings to the Government, combine what would have been two separate TDY trips into one longer trip and provide for AD at an intermediate location. Per diem is payable for the interval between the two periods of TDY. The amount of per diem paid is based on the location of the AD. Note: Commercial Plane (CP).

D/A	DATE	LOCATION	MODE	REASON FOR STOP
Dep	1 Oct	PDS	CP	
Arr	1 Oct	TDY point A		TD
Dep	5 Oct	TDY point A	CP	
Arr	5 Oct	The location in between the 1st/2nd TDY location	CP	AD
Dep	8 Oct	AD point	CP	
Arr	8 Oct	TDY point B		TD
Dep	12 Oct	TDY point B	CP	
Arr	12 Oct	PDS		MC

11.0 LEAVE, PERMISSIVE TDY, OR ADMINISTRATIVE ABSENCE IN CONJUNCTION WITH FUNDED TDY

11.1 Permissive/Administrative Travel Time

A traveler who takes leave, permissive travel, or an administrative absence before or after a funded TDY is entitled to travel allowances from the PDS to the funded TDY location and return to PDS. If the traveler takes leave, permissive travel, or an administrative absence between two TDY locations, the traveler is entitled to allowances for direct travel between the two TDY locations.

11.2 Travel Time When Using a POV

Permissive or administrative travel time is authorized when a traveler is authorized to travel by POV for personal convenience on funded TDY and reimbursement is based on a constructive schedule. Compute the allowable travel time based on the provisions of the JTR, paragraph 020302. Permissive or administrative travel time is not authorized when the orders

direct a mode of transportation and that mode is available but not used. Per diem is not authorized for the additional period.

11.3 Leave and Overtime in Conjunction with Official Travel

The unit commander, designated representative, or civilian employee's supervisor must make and document determinations regarding leave and duty status, to include overtime. The granting, accounting for, and associated reporting procedures are organizational responsibilities made in accordance with DoD Component instructions.

12.0 RETURN TO THE PDS DURING TDY

12.1 Authorized Return

When a travel order authorizes return to the PDS, the traveler is authorized travel, transportation allowances, and per diem for travel from the TDY site to the PDS and return to the TDY site. When the AO has authorized or approved the lodging costs maintained at the TDY site as mission essential, the incurred expenses are paid as a reimbursable expense. In making the decision to authorize or approve, the AO must determine that the reasons for retaining the lodging are reasonable and necessary and not strictly for the convenience of the traveler. This determination is made after considering the traveler's efforts to obtain lodging on a weekly or monthly basis or other long-term rental agreement. When the lodging retained is charged on a daily basis, the AO should consider such factors as the length of the TDY, the amount of personal belongings, the capability of the establishment to store those belongings, and the ability of the traveler to secure a room upon return. The AO must state the reason for authorizing or approving reimbursement of the retained lodging. For this authorization, the permanent quarters from which the traveler normally commutes to the PDS are the same as the PDS. If the traveler goes to another location, then no allowances are authorized for the travel and per diem is computed as if the traveler remained at the TDY location.

12.2 Voluntary Return

When a traveler voluntarily returns to the PDS during a TDY period, limit his or her allowance to the lesser of the actual travel cost for the roundtrip to the PDS and what it would have cost had he or she remained at the TDY site. The factors included in determining actual travel costs are: per diem for the travel days; roundtrip transportation for the mode used; and cost for quarters retained at the TDY site. See the JTR, paragraph 020312.

VOLUME 9, CHAPTER 6: "PERMANENT DUTY TRAVEL"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated May 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Verified and updated references, hyperlinks and formatting to comply with current administrative instructions, and made clarifying editorial changes.	Revision
8.0	Revised to incorporate the new Temporary Quarters Subsistence Expense Lodging Plus method and remove the Actual Expense method.	Revision
9.0	Removed the temporary authority to extend house hunting trip travel days due to transportation delays that expired on December 31, 2022.	Deletion
All	This instruction has been reviewed by the Per Diem, Travel and Transportation Allowance Committee (PDTATAC) staff in accordance with Department of Defense Instruction 5154.31, Volume 5, dated October 16, 2015, as PDTATAC Case RR25002. Any conflict between this publication and the Joint Travel Regulations (JTR) is resolved based on the JTR and not this publication.	Revision

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CHAPTER 6

PERMANENT DUTY TRAVEL

1.0 GENERAL

1.1 Purpose

This chapter provides general policy for the preparation, submission, and processing of permanent duty travel (PDT) claims for travelers. There are a number of PDT benefits or allowances that DoD members and civilian employees may be authorized when traveling from one Permanent Duty Station (PDS) to another at the direction of the Service or agency for which they are working. Some relocation allowances must be paid to the employee, while other allowances are paid at the discretion of the DoD component. An employee's specific PDT allowances may not include all of the allowances identified and described in this chapter. To determine what is actually allowable, employees must work with the agency sponsoring the travel/move. See the Joint Travel Regulations (***JTR***), section 0536 for more information about mandatory and discretionary relocation allowances.

1.2 Authoritative Guidance

This chapter provides guidance under authorities contained in the JTR, and the General Services Administration (GSA) Federal Travel Regulation (***FTR***).

2.0 DEFENSE TRAVEL SYSTEM (DTS)

The DTS does not currently support PDT, and should not be used by DoD travelers for arranging travel or settling claims involving PDT.

3.0 TRANSPORTATION AND STORAGE OF HOUSEHOLD GOODS (HHG)

Ordinarily, the Government arranges for the shipment of HHG. When DoD personnel arrange for the shipment themselves and a Government bill of lading (GBL) is the authorized method, the Transportation Office(r) (TO) provides information concerning the traveler's allowable expenditures and computes the amount the shipment would have cost the Government. Civilian employee reimbursement is limited to the actual cost incurred not to exceed the Government cost computed by the TO. When the commuted rate is the authorized method of shipment for a civilian employee, payment must be computed based on the ***GSA Commuted Rate Table*** regardless of the actual cost of the move. Service members may be paid a monetary allowance equal to 100 percent of the Government's constructed cost. If the TO instructs a Service member in writing to personally arrange HHG transportation, or if a TO is not available, payment must be made for the actual costs incurred to procure authorized services up to the maximum allowable weight allowance. See the JTR, paragraph 051502 for Service members, and JTR, paragraph 054305, for civilian employees.

3.1 Commuted Rate Method

When a DoD employee is authorized to ship HHG at the commuted rate, the payment must be computed using the GSA Commuted Rate Table in effect on the date the carrier picked up the HHG, or the date that the employee actually moved the HHG without regard to Government cost. Certified weight tickets or a constructed weight must support the claim in accordance with the JTR, subparagraph 054305.E.4.

3.2 Personally-Procured Move (PPM) Monetary Allowance

A Service member or a deceased member's next of kin may elect to personally-procure HHG transportation and be paid a monetary allowance of 100 percent of the Government's "Best Value" cost for the actual HHG weight transported up to the maximum authorized weight allowance. The member must have orders authorizing PDT, temporary duty (TDY) with HHG allowances, or a short distance HHG move in accordance with the JTR, section 0519. The TO will provide the member with a ***DoD (DD) Form 2278***, Application for Personally Procured Move (PPM) and Counseling Checklist. This form shows the Government Constructed Cost (GCC) or contract cost for moving the HHG, based on a weight estimate provided by the traveler. A Service member, or next of kin who personally arranges for HHG transportation without going through a Government transportation office is responsible for all issues and costs related to circumstances outlined in the JTR, subparagraph 051502.A.

3.2.1. Impact on Other PDT Allowances. Service members and/or dependents traveling to their destination in a rental or privately owned vehicle (POV) used for a PPM are authorized both a PPM monetary allowance and PDT allowances. The PDT allowances are not part of the PPM monetary allowance program and are separately processed.

3.2.2. Claims. No PPM monetary allowance claim can be computed without valid weight tickets or an approved constructive weight by the TO. Claims for PPM monetary allowances must be supported with:

3.2.2.1. The Service member's statement of expenses actually incurred;

3.2.2.2. Certified weight tickets (original or copy) for gross and empty weights, or a record of the approved constructive weight by the TO; and

3.2.2.3. A record of the weight shipped with any other record of shipment or storage under the same travel order.

3.2.3. Payment Procedures. Pay PPM monetary allowance claims in accordance with each Service's procedures. Service addresses for PPM monetary allowance claims are found in subparagraph 3.2.4. Compute the personally-procured monetary allowance claim as follows:

3.2.3.1. Obtain the GCC or local contract cost from the TO. The maximum amount of the allowance is equal to 100 percent of the GCC or local contract cost;

3.2.3.2. Deduct the expenses actually incurred by the Service member from the maximum allowance dollar amount. The resulting dollar amount is the member's incentive payment;

3.2.3.3. Multiply the member's incentive payment by the applicable Federal tax withholding percentage. This amount is withheld for Federal Income Tax Withholding (FITW);

3.2.3.4. If the member's state of legal residence has a withholding agreement with the Secretary of the Treasury, multiply the member's incentive payment by the applicable withholding percentage. This amount is withheld for State Income Tax Withholding (SITW) (Title 5, United States Code (U.S.C.), sections 5517 (***5 U.S.C. § 5517***) and 5520 (***5 U.S.C. § 5520***) and Title 31, Code of Federal Regulations (CFR), part 215 (***31 CFR part 215***)). The Treasury Financial Manual (TFM) Volume 1, Part 6, Chapter 5000, Appendix 1 (***TFM V1 P6 C5000 A1***) lists states with a withholding agreement;

3.2.3.5. Deduct the FITW and SITW amounts from the incentive payment amount to determine the amount payable to the member;

3.2.3.6. Deduct any advance operating allowance paid to the member. The amount remaining after deducting the advance is the dollar amount payable to the member for settlement; and

3.2.3.7. Prepare Internal Revenue Service (IRS) Form W-2, Wage and Tax Statement. Insert the incentive portion of the personally-procured monetary allowance move payment in the earned income block, insert the FITW in the FITW block and insert the SITW in the state income tax block.

3.2.4. Service Addresses for PPM Monetary Allowance Payments

Army
Defense Finance and Accounting Service
ATTN: Travel Pay, Permanent Change of Station Travel
325 Brooks Road
Rome, NY 13441

Navy
Commanding Officer
NAVSUP Fleet Logistics Center (FLC) Norfolk
Business Support Department
HHG Audit Division Code 302
1968 Gilbert Street, Suite 600
Norfolk, VA 23511-3392

Air Force and Space Force
Local Financial Services Office (FSO)

Marine Corps
Commanding General, Marine Corps Logistics Base
ATTN: Code 470
814 Radford Boulevard, Suite 20318
Albany, GA 31704-1128

Coast Guard
Commanding Officer
ATTN: DITY Move Desk
U.S. Coast Guard Finance Center
1430A Kristina Way
Chesapeake, VA 22326-0017

3.3 Actual Expense Reimbursement for Personally-Procured Shipment or Storage of HHG

3.3.1. Claims

3.3.1.1. Civilian employees may claim actual expense reimbursement for personally-procured shipment or storage of HHG and unaccompanied baggage.

3.3.1.2. Service members may claim actual expense reimbursement for personally-procured shipment of unaccompanied baggage and storage of HHG. In most circumstances Service members choosing to personally-procure shipment of HHG must submit a PPM monetary allowance claim rather than an actual expense claim. See the JTR, paragraph 051502.B for the limited circumstances when Service members may claim actual expense reimbursement for personally-procured HHG shipment.

3.3.1.3. The claims must include the traveler's certification as follows: "I certify that this shipment (including drayage, storage, packing, and crating) consisted of household goods and personal effects. These items belonged to me and were used by me (or my dependents) before the effective date of my orders. They were not intended directly or indirectly for any other person or persons, or for sale. The following shipments were previously made at Government expense under the same travel orders that support this claim (if no previous shipments show "NONE"). I certify that I did not request payment under the monetary allowance or any other program. I further certify that the declared professional books, paper, and equipment belong to me and are necessary in the performance of my official duties."

3.3.2. Supporting Documents. The traveler must submit the following documents to support a claim for actual expense reimbursement:

3.3.2.1. A statement provided by the TO on the constructive cost of shipment by GBL, accessorial services, or storage which states that the charges claimed are reasonable and that the member was instructed personally to arrange the shipment (if applicable);

3.3.2.2. Receipts for expenses of $75 or more;

3.3.2.3. When applicable, copies of a time extension certificate, powers of attorney or written authorizations;

3.3.2.4. The claimant's statement showing the necessity for any storage:

3.3.2.4.1. Over 90 days for a Service member, or

3.3.2.4.2. Over 90 days for a civilian employee making a PCS move to/from Outside the Continental United States (OCONUS), or

3.3.2.4.3. Over 60 days for a civilian employee making a PCS move within the Continental United States (CONUS).

NOTE: Non-availability of Government storage is not an acceptable reason for requesting storage over the 90/60 day limit.

3.3.2.5. For shipments by van carriers, provide a certified weight ticket. In place of certified weight tickets, where charges are based on cubic measure, the owner may obtain a certificate from the carrier stating: "No scale within 10 miles. Shipment used _____ cubic feet of properly loaded van";

3.3.2.6. An itemization of packing charges that shows size, type, and number of containers used with the charge for each container;

3.3.2.7. Receipts for packing, crating, drayage, unpacking, and uncrating that are itemized and supported with a statement by the TO for the area on availability of Government facilities;

3.3.2.8. A bill of lading. If no bill of lading is available, the traveler must obtain other evidence showing point of origin and destination;

3.3.2.9. An itemization of costs incurred if the TO performs or procures the services. This is not required for accessorial services itemized on a GBL for line-haul van shipment; and

3.3.2.10. Copies of all applicable orders.

3.3.3. Claim Submission. Submit the travel settlement voucher, ***DD Form 1351-2***, Travel Voucher or Subvoucher, within 5 working days of arrival at the new PDS.

3.3.4. Payment. If the claim is proper and supported by the appropriate documentation, the disbursing office must pay the claim.

4.0 TRANSPORTATION AND STORAGE OF POV

4.1 Concurrent Travel Transportation

If overseas travel with a POV was concurrent, a traveler must include travel to the vehicle port of embarkation (POE) and the vehicle port of debarkation (POD) with the PDT claim. See the JTR, section 0530 for Service members, and section 0547 for civilian employees, for POV transportation and storage guidance.

4.2 Nonconcurrent Travel Transportation

If travel is not concurrent, travelers must submit a separate claim. A TDY order is not required for a separate trip to pick up or deliver a vehicle to the POE and/or the POD. (NOTE: The PDT orders provide authorization.) Ordinarily, a ***DD Form 788***, Private Vehicle Shipping Document for Automobile, supports the claim. However, when a traveler performs PDT and has a commercial shipping firm process the vehicle for shipment at Government expense, the DD Form 788 usually is not in the traveler's possession at the time that the claim is processed. A statement from the traveler, accompanied by a copy of the billing from the commercial firm, is acceptable.

4.3 Storage

Service members ordered to a foreign or non-foreign PDS OCONUS to which transportation of a POV is not permitted, sent TDY on a contingency operation for more than 30 days, or other reason(s) listed in the JTR, section 0532, may be eligible for POV storage. See the JTR, Section 0532 for more details.

5.0 TRANSPORTATION OF MOBILE HOMES

5.1 Employee Allowances

5.1.1. General. A DoD employee may be authorized mobile home transportation in lieu of transportation of HHG, but may not be authorized both mobile home and HHG transportation. The constructed cost to transport a mobile home, any HHG removed from the mobile home, and unaccompanied baggage and additional HHG to the new PDS for the civilian employee's use is limited to the Government's "Best Value" cost of the civilian employee's maximum PCS HHG weight allowance between authorized points. The TO determines what the authorized and unauthorized costs are incident to a mobile home shipment. See the JTR, Chapter 5, section 0544.

5.1.2. Claims. When movement of a mobile home is made by self-procured commercial transportation, a statement of authorization is issued by the TO. An original or legible copy of the paid bill from the commercial transporter is required and the bill must be completely itemized to preclude any payment of unauthorized costs.

5.2 Member Allowances

5.2.1. General. A Service member directed to perform PDT is entitled to transportation and mobile home allowances. A member also may be entitled to movement of a mobile home under unusual or emergency circumstances, even though not related to PDT allowances. When a member performs TDY en route, the authorized shipment of a TDY weight allowance does not preclude the mobile home transportation allowance. See the JTR, Chapter 5, Part D for more information.

5.2.2. Claims. The preparation of claims and submission of supporting documentation is as required by Service procedures.

6.0 DISLOCATION ALLOWANCE (DLA)

DLA is paid to members as specified in the JTR, section 0505. If a change of grade occurs between the issue date of orders and the effective date of orders, a copy of the promotion/demotion orders may be submitted with the claim versus an amended order.

6.1 Effect of Assignment to Quarters

A member without dependents, who is above the pay grade of E-5, may receive DLA if the member elects not to occupy assigned quarters of the United States or a housing facility under the jurisdiction of a uniformed service, and the quarters or facility do not meet the minimum adequacy standards established by the Secretary of Defense for members in such grade. Do not advance or pay DLA to a member under these circumstances without a statement from the gaining organization that assigned quarters do not meet the minimum adequacy standards. See the JTR, subparagraph 050505.B.

6.2 Sea Duty

The senior spouse of a member married to member couple without dependents in a pay grade below E-6 who elect not to occupy assigned shipboard quarters may be advanced or paid DLA based on guidance contained in the JTR, Table 5-11, Rule 2.

6.3 DLA Advance Payments

DLA advance payments may be issued 30 days prior to travel rather than 10 days prior to travel as directed for most other travel advances in Chapter 5. All other conditions related to the advance payment and final settlement of travel allowances as outlined in Chapter 5 remain in effect. Components may alternatively opt to authorize use of the Government Travel Charge Card (GTCC) for DLA expenses in accordance with the ***DoD GTCC Regulations***, paragraph 040505.

7.0 CIVILIAN MISCELLANEOUS EXPENSE ALLOWANCE (MEA)

The flat payment MEA amounts for civilian employees do not require receipts or itemized statements. When a DoD civilian employee claims MEA expenses in excess of the flat payment MEA amount, the approving official may approve them subject to the limitations in the JTR, Chapter 5, section 0541. The civilian personnel office assists in the determination of the allowable expenses.

*8.0 CIVILIAN TEMPORARY QUARTERS SUBSISTENCE EXPENSE (TQSE)

A DoD employee's PDT orders must authorize the initial TQSE period and specify whether the Lodgings Plus (LP) method or the Lump Sum (LS) method is authorized. Additional periods of TQSE (LP) require amended orders. The employee must provide a statement in advance selecting TQSE (LS), which certifies that TQSE expenses will be incurred. The disbursing office does not determine the number of TQSE days authorized. Receipts are required for all TQSE (LP) lodging expenses as specified in the JTR, Chapter 5, subparagraph 054206.C. Advances and payments for TQSE are based on the provisions of the JTR, Chapter 5, paragraph 054206.G.

9.0 CIVILIAN HOUSE HUNTING TRIPS

If authorized in their travel orders, DoD employees may make house hunting trips, not to exceed 10 consecutive days. The employee and spouse may travel separately or together; however, the cost cannot exceed one round trip for travel together. The number of days for house hunting that the employee uses does not limit the number of days for the spouse (e.g., the employee can take 4 consecutive days and the spouse still could use up to a total of 10 days). Advances and payment for house hunting trips are based on the prescribed locality per diem rate, when paid under the lump sum method. Under the Lodging Plus method, the standard CONUS per diem rate applies. For more information on house hunting trips, see the JTR, section 0540.

10.0 CIVILIAN REAL ESTATE TRANSACTIONS

10.1 Reimbursement Due to the Sale and Purchase of a Residence or for Settling an Unexpired Lease

DoD employees may be reimbursed for expenses required for the sale and purchase of a residence, or for the settlement of an unexpired lease, in connection with PDT. Settlement claims for transactions regarding a sale, purchase, or lease termination, must be submitted following completion of these transactions. See the JTR, Chapter 5, section 0545.

10.1.1. Reimbursement of Expenses for the Sale and Purchase of a Residence. The employee must file a ***DD Form 1705***, Reimbursement for Real Estate Sale and/or Purchase Closing Cost Expenses. Separate DD Form 1705's are required for expenses at the old duty station and at the new duty station. Copies of the supporting documentation showing costs incurred must be attached. The approval authority must approve the appropriate DD Form 1705 in accordance with Component regulations for real estate transactions at the old and new stations. The claim must be submitted in accordance with the JTR, section 0545.

10.1.2. Reimbursement of Expenses When Settling an Unexpired Lease. The employee files a claim using the DD Form 1351-2. The following documentation must be provided to meet the conditions in the JTR, Chapter 5, paragraph 054507 when filing a claim for reimbursement of an unexpired lease:

10.1.2.1. A copy of the lease prescribing the penalties or other costs that are payable if occupancy is terminated prior to the lease expiration date;

10.1.2.2. A statement of the extent of legitimate attempts made to avoid penalty costs if the lease includes a savings provision for subleasing, or making other arrangements to avoid penalty costs; and

10.1.2.3. An itemized list of expenses along with the paid receipts for each expense item, and any necessary explanations for clarification of penalty costs.

10.2 Home Marketing Incentive Payment (HMIP)

The document submitted for payment of HMIP may be a locally-developed form used as an attachment to the travel settlement claim, DD Form 1351-2. The form, at a minimum, must contain the following information:

10.2.1. Employee's name (last, first, middle initial);

10.2.2. Employee's Social Security Number;

10.2.3. Employee's present position, title, grade;

10.2.4. Employee's current organization;

10.2.5. Employee's current duty phone;

10.2.6. Computation of HMIP to include the final payment amount (the relocation services company must complete the amended sale transaction and submit the employee's real estate invoice for payment before the computation can be completed);

10.2.7. Traveler's signature; and

10.2.8. Order approving official's signature.

10.3 HMIP Income Tax Considerations

HMIP is considered income, and a W-2 must be processed showing the taxes withheld and the employee income. No authority exists to pay either a withholding tax allowance (WTA), or a relocation income tax allowance (RITA) to offset the Federal, state, and local income taxes on the incentive payment. Payment offices must obtain an approved document (as described in paragraph 10.2) with a DD Form 1351-2 and a valid copy of PDT orders for payment.

11.0 PAYMENT OF TRAVEL VOUCHERS INVOLVING OCONUS PERMANENT DUTY ASSIGNMENT FOR DOD CIVILIAN EMPLOYEES

11.1 Proceeding To, or Round Trip Travel From, a PDS OCONUS

Reimbursement vouchers for travel to a PDS OCONUS under an original agreement, or for round trip travel from a PDS OCONUS under a renewal agreement, must be prepared upon completion of the travel and submitted to the travel computation office servicing the OCONUS station for payment.

11.2 Transfer From PDS OCONUS

When employees transfer from OCONUS duty stations, they must submit reimbursement vouchers to the travel computation office that supports the new duty station.

11.3 Returning From OCONUS Employment for Separation From the Service

11.3.1. General. Prior to departure from an OCONUS duty station, an employee who is being returned for separation for any reason must be furnished written instructions by the releasing activity on the following:

11.3.1.1. How to record trip itinerary,

11.3.1.2. Which travel expenses are reimbursable,

11.3.1.3. How to keep a record of these items, and

11.3.1.4. How to complete and sign documents that are to be forwarded for the purpose of finalizing pay and reimbursement of travel claims.

NOTE: Except as provided in subparagraph 11.3.2, the OCONUS releasing activity, in conjunction with the servicing travel computation office, must process final pay and settlement of travel claims for employees who are returned for separation.

11.3.2. Navy Employees. Travel claims of the following Navy employees must be submitted to the office that supports the location to which the employee returns:

11.3.2.1. Employees who are returned from OCONUS for separation under overseas agreements or for purposes of retirement, and

11.3.2.2. Foreign nationals who are returned to their places of residence in foreign countries for separation under employment agreements or for purposes of retirement.

11.4 Agreement Violation

An employee is responsible to carry out the mission for which travel is undertaken. If an employee does not report to the designated PDS, refuses to perform the mission, or resigns, the employee must reimburse the Government for all travel, transportation, and relocation expenses paid based on that service agreement including WTA and RITA. See the JTR, Chapter 5, paragraph 054913.

11.4.1. Allowance Determination. The appropriate finance office must determine an employee's travel, transportation, and relocation allowances. The allowance determination must occur prior to processing the employee's separation. Travel, transportation, and relocation allowances previously furnished and/or to be furnished are computed by the activity where the violation occurred.

11.4.2. Statement of Liability or Credit. For each transportation agreement violation, the finance office must provide the employee with a statement of the employee's liability or credit that indicates in detail the liabilities, obligations, and credits (and an explanation of how the credits are used or applied). A copy is sent to the civilian personnel officer for inclusion in the employee's personnel folder. The employee must also be informed of the right to file a claim if he or she disagrees with the statement of liability or credit.

11.4.3. Collection. If the finance office determines that an employee is indebted to the Government, the office must immediately initiate collection action.

12.0 CIVILIAN EMPLOYEE INCOME TAX WITHHOLDING

12.1 Federal Withholding

IRS Publication 15 states payments to employees for nondeductible moving expenses are considered supplemental wages and subject to FITW, Social Security and Medicare withholding. For more information about nondeductible moving expenses, see the FTR § 302-17, ***GSA Bulletin FTR 18-05*** and ***GSA Bulletin FTR 19-02***.

12.2 State, City, and County Withholding

Agencies must withhold state, city, and county income taxes from the taxable compensation of employees whose regular place of Federal employment is within a state, city, or county that has an agreement with the Secretary of the Treasury (5 U.S.C. §§ 5517 and 5520 and 31 CFR 215). The TFM, Volume 1, Part 6, Chapter 5000, Appendix 1 lists states with an agreement. The TFM, Volume 1, Part 6, Chapter 5000, Appendix 2 ***(TFM V1 P6 C5000 A2)*** lists cities and counties with an agreement.

13.0 RELOCATION INCOME TAX ALLOWANCE (RITA)

13.1 Allowance

The RITA is a 2-year, two-process calculation intended to reimburse many civilian employees for substantially all of the additional Federal, state and local tax burden associated with their relocation. See the FTR, Chapter 302, Part 302-17 for more information including eligibility criteria.

13.1.1. Year One WTA. The WTA is an estimated partial payment of the final RITA payment designed to cover FITW from the PDT moving expense reimbursement. It is intended to provide an immediate offset to the tax withheld on the payment, and is also subject to withholding. As a result, payment of WTA allows the employee to receive the same reimbursement had the withholding not been required. Federal Insurance Contributions Act (FICA) deductions are not reimbursed to the employee. To receive WTA, an employee must agree in writing to repay any excess WTA amount paid in year one. The agreement may be written on the settlement voucher or may be a separate statement. The statement must read as follows:

"I agree to repay any excess amount of WTA paid to me in year one and submit the required certified tax information. I understand failure to comply with this requirement will preclude payment of WTA. I also understand that the entire WTA is an excess payment if the RITA claim is not submitted within 120 days."

Compute the WTA in the following manner:

13.1.1.1. Determine amount of covered reimbursable expense,

13.1.1.2. Multiply Step 1 amount by .282 to arrive at the WTA amount,

13.1.1.3. Add Step 2 amount to Step 1 amount to determine the total income subject to tax,

13.1.1.4. Multiply Step 3 amount by .22 to determine FITW amount. Enter this amount in the appropriate block on W-2, and

13.1.1.5. Subtract the Step 4 amount from the Step 3 amount. This result is the net payment or net income for the employee.

13.1.2. Year Two RITA. The RITA payment must occur in the calendar year following the calendar year in which WTA is paid. An employee who does not elect WTA may still claim RITA in the calendar year following payment of travel claims.

13.1.2.1. RITA is based on employee's gross compensation, tax filing status, and marginal tax rates. RITA reconciles WTA payments with the employee's personal tax liability.

13.1.2.2. The employee must file a claim for RITA; it is not automatic. If an employee does not file for RITA in year two, he or she is liable for the additional federal income tax incurred as a result of the additional income. RITA does not cover any moving expense for which the IRS allows a deduction.

13.1.2.3. In some instances, when an employee files the RITA final claim in the second year, he or she is in a lesser tax bracket because of lower earned income. If the calculation of RITA results in a negative amount, do not adjust prior year or current year income. The employee is obligated to repay this amount as a debt due to the Government. A negative W-2 is not issued. NOTE: Year two is the calendar year in which RITA payment is made. The dollar value of the payment must appear on the employee's W-2 as additional income.

13.2 Funding

RITA is a PDT allowance. Therefore, the reimbursable expenses of an employee transferred in the interest of the Government must be charged against the appropriation current when valid travel orders are issued. The organization responsible for the original funding of the move also has the responsibility to secure adequate funds in order to pay the adjustment vouchers.

VOLUME 9, CHAPTER 7: "EVACUATION ALLOWANCES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated February 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Verified and updated references, updated hyperlinks and formatting to comply with current administrative instructions, and made clarifying editorial changes.	Revision
All	This instruction has been reviewed by the Per Diem, Travel and Transportation Allowance Committee (PDTATAC) staff in accordance with DoD Instruction 5154.31, Volume 5, dated October 16, 2015, as PDTATAC Case 24008. Any conflict between this publication and the Joint Travel Regulation (JTR) is resolved based on the JTR and not this publication.	Revision

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CHAPTER 7

EVACUATION ALLOWANCES

1.0 GENERAL

1.1 Purpose

This chapter provides general financial policy for evacuated military/uniformed member dependents and civilian employees and/or their dependents. Personnel evacuations require special handling by finance officers at the evacuation point, safe haven, and designated places. The processing of evacuees requires patience, tact, and expeditious service.

1.2 Authoritative Guidance

This chapter provides guidance under authorities contained in statute, Joint Travel Regulations (***JTR***), the Department of State Standardized Regulations ***(DSSR) § 600***, and Office of Personnel Management regulations codified in Title 5, Code of Federal Regulations ***(CFR), §§ 550.401 through 550.409***. See the JTR Tables 6-1 through 6-12 to identify the official responsible for announcing the evacuation and identifying the safe haven locations.

2.0 EVACUATION ADVANCES AND PAYMENTS

2.1 Orders

Copies of the departure orders support evacuation advances and payments. If departure orders are not available, refer evacuees to the local personnel organization. The Defense Travel System does not support evacuation travel. For more information see the Defense Travel Management Office's ***"Who may use the Defense Travel System"*** document. Evacuees requiring advances should use an available automated teller machine (ATM) or electronic funds transfer (EFT) once they have departure orders. If no ATM is available and/or EFT cannot be used, the supporting disbursing office may use an alternate payment method.

2.2 Evacuation From Foreign Locations

2.2.1. Military Member Dependents. The JTR, Chapter 6, sections 0602 and 0603 cover allowances for the dependents of Service members authorized or ordered to evacuate from locations outside the continental United States. Uniformed members are not evacuated; however, they may be issued orders for temporary duty (TDY) travel as required.

2.2.2. DoD Civilian Employees and/or Families. Title 5, United States Code (U.S.C), section 5725 (***5 U.S.C. § 5725***) provides authority for transportation at the Government's expense for an employee's dependents and household goods to a safe haven location when an evacuation is authorized or ordered. The JTR, Chapter 6, section 0604 addresses regulations governing evacuations from foreign areas. ***Title 5 U.S.C. § 5522*** provides authority for advance pay, allowances, and differentials when an employee and/or their dependents are authorized or ordered

to evacuate the employee's permanent duty station. The DSSR, section 600, "Payments During An Ordered/Authorized Departure" relates to the evacuation of civilian employees of the United States and their dependents from or within any foreign area.

2.3 Evacuations From United States and Non-Foreign Outside the Continental United States (OCONUS) Locations

2.3.1. Military Member Dependents. The JTR, Chapter 6, sections 0602 and 0603 cover allowances for the dependents of Service members authorized or ordered to evacuate from locations within the United States. Uniformed members are not evacuated; however, they may be issued orders for TDY travel as required.

2.3.2. DoD Civilian Employees and/or Families. Evacuations within the United States and non-foreign OCONUS locations (including evacuations during a pandemic health crisis) are administered under authority cited in 5 CFR 550.401 through 550.409.

2.3.2.1. Authorized management officials must announce a safe haven when ordering an evacuation. A safe haven is defined as the area to which an employee or dependent will be or has been evacuated. In the case of a pandemic health crisis, an agency may order employees to evacuate their worksites and perform work from home or a mutually agreeable alternative location. During this time, the agency may designate the employee's home or alternative location as a safe haven. After determination and announcement of the safe haven, and the authorized management official has provided their approval, evacuation payments may be provided to evacuated employees. Evacuation payments cover the period of time during which the evacuation order remains in effect, unless terminated earlier for failure to perform work or for reasons listed in 5 CFR 550.407, but must not exceed 180 days.

2.3.2.2. Employees in the United States ordered to evacuate their official duty stations and perform work from their homes (or alternative locations mutually agreeable to the agency and the employees) may be eligible for special allowance payments to offset the direct added expenses incidental to travel (e.g., travel expenses and per diem) outside the limits of their official duty station under 5 CFR 550.403.

2.3.2.3. Determination of special allowances is made in accordance with (IAW) 5 CFR 550.405. En route travel and transportation for an evacuated employee and the transportation expenses for the dependents to the safe haven are as prescribed for TDY travel in the JTR, Chapter 2. Per diem is authorized for dependents of an evacuated employee at a rate equal to the rate payable to the employee as determined IAW the JTR, except that the rate for dependents under age 12 is one-half of this rate. Per diem for both the employee and dependents is payable from the departure date from the evacuated area through the arrival date at the safe haven, including any en route delay period that is beyond an evacuee's control or that may result from evacuation travel arrangements.

2.3.2.4. Pursuant to 5 CFR 550.405, subsistence expenses for an evacuated employee and/or dependents must be determined at applicable per diem rates for the safe haven or for a station other than the safe haven that has been approved by the responsible official designated

by the Secretarial process. See also JTR, Chapter 6, paragraph 060103. Subsistence expenses are to be paid beginning on the date following arrival and may continue until terminated. The subsistence expenses are computed on a daily rate basis pursuant to the guidelines contained in 5 CFR 550.405(b). Payment of subsistence expenses is decreased by the applicable per-person amount for any period for which the employee is authorized regular travel per diem IAW the JTR.

2.4 Finance Office Guidance

The finance office that supports the evacuation point or safe haven area must assist any evacuated traveler with all financial matters. The assistance provided may include the following:

2.4.1. A briefing sheet that includes the finance office's phone number(s), mailing address, and hours of operation;

2.4.2. A description of evacuation entitlements;

2.4.3. A listing of documentation required for advances and payments. The finance office should advise dependents to submit a photocopy of the front and back of their identification (ID) card with each claim submission; and

2.4.4. Information on when, where, and how to submit claims for advances and payments. If problems are encountered, the finance office should contact the appropriate DoD component.

2.5 Claims

2.5.1. Claims Preparation. All claims for payment of evacuation allowances should be submitted to the appropriate supporting DoD component. The supporting finance office must assist evacuees with claim preparation. Each evacuee must be asked about advances or previous payments received. All advances or previous payments associated with an evacuation claim paid by any or all Government agencies must be disclosed upon submission of the claim. This is to avoid duplicate payments IAW the JTR, paragraph 010302. Any duplicate payments must be repaid to the Government.

2.5.2. Payment Method. Initial evacuation advance payments are usually mass evacuation payments. Finance offices are encouraged to use DoD ***(DD) Form 1351-6***, Multiple Payments List, as a supplement to ***DD Form 1351-2***, Travel Voucher or Subvoucher, to expedite payments. However, this alternative payment method does not lessen the need for proper documentation. Payments to dependents must be made only upon presentation of a valid travel order issued by a competent authority.

3.0 ID OF EVACUEES

3.1 ID Available

United States Uniformed Services ID and Privilege Cards; Common Access Cards; Geneva Convention Cards; passports; or other forms of picture ID are acceptable forms of identification to process payments to evacuees.

3.2 ID Not Available

If the evacuee has no picture ID available, two witnesses may vouch for the evacuee by signing a statement verifying the identity of the evacuee. Each witness must show acceptable ID as indicated in paragraph 3.1 and provide their permanent address. The lack of adequate ID delays service to an evacuee; however, every reasonable effort must be made to accommodate an evacuee lacking adequate identification.

VOLUME 9, CHAPTER 8: "PROCESSING TRAVEL CLAIMS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated April 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Verified and updated references, hyperlinks, and formatting to comply with current administrative instructions, and made clarifying editorial changes.	Revision
All	Clarified that local travel claims may be reimbursed using the Defense Travel System as well as the Optional Form 1164.	Revision
All	This publication has been reviewed by the Per Diem, Travel and Transportation Allowance Committee (PDTATAC) in accordance with DoD Instruction 5154.31, Volume 5, dated October 16, 2015, as PDTATAC Case RR23015. Any conflict between this publication and the Joint Travel Regulation (JTR) is resolved based on the JTR and not this publication.	Revision

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CHAPTER 8

PROCESSING TRAVEL CLAIMS

1.0 GENERAL

1.1 Purpose

This chapter provides general policy to travelers for the preparation, submission, and processing of travel claims for electronic submission through the Defense Travel System (DTS) and for Permanent Duty Travel (PDT) and Temporary Duty Travel (TDY) forms for hard-copy submission.

1.2 Authoritative Guidance

This chapter provides guidance under authorities contained in statute, the Joint Travel Regulations (***JTR***) and the Federal Travel Regulation. It does not include every condition in which the JTR either authorizes or limits travel and transportation allowances. Information contained in this volume does not supersede the JTR.

2.0 ADDITIONAL GUIDANCE

2.1 Disbursing Officer (DO) and Certifying Official Responsibilities

The DO is accountable for all travel payments and the DO's responsibilities are provided in Volume 5, Chapter 2. The certifying officer is responsible for the accuracy and propriety of payments to include ensuring that travel statements and claims are accurate and properly supported (see Volume 5, Chapter 5). Additionally, the disbursing office is responsible for ensuring that random audits are conducted.

2.2 Payment Method

Electronic funds transfer (EFT) is the mandatory means by which a travel claim is settled within DoD. Split disbursement, which permits direct payment via EFT to the Government Travel Charge Card (GTCC) contractor for charges incurred on the GTCC and to the cardholder for any residual amount, is also mandatory. Supervisors may authorize alternative methods of payment in limited situations in which the traveler does not have access to an account at a financial institution that can receive EFT transmissions.

2.3 Adjustments of $10 or Less

The DO must pay the traveler all amounts due on the original settlement claim. The DO, however, is not required to make collections of $10 or less on a final settlement or on an overpayment of $10 or less that the DO subsequently detects. Conversely, the DO must process supplemental payments for $10 or less only when specifically requested by the traveler.

2.4 Over Advances

If upon settlement of the travel claim the DO determines that a traveler received an excessive travel advance and the excess amount is greater than $10, the official must forward a letter of indebtedness and give the traveler an opportunity to immediately repay the excess advance. If immediate payment is not made, the DO will initiate collection action as required in accordance with (IAW) Volume 16, Chapter 2.

2.5 Overpayments

If the DO detects an overpayment greater than $10, the DO must forward a letter of indebtedness to the traveler that requests remittance. The traveler is required to pay the indebtedness within 30 calendar days after the date of notification; otherwise, initiate collection action as outlined in Volume 16, Chapter 2.

2.6 Income Taxation of Reimbursable TDY Allowances

When a civilian employee performs a TDY assignment at one location for more than a year, the Internal Revenue Service (IRS) considers the duty station to be permanent, and any reimbursement (e.g., per diem) is considered taxable income (see ***Title 26, United States Code (U.S.C), section 162(a)*** and ***Internal Revenue Ruling 99-7***). The IRS may consider a TDY assignment at one location for less than a year to be permanent, depending upon the specific circumstances. Travel Authorizing Officials (AOs) must determine, IAW the JTR, paragraph 010206, that the assignment is not a Temporary Change of Station (TCS) or a Permanent Change of Station (PCS) move before authorizing a long-term TDY assignment away from the permanent duty station (PDS) for more than 180 days. When TDY reimbursements are taxable income, the travel office must compute all applicable tax withholdings, deduct them from the traveler's claim(s), and issue an IRS Form W-2, Wage and Tax Statement, to the traveler. The IRS W-2s must include income and the tax withholding amounts. Civilian employees who perform long-term TDY assignments for which TDY allowances are taxable are also authorized an Extended TDY Tax Reimbursement Allowance (ETTRA) IAW the FTR, Part 301-11, Subpart F. At a minimum, travelers will submit a DoD (DD) Form 1351-2, Travel Voucher or Subvoucher, a copy of their travel orders, and the W-2 issued from the travel settlement office to claim the ETTRA. NOTE: The traveler must submit travel claims involving taxable TDY allowances on a DD 1351-2 to the appropriate travel settlement office. DTS does not compute claims involving income taxes; do not use DTS in these instances.

3.0 Forms

Travelers, in conjunction with official travel may use the following forms:

DD 730	Receipt for Unused Transportation Requests and/or Tickets, Including Unused Meal Tickets
DD 788	Private Vehicle Shipping Document for Automobile

DD 788-1	Private Vehicle Shipping Document for Van
DD 788-2	Private Vehicle Shipping Document for Motorcycle
DD 1351	Travel Voucher NOTE: Multiple use form.
DD 1351-2	Travel Voucher or Subvoucher NOTE: Used to claim PDT/TDY travel allowances for official travel performed, including dependents' travel and other PDT allowances.
DD 1351-2C	Travel Voucher or Subvoucher Continuation Sheet NOTE: Used when the DD 1351-2 does not provide sufficient space.
DD 1351-3	Statement of Actual Expenses NOTE: Used to claim actual subsistence expenses when the traveler performs TDY on an actual expense basis.
DD 1351-5	Government Quarters and/or Mess
DD 1351-6	Multiple Payments List NOTE: Used to make multiple payments for travel and TDY performed under like conditions and circumstances.
DD 1610	Request and Authorization for TDY Travel of DoD Personnel NOTE: Used to support travel claim payments.
DD 1614	Request/Authorization for DoD Civilian Permanent Duty or Temporary Change of Station (TCS) Travel NOTE: Used to support PDT travel payments.
DD 1705	Reimbursement for Real Estate Sale and/or Purchase Closing Cost Expenses
DD 2278	Application for Personally Procured Move and Counseling Checklist
DD 2461	Authorization for Emergency Evacuation Advance and Allotment Payments for DoD Civilian Employees
DD 2912	Claim for Temporary Quarters Subsistence Expense (TQSE) (Sub-Voucher)

Optional Form (OF) 1164	Claim for Reimbursement for Expenditures on Official Business NOTE: Used to claim reimbursement for expenses incurred for recruiting duty and expenses incurred within and around a PDS station.
Standard Form 1199A	Direct Deposit Sign-Up Form

4.0 CLAIM PREPARATION

4.1 Completion

The traveler is responsible for preparing their DD 1351-2 to claim reimbursement for official travel. Even when someone else prepares the claim, the traveler remains responsible for the truth and accuracy of the information. When the traveler or a legally appointed designee signs the form, the traveler attests that the statements are true and complete and that the traveler is aware of the liability for filing a false claim. All claims and attached statements must be completed using ink, typewriter, or computer-generated forms.

4.1.1. General. Travelers must use the DD 1351-2 to submit travel claims requesting reimbursement for expenses incurred while on official travel. The claim is prepared and submitted, with required attachments and approvals, to their servicing travel computation office. The traveler must carefully review expenses claimed on the DD 1351-2 and sign the original claim. Electronic certifications (digital signatures) may be submitted and accepted for payment on a travel claim, in addition to those signed in ink, only if all of the requirements listed in, Volume 5, Chapter 1, subparagraph 3.5.3, are met. Exceptions to the use of DD forms may be granted through the process prescribed in the ***DoD Manual 7750.08, Section 7***.

4.1.2. Erasures and Alterations. The traveler must initial erasures and alterations on totals of reimbursement claims. The person who issued or signed the receipt must initial alterations, such as erasures and alterations in totals on receipts.

4.1.3. Leave of Absence. When the traveler takes leave while in a travel status or at the TDY point(s), the traveler must show the number of hours, type of leave, and dates of leave, on the reimbursement claim along with the scheduled hours of duty. See the JTR, paragraph 033301 for the impact of leave on per diem at TDY locations for civilian employees.

4.1.4. Return to PDS or Home on Non-workdays. If return to the PDS or home from which the traveler commutes daily to the PDS occurs over a weekend or on any non-workday, the following information must be entered on the claim:

4.1.4.1. Date of arrival at PDS (or home),

4.1.4.2. Roundtrip ticket cost or roundtrip distance traveled by privately owned vehicle (POV), and

4.1.4.3. Date of return to TDY location.

NOTE: Per diem is not payable for time spent at the PDS or home.

4.1.5. Travel by POV. When travel is by POV, the traveler must show the points between which the traveler performs travel on the travel claim. The traveler must explain any unusual conditions or circumstances that may affect allowances on the settlement claim, or attached on a separate sheet as supporting documentation. When two travelers on official duty ride together in the same POV, the travelers must identify the name of the owner-operator of the POV and the name of the passenger, along with the name of the department or agency for whom they work. The traveler responsible for POV operating expenses (ordinarily the POV operator/owner) is authorized TDY mileage for the official distance. A traveler not responsible for POV operating expenses (ordinarily a passenger) is not authorized TDY mileage.

4.1.6. Travel by Rental Vehicle. When the AO determines it is advantageous to the Government IAW the JTR, paragraph 020203, a rental vehicle may be authorized or approved under the provisions of the JTR, paragraph 020209. When a traveler utilizes commercial transportation to a TDY site, the AO may authorize or approve the use of taxi fares, public transit fares or a rental vehicle for transportation in and around the TDY location. See the JTR, paragraph 020212. Taxi transportation between home or hotel and transportation terminals is a usual item of reimbursable expense. Such usual items must be stated on the claim but do not require special authorization or approval.

4.1.7. Foreign Currency. IAW the JTR, Table 2-24, a traveler who pays with a credit card for Outside the Continental United States (OCONUS) expenses should check with the credit card vendor to determine the final bill in U.S. currency prior to travel claim submission. Travelers may use the currency exchange rate at which the credit card vendor settles the credit card bill to determine OCONUS expenses charged to the card. Travelers must report reimbursable expenditures in the foreign currency of the country actually paid. To receive proper reimbursement, the traveler must report the following information on their travel claim: The amount of the expense in foreign currency; the exchange rate on the day the item was purchased in cash or the exchange rate at which the credit card was billed if paid with a credit card; and the bank commission(s) charged for conversion of U.S. dollars to foreign currency. The traveler must show the rates of conversion and the commission(s) charged. If the traveler does not show the conversion rate(s), the activity settling the claim must use an appropriate exchange rate for the date the expense was paid. NOTE: Travelers are not authorized reimbursement for losses, and are not liable for repayment to the Government for gains, resulting from currency conversions.

4.1.8. Reimbursements for Other Traveler's Expenses. Reimbursements to travelers who pay for other traveler's expenses are strictly forbidden. Travelers are only reimbursed for expenses, which they themselves incur, and not for expenses incurred by, or on behalf of, any other government personnel. Approving Officials, Authorizing Officials, and Certifying Officers must deny approval of all travel claims in which travel expenses of other personnel are claimed. Approval of this type of claim will subject Approving Officials, Authorizing Officials, and Certifying Officers to potential pecuniary liability (see Chapter 5, paragraphs 2.1 and 2.2 for

information on pecuniary liability for Departmental Accountable Officials and Certifying Officers).

4.1.9. Items Denied Reimbursements. The travel computation office must deny claims for items in vouchers that are not reimbursable under this volume and the JTR, or not properly supported by receipts where required. The claimant must be notified and informed of the reason(s) and required corrective action, if any. If the traveler later reclaims these items, the traveler must itemize them in a subsequent regular or supplemental claim that is supported by the original or copy of the denial notice.

4.1.10. Supporting Documents. In addition to expense statements or other declarations, when required, support the claim by including the following documents:

4.1.10.1. Travel Orders. Travel orders and issued amendments to the claim for TDY and two copies for PDT.

4.1.10.2. Government-Procured Transportation Documents. Memorandum copies of transportation request documents.

4.1.10.3. Unused Government-Procured Transportation Documents. The traveler obtains receipts for the unused portion of travel when they return the unused portion of the ticket to a Transportation Officer (TO). This is not applicable to the Navy.

4.1.10.4. Statements for Common Carrier Reimbursement. When a traveler claims reimbursement for common carrier transportation paid by cash, the following statement must be included on the claim: "I hereby assign to the United States any rights I may have against other parties in consideration with any reimbursable carrier transportation charges described herein."

4.1.10.5. Unused Tickets. When itineraries are changed or trips are canceled after tickets have been issued to the traveler, the traveler must write and initial a statement on the travel claim that all tickets have either been used for official purposes, and/or all unused tickets, or portions thereof, have been properly accounted for and turned in to the TO or Travel Management Company (TMC). The traveler must attach receipts issued by TO/TMC for unused tickets to the travel settlement claim.

4.1.10.6. Actual Expense Authorization (AEA). When AEA is authorized or approved in connection with TDY and the travel order does not reflect it, the traveler must attach three copies of the AEA to the claim.

4.2 Itinerary

Claims must contain a complete itinerary for the entire period of travel. This includes return to the PDS during TDY and any type of leave taken and the periods the leave is used. On claims for TDY travel, the first entry must be the traveler's residence or office, as applicable, except for an aircrew traveler, or extended TDY (i.e., TDY in excess of 30 days). See the JTR, paragraph 010203. The traveler does not need to list travel from the residence or office to a carrier

terminal in the itinerary; the traveler claims the mileage or taxi as a reimbursable expense. This also applies to travel from a carrier terminal to the place of lodging or TDY site. The claimant must list the dates of departure from and arrival at a port of embarkation/port of debarkation.

4.3 Reimbursable Expenses

The traveler must enter all allowable reimbursable expenses. Tax on lodging is a separate reimbursable expense from the room charge and the traveler must claim it separately on the travel claim for travel within Continental United States and non-foreign OCONUS areas. Travelers may find information regarding specific State exemptions for lodging taxes at the General Service Administration ***State Tax Exemption Information for Government Charge Cards***.

4.4 Recruiting Expenses

Recruiting expenses authorized in the JTR, paragraphs 020605 and 020606 may be reimbursed using the DTS or OF 1164.

4.5 Other Instructions

4.5.1. The traveler must attach all lodging receipts regardless of amount and any other receipts for expenses of $75 or more to the claim. The traveler must furnish a statement explaining the circumstances if a receipt is impracticable to obtain or it has been inadvertently lost/destroyed.

4.5.2. Travelers receive 75 percent of the meals and incidental expense rate for the first and on the last day of travel when the standard per diem rules in JTR Chapter 2 are in effect.

5.0 RESPONSIBILITIES

5.1 Authorizing Official (AO)

Refer to Chapter 5, section 2.0 for additional AO responsibilities.

5.1.1. Reviewing Travel Claims. The AO confirms the authorized travel and must ensure the following when reviewing and signing travel claims:

5.1.1.1. The traveler properly prepared the claim using ink or computer-generated forms;

5.1.1.2. All amounts claimed are accurate;

5.1.1.3. The traveler attached required orders, receipts, statements, and justifications to the travel claim;

5.1.1.4. All expenses claimed are authorized and allowable;

5.1.1.5. Any deviation from the travel order is in the Government's best interest;

5.1.1.6. Claimed items requiring approval after the fact, but not approved in the order, were necessary in the conduct of official business;

5.1.1.7. Reimbursement, as appropriate, is approved (in whole or in part) or reimbursement is revised;

5.1.1.8. The claim is on an original travel voucher with an original/electronic signature and date;

5.1.1.9. Advance and partial payments are annotated, or "NONE" is entered in block 10 of the DD 1351-2; and

5.1.1.10. When the traveler used foreign currency for reimbursable expenses, the appropriate blocks of the DD 1351-2 must include the expense in foreign currency and U.S. dollars, the exchange rate, and commission charges for the foreign currency at the time of the transaction.

5.1.2. Approving Items. Before an AO may approve an item involving use of a transportation mode not authorized in a travel order, the traveler must explain the necessity for that mode on the claim. When a traveler claims a POV expense under orders that authorize travel by common carrier or Government vehicle, and a travel-approving official does not determine that such use is in the Government's best interest, reimbursement is limited per the JTR, paragraphs 020210 and 020302. An AO also may approve:

5.1.2.1. Excess accompanied baggage expenses;

5.1.2.2. Miscellaneous reimbursable expenses;

5.1.2.3. Minor deviations in TDY duration or location; and

5.1.2.4. Additional travel expenses incurred by a traveler with a disability or special needs. See the JTR, subparagraph 020207.D.

5.1.3. Items Requiring Advance Authorization. The following require advance authorization and may not be approved on the claim after the fact:

5.1.3.1. Use of reduced fares for group or charter arrangements,

5.1.3.2. Payment of a reduced rate of per diem for subsistence expenses,

5.1.3.3. Acceptance of payment from a nonfederal source for travel expenses, and

5.1.3.4. Travel expenses related to attendance at a conference.

5.2 Review of Travel Claims

An AO or supervisor that has knowledge of the purpose and conditions of the travel claim prepared by the traveler conducts the review of the claim by ensuring that:

5.2.1. The claim is properly prepared;

5.2.1.1. The traveler used the correct travel claim forms (printed in ink, computer-generated or typewritten form).

5.2.1.2. The claim is on an original travel voucher with an original/electronic signature and date.

5.2.1.3. The traveler annotates any advances or partial payments authorized on the travel claim or "NONE" in the appropriate block.

5.2.1.4. When foreign currency is used while traveling on official business, the traveler includes the expense in both foreign currency and U.S. dollars, indicating the exchange rate and commission charges for the foreign currency at the time of the transaction if paid with cash, or the rate at which the credit card bill was settled if paid with a credit card.

5.2.2. The amounts claimed are accurate and reasonable;

5.2.3. The traveler attached the required orders authorizing the travel, receipts, statements, and any justifications to the travel claim; NOTE: For the definition of what constitutes a valid receipt, see Volume 9, Definitions;

5.2.3.1. The traveler has submitted original lodging receipts regardless of the dollar amount.

5.2.3.2. The traveler has submitted receipts for all single items of expense of $75 or more.

5.2.4. The claimed expenses were authorized and allowable, and that any deviations from the authorized travel were in the best interest of the Government; and

5.2.5. The AO or supervisor has reviewed, signed, and dated all travel claims and forwarded them to the travel office for computation.

5.3 Travel Computation Office

Refer to Chapter 5, subparagraph 2.3.4 for the travel computation office's responsibilities.

5.4 Traveler

Refer to Chapter 5, subparagraph 2.3.6 for the traveler's responsibilities.

6.0 SUBMISSION OF TRAVEL CLAIMS

6.1 Temporary Duty (TDY) and Permanent Duty Travel (PDT) Claims

The traveler must submit all claims within five working days of return to or arrival at the PDS. In cases of extended TDY (over 45 days), and reservists on Annual Training, Active Duty Training, or Inactive Duty Training that is known to be greater than 45 days, the traveler must submit a claim for each 30-day period. The traveler must submit the claim within five working days after each 30-day period.

6.2 Local Travel at Permanent Duty Station (PDS)

6.2.1. General. The traveler must submit claims for reimbursement of expenditures for official business using the DTS or OF 1164 for such expenses as taxicabs, public carriers, or POVs while transacting official business in the locality of the PDS. The traveler must submit claims as soon as practical after expense has occurred. Travelers may submit claims for each individual trip or by combining recurring trips on one claim. The OF 1164 is not used for reimbursement of fares or mileage for use of a POV in connection with TDY travel involving per diem allowance.

6.2.2. Claim Submission. The claim must identify the date, point of origin and destination, and the amount of fare and tips or distance for each trip. The traveler need not complete the point of origin column, when the point of destination of one trip is identical to the point of origin of the next trip. When the traveler claims identical trips on a voucher, only the first trip must show the points of origin, destination, and date for the trip. Subsequent trips may be annotated with a statement such as "Same trip made on date(s)." Unless required by local authority, it is not necessary to compute mileage reimbursement for each trip. The traveler may add the "number of miles" and the total multiplied by the mileage rate. The claimant must sign the form and must submit as provided in applicable Component policy.

6.3 Non-Medical Attendants

6.3.1. Non-medical Attendant for Specialty Care Over 100 Miles. If a patient meets the travel requirements in the JTR, paragraph 033007, roundtrip transportation and travel expenses for one necessary attendant are authorized. The attendant must be a parent, guardian, or another adult member of the patient's family who is at least 21 years of age. An individual traveling as an attendant is authorized travel and transportation allowances or reimbursement for expenses prescribed as follows:

6.3.1.1. Military Member as Attendant. A member who is a family member, and is ordered to be an attendant, is authorized TDY travel and transportation allowances while acting as an attendant.

6.3.1.2. Civilian Employee as Attendant. A U.S. Government civilian employee who is a family member, and is assigned as an attendant, is authorized the TDY travel and transportation allowances prescribed in regulations issued by the employee's agency or department funding the travel.

6.3.1.3. Other Person as Attendant. A person other than a military member or U.S. Government civilian employee who is at least 21 years of age, is a family member, and who is designated to travel as an attendant, will be issued an Invitational Travel Authorization (ITA) or be included in the patient's travel order and identified as an attendant. This person is authorized reimbursement of reasonable travel expenses contained in the JTR, paragraph 033007. NOTE: The patient and attendant cannot both be reimbursed for the same travel expense (e.g., both cannot be paid mileage when traveling by POV).

6.3.2. Claims. When travelers incur overnight lodging and/or meals, the traveler must file the claim on a DD 1351-2. When the claim doesn't include overnight lodging or meals, travelers must use the DTS or OF 1164 for such expenses as occasional meals, taxicabs, public carriers, or POV. The traveler submits the claim as soon as practicable after they incur the expense.

6.3.3. Claim Submission. The claim must identify the date, point of origin and destination, and the actual expense to perform as a non-medical attendant for specialty care patients. The traveler submits the claim as soon as practicable. A mileage allowance is paid when a POV is used and reimbursement is authorized for parking, ferry fares, and road/bridge/tunnel tolls. The traveler must use a DD 1351-2 for reimbursement for actual cost of lodging and meals up to the per diem rate prescribed for the area concerned.

6.3.4. Non-Medical Attendant for Very Seriously and Seriously Wounded, Ill, or Injured Member. A non-medical attendant of a member may be provided transportation and per diem as described in and determined by appropriate authority under the JTR, paragraph 033202. An individual traveling as a non-medical attendant is authorized travel and transportation allowances or reimbursement for expenses prescribed as follows:

6.3.4.1. Military Member as Attendant. The member is authorized TDY travel and travel allowances while acting as an attendant.

6.3.4.2. Civilian Employee as Attendant. A U.S. Government civilian employee is authorized the TDY travel and transportation allowances in the regulations used by the agency or department funding the travel.

6.3.4.3. Other Person as Attendant. An ITA must be issued to a person other than a military member or U.S. Government civilian employee designated to travel as an attendant. This person is authorized reimbursement of travel allowances as prescribed in the JTR, paragraph 033202.

6.3.5. Claims. Submit claims for reimbursement of expenditures for military members/civilian employee attendants using the DD 1351-2. Submit claims for reimbursement of expenditures for other persons as an attendant using the DTS or OF 1164 when they do not incur overnight lodging and/or per diem. When travelers incur overnight lodging and/or per diem, the traveler must file the claim on a DD 1351-2.

6.3.6. Claim Submission. The claim must identify the date, point of origin and destination. The traveler must use the DD 1351-2 for reimbursement for per diem.

6.4 Travel and Transportation for Funeral Honors Detail

6.4.1. General. Funeral honors duty travel allowances may be authorized for Reserve Component (RC) military members and individuals not employed by the Government (see the JTR, paragraph 032004). Claims for the Funeral Honors Duty Allowance $50.00 stipend authorized in Volume 7A, Chapter 58, and Volume 7B, Chapter 22, are not travel allowances and must be submitted to and paid through the appropriate Military Pay office.

6.4.1.1. Reserve Component (RC) Military Members

6.4.1.1.1. Must use the DTS or OF 1164 for reimbursement of expenditures for funeral honors detail when they do not incur overnight lodging and/or per diem.

6.4.1.1.2. Must use the DD 1351-2 when they incur overnight lodging and/or per diem. RC members performing funeral honors duty at a location 50 or more miles from the member's residence are authorized TDY travel and transportation allowances contained in the JTR, Chapter 2.

6.4.1.2. Individuals Not Employed by the Government

6.4.1.2.1. Must use the DTS or OF 1164 for reimbursement for expenditures for funeral honors detail when they do not incur overnight lodging and/or per diem.

6.4.1.2.2. Must use an ITA and the DD 1351-2 when they incur overnight lodging and/or per diem. Allowances for individuals not employed by the Government performing funeral honors detail are contained in the JTR, paragraph 032004.

6.4.1.2.3. A mileage allowance may not be paid. Reimbursement for actual POV expenses is limited to fuel, oil, parking, ferry fares, road, bridge, and tunnel tolls. The traveler must use an ITA for reimbursement for actual cost of lodging and meals up to the per diem rate prescribed for the area concerned. Reimbursements may be authorized and approved for miscellaneous expenses contained in the JTR, Chapter 2.

6.4.2. Claim Submission. The claim must identify the date, point of origin and destination, and reimbursable expenses incurred while performing the Funeral Honors Detail. The traveler submits the claim to the military unit augmented for approval.

6.5 Separated or Retired Members

6.5.1. General. A separated or retired member who has not received an advance must forward the claim to the disbursing office responsible for that person's pay accounts prior to separation or retirement. The DO must pay all claims submitted within one year of separation or retirement. The disbursing office that supports U.S. Marine Corps separatees or retirees must pay all claims submitted within 60 days of the month of separation or retirement. Claims received after the stated time periods for filing must be forwarded to the following designated Service address:

Army:	Defense Finance and Accounting Service (DFAS) ATTN: Travel Pay, MilPCS 325 Brooks Road Rome, NY 13441-4501
Navy:	Travel Processing Center at separatees or retirees separation point
Air Force:	Member's last servicing Financial Services Office (FSO)
Marine Corps:	Member's last servicing Finance/Disbursing Office (FO/DO)

6.5.1.1. Officers. Travel allowances payable to a separating or retiring officer must be used to offset indebtedness to the Government when paid as an advance or settlement.

6.5.1.2. Enlisted Personnel. Travel allowances payable in advance to separating or retiring enlisted personnel for personal travel home may not be used to offset any debts to the Government. Travel allowances payable to enlisted members after they have returned home must be withheld and applied against their debts.

6.5.1.3. Dependents and Household Goods Claims. Advances and settlements of dependent travel allowances and household goods allowances must be withheld and applied to indebtedness to the Government.

6.5.2. Travel to Specialty Care Over 100 Miles. When a retired member with a combat-related disability, who is not a TRICARE Prime enrollee, is referred by a primary care provider for follow-on specialty care, services, and supplies, for that particular disability, more than 100 miles from the primary care provider's office, the patient must be reimbursed for reasonable travel expenses. See the JTR, paragraph 033007.

6.6 Deceased and Next of Kin

6.6.1. Attendance at a Deceased Member's Memorial Ceremony. In addition to round-trip travel and transportation allowances to attend burial ceremonies, an eligible family member as described in the JTR, paragraph 032002, may be authorized travel and transportation allowances for one round-trip to an installation/home port/unit memorial service, if that memorial service, for a deceased member who dies while on active duty, occurs at a location other than the burial ceremony location. See the JTR, paragraph 032005.

6.6.1.1. Claims. ITAs must be issued to eligible family members attending a memorial service. The traveler must complete this trip within 2 years following the member's death, unless the Service Secretary waives the time limitation.

6.6.1.2. Claim Submission. The traveler must use the DTS or OF 1164 for reimbursement of expenditures when they do not incur overnight lodging and/or per diem. The claim must identify the date(s), point of origin and destination, and the actual expense in attending the memorial service. The traveler must use a DD 1351-2 when they incur overnight lodging and/or per diem.

6.6.2. Unsettled Claims for Deceased Travelers. The individual designated by the Service to settle a deceased member's affairs is responsible for the preparation of the travel claim for the travel of the deceased member. The finance official computes and forwards all claims to the supporting Defense Finance and Accounting Service (DFAS)/Service site (see subparagraph 6.6.4 for address) for payment or collection. For deceased civilian employees, the surviving spouse or legal representative, the executor, or administrator must sign any outstanding travel claims. The travel office computes these claims locally. Travel settlements for travel cardholders who paid for expenses using a GTCC, are subject to split disbursement (see ***10 U.S.C. § 2784(a)*** and ***DoD GTCC Regulation***, paragraphs 040701, 041007 and 041106). Following payment to the GTCC issuer, any remaining expense reimbursement will be forwarded to the member's or civilian employee's pay activity for inclusion in the death claim payment. Similarly, all reimbursements for non-card holders will be forwarded to the appropriate pay activity for inclusion in the death claim payment.

6.6.3. Claims for Dependents of Deceased Members. Two copies of ***DD Form 1300***, Report of Casualty, support travel performed under the provisions of the JTR, paragraph 032001.

6.6.3.1. If the claim is for travel to a member's home of record, as shown on DD 1300, no further documentation is required.

6.6.3.2. If the claim is for travel to the official residence of a relative, the claimant must furnish a statement to that effect showing the name and relationship of the person to whose residence they traveled.

6.6.4. Forward these claims to the following applicable address:

Army:	DFAS Indianapolis Systems Liaison and Procedures Division, Military Pay ATTN: DFAS-IN/JFLAKD 8899 East 56th Street Indianapolis, IN 46249-0885 dfas.indianapolis-in.jfl.mbx.dfas-in-systems@mail.mil
Navy:	DFAS Cleveland Federal Office Bldg. 1240 East 9th Street Cleveland, OH 44199-2055
Air Force:	Members last servicing Financial Services Office (FSO)
U.S. Marine Corps:	FO/DO responsible for the deceased Marine

6.7 Travel Under Classified Orders

If classification of a TDY order is necessary, classify, mark, and handle the special order according to the applicable DoD Component security regulation.

6.7.1. Statement Substitute. The approving official may withdraw such orders and substitute the following certificate:

"I certify that the travel upon which allowances on this voucher are claimed was authorized by SECRET (or CONFIDENTIAL) travel orders issued on (date); the travel so ordered was performed; that where travel by private conveyance is involved, the official distance so covered is as stated on the claim; that where per diem is involved, the days and times of departure are as stated; that no Government quarters or meals were furnished except as stated thereon; the transportation mode and basis for reimbursement are correct; the time for which reimbursement is claimed was the minimum necessary; and I have shown or mailed to the paying disbursing official a copy of the travel orders upon which the voucher is based."

6.7.2. Voucher Support. Distribute classified orders only to persons who have the proper clearance and who require a copy of the order. An unclassified extract from a classified order may be used to support the payment voucher if it furnishes enough information. This permits filing an unclassified travel claim. For classified locations, the traveler must indicate in the itinerary of the travel claim the location by showing site 1, site 2, and so forth. The DO must pay the claim if they can apply the per diem rate. If, however, the disbursing official does not have knowledge of the location or the traveler insists on not showing the location, process the travel claim and documentation per Service instructions.

6.8 Multiple Payment Procedures in Connection With Sea Trial Trips

When more than one traveler participates in sea trial trips at the same time, between the same points, and the same accounting data is chargeable, submit a travel claim on a DD 1351-6, Multiple Payments List, to cover the entire group. Enter the notation "See Attached" in the appropriate blocks for the claimant's name and the certifying official. A DD 1351-2 must support the claim.

6.9 Navy Oceanographic Office

The disbursing office of the ship pays travel claims of civilian employees of the Navy Oceanographic Office for travel aboard survey ships if presented for payment before completion of travel. The disbursing office of the traveler's duty station pays travel claims filed after return to the traveler's duty station.

6.10 U.S. Coast Guard

6.10.1. U.S. Coast Guard Travel Using DoD Appropriations. Coast Guard members who travel on orders citing DoD appropriations should file travel claims the same as active-duty DoD members using the procedures applicable at the disbursing office of the unit whose funds are involved. Disbursing offices will settle these vouchers like those of any other member. If any excess travel time is involved, then forward a copy of the settlement voucher to:

Commanding Officer (TVL)
U.S. Coast Guard Pay and Personnel Center
444 SE Quincy Street
Topeka, KS 66683-3591

6.10.2. U.S. Coast Guard Travel on Other Than DoD Appropriations. When a Coast Guard member requests a travel advance or settlement payment on orders citing other than a DoD appropriation, the disbursing officer may provide payment and seek reimbursement from:

Commanding Officer
U.S. Coast Guard Finance Center
1430A Kristina Way
Chesapeake, VA 23326-1000

6.11 Travel and Living Allowance (T&LA) for International Military Students and Guest Instructors

International Military Students and Guest instructors who are paid T&LA, as defined in Chapter 10 of Defense Security Cooperation Agency (DSCA) Manual 5105.38-M, Security Assistance Management Manual, must submit travel claims along with copies of their travel orders/authorization and required receipts for reimbursement to the appropriate travel settlement office (see ***DSCA Manual, Chapter 10, Section C10.13***).

7.0 COLLECTIONS AND INDEBTEDNESS FOR CIVILIAN EMPLOYEES

7.1 Collections

The civilian employee is billed in writing with a demand for payment. If the civilian employee does not remit payment, the DO must initiate collection through salary deductions, set-off from final salary and allowances, lump-sum leave payment, the civilian employee's retirement account, or other amounts due the civilian employee IAW with controlling debt collection regulations.

7.2 Uncollectible Cases

If the actions prescribed in paragraph 7.1 do not result in full reimbursement to the Government, forward a record of all collection efforts and transactions to the same office as for an agreement violation claim in Chapter 6, paragraph 11.4, except for delinquent indebtedness cases of former civilian employees of the Military Services. Forward debts for former civilian employees of the Military Services to:

DFAS-IN/Debt and Claims
Department 3300
8899 East 56th Street
Indianapolis, IN 46249-3300

8.0 ADVANCE DECISIONS, DOUBTFUL CLAIMS AND RECLAIM OR RECONSIDERATION REQUESTS

8.1 Request for Advance Decision

A DoD DO or certifying officer may request an advance decision on any questionable claim presented for payment. Additionally, accountable officials and others with final responsibility for adjudicating claims may request an advance decision on doubtful claims (claims involving doubtful questions of law or fact) prior to preparation or presentment of a claim. The request must be prepared and submitted as required in Volume 5, Chapter 12. Submit the original request package and two copies to the DFAS Indianapolis office through the supporting DFAS site for the DoD Component that funds the travel order. An accountable officer desiring an advance decision on an issue involving the interpretation of the JTR must forward the request through the Per Diem Travel and Transportation Allowances Committee. Forward requests to the following addresses, as applicable:

Army, Marine Corps, Navy, and all Defense Agencies	DFAS Indianapolis ESS Travel Pay ATTN: DFAS-IN/JJFKCE 8899 East 56th Street Indianapolis, IN 46249

Air Force	Member's last servicing Financial Services Office (FSO)

8.1.1. Amounts Over $250. The supporting DFAS site must review each request and contact the DO to resolve any questions. Requests for amounts over $250 require advance decisions by the Defense Office of Hearings and Appeals (DOHA) for Service members and the Civilian Board of Contract Appeals (CBCA) for DoD civilian employees. Forward all requests for advance decisions through the General Counsel of the requesting Component or the DFAS to the General Counsel, DoD, before referral to any authorized official outside the DoD (see Volume 5, Chapter 12, section 3.0).

8.1.2. Amounts Under $250. If the advance decision request is for $250 or less, the General Counsel, DoD, may refer the request to the General Counsel, DFAS. The General Counsel, DFAS must review the request and issue an advance decision (see ***DoDI 1340.21***, Procedures for Settling Personnel and General Claims and Processing Advance Decision Requests, Enclosure 8, paragraph E8.5.3).

8.2 Reconsideration Requests and Reclaims

When the travel office makes a decision concerning an allowance determination that the traveler disagrees with, that travel office must issue the traveler a written explanation and advise the traveler of the right to have the claim reconsidered. If the traveler does not accept the explanation of the DO, the DO must assist with the resubmission of the claim. To have a claim reconsidered (see exceptions in paragraph 8.4), send:

8.2.1. A copy of the claim;

8.2.2. A letter of explanation from the traveler;

8.2.3. An endorsement from the approving officer; and

8.2.4. A letter of position from the travel computation office, through the major Command, to the appropriate DFAS site. The DFAS site must respond to the DO or traveler. If the traveler does not accept the decision, the DFAS site may forward the claim as a reclaim or appeal to DOHA or the CBCA. A reclaim or appeal is forwarded because the claimant is unwilling to accept the decision, and not because the travel office or accountable official has doubts as to whether the claim should be paid. The travel office or accountable official forwards such claims through the appropriate DFAS site to DOHA for Service members and the CBCA for DoD civilian employees at the following addresses.

Defense Office of Hearings and Appeals
Claims Division
PO Box 3656
Arlington, VA 22203-1995

Civilian Board of Contract Appeals
ATTN: Clerk of the Board
1800 F Street, NW.
Washington, DC 20405

8.3 Waivers

Travelers or Components must submit waiver requests resulting from erroneous travel payments and transportation allowances to the DFAS Indianapolis site. See Volume 16, Chapter 4.

8.4 Unions and Third-Party Review

When covered by a collective bargaining agreement, neither the Department, the Office of Personnel Management, the CBCA, nor the DOHA, has jurisdiction over the claimants claim unless the matter of travel claims is explicitly excluded from grievance under the collective bargaining agreement.

9.0 CLAIM FOR LATE PAYMENT FEE

The Travel and Transportation Reform Act of 1998 (***Public Law 105-264***), governs the claim for late payment fees for late processing of a traveler's travel claim.

9.1 Submission of Travel Claim

Travelers must submit a properly prepared travel claim to their supervisor/approving official within five working days after completion of travel. The disbursing office pays the travel claim within 30 calendar days after the claim is signed and dated as received by the supervisor/approving official. The supervisor/approving official or the travel computation office has seven calendar days to notify the traveler if the travel claim is not proper or complete for payment.

9.2 Late Payment Fee and Charges

If the disbursing office does not pay a travel claim within 30 calendar days after it is received by the office with responsibility to approve the claim, that office may be required to pay a late payment fee. This fee is payable, using the Prompt Payment Act interest rate, beginning on the 31st day after the submission of a proper travel claim and ending on the date that the Government disburses the payment. The only exception is that no payments are required for amounts less than $1.00. Interest payment funding instructions are located in Volume 10, Chapter 7, paragraph 2.9. In addition, the Government must pay the traveler an amount equal to any late payment charge that the card contractor would have been able to charge had the traveler not paid the bill. The IRS has determined that the late payment fee is reportable as interest and that the Government reports payment equal to the late payment charge as additional wages. In addition, travelers must be reimbursed for late fees imposed by the bank if the nonpayment that caused the late fee was a result of the Government's untimely processing of the travel claim. The bank does not assess late fees until 75 days following the billing statement.

9.3 Systems Modifications

As necessary, modifications are made to DoD Component travel systems to capture the date of submission of a proper travel claim and compute entitlement for late payment fees due as a result of untimely settlements.

9.4 Claims for Late Payment Fees

Payment of late fees must be calculated and paid at the time the claim is processed. Travelers who believe that late payment fees were not included in the calculation of their travel claim may submit supplemental travel claims for late payment fees. Claimants must submit each such supplemental travel claim through the office where the claim is reviewed/approved. That office must annotate the claim with the date of receipt of the original travel claim.

9.5 Receipt of Travel Claim for Late Payment Fee

Upon receipt of a travel claim for a late payment fee, the travel computation office must review the claim. That office must calculate the number of elapsed calendar days beginning with the signature and date of receipt by the supervisor/approving official and the date the claim was paid. The date the supervisor/approving official receives the proper travel claim counts as the first day and the payment date of the travel claim counts as the last day. If the number of days exceeds 30 calendar days, the travel computation office multiplies the amount paid on the delayed travel claim by the daily Prompt Pay Act interest rate by the number of days in excess of 30 days. Pay the traveler by EFT, or check if the previous payment was by check. The disbursing office must use the accounting classification used for the original travel claim for the amount charged to the supplemental travel claim. When required, prepare an ***IRS Form 1099-INT***, Interest Income, for the traveler IAW IRS regulations.

9.6 Travel Claim Forwarded to Another Activity

If the traveler submits a travel claim and the travel computation office requires a review by another activity, such as for doubtful claims, the 30-day clock continues to run. If the travel computation office disallows a claim, the claimant earns no late payment fee. If the travel computation office allows part of the claim, that amount is subject to the late payment fee and that portion of the payment earns interest from the original submission date. Claims returned to the traveler for errors or incomplete travel claims do not earn interest. Start the 30-day clock when a corrected claim is submitted to the supervisor/approving official.

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 9: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DoD 7000.14 - R

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

FORMS INDEX: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 9, "DEFINITIONS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated September 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Verified and updated references, hyperlinks, and formatting to comply with current administrative instructions, and made clarifying editorial changes.	Revision
Accompanied Baggage	Added to define the term, which is used in Volume 9.	Addition
Constructed Cost (Transportation)	Revised to clarify that the constructed cost includes more than the transportation ticket expense.	Revision
Government Quarters	Added to define the term, which is used in Volume 9.	Addition
Temporary Quarters Subsistence Expense-Actual Expense Reimbursement (TQSE (AE))	Deleted TQSE (AE) option in accordance with Civilian Advisory Panel (CAP) 39-24(R).	Deletion
Temporary Quarters Subsistence Expense-Lodgings Plus Reimbursement (TQSE (LP))	Added TQSE (LP) option in accordance with (CAP 39-24(R).	Addition

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	This instruction has been reviewed by the Per Diem, Travel and Transportation Allowance Committee (PDTATAC) staff in accordance with Department of Defense Instruction 5154.31, Volume 5, dated October 16, 2015, as PDTATAC Case RR25005. Any conflict between this publication and the Joint Travel Regulations (JTR) is resolved based on the JTR and not this publication.	Revision

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DEFINITIONS

1.0 General

The following list defines general terms of significance or importance relating to travel pay entitlement policies for the DoD that are discussed in various chapters in Volume 9. This list of definitions provides general information. It is by no means an exhaustive list of all financial management terms. The standard dictionary definition shall apply to any terms not defined in this chapter, unless otherwise indicated. Authoritative guidance with more detailed explanations or nuances may be found in Volume 9 specific chapters.

2.0 List of Definitions

*Accompanied Baggage

Government property and personal property of the traveler that is necessary for official travel. If the accompanied baggage is excessive in weight, size, or number of pieces, then the authorizing official may authorize or approve excess accompanied baggage subject to the restrictions listed for some types of travel in the Joint Travel Regulations ***(JTR)***

Accountable Officials

Individuals appointed in writing to ensure the adequacy of system internal procedures, and serve as control points within an organization, focusing on minimizing opportunities for erroneous or improper payments.

Actual Expense Allowance

Payment of authorized actual expenses incurred, up to the limit prescribed by the JTR, as appropriate. Entitlement to reimbursement is contingent on entitlement to per diem and is subject to the same definitions and rules governing per diem. See the JTR, Appendix A, and paragraph 020307.

Actual Travel Time

The travel time from physical departure to arrival at the traveler's temporary duty (TDY) location or permanent duty station (PDS).

Agency Program Coordinator (APC)

The individual who administers the Government travel card program and acts as the liaison between the travel card vendor and agency cardholders. APCs are responsible to the respective Department of Defense (DoD) Component Program Manager (CPM) for program execution and management at hierarchy levels determined by the DoD CPM.

Allowable Travel Time

The number of days allowed for official travel. See the JTR, paragraph 020302.

Approve

As defined in the JTR, Appendix A, the ratification or confirmation of a completed act. Its use, with respect to official travel, applies equally to military and civilian personnel.

Approving Official

Individuals who direct and approve/disapprove travel requests and vouchers prior to claim settlement. They ensure the necessity and justification for travel orders.

Authorize

As defined in the JTR, Appendix A, the term 'authorize' is defined as the giving of permission before an act. Its use, with respect to official travel, applies equally to military and civilian personnel.

Authorized Travel Time

The maximum allowable travel time, determined before travel begins, and based on the mode of travel authorized in the orders.

Authorizing Official (AO)

The designated representative to whom final authority to issue travel orders is delegated in writing by a DoD Component, by organizational title, and/or by name. He or she directs travel and is responsible for funding. This is the same as Authorizing/Order-Issuing Official.

Authorizing Official (AO) (Defense Travel System (DTS))

An individual appointed in writing that is responsible for authorizing travel and approving travel claims by determining the necessity of trips and funds availability, assigning the proper line of accounting (LOA) prior to authorization, and approving travel claims for validity after completion of travel. The AO is the individual who controls the mission, authorizes the trip, and controls funds for TDY travel.

Cardholder

The cardholder is the legal agent of the Government Travel Charge Card (GTCC). The cardholder holds primary liability for the card's proper use and payment.

Centrally Billed Accounts (CBA)

A card or account established by the travel card vendor at the request of a federal agency. Through a CBA, the travel card vendor bills the Government and payments are made directly to the travel card vendor by the federal agency responsible for the reconciliation of the account. CBA's are issued directly to the Government and the Government retains liability for the CBA's.

Certifying Official

An individual, designated in writing, who is responsible for the certification of travel vouchers for payment and the verification that payments made by the Government are legal, proper, and correct.

Common Carrier

A private sector supplier of air, rail, bus, ship, or other transportation system.

Component Program Manager (CPM)

The designated headquarters program manager for each agency using the General Services Administration (GSA) SmartPay contract. CPMs are responsible for establishing the hierarchies for their agency and distributing program management information from the Defense Finance and Accounting Service, the Defense Travel Management Office, and the GSA.

Concurrent Travel

Travel under which the traveler is accompanied or immediately followed by the traveler's spouse and/or dependents.

*Constructed Cost (Transportation)

The sum of the transportation ticket cost, the Travel Management Company (TMC) fee, and other related costs that include, but not limited to, taxi and Transportation Network Company (TNC) fares, terminal mileage, baggage fees, ferry fees, parking, or rental car when authorized and necessary. See the JTR, paragraph 020210.F and Appendix A, Policy Constructed Airfare entry for more information.

Contiguous United States

The 48 contiguous states of the United States and the District of Columbia, which do not include Alaska (AK) and Hawaii (HI).

Continental United States (CONUS)

The 48 contiguous states of the United States and the District of Columbia. This definition specifically excludes the states of AK and HI as they are not part of the contiguous states and are

included in the definition of Non-Foreign, Outside the Continental United States (OCONUS) locations. See Title 37, United States Code, section 101 (*37 U.S.C. § 101*).

Defense Travel System (DTS)

An efficient, flexible system for electronically creating travel authorizations (travel orders), vouchers, and pre-audit documents and for completing the post-travel claims processes. DTS provides for paperless electronic routing, review, and approval of the travel and associated documentation.

Dependent

The term 'dependent' is defined in the JTR, Appendix A. Dependents of uniformed members can be acquired, command sponsored, or non-command sponsored.

Designated Place

See the JTR, Appendix A and Chapter 6, in reference to evacuation allowances.

Digital Signature

An electronic equivalent of a written signature. A digital signature can be used in proving to the recipient or a third party that a document or message was, in fact, signed by the originator.

Directed

An order to do something in a specific way.

Disbursing Office

An activity, or that organizational unit of an activity, whose principal function consists of the disbursement and collection of official funds for the Government.

Dislocation Allowance (DLA)

An allowance paid to military members to partially reimburse them for expenses incurred in relocating their households. See the JTR, section 0505.

Foreign Area

Any area or country outside the 50 states of the United States, District of Columbia, the Commonwealths of Puerto Rico and the Northern Mariana Islands, Guam, and U.S. territories and possessions.

Funeral Honors Detail

A group of individuals not employed by the Government who participate in a funeral honors detail for a veteran and may be authorized transportation or transportation reimbursement, and expenses. See ***10 U.S.C. § 1491***.

Government Bill of Lading

A Government document used for the procurement of commercial transportation (moving) services.

Government Constructed Cost (GCC)

The "Best Value" cost the Government would have paid for Government procured household goods (HHG) transportation.

Government Dining Facility or Government Mess

A Government-owned facility, funded by appropriated funds. See the JTR, Appendix A.

*Government Quarters

Sleeping accommodations owned, operated, leased by the Government or obtained by Government contract, at no cost to the traveler. Government quarters do not include Privatized Army Lodging, Integrated Loding Program (ILP) commercial lodging, or privatized housing. See the JTR, Appendix A.

Government Travel Charge Card (GTCC)

A charge card used by authorized individuals to pay for official travel and transportation related expenses for which the card contractor bills the Government (CBA) or individual (Individually Billed Account (IBA)). See the JTR, Appendix A.

Household Goods (HHG)

Items associated with the home and all personal effects belonging to a member/employee and dependents on the member's order effective date/employee's effective date of transfer/appointment that legally may be accepted and transported by an authorized commercial transporter. See the JTR, Appendix A.

Individually Billed Account (IBA)

A GTCC account issued to a traveler to pay for official travel and transportation expenses. The traveler is liable for the use and payment of the account. See the JTR, Appendix A.

Invitational Travel Authorization (ITA)

A term applied to the authorized travel of individuals who are: not employed by the Government; employed intermittently by the Government under ***5 U.S.C. § 5703*** as consultants or experts and paid on a daily basis (when actually employed); or serving without pay or at $1 a year, or a volunteer covered by ***10 U.S.C. § 1588***. ITAs are not authorized for individuals merely to attend a meeting or conference, even if hosted by a DoD Component on a matter related to the Component's official business. The traveler must be an actual "participant" in the proceedings of the gathering, and not there only for attendance. See the JTR, section 0305.

Joint Travel Regulations (JTR)

The travel regulations that prescribe travel and transportation allowances authorized for members of the Uniformed Services, DoD civilian employees, and their dependents. The JTR is the Department's implementing guidance for the Federal Travel Regulation ***(FTR)***, issued by the GSA.

Line of Accounting (LOA)

A data structure representing a DoD account that may be used to track travel funding (i.e., transportation, per diem, meals, and incidental expenses) associated with an organization's budget and to ensure accurate accounting transactions.

Meals and Incidental Expenses (M&IE)

The term 'Meals and Incidental Expenses' is defined in the JTR, Appendix A, under Per Diem Allowance.

Non-Concurrent Travel

Travel under which the traveler is not accompanied or immediately followed by the traveler's spouse and/or dependents.

Non-Foreign Outside the Continental United States (OCONUS) Area

The states of AK and HI; the Commonwealths of Puerto Rico and the Northern Mariana Islands; Guam; the U.S. Virgin Islands, and U.S. territories, and possessions (excluding the former Trust Territories of the Pacific Islands, which are foreign areas for JTR purposes.) See the JTR, Appendix A.

Object Classification

A code that classifies transactions according to the nature of the travel services performed rather than their purpose.

Open Travel Authorization

A written document issued or approved by an AO for the purpose of performing official Government travel for a continuous period of time. Also commonly known as a "blanket" or "repeated" travel authorization. See the JTR, Appendix A, definition of "Order."

Other Than Coach Class (OTCC)

OTCC common carrier accommodations are first class, business class and premium economy class. See the FTR, § 301-10.121 for more information.

Outside the Continental United States (OCONUS)

The area outside of the 48 states of the United States and the District of Columbia. See the JTR, Appendix A.

Payment Review Official

An individual who conducts random pre-payment or post-payment reviews in accordance with Volume 5, Chapter 5.

Permanent Change of Station (PCS)

The term 'Permanent Change of Station' is defined in the JTR, Appendix A.

Permanent Duty Station (PDS)

The term 'Permanent Duty Station' is defined in the JTR, Appendix A. It is also referred to as "official station."

Permissive/Administrative Travel Time

An authorized administrative absence not chargeable to leave and for which per diem and transportation allowances are not payable.

Personally Procured Household Goods (HHG) Transportation

The transport and/or storage (storage in transit and/or non-temporary storage) of HHG arranged by a member/employee and/or the member's/employee's agent.

Privately Owned Vehicle (POV) for Transporting People

Any transportation mode actually used for the movement of persons from place to place, other than a Government conveyance or common carrier. Included is a vehicle loaned for a charge to, or rented at personal expense by the Service member or civilian employee for transportation on

PCS or TDY travel, when such rental has not been authorized or approved IAW the JTR, paragraph 020209. A common carrier or a Government owned, chartered or leased vehicle is not a POV.

Privately Owned Vehicle (POV) for Shipment

Any motor vehicle owned by or leased (12 or more months) to a member/employee or dependents for the primary purpose of providing personal transportation. The vehicle must be self-propelled, licensed to travel on the public highways, designed to carry passengers or HHG; and must have four or more wheels. See the JTR, Appendix A.

Proportional Meal Rate

The average of the standard Government meal rate and the meals portion of the applicable locality M&IE rate, rounded up to the nearest dollar. See the JTR, Appendix A. This meal rate is used as prescribed in the JTR, Chapter 2, Table 2-17.

Receipt

A legibly written/printed/electronic document (or facsimile thereof) provided by a service provider or vendor to a customer, which provides documentary evidence that the service provider or vendor has been paid for services or goods, provided to the customer. To be considered valid, a receipt must contain the name of the entity providing the good(s)/service, the date(s) that the good(s)/service was/were provided/purchased, the price of the good(s)/service, any tax levied, the total monetary amount due, and must indicate that the total monetary amount due was paid.

Relocation Income Tax Allowance (RITA)

Reimburses an eligible transferred employee for the additional Federal, State, and local income taxes incurred by the employee (or by an employee and spouse if a joint tax return is filed) as a result of reimbursement, or payment, of certain travel and transportation expenses and relocation allowances that are not excludible from gross income for Federal income tax purposes. See the JTR, paragraph 053611, and the FTR, § 302-17. A domestic partner is not a spouse and the employee cannot be reimbursed for additional Federal, State, and local income taxes incurred by the employee's domestic partner if a joint tax return is filed.

Safe Haven

A designated area to which an employee and dependents and/or military dependents are ordered or authorized to evacuate. See the JTR, Chapter 6.

SmartPay

A GSA program that provides users with card-based tools to simplify procuring needs in three operational areas. The fleet card allows users to efficiently fuel and maintain vehicles, boats, planes, or equipment. The travel card allows users to purchase common carrier transportation, car rentals, lodging, and meals for official travel and travel-related expenses. The purchase card enables users to purchase goods and services to satisfy official business needs.

Split Disbursement

Divides a travel voucher reimbursement between the GTCC vendor and the traveler. Specifically, it is a payment option whereby the traveler can designate a specified amount of his or her travel entitlement be sent directly to the SmartPay travel card vendor to pay down his or her account balance, and the remainder of the entitlement sent to his or her personal direct deposit account.

Supervisor Review

A review conducted by a person who has supervisory responsibilities over the person whom he or she directs to travel. The supervisor has knowledge of the basis for the travel claim. The supervisor reviews the travel claim to ensure that it is valid and accurate. He or she signs and dates the travel claim prior to submitting it to the proper travel computation office.

Temporary Change of Station (TCS)

The relocation of an employee to a new PDS for a temporary period to perform a long-term temporary assignment, and subsequent return of the employee to the previous PDS upon completion of that assignment. See the JTR, Appendix A.

Temporary Duty (TDY)

Duty at one or more locations, away from the PDS, under an order providing for further assignment, or pending further assignment, to return to the old PDS or to proceed to a new PDS. For the purposes of Volume 9, temporary duty includes temporary additional duty (TAD) for those DoD Components that use TAD. See the JTR, Appendix A.

Temporary Lodging Expense (TLE)

An allowance intended to partially pay members for lodging/meal expenses incurred by a member/dependent(s) while occupying temporary lodging in CONUS in connection with a PCS. See the JTR, section 0506.

Temporary Quarters Subsistence Expense (TQSE)

A discretionary allowance, that is intended to partially reimburse employees for reasonable subsistence expenses to pay for lodging, food, and other necessities incurred when they and/or their dependents must occupy temporary quarters due to a PCS to a new PDS in the CONUS or non-foreign OCONUS. See the JTR, section 0542.

*Temporary Quarters Subsistence Expense Lodgings Plus Reimbursement (TQSE (LP))

An allowance that reimburses actual lodging expenses limited to the maximum locality per diem rate and meals and incidentals based on the locality rate. The rates may be found at: ***Per Diem Rates***. See the JTR, paragraph 054206.

Temporary Quarters Subsistence Expense Lump Sum Reimbursement (TQSE (LS))

A fixed amount payment based on the PDS location's maximum per diem that is in effect on the date that the fixed offer was accepted. Apply the per diem for the season in which the employee travels that is in effect on the day the employee accepts the fixed rate offer (e.g., offer accepted in November for travel the following June - uses the per diem rate in effect for the following June). (***CBCA 2189-RELO***, September 12, 2011). See the JTR, paragraph 054207.

Transportation Officer (TO)

A person appointed or designated by the commander of a DoD activity to perform traffic management functions. This person may also be designated as "installation TO," "traffic manager," "traffic management officer," or "passenger TO."

Travel Authorization (Also referred to as a Travel Order)

A written or electronic instrument issued or approved by a person(s) to whom authority has been delegated, that directs an individual or group of individuals to travel.

Traveler

A military member(s)/dependent(s), DoD civilian employee(s)/dependent(s), and invitational traveler(s) who travel in an official capacity.

Travel Management Company (TMC)

A commercial activity providing a full range of commercial travel and ticketing services for official travel under a contract with the Government. This was formerly referred to as a Commercial Travel Office (CTO).

Travel Status

The Service member's/civilian employee's status for the elapsed period of time from the beginning to the end of official travel in compliance with the authority in an order, including time en route awaiting transportation connections and delays en route beyond the traveler's control. See the JTR, Appendix A.

U.S. Installation

As defined in the JTR, Appendix A, a base, post, yard, camp, or station under the local command of a uniformed service, with permanent or semi-permanent-type troop shelters and a Government Dining Facility/Mess, and at which there are U.S. Government operations. This includes only that area actually occupied by those operations (plus the minimum surrounding area necessary for close-in security) and excludes contracted hotels not contained on and operated by the Installation.

Withholding Tax Allowance (WTA)

An estimated partial payment that acts as an advance on the final RITA payment.

Year One (RITA)

The calendar year in which the WTA payment is made to a civilian employee.

Year Two (RITA)

The calendar year in which the RITA payment is made to a civilian employee.

DoD 7000.14 - R

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 10: "CONTRACT PAYMENT POLICY"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

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SUMMARY OF MAJOR CHANGES

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision

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CHAPTER 1

FINANCIAL CONTROL OF VENDOR AND CONTRACT PAYMENTS

1.0 GENERAL

1.1 Purpose

This chapter sets forth policy necessary to ensure internal controls are adequately established per stated laws and regulations for the entitlement and payment of goods and services. In addition, contract clauses have been outlined that may impose limitations on entitlement to financing or invoice payments. DoD officials are responsible for ensuring DoD organizations maintain control of payments made to vendors and contractors. Internal control and limitation requirements are necessary to ensure payments are based on terms and conditions contained in accepted purchase orders, contracts, and unilateral and bilateral modifications.

1.2 Authoritative Guidance

The importance of internal controls is addressed in many statutes, regulations, and DoD executive documents, which include: Volume 1, Chapter 3; the Federal Managers' Financial Integrity Act ***(FMFIA)***; ***Office of Management and Budget (OMB) Circular A-123***; and ***DoD Instruction 5010.40***.

2.0 INTERNAL CONTROLS

2.1 Statutory Compliance

The FMFIA establishes overall requirements with regard to internal controls, whereas the DoD Component Head is charged with establishing controls to reasonably ensure that:

2.1.1. Obligations and costs are in compliance with applicable laws;

2.1.2. Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and

2.1.3. Revenues and expenditures, applicable to DoD operations, are properly recorded and permit the preparation of reliable financial and statistical reports to maintain accountability over assets.

2.2 Federal Standards

The FMFIA requires the Government Accountability Office (GAO) to issue standards for internal control in Government. Refer to ***GAO Standards for Internal Control*** in the Federal Government. These GAO standards provide the overall framework for establishing and maintaining internal control and for identifying and addressing major performance and management challenges and areas at greatest risk of fraud, waste, abuse, and mismanagement. In

implementing these standards, financial managers are responsible for developing the detailed policies, procedures, and practices for contract and vendor pay entitlement operations and ensuring they are built into, and are a continuous and integral part of, ongoing operations. The OMB prescribes policies and standards for executive departments and agencies to follow in developing, operating, maintaining, evaluating, and reporting on financial management systems (see ***OMB Circular A-123 Appendix D***).

2.3 Regulatory Compliance

It is DoD policy to make payments and collections that are timely and accurate in accordance with applicable laws and regulations. These laws and regulations include requirements for identification, reporting, and reduction of improper payments (refer to Volume 4, Chapter 14 and Volume 5, Chapter 6). In addition, financial managers with responsibilities for ensuring internal controls are established and functioning properly to comply with this policy must:

2.3.1. Create, document, and maintain an organizational structure and business processes that appropriately segregate assigned duties, emphasize adherence to policies and procedures, and employ sound internal accounting and system access controls;

2.3.2. Implement finance and accounting systems that comply with the federal financial management systems requirements, maintain accurate and complete accounting and entitlement records from contract execution through closeout, and monitor the causes of late payments and interest penalties. The complete listing of financial management system requirements is in the OMB Circular A-123 Appendix D. Efforts to develop or modify a critical financial management system must be subject to the compliance process (see Volume 1, Chapter 3);

2.3.3. Establish systematic controls that provide adequate audit trails to allow the tracing of financial events from source documents to general ledger account balances through successive levels of summarization and financial reports/statements. Ensure all transactional data is processed using accurate coding, and errors are researched and corrected;

2.3.4. Utilize electronic processes and digital signatures, as prescribed by ***OMB Circular A-130, Appendix II***, whenever possible and in the best interest of the Government;

2.3.5. Employ systems that ensure the authenticity of electronically transmitted data, including the electronic signature. Such controls must provide reasonable assurance that deliberate or inadvertent manipulation, modification, or loss of data during transmission is detected;

2.3.6. Ensure prevalidation and payment documentation to vendors and contractors is retained in accordance with Volume 1, Chapter 9 and is readily available to support future audit efforts. Original payment documentation, and associated supporting documentation, must also be retained in accordance with Chapter 8, paragraph 4.1. The documentation must be of sufficient quality to allow an independent third party, such as an outside auditor, to understand and verify the basis of the prevalidation and the payments. Electronic record storage requires adequate controls to ensure that integrity of the digital images accurately represents the corresponding paper

documentation and detects changes to an original digital image. The retention of documentation, both paper and electronic records, is the responsibility of the certifying officer; and

2.3.7. Implement finance and accounting data structures that comply with the Standard Financial Information Structure and the Standard Line of Accounting (see Volume 1, Chapter 4).

2.4 Periodic Reviews

Managers with responsibilities for determining entitlements, authorizing, or executing payments and collections must:

2.4.1. Periodically (minimum annually) validate cash management and payment performance quality and effectiveness; and

2.4.2. Periodically (minimum annually) test effectiveness of internal controls, document results of testing, and take necessary corrective actions (see OMB Circular A-123).

3.0 PREVALIDATION

3.1 General

Prevalidation, as described in ***Public Law 104-61 Sec. 8102***, is the process of matching the planned disbursement with a recorded obligation before the financing or invoice payment is made, and is intended to minimize the occurrence of problem disbursements and Antideficiency Act violations (see Volume 14, Chapter 2).

3.1.1. Obligations (and any adjustments) must be established and recorded for the amounts of orders placed and contracts awarded that will require payment in the current or some future accounting period, as prescribed in Volume 3, Chapters 8 and 15.

3.1.2. Liabilities for payment, including accounts payable, must be established as prescribed in Volume 4, Chapters 8 and 9.

3.1.3 Prior to payment, the undisbursed balance of each applicable obligation must be sufficient to cover the amount of the planned disbursement, as well as all previously scheduled disbursements (see Volume 3, Chapter 11).

3.1.4. Situations may occur when an entitlement office receives a payment request before fund managers have recorded the obligation in the accounting system, resulting in the inability to accomplish prevalidation. Policy addressing this situation exists in Volume 3, Chapter 8 (section 14.0), and it directs the accounting office to immediately record an obligation based upon valid and proper obligation documents in its possession for amounts that are $2,500 or less.

If the dollar amount is greater than $2,500, the accounting office must take the actions required to remedy the unrecorded obligations as prescribed in Volume 3, Chapter 8, subparagraph 14.3.2.

3.1.5. Prevalidation must ensure validation of the line of accounting associated with the planned disbursement with the line of accounting on the obligating document before the financing or invoice payment is made.

3.2 Thresholds

The following thresholds have been established for Non-Mechanization of Contract Administration Services (non-MOCAS) and MOCAS payments.

3.2.1. All non-MOCAS payments must be prevalidated.

3.2.2. The following prevalidation thresholds must be used for MOCAS payments:

3.2.2.1. All dollar value payments made on contracts awarded after fiscal year (FY) 2004 must be prevalidated; and

3.2.2.2. For contracts issued during FY 2004 and prior, payments greater than $5,000 must be prevalidated.

4.0 PAYMENT LIMITATIONS

The following contract clauses, when applicable, may impose limitations on entitlement to financing or invoice payments.

4.1 Limitation on Undefinitized Contracting Actions

4.1.1. According to Defense Federal Acquisition Regulation Supplement ***(DFARS) 217.7401***, "definitization" means the agreement on, or determination of, contract terms, specifications, and price, which converts the undefinitized contract action to a definitive contract. Also, DFARS 217.7401 states an "undefinitized contract action" means any contract action for which the contract terms, specifications, or price are not agreed upon before performance is begun under the action. Examples are letter contracts, orders under basic ordering agreements, and provisioned item orders for which the price has not been agreed upon before performance has begun.

4.1.2. In accordance with ***Federal Acquisition Regulation (FAR) 16.603-4***, letter contracts must include ***FAR 52.216-24*** among others. Under the terms stated in this clause, the maximum amount of the Government's obligation is the amount specified in the clause. However, if a contractor submits a qualifying proposal before 50 percent of the not-to-exceed price has been obligated by the Government, then the limitation on obligations before definitization may be increased to no more than 75 percent (see ***DFARS 217.7404-4*** and ***DFARS 252.217-7027***).

However, some exceptions apply for purchases of initial spares and contingency operations, as well as humanitarian or peacekeeping operations. See ***DFARS 217.7404-5*** for additional information.

4.2 Limitation of Cost or Funds

4.2.1. The basic requirements for contract funding are described in ***FAR 32.7***, and supplemented by ***DFARS 232.7***. No officer or employee of the Government may create or authorize an obligation in excess of the funds available, or in advance of appropriations, unless otherwise authorized by law (see Volume 14, Chapter 2). Before executing any contract, the contracting officer must obtain written assurance from the responsible fiscal authority that adequate funds are available, or expressly condition the contract upon availability of funds, in accordance with ***FAR 32.703-2***.

4.2.2. Fully-funded, cost-type contracts may include ***FAR 52.232-20***, or incrementally funded, cost-type contracts may include ***FAR 52.232-22***. Under the terms stated therein, the Government's obligation to the contractor (and the contractor's obligation to perform) is generally limited to the funds allotted to the contract. Both FAR contract clauses require the contractor to notify the contracting officer 60 days (or as otherwise directed by the contract) prior to the date when it is expected that incurred costs will exceed 75 percent (or 85 percent if specified by the contract) of contract estimated costs for fully-funded cost contracts, or amounts allotted to the contract for incrementally-funded cost contracts.

4.3 Limitation on Withholding of Payments

In accordance with ***FAR 32.111(b)(2)***, supply; research and development; service; time and materials; or labor hour contracts, that include two or more terms that authorize temporary withholding of amounts otherwise payable, must include a clause substantially the same as ***FAR 52.232-9***. Under the terms stated therein, the total amount that may be withheld at any one time must not exceed the greatest amount that may be withheld under any one clause or the contract schedule term amount at the time. This limitation does not apply to withholding under any clause related to employee wages, the recovery of overpayments, withholdings not specifically provided for by the contract, or any withholding for which the contracting officer determines the limitation would not be appropriate.

4.4 Limitation of Government's Obligation

In accordance with ***DFARS 232.706-70***, incrementally funded, fixed-price contracts (one or more incrementally funded contract line items) must include ***DFARS 252.232-7007***. Under the terms stated therein, the Government's obligation to the contractor for the incrementally funded contract line item number(s) (and the contractor's obligation to perform) is limited to the funds allotted. The contract clause requires the contractor to notify the contracting officer 90 days (or as otherwise directed by the contract) prior to the date when the work will approximately reach 85 percent of the amount then allotted.

VOLUME 10, CHAPTER 2: "DISCOUNT OFFERS AND REBATES/REFUNDS"

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CHAPTER 2

DISCOUNT OFFERS AND REBATES/REFUNDS

1.0 GENERAL

1.1 Purpose

This chapter prescribes the policy for payment discounts and government purchase card (GPC) rebates. This chapter also provides information on determining if discounts should be taken and provides information on rebates offered by the GPC issuer to encourage early payment.

1.2 Authoritative Guidance

The DoD will follow the supporting guidelines for taking discounts and rebates found in ***Title 5, Code of Federal Regulations (CFR), part 1315***; Federal Acquisition Regulation, ***(FAR) 32.906(e)***; and Office of Management and Budget, ***(OMB) Circular A 123, Appendix B, Chapter 7***. Travel card rebates are addressed in DoD Government Travel Card Regulations, promulgated under the authority of ***DoD Instruction 5154.31***, Volume 4 - Commercial Travel Management, "DoD Government Travel Charge Card Program." The ***OMB Circular A-130***, Appendix II prescribes the use of electronic processes and digital signatures whenever it is possible and in the best interest of the Government.

2.0 DEFINITIONS

2.1 Discount Date

As prescribed by 5 CFR 1315.2(o), the discount date is the date by which a specified payment reduction, or discount, may be taken in accordance with the discount terms.

2.2 Discount Period

The discount period is the period during which a discount may be taken. The discount period begins from the invoice date placed on a proper invoice by the vendor. If the vendor did not include the invoice date on the invoice, the discount period would begin on the date a proper invoice is actually received and date stamped or otherwise annotated by the designated agency office in accordance with 5 CFR 1315.7(d) and 5 CFR 1315.9(b). See Chapter 7, paragraph 2.4 for guidance on determining the invoice receipt date. The discount period ends on the discount date. When the discount date falls on a weekend or legal holiday, the discount may be taken if payment is made on the next business day as prescribed in FAR 32.906(e).

2.3 Effective Annual Discount Rate

The effective annual discount rate is the annualized value of the discount offered during the discount period. The DoD will take the discount when this rate equals or exceeds the U.S.

Department of Treasury (Treasury) Current Value of Funds Rate (***CVFR***). Use the Bureau of the Fiscal Service ***(Fiscal Service) Discount Calculator*** to determine if it is economically justified to accept a discount offered by a vendor.

2.4 Entitlement Office

The entitlement office is the designated activity to authorize the release of funds or other benefits to those with legally established rights granted by law or by agreement through contract. The entitlement office may also be referred to as the payment office.

2.5 Liquidated Damages

As provided for in ***FAR 11.5***, an agency may establish in a contract a predetermined rate of liquidated damages to be paid in the event of an unexcused delay in performance or delivery, or a breach of contract. Liquidated damages are paid by the contractor and are used to compensate the agency for probable damages associated with the unexcused delay or breach. Liquidated damages are not punitive or negative performance incentives.

2.6 Rebate/Refund

2.6.1. As defined by 5 CFR 1315.2(aa), a rebate is a monetary incentive offered to the DoD by GPC issuers to pay monthly GPC billing statements early. A corrective rebate is done to correct improper or erroneous payments or for an invoice adjustment. The terms “rebate” and “refund” are used interchangeably throughout the CFR, OMB guidance, and existing legislation.

2.6.2. The current General Services Administration (GSA) contract offers productivity refunds based on timeliness and/or frequency of payments and sales refunds based on the dollar volume during a specified period. As stated in OMB Circular A-123, Appendix B, Chapter 7, a refund is a monetary payment provided by a charge card issuer to the agency/organization as stated in the contract. The three types of refunds are:

2.6.2.1. Sales refunds, which represent payments from the charge card issuer to the agency/organization based on the dollar or “spend” volume during a specified time period;

2.6.2.2. Productivity refunds, which represent payments from the charge card issuer to the agency/organization based on the timeliness and/or frequency of payments made to the contractor; and

2.6.2.3. Corrective refunds, which are payments from the charge card issuer to the agency/organization to correct improper or erroneous payments or an invoice adjustment.

2.6.3. For the GSA SmartPay 3 Program, a composite refund approach is used, which combines sales and productivity refunds together. As a result, there are generally no separate sales or productivity refunds. For simplicity, the refunds under GSA SmartPay 3 are referred to as "sales" refunds. See OMB Circular A-123, Appendix B, Chapter 7.1 (note).

2.7 Trade-in

Merchandise accepted as partial payment for a new purchase is referred to as trade-in property.

2.8 Treasury Current Value of Funds Rate

The CVFR is used to assess interest charges for outstanding debts owed the government, to evaluate the cost-effectiveness of a cash discount or sales/productivity refund, and to determine when agencies should pay purchase card invoices when a rebate is offered by the card issuer. Use the Fiscal Service CVFR to view current and historical CVFRs.

3.0 POLICY

3.1 Discounts

3.1.1. As prescribed by 5 CFR 1315.7(a), if a DoD Component is offered a discount by a vendor, whether stipulated in the contract or offered against an invoice, a DoD Component must take the discount if economically justified, but only after acceptance of the goods or services has occurred. ***FAR 32.111(b)*** requires ***FAR 52.232-8***, "Discounts for Prompt Payment," be included in all fixed-price supply and service contracts. The contractor may extend the discount period or increase the discount percentage beyond a previous offer. The offer may be in writing, or it may be oral for specific invoices. If the offer is oral, then the entitlement office must attach a conversation record to the invoice with the name and position of the person offering the discount, the discount terms, the person's telephone number, and the date of the offer. The entitlement office has the option of requiring written confirmation of the verbal offer.

3.1.2. Entitlement offices must schedule discounted payments as close to, but not later than, the last day of the discount period. Payment is considered to be made on the date printed on the check, or on the electronic funds transfer settlement date, per 5 CFR 1315.4(h). If the payment office cannot apply the discount, payments must be made in accordance with the payment due date guidelines prescribed in 5 CFR 1315.4(g).

3.1.3. A discount is advantageous to the DoD when the discount terms yield an effective annual discount rate that equals or exceeds the CVFR, calculated using the Fiscal Service Discount Calculator cited in paragraph 2.3. DoD Component payment systems must incorporate processes that take advantage of cash discounts as a matter of routine, which eliminates any need for special handling. Such discounts must be taken when the discount terms applied in the conversion formula result in an effective annual discount rate equal to or greater than the CVFR.

3.1.4. Discounts must not be taken when the payment is made after the discount date. As prescribed by 5 CFR 1315.7(b), when an agency takes a discount after the discount date, interest must be paid on the amount of the discount taken. Interest will be calculated for the period beginning the day after the specified discount date through the payment date of the discount erroneously taken, as prescribed in 5 CFR 1315.10(a)(6).

3.1.5. When the discount terms in the contract and the invoice differ, DoD Components must take the most cost-effective discount.

3.1.6. Compute discounts on the approved gross amount of the invoice, except as follows.

3.1.6.1. Deduct taxes or freight charges that are separately listed.

3.1.6.2. Deduct taxes that are not proper charges under international or status of forces agreements.

3.1.6.3. Compute the discount on the actual cash balance due when there is a trade-in.

3.1.6.4. When the entitlement system has the capability to trace and pay individual line items on an invoice, the invoice may be split into multiple payments. Each line item must meet the receipt and acceptance requirements to take advantage of the discount offered against the invoice.

3.1.6.5. Contract or purchase order modifications may change or add discount terms. Take the discount on any subsequent payment that is made by the new or revised discount date when new or revised discount terms apply.

3.1.7. Discounts may be taken on amounts legally withheld and later released if related amounts were paid in accordance with the discount terms. The discount period for the released payment will begin when the entitlement office receives notification of the release.

3.1.8. The following requirements are used when liquidated damages apply and a contract for supplies, services, research and development, or construction includes ***FAR 52.211-11***, ***FAR 52.211-12*** or ***Defense Federal Acquisition Regulation Supplement 252.217-7009***.

3.1.8.1. When liquidated damages apply, and the contract or invoice contains an offer of a discount for early payment, compute the discount on the gross contract price without regard to the amount of liquidated damages.

3.1.8.2. When liquidated damages apply to a price that is modified, and the contract contains an offer of a discount for early payment, compute the discount based on the modified price without regard to the liquidated damages.

3.1.9. After a progress payment has been made, the government is entitled to a discount on any part of delivery payments applied in liquidation of progress payments.

3.1.9.1. When the discount terms have been met, take the discount against the gross amount of the invoice. If the discount date is not met, only take the discount against the amount of the liquidation. The discount still applies to the liquidation portion of the payment even in instances in which the discount period has expired on the balance due on the partial delivery.

3.1.9.2. If the contractor has had the use of these progress payments, the payment office is entitled to take a prompt payment discount on them at the time they are recouped.

3.1.9.3. If the discount is offered for the first time on an invoice and the contract does not have a discount clause, then do not take the discount on the progress payment liquidation portion of the invoice.

3.1.10. In rare instances, the contractor may offer a voluntary discount after a contract is completed, including final payment. These discounts are distinguished from early payment and volume discounts in that voluntary discounts are discretionary with the contractor and do not reduce the amount obligated against the paying appropriation. Do not treat discounts received after contract completion as rebates. Such discounts must be deposited in the Miscellaneous Receipts Account of the Treasury.

3.1.11. When contracts have Free on Board Origin terms, payments made prior to the delivery of supplies to the carrier or delivery to the destination are entitled to the discount offered on the contract.

3.1.12. Components need to be cognizant of the amount of discounts lost, or not taken, as part of their overall payment operations. Tracking discounts lost can provide additional insight into the efficiency and effectiveness of payment operations and identify opportunities to take advantage of limited budgetary resources by increasing the amount of discounts received. Entitlement or disbursement system capabilities must be in place to identify and periodically report discounts lost to management for assessment and appropriate corrective actions.

3.1.13. Components must ensure that documentation supporting the discount transactions is retained in accordance with Volume 1, Chapter 9 and is readily available to support audit efforts. The documentation must be of sufficient quality to allow an independent third party, such as an outside auditor, to understand and verify the basis of the entitlement and the determination of a discount.

3.2 Rebates/Refunds

3.2.1. Components must have internal controls and procedures in place to allow them to maximize the sales/productivity refunds, and to identify and collect the corrective rebates. Components must ensure that documentation supporting the rebate/refund transactions is retained in accordance with Volume 1, Chapter 9 and is readily available to support audit efforts. The documentation must be of sufficient quality to allow an independent third party, such as an outside auditor, to understand and verify the basis of the rebates/refunds.

3.2.2. GPC billing statements must be paid as soon as administratively possible when the rebate offered is greater than the cost of funds as defined in 5 CFR 1315.8. The Defense Finance and Accounting Service must determine and make available, as needed, GPC payment data that compares the Current Value of Funds to the rebate discount points, for the payment cycle day. This data must be used to assist Components and the payment office in performing a cost and benefit analysis as part of their consideration of the cost of early payment. This cost is the interest

amount the DoD will earn at the CVFR for each day the payment is not made. Specifically, a comparison will be made between the basis points offered by the card issuer and the corresponding basis points of the Treasury's CVFR. DoD Components must forward their approved GPC billing statements to the payment office to allow sufficient time to process the payment, receive a rebate for early payment, and avoid interest penalties per 5 CFR 1315.8.

3.2.3. DoD Components may use the ***Fiscal Service Rebate Spreadsheet***, which automatically calculates the net savings to the government and whether the DoD Component must pay earlier than the normal contractual payment terms. The only variables required for input to this spreadsheet are the CVFR, the maximum discount rate (that is, the rate from which basis points offered by the card issuer are derived), and the amount of money owed. If the DoD Component elects not to use the spreadsheet, a manual computation can be performed as described in 5 CFR 1315.17.

3.2.4. The charge card issuer is required to calculate the rebate and return that amount to the DoD customer designated in the contract. DoD Component entities subject to the receipt and use of the rebates/refunds must employ the necessary internal controls and procedures to ensure that rebates are received when due as per the terms of their GPC contract, and that the rebates received from the charge card issuer are calculated properly.

3.2.5. Pursuant to ***Title 10, United States Code, section 4754***, DoD rebates attributable to the use of the GPC may be credited to operation and maintenance, and/or research, development, test, and evaluation accounts which are current when the rebates are received. For example, if a rebate is received in the new fiscal year against a bill that was paid in September of the previous fiscal year, the rebate may be credited to the operation and maintenance and/or research, development, test, and evaluation account(s) current after October 1 of the new fiscal year. This includes the operational portion of a nonappropriated or working capital fund account.

VOLUME 10, CHAPTER 3: "CONTRACTUAL CLAIMS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*****) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font***.

The previous version dated November 2021 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision

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CHAPTER 3

CONTRACTUAL CLAIMS

1.0 GENERAL

1.1 Purpose

This chapter prescribes financial management policy relating to contractual claims against the United States, which must be adjudicated by the responsible party before payment is made or denied. This chapter also addresses the assignment of claims, name change agreements, and claims that fall under the Contract Disputes Act (CDA). It also includes the regulatory authority, required documentation, and the responsibilities of the agencies involved.

1.2 Authoritative Guidance

Title 31, United States Code (U.S.C.), section 3727 and Defense Federal Acquisition Regulation Supplement ***(DFARS) 232.8*** provide statutory requirements concerning the assignment of claims, and ***41 U.S.C. § 7101-7109*** provide statutory requirements for contracts in dispute. The ***Federal Acquisition Regulation (FAR) 32***, Contract Financing, and ***FAR 42***, Contract Administration and Audit Services, govern claims for monies due, or to become due, under Government contracts. The ***FAR 33***, Protests, Disputes, and Appeals, provides statutory requirements for filing protests and for processing contract disputes and appeals. Specific criteria and required documentation for payment of valid claims are identified in these provisions and included in this chapter.

2.0 INTERNAL CONTROLS

Internal controls must be in place to ensure that duplicative or erroneous payments do not occur (for regulatory compliance, refer to Chapter 1). Managers with responsibilities for determining entitlements, authorizing or executing payments, and performing collections must perform periodic (minimum annual) risk assessments to ensure that sufficient management control mechanisms are in place to ensure that DoD funds are spent appropriately, and in accordance with all applicable laws and regulations. Refer to Volume 4, Chapter 14 for additional guidance related to improper payments and related risk assessments.

3.0 RETENTION

The retention of payment documentation, both paper and electronic records, is the responsibility of the certifying officer. Electronic record storage requires adequate controls to ensure that integrity of the digital images accurately represents the corresponding paper documentation and detects changes to an original digital image. Refer to Volume 1, Chapter 9, Figure 9-1 for DoD financial records retention policy. ***Title 44, U.S.C. § 2909*** prescribes the authority to retain records for a longer period than specified in the U.S. National Archives and Records Administration, ***General Records Schedules***.

4.0 ASSIGNMENT OF CLAIMS

4.1 Conditions for Assignment of Claims

The ***FAR 32.8*** prescribes requirements for the assignment of contractual claims, which refers to the transfer by the contractor of its right to be paid by the Government for contract performance to a bank, trust company, or other financing institution, as security for a loan made to the contractor.

4.1.1. The authorization to assign claims to banks, trust companies, or other financing institutions (including federal lending agencies) of monies due, or to become due, under Government contracts totaling $1,000 or more is prescribed by ***41 U.S.C. § 6305*** and 31 U.S.C. § 3727, if not prohibited in the contract.

4.1.2. A contract may prohibit the assignment of claims if the agency determines the prohibition to be in the Government's interest prescribed by FAR 32.803(b).

4.1.3. When a contractor receives payment by the Government Purchase Card, the contractor may not assign their rights under the contract if the contract is for commercial items and includes the ***FAR 52.212-4***.

4.1.4. Unless otherwise expressly permitted in the contract, the assignment must:

4.1.4.1. Cover all amounts payable under the contract not already paid; and

4.1.4.2. Not be made to more than one party, except that it may be payable to a party acting as the agent or trustee for more than one party participating in the financing.

4.1.5. If an agency pays a party other than the assignee when a properly filed and approved assignment of claims is on record, it may result in Government liability to the assignee.

4.1.5.1. When such an error occurs, the agency remains liable to the assignee for the amount of the payment, subject to potential defenses; and

4.1.5.2. The agency must initiate collection against the payee for any erroneous payment.

4.1.6. Refer to the DFARS 232.8 for additional guidance concerning the assignment of claims.

4.2 Actions Required for Assignment of Claims

4.2.1. As prescribed by DFARS 232.8 and FAR 32.805(b), the assignee will:

4.2.1.1. Forward to the Administrative Contracting Officer (ACO) a true copy of the instrument of assignment, which is a certified duplicate or photostat copy of the original, and an original and three copies of the notice of assignment;

4.2.1.2. Forward to the surety or sureties, if any, a true copy of the instrument of assignment, and an original, and three copies of the notice of assignment. The surety will return three acknowledged copies of the notice to the assignee, who will forward two copies to the disbursing officer of the payment office designated in the contract; and

4.2.1.3. Forward to the disbursing officer of the payment office cited in the contract a copy of the instrument of assignment and an original and copy of the notice of assignment.

4.2.2. The ACO will acknowledge receipt by signing and dating all copies of the notice of assignment and will:

4.2.2.1. File the true copy of the instrument of assignment and the original of the notice in the contract file;

4.2.2.2. Forward two copies of the notice to the disbursing officer of the payment office cited in the contract;

4.2.2.3. Return a copy of the notice to the assignee; and

4.2.2.4. Advise the contracting officer of the assignment.

4.2.3. If the ACO determines that the assignment is valid, the disbursing officer of the designated payment office must acknowledge the notice of assignment and take the required actions as follows:

4.2.3.1. Acknowledge and return a signed copy of the notice of assignment to the assignee and file the true copy of the instrument of assignment and the original notice of assignment;

4.2.3.2. Authorize payment to assignees only after receipt of the following assignment documents:

4.2.3.2.1. A copy of the notice of assignment acknowledged by the contracting officer;

4.2.3.2.2. A copy of the signed notice and a true copy of the instrument of assignment from the assignee; and

4.2.3.2.3. A copy of the notice acknowledged from the surety or sureties, if any, or a copy received from the surety or sureties via the assignee; and

4.2.3.3. Ensure the payment office designated in the contract is provided a copy of the instrument of assignment and the signed notice of assignment.

4.2.4. If the ACO rejects the assignment, the disbursing officer of the designated payment office returns the acknowledged notice, and copy of the assignment, to the assignee. The ACO advises the assignee that the assignment cannot be recognized for the reasons stated by the contracting officer.

4.2.5. Components and agencies must maintain procedures to ensure the appropriate payment office is provided a copy of the instrument of assignment and the signed notice of assignment.

4.3 Letter Contracts

When entering into an assignment of claims under letter contracts, notices (with copies of assignments) are forwarded, by the assignee, to the contracting officer and the designated disbursing officer of the payment office cited in the contract.

4.3.1. If a letter contract is assigned, that assignment is not voided by a subsequent definitization of the contract.

4.3.2. Contracting officers, and the disbursing officer of the designated payment offices, accept receipt for, and honor the assignment of, the proceeds of a definitive contract superseding a letter contract.

4.4 Open-End, Call-Type, or Indefinite-Delivery-Type Contracts

Assignment of claims under open-end, call-type, or indefinite-delivery-type contracts are authorized, provided orders of $1,000 or more are placed prior to the assignment, or the basic contract imposes a minimum obligation of $1,000 or more. When the designated payment office cannot determine whether an assignment of claims applies to an individual call or order under indefinite-delivery-type contracts, the designated payment office must withhold payments until the ACO determines the status and validity of the assignment. Refer to ***FAR 16.1*** for information concerning contract types.

4.5 Basic Ordering Agreements

Basic ordering agreements require a notice of assignment for each delivery order/supplemental procurement identification number. A notice of assignment will not be acknowledged, based solely on a basic ordering agreement, because the basic ordering agreement is not a contract between the Government and contractor (***FAR 16.703(a)***). The contracting officer must return the notice, and a copy of the assignment, to the assignee and advise that assignments

may be acknowledged on individual orders of $1,000 or more. Consult the agency legal office for determination if there is any doubt on any of these types of contracts.

4.6 Special Considerations for Assignments of Claims

The following are special considerations:

4.6.1. Two assignments of the same contract cannot exist without a release from the first assignment (41 U.S.C. § 6305). An authorization of a second assignment may only occur upon releasing the first assignment and notifying the original parties. Refer to FAR 32.805 for further guidance;

4.6.2. If the amount of the contract is increased, it is not necessary to execute an additional assignment;

4.6.3. The date of assignment cannot be before the date of the contract;

4.6.4. Except as authorized by 41 U.S.C. § 6305(b), the transfer of contracts, or any interest in the contract to another party, is prohibited (41 U.S.C. § 6305(a)); and

4.6.5. Payments to the assignee are not subject to reduction or setoff for an assignor's liability, unless departments/agencies decide it is in the Government's interest, or if the contracting officer makes a determination prescribed by ***DFARS 232.803(d)***.

4.7 Release of Assignment of Claims

A release of an assignment is required prior to a further assignment or reassignment. A release of an assignment is also required when the contractor wishes to establish a right to receive payments after the contractor’s obligations to the assignee have been satisfied, and a balance remains due on the contract.

4.7.1. If the assignee releases the contractor from an assignment of claims under a contract, the contractor must file a written notice of release together with a true copy of the release of assignment notice to the same offices noted in subparagraph 4.2.1.

4.7.2. The ACO:

4.7.2.1. Signs and returns a copy of the release notice to the contractor;

4.7.2.2. Files the true copy of the instrument of the release of assignment and the original release notice with the contracting office’s copy of the contract. The ACO and surety's acknowledgment are required. Refer to FAR 32.805(e) for additional guidance; and

4.7.2.3. Signs, dates, and returns the release notices to the assignee.

4.7.3. The designated payment office makes remaining payments to the contractor once it receives the following release documents:

4.7.3.1. A true copy of the instrument of release of assignment, and

4.7.3.2. The original and two copies of the release notice.

4.8 Electronic Funds Transfer

If a contractor attempts to change the identity of the payee by changing Electronic Funds Transfer (EFT), or other information, in ***System for Award Management (SAM)***, without complying with the rules governing novation agreements and assignment of claims, the payment information will be incorrect within the meaning of the "Suspension of Payment" paragraph of the EFT clause in the contract (***FAR 4.1102(d)***). Assignees must be registered separately in SAM to ensure the financial institution identified in the assignment meets the requirement for EFT.

5.0 NOVATION AND CHANGE OF NAME AGREEMENTS

5.1 Legal considerations

5.1.1. A novation agreement is a legal instrument executed by all of the following: the contractor (transferor), the successor in interest (transferee), and the U.S. Government. The transferor guarantees the performance of the contract, the transferee assumes all obligations under the contract, and the Government recognizes the transfer of the contract and related assets. Refer to ***FAR 42.12*** for additional information.

5.1.2. A change of name agreement is a legal instrument executed by the contractor and the Government that recognizes the legal name change of the contractor without affecting the original contractual rights and obligations of the parties.

5.1.3. Title 41 U.S.C. § 6305 prohibits the transfer of Government contracts. However, as prescribed by FAR 42.1204(a), the Government may, when it is in its interest, recognize another party as the successor in interest to a Government contract when the third party's interest in the contract arises out of the transfer of all the contractor's assets, or the entire portion of the assets involved in performing the contract. Examples include, but are not limited to:

5.1.3.1. Sale of the assets with a provision for assuming liabilities;

5.1.3.2. Transfer of the assets incident to a merger or corporate consolidation; or

5.1.3.3. Incorporation of a proprietorship or partnership, or formation of a partnership.

5.2 Contractor and Contracting Officer Responsibilities

The contractor provides evidence to the contracting officer responsible for processing and executing novation and change of name agreements, as prescribed by FAR 42.1203(a-g).

5.2.1. The contracting officer enters into a bilateral modification to the contract, which changes the name of the contractor, as prescribed by FAR 42.1203(h).

5.2.2. Refer all questions regarding the novation and change of name agreements to the contracting officer.

5.3 Transfer of Contractual Obligation

When a contracting officer approves the transfer of a contractual obligation to another contractor, the transferor guarantees the performance of the contract by the transferee (a satisfactory performance bond may be accepted instead of the guarantee).

5.3.1. A transferee assumes all the transferor's obligations under the contract, and the transferor waives all rights under the contract with the Government. Refer to the FAR 42.1204 for additional guidance.

5.3.2. When it is in the Government's interest not to concur with the transfer of a contractual obligation from one company to another company, the original contractor remains under contractual obligation to the Government.

6.0 CONTRACT DISPUTES

6.1 Contractor Claims

The CDA waives the Government's sovereign immunity, permitting contractors to appeal a contracting officer's final decision to the appropriate board of contract appeals, or file suit in the Court of Federal Claims.

6.1.1. ***The Armed Services Board of Contract Appeals*** is an independent tribunal that presides over disputes under the CDA of 1978, codified at 41 U.S.C. §§ 7101-7109, which allows Federal Government contractors to file a claim with the DoD for monetary damages, and other legal remedies related to their contractual dealings.

6.1.2. Routine submissions for payment are not considered claims under the CDA. The submission may be converted to a claim by written notice to the contracting officer as provided in ***FAR 33.206(a)***.

6.1.3. All claims by contractors against the U.S. Government must be a written demand or assertion submitted to the contracting officer for a decision. A contractor asserting a claim exceeding $100,000 must provide a certification as required by, ***FAR 33.207(c)***.

6.2 Claims Settlement and Final Judgement

The Bureau of the Fiscal Service administers and certifies payments from the Judgment Fund for the settlement and final judgment in a CDA case (Treasury Financial Manual, ***Volume 1, Part 6, Chapter 3100***, ***28 U.S.C. § 2517***, and ***31 U.S.C. § 1304***). Reimbursement of the Judgment Fund is payable from funds current at the time the award is made by the activity accountable for the contract obligation as prescribed in ***41 U.S.C. § 7108(c)***.

6.3 Interest Penalties

Interest on amounts due the contractor, on claims under the CDA, are payable to the contractor from the date the contracting officer receives the claim, or the date payment would otherwise be due, whichever is later, to the date paid (***FAR 33.208(a)***). ***Title 41 U.S.C. § 7109*** provides the authority for the Secretary of the Treasury to establish the interest rate. Refer to the ***Department of the Treasury's website*** for applicable interest rates. Under the CDA, only simple interest is paid, as noted in ***FAR 33.208(b)***; compound interest (interest on interest) is not payable under the CDA.

6.4 Questionable and Fraudulent Claims

6.4.1. If any part of a claim is attributable to misrepresentation of fact or fraud on the part of the contractor, the contracting officer will refer the matter to the agency official responsible for investigating fraud in accordance with ***FAR 33.209***.

6.4.2. Fraudulent and questionable claims should not be paid. For additional information concerning fraudulent and questionable claims refer to Volume 5, Chapter 12.

VOLUME 10, CHAPTER 4: "MISCELLANEOUS ADVANCE PAYMENTS"

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CHAPTER 4

MISCELLANEOUS ADVANCE PAYMENTS

1.0 GENERAL

1.1 Purpose

This chapter prescribes policy for the entitlement and payment of miscellaneous advance payments. Advances do not include payments for which performance has occurred. Miscellaneous advance payments addressed in this chapter represent a current outlay of funds to DoD employees, other Federal Government agencies, or non-Federal entities before receipt of the items or services for which the payments were advanced.

1.2 Authoritative Guidance

Advance payments, in general, are prohibited by ***Title 31, United States Code (U.S.C.), section 3324***. Exceptions to the advance payment prohibition are located in specific appropriation acts or other laws, or granted by the President as outlined in 31 U.S.C. § 3324.

1.2.1. Miscellaneous advance payments in this chapter include many of those identified as exclusions in the Federal Acquisition Regulation ***(FAR) 32.4***. Refer to Chapter 10 for the entitlement and payment of advances to contractors under contract financing arrangements governed by the FAR 32.4 and the Defense Federal Acquisition Regulation Supplement ***(DFARS), 232.4***. Refer to Volume 4, Chapter 5 for the accounting and reporting of advances and prepayments for cash or other assets disbursed under a contract, grant, or cooperative agreement. Refer to Volume 11A, Chapters 3 and 18 for goods or services procured from other Federal agencies where the DoD is specifically authorized by a specific appropriation or law to advance funds.

1.2.2. Use of electronic submissions is preferable when requesting payment in advance. The electronic request for payment must contain all elements of a proper invoice (Title 5, Code of Federal Regulations ***(CFR) section 1315.9(b)(1)***). See Chapter 8, section 2.0 for additional policy concerning electronic invoicing and payment requirements.

1.2.3. All claimants that are subject to the U.S. Internal Revenue Service code must provide a Taxpayer Identification Number (TIN) in accordance with ***31 U.S.C. § 3325(d)***. Refer to Chapter 6, subparagraph 2.4.2 for contractor, vendor, or individual payee requirements to provide a valid TIN as part of a proper invoice prior to payment.

1.2.4. All advance payment requests must be submitted to the designated payment office in accordance with the DoD and Component's submission policies and procedures using a vendor invoice; Standard Form ***(SF) 1034***, Public Voucher for Purchases and Services Other Than Personal; or an electronic equivalent.

1.2.5. Personnel may use electronic and digital signatures to approve and certify financial documents processed through automated information systems (Volume 5, Chapter 1, subparagraph 3.5.3).

1.2.6. All advance payments must be approved by a designated approving official, and a properly appointed certifying officer, prior to disbursement to ensure the information on the vouchers agrees with all supporting documentation. A properly appointed certifying officer also certifies that the vouchers are correct and proper for payment from the appropriation(s) or other funds cited on them or on supporting vouchers, and the proposed payments are legal, proper, and correct (Volume 5, Chapter 5).

1.2.7. To ensure auditability, and to validate entitlement systems' payment records, a copy of all supporting documentation must accompany each advance payment request. Refer to Volume 1, Chapter 9, Figure 9-1 for financial records retention policy. Refer to ***44 U.S.C. § 2909*** for authorization to retain records for a longer period than specified in disposal schedules. Certifying officers are responsible for retention of all payment documentation (Volume 5, Chapter 5).

1.2.8. A prevalidation process must occur that matches the proposed advance payment to the obligation of funds recorded in the accounting records prior to the disbursement of the advance payment (Volume 3, Chapter 8). Refer to ***31 U.S.C. § 1501*** for documentation required to record the obligation. Refer to ***31 U.S.C. § 1502*** and ***31 U.S.C. § 1552***, which establish limitations of periods available for expenditure.

1.2.9. Agencies/organizations requesting and approving miscellaneous advance payments must ensure the advance payment does not exceed the value of the items/services being procured.

1.2.10. Components must ensure controls are in place for the liquidation of advance payments and assign responsibility for the performance of follow-up action. Internal controls must ensure that validation and documentation exist showing that the items or services were received and met the organization's requirements. This effort is required before the advance payment can be liquidated. Discrepancies encountered must be resolved as soon as possible upon identification and may include the establishment and collection of debts from members, employees, or commercial, Federal, or state entities; see Volume 16 for more information on the collection of debts.

2.0 STATUTORY ADVANCE PAYMENTS

2.1 Overview

Specific legislation authorizes statutory advance payments.

2.2 Child Care

Amounts may be paid in advance to licensed or regulated child care providers for services to be rendered during an agreed period (***40 U.S.C. § 590(g)(4)*** and ***10 U.S.C. §§ 1791-1800***). Authorized advance payments for child care services in an approved program, in areas where DoD-provided child care is not available, must include a copy of a signed contract between the family and the child care provider outlining the establishment of fees to support the payment (***DoD Instruction 6060.02***).

2.3 Subscriptions to Periodicals

Advance payment is authorized for subscriptions or other charges for newspapers, magazines, periodicals, microfilm libraries, and other publications for official use (31 U.S.C. § 3324(d)(2)). The total cost of the subscription is a valid charge to the appropriation for the fiscal year (FY) current at the time the subscription is ordered. Subscriptions may extend beyond the current FY. The subscription may cover deliveries extending into the subsequent year; however, the authorization of payments may not cover more than 1-year's (i.e., 12 months) subscription from the same FY appropriation.

2.4 Tuition

Tuition payments may be paid in advance. ***Title 5 U.S.C. § 4109*** provides general authority for advance tuition payments for civilian and military personnel, and ***10 U.S.C. § 2396(a)(3)*** authorizes advance tuition payments for military personnel of friendly foreign countries. Advance tuition payments are payable when an educational institution requires payment at the time of enrollment.

2.4.1. Advance Payment. The ***SF 182***, Authorization, Agreement and Certification of Training, must identify the training facility by name and address, the amount payable to the facility for the advance of tuition, and the amount payable to the trainee for the purchase of books and fees for library and laboratory services. The SF 182 must be submitted to the entitlement office to support the advance payment and must be signed by an approving official and certifying officer prior to being paid.

2.4.2. Liquidation of the Advance Payment. As stated in subparagraph 1.2.10, certain controls must be in place to liquidate the advance payment. Part of those controls involving tuition payment advances must include obtaining documentation that demonstrates and documents that the student successfully completed the training previously paid in advance. In the event the student owes the DoD, the Component must collect any outstanding amount due, and prepare and forward a DoD ***(DD) 1131***, Cash Collection Voucher, to the designated disbursing office to complete liquidation of the advance payment.

2.5 Advance Payment Authority for Other Type Payments

Title 10 U.S.C. § 2396 authorizes advances of Federal monies for compliance with foreign laws, rent in foreign countries, tuition, public utility services, pay and allowances, and supplies and services of Armed Forces of friendly countries.

3.0 INTRA-GOVERNMENTAL ADVANCE PAYMENTS

3.1 Overview

3.1.1. Agencies may make intra-governmental payments in advance of the performance in the areas identified in this section. Unless the DoD Component is specifically authorized by law, legislative action, or Presidential authorization, funds are not to be advanced to non-DoD Federal entities or used to pay for advance billings without the receipt of goods or services. Volume 4, Chapter 5 covers the conditions and requirements for reporting and accounting related to advances and prepayments. For those few exceptions where DoD is authorized by a specific appropriation or law to advance funds, the specific appropriation or law authorizing the advance must be cited on the obligating and/or interagency agreement documents and orders (Volume 11A, Chapter 18).

3.1.2. The Treasury Financial Manual ***(TFM), Volume 1, Part 2, Chapter 4700, Appendix 8***, provides policy and guidance on the use of the Intragovernmental Payment and Collection (IPAC) system by federal entities, including the DoD. IPAC is an internet-based collection and payment system used to transfer funds from one federal entity to another. An IPAC transaction can be initiated either manually through the IPAC application or through the completion of specific performance transactions in G-Invoicing. As G-Invoicing is developed and implemented, its use will be required by all federal entities. Fiscal Service will require federal entities to use G-Invoicing under the authority of ***31 U.S.C. 3512(b)*** and ***31 U.S.C. 3513***. Components must establish follow-up actions and controls to ensure receipt and acceptance for the items/services to liquidate the advance payment as prescribed by Treasury Interagency Agreement Guide and subparagraph 1.2.10.

3.2 Leased Office Space

The ***Federal Management Regulation, Subtitle C, section 102-73.10*** prescribes policy for Federal agencies to seek space in Government-owned and Government-leased buildings. With approval from General Services Administration (GSA), one Federal agency can lease from another Federal agency a portion of its leased office space (Federal Management Regulation, Subchapter C, section 102-73.60). The parties may enter into an agreement to include a lease payment made in advance, or on any other basis agreed upon, for the proportionate cost of the space, utilities, and services furnished (***40 U.S.C. § 585***).

3.3 Printing and Binding and Deposit Accounts

Title ***44 U.S.C. § 310*** authorizes advance payments for printing, binding, or supplies ordered from the U.S. Government Publishing Office (GPO). The requesting agency must process

the advance payments using IPAC to establish GPO deposit accounts. The ***GPO*** website provides instructions on how to create a deposit account by submitting a ***GPO Form 4045***, Deposit Account (Printing and Binding). For a listing of GPO forms, refer to the ***GPO Forms and Standards*** website to place orders or download a Portable Document Format file.

3.4 Advances to General Services Administration for Special Purpose Leased Space

Title ***40 U.S.C. § 581(g)*** authorizes GSA to bill tenants for building rent in advance. The charge is a fixed rate per square foot of space assigned based on costs of building operation and maintenance. There is no requirement to itemize separate cost factors for utilities, rent, or elevator service on the bill.

3.5 Rental of Post Office Boxes

The DoD authorizes advance payments to the U.S. Postal Service (USPS) for post office box rental on an annual basis (Government Accountability Office Comptroller General, B-57828, JUNE 5, 1946, 25 COMP. ***GEN. 834***.) All fees for post office box service are for a six-month period. A fee is payable for two periods at a time, not to exceed two consecutive six-month periods. Federal Agencies whose payment period coincides with the Federal FY may pay their box fees during the first quarter. The USPS will refund a portion of the rental when the box is surrendered before the end of the rental period. In complying with the requirements of ***41 CFR 102-192.50***, the following methods are available when processing advance payments for box rentals:

3.5.1. The Bureau of the Fiscal Service (Fiscal Service) IPAC payment process associated with the Official Mail Accounting System;

3.5.2. The USPS Centralized Account Processing System associated with commercial payments;

3.5.3. Another Fiscal Service approved means of paying the USPS; or

3.5.4. Payments made to service providers other than USPS must be made by Fiscal Service payment methods such as automated clearing house electronic funds transfer, or another Fiscal Service approved means of paying the vendor.

4.0 OTHER ADVANCE PAYMENTS

4.1 Overview

Other advance payments not prohibited by 31 U.S.C. § 3324 are identified in the following paragraphs.

4.2 Attendance at Meetings and Conferences

4.2.1. Components may authorize payment of registration fees prior to attendance at meetings of technical, scientific, professional, or similar organizations. Refer to the ***DoD Conference Guidance Version 4.0*** for the administration and oversight of all conferences, including those conferences hosted by the DoD, and those attended by DoD personnel.

4.2.2. DoD civilian employees and uniformed service members may attend and participate in conferences or meetings, and recognized professional organizations, to maintain and improve professional competency at the Government's expense, subject to the availability of funds, specific management approvals, and the employee's or member's work responsibilities. Conference attendance expenditures, which contribute to improved conduct, supervision, or management of the DoD Components' functions and activities, may be authorized as prescribed by Joint Travel Regulations ***Uniformed Service Members and DoD Civilian Employees, Chapter 3, Part B***. Documentation supporting the approval must accompany the request for advance payment (SF 182 or electronic equivalent). The request for advance payment must be approved by a management official prior to submission to the certifying officer.

4.2.3. If the payment is non-refundable, and the individual fails to attend for reasons beyond their control, then do not collect registration fees from the individual. If an individual's failure to attend the event is due to a reason deemed inexcusable by the DoD Component concerned, the individual must repay the amount advanced. If an individual does not make a voluntary settlement of indebtedness, the Component must take action to collect the outstanding advance from money due the employee or member. Policy for salary offset to collect debts owed to DoD by military members or civilian employees is in Volume 16, Chapter 3.

4.3 Payments to State and Local Governments

Advance payments to state and local governments for goods and services are authorized on the basis that the established responsibility of these governmental units reduces the possibility of a loss to the Federal Government. ***FAR 32.409-3(e)*** states that in an advance payment agreement to a state or local government, the contracting officer may omit the requirement for deposit of the advances in a special account, if the approving official determines that other adequate security exists to protect the Government's interest.

4.4 Petition Fees

When submitting a petition for immigrant status for a person whose services are required, the fee must accompany the petition. In this case, the fee is payable in advance to the U.S. Department of State (***22 CFR 22.1 - 22.7***). Title 22, CFR 22.3 prescribes remittances in the United States and 22 CFR 22.5 prescribes remittances to Foreign Service posts.

4.5 Professional Societies

When approved, membership dues or fees in professional societies or associations acquired for the benefit of the DoD Component are payable in advance. Appropriated funds expended for

membership must be to acquire services that will benefit the Component, not an individual. The head of an agency or designee must make the determination of the membership requirement. The individual employee must provide verification of membership to validate the advance payment.

4.6 Purchase of Copyrights or License to Use Patent for its Life

Components may authorize an advance payment for a license to use a patent or to purchase the copyright. The ***FAR 27*** and ***DFARS 227*** prescribe policies, procedures, solicitation provisions, and contract clauses pertaining to patents, data, and copyrights. The subject matter of the purchase must be within the authorization of the current FY appropriation (***10 U.S.C. § 3793***).

4.7 Utility Connection Charges

As prescribed by ***FAR 41.1***, ***FAR 41.2***, and ***FAR 52.241-9***, payment for a utility service account activation fee or connection charge is allowable. Connection charges, whether refundable or non-refundable, are to be paid by the U.S. Government to the utility supplier for the required connecting facilities, which are installed, owned, operated, and maintained by the utility supplier. If the connection charges are refundable, they are considered an advance payment, and the U.S. Government recovers the connection charges through reimbursements by a specified monthly refund or a credit on the service billings for utility charges.

4.8 Foreign Country-Related Requirements

4.8.1. Postage. Components may authorize the purchase of foreign postage stamps for contingency or classified operations from imprest funds or by an SF 1034. See Volume 5, Chapter 2 and ***FAR 13.305*** for additional guidance on imprest funds. When using an SF 1034, the originating office prepares the voucher, which requires the approval by the appropriate approving official and certifying officer, and forwards it to the disbursing office. The disbursing office prepares a check and sends it to the originating office. The originating office purchases the stamps and provides the disbursing office with a receiving report. No proof of purchase or sales receipt is necessary as the check endorsement acknowledges payment.

4.8.2. Motor Vehicle Operator Permit Fees Overseas. Some foreign countries require personnel to obtain motor vehicle driver permits to perform their official duties. The fees for the permits may require an advance payment. A tour of duty in a foreign country justifies the expenditure.

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 5: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 10, CHAPTER 06: "FEDERAL, STATE, LOCAL, AND FOREIGN TAXES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated August 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision

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CHAPTER 6

FEDERAL, STATE, LOCAL, AND FOREIGN TAXES

1.0 GENERAL

1.1 Purpose

This chapter prescribes the financial management policy for payment of federal, state, local, and foreign taxes associated with the various types of payments addressed in this volume. It also provides the tax information reporting requirements, and associated Departmental policy, that apply to certain contract, vendor, and miscellaneous payments (including miscellaneous payments made to military and civilian employees). Volume 13, Chapter 7 covers tax-related policy and requirements involving Nonappropriated Fund Instrumentalities.

1.2 Authoritative Guidance

1.2.1. Tax Information Sources. The Federal Government's right to tax exemptions depends on the applicability of federal, state, local, and foreign tax law; tax agreements with foreign countries; items being acquired; the nature of the tax; and the type of transaction. ***Federal Acquisition Regulation (FAR) 29*** identifies the general tax applications on U.S. purchases, the rights to exemptions, and the methods of claiming exemptions. More specialized information regarding the applicability of various taxes not obtainable locally may be obtained from the taxing authorities themselves or through discussions with the Component's general counsel.

1.2.2. Exemptions from Certain Federal Taxes

1.2.2.1 ***FAR 29.203(a)*** provides that, pursuant Title 26, United States Code (U.S.C.), ***section 4293***, the Secretary of the Treasury has exempted the Federal Government from the communications excise tax imposed by ***26 U.S.C. § 4251*** when the supplies and services are for the exclusive use of the United States. This does not include facilities furnished to a Government contractor. Exemptions can be made with or without the use of an exemption certificate. The installation (or issuing) contracting office is responsible for preparing tax exemption certificates.

1.2.2.2 ***FAR 29.203(b)*** provides that, pursuant to ***26 U.S.C. § 4483(b)***, the Secretary of the Treasury has exempted the Federal Government from the Federal highway vehicle use tax imposed in ***26 U.S.C. § 4481***. As stated in FAR 29.203(b), the exemption applies whether the vehicle is owned or leased by the Federal Government.

1.2.2.3. ***FAR 29.202*** identifies other circumstances in which Federal manufacturers' or special-fuels excise taxes may not be imposed. The contracting officer should recognize these contracting situations and then must furnish the seller an exemption certificate.

1.2.3. Policy Hierarchy. Internal Revenue Service (IRS)-published regulations take precedence over DoD policy for the resolution of tax-related issues. Components should consult with their designated legal counsel if they have legal questions or apparent conflicts between the policy provided in this chapter and the IRS regulations.

2.0 RESPONSIBILITIES

2.1 Defense Logistics Agency-Energy (DLA-Energy)

DLA-Energy is responsible for:

2.1.1. Any application for tax refunds applicable to DLA-Energy programs. If DLA-Energy supports a Federal civilian agency, then that civilian agency is responsible for collecting data needed to apply for tax refunds; and

2.1.2. Contracting for fuels, to include the use of the proper clauses concerning local tax provisions as provided in ***FAR 29.4***.

2.2 Military Departments and Defense Agencies

DoD Components are required to take maximum advantage of exemptions from excise taxes.

2.3 Contracting Officer

As outlined in FAR 29, the contracting officer is responsible for:

2.3.1. Inserting the appropriate tax clauses in contracts;

2.3.2. Soliciting prices on a tax-exclusive basis when it is known that the Federal Government as a whole, or the Armed Forces within DoD, are exempt from these taxes;

2.3.3. Contacting local and/or state taxing authorities to verify acceptance of tax exemption certificates;

2.3.4. Working with fleet card issuers to maximize excise tax reclamations (recoupment);

2.3.5. Ensuring that contractors are aware of and understand duty-free entry clause requirements; and

2.3.6. Resolving tax liability or tax exemption disputes associated with DoD contracts.

2.4 Contractors, Vendors, and Individual Payees

2.4.1. In accordance with ***FAR 29.304***, a DoD Component may require contractors, vendors, and individual payees requesting payment to take certain action regarding payment, nonpayment, refund, protest, or other treatment of state and local specified taxes. This action will be taken in consultation with the contracting officer and will be varied depending on the tax consequences, nature of the purchases, and applicable contract clauses. Any entitlement or disbursing office concerns regarding any contractor tax-related payment requests or refunds should be elevated to the contracting officer for resolution.

2.4.2. ***Title 31, U.S.C. § 7701(c)*** and ***FAR 4.902*** require, subject to the U.S. Internal Revenue Code (IRC), all payees doing business with the DoD to furnish their Taxpayer Identification Number (TIN) as defined by ***26 U.S.C. § 6109*** (which may be a Social Security Number (SSN), Individual TIN, or Employee Identification Number). Payments are not to be authorized without a TIN or SSN on record for the required payee, except as described in paragraph 6.5.

2.4.3. If the contractor, or another payee, believes someone improperly issued their ***IRS Form 1099-MISC***, Miscellaneous Information, ***IRS Form 1099-INT***, Interest Income, ***IRS Form 1099-NEC***, Nonemployee Compensation, or ***IRS Form 1099-C***, Cancellation of Debt, or that it had incorrect information, they must provide written evidence for a correction to the appropriate tax office.

2.5 Fleet Card Issuer

The Fleet Card issuer (third-party payor) is responsible for working with DLA-Energy and the Defense Finance and Accounting Service (DFAS) to maximize excise tax reclamations, as rules and procedures vary by state. Generally, states require that tax reclamations be completed after payment is made. Refer to the ***General Services Administration (GSA) SmartPay*** website for additional Fleet Card tax information.

2.6 DFAS

For those entitlement systems managed by DFAS and Enterprise Resource Planning (ERP)-managed systems that have coordinated with DFAS (except for Defense Health Agency and U.S. Army Corps of Engineers, where responsibility has otherwise been assigned), DFAS is responsible for:

2.6.1. Computing all appropriate tax withholdings, making deposits to the U.S. Department of the Treasury (Treasury), and filing the appropriate tax documents with the IRS;

2.6.2. Paying excise taxes as appropriate;

2.6.3. Performing reclamation of Federal and state excise tax-related to fuel purchases, based on data provided by either DLA-Energy or Fleet Card issuers. DFAS responsibilities for performing reclamation will include filing for the National Guard;

2.6.4. Recording any taxes recovered in the applicable accounting systems;

2.6.5. Reviewing payment information to determine if a payment is reportable under current IRS guidelines; and

2.6.6. When DFAS serves as the disbursing office for entitlement or ERP systems it does not own, DFAS is responsible for:

2.6.6.1. Issuing annual instruction on requirements for submitting necessary tax reports to DFAS for distribution to the recipients; and

2.6.6.2. Coordinating the issuance of the hardcopy or electronic tax statements by the IRS-mandated timelines.

2.7 Office of the Staff Judge Advocate or General Counsel

These offices are responsible for providing available payment data related to all settlements of personnel cases. The document forwarded to the paying office must identify the settlement payment type(s) (e.g., compensatory damages, attorney fees, back pay, or interest), and the dollar amount attributed to each type of payment. This information will be used to determine the proper tax reporting of the payments. These offices must also provide the information required to properly report payments to attorneys under ***26 U.S.C. § 6045(f)***, separate from the claims settlement payment.

2.8 Third-Party Payors

Third-party payors are responsible for preparing and filing ***IRS Form 1099-K***, Payment Card and Third-Party Network Transactions, for certain payments they made, even if the item(s) procured were delivered to DoD. Further, the DoD is not responsible for filing an IRS Form 1099-MISC when third-party payors make the covered payments.

2.9 Convenience Check Account Holder

2.9.1. The convenience check account holder is responsible for tax reporting for the convenience checks they issue and for obtaining a signed ***IRS Form W-9***, Request for Taxpayer Identification Number and Certification. Refer to IRS instructions for Form 1099-MISC and 1099-NEC for more detail regarding payment types that are not reportable to DFAS. As the checks are written, the account holder must capture the following check recipient data:

2.9.1.1. Payee's legal name (merchant, vendor, or individual name by which taxes are filed);

2.9.1.2 Payee's business name. If the business is classified as a sole proprietorship, then report the business (merchant) information and provide the sole proprietor's name;

2.9.1.3. Payee's legal mailing address (the address used to file their taxes);

2.9.1.4. Employer Tax Identification Number (SSN or TIN);

2.9.1.5. Check number;

2.9.1.6. Check amount;

2.9.1.7. Payment date (date the check is written, not the date the check is cashed);

2.9.1.8. A brief description of the purchase;

2.9.1.9. Telephone number and/or email address of the merchant; and

2.9.1.10. Convenience check account number.

2.9.2. DFAS has tax reporting responsibilities for certain agencies within the DoD, and thus is responsible for reporting to the IRS miscellaneous and non-employee income paid to vendors/contractors. DFAS coordinates with the GSA Smartpay contract designated bank and the account holder to obtain information to issue tax forms and report to the IRS. Additional policy concerning the use of convenience checks is contained in Chapter 23.

2.9.3. The convenience check account holder is responsible for all backup withholding actions required based on the receipt of an IRS CP2100 notice (See ***IRS website*** – Backup withholding "B" program). Also see paragraph 6.5 for additional information regarding backup withholding.

3.0 FEDERAL EXCISE TAX (FET)

3.1 Requirements

Except for exemptions provided by the IRC as set out in FAR 29, the Government must pay FET on fuel purchases. If a contract does not specify that the contract price excludes FET, then assume the contract price includes the tax and pay only the contract price. If the contract price specifically excludes the tax, then FET for fuel purchases must be billed on the invoice as a separately identified item from the contracted fuel price.

3.2 Exemptions

Tax exemptions or refunds are available for DoD purchases of aviation fuel and off-highway use of gasoline and road diesel fuels. Whether an exemption is available, or if a refund application is required, depends on where in the distribution chain the purchase was made and the IRS status of the seller of the fuel. See ***IRS Publication (Pub) 510*** for additional IRS guidance.

3.3 Refunds

Requests for refunds must be filed on an ***IRS Form 8849***, Schedule 1, Nontaxable Use of Fuels.

3.4 Quarterly FET Return

3.4.1. Unless the IRS District Director otherwise notifies the accounting office responsible for reporting DLA-Energy activity, that office must prepare and submit quarterly FET returns. DLA-Energy must submit a monthly report to DFAS containing the sales to taxable customers. Make a return using ***IRS Form 720***, Quarterly Federal Excise Tax Return, for the first calendar quarter when the tax liability is incurred and each subsequent calendar quarter until a final return is filed. Final returns must be marked "FINAL" and are applicable only when no FET is owed and reportable in future quarters. See IRS Pub 510 for additional IRS guidance.

3.4.2. IRS Form 720 contains a list of the commodities and services subject to the tax and the tax rate. This form also serves as a return for all excise taxes for which quarterly reporting is required.

3.4.3. The accounting office is responsible for preparing IRS Form 720. Instructions for preparing this form are in ***IRS Instructions for Form 720***.

3.4.3.1. The IRS Form 720 filing due date is on or before April 30, July 31, October 31, and January 31.

3.4.3.2. Submit the original IRS Form 720 to the appropriate IRS Center; include the amount of taxes collected.

3.5 Collections for FET

3.5.1. Collections for FET are made to deposit fund accounts. Transfer excise taxes collected using the most current instructions received from the IRS. Generally, transfers of excise taxes are required semi-monthly and must be made electronically to the Treasury.

3.5.2. Report the amounts of FET collected and deposited for the sale of aviation fuel other than for the exclusive use of the DoD.

4.0 STATE AND LOCAL TAXES

4.1 State and Local Taxes

4.1.1. In accordance with ***FAR 29.302(b)***, DoD Components must assert the Government's immunity or exemption from taxes whenever it is available, and economically feasible, to do so. State statutes identify whether the tax is levied on the seller or the purchaser. The process for seeking refunds differs from state to state. Some states accept ***Standard Form 1094***, United States Tax Exemption Form, some states have their own required forms, and other states require payment of the

tax at the time of purchase and provide a means for seeking refunds of the tax. The contracting officer will contact the local state taxing authority to verify if they accept tax exemption certificates. A blanket-type tax exemption certificate is used to obtain a U.S. Government exemption from state or local taxes in the case of continuing or numerous purchases from contractors. Paying state and local taxes is supported under the following conditions:

4.1.1.1. When the tax is levied on the seller, the Federal Government must pay the tax as part of the purchase price unless the taxing authority provides otherwise; or

4.1.1.2. When the Government has, by contract, agreed to reimburse the contractor for taxes paid to a state or municipality.

4.1.2. Unless specifically stated otherwise in the contract, it is presumed that state and local taxes are included in the contract price. When there is a valid and binding contract covering the furnishing of supplies or services at fixed unit prices, and the contract contains no provision for the adjustment of such prices in the event of the imposition on the contractor of state taxes applicable thereto, there is no authority for the payment of any taxes over and above the unit price stipulated in the contract.

4.2 Taxes Involving Fuel Purchases

DLA-Energy is responsible for supplying applications for tax refunds on fuel purchases for both service station and bulk purchases of fuel. Contracting officers should coordinate with DLA-Energy on the applicability and reimbursement of state and local taxes pertaining to diesel fuels and gasoline purchases.

4.3 Leases and Purchases

In accordance with FAR 29.302(a), generally, purchases and leases are immune from various state and local taxes. This determination is a legal question and requires consultation with agency counsel. FAR 29.4 references the different contract clauses concerning state and local taxes that may be included in contracts on leases and rentals.

5.0 CUSTOMS DUTIES

5.1 U.S. Customs Duties on Foreign Purchases

5.1.1. Duty-Free Purchases. The DoD Components can make emergency purchases of war materials abroad. This material will be admitted free of duty. The contract and actions of the contractor and contracting officer govern applicability of customs duties in accordance with ***FAR 25.9***. Federal acquisition policy in FAR 25.9 states that agencies must pursue and use any exemptions allowed when the anticipated savings to appropriated funds will outweigh the administrative cost associated with processing the required documentation. ***Defense Federal Acquisition Regulation Supplement 225.9*** provides more specific Departmental policy and requirements of the administrative contracting officer (ACO) in issuing duty-free entry

certificates, identifying exempted supplies, and performing other formal entry and release procedures for the foreign items procured under a prime contract.

5.1.2. Payment of Custom Duties. If the importation is not determined to be duty-free, then the duty must be charged to the same appropriation/fiscal year used to fund the purchase, even though the importation and purchase may be in different fiscal years. Expired funding is available for such obligation "adjustments" as stated in Volume 3, Chapter 10. Customs and Border Protection's classification of imports will generate the amount due. Prepare payment vouchers to show the payment amount, annotated with the source and calculated amount of the duty, with remittance addressed to the Collector or Deputy Collector at the port of entry. However, prior to payment, the entitlement office must obtain the ACO's approval to ensure the amount of the customs duties is not already covered in the price of the contract or exemption certifications have been issued to exempt the procured items from customs duties.

5.2 Customs Exemptions for American Imports and Purchases in Canada for Joint Defense Program

5.2.1. Exemptions. The Canadian Government exempts imports and purchases from other countries from Canadian import duties and taxes when they are used for joint defense projects in Canada.

5.2.2. Refund or Remission of Taxes. Concessions govern goods purchased in Canada by or for the United States, or by the Canadian Commercial Corporation, when U.S. funds expended are intended for joint Canadian–U.S. projects in Canada or when the goods will become and remain U.S. property. See Defence Production and Development Sharing Remission Order ***Consolidated Regulations of Canada, c. 755***. The concessions permit refund or remission in certain circumstances, including:

5.2.2.1. Sales taxes paid on goods, other than those for resale, to members of the U.S. Armed Forces or civilian personnel for private use;

5.2.2.2. Excise taxes, including the stamp tax on checks. Items for resale to members of the U.S. Armed Forces or civilian personnel for private use are not exempt from stamp taxes or excise taxes; and

5.2.2.3. Customs duties paid on import goods when used, directly consumed, processed, or attached to items or goods manufactured in Canada and sold to the U.S. Government for use with joint Canadian–U.S. projects.

6.0 MISCELLANEOUS

6.1 Payments in Lieu of Taxes

Issues involving the payment of taxes are complex and should be referred to the activity's servicing legal office.

6.1.1. The DoD is exempt from charges imposed by state or local governments for services that are essentially funded by tax revenues and not specifically applied to residents or other tax-exempt entities. Such charges are considered taxes, from which the Federal Government and its contractors are constitutionally immune.

6.1.2. A reasonable charge by a political subdivision based on the "quantum" of direct service furnished, and which is applied equally to all property tax-exempt entities, is not considered a tax against the DoD, even though the services are furnished to taxpayers without a direct charge, provided the political subdivision is not required by law to furnish the service involved without a direct charge to all located within its boundaries.

6.1.3. Only Congress may authorize payments in lieu of taxes to municipalities that have lost tax revenue due to the transfer of plants to Government Components. Payments in lieu of taxes are not authorized if the property transferred was never on municipality tax rolls and municipal services had never been furnished.

6.2 Foreign Taxes

U.S. Government purchases in a foreign country are not exempt, in general, from taxes and custom duties when imposed by the foreign country. The Status of Forces or other government tax or trade agreements may provide exemptions. Consult the Component's legal counsel regarding the applicability of these agreements to their individual circumstances. ***FAR 29.402*** provides specific clauses pertaining to foreign taxes that may be in contracts.

6.3 Taxes on Arms and Ammunition

In accordance with ***10 U.S.C. § 2385***, Federal taxes may not be imposed on the sale or transfer of firearms, pistols, revolvers, shells, or cartridges when such articles are purchased with funds appropriated for a military department.

6.4 Environmental Assessments

If an environmental assessment is levied by a local government, and it represents a fee, then the payment is authorized. If the assessment appears to be a tax, and its legality is questionable, then the payment is not authorized. Consult the Component's legal counsel to determine whether payment should be made.

6.5 Backup Withholding

6.5.1. In most instances, pursuant to ***31 U.S.C. § 3325***, DoD may not make a payment without a valid TIN. If payment is appropriate without a TIN and a signed IRS Form W-9, and no exception to backup withholding applies, backup withholding must occur. Backup withholding requirements are enforced on a payment-by-payment basis, regardless of payment size. When an individual or entity has not provided a TIN and a signed IRS Form W-9, the backup withholding requirements, as described in ***26 U.S.C. § 3406***, apply. Because of the TIN requirement imposed by 31 U.S.C. § 3325, backup withholding within DoD should be extremely rare.

6.5.2. Backup withholding requirements are separate from the reporting thresholds that apply to most IRS Form 1099 reporting. Backup withholding is applied to the principal payment only, to exclude such charges as transportation charges or interest. Payments that are not subject to reporting on the IRS Form 1099, as set forth in subparagraph 7.3.2, are not subject to backup withholding.

6.5.3. The paying office will deposit the backup withholding with the IRS. The paying office will generate an ***IRS Form 945***, Annual Return of Withheld Federal Income Tax, for the IRS. Additional guidance is available in ***IRS Instructions for Form 945***, ***IRS Pub 15, (Circular E)***, "Employer's Tax Guide," and ***IRS Pub 1281***, "Backup Withholding for Missing and Incorrect Name/TIN(s)."

6.5.4. DoD activities must perform backup withholding on reportable payments when the following conditions exist:

6.5.4.1. The IRS informs the paying office that the payee provided an incorrect TIN and reportable payments totaling $600 or more during the calendar year,

6.5.4.2. An information return was required concerning the payee for the preceding calendar year, or

6.5.4.3. Backup withholding was required from the payee for the preceding year.

7.0 FEDERAL TAX REPORTING

7.1 Taxable Payments

7.1.1. At the end of each calendar year, payment or entitlement offices must report certain payments to the IRS. ***26 U.S.C. § 6041***, ***26 U.S.C. § 6041A***, 26 U.S.C. § 6045(f), ***FAR 4.904***, and current IRS instructions/guidelines establish the reporting requirements. Payment or entitlement offices must provide the recipients (payees) with an IRS Form 1099 by the date the IRS specifies (See ***IRS reporting due dates***).

7.1.2. There are various payments made to military members and civilian employees that are subject to IRS reporting on the ***IRS Form W-2***, Wage and Tax Statement (e.g., military award payments). Some of these payment types may require tax withholding and will also be reported on the IRS Form W-2. The appropriate system must make these payments for accurate withholdings to be applied and reported on the annual IRS Form W-2 by the date the IRS specifies (see IRS reporting due dates). Payment through a vendor pay office is only authorized if the appropriate withholdings are computed, included, and presented for payment to the vendor pay office. At the end of each calendar year, payment or entitlement offices must report these payments via IRS Form W-2 according to current Social Security Administration/IRS guidelines.

7.2 Tax Reporting

7.2.1. Each DoD Component must prepare an IRS Form 1099 on its contract or vendor payments for applicable services (specified in paragraph 7.3) that total $600 or more, or royalties of $10 or more, in a calendar year to a single person or business entity (partnership, sole proprietor, or corporation), unless an exception applies. For DFAS-serviced Components, DFAS will prepare, print, and distribute the hard copy of the IRS Form 1099 to the vendor/contractor/payee and forward the same information to the IRS. If an IRS Form 1099 requires correction, then the paying office that maintains the underlying payment record provides the information necessary to effect the correction. If the vendor/contractor/payee believes the IRS Form 1099 was improperly issued or had incorrect information, then the recipient must provide the written evidence needed for correction.

7.2.2. Payment data in various payment systems, for the same contractor, must be consolidated to determine if an entity was paid more than $600 for reportable payments.

7.2.3. IRS Form 1099-MISC is not required for purchase cards and centrally-billed travel paid for using a government credit card.

7.2.4. DFAS will not determine independent contractor or employee status for tax purposes when payments are made to individuals. That determination is at the discretion of the contract-issuing activity. If there is a question, then the contract-issuing activity, through its chain of command, will submit an ***IRS Form SS-8***, Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding, to the IRS Associate Chief Counsel (tax-exempt and government entities) for a determination. See ***IRS Pub 1779***, "Independent Contractor or Employee," for additional information.

7.3 IRS Form 1099 Information Reporting

7.3.1. Payments Subject to Reporting. IRS regulations/guidelines subject certain contract and vendor payments to IRS Form 1099 reporting.

7.3.1.1. General Rule. Payments are aggregated for the taxable year for:

7.3.1.1.1. Business entities: Sole proprietors, partnerships, and corporations, with some exceptions;

7.3.1.1.2. Corporations providing medical and health-care services that are not otherwise exempt from taxation under ***26 U.S.C. § 501(a)***;

7.3.1.1.3. Canceled debts; and

7.3.1.1.4. Interest to individuals, sole proprietors, and partnerships (including ***Title 5, Code of Federal Regulation (CFR), Part 1315***, Prompt Payment). Corporations are exempt from interest reporting.

7.3.1.2. Payment for Services. Payment or compensation for services rendered, including medical or health-care services and contractual legal services, is subject to IRS Form 1099 reporting, unless the payment is to an employee and should be reported on an IRS Form W-2. This reporting requirement applies regardless of whether payment is issued to an individual, a sole proprietorship, a partnership, or corporation. The requirement does not apply when a payment is made to a hospital or extended health-care facility that is exempt from taxation under 26 U.S.C. § 501(a), or to a hospital or extended health-care facility owned and operated by the U.S. or an agency or instrumentality of the United States. This reporting rule also applies to payments issued to U.S. corporations, paid in U.S. dollars, for service contracts executed in foreign countries.

7.3.1.3. Payments for Taxable Settlements

7.3.1.3.1. Generally, payments for personnel claims, Equal Employment Opportunity actions, and grievances represent taxable income and should be reported on an IRS Form 1099, but may be reported on an IRS Form W-2 depending on the classification of the settlement categories. This includes amounts paid in settlement, damages for nonphysical injuries or sickness (such as employment discrimination or defamation), liquidated damages, and punitive damages. Amounts paid on account of personal physical injury or physical sicknesses, however, are not taxable and are not reported on an IRS Form 1099.

7.3.1.3.2. Compensatory damages received based on emotional distress or injury that are attributable to a physical injury or physical sickness are not taxable and not reported on an IRS Form 1099, to the extent that the amount paid does not exceed the amount paid for medical care for the emotional distress. Damages paid on account of emotional distress, including physical symptoms such as insomnia, headaches, and stomach disorders, but which are not attributable to a specific physical injury or physical sickness, are reportable.

7.3.1.3.3. When paying a complainant back pay, and the claim originated with a DoD activity whose civilians DFAS pays, forward the claim to a civilian pay office for payment and issuance of an IRS Form W-2. DoD activities must forward all claims representing back pay to their supporting payroll office.

7.3.1.3.4. The office forwarding personnel claims, as described in Chapter 12, for payment, such as taxable settlement awards, is responsible for providing information with the settlement documents that are required for tax reporting. All settlement payments are presumed to be taxable unless otherwise indicated in the settlement agreement or they meet one of the specific categories that are nontaxable.

7.3.1.4. Gross Proceeds Paid to an Attorney. The total amount paid to an attorney for legal services, other than contractual legal services, must be reported on an IRS Form 1099 as required by 26 U.S.C. § 6045(f). The term "attorney" includes a law firm or other provider of legal services, such as a corporation. This reporting requirement applies, regardless of whether legal services are provided to the Government, and if the attorney is the sole payee. In the case of payment by check, payment is made to the attorney or law firm if the attorney or law firm is named the sole, joint, or alternate payee. A need to issue two IRS Form 1099s on a single payment may

occur. In this case, issue an IRS Form 1099 to the complainant and another IRS Form 1099 to the attorney. The office forwarding the claim for payment must provide information including, but not limited to: payee name(s), payee TIN, amount paid, payee address(es), and settling activity identification.

7.3.1.5. Vendors in U.S. Territories. IRS information reporting applies to service payments to vendors located in Puerto Rico, Guam, American Samoa, Commonwealth of the Northern Mariana Islands, and the U.S. Virgin Islands.

7.3.2. Payments Not Subject to Reporting. The IRS does not subject the following classes of contract and vendor payments to IRS Form 1099 reporting:

7.3.2.1. Payment of bills for merchandise, transportation, freight charges, telegrams, telephone, storage, and similar charges;

7.3.2.2. Payments subject to reporting on an IRS Form W-2 related to compensation paid to DoD employees or Service Members;

7.3.2.3. Payments of rent, if made to a real estate agent;

7.3.2.4. Payments to Government employees as an allowance or reimbursement for traveling or associated expenses, including claims for damaged household goods;

7.3.2.5. Payments made as an award to an informer or similar payments;

7.3.2.6. Payments made to a Government agency, political subdivision, or instrumentality thereof; and

7.3.2.7. Payments to organizations that are exempt from taxation under 26 U.S.C. § 501 (a).

7.4 Debt Actions Subject to IRS Form 1099-C

7.4.1. Federal agencies must report the cancellation of each debt to an individual, sole proprietor, partnership, or corporation. Debts forgiven via a waiver or remission are not issued an IRS Form 1099-C. The term "debt" includes the principal owed, interest, penalties, administrative costs, and fines. If, however, interest is included in the amount reported on the IRS Form 1099-C, then it must be listed separately on the form. A debt is considered canceled on the date that the authorized individual approves the termination of the debt-collection process.

7.4.2. Report debt cancellation on IRS Form 1099-C, regardless of whether the debtor is required to report the debt as income. A copy of the IRS Form 1099-C must be provided to the debtor by the date specified by the IRS. If payment is received on a previously canceled, prior year debt, then there is no requirement to file an additional or corrected IRS Form 1099-C.

7.5 Payments to Individuals Subject to IRS Form W-2 Reporting

7.5.1. As discussed in Chapter 12, various payments are issued by DFAS to, or on behalf of, DoD employees and military members. Payments may be subject to tax withholding and tax reporting (Federal and state) on an IRS Form W-2.

7.5.2. Cash Awards to Military Members

7.5.2.1. Cash awards to military members for disclosures, suggestions, inventions, and scientific achievements are subject to the withholding of Federal and state income taxes, as cited in Chapter 12 subparagraph 2.14.3 and Volume 7A, Chapter 44, paragraph 2.1. In accordance with Volume 7A, Chapter 45, paragraph 2.2, cash awards are not subject to Federal Insurance Contributions Act (Old Age, Survivors, and Disability Insurance/Medicare) withholding. Certain Combat Zone Tax Exclusions (CZTE) may apply. Information on the CZTE is available in ***IRS Pub 3***, "Armed Forces' Tax Guide," and Volume 7A, Chapter 44, Withholding of Income Tax.

7.5.2.2. For purposes of issuing an IRS Form W-2, DFAS will withhold taxes and will issue an IRS Form W-2 by the date the IRS specifies (see IRS reporting due dates and subparagraph 7.1.2 for additional information).

7.6 Filing Information Returns With the IRS

7.6.1. Filing Requirements

7.6.1.1. Forms Required

7.6.1.1.1. When filing manual (paper) IRS Form 1099s, use ***IRS Form 1096***, Annual Summary and Transmittal of U.S. Information Returns, to transmit and summarize payment information. It serves as a cover sheet for one or more individual reports.

7.6.1.1.2. Complete a separate IRS Form 1099 for each entity concerned, and all are covered by one IRS Form 1096. IRS Form 1099s are obtained through the IRS Forms, Instructions and Pubs website.

7.6.1.2. Distribution of Report. The IRS Form 1096 is to be filed using the address listed on the form, and the IRS Form 1099 is to be filed according to ***IRS Pub 1220***, "Specifications for Electronic Filing of Forms 1097, 1098, 1099, 3921, 3922, 5498, and W-2G."

7.6.1.3. Electronic Filing. Updated electronic filing procedures are published annually in IRS Pub 1220.

7.6.2. Records Retention

7.6.2.1. Activities preparing information returns must have the ability to reconstruct the data or records used to prepare the IRS Form 1099. The data or records must be

retained for at least three calendar years, plus the current calendar year, after filing the information return. See ***IRS General Instructions for Certain Information Returns***. These records permit an audit trail that will substantiate the amount(s) reported by showing all relevant payments, to include payments from multiple contracts. The retention period for IRS Form 1099-C, or backup withholding data, is four calendar years after filing the information return. The issuing location must maintain a copy of information returns or be able to recreate the tax document.

7.6.2.2. Documentation supporting tax-related financial transactions reported in the Component's financial statements needs to be retained in accordance with Volume 1, Chapter 9. The documentation retained must be of sufficient quality to allow an independent third-party, such as an auditor, to confirm the computation of the tax-related transaction posted in the accounting system and reported on the financial statements.

8.0 TAX ON CERTAIN FOREIGN PROCUREMENT PAYMENTS

8.1 Applicability

In accordance with ***Title 26 U.S.C. § 5000C*** and implementing regulations such as ***FAR 29.402-3***, a 2% tax will apply to certain foreign procurement payments, unless one of the exemptions in paragraph 8.3 applies. The inclusion of ***FAR 52.229-12*** in the contract identifies the tax, effective with contracts issued after June 5, 2020 (date of FAR final rule), and requires paying agents to withhold up to 2% of applicable payments.

8.2 Background

Section 301 of the James Zadroga 9/11 Health and Compensation Act of 2010 (***Public Law 111–347***), added section 5000C to the IRC. Title 26 U.S.C. § 5000C, and its implementing regulations at ***26 CFR 1.5000C1 through 1.5000C7***, impose, unless exempted, a 2% excise tax on the amount of a specified Federal procurement payment on any foreign person receiving such payment. Title 26 CFR 1.5000C–1(c) defines the term "specified Federal procurement payment" as any payment made pursuant to a contract with the U.S. Government for goods or services if the goods are manufactured or produced, or the services are provided, in any country that is not a party to an international procurement agreement with the United States.

8.3 Exemptions

Exemptions from the tax may be identified at various stages of the procurement or payment process.

8.3.1. Exemptions Identified Prior to Contract Solicitation. In accordance with FAR 29.402-3, a contracting officer will include the solicitation provision ***FAR 52.229-11***, unless one of the following exceptions applies:

8.3.1.1. Acquisitions using simplified acquisition procedures that do not exceed the simplified acquisition threshold (as defined in ***FAR 2.101***);

8.3.1.2. Emergency acquisitions using the emergency acquisition flexibilities defined in ***FAR 18***;

8.3.1.3. Acquisitions using the unusual and compelling urgency authority per ***FAR 6.302-2***;

8.3.1.4. Contracts with a single individual for personal services that will not exceed the simplified acquisition threshold on an annual calendar year basis for all years of the contract; or

8.3.1.5. Acquisitions if the requiring activity identifies that the requirement is for certain foreign humanitarian assistance contracts.

If one or more exceptions exists, the contracting office will not include the FAR provision in 52.229-11 and clause 52.229-12 in the solicitation and contract, and the tax withholding will not apply to the resulting contractual payments.

8.3.2. Exemptions Identified by the Vendor during Contract Proposal or Invoicing. FAR provision 52.229-11 requires the bidder/offeror to identify whether they are a foreign person/entity. The provision also requires that, if the bidder/offeror is a foreign person/entity, to identify whether they are claiming a full exemption, partial exemption, or no exemption from the tax by submitting an ***IRS Form W-14***, Certificate of Foreign Contracting Party Receiving Federal Procurement Payments.

8.3.2.1 If the vendor claims a full exemption in their offer, they are not required to submit an IRS Form W-14 with each invoice, and the paying agent will not withhold the 2% excise tax. Per FAR clause 52.229-12, if circumstances change during the performance of the contract and the full exemption no longer applies, the vendor is required to notify the contracting officer and begin submitting an IRS Form W-14 with each invoice.

8.3.2.2. If the vendor only claims a partial exemption, or no exemption, from the tax with their offer, then FAR clause 52.229-12 requires the vendor to submit an IRS Form W-14 with each invoice, indicating the amount or percentage of the invoice that is exempt from the tax. The excise tax withholding is applied at the payment level, not at the contract level. The vendor must revise each IRS Form W-14 submission to reflect the exemption (if any) that applies to that particular invoice.

8.3.2.3. If the vendor has only claimed a partial exemption, or no exemption, in their offer, and does not submit an IRS Form W-14 and invoice, the default withholding percentage is 2% for that payment request.

8.4 Withholding Requirements

8.4.1. Unless the vendor has claimed a full exemption as part of their bid/offer, paying agents will withhold the tax from invoices received based on the information provided by the vendor on the IRS Form W-14 accompanying each invoice. This will typically be 2% of the

invoice amount unless the vendor has claimed a partial exemption on the W-14 (e.g., only a portion of the goods were manufactured, or services provided, in a country that has an international procurement agreement or tax treaty with the United States).

8.4.2. Per FAR clause 52.229-12(d), the Government will withhold a full 2% of each payment unless the vendor claims an exemption. If the vendor enters a ratio in line 12 of the IRS Form W-14, the result of line 11 divided by line 10, the Government will withhold from each payment an amount equal to 2% multiplied by the contract ratio. If the vendor marks box 9 of the IRS Form W-14 (rather than completing lines 10 through 12), the vendor must identify and enter the specific exempt and nonexempt amounts in Line 15 of the IRS Form W-14. The Government will then withhold 2% only from the nonexempt amount.

8.4.3. If the vendor has not claimed a full exemption during their offer, and does not provide an IRS Form W-14 with an invoice, the default withholding will be 2% of the invoice amount.

8.5 Responsibilities

8.5.1. Contracting Officer. The contracting officer must identify to the paying agent whether the contractual payments are subject to the 2% Foreign Excise Tax by including the appropriate FAR provisions and clauses (52.229-11 and 52.229-12), as well as identifying in the contract whether the vendor has claimed a full exemption in the original offer/proposal.

8.5.2. Vendor/Payee. The vendor/payee is responsible for submitting an IRS Form W-14 with each payment request if they have identified in their proposal that: 1) they are a foreign person/entity, and 2) they have not claimed a full exemption from the tax in their original offer/bid.

8.5.3. Paying Agent. The paying agent is responsible for the following:

8.5.3.1. Withholding the 2% Foreign Excise Tax in accordance with the IRS Form W-14 that the vendor/payee submits with each payment request;

8.5.3.2. Filing the appropriate reports as identified in paragraph 8.9 to report tax withholdings to the IRS, and;

8.5.3.3. Submitting the withheld funds to the IRS as prescribed in paragraph 8.9.

8.5.4. Acquiring Agency/Paying Agent. Every effort must be made by the acquiring agency and paying agent to identify, withhold, and report applicable tax withholdings to the IRS. However, per IRS guidance, if the acquiring agency fails to withhold the tax, then the foreign contracting party must file a U.S. income tax return and pay the tax due. The acquiring agency, or the paying agent, is not liable for any tax not withheld (see the ***U.S. Government Reporting*** section on the IRS webpage).

8.6 Disputes

In accordance with FAR provision 52.229-11(c), the IRS adjudicates any dispute regarding the imposition and collection of the 26 U.S.C. § 5000C tax because it is a tax matter and not a contract issue. If a vendor disputes a withholding of the 2% Foreign Excise Tax, refer the vendor to the IRS to address the matter.

8.7 Refunds for Over-withholdings

8.7.1. The paying agent may not refund over-withholdings claimed by a vendor. In accordance with 26 CFR 1.5000C-2(e), if the foreign contracting party (payee) discovers that amounts withheld on prior payments exceeded the amount required to satisfy its tax liability under section 5000C, the foreign contracting party may request the acquiring agency to decrease the amount of withholding on future payments for which withholding is required under section 5000C. The request must be in writing, signed under penalties of perjury, contain the amount by which the foreign contracting party requests to increase or decrease future amounts withheld under section 5000C, and explain the reason for the request.

8.7.2. Upon written request, acquiring agencies may decrease the amount of withholding on subsequent payments made to the foreign contracting party that are otherwise subject to withholding under section 5000C, provided that the payment for which the decrease is applied is made on or before the end of the applicable tax year, with respect to the payment for which the over-withholding occurred.

8.8 Payments on Classified Contracts

8.8.1. Payments against classified contracts are subject to the withholding of the 2% Excise Tax. However, an acquiring agency/paying agent must determine if the reporting of such tax/withholdings against classified contracts will compromise national security. If so, the reporting of such information may be scaled back or eliminated.

8.8.2. In accordance with 26 CFR 1.5000C-3(c)(2), an acquiring agency is not required to report information otherwise required by 26 CFR 1.5000C on ***IRS Form 1042-S***, Foreign Person's U.S. Source Income Subject to Withholding, for payments made pursuant to classified or confidential contracts, unless the acquiring agency determines that the information reported on the IRS Form 1042-S does not compromise the safeguarding of classified information or national security.

8.9 Reporting/Submission of Withheld Funding to IRS

The paying agent/office is responsible for filing the following reports and submitting withheld taxes to the IRS.

8.9.1. Reporting

8.9.1.1. ***IRS Form 1042***, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons, is an annual form used to report all/aggregate funds withheld by an acquiring agency. This form must be filed annually by March 15 of the year following payment.

8.9.1.2. IRS Form 1042-S is an annual form, broken down and submitted for each vendor/payee for which tax withholdings have occurred. The form is not required to be prepared/submitted with each deposit made to the IRS because the IRS' ***Electronic Federal Tax Payment System*** has a field for remitters to identify what/who the deposit pertains to.

8.9.1.3. Filing the IRS Form1042-S is only required if withholdings have occurred. If no withholdings have occurred for a particular vendor/payee, regardless of the reason, then no IRS Form 1042-S is required. The reporting requirement ties directly to actual withholding that has occurred.

8.9.1.4. The Gross Income Subject to Withholding to be included on the IRS Form 1042-S is the total of the invoiced amounts which are subject to the tax (it excludes the portions of billings that are exempted based on the vendor's IRS Form W-14). As an example, if the vendor submits an invoice for $500,000, and their attached IRS Form W-14 shows that 50% of the services are exempt because they were provided in a country that has an international tax treaty with the United States, then only 50% of the invoice ($250,000) would be taxed at the 2% rate. Thus, the $250,000 would be reported on the vendor's IRS Form 1042-S at the end of the tax year as Gross Income Subject to Withholding (along with any other taxed invoices the vendor had throughout the year), and $5,000 ($250,000 x 2%) would be withheld from the payment and be reported as Taxes Withheld (along with any other taxes withheld for the vendor throughout the year).

8.9.2. Filing/Submission of Withheld Funds to IRS

8.9.2.1. Funds withheld by paying agents must be submitted/deposited to the IRS via the Electronic Federal Tax Payment System in the timeframes required by 26 CFR 1.5000C-3(b).

8.9.2.2. The frequency of depositing withheld amounts depends on whether the paying agency has other ***26 U.S.C., Chapter 3***, withholding and depositing requirements.

8.9.2.3. If the paying agent does not have any other 26 U.S.C., Chapter 3 withholdings, they will make deposits of the 2% tax withholdings monthly by the 15th of the following month.

8.9.2.4. If the paying agent has other 26 U.S.C., Chapter 3 withholdings, the frequency will depend on the amounts of withholdings that need deposited (weekly, bi-weekly, or monthly).

8.10 Document Retention

The paying agent withholding applicable taxes will retain all documentation supporting the contract payments, and all tax-related information supporting withholdings, in accordance with Volume 1, Chapter 9, Figure 9-1. This includes any documentation supporting the determination of whether to withhold, how much to withhold, and what was actually withheld, such as contracts, invoices, receiving reports, payment/Electronic Funds Transfer information, and the vendor's IRS Forms W-14, 1042, 1042-S, and W-9.

VOLUME 10, CHAPTER 7: "PROMPT PAYMENT ACT"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated November 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision

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CHAPTER 7

PROMPT PAYMENT ACT

1.0 GENERAL

1.1 Purpose

This chapter prescribes the financial management policy for payments to vendors and contractors and primarily focuses on timely payment, determination of appropriate due dates, penalty for late payment, required documentation, receipt dates, acceptance dates, and payment discounts. Paragraph 2.2 lists exemptions to this policy.

1.2 Authoritative Guidance

The policies prescribed throughout this chapter pertaining to prompt payment are based primarily upon the Prompt Payment Act (PPA), ***Title 31, United States Code (U.S.C.), Chapter 39***, as implemented under ***Title 5, Code of Federal Regulations (CFR), part 1315***. Acquisition policy implementing the PPA provisions at 5 CFR 1315 is in the Federal Acquisition Regulation ***(FAR) 32.9***, and the Defense Federal Acquisition Regulation Supplement ***(DFARS) 232.9***. The Office of Management and Budget ***(OMB) Circular A-130, Appendix II***, prescribes the use of electronic processes and digital signatures whenever it is possible and in the best interest of the Government. Policies pertaining to timely payment have been revised by the National Defense Authorization Act ***(NDAA) Fiscal Year (FY) 2022 Section 814*** and ***(NDAA) Fiscal Year (FY) 2021 Section 815***, as presented in subparagraphs 2.6.3 and 2.6.4.

2.0 PROMPT PAYMENT ACT POLICY

2.1 Application

The payment terms ordinarily imposed by contract, or the PPA and its implementing regulations, may be replaced by the payment terms imposed by another governmental authority. For the purposes of this chapter, days refer to calendar days unless stated differently. The PPA applies to the following, unless these payments meet one of the exemptions in paragraph 2.2:

2.1.1. Procurement Contracts. All payments for contracts for the procurement of goods or services;

2.1.2. Vendor Payments. All vendor payments and payments to persons, organizations, or business concerns engaged in a profession, trade, or business and any not-for-profit entity operating as a vendor; and

2.1.3. Utility Payments. All utility payments, including payments for telephone service, are subject to the PPA. Where state, local, or foreign authorities impose generally applicable late

payment rates for utility payments, those rates must take precedence, and thus, PPA interest rates will not apply.

2.2 Exemptions

2.2.1. In accordance with ***5 CFR 1315.1(a)(1)(ii)*** and 5 CFR 1315.1(b)(1), the following payments are exempt from the PPA:

2.2.1.1. Payments directed by military authority exercised in the field in time of war or in occupied territory as stated in ***5 U.S.C. § 551(1)(G)***; and

2.2.1.2. Contract financing payments, as defined in ***5 CFR 1315.2(h)***.

2.2.2. In accordance with 5 CFR 1315.1(b)(2), the following payments are exempt from the PPA:

2.2.2.1. Payments related to declared states of emergency directing any federal agency to utilize its resources in support of federal, state, and local disaster assistance efforts, as defined in the ***Robert T. Stafford Disaster Relief and Emergency Assistance Act***;

2.2.2.2. Payments related to the release, or threatened release, of hazardous substances, as defined in ***42 U.S.C. § 9601***; and

2.2.2.3. Certain payments related to military contingency operations, as defined in ***10 U.S.C. § 101(a)(13)***.

2.2.3. DFARS 232.901 defines conditions where emergencies or contingency operations affecting normal business processes will dictate a determination to exempt payments from FAR 32.9 requirements. This determination, and all subsequent determinations, will be clarified by the specific clause in the individual contract. Chapter 8 contains additional policy on certifying payments made in support of emergencies and contingency operations, a matrix tool to assist certifying officials in identifying the critical data elements, and the documentation necessary for proper certification.

2.3 Required Documentation Type, Function, and Purpose

Before making an invoice and/or interest payment, and in support of future financial audits, DoD Components must ensure that appropriate payment documentation is established and matched. This documentation includes the contract, receipt/acceptance report, and a proper invoice, unless not required by the contract. Subparagraphs 2.3.1 and 2.3.2 identify unique circumstances when an invoice and/or receipt/acceptance report may not be required. Acquisition policy in ***DFARS 232.70*** prescribes DoD policies and procedures for submitting and processing payment requests and receiving reports in electronic form. It also specifies exceptions and prescribes Wide Area Workflow as the accepted electronic form for submission of payment requests and receiving reports. It further permits the use of TRICARE Encounter Data System as the electronic format for receiving reports for rendered health care services. Ensure payment

documentation is retained in accordance with Volume 1, Chapter 9 and is readily available to support future audit efforts. Original payment documentation, and associated supporting documentation, must also be retained in accordance with Chapter 8, paragraph 4.1.

2.3.1. Contract. The contract is an enforceable agreement between the agency and the contractor or vendor that provides the necessary information to support payment of invoices and interest penalties. Contracts must contain the data elements required under ***5 CFR 1315.9(a)*** as part of the payment documentation. If errors exist in a contractual document that affect payment processing, the entitlement office must notify the contracting office to request corrective action. The payment office must not change contract terms. Contract terms may only be changed through a formal modification to the contract.

2.3.2. Proper Invoice. DoD payments must be based on the receipt of a proper invoice, unless an invoice is not required by the contract (e.g., monthly rental payments), and satisfactory contract performance. FAR 32.905(b) provides details on the information required for a proper invoice. As stated in FAR 32.905.b.2, an interim payment request under a cost-reimbursement contract for services constitutes a proper invoice if it includes all of the information required by the contract. Note that payment requests under cost-reimbursement service contracts are deemed proper when they conform to the contract. The office designated by the purchase order, agreement, or contract first to receive and review invoices, hereafter referred to as the designated activity, must immediately annotate the receipt date and review invoices within 7 days after receipt. If an invoice is improper, then the designated activity must return the invoice to the vendor/contractor.

2.3.2.1. Notice of an Improper Invoice. When the designated activity returns an invoice as improper, they must provide details on why the invoice is being returned and why it is improper. The designated activity's request to the vendor/contractor for a corrected invoice must be clearly marked as such. Notification must be within 7 days of receipt of the invoice (5 days for perishable agricultural commodities, dairy products, edible fats or oils, and food products prepared from edible fats and oils; and 3 days for meat, meat food, fish, and seafood products). If a DoD Component fails to provide notification of an improper invoice within the prescribed timeframes, the computation of the payment due date will be affected, in that the number of days allowed for payment of the corrected proper invoice will be reduced by the number of days delayed beyond the allowable invoice return notification requirement. For example, a typical invoice payable in 30 days is returned as improper on the 11th day after receipt, minus 7 days allowed, equaling a 4-day delay and reducing the payment due date of the corrected/resubmitted invoice by 4 days. As a result of the 4-day delay, the corrected invoice is now payable in 26 days upon receipt before interest begins to accrue. In accordance with FAR 32.906(b)(4), if a designated activity erroneously rejects a proper invoice, then the original invoice receipt date will be used to compute the payment due date and any interest penalties due.

2.3.2.2. Delivery Ticket as an Invoice. A delivery ticket may be used as an invoice when allowed by the contract. When used as an invoice, the delivery ticket must contain the information required by FAR 32.905(b) unless otherwise stipulated in the contract.

2.3.3. Receipt and Acceptance Report

2.3.3.1. A receiving report performs two functions. It provides evidence of the date goods are received, and it provides evidence of the date goods or services are accepted. Receiving reports are written or electronic evidence of the receipt of goods or services by a government official. Receiving reports must minimally contain the information stated in FAR 32.905(c) unless otherwise stipulated in the contract.

2.3.3.2. Receipt of goods does not ordinarily provide a basis for payment. Payment must be based upon acceptance of the goods or services as authenticated by the signature of the government official. Acceptance must occur as a condition of payment except in the following instances.

2.3.3.2.1. Interim Payments on Cost-Reimbursement Contracts for Services as Stated in FAR 32.905(c). Contract terms for interim payments may still require receipt and acceptance documentation, or stipulate other related requirements be met before a request for payment for services can be certified and disbursed.

2.3.3.2.2. Contracts Incorporating the "Fast Payment Procedure" Clause at ***FAR 52.213-1***. For contracts with this clause, payment offices may use the contractor's submission of an invoice as certification of the delivery of supplies and as the basis for authorizing payment. Payment of these invoices must be made within 15 days after the receipt of the invoice. Component policies and controls must be in place to follow up after payment to ensure receipt of acceptance documentation for the payment and contract files. The acquisition requirements and rules governing the fast payment procedure are found in ***FAR 13.4*** and ***DFARS 213.4***. Refer to section 7.0 of Chapter 10 for additional fast payment procedure financial management policy.

2.3.3.3. The agency receiving official must forward the receiving report, or other government documentation, to the designated payment office by the 5th working day after government acceptance or approval, unless other arrangements have been made.

2.3.3.4. Government acceptance is commonly deemed to occur constructively on the 7th day after the contractor delivers supplies or performs services in accordance with the terms and conditions of the contract, unless there is a disagreement over quantity, quality, or contractor compliance with a contractual requirement. A longer acceptance period can be specified in the contract, in which case the date of the actual acceptance or the date on which such acceptance period ends will substitute for the commonly applied 7th day after the delivery date (refer to DFARS 232.904). The date on which the designated acceptance period ends is referred to as the constructive acceptance date. Constructive acceptance is used to calculate PPA interest and applies to both destination acceptance and source acceptance contract terms. Regardless, government proof of acceptance must be forwarded to the designated payment office.

2.3.3.4.1. If actual acceptance occurs within the constructive acceptance period, the determination of any interest penalty must be based on the actual date of acceptance.

2.3.3.4.2. If actual acceptance occurs after the constructive acceptance period, the determination of any interest penalty must be based on the constructive acceptance date.

2.3.3.4.3. The constructive acceptance requirement does not compel DoD Components to accept supplies or services or make payment prior to fulfilling their designated responsibilities and internal control activities.

2.3.4. Follow up for Required Documents. If payments cannot be made due to the non-receipt of receiving reports, copies of contracts, contract modifications, or other required documentation, the entitlement office will follow up with the contracting or receiving office to ensure these documents are forwarded in a timely manner. These follow-up requests should be made in time to prevent the possible loss of economically justified discounts (if possible) and avoid the unnecessary payment of late payment interest penalties.

2.3.5. Emergency and Contingency Operations. When authorized, the head of the contracting activity of an operational area, in consultation with the cognizant comptroller supporting their contracting activity, will make the determination of whether a contract and related payment will be subject to the requirements of FAR 32.9 and include the applicable payment clause in the contract.

2.3.5.1. For payments that have been determined to be exempt from FAR 32.9, certifying officers involved in supporting contingency operations may use Appendix 1 of Chapter 8 to identify the documents and information needed to ensure the entitlement to payment is valid prior to certification. Certification guidelines for these payments are contained in paragraph 7.6 of Chapter 8.

2.3.5.2. For payments that are subject to the requirements of FAR 32.9, PPA interest payments will be made only as specified in the contract clause.

2.3.6. Progress Payments on Construction Contracts. Progress payments may be made if the payment request meets the requirements specified in the contract clause ***FAR 52.232-5(b)*** and any other applicable terms of the contract. These payments are made monthly, or at more frequent intervals, as determined by the contracting officer. According to FAR 52.232-5(d), payment of any portion, or all, of a certified request for progress payment that fails to conform to the specifications, terms, and conditions of the contract is referred to as an "unearned amount." FAR 52.232-5(d) also requires that if the contractor, after being paid upon submitting a certified request for progress payment, discovers that a portion, or all of such payment, involves an unearned amount, the contractor is then obligated to notify the contracting officer of the performance deficiency and is required to pay DoD interest on any unearned amount from the 8th day after the date of receipt of the unearned amount until:

2.3.6.1. The date the contractor notifies the contracting officer that the performance deficiency has been corrected; or

2.3.6.2. The date the contractor reduces the amount of any subsequently certified request for progress payment by an amount equal to the unearned amount.

2.3.7. Payment for Partial Deliveries on Fixed-Priced Supply, Fixed-Priced Services, or Non-Regulated Communication Service Contracts. FAR 32.906(c) instructs contracting officers, if the nature of the work permits, to write contract statements of work and pricing arrangements that allow contractors to deliver supplies or services and receive invoice payments for discrete portions of the work as soon as completed and found acceptable by the Government. The inclusion of the payment clause at FAR 52.232-1 in the contract, unless specifically prohibited elsewhere in the contract, allows the contractor to be paid for accepted partial deliveries of supplies or partial performance of services that comply with all applicable contract requirements, and for which prices can be calculated from the contract terms. The contract clause may stipulate additional payment requirements; however, a proper invoice and documentation of government receipt and acceptance are required before the payment can be made.

2.4 Determining the Invoice Receipt Date

The date the contractor's invoice or payment request is received must be recorded on the invoice immediately upon receipt by the billing office designated in the contract to receive the invoice. This annotation must be clearly identifiable to the designated activity that will be processing the payment. The receipt date is an integral part of determining the payment due date, the date by which an improper invoice must be returned, and the date on which interest will begin to accrue if a payment is late. If the designated activity fails to annotate the receipt date, then the invoice receipt date is the date placed on the invoice by the contractor. For invoices electronically transmitted, the invoice received date is the date a readable transmission is received by the designated activity, or the next business day if received after normal working hours. For invoices that are made electronically available in feeder systems such as the Government purchase card bank system or the transportation Third Party Payment System, the invoice receipt date is the date on which the invoice is made available to the DoD, versus when invoices are transmitted to the entitlement office (Chapter 23, paragraph 5.6).

2.5 Determining the Payment Due Date

For payments subject to the requirements of FAR 32.9, the payment due date is the date on which payment must be made to avoid paying PPA interest.

2.5.1. If the payment due date is not specified in the contract, the date by which a proper invoice must be paid is the later of:

2.5.1.1. Thirty days after the date on which the designated activity receives the proper invoice; or

2.5.1.2. Thirty days after government acceptance of supplies delivered, services performed, or the applicable date of constructive acceptance, whichever is earlier.

2.5.2. An example of applying subparagraph 2.5.1 in determining the payment due date is as follows: Supplies are received on April 20th and accepted on April 29th, and a proper invoice is received on May 1st. The payment period will begin by using the later date of when a proper invoice is received (May 1st), or the constructive acceptance date (April 27th, which is the 7th day after receipt). In this example, the payment period begins on May 1st and ends 30 days later on May 31st. The interest penalty begins accruing on June 1st. Refer to FAR 32.904 for additional policy on determining the payment due date.

2.5.3. A contract modification may be required in order to determine when a payment is to be made (the payment due date), e.g., an award fee. If a payment cannot be entitled without a contract modification, the payment clock will start with the effective date of the modification.

2.5.4. If the contract does not require an invoice, then the due date is the date designated in the contract (FAR 32.904(b)(2)).

2.6 Timely Payment

The PPA requires both timely and proper cash management of government resources. DoD will make payments no more than 7 days prior to the payment due date, but as close to the due date as possible, unless the Secretary of Defense or designee has determined, on a case-by-case basis for specific payments, that earlier payment is necessary (FAR 32.906). This authority must be used cautiously, weighing the benefits of making a payment early against good stewardship inherent in effective cash management practices (***5 CFR 1315.4(j)***).

2.6.1. When the conditions in ***5 CFR 1315.5*** are met, a DoD Component may use an accelerated payment method.

2.6.2. For interim payments under cost-reimbursement service contracts, DoD may make payments at the standard due date of 14 days after the receipt of a proper invoice (DFARS 232.906(a)(i)) when the contract specifies the use of FAR 52.232-25, Alternate I. For purposes of computing late payment interest penalties that may apply, the due date for payment is the 30th day after the designated billing office receives a proper invoice (refer to FAR 52.232-25).

2.6.3. In accordance with ***10 U.S.C. § 3801(b)(1)*** and NDAA FY 2021 Section 815, for a prime contractor that is a small business concern, DoD must, to the fullest extent permitted by law, establish an accelerated payment date with a goal of 15 days after receipt of a proper invoice for the amount due.

2.6.4. In accordance with 10 U.S.C. § 3801 (b)(2) and NDAA FY 2022 Section 814, for a prime contractor that subcontracts with a small business concern, DoD must, to the fullest extent permitted by law, establish an accelerated payment date with a goal of 15 days after receipt of a proper invoice for the amount due if the prime contractor agrees to make payments to the subcontractor in accordance with the accelerated payment date, to the maximum extent practicable, without any further consideration from or fees charged to the subcontractor.

2.6.5. Payment is considered to be made on the date printed on the check, or on the Electronic Funds Transfer (EFT) settlement date. In order to avoid late payment interest fees, the EFT settlement date (the date funds are credited to the vendor's financial institution) must be no later than the calculated due date.

2.6.6. Checks will be mailed or transmitted on the same day the check is dated.

2.6.7. Payments due (including discount periods) on Saturday, Sunday, or legal holidays may be paid on Monday, or the next working day, without interest; however, this does not change the official payment due date as specified in paragraph 2.5.

2.7 Discounts

If a vendor/contractor offers a DoD Component a discount, whether stipulated in the contract or offered on an invoice, the Component should take the discount if economically justified, but only after acceptance has occurred.

2.7.1. When a discount is taken, payment will be made as close as possible to, but no later than, the discount date.

2.7.2. The ***Bureau of the Fiscal Service's website*** contains a discount calculator to assist in determining whether the discount is economically justified.

2.7.3. In accordance with FAR 32.907(b), if a DoD Component takes the discount after the deadline, an interest penalty on any amount remaining unpaid will be due.

2.7.4. Refer to Chapter 2 for additional financial management policy concerning discounts.

2.8 Interest Penalties

When DoD Components fail to make payment by the payment due date, interest accrues from the day after the payment due date through the payment date.

2.8.1. Automatic Interest. In accordance with FAR 32.907(a), the designated payment office will pay an interest penalty automatically, without request from the contractor, when all of the following conditions, if applicable, have been met:

2.8.1.1. The designated billing office received a proper invoice;

2.8.1.2. The Government processed a receiving report or other government documentation authorizing payment, and there was no disagreement over quantity, quality, or contractor compliance with any contractual requirement;

2.8.1.3. In the case of a final invoice, the payment amount is not subject to further contract settlement actions between the Government and the contractor;

2.8.1.4. The designated payment office paid the contractor after the due date; and

2.8.1.5. In the case of interim payments on cost-reimbursement contracts for services, when payment is made more than 30 days after the designated billing office receives a proper invoice.

2.8.2. Incorrect Banking Information. If the vendor/contractor provides incorrect banking information, then interest does not begin to accrue until 7 days after the correct information is received (provided the vendor has been given notice of the incorrect banking information within 7 days after the agency is notified that the information is incorrect). Refer to ***5 CFR 1315.10*** for additional regulations.

2.8.3. Late Payment. Interest will be accompanied with a notice stating the amount of the interest penalty, the number of days late, and the rate used (5 CFR 1315.10(b)(2)).

2.8.4. Interest Penalty Requirements. The specific interest rate will be applied to the total penalty period (maximum 1 year interest) regardless of whether the interest period carries over into different interest rate periods. No further interest will accrue after 1 year beyond the original due date or after the contractor files a claim for such penalties under the Contract Disputes Act of 1978 (5 CFR 1315.10(a)(5)). Interest calculations are to be based on a 360-day year.

2.8.5. Additional Penalties. Vendors/contractors may be entitled to an additional penalty payment when the vendor/contractor is owed a late payment interest penalty by DoD of $1.00 or more, the contractor receives a contract payment dated after the due date that does not include the interest penalty also due, and the interest penalty is not paid within 10 days after the actual contract payment date (***5 CFR 1315.11***). The vendor/contractor entitlement to additional penalties is also dependent upon, among other things, its timely submission of a claim for the additional penalty. For further information on additional penalties, refer to 5 CFR 1315.11 and FAR 32.907(c).

2.8.6. Interest Penalties Due Under Construction Contracts. Title ***5 CFR 1315.14(c)*** provides for interest penalties to be paid on payments under construction contracts when a progress payment request has been approved as payable by the designated agency office, and remains unpaid for a period of more than 14 days, or longer if specified in the contract, after receipt of the payment request by the designated agency office. Interest penalties may also be applicable to final payments, based on completion and acceptance of work, and payments for partial performance that has been accepted by the agency. Refer to 5 CFR 1315.14 for additional details on payments and interest penalties under construction contracts.

2.8.7. Exceptions to Interest Penalties Due. Title 5 CFR 1315.10(c) identifies exceptions to when interest penalties are due. These exceptions generally include instances such as when interest penalties due are less than $1.00, the contractor provided incorrect EFT information, payments are solely for financing purposes, or contract payments are delayed due to disputes between the Government and contractor over the payment amount or compliance with the terms of the contract. More detailed information regarding these, and other exceptions, is contained in 5 CFR 1315.10(c).

2.8.8. Computation of Interest Penalties. The Government will compute interest penalties in accordance with the OMB prompt payment regulations at 5 CFR 1315.10 and FAR 32.907. The Bureau of the Fiscal Service website contains both a simple daily interest calculator and a monthly compounding interest calculator to assist in interest calculations.

2.9 Interest Payment Funding

DoD will pay any late payment interest penalties from either the funds available for the administration of the program for which the penalty was incurred (refer to 5 CFR 1315.10(b)(5)), or from funds financing the operation of the Military Department or Defense Agency with which the invoice or contract payment is associated (refer to ***31 U.S.C. § 3902***). All interest payments will be charged to the fiscal year(s) in which they accrue. If the interest is accrued at the end of the fiscal year, but not paid until the beginning of the next fiscal year, the prior year's funds will be cited. If interest is accrued at the end of the fiscal year, and additional interest is accrued in the new fiscal year, the total interest penalty will be funded citing each respective fiscal year's funds where the interest was accrued, thus ensuring the interest fund cite represents the bona fide need of the year in which the obligation arises. If the appropriation to which the interest would otherwise be charged is cancelled, the appropriation current on the date of payment will be charged pursuant to ***31 U.S.C. § 1553 (b)(1)***.

2.9.1. Entitlement offices are required to maintain detailed records in support of their determinations, and are to make these records available upon request of any activity determined to have caused a late payment.

2.9.2. A contractor may waive interest entitlement by returning the amount of interest paid by separate check or by returning the government check and requesting payment only in the amount invoiced. In addition to returning interest penalties already received, a contractor may waive their right to PPA interest by either express written statement or by acts and conduct which indicate intent to waive. All requests made in writing must be submitted to the applicable payment office established in the contract, be specific to each invoice/payment, and be for interest that is already earned/accrued. A contractor may not request a waiver of interest for potential interest not yet accrued, or a blanket waiver for a group of contracts/invoices. Interest waiver request documentation must be retained with payment supporting documentation.

2.9.3. Interest retained or waived is collected as a refund to the appropriation originally cited for the payment of interest. All refunds of interest or penalties from contractors will be credited to the same line of accounting classification (including fiscal year) that was charged at the time interest was paid. If the appropriation is cancelled or closed, then refunds will be applied to Miscellaneous Receipts of the U.S. Department of the Treasury.

2.9.4. The Foreign Military Sales (FMS) Trust Fund will fund late payment interest penalties pertaining to procurements financed by a FMS contract. Refer to Volume 15, Chapter 7 for additional information concerning FMS pricing.

VOLUME 10, CHAPTER 8: "COMMERCIAL PAYMENT VOUCHERS AND SUPPORTING DOCUMENTATION"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

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The previous version dated April 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
2.11	Added policy concerning the identification of the appropriate contract payment office in accordance with the joint Deputy Under Secretary of Defense for Acquisition and Sustainment and Deputy Under Secretary of Defense, Comptroller policy memorandum, dated November 8, 2023.	Addition

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CHAPTER 8

COMMERCIAL PAYMENT VOUCHERS AND SUPPORTING DOCUMENTS

1.0 GENERAL

1.1 Overview

Commercial payment vouchers, and the related processing requirements addressed in this chapter, apply to payments made to contractors and vendors (used interchangeably throughout the chapter) as part of the contract and vendor payment environments covered by the Federal Acquisition Regulation (***FAR***), Defense Federal Acquisition Regulation Supplement (***DFARS***), and other authorities identified in paragraph 1.3. The preparation and certification of a payment voucher by the entitlement office based on the proper supporting documentation, as well as those externally certified, advises the disbursing officer (DO) that the legal and contractual conditions for payment have been met.

1.2 Purpose

This chapter prescribes policy for the entitlement and preparation of commercial payment vouchers and the documentation required to support the payment vouchers. It also identifies the forms most often used for contracts, receiving reports, and vouchers; the document retention requirements; and the related electronic submission and processing requirements.

1.3 Authoritative Guidance

The policies prescribed throughout this chapter pertaining to the entitlement and preparation of commercial payment vouchers, including supporting documentation, are based primarily upon the FAR Parts 13, 16, 32, 43, and 52; FAR Subparts 2.1, 4.1, 4.5, and 4.9; the DFARS Parts 204, 213, 225, 232, 243, and 252; Titles 15, 31, and 41 of the United States Code (U.S.C.); and Titles 5 and 31 of the Code of Federal Regulations (CFR).

2.0 POLICIES AND REQUIREMENTS

2.1 Federal Acquisition Regulation (FAR)

Title 41, U.S.C., Section 1302 establishes the Federal Acquisition Regulatory Council. Pursuant to ***41 U.S.C. § 1303***, the Council issues and maintains a single Government-wide procurement regulation known as the FAR. The FAR is the primary regulation used by all Federal executive agencies for the acquisition of supplies and services with appropriated funds.

2.1.1. ***FAR 4.5*** provides policy for the establishment and use of electronic commerce in federal acquisition as required by ***41 U.S.C. § 2301***.

2.1.2. ***FAR 32.11*** requires contract financing and delivery payments to contractors be made by Electronic Funds Transfer (EFT). FAR 32.1103 and ***31 CFR 208.4*** prescribe limited exceptions

to the EFT requirement. Volume 5, Chapter 11 provides additional EFT policy information concerning disbursements and collections.

2.2 Defense Federal Acquisition Regulation Supplement (DFARS)

The DoD implementation and supplementation of the FAR is issued in the DFARS.

2.2.1. ***DFARS subpart 232.70*** prescribes DoD acquisition policies requiring the submission and processing of contractor payment requests and receiving reports in electronic form to comply with ***10 U.S.C. § 4601***.

2.2.2. Acceptable electronic submission forms prescribed in DFARS 232.7002(b)(1) include, but are not limited to:

2.2.2.1. The Wide Area Workflow (WAWF) module within the Procurement Integrated Enterprise Environment (PIEE);

2.2.2.2. DoD-approved electronic third-party payment systems, or other exempted vendor payment/invoicing systems, which have been determined to be acceptable for commercial transportation services provided under a government rate tender or contract for transportation services; and

2.2.2.3. TRICARE Encounter Data System for rendered health care services.

2.3 Prompt Payment Act (PPA)

The PPA (***31 U.S.C. Chapter 39*** and ***5 CFR Part 1315***) requires DoD Components to pay their bills on time and pay interest penalties when payments are made late. Regulations promulgated under the PPA state that federal agencies should take discounts only when payments are made by the discount date and the discount is economically justified. Refer to Chapter 7 for additional policy specific to the PPA.

2.4 Payment Prevalidation

Public Law 104-61 Sec. 8102, DoD Appropriations Act, 1996, requires certain disbursements be matched to a particular obligation before the disbursement is made (prevalidation). Refer to Chapter 1, section 3.0, for additional policy specific to prevalidation.

2.5 Requirements for Disbursing Transactions

Volume 5, Chapter 9 prescribes policy and requirements pertaining to disbursing transactions. Additionally, the Treasury Financial Manual ***(TFM), Volume 1, Part 4*** prescribes requirements for disbursing payment vouchers.

2.6 Payment Certification Requirements

Title ***31 U.S.C. § 3325*** authorizes a DO to disburse money only when provided a voucher certified by a properly appointed certifying officer.

2.6.1. Certifying officers are individuals designated in writing (appointed) who are required to perform their duties in accordance with Volume 5, Chapter 5. DoD Directive ***(DoDD) 5118.03*** delegates authority to appoint certifying officers under 31 U.S.C. § 3325(a)(1) and (b), to the Under Secretary of Defense (Comptroller). Refer to Volume 5, Chapter 5 for additional policy concerning re-delegation authority.

2.6.2. All certifying officers must be appointed using a DoD ***(DD) Form 577***, Appointment/Termination Record-Authorized Signature. As prescribed by Volume 5, Chapter 5, certifying officers who certify electronic vouchers must submit an electronic DD 577. Certifying officers who certify manual vouchers, or submit manual certifications of electronic payments, must submit an original, manually-signed DD 577. By certifying a voucher, the certifying officer attests that the payment is legal, correct, and proper. As prescribed by ***31 U.S.C. § 3528*** and Volume 5, Chapter 5, certifying officers are pecuniarily liable for payments they certify that do not meet these requirements. For specific policy related to the successive certification of an externally-certified voucher received by the payment office, refer to Volume 5, Chapter 5, section 5.4.

2.6.3. The Secretary of Defense has delegated authority to the Director, Defense Finance and Accounting Service, or designee, to make the required determinations and grant or deny relief on all requests for relief of liability. Refer to Volume 5, Chapter 6, section 7.0 for policy regarding decisions of liability.

2.7 Taxpayer Identification Number (TIN)

Title ***31 U.S.C. § 7701(c)*** requires all payees, subject to the U.S. Internal Revenue Code, doing business with the DoD to furnish their TIN (which may be a Social Security Number (SSN) for individuals). Payments are not to be authorized without a TIN or SSN on record for required payees (***FAR 4.902***).

2.8 System for Award Management (SAM)

In accordance with ***FAR 4.11***, contractors and vendors doing business with the Federal Government must register in ***SAM***, except as noted in FAR 4.1102**.** Contractors and vendors are responsible for keeping all SAM information current.

2.9 Electronic and Digital Signatures

Title ***15 U.S.C. § 7001*** authorizes DoD to use electronic and digital signatures. Volume 5, Chapter 1, subparagraph 3.5.3 prescribes the minimum requirements for electronic and digital signatures.

2.10 Contract Payments Using the Government Purchase Card (GPC)

The ***FAR 13.301*** authorizes the use of the GPC to make payments on contracts.

2.10.1. Pursuant to ***FAR 32.1110(d)***, contracting officers must insert the clause at ***FAR 52.232-36***, Payment by Third Party, if payment under a written contract will be made by a charge to a government account with a third party such as a Government-wide commercial purchase card. However, pursuant to ***FAR 32.1108(b)(1)***, payment by a purchase card may also be made under a contract that does not contain the clause to the extent the contractor agrees to accept that method of payment.

2.10.2. When it is contemplated that the Government-wide commercial purchase card will be used as the method of payment, and the contract or order is above the micro-purchase threshold, contracting officers are required to verify (by reviewing the SAM) whether the contractor has any delinquent debt, subject to collection under the Treasury Offset Program (TOP), prior to order placement and contract award. In accordance with FAR 32.1108(b)(2)(ii), contracting officers must not authorize the Government-wide commercial purchase card as a method of payment during any period the SAM indicates that the contractor has delinquent debt subject to collection under the TOP.

2.10.3. The Department of Defense ***Government Charge Card Guidebook*** for Establishing and Managing Purchase, Travel, and Fuel Card Programs provides additional policy and procedures pertaining to the uses and limitations of the GPC in paying contracts.

*2.11 Payment Office Identification

2.11.1 Designating the payment office best suited to perform entitlement activities for FAR-based contracts and Other Transactions (OT) for Prototype and Production is of critical importance for both the acquisition and financial management communities. Payment offices are aligned to entitlement systems via the payment office DoD Activity Address Code (DoDAAC). Contracting and Agreements Officers determine which payment office DoDAAC goes on a contract or OT, and therefore which entitlement system performs the entitlement.

2.11.2 Each DoD entitlement system is capable of handling varying degrees of complexity. The Mechanization of Contract Administration Services (MOCAS) system is capable of handling the most complex contracting and payment situations that may arise (i.e., financing payments, withholds, foreign currencies, and complex contract types and structures.) The Component's Enterprise Resource Planning (ERP) systems are often capable of processing payments for less complex awards in a more efficient, accurate, and less-costly manner. Due to the improved accuracy and lower cost for manual intervention, the Component's ERPs should be used as the payment office except in cases where the contract's complexity requires another alternative such as MOCAS. See the joint Deputy Under Secretary of Defense for Acquisition and Sustainment and Deputy Under Secretary of Defense, Comptroller ***policy memorandum*** for more information.

3.0 SUPPORTING DOCUMENTS REQUIRED TO PROCESS PAYMENTS

As part of entitling and certifying a payment, DoD Components must ensure that appropriate payment documentation is established and retained to support payment of invoices and interest penalties. This documentation normally includes the contract/purchase order, receipt/acceptance report, and a proper invoice. Refer to ***5 CFR 1315.9*** for additional information on required documentation. Paragraph 3.3 defines the exceptions in which receiving reports are not required prior to payment.

3.1 Follow-up for Required Documents

If the entitlement and certification of contractor/vendor invoices cannot be accomplished due to the non-receipt of receiving reports, copies of contracts, contract modifications, or other required documentation, the entitlement office must follow up with the contracting or receiving office to ensure that these documents are forwarded in a timely manner. The entitlement office, contracting office, and receiving activity must address these actions timely to prevent the potential loss of economically justified discounts and to avoid the unnecessary payment of late payment interest penalties.

3.2 Contract

3.2.1. Definition. As defined by ***FAR 2.101***, a contract is a mutually-binding, legal relationship obligating the seller to furnish the supplies or services (including construction) and the buyer to pay for them. Contracts must contain the information prescribed by 5 CFR 1315.9(a) in order to support payment of contractor/vendor invoices. If the entitlement office discovers an error in a contractual document, they must notify the contracting office to request corrective action. The entitlement office may not change contract terms. Contract terms may only be changed through a formal modification to the contract. FAR 4.5 requires the use of electronic commerce in Federal acquisition whenever practicable or cost effective.

3.2.2. Contract Types. ***FAR 16*** describes the types of contracts that may be used in acquisitions.

3.2.3. Contract Clauses. ***FAR 52*** and ***DFARS 252*** contain:

3.2.3.1. Instructions for using provisions and clauses in contracts, and

3.2.3.2. Contract clauses prescribed in specific FAR and DFARS provisions.

3.2.4. Contract Award. Forms commonly used for contract award include, but are not limited to:

3.2.4.1. ***Standard Form (SF) 26, Award/Contract***;

3.2.4.2. ***SF 33, Solicitation, Offer, and Award***;

3.2.4.3. ***SF 44, U.S. Government Purchase Order - Invoice - Voucher***;

3.2.4.4. ***SF 1449, Solicitation/Contract/Order for Commercial Items***;

3.2.4.5. ***DD 1155, Order for Supplies or Services***;

3.2.4.6. ***SF 1442, Solicitation, Offer, and Award*** (Construction, Alteration or Repair); and

3.2.4.7. ***Optional Form 307, Contract Award***.

3.2.5. Contract Modifications

3.2.5.1. ***FAR 43*** and ***DFARS 243.2*** contain the policy and requirements for preparing and processing contract modifications.

3.2.5.2. ***SF 30, Amendment of Solicitation/Modification of Contract*** is a form that may be used for contract modifications.

3.2.6. Contract Distribution. ***FAR 4.201*** and ***DFARS 204.201*** prescribe distribution procedures for contracts and contract modifications that include the requirement to make distribution to the appropriate accounting and payment offices.

3.3 Receiving Report

3.3.1. Definition. As defined by FAR 2.101, a receiving report is written evidence documenting the government's acceptance of supplies delivered or services performed.

3.3.1.1. Acceptance must occur as a condition of payment in all cases except contract financing payments, interim payments on cost-reimbursement contracts for the acquisition of services, and use of the fast payment procedure as defined in Chapter 10, section 7.0. These requirements for payment processing do not negate the documentation requirements established in Volume 4, Chapter 9, section 2.2.

3.3.1.2. As stated in ***DFARS 232.7002***, contractors must submit payment requests and receiving reports in electronic form. DFARS 232.7002(b)(1) identifies the acceptable electronic submission forms, which includes the WAWF module of the PIEE (or other limited authorized electronic means as indicated in DFARS 232.7002(b)(1)(i)). The WAWF module of PIEE, Enterprise Resource Planning systems, and third-party payment systems accomplish electronic receipt and acceptance of materials or services with the use of an electronic signature.

3.3.2. Forms. If approved by the contracting officer and stated in the contract, non-electronic forms that may be used as a receiving report include, but are not limited to the following:

3.3.2.1. ***DD 250, Material Inspection and Receiving Report***. The form used for documenting receipt and acceptance of goods and services is the DD 250. The ***DFARS, Appendix F, Part 3*** contains preparation instructions for the DD 250;

3.3.2.2. DD 1155. The verification of receipt by an authorized government representative constitutes a valid receiving report;

3.3.2.3. SF 44. General procedural instructions governing the form's use are printed on the form and on the inside front cover of each book of forms. For additional policy, including conditions that must be satisfied in order to use the SF 44, see paragraph 7.4;

3.3.2.4. Bill of Lading. In accordance with ***FAR 47.302(c)(2)***, when the government accepts title of supplies at origin, and the contract specifies transportation terms of free on board to destination (contractor bears the expense of transportation), the contractor may be paid upon acceptance of title at origin, provided the invoice is supported by a copy of a signed commercial bill of lading or other document containing the carrier's signature, indicating the goods were received by the carrier. If the contractor fails to provide this documentation, return the invoice to the contractor as an improper invoice; or

3.3.2.5. SF 1449. The SF 1449 is prescribed for use in solicitations and contracts for commercial items.

3.3.3. Follow-up for Receiving Report. If payment cannot be made due to non-receipt of a receiving report, the entitlement office must follow up with the contracting officer and/or receiving office to ensure the documentation is forwarded in a timely manner.

3.3.4. Receiving Report Not Required. In certain situations, such as contract financing and the fast payment procedure, a receiving report may not be required prior to payment.

3.3.4.1. Contract Financing Payments. As defined in ***5 CFR 1315.2(h)***, contract financing payments provide for an authorized disbursement of monies prior to acceptance of goods or services.

3.3.4.1.1. As defined by ***FAR 32.001***, contract financing payments include advance payments, progress payments based on cost, progress payments (other than under construction contracts) based on a percentage or stage of completion, performance-based payments, and interim payments on cost-type contracts (other than under cost-reimbursement contracts for the acquisition of services). ***Title 5, CFR 1315.4(d) and (e)*** provide for an exception, whereby interim payments under a cost-reimbursement service contract are treated like contract financing payments in that they are also excluded from requiring a receiving report and acceptance prior to payment authorization.

3.3.4.1.2. Contract financing payments do not include invoice payments, payments for partial deliveries, lease and rental payments, progress payments under construction contracts based on a percentage or stage of completion, or interim payments under cost-reimbursement service contracts.

3.3.4.2. Contracts Incorporating the Fast Payment Procedure. Use of the fast payment procedure allows payment prior to verification that supplies have been received and accepted under the limited conditions listed in ***FAR 13.402*** and ***DFARS 213.402***. Refer to Chapter 10, section 7.0 for additional fast payment procedure policy.

3.3.5. Variation in Quantity. Quantity variations in contracts may be authorized for both supply contracts and construction contracts as cited in ***FAR 11.7***. Variations result when total quantities delivered for a line item deviate from contracted quantities. The contract will cite permissible variations as a percentage of contracted quantity and may be defined as an increase, a decrease, or a combination of both (e.g., plus or minus 10% variance).

3.3.5.1. When a shipment is short of the quantity ordered, the entitlement office will pay, in compliance with the PPA (5 CFR 1315), the amount of the invoice that supports the quantity received and accepted, unless specifically prohibited by the contract.

3.3.5.2. When the receiving report or invoice indicates that the shipment is final, but there are undelivered items remaining per the contract terms, the entitlement office will pay, in compliance with the PPA (5 CFR 1315) and the variation authorized in the contract, the amount of the invoice that supports the quantity received and accepted. The entitlement office must also collaborate with the contracting officer, as needed, to advise and assist in resolving the differences.

3.4 Invoice

3.4.1. Definition. As defined by FAR 2.101, an invoice is a contractor/vendor's bill, or written request for payment under the contract, for supplies delivered or services performed. In accordance with DFARS 232.70, contractors/vendors, with few exceptions (refer to DFARS 232.7002(a)), are required to invoice electronically using the WAWF module of the PIEE.

3.4.2. Submission Requirements

3.4.2.1. When using contracting officer approved/designated electronic techniques for submission of invoices and electronically certified vouchers, it is not necessary to transfer paper documentation to the payment office for examination if the same supporting data are readily available and accessible in electronic media or through an electronic process.

3.4.2.2. The certifying officer must further ensure that the transmitted data relied upon in entitling and certifying a payment contains the necessary PPA information required by 5 CFR 1315.9 and ***FAR 32.905(b)***. As prescribed by Chapter 1, section 2.0, processes, controls, and routine testing must be established to ensure the completeness, accuracy, authorization, and validity of the electronic data received via system interfaces/transmission.

3.4.2.3. When contractors/vendors are permitted to invoice in a non-electronic manner, they may submit invoices on any type of form, provided all required items of a proper invoice are included on the document, unless their contract prescribes a specific form of invoicing.

3.4.3. Proper Invoice. DoD payments must be based on satisfactory contract performance and the receipt of a proper invoice, unless an invoice is not required by the contract (e.g., monthly rental payments). Title 5, CFR 1315.9(b)(1) and FAR 32.905(b) identify the items that must be included on a proper invoice.

3.4.4. Improper Invoice. If an invoice is improper, or does not meet the contract requirements prescribed by FAR 32.905(b), then the designated activity must return the invoice to the contractor/vendor and provide all details regarding invoice deficiencies.

3.4.4.1. An invoice must be returned as improper if the entitlement office has not been provided a valid TIN for any designated payee subject to the U.S. Internal Revenue Code. If the TIN is not in the SAM, Corporate Electronic Funds Transfer, or within the supporting documentation (to include the invoice or contract), then the contracting officer must provide the contractor's TIN to the appropriate payment office (***FAR 4.203(e)(2)***).

3.4.4.2. An electronically-transmitted payment request is treated the same as a paper payment request and must contain identical data elements as a proper, paper payment request (FAR 32.905(b)). Electronically-transmitted payment requests that are returned to the contractor will be returned in the same manner that they were received, or in a manner practical for the entitlement system. An electronic message reporting the reason for the return must accompany the returned electronically-transmitted payment request.

3.4.5. Forms. Non-electronic forms that may be used as an invoice, if approved by the contracting officer and included in the contract, include, but are not limited to:

3.4.5.1. DD 250;

3.4.5.2. SF 44;

3.4.5.3. Delivery Ticket, refer to Chapter 7, subparagraph 2.3.2.2; and

3.4.5.4. SF 1449.

3.4.6. Recurrent Payments/Fixed Amounts. Payments for services of a continuing nature (e.g., rents, janitorial services), which are performed under agency-vendor contracts providing for payments of definite amounts at fixed periodic intervals, may be made without submission of invoices or bills by the vendor if allowed by the contract.

3.4.6.1. The contract must specify the payment due date. The voucher prepared by the payment office to support payments of this nature must show, at a minimum, the contract number, the period covered by the payment, the name of the vendor, the amount of the payment, and the account/appropriation to be charged. The payment voucher must be certified for payment the same as the vouchers for all other types of payments.

3.4.6.2. To comply with ***TFM Volume 1, Part 4A, Chapter 2000, Section 2060***, internal controls must be established, and periodically tested, to ensure that recurrent payments

being made are: on unexpired contracts or agreements, for correct amounts, for services actually received or leased space actually under contract, and are not duplications of previous payments made for the same goods or services.

3.4.7. Lost or Destroyed Invoices. If an original invoice has been lost or destroyed, then a duplicate must be obtained from the original submitter of the invoice to support the voucher. Mark the invoice obtained as a duplicate. A full explanation of the loss or destruction of the original invoice, and a statement that steps have been taken to prevent duplicate payments, must be placed on, or attached to, the duplicate invoice. If the information has already been input from the invoice into the entitlement system, payment can be made from the information contained in the entitlement system prior to obtaining a duplicate invoice. In those situations where a duplicate invoice cannot later be obtained from the contractor, an annotation must be made documenting that payment was made based on existing records, a hardcopy duplicate invoice could not be obtained, and the original invoice was lost or destroyed. The specific existing records relied upon must be identified and documented, and management review and approval of such payment must occur and be documented prior to the disbursement. Refer to TFM Volume 1, Part 4A, Chapter 2000, Section 2050.10.

3.4.8. Invoices Requiring Administrative Contracting Officer (ACO) Approval. The Defense Contract Audit Agency (DCAA) is the authorized representative of the ACO for approving interim contract payment vouchers for provisional payment, including interim vouchers for non-commercial and commercial Time and Material (T&M) and Labor Hour (LH) contracts, subject to final audit. In accordance with ***DFARS 242.803***, DCAA utilizes sampling methodologies to select interim vouchers for review prior to sending them to the payment office. Interim vouchers not selected for pre-payment review will be considered as provisionally approved and will be sent directly to the payment office. All provisionally-approved interim vouchers are subject to later audit of actual costs incurred. DCAA does not provisionally approve the contractor's final voucher on a contract. Approval of final vouchers is required to be performed by the contracting officer. Refer to ***DoDD 5105.36*** for additional information regarding DCAA's roles and responsibilities in this process. The following invoices and vouchers require ACO approval before payment:

3.4.8.1. Completion vouchers under cost-plus, fixed-fee, or other cost-reimbursement type contracts;

3.4.8.2. Vouchers and invoices for termination costs under supplemental agreements, unless the termination modification specifies the costs to be paid;

3.4.8.3. Completion vouchers under T&M and LH contracts;

3.4.8.4. Invoices for progress and performance-based payments under fixed-price type contracts;

3.4.8.5. Vouchers and invoices where the contract requires approval by the ACO before payment;

3.4.8.6. Invoices for the release of "withhold" amounts previously instituted by the ACO; and

3.4.8.7. Any payment request where a DO requires an ACO signature.

3.5 Payment Voucher

For specific policy and requirements concerning payment vouchers, refer to Volume 5, Chapter 9. TFM Volume 1, Part 4A, Chapter 2000 contains policy related to scheduling payments and required payment voucher data. Forms that may be used as a payment voucher include, but are not limited to:

3.5.1. SF 44,

3.5.2. ***SF 1034***, Public Voucher for Purchases and Services Other than Personal, and

3.5.3. DD 1155.

4.0 DOCUMENT RETENTION

4.1 Period of Retention

Original payment documentation and associated documents must be retained as government records in a format readily accessible to the entitlement office. Refer to Volume 1, Chapter 9, Figure 9-1, for specific policy and timeframes regarding record retention. Electronic record storage requires adequate controls to ensure that the digital images accurately represent the corresponding paper documentation and prevent changes to an original digital image (***FAR 4.805(a)***). The retention of documentation, both paper and electronic records, is the responsibility of the certifying officer.

4.2 Electronic Document Access (EDA)

EDA is a mandatory DoD-centralized repository of all unclassified contracts, orders, and modifications in accordance with the DFARS, Procedures, Guidance, and Information ***204.201***. The system is also used as a repository for Contract Deficiency Reports, Government Bills of Lading, vouchers, and receiving reports.

5.0 FOREIGN LANGUAGE DOCUMENTS

5.1 Documents Prepared in a Foreign Language

5.1.1. Invoices and supporting documents prepared in a foreign language must be translated before payment to ensure their contents satisfy requirements of the contractual document. Refer to ***DFARS 225.1103*** for additional policy related to contracts that may involve documentation written in a foreign language.

5.1.2. The documents must be translated in enough detail (contract number, item identification, unit of measure, price, and extension) to enable someone unfamiliar with the language to determine that receipts (material or services) satisfy the contract terms.

5.1.2.1. Documents containing technical terms that cannot be translated by entitlement office personnel should be forwarded to the ordering or requiring activity for translation.

5.1.2.2. If terms are so technical that a translation cannot be made, then a descriptive translation is adequate, provided the ordering or requiring activity certifies receipt and acceptance of the items, and provides the names and contact information, along with the signature accompanying this translation certificate if not performed electronically.

5.1.2.3. If not properly translated, return the invoice to the vendor as improper. Refer to subparagraph 3.4.4 and Chapter 7, for information on improper invoice policy.

5.2 Multiple Invoices

If several invoices contain a similar format and wording, then a single translation is adequate provided like invoices support the same payment voucher, and:

5.2.1. The required certification shows that all data not translated on other identified documents are the same as that translated,

5.2.2. All non-common data on all invoices are identified and translated in enough detail to allow an audit by persons not familiar with the language, and

5.2.3. A separate translation is attached for each group of different invoices.

5.3 Translation Certificate

The translation can be entered over or under the corresponding foreign wording or in its entirety on any available space on the document. If space is not available, then the English translation may be copied on a separate sheet. The translator completes and signs the following translation certificate on each translated document found satisfactory for payment: "I certify that I am familiar with the ____ language, and that I have made a true and correct translation of the_____." (Printed Name, Signature, Date, and Contact Information). This certification, which pertains only to the translation, may be inscribed on a separate sheet and attached if space is not available on the foreign language document. A duly appointed (via a DD 577) certifying officer must ensure payment requirements are satisfied based upon the translation.

6.0 PROCESSING ALTERED DOCUMENTS

The following policy applies to pen and ink changes associated with contractual documents, requests for payment, receiving reports, and invoice documents.

6.1 Prohibited Pen and Ink Changes

6.1.1. Pen and ink changes are prohibited from being made on all contractual documentation. ***FAR 43.301(a)*** prescribes the use of the SF 30 to make changes to contractual documentation.

6.1.2. Entitlement office personnel are prohibited from making pen and ink changes on requests for payments, receiving reports, and invoices for the following information:

6.1.2.1. Payee Identification. Payee identification includes, but is not limited to: name, address, banking information, Commercial and Government Entity code, and TIN;

6.1.2.2. Order Numbers. Order numbers include, but are not limited to: contract, modification, call, task, and delivery order numbers;

6.1.2.3. Monetary Amounts. Monetary amounts include any dollar value on any of the documents;

6.1.2.4. Line of Accounting (LOA) Data. LOA data includes all information pertaining to the LOA on any of the documents;

6.1.2.5. Names of Officials and Officers. Officials and officers include, but are not limited to: the certifying officer, approving official, contracting officer, and all other related information as typed or printed on the documents; and

6.1.2.6. Dates. Dates include any dates impacting PPA interest or discounts.

6.2 Allowable Pen and Ink Changes

6.2.1. Entitlement offices can make pen and ink changes for administrative type errors not described in subparagraph 6.1.2 on requests for payment, receiving reports, and invoice documents.

6.2.2. Entitlement office personnel may accept pen and ink changes on supporting documentation attached to an externally-certified payment request, certified and submitted by an appointed certifying officer. When submitting a certified payment voucher with accompanying manually altered supporting documents such as requests for payments, invoices, and other documents, a properly certified SF 1034 must be provided to the entitlement office identifying the correct total amount and fund citations.

7.0 EMERGENCIES AND CONTINGENCY OPERATIONS

7.1 Definitions

7.1.1. Emergencies. The Robert T. Stafford ***Disaster Relief and Emergency Assistance Act*** defines emergencies as any occasion or instance

for which, as determined by the President, federal assistance is needed to supplement state and local efforts and capabilities to save lives and to protect property and public health and safety, or to lessen or avert the threat of a catastrophe in any part of the United States.

7.1.2. Contingency Operations. A contingency operation, as defined by FAR 2.101(b), is a military operation that either:

7.1.2.1. Is designated by the Secretary of Defense as an operation in which members of the armed forces are, or may become, involved in military actions, as evidenced by the execution of an operations plan (operations order) by a Combatant Commander; or

7.1.2.2. Results in the call or order to, or retention of, active duty of members of the uniformed services, or any other provision of law during a war or during a national emergency declared by the President or Congress. For additional information on contingency operations, refer to Volume 12, Chapter 23.

7.2 Prompt Payment Act (PPA) Exemption

Certain payments made during contingency operations, an emergency, or the release or threatened release of hazardous substances (as defined in ***42 U.S.C. § 5170*** – ***42 U.S.C. § 5195c***) may not be subject to the requirements of ***FAR 32.9***. Refer to ***DFARS 252.232-7011*** and Chapter 7 for the policy detailing these exemptions.

7.3 Simplified Acquisition Threshold

Title ***41 U.S.C. § 1903*** provides detailed policy involving the simplified acquisition thresholds to support contingency operations and special emergency procurements. The contracting community is primarily responsible for ensuring the conditions for invoking 41 U.S.C. § 1903 are met.

7.4 Standard Form (SF) 44

The SF 44 is designed for on-the-spot, over-the-counter purchases of supplies and non-personal services while away from the purchasing office or at isolated activities. It can be used as a multipurpose 3-in-1 form to document the receipt, invoice, and voucher (***FAR 13.306***). The amount of the purchase must be at or below the micro-purchase threshold defined in ***FAR 13.2***, except for purchases made under unusual and compelling urgency or in support of contingency operations. The simplified acquisition threshold applies to the SF 44 for overseas transactions by contracting officers in support of contingency operations. Refer to FAR 13.306 and ***DFARS 213.306*** for the conditions that must be satisfied in order to use the SF 44.

7.5 Government-wide Purchase Card

A contracting officer supporting a contingency operation may use the Government-wide commercial purchase card to make a purchase that exceeds the micro-purchase threshold but does

not exceed the simplified acquisition threshold. Refer to ***DFARS 213.301(3)*** for information concerning the conditions that must be met.

7.6 Certification Guidelines

In addition to a contract, receiving report, and an invoice, certifying officers involved in supporting emergencies and contingency operations must ensure specific information is contained within the entitlement package. This is to ensure that the entitlement to payment is valid for certification and payment in those situations when the payment is exempt from the PPA. Payments subject to the PPA would fall within the requirements contained in Chapter 7. For payments made in support of an emergency or contingency operation that are not subject to the PPA requirements, Appendix 1 - Matrix for Payments in Support of Emergencies and Contingency Operations provides a matrix tool to assist in identifying the critical data elements necessary to perform a proper certification of a payment.

7.7 Written Justification

In circumstances where information identified in Appendix 1 is not present on all of the documents (i.e., contract, receiving report, and the invoice), the certifying officer may certify the payment if they can make a reasonable linkage among the documents. Additionally, the certifying officer may, in certain circumstances as explained in Appendix 1, certify a payment that does not contain a critical data element identified in the Appendix 1 matrix; however, they must justify in writing why they certified the payment.

7.8 Transportation Cost

If transportation costs are claimed, or shipment damage occurs or is expected to occur, then shipping terms should be considered as a critical element.

7.9 Control of Funds

All accounting offices that support emergencies or contingency operations must ensure that accounting and document retention requirements are in place within 30 days of declaration of the operation. Adherence to these requirements is critical to DoD financial stewardship and control of funds.

APPENDIX 1. MATRIX FOR PAYMENTS IN SUPPORT OF EMERGENCIES AND CONTINGENCY OPERATIONS

This appendix provides a matrix tool to assist certifying officers in identifying the critical data elements necessary to properly certify a payment made in support of emergencies and contingency operations. The matrix does not apply to contract financing payments since contract terms stipulate the invoicing and related documentation requirements.

When authorized, the head of the contracting activity, in consultation with the cognizant comptroller supporting their contracting activity, will make the determination of whether a contract and related payment will be subject to the prompt payment requirements of FAR 32.9 and are in accordance with the criteria outlined in ***DFARS 232.901***. This determination will be reflected in a specific payment clause in the individual contract.

- Emergencies and contingency operations payments made subject to the Prompt Payment Act (PPA) requirements must adhere to the payment documentation requirements contained in 5 CFR 1315.9.

- Emergencies and contingency operations payments that are not subject to the PPA requirements must adhere to the documentation requirements contained in the following matrix.

The data elements contained in the matrix, in addition to other requirements that may be imposed by the contract terms, or those deemed necessary by the certifying officer, are critical requirements for ensuring proper certification. While it is desirable that all elements identified in 5 CFR 1315 for a proper invoice, receiving report, and contract are available for review by the certifier and subsequent processing of the payment, they are not required if the payment is not subject to FAR 32.9.

The matrix in this appendix identifies the types of payments (e.g., construction, goods or services) that can be exempt from the PPA and the data elements that are required for each type of payment. The matrix is not intended to be all-inclusive as it is very difficult to predict all types of payments that will be made during emergencies and contingency operations. Many payments fall under the category of miscellaneous payments, and each miscellaneous payment may have different data element requirements associated with it.

The certifying officer must use professional judgment to determine if a payment request and supporting documentation is sufficient to demonstrate that the payment is legal, correct, and proper.

- Critical data element not on all documents. A critical data element may be missing from one document, but present somewhere in the payment package. While all critical, required data elements identified in the matrix for a specific type of payment must be present on the supporting documentation, these data elements do not have to be present on all the documents. In other words, if a required data element is contained on the contract (e.g., Taxpayer Identification Number (TIN)) but not the invoice, and the certifying officer can make a reasonable linkage between the two documents, then the certifying officer may certify that payment.

APPENDIX 1. MATRIX FOR PAYMENTS IN SUPPORT OF EMERGENCIES AND CONTINGENCY OPERATIONS (Continued)

- Critical data element completely omitted. When a payment package does not contain a critical data element as reflected in the matrix, the certifying officer must be confident that: (1) there is a legal obligation to pay, (2) the payee has fulfilled any prerequisites to payment, (3) the amount of the payment and identity of the payee are correct, and (4) the payment is legal under the appropriation or fund involved. For any payment package missing any required critical data element, the certifying officer must justify in writing why they certified the payment. This justification can either be on the voucher or on a separate attachment provided with the voucher.

CRITICAL ITEMS REQUIRED FOR EMERGENCIES AND CONTINGENCY OPERATION PAYMENTS CERTIFICATION MATRIX

Data Element	Contracts			Leases	Purchase Card Payments
	Services (Fixed Price)	Goods	Construction		
Contract Number	X	X	X	X	X
Contractor Name	X	X	X	X	X
Contractor Address	X	X	X	X	X
Item Description	X	X	X	X	X
Item Quantity	X	X			
Item Price	X	X			
Fiscal Year and Appropriation	X	X	X	X	X
Invoice Date or Date Invoice Received by Government Official	X	X	X		X
Invoice Amount	X	X	X		X
Date of Receipt/Acceptance	X	X		X	X
Printed Name of Government Official	X	X	X	X	X
Signature of Government Official	X	X	X	X	X
Tax Identification Number (TIN)	X	X	X	X	X

CRITICAL POLICY COMPLIANCE REQUIREMENTS:

1. A contract, receiving report, and invoice are required documents. The elements identified in the matrix must be present on at least one of the documents. Refer to paragraph 7.7 for justified exceptions under emergencies and contingency operations.
2. Cash payments require the seller's signature of receipt attached to the voucher.
3. For payments for services of a recurring nature, if the contract does not require submission of an invoice for payment, then the contract must specify the payment due date.
4. An interim payment request under a cost-reimbursement contract for services constitutes a proper invoice if it correctly includes all of the information required by the contract.
5. Progress payments based on the percentage of completion must be certified by the prime contractor.
6. The TIN is required for all payees subject to the U.S. Internal Revenue Code. Payees not required to provide the TIN include: court-ordered payments, foreign companies, foreign visitors, and U.S. Government agencies. Refer to paragraph 2.7 and subparagraph 3.4.4.
7. Documentation for miscellaneous payments varies, based on the specific type of payment. Refer to Chapter 12 and the ***DoD Guidebook for Miscellaneous Payments*** for additional policy.
8. A certifying officer must justify in writing when a payment is made that is missing any required critical data element. This justification can either be made on the voucher or on a separate attachment provided with the voucher.
9. If transportation costs are claimed, or shipment damage occurs or is expected to occur, shipping terms are considered a critical element.

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 9: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 10, CHAPTER 10: "PAYMENT VOUCHERS – SPECIAL APPLICATIONS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by *bold, italic, blue, and underlined font*.

The previous version dated July 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision

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CHAPTER 10

PAYMENT VOUCHERS – SPECIAL APPLICATIONS

1.0 GENERAL

1.1 Overview

The DoD uses payment vouchers to document the payment of billings for services and supplies. Payment voucher processing described in this chapter relates to vouchers with unique entitlement or execution features. This chapter includes policy for executing intra-governmental payments and entitling partial payments, contract financing, advance payments, fast payments, and payments against cost-reimbursement contracts. Disbursement processing requirements are described in Volume 5, Chapter 9.

1.2 Purpose

This chapter prescribes the DoD policy for handling payment vouchers with special requirements in accordance with the laws and regulations cited herein.

1.3 Authoritative Guidance

This chapter establishes policies based on the statutory and regulatory requirements spelled out in specific sections of ***Title 41, Code of Federal Regulations (CFR)***, the ***Treasury Financial Manual (TFM)***, ***Title 31, United States Code (U.S.C.)***, ***Title 10, U.S.C.***, Federal Acquisition Regulation ***(FAR) Part 32***, and the Defense Federal Acquisition Regulation Supplement ***(DFARS)*** referenced throughout the chapter. Standard processing forms include the Standard Form ***(SF) 1080***, Voucher for Transfers Between Appropriations and/or Funds, ***SF 1081***, Voucher and Schedule of Withdrawals and Credits, ***SF 1034***, Public Voucher for Purchases and Services Other Than Personal, and the ***General Services Administration's (GSA) Form 789***, Statement, Voucher and Schedule of Withdrawals and Credits.

2.0 INTRA-GOVERNMENTAL PAYMENTS

2.1 Overview

Intra-governmental payments result from transactions between federal entities for sales, services, or transfers between such entities. See Volume 4, Chapter 3, section 5.0 and Chapter 9, paragraph 2.6 for intra-governmental accounting policy. For DoD, these transactions can be:

2.1.1. Between DoD and Non-DoD entities,

2.1.2. Between DoD Components, or

2.1.3. Within a DoD Component.

2.2 Billing Processes

2.2.1. Interfund Billings. Intra-governmental transactions (IGT) between or within DoD Components for the purchase of goods will be processed through the interfund billing system when initiated and supported by the supply and accounting systems of both trading partners (also see Volume 4, Chapter 3, section 5.0 for additional policy on intra-governmental receivables). As prescribed by the Defense Logistics Management Standards (DLMS), Defense Logistics Manual ***(DLM) 4000.25, Volume 4***, Chapter 5, (C5.1.2), Interfund Billing System Procedures, the GSA, Federal Aviation Administration, and the National Oceanic and Atmospheric Administration are authorized federal agencies that may also bill DoD through the interfund billing system for goods purchased. The interfund billing system allows suppliers to reimburse themselves at the time of the billing from appropriations designated by the customer. The supplier forwards an automated billing to the billed office and reports to the U.S. Department of the Treasury (Treasury) a reimbursement of the supplier's funds with an offsetting charge to the customer's funds. Interfund bills, therefore, serve as both a billing and a notice to the customer that its funds have been charged and the bill has been paid. Only the billing office or the Central Accounts Office is authorized to adjust, or otherwise reverse, reimbursements reported to the Treasury on behalf of the billing office. See the DLM 4000.25, Volume 4 for detailed interfund billing system procedures.

2.2.2. Non-Interfund Billings. IGT between DoD Components that are not initiated and supported by the supply and accounting systems of both trading partners and are unable to be processed through the interfund billing system are classified as non-interfund transactions. This includes IGT between a DoD Component and a non-DoD entity, which are not authorized for interfund billing in accordance with the DLM 4000.25, Volume 4, Chapter 5. The ***TFM, Volume 1, Part 2, Chapter 4700 (I TFM 2-4700), Appendix 8***, section 2.6, provides policy and guidance on the use of the Intra-governmental Payment and Collection (IPAC) system by federal entities, including the DoD, to electronically bill and pay for non-interfund IGT. I TFM 2-4700, Appendix 8, section one provides guidance and information related to the development, use of, and required implementation dates of G-Invoicing as the platform for creating and managing IGT. G-Invoicing is not an accounting system nor a procurement system; instead, it serves as a gateway for federal entities to agree upon the funding terms and the accounting treatment of their reimbursable activity, and exchange that data with one another for consistent financial reporting. IPAC will continue to operate as the application for the settlement of funds between federal entities, even in a G-Invoicing environment. The IPAC system communicates to the Treasury and the trading partner agency that the online billing and payment for services and supplies has occurred. Refer to I TFM 2-4700, Appendix 8 for additional information on G-Invoicing and IPAC. See Volume 5, Chapter 11, section 4.0 for disbursing policy and monthly cutoff dates related to IPAC. See Volume 4, Chapter 3, for accounting policy related to non-interfund receivables.

2.2.3. Advance Payments. Unless the DoD Component is specifically authorized by law, legislative action, or Presidential authorization, funds are not to be advanced to non-DoD federal entities or be used to pay for advance billings without the receipt of goods or services. The constructive delivery and drop from inventory methods described in paragraph 2.4 are exceptions to this prohibition of advances prior to receipt. Volume 11A, Chapter 3 contains additional policy pertaining to advances to non-DoD entities via Economy Act Orders. Also see Volume 4, Chapter 5, and I TFM 2-4700, Appendix 8, section 2.4 for general policy concerning advance payments.

2.3 Completion of Intra-governmental Reimbursement and Transfer Vouchers

2.3.1. Vouchers. In accordance with DLM 4000.25, Volume 4, Chapter 2, C2.2.7, when an activity is unable to utilize electronic data interchange methods, the SF 1080 is an authorized voucher that may be used to entitle, execute, and support non-interfund intra-governmental payments. See Volume 5, Chapter 9 for detailed guidance regarding disbursement vouchers.

2.3.1.1. SF 1080. The SF 1080 is used as support for bills to other DoD Components and non-DoD federal agencies for non-interfund, IGT.

2.3.1.2. SF 1081. Components may also use the SF 1081 when a manual process is required to generate interagency payments and collections between DoD and other agencies of the U.S. Federal Government. In addition, the SF 1081 is used for correcting prior expenditure or collection transactions, as well as for processing expenditure transactions not requiring payment by check.

2.3.1.3. Valuation/Cost Conditions. The following conditions may apply when using either the SF 1080 or SF 1081.

2.3.1.3.1. Surplus articles, for which payment is to be made, are listed on the voucher or supporting documents at their appraised values. Surplus articles refer to any items provided by the seller to the buyer over and above what was originally requested/agreed to.

2.3.1.3.2. Work and shop orders indicate the unit prices of articles or services furnished, or the actual value of personal services, materials, or other direct charges and overhead. When vouchers cover expenses related to the use of equipment, the following certification is placed upon the itemized statement: "I hereby certify that the amount billed herein represents cost as determined under ***31 U.S.C. § 1535*** and ***31 U.S.C. § 1536***." In cases where the account is billed based on unit costs (e.g., per hour, day, or mile) rather than by itemization of supplies and services, such unit costs will include all expenses of operation and maintenance except depreciation. The billing method should be identified in, and determined by, the purchase agreement between the entities.

2.3.1.3.3. The services of an employee performed for another federal department or agency may be reimbursed to the providing agency if an agreement for reimbursement was made before the rendering of such services. Copies of such agreements are attached to the transfer voucher (i.e., SF 1080, 1081, or 1034) in support of the payment.

2.3.1.3.4. Articles issued from stock on hand, or stock due in, are listed on the vouchers or supporting documents. The unit prices of such items are at the standard average cost or are computed on such basis as to ensure proper reimbursement to the agency. Refer to Volume 4, Chapter 4, paragraph 4.3 for additional details concerning valuation methodologies for inventory items.

2.3.1.4. GSA 789. The ***GSA 789*** is an authorized payment voucher for purchases from GSA (DLM 4000.25, Volume 4, Chapter 2, C2.2.7).

2.3.2. Billing Verification. As prescribed by Volume 5, Chapter 5, paragraph 5.1, Certifying Officer Legislation requirements (***31 U.S.C. § 3325*** and ***31 U.S.C. § 3528***) do not apply to intra-governmental payments.

2.3.2.1. The entitlement office examines intra-governmental payment vouchers and supporting documentation to verify amounts, ensure required information is present, and validate that any required certifications are present; such as that described in 2.3.1.3.2 for the use of equipment. The entitlement office also verifies accessorial charge rates when levied by non-DoD Government activities for issues, sales, and transfers of material, supplies, and equipment.

2.3.2.2. This verification must ensure that charges do not consider recurring reimbursement issues (sales) and non-reimbursable transfers of material to other DoD Components, except for sales and transfers pursuant to the military assistance grant aid program and Foreign Military Sales (FMS) programs. After the review and examination for propriety, the entitlement office cites the accounting classification and verifies the voucher is ready for payment.

2.3.3. Receipt and Acceptance Documentation. Evidence of receipt and acceptance is required to support all intra-governmental and interfund transactions. The accurate and timely recording of receipts is critical to ensure financial statements are materially correct. DoD financial reporting entities must develop and implement internal controls to ensure receipt and acceptance is properly accomplished and documented to support all IGT. Refer to Chapter 1 for additional details concerning internal control requirements of federal agencies. Refer to Volume 4, Chapter 9 for additional details concerning receipt and acceptance requirements.

2.4 Constructive Delivery or Drop From Inventory

2.4.1. Overview. Components can place orders with another major organization within DoD, or another Federal agency, for goods or services under the Economy Act, 31 U.S.C. § 1535. Refer to Volume 11A, Chapter 3 for policy on Economy Act orders. Payments from the ordering agency are made promptly upon the written request of the agency or unit filling the order. Payment is made in advance or upon providing the goods or services ordered, for any part of the estimated or actual cost as determined by the agency or unit filling the order. A bill submitted, or a request for payment, is not subject to audit or certification in advance of payment. Adjustments of amounts paid prior to receipt of the goods or services are made in accordance with prior agreement by appropriate Component personnel on the basis of the actual cost of goods or services provided. DoD billings are based on constructive delivery or drop from inventory as follows.

2.4.1.1. Constructive Delivery. Constructive delivery is the delivery of material by the providing entity to a commercial carrier, freight forwarder, the U.S. or an international post office, or customer at the point of production, storage, or test.

2.4.1.1.1. Delivery is evidenced by completed copies of shipping documents, material shipment status of shipping documents, or a list of deliveries to a post office. Constructive delivery also applies to billings for goods accepted by an authorized inspector of another DoD Component providing direct shipment to the consignee. Such billings must be supported with a DoD ***(DD) Form 250***, Material Inspection and Receiving Report, or other authorized documents received from the inspector showing shipment. Under constructive delivery, bills are issued when the carrier accepts the goods for transport.

2.4.1.1.2. Payment under constructive delivery differs from the actual delivery or drop from inventory concept. Constructive delivery bills are accepted and paid without waiting for delivery of the goods to the final destination. However, Components must perform follow-up procedures to ensure the goods have been received and accepted and obtain the documentation to support the receipt and acceptance for subsequent audit purposes.

2.4.1.2. Drop From Inventory. Drop from inventory is the reduction of the quantitative inventory balance. Billing for shipments from stock must be billed at the standard price in effect at the time the stock is dropped from inventory. Refer to Volume 11B, Chapter 15, section 2.0 for pricing policy of inventory items.

2.4.2. Non-interfund Billings From DoD

2.4.2.1. Overview. Following a supply activity requisition, reimbursable sales of material are billable after the material has been transferred using the drop from inventory method. Billing will occur on the basis of the drop from inventory or performance of services. Sales of bulk petroleum, oil, lubricants, and perishable subsistence, as well as FMS and military assistance grant aid shipments, are noted exceptions to this billing policy. Refer to DLM 4000.25, Volume 4, Chapter 2 for billing guidelines.

2.4.2.2. Responsibility of Supplying Activity. The supplying activity initiates a request for payment for items supplied to the DoD. Billings must, at a minimum, be supported by the following information: document order number, description of the article or services, delivery or other performance date, quantity, and price. The document order number will normally be satisfied by the requisition document number, and the description will normally be satisfied by the National Stock Number. The delivery or performance date is the same date established in the detailed billing record, as appropriate for the issue or service. The supplying activity notifies the requisitioning activity of item substitutions and price or quantity changes. To facilitate the resolution of billing or payment disputes involving bills, billing offices should also include electronic contact information on the bill. Refer to DLM 4000.25, Volume 4, Chapter 2 for further details regarding billing procedures.

2.4.2.3. Responsibility of Requisitioning Activity. The requisitioning activity records the amounts and quantities of items approved for payment at the time of receipt and

acceptance of the delivered items/services. The requisitioning activity adjusts the billing for unacceptable items or for items unfilled by the supplying activity and provides reimbursement for the adjusted amount. The requisitioning and supplying activities determine subsequent disposition of the unfilled items through mutual agreement.

2.4.2.4. Billing Adjustments for Short, Damaged, or Defective Shipments Within the DoD. The requisitioning activity initiates action to obtain billing adjustments. When the DoD Component shipping the items is responsible for an adjustment, a Supply Discrepancy Report (SDR) (an electronic equivalent to the ***SF 364***, Report of Discrepancy (ROD)), is prepared by the receiving activity and submitted under DLMS procedures. The Transportation Management Office or Transportation Office initiates the ***DD Form 361***, Transportation Discrepancy Report (TDR), when the shortage or damage is attributed to the commercial carriers. For procedural instructions regarding these reports, see the Defense Transportation Regulation ***(DTR), Part II, Chapter 210*** and ***DLM 4000.25, Volume 2, Chapter 17***.

2.4.2.5. Other Billing Adjustments or Allowances. The requisitioning activity is responsible for initiating requests to the billing activity to grant adjustments or allowances that do not arise from shortages, damages, or defects in shipments. These adjustment and allowance requests are submitted via the SDR for discrepancies such as overages (to be retained by the receiving activity), unacceptable substitutes, or erroneous material received. Approved requests are applied as an adjustment or allowance to the customer account included in the billing document.

2.4.2.6. Billing and Credit for Material Diversions Using Military Standard Requisitioning and Issue Procedures (MILSTRIP)/Military Standard Transaction Reporting and Accounting Procedures. If the requisitioning activity cancels requisitions, then the requisitioning activity is credited the amount billed, including accessorial charges. Accessorial costs represent certain expenses incident to issues, sales, and transfers of materiel. Accessorial costs include costs incurred for packing, crating, and handling; transportation; and port loading and unloading (See Volume 11A, Chapter 1, subparagraph 2.4.10 for additional information). Refer to DLM 4000.25, Volume 4, Chapter 2 for MILSTRIP cancelation procedures. The alternate consignee for material diverted is billed for the standard price and accessorial charges. If the Defense Logistics Agency (DLA) places an order for direct shipment of non-stocked items and the requisitioning activity cancels the order, then the requisitioning activity is billed via the SF 1080 for contract termination costs arising from cancelation of the requisition. DLA notifies the "bill to" activity cited in the canceled requisition of impending termination costs.

2.5 Payments to Defense Working Capital Funds (DWCFs)

Payment for services rendered by DWCF activities is based on the prescribed rates, tariffs, and billing procedures. DWCF payments are made with the same policy as constructive delivery and drop from inventory payments described in paragraph 2.4.

2.6 GSA

The majority of GSA billing is accomplished via the interfund process utilizing the Simplified Interagency Billing and Collection system. When the interfund process is not used, the GSA Form 789 is used for purchases from GSA.

2.6.1. Non-interfund Billings

2.6.1.1. GSA provides selected supplies, equipment, services, space, communications, motor vehicle rental, and other miscellaneous items on a reimbursable basis. These supplies and services are financed from revolving, management, or working capital funds, and reimbursement from the Components is obtained through periodic billings and collections. Periodic billings and collections allow GSA to operate these programs with a minimum amount of appropriated funds.

2.6.1.2. The ordering activities receive bills from GSA biweekly, monthly, or quarterly, after the fact, or in advance (e.g., rental payments) on the GSA billing forms. This will be determined in the purchase agreement between the entities. As prescribed by DLM 4000.25, Volume 4, Chapter 2, when activities are unable to use electronic methods, the SF 1080 or the GSA 789 may be used for billing. GSA is not required to certify such bills. Except for those bills that are rendered in advance, bills are sent to the Components only after there is evidence of actual delivery of material or services or after receipt of evidence of shipment (constructive delivery). GSA furnishes bills and supporting documentation containing the data necessary to permit identification of the requisition, purchase order, or other obligating documents. Components must perform follow-up procedures to ensure the goods have been received and accepted, and obtain the documentation to support the receipt and acceptance for subsequent audit purposes. GSA may process requisitions of $1 or less without billing.

2.6.2. Adjustments. GSA adjusts bills for transportation-type discrepancies attributable to the common carrier, when the difference in shipment is caused by the shipper (GSA), or results from a lost or damaged parcel post shipment. See DLM 4000.25, Volume 4, Chapter 4 for additional information on adjustments or refunds.

2.6.2.1. For lost, damaged, or defective shipments, when the discrepancy is attributable to the common carrier, the receiving activity prepares a TDR. The GSA processes these claims within the Continental United States (CONUS), since they are designated on the Government bill of lading to make payment of transportation charges to the common carrier.

2.6.2.2. When a discrepancy in shipment is either caused by the shipper (GSA) or results from a lost or damaged parcel post shipment, the receiving activity prepares the SDR. The receiving activity sends the SDR, under DLMS procedures, to the GSA National Customer Service Center (NCSC). The NCSC will accept reports of discrepancies sent by mail or via e-mail at NCSCCustomer.service@gsa.gov, or through online account access at ***GSA ADVANTAGE***.

2.6.2.3. Errors in GSA non-interfund billings, other than shipping errors, are corrected by GSA based on an electronic request for billing adjustment, if possible, or a letter or email from the billed office. The billed office sends the request for adjustment to the GSA NCSC, including a copy of the bill and explanation of the error.

2.6.2.4. GSA processes the SDR or TDR, replies to the receiving activity, and when applicable, sends an adjusted bill to the billed office. The GSA may also initiate communication

advising the billed office of erroneous billings and, when applicable, submit an adjusted bill to the billed office.

2.6.2.4.1. If GSA fails to reply to an SDR or TDR, then the receiving activity is responsible for following up with the GSA NCSC. Refer to DTR, Part II, Chapter 210, and DLM 4000.25, Volume 2, Chapter 17 for follow-up instructions. When the reply to an SDR or TDR indicates a billing adjustment will not be made, the issue may be elevated within the organization's management chain for resolution. When the reply indicates a billing adjustment will be made, the receiving activity provides a copy of the reply to the billed office.

2.6.2.4.2. If the billing adjustment that GSA stated was forthcoming is not received within 60 calendar days of the date of the reply to the SDR or TDR, the SDR/TDR submitter should consult the billed office for verification. When non-receipt of credit is confirmed, the billed office will submit a request for billing adjustment as prescribed by the Military Standard Billing System procedures contained in DLM 4000.25, Volume 4, Chapter 4.

2.6.3. Transportation. GSA pays transportation costs on stock items to all CONUS activities and to U.S. ports of embarkation for overseas shipments. These costs are included in the GSA standard stock item prices.

2.6.4. Non-interfund Payments

2.6.4.1. Payment is made for material through the IPAC system within 15 days after receipt of the GSA invoice. Bills are paid as rendered without pre-audit or receipt verification, subject only to availability of funds and adjustments for obvious significant errors in dollar amount. If items are deleted from the billing, then fully explain on the GSA billing forms. A follow-up process must be established to ensure the material paid for has been received and accepted. Documentation obtained in support of the receipt and acceptance must be retained as part of the support for the billing for future audit purposes. Documentation must be retained in accordance with the timeframes and requirements identified in Volume 1, Chapter 9 and the ***General Records Schedules*** of the National Archives and Records Administration's disposal authorization guidance.

2.6.4.2. As prescribed by DLM 4000.25, Volume 4, Chapter 2, GSA billings for material shipped overseas contain a special surcharge for packing, packaging, and preservation of material. These costs are not included in the standard unit prices of the items but are separately billed. GSA billings for these charges cite the appropriation fund code shown in the MILSTRIP requisition.

2.6.4.3. Surcharge rates apply when unique DoD marking/packing requires the shipment to be physically handled by a GSA export packing facility. Surcharge rates are computed by applying an authorized percentage of the value of the material ordered and shipped to customers overseas from GSA wholesale distribution centers and vendors. These rates are subject to change each fiscal year based on an annual review of actual costs by GSA (DLM 4000.25, Volume 4, Chapter 2).

2.6.4.4. GSA Accounting Services is responsible for GSA Motor Pool transactions incurred by the local Transportation Officer. Travel Pay sections process payments to GSA or contractors for vehicle rentals authorized by travel orders. Use the data on the documented detailed billing cards to identify the requisition, purchase order, travel order, or other obligating documents. The billing information must be compared to the obligation document; if an error is found, then follow instructions in subparagraph 2.6.2. Payment is due within 30 days of the billing date (see subparagraph 2.3.3 for requirements regarding receipt and acceptance). GSA supports each transaction listed with detailed billing cards for use with either mechanized systems or for manual processing.

2.6.4.5. GSA has exclusive multiyear contracting authority for telecommunications resources. However, GSA may delegate this authority in certain instances (see ***DFARS 239.7405***). GSA bills for federal telecommunication services are submitted monthly and paid in advance using the IPAC system, without pre-audit or receipt verification and subject only to the availability of funds (see ***10 U.S.C. § 2396*** and ***40 U.S.C. § 581(g)***). These bills should be paid within 15 days after receipt of the GSA invoice. Components must perform follow-up procedures to ensure the services have been received and obtain the supporting documentation (receipt verification) for subsequent audit purposes.

2.6.5. Billing and Credit for Material Diversions Using MILSTRIP. Activities seeking credit resulting from canceled requisitions for a material diversion must provide confirmation of the amount billed, including accessorial charges. The alternate consignee for material diverted is billed for the standard price and accessorial charges. Activities canceling requisitions for material for which GSA placed an order for direct shipment of non-stocked items are billed by SF 1080 for contract termination costs arising from cancelation of the requisition. GSA will promptly provide the bill to the activity cited in the canceled requisition of impending termination costs.

2.7 Payments to the Government Printing Office (GPO), Library of Congress, and Government Corporations

2.7.1. Overview. The ***DLA Document Services*** is the single DoD focal point for GPO ordering and management of document services in accordance with ***DoD Instruction 5330.03***. An invoice is submitted to the requisitioning activity upon the furnishing of printing services or supplies. The office billed prepares and processes the SF 1080 for payment and must attach an invoice to the SF 1080. Instead of transcribing the details of the transactions, each invoice can be listed under the caption “per attached invoice” according to date, number, and other identifying data as appropriate.

2.7.2. Payments to GPO. GPO reimburses the contractor for commercial printing services acquired through that agency.

3.0 PARTIAL PAYMENTS

In accordance with ***FAR 32.906(c)*** and ***5 CFR 1315.4(k)***, unless prohibited by the contract, partial payments are authorized invoice payments for partial delivery of contractual quantities that have been accepted by the Government. Partial payments are payments made to the contractor after the work has been completed, or goods provided, and are based on items accepted on the

receiving report. Per ***FAR 32.102(d)***, payments for accepted supplies and services that are only a part of the contract requirements (i.e., partial deliveries) are authorized by ***10 U.S.C. § 3801(a)(1)***. When appropriate, contract statements of work and pricing arrangements must permit acceptance and payment for discrete portions of the work as soon as accepted (FAR 32.906(c)).

3.1 Invoicing and Tracking

When partial payments are made on purchase orders, contracts, or delivery orders, a partial payment record is maintained by the entitlement office. A separate partial payment record is maintained for each purchase order, contract, or other obligation document requiring partial payments. Contractors will submit payment requests and receiving reports in electronic form, utilizing the Wide Area Workflow (WAWF) module within the Procurement Integrated Enterprise Environment (PIEE), as prescribed by ***DFARS 232.7002*** and ***DFARS 232.7003***, with noted limited exceptions. When payment requests and receiving reports are not submitted in electronic form, the contracting officer will consult with the payment office and the Administrative Contracting Officer (ACO) regarding the preferred method for submission.

3.2 Discounts Offered

Partial payment requests may contain discount provisions per the contract, or on the invoice, that must be considered. See Chapter 2 for discount policy.

3.3 Ordering Agreements and Blanket Delivery Orders

Payments made against blanket purchase agreements, call-type contracts, and blanket delivery orders, as defined by ***FAR Part 16***, are not considered partial payments, except when more than one payment is required on an individual call or order.

4.0 CONTRACT PAYMENT ALLOCATIONS

4.1 Overview

In accordance with ***DFARS, Subpart 204.7108***, contracting officers must follow the procedures at ***DFARS 204.7108, Procedures, Guidance, and Information (PGI)***, for inclusion of payment instructions in contracts. The payment instructions provide guidance to the payment office to assign payments to appropriate accounting classification reference numbers (ACRNs) based on the anticipated contract work performed (regulatory guidance for establishing ACRNs is contained in ***DFARS PGI 204.7107***). Payment instructions are required for any contracts or separately priced orders that:

4.1.1. Include deliverable line items or subline items that are funded by multiple accounting classifications;

4.1.2. Contain cost-reimbursement or time-and-materials/labor-hour line items; or

4.1.3. Authorize financing payments.

4.2 Application

The DFARS PGI payment instructions provide for a specific allocation methodology based on the type of payment request being submitted and the type of effort being procured. The contracting officer must insert the specific instructions, or a link to the table at DFARS PGI 204.7108(b)(2), into section G of the contract. The DFARS PGI payment instructions include an authorization for the contracting officer to utilize an alternative "Other" allocation methodology if none of the specific payment-type instructions apply. However, this methodology may only be used if:

4.2.1. It provides a significantly better reflection of how funds will be expended in support of contract performance; and

4.2.2. It is agreed to by the payment office and the contract administration office. A copy of the agreement will be kept in the contract file.

5.0 CONTRACT FINANCING PAYMENTS

5.1 Overview

A contract financing payment, as defined in ***FAR 32.001*** and ***DFARS Subpart 232***, is an authorized Government disbursement of monies to the contractor prior to acceptance of supplies or services by the Government. Contract financing payments relieve the contractor from responsibility for the total financing of a contract that extends over a long period, or is for a large amount of money. These payments must be authorized by the contracting officer within the contract terms and conditions.

5.1.1. Contract financing payments include:

5.1.1.1. Progress payments based on cost (***FAR 32.5*** and ***DFARS 232.5***);

5.1.1.2. Progress payments based on a percentage or stage of completion (FAR 32.102);

5.1.1.3. Performance-based payments (***FAR 32.10*** and ***DFARS 232.10***);

5.1.1.4. Advance payments (***FAR 32.4*** and ***DFARS 232.4***);

5.1.1.4.1. Commercial advance and interim payments (***FAR 32.2*** and ***DFARS 232.2***); and

5.1.1.4.2. Interim payments under a cost-reimbursement-type contract, except for a cost-reimbursement contract for services when Alternate I of the clause at ***FAR 52.232-25*** is used. See section 6.0 for policy pertaining to payments on cost-reimbursement-type contracts.

5.1.2. In accordance with ***DFARS 232.102-70***, the contracting officer may establish provisional delivery payments to pay contractors for the costs of supplies and services delivered to and accepted by the Government under certain contract actions. This may take place if the contract is undefinitized, whereby the contract terms, specifications, or prices are not agreed upon before performance begins.

5.1.3. Contract financing payments do not include:

5.1.3.1. Invoice payments;

5.1.3.2. Payments for partial deliveries;

5.1.3.3. Lease and rental payments; or

5.1.3.4. Interim payments under a cost-reimbursement-type contract for services when Alternate I of the clause at FAR 52.232-25 is used.

5.2 Progress Payments

Progress payments are made to the contractor when requested, as work advances.

5.2.1. Progress Payments Based on Costs. These payments, authorized by the inclusion of ***FAR clause 52.232-16***, are made to the contractor when requested, but not more frequently than monthly and only in amounts approved by the ACO in accordance with FAR 32.5 and DFARS 232.5. Progress payment requests are processed in sequential order.

5.2.1.1. Per FAR clause 52.232-16, total amount of progress payments shall not exceed 80 percent of the total contract price, as defined by ***FAR 32.501-3***. Additionally, in accordance with ***FAR 32.501-1*** and ***10 U.S.C. § 3804(b)***, progress payments may not exceed 80 percent of the eligible costs of work accomplished on undefinitized contract actions (UCA), as defined by ***DFARS 217.7401***, and;

5.2.1.1.1. A contractor performing the contract for which a UCA is entered into has not already received increased progress payments on contractual actions other than UCAs; or

5.2.1.1.2. A contractor performing the contract for which a UCA is entered into, and that has received increased progress payments on contractual actions other than UCAs, can demonstrate that the contractor has promptly provided the amount of the increase to any subcontractors (at any tier), small business concerns, or suppliers of the contractor.

5.2.1.2. Each contractor request for progress payment must be prepared and submitted through the WAWF module of PIEE, as a separate progress payment document/***SF 1443***, Contractor's Request for Progress Payment, in accordance with ***DFARS 252.232-7003***, with noted limited exceptions. The FAR and DFARS links provided herein discuss the computation, liquidation, reduction, suspension, and limitations of progress payments.

5.2.1.3. ***DFARS 252.232-7004*** provides for special liquidation rates pertaining to small businesses (90%) and small disadvantaged businesses (95%). However, the limitation/ceiling of 80% of total contract price specified by FAR clause 52.232-16 still applies.

5.2.1.4. Progress payments may have different liquidation rates. For example, a contract may have different liquidation rates for payments pertaining to the U.S. effort versus FMS. In this example, the liquidation rate could be 80 percent for the U.S. work versus 90 percent for the FMS, and two separate progress payment requests are required to be prepared and submitted by the contractor. In addition, as prescribed by ***DFARS 252.232–7002***, if more than one FMS country is involved, the contractor is required to attach a supporting schedule to the progress payment request identifying the countries and the requested distribution of the payment. Unless directed otherwise in the contract, or by the contracting officer, the contractor submits the progress payment requests, with supporting information, to the entitlement office designated in the contract when requesting a progress payment.

5.2.1.5. ***FAR 32.102(b)*** states that progress payments based on costs do not include:

5.2.1.5.1. Payments based on the percentage or stage of completion when the contract contains either ***FAR clause 52.232-5*** or ***FAR clause 52.232-10***;

5.2.1.5.2. Payments for partial deliveries accepted by the Government;

5.2.1.5.3. Partial payments for a contract termination proposal; or

5.2.1.5.4. Performance-based payments (FAR 32.10).

5.2.2. Progress Payments for Fixed-Price Construction Contracts. The Government may make progress payments on fixed-price construction contracts containing FAR clause 52.232-5 based on estimates of work accomplished that meet the standards of quality established under the contract. These progress payments, whether disbursed monthly or at more frequent intervals as determined by the contracting officer, should be processed by the entitlement office as partial payments as described in paragraph 3.1.

5.2.3. Progress Payments Based on a Percentage of Completion. ***FAR 32.102(e)(1)*** references the statutory authority to use progress payments based on a percentage or stage of completion. These are authorized only for contracts for construction (as defined in ***FAR 36.102***), shipbuilding and ship conversion, alteration, or repair. However, percentage or stage of completion methods of measuring contractor performance may be used for performance-based payments in accordance with FAR 32.10. Agency procedures must ensure that payments are commensurate with work accomplished, which meets the quality standards established under the contract.

5.2.4. Progress Payment Allocations to Accounting Classifications

5.2.4.1. DFARS PGI 204.7108 identifies the methodologies for allocation (payment instructions) that contracting officers must include in contracts when financing payments are authorized. The DFARS PGI provide instruction to the payment office to assign payments to the ACRN citation(s). Refer to Volume 4, Chapter 12, section 4.0, concerning the accounting treatment of progress payments.

5.2.4.2. When allocating progress payments across ACRNs, controls must be established to ensure disbursements do not exceed obligations at the ACRN level. In order to incorporate these necessary controls, progress payments, performance-based payments, and commercial item financing will ordinarily be charged to an ACRN so that the outstanding financing payment balance for each ACRN does not exceed the Unliquidated Obligation (ULO) for that ACRN multiplied by the contractual liquidation rate. This internal control ensures contracts are not over liquidated at the ACRN level, potentially causing a negative ULO condition, prior to final delivery. For ACRNs that fund both fixed-price and cost-type line items, the allocation methodology of contract financing applies only to the fixed-price portions (in accordance with FAR 32.501-3).

5.2.4.2.1. If the ACRN allocation instructions within the contract, based on the incorporation of DFARS PGI payment instructions, deviates from the allocation process described in 5.2.4.2, allocations in entitlement and accounting systems may be established to reflect payment instructions that direct liquidation of contract finance payments from ACRNs with a shorter remaining period of availability for expenditure. This may facilitate liquidation of obligations pursuant to ***31 U.S.C. § 1553*** prior to closure of the appropriation account by operation of ***31 U.S.C. § 1552***. If payment instructions direct liquidation of ACRN balances in excess of the ULO balance multiplied by the contractual liquidation rate, controls must be established to ensure that ACRNs with mixed-type funding (fixed and cost) are not over liquidated, and that the overall contract ceiling of 80% of contract price (FAR clause 52.232-16) is not exceeded.

5.2.4.2.2. If the contracting officer determines an alternate ACRN allocation methodology is to be used to liquidate payments for a specific contract, as described in 5.2.4.2.1, then the contracting officer must incorporate the DFARS PGI payment instruction of "Other" (prescribed by DFARS PGI 204.7108(d)(12)) and negotiate a written agreement to such an alternate methodology with the payment office before that alternate allocation methodology may be used. A copy of the written agreement, or the contractual modification identifying the specific payment instruction, must be maintained in the contract file and the payment office files for audit support purposes.

5.2.4.3. There are occasions when work is shifted from one contract to another for the same contractor. The shifting of work between contracts must be in compliance with DoD progress payment policy of taking offsets whenever possible. When shifts occur, it is noted that a disbursement adjustment between contracts is a bookkeeping entry and not a payment transaction. Accordingly, when work is shifted between contracts of the same contractor, a progress payment is the net amount of the transactions involved on the contracts. Any transfers of work from one contract to another contract are ordered by a modification to each affected contract.

5.2.4.4. If the progress payment is for FMS requirements, then the portion of the amount approved for payment is charged to each customer country. For the FMS customer to receive a correct billing statement, the long line fund citation must include the country code, implementing agency, country code designator, and the case line number. If each country code contains only one ACRN, then payment is made to the ACRN representing the country code, implementing agency, and case line item. If there is more than one ACRN for each country code, the amount charged to each country code is prorated to the ACRNs identified to that country code, or allocated in a manner identified by, or acceptable to, the ACO (in accordance with DFARS PGI 204.7108 and DFARS 252.232-7002). Proration is based on the ratio of the ACRN obligation to the total obligation for a particular country code.

5.2.5. Progress Payment Recoupment

Progress payments are recouped (liquidated) either by voucher deductions from amounts otherwise due the contractor on payments for fixed-price delivered and accepted items, or in extremely rare cases, by cash refunds. Recoupments must be based on the DFARS PGI payment instruction requirements contained in the contract, as described in 5.2.4.1. If the contract contains the FAR clause 52.232-16, progress payment financing shall be liquidated by deducting from any payment under this contract, other than advance or progress payments, the unliquidated progress payments, or 80 percent of the amount invoiced (or an alternate liquidation rate established in accordance with ***FAR 32.503-9***), whichever is less.

5.2.5.1. Deduction From Vouchers

5.2.5.1.1. Disbursement vouchers are prepared for the gross amount of work completed by the contractor and charged to the applicable accounts, based on the contractual payment instructions. From this gross amount, the deduction for the liquidation amount will occur to recoup the prior progress payment financing.

5.2.5.1.2. The recouped amount is determined by multiplying the gross amount of the invoice by the liquidation rate stated in the contract. If this amount is greater than the outstanding progress payment balance on the contract, then the outstanding progress payment balance becomes the amount recouped.

5.2.5.1.3. The recoupment is computed and applied, utilizing the DFARS PGI payment instructions contained in the contract, against the outstanding progress payment balances of the ACRNs to which the delivery is applicable.

5.2.5.1.4. If an insufficient outstanding balance of progress payments exists on the ACRNs applicable to the delivered items, then any remaining outstanding progress payment balance on other ACRNs must be recouped, up to the liquidation rate established in the contract, which is ordinarily 80%.

5.2.5.1.4.1. If sufficient schedule information is available, then any remaining recoupment is applied against the outstanding progress payment balance of the ACRN. The recoupment is against the ACRN representing the delivery furthest into the future within the

same service as the deliverable ACRN. If sufficient liquidation is not available within the deliverable service ACRN, then liquidation from the ACRNs of other services should occur against the delivery furthest into the future.

5.2.5.1.4.2. If sufficient schedule information is not available, then the remaining liquidation is prorated against those ACRNs with an outstanding progress payment balance within the service of the deliverable first, and then from other service ACRNs when necessary. The basis for the proration is the ratio of the individual ACRN progress payment balances to the total contract progress payment balance.

5.2.5.1.5. Recoupments are not accomplished involving both U.S. and FMS funds unless both are involved with the payment of the deliverable item. If there is a deliverable payment against U.S.-funded ACRNs, then progress payments are recouped only against the U.S. ACRNs. For a deliverable payment against FMS-funded ACRNs, progress payments are recouped against only those countries involved with the FMS deliverable.

5.2.5.1.6. For invoices offering discounts on contracts with unrecouped (unliquidated) progress payments, see Chapter 2.

5.2.5.2. Cash Repayment. Cash repayments may be required by the provisions of the contract.

5.3 Performance-Based Payments

As prescribed by FAR 32.10, performance-based payments are a form of contract financing that is authorized for use by the inclusion of ***FAR clause 52.232-32*** in solicitations that may result in contracts providing for performance-based payments, and fixed-price contracts under which the Government will provide performance-based payments. Performance-based payments and progress payment financing may not be authorized on the same contract, or individual order (for indefinite delivery contracts), per ***FAR 32.1003***.

5.3.1. Payment. Performance-based payment financing differs from progress payments, which are based on costs incurred, in that they are based on objective quantifiable performance, the accomplishment of defined events, or some other quantifiable method. Two different types of performance-based payments may be included in a contract. The inclusion of ***DFARS clause 252.232-7012*** authorizes performance-based financing payments on a whole contract basis, whereas ***DFARS clause 252.232-7013*** authorizes the payments on a deliverable line-item basis. As prescribed by ***FAR 32.1004(b)(2)(ii)***, total performance-based payments shall not exceed 90 percent of the contract price if on a whole contract basis, or 90 percent of the delivery item price if on a delivery item basis.

5.3.2. Recoupment. Performance-based financing payment amounts shall be recouped (liquidated) by deducting a percentage, or a designated dollar amount, from the delivery payments in accordance with FAR clause 52.232-32. The contracting officer must specify the liquidation rate or designated dollar amounts in the contract. The method of liquidation must ensure complete recoupment no later than final payment. As prescribed by FAR 32.1004, the methodology for

liquidating performance-based financing payments must be stated in the contract and will be on the same basis as they were paid, whole contract basis or line-item basis.

5.4 Advance Payments for Non-commercial Items

Advances are payments made to contractors in anticipation of performance on the contract. Advances are often made prior to the associated costs being accumulated and summarized in the contractor's accounting system. Contracts must include ***FAR clause 52.232-12*** authorizing these payments before payment may be made. In accordance with FAR clause 52.232-12, these payments will be made payable to the contractor marked for deposit only in the contractor's special bank account designated for this purpose. For more details, see FAR 32.4, DFARS 232.4, and Chapter 4.

5.4.1. Reconciliation and Tracking. Subsidiary records of individual advances must be maintained to support the amount recorded in the general ledger account. The subsidiary record must include the amount advanced, the date advanced, the applicable contract number, and the disposition of the advance. At least quarterly, the subsidiary record must be reconciled with the general ledger balance; see Volume 4, Chapter 3.

5.4.2. Advance Payment Pool Agreements. Advance payments may be used for financing the performance of more than one contract. This is accomplished under a single advance payment agreement called an advance payment pool agreement, under the authority of ***FAR 32.408*** and ***DFARS 232.470***.

5.4.2.1. Advance payment pool agreements are used for the financing of cost-type contracts with nonprofit educational or research institutions, for experimental or research and developmental work, when several contracts or a series of contracts require financing by advance payments. The educational institution uses the advance to pay expenses that will be reimbursed under performance of the contracts. The advance remains outstanding as long as there are contracts remaining in the pool, the need for the amount exists, and there is contract value (unliquidated value on the contract) greater than the amount of the advance.

5.4.2.2. Contracts may cite the funds of more than one agency or department when the contract is part of a pooling agreement. When more than one contract is involved in the pooling agreement, one or more of the contracts is designated as the contract for which the advance payments are applied. This is usually a large dollar value contract.

5.4.2.3. The following policies apply to DoD Components operating under advance payment pool agreements.

5.4.2.3.1. The contractor request for an advance payment must be submitted to, approved, and certified for payment by the office(s) specified in the contract. The advance payment must cite a specific appropriation associated with the advance payment pool agreement. The approved payment request is then forwarded to the payment/entitlement office cited in the contract to be paid.

5.4.2.3.2. Upon receipt of a properly approved advance payment voucher in the entitlement office, it must be reviewed for accuracy. If proper, the voucher is entitled and forwarded to the disbursing office to be paid.

5.4.2.3.2.1. The payment must cite the appropriations identified on the contracts listed on the reimbursement voucher.

5.4.2.3.2.2. A record must be maintained of all contract financing payments made by the entitlement office.

5.4.2.3.2.3. Total payments must not exceed the total amount authorized on the contract.

5.4.2.3.2.4. Payments are to be made within 5 to 10 workdays after receipt of a properly approved reimbursement voucher, but not earlier than the date specified in the pool agreement. These payments are considered a form of contract financing and are not subject to Prompt Payment Act (PPA) interest.

5.4.2.4. Controls must be established (e.g., manual or electronic ledgers) by the payment office to ensure cumulative payments, plus the amount advanced, do not exceed the ULO of all contracts awarded under the pooling agreement. This condition may result from:

5.4.2.4.1. Failure to receive obligating documents, or

5.4.2.4.2. Nearing completion of the pool contracts.

5.4.2.5. Do not make a (non-advance) contract payment when it causes the ULO to fall below the advanced amount. If this condition occurs, notify the designated DoD Component and request further instructions. The Component will advise whether obligating documents are in transit or whether the payment must be processed to liquidate the amount advanced.

5.4.3. Recoupment of Advance Payments

The methodology for recoupment of advance payments should be stated in the contract. In accordance with FAR clause 52.232-12, at any time, the contractor may repay all or any part of the funds advanced by the Government. Whenever requested in writing to do so by the administering office, the contractor must repay to the Government any part of unliquidated advance payments considered by the administering office to exceed the contractor's current requirements. If the contractor fails to repay the amount requested by the administering office, all or any part of the unliquidated advance payments may be withdrawn from the special account established for deposit of the advanced payments, by check signed by only the countersigning agent and applied to reduce the unliquidated advance payments under this contract. If the agency considers a more rapid liquidation appropriate, the contracting officer may use the clause with its Alternate III.

5.4.3.1. When the advance is recouped, or repaid by the contractor, charge the appropriate contracts in the pooling agreement and reduce the amount recorded against the designated contract as advance payments.

5.4.3.2. When a contract is terminated, the disbursing office will collect any balances due for advance payments not liquidated, as well as accrued interest if applicable (see ***FAR 32.407***).

6.0 COST-REIMBURSEMENT-TYPE CONTRACTS

Cost-reimbursement-type contracts provide for payment of allowable costs incurred, to the extent prescribed in the contract. These contracts establish an estimate of the total cost for purposes of obligating funds, and contain a cost limitation that the contractor may not exceed (except at its own risk) without the approval of the contracting officer (See ***FAR 16.3***). Interim payments under a cost-reimbursable-type contract are considered contract financing and are governed by the requirements of FAR, Part 32, except for cost-reimbursement contracts for services, when Alternate I of the clause at FAR 52.232-25 is used.

6.1 Recording of Payments

The general ledger posting requirements for those interim cost-reimbursement payments that are considered contract financing are contained in Volume 4, Chapter 5.

6.2 Authority to Review and Approve Vouchers

The Defense Contract Audit Agency (DCAA) has sole authority for verifying claimed costs and provisionally approving interim payment requests under cost-reimbursement, non-commercial and commercial time-and-materials, and labor-hour type contracts. This authority may include, upon request, cost verification and provisional approval for state and local government-submitted claims that fall under the provisions contained in ***2 CFR 200***. In accordance with ***DFARS 242.803***, DCAA utilizes sampling methodologies to select interim vouchers for review prior to sending them to the payment office. Interim vouchers not selected for pre-payment review will be considered to be provisionally approved and will be sent directly to the payment office. All provisionally approved interim vouchers are subject to later audit of actual costs incurred. A Contracting Officer's Representative (COR) may not be delegated authority to approve these types of payments. The COR may review contractor billings, but is expected to coordinate with DCAA when any cost verification of data is necessary for support of their surveillance responsibilities. Therefore, DCAA provisionally approves interim payment requests subject to final audit, the ACO approves the final payment request on the contract, and the COR coordinates with DCAA if any cost verification is needed.

6.3 Invoice Submission

Contractors must submit payment requests and receiving reports in electronic form, utilizing the WAWF module of PIEE, as prescribed by DFARS 232.7002 and DFARS 232.7003, with noted limited exceptions. When payment requests and receiving reports are not required to be submitted in electronic form, the contracting officer will consult with the payment office and the ACO regarding the preferred method for submitting payment requests.

6.4 Special Provisions for Foreign Military Sales (FMS) - Funded Contracts

Special payment techniques are required in some cases when the contract includes requirements under the FMS program for more than one country, or one or more countries and the United States. Further policy regarding FMS-funded contracts is contained in Volume 15.

7.0 FAST PAYMENT

The fast payment policies authorize payment prior to verification that supplies have been received and accepted on contracts containing ***FAR clause 52.213-1***, under the limited conditions listed in ***FAR 13.402*** and ***DFARS 213.402***. When a purchase is made using fast payment procedures, payment is made based on the supplier's submission of an invoice, which constitutes a certification that the contractor has delivered the supplies to a post office, common carrier, or point of first receipt by the Government, and that it will repair, replace, or correct non-conforming items. Contractors must submit payment requests in electronic form, utilizing the WAWF module of PIEE, as prescribed by DFARS 232.7002 and DFARS 232.7003, with noted limited exceptions (see Chapter 8 for additional policy regarding electronic submission requirements).

7.1 Payment Timelines and Requirements

Payment is to be made no later than 15 days after receipt of a proper fast pay invoice. However, if the payment office does not meet the 15-day requirement for payment, PPA interest will begin to accrue in accordance with procedures applicable to invoices to which the fast payment procedure clause does not apply. See Chapter 7 for additional PPA policy and requirements.

7.1.1. Both manual and electronic invoices will be prominently marked as “FAST PAY” and processed using fast payment procedures. Invoices not prominently marked “FAST PAY” may be accepted for payment. If the contract contains FAR Clause 52.213-1, then the invoice may be paid using fast payment procedures.

7.1.2. If the fast payment procedure clause is not incorporated into the contract, the invoice will be paid in accordance with the procedures for invoices to which fast payment procedures do not apply. The contracting officer should be provided timely feedback concerning contractor performance (including deficiencies and any history of abuse) under fast payment purchases.

7.2 Controls

The entitlement office, together with the contracting officer, must ensure the following conditions are in place when using the fast payment procedures.

7.2.1. A closed loop process exists that matches payments to material receipts and resolves non-receipt or other discrepancies. This should consist of a management control/audit program by the entitlement office for the post-payment examination of payments made under fast pay.

7.2.1.1. Authorized personnel with direct knowledge of the receipt must document receipt of goods and services. This documentation, whether hardcopy or systemic, must be made

available within the timeframe prescribed by a post-payment examiner when requested during audits. The audit must confirm receipt and acceptance and include matching with payment documents.

7.2.1.2. The first attempt to obtain missing receiving reports will be initiated no later than 45 days after payment is made. If the receiving report is not received within 45 days from the date of the initial follow-up, the entitlement office will contact the contracting officer to verify receipt and acceptance; or issue a contract deficiency report to the contracting officer for non-compliance with contract terms so the entitlement office and the contracting officer can start collection actions.

7.2.2. Auditable evidence of receipt and acceptance of the goods/services exists and is accessible. Audit evidence of receipt must have the date the items were delivered or when the services were rendered, the printed authorizing official's name, and authorizing signature or electronic/digital approval. Audit evidence of acceptance is the authorization that the receipt of goods/services matches the criteria identified on the originating order and acknowledges the items/services are of acceptable condition/quality.

7.2.3. An information flow exists that links consignee (the post office, common carrier, or point of first receipt by the Government) receipt and discrepancy information to both the purchasing and bill entitlement offices. The information flow documents contractor performance and provides timely feedback to contracting/bill entitlement offices.

7.2.4. A prevalidation process exists that matches expenditures and obligations for fast pay transactions (See Chapter 1 for additional information on prevalidation requirements).

VOLUME 10, CHAPTER 11: "PAYMENT AS REIMBURSEMENT FOR PERSONAL EXPENDITURES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue and underlined font.

The previous version dated October 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
2.20.1, 2.20.2 (Previous Version)	Combined the previous version of subparagraph 2.20.1 with the previous version of subparagraph 2.20.2 for readability and clarity.	Revision

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CHAPTER 11

PAYMENT AS REIMBURSEMENT FOR PERSONAL EXPENDITURES

1.0 GENERAL

1.1 Purpose

This chapter prescribes policy for reimbursement to civilian personnel, military members, and others who have used personal funds to pay for Federal Government obligations. The ***DoD Guidebook for Miscellaneous Payments***, prepared by the Defense Finance and Accounting Service, assists DoD officials in identifying mandatory requirements prescribed for DoD miscellaneous payments. It provides a high-level overview of policies and processes, with a goal of consolidating and streamlining miscellaneous payment procedures across the Components.

1.2 Authoritative Guidance

The policies prescribed throughout this chapter pertaining to claims for personal expenditures are based primarily upon Titles 5, 10, 31, and 41 United States Code (U.S.C.); Titles 5 and 32, Code of Federal Regulations (CFR); Joint Travel Regulations ***(JTR), Chapters 2, 3, and 5***; DoD Instruction (DoDI) ***1000.30***, "Reduction of Social Security Number (SSN) Use Within DoD;" and ***DoDI 7250.13***, "Use of Appropriated Funds for Official Representation Purposes."

2.0 PERSONAL EXPENDITURES

2.1 Overview

It is DoD's policy that military and civilian personnel follow standard personnel reimbursement procedures established by their Component or activity, and avoid using personal funds to pay for Federal Government obligations. However, personnel will be reimbursed if the underlying expense was authorized, or if there was an urgent and unforeseen public necessity, and the claim is legally payable. Personnel will not use this policy to avoid the use of standard personnel reimbursement procedures established by their Component or activity, or to circumvent other laws or regulations.

2.1.1. Use of electronic submissions is preferable when requesting reimbursement for personal expenditures. The electronic claim must contain all the elements of the Optional Form ***(OF) 1164***, "Claim for Reimbursement for Expenditures on Official Business," unless the Component's system captures the same data elements through some other system functionality that can be directly linked to the claim and supports both internal and external audit requirements.

2.1.2. In lieu of electronic submissions, the OF 1164 is the authorized form used in requesting reimbursement for personal expenditures outlined in this chapter.

2.1.3. All payments require claimants subject to the U.S. Internal Revenue Service code to provide a Tax Identification Number (TIN) in accordance with ***31 U.S.C. Section 7701***,

31 U.S.C. § 3325(d), and *Federal Acquisition Regulation, subpart 4.9*. For personnel, the TIN may be the claimant's SSN (*26 U.S.C. § 6109(d)*). However, an alternative identification number should be used whenever possible in accordance with DoDI 1000.30. In accordance with *DoDI 5400.11*, "DoD Privacy and Civil Liberties Programs," Components must safeguard the privacy of all individuals and the confidentiality of all personally identifiable information (PII), and take action to ensure any PII contained in a system of records used to conduct official business will be protected so the security and confidentiality of the information is preserved.

2.1.4. All claims for reimbursement must be submitted in accordance with the DoD and Component's submission policies and procedures (electronic or manual). All claims must be signed by the claimant, appropriate approving official, and a properly appointed certifying officer prior to being paid.

2.1.5. Personnel may use electronic and digital signatures to approve and certify financial documents processed through automated information systems (Volume 5, Chapter 1, subparagraph 3.5.3).

2.1.6. Certifying officers must approve the claim prior to disbursement to ensure the information on the vouchers agrees with all supporting documentation. Certifying officers certify that the claims/vouchers are correct and proper for payment from the appropriation(s) or other funds cited on them or on supporting vouchers, and the proposed payments are legal, proper, and correct (Volume 5, Chapter 5, sections 4.0 and 5.0).

2.1.7. To ensure auditability and to validate entitlement systems' payment records, all claims for reimbursement require supporting documentation for proof of receipt, approval by a designated approving official, and certification by a properly appointed certifying officer prior to the disbursement. Volume 1, Chapter 9, Figure 9-1 prescribes DoD policy regarding the retention period for financial records in support of these payments. Refer to *44 U.S.C. § 2909* for authorization to retain records for a longer period than specified in disposal schedules. Supporting documentation includes, but is not limited to, receipts, tickets, and invoices.

2.2 Claim for Reimbursement for Expenditure on Official Business

2.2.1. Military Personnel and Civilian Employees. Military and civilian personnel claiming reimbursement for expenditure of personal funds without pre-approval must show there was an urgent and unforeseen public necessity. The claimant must prepare a claim for reimbursement and place the following statement on the claim, or attach to the claim: "I certify this claim is true and correct. There was an unforeseen and urgent reason to spend my funds, and I have not received credit or payments." The claimant must sign and date the claim. An official designated in the Component or activity procedures must approve the claim prior to forwarding to the certifying officer.

2.2.2. Non-Government Personnel. Claims submitted for reimbursement require signatures by the claimant, an approving official, and a properly appointed certifying officer. A certified copy of the document requesting the person to perform services, or documentation showing personally paid items, must support the claim.

2.2.3. Supporting Documents. The documents supporting certified vouchers must show the goods or services were received and essential. Mission-related expenses incurred while in a travel status are not payable on a travel voucher and/or by using the Defense Travel System. The JTR, Chapters 2, 3, and 5, prescribes items allowable for reimbursement while in travel status for military members and DoD civilian personnel.

2.3 Civil Air Patrol Expenses

Reimbursement is authorized to members of the Civil Air Patrol for supplies, including fuel, lubricants, and other items required for vehicle and aircraft operations, through Air Force appropriations when acting as an auxiliary of the Air Force. Reimbursement of expenses is also authorized to place equipment into serviceable condition, or to improve and maintain equipment (including aircraft, motor vehicles, computers, and communications equipment) owned or leased by the Civil Air Patrol. Refer to ***10 U.S.C. § 9494***.

2.4 Conference Attendance

2.4.1. Overview. Military members may attend conferences of recognized professional organizations to maintain and further their professional competency at Government expense, subject to the availability of funds, specific management approvals, and the member's work responsibilities. Conference attendance expenditures, which contribute to improved conduct, supervision, or management of the DoD Components' functions and activities, may be authorized as prescribed by Volume 9, Chapters 5, 8, and Definitions. Refer to the ***DoD Conference Guidance, Version 4.0*** for DoD policy concerning the administration and oversight of all conferences.

2.4.2. Attendance at Technical, Scientific, Professional, or Similar Organizations. The DoD requires specific approval for authorization and reimbursement of expenses associated with attending meetings for technical, scientific, professional, or similar private membership non-Federal societies or organizations (JTR, Chapter 3, sections 0302 and 0321). Documentation supporting that approval must accompany the claim for reimbursement.

2.5 Notary Public Commission Expenses

An employee required to serve as a notary public in connection with the performance of official duties is entitled to repayment of the expenses incurred in obtaining a notarial commission as authorized by ***5 U.S.C. § 5945***. Reimbursable expenses include the cost of seals, embossing devices, recording and filing fees, and surety bonds required for notaries by state laws. DoD Components will not make reimbursements for claims related to dues for notarial professional associations or other non-essential services. The claim for reimbursement of commission expenses must include a statement that the notary commission is required in the performance of official duties as designated in Component or activity procedures. The claimant's statement must be approved by a management official prior to submission to the certifying officer. There is no statutory authority for payment of these expenses to military members.

2.6 Professional Credentials and Specialty Board Examinations

Reimbursement of expenses to obtain professional credentials may be authorized for application fees, examinations, and certifications. The authority for reimbursement of professional accreditation fees is prescribed by ***5 U.S.C. § 5757***.

2.7 Passports and Visas

Reimbursement is authorized for costs related to obtaining a visa or passport when required for official travel by DoD employees and their dependents in accordance with JTR, Chapter 2, section 0204, Table 2-24.

2.8 Personnel Held Captive

2.8.1. U.S. military personnel held captive who barter personal valuables during escape and evasion may file a claim for reimbursement. The claim submitted for reimbursement must list the value of each article and show its age and condition at the time of barter. The appropriate commander or management official must approve the claim prior to submission to the certifying officer.

2.8.2. Civilian personnel held captive who barter personal valuables during escape or evasions should consult with their Component's legal counsel in preparation of the claim. The claim must be approved by the designated Component official prior to submission to the certifying officer.

2.9 Room and Board for Dependent Children

In limited circumstances, the cost of room and board is reimbursable to sponsors of dependent children who require room and board away from their domicile (not within commuting distance) as prescribed by ***20 U.S.C. § 926(b)***. Also see DoD ***Directive 1342.20***, DoD Education Activity (DoDEA), for more information regarding eligibility requirements for education of dependent children in overseas areas or attendance at non-DoD schools. In accordance with DoD Directive 1342.20, a dependent is defined as a minor who has not completed secondary schooling and who is the child, stepchild, adopted child, spouse, or other eligible minor of an eligible sponsor. A receipt covering the actual payment of room and board by the sponsor is required to support the claimed amount. Additionally, a signed statement is required from the school superintendent or principal that room and board charges are reasonable for the area, and there was nothing available as a less expensive alternative for providing adequate education at a school within the same comparable distance.

2.10 Travel for Dependent Children

When DoD-operated schools are unavailable overseas, the DoDEA will coordinate the placement of students in local public or private schools, or in boarding schools. In limited circumstances, reimbursement for the education travel of student family members is authorized by ***5 U.S.C. § 5924(4)***. The claim for reimbursement must be supported with a travel receipt.

2.11 Continuing Medical Education Program

Title 10, U.S.C. § 1094a prescribes policy for continuing medical education requirements. Individuals enrolled in approved medical correspondence courses may be reimbursed for course costs prior to course completion. Refer to ***5 U.S.C. § 4109*** and Chapter 4, paragraph 2.4 for additional guidance. The claimant must provide satisfactory proof of course completion, through appropriate Component channels, to the certifying officer in a timely manner to avoid debt collection procedures being initiated for perceived non-completion of the course.

2.12 Official Representation

The use of appropriated funds for official representation purposes is authorized as prescribed in DoDI 7250.13. The Heads of DoD Components may authorize the expenditure of Official Representation Funds by authorized individuals, or their designees, only for official purposes. The claim for reimbursement must be supported by receipts for personal expenditures and approved by the officials designated in accordance with DoDI 7250.13 prior to forwarding to the certifying officer for certification. Also see the DoD Guidebook for Miscellaneous Payments (type payment codes OREV, ORGV, OREE, and ORGE) for additional policy.

2.13 Awards Ceremony Fees

Fees paid by award nominees, award recipients, and their supervisors and managers attending ceremonies may be reimbursed by the Government when those expenditures fall within the scope of the Government Employees Incentive Awards Act (***5 U.S.C. §§ 4501-4506*** and ***10 U.S.C. § 1124***). Fees may cover items such as meals, refreshments, plaques, and awards. The DoD will not authorize advance payments. Individuals will request reimbursement on travel vouchers. However, to obtain reimbursement in the event travel orders are not issued, the claimant must submit a claim with applicable receipts, approved by the designated management official, to the certifying officer.

2.14 Defense Attaché Payments

Expenses are authorized and reimbursable for military attaché officers to maintain suitable official residence and may vary by location. The claimant must submit a form ***DD281***, "Voucher for Emergency or Extraordinary Expense Expenditures," to request and receive reimbursement. The Head of the DoD Component must approve claims submitted for reimbursement prior to submission to the certifying officer. Title ***10 U.S.C. § 127*** prescribes policy for emergency and extraordinary expenses.

2.15 Payment for Contract Quarters for Foreign Military Sales (FMS) Travelers

Payment for the use of contract quarters is reimbursable for personnel traveling on official orders in connection with FMS. Refer to the Defense Security Cooperation Agency, ***Security Assistance Management Manual, Chapter 10, Section C10.13***; the JTR, Chapter 2, paragraph 020303; and DoD Component regulations for travel reimbursements.

2.16 Reimbursement for Use of Local Special Conveyances

The JTR, Chapter 2, section 0206 prescribes allowable reimbursements for commonly incurred expenses associated with public or special conveyances used for transportation in and around duty stations. The claim for reimbursement must be supported by receipts, and approved by the Component's designated approving official, prior to submission to the certifying officer.

2.17 Official Recruiting Duty

Military members assigned to a recruiting organization, or assigned recruiting duties as either a primary or an additional duty, are authorized reimbursement for actual and necessary expenses paid from personal funds. The JTR, Chapter 2, paragraph 020605 prescribes policy for reimbursement for actual and necessary costs. The claim for reimbursement must be supported by receipts, and approved by the Component's designated approving official, prior to submission to the certifying officer.

2.18 Reimbursement for Local Movement of Household Goods

When local moves of household goods of military personnel are authorized in accordance with the JTR, Chapter 5, and the moves are made at personal expense, the claimant must submit a claim for reimbursement to the designated entitlement office. The claimant must provide a copy of the order directing the move, a copy of the authorization to move household goods at personal expense, and a copy of the paid receipt to support the claim. The claimant will be reimbursed for documented receipts and expenses claimed in accordance with the JTR.

2.19 Expenses Incident to Death of Personnel

2.19.1. Overview. Specific Component regulations authorize and prescribe the services and expenses for the care of deceased personnel. ***Title 10, U.S.C. § 1482*** authorizes payment for services, supplies, transportation, and other expenses incurred by the next of kin. The claimant must submit a claim for reimbursement supported by receipts for personal expenditures. The claim must be approved by the Component's designated approving official prior to submission to the certifying officer. Title 10, U.S.C. § 1482 establishes limitations regarding the amount of reimbursement. The payment of expenses incident to the recovery, care, and disposition of remains of a decedent are covered by ***10 U.S.C. § 1481***.

2.19.2. Primary Expenses. A contract with a local mortuary can cover primary expenses for active duty military. Payments for primary expenses covered by the Prompt Payment Act (***5 CFR 1315***) are paid directly to the mortuary by the Government.

2.19.3. Secondary Expenses. Secondary expenses may be assigned to a mortuary or made as a reimbursement to the next of kin for expenses incurred. Secondary expense payments, whether assigned or not, should be expedited.

2.20 Reimbursement for Civilian Medical and Dental Treatment Paid From Personal Funds

*2.20.1. Defense Health Agency TRICARE Beneficiaries. TRICARE limits beneficiaries' private-sector out-of-pocket costs to plan-specific copays, cost shares, and deductibles based on beneficiary category and selected plan. Health Providers generally bill any excess cost directly to TRICARE, and the Managed Care Support Contractor pays it. However, if beneficiaries' make out-of-pocket payments for private-sector care in excess of their plan limits, they may submit a claim for reimbursement. The claim must include paid, itemized invoices from the service provider and signatures of the claimant, approving official, and certifying officer. Visit ***www.tricare.mil*** to download the proper claim form, which includes full instructions for completion.

2.20.2. Civilian Personnel. ***Title 5, CFR, Subpart 339.203*** prescribes policy for the authorization of physical examinations to determine an employee's fitness for duty when such requirements are considered essential for performance of the duties, clearly documented in the position description, and directed by the commanding officer or supervisor. Examinations may be procured through an approved agency purchasing method or the employee can make their own arrangements including direct payment for the physical examination. Procured examinations are processed in the same manner as other contractor invoices or the employee may submit a claim for reimbursement. The employee must submit a claim for reimbursement to the appropriate official for approval prior to submission to the certifying officer. The claim must contain a chargeable line of accounting and the amount payable, supported by a paid statement from the physician or other evidence of payment. The activity requiring the physical examination must charge the request for reimbursement to their operating funds.

2.21 Reimbursement Expenses Under Government Employees Training Act

Title 5, U.S.C. § 4109 authorizes reimbursements for necessary expenses such as tuition and matriculation fees, library and laboratory services, and other services or facilities directly related to training. The claim for reimbursement must include receipts for each payment of $25 or more, details of the expenditures such as services received and dates rendered, signatures of the claimant and approving official, and be certified by a properly appointed certifying officer prior to payment.

2.22 Reimbursement of Miscellaneous Expenses to Defense Counterintelligence and Security Agency (DCSA)

DCSA agents are authorized reimbursement for investigative costs, such as parking fees, police and court record checks, transcripts, photographs, or miscellaneous investigative fees. The DCSA Headquarters must provide the servicing entitlement office the accounting classification citation for the reimbursement. The citation of the appropriate legal, statutory, or other authority providing for the authorization of the reimbursement must appear on the claim for reimbursement.

The claimant must submit a claim for reimbursement supported by receipts and approval signatures from designated DCSA management officials.

VOLUME 10, CHAPTER 12: "MISCELLANEOUS PAYMENTS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated August 2021 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision

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CHAPTER 12

MISCELLANEOUS PAYMENTS

1.0 GENERAL

1.1 Overview

This chapter prescribes policy for certain miscellaneous payments. The Department of Defense ***(DoD) Guidebook for Miscellaneous Payments*** (hereafter referred to as the Guidebook) provides additional mandatory requirements prescribed for DoD miscellaneous payments not specifically addressed in this chapter, due to the varied types of miscellaneous payments. The Guidebook also provides a high-level overview of policies and processes, with the goal of consolidating and streamlining miscellaneous payment guidance across the DoD.

1.2 Purpose

A miscellaneous payment occurs as a result of a claim for payment or reimbursement of a valid, non-recurring, non-contractual expense of the DoD, that is not payroll related for a military or civilian member, and when use of the Government Purchase Card is not feasible or appropriate.

1.2.1. The ***Standard Form (SF) 1034***, Public Voucher for Purchases and Services Other Than Personal, or an electronic equivalent, is the most common authorized form used when claiming payment or reimbursement for miscellaneous expenses. Refer to the Guidebook for specific information related to other authorized forms, depending on the type of miscellaneous expense, as well as the documentation requirements to support the request for payment. Chapter 8, and Volume 5, Chapters 5 and 9 prescribe policy addressing payment vouchers.

1.2.2. To establish auditability and to validate entitlement systems and payment records, a copy of all supporting documentation must accompany each payment request. Components must ensure the documentation is of sufficient quality to allow an independent third party, such as an outside auditor, to understand and verify the basis of the entitlement, to include the authority for the reimbursement as a liability of the DoD, as well as its value, timing, and funding source. The supporting documentation must clearly identify the parties approving and certifying the payment.

1.2.3. A designated approving official is the individual appointed by the commanding officer, director or designee, with oversight responsibility to ensure all payments or requests for reimbursement transactions are necessary and for official Government purposes only. Components may also assign fiduciary responsibility to these approving officials in accordance with Volume 5, Chapter 5. Approving officials are responsible for providing information and data to certifying officers or disbursing officials in support of the payment by attesting to the accuracy of information and data provided. Approving officials will review all claims and verify the request for payment, or request for reimbursement of miscellaneous expenses, was received in accordance with Component procedures.

1.2.4. All payment requests require supporting documentation for proof of receipt, approved by a designated approving official and certified by a properly appointed certifying officer prior to the disbursement of the payment. Refer to Volume 5, Chapter 5 for policy regarding the appointment of certifying officers via the DoD ***(DD) Form 577***, Appointment/Termination Record – Authorized Signature, as well as the proper distribution of the form to the appropriate disbursing office. Certifying officers are responsible for making supporting documentation available for review by authorized personnel, as stated in Volume 5, Chapter 5.

1.2.5. Components must ensure all miscellaneous claims are paid from funds current and available to the accountable activity at the time the claim accrues, unless specifically authorized and noted otherwise. All requests for payment or reimbursement of miscellaneous expenses must contain a valid line of accounting with funds obligated as specified in Volume 3, Chapter 8. Processing of the request for payment through a DoD payment system may require the configuration of unique standard document numbers.

1.2.6. All payments require payees subject to the U.S. Internal Revenue Service (IRS) code to provide a Taxpayer Identification Number in accordance with ***Title 26, United States Code (U.S.C.), section 6109*** (also see ***31 U.S.C. § 3325(d)*** and ***31 U.S.C. § 7701(c)***, and Federal Acquisition Regulation ***(FAR) 4.902***). In accordance with DoD Instruction ***(DoDI) 5400.11***, Components must safeguard the privacy of all individuals and the confidentiality of all personally identifiable information (PII), and take action to ensure any PII contained in a system of records used to conduct official business is protected so the security and confidentiality of the information is preserved.

1.2.7. Volume 1, Chapter 9, Figure 9-1 prescribes DoD policy regarding the retention period of financial records in support of these payments. Refer to ***44 U.S.C. § 2909*** for authorization to retain records for a longer period than specified in disposal schedules.

1.2.8. Miscellaneous payments pertaining to awards and judgments that are wage-related must be submitted and paid through the civilian payroll office to ensure proper withholding of mandatory deductions. Refer to Volume 8, Chapter 4 for mandatory payroll deductions.

1.3 Authoritative Guidance

Policy contained in this chapter pertains to various types of miscellaneous payments, and is based primarily upon Titles 5, 10, 28, 31, 41, and 44 of the U.S.C.; Titles 5, 19, 28, 29, 40, and 44 of the Code of Federal Regulations (CFR); the Treasury Financial Manual (TFM), Volume 1, parts 2 and 6; the FAR parts 5, 33, and 52; and the Defense Federal Acquisition Regulation Supplement (DFARS) subparts 205 and 241. Refer to each individual miscellaneous payment subject for the specific authoritative reference.

2.0 FEES, CLAIMS, AND AWARDS

2.1 Attorney Fees Awarded under Freedom of Information Act (FOIA)

Title 5 U.S.C. § 552 requires the release of agency records requested under the authority of the statute, unless a specific exemption authorizes its withholding.

2.1.1. Under the provisions of the FOIA, a federal district court judge may award attorney fees and litigation costs to a party that substantially prevails in litigation against the Government (5 U.S.C. § 552a(4)(E)). The Openness Promotes Effectiveness in Our National Government Act of 2007 stipulates that fees assessed in FOIA litigation are not payable from the Judgment Fund, which is administered by the U.S. Department of the Treasury (Treasury), Bureau of the Fiscal Service (Fiscal Service). Such fees are payable from appropriated funds of the agency or agencies from which the plaintiff has obtained relief by judgment of the court, or substantial change in agency position (see the note concerning "Limitation on Amounts Obligated or Expended from Claims and Judgment Fund" of 5 U.S.C. § 552).

2.1.2. It is DoD funding policy that the attorney fees, and other costs assessed in the FOIA litigation, are payable from operating funds of the Military Department, Defense Agency, Field Activity, or Combatant Command responsible for administering the initial FOIA determinations or contested record searches that are the subject of the litigation. The funding organization will not necessarily be the organization named as a defendant in the litigation. Components must make payments from funds current at the time of awarding attorney fees.

2.1.3. Litigation involving record or FOIA determinations of multiple organizations may require funding responsibility allocation among such organizations. Counsel that is responsible for defending the litigation is ordinarily in a position to identify the organization that should fund a portion of the attorney fee assessments, and consultation should occur accordingly.

2.2 Attorney Fees Awarded by Court

The Department of Justice (DOJ), in most cases, is the federal agency designated to represent DoD in litigation. The Judgment Fund was established to pay court judgments and DOJ-compromise settlements of actual or imminent lawsuits against the Government (***31 U.S.C. § 1304***). Additionally, the DOJ, with the approval of the Fiscal Service, is able to make payments of properly awarded attorney fees. Fees awarded in discrimination cases are exceptions. See section 3.9 for policy on discrimination cases. Awarding of attorney fees must be by a court of competent authority, and these fees are normally payable from the Judgment Fund. If such fees are not payable from this appropriation, the DOJ provides guidance on a case-by-case basis for payment of these fees.

2.3 Attorney Fees Awarded under the Equal Access to Justice Act

2.3.1. The Equal Access to Justice Act (EAJA), as amended by the Equal Access to Justice Reform Act of 2005 (***5 U.S.C. § 504***), authorizes payment of attorney fees and other expenses incurred by the prevailing party (other than the United States) in civil actions and administrative

proceedings. The party prevailing against the DoD in the adversary adjudication, or a court action, may obtain an award of attorney fees and other expenses incurred in connection with the proceeding.

2.3.1.1. In adversary adjudications, the application for the amount sought must be submitted to the DoD activity involved within 30 days of final disposition in the adversary adjudication (5 U.S.C. § 504).

2.3.1.2. In court actions, the application for an award of attorney fees and other expenses must be submitted to the court within 30 days of final judgment in the action (***28 U.S.C. § 2412(d)(1)(B)***).

2.3.1.3. In both cases, the application must be supported by an itemized statement from the attorney, agent, or expert witness stating the actual time spent and the rate at which fees and other expenses were computed.

2.3.2. Attorney fees and other expenses awarded to claimants under EAJA are payable from funds available to the DoD activity at the time of the award. Attorney fees payable under EAJA are limited to $125 per hour (5 U.S.C. § 504), unless the adjudicating officer (deciding official), or the court in civil actions, determines a higher rate may be allowed under the law. Other expenses include those for expert witnesses and any study, analysis, engineering report, test, or project necessary for the preparation of the party's case. The amount payable is the amount approved by the adjudicating officer, or by the court in civil actions, based on documentation from the adjudicating officer or the court.

2.4 Attorney Fees Awarded under Contract Disputes

Payments made by the Fiscal Service to the contractor will not include attorney fees payable in connection with an action filed by a contractor under the Contract Disputes Act of 1978 (***41 U.S.C. §§ 7101-7109***). Attorney fees awarded in these cases are payable from funds current at the time the award is made and available to the activity accountable for the contract obligation (***28 U.S.C. § 2412(d)(4)***).

2.5 Awards Made to Bid Protesters

The ***FAR subpart 33.1*** prescribes policies and procedures for filing and processing bid protests. Protests can be submitted to the contracting agency, Comptroller General, or the U.S. Court of Federal Claims. The ***FAR 33.102(b)(1)*** stipulates the head of the agency may take any action that could have been recommended by the Comptroller General had the protest been filed with the Government Accountability Office, and award certain costs to the bid protester (FAR 33.102(b)(2)), if it is determined a solicitation for a contract, proposed award, or award of a contract did not comply with the requirements of law or regulation. These costs may include costs associated with filing and pursuing the protest, consultant and expert witness fees, bid/proposal preparation, and reasonable attorney fees. The agency must use funds available for the procurement to pay the costs awarded (***FAR 33.104(h)(1)***). Refer to ***31 U.S.C. § 3554(c)(2)*** for cost and fee reimbursement limitations.

2.5.1. Payment of the costs must occur within 30 days of their determination and acceptance by the contracting office. A copy of the decision, along with a statement of costs incurred, approved by the contracting officer, must be used to support the certification of payment.

2.5.2. A successful bid protester must provide a certification when submitting a claim exceeding $100,000 in accordance with ***FAR 33.207***.

2.6 Claims under the Federal Tort Claims Act and Other Non-Contractual Claims

2.6.1. The Secretary of Defense, or designee, is authorized to pay claims against the United States for monetary damages. The Federal Tort Claims Act (***28 CFR part 14***) permits private parties to file a claim against the United States. Claims include damages to or loss of property, or personal injury or death, caused by the negligent or wrongful act or omission of an employee of the United States acting within the scope of his office or employment, under circumstances where the United States, if a private person, would be liable to the claimant in accordance with the law of the place where the act or omission occurred. When an award is in excess of $25,000, or in excess of the authority delegated to the agency by the Attorney General pursuant to ***28 U.S.C. § 2672***, whichever is greater, an ***SF 1145***, Voucher for Payment Under Federal Tort Claims Act, must be accompanied by evidence that the award, compromise, or settlement has been approved by the Attorney General or his designee (***28 CFR, section 14.10***).

2.6.2. A list of persons designated to approve or disapprove claims cited under this regulation, or other applicable statutes, can be obtained from the local office of counsel or judge advocate office. For claims approved by the Secretary of a Military Department, or by designated approving authorities in the office of counsel or judge advocate general, the public voucher must be sent to the appropriate office for payment. Claims approved by other designees should be forwarded to the local entitlement office that supports the approving authority for payment of the public voucher.

2.6.3. Awards are payable from the DoD's appropriations. Refer to 28 CFR, section 14.10 for the required claim documentation, threshold amounts, and execution requirements of the claimant. In accordance with 28 CFR, section 14.10, when an attorney represents a claimant, the voucher for payment must designate both the claimant and his attorney as payees, and the check will be delivered to the attorney, whose address must appear on the voucher.

2.7 Claims under the Foreign Claims Act

2.7.1. The Foreign Claims Act (***10 U.S.C. § 2734***) authorizes the Secretaries of the Military Departments, or their designee, to appoint claims commissions to approve or disapprove claims cited under the Act. The composition of a claims commission may include one or more officers, employees, or combination of officers or employees of the armed forces. The commission may settle and pay an amount not more than $100,000 for a claim against the United States. Title 10, U.S.C. § 2734 covers claims for damage to or loss of real property, damage to or loss of personal property, and personal injury to or death of any inhabitant of a foreign country.

2.7.2. These commissions may also approve or disapprove claims under international agreements in accordance with 10 U.S.C. § 2734b. Commanders, directors, or other designated officials of the DoD should contact the local office of counsel or their Judge Advocate General office for the regulations governing the preparation, submission, adjudication, and payment of these claims. Claims approved must be forwarded to the Component's nearest designated payment office or the nearest Defense Finance and Accounting Service (DFAS) payment office. Use the DoD Activity Address Code (DoDAAC) Customer Service tab on the DFAS.mil website to access the DFAS payment office and DoDAAC customer service information.

2.7.3. Military Service personnel should consult with their respective Judge Advocate General office to identify the requirements for the investigation and adjudication of foreign claims to ensure approved local procedures are followed for processing these claims.

2.8 Counsel Fees and Other Expenses in Foreign Courts

2.8.1. Payment of counsel fees and other service-related expenses in foreign courts may require an advance payment (***32 CFR 845***).

2.8.2. Requests for payment of counsel, bail, or other expenses are ordinarily made by the defendant or the accused through appropriate channels, to the officer (or designee) exercising general court-martial jurisdiction. The officer (or designee) must determine if the request meets the proper criteria and take final approval or disapproval action.

2.8.3. When appropriate, contracts or letters of commission and understanding are instruments that obligate the U.S. Government for payment of counsel fees, court costs, bail, and other expenses for obtaining copies of records, printing and filing fees, interpreter fees, witness fees, and other necessary and reasonable expenses. The payment of fines or civil damages is not an authorized expenditure (32 CFR 845.5). Payment for bail is authorized when stated in an authorizing letter or message issued by the responsible officer and citing ***10 U.S.C. § 1037*** as the authority. Members must sign an agreement to refund the U.S. Government the amount of the bail prior to posting of bail (32 CFR 845.10). In the event the defendant forfeits bail, the individual will be held liable to reimburse the DoD either in cash or by payroll deduction via a ***DD Form 139***, Pay Adjustment Authorization.

2.8.4. When the responsible officer certifies an acceptance for legal services and related expenses necessary for the representation of the defendant (32 CFR 845.8), an SF 1034, or electronic equivalent, must be prepared for the advance payment of authorized charges. Payment will be in local currency of the foreign government.

2.9 Payment to Contractor When Contracting Officer Approves Claim under the Contract Disputes Act of 1978

2.9.1. If funds for the claim are available, and the contractor does not appeal the contracting officer's decision, settlement of the claim is to be made by the responsible entitlement office from funds cited on the contract (***41 U.S.C. § 7108*** and 31 U.S.C. § 1304).

2.9.1.1. After final agreement with the contractor, the contracting officer must modify the contract, accomplished with an ***SF 30***, Amendment of Solicitation/Modification of Contract, to obligate the funds and document support for the payment. The execution of the contract modification must take place prior to entitlement of the contractor's invoice.

2.9.1.2. Upon receipt of the contractor's invoice and the SF 30, payment can be made, including interest from the date the claim was received by the contracting officer to the date of payment. Claims involving disputes, and any interest due, are payable upon resolution in accordance with ***FAR 33.208*** and the ***FAR Disputes clause 52.233-1***.

2.9.2. If funds to pay the claim are not available, the contracting officer may refer the claim to the ***Armed Services Board of Contract Appeals (ASBCA)*** and request the ASBCA approve a settlement of the claim from the Judgment Fund. Reimbursement to the Judgment Fund will subsequently be required upon receipt of a bill from the Fiscal Service. This reimbursement may come from current and available funds or by obtaining additional funds (41 U.S.C. § 7108) as stated in section 2.11. The policy for payment of amounts under the Contract Disputes Act by the ASBCA or the Court of Federal Claims is in section 2.10.

2.10 Payment to Contractors Based on Decisions of ASBCA or Court of Federal Claims

2.10.1. Court action may result as identified in ***28 U.S.C. § 2412*** and ***28 U.S.C. § 2414*** when the DoD terminates a contract. While settlement of the contractor's termination claim falls within section 2.9, a separate payment may be due the contractor when a final judgment occurs from a separate court action against the DoD. When settlements have been rendered, the transcript of the court judgment against the DoD must be forwarded by the DoD organization directly to the Fiscal Service. The DoD organization must use the methods prescribed by ***TFM Volume 1, part 6, chapter 3100, section 3130*** (except for claims settled under the Contract Disputes Act of 1978, as noted in paragraph 2.9.2.

2.10.2. The Fiscal Service administers and certifies payments from the Judgment Fund for the settlement and final judgment by the U.S. District Courts and on final judgments by the Court of Federal Claims (***TFM, Volume 1, part 6, chapter 3100***, ***28 U.S.C. § 2517***, and 31 U.S.C. § 1304). Reimbursement of the Judgment Fund is payable from funds current at the time the award is made and available to the activity accountable for the contract obligation (see ***31 U.S.C. § 1553 (b)(2)***).

2.10.3. Title 41, U.S.C. § 7108 covers payment of claims filed under the Contract Disputes Act of 1978 (41 U.S.C. § 7101-7109, FAR subpart 33.2, and FAR clause 52.233-1). Judgments against the United States by the Court of Federal Claims, and monetary awards to a contractor from the ASBCA, are authorized to be paid and charged to the Judgment Fund when certain conditions are met, as established by 31 U.S.C. § 1304. Amounts owed may include interest from the date the claim was received by the contracting officer to the date of payment. Reimbursement of the Judgment Fund is payable from funds current at the time the award is made and available to the activity accountable for the contract obligation.

2.10.4. Payment of attorney fees claimed by the contractor may not be included in amounts paid from the Judgment Fund. Attorney fees awarded in these cases will be payable out of funds current at the time the award is made and available to the activity accountable for the contract obligation (28 U.S.C. § 2412(d)(4)).

2.11 Payments to Reimburse the Fiscal Service for Payments in Settlement of Contractor Claims

Upon certification by the Fiscal Service (TFM, Volume 1, part 6, chapter 3100), the amounts of contractor claims settled under the Contract Disputes Act of 1978 may be paid to the contractor by the Fiscal Service from the Judgment Fund. Amounts paid to contractors are reimbursable to the Fiscal Service from the appropriation available for the purpose of the contract or by obtaining additional funds for such purpose. If funds are not available in the proper account to cover invoices received from the Fiscal Service, the Component must request additional funds through appropriate channels. Amounts reimbursed to the Fiscal Service are not charged to the original fiscal year appropriation that funded the contract, unless the original appropriation was still current at the time of the judgment (Volume 3, Chapter 8).

2.12 Interest Awarded Contractor by the Armed Services Board of Contract Appeals

2.12.1. Interest rates are established and reported by the Secretary of the Treasury (***31 U.S.C. § 3902***) in January and July of each year on the ***Treasury*** website.

2.12.2. In accordance with FAR 33.208, the Government will pay interest on the amount due from the date the contracting officer receives the claim, or the date the payment is due, if that date is later.

2.12.3. If claims involve antecedent liability, interest payments are chargeable to the appropriation(s) current at the time the basic contract was executed (Volume 3, Chapter 8), or by obtaining additional appropriations for purposes of reimbursement (41 U.S.C. § 7108).

2.12.4. Claims covered by this section exclude interest penalty claims related to the Prompt Payment Act (PPA) cited in ***5 CFR, part 1315***. Pursuant to 31 U.S.C. § 3902, PPA interest must be paid from the funds available for the administration of the program for which interest was incurred, or from funds financing the operation of the Military Department or the defense agency with which the invoice or contract payment is associated. All interest payments will be charged to the fiscal year(s) in which they accrue. In a case of cancelled appropriations, the current fiscal year will be charged any interest payment (31 U.S.C. § 1553 (b)(1)).

2.13 Return of Absentees

The ***DoDI 1325.02*** provides policy to authorize payment of claims for rewards or expenses (but not both) associated with apprehending, detaining, or delivering absentees, deserters, or escaped military prisoners to military control.

2.13.1. Rewards. Receipt of any authorized communication, oral or written, from a military or federal law enforcement officer or agency requesting active cooperation in the apprehension or delivery to military control of an absentee or deserter wanted by the Military Services, will constitute the basis for a reward. Payment of a reward will not exceed the amount cited in ***10 U.S.C. § 956*** for apprehending absentees, deserters, or parole and mandatory supervised release violators.

2.13.2. Expense Reimbursements. The DoDI 1325.02 authorizes reimbursements for reasonable and actual expenses incurred in the apprehension, detention, or delivery to military control of an absentee, deserter, or parole and mandatory supervised release violators. The cost of detention expenses, furnished to military personnel placed in their custody for safekeeping at the request of military authorities, may be reimbursable to civil authorities. These expenses may be reflected in a per day or daily room and board charge the detention facility normally charges other legal jurisdictions for similar prisoner custody services.

2.13.3. Charging of Expenses. Authorized payments and cost of travel of the guards assigned to absentees or deserters are charged to the parent Military Service's military personnel appropriation (DoDI 1325.02).

2.13.4. Condition for Payment. Before a reward is payable, there must be a notification issued for the return to military control of the absentee, deserter, or escaped military prisoner. Receipt of ***DD Form 553***, Deserter/Absentee Wanted by the Armed Forces, oral or written communication from military or federal law enforcement officials, or entering the individual's name in the ***National Crime Information Center***, constitutes notification.

2.13.5. Voucher Preparation and Support. After the apprehended member's release from civilian detention to military control, an SF 1034, or an electronic equivalent, must be prepared and certified by the personnel officer or other certifying officer designated by the commanding officer of the activity. In addition to the other routinely required data items on an SF 1034, the following information must also be shown on the voucher or attached:

2.13.5.1. The member's name, Social Security Number, organization from which the member is absent, and the date and place military authorities resumed control;

2.13.5.2. A statement stipulating the payee apprehended and detained, or apprehended and delivered the member;

2.13.5.3. The military appropriation of the parent military service of the person apprehended;

2.13.5.4. A copy of a DD Form 553, a certificate from the organization of the absentee, or written notification from military or federal law enforcement officials stating the absentee's return to military control was desirable; and

2.13.5.5. An itemized statement of allowable expenses if reimbursement of actual expenses is being claimed.

2.13.6. Payment. Upon receipt of the SF 1034 or electronic equivalent, the entitlement office will review the voucher for its propriety and, if proper, approve the voucher for disbursement by the designated disbursing official.

2.14 Cash Awards to Military Members

2.14.1. Military personnel may receive cash awards for suggestions, inventions, and scientific achievements as authorized by Military Service regulations.

2.14.2. Upon approval of the award, the Executive Secretary of the Suggestion Awards Committee, or designee, must prepare, sign, and submit a claim on an SF 1034, an electronic equivalent, or other Component-established form (plus a copy of the Suggestion Award Certificate) to the entitlement office.

2.14.3. The award payment will be payable against current funds available to the activity primarily benefiting, or the several funds or appropriations of the various activities benefiting (***10 U.S.C § 1124(e)***). Refer to paragraph 1.2.8 for requirements pertaining to submission, payment, and mandatory payroll deductions. The claim for payment requires submission on an SF 1034, or electronic equivalent, and must provide the Home of Record of the military member for state tax reporting. The only exception to the requirement for withholding taxes on cash awards is when payment is made to an enlisted member serving in a combat zone. See Combat Zone Tax Exclusions discussed in ***Publication #3 (2020), Armed Forces Tax Guide***.

2.15 Rewards for Recovery of Lost DoD Property

Under ***10 U.S.C. § 2252***, certain rewards are authorized and paid as follows:

2.15.1. Commanders may offer rewards for recovery of lost property; and

2.15.2. The reward payment may be made to persons or organizations for the return of lost property, or information leading to its recovery.

2.15.2.1. Conditions for payment of reward include:

2.15.2.1.1. The persons or organizations must know a reward is being offered, or it is a general practice to offer rewards for the return of particular DoD property, or information leading to its recovery;

2.15.2.1.2. The claimant is not a member of the U.S. Armed Forces or an officer, employee, or agency of the U.S. Government; and

2.15.2.1.3. The payment is consistent with local laws, prevailing customs or practices, treaties, or international agreements.

2.15.2.2. A Military Department will not pay a reward of more than $500 in any case. Rewards are payable from the current funds available for the Component concerned. The

voucher submitted for payment must be supported with a copy of the offer of reward, and a statement by the commanding officer or designated representative that all conditions for payment of reward and accountability for the property have been met.

3.0 PURCHASES OF SPECIAL ITEMS AND SERVICES

This section provides policy for various special items and services for non-recurring and non-contractual purchases.

3.1 Advertising

3.1.1. Newspapers. In accordance with ***44 U.S.C. § 3702*** and ***FAR 5.502***, contracting officers must obtain written authorization from the DoD Component head, or from a person who has received written delegation of authority from the head of a DoD Component, prior to advertising in newspapers, trade journals, and similar publications (***5 U.S.C. § 302(b)***). Such delegation of authority cannot be re-delegated. Newspaper advertisements are not payable unless the claim includes the advertising bill and a copy of the written authority. Requirements for payment and retention of documents are as follows:

3.1.1.1. Providing Substantiating Documentation. All invoices submitted to the purchasing office must be supported by an affidavit of publication or a copy of the publication or advertisement (known as a "tear sheet"). The officer placing the advertisement will attach evidence of authority to advertise to the invoice and forward the invoice to the designated entitlement office.

3.1.1.1.1. Except in cases of blanket authority to advertise, heads of contracting activities are delegated authority to approve the publication of paid advertisements in newspapers as prescribed by ***DFARS subpart 205.5***.

3.1.1.1.2. If advertising was authorized by a delegated officer, a copy of the delegation must be attached to the first voucher paid under such delegation and can be referenced on subsequent vouchers.

3.1.1.1.3. When the authority to advertise is given to several activities in the form of a notice or instruction issued by the head of a DoD Component based on the official's delegated authority, a reference to the authorizing notice or instruction on the advertisement order is acceptable in lieu of a copy of the authority.

3.1.1.2. Retention of Supporting Documents. Every account for official advertising rendered must include a copy of a tear sheet in which the advertisement appeared as a proof of publication. If tear sheets are not available, an affidavit or a copy of the advertised publication may be furnished in lieu thereof. The affidavit must include the signature of an official of the publishing firm or advertising agency where the order was placed and, in the case of advertising in newspapers or periodicals, must identify the issues in which the advertisement appears. Tear sheets or affidavits submitted as proof of publications must be attached to the

voucher. Volume 1, Chapter 9, Figure 9-1 prescribes policy for the retention period of vouchers and documentation.

3.1.2. Radio Advertising. The requirement of written authority for advertising from the head of a DoD Component, or from a person who has received written delegation of authority, does not apply to radio advertising (FAR 5.502(b)) unless required per Component policy. The other restrictive provisions contained in 44 U.S.C. § 3702 pertaining to advertising do not relate to radio advertising. There are no statutory restrictions upon the use of appropriated funds for radio advertising in the promotion of objectives. Payment for claims must be submitted on an SF 1034, or other approved Component form, accompanied by a copy of the invoice and an affidavit of publication furnished by the advertising agency (***FAR 5.503(d)***).

3.2 Arbitrator Fees

The use of arbitrator services under negotiated grievance procedures of management and labor union agreements is authorized. These services normally are acquired by issuance of a ***DD Form 1155***, Order for Supplies or Services, which specifies payment terms and conditions, and requires coordination between the civilian personnel office and the contracting support office. Reservation and obligation of funds is a requirement prior to executing the ordering/contracting action. Upon completion of the services, the civilian personnel office, or a designated official, must certify receipt of services. This certification will represent the receiving report required for payment. Payment will then be made using this certification, the arbitrators' billing statement, and the terms specified in the completed DD Form 1155. These payments are governed by the terms cited in the PPA (5 CFR, part 1315), unless the DD Form 1155 contains a specific payment due date.

3.3 Automobiles

The use of appropriated funds to buy or lease passenger motor vehicles must be specifically authorized by an annual appropriation act or other law (see ***31 U.S.C. § 1343***). The purchase cost limitation identified in 31 U.S.C. §1343 does not include articles used with a car but not permanently attached to it, or not an integral part thereof (e.g., tire chains, fire extinguishers, safety flares, removable seat covers, transportation of the vehicle, and taxes). The acquisition of motor vehicles should be from the most cost-effective source, which may be by purchase or commercial lease through the General Services Administration (GSA), or by any other method less costly to the Government as validated by a cost-comparison (***DoD Manual 4500.36***).

3.4 Blood Purchases

Appropriated funds may be used for the purchase of blood supplies from donors (***24 U.S.C. § 30***) or through civilian contracts (***DoDI 6480.04***) in accordance with the policies of the respective Military Services for persons entitled to medical treatment at Government expense.

3.5 Civilian Uniform Allowances

The Component's designated personnel must prepare and certify payment of civilian uniform allowances on an SF 1034 or electronic equivalent. The ***DoDI 1400.25, Volume 591***, prescribes the amount payable for uniform allowances per year and other related uniform allowance policies. The voucher for payment may include more than one employee. The payment must be charged to the same appropriation and subsidiary accounting data normally charged for the salary of the personnel concerned. See the Guidebook for additional information and policy.

3.6 Confinement of Prisoners in Civil Detention

3.6.1. Prisoners may be confined in civilian facilities used by the U.S. Marshals Service when DoD confinement facilities are not available, or do not provide for the separation of male and female prisoners in accordance with ***DoDI 1325.07***. The transferring commanders must determine if a military confinement facility, including military/security police detention cells, is not reasonably available. If a facility used or approved by the U.S. Marshals Service is not reasonably available, a military prisoner may be transferred to a facility accredited by the American Correctional Association, or a facility accredited by the State for confinement.

3.6.2. The Provost Marshal's Office, which transfers prisoners, must provide the entitlement office with a certified voucher and supporting documents containing an itemized list of expenses of the confinement (10 U.S.C. § 956). After entitlement, the disbursing office will remit payment to the civil confinement facility. Supplies necessary for personal hygiene and maintenance of good health will be provided to all military prisoners. The Military Services may also provide supplies for a prisoner's comfort, establish monetary or quantity limitations on any supplies, and establish other limitations as deemed appropriate by Service corrections headquarters. Supplies issued to persons in a non-pay status will be paid from appropriated funds. The cost of health and comfort supplies provided to persons in a pay status will be charged against their pay accounts or paid from their personal funds.

3.7 Copies of Official Records or Documents

Fees required by local laws for certified copies or photocopies of public records, or documents required by a court or board, may be paid to the performing officials or legal entities. Current operation and maintenance funds may be used to purchase death certificates for deceased retired personnel. The claimant must sign a statement attesting all resources have been exhausted attempting to find beneficiaries, and none were found.

3.8 Demurrage on Cylinders

3.8.1. Vouchers covering demurrage charges on reusable gas cylinders or drums retained beyond the contracted free loan period must state size, type and quantity. Often, demurrage charges are not funded through the contract due to variables such as a free loan period, the daily rental charge, and delivery shipping point. In computing the period involved, establish the free loan period to commence on the first day after date of delivery of each container without regard to any

particular cylinder. In such cases, the contractor's claim must explain the method of calculating demurrage.

3.8.2. The contractor's claim must cover the preceding demurrage payment and other identifying data such as the cylinder number(s), date of delivery of cylinder(s), date rental starts, date of return of cylinder(s), and the actual number of days and rate per day on which the charges were computed. The Component causing the delay must attach an SF 1034 or an electronic equivalent to support the contractor's claim by identifying the voucher upon which payment was originally made for the filled containers, and citing an appropriate line of accounting. Coordination with the contracting officer or ordering official may be necessary to ensure demurrage costs are not already covered as part of the price(s) negotiated for the cylinder(s) and/or their contents.

3.9 Discrimination Complaints

3.9.1. Overview. Costs incurred in processing discrimination complaints may include travel expenses, attorney fees, investigation expenses, costs of administrative judges, and court reporters (***5 CFR, part 1201*** and ***29 CFR, part 1614***).

3.9.2. Attorney Fees. In cases involving complaints of discrimination, attorney fees may be awarded pursuant to a no-fault settlement agreement, an informal adjustment, the decision of the Service director of Equal Employment Office (EEO), the Equal Employment Opportunity Commission (EEOC), the Merit Systems Protection Board, an arbitrator, a Federal court, or other appropriate authority. After review and approval of the award letter by the legal counsel, the EEO manager of the legal office must initiate or authorize the claim for reimbursement. The Component's request for reimbursement of these fees must be as a joint payment to the complainant and complainant's representative supported by an award letter and approval. The claim must cite current operating funds. Policy pertaining to allowable and reasonable attorney fees is in 29 CFR, part 1614.

3.9.3. Investigation Expenses. Most complaint investigations are conducted by an investigator assigned to the appellate review agency. The EEO manager is responsible for arranging for the investigator's visit and submitting a claim for expenses. The chief EEO counselor will initiate a purchase request for expenditures of miscellaneous purchases. An SF 1034, electronic alternative, or a DD Form 1155 supported by the investigator's expense receipts, approved by the chief EEO manager, and certified by an authorized certifying officer, will be used to make payment. The claim must cite operating funds current at the time of investigative services.

3.9.4. EEO Administrative Judge. The EEOC assigns an EEO Administrative Judge to hold hearings on formal complaints of discrimination and otherwise process individual and class complaints for the EEOC. Expenses associated with these complaints where the alleged discrimination took place must be funded using operating funds current at the time of requesting the services. The EEOC will bill the activity for any authorized and required expenses (29 CFR, part 1614). The chief EEO manager at the activity, or assigned designee, must review and approve the EEOC billing.

3.9.5. Court Reporter. The chief office of counsel typically arranges for the services of a court reporter by submitting a request to the DoD Component contracting office. Costs for court reporter services must be paid by the activity where the alleged discrimination took place, using funds current at the time services are requested. The chief EEO manager at the activity, or assigned designee, must review and approve the requests for payment.

3.9.6. Interest. Interest payments related to discrimination cases (when permitted by statute) are to be charged to funds current at the time of the award. The ***Treasury*** establishes the rate to be used. This interest rate is not the same as when computing interest under PPA.

3.10 Emergency Notification Service (9-1-1)

3.10.1. Emergency notification is a service allowing a telephone subscriber to dial one number, often 9-1-1, for any emergency. A central control desk takes the call and notifies the appropriate local government agencies. This service often is provided by a state or local government and is funded by charges collected from telephone subscribers. In many cases, this charge is a tax levied by the providing agency, and the telephone company merely acts as a billing and collection agent.

3.10.2. If 9-1-1 fees are imposed by the telephone company for its own service, and duly permitted by the tariff to which all utility customers are subject, the charge is proper and payable by the DoD. The DoD does not have immunity from such fees. If, however, a state or local government is imposing the charge and merely using the telephone company as its agent, then the charge amounts to a tax from which the DoD is exempt.

3.10.3. If a military installation receives an invoice for a 9-1-1 charge imposed by a state or local government, the tax is not payable. If fees were improperly paid, refer to the collection policy in Volume 16, Chapter 5 to recover them.

3.10.4. If it is unclear whether such charges are taxes or service charges, the designated entitlement office, or responsible certifying officer, must contact the base communications officer or higher authority. This clarification must be included as part of the entitlement and certification documentation used to support the payment request.

3.10.5. Telephone service provided to on-base residents is a private contract between the resident and the local telephone company. If residents receive charges for 9-1-1 services, they may not claim exemption based on immunity. If a resident of the base housing lives in an area where all fire, police, and other emergency services are provided by the base, the charge may be for services the resident does not receive, and a challenge may be possible. Regardless of the basis a resident of base housing uses to challenge a 9-1-1 charge, it remains a private matter between the subscriber and the telephone company and is not a DoD reimbursable expense.

3.11 Hospital Accreditation

Hospital accreditation fees associated with the requirements contained in the ***DoD Manual 6025.13, Enclosure 3*** for medical facilities accredited by the Joint Commission

on Healthcare Organization may be reimbursable. A deposit may be required to be paid for an initial customer and, therefore, may be reimbursable. Accreditation and certification on-site fees are invoiced 1 to 5 days following the survey event completion and would be reimbursable for those requiring accreditation. Accreditation annual fees may also be payable and are subject to the programs, services, volumes, and sites where service is provided.

3.12 Lost or Damaged Clothing Payments to Military Personnel

If the loss was not caused by any fault or negligence of the Service member, reimbursement is authorized to compensate military personnel for clothing items destroyed, damaged, lost, abandoned, captured, or otherwise rendered unusable, incident to military training or service (***DoDI 1338.18***). Personnel must submit an approved Service-specific Personal Clothing Claim form, or electronic equivalent. The Service member's activity billing office must prepare an SF 1034 or electronic equivalent for payment to the member.

3.13 Medical Services Provided by Civilian Non-Federal Sources

3.13.1. Members. The military medical treatment facility (MTF) can refer members to civilian health care providers for diagnostic services, treatment, or both. Upon receipt of an itemized invoice from the civilian health care provider, the claimant must submit a request for reimbursement to their designated Component. The Component must prepare an SF 1034, or electronic equivalent, within 30 days from the later of receipt of an invoice or the date of acceptance of the care. The same standards apply to an approved claim for services rendered in connection with care of a deceased member.

3.13.2. Dependents and Retired Personnel. Dependents and retired personnel are authorized certain medical care and diagnostic services as established by ***10 U.S.C. §§ 1071-1085***. When a MTF is managing the care of dependent and retired personnel, and must refer those personnel to civilian facilities for the care beyond the MTF's capability, payment for related supplemental care is authorized. The claimant must submit an itemized invoice from the health care provider to their designated billing Component. The Component must prepare an SF 1034, or electronic equivalent, within 30 days from the later of receipt of an invoice or the date of acceptance of the care.

3.14 Security and Firefighting Services

The DoD may not make payments for any service required to be provided by the local government when such service is financed from revenues raised by state or local taxation from which the Federal Government is exempt. Common examples are police and fire protection (***10 U.S.C. § 2465(a)***). Refer to 10 U.S.C. § 2465(b) for exceptions of authorized payments.

3.15 Municipal Services

In accordance with ***DFARS subpart 241.1*** and ***DFARS subpart 241.2***, the DoD may pay on the same basis as private users of services, based on the quantity of direct services received,

e.g., water and sewage. The general rule is the DoD will not pay for municipal services, unless private citizens and businesses also pay a charge for the same services.

3.16 Patents, Copyrights, and Designs

Appropriated funds available for making or procuring supplies may be used to acquire the following, if the acquisition relates to supplies or processes produced, or used by or for, or useful to the DoD (***10 U.S.C. § 3793***):

3.16.1. Copyrights, patents, and applications for patents;

3.16.2. Licenses under copyrights, patents, and applications for patents;

3.16.3. Design and process data, technical data, and computer software; and

3.16.4. Releases for past infringement of patents or copyrights or for unauthorized use of technical data or computer software (10 U.S.C. § 3793).

3.17 Pollution Control Permits or Fees

In the absence of express Presidential exemption, DoD facilities must abide by state or local laws for abatement and control of pollution. These facilities may incur costs related to compliance with these laws for obtaining permits and paying the associated fees for the management of natural resources. Submit an SF 1034, or electronic equivalent, to pay these expenses. The request for payment must include supporting documentation identifying the permit application fee and other related fees, approved by the base civil engineer or assigned designee.

3.18 Reciprocal Mutual Aid Agreements for Fire Protection

3.18.1. Claims for reciprocal mutual aid agreements for fire protection, as required by ***44 CFR, part 151***, are submitted to the Administrator, U.S. Fire Administration, Federal Emergency Management Agency (FEMA), Washington DC 20472, by non-DoD firefighting organizations. If approved, such claims are paid by the Treasury, subject to reimbursement by the DoD installation under whose jurisdiction the fire occurred.

3.18.2. If the claims affect current funding for fire protection, then FEMA will contact the installation as a part of its claim processing and adjudication procedures. The DoD installation must provide information requested, in coordination with the civil engineer, fire protection unit, and staff judge advocate. The DoD installation must provide the complete name and address of the disbursing office, including the Disbursing Station Symbol Number, and an appropriation fund cite for fire protection funding so the Treasury can bill for reimbursement for approved claims paid.

3.18.3. All sums received as reimbursements for costs incurred by any DoD activity for fire protection will be credited to the same appropriation or fund from which the expenses for fire

protection were paid. If the period of availability for obligation of that appropriation has expired, credit the fund or appropriation currently available for the same purpose (***42 U.S.C. § 1856d(b)***).

3.19 Representation and Contingencies Fund Use

3.19.1. Overview. The policy in this paragraph applies to disbursements made against funds separately appropriated in the contingencies program. These include representation, special expenses, and contingencies. For each fiscal year, the Congress appropriates funds in the contingencies program under the statutory authority in ***10 U.S.C. § 127*** for use by the head of each DoD Component. Funding documents provide authority to obligate and expend contingency funds as approved, or as adjusted later during the fiscal year.

3.19.2. Representation Funds. The head of a DoD Component must authorize the expenditure of Official Representation Funds by commanders for official entertainment or other official purposes in accordance with 10 U.S.C. § 127 and ***DoDI 7250.13***.

3.19.3. Emergency and Extraordinary Expenses (10 U.S.C. § 127). The language in the Appropriation Act for contingencies usually reads: "For emergencies and extraordinary expenses, to be expended on the approval of the Secretary of the cognizant Military Service, and payments may be made on their certificate of necessity for confidential military purposes." The following policies apply, depending on the type of payment involved.

3.19.3.1. Miscellaneous Current Expenses. Claims for these expenses must be submitted using an SF 1034 or electronic equivalent with attached receipts or other supporting documentation, depending on security protocols.

3.19.3.2. Intelligence Contingency Funds. Expenses incurred using these funds are for confidential military purposes and are normally made based on a ***DD Form 281***, Voucher for Emergency or Extraordinary Expense Expenditures (file has limited permissions). The original vouchers (i.e., DD Form 281), must be returned to the originator. Refer to Volume 5, Chapter 9 for additional information on vouchers related to contingency funds.

3.19.3.3. Investigation Expenses. Requests for reimbursement of expenses for other than confidential military purposes must be submitted on an SF 1034 or electronic equivalent. The originating office will retain a copy of the voucher and ensure the supporting documents are submitted to the entitlement office. Request for classified investigation expenses for confidential military purposes must be submitted on a DD Form 281. Refer to Volume 5, Chapter 9 for additional information on the handling of classified vouchers and documentation.

3.20 Special Drinking Water

In situations where water supply systems providing service to DoD organizations do not meet the standards prescribed in ***40 CFR, part 141, subpart C***, special drinking water may be purchased with appropriated funds only when it is necessary from the Government's standpoint. The claim for reimbursement requires a statement attesting the drinking water is non-potable, along with a public announcement or a copy of the water testing results. Some examples are:

3.20.1. The public water is unsafe for human consumption;

3.20.2. There is an emergency failure of the water source on the installation;

3.20.3. There is a temporary facility with no drinking water available within a reasonable distance; or

3.20.4. There is no water fit for drinking purposes available without cost or at a lower cost to the Government.

3.21 Support of Armed Forces Personnel in Confinement

3.21.1. Purchase of health and comfort items for personnel confined on-base is authorized to all military prisoners, subject to the provisions of DoDI 1325.07. Reimbursement for the purchase of these items must be claimed using an SF 1034 or electronic equivalent. Supplies issued to persons in a non-pay status will be paid from appropriated funds. The cost of health and comfort supplies provided to persons in a pay status will be charged against their pay accounts or paid from their personal funds.

3.21.2. A prisoner confined without essential clothing will be provided suitable clothing, on a temporary loan basis, by the Military Confinement Facility commander. Permanent issue items, except for distinctive prisoner clothing, will be subject to personal funds withdrawal if the prisoner is in a pay status. All necessary items of clothing for a prisoner confined in a non-pay status will be provided at Government expense.

3.22 Telephone and Television Service

3.22.1. Statutory Provisions

3.22.1.1. Appropriated funds should normally not be used to pay for telephone service to private residences, except in those instances identified in ***31 U.S.C. § 1348*** and ***DoDI 1100.21***. Long distance calls from private residences for official business may be paid from appropriated funds when supported by properly certified vouchers.

3.22.1.2. Charges for official telephone service, and charges for metered services, for a period beginning in one fiscal year and ending in another fiscal year may be paid from the appropriation current at the end of the period covered by the service (***31 U.S.C. § 1308***). This rule also applies to leased wire and teletypewriter services.

3.22.1.3. Telephone services provided for Service clubs, motion picture service, military Exchange store activities, and officers' and non-commissioned officers' messes within the United States are subject to federal communications taxes (***26 U.S.C. § 4251*** and ***26 U.S.C. § 4252***).

3.22.2. Increased Rates. The contract for telephone service may provide for payment of telephone charges at legally established rates. Under such contracts, rate increases approved by

rate-setting authorities may be paid. Increased rates billed in advance of pending approval by rate-setting authorities may be payable, but will be subject to adjustment if the increase does not receive approval.

3.22.3. Payment Policy.

3.22.3.1. The office designated to receive the telephone bills from the telephone company must coordinate the preparation and certification of the SF 1034, or an electronic equivalent, for payment. Local Component procedures must be in place to confirm the number and active statuses of the phone lines/numbers billed, and ensure the related costs reflect charges for official or other authorized use.

3.22.3.2. The SF 1034 must be forwarded to the designated payment office, together with the telephone company's summary billing statement, which includes totals for the monthly plan and long distance charges. The detailed listings, and schedules supporting the telephone company's bill, must be retained by the responsible office and not be attached to the payment voucher, unless required by local procedures. Components must follow established local ethical conduct and related personnel policies and procedures in addressing the reimbursement of costs associated with unauthorized use. Any funds collected must be handled in accordance with the Component's appropriation and fund deposit rules and regulations.

3.22.4. Teletypewriter Service. If telephone companies provide teletypewriter services, the charges, based on time used, will be processed in the same manner as the telephone charges identified in this section.

3.22.5. Satellite Communications Service. Government communication systems and equipment are only for official use and authorized purposes. The use of Navy communication systems and equipment for other than official use is at the commanding officers' discretion, as long as the Navy does not incur additional cost or the use does not degrade mission readiness (***Operations Navy Instruction (OPNAVINST) 2060.8B***). The communications officer must collect for unauthorized or unofficial charges on a DD Form 1131, Cash Collection Voucher, from personnel using the ships' communication service in an unauthorized manner. The communications officer must immediately turn over the amounts collected to the disbursing office. When the telephone company bills the ship for the service, payment must be made to the telephone company by the designated payment office using an SF 1034 to substantiate the payment.

3.22.6. Reimbursement for Telephone Wiring Maintenance. Charges paid by the tenant for telephone wiring maintenance necessary in base housing may be reimbursable in accordance with 31 U.S.C. § 1348. Charges for internal wiring repair in family housing will be reimbursable from maintenance funds and charges for unaccompanied personnel housing from current base funds.

3.22.7. Telephone and Television Reconnection Charges

3.22.7.1. Payment using appropriated funds is authorized for reconnection expenses where a move is the result of Government action over which the member has no control,

and the move is directed at Government expense. Exclude expenses incurred during permanent change of station (PCS) that may be reimbursable under the PCS orders or other related regulations.

3.22.7.1.1. Payment is authorized for the following moves as directed by the base commander:

3.22.7.1.1.1. Mandatory assignment to Government-owned housing facilities,

3.22.7.1.1.2. Involuntary relocation to Government or non-Government facilities because of base renovation or condemnation proceedings, or

3.22.7.1.1.3. The termination of assigned quarters because of death of qualifying dependents.

3.22.7.1.2. Members are not authorized reimbursement for moves involving:

3.22.7.1.2.1. Voluntary termination of assigned quarters,

3.22.7.1.2.2. The termination of assigned quarters due to demotion to ineligible grade or adverse conduct by a member,

3.22.7.1.2.3. The termination of assigned quarters due to family separation (no hardship involved), or

3.22.7.1.2.4. Member's voluntary movement from off base to on-base quarters.

3.22.7.2. Reimbursement of the member’s claim or a direct payment to the contractor is chargeable against the appropriation covered by the service.

3.22.7.2.1. Reimbursement to Member. A Service member may pay for reconnection charges when billed and then file a claim for reimbursement. The member must submit the invoice, letter, or special order directing the move, and a letter request to the billeting officer for bachelor quarters or to the base civil engineer for military family housing for approval and certification.

3.22.7.2.2. Direct Payment Method. A Service member may submit the same documentation through the billeting officer or base civil engineer to the entitlement office for a direct payment to the contractor. These payments are not subject to the PPA. The payment voucher must contain the statement, "Payment is being made for the following individual(s) for reconnection services on the following dates." Activity controls and procedures must be designed to ensure a duplicate reimbursement is not paid to the Service member at a subsequent time.

3.22.7.3. Support the reimbursement or direct payment to the contractor with the following:

3.22.7.3.1. The special order or letter directing the move;

3.22.7.3.2. The letter from the member requesting reimbursement for reconnection charges already paid or a direct payment to the contractor for charges not yet paid. The member must certify the amount invoiced includes only those charges incurred in restoring telephone or television services previously provided at their old location and does not include charges for any new services or equipment; and

3.22.7.3.3. A copy of the telephone or television company invoice certified by the chief of services or base civil engineer showing only reconnection charges. All other charges are the responsibility of the member and must be paid separately.

3.23 Tuition and Training

3.23.1. Authorized Reimbursements. Tuition and training reimbursements to employees are miscellaneous payments. ***Title 5 U.S.C. § 4109*** provides the authority to reimburse employees for necessary training expenses (e.g., tuition and matriculation fees; library and laboratory services; purchase or rental of books, materials, and supplies; and other services or facilities directly related to employee training). Refer to the ***DoDI 1322.25*** for additional tuition and training guidance.

3.23.2. Military Personnel. Tuition assistance for military personnel must be paid directly to the academic institution in accordance with the contract terms with that institution. Reimbursement to the member for other related reimbursable expenses requires a properly certified ***SF 182***, Authorization, Agreement and Certification of Training, or other Component-approved form. Component procedures must ensure specified annual and per course hour reimbursements do not exceed allowable limits and prevent duplication of payments.

3.23.3. Civilian Employee Training. A miscellaneous payment request is required for direct reimbursements to employees for necessary training expenses, such as books and supplies. Employees submitting requests for these reimbursements must use an SF 182 or other Component-approved form. Refer to ***DoDI 1400.25, Volume 410*** for additional policies and procedures regarding training education, and professional development activities for civilian employees.

3.23.3.1. The training must be a regularly scheduled, off-the-shelf course, training conference, or instructional service available to the public and priced the same for everyone in the same category (i.e., price per student, course, program, service, or training space). To minimize the need for reimbursing the employee, the preference is to pay the training provider directly.

3.23.3.2. Prohibitions against the payment of tuition or other expenses for training include overtime, holiday, and night differential pay, or membership fees as outlined in the DoDI 1400.25, Volume 410 and 5 U.S.C. § 4109.

3.23.3.3. The ***Joint Travel Regulations, chapter 3, part B*** contains travel and transportation policy involving attendance at training.

3.23.4. Advance Payment. Advance payment of tuition and other expenses is authorized (5 U.S.C. § 4109 and ***31 U.S.C. § 3324***) either when the training facility renders, or refuses to render, a billing. The SF 182 will identify the training facility by name and address, the amount payable to the facility for the advance of tuition, as well as the amount payable to the trainee for purchase of books, library, and laboratory services. The SF 182 must be submitted to the entitlement office to support payment of the advance as a miscellaneous payment.

3.23.5. Liquidation of Advance. Within five workdays after completion of the training, the trainee will prepare an SF 182 itemizing the training expenses, attach receipts when obtainable, and submit the original agency finance copy of the SF 182 endorsing the advance payment information. The disbursing office will liquidate the advance payment in the same manner as prescribed for travel advances.

3.24 Tuition Refunds

3.24.1. When the DoD Education Activity (DoDEA) determines refunds are payable to sponsors of tuition-paying students attending DoD operated schools, refunds will normally be a prorated amount of tuition when enrollment is terminated prior to the end of the grading period (***DoDEA Administrative Instruction 7200.01***). A refund of advance tuition payment is only authorized based on a full grading period. A grading period is considered to be any one of the four periods established by the school, and covered by student report cards.

3.24.2. The school administrator must ensure deposit funds are available and prepare an SF 1034, which must include the name of the student, date of enrollment termination, and the amount authorized for refund.

3.24.3. The entitlement office will pay the voucher after reviewing it for propriety and ensuring related funds are available in deposit fund accounts.

3.25 Payment for Contract Quarters for Foreign Military Sales (FMS) Travelers

Contract quarters are reimbursable to the contractor for personnel traveling on official orders in connection with FMS. The Security Assistance Management Manual (***DoD 5105.38M, Chapter 10***; Volume 15, Chapter 8; and other appropriate DoD Component regulations prescribe the travel policy under which this payment would occur. The claimant must prepare an Optional Form ***(OF) 1164***, Claim for Reimbursement for Expenditures on Official Business, SF 1034, or other Component-approved form, or electronic equivalent, and submit it along with a copy of the official orders to obtain reimbursement.

4.0 PROFESSIONAL LIABILITY INSURANCE (PLI)

4.1 Civilian Employees

Certain civilian employees (law enforcement officer, supervisor, management official, or temporary fire line manager) may be eligible for PLI reimbursement up to one-half of the insurance premium costs incurred annually, not to exceed $150 per year (see ***5 U.S.C., chapter 59, subchapter IV*** and ***DoDI 1400.25, Volume 885***).

4.2 Conditions for Payments of PLI

An employee must submit an insurance policy and proof of payment to their servicing Human Resource Office/Civilian Personnel Office (HRO/CPO). The employee also must submit a completed OF 1164, SF 1034, or other Component-approved form, or electronic equivalent, certified by the HRO/CPO approving official and an invoice from the insurance carrier. The insurance carrier invoice must include the issuing company's name, the policy number, and proof of payment. If it is not evident to the paying office that the carrier's invoice, or the policy itself, is a qualified professional liability policy, the invoice will be returned to the employee, requesting they provide evidence the sole purpose of the policy presented for reimbursement is to provide liability insurance. The reimbursement is not reportable as taxable income and not subject to IRS Form W-2, Wage and Tax Statement, reporting.

5.0 GOVERNMENT CHARGE CARDS CENTRALLY BILLED ACCOUNTS (CBAs)

5.1 Government Charge Cards CBAs

This section provides financial management policy for CBA billings (hereafter referred to as "invoices" for the purposes of this policy). The GSA's Government-wide ***SmartPay3 contract*** and applicable DoD-tailored task orders authorize the use of CBA programs for the DoD. The Government Travel Charge Card program has two types of travel cards: the Individual Billed Account (IBA) and the CBA. The financial management policy associated with IBAs is contained in Chapter 23. CBA transportation accounts are issued to DoD activities and are restricted to the purchase of air, rail, and bus tickets only for travelers who are not eligible for an IBA. Mission requirements of the unit determine credit limits on CBAs. There are two types of CBAs:

5.1.1. A transportation account is a cardless account issued to a Government transportation office for use in purchasing transportation, to include airline, bus, and rail tickets.

5.1.2. A unit travel card may be issued to an individual or unit for group travel only when it is cost-effective and in the interest of the mission. Unit cards are designed to accommodate groups of travelers such as new recruits, prisoners, and foreign nationals participating in an official DoD-sponsored program or activity.

5.2 Policy

5.2.1. The ***Office of Management and Budget Circular A-123 Appendix B***, A Risk Management Framework for Government Charge Card Programs, provides policy for Federal Government charge card programs.

5.2.2. The ***DoD Government Charge Card Guidebook*** for Establishing and Managing Purchase, Travel, and Fuel Card Programs is a consolidated guide that provides policies, unique business rules and procedures for DoD charge card programs.

5.2.3. Government centrally billed travel card policies are prescribed by ***DoDI 5154.31, Volume 4***, Commercial Travel Management: DoD Government Travel Charge Card (GTCC) Program. Payment provisions are available in DoD Component regulations and Standard Operating Procedures.

5.3 CBA Billing Statements

CBA contractors will furnish a monthly invoice or statement of account, showing charges made during the billing cycle. The invoice must contain the elements specified in Chapter 8. The date of receipt of the invoice in the Billing Office starts the PPA clock.

5.4 Roles and Responsibilities

Officials must work together to ensure accuracy, propriety and legality over centrally billed accounts and related payments. Volume 5, Chapter 5 provides roles and responsibilities of accountable officials for CBA programs. The certifying officer ensures that only certified payment packages are forwarded for payment.

5.5 Documentation

Accountable officials must ensure maintenance of documentation, at all levels, to support the integrity of the Government CBA programs and facilitate the reconciliation and payment of CBA transactions. Accountable officials must establish clear audit trails for CBA transactions by maintaining documentation to support each purchase such as travel orders/authorizations; requisitions, including cross references to any related Blanket Purchase Agreements; telephone and mail order logs; receipt records; and credit slips (DoDI 5154.31, Volume 4, Commercial Travel Management: DoD Government Travel Charge Card (GTCC) Program). Certifying officers must review the payment packages to ensure the information agrees with all supporting documentation before certification and submission to the entitlement office for payment. Volume 5, Chapter 15 prescribes responsibility for certifying officers to make records and supporting documents accessible to authorized users.

5.6 Disputed Transactions

Government CBA owners must dispute, or report as fraud, questionable transactions with the issuing bank in accordance with the timetable and provisions contained in the contract with the

issuing bank and local procedures. Approving officials must notify the entitlement office by annotating the invoice or the invoice package to show reductions for disputed charges and must maintain records to track disputed transactions to full resolution.

5.7 Designated Entitlement Office

The designated entitlement office personnel rely on the certifying officer to ensure the validity, legality, and accuracy of certified invoice packages. The designated entitlement office must ensure all certified invoice payment packages undergo prevalidation to ensure the availability of funding. They must also ensure a DD Form 577 is on file to verify all manually and electronically certified payment packages.

5.8 Records Retention

Approving officials in the billing offices submitting CBA Billing Statements must ensure proper audit trails exist, and documentation is available to support all charges and CBA payments. The retention of documentation, both paper and electronic records, is the responsibility of the certifying officer. Refer to Volume 1, Chapter 9, Figure 9-1 for statutory retention requirements.

6.0 PAYMENTS UNDER REAL PROPERTY LEASES

6.1 Overview

Leases are subject to the statutory and regulatory provisions applicable to DoD contracts, as well as the specific statutory provisions pertinent to leases themselves. A lease is a contract, which conveys the use of land or buildings for a specified time at a specified rate of compensation. Leases describe the premises, the specific period involved, purpose for which used, the amount of rent, method of payment, special or operational services included (such as heat, light, water, and janitorial services), and any restoration provisions. If the lessor fails to provide the services called for in the lease, then the lessee (DoD) may pay the cost and deduct the amount from the lease rental payments.

6.2 Rent

6.2.1. Fractional Parts of a Month. The calculation to determine payment for part of a month for leased premises must include the actual number of days involved. In computing the time between two dates, the general rule is to exclude the first and include the last date, except when the lease is for a specified term and begins on the date of occupancy.

6.2.2. Monthly Installment Payments of Annual Rent. A lease generally begins on the first of the month. For leases that begin on a date other than the first, the monthly rent installments become due and payable on the date of each month numerically corresponding to the date the term began, less one day. The amount of each installment should be one-twelfth of the annual rate, regardless of the number of days in any calendar month.

6.2.3. Recurring Rental Charges. Processing payment for these charges occurs without requiring individual invoices from the vendor. At the end of each rental period, the using activity or

the designated payment office must prepare an SF 1034 or an electronic equivalent. The claim must identify the lease, confirm the use or availability of the property during the rental period, include all relevant documentation supporting the payment, and be processed in accordance with the provisions of the lease. Refer to the Guidebook for preparation instructions of an SF 1034. Lease or rental payment transactions between intra-Governmental entities must be processed using the Intra-Governmental Payment and Collection (IPAC) System or the G-Invoicing process, as prescribed by the TFM, Volume 1, Part 2, Chapter 4700, ***Appendix 5, Section 3***, and ***Appendix 8***.

6.2.4. Reporting Rental Payments Made to Civilian Landlords. At the end of each calendar year, report yearly rental payments of $600 or more to the IRS. Do not report payments to real estate agents. See the ***DFAS Tax Office*** website and Chapter 6 for additional information and policy concerning 1099 reporting.

6.3 Party Entitled to Rental Payment

6.3.1. If DoD occupies land under a lease, the rental payment cannot be avoided because of any defect in the title of the lessor at the time of entering into a lease agreement.

6.3.2. If DoD occupies land owned by several tenants-in-common under an agreement with one of them, and without objection by the others, such tenant-in-common is entitled to receive the rent.

6.3.3. If property leased to DoD sells on one day and the deed of conveyance is executed on another day, the grantee is entitled to receive the rental from the property only from and after the date of execution of the deed.

6.3.4. Liability for rent due does not become payable day-by-day. It becomes due in total on the dates set forth in the lease. There will be no proration of the payment for several owners, who may have owned the premises for a portion of the rental period. When leased property changes ownership through a sale, a copy of the deed of sale is furnished for association with the lease contract. If proper notification is provided to the lessee, payment is made to the titleholder on the due date.

6.4 Payment for Leased Land

Payment for leased land is not payable in advance. Payment for leases in foreign countries for periods of time is by direction of laws and ministerial regulations of foreign countries or local customs (***10 U.S.C. § 2396***).

6.5 Payment for Cost of Improvement of Rented Premises

DoD lease agreements must be clearly written regarding provisions for laying conduit and wires, making alterations, performing repairs, or making other improvements. Thus, unless the lease clearly provides for making such improvements at DoD expense, the payment of any cost associated with this type of improvement effort is not authorized.

6.6 Payment of Taxes on Property

Although taxes are not payable by DoD as the owner of real property, such taxes are properly payable as part of the rent when specifically included in the terms of the lease.

6.7 Payment of Rent in Connection with Termination of Lease

The terms of the lease determine the basis of payment. Leases containing the standard U.S. Army Corps of Engineer's termination clause require payment for the day after the notice of termination mailing plus 29 days. Leases containing other termination provisions should be analyzed on an individual basis, in consultation with local legal counsel to determine the correct amount of rent due upon termination of the lease.

7.0 PAYMENTS UNDER INDIVIDUAL SET-ASIDE CONTRACTS (ISAs)

Reimbursements made to medical health service providers serving under ISAs may be subject to Federal tax and the Federal Insurance Contributions Act depending on the terms of the contract. If required, payments made under ISAs will be reported by DoD at the end of the year to the IRS on a Form W-2 in accordance with Social Security Administration/IRS guidelines (***IRS Publication 15, Circular E***). The DoD Tax Reporting Office will perform the W-2 reporting requirements. Refer to Volume 8, Chapter 9 for disbursements to taxing authorities.

8.0 PAYMENTS OF FEES FOR GUEST SPEAKERS, LECTURERS, AND PANELISTS

Payment for expenses associated with honoraria (guest speaker fees) is allowable for individuals who are not Government personnel. Honoraria are ex gratia payments and are made to a speaker who has discretion concerning the content of the speech, presentation, or panel discussion on the general topic. In contrast, honoraria limitations do not restrict payment for presentation of materials under a training contract involving a program of instruction. To avoid excessive payment of honoraria, the Deputy Secretary of Defense has established a policy for honoraria amounts greater than $2,000 must have approval by the next higher organizational echelon. Such approvals will be in accordance with the Component's established procedures.

9.0 INTRA-GOVERNMENTAL TRANSACTIONS

The TFM, Volume 1, Part 2, Chapter 4700, Appendices 5 and 8 prescribes policy for agencies to process intra-Governmental expenditure transactions through the IPAC system or the G-Invoicing process. IPAC is an electronic internet-based collections and payment system. Refer to Volume 5 for additional policy regarding IPAC and G-Invoicing.

9.1 Border Clearance Inspectors Overtime Expenses

9.1.1. If border clearance inspectors are required to work overtime, or on Sundays and holidays, at a DoD installation, the DoD installation must pay the overtime expenses incurred, including travel and subsistence in accordance with ***19 CFR, 24.16*** and ***19 CFR, 24.17***. Border clearance officials regularly assigned to DoD installations will not receive payment for travel and

subsistence. When additional inspectors are required to supplement the regularly assigned inspection staff, the DoD installation pays for their overtime, travel, and subsistence.

9.1.2. If a DoD aircraft lands at a site other than a DoD installation, the home station of the aircraft must pay the charges. When a DoD aircraft lands at another DoD installation, the installation providing the landing clearance services must accept the border clearance and inspection expenses. Financial managers must ensure funds are reserved to pay for these claimed expenses. The DoD official designated to make the necessary arrangements must maintain accurate records, submit requests for overtime, certify receipt and acceptance of services, and forward the billings for payment. Invoices received from one agency may be consolidated and processed for payment by using a single IPAC or G-Invoicing transaction.

9.2 GSA Payments, Where DoD Liability Exists for Damages to GSA Motor Pool Vehicles

9.2.1. Except for normal wear and tear, the DoD is pecuniarily liable for loss of or damages to GSA motor pool vehicles caused by negligence, misconduct, abuse, or inattention of military or DoD civilian personnel.

9.2.2. The operator of the vehicle is responsible for notifying the GSA fleet management center, his/her supervisor, and the state, county, or municipal authorities as required by law (***41 CFR, section 101-39.401***) when damages occur to a GSA vehicle. GSA will charge DoD for all costs resulting from damage, including vandalism, theft and parking lot damage to a GSA vehicle on a case-by-case basis after a review of the documentation required by ***41 CFR, section 101-39.406***. Upon receipt of GSA's assessment of damages, use the IPAC system, G-Invoicing, or an ***SF 1080***, Voucher for Transfers Between Appropriations and/or Funds, to process the payment to GSA. The DoD Component to which the vehicle was assigned must provide the fund cite for the payment. The SF 1080 must identify the damaged vehicle involved, and include the vehicle registry number, date of damage, register number of the ***SF 91***, Motor Vehicle Accident (Crash) Report, and, when applicable, include an ***SF 94***, Statement of Witness.

9.2.3. Provide one copy of the voucher, without supporting papers, with the IPAC payment to GSA. Support the original voucher, and other copies of vouchers, (when required) with a copy of the Report of Survey, and the cost of repairs statement prepared by GSA.

VOLUME 10, CHAPTER 13: "COMMERCIAL TRANSPORTATION PAYMENTS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated March 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current guidance.	Revision
1.2.3	Removed Defense Transportation Regulation (DTR) reference, as the DTR prescribes transportation/movement procedures and is not an authoritative guidance.	Deletion

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CHAPTER 13

COMMERCIAL TRANSPORTATION PAYMENTS

1.0 GENERAL

1.1 Purpose

This chapter establishes policies and responsibilities within the DoD for the financial management of various types of transportation payments. It outlines the policies and responsibilities for payment of transportation documents, including bills of lading (BOL) and third-party transportation invoices. It also includes requirements for prepayment and post-payment audits, reviews, claims, and related General Services Administration (GSA) procedures. The policies in this chapter also apply when the Transportation Working Capital Fund pays the commercial Transportation Service Provider (TSP).

1.2 Authoritative Guidance

The following laws and regulations comprise the current requirements for the efficient and effective use of Government and commercial transportation resources. This policy includes the roles, responsibilities, and authority in applying these requirements, to include policy pertaining to payment of transportation and transportation-related services for the DoD.

1.2.1. ***Title 10, United States Code (U.S.C.), Chapter 157*** and ***31 U.S.C. § 3726*** provide information concerning the laws surrounding the transportation of both personnel and supplies and the general conditions under which a carrier may submit claims for payment. Title 31 U.S.C. § 3726 also establishes the role of GSA in settling claims, identifies when claims must be filed with GSA, and identifies requirements for conducting and funding prepayment and post-payment audits.

1.2.2. ***DoD Instruction 5158.06*** and ***DoD Directive 4500.09*** govern the worldwide movement of passengers, cargo, and personal property for DoD.

1.2.3. ***Federal Acquisition Regulation (FAR), Part 47*** prescribes policies for applying transportation and traffic management considerations in the acquisition of supplies, and it prescribes policy for acquiring transportation or transportation-related services by contract methods.

1.2.4. ***Defense Federal Acquisition Regulation Supplement, Part 247*** contains additional transportation guidance as a supplement to FAR, Part 47 provisions.

1.2.5. ***Title 41, Code of Federal Regulations (CFR), Part 102-118***, codifies statutes and other policies that assure transportation services are uniform and appropriate. It also defines authority for GSA to conduct prepayment and post-payment audits, and establishes agency prepayment audit requirements.

1.2.6. The following laws and regulations provide guidance for payment of Non-Temporary Storage (NTS) and local drayage of Household Goods (HHG):

1.2.6.1. ***Title 5 U.S.C. § 5726***;

1.2.6.2. ***Title 41 CFR 302-8***; and

1.2.6.3. ***Joint Travel Regulations (JTR)***.

2.0 POLICY

2.1 Valid Line of Accounting (LOA)

Every transportation shipment, when initiated, must have a valid LOA to include the Standard Document Number, or in its place, an associated Transportation Account Code (TAC) representing a valid LOA, prior to processing shipment requests, automation of obligation recording, and invoice certification and payment.

2.1.1. The Transportation Officer (TO) or the Traffic Management Officer (TMO) will not provide transportation services without first obtaining proper supporting documentation. At a minimum, this documentation must include an authorization to use, and a citation of, a valid and funded LOA provided by a designated Fund Manager (FM) or financial management official.

2.1.2. If funding data supporting the shipment request fails validation when processed, the TO/TMO will suspend further processing efforts until the shipping customer provides written (electronic or hardcopy) verification indicating the LOA is valid.

2.1.3. For further guidance and exceptions regarding the LOA and TAC, please refer to ***Defense Transportation Regulation (DTR) 4500.9-R, Part II***, Appendix V and attachments.

2.2 Funded Line of Accounting (LOA) and Associated Transportation Account Code (TAC)

Shipping customers requesting transportation services will provide the TO/TMO with the FM's written or electronic verification of a funded LOA (funding document), or the associated TAC, before entering the Government into a contract with a carrier. The FM verification may be annotated on the Movement Request Order, usually a DoD ***(DD) Form 1348-1A***, Issue Release/Receipt Document, or ***DD 1149C***, Requisition and Invoice/Shipping Document.

2.3 Anti-Deficiency Act (ADA)

Any transportation shipment request processed without an authorized, valid, and funded LOA, resulting in an obligation on behalf of the Federal Government, could result in a violation of the ADA under ***31 U.S.C. § 1341***. See Volume 14, Chapters 2 and 3 for additional information concerning appropriations and violations of the ADA.

2.4 Internal Controls

Internal controls must be in place to ensure that duplicative or erroneous payments do not occur. These controls will ensure that sufficient management control mechanisms are available so that DoD funds are spent appropriately and in accordance with all applicable laws and regulations. Refer to Chapter 1 for additional policy specific to internal controls.

3.0 RESPONSIBILITIES

3.1 United States Transportation Command (USTRANSCOM)

Per DoD Instruction 5158.06, the Secretary of Defense has designated ***USTRANSCOM*** as the single manager within the DoD for transportation, other than Service-unique or theater-assigned assets. USTRANSCOM operates three component commands: Surface Deployment and Distribution Command, Military Sealift Command, and Air Mobility Command. USTRANSCOM operates two subordinate commands: Joint Transportation Reserve Unit and Joint Enabling Capabilities Command.

3.2 Defense Finance and Accounting Service (DFAS)

DFAS maintains the software/database support for the Transportation Global Edit Table (TGET).

3.2.1. TGET is a centralized repository that contains established transportation LOAs formatted in accordance with Service/Agency LOA requirements and associated TACs.

3.2.2. Each Component is responsible for updating the TGET and ensuring it contains valid LOAs and TACs.

3.3 Shipping Customers

Shipping customers can be individuals (Service members or civilian employees), units, or organizations within the Military Services, Defense Agencies and other Government (non-DoD) agencies (federal, state, or local) requesting shipment of freight or personal property. The shipping customer will obtain and present to the TO/TMO, in written or electronic form, a valid and funded LOA from a designated FM.

3.4 Transportation Officer (TO) and Traffic Management Officer (TMO)

TOs and TMOs are individuals who are designated to process approved shipment requests for transportation or storage of military goods and other items entitled to be transported or stored at Government expense and related accessorial or special services. The TO/TMO responsibilities include:

3.4.1. Preparing and editing shipment documentation to ensure quality electronic data and timely submission to support total movement shipment processes;

3.4.2. Reviewing shipment requests presented by the shipping customer to ensure that the approved funding and shipping documents fully support each shipment request;

3.4.3. Ensuring that any shipment request that is found to be incomplete or is not fully supported by the proper funding authorization will be suspended and not be accepted for shipment; and

3.4.4. Resuming the shipment request process when written or electronic verification of a corrected LOA, or other required shipping and supporting documents, is received.

3.5 Fund Manager (FM)

FMs are individuals legally responsible for managing the appropriate use of funds and will assist and provide advice to the TO/TMO on all financial related matters. The FM will:

3.5.1. Maintain and issue authorizations to use LOAs, based on requests, to ensure their appropriate use and the availability of sufficient funding;

3.5.2. Coordinate and administer changes and modifications to LOAs and ensure updated data is uploaded to the TGET when necessary;

3.5.3. Provide a properly formatted LOA and associated TAC for input into the shipper system when utilizing electronic processing and third-party billing;

3.5.4. Coordinate with the appropriate finance and accounting office to resolve edit exceptions encountered in the obligation and accrual recording and invoice payment processes;

3.5.5. Work with the TO/TMO and/or certifying officer to correct fund citation edit exceptions;

3.5.6. Provide the shipping customer with documentation supporting funds availability and record the commitment/obligation appropriately. Documentation must include a valid, appropriate, and funded LOA, as well as the point of contact information of the FM (e.g., name, phone number and, e-mail address);

3.5.7. Monitor execution of transportation costs and make adjustments as needed; and

3.5.8. Coordinate with the contracting officer and/or TO/TMO in addressing any issues associated with transactions that have not yet been certified for payment.

3.6 Certifying Officer

Certifying officers are properly qualified and trained individuals designated in writing by the activity commander and will perform their duties in accordance with Volume 5, Chapter 5. All certifying officers will be appointed using a ***DD 577***, Appointment/Termination Record – Authorized Signature. Certifying officers are responsible for:

3.6.1. Ensuring the accuracy of facts stated on a voucher to include the supporting documents and records, pursuant to ***31 U.S.C. § 3528***;

3.6.2. Ensuring accurate computation of vouchers under 31 U.S.C. § 3528 and ***31 U.S.C. § 3325***;

3.6.3. Ensuring the legality of a proposed payment under the appropriation or fund involved, pursuant to 31 U.S.C. § 3528;

3.6.4. Ensuring that when a manual, electronic, or digital signature is affixed to a voucher, the certifying officer certifies to a disbursing officer that the items listed therein are correct and proper for payment from the appropriation(s) or other funds designated thereon or on supporting vouchers, and that the proposed payment is proper, correct, and not prohibited by law;

3.6.5. Ensuring the use of and certifying a ***Standard Form (SF) 1113***, Public Voucher for Transportation Charges, and ensuring the form includes the correct amount and fund cites when processing documents such as requests for payments, invoices, and other transportation documents;

3.6.6. Forwarding the certified SF 1113, with the attached supporting documents, to the proper payment office for recording into the accounts payable system and disbursement of payment to the provider;

3.6.7. Returning, and not certifying, vouchers which are inaccurate, inadequate, improper, incorrect, impermissible by law, or contain invalid or inadequate funding information; and

3.6.8. Performing additional duties and responsibilities of certifying officers concerning the review, reconciliation, and certification of the DoD Third Party Payment System (TPPS) monthly summary invoices as discussed in paragraph 10.3.

3.7 Payment Office

Each payment office will:

3.7.1. Provide finance and accounting support to designated shipping customers, FMs, TOs/TMOs, and certifying officers;

3.7.2. Ensure that a valid electronic record of the transportation obligation is posted in the accounting system prior to disbursing funds;

3.7.3. Record accruals, if appropriate, and then disburse payment upon receipt of the certified request for payment or electronic data feeds. See Volume 4, Chapter 9 for additional information;

3.7.4. Ensure that commitment, obligation, accrual, and expense transactions are reconciled and processed into the appropriate accounting systems. See Volume 3, Chapter 8, and Volume 4, Chapter 9 for additional information;

3.7.5. Send electronic funds transfer disbursement to the vendor or third-party payer with an accompanying remittance advice; and

3.7.6. Collect any overpayments, as required. See Volume 16 for additional information.

3.8 General Services Administration (GSA)

GSA is the executive agent for the Federal Government and is responsible for oversight of prepayment and post-payment audits and associated collection actions. GSA also handles payment claims and disputes that cannot be resolved between the TSP and the contracting officer and the payment office. See sections 4.0 and 9.0 for additional policy concerning transportation audits, reviews, and TSP claims.

3.9 Transportation Service Provider (TSP)

The TSP is the commercial provider of transportation services for either freight or HHG.

3.9.1. The TSP certifies that the shipment has been delivered in good condition and submits certified invoices for payments of services rendered.

3.9.2. The certified invoice is sent to the activity designated in the shipping request.

3.10 Contracting Officer

A contracting officer is a U.S. military officer or civilian employee who has been properly appointed on a ***SF 1402***, Certificate of Appointment.

3.10.1. A contracting officer has the authority to enter into, administer, and/or terminate contracts, and make related determinations and findings. See definition of contracting officer in ***FAR 2.1***.

3.10.2. Within the context of this chapter (for transportation charges falling outside of TPPS processes) the contracting officer:

3.10.2.1. Prepares solicitations and contracts for transportation and/or transportation-related services;

3.10.2.2. Specifies authorization of prepaid freight in contracts;

3.10.2.3. Ensures that the requirements of the DTR 4500.9-R are included in appropriate contracts for all applicable shipments and enforces these requirements concerning shipments under their control; and

3.10.2.4. Includes in the solicitation and contract all applicable services, provisions, clauses, and instructions concerning first destination transportation charges and electronic invoicing. The solicitation and contract must also identify a separate LOA for prepaid freight.

4.0 PAYMENT, AUDITS, AND COLLECTIONS

4.1 Request for Payment

The payment office will process a request for payment in accordance with the applicable commercial rates, fares, or charges for transportation by any common carrier of any property for the United States, or on its behalf, as approved by the TO/TMO, or designee, and certified by the certifying officer. Transportation payments will be made by the payment office designated in the contract.

4.2 Prepayment Audit

Title 31 U.S.C. § 3726 establishes that each agency that receives a bill from a carrier or freight forwarder for transporting an individual or property for the U.S. Government must verify its correctness (to include transportation rates, freight classifications, or proper combinations thereof) using a prepayment audit, in accordance with regulations prescribed by the GSA. Meal tickets and meal checks are not subject to audit since they do not represent bills from a TSP. Implementing instructions are in 41 CFR 102-118, which provides responses to the most frequently asked questions concerning transportation payments and audit.

4.2.1. GSA has complete oversight of the prepayment audit process; however, it can further delegate that authority to the DoD Components if the delegation is determined to be cost-effective or otherwise in the public's best interest, as prescribed in 31 U.S.C. § 3726(g).

4.2.2. The ***GSA Transportation Audits Division*** keeps a central repository of electronic transportation billing records for legal and audit purposes. Therefore, the DoD must forward all

relevant electronic transportation billing documents to GSA as soon as possible following the end of the month; this is accomplished by the TPPS contractor which provides all shipping and payment data available in support of DoD transportation payments (***FAR 47.103-1*** and 41 CFR 102-118.80).

4.2.3. The payment office must ensure, during its prepayment audit of a hardcopy (non-TPPS) TSP bill, that the TSP filled out the SF 1113 completely, including the taxpayer identification number and standard carrier alpha code. An SF 1113 must accompany all hardcopy (non-TPPS) billings (41 CFR 102-118.100).

4.2.4. In accordance with 41 CFR 102-118.280, ***31 U.S.C. § 3521(b)***, and ***GAO's Policy and Procedures Manual for Guidance of Federal Agencies, Title 7***, statistical sampling is permitted on TSP bills under $2,500. See Volume 5, Chapter 5, section 6.0 for additional details concerning statistical sampling.

4.2.5. In accordance with 31 U.S.C. § 3726(a)(3), expenses for prepayment audits must be funded by DoD appropriations used for the transportation services.

4.3 Prompt Payment Act (PPA)

Transportation payments are subject to the PPA. PPA regulations require that agencies pay transportation bills within a certain time period and pay interest penalties when payments are late.

4.3.1. Unless specified differently in the contract, transportation charges must be paid within 30 days after the original completed BOL reaches the designated billing office, and the carrier certification, as described in paragraph 4.4, is completed on the document.

4.3.2. If an invoice or accompanying documentation is determined to be incomplete or incorrect, the agency must provide the TSP with written notice of an apparent error, defect, or impropriety within 7 days of receipt of the bill. See ***FAR 32.905*** for additional information.

4.3.3. Refer to Chapter 7 for additional PPA policy.

4.4 Certified Invoice

Transportation invoices must be certified by the carrier that the shipment has been delivered in good order and condition. A TSP cannot demand advance payment for transportation charges submitted on a BOL, per 41 CFR 102-118.200.

4.5 General Services Administration (GSA) Post-Payment Audit

A carrier's BOL and the supporting documents, which represent payments made by agency payment offices for freight and passenger transportation services, must be forwarded to GSA for a post-payment audit (41 CFR 102-118.415 and 41 CFR 102-118.425).

4.5.1. GSA reviews the carrier's transportation rates, freight classification, and other information for correctness during the audit and has a number of applicable actions it can take based on post-payment review outcomes (41 CFR 102-118.430 and 41 CFR 102-118.435).

4.5.2. Expenses of post-payment audit contract administration and audit-related functions are financed from overpayments collected from the TSP's bills previously paid by the DoD and similar type refunds (41 CFR 102-118.440).

4.6 Overpayments

If the agency conducts prepayment audits of its transportation bills, agency transportation certifying and disbursing officers are liable for any overpayments made. If GSA has granted a waiver to the prepayment audit requirement, and the agency performs a post-payment audit (31 U.S.C. § 3528 and ***31 U.S.C. § 3322***), neither the certifying nor disbursing officers are liable based on the reasons listed in these two cited statutes (41 CFR 102-118.160).

4.6.1. If an overpayment results from the use of improper transportation rates, classifications, or from the failure to deduct the proper amount, the disbursing officer or certifying officer will normally not be held liable for overpayments.

4.6.2. Relief of liability may normally be granted when the certification was based on official records and the certifying officer did not know, and by reasonable diligence and inquiry could not have discovered, the correct information, or the obligation was incurred in good faith, and diligent collection actions were undertaken in accordance with established procedures. Refer to Volume 5, Chapter 6.

4.7 Collection / Offset of Overcharges

The Director of the GSA Transportation Audits Division has the authority and responsibility to audit and settle all transportation-related accounts (31 U.S.C. § 3726). When instructed to do so by GSA, the payment office will offset, as appropriate, any overcharge amounts due the United States from an unpaid carrier's bill. The GSA has the authority to audit but only has the authority to adjudicate and settle when there is a dispute between the contractor and a government party to the contract.

4.7.1. The payment office will inform GSA if they do not have, and are not likely to have, a subsequent voucher to collect an overcharge.

4.7.2. GSA then handles the collection as a U.S. claim against the payee (41 CFR 102-118.640). If GSA collects the overcharged amount, the collection is retained by GSA.

4.7.3. The payment office must report all voluntary refunds to the GSA Transportation Audits Division (so that no Notice of Overcharge or financial offset occurs), unless other arrangements are made (41 CFR 102-118.500(a)).

4.7.4. Once a Notice of Overcharge is issued by the GSA Transportation Audits Division, then any refund is no longer considered voluntary, and the payment office must forward the refund to the GSA Transportation Audits Division (41 CFR 102-118.500(b)).

4.7.5. Title 31 U.S.C. § 3726(d) states that not later than 3 years (excluding time of war) after the time a bill is paid, the Government may deduct from an amount subsequently due a carrier or freight forwarder an amount paid on the bill that was greater than the rate allowed.

5.0 TRANSPORTATION PAYMENT DOCUMENTATION

5.1 Prescribed Forms

The DoD may receive payment requests for transportation and related services in various forms, such as paper or electronic BOLs, or periodic billing statements. Transportation offices will use commercial payment practices and electronic processing to the maximum extent possible in accordance with DoD policy set forth in the DTR 4500.9-R.

5.2 Commercial Bills of Lading (BOL)

The ***Commercial BOL*** (the industry-wide form used by transportation carriers) is the preferred document used for the transportation of property per ***48 CFR 53.247***. This document will be used for the receipt of goods, as documentary evidence of title, and as documentary evidence of delivery. The use of the commercial BOL is the initial step in satisfying the GSA's and DoD's ongoing initiatives to maximize electronic processing of transportation documents. In its electronic form (i.e., without the issuance of a hard-copy Government BOL), the commercial BOL is referred to as a "virtual" Government BOL.

6.0 TRANSPORTATION DELIVERY TERMS

6.1 Delivery Terms

Delivery terms are listed in the contract indicating the point at which title and risk of loss of merchandise pass from the seller to the buyer. They define the obligations and the responsibilities of the buyer and seller during the delivery of goods. See ***FAR 47.3*** for additional details.

6.1.1. Free on Board (FOB) Origin. If the shipping contract states FOB origin, the ownership of the cargo is passed on to the buyer when the goods are placed on the conveyance by

which they are to be transported. Unless the contract states otherwise, the cost of shipping and risk of loss are borne by the buyer (Government), per FAR 47.303-1.

6.1.2. FOB Destination. If the shipping contract states FOB destination, the supplier owns the goods until they arrive at their destination. Unless the contract states otherwise, the cost of shipping and the risk of loss are borne by the seller (contractor). Pursuant to FAR 47.303-6, transportation costs that are included in contracts for material delivered FOB destination must not be paid.

6.1.3. Most Advantageous Delivery Point. If the shipping contract includes both FOB origin and FOB destination delivery terms, the payment office will process each payment in accordance with the assigned contract terms for the goods being shipped. Refer to FAR 47.304-1(b) when the contracting officer includes both options to obtain the most advantageous delivery point.

6.2 Prepaid Freight

Contractor prepaid freight is any type of transportation amount authorized to the point specified in the contract, which is to be prepaid at (FOB) origin by the contractor and later submitted for reimbursement on the contractor's invoice, per FAR 47.303-4.

6.2.1. When providing goods, the TSP can be authorized reimbursement for prepaid freight within their contracts.

6.2.2. Contractors will support the prepaid transportation freight charges with a copy of the carrier's receipted freight bill or evidence of receipt from the carrier. Evidence of payment is a receipted freight bill or BOL stamped or marked "To Be Prepaid" showing the charges receipted for by the carrier. If this is not present, then the BOL must bear a notation of the contractor's check number, the date paid, and proof of shipment.

6.2.2.1. If a receipted freight bill is not available, then the contractor can provide other support for the claim for reimbursement of freight charges. The contractor must furnish a copy of the transportation company's pickup record or a copy of the contractor's internal business document showing the contractor turned the material over to a particular shipper. The contractor then must support either of these documents with a copy of the transportation company's invoice and a statement that the charges have been paid.

6.2.2.2. For cost reimbursement contracts, the contractor must send freight bills to the contracting officer for a pre-payment audit, per ***FAR 47.103-2***.

6.2.2.3. Per FAR 47.303-17(d)(1), the Government may determine that receipted freight bills or other evidence of receipt are not required for transportation charges of $100 or less if the following conditions are met:

6.2.2.3.1. The underlying contract specifies retention by the contractor of all records for at least 3 years after final payment under the contract;

6.2.2.3.2. The contractor agrees to furnish evidence of payment when requested by the Government; and

6.2.2.3.3. Per FAR 47.303-17(e), shipments and invoices will not be split to reduce transportation charges to $100 or less per transaction as a means of avoiding the required documented support for the charges.

6.2.2.4. Per FAR 47.303-17(d)(2), a Government agency may pay an invoiced, but unsupported, transportation charge of $250 or less per transaction if the following conditions exist:

6.2.2.4.1. The contractor cannot reasonably provide a receipted bill; and

6.2.2.4.2. The agency has determined that the charges are reasonable. Determination of reasonableness may be based on the following: past experience (authenticated transportation charges for similar shipments); rate checks; copies of previous bills submitted by the contractor; or other information submitted by the contractor to substantiate the amount claimed. Any alternation in rates incorporated and/or applied from another department policy or regulation must also include identified equipment in addition to commodity, destination, and origin.

6.2.3. When deliveries are made at points other than the designated FOB point, the contracting officer will make an adjustment in the contract price that corresponds to the resulting increase or decrease in the amount of freight charges.

6.2.4. The payment office will not make an adjustment on the amount of the freight charges if deliveries are made to places other than the FOB point.

6.2.5. The payment office will not make an adjustment to freight charges when a contractor contends that it paid transportation expenses, which the Government was obligated to pay.

6.2.6. The payment office cannot deduct for potential excessive freight charges paid by the Government. Such adjustments must be submitted to the respective legal counsel for referral to the GSA for direct settlement as claims.

6.3 Reimbursable Prepaid Freight

Reimbursement to a contractor for prepaid freight covers the cost of transporting the material being shipped from the designated FOB origin point to the designated destination(s).

6.3.1. The contractor may be authorized by the contracting officer to pay transportation costs subject to the terms and conditions of the BOL on behalf of the Government. The contractor pays for shipping on a commercial BOL, other commercial form, or through the postal system.

6.3.1.1. If a contractor is directed by a contracting officer to ship FOB origin via parcel post, then postal charges are reimbursable.

6.3.1.2. The contractor must list this expense as a separate item on the invoice.

6.3.1.3. Charges are included in accounting records as a part of the cost of material.

6.3.2. The contractor will bill the DoD Component for the cost of the transportation. This billing is shown as a line item on the contractor's invoice and is supported by a receipt, per FAR 47.303-17(d).

6.3.3. Contractor prepaid freight is not authorized within overseas areas. A contractor, however, may be reimbursed for prepaid freight within the United States to a stateside port of embarkation for further shipping by Government means to the overseas area.

6.3.4. Contractor prepaid freight costs are obligated as a cost of the contract.

6.3.5. If it is advantageous to the Government, the contracting officer may authorize the contractor to ship supplies, which have been acquired FOB origin, to domestic destinations, including DoD air and water terminals by common carriers on commercial BOLs. Such shipments must not exceed 150 pounds by commercial air, or 1,000 pounds by other commercial carriers, and must not have a security classification, per FAR 47.303-17(a).

6.3.6. GSA does not audit fixed price contractor prepaid freight charges.

6.3.7. Contractors directed to prepay freight may maintain charge accounts with companies specializing in delivery of small parcels.

6.4 Excessive Freight Charges

Excessive freight charges are freight costs incurred by a contractor that exceed costs from the FOB point specified in the contract, and they are not reimbursable costs. The contracting officer will need to make a determination whether to pay excessive freight charges and provide that determination to the payment office before any approved adjustments to payments can be made by the payment office.

6.4.1. If a contractor prepays freight for a shipment contrary to the current contract terms, payment of shipment charges may be made to the contractor after receipt of contract modification authorizing the prepaid shipment. The payment may not exceed the cost that would have been incurred by the Government. The prepaid freight receipt will be attached to the contractor's request for payment.

6.4.2. Any premium freight (e.g., overnight delivery, first class mail, or airfreight) to be paid by the Government must be authorized by the contracting officer, per FAR 47.304-1(c)(4).

6.4.3. Where the original contract was FOB origin, and the TO/TMO changes the destination point, the Government may be held liable for all additional freight costs.

6.4.4. If the contractor changes the location from where the item is being shipped from, thereby increasing the freight costs, then the contractor is liable for any increased freight costs.

6.4.5. Shipment of perishable or medical supplies that are subject to in-transit deterioration is an example of a situation when solicitations will normally be on an FOB destination-only basis because it is advantageous to the Government per FAR 47.304-1(g)(4).

6.5 Funding Determination Guidelines

When Government property is shipped from one point to another, specific guidelines will be applied to determine the appropriation or fund to be charged for transportation.

6.5.1. Transportation charges are applied to the fiscal year and the appropriation in which they accrue, as stated in the contract.

6.5.2. The transportation (movement) of cargo can have multiple segments (e.g., base to shipping port, then receiving port to base). Each segment may have a different fund-citation, depending on the type of shipment.

6.5.3. Transportation charges for material shipped from one U.S. Government installation to another are not considered part of the contract expense in buying the material.

6.5.4. Transportation charges incurred for transporting exchange or commissary supplies are charged to the applicable exchange fund or to the Defense Commissary Agency.

6.5.5. If freight is damaged in shipment, regardless of which entity is responsible for the damaged goods, transportation funds will not to be used to pay for the replacement or repairs of damaged goods.

6.5.5.1. For FOB origin shipments, destination sites will furnish procurement officials with any available information to support the shipper's claim for damage(s).

6.5.5.2. If freight is damaged in shipment, then follow the requirements of the DTR 4500.9-R, Part II, Chapter 209 for reporting damages.

6.6 Property Loss or Damage

The Government generally retains the risk of loss and/or damage to its property that is not the legal liability of the commercial carriers. In addition, the Government generally does not buy insurance coverage for its property in the possession of commercial carriers per ***FAR 47.102***. However, in cases where loss or damage risk does reside with the carrier based on contractual agreement, deductions can be made from amounts due the carrier using the following guidance, per ***10 U.S.C. § 2636 (a)(1) and (2)***:

6.6.1. If deducted due to loss of, or damage to, material in transit for a military department, the amount must be credited to the proper appropriation, account, or fund from which the same or similar material may be replaced; or

6.6.2. If deducted as an administrative offset for an overpayment previously made to the carrier under any DoD contract for transportation services, or as liquidated damages due under any such contract, the amount must be credited to the appropriation or account from which payments for the transportation services were made.

6.7 Non-DoD Funding

Non-DoD agencies that wish to use DoD transportation services must provide funds with the appropriate LOAs to the sponsoring DoD Component. Non-DoD funding is required before services can be provided. The sponsoring Component may set up a reimbursable account where the third-party billing system can continue to pay the TSP, and the sponsoring Component can establish a Service/DoD LOA/TAC for the paying office to process. See Volumes 11A and 11B for additional reimbursable policy.

7.0 NON-TEMPORARY STORAGE (NTS) AND LOCAL DRAYAGE OF HOUSEHOLD GOODS (HHG)

7.1 Definitions and Guidelines

An authorized DoD official will determine if local drayage and storage of HHG is authorized when it provides the best value to the Government. The TO/TMO responsibilities include obtaining these transportation services to meet operational needs.

7.1.1. NTS. NTS of HHG is all storage other than temporary (e.g., storage in transit) or special storage (e.g., access-controlled environment). NTS includes any shipment, movement, packing/unpacking, and crating/uncrating necessary to transport the HHG to and from the designated storage facility.

7.1.1.1. NTS authority is normally included in the permanent change of station (PCS) travel authorization/order and must be obligated against the appropriation current at the time of the contract award, or against the appropriation current at the time the service is rendered, per Volume 3, Chapter 8 (section 11.0). Follow these same obligational criteria for storage of a privately owned vehicle (POV).

7.1.1.2. Where the contracting officer acquires these storage services (NTS or POV) as non-severable services, obligations are applied to the appropriation current at the time of the contract award. Where storage services are designated as severable, obligations are applied against the appropriation current at the time the services are rendered unless under authority of ***10 U.S.C. § 3133***. A contract that crosses fiscal years must have a period of performance not to exceed 1 year. Refer to Volume 3, Chapter 8 (subparagraph 3.4.2) for additional information regarding distinctions between severable and non-severable services in the context of a contracting activity procuring services on behalf of customer organizations.

7.1.1.3. All Invoices for NTS services are processed electronically through a TPPS using the policy provided in section 10.0.

7.1.2. Local Drayage. Local drayage includes hauling HHG to a designated storage facility.

7.1.2.1. The TO/TMO responsibilities include the following actions concerning the processing of invoices pertaining to local drayage of HHG:

7.1.2.1.1. Receiving and verifying invoices with supporting documents from the ordering officer;

7.1.2.1.2. Documenting the service for local drayage has been performed and determining the entitlement pertaining to beginning and ending periods of storage and excess weight;

7.1.2.1.3. Certifying the invoiced services have been performed;

7.1.2.1.4. Verifying with the Family Housing Management Office or Billeting Office regarding entitlement to local drayage incident to assignment of Government quarters; and

7.1.2.1.5. Preparing, approving, and certifying the ***SF 1034***, Public Voucher for Purchases and Services Other Than Personal, and forwarding it to the proper payment office with documents to support these entitlements for recording into the accounts payable system and for disbursement of the payment to the provider.

7.1.2.2. When moving HHG to or from storage locally (drayage), the TO/TMO will:

7.1.2.2.1. Provide to the payment office a copy of the invoice containing a certificate of performance signed by both the contractor and ordering officer; a copy of the ***DD 1164***, Service Order for Personal Property; a copy of the ***DD 1299***, Application for Shipment and/or Storage of Personal Property; and a copy of any special orders or other authority; and

7.1.2.2.2. Provide to the ordering office a copy of the paid removal from storage voucher.

7.1.2.3. The payment office responsibilities include the following actions concerning the processing of invoices pertaining to local drayage of HHG:

7.1.2.3.1. Certifying funds availability on the basis of a purchase order request and record obligations based on receipt of a ***DD 1155***, Order for Supplies or Services, with the coordination of the FM;

7.1.2.3.2. Obtaining evidence of receipt of services before paying a contractor's invoice. This may be accomplished by a TO/TMO statement on the invoice that states the date the services ordered were received, with the TO/TMO official's printed name, signature, and contact information placed on that invoice; and

7.1.2.3.3. Obtaining a copy of the obligating document and the contractor's invoice to support the payment voucher.

7.2 Military Members

7.2.1. See JTR, Chapter 5, Part C, Section 0513 and 0514 for details concerning HHG weight allowances.

7.2.2. See JTR, Chapter 5, Part C, Section 0518 for details concerning HHG storage.

7.2.3. The housing office issues assignment and reassignment orders for movement of member's personal property placed in NTS incident to occupancy of Government or Government-controlled quarters.

7.3 Civilian Employees

7.3.1. As stated in 5 U.S.C. § 5726 (b), the maximum combined weight for HHG transported and/or stored for civilian employees is 18,000 pounds. The Government may pay the total transportation cost, and other charges applicable to any excess weight that exceeds the HHG weight allowance, and collect reimbursement for the excess cost from the civilian employee.

7.3.2. As stated in the JTR, Chapter 5, Part F, Section 543, civilian expenses for NTS are authorized for PCS travel, or new appointee travel, to a designated isolated Continental United States (CONUS) permanent duty station (PDS). A signed service agreement for 12 months is required for each individual CONUS PCS. The period of NTS under these conditions may not exceed 3 years, per 5 U.S.C. § 5726(c).

7.3.3. As stated in the JTR, Chapter 5, Part F, Section 543, a traveler's HHG are placed in NTS when there is no authority to transport some items, or the HHG cannot be used at the Outside of the Continental United States (OCONUS) PDS. The traveler may request authority from the employer for HHG withdrawal from NTS, and transportation at Government expense, when the situation requiring NTS no longer exists, and the HHG are needed for the current tour of duty, or when a removal agreement is signed. The period of NTS, at Government expense, may be authorized for a period not to exceed the tour of duty.

8.0 MISCELLANEOUS TRANSPORTATION PAYMENTS

8.1 Drive-away and Tow-away Service

DoD vehicles may be moved by drive-away or tow-away carrier service. Authorized en route expenses may be incurred for which the carrier is not liable. Drive-away service is the movement of a vehicle under its own power by a driver of an authorized motor carrier. Tow-away service is when any motor vehicle, or combination of motor vehicles coupled together, has one or more sets of wheels on the roadway during the course of transportation. This method also includes the movement of one or more vehicles, including other than self-propelled vehicles, when towed or mounted (either full or saddle mount) upon a vehicle. See DTR 4500.9-R, Part II, Chapter 202 for additional information concerning drive-away service.

8.2 Meal Checks

Meal checks are used by DoD recruits, including the Department of Homeland Security Coast Guard recruits, while in transit from the Military Entrance Processing Stations (MEPS), under the command of the U.S. Military Entrance Processing Command (USMEPCOM), to the Service training centers. Meal checks will be issued only by an appointed MEPS Transportation Assistant (TA), or designated alternate, to DoD recruits traveling under provisions of the JTR.

8.2.1. During the transportation briefing, the MEPS TA will inform the recruit on the authorized use of the meal check, the procedures for completing the meal check, their responsibility to use the check for authorized meals, the locations that will accept meal checks, and their responsibility for safeguarding their meal check.

8.2.2. The MEPS will use the USMEPCOM's automated USMEPCOM Integrated Resource System (USMIRS) to issue computer-generated meal checks.

8.2.2.1. The MEPS USMIRS will print the allowable amount on the meal check depending on the type of meal authorized. The rates per meal for members are in the JTR, Chapter 2, Section 0203.

8.2.2.2. The MEPS TA will inform the recruit that he/she cannot write meal checks for amounts that exceed the applicable amount authorized in the JTR. Meals may be acquired at a lower cost. The recruit will be responsible for any costs that exceed the authorized amount published in the JTR, Chapter 2, Paragraph 020306.

8.2.2.3. Meal checks are valid at all airport restaurants owned, operated, or contracted by Host Marriott Services Corporation and most other food vendors.

8.2.2.4. The vendors will not give the recruits any change if the cost is less than the amount stated on the meal check.

8.2.3. Meal checks must not be used:

8.2.3.1. To buy alcoholic beverages;

8.2.3.2. When travel is by commercial aircraft, and passage rates include meal service;

8.2.3.3. When an advance allowance of per diem has been received;

8.2.3.4. When any portion of travel is OCONUS; or

8.2.3.5. For payment of a gratuity.

8.2.4. A contracted private sector bank will pay the restaurants electronically, within 48 hours, through the normal banking process. After the bank pays the restaurants, the payment office will reimburse the bank by electronic funds transfer.

8.2.5. See DTR 4500.9-R Part I, Appendix M for additional information concerning meal checks.

8.3 Meal Tickets

Meal tickets may be issued to all authorized users under the JTR provisions, with the exception of recruits assigned to MEPS. Meal tickets may be issued only as specifically authorized in the DTR 4500.9-R for members traveling together with no/limited reimbursement directed in the authorization/order, on a commercial airline flight on which courtesy meals are not served, and prior arrangements have been made for the airline to serve meals in exchange for meal tickets. See DTR 4500.9-R, Part I, Passenger Movement, Appendix M for details concerning meal tickets.

8.3.1. Meal tickets must not be used:

8.3.1.1. To buy alcoholic beverages;

8.3.1.2. When travel is by commercial aircraft, and passage rates include meal service;

8.3.1.3. When an advance allowance of per diem is received;

8.3.1.4. For travel of civilian employees;

8.3.1.5. For travel of military dependents, except when a dependent is authorized per diem for the purpose of escorting a deceased military sponsor; or

8.3.1.6. For payment of a gratuity.

8.3.2. Reimbursement of contractors accepting meal tickets will be accomplished in the following manner:

8.3.2.1. The contractor submits the original meal ticket(s), DD 652, attached to an invoice;

8.3.2.2. Payment will be made based on a SF 1034. Payment cannot exceed the number of meals nor the price set forth on each meal ticket. Each meal ticket is shown on the SF 1034;

8.3.2.3. Before payment is made, verify the meal ticket has a properly completed contractor's certification and ensure that it agrees with the certification made by the Service member who received the meal or the Service member in charge of the party;

8.3.2.4. Anyone who alters a meal ticket after it has been issued must initial and date the alteration and include their printed name and contact number;

8.3.2.5. Charge the appropriation and allotment cited on the meal ticket with the payment amount; and

8.3.2.6. These payments are due 30 days after they reach the designated billing office. Interest is due on late payments, as these transactions are subject to PPA.

9.0 CLAIMS BY TRANSPORTATION SERVICE PROVIDER (TSP)

9.1 Filing Claims

A TSP may file a claim for the following reasons (41 CFR 102-118.450):

9.1.1. Amounts considered to be owed to the TSP but were not included in the original billing;

9.1.2. Amounts that were deducted or offset by the payment office that are disputed by the TSP;

9.1.3. Amounts that were previously refunded by the TSP in error; or

9.1.4. Unpaid original bills requiring direct settlement by GSA, including those subject to doubt about the suitability of payment (mainly bankruptcy or fraud).

9.2 Claims Resolution /Appeals

If a claim is sent by a TSP to a payment office, they must make every reasonable and legal effort to resolve the dispute directly with the TSP.

9.2.1. If resolution is not possible by the original payment office, the claim must be forwarded to the GSA Transportation Audits Division.

9.2.2. Claims forwarded to the GSA Transportation Audits Division for resolution must arrive at GSA within 3 years (excluding time of war) after the later of the following dates (31 U.S.C. § 3726 and 41 CFR 102-118):

9.2.2.1. The date of receipt of the invoice by the payment office when the demand for payment is refused by the payment office;

9.2.2.2. The date of payment; or

9.2.2.3. The date of deduction on subsequent amounts paid (if the payment office offsets subsequent bills submitted by the TSP).

9.2.3. If the TSP does not agree with the decision of the GSA Transportation Audits Division, then the TSP may appeal to the ***Civilian Board of Contract Appeals*** or file a claim with the U.S. Court of Federal Claims**.**

9.2.4. Appeals of GSA Transportation Audits Division decisions to the Civilian Board of Contract Appeals must be made within 6 months (excluding time of war) of the date of the decision or within the periods of limitation specified in 31 U.S.C. § 3726, as amended, whichever is later. Refer to 41 CFR 102-118.580.

9.3 Certificate of Settlement

When the claim has been adjudicated by GSA, and it is determined the TSP is owed money, GSA will issue a "Certificate of Settlement" indicating the amount to be paid.

9.3.1. Once a decision is made, interest may accrue beginning 30 days from the date of settlement.

9.3.2. Similarly, if a TSP appeals the decision of an agency to the GSA Transportation Audits Division or to the Civilian Board of Contract Appeals, then interest penalties do not accrue until 30 days after a decision is rendered.

9.3.3. When a dispute arises between the agency and a TSP over an amount billed by the TSP (either in whole or part), the amount in dispute is not subject to interest penalties during the period of resolution, per 41 CFR 102-118.465.

10.0 DoD THIRD PARTY PAYMENT SYSTEM (TPPS)

10.1 Background

The DoD uses a TPPS for transportation payment processing of CONUS freight, HHG shipments, and NTS services. The TPPS collects shipment and financial data from both shippers

and carriers. Transportation transactions are entered into the TPPS electronically, and carriers are reimbursed for their services by a bank. A monthly TPPS summary invoice is forwarded electronically by the bank to the designated billing office for review and approval by an authorized certifying officer. The payment office will compute and pay interest based on payment terms specified in the TPPS contract.

10.2 Internal Control and System Access

All DoD Components utilizing the TPPS service must implement local internal controls to prevent, detect, and report unauthorized transactions as outlined in Chapter 1, Section 2.0. All managers will ensure adequate separation of duties and limit system access to only those individuals necessary to accomplish their assigned tasks. The policy cited in subparagraph 10.3.2 concerning annual reconciliations reinforces existing policy prescribed in the DTR, Part II, Chapter 212, and Part V, Appendix A, which identifies specific reviews and controls that must occur to ensure the timely and accurate processing of transportation bills. DoD Components and transportation offices must work closely with the DFAS to perform root cause analysis and develop both automated tools and business process solutions to improve the efficiency and effectiveness of the reconciliation process, including the use of Advanced Analytics if feasible. The infrastructure should also include performance metrics for Component accountability.

10.3 Certification, Reconciliation, and Payment Processing

Refer to the DTR 4500.9-R, Part II, Chapter 212 for additional detailed information and procedures concerning payment documentation requirements, correcting invalid LOAs and TACs, and the monthly summary invoice certification and payment process.

10.3.1. The certifying officer is responsible for reviewing and certifying the monthly invoices. As part of this review, they must ensure the invoices contain valid and adequate funding information, are accurate, correct, and permissible by law, and must identify any transactions that do not belong to their TPPS account. Certification criteria outlined in paragraph 3.6, the DTR 4500.9-R, Part II, Chapter 212, and Volume 5, Chapter 5 must be applied.

10.3.2. The certifying officer, in conjunction with the payment office, must reconcile the account activity section of each TPPS monthly summary invoice in a timely manner to identify any carrying balance discrepancies, resolve any past due amounts, and review and verify that all fees and adjustments cited on each invoice are correct. All transportation accounts must be reconciled and paid in full on an annual basis, by the end of the first quarter following the end of the fiscal year (FY). For example, all charges on a transportation account that occurred during FY 2021 are required to be reconciled and paid in full by the end of the first quarter, FY 2022. The certifying officer will communicate any reconciliation issues to the payment office in a timely manner, as appropriate.

10.3.3. The certifying officer is responsible for returning, and not certifying, invoices that do not contain valid and adequate funding information, or are not accurate, correct, or permissible by law.

10.3.4. In addition to assisting the certifying officers when necessary, the payment office must ensure that the TPPS monthly invoice is paid in a timely manner. Any late payments will be assessed the proper PPA interest penalty. All interest penalties paid will appear in the subsequent month's fees and adjustment section of the monthly summary invoice and must be reconciled with the total and interest payments previously made.

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 14: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 15: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 10, CHAPTER 16: "PAYMENT FOR POSTAL SERVICES AND SMALL PACKAGE DELIVERY COSTS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font***.

The previous version dated February 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions, and added source references throughout.	Revision
All	Removed references throughout to the DoD 4525.8-M "DoD Official Mail Manual" as it was canceled by DoD Instruction 4525.09, effective May 24, 2022.	Deletion

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CHAPTER 16

PAYMENT FOR POSTAL SERVICES AND SMALL PACKAGE DELIVERY COSTS

1.0 GENERAL

1.1 Purpose

This chapter provides DoD policy on processing payments to the U.S. Postal Service (USPS) for various types of postal services, to non-Government service providers, and for commercial small package delivery costs. Refer to Chapter 8 for additional information concerning general payment policies such as electronic invoicing requirements, prevalidation, the use of electronic and digital signatures, supporting documentation requirements, and the requirement for tax identification numbers. Volume 5, Chapter 5 provides policy concerning payment certification requirements.

1.2 Authoritative Guidance

1.2.1. ***Title 41, Code of Federal Regulations (CFR), Part 102-192*** prescribes policy for mail management in Federal agencies.

1.2.2. ***Title 39, CFR 501.15*** provides policy on the Computerized Meter Resetting System (CMRS).

1.2.3. The DoD Instruction ***(DoDI) 4525.09***, "Military Postal Service;" and DoD ***Directive 5101.11E***, "DoD Executive Agent for the Military Postal Service and Official Mail Program," contain policy for official DoD mail management.

2.0 PAYMENTS

2.1 Methods of Payment for Postage

2.1.1. ***Title 41, CFR, Subpart B, § 102-192.50*** establishes the following payment policy and methods for paying the USPS:

2.1.1.1. The U.S. Department of Treasury (Treasury) Intragovernmental Payment and Collection (IPAC) process associated with the Official Mail Accounting System (OMAS);

2.1.1.2. The USPS Centralized Account Processing System (***CAPS***) associated with commercial payments;

2.1.1.3. Another Treasury-approved means of paying the USPS; or

2.1.1.4. Treasury's G-Invoicing program for Intra-Governmental buy-sell transactions, as Components/USPS develop the systemic and processing capabilities (see the ***Treasury Financial Manual, Volume 1, Part 2, Chapter 4700, Appendix 8*** and the ***Fiscal Service*** for additional guidance).

2.1.2. Effective April 1, 2019, the USPS required the migration of eligible mail services and products from CAPS to their new Enterprise Payment System (EPS) (see ***USPS.com***). Products not currently supported by the EPS will continue to be supported through CAPS. See ***USPS PostalPro*** for additional information on supported products, as well as User Guides, Frequently Asked Questions, and fact sheets.

2.1.3. Payments made to service providers other than USPS must be made by Treasury payment methods, such as automated clearing house (ACH), electronic funds transfer (EFT), or another Treasury-approved means of paying the vendor.

2.2 Payment to Service Providers

Metered or permit-mail payments must be made using EFT transactions to commercial banks designated by the USPS as their financial agents. Payments for postage may not be held in postal vendor accounts unless the DoD Component has statutory authority to do so, or it has received prior written approval from Treasury.

3.0 INSTALLATION OFFICIAL MAIL MANAGERS (OMM)

3.1 OMM Appointment

The DoDI 4525.09 prescribes policy for installations, units, staff elements, and the DoD Components to appoint OMMs. Such appointment must be in writing, and the function is inherently Governmental. OMM appointments are reserved for commissioned, warrant, and noncommissioned officers (Enlisted-6 or higher), or DoD civilians (General Schedule-9 or higher). This requirement may be granted a waiver when the activity concerned has no personnel in the grades specified. Since the OMM function is inherently Governmental, those duties will not be contracted out.

3.2 OMM Responsibilities

Each installation has an OMM who is responsible for planning and coordinating outgoing postal and delivery purchases. The OMM must work closely with facility personnel to minimize postage requirements, and with managers to ensure that the person who makes the decision to send any significant number of pieces of mail is the same person who controls the funds for postage. OMMs are responsible for interpreting and carrying out the Private Express Statutes (***USPS Publication 542***) within their organization; acquisitioning use or disposition of supplies and property; budgeting for and the expenditure of appropriated funds for postage and fees; providing oversight for the monthly reconciliation of trust and debit accounts; and reporting requirements.

3.3 DoD OMM Reporting

The DoD OMM must provide an annual Mail Management Report to GSA when the Agency's collective total payments for mail service expenditures equal or exceed $1 million per fiscal year (***GSA Federal Management Regulation, Subchapter G, § 102-192.85***).

4.0 CENTRALIZED TRUST AND DEBIT ACCOUNTS

4.1 CAPS and Centralized Trust Accounts

DoD Components can establish a centralized trust account with the USPS by enrolling in CAPS. The CAPS is an electronic postage payment system designed to make payment for all classes of mail easier and more cost effective. The CAPS provides electronic alternatives to making manual transactions and will enable the OMM to charge postal services at multiple locations, eliminating the need for trust accounts at numerous post office locations. Electronic reports are available to CAPS users that provide the capability to consolidate reports by types of mailing transactions, account, and defined date ranges. Reports are available in printed form and are import-compatible with most electronic reporting systems. Commercial pre-paid postage procurement options are:

4.1.1. Centralized trust account. DoD Components deposit funds electronically via standard ACH banking mechanisms, or Fed Wire, to the CAPS bank prior to mailing. The CAPS account is then reduced automatically as local offices process postage statements.

4.1.2. Centralized debit account. DoD Components designate a debit-enabled bank account for postage charges. The bank debits the account for the total day's postage on the next bank business day.

4.1.3. Government Purchase Card. The GSA Smart Pay credit card may be used for all transactions for which the USPS accepts the card. Use the CAPS or CMRS trust account instead of a GSA Smart Pay card when there is a choice.

4.1.4. Advance Deposit Trust Accounts. Advance deposit trust accounts at local post offices may be used when one of the preceding methods are not available. The use of advance deposit trust accounts is not authorized at military post offices.

4.2 Availability of CAPS Accounts

The use of CAPS accounts is a local decision. CAPS accounts are not available at overseas military post offices. CAPS accounts are established to include customer meter advance deposits, business reply mail (BRM) advance deposits, and permit imprint advance deposits. A payment into a centralized trust or debit account is an advance deposit payment to the post office. The OMM must monitor and reconcile the established centralized trust or debit account to ensure receipt of services that were paid in advance. If the OMM establishes one or more centralized trust or debit accounts, then the OMM maintains a record of all transactions in each account and is responsible for each account balance.

4.3 Centralized Trust and Debit Account Payment Process

4.3.1. The OMM must request funds to set up or replenish each centralized trust or debit account by preparing and submitting a Standard Form ***(SF) 1034***, Public Voucher for Purchases and Services Other Than Personal. The OMM must ensure funds are available and approved by the designated approving official and a properly appointed certifying officer.

4.3.2. The OMM charges postal services against a trust or a debit account as required. Each time there is a charge to a centralized trust account or debit account, the USPS issues a receipt. The OMM verifies services received on the postal receipt and reduces the advance based on the amount shown on the receipts. The OMM must identify receipts to each trust or debit account.

4.3.3. One SF 1034 can establish or replenish more than one trust or debit account. The SF 1034 must identify the amount to be deposited into each particular centralized trust account or debit account. Once the designated finance and accounting office makes a deposit into an account, the OMM has limited authority from the USPS to transfer funds between trust or debit accounts. If a transfer between accounts is necessary, then the OMM must coordinate the transaction with the designated finance and accounting office and the USPS. The designated finance and accounting office must use an ***Optional Form 1017-G***, Journal Voucher, or equivalent to record the transfer between accounts.

4.3.4. The OMM must reconcile the trust accounts monthly with the USPS transactional documentation. The designated finance and accounting office confirms the balance in each centralized trust account or debit account monthly with the OMM. The OMM must provide documentation to support any unexplained difference and report those findings to the Comptroller of the designated finance and accounting office. Any unresolved discrepancy must receive a joint review by the OMM and the designated finance and accounting office. Service specific, or locally developed, automated or manual worksheets must be used to assist with the reconciliation process to provide a greater tracking capability of postal expenditures. All Official Mail and Distribution Centers must maintain this information. The OMM must submit a written letter to the USPS to correct account errors.

4.3.5. Advance payments for any centralized trust account or debit account are limited to the postal requirements of the current quarter. The designated finance and accounting office, and the OMM, must review balances versus the postal requirements on a monthly basis. When required, the OMM must adjust the balances by allowing the trust account or debit account to decrease with subsequent use, or by the OMM submitting a request (SF 1034) to designated finance and accounting office to deposit more funds to support the quarterly postal requirements.

4.3.6. There are cases where the USPS refunds cash for unused services in a trust or debit account. The OMM must provide a written request to the USPS to process the refund to the appropriate DoD Component account via IPAC or EFT. If the USPS cannot send the refund via IPAC or EFT, then the OMM must request a reimbursement by check from the USPS using a ***Postal Service (PS) Form 3533***, Application for Refund of Fees, Products and Withdrawal of Customer Accounts. Every copy of this form is uniquely barcoded and is no longer available online at the USPS website. The OMM must contact the local Post Office to secure a PS 3533 for each refund

transaction. The OMM will submit the USPS refund check to the designated disbursing office with a DoD ***Form 1131***, Cash Collection Voucher, for deposit as a collection.

5.0 POSTAL METERS

5.1 CMRS Agreements

DoD customers must enter into an agreement with the USPS for authorization to use postage evidencing systems (e.g., via electronic click-through or contract signature), in conjunction with executing a separate agreement with an authorized provider for rental, lease, or use of a postage evidencing system as prescribed by the ***Domestic Mail Manual, section 604.4.0***, "Postage Meters and PC Postage Products ("Postage Evidencing Systems")." The ***PS Form 3615***, Mailing Permit Application and Customer Profile, must be completed and submitted to the USPS if the DoD mailer will be using a postage evidencing system.

5.2 Commercial Meter Settings

In accordance with 39 CFR 501.15, the USPS accepts payment through ACH transfers, EFT, and check for resetting postal meters. For overseas check payments, the mail manager requests an EFT payment by submitting an SF 1034 with appropriate supporting documentation. The designated payment office must make the EFT payable to the USPS licensed vendor. The designated disbursing office releases the funds to the USPS Accounting Service Center, and upon validation and verification, the USPS forwards the funds to the licensed vendor. Upon receipt of the funds by the USPS Accounting Service Center, the postage meter vendor will reset the metering account over an analog line or internet secure line.

5.3 Refunds for Spoiled Meter Tapes

The OMM may receive refunds from the USPS for spoiled meter tapes, or other types of unused services previously paid. The USPS will issue a refund in the amount remaining in a customer's CMRS account, after the customer provides a written request to the provider. The refund request must meet the USPS approved minimum amount and time frame (39 CFR 501.15(h)). Subparagraph 4.3.6 contains the guidelines for requesting refunds.

5.4 Remote Meters

DoD Components can reset postal meters using a remote method. Title 39, CFR 501.15 provides the legal authority for using the CMRS and contains details about this payment process.

6.0 MISCELLANEOUS PAYMENTS

6.1 Official Business Envelopes

The Defense Logistics Agency (DLA) Document Services serves as the DoD single manager for printing services (***DoDI 5330.03***). All DoD Components must procure official business envelopes, and other document services, from DLA at the ***DLA Document Services*** link.

6.2 Postage Stamps

All DoD activities must use only prepaid postage. In instances where the environment will not support the electronic processes, the OMM that purchases postage stamps for official use from the local post office may use a Government purchase card. All working postal accounts advanced by the USPS must be audited at least once monthly by responsible commanders or their designated representatives, postal officers, and Military Post Office supervisors.

6.3 BRM

6.3.1. Specially printed postcards, envelopes, cartons, and labels may be mailed without postage prepayment. Postage and fees are collected when the mail is delivered back to the original sender. This domestic service enables authorized mailers to receive First-Class Mail, without prepaid postage, from customers by paying the postage and a fee upon return receipt of the mail pieces. The OMM obtains a new commercial BRM permit by submitting a PS 3615 to the local post office. The OMM uses a copy of the completed PS 3615 to support the SF 1034. Attach a postal receipt certified by the OMM to the SF 1034. For information on BRM, refer to the ***Domestic Mail Manual, section 505*** .

6.3.2. A permit holder may choose to pay an annual account maintenance fee and establish an advance deposit account, which qualifies returned BRM pieces for the high-volume per piece charge. The account maintenance fee must be paid once each 12-month period at each post office where a permit holder holds an advance deposit account and only during the last 60 days of the current 12-month period. Refer to the Domestic Mail Manual, section 505.1.1.9 for the conditions in which an advance deposit account can be used.

6.4 Postage Due Costs

6.4.1. Under normal circumstances, postage due mail is not accepted by DoD mail rooms. Postage due mail is returned to the sender at the sender's expense.

6.4.2. An exceptional circumstance is when DoD Components are engaged in a hostile environment or operating under arduous conditions. Those units can send official matter through the USPS when postage is not available. The addressee will not refuse the postage due penalty mail received from military units engaged in hostile operations, and is obligated to pay the cost of postage.

6.4.3. Government agencies using penalty mail must pay postage due through an OMAS postage due account. Government agencies may no longer use penalty meter strips, or penalty mail stamps to pay postage due (***Domestic Mail Manual, section 604, paragraph 6.3***).

6.5 Address Correction Costs

Costs for address correction in CAPS is an ancillary service and must be paid by EFT. Supporting documentation must accompany each payment request for processing.

6.6 Express Mail

Payment for express mail is made with stamps, metered postage, or through an express mail corporate account. This account is similar to a trust account officially authorized by the OMM. Payments into an express mail account are advances to the USPS, and these deposits are controlled similarly to trust account payments; refer to section 4.0. The OMM submits ***PS Form 5639***, USPSCA Application and Payment Authorization Form, to establish the account. The USPS provides the OMM with a statement each month. The OMM must reconcile this account with the USPS at least once a month. The designated finance and accounting office confirms the balance in the account with the OMM monthly.

7.0 SMALL PACKAGE DELIVERY COSTS

7.1 Commercial Service

DoD Components may elect to use commercial bills of lading or commercial procedures, and payment practices to the maximum extent possible (***41 CFR 102-118.130***), rather than Government Bills of Lading, to procure express transportation services for small package shipments weighing up to 150 pounds.

7.2 Terms and Conditions

Commercial shipments are subject to the terms and conditions set forth in 41 CFR 102-118, and any other applicable contract or agreement of the carrier for the transportation of shipments for the United States. Freight loss and damage claims against commercial carriers using these procedures are processed according to 41 CFR 102-118.450 through 41 CFR 102-118.540.

7.3 Method of Payment

The approved method for billing and payment of commercial small package express shipments is the authorized electronic processes used by DoD for transportation. In instances where the environment will not support the electronic processes, or business reasons preclude the use of these processes, a waiver may be requested from the Office of the Secretary of Defense (Transportation Policy) in accordance with the ***Defense Transportation Regulation, Chapter 212, section C.3***. Waiver requests must contain detailed justification as to why electronic means cannot be used, and a proposed future date when the electronic requirement will be met.

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 17: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 18: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 10, CHAPTER 19: "PAYMENT PROVISIONS FOR GRANTS AND OTHER INSTRUMENTS OF ASSISTANCE"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated November 2020 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative guidance.	Revision

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CHAPTER 19

PAYMENT PROVISIONS FOR GRANTS AND OTHER INSTRUMENTS OF ASSISTANCE

1.0 GENERAL

1.1 Purpose

This chapter provides policy for the proper administration and payment of funds under DoD grants, cooperative agreements, and other instruments of assistance. Policy is also included for cash management, financial reporting, and debt collection associated with these instruments. Refer to Volume 3, Chapter 8 for policy when recording obligation of funds for grants or agreements and Volume 12, Chapter 5 for accounting policy concerning these instruments.

1.2 Authoritative Guidance

1.2.1. ***Title 31, United States Code (U.S.C.), Chapter 63*** provides criteria for agencies to use in determining when a grant or cooperative agreement is the appropriate legal instrument between the U.S. Government and a state, local government, or other recipient.

1.2.2. ***Title 32, Code of Federal Regulations (CFR), Part 22*** outlines grants officers' and DoD Components' responsibilities related to the award and administration of grants and cooperative agreements.

1.2.3. ***Title 2, CFR, Subtitle A and Subtitle B*** prescribe Office of Management and Budget (OMB) guidance and Federal agency regulations for grants and agreements.

1.2.4. ***DoD Directive 3210.06***, "Defense Grant and Agreement Regulatory System (DGARS)," assigns the Assistant Secretary of Defense for Research and Engineering the responsibility for developing and implementing DGARS policies and procedures through the issuance of the DoD Grant and Agreement Regulations (DoDGARs). The DoDGARs is codified at ***2 CFR, Subtitle B, Chapter XI*** and ***32 CFR, Subchapter C, Parts 21-37*** and, as necessary, DoD instructions and other issuances.

2.0 SUBMISSION AND PAYMENT RESPONSIBILITY

2.1 Administering Office

2.1.1. The office that issues the grant or cooperative agreement (grants officer) distributes a copy of the award to the office designated to administer the instrument of assistance, and will also promptly distribute award documents, modifications, and electronic funds transfer (EFT) information to the designated payment office (***32 CFR 22.605***). If the DoD awarding office is using a grant payment system in which the awarding office must enter the relevant details of the award into the payment system (e.g., Automated Standard Application for Payments), then this distribution is not required.

2.1.2. The award recipient will certify and forward payment requests for the performance period to the administering grants office or required payment request system. The responsibilities of the administering grants office related to payment requests are specified in ***32 CFR 22.810***. When the DoD awarding office is not using a grant payment system as described in 2.1.1., payment requests are required to be submitted and authorized in accordance with section 22.810 and the administering grants office must review and certify that the payment request or electronic equivalent is legal, proper, and correct (Volume 5, Chapter 5). The administering grants office also ensures the request for payment complies with the award terms and the recipient will not have excess cash on hand, based on expenditure patterns.

2.1.3. See ***www.grants.gov*** for additional information and guidance on managing and administering grants.

2.2 Designated Payment Office

The award must designate the specific payment office that will make payment (typically the Defense Finance and Accounting Service (DFAS)). The payment office must verify the propriety, adequacy, and completeness of any required documentation to substantiate amounts to be paid by the DoD. The payment office must retain all hardcopy award documentation, or have access to electronic award documentation, supporting the payment file.

2.3 Electronic Payment Process

Electronic commerce is the preferred method to submit and process payment requests in accordance with 32 CFR 22.810(b)(3). Payment by EFT is a requirement of 32 CFR 22.810(b)(2) and ***31 CFR 208.3***. ***Title 2, CFR, Part 25*** requires the recipient to maintain current information about itself in the System for Award Management (***SAM***). The SAM is the primary Government repository for prospective Federal awardees and Federal awardee information and is the centralized Government system to support certain contracting, grants, and other assistance-related processes.

3.0 INTERNAL CONTROLS

3.1 Internal Controls - Grant Awards

OMB Circular A-123, "Management's Responsibility for Enterprise Risk Management and Internal Control," states that statutory requirements should be considered as part of the agency's internal control framework that includes the Single Audit Act (***31 U.S.C. §§ 7501-7507***). Title 32 CFR, Part 22, subpart H provides post-award administration responsibilities between the grants office and the designated payment office regarding specific requirements for timely and accurate handling of financial transactions for grants and cooperative agreements (payments and debt collection). The agency head must establish controls that ensure obligations and costs comply with applicable laws. Safeguards must be in place to ensure DoD's grants comply with the purpose awarded, are adequate to pay the request, and are expended within the constraints reflected in the grant. The Single Audit process, and an agency's procedures for resolving audit findings related to those audits, are controls that assist in assuring achievement of these objectives.

3.2 Audits

Refer to ***2 CFR, Part 200, Subpart F, 200.501*** for single audit threshold requirements. The Single Audit Act requires financial statement audits of non-Federal entities that receive or administer grant awards of Federal funds. These audits also include testing the effectiveness of internal controls and determining whether the recipients' Federal expenditures comply with laws and regulations. Each DoD agency that provides Federal awards will review the audits of the recipients to determine whether corrective actions require implementation with respect to audit findings and perform follow up procedures to ensure that the corrective actions are implemented (***2 CFR, Part 200, Subpart F, 200.513(c)(3)*** and ***2 CFR, Part 200, Subpart F, 200.514(e)***).

3.2.1. For additional information, see the Single Audit Act information prescribed in DoD Instruction ***(DoDI) 7600.10***, "Follow-Up and Oversight on Single Audits." The DoDI 7600.10 establishes DoD policy for the implementation of single audit requirements in 2 CFR 200, subpart F, which was issued pursuant to 31 U.S.C.§ 7501-7507. The DoD Inspector General provides audit policy guidance and direction to the DoD Components and other Federal agencies on single audit matters related to states, local governments, Indian tribes, institutions of higher education, and non-profit organizations.

3.2.2. The DoD will rely on and use single audits. Independent auditors will conduct audits in the oversight of Federal awards provided to states, local governments, Indian tribes, institutions of higher education, and non-profit organizations. The Department may request additional audits of such Federal awards when required by regulation or as needed to ensure effective use of such Federal awards. Any additional audit effort will be planned and implemented to avoid duplication and must be separately funded.

4.0 PAYMENT REQUEST

4.1 Types of Payment Requests

The OMB guidance in ***2 CFR 200.305(b)(1)*** states that, provided certain standards are met, recipients must be paid in advance. Reimbursement is the method of payment to be used when the standards for advance payments cannot be met or when the grants officer includes specific conditions in the award terms and conditions that require its use (2 CFR 200.305(b)(3)).

4.2 Payment Request Forms

Except as noted, the following forms are authorized for use by the recipients in requesting advances and reimbursements from the grants office.

4.2.1. For non-construction programs with states, local governments, institutions of higher education, and other non-profit organizations, requests for advance payments or reimbursements may be made on ***Standard Form (SF) 270***, Request for Advance or Reimbursement, or electronic equivalent, or other prescribed forms or formats as necessary (32 CFR, Subtitle A, Chapter 1, Subchapter C, Part 34, ***Subpart B, 34.12(d)***). A DoD Component must also obtain approval for any variation from OMB-approved forms or formats, including the use of

additional or electronic data elements, or modification of the associated instructions for recipient entities submitting the information.

4.2.2. For construction programs, each Federal awarding agency will use the ***SF 271***, Outlay Report and Request for Reimbursement for Construction Programs, as the standard form, or electronic equivalent (***41 CFR, Subpart 105-72.302(m)(2)***. The DoD may use the SF 270 in lieu of the SF 271 when the DoD-awarding agency determines that it provides adequate information to meet Federal needs.

4.3 Commercial Recipients

For payments to commercial recipients, the grants office may authorize recipients to use SF 270 or SF 271, or prescribe other forms or formats as necessary (32 CFR 34.12(d)).

4.4 Accounting for Award Payments

Refer to Volume 12, Chapter 5 for information concerning accounting for advance payments made to the award recipients and accounting for the expenditure until the recipient has performed under the award. Payments to award recipients as reimbursements for work performed, or costs incurred, must be accounted for as expenditures and as expenses incurred, or as reductions of liabilities if the expenses were previously accrued. ***Title 2 CFR, Part 200, Subpart E, 200.400(d)*** requires the recipient to maintain adequate documentation to support the accumulation of costs charged to the Federal award. The recipient is not required to provide documentation for accumulated cost when submitting payment requests to the grants office, unless otherwise specified in a form or format approved by OMB in accordance with the Paperwork Reduction Act (***44 U.S.C. § 3501***).

4.5 Payment Submission Timelines

When payment requests must be authorized by the administrative grants office in accordance with 32 CFR 22.810, the administrative grants office will review each payment request to ensure the request complies with award terms, available funds are adequate to pay the request, and the recipient will not have excess cash on hand based on expenditure patterns. In these circumstances, to ensure timely payments, the administrative grants office must certify and forward the request to the designated payment office at least 3 working days before the end of the following specified periods:

4.5.1. No more than 7 calendar days after receipt of the recipient's request at the administering office whenever electronic commerce is used, e.g., Electronic Data Interchange to request the payment and EFT to make the payment;

4.5.2. No more than 30 calendar days after receipt of the recipient's request at the administering office when it is not possible to use electronic commerce; and

4.5.3. No more than 7 calendar days after each date specified by the award when payments are authorized in advance, on a predetermined payment schedule, provided the payment schedule

was received in the designated payment office at least 30 calendar days in advance of the date of the scheduled payment.

4.6 Prompt Payment Interest Penalties

In accordance with ***5 CFR 1315.15***, prompt payment interest penalties do not apply to Federal grants and cooperative agreements.

4.7 Cash Management Policy

The ***Cash Management Improvement Act***, implemented by ***31 CFR, Part 205*** and ***31 CFR, Part 206***, sets rules, including interest liabilities and procedures, concerning the transfer of funds for Federal financial assistance programs between Federal agencies and the states.

5.0 DEBT COLLECTION FOR GRANTS AND COOPERATIVE AGREEMENTS

5.1 Collection Policy

Any funds paid to the recipient in excess of the amount to which the recipient is entitled constitutes a debt to the DoD. Grants officers are responsible for post-award administration of grants and cooperative agreements in accordance with the DoDGARs. Primary responsibility for collecting debt resulting from a grant or cooperative agreement rests initially with the grants office (see ***32 CFR 22.820*** for additional detailed policy). DoD awarding offices should use the Debt Collection Office (DCO) of the designated payment office as the primary debt collection option. If DFAS is not the designated payment office, DoD awarding offices may utilize the Debt Management Office of DFAS for further debt collection and administrative offset opportunities, after first utilizing the DCO. Refer to Volume 16, Chapters 1, 2, and 5 for additional detailed policy.

5.1.1. The grants officer will attempt to resolve, by mutual agreement, any claim of a recipient's indebtedness. In the absence of such mutual agreement, any claim of a recipient's indebtedness will be the subject of a grants officer decision, in accordance with ***32 CFR 22.815(b)(2)***. The grants officer will prepare and transmit to the recipient a written notice providing all relevant data supporting the debt determination (32 CFR 22.820). The notice will inform the recipient that within 30 calendar days of the grants officer's decision, the recipient must either pay the amount owed, in accordance with instructions in the notice, or inform the grants officer of the recipient's intention to appeal the decision.

5.1.2. If the recipient has neither paid the amount due, nor provided notice of intent to file an appeal, within 30 days of the grants officer’s decision, the grants officer will send a demand letter to the recipient, with a copy to the DCO (see Volume 16, Chapter 2 for general policy requirements of debt letter notifications).

5.1.3. The DCO of the designated payment office will be responsible for any further debt collection activity, including any additional issuance of demand letters (32 CFR 22.820). The

DCO will follow collection policy in Volume 16, Chapter 5 unless the DoDGARs, or the applicable grant or cooperative agreement, explicitly prescribes a different procedure.

5.1.4. Grants offices will obtain each grant recipient's Taxpayer Identification Number (TIN) via the SAM for the purpose of collecting and reporting delinquent debts.

5.2 Offset Policy

In accordance with the provisions of ***OMB Circular A-129***, "Policies for Federal Credit Programs and Non-Tax Receivables," the collection of delinquent debts owed by the recipient may require the use of administrative offsets. When taking an administrative offset, the DCO will follow the due process as provided in ***31 CFR 901.2***, Demand for Payment, and ***31 CFR 901.3***, Collection by Administrative Offset (also see Volume 16, Chapter 2 and 5 for additional policy concerning offsets). Use of administrative offset is not required in every instance in which there may be an available source of funds. Either the payment office or the accounting office will make a determination on a case-by-case basis, in conjunction with the grants officer responsible for the award against which the offset will be applied. In accordance with 32 CFR 22.820(e), the following examples are when an offset will not be taken.

5.2.1. Recovery of debt by an administrative offset will not be performed when the grants officer determines that the offset will substantially interfere with, or defeat the purpose of, the program for which the offset is contemplated.

5.2.2. Generally, grants and cooperative agreements paid in advance are not subject to offset. If deemed to be in the best interest of the Government, then the payment office may request the issuing grants officer to convert the agreement to a reimbursable method of payment that would enable the use of an administrative offset.

5.3 Collection Office

The office responsible for collecting the debt will apply interest, penalty, and administrative charges to delinquent debts according to policy in Volume 16, Chapter 7.

5.4 Uncollectible Debts

Volume 4, Chapter 3 and Volume 16, Chapters 2, 5, and 7 prescribe policy for writing off debts that are determined uncollectible.

VOLUME 10, CHAPTER 20: "CONTRACT RECONCILIATION"

SUMMARY OF MAJOR CHANGES

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CHAPTER 20

CONTRACT RECONCILIATION

1.0 GENERAL

1.1 Purpose

This chapter prescribes DoD policy for Mechanization of Contract Administration Services (MOCAS) and Non-MOCAS contract reconciliations, and the requirements necessary to maintain complete, consistent, and accurate data for contract files and related entitlement and accounting records. It defines the DoD Components' roles and responsibilities for efficiently identifying differences, conducting research, performing reconciliations, approving recommended adjustments, processing corrections, and maintaining appropriate supporting records.

1.2 Authoritative Guidance

The maintenance of complete and accurate contract files and related entitlement and accounting records is necessary to reduce the potential for ***Anti-Deficiency Act (ADA)*** violations, minimize the amount of negative unliquidated obligations (NULOs), and minimize the number and dollar value of unmatched disbursements (UMDs). Paying office contract files will include the information specified in the ***Federal Acquisition Regulation (FAR) paragraph 4.803(c)***. The use of accounting classification reference numbers (ACRN) and contract line items is described in the Defense Federal Acquisition Regulation Supplement ***(DFARS) 204.7101***, ***DFARS 204.7103-1***, and ***DFARS 204.7107***. The streamlined closeout of contract files is described in ***DFARS 204.804*** and section 5.0. Disbursements will be authorized, classified, processed, and promptly posted and reported, as discussed in Volume 5, Chapter 9.

2.0 RESPONSIBILITIES

2.1 Responsible Contract Reconciliation Agent (RCRA)

RCRAs manage the daily operations of contract reconciliation and are responsible for the completion of contract reconciliations. The RCRA is responsible for reviewing the reconciliation request, determining the appropriate level of effort, setting the priority, coordinating assistance, accepting or rejecting reconciliation results, approving adjustments, and ensuring that refunds or demands for payment are initiated. Instructions and guidance on the RCRA's role in contract reconciliation are contained in the User Manual for the Standard Contract Reconciliation Tool (***SCRT***).

2.2 Director, Defense Finance and Accounting Service (DFAS)

The Director, DFAS, is the principal DoD executive for the finance and accounting requirements and procedures as prescribed by ***DoD Directive 5118.05***. The Director, DFAS has the following responsibilities:

2.2.1. Assist with providing specific instructions and computer-based tools necessary to identify, analyze, reconcile, track, and correct differences between written contracts, entitlement, disbursement, and related accounting systems. The instructions will include criteria for determining the nature and scope of required analyses;

2.2.2. Provide entitlement and accounting system information to individuals participating in negotiating settlements;

2.2.3. Train and maintain a core group of individuals who meet the qualification requirements to perform responsibilities prescribed by the SCRT manual (to include RCRAs, reconcilers, and assistants);

2.2.4. Designate qualified DFAS personnel to be trained as part of the core group, and assign RCRA personnel to oversee and perform contract reconciliations; and

2.2.5. Ensure that the Systems Support Office-DFAS Columbus will provide support to the RCRAs and maintain the SCRT, which is a DoD-wide database that contains a listing of RCRAs, core group members, and contracts being reconciled. SCRT users will receive support from the help desk at disa.global.servicedesk.mbx.application-ticket-request@mail.mil.

2.3 Enterprise Resource Planning (ERP) Systems

Heads of DoD Components utilizing ERP systems will assume responsibilities to provide data for the support and coordination of contract reconciliation functions performed under the direction of DFAS. The roles and responsibilities of DFAS and the ERP Components may change as the interfaces between SCRT and the ERPs are developed.

2.4 Reconciliation Partners

All RCRA reconciliation partners (procurement contracting officers (PCOs), administrative contracting officers (ACOs), resource managers, and program managers) will perform their respective or combined duties as they relate to the following:

2.4.1. Participating in contract reviews and reconciliations, and assist in the identification and resolution of differences between written contracts and entitlement, disbursement, and accounting systems;

2.4.2. Comparing the ACRNs of the contract with data in the entitlement and accounting systems. When discrepancies occur, the appropriate entitlement and accounting office will be notified of any significant difference(s), and the appropriate office will provide required supporting documentation;

2.4.3. Responding in a timely manner to reasonable requests for action, information, and/or documentation on a contract or modification;

2.4.4. Modifying the contract to correct any disclosed discrepancies in accordance with ***FAR 43***; and

2.4.5. Designating personnel to be trained as part of the core group of individuals from the DoD Components who oversee and perform contract reconciliations.

3.0 CONTRACT RECONCILIATION

3.1 Reconciliation Referrals

Normally, at the end of the contract, the total payments made to the contractor should match the total of funds obligated on the contract. Cost underruns, payment errors, unearned incentives, or withheld fees may be some of the causes that can result in unliquidated obligations at the completion of the contract. When remaining or excess fund balances exist that cannot be explained, reconciliation may be required to compare all source documents with the entitlement and accounting systems. MOCAS contracts will be forwarded to DFAS Columbus to perform reconciliations. Non-MOCAS contract reconciliations will be performed by the designated entitlement office administering payments for those contracts. See the SCRT manual for reconciliation request guidance.

3.2 Discrepancy Identification

When a discrepancy between contract payments and accounting records is identified, a preliminary contract review must be performed by the appropriate RCRA, or designated entitlement office, to determine what corrective action is needed. Recommended adjustments will be reviewed and approved by qualified personnel before distribution to the appropriate location(s) for processing. Approved adjustments must be posted in a timely manner. Reconciled records will be identified by registration in the SCRT. Any subsequent adjustment of reconciled records will be based on a reconciliation registration as prescribed in paragraph 3.5. All actions of contract reconciliation will support the timely completion of funds review, deobligation of excess funds, and contract closeout procedures found in ***FAR 4.804***. The related requirements for researching and correcting NULOs, UMDs, disbursements in suspense accounts, and disbursements in-transit are covered in Volume 3, Chapter 11.

3.3 Conditions for Contract Reconciliation

The following circumstances may indicate discrepant conditions that require preliminary contract review or contract reconciliation:

3.3.1. Incomplete contract, payment, or accounting information;

3.3.2. Insufficient funds;

3.3.3. Un-recouped progress payment balances at or near contract completion;

3.3.4. Possible overpayments;

3.3.5. UMDs; and

3.3.6. NULOs.

3.4 Prioritization Concerns

DoD Components will prioritize the analyses of discrepant conditions in view of applicable time limitations and other circumstances. High priority conditions include those that involve congressional or senior DoD management interest, potential ADA violations, prevalidation problems, insufficient funds for payment, suspected or identified overpayments, transactions with the highest dollar value, and cancelling/closing-year appropriations.

3.5 Registration in the SCRT

Each contract nominated for reconciliation must be registered in the SCRT database of contracts being reconciled. By registering a formal reconciliation request into the DoD contract reconciliation system, the opportunity for duplicated efforts by other DoD Components is greatly reduced or eliminated. Resources, procedural guidance, forms, and other reconciliation tools used to obtain vital information for the contract reconciliation registration process can be obtained from DFAS Columbus Accounts Payable – MOCAS, Reconciliation Division at dfas.dscc.jai.mbx.recon-maillog@mail.mil. For more information on reconciliation tools used in the contract reconciliation process, refer to section 4.0.

3.6 Required Actions

The individual assigned to perform contract reconciliation, whether a Government employee or contractor, will compare databases, research differences, identify root cause(s), and recommend adjustment(s) needed to correct differences between contract, entitlement, and accounting records. Differences among systems will be researched to determine whether errors exist, where they exist, and the extent of such errors, as well as the required corrective actions. Every effort should be made to complete contract reconciliations within 90 days after initiation.

3.6.1. Contract reconciliations should include, as applicable, a review and analysis of:

3.6.1.1. The basic contract, including any modifications, and all obligation actions in all systems;

3.6.1.2. Payment vouchers;

3.6.1.3. Contract payment system records;

3.6.1.4. Official accounting system(s) records for all funds on the contract; and

3.6.1.5. Adjustments, including any collection actions or expenditure transactions, to the contract payment and accounting system(s) records that have been processed.

3.6.2. Differences that require adjustment generally are identified as:

3.6.2.1. Contractual documents that require correction by the ACO or PCO; and

3.6.2.2. Obligation posting documents (omissions or corrections) that require initiation or correction by the responsible funds holder or responsible accounting office.

3.6.3. If the accounting system records require correction, and the entitlement records are correct, then a correction (internal adjustment) is required for the accounting system records to balance with the corresponding entitlement system.

3.6.4. If entitlement office payment system records require a correction, and the accounting system records are correct, then a correction (internal adjustment) is required for the entitlement office payment records to balance with the corresponding accounting system.

3.6.5. If identical correcting adjustments are required by both the entitlement office payment system records and the accounting system records, then corrections (external adjustments) are required to be processed by the responsible entitlement office, and they must flow to the corresponding accounting system.

3.7 Documentation and Review

Documents accumulated during a contract reconciliation must be retained, made available for, and be subject to, internal review and audit.

3.7.1. The DoD Component responsible for the review and acceptance of the recommended adjustments must retain adequate documentation to support any adjustment that is processed. Each completed adjustment file will include the preparer's identity, approval, and confirmation of the posting of the adjustment.

3.7.2. The retention of adjustment files by the DoD Component will be in accordance with the financial record retention requirements in Volume 1, Chapter 9. Foreign Military Sales retention requirements are in Volume 15, Chapter 6.

3.8 Internal Controls

Internal Controls will be incorporated into the operations of all stakeholders to maintain complete, consistent, and accurate data for contract files and related entitlement and accounting records throughout the life of the contract, as discussed in Chapter 1.

4.0 RECONCILIATION TOOL

The SCRT is a DoD-wide registration database and reconciliation tool. In cases where SCRT is not interfaced with an accounting system, other existing tools may be used to identify discrepant conditions and aid in their resolution. Further details on SCRT capabilities and instructions for system access and use can be found in the comprehensive DFAS guide, User Manual for the SCRT.

5.0 STREAMLINED CONTRACT CLOSEOUT

5.1 Criteria

In accordance with the Fiscal Year (FY) 2017 National Defense Authorization Act (NDAA) and with DFARS 204.804(3)(i), as modified by Section 820 of the FY 2021 NDAA, contracting officers may close out contracts, or groups of contracts, through issuance of one or more modifications to such contracts without completing a reconciliation audit or other corrective action in accordance with FAR 4.804-5, as appropriate, if each contract:

5.1.1. Was entered into on a date that is at least 7 FYs before the current FY;

5.1.2. With respect to a contract or group of contracts for military construction or shipbuilding was entered into at least 10 fiscal years before the current fiscal year;

5.1.3. Has been completed at least 4 years before the current fiscal year, in terms of performance or delivery; and

5.1.4. Has been determined by a contracting official, at least one level above the contracting officer, to be not otherwise reconcilable, because:

5.1.4.1. The contract or related payment records have been destroyed or lost; or

5.1.4.2. Although contract or related payment records are available, the time or effort required to establish the exact amount owed to the U.S. Government, or amount owed to the contractor, is disproportionate to the amount at issue.

5.2 Identification and Documentation

Agencies and DoD Components must partner closely to identify potential contracts for closeout under the NDAA legislative authority and must maintain a documented record of all contracts closed under the authority. The Deputy Chief Financial Officer policy memorandum, "National Defense Authorization Act Contract Closeout Authority (FPM 19-06)," dated May 14, 2019, contains critical procedural implementation guidance and can be accessed on the Office of the Deputy Chief Financial Officer/Financial Management Policy and Reporting website under ***Dual Purpose Policy Memos*** & Other Information (Common Access Card-enabled).

5.3 Remaining Balances – Same Contract

Modifications issued under this authority may offset remaining contract balances with balances in other contract line items within the same contract, regardless of the year or type of appropriation obligated to fund each contract line item and regardless of whether the appropriation obligated to fund such contract line item has closed/canceled.

5.4 Remaining Balances – Other Contracts

Modifications issued under this authority may offset remaining contract balances with balances on other contracts meeting the legislative criteria, regardless of the year or type of appropriations obligated to fund each contract and regardless of whether such appropriations have closed/canceled.

5.5 Adjust and Close

After closeout of any contract by the issuance of a negotiated settlement modification, the payment or accounting offices concerned must adjust and close any open finance and accounting records related to the contract(s).

5.6 Liability

As prescribed by Section 836 of the FY 2017 NDAA, no liability will attach to any accounting, certifying, or payment official, or any contracting officer, for any adjustments or closeouts made pursuant to the authority under the DFARS 204.804.

VOLUME 10, CHAPTER 21: "JUNIOR RESERVE OFFICER TRAINING CORPS (JROTC) INSTRUCTOR PAY"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated November 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
1.3	Added guidance for Junior Reserve Officers Training Corp Instructor Pay memorandum, dated March 25, 2024.	Addition
2.2	Removed obsolete guidance.	Deletion
2.5	Removed obsolete guidance.	Deletion
2.8	Clarified guidance regarding Cost-of-Living Allowances.	Revision
3.2	Removed obsolete form.	Deletion
4.1	Clarified guidance regarding military service reimbursement.	Revision
8.2	Clarified guidance regarding instructor transfers.	Revision

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CHAPTER 21

JUNIOR RESERVE OFFICER TRAINING CORPS (JROTC) INSTRUCTOR PAY

1.0 GENERAL

1.1 Overview

This chapter prescribes the financial management policies applicable to the reimbursement of the DoD portion of JROTC Instructor Pay worldwide to public and private secondary educational institutions and DoD Education Activity (DoDEA).

1.2 Purpose

This chapter applies to all Military Services. The term "Military Services" refers to the Army, Navy, Air Force, Marine Corps, and Space Force.

*1.3 Authoritative Guidance

DoD Instruction 1205.13, JROTC Program, Title 10, United States Code ***(U.S.C.), section 2031***, and Deputy Secretary of Defense ***JROTC Instructor Pay Memorandum*** provide policy and guidance regarding the JROTC program. The JROTC Instructor Pay Memorandum establishes the JROTC Standardized Instructor Pay Scale (JSIPS) for new JROTC instructors and related changes to the reimbursement of host schools, in accordance with section 553 the National Defense Authorization Act for Fiscal Year 2024 (Public Law 118-31). Prior pay formulas and reimbursement requirements are set forth in prior versions of this chapter.

2.0 DEFINITIONS

2.1 Academic Year

An academic year is the period of time necessary to complete one JROTC course, normally consisting of not less than 7,200 minutes of instruction.

2.2 DoD Dependent Schools (DoDDS)

DoDDS are a network of schools, both primary and secondary, that serve dependents of the U.S. military and dependents of U.S. Government employees. The schools themselves are operated by the DoDEA.

2.3 Domestic Dependent Elementary and Secondary Schools (DDESS)

A DDESS special arrangement is an agreement between the Secretary of Defense, or designee, and a local public education agency whereby a school or a school system operated by the local public education agency provides educational services to eligible dependent children of

U.S. military personnel and federally employed civilian personnel. Arrangements result in partial or total federal funding for the local public education agency for the educational services provided.

2.4 Instructor Management Division (IMD)

The IMD is the office within a Military Service responsible for certifying instructors.

2.5 JROTC Instructor Reimbursement Office (JIRO)

The JIRO is the office within a Military Service responsible for maintaining instructor accounts for reimbursement to a school or school district.

2.6 JROTC Unit

A JROTC unit is an organized group of JROTC students and faculty members at one secondary school.

2.7 Minimum Instructor Pay (MIP)

The MIP is the minimum salary that a school or school system hosting a JROTC unit is required to pay an instructor for instructor duties in direct support of the JROTC program. MIP is calculated using the JSIPS pay scale set forth in the JROTC instructor pay memorandum which should be referenced for additional certification actions for hiring school districts. A JROTC instructor already employed under 10 U.S.C. § 2031 on the date of enactment of JSIPS shall not be subject to a reduction in total compensation due to its enactment.

*2.8 Cost-Of-Living-Allowances (COLAs)

2.8.1. The U.S. Government pays COLAs to white-collar civilian Federal employees in Alaska, Hawaii, Guam and the Northern Mariana Islands, Puerto Rico, and the U.S. Virgin Islands. Title 5, U.S.C ***Section 5941*** and ***Executive Order 10000*** (as amended) authorize the payment of COLAs in nonforeign areas. JSIPS employees in these particular nonforeign areas, as defined by Office of Personnel Management, are entitled to COLAs.

2.8.2. The ***Nonforeign Area Retirement Equity Assurance Act***, as contained in subtitle B (sections 1911-1919) of title XIX of the National Defense Authorization Act for Fiscal Year 2010 (Public Law 111-84, October 28, 2009), transitions the nonforeign area COLAs authorized under 5 U.S.C. § 5941(a)(1) to locality pay authorized under ***5 U.S.C. § 5304*** in the nonforeign areas as listed in ***5 Code of Federal Regulations 591.205***. The Act also extends locality pay to American Samoa and other nonforeign territories and possessions of the United States where no COLA rate applies.

3.0 PRESCRIBED FORMS

3.1 DoD (DD) Form 2767

Paragraphs 7.2, 8.1, and 8.2 discuss the use of ***DD 2767***, JROTC Instructor Annual Certification of Pay and Data Form.

3.2 Standard Form (SF) 1080

Paragraph 5.3 discusses the use of ***SF 1080***, Voucher for Transfers between Appropriations and/or Funds.

4.0 REIMBURSEMENT RESPONSIBILITIES

*4.1 General

JROTC instructors are paid by the host school, with the sponsoring Military Service reimbursing the school 50 percent of the MIP. JSIPS sets the MIP, as noted in paragraph 2.7, that the Military Services use to reimburse the host school.

4.2 Discretionary Additional Payments

The Secretary of the Military Department concerned (or designee), may pay additional instructor funds to a school when funds are available and the Military Department determines, following periodic reviews, that:

4.2.1. The school is in an educationally and economically deprived area; and

4.2.2. Such action is in the national interest

5.0 REIMBURSEMENT REQUIREMENTS AND PROCESS

5.1 Requirements for Authorizing Reimbursement

The JIRO authorizes reimbursement to the schools only for those instructors:

5.1.1. Who are certified as qualified instructors by the cognizant Military Service;

5.1.2. For whom funding has been authorized by the Military Service; and

5.1.3. Who are filling positions authorized by the Military Service.

5.2 JROTC Units in DoDDS and DDESS Schools

5.2.1. DoDDS JROTC instructors will be employed under provisions of ***20 U.S.C. §§ 901-907***.

5.2.2. DDESS JROTC instructors will be employed under provisions of ***10 U.S.C. § 2164***.

5.3 School Reimbursement Process

5.3.1. The amount of the reimbursement to the school generally is equal to 50 percent of an instructor's MIP. The Secretary of the Military Department concerned may pay to the school more than 50 percent of the amount paid to the member by the school if the specific criteria of needs in paragraph 4.2 are met, as prescribed in 10 U.S.C. § 2031(d)(2). The JIRO must ensure that documentation supporting these reimbursements is retained in accordance with Volume 1, Chapter 9 and is readily available to support future audit efforts. The documentation should be of sufficient quality to allow an independent third party, such as an outside auditor, to understand and verify the basis of the reimbursement.

5.3.2. The amount is calculated based on the information and documentation required on the DD 2754, adjusted to reflect the agreed-upon reimbursement rate/amount between the Military Service and the school.

5.3.3. Monthly statements of the reimbursements are forwarded by the JIRO to the school and the school district. These statements will show the total amount paid to each instructor working at the school.

5.3.4. An electronic funds transfer (EFT) for the reimbursement to the school is sent to the financial institution designated by the public and private educational institutions. DoDDS schools are reimbursed based on the JIRO approval of amounts cited on the DD 2754 by funds transfer via the Intragovernmental Payment and Collection (IPAC) system or SF 1080.

5.3.5. Schools must provide the financial banking information by using the ***System for Award Management*** when the school is new to the JROTC program or when there is a change to its previously provided banking information.

6.0 JROTC UNIT ESTABLISHMENT AT SCHOOLS

6.1 School Verification

An authenticated copy of the countersigned contract between a school and the Military Service must be provided to the JIRO in order to verify and provide documented support that schools requesting payment are active participants in the JROTC program.

6.2 Addresses

Authorized officials occupying the positions stated in the contract between a school and the Military Service are responsible for supplying the current address of the school employing each instructor.

7.0 JIRO

7.1 JIRO Reimbursement Requirements

The school is the employing organization and pays the full amount due the JROTC instructor. This amount is not less than the MIP referenced in paragraph 2.7. Each JROTC instructor negotiates his or her own contract with the school. The Military Service JIRO will authorize reimbursement to the school for up to 12 months per academic year, but only for the period of time the instructor is under a valid contract and is receiving a salary equal to, or greater than, the MIP. The amount of the reimbursement to the school generally is equal to 50 percent of an instructor's MIP as identified in subparagraph 5.3.1.

7.2 JIRO Employment Verification Process

Each school must forward to the JIRO a copy of the DD 2767 within 30 days of the instructor's employment. Reimbursements for that instructor will be held in abeyance until this form is received by the JIRO.

7.2.1. Each school must submit a DD 2767 annually for those JROTC instructors continuing employment at the school in the upcoming academic year.

7.2.2. The form must be received prior to the end date of an instructor's current contract to ensure uninterrupted reimbursement.

7.2.3. Schools are reimbursed only when there is a current form on file at the JIRO.

8.0 SEPARATIONS, TRANSFERS, DECERTIFICATIONS, AND DISESTABLISHMENTS

8.1 Separations

Each employing school must forward a DD 2767, or termination letter, containing the applicable date to the JIRO immediately upon the separation or death of an instructor. Separation of an instructor occurs when that instructor resigns his or her position at a specific school. If notification is not received in a timely manner, then future reimbursement to the school must be adjusted by the JIRO to reflect the actual period of time the instructor performed duties as a JROTC instructor and to collect any over reimbursement.

*8.2 Transfers

A transfer of an instructor occurs when he or she resigns the position at one school and accepts a position at another school. Transfers must be processed as a separation from one school and a new hire at another school. Both the losing and gaining schools must forward to the JIRO a DD 2767. The instructor must immediately forward an updated DD 2754, as stipulated in paragraph 7.4, to the JIRO. The locality pay will be adjusted based on the JSIPS locality table for the new school. The pay scale used for relocations/transfers will be based solely on grade and highest academic degree held. Relocation assistance allowance may be available for JROTC instructors who relocate to fill hard-to-fill locations pursuant to 10 U.S.C. § 2031(e)(l).

8.3 Decertification

A Military Service may, for cause, decertify a JROTC instructor for employment eligibility. The IMD must immediately notify the JIRO of those instructors who have been decertified and currently are under contract with a school. Future reimbursement to the school must be adjusted by the JIRO to reflect the actual period of time the instructor performed duties as a JROTC instructor and to collect any over reimbursement.

8.4 Disestablishment of JROTC Units

Disestablishment of a JROTC unit normally occurs upon determining that the unit will not meet the standards specified by the Military Service, or the unit cannot maintain the statutory minimum student enrollment. The disestablishment of a unit voids the contract between the Military Service and the school. Therefore, instructor pay reimbursements to the school are terminated, and the JIRO must authorize final reimbursement to, or initiate collection action from, the school.

9.0 FINANCIAL MANAGEMENT

9.1 Military Service Responsibilities

Each Military Service will be the holder and manager of its JROTC funds. The JIRO concerned must authorize and assign the funds to the proper line of accounting and verify each JROTC instructor's pay computation and associated reimbursement amount for each school for accuracy prior to disbursement by the designated paying office. The JIRO also monitors the budget execution throughout the assignment of the JROTC instructor.

9.2 Military Pay Operations Responsibilities

Based on the authorization received from the JIRO and verification of fund availability, military pay operations certifying officers will perform payment certification and submit to the designated paying office for all school disbursements. Certifying officers must be appointed in accordance with Volume 5, Chapter 5. Reimbursement to DoDDS must be made via a separate IPAC transfer that cites the applicable appropriation provided for DoDDS.

9.3 Designated Paying Office Responsibilities

Reimbursement to the school must be made only after the JIRO concerned has verified the payroll data, authorized fund availability, received concurrence from the appropriate accounting office, and after military pay operations has provided certification. The Defense Finance and Accounting Service (DFAS) designated paying office will disburse funds for school reimbursements based upon an ***SF 1034***, Public Voucher for Purchases and Services Other Than Personal, for each of the Military Service's payments to the school districts. Funds must be sent via EFT to the financial institution of the school, with the exception of reimbursements to the DoDDS schools, which are transferred via the IPAC system.

10.0 IDENTIFICATION AND COLLECTION OF JROTC-RELATED DEBTS

10.1 Debt Identification

The JIRO is responsible for debt identification. A debt accrues when a school or school district is over-reimbursed for the pay of an instructor(s). The following are examples of when debts might accrue:

10.1.1. Instructor transferred to another school. This possibly results in the losing school being over-reimbursed and the gaining school being under-reimbursed;

10.1.2. Instructor separated from instructor program;

10.1.3. Instructor dies; or

10.1.4. Instructor's contract ending date changed, thereby shortening the contract period.

10.2 Debt Collection Process

10.2.1. Collection of a debt is accomplished by a fully documented adjustment to the amount of reimbursement paid to the school for the next calendar month, with one exception. When a debt is owed by a school that no longer has JROTC instructor(s), and is not due any further reimbursements, collection action will be in accordance with Volume 16, Chapter 5.

10.2.2. In those instances, in which a school does not have a future reimbursement to adjust/offset, the JIRO must initiate collection action from the school directly via the use of a demand letter. See Volume 16, chapter 5 for the policy requirements and guidance. Amounts collected must be forwarded to the JIRO as the debt collection office.

10.2.3. After the JIRO has completed all related actions specified in Volume 16, Chapter 5, paragraph 5.2, uncollected debts 90 days delinquent must be referred to the DFAS Debt Management Office, which will refer debts that become delinquent for over 120 days to the Bureau of the Fiscal Service for further collection action, as prescribed in ***31 U.S.C. § 3716(c)(6)(A)***.

VOLUME 10, CHAPTER 22: "PAYMENT RECOVERY AUDITS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

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The previous version dated June 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision

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CHAPTER 22

PAYMENT RECOVERY AUDITS

1.0 GENERAL

1.1 Overview

All programs or activities, as defined by Office of Management and Budget ***(OMB) Circular A-123, Appendix C***, with annual payments that exceed $1 million must implement and utilize a cost-effective recovery audit and activities program to recover improper payments. Recovery audit requirements apply to all types of payments, except for intra-governmental transactions.

1.2 Purpose

This chapter establishes the DoD policy for implementation of recovery audits in accordance with the laws and regulations cited herein.

1.3 Authoritative Guidance

This chapter establishes policies and requirements based on the Payment Integrity Information Act (PIIA) of 2019 (***Public Law 116-117***), as codified in ***Title 31, United States Code (U.S.C.), Chapter 33, Subchapter IV***. Except for sections specifically noted in the PIIA, the PIIA supersedes and repeals the Improper Payments Information Act of 2002, the Improper Payments Elimination and Recovery Act (IPERA) of 2010 (31 U.S.C. § 3301 note), and the Improper Payments Elimination and Recovery Improvement Act of 2012 (31 U.S.C. § 3321 note). This chapter also incorporates associated implementing guidance found in OMB Circular A-123, Appendix C, and the financial reporting requirements of ***OMB Circular A-136***.

2.0 DEFINITIONS

2.1 Recovery Audit

A recovery audit is a review and analysis of an agency's or program's accounting and financial records, supporting documentation, and other pertinent information supporting its payments, that is specifically designed to identify overpayments. It is not an audit in the traditional sense covered by Generally Accepted Government Audit Standards. Rather, it is a detective and corrective control activity designed to identify and recapture overpayments, and, as such, is a management function and responsibility (OMB Circular A-123, Appendix C).

2.2 Recovery Audit and Activities Program

This is a Component's overall plan for risk analysis and the performance of recovery audits and recovery activities. The agency head will determine the manner and/or combination of

recovery activities to use that are expected to yield the most cost-effective results. These activities should include a management improvement program if appropriate. A copy of the Consolidated DoD Recovery Audit and Activities Program Plan must be provided to the DoD Inspector General (DoDIG) annually.

2.3 Recovery Activities

A recovery activity includes any activity, not defined as a recovery audit (see paragraph 2.1), used by an agency to identify and recapture overpayments. Recovery activities include but are not limited to review of Single Audit reports; self-reported overpayments, statistical samples conducted under PIIA; and agency post-payment reviews.

2.4 Recovery

Recovery refers to the return of a monetary loss-type improper payment to the agency. This can occur as a result of recovery audits or recovery activities.

2.5 Cost-Effective Recovery Audit and Activities Program

A cost-effective recovery audit and activities program is one in which the benefits (i.e., recovered amounts) exceed the costs (e.g., staff, time, resources, or payments for the recovery audit contractor) associated with implementing and overseeing the program. Each agency will determine the most cost-effective combination of recovery activities and recovery audits as part of their Recovery Audits and Activities Program.

2.6 Improper Payment

An improper payment is any payment that should not have been made, or that was made in an incorrect amount, under statutory, contractual, administrative, or other legally applicable requirements. Incorrect amounts are overpayments or underpayments that are made to eligible recipients. An improper payment also includes any payment that was made to an ineligible recipient, for an ineligible good or service, or for goods or services not received (except for such payments authorized by law). See Volume 4, Chapter 14 for additional details on improper payments and reporting requirements.

2.7 Overpayment

An overpayment refers to a payment in excess of what is due. When an overpayment occurs, the improper amount is the difference between the amount due and the amount of which was actually paid. Overpayments are improper payments resulting in a monetary loss.

2.8 Monetary Loss

Monetary loss to the Federal Government is an amount that should not have been paid and in theory should/could be recovered. A monetary loss-type improper payment is an overpayment.

2.9 Recovery Audit Contingency Contract

This type of contract is for recovery audit services in which the contractor is paid for its services as a percentage of overpayments actually collected. Clear evidence of overpayments must be provided by the contractor to the appropriate Component official.

2.10 Post-Award Audit

A post-award audit refers to a post-award examination of the accounting and records of a payment recipient that is performed by a Component official, or an authorized representative of a Component official, pursuant to the audit and records clauses incorporated into the contract or award. An audit is normally performed by an internal or external auditor that serves in an advisory capacity to the Component official. A post-award audit, as distinguished from a recovery audit, is normally performed for the purpose of determining if amounts claimed by the recipient are in compliance with the terms of the award or contract, and with applicable laws and regulations. Such reviews involve the recipient's accounting records, including the internal control systems.

3.0 DoD RECOVERY AUDIT AND ACTIVITIES PROGRAM

3.1 Applicability

3.1.1. As prescribed by OMB Circular A-123, Appendix C, the Component head will determine the manner and/or combination of payment recovery activities to use within the agency's recovery audit and activities program that are expected to yield the most cost-effective results.

3.1.2. If a Component concludes that implementing this type of review for a program or activity is not cost-effective, then it must submit a quantitative justification to the Office of Under Secretary of Defense (Comptroller) (OUSD(C)), Office of the Deputy Chief Financial Officer (ODCFO), Financial Management Policy and Reporting (FMPR) Directorate, for approval.

3.1.3. When determining the cost-effectiveness of the use of recovery audit contingency contracts, any Defense Finance and Accounting Service (DFAS) resources used to assist the recovery audit contractor must be taken into consideration. This includes the cost of providing government records, researching claims, and recovering amounts due the government. See the OMB Circular A-123, Appendix C, for additional information concerning specific criteria agencies are to consider in determining the cost-effectiveness of a recovery audit and activities program.

3.1.4. Recovery audits will be implemented in a manner designed to ensure the greatest financial benefit to the Component. In most cases the combination of payment recovery activities, predominantly internal controls, are expected to yield the most cost-effective and beneficial results. Recovery Audit and Activities, coupled with the financial management roles and responsibilities for all of the PIIA established programs, will ensure timely overpayment corrective actions and streamlined recoupment processes.

3.1.5. Components will report the results of their recovery audit and activities program in accordance with section 5.0 and OMB Circular A-136, Financial Reporting Requirements.

3.2 Annual Plan Submission

3.2.1. All Components that expend $1 million or more annually for each program and activity must perform a reassessment of their annual recovery audit plan to determine its validity, and provide any updates or improvements to their plan not later than August 31 of each year, for use during the upcoming fiscal year (FY) to:

OUSD(C)/ODCFO/FMPR
1100 Defense Pentagon – Suite 3D150
Washington, DC 20301-1100

3.2.2. At a minimum, this plan must include:

3.2.2.1. A cost-effectiveness analysis;

3.2.2.2. The estimated total dollar amount of payments by program or activity for the current FY;

3.2.2.3. Any additional collection/recovery audits and/or risk mitigation activities the Component plans to use in addition to its current DoD recovery audit and activities program;

3.2.2.4. The dollar amount of payments the Component plans to review using these additional activities or audits;

3.2.2.5. What entity will perform the recovery audits (internal, external, or contractor resources);

3.2.2.6. The proposed methodology; and

3.2.2.7. The period of review.

3.2.3. In addition, if the Component head determines that performing recovery audit activities is not cost-effective for certain categories of disbursements, as further described in paragraph 6.2, the quantitative justification must be included in this plan.

3.3 Establishing Targets for Recovery Audit and Activities Programs

For each recovery audit and activities program established, annual recovery targets must be set. DoD is required to establish annual targets for their recovery audit and activities programs for each Department established PIIA program (i.e., Civilian Pay, Military Pay for each Branch, Commercial Pay, Travel Pay, Retired and Annuitant) that will drive their annual performance. Targets will be based on the rate of recovery (i.e., the amount of improper contract overpayments recovered divided by the amount of improper contract overpayments identified) and are expected

to be set to show an increase in recoveries over time. Each Component will provide their annual recovery targets to OUSD(C)/ODCFO/FMPR for review and approval (see paragraph 3.2). The OUSD(C)/ODCFO/FMPR, in turn, will submit targets to OMB for review as part of the annual approval process of Agency Financial Reports (AFR) and Performance and Accountability Reports (PAR), coupled with the OMB Annual PIIA Tables and Data call submission.

4.0 OVERPAYMENT IDENTIFICATION

While it is preferable that Components focus efforts toward preventing overpayments from occurring, it is important for Components to have cost-effective means to both identify and recover overpayments if they do occur. Components use a variety of policies and activities to identify and recover overpayments. The following subsections and examples, which come directly from the OMB Circular A-123, Appendix C guidance, are not meant to provide an exhaustive list of overpayment identification methods, rather they are meant to help Components strengthen their overpayment identification processes. Each Component must determine the most cost-effective method for their particular circumstances.

4.1 Reviews

Reviews are a mechanism Components use to assist with identification of overpayments across the Federal Government. This includes but is not limited to activities such as improper payment risk assessments conducted under PIIA, agency post-payment reviews, Budget Execution Monthly Reviews, Dormant Account Reviews, monitoring debt collection software to track recovery of overpayments, SF-50 vs. SF-52 validation, and Sampling and Estimation Methodology Plans conducted under PIIA.

4.2 Audits

The use of audits is a common mechanism that assists in identifying overpayments. Examples include but are not limited to performance of post-award audits, recovery auditing techniques such as data matching with Federal, State, and local databases, audit reports, Government Accountability Office (GAO) audits, DoDIG audits, and the results of the agency audit resolution and follow-up process.

4.3 Data Analytics

Using data analytics to identify overpayments is not only beneficial for identifying overpayments after they have occurred, but establishing a robust data analytics effort can move an agency from a “pay-and-chase” approach to a predictive approach allowing the agency to identify potential improper payments before they even occur. There are a wide range of analytics techniques available such as rule-based, anomaly detection, predictive analytics, network/link analytics, or text analytics. Examples of analytics approaches used to identify overpayments include, but are not limited to, using data analytics to monitor and detect misuse in ongoing complex contracts, to monitor and detect misuse in Government purchase cards, for identifying above average payments to a vendor, for identification of duplicate payments, or to identify amounts exceeding purchase orders.

4.4 Reports

While reports are in a "pay-and-chase" status, programs can often use the reports to help identify weaknesses in internal controls that, if strengthened, could prevent future overpayments from occurring. Examples of such reports include, but are not limited to, GAO reports, reports from the public such as new media, or self-reported errors.

4.5 Reconciliations

Reconciliations are a common accounting mechanism which identify overpayments. Examples include but are not limited to conducting contract reconciliations by comparing invoices, receiving reports, and payments; verifying the terms of the contract have been met and are properly recorded, performing reporting and accounting outlays reconciliations, performing service provider payroll disbursement reconciliations, performing general ledger gross pay file reconciliations, or reconciling employee data with the accounting and disbursing systems. When overpayments are identified through reconciliation programs, Components should review their internal controls and determine whether additional mitigation strategies should be established to prevent the overpayments from occurring in the future.

5.0 REQUIRED REPORTING

5.1 Annual Reporting

Components must report annually on their recovery audit and activities programs. Components must consult with the DFAS Enterprise Audit Support & Compliance to ensure proper coverage of improper payments and payment recovery actions and to prevent duplicate reporting. Components must inform OUSD(C)/ODCFO/FMPR if suspension or limitation occurs in the Component monitoring/oversight activities. In order to meet the AFR reporting schedule, Component reporting of their recovery audit and activities program is due no later than the dates established in the annual Consolidated DoD Recovery Audit and Activities Program Plan.

5.2 OMB Circular A-136 Required Reporting

5.2.1. The DoD must report in accordance with the annual update to OMB Circular A-136, Financial Reporting Requirements. The following must be addressed in the AFR or PAR:

5.2.1.1. Actions taken to address auditor recovery recommendations; and

5.2.1.2. Fraud reduction reporting. Instances of potential fraud discovered through recovery audit activities must be reported in accordance with Volume 5, Chapter 6.

5.2.2. Refer to OMB Circular A-136, Section II.4.5 (Payment Integrity Information Act Reporting), and Volume 4, Chapter 14, for Payment Integrity Information Act Reporting requirements.

6.0 SCOPE OF DoD RECOVERY AUDIT ACTIVITIES

6.1 Dollar Threshold

All programs and activities that expend $1 million or more annually, including grant, benefit, loan, and contract programs, must be considered for recovery audits. All classes of contracts and contract payments, as well as all other types of payments (excluding intra-governmental transactions), must be considered for recovery audit activities. Components that disburse payments must review the different types of payment categories and identify those categories that have a higher potential for recoverable payment errors that will ensure the greatest financial benefit to the government. Once this assessment is performed, the Component must then determine the overall cost-effectiveness of performing recovery audits.

6.2 Possible Exclusions

Agencies may exclude payments from certain programs from recovery audit activities if the agency determines that recovery audits are not a cost-effective method for identifying and recovering overpayments or if other mechanisms to identify and recover overpayments are already in place. Common mechanisms used to identify overpayments within a recovery audit include: statistical samples and risk assessments, agency post-payment reviews, prior payment recovery audits and activities, Office of Inspector General reviews, GAO reports, self-reported errors, reports from the public, audit reports, and the results of the agency audit resolution and follow-up process. If an agency elects to exclude a class of payments or contracts from payment recovery activities or audits, the justification for this exclusion must be included in their annual plan and annual report (see sections 3.0 and 5.0).

6.3 Required Root Cause Analysis

In addition to identifying and documenting specific overpayments resulting from payment errors, any entity performing recovery audits must also analyze the reasons why payment errors occurred and, where appropriate, recommend cost-effective controls to prevent such overpayments in the future. These results must be presented to management on a regular basis. The results of such analysis, and related recommendations, should be considered by the Component as part of its management improvement program. The Component will provide such information to DFAS, the DoDIG, and where applicable, the Inspector General (IG) of the Military Service.

7.0 ROLE AND RESPONSIBILITIES OF THE DoD COMPTROLLER'S OFFICE

7.1 Role

To facilitate compliance with OMB Circular A-123, Appendix C, the ODCFO assigned reporting responsibility for this function to the OUSD(C), FMPR Directorate. This reporting function is part of the OUSD(C) oversight responsibility for DoD's annual recovery audit reporting in the AFR.

7.2 Responsibilities

The Comptroller's FMPR Directorate is responsible for:

7.2.1. Serving as the Executive Agent (EA) for the DoD Payment Integrity program. As the EA for the DoD Payment Integrity program, the FMPR Directorate provides oversight to the DoD Components to ensure compliance with the PIIA and/or OMB Circular A-123, Appendix C, requirements;

7.2.2. Reviewing the Components' annual recovery audit plan submissions as described in paragraph 3.2 to ensure completeness;

7.2.3. Reviewing the annual submission of recovery audit reports described in section 5.0 to ensure the reporting requirements are met;

7.2.4. Preparing and submitting Department-wide recovery audit results and mandatory reports as described in OMB guidance, and any related information for submission to OMB, publication in the AFR, and other required reporting; and

7.2.5. Preparing the Department-wide recovery audit and activities plan reassessment based on pertinent overpayment recovery methods or improvements identified by the Components during the FY, for submission to the DoDIG.

8.0 ROLE AND AUTHORITY OF THE OFFICE OF THE IG

8.1 No Impairment of IG Authority

Nothing in this policy should be construed to impair the authority of an IG under the ***Inspector General Act of 1978***, as amended, or any other law. However, because the recovery audit program required by this policy is an integral part of Components' internal control over payments, and therefore a management function, independence considerations would normally preclude the IG and other Component external auditors from carrying out management's recovering audit program.

8.2 Effectiveness Assessment

The IG, as well as other authorized auditors, are encouraged to assess the effectiveness of Components' recovery audit programs as part of their internal control assessment on existing audits (e.g., the annual financial statement audit, or as a separate audit).

9.0 SOURCES TO PERFORM RECOVERY AUDITS

Recovery audits may be performed by employees of the Components, by any other Component, department, or agency of the U.S. Government acting on behalf of the Component, or by private-sector contractors performing recovery audit services under contracts awarded by the Component, or any combination of these options.

10.0 RECOVERY AUDIT SERVICES PERFORMED BY CONTRACTORS

10.1 Use of External Contractors

When Components have determined that using external post-payment recovery audit contractors (i.e., recovery audit contingency contract) is the most cost-effective plan, they must update their current recovery audit plan with the detailed cost-effectiveness breakdown, including terms of the contract, and submit to OUSD(C) FMPR for approval prior to executing the contract. These private-sector firms may, with the consent of the employing Component, communicate with the Component's contractors for the purpose of verifying the validity of potential payment errors they have identified. In addition, to avoid confusion with established accounts receivable/debt management processes, Components must coordinate with the DFAS, Enterprise Solutions and Standards, Accounts Receivable Office (JJA) at 8899 East 56th Street, Indianapolis, IN 46249 to determine whether direct communication with the Component's contractors is authorized.

10.2 Contingency Fee Requirement

Contracts entered into by Components to obtain recovery audit services from the private sector are limited to contingency contracts that pay the contractor an amount equal to a negotiated percentage of the total amount collected by the United States for valid claims of overpayment. However, certain types of payments recovered may not be available to pay the recovery audit costs (for instance, amounts recovered due to interim improper payments made under ongoing contracts if these amounts are still needed to make subsequent payments under the contract, or amounts recovered from closed accounts). Components may allow contracted recovery auditors to establish a presence on, or visit, the property, premises, or offices of any subject of recovery audits. Such physical presence is not prohibited and may allow the recovery auditor to perform a more thorough review of the subject's payments and related documentation.

10.3 Actions of External Contractors

The recovery audit contractor may, with the consent of the contracting Component, notify entities, including individuals, of potential overpayments made to those entities, respond to questions concerning potential overpayments, and take other administrative actions with respect to overpayment claims made, or to be made, by the Component.

10.4 External Contractor Prohibitions

In addition to provisions that describe the scope of recovery audits (and any other provisions required by law, regulation, or Component policy), any contract with a private-sector firm for recovery audit services will include contract provisions that prohibit the recovery audit contractor from:

10.4.1. Having the authority to make a final determination relating to whether any overpayment occurred or whether to compromise, settle, or terminate an overpayment claim;

10.4.2. Requiring production of any additional records or information from the Component's contractors. Only duly authorized employees of the Component can compel the production of information or records from the Component's contractors, in accordance with applicable contract terms and DoD regulations;

10.4.3. Using or sharing sensitive financial information with any individual or organization, whether associated with the Federal Government or not, that has not been officially released for use by the general public, except for an authorized purpose of fulfilling the recovery audit contract; or

10.4.4. Disclosing any information that identifies an individual, or could reasonably be used to identify an individual, for any purpose other than as authorized for fulfilling its responsibilities under the payment recapture audit contract.

10.5 Safeguarding Confidentiality

Components will require the recovery audit contractor to take steps to safeguard the confidentiality of sensitive financial information that has not been released for use by the general public and any information that could be used to identify a person.

10.6 Minimum Contract Requirements

At a minimum, each contract for recovery audit services will require the contractor to:

10.6.1. At least quarterly, provide reports to the DoD disbursing Component on the root cause conditions causing the overpayments identified and recommendations on how to mitigate such conditions;

10.6.2. Notify the DoD disbursing Component of any overpayments identified by the recovery audit contractor pertaining to any Component that is beyond the scope of the contracts; and

10.6.3. Report potential instances of fraud immediately to the DoD disbursing Component for which it is performing the contract. The Component will further review and refer to its IG, if appropriate. Contractors and all personnel performing recovery audits must be trained to recognize evidence of fraud and vulnerability to fraud.

11.0 RECOVERY AUDIT COLLECTION ACTIVITY

Actual collection activity must be carried out by federal employees, or nonfederal entities expending federal awards, as appropriate. However, Components or nonfederal entities may use another private-sector entity, such as a private collection agency, to perform this function if this practice is permitted by applicable laws and regulations governing collection of amounts owed to the Federal Government.

12.0 DISPOSITION OF AMOUNTS RECOVERED

12.1 Amounts Collected

PIIA and 31 U.S.C. Chapter 33 prescribe that amounts collected under a recovery audit program from expired discretionary fund accounts are available to reimburse the actual expenses incurred by a Component in administering the program, and to pay contractors in accordance with applicable law and regulation, if appropriate. As prescribed by ***31 U.S.C. § 3352(i)(2)(H)***, the disposition guidance in paragraph 12.2 does not apply to the recovery of an overpayment if the appropriation from which the overpayment was made has not expired. In those cases, the collection will be credited to the appropriation or funds from which the original disbursement was made. As prescribed by OMB Circular A-123, Appendix C, any recovered overpayments that pertain to canceled/closed appropriations must be credited to Treasury Miscellaneous Receipts. Please refer to the OMB Circular, A-123, Appendix C, pages 38-42, for flowcharts and tables depicting the disposition requirements.

12.2 Uses of Amounts Collected

Except as provided in paragraph 12.3, 31 U.S.C. § 3352(i)(2) requires that any expired discretionary amounts collected (recovered) through recovery audits, that were appropriated after the date of IPERA's enactment (July 22, 2010), and that are not used to reimburse expenses of the Component or pay recovery audit contractors under paragraph 12.1, may be used in the following manner:

12.2.1. Up to 25 percent of the recovered funds may be used to supplement (but not supplant) any other amounts available to support the Component's financial management improvement program and will remain available until expended. Such funds can be passed to nonfederal entities, such as state and local governments, if the agency determines that is the best disposition of the funds to support its financial management improvement program;

12.2.2. Up to 25 percent of the recovered funds may be used for the original purpose of the fund. The funding will be credited to the appropriation or fund, if any, available for obligation at the time of collection for the same general purposes as the same appropriation or fund for which the overpayment was made, and will remain available for the same period of availability and purposes as the appropriation or fund to which credited;

12.2.3. Up to 5 percent of the recovered funds may be made available to the Component's IG. The IG may use this funding to carry out the law's requirements and perform other activities relating to investigating improper payments or auditing internal controls associated with payments. This funding will remain available for the same period of availability and purpose as the appropriation or fund to which it is credited; or

12.2.4. The remainder of the recovered expired or closed/canceled discretionary funds that are not applied in accordance with subparagraphs 12.2.1 through 12.2.3 must be deposited in the Treasury as miscellaneous receipts, except recoveries of overpayments that are made from trust or special fund accounts must revert to those accounts (31 U.S.C. § 3352(i)(2)(H).

12.3 Return of Collections to Original Appropriation

As prescribed by OMB Circular A-123, Appendix C, recovered overpayments from unexpired discretionary fund accounts (still available for obligation) that were appropriated after enactment of IPERA (July 22, 2010) must be credited to the account from which the overpayments were made without using it for any purposes outlined in paragraphs 12.1 or 12.2. Recovered overpayments from revolving funds, working capital funds, non-appropriated funds, and appropriations with indefinite periods of availability must be refunded to such accounts.

12.4 Other Uses of Collections

When required or authorized by other provisions of law, any funds remaining after reimbursing the actual expenses for the administration of the program and paying recovery audit contractors may be credited to the non-appropriated fund instrumentality, revolving fund, working capital fund, trust fund, or other fund or account from which the improper payments were made. For example, a recovery audit contractor may identify an improper payment during its review of a Defense Agency's working capital fund. Upon recovery of the payment, the Component could use the proceeds recovered to reimburse the Department's administration expenses and pay the recovery audit contractor's contingency fee. The remaining balance, if any, could then be credited back to the Component's working capital fund.

12.5 Contingency

Contingency fee contracts will preclude any payment to the contractor performing recovery audit services until the recoveries are actually collected by the Component.

12.6 Accounting for and Reporting Collections

All funds collected, and all direct expenses incurred, as part of the recovery audit and activities program will be accounted for specifically. The identity of all funds recovered must be maintained to facilitate the crediting of recovered funds to the correct appropriations, to identify applicable time limitations associated with the appropriated funds recovered, and to allow for required reporting in compliance with OMB Circular A-136.

12.7 Unconfirmed Overpayments

Overpayments that are identified by a recovery auditor, but that are subsequently determined not to be collectable or not to be improper, will not be considered "collected" for disposition purposes outlined in this section.

12.8 Separate Statutory Authorities

Programs and payments that have separate statutory authority and requirements to conduct recovery audits are not required to follow the disposition of recovered funds outlined in section 12.0 or 13.0 (in accordance with OMB Circular A-123, Appendix C). As an example, the General Services

Administration audits transportation payments for improper payments. Reference Chapter 13 for additional details.

13.0 DISPOSITION OF RECOVERED AMOUNTS BEFORE IPERA

Components may review payments made from appropriations that were enacted before IPERA was signed into law (July 22, 2010) and have the same authorities to credit collections as existed before IPERA was enacted. OMB Circular A-123, Appendix C, provides detailed guidance for the disposition of recovered amounts prior to IPERA enactment. For recoveries of funds appropriated prior to IPERA's enactment, Components may use the recovered funds for reimbursement of Component expenses and to pay the recovery audit contractor. For those funds appropriated prior to IPERA's enactment that have expired, and after reimbursement of Component expenses and payment to the recovery audit contractor, any remainder of the recovered funds must be returned to the expired account(s). If the appropriation is canceled, the funds must be credited to Treasury Miscellaneous Receipts.

14.0 GRANT PROGRAMS

Components whose grant programs fund significant contract activity by grant recipients may consider including contracts at the grant recipient level in their recovery audit and activities program. Components can engage contractors on a contingency basis to the extent otherwise authorized by law.

VOLUME 10, CHAPTER 23: "PURCHASE CARD PAYMENTS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated April 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative guidance.	Revision
1.1 and 1.2.1	Added clarification of requirement to consult and comply with Executive Orders and Component-specific guidance that might impose additional restrictions on the use of purchase cards.	Addition
2.3	Updated reference for Terminology for Unauthorized Purchase Card Transactions from the DoD Government-wide Commercial Purchase Card Program Policy (GPC), to the DoD Government-wide Commercial Purchase Card Guidebook, Chapter 10, Section 10.4.	Revision
2.7.2	Updated reference regarding treatment of refunds to the Guidebook, Chapter 9.	Revision
2.4.1	Mandated the use of the Joint Appointment Module (JAM) in the Procurement Integrated Enterprise Environment for appointing DoD purchase card program accountable officials and clarified that JAM-rendered DD Forms 577, Appointment/Termination Record - Authorized Signature, are sufficient validation of these appointments.	Revision
3.7.4	Updated and moved content outlining requirements for GPC program supporting documentation to a dedicated subsection to enhance user clarity.	Addition
5.1	Clarified requirement for independent acceptance for accountable property and self-generated purchase card transactions and provided guidance on documenting acceptance procedure.	Revision
6.6.1	Highlighted that the bank's data mining tool will identify all convenience check transactions for review.	Revision

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
6.7	Emphasized the responsibility of the commanding officer or civilian director in charge of an activity to ensure comprehensive annual reviews of all convenience check accounts, encompassing physical security, tax reporting, data mining case review effectiveness, and usage minimization.	Revision

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CHAPTER 23

PURCHASE CARD PAYMENTS

1.0 GENERAL

*1.1 Purpose

This chapter provides DoD policy for financial management-related activities within the purchase card program, including convenience check writing. This chapter supplements general payment policy described in other chapters, as well as DoD Government-wide Commercial ***Purchase Card Program Policy*** (hereafter referred to as DoD GPC Policy), and Office of Management and Budget ***(OMB) Circular A-123, Appendix B***. The DoD GPC Policy includes the ***DoD Government-wide Commercial Purchase Card Guidebook*** (hereafter referred to as the Guidebook) for Establishing and Managing Purchase, Travel, and Fuel Card Programs. Implementation of these policies must also comply with applicable Executive Orders, and component-specific guidance that may impose additional requirements or restrictions on the purchase card program. These documents assist DoD officials in establishing and managing purchase card programs.

1.2 Authoritative Guidance

* 1.2.1. This chapter establishes policy based on the statutory and regulatory requirements spelled out in ***Title 10, United States Code (U.S.C.), section 4754***; the Federal Acquisition Regulation ***(FAR), Part 13***; the Defense Federal Acquisition Regulation Supplement ***(DFARS), Part 213***; ***DFARS PGI 213.301***; DoD GPC Policy; and the current General Services Administration (GSA) ***SmartPay® 3*** master contract and applicable task orders. All personnel must consult Executive Orders and applicable component-specific guidance, to ensure compliance with any additional or updated requirements for purchase card usage.

1.2.2. The Office of the Under Secretary of Defense for Acquisition and Sustainment (OUSD(A&S)) and the DoD Component Program Managers (CPM) are responsible for oversight of the purchase card program, to include policy formulation and procedural guidance. The Defense Contract Management Agency participates in operational oversight of the purchase card program administered by DoD Components.

2.0 PURCHASE CARD POLICY

2.1 Overview

2.1.1. Through task orders issued on the GSA master contract (SmartPay® 3), the DoD uses third party, card-issuing banks to support the purchase card program. The card-issuing banks provide a commercial purchase and payment service that replaces the paper-based, time consuming purchase order process, thereby eliminating procurement lead time, providing transaction cost savings, and reducing procurement office workload. The use of purchase cards also streamlines payment processes by consolidating transactions from multiple merchants for payment under a

single invoice. The suite of services offered by the card-issuing banks includes web-based purchase log entry; electronic invoicing, statement review, approval, certification, and reporting; retention of transaction supporting data; as well as transaction data mining capabilities. Cardholders use purchase cards to make and/or pay for authorized government purchases, place and pay for orders against contracts, make payments against approved ***Standard Form 182***, Authorization, Agreement and Certification of Training (as authorized in the ***DoD Guidebook for Miscellaneous Payments***, and pay for intragovernmental transactions. GPC transactions are subject to established limitations on transaction amount, billing cycle amount, and Merchant Category Codes (MCCs) as described in DoD GPC Policy.

2.1.2. A purchase card charge authorizes the card-issuing bank to make payment to the merchant or contractor consistent with the GSA master contract and these regulations. An authorized purchase is defined as a purchase that satisfies a bona fide need at a fair and reasonable price that meets all legal and regulatory requirements. Individuals responsible for purchase card violations (i.e., abuse, delinquency, internal fraud, or misuse) are subject to administrative and disciplinary actions as described in DoD GPC Policy and Component personnel policies and procedures.

2.1.3. Purchase card open market transactions are limited to the micro-purchase thresholds prescribed by ***FAR 2.101***, ***10 U.S.C. § 3573***, and ***DFARS PGI 213.201(g)*** that apply to the transaction being made. See DoD GPC Policy for specific guidance related to the application of current DoD micro-purchase thresholds. Any increase to a cardholder's delegated authority must be authorized by issuance and acceptance of a new Government Purchase Card Delegation of Procurement Authority Letter.

2.2 Audits

Pursuant to 10 U.S.C. § 4754(b)(14-15), the purchase card program is subject to periodic audits by the DoD Inspector General and the Military Services' audit agencies to determine whether the program complies with agency policy.

*2.3 Terminology for Unauthorized Purchase Card Transactions

Refer to the Guidebook, Chapter 10, Section 10.4 and OMB Circular A-123, Appendix B, Attachment 6 for terminology and definitions of the specific categories of improper purchase card transactions, including guidance on what is reportable to OMB.

2.4 Purchase Card Accountable Officials

* 2.4.1. Within DoD, purchase card accountable officials are military members or civilian employees who are appointed in writing as cardholders, approving/billing officials, and certifying officers. Such appointments, made in accordance with Volume 5, Chapter 5 (***10 U.S.C. § 2773a*** and ***31 U.S.C. § 3528***), are necessary to establish pecuniary liability under the law governing accountable officials, other than those potentially liable under 10 U.S.C. § 4754(c). Accountable officials are responsible for providing information, data, or services to certifying or disbursing officers in support of the payment process and are responsible

for attesting to the accuracy of information and data in support of the payment to the card-issuing bank. DoD purchase card program accountable officials must be appointed within the Joint Appointment Module (JAM) of the Procurement Integrated Enterprise Environment (PIEE). JAM-issued certifying officer appointments satisfy the ***DD Form 577***, Appointment/Termination Record–Authorized Signature, appointment and distribution requirements of Volume 5, Chapter 5, paragraphs 4.1 and 4.2. If an Electronic Data Interchange-enabled invoice is rejected and converted to a manual payment, the JAM-rendered DD Form 577 is sufficient to validate the certifying officer's appointment.

2.4.2. Foreign national employees cannot serve as purchase card certifying officers or accountable officials unless they are direct hire employees of the United States Government. However, prior to making such appointments, commanders must consider the potential consequences when the Status of Forces Agreements or other treaties do not subject direct hire local nationals to the same pecuniary liability or disciplinary actions as other DoD employees. If such appointments are necessary, commanders must consider implementing other management controls to compensate for the lack of pecuniary liability. Refer to Volume 5, Chapter 1 for policy regarding accountable officials and foreign national personnel.

2.5 Submission of Billing Statements

Policies, standards, and controls concerning the electronic submission, receipt, and processing of billing statements and transactions are contained in Chapter 8.

2.6 Delegation

As prescribed by ***31 U.S.C. § 3325***, the head of an executive agency may delegate the authority to assign personnel to perform the purchase card invoicing, reviewing, approving, and certifying responsibilities at the accountable official level. When authority is delegated, DoD Components will:

2.6.1. Designate each billing office, approving/billing official, and/or certifying officer within the Component's activities to receive the official purchase card billing statements; and

2.6.2. Delegate the authority to certify official purchase card billing statements in accordance with Volume 5, Chapters 1 and 5.

2.7 Purchase Card Refunds and Credits

2.7.1. The terms "rebate" and "refund" are used interchangeably throughout the CFR, OMB guidance, existing legislation, and this chapter. The timely payment of a purchase card billing statement is a factor for refund computation. Purchase card billing statement payments must occur as soon as administratively possible when the refund offered is greater than the cost of funds as defined in ***Title 5, Code of Federal Regulations (CFR), section 1315.8***. The DoD will take advantage of refund offers only when it is economically justified and advantageous to the DoD. The DoD will follow the guidelines for taking discounts and refunds/rebates found in 5 CFR 1315.8; ***FAR 32.906(e)***; and OMB Circular A-123, Appendix B, Chapter 7. Billing

statements will be paid for the amount certified. See Chapter 2 for additional information and policy concerning refunds/rebates.

* 2.7.2. Refunds attributable to the use of the purchase card may be credited to operation and maintenance; and research, development, test and evaluation accounts of the DoD which are current when the refunds are received (see statutory note "Crediting of Refunds" within 10 U.S.C. § 4754). In accordance with OMB Circular A-123, Appendix B, Chapter 7, rebates/refunds can be used for any legitimate purchase by the appropriation or account to which they were returned, or as otherwise authorized by statute. Transaction credits, which are funds sent back to DoD from the contracted bank resulting from returned items, billing errors, overpayments, duplicate payments, or erroneous payments, must be credited to the original appropriation from which they were disbursed. See the Guidebook, Chapter 9, regarding DoD GPC refund validation requirements.

2.8 Compromised Account Numbers

If an account number is compromised, or if a card has been lost or stolen, the cardholder must notify the approving/billing official, certifying officer, agency/organization program coordinator (A/OPC), and the card-issuing bank to close the account immediately.

3.0 INTERNAL CONTROLS

3.1 Overview

All DoD Component purchase card program policies, implementing procedures, and enterprise risk management programs must ensure the inclusion of internal controls to prevent, detect, and report improper purchase card transactions. Refer to DoD GPC Policy and ***OMB Circular A-123, Appendix B***, section 2.4.1 and Attachment 6, for terminology and definitions of improper or incorrect purchase card transactions.

3.2 Monthly Review

The monthly review checklist (Figure 23-1) is intended as a reference tool for use in examining the cardholder purchase card statement from the card-issuing bank. Use of the checklist will assist in delinquency management and avoid account suspensions. Refer to section 5.0 for cardholder, approving/billing official, and certifying officer responsibilities in the monthly statement review and reconciliation process.

3.3 Separation of Duties

Managers at all levels will maintain the effective operation of internal controls within the purchase card program and ensure adequate separation of duties of participants under their control. The management accountability and internal control requirements prescribed by DoD GPC Policy, along with those outlined in Chapters 1 and 8, will apply to the operation of a DoD Component purchase card program.

3.4 Merchant Category Codes

MCCs are used to categorize each merchant according to the type of business in which the merchant is engaged and the kinds of supplies or services they provide. These codes are used to limit unauthorized transactions on a card account by blocking purchases from merchants included in MCCs identified by OUSD(A&S) as high-risk sources for government purchases. DoD policy concerning MCCs is contained in DoD GPC Policy.

3.5 Data and System Access

Cardholder, approving/billing official, certifying officer, A/OPC, and Resource Manager (RM)/Financial Manager (FM) access to government and card-issuing bank's purchase card data and processing systems will be limited to that necessary to accomplish required tasks while maintaining proper separation of duties. Refer to DoD GPC Policy for specific requirements when such personnel transfer to other duties or depart from the organization.

3.6 Penalties for Unauthorized Use of the Purchase Card

Commanders and supervisors at all levels must ensure compliance with this chapter and the requirements of DoD GPC Policy. Military and civilian personnel who violate the provisions of this chapter or DoD GPC Policy, are subject to administrative and disciplinary action. In instances when an official directs a cardholder to purchase items or services that are subsequently determined to be violations, the official who directs the purchase may be subject to personal financial liability and to disciplinary action in accordance with OMB Circular A-123, Appendix B, Chapter 2, sections 2.5 and 2.10. See DoD GPC Policy for specific policies and requirements pertaining to disciplinary actions within the Government Charge Card Program.

3.7 Documentation

In accordance with 10 U.S.C. § 4754(b)(7), this Regulation, records management policies, and DoD GPC Policy, documentation will be maintained at all levels to support the integrity of the purchase card program and to facilitate the reconciliation and payment of purchase card transactions.

3.7.1. Cardholders will establish clear audit trails for purchase card transactions by maintaining a purchase log and creating a purchase log entry that includes all fields required in the DoD GPC Policy for each purchase requirement and maintaining transaction supporting documentation in the card-issuing bank's Electronic Access System. This ensures cardholder billing statements, purchase log entries, and supporting documentation are available to the approving/billing official and certifying officer. This also fulfills electronic GPC disbursing office record retention requirements and supports auditability.

3.7.2. Volume 1, Chapter 9, Figure 9-1 provides the policy regarding document retention requirements for financial transaction records related to procuring goods and services, paying bills, collecting debts, and accounting.

3.7.2.1. On a case-by-case basis, and when determined the records are necessary to complete reconciliation of payment, collection discrepancies, audit requirements, or for other necessary purposes, an extension beyond the record retention period may be warranted. Refer to ***44 U.S.C. § 2909*** for authorization to retain records for a longer period than specified in disposal schedules.

3.7.2.2. In the event of account termination for both a cardholder and/or approving/billing official, management must ensure safeguards are in place to meet retention requirements.

3.7.3. In accordance with the Guidebook, the PIEE/JAM is the mandatory enterprise tool for issuing and retaining GPC program appointments.

* 3.7.4. Minimum, supporting documentation required to support the DoD GPC program is as follows:

3.7.4.1. Account billing statements,

3.7.4.2. Cardholder purchase log,

3.7.4.3. Request to purchase or request for payment,

3.7.4.4. Verification of availability of funds as defined by the DoD Component's policy,

3.7.4.5. Proof of acceptance,

3.7.4.6. Vendor invoice, receipts, or order confirmations,

3.7.4.7. Approval documentation,

3.7.4.8. Cross references to any related contract, delivery or task order, or purchase order, and

3.7.4.9. Supporting documentation for any credit received (e.g., items returned).

Requirements at 3.7.4.1, 3.7.4.2, and 3.7.4.8 are generally accounted for in the card-issuing bank's Electronic Access System (EAS) and may not need to be retained as Electronic Attachments (EA), depending on Component policy. For the purposes of this section, EA refers to digitally scanned or uploaded documents attached to the transaction record in the EAS.

4.0 RESPONSIBILITIES

4.1 Overview

The reconciliation and account certification process for Statements of Account received from the card-issuing bank involves a coordinated responsibility between the cardholder, approving/billing official, and the certifying officer. Every individual involved in the purchase card process must report suspected purchase card non-compliances, improper transactions, or violations through the proper chain of command and in accordance with component policies (refer to DoD GPC Policy for definitions of these transactions). They must also complete required initial and refresher training in accordance with DoD GPC Policy, Component policy, and Volume 5, Chapter 5 requirements, and comply with the additional responsibilities for contingency operations and contracting events prescribed in the Guidebook, Appendix A.

4.1.1. Commanders and supervisors at all levels have the authority and the responsibility to ensure that military and civilian personnel under their supervision use purchase cards only as authorized. Commanders and supervisors are responsible for addressing purchase card non-compliances, improper transactions and violations.

4.1.2. Purchase card disbursing and certifying officers are pecuniarily liable for illegal, improper, or erroneous payments, unless granted relief. Purchase card accountable officials may also be held pecuniarily liable. Policy concerning liability and relief of liability is available in Volume 5, Chapter 6.

4.2 Heads of DoD Components

The Heads of DoD Components (or their designees) may delegate their authority in writing for the appointment of cardholders, approving/billing officials, A/OPCs, component program managers (CPMs), and certifying officers (see Volume 5, Chapter 5 for additional policy concerning appointments). In addition, Heads of DoD Components are responsible for managing commanders, directors, or other designated officials and their delegated authority for performing their duties and responsibilities as prescribed in DoD GPC Policy.

4.3 Component Program Manager (CPM)

The CPM serves as the Service's or Agency's functional representative with the Program Management Office and is responsible for developing/maintaining hierarchies, ensuring subordinate CPMs and A/OPCs perform their functions/roles, and interfacing with DoD level program offices regarding card-issuing bank performance issues in accordance with the DoD GPC Policy.

4.4 A/OPC

A/OPCs serve as the Agency's functional representatives and have oversight to manage and ensure the integrity of the purchase card program. The A/OPC is the individual appointed, as identified in DoD GPC Policy, with responsibilities associated with the management,

administration, and day-to-day operation of the purchase card program. The A/OPC will jointly work with the RM/FM in setting and maintaining cardholder spending limits based on estimates of purchase requirements for the period or a budgetary limit. They may also assist the RM/FM in providing guidance to the cardholder on any legal or regulatory restrictions on the funds provided.

4.5 Commanding Officer or Director

4.5.1. The military officer in command or the civilian director in charge of an activity has overall responsibility for implementing the purchase card financial management policies of this chapter. They have disciplinary authority over cardholders and approving/billing/certifying officials and must investigate all allegations of purchase card violations. The commanding officer or director must establish procedures for the activity that will permit rapid investigation and resolution of purchase card violations. They will convene or order an investigation in accordance with Volume 5, Chapter 6 and take all appropriate actions resulting from each investigation.

4.5.2. When authority has been delegated by the Head of the DoD Component, the commanding officer or director will appoint accountable officials in accordance with Volume 5, Chapter 5.

4.6 Payment Review Official

The review official is an individual that may be appointed by the commanding officer or director to perform pre- and/or post-payment reviews of payments and perform other duties in accordance with Volume 5, Chapter 5. The A/OPC may not be appointed as the review official.

4.7 Purchase Card Certifying Officer

The certifying officer is the individual responsible for the accuracy of payments, including designation of the proper appropriation(s) or other funds, certified to the disbursing office and disbursing officer. The certifying officer is liable for any illegal, improper, or erroneous payment processed by the DoD resulting from an inaccurate or misleading certification. The certifying officer's appointment must meet minimum qualifications and eligibility requirements as discussed in Volume 5, Chapter 5. While it is desirable to maintain the greatest separation of duties, it is not always practical or possible. The certifying officer and approving/billing official duties may be performed by the same appointed person as discussed in Volume 5, Chapter 1. See Figures 23-1 and 23-2 for additional information concerning the monthly review checklist and certification statements. Purchase card certifying officers' responsibilities, as identified in Volume 5, Chapter 5, section 3.4 and DoD GPC Policy include, but are not limited to the following:

4.7.1. Ensuring transactions meet the legal requirements for authorized purchase card purchases;

4.7.2. Ensuring adequate documentation is available for individual transactions and cardholders have reconciled all transactions with purchase log entries;

4.7.3. Ensuring the facts presented in documents for payment are complete and accurate to include designation of the proper appropriation(s) or other funds;

4.7.4. Verifying the accuracy of computation of a voucher before certification;

4.7.5. Ensuring internal controls exist to prevent submission of duplicate invoices for the same transaction;

4.7.6. Ensuring all items and services have been received and procedures are in place to ensure transactions for items or services not received by the next billing cycle are disputed within the designated dispute timeline;

4.7.7. Ensuring the cardholder is familiar with the dispute process of the servicing bank and implementing dispute procedures when warranted. Refer to paragraph 5.7 regarding disputed transactions;

4.7.8. Reviewing and certifying the Statement of Account and forwarding it to the designated entitlement and/or disbursing office for payment processing. Figure 23-2 contains the language for the certifying officer's certification statement;

4.7.9. Ensuring cardholder billing statement transactions are reallocated to other accounting classifications, if necessary, prior to the actual certification of the invoice; and

4.7.10. Ensuring the cardholder billing statement and all original supporting documentation (e.g., receipts, logs, invoices, delivery orders, and approvals) is retained to comply with the requirements for record retention. This retention must capture and leverage origination of electronic data contained in automated systems so that it may be shared across the DoD's various platforms.

4.8 Approving/Billing Official

The approving/billing official is the individual, appointed by the commanding officer, director, or designee, with oversight responsibility for a number of cardholders to ensure that all purchase card transactions are necessary and for official government purposes only.

4.8.1. Approving/billing officials are responsible for providing information and data to certifying or disbursing officers in support of the payment process. A purchase card approving/billing official is responsible for attesting to the accuracy of information and data provided to a purchase card certifying officer in support of a payment to the card-issuing bank. Purchase card approving/billing officials are accountable and may be held pecuniarily liable for any erroneous payments that result from inaccurate information and data, including designation of the proper appropriation(s) or other funds, provided to a purchase card certifying officer, if the erroneous payment is the result of negligence relative to the performance of assigned duties.

4.8.2. The approving/billing official will review each cardholder's billing statement every month to verify the cardholder was authorized to purchase the items, the government has received

the items, and all accountable property (including pilferable items as defined by the DoD Component) has been properly recorded on government property accountability records in accordance with component property accountability policy and ***DoDI 5000.64***, "Accountability and Management of DoD Equipment and Other Accountable Property." The capitalization threshold and accountability requirements for property, plant, and equipment purchased are provided in Volume 4, Chapters 24-28. Each approving/billing official will have a reasonable span of control over cardholders in accordance with DoD GPC Policy. The approving/billing official's responsibilities referenced in DoD GPC Policy include, but are not limited to the following:

4.8.2.1. Coordinating purchase card limits and MCC exclusions with the RM/FM and A/OPC for cardholders under their purview;

4.8.2.2. Ensuring each cardholder fulfills his or her responsibilities as identified in DoD GPC Policy;

4.8.2.3. Reviewing/reconciling his or her cardholder's billing statements and approving the statement when the cardholder cannot perform this function. A purchase card checklist, included as Figure 23-1, may be used as a tool by approving/billing officials and certifying officers to document due diligence in billing statement reviews;

4.8.2.4. Verifying all transactions are legal, proper, and mission essential in accordance with the FAR, DFARS, and DoD policies and regulations;

4.8.2.5. Ensuring monthly Statement of Account accuracy and forwarding the monthly Statement of Account and all original supporting documentation (e.g., receipts, logs, invoices, delivery orders, and approvals) to the certifying officer;

4.8.2.6. Reviewing, approving, and forwarding the monthly Statement of Account to the certifying officer (if not the same as the approving/billing official). Figure 23-2 contains the language for the approving/billing official's certification statement;

4.8.2.7. Resolving any questionable purchases with the cardholder;

4.8.2.8. Notifying the A/OPC of any personnel changes that may require cardholder or managing account closure;

4.8.2.9. Notifying the A/OPC and certifying officer (if not the approving/billing official) of any planned approving/billing official reassignment to other duties or departure from the installation or activity;

4.8.2.10. Notifying the A/OPC and certifying officer (if not the approving/billing official) of any lost/stolen cards (in addition to the cardholder notifying the card-issuing bank); and

4.8.2.11. Completing service and agency-specific training.

4.9 Authorized Cardholder

The cardholder is the individual appointed in accordance with the policies contained in DoD GPC Policy and Volume 5, Chapter 5. DoD GPC Policy addresses the responsibilities of cardholders, their required use of a purchase log, and the responsibilities of others charged with cardholder and cardholder account management, reconciliation, and oversight. From a financial management perspective:

4.9.1. A cardholder will ensure funds are available prior to making the purchase;

4.9.2. A cardholder will perform a review of the monthly cardholder Statement of Account as described in paragraph 5.2;

4.9.3. When a cardholder uses the card to make unauthorized transactions, (see paragraph 2.3), the cardholder may be liable for any illegal, improper, or erroneous payment resulting from those transactions, and be subject to pecuniary liability (including reimbursing the Government for unauthorized or erroneous purchases through salary offset) or appropriate adverse personnel actions; and

4.9.4. In cases where an erroneous charge is not disputed timely, the cardholder may also be held accountable.

4.10 Convenience Check Account Holder

The convenience check account holder is a military member or civilian employee appointed as prescribed in DoD GPC Policy. In addition to the responsibilities of an authorized cardholder addressed in paragraph 4.9, the convenience check account holder is also responsible for ordering, receiving, storing, safeguarding, inventorying, reconciling, and disposing of check stock. Convenience check account financial management policy is addressed in section 6.0. The convenience check account holder is responsible for tax reporting for the convenience checks they issue and for obtaining a signed Internal Revenue Service ***(IRS) Form W-9***, Request for Taxpayer Identification Number and Certification, so that an ***IRS Form 1099-MISC***, Miscellaneous Information, can be issued to the convenience check payee. Reporting requirements are set forth at paragraph 6.3. The convenience check account holder will not perform the functions of approving/billing officials or certifying officers on the managing account for which they are a check writer. The commanding officer, director, or designee with oversight responsibility will cancel the convenience check privileges of cardholders who improperly use convenience checks.

4.11 Resource Manager/Financial Manager

The RM/FM is the individual designated by a component to record formal commitments and obligations into the accounting system. The RM/FM will establish commitments in advance in amounts no less than the periodic purchase limits authorized for commercial purchase cards or at the individual requirement level. Advance reservations of funds or commitments are established by the RM/FM, in conjunction with the assigned A/OPC, and must be considered when setting office, managing account, and/or cardholder purchase limits. The use of advance reservations of

funds or commitments assists in ensuring positive funds control, precluding expenditures from exceeding obligations. Policy for recording obligations for the transactions in this chapter is contained in Volume 3, Chapter 8. The RM/FM responsibilities associated with the purchase card program, referenced in DoD GPC Policy, include, but are not limited to the following:

4.11.1. Coordinating funding and spending limits with approving/billing officials and A/OPCs, to include providing advice on legal or regulatory constraints on the use of funds;

4.11.2. Providing approving/billing officials and cardholders official notification of funding;

4.11.3. Assigning default and alternate lines of accounting (LOAs), and ensuring they are entered into the card-issuing bank's system for electronic invoicing, receipt, and processing;

4.11.4. Providing reallocation authority to cardholders and approving/billing officials, when necessary. The process of reallocation, which gives the cardholder the capability to select different LOAs for a transaction rather than the default line, is set up by the cardholder's supporting RM/FM;

4.11.5. Receiving and correcting invoice rejects with the certifying officer's assistance;

4.11.6. Assisting with resolving accounts in a delinquent status and providing payment information when requested; and

4.11.7. Coordinating with the responsible officials to ensure any unrecorded purchases are recorded in the period in which they occur, and the miscellaneous obligation is reversed timely as referenced in Volume 3, Chapter 8.

4.12 Entitlement Office

For the purpose of this chapter, the term "entitlement office" is defined as the office that processes the card-issuing bank's payment request (i.e., Statement of Account) after certification by the certifying officer. Responsibilities of the entitlement office include, but are not limited to the following:

4.12.1. Verifying the amount certified for payment on the invoice matches the amount certified per the certified disbursement voucher;

4.12.2. Validating sufficient funds have been obligated in the accounting records;

4.12.3. Notifying the certifying officer and RM/FM within one business day of invoices rejected, including a detailed reason for the rejection. Upon resubmission of the rejected transactions, processing will include the Standard Document Number/contract number of the original transaction; and

4.12.4. Computing late payment interest penalties in accordance with Chapter 7 and provisions of the card-issuing bank's contract, if applicable.

4.13 Disbursing Office

The disbursing office verifies that the certifying officer's DD Form 577 has been completed in the PIEE/JAM and disburses payments to the card-issuing bank. The disbursing office will not replicate the reconciliation process before making payment on certified purchase card billing statements. The disbursing office makes an advice of payment available to the bank. See Volume 5, Chapter 9 for additional disbursing policy.

5.0 STATEMENT RECONCILIATION AND CERTIFICATION

*5.1 Receipt and Acceptance

The cardholder will ensure receipt and acceptance and perform proper documentation of all purchases made. Independent acceptance by an individual, other than the cardholder, is required for accountable property purchases and self-generated purchases (i.e., purchases lacking a documented request to purchase from someone other than the cardholder). Accountable property, as identified in DoDI 5000.64, includes sensitive, classified, and pilferable property type items. Refer to the Guidebook for additional circumstances that may require independent acceptance and the use of the Wide Area Workflow module within the PIEE when the purchase card is used as a method of payment against a contract.

5.1.1. To verify proof of acceptance, record the date accepted, along with the signature (or electronic alternative when supported by internal controls), printed name, and office designator or address of the accepting official on the sales invoice, itemized packing slip, bill of lading, or other component-approved acceptance documentation. Record the name of the independent individual confirming acceptance in the cardholder purchase log.

5.1.2. Local procedures may specify additional circumstances (e.g., based on cost) requiring evidence of acceptance by an individual other than the cardholder. The approving/billing official will verify the existence of acceptance documentation. The approving/billing official may also physically verify acceptance. The recording, tracking, and management of pilferable, sensitive, high-valued, or otherwise accountable property obtained with the purchase card will be in accordance with component property accountability policy and DoDI 5000.64.

5.2 Cardholder Review

The cardholder's Statement of Account from the card-issuing bank details all the transactions posted against his or her account through the end of the billing cycle.

5.2.1. Each cardholder must reconcile his or her Statement of Account, ensure a purchase log entry has been created for each transaction/purchase, and retain supporting documentation as specified in DoD GPC Policy to ensure accurate and timely payments. Cardholders will review their statements to identify any discrepancies and, as appropriate, attempt to resolve the issue(s)

with the merchant or, in accordance with bank procedures, dispute the transaction(s) or report the external fraud (see paragraph 5.7).

5.2.1.1. Under the billing discrepancy provisions of the GSA master contract, the cardholder must report cases of fraud to the card-issuing bank, the A/OPC, the commanding officer or director, and the local procurement fraud investigative authority for investigation and adjudication. The cardholder must also comply with the bank's fraud reporting procedures.

5.2.1.2. Known or suspected fraudulent transactions not authorized by the cardholder must not be approved for payment. If the fraudulent transaction is not removed by the bank by the end of the billing cycle, the invoice will be manually processed, excluding the amount of the transaction(s) in question, and then certified for payment. Due to timing issues, if the transaction in question has already been paid, the bank will issue a transaction credit on the next billing statement in accordance with the SmartPay contract. Cardholders must identify the reason the transactions are deemed fraudulent and the date the fraudulent transactions were reported to the bank in the system. In all instances, the cardholder will attempt to review/reconcile all transactions during the billing cycle within which they occur so that these fraudulent transactions are never included in the corresponding cardholder Statement of Account.

5.2.2. If the cardholder cannot resolve the discrepancy by obtaining a credit from the merchant, then the cardholder will officially dispute the transaction with the card-issuing bank following the procedures in paragraph 5.7.

5.2.3. The cardholder will sign and date the Statement of Account (preferably electronically) and forward it, with the necessary supporting documentation, to the approving/billing official for action. Figure 23-2 contains the language for the cardholder's certification statement.

5.2.4. If the cardholder cannot review the Statement of Account upon receipt (e.g., due to leave or business travel), then he or she will make his or her cardholder Statement of Account and supporting documentation available to the approving/billing official or certifying officer for timely review.

5.3 Approving/Billing Official Review

The approving/billing official must review each transaction made by cardholders under their managing account to ensure all supporting documentation is available and correct. The approving/billing official will ensure cardholder reviews have been completed properly; ensure billing discrepancies have been resolved with the merchant, disputed, or reported as fraud as necessary; ensure acceptance and documentation of all accountable property; verify all transactions were necessary government purchases; and perform any other functions required by DoD GPC Policy and other component policies and procedures.

5.3.1. Under billing discrepancy provisions of the GSA master contract, known or suspected fraudulent transactions not authorized by the cardholder must not be certified for payment and must be reported to the card-issuing bank, A/OPC, commanding officer or director,

and the local fraud investigative authority for investigation and adjudication. Refer to subparagraphs 5.2.1.1 and 5.2.1.2 for additional guidance concerning the review and handling of fraudulent transactions. If not done so by the cardholder, the approving/billing official should ensure fraudulent transactions are disputed in accordance with applicable card-issuing bank procedures and reported as fraudulent in accordance with the card-issuing bank fraud reporting procedures, as well as those of the component.

5.3.2. The government is contractually obligated to pay the card-issuing bank for all purchase card transactions made by an authorized cardholder other than those successfully disputed or that result from external fraud. This includes those made by an authorized cardholder in violation of purchase card policies (e.g., unauthorized or incorrect as defined by OMB Circular A-123, Appendix B, section 2.4.1). Every purchase made by an authorized cardholder using an authorized card creates a contractual obligation of the government to pay the card-issuing bank. Report these purchase card violations to the A/OPC, appropriate authorities, and/or management officials for investigation and corrective action in accordance with component policies and procedures.

5.3.3. For transactions that are determined to be purchase card violations, the approving/billing official will authorize payment for any items that cannot be returned and pursue corrective action by reporting the matter to the A/OPC and management officials in accordance with Component policies and procedures.

5.3.4. For transactions that may be questionable, the approving/billing official will determine as rapidly as possible whether there is potential fraud or whether the transaction is otherwise disputable. The mere lack of supporting documentation will not trigger a finding of fraud or impropriety unless the identity of the item or service, or other facts, would lead a reasonable person to believe that this was a fraudulent or unauthorized transaction. If the transaction is determined not to be external fraud, or otherwise disputable, then it must be approved for payment. The approving/billing official will continue to follow up to obtain sufficient documentation to support that the transaction is no longer categorized as questionable. The follow-up work should involve the cardholder, appropriate management, and bank officials, as necessary.

5.3.5. When the approving/billing official is appointed collaterally as the certifying officer, he or she will also complete the requirements in paragraph 5.4.

5.4 Certifying Officer Review

The certified billing statement is the official invoice for payment purposes.

5.4.1. The certifying officer will review and certify the billing statement (preferably electronic) and forward it to the designated entitlement and/or disbursing office for timely payment processing. Figure 23-2 contains the language for the certifying officer's certification statement. See Volume 5, Chapter 5 for additional policy concerning certification requirements.

5.4.2. The certifying officer must not certify a known or suspected fraudulent transaction that was not authorized by the cardholder. The certifier must not certify payments if the card or the card number applies to transactions generated by an unauthorized user, such as a merchant entering the wrong card number, or the transaction occurs after reporting the card or card number lost or stolen. The certifying officer will follow agency procedures for addressing all fraudulent or abusive transactions, or other instances of purchase card misuse.

5.4.3. Pursuant to 31 U.S.C. § 3528, a certifying officer certifying a voucher (purchase card billing statement) is responsible for the information, computation, and legality of a proposed payment under the appropriation or fund. A certifying officer will ensure all transactions are legal, proper, correct, and satisfy a bona fide need in accordance with government policies, rules, and regulations. Since payments are to the financial institution, the certifying officer is responsible for certifying the legality and accuracy of the information pertaining to the amount owed the financial institution.

5.5 Payment Without Receipt and Acceptance

In accordance with DoD GPC Policy, the DoD is authorized to certify invoices for payment of micro-purchases prior to the verification that all items billed have been received and accepted. The cardholder, as part of the monthly reconciliation of their Statement of Account, will annotate instances of non-receipt for recently ordered goods or services on each statement. Each approving/billing official is required to establish a system and related procedures to flag and track all transactions certified for payment without verification of receipt and acceptance. These procedures will ensure that all transactions that have been reconciled and approved for payment will have their receipt and acceptance verified no later than 45 days after the invoice date. If there is no documented evidence verifying receipt and acceptance after the 45-day period, the cardholder must protect the government's rights by disputing the transaction. The cardholder is responsible for notifying the bank of any item in dispute and will have 90 calendar days from the date the transaction was processed/posted to the account. The cardholder must file a formal dispute in accordance with paragraph 5.7.

5.6 Payment of the Certified Billing Statement

The designated entitlement office will pay purchase card invoices (preferably electronic) upon receipt of the certified billing statement. Attention must be paid to the prompt payment clock, which starts when the invoice is made available to the DoD on the card-issuing bank's website versus when invoices are transmitted to the entitlement office. The entitlement office will ensure that only the amount certified for payment by the certifying officer is processed for payment.

5.7 Disputed Transactions

A transaction dispute may occur in a situation in which the Government questions the validity of a transaction included on the cardholder Statement of Account. Transactions should be disputed only after all attempts have been made to resolve the issue directly with the merchant. Reasons to dispute a transaction include circumstances where the cardholder did not authorize the

transaction, the amount of the transaction is incorrect, the quality or service is unacceptable, the information on the transaction is erroneous or is a duplicate of an existing transaction, the material was returned or service was cancelled and a credit was not issued by the merchant within 30 days. The cardholder must dispute the transaction as soon as possible in accordance with the timetable and provisions contained in the tailored task orders with the card-issuing bank, the DoD GPC Policy, and local procedures.

5.7.1. For instances where items appear on the billing statement, but have not been received, the cardholder will contact the merchant to validate that shipment has been made. For cases of non-shipment, items will be officially disputed only if the merchant fails to credit the account in the next billing cycle, or the items are not ultimately received.

5.7.2. Approving/billing officials will monitor cardholder items billed versus receipt and acceptance discrepancies to ensure any remaining discrepancies are disputed.

5.7.3. Fraudulent transactions include, but are not limited to, transactions made on lost or stolen cards, incidences of compromised card numbers, or transactions initiated by unauthorized third parties. These transactions do not follow the dispute process but rather must be reported as fraudulent in accordance with the card-issuing bank fraud reporting procedures, DoD GPC Policy, and those of the Component.

5.8 Summary Accounting

To reduce transaction processing fees, DoD activities will summarize accounting data, where systems capabilities are available to preclude any duplication of LOAs, before submitting certified billing statements and accounting data to the designated entitlement office. Specifically, DoD activities will "roll up" disbursing data by LOA to eliminate duplicate LOAs on one certified billing statement.

5.8.1. Approving/billing officials and certifying officers will ensure complete summarization of billing statements with no duplicate LOAs prior to certification and submission of the billing statements for payment. The level of appropriation data summarization will be consistent with the advance reservation of funds and the data for entry into the accounts payable, disbursing, and accounting systems in order to maintain positive funds control, match each planned disbursement with a recorded obligation (as described in Chapter 1 and Volume 3, Chapter 8), and prevent unmatched disbursements.

5.8.2. The following methods will be used to facilitate summary-level accounting:

5.8.2.1. Use the minimum number of LOAs per purchase card to satisfy mission requirements;

5.8.2.2. Establish approving/billing official and cardholder relationships, to the maximum extent possible, which will support summary-level billing statements which are comprised of multiple purchase cards citing the same LOA; and

5.8.2.3. Use the object class that is most appropriate for the types of transactions made with the card.

6.0 CONVENIENCE CHECKS

6.1 Overview

Use of convenience checks must be minimized and designated as a purchase instrument of last resort. They will only be used if the merchant offering the goods or services does not accept or does not have the ability to process the purchase card, no other merchant can reasonably be located, and it is not practical to pay for the items using the traditional procurement method.

6.1.1. A discrete account must be set up in order to issue convenience checks. Convenience checks and normal purchase card accounts may be issued under a single managing account, but they must not be commingled. The transactions reported during the billing cycle for the convenience check and purchase card accounts will appear on the cardholder's Statement of Account.

6.1.2. Convenience check accounts are provided by the card-issuing bank in accordance with the terms of the tailored task orders with the bank. The card-issuing banks operate a convenience check writing system that allows DoD activities, including overseas locations, to make selected purchases and payments using checks to replace cash for official expenses, when card products and other alternatives have been determined unusable. The card-issuing banks offer "help desk" assistance and reporting capabilities with a variety of reporting media and frequencies to assist with performing oversight activities.

6.1.3. Each component will issue instructions concerning the use of convenience checks. Individuals delegated as convenience check account holders will be appointed in writing. At a minimum, the appointment letter will state the specific duties of the check writer, any limitations on the scope of authority (including dollar limitations), and an acknowledgement of the check writer's duties and responsibilities. Convenience checks will not be used for employee reimbursements, cash advances, cash awards, travel-related transportation payments, meals, or payroll/salary payments. For additional information concerning convenience check requirements and restrictions on their use, refer to DoD GPC Policy.

6.2 Printed Convenience Checks and Issuing Bank Requirements

The GSA contract provides responsibilities of the card-issuing bank for convenience check accounts. The card-issuing bank will ensure convenience checks are sequentially pre-numbered duplex documents (one copy for the cardholder's records and the original for the merchant).

6.3 IRS Form 1099 Requirements for Convenience Check Account Holders

6.3.1. The Defense Finance and Accounting Service (DFAS) has tax form issuance and IRS reporting responsibilities for the DoD convenience check program.

6.3.2. DFAS obtains the universe of DoD convenience check payment data from the GSA contracted bank that is responsible for convenience check accounts. DFAS provides the convenience check payment data to the applicable A/OPC, Account Manager, and Convenience Check Account Holder for determining the tax reporting requirements and completion of specifically identified data not available to, or captured by, the contracted bank. The Convenience Check Account Holder is responsible for ensuring the completion and return of the data to DFAS.

6.3.3. Using the information provided by the Convenience Check Account Holder, DFAS issues the tax forms to the convenience check payees and electronically reports the data to the IRS.

6.3.4. A/OPCs, Account Managers, and Convenience Check Account Holders that do not return the requested information to DFAS are responsible for their own tax form issuance and IRS tax reporting.

6.3.5. Additional tax reporting guidance for convenience check payments is located at ***https://www.dfas.mil/contractorsvendors/taxinfo/Convenience-Check-1099PRO/***.

6.4 Authorizing and Establishing Convenience Check Accounts

Requests to establish an account for convenience checks must be justified in writing and in accordance with the provisions established in DoD GPC Policy. A specific individual must be designated as the account holder responsible for that account via the proper application forms and delegation of authority letters. Those forms will be submitted through the DoD activity's existing purchase card hierarchical structure.

6.5 Conditions for Using Convenience Check Accounts

The authorized threshold for convenience checks is one half of the applicable micro-purchase threshold (***41 U.S.C. § 1902, statutory notes***). See DoD GPC Policy and FAR 2.101 for alternative thresholds pertaining to situations involving declared contingencies or emergency-type operations either within the United States or outside the United States. In order to maintain effective internal controls, approving/billing officials, payment review officials, and certifying officers will not perform the functions of convenience check custodian or cashier. Additional conditions on the use of convenience checks are as follows:

6.5.1. Convenience checks will be issued for the exact payment amount, with a prohibition on splitting purchases, payments, or other amounts among more than one check in order to keep amounts below the applicable micro-purchase threshold or other assigned limits;

6.5.2. Convenience checks will be used for official government purposes only;

6.5.3. Convenience checks will not be issued as an "exchange-for-cash" vehicle to establish cash funds;

6.5.4. If convenience checks are mailed to payees, then local internal controls must be in place to avoid duplicate payments being made to them;

6.5.5. The issuing activity is responsible for all administrative costs associated with the use of convenience checks. Fees associated with the use of convenience checks are specified in the GSA contract. At DoD Component election, the costs associated with the purchase of convenience checks may be expressed as a: (a) percentage; (b) number of basis points; or (c) fixed fee; and

6.5.6. Convenience checks are negotiable instruments and must be treated like cash for security purposes. Local policies and procedures must be implemented to provide safeguards to prevent physical loss, theft, or potential forgery. Checks will be accounted for by recording transactions as they occur in the check register and/or purchase log to maintain control of number sequence.

6.6 Reconciliation of Convenience Check Accounts

The convenience check account holder will reconcile the Statement of Account as part of the monthly billing cycle against his or her supporting documentation in accordance with the standard payment practices established for the purchase card in section 5.0.

* 6.6.1. Convenience check accounts and transactions must be reviewed in accordance with the Guidebook. The Guidebook requires the review and approval of each convenience check case (transaction) generated by the bank's data mining review tool. The data generated by the bank's data mining tool will ensure all convenience check transactions are identified for review. Convenience check transaction reviews will ensure each convenience check transaction was authorized, properly funded and approved, appropriate for Government use, does not exceed allowable limits, includes supporting documentation, and any other requirement of Component policies. Any suspected violations will be reported to the appropriate management and investigative authorities in accordance with established policies (see DoD GPC Policy for terminology and definitions of the specific categories of unauthorized or inappropriate transactions).

6.6.2. The dispute process is not available for convenience checks. Any concerns over a purchase made with a check will be resolved directly with the merchant. The account holder is solely responsible for securing restitution and/or credit on disputed purchases.

6.6.3. Stop payments may have an effect on convenience checks, provided the convenience checks have not been posted to the account. The card-issuing bank will provide the ability to stop payment on a convenience check within 24 hours. The stop payment fee will be charged directly to the account.

*6.7 Annual Convenience Check Account Reviews

The military officer in command or the civilian director in charge of an activity responsible for implementing the purchase card financial management policies of this chapter must ensure each convenience check account is reviewed annually by an individual other than the convenience

check account holder. This review must validate compliance with DoD and component policies and procedures for:

6.7.1. Physical security of checks (see subparagraph 6.5.6);

6.7.2. Timely and accurate completion of IRS Form 1099 tax reporting requirements by DFAS mandated deadlines (see paragraph 6.3);

6.7.3. Completion and effectiveness of data mining case reviews of convenience check transactions, to include the review of transaction supporting documentation; and

6.7.4. Minimization of convenience check use (see paragraph 6.1).

7.0 CONTINGENCY CONTRACTING EVENTS

The Guidebook, Appendix A, provides the relevant regulatory and related Departmental policies regarding the use of purchase cards in support of emergency-type operations (e.g., contingency contracting events.) The financial management policies related to purchase cards, as previously identified in this chapter, remain in place for contingency operations and contracting events unless otherwise noted.

Figure 23-1. Approving/Billing Official and Certifying Officer Monthly Review Checklist

This checklist is for approving/billing official and certifying officer use in completing the cardholder billing statement reconciliation, receipt and acceptance, and dispute procedures prior to certification. The checklist is intended as a reference tool for use in examining the cardholder's purchase card statement received from the card-issuing bank.

Account Number: _____ Account Type: _____

Approving/Billing Official Name and Date: _____

Billing Statement Date: _____

Review Steps	Date Completed
Obtain the cardholder statement, supporting documentation, and certification from the cardholder.	
Review purchases for each cardholder to determine whether all transactions were authorized government purchases in accordance with the FAR, DFARS, and all other government agency policy and procedures as applicable.	
Reconcile supporting documentation with details on the billing statement. Also, review for adequacy the purchase log entries for those transactions.	
Resolve any questionable purchases and delinquent balances with the cardholder and, if necessary, advise the cardholder to dispute transactions with the card-issuing bank or report fraudulent transactions. Annotate disputed and fraudulent transactions on the billing statement.	
Review past transactions that were certified for payment without proof of receipt and acceptance to confirm with the cardholder that receipt and acceptance occurred. If receipt and acceptance cannot be confirmed, then direct the cardholder to dispute the transaction.	
Annotate any identified delinquent balances and suspected purchase card violations on the billing statement and report such matters to the A/OPC so the transaction can be disputed or investigated as appropriate. In cases of suspected external fraud, report the matter to the card-issuing bank in accordance with DoD GPC Policy.	
In the case of suspected internal fraud by government personnel (e.g. cardholder/receiver), document the suspected internal fraud and notify the appropriate investigative office and the A/OPC so the transaction(s) can be investigated.	
Ensure supporting documentation (e.g., request to purchase or request for payment, approvals, receipt and acceptance, logs, and invoices) is included in the official repository in accordance with DoD GPC Policy.	
Sign or execute electronically the approving/billing official and certifying officer certification statements and forward the certified statements to the payment office.	

Figure 23-2. Purchase Card Certification Statements

- The Cardholder (as Accountable Official) certification statement will read:

"I certify that, except as may be noted herein or on supporting documents, the purchases and amounts listed on this account statement:

(1) Are correct and required to fulfill mission requirements of my organization;
(2) Do not exceed spending limits approved by the Resource Manager/Financial Manager;
(3) Are not for my personal use or the personal use of the receiving individual;
(4) Are not items that have been specifically prohibited by statute, by regulation, by contract, or by my organization; and
(5) Have not been split into smaller segments to avoid dollar limitations."

Authorized Cardholder Signature and Date (or electronic signature)

- The Approving/Billing Official (as Accountable Official) certification statement will read:

"I certify that the items listed herein are correct and proper for payment from the appropriation(s) or other funds designated thereon or on supporting vouchers, and that the payment is legal, proper, and correct, except as may be noted herein or on supporting documents."

Authorized Approving/Billing Official Signature and Date (or electronic signature)

- The Purchase Card Certifying Officer certification statement will read:

"Pursuant to the authority vested in me, I certify that this invoice (billing statement) is correct and proper for payment, except as may be noted herein or on supporting documents."

Authorized Purchase Card Certifying Officer Signature and Date (or electronic signature)

DEPARTMENT OF DEFENSE
FINANCIAL MANAGEMENT REGULATION

VOLUME 11A: "REIMBURSABLE OPERATIONS POLICY"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

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SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*****.**

The previous version dated July 2020 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
2.4.1., 2.5 (010204.A, 010205)	Revised this chapter to align with policy in DoD Instruction 4000.19 "Support Agreements" that was updated December 16, 2020.	Revision

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CHAPTER 1

GENERAL REIMBURSEMENT POLICY

1.0 GENERAL (0101)

1.1 Overview (010101)

DoD reimbursable authority is authorized by the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), through budget formulation and statutory authorization of the budget in accordance with Title 10, United States Code, section 2205 (***10 U.S.C. § 2205***).

1.2 Purpose (010102)

This chapter provides guidance on the amounts that must be recouped when DoD Components perform work or sell property within the Department, to other federal agencies and to private parties that do not involve the Defense Working Capital Fund (DWCF) or other DoD Revolving Funds. It does not provide authority to sell to private parties, since specific legal authority must be identified to make such sales. It supplements the standards for financial accounting for intragovernmental accounts receivable in Volume 4, Chapter 3, for intragovernmental accounts payable in Volume 4, Chapter 9, and budgetary accounting for reimbursements, in Volume 3, Chapters 8 and 15.

1.3 Authoritative Guidance (010103)

1.3.1. U.S. Department of the Treasury (Treasury) authorized accounts are to be credited for reimbursements made to DoD appropriations in accordance with ***31 U.S.C. § 1535*** and ***31 U.S.C. § 1536***. Refer to 10 U.S.C. § 2205 for further guidance.

1.3.2. Statutory authority on project order agreements for work or material or for the manufacture of material pertaining to approved projects placed with a separately managed DoD-owned establishment is given in ***41 U.S.C. § 6307***. 31 U.S.C. § 1535 governs Economy Act orders placed with an agency or major organizational unit within an agency. Chapters 2 and 3 provide detailed guidance on these statutory requirements.

1.3.3. According to ***DoD Instruction (DoDI) 4000.19*** "Support Agreements," DoD Components are responsible for programming, budgeting, and funding for the reimbursable support agreements into which they enter. These include agreements into which a DoD Component enters into with another DoD Component; a federal agency; a state, local, or tribal government; or a non-governmental entity that is a congressionally chartered nonprofit organization pursuant to ***36 U.S.C. §§ 20101 to 240101*** (e.g., American Red Cross, Boy Scouts of America, Girl Scouts of the U.S., and United Service Organizations, Inc.). DoDI 4000.19 uses the term Intra-agency support agreements to refer to agreements between DoD Components. Also, DoDI 4000.19 uses the term Inter-agency support agreements to refer to agreements between DoD Components and federal agencies.

1.3.4. The Department will no longer provide non-reimbursable support of any kind to other federal, state, territorial, tribal, or local government entities; private groups and organizations; foreign governments; and international organizations. Refer to the Secretary of Defense Memorandum, "***Reimbursable Activities in Support of Other Entities***," June 19, 2020 (DoD Common Access Card required). Non-reimbursable support may be provided if required by statute. When discretionary non-reimbursable support is permitted but not required by statute, it must be authorized by the DoD Joint Ethics Regulation or DoD Public Affairs guidance; or is provided after approval of an exception. Refer to the OUSD(C) memorandum, "***Reporting Guidance for Reimbursable Activities in Support of Other Entities***," July 22, 2020 (DoD Common Access Card required) for details on how to receive an exception.

1.3.5. The requirements in Treasury Financial Manual ***(TFM) Volume I, Part 2, Chapter 4700***, Appendix 8, "Section 1—Buy/Sell Transactions," provides guidance on Buy/Sell activity that involve reimbursable activity between Federal Program Agencies (FPAs) and, between FPAs and third-party providers. These buyers and sellers are also known as trading partners. The TFM provides the business rules and processes to properly record, report, reconcile and measure intra-governmental transactions (IGTs). The TFM differentiates between two types of IGTs, intra-departmental and intra-governmental. Intra-departmental transactions result from activity between trading partners within the same department. Intra-governmental transactions result from activity between federal agencies not within the same department. The Volume 5, "Definitions" Chapter defines an FPA as a department, instrumentality, office, commission, board, service, or other establishment of the U.S. Government.

1.3.6. The guidance in this chapter is applicable unless a specific DoD issuance authorizes alternative reimbursement policies. The most significant of these alternative reimbursement policies include:

1.3.6.1. ***10 U.S.C. § 2571*** allows for the exchange or transfer of supplies and services between military departments without compensation. Such transfers of supplies between military departments must have the permission of the Service Secretaries involved. In addition, a DoD Component may perform work, services or issue supplies without reimbursement, to another DoD Component with the permission of the respective Component heads. Furthermore, costs of DoD military or civilian pay and allowances (along with dependent and household goods transportation) for detail or other assignments, may be charged to an appropriation with the approval of the receiving DoD Component head.

1.3.6.2. Volume 11B establishes the DoD guidance for the recovery of cost for products and services provided by the DWCF or other applicable DoD Revolving Fund activities. Reimbursable orders placed with the DWCF or other DoD Revolving Fund activities may fall under any number of authorities (e.g. Project Orders for depot maintenance). The basic transactional authority for the DWCF is derived from ***10 U.S.C. § 2208(a)***. This authority for buyer-seller transactions is not dependent on the Economy Act or Project Order Act statutes. See Volume 11B, for additional information regarding DWCF authorities.

1.3.6.3. Volume 13 establishes the DoD accounting guidance for DoD Morale, Welfare, and Recreation (MWR) functions performed by Nonappropriated Fund instrumentalities (NAFIs). DoD Components must not commingle Nonappropriated Funds (NAFs) with Appropriated Funds (APFs), even when used to support a common program. ***DoDI 1015.15,*** "Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources," provides further guidance.

1.3.6.4. Volume 15 establishes the DoD guidance for the Foreign Military Sales (FMS) of defense articles, defense services and for providing military training to allied and friendly foreign governments and international organizations. Refer to Volume 15, Chapter 6, Appendix G (Columns 12 and 13), for additional information on how to account for actual hours worked.

1.3.6.5. ***DoD Directive (DoDD) 3025.13*** "Employment of DoD Capabilities in Support of the U.S. Secret Service (USSS), Department of Homeland Security (DHS)," provides the DoD policy for the use of DoD resources for reimbursable support of the USSS, a DHS entity.

1.3.6.6. ***DoDD 3025.18*** "Defense Support of Civil Authorities," provides the DoD policy for providing reimbursable military support when requested by civil authorities in order to save lives, prevent human suffering or, mitigate property damages within the U.S. Refer to Chapter 19 for further guidance.

1.3.6.7. ***DoDI 3025.21*** "Defense Support of Civilian Law Enforcement Agencies," provides the DoD policy for reimbursement when equipment or services are provided to agencies outside DoD in support of civilian law enforcement officials.

2.0 REIMBURSEMENT GUIDANCE (0102)

2.1 General Guidance (010201)

2.1.1. A seller's reimbursements are amounts earned and collected for materials sold or services furnished as a result of a reimbursable agreement. A seller's reimbursable obligations are financed by offsetting collections. Components are to credit these offsetting collections to an expenditure account in payment for goods and services provided by that account. Refer to ***Office of Management and Budget (OMB) Circular A-11, section 20*** for further details. Credit the specific appropriation or fund account for the collection only when it authorized by law.

2.1.2. The TFM in Volume I, Part 2, Chapter 4700, Appendices 5 and 8 provide the requirements for accounting, reporting, and reconciliation of IGTs between FPAs and their trading partners. The five IGT categories are Fiduciary, Buy/Sell, Transfers, Custodial, and General Fund transactions. Buy/Sell IGTs involve transactions where goods or services are purchased by one federal agency from another federal agency. Buy/Sell IGTs are exchange transactions impacting assets and liabilities; revenue and expenses; and advances/prepayments and deferred credits. Two federal agencies will usually execute a reimbursable agreement to formally document this arrangement. Trading partners must have appropriate statutory authority, such as the

Economy Act, prior to engaging in an agreement for Buy/Sell transactions. For Buy/Sell IGTs, the receiving agency is the buyer and the servicing agency is the seller. Trading partners must reconcile completed performance transactions at a minimum, on a quarterly basis to ensure both parties are in agreement. The TFM provides the requirements for using the standard ***Interagency Agreement (IAA)*** containing the Bureau of the Fiscal Service (FS) Form 7600A "United States Government General Terms and Conditions (GT&C)" and FS Form 7600B "United States Government Order Form." Treasury requires the use of these two IAA forms to ensure the proper recording and reporting on IGT Buy/Sell transactions unless, other guidance (such as OMB policy) requires a completed agreement for certain IGT types, such as assisted acquisitions. Refer to paragraph 010205 for specific guidance.

2.1.3. Non-Economy Act orders for intra-governmental work and services should be executed in accordance with the detailed guidance provided in Chapter 18.

2.2 Disposition of Collections (010202)

2.2.1. Collections must be credited to the appropriation that procured the services or materiel being sold when specifically authorized by law as required by subparagraph 010201.A.

2.2.2. Collections for unfunded costs such as labor of military personnel, depreciation of capital assets and interest, must be deposited into the General Fund of the Treasury as miscellaneous receipts unless otherwise provided for in this chapter or by other DoD issuances.

2.2.3. Collections received after an appropriation cancels must be deposited in Treasury Account 3200, "Collections of Receivables from Canceled Accounts." Refer to Volume 4, Chapter 3.

2.2.4. Disposition of collections for FMS must be in accordance with Volume 15.

2.3 Billing Standard (010203)

2.3.1. The price to be charged for goods and/or services furnished by the Department depends on whether that good and/or service is provided to, or for the benefit of a DoD Component, a non-DoD federal agency, a private party, or a FMS customer. Therefore, the ordering DoD Component activity that requisitions or orders a good or service must inform the performing DoD activity of the identity of the intended recipient for the requisitioned goods or services. Volume 4, Chapter 3 requires that the ordering activity must review all charges from the performing activity to ensure that amounts due are in agreement with the reimbursable order and are supported with a copy of the order or contract and evidence of performance.

2.3.2. DoD Components performing work or services on a customer order must bill the ordering DoD Component, other federal agency, or the public for earned reimbursements (performance of work or services, or delivery from inventory) within 30 calendar days after the month in which performance occurred. The payment due date must not be more than 30 calendar days from the date of the invoice. Bills rendered are not subject to audit by the customer prior to payment as required under 31 U.S.C. § 1535.

2.3.3. The accurate reporting of reciprocal balances, and proper elimination of reciprocal activity between trading partners, requires accurate documentation of accounting events. Imbalances occur when federal entities or trading partners are unable to account for and reconcile differences when buying and selling goods and services. Volume 6B, Chapter 13 provides guidance for trading partner exchange of data, eliminating intra-governmental transactions from the DoD quarterly and annual financial statements, and providing Treasury elimination information for use in preparing the Government-wide financial statements.

2.4 Determining Amounts to be Reimbursed (010204)

DoD Components must adhere to the guidance in the following 14 categories (subparagraphs 010204.A – N) when determining amounts to be collected as reimbursements. Components may use alternative reimbursement rules described in this volume and in other DoD issuances as applicable.

* 2.4.1. DoD Components providing prepaid or reimbursable support will require that cost information is quantifiable and provided to all parties. In addition, support must only be reimbursable when the specified support increases the seller's incremental direct costs and the seller's actual indirect costs of providing support. A seller can waive reimbursement from buyers that use or benefit from available support when charges would be less than the anticipated expense of billing and disbursing funds. DoD Components designated as a Combatant Command support agent will provide administrative and logistics support to Combatant Command headquarters and the subordinate unified command headquarters, as documented in agreements on a non-reimbursable basis, in accordance with ***DoDD 5100.03*** "Support of the Headquarters of Combatant and Subordinate Unified Commands." Refer to DoDI 4000.19 for additional guidance.

2.4.2. An order placed or agreement made under the Economy Act obligates an appropriation of the ordering entity. The amount obligated is deobligated to the amount of costs incurred and billed by the performing entity before the end of the period of availability of the appropriation. According to OMB Circular A-11 "Section 20 - Terms and Concepts," the Economy Act allows federal agencies or DoD Components to do work for each other. As the costs for this work are incurred, the Economy Act authorizes the collections to be credited directly to the expenditure account that provided the goods and services for reimbursement. Refer to Chapter 3 for further details.

2.4.3. A project order placed with, and accepted by a separately managed DoD-owned entity for services, material, or the manufacture of material, provide support for a valid and recordable obligation of the ordering entity. Project order appropriations remain available to pay an obligation in the same manner as appropriations remain available to pay an obligation to a commercial manufacturer or private contractor. Refer to Chapter 2 for further details.

2.4.4. As provided in Volume 13, Chapter 5 the two mechanisms for providing APF support to NAFIs are via two MWR functions. The first is the Utilization Support and Accountability (USA), and the second is the Uniform Funding and Management (UFM). MWR USA enables NAFIs to use NAFs to execute such expenses, subject to subsequent APF reimbursement. Record in the cash account with a contra entry to an Unearned Income (liability) account any MWR UFM funds received in advance. Reduce the Unearned Income account for the amount of MWR UFM expenses recorded.

2.4.5. Direct Civilian Labor.

2.4.5.1. A DoD Component must be reimbursed for direct civilian labor costs when performing a service or furnishing materials to another entity. If the performing Component has appropriated funds for that purpose, then reimbursement is not required.

2.4.5.2. DoD Components, other federal agencies, and the public must be charged for civilian labor performed for their benefit. Calculate the costs by multiplying the actual hourly pay rates by the number of actual hours worked or assigned (detailed). Charge full-time assignments (details) using annual rates. Otherwise apply the hourly rate in accordance with Chapter 6, Appendix D.

2.4.5.3. Civilian personnel fringe benefit rates must be computed in accordance with Chapter 6, Appendix C. These rates are updated annually and published by OUSD(C), Deputy Comptroller Program/Budget (P/B) on the Financial Management Reports web page, listed by fiscal year (FY) under the ***DoD Reimbursable Rates*** heading. Refer to the Civilian Personnel Fringe Benefit (Tab D).

2.4.6. Direct Military Labor.

2.4.6.1. A DoD Component must fund the cost of direct (and indirect) military labor incurred in the performance of a service for, or the furnishing of materials to, another DoD Component via applicable military personnel appropriations. Therefore, the performing DoD Component must not charge the receiving DoD Component for reimbursement of the cost of military labor. 10 U.S.C. § 2571 authorizes this exception to typical reimbursement requirements as outlined in 010103.F.1. DoD Components must reimburse DWCF activities for the cost of military labor as prescribed in Chapter 6, Appendix B and Volume 11B, Chapter 12. U.S. Army Corps of Engineers (USACE) military labor provided in support of civil works activities of the USACE via reimbursable agreement with DoD organizations, and to non-DoD organizations through the Support for Others Program must be charged in the same manner as military labor provided to non-DoD organizations. The Support for Others Program is a reimbursable financing source that is reported each year in the USACE Annual Financial Report. As an example, refer to the ***USACE FY 2020 Annual Financial Report***, Note 1, section 1.D "Financing Sources."

2.4.6.2. If provided for in the annual DoD Appropriations Act, operation and maintenance appropriations, may be available for reimbursement of pay, allowances and other expenses for National Guard and Reserve members who provide intelligence or counterintelligence support to Combatant Commands, Defense Agencies and Joint Intelligence Activities. These expenses involve the activities and programs included within the National Intelligence Program and the Military Intelligence Program. Refer to the FY 2021 OUSD(C), P/B guidance published online at Tab K under the subsection DoD Reimbursable Rates.

2.4.6.3. DoD Components must charge non-DoD organizations for military labor on the basis of the actual hours worked or assigned (detailed), using the annual military composite standard pay rates. Compute the military personnel composite standard pay and reimbursement rates in accordance with Chapter 6, Appendix G. OUSD(C), P/B annually updates and published these rates online at Tab K under the subsection DoD Reimbursable Rates.

2.4.6.4. Military labor charged using the annual DoD composite rate for military labor includes a Medicare-Eligible Retiree Health Care accrual to cover the cost of health benefits for current officer and enlisted personnel after they retire and become Medicare-eligible, as well as such costs for their dependents and annuitants. The annual composite rate charged to non-DoD organizations includes an acceleration factor to cover medical health care costs of active duty personnel and their dependents. Military Services will furnish data in accordance with Chapter 6, Appendix G.

2.4.7. Temporary Duty Costs. Travel costs incurred by DoD civilian employees and military personnel incurred in performance of a reimbursable work order must be charged as a direct cost when such travel can be identified specifically to the order. Costs of supplies and other directly relatable expenses are also chargeable.

2.4.8. DoD Personal Property and Inventory.

2.4.8.1. According to ***DoDI 5000.64*** "Accountability and Management of DoD Equipment and Other Accountable Property," personal property includes systems, equipment, materials, and supplies. This does not include records of the Federal Government and real property (land and improvements to facilities). Personal property normally expected to have a period of service of a year or more after being put into use meets the OMB Circular A-11 equipment definition. This equipment must be without material impairment of its physical condition or functional capacity. Personal property either held for sale, produced for sale, or used to produce goods for sale, or to provide a service for a fee, meets the OMB Circular A-11 inventory definition.

2.4.8.2. Reutilization and Marketing Materiel (Surplus)

2.4.8.2.1. ***DoD Manual 4160.21, Volume 1*** "Defense Materiel Disposition: Disposal Guidance and Procedures," defines a surplus as excess personal property no longer required by the federal agencies, as determined by the General Services Administration. The disposition of materiel by a Defense Reutilization and Marketing Office must be in accordance with this DoD Manual. The accounting treatment is set forth in Volume 4, Chapter 4.

2.4.8.2.2. The general rules for the disposition of proceeds from the sale of scrap or excess personal property must be in accordance with Chapter 5.

2.4.8.3. Non-DWCF Materiel. The pricing of personal property for non- DWCF materiel depends on whether the item(s) being transferred or sold will be transferred to another DoD Component and would normally be replaced. DoD Components make this determination in accordance with the approved acquisition objective, according to ***OMB Circular A-25*** "User Charges." If the sale will reduce assets required to meet the approved acquisition objective, then replacement is required.

2.4.8.3.1. Issues within or to another DoD Component with the exception of issues in support of NAFI Category C activities and USACE civil works activities, must be on a non-reimbursable basis as provided in 10 U.S.C. § 2571. Such issues will require an accounting entry to reflect the transfer from the losing to the gaining activity. The accounting entry must reflect original acquisition cost and any accumulated depreciation. Issues in support of NAFI Category C activities and USACE civil works activities must be priced in the same manner as issues to other federal agencies and private parties as provided in 010204.H.3.b.

2.4.8.3.2. Issues to other federal agencies or private parties must be priced as follows:

2.4.8.3.2.1. Materiel to be Replaced.

2.4.8.3.2.1.1. Materiel, including equipment, for which replacement (i.e., similar, but not exact) or replacement in-kind (i.e., exact) is required, must be transferred or sold at the estimated replacement cost, including the contract or production costs of the article less an adjustment for age and condition of the item being sold. This price is determined in three steps. First, determine the normal useful peacetime life of the item or equipment to be sold. Second, determine the percentage of useful life remaining on the item. Third, apply the percentage to the estimated (or actual) cost of the replacement item. The resultant amount is the base cost to be used in the sale price calculation. Under no condition must the sale price be less than the scrap value plus the cost of the last major overhaul or outfitting accomplished within 24 months before the sale.

2.4.8.3.2.1.2. If it is imperative that the item be replaced through accelerated procurements and normal pricing policies will not adequately recoup replacement costs, an exception to DoD pricing policies must be requested from OUSD(C), P/B. Normally, the exception would be to either add a replacement factor or delay final pricing until the contract for replacement items is financially complete.

2.4.8.3.2.2. Materiel Not to be Replaced. A DoD Component that transfers or sells material, including equipment, to other federal agencies and private parties must do so at their original acquisition cost, net of any accumulated depreciation/amortization (i.e., net book value). If the DoD Component cannot reasonably ascertain those amounts, the cost of the material will be its fair value at the time of transfer as provided in Volume 4, Chapter 25.

2.4.9. Contracts.

2.4.9.1. Contract costs incurred for contracts awarded as part of a reimbursable agreement must be billed to the benefiting organization.

2.4.9.2. Government-furnished materiel must be billed in addition to contract costs in accordance with subparagraph 010204.H.

2.4.9.3. If the contract is provided to meet the requirements of a non-federal organization, the contractor must be required to pay rent (at fair market value) to the Department for the costs incurred for the use of plant or production equipment utilized in manufacturing the item being sold.

2.4.9.4. The ***Federal Acquisition Regulation Subpart 52.232-17***, "Interest," provides that all amounts that become payable under the contract must bear simple interest from the due date until paid, unless paid within 30 days of becoming due. The Treasury's Bureau of the Fiscal Service provides an online "***Simple Daily Interest Calculator***" for payments less than 31 days old and a monthly compounding interest calculator for payments more than a month late.

2.4.9.5. Contract administration charges must be charged to other federal agencies and private parties, in accordance with statutory or policy requirements. As allowed in 10 U.S.C. § 2571 contract administration costs are not to be charged within a DoD Component or to another DoD Component (with the exception of support to NAFI Category C activities and support provided to USACE civil works activities) when funding for such costs is included in the mission funding of the performing DoD entity. Contract administration charges for support to NAFI Category C activities and support provided to USACE civil works activities must be priced in the same manner as charges to other federal agencies and private parties.

2.4.9.6. DoD personnel services in support of contracts must be costed in accordance with subparagraphs 010204.E and 010204.F.

2.4.10. Accessorial Charges.

2.4.10.1. The "Glossary" Chapter defines these as costs incurred for packing, crating, and handling related to sales or shipments of property. Accessorial charges may be incurred by the DoD for direct delivery of items from contractor facilities or by DoD Components for items furnished from DoD stocks. Accessorial expenses for support provided to USACE civil works activities must be priced in the same manner as charges to other federal agencies and private parties.

2.4.10.2. Unless otherwise provided by law or regulation, accessorial charges must be billed to the following:

2.4.10.2.1. Non-DoD federal departments, agencies, or instrumentalities.

2.4.10.2.2. Non-federal entities, including DoD contractors.

2.4.10.2.3. NAFIs when property is transported for DoD MWR activities unless reimbursement has been waived by DoDI 1015.15.

2.4.10.2.4. USACE for civil works projects or activities.

2.4.10.3. Accessorial charges must be reimbursed by non-DoD activities for the actual cost incurred and billed.

2.4.11. Asset Use Charge. A charge for the use of DoD assets (facilities and equipment, or both) is required to recoup depreciation and interest on investment. In accordance with OMB Circular A-25 section 9.A, amounts collected must be returned to the Treasury as miscellaneous receipts, unless otherwise provided for by statute or other DoD guidance. An asset use charge is a factor added to the base rate to recoup depreciation and interest on investments for use of DoD facilities and equipment. A four percent charge may be used. This rate is published annually by OUSD(C), P/B. Refer to the DoD Reimbursable Rates (Tab E) for details. Alternatively, the following calculations may be performed:

2.4.11.1. Depreciation is the systematic and rational allocation of the recorded cost of facilities and equipment (less its estimated salvage or residual value), as an operating expense over the period in which these assets are expected to provide benefits or the estimated useful life, whichever is shorter. Depreciation must be charged using the straight-line method of depreciation. A general equipment or real property item with a recorded cost that equals or exceeds the applicable capitalization threshold and has a useful life of at least two years must be capitalized as an asset and depreciated over its useful life. See Volume 4, Chapter 25. The depreciation calculation is illustrated in Exhibit 1-1.

2.4.11.2. Interest expense must be included in reimbursement billings to private parties to recognize the interest on investment in fixed assets when such assets are acquired or manufactured for the purpose of, or prepared for use in, providing materiel to private parties. The calculation of interest on investment is illustrated in Exhibit 1-2.

2.4.12. Repair and Maintenance. When repair and/or maintenance of items occurs, costs from a cost accounting system or, in its absence, equivalent costs developed through cost- finding techniques must be billed.

2.4.12.1. Labor cost must be computed in accordance with subparagraphs 010204.E and 010204.F.

2.4.12.2. Materiel and Supplies cost must be computed in accordance with subparagraph 010204.H.

2.4.12.3. Transportation and related costs must be computed in accordance with subparagraph 010204.J.

2.4.12.4. Overhead Cost must be computed in accordance with subparagraph 010204.N.

2.4.13. Leased or Loaned DoD Equipment. When determining the charge for leased or loaned equipment, the following elements must be billed:

2.4.13.1. Depreciation is not applicable to federal agencies unless the billing activity is a DWCF. Depreciation must be based on cost-finding techniques for sales to private parties unless actual rates are known. Calculations must be in accordance with subparagraph 010204.K.

2.4.13.2. Interest on investment in assets must be computed in accordance with subparagraph 010204.K and as designated within the lease agreement.

2.4.13.3. Value of equipment not returned to the owning DoD Component must be a sale to the using organization. This sale must be priced in accordance with subparagraph 010204.H.

2.4.13.4. Accessorial expenses must be recognized in accordance with subparagraph 010204.J.

2.4.13.5. Repair costs to restore equipment or property to its condition at the time leased or loaned must be collected from the using organization. The amounts must be based on either actual job order cost accumulations or estimates of the cost to be incurred based upon past repair and maintenance experience for similar equipment. The amounts collected must be returned to the appropriation that financed the repair and maintenance in accordance with ***10 U.S.C. § 2667***.

2.4.13.6. Direct labor costs must be computed in accordance with subparagraphs 010204.E and 010204.F; materiel and supply costs must be computed in accordance with subparagraph 010204.H; and overhead must be computed in accordance with subparagraph 010204.N.

2.4.14. Overhead.

2.4.14.1. Overhead involve expenses necessary to run a business that are not directly tied to the production and delivery of goods or services, according to OMB Circular A- 11.

2.4.14.2. Overhead is typically referred to as general and administrative (G&A) costs or some combination of G&A and indirect costs which cannot readily or directly be identified to the performance of a specific customer order for reimbursable costing. Examples of such costs

include central management, rent for office space, human resources, sales, building maintenance, office supplies and utility costs. As provided by the Federal Accounting Standards Advisory Board (FASAB) in ***FASAB Technical Release 15*** that clarifies Statement of Federal Financial Accounting Standards 6, when accumulated indirect costs are not identified as costs incurred to bring facilities and equipment to a form and location suitable for its intended use, they should be expensed.

2.4.14.3. DoD Components may use materiality to determine whether overhead costs should be included in reimbursable billings. This determination must be justified, documented, and be able to stand up to audit scrutiny. If an organization has a material amount of reimbursable effort, overhead costs are accumulated in a cost pool and allocated to customers. In the absence of a cost accounting system, applicable costs may be estimated.

2.4.14.4. Overhead charges may not be applied to reimbursable customer orders received from APF activities within the Department. However, APF activities will charge overhead on sales to other federal agencies, NAFI Category C activities, USACE civil works activities and private parties.

*2.5 Documentation Standards (010205)

2.5.1. General. Support agreements must comply with generally accepted government auditing standards as required in ***31 U.S.C. § 3521*** "Audits by agencies." These standards require establishing internal controls that provide reasonable assurance of achieving effective and efficient operations, compliance with regulations and applicable laws, and reliability of financial reporting. Support agreements must contain documentary evidence as required in ***31 U.S.C. § 1501*** "Documentary evidence requirement for Government obligations." Such evidence must include a purpose or scope of agreement in writing as authorized by law. These agreements must be executed before obligational availability expires and prior to the initiation of reimbursable fund certification.

2.5.1.1. A support agreement with a term greater than 3 years must be reviewed and validated by a support agreement manager from the buyer and seller. This review and validation must occur by at least the mid-point of the effective date (e.g., at year 4 in an 8-year agreement). Support agreements expire at a maximum 10 years from the effective date unless there is legal authority for the agreement to continue beyond 10 years.

2.5.1.2. New signatures from all parties to the agreement are required to establish a new support agreement or modify an existing support agreement. This must take place even when the terms and conditions are the same as those in the prior agreement. Cost estimates within agreements that include reimbursable support services must be reviewed annually by the seller to ensure current year actual costs are identified for accurate customer billing and invoices.

2.5.1.3. Support agreements that are active and have established terms for payment in effect as of December 16, 2020 will be converted to FS Form 7600A. This conversion must occur upon the agreement's next scheduled review or 3 years from December 16, 2020, whichever comes first. Refer to DoDI 4000.19 for additional guidance.

2.5.1.4. Support agreements must include procedures for amending, terminating, reviewing, and transferring the agreement; and for dispute resolution. For example, the agreement must specify that termination may occur by either party via written notice to the other party following an agreed upon termination time. Reporting entities unable to reach an agreement with respect to intragovernmental account balances must escalate the issue to the OUSD(C), Financial Improvement and Audit Remediation (FIAR) Directorate for resolution. Submit requests to the FIAR Directorate no later than the 12th business day of the month following the end of the quarter. At fiscal year-end, final adjustments must be completed prior to the issuance of the Agency Financial Report. Refer to Volume 6B, Chapter 13 for details.

2.5.2. FS Forms 7600A/B. The TFM defines trading partners as two entities engaged in IGT activity. Components must use FS Forms 7600A/B for intra-governmental Buy/Sell transactions. FS Form 7600A should cover the broadest categories of goods and services agreed to by both trading partners and, where practical, consolidate requirements to reduce the agreement workload until DoD Enterprise Resource Planning financial systems are capable of processing FS Form 7600B or equivalent.

2.5.3. Principal Documents. The ***DoD Financial Statement Audit Guide***, published May 2018 (DoD Common Access Card required), allow these Key Supporting Documents for Reimbursable Work Orders:

2.5.3.1. FS Form 7600A, GT&C (refer to DoDI 4000.19 and the TFM, Volume I, Part 2, Chapter 4700, Appendix 8 "Section 1 - Buy/Sell Transactions," for further guidance).

2.5.3.2. FS Form 7600B, Order Form (refer to DoDI 4000.19 and the TFM, Volume I, Part 2, Chapter 4700, Appendix 8 "Section 1 - Buy/Sell Transactions," for further guidance).

2.5.3.3. The Memorandum of Agreement (MOA) (see DoDI 4000.19 for further guidance).

2.5.3.4. ***Standard Form (SF) 1080***, Voucher for Transfers Between Appropriations and/or Funds.

2.5.3.5. ***SF 1081***, Voucher and Schedule of Withdrawal and Credits.

2.5.4. Preparation Standards. The following apply to document preparation:

2.5.4.1. FS Forms 7600A/B. A Buy/Sell agreement that defines the terms, conditions, scope, and responsibilities for trading partners during the exchange is referred to as the GT&C (FS Form 7600A). To begin the agreement process, either a buyer or seller may originate a GT&C that must be completed and approved to create an order (FS Form 7600B). The order must reference an open GT&C; however, federal agencies do not have to complete a GT&C each time they do a related order. Federal agencies may complete just one GT&C for multiple years to cover multiple orders. With the GT&C, data is exchanged for approval and a broad range of transactions; in general no funds are transferred and no accounting entries are created.

2.5.4.1.1. The Volume 5, "Definitions" Chapter defines G-Invoicing as an online portal that supports the exchange of information in IGT activity by federal trading partners. G-Invoicing will assign a unique identifier for each GT&C for tracking purposes. Federal agencies maintain the ability to associate their own unique identifier to each GT&C in their internal accounting systems. Orders in G-Invoicing must reference an active GT&C. G- Invoicing serves as a gateway for federal entities to agree upon the funding terms and the accounting treatment of their reimbursable activity, and exchange that data for consistent financial reporting.

2.5.4.1.2. The order section of the Buy/Sell agreement (FS Form 7600B) specifies the terms, quantities and prices, accounting data, and actions of each trading partner under the overarching GT&C. It serves as the funding section of the agreement that creates a fiscal obligation and details the necessary products/services requirements. Funding information is provided for both trading partners, and all required points of contact sign to authorize the order. It communicates the Treasury Account Symbol/Business Event Type Code for each order Schedule Line and contains unique lines of accounting or other accounting data. The order will also identify the specific requirements of the buyer for the expected delivery of products or services by the seller. In addition, the order identifies the roles and responsibilities for both trading partners to ensure effective management of the order and use of the related funds.

2.5.4.1.3. Treasury's Bureau of the Fiscal Service will eventually require all FPAs to use G-Invoicing under the authority of ***31 U.S.C. § 3512(b)*** and ***31 U.S.C. § 3513***, and in accordance with the TFM. FPAs must implement G-Invoicing for new orders by October 1, 2022 and for "In-Flight" Orders by October 1, 2023. Refer to the TFM, Volume I, Part 2, Chapter 4700, Appendix 8 for details.

2.5.4.2. MOA. An MOA is used to document an agreement and execute or deliver support with or without reimbursement between two or more parties. When a support agreement involves reimbursement, it can be used to further detail terms and conditions in addition to the FS Form 7600A. A Memorandum of Understanding (MOU) must only be used when there is agreement, among two or more parties, that payment is not expected; and when the parties do not rely on each other to execute or deliver on any responsibilities. Figures 1 and 2 in DoDI 4000.19 provide examples of an MOA and MOU respectively.

2.5.4.3. SF 1080. Intra-governmental payments result from transactions between federal entities for sales, services, or transfers between such entities. DoD Components may use the SF 1080 voucher as support for bills to other DoD Components and non-DoD federal agencies when unable to utilize electronic data interchange methods. See Chapters 2, 9, 16 and Volume 10, Chapter 10.

2.5.4.4. SF 1081. DoD Components may use the SF 1081 voucher when a manual process is required to generate inter-agency payments and collections with non-DoD federal agencies. See Volume 10, Chapter 10.

Exhibit 1-1 STRAIGHT-LINE METHOD OF DEPRECIATION

EXAMPLE OF STRAIGHT-LINE METHOD OF DEPRECIATION

Acquisition cost of the asset	$1,000,000
Less: Residual value (scrap)	$ 100,000
Depreciable basis	$ 900,000
Estimated useful life in years	20

The annual depreciation expense of $45,000 is computed by dividing the $900,000 depreciable basis by the 20-year useful life.

Hourly charge is computed by dividing the annual depreciation expense of $45,000 by 2,080 (standard yearly hours) to arrive at $21.63 per hour.

Note: the standard 40-hour work week x the standard 52 weeks in a year = standard yearly hours.

Multiply the hours used to complete the customer order by the hourly charge. For example, 500 hours x $21.63 = $10,815 depreciation expense to be charged.

Exhibit 1-2 INTEREST ON INVESTMENT CALCULATION

EXAMPLE OF INTEREST ON INVESTMENT CALCULATION

Acquisition cost of the asset	$1,000,000
Less: Accumulated depreciation (5 years at $45,000 per year)	$ 225,000
Net Book Value	$ 775,000
Annual interest (assume a rate of 10 percent per annum in this instance)	$ 77,500

Hourly charge is computed by dividing the annual interest of $77,500 by 2,080 (standard yearly hours) to arrive at $37.26 per hour.

Note: the standard 40-hour work week x the standard 52 weeks in a year = standard yearly hours.

Multiply the hours used to complete the customer order by the hourly charge. For example, 500 hours x $37.26 = $18,630 interest on investment to be charged.

VOLUME 11A, CHAPTER 2: "PROJECT ORDERS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated May 2021 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting and hyperlinks to comply with current administrative instructions.	Administrative
3.1.3	Updated the purpose of the G-invoicing system and removed the expired requirement date.	Revision/ Deletion

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CHAPTER 2

PROJECT ORDERS

1.0 GENERAL

1.1 Purpose

This chapter prescribes the financial management guidance and policy involving project orders issued pursuant to the authority in Title 41, United States Code, section 6307 ***(41 U.S.C. § 6307).*** The United States Coast Guard (USCG) has similar project order authority contained in ***14 U.S.C. § 712***. ***Chapter 1*** "General Reimbursement Policy" provides the overall guidance and discussion of general reimbursement procedures and related supporting documentation.

1.2 Authoritative Guidance

The following accounting policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:

1.2.1. 41 U.S.C. § 6307, Contracts with Federal Government-owned establishments and availability of appropriations

1.2.2. 14 U.S.C. § 712, Contracts with Government-owned establishments for work and material

1.2.3. ***31 U.S.C. §§ 1501-1502***, and ***31 U.S.C. §§ 1535-1536***.

1.2.4. Government Accountability Office ***(GAO) Red Book,*** Volume 2**,** Chapter 7, section B.1, Principles of Federal Appropriations Law

1.2.5. U.S. Department of the Treasury (Treasury) Financial Manual, Volume 1, Part 2, Chapter 4700 (***1-TFM 2-4700***), Federal Entity Reporting Requirements for the Financial Report of the United States Government

2.0 DEFINITIONS

2.1 Project Order

2.1.1. 41 U.S.C. § 6307 provides the Department of Defense (DoD) with the authority to place an order or contract for work, material, or the manufacture of material pertaining to an approved project from Federal Government-owned and operated activities. USCG has similar project order authority contained in 14 U.S.C. § 712 to accept orders from, and enter into reimbursable agreements with, establishments, agencies, and departments of the DoD.

2.1.2. These Project Orders must be for "non-severable" work or service, which are separate and distinct from the Economy Act Orders discussed in ***Chapter 3*** "Economy Act Orders." When placed with, and accepted by a separately managed DoD-owned establishment or the USCG, the project order serves to obligate an appropriation(s) in the same manner as an order or contract with a commercial enterprise. The appropriations related to project orders remain available to pay the obligation to a DoD-owned establishment or the USCG just as appropriations remain available to pay an obligation to a commercial manufacturer or private contractor.

2.2 DoD-owned Establishment

A "DoD-owned establishment" for the purpose of this chapter is any DoD-owned and operated activity (that is, not contractor owned or operated). Such activities include working capital fund activities; other revolving fund activities; and those appropriated fund activities engaged in reimbursable operations that reasonably are not severable into fiscal year segments and where such operations can be forecasted with reasonable accuracy. Examples of such activities include equipment overhaul or maintenance shops, manufacturing or processing plants or shops, research-and-development laboratories, computer software design activities, testing facilities, proving grounds owned and operated by the Department, and engineering and construction activities.

2.3 Contractual Relationship and Commercial Contracts

Terms such as "contractual relationship" and "commercial contracts" are used to indicate the close relationship between project orders and commercial contracts in the particular circumstances involved. The use of these and similar terms do not subject project orders to the provisions of the Federal Acquisition Regulation, project order agreement, or responsibilities (legal or otherwise) not provided for in this chapter.

2.4 Allotment

Per Office of Management and Budget Circular A-11, allotments are subdivisions of apportionments that are made by the heads of agencies to incur obligations within a prescribed amount. For the purposes of this chapter, subdivision includes the approved operating budgets for the operation of the Military Departments.

2.5 Approved Projects

As interpreted by GAO, the term "approved projects" simply refers to projects approved by officials having legal authority to do so.

3.0 GENERAL POLICY

3.1 Treasury Guidance on Intra-Governmental Transactions

3.1.1. Section 4750, "Intra-governmental Quarterly and Year-end Requirements," of the 1-TFM 2-4700 discusses the requirements necessary to properly report intragovernmental

transactions resulting from business activities (i.e., buy/sell transactions) between two federal government entities, called trading partners. It further references the Appendix 5, "Overall Intragovernmental Transaction Processes and General Information" to properly record, report, and reconcile intragovernmental transactions, including the processes for dispute resolution.

3.1.2. Appendix 8 to Section 4750 provides guidance concerning reimbursable activity between trading partners, otherwise referred to as buy/sell activity. Buy/sell activity and the associated accounting activities must be agreed upon by the trading partners and managed through a formal buy/sell agreement. The TFM provides the requirements for using the standard ***Interagency Agreement*** containing Treasury's Bureau of the Fiscal Service (FS) Form 7600A "General Terms and Conditions (GT&C)" and FS Form 7600B "Order Requirements and Funding Information (Order)." The data elements captured in these forms are necessary to (1) ensure the proper recording and reporting on intragovernmental buy/sell transactions, and (2) eliminate most of the federal-wide reporting deficiencies impacting the Financial Report of the United States Government.

* 3.1.3. The ***Treasury's G-Invoicing*** system is used to negotiate, broker, and electronically store the GT&Cs and associated transactions between buyers and sellers for all inter and intragovernmental reimbursable transactions.

3.2 Recordable Obligation

3.2.1. A project order is a valid and recordable obligation of the issuing entity when the order is placed with and accepted by a separately managed DoD-owned establishment or the USCG, providing the obligation otherwise meets the criteria for recordation of an obligation contained in 31 U.S.C. § 1501.

3.2.2. All orders or contracts for work or material or for the manufacture of material pertaining to approved projects placed with DoD-owned establishments or the USCG must be considered as obligations in the same manner as prescribed for similar orders or contracts placed with commercial manufacturers or private contractors. Appropriations remain available to pay the obligations so created as in the case of contracts or orders with commercial manufacturers or private contractors.

3.3 Project Order Forms

3.3.1. As stated in subparagraph 3.1.2, Treasury has established a standard Interagency Agreement form containing the GT&Cs (FS Form 7600A) and the Order (FS Form 7600B) for federal-wide use in carrying out buy/sell transactions between trading partners. These forms must be issued by an authorized DoD or USCG entity and accepted for performance in a DoD-owned and operated establishment.

3.3.2. To properly document that the order for goods or services is a project order, the trading partners must ensure the proper statute (41 U.S.C. § 6307) is cited on the FS Form 7600B for DoD project orders, or 14 U.S.C. § 712 for USCG-related project orders.

3.4 Work Description

3.4.1. A project order must include an adequate description of the goods to be delivered and/or work to be performed, to include the Line Item/Sub-Line Item level, as well as the Product Service Code on each requirement. Without these required elements, the order is not sufficient to create a recordable obligation or document detailed performance/delivery, receipt and acceptance, and its' respective invoicing and settlement.

3.4.2. There may be repeat orders for which the performing installation has detailed and definite specifications available. Thus, if the performing activity has on file those elements that make a project order specific, definite, and certain, and those elements are in sufficient detail to enable the performing installation to proceed in carrying out the work ordered, then it is not necessary to also include those elements within the project order itself. In such cases, reference may be made on the project order that specification documentation is retained on file by the performing activity.)

3.5 Use of Standard Line of Accounting

In accordance with ***Volume 1, Chapter 4*** "Standard Financial Information Structure," buyers and sellers must use the Standard Line of Accounting and ensure it is properly annotated when generating or accepting a reimbursable order, as applicable. Refer to Volume 1, Chapter 4 for additional details and requirements.

4.0 ADVANCE PLANNING

4.1 Work Estimates to Performing DoD Establishments

Ordering DoD Components or the USCG must give performing DoD-owned establishments advance planning notice of future requests of goods and/or services expected to be placed with the performing DoD-owned establishment. A performing DoD-owned establishment, in the development of its operating budget, must use this advance planning detailed line/sub-line item level data to draft order requirements. An operating budget is subject to revision as subsequent specific work requirements, including significant revisions thereof, are determined.

4.2 Cost Estimates

At the appropriate time during project order negotiations, performing DoD-owned establishments must give ordering DoD Components cost estimates for each item to be produced or work to be performed under the project order.

5.0 CONDITIONS GOVERNING ISSUANCE AND ACCEPTANCE OF PROJECT ORDERS

5.1 Contractual Relationship

A contractual relationship must exist (i.e., be created by the project order) between the parties involved.

5.2 Under the Same Activity Commander

Since an entity may not enter into a formal contract with itself, a project order must not be used by one organizational unit to order work from another organizational unit under the same activity commander.

5.3 Expiration

Expiration dates of project orders must not extend beyond the point in time in which the appropriation funding the order cancels (generally five years after the appropriation expires for new obligations).

5.4 DoD-Owned Establishment

Project orders must be issued only to DoD-owned establishments (see examples in paragraph 2.2) that have been given the authority to operate a reimbursable program in an amount equal to or exceeding the project order amount(s). Those issued to the USCG under 14 U.S.C. § 712 would be issued in accordance with USCG established regulations. To determine whether the project order statute provides the statutory authority for an intra-DoD order, determine whether the order is being placed with a DoD-owned establishment. Also, determine whether the order is "entire" (also known as non-severable) under paragraph 5.9 and satisfies the other requirements identified in this chapter.

5.5 Payments

All payments made by an ordering DoD Component to a performing DoD-owned establishment must be based upon the payment schedule in the approved and accepted order (FS Form 7600A) which must be within the scope and conditions of the established agreement (FS Form 7600B).

5.6 Specific, Definite, and Certain

Project orders are analogous to contracts placed with commercial concerns and similar to such contracts, must be specific, definite, and certain both as to the work encompassed by the order and the terms of the order itself. A project order must be accepted by the performing entity as a basis of obligation by the issuer.

5.7 Certification of Availability for Purpose

Project orders are subject to the same fiscal limitations that are contained within the appropriation from which they are funded. On the other hand, the performing entity may not be aware of all such appropriation limitations. Therefore, an official of the issuing entity must offer a certification on or attached to the project order stating that the funds cited on the project order are properly chargeable for the purposes cited in the project order.

5.8 Bona Fide Need

The issuing entity's project order must serve a bona fide need that exists in the fiscal year in which the project order is issued; otherwise, a valid obligation is not accomplished. It is not intended that the bona fide need of the fiscal year rule be construed to preclude procurement lead-time. Thus, where materials, for example, cannot be obtained in the same fiscal year in which they are needed and contracted for, a provision for delivery in the subsequent fiscal year does not violate the bona fide need rule so long as the time intervening between contracting and delivery is not excessive and the procurement is not for standard commercial items readily available from other sources. Bona fide need generally is a determination of the requesting entity and not that of the performing entity. The performing entity must perform due diligence prior to accepting a project order. It is incumbent upon the performing entity to review the order for obvious deficiencies that would lead a reasonable financial manager to question if the order serves a bona fide need existing in the fiscal year of the appropriation cited on the order. The performing entity must maintain this documentation as part of the project order file.

5.9 "Entire/Non-Severable" Versus "Severable"

5.9.1. To be eligible for project order financing, the need must be present in the fiscal year in which the project order is issued, require a series of actions over a period of time which may cross a fiscal year, and call for work or services that are reasonably not severable between fiscal years. For instance, an order for an "entire" end-item or service would call for a single or unified outcome or product and would be one in which few, if any benefits would accrue if the work were terminated without completion at the end of the fiscal year in which it was placed.

5.9.2. The distinction between "entire" and "severable" may not be readily evident. A service is non-severable if the service produces a single or unified outcome, product, or report that cannot be subdivided for separate performance in different fiscal years. Whether the subdivision is feasible or not is a matter of judgment. The objective desired by the requesting customer must be used in the determination. If the customer supplies an item (for example, an aircraft) for overhaul or renovation and wants the entire item returned in a serviceable state, then a repair of a single component (for example, avionics, landing gear, or electronics) of the item when the item consists of many components needing repair, would not be a "severable" action. Conversely, if a customer desires an automated system that consists of multiple modules and some (or all) modules can be used independent of the entire system, then each module that can be used independent of the entire system is severable.

5.9.3. The following are examples of efforts that are not eligible for procurement as a project order:

5.9.3.1. Custodial or housekeeping services;

5.9.3.2. Security or fire protection services;

5.9.3.3. Refuse collection;

5.9.3.4. Routine maintenance in general, including: grounds or surfaced-area maintenance, heating and air conditioning systems operation and maintenance, and other real and personal property maintenance;

5.9.3.5. Services such as: subsistence, storage, printing, laundry, welfare, transportation (including port handling), travel, utilities, or communications when any of these purposes is the primary purpose of the request; and

5.9.3.6. Efforts where the stated or primary purpose of the order is to acquire a level of effort (e.g., 80 hours of continuing education and training courses, 40 credits of continuing professional education, 100 hours, 20 weeks, or one year) rather than a specific, definite, and certain end-product.

5.9.4. The following are examples of efforts in which an entire need generally exists and are eligible for project order financing:

5.9.4.1. Manufacture, production, or assembly of items including experimental prototypes or items manufactured and assembled for test. "Items" include ships, aircraft, guided missiles, other weapons, vehicles of all kinds, ammunition, clothing, machinery and equipment for use in such operations, and other military and operating supplies and equipment (including components and spare parts);

5.9.4.2. Renovation, rebuild, rehabilitation, reconditioning or overhaul of items, including such operations as are necessary to restore an item to a condition of serviceability equivalent to its original state;

5.9.4.3. Alteration or modification in design or assembly of an item to meet revised specifications or to correct defects;

5.9.4.4. Construction or conversion of items (including buildings and other structures), utility and communication systems, and other public works;

5.9.4.5. Development of software programs and automated systems when the purpose of the order is to acquire a specific, definite, and certain non-severable end-product that is achievable reasonably with the resources (financial, human, and plant) available to the provider rather than a level of effort over an extended period;

5.9.4.6. Production of engineering and construction related products and services; and

5.9.4.7. Education and training contracts for single training courses which are considered a single undertaking. Multi-year research study work order to produce a publishable report.

5.10 Commencement of Work

5.10.1. The work to be performed under project orders must be expected to begin within a reasonable time after its acceptance by the performing DoD-owned establishment or the USCG.

5.10.2. Although work on a project order is not required to commence in the year of project order acceptance, as a minimum requirement, evidence must exist at the time of project order acceptance showing the intention that work (or procurement if required prior to the beginning of work) must (1) begin without delay (usually within 90 days) and (2) be completed within the normal production period for the specific work ordered.

5.10.3. If work (or procurement if required prior to the beginning of work) financed from an appropriation that expired for obligation on September 30 on a project order does not begin, or is not expected to begin, before January 1 of the following calendar year, then the project order must be returned by the performing activity for cancellation. If it is documented that the delay is unavoidable and could not have been foreseen at the time of project order acceptance, and that documentation is retained for audit review, then the project order can be retained and executed.

5.11 Contingent Event Prohibition

A project order must not be issued if commencement of work is contingent upon the occurrence of a future event or authorizing action by the ordering entity.

5.12 Lawful Purpose

Project orders must not be used to contravene provisions of the law or accomplish by means of this device what regulations do not permit under commercial contracts.

5.13 Authorized Purpose

Project orders must not be issued for the primary (or secondary) purpose of continuing the availability of appropriations.

5.14 Project Order Modifications

5.14.1. The project order statute differs from the Economy Act at 31 U.S.C. § 1535 because it permits agencies to account for obligations for orders in the same manner as orders for similar work placed with commercial manufacturers and private contractors. Project orders, similar to commercial contracts, may contain special provisions and may be modified. Unlike

procurement contracts with commercial concerns where competition requirements limit permissible contract modifications, project orders may be changed or increased at any time to accommodate new or additional work so long as proper funding is available, and so long as the new work otherwise meets the general conditions governing issuance and acceptance of project orders.

5.14.2. If the appropriation used to fund the initial order remains available for new obligation, then use it to fund all modifications that are a bona fide need of that appropriation, even if the modification changes the scope of the project order.

5.14.3. If the appropriation used to fund the initial order has expired, then use it to fund only those amendments and modifications that are within the general scope of the initial project order.

5.14.4. All modifications that increase or change the general scope of work of the original order must be charged to a current appropriation. In cases where the original appropriation has expired and no longer available for new obligations, and the modification or amendment changes the general scope of the original order, the amendment or modification must be funded from a current appropriation.

5.14.5. The appropriation cited on the project order must remain available for price increases and changes that are within the scope of the original order. These obligational rules apply equally to fixed price and cost reimbursable project orders.

5.14.6. Limitation of cost clauses in commercial cost-reimbursement contracts that are the obligational basis for the requirement to charge current appropriations for all ceiling increases, including those within the general scope of such contracts, are not applicable to cost-reimbursement project orders. Limitation of cost clauses govern the legal liability of the United States to third parties, whereas transactions within or between agencies are governed by principles of comity. Whether to structure such project orders on a fixed price or reimbursable basis is a matter of agency discretion and convenience, but not obligational relevance. Whether the work changes the general scope of the original order, or otherwise satisfies an emergent bona fide need of the current fiscal period, governs whether current funds must be charged. Subject to the provisions of paragraph 7.8, amendments to project orders which have the effect of partial or complete termination of such orders must provide for the inclusion of the costs of termination.

5.14.7. ***Volume 3, Chapter 10*** "Accounting Requirements for Expired and Closed Accounts" provides additional guidance on accounting requirements for expired and closed accounts.

5.15 Ability to Perform

Project orders must be issued only to those DoD-owned establishments that are capable of performing substantially the work ordered. "Substantially" as used in this paragraph, means that the project order recipient must incur costs of not less than 51 percent of the total costs attributable

to rendering the work or services ordered. Total costs to render the work or services ordered include the costs of goods or services obtained from or provided by contractors.

5.16 Subsidiary Ordering

5.16.1. The provisions of this chapter are not intended in any way to authorize one DoD-owned establishment to act as a general contracting or purchasing agent for another entity.

5.16.2. Subsidiary ordering (within the government) and contracting (with commercial firms) pursuant to a project order is authorized, given such subsidiary ordering and contracting is incident to, and is for use in, carrying out the purpose of the project order.

5.16.3. Project orders must contemplate the use of personnel and facilities (and may include the use of other resources) on the part of the project order recipient, but beyond those incident to contract procurement. In this connection, it is not improper for a project order recipient to subcontract for component parts when the recipient later assembles those parts into the end-product ordered. The assembly operation includes the use of personnel whose technical skills are essential to completion of the job. In addition, the work expended in the assembly operation must be of such an extent that it avoids a perception of the project order being used for contract procurement.

5.16.4. If a project order cannot be placed with another DoD-owned establishment because that establishment would fill the order by contracting with a commercial concern for performance of substantially the entire order, then it is possible the order could be placed pursuant to the Economy Act. This Act permits the agency or agency unit filling the order to provide or procure by contract the goods and services necessary to perform the order.

5.17 Project Order Default

5.17.1. Where a recipient of a project order defaults or fails to perform work or services specified in the order, and a replacement project order is required as the result of such default, the following apply:

5.17.1.1. Defaulted work or services may be procured from another DoD-owned establishment or the USCG to the extent of any unobligated balance in the appropriation thus obligated.

5.17.1.2. Similarly, a project order also may be issued to a DoD-owned establishment or the USCG under an appropriation obligated by contracts with outside contractors when such contract is terminated for default or failure on part of the contractor to perform work or services specified in the contract.

5.17.1.3. Replacement project orders resulting from defaults may be issued and obligated subsequent to the period of availability of the appropriation for obligation if the replacement project order is made without undue delay after the termination of the original contract or project order.

5.17.2. A replacement project order fulfills a bona fide need of the appropriation that had funded the contract or project order that was terminated for default. The replacement project order must be awarded on the same basis and be similar substantially to the original project order in its scope and size. The replacement project order must not extend beyond the point in time in which the ordering appropriation cancels (generally five years after the appropriation expires for new obligation).

5.18 Project Order Financing

A project order must be financed fully by the ordering DoD Component from obligational authority current at the time the project order is issued and accepted. Project orders may be issued for a research, development, test, and evaluation project which is not financed to completion (i.e., prepared on an incrementally programmed basis). A research, development, test and evaluation appropriation project or program financed on an incrementally programmed basis is one that is funded for the remainder of the funding appropriation's period of current availability or the current fiscal year vice a fully-funded-to-completion basis.

5.19 Direct-Cite Prohibition

A DoD-owned establishment may only accept project orders on a reimbursable basis. Orders must not be made a subdivision of funds, similar to an allotment; nor the appropriations of the ordering entity be cited by the performing DoD-owned establishment when incurring and recording obligations incurred in performance of the order.

5.20 Reimbursement of Costs Incurred in Performance of a Project Order

Reimbursement of costs incurred by a performing activity may be accomplished in the manner ordinarily used by that performing activity. Volume 5, Chapter 9 "Disbursement" recognizes that a disbursement may result from a transfer of funds from one appropriation or fund to another by a "no check drawn" transaction using a Standard Form (SF) 1080, Voucher for Transfers Between Appropriations and/or Funds; SF 1081, Voucher and Schedule of Withdrawals and Credits; or by the Treasury's Intra-governmental Payment and Collection (IPAC) system. ***Volume 5, Chapter 11*** "Electronic Commerce and Deposit of Public Funds" provides additional information on the IPAC system and also identifies general requirements and technical specifications prescribed by the Treasury on the use of IPAC.

6.0 CONDITIONS GOVERNING PERFORMANCE OF PROJECT ORDERS

6.1 Timeliness

After acceptance, project orders must be performed as expeditiously as possible according to the terms as accepted. See paragraph 5.10 for additional information.

6.2 Notification of Delivery Schedule

Performing DoD-owned establishments are responsible for promptly advising ordering DoD Components of all goods delivered and/or service rendered, and of any changes in delivery schedules.

6.3 Summary of Costs

For cost-reimbursement project orders, performing DoD-owned establishments must give ordering DoD Components a summary of costs incurred to date and estimates of costs to complete the order no less than quarterly, but no more frequently than once a month. No special report forms are authorized for this purpose.

6.4 Expiration Dates

Expiration dates of project orders may be extended with the approval of the ordering DoD Component. Expiration dates of project orders may not extend beyond the point in time in which the ordering appropriation cancels.

7.0 REIMBURSEMENTS TO PERFORMING DOD-OWNED ESTABLISHMENTS

7.1 Reimbursement

Performing DoD-owned establishments must be reimbursed for work covered by project orders based upon fixed prices or costs incurred.

7.2 Fixed Price Project Orders

7.2.1. A fixed price project order must establish a firm price for purposes of reimbursement for the work or services ordered. A fixed price basis may be used when all of the following conditions are present.

7.2.1.1. Work specifications are stable, specific, and definite; and they are made part of the order (or incorporated by reference) for each item when the project order is accepted for performance on a fixed price basis or amended for any changes in the scope of the work. This requirement is critical especially for project order-accepting activities financed by a direct appropriation. An activity financed by a direct appropriation must not accept a fixed price project order unless the activity can predict with a high degree of certainty the actual cost to complete the project order. Otherwise, the activity may violate the prohibition against inappropriately augmenting an appropriation and/or using an appropriation for a purpose not authorized.

7.2.1.2. When there is more than one item of work or service in a project order, including amendments for changes in scope, each item is made the subject of a separate price as shown by the order or in a list incorporated therein by reference. When the work to be performed is the subject of a work list (e.g., equipment overhaul) each entry on the work list must be considered to be an item.

7.2.1.3. No substantial contingencies are included in the price, nor considered to be involved in performance, so that cost variations in performance reasonably can be expected to be minor.

7.2.1.4. There is a satisfactory system of cost estimating used as a basis for establishing fixed prices. When cost standards are used in cost estimating for the purpose of pricing, they must be adjusted for this purpose to include expected cost variances.

7.2.1.5. The same cost elements are used in cost estimating and establishing fixed prices as would be required for use if reimbursements were based upon actual cost incurred.

7.2.2. The requirement to establish a firm price for purposes of reimbursement for the work or services ordered does not preclude the issuance of amendments/modifications to cover changes in scope of any item in the order.

7.3 Cost-Reimbursement Project Orders

7.3.1. The amount stated in a cost-reimbursement project order must be a sound estimate of the costs to be incurred in performance of the work or services ordered. Such estimates must be determined based upon the specific work to be performed. The estimate of costs must be the ceiling amount for purposes of reimbursement for the work or services ordered.

7.3.2. The performing DoD-owned establishment and the ordering DoD Component must undertake timely renegotiations for revisions of the ceiling amount of cost-reimbursement project orders. Such renegotiations must take place whenever cost performance indicates the need for adjustment of the ceiling amount upward or downward, but before the cost of performance has exceeded 75 percent, when compared with the current ceiling amount. Renegotiations need not be conducted when the probable cost of renegotiation is greater than the adjustment amount. In such cases, the performing establishment must absorb the difference, upward or downward.

7.3.3. Cost-reimbursement project orders may be converted to a fixed price basis provided all conditions governing the use of fixed price project orders are present (see paragraph 7.2). In addition, the conversion must occur prior to incurring either 50 percent of the total cost of the work, or 50 percent of the period of performance, whichever comes first.

7.4 Unfunded Costs

7.4.1. For purposes of this chapter, “unfunded costs” are costs that are not funded in the account or appropriation that funds the performing activity. Examples of unfunded costs are not universal. Some performing revolving fund accounts, primarily the working capital fund accounts,

may fund costs that are unfunded by appropriated funds. Unfunded costs of a performing activity funded by an appropriation normally include labor of military personnel and depreciation of capital assets.

7.4.2. When an ordering DoD Component places an order on behalf of persons or agencies outside the U.S. Government (including reimbursable transactions pursuant to Foreign Military Sales discussed in ***Volume 15***, "Security Cooperation Policy"), the ordering DoD Component must identify this circumstance on the project order. Under this circumstance, the amount of unfunded costs must be specifically identified and included in the amounts contained in the:

7.4.1. Project orders issued to performing activities;

7.4.2. Billings made by the performing activity to the ordering activity;

7.4.3. Reimbursements by the ordering activity to the performing activity; and

7.4.4. Reimbursements obtained by the ordering activity from the non-federal customer.

7.5 Working Capital Fund

In the case of a performing DoD-owned establishment operating under a working capital fund, reimbursable costs must be determined in accordance with ***Volume 11B***, "Reimbursable Operations Policy – Working Capital Funds (WCF)."

7.6 Non-Working Capital Fund

When the performing DoD-owned establishment is not operating under a working capital fund, a reimbursable agreement negotiated prior to the placement of a project order must be executed in accordance with the policy requirements contained in Chapter 1.

7.7 Reimbursable Costs

7.7.1. Reimbursable costs include the cost of machinery or equipment acquired specifically for the performance of a single project order.

7.7.2. Such costs must be specifically approved in the following circumstances:

7.7.2.1. In advance by the ordering DoD Component,

7.7.2.2. When the machinery or equipment legally could be acquired directly by the ordering fund or appropriation, or

7.7.2.3. Approval is incorporated into the terms of the project order agreement or amendments thereto. When this is the case, the approved costs must be segregated from other costs and shown as a separate item in the reimbursable billing. Such machinery and equipment are the property of the ordering DoD Component and must be disposed of in accordance with instructions from the ordering DoD Component.

7.8 Termination Costs

Costs incurred in the termination of a project order must be reimbursable to the performing DoD-owned establishment when the order is terminated by the ordering DoD Component, to the extent that such costs do not exceed the amount of the fixed price or the current ceiling amount specified in the case of cost-reimbursement project orders. When ordering DoD Components and performing DoD-owned establishments cannot agree on the costs of termination, the case must be referred through Component financial management channels for settlement by the Under Secretary of Defense (Comptroller).

7.9 Billing

To the extent feasible, performing DoD-owned establishments must bill ordering DoD Components for work performed upon the basis of jobs completed or services rendered in accordance with the terms of the project order. Whenever a long period of time is required in the performance of a project order, periodic progress payments approximating costs incurred may be provided for in the order. Progress payments may be made to the performing DoD-owned establishment to cover the accrued cost (and other direct obligations incurred) of performance to the end of the fiscal year under an uncompleted project order. Reimbursement to a working capital fund activity for work performed prior to completion of the project order must be accomplished normally on either a progress payment or a percentage-of-completion basis.

8.0 ACCOUNTING FOR COST OF PERFORMANCE

8.1 Administration

Project orders are reimbursable orders and must be administered and accounted for as such. Therefore, project orders may not be administered or accounted for by performing DoD-owned establishments as separate subdivisions of appropriations or funds similar to an allotment. The appropriation type accounting for project orders must be performed by the ordering DoD Component in a manner similar to that performed for commercial contracts.

8.2 Working Capital Fund

The operations of performing DoD-owned establishments financed under a working capital fund must be accounted for in accordance with Volume 11B.

8.3 Obligation Authority

Project orders received and accepted are the source of reimbursable obligational authority, in the amount of the accepted project order, for the performance of services or delivery of goods requested.

8.4 Costs Accounts

Cost accounts must be maintained to accumulate the costs of performance for all project orders. Those cost accounts serve as a basis for determining the amount reimbursable for cost-reimbursement project orders and as a basis of determining a fixed price for similar future fixed price project orders.

8.5 Billings

Billings covering reimbursements must identify costs for each project line/subline item in accordance with the accepted project order (FS Form 7600A). The billing standard is discussed in Chapter 1.

9.0 EXEMPTIONS

Requests for exemptions, along with appropriate justification, must be submitted to the Office of the Under Secretary of Defense (Comptroller), Deputy Chief Financial Officer.

VOLUME 11A, CHAPTER 3: "ECONOMY ACT ORDERS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated September 2019 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Implemented administrative updates to include revised hyperlinks and minor clarifying language in accordance with Department of Defense Financial Management Regulation Revision Standard Operating Procedures.	Revision
7.2.3 (previous version)	Deleted section 7.2.3 and incorporated requirements into section 7.2.2.	Revision

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CHAPTER 3

ECONOMY ACT ORDERS

1.0 GENERAL

1.1 Purpose

This chapter prescribes the financial management policy applicable to orders placed for goods and services within the authority provided for in Title 31, United States Code, section 1535 ***(31 U.S.C. § 1535)*** (the Economy Act of 1932, as amended). Chapter 1 provides overall guidance on general reimbursement procedures and supporting documentation.

1.2 Authoritative Guidance

1.2.1. ***10 U.S.C. § 3133*** provides statutory authority for severable service contracts for periods crossing fiscal years.

1.2.2. ***10 U.S.C. § 2205*** provides statutory authority for reimbursements made to appropriations of the Department of Defense (DoD) under 31 U.S.C. §§ 1535 and 1536.

1.2.3. ***31 U.S.C. § 1502*** stipulates the bona fide needs rule.

1.2.4. 31 U.S.C. § 1535 provides the authority for Federal agencies to order goods and services from major organizations within the same agency or other Federal agencies.

1.2.5. ***31 U.S.C. § 1536*** provides the authority for crediting payments received on orders executed under 31 U.S.C. § 1535. Payments may be credited to the appropriation or fund against which charges were made to fill the order, or to replace stocks on hand used to fill the order unless another law authorizes the amount to be credited to some other appropriation or fund; or the head of the performing agency decides that replacement is not necessary, in which case, the amount received is deposited in the United States (U.S.) Department of the Treasury (Treasury) as miscellaneous receipts.

1.2.6. ***DoD Instruction 4000.19***, "DoD Agreements," establishes policy, assigns responsibilities, and provides direction for agreements within the DoD and between DoD and other entities.

1.2.7. Defense Federal Acquisition Regulation Supplement ***(DFARS) Subpart 217.5***, "Interagency Acquisitions," and ***DFARS Subpart 217.7***, "Interagency Acquisitions: Acquisitions by Non-Defense Agencies on Behalf of the Department of Defense," prescribe specific additional DoD acquisition policy involving interagency acquisitions.

1.2.8. Federal Acquisition Regulation ***(FAR) Subpart 17.5***, "Interagency Acquisitions," provides federal-wide acquisition policy related to interagency acquisitions. Under this Subpart, ***FAR 17.502-2*** provides additional acquisition policy specifically related to Economy Act orders.

1.2.9. The Treasury Financial Manual (TFM) Volume I, Part 2, Chapter 4700, ***Section 4750***, "Intragovernmental Quarterly and Year-End Requirements."

2.0 DEFINITIONS

2.1 Assisted Acquisition

FAR Subpart 2.1 defines an assisted acquisition as a type of interagency acquisition where a servicing agency performs acquisition activities on a requesting agency's behalf, such as awarding and administering a contract, task order, or delivery order. ***DFARS 217.701*** defines assisted acquisition similarly as the type of interagency contracting through which acquisition officials of a non-DoD agency award a contract, task, or delivery order for the acquisition of supplies or services on behalf of DoD.

2.2 Direct Acquisition

Per FAR Subpart 2.1, a direct acquisition is a type of interagency acquisition where a requesting agency places an order directly against a servicing agency's indefinite-delivery contract. The servicing agency manages the indefinite-delivery contract but does not participate in the placement or administration of an order. DFARS 217.701 defines direct acquisition as a type of interagency contracting through which DoD orders a supply or service from a Governmentwide acquisition contract maintained by a non-DoD agency.

2.3 Interagency Acquisition

FAR Subpart 2.1 defines an interagency acquisition as an action by which an agency needing supplies or services (the requesting agency) obtains them from another agency (the servicing agency) by an assisted acquisition or a direct acquisition. The term includes acquisitions under the Economy Act (31 U.S.C. § 1535) and Non-Economy Act acquisitions completed under other statutory authorities.

2.4 Multiple Year Appropriation

A multiple-year appropriation means an appropriation that is available for obligation for a definite period of time in excess of one fiscal year.

2.5 Non-Severable Service

A single undertaking that cannot be feasibly subdivided represents a non-severable service. If the service produces a single or unified outcome, product, or report, consider it non-severable.

2.6 Requesting Agency

FAR Subpart 2.1 defines the requesting agency as the agency that has the requirement for an interagency acquisition or that needs services.

2.7 Servicing Agency

FAR Subpart 2.1 defines the servicing agency as the agency that will conduct an assisted acquisition on behalf of the requesting agency or that provides services.

2.8 Severable Service

A severable service is ongoing and recurring, providing value to the agency at the time of delivery, regardless of contract completion and is a unique component that independently provides value to meet an agency's need.

3.0 LEGAL AUTHORITY

3.1 Statutory Conditions on Use

3.1.1. 31 U.S.C. § 1535 establishes four basic conditions for the use of Economy Act authorities. In accordance with the statute, the head of an agency or major organizational unit within an agency may place an order with a major organizational unit within the same agency or another agency for goods or services if:

3.1.2. Funds are available;

3.1.3. The head of the requesting agency or unit decides the order is in the best interest of the U.S. Government;

3.1.4. The agency or unit to be asked to fill the order is able to provide or obtain by contract the ordered goods or services; and

3.1.5. The head of the requesting agency decides that ordered goods or services are unavailable by contract as conveniently or economically by a commercial enterprise.

3.2 Reimbursements to Appropriations

10 U.S.C. § 2205 states to credit reimbursements made to DoD appropriations under 31 U.S.C. §§ 1535 and 1536 for services rendered or supplies furnished to the appropriation or fund of the activity performing the reimbursable work.

3.3 Limitations

Economy Act orders may not be used by an agency to:

3.3.1. Circumvent conditions and limitations imposed on the use of funds, including extending the period of availability of the cited funds;

3.3.2. Contravene provisions of the law or accomplish what regulations do not permit under commercial contracts;

3.3.3. Make acquisitions conflicting with any other agency's authority or responsibility (see ***FAR 17.501***) or for which the servicing agency is required by law to provide and for which it received appropriations; or

3.3.4. Order work or services from another organizational unit under the same activity commander where the activity commander is in a position to fund the required goods or services through the use of direct funds.

4.0 USES OF ECONOMY ACT ORDERS

Use Economy Act orders for any required goods, supplies or services that are appropriate and legal. Acquisition policies contained in the FAR, DFARS, and within individual DoD Component's implementation guidance govern the potential uses of Economy Act orders. Typical uses include: base support (host-tenant) services such as administrative services, civilian personnel services, community services, environmental compliance, fire protection, food service, health service, mail service, police service, security/guard services, and warehousing.

5.0 INITIATING AN ECONOMY ACT ORDER

5.1 Determinations and Findings Requirement

Each Economy Act order submitted to the servicing agency must include a copy of the determinations and findings (D&F) report as required by ***FAR 17.502-2(c).*** Specific D&F requirements are stated in FAR 17.502-2(c) and ***DFARS 217.503***.

5.2 Ordering Procedures and Requirements

FAR 17.503, DFARS Subpart 217.5, and DFARS Subpart 217.7 address the procedures that apply to all interagency acquisitions, including those made under the authority provided within the Economy Act.

5.3 Treasury Guidance

5.3.1. The TFM Volume I, Part 2, Chapter 4700, Section 4750, "Intragovernmental Quarterly and Year End Requirements," discusses the requirements necessary to properly report intragovernmental transactions resulting from business activities (i.e., buy/sell

transactions) between two Federal government entities, called trading partners. It further references the Intragovernmental Transaction Guide (Appendix 5) as containing the business rules and processes to properly record, report, and reconcile intragovernmental transactions, including the processes for dispute resolution.

5.3.2. The TFM provides the standard ***Interagency Agreement (IAA)*** containing two Fiscal Service (FS) Forms: FS Form 7600A, General Terms and Conditions (GT&C) and FS Form 7600B, Order Form. Treasury has mandated the use of these two forms to ensure the proper recording and reporting on intragovernmental buy/sell transactions, and to eliminate the federal-wide reporting deficiencies impacting the Financial Report of the U.S. Government. Accordingly, all DoD Components must use the latest published versions of FS Forms 7600A/B when completing an Economy Act Order and these must comply with the ***Federal Intragovernmental Data Standard***s when using the Treasury's G-Invoicing system, DoD Ordering systems, Enterprise Resource Planning, or when completing the FS Forms 7600 A/B manually.

5.3.3. The system used to negotiate, broker, and electronically store the GT&Cs and associated transactions between buyers and sellers for all inter and intragovernmental reimbursable transactions is Treasury's G-Invoicing system. This requirement is for all IAAs with a performance period extending to June 30, 2021 or later. In instances where G-Invoicing is not available, such as remote deployments or other austere conditions, DoD Components must use hardcopies of FS Forms 7600A/B. DoD Components must establish internal policies and procedures for designating signature authority for GT&Cs.

5.3.4. The requesting scope of work on the FS Form 7600A must cover relatively broad categories of goods or services when feasible. However, the FS Form 7600B must discretely describe the goods or services ordered with the associated FS Form 7600A. When practical and legally permissible, the agreement period on the FS Form 7600A must cover multiple years.

6.0 POLICY

6.1 Specific, Definite, and Certain

Economy Act orders must be specific, definite, and certain both as to the work encompassed by the order and the terms of the order itself.

6.2 Certification of Availability for Purpose

Economy Act orders are subject to the same fiscal limitations that are contained within the appropriation from which they are funded. However, the performing entity may not be aware of all such appropriation limitations. Therefore, the requesting official must provide a certification, on or attached to the Economy Act order, stating that the funds cited in the Economy Act order are properly chargeable for the purposes cited in the order.

6.3 Bona Fide Need

Economy Act orders citing an annual- or multiple-year appropriation must serve a bona fide need arising, or existing, in the fiscal year(s) for which the appropriation is available for obligation (refer to 31 U.S.C. § 1502). Bona fide need generally is a determination of the requesting activity and not that of the servicing activity. A servicing activity must, however, refuse to accept an Economy Act order if it is obvious that the order does not serve a need existing in the fiscal year for which the appropriation is available.

6.4 Appropriation Policy

6.4.1. Obligation. An Economy Act order obligates the applicable appropriation of the requesting agency or unit upon acceptance of the order by the servicing agency. The requesting agency obligates the entire amount of a reimbursable order when the servicing agency accepts the order.

6.4.1.1. DoD Components cannot use annual appropriations for requirements that are bona fide needs of a subsequent fiscal year, except as allowed by statutory authority. DoD Components that enter into Economy Act agreements with other organizations to satisfy requirements for severable services, non-severable services, and supplies must ensure that obligations for the Economy Act agreements constitute a bona fide need of the annual appropriation charged. Consequently, the servicing agency must enter into any supply or service contract before the end of the period of availability of the annual appropriation.

6.4.1.2. To constitute a bona fide need of the requesting activity's annual appropriation, any resultant contract for supplies or services entered into by the servicing agency must satisfy the same obligational requirements outlined in Volume 3, Chapter 8, as would any contract directly entered into by the requesting activity. For example, an agency may issue a contract for severable services under an Economy Act agreement that crosses fiscal years only if the awarded contract satisfies the requirements of 10 U.S.C. § 3133, the contract period does not exceed 1 year, and the contract period begins during the availability period for the agency's appropriation(s).

6.4.1.3. DoD Components can obligate multiple-year appropriations for requirements that constitute bona fide needs during the multiple-year period of availability of the appropriation. Multiple-year appropriations obligated for Economy Act orders are subject to the same bona fide need standards as would a contract directly entered into by the requesting activity. DoD Components must enter resultant supply and service contracts during the period of availability of the appropriation funding the Economy Act order, and these contracts are subject to the same budgetary full funding or incremental funding policies prescribed in Volumes 2A and 2B.

6.4.1.4. Agencies must support resultant contracts for non-severable services that cross fiscal years entirely with their appropriations available for new obligations at the time they award the contract.

6.4.1.5. Because Research, Development, Test and Evaluation (RDT&E) requirements are iterative in nature, RDT&E programs, projects, and activities are not subject to full funding policies. For example, ***DFARS 232.703-1*** permits DoD organizations to incrementally fund a fixed-price contract for severable services if the contract is funded with research and development appropriations. Refer to DFARS 232.703-1 for additional guidance and restrictions. In Volume 2A, Chapter 1 of the DoD budgetary policy, budget estimates for RDT&E are prepared on an incrementally funded basis, requiring that only the funds necessary for work in a given fiscal year be included in the RDT&E request for that year. The DoD Components encourage fully funding RDT&E contracts for non-severable services.

6.4.1.6. Obligating funds for an Economy Act order where the resultant fixed length severable services contract will exceed the 1-year limit outlined in 10 U.S.C. § 3133 or will not commence until a subsequent fiscal year, may result in an Antideficiency Act violation under ***31 U.S.C. § 1341*.**

6.4.2. De-obligation. Transactions undertaken in reliance on authority conferred by the Economy Act are subject to statutory requirements imposed by 31 U.S.C. § 1535(d) governing when excess funds must be de-obligated**.** The amount obligated by the requesting agency or unit must be de-obligated to the extent that the servicing agency has not incurred obligations before the end of the period of availability of the ordering appropriation. It is critical that activities reconcile the obligation status of Economy Act orders and de-obligate unused funds, as needed, before the end of the funds' availability. Funds must be de-obligated by both the requesting and servicing agency to the extent that the servicing agency or unit filling the order has not (1) provided the goods or services, or (2) entered into an authorized contract with another entity to provide the requested goods or services before the end of the period of availability (fiscal year or multiple year period, as applicable) of the appropriation of the requesting or ordering agency.

6.5 Commencement of Work

Work performed under Economy Act orders must begin within a reasonable time after its acceptance by the servicing agency.

6.6 Contingent Event Prohibition

Economy Act orders must not be issued if the commencement of work is contingent upon the occurrence of a future event or authorizing action by the requesting agency.

7.0 PAYMENT PROCEDURES

7.1 Payments

7.1.1. DoD Components must make payments promptly upon the written request (or billing) of the agency or unit filling the order. DoD Components are not allowed to advance funds to non-DoD Federal entities or pay for advance billings without the receipt of goods or services unless the DoD Component is specifically authorized by law, legislative action or Presidential

authorization. Refer to Volume 4, Chapter 5 for the conditions and requirements related to advances and prepayments.

7.1.2. In cases where a specific appropriation or law authorizes DoD Components to advance funds, the obligating and/or interagency agreement documents and orders must cite the specific appropriation or law that authorizes the advance. When authorized, DoD Components base advance payments on estimated costs, and must adjust the final payment amount to account for actual costs. The performing agency must immediately collect any unused amounts of the advance and return them to the fund from which they were originally made.

7.1.3. The requesting official must be fully aware of the non-DoD Federal agency's billing practices and methods. If the servicing agency is permitted to advance funds, the requesting official from the DoD agency must ensure that the written agreement requires the servicing agency to specifically account for the advanced funds. The requesting official must take appropriate action to ensure that they do not disburse DoD funds in advance of contract performance. Additionally, DoD Components must work with their servicing disbursement sites to ensure trading partner agreements restrict other Federal agencies' ability to withdraw funds prior to the delivery of goods or performance of services.

7.2 Small Amounts

7.2.1. DoD working capital funds, the Corps of Engineers Civil Works Revolving Fund, and other DoD revolving funds may not waive reimbursement of any amount. This does not preclude the identification of a central payment office by a DoD Component to pay small bills. Guidance on the financial management of working capital funds is in Volume 11B.

* 7.2.2. The billing organization can suspend billing until the end of the fiscal year, or until the total billed exceeds $1,000 when an appropriated fund activity is the performer and the billable amount within the same DoD Component or to another DoD or non-DoD Component is less than $1,000. The billing organization must bill all suspended amounts to the DoD Component or to another DoD or non-DoD Component no later than the end of the fiscal year even though the billable amount is less than $1,000.

8.0 REIMBURSEMENTS

8.1 Appropriated Funds

8.1.1. The servicing agency determines the basis of the actual cost for reimbursement under the Economy Act. The requesting agency must pay the servicing agency the actual costs of the goods or services provided. Actual costs include all direct costs attributable to providing goods or services. The servicing agency's increased expenditures do not increase actual costs. Actual costs also include indirect costs (overhead) to the extent they have a significant relationship to providing the goods or services and benefit the requesting agency. Chapter 1 outlines how to calculate indirect costs (overhead). DoD activities not funded by working capital funds normally do not charge indirect costs to other DoD activities.

8.1.2. The servicing agency is not allowed to require a payment of any fee or charge in excess of the actual cost (or estimated cost if the actual cost is not known) and the requesting agency is not required to pay any fee or charge in excess of the actual cost (or estimated cost if the actual cost is not known) of entering into and administering the contract or other agreement under which the order is filled per FAR 17.502-2.d.(4). The general rules for DoD Components to follow regarding amounts collected as reimbursements are in Chapter 1.

8.2 Working Capital Fund Activities

Reimbursable costs in the case of servicing DoD activities operating under a working capital fund must be determined in accordance with Volume 11B.

9.0 ACCOUNTING

9.1 Direct Fund Cite Orders

Economy Act orders may be issued as direct fund cite orders where the requesting unit identifies the appropriate fund citation for the servicing unit to place on the requested contract or reimbursable order. Servicing DoD activities must not administer or account for Economy Act orders as separate subdivisions of appropriations or funds similar to an allotment. The Requesting DoD Component must account for appropriation type (e.g., annual, no-year, multiyear) Economy Act orders in accordance with Volume 3, Chapter 15.

9.2 Working Capital Fund

Volume 11B contains DoD policy and guidance for accounting of the operations of servicing DoD activities financed under a working capital fund.

9.3 Obligation Authority

Economy Act orders received and accepted are the source of obligational authority in the amount of the order for the performance of the work requested.

9.4 Cost Account

Accumulate the costs of performance for all Economy Act orders with a cost account or other device. The cost account serves as a historical basis for determining the amount reimbursable for cost reimbursement Economy Act orders and as a basis for determining a fixed price for similar future fixed-price Economy Act orders.

9.5 Records

The servicing DoD Component must establish procedures that identify and retain a record of the requestor's appropriation accounting classification(s) for each order received. Establishment and compliance with these procedures will facilitate the auditability of the requestor's source of funding.

9.6 Billings

Billings covering reimbursements must identify costs by each item listed in the Economy Act order. Volume 10, Chapter 10 contains the DoD policy for executing intragovernmental payments.

9.7 Reconciliation and Elimination of Intragovernmental Transactions

Volume 6B, Chapter 13 contains DoD policy and guidance for adjustments, eliminations, and other special intragovernmental reconciliation procedures.

VOLUME 11A, CHAPTER 4: "USER FEES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated June 2020 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated Uniform Resource Locators.	Revision
1.1	Added clarifying language to define user fees. Edited for conciseness.	Addition
1.2	Moved "Does not apply to user fees associated with the Freedom of Information Act (FOIA) or the Privacy Act of 1974 as amended." to the Purpose section for clarity.	Revision
1.3.3	Added the User Charge Statute.	Addition
3.1.1	Moved "how collections are treated in the United States Treasury" to the general policy paragraph.	Revision
3.3.1.2.1	Added Volume 4, Chapters 24 and 25 references, which address depreciation of equipment.	Addition
5.0	Updated section and paragraph numbering.	Revision

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CHAPTER 4

USER FEES

1.0 GENERAL

*1.1 Overview

The Federal Government must assess user fees against each identifiable recipient for special benefits derived from Federal activities beyond those received by the general public. The User Charge Statute, Title 31, United States Code, section 9701 (***31 U.S.C. §9701)***, "Fees and Charges for Government Services and Things of Value,") establishes that it is the sense of Congress that any work, service, publication, report, document, benefit, privilege, authority, use, franchise, license, permit, certificate, registration or similar thing of value or utility performed, furnished, provided, granted, prepared, or issued by an agency (except a mixed-ownership Government corporation) to a person (except a person on official business of the United States (U.S.) Government) is to be self-sustaining to the extent possible.

The Department of Defense (DoD) is authorized by legislation to establish user fees, in accordance with the guidelines that are defined by 31 U.S.C. §9701.

The ***Office of Management and Budget (OMB) Circular A-25 Revised***, "User charges," and ***Chief Financial Officers Act of 1990*** require federal agencies to review, on a biennial basis, the fees, royalties, rents, and other charges imposed by the agency for services and things of value provided to specific recipients, beyond those received by the general public. The purpose of this review is to periodically adjust existing charges to reflect unanticipated changes in costs or market values, and to review all other agency programs to determine whether fees should be assessed for Government services or the use of Government goods or services.

*1.2 Purpose

This chapter:

1.2.1. Promulgates Department of Defense (DoD) policy regarding establishment and assessment of appropriate fees for services or things of value supplied by DoD Components.

1.2.2. Provides information on the scope and types of activities subject to user charges and the basis upon which user charges are to be calculated.

1.2.3. Provides guidance on Component implementation of user charges and the disposition of collections.

1.2.4. Does not apply to user fees associated with the Freedom of Information Act (FOIA) or the Privacy Act of 1974 as amended, ***5 U.S.C. §552a***. Refer to Regulation ***DoD 5400.7***, "DoD Freedom of Information Act Program" and ***DoD 5400.11***, "DoD Privacy and Civil Liberties Program."

1.3 Authoritative Guidance

The accounting policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:

1.3.1. 31 U.S.C. § 9701, "Fees and Charges for Government Services and Things of Value." This statute authorizes the head of each agency to prescribe regulations establishing the charge for a service or thing of value provided by an agency.

1.3.2. Chief Financial Officers Act of 1990, requires federal agencies to review, on a biennial basis, the fees, royalties, rents, and other charges imposed by the agency for services and things of value provided to specific recipients, beyond those received by the general public.

*1.3.3. ***31 U.S.C. § 3302***, "Custodians of money." The User Charge Statute is a codification of a provision in Title V of the Independent Offices Appropriation Act of 1952, which provided broad authority to assess user fees or charges on identifiable beneficiaries by administrative regulation. This statute details the Federal Government's custodial responsibilities of public money. Subsection (b) is the basis for the requirement that unless authorized by law, an agency may not retain and use money received from sources other than congressional appropriations; the money must instead be deposited in the Treasury.

1.3.4. ***10 U.S.C. § 2667***, "Leases: non-excess property of military departments and Defense Agencies." This statute provides authority to the Secretary of Defense to lease non-excess real or personal property and accept either cash or an in-kind consideration as payment.

1.3.5. ***OMB Circular A-25*** Revised, "User Charges." This Circular establishes Federal policy regarding fees assessed for Government services and sale or use of Government goods or resources. In any case where an OMB circular provides guidance concerning a specific user charge area, the guidance of that circular must be deemed to meet the requirements of this Circular. Examples of such guidance include the following: ***OMB Circular A-45***, concerning charges for rental quarters; ***OMB Circular A-130***, concerning management of Federal information resources; and ***OMB Circular A-97***, concerning provision of specialized technical services to State and Local governments.

2.0 RESPONSIBILITIES

2.1 Under Secretary of Defense (Comptroller)

The Under Secretary of Defense (Comptroller) (USD(C)) will promulgate financial management policy governing user fees.

2.2 DoD Components

Heads of DoD Components, or designees, will:

2.2.1. Identify the services and activities that will adopt and charge a user fee or accept an in-kind consideration.

2.2.2. Determine the extent of the special benefits provided as specified in paragraph 3.1.

2.2.3. Apply the principles specified in paragraph 3.1 in determining full cost or market price.

2.2.4. Publish user fees to be charged for services on schedules, lists, or tables posted on publicly available websites.

2.2.5. Review user fees biennially in accordance with OMB Circular A-25 Revised, to include:

2.2.5.1. Assurance that existing fees are adjusted to reflect unanticipated changes in costs or market values; and

2.2.5.2. A review of all other programs where fees are not being assessed to determine whether special benefits are being provided and whether fees should be charged for Government services or goods.

2.2.6. Publish and describe the results of the biennial review of user fees and any resulting proposals, such as adjustments to fee schedules, in the annual DoD Agency Financial Report as required by the ***Government Management and Reform Act of 1994*** and the Chief Financial Officers Act of 1990.

2.2.7. Ensure the requirements of ***OMB Circular No. A-123***, "Management's Responsibility for Internal Control," the Government Accountability Office's ***GAO 14- 704G***, "Standards for Internal Control in the Federal Government (the "Green Book")," ***DoDI 5010.40,*** "Managers' Internal Control Program Procedures," and appropriate audit standards are applied to user fee collections.

2.2.8. Maintain readily accessible records of the:

2.2.8.1. Services or activities charging user fees or accepting in-kind considerations;

2.2.8.2. Extent of special services provided;

2.2.8.3. Exceptions to the general policy;

2.2.8.4. Cost information used to establish or calculate fees and the specific methods used in their determination. This information must be provided upon request to OMB for the evaluation of the fee schedules in accordance with the requirements in ***OMB Circular A-11***, "Preparation, Submission and Execution of the Budget"; and

2.2.8.5. The collections (i.e., cash or in-kind consideration) from each user fee imposed.

2.2.9. Initiate exception actions outlined in paragraph 3.6. All such actions must be coordinated with the USD(C) prior to forwarding to OMB.

2.2.10. Develop legislative proposals as outlined in section 4.0 when there are statutory prohibitions, restrictions, or limitations on the implementation, assessment or retention of user fees.

3.0 USER FEES

3.1 General Policy

*3.1.1 Collections are credited to the General Fund of the U.S. Department of the Treasury (hereafter referred to as Treasury) as miscellaneous receipts as required by 31 U.S.C. § 3302, or if specific statutory authority is available, may be retained by the Component for a specific purpose (e.g., Agriculture and Grazing (10 U.S.C. § 2667), Forestry (***10 U.S.C. § 2665***), Recycling (***10 U.S.C. § 2577***), Royalties (***10 U.S.C. § 3710c***), and Licensing of Intellectual Property (***10 U.S.C. § 2260***) revenue programs).

3.1.2. User fees should only be established and implemented if:

3.1.2.1. Mandated by specific statutory authority, or when implemented under the authority of the User Charge Statute; and

3.1.2.2. The monetary benefits to the Federal Government of receipts collected significantly exceed the costs of collecting the fees.

3.1.3. Since generating and maintaining reliable cost data is expensive, consideration must be given to the cost of personnel and related data gathering requirements, and the costs of implementing, maintaining, and using financial management systems when determining the level of cost detail required and whether or not monetary benefits exceed costs.

3.1.4. It is DoD policy not to compete unfairly with available commercial facilities in providing special services or in the sale or lease of property to private parties and agencies outside the Federal Government. However, when a service (or privilege) provides special benefits to an identifiable recipient, beyond those that accrue to the general public, a fee should generally be imposed to recover the full cost to the Federal Government for providing the special benefit (or the market price) except as otherwise approved by the USD(C) and authorized by the Director of the

OMB. A special benefit will be considered to accrue, and a user fee should be imposed, when a government service:

3.1.4.1. Enables the beneficiary to obtain more immediate or substantial gains or values (which may or may not be measurable in monetary terms) than those which accrue to the general public (e.g. receiving a patent, insurance, or guarantee provision, or a license to carry on a specific activity or business of various kinds of public land use), or

3.1.4.2. Provides business stability or contributes to public confidence in the business activity of the beneficiary (e.g., insuring deposits in commercial banks), or

3.1.4.3. Is performed at the request of or for the convenience of the recipient and is beyond the services regularly received by other members of the same industry or group or by the general public (e.g., receiving a passport, visa, airman's certificate, or a Custom's inspection after regular duty hours).

3.2 Applicability

None of the provisions in this chapter should be construed as giving authority for the sale or lease of property, or the rendering of special services. Actions to convey such special benefits must be authorized by separate authority. This user fee policy is applicable except when other statutes or directives specifically direct other practices or procedures, such as for:

3.2.1. Services to military personnel and civilian employees of the DoD provided in accordance with section 5.0.

3.2.2. Products and services provided to military personnel, their families, and civilian DoD employees by DoD Nonappropriated Fund Instrumentalities (i.e., morale, welfare, and recreation (military and civilian), Military Services exchanges, lodging, supplemental mission funds, and special purpose central funds). Fees for such services are governed by DoD Instruction ***(DoDI) 1015.15***, "Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources," and other Office of the Secretary of Defense policy.

3.2.3. Sale or disposal of surplus property under specifically approved programs (please refer to ***Chapter 5***).

3.2.4. Services furnished the general public relating to, or in furtherance of, the Armed Forces recruiting program.

3.2.5. Services furnished to representatives of the public information media in the interest of public understanding of the Armed Forces.

3.2.6. Armed Forces participation in public events. Fees for such participation are governed by the provisions of ***DoDI 5410.19***, "Public Affairs Community Relations Policy Implementation".

3.2.7. Records made available to the public, under FOIA, pursuant to DoD 5400.7, "DoD Freedom of Information Act Program." Fees for searches and copies of records are governed by Chapter 6 of DoD 5400.7.

3.2.8. Services furnished to non-Federal audio-visual media. Fees for such services are governed by the provisions of 32 Code of Federal Regulations Part 238 ***(32 CFR Part 238)***, "DoD Public Affairs Assistance to Non-Government, Entertainment-Oriented Media Productions."

3.2.9. Pricing of performance by DoD Working Capital Fund activities which must be in accordance with Volume 11B.

3.2.10. Foreign Military Sales of Defense articles and services which must be in accordance with Volume 15.

3.2.11. Records made available to requesters under the Privacy Act of 1974, pursuant to DoD 5400.11.

3.3 Calculation of User Fees

All fees must be based on the full cost to the U.S. Government or market price, whichever applies. Additionally, whenever possible, fees must be set as rates rather than fixed dollar amounts in order to adjust for changes in costs to the Government or changes in market prices of the good, resource, or service provided.

3.3.1. Except as provided in paragraphs 1.3, 4.0, and 5.0 a user fee should be imposed to recover the full cost to the Federal Government of providing the service, resource, or good when the Government is acting in its capacity as sovereign. "Full cost" includes all direct and indirect costs associated with providing a good, resource, or service. Full cost must be determined or estimated from the best available records, and new cost accounting systems should not be established solely for this purpose. These costs are outlined in Chapter 1 and include, but are not limited to, an appropriate share of:

3.3.1.1. Direct and indirect personnel costs, including salaries and fringe benefits such as medical insurance and retirement. Retirement costs should include all (funded or unfunded) accrued costs not covered by employee contributions as specified in OMB Circular A-11.

3.3.1.2. Physical overhead, consulting, and other indirect costs including material and supply costs, utilities, insurance, travel, and rents or imputed rents on land, buildings, and equipment. If imputed rental costs are applied, they should include:

*3.3.1.2.1. Depreciation of structures and equipment (based on guidance contained in Volume 4, Chapter 24 and 25, respectively); and

3.3.1.2.2. An annual rate of return (equal to the average long-term Treasury bond rate) on land, structures, equipment and other capital resources used.

3.3.1.3. The management and supervisory costs.

3.3.1.4. The costs of enforcement, collection, research, establishment of standards, and regulation, including any required environmental impact statements.

3.3.2. User fees should be based on market prices when the Government is not acting in its capacity as sovereign and is leasing or selling goods or resources, or is providing a service (e.g., leasing space in federally owned buildings). Under these business-type conditions, user fees need not be limited to the recovery of full cost, must be based on market prices, and may yield net revenues. "Market price" means the price for a good, resource, or service that is based on competition in open markets, and creates neither a shortage nor a surplus of the good, resource, or service.

3.3.2.1. When a substantial competitive demand exists for a good, resource, or service, its market price will be determined using commercial practices, for example by:

3.3.2.1.1. Competitive bidding; or

3.3.2.1.2. Reference to prevailing prices in competitive markets for goods, resources, or services that are the same or similar to those provided by the Government (e.g., campsites or grazing lands in the general vicinity of private ones) with adjustments as appropriate that reflect demand, level of service, and quality of the good or service.

3.3.2.2. In the absence of substantial competitive demand, market price will be determined by taking into account the prevailing prices for goods, resources, or services that are the same or substantially similar to those provided by the Government, and then adjusting the supply made available and/or price of the good, resource, or service so that there will be neither a shortage nor a surplus (e.g., campsites in remote areas).

3.3.3. Fees established in advance of performance should be based on the estimated cost of performance. Projected amounts must be reviewed the earlier of biennially or whenever significant changes in cost or value occur.

3.3.4. Internal management controls must be established in accordance with ***OMB Circular A-123***, GAO's ***GAO-14-704G***, and DoDI 5010.40 to ensure that user fees are developed, published on a publicly available website, and adjusted using current, accurate, and complete data. These controls must also ensure compliance with cash management and debt collection policies promulgated in Volume 5.

3.4 Collection of User Fees

DoD Components should make every effort to keep the costs of collection to a minimum and collect fees electronically, via electronic funds transfer (EFT), and utilize, as applicable, the collection services provided by the Treasury's Bureau of the Fiscal Service (Fiscal Service) as described in Volume 5, Chapter 8 and outlined in the Treasury Financial Management, Volume 1, "Federal Agencies," Part 5, "Deposit Regulations (***1 TFM Part 5***)."

3.4.1. In accordance with OMB Circular A-25, user fees must be collected in advance of, or simultaneously with, the rendering of services unless appropriations and authority are provided to allow for services to be provided on a reimbursable basis.

3.4.2. Although fees must be collected in advance absent statutory authority to provide services or special benefits on a reimbursable basis, Components may collect advance fee payments incrementally if variable costs such as personnel or utility costs are incurred incrementally over time and if the services or special benefit is susceptible to being provided on a severable basis.

3.5 Disposition of User Fees

As required by 31 U.S.C. § 3302, an official or agent of the Government who receives money for the Federal Government from any source must deposit the money in the Treasury as soon as practicable. This law is generally referred to as the "Miscellaneous Receipts Statute." Accordingly, unless another statute provides otherwise, user fees collected under the authority of the User Charge Statute must be credited to the General Fund of the Treasury as miscellaneous receipts.

3.6 Exceptions or Waiving of User Fees

3.6.1. The Head of each DoD Component or designee may make exceptions to the general policy if the provision of a free service is an appropriate courtesy to a foreign government or international organization; or comparable fees are set on a reciprocal basis with a foreign country.

3.6.2. The Head of each DoD Component or designee may recommend to OMB that exceptions to the general policy be made when:

3.6.2.1. The cost of collecting the fees would represent an unduly large part of the fee for the activity; or

3.6.2.2. Any other condition exists that, in the opinion of the agency head or his designee, justifies an exception.

3.6.3. All exceptions must be for a period of no more than four years unless renewed by the Head of each DoD Component or designee for exceptions granted under subparagraph 3.6.1 or OMB for exceptions granted under subparagraph 3.6.2 after a review to determine whether conditions warrant their continuation.

3.6.4. Requests for exceptions and extensions under paragraphs 3.6.2 and 3.6.3 must be submitted to the Director of OMB.

4.0 LEGISLATIVE PROPOSALS TO RETAIN AND USE FEES

4.1 General Policy

If Components require modification of statutory prohibitions on assessment of user fee charges, they may propose remedial legislation to repeal the assessment prohibition or to authorize an exception. Similarly, Components may propose legislative authority to retain and use amounts collected as user charges. Such proposals are subject to requirements for preparation and submission established in ***DoD Directive (DoDD) 5500.01***, "Preparing, Processing, and Coordinating Legislation, Executive Orders, Proclamations, Views Letters, and Testimony." For additional guidance on submitting legislative proposals for approval or authorization to implement or modify a user fee program or to authorize retention and use of user fee collections, refer to OMB Circular A-25 Revised, paragraph 7.

4.2 Authorities

Under the User Charge Statute, a statutory authority is required for DoD Components to retain and use user fees. Proposals requesting such authority may be appropriate when a user fee is levied in order to finance a service that is intended to be provided on a substantially self-sustaining basis and thus is dependent upon adequate collections.

4.2.1. The authority to use fees credited to an appropriation is generally subject to limits set in annual appropriations language. However, it may be appropriate to request exemption from annual appropriations control, if a provision of the service is dependent on demand that is irregular or unpredictable (e.g., a fee to reimburse an agency for the cost of overtime pay of inspectors for services performed after regular duty hours).

4.2.2. Legislative proposals that permit fees to be credited to accounts must be consistent with the full cost recovery guidelines contained in paragraph 3.3.2. Any fees collected in excess of full cost recovery (i.e., under business-type conditions in which user fees are calculated based on market prices) are to be credited to the General Fund of the Treasury as miscellaneous receipts.

4.3 Procedures

Legislative proposals must be submitted to OMB in accordance with the requirements of DoDD 5500.01 and ***OMB Circular No. A-19,*** "Legislative Coordination and Clearance". To ensure the proper placement of user fee initiatives in the budget account structure, DoD Components are encouraged to discuss proposals with OMB at an early stage of development. Further guidance may be obtained from the DoD General Counsel Office of Legislative Counsel's website at: ***https://ogc.osd.mil/OGC-Offices/Office-of-Legislative-Counsel/***. Proposals to remove user fee restrictions or retain collections must:

4.3.1. Define, in general terms, the services for which fees will be assessed and the pricing mechanism that will be used.

4.3.2. Specify whether fees will be collected in advance of, or simultaneously with, the provision of service unless appropriations and authority are provided in advance to allow reimbursable services.

4.3.3. Specify where collections will be credited. Legislative proposals should not normally specify precise fees. The user fee schedule should be set by regulation to allow for the administrative updating of fees to reflect changing costs and market values.

5.0 BENEFITS FOR WHICH NO FEE MUST BE ASSESSED

5.1 Military and Civilian Benefits

5.1.1. Documents and information requested by members of the U.S. Armed Forces as required by such personnel in their capacity as Service members.

5.1.2. Documents and information requested by members of the U.S. Armed Forces who are in a casualty status or requested by their next of kin or legal representative.

5.1.3. The provisions of the address of record of a member or former member of the U.S. Armed Forces when the address is readily available through a directory (locator) service, and when the address is requested by a member of the U.S. Armed Forces or by a relative or a legal representative of a member of the U.S. Armed Forces or when the address of record is requested by any source for the purpose of paying monies or forwarding property to a member or former member of the U.S. Armed Forces.

5.1.4. Services requested by, or on behalf of, a member or former member of the U.S. Armed Forces and civilian personnel of DoD (where applicable) or, if deceased, his or her next of kin or legal representative that pertain to the provision of:

5.1.4.1. Information required to obtain financial benefits regardless of the terms of separation from the Service.

5.1.4.2. Documents showing membership and military record in the Armed Forces if discharge or release was under honorable conditions.

5.1.4.3. Information related to a decoration or award or required for memorialization purposes.

5.1.4.4. Information related to the review or change in type of discharge or correction of records.

5.1.4.5. Personal documents, such as birth certificates, when such documents are required to be furnished by the member.

5.1.4.6. Services that are furnished free in accordance with statutes or Executive Orders.

5.1.4.7. Information from or copies of medical and dental records or x-ray films of patients or former patients of military medical or dental facilities, when such information is required for further medical and dental care, and requests for such data are (a) submitted by an accredited medical facility, physician, or dentist; or (b) requested by the patient, his or her next of kin, or legal representative. Other requests subject to the Privacy Act of 1974 must be in accordance with DoD 5400.11.

5.2 Services requested by and furnished to entities outside DoD

5.2.1. A member of Congress for official use.

5.2.2. State, territorial, county, or municipal government, or an agency thereof, that is performing a function related to or furthering a DoD objective.

5.2.3. A court, when such services will serve as a substitute for personal court appearance of a military or civilian employee of DoD.

5.2.4. A nonprofit organization that is performing a function related to or furthering an objective of the Federal Government or that is in the interest of public health and welfare, including education.

5.2.5. Donors in connection with the conveyance or transfer of a gift to DoD.

5.3 Occasional and incidental services

Occasional and incidental services (including requests from residents of foreign countries), that are not requested often, when it is determined administratively that a fee would be inappropriate for the occasional and incidental services rendered.

5.4 Administrative services

Administrative services offered by reference or reading rooms to inspect public records, excluding copies of records or documents furnished.

5.5 Services rendered in response to requests

Services rendered in respond to requests for classification review of DoD classified records, submitted under ***Executive Order 13526***, "Classified National Security Information", and implemented by ***DoD Manual 5200.01 Volumes 1-3***, "DoD Information Security Program." Such services consist of the work performed in conducting the classification review or in granting and completing an appeal from a denial of declassification following such review.

5.6 Services of a humanitarian nature

Services of a humanitarian nature performed in such emergency situations as life-saving transportation for non-U.S. Armed Forces patients, search and rescue operations, and airlift of

personnel and supplies to a disaster site. This does not mean that inter- and intra-governmental agreements to recover all or part of costs should not be negotiated. Rather, it means the recipient or beneficiary will not be assessed a "user fee."

VOLUME 11A, CHAPTER 5: "DISPOSITION OF PROCEEDS FROM DEPARTMENT OF DEFENSE SALES OF SURPLUS PERSONAL PROPERTY"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated March 2020 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Revised the chapter format and structure in accordance with the Department of Defense Financial Management Regulation (DoD FMR) Revision Standard Operating Procedures.	Revision
1.1	Added Overview section	Addition
Throughout	Removed regulations originating from 32 Code of Federal Regulations part 172 which was deleted in April 2020 due to the guidance being unnecessarily codified	Deletion
Throughout	Updated Federal Account Symbols and Titles (FAST) to align with FAST Book issued February 2025	Revision
Throughout	Inserted hyperlinks to DoD FMR Volumes/Chapters	Addition

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CHAPTER 5

DISPOSITION OF PROCEEDS FROM DEPARTMENT OF DEFENSE SALES OF SURPLUS PERSONAL PROPERTY

1.0 GENERAL

*1.1 Overview

This chapter outlines how the Department of Defense (DoD) handles proceeds from the sale of surplus personal property. The DoD must deposit net proceeds from sales into the U.S. Department of the Treasury (Treasury) as miscellaneous receipts, after deducting the expenses of the sale. Legal exceptions allow the DoD to credit proceeds to specific appropriations or funds, such as those from sales of supplies, materials, equipment, and other personal property not financed by stock funds, revolving funds, and non-appropriated fund property. These exceptions also apply to contractor sales of surplus government property, sales of recyclable material on military installations, and the disposal of lost, abandoned, and unclaimed privately-owned personal property.

1.2 Purpose

This chapter provides the policy for the collection and disposition of cash and cash equivalents received by DoD Components for the sale of surplus personal property.

1.3 Authoritative Guidance

The financial management policy and related requirements prescribed in this chapter are in accordance with the applicable provisions of the following sources, and apply to all proceeds resulting from sales of surplus personal property:

1.3.1. Title 10, United States Code, section 2210 (***10 U.S.C. § 2210***), "Proceeds of Sales of Supplies: Credit to Appropriations"

1.3.2. ***10 U.S.C. § 2605***, "Acceptance of gifts for defense dependents' schools."

1.3.3. ***10 U.S.C. § 2608***, "Acceptance of contributions for defense programs, projects, and activities; Defense Cooperation Account."

1.3.4. ***10 U.S.C. § 2575***, "Disposition of unclaimed property."

1.3.5. ***10 U.S.C. § 2577***, "Disposal of recyclable materials."

1.3.6. ***22 U.S.C. § 2355(d)***, "Retention and use of certain items and funds."

1.3.7. ***22 U.S.C. § 2761***, "Sales from stocks."

1.3.8. ***22 U.S.C. § 2795***, "Fund."

1.3.9. ***40 U.S.C. § 571***, "General rules for deposit and use of proceeds."

1. 3.10. ***40 U.S.C. § 574***, "Other rules regarding proceeds."

1.3.11. Title 32, Code of Federal Regulations, section 273 (***32 CFR § 273***), "Defense Materiel Disposition."

1.3.12. ***41 C.F.R § 102-38***, "Sale of Personal Property."

1.3.13. Federal Account Symbols and Titles ***(FAST) Book Part I***, "Agency Identifier Codes."

1.3.14. Treasury Financial Manual ***(TFM) Volume 1, Part 2, Chapter 1500***, "New Account Establishment, Updating Accounts, and Description of Accounts Relating to Financial Operations."

1.3.15. Defense Federal Acquisition Regulation ***(DFARS) subpart 245.602-70***, "Plant clearance procedures."

1.3.16. , ***DFARS subpart 245.604***, "Sale of surplus personal property."

1.3.17. DoD Instruction ***(DoDI) 4715.23***, "Integrated Recycling and Solid Waste Management."

1.3.18. DoD Manual ***(DoDM) 4160.21, Volume 1***, "Defense Materiel Disposition: Disposal Guidance and Procedures."

2.0 POLICY

2.1 General Rules for Deposit and Use of Proceeds

2.1.1. According to 40 U.S.C. § 571, agencies must deposit net proceeds from sales of surplus property into the Treasury as miscellaneous receipts unless a law authorizes a deposit into an alternate appropriation. The law also requires that agencies pay the expenses of selling old material, condemned stores, supplies, and other public property from the proceeds of the sale, ensuring that only the net proceeds are deposited in the Treasury, or any other applicable appropriation authorized by law.

2.1.2. Under 10 U.S.C. § 2210, a working capital fund responsible for the disposal of property may retain proceeds from disposals that are necessary to recover the expenses incurred in disposing of that property. Therefore, the Defense Logistics Agency (DLA) Disposition Services will retain amounts sufficient to offset all expenses incurred in the disposition of excess/surplus personal property from the proceeds of sales of such property (see Table 5-1).

2.2 Legal Exceptions to the General Rules

The following authorizations permit the crediting of the proceeds of the sale to appropriations and/or funds of the Department. Additional guidance on specific types of exceptions is in Table 5-2.

2.2.1. Supplies, Material, Equipment, and Other Personal Property Not Financed by Stock Funds. In accordance with 10 U.S.C. § 2210, the DoD may credit the net proceeds from the sale or disposal of surplus property, after recovering necessary expenses, to current applicable appropriations. Therefore, any proceeds that remain after recovering disposal expenses will be credited to the current applicable appropriations of the Department (i.e., the appropriation currently available for purchasing such property).

2.2.2. Revolving Fund and Non-Appropriated Fund Property. In accordance with 40 U.S.C. § 574, when property is acquired with amounts either (a) not appropriated from the general fund of the Treasury; or (b) appropriated from the general fund of the Treasury but by law reimbursable from assessment, tax, or other revenue or receipts, the net proceeds of such a disposition or transfer of the property must be:

2.2.2.1. Credited to the applicable reimbursable fund or appropriation; or

2.2.2.2. Paid to the federal agency that determined the property to be excess.

2.2.3. Contractor Sales of Surplus Government Property in the Possession of Contractors. The DFARS subpart 245.60, implements 40 U.S.C. § 574(c) and provides overall direction for crediting proceeds from contractor-conducted sales of surplus government property in the possession of contractors.

2.2.4. Sales of Recyclable Material on Military Installations. The DoD or DLA Disposition Services distribute the proceeds from direct sales of installation-qualified recycling programs (QRP) on military installations, as outlined in 10 U.S.C. § 2577 and DoDI 4715.23.

2.2.4.1. The Director of DLA and DLA Disposition Services (under the Under Secretary of Defense for Acquisition and Sustainment) must establish procedures and controls to ensure that when installations consign recyclable materials for disposal to DLA Disposition Services on behalf of a qualified recycling program, they return 100 percent of any proceeds, minus the costs of sales and handling, to the installations in accordance with established accounting procedures.

2.2.4.2. Agencies must establish an accounting and control system for recycling programs that provides detailed management and audit information, tracks the quantity of material handled, calculates sales and handling costs for recycled material, and monitors expenditures made for appropriate projects and Morale, Welfare and Recreation (MWR) programs. The integrity of the audit trail must be prioritized.

2.2.4.3. If a military installation has a QRP (as determined by the Secretary of the Military Department concerned or the Secretary of Defense) and a balance remains available after such funds are credited, then the installation may use no more than 50 percent of that balance for projects focused on pollution abatement, pollution prevention, energy conservation, alternative-fueled vehicle infrastructure support, and occupational safety and health activities. According to 10 U.S.C. § 2577, the project cannot exceed 50 percent of the amount established by law as the maximum for a minor construction project.

2.2.4.4. DoD Components must promptly deposit and record all recycling proceeds in the United States Standard General Ledger account 426600, which provides direct budgetary authority on line 1800 of the Standard Form (SF) 132, Apportionment and Reapportionment Schedule, and SF 133, Report on Budget Execution and Budgetary Resources. They must obligate and disburse from the designated Treasury Account Symbol only for the purposes specifically authorized in 10 U.S.C. § 2577. The use of suspense accounts is prohibited, and any remaining balances must be transferred to the designated Treasury account.

2.2.4.5. A military installation may transfer the remaining balance available to its non-appropriated morale and welfare account for any morale or welfare activity. If the balance exceeds $10 million at the end of any fiscal year, the installation must deposit the excess amount into the Treasury as miscellaneous receipts.

2.2.5. Lost, Abandoned and Unclaimed Privately-Owned Personal Property. The DoD may dispose of lost, abandoned, or unclaimed personal property after it has made diligent efforts to find the owner or the owner's heirs, next of kin, or legal representative, as prescribed by 10 U.S.C. § 2575.

2.2.5.1. When military installations find lost, abandoned, or unclaimed personal property, they must credit the net proceeds from the sale of the property to the operation and maintenance account of that installation and use it:

2.2.5.1.1. To reimburse the installation for any costs incurred by the installation to collect, transport, store, protect, or sell the property; and

2.2.5.1.2. To the extent that the amount of the proceeds exceeds the amount necessary for reimbursing all such costs, to support MWR activities under the jurisdiction of the armed forces at such installation.

2.2.5.2. Military installations must deposit the net proceeds from the sale of all other lost, abandoned, and unclaimed privately-owned personal property into the Proceeds of Sales of Lost, Abandoned, or Unclaimed Personal Property (_X6001). After five years, military installations must transfer any unclaimed net proceeds from _X6001 to Forfeitures of Unclaimed Money and Property (_1060).

2.2.5.3. The owner(s) of personal property disposed of as described in this section may file a claim with the Secretary of Defense for an amount equal to the proceeds minus the costs

incurred by the installation to collect, transport, store, protect, or sell the property. They must file the claim within five years of the disposal date of the property.

2.2.5.3.1. To pay claims for property found on military installations, the installations must draw the amounts from their MWR account, into which the proceeds were deposited.

2.2.5.3.2. For all other property, amounts to pay the claim must be from the Proceeds of Sales of Lost, Abandoned, or Unclaimed Personal Property account (_X6001).

2.2.5.4. See Tables 5-1 and 5-2 to identify, by type of surplus property, the collection and disposition of proceeds from the sale of surplus property.

3.0 COLLECTION AND DISPOSITION OF BID DEPOSITS

3.1 Collection of Bid Deposits Collected Under the Card Acquiring Service

DoD Components establish policies governing acceptance under the ***Card Acquiring Service***. These instances have transaction limits. Further guidance is contained within ***Volume 5, Chapter 11***, "Electronic Commerce and Deposit of Public Funds." The Office of the Under Secretary of Defense (Comptroller) announces changes or additions to approved credit or debit cards in memoranda or through changes to the TFM. Treasury covers any fees normally charged to sellers, except for equipment and communication costs.

3.2 Disposition of Bid Deposits

If the sale requires a bid deposit, a DoD Component must initially deposit cash collected from bidders into account 097X6501, "Small Escrow Amounts," until a successful bidder is determined and a contract is awarded.

Table 5-1. Costs Associated with Disposal and Sale of Surplus Personal Property

TYPE OF SURPLUS PROPERTY	DISPOSITION OF PROCEEDS
1. All property types turned over to DLA Disposition Services for disposal. Authority: 10 U.S.C. § 2210	DLA Disposition Services may retain the proceeds from the disposals of property necessary to recover the expenses incurred in disposing of that property. They must deposit these proceeds into the DLA Disposition Services working capital fund (097X4930.005) to offset costs.

Table 5-2. Disposition of Net Proceeds from the Sale of Surplus Personal Property

TYPE OF SURPLUS PROPERTY	DISPOSITION OF PROCEEDS
1. Scrap and usable personal property purchased with working capital funds and turned in by working capital fund activities to the DLA Disposition Services. Authority: 10 U.S.C. § 2577	The applicable working capital fund will receive the net proceeds.
2. Working capital fund supply management excess inventory items turned in to DLA Disposition Services. Authority: 40 U.S.C. § 574	The applicable working capital fund will receive the net proceeds.
3. Property (equipment) purchased with funds from the Surcharge Collections, Sales of Commissary Stores trust fund account to include property downgraded to scrap at turn-in, such as shopping carts, shelving units, and similar material. Scrap material, such as cardboard, is not reimbursable under this rule. Authority: 40 U.S.C. § 574	The net proceeds must be deposited into 097X8164, "Surcharge Collections, Sales of Commissary Stores, Defense Commissary Agency."
4. Bones, fats, and meat trimmings generated by a commissary store. Authority: 40 U.S.C. § 574	The net proceeds must be deposited into 097X4930.004, "Defense Working Capital Fund, Defense Commissary Agency."
5. Non-appropriated fund instrumentalities' property, excluding garbage suitable for animal consumption, which they dispose of under a multiple-pickup contract. Authority: 40 U.S.C. § 574	The applicable non-appropriated fund instrumentality must receive the net proceeds.

Table 5-2. Disposition of Net Proceeds from the Sale of Surplus Personal Property (Continued)

TYPE OF SURPLUS PROPERTY	DISPOSITION OF PROCEEDS
6. Lost, abandoned or unclaimed privately-owned personal property turned in to the DLA Disposition Services. Authority: 10 U.S.C. § 2575	On military installations, the operation and maintenance account must be credited with the net proceeds to reimburse for: 1) any costs incurred to collect, transport, store, protect, or sell the property, and 2) the amount necessary to cover all such costs that support MWR activities under the jurisdiction of the armed forces at that installation. The installation can transfer any remaining proceeds to the non-appropriated MWR account. For all others, the installation must deposit the net proceeds into the "Proceeds of Sales of Lost, Abandoned or Unclaimed Personal Property" account (_X6001). After five years, the installation must transfer any unclaimed net proceeds from X6001 to the "Forfeitures of Unclaimed Money and Property" account (_1060).
7. Property owned by a country (other than the United States) or international organization. (For more details, see ***Volume 15, Chapter 2***, "Finance.")	The applicable foreign country or international organization must receive the net proceeds.
8. Security Assistance Property a. Military Assistance Program and Foreign Military Financing (FMF) property returned to the U.S. Government by a recipient country or international organization as no longer needed for the purpose for which furnished. (For more details, see ***Volume 15, Chapter 1***, "General Information" & ***Chapter 4***,"Cash Management.") Authority: 22 U.S.C. § 2355(d)	The "FMF Program, Funds Appropriated to the President" account (011_1082) must receive net proceeds.
b. Special Defense Acquisition Fund (SDAF) property. Authority: 22 U.S.C. § 2795	The "SDAF, Funds Appropriated to the President" account (011X4116) must receive net proceeds.
c. Security Assistance Office property purchased with Foreign Military Sales (FMS) Trust Fund funds. Authority: 22 U.S.C. § 2761	The "Advances, FMS, Funds Appropriated to the President" account (011X8242) must receive net proceeds.

Table 5-2. Disposition of Net Proceeds from the Sale of Surplus Personal Property (Continued)

TYPE OF SURPLUS PROPERTY	DISPOSITION OF PROCEEDS
d. Property purchased with FMS Contract Administration Services (CAS) funds. Authority: 22 U.S.C. § 2761	The FMS Trust Fund CAS account (011X8242) must receive net proceeds.
9. Recyclable material. Authority: 10 U.S.C. § 2577	The net proceeds must be credited to funds available for operations and maintenance at that installation in amounts sufficient to cover the cost of operations, maintenance, and overhead for processing recyclable materials at the installation (including the cost of any equipment purchased for recycling purposes).
10. U.S. Government property in the possession of contractors sold by contractors or DoD selling activities. Authority: 40 U.S.C. § 574(c)	The contract may credit the net proceeds to its price or cost or apply them in accordance with its terms. Otherwise, net proceeds must be deposited into the applicable Component's working capital fund (097X4930) (in the case of inventory purchased with working capital funds) or deposited into the "Sale of Scrap and Salvage Materials, Defense" account (097_2651) (in the case of items not purchased with working capital funds).
11. U.S. Army Corps of Engineers property under the physical control of the U.S. Army Corps of Engineers at the time of sale. (For more details, see ***Volume 4, Chapter 11***,"Component Debt.") Authority: OMB Circular A-11, section 20.11(e) and TFM Volume 1, Part 2, Chapter 1500	The Treasury fund designated for DoD or the Military Department must receive net proceeds and transfer them to the U.S. Army Corps of Engineers using the Intra-Governmental Payment and Collection (IPAC) System.
12. Automatic data processing equipment owned by the General Services Administration (GSA) and leased to a DoD Component. Authority: OMB Circular A-11, section 20.11(e) and TFM Volume 1, Part 2, Chapter 1500	The Treasury fund designated for DoD or the Military Department must receive net proceeds and transfer them to GSA using the IPAC System.

Table 5-2. Disposition of Net Proceeds from the Sale of Surplus Personal Property (Continued)

TYPE OF SURPLUS PROPERTY	DISPOSITION OF PROCEEDS
13. U.S. Coast Guard property under the physical control of the U.S. Coast Guard at the time of sale. Authority: OMB Circular A-11, section 20.11(e) and TFM Volume 1, Part 2, Chapter 1500	The Treasury fund designated for DoD or the Military Department must receive net proceeds and transfer them to the U.S. Coast Guard using the IPAC System.
14. General Gifts – Gifts and bequests of property made on the condition that it be used for the benefit of, or in connection with the establishment, operation, or maintenance of a school, hospital, library, museum, cemetery, or other institution, or organization under the jurisdiction of the Secretary. (For more details, see ***Volume 12, Chapter 30*** "Operation and Use of General Gift Funds.") Authority: 10 U.S.C. § 2601	The Treasury fund designated for DoD or the Military Department must receive net proceeds as applicable: 097X8163.001 - Department of Defense General Gift Fund, 021X8927.001- Department of the Army General Gift Fund, 017X8716.001 - Department of the Navy General Gift Fund, or 057X8928.001 - Department of the Air Force General Gift Fund.
15. Gifts for wounded warriors – Gifts and bequests of property made on the condition that it be used for the benefit of (A) members of the armed forces, including members performing full-time National Guard duty, who incur a wound, injury, or illness while in the line of duty; (B) civilian employees of DoD who incur a wound, injury, or illness while in the line of duty; (C) dependents of such members or employees; and (D) survivors of such members or employees who are killed. (For more details, see Volume 12, Chapter 30) Authority: 10 U.S.C. § 2601	The Treasury fund designated for DoD or the Military Department must receive net proceeds as applicable: 097X8163.001 - Department of Defense General Gift Fund 021X8927.001 - Department of the Army General Gift Fund, 017X8716.001 - Department of the Navy General Gift Fund, or 057X8928.001 - Department of the Air Force General Gift Fund.

Table 5-2. Disposition of Net Proceeds from the Sale of Surplus Personal Property (Continued)

TYPE OF SURPLUS PROPERTY	DISPOSITION OF PROCEEDS
16. Gifts for Defense Dependents Education System - Any gift (including any gift of an interest in real property) that is to be used in connection with the operation and/or administration of the DoD dependent's education system. (For more details, see Volume 12, Chapter 30) Authority: 10 U.S.C. § 2605	The "DoD Dependent's Education Gift Fund" Account (097X8096) must receive net proceeds.
17. Any contribution of money, real property, or personal property made by any person, business, foreign government, or international organization for use by the DoD. (For more details, see ***Volume 12, Chapter 3*** "Contributions for Defense Programs, Projects, and Activities.") Authority: 10 U.S.C. § 2608	The "Defense Cooperation Account" (5187.001) must receive net proceeds.
18. Supplies, material, equipment, and other personal property personal (to include demilitarized/scrapped end items) turned in by DoD Components. (For more details, see ***Volume 12, Chapter 14*** "Transferring, Disposing, and Leasing of Real Property and Personal Property.") Authority: 10 U.S.C. § 2210	The current applicable DoD appropriation (i.e., the appropriation currently available for the purchase of such items) must receive net proceeds.
19. The DoD and other federal government activities turn in all other personal property, including demilitarized and scrapped end items, when the law does not provide for the disposition of the proceeds. (For more details, see Volume 12, Chapter 14) Authority: 40 U.S.C. § 571	The Miscellaneous Receipts account (097_2651) must receive net proceeds.

VOLUME 11A CHAPTER 6: "ANNUAL REIMBURSABLE RATES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated November 2019 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
1.0	This paragraph was substantively revised to add Overview, update Purpose narratives, and add the required list of Authoritative Guidance information.	Revision/ Addition
2.2	Added the Revolving Funds Director for responsibility of the Working Capital Funds.	Addition
3.1	Updated the table to reflect changes for the Exhibit Submissions requirements/information.	Revision
Appendix A	Updated the table template and the required format for the authoritative guidance. Replaced "shall be" to "must" in the instructions.	Revision
Appendix B	Updated narratives and defined indicators for the Department of Defense (DoD) Working Capital Funds Civilian/Military Equivalency Rate table and its contents.	Revision
Appendix D	Updated tables to remove Defense Logistics Agency and add Defense Contract Management Agency. Corrected the superscript and note number assignments. Accounted for the eleventh federal holiday.	Revision
Appendix F	This appendix was substantively revised to reflect updated information and reference links for Medical and Dental Services Rate Computation.	Revision
Appendix G	Incorporated nondiscretionary revisions in support of fiscal year (FY) 2022, FY 2023, FY 2024, and FY 2025 DoD Military Personnel Composite Standard Pay and Reimbursement Rates policy memorandums issued on July 29, 2021; June 17, 2022; May 9, 2023; and April 30, 2024.	Revision
Appendix H	Updated tables to correct the superscript and note number assignments. Accounted for the eleventh federal holiday.	Revision

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CHAPTER 6

ANNUAL REIMBURSABLE RATES

*1.0 GENERAL

1.1 Overview

The Department of Defense (DoD) provides goods and services to meet military mission requirements. The Economy Act allows the Department to provide certain goods to DoD Components, other government agencies, and the private sector under specified conditions. Reimbursable rates, published by the Under Secretary of Defense (Comptroller)/DoD Chief Financial Officer, provide a basis for the Department and its Components to be reimbursed for such goods and services provided.

1.2 Purpose

The purpose of this chapter is to provide guidance relative to the preparation of specific exhibits and due dates for the submission of such exhibits, used to develop and support those reimbursable rates published by the DoD Deputy Comptroller (Program/Budget) (P/B). This guidance applies to all DoD Components and goods or services encompassed by or subject to reimbursable rates approved by the DoD Chief Financial Officer.

1.3 Authoritative Guidance

The financial management and requirements prescribed by this chapter are in accordance with the applicable provisions of:

1.3.1. Title 10, United States Code, section 347, ***(10 U.S.C. § 347)***, "International engagement authorities for service academies"

1.3.2. ***10 U.S.C. § 2205***, "Reimbursements"

1.3.3. ***22 U.S.C. § 2347***, "International Military Education and Training"

1.3.4. ***22 U.S.C. § 2761***, "Sales from stocks"

1.3.5. Title 32, Code of Federal Regulations (CFR), part 199.14 ***(5 CFR 199.14)***, "Civilian Health and Medical Program of the Uniformed Services (CHAMPUS)"

2.0 RESPONSIBILITY

2.1 Deputy Comptroller (P/B)

The Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) is responsible for reviewing, coordinating, and publishing reimbursable rates for the Department. Where feasible,

applicable reimbursable rates will be published before the beginning of each new fiscal year (FY), allowing sufficient lead time for the distribution of rates and updating billing systems.

*2.2 DoD Components

DoD Components are required to:

2.2.1. Maintain systems that use generally accepted cost accounting procedures to formulate proposed rates. Each such DoD Component is responsible for maintaining, in conjunction with the Defense Finance and Accounting Service, an appropriate cost accounting system enabling the accumulation of data needed to formulate reimbursable rates for consumers of such goods or services. Generally accepted cost accounting procedures will be the basis for such proposed rates.

2.2.2. Submit to the DoD Deputy Comptroller (P/B) or the Revolving Funds Director for the Working Capital Funds, reimbursable rate exhibits that propose reimbursable rates for the upcoming fiscal year. Such exhibits must be prepared and submitted per the time frames specified in section 3.0 and in accordance with the formats specified in the appendices to this chapter.

2.2.3. Bill using rates approved by the DoD Deputy Comptroller (P/B) or the Revolving Funds Director for the Working Capital Funds. Goods or services provided in an academic year or a fiscal year, as applicable, will be billed at the approved academic or fiscal year rate, respectively, effective with the beginning of the academic year or October 1 of the fiscal year, as appropriate, irrespective of whether the rates have been established in the billing system.

2.2.4. Ensure that rates different from those approved by the DoD Chief Financial Officer are not issued or changed without the prior written approval of that official or the Deputy Chief Financial Officer.

3.0 EXHIBITS

*3.1 Reimbursable Rate Exhibits

The following reimbursable rate exhibits will be submitted each year in support of the President's Budget submission. Detailed instructions are included with each exhibit, and specific due dates are identified:

TYPE OF REIMBURSABLE RATE	APPENDIX	DUE DATE*	SUBMITTING COMPONENT	Reviewing OUSD(C) COMPONENT
Academy Foreign Cadet	A	Per Data Call	All Military Depts and OASD (Health Affairs)	Operations
Civilian/Military Equivalency, DoD Working Capital Fund	B	Per Data Call	OUSD(C)	Revolving Funds
Civilian Personnel Fringe Benefit	C	Per Data Call	OUSD(C)	Operations
Contract Administration Services	D	Per Data Call	DCMA, DCAA, All Military Depts	Operations
Fixed/Rotary Wing Aircraft	E	Per Data Call	All Military Depts	Operations
Medical and Dental Services	F	Per Data Call	OASD(Health Affairs)	Military Personnel and Construction
Military Composite Pay	G	Per Data Call	All Military Depts	Military Personnel and Construction
NASA	H	Per Data Call	DCMA, DCAA, All Military Depts	Operations

3.2 Exhibits Submissions

Exhibits should be submitted to the attention of the corresponding reviewing component in both electronic format and hard copy to the DoD Deputy Comptroller (P/B), The Pentagon, Washington, DC 20301-1100. Spreadsheet and text files provided in electronic format should be compatible with Microsoft Excel.

*APPENDIX A: SERVICE ACADEMIES' FOREIGN CADET/MIDSHIPMAN REIMBURSABLE

UNITED STATES MILITARY ACADEMY

Service Academies' Foreign Cadet/Midshipman Reimbursable Rate

FY ____ President's Budget

Rate Calculation	**FY 20CY (1)**	**FY 20BY (1)**
Program Element (2):		
PE 0804721A Service Academies ($ from BES)		
O&M,A		
MPA		
OPA		
Total U.S. Army Academy	-	-
*Cadet/Midshipmen Workyears/Average Strength (3)		
Medical Support Costs per capita (4)		
Total Medical Costs (5)	-	-
Total Costs (6)	-	-
Cost per Cadet/Midshipman (7)		
1/3 of FY 20CY		
2/3 of FY 20BY		
Academic Year Reimbursable Rate (8)		
* Workyears includes Foreign Cadets		

GENERAL

Department of Defense Service Academies' Foreign Cadet Reimbursable Rate is to be used when billing foreign cadets and midshipmen instruction cost. 10 U.S.C. § 347 requires a Foreign Government to reimburse instruction costs to the United States for cadets and midshipmen permitted to attend one of the military academies to include the United States Military Academy, the Naval Academy, and the Air Force Academy. Each Service Department calculates its internal Service Academies' Foreign Cadet Reimbursable Rate using the rate calculation in the instructions. OUSD(C) calculates the Department of Defense Service Academies' Foreign Cadet Reimbursable Rate from the Services' submissions and publishes on the OUSD(C) public website prior to the commencement of the academies' academic year.

INSTRUCTIONS

Instruction costs include faculty, staff, learning material, housing, basic pay and allowance, subsistence (meals), and medical expenses of a cadet/midshipman. The instruction costs are identified in the Operations and Maintenance (O&M), Military Personnel (MILPER), and Other Procurement (OP) appropriations. Detailed instructions for calculating the Services' foreign cadet and midshipman reimbursable rate follows:

(1) Insert the applicable current year (CY) and budget year (BY) for the fiscal year being calculated. For example, when computing the FY 2026 Budget Year rate, the current year would be FY 2025 and the budget year would be FY 2026.

(2) Include all budgeting and programming data in the Service Academies Program Element (PE) 804721 for all appropriations. The Service Academy PE must be exclusively used for cadet and midshipman instruction cost. The O&M appropriation must include the PE, budget activity, and subactivity group for instruction cost. For the O&M and OP accounts the current year reflects the enacted appropriation and the budget year reflects the President's Budget. In the MILPER accounts CY must reflect the CY Estimate (i.e., not the enacted) in the BY President's Budget and BY must reflect the BY in the BY President's Budget. When there is no enactment of an appropriation, the CY is an estimate for all appropriations.

(3) Insert the Cadet/Midshipman workyears/average strength which includes Foreign Cadets (Basic Pay, Average Number) shown in the Military Personnel justification books for budget activity 3, Pay and Allowances for Cadets/Midshipmen submitted to the Congress in support of the President's Budget. The workyears/average strength CY column must reflect the CY Estimate in the BY President's Budget and BY must reflect the BY in the BY President's Budget.

(4) Obtain the Cadet/Midshipman medical support cost from the OUSD(C). The Service Academies' Cadet/Midshipman medical support costs include both clinic and hospital costs. The Office of the Assistant Secretary of Defense (Health Affairs) must provide a cost per capita for the CY and BY, by Academy to the Director, for Operations Directorate, OUSD(C), Room 3C749, the Pentagon, 30 days after the submission of the President's Budget to the Congress. This amount will be calculated by multiplying the per capita cost provided by the OASD(HA) by the sum of the cadet/midshipman workyears/average strength included in the President's budget.

(5) Multiply the number of cadet workyears/average strength by the medical support costs per capita rate to get the total Medical charge for the academy.

(6) Sum the Service Academies PE (804721) cost, the total medical charge Program Element cost, and medical support cost.

(7) Divide the Total Costs (6) by Cadet/Midshipman workyears/average strength (3).

(8) Sum 1/3 of the cost per cadet/midshipman for the CY and 2/3 of the CY cost per cadet/midshipman for the BY.

*APPENDIX B: DOD WORKING CAPITAL FUNDS CIVILIAN/MILITARY EQUIVALENCY RATE

Fiscal Year _____

The cost of military personnel assigned to a Defense Working Capital Fund (DWCF) is included in the total cost of operations of the DWCF activities at civilian equivalent rates. Military personnel assigned to DWCF activities are to be costed at civilian equivalent rates, using the rates in the table. See Volume 2B, Chapter 9 and Volume 11B, Chapter 12 for guidance for calculating, budgeting, paying (reimbursing), recording and reporting DWCF military personnel costs.

Military Grade	Civilian Grade Equivalent	Civilian Equivalent Rate BY(s) 20--____
O-9	ES Level III	
O-8	ES Level IV	
O-7	ES Level V	
O-6	GS-15	
O-5	GS-14	
O-4	GS-13	
O-3	GS-12	
O-2	GS-11	
O-1	GS-9	
W-5	GS-12	
W-4	GS-12	
W-3	GS-11	
W-2	GS-10	
W-1	GS-9	
E-9	GS-8	
E-8	GS-7	
E-7	GS-6	
E-6	GS-5	
E-5	GS-5	
E-4	GS-4	
E-3	GS-3	
E-2	GS-2	
E-1	GS-1	

The "E" in E-1 represents enlisted while the "1" indicates the paygrade for that position. The other pay categories are "W" for warrant officers and "O" for commissioned officers. Some enlisted paygrades have more than one rank. The "GS" represents Civil Service employees that are paid using the General Schedule (GS) pay scale while the "ES" represents the civilian employees that are paid using the Executive Service (ES) pay scales.

Stabilized customer rates and reimbursement to the Military Personnel accounts are not based on the rates in appendix A. Rather, such amounts are based on the absolute total dollar amount

specified in the President's budget (rather than based on the number, or military composite rate, of individuals actually assigned).

INSTRUCTIONS

The Department of Defense Working Capital Funds civilian/military equivalency rate will be calculated as follows:

1. Use the generic (Rest of U.S.) pay amount for Step 5 of each appropriate General Schedule (GS) civilian grade, or the applicable Executive Service (ES) pay level, from the current civilian pay schedules,

2. Add as required, the applicable portion (pro-rata) of the proposed pay raise, if any, for civilians (GS/ES) that was effective for the budget fiscal year, and

3. Add the average civilian personnel fringe benefits factor applicable to the Military Services and Defense Agencies. The amount for unfunded civilian retirement is not to be included in the fringe benefits percentage factor. Civilian personnel fringe benefit rates are provided by the OUSD (Comptroller) and published on the Comptroller website.

APPENDIX C: CIVILIAN FRINGE BENEFIT RATE COMPUTATION

DOD COMPONENT (1)

		Prior Year (2,3)	Current Year (2,3)	Budget Year (2,3)
A.	Object Class 12.1 Civilian Personnel Benefits (4)			
B.	Object Class 11 Civilian Personnel Compensation (5)			
	11.1 Full-time Permanent			
	11.3 Other Than Full-Time Permanent			
	11.5 Other Personnel Compensation			
	11.8 Special Personal Services Payments			
C.	Total Personnel Compensation (Total of 11.1, 11.3, 11.5, 11.8) (6)			
D.	Civilian Fringe Benefit (Interagency) Rate (7)			
E.	Office of Personnel Management (OPM) Unfunded Retirement Factor (8)			
F.	Public, and Private Activities (9)			

(See footnoted instructions on following page)

INSTRUCTIONS

(1) Insert the name of the applicable DoD Component submitting the exhibit. A separate exhibit is required from each Military Service (including the U.S. Marine Corps) and from all Defense Agencies.

(2) Insert the applicable fiscal year.

(3) Insert the applicable amounts for each fiscal year. A brief description should be provided to explain changes of 10 percent or more between (a) previously budgeted and actual amounts for the prior fiscal year, (b) previously budgeted and currently budgeted amounts for the current year, and (c) the currently budgeted amounts for the budget year.

(4) Insert the applicable amounts shown in the current President's Budget for Object Class 12.1, Civilian Personnel Benefits.

(5) Insert on the applicable lines, the applicable amounts shown in the current President's Budget for Object Class 11.1, 11.3, 11.5 and 11.8.

(6) Enter the total of personnel compensation from Object Class 11.1, 11.3, 11.5 and 11.8.

(7) Divide the amount reported in line A. by the amount reported in line C. The resultant percentage is the percentage rate to be applied to civilian labor costs for billings to other Federal Agencies. This is DoD's funded rate.

(8) The civilian fringe benefit rate--to be used in this calculation--will be obtained annually from the Directorate for Accounting and Finance Policy.

(9) Add lines D. and lines E. to determine the percentage to be applied on billings to the public and private activities.

*APPENDIX D: CONTRACT ADMINISTRATION SERVICES

Contract administration services (CAS) hourly reimbursable billing rates should be applied to direct labor hours incurred in support of CAS efforts. These CAS rates are to be used in billing other Federal Agencies, the public, and Foreign Military Sales (FMS) customers. FMS customers are to be billed in accordance with the Security Cooperation Policy guidance provided in Volume 15, Chapter 7, paragraph 16.0 and Chapter 8, paragraph 7.0. Waivers and exclusions are to be granted in accordance with Volume 15, Chapter 7, paragraph 13.0.

PERFORMING DOD COMPONENT	OTHER FEDERAL AGENCIES RATES (1)	FMS RATES (2)	PUBLIC RATES (3)
Army			
Navy			
Air Force			
Defense Contract Audit Agency (DCAA)			
Defense Contract Management Agency (DCMA)			

NOTES:

(1) Use the Budget Year "Gross Cost Per Direct Hour" amount from page 2.
(2) Sum Budget Year lines C, E, and G from page 2 and multiply the resultant amount by .167 (obtained from OMB Circular No. A 76) Revised Supplemental Handbook, "Performance of Commercial Activities"). That product then is divided by the applicable total direct work-hours (line V from page 2) to derive an hourly unfunded civilian retirement cost. The resultant hourly unfunded civilian retirement cost is added to the "Other Federal Agencies Rate" (column 1) to yield the FMS rate.
(3) Use the FMS Rate plus 4% for asset use charge. This is achieved by multiplying the FMS rate by 1.04.

REIMBURSEMENT COST FOR CONTRACT ADMINISTRATION SERVICES

DoD COMPONENT_____

	Prior Year [1] (PY)	Current Year (CY)	Budget Year (BY)
Gross Workyear Cost			
A. Total Salaries of Direct Labor Personnel [2]	$_____	$_____	$_____
B. Number of Direct Labor Personnel Full-Time Equivalents (FTEs) [2]	_____	_____	_____
C. Average Salary of Direct Labor Personnel [(A) ÷ (B)]	$_____	$_____	$_____
D. Total Salaries of Indirect Supervision & Administrative Personnel [2]	$_____	$_____	$_____
E. Indirect Supervision & Administrative Salaries per FTE [(D) ÷ (B)]	$_____	$_____	$_____
F. Total Salaries of Regional, District and Headquarters Personnel [2][3]	$_____	$_____	$_____
G. Regional, District and Headquarters Salaries per FTE [(F) ÷ (B)]	$_____	$_____	$_____
H. Personnel Benefits [2]	$_____	$_____	$_____
I. Average Personnel Benefits Costs per FTE ([(H) ÷ (B)]	$_____	$_____	$_____
J. Total Cost of Personnel Service [(C) + (E) + (G) + (I)]	$_____	$_____	$_____
K. Total Travel Costs [3] [4]	$_____	$_____	$_____
L. Average Travel Costs per FTE [(K) ÷ (B)]	$_____	$_____	$_____
M. Other Support Costs [3] [5]	$_____	$_____	$_____
N. Average Support Costs per FTE [(M) ÷ (B)]	$_____	$_____	$_____
O. Total Gross Work-Year Cost [(J) + (L) + (N)]	$_____	$_____	$_____
Direct Work-Hours			
P. Work-Hours Available	_____	_____	_____
Q. Less Holidays	88	88	88
R. Less Annual Leave [3]	_____	_____	_____
S. Less Sick Leave [3]	_____	_____	_____
T. Less Other Leave (e.g., Military, Jury and Administrative) [3]	_____	_____	_____
U. Less Training Time	_____	_____	_____
V. Total Direct Work-Hours [(P) - (Q) - (R) - (S) - (T) - (U)]	_____	_____	_____
Gross Cost Per Direct Hour [(O) ÷ (V)]	$_____	$_____	$_____

REIMBURSEMENT COST FOR CONTRACT ADMINISTRATION SERVICES

Notes:

(1) The amounts reflected should be the “actual” cost and work-hour data for the most recently completed Fiscal Year. This should be the FY 20PY of the President’s Budget.

(2) The amounts reflected should be that shown in the “Total” column of the attached schedule, “Personnel Cost For Contract Administration Services” (page 4) for the applicable year, i.e., PY, CY, BY.

(3) Separately, show basis of computation.

(4) Includes all travel costs, i.e., local, temporary additional duty, and permanent change of station, of the civilian and military personnel included under items (A), (D) and (F).

(5) Includes other expenses such as supplies, equipment, training and communications.

PERSONNEL COST FOR CONTRACT ADMINISTRATION AND RELATED SUPPORT SERVICES

DoD COMPONENT_____

Gross Workyear Cost For Prior Year (Actual)	Civilian (a)	Military (b)	Total (a) + (b)
A. Total Salaries of Direct Labor Personnel [6]	$_____	$_____	$_____
B. Number of Direct Labor Personnel Full-Time Equivalents (FTEs)	_____	_____	_____
C. Average Salary of Direct Labor Personnel [(A) ÷ (B)]	$_____	$_____	$_____
D. Total Salaries of Indirect Supervision & Administrative Personnel [7]	$_____	$_____	$_____
E. Indirect Supervision & Administrative Salaries per FTE [(D) ÷ (B)]	$_____	$_____	$_____
F. Total Salaries of Regional, District and Headquarters Personnel [8]	$_____	$_____	$_____
G. Regional, District and Headquarters Salaries per FTE [(F) ÷ (B)]	$_____	$_____	$_____
H. Personnel Benefits [9]	$_____	$_____	$_____
I. Average Personnel Benefits Costs per FTE ([(H) ÷ (B)]	$_____	$_____	$_____
J. Total Cost of Personnel Service [(C) + (E) + (G) + (I)]	$_____	$_____	$_____
Gross Workyear Cost For Current Year			
A. Total Salaries of Direct Labor Personnel [6]	$_____	$_____	$_____
B. Number of Direct Labor Personnel Full-Time Equivalents (FTEs)	_____	_____	_____
C. Average Salary of Direct Labor Personnel [(A) ÷ (B)]	$_____	$_____	$_____
D. Total Salaries of Indirect Supervision & Administrative Personnel [7]	$_____	$_____	$_____
E. Indirect Supervision & Administrative Salaries per FTE [(D) ÷ (B)]	$_____	$_____	$_____
F. Total Salaries of Regional, District and Headquarters Personnel [8]	$_____	$_____	$_____
G. Regional, District and Headquarters Salaries per FTE [(F) ÷ (B)]	$_____	$_____	$_____
H. Personnel Benefits [9]	$_____	$_____	$_____
I. Average Personnel Benefits Costs per FTE [(H) ÷ (B)]	$_____	$_____	$_____
J. Total Cost of Personnel Service [(C) + (E) + (G) + (I)]	$_____	$_____	$_____

PERSONNEL COST FOR CONTRACT ADMINISTRATION SERVICES

DoD COMPONENT_____

	Civilian (a)	Military (b)	Total (a) + (b)
Gross Workyear Cost For Budget Year			
A. Total Salaries of Direct Labor Personnel (6)	$_____	$_____	$_____
B. Number of Direct Labor Personnel Full-Time Equivalents (FTEs)	_____	_____	_____
C. Average Salary of Direct Labor Personnel [(A) ÷ (B)]	$_____	$_____	$_____
D. Total Salaries of Indirect Supervision & Administrative Personnel (7)	$_____	$_____	$_____
E. Indirect Supervision & Administrative Salaries per FTE [(D) ÷ (B)]	$_____	$_____	$_____
F. Total Salaries of Regional, District and Headquarters Personnel (8)	$_____	$_____	$_____
G. Regional, District and Headquarters Salaries per FTE [(F) ÷ (B)]	$_____	$_____	$_____
H. Personnel Benefits (9)	$_____	$_____	$_____
I. Average Personnel Benefits Costs per FTE [(H) ÷ (B)]	$_____	$_____	$_____
J. Total Cost of Personnel Service [(C) + (E) + (G) + (I)]	$_____	$_____	$_____

Notes:

(6) Include the salary expenses of direct civilian and military personnel, e.g., contract administrators.

a. Civilian. The cost of civilian personnel assigned full-time to contract administration requirements should reflect the annual salary for the applicable pay grades. Otherwise, an hourly rate of 1/2087 of the annual rate must be used and a leave and holiday factor of 18 percent of pay cost added.

b. Military. The cost of military personnel assigned full-time to contract Administration requirements should be based on the annual Military Composite Pay rates. Otherwise, an hourly rate of 1/2080 of the annual Military Composite Pay rate must be used and a leave and holiday factor of 14 percent of pay cost added.

(7) Include the indirect salary expenses for civilian and military personnel that perform supervisory and administrative (clerical) functions. Such costs are computed as indicated in (6)a. and (6)b.

(8) Include the salary expenses for civilian and military personnel at the district, regional and headquarters level. Such costs are computed as indicated in (6)a. and (6)b.

(9) Include the fringe benefit expenses for all civilian and military personnel included in items (A), (D) and (F).

a. Civilian. Fringe benefits are computed by multiplying civilian personnel costs by the civilian fringe benefit rate. The fringe benefit rate must be that reported for the applicable fiscal year on the OP-8 exhibit, "Civilian Personnel Costs."

b. Military. Fringe benefits are computed by multiplying separately the officer and enlisted salaries by 6 percent for officers and 18 percent for enlisted personnel.

VARIANCES IN THE REIMBURSEMENT COST FOR CONTRACT ADMINISTRATION SERVICES

DoD COMPONENT_____

	Civilian (a)	Military (b)	Total (a) + (b)
Gross Workyear Cost For Budget Year			
A. Total Salaries of Direct Labor Personnel (6)	$_____	$_____	$_____
B. Number of Direct Labor Personnel Full-Time Equivalents (FTEs)	_____	_____	_____
C. Average Salary of Direct Labor Personnel [(A) ÷ (B)]	$_____	$_____	$_____
D. Total Salaries of Indirect Supervision & Administrative Personnel (7)	$_____	$_____	$_____
E. Indirect Supervision & Administrative Salaries per FTE [(D) ÷ (B)]	$_____	$_____	$_____
F. Total Salaries of Regional, District and Headquarters Personnel (8)	$_____	$_____	$_____
G. Regional, District and Headquarters Salaries per FTE [(F) ÷ (B)]	$_____	$_____	$_____
H. Personnel Benefits (9)	$_____	$_____	$_____
I. Average Personnel Benefits Costs per FTE [(H) ÷ (B)]	$_____	$_____	$_____
J. Total Cost of Personnel Service [(C) + (E) + (G) + (I)]	$_____	$_____	$_____

Notes:

(10) Computed using the cost and hour data from page 2. Divide the current year amount for each element by the prior year amount, subtract 1 and multiply by 100.

(11) Computed using the cost and hour data from page 2. Divide the budget year amount for each element by the current year amount, subtract 1 and multiply by 100.

APPENDIX E: COLLECTIONS FOR REIMBURSEMENTS OF DOD-OWNED AIRCRAFT (FIXED/ROTARY WING)

DEPARTMENT OF _____(1)
ACCOUNTS TO WHICH COLLECTIONS ARE TO BE DEPOSITED FOR
REIMBURSEMENTS FOR THE USE OF DOD-OWNED AIRCRAFT (FIXED WING)
FISCAL YEAR _____(2)
(DOLLAR AMOUNT PER HOUR)

Aircraft	DoD	Federal Agency and FMS Users			All Other Users			
	O&M	O&M	MilPers	Total	O&M	MilPers	Asset Utl	Total
(3)	(4)	(5,6)	(5,6)	(5,6)	(7)	(7)	(7)	(7)

INSTRUCTIONS

(1) Insert Army, Navy or Air Force, as applicable.

(2) Insert the applicable (current) fiscal year.

(3) Separately list and provide data for each type/model/series of aircraft (fixed or rotary wing) in the DoD Component's inventory which is subject to reimbursement as a composite rate of all Service Components (Active, Guard, and Reserve).

(4) The DoD rate will include costs for (8)--Fuel, (9)--DLRs, (10)--Depot Maintenance, and (11)--Other. This rate is to be used for interdepartmental (e.g., Navy to Air Force) billing purposes. Location of calculation instructions in this appendix are indicated by the number in parenthesis before the name of the cost category.

(5) The Other Federal Agency Rate will include costs for (8)--Fuel, (9)--DLRs, (10)--Depot Maintenance, (11)--Other, and (12)--Crew Salary. Location of calculation instructions in this appendix are indicated by the number in parenthesis before the name of the cost category.

(6) The FMS rate will include costs for (8)--Fuel, (9)--DLRs, (10)--Depot Maintenance, (11)--Other, (12)--Crew Salary. Location of calculation instructions are indicated by the number in parenthesis before the name of the cost category.

(7) The Public Rate will include costs for (8)--Fuel, (9)--DLRs, (10)--Depot Maintenance, (11)--Other, (12)--Crew Salary, (13)--Asset Utilization and an unfunded civilian retirement cost (The civilian fringe benefit rate--to be used in this calculation--will be obtained annually from the OUSD(C), Program/Budget, Operations Directorate, 3C749, the Pentagon, Washington, DC 20301-1100) for any civilian personnel costs included in (4), (5), (6), (7) or (8). Location of calculation instructions in this appendix are indicated by the number in parenthesis before the name of the cost category.

(8) Fuel costs will be equal to the corresponding amounts shown in the related OP-20 Exhibit for the applicable type/model/series. (If for any reason, the OP-20 Exhibit series does not include an applicable type/model/series of aircraft, fuel costs will be computed using the same methodology as that used for aircraft included in the OP-20 Exhibit series, i.e., by dividing the total cost of fuel for the fiscal year for each type of aircraft by the total number of flying hours for that same aircraft.) Services should also include fuel costs for non-fly fuel directly supporting the flying hour program (such as fuel used in engine test cells and auxiliary powers units). Fuel costs are consistent with the current year's fuel price per barrel, set at the standard fuel price effective October 1 for the respective fiscal year, i.e., the FY 2024 reimbursable rates are consistent with the FY 2024 Standard Fuel Price effective October 1, 2024.

(9) Depot-level reparable (DLR) costs will be equal to the corresponding amounts shown in the related OP-20 Exhibit series for the applicable type/model/series. (If for any reason, the OP-20 Exhibit series does not include an applicable type/model/series of aircraft, DLR costs will be computed using the same methodology as that used for aircraft included in the OP-20 Exhibit

series, i.e., by dividing the total DLR costs for the applicable fiscal year by the total number of flying hours for that same aircraft.)

(10) Include an hourly rate for depot maintenance cost for airframes, engines, and components for the applicable type/model/series. This cost will be an average cost for that type/model/series and be computed by dividing the total amount of depot maintenance budgeted for the applicable type/model/series by the number of flying hours budgeted for that type/model/series.

(11) Other costs will equal corresponding "other" amounts shown in the related OP-20 Exhibit series (for Air Force, this is equal to the consumables required in Exhibit OP-20). (If for any reason, the OP-20 Exhibit series does not include an applicable type/model/series of aircraft, other costs will be computed using the same methodology as that used for aircraft included in the OP-20 Exhibit series, i.e., by adding all operating costs ((other than fuel, DLRs, depot maintenance, crew salary, and asset utilization)) and dividing the total of such other costs for the applicable fiscal year by the total number of flying hours.) If for any reason the OP-20 Exhibit does not include details for contract logistics support (CLS), use a five-year average of variable CLS or equivalent costs and hours.

(12) Crew salary amounts will be computed based on the number and grade of military personnel operating the aircraft. Crew salary costs will be computed by:

(a) Multiplying the standard number of crew members in each applicable military grade times the annual Military Standard Composite Rate for that grade available on the reimbursable rates page of the OUSD(C) website. For Federal Agencies and Public rates, use the applicable rates in the "Annual Rate Billable to Other Federal Agencies" column. For the FMS rate, use the applicable rate in the "Annual DoD Composite Rate" column plus the annual acceleration factor.

(b) Dividing the result of (a) by 2080 (hours) to convert the annual rate to an hourly rate, by grade.

(c) Multiplying the results of (b) by a factor of 1.14 percent for both officers and enlisted personnel. (This calculation increases the hourly rate by 14 percent for officers and enlisted personnel fringe benefits.)

(d) Adding the amounts arrived at in (c) for each grade, to arrive at a total hourly rate for the entire crew.

NOTE: The computation of crew salary amounts should be supported by a separate table attached to this exhibit.

(13) The asset utilization amount will be computed by applying an asset utilization factor of 4 percent times the sum of columns (8)--Fuel, (9)--DLRs, (10)--Depot Maintenance, (11)--Other and (12)--Crew Salary for each specific aircraft.

(14) Provide a brief narrative to explain significant changes between fiscal years.

*APPENDIX F: MEDICAL AND DENTAL SERVICES RATE COMPUTATION

SUBMITTED BY THE OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE (HEALTH AFFAIRS)

Budget exhibit includes Inpatient, Outpatient, Pharmacy and other rates. This exhibit is to be included only in the President's budget. The format of the budget exhibit for medical, dental, and pharmacy rates may vary slightly from year to year due to the addition/deletion of rates, changes in nomenclature, updated notes, and other unforeseen reasons. The tables are for informational purposes only.

INPATIENT, OUTPATIENT AND OTHER RATES AND CHARGES

*1.0 Inpatient Rates

Room and Board rates are the weighted average of occupied bed day (OBD) Rates at each MTF within a Regional Charge Table. Final Room and Bed rates include rates for Intensive Care (1.2X) and Step-Down Care (1.1X). Room and board rates are a direct result of the previous fiscal year's costs associated with providing care at the inpatient level, and do not include medications, supplies, procedures performed, or any additional expenses other than providing a room and bed for the patient. Room and Board rates consist of the Full Cost rate, and adjustments are applied such as the Interagency Rate (IAR) or the International Military Education and Training (IMET) rate.

The IMET program is a key funding component of U.S. security assistance that provides training on a grant basis to students from allied and friendly nations. Authority for the IMET program is found pursuant to 22 U.S.C. 2347. Funding is appropriated from the International Affairs budget of the Department of State. Not all foreign national patients participate in the IMET program. The IAR rates are used to bill other federal agencies. The full/Third Party Collection (TPC) rates are used to bill insurance carriers, pay patients, and other payers.

Each MTF providing inpatient care has a regionally assigned room and board full cost rate, step-down rate, and intensive care unit rate. The total number of inpatient stay days not including the date of discharge, multiplied by the MTF's regional daily room and board rate is the charge submitted on the institutional claim for total room and bed charges. In addition, other itemized supplies and ancillary services performed during the inpatient stay (laboratory, radiology, pharmacy) will be included in the total amount of charges on the institutional claim payers will use for reimbursement purposes. Professional fee charges related to an inpatient stay are captured separately on a professional claim. The Department of Defense (DoD) publishes this data annually for hospital reimbursement rates under TRICARE/CHAMPUS pursuant to 32 CFR 199.14(a)(1). Examples of how to calculate the reimbursement charges for room and board follow.

Examples Applying Room and Board Rates to Compute Inpatient Stay Charges

The cost to be recovered for an inpatient stay is the product of the regionally applied room and bed rate and other itemized inpatient charges. This includes the costs of both inpatient institutional and professional services. In the examples, billing is at the full/TPC rate for the calculation of the room and board charges only.

For this example, an MTF assigned to a Texas regional fee schedule will be used to calculate room and board charges. For each day of an inpatient stay, a revenue code is assigned and drives the daily rate at which a room and board charge is applied.

Date of Admission	**Date of Discharge**	**Total Days**	**Regional Charge Table**
October 1, 2024	October 11, 2024	10	Texas
Revenue Code	**CDM Description**	**Room and Board Rate**	**Total Room and Board Rate Charges**
151	Med/Surg (Full cost rate)	$2,001.24	$20,012.40

The total room and bed charge is the number of days multiplied by the room and board rate. Additional ancillary and other facility charges may be accrued on an institutional claim as well.

The full table of the current regional room and board rates and other itemized rates are published on the ***Defense Health Agency Uniform Business Office (UBO) website*** and ***Comptroller Financial Management Reports website***.

*2.0 Outpatient Rates

Outpatient Rates are the charges for professional and institutional health care services provided in MTFs financed by the Defense Health Program Appropriation. These rates are used to submit claims for reimbursement of the costs of the health care services provided by MTFs in accordance with the various MTF Cost Recovery Programs: Medical Services Account (MSA), Third Party Collections and Medical Affirmative Claims (MAC).

MTFs utilize charging and billing methodology aligned with the modernized electronic health record and billing system. Health care service procedure codes outlined in the Inpatient and Outpatient Rates policy letters are housed in the MHS Charge Description Master (CDM) for itemized billing of patient care provided in MTFs.

Outpatient Rates consists of CHAMPUS Maximum Allowable Charge (CMAC) Rate Tables (modified for UBO use); Dental Rates; Immunization/Injectable Rates; Anesthesia Rates; and Durable Medical Equipment/Durable Medical Supplies (DME/DMS) Rates.

Outpatient Rates are updated annually on a CY basis, with an effective date set by the DHA UBO Program Office and outlined in the outpatient rates policy letter. The actual rate tables are not included in this section, due to size. The current CY Outpatient rates are on the Defense Health Agency (DHA) Management Control & Financial Studies UBO Website.

CMAC Rates

TRICARE CMAC Reimbursement rates, established under 32 CFR 199.14(j), are used to determine the appropriate charge for the professional and technical components of services based on the Healthcare Common Procedure Coding System (HCPCS) methodology, which includes the Current Procedural Terminology (CPT®) codes. DHA UBO CMAC rates differ from standard TRICARE CMAC rates in that DHA UBO CMAC rates are formatted for MHS military billing systems and include charges for additional services not reimbursed by TRICARE. DHA UBO CMAC rates pertain to professional services (e.g., office and clinic visits), ancillary services (e.g., laboratory and radiology) and Observation professional services.

DHA UBO CMAC rates are calculated for distinct "localities". These localities recognize differences in local costs to provide health care services in the different geographic regions in which MTFs are located. Each MTF Defense Military Information System Identification (DMIS ID) is mapped to its corresponding CMAC locality code to obtain the correct rates. For all MTFs located outside the continental United States, Alaska, and Hawaii, the national average CMAC locality file (300) is used except for Guam and Puerto Rico which have their own CMAC localities. The complete DMIS ID-to-CMAC Locality table is available on the DHA UBO Website.

For each CMAC locality, the DHA UBO creates two sub-tables of rates: CMAC and Component. The Component rate table specifies which rates to use for CPT® codes, which can be provided as distinct professional and technical components, or as a combined professional and technical service. A separate rate is provided for each component. UBO CMAC rates for billing of professional services are available on the DHA UBO Website.

For use in the MHS CDM, CMAC localities are further mapped to DHA Markets in an effort to consolidate into fewer regional price fee schedules. The MHS approved a Parent-Child Defense Medical Information System (DMIS) Identifier (ID) Market Mapping methodology to serve as a new MTF Regional Grouping Transition Plan. This methodology is known as the Regional Charge Table approach. At a high level, the Market Mapping Assignment will decrease the number of locality charge tables from the 100+ CMAC Charge Tables to 15 Regional Charge Tables for use within the MHS CDM.

Dental Rates

The UBO Dental Rate Table consists of MTF dental charges and are based on a flat rate multiplied by the DoD established dental weighted value (DWV) for each American Dental Association (ADA) Current Dental Terminology (CDT) procedure code. The dental flat rate represents the average DoD cost of dental services at all dental treatment facilities. The example

illustrates the Full Outpatient Rate (FOR) dental charge for ADA CDT code D0270. The Dental rates table may be found on DHA UBO Website.

Example: CY 2024 Dental Rates

CDT Code	Clinical Service	DoD DWV	FOR Rate
D0270	Bitewing – Single radiographic image	0.37	$

Immunization/Injectable Rates

Immunization or injectable rate charges are applicable for any administered immunization, injection or medication in the MTFs. UBO Immunization rates are based on DHA TRICARE injectable rates whenever TRICARE rates are available. If there is no TRICARE rate available, Purchased Care Data is used to derive rates. Rates are derived from Purchased Care Data by using the Military Health System Management Analysis and Reporting Tool or M2 system. This reporting tool allows for querying and detailed trend analysis including summaries and detailed views of population, clinical, and financial data from all MHS regions worldwide. Data pulled from previous and current FY (to date) allows calculation of average amount allowed for rate use. Outlier rates are adjusted using historical Purchased Care Data of up to five (5) years.

The UBO Immunization/Injectable rate table consists of the CPT®/HCPCS Code, rate, and the short and long descriptions. The current CY Immunization rate table is found on the DHA UBO Website.

Example: CY 2024 Immunization Rate Table

CPT®/HCPCS Code	Rate	Short Description	Long Description
90288	$	BOTULISM IG, IV	BOTULISM IMMUNE GLOBULIN, HUMAN, FOR INTRAVENOUS USE

Anesthesia Rates

Anesthesia charges are split into base rates and interval rates. The anesthesia base rates are determined by multiplying the anesthesia relative value base unit by the locality-specific TRICARE anesthesia conversion factor (RVU base unit * locality-specific TRICARE anesthesia conversion factor). The anesthesia interval rates are determined per interval of time; the rate calculation for one anesthesia time-based interval is the RVU interval unit of 1 multiplied by the locality-specific TRICARE anesthesia conversion factor (Interval of 1 * locality-specific TRICARE anesthesia conversion factor). An RVU interval unit of 1 is equal to 15 minutes. The total charge for professional anesthesia-based rates is calculated by adding the base rate to the interval rate multiplied by the number of time units in 15-minute intervals. Total professional anesthesia-based rate = [(base rate) + (interval rate * number of 15-minute time intervals)]

TRICARE provides the anesthesia RVU base units for each anesthesia procedure. The locality-specific TRICARE anesthesia conversion factors are mapped based on TRICARE locality. The calculated anesthesia rates are for professional anesthesia-based services performed within the MTFs.

The UBO Anesthesia rate table consists of the CPT® Code, rate, and the short and long descriptions. The current CY Anesthesia Rate table is published on the DHA UBO Website.

Example: CY 2024 Anesthesia Rate Table

CPT® Code	Rate	Short Description	Long Description
01820	$	ANESTH, LOWER ARM PROCEDURE	ANESTHESIA ALL CLOSED PROC RADIUS, ULNA, WRIST, HAND BONES

Durable Medical Equipment/Durable Medical Supplies (DME/DMS) Rate:

UBO DME/DMS rates are based on the CMS Medicare Fee Schedule floor rate when available. If there is no Medicare Fee Schedule floor rate, Purchased Care data is used to establish a rate based on the average amount allowed. Additionally, the Defense Medical Logistics Standard Support (DMLSS) Master Catalog captures the average price paid for over 100,000 medical supplies commonly used by DHA. Only DMLSS line items with an associated HCPCS code listed in the DMLSS Master Catalog will be utilized to develop a weighted average unit cost.

The UBO DME/DMS rate table consists of the alpha numeric HCPCS Code, the description and the rate. The current CY DME/DMS Rate table is published on the DHA UBO Website.

Example: CY 2024 DME/DMS Rate Table

HCPCS Code	Description	Rate
A4620	Variable concentration mask	$

*3.0 Pharmacy Rates

Outpatient Pharmacy rates are established on a unit measure price basis (e.g., cost per tablet) and are standardized for National Drug Codes (NDCs) within each generic sequence number (GSN). Pharmacy rates are derived from the Managed Care Pricing File (MCPF) and are based on TRICARE allowable charges, Average Wholesale Price (AWP) or Prime Vendor Program (PVP) prices listed for the NDCs in the MCPF. Rates are computed based on the median unit measure cost for all of the listed AWP NDCs in each GSN group. The median unit measure price is applied to all the NDCs in that GSN group.

Inpatient Pharmacy rates are established using a conversion of HCPCS/CPT level pricing established by the DHA UBO for any applicable immunizations/injectables, to an NDC level price for NDCs that map to a HCPCS/CPT code with an assigned rate. For NDCs that are not linked to a code with an assigned rate, the outpatient pharmacy rate NDC level pricing is assigned. For any remaining NDCs with no price, a stacked price is assigned based on the GSN.

The Pharmacy tables consist of the 11-digit NDC number, the corresponding name/description of the drug (generic or brand), the form of the dosage (tablet, capsule, powder), the strength of the dosage and the current unit price. Pharmacy rates are updated biannually, dates are set by the DHA UBO Program Office. Available Pharmacy rates are available on the DHA UBO Website.

Example: CY 2024 Pharmacy Rate Table

NDC	Name/Description	Dose Form	Dose Strength	Unit Price
64842012006	LYTGOBI	TA	xxx	$

*4.0 Cosmetic Surgery

Elective cosmetic procedures *are not* TRICARE covered benefits. Elective cosmetic procedures provided in MTFs are restricted to TRICARE-eligible beneficiaries, including TRICARE for Life, on a "space-available" basis. Patients receiving elective cosmetic procedures (e.g., Active Duty personnel, retirees, family members, and survivors) are responsible for charges for all services (including implants, injectables, anesthesia, and other separately billable items) associated with elective cosmetic procedures. A list of elective cosmetic procedures and their associated rates can be found on the DHA UBO Website.

Professional Charges for Elective Cosmetic Procedures

Professional charges for elective cosmetic procedures are based on the CY 2024 CMAC national average when available. When CMAC allowable charges are not available, charges are determined based on estimates of the medical resources required relative to procedures that have CMAC pricing. Professional charges for elective cosmetic procedures are applied in both inpatient and ambulatory settings. Elective cosmetic charges are not adjusted for the treating MTF's geographical location.

CMAC CY 2024 "facility physician" allowable charges are used for the professional component for services furnished by a provider in a hospital operating room or designated Ambulatory Procedure Unit (APU). CMAC CY 2024 "non-facility physician" allowable charges are used for the professional component for services furnished in a provider's office.

Institutional Charges for Elective Cosmetic Procedures

Institutional charges for elective cosmetic procedures are based on the procedure performed and the location of the service provided (i.e., provider's office/minor surgery room, hospital operating room (either on an outpatient or inpatient basis), operating room of a MTF that is not a hospital (i.e., does not provide inpatient services).

For elective cosmetic procedures conducted in a provider's office/minor surgery room, the institutional fee is included in the "non-facility physician" professional charge.

The institutional charge for elective cosmetic procedures performed in a hospital operating room on an outpatient basis is based on the APV flat rate for the primary procedure with no additional institutional charge for bilateral or additional procedures.

The institutional charge for elective cosmetic procedures performed in an operating room of a facility that is not a hospital is also based on the APV flat rate for the primary procedure with no additional institutional charge for bilateral or additional procedures.

The institutional charge for an elective cosmetic procedure performed in a hospital on an inpatient basis is calculated by multiplying the CY 2024 TRICARE Adjusted Standardized Amount (ASA), $8,552.20, by the relative weighted product (RWP) associated with the Diagnostic Related Group (DRG).

If an elective cosmetic procedure is combined with a medically necessary procedure during the same surgical visit, the elective cosmetic procedure charge is adjusted to avoid duplicate institutional charges. The institutional charge, for an elective cosmetic procedure, when combined with a medically necessary procedure is reduced by 50 percent (%) from the initial charge.

Most ancillary services (e.g., laboratory, radiology, and routine pre-operative testing) are included in the institutional pricing methodology described. Ancillary services and supplies not included are billed at the FOR.

Anesthesia Charges for Elective Cosmetic Procedures

Anesthesia rates associated with elective cosmetic procedures include anesthesia professional services. Anesthesia charges are calculated using the CY 2024 national anesthesia conversion factor, multiplied by the sum of base units and national average time units (measured in 15-minute increments) of the primary procedure. An additional anesthesia charge, based on additional minutes of service, is added for secondary procedures performed during the same surgical encounter. Anesthesia charges are applied in both inpatient and ambulatory settings. The current CY Elective Cosmetic Rate table is published on the DHA UBO Website.

*APPENDIX G: MILITARY COMPOSITE STANDARD PAY AND REIMBURSEMENT RATES

DEPARTMENT OF THE _____ FOR FISCAL YEAR _____

Grade	Average Strength	Basic Pay	Retired Pay Accrual	Basic Allowance for Housing	Basic Allowance for Subsistence/SIK	Incentive and Special Pay	Permanent Change of Station	Miscellaneous Expense	Eligible Retiree Health Care Accrual	Acceleration Factor	DoD Composite Standard Pay Rate	Rate Billable to DoD Entities	Rate Billable to Other Federal Entities	Rate Billable to FMS Entities
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
O-10 1/														
O-9 1/														
O-8 1/														
O-7 1/														
O-6 2/														
O-5														
O-4														
O-3														
O-2														
O-1														
WO-5														
WO-4														
WO-3														
WO-2														
WO-1														
Cadets/Midshipmen														
E-9														
E-8														
E-7														
E-6														
E-5														
E-4														
E-3														
E-2														
E-1 3/														

Notes:
1/ Basic pay for grades O-7 to O-10 is limited by Level II of the Executive Schedule.
2/ Basic pay for grade O-6 is limited by Level V of the Executive Schedule.
3/ E-1 basic pay must be no less than four months at the E-1 “4 months or less” monthly rate plus eight months at the E-1 “2 or less” monthly rate.

MILITARY COMPOSITE STANDARD PAY AND REIMBURSEMENT RATES

INSTRUCTIONS

Each Military Service must complete an Appendix G using the attached standard format. The heading to each Appendix G consists of three lines. The first line identifies the appendix by number, the second line states "MILITARY COMPOSITE STANDARD PAY AND REIMBURSABLE RATES," and the third line identifies the Military Service that has developed the rates and the fiscal year that the rates will be used.

The Military Composite Standard Pay and Reimbursement Rates exhibit for the Budget Year should include the following cost elements listed for each report column. Amounts listed must be equal to corresponding amounts contained in the applicable Military Service's justification book in support of their military personnel appropriation budget request included in the latest President's budget:

(Column 1) Average Strength. Include the average strength, as provided in the President's budget justification.

(Column 2) Basic Pay. Include the average basic pay amounts by pay grade, as provided in the President's budget justification, Budget Subactivity (BSA) 1-A, Pay and Allowance of Officers, BSA 2-A, Pay and Allowances of Enlisted Personnel, and BSA 3-A, Pay and Allowances of Cadets and Midshipmen. The cadet and midshipmen rate is computed as a single rate for all cadets and midshipmen. Basic Pay for O-7 to O-10 pay grades is limited by Level II of the Executive Schedule. Basic pay for grade O-6 is limited by Level V of the Executive Schedule. E-1 basic pay must be no less than four months at the E-1 "4 months or less" monthly rate plus eight months at the E-1 "2 or less" monthly rate.

(Column 3) Retired Pay Accrual. Include average retired pay accrual amounts by pay grade, as provided in the President's budget justification, BSA 1-B, Retired Pay Accrual for Officers, and BSA 2-B, Retired Pay Accrual of Enlisted. The applicable retired pay accrual percentage is statutory and published annually.

(Column 4) Basic Allowance for Housing (BAH). Compute the BAH rate separately for officers and enlisted personnel by pay grade, using amounts from the President's budget justification books. The officer rate is computed by dividing BSA 1-F, BAH for officers by the average strength of officer personnel. The enlisted rate is calculated by dividing BSA 2-K, BAH for enlisted by the average strength of enlisted personnel.

(Column 5) Basic Allowance for Subsistence. Compute the basic allowance for subsistence rate separately, for officers and enlisted personnel, by pay grade, and for cadets and midshipmen, using amounts from the President's budget justification books. The officer rate is computed by dividing BSA 1-G, Basic Allowance for Subsistence for officers, by the officer average strength by grade. The enlisted rate is calculated by adding BSA 4-A, Basic Allowance for Subsistence for enlisted, BSA 4-B, Subsistence-in-Kind (SIK) for enlisted, and BSA 4-C, Family Subsistence Supplemental Allowance (FSSA), and then dividing the total by the enlisted average strength by grade. Compute a single rate for cadets and midshipmen.

(Column 6) Incentive and Special Pays. Compute the Incentive and Special Pay rate separately for officers and enlisted personnel by pay grade, using amounts from the President's budget justification books. Add the incentive and special pay amounts for each pay grade and then divide the sum by the average end strength, separately for officers and enlisted personnel. The officer rate is computed by adding the amounts for BSA 1-D, Incentive Pay for officers, and BSA 1-E, Special Pay for officers, then dividing the sum by the average strength of officer personnel. The enlisted rate is computed by adding the amounts for BSA 2-D, Incentive Pay for enlisted, BSA 2-E, Special Pay for enlisted, BSA 2-F, Special Duty Assignment Pay for enlisted, BSA 2-G, Reenlistment Bonus, BSA 2-H, Enlistment Bonus, BSA 2-I, Education Benefits (College Fund), and BSA 2-J, Loan Repayment Program, then dividing the sum by the average strength for enlisted personnel.

(Column 7) Permanent Change of Station (PCS) Expense. This element represents the average cost of amounts provided in the President's budget justification books for PCS travel, Budget Activity 5. Compute the average PCS by adding the following types of travel each for officers, enlisted personnel, and cadets, from the BSAs contained in the justification books: BSA 5-A, Accession Travel, BSA 5-B, Training Travel, BSA 5-C Operational Travel between duty stations (within CONUS and within overseas), BSA 5-D, Rotational Travel to and from overseas, BSA 5-E, Separation Travel, and BSA 5-F, Travel of Organized Units. The sum of BA-5 is divided by the average strength separately for officer and enlisted personnel. Compute a single rate for cadets and midshipmen.

(Column 8) Miscellaneous Expense. This rate is the average computed separately for officers and enlisted personnel by pay grade, and for cadets and midshipmen, of amounts provided in the President's budget justification books for Budget Activity 6, Other Military Personnel Costs, and other amounts for miscellaneous allowances and payments for officers, enlisted, and cadets/midshipmen as contained in BSAs listed in the following matrix:

Miscellaneous Expense	Officer	Enlisted
TSP Matching Contributions	BSA 1-C	BSA 2-C
Clothing Allowances	BSA 1-J	BSA 2-N
Station Allowances, Overseas	BSA 1-H	BSA 2-L
CONUS COLA	BSA 1-I	BSA 2-M
Family Separation Allowances	BSA 1-K	BSA 2-O
Separation Payments	BSA 1-L	BSA 2-P
Special Compensation for Assistance with Activities of Daily Living	BSA 1-M	BSA 2-Q
Social Security Tax-Employer's Contribution	BSA 1-N	BSA 2-R
Other Military Personnel Costs	BA 6	BA 6

Sum the amounts in each of the categories for officer and enlisted personnel by pay grade and divide the sum by the average strength of officer and enlisted by pay grade, as shown in the budget justification materials. A single rate must be used for cadets and midshipmen.

(Column 9) Medicare-Eligible Retiree Health Care (MERHC) Accrual. The annual rate is provided in OUSD(Comptroller) budget guidance. It covers the cost of future healthcare benefits for current officer and enlisted personnel once they retire and become Medicare-eligible, as well as their dependents and annuitants. It does not apply to cadets and midshipmen. See Volume 12, Chapter 16, Paragraph 5.7, for additional information about Reimbursements of MERHC. To compute the Daily or Hourly Rate of the reimbursement from FMS Entities to be deposited into the Miscellaneous Receipts Account 3041, apply the Daily (.00452) or Hourly (.00057) factor to the per capita normal cost for the MERHC accrual. Do not use this if the assignment is annual.

(Column 10) Acceleration Factor. This rate is provided by the OUSD(Comptroller) and covers the medical health care costs of active duty personnel and their dependents associated with the Defense Health Program. It does not apply to cadets and midshipmen. To compute the Monthly or Daily Rate of the reimbursement from Other Federal Entities to be deposited into the Defense Health Program (97*0130), apply the Monthly (.09083) or Daily (.00303) factor to the acceleration factor. Do not use this if the assignment is annual. To compute the Daily or Hourly Rate of the reimbursement from FMS Entities to be deposited into the Defense Health Program (97*0130), apply the Daily (.00452) or Hourly (.00057) factor to the acceleration factor. Do not use this if the assignment is annual.

(Column 11) DoD Composite Standard Pay Rate. This rate must be used when determining the military personnel appropriations cost for budget/management studies. Still, it should not be considered a fully burdened cost for military personnel to make workforce-mix decisions. Enter the sum of columns (2) through (9). Rates include a per capita normal cost for MERHC accruals since MERHC accruals are counted as part of the Military Departments' discretionary budget authority.

(Column 12) Rate Billable to DoD Entities. This rate must be used when obtaining reimbursement for services provided to entities inside the DoD. See Volume 11A, Chapter 1, Paragraph 2.3, for billing DoD entities. Add columns (2) through (8). Rates exclude the per capita normal cost of MERHC accruals. Beginning with FY 2006, MERHC accruals are paid from the General Fund of the Treasury and cannot be reimbursed to the Services' personnel accounts during the year of execution. To compute a Monthly Rate, apply a factor of .08333 (1/12). To calculate a Daily Rate, apply a factor of .00278 (1/360). Per Volume 7A, Chapter 1, Paragraph 3.2.1, "compute monthly compensation as if each month had 30 days"; "the daily rate is 1/30 of the monthly rate."

(Column 13) Rate Billable to Other Federal Entities. This rate must be used when obtaining reimbursement for services provided to other federal entities outside of the DoD. See Volume 11A, Chapter 1, Paragraph 2.3, for billing other federal entities. Add columns (10) and (12). Rates include an acceleration factor to cover medical costs for active-duty personnel and their dependents. Reimbursements of the acceleration factor must be deposited into the Defense Health Program (97*0130). Rates exclude the per capita normal cost of MERHC accruals. Beginning with FY 2006, MERHC accruals are paid from the General Fund of the Treasury and cannot be reimbursed to the Services' personnel accounts during the year of execution. Military labor must be charged to non-DoD organizations based on actual hours worked or assigned (detailed). To compute a Monthly Rate, apply a factor of .09083 (1.09/12). To compute a Daily Rate, apply a factor of .00303 (1.09/360). This factor represents a leave factor of 9% and compensates for wages paid during leave. Do not use this factor if the assignment is annual. This factor assumes the member will be contracted for no less than 30 days, resulting in leave accrued. If a member is contracted for less than 30 days, use the Daily Rate factor provided under (Column 12) Rate Billable to DoD Entities. Per Volume 7A, Chapter 35, Paragraph 2.2.2, "Leave accrues to a Service member serving on active duty for 30 days or more. It accrues at the rate of 2½ days for each month of active service. For partial months, it accrues at the rate of ½ day for any period of 6 days or less." To compute the Monthly or Daily Rate of the reimbursement from Other Federal Entities to be deposited into the Defense Health Program (97*0130), apply the Monthly (.09083) or Daily (.00303) factor to the acceleration factor. Do not use this factor if the assignment is annual.

(Column 14) Rate Billable to Foreign Military Sales (FMS) Entities. This rate must be used when obtaining reimbursement for services provided to FMS Entities. Add columns (9) and (13). Reimbursement procedures for FMS are specifically addressed in the Volume 15, Chapter 8, Paragraph 2.2. 22 U.S.C. § 2761(a)(1)(C) of the Arms Export Control Act requires foreign countries or international organizations, in the case of the sale of a defense service, to pay "the full cost to the United States Government of furnishing such service." Therefore, the acceleration factor and the per capita normal cost for MERHC accruals must be included in the DoD

Annual Rate Billable to FMS. Reimbursement of the acceleration factor must be deposited into the Defense Health Program (97*0130). Reimbursement of the per capita normal cost for MERHC accrual must be deposited into the Miscellaneous Receipts Account 3041. See Volume 12, Chapter 16, Paragraph 5.7, for additional information about Reimbursements of MERHC. Military labor must be charged to non-DoD organizations based on actual hours worked or assigned (detailed). To compute a Daily Rate, apply a factor of .00057 (1.18/2087). To calculate an Hourly Rate, apply a factor of .00057 (1.18/2087). This represents a leave/holiday factor of 18%. This factor compensates for wages paid during leave or holiday and only applies when reimbursements are based on time worked. Do not use this factor if the assignment is full-time. When computing the daily or hourly reimbursable rates for FMS Entities, see Volume 15, Chapter 7, Exhibit 7-12, for examples of military personnel services price computation. To compute the Daily or Hourly Rate of the reimbursement from FMS Entities to be deposited into the Miscellaneous Receipts Account 3041, apply the Daily (.00452) or Hourly (.00057) factor to the per capita normal cost for the MERHC accrual. Do not use this if the assignment is annual. To compute the Daily or Hourly Rate of the reimbursement from FMS Entities to be deposited into the Defense Health Program (97*0130), apply the Daily (.00452) or Hourly (.00057) factor to the acceleration factor. Do not use this if the assignment is annual.

*APPENDIX H: REIMBURSEMENT COST FOR CONTRACT ADMINISTRATION AND RELATED SUPPORT SERVICES FURNISHED TO THE NASA

DoD COMPONENT_____

	Prior Year [1] (PY)	Current Year (CY)	Budget Year (BY)
Gross Workyear Cost			
A. Total Salaries of Direct Labor Personnel [2]	$_____	$_____	$_____
B. Number of Direct Labor Personnel Full-Time Equivalents (FTEs) [2]	_____	____	____
C. Average Salary of Direct Labor Personnel [(A) ÷ (B)]	$_____	$_____	$_____
D. Total Salaries of Indirect Supervision & Administrative Personnel [2]	$_____	$_____	$_____
E. Indirect Supervision & Administrative Salaries per FTE [(D) ÷ (B)]	$_____	$_____	$_____
F. Total Salaries of Regional, District and Headquarters Personnel [2][3]	$_____	$_____	$_____
G. Regional, District and Headquarters Salaries per FTE [(F) ÷ (B)]	$_____	$_____	$_____
H. Personnel Benefits [2]	$_____	$_____	$_____
I. Average Personnel Benefits Costs per FTE ([(H) ÷ (B)]	$_____	$_____	$_____
J. Total Cost of Personnel Service [(C) + (E) + (G) + (I)]	$_____	$_____	$_____
K. Total Travel Costs [3] [4]	$_____	$_____	$_____
L. Average Travel Costs per FTE [(K) ÷ (B)]	$_____	$_____	$_____
M. Other Support Costs [3] [5]	$_____	$_____	$_____
N. Average Support Costs per FTE [(M) ÷ (B)]	$_____	$_____	$_____
O. Total Gross Work-Year Cost [(J) + (L) + (N)]	$_____	$_____	$_____
Direct Work-Hours			
P. Work-Hours Available (see OMB circular No. A-11, Section 85)	_____	_____	_____
Q. Less Holidays	88	88	88
R. Less Annual Leave [3]	_____	_____	_____
S. Less Sick Leave [3]	_____	_____	_____
T. Less Other Leave (e.g., Military, Jury and Administrative) [3]	_____	_____	_____
U. Less Training Time	_____	_____	_____
V. Total Direct Work-Hours [(P) - (Q) - (R) - (S) - (T) - (U)]	_____	_____	_____
Gross Cost Per Direct Hour [(O) ÷ (V)]	$_____	$_____	$_____

REIMBURSEMENT COST FOR CONTRACT ADMINISTRATION AND RELATED SUPPORT SERVICES FURNISHED TO THE NASA

Notes:

(1) The amounts reflected should be the "actual" cost and work-hour data for the most recently completed fiscal year. This should be the FY 20PY of the President's budget.

(2) The amounts reflected should be that shown in the "Total" column of the attached schedule, "Personnel Cost For Contract Administration and Related Support Services Furnished to the NASA" (pages 3 and 4) for the applicable year, i.e., PY, CY, BY.

(3) Separately, show basis of computation.

(4) Includes all travel costs, i.e., local, temporary additional duty, and permanent change of station, of the civilian and military personnel included under items (A), (D) and (F).

(5) Includes other expenses such as supplies, equipment, training and communications.

Personnel Cost for Contract Administration and Related Support Services Furnished to the NASA

DoD COMPONENT_____

	Civilian (a)	Military (b)	Total (a) + (b)
Gross Workyear Cost for Prior Year (Actual)			
A. Total Salaries of Direct Labor Personnel [6]	$_____	$_____	$_____
B. Number of Direct Labor Personnel Full-Time Equivalents (FTEs)	_____	____	____
C. Average Salary of Direct Labor Personnel [(A) ÷ (B)]	$_____	$_____	$_____
D. Total Salaries of Indirect Supervision & Administrative Personnel [7]	$_____	$_____	$_____
E. Indirect Supervision & Administrative Salaries per FTE [(D) ÷ (B)]	$_____	$_____	$_____
F. Total Salaries of Regional, District and Headquarters Personnel [8]	$_____	$_____	$_____
G. Regional, District and Headquarters Salaries per FTE [(F) ÷ (B)]	$_____	$_____	$_____
H. Personnel Benefits [9]	$_____	$_____	$_____
I. Average Personnel Benefits Costs per FTE ([(H) ÷ (B)]	$_____	$_____	$_____
J. Total Cost of Personnel Service [(C) + (E) + (G) + (I)]	$_____	$_____	$_____
Gross Workyear Cost for Current Year			
A. Total Salaries of Direct Labor Personnel [6]	$_____	$_____	$_____
B. Number of Direct Labor Personnel Full-Time Equivalents (FTEs)	_____	____	____
C. Average Salary of Direct Labor Personnel [(A) ÷ (B)]	$_____	$_____	$_____
D. Total Salaries of Indirect Supervision & Administrative Personnel [7]	$_____	$_____	$_____
E. Indirect Supervision & Administrative Salaries per FTE [(D) ÷ (B)]	$_____	$_____	$_____
F. Total Salaries of Regional, District and Headquarters Personnel [8]	$_____	$_____	$_____
G. Regional, District and Headquarters Salaries per FTE [(F) ÷ (B)]	$_____	$_____	$_____
H. Personnel Benefits [9]	$_____	$_____	$_____
I. Average Personnel Benefits Costs per FTE [(H) ÷ (B)]	$_____	$_____	$_____
J. Total Cost of Personnel Service [(C) + (E) + (G) + (I)]	$_____	$_____	$_____

Personnel Cost for Contract Administration and Related Support Services Furnished to the NASA

DoD COMPONENT_____

	Civilian (a)	Military (b)	Total (a) + (b)
Gross Workyear Cost for Budget Year			
A. Total Salaries of Direct Labor Personnel [6]	$_____	$_____	$_____
B. Number of Direct Labor Personnel Full-Time Equivalents (FTEs)	_____	____	____
C. Average Salary of Direct Labor Personnel [(A) ÷ (B)]	$_____	$_____	$_____
D. Total Salaries of Indirect Supervision & Administrative Personnel [7]	$_____	$_____	$_____
E. Indirect Supervision & Administrative Salaries per FTE [(D) ÷ (B)]	$_____	$_____	$_____
F. Total Salaries of Regional, District and Headquarters Personnel [8]	$_____	$_____	$_____
G. Regional, District and Headquarters Salaries per FTE [(F) ÷ (B)]	$_____	$_____	$_____
H. Personnel Benefits [9]	$_____	$_____	$_____
I. Average Personnel Benefits Costs per FTE [(H) ÷ (B)]	$_____	$_____	$_____
J. Total Cost of Personnel Service [(C) + (E) + (G) + (I)]	$_____	$_____	$_____

Notes:
(6) Include the salary expenses of direct civilian and military personnel, e.g., contract administrators, and auditors.

a. Civilian. The cost of civilian personnel assigned full-time to NASA requirements should reflect the annual salary for the applicable pay grades. Otherwise, an hourly rate of 1/2087 of the annual rate must be used and a leave and holiday factor of 18 percent of pay cost added.

b. Military. The cost of military personnel assigned full-time to NASA requirements should be based on the annual Military Composite Pay rates. Otherwise, an hourly rate of 1/2080 of the annual Military Composite Pay rate must be used and a leave and holiday factor of 14 percent of pay cost added.

(7) Include the indirect salary expenses for civilian and military personnel that perform supervisory and administrative (clerical) functions. Such costs are computed as indicated in (6)a. and (6)b.

(8) Include the indirect salary expenses for civilian and military personnel at the district, regional and headquarters level. Such costs are computed as indicated in (6)a. and (6)b.

(9) Include the fringe benefit expenses for all civilian and military personnel included in items (A), (D) and (F).

a. Civilian. Fringe benefits are computed by multiplying civilian personnel costs by the civilian fringe benefit rate. The fringe benefit rate must be that reported for the applicable fiscal year on the OP-8 exhibit, "Civilian Personnel Costs."

b. Military. Fringe benefits are computed by multiplying separately the officer and enlisted salaries by 6 percent for officers and 18 percent for enlisted personnel.

Variances in The Reimbursement Cost for Contract Administration and Related Support Services Furnished to the NASA

DoD COMPONENT_____

Gross Workyear Cost	Ratio of PY to CY (10)	Ratio of CY to BY (11)
Average Salary of Direct Labor Personnel	%	%
Indirect Supervision & Administrative Salaries Per FTE	%	%
Regional, District and Headquarters Salaries Per FTE	%	%
Total Cost of Personnel Services	%	%
Total Travel Costs	%	%
Other Support Costs	%	%
Total Gross Workyear Costs	%	%
Direct Work-Hours		
Annual Leave	%	%
Sick Leave	%	%
Other Leave (e.g., Military, Jury, Administrative)	%	%
Training Time	%	%
Total Direct Work-Hours	%	%
Gross Cost Per Direct Labor Hour	%	%

Provide narrative explaining variance in any element greater than three percent:

Notes:

(10) Computed using the cost and hour data from page 2. Divide the current year amount for each element by the prior year amount, subtract 1 and multiply by 100.

(11) Computed using the cost and hour data from page 2. Divide the budget year amount for each element by the current year amount, subtract 1 and multiply by 100.

VOLUME 11A, CHAPTER 7: "INTERNATIONAL NARCOTICS CONTROL PROGRAM"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated May 2013 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated format in accordance with the DoD Financial Management Regulation (FMR) Revision Standard Operating Procedures (SOP).	Revision
1.0	Renamed the section and paragraphs to comply with the DoD FMR Revision SOP, provided clarifying language in the Overview paragraph, and in the Purpose paragraph to specify chapter limitations.	Revision

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CHAPTER 7

INTERNATIONAL NARCOTICS CONTROL PROGRAM

*1.0 GENERAL

1.1 Overview

The DoD's International Narcotics Control Program (INCP) directly supports the Foreign Assistance Act (***FAA***) of 1961. The FAA's key objectives are to suppress the illicit manufacturing and trafficking of narcotics and psychotropic drugs, money laundering, precursor chemical diversion, and to progressively eliminate the illicit cultivation of the crops from which narcotic and psychotropic drugs are derived. While the FAA addresses statutory responsibilities for multiple agencies, the DoD is specifically tasked as a key partner in the training of foreign allies on illegal narcotics interdiction and the prevention of illegal narcotics trafficking.

1.2 Purpose

This chapter provides pricing guidance for INCP transactions, explains special cost computation scenarios, and identifies procedures for the disposition of proceeds from collections. *It does not provide guidance and procedures on the DoD's national drug and counterdrug activities as it focuses exclusively on the department's international training efforts and partnership with the Department of State.

1.3 Authoritative Guidance

The financial management policy and procedures addressed in this chapter are in accordance with Section 632 (c) of the FAA.

2.0 SUPPORT OF INTERNATIONAL NARCOTICS CONTROL PROGRAM

2.1 Billing

Section 632 (c) of the FAA explains special pricing requirements when services, including training, are provided by the Department of Defense to the Department of State in support of the INCP. Billing must be made within 30 calendar days after the monthly services are rendered. The payment due date must be no more than 30 days from the date of the invoice. Bills rendered under this program are not subject to audit by the customer.

2.2 Pricing

The following rules must be followed by DoD Components when determining amounts to be collected as reimbursements for orders from the Department of State that cite INCP financing.

2.2.1. INCP Training. The tuition rate for DoD training provided to support INCP is an incremental rate comparable to the International Military Education and Training (IMET) rate. DoD FMR Volume 15 provides a detailed explanation on tuition rates, direct and indirect costs of international student training, and IMET training price exceptions not covered in this chapter. The cost elements to include in the pricing are as follows:

2.2.1.1. Civilian Instructors and School Support Staff. It is anticipated that additional costs charged to the INCP for civilian instructors will be minimal for courses or groupings of courses when either the ratios of students to instructors or U.S. students to international students is high. Courses must be reviewed to determine the additional cost incurred resulting from international student attendance. Classroom or technical courses that are similar, or that utilize instructors who teach more than one course, may be grouped for computation purposes.

2.2.1.1.1. For groups of courses, an estimate must be made of the number of U.S. students in each course and the number of civilian instructors and civilian staff required. A second projection must be made of the total number of students to be enrolled in applicable courses, both U.S. and international, and the number of civilian instructors and civilian staff required. Base both projections on the maximum number of student output by civilian instructors or civilian staff rather than on optimum class size. The difference in the number of civilian instructors and civilian staff between the two projections represents the additional civilian instructors and/or civilian staff required. Applicable additional civilian instructors and civilian staff must be priced in accordance with Volume 11A, Chapter 1. This value, divided by the total number of INCP students, represents the additional cost per INCP student for the course (or courses).

2.2.1.1.2. When there is a one-for-one or one-for-two relationship of civilian instructors to students, the instructor in all cases is considered additional. If the entire class is composed of INCP students, the instructor, and staff must be considered additional in the pricing formula.

2.2.1.2. Military Instructors and Military School Support Staff. There must be no charges to the INCP program for military personnel conducting training courses.

2.2.1.3. Equipment Overhaul and Maintenance. The overhaul and maintenance of major items of equipment, when computed on an hourly use basis, must be considered additional resources to a course based on estimated utilization hours.

2.2.1.4. Simulators. Simulator hours must be considered additional costs. Simulator costs must include pay of the operators, supplies and equipment maintenance. Allocate simulator costs to the course using an equitable distribution across the total hours available.

2.2.1.5. Supplies, Materiel, Training Aids, Ammunition. Charge the replacement costs of items not returned or reusable (including petroleum, oil, and lubricants) expended in the conduct of training as an additional cost.

2.2.1.6. Lost or Damaged Equipment. If equipment was lost or damaged during training and it was found to be the result of an international student's negligence, the additional cost to be charged must be the actual costs of the repairs or replacement cost of the equipment.

2.2.1.7. Base Support (That Is, Indirect Student Costs). A standard weekly rate must be charged for INCP training conducted on DoD installations. The fixed weekly amount must be the same amount used for billing DoD appropriations reimbursed by the International Military Education and Training (IMET) program. See Volume 15, Chapter 7, subparagraph 23.4.2, for additional details.

2.2.1.8. Food Preparation. Meal operating/food preparation costs are additive to other food costs. The weekly meal operating and food preparation costs for INCP students must be the same amount used in billing DoD appropriations reimbursed by the IMET program when courses are conducted on DoD installations and students use DoD appropriated dining facilities.

2.2.1.9. Instructor Training. Special courses provided on a non-routine basis to US instructors and personnel are considered additional costs and must be charged accordingly. Charge the normal cost rate for all required training conducted at a U.S. training facility in direct support of the INCP program (i.e., the Department of State). Treat special courses conducted by a Management Service Team (MST) away from the normal training institution as dedicated service, and charge the full cost billed to the INCP program.

2.2.1.10. Facilities and Equipment. The costs of any facilities or equipment acquired primarily for the support of international students enrolled in the INCP program are considered additional costs.

2.2.1.11. Field Studies Program (FSP). The full cost of the FSP to the U.S. Government is considered an additional cost.

2.2.1.12. Shipment of Retainable Instructional Materials (RIM). The shipment of RIM to students must be included in the tuition rate applicable to INCP students. Apply shipping charges to the same DoD billing appropriations reimbursed by the IMET program. See Volume 15, Chapter 7, subparagraphs 22.10, 23.4.3.3, and 24.8.3 for additional details.

2.2.1.13. Travel and Per Diem. Instructor and student travel and per diem associated with the provision of training must be considered additional costs, to include transportation, living allowances, and medical expenses.

2.2.2. Other DoD Services

2.2.2.1. DoD Services Provided Incident to Normal Mission Accomplishment. When support of the INCP is accomplished incidental to performance of a DoD mission requirement, there are no additional costs incurred. However, an extended mission or overall cost increase constitutes the reimbursement of the cost over and above the scheduled mission cost.

2.2.2.2. Scheduled DoD Transportation. Air and ocean transportation services performed by the U.S. Transportation Command on scheduled movements must be priced, where applicable, at current tariff rates for DoD Components.

2.2.2.3. Detailed Personnel. All costs incurred in connection with the detail of DoD personnel to the Department of State to support the INCP--both civilian and military--are considered additional expenses and must be priced at the normal rate charged to other Federal Agencies.

2.2.3. Supplies and Equipment. Section 482 of the FAA prohibits the procurement of weapons or ammunition from funds authorized for this program. Thus, any specific order for a weapon or ammunition that cites the appropriations provided to finance INCP either must be rejected or returned for a new fund citation. Supplies and equipment that can be provided must be priced in accordance with Chapter 1. Additionally, Chapter 1 establishes pricing policy for excess and non-excess material.

2.3 Disposition of Proceeds

Section 632(c) of the FAA mandates that applicable collections from the Department of State must be reimbursed to the financing DoD appropriation account.

VOLUME 11A, CHAPTER 8: "INTERNATIONAL ACQUISITION AND CROSS-SERVICING AGREEMENTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated July 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions. Adjusted paragraph numbering to accommodate movements during revisions.	Revision
1.3	Updated cited references for accuracy and relevancy.	Revision / Addition
2.0	Moved Definitions from paragraph 9.0 to paragraph 2.0 in the revised version. Deleted the Acronyms portion of the previous version and conformed with the standard rule for spelling out acronyms on first use.	Revision / Deletion
3.2.2	Added the prohibition of transferring logistic support, supplies, and services to countries that Department of Defense does not have a current Acquisition and Cross-Servicing Agreement (ACSA).	Revision / Addition
3.8.2	Provided clarification on the use of ACSA Ratification form.	Revision
6.2	Updated the narratives for relevancy. Added two Minimum Essential Data Elements (MEDE) and aligned all MEDEs with the recently published Chairman of the Joint Chief of Staff Instruction 2120.01E, "Acquisition and Cross-Servicing Agreements."	Revision / Addition
8.0	Clarified language on accepting reimbursement to a "current year appropriation" for a prior year sale whose appropriation is expired or cancelled.	Revision

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CHAPTER 8

INTERNATIONAL ACQUISITION AND CROSS-SERVICING AGREEMENTS

1.0 GENERAL

1.1 Overview

The Department of Defense (DoD) strengthens key international partnerships through the acquisition and transfer of logistic support, supplies, and services (LSSS) between DoD and certain countries and regional organizations. These acquisitions and transfers are accomplished through Acquisition and Cross-Servicing Agreements (ACSA), on a reimbursement basis, or by replacement-in-kind (RIK), or by exchange of supplies or services of an equal value (equal-value-exchange (EVE)). The use of these agreements strengthens alliances and provides beneficial support for U.S. service members and respective members of foreign militaries when U.S. supplies are not readily available.

1.2 Purpose

This chapter provides guidance and instructions for pricing and disposition of proceeds for reimbursable ACSA orders. For management of ACSA orders, this chapter acknowledges the ACSA Global Automated Tracking and Reporting System (AGATRS) as the DoD System of Record in accordance with paragraph 7.p. of Enclosure A, Chairman of the Joint Chiefs of Staff Instruction (CJSCI) 2120.01E (***CJCSI 2120.01E***), "Acquisition and Cross-Servicing Agreements."

*1.3 Authoritative Guidance

1.3.1. The financial management policy and related requirements addressed in this chapter are in accordance with the applicable provisions of the following sources and apply to all ACSA and Acquisition only Agreements (AOA), allowing the U.S. DoD to acquire LSSS from, and in some cases provide LSSS to authorized parties.

1.3.2. Title 10, United States Code, Chapter 138, Subchapter 1, Sections 2341 – 2350, (***10 U.S.C. §§ 2341 - 2350***), "Acquisition and Cross-Servicing Agreements"

1.3.3. ***15 U.S.C. Chapter 96***, "Electronic Signatures in Global and National Commerce"

1.3.4. ***31 U.S.C. § 1341***, "Limitations on expending and obligating amounts"

1.3.5. ***31 U.S.C. § 1502***, "Balances Available"

1.3.6. ***42 U.S.C. § 2011***, "Congressional declaration of policy"

1.3.7. Office of Management and Budget Circular No. A-130 (***OMB Circular No. A-130***), "Managing Information as a Strategic Resource"

1.3.8. DoD Directive 2010.09 (***DoDD 2010.09***), "Acquisition and Cross-Servicing Agreements"

1.3.9. DoD Instruction 1300.26 (***DoDI 1300.26***), "DoD Financial Management Certification Program"

1.3.10. ***DoDI 5530.03***, "International Agreements"

1.3.11. Federal Acquisition Regulation, Part 1, Subpart 1.6, Section 1.602-3 (***FAR 1.602-3***), "Ratification of unauthorized commitments"

1.3.12. CJCSI) 2120.01E

1.3.13. ***Joint Staff ACSA Website***, Joint Staff Repository for ACSA agreements, implementing arrangements and relevant program management documents

1.3.14. United Nations Charter, Chapter VI (***UN Charter Ch VI***), "Pacific Settlement of Disputes"

1.3.15. ***UN Charter Ch VII***, "Action with Respect to Threats to the Peace, Breaches of the Peace, and Acts of Aggression"

*2.0 DEFINITIONS

This section is provided to define terms used in the context of ACSA.

2.1 Accounts Payable

Amounts owed to other entities for goods and services received (actual or constructive receipt), progress in contract performance, and rents due.

2.2 Accounts Receivable

Amounts owed to the DoD for goods and services provided (actual or constructive), progress in contract performance, and rents from other entities.

2.3 Acquisition

The act of obtaining ownership or benefiting from logistical support, supplies and/or services.

2.4 Acquisition Cross-Servicing Agreement (ACSA)

See definition for Cross-servicing agreement.

2.5 ACSA Authorities

For the purposes of this instruction, the legal authorities conferred under 10 U.S.C. §§ 2341 – 2350.

2.6 ACSA Global Automated Tracking and Reporting System (AGATRS)

The DoD system of record for the Office of the Secretary of Defense, Joint Staff, Combatant Commands (CCMDs), and Services to build, track, and manage ACSA orders for logistic support, supplies, and services. This system also serves as the worldwide library for ACSAs and their associated Implementing Arrangements (Ias).

2.7 ACSA Order

A legal instrument entered into under the authority of 10 U.S.C. § 2342.

2.8 Acquisition only Agreement

A legal instrument entered under the authority of 10 U.S.C. 2341.

2.9 Active Hostilities

The employment of offensive action and counterattacks to deny a contested area or position to the enemy in an environment resulting from an attack or other use of force against the United States, United States Forces, or other designated persons or property to preclude or impede the mission and/or duties of United States Forces, including the recovery of United States personnel or vital United States Government property, in which the host government forces do not have control of the territory and population in the intended operational area.

2.10 Activities

An organizational unit of a Military component which performs a specific function.

2.11 Agreement

A negotiated and typically legally binding arrangement between parties as to a course of action in return for money or the reciprocal provisions of logistic support, supplies, and services by such government or organization to elements of the armed forces.

2.12 Allotment

Subdivisions of apportionments that are made by the heads of agencies, or their designee, to incur obligations within a prescribed amount. Subdivision and distribution of an allotment (e.g., sub-allotments and allocations to operating agencies or installation-level accounting activities) must contain at least the same legal and other limitations applicable to the original allotment. Such

subdivisions and distributions may establish additional legal and other limitations applicable to execution of budgetary resources.

2.13 Authorization

Approval or permission.

2.14 Bill

Notice of payment due, normally sent to the recipient of the LSSS as a reminder of the recipient's debt. Need not be accompanied by the 1-3a.

2.15 Bona Fide Need

Orders citing an annual or multiyear appropriation must serve a current need arising, or existing, in the fiscal year (or years) for which the appropriation is available for obligation.

2.16 Collections

Amounts received during the fiscal year. Collections are classified into two major categories: offsetting receipts (amounts deposited to receipt accounts) and offsetting collections. Offsetting collections are receipts or credits credited to an appropriation or fund account.

2.17 Combatant Command (CCMD)

A unified or specified command with a broad continuing mission under a single commander established and so designated by the President, through the Secretary of Defense and with the advice and assistance of the CJCS. CCMDs typically have geographic or functional responsibilities.

2.18 Component

One of the subordinate organizations that constitute a joint force.

2.19 Contingency Operation

A situation requiring a sequence of tactical actions with a common purpose or unifying theme, or the carrying out of a strategic, operational, tactical, service, training, or administrative military mission in response to natural disasters, terrorists, subversives, or as otherwise directed by appropriate authority to protect United States interests.

2.20 Cross-Servicing Agreement

An international agreement, authorized by law, which allows for reciprocal provision of logistic support, supplies, and services on a reimbursement basis, specifically allowed by 10 U.S.C. §§ 2341 and 2342.

2.21 Disbursement

Amounts paid by Federal Agencies, by cash or cash equivalent, during the fiscal year to liquidate government obligations. "Disbursement" is often used interchangeably with the term "outlay." In budgetary usage, gross disbursements represent the amount of checks issued and cash or other payments made, less refunds received. Net disbursements represent gross disbursements less income collected and credited to the appropriation or fund account, such as amounts received for goods and services provided. For purposes of matching a disbursement to its proper obligation, the term disbursement refers to the amount charged to a separate line of accounting.

2.22 DoD Component

The Office of the Secretary of Defense, the Military Departments, the organization of the Joint Chiefs of Staff, the CCMDs, the DoD Inspector General, the DoD field activities, and the Defense Agencies.

2.23 Electronic Funds Transfer (EFT)

The act of debiting or crediting accounts in financial institutions by wire rather than source documents, such as paper checks. Processing typically occurs through the Federal Reserve Bank clearing houses.

2.24 Exchange

Replacement of a reciprocal nature of logistic support, supplies or services with similar logistic support, supplies or services of equal value through either a RIK or an EVE transfer.

2.25 Implementing Arrangement

A supplementary arrangement that prescribes details, terms, and conditions to implement cross-servicing agreements effectively.

2.26 Invoice

A demand for payment with an accompanying 1-3a describing the transfer of the LSSS.

2.27 Non-Combat Operations

A military mission carried out as a result of a calamitous situation or catastrophic event that occurs naturally or through human activities, which threatens or inflicts human suffering on a scale that may warrant emergency relief assistance from the United States Government or from foreign partners: to directly relieve or reduce human suffering, disease, hunger, or privation; or to assist in the event of mass casualties, damage, or disruption severely affecting the population, infrastructure, environment, economy, national morale, and/or government functions in the country or territory where the event occurred.

2.28 Obligations

Amount resulting from orders placed, contracts awarded, services received, and similar orders during an accounting period that will require payment during the same or a future period.

2.29 Offsetting Collections

Collections from Federal Government accounts or from orders with the public. The two major categories of offsetting collections are offsetting receipts (amounts deposited to receipt accounts) and offsetting collections credited to appropriation or fund accounts.

2.30 Order

A written request, in an agreed-upon format and signed by an authorized individual, for the provision of specific logistic support, supplies, and services pursuant to an acquisition or cross-servicing agreement, acquisition only authority agreement, or implementing arrangement with an approved foreign partner for LSSS on a reimbursable basis.

2.31 Participating non-NATO countries

The government of a country not a member of the NATO which is designated by the Secretary of Defense as a government with which the Secretary of Defense may enter into agreements only after consultation with the Secretary of State to determine that such a designation for such purpose is in the interest of the national security of the United States., and notification of appropriate Congressional Committees of the intended designation, not less than 30 days before the date of official Secretary designation.

2.32 Ratification

The recognition or adoption of an unauthorized order, obligation or commitment, retroactively, by an official with proper authority after following a reconciliatory process.

2.33 Reciprocal

Consisting of or functioning in an even and mutually beneficial manner between two parties.

2.34 Reimbursements

Amounts earned and collected for property sold or services furnished either to the public or to another Federal accounting entity. To be an appropriation reimbursement, the collection must be authorized by law, for credit to the specific appropriation or fund account.

2.35 Transfer

Selling, Leasing, Loaning, or otherwise providing logistic support, supplies, and services pursuant to an ACSA subject to reciprocal reimbursement.

2.36 Undelivered Orders

The value of goods and services ordered and obligated that have not been received. This amount includes any orders for which advance payment has been made but for which delivery or performance has not yet occurred.

2.37 Unit

Any military element whose structure is prescribed by competent authority or a quantity adopted as a standard of measure.

3.0 GENERAL POLICY

3.1 Liquidation of Credits and Liabilities

3.1.1. Monetary reimbursement occurs via a monetary instrument in the currency of the supplying nation as payment for LSSS. The recipient is responsible for the total cost of the order, to include additional fees imposed by financial institutions for payment processing. Exchange/Replacement reimbursements use RIK or EVE transfers as the means of repayment where equal value is the actual, estimated, or negotiated price at the time of order approval. Signatures of the recipient and the supplier for the terms of the agreement are required and constitute approval.

3.1.2. Reimbursement Order Liquidation Method. The reimbursement due date is 30 days from the date of invoice, demand letter, or notice of payment due unless a specific due date is established by statute, contract provision, or notice of indebtedness (see Volume 16, Chapter 6, paragraph 3.1). The bill is then distributed by the Component or by the Accounts Receivable Office (ARO) (see Volume 4, Chapter 3, paragraph 3.4). Bills must be accompanied by the completed Form (usually, Form 1-3a generated in AGATRS), or document containing all minimum essential data elements, used to document the issue and receipt of supplies and services. Payment due date must not be more than 30 days from the date of the invoice (see Chapter 1, paragraph 2.3), unless terms of the ACSA agreement or Implementing Arrangement specify a different payment timeline. A payment extension of 30 to 120 days from the due date is permissible, if initiated by the recipient and based upon their processing capabilities, with mutual written agreement of all parties.

3.1.3. Exchange/Replacement Order Liquidation Method. Exchange/Replacement orders must be recorded and accrued in compliance with Generally Accepted Accounting Principles. Recorded Accounts Payables and Accounts Receivables related to the exchange of goods and services must be settled through the issue or receipt, as applicable, of the thing of equal value or replacement item, within 12 months of the original (initial) order date of delivery, or within 90 days of an agreed upon settlement conference documented via the authorizing signatory certifying

authority to the ACSA agreement. If not settled within this period, the exchange/replacement order must convert to a monetary reimbursable order and then be settled according to Volume 16, Chapter 6. The resulting accounts receivable or accounts payable must be liquidated, expeditiously, if possible. Upon conversion to a direct bill, any delinquency greater than 90 days will result in the termination of DoD support to the ACSA supported entity until delinquent orders are liquidated.

3.2 Prohibitions

3.2.1. Inventories of Supplies. Inventories of supplies for elements of the United States Forces must not be increased in anticipation of a request for support under the authority of, 10 U.S.C. §§ 2341 – 2350 and DoDD 2010.09.

* 3.2.2. Prohibitions on Transfers. DoD Components, must not agree to or carry out: (1) transfers in exchange for property whose acquisition by DoD is prohibited by law; (2) transfers of source, byproduct, or special nuclear materials subject to 42 U.S.C. § 2011, the Atomic Energy Act of 1954; (3) transfers of LSSS to countries with which the DoD does not have a current ACSA pursuant to 10 USC 2342(d); or (4) transfers of chemical munitions.

3.2.3. Mandated Separation of Duties. Safeguards to ensure proper separation of Duties.

Commands will ensure that proper safeguards are in place to include ensuring that a single individual performs only one of the following functions.

3.2.3.1. Initiation of the ACSA Transaction requirement;

3.2.3.2. Signing to Authorize the ACSA Order as the Logistics Officer;

3.2.3.3. Receipt, inspection, and acceptance of the ACSA supplies or services that are transferred with the Order; and

3.2.3.4. Signing the ACSA Order as the Finance Officer confirming disbursement of payment or acceptance of the re-imbursement payment.

3.3 Obligation and Earned Reimbursement Limitations

3.3.1. Apply the obligations and earned reimbursement limitations without regard to offsetting balances; that is, only the original gross values of sales and purchases are to be considered for purposes of the limitations. These limitations do not apply during periods of active hostilities involving the armed forces and are allocated by the Joint Staff.

3.3.2. Financial Obligation Recording. Duly appointed and trained financial personnel must record entries in the appropriate financial systems in accordance with DoDI 1300.26.

3.3.3. Authorized Personnel. Financial Personnel must have on a file a Department of Defense Form 577 (***DD Form 577***), appointing them to the role as the financial certifying official.

Persons authorized as ACSA Signature Officials must have on file an official delegation memo from higher authority.

3.3.3.1. Recording Obligations. Within 10 days of an order authorization, the corresponding obligation or reimbursable credit must be recorded in the appropriate financial system as prescribed in Volume 3, Chapter 8, paragraph 3.3.

3.3.3.2. Recording Accounts Payable (ACSA Monetary Buys). Obligations (and any adjustments) must be established and recorded in the appropriate financial system for the amounts of orders placed and contracts awarded that will require payment as prescribed in Volume 10, Chapter 1, paragraph 3.1 for the current or some future accounting period.

3.3.3.3. Recording Accounts Receivable (ACSA Monetary Sales). Amounts due to the DoD will be recorded as sales for the amounts of the orders that will establish a claim to cash or other asset as prescribed in Volume 4, Chapter 1, section 4.0.

3.3.3.4. Recording Accounts Payable (RIK/EVE Buys). Recognize the liability when the DoD and the partner nation complete the ACSA order. Record amounts in the appropriate financial system for the amount or negotiated amount of orders placed that may require payment as prescribed in Volume 4, Chapter 8, paragraph 3.2 for the current or future accounting period.

3.3.3.5. Recording Accounts Receivable (RIK/EVE Sales). Amounts due to the DoD will be recorded in the appropriate receivables account in the financial system for the amount of orders regardless of the method of reimbursement, as prescribed in Volume 4, Chapter 4, paragraph 5.4.

3.3.3.6. Aging of Accounts Payable and Accounts Receivable: Accounts Payable and Accounts Receivable will begin aging upon the acceptance and/or certification by both parties at the on-going reconciliation of support conferences. Until orders and settlement terms have been agreed to and certified, by both parties, Accounts Payables and Accounts Receivables will remain in a current non-delinquent 0-30 day category for financial reporting and management-monitored metrics.

3.3.4. Department Level Obligation Naming Standard

3.3.4.1. Standard Format. Within the respective Financial Systems, Services, Components and Agencies using the ACSA Acquire/Transfer process must establish, at the highest level, an ACSA identifier, more specifically a unique document type/entry code. This must be accompanied by a required field to document the AGATRS generated ACSA requisition number. In the absence of a unique document type/entry code, or in the interim during establishment, organizations will identify a free-text field for entry of a standard Department-wide format of the word "ACSA_" followed by the AGATRS generated ACSA Order Requisition Number. Example ACSA_JO-12345-001.

Example → ACSA (*word*)__AGATRS ACSA Order Requisition #

3.3.4.2. Standard Format Tracking. Services/Components/Agencies must communicate their accounting procedures, document type/entry code, in addition to their respective field choice back to OUSD(A&S) and OUSD© and distribute to all subordinates for inclusion in all financial operating procedures regarding ACSA.

3.3.5. Obligation Limitations

3.3.5.1. Acquisitions from North Atlantic Treaty Organization (NATO) Countries, NATO Subsidiary Bodies, the United Nations (UN) Organization or Any Regional International Organization. The total amount that may be obligated by DoD for reimbursable orders (purchases) with NATO countries, NATO subsidiary bodies, the UN Organization, or any regional international organization must not exceed $200 million during any fiscal year. Of the $200 million limitation, no more than $50 million in obligations may be incurred for the acquisition of supplies other than petroleum, oil, and lubricants (POL).

3.3.5.2. Acquisitions from non-NATO Member Countries. The total amount that may be obligated by the DoD for reimbursable orders (purchases) with a non-NATO member country (with which the United States has an acquisition or cross-servicing agreement) must not exceed $60 million during any fiscal year. Of the $60 million limitation, no more than $20 million in obligations may be incurred for the acquisition of supplies (materiel) other than POL.

3.3.6. Earned Reimbursement Limitation

3.3.6.1. Transfers to NATO countries, NATO subsidiary bodies, the United Nations Organization or Any Regional International Organization. The total amount of earned reimbursable credits (sales) to NATO countries, NATO subsidiary bodies, the UN Organization, or any regional international organization of which the United States is a member that DoD can accrue must not exceed $150 million during any fiscal year.

3.3.6.2. Transfers to Non-NATO Member Countries. The total amount of earned reimbursable credits (sales) to a non-NATO member country (with which the United States has an acquisition or cross-servicing agreement) that DoD can accrue must not exceed $75 million during any fiscal year.

Figure 8-1. Limitations Table

Category 1	Member countries of the North Atlantic Treaty Organization (NATO), subsidiary bodies of NATO, or from the United Nations Organization or any regional international organization of which the United States is a member.
Category 2	A country which is **NOT** a member of NATO, but with which the United States has one or more acquisition or cross-servicing agreements.

PER FISCAL YEAR	Category	Normal Operations	Limit on Acquistion of Supplies	Active Hostilities	Contingency Operations	Non-Combat Operations	Sale, Purchase, or Exchange of petroleum, oils, or lubricants
ALLOWED REIMBURSABLE LIABILITY	1	$200,000,000	$50,000,000	Waived	Waived	Waived	Waived
	2	$60,000,000	$20,000,000	Waived	Waived	Waived	Waived
ALLOWED REIMBURSABLE CREDITS	1	$150,000,000	$0	Waived	Waived	Waived	Waived
	2	$75,000,000	$0	Waived	Waived	Waived	Waived

3.4 Requests for Authorization to Use Limitations

Obligation/Earned Reimbursement Limitations are allocated by the Joint Staff. Each organization entering reimbursable purchases or sales under ACSA, must request authorization. Requests must be accompanied by a justification, including a prioritization of requirements. The requests must be submitted to the cognizant CCMD through the requesting organization's appropriate Component command. The authorizations do not increase the amount of obligational or apportioned anticipated reimbursable authority, but rather allow use of existing budget authority to enter into purchases or sales under the authority of ***10 U.S.C. § 2347***. Requests must identify the categories of support as identified in figure B-1 in Appendix B.

3.5 Waiver During Contingency or Non-Combat Operations

When United States Forces are involved in a contingency operation or non-combat operation (including an operation in support of the provision of humanitarian or foreign disaster assistance or in support of peacekeeping operations under UN Charter VI or VII), the restrictions in paragraphs 2.3 and 2.4 are waived for the purposes and duration of that operation.

3.6 Issuance of the Authorization

The cognizant CCMD must review and approve requests for authorization. If the total amount requested by all Component commands exceeds established limitations, the cognizant CCMD must review the justifications and make appropriate reductions to requested amounts as needed. Each cognizant CCMD must advise the Military Departments of authorizations distributed.

3.7 Distribution of Authorization Received

Upon receipt of an authorization from a CCMD, Component commands must authorize their activities to enter into reimbursable orders under ***10 U.S.C. § 2342***. No activity or unit may enter into such orders without proper authorization. Recipients of an authorization must establish procedures to ensure that authorized dollar amounts are not exceeded.

3.8 Ratification of Unauthorized ACSA Orders

3.8.1. Ratification is the confirmation or adoption of an unauthorized act after the fact. Ratification, as used in this subsection, means the act of approving an unauthorized commitment by an official who has the authority to do so. An unauthorized commitment, as used in this subsection, can be procedural or funding related, or a mix of both. Procedural errors occur when the person who approved the ACSA order was not in possession of the required authority to approve the ACSA order. Funding errors occur when the funds required to cover the ACSA order are insufficient.

* 3.8.2. FAR 1.602-3 provides a useful guide on how to carry out ratification properly and avoid an Antideficiency Act (ADA) violation under 31 U.S.C. § 1341 and Volume 14, Chapter 3. The official with authority to ratify an ACSA order must work with the official's corresponding legal office and Financial Manager(s) (to include those at Higher Headquarters) to determine if ratification is available and the best course of action. If ratification is deemed appropriate, the official authorized to ratify the ACSA order must use the process laid out by their component to answer the questions identified in this subparagraph and investigate to capture necessary documentation for adjudication/approval. Figure A-1, (Appendix A) the ACSA Ratification or similar form with the same information should be used to document and capture the questions in subparagraphs 3.8.2.1 through 3.8.2.6.

3.8.2.1. Determine Why: The obligating party must document the reasons why the ACSA order was signed and why such an obligation is inappropriate.

3.8.2.2. Determine U.S. Benefit: Document the benefit(s) to the U.S. Government provided by ratification of the unauthorized commitments. Include the bona fide U.S. Government requirement necessitating ratification.

3.8.2.3. Remedial Corrective Actions: Describe all remedial corrective actions, disciplinary actions, or both that were taken; describe all action(s) taken to preclude recurrence.

3.8.2.4. Determine Measures for non-recurrence: Identify the measures undertaken to ensure that the obligating party and the foreign partner will not enter into such orders in the future.

3.8.2.5. Determine Funding Availability: Determine that (1) proper funding was available at the time the obligation was incurred and (2) proper funding remains available at the time of ratification.

3.8.2.6. Adjudication Approval Determination: Investigate and conduct resolution at the lowest level possible. If unable to resolve, elevate and work in conjunction with the Commander, Director, and Comptroller/Budget Officer in preparation for General Officer or Senior Executive Service assessment and requirement for Legal review. If unable to resolve, elevate to higher headquarters. For orders greater than $1 million, forward findings through command channels to Joint Staff (J4 and Comptroller) for adjudication and approval. If disapproved, reverse the ACSA order under the unauthorized transfer and return the LSSS to the original owning party or begin ADA violation investigation and reporting (see Volume 14, Chapter 3, section 2.0).

4.0 ACCOUNTING FOR REIMBURSABLE LOGISTIC SUPPORT, SUPPLIES, AND SERVICES

4.1 Military Department (Appropriation Holder) Procedures

The Assistant Secretary (Financial Management and Comptroller) of a Military Service will record specifically apportioned reimbursable program authority at the appropriation level as specified in the apportionment document received from the OMB. Specifically, apportioned reimbursements are amounts earned and collected for property sold or services furnished under ***10 U.S.C. § 2346***. Within the Department, a reimbursement program must be authorized for the account by the Under Secretary of Defense (Comptroller), Program and Financial Control Directorate (P&FC) through the budget preparation process and included in the budget submission materials to Congress. Procedures for recording the authorization and tracking its use are contained in Volume 3, Chapters 13, 14 and 15. The allocation document forwarded to a CCMD will clearly differentiate between direct program authority and specifically apportioned reimbursable authority included in the funding document.

4.2 Unified Command (Allocation Holder) Accounting Procedures

Unified commands will ensure that controls are in place to track amounts of specifically apportioned reimbursable authority included in the funding documents (allotments) issued to installation commands and operating units.

4.3 Installation Command/Operating Unit (Allotment Holder) Procedures

Installation commands and operating units will record the receipt of an allotment containing specifically apportioned reimbursable authority, for which reimbursable orders must be placed, before the authority may be used. Procedures for recording the authorization and tracking its use are contained in Volume 3, Chapter 15. An allotment of anticipated reimbursable authority does not provide obligational authority. An allotment of anticipated reimbursable program authority provides the authority to accept reimbursable orders. The accepted reimbursable order provides the obligational authority. In the case of country-to-country agreements, reimbursable orders are those documents or forms specified in the agreement or amendments thereto.

5.0 REPORTS ON ACSA ORDERS

This section prescribes the requirement for the quarterly report required by DoDD 2010.09. This report is designed to advise the Chairman of the Joint Chief of Staff (CJCS) on reimbursable orders related to the purchase or sale of mutual logistics support, supplies, and services with a foreign entity.

5.1 Applicability and Scope

The reporting requirements apply to the Office of the Secretary of Defense, Military Departments, the CJCS, the CCMDs, and the Defense Agencies. Amounts reported as reimbursable orders must be supported by country-to-country or multinational agreements for mutual logistics support between the United States and the Governments of other NATO countries, NATO subsidiary bodies, UN Organization, any regional international organization of which the United States is a member, and other eligible foreign countries.

5.2 Report Format

The quarterly report must be prepared in the formats contained in figures B-2, B-3, B-4, and B-5 (see Appendix B). The CJCS may modify the report formats as the Chairman deems appropriate, as long as the revised formats meet the minimum information requirements.

5.3 Frequency and Distribution

The quarterly report must be submitted as follows:

5.3.1. No later than 15 days after the end of the preceding fiscal quarter, the commanders of the CCMDs must submit to the CJCS, a detailed report, by fiscal year, for each country-to-country or multinational order entered under the authority of 10 U.S.C. §§ 2341 - 2350, that was in effect during the prior quarter, itemized by reimbursable order.

5.3.2. The Military Departments and Defense Agencies must assist, as necessary, the CCMDs in preparing the quarterly report.

6.0 OTHER REQUIREMENTS

6.1 Acquisition and Cross-Servicing Agreement Global Automated Tracking and Reporting System (AGATRS)

AGATRS is the DoD system of record for the Joint Staff, CCMDs, and Services to manage ACSA orders. AGATRS is an unclassified, web-based system that provides a worldwide automated means of building, tracking, and managing orders throughout their life cycle. AGATRS will be used to fully document all transfers of LSSS under ACSA authorities to meet the filing, tracking, and reporting requirements established in paragraphs 6.3 and 6.4. Refer to current versions of the CJCSI 2120.01E and DoDD 2010.09 for additional information and instruction regarding AGATRS use and responsibilities.

*6.2 Documentation Forms

6.2.1. Forms used to document the issue or receipt of supplies and services under the authority of 10 U.S.C. § 2342 are subject to a bilateral or multinational agreement. The DoD standard form for ACSA order/receipt/invoice is the Form 1-3a producible via AGATRS. For orders with NATO, the form found in the E-Library on the NATO Website, ***NATO Standardization Agreement 2034***, "NATO Standard Procedures for Mutual Logistics Assistance" is often used. Any form used must include the following minimum information requirements.

6.2.2. Agreement and/or Implementing Arrangement: The ACSA identification number and, if applicable, IA identification number under which the Order is placed.

6.2.3. Order or Requisition Number: Show the AGATRS system-assigned number unique to the specific order. This number is system-assigned based on ordering country/organization, Julian date, and document requisition number. For example, "AS-210131-003" would indicate the third order executed for Australian forces 31 January 2021.

6.2.4. Required Delivery Date and Location / Date and Place of Delivery: Delivery place and date of LSSS, or, in the case of an Exchange Order, an agreed return date and place of replacement transfer. The date and place delivery of LSSS is required by the recipient. In the case of an Exchange Transaction, include an agreed date and place for delivery of the replacement LSSS. Include a delivery of schedule, if applicable.

6.2.5. Agreed Return/Replacement Date and Location: In the case of an exchange transaction, include a date by which return/replacement must be accomplished, a place return/replacement is to be accomplished, and a return/replacement schedule, if applicable.

6.2.6. Quantity and Description of Material/Services Requested: Quantity and description of LSSS requested, to include National Stock Number (NSN) of Materiel when applicable. In the event of an Exchange Order, list the replacement line items.

6.2.7. Unit of Issue: The way the quantity is measured or expressed, also known as Unit of Measurement, such as each, dozen, gallon, pound, ream, or yard.

6.2.8. Quantity Furnished: Number of units issued or received, as applicable.

6.2.9. Unit price: show the price, based on unit of issue, in the currency of the billing country.

6.2.10. Total Value of Furnished Line Item: Quantity furnished multiplied by unit price.

6.2.11. Total Order Amount: Total value of all line items expressed in the currency of the billing country.

6.2.12. Currency of the Billing Country: Billing country is determined by which party provided LSSS.

6.2.13. Method of Reimbursement: Indicate whether the order is reimbursable by monetary instrument (cash, check or Electronic Funds Transfer (EFT)), RIK, or EVE.

6.2.14. Limitation of Government Liability: Show the maximum liability of the ordering/receiving organization. If a firm fixed price or total validated value cannot be established prior to order authorization, show the maximum liability of the ordering/receiving organization.

6.2.15. Fund Citation or Certification of Availability of Funds: Show the funding source when advance payments are to be provided, or, if funding is not to be paid in advance, include a certification that funds are available. This should always occur prior to signatures by the authorized requestor and acceptor.

6.2.16. Authorized Ordering Official: Obtain and show name (typed or printed), signature (wet scanned, digital or graphic), signature date, title and organization of authorized ordering/requisitioning representative. Additional information on electronic processes and digital signatures is available in Appendix II of the OMB Circular No. A-130.

6.2.17. Authorized Acceptance Official: Obtain and show name (typed or printed), signature (wet scanned, digital or graphic), signature date, title and organization of authorized acceptance representative in accordance with Appendix II of OMB Circular No. A-130.

6.2.18. Receiving Representative: Obtain and show name (typed or printed), signature (wet scanned, digital or graphic), signature date, title and organization of individual acknowledging receipt and acceptance of LSSS in accordance with Appendix II of OMB Circular No. A-130.

6.2.19. Invoicing Official. Supplying Representative. Obtain and show name (typed or printed), title, organization, and signature (wet scanned, digital or graphic), signature date of individual acknowledging receipt, and acceptance of LSSS was supplied. in accordance with Appendix II of OMB Circular No. A-130.

6.2.20. Designated Office Responsible for Payment: Name, e-mail and mailing address of the office responsible to receive bill and submit monetary reimbursement for LSSS received. (Note: Not mandatory for exchange orders unless, failing proper replacement or return of LSSS, monetary remuneration is required.)

6.2.21. Designated Billing Office: Name, e-mail or mailing address of the office responsible for preparing and delivering bills for LSSS provided. For U.S. buy orders, must include the designated office responsible for payment. For payee to be designated upon remittance, show the organization responsible for receiving monetary payment. Include all details necessary to receive cash, check or electronic fund transfers. This is not required for exchange orders unless Monetary reconciliation is required.

6.2.22. Additional Special Requirements, if any: Examples include such special notations as transportation or special packaging. Show any additional needs of the receiving organization, if applicable.

6.2.23. Payee Banking Information: Include bank name, address, account name, account number, International Banking Account Number (IBAN), and Society for Worldwide Interbank Financial Telecommunication (SWIFT) Code.

6.2.24. Financial Coordinator has the responsibility to provide signature verifying the order has been fully disbursed or collected in the financial system of record.

6.3 Accounting for Funds and Reimbursements

Any organization receiving an authorization to incur obligations or receive reimbursements pursuant to authority in ***10 U.S.C. § 2344*** for an activity or unit for which it provides accounting and finance support, must capture or obtain data on the use of this authority and must provide for the appropriate targets or limitations within the affected allotments. Similarly, receipt of the earned reimbursement authority requires the establishment of a customer order subsystem to capture data on the use of such authority. Source documents pertaining to the authorized dollar amount and its use, such as obligations (DoD undelivered orders for materiel or services and accrued expenditures based on receipt of the materiel or services ordered), disbursements (liquidation of unpaid accrued expenditures), accounts payable (the unpaid portion of accrued expenditures), accounts receivable (earned reimbursements), and collections (receipt of payment to liquidate accounts receivable) must be recorded promptly in the financial records. Accounting for reimbursable orders under these authorizations must be maintained within the appropriate accounting records to assure crediting of remittances in accordance with paragraphs 6.3, 6.1, and sections 7.0 and 8.0.

6.4 Exchange Orders and History Files

Control over exchange orders must be established and maintained through use of an exchange order history file. Input to the history file must be made by submission of each individual order form which must include the minimum information prescribed in paragraph 7.2. AGATRS will be used to fulfill this purpose, ensuring compliance with DoDD 2010.09.

7.0 PRICING REIMBURSABLE ORDERS

10 U.S.C. §§ 2341 - 2350, authorize two methods for pricing reimbursable orders. The method used is dependent upon the ability of the Secretary of Defense (SecDef) to negotiate for the adoption of specific pricing principles for reciprocal application. Pricing procedures under each of the alternatives are set forth in paragraphs 6.1 and 6.2. Additional pricing information is found in Chapter 1 and Volume 15, Chapter 7, paragraph 3.1.

7.1 Reciprocal Pricing Principles

When a reciprocal pricing agreement is negotiated between the United States and another authorized party, pricing by the supplying country must be in accordance with the following:

7.1.1. For new procurements, the price charged to a recipient country by the supplying country must be no less favorable than that charged the armed forces of the supplying country by its contractors. The price charged must allow for differentials due to delivery schedules, points of delivery, and other similar considerations.

7.1.2. For supplies from inventories of the supplying country, or for logistics support and government services, the supplying country must charge the recipient country the same prices as it charges its own armed forces for identical supplies or services. When the DoD is the supplier, the price charged must be identical to rates charged by the DoD Components for cross-service logistics support or services. Guidance on pricing such support or services is in Chapter 1. The DoD price to be charged is the price for type of sale "To Another DoD Component" as indicated in Chapter 1 and Chapter 4. Where a price for a particular product or service is not otherwise specified, agreement on a price should be reached prior to execution. Failing that, a “not to exceed amount,” establishing the upper limits of the financial liability of the receiving party, must be established.

7.2 Nonreciprocal Pricing Principles

To the extent that a DoD Component cannot achieve mutual acceptance by another country of reciprocal pricing principles, or in the case of a NATO subsidiary body, the following procedures must apply:

7.2.1. U.S. commanders delegated authority to negotiate, approve, or execute orders pursuant to DoDD 2010.09 must determine that the price for acquiring supplies or services is fair and reasonable. This determination must be supported by a price analysis based on prior experience and supporting data, and consideration of all applicable circumstances. If this determination cannot be made, no purchases or sales must take place.

7.2.2. Any transfer of supplies or services by United States Forces must be subject to the pricing provisions of 10 U.S.C. § 2344.

*8.0 DISPOSITION OF PROCEEDS

Any payment for materiel or services provided by United States Forces and initially recorded as a sale order, must be credited to the appropriation, fund or account used in incurring the obligation. If such fund is expired, credit the payment into an appropriate appropriation, fund, or account currently available for the purposes for which the expenditures were made (see 10 U.S.C. § 2346). Payment for an order initially recorded as an exchange of materiel or services but converted into a sale due to non-receipt of replacement materiel or services, must be credited to the appropriation or fund currently available for the same purposes for which the expenditures were made.

9.0 DEBT COLLECTION ACTIONS

The DoD policy is to conduct timely and aggressive debt collection action, with follow-up efforts as necessary, to ensure debt owed to the DoD by a foreign entity is collected and held to an absolute minimum. All collection activity must comply with the provisions of the applicable agreement between the DoD and the foreign entity, CJCSI 2120.01E, and Volume 16, Chapter 6, which also contains elevations procedures for foreign indebtedness.

*** Date**

APPENDIX A: RATIFICATION OF UNAUTHORIZED COMMITMENTS

Figure A-1. Ratification Form

ACSA RATIFICATION FORM FOR APPROVAL/RATIFICATION OF UNAUTHORIZED TRANSACTIONS
(ACSA FMR Vol 11a Chapter 8)

This form is only for the Acquisition and Cross-Servicing Agreement (ACSA) Program and may not be used for ratifications of unauthorized commitments under the Federal Acquisition Regulation (FAR).

Amount ($)	**To** ACSA Program Manager	**Date of commitment** (YYYYMMDD)

For (item or service)	**Committing unit or activity**

PART I — Description of Commitment and Unit Commander's Review

The individual making the unauthorized ACSA transaction will complete part I, section A, blocks 1 through 5; provide the required documentation; date, sign, and forward the form to his or her immediate supervisor who will complete part 1, section A, blocks 6 and 7. The immediate supervisor will then forward the form to the appropriate individual (unit commander, director or activity chief, O6/GS15 equivalent) who will complete part I, section B. All information must be provided in detail with documentation attached.

Section A — Commitment Circumstances

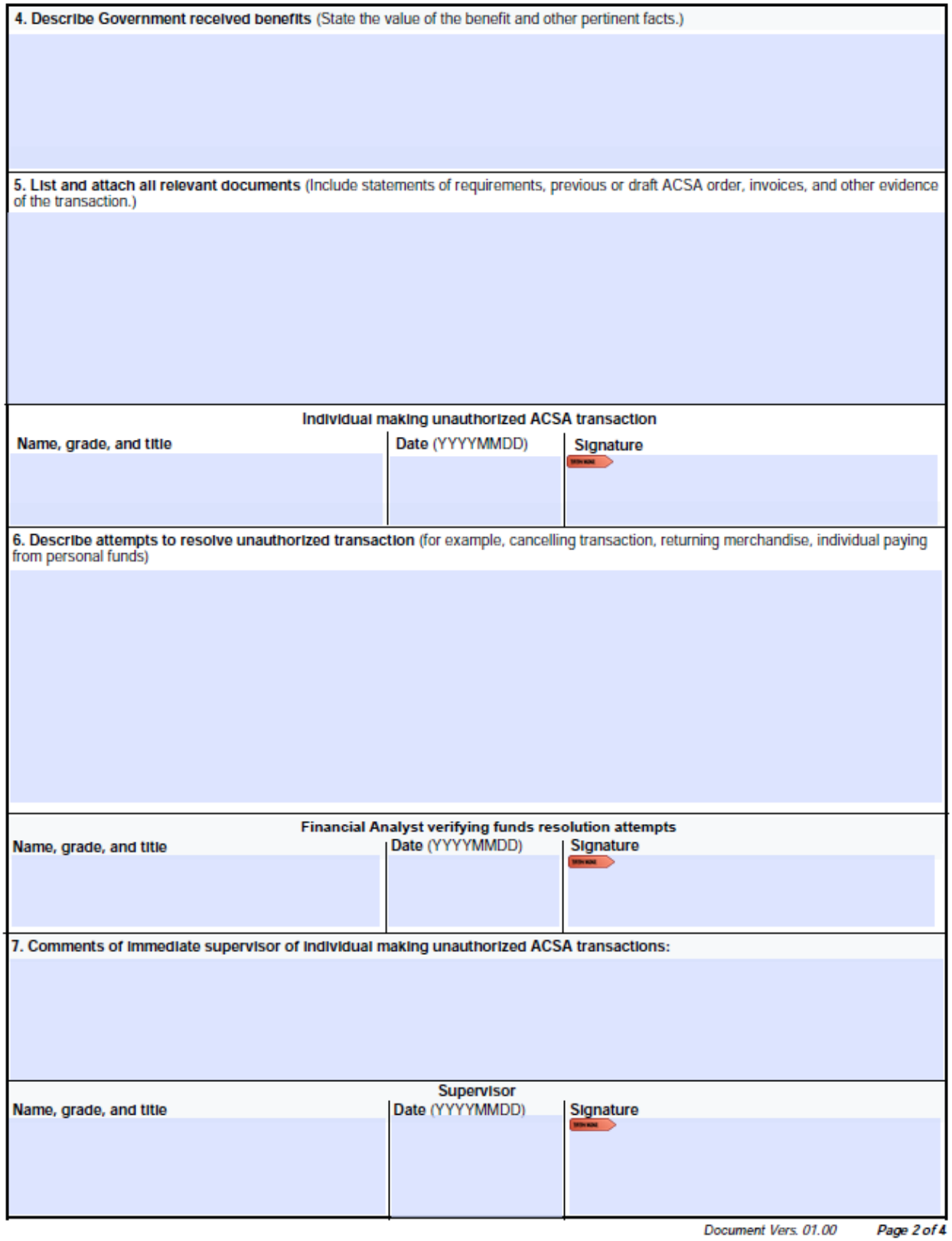
1. Statement by individual who made the commitment and whether or not that person is an ACSA implementing and approving official (ACSA IAO):

2. Explain why ACSA procedures were not followed. For cash transactions, regulations require certification of funds and a counter-signed ACSA order before goods or services are provided.

3. Describe bona fide Government requirement necessitating the commitment.

Document Vers. 01.00 ***Page 1 of 4***

Figure A-1. Ratification Form (continued)



4. Describe Government received benefits (State the value of the benefit and other pertinent facts.)

5. List and attach all relevant documents (Include statements of requirements, previous or draft ACSA order, invoices, and other evidence of the transaction.)

Individual making unauthorized ACSA transaction

Name, grade, and title	Date (YYYYMMDD)	Signature

6. Describe attempts to resolve unauthorized transaction (for example, cancelling transaction, returning merchandise, individual paying from personal funds)

Financial Analyst verifying funds resolution attempts

Name, grade, and title	Date (YYYYMMDD)	Signature

7. Comments of immediate supervisor of individual making unauthorized ACSA transactions:

Supervisor

Name, grade, and title	Date (YYYYMMDD)	Signature

Document Vers. 01.00 *Page 2 of 4*

Figure A-1. Ratification Form (continued)

For (item or service)	Committing unit or activity

Section B — Commander, Director, or Activity Chief

Completed by unit commander, director, or activity chief (O6/GS15 equivalent). Complete blocks 1 through 4 and forward the form to the CCMD and MILDEP ACSA Program Manager, International Agreements Division, Office of the Deputy Chief of Staff.

1. Describe special remedial corrective action, disciplinary action, or both that were taken (Include a description of any administrative action to be taken or explain why no disciplinary action was considered necessary.)

2. Describe action taken to prevent recurrence of unauthorized ACSA transactions:

3. I have reviewed part I, section A, and verify that the information is accurate and complete, that the Government received a benefit and associated value from the subject transaction, and—

☐ Concur with the subject transaction ☐ Do not concur (explain nonconcurrence)

4. A completed purchase request and commitment form (from applicable system) has been prepared and is attached (required if ratification is recommended). The purchase request and commitment must specifically state that funds were available at the time the unauthorized ACSA transaction was made and are still available.

☐ Yes ☐ No

Commander or director

Name, grade, and title	Date (YYYYMMDD)	Signature

Section C — Transactions in Excess of the Simplified Acquisition Threshold

5. For transactions in excess of the simplified acquisition threshold (currently $150,000), **recommendation of the first general officer or Senior Executive Service (SES) equivalent in the chain of command**

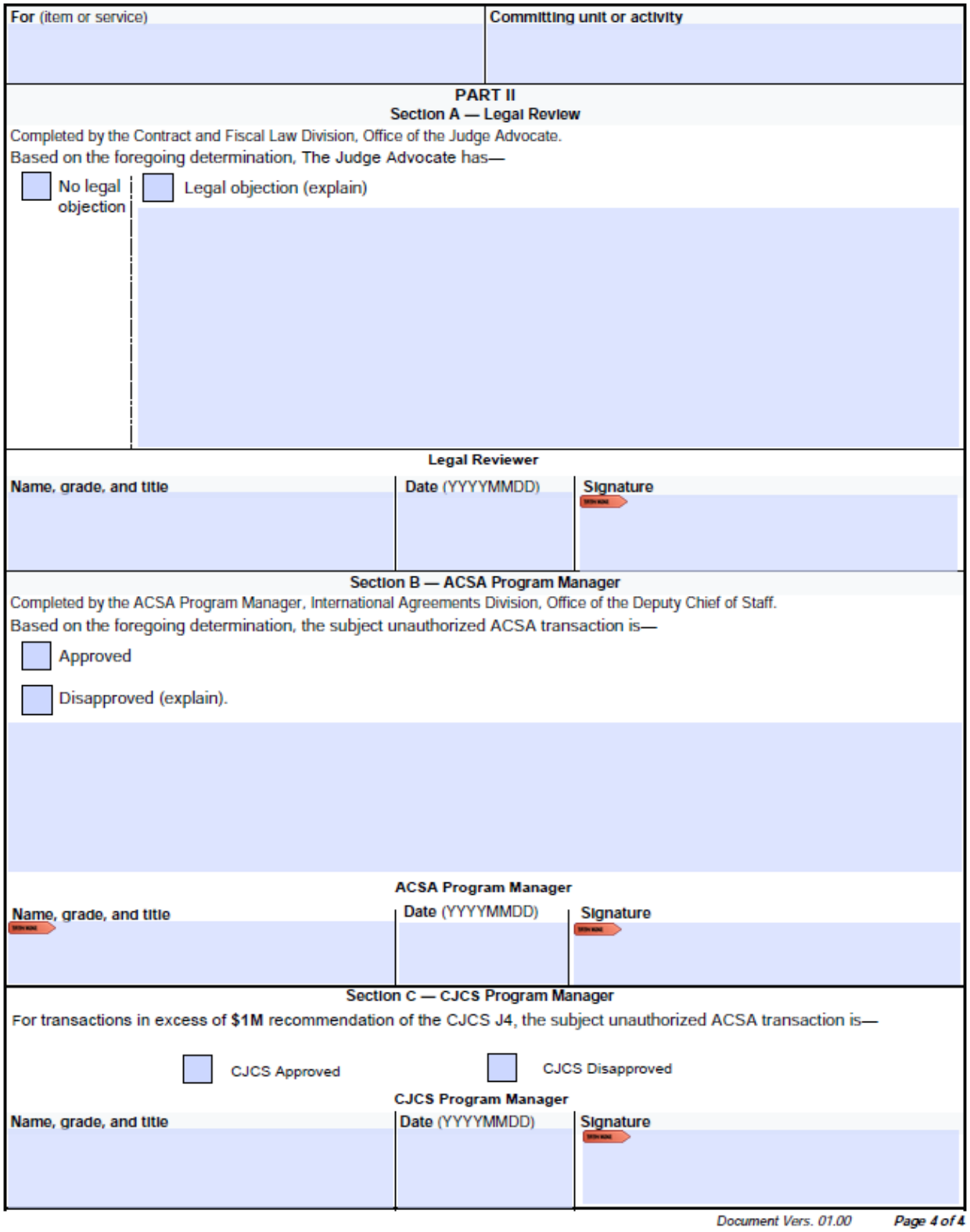
Based on the foregoing determination: ☐ Recommend approval ☐ Recommend disapproval

First General Officer or SES Equivalent in the Chain of Command

Name, grade, and title	Date (YYYYMMDD)	Signature

Document Vers. 01.00 *Page 3 of 4*

Figure A-1. Ratification Form (continued)



For (item or service)	Committing unit or activity

PART II

Section A — Legal Review

Completed by the Contract and Fiscal Law Division, Office of the Judge Advocate.

Based on the foregoing determination, The Judge Advocate has—

☐ No legal objection ☐ Legal objection (explain)

Legal Reviewer

Name, grade, and title	Date (YYYYMMDD)	Signature

Section B — ACSA Program Manager

Completed by the ACSA Program Manager, International Agreements Division, Office of the Deputy Chief of Staff.

Based on the foregoing determination, the subject unauthorized ACSA transaction is—

☐ Approved

☐ Disapproved (explain).

ACSA Program Manager

Name, grade, and title	Date (YYYYMMDD)	Signature

Section C — CJCS Program Manager

For transactions in excess of **$1M** recommendation of the CJCS J4, the subject unauthorized ACSA transaction is—

☐ CJCS Approved ☐ CJCS Disapproved

CJCS Program Manager

Name, grade, and title	Date (YYYYMMDD)	Signature

Document Vers. 01.00 ***Page 4 of 4***

APPENDIX B: QUARTERLY REPORT FORMATS

Figure B-1. Request for Authorization

Category of Support	Requested Authorization	
	Obligations (Purchases)	Earned Reimbursements (Sales)
POL	$ _____	$
Other Materiel	_____	
Maintenance	_____	
Services	_____	
TOTAL	$ _____	$

Figure B-2. Liabilities Report – NATO

LIABILITIES REPORT - NATO							
Country							
POL							
	Order #	Commodity	Item	Amount	Delivered	Undelivered	Disbursed
	xxxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
		xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
	Total Order			xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
Total				xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
Supplies							
	Order #	Commodity	Item	Amount	Delivered	Undelivered	Disbursed
	xxxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
		xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
	Total Order			xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
Total				xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
Supplies Ceiling				xxxxxxxx			
Supplies Available Ceiling				xxxxxxxx			
Services							
	Order #	Commodity	Item	Amount	Delivered	Undelivered	Disbursed
	xxxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
		xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
	Total Order			xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
Total				xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
Country Total				xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
Country Ceiling				xxxxxxxx			
Country Ceiling Available				xxxxxxxx			

Figure B-3. Liabilities Report, Non-NATO

LIABILITIES REPORT - Non-NATO							
Country							
POL							
	Order #	Commodity	Item	Amount	Delivered	Undelivered	Disbursed
	xxxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
		xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
	Total Order			xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
Total				xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
Supplies							
	Order #	Commodity	Item	Amount	Delivered	Undelivered	Disbursed
	xxxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
		xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
	Total Order			xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
Total				xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
Supplies Ceiling				xxxxxxxx			
Supplies Available Ceiling				xxxxxxxx			
Services							
	Order #	Commodity	Item	Amount	Delivered	Undelivered	Disbursed
	xxxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
		xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
	Total Order			xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
Total				xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
Country Total				xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
Country Ceiling				xxxxxxxx			
Country Ceiling Available				xxxxxxxx			

Figure B-4. Credit Reports, NATO

CREDITS REPORT - NATO

Country

POL	Order #	Commodity	Item	Amount	Delivered	Undelivered	Outstanding Balance
	xxxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
		xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
	Total Order			xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
Total				xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx

Supplies	Order #	Commodity	Item	Amount	Delivered	Undelivered	Outstanding Balance
	xxxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
		xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
	Total Order			xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
Total				xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx

Services	Order #	Commodity	Item	Amount	Delivered	Undelivered	Outstanding Balance
	xxxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
		xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
	Total Order			xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
Total				xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx

Country Total				xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
Country Ceiling				xxxxxxxx			
Country Ceiling Available				xxxxxxxx			

Figure B-5. Credits Report, Non-NATO

CREDITS REPORT - Non-NATO							
Country							
POL							Outstanding
	Order #	Commodity	Item	Amount	Delivered	Undelivered	Balance
	xxxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
		xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
	Total Order			xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
Total				xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
Supplies							Outstanding
	Order #	Commodity	Item	Amount	Delivered	Undelivered	Balance
	xxxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
		xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
	Total Order			xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
Total				xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
Services							Outstanding
	Order #	Commodity	Item	Amount	Delivered	Undelivered	Balance
	xxxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
		xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
	Total Order			xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
Total				xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
Country Total				xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
Country Ceiling				xxxxxxxx			
Country Ceiling Available				xxxxxxxx			

VOLUME 11A, CHAPTER 9 "SUPPORT OF INTERNATIONAL MILITARY ACTIVITIES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by a (*) preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated December 2024 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Administrative updates were completed in accordance with the Department of Defense Financial Management Regulation Revision Standard Operating Procedures. April 2025: Updates from the previous version dated December 2024 remain in blue font due to the visibility of NATO information.	Revision
1.3.13	Incorporated additional authoritative guidance reference for Title 39 United States (U.S.) Code, Section 406, "Postal Services at Armed Forces Installations."	Revision
Policy Memo 3.3.8.3	The Deputy Chief Financial Officer policy memorandum, "Access to the Military Postal Service by U.S. Civilians Occupying Positions at the North Atlantic Treaty Organization on a Direct Hire Basis, (FPM24-04)," dated March 12, 2024, was incorporated into the chapter and cancelled. April 2025: Added reference to the Military Postal Procedural Manual.	Cancellation
Table 9-1	The table was updated to reflect forecasted laydown of U.S. military positions within International Military Headquarters in the U.S. European Command area of responsibility.	Revision

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CHAPTER 9

SUPPORT OF INTERNATIONAL MILITARY ACTIVITIES

1.0 GENERAL

1.1 Overview

This chapter assigns responsibilities and establishes guidance for the support of international organizations, and for providing reimbursable and nonreimbursable support.

1.2 Purpose

1.2.1. Establishes administrative arrangements, reimbursement, and billing procedures, and identifies a method to compute the dollar value of credits due the U.S. for the support of international military activities.

1.2.2. Identifies the support that Department of Defense (DoD) Components can expect to receive from international military organizations and whether such support is on a reimbursable or nonreimbursable basis.

1.2.3. Establishes guidance for financing the U.S. contributions to and the receipt of credits from the international military organizations with which the U.S. participates.

1.2.4. Establishes guidance for paying U.S. personnel employed by international military organizations, and for verifying the credits received from the organizations for such personnel.

1.2.5. Does not apply to the provision of intelligence or cryptologic support provided under authorities other than those cited herein.

1.3 Authoritative Guidance

The financial management policy and related requirements prescribed in this chapter are in accordance with the applicable provisions of the following sources:

1.3.1. ***Title 5 United States Code (U.S.C.) Section 102***, "Military departments";

1.3.2. ***10 U.S.C. § 161***, "Combatant commands: establishment";

1.3.3. ***10 U.S.C. § 164***, "Commanders of combatant commands: assignment; powers and duties";

1.3.4. ***10 U.S.C. § 421(a)***, "Funds for foreign cryptologic support";

1.3.5. ***10 U.S.C. § 2344(a)***, "Methods of payment for acquisitions and transfers by the United States";

1.3.6. ***10 U.S.C. § 2667***, "Leases: non-excess property of military departments and Defense Agencies";

1.3.7. ***22 U.S.C. § 2751***, "Need for international defense cooperation and military export controls; Presidential waiver; report to Congress; arms sales policy";

1.3.8. ***10 U.S.C. § 2801***, "Scope of chapter; definitions";

1.3.9. ***10 U.S.C. § 2802***, "Military construction projects";

1.3.10. ***22 U.S.C. § 2778(b)(2)***, "Control of arms exports and imports";

1.3.11. ***31 U.S.C. § 1353***, "Acceptance of travel and related expenses from non-Federal sources";

1.3.12. ***31 U.S.C. § 1535***, "Agency agreements";

* 1.3.13. ***39 U.S.C. § 406***, "Postal Services at Armed Forces Installations";

1.3.14. ***DoD Directive (DoDD) 2010.09***, "Acquisition and Cross-Servicing Agreements";

1.3.15. ***DoDD 5015.02***, "DoD Records Management Program";

1.3.16. ***DoDD 5100.03***, "Support of the Headquarters of Combatant and Subordinate Unified Commands";

1.3.17. ***DoDD 5101.1***, "DoD Executive Agent";

1.3.18. ***DoD Instruction (DoDI) 1000.17***, "Detail of DoD Personnel to Duty Outside the Department of Defense";

1.3.19. ***DoDI 4000.19***, "Support Agreements";

1.3.20. ***DoDI 5210.60***, "Security Clearance Program for U.S. Citizens Employed Directly by the North Atlantic Treaty Organization (NATO)";

1.3.21. ***DoDI 5530.03***, "International Agreements"; and

2.0 DEFINITIONS AND GUIDELINES

2.1 Military Department

Military Department refers to one of the departments within DoD created by the National Security Act of 1947 as amended ***(NSA 1947)***, which are the Department of the Army, the Department of the Navy, and the Department of the Air Force.

2.2 Military Service

Military Service is established by the NSA 1947 and refers to the Army, Navy, Air Force, Marine Corps, and Coast Guard when operating as a part of the Navy in accordance with law (see the definition of "Service" in the ***DoD Dictionary of Military and Associated Terms*** as amended).

2.3 Military Unit

Military Unit refers to any military element whose structure is prescribed by competent authority (see the definition of "Unit" in Joint Chiefs of Staff Publication 1 (***JP 1***).

2.4 Military Element

Military Element refers to any military organization formed to perform a specific function under a joint force commander's headquarters (see the definition of "Element" in JP 1).

2.5 Nonreimbursable Support

2.5.1. The DoD provides nonreimbursable support to international military organizations in two forms: (1) through a financial contribution to the budget of the international organization, or (2) by assignment of U.S. military elements to the international organization under the terms of international treaties or agreements (see DoDI 5530.03). The U.S. military elements may be assigned either on a long or short-term basis.

2.5.2. Short-term assignments are typically for the purpose of participating in joint exercises or maneuvers under the auspices of the international organization.

2.5.3. Long-term assignments typically involve filling an existing billet on the staff of an international organization.

2.5.4. Support under subparagraphs 2.5.1 and 2.5.2 are not reimbursable to DoD. An exception to this policy is the support by members of a U.S. military element who provide services that were included in the budget of the international organization (e.g., a U.S. Military member who occupies an international civilian billet). These costs are reimbursable (see section 4.0).

2.6 Reimbursable Support

All other support provided to the international military organization and military elements of participating foreign countries is reimbursable to the performing DoD Component and must be provided under one of the authorities described in paragraphs: 4.2, Arms Export Control Act (AECA); 4.3, NATO Mutual Support Act (NMSA); 4.4, Other than AECA and NMSA.

2.7 Support for U.S. Military Elements/Units

The U.S. military element of an international military organization is supported by the international organization and the administrative agent (see paragraph 3.3) on a nonreimbursable basis. The administrative agent must ensure support provided to the U.S. military elements of an international organization is equal in scope and quality to all organizations that it supports at a comparable location. Other U.S. military units in the area, including units of the administrative agent, also may receive support from the international organization, but on a reimbursable basis. The Military Department concerned, and the international organization will execute a support agreement between them when those military units receive support.

2.8 Table of Distribution and Allowance

Tables of distribution and allowance (TDA) refer to a military unit that is organized to perform unique missions for which a Table of Organization & Equipment (TO&E) does not exist. A TDA may contain combinations of military, civilian, and contractor man-year equivalent positions.

2.9 Table of Organization and Equipment (TO&E)

A ***TO&E*** is comprised of military personnel and refers to the capabilities, organizational structure, and required personnel and equipment for a military unit to accomplish its mission.

3.0 RESPONSIBILITIES

3.1 Under Secretary of Defense (Comptroller)

The Under Secretary of Defense (Comptroller) provides financial policy with regard to support agreements and designates the administrative agent responsible for arranging support to U.S. military elements at an international military organization. Geographic proximity to existing support infrastructure and mission compatibility is the primary criteria used to assign administrative agent duties. Current designations are provided in Table 9-1. The Military Services must request updates to this table as needed to reflect changes in available support infrastructure within a geographic area.

3.2 Secretaries of the Army and the Air Force

3.2.1. The Secretary of the Army must program and budget the annual U.S. contributions to the various NATO bodies in the Army Operations and Maintenance (O&M) appropriation.

3.2.2. The Secretary of the Army must program and budget for the annual U.S. contributions to other recognized multinational headquarters, such as the NATO Force Structure and the NATO Response Force in which the U.S. participates.

3.2.3. The Secretary of the Air Force must budget for the NATO Airborne Early Warning Program Management Agency (NAPMA).

3.3 Administrative Agent

The administrative agent must:

3.3.1. Budget for the U.S. contributions to designated non-NATO international military organizations. When the Army is not the administrative agent for a NATO body or other multinational headquarters, the designated agent provides the Army with program and budget information on the annual contribution for inclusion in the Army's O&M appropriation. Budgeting for the NAPMA constitutes an exception to this policy (see subparagraph 3.2.3.).

3.3.2. Coordinate with appropriate U.S. representatives at the international military organizations to ensure that effective procedures and controls are prescribed for budgeting, obligating, disbursing, and receiving credits incident to administering the U.S. contributions.

3.3.3. Program and allocate resources in a manner that will provide the international organization with the highest possible level of support under paragraphs 4.2, 4.3, and 4.4 consistent with financial constraints that may be imposed through the normal program and budget process.

3.3.4. Support U.S. military elements attached to the designated international military organization on a nonreimbursable basis unless the support is an international budget cost or is a budget responsibility of another Military Department (see paragraph 3.4). The standards and directives of the administrative agent govern the level and type of support furnished. The level and type of support is consistent with the highest possible level of support allowable under this chapter while not violating those same governing standards and directives. Support requirements based upon input provided by the U.S. military element are included in the administrative agent's annual budget. The administrative agent must obtain support from the most efficient and economical source, including local sources while ensuring that no parallel support facility is established (see DoDI 4000.19).

3.3.5. Provide U.S. military elements, which are TO&E or equivalent units, with replacement consumable and nonconsumable material, obtaining peculiar items when necessary from supply systems of the parent Military Service on a reimbursable basis.

3.3.6. Provide U.S. military elements, which are TDA or equivalent units, both with initial and replacement consumable and nonconsumable material.

3.3.7. Establish a table of allowances, unit allowance lists, base allowance lists, and other authorization documents for U.S. military elements attached to the international military organization.

3.3.8. Budget for the cost of civilian employees of the U.S. Government assigned to positions in international military organizations. These employees retain their status as U.S. employees and are paid from U.S. funds at the appropriate U.S. scale of pay and allowances.

3.3.8.1. The pay and allowances are budgeted at the appropriate international pay scale by the international military organization to which they are assigned. A sum equal to the amount of such pay and allowances at the international pay scale must be collected from the international organization and reflected in the reimbursable portion of the DoD budget. The DoD direct budget must absorb any differences.

3.3.8.2. The U.S. civilians who occupy positions in international military organizations on a direct-hire basis (not as U.S. Government employees), as provided for by DoDI 5210.60, will be governed by the provisions of that firm offer of employment and other applicable U.S. Government regulations that deal with such employment. The international military organization concerned will remunerate those U.S. civilians at the applicable international pay scale; however, these U.S. civilians will not be entitled to the same pay and allowances or benefits as those of U.S. Government employees, except for Military Postal Access (MPS) access benefits as defined in subparagraph 3.3.8.3.

* 3.3.8.3. The U.S. civilians who are employed by the North Atlantic Treaty Organization (NATO) on a direct-hire basis (not as U.S. Government employees) and perform functions in support of the U.S. Armed Forces have access to the U.S. Military Postal Service (MPS) at locations outside of the continental United States. This policy allows NATO direct hires MPS access. In accordance with 39 U.S.C. § 406, "Postal Services at Armed Forces Installations", funds must not be obligated or expended to establish, maintain, or expand a post office established for the purpose described in 3.3.8.2. Refer to the ***Military Postal Procedural Manual*** for implementing guidance on Military Postal Service support for U.S. citizens employed by NATO.

3.4 Secretaries of the Military Departments

The Secretaries of the Military Departments with military personnel assigned to a U.S. military element must:

3.4.1. Budget and fund for personnel costs of military personnel of that component included in the U.S. military element.

3.4.2. Budget and fund for personally assigned equipment provided to military personnel of that component included in the U.S. military element.

3.4.3. Make initial issuance to TO&E or equivalent units of that component assigned or attached to U.S. military elements.

3.4.4. Budget and fund component peculiar requirements, such as flying qualifications, medical examinations, personnel training and development, and social actions, for military personnel of that component.

3.4.5. Support other requirements. Costs are chargeable to the administrative agent on an interservice (reimbursable) basis.

3.4.6. Provide appropriate support to foreign military elements or to international military organizations in accordance with paragraphs 4.2, 4.3, or 4.4, herein, unless identified in this chapter as items of nonreimbursable support.

3.5 Head of a U.S. Military Element

The Head of a U.S. military element must support the international military organization on a nonreimbursable basis, except for the costs of a military member who is assigned to an international civilian position, or when such support requires augmentation of the element's normal manpower, equipment, or other resources from other U.S. sources.

3.6 Head of a DoD Component

The Head of a DoD Component must:

3.6.1. Support the international military organization and participating foreign countries on a reimbursable basis, in accordance with the AECA or the NMSA unless otherwise specified in this chapter.

3.6.2. Ensure the use of appropriate internal controls and oversight measures (e.g., support agreements manager assignments) and documentation of reimbursable support agreements to support financial audits, in accordance with DoDI 4000.19 and DoDD 5015.02.

3.7 Commander of a Unified Combatant Command

The Commander of a Unified Combatant Command must coordinate the activities of the administrative agents concerned in implementing this chapter within the command theater of operations.

3.8 Head of an International Military Organization

The Head of an International Military Organization must support U.S. military elements on a nonreimbursable basis for those support areas set forth in the scope of the budget for international military headquarters and agencies (see Table 9-1.).

4.0 REIMBURSEMENTS

4.1 Reimbursements Due the U.S. from International Military Organizations for U.S. Personnel (Military or Civilian) Occupying International Civilian Positions.

4.1.1. A sum equal to the pay and allowances established for the occupied positions at the international scale must be credited to the U.S. as an offset to the U.S. contribution to the international organization.

4.1.1.1. The administrative agent must determine the amount of credit due and initiate a quarterly ***Standard Form (SF) 1080***, Voucher for Transfers between Appropriations and/or Funds, to transfer funds from the U.S. contribution to the international budget to the applicable financing DoD appropriation.

4.1.1.2. As an exception to this offset credit procedure, international military organizations located in the continental U.S. (CONUS), to which contributions are made in U.S. dollars, must make direct reimbursement of the international pay and allowance equivalent to the administrative agent for any U.S. personnel assigned to international civilian positions.

4.1.2. The administrative agent must screen the personnel administration and payroll computations for U.S. employees, as performed by the international organization, to ensure the accuracy and sufficiency of data and credits granted.

4.2 Reimbursements Due the U.S. from International Military Organizations for Reimbursable Support Provided Pursuant to the AECA.

When DoD services are performed, articles delivered from inventory or new procurement initiated under the authority of the AECA, the pricing and billing must be in accordance with Volume 15.

4.3 Reimbursements Due the U.S. from International Military Organizations for Reimbursable Support Provided Pursuant to NMSA.

When DoD services are performed or articles delivered from inventory under the authority of the NMSA, pricing must be in accordance with Chapter 8 and billing must comply with the international agreement negotiated in accordance with DoDD 2010.09.

4.4 Reimbursements Due the U.S. from International Military Organizations for Reimbursable Support Provided Under Authorities Other than the AECA, NMSA, or this Regulation.

4.4.1. Leases of real and personal property are authorized by 10 U.S.C. § 2667 and must be priced in accordance with Volume 2B and Volume 12. Property with a life expectancy of less than 3 years or a value of less than $1,000 and provided under the authority of the AECA (paragraph 4.2) or NMSA (paragraph 4.3) must be provided on a sales basis. In the event that DoD services or materiel are provided under authorities other than the AECA, NMSA, or this Regulation, the DoD Component providing that support must obtain a legal opinion supporting the use of such other legal

authority before providing the service or materiel. The legal opinion must be retained for audit verification.

4.4.2. The designated official of the DoD Component furnishing the support must:

4.4.2.1. Originate promptly and in detail an SF 1080 to bill the administrative agent or the designated coordinating agent.

4.4.2.2. Prepare the invoice for reimbursable support on the basis of constructive delivery.

4.4.2.3. Distribute the SFs 1080 as follows:

4.4.2.3.1. Submit two copies of the SF 1080, with supporting details, to the international military organization receiving the services or material for verification of the charge.

4.4.2.3.2. Forward the original (disbursement SFs 1080) and the collection copy (SF 1080), without supporting detail, to the administrative agent or the designated coordinating agent.

4.4.2.3.3. Retain additional copies, with supporting details as may be required by the billing office, pending receipt of executed vouchers.

4.4.3. The administrative agent or the designated coordinating agent must (1) request that the comptroller of the NATO command or the appropriate international organization concerned provide a monthly listing of charges that have been accepted, and (2) ensure that such charges are reflected as offset credits to the U.S. in the contributions to the international budgets.

4.4.4. The coordinating agent must match the monthly listing of accepted charges with outstanding SFs 1080 and process the SFs 1080 for accepted charges as payments to the billing office. Upon receipt of the validated SFs 1080, the billing office must process the collection.

4.4.5. The designated coordinating agent must verify that the offset credits are applied to the U.S. contributions to the international organization through a reconciliation of individual SF 1080 billings to the monthly list of accepted charges.

4.4.6. When materiel or services are furnished to international military organizations that are located within the CONUS and contributions are made in U.S. dollars, the U.S. military activity providing the support is responsible for billing the international military organization directly and obtaining reimbursement in U.S. dollars.

5.0 SCOPE OF BUDGET FOR INTERNATIONAL MILITARY HEADQUARTERS AND AGENCIES

The international budget includes the types of costs, except as limited by exclusions in the following paragraphs, in such order and form as may be determined by the appropriate financial reviewing authorities. The following paragraphs are illustrative of the types of costs accepted by the NATO Military Budget Committee as an international charge. The comptroller of the international military organization concerned, and the U.S. representative must be consulted if there is doubt whether the cost of any article or service is properly an international charge.

5.1 Civilian Personnel, Administrative Staff

Pay and authorized allowances of personnel employed by an international headquarters for the performance of international functions, including secretarial, clerical, or technical assistance. For U.S. military and civilian personnel, see paragraph 4.1.

5.2 Civilian Personnel, Operational Staff

Pay and authorized allowance of personnel locally hired for custodial, industrial, or operational purposes. This includes upkeep of the premises and fixed or movable equipment used by the headquarters or its support units or fixed installations; supervision or operation of headquarters' fixed and movable equipment other than office equipment; and operation of headquarters enlisted mess facilities.

5.3 Rents and Maintenance

Rental of office space, barracks, warehouses, and other commercial-type buildings, including taxes; cost of utilities, liquid and solid fuels, sewage and garbage disposal service; supplies and material for janitorial and hygienic services (national support unit barracks excluded); and supplies, material, and contractual expenses for maintenance, repair, and minor alterations to buildings and facilities, including replacement of minor installations and fixed equipment when damaged or worn beyond repair.

5.4 Operation of General Services

Stationary and general office supplies for the headquarters and all units assigned in direct support; rental of office equipment required to supplement available equipment in accordance with internationally approved standards; printing, binding, and reproduction; purchase of maps, charts, and terrain models for peace time use; newspapers, periodicals, and library supplies; photo supplies and photographic processing; and drugs and other expendable medical supplies for first aid stations.

5.5 Communications

Procurement and installation of switchboards, radio transmitters and receivers, telephone exchanges, and mobile communications equipment including related signal vehicles; rental of commercial type equipment for additional requirements; repair and maintenance of communications equipment, including supplies and spare parts; cost of commercial communications, including installation and reinstallation charges for leased or other use of local, national, and international telephone, telegraph, and teletype circuits; and postage and postal fees.

5.6 Transportation

Rental or purchase of passenger and cargo vehicles; petroleum, oil, and lubricant products for such vehicles and other equipment used in direct support of international headquarters; supplies and spares required for organizational maintenance of vehicles and related equipment; commercial freight, local hauling, and express charges for internationally procured supply and equipment items, including shipping charges for contribution-in-kind from member nations to place of receipt.

5.7 Travel of International Staff

5.7.1. Civilian Personnel. Transportation and per diem costs of temporary duty travel on official business.

5.7.2. U.S. Military Personnel. When traveling on official business under travel orders issued by an authorized international headquarters that directs payment to be charged to international funds, the costs of such travel are payable as follows:

5.7.2.1. From International Funds. Cost of transportation furnished by Military Airlift Command and/or a common carrier, to include taxi fares and privately owned conveyances under previously approved conditions.

5.7.2.2. From U.S. Appropriated Funds. Per diem and other expenses authorized by U.S. travel regulations, and the costs under subparagraph 5.7.2.1, for personnel who are members of an international military headquarters that does not maintain a centralized international budget for such purposes.

5.8 Exercises and Maneuvers

When directly related to an allied command training exercise, the cost of commercial communication services and facilities provided solely to fill a requirement of the exercise on behalf of the participating nations; civilian labor hired in connection with the exercise by the interallied headquarters and not specifically for any one nation; temporary installations for interallied field headquarters not available from organic equipment of participating troops or the headquarters and not properly chargeable to the host nation; rental of additional commercial transportation required at interallied headquarters for the exercise; utility costs for interallied headquarters if at a place other than an existing military post; and reproduction of photographs and film strips, required by the directing staff for subsequent international training or critique purposes, when the source of production is other than a military unit.

5.9 Representational and Hospitality

Representational and hospitality expenses of the Supreme Commanders for international purposes.

5.10 Contingencies

Claims for losses by fire, theft, and other damages; and costs to employ legal representation in civil court actions.

5.11 Construction

Design and new construction of buildings and facilities, including housing, structures, utilities, modification; and alteration of existing buildings and facilities, including fixed equipment, sewage, gas, water, and electrical supply systems, roads, and approaches.

5.12 Furniture and Equipment

Office furniture and equipment procured within internationally approved standards for the direct support of international headquarters and agency activities; equipment for maintenance of kitchens, shops, heating electrical plants; and furniture used in barracks, messes, recreation rooms, and dining rooms and clubs.

*Table 9-1. International Military Headquarters and Related Agencies and Administrative Agents Responsible for Their Support and for Support to U.S. Elements

Headquarters or Agency	Administrative Agent
A. North Atlantic Treaty Organization (NATO)	
1. NATO Headquarters (HQ)	
a. International Military Staff (IMS) (Brussels, Belgium (BE))	Army
b. U.S. Delegation to the Military Committee (USDELMC) (Brussels, BE)	Army
c. Canada-U.S. Regional Planning Group (Brussels, BE)	Army
2. Allied Command Operations (ACO)	
a. (1) Supreme Headquarters Allied Powers Europe (SHAPE) J2 Targets (Molesworth, UK)	Air Force
(2) SHAPE (Mons, BE)	Army
b. HQ Allied Joint Force Command Brunssum (HQ JFCBS) (Brunssum, Netherlands (NL))	Army
(1) Joint Logistics Support Group Brunssum (JLSGBS)	Army
c. HQ Allied Maritime Command (HQ MARCOM) (Northwood, United Kingdom (UK))	Air Force

Table 9-1. International Military Headquarters and Related Agencies and Administrative Agents Responsible for Their Support and for Support to U.S. Elements (Continued)

Headquarters or Agency	Administrative Agent
d. HQ Allied Air Command (HQ AIRCOM) (Ramstein, Germany (GE))	Air Force
(1) Allied Combined Air Operations Center Uedem (CAOC UE) (Kalkar/Uedem, GE)	Air Force
(2) Allied Combined Air Operations Center Torrejon (CAOC TJ) (Torrejon, Spain (SP))	Navy
(3) Allied Deployable Air Command and Control Center (DACCC) (Poggio Renatico, Italy (IT))	Army
e. HQ Allied Land Command (HQ LANDCOM) (Izmir, Turkey (TU))	Air Force
f. HQ NATO Communication and Information Systems Group (HQ NCISG) (Mons, BE)	Army
(1) 2nd NATO Signal Battalion (NSB 2) (Naples, IT)	Navy
g. HQ Allied Joint Force Command Naples (HQ JFCNP) (Naples, IT)	Navy
(1) Joint Logistics Support Group Naples (JLSGNP)	Navy

Table 9-1. International Military Headquarters and Related Agencies and Administrative Agents Responsible for Their Support and for Support to U.S. Elements (Continued)

Headquarters or Agency	Administrative Agent
h. Other Staff and Commands Responsible to Supreme Allied Commander Europe (SACEUR)	
(1) Immediate Response Force (Maritime)	
(a) Standing NATO Maritime Group 1 (SNMG 1) (Northwood, UK)	Navy
(b) Standing NATO Maritime Group 2 (SNMG 2) (Naples, IT)	Navy
(2) HQ Allied Command Counter-Intelligence (HQ ACCI) (Mons, BE)	Army
(3) NATO Intelligence Fusion Centre (NIFC) (Molesworth, UK)	Air Force
(4) HQ NATO Airborne Early Warning and Control Force Geilenkirchen (HQ NAEW&C Force GK) (Geilenkirchen, GE)	Air Force
(5) NATO Alliance Ground Surveillance Force (NAGSF) (Sigonella, IT)	Navy
(6) NATO Alliance Ground Surveillance (NAGS) Support Element Liaison (Ramstein, GE)	Air Force
(7) NATO AGS Staff Element Integrating Office (SEIO) (Mons, BE)	Army

Table 9-1. International Military Headquarters and Related Agencies and Administrative Agents Responsible for Their Support and for Support to U.S. Elements (Continued)

Headquarters or Agency	Administrative Agent
3. Allied Command Transformation (ACT)	
a. Headquarters, Supreme Allied Command Transformation (SACT) (Norfolk, Virginia (VA))	Navy
b. ACT Staff Element Europe (SEE) (Mons, BE)	Army
c. ACT Representative Europe (REPEUR) (Brussels, BE)	Army
d. Joint Warfare Center (JWC) (Stavanger, Norway (NO))	Air Force
e. Joint Analysis and Lessons Learned Center (JALLC) (Monsanto, Portugal (PO))	Navy
f. Joint Force Training Center (JFTC) (Bydgoszcz, Poland (PL))	Army
4. NATO Memorandum of Understanding (MOU) Organizations	
a. High Readiness Force (Maritime) UK (HRF(M)-UK) (Portsmouth, UK)	Air Force
b. High Readiness Force (Maritime) IT (HRF(M)-IT) (Taranto, IT)	Navy
c. HQ High Readiness Force (Maritime) – FR (HQ HRF(M)-FR) (Toulon, France (FR))	Navy

Table 9-1. International Military Headquarters and Related Agencies and Administrative Agents Responsible for Their Support and for Support to U.S. Elements (Continued)

Headquarters or Agency	Administrative Agent
d. High Readiness Force (Maritime) SP (HRF(M)-SP) (Rota, SP)	Navy
e. HQ NATO Naval Striking and Support Forces (HQ STRIKFORNATO) (Lisbon, PO)	Navy
f. HQ Multinational Corps Northeast (MNC-NE) (Szczecin, PL)	Army
(1) NATO Force Integration Unit (NFIU) (Tallinn, Estonia (EE))	Navy
(2) NATO Force Integration Unit (NFIU) (Riga, Latvia (LV))	Navy
(3) NATO Force Integration Unit (NFIU) (Vilnius, Lithvania (LT))	Air Force
4) NATO Force Integration Unit (NFIU) (Bydgoszcz, PL)	Army
(5) NATO Force Integration Unit (NFIU) (Szekesfeharvar, Hungry (HU))	Air Force
(6) NATO Force Integration Unit (NFIU) (Bratislava, Slovakia (SK))	Army
g. HQ Allied Rapid Reaction Corps (ARRC) (Gloucester, UK)	Air Force

Table 9-1. International Military Headquarters and Related Agencies and Administrative Agents Responsible for Their Support and for Support to U.S. Elements (Continued)

Headquarters or Agency	Administrative Agent
h. HQ NATO Rapid Deployable Corps - GE/NL (NRDC-GNL) (Munster, GE)	Army
i. HQ NATO Rapid Deployable Corps – TU (NRDC-T) (Istanbul, TU)	Air Force
j. HQ NATO Rapid Deployable Corps - IT (HQ NRDC-IT) (Solbiate Olona (Varese), IT)	Army
k. HQ NATO Rapid Deployable Corps – SP (NRDC-S) (Valencia, SP)	Navy
l. HQ NATO Rapid Deployable Corps – GR (NRDC GR) (Thessaloniki, Greece (GR))	Army
m. HQ Allied Submarine Command (ASC) (Norfolk, VA)	Navy
n. NATO Special Operations HQ (NSHQ) (Mons, BE)	Army
o. NATO Joint Electronic Warfare Core Staff (JEWCS) (Royal Air Force Station Yeovilton, UK)	Air Force
p. European Corps (EUROCORPS) HQ (Strasbourg, FR)	Army
q. HQ Rapid Reaction Corps (RRC) – France (HQ RRC-FR) (Lille, FR)	Army

Table 9-1. International Military Headquarters and Related Agencies and Administrative Agents Responsible for Their Support and for Support to U.S. Elements (Continued)

Headquarters or Agency	Administrative Agent
r. HQ Multinational Division South-East (HQ, MND-SE) (Bucharest, Romania (RO))	Army
(1) NATO Force Integration Unit (NFIU) (Sofia, Bulgaria (BU))	Air Force
(2) NATO Force Integration Unit (NFIU) (Bucharest, RO)	Army
s. Joint Force Command (JFCNF) (Norfolk, VA)	Navy
t. Joint Support & Enabling Command (JSEC) (Ulm, GE)	Army
u. HQ Multinational Division North East (MND NE) (Elblag, PL)	Army
5. NATO Centers of Excellence (COE)	
a. Joint Air Power Competence Center (JAPCC) (Kalkar, GE)	Air Force
b. Center of Excellence - Defense Against Terrorism (COE DAT) (Ankara, TU)	Air Force
c. Center of Excellence – Command and Control (C2 COE) (Ultrecht, NL)	Army
d. Center of Excellence - Military Engineering (MILENG COE) (Ingolstadt, GE)	Army

Table 9-1. International Military Headquarters and Related Agencies and Administrative Agents Responsible for Their Support and for Support to U.S. Elements (Continued)

Headquarters or Agency	Administrative Agent
e. Center of Excellence – Human Intelligence (HUMINT COE) (Oradea, RO)	Army
f. Center of Excellence – Cooperative Cyber Defense (CCD COE) (Tallinn, EE)	Navy
g. Center of Excellence – Counter Improvised Explosive Devices (C-IED COE) (Madrid, SP)	Navy
h. Center of Excellence -- Explosive Ordnance Disposal (EOD COE) (Trencin, SK)	Army
i. Center of Excellence -- Joint Chemical, Biological, Radiological and Nuclear Defense (JCBRN COE) (Vyskov, Czech Republic (CZ))	Army
j. Center of Excellence for Military Medicine (MILMED COE) (Budapest, HU)	Air Force
k. Combined Joint Operations from the Sea Center of Excellence (CJOS COE) (Norfolk, VA)	Navy
l. Modeling and Simulation Center of Excellence (M&S COE) (Rome, IT)	Navy
m. Center of Excellence – Energy Security (ES COE) (Vilnius, Lithuania (LT))	Air Force

Table 9-1. International Military Headquarters and Related Agencies and Administrative Agents Responsible for Their Support and for Support to U.S. Elements (Continued)

Headquarters or Agency	Administrative Agent
n. Counter Intelligence Center of Excellence (CI COE) (Krakow, PL)	Army
o. Strategic Communications Center of Excellence (StratCom COE) (Riga, LV)	Navy
6. Other NATO Command and Staff Organizations/Agencies	
a. NATO Support Agency (NSPA) (Capellen, Luxembourg (LU))	Air Force
(1) NATO Airlift Management Program (Papa, HU)	Air Force
(2) NATO Hawk Management Office (Ruell-Malmaison, FR)	Army
b. NATO Science and Technology Organization (STO)	
(1) Collaboration Support Office (CSO) (Paris, FR)	Air Force
(2) Center for Maritime Research and Experimentation (CMRE) (La Spezia, IT)	Navy
c. NATO Airborne Early Warning and Control Program Management Organization (NAPMO) (Brunssum, NL)	Army
d. NATO Standardization Agency (NSA) (Brussels, BE)	Army

Table 9-1. International Military Headquarters and Related Agencies and Administrative Agents Responsible for Their Support and for Support to U.S. Elements (Continued)

Headquarters or Agency	Administrative Agent
e. NATO Defense College (NADEFCOL) (Rome, IT)	Navy
f. NATO School Oberammergau (NSO) (Oberammergau, GE)	Army
g. U.S. Mission to NATO (USNATO) (Brussels, BE)	Army
h. United States National Military Representative (USNMR) to SHAPE (Mons, BE)	Army
7. NATO Communications and Information Agency (NCIA)	
a. HQ NATO Communications and Information Agency (NCIA) (Brussels, BE)	Army
b. Sector Mons (Mons, BE)	Army
(1) Squadron Stavanger (Stavanger, NO)	Air Force
(2) Squadron Northwood (Northwood, UK)	Air Force
c. Sector Brunssum (Brunssum, NL)	Army
(1) Squadron Ramstein (Ramstein, GE)	Air Force

Table 9-1. International Military Headquarters and Related Agencies and Administrative Agents Responsible for Their Support and for Support to U.S. Elements (Continued)

Headquarters or Agency	Administrative Agent
(2) Detachment Uedem (Kalkar/Uedem, GE)	Air Force
d. Sector Naples (Naples, IT)	Navy
(1) Squadron Izmir (Izmir, TU)	Air Force
(2) Detachment Poggio Renatico (Poggio Renatico, IT)	Army
e. Sector Lisbon (Lisbon, PO)	Navy
(1) Squadron Madrid (Madrid, SP)	Navy
f. Sector Norfolk (Norfolk, VA)	Navy
g. NSCA CIS Logistics Depot (CLD) (Brunssum, NL)	Army
h. NATO Programming Center (NPC) (Glons, BE)	Army
i. NATO Communications and Information Academy (Oeiras, PO)	Navy
j. NATO Communications, Command and Control Agency (NC3A) (Brussels, BE)	Army

Table 9-1. International Military Headquarters and Related Agencies and Administrative Agents Responsible for Their Support and for Support to U.S. Elements (Continued)

Headquarters or Agency	Administrative Agent
B. Inter-American Defense Board (IADB)	Army
C. Joint Mexican-United States Defense Commission (JMUSDC)	Army
D. Permanent Joint Board on Defense, Canada-United States (PJBD)	Air Force
E. U.S.-Spanish Combined Military Coordination and Planning Staff (CMCPS)	Air Force
F. Republic of Korea/United States Combined Forces Command (ROK/US)	Army

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 10: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 11A, CHAPTER 11: "SALE OF SPECIAL OR TECHNICAL SERVICES TO STATE AND LOCAL GOVERNMENTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated June 2021 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated format in accordance with the Financial Management Regulation, Revision Standard Operating Procedures.	Revision
1.1	Removed conflict with guidance given at 2.2.2 and 2.2.3 "Overarching legal authority to sell to state or local governments is not provided in this chapter because specific legal authority must be identified to make such sales."	Deletion

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CHAPTER 11

SALE OF SPECIAL OR TECHNICAL SERVICES TO STATE AND LOCAL GOVERNMENTS

1.0 GENERAL

*1.1 Purpose

The purpose of this chapter is to provide the policy for the sale of special or technical services to both state and local governments and provide guidance on amounts that must be recouped when the DoD Components perform these services. This guidance supplements the standards for financial accounting for receivables, and budgetary accounting for reimbursements, discussed in ***Volume 4, Chapter 3*** and ***Volume 3, Chapter 15***.

1.2 Authoritative Guidance

The financial management policy and related requirements promulgated throughout this chapter are in accordance with the applicable provisions of:

1.2.1. Office of Management and Budget ***(OMB) Circular A-97***, "Rules and Regulations Permitting Federal Agencies to Provide Specialized or Technical Services to State and Local Units of Government Under Title III of the Intergovernmental Cooperation Act of 1968"; and

1.2.2. Title 31, United States Code, Section 6505 ***(31 U.S.C. § 6505)***, "Authority to provide specialized or technical services."

2.0 POLICY AND REPORTING

2.1 Policy Requirements

It is the policy of the Department to cooperate to the maximum extent possible with state and local governments to provide specialized or technical services. Such services generally must supplement and not supplant any services provided under other authority.

2.1.1. Pricing. Price specialized or technical services to state and local governments as a sale to private parties at the full costs to the Department. General rules on determining reimbursable amounts vary as there are several categories with applicable guidance to follow when determining amounts for collection. Components may also use guidance found in other sources as applicable. Refer to Chapter 1 for more details.

2.1.2. Disposition of Proceeds. Deposit payments received by Components for providing service to the credit of the appropriation or account from which the costs of providing the services were paid or are to be charged. Deposit unfunded portions of the costs of such services to the U.S. Treasury as miscellaneous receipts.

2.2 Types of Services

2.2.1. Components specialized or technical services are as follows:

2.2.1.1. Any existing statistical or other studies and compilations, development projects, results of technical tests and evaluations, technical information, surveys, reports, documents, and any such materials developed or prepared in the future to meet the needs of the federal government or to carry out normal responsibilities.

2.2.1.2. Preparation of statistical or other studies and compilations, development projects, technical tests and evaluations, technical information, surveys, reports, documents, and assistance in the conduct of such activities, and in the preparation of such materials authorized by law to conduct or prepare:

2.2.1.3. Training of the type authorized by law to conduct for DoD personnel.

2.2.1.4. Technical aid in the preparation of proposals for development and other projects, which provide grants-in-aid or other assistance, provided such aid primarily develops recipients' capability to prepare their own proposals.

2.2.1.5. Technical information, data processing, communications and personnel management systems services, and technical advice on improving logistical and management services normally provided within the Department under existing authorities.

2.2.2. Any of the specialized or technical services provided by a Component to states and their political subdivisions under other authorities also may be provided under the authority of OMB Circular A-97.

2.2.3. If a Component receives a request for specialized or technical services not covered in 2.2.1, but that is consistent with the OMB Circular A-97, and which the Component has special competence to provide, the Component must forward the request to the Assistant Secretary of Defense (Sustainment) (ASD(S)) for submission to OMB for review. If the validity of a service request is in doubt, the Component should forward the request to the ASD(S) for review.

2.3 Conditions Under Which Services May Be Provided

Provide specialized or technical services, covered under OMB Circular A-97 at the discretion of the Component head, only under the following conditions:

2.3.1. Provide such services only to states, their political subdivisions, and combinations or associations of such governments, their agencies, and instrumentalities.

2.3.2. Provide such services only upon the written request of a state or its political subdivision. Requests normally must be made by the chief executive of such entities and must be addressed to the head of the Component involved.

2.3.3. Such services may not be provided unless the servicing Component maintains similar services for its own use under the policies and procedures set forth in ***OMB Circular A-76***, "Performance of Commercial Activities", and subsequent changes thereto. In addition, in accordance with the policies set forth in OMB Circular A-76, the requesting entity must certify that procurement of such services cannot be reasonably and quickly made through ordinary business channels.

2.3.4. Such services may not be offered if they require any staff additions or involve expenditures for additional equipment or other facilities solely for the purpose of providing such services, except when the costs of such services are charged to the user.

2.3.5. Provide such services only upon payment or arrangement for reimbursement to the Component involved by the unit of government making the request. This includes salaries and all other identifiable direct and indirect costs of performing such services.

2.3.6. Do not disseminate technical service information to third party governmental entities or associations, unless expressly authorized by the originating Component.

2.3.7. When a Component denies a service request it must provide a statement to the entity making the request indicating the reasons.

2.4 Reporting Requirements

The head of each federal agency will furnish annually to the respective Committees of the Senate and the House of Representatives a summary report on the scope of the services provided under OMB Circular A-97. These reports will be prepared as of the end of each calendar year and will indicate the nature of the services rendered, the names of the States and political subdivisions involved, and the cost of the work. Do not include services provided under other authorities in the reports.

VOLUME 11A, CHAPTER 12 "MAJOR RANGE AND TEST FACILITY BASE"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated July 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
1.2	Added applicable and non-applicable Department of Defense (DoD) entities.	Addition
1.3	Removed 10 United States Code (U.S.C.) Section 2681 for the renumbered 10 U.S.C. Section 4175, and added Statement of Federal Financial Accounting Standard 4, "Managerial Cost Accounting Standards & Concepts" and DoD Instruction 4000.19, "Support Agreements" to the Authoritative Guidance section.	Revision/ Addition
3.1	Updated responsible organization from Under Secretary of Defense (USD) Acquisition, Technology & Logistics to USD Research & Engineering.	Revision
4.3.2	Updated listed organizations to include the Space Force.	Addition
4.4.2.2.2	Added language requiring charging indirect costs to non-DoD customers.	Addition

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CHAPTER 12

MAJOR RANGE AND TEST FACILITY BASE

1.0 GENERAL

1.1 Overview

The Major Range and Test Facility Base (MRTFB) is a national asset that is sized, operated, and maintained primarily for Department of Defense (DoD) acquisition programs to provide the necessary instrumentation, infrastructure, and workforce to support developmental and operational test and evaluation, but also available to non-DoD users having a valid requirement for its capabilities. The MRTFB is operated and maintained primarily for DoD test and evaluation support missions under the oversight of the Director, Test Resource Management Center (TRMC). The MRTFB provides test and evaluation support to the DoD Components responsible for developing, testing, or operating weapons systems. It serves Federal, state, local, and allied foreign governments as well as commercial users when a valid requirement for range, lab, or installed system test facility capabilities exists. MRTFB missions vary from testing missiles, aircraft, and integrated space capabilities to ensuring that electrical components can survive in various environments. The MRTFB is designed to assure the most cost-effective development and testing of materiel, and warfighting capabilities and provide for inter-service compatibility, efficiency, and equity without influencing technical testing decisions or inhibiting legitimate and valid testing.

*1.2 Purpose

This chapter provides a reimbursable policy for the DoD MRTFB. This policy applies to the Office of the Secretary of Defense, the Military Departments, the Office of the Chairman of the Joint Chiefs of Staff, the Combatant Commands, the Office of the Inspector General of the Department of Defense, the Defense Agencies, the DoD Field Activities, and all other organizational entities within the Department of Defense (hereafter referred to collectively as the "DoD Components"). This chapter does not apply to the commercial space launch activities of the Space Launch Delta 30 and Space Launch Delta 45 contained in Chapter 13. Additionally, this chapter does not apply to the sale of samples, drawings, information, equipment, and certain services contained in Chapter 14.

*1.3 Authoritative Guidance

1.3.1. ***Title 10, United States Code (U.S.C.), Section 2208***. Sections 2208(a)(2) and 2208(o) of Title 10 authorize the Secretary of Defense to establish working capital funds (WCFs) for activities that provide common services across DoD and to other persons outside DoD when authorized by law.

1.3.2. ***10 U.S.C. § 4175***. Section 4175 of Title 10 authorizes the Secretary of Defense to enter contracts with commercial entities that desire to conduct commercial test and evaluation activities at an MRTFB.

1.3.3. ***Statements of Federal Financial Accounting Standards 4 (SFFAS 4)***: "Managerial Cost Accounting Standards & Concepts." This statement requires cost accounting systems to accumulate costs.

1.3.4. ***DoD Directive (DoDD) 3200.11***, "Major Range and Test Facility Base (MRTFB)." This Directive promulgates the policy and responsibilities of the MRTFB.

1.3.5. ***DoD Instruction (DoDI) 3200.18***, "Management and Operation of the Major Range and Test Facility Base (MRTFB)." This Instruction implements policy and assigns responsibilities for the management and operation of the MRTFB.

1.3.6. ***DoDI 4000.19***, "Support Agreements." This Instruction includes requirements for support agreements.

2.0 DEFINITIONS

2.0.1. MRTFB. The designated core set of DoD Test and Evaluation (T&E) infrastructure and associated workforce is preserved as a national asset to provide T&E capabilities to support the DoD acquisition system.

2.0.2. MRTFB Activity. Organizational command element of a DoD Component that manages MRTFB capabilities and resources.

2.0.3. Non-DoD Component Users. Federal, state, or local government agencies; allied foreign governments; defense contractors; commercial entities, and private organizations.

2.0.4. Direct Costs. Direct costs are attributable to using the facility or resource for testing under a particular program. DoD Component users must reimburse MRTFB activities for direct costs readily identifiable with a particular program. Chargeable direct costs include labor, contract labor (which includes a portion of general and administrative expense and overhead), software licenses, material, minor construction, utilities, equipment, supplies, items damaged or consumed during testing, prepositioning of aircraft (to include fuel and Aviation Depot Level Repairable charges), vessels, instrumentation, targets, and threat systems; and any resource or item maintained for a particular program. Direct costs must be billed in accordance with Chapter 1 and must be identified as a job or function served in support of a user order.

2.0.5. Indirect Costs. Indirect costs are overhead costs of the MRTFB activities and are not to be charged to DoD Component users. Indirect costs are maintenance facility or resource operating, upgrading, and modernizing costs. Indirect costs do not include any incremental costs directly attributable to the use of the facility or resource for specific testing under a particular program. The following are examples of types of indirect costs, although the list is not all inclusive:

2.0.5.1. General administrative services, security, rent, operating and maintenance costs for buildings, equipment, and utilities;

2.0.5.2. Preventative and usage maintenance;

2.0.5.3. Cost of leases, except when the cost of the lease can be directly associated with a specific user and the appropriation is available to fund the leases;

2.0.5.4. Upgrade or modernization of an MRTFB facility, not expressly needed for testing for a specific user;

2.0.5.5. Routine calibration of instruments;

2.0.5.6. Maintenance and repair of shop machinery; and

2.0.5.7. Replacement of obsolete equipment.

3.0 RESPONSIBILITIES

DoDD 3200.11 and DoDI 3200.18 established the following financial management responsibilities of MRTFB operations.

*3.1 Under Secretary of Defense Research and Engineering (USD (R&E))

USD R&E, specifically the Director, TRMC will:

3.1.1. Review and provide oversight of proposed DoD budgets and expenditures for the MRTFB; and

3.1.2. Coordinate MRTFB decisions affecting financial policy and matters containing a monetary value (financial and non-financial) with the Under Secretary of Defense (Comptroller).

3.2 DoD Chief Information Officer (CIO) and the Secretaries of the Military Departments

3.2.1. Plans, programs, and budgets for institutional costs of operation, maintenance, and sustainability of the MRTFB; and for capability improvements, modernization, and recapitalization; and

3.2.2. Implements a reimbursement system to define and collect user charges in accordance with Chapters 1 and 4.

3.3 MRTFB Users

3.3.1. Plan, budget, and fund the MRTFB activities for applicable direct and/or indirect costs; and

3.3.2. Promptly fund(s) the activity managing the MRTFB facilities or ranges for expenditures of any consumable items, any damage to property or equipment caused by the user in the preparation for, or conduct of, any activity on the facility or range or for direct costs incurred or executed for aborted and/or canceled tests.

4.0 POLICY

4.1 General

The MRTFB is managed and operated under uniform financial guidelines across the DoD Components. Accordingly, all direct and indirect costs charged to MRTFB users must be uniform and applied consistently among all the MRTFB activities. DoD Components must work with the Director, TRMC to ensure financial uniformity and consistency. MRTFB activities' costs are billed to (1) MRTFB users, (2) direct appropriations of the managing activity, or (3) other sources as directed by DoD.

4.2 MRTFB Costs

DoD Components (including DoD training) and Non-DoD Components use an MRTFB. The MRTFB charges DoD Component users only direct costs. The MRTFB charges Non-DoD Component user direct costs plus an appropriate level of indirect costs. Non-DoD users must not increase the institutions' costs to the DoD to operate the MRTFB.

4.3 Accounting

4.3.1. Cost information sets fees and reimbursements. Each MRTFB activity must accumulate and report as required, the costs of its activities for management and audit purposes. In accordance with the SFFAS 4, "Managerial Cost Accounting Standards & Concepts", costs must be accumulated by using cost accounting systems. Such systems must accurately capture full costs (i.e., direct costs or costs directly attributed to a specific user; and indirect costs or costs that cannot be directly attributed to a specific user) and determine user charges or standard rates under agreements entered pursuant to Chapter 1 and DoDI 4000.19, "Support Agreements". Additionally, appropriate separation of duties and levels of authorization must be implemented into the cost-tracking process to protect vulnerable areas such as controls over automatic user billing and rate validation. All rates must be applicable to the specific product or service provided. Each MRTFB activity must validate standard rates at least annually and adjust them accordingly to reflect unanticipated changes in costs or market values.

* 4.3.2. In accordance with DoDD 3200.11, MRTFB activities are categorized as Army, Navy, Air Force, Space Force, or DoD CIO. Specifically, multiple assets comprise MRTFB activities, each of which is reported individually on its respective consolidated Balance Sheet under

General Property, Plant, and Equipment and further disclosed in Note 10 to the financial statements.

4.4 Reimbursements for MRTFB Activity Usage

4.4.1. In accordance with DoDI 4000.19, MRTFB activities and DoD or Non-DoD Federal Component users must use support agreements (memorandums of agreement or understanding) to document and establish the General Terms and Conditions between buyers and sellers for all inter- and intra-governmental reimbursable transactions. Additionally, in accordance with Volume 1, Chapter 4, buyers and sellers must adhere to and properly annotate the Standard Line of Accounting when generating or accepting a reimbursable order (i.e., Military Interdepartmental Purchase Request). Moreover, reimbursement of direct costs incurred for prepositioning test instrumentation or assets for executed, aborted or canceled tests or for damages to property or equipment caused by a user in the preparation for, or conduct of, any activity on the facility or range; and consumables expended for an executed, aborted or canceled test must be pursued to the extent permitted by law and DoD policy.

4.4.2. For support agreements established during and or after Fiscal Year (FY) 2017 and whose terms extend beyond FY 2017, MRTFB activities and DoD or Non-DoD Federal Component users must upload and store their agreements on the Department of the Treasury's G-Invoicing platform (formally Invoice Processing Platform).

4.4.3. Working Capital Fund Activities. MRTFB activities using WCFs, fund operations through reimbursable inter-governmental orders and user fees collected from non-Federal users. Under the stabilized price standardized cost recovery method, Component managers of WCF activities must set rates/prices based on full cost recovery and must charge users in accordance with established pricing policies contained in Volume 2B, Chapter 9 and Volume 11B.

4.4.4. Non-Working Capital Fund Activities. MRTFB activities not using WCFs fund operations through direct appropriations, reimbursable inter-governmental orders, and/or user fees collected from non-Federal users.

4.4.4.1. DoD Component Users

4.4.4.1.1. Direct Costs. DoD Component users reimburse MRTFB activities for direct costs identifiable with a particular program or user order. MRTFB bills direct costs in accordance with Chapters 1 and 4 attributable to a job or function supporting a user order.

4.4.4.1.1.1. One or more DoD users of an MRTFB activity, by mutual agreement, may fund investments in new or existing test and evaluation facilities. This agreement, however, must explicitly delineate responsibilities for asset ownership/capitalization, funding, staffing, operating, and maintaining the facility, and must be approved by all parties prior to obligating any funds for the project.

4.4.4.1.1.2. Investments made under subparagraph 4.4.4.1.1 that change the composition of the MRTFB must conform to DoDI 3200.18.

4.4.4.1.1.3. Direct incremental costs (i.e., costs resulting from an increase in production) must be charged to DoD Component users.

4.4.4.1.2. Indirect Costs. MRTFB activities must not charge DoD Component users for indirect costs.

4.4.4.1.2.1. The MRTFB activity must not charge DoD Component users for Overhead (indirect) costs. Overhead costs must remain fully borne by and paid for by the institutionally funded program element accounts comprising the MRTFB's budgetary structure.

4.4.4.1.2.2. Do not charge indirect incremental costs to DoD Components.

4.4.4.1.3. Military Personnel Costs. As a rule, the applicable military personnel appropriations must fund the cost of direct (and indirect) military labor incurred in the performance of a service for, or the furnishing of materials to, another DoD Component user. Therefore, since a direct appropriation funds military labor, do not charge the cost of military labor for non-WCF activity. WCF activities must be reimbursed by their users for the cost of military labor as prescribed in Chapter 6.

4.4.4.2. Non-DoD Component Users

4.4.4.2.1. Direct Costs. Charge non-DoD Component users for MRTFB direct costs readily identifiable with a particular program or user order. Charge military labor incurred by non-Working Capital Fund activities to non-DoD Component users on the basis of the actual hours worked or assigned. Price military personnel costs at the composite standard military pay rates in accordance with Chapter 6, Appendix G.

* 4.4.4.2.2. Indirect Costs. Non-DoD Component users are to be charged and must reimburse MRTFB activities for indirect incremental costs unless such support is required by statute or (1) is authorized by DoD Joint Ethics Regulation or DoD Public Affairs guidance; or (2) is provided after approval of an exception, in writing.

4.4.4.2.2.1. Requests for exceptions may only be approved by the Secretary of Defense, the Deputy Secretary of Defense, the Chief Management Officer (if authorized by existing policy), the Secretaries of the Military Departments (if authorized by existing DoD policy), and the Under Secretaries of Defense (if authorized by existing DoD policy).

4.4.4.2.2.2. Refer to Chapter 1 subparagraph 1.3.4.

4.4.5. Foreign Military Sales. Foreign Military Sales users must reimburse MRTFB activities in accordance with Volume 15, Chapter 7. Foreign user countries or foreign commercial entities must purchase services from MRTFB activities through Foreign Military Sales procedures authorized under the Arms Export Control Act.

4.4.6. Government-Furnished Services. When an MRTFB activity is included in a contractual agreement as government-furnished services, the user must be charged based on the category of the contracting government agency (see subparagraphs 4.4.4.1 or 4.4.4.2).

4.5 Disposition of Collections

4.5.1. Working Capital Fund Activities. WCF MRTFB activities are funded through inter-governmental orders and user fees collected from non-Federal users. Section 2208(h) of Title 10 U.S.C., provides general authority for retention and use of amounts collected under both inter-governmental orders and user fees. Reimbursable inter-governmental orders are valid budgetary resources available to an MRTFB activity for obligation; however, an MFTRB activity financed using WCFs must recognize user fees as a budgetary resource when collected from a non-Federal user.

4.5.2. Non-Working Capital Fund Activities. For an MRTFB activity not financed using WCFs, its operations are financed through direct appropriations, reimbursable inter-governmental orders, and/or user fees collected from non-Federal users. Inter-governmental orders under reimbursable statutory authorities such as the Economy Act increase available budgetary resources financing the MRTFB. If a statutory miscellaneous receipts exception is applicable to a reimbursable transaction with a non-Federal user, user charges collected may be credited to the applicable direct appropriation reimbursable program. Section 4175(d) of Title 10, U.S.C., authorizes certain transactions with commercial entities conducting MRTFB test and evaluation activities.

VOLUME 11A, CHAPTER 13: "DOD SUPPORT TO UNITED STATES COMMERCIAL SPACE ACTIVITIES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

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The previous version dated April 2019 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Administrative updates in accordance with the Department of Defense Financial Management Regulation Revision Standard Operating Procedures.	Revision
2.0	Revised language to include space vehicle launch operations, vehicle re-entry, and recovery.	Revision
3.1.2	Updated space launch services to include charging indirect costs to commercial customers, per the fiscal year (FY) 2024 National Defense Authorization Act (NDAA).	Addition
3.3	Updated fixed price estimates to include indirect costs, per the FY 2024 NDAA.	Addition

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CHAPTER 13

DOD SUPPORT TO UNITED STATES COMMERCIAL SPACE ACTIVITIES

1.0 GENERAL

1.1 Purpose

This chapter provides reimbursable policy for the provision of Department of Defense (DoD) support to United States (U.S.) commercial space activities. This chapter applies to all DoD Components that provide support to the U.S. commercial sector in the development of U.S. commercial space launch operations and other related U.S. commercial space activities.

1.2 Authoritative Guidance

The reimbursable policy and related requirements promulgated throughout this chapter are in accordance with the applicable provisions of:

1.2.1. ***Title 51, United States Code (U.S.C.), sections 50901 - 50923*** (51 U.S.C. §§ 50901 - 50923) Commercial Space Launch Activities;

1.2.2. ***51 U.S.C. §§ 50501 - 50506***, Commercial Space Competitiveness; and

1.2.3. DoD Directive, ***(DoDD) 3230.3***, DoD Support for Commercial Space Launch Activities.

*2.0 DEFINITIONS

2.1 Commercial

As defined under 51 U.S.C. § 50501, the term "commercial" means having private capital at risk, with primary financial and management responsibility for the activity residing with the U.S. commercial sector.

2.2 Direct Costs

As defined under 51 U.S.C. § 50913 and DoDD 3230.3, the term "direct costs" includes those actual costs (including salaries of U.S. civilian and contractor personnel) incurred by DoD as a result of use of its space-related facility or resource by the U.S. commercial sector. These costs are reflective of costs that would not be borne by DoD in the absence of such use by the U.S. commercial sector for space launch. These costs also include specific wear and tear and property damage incurred by the DoD as related to the space vehicle launch and recovery.

2.3 Indirect Costs

The term "indirect costs" includes the actual costs of maintaining, operating, upgrading, and modernizing the DoD space-related facility.

2.4 DoD Space Launch Property

As defined under 51 U.S.C. § 50902 and DoDD 3230.3, DoD space launch property consists of items built for, or used to perform space launch operations space vehicle re-entry, recovery, and other space-related activities.

2.5 DoD Space Launch Services

As defined under 51 U.S.C. § 50902 and DoDD 3230.3, DoD space launch services are those activities, including utilities, otherwise not needed for public use, involved in the preparation of a launch vehicle, its payload for launch, crew (including crew training), or space flight participation for launch, conduct of a launch, re-entry, and recovery.

2.6 Property Damage Costs

Property damage costs represent the costs necessary to replace or restore the DoD property, or site, to its condition before the space-related lease/license.

3.0 PRICING

3.1 Pricing of DoD Space Launch Property and Services

3.1.1. DoD Space Launch Property.

3.1.1.1. Sale or Transfer. DoD space launch property that is excess or otherwise not needed for public use may be sold or transferred in lieu of sale to U.S. commercial sector launch vehicle operators performing commercial space activities (e.g., payload retrieval services, payload processing services). The transaction must be priced to recover direct costs, as defined in paragraph 2.2.

3.1.1.2. Lease/License. DoD space launch property that is excess or otherwise not needed for public use may be leased/licensed, on a non-interference basis, to U.S. commercial sector launch vehicle operators performing commercial space activities. The transaction must be priced to recover direct costs, as defined in paragraph 2.2.

* 3.1.2. DoD Space Launch Services.

3.1.2.1. For DoD space launch services, as defined in paragraph 2.5, the acquisition price represents an amount equal to the direct costs defined in paragraph 2.2.

3.1.2.2. For commercial space launch services, as defined in paragraph 2.5, customers will be charged direct costs and may be charged indirect costs.

3.2 Defense Working Capital Fund (DWCF) Activities

Generally, standard prices/stabilized rates must be charged for articles and services provided by activities operating under a DWCF. Refer to Volume 11B, Chapters 11 and 15, for additional details and exceptions.

*3.3 Fixed Price Estimates

Commercial space launch operators may be offered fixed price quotes for the sale of DoD launch services based on reasonable estimates of direct costs only when there is a well-defined contractor requirement and a reliable cost history of similar previous sales. Indirect costs may also be included.

4.0 BILLING

Invoices for support provided by DoD must be completed and transmitted to the U.S. commercial space activity within 30 calendar days after the month in which the performance occurred. The payment due date must be no more than 30 days from the date of the invoice.

5.0 DISPOSITION OF COLLECTIONS

5.1 Proceeds from DWCF Activities

Proceeds from the sale of articles and services from DWCF activities must be deposited to the DWCF.

5.2 Proceeds from Non-DWCF Activities

Proceeds from the sale of DoD launch property by a non-DWCF activity must be:

5.2.1. Credited to the general fund of the U.S. Treasury as miscellaneous receipts when the launch property is not to be replaced.

5.2.2. Deposited to the DoD appropriation account or fund, currently available for the procurement of the launch property, if the launch property is to be replaced.

5.3 Proceeds Deposits for License of Launch Property and Leases

Proceeds from the license of launch property must be deposited to the DoD appropriation account or fund currently available for financing the direct costs incurred. Proceeds from leases must be credited to the general fund of the U.S. Treasury as miscellaneous receipts.

5.4 Proceeds Deposits from the Sale of Launch Services

Proceeds from the sale of DoD launch services must be deposited to the DoD appropriation account or fund that financed the provisioning of those launch services. These proceeds must be credited to the fiscal year in which the DoD Component provided the services.

VOLUME 11A, CHAPTER 14: "DISPOSITION OF PROCEEDS OR FEES FOR SERVICES PROVIDED BY OR THROUGH THE USE OF A DOD LABORATORY, CENTER, RANGE, OR OTHER TESTING FACILITY"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*****.**

The previous version dated June 2021 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting and hyperlinks to comply with current administrative instructions.	Administrative

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CHAPTER 14

DISPOSITION OF PROCEEDS OR FEES FOR SERVICES PROVIDED BY OR THROUGH THE USE OF A DOD LABORATORY, CENTER, RANGE, OR OTHER TESTING FACILITY

1.0 GENERAL

1.1 Overview

The Department of Defense (DoD) promotes research and development within the commercial sector of the U.S. economy by transferring technology and information from the Department to the commercial sector. This policy strengthens both national and economic security by establishing a national technology and industrial base to sustain military superiority and increase U.S. production capabilities. The transfer of technology and information from the Department to the commercial sector enables critical research and leads to the development of both useful military and/or commercial technology.

1.2 Purpose

This chapter prescribes financial management policy for reimbursement through sale or fee and, the disposition of fees and proceeds received by making testing facilities available; and resulting from the provision of samples, drawings, information, and equipment to any person or entity, as authorized. Authorization is provided by Title 10, United States Code, section 4892 (***10 U.S.C. § 4892***), "Availability of samples, drawings, information, equipment, materials, and certain services" and implemented in DoD Instruction ***(DoDI) 5535.11***, "Availability of Samples, Drawings, Information, Equipment, Materials, and Certain Services to Non-DoD Persons and Entities." This chapter does not apply to facilities and ranges of the Major Range and Test Facility Base (MRTFB). See ***Chapter 12***, "Major Range and Test Facility Base," for reimbursable policy applicable to DoD MRTFBs.

1.3 Authoritative Guidance

The financial management policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:

1.3.1. ***10 U.S.C. § 4001***, "Research and development projects";

1.3.2. ***10 U.S.C. § 4123***, "Mechanisms to provide funds for defense laboratories for research and development of technologies for military missions";

1.3.3. ***15 U.S.C. § 3710a***, "Cooperative research and development agreements";

1.3.4. ***22 U.S.C. § 2753***, "Eligibility for defense services or defense articles";

1.3.5. ***31 U.S.C. § 3302***, "Custodians of money";

1.3.6. ***31 U.S.C. § 3512***, "Executive agency accounting and other financial management reports and plans";

1.3.7. ***31 U.S.C. § 9701***, "Fees and charges for Government services and things of value";

1.3.8. Chief Financial Officers ***(CFO) Act of 1990***;

1.3.9. Department of Treasury (Treasury) Financial Manual (TFM) Volume I, Part 2, Chapter 4700 (***1 TFM Chapter 4700***)"Federal Entity Reporting Requirements for the Financial Report of the United States Government" and ***1 TFM Part 5*****,** "Deposit Regulations";

1.3.10. ***DoDI 5010.40***, "Managers' Internal Control Program Procedures";

1.3.11. DoD Manual Volume 1 (***DoDM 4160.21-V1***), "Defense Materiel Disposition: Disposal Guidance and Procedures";

1.3.12. Federal Accounting Standards Advisory Board (FASAB) Handbook, ***FASAB Appendix E: Consolidated Glossary***;

1.3.13. FASAB Handbook, Statement of Federal Financial Accounting Standards 7 ***(SFFAS 7)***, "Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting";

1.3.14. Government Accountability Office 14-704G ***(GAO-14-704G)***, "Standards for Internal Control in the Federal Government";

1.3.15. Office of Management and Budget ***(OMB) Circular A-25***, "User charges"; and

1.3.16. ***OMB Circular A-123***, "Management's Responsibility for Enterprise Risk Management and Internal Control."

2.0 DEFINITIONS

2.1 Drawing

A diagram, plan, or list detailing the fabrication and assembly of structural elements, or describing the steps for the installation of materials and equipment. A drawing details the characteristics, or outlines the parts of operation of a product or item.

2.2 Equipment or Materials

Equipment or materials are personal property, including machinery, devices, apparatuses, and components of such items. Personal property also includes systems, equipment, materials, and supplies. This does not include records of the Federal Government and real property (land

and improvements to facilities) as specified in the glossary portion of ***DoDI 5000.64*** "Accountability and Management of DoD Equipment and Other Accountable Property." Personal property normally expected to have a period of service of a year or more after being put into use meets the equipment definition in ***OMB Circular A-11*** "Preparation, Submission and Execution of the Budget."

2.3 Fair Value

The amount at which an asset or liability could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

2.4 Friendly Foreign Government

Those countries for which a Presidential Determination has been provided under 22 U.S.C. § 2753(a)(1), and to which transfer has not been prohibited by the Department of State under Title 22, Code of Federal Regulations, part 126 ***(22 CFR 126)*** of the International Traffic in Arms Regulations.

2.5 Historical Cost less Depreciation (Book Value)

Historical Cost includes all appropriate purchase, transportation, and production costs incurred to bring items to their current condition and location. Historical cost excludes abnormal costs, which should be expensed in the period incurred rather than capitalized as inventory.

2.6 Independent Research and Development Programs

Independent Research and Development (IR&D) programs are performed by non-government entities that are not sponsored by, or required in performance of government contracts or grants. These efforts include basic research, applied research, development, systems, and other concept formulation studies. These programs do not include technical efforts expended in developing and preparing technical data specifically to support submitting a bid or proposal.

2.7 Laboratory

A facility or group of facilities owned, leased, or otherwise under the jurisdiction and control of the DoD, a substantial purpose of which is the performance of research, development, engineering, test and evaluation, or otherwise developing or maintaining a technology in accordance with 15 U.S.C § 3710a.

2.8 Manufacturing or Other Information

Any blueprints, drawings, plans, instructions, documentation, or other technical information or technical data that can be used or adopted for use to design, engineer, produce, manufacture, operate, repair, overhaul, or reproduce any equipment or material.

2.9 National Technology and Industrial Base

The persons and organizations that are engaged in research, development, production, integration, services, or information technology activities conducted within the U.S., the United Kingdom of Great Britain and Northern Ireland, Australia, and Canada. Refer to ***10 U.S.C. § 4801*** "Definitions."

2.10 Net Realizable Value

The estimated amount that can be recovered from selling, or any other method of disposing of an item, less estimated costs of completion, holding, and disposal.

2.11 Person or entity

An individual, partnership, corporation, association, state, local, or tribal government, or an agency or instrumentality of the U.S. Government other than the DoD.

2.12 Proceeds

40 U.S.C. § 571 "General rules for deposit and use of proceeds," defines proceeds as either the transfer of excess property to a Federal agency for agency use, or sale, lease, or other disposition of surplus property. ***40 U.S.C § 574*** "Other rules regarding proceeds," defines net proceeds (with respect to the disposition or transfer of property) as proceeds less all expenses incurred for the disposition or transfer, including care and handling. A gain or loss must be recorded for exchange transactions that are unusual or nonrecurring. In contrast, exchange revenue for exchange transactions that are usual and recurring must be reported. Further, exchange revenue is the proceeds from either intragovernmental sales by an organization that maintains an intragovernmental revolving fund, or when each party to a transaction receives and sacrifices something of value (e.g., when a DoD Component provides goods and services to the public). Refer to FASAB SFFAS 7**,** sections 238 and 314-315 of Appendix B for details.

2.13 Range

10 U.S.C § 101, "Definitions," defines a range as a designated land or water area that is set aside, managed, and used for range activities of the DoD. This includes firing lines and positions, maneuver areas, firing lanes, test pads, detonation pads, impact areas, electronic scoring sites, buffer zones with restricted access, and exclusionary areas. It also includes airspace areas designated for military use in accordance with regulations and procedures prescribed by the Administrator of the Federal Aviation Administration. Range activities involve research, development, testing, and evaluation of military munitions, other ordnance, and weapons systems; and the training of members of the armed forces in their use.

2.14 Research Center

The Secretaries of the Military Departments may execute task order contracts, cooperative agreements, or other arrangements to obtain university technical expertise for up to 30 mission types. These arrangements must be made (to the degree practicable) in consultation with DoD

activities to provide technical expertise and to reduce costs and duplicative efforts. Examples of these DoD activities include the Federally Funded Research and Development Centers (FFRDCs), University Affiliated Research Centers (UARCs), and Defense Test Centers. Details may be found in 10 U.S.C § 4001. The ***Defense Innovation Marketplace*** gives a listing of FFRDCs and UARCs.

2.15 Sample

A unit or units of a product drawn from a lot or batch that is representative of the product and is constructed in conformance with the requirements and complies with specifications of the product. The item may be from a prototype or final production version of the product.

2.16 User Fee/User Charge

A fee assessed to users for goods or services provided by the DoD. In the context of transactions with the public, user fees generally apply to Federal programs or activities that provide special benefits to identifiable recipients above and beyond what is normally available to the public. User fees are normally related to the cost of the goods or services provided. See ***Chapter 4***, "User Fees".

2.17 Without Charge

This could be the result of Other Financing Sources resulting from Inflows of resources that increase the net position of a reporting entity during the reporting period but that are not revenues or gains. They include appropriations used, transfers of assets from other government entities, and financing imputed with respect to any cost subsidies. This could also be in the form of a grant as defined by ***31 U.S.C. § 6304*** "Using grant agreements." According to 31 U.S.C. § 6304, an executive agency must use a grant agreement as the legal instrument reflecting a relationship between the U.S. Government and a state, a local government, or other recipient when (1) the principal purpose of the relationship is to transfer a thing of value to the state or local government or other recipient to carry out a public purpose of support or stimulation authorized by a law of the U.S. instead of acquiring (by purchase, lease, or barter) property or services for the direct benefit or use of the U.S. Government; and (2) substantial involvement is not expected between the executive agency and the state, local government, or other recipient when carrying out the activity contemplated in the agreement.

3.0 CONDITIONS GOVERNING SELLING, RENTING, LENDING

3.1 Authorization to Sell, Rent, Lend, Give, or Charge an Appropriate Fee

10 U.S.C. § 4892 authorizes the Secretary of Defense (SecDef) or the Secretaries of the Military Departments concerned, in the interest of national defense, to:

3.1.1. Sell, rent, lend, or give samples, drawings, and manufacturing or other information (subject to the rights of third parties) to any person or entity;

3.1.2. Sell, rent, or lend Department equipment or materials to any person or entity:

3.1.2.1. For use in IR&D programs subject to the condition that the equipment or material be used exclusively for such research and development, or

3.1.2.2. For use in demonstrations to a friendly foreign government.

3.1.3. Make available to any person or entity, at an appropriate fee, the services of any Department laboratory, center, range, or other testing facility for the testing of materials, equipment, models, computer software, and other items; and

3.1.4. Make available to any person or entity, through leases, contracts, or other appropriate arrangements, the facilities, services, and equipment of any Department laboratory, research center, or range, if the facilities, services, and equipment provided will not be in direct competition with the domestic private sector.

3.2 Fee Determination Policies

In selling or leasing property or providing services or in making facilities, equipment, and other items available under subparagraphs 3.1.1 – 3.1.4, the DoD should charge appropriate fees in a manner consistent with 10 U.S.C. § 4123, 31 U.S.C. § 9701, OMB Circular A-25 and Chapter 4, "User Fees".

3.3 Fees for Defense Laboratories Research and Development

3.3.1. 10 U.S.C. § 4123 authorizes a director of a defense laboratory to charge customer activities a fixed percentage fee (not to exceed four percent of costs), above normal costs of performance, in order to obtain funds to carry out four authorized activities. The defense laboratory director must first consult with the science and technology executive of the military department concerned.

3.3.2. Activities eligible for funding are:

3.3.2.1. Innovative basic and applied research that is conducted at the defense laboratory and supports military missions;

3.3.2.2. Development programs that support the transition of technologies developed by the defense laboratory into operational use;

3.3.2.3. Development activities that improve the capacity of the defense laboratory to recruit and retain personnel with necessary scientific and engineering expertise that support military missions; and

3.3.2.4. Repair or minor military construction of the laboratory infrastructure and equipment, only if:

3.3.2.4.1. The SecDef notifies the congressional defense committees of the total cost of the project before the start date; and,

3.3.2.4.2. The SecDef ensures the project complies with the applicable cost limitations in 10 U.S.C. §§ 2805(d) and 2811.

4.0 PROCEEDS OR FEES

4.1 General Policy

4.1.1. 31 U.S.C. § 9701 gives DoD the authority to charge fees in order to be self- sustaining as much as possible for services, sales, and rentals provided to a person (except a person on official business of the Department). The word person includes groups, associations, organizations, partnerships, corporations, and other businesses. Accordingly, the SecDef is authorized to prescribe regulations establishing the charge for a service or thing of value provided by the Department.

4.1.2. The sales price and rental fees related to subparagraphs 3.1.1 and 3.1.2 must be calculated in accordance with paragraphs 4.2 and 4.3. Fees for services provided in accordance with subparagraphs 3.1.3 and 3.1.4 must be calculated in accordance with paragraph 4.3. 10 U.S.C. § 4892 prohibits these fees from exceeding the full amount of all direct and indirect costs incurred by the Department. DoD Working Capital Fund activities must establish stabilized rates and unit prices for goods and services in accordance with ***Volume 11B***, "Reimbursable Operations Policy – Working Capital Funds (WCF)."

4.1.3. Internal controls must be established in accordance with 31 U.S.C. § 3512, OMB Circular A- 123, GAO-14-704G and DoDI 5010.40. Managers of DoD Components must be able to identify, measure, and assess risks related to mission delivery in establishing, collecting and reporting sales price and fees. The determination as to the effectiveness of internal controls must be justified, documented, and be able to stand up to audit scrutiny in accordance with the ***DoD Financial Statement Audit Requirements and Overview Guide*** as amended (DoD Common Access Card enabled access only).

4.1.4. OMB Circular A-25 requires DoD to initiate and adopt user charge schedules. In addition, these schedules must be reviewed biennially to ensure the charges are properly applied and adequately adjusted for changes in costs or market values. Furthermore, the biennial review of user fees must be published and discussed in the annual DoD Agency Financial Report (AFR). The CFO Act of 1990 requires the publication of the DoD annual AFR.

4.1.5. When a Department laboratory, center, range, or testing facility makes a decision to sell, rent, lend or give samples, drawings, information, or equipment or charge a fee for services subject to DoDI 5535.11, then the financial management policy outlined in paragraphs 4.2 through 4.5 regarding calculation, collection, and disposition of proceeds or fees must be followed.

4.2 Calculation of Sales Price

4.2.1. In general, the sales price of samples, drawings, information, equipment, or materials in accordance with subparagraphs 3.1.1 and 3.1.2 will be calculated or determined prior to or at the time of the sale. When calculating or determining the sales price of such assets, consideration must be given to the following:

4.2.1.1. Fair Value (defined at paragraph 2.4);

4.2.1.2. Historical Cost less Depreciation - Book Value (defined at paragraph 2.6 and in the FMR "Glossary");

4.2.1.3. Replacement Cost (defined in the FMR "***Glossary***");

4.2.1.4. Net Realizable Value (defined at paragraph 2.11);

4.2.1.5. Discounted (Cash) price (defined in the FMR "Glossary"). This may be used when selling an asset to a state or local agency;

4.2.1.6. Without charge (as defined at paragraph 2.17). This action may be considered when reutilizing an asset within DoD, transferring an asset to another Federal agency, or donating an asset to a state or local agency); and

4.2.1.7. The specific mission, goals, and/or objectives of the research and development project associated with a particular asset's sale.

4.2.2. Additional guidance on the sale (and disposal) of DoD property can be found on the website for the ***DLA Disposition Services***. Moreover, specific guidance regarding property disposal can be found in DoDM 4160.21-V1 and DLAI 4160.01.

4.3 Calculation of Fees

4.3.1. When DoD services, facilities, or equipment are made available in accordance with subparagraphs 3.1.3 and 3.1.4, an appropriate user fee must be imposed by the DoD Component providing the service, facility, or equipment to recoup the total cost incurred.

4.3.1.1. In accordance with 10 U.S.C. § 4892, user fees may not exceed the amount necessary to recoup the direct and indirect costs incurred (i.e., total or full costs) by providing the service, facility, or equipment. However, DoDI 5535.11 allows for the elimination of indirect costs when approved by the director or commander, prior to providing the service or use of facilities and equipment.

4.3.1.2. Costs may include capital improvement costs, utility costs, depreciation, contractor support, salaries of personnel, and all other ancillary support costs. Refer to DoDI 5535.11.

4.3.1.3. Specific policy pertaining to the calculation (i.e., identification of specific costs) and reporting of fees for the provision of services, equipment, and facilities pursuant to subparagraphs 3.1.3 and 3.1.4, can be found in Chapter 4 under the authority of OMB Circular A-25.

4.3.2. When approved by the laboratory directors, facility directors, and/or commanders, prior to providing the service or use of facilities and/or equipment, all or a portion of the indirect costs may be eliminated from the fee. Fees charged for services at less than total costs are permitted only when there is a compelling reason or it is determined to be in the best interest of national defense to do so.

4.3.2.1. Special consideration as to recovery of less than full costs may be given when:

4.3.2.1.1. The recipient of the benefit is engaged in a nonprofit activity designed for public safety, health, or welfare;

4.3.2.1.2. Payments of full fees by a state, local government, or nonprofit activity would not be in the Department's best interest; or

4.3.2.1.3. The laboratory directors, facility directors, and/or commanders have determined the administrative costs of determining and collecting the full fees would outweigh the benefits to the Component.

4.3.2.2. When less than full cost is charged, laboratory directors, facility directors, and commanders must maintain adequate documentation justifying or supporting each decision. Such documentation must address the criteria in subparagraphs 4.2.1 and 4.2.2, and be available for audits or inspections and for review by higher authorities.

4.3.3. DoD Working Capital Fund laboratories and facilities must use standard (stabilized) rates to establish fees in accordance with Volume 11B, and DoD Components designated as MRTFBs must determine costs and fees in accordance with Chapter 12.

4.4 Collection of Proceeds or Fees

4.4.1. DoD Components should make every effort to collect proceeds or fees electronically, (e.g., electronic funds transfer), and utilize, as applicable, the collection services provided by the Treasury's Bureau of the Fiscal Service (Fiscal Service) as outlined in the TFM, Volume 1, Part 5, and also ***Part 2, Chapter 4700, Appendix 5***, "Section 3 - Intragovernmental Payment and Collection;" and further described in ***Volume 5, Chapters 8***, "Collections" and ***Volume 5, Chapter 11***, "Electronic Commerce and Deposit of Public Funds." Moreover, support agreements with DoD Components or other Federal Government agencies, contract agreements with private parties or entities that are established in conjunction with sales, rentals, or lending of property identified in subparagraphs 3.1.1 and 3.1.2 and fees received for services identified in subparagraphs 3.1.3 and 3.1.4, should include requirements to use, as applicable, the collection services provided by the Fiscal Service.

4.4.2. In accordance with OMB Circular A-25, user fees must be collected in advance of, or simultaneously with, the rendering of services unless appropriations and authority are provided to allow for reimbursable services.

4.4.3. All fees for services that incur variable costs over time, such as personnel or utility costs, may be collected incrementally over time.

4.5 Disposition of Proceeds or Fees Received

4.5.1. A DoD official or agent must safely keep public money in his/her custody or possession in accordance with 31 U.S.C. § 3302. The code prohibits lending, using public money, depositing the money in a bank, or exchanging it for other amounts. The code requires depositing the money in the Treasury not later than three days upon receipt. The Secretary of the Treasury may prescribe another timeframe requirement. The SecDef may allow an official or agent to incur expenses to collect, keep, transfer, and pay out public money.

4.5.2. Proceeds received from sales or rentals provided in accordance with subparagraphs 3.1.1 and 3.1.2 must be credited to the General Fund of the Treasury as miscellaneous receipts as required by 31 U.S.C. § 3302 and DoDI 5535.11.

4.5.3. Under authority of 10 U.S.C. § 4892, fees collected for services or when making facilities, equipment, and other items available under subparagraphs 3.1.3 and 3.1.4 may be credited to the appropriations or other funds of the Component making such services, facilities, and equipment available.

4.6 Warranties and Liabilities

All transfers of property or services of whatever nature made pursuant to this policy must be without any express or implied warranty. This means the recipient of the property or services must agree in writing to hold harmless and indemnify the Department from any liability or claim for damages or injury to any person or property arising out of the property or services provided.

4.7 Liability for Loss of or Damage to Property of the Department

The written support agreement or contract with an individual, company, corporation, or organization must include a clause stating the Department will be reimbursed for any losses or damages arising out of or in conjunction with the use of DoD property. Refer to ***Volume 12, Chapter 7***, "Financial Liability for Government Property Lost, Damaged, Destroyed, or Stolen" for guidance on how to assess financial liability.

VOLUME 11A, CHAPTER 15: "TRAINING OF SPECIAL OPERATIONS FORCES WITH FRIENDLY FOREIGN FORCES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

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Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated July 2019 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting and hyperlinks to comply with current standard operating procedures.	Revision
2.0	Moved types of training expenses out of the authoritative guidance section.	Revision
3.4	Updated paragraph to better align with the Title 10 U.S. Code, Section 381(b) change from quarterly to semi-annual reporting on use of funds for security cooperation programs.	Revision

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CHAPTER 15

TRAINING OF SPECIAL OPERATIONS FORCES WITH FRIENDLY FOREIGN FORCES

1.0 OVERVIEW

1.1 Purpose

This chapter provides accounting and reporting procedures to implement provisions of Title 10, United States Code, section 322 ***(10 U.S.C. § 322)*** that are related to the training of special operations forces with friendly foreign forces.

1.2 Authoritative Guidance

10 U.S.C. § 322, authorizes the Commander, United States Special Operations Command and the commander of any other unified or specified combatant command to pay, or authorize payment for, any of the expenses described in paragraph 2.1.

*2.0 PAYMENT OF TRAINING EXPENSES

2.1 Types of Expenses

2.1.1. Expenses of overseas training of U.S. special operations forces, to include civil affairs forces and psychological operations forces, assigned to the combatant commander in conjunction with training, and training with, armed forces and other security forces of a friendly foreign country.

2.1.2. Expenses of deploying such special operations forces, including civil affairs forces and psychological operations forces, for that training.

2.1.3. Incremental expenses incurred, in the case of training in conjunction with a friendly developing country, by that country as the direct result of such training. The term, "incremental expenses," with respect to a developing country, means the reasonable and proper costs of rations, fuel, training ammunition, transportation (except to and from the continental United States or from one country to another country), and other goods and services consumed by such country, except that the term does not include pay, allowances, and other normal costs of such country's personnel.

2.2 Purpose of Training

For the authority cited in paragraph 2.1 to apply, the primary purpose of the overseas training activities must be the training of special operations forces of the combatant commands. Training of foreign forces may not be the primary purpose.

3.0 POLICY AND PROCEDURES

3.1 Accounting Procedures

Departmental funds expended to facilitate the participation of friendly foreign forces training with U.S. special operations forces must be incurred and reported under the following guidelines:

3.1.1. Funding for training of U.S. personnel may include amounts for training expenses authorized in 10 U.S.C. § 322. The funding source for these proposed payments must be funds made available to the applicable Department of Defense (DoD) Component for these purposes.

3.1.2. Prior to the commencement of the training, agreement on implementing arrangements should be reached in terms of the types and scope of non-financial support and financial contributions to be provided by the United States to a foreign country or by a foreign country to the United States. In order to protect the interests of the United States, the essential terms of the arrangement should normally be documented in writing and a copy of the document provided to the foreign country. In addition, the arrangement should request that each participating country identify both physical and financial contributions to the training effort and the amount of expenses paid related thereto. Formal foreign agreements, under the provisions of ***DoD Instruction 5530.03***, "International Agreements," are not required with respect to these implementing arrangements.

3.1.3. If the participating country is unable to identify its expenses in time to meet reporting requirements, then knowledgeable U.S. personnel will estimate that participant's contributions, and the value of expenses paid in U.S. dollar equivalents at the exchange rate in effect at the time of the training. Estimates of a participating country's contributions may be calculated using relative factors of comparable costs for similar U.S. training activities.

3.1.4. Arrangements with a friendly developing country may provide for financial or in-kind payment to the developing country by the United States for incremental expenses incurred by that country as a direct result of such training. "Incremental expenses" are defined in subparagraph 2.1.3.

3.1.5. Arrangements with a friendly country also may provide for payment to that country by the United States for the costs of support provided to U.S. personnel by the host country. Expenses that may be paid under the terms of an arrangement with a friendly country for the support provided to U.S. personnel by that country are limited to those types of expenses included in the definition of incremental expenses described in subparagraph 2.1.3.

3.1.6. For expenses that are to be paid to a friendly country, either incremental costs incurred by a developing country or support provided by a host country to U.S. personnel, the arrangement must stipulate that the host country provides, in advance of payment, appropriate documentation to support the payment. This documentation must include dates, quantities, units, and costs so that the senior U.S. official can determine the reasonableness and propriety of such costs, in U.S. dollar equivalents at current exchange rates, for the various types of authorized expenses incurred.

3.1.7. The following procedures must be followed to substantiate payments for reasonable incremental expenses incurred by a developing country.

3.1.7.1. The senior foreign official participating in the training must certify that the documentation provided to support the claim for payment reflects reasonable and proper expenses incurred during the training.

3.1.7.2. The senior U.S. official participating in the training must include a statement that, in his or her judgment, the documentation reflects reasonable and proper expenses.

3.1.7.3. If the senior U.S. official participating in the training questions the propriety or reasonableness of any expense claimed by the foreign country, resolution of those questions must occur before the payment is made.

3.1.8. The following procedures must be followed to substantiate payments for reasonable expenses to support U.S. personnel.

3.1.8.1. The U.S. official accepting the goods or services on behalf of the United States Government must certify receipt and acceptance for the United States Government. The acceptance must include documentation of the dates, quantities, units, and costs of the various types of support received.

3.1.8.2. The host country must submit a claim for payment that includes documentation of the dates, quantities, units, and costs, in U.S. dollar equivalents at current exchange rates, of the various types of support provided.

3.1.9. The annual report (described in paragraph 3.2) requires a determination of both financial and non-financial contributions to the training effort and the amount of related expenses paid by the participants in such training. Financial and non-financial contributions include all costs that are incurred because of the training. The accounting records from which the contributions are reported must include the separate identification of all the costs incurred, such as:

3.1.9.1. Rations, fuel, and training ammunition.

3.1.9.2. Personnel (including lodging and per diem costs) for other than normal pay and allowances.

3.1.9.3. Costs associated with training areas, firing ranges, storage sites, and other similar items and facilities used during the training. These costs must be attributable directly to such training.

3.1.9.4. All transportation of personnel, equipment and supplies to and from the training area.

3.1.10. The operations and maintenance funds expensed under 10 U.S.C. § 322, are not to be used to supplement other accounts, to circumvent budget ceilings established for other accounts, or to assume the mission of programs funded from other accounts.

3.1.11. 10 U.S.C. § 322 authorizes the Department to program and expend operation and maintenance funds to train U.S. special operations forces, including civil affairs forces and psychological operations forces, with friendly foreign nations. It does not provide authority to conduct any type of training activity that the Department otherwise cannot legally conduct. Any training activity funded under this statutory authority must be conducted in accordance with DoD directives, regulations, and instructions, and all other applicable interagency procedures.

3.2 Annual Report by U.S. Unified Combatant Commands

Funds expended under the authority of 10 U.S.C. § 322 must be reported by the appropriate combatant commands on a fiscal year basis to the Assistant Secretary of Defense (Special Operations/Low Intensity Conflict (ASD(SO/LIC)) to arrive not later than February 1 of each year. Each fiscal year report submitted by the combatant commands must be organized by theater and presented for each country in alphabetical order with each joint combined exchange training (JCET) deployment listed in chronological order. The reporting of classified training activities, if any, must be properly classified and the classification prominently identified. Each report must specify the following:

3.2.1. All countries in which training was conducted.

3.2.2. The type of training conducted in each country for each JCET, including whether such training was related to counter-narcotics or counter-terrorism activities; the date and duration of that training; the number of U.S. military personnel involved; and the total expenses paid by the United States. Total expenses paid by the United States must be the total of (1) amounts paid for deploying and training U.S. special operations forces, including the costs listed in subparagraph 3.1.9; (2) amounts paid to a foreign country for support provided to U.S. personnel, as described in subparagraph 2.1.8; and (3) financial payments to a developing foreign country for incremental expenses, as described in subparagraph 3.1.7.

3.2.3. The extent of participation by foreign military forces, including the number and service affiliation of foreign military personnel involved and the physical and financial contribution of each host nation to the training effort.

3.2.4. The relationship of that training to other overseas training programs conducted by U.S. Armed Forces, such as military exercise programs sponsored by the Joint Chiefs of Staff, military exercise programs sponsored by a U.S. unified combatant command, and military training activities sponsored by a Military Department (including deployments for training, short duration exercises and other similar unit training events).

3.3 Consolidated Budget Display for DoD Security Cooperation Programs

3.3.1. The DASD for Security Cooperation (DASD(SC)), must receive from ASD(SO/LIC) by August 1 each year budget request data for activities to be conducted in the subsequent fiscal year, including the specific country or region pursuant to 10 U.S.C. § 322 for the purpose of developing a Consolidated Budget Display in accordance with ***10 U.S.C. § 381(a)***.

3.3.2. The Under Secretary of Defense (Policy) (USD(P)) must submit a consolidated budget for all security programs and activities of the Department of Defense each year, consistent with the submission of the President's annual budget request.

*3.4 Semiannual Report on Use of Funds for DoD Security Cooperation Programs

3.4.1. The Combatant Commands must transmit to the Director, Defense Security Cooperation Agency (DSCA), no later than 15 days after the end of each calendar quarter, the cumulative total of all obligations and expenditures related to 10 U.S.C. § 322.

3.4.2. The Director, DSCA must transmit to the appropriate subcommittees of Congress a report on the obligation and expenditure of funds for security cooperation programs and activities of the DoD in accordance with 10 U.S.C. § 381(b), by not later than August 31 for the first six-month period of that year; and February 28 of each year for the second six-month period of the previous year.

3.5 Annual Report by the Secretary of Defense

3.5.1. The ASD(SO/LIC) must receive reports from the commander of the special operations command, and the commander of any other unified or specified combatant command, as described in this chapter, and compile those reports into a single document and forward it to the USD(P).

3.5.2. The USD(P) must, not later than April l of each year, submit on behalf of the Secretary of Defense the required annual report to the Armed Services and Foreign Relations Committees of the Senate and the National Security and Foreign Affairs Committees of the House of Representatives.

3.5.3. The annual report must cover training during the preceding fiscal year for which expenses were paid under 10 U.S.C. § 322.

VOLUME 11A, CHAPTER 16: "ACCOUNTING FOR PRODUCTION AND SALE OF FOREST PRODUCTS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated August 2002 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Policy Memo, 3.4	The Deputy Chief Financial Officer memorandum titled; "Treasury Appropriation Fund Symbols for the Department of Defense Forestry Products Program (FPM 22-02)" dated December 12, 2022, has been incorporated into the chapter and cancelled.	Cancellation
1.2	Added Authoritative Guidance section.	Addition
Figure 16-1 (previous version), 2.0	Deleted Figure 16-1 and clarified the definition of Forest Products under paragraph 2.0.	Deletion/ Revision
Annex A	Revised Annex A to incorporate Army Regulation 200-1: "Environmental Protection and Enhancement".	Revision

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CHAPTER 16

ACCOUNTING FOR PRODUCTION AND SALE OF FOREST PRODUCTS

1.0 GENERAL

1.1 Purpose

This chapter establishes the policy and procedures to account for the production and sale of forest products (see Table 16-1). This chapter also assigns responsibility for Department of Defense (DoD) reimbursement and for the entitlement of a state to a share in the net proceeds (see Table 16-1) derived from forest products sold from military installations or facilities.

*1.2 Authoritative Guidance

The accounting policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:

1.2.1. ***Title 10, United States Code (U.S.C.), section 2665***, "Sale of certain interests in land; logs";

1.2.2. Department of the Treasury, ***Federal Account Symbols and Titles: "The FAST Book"***; and

1.2.3. ***DoD Instruction (DoDI) 4715.03***, "Natural Resources Management".

*2.0 DEFINITIONS

For purposes of this chapter, the definitions are as follows:

2.0.1. Forest Products. All plant materials in forested and wooded areas that have commercial value. Materials include, but are not limit to, sawlogs, timber, veneer logs, poles, piles, posts, pulpwood, pine straw, stump wood, bark, and other mulch, cones, seeds, mistletoe, firewood, Christmas trees, and wood chips.

2.0.2. Net Proceeds. The amount the United States received during a fiscal year (FY) as proceeds from the sale of forest products produced on a military installation or facility, minus the amount reimbursed to the DoD, under 10 U.S.C. § 2665, for program costs incurred by that installation or facility. Program costs include obligations for current operating expenses and for the purchase of capital equipment required to operate the program.

2.0.3. Reserve Funds. A reserve account authorized under 10 U.S.C. § 2665 and administered by the DoD. (The standard general ledger accounts used to report DoD entries are provided in the Transaction Library and Standard Reporting Chart of Accounts available on the Office of the Deputy Chief Financial Officer ***SFIS*** web page.) The amount is held in the U.S.

Treasury Special Fund Account 21*5285, Reserve Account, DoD, Forest Products Program, Army (Replace * with fiscal year designation).

2.0.4. Surplus Funds. The amount expected to be available during the year within the DoD after providing for the reimbursements. These funds represent the amounts to be transferred to the DoD Forestry Reserve Account.

3.0 APPLICABILITY AND SCOPE

The policies and procedures established by this chapter:

3.0.1. Apply to the Office of the Secretary of Defense (OSD) and to the Military Departments (MilDeps, including their Reserve Components). The term "Military Services," as used herein, refers to the Army, Navy, Air Force, and Marine Corps.

3.0.2. Cover forest products production and sales programs on military installations or facilities in the United States.

3.0.3. Do not apply to forestry activities within the civil programs of the U.S. Army Corps of Engineers (USACE) or to the state-owned National Guard installations.

3.1 Policy and Procedures

3.1.1. DoD appropriations that incur obligations to fund the production and sale of forest products must be reimbursed from collections made because of the sale of those products.

3.1.2. Remaining collections are disposed of, as follows:

3.1.2.1. Distribute forty (40) percent of installation net proceeds to the state that includes the military installation or facility from which forest products were sold during a fiscal year. If the installation or facility is in more than one state, each state shares the proceeds proportional to the installation or facility area in each state. (See paragraphs 2.0.2 and 3.6)

3.1.2.2. Disburse to each state and transfer any remaining amount to the reserve account. (See paragraph 3.2.) If collections from the sale of forest products are inadequate, production and sale obligations may be financed either from the appropriation accounts or from transfers from the reserve account when other sources of funds are not available in a timely manner. If a disbursement to a state is rejected or cannot occur then the transfer will be deposited into the Reserve account.

3.2 DoD Forestry Reserve Account (DoD FRA)

A DoD reserve account must be established. This account may be used for:

3.2.1. Improvements of forest lands;

3.2.2. Unanticipated contingencies in the administration of forest lands and the production of forest products for which other sources of funds are not available in a timely manner; and

3.2.3. Natural resource management that implements approved plans and agreements.

3.2.4. The balance must not exceed $4 million on December 31 of any calendar year. Unobligated balances exceeding $4 million on that date are deposited in the U.S. Treasury General Fund Miscellaneous Receipts Account. (See paragraph 3.4.2.)

3.3 Operating Procedures for Program Obligations

3.3.1. Program obligations must be related directly to the economic production and sale of forest products in the following functions:

3.3.1.1. Forest Improvement. Obligations incurred to improve an existing timber stand or forest, whether it is planted, seeded, or natural, to include thinning, pruning, and controlling undesirable vegetative growth.

3.3.1.2. Reforestation. Obligations incurred for natural or artificial regeneration include planting, purchasing seeds or seedlings, preparing sites, and controlling insects, diseases, vegetation, and animals.

3.3.1.3. Forest Protection. Obligations incurred to protect a forest capable of economic production of forest products from damage by fire, insects, diseases, animals, floods, and erosion.

3.3.1.4. Forest Access Roads. Obligations incurred for construction, reconstruction, repair and maintenance of forest access roads and trails, and for repair of other roads because of forest production and harvest operations.

3.3.1.5. Sales. Obligations incurred to facilitate forest product sales and preparation for sales, including appraising, cruising, marking, scaling, advertising, and escorting prospective bidders, as well as preparing, administering, and enforcing compliance with sales contracts.

3.3.1.6. Management. Obligations incurred to manage the functions listed in subparagraphs 3.3.1.1 through 3.3.1.5, including supervising, planning, programming, conducting field surveys and inventories, training, and attending professional meetings.

3.3.1.7. Forestry Equipment. Obligations incurred to purchase vehicles, minor equipment, and heavy equipment used exclusively in forest management (purchased, as appropriate, by O&M or procurement appropriations under reimbursable program authority).

3.3.2. To the extent that an installation receives applicable program support from a function or activity above the installation level, costs must be prorated based on the level of effort among all applicable military installations or facilities in the program.

3.3.3. Program obligations do not include amounts incurred for operations that, while related to the land and forest, are for other purposes such as the military mission, recreation, general area improvement, wildlife management, and beautification. Do not include amounts for the protection of forests that are incapable of economic production of timber products. Program obligations at all organizational levels must be categorized according to the functions listed in subparagraphs 3.3.1.1 through 3.3.1.7.

3.3.4. Reimbursable program obligations under 10 U.S.C. § 2665(d) include all program costs except those cited in subparagraph 3.3.3. Acquisition of equipment is justified on an economic basis. When general equipment is used in forestry program operations, obligations incurred by DoD appropriations for that use are included as program costs.

*3.4 Accounting and Reimbursements

3.4.1. Proceeds collected from forestry sales must be turned over to the supporting DoD disbursing officer. The MilDeps must use the Treasury Appropriation Fund Symbols (TAFS) identified in Table 16-1 to ensure proper accounting and reporting of proceeds from the sales of DoD forestry products. 10 U.S.C. § 2665 provides complete guidance for collections and disbursements related to the Forestry Products Program. Annually, MilDeps must forecast and communicate requirements to their respective Forestry Program Manager and Budget Officer to facilitate the accurate apportionment of Forestry Program funding.

3.4.2. The Department of the Army is the only MilDep authorized to use special fund account 21*5285, "Forestry Reserve Account" (FRA), for its annual Forestry Products Program. The Army manages, on behalf of the Office of the Secretary of Defense, the FRA separately from its annual apportionment and ensures the FRA balance within 21*5285 does not exceed the $4 million unobligated balance threshold by December 31 of each calendar year. The Department of the Navy and Department of the Air Force collect and execute (obligate and disburse) the Forestry Products Program proceeds using their General Fund (GF) and Operation and Maintenance (O&M) accounts. That portion of the proceeds used to finance reimbursable expenses must be transferred to the funding O&M or procurement appropriation in accordance with annual budget guidance. Table 16-1 illustrates the applicable TAFS.

3.4.3. The MilDeps must validate the accuracy and completeness of their Forestry account transactions, maintain auditability of their Forestry account transactions, and transfer all residual funding to the DoD FRA by the first week of December of each calendar year. The MilDeps must obligate and disburse Forestry Program proceeds only for purposes specifically authorized in 10 U.S.C. § 2665.

3.4.4. All MilDeps are prohibited from using the Budget Clearing Account (suspense) F3875 to record and report forestry product proceeds. Each MilDep received instructions to develop standard operating procedures documenting their process to ensure all future collections and disbursements in the program are in accordance with this policy.

3.5 Compute Entitlements

3.5.1. Compute entitlements to each state in accordance with 10 U.S.C. § 2665(e). Determine these entitlements based on a separate calculation for each military installation or facility from which forest products were sold in that fiscal year.

3.5.2. Maintain records for each military installation or facility concerned to effect sales proceeds and reimbursable program obligations by fiscal year. If a military installation or facility is located in more than one state, make payments proportional to the area of the installation or facility situated in each state. If an installation or facility is in more than one county within a state, a description of the areas (acres) of the installation or facility situated in each county may accompany that state's entitlement.

3.5.3. Disburse states' entitlements within 90 days after the end of the fiscal year. Pay by electronic funds transfer.

3.6 Distribute Net Proceeds

As directed by the USD (Acquisition and Sustainment) (A&S) or designee, in coordination with the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), distribute net proceeds among the MilDeps to meet the overall funding requirements of the DoD forestry program.

3.7 Coordinating and Reporting Requirements

Figure 16-2 contains USD(A&S) coordinating and reporting requirements. The Forest Products Sales Program report has been assigned Report Control Symbol DD-A&T(Q&A)1649. See subparagraph 4.2.1, and Figures 16-2, 16-3, and 16-4.

4.0 RESPONSIBILITIES

4.1 The USD(A&S) or Designee must:

4.1.1. Issue and monitor policy on forest management of DoD lands in accordance with DoDI 4715.03, "Natural Resources Management."

4.1.2. Advise the MilDeps of potential downward adjustments in funding for the program during the year if timely receipt of anticipated proceeds becomes doubtful.

4.2 The Secretaries of the MilDeps must:

4.2.1. Prepare annual forestry program budgets for the coming fiscal year that include anticipated sales revenue, program obligations, states' entitlements, unfinanced requirements, and transfers. See Figure 16-1, "Coordination and Reporting Requirements" for due date and other reporting information.

4.2.2. Ensure that all proposed obligations are related directly to the economical production and sale of forest products, consistent with DoDI 4715.03.

4.2.3. Ensure that no unplanned program obligations are incurred simply to "use up" proceeds.

4.2.4. Adjust the program downward during the year by reducing planned obligations if actual proceeds do not materialize at anticipated levels and sufficient funding cannot be obtained from the reserve account.

4.2.5. Ensure that all program obligations are accumulated in DoD appropriation accounts and that reimbursements and distributions to states and the use of funds from the DoD Reserve Account conform to paragraph 3.2.

4.2.6. Comply with requirements stated in paragraph 3.5.

4.2.7. Coordinate approved budgets with the USD(A&S) or designee to assist in planning and trade-off analysis and to ensure the effective and efficient functioning of the overall DoD program.

4.2.8. Review the cumulative total obligations incurred, estimated program obligations, cumulative revenue, and realistic estimates of future revenue to determine whether DoD forests remain capable of economic production.

4.2.9. Identify to the DoD Supporting Agent (SA) (see subparagraph 4.3.1) the official who is authorized to transfer surplus funds (see Figure 16-1) and accept reserve funds.

4.3 The Secretary of the Army must:

4.3.1. Act as DoD SA to monitor and coordinate financial management of the DoD forest products program.

4.3.2. Coordinate the transfers of surplus and reserve funds.

4.3.3. Maintain the DoD Forestry Reserve Account (21*5285) and make transfers in accordance with the instructions from the USD(A&S) or designee (Replace * with fiscal year designation).

Table 16-1 Treasury Appropriation Fund Symbols (TAFS) For The DoD Forestry Products Program

Operation and Maintenance is shown in the following table as an example.

Component	Account No.	Account Name
Army Program Deposits and Execution		Reserve Account, DoD Forestry Products Program, Army
Collections, Army	21 R 5285	Limit 0021**
Expenditure, Army	21 * 5285	
All Services Deposit End of Year Excess Forestry Net Proceeds		DoD Forestry Products Program, Army
DoD FRA	21 * 5285	Limit 0097^
Program Deposits and Execution		Operation & Maintenance
Navy	17 CY/CY 1804	Navy**
Air Force	57 CY/CY 3400/3410	Air Force**
Marine Corps	17 CY/CY 1106	Marine Corps**

^ Limits are reported internally within DoD only; limits must be consolidated before reporting externally

** USACE will deposit Forest Product Collections directly into the financial accounting system requested by the military service.

Figure 16-1 Coordination And Reporting Requirements
Annual Coordination of DoD Forest Products Program

1. Purpose. To coordinate forestry obligations and revenues of the MilDeps to ensure that overall DoD revenue is sufficient to reimburse all authorized obligations for the production and sale of forest products.

2. Authority. 10 U.S.C. § 2665

3. Schedule

a. December 15. Each MilDep disburses funds to the various states. Accompany each disbursement, identifying the generating installation(s), and amount generated by each installation.

b. December 30. Each MilDep deposits residual forestry funding into the DoD Forestry Reserve Account (21*5285) (Replace * with fiscal year designation).

c. January 2. Each MilDep transmits the "Actual Revenue and Obligations Report" to the Executive Agent (EA) and the OUSD(A&S). See Figure 16-2.

d. February 15. Each MilDep transmits to the EA and the OUSD(A&S) a report of cumulative program revenue and obligations through December 31 of the current fiscal year and any planned changes. See Figure 16-3.

e. May 15. Each MilDep transmits to the EA and the OUSD(A&S) a report of cumulative program revenue and obligations through March 31 of the current fiscal year and any planned changes. See Figure 16-3.

f. August 15. Each MilDep transmits to the EA and the OUSD(A&S) a report of cumulative revenue and obligations through June 30 of the current fiscal year and any planned changes. See Figure 16-3.

g. September 1. Each MilDep transmits to the EA and the OUSD(A&S) its planned forest products revenue and expenses, by appropriation, for the coming fiscal year. See Figure 16-4. This plan must reflect no deficit in the program; however, a description of unfinanced needs may accompany the plan.

Figure 16-2 Sample Report RCS: DD-A&T(Q&A) 1649

ACTUAL REVENUE AND OBLIGATIONS
RCS: DD-A&T(Q&A)1649
(Due January 2)
For FY _____

Military Service _____

		(Other) Procurement	O&M	Total
I.	PROGRAM RESERVE AND OBLIGATIONS			
	A. Revenue (actual deposits to 21R5285, or designated GF account)			$
	B. Distributions (from 21*5285 or GF account)	$	$	($)
	C Reimbursable Obligations	($)	($)	
	D. Unobligated Balance Remaining and Returned to 21*5285, or GF account	$	$	$
	E. Subtotal			$
	F. States' Entitlements (note 1)			($)
	G. Transfer to DoD Forestry Reserve Account			($)
	H. Total			$ -0-
II.	UTILIZATION OF RESERVE FUND			
	A. Transfer In	$	$	
	B. Obligations (note 2)	$	$	
	C. Unobligated Balances Returned to DoD Forestry Reserve Account	$	$	

NOTES:
1. Furnish by installation, state, and amount.
2. Briefly describe the forestry projects and/or activities funded from reserve funds.

Figure 16-3 Sample Report RCS: DD-A&T(Q&A) 1649

QUARTERLY FOREST PRODUCTS PROGRAM
RCS: DD-A&T(Q&A)1649

(Due February 15, May 15, August 15)

Military Service _____

Date _____

FY _____

A. Planned Revenue this Fiscal Year (FY)	$ _____
B. Planned Obligations this FY	$ _____
C. Cumulative Actual Revenue this FY	$ _____
D. Cumulative Actual Obligations this FY	$ _____
E. Net Proceeds this FY (Item C minus Item D)	$ _____
F. Current Estimate of States Entitlements this FY	$ _____
G. Current Unfinanced Needs for this FY (describe below)	$ _____

Figure 16-4 Sample Report RCS: DD-A&T(Q&A) 1649

ANNUAL FOREST PRODUCTS PROGRAM BUDGET
RCS: DD-A&T(Q&A)1649

(Due September 1)
For FY _____

Military Service _____

	(Other) Procurement	O&M	Total
A. Planned FY Revenue		$_____	
B. Planned FY Distribution	$_____	$_____	$_____
C. Planned FY Obligations	$_____	$_____	$_____
D. Planned Net (note)		$_____	
E. Planned Payments to States		$_____	
F. Unfinanced Needs (describe below)	$_____	$_____	$_____

NOTE: Total of item A. minus total of item C
.

ANNEX A: ARMY FORESTRY RESPONSIBILITIES

A. The Reimbursable Forestry Program

1. General. This chapter and annex prescribe the policies and procedures for budgeting, accounting, and reporting of proceeds and obligations associated with the production and sale of forest products at Army installations or facilities (see Title 10, United States Code (U.S.C.), section 2665). Determine eligibility for participation in this program using the provisions of ***Army Regulation (AR) 200-1***: "Environmental Protection and Enhancement". The objectives of the Army's reimbursable forestry products program are to support mission operations, support conservation compliance, and execute natural resources stewardship.

2. Responsibilities. Headquarters, Department of the Army (HQDA), Army Staff (ARSTAF) (Office of the Deputy Chief of Staff, G-9 (DCS, G-9), major Army commands (MACOMs), and Army installations, execute the Army's reimbursable forestry program. The HQDA, DCS, G-9 is the program office and manager for coordination with major Army commands (MACOMs), US Army Corps of Engineers (USACE), and Army installations, to monitor all proceeds received and establish targets for reimbursable authority.

3. Budgeting. Include authority to execute reimbursable work on the Funding Authorization Document (FAD). Authorized funded or reimbursable main account authority may be used for operation and maintenance, minor construction, purchase of forestry equipment, and other obligations directly related to the reimbursable forestry program. The Army, DCS, G-9 office must annually determine targets for the MACOMs' Forest products reimbursable authority based on the anticipated proceeds, obligations, and states' entitlements. Issue these targets to the MACOMs separately.

4. Proceeds. Deposit proceeds from the sale of forest products into the Forestry Reserve Account, 21R5285.0021. Report proceeds on the Accelerated Reporting of Receipt and Outlay (Expenditure) Data-Statement of Accountability Report (RCS CSCFA-302A). This includes proceeds from forest products disposed of by the Defense Logistics Agency. Forest products include all plant materials in current and previously forested and wooded areas that have commercial value. The products can be dead and down or designated standing timber. When forest products are removed from Army lands by any means other than a commercial sale (for example, generating energy on the installation), a dollar amount equal to the fair market value must be deposited in the Army Forestry Account by the proponent of the activity removing the forest products. The only exception is that forest products may be removed or used directly to assist the military mission without payment. Deposit advances from contractors as unearned revenue in the same account as the unfilled orders to which the advance applies. Monthly, each activity's accounting office must transfer the current month earnings from the unearned revenue to the deposit fund account.

5. Expenses. Program expenses incurred by Army installations or facilities and the USACE District Engineer Offices must be related directly to the integrated management, production and sale of forest products, and associated program management costs for personnel at

all levels (i.e., installation, MACOM, district, division, field operating activity (FOA), ARSTAF and auxiliary staff) whose primary duties are to administer the forestry reimbursable program. Program expenses must be categorized according to the following functions:

a. Forestry Equipment. Include purchase, over the Capital Expense/Investment Limit (currently $350,000) only, of forestry equipment (for example, vehicles, or heavy equipment) used exclusively in reimbursable forest management.

b. Forest Fire Protection. Include the protection of forests on land in forestry reimbursable programs. Include equipment costing less than the Capital Expense/Investment Limit.

c. Forest Management. Include reimbursable forest management functions. Include supervision, planning, programming, and conducting field surveys and inventories, training, and attending professional meetings. Include improvements of existing forest stands, whether they are planted, seeded, or natural, including natural resources projects in direct support of the reimbursable forestry program. This includes controlling undesirable vegetative growth, prescribed burning, precommercial thinning, and pruning. Include the protection of reimbursable forests from insect, disease, animal, flood, and erosion damage. Include the sale and preparation for sale of forest products. Include appraising, cruising, marking, scaling, preparing sales contracts, escorting prospective bidders, advertising, sales administration, and contract compliance inspections. Include equipment costing less than the Capital Expense/Investment Limit.

d. Forest Access Roads. Include construction, repair, and maintenance of forest access roads and trails. Include the repair of other roads resulting from the production and harvest operations. Include equipment costing less than the Capital Expense/Investment Limit.

e. Reforestation. Include natural or artificial regeneration, including planting, purchasing of seeds or seedlings, and preparing sites. Include equipment costing less than the Capital Expense/Investment Limit.

f. Forestry Support. Include Phase I archaeological surveys, threatened and endangered species surveys, and military mission coordination efforts driven only by forestry activities (for example, planting and harvesting).

6. Reporting and Review

a. Report proceeds on the RCS CSCFA-302 report. ("Report obligations incurred as automatic reimbursable obligations on the RCS CSCFA-218 (Status of Approved Resources Report"). Report obligations incurred for items of equipment purchased with procurement appropriation funds on the RCS CSCFA-112 ("Status of Reimbursements Report"). See Volumes 6A and 6B of this Regulation for reporting instructions.

b. Report reimbursements earned on the RCS CSCFA-112 report as "Transferred for Collection" in the "Reimbursement Collected-Automatic" column. Identify the amounts transferred by detail reimbursement source code. Identify the reimbursement amount

"Transferred for Collection" as a separate footnote on the RCS CSCFA-112 report. Report reimbursements for items of equipment financed with procurement funds on the RCS CSCFA-112 report. Bill and collect according to procedures outlined in Volume 5, Chapter 8 for collections and Volumes 6A and 6B for reporting instructions.

c. HQDA, MACOMs, installations, district engineering offices, Defense Finance and Accounting Service (DFAS) sites, and Field Accounting Offices (FAOs) submit quarterly analyses of actual proceeds and obligations to become part of the RCS CSCFA-218 report. The U.S. Army Corps of Engineers (USACE) districts must report proceeds and obligations separated by the installation to the DFAS-Indianapolis (DFAS-IN) Accounts Maintenance & Control for Army/Air Force.

d. The Army, DCS, G-9 office provides a quarterly Consolidated Analysis of the Department of the Army (DA) Forest Products, based on installation and USACE Districts input, within 30 days after the end of each quarter. The Army DCS, G-9, the MACOMs, and USACE jointly review the Army's commercial forestry program using this report. The Army DCS, G-9 must maintain a 10-year historical data record of annual proceeds and obligations.

e. Within 90 days after the conclusion of each fiscal year, the Army, DCS, G-9 computes the concluding fiscal year's unfilled forestry orders (transferring excess to or removing required funds from that fiscal year's authorized Funded or Reimbursable Main Account) and provides 40 percent of the net proceeds per Army installation to the appropriate states and deposits the remaining net proceeds into the DoD Forestry Reserve Account (21R5285, DFAS-IN Manual 37-100-*). Before issuing states' entitlements, the DFAS-IN must confirm figures with the Army DCS, G-9. States' entitlements and transfers to 21R5285 must not be made until monies are set aside, if necessary, to cover unfilled forestry orders.

f. State entitlements must be issued to state treasurers or designated state offices with sufficient explanation to include the reason for the issuance, itemization by installations and counties, and the DFAS point of contact (POC) phone number(s).

g. USACE determines and updates, as required, the total acreage by county and state for all Army installations or facilities participating in the DoD Forestry Products Program. USACE provides this data to the Army, DCS, G-9. The Army DCS, G-9 updates its files for determining states' entitlements. Acreage by county is the total acreage of the installation or facility, not just the acreage applicable to the forest products program.

B. The DoD Forestry Reserve Account

1. General. The DoD Forestry Reserve Account (21*5285) is sustained with receipts from each of the Services' Forestry Program accounts.

2. Responsibilities. The Army is the assigned DoD executive agent for this account. Balances in this account must be used in accordance with paragraph 3.2 of this chapter.

3. Project Approval Process. The project approval, funding, and accounting processes for forestry reserve account projects at Army installations or facilities follow:

a. Annually, the Army, DCS, G-9 office must request the MACOMs, based on installation input, to submit proposed projects. The MACOMs must consolidate and rank the proposals and provide them to the Army, DCS, G-9. In coordination with other concerned ARSTAF offices and the Office of the Deputy Assistant Secretary of the Army, Environment, Safety and Occupational Health (ODASA-ESOH), the Army, DCS, G-9 office will rank the proposals and submit them to the ODASA-ESOH for consideration. The Army, DCS, G-9 or DASA-ESOH forwards the Army's official submittal to the DoD for funding.

b. The Army, DCS, G-9 office must transfer the total approved Army projects from 21*5285 when the Office of the Assistant Secretary of Defense, Energy Installation and Environment approval memorandum and appropriate accounting classification are received from MACOMs.

c. Any remaining funds, after completion of the project, must be returned to the Army DCS, G-9. The performing activity must not incur more expenses than the approved amount.

4. Fund Transfers from 21*5285. The Army, DCS, G-9 office transfers funds for approved Army projects from this account to the installations.

a. Army DCS, G-9 transfers funds for approved projects at other DoD agencies via an Intra-governmental Payment and Collection (IPAC) transaction.

b. Collection and disbursement of funds from this account are limited to the Army DCS, G-9.

5. Calendar Year End

a. The Army DCS, G-9 office will notify DFAS, and they must deposit unobligated balances exceeding $4 million on December 31 to a U.S. Treasury General Fund Miscellaneous Receipts Account in accordance with subparagraph 3.2 of this chapter.

b. Deposits to the account of proceeds from the preceding fiscal year must not be made until after January 1 to allow sufficient time to manage new deposits efficiently.

c. The Army DCS, G-9 office must report the activity and balance of this account within 30 days after the end of each quarter.

C. Equipment Purchases

1. General. Equipment purchased must be for commercial forest management use when purchased with Forestry funded or reimbursable authority and for natural resources uses when purchased with DoD Forestry Reserve Account or Agricultural/Grazing funded or

reimbursable authority. (See Volume 4, Chapter 25.) Coordinate equipment purchases with the organization's equipment manager or equivalent.

2. Equipment Acquisition Process. Each purchase of equipment must begin with an internal review of contract/buy/lease options, funding availability, and the potential for use of multipurpose equipment. The reimbursable authority is intended only to supplement routine procurement sources. Programmed equipment authority, such as Other Procurement, Army (OPA), must be used for equipment. If the internal review justifies the need to purchase new equipment, then the general procedures outlined must be utilized.

a. The installation must ensure authority exists in the Table of Distribution and Allowances (TDA) or Common Table of Allowance (CTA).

b. The installation must determine whether the equipment to be purchased is centrally managed by the Tank-automotive and Armaments Command (TACOM). The installation Property Book Officer (PBO) can make this determination by checking the equipment Line-Item Number (LIN) against the Supply Bulletin 700-20. If the equipment is not centrally managed and is less than the Capital Expenditure Limit, then the equipment may be purchased locally or through the GSA schedule.

c. If the equipment is centrally managed, then the TACOM must conduct the purchase unless a waiver for local procurement is granted.

d. If the estimated cost of the equipment is greater than the capital expenditure limit, centrally managed or not, do not use OMA (Agricultural/Grazing, Forestry, or Forestry Reserve Account). The TACOM must use equipment purchase authority, reimbursing OPA. The purchase may be finalized at the TACOM, or the authority may be returned to the installation for a local procurement with a local procurement waiver.

VOLUME 11A, CHAPTER 17: "OFFSETTING RECEIPTS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated July 2012 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
1.2	Added Authoritative Guidance section in accordance with the Department of Defense Financial Management Regulation Revision Standard Operating Procedures.	Addition
2.1.3	Added clarifying language for distributed offsetting receipts.	Addition
2.1.6	Added clarifying language on the Statement of Budgetary Resources exclusions for undistributed offsetting receipts.	Addition
4.4.2	Added reference to the monthly reporting of offsetting receipts on the Financial Management Service Form 1219/1220.	Addition
4.4.3	Updated the language for Standard Form 133 Reporting.	Revision

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CHAPTER 17

OFFSETTING RECEIPTS

1.0 GENERAL

1.1 Purpose

This chapter prescribes standard procedures for accounting and reporting offsetting receipts throughout the Department of Defense (DoD).

*1.2 Authoritative Guidance

The accounting policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:

1.2.1. Title 31, United States Code, section 3512, ***(31 U.S.C. § 3512)*** "Executive agency accounting and other financial management reports and plans;"

1.2.2. ***31 U.S.C. § 3302***. "Custodians of money;"

1.2.3. Office of Management and Budget ***(OMB) Circular No. A-11***; and

1.2.4. ***Federal Account Symbols and Titles (FAST) Book***.

2.0 DEFINITIONS

2.1 Offsetting Receipts

2.1.1. Offsetting receipts are collections within the DoD that result from proprietary or business-like transactions (such as rents, sales of services and products, patent fees, and sale of property) and from Intragovernmental transactions such as deposits between Federal and trust funds or payments within the same fund group.

2.1.2. Offsetting receipts are recorded as offsets to gross outlays and may be distributed or undistributed. Distributed offsetting receipts offset outlays of DoD as the agency that conducts the activity generating the receipts. Undistributed offsetting receipts offset government-wide outlays.

* 2.1.3. Distributed Offsetting receipts are collections credited to general fund, special fund, or trust fund receipt accounts that offset gross outlays of an agency, typically the agency that conducts the activity generating the receipts. Offsetting receipts are composed of proprietary receipts from the public, receipts from intragovernmental transactions, and offsetting governmental receipts. This line item on the Statement of Budgetary Resources (SBR) must include all distributed offsetting receipts for the agency and deducted from gross outlays to yield net agency outlays. Standard receipt accounts are prescribed by the Department of the Treasury in its FAST Book. Offsetting receipts are deposited with the Department of the Treasury Financial

Management Service (FMS) using receipt accounts symbols and reported monthly on the ***FMS Form 1219/1220***, "Statement of Transactions According to Appropriations, Funds and Receipt Accounts" as prescribed in Volume 6A Chapter 3.

2.1.4. Offsetting receipts are deducted from budget authority and outlays at agency (Component) levels. Actual offsetting receipts are reported on the SBR and in budget submissions by DoD Components as described in Volume 6B Chapter 7.

2.1.5. Receipts collected by DoD Components must be classified according to (1) the source of the receipt, (2) the authority for the collection and the nature of the transaction, and (3) whether the receipt offsets agency (Component) or government-wide totals. Receipts also are classified into fund groups in accordance with the Treasury FAST Book (i.e., general funds (0100-3305); clearing accounts (3800-3899); special funds (5000-5999); and trust funds (8000-8999)). In this section of the FAST Book, distributed offsetting receipts, as described in the ***OMB Circular No. A-136*** "Financial Reporting Requirements" are identified with the check √ symbol before the account title.

* 2.1.6. Most offsetting receipts are offset (deducted) against the function that contains the outlays that give rise to the receipts, i.e., the function of the account collecting the money. In such cases, these offsetting receipts at the agency and sub-functional level will be deducted before reaching functional budget authority or outlay totals and are referred to as "*distributed*" to the functions. However, there are several categories of offsetting receipts that cannot be offset properly against any specific function. These collections are deducted from government-wide totals and are referred to as "*undistributed offsetting receipts.*" Such receipts are either intrabudgetary (a payment from one Federal agency to another, such as agency payments to the retirement trust funds) or proprietary (a payment from the public for some type of business transaction with the government). The SBR does not include undistributed offsetting receipts credited to governmentwide outlay totals. There are four (4) types of receipts that are deducted from budget totals as undistributed offsetting receipts:

2.1.6.1. Agency payments (including payments by off-budget Federal entities) as employers into employees' retirement funds;

2.1.6.2. Interest received by trust funds;

2.1.6.3. Rents and royalties on the Outer Continental Shelf lands; and

2.1.6.4. Other interest such as that collected on Outer Continental Shelf money in deposit funds when such money is transferred into the budget.

3.0 GENERAL STANDARDS

3.1 Contents

3.1.1. Contents of this chapter must be used in addition to the accounting principles, standards, and procedures established in the chapters that follow.

3.1.2. Volume 4 - Accounting Policy and Procedures

3.1.2.1. Chapter 2 "Accounting for Cash and Fund Balance with Treasury"

3.1.2.2. Chapter 16 "Revenues and Other Financial Sources, Expense, Gains and Losses"

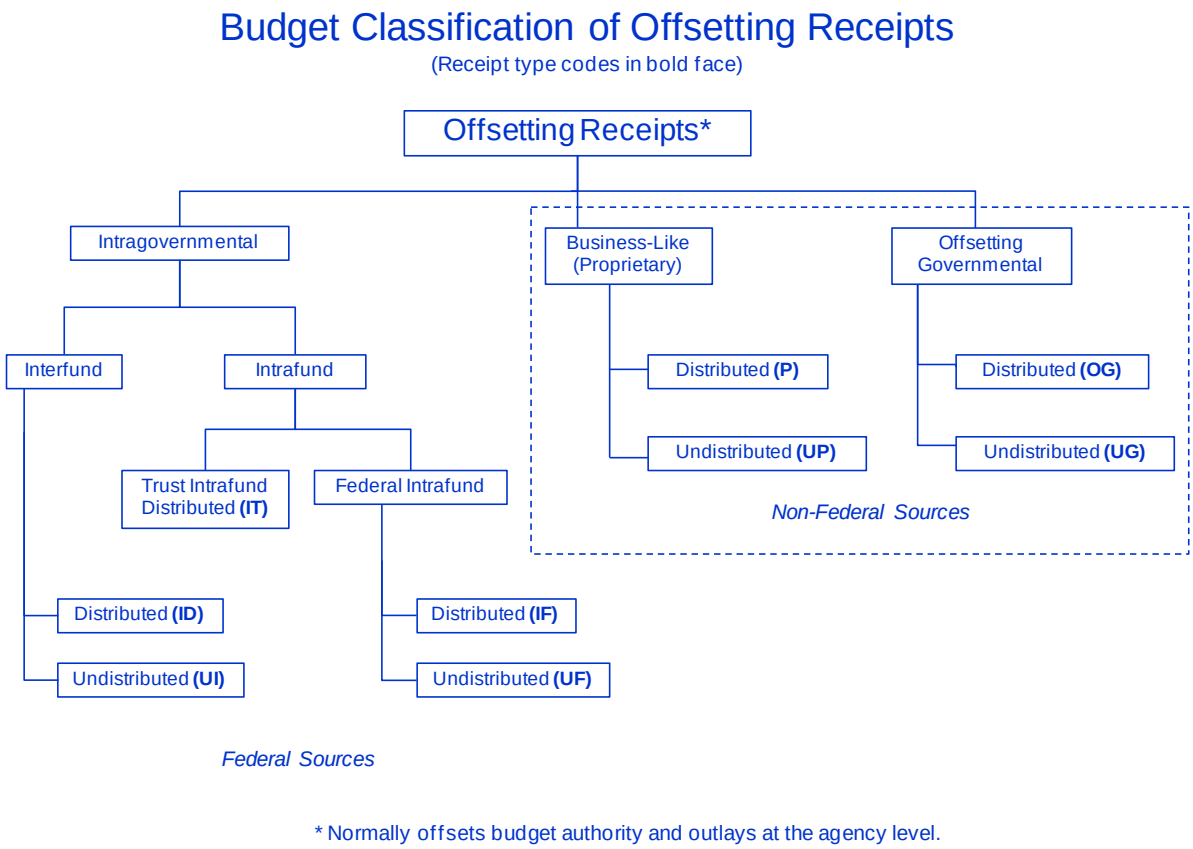
3.1.2.3. Chapter 19 "Managerial Cost Accounting"

3.1.3. Volume 6A – Reporting Policy and Procedures: Chapter 4 "Appropriation and Fund Status Reports"

3.1.4. Volume 12 – Special Accounts Policy and Procedures: Chapter 1 "Funds"

3.2 Budgeting Standards

3.2.1. Budgeting standards for offsetting receipts are prescribed by the OMB Circular No. A-11, Preparation, Submission, and Execution of the Budget.



3.2.2. Preparation of budget justification requirements is also prescribed in Volume 2B Chapter 11, "Budget Formulation and Presentation." OMB adopted a single format to present information in the ***SF 132, SF 133 and Schedule P***. The realignment employs three common data

sections—Budgetary Resources; Change in Obligated Balance; and Budget Authority and Outlays, Net. The SF-133, Schedule P, and SBR will use all three of the sections, and the SF-132 will use the common Budgetary Resources.

4.0 ACCOUNTING AND REPORTING STANDARDS FOR OFFSETTING RECEIPTS

4.1 Offsetting Receipts

4.1.1. Offsetting receipts within the Department are collections from the public that result from business-like transactions such as sales of property, rental fees, or sales of services. These miscellaneous proprietary receipts are recorded using receipt account symbols prescribed by the Treasury FAST Book. The Transaction Library and Standard Reporting Chart of Accounts are available on the Office of the Deputy Chief Financial Officer Standard Financial Information Structure ***(SFIS)*** web page. The web page also provides the DoD U.S. Standard General Ledger (USSGL) proprietary accounting entries and transaction illustrations. Offsetting receipt account symbols normally used within the Department are:

4.1.2. Account 1435. General fund proprietary interest not otherwise classified. This account must only use Defense civil functions. Account 1435 must not use Defense military functions. Deposits of interest on loans, investments, and other equities must be deposited in account 3210 to ensure that the Department receives credit for the offsetting receipt.

4.1.3. Account 1840. Proprietary receipts for rent of equipment and other personal property. This account must be used exclusively by the Military Departments. Defense Agencies must deposit rent receipts into Account 3210.

4.1.4. Account 2462. Proprietary receipts for survivor annuity benefits. This account must be used exclusively by the Military Departments. Defense Agencies must deposit receipts into Account 3210.

4.1.5. Account 2641. Proprietary receipts for the sale of ordinance material within the Department. All DoD Components may use this account.

4.1.6. Account 2651. Proprietary receipts for the sale of scrap and salvage materials within the Department. All DoD Components may use this account, but the Military Services must cite 97 2651.

4.1.7. Account 3019. Proprietary receipts for recoveries for government property lost or damaged, not otherwise classified. This account must be used exclusively by the Military Departments. Defense Agencies must deposit such recoveries into Account 3210.

4.1.8. Account 3041. Proprietary receipts for recoveries under the Foreign Military Sales Program. This account must be used by all DoD Components. Receipts in this account must sub-categorize and report to the Office of the Under Secretary of Defense, Comptroller (OUSD(C)) on the SF-133, in accordance with the guidance contained in Volume 6A Chapter 4. The sub-categories are:

4.1.8.1. Nonrecurring Research, Development, Test and Evaluation (RDT&E) and production costs.

4.1.8.2. Sale of principal and/or major items from stock that do not require replacement.

4.1.8.3. Sale of excess stock fund and procurement of secondary items from stock.

4.1.8.4. Charges for unfunded civilian retirement costs.

4.1.9. Account 3210. General fund proprietary receipts not otherwise classified. The Military Departments must use this account for proprietary receipts not otherwise classified (as cited above). Defense Agencies must use this account for proprietary receipts not allowed to be reported as indicated in subparagraphs 5.1.1 through 5.1.7. Receipts in this account must be maintained and reported for budget purposes in sub-categories as follows:

4.1.9.1. Freedom of Information Act charges.

4.1.9.2. Sales of surplus real property (excluding Account 2621).

4.1.9.3. Sales of materials, equipment, and other personal property (excluding Account 2641).

4.1.9.4. Interest on loans.

4.1.9.5. Repayment of loans.

4.1.9.6. Royalties on patents, trademarks, and copyrights.

4.1.9.7. Rent of real property.

4.1.9.8. Rent of equipment and other personal property (excluding Account 1840).

4.1.9.9. Sale of power and utilities.

4.1.9.10. For Defense Agencies:

4.1.9.10.1. Sale of publications and reproductions not otherwise classified (similar to Account 2259).

4.1.9.10.2. Fees and other charges for communications and transportation services, not otherwise classified (similar to Account 2429).

4.1.9.10.3. Proceeds from the sale of equipment and other personal property, not otherwise classified.

4.1.9.10.4. Recoveries for government property, lost or damaged, not otherwise classified (similar to Account 3019).

4.2 Budget Clearing Account (Suspense)

Offsetting receipts that are not readily classified into established categories must be temporarily accounted for in the Budget Clearing Account (suspense), F3875. All efforts must be made to identify and clear out suspense accounts and record these receipts properly into the applicable categories listed above within 60 calendar days as discussed in Volume 5 Chapter 11 and Volume 5 Chapter 24.

4.3 Depositing Offsetting Receipts

All offsetting receipts must be recorded immediately upon receipt and deposited with the Department of the Treasury as soon as practicable. Any delays in borrowing or deposit preclude the use of the funds by the Treasury Department to benefit the U.S. Government through the avoidance of interest expense.

4.4 Reporting Offsetting Receipts

4.4.1. Offsetting receipt amounts reported by DoD Components must agree with the collections credited to receipt accounts maintained by the Department of the Treasury. Those DoD Components that prepare consolidated reports must obtain the required information from applicable organizations and ensure that the amounts reported are in agreement with balances reflected by the Department of the Treasury.

* 4.4.2. FMS Form 1220. Actual offsetting receipts must be reported on a monthly basis on FMS Form 1220, "Statement of Transactions According to Appropriations, Funds and *Receipt Accounts"* in accordance with the TFX as prescribed in Volume 6A Chapter 3.

* 4.4.3. SF-133 Report. Unless required by OMB, do not submit SF-133 reports for deposit funds, receipt accounts (including clearing accounts and suspense accounts), and closed Treasury Appropriation Fund Symbol (TAFS) (TAFS with canceled balances). Distributed offsetting receipts credited to Components must be included in the SBR. Undistributed offsetting receipts credited to the government-wide outlay totals should not be included in the SBR.

4.4.3.1. The SF-133 report is divided into four sections - Budgetary Resources; SBR; Change in Obligated Balance; and Budget Authority and Outlays, Net. Procedures on monthly budget execution reporting are prescribed in Volume 6A Chapter 4, "Reporting Policy and Procedures." Submit these reports on a monthly basis to the Director for the OUSD(C) Program and Budget (P/B). Offsetting receipt amounts reported on these reports must equal the amounts deposited with the U.S. Treasury.

4.4.3.2. Submit a separate SF-133 report for each group of offsetting receipt accounts as part of the basic appropriation report. Separate SF-133 reports are required for Federal

funds and trust funds requires under each of the functional groups: "Military Functions," "Civil Functions" and "Military Assistance."

4.4.3.3. Separate SF-133 reports are required within any of the foregoing groups if the receipts consist of more than one of the following categories:

4.4.3.3.1. Proprietary receipts from the public (P).

4.4.3.3.2. Interfund receipts (ID).

4.4.3.3.3. Federal intrafund receipts (IF) including those receipts in Budget Clearing Account (suspense), F3885.

4.5 Proprietary and Budgetary General Ledgers

4.5.1. Offsetting receipts must be recorded in the proprietary and budgetary general ledgers.

4.5.2. Volume 3 "Budget Execution-Availability and Use of Budgetary Resources," Chapter 15 and Volume 4 "Accounting Policy and Procedures" Chapters 2, 16, and 19 prescribe the general ledger accounts to be used in recording offsetting receipts.

4.5.3. Source documents for the general ledger entries include cash collection vouchers, sales slips, rental receipts, and journal vouchers.

5.0 USE OF ACCOUNTING DATA FOR BUDGET SUBMISSIONS

5.1 Budgeting Requirements

Budgeting requirements are established by OMB Circular No. A-11 and Volume 2A and Volume 2B, "Budget Formulation and Presentation."

5.2 Receipt Accounts

Offsetting receipts deposited in receipt accounts are deducted as offsets to outlays and against budget authority at sub-function and agency levels. For instance, sub-function 051, "Department of Defense, Military," is the level at which proprietary receipts from the public are deducted from the Department's budget authority and outlays in arriving at total DoD Federal Funds in the budget.

5.3 Accuracy and Timeliness

The accuracy and timeliness of recording and reporting offsetting receipts and outlays are critical in the budget preparation process. Actual receipts for the prior year are reported in the budget submissions and are used as the basis for projecting estimates for the budget out-years.

VOLUME 11A, CHAPTER 18: "NON-ECONOMY ACT ORDERS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated January 2020 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
1.2.1	Revised reference from Title 10 United States Code (U.S.C.) Section 2410a to 10 U.S.C. Section 3133.	Revision
4.2.3	Removed the expired G-Invoicing requirement date.	Revision

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CHAPTER 18

NON-ECONOMY ACT ORDERS

1.0 GENERAL

1.1 Purpose

This chapter prescribes the financial management policy applicable to orders placed for goods or services from non-Department of Defense (DoD) Federal agencies under statutory authorities other than the Economy Act authority provided in ***31 U.S.C. § 1535***. These orders are referred to as non-Economy Act orders. Chapter 1 provides overall guidance and discussion of general reimbursement procedures and supporting documentation.

1.2 Authoritative Guidance

* 1.2.1. ***10 U.S.C. § 3133***: "Contracts for periods crossing fiscal years: severable service contracts; leases of real or personal property" provides statutory authority for the aforementioned contracts.

1.2.2. ***31 U.S.C. § 1502***: "Balances available" stipulates the bona fide needs rule.

1.2.3. Federal Acquisition Regulation ***(FAR) Part 7***, "Acquisition Planning," provides Federal-wide acquisition policy and procedures related to acquisition planning.

1.2.4. ***FAR Subpart 17.5***, "Interagency Acquisitions," and ***FAR Subpart 17.7***, "Interagency Acquisitions: Acquisitions by Non-Defense Agencies on Behalf of the Department of Defense," prescribe Federal-wide acquisition policy involving interagency acquisitions.

1.2.5. ***DoD Instruction 4000.19***, "DoD Agreements," establishes policy, assigns responsibilities, and provides direction for agreements within the DoD and between DoD and non-DoD entities.

* 1.2.6. The Treasury Financial Manual (TFM) Volume I, Part 2, Chapter 4700, ***1 TFM 2-4700***, Section 4750 "Intragovernmental Quarterly and Year-End Requirements."

1.2.7. Defense Federal Acquisition Regulation Supplement ***(DFARS) Subpart 217.5***, "Interagency Acquisitions," and ***DFARS Subpart 217.7***, "Interagency Acquisitions: Acquisitions by Non-Defense Agencies on Behalf of the Department of Defense," prescribe specific additional DoD acquisition policy involving interagency acquisitions.

2.0 DEFINITIONS

2.1 Assisted Acquisition

FAR Subpart 2.1 defines an assisted acquisition as a type of interagency acquisition where a servicing agency performs acquisition activities on a requesting agency's behalf, such as awarding and administering a contract, task order, or delivery order. DFARS 217.701 defines assisted acquisition similarly as the type of interagency contracting through which acquisition officials of a non-DoD agency award a contract, task, or delivery order for the acquisition of supplies or services on behalf of DoD.

2.2 Direct Acquisition

Per FAR Subpart 2.1, a direct acquisition is a type of interagency acquisition where a requesting agency places an order directly against a servicing agency's indefinite-delivery contract. The servicing agency manages the indefinite-delivery contract but does not participate in the placement or administration of an order. DFARS 217.701 defines direct acquisition as a type of interagency contracting through which the DoD orders a supply or service from a Government-wide acquisition contract maintained by a non-DoD agency.

2.3 Interagency Acquisition

As defined in FAR Subpart 2.1, an interagency acquisition is an action by which an agency needing supplies or services (the requesting agency) obtains them from another agency (the servicing agency) by an assisted acquisition or a direct acquisition. The term includes acquisitions under the Economy Act (31 U.S.C. § 1535) and non-Economy Act acquisitions completed under other statutory authorities.

2.4 Multiple Year Appropriation

As used in this chapter, a multiple-year appropriation means an appropriation that is available for obligation for a definite period of time over one fiscal year.

2.5 Non-Severable Service

A non-severable service represents a single undertaking that cannot be feasibly subdivided. If the service produces a single or unified outcome, product, or report, the service is considered non-severable.

2.6 Requesting Agency

The requesting agency is defined in FAR Subpart 2.1 as the agency that has the requirement for an interagency acquisition.

2.7 Servicing Agency

The servicing agency is defined in FAR Subpart 2.1 as the agency that will conduct an assisted acquisition on behalf of the requesting agency.

2.8 Severable Service

A severable service represents a service that is continuing and recurring in nature where the agency realizes a benefit at the time that the service is provided even if the contract has not been performed to completion. A service is considered severable if it can be separated into a component that independently provides value to meet an agency's needs.

2.9 Trading Partner

A trading partner is defined as a Federal entity that is a party to intragovernmental transactions with another Federal entity. This includes transactions between DoD Components and transactions between DoD Components and other non-DoD Federal entities.

3.0 LEGAL AUTHORITY

3.1 Statutory Conditions on Use

3.1.1. Specific statutory authority is required to place a non-Economy Act order with a non-DoD agency for goods or services and to pay the associated cost. If specific statutory authority does not exist, the default is the Economy Act which is discussed in Chapter 3.

3.1.2. The more commonly used non-Economy Act authorities include, but are not limited to:

3.1.2.1. Acquisition Services Fund. The Acquisition Services Fund was established by the ***General Services Administration Modernization Act*** which merged the General Supply Fund and the Information Technology Fund to carry out functions related to the uses of the Acquisition Services Fund including any functions previously carried out by the Federal Supply Service and the Federal Technology Service managed by the General Service Administration (GSA).

3.1.2.2. Franchise Funds. Franchise Funds were first established by the ***Government Management Reform Act of 1994*** to provide common administrative support services on a competitive and fee basis.

3.2 Justification

Non-Economy Act orders may be placed with a non-DoD Federal agency for goods or services if:

3.2.1. Proper funds are available;

3.2.2. The order does not conflict with another agency's designated responsibilities (e.g., real property lease agreements with GSA);

3.2.3. The requesting agency or unit determines the order is in the best interest of DoD; and

3.2.4. The performing agency is able and authorized to provide the ordered goods or services.

3.3 Simplified Acquisition Threshold

Non-Economy Act orders greater than the simplified acquisition threshold must comply with FAR Part 7 and established DoD Components' procedures for the proper use of non-DoD contracts. The "Non-Economy Act Acquisition Package Checklist" provided in Figure 18-1 and the list of "Requesting Official Responsibilities" in Figure 18-2 will assist in ensuring that statute, policy, and regulation are complied with under non-Economy Act orders.

3.4 Prohibitions

Non-Economy Act orders may not be used to violate provisions of law or accomplish what regulations do not permit under commercial contracts or circumvent conditions and limitations imposed on the use of funds including extending the period of availability of the cited funds.

4.0 INITIATING A NON-ECONOMY ACT ORDER

4.1 Ordering Procedures and Requirements

4.1.1. FAR Subpart 7.5, FAR Subpart 7.7, DFARS Subpart 217.5, and DFARS Subpart 217.7 address the procedures that apply to all interagency acquisitions. A non-Economy Act order must comply with the documentation standards in Chapter 1 and be supported with the items identified in Figure 18-1.

4.1.2. Non-Economy Act orders must include:

4.1.2.1. A firm, clear, specific, and complete description of the goods or services ordered. The use of generic descriptions is not acceptable;

4.1.2.2. Specific performance or delivery requirements;

4.1.2.3. A proper fund citation;

4.1.2.4. Payment terms and conditions (e.g., direct cite or reimbursement, and specific appropriation or law authorizing advanced payments);

4.1.2.5. A specific non-Economy Act statutory authority citation such as those referenced in paragraph 3.1;

4.1.2.6. The following statement on funding documents for severable services: "These funds are available for severable service requirements crossing fiscal years for a period not to exceed one year, where the period of any resultant contract for services commences this fiscal year. All funds not placed on contract this fiscal year must be returned promptly to the ordering activity, but no later than one year after the acceptance of the order or upon completion of the order, whichever is earlier.";

4.1.2.7. The following statement on funding documents for goods or non-severable services: "I certify that the goods or non-severable services to be acquired under this agreement are the necessary expense of the appropriation charged and represent a bona fide need of the fiscal year in which these funds are obligated."; and

4.1.2.8. DoD Activity Address Code (DODAAC)

4.2 Treasury Guidance

4.2.1. The TFM Volume I, Part 2, Chapter 4700, Section 4750, "Intragovernmental Quarterly and Year-End Requirements," discusses the requirements necessary to properly report intragovernmental transactions resulting from business activities (i.e., buy/sell transactions) between two Federal government entities, called trading partners. It further references the Intragovernmental Transaction Guide (Appendix 5) as containing the business rules and processes to properly record, report, and reconcile intragovernmental transactions, including the processes for dispute resolution.

4.2.2. The standard Interagency Agreement contains two Fiscal Service (FS) Forms: ***FS Form 7600A***, General Terms and Conditions (GT&C) and ***FS Form 7600B***, Order Form. (See form instructions at ***Instructions for FS Form 7600A***, and ***Instructions for FS Form 7600B*** respectively.) Treasury has mandated the use of these two forms to ensure the proper recording and reporting on intragovernmental buy/sell transactions, and to eliminate the Federal-wide reporting deficiencies impacting the Financial Report of the U.S. Government. Accordingly, all DoD Components must use the latest published versions of FS Forms 7600A/B when completing a non-Economy Act order and these must comply with the Federal Intragovernmental Data Standards when using the ***Treasury's G-Invoicing*** system, DoD Ordering systems, Enterprise Resource Planning (ERP) systems, or when completing the FS Forms 7600 A/B manually. Until DoD Ordering Systems and ERP systems are capable of processing the FS Form 7600B, DoD trading partners must continue to accept the current order forms (e.g., ***DoD (DD) Form 448***, Military Interdepartmental Purchase Request). Individual orders must be placed against an FS Form 7600A.

* 4.2.3. The Treasury's G-Invoicing system must be used to negotiate, broker, and electronically store the GT&Cs and associated transactions between buyers and sellers for all inter- and intragovernmental reimbursable transactions as appropriate system capabilities come online for individual DoD Components. In instances where G-Invoicing is not available, such as

remote deployments or other austere conditions, DoD Components must use hardcopies of FS Forms 7600A/B. DoD Components must establish internal policies and procedures for designating signature authority for GT&Cs.

4.2.4. The requesting scope of work on the FS Form 7600A must cover relatively broad categories of goods or services when feasible. When the systems capability becomes available to accept the FS Form 7600B within DoD Ordering Systems or ERPs, the FS Form 7600B must discretely define the goods or services for each order. When practical and legally permissible, the agreement period on the FS Form 7600A must cover multiple years.

4.3 Best Interest Determination

4.3.1. Each requirement must be evaluated in accordance with DoD Components' procedures to ensure that non-Economy Act orders are in the best interest of DoD.

4.3.2. Factors to consider include:

4.3.2.1. Satisfying customer requirements;

4.3.2.2. Schedule, performance, and delivery requirements;

4.3.2.3. Cost effectiveness, considering the discounts and fees; and

4.3.2.4. Contract administration, to include oversight.

5.0 FISCAL POLICY

5.1 Specific, Definite, and Certain

For non-Economy Act orders greater than the simplified acquisition threshold, the requesting official must provide:

5.1.1. Evidence of market research and acquisition planning;

5.1.2. A statement of work that is specific, definite, and certain both as to the work encompassed by the order and the terms of the order itself; and

5.1.3. Unique terms, conditions, and requirements to comply with applicable DoD-unique statutes, regulations, directives, and other requirements.

5.2 Contracting Officer Review

All non-Economy Act orders greater than $500,000 must be reviewed by a DoD-warranted Contracting Officer prior to sending the order to the funds certifier or issuing the FS Forms 7600A/B to the non-DoD activity. In addition to the review by the Contracting

Officer, the requesting official must further review the acquisition package to ensure compliance with the FAR Part 7, and the DoD Component's procedures.

5.3 Certification of Funds

Non-Economy Act orders are subject to the same fiscal limitations that are contained within the appropriation from which they are funded. Because the servicing entity may not be aware of all the appropriation limitations, the DoD requesting official must certify that the funds cited on the order are available, meet time limitations, and are for the purpose designated by the appropriation.

5.4 Bona Fide Need

The bona fide needs rule (31 U.S.C. § 1502) provides that an appropriation or fund limited for the obligation to a definite period is available only for payment of expenses properly incurred during the period of availability or to complete contracts properly made within that period of availability. Non-Economy Act reimbursable orders of DoD Components for supplies, material, services, or equipment placed with non-DoD agencies are subject to policies that, in practical effect, make them subject to obligational standards used for Economy Act reimbursable orders. Non-Economy Act orders citing an annual or multiple-year appropriation must serve a bona fide need arising, or existing, in the fiscal year(s) for which the appropriation is available for new obligations. Otherwise, a valid obligation is not accomplished. An interagency agreement may not be used in the last days of the fiscal year solely to prevent funds from expiring or to keep them available for a requirement arising in the following fiscal year. Bona fide need generally is a determination of the requesting agency and not that of the servicing activity. A servicing agency must, however, refuse to accept a non-Economy Act order if it is obvious that the order does not serve a need existing in the fiscal year for which the appropriation is available.

5.5 Obligation

5.5.1. The provisions of ***31 U.S.C. § 1501*** govern the recording of the obligation.

5.5.2. An amount must be recorded as an obligation only when supported by documentary evidence meeting all the following criteria:

5.5.2.1. Binding agreement (funding vehicle) between an agency and another person (including an agency);

5.5.2.2. Agreement is in writing using FS Form 7600A;

5.5.2.3. For a purpose authorized by law;

5.5.2.4. Serves a bona fide need arising, or existing, in the fiscal year or years for which the appropriation is available for obligation;

5.5.2.5. Executed before the end of the period of availability for the new obligation of the appropriation or fund used; and

5.5.2.6. Provides for specific goods to be delivered, real property to be bought or leased, or specific services to be supplied.

5.6 Deobligation of funding under non-Economy Act orders

5.6.1. Goods. Funds provided to a performing agency for ordered goods where the funds period of availability thereafter has expired must be deobligated and returned by the performing agency unless the request for goods was made during the period of availability of the funds and the item(s) could not be delivered within the funds period of availability because of delivery, production or manufacturing lead time, or unforeseen delays that are out of the control and not previously contemplated by the contracting parties at the time of contracting.

5.6.1.1. Where materials cannot be obtained in the same fiscal year in which they are needed and contracted for, provisions for delivery in the subsequent fiscal year do not violate the bona fide need rule as long as the time intervening between contracting, and delivery is not excessive, and the procurement is not for standard commercial off the shelf items readily available from other sources.

5.6.1.2. The delivery of goods may not be specified to occur in the year subsequent to funds availability unless delivery meets the exceptions cited in subparagraph 5.6.1.1 and a justifiable bona fide need exists in the year funds are available for obligation.

5.6.2. Severable Services. An agreement for severable services that are continuing and recurring in nature and provide DoD a benefit each time the service is performed (e.g., maintenance and repair services, scientific, engineering, and technical services) is based on statutory authority other than the Economy Act. The provisions of 10 U.S.C. § 3133 permit the performance of severable services to begin in one fiscal year and end in the next provided the period of performance does not exceed one year. A non-DoD Federal agency may rely on this authority to fill a DoD order funded with fiscal year appropriations to issue a contract for severable services that crosses fiscal years as long as the contract period commences during the period of availability of the DoD customer appropriation. Obligating funds for placing a non-Economy act order with a non-DoD Federal agency, where the resultant fixed-length severable services contract awarded by the non-DoD Federal agency will exceed the one-year limit outlined in 10 U.S.C. § 3133, or which is not to commence until a subsequent fiscal year, may result in an Antideficiency violation under ***31 U.S.C. § 1341***.

5.6.2.1. The performance of severable services must begin during funds period of availability and may not exceed one year.

5.6.2.2. Annual appropriations provided to a performing agency that have expired must be deobligated unless the performance of the services requested began during the funds period of availability and the period of performance does not exceed one year.

5.6.2.3. The annual appropriation from the earlier fiscal year may be used to fund the entire cost of the one-year period of performance; however, annual appropriations may not be used to enter into a severable services agreement where the period of performance for services requested is entirely in the following fiscal year.

5.6.2.4. In no instance may the period of performance extend beyond September 30 of the subsequent year for services funded with annual appropriations.

5.6.3. Non-Severable Services. Non-severable services contracts must be funded entirely with appropriations available for new obligations at the time the contract is awarded, and the period of performance may extend across fiscal years. Funds provided to a performing agency that become excess must be deobligated as identified.

5.6.4. Excess or Expired Funds. Activities must reconcile all obligations and remaining funds available for orders. The purpose of this reconciliation is to ensure the proper use of funds and to identify and coordinate the return of expired or excess funds. Excess or expired funds must be returned by the performing agency and deobligated by the requesting agency to the extent that the performing agency or unit filling the order has not (1) provided the goods or services (or incurred actual expenses in providing the goods or services), or (2) entered into a contract with another entity to provide the requested goods or services before the end of the period of availability (fiscal year or multiple year period, as applicable) of the appropriation of the requesting or ordering agency. Expired funds must not be available for new obligations.

5.7 Payment Procedures

5.7.1. Payment must be made promptly upon the written request (or billing) of the performing agency. The payment due date must not be more than 30 calendar days from the date of the invoice. Unless the DoD Component is specifically authorized by law, legislative action, or Presidential authorization, funds are not to be advanced to non-DoD Federal entities or be used to pay for advance billings without the receipt of goods or services. Volume 4, Chapter 5 covers the conditions and requirements related to advances and prepayments. For those few exceptions where DoD is specifically authorized by a specific appropriation or law to advance funds, cite the specific appropriation or law authorizing the advance on the obligating and/or interagency agreement documents and orders, and collect any unused amounts of the advance from the performing agency immediately and return to the fund from which originally made.

5.7.2. The requesting official must be fully aware of the non-DoD Federal agency's billing practices and methods. The official must also take appropriate action to ensure DoD funds are not disbursed in advance of contract performance. Additionally, DoD Components must work with their servicing disbursement sites to ensure trading partner agreements restrict other Federal agencies' ability to withdraw funds prior to the delivery of goods or performance of services.

5.7.3. Payments made for services rendered or goods furnished may be credited to the appropriation or fund of the Federal agency performing the reimbursable work.

5.7.4. Volume 10, Chapter 10 contains the DoD policy for executing intragovernmental payments.

6.0 NON-ECONOMY ACT ORDER FOLLOW-UP PROCEDURES

6.1 Non-Economy Act Order Oversight

6.1.1. The requesting official must establish quality surveillance plans, for non-Economy Act orders greater than the simplified acquisition threshold and ensure execution that would facilitate the oversight of the goods provided or services performed by the performing agency.

6.1.2. The plans must include:

6.1.2.1. Contract administration oversight in accordance with the surveillance plan;

6.1.2.2. Processes for receipt and review of receiving reports and invoices from the performing agency;

6.1.2.3. Reconciliation of receiving reports and invoices; and

6.1.2.4. Requirements for documenting acceptance of the goods received or services performed.

6.2 Requesting Official Must Monitor Fund Status

6.2.1. Monitor balances with the performing agency;

6.2.2. Conduct Dormant Account Review Quarterly (DAR-Q) of non-Economy Act orders in accordance with Volume 3, Chapter 8 and include a specific attestation on the DAR-Q that all existing interagency agreements are consistent with DoD policy;

6.2.3. Confirm open balances with the performing agency;

6.2.4. Coordinate the return of funds from the non-DoD performing agency in accordance with paragraph 5.6; and

6.2.5. Coordinate with the accounting office to ensure timely deobligation of funds.

6.3 Non-Economy Act Order Close-Out

6.3.1. All non-Economy Act orders must be reviewed by the requesting official to determine if they are complete. Completed orders must be fiscally closed out. The requesting official must reconcile funds and coordinate the return of excess or expired funds held by the performing agency.

6.3.2. As part of this review, the requesting official will:

6.3.2.1. Identify and determine if there are outstanding invoices;

6.3.2.2. Identify and determine the existence of excess or expired funds;

6.3.2.3. Coordinate the return of funds from the non-DoD performing agency in accordance with paragraph 5.6; and

6.3.2.4. Coordinate with the accounting office to ensure the deobligation of funds.

6.4 Reconciliation and Elimination of Intragovernmental Transactions

Volume 6B, Chapter 13 contains DoD policy and guidance for adjustments, eliminations, and other special intragovernmental reconciliation procedures.

Figure 18-1. Non-Economy Act Acquisition Package Checklist

A. Documented evidence of market research and acquisition planning performed.

B. Package includes a specific, definite, and concise statement of work documenting a bona fide need in the fiscal year that the funds are available for new obligations.

C. Package includes specific performance and/or delivery requirements.

D. Package identifies the statutory authority permitting the performing agency to support the DoD Component for the goods/services required.

E. Package includes the purchase request number and the DODAAC.

F. Package includes written justification for the non-Economy Act order in accordance with DFARS Subpart 217.7 and the DoD Components' procedures.

G. Package documents review of fees/surcharges/contract administration/discounts to ensure the cost is reasonable and consistent with task to be accomplished by performing agency.

H. Package includes specific statutory authority authorizing advance payment or billing.

I. Package documents evidence that DoD competition requirements were followed in accordance with DFARS.

J. Order identifies DoD unique terms & conditions to the performing agency.

K. Order identifies unique reporting requirements not otherwise specified to the performing agency.

Figure 18-2. Requesting Official Responsibilities

A. Market Research

B. Acquisition Planning

C. Independent Government Cost Estimate

D. Statement of Work to include evaluation criteria

E. Ensure receipt and compliance of FS Forms 7600A/B acceptance

F. Assist in Technical Evaluation

G. Quality Assurance Plan
1. Contracting Officer Representative/Contracting Officer Technical Representative - Receiving Reports/Invoices - Inspection & Acceptance
2. Contract Data Requirements List Procedural/Required Reports/Deliverables Report/Contract Performance
3. Property/Equipment Management
4. Perform Contract Oversight

H. Funds Management/Record Keeping
1. Draw Down
2. Contract Reconciliation
3. Initiate Deobligation
4. Oversight of Billing/Reporting

I. Update all Points of Contact as necessary throughout acquisition

VOLUME 11A, CHAPTER 19: "DEFENSE SUPPORT OF CIVIL AUTHORITIES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated July 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
1.1	Added an Overview section	Addition
1.3	Moved Reference Hyperlinks into the Authoritative Guidance	Revision
2.0.10	Added definition for "Request for Assistance"	Addition
Addendum 1 (previous version)	Removed Addendum 1, Generalized Financial Flow - Notional	Deletion
Addendum 2 (previous version)	Removed Addendum 2, Reimbursable Authority Closure Certification (Completed by Unit)	Deletion

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CHAPTER 19

DEFENSE SUPPORT OF CIVIL AUTHORITIES

1.0 GENERAL

*1.1 Overview

The Department of Defense (DoD) has several key missions, including defending the homeland and supporting civil authorities. In certain cases, national defense resources might be provided to assist civil authorities during disasters, emergencies, or other incidents. The Defense Support of Civil Authorities (DSCA) is typically initiated by a request from a Primary Agency (PA) like the Federal Emergency Management Agency (FEMA). According to DoD policy, DSCA begins with a request from civil authorities or authorized entities, or as directed by the President or Secretary of Defense (SecDef). All DSCA support requests, except for Immediate Response Authority (IRA), must be in writing and include an agreement to reimburse DoD as per ***Title 42, United States Code (U.S.C.), Sections 5121-5208*** (42 U.S.C. §§ 5121-5208) (Robert T. Stafford Disaster Relief and Emergency Assistance Act, (commonly called the "Stafford Act"), ***31 U.S.C. § 1535*** (commonly called the "Economy Act"), or other applicable laws. DoD can allocate resources upon approval from SecDef or direction from the President.

1.2 Purpose

This chapter outlines financial guidelines for identifying, recording, reporting, and securing reimbursement for expenses incurred by the DoD while providing DSCA under existing laws and policies. DSCA encompasses assistance provided by the United States (U.S.) Federal military forces, DoD civilian employees, DoD contractors, heads of organizational entities within the DoD (hereafter referred to collectively as "DoD Components") assets, and National Guard forces when the SecDef, collaborating with the governors of impacted States, decides to use these forces. These decisions are generally in response to civil authorities' requests for domestic emergency support, law enforcement assistance, other domestic activities, or qualifying entities seeking aid for special events. (DoD Directive ***(DoDD) 3025.18***).

*1.3 Authoritative Guidance

1.3.1. ***Public Law No: 99-177***, "Balanced Budget and Emergency Deficit Control Act,"

1.3.2. ***6 U.S.C. § 314***, "Federal Emergency Management Agency,"

1.3.3. 31 U.S.C. § 1535, "Agency Agreements,"

1.3.4. ***31 U.S.C. § 9701***, "Fees and Charges for Government Services and Things of Value,"

1.3.5. 42 U.S.C. §§ 5121 – 5208, "Disaster Relief,"

1.3.6. ***44 Code of Federal Regulations, part 206.8***, "Reimbursement of Other Federal Agencies,"

1.3.7. ***DoD Instruction (DoDI) 5015.02***, "DoD Records Management Program,"

1.3.8. DoDD 3025.18, "Defense Support of Civil Authorities," and

1.3.9. ***DoD Manual 3025-1***, "Manual for Civil Emergencies."

2.0 DEFINITIONS

Unless otherwise noted, these terms and their definitions are for the purposes of this chapter.

2.0.1. Defense Coordinating Officer (DCO). A DoD single point of contact for domestic emergencies. Assigned to a joint field office to process requirements for military support, forward MAs through proper channels, and assign military liaisons as appropriate to activated emergency support functions. (Joint Publication 1-06).

2.0.2. Defense Support of Civil Authorities. Support provided by U.S. Federal military forces, DoD civilians, DoD contract personnel, DoD component assets, and National Guard forces (when SecDef, in coordination with the governors of the affected States, elects and requests to use those forces in Title 32, U.S.C., status) in response to requests for assistance from civil authorities for domestic emergencies, law enforcement support, and other domestic activities, or from qualifying entities for special events. Also known as civil support. (DoDD 3025.18).

2.0.3. Emergency. Any incident, whether natural or manmade, that requires responsive action to protect life or property. Under the Stafford Act, an emergency means any occasion or instance for which, in the determination of the President, Federal assistance is needed to supplement State and local efforts and capabilities to save lives and to protect property and public health and safety, or to lessen or avert the threat of a catastrophe in any part of the U.S. (42 U.S.C. § 5122).

2.0.4. Immediate Response Authority. A Federal military commander's, DoD Component Head's, and/or responsible DoD civilian official's authority temporarily to employ resources under their control, subject to any supplemental direction provided by higher headquarters. Those resources are provided to save lives, prevent human suffering, or mitigate great property damage. This is typically in response to a request for assistance from a civil authority, under imminently serious conditions when time does not permit approval from a higher authority within the U.S. IRA does not permit actions that would subject civilians to the use of military power that is regulatory, prescriptive, proscriptive, or compulsory. (DoDD 3025.18).

2.0.5. National Response Framework (NRF). This framework provides the principles by which response partners are to apply when providing a unified national response to disasters and emergencies. It defines the key principles, roles, and structures by which communities, tribes, States, the Federal Government, and private-sector and nongovernmental partners apply these

principles for a coordinated, effective national response. The NRF is always in effect and can be implemented at any level at any time. (***FEMA National Response Framework***).

2.0.6. Mission Assignment. The mechanism used by FEMA to support Federal operations in a Stafford Act major disaster or emergency declaration. The MA orders immediate, short-term emergency response assistance when an applicable State or local government is overwhelmed by the event and lacks the capability to perform, or contract for, the necessary work.

2.0.7. Primary Agency. Also known as Primary Federal Agency or Lead Federal Agency, is a Federal agency with significant authorities, roles, resources, or capabilities for a particular function within an Emergency Support Function (ESF). A Federal agency designated as an ESF PA serves as a Federal Executive agent under the Federal Coordinating Officer (FCO) (or Federal Resource Coordinator for non-Stafford Act incidents) to accomplish the ESF mission.

2.0.8. Principal Federal Official. In Homeland Security Presidential Directive (HSPD)-5 "Management of Domestic Incidents," the President designated the Secretary of Homeland Security as the "principal Federal official" for domestic incident management and empowered the Secretary to coordinate Federal resources used in the prevention of, preparation for, response to, or recovery from terrorist attacks, major disasters, and other emergencies, except for law enforcement responsibilities otherwise reserved to the Attorney General under HSPD-5.

2.0.9. Reimbursable Budget Authority (RBA) (also called reimbursable obligation authority). Authority to incur obligations in accomplishing reimbursable work if a budgetary resource—either a reimbursable agreement from a federal customer or an advance from a non-Federal customer—is also available. This authority can be acquired only by obtaining an allotment through the FCO using an approved funding program process.

* 2.0.10. Request for Assistance (RFA). A formal request submitted by a civil authority, like a state governor or a designated federal agency, to the Department of Defense for military assistance. This assistance is needed to respond to a specific emergency or situation where civilian capabilities have been overwhelmed or are insufficient.

3.0 RESPONSIBILITIES

3.0.1. Key DoD participants in DSCA activities mentioned in this chapter include, but are not limited to, the SecDef, Under Secretary of Defense for Policy (USD(P)), Under Secretary of Defense (Comptroller) (USD(C)), Chairman Joint Chiefs of Staff (CJCS), Commanders of Combatant Commands (CCDRs), Joint Staff (JS), and DoD Components and agencies.

3.0.2. The SecDef holds the top authority over the DoD and advises the President on DSCA matters. SecDef approves the use of forces, personnel, units, and equipment; oversees policy and actions for DSCA during domestic incidents; and has sole authority to waive reimbursement for DoD support.

3.0.3. The USD(C)/Chief Financial Officer sets policies and guidelines to ensure timely reimbursement to DoD for DSCA activities.

3.0.4. DoD Components ensure adherence to FM guidance for DSCA operations, including cost tracking and reimbursement; and plan, program, and budget for associated DSCA capabilities as per law, policy, and assigned missions.

3.0.5. The Secretaries of the Military Departments require that reimbursement requests for actual DSCA expenditures (including work performed, contractor payments, or inventory deliveries) start within 30 calendar days after the month when the performance took place. Final billing invoices must be sent to the supported departments and agencies within 90 calendar days following the last billable event.

3.0.6. The Chief, National Guard Bureau (CNGB), under the authority, direction, and control of SecDef and the Secretaries of the Army and Air Force, reports the use of National Guard assets for DSCA when using Federal resources, equipment, and/or funding to the National Joint Operations and Intelligence Center. CNGB will ensure that the National Guard appropriations are appropriately reimbursed for DSCA activities.

3.0.7. The JS allocates resources for DSCA requests and issues execute orders (EXORDs) to the responsible CCDR to carry out SecDef-approved actions.

3.0.8. The Assistant Secretary of Defense for Homeland Defense and Global Security (ASD(HD&GS)) advises SecDef and USD(P) on DSCA, coordinates policy with federal agencies and DoD Components, and recommends DSCA policy to USD(P). The ASD(HD&GS) ensures all requests for DoD assistance include reimbursement provisions and works with USD(C), JS, and CCDRs to ensure reimbursements are made and reported to SecDef.

3.0.9. CCDRs with DSCA responsibilities must collaborate with subordinate commands to ensure proper reimbursement for DSCA. They provide command and control of DoD personnel and resources coordinating DSCA operations as directed by SecDef.

3.1 Financial Management Augmentation Team (FMAT)

The supported CCDR may form an FMAT to aid in performing FM responsibilities during DSCA operations. The FMAT is composed of experienced FM experts from each Service and major Defense Agency. Under the CCDR's oversight of DSCA activities, aspects of the FMAT can be engaged in real-world events. FMAT members facilitate communication with their respective Services and Agencies and assist in integrating DSCA FM processes into existing financial procedures and policies. Additionally, Military Services and Agencies will designate an FMAT Office in writing and FMAT members take part in training and exercises with the supported Combatant Command.

3.2 Federal Emergency Management Agency

The Secretary of Homeland Security serves as the primary Federal authority for managing domestic incidents. According to 6 U.S.C. § 314, the Administrator of FEMA is tasked with overseeing the Federal assistance programs under the Stafford Act. FEMA requests assistance through Mission Assignments (***Form 010-0-8 Mission Assignment Form***). These MAs must

include necessary details on funding and other management controls, like funding obligation limits, for the requested support. FEMA is responsible for coordinating federal plans and responses to civil emergencies at both national and regional levels and for providing federal assistance to states during such emergencies. Under the Stafford Act, the President may instruct any federal agency to use its legal authorities and resources, with or without reimbursement, to support state and local emergency and disaster response efforts. An RFA is only valid once approved by SecDef. RFAs from FEMA are also known as mission assignments (MAs), though they do not have a directive effect until SecDef's approval.

3.3 DSCA New Requests

The PA uses an RFA or FEMA MA to request goods or services from DoD for DSCA under the Economy Act or Stafford Act. DSCA is typically provided on a cost-reimbursable basis unless directed otherwise by the President or waived by SecDef.

3.4 Immediate Response Authority Support

Support under IRA must be cost reimbursable when appropriate or legally required but must not be delayed or denied due to the requester's inability or unwillingness to commit to reimbursement. Oral emergency requests must be followed by a written request with an offer to reimburse the DoD as soon as possible. IRA support will end when the need is no longer present or when the approving DoD official or a higher authority directs it (DoDD 3025.18).

4.0 GENERAL ACCOUNTING GUIDANCE

DSCA is provided on a cost-reimbursable basis. Exceptions include cases where the law mandates or allows non-reimbursable support, pending approval by the appropriate DoD official. Requests for DSCA can be submitted under the Stafford Act or other conditions.

4.1 Stafford Act

4.1.1. The Stafford Act grants the President the authority to direct the SecDef to use DoD resources to aid state and local governments in addressing emergencies and major disasters. A Governor can seek Federal assistance under this act. Once the request is submitted and meets the certification requirements outlined in the Stafford Act, the President has the discretion to declare an emergency or a major disaster.

4.1.2. The Stafford Act establishes a system for emergency preparedness to safeguard life and property in the U.S., distributing disaster assistance responsibilities among federal, state, and local governments. FEMA is primarily responsible for domestic disaster relief efforts and manages aid under the Stafford Act. Federal departments and agencies, including the DoD, assist FEMA upon request and can receive reimbursement from FEMA for eligible costs incurred during their support.

4.2 Non-Stafford Act

4.2.1. A Federal entity that has the primary responsibility and legal authority for managing an incident (i.e., the requesting agency) and requires support or assistance beyond its usual operations can seek coordination and facilitation from the Department of Homeland Security through the NRF. Agencies offering disaster aid under their own authorities, without a declaration under the Stafford Act, use their own appropriated mission funds. Upon request, the DoD can assist other Federal departments and agencies by establishing inter-agency reimbursable agreements and requesting reimbursement from the requesting agency for eligible costs. Typically, the requesting agency provides funding to the DoD for the requested assistance in accordance with the Economy Act, unless other statutory authorities are applicable.

4.2.2. When an urgent situation arises and there is no time to seek higher approval, Federal military commanders, DoD Components, and responsible DoD civilian officials can exercise IRA to save lives, reduce severe property damage, and prevent human suffering (DoDD 3025.18).

5.0 APPLICABILITY

5.0.1. This policy applies to the Office of the SecDef, the Military Departments, the Office of the CJCS and the JS, the Combatant Commands, the Office of the Inspector General of the DoD, the Defense Agencies, the DoD Field Activities, and all other DoD Components.

5.0.2. This policy applies to the Army and Air National Guard when under Federal command. It also applies when the SecDef deems it necessary to use National Guard personnel for DSCA and obtains concurrence from the affected States' Governors.

6.0 SCOPE

6.0.1. This chapter outlines DoD financial policy for emergency or disaster relief when SecDef approves support requests to assist other Federal departments or agencies under DoDD 3025.18.

6.0.2. Under the Unified Command Plan, DSCA responsibilities are assigned to the Commander of U.S. Northern Command for the 48 contiguous states, the District of Columbia, Alaska, Puerto Rico, and the U.S. Virgin Islands; while the Commander of U.S. Indo-Pacific Command assumes these responsibilities in Hawaii, U.S. territories or insular areas, and possessions within their area of responsibility.

7.0 FUNDING

Disaster relief is not a budgeted program for DoD. Congress appropriates the Disaster Relief Fund (DRF) to FEMA for Federal and State disaster relief. The DRF supports the Stafford Act, providing FEMA a no-year base to direct, coordinate, manage, and fund eligible response and recovery efforts for major disasters and emergencies that exceed State resources. DoD Components may need to initially cover DSCA costs with existing funds, expecting reimbursement later. DRF funding is divided into disaster relief cap adjustment and base/non-major disasters.

7.1 Disaster Relief Cap Adjustment

Funding under the disaster relief cap adjustment is allocated for major disasters declared under the Stafford Act and must be designated by Congress for disaster relief according to section 251(b)(2)(D) of the Balanced Budget Emergency Deficit Control Act (amended by the Budget Control Act). The incremental costs incurred by the DoD beyond its usual mission are reimbursable by FEMA from funds allotted for disaster relief in this category. DoD Components must establish processes to identify and document these incremental costs to ensure reimbursement, as outlined in ***Volume 4, Chapter 3***, "Receivables."

7.2 Base/Non-Major Disasters

Funding in the base/non-major disasters category encompasses Emergencies, Pre-disaster Surge Support, Fire Management Assistance Grants, and activities that are not specific to disasters, such as Disaster Readiness Support (e.g., distribution center operations, reservist training). Pre-declaration requests for DoD support in response to disaster events are reimbursed to DoD based on actual costs. Typically, the requesting agency provides funding for the incident in accordance with the provisions of statutory authorities available for this purpose. This funding is not subject to cost-sharing. When an emergency necessitates a DoD response without a major disaster declaration, this funding category is utilized to reimburse DoD for the actual expenses (i.e., full costs) incurred.

7.3 Other

DRF funding cannot be used for activities related to incidents that need a coordinated Federal response before the disaster is declared. If a department or agency requires support beyond its usual operations, it can request PA coordination and facilitation via the NRF. Federal departments and agencies can assist one another by setting up inter/intra-agency reimbursable agreements according to the Economy Act, as outlined in ***Chapter 3***, "Economy Act Orders," or other relevant authorities.

8.0 REIMBURSEABLE SUPPORT (AGREEMENT)

FM units deliver similar capabilities during DSCA operations as in other missions. The primary concerns affecting DoD's response in providing DSCA are authorities and funding. Costs incurred are reimbursable according to the Economy Act and Stafford Act, unless otherwise directed by the President. Typically, cost reimbursement happens under the Economy Act (from the Federal agency requesting support) or the Stafford Act (from Federal funds following a Presidential declaration). Reimbursement should be sought for DSCA support provided under these acts. Per 31 U.S.C. § 9701, IRA support to non-Federal agencies is reimbursed to the U.S. Treasury, while IRA support to Federal agencies is reimbursed to DoD organizations per the Economy Act.

8.1 Advances

Advance payments to the DoD from the DRF are usually not permitted but may be required if DoD Components lack sufficient funds to deliver the requested support to the PA before the fiscal year ends.

8.2 Expenditures Eligible for Reimbursement

8.2.1. 44 Code of Federal Regulations, part 206.8 allows for the reimbursement of costs incurred by the DoD when providing requested assistance. Only the SecDef can waive reimbursement under the Economy Act and Stafford Act. Examples of eligible expenditures for reimbursement include:

8.2.2. Overtime, travel, and per diem of permanent Federal agency personnel;

8.2.3. Wages, travel, and per diem of temporary Federal agency personnel assigned solely for the performance of services directed in the major disaster or emergency area;

8.2.4. Travel and per diem of Federal military personnel assigned solely for the performance of services directed in the major disaster or emergency area;

8.2.5. Cost of work, services, and materials procured under contract for the purposes of providing directed assistance;

8.2.6. Cost of materials, equipment, and supplies (including transportation, repair, and maintenance) from regular stocks used in providing directed assistance;

8.2.7. All costs incurred that are paid from trust, revolving, or other funds, and whose reimbursement is required by law; and

8.2.8. Other costs presented by an agency with written justification or mutually agreed upon in writing by the PA.

8.3 Requirements for Reimbursement

8.3.1. DoD Components operating under an approved RFA must submit reimbursement requests following SecDef-approved and Combatant Command's standing DSCA EXORDs. FEMA MAs should also follow FEMA's ***Mission Assignment Billing Reimbursement Checklist***. Requests must reference the specific approved RFA/MA and the relevant disaster or emergency identification number.

8.3.2. Reimbursement requests for expenses from multiple orders cannot be combined. Components seeking reimbursement must keep all financial records, supporting documents, statistical records, and related records concerning the services or resources used by the Department.

8.3.3. A Component official knowledgeable about the original approved RFA must review reimbursement requests to ensure chargebacks outside the original scope are correctly adjusted.

8.3.4. Upon deployment to a supported Combatant Command following an approved RFA, units must report FM details to the Command or its designee until the order is closed. This requirement stands regardless of the unit's redeployment timing.

8.4 Supporting Documentation

8.4.1. Approved RFA (or MA) requests for reimbursement must include supporting documentation.

8.4.2. Each Component must keep supporting documentation for all incurred obligations, outlays, and other costs, including:

8.4.2.1. Copy of approved RFA form and identification of order number on other documentation;

8.4.2.2. Breakdown of costs by sub-object class code (see ***OMB Circular A-11***) and cost breakdown structure code (see ***Volume 2A, Chapter 3***, "Operation and Maintenance Appropriations");

8.4.2.3. Description of services performed;

8.4.2.4. Period of Performance;

8.4.2.5. Personnel Services:

8.4.2.5.1. Regular or overtime labor with the breakdown of hours;

8.4.2.5.2. Indirect cost (percentage, description of costs included in cost pool);

8.4.2.6. Travel/Per Diem and Transportation;

8.4.2.7. Contract Services (contract number, name, cost, purpose); and

8.4.2.8. Property/Equipment Purchase, provide the following information and coordinate specialty items with the PA in advance:

8.4.2.8.1. Expendable Property, separate identification not required;

8.4.2.8.2. Non-expendable property or sensitive items, separate identification is required, including a description of item, vendor name, unit cost, and serial number or other unique identification; and

8.4.2.8.3. Verification of disposition for items listed in subparagraph 8.4.2.8.2.

8.4.3. Records Retention. ***Volume 1, Chapter 9***, "Financial Records Retention" outlines document retention requirements. Supplementary guidance is available in DoDI 5015.02. DoD Components must follow their own records management policies, and any questions should be directed to their respective (***Federal Records Officers***).

8.4.4. Citing the Appropriation. Reimbursed funds from the PA for goods and services provided under the Stafford Act should be credited to the appropriation used for those expenditures, available on the reimbursement date. Each DoD Component involved in DSCA is responsible for:

8.4.4.1. Maintaining documentation to support requests for reimbursement;

8.4.4.2. Identifying a staff-level point of contact for financial coordination with the PA and identifying a headquarters-level point of contact for billing and reimbursement issues that cannot be resolved at the staff level;

8.4.4.3. Notifying the requesting activity when a task is completed;

8.4.4.4. Applying proper financial principles, policies, regulations, and management and internal controls to ensure full accountability for the expenditure of DRF funds;

8.4.4.5. Submit bill for final reimbursement no later than 90 days from final billing outlay;

8.4.4.6. Submitting annual validation of open obligations to the PA by providing cost data or other justification to show the amount of the obligation balance that must remain available, and why the approved RFA or MA must remain open, or risk losing reimbursable authority due to the possible de-obligation of funds;

8.4.4.7. Reconciling obligation balances and identifying excess funds available for de-obligation in an effort to return funds to the DRF in a timely manner; and

8.4.4.8. Marking all final bills "Final."

9.0 FISCAL CLOSURE

Components must carry out RFA closeout procedures, and if excess reimbursable funding is found, notify the PA to deobligate it to the DoD.

DoD 7000.14 - R

DEPARTMENT OF DEFENSE
FINANCIAL MANAGEMENT REGULATION

VOLUME 11B: "REIMBURSABLE OPERATIONS POLICY - WORKING CAPITAL FUNDS (WCF)"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

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SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated August 2019 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
ALL	Administrative updates and reissuance in accordance with the Department of Defense Financial Management Regulation Revision Standard Operating Procedures.	Revision

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CHAPTER 1

DEFENSE WORKING CAPITAL FUNDS GENERAL POLICIES

1.0 GENERAL

1.1 Purpose

The purpose of this chapter is to provide financial management policy for Defense Working Capital Funds (DWCF). Guidance includes the responsibilities of management and their roles surrounding the maintenance of a unit's funds.

1.2 Authoritative Guidance

The accounting policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:

1.2.1. Title 10, United States Code, section 2208 (***10 U.S.C. § 2208***), "Working Capital Funds";

1.2.2. ***10 U.S.C. § 2563***, "Articles and Services of Industrial Facilities: Sale to Persons outside the Department of Defense";

1.2.3. ***10 U.S.C. § 7543***, "Army Industrial Facilities: Sales of Manufactured articles or services outside Department of Defense";

1.2.4. ***31 U.S.C. § 3515***, "Financial Statements of Agencies";

1.2.5. Federal Account Symbols and Titles ***(FAST) Book***, Agency Identifier Codes, Treasury Financial Manual Supplement;

1.2.6. Department of Defense Directive ***(DoDD) 4275.5***, "Acquisition and Management of Industrial Resources";

1.2.7. Office of Management and Budget ***(OMB) Circular A-11***, "Preparation, Submission and Execution of the Budget."

2.0 DWCF REQUIREMENTS

2.1 Treasury Fund Symbol

The DWCF are established under the authority of 10 U.S.C. § 2208. The U.S. Department of the Treasury (Treasury) Account Symbol for the DWCF is 097X4930. The Military Departments and Defense Agencies sub-numbered account identifiers assigned are shown in Table 1.1. The Defense Counterintelligence and Security Agency WCF, Treasury account 097X4932, is also established under 10 U.S.C. 2208 authority.

Table 1.1. DoD Component Account Identifiers

DoD Component	Treasury Assigned Account Number
Army	097X4930.001
Navy	097X4930.002
Air Force	097X4930.003
Defense Commissary Agency	097X4930.004
Defense Agencies	097X4930.005
Defense Counterintelligence and Security Agency	097X4932

2.2 Activity Groups

The DWCF consists of individual activity groups that are managed by DoD Components for providing goods and services, on a reimbursable basis, to other activities within the DoD and to non-DoD activities when authorized.

2.3 Charters

The DoD Component individual activity groups financed through the DWCF must be chartered under the DWCF to achieve the following objectives:

2.3.1. The DWCF is designed to:

2.3.1.1. Create a cost conscious environment for both customers and providers. Customers benefit by becoming aware of the cost of their service requirements and behaviors, deriving cost savings by limiting demands to actual requirements and adjusting behaviors to reduce the cost of providing services. Providers scrupulously reduce or eliminate costs to provide services, and assist customers in identifying and modifying behaviors that increase cost.

2.3.1.2. Provide a more effective means for controlling the costs of goods and services required, produced, or furnished by DWCF activities, and a more effective and flexible means for financing, budgeting, and accounting for the costs thereof.

2.3.1.3. Create and recognize contractual relationships between DWCF activities and those activities that budget for and order the end-products or services.

2.3.1.4. Provide managers of DWCF activities the financial authority and flexibility required to procure and effectively use manpower, materials, and other resources.

2.3.1.5. Encourage more cross-servicing among the DoD Components and among their operating agencies, with the aim of obtaining more economical use of facilities.

2.3.1.6. Facilitate budgeting for and reporting of the costs of end-products. This will underline the cost consequences of choosing between alternatives.

2.3.2. Specific objectives include the following:

2.3.2.1. Instill in the officials of ordering Agencies a greater sense of responsibility and self-restraint in balancing the costs of specific goods and services to be ordered against the benefits and advantages of their procurement, especially in the light of alternative or competing demands.

2.3.2.2. Place ordering agencies in the position of critically evaluating purchase prices (that is, costs of performing activities) as well as quality and delivery-speed of goods and services ordered.

2.3.2.3. Enable ordering agencies to budget and account on an "end-product" basis (the same as when buying from commercial contractors), thereby simplifying budget presentations, budgetary control, and accounting procedures for both producers and ordering agencies.

2.3.2.4. Encourage ordering agencies' management to improve program planning and scheduling in response to producers' efforts to plan and negotiate for orders as far in advance as feasible.

2.3.2.5. Establish, whenever feasible, standard prices or stabilized rates and unit prices for goods and services furnished by DWCF activities, thus enabling ordering Agencies to more confidently plan and budget.

2.3.2.6. Furnish managers of DWCF activities with modern management tools comparable to those utilized by efficient private enterprises engaged in similar types of activities.

2.3.2.7. Improve cost estimating and cost control through comparison of estimates and actual costs.

2.3.2.8. Obtain alert, forward-looking financial planning at DWCF activities by making them financially dependent on reimbursements received for goods and services furnished in fulfilling orders from customers.

2.3.2.9. Encourage producers of goods and services to coordinate labor forces and inventories with workload, budgeting, and cost control.

2.3.2.10. Provide flexibility within budget cycles to changes in supply and demand.

2.3.3. A charter must be prepared in accordance with Chapter 2 and submitted to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), Program/Budget, Director of Operations for approval. Before charter preparation, ensure that the proposed business entity meets the criteria established as described in Chapter 2, paragraph 2.2. Each DWCF business entity must review its charter annually to assure it remains current. Changes must be prepared and submitted to the OUSD(C) Director of Operations for approval.

2.4 Financing

2.4.1. The DWCF receives its initial working capital through an appropriation or a transfer of resources from existing appropriations of funds and uses those capital resources to finance the initial cost of products or services.

2.4.2. Financial resources to replenish the initial working capital and to permit continuing operations are generated by the acceptance of customer orders. After initial capitalization, a DWCF activity's operations are funded by the reimbursements it receives from its customers for the goods or services provided.

2.4.3. Customers may not place orders with DWCF activities for the purpose of extending the life of their appropriations or avoiding any statutory limitation or restrictions pertaining to those funds. Additional guidance applicable to all working capital funds can be found in Volume 3, Chapter 19.

2.4.4. Amounts earned by the DWCF are available for financing obligations without fiscal year limitation, although DWCF activity obligation authority is dependent on receipt of contract authority, and/or cost authority provided by the receipt of customer orders as documented in the DWCF activity annual operating budget.

2.4.4.1. The Supply Management activity groups and the Capital Investment Program receive contract authority. Contract authority permits obligations to be incurred in advance of appropriations or in anticipation of receipts from customers, but in accordance with an apportionment, allotment, or other limiting authority.

2.4.4.2. Other than the Supply Management activity groups and the Capital Investment Program, all other DWCF obligations must be supported by budgetary resources that are immediately available for outlay even though the outlay may not occur until a future date.

2.5 Authorized Customers

Customers of the DWCF activity may be:

2.5.1. Any DoD command, organization, office, or other element.

2.5.2. Non-DoD federal government agencies.

2.5.3. Private parties and concerns when authorized by law including foreign governments, and state and local governments.

2.5.4. Those U.S. manufacturers, assemblers, or developers authorized by 10 U.S.C. § 2208(h) and in accordance with 10 U.S.C. §§ 2563 and 7543.

2.6 Sources of Budgetary Resources

When an activity receives budgetary resources from more than one source (spending authority from offsetting collections, direct appropriation, contract authority), the receiving activity must maintain records that will enable it to control and separately report the transactions relating to each type of source (in accordance with OMB Circular A-11). Budgetary resources may be received at any level of an organization from the individual activity up to the Departmental level.

2.7 Annual Operating Budgets

Annual operating budgets for the DWCF provide official management cost goals to the Military Services and Defense Agencies for each individual activity group. The annual budget consists of two primary parts—the operating budget and the capital budget. The operating budget represents the annual operating costs of an activity or Component, including depreciation and amortization expenses. The capital budget represents the amount of financial resources that are authorized for use in the acquisition of capital assets. Volume 2B, Chapter 9 and Volume 3, Chapter 19 provides additional details on the annual operating budgets for the DWCF.

2.8 Customer Orders

Customer orders (funded requests for goods or services) provide budgetary resources necessary to finance operations for non-supply management activities, and to liquidate contract authority for supply management activities. Budgetary resources are recognized from anticipated customer orders that obligate budgetary resources of another federal government activity, and from cash advances from non-federal customers, to include orders from non-appropriated fund instrumentalities. To be valid, customer orders must be obligations of a federal government activity and cash advances from nonfederal customers. Cash advances may also be requested from federal government activities when directed and approved in advance by the OUSD(C). When accepted, customer orders create a quasi-binding contractual relationship between a DWCF activity and its customer since acceptance of a customer order requires that the performing entity agree in writing to perform the work for the customer entity. Except as authorized in Chapter 11, a DWCF business entity must not initiate work or services or incur obligations in excess of anticipated orders received unless specific authorization is provided by a signed annual operating budget approved by the Director of Operations, to ensure other budgetary resources are available at the DWCF sub-account level. Customers may request a deobligation of their funds for goods or services ordered that were not provided. Return of customer funds is permissible only if the DWCF activity has not commenced work on the good or service ordered or incurred an obligation for those goods or services.

2.9 Stabilized Rates and Prices

The DWCF individual activity groups operate on a break-even basis in accordance with budgetary guidance contained in Volume 2A and Volume 2B. Rates are required to be established during the budget process at levels estimated to recover the budgeted costs of goods or services to be provided including all general and administrative overhead costs, prior period gains and losses,

and applicable surcharges. The budget process ensures that adequate resources are requested in the customers' fund accounts to pay the established rates and prices. Specific budget formulation requirements are contained in Volume 2B, Chapter 9.

2.10 Restrictions on Use of Customer Appropriations

2.10.1. Customers must comply with statutory limitations and restrictions imposed on the appropriated funds charged when placing an order with the DWCF. A DWCF customer cannot use appropriated funds to do indirectly (i.e., through placement of an order with a DWCF activity) that which it is not permitted to do directly. Thus, the availability of an appropriation funding an order cannot be expanded or changed by placement with an activity financed by the DWCF.

2.10.2. Appropriated funds cited on reimbursable orders are available only for the purposes permissible under the source appropriation and remain subject to the same restrictions. The ordering activity retains primary responsibility for determining the applicability of the appropriated funds cited on the order. However, if instances arise when it is apparent that the ordering appropriation is not appropriate for the purpose provided, then the DWCF activity should return the order with a request for an applicable appropriation to cite.

2.11 Financial Reporting

Under the provisions of 31 U.S.C § 3515 and 10 U.S.C 2208(n), the Department is required to have audited financial statements covering all accounts and associated activities of the Department. The DWCF financial information will be included in DoD's Annual Financial Report. Specific financial statement reporting requirements are contained in OMB Circular A-136, "Financial Reporting Requirements." Volume 6B also identifies recurring reporting requirements applicable to the DWCF.

2.12 Mobilization Capability

Each DWCF activity group must plan for and maintain the capability to expand or alter operations, or to provide extraordinary supply or other functional area support necessary, to meet an operational contingency as documented in Defense Planning Guidance or operational plans. All costs at individual activities within the DWCF related to maintaining a capacity to meet mobilization requirements will be reimbursed by funds that are from direct appropriations and will not be financed through customer rates. Volume 2B, Chapter 9 provides specific guidance for the types of mobilization costs that can be funded by a direct appropriation.

3.0 RESPONSIBILITIES OF MANAGEMENT

3.1 Under Secretary of Defense (Comptroller)

3.1.1. Establish DoD policy on DWCF operations.

3.1.2. Provide oversight on all financial management activities relative to the operations of the DWCF.

3.1.3. Authorize or approve DWCF Charters of specific activities to be included in the DWCF and the terms under which such activities must be operated.

3.1.4. Rescind the DWCF Charters of specific activities that no longer meet DWCF criteria or that may be operated more efficiently under other financing.

3.1.5. Establish all necessary budget preparation, accounting, and reporting policies.

3.1.6. Review and approve operating and capital budgets, and monitor and analyze budget execution.

3.1.7. Provide DWCF operations oversight through budget execution reviews.

3.1.8. Advise DWCF managers on accounting and reporting policies.

3.1.9. Monitor compliance with this guidance and other policy issuances through analysis of reports, audits, and reviews of business entity operations.

3.1.10. Exercise funds control responsibilities in accordance with congressional direction, OMB guidance, and DoD policy.

3.2 Director, Defense Finance and Accounting Service (DFAS)

3.2.1. Advise and assist the USD(C) in the development of requirements, systems, and procedures to comply with statutory and regulatory requirements.

3.2.2. Advise DWCF activities on the accounting and reporting procedures.

3.2.3. Issue supplementary instructions as needed for unique requirements within the DoD Components and to provide detailed operating instructions.

3.2.4. Review DWCF accounting systems for compliance with established financial systems requirements.

3.2.5. Prepare external and internal accounting reports for the DWCF.

3.3 Military Department Secretaries and Defense Agency Directors

3.3.1. Manage DWCF activities within approved funding limitations.

3.3.2. Designate a management agency or command to be responsible for effective management of each DWCF activity.

3.3.3. Comply with, and recommend changes to, this and other governing regulations.

3.3.4. Provide periodic financial and management information as required by the USD(C).

3.3.5. Submit to the USD(C) proposed Charters authorizing new DWCF activities or rescinding Charters of existing DWCF activities.

3.4 DWCF Activity Management Agency or Command

3.4.1. Budget and provide appropriated funds for the costs of maintaining unutilized plant and facilities being held for mobilization purposes at DWCF activities. Mobilization maintenance costs for unutilized plant and facilities include costs of labor, materials, contractual services, and overhead that were incurred for that purpose. Retention of facilities in excess of those necessary for current or planned workload must be in accordance with DoDD 4275.5, "Acquisition and Management of Industrial Resources." The acquisition, retention, or disposal of unutilized plants and facilities at transportation activities must be approved by the Deputy Under Secretary of Defense (Acquisition and Sustainment).

3.4.2. Assign responsibility and authority to designated officials for management and operation of DWCF activities.

3.4.3. Assure that all DWCF activities operate within approved funding limitations.

3.4.4. Evaluate the operation of DWCF activities to determine compliance with established requirements.

3.4.5. Initiate change, as needed, to the charter of the DWCF activities.

3.5 Individual DWCF Activity Management

3.5.1. Incur obligations and costs as necessary and allowable to perform the activity mission.

3.5.2. Control performance costs in line with the annual budget approved by the USD(C).

3.5.3. Evaluate the operation of DWCF activities to determine compliance with established requirements.

3.5.4. Identify to higher management any impediments in achieving performance and cost goals.

3.5.5. Identify and justify to higher management investments that will produce future improvements in effectiveness and efficiency.

3.5.6. Establish, monitor and assess internal controls and resolve internal control weaknesses.

3.6 DWCF Activity Customers

3.6.1. Budget for the cost of material, work, and services ordered from a DWCF activity.

3.6.2. Manage budgetary resources provided in annual operating budget for the cost of material, work, and services ordered from DWCF activities.

3.6.3. Notify the DWCF Activity Management as early as possible if it wishes to terminate a previously ordered service. The customer is liable for funding all costs incurred with service delivery until termination.

4.0 ACCOUNTING STANDARDS

The DWCF will adhere to the accounting standards hierarchy in Volume 1, Chapter 2.

5.0 DWCF SYSTEMS AND CONTROL

5.1 DWCF Financial Management Systems

5.1.1. Transactions are executed in accordance with budgetary and financial standards and requirements issued by OMB and Treasury, consistent with the purposes authorized, and are reported in accordance with the Federal Accounting Standards Advisory Board, Statements of Federal Financial Accounting Standards.

5.1.2. Assets are properly safeguarded to deter fraud, waste and abuse.

5.1.3. Performance measurement information is adequately supported.

5.2 DWCF Accounting Systems

DWCF accounting systems must have the capability to account for the status of budgetary resources on a continuous basis. Budgetary controls must be designed to prevent incurring obligations in excess of budgetary resources. System owners must ensure compliance with each new Standard Financial Information Structure matrix that is updated based on guidance released from Treasury.

5.3 Legacy Systems

DoD Components will continue to bear the cost of their legacy system until they have fully transitioned to the emerging/migratory system. However, if the Component has not fully transitioned from the legacy system to the emerging/migratory system due to a DFAS related implementation problem, then the customer bears no direct cost for the legacy system. The costs for the legacy system that DFAS cannot abolish will go into the DFAS customer rates as part of overhead costs. See Figure 1-1.

5.3.1. If the customer has fully transitioned from the legacy system to the emerging/migratory system, then that customer bears no direct cost for the legacy system. However, the costs for a legacy system that DFAS cannot abolish will go into the DFAS customer rates as part of overhead costs.

5.3.2. If the customer has not fully transitioned from the legacy system to the emerging/migratory system but the customer is running the systems parallel for testing purposes, to include running the legacy system for prior year data not transitioned, then that customer bears a cost for both systems until the customer fully transitions to the emerging/migratory system.

5.3.3. If the customer has not transitioned from the legacy system to the emerging/migratory system because of DoD Component related implementation problems, then that customer will bear the cost for the legacy system even if they are the last DoD Component on the legacy system.

5.3.4. If the customer has not transitioned from the legacy system to the emerging/migratory system due to a DFAS related implementation problem, then that customer bears no direct cost for the legacy system. The costs for a legacy system that DFAS cannot abolish will go into the DFAS customer rates as a part of overhead costs.

5.3.5. The customer must be fully transitioned from the legacy system to the emerging/migratory system before the beginning of a new fiscal year. It is not appropriate to change allocation of legacy costs between customers in the year of execution.

5.3.6. When all customers have transitioned to the emerging/migratory system and DFAS is able to abolish the legacy system, the system's residual undepreciated value will be charged to the DFAS Accumulated Operating Result.

6.0 FUNDS MANAGEMENT

Financial resources establishing a DWCF must be appropriated. Continuing operations are generated by reimbursements received. Anticipated reimbursements and anticipated customers' orders are not considered a budgetary resource. Obligations incurred (Undelivered Orders – Obligations, unpaid or Prepaid/Advanced and Delivered Orders – Obligations, paid or unpaid) are claims against budgetary resources. A sufficient fund balance with the Treasury must support all DWCF cash outlays. Refer to Volume 3, Chapter 19 for further guidance on funds management.

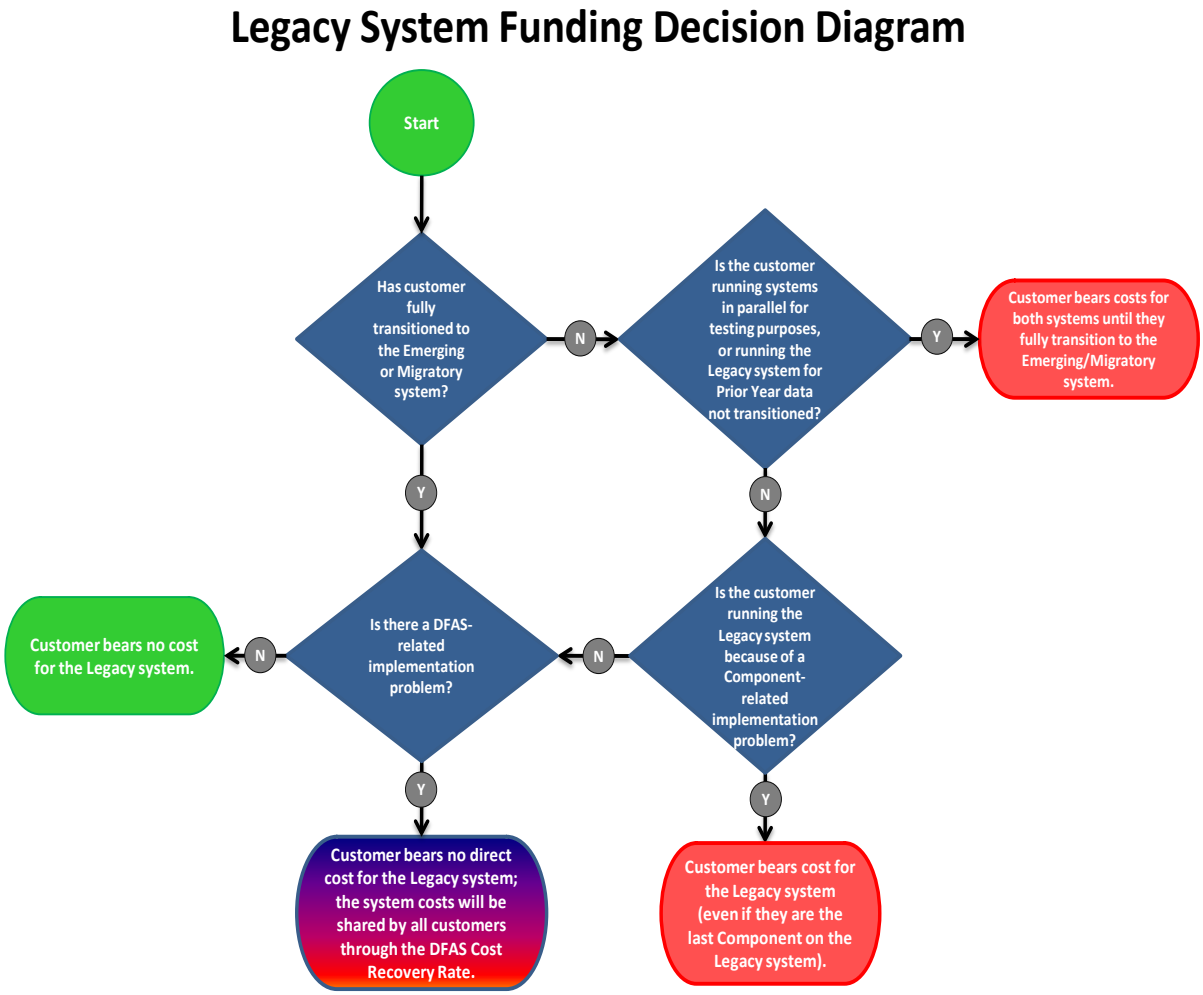
7.0 GENERAL LEDGER ACCOUNTS

All DWCF activities must adhere to the United States Standard General Ledger (USSGL) published by the Treasury Bureau of the Fiscal Service. The USSGL Standard Financial Information Structure Transaction Library provides a decomposition of USSGL accounting transactions for DoD. See Volume 1, Chapter 7 for further details.

8.0 AUDITING

Under 31 U.S.C. § 3515, the DoD activities, of which a DWCF is considered a component, are required to prepare audited financial statements. While preparing for and undergoing audit, DWCF activities must be able to provide documentation that must be of sufficient quality to allow an independent third party, such as an external auditor, to understand and verify the basis, value, and rationale for recorded amounts. The DWCF is subject to audit by the DoD Inspector General, the Government Accountability Office, and other parties when contracted or otherwise authorized.

Figure 1-1. Legacy System Funding Decision Diagram



VOLUME 11B, CHAPTER 2: "ESTABLISHMENT OF DEFENSE WORKING CAPITAL FUND ACTIVITIES, TRANSFER OF FUND FUNCTIONS AND CLOSURE OF FUNDS ACTIVITIES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated February 2020 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
ALL	Administrative updates and reissuance in accordance with the Department of Defense Financial Management Regulation Revision Standard Operating Procedures.	Revision

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CHAPTER 2

ESTABLISHMENT OF DEFENSE WORKING CAPITAL FUND ACTIVITIES, TRANSFER OF FUND FUNCTIONS AND CLOSURE OF FUND ACTIVITIES

1.0 GENERAL

1.1 Purpose

This chapter prescribes requirements for the chartering of Defense Working Capital Fund (DWCF) activities. This chapter also provides requirements for transfer of fund functions and closure of fund activities.

1.2 Authoritative Guidance

Title 10, United States Code, section 2208 (***10 U.S.C. § 2208***) authorizes the Department of Defense (DoD) to establish DWCFs to finance inventories of supplies and provide working capital for industrial and commercial-type activities. The accounting policies and related requirements prescribed by this chapter are in accordance with:

1.2.1. ***10 U.S.C. § 2687***, "Base closures and realignments," also known as Base Realignments and Closures (BRAC);

1.2.2. Office of Management and Budget ***(OMB) Circular A-11***;

1.2.3. Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards ***(SFFAS) 3***, "Accounting for Inventory and Related Property;"

1.2.4. FASAB ***SFFAS 6***, "Accounting for Property, Plant and Equipment;" and

1.2.5. FASAB ***SFFAS 7***, "Accounting for Revenue and Other Financial Sources and Concepts for Reconciling Budgetary and Financial Accounting."

2.0 ESTABLISHMENT OF DWCF ACTIVITIES

2.1 Submission of Charter

Prior to the financing of an activity under the DWCF, a proposed charter must be submitted to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), Program/Budget (P/B) Operations Directorate for approval.

2.2 Criteria for a DWCF Activity

In order for a Service or DoD agency organization, program, or function to be considered for inclusion in the DWCF it must meet all of the following criteria:

2.2.1. Materials produced or services provided are shared or required by a group of customers or are common requirements of more than one major command, and/or DoD Component.

2.2.2. A cost accounting system is available that is capable of collecting costs of producing outputs. The activity must have the capability to charge prices or rates that are capable of recovering the full funded costs of the provided goods and services in accordance with Chapter 1. For additional information on general cost concepts refer to Volume 4, Chapter 19.

2.2.3. Activities that require and order products or services (i.e., customers) can be identified so that resources can be aligned in the account of the customer with the requirement. The demand for the goods or services to be provided by the program or organization must come from multiple customers within DoD and/or other federal government entities.

2.2.4. Identification of a buyer-seller relationship to the extent that the buyer can influence cost, workload, and the buyer has alternative sources that can provide the products or services. Operation of the program or organization as a DWCF business area should result in a better identification of the full cost of operations and may also result in better quality goods/services and/or result in decreased costs to the federal government.

3.0 DWCF CHARTER REQUIREMENTS

3.1 Charter Format

The DWCF charter format is included in Annex 1. Charter provisions are applicable to each DoD Component activity group included within the DWCF. The charter must describe the mission of the Component by activity group. Before charter preparation, actions must be taken to ensure that the proposed business entity meets the criteria listed in paragraph 2.2. Activities must document these criteria as it applies to all proposals for new DWCF business entities, as well as, the addition of new lines of business within existing DWCF business entities.

3.2 Charter Contents

Each charter must include the following as a minimum:

3.2.1. Statutory authority that authorizes the establishment of a DWCF activity or activity group.

3.2.2. Brief description of the mission of the activity or activities and nature of its products or services.

3.2.3. Designation of the organization (Management Command) directly below the departmental-level that has authority over the management of the DWCF activity group. Additionally, the charter must state whether the Management Command is funded from the DWCF.

3.2.4. Name and location of the activity or activities to be operated under the charter.

3.2.5. Statement of any policy exceptions specifically authorized for the fund's activity group or any activity included within the fund's activity group.

3.2.6. Cancellation of any previously approved charter(s), if applicable.

3.3 Charter Support

Documentation supporting the charter application of an activity requesting entry into the DWCF must include:

3.3.1. Explanation of how the proposed DWCF activity meets the minimum criteria identified in paragraph 2.2 and any additional OUSD(C) requirements for the specific activity or activities.

3.3.2. Justification of any exception to the provisions in Chapter 1.

3.4 Amendment or Cancellation of Charters

Requests for cancellations or amendments of existing charters must be forwarded to the OUSD(C), P/B Operations Directorate for approval and supported by the following information:

3.4.1. Justification for the proposed action that may consist of copies of supporting evaluations or studies.

3.4.2. Information as to the disposition of assets and liquidation of liabilities, as necessary.

3.5 Annual Charter Review

The DoD Components must review DWCF operations each fiscal year to ensure that the charters are current. Any required changes must be submitted to the OUSD(C), P/B Operations Directorate in accordance with paragraph 3.4.

4.0 COMMENCEMENT OF DWCF OPERATIONS

Upon charter approval and commencement of DWCF operations, financial control over initial appropriations, assets, liabilities, and capital must be established in accordance with the following guidance:

4.1 Initial Appropriation and/or Reappropriation

4.1.1. Before a DWCF activity can begin operations, it needs fiscal resources. To begin initial operations, a DWCF business entity is provided necessary capital either by a nonexpenditure transfers from another DWCF or appropriation, following congressional notification required by 10 U.S.C § 2208(r); or Congress may appropriate initial capital in response to a request in the President's budget submission to Congress. The latter is necessary when the level of anticipated cash available is estimated to be insufficient during the initial fiscal year of operation. Appropriations made available to commence operation of a DWCF entity remain available for obligation without fiscal year limitation for their specified purpose until expended or withdrawn.

4.1.2. A reappropriation to a DWCF activity is statutory authority to restore or extend the obligational availability of all or part of the unobligated balance of budget authority that has expired or would otherwise expire in an annual or multiple-year appropriation. Typical budgetary and proprietary accounting entries applicable to receipt and distribution of appropriations and reappropriations are illustrated in Volume 3, Chapter 13. The accounts established for use by departmental-level accounting entities are outlined in the DoD United States Standard General Ledger (USSGL) Transaction Library located on the Standard Financial Information Structure (***SFIS***) web page. For additional information regarding DWCF distribution of budgetary authority, refer to guidance issued by the OUSD(C), Deputy Chief Financial Officer, "***Accounting for Internal Distribution of Budgetary Authority–Defense Working Capital Fund***," (DoD Common Access Card is required to access the link).

4.2 Initial Assets and Liabilities

4.2.1. To commence operations, working capital may be provided by a nonexpenditure transfer of fund balances from another appropriation or federal (general) fund account to the DWCF account. Volume 3, Chapter 13 contains information about nonexpenditure transfers.

4.2.2. Personnel assigned from an appropriated fund activity to a DWCF activity are accompanied by a liability for accrued earnings and annual leave earned by those employees prior to their transfer. Payment in the form of cash or other equivalent assets such as inventories or equipment must be made to the receiving DWCF activity for the liabilities assumed.

4.2.3. Assets provided from other appropriations or funds to commence operations of a DWCF activity must be recorded as Financing Sources Transferred in Without Reimbursement. The DWCF must record a liability for an item transferred from a non-DWCF account only when the item is undelivered at the time of the transfer and the obligation for the item on the books of the organization from which the item was transferred resulted from a reimbursable order from a customer. Otherwise, bills for assets on order at the time of the transfer to the DWCF must be

paid by the appropriation or fund originally ordering the item. This is appropriate since the original appropriation or fund ordering the item was funded through the budget process to procure the item.

4.2.4. Depreciation of capital assets that are transferred into a DWCF activity without reimbursement and with no pre-existing depreciation schedules or accumulated depreciation, must be calculated based on the net value (original acquisition cost less calculated accumulated depreciation) plus any associated costs for transportation, installation, and other related costs necessary to put the asset into operational use. For additional information on accounting for general Property, Plant, and Equipment (PP&E), refer to Volume 4, Chapter 25, "General Equipment."

4.2.5. At the time of initial capitalization, Financing Sources Transferred In Without Reimbursement must equal the value of all assets excluding the nonexpenditure transfer of U.S. Department of the Treasury (Treasury) fund balances from other appropriations, plus the initial appropriation transferred to the activity without reimbursement or assumption of liability by the DWCF, less the sum of the obligations transferred to the activity for which DWCF resources are liable for future disbursement.

5.0 TRANSFER OF DWCF FUNCTIONS

5.1 Transfer Actions

The general actions and related procedures in paragraphs 5.2 through 5.8 must be followed when transferring all or a portion of the functions from a DWCF activity to another DWCF activity or to an appropriation funded activity. Specific actions and procedures are usually necessary to accommodate unique circumstances of the transferring activities.

5.2 Functions to be Transferred

In the case of a partial transfer of functions, specific negotiations must take place between the affected organizations to identify specific functions that are to be transferred, the effective date(s) of transfer, and the disposition of functions not transferred. Action must be taken to ensure that valid requirements are funded by the activity having the requirement. Follow-on negotiations should identify and remedy any initial oversight and specific directions should be provided once these follow-on actions are complete. All actions taken must be consistent with the negotiated agreements. Pending final negotiations, all excluded functions must remain with the current organization.

5.3 Physical, Financial, and Personnel Resources

The organizations involved must identify resources to be transferred incident to the functional transfer. Follow-on actions must identify resources not recognized in the original negotiations, and specific directions must be provided commensurate with finalized agreements. All actions taken must be consistent with negotiated agreements.

5.4 Interim Funding

If an interim funding method is to be used to fund the transfer, pending resolution of other issues, the organizations involved will determine the method and intended duration of the interim funding. Funding provided by a locally established order should not exceed 30 days.

5.5 Budgetary Accounts

5.5.1. There should not be an automatic transfer of budgetary account balances from the losing activity to the gaining activity. Where items included in an existing obligation or order are for continuing services or other requirements of the transferred entity, an agreement must be negotiated between the losing and gaining activities. This agreement must specify whether accountability will remain identified to the losing activity, or if documents will be modified to reflect the gaining fund cite and paying office. In instances where accountability remains identified to the losing activity, a reimbursable support agreement must be negotiated, and accounting support must continue to be provided by the losing activity and paid for by the gaining activity. For more information regarding support agreements, refer to DoD Instruction ***(DoDI) 4000.19***, "Support Agreements."

5.5.2. All actions relating to the fiduciary aspects of the transfer will be captured and monitored as part of the overall transfer plan. A senior financial official from the organizations involved and the servicing DFAS site will be identified and accountable for ensuring the integrity of the post transfer financial balances. Specific action items will be identified in the transfer plans to ensure that all account balances are maintained and properly liquidated subsequent to the transfer. Transferred balances will be closely monitored to ensure that pending and in-process transactions are properly posted in a timely fashion, and balances are not orphaned. The following actions are needed for the transfer of outstanding commitments, obligations, and unfilled customer orders.

5.5.2.1. Outstanding commitments for functions to be transferred from the losing activity should be canceled, but only when managed in coordination with the gaining activity to ensure that the procurement cycle is not interrupted. Concurrent with cancellation at the losing activity, the new commitment must be entered into the accounting system by the gaining activity, and purchases under the document must reflect the gaining activity as the accountable entity. In those cases, where cancellations of an outstanding commitment would unduly interrupt the purchase cycle, a modification to the outstanding order or continued funding by the original ordering activity may be made for reimbursement to the gaining activity.

5.5.2.2. Undelivered orders and other outstanding obligations account balances must not be transferred from the losing activity to the gaining activity without validation. If orders cannot be validated, they must be canceled or stay on the books of the losing activity. All undelivered orders and other outstanding obligations for goods and services ordered but undelivered directly related to functions transferring from the losing activity must be reviewed, and decisions made on the appropriate disposition for each transaction. Undelivered orders and other outstanding obligations for items or services no longer required must be canceled, and any termination costs, which result from the cancellation, must be the responsibility of the losing

activity. If outstanding obligations support a continuing need, that need either may be filled through a modification to the undelivered order or continued funding by the original ordering activity with reimbursement from the new requiring activity.

5.5.2.3. Unfilled customer order account balances must not be transferred from the losing activity to the gaining activity without validation. Unfilled customer orders citing current funding which are directly related to functions transferring from the losing activity must be reviewed to determine what orders for goods or services remain outstanding, and to identify the activity responsible for providing these goods or services to the customer. If goods or services are to be provided by the gaining activity, reimbursement to the gaining activity may be provided either through an amendment to the unfilled customer order or through funding provided by the losing activity. If an unfilled customer order is amended, the losing activity, along with the gaining activity, must ensure that the customer is advised of this decision. If goods or services are to be provided by the losing activity, the losing activity must continue to bill the customer, and return any remaining unobligated balances to the customer after the order is completed.

5.6 Proprietary Accounts

All actions relating to the fiduciary aspects of the transfer will be captured and monitored as part of the overall transfer plan. A senior financial official from the organizations involved and the servicing DFAS site will be identified and accountable for ensuring the integrity of the post transfer financial balances. Specific action items will be identified in the transfer plans to ensure that all account balances are maintained and properly liquidated subsequent to the transfer. Transferred balances will be closely monitored to ensure that pending and in-process transactions are properly posted in a timely fashion, and balances are not orphaned.

5.6.1. Actions required for the transfer of real property from one DoD entity to another is detailed in Volume 4, Chapter 24, "Real Property." Real property will be reported on the financial statements of the installation host. Real property is usually reported on the Military Department General Fund financial statements, but a Military Department Working Capital Fund (WCF) can report real property on its financial statements if it has been given jurisdiction over a specific installation. WCFs or other business like activities must impute costs in accordance with ***SFFAS 55***. These imputed costs would include depreciation expense. The imputed costs will include what would otherwise have been depreciation expense for real property assets and improvements that were funded by the WCF and subsequently transferred to the General Fund, as well as any depreciation expense or other costs for assets not funded by the WCF. See Annex 2 of Volume 4, Chapter 24 for determining applicable imputed costs. Transfers of assets must include all relevant supporting documentation, as detailed in Volume 1, Chapter 9, "Financial Records Retention."

5.6.2. Information on Construction-in-Progress (CIP) may be found in Volume 4, Chapter 24. The funding entity reports CIP for real property (including improvements) in its CIP account until the asset or improvement is placed in service. The funding entity also relieves CIP when the asset or improvement is placed in service.

5.6.3. Detailed information on work-in-process may be found in Volume 4, Chapter 4, "Inventory and Related Property." Work-in-process for customers (unfilled customer orders) must not be transferred from the losing activity to the gaining activity without validation. Transactions outstanding prior to the transfer must remain on the accounting records of the losing entity until completed, canceled, or reissued as a gaining activity responsibility.

5.6.4. Additional information on raw materials may be found in Volume 4, Chapter 4. Raw materials on hand that must be transferred should be validated prior to their transfer. If the precise value of raw materials for which accounting is to be transferred cannot reasonably be validated prior to transfer, representatives from both the losing and gaining activity must jointly review the most current physical and financial reconciliation records available. Concurrently, any apparent abnormal financial values or financial transactions, which appear abnormal, must be jointly reviewed and a consensus reached as to the reliability of records being transferred. Statistical sampling or other methods of verification should be used, as appropriate. Records of accountability being transferred must be as reasonably accurate as possible. Raw materials accounting transfers must be based on the mutually validated on hand values of the accountable records of the losing activity. Accountability for raw materials should be maintained using existing supply and financial records.

5.6.5. Detailed information on inventory may be found in Volume 4, Chapter 4. Inventory in transit is the value of items moving between a DoD supply activity and a contractor or other government supplier, or moving between storage locations within a DoD Component. Amounts posted to this account are based upon ownership acceptance, or payments made for materiel not yet physically received. Amounts recorded in this account are supported by individual documents evidencing the ownership acceptance or payment prior to receipt. Inventory transfers must be performed in accordance with the procedures described in Volume 4, Chapter 4.

5.6.6. Detailed information on accounts receivable may be found in Volume 4, Chapter 3, "Receivables." Accounts receivable that are to be transferred should be validated prior to their transfer by representatives from both the losing and gaining activity. Records of accountability being transferred must be as reasonably accurate as possible. Any adjustment amounts must be included on the accountable records of the losing activity. Action may be taken to terminate collection action and write off the debt when the criteria in Volume 4, Chapter 3 apply. All remaining and transferred balances will be closely monitored by the involved organizations and the servicing DFAS to ensure timely and proper liquidation occurs.

5.6.7. Detailed information on liabilities may be found in Volume 4, Chapters 9 and 10.

5.6.7.1. If the precise value of accounts payable for which accountability is to be transferred cannot reasonably be validated prior to transfer, representatives from both the losing and gaining activity must jointly review the most current physical and financial reconciliation records available. Statistical sampling or other methods of verification should be used, as appropriate.

5.6.7.2. The liability for accrued payroll and annual leave for employees transferring from a revolving fund activity to another revolving fund activity or to an appropriated activity becomes a liability to the gaining activity as of the date of the transfer. This liability must be recorded on the respective records in the appropriate net position and liability accounts. The losing revolving fund activity must provide a listing to identify individuals transferring and confirm the value of the leave liability of those employees. Regardless of the contributing event, a revolving fund activity that loses employees through reorganization or transfer to an appropriation-financed activity must transfer cash equal to the accrued payroll to the gaining appropriated fund activity and cash equal to the amount of any funded accrued annual leave value to the Treasury as miscellaneous receipts.

5.6.8. Detailed information on net position may be found in Volume 4, Chapter 15. An increase to net position is recognized when an activity operating within the DWCF receives an asset that does not require the use of available resources to finance the item. Conversely, a decrease to net position is recognized each time an activity receives a liability (e.g., accounts payable and unfunded annual leave) from another activity for which payment in the form of cash or other assets is not provided. Entries vary depending on what is being transferred. Various situations have been covered in the preceding paragraphs detailing transactions that impact net position. Additional information relating to Changes in Net Position may be found in Volume 6B, Chapter 6.

5.7 Determine New Fund Citation and New or Revised Data Structure

5.7.1. A fund citation must be used on all accounting documents. To permit continued operation of transferred functions by the gaining activity, the gaining activity must ensure that the proper fund code is provided to those installations transferring to its command and that instructions for preparation of requisitions are provided with sufficient time to ensure billing to the proper accountable activity. The fund citations provided must include the applicable accounting classification code, and must identify any applicable fund code(s), either system unique, or DoD-wide, or both. All obligating documents such as contracts, small purchase actions, travel orders, training requests, and requisitions prepared for purchase of materiel from the military supply system or the General Services Administration must cite the gaining activity accounting classification code.

5.7.2. A DoD Activity Address Codes (DoDAAC) is used to identify a DoD installation (or, in some instances, components thereof) for purposes of mail and communications, shipment of materiel, or billing for assets issued from the DoD military supply system. Each of the DoD Components controls the DoDAAC assignments; however, they are centrally maintained and distributed to the DoD Components by the Defense Automatic Addressing Systems Office to ensure total system visibility. The DoDAAC (in Navy terms, the Unit Identification Codes) is required on Military Standard System requisition documents to ensure compatibility with the logistics management systems. These requisition documents become obligating documents and are the basis for creation of other logistics and financial documents. The circumstance of each transfer action may require identification of the transferred or consolidated segment of the losing activity as a new entity. In such cases, new DoDAACs must be established and distributed to applicable activity personnel to ensure the proper preparation and subsequent processing of

transactions for accounting and reporting. Concurrently, each transfer must be evaluated to ensure that all Service Code assignments, fund code assignments, routing identifier codes, and all other Military Standard supply and financial systems coding have been established consistent with the transfer status of the new entity. Additional information relating to DoDAACs can be found in the Defense Logistics Manual ***(DLM) 4000.25, Volume 6***, Chapter 2.

5.8 Other Actions Required to Accomplish the Accounting Transfer

5.8.1. Reimbursable agreements may exist between the losing installation and other entities for the provision or receipt of services and other support. It is essential that such reimbursable agreements be identified and that the gaining activity and the providing or receiving entity negotiate Intra-Service Support Agreements or Service Support Agreements to define reimbursable services and support to be provided and received. The agreement should be in accordance with DoDI 4000.19.

5.8.2. The transfer of payroll processing must normally be accomplished either at the beginning of a pay period or at the beginning of a fiscal year. Whenever payroll transfers occur, an agreement must be negotiated between the activities as to the date to be used for transfer. The losing activity is responsible for the salary and benefits of all transferring employees through the agreed upon transfer date. The losing activity also must be responsible for payment in the form of cash or other assets for any unused compensatory time, and merit pay bonuses earned by transferring employees for the fiscal year.

5.8.3. Travel advances and outstanding travel obligations for travel, which has occurred, or is in-process, must remain with the losing activity pending settlement. Only travel for transferring activity personnel beginning after the effective date of the transfer must be an obligation of the gaining activity. The losing and gaining activity must jointly review outstanding travel documents and deobligate those no longer valid. Where temporary duty begins before and ends after the effective transfer date, travel documents must contain fund citations (and appropriate estimates) to ensure payment of travel costs commensurate with the duty station of the individual during each of the travel periods. Separate travel documents for each period are recommended. Copies of all related travel documents must be provided to both the losing and gaining activities to ensure proper processing. The losing activity must prepare the travel order, and make appropriate disbursements. Amounts charged to the gaining activity must be processed as a Transaction for Others or other agreed upon procedures by the losing activity. Losing activities must always obtain authority to cite gaining activity funding on travel orders.

5.8.4. If an outstanding contract(s) is essential to the needs of another DoD activity, that need may be filled through a contract modification citing the appropriation or fund of the other DoD activity. It is especially important that contracts for PP&E be terminated when feasible. Termination costs that result from the cancellation must be identified as base closure costs.

5.8.5. A contract modification must be sent to contractors, under normal change procedures, for each contract for which the responsibility for contract payment is transferred. This is necessary to advise the contractor of a change in paying office. If responsibility for both contract payment and accounting for the losing and gaining activity remains unchanged, a contract

modification is not necessary. Instead, the accounting office must transfer transactions (i.e., payments, refunds, collections) identified to the losing activity that properly belong to the gaining activity and record those transactions as a transaction of the gaining activity. Concurrently, for reports to the Treasury, disbursement and collection values are reported as if they occurred within the gaining activity.

5.8.6. The gaining activity must develop procedures to control and manage the required accounting and system changes. Account control totals and other internal control mechanisms must be developed and used to ensure that accounting integrity is maintained.

5.8.7. The gaining activity must provide specific instructions to new organizational elements transferred to it including points of contact, office symbols and phone numbers, in order to continue the reporting function in an efficient and effective manner.

6.0 CLOSURE OF DWCF ACTIVITY

6.1 Funding

The DWCF does not have any funds available to them for payment of costs or absorption of losses that are not related to their output. Reimbursable rates developed for DWCF activities generally recover only costs incurred in providing requested goods or services. Costs over and beyond those costs generally are not considered in reimbursement rate computations. As a result, the DWCF does not have, through their normal operations, funds available for payment of costs resulting from closure actions that are directed by higher authority such as the BRAC Commission. The OUSD(C), P/B, Directorate for Military Construction provides instructions applicable to budget formulation and congressional justification for BRAC appropriations.

6.2 Closure Actions

The following general actions and related procedures must be followed upon notification that a DWCF activity is to be closed. In the case of a partial transfer of a particular function, specific actions and procedures are identified in section 5.0. Specific actions and procedures are usually necessary to accommodate unique circumstances of the closing activities.

6.2.1. The organizations involved must identify the specific functions to be terminated and the disposition of these functions. Specific guidelines on the disposition of these functions must be provided once the review is complete.

6.2.2. The organizations involved must identify and validate the physical, financial, and personnel resources to be disposed of or terminated at the closing activity. Specific directions must be provided once the review is complete.

6.2.3. The organizations involved must identify any interim funding method and intended duration. If an interim funding method is to be used to fund the closure, the affected organizations must determine the method and intended duration of the interim funding. Funding provided by a locally established order should not exceed 30 days.

6.2.4. The organizations involved must identify outstanding commitments for the functions of the closing activity to be terminated. Outstanding commitments that are not necessary should be canceled.

6.2.5. The organizations involved must review all existing contracts not directly associated with a funded customer order and terminate those for which the contracted service or good is, or must be, no longer essential. It is especially important that contracts for PP&E be terminated when feasible. Termination costs that result from the cancellation must be identified as base closure costs.

6.2.6. The organizations involved must review and validate the undelivered orders and other outstanding obligations of the closing activity. In addition, the accounts payable, the accounts receivable to include unbilled accounts, and the unfilled customer orders, should also be reviewed and decisions made on the appropriate disposition of each transaction. Refer to paragraphs 5.5 and 5.6 for additional information regarding these actions.

6.2.7. The organizations involved must reconcile financial and logistic stock records with physical inventories; determine whether quantities on hand are in excess of requirements to complete the remaining productive workload and other closeout needs; purge the inventories of all obsolete, damaged and surplus items; and dispose of excess material and supplies in accordance with logistics inventory policies and procedures. For detail information on inventory refer to Volume 4, Chapter 4.

6.2.8. The organizations involved must review and validate outstanding travel advances and travel obligations. Travel that is no longer required must be deobligated. Outstanding travel advances and travel obligations for which travel has occurred, or is in-process, must be liquidated prior to closing the activity.

6.2.9. The organizations involved must review and validate advance payments received in advance of performance. If the closing activity has received payment for ordered work in advance of its performance, then the amount of the advance less the amount of obligations, if any, incurred in partial completion of the order must be returned to the financing appropriation. If the amount of the advance is less than the obligations incurred, the closing activity must bill the customer for the unreimbursed obligations incurred and ensure that collection is received prior to closing. Move cost to overhead expense when the BRAC funds expire.

6.2.10. The organizations involved must prepare fiscal year-end financial statements for the closed activity.

6.2.11. The organizations involved must forward a request for cancellation of existing charters to the OUSD(C), P/B Operations Directorate.

6.3 Financing BRAC Related Costs

Costs at a DWCF activity must be financed by a BRAC account when those costs are a direct result of a BRAC determination that a base is to be closed. Stated in a different manner, charges for goods and services provided through DWCF may not include amounts necessary to cover costs incurred in connection with the closure or realignment of a military installation. The BRAC costs are those required to carry out actions that are in direct support of closing or realigning bases. Prior year, current year, or budget year operating losses in the DWCF must not be budgeted in the BRAC base closure accounts. Although overhead associated with the costs listed in this section must be charged to the BRAC account, increases in overhead on existing and new customer work must not be considered a direct result of a determination that a base be closed and, therefore, must not be charged to a BRAC account. Costs identifiable directly to base closure actions must be accumulated separately for reimbursement from a BRAC account. Costs attributable to base closure actions include:

6.3.1. Environmental Restoration and Mitigation includes reducing, removing and recycling hazardous waste, and removing unsafe buildings and debris.

6.3.2. Planning includes advance planning and design that may be required to transfer functions from an activity being closed to another military installation.

6.3.3. Outplacement Assistance in relocation, training, or other necessary assistance to civilian employees employed by the Department at installations being closed.

6.3.4. Community Programs include economic adjustment assistance to a community in which the closed base is located, or community planning assistance to the community to which functions must be transferred as a result of closure of a military installation.

6.4 Financing Non-BRAC Related Base Closure Costs

Paragraph 6.3, specifies costs to be financed from a BRAC account. Other costs at an activity undergoing closure, or to be closed, must not be financed by a BRAC account even though the closure was directed as a result of a determination of a BRAC. Those other costs must be financed either by the DWCF (initially) or by an operations and maintenance appropriation.

6.4.1. The following must be financed by the DWCF (initially) to the extent permitted by amounts available from existing and new customer orders:

6.4.1.1. Current year costs in support of customer orders.

6.4.1.2. Prior year, current year, or budget year operating losses.

6.4.1.3. Increases in overhead even though those increases could be attributed to decisions to close bases.

6.4.2. The following must be financed through a transfer from the Operations and Maintenance (O&M) appropriation of the DoD Component responsible for the activity incurring the following costs and loss:

6.4.2.1. All costs at a closing activity in the year of closure that are not associated with a valid work order or are as a result of other than a determination of a BRAC that the activity be closed.

6.4.2.2. Direct and indirect (including General and Administrative) operating costs for which there are not sufficient resources in existing customer orders or other resources of the closing activity.

6.4.2.3. Current year and prior year losses (to the extent not financed from existing and new customer orders as stated in subparagraph 6.4.1.2) must be financed as a pass through from the O&M appropriation of the DoD Component responsible for the activity incurring the loss.

6.5 Procedures for Requesting DoD Base Closure Account Funds

To request an allocation of DoD base closure account funds, an activity that has been selected for closure by a DoD BRAC determination must request guidance from the OUSD(C), P/B Directorate for Military Construction.

6.6 Allocation of DoD Base Closure Account Funds

Upon OMB's approval of a Standard Form (SF) 132, "Apportionment and Reapportionment Schedule," for the base closure account, the OUSD(C), P/B, Directorate for Military Construction must provide a Fund Authorization Document to the Director for Budget and Finance, Washington Headquarters Services (WHS) to fund the Financial Plan as approved. The Director for Budget and Finance, WHS, in accordance with direction received from the Directorate for Military Construction, must allocate DoD base closure funds to the Military Departments or Defense Agencies. Upon receipt of the allocation from the WHS, the Military Departments or Defense Agencies must distribute the base closure funds to the installations responsible for base closure actions. Upon receipt of the fund distribution, the installation must record the allotment from the DoD base closure account. Budgetary accounting entries to distribute direct funds to an installation-level are illustrated in the DoD USSGL Transaction Library.

6.7 Use of DoD Base Closure Account Funds

An activity must implement base closure and realignment actions and administer its allocation of base closure funds in accordance with the approved financial plan. The prior approval of the OUSD(C), P/B, Directorate of Military Construction, is required if a project that does not appear on the approved financial plan is to be executed. The general ledger entries for recording the accounting transactions on the use of direct funds are illustrated in the DoD USSGL Transaction Library.

6.8 Base Closure Account Reporting Requirements

An installation receiving an allotment of DoD base closure account funds must prepare a report on the status of its allotment. The status report must be transmitted to the entity from which the allotment was received in accordance with the reporting due dates required by that entity.

6.9 Disposition of PP&E Assets

6.9.1. The loss (or gain) from the sale, lease, or other disposal of PP&E assets must be recorded by the activity having financial reporting responsibility of the real property asset (i.e., the real property asset Financial Reporting Organization Code). The sale, lease, or other disposal action must be recorded only in proprietary accounts of that installation. Any proceeds generated from the sale, lease, or other disposal of PP&E assets does not add to, or otherwise affect, the budgetary accounts of that activity. All disposals must be supported as of the date the real property leaves the custody of the DoD Component to provide an adequate audit trail for the disposal of the asset. The execution of certain disposal events will generate financial or administrative accountability transactions. For a list of acceptable supporting documentation refer to Volume 4, Chapter 24.

6.9.2. Proceeds resulting from disposal of real property assets (to include land) due to a base closure directed by a BRAC must be deposited as reimbursements into the DoD Base Closure Account. Proceeds resulting from disposal of real property assets (to include land) due to a base closure directed by other than a BRAC must be deposited as reimbursements into the appropriate Treasury miscellaneous receipt account. Examples of transactions involving proceeds resulting from the transfer or disposal of PP&E include funds derived from temporary leases of government property and property upon which settlement has occurred and title has been passed to the new owners. "Good faith" deposits or earnest funds should be deposited in the Budget Clearing Account (Suspense), F3875, until finalization of the sale (settlement) takes place. Upon finalization of the sale (settlement), deposits made to the Budget Clearing Account (Suspense) must be transferred to the appropriate Treasury miscellaneous receipt account. Per the Treasury Financial Manual ***Bulletin 2020-05***, and consistent with OMB Circular A-11 guidance, the suspense account F3875 is to temporarily hold transactions that belong to the government until the transaction is matched to a specific receipt or expenditure account.

6.9.3. A copy of deposit documents, or other notification, must be provided to the Defense Finance and Accounting Service for all deposits made to a base closure account. The deposit document or other notification must identify the specific base closure account to which the deposit was made.

6.10 Withdrawal of Direct Appropriations or Reappropriations

The withdrawal of a direct appropriation or reappropriation is recorded at the departmental-level. The withdrawal of the allocation, if any, of an appropriation or reappropriation issued to the intermediate or activity-level is recorded as a decrease at the intermediate and activity-level and as an increase at the departmental-level as appropriate. The DoD USSGL Transaction Library is the source for the typical budgetary and proprietary accounting entries applicable to receipt, allocation and withdrawal of appropriations.

6.11 Cumulative Results of Operations

6.11.1. DWCF activity that is undergoing closure should request reimbursement for its recoverable costs, as specified in paragraph 6.4: (1) customer accounts for costs attributable to normal day-to-day operations, (2) the account financing the closure for costs attributable to closure activity, and (3) transfer from the O&M appropriation of the DoD Component responsible for the activity for costs in the year of closure, including prior year losses, that are not associated with a valid work order or are as a result of other than a determination of a BRAC that the activity be closed. All reimbursements and costs (including extraordinary gains and losses) flow to Account 331000, "Cumulative Results of Operations (Normal)." This account displays the net difference since the inception of the Activity between 1) expenses and losses, and 2) financing sources including expended appropriations, revenues, and gains. The account is increased by revenues and the value of assets transferred in; and reduced by expenses requiring current resources, expenses not requiring current resources, expenses recorded that are not currently funded and transfers out.

6.11.2. Upon completion of all operations and all closure activity, Account 331000 of the closed activity must have either a positive or a negative balance. If any portion of the balance in general ledger Account 331000 (Normal) is deferred for recovery from, or return to, customers in the subsequent fiscal year stabilized rate or standard price development that deferred amount must be transferred to general ledger Account 331000 (Deferred). Entries to general ledger Account 331000 (Deferred) must not be made unless the decision to recover or return such amounts from cumulative results of operation was authorized by the OUSD(C), P/B Operations Directorate. Additional information relating to cumulative result of operations may be found in Volume 4, Chapter 15.

6.12 Residual Assets

Any financial assets (e.g., cash, receivables, and unobligated authority) that remain after the closing actions are performed must remain in the DWCF and are available to meet the overall requirements of the DWCF or other obligational authority requirements as may be authorized. All remaining residual asset account balances must be reviewed and validated to determine appropriate actions to be taken. The residual balances must be reduced to zero within one year from the date an activity ceases operations. These actions must be documented in writing and provided to the appropriate management command for action.

6.13 Residual Liabilities

Any financial liabilities (e.g., payables and obligated authority) that remain after the closing actions are performed must remain in the DWCF. All remaining residual liability account balances must be reviewed and validated to determine appropriate actions to be taken. The residual balances must be reduced to zero within one year from the date an activity ceases operations. These actions must be documented in writing and provided to the appropriate management command for action.

ANNEX 1: CHARTER FORMAT

DEPARTMENT OF DEFENSE
(MILITARY DEPARTMENT/DEFENSE-WIDE) WORKING CAPITAL FUND
(TITLE OF WORKING CAPITAL FUND ACTIVITY GROUP,
e.g., SUPPLY MANAGEMENT) CHARTER

1. AUTHORITY

The (insert the name of the working capital fund and the fund's activity group), is (was) established, effective (DATE), under the authority of Title 10, United States Code, Section 2208. Operations of the (insert the name of the fund's activity group) must be conducted in accordance with applicable Department of Defense policies and regulations.

2. MISSION

(Provide a brief statement of the mission of the fund's activity group.)

3. MANAGEMENT COMMAND

(Provide the name and location of the fund's activity group management command.)

4. ACTIVITY COMPOSITION

See Attachment. (Attach a list of each activity included within the fund's activity group and each activity's location. The attachment should include an "as of" date.)

5. AUTHORIZED EXCEPTIONS

(Indicate any policy exceptions specifically authorized for the fund's activity group or any activity included within the fund's activity group. Also, explicitly state/reference the document approving that exception. Documentation supporting any authorized exceptions must be submitted with the charter request. If no exceptions are authorized, state "None.")

DEPARTMENT OF DEFENSE
(MILITARY DEPARTMENT/DEFENSE-WIDE) WORKING CAPITAL FUND
(TITLE OF WORKING CAPITAL FUND ACTIVITY GROUP,
e.g., SUPPLY MANAGEMENT) CHARTER

6. CANCELLATION

(This section provides for the cancellation of any previously approved charter(s). Identify the previous approved charter(s) with its date(s) and specify that it hereby is canceled as a result of the approval of this charter.)

Submitted by: _____
(Title of Submitting Official)

Approved: _____
Under Secretary of Defense (Comptroller)

DEPARTMENT OF DEFENSE
(MILITARY DEPARTMENT/DEFENSE-WIDE) WORKING CAPITAL FUND
(TITLE OF WORKING CAPITAL FUND ACTIVITY GROUP,
e.g., SUPPLY MANAGEMENT) CHARTER - ATTACHMENT

ACTIVITY COMPOSITION: (As of _____DATE_____)

(List each activity included within the fund's activity group and each activity's location. Include page number if list is longer than one page.)

Activity	Location
(Name of Activity)	(City and State)

Attachment

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 2 ANNEX 1: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 11B, CHAPTER 3: "DEFENSE WORKING CAPITAL FUNDS - BUDGETARY RESOURCES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated September 2020 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Administrative updates to include clarifying language in accordance with Department of Defense Financial Management Regulation (FMR) Revision Standard Operating Procedures.	Revision

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CHAPTER 3

DEFENSE WORKING CAPITAL FUNDS - BUDGETARY RESOURCES

1.0 GENERAL

Budgetary resources are amounts available to incur obligations in a given fiscal year which include new budget authority, available unobligated balances at the beginning of the year, reimbursements, and other income (also known as offsetting collections credited to an appropriation or fund account), recoveries of prior year obligations from unexpired accounts, and restorations. In the case of reimbursable work, earned reimbursements and unfilled customer orders, limited by the amount collected in advance for orders from the public, comprise budgetary resources.

1.1 Purpose

1.1.1. This chapter discusses budgetary resources available for the Defense Working Capital Fund (DWCF). The applicable general ledger accounts are listed in the United States Standard General Ledger (USSGL) contained in Volume 1, Chapter 7, and the accounting entries for these accounts are specified in the DoD USSGL Transaction Library. Unless otherwise stated, this chapter is applicable to all DWCF Components and DWCF activities listed in Volume 3, Chapter 19. Chapter 2 provides guidance on establishing DWCF activities.

1.1.2. Additional information regarding the receipt and distribution of budgetary resources are located in Volume 3, Chapters 13, 14, and 15.

1.2 Authoritative Guidance

The accounting policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:

1.2.1. Title 31, United States Code, section 1341 ***(31 U.S.C. § 1341)***, Limitations on Expending and Obligating Amounts;

1.2.2. ***31 U.S.C. § 1511***, Definition and Application;

1.2.3. ***31 U.S.C. § 1512***, Apportionment and Reserves;

1.2.4. ***31 U.S.C. § 1513***, Officials Controlling Apportionments;

1.2.5. ***31 U.S.C. § 1514***, Administrative Division of Apportionments;

1.2.6. ***31 U.S.C. §1515***, Authorized Apportionments Necessitating Deficiency or Supplemental Appropriations;

1.2.7. ***31 U.S.C. § 1517***, Prohibited Obligations and Expenditures;

1.2.8. ***31 U.S.C. § 1532***, Withdrawal and Credit;

1.2.9. ***31 U.S.C. § 1535***, Agency Agreements;

1.2.10. ***10 U.S.C. § 2208***, Working Capital Funds;

1.2.11. ***10 U.S.C. § 127a.***, Operations for Which Funds Are Not Provided in Advance: Funding Mechanisms;

1.2.12. Office of Management and Budget ***(OMB) Circular A-11***, Preparation, Submission, and Execution of the Budget;

1.2.13. Treasury Financial Manual ***(TFM) Volume I, Part 2, Chapter 2000***, Warrant and Non-expenditure (Net) Transfer Transactions;

1.2.14. Government Accountability Office
(GAO) Principles of Federal Appropriations Law, Chapter 2, The Legal Framework;

1.2.15. ***GAO Principles of Federal Appropriations Law , Chapter 3***, Availability of Appropriations: Purpose;

1.2.16. TFM ***USSGL***;

1.2.17. Department of Defense ***(DoD) USSGL Transaction Library***; and

1.2.18. DoD ***Standard Financial Information Structure***.

2.0 SOURCES OF, RESTRICTIONS ON, AND CLAIMS AGAINST BUDGETARY RESOURCES

Prior to incurring an obligation, a DWCF Component must have sufficient budgetary resources available for obligation in accordance with statutory, administrative, and other restrictions, after consideration of the claims against such budgetary resources.

2.1 Sources of Budgetary Resources

2.1.1. Direct appropriations and/or reappropriations provided directly to the DWCF or a DWCF Component by an appropriation act or other law and in accordance with statutory limitations, if any, by purpose, time, and amount.

2.1.1.1. The DWCF may receive direct appropriation to provide working capital and financing for specific projects or tasks. Appropriations are typically provided to the DoD at the departmental-level then transferred to the DWCF Component levels based on the request of the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), Deputy Comptroller,

Program/Budget (P/B) and the apportionment by the OMB on the Standard Form (SF) 132, Apportionment and Reapportionment Schedule, as discussed in Volume 3, Chapter 13. OMB distributes the amounts available for obligation in an appropriation through apportionments; and

2.1.1.2. A DWCF reimbursable program may be:

2.1.1.2.1. Automatically apportioned. A DWCF Component may obligate the total amount of obligation authority upon becoming available; or

2.1.1.2.2. Specifically apportioned. A DWCF Component may incur the amount of obligations limited to the specified apportioned amount.

2.1.2. Contract authority authorized by specific statutory authority. Contract authority permits a DWCF Component to incur obligations in advance of an appropriation, offsetting collections, or receipts to make outlays to liquidate the obligations.

2.1.2.1. Unless otherwise specified by statute, contract authority is available for obligation only within the fiscal year for which the authority is provided;

2.1.2.2. By definition, contract authority is unfunded and, therefore, obligations incurred through use of contract authority may not be liquidated until funded by an appropriation of liquidating cash or, more commonly within the DWCF, by offsetting collections credited to the DWCF; and

2.1.2.3. DWCF activities that utilize contract authority are issued both contract authority and anticipated customer order amounts that tie to one another as discussed in Volume 3, Chapter 8.

2.1.3. Non-expenditure transfers between DWCF Component sub-numbered accounts or, when authorized by statute, between a DWCF Component sub-numbered account and a direct appropriation or non-DWCF fund. Non-expenditure transfers into the DWCF increase budgetary resources while non-expenditure transfers from the DWCF decrease budgetary resources.

2.1.4. Offsetting collections credited to the DWCF consisting of earned reimbursements, both collected and uncollected, and unfilled customer orders from:

2.1.4.1. Federal government accounts that represent valid obligations of the ordering account whether or not accompanied by an advance;

2.1.4.2. The public, including state and local governments, but only to the extent accompanied by an advance received and credited to the appropriate DWCF Treasury sub-numbered account; and

2.1.4.3. Refunds, which are the repayments of excess outlays. The amounts are directly related to previous obligations incurred and outlays made. Refunds are not available for obligations until the refund is collected. Refunds collected in the same fiscal year as the obligations incurred are credited to the appropriation or fund account charged with the original obligation. Refunds of prior year obligations are not available for obligation until collected and reapportioned by the OMB. Refunds receivable are not a budgetary resource.

2.1.5. Recoveries of prior year obligations. These are cancellations or downward adjustments of obligations incurred in prior fiscal years that were not outlaid. Within the DWCF, recoveries of prior year obligations are automatically apportioned and are available for new obligations as well as upward adjustments of previously existing valid obligations.

2.2 Restrictions on Budgetary Resources

2.2.1. The DWCF is used to more effectively control and account for program costs and the work performed in the DoD. The Secretary of the Treasury establishes DWCFs upon request of the Secretary of Defense. A DWCF Component may only use amounts appropriated:

2.2.1.1. For the purpose stated in the appropriation act or other law providing the amounts, for no more than the amount appropriated or otherwise made available; and

2.2.1.2. Within the time period for which the funds are available for obligation, and are subject to such other limitations and/or restrictions as may be stated in the applicable appropriation act or other law providing the amounts, as well as such other statutory restrictions, both express and implied, as may be relevant.

2.2.2. Budget Authority is the authority provided by law to incur financial obligations that will result in outlays.

2.2.2.1. Budget authority is available for obligation only in accordance with purpose, time, and amount restrictions imposed by statute, by apportionments imposed by the OMB, and by administrative limitations imposed by authorized officials within the OUSD(C) and the DWCF Components;

2.2.2.2. In addition to being subject to statutory restrictions, DWCF budget authority is apportioned and allocated to the sub-account level on the OMB 132. DWCF budget authority is administratively allocated to the activity group levels as appropriate. The allocated amounts may be further restricted through administrative action; and

2.2.2.3. There are three forms of apportioned budget for the DWCF:

2.2.2.3.1. Direct Appropriation. Direct appropriated amounts are to be used for the specific purpose identified in the appropriations act or other legislation. Funds not appropriated specifically for the designated purpose are not available for that purpose. Unless specified otherwise, direct appropriations for the DWCF are no-year funds that do not expire.

2.2.2.3.2. Spending Authority from Offsetting Collections (Reimbursable Obligations). Reimbursable obligations are obligations financed by offsetting collections credited to an expenditure account in payment for goods and services provided by that account. The collection must be authorized by law to credit the specific appropriation or fund account. Anticipated reimbursements may not be used as a source of obligational authority until a customer order is accepted unless such use specifically is authorized in statute. Volume 3, Chapter 15 describes reimbursable obligations in detail.

2.2.2.3.3. Contract Authority.

2.2.2.3.3.1. Contract authority itself is not an appropriation. It is apportioned budget authority which can be legally obligated and may be used only for the purpose, time, and amount specified by statute relating to that contract authority. It is not funded and is apportioned and allocated without a supporting Treasury cash balance. Contract Authority must always be replaced or liquidated by subsequent or other budgetary resources and cash balances, more commonly within the DWCF, by offsetting collections credited to the DWCF. Unless otherwise specified by statute, contract authority is apportioned to the DWCF for the current fiscal year of the apportionment only, and closes for new obligations if not used within the fiscal year it is apportioned;

2.2.2.3.3.2. The OMB apportions contract authority at the beginning of a fiscal year for the amount of the DWCF program. It provides the authority to incur obligations in anticipation of the collection of receipts or offsetting collections that will be used to liquidate the obligation. Within the DWCF, contract authority is available for capital asset program obligations, i.e., all DWCF activity groups, and supply management operations. Supply Management activity groups include Supply Management, Distribution Depots, Defense Commissary Agency (Resale), and the Defense Reutilization and Marketing Service; and

2.2.2.3.3.3. There are no statutory restrictions placed on the obligational availability or availability to liquidate contract authority obligations of offsetting collections.

2.2.3. A non-expenditure transfer is a transfer of budgetary resources from one budget account, appropriation, or fund to another that does not involve an outlay. Statutory restrictions on the purpose, availability, and use of appropriated funds require that no change be made to those restrictions through the use of a non-expenditure transfer into the DWCF unless such change is specifically authorized by law.

2.2.4. Other events reported on the SF 133, Report on Budget Execution and Budgetary Resources, further restrict the availability of Budgetary Resources. Appendix F of the OMB Circular A-11 includes an explanation of these events with an identification of the impacted reporting lines on the SF 133.

2.2.5. If an apportionment is received by a sub-account or an activity group for a specific purpose, obligations must be kept within the apportioned limits even though the amount apportioned may be less than the total budgetary resources that otherwise would be available to the sub-account or activity group, in compliance with 31 U.S.C. Section 1517(a).

2.2.6. An administrative limitation cannot be used to change or eliminate a statutory restriction. An administrative action can only further restrict the purpose, time, or amount for which budgetary resources may be used. An administrative limitation, if any, of budgetary resources provided to a DWCF Component, or subdivision, by the OUSD(C) or designated representative; and/or a subdivision, if any, of budgetary resources provided to a DWCF activity group or activity (operating unit) by a DWCF Component official must be followed. If an administrative limitation is received, the DWCF Component must keep obligations within the limitation even though the limitation may be less than the total budgetary resources that otherwise would be available. Administrative limitations may be provided in various formats but must be in writing, signed, and clearly state that it is a violation of the 31 U.S.C. Section 1517(a) to incur obligations that exceed the limitation.

2.3 Claims Against Budgetary Resources

A DWCF Component must consider claims against budgetary resources in the determination of budget authority that is available for obligation. Claims against budgetary resources should be recorded in financial records of the DWCF entity. A DWCF Component should maintain financial records in sufficient detail to permit a segregation of budgetary resources and, within that segregation, an identification of claims against the budgetary resources.

2.3.1. Where a DWCF activity receives budgetary resources from more than one source, the receiving activity must maintain records which will enable it to control separately the transactions relating to each source and if the funds transferred are subject to restrictions different from those existing in the account to which transferred.

2.3.2. Of the three general availability restrictions of purpose, time, and amount, purpose should be determinable from administrative records while time and amount should be determinable from financial records.

2.3.3. A DWCF Component should have two primary types of financial accounts, proprietary and budgetary. The balance of budgetary resources available for obligation can be determined only from budgetary accounts. Proprietary accounts, by themselves, are not sufficient to determine budgetary resources. For example, non-budgetary assets such as inventories of stock for sale are not considered a budgetary resource. Additionally, a fund balance (i.e., cash) does not necessarily denote the availability of a budgetary resource. A fund balance, although present, may have claims against it (accounts payable, for example) and the amount of those claims, therefore, are not available for obligation.

2.3.4. Not all budgetary accounts represent a budgetary resource available for obligation. For example, anticipated customer orders are not budgetary resources available for obligation. The anticipated customer order only provides the authority to accept reimbursable orders and does not provide obligation authority. In addition, claims against budgetary resources, such as undelivered orders and unpaid accrued expenditures must enter into the determination of unobligated balances and, therefore, budgetary resources available for obligation. Similar to the anticipated customer order, administrative restrictions or other withheld amounts limit the balance of budgetary resources available for obligation. A DWCF Component can determine budgetary resources available for obligation from data required to be reported on the SF 133. Section 82 of OMB Circular A-11 also provides additional information.

2.3.5. In the event that budgetary resources available to a DWCF Component, activity group, or activity are not sufficient, a DWCF manager should not assume that sufficient budgetary resources exist elsewhere within the DWCF to fund obligations in excess of resources available. Rather, the manager of the DWCF Component, activity group or activity, as applicable, must request, in writing, an increase in authority to incur obligations from its management command or responsible DWCF Component and must defer the incurring of additional obligations until budgetary resources are sufficient to fund them. The DWCF Component must document the authority to incur additional obligations in an Annual Operating Budget signed by the OUSD(C), Director/Associate Director, Operations, or designee. See Volume 3, Chapter 19 for additional information on Obligation Authority.

3.0 SUPPLEMENTAL APPROPRIATION AND REAPPROPRIATION

3.1 DWCF Supplemental Appropriations

3.1.1. Supplemental appropriations may be provided for working capital purposes such as when the cumulative results of operations and/or the cash position is either negative or approaching negative or for other purposes discussed in Volume 2A, Chapter 1.

3.1.2. Receipt of the appropriation provides an immediate infusion of cash. The amount of the appropriation used must be accounted for and reflected in accounting records and financial reports.

3.1.3. Appropriation is a financing source against which expenses must be matched and reported on the Statement of Operations. If the amount of the appropriation is in excess of negative net and cumulative results of operations, the amount of the appropriation used must only be the amount sufficient to bring the total of accumulated operating results and net operating results to a zero-dollar ($-0-) position. The remaining amount of the appropriation must be used to offset any subsequent year net operating losses.

3.2 Receipt and Allocation of Supplemental Appropriation and Reappropriation

3.2.1. Supplemental appropriation is an appropriation enacted subsequent to a regular annual appropriation act when the need for funds is too urgent to be postponed until the next regular annual appropriations act. These supplementals may be:

3.2.1.1. Requesting additional amounts not previously anticipated; or

3.2.1.2. Requesting changes in appropriations language that do not affect amounts previously appropriated.

3.2.2. Reappropriation is an extension of the availability of unobligated balances of budget authority that have expired or would otherwise expire as a result of legislation enacted subsequent to the law that provided the budget authority. The term does not apply to extensions of the availability of unobligated balances of budget authority that result from standing provisions of law, enacted before the budget authority was provided, or from provisions of law included in the same law that appropriated the funds.

3.2.3. The receipt of a supplemental appropriation or reappropriation is recorded at the departmental-level only. The allocation, if any, of the supplemental appropriation or reappropriation is recorded at the activity group and activity level as appropriate. The receipt and allocation of appropriations provided to the DWCF are accounted for within the DoD USSGL Account Transactions:

3.2.3.1. Departmental-Level Entries. Record receipt of a supplemental appropriation or reappropriation to the DWCF at the account level and establish budget authority. The source document for the Budgetary Account posting is the OMB SF 132, Apportionment and Reapportionment Schedule. The source document for the Proprietary Account posting is the Treasury Warrant (TFS Form 6200), "Department of the Treasury Appropriation Warrant;"

3.2.3.2. Intermediate Level Entries. Record direct budgetary authority received from the departmental-level by an intermediate level component and available for allotment to execution level component(s) or sub allotment to other intermediate level component(s); and

3.2.3.3. Activity (Execution) Level Entries. Record direct budgetary authority received by an execution level component through either allotment or sub allotment of authority.

3.3 Reduction or Withdrawal of Direct Appropriations

3.3.1. The reduction or withdrawal of an unexpired direct appropriation or reappropriation is recorded at the departmental-level. The reduction or withdrawal of the allocation, if any, of an appropriation or reappropriation issued to the intermediate or activity level is recorded as a decrease at the intermediate and activity level and as an increase at the departmental-level, as appropriate. The entry to record the reduction or withdrawal of an unexpired direct appropriation or reappropriation from the departmental-level requires budgetary and proprietary journal entries to perform the transaction.

4.0 CUSTOMER ORDERS

4.1 Anticipation of Customer Order

4.1.1. The DWCF Component must estimate the dollar amount of reimbursable orders it expects to receive in the current fiscal year.

4.1.2. There must be a specific law that authorizes reimbursable work with non-Federal entities. A DWCF Component cannot cite the Economy Act as the statutory authority to perform work for non-Federal customer orders with or without an advance. A law must specifically allow a DWCF activity to incur obligations against customer orders received from non-Federal sources with an advance.

4.1.3. Customer orders with advances from non-Federal sources are credited to a Treasury Appropriation Fund Symbols (TAFS) that is legally available for the work performed. Customer orders with advances from non-Federal sources are credited to a TAFS that is legally available for the work performed where the period of availability of the performing Federal agency TAFS is determined by the activity's general counsel.

4.2 Receipt of Customer Orders

4.2.1. Customer orders received are requisitions and other orders accepted for items to be furnished on a reimbursable basis. The amount of budgetary resources available for obligation from customer orders is the sum of orders received from Federal Government accounts that represent valid obligations of the ordering account, whether or not accompanied by an advance plus orders received from the public, including state and local governments, but only to the extent accompanied by a cash advance.

4.2.2. Throughout the year, unfilled customer order amounts should be adjusted to the extent that orders are filled, canceled, or new orders received.

4.3 Recognition of Reimbursement Earned (Revenue)

An earned reimbursement is the amount of the customer orders that have been filled, provided that in the case of orders from the public, including state and local governments, the amount is limited to the amount of the cash advance received. Earned reimbursements should not exceed the amount of individual customer orders as well as letters of intent, commanders' orders, congressionally mandated actions, and other emergency situations. The amount of budgetary resources available for obligation from earned reimbursements is calculated as the sum of:

4.3.1. Customer orders from Federal Government accounts that have been filled but not yet billed;

4.3.2. Accounts receivable representing Federal Government customer orders that have been filled but not collected;

4.3.3. Cash received as advances from the public for customer orders that have been filled; and

4.3.4. Cash received as reimbursement for Federal Government customer orders that have been filled.

4.4 Treatment of Unearned Revenue

Unearned revenue consists of amounts received in advance for goods and services to be delivered at a future date. The appropriation language for DoD's DWCF permits the fund to receive advances for supplies and services. The DWCF business entities must be advanced funds identified in the DWCF customer orders during the fiscal year, as required, to enable the DWCF activity to pay for its costs of operation. The DoD Components receiving an advance must record the amount received as a liability until the payment is earned, i.e., goods or services have been delivered. After the payment is earned, the DoD Component must record the appropriate amount as revenue and reduce the liability accordingly. Other Liabilities are further discussed in Volume 4, Chapter 12, and DWCF Reimbursements and Revenue Recognition are further discussed in Volume 11B, Chapter 11.

5.0 NON-EXPENDITURE FUND TRANSFERS

A non-expenditure transfer moves budgetary resources from one budget account, appropriation, or fund to another that does not involve an outlay. Non-expenditure transfers of funds may be received from another appropriation or fund or may be made to another appropriation or fund when appropriate and authorized. A non-expenditure transfer of funds received from another appropriation or fund increases the amount of available budgetary resources. A non-expenditure transfer of funds made to another appropriation or fund decreases the amount of available budgetary resources.

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 4: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 5: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 6: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 7: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

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CHAPTER 8: "ARCHIVED"

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CHAPTER 9: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 10: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 11B, CHAPTER 11: "REIMBURSEMENTS AND REVENUE RECOGNITION - DEFENSE WORKING CAPITAL FUNDS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated October 2002 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Chapter Title	Modified the Chapter title from "Reimbursements And Revenue Recognition" to "Reimbursements and Revenue Recognition - Defense Working Capital Funds." This aligns with the titles used for Chapters 1 - 3. It also distinguishes the Chapter from Volume 11A during online searches.	Revision
1.0 (1101)	Revised the "General" section and added "Overview", "Purpose" and "Authoritative Guidance" paragraphs in order to comply with the DoD Financial Management Regulation Standard Operating Procedures.	Revision
2.4 (110204)	Updated guidance for use of Project Orders in accordance with Title 41, United States Code, section 6307 (41 U.S.C. § 6307) and for usage of Economy Act Orders in accordance with 31 U.S.C. § 1535.	Revision
2.5 (110205)	Updated guidance for work performed per 10 U.S.C. § 127a.	Revision
2.6 (110206)	Updated guidance for Work Performed in Advance of Reimbursable Orders in accordance with the Office of Management and Budget Circular A-11.	Revision
2.8 (110208)	Updated requirements for stabilized rates to align with Volume 2B, Chapter 9.	Revision
3.1 (110301)	Updated guidance for recognizing and reporting revenue in accordance with Federal Accounting Standards Advisory Board, Statement of Federal Financial Accounting Standards 7, and relevant portions of the Deputy Chief Financial Officer Memorandum, "Policy Change to Account for In Transit Inventory Assets (FPM 19-10)," dated December 9, 2019.	Revision

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
3.2 (110302)	Updated guidance on Service Type and End-Product Type Orders.	Revision
3.4 (110304)	Removed the budgetary and proprietary accounting entries provided in the former section 3.0 and referred users to the DoD U.S. Standard General Ledger Transaction Library.	Revision
4.0 (1104)	Removed the Prior Period Adjustment content provided in the former section 4.0 because this guidance is given in Volume 4, Chapter 17.	Deletion

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CHAPTER 11

REIMBURSEMENTS AND REVENUE RECOGNITION - DEFENSE WORKING CAPITAL FUNDS

*1.0 GENERAL (1101)

1.1 Overview (110101)

Reimbursements are collections earned for selling goods or providing services. Reimbursable obligations are obligations financed by offsetting collections credited to an expenditure account in payment for goods and services provided by that account. The collection must be authorized by law to credit the specific appropriation or fund account. The Under Secretary of Defense (Comptroller) must authorize reimbursable authority through budget formulation in Annual Operating Budgets and statutory authorization in the annual National Defense Authorization Act. Refer to Volume 3, Chapter 15 for additional information relating to the standards for recording the receipt and distribution of budgetary resources in execution-level activities.

1.2 Purpose (110102)

This chapter establishes guidance for reimbursements and revenue recognition for the DoD Defense Working Capital Fund (DWCF).

1.3 Authoritative Guidance (110103)

The accounting policy and related requirements prescribed in this chapter are in accordance with the applicable provision of:

1.3.1. Federal Accounting Standards Advisory Board, Statement of Federal Financial Accounting Standards 7 ***(SFFAS 7)*** "Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting."

1.3.2. Office of Management and Budget ***(OMB) Circular A-11*** "Preparation, Submission, and Execution of the Budget."

1.3.3. ***Standard Financial Information Structure***. "DoD Standard Reporting Chart of Accounts and DoD U.S. Standard General Ledger (USSGL) Transaction Library."

1.3.4. Title 10, United States Code, section 127a (***10 U.S.C. § 127a***) "Operations for which Funds Are Not Provided In Advance: Funding Mechanisms," ***10 U.S.C. § 2208*** "Working-capital Funds," ***10 U.S.C. § 2210*** "Proceeds of sales of supplies: credit to appropriations," and ***10 U.S.C. § 2563*** "Articles and Services of Industrial Facilities: Sale to Persons Outside the Department of Defense."

1.3.5. U.S. Department of the Treasury (Treasury), Bureau of the Fiscal Service, Federal Account Symbols and Titles ***(FAST Book).***

2.0 REIMBURSEMENTS (1102)

2.1 Reimbursement Principles (110201)

2.1.1. 10 U.S.C. §§ 2208 and 2210 provide the basic transactional authority for the DWCF. These authorize the Secretary of Defense to finance inventories of supplies, industrial-type activities, and commercial-type activities that provide common services within or among activities of the DoD. Supply-type services involve the sale of material financed using contract authority established by 10 U.S.C. § 2210(b) subsequently liquidated using revenue earned and collected from sales. Industrial-type services may be financed for requirements internal to a military department or for external customers and commercial-type activities may be financed when common services are required within or among the departments and agencies that comprise the DoD. As required by 10 U.S.C. § 2208(o), charges for goods and services provided through a DWCF activity must include amounts to recover the full costs of goods and services provided and amounts for capital investment recovery.

2.1.2. The DWCF billings to and reimbursements from ordering activities for services or goods provided must be accomplished in the most efficient and expeditious manner available to reduce or eliminate the need for additional DoD working capital. In addition, the nature of the DWCF requires ordering activities to budget, control, and account for the cost of all goods and services ordered (refer to 10 U.S.C. § 2208).

2.1.3. As a result, a DWCF activity:

2.1.3.1. Must bill ordering activities for all costs incurred as a result of an accepted customer order as long as the billings does not exceed the fixed-price contract amount.

2.1.3.2. Must bill customer order cancellation or reduction costs. When a job order is canceled or reduced in scope after a DWCF activity has commenced work or incurred costs on the order, the costs incurred, plus the applied overhead (that is, indirect and other normally allocated overhead, such as General and Administrative (G&A) costs) plus costs associated with the cancellation or reduction must be charged to the customer. Examples of directly associated cancellation or reduction costs to be charged to customers are advance planning costs, non-creditable direct materiel, special test equipment, necessary preservation and/or shipment effort, and any additional effort necessitated by the cancellation and/or reduction; for example, salvaging of materiel. In addition, costs charged to customers should include the costs of salaries payable to employees hired specifically to work on the canceled order until the employees are, or could have been, separated through a reduction in force or other appropriate action (taking into account appropriate administrative lead time), or reassigned to other direct jobs. Materiel is defined as all items necessary to equip, operate, maintain, and support military activities without distinction as to their application for administrative or combat purposes, excluding real property, installations, and utilities. Materiel is either serviceable (i.e., in an issuable condition) or unserviceable (i.e., in need of repair to make it serviceable). This definition is taken from ***DoD Instruction 4140.01*** "DoD Supply Chain Materiel Management Policy."

2.1.3.3. Must not charge the customer for costs that are indirectly associated with cancellation or reduction actions. For example, do not charge a customer canceling or reducing an order for under-applied indirect production and G&A overhead costs that result from a reduced workload base of the DWCF activity as a whole. Instead, record the under-applied costs against the net operating results of the performing DWCF activity.

2.1.3.4. Must not enter into any arrangement to offset services/materials received and services/materials furnished, except for Foreign Military Sales (FMS)/Foreign Exchange Agreements as provided in Volume 15 or via Acquisition and Cross-Servicing Agreements as provided in Volume 11A, Chapter 8.

2.2 Reimbursable Orders (110202)

2.2.1. No work or service should be performed by a DWCF activity except on the basis of reimbursable orders received and accepted that constitute obligations of Federal Government ordering activities or cash advances from non-Federal Government entities. Direct fund cite orders will include a reimbursable order portion for the applicable DWCF overhead rate. Economy Act Orders may be issued as direct fund cite orders where the ordering activity identifies the appropriate fund citation for the servicing activity to place on the reimbursable order (refer to Volume 11A, Chapter 3).

2.2.2. Each DWCF activity must record promptly all orders accepted and must account continuously for the status of all orders in terms of deliveries, billings, and unfilled balances. This will provide a basis for scheduling production or operations, assessing work backlogs, determining the need for additional orders or to reduce activity, preparing operating budgets and forecasts, and promptly informing customers about changes in delivery schedules.

2.3 Basis for Reimbursement (110203)

2.3.1. All orders accepted by a DWCF activity must be in writing (either on paper or an electronic document); for a purpose authorized by law; executed before cancellation of the issuing appropriation; and must call for specific goods, real property, work, or services. The DWCF activity will adhere to the accounting standards hierarchy in Volume 1, Chapter 2 in accepting, recording, billing and reporting reimbursable activities.

2.3.2. Each Project Order or other order accepted by a DWCF activity must state specifically the basis of reimbursement to the DWCF for the cost of work or services ordered, as between fixed-price or cost reimbursement. For DWCF industrial facility sales to persons outside the DoD under authority of 10 U.S.C. § 2563, materials or services may be sold on either a fixed-price or cost reimbursement basis.

2.3.3. Orders from the public, including State, local and foreign governments must be accompanied by an advance because DWCF activities cannot recognize budgetary resources for a non-Federal order until a receipt is collected. Volume 4, Chapter 3 provides an exception for fuel sales to the public. According to Chapter 1, paragraph 010208, cash advances may also be requested from Federal Government activities when directed and approved in advance by the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)).

*2.4 Performance Under Project Orders and Economy Act Orders (110204)

A performing activity's mission, function and the nature of the transaction will determine whether 10 U.S.C. § 2208 or another statutory authority governs a class of orders. As stated in subparagraph 2.1.1, 10 U.S.C. § 2208 is the primary transactional authority for DWCF sales of materials and for the provision of services by chartered DWCF industrial and commercial activities that provide common services within or among DoD components. The Economy Act and the Project Order Statute are additional statutes that may pertain to some DWCF sale transactions.

2.4.1. The DoD Components (i.e., DoD-owned and operated activities) ordering work or services from a DWCF financed activity may place a Project Order whenever such an order meets the requirements for Project Orders established in Volume 11A, Chapter 2. A DWCF customer with a qualifying requirement would use authority conferred by ***41 U.S.C § 6307*** to account for the obligation in the same manner as it would a procurement contract for a similar requirement with commercial manufacturer or private contractor. To qualify as a Project Order under policy in Volume 11A, Chapter 2 the customer request must be a bonafide need of the fiscal year (FY) in which the Project Order is placed. DWCF customers may place Project Orders only for non-severable requirements that are performed over a period of time which may cross a FY.

2.4.2. Organizations financed by the DWCF accept and perform orders within the scope of their DWCF charter mission under transactional authority conferred by 10 U.S.C. § 2208. Such organizations may also accept and perform Economy Act Orders under ***31 U.S.C. § 1535***, when providing intra-DoD or intragovernmental support not falling within the activity's DWCF charter mission, provided they otherwise meet the criteria of such orders as described in Volume 11A, Chapter 3. For instance, when a tenant of a DWCF-financed activity reimburses a DWCF installation host, the Economy Act governs the transaction. Such support would not involve provision of supplies or common services for which the DWCF-financed activity was chartered. Support categories for which the Economy Act may provide transaction authority include, but are not limited to, base support (host-tenant) services, civilian personnel services, community services, environmental compliance, fire protection, food service, health service, mail service, police service, security/guard services, and warehousing.

2.4.3. The customer order and funding document should identify the applicable statutory authority (i.e., Project Orders, Economy Act Orders, or 10 U.S.C. § 2208) upon acceptance by the performing activity. See Treasury's Bureau of the Fiscal Service, Interagency Agreement, United States Government Order Instructions, ***FS Form 7600B.*** The requesting and servicing activities must identify the applicable statutory and program authorities. FS Form 7600B allows for this information to be provided in blocks 17-19 and 20-21, respectively.

*2.5 Reimbursement for Contingency Operations and Humanitarian Efforts (110205)

2.5.1. All DWCF activity groups, including transportation services provided by the U.S. Transportation Command (USTRANSCOM), operate on a reimbursement basis with users paying for goods and services provided. Payment for contingency operations, including deployment or other emergency response for military or humanitarian assistance, is no exception.

2.5.2. The Military Department Headquarters is responsible for determining which level within the Military Department will pay (that is, at the unit, major command, or Military Department-level). This process also applies when a Unified Combatant Command tasks a Service-funded unit to perform a mission (such as transportation of military personnel or equipment by the USTRANSCOM). Payment for the services provided is the responsibility of the Military Department controlling the equipment or personnel receiving the service.

2.5.3. Transportation provided in response to a Request for Assistance (RFA) from another government agency must not result in third party collections. The Military Department that controls the equipment or personnel being transported is responsible for reimbursing USTRANSCOM. It is the responsibility of the Military Department that accepted the RFA to collect any required reimbursements owed to that Military Department by the requesting government agency.

2.5.4. An exception to this policy occurs when the USTRANSCOM receives an order from the Joint Chiefs of Staff requiring transportation of non-U.S. owned equipment and/or non-U.S. personnel such as unreimbursed efforts in support of the United Nations. In those instances, the Army will pay Surface Deployment and Distribution Command costs, the Navy will pay Military Sealift Command costs, and the Air Force will pay Air Mobility Command costs. Bills may be centralized for more convenient processing if appropriate; however, billings must be forwarded to the appropriate Military Department within 30 days from commencement of the contingency operation or humanitarian effort. The Military Departments must pay these bills, including transportation costs, in a timely manner.

2.5.5. Authority for another exception to this policy is available for operations described in 10 U.S.C. § 127a. 10 U.S.C. § 127a does not confer authority to conduct operations, but rather establishes mechanisms by which funds are provided for two types of operations that the armed forces are required to carry out under some other authority in the absence of advance funding. The first involves the deployment (other than for a training exercise) of elements of the armed forces. The second involves the provision of humanitarian assistance, disaster relief, or support for law enforcement (including immigration control). 10 U.S.C. § 127a(b) authorizes the Secretary of Defense to not require reimbursement for specified services rendered by DWCF activities to a unit of the armed forces performing a section 127a mission.

*2.6 Work Performed in Advance of a Reimbursable Order (110206)

In certain situations, work for customers may begin in advance of receipt and acceptance of a formal order. They are as follows:

2.6.1. In periods under which the Department is operating under a Continuing Resolution (CR). For more details, refer to Volume 3, Chapter 2 and OMB Circular A-11, Section 123. Orders issued under a CR must identify the portion covered by current obligational authority. When obligational authority is not available neither work nor service is to be performed. Another option is to request that OMB provide an exception apportionment. This must include a written justification that provides the legal basis for the request.

2.6.2. When it is necessary, in an urgent situation, to incur limited costs in advance of the receipt of a regular order for an authorized program for which customer funds are available, such work or services may be undertaken on the basis of a letter of intent which constitutes an obligation of the ordering activity in a stated amount sufficient to cover the advance costs that may be incurred. Therefore, letters of intent are obligating instruments, contractual in nature, and must be funded upon issuance. A letter of intent must expire within 30 days from the date of issuance.

2.6.3. When it is necessary to begin work of an emergency nature prior to the receipt of an order, a commanding officer's order or similar order may be issued by the commander of the DWCF activity subject to the following conditions:

2.6.3.1. The DWCF activity must have written assurance that an order must be issued promptly or must have equivalent documented communication. The use of such orders must be limited to situations in which there are bona fide emergencies arising from unforeseen urgent requirements, e.g., loss or damage caused by a disaster, an act of God, or events caused by unforeseen security situations. A commanding officer's order must not be used as a normal procedure to circumvent administrative lead-times that should be considered in advance planning.

2.6.3.2. A commanding officer's order must expire within 30 days from the date of issuance.

2.6.3.3. A commanding officer's order must be issued on a local form (e.g., DoD ***(DD) Form 577***, Appointment/Termination Record - Authorized Signature) and must be approved and signed by the commanding officer or an authorized representative.

2.7 Follow-up on Unfunded Reimbursable Orders (110207)

While there may be some services furnished by a DWCF activity prior to receiving a funded order, this should be a rare occurrence. Whenever this occurs, these services are performed on the basis of anticipated orders or for programs included in approved budget requests. This type of work is for existing customers that have annual recurring requirements. However, when items are furnished or services performed in response to an unfunded reimbursable order (express or implied), and a funded order has not been submitted after 15 days of providing the

service, the DWCF organization must notify the comptroller of the customer organization and request a funded order. If funding is not received within 30 days of providing the service, the DWCF organization must notify the OUSD(C), Deputy Comptroller Program/Budget (P/B) - Revolving Funds Directorate, and request authorization to directly bill the customer's appropriation account. The OUSD(C) P/B - Revolving Funds Directorate must respond to the request within 15 days. Upon authorization by the OUSD(C) P/B - Revolving Funds Directorate, the DWCF organization will self-reimburse the DWCF, citing the customer's appropriation.

*2.8 Billing Standard (110208)

The DWCF Components performing work or services on a customer order must bill the requesting DoD Component, other Federal agency, or the public for earned reimbursements (performance of work or services, payments to contractors, or delivery from inventory) within 30 calendar days after the month in which performance occurred. The payment due date must not be more than 30 calendar days from the date of the invoice.

2.8.1. Stabilized rates must be established to achieve an Accumulated Operating Result (AOR) of zero in the budget year. This means the stabilized rates must recover operating expenses estimated to be incurred for the applicable FY and provide sufficient working capital for the acquisition of fixed assets as approved by the OUSD(C) P/B - Revolving Funds Directorate. Therefore, stabilized rates and unit prices must be established at levels intended to provide for estimated revenues to equal estimated costs plus approved surcharges for the applicable FY for which the rates and unit prices are established. In budget execution, activities will incur either a positive or a negative operating result. Accordingly, activities will increase their budget year prices to make up actual or projected losses of budgetary resources or reduce their budget year prices to return actual excess resources or projected budgetary gains to customers. Activities may request recovery of AOR outside the budget year in instances when an AOR of zero cannot be achieved. This request must be included in the budget submission and approved by the OUSD(C) P/B - Revolving Funds Directorate. Refer to Volume 2B, Chapter 9 for specific details.

2.8.2. When established stabilized rates and unit prices are insufficient to cover the increase in actual costs incurred for Project Order or Economy Act Order cost reimbursable orders, renegotiations in the current FY need not be conducted for small dollar amounts ($0.01 to $2,500.00) when the probable cost of renegotiation is greater than the adjustment amount. The resulting negative operating result must be addressed to achieve an AOR of zero in the budget year in accordance with the guidelines in subparagraph 2.8.1.

2.8.3. Private parties and concerns, when authorized by law including foreign governments, and state and local governments must reimburse the DWCF for the full costs incurred by the Federal Government. Full costs for foreign military, state and local government, and private party sales must include unfunded costs that are not charged to the DoD or other Federal Government customers (such as unfunded civilian retirement and postretirement health benefits costs). Amounts collected for unfunded civilian retirement and postretirement health benefits costs must not be retained by DWCF activities; rather, such amounts must be deposited into either the Miscellaneous Receipts Account 3210, "General Fund Proprietary Receipts,

Defense Military, Not Otherwise Classified," or for FMS into Account 3041, "Recoveries Under the Foreign Military Sales Program, Army, Navy, Air Force, Defense" (see the FAST Book). Volume 15, Chapter 7 provides additional information on the determination of full costs for FMS.

2.9 Disputed Bills between DoD Components (110209)

2.9.1. Payment for ordered goods and services must be made promptly after the receipt of the bill/invoice by the requesting activity from the performing activity. Payment may be in advance or on providing the goods or services ordered and must be for any part of estimated or actual cost as determined by the activity filling the order. Proper adjustment of amounts paid in advance must be made as agreed to by the ordering and performing activities on the basis of the goods or services provided. A bill submitted or a request for payment must be paid promptly and not postponed subject to audit or other similar validation in advance of payment. This provision is not intended to preclude questions on the accuracy and correctness of the billed amounts but is intended to preclude the nonpayment of bills subject to the resolution of disputed billing details. Every effort must be expended to resolve disputed billing details within 60 days. The billing activity may request adjudication from the OUSD(C) P/B - Revolving Funds Directorate if, after 60 days, agreement as to the resolution of billing details cannot be reached. The OUSD(C) P/B - Revolving Funds Directorate must provide a decision on disputed bills within 30 days.

2.9.2. The providing activity may request approval from the OUSD(C) P/B - Revolving Funds Directorate to collect from the customer such amounts as are unpaid, in cases where there is a question as to ownership of the bill (vice dispute over the amount of the bill or other billing details), and the bill remains unpaid for more than 90 days. The OUSD(C) P/B - Revolving Funds Directorate must provide a decision on ownership questions within 30 days.

3.0 REVENUE RECOGNITION (1103)

*3.1 Reporting Requirements (110301)

3.1.1. DoD Components must use the percentage of completion method for recognizing revenue on all customer orders. Under this method, the revenue earned on an order must be recognized, based on the ratio that costs of goods incurred and services provided to date, bear to the total costs estimated to be incurred on the order when it is completed (see SFFAS 7, paragraph 149 for guidance and exceptions to this treatment). The completed contract method for revenue recognition is not an acceptable method for recognizing revenue within the Department.

3.1.2. Revenue and costs must be recognized in the same accounting period. In accordance with SFFAS 7, paragraph 36(c), "when goods are kept in inventory so that they are available to customers when ordered, revenue should be recognized when the goods are delivered to the customer." This is clarified in the OUSD(C) Financial Management Regulation Policy Memorandum (FPM) 19-10 "Policy Change to Account for In-Transit Inventory Assets" dated December 9, 2019. According to FPM 19-10 revenue recognition must occur at the point of receipt of the inventory by the customer effective FY 2021. Volume 4, Chapter 17, subparagraph 170506.A provides that DWCF activities routinely post operating expenses/program

costs to a Cost of Goods Sold (COGS) account (either directly to Operating Expenses/Program Costs or via Work-in-Process accounts) so that costs may be matched to revenue upon completion of the task or filling an order. A standard policy for recognizing and reporting revenue must apply for all activities within a DWCF activity group. The amount of revenue recognized must not exceed the amount specified in the order.

3.1.3. Activities in the DWCF industrial activity groups must use a work-in-process account to capture and hold inventory costs prior to their recognition as a COGS. Examples of chartered DWCF industrial activities include the Army Industrial Operations Activity Group, Navy Depot Maintenance Activity Group, and Air Force Consolidated Sustainment Activity Group-Maintenance Division's depots. DWCF industrial activities are chartered activities with primary missions involving depot maintenance, transportation, and research and development (refer to Volume 2B, Chapter 9).

3.1.4. Activities in the Transportation commercial activity group must recognize revenue based upon receipt of a cargo manifest, the commencement of travel or the agreed upon shipping terms.

3.1.5. Activities in Supply Management activity groups must not recognize revenue, and costs of goods sold, and should not reduce their inventory financial balance until receipt by the customer occurs. This is because materiel does not transfer from the DWCF supply management activity's inventory until receipt of the materiel by the customer. Therefore, if billing and collection happen prior to receipt by the customer, the funds received by the DWCF must be recorded as an unearned revenue liability. Billing or collection by Supply Management activity groups at time of shipment is not an advance billing under 10 U.S.C. § 2208(l). Upon confirmation of receipt, the DWCF will recognize revenue earned, relieve the liability, reduce inventory, and recognize COGS.

3.1.6. The customers of supply, industrial and commercial activities financed using DWCFs must record complementary accounting entries. Payment prior to receipt of materiel must be recorded as an advance payment, with a corresponding credit to Fund Balance with Treasury. Upon receipt of the materiel, the customer will relieve the advance and debit either an appropriate asset account (e.g., Operating Materials and Supplies held for use) or recognize an expense, if applicable.

3.1.7. Both the DWCF and the customer must also make or adjust any budgetary accounting entries to maintain Treasury Tie-Points. Tie-Points, also referred to as Tie-Point Reconciliations, are a series of standard USSGL accounting relationships that indicate whether certain account balances within a general ledger trial balance are consistent with other account balances. Tie-Points facilitate the validation of trial balance data. Refer to Volume 1, Chapter 7 and the Standard Financial Information Structure given at 1.3.3 for details.

3.1.8. Activities in the Commissary Resale activity group must recognize revenue, and related costs, at the point/time of sale.

3.1.9. In the event that a service is rendered, revenue must be considered earned, and recognized, and associated costs must be reported, at the time that the service is rendered/performed, but not less frequently than monthly on the last calendar day.

3.1.10. Activities in Navy Research and Development activity group must use the percentage of completion method for revenue recognition for production type (end-product item) orders, or report revenue as actual costs are incurred and billed for service type orders.

3.1.11. Activities in all other industrial or commercial activity groups (for example, Financial Operations, Base Support, Information Services, Reutilization and Marketing, and Printing and Publications) not discussed in subparagraphs 3.1.1 through 3.1.10, must recognize revenue and the associated costs, when it is earned. In other words, at the time that the service is rendered/performed, but not less frequently than monthly on the last calendar day.

*3.2 Service Type Orders versus End-Product Type Orders (110302)

3.2.1. For service type orders, a work-in-process account must not be used to capture and hold costs. According to SFFAS 7, paragraph 36(a), revenue should be recognized when the services are performed. Consequently, service type orders must be considered as rendered/completed, and revenue and costs periodically recognized, at least on the last day of the month. Descriptions of projects and work that should be classified as service type orders include:

3.2.1.1. Research and Development includes the conduct and support of research, development, test, and evaluation; basic research; applied research; advanced technology development; advanced component development and prototypes; system development and demonstration; and developmental engineering. Does not include production of items for service testing or engineer-user testing. The Navy's Warfare Centers and Laboratories are examples of DWCF activities that perform these types of orders.

3.2.1.2. Transportation Services includes transportation (air, land, and sea) services such as the movement of supplies and provisions to deployed forces. This includes operation of ports, port facilities and related sub-installations, passenger trans-shipment activities, and air refueling. This also includes the operation of docks, piers, terminals or similar facilities; and wharfage, ferrying, lighterage and stevedoring. The Navy Military Sealift Command performs these types of orders.

3.2.1.3. Communication and Information Services includes telecommunication services and data processing services (other than those services addressed in subparagraph 3.2.1.5) rendered. For example, the Defense Information Systems Agency operates the information services activity within the DWCF. This activity consists of two main components. The first component includes two lines of service, telecommunications services and enterprise acquisition services. The second component includes computing services.

3.2.1.4. Specialized Commercial Services. The Defense Counterintelligence and Security Agency's personnel vetting program provides personnel background investigations on a fee-for-service basis. The Defense Finance and Accounting Service provides debt management and payment services; payroll services for military personnel, retirees, annuitants and civilians; and performs accounting and reporting for customers that place service type orders.

3.2.1.5. Technical Information includes central collection and dissemination for DoD technology based information. Includes provision of access to, and transfer of, scientific and technical information. Also includes provision of computer modeling, data services, and response to requests for solutions to technological problems of the Military Departments.

3.2.1.6. Printing Services includes printing, reproduction and document automation, workflow conversion, electronic storage and output, multi-function devices, office printers, and distribution of hard copy and digital information. The Defense Logistics Agency is an example of an activity that provides these services.

3.2.1.7. Distribution Depots includes management and procurement of items with a designated national stock number for all DoD customers. For example, the Army's Industrial Operations activity group conducts depot level maintenance, repair and upgrade; produce munitions and large caliber weapons; and store, maintain, and demilitarize materiel for all branches of DoD.

3.2.1.8. Supply Management services involving receipt, reclamation, storage, and issue of consumables and reparable items. For example, the Army DWCF Supply Management activity group administers spare parts inventory for Army managed items, Non-Army managed items and war reserve secondary items. The activity also maintains a protected inventory of spares in Army Prepositioned Stocks, which is released to support deploying combat units.

3.2.1.9. Contract Management includes expediting the products and services delivered by industry, assuring that the specifications of the contract are met and paying contractor invoices for these items. Also includes surveillance of contractor operations to assure compliance with contractual requirements and determining the effectiveness of contractor quality control systems and inspection procedures, and officially accepting materiel on behalf of the government after certifying its conformance to contract provisions. Also includes provision of on-site assistance to program managers, such as representation and participation in meetings and informal program/contract reviews.

3.2.1.10. Base Support includes facilities maintenance, family housing services, other housekeeping services, and administrative functions, provided to tenants and others. Also includes provision of utility services (central heat and power, electricity, water, wastewater disposal, and natural gas).

3.2.1.11. Engineering Services includes provision of technical and engineering assistance in matters relating to various weapon systems, industrial plant equipment, and associate system when they do not relate to research and development projects. Also includes repair service and quality evaluation; that is, inspecting, calibrating, testing, evaluating, trimming and

reengineering of items. For example, the Air Force enhances readiness by efficiently and economically repairing, overhauling and modifying aircraft, engines, missiles, components, and software to meet customer demands through its Consolidated Sustainment Activity Group-Maintenance Division.

3.2.1.12. Support of Reserve (Under and Unutilized) Capacity includes maintenance of unutilized capacity and support of underutilized capacity.

3.2.1.13. Commissary Services includes operation of Defense commissaries. Also includes provision of troop issue subsistence and programming of the replacement of War Reserve Materiel rotation rations. For example, the Defense Commissary Agency collects revenues from product sales in commissary stores through its Resale Stocks business activity.

3.2.1.14. Reutilization and Marketing Service includes the reuse of excess and surplus property within the Federal Government and other authorized agencies, donation to local governments, and the sale of the remaining property to the public on a competitive basis.

3.2.2. A work-in-process account must be used to capture and hold costs prior to their recognition as a COGS that will support revenue recognition. Descriptions of applicable projects and work that should be classified as end-product type orders are as follows:

3.2.2.1. Overhaul or a complete rebuilding of parts, assemblies, subassemblies, and end-items.

3.2.2.2. Manufacture and Assembly such as furnishing customers with new end-items and components. In addition, manufacturing prototypes or furnishing items to the customer for testing.

3.2.2.3. Ordnance is defined as explosives, chemicals, pyrotechnics, and similar stores, e.g., bombs, guns and ammunition, flares, smoke, or napalm. Refer to the ***DoD Dictionary of Military and Associated Terms***. This type order includes the receipt, segregation, demilitarization, storage, assembly, disassembly, test, maintenance, and issuance actions.

3.2.2.4. Construction and Conversion includes construction and conversion of property and equipment.

3.2.2.5. Alteration and Modification includes alteration and modification of property and equipment.

3.2.2.6. Other Products include products not otherwise classified such as the production of research and development items for service testing or engineer-user testing.

3.3 Revenue Billings (110303)

3.3.1. The customer funding an order must be billed for the revenue recognized by the DWCF activity performing the order. When advance payments are received, those advances must be reclassified to the appropriate revenue account when the revenue is earned. Revenue billings to customers must reflect due credit for the advances received. In no case must the total amount of revenue recognized and billed by the DWCF activity exceed the amount of the order. The DWCF customer must not incur obligations for supplies or services ordered from a DWCF activity that exceed the amount of appropriations or other funds available for such purposes. See 10 U.S.C. § 2208 (f).

3.3.2. Revenue billings must be accomplished at least monthly including applicable labor, material, overhead, and surcharges as well as the value of material in inventory that is identified and held in reserve for specific orders, and amounts of work-in-process in contractors' plants and other government plants that are identified to specific orders. These billings should be made as late as possible in the month so that they include these items to the maximum extent possible and still permit the orderly processing of the collection in the same month. Every effort must be made to reduce the billing and collection lag so that a greater portion of the costs is recovered in the month incurred.

*3.4 Accounting for Reimbursements and Revenue Recognition (110304)

The DoD Standard Reporting Chart of Accounts provides the DoD account definitions and determines how they are to be used. The DoD USSGL Transaction Library illustrates the accounting entries for USSGL budgetary and proprietary accounts. Both are updated on an annual basis at a minimum. Refer to the Standard Financial Information Structure given in subparagraph 1.3.3 for a decomposition of DoD USSGL accounting transactions for DWCF reimbursement and revenue recognition.

VOLUME 11B, CHAPTER 12: "WORKING CAPITAL FUND COSTS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated December 2021 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Administrative updates in accordance with Department of Defense Financial Management Regulation Revision Standard Operating Procedures.	Revision

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CHAPTER 12

WORKING CAPITAL FUND COSTS

1.0 GENERAL

1.1 Overview

1.1.1. Working Capital Funds are designed to create a cost-conscious environment and provide an efficient and effective means for controlling the cost of goods and services. Department of Defense (DoD) Working Capital Fund (WCF) entities must have a cost accounting system capable of collecting and recording the costs of producing outputs in the financial reports, in compliance with the Statement of Federal Financial Accounting Standards ***(SFFAS) 4***, "Managerial Cost Accounting Standards and Concepts," and the DoD United States Standard General Ledger (USSGL) Transaction Library.

1.1.2. Additional information relating to costs can be found in Volume 4, Chapter 17, "Expenses and Miscellaneous Items" and Chapter 19 "Managerial Cost Accounting". For WCF entities, all costs must be recovered, unless specifically excluded by DoD policy.

1.2 Purpose

This chapter describes costs associated with WCF and sets forth the criteria for allocating certain costs to outputs (goods and services) in accordance with Federal accounting standards. The full costs of resources that directly or indirectly contribute to the production of outputs (goods and services) should be assigned to outputs (goods and services) through costing methodologies that are most appropriate to the operating environment and should be followed consistently. Costs must be assigned using the following methods listed in the order of preference: (a) directly tracing costs wherever feasible and economically practicable (e.g., direct costs), (b) assigning costs on a cause-and-effect basis (e.g., indirect costs), or (c) allocating costs on a reasonable and consistent basis (e.g., general and administrative (G&A) costs). Guidance related to budgeting for costs can be found in Volume 2B, Chapter 9 "Defense Working Capital Fund Budget Justification Analysis."

1.3 Authoritative Guidance

The policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:

1.3.1 Title 10, United States Code, section 2208 (***10 U.S.C. § 2208***), "Working-capital funds";

1.3.2. ***SFFAS 3***, "Accounting for Inventory and Related Property";

1.3.3. SFFAS 4, "Managerial Cost Accounting Standards and Concepts";

1.3.4. ***SFFAS 5***, "Accounting for Liabilities of the Federal Government";

1.3.5. ***SFFAS 6***, "Accounting for Property, Plant and Equipment";

1.3.6. ***SFFAS 10***, "Accounting for Internal Use Software;" and

1.3.7. ***SFFAS 55***, "Amending Inter-entity Cost Provisions."

2.0 MILITARY PERSONNEL EXPENSE

2.1 Military Personnel Cost

2.1.1. The cost of military personnel may involve two separate processes.

2.1.1.1. The first process involves the payment to military personnel appropriations for the budgeted amount of military personnel for an activity group regardless of the actual number of military personnel assigned.

2.1.1.2. The second process involves the assignment of costs for military personnel at the civilian equivalency rate for the number and grade of military personnel assigned to the WCF activity. In some circumstances, these costs are assigned to production orders or cost centers for services performed; other times they are assigned as overhead or G&A.

2.1.2. Rate guidance is provided in Volume 11A, Chapter 6, Appendix B.

2.1.3. See Volume 2B, Chapter 9 for additional military personnel reimbursement policy.

2.2 Military Personnel Services

WCF activities must price military personnel services reimbursement in support of WCF operations using the civilian equivalency rate. The respective Military Departments and WCF activities must reimburse the appropriate military appropriation every fiscal year.

2.3 Unresolved Disputes

In the event of an unresolved dispute between the military personnel appropriation manager and a WCF activity on the budgeted amount of the deposit, the budgeted amount requested by the military personnel appropriation manager must be provided. Upon resolution of the dispute, the military personnel appropriation manager will provide a refund to the WCF activity, if any is due, for the applicable amount.

3.0 DEPRECIATION EXPENSE

Depreciation is the systemic and rational allocation of the recorded cost of an asset over its estimated useful life. Refer to Volume 4, Chapters 24, 25, 26, 27, and 28 for guidance on useful lives.

3.1 Capital Assets

WCF activities will fully reflect the depreciation expense of capital assets owned by the activity in their operating costs, whether they were purchased with WCF budget authority or transferred to the WCF activity without reimbursement. WCF activities will recover only those costs incurred by the activity in the rates through the Capital Investment Recovery (CIR) factor. See Volume 2B, Chapter 9 for additional information regarding the CIR.

3.2 Capital Assets Transferred In

WCF activities will calculate the depreciation of capital assets that are transferred into a WCF business entity without reimbursement based on its net value (original acquisition cost less calculated accumulated depreciation) plus any associated costs for transportation, installation, and other related costs necessary to put the asset into operational use. Since the transfer of capital assets to the WCF activity without reimbursement does not involve an outlay, the CIR factor is not applied.

3.3 Imputed Costs Related to Real Property

Volume 4, Chapter 24, directs WCF activities to impute costs in accordance with SFFAS 55. WCF activities that transfer out real property to comply with DoD policy must record imputed costs for those assets meeting the criteria defined in SFFAS 55.

4.0 MANAGEMENT IMPROVEMENT INITIATIVES

WCF activities must expense any management improvement initiative that does not qualify for the Capital Investment Program and does not result in a capital asset subject to depreciation.

5.0 REAL PROPERTY MAINTENANCE AND REPAIR

WCF activities must expense real property maintenance and repairs in the period in which the maintenance and repair occurs. See Volume 4, Chapter 24 for further policy on real property maintenance and repair.

6.0 DoD HEADQUARTERS ACTIVITIES COSTS

Each WCF activity is under the management control of a designated DoD Component. The WCF headquarters activities costs are related to specific WCF activity operations and are separate from the general policy direction for the Department or a DoD Component. WCF activities must identify management headquarters funded by the WCF in the WCF Charter (Management Command) for each applicable activity. See Chapter 2 for guidance on WCF charter requirements. Refer to Volume 2B, Chapter 9 for the DoD guidance related to headquarters activities.

7.0 ACCOUNTING FOR COSTS

The ***DoD USSGL Transaction Library*** illustrates the accounting entries with related USSGL accounts.

VOLUME 11B, CHAPTER 13: "COST ACCOUNTING REQUIREMENTS FOR DEPOT MAINTENANCE"

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CHAPTER 13

COST ACCOUNTING REQUIREMENTS FOR DEPOT MAINTENANCE

1.0 GENERAL

1.1 Purpose

The purpose of this chapter is to prescribe depot maintenance cost accounting requirements for Defense Working Capital Fund (DWCF) activities to uniformly record, accumulate, and report the job order cost of performing DWCF functions. Depot maintenance reporting requirements and procedures are contained in Volume 6A, Chapter 14, "Depot Maintenance Reporting".

1.2 Authoritative Guidance

1.2.1. Title 10, United States Code, section 2460 (***10 U.S.C. § 2460***) generally defines depot maintenance and repairs as:

1.2.1.1. Material maintenance or repair requiring the overhaul, upgrade, or rebuild of parts, assemblies, or subassemblies, and the testing and reclamation of equipment as necessary, regardless of the source of funds for the maintenance or repair, or the location at which the maintenance or repair is being performed;

1.2.1.2. Including all aspects of software maintenance classified by the Department as depot level maintenance and repair, and interim contractor support or contractor logistics support (or any similar contractor support), to the extent that such support is for the performance of services;

1.2.1.3. Not including the procurement of major modifications or upgrades of weapon systems that are designed to improve program performance, the nuclear refueling or defueling of an aircraft carrier and any concurrent complex overhaul, and the procurement of parts for safety modifications; and

1.2.1.4. Including the installation of parts for safety modifications.

1.2.2. Statement of Federal Financial Accounting Standards ***(SFFAS) 4***, "Managerial Cost Accounting Standards and Concepts" sets forth the fundamental elements for cost accounting in Federal agencies. ***SFFAS 3*** "Accounting for Inventory and Related Property" identifies the accounting standards that apply to several types of tangible property, other than long term fixed assets, held by federal government agencies.

1.2.3. Volume 4, Chapter 19 "Managerial Cost Accounting" provides guidance on implementing managerial cost accounting within the Department.

2.0 OVERARCHING POLICY

2.1 General

2.1.1. DWCF depot maintenance activities that utilize a job order costing methodology must use formal cost accounting practices in compliance with the provisions of SFFAS 4.

2.1.2. DWCF activities must ensure compliance with the requirements of this chapter and Volume 4, Chapter 4 "Inventory and Related Property" for all material, whether owned by the Department of Defense (DoD), other federal agencies, state or local governments, foreign governments, or private parties.

2.1.3. DWCF activities must uniformly record, accumulate, and report job order costs to assist management in measuring productivity and efficiency; developing and using performance measurement and cost standards; and highlighting areas that need increased management emphasis. This data also assists in the identification of total capability, duplication of capacity, and areas of interservice support of DWCF workload.

2.1.4. Depot maintenance serves to support Intermediate (I) and Organizational (O) level maintenance by providing technical assistance and performing maintenance that is beyond the capability/responsibility of the I and O levels.

2.2 Facilities Requirement

Depot maintenance may be performed in Government-Owned, Government-Operated facilities; Government-Owned, Contractor-Operated facilities; or Contractor-Owned, Contractor-Operated facilities. The primary funding source for depot maintenance operations is DoD operation and maintenance appropriations made available to customers of depot maintenance. Centrally managed procurement appropriations may finance certain specific programs such as weapon system upgrades and similar modernization and/or modification programs. Activities funded by an appropriation or fund legally authorized for the purpose, as well as customers outside of the DoD such as the Coast Guard and Foreign Military Sales, may place an order for maintenance work.

2.3 Managerial Cost Accounting

2.3.1. Managerial cost accounting should be a fundamental part of the financial management system and, to the extent practical, should be integrated with other parts of the financial management system to provide consistent, cost-based information for reporting and management's use.

2.3.2. DoD depot maintenance activities must, in accordance with SFFAS 4:

2.3.2.1. Accumulate and report the costs of activities on a regular basis for management information purposes;

2.3.2.2. Establish responsibility segments, and measure and report the costs of each segment's outputs and calculate the unit cost of each output;

2.3.2.3. Determine and report the full costs of government goods and services, including direct and indirect production costs and general and administrative (G&A) overhead costs;

2.3.2.4. Recognize the full costs of goods and services provided by other federal entities; and

2.3.2.5. Use and consistently follow costing methodologies or cost finding techniques most appropriate to the segment's operating environment to accumulate and assign costs to outputs. (Refer to Volume 4, Chapter 19 for additional guidance on managerial cost accounting).

3.0 ESTABLISHING THE COST ACCOUNTING MODULE

3.1 Job Order Cost Accounting Module

A job order cost accounting module should be subsidiary to, and integrated within, the financial system defined in Volume 1, Chapter 3 "Federal Financial Management Improvement Act Compliance". The cost module should be integrated with the depot payroll, fund control, and material control modules. Specifically, management should have information available from the cost accounting and reporting module to assist in the:

3.1.1. Comparison of historical unit cost trends with replacement cost trends to include proper identification and categorization of costs;

3.1.2. Oversight in the utilization of resources;

3.1.3. Evaluation of program budgets;

3.1.4. Comparison of cost trends among DWCF entities or between DWCF and contract sources;

3.1.5. Managerial direction and guidance for DWCF programs;

3.1.6. Evaluation of DWCF activities for efficient use of resources;

3.1.7. Estimation of DWCF requirements;

3.1.8. Monitoring of DoD Component compliance with various congressionally mandated reporting requirements;

3.1.9. Examination of the behavior of cost drivers over time (e.g., relationship between a given cost item and the quantity of its related cost driver(s) over time); and

3.1.10. Establishment of DWCF rates used for customer program budgets based on historic models of cost of repair and applied overhead.

3.2 Requisite Module

The cost accounting module must be established for, but not limited to, all DWCF depot maintenance activities.

3.3 Chart of Accounts

3.3.1. The United States Standard General Ledger (***USSGL***) provides a uniform chart of accounts and technical guidance for standardizing federal government agency accounting. Guidance on the use of individual general ledger accounts and transactions applicable to the DoD is provided within the Standard Financial Information Structure (***SFIS***). The DoD Standard Chart of Accounts (***SCOA***) includes all the point accounts and other information related to the USSGL for DoD purposes.

3.3.2. The following guidance further explains the use of the USSGL chart of accounts by a DWCF activity. For detailed DoD general ledger account guidance and DWCF transaction posting refer to the DoD SCOA and the DoD ***USSGL Transaction Library***.

3.3.2.1. Account 152500, "Inventory-Raw Materials," must be used to record all materials held for the purpose of providing a good or service to a customer regardless of the method acquired, e.g., purchase, donation, or transfer without reimbursement. DWCF activities must not charge raw materials to the work-in-process account until the materials are issued for use. Raw material issues must then be charged to appropriate job orders or cost centers. Unneeded material and supplies must be returned to the Inventory-Raw Materials account when a determination is made that the material is available for other uses.

3.3.2.2. DWCF activities must verify raw materials records and adjust them to physical counts. Any adjustments needed to reconcile the physical count with the recorded (book) value of raw materials must be charged to the appropriate cost center or to a gain or loss account as described in paragraph 9.8.

3.3.2.3. Account 152600, "Inventory-Work-in-Process," is the control account for all unbilled job orders. (Refer to Volume 4, Chapter 4 for work-in-process accounting policy.) The amount of work-in-process consists of all costs applied to unbilled job orders including direct labor, direct materials, direct contractual costs (exclusive of contracts that are awarded that directly cite the funds issuer's line of accounting), and applied overhead expenses. The balance in this account must be reconciled to the total charges on unbilled job orders as of the end of each quarter. In addition, the validity and reasonableness of the charges recorded on the unbilled job orders must be verified on a random sample basis at least annually. This validation must be performed by personnel not assigned to the accounting or maintenance function. For example, personnel from a DoD Component audit service or a local internal review staff may be assigned to perform this

function. Based on the results of the verification, DWCF activities must adjust accounts in accordance with the accounting scenarios contained in the DoD USSGL Transaction Library within SFIS.

3.3.2.4. DWCF activities must use account 141000, "Advances and Prepayments," to record payment for expenses that properly apply to future accounting periods. Typical prepaid expenses are rents paid to a lessor at the beginning of a rental period. This account must not be used solely to level out significant expenses but must, in fact, represent an equitable distribution to the appropriate time period commensurate with the benefits that will accrue to that future period from the current payment. Refer to Volume 4, Chapter 5 "Advances and Prepayments" for additional guidance and definitions regarding prepayments.

3.4 Customer Funding

Depot maintenance workload performed by DWCF activities is considered non-severable in nature and thus customers must fund the full price of the order, through completion of the effort, using a reimbursable order. The DWCF activity must recognize revenue and bill the customer funding an order or, when advance payments have been received, relieve those advance payments to the appropriate revenue account. Revenue billings to customers must reflect due credit for the advances received. In no case must the total amount of revenue recognized and billed exceed the amount of the order. Chapter 11 "Reimbursements and Revenue Recognition" contains requirements for reimbursements and revenue recognition for DWCF entities.

3.5 Accruals

DWCF activities must record accrued expenses that are significant (material) in relation to the recording of costs for a DWCF activity in the appropriate expense accounts, budgetary accounts, and applicable liability accounts during the accounting period that the benefit was received rather than at the time of the payment for the expense. For example, DWCF activities must record accruals for accrued salaries, annual and sick leave, employee benefits, estimates for utilities, major real property maintenance and repair, and other significant services received and not yet paid. SFFAS 4 states that the determination of whether an item is material (i.e., significant) depends on the degree to which omitting information about the item makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission.

3.6 Missing or Erroneous Data

Occasions may arise when, due to missing or erroneous data, costs incurred cannot be identified to charge to the appropriate job order. Such costs must be temporarily recorded in the applicable expense account under suspense control until the correct data is available to make the proper distribution to the correct job order. Any unadjusted amount at the end of a fiscal year, if immaterial, must be charged to the applicable cost center using Account 610000 "Operating Expenses/Program Costs".

4.0 ESTABLISHING JOB ORDERS

The performing activity must establish job orders in accordance with the following table:

Value of work to be performed	Units subject to "pre-shop analysis"[1] or "examination and evaluation"	Units NOT subject to "pre-shop analysis" or "examination and evaluation"
>$150,000/unit	Job order per item	Not applicable
$25,000 to $150,000/unit[1]	Job order per monthly induction	Job order per monthly induction
<$25,000/unit[2]	Job order per quarterly induction	Job order per quarterly induction valued at $500,000 or more
<$25,000/unit[3] AND <$500,000/TMS or NSN	Not applicable	Job order per quarterly induction, not to exceed $1,000,000 per job order

[1] inspections and tests and other similar activities performed to determine work requirements
[2] for multiples of the same identification number (Type Model Series (TMS) or National Stock Number (NSN))
[3] homogenous group, by stock classification, subclassification, repair category, or other appropriate criteria

5.0 JOB ORDER REQUIREMENTS

5.1 Job Order Cost Assignment Requirements

DWCF activities must assign costs to individual job orders at the time the job order receives a benefit from the incurrence of an expenditure. The benefit may occur at any time but usually occurs subsequent to the time the obligation is incurred, and before the disbursement occurs. DWCF activities may charge costs to job orders based on standard costs when those costs are properly adjusted for variances to arrive at the actual cost. Costs, including standard costs, must be recorded based on accrual concepts. DWCF activities must not charge direct material, labor, or other direct costs to job orders based on planned, programmed, or reserved amounts. Refer to Volume 4, Chapter 19 for additional guidance on job order cost accounting.

5.2 Job Order Opening and Closing Requirements

5.2.1. DWCF activities must open a job order when a new job order is required under section 4.0.

5.2.2. DWCF activities must close a job order as soon as all direct, indirect production, and G&A overhead costs are determined and assigned to the job order. Normally, all such costs must be determined and posted to the job order within 30 days of the completion of all direct labor chargeable to the job order. The job order must be closed with the use of predetermined indirect and G&A rates when authorized. DWCF activities must apply such indirect and G&A rates consistently to all job orders. At the end of the fiscal year, any under and/or over absorbed indirect and G&A (variances) must be adjusted using the transactions contained in the DoD USSGL Transaction Library within SFIS.

5.3 Segregation of Cost for Cancelled and Completed Job Orders

DWCF activities must identify costs associated with the cancellation or reduction of partially completed maintenance work, and report these costs separately from the costs of normally completed work. Paragraph 12.12 provides additional guidance on cancelled or reduced scope orders.

5.4 Customer Order Support of Job Orders

Customer orders, either project orders or Economy Act orders, from the activity responsible for the financing appropriation, are required to support each job order. The customer must provide full and adequate funds to cover all requirements. A customer may, however, issue orders to cover multiple job orders when agreed to in writing with the depot maintenance activity.

6.0 PROCESS COST CENTERS PROCEDURES

6.1 Process Cost Centers

A DWCF activity may perform certain unique operations that lend themselves to process cost center procedures. Process costing is a method of cost accounting that first collects costs by process and then allocates the total costs of each process equally to each unit of output flowing through it during an accounting period. For example, plating and painting operations are particular processes that may be uniformly and consistently performed to units that either are end items or will become part of end items. Rather than attempting to directly account for and assign each direct labor hour and material cost to an item that has undergone the particular plating or painting process, use of a process cost center allows the labor and material costs of the cost center to instead be accumulated and allocated to those items that were plated and/or painted during the respective accounting period. SFFAS 4 recognizes that process costing is appropriate when the production of goods or services involves a regular pattern of process, the output consists of homogeneous units, and all units are produced through the same process procedures. (Refer to Volume 4, Chapter 19 for additional guidance on process cost accounting).

6.2 Cost Allocation Basis

The DWCF activities must allocate process cost center costs to the job orders for the units processed through the cost center during the respective accounting period. The basis for the allocation of costs must be the number of equivalent units (e.g., number of units, linear feet, square feet, hours operating time) processed on-the-job orders through the cost center during the accounting period.

6.3 Cost Allocation Consistency

The DWCF activity should conduct a thorough analysis of alternative cost accounting and assignment methods before it adopts process cost center procedures. The method used to accumulate and allocate the costs for such operations must be documented and consistently applied from accounting period to accounting period to ensure consistency in the assignment of costs.

7.0 USE OF WORK MEASUREMENT STANDARDS

7.1 Work Measurement Standards

DWCF activities that establish work measurement standards for labor, material, and indirect production and G&A costs must develop cost estimates for each job order using these standards. Incurred costs must be compared against estimated costs to determine if corrective actions are required to control significant variances. Established work measurement standards need to be periodically re-evaluated and updated as necessary to assure that they encourage improvements in efficiency and continue to be within an attainable range.

7.2 Basis of Work Measurement Standards

DWCF activities that establish work measurement standards must base the standards on generally accepted industrial engineering techniques where high value, high volume work is involved. The work measurement standards may be established by in-house or other DoD personnel or they may be established by original equipment manufacturer's specifications of maintenance tasks and frequencies (product reliability engineered standards). DWCF activities that establish work measurement standards for labor, material, indirect production, or G&A costs must continuously review the standards to verify their accuracy in light of advanced processing equipment, and higher level of skills used. For low-value, low-volume work, the work measurement standards may involve less sophisticated engineering techniques, but the work measurement standards or estimated resources required must be developed for all work accepted.

8.0 LABOR COSTS

8.1 Civilian Labor Hours

DWCF activities must record all civilian labor hours worked in a cost center as either a direct cost on a job order or as an indirect production cost that will be allocated to a job order. Civilian labor hours must be charged at the current payroll rate to include DoD paid personnel benefits.

8.2 Use of Actual and Average Labor Rates

DWCF activities must use actual civilian payroll hourly rates as the basis to record labor costs. Average labor rates may only be used to record labor costs for cost centers when the range of actual hourly pay rates within that center is limited and significant distortions of recorded costs would not result from their use. DWCF activities must not use stabilized rates approved for billing purposes as the basis to record labor or other costs incurred. Stabilized rates are the result of budget estimates; actual costs incurred must be recorded in the cost accounting system independent of the rate setting process.

8.3 Labor Distribution System

DWCF activities must use a labor distribution system to charge all direct labor hours and costs to applicable job orders. Each pay period, DWCF activities must reconcile and correct differences between the labor hours recorded for payroll purposes, payroll costs incurred, and the labor hours and costs distributed to job orders and indirect production cost centers through the labor distribution system. For discrepancies that cannot be reconciled between job order records and payroll records without incurring a major expenditure of resources, DWCF activities must correct the job order records to equal the payroll records. Differences due to the use of average cost center labor rates must be charged to G&A expenses.

8.4 Military Labor Hours

DWCF activities must record all military hours worked as either a direct cost on a job order or as an indirect production cost of a cost center. DWCF activities must charge military labor hours to the job order at the current civilian equivalent rate applicable to the rank and military service of each military member. (Refer to Chapter 12 “Expenses” for the military personnel costing process.)

8.5 Military Personnel Depot Maintenance Costs

DWCF activities must record as an unfunded depot maintenance cost all military labor performed by a “ship’s force” or other military personnel that are part of the operating forces or an intermediate level organization that are loaned, without reimbursement, to and working under the supervision or direction of the depot maintenance activity when weapons systems, platforms or components are undergoing depot maintenance in a DWCF depot. Military personnel “on loan” and not assigned to DWCF activities are funded under other appropriations. The DWCF activities

must not bill these labor costs to, or accept reimbursement from, the customer. These costs are nonrecoverable and DWCF activities must not include them in the calculation of the net operating results used for developing future rates or prices. When military personnel are not working under the supervision or direction of the depot maintenance activity (not assigned), any maintenance work they perform must not be considered depot maintenance.

8.6 Timekeeping

A DWCF activity must maintain a timekeeping system to collect and distribute both military and civilian labor to applicable job orders or cost centers. A timekeeping system must provide the following information:

8.6.1. Source of Hours Available:

8.6.1.1. Normal duty hours available by cost center.

8.6.1.2. Premium time, overtime, and holiday time by cost center.

8.6.1.3. Loaned labor hours by gaining and losing cost center.

8.6.2. Application of Hours Available:

8.6.2.1. Direct hours worked by cost center on each job order.

8.6.2.2. Indirect hours worked by cost center.

8.6.2.3. Nonproductive (e.g., annual, sick) hours by cost center.

8.7 Allocation of Hours

DWCF activities must apply the allocation of hours worked to benefiting job orders, activities, services, or products on a per unit basis, where applicable. The allocation of hours worked to benefiting job orders may also be based on industrially engineered earned hour (actual hour efficiency of a cost center if the employees in the cost center are of a homogeneous type and the allocation of labor hours are properly adjusted for variances to arrive at actual hours worked). The industrially engineered earned hour method of allocation is not appropriate for a cost center with a diverse workforce or different types of workload.

8.8 Supervisor Responsibilities

Supervisors are responsible for the validity of timekeeping records. Supervisors are also responsible for establishing the job order(s) for each pertinent employee and notifying employees of the job orders. Employees are responsible for certifying that the time charged to job orders is correct. DWCF activities must reconcile the source documents used to record the hours worked by each employee on each job order to the total payroll hours.

8.9 Direct Labor

Direct labor is work that can be identified, without undue cost or difficulty, to a single, specific job order. Direct labor generally includes the hands-on maintenance, repair, overhaul, test, and related direct production effort that follow the established sequence and content of work necessary to accomplish the billable job. Direct labor does not include the support work identified as either indirect production or G&A in nature.

8.10 First Line Supervision

First line supervision is that position level immediately over nonsupervisory workers. First line supervisors and above occupy an official supervisory designated position, and when acting in a supervisory capacity, must have their labor costs charged by the DWCF activity as an indirect production cost of the cost center supervised. First line supervisors may be borrowed and when used as direct labor, DWCF activities must classify the time of the first line supervisor as direct labor and charge it to the applicable job order rather than as an indirect production cost. "Crew chiefs," "snappers," "team leaders," and other subordinate job leaders are not first line supervisors.

8.11 Loaned Labor

DWCF activities must place special emphasis on accurately recording the use of loaned labor, which occurs when an employee is temporarily transferred (loaned) from one cost center to another within a DWCF activity. When an employee is loaned, the gaining cost center must record the labor hours of the employee. Care must be exercised to assure that the costs of loaned employees are not charged by both, or by neither of, the loaning and gaining cost centers. First line supervisors at both the loaning and gaining cost centers may be tasked to validate that such costs are accurately recorded. Only personnel assigned to the DWCF are recoverable in the rate structure, while loaned labor is funded by other appropriations.

8.12 Temporary Employees

If employees are temporarily assigned to a DWCF activity from an organizational entity other than DWCF activity and the DWCF activity neither pays the individual directly nor makes payment or reimbursement to the activity loaning the employee, the labor costs must be recorded as unfunded. These costs are nonrecoverable and DWCF activities must not include them in the calculation of net operating results used for developing future rates or prices.

8.13 Civilian Leave and Benefits

The following requirements apply to accounting for civilian leave and benefits. For DoD general ledger accounts and related transaction posting detail, refer to the DoD SCOA and the DoD USSGL Transaction Library.

8.13.1. Accruals.

8.13.1.1. Account 221000, "Accrued Funded Payroll and Leave," must be used to account for accrued annual leave of DWCF civilian employees. DWCF activities must include a factor for annual leave accruals in stabilized rates or prices in order to provide funding for annual leave.

8.13.1.2. Account 221300, "Employer Contributions and Payroll Taxes Payable," must be established to account for accrued sick leave, accrued holiday, and other miscellaneous leave in addition to other employee benefits such as life and health insurance, and retirement contributions. The accruals are to be based on estimates of leave to be taken, not the amount of leave earned.

8.13.2. Leave must be costed to job orders based on an allocation factor for all time worked except when a holiday is involved. When an employee works on a holiday, the regular pay for the holiday must be charged against the holiday leave accrual liability, the same as for employees who do not work on the holiday. DWCF activities will only cost the additional pay for working on the holiday, along with the leave accrual, at the prescribed allocation factor, to the job order as stated in paragraph 8.16.

8.13.3. Leave actually taken must be relieved from the appropriate accrued leave account based on payroll labor distributions, and must not be charged to current job orders.

8.13.4. Reconciliation.

8.13.4.1. The amount of annual leave accrued must be reconciled at the end of the fiscal year with individual employee leave records. Adjustments to reconcile the balance in the account to the individual leave records must be costed to USSGL Account 610000, "Operating Expenses/Program Costs" as a G&A expense adjustment. After reconciliation, the balance of the accrued annual leave account must be carried forward into the following fiscal year.

8.13.4.2. At fiscal year-end, the estimates of sick leave, holiday leave, and other leave to be taken may not agree with the actual leave taken. Adjustments necessary to result in a $0 balance in the sick leave, holiday leave, and other leave accounts must be costed to Account 640000, "Benefit Expense (Personnel Benefits – Civilian)" as a G&A expense adjustment. Accrued sick, holiday, and other leave balances are not to be carried forward into the following fiscal year.

8.14 Allocation Factors

The use of allocation factors for calculating leave accruals and applying them to the proper cost centers on labor cost distributions is normally the simplest, most economical, and most accurate method of accruing and costing leave. DWCF activities must update the allocation factors periodically to limit the adjustments to the accrued leave accounts to a minor amount at the end of the fiscal year.

8.14.1. A DWCF activity may determine its own allocation leave accrual factors because of variances caused by average length of service, climate, turnover, and local leave usage experience.

8.14.2. When establishing the allocation factors, it is necessary to estimate the average annual workdays for the activity to which the factor must be applied. The following is an illustration:

8.14.3. Total days in year	365.0	
Less time off		
Average annual leave taken	20.0	
Average sick leave taken	9.0	
Holidays and other events	11.0	
Saturdays and Sundays	104.0	
Normal time off		144.0
Normal workdays		221.0
Estimated overtime work		3.5
Estimated holiday time work		.5
Average workdays		225.0

8.14.4. The annual leave accrual factor may be calculated as follows:

1. Average days net accrual of annual leave			21
2. Average workdays (computed in para. 8.14.3)		+	225
3. Preliminary accrual factor (excluding pay adjustments) [(1) ÷ (2)]		=	.093
4. Estimated regular pay for regular time and overtime worked and premium pay for holiday time worked	x		$10,000,000
5. Total amount accrued for annual leave using preliminary factor	=		$ 930,000
6. Estimated increase in accrual of annual leave due to pay increase	+		$ 30,000
7. Total leave accrual requirements	=		$ 960,000
8. Amount to which leave accrual factor is to be applied (para. 8.14.4.4)			$10,000,000
9. Annual leave accrual factor	=		.096

8.14.5. The composite leave accrual factor may be calculated as follows:

Type of Leave	Average Days Annually		Average Workdays		Accrual Factor
Annual	(refer to para. 8.14.4.9)			=	.096
Sick	9	÷	225	=	.040
Holiday and Other	11	÷	225	=	.049
Composite Accrual Factor					.185

8.15 Fringe Benefits

In addition to the factor for leave, DWCF activities must add a factor to cover the employer's share of other employee fringe benefits such as retirement, life insurance, health, and other benefits. Each activity may develop its own factor. Standard accrual factors for leave, retirement, insurance, health, and other benefits must be applied against all payroll costs.

8.16 Overtime Premium

The costs of overtime premium pay (that is, the amount paid for working overtime that is above the normal labor hour rate) must not be charged directly to the applicable job order except when the overtime is clearly caused by the unique conditions of the job order. A clear relationship for the incurrence of overtime costs may be established when a DWCF activity agrees with a customer to meet an expedited completion date or accepts additional work within the same time frame on the same order. Otherwise, the overtime premium must be recorded as an indirect production cost.

8.17 Other Premium Pay

Other premium pay includes payments for extra shift, hazardous duty, and night duty. Consistent with the policy for overtime premium, DWCF activities must only classify other premium pay as a direct labor charge when the incurrence of the premium pay is clearly the result of unique conditions of the job order. Unless the peculiar conditions of the job order require the incurrence of the premium pay, premium pay must be charged as indirect labor costs.

9.0 MATERIAL COSTS

9.1 Raw Materials

All material purchased by DWCF depot maintenance activities, for the purpose of providing a good or service to a customer, must be accounted for in general ledger account 152500, "Inventory-Raw Materials". This account must be debited based upon receipt of materials and supplies. The same account must be credited with an offsetting debit (charge) to general ledger account 152600, "Inventory-Work-In-Process," upon issue of the material for use in the performance of DWCF work. Inventory accounting policy and related requirements necessary to establish financial control over DoD inventory, operating materials and supplies, and stockpile materials is contained in Volume 4, Chapter 4.

9.2 Allocation of Direct and Indirect Material

Direct material and supplies must be charged directly to the applicable job order. Indirect material must be charged to the using cost center upon issue.

9.3 Moving Average Cost (MAC)

Materials and supplies contained in the inventory account must be valued at historical cost using the moving average cost flow assumptions in accordance with SFFAS 3 and Volume 4, Chapter 4. More detailed guidance regarding the calculation of MAC is contained in Volume 4, Chapter 4.

9.4 Acceptance and Use of Customer Furnished Material

DWCF activities must accept and use customer furnished material only when its use could be expected to result in a more economical, efficient, or timely output.

9.5 Return of Customer Furnished Material

9.5.1. DWCF activities must return customer furnished material that remains after job order completion to the customer within 60 days unless there is, or soon will be (generally within 90 days), a direct production requirement from the customer who furnished the material for which the material may be used.

9.5.2. If the customer abandons the material, it may be retained if needed for other work requirements. If the inventory is retained, no accounting entry is needed other than the original accepting entry.

9.6 Direct Material

Direct material is that material and supplies that can be identified, without undue cost or difficulty, to the performance of work specified by a work authorization document or job order. A small amount of material may be treated as indirect material even though the material is incorporated as part of the final product, if this practice is consistently applied to all job orders. Direct material may either be incorporated as a part of the final product or consumed in the process.

9.7 Indirect Material

Indirect material is that material that cannot be identified, without undue cost or difficulty, to the performance of work as specified by a work authorization document or job order. The determination of what constitutes "without undue cost or difficulty," although not defined, is subject to reasonable interpretation. If questioned, it is the responsibility of the DWCF activity to demonstrate that identification of material (or labor) as direct would be unduly costly or difficult in relation to the benefit received.

9.8 Excess Materials

DWCF activities should review the material and supplies on hand in a cost center at least annually to determine if excesses exist. Those items that are excess and are not needed for a particular job order must be returned to the materials and supply stock account. The unused material returned to the materials and supplies stock account must be recorded as follows:

9.8.1. Credit must be granted to the job order originally charged for unused direct material and that material must be recorded as an increase to Account 152500, "Inventory-Raw Materials". If the job order to which the material was originally charged has been closed, and a decision is made not to reopen the order to post the credit, the credit must be applied to Account 719000, "Other Gains."

9.8.2. Credit must be granted for the return of usable indirect material to the materials and supplies stock account. The credit must be applied to the indirect material expense account of the applicable cost center.

9.8.3. Items in excess of the needs of a DWCF activity must be returned to the supply system. DWCF activities must record transactions for materials returned and credit received (if any) in accordance with the DoD USSGL/SFIS requirements and transaction library and Volume 4, Chapter 4.

9.9 Reparable Carcasses

When an item such as an assembly, subassembly, or an end item is designated as an "exchange" item, the depot can order and pay for a replacement from the Supply activity to install on the customer's equipment. The job order must be charged the price the depot pays for the replacement. Further, the depot must return the damaged part or carcass to the Supply activity. If the depot receives credit from the Supply activity, the depot must credit the job order for the amount received. For non-DoD carcasses including those owned by foreign governments, refer to the requirements in Volume 15, "Security Assistance Policy and Procedures".

9.10 Items Beyond Repair

If an exchange carcass is beyond repair or an exchange item is missing and the depot maintenance activity must order and pay for a replacement from the Supply activity, the cost of the new item must be charged to the job order as a direct material cost.

10.0 OTHER DIRECT COSTS

10.1 Purchased Services

Purchased services must be charged as direct costs to the job order that benefits from the services. If only one job order benefits from a contract or purchase, the cost of the contract must be charged to that job order. If more than one job order benefits from a contract, the costs of the contract must be prorated to the benefiting job orders based on estimates or calculations of the benefits received by each job order.

10.2 Purchased Services Benefiting Indirect Cost Centers

Purchased services that benefit indirect cost centers must be recorded as indirect production costs. If purchased services benefit the activity as a whole, they must be recorded as G&A costs.

10.3 Contracts Supplementing Capacity or Capability

The costs of contracts that supplement the capacity or capability of a DWCF activity must be charged to the job orders that use the additional services.

10.4 Material Costs

The costs of material procured from contractors must be recorded in account 152500, "Inventory-Raw Materials" and charged to job orders under normal procedures. If, however, material is procured for a specific job order, the acquisition cost of the material must be a direct charge to the applicable job order.

10.5 Travel and Per Diem Expenses

Travel and per diem expenses (including regular labor hours spent in travel) must be charged as direct costs only if the labor hours worked while traveling are charged as direct labor. If the traveler works on more than a single job order, the travel and per diem expenses must be prorated based on the related direct labor hours to each order. If the travel is not related to job orders, all travel and per diem expenses must be charged as an indirect production expense of the employee's cost center.

11.0 INDIRECT COSTS

11.1 Indirect Production Rates and Standard Costs

The indirect production rates and standard costs discussed in this chapter should not be confused with stabilized billing rates. Stabilized billing rates or stabilized prices are used solely to price work to DoD-funded customers and may only be changed upon approval of the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)).

11.2 Indirect Production Costs

DWCF activities must record as indirect production costs, by object class as specified in Office of Management and Budget ***(OMB) Circular A-11***, all costs incurred that are not chargeable as direct costs, unless specifically designated otherwise. Indirect production costs must be recorded by activity, department, cost center, or other organizational element responsible for incurring the cost. The number and type of indirect production cost centers to be established is a function of the diversity of the indirect activities at the depot and the level of management information required. The minimum number of cost centers required to separately identify and record homogeneous groupings of cost is a function of the number of different types of facilities, equipment, and/or skills required in the indirect area. The number of additional cost centers is a management prerogative in terms of the number and type of cost centers needed to ensure efficient and effective operations.

11.3 Indirect Production Cost Pools

Costs of departments, service, and processing centers that provide support directly to direct cost centers must be classified as operating support indirect production cost pools. The costs assigned to these cost pools must be allocated in full to the benefiting direct cost centers (refer to paragraph 11.5) and not included in the G&A expense rate described in paragraph 11.6. Costs assigned to operating support indirect production cost pools must be allocated to the benefiting direct cost centers using a base that results in the distribution of costs incurred in proportion to the benefits received.

11.4 Indirect Production Cost Allocation

Indirect production costs must be allocated to job orders by the use of an operations rate and a G&A rate as described in paragraphs 11.5 and 11.6, respectively. These rates are not the stabilized rates and prices to be used to price DoD customer bills. Refer to Volume 2B, Chapter 9 "Defense Working Capital Fund Budget Justification Analysis" for policy guidance on stabilized rates and prices.

11.5 Operations Rate

DWCF activities must develop an operations rate for each direct cost center in which direct labor is utilized in the performance of DWCF activities. The operations cost pool must consist of all indirect production costs incurred by the cost center plus the allocated share of operating support costs of departments or service cost centers, if any (refer to paragraph 11.3). Use direct labor hours, including both military and civilian direct labor, as the basis for allocating the operations cost pool to the direct cost centers. This base is appropriate because operations in a DWCF activity is normally a function of direct labor hours. When the use of direct labor hours as an allocation base will not result in an equitable allocation of the operations cost pool costs (that is, charges are not commensurate with benefits received), a more appropriate alternate allocation base may be selected providing:

11.5.1. An organizational authority that is above the level of the local performing DWCF activity, including the OUSD(C), has not directed that particular DWCF activity to use a specific allocation base. If a higher organizational authority has not previously directed a specific allocation base for use, then approval of the alternate preferred base need not be obtained by the local performing DWCF activity;

11.5.2. The alternate allocation base preferred for use is approved by the comptroller of the local performing DWCF activity; and

11.5.3. Justification for the decision is documented and retained in the office of the local comptroller for review.

11.6 G&A Rate

DWCF activities must allocate G&A overhead expenses to job orders using an allocation rate separate from the operations rate. The G&A expense pool is comprised of all G&A expenses incurred by a DWCF activity. The base used to allocate G&A expenses to a job order is total incurred costs (both direct and indirect production costs). When the use of total incurred costs as an allocation base will not result in an equitable allocation of G&A expenses (that is, charges are not commensurate with benefits received), a more appropriate alternate allocation base may be selected providing:

11.6.1. An organizational authority that is above the level of the local performing depot maintenance activity, including the OUSD(C), has not directed that particular depot maintenance activity to use a specific allocation base. If a higher organizational authority has not previously directed a specific allocation base for use, then approval of the alternate preferred base need not be obtained by the local performing DWCF activity;

11.6.2. The alternate allocation base preferred for use is approved by the comptroller of the local performing DWCF activity; and

11.6.3. Justification for the decision is documented and retained in the office of the local comptroller for review.

11.7 Variances

Indirect production costs and G&A overhead expenses must be allocated to job orders using, respectively, the indirect production rate and G&A rate. These rates are not the stabilized rates and prices to be used to price DoD customer bills. (Refer to Volume 2B, Chapter 9 for policy on stabilized rates and prices.) The indirect production and G&A rates must be developed based upon estimated costs with an anticipated level of activity (base). The applied overhead account must be used to record any over- and/or under- absorbed indirect production and G&A. A variance between actual indirect production and G&A costs and applied indirect production and G&A may require a change in the indirect production or G&A rate as applicable. The development of a new indirect production and/or G&A rate must include plans to absorb the amount of the realized variance during the time period the new rate is in effect. A change in the indirect production or G&A rate must be approved by the comptroller of the performing DWCF activity when it is apparent that:

11.7.1. The variance is not due to seasonal fluctuations such as summer vacations;

11.7.2. The variance will continue to exist at fiscal year-end; and

11.7.3. The expected variance is significant. The determination of what is “significant” must be made by, or in consultation with, the local DWCF comptroller.

11.8 Completed Job Orders

When a job order is complete, it must be closed—moved from work-in-process to Account 650000, “Cost of Goods Sold”—including indirect production and G&A costs allocated based upon the particular rates in effect during the life of the order. Adjustments in rates made after a job order is closed must not be posted to a completed job order unless the effect of the adjustment would have a significant impact on the total costs assigned to the job order. Adjustments applicable to the current fiscal year for under/over-applied indirect production and G&A must be accounted for using the DoD USSGL Transaction Library within SFIS.

11.9 Permanent Change of Station

The costs of Permanent Change of Station movements for transferred civilian employees that are the responsibility of a DWCF activity must not be charged as a direct cost but as an indirect production expense and recorded in accounts 610000, "Operating Expenses/Program Costs. Use object class 210 to record travel and transportation costs of persons and object class code 220, as identified in OMB Circular A-11, to record the transportation cost of items to make the proper distinction of expense type.

12.0 COSTS REQUIRING SPECIAL ATTENTION

12.1 Quality Assurance

DWCF activities must charge quality assurance costs (including test design and analysis); testing conducted to independently assure the quality of the work accomplished; and related supervision and support incurred in direct support of a customer order, directly to the order. DWCF activities must charge quality assurance costs that are not identifiable to specific job orders to an operating support indirect cost center as described in paragraph 11.3 and allocate the costs to the benefiting direct cost centers.

12.2 Inspections and Tests

Operational inspections and tests performed to determine the condition of the item and make adjustments are inherent in performing maintenance and must be recorded as "direct labor - production." Specifically, DWCF activities must record inspections and tests made to determine work requirements, such as pre-shop analysis, initial evaluation and inspection, and pre-inspection or shakedown inspection, as "direct labor" on the applicable job order. Likewise, DWCF activities must record final inspection and tests performed after a process is complete to assure operational or functional adequacy as "direct labor - production."

12.3 Reparables

The National Inventory Control Point item manager directs the reclamation of unserviceable depot level reparables. Depots must establish a separate job order for each reclamation project and return items produced as a by-product of the reclamation process to the DoD supply system.

12.4 Borrowed Assemblies, Subassemblies, Components, or Parts

12.4.1. Depots use two terms in reference to borrowed assemblies.

12.4.1.1. "Backrobbing" (also called "rob-back") is defined as the taking of an assembly, subassembly, component, or part from an item that has been inducted for maintenance for use on another item inducted for maintenance with the intention of replacement at a later time. It is the temporary borrowing of the required part.

12.4.1.2. "Cannibalization" is defined as the taking of an assembly, subassembly, component, or part from an item (serviceable or unserviceable) that has not been inducted for maintenance (without regard to its location or ownership) by a maintenance activity for use on an item that has been inducted for maintenance.

12.4.2. Generally, borrowing is authorized only to prevent a work stoppage. Depots must charge the current acquisition cost of the assembly, subassembly, component, or part that was borrowed, and the cost of installing it, to the benefiting job order. Depots must charge all costs incurred in removing the borrowed item and reinstalling the replacement item to the operations cost pool of the cost center requiring the part. These costs must not be separately identified for reporting purposes.

12.5 Calibration

Depots must charge the cost of calibration of an assembly, subassembly, component, part, or other equipment from an item that has been inducted for maintenance to the benefiting job order. Calibration of equipment used by a depot maintenance cost center in the performance of its work must be charged as an indirect production expense of the cost center that uses the item being calibrated.

12.6 Modifications and Upgrades

12.6.1. Depots must establish a separate job order for each modification or upgrade of a major end item such as an aircraft. Separate job orders must only be established for other than major end item modifications or upgrades when the work is easily identifiable, such as when the modification or upgrade is the primary purpose of inducting the item. Depots must charge the cost of material used in the modification or upgrade process, such as a modification kit, and the cost of direct labor incurred to install the modification, to the modification job order.

12.6.2. Depots must also charge to the modification or upgrade job order the modification or upgrade material (modification kits) used for the modification or upgrade job order when a modification or upgrade is performed concurrently with depot maintenance work on the same major end item. In addition, repair requirements that are the direct result of the modification/modernization installation work (also referred to as repair incident to mod) are also legitimate charges to the modification job order. However, direct labor must be charged as modification or upgrade work only when it is peculiar to the modification or upgrade process. For example, depots must charge labor costs incurred in disassembly, test, inspection, repair, rebuild, replacement and servicing that are performed as a normal part of the overhaul to depot maintenance overhaul when modification or upgrade is performed concurrently with overhaul; these costs must not be prorated between overhaul and modification or upgrade.

12.6.3. Depots may charge labor costs incurred installing a modification or upgrade concurrently with depot maintenance overhaul work to the depot maintenance overhaul job order if the amount of the modification or upgrade labor is so small that no significant or material distortion in either the modification or upgrade or the depot maintenance cost will occur. When this practice is followed, there must be no adjustments to the depot maintenance overhaul job order based on labor or material standards or other estimates of modification or upgrade labor in order to support reimbursement from fund citations for modification or upgrade work.

12.7 Information Technology

12.7.1. Depots must capitalize the costs of computer programming efforts for DWCF equipment (that is, the costs of software development efforts for use on DWCF activity assets) when they meet the DoD capitalization criteria. Programming efforts that do not meet prescribed capitalization criteria must be treated as operations overhead expense of the performing cost center. If the programming effort consumes significant amounts of resources, the depot must establish a separate indirect department or service center and allocate the service center's capitalized and other costs to the benefiting direct cost centers based on program use. Depots must charge the costs of programming effort for non-DWCF activities to those activities before allocating the remaining costs to the benefiting direct cost centers. When the programming costs are not appropriately chargeable as an indirect production cost, depots must charge the costs to a G&A expense account. General cost guidance applicable to information technology can be found in Volume 4, Chapter 6 "Property, Plant, and Equipment".

12.7.2. DWCF activities perform software support to ensure that fielded software systems, as updated by modification and improvement efforts, continue to support original missions. All DWCF costs for software support must be charged to specific job orders established for this purpose. DWCF activities must include all applicable direct labor, direct material, all other direct costs, indirect production, and G&A costs in costs charged to the orders.

12.8 Machine Set-Up Costs

12.8.1. Depots must charge the cost of programming efforts for automatic test and numerically controlled machines to the benefiting job order(s). However, if a depot expends significant effort for programming that benefits more than one job order, then the depot must allocate the programming cost to all benefiting job orders. If new machinery or equipment is required, then these costs are part of the Capital Investment Program. The nonproductive labor hours of employees waiting for programming to be completed is an indirect expense of the worker's cost center.

12.8.2. Depots must charge machine tool set-up time to the benefiting job order(s). Set-up time is normally recorded as direct labor on a job order and should not be separately recorded from the job order. However, if a significant effort is expended for a set-up that must benefit more than one job order, then the depot should allocate the set-up to all benefiting job orders. The nonproductive labor hours of employees waiting for a set-up to be completed are an indirect expense of the worker's cost center.

12.9 Defective Work and Spoilage Costs

12.9.1. Depots must charge the applicable job order for efforts undertaken to correct work defects and spoilage when quality control standards are not met. Examples of corrective work that should be directly charged to a job order include:

12.9.1.1. Reworking castings, welds, and brazing involving acceptable reject rates.

12.9.1.2. Minor realignment or refitting of units that are improperly finished or aligned.

12.9.1.3. Resoldering of connections broken in transit.

12.9.2. Depots must charge the responsible cost center's indirect material and labor costs with the costs of the corrective work when unusual defects or excessive spoilage occurs. When the responsible cost center cannot be determined, depots must charge the applicable material and labor cost as an indirect production cost. Defective work and spoilage that are chargeable to indirect production costs include the following:

12.9.2.1. Costs for additional material and labor necessary to remedy or rework end products when defects beyond acceptable levels are detected during the normal production and inspection processes. Such costs do not add value to the work performed but are necessary to bring the work up to stated specifications.

12.9.2.2. Costs related to work on items with defects so severe that the item must be removed from the production process and sold as scrap or returned in part to raw materials. When this happens, the depot must relieve the applicable job order of the costs and charge the indirect production costs of the responsible cost center. If a responsible cost center cannot be determined, the depot must charge a G&A account for "Defective Work and Spoilage" for the costs of the rejected item.

12.10 Disposition

12.10.1. Depots must comply with ***40 U.S.C. § 574*** and Volume 11A, Chapter 5, "Disposition of Proceeds from Department of Defense Sales of Surplus Personal Property" regarding disposition of proceeds from DoD sales of surplus property. Proceeds from the sale of surplus property generated, collected, or otherwise obtained by DWCF activities as a part of normal operations must be credited to the DWCF and accounted for as follows:

12.10.2. Estimated proceeds from the sale of material removed during work on vessels, aircraft, vehicles, and weapons that can be feasibly and economically related to a specific job order may be credited to that job order. When actual proceeds are known, the job order amount must be adjusted if the job order is still open. Otherwise, the net difference between the estimated amount and the actual amount of proceeds must be adjusted to USSGL Account 711000, "Gains on Disposition of Assets - Other".

12.10.3. Carcasses received from customers that are later condemned or deemed unserviceable are considered a normal part of DWCF operations. Therefore, the proceeds from the sale of carcasses received from customers must be credited to USSGL Account 711000.

12.10.4. All other proceeds from the sale of DWCF items must be credited to USSGL Account 711000.

12.11 Mobilization Capability Costs

Mobilization capability costs include the costs to maintain a surge capacity and/or maintain other assets, functions, or capabilities required to meet an operational contingency as documented in the Secretary's force planning guidance or operational plans. Surge capacity most often manifests itself in facilities and equipment that are unutilized or underutilized during normal peacetime operations. DoD policy and guidance associated with mobilization costs is contained in Chapter 14 "Mobilization Costs", and in Volume 2B, Chapter 9.

12.12 Job Order Cancellations or Reductions in Scope

12.12.1. Depots must charge the costs incurred plus the applied indirect production and G&A costs, and costs associated with the cancellation or reduction, to the customer when a job order is canceled or reduced in scope after a DWCF activity has commenced work or incurred costs on the order. Funds personnel must ensure the customer provides and/or does not reduce funding below amounts required to cover canceled/reduced orders. Examples of directly associated cancellation or reduction costs to be charged to customers are advance planning costs, non-creditable direct material, special test equipment, necessary preservation and/or shipment effort, and any additional effort necessitated by the cancellation and/or reduction; for example, salvaging of material. In addition, depots must charge the customer for the costs of salaries payable to employees hired specifically to work on the canceled order until the employees are, or could have been, separated through a reduction in force or other appropriate action (taking into account appropriate administrative lead time), or reassigned to other direct jobs.

12.12.2. Costs that are indirectly associated with cancellation or reduction actions must not be charged to the customer. Although normally allocated indirect production and G&A costs must be charged to canceled or reduced customer orders, any underapplied indirect production and G&A costs that may occur as a result of a reduced workload base of the DWCF activity as a whole must not be charged to the customer canceling or reducing their order. The underapplied costs must be recorded against the net operating results of the performing DWCF activity.

12.13 Employee Training Costs

12.3.1. Depots must record the cost of training performed for the DWCF activity's benefit as an indirect expense of the employees' cost center. General developmental training for WCF employees not required to support actual productive workload (i.e., training in the installation, operation, and maintenance of DoD weapons, equipment, and systems to develop organic expertise) may not be charged as a direct cost to customer orders.

12.3.2. Training costs must include all applicable elements of cost, including labor costs of trainees, travel, transportation, per diem costs, labor costs of instructors, tuition, books, and materials. Training costs must include the cost of planning the course of instruction, conducting the course, and any related support effort.

12.3.3. The development and qualification of employees requested by activities outside of the performing DWCF activity must be charged to a specific job order.

12.3.4. The hours of on-the-job training in the form of actual productive effort (as opposed to observation or other noncontributory effort) are chargeable as direct labor to the related job order. Noncontributory effort, including time spent observing others, should be charged to the indirect costs of the cost center of the employee.

12.14 Technical Assistance

Depot maintenance technical assistance is a specialized service, provided by qualified depot maintenance technicians, that is performed in many different ways depending upon the requirement. Technical assistance may include instruction on maintenance repair or support processes for military equipment, special programs for military reserve units, training foreign nationals using uniquely qualified personnel to provide technical assistance, performing specific work requiring special skills for operational activities, other maintenance organizations, or foreign governments. All depot maintenance activity costs for technical assistance must be charged to specific job orders established for that purpose. The costs charged to these job orders must include direct labor, direct material, all other direct costs, and operations overhead and G&A costs including variances for applied overhead.

12.15 Assets Manufactured by a DWCF Activity for Itself

Normally, the material requirements of a DWCF activity are met by the supply system or commercial procurement. However, in some cases, material requirements may be fulfilled by a manufacturing process at the DWCF activity. The manufacturing process includes several phases:

12.15.1. Preparation of a work authorization document (in-house job order) to replace the normal funded customer order;

12.15.2. The costing of direct labor, material, and applied overhead to the manufacturing job order as work-in-process; and

12.15.3. The posting of the completed job order to an asset account, or, if the transaction is reimbursable, to a job order.

12.16 Special Non-DWCF Functions

Occasionally, some uniquely qualified DWCF personnel are asked to perform various types of special functions that are not DWCF activities or functions. Such work is chargeable to other separately budgeted functions such as supply operations, property disposal, or family housing.

12.17 Concurrent Maintenance

Concurrent maintenance occurs when the depot inducts component parts of an end item into the maintenance process at the same time as the end item is inducted for maintenance. This approach is used instead of an exchange. The approach selected is usually a function of the desired outcome and the availability of exchanges. Concurrent maintenance and exchange do not normally result in the same costs being incurred, and no attempts should be made to balance the costs incurred for work performed in the two separate modes. All concurrent maintenance costs must be charged to the weapon system order and not allocated to component repair job orders.

12.18 Host/Tenant Support Services

The DWCF activities give and receive different types and levels of support services to and from the host installation depending upon location and mission assignments.

12.8.1. Uniform costing requires that support services that benefit the performance of the depot maintenance function be recognized as part of the indirect expenses of the benefiting cost center, or the entire DWCF activity as appropriate, regardless of the funding source for the support services.

12.8.2. The DWCF activities must not provide or receive goods or services on a nonreimbursable basis. In addition, offset or barter arrangements must not be made with other activities for goods or services. Special arrangements to avoid normal funding requirements may result in apparent violations of the Antideficiency Act.

12.19 Employee Bonuses and Awards

Depots must charge monetary awards paid to employees for suggestions and one-time bonuses, such as special act awards performance bonuses, and productivity gain sharing program payouts, to indirect production costs of the cost center of the employee receiving the award. Annual pay increases resulting from the employee performance appraisal process are simply increases in base pay that affect regular payroll cost.

VOLUME 11B, CHAPTER 14: "MOBILIZATION COSTS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated April 2020 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Administrative updates to include clarifying language in accordance with Department of Defense Financial Management Regulation (FMR) Revision Standard Operating Procedures.	Revision

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CHAPTER 14

MOBILIZATION COSTS

1.0 GENERAL

1.1 Overview

Each Defense Working Capital Fund (DWCF) activity group must plan for and maintain the capability to expand or alter operations, or to provide extraordinary supply or other functional area support necessary, to satisfy mobilization conditions when required. The nature and extent of the costs to be paid by a separate appropriation rather than charged to other customers through the rates must be in accordance with this policy.

1.2 Purpose

1.2.1. The policy contained herein addresses the requirement for a separate appropriation to finance the cost of maintaining a mobilization capability during peacetime; these are not normal operating costs that are passed on to DWCF customers. This policy applies to all DWCF activity groups. This requirement is hereafter referred to as a mobilization requirement.

1.2.2. The Statement of Federal Financial Accounting Standards 4 (***SFFAS 4***), "Managerial Cost Accounting Standards and Concepts," requires the reliable and timely information on the full cost of federal programs, their activities, and outputs. SFFAS 4 provides a general understanding of cost accounting, definitions of direct and indirect costs, and the methodology for accumulating the total costs of the supporting DWCF mobilization/surge activities.

1.3 Authoritative Guidance

The National Defense Authorization Act delineates appropriations for mobilization costs. The following accounting policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:

1.3.1. Title 10, United States Code, section 2208 (***10 U.S.C.§ 2208), "Working Capital Funds;"***

1.3.2. ***10 U.S.C. § 7541, "Army Arsenal: Treatment of Unutilized or Underutilized Plant Capacity Cost;"*** and

1.3.3. SFFAS 4, "Managerial Cost Accounting Standards and Concepts."

2.0 DEFINITIONS

2.1 Mobilization Capability Costs

Mobilization capability costs include the costs to maintain a surge capacity, to procure and maintain approved war reserve material levels, and/or to maintain other assets, functions, or capabilities required to meet an operational contingency as documented in the Secretary's force planning guidance or operational plans.

2.2 Surge Capacity

2.2.1. An activity group's total surge capacity often manifests itself in facilities and equipment that are unutilized or underutilized during normal peacetime operations. Unutilized Capacity is that part of a DWCF activity's assets including plant and equipment that is held in a standby, idle, or lay away status or for war reserve storage. The DWCF uses a separate appropriation to procure and/ or maintain wartime reserve materials, and to maintain other assets, functions, or capabilities required to meet an operational contingency.

2.2.2. Unutilized capacity associated with the ability to satisfy a projected surge capability is considered a mobilization requirement eligible for separate appropriation funding if it is utilized only 20 percent or less of available workdays in a month. The DWCF rates must not include the cost of unutilized capacity. Instead, the host activity will budget direct appropriated fund support (labor, materials, contractual support, and overhead) for the unutilized capacity and will reimburse the DWCF activity for costs incurred in the DWCF.

2.2.3. Unutilized capacity associated with the ability to provide capability in excess of any known or projected requirement is not a mobilization requirement.

2.3 War Reserve Materiel

War reserve materiel includes secondary items procured and/or stored in support of wartime scenarios established in the Secretary's force planning guidance or contingency operations identified in specific Operational Plans.

3.0 FUNDING

3.1 Operations

The cost incurred to maintain unutilized plant and equipment capacity must be reimbursed by the Department of Defense (DoD) Component responsible for the activity's management unless funds have been appropriated directly to the DWCF for that purpose. The DWCF activity must separately accumulate the portions of direct, indirect, and general and administrative (G&A) costs supporting the maintenance of this capacity. When a portion of a DWCF activity's plant is purposely set aside as idle capacity, the Component must request a direct operation and maintenance appropriation to pay for the cost of essential operation and maintenance for that portion of the plant and idle equipment as well as an allocated portion of G&A costs. The

percentage of G&A costs allocated to the cost center for the unutilized plant capacity must be the same as the percentage of G&A costs allocated to other cost elements of the activity. Separate cost centers must be maintained for all such costs.

3.2 War Reserve Materiel

The purchase of secondary items of supply, such as War Reserve Materiel, must be funded from a direct appropriation. The applicable Supply Management or Commissary Resale activity Annual Operating Budget must reflect such appropriated amounts as a separate goal. Items such as ammunition and/or principal and major end items procured for war reserve must not be funded with DWCF, but must be funded through amounts available to Component/Defense Agency procurement appropriations.

3.3 Capital Investments

Component procurement appropriations must fund new capital asset investments at DWCF activities necessary to satisfy a mobilization requirement. The DWCF activity groups must assume ownership of such assets. New capital assets to satisfy a mobilization requirement (as well as other, older capital assets laid away for use in mobilization) must be depreciated for reporting purposes on the Accounting Report (Monthly) 1307 (AR(M) 1307). These expenses are non-recoverable for rate setting purposes because the assets are funded by appropriations, see Volume 2B, Chapter 9.

3.4 United States Transportation Command

The United States Transportation Command (USTRANSCOM) activity must maintain a capability to respond expeditiously to requirements to transport personnel, material, or other elements required to satisfy a mobilization condition. The following paragraphs describe direct appropriations, requested by the Air Force or Army, as appropriate, that support USTRANSCOM operations.

3.4.1. The Air Mobility Command (AMC) develops airlift flying hour requirements and associated costs to maintain the capability of the airlift system, including crew training (and concurrent mobilization) requirements. The DoD uses the airlift system training generated capacity to move air eligible cargo and passengers. The USTRANSCOM generally establishes rates that are competitive with commercial carriers to extend air eligibility and increase capacity utilization. However, resulting revenue does not cover the costs of operations due to the mobilization requirement. This requirement will be budgeted and recorded as follows:

3.4.1.1. The costs for military personnel will be recorded at the civilian equivalency rate in accordance with the policy on Military Personnel Expense in Chapter 12. A Military Personnel appropriation will directly fund military personnel within the AMC. These expenses must be reported on the AR(M) 1307 and are recoverable for rate setting purposes because the expenses are reimbursed to the respective Military Personnel appropriation. See Volume 2B, Chapter 9.

3.4.1.2. The Air Force will request a direct appropriation for and place an order with the DWCF to fund the balance of the mobilization requirement costs. This will ensure revenue offset the costs.

3.4.2. The Surface Deployment and Distribution Command must plan for and maintain a Reserve Industrial Capacity (RIC) to transport personnel resources, material and other elements required to satisfy a mobilization requirement. The costs of RIC will be funded by the Army Operation and Maintenance appropriation.

4.0 ACCOUNTING

4.1 Cost Center Capability

DWCF activities must establish a cost center capability to separately account for all costs applicable to the continuance of a mobilization requirement. Where necessary, DWCF activities must maintain such costs to the function or task level, as necessary to segregate costs between normal operating costs and mobilization costs.

4.2 War Reserve Items

DWCF activities must account for purchases of DWCF-funded War Reserve items at the same level of detail as items procured for peacetime requirements, recording amounts in separate general ledger accounts, or appropriate subaccounts, to retain separate visibility of such assets. Inventory levels funded by such amounts are not available for sale; therefore, DWCF activities must maintain and report War Reserve costs separately to ensure that the unit cost targets for Supply Management activities are not affected.

5.0 REPORTING

The DWCF activities must record and report financial information on the maintenance of a mobilization capability in accordance with the DoD accounting and reporting requirements specified for the DWCF. AR(M) 1307 must be prepared to include a footnote that identifies the amount of the mobilization requirement costs that are funded through direct appropriations or reimbursable orders accepted specifically for mobilization requirements.

VOLUME 11B, CHAPTER 15: "SUPPLY MANAGEMENT ACTIVITIES"

SUMMARY OF MAJOR CHANGES

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The previous version dated March 2021 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Administrative updates to include clarifying language in accordance with Department of Defense (DoD) Financial Management Regulation Revision Standard Operating Procedures.	Revision
1.2.3, 4.1.4	Removed Title 10 United States Code Section 2306 (10 U.S.C. § 2306), "Kinds of contracts" which Congress repealed on January 01, 2021, and replaced with 10 U.S.C. § 3501, "Multiyear contracts: acquisition of property."	Revision
1.2.5 through 1.2.9 (previous version)	Removed authoritative guidance 31 U.S.C. § 3901 – 3905 as they are not unique to the chapter and are appropriately referenced in Volume 4, Chapter 9 on accounts payable.	Deletion
1.2.16 (previous version)	Removed DoD Manual 4140.01, Volume 2, "DoD Supply Chain Materiel Management Procedures: Demand and Supply Planning" from authoritative guidance and added it to paragraph 2.2.5.	Revision
1.2.17 (previous version)	Removed DoD Manual 4140.68, "Integrated Materiel Management of Non-consumable Items 3" from authoritative guidance and added it to paragraph 2.2.1.	Revision
2.2.9.2	Updated language to clarify inventory augmentation definition and responsibilities.	Revision
2.5.4 (previous version)	Removed discount pricing as an exception to OUSD(C) approval to de-conflict with approval requirements in paragraph 2.6.	Deletion
2.8	Removed confusing, non-policy text on "Infrastructure costs" formerly at subparagraph 2.2.11 and replaced it with "Capital Investment Recovery" guidance.	Deletion/ Addition

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CHAPTER 15

SUPPLY MANAGEMENT ACTIVITIES

1.0 GENERAL

1.1 Purpose

This chapter provides the policy to guide budget formulation and execution for Supply Management Activities (SMA) of the Defense Working Capital Fund (DWCF) and is applicable to all DoD working capital funds.

*1.2 Authoritative Guidance

The financial management policy and related requirements prescribed in this chapter are in accordance with the applicable provisions of:

1.2.1. Title 10, United States Code, section 2208 (***10 U.S.C. § 2208***), "Working Capital Funds;"

1.2.2. ***10.U.S.C. § 2210***, "Proceeds of sales of supplies: credit to appropriations;"

1.2.3. ***10 U.S.C. § 3501***, "Multiyear contracts: acquisition of property;"

1.2.4. ***31 U.S.C. § 1502 (a)***, "Balance available;"

1.2.5. The Office of Management and Budget ***(OMB) Circular A-11***, Part 4, "Instructions on Budget Execution;"

1.2.6. ***Statement of Federal Financial Accounting Standards 3***, "Accounting for Inventory and Related Property;"

1.2.7. ***Defense Federal Acquisition Regulation Supplement 217.74,*** "Undefinitized Contract Actions;"

1.2.8. ***DoD Directive 5134.12***, "Assistant Secretary of Defense for Logistics and Materiel Readiness;"

1.2.9. ***DoD Instruction (DoDI) 1330.17***, "DOD Commissary Program;"

1.2.10. ***DoD Manual (DoDM) 4140.01 Volume 1***, "DoD Supply Chain Materiel Management Procedures: Operational Requirements."

2.0 PRICING OF INVENTORY ITEMS

2.1 Budgeting

Policy requirements for the budget development of prices for SMA items are in Volume 2B, Chapter 9.

2.2 Standard Price

2.2.1. Charge DoD customers the standard price for DoD Inventory Control Point (ICP)- managed items (excluding subsistence), or Integrated Materiel Management (IMM) items. The Federal Logistics Information System (FLIS), accessible through WebFLIS, is the authoritative source of standard prices. Prices are computed based on factors, including replenishment cost of the item; surcharges for transportation, inventory loss, obsolescence and maintenance; Capital Investment Recovery; and supply operations. Each cataloged inventory item with an assigned national stock number and, under DoD ICP management, must have a selling price for all authorized customers. See ***DoDM 4140.68*** "Integrated Materiel Management of Nonconsumable Items," for non-consumable items standard pricing details.

2.2.2. Charge the standard price to non-DoD customers directly supporting DoD-related mission requirements. The selling price to other non-DoD customers is prescribed in Volume 2B, Chapter 9. See paragraph 2.5 for exceptions to this policy.

2.2.3. DWCF activities must institute selling prices at the lowest practical item level to promote cost visibility/management and motivate cost effective customer/supplier behavior.

2.2.4. The SMA must determine the item standard price annually in advance of the execution year. The standard sales price is effective for billing purposes on the first day of the fiscal year (FY). A standard price cannot change in the FY without prior approval from the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), Office of the Deputy Comptroller for Enterprise Financial Transformation (EFT), Directorate for Financial Management Operations and Analysis (FMOA), except as stated in paragraph 2.5. The dollar amount of unfilled customer orders accepted at the previous FY's standard price must be adjusted (upon notification to and confirmation from the customer) to reflect the latest standard price when notice of the price change is received.

2.2.5. Catalog and assign all local procurements a standard price including any retail level cost recovery element. In accordance with the ***DoDM 4140.01, Volume 2***, "DoD Supply Chain Materiel Management Procedures: Demand and Supply Planning," inventory retail level is the level below the wholesale, either at the consumer level for providing material to ultimate users or at the intermediate or region level. See DoDM 4140.01-V2 for additional demand and supply planning guidance.

2.2.6. The DWCF establishes selling prices in the budget that are normally fixed during execution to mitigate the impact of unforeseen fluctuations on customers' ability to execute programs. See Volume 2B, Chapter 9 for full recovery of costs and setting of prices.

2.2.7. The standard price must also contain the total materiel costs, see Volume 2B, Chapter 9. Total materiel costs include:

2.2.7.1. Materiel costs (without inflation) for losses and gains from incoming and outgoing shipments, physical inventory adjustments, inventory losses as a result of shrinkage, theft, deterioration, damage contamination, defective items if not reimbursed by supplier, obsolescence, and adjustments to reconcile internal records.

2.2.7.2. Materiel Inflation (normal inflation) is the dollar amount of the inflation rate set by OMB. Materiel Cost Adjustments as outlined in Volume 2B, Chapter 9 accounts for any anticipated price growth beyond normal inflation.

2.2.7.3. Loss/damage/washout/obsolescence are costs where a replacement unit is required. Activities that manage on an exchange carcass basis incur replacement cost for carcass losses and washouts. Lost carcasses, e.g., in transit to customer or supply system, must be investigated and necessary internal controls strengthened as required by Volume 12, Chapter 7. Carcass washouts are carcasses initially determined to be repairable but subsequently determined to be unrepairable and require replacement. If determined unrepairable due to customer-caused cannibalization or other malicious damage, charge the customer the difference between the exchange price and the current standard price, and this cost must not be included in the surcharge element. Maintenance activities must maintain all documents, see Volume 1, Chapter 9.

2.2.8. In a system supporting exchange pricing, the price charged to customers returning a Depot Level Reparable part for repair and purchasing a serviceable (new or repaired) part, equates to the latest repair price plus wash out costs per item plus pricing elements necessary to recover other operating costs. If no carcass is returned, the customer must be charged the full standard price. See Volume 2B, Chapter 9, paragraph 2.6.2.13 for specifics on exchange pricing. Also, see Volume 4, Chapter 4, for information on supply turn-in.

2.2.9. SM operations also incur non-materiel overhead and pricing adjustment costs, including adjustments for prior year operating results, approved surcharges, and other factors. The Cost Recovery Rate reflects the markup on total materiel costs required to recover operating costs, calculated by dividing total non-materiel costs by total materiel costs. This represents the percentage markup on materiel costs required to operate the supply activity. These cost elements are displayed on the SM-5a "Markup on Materiel Cost" exhibit in Volume 2B, Chapter 9.

2.2.9.1. The provisioning cost element is provided when a weapon system was originally fielded under a contractor logistics support agreement. The component may fund the provisioning action in the standard item price if the contractor fails to perform or a component decision is made to transfer program management to a DWCF supply activity. The component may fund this action using contract authority without an immediate reimbursement if a funding source can be identified and used for reimbursement by the time of first delivery and the OUSD(C), EFT/FMOA, has preapproved the action. Preapproved reimbursable transactions of this type must be recorded as "other income" and not included in the standard price.

* 2.2.9.2. Inventory Augmentation. An anticipated inventory requirement that drives growth in inventory beyond replenishment, excluding appropriately resourced increases for mobilization. When required, the supply activity develops a financing strategy for the Program and Budget Review, or the Budget Execution Review if, in the year of execution, the activity must execute above its planned Unit Cost Ratio (UCR). When an activity internally augments inventory, regardless of the UCR, the activity provides a prioritization strategy in accordance with DoDM 4140.01, Volume 2. The Joint Logistics Resource Requirement Board co-chairs must approve the financing strategy. Recoup costs by direct appropriation or a cost recovery element in the pricing structure. See Volume 2B, Chapter 9.

2.2.9.3. Unusual or nonrecurring losses, such as those due to armed hostilities, riot, or significant damage due to fire, flood, earthquake, storms, or other abnormal events, are not normal inventory losses and must not be included in the cost recovery element for inventory expenses. DWCF Activities must obtain approval from the OUSD(C), EFT/FMOA, to fund such losses.

2.2.10. The standard item sales price must include recovery of operating costs including payroll, personnel travel, transportation, defense agency billings, other DWCF purchases, operating materials and supplies, rent/communications/utilities, depreciation, transportation, and other service contracts.

* 2.2.11. Other cost recovery elements, as approved by the OUSD(C), EFT/FMOA, during the budget review, may be added to the price and include Accumulated Operating Results adjustments, cash surcharges, and fund management adjustments.

2.2.12. The purpose of the cost recovery elements is to balance total revenues with total net operating costs. Total net operating costs must not include requirements funded by appropriations, such as war reserve materiel or national defense stockpiles (see Volume 4, Chapter 4). The costs within the recovery elements must account for the following as applicable:

2.2.12.1. The SMA finances the costs of wholesale ICPs and wholesale supply depot operations. Such costs include civilian labor and benefits, military labor, supplies, purchased services, and reimbursements to other defense agencies providing support. The cost of performing equivalent functions at the retail level (installation/area supply support) may be included in the cost assessed by the wholesale activities if the retail activity is managing the distribution of Defense Logistics Agency, General Services Administration, or any other government agency where an additional rate would not be applicable.

2.2.12.2. The SMA finances the costs of separate activities that exist primarily to benefit the wholesale ICP and/or a wholesale supply depot mission. Establish mission support overhead cost pools that identify civilian labor and benefits, supplies, purchased services, and other costs incurred in functions such as line management command and control, staff management and policy, centralized procurement, accounting, personnel, and automated data processing. The portion of overhead costs directly benefiting the SMA mission is allocated to, and reimbursed by,

the SMA. The allocation must be prorated on the relationship of the cost of the benefits provided to the SMA, to the cost for all activities or functions.

2.2.12.3. Shipping and transportation costs, including costs for packing, crating, handling, transportation, and, where appropriate, port loading, and unloading. Items may be shipped from a stocking point (issues) or to a stocking point (returns).

2.2.12.3.1. Transportation costs include SMA-issued items. To the extent that first destination transportation is not included in the acquisition cost, an estimate of the cost must be included. Second destination transportation (SDT) costs should assume average cost as adjusted by budget year projected changes. A SMA generally finances SDT costs for transportation within the Continental United States (CONUS) and between overseas locations. Assess additional charges for expedited delivery.

2.2.12.3.2. The SMA must reimburse transportation and other shipping costs only for items approved by an item manager for return to the SMA from DoD customers.

2.2.12.3.3. Costs of shipping and transportation for customer return of reparable exchange carcasses. Accordingly, customers are not charged separately for the returns.

2.2.12.3.4. Shipping and transportation costs of item manager-directed Lateral Redistribution Orders (LRO) of stock. The ICP or IMM must reimburse the supplying/holding activity for packing, crating, handling, and transportation for ICP/IMM-directed materiel moves.

2.2.12.4. The costs of providing and managing commissary items, including related operating costs, must be identified as commissary operating costs. These costs include headquarters or regional-level costs. Commissary operating costs are reimbursed by appropriations for commissaries and the commissary trust revolving fund, see DoDI 1330.17.

2.2.12.5. If a SMA experiences a sudden decrease in volume of customer orders, it may require additional revenue to liquidate contract authority. Resources may be obtained through either transfer or direct appropriation, or by SMA establishment of a cost recovery element (or combination of both). The SMA will eliminate any cash surcharge once undelivered order stock levels have stabilized for the new volume of demand.

2.2.13. A cost recovery element used by a retail-level supply activity:

2.2.13.1. Will include inventory (materiel) expenses for retail-managed items which are the net of gains and losses, obsolescence, and shelf-life deterioration.

2.2.13.2. May include other cost recovery elements, when approved by the OUSD(C), EFT/FMOA.

2.3 Foreign Military and Private Party Sales

Per Volume 15, the DWCF must sell items to Foreign Military Sales customers at the current price. The current price is also applicable to private parties (state and local governments, and non-governmental entities not under a DoD contract) authorized SM support.

2.4 Lateral Redistribution of Stock

When another activity has stock to fill an order, a SMA may direct an LRO to that activity to issue stock directly to the customer. As provided in ***DoDM 4140.01, Volume 5***, "DoD Supply Chain Materiel Management Procedures: Delivery of Materiel," LRO billing procedures ensure a supply holding activity is reimbursed for both the standard price of the materiel and standard packing, crating, handling, and transportation costs. The item manager will bill the customer for the standard price of the materiel and pay the supply holding activity via the ICP/IMM for the standard price of the materiel and the standard packing, crating, handling, and transportation costs. DoD Components facilitating LROs must record outlays of Fund Balance with Treasury (FBwT) as a disbursement. Recording a negative collection is prohibited. Since these are intra-agency transactions, trading partners must use the correct detailed transaction-level codes. See the Deputy Chief Financial Officer financial policy memorandum (FPM), "Accounting Treatment of Lateral Redistribution Activities ***(FPM 20-05)***."

*2.5 Authorized Changes of Standard/Exchange Prices

Prices cannot be changed during a FY without justification to, and prior written approval of the OUSD(C), EFT/FMOA. The item manager will group all approved price changes and release for updates to the SMA's pricing catalog not to exceed once a month. The only exceptions to the price changes requirement for prior approval are:

2.5.1. Unit of issue changes;

2.5.2. First time buys; and

2.5.3. Contract modifications or new contracts for the same requirement.

2.6 Discount Pricing

2.6.1. Product prices must reflect the full cost of the product and the related management activity unless the following conditions are met, and approved by OUSD(C), EFT/FMOA:

2.6.1.1. Requests to discount item prices must include an impact analysis of the anticipated cost (profit/loss) and Component approval.

2.6.1.2. Reductions from standard prices may be made for an actual difference in item utility or desirability due to age, condition, or model for items being phased out of the

system; and items no longer procured, with limited remaining shelf-life, in less-than "fully serviceable" condition, or in long supply, i.e., assets stratified as "potential reutilization stock."

2.6.1.3. See Volume 4, Chapter 4, for SMA development of exchange transaction prices.

2.7 Pricing for Additional/Premium Service

2.7.1. Components may establish and offer variable levels of service related to a product, at variable prices, to allow customers to economize according to needs. Appropriate fees may be established annually and may vary according to the item/class of items. Refunds (credits) are available when a customer paid but was not provided a level of service. Customers are authorized to pay for enhanced service; this policy does not authorize reduced charges. Individual orders may be assessed an additional cost based on the following elements:

2.7.1.1. Expedited delivery.

2.7.1.2. Delivery outside the CONUS based on destination.

2.7.1.3. Depot handling fees related to order issues only. The fee(s) includes a minimum charge for low priced orders, a standard charge for bin item issues, a standard charge for normal bulk item issues, and special charges for unusual bulk item issues, e.g., special handling and extraordinary quantities.

2.7.1.4. Other additional/premium charges as approved by OUSD(C), EFT/FMOA.

*2.8 Capital Investment Recovery

Reflects the estimated recoupment of all assets defined by the capital program in terms of recoupment of outlays. See Volume 2B, Chapter 9 for details on recovering these infrastructure related costs.

3.0 CONTRACT AUTHORITY FOR SUPPLY MANAGEMENT OPERATIONS

3.1 Background

3.1.1. Based on 10 U.S.C. § 2210, obligations may be incurred against anticipated reimbursements, without regard to FY limitations. OMB Circular A-11 defines Contract Authority as a type of budget authority permitting obligations in advance of appropriations, offsetting collections, or receipts to make outlays to liquidate the obligations.

3.1.2. Contract Authority is apportioned and allocated without a supporting Treasury cash balance. Consequently, contract authority must be replaced or liquidated by other budgetary resources. Contract Authority is apportioned to the DWCF Capital Programs and the SM Operating Programs for the current FY of the apportionment only, and for no other FY.

3.2 Budgetary Resources

3.2.1. SM budgetary resources available during the current FY consist of congressionally appropriated and re-appropriated amounts made available; the net of any non-expenditure transfers and internal distributions of budgetary authority into and out of the SMA and other Federal Government accounts (cash transfers); and apportioned contract authority.

3.2.2. Liabilities (accounts payable) are typically payable from the FBwT within the terms of the Prompt Payment Act, ***Title 31, U.S.C., Chapter 39,*** as implemented under ***Title 5, Code of Federal Regulations, part 1315.31***. Unfunded (unliquidated) contract authority is a SMA long-term liability because budgetary resources required have not yet materialized through customer orders or Congressional appropriations.

3.2.3. Unobligated appropriation balances are not available for use in the subsequent year unless reapportioned as a new apportionment in the new FY.

3.2.4. The OMB may approve and apportion contract authority in the amount of the approved SMA-operating program, which may include the amount of the requested variability target or a portion thereof.

3.2.5. The OMB apportions contract authority on the Standard Form (SF)-132, "Apportionment and Reapportionment Schedule." The Office of the Deputy Comptroller (Program/Budget) allots contract authority on the Annual Operating Budgets.

3.2.6. Apportioned contract authority is either obligated or returned. Obligated contract authority is substituted with the receipt of customer orders, and then liquidated with revenue collection from order fulfillment. With Congressional approval, appropriations can be used to liquidate contract authority rather than spending authority from offsetting collections.

3.2.7. Customer orders received are requisitions and other orders accepted for furnishing items on a reimbursable basis. Order-generated budgetary resources are available to fund obligations provided that, in the case of orders from the public, an advance has been collected. Contract authority must not be used to fulfill orders from the public unless an advance is collected and reflected in the SMA's FBwT, except when explicitly authorized by law.

3.3 Contract Authority and Cash Management

3.3.1. Components' activity groups are responsible for cash management (see Volume 2B, Chapter 9). The liquidation of contract authority is only authorized by collections from customer orders or by an appropriation. SM cash collections are the primary funding source for liquidation unless otherwise approved in writing by OUSD(C), EFT/FMOA.

3.3.2. SM activities may also submit requests as part of the component's budget request, for appropriations to liquidate contract authority, if a change in customer demands warrants this action. Similarly, OUSD(C), EFT/FMOA, must pre-approve in writing any proposed budget negative surcharges, other than Accumulated Operating Results recovery.

4.0 MULTIPLE-YEAR CONTRACTS

4.1 Overview

4.1.1. SM activities are authorized to use multiple-year contracts to procure items from a single contractor and more than one annual program increment of items to obtain an Economic Order Quantity (EOQ).

4.1.2. The SMA determines if items with stable demand are sole sourced and/or acquired by a multiple-year contract.

4.1.3. SM activities fund advance EOQ procurement for manufacturing components, parts, and raw material in quantities exceeding the current annual requirement when it is cost effective to do so. Advance procurements may be funded fully in single-year increments on a termination liability basis or included in a multiple-year contract with the nonrecurring contract costs.

* 4.1.4. Under 10 U.S.C. § 3501, the DoD is authorized to enter into multiple-year contracts containing cancellation clauses that may include both nonrecurring and recurring costs. This law specifies congressional reporting requirements based on cancellation ceilings. Further, annual DoD appropriations acts may limit the use of multiple-year contracts. OUSD(C), EFT/FMOA, must approve, prior to contract award, a single contract in excess of $100 million or $10 million in estimated termination liability. Each separate contract option must be treated as a single contract event, with the dollar amounts determining whether OUSD(C), EFT/FMOA approval is required.

4.2 Obligations

4.2.1. The SMA must obligate the minimum amount required for the period of the contract.

4.2.1.1. If the contract provides for annual terms with options to extend the terms in subsequent years, the Government must obligate the amount required to be procured in the first year. The obligation for each option year must be recorded when the option is exercised.

4.2.1.2. If the contract provides for minimum quantities over a period of more than one year, the obligation must be recorded for the sum of the minimum quantities times the agreed price. If the contract provides for minimum dollar amounts for a period of more than one year, the obligation must be recorded for the sum of the minimum dollar amounts.

4.2.1.3. The bona fide needs rule, derived from 31 U.S.C. § 1502(a), applies to appropriations limited to a definite period of time. Although the rule does not statutorily restrict a SMA from incurring obligations against contract authority for subsequent FY requirements, contract authority may impose limitations on execution of obligations. Also, SM activities use contract authority to incur obligations to acquire stock or forecasted customer orders, and do not execute customer budgetary resources. Therefore, the timing of SMA's contract authority obligations do not govern, establish, or reflect the customers' appropriation bona fide need.

4.3 Cost of Items

The cost of items procured by multiple-year contracts must be the amount paid for each item. If termination costs are incurred or if minimum guaranteed amounts are not met for items procured, the additional costs paid under the terms of the contract must be recorded as SMA materiel obligations.

5.0 BUDGETARY ACCOUNTS

5.1 Overview

Budgetary accounts are used to control and account for obligation authority received from appropriations and contract authority apportioned by OMB. SM activities are subject to apportionment, as required by the Antideficiency Act, in accordance with the procedures prescribed in OMB Circular A-11, "Instructions on Budget Execution" and Volume 3, Chapter 19.

5.2 Allotments

Annual Appropriation Act general provisions provide that, "Except in amounts equal to the amounts appropriated to DWCF in this Act, no obligations may be made against a DWCF to procure war reserve materiel inventory unless the Secretary of Defense has notified the Congress prior to any such obligation." Obligation authority for mobilization must be allotted and allocated separately as a direct program. Conversely, non-mobilization obligations must be allotted and allocated separately as a reimbursable program and accounted and reported separately.

5.3 Budget Execution

Balances for budgetary accounts are displayed on the SF-133 "Report on Budget Execution and Budgetary Resources" and the Defense Finance and Accounting Service "Accounting Report (Monthly) 1307, part VII" (see Volume 3 Chapter 19).

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 12: "SPECIAL ACCOUNTS, FUNDS AND PROGRAMS"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

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VOLUME 12, CHAPTER 1: "FUNDS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*****.**

The previous version dated June 2021 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Verified and corrected hyperlinks.	Revision
13.0	The authority to retain and spend the patent royalty's collections is in permanent law, the funds are considered mandatory. USSGL 426600 provides direct budget authority on line 1800 (mandatory) of the SF 132, and SF-133.	Revision

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CHAPTER 1

FUNDS

1.0 GENERAL

1.1 Overview

This chapter prescribes a comprehensive description of account symbols and their operation within fund groups. Account symbols are the basis for reporting the Department of Defense (DoD) financial transactions. The U.S. Department of the Treasury (Treasury), Bureau of the Fiscal Service (Fiscal Service) and the Office of Management and Budget (OMB) assign account symbols consistent with the principals and standards prescribed by the Comptroller General of the United States. Fiscal Service assigns account symbols to agencies after considering the government's relationship to the accounts, the sources of the receipts, and the availability of the funds for expenditure. Receipt account symbols are arranged numerically within each fund group; that is, general, special, and trust funds. Expenditure account symbols (appropriations) and other fund accounts are arranged numerically by general, revolving, special, deposit, and trust fund groups.

1.2 Purpose

The purpose of this chapter is to define receipt, appropriation, and other fund account symbols relating to financial operations and accounting transactions of the Department. Fund account symbols are not the same as the United States Standard General Ledger (USSGL) accounts prescribed in Volume 1, Chapter 7.

1.3 Authoritative Guidance

The accounting policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:

1.3.1. ***Treasury Financial Manual (TFM)***, Supplement to Volume I;

1.3.2. Federal Account Symbols and Titles ***(FAST) Book***; and

1.3.3. ***OMB Circular A-11***, Preparation, Submission and Execution of the Budget.

These authorities describe the various categories of Federal Government fund account symbols.

2.0 FUND GROUPS

2.1 Fund Groups and Symbols

All accounts are identified by fund groups through assignment of numeric and/or alphanumeric account symbols. The symbol assigned to an account is determined after

consideration of the governmental effect of the account and the source of the receipt, and the availability of the fund for expenditure. Some of these accounts have a significant impact on DoD operations. The FAST Book contains all of the fund groups, account symbols, and titles. Table 1-1 lists the fund groups and the range of federal fund account symbols.

Table 1-1. Fund Groups and Symbols

Fund Group	Symbols
General Funds	0000-3899
Clearing, Default, and Custodial Accounts	3500-3885
Management Funds	3900-3999
Revolving Funds	4000-4999
Special Funds	5000-5999
Deposit Funds	6000-6999
Trust Funds	8000-8999

2.2 Additions and Deletions

The Defense Finance and Accounting Service (DFAS) obtains new fund account symbols from the Treasury but the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), Program and Financial Control Directorate must approve new fund account symbols used in Standard Form (SF) 133, "Report on Budget Execution and Budgetary Resources."

3.0 GENERAL FUNDS

3.1 General Fund Receipt Accounts (0000-3399)

General fund receipt accounts have been established to account for receipts of the Federal Government that have not been earmarked by law for a specific purpose and are preceded by an "R." For internal control purposes, none of the receipts credited to these accounts are available for obligation and expenditure. Therefore, general fund receipt account collections do not affect budgetary resources. General fund receipt account collections do provide resources to the Congress to fund appropriations. However, a congressional appropriation action requires a separate accounting process.

3.1.1. Unless there is specific statutory authority that authorizes a reimbursement to an appropriation account or fund (including special funds), all collections must be credited to the appropriate general fund receipt account. However, obligations incurred that result in, or as a result of a general fund receipt account collection or receivable must be recorded in the budgetary accounts of a direct appropriation or fund. Such obligations may be recorded as reimbursable obligations only when authorized to be reimbursed independent of the general fund receipt collection.

3.1.2. Accounts receivable for the general fund receipt accounts must be recorded whenever an event results in the determination that money is owed to the U.S. Government. General fund receipt account receivables may be recorded at a summary level. Examples include:

3.1.2.1. A receivable must be recorded for general fund receipt account 2651, "Sale of Scrap and Salvage Materials, Defense," based upon the recording of an issue or the transfer of ownership of scrap or salvage material to a buyer. (Normally, a cash payment is required.)

3.1.2.2. A receivable must be recorded for general fund receipt account 3019, "Recoveries for Government Property Lost or Damaged, Not Otherwise Classified, Army, Navy, Air Force," based upon the receipt of an approved DoD ***(DD) Form 200***, "Financial Liability Investigation of Property Loss."

3.1.2.3. The accounting for receivables and collection of those receivables in general fund receipt accounts are described in Volume 4, Chapter 3.

3.2 General Fund Expenditure Accounts (0000-3899)

General Fund accounts record amounts appropriated by Congress for the general support of the government. Appropriations are statutory authorities to incur obligations and make payments from the Treasury for specified purposes. When a law appropriates budget authority, it specifies the period of availability. The period of availability is the amount of time the entity may create new obligations. This is called the period of availability for new obligation of the budget authority, and the period is normally specified in the law providing the budget authority.

3.2.1. Annual Appropriations (Annual Budget Authority). An annual appropriation has a period of availability for only one fiscal year or less. An example of an annual appropriation is Operation and Maintenance, Army, 021 21 2020.

3.2.2. Multiple-Year Appropriations (Multi-Year Budget Authority). A multi-year appropriation has a period of availability for two or more fiscal years. An example of a multi-year appropriation is Other Procurement, Navy, 017 21/22 1810.

3.2.3. No-Year Appropriations (No-Year Budget Authority). A no-year appropriation has an indefinite period of availability because the appropriation is available until all funds are expended or the appropriation is no longer needed. An example of a no-year appropriation is Environmental Restoration, Air Force, 057X0810.

4.0 CLEARING, DEFAULT, and CUSTODIAL ACCOUNTS (3500-3885)

Clearing, default, and custodial accounts temporarily hold unidentifiable general, revolving, special, or trust fund collections that belong to the Federal Government. An "F" preceding the last 4 digits of the fund account symbol identifies these accounts. These clearing, default, and custodial accounts are to be used only when there is a reasonable basis or evidence that the collections or disbursements belong to the U.S. Government and therefore properly affect the budgetary resources of the DoD activity. None of the collections recorded in clearing, default, or custodial fund accounts are available for obligation or expenditure while in a clearing, default, or custodial account.

4.1 Budget Clearing Account

Budget Clearing Account (suspense), F3875, temporarily credits unclassified transactions from the public when there is a reasonable presumption that the amounts belong to the agency. Therefore, unlike deposit accounts, clearing accounts immediately affect the budget.

4.2 Custodial Accounts

Custodial Clearing Account (F36XX), a subset of the clearing account, temporarily holds funds collected as well as accounts for accruals and transfers related to funds collected on behalf of a Treasury Account Symbol (TAS) other than the General Fund of the U.S. Government.

4.3 Undistributed Intragovernmental Payments Account

Undistributed Intragovernmental Payments, account F3885, is used to temporarily credit unidentified or unclassified transactions between Federal agencies, including Intragovernmental Payment and Collection (IPAC) transactions.

4.4 Temporary Account Requirement

Since accounts F36XX, F3875, and F3885 are temporary in nature, DoD Components must expeditiously transfer all monies to the proper account in order to minimize the balance. Use of these suspense accounts are valid if approved by the Treasury provided the suspense account transactions are reclassified to the correct line of accounting and properly reported in the accounting system within 60 days.

5.0 MANAGEMENT FUND ACCOUNTS (3900-3999)

Management fund accounts are working fund accounts authorized by law to facilitate accounting for administration of intragovernmental activities other than a continuing cycle of operations. Such accounts generally do not own a significant amount of assets nor do they have a specified amount of capital provided (a corpus of the fund). A management fund provides a means of interim financing and accounting for: (1) an operation or project that is financed by more than one appropriation or fund and whose costs cannot be distributed and charged to the financing appropriations or funds immediately, or (2) an operation or project that is established pursuant to a transfer of functions involving two or more appropriations or funds under authority of law. An example of a management fund is the Air Force Management Fund, 057X3960.

5.1 Policy

5.1.1. A management fund must be used only to finance the costs of operations which are chargeable to appropriations or funds of a DoD Component. Projects may encompass participation by organizational units of one DoD Component or of two or more DoD Components.

5.1.2. A management fund may not be used to finance any activity that involves a continuing cycle of business-type operations, such as industrial or commercial-type activities, or to purchase materiel for stock. It may be used to finance the purchase of materiel for use in an operation or project operated under a management fund.

5.1.3. A management fund may not be used to finance a new operation or project, although eligible under section 5.0, if other effective and efficient financing techniques are available. In general, appropriation reimbursements must be used. However, industrial funds must be used to finance industrial or commercial-type activities, and stock funds must be used to finance the acquisition of consumable (expense-type) materiel for stock.

5.1.4. Management fund accounts are subject to periodic internal audits.

5.2 Responsibilities

5.2.1. The OUSD(C) Deputy Chief Financial Officer (DCFO) must:

5.2.1.1. Ensure that a management fund account is established or continued only when there is no other effective and efficient financing technique available to accomplish the proposed operation or project. The OUSD(C) DCFO will receive, review, evaluate and approve proposed management fund account charters submitted in accordance with Figures 1-1 and 1-2.

5.2.1.2. Review and evaluate proposed management fund account charters or amendments and recommend to the Under Secretary of Defense (Comptroller) (USD(C)) the establishment or continuance of a management fund account.

5.2.2. The Heads of DoD Components must:

5.2.2.1. Propose use of a management fund as a financing technique, when considered appropriate, in accordance with the provisions of this chapter.

5.2.2.2. Oversee compliance with this chapter regarding the provision for budgeting, financing, accounting, and reporting for management fund accounts in use by their Component.

6.0 REVOLVING FUNDS (4000-4999)

Revolving funds are established to finance a continuing cycle of business-type operations. Revolving fund accounts are authorized to be credited with receipts, incur obligations, and make expenditures. Revolving fund collections are normally available for obligation and expenditure without further action by the Congress. However, DoD revolving funds (except for some business areas within the Defense Working Capital Fund) are subject to apportionment by OMB. Apportionment by OMB precludes obligation or expenditure of funds in excess of the apportioned balance during a fiscal period. The concepts in this section normally apply to revolving funds.

6.1 General

There are two types of revolving funds. Public enterprise revolving funds are distinguished from intragovernmental revolving funds by the source of revenues. Public enterprise revolving fund revenues come primarily from outside the Federal Government. Intragovernmental revolving fund revenues come primarily from other federal appropriations or funds.

6.1.1. Appropriations and/or reappropriations are usually provided to start, increase the size, or replace significant losses of a revolving fund. Also, existing resources in other accounts may be transferred to a revolving fund as capitalized assets to serve the same purposes in lieu of an appropriation. The resources used to commence or increase the size of a revolving fund are commonly referred to as "the corpus of the revolving fund." The corpus forms the nucleus of resources used to acquire the resources needed to perform the mission of the revolving fund.

6.1.2. Revenues are generated in DoD revolving funds from reimbursable actions on behalf of authorized beneficiaries. Those revenues result in collections of funds. The funds collected are used to pay for the acquisition of resources needed to operate the revolving fund. In revolving funds that are apportioned by OMB, the use of the budgetary resources associated with those collections to incur obligations is limited to the amount of obligation authority available for the fiscal period.

6.1.3. Revolving funds subject to apportionment are apportioned on an obligation basis. An SF 132, "Apportionment and Reapportionment Schedule," must be submitted to the OMB for approval of the amount of budgetary authority needed for the operation of the revolving fund for a fiscal period. A fiscal period may be a quarter of a fiscal year or a full fiscal year.

6.1.4. Budgetary resources available for apportionment action include:

6.1.4.1. Unobligated balances brought forward.

6.1.4.2. Appropriations.

6.1.4.3. Contract authority.

6.1.4.4. Spending Authority from Offsetting Collections (Anticipated collections, reimbursements, and other income)

6.1.4.5. Recoveries of prior year obligations.

6.1.4.6. Restorations.

6.1.5. The apportionment of anticipated reimbursements does not authorize a revolving fund to obligate in excess of the contract authority, borrowing authority, or reimbursable orders received from within the Federal Government and advances received for orders outside the Federal Government. Orders from state, local, and foreign governments are considered to be orders from the public.

6.1.6. In the case of loan programs, budgetary resources available for obligation from loan repayments and interest on loans are comprised of actual collections when authorized to be used. Loan repayments in the form of loans receivable and interest receivable are amounts due but not collected. These amounts are not available for obligation until collected.

6.1.7. Other assets, whether of a working capital nature such as inventories of stock or of a fixed asset nature, are not considered as a budgetary resource. Such assets, therefore, do not enter into the determination of unobligated balances. However, claims against budgetary resources, such as delivered and undelivered orders, are obligations of a revolving fund and must be subtracted from unobligated balances when incurred. Obligations for the procurement of inventories, as well as for the acquisition of other revolving fund assets, must be recognized, recorded, and reported along with other obligations.

6.1.8. Some revolving funds, particularly public enterprise funds, have budget authority exclusively for the fund that is technically outside the fund as long as it remains "undrawn." This concept may apply to the authority to borrow from the public, authority to borrow from the Treasury, and sometimes contract authority.

6.1.9. The amount of obligational authority apportioned or the available balance of obligational authority may be less than the total budgetary resources available in a revolving fund. The difference, which cannot be obligated unless it is apportioned, may be characterized as either an unapportioned balance of a revolving fund or a restrictive withholding. The concept of an unapportioned balance is one of preserving a portion of the fund's capital so it may continue to revolve.

6.1.10. Incurring obligations or authorizing the incurrence of obligations in excess of apportioned budgetary resources must be reported as an apparent violation of the administrative control of funds provisions contained in Volume 14. This reporting requirement applies whether or not a revolving fund has unapportioned budgetary resources or nonbudgetary assets greater than the amount of the deficiency.

6.1.11. Each revolving fund is required to submit a separate set of reports to the Treasury as described in Volume 6A. Therefore, the data required for each revolving fund to prepare these reports must be identified within the DoD Component's accounting system.

6.2 DoD Public Enterprise Revolving Funds (4000-4499)

Public Enterprise revolving funds include but are not limited to the Special Defense Acquisition Fund and the Homeowners Assistance Fund.

6.2.1. The Special Defense Acquisition Fund is funded by the use of a limited amount of certain foreign military sales collections as authorized by Congress. The fund is used to acquire items needed in anticipation of sales to foreign governments. The proceeds from the sales of the fund are used to acquire items in anticipation of future sales. Budgetary resources provided from sales to customers are not available for use until collections occur and OMB approves apportionment of funds by category of item. The apportionment of funds by OMB provides control

over the obligations for the acquisition of approved categories of items. The Special Defense Acquisition Fund was assigned the symbol 011X4116 by the Treasury.

6.2.2. The Defense Homeowners Assistance Fund is funded by borrowing authority and appropriations. The fund is used to acquire homes under certain criteria when a DoD installation is closed. The fund acquires homes as assets and assumes the related liabilities. All properties acquired by the Homeowners Assistance Fund are managed and disposed of by the U.S. Army Corps of Engineers. At the time of sale of a property, revenues are recorded and gains and losses on the disposition of the asset are determined. Costs incurred related to a property must be capitalized as an increase in the amount of the asset whenever value is added to the property. Under certain conditions, losses incurred on private sales of qualified property may be reimbursed as operating expenses of the fund. Certain other operating expenses may be authorized. The budgetary resources provided from sales or lease of property are only available for obligation after collection and when apportioned by OMB. The Defense Homeowners Assistance Fund was assigned the fund account symbol 097X4090 by the Treasury.

6.3 Intragovernmental Revolving Funds (4500-4999)

DoD intragovernmental revolving funds include but are not limited to the Defense Working Capital Fund, and the Pentagon Reservation Maintenance Revolving Fund.

6.3.1. The Defense Working Capital Fund was established to fund the operation of certain support functions within DoD. This fund was formed from five previously existing industrial funds, four previously existing stock funds, and selected Defense Agency support functions that were previously funded through direct appropriations. The Defense Working Capital Fund provides support functions such as inventory, maintenance, communications, depot maintenance, military airlift, and sealift. Services are provided on a reimbursable basis to authorized customers. The Defense Working Capital Fund was assigned the fund account symbol 097X4930 by the Treasury.

6.3.2. The Pentagon Reservation Maintenance Revolving Fund was established by the Fiscal Year 1991 National Defense Authorization Act and is codified in Title 10, U.S. Code, section 2674. The Pentagon Reservation Maintenance Fund finances the activities of the Washington Headquarters Services, the Pentagon Force Protection Agency, and the Raven Rock Mountain Complex. The fund provides space, building services, and force protection for the DoD Components, including Military Departments and other activities housed within the Pentagon Reservation. The Pentagon Reservation Maintenance Revolving Fund was assigned the fund account symbol 097X4950 by the Treasury.

7.0 SPECIAL FUNDS (5000-5999)

7.1 Special Fund Receipt Accounts

The Department credits special fund receipt accounts with receipts from specific sources earmarked by law for specific purposes. At the point of collection, these receipts are either available immediately or unavailable for expenditures depending upon statutory requirements.

7.2 Special Fund Expenditure Accounts

Special fund expenditure accounts are established to record amounts appropriated or otherwise made available by transfers from a special fund receipt account to be obligated and expended for special programs in accordance with specific provisions of law. The accounting for special fund expenditure accounts must be in accordance with the provisions of this Regulation. However, each special fund must be viewed as a unique fund in light of any special provisions in the enabling legislation. An example of a DoD special fund account is the Wildlife Conservation, fund account symbol X5095.

8.0 DEPOSIT FUNDS (6000-6999)

Deposit fund accounts are established to account for collections that are either held temporarily and later refunded or paid upon administrative or legal determination as to the proper disposition thereof, or held by the government as banker or agent for others and paid out at the direction of the depositor. Deposit funds are liabilities of the Federal Government. Deposit fund transactions are excluded from the budget totals because the amounts are not owned by the government, and therefore are not available for the incurrence of any Federal Government obligations or payment of any Federal Government obligations. This section identifies various types of deposit funds.

8.1 Monies Withheld

Monies withheld by the government from payments for goods and services received. This type of transaction may be treated as a deposit fund liability only when a budgetary account has been charged and the funds are being held by the government pending payment; for example, payroll deductions for savings bonds or state and state income taxes.

8.2 Deposits from Outside Sources

Deposits received from outside sources for which the U.S. Government is acting solely as a banker, fiscal agent, or custodian.

8.3 Monies Awaiting Distribution

Monies held by the U.S. Government awaiting distribution on the basis of a legal determination or investigation. This category includes monies in dispute (between the Government and outside parties) when ownership is in doubt and there is no present basis for estimating ultimate distribution.

8.4 Unidentified Remittances

Unidentified remittances must be credited as suspense items outside the budget unless there is a reasonable presumption that they will be credited ultimately to a receipt, appropriation (expenditure), or other fund account within the budget, in which case amounts must be credited to the receipt clearing fund accounts. An example of a DoD deposit fund account is the Army's Group Life Insurance Fund, fund account symbol 021X6434.

8.5 Unclaimed Collections

On a quarterly basis, DoD Components must initiate action to clear unclaimed collections held in their trust, revolving, and deposit fund accounts for more than one year. Unclaimed collections are money held by the government for individuals whose whereabouts are unknown. Unclaimed collections of $25 or more are transferred to "Payment of Unclaimed Moneys" with the accounting citation 020X6133, if held for more than one year. This account represents money that, when claimed, are properly refundable to the legal owner of the funds. Unclaimed collections of less than $25 or amounts of $25 or more that have been held for more than one year for which the rightful owner can be neither identified nor located are transferred to R1060 unclaimed amounts.

9.0 TRUST FUNDS (8000-8999)

9.1 Trust Fund Receipt Accounts

The Department credits trust fund receipt accounts with receipts generated by the terms of a trust agreement or statute that designates a fund as a trust fund. At the point of collection, these receipts are either available immediately or unavailable for expenditure depending upon statutory requirements. Accounting for trust funds must be in accordance with the provisions of this Regulation. However, each trust fund must be viewed as a unique fund in light of any special provisions in the trust agreement or the enabling legislation. Because of the unique nature and magnitude of impact of the deposits, advances, and Foreign Military Sales related to the Executive trust fund, special accounting requirements have been established in Volume 15.

9.2 Trust Fund Expenditure Accounts

Trust fund expenditure accounts are established to record amounts appropriated or otherwise made available by transfer from a trust fund receipt account to be obligated and expended in carrying out the specific purposes or programs in accordance with the terms of the trust agreement or statute. Funds transferred or appropriated to a trust fund expenditure account are normally available for obligation and expenditure within the limits imposed by the trust agreement or authorizing statute.

9.3 Trust Revolving Funds (8400-8499)

A trust revolving fund is a single account that is authorized to be credited with receipts and incur obligations and expenditures in support of a continuing cycle of business-type operations in accordance with the provisions of the trust agreement or statute. Trust revolving fund receipts are available for obligation and expenditure without further action by the Congress. In general, DoD trust funds authorized to incur obligations and expend receipts have been exempted from apportionment by the OMB. However, the Defense Commissary Agency Surcharge Collections, Sales of Commissary Stores trust revolving fund is subject to apportionment by the OMB. Accounting for trust fund expenditure accounts and trust revolving funds must be in accordance with the provisions of this Regulation. However, each trust fund must be viewed as a unique fund in light of any special provisions in the trust agreement or the enabling legislation.

10.0 AVAILABLE RECEIPTS

Available receipts are special or trust fund receipts that, pursuant to law, are available as appropriations to a single agency for expenditure without further congressional action. However, in some fund accounts, use is restricted to investment only or is precluded by a limitation or benefit formula. An available receipt account carries the same symbolization as its corresponding expenditure account in that an "X" is inserted to indicate the period of availability of such funds for obligation. However, in special circumstances, available receipts that are earmarked for current year obligations and expenditures initially are placed in an unavailable receipt account until Fiscal Service prepares a warrant to move the funds to a current fiscal year expenditure account.

11.0 UNAVAILABLE RECEIPTS

These are receipts that, at the time of collection, are not appropriated and not immediately available for expenditure. Unavailable receipts held in special and trust fund receipt accounts are unavailable for expenditure until appropriated pursuant to specific legislative provisions. Unavailable receipts are sometimes invested. In these circumstances, Treasury designates the fund as "available only for investment."

12.0 TRANSFER APPROPRIATION ACCOUNTS

Fiscal Service establishes transfer appropriation accounts to receive (and subsequently obligate and disburse) allocations treated as nonexpenditure transactions. These accounts carry symbols identified with the original appropriation from which monies were advanced. A transfer appropriation account is symbolized by adding the receiving agency's department prefix to the original appropriation or fund account symbol. A bureau suffix identifies that the transfer is to a particular office or bureau within the receiving department. For example, 017-097 06 0100 represents a transfer of funds that was initially appropriated to Defense Agencies (097) and was transferred to the Department of the Navy (017) for execution purposes.

*13.0 PATENT ROYALTY ACTIVITIES

Each fiscal year, Treasury will create new three-year TAS to record collections and payments of expenses related to patent royalties. DoD Components should obligate and disburse directly from the three-year TAS for the purposes specifically authorized in statute, Section 3710c of Title 15, U.S. Code, which states that collections are only available for three years.

DoD Components must record the collections in the USSGL 426600 – Other Actual Business-Type Collections From Non-Federal Sources. USSGL 426600 provides direct budget authority on line 1800 of the SF 132, and SF-133.

Figure 1-1. Management Fund Requirements

1.0 APPROVAL OF CHARTERS AND MANAGEMENT FUND ACCOUNTS

A separate administrative account, called a management fund account, must be established for each operation or project that is to be financed by a management fund. This account must be established only with the approval of the Under Secretary of Defense (Comptroller) (USD(C)). As a basis for approval of a management fund account, a proposed charter and explanation of the reasons for the use of the management fund as the means of financing the operation or project must be submitted to the USD(C) via the Deputy Chief Financial Officer (DCFO).

1.1 The proposed charter must be prepared in the uniform format prescribed in Figure 1-2. If a Military Department is to be responsible for administration of the account, the proposed charter must be submitted under the signature of either the Secretary, Under Secretary, or an Assistant Secretary of the Military Department. A proposed charter submitted by a Defense Agency must be signed by the Director or Deputy Director of the Agency concerned. When appropriations or funds of more than one DoD Component are to share in the financing of a proposed account, the concurrence of each DoD Component involved must be evidenced by the signature of the Component comptroller or an equivalent official.

1.2 The scope of operations of a management fund account, as prescribed in the charter, must not be exceeded. However, the basic provisions of a charter may be changed by submitting a proposed charter amendment in the same manner as an original charter application.

1.3 The USD(C) must evidence approval of a charter or an amendment by signing the charter and returning a copy to the applicable DoD Component as its authority to commence operations subject to availability of funds. The original must be retained in the official files of the USD(C).

2.0 DISCONTINUANCE OF A MANAGEMENT FUND ACCOUNT

When a management fund account is to be discontinued, the managing DoD Component must submit a termination notice to the USD(C) stating the reason for discontinuing the account and the estimated date of final liquidation.

3.0 BUDGETING, FINANCING, ACCOUNTING, AND REPORTING

3.1 Budgets and Financial Plans

3.1.1. Annual budget estimates must be prepared for each management fund in accordance with Volume 2B.

3.1.2. An operating budget or financial plan must be prepared annually and updated quarterly by the managing DoD Component for each management fund account in a format appropriate for management planning and control purposes. A copy of the operating budget or financial plan for an operation or project must be submitted with the request for approval of an

Figure 1-1. Management Fund Requirements (continued)

account charter. When required for purposes of obtaining advances or for guidance in estimating appropriation or fund requirements, copies of operating budgets or financial plans also must be furnished to participating DoD Components or their organizational subdivisions.

3.2 Financing and Administrative Control of Funds

3.2.1. Obligational authority for the conduct of operations under a management fund account is provided by reimbursable orders, either with or without advances, whichever may be appropriate. The reimbursable orders may be issued in periodic increments to lessen the administrative workload and they must specify the accounting classifications to be used for billing purposes.

3.2.2. The management fund must be controlled administratively in accordance with Volume 14, "Administrative Control of Funds." No obligation may be incurred against a management fund that is not chargeable to a specific order and the appropriation or fund supporting that order.

3.3 Billing and Payment

3.3.1. Management fund outlays must be charged to appropriations or funds as prescribed in the account charter and specified in the reimbursable order.

3.3.2. Billing and payment must be accomplished by SF 1081, "Voucher and Schedule of Withdrawals and Credits." In the case of financing by means of advances, the advances must be accomplished by SF 1081 prepared and processed as of the beginning of the period covered by the advance. In all cases, however, the DoD Component responsible for the management fund account must submit monthly bills to participating organizations to permit them to charge appropriate accounts and record the reduction in the advance accounts, as well as to permit the managing DoD Component to adjust its own accounts.

3.4 Accounting and Reporting. Financial transactions must be classified under each management fund account in enough detail to meet management planning and control requirements. The principles, standards, and requirements in this Regulation apply to the accounting and reporting systems, including the recording and reporting of the source, application, and status of funds. Additional financial reporting that may be needed by participating organizations for management purposes must be specified by the DCFO and the Heads of the DoD Components.

Figure 1-2. Uniform Format for Management Fund Account Charters

1.0 IDENTIFICATION OF MANAGEMENT FUND ACCOUNT

The proposed charter must be numbered serially within each Military Department or the Office of the Secretary of Defense, and the management fund account must be identified by a brief but descriptive title. Serial numbers must be reserved for existing management fund accounts; thus, if a Military Department has three active management fund accounts, the next proposed charter will be No. 4. A reference must be made to this chapter as authority for the management fund account.

2.0 PURPOSE

A brief but complete description of the operation or project to be financed by the management fund must be included in this section.

3.0 PARTICIPATING ORGANIZATIONS

The organizational units within the managing Military Department or Defense Agency and the organizations in the other Military Departments or Defense Agencies that will participate in the operation or project must be identified in this section.

4.0 ADMINISTRATION

The following information must be included in this section:

4.1 The name and location of the organization or office that will be responsible for management and direction of the operation or project.

4.2 The location of the accounting and other administrative records.

4.3 The location of the principal place of business, if different from paragraphs 4.1, and 4.2.

4.4 Special provisions concerning administrative and logistic support.

5.0 BUDGETING, FINANCING, ACCOUNTING, AND REPORTING

The following information must be included in this section:

5.1 Arrangements for the preparation and submission of operating budgets or financial plans.

Figure 1-2. Uniform Format for Management Fund Account Charters (continued)

5.2 Provisions for financing, that is, by reimbursement with or without advances; provisions for determining and allocating costs when appropriate; and provisions for the return of unexpended balances of advances.

5.3 The management fund title and symbol.

5.4 A brief description of the system of accounts and of the system of internal control, including administrative control over funds.

5.5 The nature of the expenses chargeable to the operation or project.

5.6 Reporting policies and procedures.

6.0 TERM AND DURATION OF THE ACCOUNT

This section must specify the commencement date and the termination date of the operation or project or, for an operation or project of indefinite duration, the conditions under which the operation or project will terminate.

REQUESTED:

_____

(Signature of appropriate official
of the managing DoD Component)

CONCURRED

_____

(Signature of appropriate official
of a participating DoD Component)

_____

(Signature of appropriate official
of a participating DoD Component)

APPROVED:

_____

(Date)

_____

Under Secretary of Defense
(Comptroller)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 2: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 12, CHAPTER 3 "CONTRIBUTIONS FOR DEFENSE PROGRAMS, PROJECTS, AND ACTIVITIES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated June 2007 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
4.0 (0304)	Remove ACCOUNTING FOR CONTRIBUTIONS and renumber subsequent paragraphs. Accounting entries for contributions are specified in the United States Standard General Ledger Transaction Library located at http://www.bta.mil/SFIS/SFIS_resources.html.	Mandatory

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*CHAPTER 3

CONTRIBUTIONS FOR DEFENSE PROGRAMS, PROJECTS, AND ACTIVITIES

1.0 INTRODUCTION (0301)

1.1 Purpose (030101)

This Chapter prescribes the overall policy and assigns responsibilities for the acceptance, receipt, use, and reporting of money, real or personal property, or services to the Department of Defense (DoD) under Title 10, United States Code, section 2608.

1.2 Defense Cooperation Account (030102)

A special account is established in the Treasury of the United States for receipt of monetary contributions and proceeds from the sale of real or personal property contributions accepted by the Secretary of Defense, or designee under Title 10, United States Code, section 2608.

2.0 AUTHORITY (0302)

2.1 Secretary of Defense (030201)

Title 10, United States Code, section 2608 provides authority for the Secretary of Defense (SECDEF) to accept, for use by the Department, from any business (or person), foreign government, or international organization, any contribution of money or real or personal property and may accept from any foreign government or international organization any contribution of services.

2.2 Under Secretary of Defense (Comptroller) (USD(C)) (030202)

Authority to accept such contributions has been delegated to the USD(C), who also serves as the single point of contact in the Department for the Departments of State and the Treasury with respect to all matters involving the receipt, administration and distribution of contributions of funds from foreign countries for defense programs.

2.3 Military Departments and Defense Agencies (030203)

The Secretaries of the Military Departments and the Directors of the Defense Agencies, have authority to accept from any business (person), or international organization, any contribution of real or personal property for use by their organizations.

2.4 Washington Headquarters Services (030204)

Given Washington Headquarter Services' responsibility for the management of property and physical assets at the Pentagon and to maintain consistency in property accountability the

Director of the Washington Headquarter Services has authority to accept contributions of personal property offered to the Office of the Secretary of Defense for use at the Pentagon.

2.5 Delegation of Authority (030205)

The USD(C) may provide additional delegations of authority to accept contributions of real and personal property or services on a case by case basis.

3.0 POLICY ON CONTRIBUTIONS (0303)

3.1 Nonmonetary Contributions (030301)

These are contributions in the form of real property (fixed assets such as land, buildings, other structures, and facilities), tangible property (inventory or items held for sale, operating materials, supplies, and equipment) or services that would benefit the DoD if accepted. Once the DoD accepts these contributions, the intent of the accounting standards (Statements of Federal Financial Accounting Standards (SFFAS)) is that the benefiting DoD organization should recognize the contribution in its financial statements. See Volume 4, Chapters 4 and 6, and Volume 6B, for accounting and reporting guidance.

3.1.1. The receiving DoD organization recognizes a change in inventory, stock, or plant, property, and equipment (PP&E) related records once transfer of the goods or services is made thus making DoD the legal owner of said goods or services. An organization receiving donated general PP&E determines its fair value at the time it was acquired by the government. Donations of assets or services must be reported quarterly to the Defense Finance and Accounting Service (DFAS), Indianapolis, 8899 East 56th Street ATTN: Trust Fund Accounting Division, Column 203L, Indianapolis, Indiana 46249-1500 (see paragraph 5.1).

3.1.2. The receiving organization must document and retain on file the details of each nonmonetary contribution received. For audit purposes, the supporting documentation must be retained for the life of the asset, but no less than 6 years and 3 months. Each file must include:

3.1.2.1. A description of the contribution.

3.1.2.2. The estimated value of the contribution, including the valuation method used (see subparagraph 3.1.3, below).

3.1.2.3. The name and address of the donor(s).

3.1.2.4. A list of restrictions, conditions, or other information set out by the donor.

3.1.2.5. The acquisition date.

3.1.2.6. The useful expected life of the donation.

3.1.2.7. A statement explaining the benefits of accepting the donation. You must explain why accepting the donation is preferred to obtaining the item or service through existing DoD supply channels.

3.1.2.8. A unique identifier or data element used to track the same or similar items shipped from different sources.

3.1.2.9. The Service and appropriation that benefit from this contribution. Identify the appropriation that normally furnishes this asset.

3.2 Monetary Contributions (030302)

The USD(C) retains the authority to accept all monetary contributions. Monetary contributions are not generally accepted with restrictions, i.e., with designations for specific programs or purposes.

3.2.1. Contributions in Cash

3.2.1.1. Cash contributions, including proceeds from the sale of any contributed property, shall be deposited to the Defense Cooperation Account (DCA) as soon as practical, but not later than the last day of the month.

3.2.1.2. Consistent with sound cash management practices, any cash accepted, under USD(C) authority, shall be either converted into a check and forwarded to the DFAS using overnight delivery service, or deposited into a Treasury General Account with funds transferred to the DCA via electronic funds transfer--whichever process results in the earliest deposit of funds into the DCA.

3.2.1.3. Any funds forwarded by electronic funds transfer shall be deposited within 24 hours into the DCA under ALC 9720010 and Account Number 97X5187.1. Additionally, the DFAS Trust Fund Accounting Division shall be notified prior to forwarding any funds electronically.

3.2.1.4. Documentation associated with cash contributions, including copies of deposit tickets, and the original of correspondence from contributors shall be forwarded within 24 hours of the deposit using overnight delivery service, to the DFAS Trust Fund Accounting Division.

3.2.2. Contributions by Check

3.2.2.1. Checks received by DoD officials shall be made payable to the “United States Treasury.” The reference line on the check should indicate the “Defense Cooperation Account.”

3.2.2.2. Checks received by DoD officials shall be forwarded to the DFAS Trust Fund Accounting Division. The DFAS shall deposit such funds within 24 hours of receipt into the DCA under ALC 9720010 and Account Number 97X5187.1.

3.2.2.3. Documentation associated with check contributions, including the original of any correspondence from contributors shall be forwarded with the check.

3.2.3. Contributions by Wire Transfer

3.2.3.1. Contributions by wire transfer eliminate delays in receiving deposits and provide the most efficient preliminary accounting information for investment purposes.

3.2.3.2. After approval by the USD(C), donors may make contributions to the DCA via electronic funds transfer from commercial banks to "Account Number 1" in the Federal Reserve Bank of New York (as Fiscal Agent of the United States). The Federal Reserve Bank of New York shall credit the Department accordingly, using the format in Figure 3-1.

3.2.3.3. Documentation associated with wire transfer contributions, including the original of any correspondence from contributors shall be forwarded within 24 hours of the deposit using overnight delivery service, to the DFAS Trust Fund Accounting Division.

3.2.4. Contributions in Foreign Currencies (Cash or Check). Upon notice of a planned large contribution ($1 million or more) to be made in foreign currency the cognizant DoD official shall:

3.2.4.1. Request the donor provide as much lead time as possible regarding the amount of the contribution and the estimated date the contribution will be made.

3.2.4.2. Advise the USD(C) and the DFAS Trust Fund Accounting Division of any planned contributions and continue to keep that office advised of the status until the currency transfer is made by the donor.

3.2.4.3. Upon approval by the USD(C), request the donor credit the foreign currency contribution to the Federal Reserve Bank of New York "Account Number 1" via the donor's central bank. If the Federal Reserve Bank does not maintain an account with a particular donor, the DoD official should seek guidance from the DFAS Trust Fund Accounting Division, for appropriate alternative arrangements.

3.2.4.4. Foreign checks received by DoD officials shall be converted to a check denominated in U.S. dollars prior to being forwarded to the DFAS or transferred electronically into the DCA.

3.2.4.5. Cash and checks received by DoD officials in countries not served by a DoD disbursing officer shall, upon approval by the USD(C), be delivered to the nearest U.S. Embassy within 24 hours of receipt for deposit in the DCA, under ALC 97200010 and Account Number 97X5187.1.

3.3 Policy On Acceptance Of Contributions (030303)

3.3.1. Authorities that may accept contributions shall use sensitivity and scrutiny when contributions are offered from prohibited sources and, if there is a question on propriety, shall consult with their Ethics Counselor to determine whether accepting a contribution would violate any prohibition, or reflect unfavorably on the Department. "Prohibited source" and "Ethics Counselor" shall have the meanings set forth in DoD 5500.7-R, the Joint Ethics Regulation.

3.3.2. Authorities that may accept contributions may pay all necessary expenses in connection with the conveyance or transfer of a contribution. Contributions should not be accepted if it would result in substantial expenditures or administrative efforts and maintenance that are disproportionate to any benefit.

3.3.3. Department personnel shall not solicit, fundraise for, or otherwise request or encourage the offer of a contribution.

3.3.4. Authorities that may accept contributions may acknowledge offers of future contributions and advise the donors that acceptance will occur after actual presentation of the contributions only when they determine that such acceptance will likely occur.

*4.0 REPORTING ON CONTRIBUTIONS (0304)

4.1 Reporting Requirements (030401)

Not later than 10 days after the end of each quarter, each DoD official that has accepted and received a nonmonetary contribution shall submit a report to the DFAS Trust Fund Accounting Division that identifies the following:

4.1.1. Nonmonetary Contributions Received

4.1.1.1. A description of each item received.

4.1.1.2. The value of each item received, including the valuation method used.

4.1.1.3. The name of the contributor for each item received.

4.1.1.4. The date each item was received.

4.1.1.5. Details of any restrictions, conditions or other relevant information regarding each contribution.

4.1.1.6. Expected useful life of the contribution.

4.1.1.7. If two more like items are received from different sources the items are to be accounted for separately to permit identification of items received.

4.1.2. Nonmonetary Contributions Sold

4.1.2.1. A description of each item sold.

4.1.2.2. The proceeds of each item sold. Also include in report the disposition of the funds received. Funds should be forwarded or deposited with DFAS and credited in the DCA consistent with 10 U.S.C. 2608(b)(2).

4.1.2.3. The name of the contributor for each item sold.

4.1.2.4. The date each item was sold.

4.1.2.5. The name of the purchaser for each item sold.

4.1.2.6. If two or more like items are received from different sources the items are to be accounted for separately to permit identification of items when sold.

4.1.2.7. Details of any other relevant information regarding each item sold.

4.1.3. Monetary Contributions Received

4.1.3.1. The dollar amount of each contribution.

4.1.3.2. Name of the donor for each contribution received.

4.1.3.3. The date each item was received.

4.2 Defense Finance and Accounting Services Reporting Requirement (030402)

Not later than 15 days after the end of each quarter, the DFAS shall prepare and forward to the USD(C) a report to be submitted to the Congress that provides the following information.

4.2.1. Summary values of monetary and nonmonetary contributions accepted during the quarter.

4.2.2. A description of all property valued at more than $1 million. In determining whether the $1 million threshold has been met, the following procedures shall be used:

4.2.2.1. The value of similar items accepted during the quarter shall be added together.

4.2.2.2. The value of components which, if assembled, would comprise all or a substantial portion of an item or facility shall be added together.

5.0 INVESTING CONTRIBUTIONS (0305)

5.1 General (030501)

Consistent with good cash management practices, funds in the DCA shall be invested in Government securities until distribution is authorized. Generally, investments are limited to U.S. Treasury bills maturing in 90 days or less.

5.2 Purchasing Government Securities (030502)

The DFAS shall follow the procedures below for purchasing Government securities.

5.2.1. Daily, after all contributions and other transactions have been entered into the DCA, generate a Pre-closing Trial Balance.

5.2.1.1. Verify the amount in account 1010, Fund Balance with Treasury, with the amount entered in the General Ledger for the same day.

5.2.1.2. Research and correct any differences between account 1010 and the General Ledger immediately.

5.2.2. A security investment can be purchased if account 1010 has a balance sufficient to purchase a $10,000 Treasury bill or a $1,000 U.S. Treasury note or bond. Information on prices, maturities, and yields of U.S. Treasury securities generally can be found in the financial section of major newspapers.

5.2.3. Select a U.S. Treasury security from those available.

5.2.4. Input the following information into the Treasury's FedInvest system or other appropriate system:

5.2.4.1. Account: Defense Cooperation Account

5.2.4.2. Transaction Type: Purchase

5.2.4.3. Transaction Date: (Date the security will be purchased)

5.2.4.4. Type of Security: (Specify)

5.2.4.5. Date of maturity: (Specify)

5.2.4.6. Amount: (Amount available in account 1010, Fund Balance with Treasury)

5.2.5. The day after the transaction, review the FedInvest system or other system as appropriate to obtain the face amount, discount or premium, interest purchase (if any), and the

price of the security purchased. Record the above information in the Trust Fund Accounting System (TFAS).

5.2.5.1. Complete the coordination section of the Memorandum for Purchase or Sale of Investments.

5.2.5.2. Complete the Purchases Input Worksheet and update the DCA system. Once this has been accomplished, a person other than the one making input must sign the Purchase Input Worksheet confirming that the DCA was updated for the Purchase.

5.2.6. Once the above has been accomplished, a person other than the individual making the input needs to review the data in the TFAS and the DCA to ensure that the systems have been properly updated.

5.3 Selling Securities (030503)

The DFAS shall follow the procedures below to sell Government securities.

5.3.1. The Office of the Deputy Comptroller (Program/Budget) will determine the amount needed for payment or transfer. The Fund Manager, DFAS Trust Fund Accounting Division, normally shall sell securities to cover the amount needed if no securities mature on that day or contributions are not received. The decision as to which securities will be sold will depend on current economic conditions.

5.3.2. Select a security or securities for sale.

5.3.3. Input the following information into the Treasury's FedInvest system or other appropriate system:

5.3.3.1. Account: Defense Cooperation Account

5.3.3.2. Transaction Type: Sale

5.3.3.3. Transaction Date: (Date security will be sold)

5.3.3.4. Type of security: (Specify)

5.3.3.5. Interest Rate: (Enter applicable rate only if Notes or Bonds are sold)

5.3.3.6. Date of maturity: (Specify)

5.3.3.7. Amount: (Minimum amount of proceeds from the sale required to cover any projected negative amount in account 1010)

5.3.4. If needed, obtain the principal amount and interest earned from the FedInvest or other appropriate system.

5.3.5. Update the TFAS with DCA activity.

5.4 Maturing Securities (030504)

The DFAS shall maintain a tracking system that identifies impending maturities and collections of securities for the DCA and ensure appropriate reinvestment action is taken upon maturity of a security.

5.5 Payments or Transfers (030505)

Payments or transfers from the DCA must be authorized by the Congress. The USD(C) will provide withdrawal notification to the DFAS which shall ensure appropriate action is taken.

5.6 Annual Reviews (030506)

The DFAS will conduct an annual review of the DCA operations and transactions, including the purchase and sale of investments. The objective of the review will include compliance with the DoD and the Treasury policies and procedures, and adequacy of internal controls.

FIGURE 3-1. Sample Wire Transfer to the U.S. Treasury

SAMPLE FORMAT

WIRE TRANSFERS TO THE U.S. TREASURY

The sample format for wire transfers for credit to U.S. Treasury Defense Cooperation Account (remaining blocks to be filled by the sender or the sending bank, in accordance with the attached wire transfer instructions) is as follows:

```
I        I
  (1)    (2)
I 021030004  I        I
  (3)    (4)     (5)
I        I        I        I
                 (6)
I              /                    I
  (7)  (8)
I TREAS NYC I CTR I
      (9)            (10)
IBNF=/AC-97200010 I OBI=to the Defense Cooperation Account I
                 (10)
I(Acct. No. 97X5187.1) for Programs, Projects, and  I
                 (10)
I Activities from (name of donor)          I
```

FIGURE 3-1

Monetary Contributions by Wire Transfer Instructions

The following is a guide for completing the funds transfer form (Figure 3-1) which should be available at the sending financial institution.

1. RECEIVER DEPOSITARY FINANCIAL INSTITUTION (DFI) No. The Treasury Department's American Bankers Association (ABA) number for deposit messages is 021030004. This number shall be entered by the sending bank for all deposit messages sent to Treasury for credit to the Defense Cooperation Account.

2. TYPE-SUBTYPE CODE. The type and subtype code is provided by the sending bank.

3. SENDER DFI NO. This number is provided by the sending bank.

4. SENDER REFERENCE NO. The sixteen (16) character reference number is inserted by the sending bank at its option.

5. AMOUNT. The transfer amount shall be in U.S. dollars and must be punctuated with commas and a decimal point; use of the dollar sign is optional.

6. SENDER DFI NAME. This information is automatically inserted by the Federal Reserve Bank.

7. RECEIVER DFI NAME. The Treasury Department's name for deposit messages is "TREAS NYC." The name should be entered by the sending bank.

8. PRODUCT CODE. A product code of "CTR" for customer transfer should be the first data in the RECEIVER - TEXT field. Other values may be entered, if appropriate, using the ABA's options. A slash must be entered after the product code.

9. AGENCY LOCATION CODE (ALC). The agency location code is of critical importance and must appear in the precise manner stated to allow for automated processing and classification to the ALC of the Department of Defense. The sequence includes the beneficiary code tag (BNF) and indicator code (/AC) followed by the Defense Department's eight (8) digit ALC (97200010) for this account. The ALC identification sequence can, if necessary, begin on one line and end on the next line. However, the field beneficiary code tag (BNF) must be one line and cannot contain any spaces.

10. THIRD PARTY INFORMATION. The reason for the funds transfer should appear in this field. The originator-to-beneficiary information field tag (OBI=) is used to signify the beginning of free-form text. An example follows: BNF=/AC-97200010 OBI=to the DCA(97X5187) for defense programs, projects, and activities from (Name of Donor).

VOLUME 12, CHAPTER 4: "DIRECT LOANS AND LOAN GUARANTEES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*****.**

The previous version dated July 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision

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CREDIT REFORM: CASH FLOWS FOR DIRECT LOANS AND FOR LOAN GUARANTEES A-1

CHAPTER 4

DIRECT LOANS AND LOAN GUARANTEES

1.0 GENERAL

1.1 Purpose

This chapter establishes the Department of Defense (DoD) policies for direct loans and loan guarantees for non-Federal borrowers. The policies for credit programs reflect the requirements of the ***Federal Credit Reform Act of 1990*** (FCRA) as amended. The major purposes of the FCRA are to: (a) measure more accurately the costs of Federal credit programs; (b) place the cost of credit programs on a budgetary basis equivalent to other Federal spending; (c) encourage the delivery of benefits in the most appropriate form to meet the needs of beneficiaries; and (d) improve the allocation of resources among credit programs and between credit and other spending programs.

1.2 Authoritative Guidance

The financial management policy and related requirements prescribed in this chapter are in accordance with the applicable provisions of the following sources, and apply to all proceeds resulting from sales of acquired assets:

1.2.1. ***Office of Management and Budget (OMB) Circular A-11, Part 5***, Section 185, "Federal Credit."

1.2.2. ***OMB Circular A-129***, "Policies for Federal Credit Programs and Non-Tax Receivables."

1.2.3. ***Treasury Financial Manual (TFM) Volume I Part 2, Chapter 4600*** (I TFM 2-4600), "Treasury Reporting Instructions For Credit Reform Legislation."

1.2.4. ***Statement of Federal Financial Accounting Standards (SFFAS) 2***, "Accounting for Direct Loans and Loan Guarantees."

1.2.5. ***SFFAS 18***, "Amendments to Accounting Standards For Direct Loans and Loan Guarantees in SFFAS No. 2."

1.2.6. ***SFFAS 19***, "Technical Amendments to Accounting Standards For Direct Loans and Loan Guarantees in SFFAS No. 2."

1.2.7. Federal Accounting Standards Advisory Board ***(FASAB) Technical Release 3 (Revised)*** "Auditing Estimates for Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reform Act –Amendments to Technical Release No. 3 Preparing and Auditing Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reform Act."

1.2.8. ***FASAB Technical Release 6***, "Preparing Estimates for Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reform Act."

2.0 ACCOUNTING STANDARDS

2.1 Explanation

The specific accounting standards for direct and guaranteed loans are discussed in this chapter. The standards concern the recognition and measurement of direct loans, the liability associated with loan guarantees, and the cost of direct loans and loan guarantees.

2.2 Accounting Standards

2.2.1. Post-1991 Direct Loans. Refers to direct loan obligations made on or after October 1, 1991, and the resulting direct loans. Direct loans disbursed and outstanding are recognized as assets at the present value of their estimated net cash inflows. The difference between the outstanding principal of the loans and the present value of their net cash inflows is recognized as a subsidy cost allowance.

2.2.2. Post-1991 Guarantees. Refers to loan guarantee commitments made on or after October 1, 1991, and the resulting loan guarantees. For guaranteed loans outstanding, the present value of estimated net cash outflows of the loan guarantees is recognized as a liability. Disclosure is made of the face value of guaranteed loans outstanding and the amount guaranteed.

2.2.3. Subsidy Costs of Post-1991 Direct Loans and Loan Guarantees. A subsidy expense is recognized for direct or guaranteed loans disbursed during a fiscal year. The amount of subsidy expense equals the present value of estimated cash outflows over the life of the loans, minus the present value of estimated cash inflows, discounted at the average interest rate on marketable United States (U.S.) Treasury securities of similar maturity to the cash flows of the loan or loan guarantee for which the estimate is being made.

2.2.3.1. For the fiscal year during which new direct or guaranteed loans are disbursed, the components of the subsidy expense of those new direct loans and loan guarantees are recognized separately as interest subsidy costs, default costs, fees and other collections, and other subsidy costs.

2.2.3.2. The interest subsidy cost of direct loans is the excess of the amount of the loans disbursed over the present value of the interest and principal payments required by the loan contracts, discounted at the applicable U.S. Treasury interest rate. The interest subsidy cost of loan guarantees is the present value of estimated interest supplement payments.

2.2.3.3. The default cost of direct loans results from projected deviations, other than prepayments by the borrowers, from the payment schedule in the loan contracts. The deviations include delinquencies and omissions in interest and principal payments. The default cost is measured at the present value of the projected payment deviations minus projected net recoveries. Projected net recoveries include the amounts that would be collected from the borrowers at a later

date, or the proceeds from the sale of acquired assets, minus the costs of foreclosing, managing, and selling those assets.

2.2.3.4. The default cost of loan guarantees results from paying lenders' claims upon default of the guaranteed loans. The default cost of loan guarantees is measured at the present value of projected payments to lenders required by the guarantee, plus uncollected fees, minus interest supplements not paid as a result of the default, and minus projected net recoveries.

2.2.3.5. The present value of fees and other collections is recognized as a deduction from subsidy costs.

2.2.3.6. Other subsidy costs consist of cash flows that are not included in calculating the interest or default subsidy costs, or in fees and other collections. They include the effect of prepayments within contract terms. (See Appendix A)

2.2.4. Subsidy Amortization and Reestimation. The subsidy cost allowance for direct loans is amortized by the interest method, using the interest rate that was originally used to calculate the present value of the direct loans when loans were disbursed, after adjusting for the interest re-estimate.

2.2.4.1. The amortized amount is recognized as an increase (when effective interest exceeds nominal interest) or a decrease (when nominal interest exceeds effective interest) in interest income. Nominal interest equals the nominal balance (i.e., the face amount) of the loan outstanding at the beginning of the period multiplied by the interest rate stated in the loan contract.

2.2.4.2. Effective interest equals the book value of the loan (i.e., net of allowance for subsidy) multiplied by the applicable U.S. Treasury interest rate.

2.2.4.3. Interest is accrued and compounded on the liability of loan guarantees at the interest rate that was used to calculate the present value of the loan guarantee liabilities when the guaranteed loans were disbursed. The accrued interest is recognized as interest expense, after adjusting for the interest re-estimate.

2.2.5. Criteria for Default Cost Estimates. The criteria for default cost estimates apply to both initial estimates and subsequent reestimates. Default costs are estimated and reestimated for each program on the basis of separate cohorts and risk categories. Cohort refers to the fiscal year of obligation for direct loan obligations or loan guarantee commitments of a program. Risk category means subdivisions of a cohort of direct loans or loan guarantees into groups that are relatively homogenous in cost, given the facts known at the time of obligation or commitment. The reestimates take into account the differences in cash flows between the projected and realized amounts, and changes in other factors that can be used to predict the future cash flows of each risk category.

2.2.5.1. In estimating default costs, the following risk factors are considered: (a) loan performance experience; (b) current and forecasted international, national, or regional economic conditions that may affect the performance of the loans; (c) financial and other relevant

characteristics of borrowers; (d) the value of collateral to loan balance; (e) changes in recoverable value of collateral; and (f) newly developed events that would affect the performance of the loan. Improvements in methods to reestimate defaults are also considered.

2.2.5.2. Each credit program must use a systematic methodology, such as an econometric model, to project default costs of each risk category. If individual accounts contain significant dollars that would carry a proportionately higher weight in terms of risk exposure, an analysis of the individual accounts is warranted in making the default cost estimate for that category.

2.2.5.3. The actual historical experience for the performance of a risk category is a primary factor upon which an estimation of default cost is based. To document the actual experience, a database must be maintained to provide historical information on the actual payments, prepayments, late payments, defaults, recoveries, and amounts written off.

2.2.6. Netting Subsidy Reestimate Amounts (within Cohorts). To calculate subsidy costs, components begin by estimating the expected cash flows and inflows over the life of the loans for each cohort year. Expected cash flows are then discounted to the point of the loan disbursement to determine the net present value. The subsidy cost represents the net present value cost of making or guaranteeing new loans.

2.2.6.1. The data used for budgetary subsidy cost estimates are updated, or reestimated, annually after the end of the fiscal year to reflect actual loan performance and to incorporate any changes in assumptions about future loan performance. Reestimates must be made immediately after the end of each fiscal year, as long as any loans in the cohort are outstanding.

2.2.6.2. OMB Circular A-11, Part 5, Section 185.6 (f), "Reestimate Increases/Decreases", states that in cases where agencies execute a risk category on a loan-by-loan basis, increases or decreases in subsidy cost for different loans within the same cohort and risk category will be netted against each other. Loans that require increased subsidies should draw on the excess from any risk categories within the cohort where the reestimate shows a subsidy decrease. A negative or downward subsidy reestimate should be recognized as a direct reduction in expense, not as a revenue, gain, or other financing source.

2.2.6.2.1. If the netting within the cohort indicates a net increase in the subsidy cost of the cohort as a whole since the last estimate or reestimate, an obligation in the amount of the net increase (plus interest) must be recorded against permanent indefinite budget authority available to the program account for this purpose.

2.2.6.2.2. If the netting within the cohort results in a net downward reestimate, there is no overall increase in subsidy cost for the cohort, and hence no additional appropriated subsidy for the program account. To keep the correct balances in the financing account, an obligation and a financing disbursement in the amount of the net decrease (plus interest on the reestimate) must be recorded in the financing account.

2.2.6.2.3. Within the financing account, any amounts borrowed for downward reestimates for individual loans not needed for/transferred to loans with upward reestimates are transferred to a miscellaneous receipt account.

2.2.6.3. The Defense Finance and Accounting Services maintains separate accounting records for each loan and loan guarantee with all accounting transactions. All projects having a downward reestimate, whether or not they are in a cohort with an upward reestimate project, borrow the gross amount of their respective downward reestimates from the U.S. Treasury's Bureau of the Fiscal Service (Fiscal Service). The borrowed funds received by a downward reestimate project are transferred to the amount needed to fund an upward reestimate project in the same cohort, with any net remaining funds paid to the U.S. Treasury.

2.2.6.3.1. Such intracohort transfers are recorded by the downward reestimate project as a credit to ***United States Standard General Ledger (USSGL)*** account 427100 "Actual Program Fund Subsidy Collected" with an offsetting debit to USSGL 427100 recorded by the upward reestimate project. Consequently, the total reestimate amount included in Line 4120 "Federal Sources" on the Standard Form (SF) 133 "Report on Budget Execution and Budgetary Resources", is the sum of the net cohort balances.

2.2.6.3.2. The U.S. Treasury, primarily through the Fiscal Service, provides detailed accounting and reporting guidance for Federal credit programs through the Guide for Basic Accounting and Reporting for ***Direct Loan Programs*** without Collateral in Federal Credit Program and the Guide for Basic Accounting and Reporting for ***Loan Guarantee Programs*** without Collateral in Federal Credit Program.

2.2.7. Revenues and Expenses. Interest accrued on direct loans, including amortized interest, is recognized as interest income. Interest accrued on the liability of loan guarantees is recognized as interest expense. Interest due from the U.S. Treasury on uninvested funds is recognized as interest income. Interest accrued on debt to the U.S. Treasury is recognized as interest expense. Costs for administering credit activities, such as salaries, legal fees, and office costs, that are incurred for credit policy evaluation, loan and loan guarantee origination, closing, servicing, monitoring, maintaining accounting and computer systems, and other credit administrative purposes, are recognized as administrative expenses. Administrative expenses are not included in calculating the subsidy costs of direct loans and loan guarantees.

2.2.8. Pre-1992 Direct Loans and Loan Guarantees. The losses and liabilities of direct loans obligated and loan guarantees committed before October 1, 1991, are recognized when it is more likely than not that the direct loans will not be collected in total, or that the loan guarantees will require a future cash outflow to pay default claims.

2.2.8.1. The allowance for uncollectible amounts and the liability of loan guarantees must be reestimated each year as of the date of the financial statements. In estimating losses and liabilities, the risk factors discussed in subparagraph 2.2.5.1 must be considered. Disclosure equates to the face value of guaranteed loans outstanding and the amount guaranteed.

2.2.8.2. Restatement of pre-1992 direct loans and loan guarantees on a present value basis is permitted but not required.

2.2.9. Modification of Direct Loans and Loan Guarantees. The term "modification" means a Federal action, including new legislation or administrative action, which directly or indirectly alters the estimated subsidy cost and the present value of outstanding direct loans, or the liability of loan guarantees.

2.2.9.1. Direct modifications are actions that change the subsidy cost by altering the terms of existing contracts or by selling loan assets. Existing contracts may be altered through such means as forbearance, forgiveness, reductions in interest rates, extensions of maturity, and prepayments without penalty. Such actions are modifications unless they are considered reestimates, or workouts, as defined in subparagraph 2.2.9.3, or are permitted under the terms of existing contracts.

2.2.9.2. Indirect modifications are actions that change the subsidy cost by legislation that alters the way in which an outstanding portfolio of direct loans or loan guarantees is administered. Examples include a new method of debt collection prescribed by law or a statutory restriction on debt collection.

2.2.9.3. The term "modification" does not include subsidy cost reestimates, the routine administrative workouts of troubled loans, or actions that are permitted within the existing contract terms. Workouts are actions taken to maximize repayments of existing direct loans or minimize claims under existing loan guarantees. The expected effects of workouts on cash flows are included in the original estimate of subsidy costs and subsequent reestimates.

2.2.10. Modification of Direct Loans. With respect to a direct or indirect modification of pre-1992 or post-1991 direct loans, the cost of modification is the excess of the pre-modification value of the loans over the post-modification value of those loans. The amount of the modification cost is recognized as a modification expense when the loans are modified.

2.2.10.1. When a post-1991 direct loan is modified, the existing book value of that loan is changed to an amount equal to the present value of the net cash inflows projected under the modified terms from the time of modification to the loan's maturity. That amount is discounted at the original discount rate, which is the rate that originally was used to calculate the present value of the direct loan when the direct loan was disbursed, after adjusting for the interest rate reestimate.

2.2.10.2. When a pre-1992 direct loan is directly modified, it is transferred to a financing account and its book value is changed to an amount equal to its post-modification value. Any subsequent modification is treated as a modification of post-1991 loans. When a pre-1992 direct loan is indirectly modified, it is kept in a liquidating account. The bad debt allowance is reassessed and adjusted to reflect amounts that would not be collected due to the modification.

2.2.10.3. The changes in the book value of both pre-1992 and post-1991 direct loans, resulting from a direct or indirect modification, and the cost of modification, normally will differ due to the use of different discount rates or different measurement methods. Any difference

between the change in book value and the cost of modification is recognized as a gain or loss. For post-1991 direct loans, the modification adjustment transfer paid or received to offset the gain or loss is recognized as a financing source (or a reduction in financing source).

2.2.11. Modification of Loan Guarantees. With respect to a direct or indirect modification of pre-1992 or post-1991 loan guarantees, the cost of modification is the excess of the post-modification liability of the loan guarantees over the pre-modification liability of those loan guarantees. The modification cost is recognized as a modification expense when the loan guarantees are modified and result in a subsidy cost increase or decrease, which must be recorded on the SF-133; refer to OMB Circular A-11, section 185.30 for complete details.

2.2.11.1. The existing book value of the liability of modified post-1991 loan guarantees is changed to an amount equal to the present value of net cash outflows projected under the modified terms from the time of modification to the maturity of those loans, discounted at the original discount rate (the rate that originally is used to calculate the present value of the liability when the guaranteed loans were disbursed, after adjusting for the interest rate reestimate.)

2.2.11.2. When a pre-1992 loan guarantee is directly modified, the modified loan guarantee is transferred to a financing account, and the existing book value of the liability of the modified loan guarantees is changed to an amount equal to its post-modification liability. Any subsequent modification is treated as a modification of a post-1991 loan guarantee. When a pre-1992 loan guarantee is indirectly modified, that loan guarantee is kept in a liquidating account. The liability of such a loan guarantee is reassessed and adjusted to reflect any change in the liability resulting from the modification.

2.2.11.3. The change in the amount of liability of both pre-1992 and post-1991 loan guarantees resulting from a direct or indirect modification and the cost of modification normally will differ, due to the use of different discount rates or the use of different measurement methods. Any difference between the change in liability and the cost of modification is recognized as a gain or loss. For post-1991 loan guarantees, the modification adjustment transfer paid or received to offset the gain or loss is recognized as a financing source (or a reduction in financing source).

2.2.12. Disclosure. Disclosure is made in notes to financial statements to explain the nature of the modification of direct loans or loan guarantees, the discount rate used in calculating the modification expense, and the basis for recognizing a gain or loss related to the modification. For further information on financial statement disclosures regarding direct or guaranteed loans, go to ***Volume 6B, Chapter 10***, "Notes to the Financial Statements".

2.2.13. Foreclosure of Post-1991 Direct Loans and Guaranteed Loans. When property is transferred from borrowers to a Federal credit program, through foreclosure or other means, in partial or full settlement of post-1991 direct loans, or as compensation for losses that the government sustained under post-1991 loan guarantees, the foreclosed property is recognized as an asset. The asset is recorded at its present value, calculated by discounting estimated future net cash inflows using the original discount rate and adjusting for any subsequent interest rate reestimate.

2.2.13.1. If a legitimate claim exists by a third party or by the borrower to a part of the recognized value of the foreclosed assets, the present value of the estimated claim is recognized as a special contra valuation allowance.

2.2.13.2. Upon the foreclosure of a guaranteed loan, a Federal guarantor may acquire the loan involved. The acquired loan is recognized at the present value of its estimated net cash inflows from selling the loan or from collecting payments from the borrower, discounted at the original discount rate, and adjusted for the interest rate reestimate.

2.2.13.3. When assets are acquired in full or partial settlement of post-1991 direct loans or guaranteed loans, the present value of the government's claim against the borrowers is reduced by the amount settled as a result of the foreclosure.

2.2.14. Write-off of Direct Loans. When post-1991 direct loans are written off, the unpaid principal of each loan is removed from the gross amount of loans receivable. Concurrently, the same amount is charged to the allowance for subsidy costs. Prior to the write-off, the uncollectible amounts should have been reflected in the subsidy cost allowance through the subsidy cost estimate or reestimates. Therefore, the write-off would have no effect on expenses. See OMB Circular A-129 for additional details.

2.2.15. Additional Disclosures Required for Periods Beginning After September 30, 2000. The SFFAS No. 18 requires additional disclosures. Beginning in FY 2001, Federal agencies are required to:

2.2.15.1. Report subsidy reestimates in two distinct components: the interest rate reestimate and the technical/default reestimate.

2.2.15.2. Display a reconciliation between the beginning and the ending balances of the subsidy cost allowance for direct loans and the liability for loan guarantees, reported in an entity's balance sheet.

2.2.15.3. Provide a description of program characteristics and disclose:

2.2.15.3.1. The amounts of direct or guaranteed loans disbursed in each program during the reporting year, and the preceding reporting year;

2.2.15.3.2. The estimated subsidy rates for the total subsidy and the subsidy components at the program level in the current year's budget for the current year's cohorts;

2.2.15.3.3. events and changes in economic conditions, other risk factors, legislation, credit policies, and subsidy estimation methodologies and assumptions, that have had a significant and measurable effect on subsidy rates, subsidy expense, and subsidy reestimates; and

2.2.15.3.4. events and changes in conditions that have occurred and are more likely than not to have a significant impact, but the effects of which are not measurable at the reporting date.

3.0 CREDIT REFORM FUND CONTROLS

3.1 Fund Control

Leaders of DoD agencies must prescribe, by regulation, a system of administrative control of funds. For credit programs and resources, systems for administrative control of funds must ensure that internal controls include objectives specific to compliance with the Antideficiency Act. Additional detailed guidance can be found in OMB Circular A-11, Part 4, Section 150.

3.2 Antideficiency Act Violations

3.2.1. Antideficiency Act violations for direct loans, guaranteed loans, and financing accounts are reportable to the President, through the Director of the OMB, to the Comptroller General, and to Congress. For additional information, go to ***Volume 14, Chapter 2***, "Antideficiency Act Violations." Violations include:

3.2.2. Overobligation or Overexpenditure of the Subsidy. This is any case where an officer or employee of the U.S. Government makes or authorizes an expenditure or creates or authorizes an obligation, including a commitment, that is in excess of amounts appropriated and apportioned for (1) the direct loan subsidy or (2) the guaranteed loan subsidy. Violation examples include modifications of direct loans or loan guarantees, such as forgiveness, forbearance, reductions in interest rate, prepayments without penalty, and extensions of maturity, that result in obligations in excess of apportioned unobligated balances or subsidy amounts.

3.2.3. Overobligation or Overexpenditure of the Credit Level Supportable by the Enacted Subsidy. This is any case where an officer or employee of the U.S. Government makes or authorizes an expenditure or creates or authorizes an obligation, including a commitment, that is in excess of the credit program level supportable by the enacted subsidy, regardless of whether the subsidy is positive or negative. This includes obligations or expenditures that are in excess of: (1) the direct loan level, (2) the guaranteed loan level, or (3) any limitations on the loan level or the Federal share of guaranteed loan levels.

3.2.4. Overobligation or Overexpenditure of the Amount Appropriated for Administrative Expenses. This is any case where an officer or employee of the U.S. Government makes or authorizes an expenditure or creates or authorizes an obligation, including a commitment, which is in excess of the amount appropriated for administrative expenses.

3.2.5. Obligation or Expenditure of the Expired Unobligated Balance of the Subsidy Except to Correct Mathematical or Data Input Errors in Calculating Subsidy Amounts. This is any case where an officer or employee of the U.S. Government makes or authorizes expenditure or creates or authorizes an obligation, including a commitment, against unobligated subsidy balances after the period of obligation authority has expired. Correction of mathematical or data input errors up to the amount of the lapsed unobligated balance of the subsidy are specifically exempted. Corrections of these errors in excess of the amount of the expired unobligated balance of the subsidy are violations.

4.0 CREDIT APPORTIONMENT AND REAPPORTIONMENT

All Treasury Appropriation Fund Symbols (TAFS) and all program, financing, and liquidating accounts are required to be apportioned, except in the case of a TAFS that is in its entirety exempt from apportionment by the OMB. See, part 4, section 120.6, for TAFS that are partially exempt from apportionment. This subject is discussed in full detail in OBJ "Apportionment/Reapportionment and Funds Distribution."

5.0 REPORT ON BUDGET EXECUTION AND BUDGETARY RESOURCES (SF 133)

5.1 Coverage

Unless otherwise specified by the OMB, the Report on Budget Execution and Budgetary Resources must be prepared to provide current data on each credit account, whether apportioned or not. Current reporting requirements are published in OMB Circular A-11, Part 4,

5.2 Timing of Reports

The SF 133 must be submitted electronically through the Treasury's Governmentwide Treasury Account Symbol Adjusted Trial Balance System (***GTAS***) at the end of November, July, August, and each quarter or such other time period specified by the OMB for each open TAFS. Optionally, the SF 133 is submitted through the GTAS for the additional monthly reporting in November, July, and August for expiring TAFSs. This facilitates analysis and ensures consistent presentation of budget execution information so that Government-wide totals are meaningful. A copy of the SF 133 for each calendar quarter must be submitted to the Committee on Appropriations, House of Representatives.

6.0 DIRECT LOANS

Obligation of subsidy must be recorded in the program account when a binding contract has been signed, in accordance with the provisions of OMB Circular A-11, Part 5, "Federal Credit." Subsidy funds must be paid from the program account to the financing account when the direct loan is to be disbursed to the borrower. Note that the subsidy is not recalculated at the time of loan disbursement. Rather, any change in estimated subsidy caused by an interest rate change or a change in estimates for other components of subsidy cost is made at the beginning of the fiscal year after the fiscal year in which the loan is disbursed. If, at that time, the subsidy amount increases, permanent indefinite budget authority is available to fund the increase, pursuant to section 504(f) of the FCRA of 1990. If the subsidy amount decreases, a payment must be made to a receipt account.

7.0 GUARANTEED LOANS

Obligation of subsidy must be recorded in the program account when a binding contract has been signed, in accordance with the provisions of OMB Circular A-11, Part 5, "Federal Credit." Subsidy funds must be paid from the program account to the financing account when the guaranteed loan is disbursed to the borrower by the third-party lender. Note that the subsidy is not

recalculated at the time of loan disbursement. Rather, any change in estimated subsidy caused by an interest rate change or a change in estimates for other components of subsidy cost is made at the beginning of the fiscal year after the fiscal year in which the loan is disbursed. If, at that time, the subsidy amount increases, permanent indefinite budget authority is available to fund the increase, pursuant to section 504(f) of the FCRA of 1990. If the subsidy amount decreases, a payment must be made to a receipt account.

8.0 COMPUTATION OF INTEREST EXPENSE AND INTEREST INCOME

8.1 Instructions for Computations of Interest Expense and Interest Income for Direct and Guaranteed Loan Programs

8.1.1. Interest expense in a direct loan program results from borrowing from the U.S. Treasury. As each loan is disbursed by the financing account to the individual borrower, subsidy funds are transferred from the program account to the financing account. Consequently, each loan disbursement is financed by two sources: subsidy transfer and borrowing from the U.S. Treasury.

8.1.2. A single borrowing from the U.S. Treasury is made at the beginning of each fiscal year, separately for each cohort, based on the estimated net loan disbursements for the cohort. Interest expense accrues on the borrowing, and interest income accrues on the undisbursed balance of the borrowing from the U.S. Treasury. (The undisbursed balance of U.S. Treasury borrowing is held as uninvested funds and earns interest.) The interest rate earned on the uninvested funds equals the interest rate paid on borrowing from the U.S. Treasury.

8.2 Frequency of Interest Computations

OMB has determined that most credit programs do not have a seasonal bias in their loan disbursement patterns. Consequently, interest expense and income calculations for cohorts that currently are disbursing must be based on an assumption that the actual loan amounts disbursed during the year were disbursed equally throughout the four quarters. The assumption allows agencies annually to compute interest expenses and interest income, at the end of each fiscal year, using the average annual interest rate provided by OMB and the U.S. Treasury. In those few programs that have a strong seasonal pattern, OMB will calculate special weighted average interest rates appropriate to these patterns and will provide them to the agencies.

8.3 Weighted Average Interest Rate

The Federal Credit Reform Act provides that the interest rate for borrowing must be assigned based on the U.S. Treasury rate in effect during the period of loan disbursement. Many individual loans are disbursed in segments over several quarters or even years. Consequently, several interest rates can be applicable to an individual loan. To simplify the recordkeeping, a single weighted average interest rate is maintained for each cohort and is adjusted each year until 90 percent of the disbursements from the cohort have been made. Each year, the current year's average annual interest rate is weighted by current year disbursements and merged with the prior

year's weighted average to calculate a new weighted average. Additional information regarding subsidy calculation is contained in OMB Circular A-11, Part 5, "Federal Credit."

8.4 Procedure and Due Dates for Computing Interest Expenses and Income Related to Borrowing for Direct Loan and Guaranteed Loan Financing Accounts

Detailed instructions for calculating interest due to and due from the U.S. Treasury are provided in I TFM 2-4600. OMB distributes the actual annual interest rates approximately 10 business days before the fiscal year-end, September 30. Each cohort has its own specific interest rate used to earn or pay interest, referred to as a cohort interest rate. The OMB Credit Subsidy Calculator (CSC) calculates the cohort interest rate. Agencies must use the most current version of the CSC, available through the OMB contact with primary responsibility for the account, to calculate interest paid to Treasury. On or before the day the interest payment is made via the Intra-governmental Payments and Collections (IPAC) system, but in any case, no later than September 30 of the current fiscal year. Agencies must email the supporting interest payment calculation to the Federal Investments and Borrowings Branch.

9.0 Credit Reform USSGL Accounts and Definitions

Credit reform accounts and definitions were established in the USSGL to implement requirements of the FCRA of 1990 (as amended) and are intended to account for direct loans and loan guarantees. DoD entities must follow the Standard Financial Information Structure (***SFIS***), which is based on the Treasury USSGL. For more complete information, visit the SFIS website.

APPENDIX A

CREDIT REFORM: CASH FLOWS FOR DIRECT LOANS AND FOR LOAN GUARANTEES

In order to more clearly understand the cash flow process as required by credit reform for a direct loan or a guaranteed loan, two examples are provided.

EXAMPLE: Cash Flow for a $100 Direct Loan, 20 percent subsidy, disbursed in one year

1. Congress appropriates $20 in subsidy budget authority (BA) to the program account.

2. The $20 subsidy is obligated when the $100 loan is obligated.

3. The $20 subsidy is allocated to the financing account at the time the $100 loan is disbursed to the borrower. Simultaneously, the financial account borrows the additional $80 needed to make the $100 loan from the U.S. Treasury (Treasury).

4. The borrower pays fees, interest, and principal to the financing account under the terms of the loan.

5. The financing account makes payments to the Treasury over time on the $80 portion of the loan. If the subsidy rate is accurate, the loan repayments (and other payments) to the financing account will be exactly the amount necessary to repay the original amount of $80 borrowed from the Treasury plus interest.

6. If the subsidy is not accurate, a reestimate must be calculated, and as necessary, either:

   a. an additional subsidy will be disbursed from the program account to the financial account to cover the amount of the reestimate, or

   b. excess funds must be moved from the financial account to a negative receipt account, where these funds are unavailable until appropriated.

EXAMPLE: Cash flow for a $100 Loan Guarantee with a 20 percent subsidy rate disbursed in one year

1. Congress appropriates $20 in subsidy BA to the program account.

2. The $20 subsidy is obligated when the $100 loan is obligated.

3. The lending institution lends a 75 percent government-guaranteed $100 loan to the borrower. When the loan is disbursed, $20 in subsidy BA is allocated to the financing account. The borrower pays a 2 percent upfront fee to the agency, which is deposited into the financing account.

4. Reserves (uninvested funds) are held in the financing account and earn interest.

5. The borrower pays principal and interest to the lending institution.

6. If the borrower defaults, the reserves held in the financial account are used to make claim payments to the lending institution. If the subsidy rate is accurate, the financial account will have exactly the reserves required to cover all defaults and other subsidies for that set or cohort of loans.

7. If the subsidy is not accurate, a reestimate must be made and, as necessary, either:

a. additional subsidy must be disbursed from the program account to the financing account to cover the amount of the reestimate, or

b. excess funds must be moved from the financing account to a negative receipt account, where these funds are unavailable until appropriated.

VOLUME 12, CHAPTER 5: "GRANTS AND COOPERATIVE AGREEMENTS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font.***

The previous version dated December 2020 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated statutory references, terminology, hyperlinks, and language consistency to improve overall readability.	Revision
4.1.3	Replaced reference to 32 Code of Federal Regulations (CFR) 32 with 32 CFR Part 34.25.	Revision

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CHAPTER 5

GRANTS AND COOPERATIVE AGREEMENTS

1.0 GENERAL

1.1 Overview

1.1.1. Grants and cooperative agreements are legal instruments used to enter into a relationship, the principal purpose of which is to transfer a thing of value to the recipient to carry out a public purpose and stimulate the economy as authorized by law. In contrast, contracts are used to acquire property or services for a DoD Component's direct benefit or use. Grants and cooperative agreements are two types of assistance awards.

1.1.2. A DoD Component's expected level of involvement in the performance of the assistance award determines whether the legal instrument is a grant or cooperative agreement. Grants are used when a DoD Component expects no substantial involvement in carrying out the activity contemplated in the agreement, whereas cooperative agreements are used when the Component anticipates substantial involvement in carrying out the activity contemplated in the agreement.

1.1.3. A technology investment agreement, as defined in 32 Code of Federal Regulations (CFR) 37 is a cooperative agreement while a cooperative research and development agreement, as defined in Title 15 United States Code (U.S.C.), Section 3710a, is neither a grant nor a contract.

1.1.4. The accounting treatment for grants and cooperative agreements is the same. In this Chapter, the term "grant" covers both grants and cooperative agreements. The accounting treatment for international agreements is discussed in Chapter 9.

1.1.5. DoD grant recipients (grantees) include institutions of higher education, hospitals, non-profit organizations, local and state governments, Indian tribal governments, and for-profit entities.

1.2 Purpose

This chapter prescribes the policy to be followed by DoD Components to account for and control funds obligated, and assets acquired through grants. It also outlines additional reporting requirements for grants.

1.3 Authoritative Guidance

The financial management policy and related requirements set forth in this chapter are in accordance with the applicable provisions of:

1.3.1. ***31 U.S.C. § 6101***, "Definitions", also included as part of the DoD Grant and Agreement Regulations (DoDGARS)."

1.3.2. ***31 U.S.C. § 63*****, "**Using Procurement Contracts and Grant and Cooperative Agreements."

1.3.3. ***Public Law 116-103***, "Grant Reporting Efficiency and Agreements Transparency (GREAT) Act of 2019."

1.3.4. ***2 CFR 200*****,** "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards."

1.3.5. ***2 CFR 1104***, "Implementation of Governmentwide Guidance for Grants and Cooperative Agreements."

1.3.6. ***31 CFR 205***, "Rules and Procedures for Efficient Federal-State Funds Transfers."

1.3.7. ***32 CFR Part 21-37***, "DoDGARS."

1.3.8. Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards ***(SFFAS) 3***, "Accounting for Inventory and Related Property."

1.3.9. FASAB ***SFFAS 6***, "Accounting for Property, Plant, and Equipment."

1.3.10. FASAB ***SFFAS 7***, "Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting."

1.3.11. FASAB ***SFFAS 49***, "Public-Private Partnerships: Disclosure Requirements."

1.3.12. ***FASAB Technical Release 12***, "Accrual Estimates for Grant Programs."

1.3.13. Treasury Financial Manual (TFM) Part 4A Chapter 2000 (***I TFM 4A - 2000***), "Overall Disbursing Rules for All Federal Agencies."

1.3.14. ***I TFM 2 - 4500***, "Loans, Credits, and Contingent Liabilities Involving Foreigners."

1.3.15. Office of Management and Budget ***(OMB) Circular A-123***, "Management's Responsibility for Enterprise Risk Management and Internal Control."

1.3.16. ***OMB Circular A-129***, "Policies for Federal Credit Programs and Non-Tax Receivables."

2.0 DoD STATUTORY AUTHORITIES FOR USE OF GRANTS

A DoD Component may use grants under statutory authorities granted to the Secretary of Defense that the Secretary properly delegates to Heads of DoD Components, or under statutory authorities granted directly to the Heads of DoD Components. The types of statutory authority DoD may utilize to award assistance instruments are provided in 32 CFR § 21.420.

3.0 GRANTS FINANCIAL MANAGEMENT

3.1 Financial Management Information System

3.1.1. The DoD Component must ensure the availability of a financial management information system capable of recording and monitoring grant transactions and providing, by transaction, a delineation of the federal and grantee breakout of program costs.

3.1.2. The system must enable the DoD Component to quickly identify the basic categories of funds involved, along with the related obligation and expenditure rates, and provide for ensuring fund availability prior to awarding financial assistance and obligating funds.

3.2 Record Retention

The DoD Component must maintain grant-supporting financial management documentation in accordance with the requirements in Volume 1, Chapter 9.

3.3 Recording and Reviewing Commitments and Obligations

Accounting for funds under a grant must start with the commitment of funds prior to their obligation by an awarding official. The awarding official must be a DoD grants or agreements officer with a statement of appointment that meets the requirement in 32 CFR §§ 21.435-21.465. After funds commitment, budgetary obligations must be recorded upon execution of the agreement or other obligating document approved by the awarding official that sets out the amount and purpose of the award, the performance period, the performance obligations of the parties to the award, and other terms. A legal obligation to disburse grant funds, in accordance with the terms of the agreement, occurs upon execution of an agreement or other obligating document. Refer to Volume 3, Chapter 8 for more information.

3.4 Payments

Volume 10, Chapter 19 provides detailed payment provisions for grants and other instruments of assistance.

3.4.1. Timing and Frequency

3.4.1.1. 32 CFR §22.810 prescribes the timing and frequency of grant payments. In general, it is Governmentwide policy to minimize the time elapsing between any payment of funds to a grantee and the grantee's disbursement of the funds for program purposes. For States,

payments are governed by Treasury-State Cash Management Improvement Act agreements and default procedures codified in 31 CFR 205 and I TFM 4A - 2000 Overall Disbursing Rules for All Federal Agencies.

3.4.1.2. Payments made to grantees to cover part or all of their anticipated expenses or advance payments must be accounted for as advances by the assisting DoD Component until the grantee has performed under the award, i.e., until the grantee meets the requirements that allow it to use the funds in accordance with the grant agreement. Refer to Volume 4, Chapter 5 for more information.

3.4.1.3. Requiring payments as reimbursements is the preferred method when the requirements in paragraphs 3.4.1.1 and 3.4.1.2 cannot be met, the DoD Component sets a specific grant condition per 2 CFR § 200.207, or the grantee requests payment by reimbursement. Reimbursement may be used on any grant for construction, or if the major portion of the construction project is accomplished through private market financing or Federal loans, and the Federal award constitutes a minor portion of the project.

3.4.2. Method

It is a Government-wide requirement to use electronic funds transfer (EFT) in the payment of any grant to the maximum extent practicable under 32 CFR §22.810.

3.4.3. Process

Disbursing offices must follow the policies and procedures in Volume 10, Chapter 19 for payment provisions for grants.

3.4.4. Withholding Payments

The DoD Component may withhold payments for allowable costs when:

3.4.4.1. The grantee failed to comply with the project objectives, Federal statutes, regulations, or the terms and conditions of the Federal award. If the grant is not otherwise suspended, the DoD Component must release the payment to the grantee upon the grantee's compliance. If the grant is suspended, the DoD Component will make payment adjustments according to 2 CFR § 200.342;

3.4.4.2. The grantee is delinquent in a debt to the United States as defined in OMB Circular A-129. In this situation, the DoD Component must provide reasonable notice to the grantee that payments will not be made for obligations incurred after a specified date until the indebtedness to the Federal Government is paid; or

3.4.4.3. The grantee has a sustained audit finding which resulted in amounts due to DoD. The DoD Component must promptly record the amount due from the grantee upon entitlement as an accounts receivable, even if the decision to collect is subject to administrative

appeal or litigation. Interest must begin to accrue no later than 30 days after the date the grantee was notified of the debt and continues to accrue while an appeal is underway.

3.4.5. Interest from Advanced Payments

A DoD Component may allow grantees to retain interest earned up to $500 per year for the grantee's administrative expenses. Any additional interest earned on DoD advance payments, required to be deposited in interest-bearing accounts, must be remitted annually to DoD using either an Automated Clearing House network or a Fedwire Funds Service payment.

3.5 Recording of Expense

3.5.1. When the grantee that received the advance has performed under the grant, the DoD Component must record an expense in an amount equal to the cost of the services performed or cost incurred and reduce the advance account by that amount. The grantee must provide sufficient documentation to support the cost of the services performed or cost incurred, consistent with the grant.

3.5.2. Payments to grantees as reimbursement for work performed or costs incurred must be accounted for as expenditures and as expenses incurred, or as reductions of liabilities if the expenses were recorded previously.

3.6 Accruals

The DoD Component must recognize, and report balances due or advanced to grantees at the end of the reporting period and apply cost-benefit considerations to the process of estimating and validating accruals.

3.6.1. Accrual estimates must be treated as follows:

3.6.1.1. Amounts issued as advances must be adjusted, even if grantees have not yet reported expenses incurred; and

3.6.1.2. Where there is no advance or no remaining advance, the DoD Component must estimate amounts payable to grantees.

3.6.2. The DoD Component must document and maintain support for the data and assumptions used to develop grant accrual estimates and follow internal control guidance in FASAB Technical Release 12.

3.7 Accounts Receivable

3.7.1. At the termination or closeout of a grant, disallowed expenses, improperly applied funds, unused funds, and any amount due to the DoD according to the grant terms and conditions must be established as an accounts receivable by the DoD Component.

3.7.2. When a grantee has a sustained audit finding that resulted in amounts due to DoD, the DoD Component must promptly record the amount due from the grantee upon entitlement as an accounts receivable, even if the decision to collect is subject to administrative appeal or litigation. Interest must begin to accrue no later than 30 days after the date the grantee was notified of the debt and continues to accrue while an appeal is underway.

3.8 Debt Collection

A debt is established when a DoD Component determines that a grantee was paid an amount in excess of how much a grantee is entitled under the terms and conditions of the grant. The treatment of debt collection is described in Volume 10, Chapter 19, and Volume 16, Chapters 2 and 6.

4.0 REAL PROPERTY AND EQUIPMENT

4.1 Grantee Purchased Real Property or Equipment

A DoD Component must provide prior approval to grantees to purchase real property or equipment with federal funds. Generally, title to real property or equipment vests with the grantee upon the grantee's acquisition and DoD does not account for its reversionary interest in real property and equipment (***32 CFR 34.21(a) and (b)***). The title must be conditional, subject to the following:

4.1.1. The grantee must use the real property or equipment for the authorized purposes of the grant until funding ceases, or until the property or equipment is no longer needed for the purpose of the grant. Use in other projects must be limited to those under federally sponsored projects (i.e., awards) or programs that have purposes consistent with those authorized for support by the DoD Component;

4.1.2. The grantee cannot encumber the property without approval of the DoD Component; and

* 4.1.3. The grantee must use the real property or equipment following the terms of the grant and dispose of the property or equipment following disposition instructions from the DoD Component, consistent with ***32 CFR § 34.21(d) and (e)***.

4.1.4. At grant close-out, the DoD Component must follow paragraph 3.7 to account for any outstanding proceeds from the disposition of real property or equipment.

4.2 Federally-owned Property

Title to Federally-owned property remains vested in the DoD (***32 CFR § 34.22***) and:

4.2.1. The DoD Component must establish appropriate general ledger accounting control and property records and include the assets in its financial statements. The asset must be recorded

at acquisition cost to the grantee, and depreciated in accordance with guidance in Volume 4, Chapters 24 and 25.

4.2.2. If DoD has no further need for the property, it must declare the property excess and report it for disposal following the instructions in Volume 4, Chapter 24 for Excess Items Disposition, unless the DoD Component has statutory authority to dispose of the property by alternative methods.

4.3 Exempt Federally-owned Property

Exempt Federally owned property means property acquired under a grant when the DoD has chosen to vest title to the property to the grantee without further obligation to the Federal government, based on explicit terms and conditions of the grant. A DoD Component may exercise this option only when statutory authority exists.

5.0 SUPPLIES

Title to supplies will vest in the grantee upon acquisition. If there is a residual inventory of unused supplies exceeding $5,000 in total aggregate value upon termination or completion of the project or program and the supplies are not needed for any other Federal award, the grantee must retain the supplies for use on other activities or sell them. In either case, the grantee must compensate DoD, following the requirements in ***32 CFR § 34.24***. The grantee may deduct and retain $500 or ten percent of the proceeds, whichever is less, for selling and handling expenses. At grant close-out, the DoD Component must follow paragraph 3.7 to account for compensation received from grantee residual inventory.

6.0 INTANGIBLE PROPERTY

Intangible property applies to a patent, patent application, copyright, or other intangible property acquired, but not developed or produced, under the grant. When the grantee no longer needs the intangible property for the originally authorized grant purpose, the DoD Component must arrange for the disposition of the intangible property, following the requirements in ***32 CFR § 34.25***. At grant close-out, the DoD Component must follow paragraph 3.7 to account for the remaining proceeds from disposition of intangible property.

7.0 OTHER REQUIRED REPORTING

7.1 Improper Payment

7.1.1. An improper payment is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. An improper payment also includes any payment that was made to an ineligible recipient or for an ineligible good or service, or payments for goods or services not received (except for such payments authorized by law).

7.1.2. Questioned costs, including those identified in audits, are not an improper payment until reviewed and confirmed to be improper as defined in ***OMB Circular A-123 Appendix C***.

7.1.3. Grant programs are subject to the payment integrity requirements in Volume 4, Chapter 14.

7.2 Public-Private Partnership Reporting

Grants which meet the definition of public-private partnerships (P3), risk-sharing arrangements or transactions with expected lives greater than 5 years between public and private sector entities, may be subject to disclosure under SFFAS 49. Volume 6B, Chapter 10 and SFFAS 49 provide detailed information about P3 reporting.

7.3 Grants, Loans, Credits, and Contingent Liabilities Involving Foreigners

1 TFM 2 - 4500 requires electronic submission of several reports pertaining to foreign obligors to the Treasury. Volume 6A, Chapter 13 and Volume 16, Chapter 6 provide more details.

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 6: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 12, CHAPTER 7: "FINANCIAL LIABILITY FOR GOVERNMENT PROPERTY LOST, DAMAGED, DESTROYED, OR STOLEN"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated January 2021 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
2.2.3	Streamlined language, moved approving authority language to section 3.0.	Revision
2.3	Streamlined language for Voluntary Payments. Referred reader to authoritative guidance Defense Logistics Agency Manual 5000.02, Volume 2 for additional details.	Revision
3.1	Added clarifying language for the responsibilities of the role of the Approving Authority and Appointing Authority.	Addition
4.3.6	Added clarifying language for the responsibilities of the role of the Financial Liability Officer.	Addition
4.3.6.5 (previous version)	Removed subsection referencing an archived chapter (Volume 5, Chapter 28)	Deletion
6.1	Added clarifying language regarding the acceptance of electronic equivalents of DD Form 200	Revision
6.2	Added clarifying language for the explanation for blocks within DD Form 200, "Date Initiated", "Date Loss Discovered", and "Financial Liability Officer:"	Revision/ Addition
8.2	Updated authoritative guidance reference	Revision
Multiple	Rearranged content of the chapter to flow in a logical sequence and renumbered sections and (sub)paragraphs accordingly.	Revision

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CHAPTER 7

FINANCIAL LIABILITY FOR GOVERNMENT PROPERTY LOST, DAMAGED, DESTROYED, OR STOLEN

1.0 GENERAL

1.1 Purpose

1.1.1. This chapter prescribes the Department of Defense (DoD) general requirements and responsibilities for determining accountability for financial liability for lost, damaged, destroyed, or stolen government-owned property, including supply system materiel, equipment, and real property to:

1.1.1.1. Inquire, research, and investigate the causes of the loss, damage, destruction, or theft of government property;

1.1.1.2. Assess financial liability with respect to lost, damaged, destroyed, or stolen government property;

1.1.1.3. Account for loss, damage, destruction, or theft of government property; determine the responsibility and amount of financial liability of those found to be culpable for such financial losses; provide relief from accountability; and establish debts resulting from the assessment of financial liability; and

1.1.1.4. Initiate DoD ***(DD) Form 200***, "Financial Liability Investigation of Property Loss."

1.1.2. The requirements within this chapter apply to all government property regardless of whether the government property is recorded in an Accountable Property System of Record (APSR).

1.1.3. This chapter does not apply to loss, damage, destruction, or theft of Government Furnished Property, Contractor Acquired Property, and property acquired by a contractor as a result of partial, advance, progress, or performance-based payments in the possession of a third party, to include contractors. Loss, damage, destruction, or theft of such property must be processed in accordance with the terms and conditions of the accountable contract or third party agreement to which the lost, damaged, destroyed, or stolen property was accountable.

1.2 Authoritative Guidance

The financial management policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:

1.2.1. Title 10 United States Code, section 2775 (***10 U.S.C. § 2775***), "Liability of members assigned to military housing;"

1.2.2. ***10 U.S.C. §§ 801 - 806***, "General Provisions;"

1.2.3. ***18 U.S.C. § 641***, "Public money, property or records;"

1.2.4. ***18 U.S.C. §1361***, "Government property or contracts;"

1.2.5. Federal Acquisition Regulation ***(FAR) Subpart 45.101***, "Definitions;"

1.2.6. ***FAR Subpart 52.245-1***, "Government Property;"

1.2.7. DoD Instruction 1000.30 (***DoDI 1000.30***), "Reduction of Social Security Number (SSN) Use Within DoD;"

1.2.8. ***DoDI 4161.02***, "Accountability and Management of Government Contract Property;"

1.2.9. ***DoDI 4140.01***, "DoD Supply Chain Materiel Management Policy;"

1.2.10. ***DoDI 5000.64***, "Accountability and Management of DoD Equipment and Other Accountable Property;"

1.2.11. DoD Manual 4140.01, Volume 5 (***DoDM 4140.01-V5***), "DoD Supply Chain Materiel Management Procedures: Delivery of Materiel;"

1.2.12. ***DoDM 4140.01-V11***, "DoD Supply Chain Materiel Management Procedures: Inventory Accountability and Special Management and Handling;"

1.2.13. ***DoDM 4140.25-V9***, "DoD Management of Energy Commodities: Defense Fuel Support Point (DFSP) Bulk Petroleum Inventory Accounting;"

1.2.14. ***DoDM 4165.63***, "DoD Housing Management;"

1.2.15. ***DoDM 4160.21-V1***, "Defense Materiel Disposition Disposal Guidance and Procedures;"

2.0 GENERAL REQUIREMENTS

2.1 General Responsibilities

2.1.1. The Under Secretary of Defense (Comptroller) is responsible for financial policies regarding financial liability for government property lost, damaged, destroyed, or stolen.

2.1.2. The DoD Components are responsible for implementing policies and procedures to:

2.1.2.1. Determine and assess the amount of financial liability of those responsible for such losses;

2.1.2.2. Mitigate, reduce, or relieve financial liability when appropriate; and

2.1.2.3. Establish debts based on assessed financial liability and refer them for collections.

2.2 Initiation of General Inquiries and Investigations

2.2.1. Upon discovery of loss, damage, destruction, or theft of government-owned property (real or personal) of any value, the first line supervisor or, in the case of military, immediate superior within the chain of command, must conduct a general inquiry to determine if the situation warrants a more formal inquiry, i.e., an investigation. A DD Form 200 is not required for general inquiries. Loss, damage, destruction, or theft of supply system materiel must be processed in accordance with section 8.0.

2.2.2. An investigation must be conducted for all loss, damage, destruction, or theft of government-owned equipment with initial unit acquisition cost (value) of $5,000 or greater; all sensitive, classified, or leased (see ***Volume 4, Chapter 26***, "Accounting for Leases") property regardless of initial acquisition cost; and any real property (see DoDI 5000.64 for more information). Investigations may also be conducted when circumstances warrant. For example, when the loss, damage, destruction, or theft of small amounts of property occurs frequently enough to suggest a pattern of wrongdoing, then an investigation may be warranted.

* 2.2.3. Investigations are not limited to the thresholds, but may be conducted if the approving authority (see section 3.0) deems a formal investigation necessary.

2.2.4. At a minimum, investigations must address the following information:

2.2.4.1. What happened?

2.2.4.2. How did it happen?

2.2.4.3. Where did it happen?

2.2.4.4. Who was involved?

2.2.4.5. When did it happen?

2.2.4.6. Any evidence of negligence, willful misconduct, or deliberate unauthorized use or disposition of the property.

2.2.5. Evidence of Negligence

2.2.5.1. When inquiring into the loss, damage, destruction, or theft of government property, the first consideration is whether there is evidence of negligence.

2.2.5.1.1. Examples of questions that can be asked in order to determine whether evidence of negligence exists are: "Would a reasonably prudent individual have acted in this manner?", "Were there procedures governing the use of the property, and were they followed?", "What were the circumstances that existed when the loss actually occurred?", and "Was the individual on the job?".

2.2.5.1.2. An example of a given scenario could be, if a dump truck is parked on an incline, a reasonable person would be expected to set the hand brake and leave the vehicle in park. Using blocks under the wheels might or might not be required. If the individual failed to set the brake and/or use blocks under the wheels and the truck rolled down the incline and was damaged, this could be considered evidence of negligence. A reasonably prudent person would be expected to take precautions.

2.2.5.2. When loss, damage, or destruction of government quarters is involved, a distinction must be made between simple and gross negligence. Evidence of simple or gross negligence depends on the conduct of the individual. If the individual failed to exercise precautions or good judgment, then simple negligence applies. If the individual's conduct was characterized by a reckless, deliberate, or wanton disregard of foreseeable consequences, then gross negligence applies.

2.2.5.3. Evidence of whether simple or gross negligence was the proximate cause of the loss, damage, or destruction is based on the facts and circumstances and must be determined during the general inquiry and documented during the investigation process.

2.2.6. DD Form 200

2.2.6.1. The DD Form 200 is required documentation for investigations and must be used to document the facts and circumstances of the loss, damage, destruction, or theft. The person conducting the investigation must complete blocks 1 through 11 of the DD Form 200, as described in section 6.0.

2.2.6.2. The DD Form 200 is not required when:

2.2.6.2.1. An individual voluntarily makes restitution to the government for the full amount, and classified or sensitive property is not involved.

2.2.6.2.2. The damage involves a government-owned vehicle. In such cases, an accident investigation report may be used to document an inquiry in lieu of a DD Form 200. However, when the documentation clearly indicates that negligence or abuse was involved, or if a claim against the government is possible, a DD Form 200 must be prepared.

2.2.6.2.3. The loss involves shipping and transportation discrepancies attributed to carriers, which are processed and reported according to ***Defense Logistics Manual (DLM) 4000.25 V-2***, Chapter 17. However, item discrepancy reports should be reviewed and evaluated to determine if the circumstances of the loss or damage appear to have been caused by negligence or abuse by DoD personnel. If so, a DD Form 200, ***Standard Form 364***, "Report of Discrepancy (ROD)," and ***DD Form 361***, "Transportation Discrepancy Report (TDR)" must be prepared.

*2.3 Voluntary Payments

Individuals may voluntarily choose to pay the government for lost, damaged, or destroyed government property at any time prior to involuntary collection from their pay. Individuals offering the payment do so of their own volition. The government does not seek any advantage nor forego any right by accepting a voluntary payment. An individual cannot be coerced or threatened with adverse action if payment is not voluntarily made. Individuals must be made aware of the effect of making a voluntary payment. That is, it may not be later withdrawn, avenues for relief will no longer be available, and voluntary payment does not preclude other administrative or disciplinary action. See ***Defense Logistics Agency Manual 5000.02, Volume 2*** for additional details.

*2.4 Review

Upon completion of the investigation, the DD Form 200 must be forwarded to the appointing authority (see section 3.0) for review. The appointing authority must determine if a financial liability officer or a financial liability board is needed to conduct an investigation. The general criteria for appointing a financial liability officer are in paragraph 4.1. The responsibilities of a financial liability officer regarding inventory losses are detailed in paragraph 8.8. General Counsel and/or the member's commander must be consulted before statements are taken from anyone if there is a suspected violation of the Uniform Code of Military Justice (10 U.S.C. §§ 801-806).

2.5 Evidence of Theft

Cases involving stolen government-owned property must be referred to local security and/or law enforcement officials, in accordance with agency procedures.

2.6 Financial Liability Officer Investigations

The appointing authority may appoint a financial liability officer to determine whether the facts and circumstances support the findings and recommendations of the individual completing

blocks 9 and 10 on the DD Form 200. Qualifications, duties, and responsibilities of financial liability officers are discussed in section 4.0.

2.7 Financial Liability Board

The appointing authority may appoint a financial liability board in lieu of an officer. The reasons for the appointment of a board include the complexity, size, or unique type of loss due to negligence or abuse. The composition, objectives, and functions of the board are discussed in section 5.0.

2.8 Determination of Financial Loss

2.8.1. Computation of Financial Loss. A computation of the financial loss to the government must be made when there is evidence to indicate that the loss was proximately caused by negligence or abuse.

2.8.1.1. When damaged property or items can be repaired economically or restored in condition to that immediately prior to the loss, the loss to the government must be based on the cost of repair or restoration. If the cost to repair or restore the property exceeds the cost to replace the property, or if the property cannot be replaced, the loss to the government must be as determined in subparagraph 2.8.1.2. For real property, the plant replacement value will be used to value the asset. If the cost to repair or restore the real property exceeds the plant replacement value, then the cost to acquire and install a new asset will be the amount of loss.

2.8.1.2. When property is lost, damaged, destroyed, or stolen, and the property cannot be replaced, the amount of the loss must be the fair market value of the property immediately before the loss. When a fair market value cannot readily be determined, the cost of repairs or an estimate of the repairs may be used (can be obtained from technical manuals or other reliable sources); or the acquisition cost or standard price, adjusted for depreciation may be used (based on the specified depreciation period for such item or if such a period has not been specified, based on its estimated useful life). Depreciation must be computed using the straight-line method of depreciation. In no case should property be depreciated below its scrap value. For property that is damaged beyond economic repair, the scrap or salvage value of the property must be used to reduce the loss to the government.

2.8.2. Liability. The financial liability of individuals is based on the actual loss to the government, as computed in subparagraph 2.8.1. When liability is limited by the individual's rate of pay, the amount of the actual loss to the government is still computed. However, in such cases, the financial liability of the individual is either the actual amount of the loss or the limitation based upon the rate of pay, whichever is less.

2.8.3. Collective Liability. If more than one individual is found financially liable for the loss, damage, destruction, or theft of government property, the individuals must be collectively held liable for the loss to the government. The government cannot collect more than the total amount of assessed liability. Therefore, the approving authority (see section 3.0), who assessed financial liability, will decide how much to collect from each individual. Among the factors to be considered

in taking collection action from each liable individual are the degree of each individual's responsibility for the loss, damage, destruction, or theft, and the ability to collect from the responsible individual.

2.9 Notification and Examination

When financial liability is recommended, the individual must be notified and given the opportunity to examine the findings and recommendations, obtain representation, make a rebuttal statement, and present any mitigating factors that may have contributed to the negligence or abuse. If damage to government housing is involved, an individual also must be given the opportunity to request a waiver of the financial liability in accordance with 10 U.S.C. § 2775.

3.0 APPROVING AND APPOINTING AUTHORITY

*3.1 Duties and Responsibilities

3.1.1. Approving Authority. The approving authority is responsible for establishing procedures and designating a person, typically the accountable property officer, real property accountable officer, or reviewing authority (for supply system stocks or "materiel"), to initiate and conduct the investigation, in accordance with agency procedures. DoD Component regulations must designate those individuals who may be an approving authority. The approving authority's responsibilities may be delegated; however, the delegations must be in writing. The approving authority may also act as the appointing authority or designate an appointing authority in writing. The approving authority must:

3.1.1.1. Designate an appointing authority when needed

3.1.1.2. Disqualify oneself when a conflict of interest is possible, e.g., because the loss relates to property for which he or she is responsible and/or accountable.

3.1.1.3. Establish procedures and designate a person to initiate and conduct an inquiry immediately after the loss, damage, destruction, or theft is discovered (see subparagraph 2.2.1).

3.1.1.4. Ensure that all DD Forms 200 received are accurate, complete, and signed by the appropriate individuals. See subparagraph 6.2.15.9 for acceptable signature formats.

3.1.1.5. Evaluate each DD Form 200 and either approve recommendations to assess financial liability or relieve those involved from liability, responsibility, or accountability. The approving authority approves or disapproves all DD Forms 200, regardless of dollar value, unless otherwise delegated in writing.

3.1.1.6. Ensure that all gains and losses that require a formal investigation are promptly and thoroughly investigated. The system used to process DD Forms 200 must be frequently reviewed to evaluate the accuracy and timeliness of the investigations.

3.1.1.7. Ensure that DD Forms 200 are initiated, processed, and adjudicated within the time limits that may be established by the DoD Components.

3.1.1.8. Require, if delays occur in the initiating or processing of a DD Form 200, a written explanation of the reason for the delay, and take appropriate corrective actions.

3.1.1.9. Ensure that persons held financially liable are so notified, informed of their rights (including waiver rights if government housing is involved), and given the opportunity to inspect a copy of the DD Form 200.

3.1.1.10. Personally evaluate each DD Form 200 when there is evidence of negligence, abuse, or theft.

3.1.1.11. Determine whether to delegate to the appointing authority the authority to approve or disapprove a DD Form 200 when there is no evidence of negligence or abuse, or theft.

3.1.1.12. Ensure, when financial liability is recommended, or when recommendations appear to be inconsistent with findings, that a judge advocate or civilian attorney has reviewed the findings and provided an opinion on the adequacy of evidence and its relationship to the findings and recommendations. This legal review must be included as part of the record with the DD Form 200 and completed before final action is taken by the approving authority.

3.1.1.13. Ensure that corrections of any attested entries are properly initialed and documented.

3.1.1.14. Overrule, when appropriate, the recommendations of the appointing authority and the financial liability officer. When this action results in the assessment of financial liability, the individuals not previously recommended for liability must be advised of their rights and afforded an opportunity to exercise their rights.

3.1.1.15. Formally notify individuals against whom he or she has approved financial liability.

3.1.2. Appointing Authority. The appointing authority determines if a financial liability officer or a financial liability board is needed to conduct an investigation. The appointing authority is designated in writing by the approving authority. The approving authority may also act as the appointing authority. The appointing authority is responsible for the following tasks:

3.1.2.1. Appoint a financial liability officer, if needed.

3.1.2.2. Appoint a board in lieu of a financial liability officer to conduct the investigation, if warranted. Reasons for considering the appointment of a board include complexity, size, or unique type of loss due to negligence or abuse (see section 5.0).

3.1.2.3. Provide administrative guidance to the financial liability officer or the board.

3.1.2.4. Review DD Forms 200 for accuracy and compliance with this Regulation.

3.1.2.5. Approve or disapprove the recommendations of the financial liability officer or the board, and forward personal recommendations to the approving authority.

3.1.2.6. Approve or disapprove DD Forms 200 when there is no evidence of negligence or abuse and authorization has been delegated in writing by the approving authority.

3.1.2.7. Approve or disapprove DD Forms 200 when the loss, damage, destruction or theft is less than $100,000 and authorization has been delegated in writing by the approving authority.

3.2 Due Process

The appointing and approving authorities must act on the DD Form 200 once an individual has been properly notified and given the opportunity to respond to the findings. Failure of involved individuals to respond to recommendations of financial liability is not a sufficient reason for the appointing and approving authorities to delay the approval process if the individuals were given a reasonable opportunity to reply, as discussed in subparagraph 4.3.6.

4.0 FINANCIAL LIABILITY OFFICER

4.1 Criteria

4.1.1. Appointment of Financial Liability Officer. The approving or appointing authority should appoint a financial liability officer to conduct a formal investigation when:

4.1.1.1. Recommended by an accountable officer.

4.1.1.2. Directed by higher authority.

4.1.1.3. Deemed appropriate by the approving or appointing authority (e.g., repetitive losses, evidence of negligence or abuse, or large dollar losses).

4.1.2. Financial Liability Officer Duty. Unless operational requirements clearly dictate otherwise, a financial liability officer must perform this function as a primary duty until the investigation has been completed.

4.2 Financial Liability Officer Qualifications

4.2.1. Selection Criteria. A financial liability officer is selected based on training, experience, competence, and ability to conduct independent and objective investigations.

4.2.2. Persons Eligible. The financial liability officer must be a commissioned officer, warrant officer, enlisted member in the grade of Enlisted Rank (E)-7, E-8, or E-9; or a civilian

employee, General Schedule (GS) -07, or above. The financial liability officer must be senior to the individuals directly involved in the discrepancy.

4.2.3. Use of Reserve Component Personnel. Reserve Component commissioned officers, warrant officers, and noncommissioned officers in grades E-7, E-8, or E-9 not on active duty may serve as financial liability officers during Reserve training sessions.

4.2.4. Relationship to Property. A person who is accountable or responsible for, or in any way directly interested in, the property being investigated must not be appointed as a financial liability officer.

*4.3 Financial Liability Officer Responsibilities and Duties

4.3.1. The primary purpose of the DD Form 200 is to aid financial liability officers in determining responsibility for lost, damaged, destroyed, or stolen property. To determine such responsibility, the facts contributing to the loss, damage, destruction, or theft must be developed by investigation.

4.3.1.1. The investigation may establish the fact that some other individual is at fault. The financial liability officer must not limit an investigation to verifying statements of interested parties. Rather, the financial liability officer must perform an investigation as thoroughly as needed, in his or her opinion, to ensure that all facts are fully developed, the interests of the government are fully served, and the rights of the involved individuals are fully protected.

4.3.1.2. An investigation is required to determine responsibility and/or liability without regard to the relationship of the responsible individual to the property. As an example, actions by the accountable property officer or property custodian should be investigated, as well as the actions of the property users.

4.3.2. The investigation conducted by the financial liability officer is the critical phase of the process. The financial liability officer should determine the actual facts, not as alleged but as they actually occurred. The financial liability officer's recommendations must be evaluated in succeeding reviews; therefore, the recommendations must be supported by the findings and conclusions. While conducting an investigation, the financial liability officers must conduct investigations promptly. They must inform the approving or appointing authority immediately of all delays experienced. In conducting the investigation, the financial liability officer must personally:

4.3.2.1. Scrutinize all available evidence.

4.3.2.2. Interview witnesses and secure statements, ideally in writing, from individuals concerning:

4.3.2.2.1. The cause of the loss, damage, or theft.

4.3.2.2.2. The responsibility for the loss, damage, or theft.

4.3.2.3. Compile evidence substantiating or refuting any statement in block 9 of the DD Form 200.

4.3.2.4. Physically examine the damaged property, if possible, and then release it for repair or disposal. This should be done on the first day of his or her appointment.

4.3.2.5. Consult the approving or appointing authority for guidance when needed.

4.3.2.6. Determine the amount of damage as described in subparagraph 2.8.1, if the property has been damaged. Determine the value of the property immediately before its damage if the property is not economically reparable. The accountable officer may be asked to assist if he or she has not been directly involved.

4.3.2.7. Ensure that action is taken to exercise control over the property if the property is recovered during the investigation.

4.3.2.8. Ensure that the total loss to the government is computed correctly.

4.3.2.9. Coordinate actions with the claims investigating officer when the investigation may cover loss, damage, destruction, or theft of government property that is being, has been, or will be investigated because of attendant events by a claims investigating officer. This includes cases where military personnel or civilian employees, while driving a private vehicle, damage government property and have insurance to pay for part of the loss.

4.3.3. The financial liability officer should make a determination from the findings and conclusions as to how the loss or damage occurred and whether negligence or abuse was involved.

4.3.4. After recording the findings and conclusions, the financial liability officer recommendations must be based on policies set forth in this Regulation. The financial liability officer must recommend whether to assess financial liability.

4.3.5. A financial liability officer's findings and recommendations are administrative, not judicial; therefore, the reports are purely advisory; the opinions do not constitute final determinations or legal judgments; and the recommendations are not binding upon appointing and approving authorities.

* 4.3.6. The financial liability officer must formally notify any person whose conduct or performance of duty may be subject to inquiry or has a direct interest in the inquiry. The financial liability officer must allow that person an opportunity to have their position considered, according to the following:

4.3.6.1. Give any individual against whom the financial liability officer makes a finding of financial liability a chance to examine the report of investigation after the findings and recommendations have been recorded.

4.3.6.2. Give the individual being recommended for financial liability the opportunity to make a statement.

4.3.6.3. Inform the individual that his or her statement may be used against him or her with regard to financial liability and other administrative and disciplinary actions.

4.3.6.4. Fully consider and attach as an exhibit to the DD Form 200 any statement made by the individual(s).

4.3.6.5. Request the individual to acknowledge his or her understanding of these rights by completing block 16 of the DD Form 200.

4.3.6.6. If appropriate, prepare a statement that the individual recommended for liability refused to sign block 16 of the DD Form 200 after being given the opportunity.

4.3.6.7. Mail a copy of the findings, recommendations, and evidence to the person against whom financial liability is recommended by certified mail with a return receipt requested when the person is not readily available. For example, the person may have been transferred or separated from one of the Military Services.

4.3.6.7.1. A full explanation of the person's rights must be included, and a reply must be requested.

4.3.6.7.2. If the reply is not received within 30 days after the date of mailing, the financial liability officer must record this fact and take action to complete the DD Form 200. The record must be included in, or appended to, the DD Form 200.

4.3.6.7.3. Any reply received subsequent to the expiration of 30 days must be forwarded through the same channels as the DD Form 200 for attachment to the original DD Form 200.

4.3.6.8. Consider any new evidence received after a recommendation has been made. If the financial recommendations remain unchanged, the financial liability officer must note that the added evidence was considered and must provide a rationale for not changing the decision, e.g., no new evidence or the matters do not overcome the evidence supporting the original recommendations. The notation must be on all copies of the report immediately following the original recommendation. If the financial liability officer makes a change in the original recommendations because of the new evidence, the officer must record such a change as "Amended Recommendations." These recommendations should be recorded immediately after the original recommendations.

5.0 FINANCIAL LIABILITY BOARD

5.1 Financial Liability Board Role

A financial liability board may be appointed by the appointing authority for the specific role of conducting the investigation. The primary purpose of a financial liability board is to provide the appointing and approving authorities with adequate information upon which to assess liability or relieve the involved individual from liability for the loss, damage, destruction, or theft of government property. A board provides more resources than an officer to investigate losses that are large, complex, or unique. Financial liability boards are administrative, not judicial. Therefore, their reports are purely advisory, their opinions do not constitute final determinations or legal judgments, and their recommendations are not binding upon appointing and approving authorities. The board members will establish appropriate board procedures, such as voting and work priorities.

5.2 Appointment and Composition

5.2.1. Selection. The members of a financial liability board are selected based on training, experience, competence, and ability to conduct independent and objective investigations. The senior member normally must be designated as the Chair. The appointing authority must not appoint an individual who was or is accountable or responsible, or has direct interest in the property, including a financial liability officer who may have previously investigated the loss of the property.

5.2.2. Composition. The financial liability board members must be commissioned officers; warrant officers; enlisted members in grades E-7, E-8, or E-9; or civilian employees GS-07, or above. The board Chair and a majority of the board must normally be senior in rank to the persons directly involved.

5.2.3. Use of Reserve Component Personnel. A source of financial liability board members is Reserve Component commissioned officers, warrant officers, and enlisted members in grades E-7, E-8, or E-9 during their Reserve training sessions.

5.3 Functions

The following are specific functions of a financial liability board:

5.3.1. Primary Function. The primary function of a financial liability board is to research, develop, assemble, record, and analyze all available information relative to the loss. The board is required to formulate and clearly express consistent findings of facts, conclusions, and recommendations.

5.3.2. Collateral Function. A collateral function of the financial liability board, especially when requested by the appointing authority, is to afford a hearing to any person whose conduct or performance of duty may be subject to inquiry or who has direct interest in the inquiry.

5.4 Final Action by the Financial Liability Board

The board Chair completes his or her action on the DD Form 200 as the financial liability officer and recommends relief from, responsibility, or assessment of financial liability.

6.0 PREPARATION OF DD FORM 200

*6.1 Purpose of the Form

The DD Form 200 is used to document the financial liability process for lost, damaged, or destroyed government property. When completed, the DD Form 200 is the official document to support the establishment of debts, relief from accountability, and adjustment of accountable property records, supply system stock, and financial records. Electronic equivalents of DD Form 200 are acceptable, provided they contain the same data elements and formatting as the official paper version.

*6.2 Instructions for Preparation

6.2.1. Block 1. "Date Initiated:" Date when DD Form 200 is initially completed upon determination that an investigation is needed.

6.2.2. Block 2. "Inquiry/Investigation Number:" Number assigned to the inquiry and/or investigation in accordance with DoD Component instructions.

6.2.3. Block 3. "Date Loss Discovered:" Date that the investigated loss, damage, destruction, or theft is discovered.

6.2.4. Block 4. "National Stock No:" Enter the National Stock Numbers, manufacturer's part number, or other identification number(s), in numerical sequence. If not applicable, enter the word "none."

6.2.5. Block 5. "Item Description:" Enter the nomenclature of the item(s), including any serial number(s), model number(s), and controlled inventory item. If the item is nonstandard, give a brief description sufficient for identification. If only a portion of an end item is damaged, describe the end item fully, and then describe the damaged parts. If additional space is needed, a continuation sheet may be used. For real property, provide the Real Property Unique Identifier, the facility number, address, location, room number, and a description of the damage.

6.2.6. Block 6. "Quantity:" Enter the number of units and unit of issue (e.g., 1 each, 2 dozen, 5 pairs).

6.2.7. Block 7. "Unit Cost:" Enter the cost per unit shown in official catalogs, supply bulletins, or accountable property records. The specific reference should be indicated for audit trail purposes.

6.2.8. Block 8. "Total Cost:" Enter the total cost of all units of each article listed (block 6 x block 7). For real property, enter the estimated cost to repair/replace, or if the cost to repair exceeds the plant replacement value, the estimated cost to purchase and install the asset.

6.2.9. Block 9. "Circumstances Under Which Property Was Lost, Damaged or Destroyed:" Enter a complete statement of the facts, including the date and place of the incident. Include the name, grade, and the Electronic Data Interchange Personal Identifier (also known as the DoD Identification Number) of all persons directly involved. The statement must, at a minimum, answer five basic questions of who, what, when, where, and how (see subparagraph 2.2.4). Identify any appropriate contract number(s), transaction number(s), and control number(s). Add as exhibits and identify alphabetically within the block, as needed.

6.2.10. Block 10. "Actions Taken to Correct Circumstances Reported in Block 9 and Prevent Future Occurrences:" Include recommended actions by the accountable property officer and/or property custodian, and if appropriate by the financial liability officer, to the appointing and approving authorities.

6.2.11. Block 11. "Individual Completing Blocks 1 Through 10:" Person conducting the inquiry/investigation.

6.2.12. Block 12. "Responsible Officer (Property Record Items) or Reviewing Authority (Supply Systems Stocks):" See section 10.0 for definitions of "Responsible Officer" and "Reviewing Authority."

6.2.13. Block 13. "Appointing Authority:" See section 3.0 for duties and responsibilities and section 10.0 for the definition of "Appointing Authority."

6.2.14. Block 14. "Approving Authority:" See section 3.0 for duties and responsibilities and section 10.0 for the definition of "Approving Authority."

6.2.15. Block 15. "Financial Liability Officer:" Enter findings and recommendations of the financial liability officer along with a recommendation regarding liability of the involved parties. See section 4.0 for duties and responsibilities, and section 10.0 for the definition of "Financial Liability Officer."

6.2.15.1. An indication that negligence on the part of the individual has not been determined.

6.2.15.2. A recommendation that the investigation be continued at some future time because of extenuating circumstances.

6.2.15.3. Recommendation for corrective actions.

6.2.15.4. Recommendation that the individuals involved in the loss, damage, destruction, or theft be relieved of responsibility for the property when negligence cannot be established. State the facts on which the recommendations are based. Proper conclusions must be

drawn from available facts, not opinions or suspicions. The financial liability officer must sustain or refute the statements made in block 9 of the DD Form 200 and any other statements that are part of the inquiry and/or investigation. Do not use stereotyped phrases such as "loss or damage in the manner stated." The financial liability officer must state in his or her own words how the loss or damage occurred based on the evidence obtained by the investigation.

6.2.15.5. As prescribed in subparagraph 2.8.1, include a computation of charges when recommending financial liability. The computation should show how depreciation was calculated and other factors used in determining the loss, or reference should be made to the exhibit on which the computation is recorded. The results of the computation must be entered in block 15.b.

6.2.15.6. Describe the disposition of the property. Once released by the financial liability officer or the appointing authority (when a financial liability officer is not appointed), property considered to be "uneconomically reparable" must be disposed of in accordance with DoDM 4160.21-V1.

6.2.15.7. Recommendations must be entered immediately after the findings. The recommendation must include:

6.2.15.7.1. Financial liability to be assessed or relief from responsibility and accountability. Also, enter this information in block 15.d. For a military member, enter monthly basic pay, and for a civilian, enter one-twelfth of the yearly salary.

6.2.15.7.2. Disposition instructions for any unserviceable property not previously sent to the Defense Logistics Agency, Disposition Services.

6.2.15.7.3. State clearly the full name, grade, DoD Identification Number, and the amount of the charge when recommending financial liability.

6.2.15.7.4. State if the DD Form 200 may cover the loss, damage, destruction, or theft of property for which a claim is also being processed.

6.2.15.8. The recommendations must represent a logical and equitable decision developed from the facts cited in the evidence and findings.

6.2.15.9. Sign the DD Form 200 in block 15.j, at the end of the recommendations. Acceptable signature formats include: wet signatures, electronic signatures, and digital signatures. For wet signatures, a signature card should be maintained on file to confirm identity and authorizations. The signature card must be available upon request. For electronic and digital signatures, see ***Volume 5, Chapter 1***, "Purpose, Organization, and Duties."

6.2.16. Block 16. "Individual Charged:" See subparagraph 4.3.6.

6.2.17. Block 17. "Accountable Officer:" See section 10.0 for the definition of "Accountable Officer." Record document numbers used to adjust property and financial records. All other blocks are self-explanatory.

7.0 GOVERNMENT HOUSING LIABILITY

7.1 Purpose

This section describes the liability of military personnel for the loss, damage, or destruction of government housing (family housing or unaccompanied personnel housing). It describes minimum requirements for assessing financial liability when government housing, including equipment or furnishings therein, is lost, damaged, or destroyed. Government housing within the scope of this chapter includes both permanent and temporary quarters, either owned by or controlled by the U.S. Government.

7.2 Military Personnel Liability for Government Housing

7.2.1. Determination of Proximate Cause. A member of a Military Service must be held liable to the U.S. for the loss, damage or destruction of family housing or an unaccompanied personnel housing unit assigned to such member, including equipment and furnishings therein, when a determination is made that the loss, damage or destruction was proximately caused by the abuse or negligence of the member, a dependent of the member, or a guest either of the member or the member's dependent.

7.2.2. Financial Liability of Military Members. Financial liability against military personnel for loss, damage, or destruction of government housing, including equipment and furnishings therein, is assessed for the full amount of the loss if the loss, damage, or destruction was proximately caused by gross negligence or abuse. Liability of military members for damage to government housing and related equipment and furnishings is prescribed in 10 U.S.C. § 2775 and DoDM 4165.63.

7.2.3. Notification and Examination. Occupants who are assessed financial liability for loss of, or damage to, assigned government housing must be notified in accordance with subparagraph 4.3.6. A member's failure to respond must not preclude the government from completing a DD Form 200.

7.2.4. Determination of Negligence. Determinations must be made on whether the loss or damage to government housing was proximately caused by simple or gross negligence or abuse of the member, the member's dependents, or guests of either. Such a determination leads to the following considerations:

7.2.4.1. When the proximate cause of the loss or damage is determined to be gross negligence or abuse, the financial liability of the member is the total amount of the loss to the government. Where a member's dependent or guest causes a loss or damage through gross negligence or abuse, the member is fully liable for the loss or damage if the member was "on notice" of the particular risk involved and failed to exercise reasonable, available opportunities to

prevent or limit the loss or damage. In the absence of evidence to the contrary, the member is presumed to have been "on notice" of any risks attending the activities of family members and guests on the premises.

7.2.4.2. Where simple negligence is determined to be the proximate cause of the loss or damage, the financial liability of the member is limited to an amount equal to basic pay for one month at the rate in effect at the time of the loss, or the amount of the loss, whichever is less.

8.0 SUPPLY SYSTEM MATERIAL

8.1 Purpose

This section applies to personal property defined as "supply system materiel" and contains procedures to be followed when inventory losses are discovered. The provisions of this chapter are applicable to all activities accountable for supply system materiel, including stock fund and other inventories (e.g., appropriated fund).

*8.2 Inventory

8.2.1. Physical inventories must be performed in accordance with the provisions contained herein and in DoDM 4140.01-V5.

8.2.1.1. Discrepancies. Despite the safeguards established by DoD Components in the care and maintenance of supply system stocks, discrepancies may occur between stock record balances and materiel in storage. These discrepancies are subject to post-count validation, pre-adjustment research, and causative research, as prescribed in DLM 4000.25-V2.

8.2.1.2. Adjustments. An adjustment must be made to the inventory and financial records to bring those records into balance after appropriate research (see DLM 4000.25-V2). Care should be taken to process the transactions correctly (e.g., an issue posted twice should be corrected by a reversal (credit transaction), not as a loss of inventory). These types of corrected discrepancies are referred to as resolved discrepancies. For unresolved inventory losses, an inventory adjustment document or a DD Form 200 must be used to substantiate adjusting the inventory and accounting records to the stock on hand and to provide relief from property accountability or responsibility.

8.2.2. Causative Research.

8.2.2.1. Causative research must be conducted for all inventory discrepancies that meet any of the criteria specified in DLM 4000.25-V2. For inventory discrepancies that do not meet the criteria for performing causative research, a justification for adjusting the inventory and accounting records and relief from property accountability must be provided by means of an inventory adjustment document in accordance with subparagraph 8.2.4.

8.2.2.2. The purpose of this research is to establish liability or provide relief from accountability for the accountable property officer and/or property custodian for the loss, damage, destruction, or theft of supply system materiel; and determine if the loss to the government was

proximately caused by the negligence or abuse of individuals. If an individual accepts responsibility for the loss, damage, destruction, or theft of supply system materiel and voluntarily reimburses the government, a DD Form 200 is not required. The collection voucher may be used to adjust the financial and accountable property records.

8.2.3. DD Form 200 Used in Substantiating Inventory Loss Adjustments. When authorized, the reviewing authority may approve physical inventory adjustments equal to or less than $50,000 when negligence or abuse is not evident or suspected. When negligence or abuse is evident or suspected, the reviewing authority must initiate an investigation in accordance with paragraph 2.2. The investigation must be used to substantiate adjusting the stock record and providing relief from property accountability.

8.3 Resolved Inventory Losses

8.3.1. Accountability. The data developed by post count validation, pre-adjustment research, and causative research must be utilized to prepare correcting documentation so that the inventory accounting systems may be updated. These adjustments must be processed in accordance with this Regulation and DLM 4000.25-V2.

8.3.2. Statistics. The type of inventory losses must be categorized and accumulated by category to identify trends or problem areas in accounting or supply system procedures in accordance with DLM 4000.25-V2.

8.4 Unresolved Inventory Losses Not Meeting the Criteria for an Investigation

8.4.1. Accountability. Relief from property accountability and justification for the adjustment of the inventory and accounting records to the inventory on hand must be provided by means of an inventory adjustment document. The detailed data requirements and procedures for preparing and processing the inventory adjustment document must be as prescribed in the appropriate DoD Component implementing documents.

8.4.2. Authority for Adjustment. If the cause or probable cause of the discrepancy has not been determined, and the discrepancy does not qualify for causative research, this paragraph must be cited as authority for relieving the accountable officer of accountability.

8.4.3. Statistics. See subparagraph 8.3.2.

8.5 Unresolved Inventory Losses - Causative Research Indicates No Personal Responsibility

8.5.1. Accountability. See subparagraph 8.4.1.

8.5.2. Statistics. See subparagraph 8.3.2.

8.6 Unresolved Inventory Losses - Causative Research Indicates Evidence of Personal Responsibility

8.6.1. Method of Adjustment. A financial liability investigation must be used to support the adjustment of the inventory and accounting records to the actual inventory on hand and to relieve the accountable officer of accountability.

8.6.2. Statistics. See subparagraph 8.3.2.

8.7 Criteria for an Investigation

A financial liability investigation must be initiated on all unresolved inventory discrepancies for each stock number that meets any of the following criteria:

8.7.1. Gains and losses of sensitive items (e.g., drugs designated as controlled substances and assigned to one of five schedules by the Drug Enforcement Agency, Department of Justice, under the Comprehensive Drug Abuse, Prevention, and Control Act of 1970 and any other drugs designated for local control by the Medical Treatment Facility Commander, precious metals, hazardous materiel, small arms, ammunition, explosives) regardless of dollar value.

8.7.2. Gains and losses of classified items, regardless of dollar value.

8.7.3. Gains and losses of pilferable items when the unit price times the quantity is equal to or greater than $2,500.00 for each stock number.

8.7.4. Any inventory loss when there is an indication or suspicion of fraud, theft, or negligence.

8.7.5. Repetitive losses when the cumulative dollar value of the inventory losses equals or exceeds the projected cost of the financial liability investigation.

8.7.6. Bulk petroleum when the loss exceeds the allowable loss limits per DoDM 4140.25-V9.

8.8 Procedures for an Investigation

8.8.1. Accountability and Responsibility

8.8.1.1. For unresolved inventory losses that meet the criteria set forth in paragraphs 8.6 and 8.7, a DD Form 200 is required to relieve the accountable property officer or property custodian from responsibility, to substantiate the adjustment of the inventory and accounting records to the inventory on hand, and to identify problem areas or trends for corrective actions.

8.8.1.2. A financial liability investigation should be conducted by a person who is not directly supervised by the accountable property officer or property custodian. It must include, as a minimum, the following actions:

8.8.1.2.1. Review and evaluate existing procedures for their adequacy in protecting property.

8.8.1.2.2. Determine compliance with prescribed regulations and procedures.

8.8.1.2.3. Determine who is involved and what responsibilities they have been assigned.

8.8.1.2.4. Determine whether simple or gross negligence or abuse is evident.

8.8.1.2.5. Review of causative research conducted.

8.8.1.2.6. Determine the cause or the probable cause of the inventory loss.

8.8.1.2.7. Recommend actions to minimize the recurrence of the inventory loss.

8.8.2. Review the Adequacy of Procedures in Protecting Property

8.8.2.1. Physical Security Review. Determine if storage facilities are adequate to ensure proper safeguarding of all items, especially those items that are sensitive, classified, or subject to pilferage. The review should include an evaluation of compliance with regulatory requirements, procedures to determine the degree of susceptibility of items to theft or pilferage, and lessons to be learned from losses that have been experienced.

8.8.2.2. Receipt, Storage, and Shipment Procedures Review. Determine if adequate procedures exist to prevent loss from theft or pilferage during receipt, storage, or shipment. The degree of protection should be commensurate with statutory and regulatory requirements, the degree of susceptibility to theft or pilferage, and experienced losses.

8.8.3. Determine Procedural Compliance. Determine if the responsible persons have complied with existing procedures to protect government property. If they have not complied with the procedures, determine if they failed to comply or were instructed not to comply.

9.0 PETROLEUM PRODUCT/LOSSES

9.1 Loss Expectancy

Some losses are unavoidable in the handling and storage of volatile products. These losses can be controlled by management actions to limit the rates of loss for such products so that

standards are not exceeded. For this reason, DoDM 4140.25-V9 provides allowable loss limits to accommodate product losses normally expected. Losses are categorized as in-transit, operating, and determinable; these categories are defined in DoDM 4140.25-V9. However, any trends, such as a pattern of losses within the allowable percentage, must be researched and investigated.

9.2 In-Transit Losses

Losses of product received at DoD activities are allowable only when the actual loss is within the allowable loss tolerance percentages. When a loss exceeds the allowable limit, a portion of the loss is not allowable, and the entire loss will be reported as prescribed in DoDM 4140.25- V9. Causative research, as described in subparagraph 8.2.2, must be performed if there is any suspicion of negligence or abuse on the part of U.S. Government personnel who contributed to the loss.

9.3 Storage or Operating Losses

The allowable storage or operating loss tolerance percentages for various types of petroleum products are prescribed in DoDM 4140.25-V9. When the loss exceeds the allowable limit, a portion of the loss is not allowable, and the entire loss must be researched and reported in accordance with the provisions in section 8.0.

9.4 Determinable Losses

Losses that occur from determinable causes (such as tank overflows, spills, pipeline breaks, recovered abandoned product, fire, or unrecoverable tank bottom) can normally be precluded or greatly minimized by effective management. These losses must be researched and reported in accordance with section 8.0.

10.0 DEFINITIONS

No.	List of Definitions	Description of Definitions
1.	Abuse	Willful misconduct or deliberate unauthorized use.
2.	Accountability	The obligation imposed by law, lawful order, or regulation, accepted by an organization or person for keeping accurate records, to ensure control of property, documents or funds, with or without physical possession. The obligation, in this context, refers to the fiduciary duties, responsibilities, and obligations necessary for protecting the public interest; however, it does not necessarily impose personal liability upon an organization or person.
3.	Accountable Property Officer	Comparable terms include: Army -- Supply Support Accountable Officer/Property Book Officer; Navy -- Personal Property Manager; Air Force -- Accountable Officer/Chief of Supply/Chief of Materiel Management; Marine Corps -- Accountable Officer; Defense Logistics Agency – Accountable Property Officer. An individual who, based on his or her training, knowledge, and experience in property management, accountability, and control procedures, is appointed by proper authority to establish and maintain an organization's accountable property records, systems, and/or financial records, in connection with Government property, irrespective of whether the property is in the individual's possession.
4.	Accountable Property	A term used to identify property recorded in the APSR.
5.	Accountable Property Record	The record contained within the APSR.
6.	Acquisition Cost	The amount, net of both trade and cash discounts, paid for the property, plus transportation costs and other ancillary costs.
7.	Adjustment	Posting to the accountable property records the changes made necessary by the loss, damage, destruction, or theft.

DEFINITIONS (Continued)

No.	List of Definitions	Description of Definitions
8.	Administration	An established process or system to determine whether a responsible party should be held financially liable.
9.	Appointing Authority	An individual designated in writing by the approving authority. The approving authority may act as the appointing authority. The appointing authority appoints financial liability officers, if required; approves or disapproves the recommendations of the accountable property officer, reviewing authority, or financial liability officer; and recommends actions to the approving authority. The appointing authority is normally senior to the reviewing authority, accountable property officer, and financial liability officer.
10.	Approving Authority	The approving authority makes determinations to either relieve involved individuals from responsibility and/or accountability or approve the assessment of financial liability. The approving authority may act as the appointing authority or designate an appointing authority in writing. DoD Component regulations must designate who may serve as the approving and appointing authority. The approving authority is normally senior to the appointing authority.
11.	Collective Liability	Where more than one individual may be liable for a debt, both collectively or individually.
12.	Commander	An individual vested with command authority in a DoD Component.

DEFINITIONS (Continued)

No.	List of Definitions	Description of Definitions
13.	Contractor Acquired Property (CAP)	Any property acquired, fabricated, or otherwise provided by the contractor for performing a contract, and to which the Government has title. Although the Government may have the title, CAP has not yet been delivered. CAP that is subsequently delivered to the Government for use on the same or another contract is considered Government Furnished Property. See definition 20, "Government Furnished Property."
14.	Controlled Inventory Items	Those items designated as having characteristics that require that they be identified, accounted for, secured, segregated, or handled in a special manner to ensure their safekeeping and integrity. Controlled inventory items in descending order of the degree of control normally exercised are: a. Classified Items. Materiel that requires protection in the interest of national security. b. Sensitive Items. Materiel which requires a high degree of protection and control due to statutory requirement or regulations, such as narcotics and drug abuse items; precious metals; items which are of a high value, highly technical, or a hazardous nature; and small arms, ammunition, explosives, and demolition materiel. c. Pilferable Items. Materiel having a ready resale value or application to personal possession and which is, therefore, especially subject to theft.
15.	Culpability	Determination of fault.
16.	Deliberate Unauthorized Use	Willful or intentional use without right, permit, or authority.
17.	Determination of Proximate Cause	Ascertaining whether the loss, damage, destruction, or theft was proximately caused by an individual's negligence or abuse.
18.	Financial Liability	The statutory obligation of an individual to reimburse the government for lost, damaged, or destroyed government property as a result of negligence or abuse.

DEFINITIONS (Continued)

No.	List of Definitions	Description of Definitions
19.	Financial Liability Officer	An individual who is appointed in writing by the appointing authority to conduct an investigation to determine responsibility for loss, damage, or destruction of government property. Individuals so appointed must not be the accountable property officer, property custodian, or otherwise have any direct interest in the property being investigated. The individual must be a commissioned officer, warrant officer, enlisted member in grades E-7, E-8, or E-9, or a civilian employee GS-07 or above. However, the financial liability officer is normally senior to the person(s) directly involved with the discrepancy. The appointing authority may act as the financial liability officer.
20.	Government Furnished Property	Any property in the possession of, or directly acquired by, the Government and subsequently furnished to the contractor for performance of a contract. CAP that is subsequently delivered to the Government for use on the same or another contract is considered Government Furnished Property. See definition 13, "Contractor Acquired Property."
21.	Gross Negligence	An extreme departure from the course of action to be expected of a reasonably prudent person, all circumstances being considered. The act is characterized by a reckless, deliberate, or wanton disregard of foreseeable consequences.
22.	Inquiry	An informal process of ascertaining the facts, circumstances, and cause of the loss, damage, destruction, or theft.
23.	Inventory	Tangible personal property that is held for sale, in the process of production for sale, or to be consumed in the production of goods for sale or in the provision of services for a fee.

DEFINITIONS (Continued)

No.	List of Definitions	Description of Definitions
24.	Investigation	A formal proceeding for determining the facts and circumstances related to loss, damage, destruction, or theft of government property; determining the present condition of such property; receiving recommendations as to disposition, retention, and further accountability for such property; or determining the responsibility for loss, gain, damage, or destruction of government property.
25.	Liability	The state of being responsible or answerable for the loss, gain, damage, or destruction of government property.
26.	Negligence	The failure to act as a reasonable prudent person would have acted under similar circumstances. An act or omission that a reasonably prudent person would not have committed or omitted under similar circumstances and which is the proximate cause of the loss of, damage to, or destruction of government property. Failure to comply with existing laws, regulations, or procedures may be considered evidence of negligence.
27.	Probable Cause	Reasonable grounds for belief.
28.	Property Custodian	Also known as the responsible officer. An individual appointed by the accountable property officer, who accepts custodial responsibility for property, typically by signing a hand receipt. The property custodian is directly responsible for the physical custody of accountable property under their control. See Definition 32, “Responsible Officer.”
29.	Proximate Cause	The cause that, in a natural and continuous sequence of events unbroken by a new cause, produced the loss or damage. Without this cause the loss, gain, or damage would not have occurred. It is further defined as the primary moving cause, or the predominant cause, from which the loss, gain, or damage follows as a natural, direct, and immediate consequence.
30.	Record	All forms of information (e.g., narrative, graphic data, and computer memory) are registered in either temporary or permanent form so that they can be retrieved, reproduced, or preserved.

DEFINITIONS (Continued)

No.	List of Definitions	Description of Definitions
31.	Research	An investigation of potential or actual discrepancies between physical count and recorded balances. The purpose of the research is to determine the correct balance and determine the cause of discrepancies. There are three types of research: a. Post count Validation. A comparison of physical count with potential recorded balances or another count, with consideration of transactions that have occurred recently. The purpose of post count validation is to determine the validity of the count. Post count validation research ends when the accuracy of the count has been verified or when any necessary recounts have been taken. b. Pre-adjustment Research. A review of potential discrepancies, which involves the consideration of recent transactions and verification of catalog data. The purpose of pre-adjustment research is to determine the correct balance. Pre-adjustment research ends when the balance has been verified or the adjustment quantity determined (see DLM 4000.25-V2). c. Causative Research. An investigation of discrepancies (i.e., gains and losses) consisting of (as a minimum) a complete review of all transactions to include supporting documentation: catalog change actions, shipment discrepancies, and unposted or rejected documentation occurring since the last completed inventory; the last location reconciliation which included quantity; or back one year whichever is sooner. The purpose of causative research is to identify, analyze, and evaluate the cause of inventory discrepancies with the aim of eliminating repetitive errors. Causative research ends when the cause of the discrepancy has been discovered or when, after review of the transactions, no conclusive findings are possible.

DEFINITIONS (Continued)

No.	List of Definitions	Description of Definitions
32.	Responsible Officer	An individual appointed by the accountable property officer, who accepts custodial responsibility for property, typically by signing a hand receipt. The property custodian is directly responsible for the physical custody of accountable property under their control. Also known as a property custodian. See definition 28, "Property Custodian."
33.	Responsibility	The requirement is placed on an organization or individual who acts as the custodian of another individual's property by controlling, supervising, and managing the property in their care.
34.	Reviewing Authority	An individual designated in writing by the approving authority to review and analyze the results of supply system stock research.
35.	Simple Negligence	See definition 26, "Negligence."
36.	Standard Price	The unit price of an item, as it is recorded in the Standard Catalog for use in financial and accountable records of the holding service or agency. (An item not included in the appropriate service or agency pricing catalog must be priced at original cost, if available, or if not known, at fair market value, as stated in paragraph 2.8.1.2).
37.	Stock Record	A perpetual inventory form of record that shows by nomenclature the quantities received, issued, and the balance on hand. The stock record must show by item the receipt, issue, and transfer of accountability of property; the balances on hand; and such other identifying or stock control data as required. See DLM 4000.25-V2.
38.	Supply System Materiel	Supply system materiel refers to those inventories, wholesale and below wholesale, where a stock record account is required to be maintained. See DLM 4000.25-V2.

DEFINITIONS (Continued)

No.	List of Definitions	Description of Definitions
39.	Value	The financial value of an item. Typically, the original acquisition cost or, in the case of capital equipment, the full cost or net book value.
40.	Willful Misconduct	Intentional damage, destruction, misappropriation, or loss of government property.

VOLUME 12, CHAPTER 8: "FOREIGN NATIONAL EMPLOYEES SEPARATION PAY ACCOUNT, DEFENSE"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated April 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and language to comply with current guidance and increase readability.	Revision

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CHAPTER 8

FOREIGN NATIONAL EMPLOYEES SEPARATION PAY ACCOUNT, DEFENSE

1.0 GENERAL

1.1 Purpose

This chapter specifies policy applicable to the United States Department of the Treasury (Treasury) "Foreign National Employees Separation Pay Account, Defense" account. Except as provided herein, all separation payments for Department of Defense (DoD) foreign national employees must be made from this account. All amounts that were obligated for such separation payments, but not expended before enactment, must be transferred to this account. Similar amounts obligated after enactment must also be transferred into this account on a quarterly basis. Amounts in the account remain available until expended.

1.2 Authoritative Guidance

1.2.1. The National Defense Authorization Act ***(NDAA) for Fiscal Years 1992*** and 1993 authorized a trust fund account to accumulate funds to finance obligations for separation payments to foreign national employees of the DoD. The ***NDAA for Fiscal Year 1995*** extended this authorization to include foreign nationals employed by a foreign government, for the benefit of DoD, under any of the following agreements that provide for separation pay: (1) a contract, (2) a treaty, or (3) a memorandum of understanding with a foreign nation. Title 10, United States Code, section 1581 (***10 U.S.C. § 1581***), "Foreign National Employees Separation Pay Account," provides for the establishment and operation of this account. The use of the term "foreign national employees" in this chapter is meant to apply to both foreign national direct and indirect hire employees. ***10 U.S.C. § 1592*** establishes that funds in the "Foreign National Employees Separation Pay Account, Defense" account may not be used to pay severance pay to a foreign national employed by DoD that provides for payment of separation pay if the separation of the employment of the foreign national is the result of the closing of, or the curtailment of activities at, a United States military facility in that country at the request of the government of that country.

1.2.2. This guidance applies to all DoD appropriations. This guidance does not apply to activities under the Defense Working Capital Fund (DWCF). DWCF activities must continue to make necessary foreign national employee severance payments under established DWCF procedures. This guidance also does not apply to the Foreign Military Sales (FMS) Trust Fund. The FMS Trust Fund activities must continue to accrue and disburse separation pay to their foreign national employees from the FMS Trust Fund. Use of non-appropriated funds (NAF) to pay for severance or separation entitlements, accrued during periods of employment with appropriated funded (APF) entities is prohibited.

2.0 POLICY

2.1 Calculations

Foreign national employees' separation pay must be determined and calculated at the installation level in accordance with applicable host country agreements. These amounts must be obligated in the full amount of the liability that accrues during the fiscal year, without regard to whether the amount is currently payable. Disburse these amounts from the Treasury "Foreign National Employees Separation Pay Account, Defense," 097X8165. The applicable Treasury receipt account is 097X8165.001, "Employing Agency Contributions, Defense." Find additional guidance on obligations for separation allowances for foreign national employees in Volume 3, Chapter 8.

2.2 Pay Accruals

Transfer foreign national employee separation pay accruals (obligations) quarterly to the "Foreign National Employees Separation Pay Account, Defense." Transfer amounts via a Standard Form (SF) 1081, "Voucher and Schedule of Withdrawals and Credits."

2.3 Director, Defense Finance and Accounting Service

The Director, Defense Finance and Accounting Service (DFAS) must administer the account as well as perform related accounting functions.

2.4 Administrative Subdivisions

Establish administrative subdivisions within the account for each DoD Component that budgets for foreign national employee separation pay. Record deposits into and payments from the account in the applicable DoD Component subdivision.

2.5 Disbursements

Except for those organizations operating within the DWCF and the FMS Trust Fund disburse, all separation payments for foreign national employees paid from DoD appropriations from the "Foreign National Employees Separation Pay Account, Defense." Forward requests for authorization to disburse from this account to the appropriate servicing DFAS site. Forward a copy of the backup documents to the DFAS Indianapolis, Enterprise Accounting and Audit Support, Trust Funds Accounting and Reporting Operations mailbox at: dfas.indianapolis-in.jja.mbx.cin-jjra@mail.mil.

2.6 Transfers

Transfers into the "Foreign National Employees Separation Pay Account, Defense" must be made as follows:

2.6.1. Transfer all amounts accrued (obligated) for foreign national employee separation pay liability during each fiscal year by any DoD Component into the account quarterly via an SF 1081. Forward a copy of the backup documents to DFAS Indianapolis, Enterprise Accounting and Audit Support, Trust Funds Accounting and Reporting Operations mailbox at: dfas.indianapolis-in.jja.mbx.cin-jjra@mail.mil.

2.6.2. Obligate and transfer additional amounts from funds otherwise available to a DoD Component into the account under authority provided in the 10 U.S.C. § 1581, when payments from a DoD Component's subdivision of the account exceed the balance in that Component's subdivision. These transfers must equal the amount of the payment in excess of the balance of the DoD Component's subdivision of the account, plus any amounts accrued but not currently payable. Find additional guidance on the transfer of a foreign national employee from one DoD Component to another in Volume 3, Chapter 8.

2.6.3. Each DoD Component, in conjunction with the Director, DFAS, or designee, must perform at least an annual review of the amounts in its respective account subdivision and compare such amounts to its foreign national separation pay liabilities to ensure sufficient funds have been obligated for future payment. Both parties must certify the accuracy of the information. Conduct this annual review each April. DFAS and the other DoD Components also must maintain an audit trail of accounting records and ensure the establishment of an effective internal control system for the entire account.

2.7 Deobligations

Each DoD Component must notify its supporting DFAS site of all deobligation transactions, adjustments, and corrections, in a timely and accurate manner. The respective site will record adjustments and corrections in the accounting records.

2.8 Availability of Deobligated Amounts

Maintain amounts deobligated by DoD Components in the account for 2 years from the date of deobligation for recording, adjusting, and liquidating amounts properly chargeable to the liability of the respective DoD Component. Cancel any such deobligated amount remaining after the 2 years.

3.0 SUBSEQUENT DISBURSEMENTS

3.1 Validation of Funds Availability

Local disbursing offices and the Department of State may continue to make disbursements for foreign national employee separation payments, when approved by DFAS, using DoD cross-disbursement procedures. Each DoD Component and non-DoD office (e.g., Department of State) must coordinate its disbursement/cross-disbursement actions with the supporting DFAS site to validate the availability of funds prior to disbursement.

A positive balance in the account is necessary prior to payment; therefore, both DoD and non-DoD activities will verify from the supporting DFAS site that sufficient funds are available prior to submitting vouchers to servicing disbursing offices for employee payments.

3.2 Cross-Disbursements

When cross-disbursements procedures are used, the appropriate DFAS site must be advised prior to each actual disbursement. Find additional guidance on cross-disbursement transactions in Volume 3, Chapter 11.

4.0 RESPONSIBILITIES

4.1 DFAS Indianapolis- Enterprise Accounting and Audit Support, Trust Funds Accounting and Reporting

4.1.1. Oversee the recording and reporting of all required accounting information. Perform the required reporting and reconciliation of cash in the Treasury.

4.1.2. Maintain a general ledger account structure with necessary subsidiary ledgers to support the various accounts. Also accurately maintain subsidiary ledgers and an audit trail. The detailed subsidiary ledgers may remain at the supporting DFAS sites or DoD Component field level activities.

4.1.3. Process all accounting transactions through the accounting network in a timely and accurate manner.

4.1.4. Provide accurate and timely accounting service to customers, e.g., DoD Components, upon request. Coordinate the accounting process with other DFAS sites.

4.1.5. Perform a positive funds control function and alert the DoD Components when necessary to ensure a timely transfer, based on available information.

4.1.6. Provide a point of contact with telephone, email address, and fax numbers to the DoD Components.

4.2 DoD Components

4.2.1. Determine the obligation amount and notify the supporting DFAS site in a timely manner to accomplish the quarterly transfer. This information will be the basis for future SF 1081 processing and for updating the accounting records.

4.2.2. Process the SF 1081 and return a copy to the supporting DFAS site in a timely manner.

4.2.3. Manage all pertinent agreements regarding DoD foreign national employees. Forward a copy of all agreements and/or arrangements, including changes and amendments, to the supporting DFAS site.

4.2.4. Notify the supporting DFAS site of all changes, adjustments, or cancellations of previously reported information at least monthly.

4.2.5. Provide the supporting DFAS site with a point of contact, telephone, email address, fax numbers, and current mailing address.

VOLUME 12, CHAPTER 9: "INTERNATIONAL AGREEMENTS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*****.**

The previous version dated October 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
5.2.1. (090502.A)	Deleted obligation determination	Clarification
5.5.3. (090505.C)	Deleted. Incorporated relevant guidance in paragraph 5.5.1.	Update
TABLE 9-3	Updated. Changed title to remove 'Number of Participants' and replaced with 'Benefitting Assets' before and at the end of the table.	Update

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CHAPTER 9

INTERNATIONAL AGREEMENTS

1.0 OVERVIEW (0901)

1.1 Purpose (090101)

This chapter establishes the financial procedures that shall be followed when DoD Components initiate, develop, and request formal review of international agreements and any annexes, appendices, amendments, or modifications thereto.

2.0 GENERAL (0902)

2.1 International Agreement Document (090201)

The term "international agreement" includes any document, among others, identified as an international agreement, memorandum of understanding, memorandum of agreement, memorandum of arrangement, exchange of notes, exchange of letters, or technical arrangement with one or more foreign governments (including their agencies, instrumentalities, or political subdivisions) or with an international organization. It does not include Foreign Military Sales (FMS) transactions and contracts entered into under the provisions of the Federal Acquisition Regulation or agreements financed with security assistance funds. The latter agreements are implemented under provisions identified in Volume 15.

2.2 International Agreement Design For Coordination (090202)

Each international agreement submitted for coordination must contain a fiscal and legal memorandum in accordance with ***DoD Directive 5530.3***, "International Agreements," paragraphs 9.3.2 and 9.3.3, or a Summary Statement of Intent (SSOI) in accordance with ***DoD Instruction 5000.2***, "Operation of Defense Acquisition System," Enclosure 9, section E9.4.1 and the ***Defense Acquisition Guidebook***, Chapter 1 Supplement, The fiscal memorandum shall identify all financial implications of the agreement and provide all information required for a complete understanding and analysis of those implications. The legal memorandum shall identify the statutory authority for any obligation or expenditure of United States (U.S.) appropriated or nonappropriated funds involved in the agreement, as well as the legal basis for any use of U.S. Government property by or on behalf of a foreign government or international organization contemplated by the agreement. The SSOI, in addition to providing information on the fiscal implications and the legal basis for the agreement, provides information such as overview, objective, partner nations, project management, benefits/risks to the U.S., potential industrial base impact, procurement, information security and technology transfer, and points of contact. It is the responsibility of the proponent to provide the references and details supporting the agreement as requested by the approving officials.

3.0 LEGAL CONSIDERATIONS (0903)

3.1 General (090301)

Legal authority information is critical to the preparation of an agreement and is the basis for determining the legal authority for entering into the agreement and subsequent financial requirements. The legal information is used by financial management officials to review applicable international agreements and determine the existence of any special pricing or funding requirements. The legal information normally provides the following, as relevant:

3.1.1. Special Legal Pricing Requirements. The legislative authority to enter into an agreement also may mandate special pricing requirements on the U.S. Thus, the legal authority information shall identify any peculiar pricing that must be reflected in the agreement. In the absence of specific legal authority to price on other than a full cost basis, DoD services and materials shall be priced on a full cost basis.

3.1.2. Legal Requirement for the Disposition of Monies Collected by the Department of Defense (DoD). Amounts collected as reimbursements for DoD material or services or new procurements must be deposited into the miscellaneous receipts of the U.S. Treasury, unless there is specific legal authority to credit collections to a DoD appropriation or fund. Options available for deposit of collections include deposit to an appropriation account, a commercial bank account, or a U.S. Treasury deposit account.

3.1.3. Legal Requirement for Recognition of Obligational Authority. Obligational authority can be created only to the extent that funds are collected and deposited into the U.S. Treasury and appropriated by Congress, unless there is express legal authority to create obligational authority on a dependable undertaking (contract authority) or other basis.

3.1.4. Special Prohibitions or Requirements on the Use of Appropriated Funds. The legal information section shall identify any special prohibitions or requirements on the use of appropriated funds in support of the agreement. These special prohibitions are in addition to the standing prohibitions discussed in paragraph 4.4. An example of a special requirement is when FMS credit funds are to be used to finance co-production or licensed production in a foreign country. The approval of such use requires the Secretary of State first to advise the Congress. (See section 42(b) of the Arms Export Control Act (***AECA***).)

4.0 FISCAL CONSIDERATIONS (0904)

The fiscal information in the fiscal memorandum or SSOI documents the various financial considerations involved in implementing an international agreement. Specific considerations to be included in the fiscal information are as follows:

4.1 Financing Sources for U.S. Costs (090401)

4.1.1. The fiscal information shall include a schedule of proposed financing sources to be used by the sponsoring DoD Component to implement the agreement. Financing sources may be

current appropriations or funds, provision for inclusion in the Future Years Defense Program (FYDP), or a statement of an intent to include in future program and/or budget requests or FYDPs. This information shall be in a schedule form by FY as illustrated in Table 9-1. When current appropriations or funds are to be used as a financing source, the fiscal information section shall identify the specific appropriation(s) or fund(s), the FYDP Program Element, the amount(s) available therein, and the respective amounts to be used. If the source of financing in current appropriations is in two accounts, the applicable sources of financing must be supported by details showing the specific financing appropriation account symbols.

4.1.2. If the proposed international agreement is, in fact, a firm order for goods or services, a formal certification of fund availability shall be included. Applicable funds shall be committed in accordance with Volume 3 of this Regulation.

4.2 Provisions for the Disposition of Funds Collected (090402)

The fiscal information section shall describe the planned disposition of any funds collected from the foreign country or international organization. The four possible alternatives for disposition of amounts collected are as follows:

4.2.1. Reimbursement to Financing DoD Appropriations or Funds. If reimbursements are to be returned to the financing DoD appropriation accounts, the fiscal memorandum or SSOI shall identify the accounts to be reimbursed. This identification need not specify the fiscal year of the appropriations. Normal reimbursable accounting procedures shall apply.

4.2.2. Deposit in the U.S. Treasury as Miscellaneous Receipts. Without statutory authority to reimburse DoD appropriations or funds or to make other disposition, collections shall be deposited into the U.S. Treasury as miscellaneous receipts. The miscellaneous receipt account to be credited with such collections shall be specified by the depositor. DoD accounting systems shall accumulate costs incurred on behalf of the other participant(s), establish an accounts receivable identified to the applicable miscellaneous receipts account and bill such amounts.

4.2.3. Deposit in a U.S. Treasury Deposit Account. If a Treasury deposit account has been established for the agreement, the fiscal memorandum shall identify the appropriate U.S. Treasury account symbol.

4.2.4. Deposit in a Commercial Bank Account

4.2.4.1. If execution of a proposed agreement contemplates use of a commercial bank account for a foreign country's funds, such a provision shall be included in the fiscal memorandum or SSOI with a description of intended bank account operation.

4.2.4.2. For contracts administered by DoD, two funding accounts must be cited: the DoD appropriation account for the U.S. share and the commercial bank account for the share of the other participant(s). The fund citation on the contract shall indicate the commercial bank account rather than the normal accounting classification code. In this case, only the Department can draw down on the commercial bank account.

4.3 Use of Amounts Credited (090403)

Foreign contributions collected by a DoD Component under terms of a cooperative project on a cost sharing basis from a foreign country or North Atlantic Treaty Organization (NATO) may be credited to a financing DoD appropriation or fund. Such contributions, however, are available only for the payment of the share of project expenses allocated to the foreign country or NATO making the contribution. The fiscal memorandum or SSOI shall certify that such collections will be used only for purposes as prescribed herein. Payments for which such amounts are available include the following:

4.3.1. Payments to contractors and other suppliers (including DoD and other participants acting as suppliers) for necessary articles and services.

4.3.2. Payments for any damages and costs resulting from the performance or cancellation of any contract or other obligation.

4.3.3. Payments or reimbursements of other program expenses, including program office overhead and administrative costs.

4.3.4. Refunds to other participants.

4.4 Availability of Financing Sources (090404)

There are two general prohibitions on the use of appropriated funds for international agreements. In addition, the legal section must identify any other applicable prohibitions. It is implicit in the identification of the financing sources set forth in paragraph 4.1, that funds are available. It is desirable, however, to include in the fiscal information section a certification that all legal and policy prohibitions on the use of funds have been complied with. The general prohibitions are as follows:

4.4.1. No funds designated by the Congress for NATO or major non-NATO cooperative research and development under ***10 U.S.C. 2350a*** may be used to procure equipment or services from any foreign government, foreign research organization, or other foreign entity (including NATO participants) to the agreement.

4.4.2. U.S. Government military assistance funds (i.e., Foreign Military Financing, FMS loans, and FMS credits) are not available to finance a foreign participant's share of the cost of a cooperative project authorized by section 27 of the ***AECA*** or a cooperative development project with a major non-NATO ally under ***10 U.S.C. 2350a***.

4.5 Financial and Nonfinancial Contributions (090405)

A contribution to an international agreement may be financial, nonfinancial, or both. Nonfinancial contributions may be in the form of defense articles or defense services needed for the cooperative project. In the event that the contribution is nonfinancial, a price analysis must be made to ensure the valuation assigned to such nonfinancial contribution is fair and reasonable. The fiscal information section shall summarize the results of such an analysis. The price analysis shall be based on prior cost experience for the nonfinancial contribution to be provided. When a foreign contribution is in the form of foreign currency or the awarding of a contract in a foreign country, the foreign currency contribution generally shall be valued at the exchange rate current at the time that the agreement is prepared. There shall be no subsequent modification of the valuation because of changes in the currency exchange rate. The fiscal memorandum or SSOI shall display the value of the currency in terms of U.S. dollars.

4.6 Valuation of Nonfinancial Contributions (090406)

The value of all nonfinancial (background data/information, software, services, military and civilian labor, materiel, equipment, and facilities) contributions to an agreement is to be determined and considered for the evaluation of equitableness of the proposed project. The fiscal memorandum or financial section of the SSOI shall describe the nonfinancial contributions, indicate their value, and state the method used in determining the valuation. The nonfinancial contributions shall also be valued in terms of U.S. dollars in the fiscal memorandum or SSOI. The alternatives for determining the value of nonfinancial contributions are as follows:

4.6.1. Full Costs. Volume 11A, Chapter 1 provides guidance on the specific cost elements and identification methods for pricing sales to private parties. These same methods shall be followed in valuing nonfinancial contributions to an international agreement.

4.6.2. Other Than Full Costs. An agreement that requires the identification or use of less than full cost is normally authorized only when a reciprocal pricing agreement has been entered into by the Department and the other party (parties) to the agreement. The agreement shall demonstrate that costs to be excluded mutually have not been considered by the other party in a determination of equitableness.

4.6.3. Cost Recoupment Waivers. In the event that less than full cost is being identified on the basis of a cost waiver, the legal authority for the waiver, the date of the waiver, and its approving authority must be provided in the SSOI. Copies of such waivers shall be made available on request.

4.7 Reasonable and Necessary Expense (090407)

Any obligation of DoD appropriations under an international agreement must be supported by a showing that it is a reasonable and necessary expense required for the accomplishment of DoD missions, unless the use of DoD funds for other than a DoD mission specifically is authorized by statute.

5.0 PROPOSED AGREEMENT (0905)

5.1 Financial Policies and Appropriate Cross References (090501)

An agreement must contain language that implements the requirements established by U.S. law and regulation. This section discusses the financial policies that must be followed and provides appropriate cross references to other parts of this Regulation that provide more specific guidance.

5.2 Fund Availability Qualification (090502)

5.2.1. Because agreements may involve future years for which the Congress has not yet appropriated funds, all agreements that require that DoD provide financial contributions shall contain a funds availability clause to prevent a premature recording of an obligation against a future year's appropriation.

5.2.2. Examples of typical fund availability qualification clauses inserted in an international agreement follow:

5.2.2.1. "All undertakings of the U.S. Government under this agreement and any annexes, appendices, amendments, or modifications thereto, are expressly subject to the availability of U.S. funds for such purpose."

5.2.2.2. "The obligations of each participant under this agreement are subject to the availability of funds for those purposes."

5.3 Reconciliation of Agreement Dollar Value to Financing Sources (090503)

An international agreement must set forth the dollar value of the agreement and portions of the dollar value that must be borne by each participant. This cost sharing may be in the form of monies or nonfinancial contributions. A preliminary requirement is to ensure that any obligations that the Department may be required to incur in implementation of the agreement have been identified in the fiscal information section. Nonfinancial contributions, described in the scope section, may be valued in the fiscal information section as part of the overall financial contributions, or described solely in the scope section without valuation in the financial information section. The financial information in the fiscal memorandum or SSOI will value all financial and nonfinancial contributions identified in the international agreement.

5.4 Adherence to Prescribed Pricing Rules 090504)

5.4.1. In the event that an international agreement provides for nonfinancial contributions, there must be assurance that proper pricing procedures have been followed. Paragraphs 4.5 and 4.6 of this chapter discuss special requirements that may be applicable to certain agreements. The text of an agreement must be reviewed carefully to ensure compliance with these paragraphs. An area of special pricing attention is charges for existing DoD technical data and computer software, or the use of equipment or facilities.

5.4.2. Preexisting technical data and computer software or such data developed outside the scope of an agreement is normally referred to as background data. When background data is a nonfinancial contribution, its value for determining equitability is its full (total) cost of development, adjusted for any special modifications, shipping, installation, etc. When the original development cost is unknown, background data should be valued at the cost of similar data, or the estimated cost to reconstruct the data.

5.4.3. Background data may be provided for use in furtherance of the purpose of an international agreement as long as it is used solely in connection with the purpose of the agreement. However, an agreement must specify that if the background information is used for any other purpose, approval of the originating participant must be obtained. The following specifics apply:

5.4.3.1. If the data are to be used for cooperative production purposes, the Department must receive appropriate financial credit as part of the DoD share of project cost, unless a cost recoupment waiver has been approved. Any provision for waiver shall be identified in the fiscal information section.

5.4.3.2. If the data is to be used for development and production purposes, a technology transfer fee may be applicable for the development phase. This fee may be offset by a nonrecurring cost recoupment charge when production occurs.

5.4.3.3. All background information exchanged shall be used only for the purposes of the agreement, and is not to be transferred to any third party without the approval of the originating participant.

5.4.4. Equipment and facilities provided for use in the furtherance of the purpose of an international agreement should be based on an amortized rate. This amortized rate should be based on the cost and useful life of the equipment or facilities, and applied to the length of time the equipment or facilities will be used in the furtherance of the purpose of the international agreement. Standard rates, if available, can also be used.

5.5 Determination of Program Equitableness (090505)

* 5.5.1. Public law and DoD policy require that international agreements that involve cost sharing be equitable. The U.S. and the other participants to an international agreement shall contribute their equitable share of the full cost in funds or in defense articles or services needed to execute the cooperative project, and shall receive their equitable share of the results of the cooperative project in the form of defense articles or services. A participant's cost share must be proportionately equal to the benefits it receives. The following methodology for determining equitability is in direct response to those requirements and is based on the authority of the Under Secretary of Defense (Comptroller) in accordance with ***10 U.S.C. 135*** and ***DoD Directive 5118.03***, "Under Secretary of Defense (Comptroller)/Chief Financial Office, Department of Defense," for establishing and supervising the execution of uniform DoD policies, principles, and procedures for international financial matters, including the adequacy of international financial agreements.

5.5.2. The SSOI or fiscal memorandum to a proposed international agreement must clearly explain why the agreement is considered equitable. Prior to approval of all proposed international agreements, a determination of agreement equitability must be made by the approving DoD officials. It is critical that sufficient detail and information be provided to clearly demonstrate to approving officials that the proposed international agreement is equitable.

5.5.3. Calculation of Expected Contribution. In support of an equitability determination by DoD approving officials, the expected contribution shall be calculated and presented in the SSOI or supporting documentation using one of the methods below:

5.5.3.1. Number of Participants Method. This is the preferred method of calculating the expected contribution for cooperative feasibility studies, research and development efforts, and test and evaluation programs, and for agreements that establish management or oversight program offices. It is the method that should be employed when estimated unit production quantities are not known or the number of benefiting assets is equal. Under the number of participants method, the expected contribution is determined by dividing the agreement costs by the number of participating nations. An equitable share is where all participating nations equally share the total cost and the benefits. An example of this method is provided in Table 9-2.

5.5.3.2. Estimated Unit Production Method. This is the preferred method of calculating the expected contribution for an agreement that cooperatively establishes a program for the production of defense articles or weapon systems. It is used when specific unit production quantities are known or can be estimated. Under the unit production method, the shares are considered to be equitable when the contribution is proportionately equal to the share of the program production to be received. An example of this method is provided in Table 9-3. An equitability statement is required in the SSOI or accompanying documentation, and it must clearly present the calculation showing production estimates in relation to the total cost of the international agreement or production program.

5.5.3.3. Benefiting Assets. This is the preferred method of calculating the expected contribution when the number of benefiting assets are known or can be estimated. Under the benefiting assets method, the shares are considered to be equitable when the contribution is proportionately equal to the number of assets that will be benefited. An example of this method would be Table 9-3 where the number of units is replaced with benefiting assets. An equitability statement is required in the SSOI or accompanying documentation, and it must clearly present the calculation showing benefiting assets in relation to the total cost of the international agreement.

5.5.3.4. Other Methods of Calculation. There may be situations when none of the above three methods apply, and another calculation is legally supportable. For example, where the U.S. has agreed by treaty to pay a specified percentage of the costs of the operations of an international organization. An equitability statement is required in the SSOI or accompanying documentation. The calculation and justification for use of that calculation must be clearly presented.

5.6 Sales and Transfers of Technical Data Developed Under an Agreement (090506)

An agreement should provide that, in the event technical data developed under the agreement is sold or transferred to third parties, a charge may be made to recoup a pro-rata share of each participant's investment. The agreement also must provide that background information and data developed outside the program not be retransferred without the prior approval of the owner of the information or data, and contain provisions for any applicable charges. For third party sales and transfers, or the addition of new participants, any recoupment charge for the information or data developed under the program must be shared on the basis of the participants' financial contribution to the development of the item or technology. The amount of the charge and the procedures for assessing and distributing it shall be determined mutually by the participants prior to the approval of any such third party sale consistent with the policies and laws of each participant. The agreement also should provide that any participant may reduce or waive the assessment of its share of the levy in accordance with its laws and policies. Furthermore, the agreement should provide for rights of use of information developed under the agreement for defense purposes of a participant without payment to the other participant(s).

5.7 Taxes, Duties, and Similar Charges (090507)

Agreements should provide that, insofar as existing laws and regulations permit, the participants shall use their best efforts to ensure that readily identifiable taxes, customs duties, and similar charges on the program components and services shall not be levied in connection with the project. If an agreement obligates the U.S. Government to bear the cost of any U.S. taxes, duties, or similar charges levied in connection with the program, the legal memorandum or SSOI must identify the legal authority for such U.S. obligation.

5.8 Advance of DoD Funds 090508)

5.8.1. An advance constitutes a disbursement of DoD funds before an authorized DoD official has certified that materials have been delivered or ordered services performed. An agreement shall not provide for DoD advance payments, unless the conditions for such advances, as set forth in Volume 4, Chapter 5 are met. An advance to a foreign country is authorized only when required for compliance with the laws and ministerial regulations of the foreign country and is further required by the agreement.

5.8.2. When possible, advances shall be made for no more than the amount necessary to fulfill the DoD share of project expenses for one month. Advances and prepayments shall not exceed the amount necessary to fulfill the DoD share of project expenses for a current fiscal quarter. If monies are paid in advance and deposited into commercial banks, provision must be made to ensure that the agreement requires:

5.8.2.1. Payment of interest at competitive rates;

5.8.2.2. Timely identification of interest earned by each party; and

5.8.2.3. Interest disposition in accordance with the participants' instructions.

5.8.3. The DoD share of funding required to support an international project shall be obtained in full by appropriation, and no part of such funding shall be derived from interest earnings on U.S. contributions. In view of this policy, the U.S. Government share of interest earned on U.S. advance payments must be returned to the U.S. Treasury Miscellaneous Receipts Account 3210, "General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified." The interest shall not be used to reduce a future call for funds, nor used for any project cost that would result in funding derived outside the appropriation process.

5.8.4. Advances of DoD funds in excess of 90 days or $5 million require consultation with the Department of the Treasury. Contact with the Department of the Treasury shall be through the Office of the Under Secretary of Defense (Comptroller).

5.9 Billing Requirements (090509)

When payments are to be made, the agreement or subsequent financial arrangements must include the following information:

5.9.1. Billing Cycle. Bills for incurred costs are to be rendered on a 30-day cycle. This is a U.S. Treasury requirement and must be adhered to by DoD. However, in the negotiation process and only at the initiation of other participants, agreement may be reached on up to a 90-day billing cycle.

5.9.2. Collecting Office. The agreement or subsequent financial arrangements shall provide the name and address of the organization to which payments shall be made. It also is desirable to set forth a position title and a telephone number to which questions may be addressed.

5.9.3. Paying Office or Offices. The agreement or subsequent financial arrangements shall provide the name and address of the organization that is responsible for making payments under the agreement. It also is desirable to set forth a telephone number and a position title to which questions may be addressed.

5.9.4. Payment Terms. The payment due date shall not be more than 30 days from the date of the invoice, date prepared.

5.9.5. Documentation in Support of Billings. The agreement or subsequent financial arrangements must identify the form of the bill and the specific supporting details.

5.9.6. Currency of Payment. Normally, payment shall be in the currency of the supplying nation or the lead country if joint financing is provided for in the agreement. The invoice shall identify the amount paid in foreign currency at the current exchange rate and the equivalent conversion rate in U.S. dollars.

5.10 Special Types of Agreements 090510)

5.10.1. Agreements for Reciprocal Exchange of Materials or Services. These agreements must set forth the time period allowed for exchange of materials and services. They also must set forth financial settlements that must be made if the exchange does not take place. DoD services or materials provided are priced in accordance with Volume 11A, Chapter 1.

5.10.2. Cooperative Research, Development, Test and Evaluation, Technical Data Exchange, Co-production, Licensed Production, and Related Standardization Agreements That Are Not Implemented through the Security Assistance Program. Full costs must be identified and shared equitably. Cost sharing may be accomplished through the following:

5.10.2.1. Pooling of monies and designation of a lead country to manage the program, collect cash, and award contracts. Specific shares of program cost are set forth in the agreement.

5.10.2.2. No pooling of monies or designation of a lead country. Specific efforts to be accomplished by each participating country and estimated costs of such efforts are set forth in the agreement.

TABLE 9-1: Example International Agreement Financing Schedule

($ in Millions)

Financing Sources	Current Year	Current Year + 1	Current Year + 2	Totals
U.S./PE 0603456	1.5	1.0	0.0	2.5
U.S./PE 0603567	0.0	0.5	1.0	1.5
France	1.5	1.5	1.0	4.0
Germany	1.5	1.5	1.0	4.0
Totals	4.5	4.5	3.0	12.0

TABLE 9-2: Calculation of Expected U.S. Contribution Using the Number of Participants Method

Step 1: Determine the total program cost to the U.S. and other participants.

U.S. Share	$150
Other Participants	300
Total Cost	$450

Step 2: Determine the percentage of the U.S. share of the total costs under the agreement.

U.S. Share	$150 = 33% share
Total Cost	450

Step 3: Determine the total number of participants and calculate the U.S. share on a percentage basis.

Total Participants	3
U.S.	1 = 33% U.S. as a percentage of Participants

Step 4: Compare the results of step two to step three. If the result of step two is equal to the result of step three, the U.S. appears to be paying an equitable share.

TABLE 9-3: Calculation of Expected U.S. Contribution Using the Benefitting Assets Method

Step 1: Determine the total program cost to the U.S. and other participants.

U.S. Share	$150
Other Participants	300
Total Cost	$450

Step 2: Determine the percentage of the U.S. share of the total costs under the agreement.

U.S. Share	$150 = 33% share
Total Cost	450

Step 3: Determine the total number of production units or benefiting assets under the agreement.

U.S. Units/Assets	20,000
Other Participants	40,000
Total Units/Assets	60,000

Step 4: Determine the percentage of the U.S. share of the total number of production units or benefiting assets under the agreement.

U.S. Units/Assets	20,000 = 33% share
Total Units/Assets	60,000

Step 5: Compare the results of step two to step four. If the result of step two is equal to that of step four, the U.S. appears to be paying an equitable share.

VOLUME 12, CHAPTER 10: "FUNDING CIVILIAN SEPARATION INCENTIVES AND CIVILIAN PERSONNEL TRANSITION INITIATIVE"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated April 2020 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
1.2.1	Updated guidance to include Public Law 101-510, Section 322 "Guidelines for Future Reductions of Civilian Employees of Industrial-type or Commercial-Type Activities."	Revision
2.1	Revised the description of separation incentives and outpatient subsidy to clarify the recipient and the maximum amount that DoD is allowed to pay under each category.	Revision
3.4	Clarified that a DoD Component-offered outplacement subsidy is offered to the gaining Federal agency, not the employee.	Revision
4.0	Removed verbiage to clarify that all Antideficiency Act provisions apply to all Federal agencies.	Deletion

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CHAPTER 10

FUNDING CIVILIAN SEPARATION INCENTIVES AND CIVILIAN PERSONNEL TRANSITION INITIATIVES

1.0 GENERAL

1.1 Purpose

The purpose of this chapter is to provide definitions and funding requirements to implement civilian separation incentives and civilian personnel transition initiatives.

1.2 Authoritative Guidance

The financial management policy and related requirements prescribed in this chapter are in accordance with the applicable provisions of the following sources:

*1.2.1. ***Public Law 101-510, Section 322.*** "Guidelines for Future Reductions of Civilian Employees of Industrial-type or Commercial-Type Activities."

1.2.2. Title 5, United States Code, Section 5724, ***(5 U.S.C. § 5724)***, "Travel and transportation expenses of employees transferred; advancement of funds; reimbursement on commuted basis."

1.2.3. ***5 U.S.C. § 9902 (f),*** "Department of Defense personnel authorities."

1.2.4. Department of Defense Instruction ***(DoDI) 1400.25, Volume 1700,*** "DoD Civilian Personnel Management System: Civilian Assistance and Re-Employment (CARE) Program."

1.2.5. ***DoDI 1400.25, Volume 1702,*** "DoD Civilian Personnel Management System: Voluntary Separation Programs."

2.0 OVERALL FUNDING POLICY DEFINITIONS

*2.1 Separation Incentives/Outplacement Subsidies

2.1.1 For the purpose of this policy, the term "civilian separation incentives" means resignation and retirement incentives and outplacement subsidies that may be used to encourage designated civilian employees to separate voluntarily from DoD.

2.1.2. Available separation incentives include Voluntary Separation Incentive Pay (VSIP), VSIP Phase II, Voluntary Early Retirement Authority (VERA), and Voluntary Reduction in Force (VRIF). The DoD activities may pay up to $25,000 (before taxes and deductions) from appropriations, funds, or accounts available for such purposes for the voluntary resignation, early retirement, or optional retirement of a designated civilian employee.

2.1.3. Outplacement subsidies are used as an incentive for other Federal agencies to hire employees displaced by reduction in force (RIF) or transfer of function. DoD activities may pay up to $20,000 from appropriations, funds, or accounts available for such purposes. The payment is for Permanent Change of Station (PCS) costs incurred by another Federal agency when that agency hires any DoD employee in a surplus skill category who is subject to RIF. See paragraph 3.4.

2.2 Audit Readiness/Internal Procedures

Each DoD Component must develop and implement internal operating procedures and/or guidance to implement this overarching policy in a manner that ensures accurate, timely, and relevant reporting of financial data. Relevant records supporting financial statements must be maintained and made available during financial statement audits.

2.3 Recording Funding Obligations

Funds for separation incentives and outplacement subsidies must be obligated when an employee accepts the offer of an incentive payment. The obligation must be recorded in DoD Standard General Ledger account 640000, "Benefits Expense," and reported as object class 13.0, "Benefits for former personnel" for separation incentive and object class 12.1 for outplacement subsidies. Refer to the Office of the Deputy Chief Financial Officer Standard Financial Information Structure ***(SFIS)*** for additional information on account descriptions, and Office of Management and Budget ***(OMB) Circulars,*** Circular A-11, Section 83 for additional information on object class codes.

3.0 SPECIFIC FUNDING POLICIES FOR DIFFERENT TYPES OF EMPLOYEES

3.1 Civilian Separation

A DoD Component that offers civilian separation incentives to an employee, in order to induce the voluntary separation of that employee to create a vacancy for another employee of the same DoD Component, must fund the resulting separation payments from the applicable appropriation, fund or account that otherwise is available to pay for salaries and expenses of that DoD Component. The source of VSIP funds may include a Defense Working Capital Fund (DWCF) for employees of a DWCF-funded activity. DoD central account funding is not provided.

3.2 Base Realignment and Closure Act

Congress amended the Base Realignment and Closure (BRAC) statute in the Fiscal Year 2013 National Defense Authorization Act and created a single Treasury account known as the "Department of Defense Base Closure Account" to improve the BRAC program's overall efficiency and effectiveness. The Defense Base Closure Account is available for payment of separation incentives when determined necessary to implement a BRAC recommendation. The departmental policy contained in Volume 2B, Chapter 7 provides the general criterion to apply costs to the DoD Base Realignment and Closure Account.

3.3 Foreign Military Sales Trust Fund

For employees paid from, or whose salaries are fully reimbursed by, the Foreign Military Sales (FMS) Trust Fund, an offer of separation incentives or civilian personnel transition initiatives (either to an FMS Fund civilian employee or to a non-FMS Fund civilian employee to benefit an FMS Fund civilian employee) must be funded as follows:

3.3.1. Separation incentives offered to an FMS civilian employee, in order to induce a voluntary separation of the FMS civilian employee, with the elimination of that FMS civilian employee position, must be paid by the FMS Fund.

3.3.2. Separation incentives offered to an FMS civilian employee, in order to create a vacancy within the same DoD Component for another FMS civilian employee who otherwise would be separated, must be paid by the FMS Fund.

3.3.3. Separation incentives offered to a non-FMS civilian employee, in order to create a vacancy for an FMS civilian employee who otherwise would have been separated, where the FMS civilian employee continues fully to support the FMS program, must be paid by the FMS Fund.

3.3.4. Any costs of outplacement subsidy described in paragraph 3.4, for an FMS civilian employee, must be funded by the FMS Fund.

3.3.5. No other separation payments are chargeable to the FMS Fund.

*3.4 Placements Outside the Department

DoD activities may pay up to $20,000 (subject to the availability of funds) in outplacement subsidy for Permanent Change of Station (PCS) costs associated with placement of a surplus DoD employee with another Federal Agency as authorized under 5 U.S.C. §5724 and DoDI 1400.25, Volume 1702. When a DoD Component-offered outplacement subsidy is accepted by the gaining Federal agency, the DoD activity must notify the gaining agency that DoD funds may be billed up to $20,000 per employee or for the actual PCS costs, whichever is less. The notification must include the DoD fund citation to be billed and the address of the fiscal station paying the subsidy. Payment must be made by the applicable DoD activity based upon documentation of the amounts paid or to be paid to the employee by the gaining Federal Agency.

*4.0 CONTROLS OVER AVAILABLE FUNDS

Controls must be established to ensure that sufficient funds are available to cover projected requirements for employee acceptance of incentive offers and outplacement subsidies each quarter. Antideficiency Act provisions apply to the DoD Component appropriations, funds and accounts. Therefore, if available funds are projected to be inadequate to cover anticipated incentive program acceptances and outplacement subsidies; appropriate action must be taken. In this regard, the DoD Components either must cancel or withdraw incentive offers prior to employee acceptance, or obtain additional funds.

VOLUME 12, CHAPTER 11: "PRIVATIZATION OF DEFENSE UTILITY SYSTEMS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

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The previous version dated July 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision

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CHAPTER 11

PRIVATIZATION OF DEFENSE UTILITY SYSTEMS

1.0 GENERAL

1.1 Purpose

This chapter prescribes financial management policies to the implementation of statutory provisions of Title 10, United States Code, section 2688 (***10 U.S.C. § 2688***), "Utility Systems: Conveyance Authority." Section 2688 permits the Secretary of a Military Department to convey (i.e., transfer or pass title to) a utility system, or part of a utility system, under the Secretary's jurisdiction to a municipal, private, regional, district, or cooperative utility company, or other entity (this authority does not apply to utility projects constructed or operated by the Army Corps of Engineers under its civil works authority). A utility system is defined as any system used for the: (1) generation and supply of electric power, steam, hot water, or chilled water; (2) supply of natural gas; (3) treatment or supply of water; (4) collection or treatment of wastewater; or (5) transmission of telecommunications. The term "utility system" also includes (a) equipment, fixtures, structures, and other improvements utilized in connection with a utility system as defined and (b) real property, easements, and rights-of-way associated with a utility system as defined.

1.2 Authoritative Guidance

The ***10 U.S.C § 2925*** defines the annual reporting requirements related to Installations Energy Management, Energy Resilience, and Mission Assurance. The financial management policies in this chapter correspond with the Department of Defense Instruction ***(DoDI) 4170.11***, "Installation Energy Management." DoDI 4170.11 specifies that utilities privatization is the preferred method for modernizing and recapitalizing DoD utility systems. To this end, the Instruction requires that the Military Services must attempt to privatize those types of utility systems at every Active and Reserve Component installation within and outside the United States that is not designated for closure under a base closure law, "except where the Secretary of the Military Department has certified that the systems are exempt due to security reasons or where privatization is uneconomical." This guidance also assigns the office of primary responsibility for the Instruction to the Under Secretary of Defense for Acquisition and Sustainment.

2.0 CONVEYANCE OF UTILITY SYSTEMS

2.1 Consideration and Determination

Subsection 2688(c)(1) of 10 U.S.C. provides that the Secretary of a Military Department concerned may require as consideration for a conveyance an amount equal to the fair market value (as determined by the Secretary) of the right, title, or interest of the United States conveyed. Such consideration may take the form of a reduction in charges for utility services provided or a lump sum payment. Subsection 2688 does not itself constitute authority for the Secretary of a Military Department to convey a utility system without any consideration or cause to be inapplicable to

authorities that govern disposal of DoD real property and personal property. The Secretary concerned may authorize a contract for utility services to have a term in excess of 10 years, but not to exceed 50 years. The determination of cost effectiveness must be made using a business case analysis that includes an independent estimate of the level of investment that should be required to maintain adequate operation of the utility system over the proposed term of the contract or contract renewal. The business case analysis must also demonstrate how a privatized system will operate in a manner consistent with energy resilience and cybersecurity requirements and associated metrics provided to the conveyee to ensure that the reliability of the utility system meets mission requirements.

2.2 Reduction in Charges

A reduction in charges for utility services provided is acceptable consideration when the services are provided by the utility or entity obtaining the utility and the reduction in charges is provided to the military installation at which the utility system is located at the time of conveyance. In such circumstances, a reduction in charges for utility services provided is an exchange of dissimilar assets that does not result in a credit to an appropriation. The consideration (reduction) in such an exchange is considered an "Other Asset" (Account 199000), and the recorded asset is reduced by charges to "Operating Expenses/Program Costs" (Account 610000) over the life of the contract for utility services. Corresponding asset disposal losses must be recognized as described in ***Volume 4, Chapter 17***, "Expenses and Miscellaneous Items."

2.3 Lump Sum Payment

2.3.1. Provisions of 10 U.S.C. § 2688 provide that any lump sum cash payment received as consideration for the conveyance of a utility system must be credited, at the election of the Secretary concerned, to an appropriation of the Military Department available for:

2.3.1.1. The procurement of the same utility services as are provided by the utility system conveyed;

2.3.1.2. Carrying out energy savings or water conservation projects (as discussed in ***Chapter 12***, "Identification, Retention, and use of Energy and Water Conservation Savings"); or

2.3.1.3. Improvements to other utility systems.

2.3.2. A lump sum payment must be credited to the appropriation used to fund the types of base operating support costs described in subparagraph 2.3.1 at the location of the privatized utility system. In most cases, this will be an Operations and Maintenance appropriation. Approval of the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), Program/Budget (P/B) is required for the use of any other appropriation type, as described in paragraph 3.2.

2.3.3. The amount credited to an appropriation must be merged with the funds in that appropriation and must be available for obligation in the same period, for the same purposes, and subject to the same conditions and limitations as that appropriation. There is no provision in the

statute for extending the availability of such funds beyond the normal expiration date of the appropriation.

2.3.4. The conveyance of a utility system, for a lump sum payment, results in budgetary and proprietary accounting entries by the entity responsible for collection as follows:

2.3.4.1. Receipt of a lump sum payment is recorded in the budgetary accounts as an earned reimbursement, as described in ***Volume 3, Chapter 15***., "Receipt and Distribution of Budgetary Resources - Execution Level."

2.3.4.2. Receipt of a lump sum payment for the conveyance of a utility system is recorded in the proprietary accounts as a gain or loss on disposition of assets, as described in Volume 4, Chapter 17.

3.0 CONVEYANCE AUTHORIZATION AND AGENDA

3.1 Same Utility Service Procurements

Before utility conveyance proceeds may be used to procure the same utility services as those provided by the utility system conveyed, the organization receiving the funds must submit the proposed distribution of funds to Assistant Secretaries of the Military Departments' Financial Management and Comptroller (FM&C) for approval. The FM&C must notify the supporting Defense Finance and Accounting Service (DFAS) site of approved funds distributions.

3.2 Savings and Conservation Projects and Improvements

3.2.1. Receiving Organization. Before utility system conveyance proceeds may be used for carrying out energy savings or water conservation projects or improvements to other utility systems, the receiving organization must:

3.2.1.1. Prepare and submit to FM&C – for each major construction, minor construction, emergency construction, or Federal Energy Management Program project - the budget estimate data required by ***Volume 2B, Chapter 6***, "Military Construction/Family Housing Appropriations," using DoD Form 1391 ***(DD Form 1391),*** "FY__ Military Construction Project Data."

3.2.1.2. Ensure the required approval and funding authorization is received before the disbursement of funds.

3.2.1.3. Prepare the paperwork necessary for the disbursement of funds in accordance with ***Volume 5, Chapter 9***, "Disbursements."

3.2.1.4. Ensure any amount credited to an appropriation from a conveyance under 10 U.S.C. § 2688, is administered in accordance with the financial policy and guidance in Volume 3, Chapter 15.

3.2.2. FM&C. Before approving a receiving organization's request to carry out energy savings or water conservation projects or improvements to other utility systems, FM&C must:

3.2.2.1. Review the receiving organization's proposal submitted under subparagraph 3.2.1.1, and forward it to OUSD(C), P/B, Directorate for Military Personnel and Construction, for final approval.

3.2.2.2. Ensure required OUSD(C), P/B approval and funding authorization are received before the disbursement of funds is approved.

3.2.2.3. Provide funds control and reporting information to the supporting DFAS site.

3.2.2.4. Notify the receiving organization of the final decision and provide the funding authorization document.

3.2.3. OUSD(C), P/B, Directorate for Military Personnel and Construction

3.2.3.1. Before approving an FM&C request to carry out energy savings or water conservation projects or improvements to other utility systems, OUSD(C), P/B must:

3.2.3.1.1. Review the receiving organization's proposal submitted under subparagraph 3.2.1.1.

3.2.3.1.2. Prepare and submit any necessary apportionment and reapportionment schedule using the most current version of Standard Form 132, "Apportionment and Reapportionment Schedule," (e.g., for urgent unforeseen projects not already included in the Military Construction program) to the Office of Management and Budget (OMB) for approval. For detailed instructions, refer to ***OMB Circular A-11, Part 5, Section 185.15***.

3.2.3.1.3. Notify the FM&C of the final decision and OMB approval, and provide the funding authorization document.

3.2.3.2. Provide funds control and reporting information to Washington Headquarters Service (for Department-level appropriation accounting).

3.2.4. DFAS

3.2.4.1. The Military Services are responsible for ensuring that all funding authorization documents and expenditure transactions are complete and accurately reported to the DFAS Departmental Reporting System, Budgetary (DDRS-B).

3.2.4.2. The Director, DFAS, must account for and report to OMB and the U.S. Department of the Treasury on amounts credited to appropriations resulting from a conveyance under 10 U.S.C. 2688 and on any related fixed asset transactions.

VOLUME 12, CHAPTER 12: "ENERGY AND WATER SAVINGS AND REVENUE MANAGEMENT"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated September 2024 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Title	Changed title from "Identification, Retention, and Use of Energy and Water Conservation Savings" to "Energy and Water Savings and Revenue Management."	Revision
All	Updated hyperlinks and formatting updates in accordance with the Department of Defense Financial Management Regulation Revision Standard Operating Procedures.	Revision
All	Updates made throughout to account for modifications to Title 10, United States Code, section 2912 (10 U.S.C. § 2912) and 10 U.S.C. § 2913.	Revision
1.2.2 (previous version)	Removed statutory reference to the Fiscal Year 2021 National Defense Authorization Act section 2827 for Authoritative Guidance and reference.	Deletion
1.2.5, 1.2.6 (previous version)	Removed statutory reference to 10 U.S.C. § 2914 and 10 U.S.C. § 2915 as they do not address energy savings or revenues.	Deletion
2.6	Added definition and guidance on Utility Energy Service Contracts.	Addition
7.2	Added language from 10 U.S.C. § 2912(e) to Unobligated Balance Transfers.	Addition

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CHAPTER 12

ENERGY AND WATER SAVINGS AND REVENUE MANAGEMENT

1.0 GENERAL

1.1 Purpose

The Congress has enacted a series of measures aimed at strengthening energy and water security, resilience, and sustainability within the Department of Defense (DoD). This chapter establishes the financial management policy for identifying, retaining, and utilizing energy and water cost savings, as well as financial incentives and revenues derived from the sale of electricity. It provides comprehensive guidance on the receipt and use of utility incentives and water cost savings for conservation efforts; the availability and application of energy cost savings; the implementation of energy savings contracts and related activities; the sale of electricity generated from alternative energy and cogeneration facilities; and DoD participation in programs designed to manage energy demand or reduce energy consumption during peak periods.

1.2 Authoritative Guidance

1.2.1. Funds attributable to water cost savings realized under Title 10, United States Code, section 2866 (***10 U.S.C. § 2866***) "Water Conservation at Military Installations," must be used as prescribed in subparagraphs 1.2.2.1.1 and 1.2.2.1.2, provided that subparagraph 1.2.2.1.1 is for water conservation activities. Neither 10 U.S.C. § 2866 nor any provision in the Department's appropriations acts provides for the extended availability of such funds. Accordingly, only for the period for which they were appropriated makes such funds are available.

* 1.2.2. ***10 U.S.C. § 2912***, "Availability and Use of Energy Cost Savings," provides that an amount of funds appropriated to DoD for a fiscal year that is equal to the amount of energy cost savings realized by the Department, including financial benefits resulting from shared energy savings contracts pursuant to ***10 U.S.C. § 2913***, "Energy Savings Contracts and Activities," and in the case of operational energy, from both training and operational missions, must remain available for obligation for that fiscal year and the succeeding fiscal year, without additional authorization or appropriation.

1.2.2.1. With respect to installation energy cost savings, the amount that remains available for obligation must be used as follows:

1.2.2.1.1. One-half of the amount must be used for the implementation of additional energy resilience, mission assurance, weather damage repair and prevention, energy conservation, and energy security measures, including energy resilience and energy conservation construction projects, for buildings, facilities, or installations of the DoD, or related to vehicles and equipment of the DoD, which are designated, in accordance with regulations prescribed by the Secretary of Defense, by the head of the department, agency, or instrumentality that realized the savings.

1.2.2.1.2. One-half of the amount must be used at the installation at which the savings were realized, as determined by the commanding officer of such installation consistent with applicable law and regulations, for (a) improvements to existing military family housing units; (b) any unspecified minor construction project that will enhance the quality of life of personnel; or (c) any Morale, Welfare, and Recreation facility or service.

1.2.2.2. The amount that remains available for obligation that relates to operational energy cost savings realized by the Department must be used for the implementation of additional operational energy resilience, efficiencies, mission assurance, energy conservation, or energy security within the department, agency, or instrumentality that realized that savings.

* 1.2.3. 10 U.S.C. § 2913, "Energy savings contracts and activities," provides several directives and authorities to the Secretary of Defense to enable installations to enter into various types of agreements or participate in certain programs which enable energy savings. Much of this section provides clarifying or amplifying instruction to authorities otherwise afforded to the Secretary of Defense by ***42 U.S.C. § 8287*** through § 8287d and ***42 U.S.C. § 8256***.

1.2.3.1. Section § 2913(a) directs the Secretary of Defense to develop a simplified method of contracting for shared energy savings contract services that will accelerate the use of these contracts with respect to military installations and will reduce the administrative effort and cost on the part of DoD as well as the private sector. Contracts with shared energy savings contractors that have been selected competitively and approved by any gas or electric utility serving the department, agency, or instrumentality concerned may be provided for direct negotiation by the Secretary (by departments, agencies, and instrumentalities of DoD).

1.2.3.2. Section § 2913(b) directs the Secretary of Defense to permit and encourage DoD Components to participate in programs conducted by any gas or electric utility for the management of energy demand or for energy conservation.

1.2.3.3. Section 2913(c) authorizes the Secretary of Defense to authorize military installations to accept any financial incentive, goods, or services generally available from a State or local government or gas or electric utility, to adopt technologies and practices that the Secretary determines are in the interest of the US and consistent with the DoD's energy performance goals in order to facilitate the cost effectiveness of DoD participation in the agreements, contracts, and programs covered by this statute. Per 10 U.S.C. § 2912(d), gas or electric utilities must be deposited and utilize financial incentives in accordance with section 3.0.

1.2.3.4. Section 2913 (d) authorizes the Secretary of Defense to authorize the military department secretaries to enter into agreements with gas or electric utilities to design and implement cost-effective demand and conservation incentive programs (including energy management services, facilities alterations, and the installation and maintenance of energy saving devices and technologies by the utilities) to address the requirements and circumstances of the installation. It requires that if such an agreement provides for a utility to advance financing costs for the design or implementation of such a program to be repaid by the United States, that the cost of such advance may be recovered by the utility under terms no less favorable than those applicable to its most favored customer. Additionally, subject to the availability of appropriations, repayment

of such advanced costs must be made from funds available to a military department for the purchase of utility services. Lastly, it requires that title to any energy-saving device or technology installed at a military installation pursuant to such an agreement vest in the United States. It allows that such title may vest at such time during the term of the agreement, or upon expiration of the agreement, as determined to be in the best interests of the United States.

1.2.4. ***10 U.S.C. § 2916***, "Sale of Electricity from Alternate Energy and Cogeneration Production Facilities," provides that the Secretary of a military department may sell, contract to sell, or authorize the sale by a contractor to a public or private utility company of electrical energy generated from alternate energy or cogeneration type production facilities which are under the jurisdiction (or produced on land which is under the jurisdiction) of the Secretary concerned. The sale of such energy must be made under such regulations, for such periods, and at such prices as the Secretary concerned prescribes consistent with the Public Utility Regulatory Policies Act of 1978, and ***16 U.S.C. § 2601***, "Findings: Public Utility Regulatory Policies." Revenues from the sale of electricity must be deposited and utilized in accordance with section 4.0.

1.2.5. ***10 U.S.C. § 2919***, "Department of Defense Participation in Programs for Management of Energy Demand or Reduction of Energy Usage During Peak Periods," provides that the Secretary of Defense, the Secretaries of the military departments, the heads of the Defense Agencies, and the heads of the other instrumentalities of the Department are authorized to participate in demand response programs for the management of energy demand or the reduction of energy usage during peak periods conducted by any of the following: an electric utility; an independent system operator; a State agency; or a third party entity (such as a demand response aggregator or curtailment service provider) implementing demand response programs on behalf of an electric utility, independent system operator or State agency. Financial incentives received from such entity must be (a) received as a cost reduction in the utility bill for a facility; or (b) deposited into an Energy Savings Financial Incentives fund established under 10 U.S.C. § 2919(c) for use, to the extent provided for in an appropriations Act, by the military department, Defense Agency, or instrumentality receiving such financial incentive for energy management initiatives.

2.0 DEFINITIONS

The following definitions apply with respect to the identification, retention, and use of energy cost savings or energy sales:

2.1 Energy Savings Performance Contracts

An Energy Savings Performance Contract (ESPC) is a contract between the Federal government and an energy service company (ESCO) that allows agencies to accomplish energy and/ or water conservation measure projects for their facilities without up-front capital costs and without Congressional appropriations available at the time of contract issuance to pay for the improvements. Once the contract goes into performance, the contract's work must be repaid with annual appropriations using the accounts from which the savings were generated. 42 U.S.C. § 8287c(4) defines the "energy or water conservation measure" as applicable to an ESPC. The ESCO designs, implements, and arranges financing for an energy and/ or water

savings project that meets the Federal agency's needs. The ESCO guarantees that the improvements will generate savings sufficient to pay for the project over the term of the contract up to 25 years. If the energy and/ or water conservation measures installed by the ESCO do not deliver the guaranteed energy savings, the agency pays only an amount equal to the verified, not guaranteed, savings for that period. The ESCO must immediately determine the reasons for the under achieved energy and/ or water savings during that period. If it is determined that the ESCO-installed and maintained equipment and controls malfunctioned, then the ESCO must immediately correct the malfunction. If it is determined that the ESCO-installed and government-maintained equipment and controls malfunctioned, the guaranteed savings to the ESCO for that period may have to be repaid by the government to the ESCO. After the contract ends, any additional cost savings accrue to the agency. An extended availability account receives the additional savings, in accordance with section 3.0 for use as indicated in subparagraph 1.2.2. An ESPC is an alternative financing tool to reduce unnecessary energy and water use, modernize aging equipment, reduce maintenance costs, and deploy energy and water efficiency and resilience technologies. See ***DoD Instruction 4170.11***, Installation Energy Management, for further details on ESPC. 10 U.S.C. § 2913(a) and 42 U.S.C. § 8287 authorizes such contracts.

2.2 Energy Cost Savings

Energy cost savings, for the purposes of 10 U.S.C. § 2912, are savings realized as the result of a reduction in the cost of energy, or the amount equivalent to avoided cost from energy not consumed, during the period in question. Energy cost savings are determined by metering or by other methodology, such as professionally acceptable engineering or economic models and estimates, as determined appropriate by the Component Head. The types of energy commodities to be included in their programs may be defined by the Component Head or designee. As per subparagraph 1.2.1, water is excluded as a commodity for this purpose. Energy cost savings are exempt from the funds remaining after an energy bill is paid or additional unobligated funding becomes available in an amount equivalent to avoided cost from energy not consumed during the previous fiscal year.

2.3 Extended Availability of Funds

Except as stated in subparagraph 1.2.1, pursuant to 10 U.S.C. § 2912, savings realized by DoD and transferred to an extended availability account, including financial benefits, remain available for obligation for the current fiscal year and the succeeding fiscal year in accordance with subparagraph 1.2.2, without additional authorization or appropriation.

2.4 Extended Availability of Funds Account

An account established for each appropriation to which identified energy cost savings and unobligated balances resulting from such energy cost savings, or a portion thereof, are transferred. The balances in this account remain available for obligation under 10 U.S.C. § 2912(b) or (c) for that fiscal year and the succeeding fiscal year, without additional authorization or appropriation. The Military Department realizing the savings must retain, an equivalent amount of funding in the extended year account, using appropriately established financial management accounting codes to separate the funding (i.e., 50 percent of the savings amount for the military department and

50 percent for installation energy; savings for operational energy) to use in accordance with subparagraph 1.2.2.

2.5 Component Head or Designee

The Secretary of a military department, the Director of a defense agency, or individual designated to act for the Secretary of a military department or the Director of a defense agency for the purposes of executing the duties, functions, and responsibilities set forth in this chapter. Refer to the Secretary concerned, or designee when a provision is applicable only to the military departments.

*2.6 Utility Energy Service Contract

A Utility Energy Service Contract (UESC) is a limited-source acquisition between the Federal Government and an installation's serving utility for energy or water management services, including energy or water conservation measures and energy demand reduction. Such contracts are authorized by 10 U.S.C. § 2913(b) through (d) and 42 U.S.C. § 8256.

3.0 ENERGY SAVINGS AND INCENTIVES RECEIVED FROM UTILITIES

3.1 Extended Availability from Energy Savings

Energy savings amounts having an extended availability must be transferred to extended availability accounts for execution.

3.1.1. An extended availability account must be established for each appropriation for which energy cost savings have been identified and for a period of extended availability is established.

3.1.2. Transfers to extended availability accounts must be made by a Standard Form (SF) 1151, "Nonexpenditure Transfer Authorization," or other authorized Service-specific method that incorporates all SF 1151 requirements (see ***Volume 14, Chapter 1***, subparagraph 2.6.2.6). Reprogramming actions will not be required in the case of such transfers.

3.1.3. The level that use the accounts, such as the command, installation, Military Department, Defense Agency, and/or Office of the Secretary of Defense level Accounting, must establish appropriate controls, and oversight for amounts in extended availability accounts to optimize funds executability.

3.2 Financial Incentives

Energy cost savings do not include financial incentives received from gas, water, or electric utilities under 10 U.S.C. § 2913 or 42 U.S.C. § 8256. In accordance with 10 U.S.C. § 2912(d), the installation's accounts used for operations and maintenance credit these incentives and keep them available for the same purposes and the same period as the appropriation to which they are credited.

Refunds or rebates are deposited in the accounts used for operations and maintenance, not credited to the utility bill.

4.0 REVENUES FROM THE SALE OF ELECTRICITY

4.1 Sale of Electricity

Proceeds from sales of electricity from alternate energy and cogeneration production facilities under 10 U.S.C. § 2916 must be credited to the appropriation account currently available to the military department concerned for the supply of electrical energy. The Secretary concerned or designee determines the accounts to which such proceeds must be credited. (See Treasury's Federal Account Symbols and Titles: ***The FAST Book*** for current accounts.) In the case of proceeds from the sale of electrical energy generated from any geothermal energy resource, 50 percent must be credited to the appropriation account, and 50 percent must be deposited in a special account per the guidelines that are described in ***10 U.S.C. § 2916(b)(3)***.

4.2 Use of Proceeds from the Sale of Electricity

In addition to the other purposes authorized for the account into which proceeds from the sales of electricity are placed, and subject to the availability of appropriations for this purpose, proceeds credited may be used to carry out military construction projects for energy resilience, energy security, or energy conservation, under the energy performance plan developed by the Secretary of Defense under ***10 U.S.C § 2911(b)***, "Energy Policy of the Department of Defense," including minor military construction projects for energy resilience, energy security, or energy conservation, authorized under ***10 U.S.C. § 2805***, "Unspecified Minor Construction," which are designed to increase energy conservation.

4.3 Congressional Notification

Before carrying out an unspecified minor military construction project for energy resilience, energy security, or energy conservation, described in paragraph 4.2 using proceeds from sales under paragraph 4.1, the Secretary concerned must notify the appropriate committees of Congress of the project. For energy conservation projects, the notification must include the justification and cost estimate, the expected savings-to-investment ration, payback estimates, and the project's measurement and verification cost estimate. For energy resilience or energy security, the notification must include the rationale for the project and known vulnerabilities. The project may then be carried out only after the end of the 14-day period beginning on the date the notification is received by Congress in an electronic medium pursuant to ***10 U.S.C. § 480***, "Reports to Congress: Submission in Electronic Form."

5.0 BUDGETING FOR ENERGY SAVINGS FROM ESPC AND UESC

Each military department must include the portion of the guaranteed savings due to the contractor for payment under an ESPC or to the utility for payment under an UESC in its utility requirements submitted in budget requests for the length of the ESPC or UESC entered by that military department. The total utility requirements submitted as part of budget requests must

include the entire amount of guaranteed savings provided in an ESPC or performance assurance savings provided in an UESC, including amounts for contract payments and amounts to be retained by installations. The total of the amounts requested must not exceed those that would have been requested in the absence of the ESPC. The Secretary concerned, or designee, must specify the procedures for identification of such amounts by installations, facilities, or operating locations at which ESPCs or UESCs for that military department are in existence. In accordance with the Office of Management and Budget ***(OMB) Circular A-11, Appendix B***, "Budgetary Treatment of Lease-Purchases and Leases of Capital Assets," the costs of ESPCs may be scored on an annual basis, consistent with the guidance provided in ***OMB Memorandum M-98-13***, "Federal Use of Energy Savings Performance Contracting," and ***OMB Memorandum M-12-21***, "Addendum to OMB Memorandum M-98-13 on Federal Use of Energy Savings Performance Contracts and Utility Energy Service Contracts."

6.0 USE OF BALANCES AVAILABLE RESULTING FROM ENERGY COST SAVINGS

6.1 Installation Commanders

6.1.1. Installation Commanders or their designees must ensure funds made available for obligation because of energy cost savings captured in accordance with 10 U.S.C. § 2912, are expended for purposes authorized by 10 U.S.C. § 2912 (see subparagraph 1.2.2).

6.1.2. Submit to the Component Head or designee proposed projects for a given fiscal year and obligation data, upon request, to satisfy organizational and congressional reporting requirements.

6.2 Component Heads

The Component Head or designee must establish procedures to allow adequate time for computing energy cost savings and identifying the amounts to transfer into the extended availability of funds account(s). The Component Head or designee must validate that the proposed expenditures are appropriate and meet authorization requirements.

7.0 ACCOUNTING FOR ENERGY COST SAVINGS

7.1 Title 10, United States Code, Section 2912

The energy cost savings amounts realized in accordance with 10 U.S.C. § 2912 remain as unobligated balances available for obligation at the end of the fiscal year and the succeeding fiscal year.

*7.2 Unobligated Balance Transfers

Unobligated balances covered by paragraph 7.1 must be transferred to extended availability accounts on an SF 1151 or other authorized Service-specific method that incorporates all SF 1151 requirements (see paragraph 3.1). The authority and policy to be cited for the transfer is 10 U.S.C. § 2912(e).

7.2.1. The Secretary of Defense may transfer amounts described in subparagraph 1.1.2 that remain available for obligation to other funding accounts of the DoD if the purpose for which such amounts will be used is a purpose specified in subparagraphs 1.2.2.1 and 1.2.2.2.

7.2.2. Amounts transferred to a funding account of the Department under subparagraph 7.2.1 will be available for obligation for the same period as amounts in that account.

7.2.3. At the end of each fiscal year, the Secretary of Defense must submit to Congress a report detailing any funds transferred pursuant to subparagraph 7.2.1 during that fiscal year, including a detailed description of the purpose for which such amounts have been used.

8.0 REPORTING REQUIREMENTS

The standardized Service-specific reporting methods or the following requirements must be used to report the status of extended availability accounts:

8.1 Accounting Report (Monthly) 1002

The following special procedures have been established for reporting extended availability obligated and unobligated balances on the Accounting Report (Monthly), (AR(M)) 1002, Appropriation Status by Fiscal Year Program and Subaccounts:

8.1.1. Normal Availability Obligated and Unobligated Balances

Identify and report as usual.

8.1.2. Extended Availability Unobligated Balances

Identify, in column F (Cumulative Unobligated Balance), unobligated extended availability amounts resulting from energy cost savings at the end of the normal availability period (e.g., FY 200X/200X+1 or FY 200X/200X+2, +3, and so on) and available unobligated amounts (that is, FY 2026/2027, FY 2026/2028, FY 2026/2029 for the FY 2026 account). The stub entry, column a (Budget Activity) identifies the unobligated extended availability amount as "Extended Availability - Energy Cost Savings." The amount reported must agree with line 2201 of the SF 133, "Report on Budget Execution" (see paragraph 8.2).

8.1.3. Extended Availability Obligated Balances

Identify, in column E, obligations incurred against the extended availability account. The stub entry must identify those obligations as to the purpose for which the obligations were incurred. The reporting categories for the extended availability accounts must be continued for all fiscal years with remaining obligated balances against the extended availability account.

8.2 Standard Form 133

Refer to ***Volume 6A, Chapter 4*** for instructions for implementing ***OMB Circular A-11*** for the monthly SF 133, Report on Budget Execution and Budgetary Resources.

VOLUME 12, CHAPTER 13: "FISCAL POLICY FOR BASE CLOSURE AND REALIGNMENT"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated May 2018 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated chapter to reflect new template/formatting rules.	Revision
All	Updated hyperlinks	Revision
2.4.3.3	Stigmatizing language was modified in accordance with the Deputy Secretary of Defense memo, "Review of Policies to Eliminate Stigmatizing Language Related to Mental Health," dated November 7, 2022.	Revision

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CHAPTER 13

FISCAL POLICY FOR BASE CLOSURE AND REALIGNMENT

1.0 GENERAL (1301)

1.1 Purpose (130101)

This chapter specifies financial policy for base closure and realignment.

1.2 Authoritative Guidance (130102)

1.2.1. Since 1988, the Congress has enacted legislation that created six separate accounts at the U.S. Department of the Treasury (Treasury) to finance base closure and military installation realignment.

1.2.1.1. Section 207 of the Defense Authorization Amendments and Base Closure and Realignment Act (***Public Law (P.L.) 100-526***), October 24, 1988, established the "DoD Base Closure Account."

1.2.1.2. Section 2906 of the Defense Base Closure and Realignment Act of 1990 (***P.L. 101-510***), November 5, 1990, created the "DoD Base Closure Account 1990."

1.2.1.3. Section 2921 of the Defense Base Closure and Realignment Act of 1990 (P.L. 101-510), November 5, 1990, established the "DoD Overseas Military Facility Investment Recovery Account."

1.2.1.4. Section 344 of the National Defense Authorization Act for Fiscal Years (FYs) 1992 and 1993 (***P.L. 102-190***) established the "Reserve Account."

1.2.1.5. Section 2906A of the Defense Base Closure and Realignment Act of 1990 created the "***DoD Base Closure Account 2005***."

1.2.1.6. Section 2711 of the National Defense Authorization Act ***(NDAA) for FY 2013*** establishes a new appropriation for the "Department of Defense Base Closure Account" (097X0516) and cancels existing Base Closure Accounts (097X0510 and 097X0512).

1.2.2. This guidance also establishes funds distribution, accounting and reporting policy and procedures for the "DoD Base Closure Account 1990," "DoD Base Closure Account 2005" and the "Reserve Account."

2.0 POLICY (1302)

2.1 General (130201)

2.1.1. Department of Defense (DoD) Components are responsible for implementing all base closure and realignment action including preparation of an economic analysis in accordance with Volume 2B, Chapter 6, and must administer the allocations of base closure funds.

2.1.2. DoD Components are to deposit the proceeds in the appropriate account authorized by law. If transfer funds were deposited into the wrong account, a suspense account, or other interim account, a Standard Form (SF) 1080, "Voucher for Transfers Between Appropriations and/or Funds," must be used to transfer funds to the proper account.

2.2 DoD Base Closure Account 1990 and DoD Base Closure Account 2005 (130202)

2.2.1. The Treasury symbol for DoD Base Closure Account 1990 is 097X0510. This account is identified as the "Base Realignment and Closure Account, Part II, Defense," in Treasury's Federal Account Symbols and Titles (FAST) publication. Section 2711 of the National Defense Authorization Act for FY 2013 cancels this account effective upon enactment of the National Defense Authorization Act for FY 2014. Existing unobligated balances as of December 31, 2013, transfer to the new appropriation (097X0516).

2.2.2. The Treasury symbol for DoD Base Closure Account 2005 is 097X0512. This account is identified as the "Base Realignment and Closure Account 2005, Defense," in Treasury's FAST publication. Section 2711 of the National Defense Authorization Act for FY 2013 cancels this account effective upon enactment of the National Defense Authorization Act for FY 2014. Existing unobligated balances as of December 31, 2013, transfer to the new appropriation (097X0516).

2.2.3. The U.S. Treasury symbol for DoD Base Closure Account is 097X0516. This account is identified as the "Base Realignment and Closure Account, Defense," in Treasury's FAST publication. Section 2711 of the National Defense Authorization Act for FY 2013 established this account effective upon enactment of the National Defense Authorization Act for FY 2014. Existing unobligated balances as of December 31, 2013, transfer from 097X0510 and 097X0512 to the new appropriation.

2.2.4. Except as provided for in subparagraph 2.2.6 funds deposited into these accounts must be:

2.2.4.1. Funds authorized for, and appropriated to, the account.

2.2.4.2. Proceeds received from the sale or disposal of any property at an installation closed or realigned under the provisions of the Defense Base Closure and Realignment Act of 1990, P.L. 101-510.

2.2.5. Proceeds resulting from the sale or disposal of property or facilities (including buildings and structures) due to the base closure process must be deposited as reimbursements into the appropriate DoD Base Closure Account (DoD Base Closure Account 1990 or DoD Base Closure Account 2005). Treat these reimbursements as a collection and an earned reimbursement, and credited to the appropriation as a budget source.

2.2.6. Proceeds received after September 30, 1995, from the transfer or disposal of any property at a military installation closed or realigned under the Defense Authorization Amendments and Base Closure and Realignment Act, P.L. 100-526 and Title 10, United States Code, section 2687 (***10 U.S.C. § 2687***) must be deposited as reimbursements into the appropriate DoD Base Closure Account.

2.2.7. Deposit a portion of the proceeds resulting from the transfer or disposal of any real property or facility acquired, constructed, or improved (in whole or in part) with commissary store funds or nonappropriated funds into the "Reserve Account." The amount deposited must be equal to the depreciated value of the investment made with such funds in the acquisition, construction, or improvement of that particular real property or facility. Complete the depreciated value of the investment in accordance with Volume 4, Chapter 4, for property funded with commissary store funds. See Volume 13, Chapter 3, for property funded with nonappropriated funds.

2.2.8. Subject to their availability, funds in the account may be used to:

2.2.8.1. Carry out actions as may be necessary to close or realign any military installation. Such actions include the acquisition of such land, construction of such replacement facilities, performance of such activities, and conduct of such advance planning and design as may be required to transfer functions from an installation being closed or realigned to another military installation.

2.2.8.2. Provide economic adjustment assistance to any community located near an installation being closed or realigned. Additionally, provide community planning assistance to any community located near a military installation to which functions must be transferred as a result of such closure or realignment.

2.2.8.3. Carry out activities for the purposes of environmental restoration and mitigation at an installation being closed or realigned. This includes reducing, removing and recycling hazardous waste, and removing unsafe buildings and debris.

2.2.8.4. Offer outplacement assistance to civilian employees employed by the DoD at installations being closed or realigned.

2.2.8.5. Reimburse other federal agencies for actions performed at the request of the Secretary of Defense with respect to any such closure or realignment.

2.3 DoD Overseas Military Facility Investment Recovery Account (130203)

2.3.1. The Treasury symbol for the receipt account (funds deposited in the DoD Overseas Military Facility Investment Recovery Account Deposits, DoD) are 097X5193.017, .057, .021, and .097, as applicable. The Treasury symbol for the special fund account (expenditure of funds from the account) is 097X5193.

2.3.2. Except as offered in subparagraph 2.3.3, funds deposited into this account must be amounts paid to the United States, pursuant to any treaty, status of forces agreement, or other international agreement to which the United States is a party, for the residual value of real property or improvements to real property used by DoD civilian or military personnel.

2.3.2.1. Steps must be taken to ensure that the United States receives, through direct payment or otherwise, consideration equal to the fair market value (FMV) of the improvements made by the United States at facilities scheduled for release to host countries. Determine the FMV for such improvements on a facility-by-facility basis.

2.3.2.2. The term “fair market value of the improvements” means the value of improvements on the basis of their highest use.

2.3.2.3. The term “improvements” includes new construction of facilities and all additions, improvements, modifications, or renovations made to existing facilities or to real property, without regard to whether they were carried out with appropriated or nonappropriated funds.

2.3.3. In the case of a payment for the residual value of real property or improvements at an overseas military facility, deposit the portion of the payment that is equal to the depreciated value of the investment made with nonappropriated funds into the “Reserve Account” not in the “DoD Overseas Military Facility Investment Recovery Account.”

2.3.4. Subject to availability, funds in the account may be used by the DoD for payment, as shown in appropriations acts, of costs incurred by the DoD in connection with:

2.3.4.1. Facility maintenance, repair and environmental restoration at military installations in the United States.

2.3.4.2. Facility maintenance, repair and compliance with environmental laws at military installations outside the United States that the Secretary of Defense anticipates must be occupied by the U.S. Forces for an extended period.

*2.4 Reserve Account (130204)

2.4.1. The Treasury symbol for the receipt account (funds deposited into the Reserve Account) is 097X5195.003. The U.S. Treasury symbol for the special account (expenditure of funds from the Reserve Account) is 097X5195. This account is identified as “Use of Proceeds from the Transfer or Disposition of Commissary Facilities, Defense.”

2.4.2. The transfer or disposal of a commissary or nonappropriated fund (NAF) facility must be connected with the closure or realignment of a military installation. Deposit into this account a portion of the proceeds equal to the depreciated value of the investment made in any real property or facility acquired, constructed, or improved (in whole or in part) with commissary store funds or nonappropriated funds.

2.4.3. If the proceeds from the transfer or disposal of any real property or facility acquired, constructed, or improved (in whole or in part) with commissary store funds or nonappropriated funds are greater than the depreciated value, then the excess amount must be deposited into the appropriate base closure account, not the Reserve Account.

2.4.3.1. The term "commissary store funds" means funds received from the adjustment of, or surcharge on, selling prices at commissary stores fixed under 10 U.S.C. § 2685.

2.4.3.2. The term "nonappropriated funds" means funds received from a NAF instrumentality. (See Volume 13 for additional guidance and definitions.)

2.4.3.3. The term "nonappropriated fund instrumentality (NAFI)" means an instrumentality of the United States under the jurisdiction of the Armed Forces (including the Military Exchange Services). NAFI programs and facilities shall be operated, maintained, and funded as an integral part of the personnel and readiness program. (See Volume 13 for additional guidance and definitions.)

2.4.3.4. The depreciated value of the investment made by NAF must be computed in accordance with Volume 13, Chapter 3.

2.4.4. Subject to availability, funds in the account may be used for the purpose of acquiring, constructing, or improving commissary stores, and real property and facilities for NAF instrumentalities.

2.4.5. DoD Components are responsible for ensuring that budgeting and accounting procedures can separately identify the following:

2.4.5.1. Commissary

2.4.5.2. Exchange system

2.4.5.3. All other NAFI balances in the Reserve Account.

3.0 BUDGET AND ACCOUNTING RESPONSIBILITIES (1303)

3.1 Requests for Funds (130301)

3.1.1. DoD Components

3.1.1.1. DoD Base Closure Account Financial Plan. The Military Departments and Defense Agencies, in cooperation with, and at the direction of, the Under Secretary of Defense for Acquisition and Sustainment or designee, the Director, Office of the Secretary of Defense (OSD) Base Realignment and Closure (BRAC) Office, must submit a financial plan to the Director, Military Personnel and Construction, Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), Program/Budget (P/B), supported by a "DoD Base Closure Account Financial Plan," (Format 460-BC) (see Figure 13-1), to request allocations of base closure funds. For planned military construction and family housing construction requirements, list separately on the financial plan each project to be executed using requested base closure funds. Also submit a separate narrative explanation for other planned expenditures to the Director, Military Personnel and Construction, OUSD(C), P/B, in sufficient detail on the Format 460-BC to support the DoD Component financial plan. Host DoD Components are responsible for coordination with all affected tenant activities, including Defense Agencies, Defense Medical Facilities Office, Reserve Components, and nonappropriated fund activities. Tenant activities must identify specific base closure program requirements to their host DoD Component.

3.1.1.2. BRAC Reprogramming Procedures. Section 2905A(f) of the Defense Base Closure and Realignment Act of 1990, as amended by the FY 2008 National Defense Authorization Act, Section 2704, (P.L. 110-181) specifies certain cost and scope limits on those BRAC 2005 military construction projects with costs equal to or in excess of $5 million, as follows:

3.1.1.2.1. Cost may not be increased or reduced by more than 20% or $2 million than the authorized amount, whichever is less.

3.1.1.2.2. Scope may not be reduced by more than 25% from the scope specified in the most recent budget justification material.

These limits do not apply if the Secretary of Defense makes a determination that an increase or reduction in cost or a reduction in the scope of work for a military construction project or military family housing project "needs to be made for the sole purpose of meeting unusual variations in cost or scope." If such a determination is made, then the DoD must notify the congressional defense committees not later than 21 days before the date on which the variation is made (or 14 days if notification submitted electronically). The Deputy Under Secretary of Defense for Installations and Environment memorandum of February 27, 2008, delegated notification responsibility to the DoD Components contingent upon OUSD(C) and OSD BRAC Office concurrence.

3.1.2. Director, Military Personnel and Construction. This office must initiate the SF 132, "Apportionment and Reapportionment Schedule" for the appropriate base closure account for submission to the Office of Management and Budget (OMB) for its approval.

3.2 Funds Distribution (130302)

3.2.1. Director, Military Personnel and Construction. Upon OMB approval of the SF 132 for the base closure account, this office must provide a Fund Authorization Document to the applicable component for recording in the agency-level accounting records.

3.2.2. Director, Defense Finance and Accounting Service (DFAS). The Director of DFAS must obtain and record, in the departmental-level accounting records, a Financial Management Service (FMS) 6200, "Appropriation Warrant," for the base closure accounts. Exhibit 13-1 illustrates the most common entries used for this account.

Exhibit 13-1. Accounting Entries for Recording Warrants

Dr 411900 Other Appropriations Realized Cr 445000 Unapportioned Authority Dr 101000 Fund Balance With Treasury Cr 310100 Unexpended Appropriations – Appropriations Received To record the appropriation warrant (FMS 6200).

3.2.3. DoD Components. The DoD Components must:

3.2.3.1. Record the Fund Authorization for the base closure accounts received from the Director, Military Personnel and Construction, OUSD(C), P/B. Exhibit 13-2 illustrates the most common entry used to accomplish this action.

Exhibit 13-2. Accounting Entries for Fund Authorization

Dr 445000 Unapportioned Authority Cr 451000 Apportionments To record the Fund Authorization received from OUSD(C) P/B.

3.2.3.2. Receive and record the allocations of base closure funds received from the Director, Military Personnel and Construction, OUSD(C), P/B, subdivide the allocations of the base closure accounts by subaccount, and distribute the base closure funds to the installations responsible for base closure actions. Each DoD Component must distribute the base closure funds to its installations in accordance with its normal fund distribution procedures. The applicable subaccounts are shown in Exhibit 13-3.

Exhibit 13-3. Base Closure Accounts by Subaccount

Military Construction:
Construction
a. (Project)
b. (Project)
Planning and Design

NOTE: The military construction subaccount must be reserved for projects listed individually on the Format 460 accompanying the fund allocation document.

Family Housing:
Construction
a. (Project)
b. (Project)
Planning and Design
Operations

Exhibit 13-3. Base Closure Accounts by Subaccount (continued)

Operation and Maintenance (O&M):

Civilian Severance Pay
Civilian Permanent Change of Station (PCS)
Transportation of Things
Facilities Sustainment
Program Management (civilian work years, travel, and related support dedicated to implementation efforts)

Environmental:

Includes environmental restoration, including reducing, removing, and recycling hazardous wastes, and removing unsafe buildings and debris; Memoranda of Agreements between Defense and States (DSMOA), and reimbursements to the Agency for Toxic Substance and Disease Registry (ATSDR); and mitigation efforts associated with a military installation closure or realignment. Mitigation efforts do not apply to the DoD Base Closure Account.

Community Programs:

Community Planning Assistance: For communities located near a military installation to which functions must be transferred as a result of a closure or realignment of a military installation.

Economic Adjustment Assistance: For communities located near a military installation being closed or realigned.

Federal Agencies Reimbursement:

Includes reimbursements to other federal agencies for actions, other than for environmental activity discussed in this exhibit, performed with respect to any closure or realignment.

Military Personnel:

Limited to PCS and Temporary Duty (TDY) expenses dedicated to implementation efforts.

Procurement-type Items:

The procurement account should be limited to investment items in accordance with the expense/investment criteria.

Other Costs:

Any other expenses associated with base closure and realignment efforts.

3.2.3.3. Account for the receipt and allotment of the allocations using the entries in Exhibit 13-4.

Exhibit 13-4. Accounting Entries for Recording Allocations

Dr 455000 Internal Fund Distributions Received Cr 456000 Funds Available For Allotment Dr 101000 Fund Balance With Treasury Cr 310100 Unexpended Appropriations – Appropriations Received To record receipt of an allocation of direct program obligational authority. Dr 456000 Funds Available For Allotment Cr 457000 Allotments Issued Dr 101000 Fund Balance With Treasury Cr 310100 Unexpended Appropriations – Appropriations Received To record the allotment of direct program obligational authority to a subordinate activity.

3.3 Plan Execution (130303)

The DoD Components must:

3.3.1. Record the allotment of base closure funds provided to installations. Exhibit 13-5 illustrates the entries to record the allotment.

Exhibit 13-5. Accounting Entries for Recording Allotments for Base Closure Accounts

Dr 458000 Allotments Received Cr 461000 Allotments--Realized Resources Dr 101000 Fund Balance With Treasury Cr 310100 Unexpended Appropriations – Appropriations Received To record receipt of an allotment.

3.3.2. Implement base closure and realignment actions and administer their allocation of base closure funds in accordance with their approved financial plan.

3.3.2.1. Exhibit 13-6 illustrates the entries for recording expenses that result in a fund outlay and that are incurred as a result of a DoD base closure.

Exhibit 13-6. Accounting Entries for Recording Expenses/Expenditures for Base Closure Accounts

Dr 461000 Allotments--Realized Resources Cr 490200 Delivered Orders --Obligations, Paid and Dr 610000 Operating Expenses/Program Costs Cr 101000 Fund Balance With Treasury To record expenditure of an allotment.

3.3.2.2. Losses that do not result in a fund outlay and that are incurred as a result of a DoD base closure must be accounted for as an extraordinary loss. Exhibit 13-7 illustrates these entries.

Exhibit 13-7. Accounting Entries for Recording an Extraordinary Loss (Or Gain) That Does Not Result In Fund Outlay

Dr 173900 Accumulated Depreciation on Buildings, Improvements and Renovations Dr 174900 Accumulated Depreciation on Other Structures and Facilities Dr/Cr 730000 Extraordinary Items (Debit for Loss or Credit for Gain) Cr 171100 Land and Land Rights Cr 173000 Buildings, Improvements and Renovations Cr 174000 Other Structures and Facilities To record extraordinary loss (or gain) that does not result in a fund outlay from base closures.

3.3.3. Rephase planned execution of the financial plan as the situation dictates, and with the prior approval of the Under Secretary of Defense for Acquisition and Sustainment or designee, the Director for Base Closure and Utilization, and in coordination with the Director, Military Personnel and Construction, OUSD(C), P/B. A revised Format 460-BC and supporting documentation must be prepared that reflects the changes in the financial plan.

4.0 REPORTING RESPONSIBILITIES (1304)

4.1 DoD Components (130401)

The DoD Components must prepare and submit reports to the appropriate DFAS site on the status of its allotments. At a minimum, these reports must offer detail for each subaccount specified in a Fund Authorization document provided by OSD (see subparagraph 3.2.3). Submit these reports in accordance with a schedule of due dates to be provided by the DFAS.

4.2 Defense Finance and Accounting Service (130402)

4.2.1. Establish base closure accounts with Treasury.

4.2.2. Post SF 1151, "Nonexpenditure Transfer Authorizations" transactions, as necessary, for the base closure accounts.

4.2.3. Prepare departmental-level appropriation and fund status reports as required by Volume 6A, Chapter 4, for the base closure accounts administered by the Military Departments and Defense Agencies.

4.2.4. Prepare Chief Financial Officer reports for all base closure accounts.

4.2.5. Offer consolidation of appropriate financial reports to produce Treasury Index 97 financial reports on a pass-through basis.

4.2.6. Subject to the approval of the OUSD(C), supplement this guidance with additional procedures, as may be required.

5.0 ADMINISTRATION OF BASE CLOSURE FUNDS (1305)

5.1 Appropriated Fund Activities (130501)

Expenses, losses, or other events occurring at an appropriated fund activity as a direct result of a DoD base closure action, which result in a cash outlay, are eligible for reimbursement from the applicable DoD Base Closure Account. Expenses, losses, or other events not resulting in a cash outlay by an appropriated fund activity are not eligible for reimbursement. Expenses, losses, or other events that result in a cash outlay (vice expenses, losses, or other events that do not result in a cash outlay) are dependent largely upon the unique circumstances in existence at a particular activity subject to closure. The general guidance on those two categories of expenses and losses are:

5.1.1. Expenses that Ordinarily Result in a Cash Outlay

5.1.1.1. Military Construction projects, including planning and design efforts, for which base closure funds are requested.

5.1.1.2. Family Housing projects, including construction, planning and design, and operations for which base closure funds are requested.

5.1.1.3. Operations and Maintenance-type efforts including civilian severance pay, civilian PCS, outplacement assistance transportation of things, facilities sustainment, and program management (civilian work years, travel, and related support dedicated to implementation efforts).

5.1.1.4. Environmental projects including environmental restoration (reducing, removing, and recycling hazardous wastes, and removing unsafe buildings and debris),

Memoranda of Agreements between the DoD and the various states, and reimbursements to the Agency for Toxic Substance and Disease Registry (ATSDR).

5.1.1.5. Community Programs including economic adjustment assistance to a community in which the closed base is located, or community planning assistance to the community to which functions must be transferred as a result of a closure or realignment of a military installation.

5.1.1.6. Federal agencies including reimbursements to other Federal agencies for actions, other than for environmental activity discussed in subparagraph 5.1.1.4, performed with respect to any closure or realignment.

5.1.1.7. Military Personnel, limited to PCS and TDY expenses dedicated to implementation efforts.

5.1.1.8. Procurement-type Items for those items normally purchased with procurement appropriations.

5.1.1.9. Other expenses associated with base closure and realignment efforts.

5.1.2. Losses that Do Not Ordinarily Result in a Cash Outlay. Losses on real property or facilities sold, leased, transferred, or disposed of in connection with the closure or realignment of a military installation.

5.2 Disposition of DoD Base Closure Assets (130502)

The loss (or gain) from the sale, lease, or other disposal of assets must be recorded by the activity having financial custody of those assets. The sale, lease, or other disposal action must only be recorded in proprietary accounts of that installation. Any proceed generated from the sale, lease, or other disposal action of assets does not add to, or otherwise affect, the budgetary accounts of that activity. Exhibit 13-8 illustrates these entries.

Exhibit 13-8. Accounting Entries For Extraordinary Loss (Or Gain) Resulting From the Sale or Other Disposal of Base Closure Assets

Dr 101000 Fund Balance With Treasury Dr 173900 Accumulated Depreciation on Buildings, Improvements, and Renovations Dr 174900 Accumulated Depreciation on Other Structures and Facilities Dr/Cr 730000 Extraordinary Items (Debit for Loss or Credit for Gain) Cr 171100 Land and Land Rights Cr 173000 Buildings, Improvements, and Renovations Cr 174000 Other Structures and Facilities To record extraordinary loss (or gain) resulting from the sale or other disposal of base closure assets.

Figure 13-1. DoD Base Closure Account Financial Plan

DOD BASE CLOSURE ACCOUNT FINANCIAL PLAN		SERVICE FISCAL YEAR OF APPROPRIATION (Dollars, in Thousands)			SUBMISSION NO. As of:	
INSTALLATIONS/PROJECT(S)	PROGRAM AMOUNT	CHANGE AMOUNT	PREVIOUSLY APPROVED	PROPOSED	QT	OSD APPROVED
(a)	(b)	(c)	(d)	(e)	(f)	(g)
A Military Construction 1. Construction a. (Project) b. (Project) 2. Planning and Design B Family Housing 1. Construction a. (Project) b. (Project) 2. Planning and Design 3. Operations C Operation and Maintenance (O&M) 1. Civilian Severance Pay 2. Civilian PCS 3. Transportation of Things 4. Facilities Sustainment 5. Program Management D. Environmental E Community Programs 1. Community Planning 2. Economic Assistance F. Federal Agencies G. Military Personnel H. Procurement-type Items						

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 13 ANNEX 1: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 13 ANNEX 2: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 12, CHAPTER 14: "TRANSFERRING, DISPOSING, AND LEASING OF REAL PROPERTY AND PERSONAL PROPERTY"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*****.**

The previous version dated July 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
1.2	Added Statement of Federal Financial Accounting Standards (SFFAS) 34, "The Hierarchy of Generally Accepted Accounting Principles and Including the Application of Standards Issued by the Financial Accounting Standards Board;" SFFAS 54, “Leases”	Addition
Table 14-1	Revised special accounts for gain on disposal of property and lease revenue	Revision
Table 14-2	Revised the lease accounts based on SFFAS 54	Revision

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CHAPTER 14

TRANSFERRING, DISPOSING, AND LEASING OF REAL PROPERTY AND PERSONAL PROPERTY

1.0 GENERAL

1.1 Purpose

This chapter provides financial policy for the disposal, transfer, and leasing of real property, as well as the transfer and lease of personal property. Financial policy for the disposal of personal property is addressed in ***Volume 11A, Chapter 5***, "Disposition of Proceeds from Department of Defense Sales of Surplus Personal Property."

*1.2 Authoritative Guidance

1.2.1. Title 40, United States Code, section 572(b) ***(40 U.S.C. § 572(b)),*** "Real Property," applies to real property, including any improvement on the property, that is under the control of a Military Department and that the Secretary of the Department determines is excess to the Department's needs. ***10 U.S.C. § 2667***, "Leases: non-excess property of Military Departments and Defense Agencies," governs leases of Department of Defense (DoD) real and personal property. Sections 572(b) and 2667 require that Military Departments must deposit proceeds received from the transfer or disposition, or lease of real and personal property controlled into special accounts established by the United States Department of the Treasury (Treasury) for that Secretary. ***10 U.S.C. § 2687***, "Base closures and realignments," requires Military Departments to deposit proceeds from the lease, transfer, or disposal of any property at a military installation that is closed or realigned into accounts established by Treasury. Statement of Federal Financial Accounting Standards (***SFFAS) 54***, "Leases" applies to federal entities that present general purpose federal financial reports, in conformance with generally accepted accounting principles, as defined by ***SFFAS 34***, "The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board."

1.2.2. Unless otherwise stated, the provisions of this chapter do not apply to:

1.2.2.1. The disposition of proceeds from the sale of surplus personal property (see Volume 11A, Chapter 5);

1.2.2.2. Property at a military installation designated for closure or realignment under 10 U.S.C. § 2687 (see ***Chapter 13***, "DoD Support to Unites States Commercial Space Activities");

1.2.2.3. Damaged or deteriorated military family housing (see ***10 U.S.C. § 2854a***, "Conveyance of damaged or deteriorated military family housing; use of proceeds");

1.2.2.4. The lease of defense articles in the stocks of DoD to an eligible foreign country or international organization under ***22 U.S.C. § 2796***, "Leasing Authority;"

1.2.2.5. Transfer of defense articles to Iraq under the National Defense Authorization Act for fiscal year 2008 (***Public Law 110-181***, section 1228);

1.2.2.6. Proceeds from the disposal of property received as gifts under ***10 U.S.C. § 2601***, "General gift funds," (see ***Chapter 30***, "Operation and Use of General Gift Funds").

2.0 POLICY

2.1 Leases: Non-excess Property and Personal Property

2.1.1. The Secretary of a Military Department may lease non-excess real and personal property under its control that is not needed for a public use for the time that it is leased in accordance with 10 U.S.C. § 2667. Section 2667 provides the same authority to the Secretary of Defense (SecDef) with respect to property under the control of a Defense Agency. Throughout this chapter, the term "Secretary concerned" will mean the Secretary of a Military Department, with respect to matters concerning that Military Department; and the SecDef, with respect to matters concerning the Defense Agencies.

2.1.2. Leases for non-excess property may be accepted under the following conditions:

2.1.2.1. The lease is not more than five years unless the Secretary concerned determines a longer period to be in the public interest.

2.1.2.2. The lease has a provision that it may be revoked at any time. If the lease is revoked to sell the property, the lessee may be given the first option to buy.

2.1.2.3. The payment (in cash or in-kind) is not less than the fair market value.

2.1.2.4. The lease may not provide for a leaseback payment of more than $500,000 per year by the Secretary concerned or DoD.

2.1.2.5. Deposit all fees received from such leases (other than from leases of property at a military installation designated for closure or realignment) into a special Treasury account established for that Secretary.

2.1.2.6. Deposit proceeds deposited in the special Treasury account established for the Secretary concerned to make proceeds available to that Secretary and distributed by the Office of the Under Secretary of Defense (Comptroller), Program/Budget (OUSD(C)/PB) consistent with appropriation law. See paragraph 2.2.

2.1.2.7. This section does not apply to oil, mineral, or phosphate lands.

2.1.3. Repeal of 10 U.S.C. § 2667a. The Duncan Hunter National Defense Authorization Act for fiscal year 2009 repealed 10 U.S.C § 2667a, "Leases: non-excess property of Defense agencies" (see ***Public Law 110-417***, section 2812). This authority is now incorporated into

10 U.S.C. § 2667, as revised, and that section now covers leases by both military services and Defense Agencies. In addition:

2.1.3.1. The repeal of 10 U.S.C. § 2667a does not affect the validity or terms of any lease with respect to the property of a Defense Agency entered into by the SecDef under 10 U.S.C. § 2667a.

2.1.3.2. Amounts deposited in a special Treasury account established for a Defense Agency pursuant to 10 U.S.C. § 2667a before repeal and amounts that would be deposited in connection with outstanding leases:

2.1.3.2.1. Remain available until expended for the purposes specified in section 2667a, specifically, solely for the maintenance, repair, restoration, or replacement of the leased property; or

2.1.3.2.2. To the extent provided by appropriations law, it must be transferred to the special Treasury account described in paragraphs 2.2 and 2.3.

2.1.4. Easements for Rights-of-Way. ***10 U.S.C. § 2668*** allows the Secretary of a Military Department to grant easements for rights-of-way over, in, and upon public lands under the Secretary's control. This authority is available provided the Secretary of that Military Department finds that the easement will not be against the public interest.

2.1.4.1. The easement may be made upon such terms as the Secretary considers advisable. The authorized purposes of the easement are listed in 10 U.S.C. § 2668(a).

2.1.4.2. Account for proceeds and in-kind consideration received from the granting of easements in the manner specified for leases of DoD property in 10 U.S.C. § 2667. See paragraphs 2.2 and 2.3.

2.1.5. Natural Resource Conservation. ***10 U.S.C. § 2694a*** allows the Secretary of a Military Department to convey certain surplus real property for purposes of natural resource conservation.

2.1.5.1. Surplus property that may be conveyed under this authority is limited to property that:

2.1.5.1.1. Is under the administrative control of the Secretary;

2.1.5.1.2. Is suitable and desirable for conservation purposes;

2.1.5.1.3. Has been made available for public benefit transfer for a sufficient period of time to potential claimants; and

2.1.5.1.4. Is not subject to a pending request for transfer to another Federal agency or for conveyance to any other qualified recipient for public benefit transfer under the real

property disposal processes and authorities in ***40 U.S.C. § 550***, "Disposal of real property for certain purposes."

2.1.5.2. Entities eligible to receive surplus property for purposes of natural resource conservation are limited to states, political subdivisions of a state; and nonprofit organizations that exist for the primary purpose of conservation of natural resources on real property.

2.2 Accounting Procedures for Leases of Real and Personal Property

2.2.1. Deposit of Funds. Deposit funds received from the lease or easement of real and personal property under 10 U.S.C. § 2667 and 10 U.S.C. § 2668 (other than from leases of property at a military installation designated for closure or realignment) into the special fund Treasury receipt account, net of amounts paid for utilities and services furnished to lessees.

2.2.2. Services Furnished to Lessees. Treat payments for utilities and services furnished lessees pursuant to leases as a normal reimbursable transaction with funds credited to the appropriation account or working capital fund from which the cost of furnishing the utilities and services was paid.

2.2.3. Designated Purposes. Deposit funds in Treasury receipt account 5189 to the Secretary concerned for expenditure to the extent provided for in appropriation acts, for the following:

2.2.3.1. Maintenance, protection, alteration, repair, improvement, or restoration (including environmental restoration) of property or facilities.

2.2.3.2. Construction or acquisition of new facilities.

2.2.3.3. Lease of facilities.

2.2.3.4. Payment of utility services.

2.2.3.5. Real Property maintenance services

2.2.4. Use of Proceeds

2.2.4.1. At least 50 percent of the funds deposited are available for the designated purposes at the military installation or Defense Agency location where the proceeds were derived.

2.2.4.2. Proceeds deposited for designated purposes, derived from activities associated with a military museum, must be available for that museum.

2.2.4.3. The Secretary concerned may spend the remainder of the funds deposited for the designated purposes as described in subparagraph 2.2.3.

2.2.5. Agricultural and Grazing. The Secretary concerned may retain and spend money for rentals received related to a lease for agricultural or grazing purposes to cover the administrative expenses of agricultural or grazing leases and to cover the financing of multiple-land use management programs at any installation under the jurisdiction of the Secretary. This provision does not apply to lands acquired by the United States for flood control or navigation purposes or any related purpose, including the development of hydroelectric power.

2.2.5.1. To ensure appropriate accounting and reporting of proceeds from agricultural and grazing leases, the Military Departments must factor collections received into their annual budget process and request the Office of Management and Budget to apportion them prior to use. See 10 U.S.C. § 2667 for complete guidance for collections and disbursements related to agricultural and grazing leases. The Military Departments are prohibited from using suspense account F3875 to record and report these proceeds.

2.2.5.2. When recording the direct offsetting collections in general fund accounts (e.g., an Operation and Maintenance account for agricultural and grazing lease proceeds), the Military Departments must use United States Standard General Ledger (USSGL) account 426600 "Other Actual Business-Type Collections From Non-Federal Sources," which provides direct spending authority on line 1800 of the Standard Form (SF) 132, "Apportionment," and the SF 133, "Report on Budget Execution and Budgetary Resources."

2.2.6. Leases under 10 U.S.C. § 2667a. The provisions of this paragraph apply to the proceeds from leases of Defense Agency property under 10 U.S.C. § 2667a (repealed October 2008) only to the extent provided by appropriation law. Otherwise, such proceeds may be used only for costs related to the leased property. See subparagraph 2.2.3. The repeal of this section does not affect the validity or terms of any lease with respect to the property of a Defense Agency entered into by the SecDef before the repeal date of October 14, 2008.

2.2.7. Accounting Entries. The value of lease payments received and payments for services provided will be recognized as revenue. The accounting entries for the recognition of revenue are specified in the DoD USSGL, Standard Financial Information Structure ***(SFIS) Transaction Library***, primarily in Category C, "Collections and Receivables."

2.2.8. Appropriation Authority. Per section 8034 of the fiscal year 2005 DoD Appropriations Act, ***Public Law 108-287***, amounts deposited in special Treasury accounts established pursuant to 40 U.S.C. § 572 and 10 U.S.C. § 2667 during fiscal year 2005 and in subsequent years remain available until transferred by the SecDef to current applicable appropriations, at which point they are available for the same time period and the same purposes as the appropriation to which transferred.

2.3 Special Treasury Fund for the Proceeds of Sale and Lease

2.3.1. Requirements. The special funds are to be established and operated under the provisions of ***Chapter 1***, "Funds." The special funds designated by the Treasury for use in connection with 40 U.S.C. § 572, ***40 U.S.C. § 485***, and 10 U.S.C. § 2667, are Treasury Fund Symbols 5188, "Disposal of DoD Real Property," and 5189, "Lease of DoD Real Property." These Federal

Treasury account symbols have been established as no-year accounts. These Funds and applicable point accounts are listed in Table 14-1.

2.3.2. Purposes

2.3.2.1. 40 U.S.C. § 572. Any net proceeds (gross proceeds less expenses of transferring or disposing of the property) received from the transfer or disposal of real property under 40 U.S.C. § 572 must be deposited into special fund Treasury receipt account 5188, "Disposal of DoD Real Property," with point accounts as listed in Table 14-1. See paragraph 2.2 for the appropriate accounting treatment.

2.3.2.2. 10 U.S.C. § 2667(e)(1)(A). Funds received from leases of real property entered into pursuant to 10 U.S.C. § 2667 must be deposited into the special fund Treasury receipt account 5189, "Lease of DoD Real Property," with point accounts as listed in Table 14-1. Funds received from leases of personal property must also be deposited into the special fund Treasury receipt account 5189, "Lease of DoD Real Property." See paragraph 2.2 for the appropriate accounting treatment.

2.4 Acceptance of Funds to Cover Administrative Expenses

2.4.1. In connection with real property transactions with nonfederal persons or entities, ***10 U.S.C. § 2695*** states: "…the Secretary of a Military Department may accept amounts provided by the person or entity to cover administrative expenses incurred by the Secretary in entering into the transaction." Acceptance of funds applies to the following transactions:

2.4.1.1. The exchange of real property;

2.4.1.2. The grant of an easement over, in, or upon real property of the United States;

2.4.1.3. The lease or license of real property of the United States;

2.4.1.4. The disposal of real property of the United States for which the Secretary will be the disposal agent; or

2.4.1.5. The conveyance of real property under ***10 U.S.C. § 2694a***.

2.4.2. Amounts collected for administrative expenses must be credited to the appropriation, fund, or account from which the expenses were paid. The amounts credited must be merged with funds of an identical appropriation, fund, or account and must be available for the same purposes and subject to the same limitations as these funds.

2.4.3. Accounting Entries. Funds received to cover administrative expenses will be recognized as revenue. Standard accounting entries are specified in the USSGL SFIS Transaction Library.

2.5 Leases: In-Kind Consideration

2.5.1. Acceptance of In-Kind Consideration. Generally, the receipt of cash is the preferred form of consideration for leases of buildings and property of the Federal Government per *40 U.S.C. § 1302*. In some cases, under 10 U.S.C § 2667, as payment of part or all of the consideration for the lease, the terms of the lease may provide for the alteration, repair, or improvement, by the lessee, of the property leased.

2.5.2. Types of In-Kind Consideration. In-Kind consideration falls into two categories: construction or maintenance of real property, and the reduction of expenses.

2.5.2.1. Real Property In-Kind Consideration involves:

2.5.2.1.1. Alteration, repair, or improvement of property leased in lieu of rental payments.

2.5.2.1.2. Maintenance, protection, alteration, repair, improvement, or restoration (including environmental restoration) of property or facilities under the control of the Secretary concerned.

2.5.2.1.3. Construction of new facilities for the Secretary concerned.

2.5.2.2. Expense-type In-Kind Consideration involves:

2.5.2.2.1. Provision of facilities for use by the Secretary concerned.

2.5.2.2.2. Provision or payment of utility services for the Secretary concerned.

2.5.2.2.3. Provision of real property maintenance services for the Secretary concerned.

2.5.2.2.4. Provision of such other services relating to activities that will occur on the leased property as the Secretary concerned considers appropriate.

2.5.2.3. Expense-type In-Kind Consideration results in revenue recognition equal to the operating expenses that are avoided because of receiving the in-kind contribution.

2.5.3. Accounting for In-Kind Consideration

2.5.3.1. Real Property In-Kind Consideration. SFFAS No.7, “Accounting for Revenue and Other Financial Sources and Concepts for Reconciling Budgetary and Financial Accounting”, paragraph 36(d) states: "Revenue from specific types of exchange transactions must be recognized as follows: When services are rendered continuously over time or the right to use an asset extends continuously over time, such as the use of borrowed money or the rental of space

in a building, the revenue must be recognized in proportion to the passage of time or the use of the asset."

2.5.3.2. Accounting Entries. The accounting entries for in-kind revenue earned are in the USSGL SFIS Transaction Library. To recognize revenue earned and capitalized assets received, the Treasury accounts detailed in Table 14-2 must be used. For additional information on leases see ***Volume 4, Chapter 26***, "Accounting For Leases."

2.6 Transfers of DoD Real Property

2.6.1. In accordance with 40 U.S.C. § 572(b), real property and related improvements under the control of a Military Department (other than property at a military installation designated for closure or realignment) that are determined by the Secretary of the Military Department to be excess to the needs of that Department must be made available for transfer without reimbursement to other Military Departments. If the property is not transferred to another Military Department, the Secretary of the Military Department must request the Administrator of the General Services Administration (GSA) to transfer or dispose of such property in accordance with applicable laws.

2.6.2. Any proceeds generated from the transfer or disposition of property will be deposited into a special account in the Treasury. Funds deposited into the special Treasury account will be distributed to the Military Department(s) by the OUSD(C)/PB consistent with applicable appropriation law to include an amount for facility maintenance and repair or environmental restoration as stated in 40 U.S.C. § 572(b).

2.6.3. If a Military Department determines that real property and related improvements under its control (other than property at a military installation designated for closure or realignment) are in excess of its needs and are available for transfer to another Military Department, the transfers will be made on a non-reimbursable basis.

2.6.4. Both the losing and gaining Military Departments will recognize the transfer of real property in the accounting records. The value of the transfer is the net book value of the assets (acquisition cost of the real property plus the cost of capitalized improvements less accumulated depreciation). If the net book value of the property is not known or cannot be determined, the fair market value at the time of the transfer may be used. The same amount of the transfer must be used by both parties. Detailed explanations for property and fiscal accountability are required as supporting footnotes to the accounting entries.

2.6.5. The accounting entries for transfers between DoD components without reimbursement are standard transactions E510 and E606 specified in the USSGL SFIS Transaction Library.

2.6.6. The ***DoD (DD) Form 1354***, "Transfer and Acceptance of DoD Real Property," is used to document the transfer of real property between DoD Components.

2.7 Disposal of DoD Real Property

2.7.1. Sale by GSA. If real property is not transferred to another Military Department, the SecDef must request that the GSA Administrator dispose of such real property in accordance with the provisions of applicable laws. See ***DoD Instruction 4165.72***, "Real Property Disposal," for additional information.

2.7.2. Deposit of Proceeds. Any consideration (money) received must be deposited directly into the special fund Treasury receipt account 5188 with the point account specified in Table 14-1. The explanation for this transaction is as follows: to record the disposition of real property located at (include a full description and the Real Property Universal Identifier number). Monies received were deposited into the special fund Treasury account 097X5188, "Disposal of DoD Real Property," under cash voucher #_____ in accordance with 40 U.S.C. § 572.

2.7.3. Availability of amount deposited. To the extent provided in an appropriation act, an amount deposited in a special Treasury account from the disposal of property is available for facility maintenance and repair or environmental restoration as follows:

2.7.3.1. In the case of property located at a military installation that is closed, the amount is available for facility maintenance and repair or environmental restoration by the Military Department that had jurisdiction over the property before the closure of the military installation.

2.7.3.2. In the case of property located at any other military installation:

2.7.3.2.1. Fifty percent of the amount is available for facility maintenance and repair or environmental restoration at the military installation where the property was located before it was disposed of or transferred; and

2.7.3.2.2. Fifty percent of the amount is available for facility maintenance and repair and for environmental restoration by the Military Department that had jurisdiction over the property before it was disposed of or transferred.

2.7.4. Accounting Entries. The accounting entries for disposal of real property are specified in the USSGL SFIS Transaction Library, primarily in Category C, "Collections and Receivables" and Category D, "Adjustments, Write-offs and Reclassifications."

3.0 REPORTING REQUIREMENTS TO CONGRESS

3.1 Reporting and Notification

3.1.1. 40 U.S.C. § 572(b)(6). As part of the annual request for authorization of appropriations to the Committees on Armed Services of the Senate and the House of Representatives, the Department must include an accounting of each transfer and disposal of real property made during the fiscal year proceeding the fiscal year in which the request is made. This summary must include a detailed explanation of such disposal and the use of the proceeds received.

3.1.2. ***10 U.S.C. § 2662(a)***. Includes specific reporting requirements for leases in which the Secretary of a Military Department or, with respect to a Defense Agency, the SecDef may not enter into any transactions by or for the use of that Department until the Secretary concerned submits a report to the Committee on Armed Services of the Senate and the Committee on Armed Services of the House of Representatives. These reporting requirements are discussed in detail in paragraph 3.2.

3.1.3. 10 U.S.C. § 2667(h). When a proposed lease involves only personal property, the lease term exceeds one year, and the fair market value of the lease consideration exceeds $100,000:

3.1.3.1. This paragraph does not apply if the Secretary concerned determines that:

3.1.3.1.1. A public interest will be served as a result of the lease; and

3.1.3.1.2. The use of competitive procedures for the selection of certain lessees is unobtainable or not compatible with the public benefit served under subparagraph 3.1.3.1.1.

3.1.3.2. Not later than 45 days before entering into a lease, the Secretary concerned must submit to Congress written notice describing the terms of the proposed lease to include:

3.1.3.2.1. The competitive procedures used to select the lessee; or

3.1.3.2.2. In the case of a lease involving the public benefit exception authorized by 10 U.S.C. § 2667(h) (2) and the description of the public benefit to be served by the lease.

3.1.3.3. The reporting requirement described in this paragraph does not apply to the renewal or extension of a certain lease by the Secretary of the Navy for the operation of a ship within the University National Oceanographic Laboratory System. See 10 U.S.C. § 2667(h)(3) for the specific terms of this exception.

3.1.4. ***10 U.S.C. § 2668***. Copies of instruments granting easements over public lands must be furnished to the Secretary of the Interior.

3.2 Reporting under Title 10 U.S.C. § 2662

3.2.1. Under 10 U.S.C. § 2662, the Secretary concerned must submit a report to the Committee on Armed Services of the Senate and the Committee on Armed Services of the House of Representatives before entering into an acquisition, lease, license, or easement of real property owned by the United States (other than a lease or license entered into under Base Closure and Realignment Property), if the estimated price or annual fair market rental value of the property is more than $750,000.

3.2.2. Reporting notifications under 10 U.S.C. § 2662 do not apply to any new facilities whose construction is accepted as in-kind consideration. The Secretary concerned must notify

Congress of the proposed lease before (1) issuing a contract solicitation or other lease offering with regard to the transaction; and (2) providing public notice regarding any meeting to discuss a proposed contract solicitation with regard to the transaction. The contents of this public notification are specified in 10 U.S.C. § 2662(b)(2). Specifically, the notification must include the following with regard to the proposed lease:

3.2.2.1. A description of the proposed transaction, including the proposed duration of the lease;

3.2.2.2. A description of the authorities to be used in entering into the transaction;

3.2.2.3. A statement of the scored cost of the entire transaction, determined using the scoring criteria of the Office of Management and Budget;

3.2.2.4. A determination that the property involved in the transaction is not excess property, as required by 10 U.S.C. § 2667 (a)(3), including the basis for the determination;

3.2.2.5. A determination that the proposed transaction is directly compatible with the mission of the military installation at which the property is located and a description of the anticipated long-term use of the property at the conclusion of the lease;

3.2.2.6. A description of the requirements or conditions within the contract solicitation or other lease offering for the person making the offer to address taxation issues, including payments in lieu of taxes, and other development issues related to local municipalities; and

3.2.2.7. If the proposed lease involves a project related to energy production, a certification by the SecDef that the project, as it will be specified in the contract solicitation or other lease offering, is consistent with the DoD performance goals and plan required by ***10 U.S.C. § 2911***.

3.2.3. 10 U.S.C. 2662 Notification. The Secretary concerned may not enter into the actual lease with respect to property for which the information required by 10 U.S.C. § 2662(b)(2) (see 3.1.2) was submitted in a report to Congress unless the Secretary again complies with these notice-and-wait requirements. The subsequent report to Congress must include the following with regard to the proposed transaction:

3.2.3.1. A cross reference to the prior report that contained the information submitted under 10 U.S.C. § 2662(b)(2) with respect to the transaction;

3.2.3.2. A description of the differences between the information originally submitted under 10 U.S.C. § 2662(b)(2) and the information regarding the transaction being submitted in the subsequent report;

3.2.3.3. A description of the payment to be required in connection with the lease, license, or easement including a description of any in-kind consideration that will be accepted;

- 3.2.3.4. A description of any community support facility or provision of community support services under the lease, license, or easement, regardless of whether the facility will be operated by a covered entity (as defined in 10 U.S.C. § 2667(d)) or the lessee or the services will be provided by a covered entity or the lessee; and

3.2.3.5. A description of the competitive procedures used to select the lessee or, in the case of a lease involving the public benefit exception authorized by 10 U.S.C. § 2667 (h)(2), a description of the public benefit to be served by the lease.

*Table 14-1. Special Funds Designated for the Proceeds of Sale and Lease of DoD Property

Treasury Fund Symbol	Description
097X5188	Disposal of Department of Defense Real Property, Defense
097X5189	Lease of Department of Defense Real Property, Defense

*Table 14-2. USSGL Accounts for Leases with In-Kind Consideration

Entry	Account	Account Description	Comments
Debit	101000	Fund Balance with Treasury	For cash received from lessee
Debit	193000	Lessor Lease Receivable	This account is used to record the present value of lease payments to be received for the lease term in leases other than short-term, intragovernmental, and lease contracts that transfer ownership. This account does not close at year-end.
Debit	1xxxxx	Appropriate asset account(s)	For capitalized assets received from or constructed by lessee
Debit	679000	Other Expenses Not Requiring Budgetary Resources	For in-kind services and non-capitalizable assets received from lessee
Credit	593000	Lessor Lease Revenue	This account is used to record the amount of revenue earned from (1) Short-term lease payments paid to a lessor based on the provisions of the lease contract; (2) Intragovernmental lease receipts to a lessor, including lease related operating costs (maintenance, utilities, taxes, etc.,) received from the lessee based on the provisions of the lease agreement; and (3) Variable payments based on future performance of the lessee or usage of the underlying asset in leases other than short-term, intragovernmental, and lease contracts that transfer ownership.

VOLUME 12, CHAPTER 15: "EDUCATIONAL ASSISTANCE PROGRAMS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*****.**

The previous version dated May 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	This is a substantial chapter revision. Deleted obsolete information and added educational benefit criteria for the Montgomery GI Bill programs and other educational benefits.	Revision
All	Updated hyperlinks and formatting, renumbered sections, and added required paragraphs in accordance with current administrative instructions.	Revision

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CHAPTER 15

EDUCATIONAL ASSISTANCE PROGRAMS

1.0 GENERAL

1.1 Overview

1.1.1. Entitlements under the Educational Assistance Programs are established by law and available to anyone meeting eligibility requirements as described in section 2.0. Authorizations for entitlements constitute a binding contract by the Federal Government, and eligible recipients may have legal recourse if the contract is not fulfilled. Legislation authorizing entitlements does not necessarily include a corresponding appropriation of funds; thus, the subsequent enactment of appropriations may be necessary.

1.1.2. The Department of Defense (DoD) offers educational assistance to active duty, selected reserve, individual ready reserve, survivors and dependents, and others in the form of various programs. Additional details of the educational programs can be found on the U.S. ***Department of Veterans Affairs*** (DVA) website, in the "Education and training" section.

1.1.3. The DoD Educational Assistance Programs aid in recruiting and retaining members of the Armed Forces. The programs also provide for the readjustment of military members to civilian life after their separation from military service. Furthermore, the programs provide for educational assistance for dependents and survivors of members of the Armed Forces.

1.2 Purpose

This chapter provides guidance on financial operations and the recording of transactions for Educational Assistance Programs, as well as the establishment of accounting principles and standards related to these requirements.

1.3 Authoritative Guidance

The accounting policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:

1.3.1. Title 10, United States Code Section 510 ***(10 U.S.C. § 510)***, "Enlistment incentives for pursuit of skills to facilitate national service."

1.3.2. ***10 U.S.C. § 2006***, "Department of Defense Education Benefits Fund."

1.3.3. ***10 U.S.C. § 2142***, "Educational assistance program: eligibility."

1.3.4. ***10 U.S.C. Chapter 1606***, (§§16131-16136), "Educational Assistance for Members of the Selected Reserve"

1.3.5. ***38 U.S.C. Chapter 30*** (§§ 3001 – 3002, 3011 – 3023, 3031 – 3035), "All-Volunteer Force Educational Assistance Program."

1.3.6. ***38 U.S.C. Chapter 33*** "Post-9/11 Educational Assistance."

1.3.7. ***38 U.S.C. § 3314***, "Tutorial assistance."

1.3.8. ***38 U.S.C. § 3316***, "Supplemental educational assistance: members with critical skills or specialty; members serving additional service."

1.3.9. ***38 U.S.C. § 3319***, "Authority to transfer unused education benefits to family members."

1.3.10. ***38 U.S.C. § 3492***, "Tutorial assistance."

1.3.11. ***38 U.S.C. § 3687***, "Apprenticeship or other on-job training."

1.3.12. ***DoD Directive 1322.16***, "Montgomery GI Bill (MGIB) Program."

1.3.13. ***DoD Instruction (DoDI) 1322.17***, "Montgomery GI Bill – Selected Reserve (MGIB-SR)."

1.3.14. ***DoDI 1340.23***, "Waiver Procedures for Debts Resulting from Erroneous Pay and Allowances."

1.3.15. ***DoDI 1341.13***, "Post-9/11 GI Bill."

2.0 EDUCATIONAL ASSISTANCE PROGRAMS

2.1 Veterans' Education Assistance Program (Post-Vietnam)

The Veterans' Education Assistance Program ***(VEAP)*** ***(38 U.S.C. § 3201)*** is an educational benefit for service members who entered service between January 1977 through June 1985. This program was terminated on April 1, 1987; however, the Services may be required to budget and submit payment for unfunded liabilities as determined by the DoD Board of Actuaries on a year-by-year basis.

2.2 Montgomery GI Bill – Active Duty

2.2.1. Background. The Montgomery GI Bill – Active Duty ***(MGIB-AD)*** (38 U.S.C. Chapter 30), also known as "Chapter 30," provides education benefits to veterans and service members who have met the minimum requirements of their obligated period of active duty.

2.2.2. Eligibility Requirements

2.2.2.1. Becomes a member of the Armed Forces (after June 30, 1985) and has served continuously for three years, or the full amount of the enlistment contract. Eligibility ends 10 years after the member separates.

2.2.2.2. Does not disenroll from the basic program.

2.2.2.3. Has their basic pay been reduced by $100 per month for 12 months beginning the month following the 270th day of active service and MGIB election. These funds are withheld for MGIB enrollment purposes. Any amount by which the basic pay of an individual is reduced shall revert to the U.S. Treasury and shall not, for purposes of any Federal law, be considered to have been received by or to be within the control of such individual, as described in paragraph 3.4.

2.2.2.4. Meets the initial Service-defined criteria for additional or supplemental benefits of any type.

2.2.2.5. Members who are separated from active duty because of a disability which was not the result of the individual's own willful misconduct incurred on or after the date on which that member became entitled to educational assistance. The member's entitlement to educational assistance expires at the end of the 10-year period beginning on the date the member was discharged or released from active duty.

2.2.3. Benefits. The MGIB-AD provides up to 36 months of education benefits. For more information, refer to ***MGIB-AD Benefits.***

2.2.4. Skill or Specialty Designator MGIB-AD "Kickers" (also known as "College Fund") for Members with specialty skills (Title 38 U.S.C. §3015(d)(1)). The Secretary may offer a benefit known as the "Kicker" to individuals who have a skill or specialty where there are critical personnel shortages or recruitment challenges. This Kicker is in addition to the assistance provided under the basic benefit. The Kicker benefit is available to members who have met the minimum requirements of their obligated period of active duty. The Kicker benefit for active-duty members is in increments of $100 between $150 and $950 for up to 36 months.

2.2.5. Chapter 30 Benefits Transferred to Dependents ***(38 U.S.C. § 3020)***. Developed to enhance recruitment and retention of the Armed Forces members, this program allows eligible members to transfer basic educational assistance to one or more dependents. Members who meet the following criteria are eligible:

2.2.5.1. Completed six years of service in the Armed Forces;

2.2.5.2. Has a critical military skill designated by the Secretary; or

2.2.5.3. Is in a military specialty designated by the Secretary concerned as requiring critical military skills; and

2.2.5.4. Has entered into an agreement to serve at least four more years as a member of the Armed Forces.

2.2.6. Budget Submission Guidance. Services are to budget for the MGIB-AD "Kicker" program using the per capita rates approved by the DoD Board of Actuaries based upon the most recent actuarial valuation of the DoD educational programs.

2.3 Montgomery GI Bill – Selected Reserve

2.3.1. Background. The Montgomery GI Bill Selected Reserve ***(MGIB-SR)*** (Chapter 1606, Title 10, U.S.C.) program offers up to 36 months of education and training benefits. Refer to ***10 U.S.C. 16132(a)***.

2.3.2. Eligibility Requirements. Members of the Selected Reserve who meet all of the following criteria are entitled to educational assistance:

2.3.2.1. On or after July 1, 1985, enlisted, reenlisted, or extended an enlistment in a Reserve component for service in the Selected Reserve for not less than 6 years or, in the case of officers, agree to serve in the Selected Reserve for six years beyond any existing Selected Reserve service contract.

2.3.2.2. Completed the requirements for award of a high school diploma or equivalency certificate before applying for benefits.

2.3.2.3. Completed the initial period of active duty for training required of the member.

2.3.2.4. Each person who becomes entitled to educational assistance must be given a written DD Form 2384-1, Notice of Basic Eligibility, summarizing the provisions of Chapter 1606, Title 10, U.S.C. This notice provides a date of basic eligibility contingent on meeting initial eligibility criteria.

2.3.2.5. Additional information on the period of eligibility can be found in DoDI 1322.17.

2.3.3. Period of Entitlement. Member's entitlement to educational assistance expires:

2.3.3.1. On the date the member is separated from the Selected Reserve, assuming the MGIB-SR basic entitlement was established after June 29, 2008.

2.3.3.2. At the end of the 14-year period beginning on the date on which the member became entitled to such assistance or on the date the member separates from the Selected Reserve, whichever occurs first, if the MGIB-SR basic entitlement was established from October 1, 1992, to June 29, 2008. The expiration of a service member's entitlement who is ordered to active duty under an order issued under sections ***10 U.S.C. §§ 12301(a),*** 12301(d), and 12301(g), ***10 U.S.C. § 12302***, ***10 U.S.C. §12304***, ***10 U.S.C. § 12304a***, or ***10 U.S.C. § 12304b*** must be extended beyond the 14-year period or the date the service member separated from the Selected Reserve by the length of the period of active duty plus 4 months.

2.3.3.3. Upon completion of the 10-year period that began on the date that MGIB-SR basic was established from July 1, 1985, to September 30, 1992, or separation from the Selected Reserve, whichever came first.

2.3.4. Skill or Specialty Designators MGIB-SR "Kickers" (***10 U.S.C. §16131(i)(1)***). The Secretary may offer a benefit known as the "Kicker" to individuals who have a skill or specialty where there are critical personnel shortages or recruitment challenges. This Kicker benefit is in addition to the assistance provided under the basic benefit. The period of obligated service for the Kicker payments is separate from the period of obligated service for the basic MGIB-SR but runs concurrently with that period of obligated service. The Kicker payments may not exceed $350 per month.

2.3.5. Budget Submission Guidance. Services are to budget for the basic benefit and the MGIB-SR "Kicker" programs using the per capita rates approved by the DoD Board of Actuaries based upon the most recent actuarial valuation of the DoD educational programs. Rates are updated annually and published within the President's Budget Submission Guidance issued by the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer.

2.4 Post-9/11 GI Bill

2.4.1. Background. The Post-9/11 GI Bill (Chapter 33, Title 38, U.S.C.) provides education and job training to qualifying Veterans or members of the Armed Forces who served on active duty after September 10, 2001, and have met the minimum requirements of their obligated period of active duty. The DVA funds the Post-9/11 GI Bill. Such members are also entitled to transfer the Kicker of this benefit to a spouse or dependent children if conditions to transfer the basic benefit are met.

2.4.2. Eligibility and Benefits. See "Post-9/11 GI Bill (Chapter 33).

2.4.3. Skill or Specialty Designator Post-9/11 "Kicker". Individuals who have a skill or specialty designated by the Service Secretary as described in subparagraph 2.2.4 and are entitled to receive the Kicker benefit under the Chapter 30 benefit are also entitled to receive that Kicker benefit with the Post-9/11 benefit. Such members are also entitled to transfer the Kicker benefit to a spouse or dependent children if conditions to transfer the basic benefit are met.

2.4.4. Budget Submission Guidance. Refer to subparagraph 2.2.6 when budgeting for the Post-9/11 Kickers.

3.0 FUNDING FOR EDUCATIONAL ASSISTANCE PROGRAMS

3.1 DoD Education Benefits Fund

3.1.1. The Veterans Educational Assistance Act of 1984 established a trust fund to finance DoD education liabilities on an actuarially sound basis. The DoD Education Benefits Fund (EBF) is a trust fund used to accumulate funds for transfer to the DVA to cover the DoD share of benefits. The DoD funds the MGIB-AD benefits, the MGIB-SR basic and Kicker benefits, and the VEAP benefits. The DoD Office of the Actuary performs actuarial valuations and provides actuarial support and expertise for the EBF. Refer to the ***Education Benefits Valuation Report***, which is updated annually.

3.1.2. The fund, 97X8098 – Department of Defense Education Benefits Fund (Education Fund), contains the following assets:

3.1.2.1. Amounts paid into the EBF from the active duty and reserve personnel appropriations;

3.1.2.2. Any amount that may be appropriated by Congress to the EBF; and

3.1.2.3. Interest earned as a result of the investment of available EBF cash balance in U.S. Government securities. This method of funding the educational assistance program became effective July 1, 1985.

3.2 Education Fund Payments

Amounts payable by the DoD Active and Reserve Components to the EBF are determined using methods and assumptions approved by the DoD Board of Actuaries. The accounting principles contained in ***Chapter 16***, "Military Personnel Entitlement Programs," also apply to the education benefits programs.

3.3 Education Fund Transfers

Amounts to be transferred to the EBF are obligated by Components at the same time military pay is obligated as required in ***Volume 3, Chapter 8***, "Standards for Recording and Reviewing Commitments and Obligations," and further explained in Chapter 16.

3.4 Educational Fund Deposits (Miscellaneous Receipts)

3.4.1. The Act provides for withholding a total of $1,200 (in 12 equal monthly installments) from the basic pay of active-duty military members who elect to participate in the MGIB-AD (refer to paragraph 2.2). The Military Departments must deposit the withheld funds to the general fund of the Department of the Treasury (Treasury) as miscellaneous receipts. The

miscellaneous receipts subaccounts are identified in the Office of the Deputy Chief Financial Officer ***Standard Financial Information Structure*** website.

3.4.2. For amounts withheld from active-duty members, a general fund proprietary receipt account has been established to which collections of military personnel contributions are deposited. However, the funds collected are treated as proprietary receipts of the DVA, rather than of the DoD, with the appropriate offset against budget subfunction 702 (Veterans' Education, Training, and Rehabilitation).

3.4.3. Even though the DoD does not receive credit for the offsetting receipts, it is responsible for collecting the contributions from individuals participating in the program. To ensure proper crediting of the collected funds, all contributions must be deposited into Miscellaneous Receipt Account 36R2473 – Contributions from Military Personnel, Veterans Educational Assistance Act of 1984. It is essential that the funds be deposited to Treasury index number "36" (DVA) rather than the index numbers for each Military Department.

3.4.4. Monthly Report for Miscellaneous Receipt

3.4.4.1. Each Military Department provides the DVA a monthly report of funds deposited to Miscellaneous Receipt Account 36R2473. The report shows only the net amount deposited.

3.4.4.2. Submit the report in time to reach the DVA no later than the close of business on the seventh workday after the close of the reported month. The following address must be used for sending the reports:

Department of Veterans Affairs (O47H1)
810 Vermont Avenue, NW
Washington, DC 20420
ATTN: C.O. Finance (047H1)

3.4.4.3. If the report cannot be submitted in time to reach the DVA by the seventh workday after the reported month, the Military Department reports by facsimile machine the amount deposited. The report must be "faxed" to the DVA Central Office, Field Finance Division.

3.5 "Kicker" Educational Benefit

The DVA pays all claims for benefits under the educational program. The DVA also funds most of the basic educational benefits for active-duty military members from a general fund appropriation (e.g., MGIB-AD and the Post-9/11 GI Bill). An additional benefit (i.e., the "Kicker") may be paid at the discretion of the Secretary of Defense. However, this is funded in the military personnel appropriations by the DoD, as are all supplemental benefits. These funds must be paid into the EBF for subsequent transfer to the DVA.

3.6 Education Fund Transfer to the DVA

The EBF is used to accumulate funds for transfer to the DVA to cover the DoD share of benefits. The Director, Defense Finance Accounting Service (DFAS), must account and report for the DoD EBF since it is an Office of the Secretary of Defense account. In addition, the Director, DFAS, must invest the case balances of the EBF not needed to cover transfers to the DVA for payment of benefits.

4.0 FUND TRANSFERS OF MILITARY PERSONNEL APPROPRIATIONS

Transfers from the military personnel appropriations to the DoD EBF are processed as indicated in this section. The accounting for these amounts follows the accounting requirements contained in ***Volume 4, Chapter 10***, "Personnel Related Liabilities."

4.1 Receipt and Expenditure Accounts

4.1.1. The DoD EBF is classified as a trust fund and uses both receipt and expenditure accounts, as it is not designated as a trust revolving fund. Receipts are available immediately for expenditure; therefore, the Treasury requires deposits to be made using the "X" symbolization for the receipt account.

4.1.2. Deposits are made to the following trust fund receipt accounts as applicable.

4.1.2.1. 97X8098.1 – Employing Agency Contributions, Department of Defense, Education Benefits Fund. Payments from DoD military personnel appropriations.

4.1.2.2. 97X8098.2 – Earnings on Investments, Department of Defense, Education Benefits Fund. Payments of interest by Treasury on EBF investments in U.S. securities.

4.1.2.3. 97X8098 – Disbursements – Unamortized Premium and Discount, Department of Defense Education Benefits Fund. Purchase of premium, interest, and discount.

4.2 Timing

Transfers of funds for a given month are accomplished on or before the last business day of that month. If the transfers are accomplished on an estimated basis, they are adjusted in the subsequent month when actual figures become available.

4.3 Method for Transfer of Funds

4.3.1. Transfers are made on an expenditure basis. Funds are disbursed from the military personnel appropriations and collected into the EBF. The disbursement and collection transactions are accomplished using the Intragovernmental Payment and Collection (IPAC) system. The disbursements and collection transactions can also be made on an ***SF 1081***, Voucher and Schedule of Withdrawals and Credits. The disbursing officer making the payment forwards a copy of the

completed SF 1081 to DFAS, and also reports both the disbursement and collection transaction on the monthly ***DD Form 1329***, Statement of Transaction.

4.3.2. Completed forms are forwarded to the following email address: ***dfas.indianapolis-in.jja.mbx.cin-jjra@mail.mil***.

4.3.3. The total amount transferred from the military personnel appropriation to the EBF is provided in the Military Service Contract program documentation and is reported on either the face of the SF 1081 or in a separate attachment.

4.4 Calculation of Transfers

4.4.1. Transfers to the EBF from the active component and reserve component personnel appropriations are accomplished monthly. The amounts to be transferred are calculated using the formulas provided in subparagraphs 4.4.2 and 4.4.3, which are based on existing legislation and, therefore, subject to change upon any enacted amendments. The per capita amounts to be used in the calculations are determined by the DoD Office of the Actuary using methods and assumptions approved by the DoD Board of Actuaries. The per capita amount is the per-person normal cost, potentially offset by an amount related to amortizing a surplus (if this particular service or Reserve Component's portion of the Fund, as determined by the Office of the Actuary for a particular program, has a surplus). This information must be provided to the Military Departments when it becomes available.

4.4.2. Active-Duty Appropriations. The per capita normal cost multiplied by the number of new entrants who become eligible during the month. Eligibility is defined in subparagraph 2.4.2.

4.4.2.1. The Services must report monthly to DFAS, and DFAS must report monthly in their trial balance, the total amount of per capita contributions for each combination of benefit level and years of obligated service. The report must specify the number of members for the current month, reconciling corrections from the prior month (if any), and the per capita amounts used in the calculations. These amounts must be reported separately from contributions that fund other programs.

4.4.2.2. The Services must pay an amortization payment into the DoD EBF on October 1st of each year to reduce the fund's liability. The amount of the contribution, if any, for each Component must equal the amount specified in the letter for the current fiscal year issued by the DoD Board of Actuaries.

4.4.2.3. Amortization refers to the process of gradually paying off a program's unfunded liability over a defined period—typically five years—through scheduled payments. Each year, the amortization schedule is reset, ensuring a fresh start based on updated unfunded liabilities. While this method moves toward full funding, it does not guarantee complete resolution unless projected liabilities change. The DoD Board of Actuaries maintains the amortization rates.

4.4.2.4. To ensure proper crediting of contributions made to DFAS, the Services must reference the account titles listed in Table 15-1 for the Active-Duty Services specified in the letter issued by the DoD Board of Actuaries.

Table 15-1 Active-Duty Critical Skill "Kicker" Benefit Account Titles

Active-Duty Critical Skill "Kicker Benefit"
2 Year Contract $150 per month "Kicker"
2 Year Contract $250 per month "Kicker"
2 Year Contract $350 per month "Kicker"
2 Year Contract $450 per month "Kicker"
2 Year Contract $550 per month "Kicker"
2 Year Contract $650 per month "Kicker"
2 Year Contract $750 per month "Kicker"
2 Year Contract $850 per month "Kicker"
2 Year Contract $950 per month "Kicker"
3 Year Contract $150 per month "Kicker"
3 Year Contract $250 per month "Kicker"
3 Year Contract $350 per month "Kicker"
3 Year Contract $450 per month "Kicker"
3 Year Contract $550 per month "Kicker"
3 Year Contract $650 per month "Kicker"
3 Year Contract $750 per month "Kicker"
3 Year Contract $850 per month "Kicker"
3 Year Contract $950 per month "Kicker"
4 Year Contract $150 per month "Kicker"
4 Year Contract $250 per month "Kicker"
4 Year Contract $350 per month "Kicker"
4 Year Contract $450 per month "Kicker"
4 Year Contract $550 per month "Kicker"
4 Year Contract $650 per month "Kicker"
4 Year Contract $750 per month "Kicker"
4 Year Contract $850 per month "Kicker"
4 Year Contract $950 per month "Kicker"
5 Year Contract $150 per month "Kicker"
5 Year Contract $250 per month "Kicker"
5 Year Contract $350 per month "Kicker"
5 Year Contract $450 per month "Kicker"
5 Year Contract $550 per month "Kicker"

Table 15-1 Active-Duty Critical Skill "Kicker" Benefit Account Titles (continued)

Active-Duty Critical Skill "Kicker Benefit"
5 Year Contract $650 per month "Kicker"
5 Year Contract $750 per month "Kicker"
5 Year Contract $850 per month "Kicker"
5 Year Contract $950 per month "Kicker"
6 Year Contract $150 per month "Kicker"
6 Year Contract $250 per month "Kicker"
6 Year Contract $350 per month "Kicker"
6 Year Contract $450 per month "Kicker"
6 Year Contract $550 per month "Kicker"
6 Year Contract $650 per month "Kicker"
6 Year Contract $750 per month "Kicker"
6 Year Contract $850 per month "Kicker"
6 Year Contract $950 per month "Kicker"
Amortization Payment
Post-Vietnam Era Voluntary and Involuntary Separatees (CAT III)

4.4.3 Reserve and National Guard Appropriations. Per capita amounts and amortization payments required. The per capita amount cost is multiplied by the number of Reserve Component members who become eligible during the preceding month. Eligibility is defined in subparagraph 2.4.2. A contribution is made for an eligible member only once. Eligibility data is established in the Notice of Basic Eligibility described in subparagraph 2.3.2.4. This eligibility date never changes.

4.4.3.1. The Reserve Components report monthly to DFAS, and DFAS reports monthly in their trial balance, the total amount of per capita contributions for 10 U.S.C. Chapter 1606; to include the breakout by basic and Kicker, and within Kicker, by Kicker benefit level. The report specifies how such amounts are derived in terms of the number of members for the appropriate month, reconciling corrections from the prior month(s) (if any), and the per capita amounts used in such calculations. These amounts should be reported separately from contributions that fund other programs.

4.4.3.2. If required due to a program's unfunded liability, the Reserve Components pay an amortization payment into the Department of Defense EBF on October 1st of each year to reduce the fund's liability. The amount of the contribution, if any, for each component equals the amount specified in the letter for the current fiscal year issued by the DoD Board of Actuaries.

4.4.3.3. To ensure proper crediting of contributions made to DFAS, all Reserve Components must reference the account titles listed in Table 15-2.

Table 15-2 Selected Reserve Benefit Account Titles

Selected Reserve Benefit (10 U.S.C. Chapter 1606)
Critical Skill or Critical Unit Benefit (10 U.S.C. Chapter 1606)
$100 monthly "Kicker" benefit
$200 monthly "Kicker" benefit
$350 monthly "Kicker" benefit
Amortization (10 U.S.C. Chapter 1606)

4.5 Fund Transfers To DVA from the DoD EBF

4.5.1. General Fund Appropriation Transfer Account. The DFAS transfers funds to the DVA on an expenditure basis. This is required because DVA pays the benefits from the general fund appropriation account 36X0137 – Readjustment Benefits, Veterans Administration.

4.5.2. IPAC Transactions. The actual transaction is accomplished by using IPAC. The DVA provides DFAS a letter of intent to disburse prior to making any IPAC transactions. This request is sent to dfas.indianapolis-in.jja.mbx.cin-jjra@mail.mil. The DVA reports the collection into 36X0137 on DD Form 1329.

5.0 PAYROLL DEDUCTIONS

5.1 Order of Precedence for Deductions

Deductions from pay for the education benefits program are governed by the order of precedence for deductions from gross pay. The order of precedence is used when the gross entitlement payment is not sufficient to permit all deductions to be made. The order of precedence is in ***Volume 7A, Chapter 52***, "Priority of Pay Deductions and Collections."

5.2 Participation Election Criteria

When an individual enters active duty as a member of the Armed Forces, participation in the education benefits program is automatic, unless the service member makes an election not to enroll for education benefits using ***DD Form 2366***, Montgomery GI Bill Act of 1984 Basic Enrollment. Once enrolled in the program, a reduction of the service member's pay becomes mandatory $100 per month for a total of $1,200. The deduction is considered an "Indebtedness Due to the United States." Therefore, it ranks ahead of state income taxes and all other deductions of lower precedence. Within the "Indebtedness" category, it takes precedence over any debts due to the DoD since the reduction is deposited to a civil agency account.

5.3 Member of the Selected Reserve

The Secretary of Defense will recoup $1,200 from Selected Reserve members within one year of completing their two-year active duty service obligation, which forms the basis for this entitlement. This recoupment may be achieved through basic pay deductions or other appropriate methods by the Secretary of Defense.

6.0 REFUNDS OR ERRONEOUS DEDUCTIONS FROM ACTIVE-DUTY MEMBERS

6.1 Current Year Deductions

If the refund takes place within the same fiscal year as the erroneous deduction was made, the payment to an active-duty member is charged to miscellaneous receipt account 36R2473. These transactions reduce the monthly deduction deposited to the miscellaneous receipt account 36R2472 and are reported to the DVA.

6.2 Prior Year Deductions

If the refund takes place after the close of the fiscal year in which the erroneous deduction was made, the payment to an active-duty member is made from Treasury appropriation 20X1807 – Refund of Monies Erroneously Received and Covered. Such payments are reported routinely on the Military Department's monthly Statement of Transactions. The Treasury Department is contacted by telephone if payments from 20X1807 in excess of $100,000 are to be made in a given month. The report is provided to the Credit and Debt Management Branch, Financial Management Service at Treasury.

7.0 COLLECTION OF EDUCATIONAL DEBTS OWED TO THE GOVERNMENT BY SELECTED RESERVE

7.1 Selected Reserve Participation Refunds

Members of the Selected Reserve receiving educational assistance benefits under 10 U.S.C. Chapter 1606, and who fail to participate satisfactorily in required reserve training, may be required to refund an amount to the United States. This amount is calculated in accordance with the formula established at 10 U.S.C. 16135(b)(1).

7.2 Selected Reserve Participation Refund Calculation

The refund equals the product of the following:

7.2.1. The number of months of obligated service remaining under the agreement entered into by the reservist, divided by the original number of months of the original contract.

7.2.2. The total amount of educational assistance provided to the reservist increased by interest equal to the highest rate being paid by the Treasury on securities having a maturity of 90 days or less on the day on which the refund is determined to be due. The interest accrues from the day on which the reservist is first notified of the amount due to the U.S. Government as a refund.

7.3 Selected Reserve Data Collection Requirements

Each Military Department maintains data on Selected Reserve members who are:

7.3.1. Eligible for educational assistance.

7.3.2. Fail to participate satisfactorily.

7.3.3. Not excused from the responsibility to refund overpayments received under the Selected Reserve educational assistance program.

7.4 Collection of Debts Owed

Refer to ***Volume 16***, "Department of Defense Debt Management" for policy on debt collection if a member (or retiree) does not fulfill the education obligation, and it is determined they owe a debt to the DoD.

VOLUME 12, CHAPTER 16: "MILITARY PERSONNEL ENTITLEMENT PROGRAMS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated October 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks, format, and renumbered sections and paragraphs in accordance with standard operating procedures.	Revision
1.3 (160103)	Added an "Authoritative Guidance" paragraph and incorporated the appropriate references.	Addition
2.0 (1602)	Moved the "Definitions" section and added a definition for capitation payments.	Revision
5.3 (160503)	Incorporated requirements to align with the Department of Defense Instruction (DoDI) 6070.02, "Department of Defense Medicare-Eligible Retiree Health Care Fund Operations."	Addition
5.7 (160507)	Added information for Medicare-Eligible Retiree Health Care reimbursements.	Addition
5.9.2.2.2. (160509.B.2.b)	Changed the "Uniformed Services Family Health Plan" to the "Designated Provider Program," effective October 1, 2012.	Revision
5.9.4.2.3.1. (160509.D.2.c.(1))	Added clarifying language to ingredient costs.	Revision

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CHAPTER 16

MILITARY PERSONNEL ENTITLEMENT PROGRAMS

1.0 GENERAL (1601)

1.1 Overview (160101)

Entitlements Programs are legally established benefits available to any person or unit of government meeting eligibility requirements established by law. Authorizations for entitlements constitute a binding obligation on the part of the Federal Government, and eligible recipients may have legal recourse if the obligation is not fulfilled. Legislation authorizing entitlements does not necessarily include a corresponding appropriation of funds, thus subsequent enactment of appropriations may be necessary.

1.2 Purpose (160102)

This chapter prescribes the accounting policy for two entitlement programs established for Department of Defense (DoD) military personnel. The entitlement programs are the Military Retirement Fund (MRF) and the Medicare-Eligible Retiree Health Care Fund (MERHCF).

*1.3 Authoritative Guidance (160103)

The accounting policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:

1.3.1. Title 10, United States Code, sections 1461 – 1467 (***10 U.S.C. §§ 1461 - 1467***), Chapter 74, "Department of Defense Military Retirement Fund."

1.3.2. ***10 U.S.C. §§ 1111 - 1117***, Chapter 56, "Department of Defense Medicare-Eligible Retiree Health Care Fund."

1.3.3. Office of Management and Budget ***(OMB) Circular A-11***, Section 20, "Terms and Concepts."

1.3.4. ***OMB Circular A-136***, "Financial Reporting Requirements."

1.3.5. DoD Instruction ***(DoDI) 6040.40***, "Military Health System Data Quality Management Control Procedures."

1.3.6. ***DoDI 7770.01***, "Reporting Requirements for Retired Uniformed Service Pay File Extracts."

1.3.7. ***DoD 6010.13-M***, "Medical Expense and Performance Reporting System for Fixed Military Medical and Dental Treatment Facilities."

1.3.8. ***Actuarial Standards Board*** (ASB) provides a list of definitions from the Actuarial Standards of Practice and Actuarial Compliance Guidelines of the ASB.

1.3.9. ***DoD Office of the Actuary*** (OACT) provides actuarial expertise on all matters relating to military compensation and benefits.

1.3.10. ***DoD Agency Financial Report***. The Under Secretary of Defense (Comptroller) (USD(C)) website publishes the "Military Retirement Fund Audited Financial Report," and the "Medicare-Eligible Retiree Health Care Fund Audited Financial Statements" on the DoD Agency Financial Report web page. Both financial reports are shown on the web page as "MRF" and "MERHCF," respectively.

*2.0 DEFINITIONS (1602)

The following terms and their definitions apply to this chapter.

2.1 Capitation Payments (160201)

These are payments agreed upon in a capitated contract by a health insurance company and a medical provider. They are fixed, pre-arranged monthly payments received by a physician, clinic or hospital per patient enrolled in a health plan, or per capita.

2.2 Cost (160202)

The price or cash value of the resources used to produce a program, project, or activity (OMB Circular A-11).

2.3 Federal Financial Statements (160203)

Principal financial statements and reporting information applicable to the MERHCF include the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, notes to financial statements and required supplementary information as required by OMB Circular A-136.

2.4 Medicare-Eligible (160204)

With respect to any person, means entitled to benefits under part A of title XVIII of the Social Security Act (42 U.S.C § 1395c et seq).

2.5 Military Treatment Facilities (160205)

A medical facility (hospital or clinic) operated by one or more of the Uniformed Services.

2.6 Normal Cost Contribution (160206)

Amounts paid into MERHCF from the "Military Personnel, Reserve Personnel and National Guard Personnel" appropriations to fund future benefits payable from MERHCF, attributable to military service rendered in the current fiscal year. Contribution amounts are based on the normal cost per capita rates (developed by the DoD OACT) multiplied by the expected average force strength (in the President's Budget) for that fiscal year (available on the DoD OACT website).

2.7 Per Capita Normal Cost Rates (160207)

Average per Uniformed Service member actuarial rate developed by the DoD OACT.

2.8 Refund (160208)

The return of excess payments to or by the Government retired or retainer pay. The gross entitlement for a member based on conditions of the retirement law, pay grade, years of service for basic pay, years of service for percentage multiplier, percentage of disability, if applicable, and date of retirement (transfer) in accordance with DoDI 7770.01.

2.9 Uniformed Services Retiree Health Care Programs (160209)

The provisions of Title 10 or any other provision of law creating an entitlement to or eligibility for health care (services) for a member or former member of a participating uniformed service who is entitled to retired or retainer pay and an eligible dependent under such program.

3.0 GENERAL ACCOUNTING POLICY FOR ENTITLEMENT PROGRAMS (1603)

3.1 Payment of Benefits (160301)

Entitlement programs are divided into three categories according to the events that give rise to benefit payments: payments based on individual eligibility, payments required by law, and reimbursable events. These categories are accounted for as follows:

3.1.1. Individual Eligibility. When the program is administered by a federal agency, entitlement benefits based on individuals meeting eligibility requirements of a program must be recorded as a liability and an expense when the eligibility requirements are met (as determined by program officials). The recorded liability and expense must cover all expected payments for the current period of eligibility. Payments to recipients reduce the recorded liability.

3.1.2. Compliance with Statutory Laws. When payments are authorized (through appropriation and allotment of funds) for disbursement pursuant to legal requirements with no specific action required of the recipients, a liability and expense must be recorded when the appropriated funds are allotted to the applicable program. The recorded liability and expense must cover the total amount to be disbursed. As payments are made, the liability must be reduced.

3.1.3. Reimbursable Events. When payments are based on the occurrence of a specific event for which costs are reimbursable under an entitlement program, a liability must be recorded when the event occurs. If the reimbursement is based on end-of-period reports from program administrators, an estimated amount must be accrued at the end of a reporting period.

3.2 Identifiable Refunds (160302)

When the expense for payments made under an entitlement program exceeds the appropriation (permissible for certain programs under special statutory authority), the source of the related funds must be clearly identified. If the funds were borrowed, the appropriate liability account must be established.

3.3 Suspension of Payments (160303)

When substantiated doubt exists on the continued entitlement of a military retiree or annuitant to receive benefit payments and payments on an account are suspended, the Defense Finance and Accounting Service (DFAS) must cease obligating on the subject account for retired pay, retainer pay, or annuitant benefits. Previously obligated amounts must be deobligated to the extent of recoveries on previous payments or amounts held in a suspense account. Although this procedure is directed primarily at suspected death status accounts, it applies equally to other situations that may terminate entitlement. Examples of other situations include (but are not limited to) employment by a foreign government, renouncing U.S. citizenship, remarriage of a surviving spouse, and certain student annuitants dropping out of school.

4.0 ACCOUNTING POLICY FOR THE ACCRUAL AND INVESTMENT OF MRF (1604)

4.1 Retired Pay Entitlements (160401)

Retired military pay is a pension program established by 10 U.S.C. §§ 1461 – 1467 and administered by the Secretary of the Treasury. The MRF must be used for the accumulation of funds in order to finance on an actuarially sound basis, liabilities of the DoD under military retirement and survivor benefit programs. As such, the program fits under the category of entitlement authority as defined by ***2 U.S.C. § 622(9)***.

4.2 MRF Assets (160402)

In accordance with 10 U.S.C. §1462, "Assets of Fund," the following deposits are made into the DoD MRF, which constitute the assets of MRF:

4.2.1. Amounts paid into the MRF from the "Military Personnel, Reserve Personnel and National Guard Personnel" appropriations representing future retirement and survivor benefits being accrued by members performing current service.

4.2.2. Amounts paid into the MRF from the U.S. Department of the Treasury (Treasury) as an unfunded liability and Concurrent Receipt normal cost payment.

4.2.3. Interest earnings on investments in government securities made by the Treasury and the payment of the par values of these securities at maturity.

4.3 Unfunded MRF Liabilities (160403)

Determinations of funding contribution amounts for the current portion of retired military benefits and amounts required to liquidate the unfunded portion of the MRF are as follows:

4.3.1. Amounts necessary to fund present and future benefits payable to military retirees and their survivors must be based on actuarial funding determinations by the DoD OACT, using methods and economic assumptions (including the inflation, interest, and salary rates) approved by the DoD Board of Actuaries and in accordance with ***10 U.S.C § 1465***. DoD Components must include sufficient funds to be transferred to the MRF, as determined by the DoD OACT, in their Military Personnel (MILPERS) appropriation budgets.

4.3.2. The annual amount required to liquidate the unfunded liability of the MRF must be calculated by the DoD OACT, in accordance with methods and assumptions approved by the DoD Board of Actuaries.

4.3.3. Amounts to be transferred to the MRF for retired pay accrual must be obligated by the DoD Components at the same time military retired pay is obligated, as required in Volume 4, Chapter 10.

4.3.4. Entitlements for former spouse payments from military retired pay and survivor benefits annuities are described in Volume 7B, Chapter 29. Payments of authorized and accrued benefits must be made from the MRF, a trust fund established under Public Law 98-94, in accordance with ***10 U.S.C. § 1463***.

4.3.5. Calculations of funding amounts for the current portion of retired military benefits must be performed centrally by the Military Departments for Active, Reserve, and National Guard military personnel. The calculations must employ retired military pay accrual percentages published annually by the Office of the Secretary of Defense (OSD) and must be applied to the total base pay amount calculated. The term "base pay" means outlays for basic pay.

4.4 Investment of MRF Cash Balances (160404)

The Investment Fund Manager, DFAS, is responsible for investing cash balances of the MRF not needed to cover current retirement payments. Investments are limited to Market-Based U.S. Government Special Securities issued by the Treasury (see ***10 U.S.C. § 1467***).

4.5 Calculation of Retired Pay Benefits (160405)

Retired pay benefits must be calculated (see Volume 7B, Chapter 3) and paid by DFAS.

4.6 Reimbursements of Retired Military Pay (160406)

All reimbursements made to DoD Components in accordance with the guidance contained in Volume 11A, Chapter 6 for retired military pay must be credited to the applicable MILPERS appropriation account. The annual reimbursable rates are also available online at the Office of the Under Secretary of Defense (Comptroller) (***OUSD(C)***) public website under the "Quick Links" section; select the "DoD Reimbursable Rates."

4.7 Accounting for MRF Obligations and Accruals (160407)

Using DoD Board of Actuarial approved relevant actuarially percentages for obligations and accruals, military pay active duty accounts and Reserve and National Guard personnel accounts must be accounted for as follows:

4.7.1. Amounts equating to an actuarially determined percentage of basic pay must be obligated each month for subsequent payment to the MRF.

4.7.2. Accounting for the direct program must be at the budget sub-activity level prescribed in Volume 2A, Chapter 2. Accounting for the reimbursable program may use a simplified structure to include basic pay, retired pay accrual, and other.

4.7.3. The amount accrued for retired pay must be obligated each month. At the end of the month, amounts obligated for retired pay accrual must be disbursed. If information on the total entitlement and total expenditures is not available at the end of the month, estimates may be used and appropriate adjustments made when the actual amounts become known.

4.7.4. Release of funds must be consistent with budgetary authority. An undelivered order entry must be made at the beginning of each month to accrue the estimated MRF obligations to the members. Before the end of each month, the actual obligations must be recorded and an accrued expenditure (paid or unpaid, as applicable) established. The corresponding disbursement of funds must agree with the reported outlay and amount obligated.

4.7.5. All military pay accounting systems must provide for the recording of obligations for basic pay separate from other kinds of pay and allowances. However, the liquidation of obligations for pay and allowances may be on a gross basis. If the actual amount of basic pay disbursed is not known at the end of the month, an estimated retired pay obligation to be liquidated and disbursed to the MRF may be developed by a formula such as: multiplying the estimated basic pay by the retired pay accrual percentage (provided by the DoD OACT).

4.7.6. The Military Departments must also obligate and disburse amounts calculated for the retired pay accrual in the applicable military pay for Active, Reserve, and National Guard accounts; and disbursements for retired pay benefits accruals must be deposited, via the Intra-Governmental Payment and Collection (IPAC) system, at the end of each month to trust fund receipt account 097X8097.001, "Employing Agency Contribution, Department of Defense Military Retirement Fund." The associated disbursement and collection transactions must be supported using a Standard Form (SF) 1081, "Voucher and Schedule of Withdrawals and Credits." The SF 1081 must be

properly certified prior to submission to the DFAS Trust Fund Accounting and Reporting (TFAR) division. The disbursing officer making the payment also must process the collection, forward a copy of the completed SF 1081 to DFAS TFAR, and report both the disbursement and collection transactions on the monthly SF 1220, "Statement of Transactions (According to Appropriations, Funds, and Receipt Accounts)." The DFAS copy of the SF 1081, with all supporting documentation, must be transmitted electronically, immediately upon completion of the transactions, so that the deposit may be recorded in the MRF as soon as possible and the funds invested.

4.8 Accounting for MRF Appropriations (160408)

The permanent indefinite appropriations, 097_0040, "Payments to Military Retirement Fund, Defense," and 097_0041, "Concurrent Receipt Accrual Payments to the Military Retirement Fund, Defense," are accounted for as follows:

4.8.1. At least 3 weeks before the end of the fiscal year, the Secretary of Defense must provide the Secretary of the Treasury with a certification of the amounts, as determined using methods and assumptions approved by the DoD Board of Actuaries that should be deposited to these accounts for the ensuing fiscal year. The certification must include the amounts needed to fund the amortization of the original unfunded liability for military retirement, any other unfunded liability resulting from benefit structure changes and actuarial gains or losses, and the portion of the accrual charge to be funded by the Treasury. A copy of the certification must be sent directly to:

Department of the Treasury
Bureau of the Fiscal Service
Budget Reports Division
3201 Pennsy Drive, Building E
Landover, MD 20785-1603

4.8.2. Upon receipt of the certification, the Treasury provides the Fiscal Service (FS) Form 6200, "Department of the Treasury Appropriation Warrant," for the amount certified. The Warrant must be dated October 1 and provided to DFAS on or before that date so that the funds are available for immediate investment in the new fiscal year.

4.8.3. On October 1, DFAS is required to: (1) record the FS Form 6200 to 097_0040, "Payments to Military Retirement Fund, Defense;" (2) disburse the entire amount from 097_0040, and (3) deposit it to trust fund receipt account 097X8097.003, "Federal Contribution, Department of Defense Military Retirement Fund."

4.8.4. The DoD MRF is classified as a trust fund and makes use of both receipt and expenditure accounts since it is not designed as a trust revolving fund.

4.8.4.1. Deposits are made to the following trust fund receipt accounts as applicable:

4.8.4.1.1. 097X8097.001, "Employing Agency Contribution, Department of Defense Military Retirement Fund." Payments from DoD Military Departments for accrual of future retired pay benefits and transfers of deposits made by Judges of the U.S. Court of Military Appeals, including interest, from 024X8135, "Civil Service Retirement and Disability Fund, Office of Personnel Management," and the payment from the indefinite appropriation for the normal costs contribution, 097_0041, "Concurrent Receipt Accrual Payments to the Military Retirement Fund, Defense."

4.8.4.1.2. 097X8097.002, "Earnings on Investments, Department of Defense Military Retirement Fund." Payment of interest by Treasury on Fund investments in U.S. securities.

4.8.4.1.3. 097X8097.003, "Federal Contribution, Department of Defense Military Retirement Fund." Payments from the permanent indefinite appropriation for the unfunded liability, 097_0040, "Payments to Military Retirement Fund, Defense".

4.8.4.1.4. 097X8097, "Disbursements-Unamortized Premium and Discount, Department of Defense Military Retirement Fund." Purchase of premium, interest, and discount.

4.8.4.1.5. 097X8097, "Receipts-Unamortized Premium and Discount, Department of Defense Military Retirement Fund." Write-off and amortization of premium and discount and collection of interest purchased.

4.8.4.2. The Treasury account symbol for the trust fund expenditure account is 097X8097. Amounts deposited to the receipt accounts identified in subparagraph 4.8.4.1 are available immediately to the trust fund expenditure account for investment or payment of retired pay benefits.

4.8.4.2.1. Account 097X8097 must incorporate the same budget activity structure as the account "Retired Pay, Defense." Accounting must be at least at the budget activity level, and lower level accounts must be established as necessary to meet reporting requirements.

4.8.4.2.2. Since account 097X8097 is an OSD account, DFAS is responsible for its overall accounting and reporting.

4.8.4.2.3. Acting for the Secretary of Defense, DFAS must allocate a portion of 097X8097 to each Military Department in order to fund payments of retirement benefits.

4.8.4.2.4. Annuity payments to retired Judges of the U.S. Court of Military Appeals must be charged to 097X8097.

4.9 MRF Financial Reporting Requirements (160409)

4.9.1. DoD Components must report in their Statement of Operations the amount of Federal contributions (including accrued amounts), if any, made to the pension plans(s) on behalf of their employees. The agency contribution must not include amounts withheld from employee's compensation for submission to the plan(s).

4.9.2. DoD Components which administer programs that provide annuity benefits to eligible participants must recognize, for reporting purposes, an actuarial (accrued) liability for the program. Determination of the liability must be in accordance with applicable Federal Accounting Standards Advisory Board standards (e.g., Statement of Federal Financial Accounting Standards (SFFAS) 5 and SFFAS 33).

4.9.2.1. For the year in which the actuarial (accrued) liability is first recorded, the initial amount of the liability must be reported as an accounting change, i.e., a charge to equity and an accrued liability. Thereafter, changes in the liability each year must be charged or credited to expense.

4.9.2.2. Footnotes to the financial statements must disclose the nature and amount of required agency contributions, if any. The footnotes also must disclose the agency responsible for reporting the pension plan's unfunded liability.

4.9.2.3. Financial information for pension plans must be reported in the annual financial statements of administering agencies.

4.9.2.4. The notes to the financial statements must include a description of the methods and significant assumptions used in computing the actuarial present value of future program benefits. Additionally, if the actuarial liability computed in accordance with these standards is different from the actuarial liability computed for funding purposes, the footnotes must include an adequate explanation of the basis for any significant differences between the two liabilities.

4.9.3. DFAS is responsible for preparing MRF reports in accordance with Volume 6A.

4.9.3.1. SF 133, Report on Budget Execution and Budgetary Resources. DFAS must submit the SF 133 for all MRF expenditure accounts.

4.9.3.2. ACCT RPT (M) 1002, Appropriation Status by Fiscal Year Program and Subaccounts. DFAS must submit this report for the MRF expenditure account prepared in accordance with Volume 6A, Chapter 4.

4.9.3.3. Other Reports. DFAS must follow the instructions in Volume 6A as applicable. In addition, the Military Departments must comply with the monthly reporting requirements contained in Volume 6A.

4.9.4. Status of Funds. The DFAS must prepare a Status of Funds and forward it to the Deputy Comptroller, Program/Budget, on the fifteenth workday of the following month. The DFAS must report actual data for current fiscal year through the previous fiscal month.

5.0 ACCOUNTING POLICY FOR THE ACCRUAL, INVESTMENT, AND TRANSFERS OF MERHCF (1605)

5.1 MERHCF Purpose (160501)

MERHCF was established by the Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001, Public Law 106-398. As amended, the MERHCF pays the qualifying health care service costs of all uniformed service retiree health care programs for the benefit of members or former members of a participating service who are entitled to retired or retainer pay and are Medicare-eligible. This includes their dependents who are Medicare-eligible, and survivors who are Medicare-eligible.

5.2 MERHCF Entitlements (160502)

The DoD MERHCF is an OSD Special Fund and is considered an entitlement authority as defined in 2 U.S.C. § 622(9). The DoD MERHCF, administered by the Secretary of the Treasury, must be used for the accumulation of funds in order to finance, on an actuarially sound basis, liabilities of DoD under uniformed services health care programs for specific Medicare-eligible beneficiaries, as designated by 10 U.S.C. §§ 1111 – 1117.

*5.3 MERHCF Proponent (160503)

5.3.1. Assistant Secretary of Defense for Health Affairs (ASD(HA)). Under the authority, direction, and control of the Under Secretary of Defense (Personnel and Readiness) (USD(P&R)), the ASD(HA):

5.3.1.1. Approves and issues procedures for management and operation of MERHCF.

5.3.1.2. Provides guidance and operational direction to the Director, Defense Health Agency (DHA) regarding the management and operation of MERHCF.

5.3.2. Director, DHA. Under the authority, direction, and control of the ASD(HA) the Director, DHA:

5.3.2.1. Directs and oversees the implementation of DoD policy on management and operation of MERHCF:

5.3.2.1.1. Develops and implements methods for calculating amounts to be transferred periodically from MERHCF for projected costs of uniformed service retiree health care programs for Medicare-eligible beneficiaries (purchased health care and direct health care) in accordance with 10 U.S.C. §§ 1111 – 1117.

5.3.2.1.2. Coordinates with the Chief Actuary, DoD OACT to determine any actuarial impacts to MERHCF resulting from any proposed changes to the method or methods for calculating amounts to be transferred periodically from MERHCF for the projected costs of uniformed service retiree health care programs for Medicare-eligible beneficiaries.

5.3.2.1.3. Conducts an annual execution review in coordination with the USD(C) and the Secretaries of the Military Departments to compare projected costs to the costs based on actual workload performed for Medicare-eligible beneficiaries. Provide Military Treatment Facility (MTF)-level feedback on the status of reported workload for eligible beneficiaries and the associated Fund payments for that workload.

5.3.2.1.4. Coordinates with the ASD(HA); the USD(C); the Director, DFAS; the Chief Actuary; and DoD OACT to:

5.3.2.1.4.1. Establish or update the accounting policy and financial management processes for payments to and from MERHCF.

5.3.2.1.4.2. Review and approve appropriate amounts and disclosures needed for the Federal financial statement reports and the related footnote disclosures and schedules.

5.3.2.1.4.3. Review and update MERHCF's Financial Management Committee charter as necessary.

5.3.2.1.4.4. Support annual required independent financial audits in accordance with the provisions of MERHCF's Financial Management Committee charter and support any other operational audits of MERHCF, as needed.

5.3.2.2. Reviews current and proposed legislative program changes for potential impacts to MERHCF's valuations and coordinates with the Chief Actuary, DoD OACT and the USD(C) to provide input for decision making.

5.3.3. DoD MERHCF Board of Actuaries. The MERHCF Board:

5.3.3.1. Furnishes advice and opinion to the ASD(HA) and the Director, DHA on matters referred to it as appropriate.

5.3.3.2. Reviews actuarial valuations of MERHCF. This includes review and approval of the amortization schedule for the unfunded actuarial liability to ensure the liability will be fully funded in the future.

5.3.3.3. Reports on the actuarial status of MERHCF annually to the Secretary of Defense and not less than once every four years (quadrennial report) to the President and Congress.

5.3.4. Chief Actuary, DoD OACT. The Chief Actuary, DoD OACT under the authority, direction, and control of the Director, Defense Human Resources Activity:

5.3.4.1. Coordinates with the MERHCF Board to report on the actuarial status of MERHCF annually to the Secretary of Defense and not less than once every four years (quadrennial report) to the President and Congress.

5.3.4.2. Using methods and assumptions approved by the MERHCF Board, coordinates with the USD(C) and the Director, DHA to provide the National Security Division, OMB with:

5.3.4.2.1. Annual estimates of per capita normal cost rates and total annual normal cost contribution amounts for the coming fiscal year.

5.3.4.2.2. Preliminary estimates of per capita normal cost rates and estimates of total annual normal cost contribution amounts for the succeeding fiscal year.

5.3.4.3. Using methods and assumptions approved by the MERHCF Board, coordinates with the USD(C) to:

5.3.4.3.1. Calculate the annual amounts due to MERHCF from the Secretary of the Treasury for:

5.3.4.3.1.1. The total unfunded actuarial liability amortization payment, and

5.3.4.3.1.2. The total normal cost contribution on behalf of the Secretaries of the Military Departments.

5.3.4.3.2. Provide an annual estimate of per capital normal cost rates to the participating uniformed services (the United States Coast Guard (USCG), Public Health Service (PHS), and the National Oceanic and Atmospheric Administration (NOAA)).

5.3.4.4. Coordinates with the ASD(HA), and the Director, DHA to provide to the USD(C), the Secretaries of the Military Departments, Secretaries of the Uniformed Services and the Director, DFAS:

5.3.4.4.1. Notification of all public meetings and decisions made by the MERHCF Board.

5.3.4.4.2. Annual estimates of the per capita normal cost rates and total projected normal cost contribution amounts to MERHCF.

5.3.4.4.3. Annual estimates of total projected outlays from MERHCF.

5.3.4.4.4. Annual adjustments and schedules needed for Federal financial statement reports.

5.3.4.5. Reviews current and proposed legislative and regulatory program changes for potential impacts to MERHCF's actuarial valuations and coordinates with the Director, DHA and the USD(C) to provide input for decision making as applicable.

5.3.4.6. Coordinates with the ASD(HA) to determine any actuarial impacts to MERHCF of any proposed changes to the method or methods for calculating amounts to be transferred periodically from MERHCF.

5.3.5. USD(C). The USD(C) prepares the total unfunded liability amortization payment plus the total normal cost contribution for certification by the Secretary of Defense, on behalf of the Military Department Secretaries, to the Secretary of the Treasury using the annual amounts due to MERHCF calculated by the DoD OACT.

5.3.6. Director, DFAS. The Director, DFAS under the authority, direction and control of the USD(C), coordinates with the Secretary of the Treasury, the Chief Actuary, DoD OACT, the Secretaries of the Military Departments, the Secretaries of the participating Uniformed Services, and/or the Director, DHA as applicable, to:

5.3.6.1. Manage MERHCF's investments in accordance with the provisions of 10 U.S.C § 1117.

5.3.6.2. Establish the necessary accounts for MERHCF.

5.3.6.3. Develop financial management processes for payments to and from MERHCF and establish or update them.

5.3.6.4. Develop, report and approve appropriate amounts and disclosures needed for the Financial Statement reports and the related Footnote disclosures.

5.3.6.5. Support the annual independent financial audit of MERHCF's Federal financial statements and any other financial or operational audits of MERHCF as necessary.

5.3.6.6. Incorporate into the Planning, Programming, Budgeting, and Execution System the accounting process for contributions to MERHCF and for payments and outlays from MERHCF, in accordance with 10 U.S.C. §§ 1111 – 1117.

5.3.7. Secretaries of the Military Departments. The Secretaries of the Military Departments:

5.3.7.1. Provide current and projected personnel end strength and average strength data and estimates to the DoD OACT and USD(C) when requested.

5.3.7.2. Conduct all fund transfers, accounting, reconciliation, and other administration relating to the operation of MERHCF.

5.3.8. Administering Secretaries for the Participating Uniformed Services. The Administering Secretaries for the participating Uniformed Services include the Secretary of Homeland Security (for USCG) and the Secretary of Health and Human Services for PHS and NOAA. The Administering Secretaries for the participating Uniformed Services:

5.3.8.1. Using the annual estimate of per capital normal cost rates provided by the DoD OACT, calculate the normal cost contribution amounts using current personnel end strength and average strength data.

5.3.8.2. Coordinate with the USD(C) to transfer the calculated normal cost contributions to MERHCF consistent with 10 U.S.C. §§ 1111 – 1117.

5.3.8.3. Provide the basis for the calculation of the normal cost contribution amount to the DoD OACT, the USD(C), and the Director, DFAS.

5.3.8.4. Provide current and projected personnel end strength and average strength data to the DoD OACT and USD(C) when requested.

5.3.8.5. Provide retiree strength data to the DoD OACT when requested.

5.4 MERHCF Accounts (160504)

The DoD MERHCF (097X5472, "Department of Defense, Medicare-Eligible Retiree Health Care Fund") is classified as a Special Fund and uses both receipt and expenditure accounts. The account number 097X5472 is the special fund expenditure account. Amounts deposited to the MERHCF receipt accounts are available immediately to the special fund expenditure account for investment, payment of benefits and administrative costs. Transfers from 097X5472 must be reported as expenditures. Transfers received by the appropriate program accounts must be reported as offsetting collections and as expenditures when expenses are paid. Acting for the Secretary of Defense, DFAS must make amounts available from 097X5472 in order to fund all qualifying expenses. All credits (deposits) and charges (payments) to ALC 97200010 for account 097X5472 made through the IPAC system must be reported to Treasury using the Governmentwide Accounting (GWA) system.

5.4.1. Deposit Accounts. Deposits are made to the following special fund receipt accounts, as applicable:

5.4.1.1. 097X5472.001, "Non-DoD Employing Agency Contributions, DoD Medicare-Eligible Retiree Health Care Fund." Payments from participating uniformed services for accrual of future health benefits.

5.4.1.2. 097X5472.002, "Earnings on Investments, DoD Medicare-Eligible Retiree Health Care Fund." Payment of interest by Treasury on Fund investments in U.S. public debt securities.

5.4.1.3. 097X5472.003, "Federal Contributions, DoD Medicare-Eligible Retiree Health Care Fund." Payments from the permanent indefinite appropriation for the unfunded liability – 097X0850.

5.4.1.4. 097X5472.004, "Refunds Received, DoD Medicare-Eligible Retiree Health Care Fund." Refund of amounts previously transferred from MERHCF, which are determined to be not necessary for the purposes transferred.

5.4.1.5. 097X5472.005, "Department of Defense Contributions, DOD Retiree Health Care Fund." DoD MERHCF payments from the Military Services.

5.4.2. Investment Accounts. The following accounts are used exclusively for investment transactions in U.S. securities, as applicable:

5.4.2.1. 097X5472 – Disbursements, Unamortized Premium and Discount. Purchase of premium, discount (CR) and interest.

5.4.2.2. 097X5472 – Receipts, Unamortized Premium and Discount. Write-off and amortization of premium and discount and collection of interest purchased.

5.4.2.3. 097X5472 – Investment in U.S. Securities (par). The par value of purchases of U.S. securities.

5.4.2.4. 097X5472 – Redemption of U.S. Securities (par). The par value of redemptions prior to maturity and the par value of matured U.S. Securities.

5.5 MERHCF Assets (160505)

5.5.1. Contributions. Amounts are contributed to MERHCF by DoD, other uniformed services (USCG, NOAA, and PHS), and the Treasury. These amounts must be based on determinations by the DoD OACT under methods and assumptions approved by the DoD MERHCF Board in accordance with the provisions of 10 U.S.C. §§ 1111 – 1117 as follows:

5.5.1.1. DoD. Amounts are paid into MERHCF from the "Military Personnel, Reserve Personnel and National Guard Personnel" appropriations to fund future benefits payable from MERHCF attributable to Military Service rendered in the current fiscal year.

5.5.1.2. Other Uniformed Services. Amounts paid into MERHCF from other uniformed services

5.5.2. Unfunded Actuarial Liability Payment. Amounts paid into MERHCF from a permanent indefinite general fund appropriation, 097X0850, to fund future benefits payable from MERHCF attributable to service rendered prior to October 1, 2002 (i.e., the unfunded actuarial liability) as well as all actuarial gains and losses.

5.5.3. Investment Income. Income on the invested portion of MERHCF.

5.5.4. Return of Prospective Payment Transfers. Amounts returned to MERHCF that were previously transferred to fund the payment of expenses.

5.6 Accounting for MERHCF Revenues (160506)

Amounts earned on investments are recorded by DFAS in accordance with the provisions of 10 U.S.C. §§ 1111 – 1117 and applicable accounting principles. DFAS deposits the amounts received for investment income into the MERHCF receipt account number 097X5472.002, "Earnings on Investments, DoD Medicare-Eligible Retiree Health Care Fund." Amounts contributed to MERHCF by the DoD, other uniformed services, and the Treasury must be based on determinations by the DoD OACT under methods and assumptions approved by the DoD MERHCF Board in accordance with the provisions of 10 U.S.C. §§ 1111 – 1117:

5.6.1. Annual Certification Letter and Apportionment

5.6.1.1. Prior to the beginning of each fiscal year, the Secretary of Defense issues a letter certifying the amortization payment (the initial unfunded actuarial liability plus amortization of actuarial gains and losses) and the normal cost contributions (the accrued cost associated with the current year's military service) on behalf of DoD. The normal cost contributions are determined in accordance with 10 U.S.C. §§ 1111 – 1117.

5.6.1.2. The certifying letter must request the Treasury to issue warrants to the DoD MERHCF payment account (097X0850) at the start of the fiscal year for the amortization payment and to the ten MERHCF contribution accounts for the normal cost accrual contributions. A copy of the letter must be sent directly to:

Department of the Treasury
Bureau of the Fiscal Service
Budget Reports Division
3201 Pennsy Drive, Building E
Landover, MD 20785-1603

5.6.1.3. The OUSD(C) submits an apportionment request to OMB for the ten MERHCF contribution accounts. The MERHCF contribution accounts correspond to one of the ten military personnel accounts (Active, Reserve, and National Guard).

5.6.2. Accounting for the Amortization of the Unfunded Actuarial Liability

5.6.2.1. Upon receipt of the certification, the Treasury provides the FS Form 6200, for the certified amortization amount. The warrant must be dated October 1 and provided to DFAS on or before that date so that the funds are available for immediate investment in the new fiscal year.

5.6.2.2. On October 1, DFAS must record the FS Form 6200, disburse the entire amortization amount from 097X0850, and deposit it to special fund receipt account 097X5472.003 – Federal Contributions, DoD MERHCF and notify the DoD OACT, the USD(C), and the Director, DHA when the payments are deposited.

5.6.3. Accounting for Military Pay Contributions

5.6.3.1. On the first duty day of October, Treasury issues warrants to the ten MERHCF normal cost contribution accounts. The Military Services will transmit payment to MERHCF, via facsimile or email, using an SF 1081 as supporting documentation for the IPAC.

5.6.3.2. To ensure the timely payment of funds and prevent a possible loss of interest to MERHCF, the Military Services must pre-coordinate their payments with the DFAS TFAR prior to the issuance of warrants by the Treasury and must prepare the SF 1081 to transmit payment based on the amounts certified by the Deputy Secretary of Defense.

5.6.3.3. DFAS deposits the amounts received for the normal cost contribution amounts into the MERHCF receipt account 097X5472.001, "Employing Agency Contributions, DoD Medicare-eligible Retiree Health Care Fund" and notifies the USD(C), the DoD OACT, and DHA when these payments have been deposited.

5.6.4. Accounting for Other Uniformed Services Contributions

5.6.4.1. The normal cost contribution payments to MERHCF for participating uniformed services must be computed and deposited in a manner similar to that described for the Military Services in subparagraph 5.5.1 using the rates provided by DoD OACT in accordance with the provisions of 10 U.S.C. §§ 1111 – 1117.

5.6.4.2. Payments to the MERHCF will be made at the beginning of the fiscal year to ALC 97200010 through the IPAC system. DFAS must credit the special fund account 097X5472.001, “Non-DoD Employing Agency Contributions, Department of Defense Medicare-Eligible Retiree Health Care Fund.” Documentation supporting the deposits must be transmitted electronically to DFAS prior to or immediately upon completion of the transaction.

*5.7 Reimbursements of Medicare-Eligible Retiree Health Care (160507)

The Fiscal Year 2005 National Defense Authorization Act provides permanent, indefinite appropriations from the Treasury to finance the cost of Medicare-Eligible Retiree Health Care (MERHC) accruals beginning in fiscal year 2006, rather than from MILPERS annual appropriations. Therefore, the per capita normal cost for MERHC accruals are not billable to other DoD Agencies or Federal Agencies. 22 U.S.C. § 2761(a)(1)(C) of the Arms Export Control Act requires foreign countries or international organizations, in the case of the sale of a defense service, to pay “the full cost to the United States Government of furnishing such service.” Therefore, the per capita normal cost for MERHC accruals must be included in the DoD Annual Rate Billable to Foreign Military Sales (i.e., the reimbursable rate billed to foreign countries or international organizations). Reimbursements of the per capita normal cost for MERHC accrual must be deposited into the Treasury Miscellaneous Receipts account 304100.

5.8 Investment of MERHCF Cash Balances (160508)

The Investment Fund Manager, DFAS, is responsible for investing cash balances of MERHCF not required to meet current withdrawals. Investments are limited to Market-Based U.S. Government Special Securities issued by the Treasury and are made in accordance with the provisions of 10 U.S.C. §§ 1111 – 1117. The income on such investments must be credited to receipt account 097X5472.002, "Earnings on Investments, DoD Medicare-Eligible Retiree Health Care Fund," and form a part of MERHCF. The reporting instructions for accounts invested in the Treasury securities contained in the Treasury Financial Manual do not pertain to the DoD MERHCF (097X5472). The reporting procedures for this Fund were agreed to by Treasury's Bureau of the Fiscal Service, OMB, and DoD. These agreed upon procedures were formalized by DoD and Treasury in 1993, and DFAS must maintain documentation of the agreement.

5.9 Accounting for MERHCF Outlays (160509)

5.9.1. DFAS must make amounts available from the special fund, account 097X5472, for payment of qualifying expenses in accordance with the provisions of 10 U.S.C. §§ 1111 – 1117:

5.9.1.1. Amounts transferred from MERHCF must be merged with and available for the same purposes and for the same time period as the appropriation to which transferred in accordance with the provisions of 10 U.S.C. §§ 1111 – 1117.

5.9.1.2. Funds may be returned to the MERHCF within two years in accordance with the provisions of 10 U.S.C. §§ 1111 – 1117.

5.9.1.3. The DHA determines annual prospective payments / transfer amounts from MERHCF in accordance with 10 U.S.C. §§ 1111 – 1117 and the following accounting and financial management processes for two categories of health care expenses: Purchased Care and Direct Care.

5.9.2. Purchased Care. Health care purchased from non-DoD providers is paid through the Operations and Maintenance (O&M) accounts within the MERHCF under the DHA Contract Resource Management (DHA-CRM) limit code (097X5472.18D9). For Purchased Care, the DHA-CRM must provide an estimated annual expense program to DFAS and the Director, DHA, at least one month prior to the start of each fiscal year. These estimates are used by DFAS for management of the investment portfolio and effective cash management and forecasting and are used by the Director, DHA in the development of the annual distribution plan. Accounting and financial management processes for using MERHCF funds for payment of pharmacy claims and health care purchased from non-DoD providers are as follows:

5.9.2.1. A Funding Authorization Document (FAD) will be issued to DHA-CRM for MERHCF funding in the amount(s) approved on the annual/quarterly distribution plan.

5.9.2.2. DHA-CRM uses this MERHCF funding for modifications to contracts for administrative payments and for pass through costs for healthcare and pharmacy claims attributable to Medicare-eligible beneficiaries.

5.9.2.2.1. The TRICARE Dual Eligible Fiscal Intermediary Contract (TDEFIC), TRICARE Overseas Program (TOP), and TRICARE Pharmacy Program (TPHARM – Mail Order and Retail) contracts process individual healthcare claims and administrative costs including per claim administrative payments and monthly costs. These contracts utilize TRICARE Encounter Data (TED) to process healthcare and pharmacy claims as well as the claim rate associated with the claims.

* 5.9.2.2.2. The Designated Provider Program (DPP), formerly Uniformed Services Family Health Plan (USFHP) contracts, have capitated rates by contract based upon enrollments at each DPP/USFHP hospital. Modifications to the contracts are done at least once a year to initiate a new option period and to set aside funds for the new fiscal year. Each modification for MERHCF funding is an estimate of enrollments of Medicare-eligible retirees, retiree family members, and survivors for the period of time covered by the modification (i.e. one year, one month. These plans include inpatient and outpatient services and a pharmacy benefit. The capitation rate is paid by DoD. Beneficiaries who choose enrollment in these plans are ineligible for care in MTFs as well as for benefits under the TRICARE for Life (TFL) (or other TRICARE plans) and Pharmacy programs. Prior to August 20, 2012, USFHP enrollees were not required to participate in Medicare. Beginning October 2012, a military retiree (or eligible family member) who becomes eligible for Medicare due to age may not enroll or stay enrolled in the USFHP, unless the military retiree (or eligible family member) was enrolled in the plan prior to September 30, 2012.

5.9.2.2.3. Marketing and Education contract supports the healthcare and pharmacy contracts with marketing and educational materials. Modifications to the contracts are done at least once a year to initiate a new option period.

5.9.2.3. DHA-CRM makes payments based on contract requirements and the appropriate funding source.

5.9.2.4. Validation of claims processed against MERHCF:

5.9.2.4.1. TED related health care and pharmacy claims and administrative payments are validated through a series of edits in TED and in DHA-CRM's accounting system. Edits include validation of funding source based on claim details contained in the TED records. This ensures that only costs attributable to Medicare-eligible beneficiaries have been included in payments drawn from MERHCF.

5.9.2.4.2. Modifications to contracts are not processed without the availability of MERHCF funding on the FAD. Payments are reconciled against available funding on the modifications when payments are made.

5.9.2.5. DFAS and DHA-CRM Reporting Procedures:

5.9.2.5.1. Estimated payments and collections using MERHCF funds will be reported to DFAS, as needed, by agreement with DFAS. Payments and collections include those made through all Treasury systems used by DHA-CRM.

5.9.2.5.2. At the end of every month, DHA-CRM will report to DFAS a final reconciliation of payments and collections that used MERHCF funds for the month.

5.9.2.5.3. At the end of every month, DHA-CRM will report the amounts of open accounts payable and open accounts receivable using MERHCF funds for use in Federal financial statement reporting.

5.9.3. Direct Care. Direct care is health care services provided to Medicare-eligible beneficiaries directly in MTFs of the DHA Service Medical Activities (SMAs) of the Army, Navy and Air Force and the DHA National Capital Region Medical Directorate (NCR MD).

5.9.3.1. Defense Health Program (DHP) O&M Transfers. Direct care qualifying expenses are paid through the DHP O&M account (0130188*/18P*) for the SMAs and the NCR MD. MERHCF transfers for benefit outlays are reported in GWA by ALC 97200010 as an increase to the DHP account 097 CY 0130 for the current fiscal year and as an increase to the expenditure account 097X5472. This must be completed by DFAS on the first workday of each quarter and reported to Treasury. Copies of the SF1081 recording the transfer must be sent by DFAS to the appropriate OUSD(C) Directorate, who must distribute the funds to DHA via a FAD.

5.9.3.2. Military Pay Reimbursements. Direct care funding amounts for MILPERS accounts of the Army, Navy and Air Force for health care provided to Medicare-eligible beneficiaries in MTFs by active duty Service personnel are processed via IPAC and reported in the same manner as other IPAC transactions. This must be completed by DFAS on the first work day of each quarter. Copies of the SF 1081 (or SF 1151, "Nonexpenditure Transfer Authorization") supporting these transactions must be sent to the appropriate OUSD(C) Directorates and DFAS sites that account for the funds.

5.9.4. Direct Care Annual Prospective Payment Development. The Director, DHA annually develops prospective payment amounts for the estimated costs of providing health care services projected to be provided in MTFs to Medicare-eligible beneficiaries as authorized by 10 U.S.C. §§ 1111 – 1117 and in accordance with OMB Circular A-11, section 20. The annual projected expenses are transferred in quarterly increments in accordance with a distribution plan provided by DHA to DFAS approximately one month prior to the start of each fiscal year. The annual distribution plan to DFAS contains quarterly payment amounts by Uniform Service, and for the NCR MD as appropriate, for the Service MILPERS payments and the DHP O&M payments and transfers. The DHP O&M projected payment includes civilian pay expense.

5.9.4.1. Expense Allocation. The DHA bases prospective payment amounts on expenses reported by the MTF's Medical Expense and Performance Reporting System (MEPRS) and patient encounter data for the most recent fiscal year for which data is complete at the time the calculations are prepared. MEPRS expense data are recorded as MILPERS and DHP O&M components of costs per individual patient encounter to develop a workload Level of Effort (LOE) for each Service and the NCR MD for that fiscal year. After the LOE and cost allocations for each SMA and the NCR MD are adjusted and reconciled with the distributions previously made for that fiscal year, the LOE rate amounts and cost allocations by service are inflated to the coming fiscal

year's equivalent for execution using standard OMB inflation rates applicable to the Medical industry and issued in OSD inflation guidance.

5.9.4.2. Workload Rate Development. DHA develops the MTF-specific rates for the prospective payment calculation. These MTF-specific rates are the average dollar expense per workload unit for each MTF as described in the following subparagraphs 5.9.4.2.1 – 5.9.4.2.3 for Medicare Severity-Relative Weighted Product (MS-RWP), Composite Weights, or Outpatient Pharmacy prescriptions. These rates are separated into MILPERS and DHP O&M rates and must be developed for the following categories of health care services:

5.9.4.2.1. Inpatient care - cost per MS-RWP. An MS-RWP is a DoD measure of workload that represents the relative resource consumption of a patient's hospitalization as compared to that of other inpatients. MS-RWPs are generated as the result of completed Composite Health Care System (CHCS) Standard Inpatient Data Records (SIDRs). The prospective payment amount for inpatient care for eligible beneficiaries for each MTF must be the product of the estimated MS-RWPs for that MTF multiplied by the MTF-specific rate per MS-RWP for the year of execution. The MS-RWP data source must be the Military Health System Data Repository (MDR).

5.9.4.2.2. Outpatient care - cost per Composite Weights. Composite weights are a combination of Ambulatory Payment Classification (APC) weights and relative value units (RVUs). The Composite Weight is an ambulatory workload measure of encounters adjusted for case complexity as measured by combining provider aggregate RVU with APC aggregate weight after standardizing to an APC-based unit. Composite Weight components (APCs and RVUs) are generated from Comprehensive Ambulatory Provider Encounter Records (CAPERs). The prospective payment amount for outpatient care for each MTF must be the product of the estimated composite weights for that MTF multiplied by the MTF-specific rate per composite weight for the year of execution. The CAPERs data source must be the MDR.

5.9.4.2.3. MTF Outpatient Pharmacy. MTF Outpatient Pharmacy prospective payments must be calculated for two separate cost components:

* 5.9.4.2.3.1. Ingredient costs. Ingredient costs are prices paid for pharmacy ingredients (drugs) purchased from vendors. The per unit costs for pharmaceuticals dispensed for Medicare-eligible retirees/dependents or retired at the MTFs are calculated based on the prime vendor invoices for all continental U.S.-based facilities for the National Drug Codes within their Generic Sequence Numbers based on a weighted average basis of the average acquisition cost (the price paid by the MTF for the pharmaceutical product) during the relevant fiscal year.

5.9.4.2.3.2. Non-ingredient costs. Non-ingredient costs are all other costs associated with MTF Outpatient Pharmacy operations as allocated in MEPRS. These rates are based on MEPRS costs per prescription for the most recent fiscal year for which data is complete at the time the calculations are prepared, inflated to the year of execution. Prospective payment amounts are based on qualifying MEPRS pharmacy "non-ingredient" expenses allocated to beneficiary categories (DoD and other Uniformed Services) on the basis of Pharmacy Data

Transaction Service (PDTS) prescription counts (volume) for Military Pay and non-ingredient O&M. The data source for the number of prescriptions filled must be the MDR using data fed from PDTS.

5.9.4.3. Management Controls on Data Used to Develop Prospective Payment Amounts. Management controls on data used to develop prospective payment amounts include, but are not limited to, the following:

5.9.4.3.1. The MEPRS data and the MS-RWP, SIDR, and CAPER records must be prepared, reviewed, and validated in accordance with DoD 6010.13 and DoDI 6040.40.

5.9.4.3.2. MEPRS data must be recorded and maintained by the Military Departments in accordance with DoD 6010.13-M.

5.9.4.3.3. The Defense Manpower Data Center within the Defense Human Resources Activity under USD (P&R) receives a monthly data feed from the Centers for Medicare and Medicaid Services that provides Medicare eligibility data. These data are merged with data in the Defense Enrollment Eligibility Reporting System (DEERS) to provide both DoD and Medicare eligibility status. Individual patient eligibility data must be verified for each patient encounter using DEERS, and subsequently stored in the encounter record by the capture system (Composite Health Care System or claims processor). If a source system does not perform this check and recoding, the records from that system must be verified centrally through merge and comparison to the DEERS extracts.

5.9.4.4. Execution Reviews

5.9.4.4.1. Comparison of the MTF LOE to the Prospective Payment Amount. After the year of execution is complete and the associated expenses and workload data are available, DHA conducts an execution review in coordination with USD(C), SMAs and the NCR MD to determine the direct care MTF LOE for that fiscal year and the allocated actual expense to estimate the cost of caring for the Medicare-eligible beneficiaries during that period. The prospective payment amounts for that fiscal year that were paid to each SMA and the NCR MD are compared to the allocated expenses and actual workload LOE calculated for the same time period.

5.9.4.4.2. Reconciliation and Execution Review. Results of the execution review (LOE calculation) are:

5.9.4.4.2.1. Reported to the DoD OACT for use in determining future Fund requirements under the oversight of the Medicare-eligible Retiree Health Care Board of Actuaries (MERHCF Board).

5.9.4.4.2.2. Used during subsequent Program and Budget Reviews with OSD to determine impacts, if any, to future MTF prospective payment amounts.

5.9.4.4.2.3. Used to determine whether any additional transfers from MERHCF or transfers back to MERHCF are appropriate for Direct Care payments. Prospective payment amounts (full or partial) determined to be not necessary (in excess of reconciled expenses), may be returned to the MERHCF within two years after the end of the obligation year that funds were originally transferred in accordance with 10 U.S.C. §§ 1461–1467. Returns to the MERHCF should be processed to the appropriate MERHCF account.

5.9.4.4.2.4. Used as a starting point for developing the coming fiscal year's prospective payment amounts. The workload units and expense allocation used in the execution review is described in paragraph 5.9.

5.10 MERHCF Financial Reporting Requirements (160510)

5.10.1. Permanent Indefinite Appropriation 097X0850 – Payment to DoD MERHCF. The DFAS is responsible for preparing the reports for this account in accordance with Volume 6A.

5.10.2. SF 133, Report on Budget Execution and Budgetary Resources. DFAS must submit a monthly SF 133 that includes all MERHCF accounts.

5.10.3. Federal Financial Statements. The DFAS must prepare all MERHCF Federal financial statements as required by OMB Circular A-136 to support the DoD Agency-wide financial statement process. The MERHCF Federal financial statements must recognize a liability for the present value of future MERHC benefits for eligible participants. For the year in which the liability is first recorded, the initial amount of the liability must be reported as an accounting change (i.e., a change to equity and an accrued liability). Thereafter, changes in the liability each year must be charged to expense.

5.10.4. Status of Funds. The DFAS must prepare a Status of Funds and forward it to the Deputy Comptroller, Program/Budget, on the fifteenth workday of the following month. The DFAS must report actual data for current fiscal year through the previous fiscal month.

VOLUME 12, CHAPTER 17: "DoD REWARDS PROGRAM"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*****.**

The previous version dated September 2019 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
1.1	Added an overview section	Addition
1.3	Updated authoritative guidance section to include only hyperlinks and title of reference	Addition
2.0	Added definitions	Addition

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CHAPTER 17

DoD REWARDS PROGRAM

1.0 GENERAL

*1.1 Overview

The Secretary of Defense (SecDef) is authorized to offer either monetary compensation or payments-in-kind to individuals who supply information or non-lethal assistance to the United States (U.S.) Government personnel, or personnel from allied forces involved in joint operations with U.S. Armed Forces. This aid must benefit the operations or activities of the armed forces or of allied forces in combined operations outside the U.S. against international terrorism or contribute to force protection. This capability is valuable in motivating local citizens in foreign nations to assist by providing information or other forms of help, such as handing over dangerous individuals and weapons, to U.S. Government personnel or allied force personnel. The Department of Defense Rewards Program (DoDRP) facilitates the provision of incentives for U.S. Government or allied force personnel to encourage cooperation.

1.2 Purpose

This chapter provides guidance on implementing the DoDRP for all Department of Defense (DoD) entities. It covers the execution, management, recording, and reporting of U.S. appropriations for the DoDRP. It assigns responsibilities for administration, specifies uses for U.S. funds, and outlines procedures for transparency and accountability. Geographic combatant commanders can provide additional guidance aligned with these directives.

*1.3 Authoritative Guidance

1.3.1. Title 10, United States Code, section 127b (***10 U.S.C. § 127b***), "Department of Defense Rewards Program."

1.3.2. DoD Instruction (***(DoDI) O-3000.13***), "DoD Rewards Program." (DoD Public Key Infrastructure certificate is required to access this document.)

*2.0 DEFINITIONS

2.0.1. Allied Forces. For the purposes of this chapter only, the term "allied forces" is defined as foreign government personnel participating with the U.S. Armed Forces in combined operations outside of the U.S. against international terrorism.

2.0.2. Combatant Commands Reward Programs (CCRPs). The collective activities of a combatant command to incentivize eligible persons, through the offer and payment of rewards, to provide information or non-lethal assistance that enables or enhances force protection of, or combating terrorism by, U.S. or allied forces.

2.0.3. DoDRP. The enterprise of Rewards Programs and governance established, planned, executed, and overseen throughout the DoD in accordance with Section 127b of Title 10, U.S.C., and this issuance.

2.0.4. Force Protection. Activities intended to protect against, disrupt, or mitigate threats (all threats, not just international terrorism threats) to U.S. or allied forces. Also includes personnel recovery of U.S. or allied forces.

2.0.5. Non-lethal Assistance. Assistance not intended primarily to inflict bodily harm or death that is beneficial to force protection or counterterrorism.

2.0.6. Tactical Rewards Officers (TROs). A member of U.S. forces (excluding contractors), appointed in accordance with CCRP guidance, who may approve reward offers and reward payments with a value up to and including $10,000. A TRO is a DoDRP fund-approving official. Formerly known as a "reward authorization officer."

3.0 RESPONSIBILITIES

3.1 Under Secretary of Defense (Comptroller)/Chief Financial Officer (USD(C)/CFO)

3.1.1. Oversees development of justification materials for the DoDRP in the President's Budget.

3.1.2. Allocates DoDRP funds as part of the Under Secretary of Defense (Policy) (USD(P)) budget to the Director, Washington Headquarters Service.

3.1.3. Oversees execution of DoDRP funds as part of the USD(P) budget.

3.1.4. Coordinates DoDRP appropriations-related engagements with the Senate Appropriations Committee – Defense, House Appropriations Committee – Defense, and other congressional staff members, Members of Congress, or committees, as required.

3.1.5. Coordinates on the DoDRP Annual Report.

3.2 Office of the USD(P), Assistant Secretary of Defense for Special Operations and Low Intensity Conflict (ASD SO/LIC)

3.2.1. Implements policy for the DoDRP.

3.2.2. Approves allocation of DoDRP funds to combatant commanders (CCDRs).

3.2.3. Maintains a single consolidated SecDef pre-approved rewards list. This list will include the identity, nominating headquarters or office, the amount approved, and other relevant data. CCDRs may nominate individuals or items to be placed on the pre-approved rewards list through the Director, Joint Staff.

3.2.4. Coordinates the SecDef pre-approved rewards list with the Department of State (DOS) and the Department of Justice (DOJ) to ensure that a reward does not duplicate or interfere with the payment of reward authorized by those Departments.

3.3 Geographic Combatant Commander

3.3.1. Designates, in writing, a program liaison officer to serve as the point of contact for all disbursement of funds, goods, or services;

3.3.2. Establishes procedures for the accounting, obligating, cash management, and disbursement of funds;

3.3.3. Establishes procedures and processes to coordinate notification of awards with appropriate representatives of the DOS and the DOJ to ensure the making of a reward does not duplicate or interfere with the payment of a reward authorized by those Departments.

3.3.4. Establishes internal controls and review procedures for classified voucher processing when required and in accordance with ***Volume 5, Chapter 9***, "Disbursements."

3.3.5. Provides a copy of commander-approved lists to the Director, Joint Staff as updates occur.

3.3.6. Submits estimated Rewards Program budget requirement for the upcoming fiscal year on August 15 of the current fiscal year.

3.3.7. Reports annually to the Director, Joint Staff, no later than October 15 of each year for the preceding fiscal year.

3.3.8. Requests additional funds from ASD SO/LIC if all available funds for these purposes have been expended and additional funds are required.

3.4 Director, Joint Staff

3.4.1. Advises the SecDef on the DoDRP.

3.4.2. Coordinates on the DoDRP Annual Report.

3.4.3. Appoints the Joint Staff DoDRP Monitor and may, as necessary, appoint one or more Joint Staff DoDRP Assistant Monitors.

3.5 Washington Headquarters Service

3.5.1. Receives DoDRP funds from the USD(C)/CFO, as part of the USD(P) budget.

3.5.2. Allocates DoDRP funds to CCDRs upon approval of the ASD(SO/LIC).

4.0 IMPLEMENTING THE PROGRAM IN THE FIELD

4.1 Rewardable Information

Eligible persons may receive a reward for providing information or non-lethal assistance that benefits (1) an operational activity of U.S. or allied forces in combined operations against international terrorism outside the U.S. or (2) force protection of U.S. or allied forces in combined operations.

4.2 Payment Approval Amounts

TROs can authorize rewards up to $10,000. A CCDR is permitted to approve rewards up to $1,000,000. For rewards greater than $1,000,000 and up to $2,000,000, approval from the USD(P) is necessary. Rewards exceeding $2,000,000 but not surpassing $5,000,000 require the authorization of the SecDef or the Deputy Secretary of Defense (DepSecDef), or alternatively, through a separate written delegation, the USD(P). Statutorily, if any proposed reward (whether pre-approved or otherwise) exceeds $2,000,000, consultation with the Secretary of State is mandated for the SecDef. Table 17-1 in DoDI O-3000.13 outlines these approval limits.

Table 17-1. DoDRP Fund-Approving Officials: Reward Offers and Reward Payments

DoDRP Fund-Approving Official	Approval Level	Remarks
SecDef or DepSecDef	Up to $5,000,000	For rewards more than $2,000,000, must coordinate with the Secretary of State in all instances and the Attorney General in law enforcement-related instances before approving.
USD(P)	Up to $2,000,000	May not be further delegated.
CCDR	Up to $1,000,000	
Deputy CCDR	Up to $1,000,000	Upon delegation by CCDR. May not be further delegated.

Table 17-1. DoDRP Fund-Approving Officials: Reward Offers and Reward Payments (continued)

DoDRP Fund-Approving Official	Approval Level	Remarks
Directly Subordinate CCDR	Up to $100,000	Upon delegation by CCDR. May not be further delegated.
	More than $100,000 and up to $1,000,000	Upon approval of USD(P) and delegation by CCDR. May not be further delegated.
TRO	Up to $10,000	In accordance with CCRP guidance. May not be further delegated.

4.3 Geographic Combatant Commanders' Nominations for Reward Lists

Geographic combatant commanders can propose individuals or items for the SecDef pre-approved rewards list if the reward amount exceeds their authority. Nominations are submitted to ASD SO/LIC via the Director, Joint Staff. ASD SO/LIC will coordinate with DOS and DOJ to avoid duplication or interference with other authorized rewards, then forward them to the SecDef or DepSecDef for approval. ASD SO/LIC will maintain a consolidated list including the identity, nominating headquarters or office, approved amount, and other relevant information.

4.4 Geographic Combatant Commander Approvals

A geographic combatant commander has the authority to approve rewards up to $1,000,000 per reward. Geographic combatant commanders must also provide immediate written notification to ASD SO/LIC when they approve or pre-approve awards and payments of $100,000 or more.

4.5 Geographic Combatant Commander's Pre-Approved Rewards List

The geographic combatant commander may provide a list of pre-approved rewards for information or assistance pertaining to specific individuals or items. Pre-approving these rewards ensures that field forces can promptly compensate informants for valuable information or assistance, with the combatant commander's prior authorization indicated in the pre-approved list. Copies of these lists, along with any updates, will be provided by the geographic combatant commanders to the Director, Joint Staff.

4.6 Deputy Geographic Combatant Commander Approvals

A geographic combatant commander can delegate their authority to approve or pre-approve rewards to the deputy commander. Additionally, this authority can be delegated to the commander of a direct subordinate command, with approval from the SecDef or DepSecDef.

4.7 TRO Approvals

A geographic combatant commander can delegate approval of rewards up to $10,000 to subordinate U.S. Service members or civilian employees by appointing TROs. These appointments must be documented in writing, specifying the reward authority's scope, limitations, and accounting procedures. Geographic combatant commanders will also provide guidelines and criteria for TROs to evaluate whether information or assistance qualifies for a reward, including type and amount.

4.8 TRO Certifies Reward Parameters are Met

When issuing a list of pre-approved rewards to field forces, geographic combatant commanders must set up procedures and designate responsibility for certifying that the information or assistance received meets the approval criteria. This certification responsibility can be assigned regardless of the delegation limits on reward approval authority based on monetary value. Only U.S. TROs are permitted to fulfill this role.

4.9 Types of Reward Payments and Other Acceptable Uses of Funds

Rewards can be disbursed in cash, either U.S. dollars or foreign currency. TROs may also authorize non-cash rewards, such as food, local amenities, necessities, or communal rewards. Aside from the rewards outlined in Table 17-1, DoDRP funds are authorized to cover overhead costs directly tied to the program's operations. These funds can be allocated for advertising reward offers, travel expenses, and administrative costs associated with running the program. Approval thresholds for these overhead costs, before delegation, are detailed in Table 17-2.

Table 17-2. DoDRP Fund-Approving Officials: Advertising, Travel, and Administration

DoDRP Fund-Approving Official	Approval Level	Remarks
SecDef or DepSecDef	Up to $5,000,000	
USD(P)	Up to $2,000,000	May be delegated, in whole or in part, to any member of U.S. forces (excluding contractors) within the Office of the USD(P) and may be further delegated.
CCDR	Up to $1,000,000	May be delegated, in whole or in part, to any member of U.S. forces (excluding contractors) and may be further delegated in accordance with CCRP guidance.

4.10 Payments Made by Designated Disbursing Officers/Paying Agents

After a TRO has approved or certified a reward, that officer will inform the program liaison officer, or an appointed disbursing officer or paying agent as per ***Volume 5, Chapter 2***, "Disbursing Offices, Officers, and Agents," who will proceed to make the authorized payment.

4.11 Coordination with DOS and DOJ

The procedures of the geographic combatant commander will include a process to coordinate with relevant country team representatives from the DOS and DOJ, ensuring that offering a reward does not duplicate or conflict with a reward authorized by those departments.

4.12 Requests for Additional Funds

Geographic combatant commanders can request additional funding from ASD SO/LIC if they have exhausted their allocated resources and need more. Each geographic combatant commander will submit their projected budget needs for the next fiscal year by August 15 of the current fiscal year.

5.0 PROCEDURES

5.1 Allocation of Funds

The USD(C)/CFO will ensure DoD funds for the Rewards Program are correctly allocated to Washington Headquarters Service for control and execution. Geographic combatant commanders will inform the Director, Joint Staff of any necessary inter-theater fund allocations.

5.2 Improper Usage of Funds

U.S. citizens, officers or employees of the U.S. federal, state, or local government, or employees of a U.S. Government contractor are not eligible for rewards under the DoDRP. CCDRs should be cautious about rewarding foreign security force members due to potential risks such as extortion, corruption, negative perceptions, or undermining U.S. law or DoD human rights policies related to training and equipping foreign security forces. The USD(P) can grant exceptions to this rule for specific countries and will review these waivers annually. Requests for such approvals should be directed to the ASD SO/LIC. Previously approved waivers remain valid under this guidance.

5.3 Delivery, Transporting and Safeguarding of Funds

Any funds made available for the DoDRP will be delivered, transported, and safeguarded consistent with ***Volume 5, Chapter 3***, "Obtaining and Safeguarding Public Funds."

5.4 Appointment of Paying Agents

Paying Agents responsible for delivering funds under the DoDRP will be appointed in accordance with Volume 5, Chapter 2. Allied forces members will receive the same training as U.S. paying agents and sign a statement of understanding. Since foreign nationals and other non-U.S. citizens cannot be held pecuniarily liable for fund losses, it is important to consider the necessity and risk when appointing non-U.S. citizens as paying agents. All funds given to and returned by allied forces paying agents must be recorded on ***DD Form 1081***, "Statement of Agent's Officer's Account," as specified in ***Volume 5, Chapter 15***, "Disbursing Officer Accountability." Upon completing authorized payments, the paid vouchers, negotiable instruments, and any remaining funds must be returned to the disbursing officer along with a properly filled out DD Form 1081.

5.5 Documentation of Payments

DoDRP payments will be executed and recorded in accordance with Volume 5, Chapter 9 and ***Volume 10, Chapter 8***, "Commercial Payment Vouchers and Supporting Documentation."

5.6 Circumventing Limits

Circumventing monetary limits and approval requirements by dividing a single reward into multiple smaller rewards, or by other methods, is not permitted. However, splitting payments of approved expenses for administrative purposes is allowed (for instance, paying a vendor 50 percent at the start of a project and the remaining 50 percent upon completion).

5.7 Clearance of Accounts

Accounts maintained under the Rewards Program will be cleared consistent with Volume 5, Chapter 2.

5.8 Certification of Payments

Payments made under the DoDRP will be certified in a manner consistent with ***Volume 5, Chapter 5***, "Certifying Officers, Departmental Accountable Officials, and Review Officials."

5.9 Audits and Program Reviews

The DoDRP will undergo periodic audits by internal bodies like the DoD Inspector General and other audit agencies, as well as external groups such as the Government Accountability Office and congressional oversight committees. Officials managing the Rewards Program must cooperate fully with these reviews, audits, or investigations.

6.0 PAYMENTS AND REWARDS THROUGH GOVERNMENT PERSONNEL OF ALLIED FORCES

6.1 Execution of Rewards through Allied Government Personnel

The SecDef, geographic combatant commanders, and all delegated officials may use their authorities, acting through government personnel of allied forces to offer and make rewards. Rewards may not be paid acting through allied government officials after the payment date authorized by 10 U.S.C. § 127b.

6.2 Request for Payment of Reward

Allied government personnel will send reward payment requests to the geographic combatant commander's liaison officer or a TRO with delegated authority. That individual will decide if the information or assistance warrants a reward and determine its type and amount.

6.3 Appointment of Allied Government Personnel as Paying Agents

When feasible, reward payments to support allied forces will be distributed directly by U.S. personnel. If direct payment by U.S. personnel is not feasible, commanders may appoint allied personnel as paying agents for the DoDRP, even though Volume 5, Chapter 2 requires paying agents to be U.S. Service Members or civilian U.S. Government employees. Commanders should follow the provisions of Volume 5, Chapter 2 when appointing allied paying agents. Commanders and disbursing officers must evaluate the risks of using allied government personnel as paying agents. A paying agent acts on behalf of the disbursing officer, who remains accountable for public funds given to an allied paying agent. Commanders and disbursing officers must ensure effective internal controls to reduce the potential risks of fraud, waste, and mismanagement by allied personnel. All funds advanced to and returned from the allied paying agent must be documented on a DD Form 1081, according to Volume 5, Chapter 15. After completing authorized payments, the paid vouchers, negotiable instruments, and any remaining funds should be returned to the disbursing officer with a properly completed DD Form 1081.

6.4 Allied Government Personnel Limitations

Funds will be advanced to an allied paying agent only after a specific reward has been approved for payment to an identified payee. Disbursing officers will advance funds to allied paying agents after reviewing the payment voucher for the rewards. All funds advanced to and returned from the allied paying agent will be documented on a DD Form 1081. Combatant commands are responsible for ensuring that all allied government personnel nominated by their subordinate commands to offer or make rewards are properly qualified and trained. They are also responsible for ensuring that these personnel perform their duties in accordance with DoD policy and procedures. Allied force government personnel participating in the reward program will have a designated U.S. liaison officer through whom they can request reward funds or in-kind items and validate the information or non-lethal support.

7.0 INFORMATION DISSEMINATION

7.1 Information Dissemination

Media queries regarding the DoDRP will be referred to the Office of the Assistant Secretary of Defense for Public Affairs.

7.2 Program Identification and Combination with Other Programs

This program does not need to be identified as a U.S. or DoD program or display an official symbol. Geographic combatant commanders can coordinate with other U.S. Government Rewards Programs and are not required to distinguish this one from others if it does not duplicate or interfere with rewards authorized by the DOS or DOJ.

7.3 Advertisements

Geographic combatant commanders can spend funds to publicize the DoDRP and cover administrative costs. Advertisements may mention coalition or allied headquarters as offering the reward. U.S. commanders will maintain control and authorization of rewards within these headquarters. Geographic combatant commanders can also use theater information dissemination programs to support the DoDRP. Military Information Support Team (MIST) expertise should be used for effective advertising, with MIST funds available only if DoDRP funds are insufficient. Expenses for publicizing and administering the program must be documented in quarterly and annual reports, detailing the target audience, required funds, and objectives. Establishing call centers using DoDRP funding requires coordination and approval from the Director, Joint Staff, to ASD SO/LIC.

8.0 REPORTS AND NOTIFICATIONS

8.1 Annual Report

According to 10 U.S.C. § 127b, by February 1 each year, the SecDef must report to the Senate and House Armed Services Committees on the administration of the Rewards Program for the previous fiscal year.

8.1.1. Each report for a fiscal year under this subsection must include the following:

8.1.1.1. Information on the total amount expended during that fiscal year to carry out the Rewards Program under this section.

8.1.1.2. Specification of the amount, if any, expended during that fiscal year to publicize the availability of rewards under this section.

8.1.1.3. With respect to each reward provided during that fiscal year:

8.1.1.3.1. The amount or value of the reward and whether the reward was provided as a monetary payment or in some other form;

8.1.1.3.2. The recipient of the reward and the recipient's geographic location; and

8.1.1.3.3. A description of the information or assistance for which the reward was paid, together with an assessment of the significance and benefit of the information or assistance.

8.1.1.4. A description of the status of program implementation in each geographic combatant command, including in which countries the program is being operated.

8.1.1.5. A description of efforts to coordinate and de-conflict the authority under subsection (a) with similar Rewards Programs administered by the U.S. Government.

8.1.1.6. An assessment of the effectiveness of the program in meeting its objectives.

8.1.2. The SecDef may submit the report in classified form if the SecDef determines that it is necessary to do so.

8.2 Report on Designation of Countries for Which Rewards May Be Paid

8.2.1. Within 15 days of designating a country for operations or activities eligible for rewards under this section, the SecDef must report to the Senate and House Armed Services Committees.

8.2.2. Each report must include:

8.2.2.1. The designated country.

8.2.2.2. The reason and justification for the designation of the country.

8.2.2.3. An estimate of the amount or value of the rewards to be paid as monetary payment or payment-in-kind under this chapter.

9.0 WAIVERS

9.1 Requests for Waivers or Exceptions to Law

Requests for waivers or exceptions to any provision of law that would otherwise prohibit, restrict, limit, or constrain the execution of the reward program must be submitted through ASD SO/LIC, the USD(C)/CFO, and DoD General Counsel to the SecDef for approval.

9.2 Requests for Waivers or Exceptions to Guidance

Requests for waivers or exceptions to this guidance must be submitted through ASD SO/LIC to the USD(C)/CFO for approval.

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 18: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 12, CHAPTER 19: "FOOD SERVICE PROGRAM"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated July 2013 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Made administrative changes to comply with Department of Defense (DoD) Financial Management Regulation (FMR) Standard Operating Procedures (SOP)	Revision
All	Removed references to Volume 11A, Chapter 6, Appendix F, which was cancelled.	Deletion
1.0	Removed DoD Instruction (DoDI) 1338.10,"DoD Food Service Program," September 12, 2012. The DoD Manual 1338.10, "DoD Food Service Program" incorporated and cancelled the DoDI.	Deletion
1.0	Specified the DoD Secretary's responsibilities under Title 37, United States Code, section 1011.	Revision
2.2	Clarified factors for food service pricing.	Revision
5.2	Removed personally identifiable information, such as Social Security Number, from the example.	Deletion
7.0	Specified that the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) will replace the expense report with another data gathering method to be formulated with the Services.	Revision

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CHAPTER 19

FOOD SERVICE PROGRAM

*1.0 GENERAL

1.1 Overview

Title 37, United States Code, section 1011 (37 U.S.C. § 1011), requires the Secretary of Defense to establish rates for meals sold at messes to officers, enlisted members, Reserve personnel who are paid from Reserve or National Guard appropriations, federal civilian employees, military retirees, dependents of military personnel, and any other authorized diners. The rates are published on the Office of the Under Secretary of Defense (Comptroller) (OUSD(C) reimbursable rates website under Quick Links, Department of Defense, (DoD) Reimbursable Rates. "Food Service Charges at Appropriated Fund Dining Facilities (Tab G)."

1.2 Purpose

1.2.1. Every calendar year, the OUSD(C) must establish rates for the meals to be consumed at appropriate dining facilities. The established rates must be sufficient to provide reimbursement for operating expenses and food costs to the appropriations concerned. The Secretary may reduce a rate for meals established by the amount of that rate attributable to operating expenses, if the Secretary determines that it is in the best interest of the United States. The statute generally requires the DoD to collect the full cost of meals consumed in an appropriated facility. The provisions of this chapter must be used to determine specific meal charges for all classes of diners, to include individuals, groups and units.

1.2.2. The OUSD(C) is responsible for the financial management policy herein. The Defense Finance and Accounting Service is responsible for applicable procedures necessary to assist the DoD Components in implementing this policy. The financial management policy herein must not be supplemented by DoD Component issuances without the prior written approval of the OUSD(C).

1.3 Authoritative Guidance

The financial management policy and related requirements set forth in this chapter are in accordance with the applicable provisions of:

1.3.1. ***37 United States Code (U.S.C.) § 1011***, Mess operation: reimbursement of expenses

1.3.2. ***37 U.S.C., § 402***, Basic allowance for subsistence

1.3.3. ***37 U.S.C., § 422***, Cadets and midshipmen

1.3.4. ***37 U.S.C., § 474***, Travel and transportation allowances: general

1.3.5. ***26 Code of Federal Regulations § 1.119-1***, Meals and lodging furnished for the convenience of the employer

1.3.6. The DoD Manual, "DoD Food Service Program," ***(DoDM) 1338.10***

1.3.7. DoD Directive ***(DoDD) 1418.05***, Basic Allowance for Subsistence (BAS) Policy

1.3.8. OUSD(C) "Food Service Charges at Appropriated Fund Dining Facilities (Tab G)"

1.3.9. The Joint Travel Regulations (***JTR***)

2.0 REIMBURSABLE MEAL AND MEAL SERVICE (OPERATING) CHARGES

2.1 Meal Rates

The provisions of this chapter must be used to determine use of the DoD discount meal rate (the cost of the food only) or the DoD standard meal rate (the cost of both the food and the non training/readiness food service operating expenses).

*2.2 Meal Services Available

There are two types of meal service available to personnel authorized to use an appropriated dining facility on a reimbursable basis--traditional and a la carte.

2.2.1. Traditional Meal Service. Under the traditional meal service system, diners must pay either the DoD standard meal rate or the DoD discount meal rate (as prescribed by section 3.0), without regard to the menu items taken.

2.2.2. A la carte Meal Service. Under the a la carte meal service system, diners must pay either the DoD standard meal rate or the DoD discount meal rate (as prescribed by section 3.0), for the food items selected.

2.2.2.1. The Military Departments must ensure that a consistent and fair a la carte pricing policy is applied uniformly and consistent with guidance provided by the OUSD(C).

2.2.2.2. When using an "a la carte" menu, the price of each item on the menu must be established at 133 percent of the food cost (i.e., the cost of unprepared food multiplied by a factor of 1.33), rounded to the nearest five cents. However, price averaging of certain salads, vegetables, and other food categories is authorized (e.g., a salad bar with different types of salads or vegetables). Refer to OUSD(C) reimbursable rates website.

2.2.2.3. When the cost of food changes, the a la carte items must be repriced accordingly.

3.0 MEAL CHARGES

Reimbursement charges for persons authorized to eat in an appropriated dining facility vary depending on the status of each person. The five major categories of personnel are officers, enlisted personnel, military dependents, Federal civilian employees and others.

3.1 Officers

3.1.1. Charge Required. DoD military officers are not authorized to eat in appropriated dining facilities without charge.

3.1.2. Discount Meal Rate. Officers, when not receiving the meal portion of per diem, must be charged the discount meal rate when they are:

3.1.2.1. Performing duty on a U.S. Government vessel,

3.1.2.2. On field duty,

3.1.2.3. In a group travel status, or

3.1.2.4. Included in essential unit messing (EUM) as defined in the JTR. EUM refers to using the Government dining facility as a unit or group and cannot be applied to an individual traveler. It may be required for operational deployments or training courses, when the Secretary concerned, the Combatant Commander, or the Joint Task Force (JTF) Commander determines that it is essential for accomplishing training and readiness or is necessary for military operations.

3.1.3. Standard Meal Rate. Officers must be charged the standard meal rate when in any status other than that set forth in subparagraph 3.1.2.

3.2 Enlisted Personnel

3.2.1. Conditions for Charge. Enlisted personnel may eat in an appropriated dining facility without charge when not receiving either an allowance for subsistence or the meal portion of per diem. Enlisted personnel entitled to meals at government expense must be furnished such meals on a nonreimbursable basis without regard to unit or DoD Component affiliation. Reimbursement between the Military Departments for such meals is not authorized for active duty personnel and members of the Reserve Components. See Tab G.

3.2.2. Discount Meal Rate. Enlisted personnel when not receiving the meal portion of per diem, must be charged the discount meal rate when they are:

3.2.2.1. On a U.S. Government aircraft on official duty either as a passenger or as a crew member engaged in flight operations, or

3.2.2.2. On JTF operations other than training at temporary U.S. installations or using temporary appropriated dining facilities.

3.2.3. Standard Meal Rate. Enlisted personnel must be charged the standard meal rate when they are receiving the meal portion of per diem or when they are receiving an allowance for subsistence.

3.3 Military Dependents

3.3.1. Charge Required. Military dependents are not authorized to eat in appropriated dining facilities without charge.

3.3.2. Discount Meal Rate. Military dependents must be charged the discount meal rate when they are dependents of enlisted members in pay grades E-1 through E-4.

3.3.3. Standard Meal Rate. All military dependents, other than military dependents of enlisted members in pay grades E-1 through E-4, must be charged the standard meal rate.

3.4 Federal Civilian Employees

3.4.1. Charge Required. Federal civilian employees are not authorized to eat in appropriated dining facilities without charge.

3.4.2. Discount Meal Rate. Federal civilian employees, not receiving the meal portion of per diem, must be charged the discount meal rate when they are:

3.4.2.1. Performing duty on a U.S. Government vessel,

3.4.2.2. On field duty,

3.4.2.3. In a group travel status,

3.4.2.4. Included in EUM as defined in the JTR,

3.4.2.5. On a U.S. Government aircraft on official duty either as a passenger or as a crew member engaged in flight operations, or

3.4.2.6. On JTF operations other than training at temporary U.S. installations or using temporary appropriated dining facilities.

3.4.3. Standard Meal Rate. Federal civilian employees must be charged the standard meal rate when in any status other than those set forth in subparagraph 3.4.2.

3.5 Members of Youth Groups

This category consists of members of organized nonprofit youth groups sponsored at the national or local level and ad hoc groups of youths. The distinction between the two groups is that an organized youth group has continuity over time and a structure (such as officers, advisors, organization rules); while an ad hoc group does not. For example: A local high school Key Club, which may be sponsored by the Kiwanis Club, would qualify as an organized nonprofit youth group. On the other hand, if the children of a local Kiwanis Club's members visited an installation, they would be considered an ad hoc group because they are not a formally organized and structured youth group.

3.5.1. Charge Required. These individuals are not authorized to eat in appropriated dining facilities without charge.

3.5.2. Discount Meal Rate. Members of an organized nonprofit youth group sponsored at either the national or local level must be charged the discount meal rate, when extended the privilege of visiting a military installation, or when residing at a military installation and permitted to eat in the general mess by the commanding officer of the installation (37 U.S.C. § 1011(b)).

3.5.3. Standard Meal Rate. All ad hoc youth group members must be charged the standard meal rate.

3.6 Others

This category includes: (1) military retirees and their dependents, (2) government contractors in overseas contingency operations, (in accordance with the Defense Federal Acquisition Regulation Supplement, Procedure, Guidance, and Information 225.7401 (***DFARS PGI 225.7401***)) and (3) all other individuals not included in paragraphs 3.1 through 3.5.

3.6.1. Charge Required. These individuals are not authorized to eat in appropriated dining facilities without charge.

3.6.2. Standard Meal Rate. These (all other) be charged the standard meal rate.

4.0 GENERAL PROVISIONS (1904)

4.1 Personnel, Other Than Enlisted Personnel

Personnel, other than enlisted personnel, may receive a meal from an appropriated dining facility, provided no increase in direct resources results from feeding such personnel and appropriate meal charges are collected consistent with paragraph 3.0.

4.2 Commanding Officer Responsibility

The commanding officer of the DoD installation, at which an appropriated dining facility is located, is responsible for assuring that meals are provided only to authorized personnel within the capabilities and availability of existing appropriated dining facilities.

4.3 Temporary Duty Orders

Temporary duty orders must indicate the food allowance/per diem status of travelers to assist in determining the appropriate meal charge to be assessed.

4.4 Service Academies

Service academies (i.e., Army, Navy, and Air Force) are to use the food service charges at Tab G. See Chapter 20.

4.5 Civilian and Military Personnel of a Foreign Government

Civilian and military personnel of a foreign government must be furnished meals in accordance with specific arrangements made between the U.S. Government and the foreign government. Charges for food costs and related food service operating expenses must be made on the same basis as they would be for U.S. Government personnel of equal rank.

*5.0 DISPOSITION OF FUNDS

5.1 Overview

Each Military Service is responsible for the program, budget, and accounting for obligations, expenditures, revenues, and food service operating expenses and all meals in accordance with this Chapter.

5.2 Recording Policy

Program obligations and expenditures, as well as revenues and food service operating expenses, must be recorded, accumulated, and controlled in accordance with this chapter.

5.3 Collections

5.3.1. Except when deductions from pay are authorized and have been provided for, or prior arrangements for payment have been established with an official of an authorized group, diners must pay for a meal in cash prior to the meal being served. In any event, all meal charges must be determined and posted no later than the last day of the month incurred with payment being made not later than the 15th of the following month.

5.3.2. Any losses that might be incurred from uncollectible accounts must be absorbed by the subsistence account funding the facility.

5.4 Discounted and Standard Meal Rate Distribution

Collections must be distributed as follows:

5.4.1. Discount Meal Rate. Collections received from patrons paying the discount meal rate (food costs only) must be credited to the applicable financing subsistence account of the Military Service.

5.4.2. Standard Meal Rate. Collections received from patrons paying the standard meal rate must be credited to the financing appropriation(s). The food cost portion must be credited to the subsistence account and the operating expense portion (difference between discount and standard meal rates) to the operations and maintenance or other financing account(s).

6.0 ACCOUNTING FOR FOOD ALLOWANCES

6.1 Information Requirements

6.1.1. Information requirements have been established to ensure that data are maintained and that information is reported for use in determining and administering food allowances. These requirements prescribe procedures for counting meals furnished to personnel in appropriated dining facilities under the daily food allowance and authorized reimbursable programs. They are designed to assist in monitoring food costs and allowances and making the accumulation of data more consistent throughout the Department under the Food Service Program established by DoDM 1338.10.

6.1.2. The recording and reporting of obligations/expenditures against the daily food allowance portion of the operations and maintenance appropriations are as set forth in Volumes 2A and 2B, "Budget Formulation and Presentation," and Volume 3, "Budget Execution—Availability and Use of Budgetary Resources."

6.1.3. The data reported must support budget requests based on furnishing meals to entitled enlisted personnel by each Military Service, after consideration of the absentee rate, without regard to the member's parent Military Service.

*6.2 Counting the Number of Persons' Furnished Meals

6.2.1. Except for mass feeding situations as set forth in subparagraphs 6.2.2.1 and 6.2.2.2, all personnel authorized to eat in appropriated dining facilities must identify themselves with a meal card, DoD Common Access card, or travel orders issued by a DoD Component before receiving a meal from an appropriated dining facility. Enlisted personnel on BAS or receiving the meal portion of per diem, as well as all officers, civilian employees, official visitors, dependents, and guests authorized to eat on a reimbursable basis, must be required to identify themselves as to the category of entitlement (authorized to eat on a reimbursable basis) and status (per diem or non-per diem). They must reimburse DoD at the appropriate meal rate before receiving a meal from an appropriated dining facility.

6.2.2. The following procedures must be used to account for meals served to authorized subsistence-in-kind entitled or cross Service reimbursable personnel:

6.2.2.1. Each appropriated dining facility must maintain usage data in an electronic management information system or other logs in which each diner's unit of assignment and identification, travel order number, or other authorizing document are recorded. The applicable identification number may include, for example, the diner's meal card, DoD ID, or Common Access Card (CAC) number. When reimbursement is required, the rate category must be recorded in the log. A person independent of the appropriated dining facility operation must complete the log. When mass feeding within a specified time period is required, such as at recruit (basic) training centers and special schools, a single person responsible for the group may certify the entitlement classification and/or the reimbursement rate for all diners in the group.

6.2.2.1.1. Record of daily usage must be used by the appropriated dining facility in preparing necessary reports.

6.2.2.1.2. The meal card control officer or the personnel manager of the installation must use the usage records to conduct local management reviews and perform periodic tests of meal card usage, entitlement and reimbursement rates. The responsible official must retain all records and test results in accordance with approved disposition schedules.

6.2.2.2. As an alternative to the procedures in subparagraphs 6.2.1 and 6.2.2, each diner must sign an appropriate signature record, including authorization category, for each meal received. These records must be reviewed at the local command level and retained until verified independently against the reports submitted for the appropriated dining facility.

6.2.2.3. At their discretion, installation commanders are authorized to impose requirements that are more stringent.

6.2.2.4. DoD Common Access Card, other SMART card technology, or other headcount procedures approved by the Secretary of a Military Department may be utilized for diner identification/authorization, as long as the integrity of the count is maintained.

6.2.3. The total count of each meal must be classified and recorded by the diner's category of entitlement and by type of food allowance, i.e., basic daily food allowance (BDFA), special food allowance, and supplemental food allowance.

6.2.4. During combat or other operational conditions (e.g., mass troop movements, maneuvers or field exercises when actually subsisted under field conditions, forces afloat, and emergency conditions resulting from catastrophes or civil disorders), when maintenance of a meal log or signature record is not practicable, an internal control system must be established to maintain the integrity of the headcount.

6.2.5. Each appropriated dining facility must number, serially, the daily log forms and signature records, which must include the following minimum requirements:

6.2.5.1. Identification of the appropriated dining facility and date.

6.2.5.2. Identification of the number of meals.

6.2.5.3. Signatures of the person maintaining the log, and of the officer in charge.

6.2.5.4. Diner's unit of assignment, identification number, or travel order number or other authorizing document identification, and category of entitlement, which authorizes the diner to eat on a reimbursable basis.

6.2.5.5. Diner's signature and rank or grade.

*7.0 FOOD SERVICE OPERATING EXPENSE REPORTING REQUIREMENTS

The OUSD(C) Program and Budget Office establishes meal rates annually for personnel authorized meals on a reimbursable basis. The Military Services are required, in coordination with OUSD(C), to report cost of food served to service members and food service operating expenses.

VOLUME 12, CHAPTER 20: "MILITARY ACADEMY DINING HALL OPERATIONS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*****.**

The previous version dated November 2019 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Administrative updates in accordance with Department of Defense Financial Management Regulation (FMR) Revision Standard Operating Procedures	Revision

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CHAPTER 20

MILITARY ACADEMY DINING HALL OPERATIONS

1.0 GENERAL

1.1 Purpose

This chapter promulgates the policy that implements Title 37, United States Code, section 422 (***37 U.S.C. § 422***) which authorizes funding for the operation of cadet and midshipmen dining halls at the military academies and prescribes associated reporting requirements.

1.2 Authoritative Guidance

The financial management policy and related requirements set forth in this chapter are in accordance with the applicable provisions of:

1.2.1. 37 U.S.C. § 422, "Cadets and midshipmen," which authorizes an allowance in lieu of subsistence;

1.2.2. Department of Defense Instruction ***(DoDI) 1015.15***, "Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources"; and

1.2.3. ***DoDI 7600.06***, "Audit of Nonappropriated Fund Instrumentalities (NAFI) and Related Activities."

2.0 POLICY

2.1 Authorization Determination

2.1.1. Each Military Department operates an academy dining hall to provide complete food service support to the cadets or midshipmen as an integral part of the activities of its academy.

2.1.2. The superintendent of each academy is authorized to determine who may be authorized to eat in the academy dining hall and the regulations incident thereto within guidelines issued by the secretary of the cognizant Military Department.

2.1.3. Charges for meals furnished to other than cadets and midshipmen will be established by the Under Secretary of Defense (Comptroller) (USD(C)) and the reimbursable rate for "Food Service" issued annually.

2.1.4. All collections for food costs must be deposited into the nonappropriated fund described in subparagraph 2.2.2. The charge for operating expenses will be collected and deposited under the same rules that are applicable to appropriated fund food service activities as prescribed by Chapter 19, sections 5.0 and 6.0.

2.2 Subsistence Allowance Amount

2.2.1. The amount of the subsistence allowance for cadets and midshipmen is prescribed by the Secretary of Defense.

2.2.2. The amount prescribed is allocated by the Military Departments from the current military personnel appropriation to a nonappropriated fund at each academy based on the number of cadets and midshipmen present for training.

2.2.2.1. Each nonappropriated fund is used to procure the food and food products necessary to provide subsistence for the cadets and midshipmen.

2.2.2.2. Nonappropriated funds must be established as a NAFI and administered as a Program Group V – Supplemental Mission Fund in accordance with DoDI 1015.15.

2.2.2.3. The nonappropriated fund must be audited in accordance with DoDI 7600.06 if the annual revenues in the fund exceed the threshold established therein.

2.2.2.4. The nonappropriated fund must not be used for any purpose other than subsistence procurement. All other charges associated with dining service must be charged against appropriated funds.

2.3 Subsistence Allowance – Leave Status

The subsistence allowance that is not earned for any cadet or midshipman on leave or otherwise away from the academy, and not subsisted at Government expense, will be credited to the cadet/midshipman's pay account.

2.4 Subsistence Allowance – Temporary Duty Status

The subsistence allowance that is not earned for any cadet or midshipman on temporary duty, and subsistence-in-kind that is furnished at the temporary duty location, will not be collected by the nonappropriated fund.

3.0 RESPONSIBILITIES

3.1 Internal Control and Procurement Requirements

Under overall policy supervision by the secretary of the cognizant Military Department, the superintendent of each academy is responsible for:

3.1.1. Assuring the efficient and effective management of the academy dining hall and its nonappropriated fund for the purchase of subsistence items. In connection with this responsibility, the superintendent must install an accrual accounting system that permits an objective, constructive evaluation of the dining hall operation.

3.1.2. Assuring that the procurement procedures maintain the same degree of integrity as those procurement actions taken in accordance with the Federal Acquisition Regulation (FAR). In the event any question arises regarding the proper procurement procedure, the FAR will be used as a guide.

3.2 Reporting Requirements

An annual report on meal operating expenses in the military academy dining halls should be submitted in accordance with the guidance contained in Volume 11A, Chapter 6, Appendix F.

4.0 ANNUAL REIMBURSABLE RATES

The annual reimbursable rates for military academy dining halls are located on the USD(C) public website, listed by fiscal year (FY) under the following headings: Financial Management, Reports, ***DoD Reimbursable Rates***. Example: The FY 2024 rates are titled, "Food Service Charges at Appropriated Fund Dining Facilities (Tab G)."

VOLUME 12, CHAPTER 21 "FINANCIAL MANAGEMENT FOR DEFENSE HEALTH PROGRAM RESOURCES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated January 2021 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	This chapter was substantively revised.	Revision

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CHAPTER 21

FINANCIAL MANAGEMENT FOR DEFENSE HEALTH PROGRAM RESOURCES

*1.0 GENERAL

1.1 Overview

1.1.1. The annual Defense Health Program (DHP) appropriation funds all elements of the DHP, including annual Operation and Maintenance (O&M), multi-year Research, Development, Test & Evaluation (RDT&E), and multi-year Procurement. The applicable U.S. Department of the Treasury (Treasury) Federal Account Symbol and Title ***(FAST)*** is 0970130.

1.1.2. The DHP executes through direct allotment to the Office of the Assistant Secretary of the Defense for Health Affairs (OASD(HA)). The Assistant Secretary of Defense (ASD(HA)) serves as the DHP appropriation holder responsible for the completion and submission of a Unified Medical Program.

1.1.3. The DHP funds medical activities within the Defense Health Agency (DHA), TRICARE, military medical and dental treatment facilities (collectively "MTFs"), certain military medical research facilities, and the Uniformed Services University of the Health Sciences (USUHS).

1.1.4. The Defense Health Program (DHP) does not include military medical personnel costs paid from the Military Departments' (MilDeps) Military Personnel appropriations; medical combat, operational, and deployment requirements above baseline healthcare necessary to maintain the fitness and medical readiness of DoD deployers; or civilian employees' medical care. While the DoD Military Construction (MILCON) appropriation is distinct from the DHP appropriation, the Assistant Secretary of Defense for Health Affairs (ASD(HA)) receives and executes MILCON funding to support the construction, renovation, and sustainment of medical and dental facilities within the Military Health System (MHS). This MILCON funding and the associated execution are consolidated and reported as part of the audited ASD(HA)-DHP financial statements.

1.1.5. Direct healthcare costs at MTFs are reimbursable for beneficiaries of the U.S. Public Health Service, Department of Veterans Affairs, U.S. Coast Guard, National Oceanic and Atmospheric Administration, or any other federal agency according to agreements entered into by the ASD(HA) on behalf of DoD.

1.1.6. See ***Volume 2B, Chapter 12***, "Defense Health Program," for DoD policy applicable to DHP budget formulation and congressional justification (including presentation formats).

1.2 Purpose

This chapter prescribes the financial management policies and procedures necessary to account for DHP resources.

1.3 Authoritative Guidance

The financial management and related requirements prescribed by this chapter are in accordance with the applicable provisions of:

1.3.1. Title 5, U.S. Code Section 8140 (***5 U.S.C. § 8140)***, "Members of the Reserve Officers' Training Corps";

1.3.2. ***10 U.S.C. §312,*** "Payment of Personnel Expenses Necessary for Theater Security Cooperation";

1.3.3. ***10 U.S.C. §401,*** "Humanitarian and Civic Assistance Provided in Conjunction with Military Operations";

1.3.4. ***10 U.S.C. 1079b***, "Procedures for charging fees for care provided to civilians; retention and use of fees collected";

1.3.5. ***10 U.S.C. §1086***, "Contracts for health benefits for certain members, former members, and their dependents";

1.3.6. ***10 U.S.C. §1092***, "Studies and demonstration projects relating to delivery of health and medical care";

1.3.7. ***10 U.S.C. §1097***, "Contracts for medical care for retirees, dependents, and survivors: alternative delivery of health care";

1.3.8. ***10 U.S.C. § 1471***, "Forensic Pathology Investigations";

1.3.9. ***10 U.S.C., Chapter 104, §§2112-2116***, "Uniform Services University of the Health Sciences";

1.3.10. ***10 U.S.C. §2013***, "Training at non-Government facilities";

1.3.11. ***10 U.S.C. §2109, "***Practical military training";

1.3.12. ***14 U.S.C. §506***, "Prospective payment of funds necessary to provide medical care";

1.3.13. ***31 U.S.C. §1514***, "Administrative division of apportionments";

1.3.14. ***38 U.S.C. §8111***, "Sharing of Department of Veterans Affairs and Department of Defense health care resources";

1.3.15. ***42 U.S.C. §2651 – 2653***, "Recovery by the United States" (commonly known as the "Federal Medical Care Recovery Act);

1.3.16. ***Title 26, Code of Federal Regulations (CFR.), section 1.6050P-1***, "Information reporting for discharges of indebtedness by certain entities";

1.3.17. ***Office of Management and Budget (OMB) Circular A-11***, section 150 and Appendix H "Administrative Control of Funds";

1.3.18. United States Department of the Treasury, Bureau of the Fiscal Service, "Federal Account Symbols and Titles: The FAST Book";

1.3.19. ***DoD Directive (DoDD) 5136.01,*** "Assistant Secretary of Defense for Health Affairs (ASD(HA)).

1.3.20. ***DoDD 5136.13,*** "Defense Health Agency";

1.3.21. ***DoDD 6400.04E,*** "DoD Veterinary Public and Animal Health Services";

1.3.22. ***DoD Manual 8910.01, Volume 2***, "DoD Information Collections Manual: Procedures for DoD Public Information Collections";

1.3.23. ***DoD Instruction (DoDI) 1015.15***, "Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources";

1.3.24. ***DoDI 2205.02***, "Humanitarian and Civic Assistance Activities";

1.3.25. ***DoDI 5105.45***, "Uniformed Services University of the Health Sciences"; and

1.3.26. ***DoDI 5154.30***, "Armed Forces Medical Examiner System (AFMES) Operations".

*2.0 RESPONSIBILITIES

2.1 Office of the Assistant Secretary of the Defense for Health Affairs

2.1.1. OASD(HA) is the funds holder for the DHP appropriation and allocates DHP budget authority to the DHA, USUHS, and the MilDeps and issues DHP budget execution policy and programming guidance to develop the Unified Medical Program.

2.1.2. OASD(HA) enters into agreements with other federal agencies for the reimbursable provision of healthcare services at MTFs.

2.1.3. OASD(HA) prepares and submits two sets of DHP financial statements in accordance with OUSD(C) guidance: (a) one set for direct care; and (b) one set for private sector care executed by the DHA Contract Resource Management.

2.2 Deputy Assistant Secretary of Defense, Health Resources Management and Policy

The Deputy Assistant Secretary of Defense for Health Resources Management and Policy

(DASD, HRM&P) is the DHP Senior Accountable Official and oversees internal controls over financial reporting, preparation, and submission of DHP financial statements, and preparation of the DHP Agency Financial Report. The DASD, HRM&P sets execution policy for the DHP appropriation in keeping with laws, regulations, and internal decisions.

2.3 DHA, USUHS, MilDeps, and Combatant Command

2.3.1. DHA, USUHS, and MilDeps receive the DHP appropriation via Funding Authorization Document/Electronic Funds Distribution on behalf of ASD(HA) from the DHA Budget and Execution (B&E) Division. B&E coordinates all transfers between DHP-funded activities, including top-line transfers.

2.3.2. DHA, USUHS, and MilDeps receive installation/activity level monthly execution reports and summarize those reports for submission to each Defense Finance and Accounting Service (DFAS) site. Each DFAS site must submit their data to DFAS-Indianapolis, Other Defense Organizations, Audited Financial Statements, and Budget Execution Division for consolidation.

2.3.3. MilDep and Combatant Command (CCMD) leadership is responsible for engaging with OASD(HA) for the advance planning and coordination of mission expansions or force restructurings that result in increased demand on DHP healthcare resources to the maximum extent practicable. Changes which were not programmed for within the DHP, may result in requirements being under resourced. MilDeps and CCMDs will generally be responsible for transferring sufficient funds to the DHP to support increased demands on DHP healthcare resources, documented in a corresponding Memorandum of Agreement, and properly integrated by the DHP during normal programming cycles.

*3.0 EXPENSES CHARGEABLE TO THE DHP

3.1 Civilian Payroll

Charge civilian payroll for those assigned to DHA and USUHS, including personnel working under the Intergovernmental Personnel Act.

3.2 Continuing Medical/Health Education

Charge approved Continuing Medical/Health Education (CME/CHE) of assigned DHA/USUHS military and civilian medical personnel to the DHP obligations and expenses. See also ***Volume 10, Chapter 11***, "Payment as Reimbursement for Personal Expenditures." Military personnel approved for travel to attend CME/CHE must have one year remaining on their active-duty service commitment unless otherwise authorized by ASD(HA).

3.3 Communications

Charge telephone service according to the ratio of Class A telephones installed in the medical facilities to the total number of installations. Include switchboard equipment rentals, toll

calls, telegraph, and other services used or provided to directly support the medical program.

3.4 Utilities

Charge utilities obtained from commercial sources and all base-produced utilities. Utilities include fuels for heating and cooling.

3.5 Supplies and Equipment

3.5.1. Charge both medical and non-medical materials required for the DHP's daily operations, including organizational and functional (medical scrubs) clothing and expense-type equipment issued to a medical facility. Functional clothing may not be personalized. Clothing accoutrements (name tags, rank insignia) and headgear (i.e., organizational ball caps) are personal expenses.

3.5.2. Charge supplies and services for the MTF pandemic planning program, including medical, pharmaceutical, and personal protective equipment materials, and participation in the shelf-life extension program (SLEP). The DHA pandemic planning program establishes, procures, and replenishes assemblage items to facilitate expeditious DoD response to a pandemic event. The SLEP aims to extend the useful shelf-life of pharmaceuticals to maximize cost savings and minimize risks to mission readiness. The DHA Director of Medical Logistics or higher relevant authorities allocates funds for the SLEP.

3.6 Immunizations/Inoculations for Permanent Change of Station (PCS) and Pre-deployments

DHP funds immunizations required for PCS and pre-deployments. Pre-deployment immunization expenditures are tracked by DHA for reimbursement from Supplemental or other appropriations allocated for the deployment. Immunizations (e.g., Flu vaccine) for personnel permanently assigned to theaters (e.g., Central Command) where there is no fixed military medical treatment facility are funded by the DHP.

3.7 Laundry and Dry Cleaning

Charge services for hospital clothing and linens to DHP. Include nurses' privately owned uniforms when delivered to the laundry in bulk. If the host installation initially finances the services, transfer the charges to the medical program as a contractual service.

3.8 Autopsies and Forensic Pathology Investigations

The Armed Forces Medical Examiner, funded through the DHP appropriation, conducts autopsies and forensic pathology investigations under the authority of 10 U.S.C. § 1471 and in accordance with DoDI 5154.30.

3.9 Blood Donation Incentive Items and Refreshments

DHP O&M funds may be used to provide low-cost incentive items such as T-shirts, coffee

mugs, or pens to volunteer donors at Armed Forces blood donor centers. Items may not be personalized and must convey an appropriate message intended to encourage or reinforce voluntary blood donations to maintain adequate military blood supplies. DHP O&M funds may purchase light refreshments to prevent adverse donor medical reactions.

3.10 Research Subject Incentive Items

Low intrinsic value items, such as pens, coffee mugs, water bottles, key chains, luggage tags, frisbees, or toothbrushes may be provided as an incentive for research subject participation. Items must not be personalized. Coins may not be procured as promotional items or incentives.

3.11 Professional Licenses for Healthcare Providers

3.11.1. Ordinarily, professional licenses are a personal expense. However, when a uniformed service member must pay a professional license fee to provide healthcare services at a civilian healthcare facility pursuant to an MTF Resource Sharing Agreement or Training Agreement, the member may be reimbursed up to $500 of the license fee per ***10 U.S.C. §1096(d)***. Personal benefits a member receives from the license are incidental to performing official duties. This guidance does not apply to civil service employees and contractors who must be licensed as a condition of employment, nor does it apply to healthcare providers whose sole purpose in obtaining the license is for off-duty employment.

3.11.2. Appropriated funds reimburse licensing fees if a DoD civilian or military healthcare provider's current licensure state(s) impose(s) criminal or civil penalties and/or adverse licensing actions due to the state restricting the provider's federally authorized duty per 5 USC §5757 and 10 USC §2015. To qualify, the provider must be solely licensed in a state(s) with the restrictions and not currently have licenses in other states that are free of similar restrictions. Fees for qualified providers are reimbursed for obtaining a single additional license in a state without similar restrictions.

3.12 Funding for Clothing Destroyed During Medical Care

DHP funds may be charged to replace uniform clothing items for:

3.12.1. Enlisted medical personnel when the clothing is destroyed to prevent the spread of contagious diseases.

3.12.2. Military personnel when the items are altered or damaged during or immediately following medical care in such a manner as to prevent using the clothing after treatment.

3.13 Leased Housing for Military Graduate Medical Education Residents

Leases for military graduate medical education resident external rotations must be coordinated by the host MTF via the appropriate Contracting, Legal, and Civil Engineering organizations.

3.14 Publication of Articles in Professional Journals

3.14.1. Per ***OMB Circular A-21***, "Cost Principles for Educational Institutions", appropriated funds for publishing fees are allowable as research costs.

3.14.2. DHP funds are allowed to be used when:

3.14.2.1. The research papers report work related to efforts supported by the DHP, and the page or publishing charges are levied impartially on all research papers published by the journal.

3.14.2.2. Publication costs include printing and the produced end products, distribution, promotion, mailing, and general handling. Publication costs also include page charges in professional journal publications.

3.14.2.3. Publishing fees for articles or research not sanctioned by OASD(HA), the President of USUHS, or the Director of DHA are not chargeable to DHP funds.

3.15 Procurement of Health Publications and Printed Material

Charge health publications (medical, nursing, dental, and health sciences) and printed material to DHP if procured for DHA or USUHS.

3.16 TRICARE Contracts

Title 10 U.S.C. §1079 authorizes TRICARE contracts for spouses' and children's medical care; 10 U.S.C. §1086 authorizes health benefits for certain members, former members, and their dependents; 10 U.S.C. §1097 authorizes medical care for retirees, dependents, and survivors (alternative delivery of healthcare). Title 10 U.S.C. §1092 authorizes studies and demonstration projects relating to the delivery of health and medical care. The ASD(HA) oversees the execution and administration of TRICARE contracts.

3.17 Professional Credentials and Specialty Board Examinations

3.17.1. Charge DHP for military personnel and civilian employees assigned to the DHA, subordinate organizations, and USUHS or when the ASD(HA) authorizes the expenditure or professional credential and specialty board examinations. Expenditure is authorized when professional credentials enhance (a) the individual's MilDep career opportunities and increases competitiveness in advancing post-military civilian careers; or (b) the individual's ability to perform official duties. See Volume 10, Chapter 11, paragraph 2.6 and ***DoDI 1322.33***, "DoD Credentialing Programs."

3.17.2. Expenses include professional certification costs such as specialty board certifications, classroom instruction, hands-on training (and associated materials), manuals, study guides and materials, textbooks, processing, tests, and related fees.

3.17.3. The expense is non-reimbursable if the individual fails the examination. Proof of successfully passing the examination must be submitted with the reimbursement request.

3.17.4. DHP may not reimburse military personnel or civilian employees to obtain or renew professional credentials that are a prerequisite for appointment or employment in the Armed Forces per ***DoDI 1310.02***, "Original Appointment of Officers," or for credentials required to hold a military occupation or duty position.

3.17.5. Reimbursement requests must be submitted and approved prior to personnel incurring expenses for application fees, examinations, and certifications.

3.18 Sustainment, Restoration, and Modernization

Charge the DHP for the Sustainment, Restoration, and Modernization of DHA medical facilities and USUHS.

3.19 Healthcare Services Contracts

Charge the DHP for the personal and non-personal healthcare service contracts supporting the DHA, MTFs, or USUHS. Healthcare provider personal service contracts must follow the terms and restrictions in ***Defense Federal Acquisition Regulation Supplement 237.104(b)(ii)***, and ***DoDI 6025.5***, "Personal Services Contracts (PCSs) for Health Care Providers (HCPs)."

3.20 Professional Membership Fees (Military and Civilian)

3.20.1. DHP funds pay membership fees in professional organizations only when (1) the membership is the name of the organization (DHA or USUHS); and (2) if the membership benefits the organization's mission.

3.20.2. DHP must not be used to pay an individual's membership fees unless the fee is an essential cost directly associated with the training (i.e., inseparable from the training), or is a prerequisite for the training. See ***5 U.S.C. §4109(b)***, "Expenses of Training" and 10 U.S.C. §2013(c).

3.20.3. Individual membership in professional organizations may not be borne by the DHP, it is a personal expense, this includes organizations such as the Healthcare Information and Management Systems Society, the American College of Healthcare Executives, and many others.

3.21 Hyperbaric and Hypobaric Chambers

DHP funds chambers used for clinical treatment. DHP does not fund chambers used for aircrew physiological training.

3.22 Medical and Dental Care for Academy Cadets, Midshipmen, Members and Designated Applicants for Senior Reserve Officer Training Corps

Charge to the DHP the costs of medical/dental care for:

3.22.1. A cadet at the United States Military Academy, the United States Air Force Academy, the Coast Guard Academy, or a midshipman at the United States Naval Academy; and a member or applicant of the Senior Reserve Officer Training Corps (Sr ROTC), who incurs or aggravates an injury, illness, or disease in the line of duty.

3.22.2. A Sr ROTC member or a designated applicant for SR ROTC membership, who incurs or aggravates an injury, illness, or disease (a) while performing duties under 10 U.S.C. §2109, "Practical military training," (b) while traveling directly to or from where the member or applicant is to perform or has performed duties or (c) while remaining overnight immediately before the commencement of duties performed or (d) while remaining overnight, between successive periods of performing duties, at or in the vicinity of the site of the duties performed pursuant to 10 U.S.C. §2109, if the site is outside reasonable commuting distance from the residence of the member or designated applicant. A designated applicant is an individual who has formally applied to the Sr ROTC program but has not yet signed a contract. Sr ROTC members are distinguished by their contractual obligation to serve as commissioned officers upon graduation, making them an integral part of the active-duty pipeline. Designated applicants, while not yet contractually obligated, are participating in Sr ROTC activities as part of the application process.

3.22.2.1. A Sr ROTC member or designated applicant injured while performing duties under 10 U.S.C. §2109, is entitled to receive appropriate treatment of the injury, illness, or disease until the injury, illness, disease, or any resulting disability cannot be materially improved by further hospitalization or treatment, and meals during hospitalization.

3.22.2.2. A Sr ROTC member or designated applicant is not entitled to benefits for an injury, illness, or disease, or the aggravation of an injury, illness, or disease that is a result of the gross negligence or the misconduct of that person.

3.23 Reimbursement for Civilian Medical/Dental Treatment Paid from Personal Funds

3.23.1. See Volume 10, Chapter 11, subparagraph 2.20.1 for reimbursement to Military Members.

3.23.2. See Volume 10, Chapter 11, subparagraph 2.20.2 for reimbursement to Dependents of Military Members, and Retired Members.

*4.0 EXPENSES NOT CHARGEABLE TO THE DHP

Although some activities may appear to be health-related, they may not necessarily be funded with the DHP appropriation. Expenses listed in this section are commonly mistaken as being funded with DHP but are in fact funded with MilDep, contingency, or Defense-wide

appropriations or are personal expenses for which no government appropriations should be used.

4.1 Comfort Items During Hospital Stay of Mentally/Physically Incompetent Retiree

See ***Volume 7B, Chapter 16***, "Physical or Mental Incapacitation," paragraph 7.

4.2 Transportation of Human Remains

Do not charge the DHP for costs for the transportation of human remains. See Volume 10, Chapter 11, paragraph 2.19.

4.3 Non-prescription Items

Do not charge the DHP for non-prescription items such as sunscreen, hand sanitizer, lip balm, and tissue for distribution to non-DHP-funded organizations. These are personal expense items. The purchase of hand sanitizer, masks, and tissue for healthcare organizations and patients within MTFs and the USUHS is permitted and must be made accessible to staff, patients, and research subjects.

4.4 Reserve Officer Training Corps Injuries or Illness Incurred in Line of Duty

4.4.1. Do not charge the DHP for medical care provided to ROTC members who are not under contractual obligation to serve as commissioned officers. The Secretary of Labor must use the Employees' Compensation Fund to reimburse MilDep expenses providing civilian and private sector hospitalization, medical and surgical care, and necessary transportation incident to that care, or in connection with a funeral and burial on behalf of a member of, or applicant for membership in Reserve Officer Training Corps of the Army, Navy, or Air Force who suffers an injury, disability, or death, or an illness contracted, in line of duty. An "applicant for membership" includes a student enrolled in a course of Reserve Officers' Training Corps instruction at an educational institution. This paragraph specifically excludes members of Sr ROTC and designated applicants who are contractually obligated for service, as outlined in subparagraph 3.22.

4.4.2. The Department of Labor (DOL) may not reimburse hospitalization, medical, or surgical care provided to an individual at a military MTF.

4.4.3. Subject to review by the Secretary of Labor, the MilDep must determine whether an injury, disability, or death was incurred, or an illness was contracted, by a member in the line of duty. Under 10 U.S.C. §2109, the line of duty includes: (a) while engaged in a flight or in-flight instruction or (b) during the member's attendance at training or a practice cruise, beginning and ending with the authorized travel.

4.4.4. The MilDep must cooperate fully with the DOL in the prompt investigation and resolution of a case involving the legal liability of a third party other than the United States.

4.5 Veterinary Services Provided to Privately-Owned Pets

Installation Veterinary Services' primary purpose is to provide healthcare to DoD working animals. DoD veterinary clinics may provide services to pets only to the extent doing so is consistent with DoDD 6400.04E, Enclosure 2 and must ensure that costs for DoD working animals are segregated from those provided to pets. Typically, Non-Appropriated Fund Instrumentalities must cover the expenses for pharmaceuticals and medical supplies provided to pets and proportionately share in the costs of custodial services and utilities, consistent with DoDI 1015.15.

4.6 Clothing, Supplies, or Equipment for Contingency or Other Military Operations

MilDeps or other appropriations that fund the contingency operation must fund these expenses.

4.7 Contingency Support Medical Activities

4.7.1. Do not charge DHP for costs for deployed medical facilities or biological/chemical warfare medical supplies deployed with personnel. MilDeps or other appropriations that fund the contingency must fund these expenses.

4.7.2. Do not charge DHP for contingency pre-deployment, employment, and re-deployment of medical combat support personnel, equipment, and supply expenses requested by the Combatant Command (CCMD) and approved by proper authority. MilDeps or other appropriations that fund the contingency must fund these expenses.

4.7.3. The MilDep or appropriation(s) funding the contingency will be charged with immunization/inoculation supplies carried by personnel for possible future use during the deployment. DHP does not fund these supplies.

4.8 Medical Care at Deployed Locations for Exercises and Contingencies

Charge costs to Joint Chief of Staff (JCS)/CCMD exercise or contingency funds. Include medical care provided to members at local indigenous medical facilities, referral care by military medical staff, medical supplies (e.g., pharmaceuticals, orthopedic braces), and urgent/emergency care at the deployed location.

4.9 Medical Participation in JCS/CCMD Exercises

Charge JCS/CCMD Exercise funds for the deployment of medical personnel, the cost of supplies used during the exercise, shipping, and the resupply cost of supplies upon return.

4.10 Aeromedical Evacuation Airlift in Support of Peacetime and Contingency Operations

4.10.1. If the President and the Office of the Secretary of Defense (OSD) declare a major contingency operation, the appropriation funding the contingency will be charged for the Aeromedical Evacuation (AE) contingency airlift (from contingency area to first overseas MTF).

Air Force O&M funds pay only those AE contingency airlift costs billed by the Transportation Working Capital Fund (TWCF) from the first overseas fixed MTF to CONUS. When the President and OSD formally withdraw the contingency designation and entitlement to hostile fire pay ceases, military assignments are no longer based on rotational deployments, and Air Force O&M funds reimburse the TWCF for AE airlift costs from those former contingency areas.

4.10.2. Funds for peacetime AE operations, including Special Assignment Airlift Missions (SAAM), were transferred from the DHP to the Air Force in the FY 2021 President's Budget. Do not charge AE SAAMs to the DHP.

4.11 Pre-screening for the Walking Blood Bank (WBB)

Pre-screening for the WBB is triggered by a deployment order. DHA provides the pre-screening on a reimbursable basis to the MilDeps. If Supplemental appropriations are unavailable, MilDeps must reimburse the DHP from the appropriation funding the relevant deployment, contingency, or operation. Personnel assigned to Navy ships are pre-screened as part of the ship's deployment.

4.12 Automated External Defibrillators

Automated External Defibrillators procured by installation organizations for emergency use are not DHP expenses. Funds provided to the local MTF Medical Logistics office by the requesting organization enable the MTF to procure the item on behalf of the requesting organization on a reimbursable basis.

4.13 Humanitarian Assistance and Civic Assistance

Per 10 U.S.C. §401 and DoDI 2205.02, in specific instances, humanitarian civic assistance activities may be provided in conjunction with authorized military operations of the Armed Forces. Commanders ensure that expenses providing humanitarian civic assistance to a foreign country are paid for out of funds specifically appropriated for such purpose.

4.14 Military Spiritual Resiliency Programs

The DHP does not fund MilDep chaplain resiliency programs and initiatives. Funding is the responsibility of the MilDeps.

4.15 Health and Wellness Centers, Fitness Staff, and Athletic Trainers

MilDep appropriations fund wellness center exercise equipment and devices, appliances for healthy cooking demonstrations, supplies, facilities and facility upkeep (including repair and renovations, utilities, and housekeeping) and support staff. MilDeps also fund fitness staff, athletic trainers, health and wellness educators, health promotions staff, etc., assigned to units, installation gymnasiums, or health and wellness centers.

4.16 Participation in Armed Forces Sports Programs

The DHP does not fund costs associated with Armed Forces Sports Programs, including equipment, uniforms, travel, or any other related expenses.

4.17 Miscellaneous Non-clinical Programs

DHP does not fund MilDep non-clinical initiatives to enhance human performance and service member readiness such as individual physical fitness, unit teambuilding activities, mindfulness and relaxation techniques, personal growth activities, and other similar resilience endeavors that take place outside of clinical or medical settings and are not directly related to diagnosing, treating, or managing health conditions.

4.18 Tactical Combat Casualty Care

MilDeps fully fund and support trauma training and skills sustainment platforms (hospital and pre-hospital) to include installation, workforce, equipment, and information technology. See ***DoDI 1322.24***, "Medical Readiness Training".

4.19 Health Promotion Items

4.19.1. Appropriated funds are not available for the purchase of items primarily intended for promotional purposes or to raise awareness, even if those items have a nominal or low unit value. This includes, but is not limited to, items such as pens, toothbrushes, coffee mugs, coins, water bottles, keychains and lanyards, t-shirts and frisbees. These items may not be purchased with appropriated funds, even if used in conjunction with health promotion and outreach.

4.19.2. This restriction does not apply to the purchase of printed educational materials directly related to patient care, health programs, or prevention strategies. This includes items such as pamphlets, brochures, flyers, and posters. These materials must be primarily informational in nature and designed to educate patients about specific health conditions, treatment options, available programs, or preventive measures.

*5.0 OTHER HEALTHCARE ACCOUNTING MATTERS

5.1 Drug Manufacturer Credits Received from Return of Expired or Recalled Pharmaceuticals

Do not record on the DHP general ledger any pharmacy credits issued by drug manufacturers via the reverse distribution process from pharmaceutical prime vendor (PPV) contracts awarded by the Defense Logistics Agency (DLA) Working Capital Fund. DLA must record credits as the contractual purchasing activity. DLA requires that PPVs establish credit accounts for MTFs. Although credits do not expire, DLA imposes a one-year period during which MTFs consume the credits. The PPV cashes out expiring credits and DLA deposits the cash to Miscellaneous Receipts of the Treasury.

5.2 Centrally-Managed Accounts

Operate and execute appropriate Centrally-Managed Accounts (CMAs) or open allotments to provide for active-duty military personnel emergency care and fund the CMAs from the DHP. For additional information regarding CMAs, see ***Volume 14, Chapter 1***, "Administrative Control of Funds," paragraph 2.7.

5.3 Operating Materials and Supplies for Future Use

MTFs may carry medical supplies for local future use at reasonable and historical levels, as needed to avoid disruption of operations. Items procured are typically for periods of high healthcare demands or emergencies and are for local consumption. These are not National Stockpile materials that DoD must maintain for national emergencies.

5.4 Sexual Assault Prevention and Response

The Director, DoD Human Resource Activity (DHRA) manages the Defense-wide O&M appropriation that funds the Sexual Assault Prevention and Response (SAPR) program. The MilDeps, Office of the Secretary of Defense, Joint Chiefs of Staff, Defense Security Cooperation Agency, U.S. Special Operations Command, DHA, and DHRA are allocated funds supporting SAPR activities. Multiple Program Elements (PE) execute funds. Search the Future Years Defense Program (FYDP) Structure Management System for a comprehensive list of all PEs. See Table 21-4 for a list of Active Component PEs and descriptions.

5.5 Integrated Primary Prevention

The MilDeps and DHA receive Defense-wide O&M to prevent self-directed harm and prohibited abusive or harmful acts including, sexual assault, harassment, suicide, retaliation, domestic abuse, and child abuse. These efforts include prevention strategy development, policy, oversight, manpower, research, programs, evaluation, and training. Multiple PEs execute these efforts. Search the FYDP Structure Management System for a comprehensive list of all PEs. See Table 21-5 for a list of Active Component PEs and descriptions.

5.6 Suicide Prevention

The Defense-wide O&M appropriation funds suicide prevention efforts. MilDeps and DHA receive funds. Multiple PEs fund these efforts. Search the FYDP Structure Management System for a comprehensive list of all PEs. See Table 21-6 for a list of Active Component PEs and descriptions.

5.7 Drug Demand Reduction Program/Urinalysis Program

The Defense-wide Counternarcotic appropriation funds routine drug testing of military personnel and civilian employees. The Deputy Assistant Secretary of Defense for Counternarcotics and Stabilization Policy within the Office of the Under Secretary of Defense for Policy manages the program. Multiple PE execute funding. Search the

FYDP Structure Management System (DoD CAC required) for a comprehensive list of all PEs. Active Component PEs include 0808789 and 0208893.

5.8 Substance Abuse Control Program

The Substance Abuse Control Program includes manpower authorizations, support equipment, facilities, and associated costs specifically identifiable and measurable to the Air Force Substance Abuse Control Program (drug and alcohol prevention and detection). It excludes the Drug Demand Reduction program and costs associated with clinical consultation and treatment conducted on an outpatient or inpatient basis. Air Force PE 0808723. Space Force PE 1208723.

5.9 Family Advocacy Program

The Defense-wide O&M appropriation funds the Family Advocacy Program (FAP). The FAP addresses domestic abuse, child abuse and neglect, and harmful behaviors between children and youth. Multiple PEs execute funds, see Table 21-7 for a list of PEs and descriptions.

*6.0 UNIFORM BILLING OFFICE OPERATIONS

The DHP bills and collects for MTF healthcare services under three distinct reimbursement programs.

6.1 Third-Party Collections Program

10 U.S.C. §1095 established the Third-Party Collections (TPC) program. MTFs bill health insurance companies for the care provided to DoD beneficiaries. Specifically, when a non active-duty beneficiary receives medical care within the MTF, the MTF must query and document whether that patient possesses health insurance (other than TRICARE) via the ***DD Form 2569***, "Third Party Collection Program/Medical Service Account/Other Health Information." MTFs must manage the TPC program according to ***DHA-Procedures Manual (PM) 6015.01,*** "Military Treatment Facility Uniform Business Office Manual." (DoD CAC required). Collections must be deposited in the current O&M appropriations for the MTF that provided the care.

6.2 Medical Services Account Program

6.2.1. Medical Services Account (MSA). MSA activities involve billing and collecting funds for medical and dental services, including elective cosmetic procedures, provided in the DHP fixed facilities from the following entities: DoD beneficiaries; other government agencies; DoD civilian employees and contractors; Non-Appropriated Fund employees; Secretarial designees; authorized foreign military members; DoD dependent school employees; Army and Air Force Exchange Services employees; civilian emergency patients; and other non-DoD beneficiary patients authorized to receive treatments in Military MTFs.

6.2.1.1. ***10 U.S.C. §1074a***, "Medical and dental care: members on duty other than active duty for a period of more than 30 days", 10 U.S.C. §1079b, ***10 U.S.C. §1085***, 14 U.S.C. §506, 38 U.S.C. §8111, and other authorities govern the MSA.

6.2.1.2. MSA bills and collects funds for healthcare services provided to non-beneficiary patients authorized to receive care in an MTF.

6.2.1.3. The MSA Officer is a collection agent of the local Disbursing Office and bills and collects fees for healthcare services and subsistence provided at the MTF, safeguards patient valuables, and serves as a Change Fund Custodian.

6.2.1.4. MTFs must manage the MSA program in accordance with DHA-PM 6015.01. Collections must be deposited to the MTF DHP appropriation that provided the care.

6.2.2. Collections from the U.S. Coast Guard. In lieu of the reimbursement required under 10 U.S.C. §1085, the Secretary of Homeland Security as per 14 U.S.C. §506 must make a prospective payment to the Secretary of Defense of the actuarial valuation for the treatment or care that the MTFs provide to current and former members of the Coast Guard, and their dependents.

6.2.2.1. Former members and dependents who are Medicare-eligible beneficiaries or for whom the payment for treatment or care is made from the Medicare-Eligible Retiree Health Care Fund are not included.

6.2.2.2. No prospective payment is made for periods during which the Coast Guard operates as a service in the Navy. The prospective payment requirement does not apply to care provided in the private sector under TRICARE.

6.2.3. Collections from the Department of Veterans Affairs (VA). The VA functions as a health insurance carrier for its beneficiaries, similar to how the DoD operates through TRICARE for DoD's medical beneficiaries. DoD and the VA established agreements under the authority of 38 U.S.C. §8111 permitting the VA to reimburse DoD for healthcare services provided to VA beneficiaries through DoD facilities. Consistent with 38 U.S.C. §8111(c)(3)(G) and 10 U.S.C. §1095(g), collections received from the VA corresponding to DHA medical invoices for clinical healthcare services must be deposited into the DHP appropriation available when the collection is received. This does not apply to non-clinical services provided to VA, such as laundry and other services for which funds must be obligated before services are provided.

6.3 Medical Affirmative Claims Program

6.3.1. Title 42 U.S.C. §§2651 – 2653 and 10 U.S.C. §1095 govern the Medical Affirmative Claims (MAC) program and authorizes DoD to recover expenses from third parties, for medical care provided to an injured or diseased person, when authorized or required by law. The DoD may recover the cost of pay for service members who are unable to perform duties because of said injuries or disease. DoD pursues recovery of medical and/or salary expenses from third parties through the MAC program. DoD may file MAC claims against all insurance, including but not limited to automobile, products, premises, and general casualty, homeowners', renters', medical malpractice (by civilian providers), and workers' compensation (other than federal employees).

6.3.2. The MAC program is a collaborative effort between the DHA MTFs, DHA Contract Resource Management (CRM) / TRICARE, DHA Office of the General Counsel (OGC), and the

MilDep Judge Advocate General (JAG) offices. Specifically, the MTFs and TRICARE report to the OGC/JAG any injuries or diseases that may have been caused by third parties, and in turn, the OGC/JAG reviews pertinent documentation to determine whether legal action may be pursued to recover the healthcare expenses and/or salaries of the injured person(s).

6.3.3. OGC/JAG legal action may or may not recover medical and/or salary expenses; and cases may take several years before achieving resolution (e.g., settlements). Therefore, consistent with Federal Accounting Standards Advisory Board (FASAB) ***Statements of Federal Accounting Standards (SFFAS) 7***, "Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting," the OGC/JAG claims are non-exchange revenue. Recognize nonexchange revenue when a reporting entity establishes a specifically identifiable, legally enforceable claim to cash or other assets.

6.3.4. FASAB conservatively recognizes revenue. SFFAS 7 states that nonexchange revenue is recognized if a collection is probable (i.e., more likely than not) and the amount is measurable (i.e., reasonably estimable). MAC cases may take several years before achieving resolution; therefore, MAC non-exchange revenue will be recorded upon the receipt of cash. This averts the potential for overstating the DHP's financial position.

6.3.5. Deposit the healthcare portion of settled MAC claims (cash is received) to the DHP appropriation available for the activity that funded the care (MTF or TRICARE).

6.3.6. Deposit the service member salary portion of settled MAC claims to the pertinent MilDep's Military Personnel Appropriation.

6.3.7. MAC program recoveries are reimbursements, not refunds.

6.4 Waived and Discharged Medical Debts

6.4.1. Under 10 U.S.C. §1079b, the DHA Director must discount certain medical fees for non-beneficiary civilian patients who receive care in MTFs. The DHA Director also has discretionary authority to waive certain fees under 10 U.S.C. §1079b.

6.4.2. For debts waived by the DHA Director under 10 U.S.C. §1079b, the debt collection termination date and the discharge date in the medical billing system must be the same. After debt collection termination, no active or passive collection actions may be pursued.

6.4.3. For tax reporting, the DHA Director's decision to waive a medical debt in the amount of $600 or more is an identifiable event pursuant to 26 C.F.R. 1.6050P-1 and must be reported to the Internal Revenue Service (IRS). The DHA reports the debt to the IRS and issues a Form 1099-C, Cancellation of Debt, to the debtor by the IRS-established timeline (generally January 31st of each calendar year). A debt is considered canceled on the date that the authorized individual approves the debt waiver.

6.4.4. Form 1099-C must be issued to the debtor if the collection of delinquent medical debts that have been transferred to the Department of the Treasury Cross-Servicing Program by

DHA MTFs are subsequently terminated by the Treasury. Treasury prepares the Form 1099-C and issues it with approval from the DHA.

6.4.5. Medical debts for which collection is terminated by the Department of Justice (DOJ) are reported to the IRS and a Form 1099-C is issued to the debtor. The DHA reports the debt and issues the Form 1099-C. The termination of collection date is the notification letter date that the DOJ issues to DHA. The discharge date in the medical billing system is also the date of the DOJ letter. DHA issues the Form 1099-C by the IRS-established timeline (generally January 31st of each calendar year).

*7.0 DHP BUDGET ACTIVITY GROUPS (BAGS) AND PE STRUCTURE

OUSD(C) allots the DHP appropriation in DHP unique BAGs and corresponding PEs. The BAG and PE structure for the DHP Budget Activity 1, Operations & Maintenance, is provided in Table 21-1. The DHP Budget Activity 2, Research, Development, Test, and Evaluation (RDT&E) PE Structure is found in Table 21-2. The DHP Budget Activity 3, Procurement PE Structure is found in Table 21-3. The PE definitions are included in the FYDP Structure Management System that is maintained by the Office of Cost Assessment and Program Evaluation.

Table 21-1: DHP Budget Activity 1, O&M, BAG with Corresponding PE Structure

BAG	BAG Title	PE	Description
1	In-house Care	0807700	Defense Medical Centers, Hospitals and Medical Clinics – Continental United States (CONUS)
		0807900	Defense Medical Centers, Hospitals and Medical Clinics – Outside the Continental United States (OCONUS)
		0807701	Pharmaceuticals – CONUS
		0807901	Pharmaceuticals – OCONUS
		0807715	Dental Care Activities – CONUS
		0807915	Dental Care Activities – OCONUS
2	Private Sector Care	0807702	Pharmaceuticals – Purchased Healthcare
		0807703	Pharmaceuticals – National Retail Pharmacy
		0807723	TRICARE Managed Care Support Contracts
		0807738	MTF enrollees – Purchased Care
		0807741	Dental – Purchased Care
		0807742	Uniformed Services Family Health Program
		0807743	Supplemental Care – Health Care
		0807745	Supplemental Care – Dental
		0807747	Continuing Health Education/ Capitalization of Assets Program
		0807749	Overseas Purchased Healthcare
		0807751	Miscellaneous Purchased Healthcare
		0807752	Miscellaneous Support Activities
3	Consolidated Health Support	0801720	Examining Activities
		0807714	Other Health Activities
		0807705	Military Public/Occupational Health
		0807760	Veterinary Services
		0807724	Military Unique Requirements – Other Medical
		0807785	Armed Forces Institute of Pathology
		0807786	Joint Pathology Center
		0808735	Sexual Assault Prevention
		0808736	Special Victim Accountability and Investigation
		0808737	Integrated Primary Prevention
		0808738	Sexual Assault Response
		0903300	Support to Federal Advisory Committee Act (FACA) Advisory Board Activities

Table 21-1: DHP Budget Activity 1, O&M, BAG with Corresponding PE Structure (Continued)

BAG	BAG Title	PE	Description
4	Information Management/ Information Technology (IM/IT)	0807746	Joint Operational Medicine Information System (JOMIS)
		0807758	Cybersecurity
		0807759	Desktop to Datacenter (D2D)
		0807781	Non-Central IM/IT
		0807783	DHP IM/IT
		0807793	MHS Tri-Service IM/IT (Central)
		0807784	IT Development – Integrated Electronic Health Record
		0807787	IT Deployment and Sustainment - DoD Healthcare Management System Modernization
		0807788	DoD Medical Information Exchange and Interoperability
5	Management Activities	0807798	Management Activities (Components)
		0807704	Defense Health Agency
		0808762	Sexual Assault Prevention
6	Education and Training	0806721	Uniformed Services University of the Health Sciences
		0806761	Other Education and Training
7	Base Operations/ Communications	0806276	Facilities Restoration and Modernization (RM) – CONUS
		0806376	Facilities RM – OCONUS
		0806278	Facilities Sustainment – CONUS
		0806378	Facilities Sustainment – OCONUS
		0807779	Facilities Operations, Health Care – CONUS
		0807979	Facilities Operations, Health Care – OCONUS
		0807795	Base Communications – CONUS
		0807995	Base Communications – OCONUS
		0807796	Base Operations – CONUS
		0807996	Base Operations – OCONUS
		0807753	Environmental Conservation
		0807754	Pollution Prevention
		0807756	Environmental Compliance
		0807790	Visual Information Systems
		0808093	Demolition/Disposal of Excess Facilities

*Table 21-2: DHP Budget Activity 2, RDT&E PE Structure

PE	Description	Type of RDT&E
0601117	Basic Operational Medical Research Science	Basic Research (6.1)
0602115	Applied Biomedical Technology	Exploratory Development (6.2)
0602787	Medical Technology	
0603002	Medical Advanced Technology	Advanced Development
0603115	Medical Development	
0604110	Medical Products Support and Advanced Concept Development	
0605013	IT Development	Information Management Activities
0605026	IT Development- DoD Healthcare Management System Modernization	
0605039	DoD Medical Information Exchange and Interoperability	
0605045	Joint Operational Medicine Information System	
0605145	Medical Products and Support Systems Development	Advanced Development
0605502	Small Business Innovative Research	R&D Support Activities
0606105	Medical Program-Wide Activities	
0607100	Medical Products and Capabilities Enhancement Activities	Advanced Development
308604	DoD Medical Information Exchange and Interoperability (DMIX) / Enterprise Intelligence and Data Solutions (EIDS)	Information Management Activities

*Table 21-3: DHP Budget Activity 3, Procurement PE Structure

PE	Description
0807720	Initial Outfitting
0807721	Replacement & Modernization
0807744	Theater Medical Information Program - Joint (TMIP-J)
0807746	Joint Operational Medicine Information System (JOMIS)
0807759	MHS Infrastructure Technology Sustainment
0807784	Integrated Electronic Health Record
0807787	DoD Healthcare Management System Modernization
0807788	DoD Medical Information Exchange and Interoperability

*Table 21-4: SAPR Active Component PE Descriptions

PE	Description
0808736	**Special Victim Accountability and Investigation**. Funds defense-wide investigation and accountability efforts for special victim investigation, representation (Special Victims Counsel/Victims Legal Counsel), prosecution, and defense. It supports DoD, MilDeps, and Military Criminal Investigative Organization headquarters operations. The PE includes program management, training, policy development, data reporting, and other investigation support of special victims' crimes (sexual assault, domestic abuse, and child abuse), representation of special victims, prosecution, and defense of accused service members and others subject to the Uniform Code of Military Justice. The PE also funds the Office of Special Trial Counsel. **The DHA also receives funds**. This PE does not include MHA resources. MHA resources are captured in PE 0808763.
0808738	**Sexual Assault Response.** Provides resources for sexual assault victim advocacy and associated response efforts for DoD SAPR Headquarters, **DHA**, and Military Services. Program management, training, victim advocacy and response, and sexual assault data reporting via the Defense Sexual Assault Incident Database are included. This PE does not include MHA resources. MHA resources are captured in PE 0808764.
0808762	**Sexual Assault Prevention, MHA**. Funds Sexual Assault Prevention efforts including prevention strategy development, policy, oversight, research, programs, evaluation, and training. The MilDeps, **DHA**, and various other organizations receive funds. This PE captures MHA resources only.
0808735	**Sexual Assault Prevention**. Funds prevention strategy development, policy, oversight, research, programs, evaluation, and training. The MilDeps, **DHA**, and various other organizations receive funds. This PE does not include MHA resources. PE 0808762 captures MHA resources.

*Table 21-5: Integrated Primary Prevention Active Component PE Descriptions

PE	Description
0808765	**Integrated Primary Prevention, MHA**. Covers efforts to prevent self-directed harm and prohibits abusive or harmful acts including, sexual assault, harassment, suicide, retaliation, domestic abuse, suicide, and child abuse. Include prevention strategy development, policy, oversight, manpower, research, programs, evaluation, and training. This PE captures MHA resources only.
0808737	**Integrated Primary Prevention, non-MHA**. Covers efforts to prevent self-directed harm and prohibits abusive or harmful acts including, sexual assault, harassment, suicide, retaliation, domestic abuse, and child abuse. Include prevention strategy development, policy, oversight, manpower, research, programs, evaluation, and training. **The DHA receives funding for this PE**. This PE does not include MHA resources. MHA resources are captured in PE 0808765.

*Table 21-6: Suicide Prevention Active Component PE Descriptions

PE	Description
0808755	**Suicide Prevention**. Prevention strategy development, policy, oversight, research, programs, evaluation, and training. This PE does not include MHA resources. MHA resources are captured in PE 0808758.
0808756	**Suicide Response**. All management, administrative, training, data collection, and operational costs for suicide response efforts. Suicide response is defined as "response to and care for individuals affected in the aftermath of a suicide attempt or suicide death." This PE does not include MHA resources. MHA resources are captured in PE 0808759.
0808758	**Suicide Prevention, MHA**. Prevention strategy development, policy, oversight, research, programs, evaluation, and training. This PE captures MHA resources only.
0808759	**Suicide Response, MHA**. All management, administrative, training, data collection, and operational costs for suicide response efforts. See the suicide response definition in the previous sub-paragraph. This PE captures MHA resources only.

*Table 21-7: Family Advocacy Program Active Component PE Descriptions

PE	Description
0808701	**Family Advocacy, MHA**. Family Advocacy, Management Headquarters Activities include costs for specifically identified and measurable FAP Major DoD Headquarters Activities.
0808718	**Defense-wide Family Assistance**. Defense-wide Family Assistance provides programs, policies, and outreach to service members, their families, survivors, and other eligible members of the military community. The programs promote force and family readiness, and quality of life and are most efficiently resourced at the Department level. This PE previously included FAP resources. Those resources were moved to 0808725 in the President's Budget 2024. This PE does not include MHA resources.
0808725	**Family Advocacy Program**. Family Advocacy Program addresses prevention, identification, treatment, and reporting of adult-initiated family violence, including domestic abuse, intimate partner abuse, and child abuse and neglect; adult crimes against children; and child and youth-initiated serious harmful behavior. Resources align with specific prevention and education activities, advocacy, treatment, and DoD and MilDeps' support services. These resources were moved out of PE 0808718 in the President's Budget 2024. This PE does not include MHA resources.

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 21 APPENDIX A: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 22: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 12, CHAPTER 23: "CONTINGENCY OPERATIONS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated September 2007 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Reworded and reformatted chapter for clarity. Revised references and added electronic links.	Revision
1.2 (230102)	Added reference to Budgeting for Contingency Operations.	Revision
2.6 (230206)	Removes reference to USD(C) memorandum, April 20, 1992, "Disaster Relief Funds" (hereby rescinded) and adds reference to DoD Directive 5100.46, Foreign Disaster Relief, dated July 6, 2012.	Revision
2.10 (230210)	Added reference for War-Related Reporting Requirements	Addition
2.11 (230211)	Added reference to Report Incremental Contingency Operations costs on a Monthly Basis	Addition
2.12 (230212)	Added reference to the OMB memorandum on "Criteria for War/Overseas Contingency Operations Funding requests"	Addition
3.7 (230307)	Reworded and reformatted chapter for clarity.	Revision
3.8 (230308)	Added paragraph to explain the Office of the Military Advisor role in processing United Nations requests.	Addition
4.6 (230406)	Added explanation on cost categories and the cost breakdown structure, inserts hyperlink to Overseas Contingency Operations Guidance, and reassigns the Costs Categories Table (23-1) to Annex 4.	Revision
4.9 (230409)	Added paragraph on using the Contingency Operation Support Tool (COST) for developing estimates for an operation.	Addition
7.1 (230701)	Added guidance on the assignment of Special Program Codes.	Addition

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
9.2.13. (230902.M)	Reworded and reformatted chapter for clarity.	Revision
9.4.2. (230904.B)	Added guidance on cost reporting and standard operating procedure documentation.	Addition
9.5 (230905)	Added guidance for using the Program Resource Collection Process (PRCP) to request funding for Overseas Contingency Operations requirements.	Addition
12.2 (231202)	Reassigned Annex 2 to Annex 3.	Revision
15.0 (2315)	Added section to address budget justification and reporting requirements for Overseas Contingency Operations Transfer Fund (OCOTF) and Base Funded Overseas Contingency Operations.	Addition
15.1 (231501)	Added paragraph to explain purpose of the OCOTF.	Addition
15.1 (231501)	Added paragraph to address budget justification process for base funded contingency operations.	Addition
16.0 (2316)	Added section to address Foreign Disaster Relief (FDR) Funded by Overseas Humanitarian, Disaster, and Civic Aid (OHDACA)	Addition
16.1 (231601)	Added purpose/practicability for the program	Addition
16.2 (231602)	Added financial oversight responsibilities for Contingency Operations	Addition
16.3 (231603)	Added guidance for funding OHDACA	Addition
Annex 1	Added Standard Data Reporting Format	Revision
Annex 2	Added Disaster Relief and Humanitarian Assistance Reporting Format	Addition
Annex 3	Reassigned Annex 2 to Annex 3	Revision
Annex 4	Reassigned Table 23-1 to Annex 4 - Cost Breakdown Structure Listing and Definitions	Addition

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CHAPTER 23

CONTINGENCY OPERATIONS

1.0 PURPOSE (2301)

1.1 General (230101)

This chapter promulgates financial policy and procedures for small, medium and large-scale campaign level military contingency operations related to the Department of Defense (DoD). These might include, but are not limited to, support for peacekeeping operations, foreign disaster relief (FDR) efforts, and noncombatant evacuation operations (NEO). Note that the term "contingency operation," as used in this chapter, is more encompassing than the specific definition contained in Title 10, United States Code, section 101(a), paragraph 13. Explicitly excluded from this chapter are peacetime civil emergencies occurring within the United States, the guidance for which is included in DoD Directive 3025.18, "Defense Support of Civil Authorities (DSCA)." Also excluded from this chapter are steady-state DoD humanitarian assistance activities.

1.2 Budgeting for Contingency Operations (230102)

DoD Components normally do not budget for contingency operations as discussed in this chapter. Therefore, DoD Components must accomplish directed contingency operations using funds available to the cognizant command or unit, independent of the receipt of specific funds for the operation. The authority for DoD Components to expend available funds is issued by the Secretary of Defense. Since the Fiscal Year 2010 President's Budget, estimates for the Global War on Terror and Overseas Contingency Operations are included with the submission of the President's Budget.

1.3 An Execute Order from the Secretary of Defense (230103)

An execute order from the Secretary of Defense is both the authority for the commander of a combatant command to initiate military operations and the authority for DoD Components to expend available funds to carry out the order. Planning orders and alert orders from the Chairman, of the Joint Chiefs of Staff (CJCS) constitute authority for a commander of a combatant command to expend funds available to that commander of a combatant command and authority to direct a military component to expend funds available to that component for forces assigned to the commander of a combatant command. Refer to Joint Publication 5-0, Joint Operation Planning, for information on joint operation order types.

1.4 DoD Policy Requirements (230104)

DoD policy requires that controls, accounting systems, and procedures provide, in financial records, proper identification and recording of costs incurred in supporting contingency operations. For such operations, data must be collected and records maintained to support bill development and the distribution of reimbursements to the applicable organizations.

1.5 Emergency Supplemental Funding (230105)

This chapter does not address wartime activities or the unique circumstances that require U.S. military forces to be placed on a wartime footing. Those situations may result in activities and costs that are not covered specifically by this chapter, but would, nonetheless, require emergency supplemental funding. Such activities will be addressed separately, on an exception basis, from the activities addressed in this chapter. Such exceptions may, for example, include purchase of munitions, replacement of major items of equipment, and repair of facilities or other infrastructure.

1.6 Elimination of Potential Duplicative Efforts (230106)

DoD officials having responsibility for reviewing and approving purchases for which the source of funding is derived from a transfer account like the Overseas Contingency Operations Transfer Fund (OCOTF) shall, to the greatest extent possible, review transactions to: (1) eliminate the potential for duplicating the procurement of goods and services, and (2) ensure that contractors are reimbursed for only those services and goods provided to the government.

1.7 Allowable Contingency Operations Cost (230107)

The funding derived from a contingency transfer account is available only for those incremental costs incurred in direct support of a contingency operation. As such, funds that are transferred into a Component's baseline appropriation are not to be used to finance activities and programs that are not directly related to the incremental cost of the contingency. In addition, the funds transferred to a Component's appropriation are not to be used to procure durable and expendable items in excess of what is required. Furthermore, those durable items procured with transferred funds are to be retained in support of the contingency even after the Component/unit has completed its tour of duty to support the contingency. Those durable items in the inventory, such as office equipment and expendable supplies that have not been consumed, should be made available to Components/units that are replacing the Component/unit that is departing the contingency operation area.

1.8 Fiduciary Responsibility (230108)

It is vital for civilian and military personnel authorized to obligate and expend funds in support of a contingency operation, using resources derived from the transfer of funds from a centrally funded transfer account (e.g., OCOTF), to employ a fiduciary approach to ensure that the funds are used in a prudent manner. Contingency funds are not to be used for purchases that are improper or are in excess of government requirements or which might bring embarrassment to the U.S. Government. Furthermore, special attention must be given by the Components' approving officials when the government purchase card is used for purchases to be funded with funds derived from a contingency operations transfer account. Approving officials are responsible for reviewing and reconciling cardholders' statements and for verifying that all transactions were necessary government purchases made in accordance with the Federal Acquisition Regulation and all other government policies and procedures. (See Volume 10, Chapter 12, of this Regulation for more information.)

2.0 REFERENCES (2302)

The following references document the authority and procedures under which contingency operations have been executed. The memoranda listed in paragraphs 2.4, 2.5, and 2.6, issued to provide interim guidance for financial management of contingency operations, are superseded by the policies and procedures provided by this chapter.

2.1 Waiver of Requirement to Reimburse Support Units (230201)

Secretary of Defense Memorandum, July 22, 1996, "Waiver of Requirement to Reimburse Support Units."

2.2 Guidance on Contingency Operations and on Contributions for Defense Programs, Projects, and Activities (230202)

Under Secretary of Defense (Comptroller) (USD(C)) memorandum, February 8, 1995, "Guidance on Contingency Operations and on Contributions for Defense Programs, Projects, and Activities."

2.3 Billing Procedures for U.S. Efforts Supporting Applicable United Nations (UN) Peacekeeping Efforts (230203)

USD(C) memorandum, March 29, 1994, "Billing Procedures for U.S. Efforts Supporting Applicable United Nations (UN) Peacekeeping Efforts."

2.4 Cost Reporting Requirements and Applicable Billing Procedures for Support to UN Peacekeeping Operations in FY 1994 (230204)

USD(C) memorandum, March 9, 1994, "Cost Reporting Requirements and Applicable Billing Procedures for Support to UN Peacekeeping Operations in FY 1994."

2.5 Reimbursement of Defense Business Operations Fund Activities for Contingency Operations and Humanitarian Efforts (230205)

USD(C) memorandum, July 28, 1994, "Reimbursement of Defense Business Operations Fund Activities for Contingency Operations and Humanitarian Efforts."

*2.6 Foreign Disaster Relief (230206)

Department of Defense Directive 5100.46, "Foreign Disaster Relief," dated July 6, 2012.

2.7 Foreign Assistance Act, section 506, Special Authority (230207)

2.8 Foreign Assistance Act, section 607, Furnishing of Services and Commodities (230208)

2.9 Foreign Assistance Act, section 632, Allocation and Reimbursement Among Agencies (230209)

*2.10 War-Related Reporting Requirements (230210)

National Defense Authorization Act (NDAA) for Fiscal Year 2006, Public Law 109-163, Section 1221, as amended.

*2.11 Report Incremental Contingency Operations Costs on a Monthly Basis (230211)

Department of Defense Appropriations Act, 2016, Public Law 114-113, Section 8093.

*2.12 Criteria for War/Overseas Contingency Operations Funding Requests (230212)

Office of Management and Budget memorandum, dated September 9, 2010, "Criteria for War/Overseas Contingency Operations Funding Requests."

3.0 RESPONSIBILITIES (2303)

3.1 Under Secretary of Defense for Policy (USD(P)) (230301)

USD(P) has policy and management responsibility, through subordinate activities, for peace operations, and foreign disaster relief operations. For these operations, the USD(P) is responsible for accepting requests for assistance from organizations external to the Department and transmitting cost and availability data to those organizations. In coordination with the USD(C), the USD(P) determines financial responsibility for all contingency operations.

3.2 Under Secretary of Defense (Comptroller) (USD(C)) (230302)

USD(C) is responsible for overall financial policy for contingency operations and works with the USD(P) to determine the most responsive method of financing for contingency operations. In addition, USD(C) is responsible for pursuing prompt reimbursement to the Department from UN and other multinational organizations, other nations, and U.S. agencies for support which the Department has rendered. Additionally, USD(C) will issue guidance, as required, that provides the UN rates for reimbursements.

3.3 Under Secretary of Defense for Personnel and Readiness (USD(P&R)) (230303)

USD(P&R) is the NEO coordinator on behalf of the Secretary of Defense. In that capacity, the USD(P&R) ensures that existing policy and procedures for NEO remain current, including the memorandum of understanding with the Department of State in accordance with DoD Directive 3025.14, "Evacuation of U.S. Citizens and Designated Aliens from Threatened Areas Abroad" (short title: Noncombatant Evacuation Operations), and the Joint Federal Travel Regulation. USD(P&R) monitors the provisions of each to ensure compliance.

3.4 Chairman, Joint Chiefs of Staff (CJCS) (230304)

CJCS is responsible for transmitting the Secretary's order to the cognizant Commander of a Combatant Command when a contingency operation is to be executed (via Deployment Orders and Execute Orders). Those orders will include a funding paragraph outlining financial guidance as directed by the USD(C) and USD(P).

3.5 Director, Defense Finance and Accounting Service (DFAS) (230305)

DFAS is responsible for administering centralized cost consolidation; billing and reimbursement distribution functions in support of contingency operations; and issuing to reporting activities the necessary reporting and coding instructions, transmission links, points of contact, and other related information necessary to ensure accurate and timely reporting of costs. DFAS shall assist DoD Components, as required, in the identification and accumulation of costs. The Director, DFAS, has assigned responsibility for all contingency cost consolidations and billings to the DFAS site supporting contingency operations. DFAS, to effect cost consolidation at the DoD level, shall prepare a monthly status report, by operation, appropriation, and appropriate DoD Component, as applicable, consolidating the cost reports submitted by the DoD Components. In addition, DFAS shall prepare a monthly status report on amounts billed and reimbursements received for each applicable contingency operation. DFAS shall provide copies of the monthly cost and billing status reports to OUSD (Comptroller), Program and Budget.

3.6 Secretaries of the Military Departments; Heads of Defense Agencies; and the Commander for U.S. Special Operations Command (230306)

The Heads of the DoD Components cited herein are responsible for preparing cost estimates and submitting budget justifications to the USD(C), and also providing monthly incremental cost reports to DFAS in accordance with USD(C) policy stated herein. The DoD Component headquarters also are responsible for ensuring that guidance is disseminated to the appropriate unit level that details the required cost collection and reporting procedures and methodology for contingency operations.

3.7 Director, Defense Security Cooperation Agency (DSCA) (230307)

DSCA is responsible for using foreign military sales (FMS) systems and other acquisition mechanisms to implement sales or leases of equipment in support of contingency operations as directed by the USD(P). Such support may be in response to requests from the Department of State or requests from the UN for articles and services to support equipment leased under FMS procedures. DSCA provides oversight, funding, and exercises overall program management responsibility for FDR activities funded with Overseas Humanitarian, Disaster, and Civic Aid (OHDACA).

3.8 U.S. Mission to the UN (Military Advisor) (230308)

The UN Office of the Military Advisor to the U.S. Mission determines the appropriate U.S. agency to support UN requests for assistance. For DoD support, UN requests for price and availability and letters of assist shall be forwarded directly to the USD(P) for approval and action. Other UN requests for assistance shall be forwarded through the Executive Secretary to the USD(P).

3.9 DoD Executive Agent for Repatriation Plans and Operations (230309)

The Deputy Chief of Staff for Personnel, Department of the Army, has been designated by the Secretary of Defense and the Secretary of the Army as the responsible DoD Component for coordinating repatriation operations of DoD noncombatants. The DoD Executive Agent develops and maintains a Joint Plan for DoD Noncombatant Repatriation. Financial responsibility remains with the affected DoD Component.

4.0 ESTIMATING PROCEDURES FOR CONTINGENCY OPERATIONS (2304)

4.1 Three Different Types of Contingency Operations Estimates (230401)

There are three different types of estimates that are developed and used during the course of an operation. The pre-deployment estimate is used to assess various operational assumptions and to inform the go/no-go decision-making process; the budget estimate is used to define and defend requests for reprogramming or additional appropriations; and the working estimate is used during execution of the operation against which the Military Departments measure actual costs, and which can be used as the base for determining the changes in cost that would result from changes to the operational plan. All three types of estimates are important to ensure that senior leaders have the latest and most accurate information available for use in the resource allocation process.

4.2 Pre-Deployment Estimate (230402)

4.2.1. The pre-deployment cost estimate usually is required on short notice, sometimes within hours of notification. This estimate is the most difficult and unreliable of the three estimates due to lack of supporting information. The preliminary estimate typically is prepared by the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) and the Joint Staff J-8 using a cost model that uses major incremental cost drivers such as modes of transportation, operation duration, force deployment/phasing, and environmental conditions to project a rough order of magnitude cost estimate. Typically, DoD Components need additional time to develop “ground up” estimates.

4.2.2. As an adjunct to the cost model, the OUSD(C) has established a Contingency Cost Estimating Team to help develop more reliable preliminary cost estimates for contingency operations. This team is on call to OUSD(C) and consists of financial managers from the Office of the Secretary of Defense, the Joint Staff, and DoD Components, and augmented by operational and logistics planners as needed, to collect information about the operation and to formulate assumptions to support the cost estimating effort.

4.3 Budget Estimate (230403)

This estimate is based on specific Commander of a Combatant Command operational plans, troop levels, location, and operating circumstances. The respective Military Services, via their financial management and logistics staffs, use data provided by the Commander of a Combatant Command and the in-theater Service Components to derive a projected incremental cost estimate for submission to OUSD(C). Data provided is examined in detail by the Office of the Secretary of Defense Joint Staff to determine the extent to which variations in the plan have been considered in developing the cost estimate. Time permitting, and on an exception basis, information briefings may be solicited from the staffs of the cognizant Commander of a Combatant Command (and/or service Component commands) to detail anticipated requirements and factors that may prove useful in enhancing the development of the cost estimate. As a standard procedure in developing cost estimates, the Military Components shall utilize all available sources of relevant information and ensure that the field commands and headquarters personnel have applied the lessons learned from cost estimates associated with previous operations.

4.4 Working Estimate (230404)

This estimate, formulated by the Military Department headquarters staff based on data provided by the respective component commands, builds on the budget estimate by adjusting periodically the budget estimate to reflect actual execution experience and changes in the operational and logistics plans. These estimates shall be revised/updated formally on a quarterly basis (through the Quarterly Contingency Cost Estimate Report) and reported to OUSD(C) as part of the effort to inform senior leadership of changes in cost. These quarterly updates shall incorporate changes to the operational plan and other policy and fact-of-life changes that have a significant impact on the cost estimate formulated prior to actual program implementation. Such changes shall be generated, at least in part, as a result of decisions made by the local commander, who sets requirements based on his assessment of the operational situation.

4.5 Major Command Monthly Contingency Cost Estimate Report (230405)

These monthly reports to the DoD Component headquarters, from the component commands, identify changes to cost estimates. The reports facilitate regular communication between the Component headquarters and its subordinate commands that have responsibility for executing budgets for various contingency operations. The Component headquarters staff shall use the data submitted to prepare the Quarterly Contingency Cost Estimate Report.

*4.6 Contingency Operations Cost Categories and Definitions (230406)

For estimating and reporting purposes (and, in some cases, for billing purposes), the costs associated with contingency operations are limited to the incremental costs of the operation, that is, costs that are above and beyond baseline training, operations, and personnel costs. Since both the cost estimates and execution reports are based on the same cost categories, cognizant analysts more easily can compare the estimates to actual execution experience. Using a common cost structure facilitates rational cost comparisons. The cost categories at Annex 4 form the basic structure to be used by the Component headquarters to estimate and report contingency operations

costs as defined in the cost breakdown structure listing (e.g., personnel, operating support, investment costs, retrograde, and reset). This document is updated annually to accommodate new cost categories and is posted online. The listing is available on the OUSD(C) Policies and Guidance website for Overseas Contingency Operations at ***https://guidanceweb.ousdc.osd.mil/OCO.aspx***.

4.7 Contingency Operations Estimate (230407)

For estimating purposes, the Components will prepare the Contingency Operations estimate for a deployment of military personnel and equipment as approved by the Secretary of Defense using the Contingency Operations Support Tool (COST) as directed by the Office of the Under Secretary (Comptroller). The OUSD(C) will issue specific guidance as necessary pertaining to factors and cost criteria for the CONOPS being estimated. The COST estimate will address the funding requirements for Operation and Maintenance, and Military Personnel costs. For further information on the COST, see paragraph 4.9.

4.8 Justification of Cost Estimates (230408)

To defend and explain cost estimates, Components shall consider the following factors and note the assumptions and/or facts that apply to the estimate.

Factor	Considerations
Number of Troops (Active and Reserve)	How many troops are in theater and in surrounding countries providing support? Include those afloat.
Number of Reserve Personnel	How many reservists will be deployed? Are these reservists serving beyond their normal tour of duty?
Duration	What is the assumed length of the contingency?
Terrain/Weather	Are there unique environmental factors that may affect costs?
Equipment	What type of equipment is needed to perform the mission e.g., light forces, heavy forces, or aviation support?
Threat	Is this a permissive environment or a hostile environment?
Operational Tempo	Will equipment and weapon systems be operated above the normal peace time tempo already budgeted?
Communications Support	What additional communications support is required? Is the service provided through Defense Information Systems Agency or a commercial firm?
Intelligence Support	What additional intelligence support is required? Any National Foreign Intelligence Program must be coordinated through the Assistant Secretary of Defense for Command, Control, Communications, and Intelligence.

Factor	Considerations (Continued)
Reconstitution	What supplies must be replaced and equipment repaired when troops and/or equipment are redeployed or rotated?
Pre-Deployment Training	Is any training required prior to deployment beyond that already budgeted?
Post-Deployment Training	Is any refresher training required after deployment for lost or degraded skills?
Quality-of-Life	Are there quality-of-life costs? Examples include, but are not limited to delivery of newspapers, establishing commissary or exchange facilities, installing telecommunications and computer email for personal use.
Host Nation Support	Will the host government provide services or support, i.e., assistance-in-kind, to offset the cost of the contingency?
Local Infrastructure	What is the condition of the local infrastructure? Are water and sewage facilities available? Is the road, rail, and air transportation adequate for the mission?
Rotations	Are force rotations planned? At what intervals? Will the equipment rotate with the personnel?
Transportation	How will equipment and personnel be transported to the contingency area? Where will they originate?

4.9 Contingency Operations Support Tool (COST) (230409)

4.9.1. COST uses pre-defined cost factors and weighing coefficients, along with a user-supplied description of the contingency, to estimate the cost of an operation for a specified cost breakdown structure (CBS). The cost factors are either provided by DoD components or developed by the contractor. Users can review and change any of the factors used by a calculation. All COST calculations produce incremental costs, which are over and above budgeted peacetime operations costs.

4.9.2. COST incorporates appropriate algorithms to compute the cost of each line item in the CBS. The CBS used to report COST estimates is the same structure that has been directed for use by the Services and Agencies for reporting actual costs of contingency operations. Users can view these algorithms at any time to verify the calculations or to determine which factors were used to produce an estimate. Users can change the factors and recalculate an estimate to see the effect of the change. Cost factor tables are structured to facilitate updates, and the update process is automated to the extent feasible.

4.9.3. COST is designed to work in a joint environment. While each Component may tailor the tool to its own requirements, all the Components use the same software at the same time in a truly joint effort to build a single DoD cost estimate contingency operation. COST is one of the two joint systems, along with the Joint Planning and Execution System (JOPES), used by DoD to plan and execute contingency operations in support of crises action or campaign level planning. The JOPES translates policy into an operation plan (OPLAN), while COST estimates the incremental cost of the OPLAN.

4.9.4. Components shall use COST to estimate the incremental operational cost for all contingency operations. Additionally, the Combatant Commands (CCMD) and Military Services will coordinate with the OUSD(C) and the Joint Staff J-8 on their cost estimates for contingency operations. The Joint Staff and Military Services will provide cost estimates based on contingency operations' requirements. The OUSD(C) will periodically review the budget estimate to reflect actual execution experience and changes in the operational and logistics plans. Updates, as required, shall incorporate changes to the operational plan and other policy and fact-of-life that have a significant impact on the cost estimate formulated prior to actual plan implementation.

4.9.5. Based upon annual component proposed assumptions, and factor updates to the COST model, the OUSD(C) Operations Directorate will review the components' methodology to ensure that the COST model output is properly informed based on historical execution. In addition, the OUSD(C) Deputy Comptroller (Program/Budget), or appointed designee, will convene a group of senior level component budget officials, as necessary, to review any improvements they believe are needed in the model to better reflect the functional requirements of each Service and to produce improved results. Their review will result in updates to the COST model, as required.

5.0 GENERAL FUNDING RESPONSIBILITIES (2305)

5.1 Service Component (230501)

Each service Component command shall collect all applicable costs related to specific contingency operations, and report these costs to the respective Military Department Senior Financial Manager for subsequent submission for consolidation to DFAS. To the extent that financing has not been provided for a contingency operation, the Department will pursue all options to obtain the additional funding required to ensure readiness of U.S. Forces is not reduced by participation in the operation.

5.2 U.S. Transportation Command and the Defense Logistics Agency (230502)

Except as provided in section 6.0 below, all requests for transportation or other services to a Working Capital Fund Activity, such as the U.S. Transportation Command and the Defense Logistics Agency, shall include a funding source. In the event that a Working Capital Fund activity receives a valid order (e.g., execute or deployment order or a commander of a Combatant Command operations order) that directs action without a funding source, the parent Military Department of the subordinate command receiving the services shall provide funding to finance the request.

6.0 SPECIAL FUNDING MECHANISMS (2306)

6.1 General (230601)

Title 10, United States Code, section 127a was revised to include special funding mechanisms operations for which funds are not provided in advance. The statute also requires that such operations be so designated and identified by the Secretary of Defense to the Congress. When an operation is so designated, DoD Components immediately shall notify subordinate organizations. Also, DoD Components shall establish procedures and controls for these special funding mechanisms.

6.2 Special Funding Mechanisms Participating Units (230602)

Units participating in such designated operations may not be required, under certain conditions, to reimburse (provide funded customer orders to) Working Capital Fund organizations for goods and services at the time such goods and services are ordered. These procedures apply only to units actually participating in the covered operation, and only to requirements that are directly attributable to the operation; would not have been incurred but for the operation; and have not been financed previously through an appropriation, supplemental funding, reprogramming, or a reallocation of existing appropriations.

6.3 General Restrictions (230603)

The following general restrictions apply since the Department is not relieved of the legal restrictions of the Antideficiency Act, and because Working Capital Fund cash must remain positive under these legal restrictions. Prior to acceptance by a Working Capital Fund activity of an unfunded customer order, the commander of the Working Capital Fund activity involved shall determine that the unfunded customer order can be filled without incurring a violation of an Antideficiency Act. If filling the requested goods or services, without a funded customer order, would result in a violation of the Act, the Working Capital Fund activity shall notify the requesting DoD Component either to issue a funded order or arrange for the transfer of sufficient Working Capital Fund cash to the supporting Working Capital Fund activity to cover the requested service or supplies.

6.4 Working Capital Fund Activities (230604)

When a participating unit of the U.S. Armed Forces orders goods or services from a Working Capital Fund activity and those goods or services meet the criteria addressed in paragraphs 6.2 and 6.3 above, the unit providing the unfunded customer order to the performing Working Capital Fund activity must, in each such request, notify the performing Working Capital Fund activity that the order, or specified portion thereof, is in support of a designated operations and that a funded customer order for the goods or services is not required.

6.5 Working Capital Fund Activity Unfunded Customer Orders (230605)

The Working Capital Fund activity filling the unfunded customer order separately shall account for all such unfunded customer orders filled and separately report those costs, on a monthly

basis, to the DoD Component Senior Financial Manager of the requesting activity. The DoD Components' Senior Financial Manager shall report separately the cumulative amounts of such unfunded customer orders to DFAS in accordance with provisions contained in this chapter. In accordance with 10 U.S.C. 127a, such amounts shall be accounted for separately and will be used to determine the amounts required to be transferred to the Working Capital Fund activities in order to restore balances to previous levels.

6.6 Working Capital Fund Priorities (230606)

In order to ensure that the cash reserves of any Working Capital Fund activity are used for the highest priority requirements, the commander of the Working Capital Fund activity shall notify the Principal Deputy Under Secretary of Defense (Comptroller), in writing, and wait 5 workdays before filling the unfunded customer order.

6.7 Guidance on Reporting (230607)

As needed, the OUSD(C) will provide additional guidance on reporting the use of this authority for designated operations that become eligible for the special funding mechanisms available under 10 U.S.C. 127a.

7.0 COST COLLECTION (2307)

7.1 Special Program Codes (230701)

Upon being alerted of an impending contingency operation, each participating DoD Component shall establish a unique special program code to capture costs. The OUSD(C) Operations Directorate shall issue a Standard Financial Information Structure (SFIS) code for contingency operations. The ***SFIS Values Library Service*** webpage maintains a list of contingency codes. Additionally, the Joint Staff shall issue a three-digit CJCS Project Code, which provides precedence for supply requisitions and facilitates cost capturing and reporting.

7.2 Accounting System(s) (230702)

Each organization that supports a contingency operation shall capture related obligations and disbursements in its accounting system(s) at the lowest possible level of the organization. This provides tracking of obligations and disbursements for affected appropriations.

7.3 Costs Related to Contingency Operations (230703)

Costs related to a contingency operation may be incurred both in the area of responsibility and in other locations. It is the responsibility of the organization that incurs costs in support of the operation, directly or indirectly, to ensure that information on all costs is transmitted to the appropriate DoD Component Senior Financial Manager for forwarding to DFAS, as appropriate.

7.4 Cost Accounting Systems (230704)

Cost accounting systems shall not be established solely for the purpose of determining costs for contingency operations, but the data from existing systems shall be used as applicable.

7.5 Incremental and Billable Costs (230705)

DoD Component Senior Financial Managers shall determine incremental and billable costs.

8.0 COST REPORTING (2308)

8.1 Cost Reporting Requirements (230801)

Cost reports, SFs 1080, and substantiating documents shall be submitted through the DoD Component Senior Financial Manager to DFAS. Component submissions shall be initiated in sufficient time to arrive at DFAS not later than 30 days following the month in which the cost occurs. Costs shall be reported only by the DoD Component Senior Financial Manager that incurs the cost against appropriated funds. Submissions to DFAS for reporting and billing shall be approved by the DoD Component Senior Financial Manager. See Annex 1 for the standard data reporting format for preparation of the Contingency Cost Report.

8.2 DoD Component Inclusions (230802)

The DoD Component cost reports shall include all costs, including Working Capital Funds costs (common user/Component unique), that are collected in the accounting or cost accounting system. The Services shall reimburse the Working Capital Funds activity for costs, and separately reflect such costs in their cost reports.

8.3 Monthly Consolidation Cost Reports (230803)

On a monthly basis, DFAS will consolidate the costs reported provided by the DoD Components and provide reports to the offices of the OUSD (Comptroller), Component Command comptrollers, DoD Component Senior Financial Managers and others, as required, no later than 15 days after receipt from the DoD Components.

9.0 DETERMINING COST (2309)

The following guidelines are provided to assist the DoD Components in determining baseline and incremental costs for contingency operations.

9.1 Baseline Costs (230901)

Baseline costs are the continuing annual costs of DoD operations funded by the operation and maintenance and military personnel appropriations. Essentially, baseline costs are those costs that would be incurred whether or not a contingency operation took place, i.e., programmed and

budgeted costs. Examples include: scheduled flying hours, steaming days, training days, and exercises.

9.2 Incremental Costs (230902)

Incremental costs are additional costs to the DoD Component appropriations that would not have been incurred had the contingency operation not been supported. Incremental costs do not include the cost of property or services acquired by the Department that was paid for by a source outside the Department or out of funds contributed by such a source. The costs of investment items, construction costs, and costs incurred to fix existing shortcomings can be categorized as incremental expenses *only if* the expenditures were necessary to support a contingency operation and would not have been incurred in that fiscal year in the absence of the contingency requirement. Costs incurred beyond what was reasonably necessary to support a contingency operation cannot be deemed incremental expenses, since such costs are not directly attributable to support of the operation. The following are examples of allowable incremental costs:

9.2.1. Military entitlements such as premium pay, hazardous duty pay, family separation allowance, or other payments made over and above the normal monthly payroll costs.

9.2.2. Increases in the amount of allowances due to changes in geographic assignment area due to a contingency (i.e., Basic Allowance for Subsistence (BAS) or Basic Allowance for Housing (BAH)).

9.2.3. Travel and per diem of active military personnel and costs of Reserve Component personnel, called to active duty by a federal official, who are assigned solely to support the contingency.

9.2.4. Overtime, travel, and per diem of permanent DoD civilian personnel in support of a contingency.

9.2.5. Wages, travel, and per diem of temporary DoD civilian personnel hired or assigned solely to perform services supporting the operation.

9.2.6. Transportation costs of moving personnel, material, equipment, and supplies to the contingency or contingency staging area, including such things as port handling charges; packing, crating and handling charges; first and second destination charges.

9.2.7. Cost of rents, communications, and utilities that is attributable to the contingency. Examples of such incremental costs include: telephone service, computer time, satellite time, and crypto-traffic support of the contingency.

9.2.8. Cost of work, services, training, and material procured under contract for the specific purpose of providing assistance in a contingency.

9.2.9. Cost of material, equipment, and supplies from regular stocks used in providing directed assistance. Material, equipment and supplies from stock shall be priced at the standard prices that are used for issues to the DoD activities. Included in this category will be consumables such as field rations, medical supplies, office supplies, chemicals, cleaning and toilet supplies, petroleum, and items ordinarily consumed or expended within 1 year after they are put into use. Material, equipment and supplies determined to be excess to the departmental requirements may be made available for transfer under excess property disposal authority without reimbursement. In these instances, however, accessorial charges for packing, crating, handling, and transportation shall be added where applicable.

9.2.10. Costs incurred that are paid from trust, revolving, or other funds, and whose reimbursement is required.

9.2.11. Replacement costs of attrition losses directly attributable to support of the operation.

9.2.12. That portion of equipment overhaul and maintenance costs when computed on a fractional use basis when the additive cost attributable to the contingency can be identified.

9.2.13. Cost of increased flying hours in excess of the level of flying hours otherwise programmed and budgeted for, except that, in the case of foreign disaster relief undertaken under the authority of 10 U.S.C. 2561 or similar authority funded by the OHDACA appropriation, and within specific parameters authorized by the Secretary of Defense, all flying hour costs shall be included for flights made for the primary purpose of providing the disaster relief.

9.2.14. Service specific costs for increased OPTEMPO, such as steaming costs for the Navy. Such costs, however, require individual determinations. Reported incremental costs shall reflect, as closely as possible, the actual incremental costs incurred by the unit involved in the specific operation, using cost factors for the specific command or geographic area, when available, as compared to composite cost factors for the overall DoD Component.

9.3 Cost Offsets (230903)

In some instances, costs for which funds have been appropriated may not be incurred as result of a contingency operation. Examples include: basic allowance for subsistence not paid, training not conducted, and base operations support not provided. In other situations, identified incremental costs may be offset in various ways, such as supply turn-ins for items not used or placed in inventory, and non-monetary contributions, such as free fuel. See Chapter 3 of this volume for reporting non-monetary contributions. These offsets shall be accurately documented and reported at the cognizant organization levels to maintain adequate accountability for reporting and audit purposes.

9.4 Guidance/Instructions (230904)

Each DoD Component shall ensure that detailed guidance is disseminated to the appropriate subordinate organization levels to ensure the accuracy and reporting of costs.

9.4.1. Acquisition Requirements. For contingency operations involving extended deployment of equipment and/or the consumption of materials, leading to the depletion of war reserve stock, a Component may request funding for such procurement items directly related to the prosecution of operations as approved by OUSD(C). In general, it is anticipated that procurement costs intended to replace consumed equipment or material, will be associated with "Campaign Level Contingency Operations" characterized as military deployments of extended duration and involving the utilization of significant numbers of combat elements of the Services.

9.4.1.1. Cost Estimating. The replacement and reconstitution of equipment, munitions, and other end items related to the contingency operation will be handled on an exception basis. OUSD(C) will request the submission of exhibits indicating the level of consumption, cost, quantities to be procured, inventory objectives, and similar financial and programmatic data necessary to assess the requirement. OUSD(C) will provide additional instructions regarding submission of recapitalization costs at an appropriate time.

9.4.1.2. Major Platforms. For major platforms, the Component must demonstrate that the end item is directly associated with current operations. The request should not contain funding to support accelerations of baseline procurement end items unless specifically approved by OUSD(C). Components will not include estimates for future combat losses in their request.

9.4.1.3. Funding Requests for Procurement Funds. Funding requests for procurement programs should not exceed the numerical quantity that would deliver in a normal funded delivery period for that item. Furthermore, for most situations, a Component should not request funding for obligations expected to occur beyond the current fiscal year.

9.4.1.4. Funding Requests for Research, Development, Test, and Evaluation (RDT&E) Funding. In limited circumstances, a Component may request funding for the development of technologies that can be fielded in support of an on-going operation if the delivery of such technology can be introduced into the area of operations in time to benefit the prosecution of the operation. In such a case, the Component may request RDT&E funding.

9.4.1.5. Funding Requests for Military Construction Funding. In limited circumstances, a Component may request funding for military construction projects which support an ongoing operation. This may be appropriate if the completion of such a structure can be introduced into the area of operations in time to benefit the prosecution of the operation. In such a case, the Component may request funding.

9.4.1.6. Funding Requests for Working Capital Funds or Other Revolving Funds. In limited circumstances, a Component may request funding for Working Capital Fund and other revolving funds which support ongoing operations if such funding is directly related to the operations.

9.4.1.7. Acquisition Obligation Reporting. Obligations for acquisition requirements will be codified under the cost categories (Contingency Cost Breakdown Structure (CBS)) listed in Annex 4. Components will report to DFAS all obligations incurred in procurement, RDT&E, Working Capital, or Military Construction appropriations on a monthly basis as addressed in section 2.8.

9.4.2. Cost Reporting. Reporting is an integral part of the Department's stewardship. Components must make every effort possible to capture and accurately report the cost of the contingency operation. Components are required to report the obligation of all funds (regardless of source) to cover the incremental costs of the contingency, including funds received in a supplemental. Each Component will develop and publish a Standard Operating Procedure (SOP) or other supplemental guidance that will cover Component specific items for cost reporting, under this chapter and validating monthly reporting. At a minimum, the SOP should cover:

9.4.2.1. Data Source. This section should outline the acceptable procedures and methodology used for capturing costs by CBS category. All sources of data collected for reporting costs should be identified, to include source accounting systems, in-house tracking methods, and supporting documentation. If costs are not captured by CBS category, then the methodology of cross-walking data to the CBS category should be documented.

9.4.2.2. Validation. Components will review and validate their reported costs as accurate and a fair representation of ongoing activities on a monthly basis. As a part of this review, the variance analysis, discussed below, will be included. Significant changes from the prior month will be summarized and reported to the OUSD (C) Operations Directorate. The SOP must include auditable methodology for determining the portion of war-related or other contingency costs attributable to each contingency operation when actual cost by operation is not available.

9.4.2.3. Variance Analysis. Each Component is required to provide an analysis, in the footnotes of the report, of all significant variances to the OUSD(C) Operations Directorate. The analysis should address: Cause of variance (describe the action that caused the costs to increase or decrease), factors affecting the variance (what are the values of the related factors that impacted the changes), purpose and effect of the action; and organization or activities that are/were affected by these actions. Additionally, a point of contact should be identified to explain changes in the established variances.

For example, a fluctuation in Imminent Danger Pay might be:

"XX% variance due to Scheduled Operation FREEDOM'S SENTINEL brigade troop rotation."

An example for an increase in operating costs might be:

"YY" number of troops deployed at a cost of "ZZ."

Each Component should establish additional criteria for validation and analysis, based on their requirements. Each component is required to retain documentation of their monthly variance analyses and data validations.

* 9.4.2.4. Reporting Guidance. The OUSD(C) and DFAS will notify the Components of new or special reporting requirements, as well as, provide instructions and guidance for data collection and changes to reporting requirements such as threshold percentages for variance analysis, suspense dates for monthly submissions, and required reviews and validation of reported costs. The Component will consult with the OUSD(C) before opting to include or exclude an incremental contingency related cost in its cost reporting when it deviates from this volume or current reporting guidance. Additional guidance and instructions for reporting costs (e.g., cost of war, disaster relief, humanitarian assistance, and other contingencies) are posted on the OUSD(C) guidance website at https://guidanceweb.ousdc.osd.mil/OCO.aspx.

* 9.4.2.5. Documentation. Components will perform an annual review of the methodologies used by subordinate commands in reporting costs by contingency operations. No later than November 30th of the calendar year, the Components will provide an electronic copy of their current SOP to the OUSD(C) Operations Directorate.

9.4.3. Cost Capture

9.4.3.1. Each organization supporting a contingency operation is required to capture and report all related obligations and disbursements at the lowest possible level of the organization. Actual costs, as reflected in the accounting systems or subsidiary accounting records, should be reported. This activity provides tracking of obligations and disbursements for affected appropriations.

9.4.3.2. It is up to the DoD Component to develop adequate measures to allow for capturing actual costs from the official accounting records. Procedures could include establishing unique coding or establishing subsidiary accounting records for use during the contingency operations that will allow it to provide accurate reports to the Department's cost breakdown structure (CBS). When actual costs are not available, an auditable methodology should be established and documented for capturing costs.

9.5 Program Resource Collection Process (PRCP) (230905)

9.5.1. The PRCP is the primary management and assessment tool used by OUSD(C) and Office of Management and Budget (OMB) to manage and assess all OCO requirements.

9.5.2. The PRCP system is used to collect, validate, and report budget data. It generates the appropriation budget justification books commonly known as the M-I, Manpower Programs; O-1, Operations Programs; C-1, Construction Programs; P-1, Procurement Programs; and R-1, RDT&E Programs. It supports automated collection and reporting for other budgetary exhibit such as the OP-8, Civilian Personnel Costs; OP-32, Summary of Price and Program Growth; and PB-22 Major DoD Headquarters Activities.

9.5.3. "Ask OCO" can be found within the "Web-PRCP" and is designed to provide answers to the most critical budget questions regarding OCO.

9.5.4. By using "Ask OCO", analysts are able to extract PRCP data in an intuitive format. The data is formatted into a series of reports designed to answer frequent questions that are not easily answered by other budgetary tools. These reports provide analysts with data based on the latest budget position.

9.6 Justification Materials for Budget (230906)

This section addresses the requirement to budget for OCO incremental operational costs. This information is used to justify resource requirement for directed OCO – specifically the justification of the incremental costs for supporting a designated operation. These incremental costs will become the basis for any funding requests forwarded to the Congress through normal appropriations process or through emergency supplemental appropriation requests during the year of execution, if warranted.

9.6.1. The OCO budget submission is reviewed in concert with the baseline budget submission.

9.6.2. All Components are required to submit justification materials to support OCO budget estimates. In order to ensure that the requested funding is defendable and that the submitted data and justification material complies with congressional requirements, each Component is required to submit the contingency operation budget exhibits using the formats outlined in the respective appropriations. Components should consult chapters as applicable. Refer to Volume 2A, Chapter 1, general guidance and the specific volumes listed below:

9.6.2.1. Military Personnel. Refer to Volume 2A, Chapter 2, Military Personnel, for appropriation details. For specific details, contact the designated appropriation analyst.

9.6.2.2. Operation and Maintenance. Refer to Volume 2A, Chapter 3, Operation and Maintenance, for appropriation details. For specific details, contact the designated appropriation analyst.

9.6.2.3. Procurement. Refer to Volume 2A, Chapter 4, Procurement, for appropriation details. For specific details, contact the designated appropriation analyst.

9.6.2.4. Research, Development, Test and Evaluation (RDT&E). Refer to Volume 2B, Chapter 5, Research, Development, Test and Evaluation, for appropriation details. For specific details, contact the designated appropriation analyst.

9.6.2.5. Defense Working Capital Fund. Refer to Volume 2B, Chapter 9, for appropriation details. For specific details, contact the designated appropriation analyst.

10.0 BILLING (2310)

10.1 General (231001)

DoD Components determine their billable incremental costs. Billable incremental costs will be less than the full incremental cost when the performing DoD Component has determined to supplement or enhance their support beyond the level agreed to by the requesting organization. The DoD Component headquarters are responsible for transmitting to DFAS, on a monthly basis, a Contingency Operations Cost Report, standardized SF 1080 for each UN Letters of Assist (UNLoA) or incurred cost for which payment is requested, and sufficient supporting documentation such as receipts, invoices, copies of requisitions approved by the organization supported (e.g., UN, State Department, or other), when required by the billed organization.

10.1.1. DFAS is designated to administer centralized billing and reimbursement distribution activities in support of contingency operations. For the billing function, DFAS shall consolidate the bills from the Components for monthly transmittal to the U.S. Mission to the UN (USUN) or other organizations, as required, along with copies of the Component Contingency Cost Reports. In addition, DFAS shall prepare a monthly status report on amounts billed and reimbursements received for each applicable peace operation. Only billable costs shall be submitted to applicable agencies or international organizations in accordance with the provisions of sections 607 and 630 of the Foreign Assistance Act (FAA), other applicable U.S. statutes, and requirements of the organization being billed.

10.1.2. The billing information transmitted by the DoD Components shall include sufficient supporting documentation to satisfy the payee of the validity of the charges. Detailed lists of transactions supporting the amount billed shall be included with each bill rendered.

10.1.3. With respect to services and commodities provided under section 607 of the FAA, the Department may spend only those reimbursements received within 180 days after the end of the fiscal year in which the costs were incurred. Payments received subsequent to the 180 days shall not be available to defray the costs already incurred by the Department in providing the requested assistance. Payments received for assistance provided under the UN Participation Act and unsolicited payments received from the UN for UN Determined Costs for Participating Troops to UN peacekeeping operations shall be credited to the account or accounts that incurred the costs being reimbursed or the accounts currently available for such purposes. Given the legal restrictions on the use of reimbursed expenses, and to ensure timely recoupment of reimbursable costs to the Department, it is incumbent that each DoD Component identifies and reports on a timely basis all reimbursable billable expenses to DFAS with sufficient supporting documentation as required by the billed organization.

10.2 DoD and Non-DoD Transportation Rates for Contingency Operations (231002)

DoD airlift provided in support of UN peacekeeping support, and foreign disaster relief efforts shall be billed at the DoD transportation rate (http://www.dtic.mil/comptroller/rates/). This rate is comparable to commercial rates for similar transportation services. Charges for DoD airlift

transportation support provided to other U.S. government agencies pursuant to the Economy Act, 31 U.S.C. 1535, shall normally be billed at the non-DoD rate.

10.3 United Nations Process (231003)

The UN reimburses contributing countries for the costs of their activities in accordance with its standard procedures as covered in the UN Guidelines to Contributing Governments, Aides-Memoire to the agreement, Notes Verbal, and specific and general LoAs. The UN should approve all elements of national contributions and the extent of reimbursement prior to an actual deployment, if possible. Therefore, activities undertaken, troops deployed, or costs incurred for items which are not agreed to in advance by the UN, as identified and detailed in the Guidelines, Aides-Memoire, Notes Verbal, or specific or general LoAs, normally will not be reimbursed by the UN. Only expenditures in support of an operation approved by the UN Security Council, and authorized by the General Assembly as a legitimate charge to the UN, are eligible for reimbursement. Costs related to deployment and sustainment of forces and equipment, and rotation of personnel (but not equipment) of contributing countries, based on prior agreement with the UN, are eligible for reimbursement by the UN through UN standing procedures. Financial responsibilities normally shall be included as part of the agreement between the contributing countries and the UN and shall include the details of the financial responsibilities of each party. The U.S. position normally is negotiated by the Department of Defense in coordination with the Department of State. Since costs billable to the UN may differ from the incremental costs incurred, both shall be reported. The following addresses billing procedures and allowable costs for each major type of financial arrangement.

10.3.1. UN Letters of Assist (UNLoA)

10.3.1.1. A UNLoA is a document, issued by the UN to a contributing government, which authorizes that government to provide goods or services to the UN. A UNLoA typically details specifically what is to be provided by the contributing government and establishes a funding limit that cannot be exceeded for that specific UNLoA. General support UNLoAs can be negotiated with the UN, if such UNLoAs are advantageous to both parties, to cover more generic categories such as subsistence, POL, sustainment, and spare parts. The UNLoAs are considered by the UN to be contracting documents and shall be signed and issued by an authorized UN official. More than one item can be included in a UNLoA.

10.3.1.2. The approved UNLoA is issued by the UN to the U.S. Mission to the UN (USUN) where it is acted on by the Military Advisor to the Ambassador. The Office of the Military Advisor (USUN/OMA) determines the appropriate U.S. agency (DoD or State) to receive the request. For the Department of Defense, all requests should be forwarded to OUSD(P) for approval and action. The Office of the USD(P) shall determine the appropriate action organization, and will provide a copy of the UNLoA to that organization and DFAS. DFAS is responsible for maintaining a status report on all active LoAs.

10.3.1.3. The UNLoA is not considered a funded order, and the UN ordinarily does not provide an advance of funds for the value of the request. Therefore, an UNLoA shall not give a DoD Component any additional obligational authority to accomplish the order. The appropriate action office in the DoD Component shall accomplish the action using existing operation and

maintenance funds or other appropriated funds, and prepare an SF 1080 bill for the cost of the goods or services provided, referencing the appropriate UNLoA. No Working Capital Fund is authorized to be used to support these operations when funds are not provided to the Working Capital Fund activity. The SF 1080 is forwarded to DFAS along with sufficient detailed documentation and a Contingency Operations Cost Report to support the bill. All bills shall include adequate documentation for accountability and certification. DFAS shall verify the UNLoA number and item for which a bill is being submitted, summarize these in a separate attachment, and forward the bill to the USUN Mission for submission to the UN.

10.3.2. Non Letters of Assist - U.S. Invoiced Costs. These include recoverable costs of specific support or items requested by the UN, or approved by the UN, in support of a peace operation mission for which a specific itemized bill can be submitted to the UN based on the Aide-Memoire guidelines for participating countries, as described below.

10.3.2.1. Predeployment Actions. Preparation of personnel and equipment for deployment is the responsibility of the contributing country, and includes all preparation costs involved to get the personnel or equipment to the point of embarkation. Billing the UN for reimbursement of these expenses will be based on advance negotiations with the UN. Costs associated with preparing authorized equipment to additional standards defined by UN for deployment to a mission (such as painting, UN marking, winterizing) are the responsibility of the UN. Similarly, costs for returning authorized equipment to national stocks at the conclusion of a mission (such as repainting to national colors) also are the responsibility of the UN. Costs shall be assessed and reimbursed on presentation of a claim based on the authorized equipment list contained in the contribution agreement.

10.3.2.2. Deployment and Redeployment Actions. Transportation to and from the mission area normally shall be by airlift or sealift, as required. Normally, the UN will organize all deployments and redeployments. These activities may be organized by the troop contributing government, but the arrangements must be agreed upon by the UN in advance. All transportation to be provided by the troop contributing country should be coordinated and approved by the UN. If reimbursement is requested, it shall be made only up to the amount it would have cost the UN to accomplish the move.

10.3.2.3. Self-Sustainment. The UN normally is required to provide services to troop-contributing countries. Should the UN not be able, or not wish, to provide the services, it can request a troop-contributing country to provide those services. Services which the UN can request are set out in the UN Contingent-owned Equipment Manual and Procedures (these include services such as catering, communications, minor engineering, explosive ordnance disposal, laundry and dry cleaning, tentage, medical, NBC protection, and other services). Only those services specifically requested will be reimbursable monthly at the indicated rate, on a troop strength basis, to the limits indicated in the agreement with the troop-contributing country.

10.3.2.4. Major Equipment, Minor Equipment and Consumables Reimbursement. Reimbursement for major equipment is provided under established rates whereby the contributing country is reimbursed for both equipment and maintenance (wet lease), or for equipment only, with the UN assuming responsibility for maintenance (dry lease). Minor equipment and

consumables are reimbursed as self-sustainment based upon troop strength. Reimbursement is dependent upon verification that the major equipment, and associated minor equipment and consumables, provided meet the undertaking of the troop-contributing country in its agreement with the UN. The UN has established performance standards so that it can verify that a troop-contributing country has met its obligations and that equipment provided is in acceptable operational order.

10.3.2.5. Arrival Inspection. An arrival inspection will occur immediately upon arrival, and should be completed within one month. Major equipment will be inspected to ensure that categories, groups, and number delivered correspond with the bilateral agreement and are operational. A troop-contributing country representative should explain and demonstrate the agreed self-sustainment capability. Self-sustainment will be inspected with a view to an assessment of the operational equipment and services. The UN will give an account of the services to be provided in the agreement.

10.3.2.6. Operational Readiness Inspection. This inspection of the contingent in the mission area shall be conducted at least once during every 6-month period, or any time when the USUN Mission believes that the equipment or services do not meet standards. The condition of the major equipment shall be inspected, and self-sustainment capability ascertained with a view to assessing whether the sustainment capability is sufficient and satisfactory.

10.3.2.7. Repatriation Inspection. This inspection shall account for all major equipment of the troop-contributing country to be repatriated and verify the condition of the major equipment provided under the "Dry Lease" arrangement. The inspection also shall ensure that no UN owned equipment is part of the equipment repatriated.

10.3.2.8. Reporting Procedures. The USUN Mission shall report to the UN Headquarters the results of all inspections. The reports shall indicate shortcomings in equipment and self-sustainment, and efforts made at mission level to rectify the situation and to bring the contingent in line with the terms of the agreement. Each month the Mission shall submit a report to the Secretariat confirming the mission strength. The monthly report shall indicate the condition of major equipment and self-sustainment.

10.3.2.9. Deployment, Redeployment and Rotation. The UN is responsible for the deployment and redeployment (including regular rotation) of contingent personnel authorized in the Contribution Agreement. The UN normally will make the necessary arrangements with the troop-contributing country and appropriate carriers. When a troop-contributing country offers to provide transportation, the UN may request the troop-contributing country to provide the transportation to and from the mission area under the terms of an UNLoA. The cost for rotation of troops is normally reimbursed on a 6-month basis. Rotation of equipment will not be reimbursed since it is assumed equipment will stay in the area of operation for the length of the operation.

10.3.3. Leases. Leases to the UN shall be managed by the DSCA, which also is responsible for developing requested Price and Availability data to include preparation and transportation costs, with applicable input from the affected Military Component. Development of leases for DoD equipment (major end items) shall follow normal procedures in Security Assistance Management

Manual, Chapter 12, which are governed by the Arms Export Control Act (AECA). Payments from the UN related to the true lease of equipment, as governed by the AECA, revert to the miscellaneous receipts account of the U.S. Treasury. Ancillary costs related to the lease, such as preparation and shipment costs, are governed by section 607 of the FAA, as are the provision of support and services associated with a lease. Reimbursements or payments received under section 607 authority may be credited back to the Component providing the goods or services if reimbursement is received within 180 days after the end of the fiscal year in which the support was provided. Otherwise, these payments revert to the U.S. Treasury.

10.3.4. UN Determined Costs. The UN provides reimbursement at standard rates established by the General Assembly in respect to pay and allowances of military personnel detailed or assigned to the UN to participate in a UN operation. The UN reimburses participating countries without a specific request for payment. The UN determines the number of troop days for which payment will be made based upon USUN Mission reporting of troop strength. No billing is required.

10.3.4.1. Payments by the UN are made directly to DFAS. The State Department receives notification from the UN of a pending reimbursement. Prior to reimbursement by the UN, the State Department transmits this information to the Office of the USD(P), along with the operation(s), time covered, and number of troop months allowed by the UN. The UN estimate is validated by the Joint Staff and the Service Components and directions are provided to the UN through the State Department regarding disposition of the reimbursement.

10.3.4.2. Upon validation of the estimate, the UN processes two checks: one to the DoD (DFAS) at an approved rate per person/month, as determined by the OUSD(C), to cover the incremental military personnel and related costs incurred by the DoD; and a second to the State Department, representing the difference between the UN standard rate and the amount paid to the Department of Defense. For distribution of the DoD funds, Office of the USD(P) makes an assessment of DoD Component manpower deployed during the timeframe covered by the UN payment, and directs DFAS to make the appropriate distribution to the DoD Components, as applicable.

11.0 REIMBURSEMENT/DISTRIBUTION (2311)

UN Process. Within 90 days of receipt of an SF-1080 and supporting documentation from the USUN Mission, the UN will confirm with the appropriate UN organization that the goods or services were received, consolidate payment, and forward a check to DFAS. DFAS will distribute funds to appropriate recipients.

12.0 NONCOMBATANT EVACUATION OPERATIONS (NEO) (2312)

*12.1 Protection of U.S. Citizens and Nationals (231201)

12.1.1. NEOs are conducted to assist the DoS in evacuating U.S. citizens, DoD civilian personnel, and designated host nation (HN) and third country nationals (TCN) whose lives are in danger from locations in a foreign nation to an appropriate safe haven. The United States

Government (USG) will consider evacuating TCNs and host country nationals on a case-by-case, space available, and reimbursable basis. Although normally considered in connection with hostile action, evacuations may also be conducted in anticipation of, or in response, to any natural or man-made disaster.

12.1.2. Upon receipt of a request from the President, or the Department of State, the Department will protect U.S. citizens and nationals and designated other persons, and assist in evacuating these persons from threatened areas overseas. In accordance with Executive Order 12656, as amended on February 9, 1998, the Department is authorized to deploy and use military forces to protect U.S. citizens and nationals and designated other persons in support of their evacuation from threatened areas overseas. The Department of State has the lead responsibility for such evacuations.

12.2 Memorandum of Agreement (MOA) (231202)

The MOA between the Departments of State and Defense, "DOS/DoD Cost Responsibility Matrix and Definitions," dated September 2, 1997, defines departmental cost responsibilities when an evacuation occurs. The content of the MOA is included at Annex 3 and shall be used to determine all NEO cost responsibilities. In general, DoD will fund protection-related costs and DOS will fund evacuation-related costs. The DoD Component supporting the protection operation shall fund the costs of its deployment, unless otherwise specified.

12.3 Cost to Transport DoD Noncombatants (231203)

In accordance with 31 U.S.C. 1535 (the Economy Act), all costs incurred by the DoD to assist in evacuating personnel from threatened areas are billable and reimbursable, except for the costs to transport DoD noncombatants to safe havens. If, however, the Department of State incurs costs for transporting DoD noncombatants to safe havens, the applicable DoD Component shall reimburse the Department of State for those costs.

12.4 Contingency Operations Cost Report (231204)

After the evacuation is completed, the finance and accounting office of the supporting DoD Component shall collect the cost data and submit the following documents, through its Component Senior Financial Manager, to DFAS: an SF-1080 for all reimbursable evacuation costs, supporting cost documentation (e.g., flying hours, medical costs, or food for evacuees), and a Contingency Operations Cost Report. The DoD Component shall work with the Department of State and DFAS to submit the bills for reimbursement from the Department of State, Attn: Bureau of Finance and Management Policy, Washington, DC 20520-7427.

13.0 FOLLOW-UP (2313)

In the event that billed organizations require additional information relating to submitted bill(s), DFAS shall assist the billed organization to ensure that the necessary information is provided by the appropriate Component.

14.0 LARGE SCALE CONTINGENCIES (2314)

14.1 Preparing Budget Estimations Guidance (231401)

DoD may be involved in a range of operations from very large to small scale contingencies. The following guidance is to be used in addition to that found throughout this regulation for purposes of preparing budget estimations, cost reporting and billing associated with large-scale, campaign level, contingency operations.

14.2 Costs Related to a Contingency Operations (231402)

During large-scale contingencies costs related to a contingency operation may be incurred in both the area of responsibility (AOR) and in other locations to include home station. Additionally, because of the scale of operations, including intense combat or long-term stability or anti-insurgency operations, expenses beyond only direct incremental costs may be appropriate on a case by case basis in written coordination with OUSD(C). They can relate directly to operations in the AOR or be required as a result or consequence of the operations such as reconstitution activities (to replenish stocks, replace battle losses, or worn equipment or systems), depot maintenance and other supporting actions. In addition, during large-scale, campaign-level contingencies, these special funding authorities are often provided by the Congress in support of the operation. These may include special Train and Equip, Coalition Support, Foreign Disaster Relief or other programs. It is the responsibility of the organization that incurs costs in support of the operation, directly or indirectly, to ensure that information on all incremental costs are captured and transmitted to the appropriate DoD Component Senior Financial Manager for forwarding to DFAS, as appropriate.

14.3 Determining Costs (231403)

Components are required to report the obligation of all funds (regardless of source) to cover the incremental cost of the contingency, including funds received in a supplemental. Baseline costs should not be reported. The following guidelines are provided to assist the DoD Components in determining baseline and incremental costs for contingency operations.

14.3.1. Incremental Costs. In coordination with OUSD(C), DoD Component Senior Financial Managers shall determine incremental and billable costs. Incremental costs are additional costs to the DoD Component appropriations that would not have been incurred had the contingency operation not been supported. Incremental costs do not include the cost of property or services acquired by the Department that was paid for by a source outside the Department or out of funds contributed by such a source. The costs of investment items, construction costs, and costs incurred to fix existing shortcomings can be categorized as incremental cost if the expenditures were necessary to support a contingency operation and would not have been incurred in that fiscal year in the absence of the contingency requirement. Costs incurred beyond what is reasonably necessary to support a contingency operation cannot be deemed reimbursable incremental expenses, since such costs are not directly attributable to support of the operation. Incremental costs may be recorded against supplemental funding, baseline funding, or any source of funds. Base budget funding diverted to pay incremental costs in support of contingency operations are not the same as baseline costs.

14.3.2. Baseline Costs. Baseline costs are the continuing annual costs of DoD operations funded by the Components base appropriations. Baseline costs are those costs that would be incurred whether or not the Component is participating in a contingency operation.

14.3.3. Service-Specific Costs. Service-specific costs for increased OPTEMPO, such as steaming costs for the Navy or Service flying hours should be determined as accurately as possible based on "official" accounting data. Such costs, however, due to the complexity of the operation may require individual determinations on a case by case basis. Reported incremental costs shall reflect, as closely as possible, the actual incremental costs incurred by the unit involved in the specific operation, using cost factors for the specific command or geographic area, when available, as compared to composite cost factors for the overall DoD Component.

14.4 Spending Constraints (231404)

Each DoD Component shall ensure that detailed guidance is disseminated to the appropriate subordinate organization levels to ensure the accuracy and reporting of costs. The DoD Components are responsible to employ a fiduciary approach to ensure that the funds are used in a prudent manner. As operations mature, steps should be taken to evaluate and establish spending constraints.

15.0 OVERSEAS CONTINGENCY OPERATIONS TRANSFER FUND (OCOTF) AND BASE FUNDED OVERSEAS CONTINGENCY OPERATIONS (2315)

15.1 Overseas Contingency Operations Transfer Fund (OCOTF) (231501)

The OCOTF was established to meet operational requirements in support of emerging overseas contingency operations without disrupting approved program execution or force readiness. The OCOTF is a "no-year" transfer account that provides the Department additional flexibility to meet operational requirements by transferring funds to the Military Services and Components based on actual execution experience as events unfold during the year of execution.

15.2 Base Funded Overseas Contingency Operations (231502)

Military Services and Components supporting overseas contingency operations with base funding will submit estimated base budget estimates and obligations electronically through the Select and Native Programming (SNaP) input system during program and budget reviews. Operations include but are not limited to: Bosnia Operations; Kosovo Operations; Operation NOBLE EAGLE; Operation ENDURING FREEDOM (OEF) - TRANS SAHARA; Joint Task Force Bravo – Honduras; Operation OEF-Caribbean and Central America; or other based funded contingency operations.

16.0 FOREIGN DISASTER RELIEF (FDR) FUNDED BY OVERSEAS HUMANITARIAN, DISASTER, AND CIVIC AID (OHDACA) (2316)

16.1 Purpose/Applicability (231601)

The purpose of this section is to provide responsibilities and instructions for the development of DoD FDR cost estimates and the request for funding or subsequent reimbursement from DSCA. In accordance with DoDD 5100.46, DoD FDR activities are conducted outside the U.S. and at the request of the U.S. Agency for International Development (USAID), when civilian capacity is overwhelmed and DoD possesses unique capabilities to support life-saving/sustaining humanitarian activities. USAID uses a Mission Tasking Matrix (MiTaM) process to request DoD support. DoD support activities align with validated expenses incurred as a direct result of providing FDR to a foreign country and which comply with the legal purposes of 10 U.S.C. 2561 or similar authority shall be paid or reimbursed with the OHDACA appropriation, as authorized by the Secretary of Defense.

16.2 Responsibilities (231602)

16.2.1. The Under Secretary of Defense for Policy (USD(P) has overall policy, guidance and management responsibility, through subordinate activities, for conducting FDR. For these contingency operations, the USD(P) is responsible for accepting requests for assistance from USG Departments and Agencies, and organizations external to the Department and responding to those Departments, Agencies, or organizations.

16.2.2. The Chairman Joint Chiefs of Staff (CJCS) issues an execute order from the Secretary of Defense, to the Commander of a Combatant Command, which gives the Combatant Commander the authority to order the Military Component into action and the authority for DoD components to expend available funds to carry out the order.

16.2.3. The Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) is responsible for the overall financial oversight and determining financial responsibility for all contingency operations.

16.2.4. The Defense Security Cooperation Agency (DSCA) is responsible for program management of the OHDACA appropriation, approving FDR cost estimates in coordination with OUSDP, and issuing funds to Combatant Commands to support validated cost reimbursements.

16.2.5. The Combatant Command (CCMD) is responsible for collecting and preparing estimated costs from the DoD Components responsible for executing FDR operations within their geographic area of responsibility (AOR). The CCMD is responsible for submitting costs reports to DSCA, the OUSD(C), and others as required. In addition, the CCMD will validate and reimburse the DoD Components for incremental costs incurred in support of FDR operations.

16.3 Funds Management of OHDACA Funded Operations (231603)

This section identifies specific OHDACA financial responsibilities and procedures of the CCMD and Military Services to ensure the accountability and management of OHDACA funds distributed in support of FDR operations.

16.3.1. The DSCA will work closely with OSD Policy and Comptroller to coordinate efforts across OSD, the Joint Staff, and the interagency community to provide for a common understanding of resource funding requirements for the relief mission and to focus efforts necessary to obtain additional OHDACA resources, if required, in a timely manner. The DSCA will ensure the approved amount of OHDACA funds set aside by the Secretary of Defense for CCMD FDR operations will be available to the CCMD. DSCA will also provide an OHDACA Funding Authorization Document (FAD) to the CCMD to execute the mission.

16.3.2. The CCMD has the responsibility to establish effective financial management oversight of OHDACA funds provided for the FDR operation. The CCMD will collect daily estimated costs, commitments, and obligations from the supporting components and defense agencies and will ensure that OHDACA funded operations are necessary and applicable, within authorized OHDACA purposes and fund ceilings. The CCMD will report daily funds estimates and expenditures to DSCA and the OUSD(C) Operations Directorate using the Foreign Disaster Relief (FDR) Reporting format at Annex 2.

16.3.3. The Military Component will execute the FDR operations as directed by the CCMD using their available funds, capture actual operation obligations/costs, and code transactions, as necessary, to ensure that all operational costs recorded in the accounting systems are auditable. The Military Component will request OHDACA reimbursement from the CCMD.

16.3.3.1. The request for reimbursement shall be traceable to its costs as included in the cost reports required under paragraph 9.4 of this guidance.

16.3.3.2. Once the DoD Components submit their OHDACA reimbursement request to the CCMD, the CCMD will validate that the costs were incurred in direct support of the mission and comply with legal purposes for the use of OHDACA. Upon validation of these costs, the CCMD will issue an OHDACA FAD or Military Interdepartmental Purchase Request (MIPR) to the DoD Component for reimbursement.

16.3.4. In certain circumstances, a Military Component may need OHDACA funds prior to the humanitarian mission being completed. The CCMD will issue an OHDACA FAD or MIPR to the Military Component, as required.

16.3.4.1. The Military Component is still required to report their estimated daily costs to the CCMD and to execute funds as directed by the CCMD. The CCMD will validate that the costs were incurred to support the humanitarian mission.

16.3.4.2. The Military Component will report all costs as required under section 8.0 of this guidance.

16.3.4.3. The CCMD will make every effort to reimburse OHDACA funds to the Military Component in a timely manner, so the Military Component does not lose buying power from having to utilize its current funds available.

16.3.4.4. The CCMD is required to submit validated cost reports for reimbursement no later than 60 days following the expiration of the Department of Defense Executive Secretary response to the request for assistance. Reimbursement requests received after the 60-day period will be reimbursed by exception based on funds availability.

Annex 1: Standard Data Reporting Format

Contingency	Component	Reporting Period (eg. October-08)	Treasury Index	Basic Symbol	Beginning FY (yyyy)	Ending FY (yyyy)	Funding Category Code [Disaster Relief only]	Operation	BAG

SAG/BLIN/PE	CBS Line Item	Monthly Commitments	Monthly Obligations	Monthly Disbursements	Data Source (ACCT SYS, ADJUSTMENT, COST MODEL, COST ALLOC)	Comments

Component:	Participating DoD Military Service, Defense Agency or Combatant Command; e.g. Army
Reporting Period:	e.g. October-08
Treasury Index:	Treasury's Department identifier; e.g. 57 - Air Force
Basic Symbol:	Appropriation code; e.g. 2020 - Operation & Maintenance for Army
Beginning FY (yyyy):	e.g. 2016
Ending FY (yyyy):	e.g. 2016
Funding Category Code:	For Foreign Disaster Relief Operations Only; e.g. OHDACA (Overseas Humanitarian, Disaster, and Civic Aid) and Baseline
Operation:	Contingency/Disaster, Humanitarian Relief Event or Activity
BAG:	Budget Account Group; e.g. 01
SAG/BLIN/PE:	Sub Account Group / Budget Line Item Number / Program Element; e.g. 011C
CBS Line Item:	Cost Breakdown Structure; Cost Category e.g. 1.2.1
Monthly Commitments:	Blank (place holder for future use)
Monthly Obligations:	e.g. 7,000.00 (Dollars)
Monthly Disbursements:	e.g. 6,900.00 (dollars)
Data Source:	Accounting System, Cost Model or Allocation
Comments:	As needed

Annex 1 (Continued)

Additional Cost Reporting Considerations and Requirements

1. Be prepared to separately identify offsets to Reserve and Guard accounts due to Reserve/Guard call-up to active duty. Reserve personnel called to active duty shall be funded from the active duty appropriation.

2. Depending on the operation reporting requirements, Component may be required to separately identify other offsets (e.g., training not accomplished, base operating support not required, supplies returned/not utilized, non-monetary contributions, such as free fuel, as applicable).

3. To include dependents (per diem/transportation for NEO or safehaven support): The DoD Component military pay and permanent change of station accounts have been designated fund cites for military dependent evacuations. Related transportation costs addressed here are those from the repatriation center to the evacuees' final safehaven locations. (If CONUS is the designated safehaven, all dependents shall be brought to a repatriation center for processing, then provided additional transportation to a final safehaven location). These costs are separate from the airlift/sealift provided by the DoD or the Department of State for noncombatants during the evacuation; those costs would be reported under Operation and Maintenance, Transportation.

4. Be prepared to provide the most current manpower data for inclusion into the monthly reports to provide a basis for funds distribution for potential United Nations determined cost reimbursements.

Annex 2: Foreign Disaster Relief (FDR) Reporting Format

Foreign Disaster Relief / OPERATION (Title/Country): Month/Year
Summary Budget Data

* All figures are in thousands of dollars ($000K)					Report Date:	
	Humanitarian Relief Supplies & Materials	Day 1	Day 2	Day 3	Day 4 (continued)	FINAL
	Medical Supplies	0.0	0.0	0.0	0.0	$0,000
	Health & Comfort Packages	0.0	0.0	0.0	0.0	$0,000
	Water & Water Storage	0.0	0.0	0.0	0.0	$0,000
	Humanitarian Daily Rations	0.0	0.0	0.0	0.0	$0,000
	All Other Humanitarian Relief Supplies	0.0	0.0	0.0	0.0	$0,000
	Total Humanitarian Supplies & Materials	0.0	0.0	0.0	0.0	$0,000
	Operational Support Costs	Day 1	Day 2	Day 3	Day 4 (continued)	FINAL
COSTS	Personnel Costs	0.0	0.0	0.0	0.0	$0,000
	Temporary Duty Costs	0.0	0.0	0.0	0.0	$0,000
	Health Services, Clothing, & Misc Personnel Support	0.0	0.0	0.0	0.0	$0,000
	Base Support (Billeting, mess, C4I, & other support for US forces)	0.0	0.0	0.0	0.0	$0,000
	Airlift & Aviation Costs	0.0	0.0	0.0	0.0	$0,000
	Sealift & Steaming Costs	0.0	0.0	0.0	0.0	$0,000
	Port Handling & Misc Transportation Costs	0.0	0.0	0.0	0.0	$0,000
	Other Operational Support Costs	0.0	0.0	0.0	0.0	$0,000
	Total Operational Support	0.0	0.0	0.0	0.0	$0,000
	Total Operation Costs (Humanitarian Supplies & Materials plus Operational Costs)	0.0	0.0	0.0	0.0	$0,000

Annex 2 (Continued)

OPERATION / Humanitarian Mission (Title/Country): Month/Year
Summary Budget Data

		AUDIT	AUDIT	AUDIT	AUDIT	AUDIT
STATUS OF FUNDS	Resource Authority	Day 1	Day 2	Day 3	Day 4 (continued)	FINAL
	OHDACA Provided to Combatant Command	0.0	0.0	0.0	0.0	$0,000
	Less: Costs to Date	0.0	0.0	0.0	0.0	$0,000
	Resources remaining after costs	0.0	0.0	0.0	0.0	$0,000
COSTS PER DAY & OHDACA AVAILABLE	Daily Rate of Expenditure ($000K per day) is	0.0	0.0	as calculated from Dates of Operation (Day/Month/Year to Day/Month/Year)		
	Transaction Date	OHDACA Received (non-cumulative)	Total Operation OHDACA (cumulative)	OHDACA Distributed to Components (non-cumulative)	Total OHDACA Distributed (cumulative)	Amount held at Command/ DSCA (cumulative)
	0-Jan-00	0.0	0.0	0.0	0.0	$0,000
	0-Jan-00	0.0	0.0	0.0	0.0	$0,000
	0-Jan-00	0.0	0.0	0.0	$0.0	$0,000

Additional information and guidance:

CCMDs will receive OHDACA funding through the Defense Agencies Initiative (DAI) or Program Budget Accounting System (PBAS) from DSCA within 48 hours of the signed Department of Defense Executive Secretary (EXECSEC) memorandum to Department of State.

CCMDs are responsible for reimbursement of all validated expenses related to an EXECSEC or Disaster Response.

Annex 3:Evacuations

Department of State/Department of Defense
Cost Responsibility Matrix and Definitions

	Evacuation/Protection Cost Responsibility
Evacuation Related Costs: 1/	
A. Evacuee transportation/backhaul	State
B. Landing fees	State
C. Positioning of evacuee transportation assets solely for evacuation	State
Protection Related Costs: 2/	
D. Positioning of transportation assets when assets are to be used for protection and evacuation	DoD
E. Special Pays (Imminent Danger, etc.)	DoD
F. Protection Forces (including all support)	DoD
G. Deploy/redeploy/reconstitute protection element	DoD
H. Protection of evacuees/DoD assets & personnel	DoD
I. Tactical Airlift Control Element	DoD
J. Per Diem	DoD
K. Communications	DoD
L. NEO command structure	DoD

1/ If other evacuation efforts are requested specifically by the Department of State, those efforts shall be billed under the Economy Act (31 U.S.C. 1535).

2/ If other protection efforts are performed during an evacuation, the associated costs shall be borne by DoD.

Annex 4: Cost Breakdown Structure

1.1 Military Personnel		
1.1.1	Reserve Components Called To Active Duty	The fully-burdened cost for pay and allowances for Reserve and National Guard personnel called to active duty to support a contingency operation (excludes mobilized Reserve AGRs since there is no incremental cost for their mobilization, but includes mobilized National Guard AGRs). Excludes Imminent Danger Pay, Family Separation Allowance, and Hardship Duty Pay which are accounted for in CBS codes 1.1.2, 1.1.3 and 1.1.4 and Stop Loss and Deployment Extension pays which are recorded in 1.1.7.1. Does not include TRICARE accrual costs, which for reservists, are not an incremental cost. It includes, but is not limited to Basic Pay, Basic Allowance for Housing (BAH), Basic Allowance for Subsistence (BAS), Retired Pay Accrual, government's portion of Federal Insurance Contribution Act taxes, and all special and incentive pays not included in 1.1.2, 1.1.3, 1.1.4 and 1.1.7.1.
1.1.2	Imminent Danger or Hostile Fire Pay	When authorized by the directing authority, a monthly special pay provided to active and reserve component military personnel participating in or supporting the contingency operation.
1.1.3	Family Separation Allowance	A monthly special allowance paid to all active and reserve component personnel who are separated from their families for 30 days or more.
1.1.4	Hardship Duty Pay	Hardship Duty Pay (HDP) is a monthly special pay for both mission (HDP-M) and location (HDP-L) paid to all Active and Reserve Component personnel who are eligible based upon the appropriate designations for personnel who are at a location outside of the continental U.S. (OCONUS).
1.1.5	Subsistence-in-Kind	Includes the costs of water, food, and ice and other subsistence items (Army Class I) which are purchased expressly to support personnel engaged in or supporting the contingency operation. Does not include Basic Allowance for Subsistence (BAS) which will be reported in 1.1.1 or 1.1.8 as applicable.

1.1 Military Personnel (Continued)		
1.1.6	Reserve Components Pre-Mobilization/ Post- Mobilization Training	Includes all pay and allowance costs, as well as travel and per diem for training specially required prior to or post activation, and not included within normal Annual Training (AT) and Inactive Duty Training (IDT) periods. Additional AT or IDT required to meet general Military Occupation Specialty individual and collective training standards are excluded.
1.1.6.1	Yellow Ribbon	Includes costs to assist National Guard and Reserve service members and families for reintegration training through the pre and post deployment phases.
1.1.7.1	Other Milpers Special and Incentive Pays	Active Duty special pays and incentives not reportable in 1.1.2, 1.1.3, 1.1.4, or 1.1.8. Special and incentive pays for Reserve Components called to Active Duty should be reported in 1.1.1 if not reportable in 1.1.2, 1.1.3 or 1.1.4. However, Stop Loss pays and Deployment Extension pay will be reported in 1.1.7.1 for both the Active and Reserve Components.
1.1.7.2	Permanent Change of Station - Military	Military personnel PCS costs associated with moving a servicemember in preparation for deployment or mobilization and upon return.
1.1.7.3	Temporary Storage - Military	Includes costs incurred to provide temporary storage for household goods and privately owned vehicles for servicemembers during deployments and mobilization in support of contingency operations.
1.1.7.4	Casualty and Disability Benefits	Costs incurred to pay death gratuities; Servicemembers Group Life Insurance (SGLI); Traumatic Injury Protection under SGLI (T-SGLI); and SGLI and T-SGLI insurance premiums.
1.1.7.5	Recruiting and Retention	Incentives and bonuses to recruit and retain personnel in critical military positions.
1.1.7.6	Additional Mobilization/Deployment Costs	Miscellaneous programs (e.g., Reserve Income Replacement Program, Unemployment Compensation, and Interest on Uniformed Services).

1.1 Military Personnel (Continued)		
1.1.8	Active Component Overstrength	The situation where a Military Service administratively retains a military member in an active duty status beyond a previously scheduled separation from the Armed Forces or brings on additional members in a temporary status to meet wartime requirements. Includes the cost of the fully-burdened composite rate of pay, allowances, taxes, and accruals for approved active component end strength in excess of Congressional authorized manning levels while supporting a contingency operation or war. Includes personnel retained as a result of stop loss actions. Excludes Imminent Danger Pay, Family Separation Allowance, Hardship Duty Pay, Stop Loss and Deployment Extension pays which are accounted for in other categories. It includes, but is not limited to Basic Pay, BAH, BAS, special and incentive pays, Retired Pay Accrual, TRICARE accrual, and the governments portion of Federal Insurance Act Contribution taxes.
1.2 Civilian Personnel		
1.2.1	Civilian Premium Pay	Includes certain types of pay such as overtime pay, night/shift differential pay, Sunday pay, holiday pay, hazard duty pay, environmental differential pay, danger pay allowance, and allowances and differentials in foreign areas that are incurred solely as a result of the employee's participation in or support to the contingency operation. Covers premium pay for both permanent and temporary DoD civilian employees.
1.2.2	Civilian Temporary Hires	Includes the basic salary and benefit costs of DoD civilian employees hired, on a temporary/nonpermanent basis, to directly support contingency operations or to provide backfill support with duty station in CONUS or OCONUS. Includes reimbursement for Working Capital Fund employees utilized in direct support of a contingency.
1.2.3	MRAP Vehicles	Obligations for civilian premium pay for deployed civilians and workload peaks at mobilization/demobilization and deployment/redeployment sites in the Continental United States (CONUS).

2.0 Personnel Support		
2.1	Temporary Duty (TDY)/Additional Duty (TAD)	Includes the costs of travel, per diem, and lodging for military and civilian personnel that result from participation in or support to the contingency operation. Also includes the cost of invitational travel orders for non-DoD personnel who travel at the request of a DoD Component on an assignment directly related to the contingency operation. Excludes the TDY/TAD costs of Reserve Component personnel called to active duty. These costs are to be reported as Reserve Component activation costs.
2.1.1	Per Diem - Military Dependents Only	Per Diem - Military Dependents Only
2.1.2	Per Diem - Military Members	Per Diem - Military Members
2.1.3	PCS Transportation - Military	PCS Transportation - Military
2.1.4	Dislocation Allowance	Dislocation Allowance
2.1.5	Per Diem - DoD Civilians	Per Diem - DoD Civilians
2.1.6	Per Diem - DoD Civilian Dependents	Per Diem - DoD Civilian Dependents
2.1.7	PCS Transportation - DoD Civilians	PCS Transportation - DoD Civilians
2.1.8	Miscellaneous Expense Allowance - DoD Civilians	Miscellaneous Expense Allowance - DoD Civilians
2.1.9	TDY Per Diem and Travel	TDY Per Diem and Travel
2.2	Individual Equipment	Costs associated with government owned, issued, and controlled personal protective gear temporarily issued to military Service members for use at no cost to the military Service members. Examples of personal protective gear include Load Bearing Equipment, helmets, ballistic eyewear, steel toe boots, gloves, goggles, ear protection, and hard armor ballistic inserts. For Service specific definition, see Service respective uniform regulation(s). Input procurement and operation and maintenance funding for individual equipment.

2.0 Personnel Support (Continued)		
2.2.1	Organizational Clothing	Costs associated with government owned, issued, and controlled uniform garments temporarily issued to military Service members for use at no cost to the military Service member. Examples of uniform garments include the Extended Cold Weather Clothing System, Aviation Combat Uniform, Flight Suit, Fire Resistant Combat Uniform, and the Improved Combat Vehicle Crewmember Coverall. For Service specific definitions, see Service respective uniform regulation(s). Input procurement and operation and maintenance funding for organizational clothing.
2.3	Medical Support/Health Services	Additive costs associated with providing medical services to military (Active or Reserve) and civilians (DoD or contractor) in clinics, hospitals, hospital ships, or other medical treatment facilities. Includes predeployment medical examinations, immunizations, medical materials (Army Class VIII supplies; e.g., blood, fluids, and specialized medical repair parts), medical supplies, operation of Mobile Army Surgical Hospital units, patient evacuation, and other nonpay and allowance expenses associated with medical backfill. Includes required communications costs associated with provision of medical services via telemedicine.
2.4	Reserve Component Activation/Deactivation	Includes costs to activate (mobilize) and deactivate(demobilize) Reserve units or individual Reservists. Includes transportation from home station to active duty station in CONUS. Training to bring Reserve Components up to active force readiness standards are considered activation costs. Excludes costs of pay, allowances, active duty TDY/TAD, and transportation to and from the area of operation, training, and other costs which are reported elsewhere.
2.4.1	Yellow Ribbon	Includes costs to assist National Guard and Reserve servicemembers and families with local resources before, during, and after deployments.
2.5	Other Personnel Support	Personnel support costs not included in one of the above items. This category would include unusual costs such as permanent change of station, end of term of service, or special actions associated with household goods or privately-owned vehicle storage.

2.0 Personnel Support (Continued)		
2.5.1	Permanent Change of Station - Civilian	Includes costs associated with moving a civilian in preparation for deployment and upon return.
2.5.2	Temporary Storage - Civilian	Includes costs incurred to provide temporary storage for household goods and privately owned vehicles for civilians during deployments to contingency operations.
2.5.3	Subsistence - Civilian	Includes costs incurred to provide subsistence for civilians during deployments to contingency operations.
2.6	Rest & Recreation	Funds obligated by a DoD Component to provide a U.S. Government civilian or a military member of the Armed Services with an occasion away from a contingency operation duty station for the purpose of rest and recreation. Includes the cost of transportation from and to the contingency operation duty station.
2.7	Body Armor	Costs associated with government owned, issued, and controlled ballistic projectile protection equipment temporarily issued to military Service members for use at no cost to the military Service members. Examples of body armor include helmets, armored vests, body armor plates, small arms protective inserts, side ballistic Insert, and tactical vests. Body armor is a subset of individual equipment. For Service specific definition, see Service respective uniform regulation(s). Input procurement and operation and maintenance funding for body armor.
3.0 Operations		
3.1	Training	Includes the costs associated with predeployment training of units and personnel to participate in or support an operation as well as the costs associated with training troops and personnel during the contingency operation. Includes antiterrorism training if required. Includes ancillary costs associated with proficiency training.
3.1.0	Care-in-Store	The cost to receive, preserve, store, and issue equipment for repair/restoration.

3.0 Operations (Continued)		
3.1.2	MRAP Vehicles Training	Obligations incurred to provide a variety of training in support of MRAP operational capability.
3.2	Operations (OPTEMPO) (Fuel, Other POL, Parts)	Includes the incremental cost to operate units that conduct or support the contingency operation such as materials and services used during an operation to include: petroleum, oils and lubricants (POL) (Army Class III items) and spare and consumable parts such as repair components, kits, assemblies, reparable and nonreparable items for equipment maintenance support (Army Class IX items). Only those additional OPTEMPO costs that the Department incurs as a direct result of the contingency operation should be included. Includes all equipment maintenance required to prepare equipment for deployment and to maintain equipment during the contingency operation. Excludes charges for the use of DoD assets and also excludes cost of ammunition of all types (chemical, radiological, and special weapons), bombs, explosives, mine, fuse detonators, propellants, missiles, pyrotechnics and other associated items (Army Class V items).
3.2.1	MRAP Vehicles Operation	Obligations incurred to provide operation and maintenance of deployed MRAPs.
3.2.2.1	Air Reconnaissance(P3)	Air Reconnaissance(P3)
3.2.2.2	Other Flying Hours	Other Flying Hours
3.2.3	Steaming Days	Steaming Days
3.2.4.1	TAD Non-Medical Personnel (USNS Comfort)	TAD Non-Medical Personnel (USNS Comfort)
3.2.4.2	TAD Medical Personnel (USNS Comfort)	TAD Medical Personnel (USNS Comfort)
3.2.5	Medical Supplies	Medical Supplies
3.2.6	Other Steaming Days	Other Steaming Days
3.2.7	Other	Other
3.2.8	USNS Mercy	USNS Mercy
3.2.8.1	TAD Non-Medical Personnel (USNS Mercy)	TAD Non-Medical Personnel (USNS Mercy)
3.2.8.2	TAD Medical Personnel (USNS Mercy)	TAD Medical Personnel (USNS Mercy)

3.0 Operations (Continued)		
3.3.1	Mine and Ballistic Protection Kits	Includes cost for the purchase, repair and maintenance for equipment and kits designed to increase personnel and vehicle ballistic protection.
3.3.2	Supplies and Equipment	Includes costs for supplies and equipment that is directly attributable to a contingency operation, but is not associated with operating tempo.
3.4	Facilities/Base Support	Includes establishment, maintenance & ops of billeting, camps, airfields, staging areas, relief centers, etc., similar to base operating support and real property maintenance. While this applies to costs incurred away from home station, costs may be included if they are incurred solely to support the contingency op. This category includes leases, rents and utilities to operate bases, camps, relief centers, airfields, and other operating/support facilities established. This category includes fortifications and barriers (Army Class IV) and other physical security costs and costs associated to protect forces at the facility (i.e. lease of land for required stand-off distance, special sewage removal or water hauling) and other base/center operating expenses such as food prep/serving service, storage and distribution warehousing or local area shuttle services. Includes materials and services provided by DoD Components or contractors and all logistics civil augmentation program costs.
3.4.1	MRAP Vehicles Facilities and Base Support	Obligations incurred to provide CONUS base support services, intermediate maintenance, and supplies and equipment in support of operation and maintenance of MRAPs.
3.5.1	Organization Level Maintenance	The cost of equipment maintenance activities performed at the organizational/unit level. Includes the cost to clean, inspect, and maintain organic equipment to the required condition at the conclusion of the contingency operation or unit deployment. Covers equipment organic to the participating unit and war reserve stock prior to replacement into storage. Excludes the cost to transport equipment being repaired/restored.

3.0 Operations (Continued)		
3.5.1.1	Non-Reset Organizational Level Maintenance	Organizational level cost of equipment maintenance activities, other than reset.
3.5.1.2	Reset Organizational Level Maintenance	Reset organizational level maintenance. Definition: For Operation and Maintenance activities, reset includes a series of actions taken to restore units that have participated in contingency operations to a desired level of combat capability commensurate with the units' future mission. It encompasses both maintenance and supply activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by repairing, rebuilding, or procuring replacement equipment. These maintenance and supply activities involve both recapitalization and Depot and Field Level repairs/overhauls centrally managed to specified standards. Included are Procurement and Operation and Maintenance funded major repairs/overhauls and recapitalization (Rebuild or Upgrade) that enhance or restore existing equipment inventories through the insertion of new technology or restoration of selected equipment to a zero-miles/zero-hours condition. Reset includes replacement of equipment lost during operations in theater.
3.5.2	Intermediate Level Maintenance	The cost of equipment maintenance activities performed at the intermediate level facility, to include the cost to clean, inspect, and maintain organic equipment to the required condition at the conclusion of the contingency operation or unit deployment. Covers equipment organic to the participating unit and war reserve stock prior to replacement into storage. Excludes the cost to transport equipment being repaired/restored.
3.5.2.1	Non-Reset Intermediate Level Maintenance	Intermediate level cost of equipment maintenance activities, other than reset.
3.5.2.2	Reset Intermediate Level Maintenance	Reset intermediate level maintenance. See CBS Code 3.5.1.2 and 6.1.7 for reset definition.

3.0 Operations (Continued)		
3.5.3	Depot Level Maintenance	The cost of equipment maintenance activities performed at the depot level facility, to include the cost to overhaul, clean, inspect, and maintain organic equipment to the required condition at the conclusion of the contingency operation or unit deployment. Covers equipment organic to the participating unit and war reserve stock prior to replacement into storage. Excludes the cost to transport, receive, preserve, store, and issue equipment being repaired/restored.
3.5.3.1	Non-Reset Depot Level Maintenance	Depot level cost of equipment maintenance activities, other than reset.
3.5.3.2	Reset Depot Level Maintenance	Maintenance actions at the Depot level to accomplish Reset. See CBS Code 3.5.1.2 and 6.1.7 for reset definition.
3.5.4	Contractor Logistics Support	The cost included when required material and maintenance of an end item or system is performed by contract support.
3.5.4.1	Non-Reset Contractor Logistics Support	Contractor logistics support cost, excluding reset costs.
3.5.4.2	Reset Contractor Logistic Support	Maintenance actions through Contractor Logistics Support to accomplish Reset. See CBS Code 3.5.1.2 and 6.1.7 for reset definition.
3.5.5	Up-Armored HMMWV Repair	Obligations incurred to repair, modify, or upgrade Up- Armored High Mobility Multipurpose Wheeled Vehicle
3.5.6	MRAP Vehicles Equipment Maintenance	MRAP Vehicles Equipment Maintenance
3.6	C4I	Includes the cost of designing, engineering, installing, and maintaining C4I systems required to support the contingency operations such as: purchase and lease of communications equipment, lease of commercial satellites and long-haul lines; and collection, analysis, and dissemination of information or intelligence information (to include cartography, imagery, and other mapping activities and joint surveillance attack radar system and unmanned aerial vehicles.

3.0 Operations (Continued)		
3.7.1	Miscellaneous Supplies	Includes costs of procuring, leasing, or renting miscellaneous supplies or services used during the contingency operation. Includes general support and administrative equipment not identified in another category. Includes contract services such as linguists not identified in another category.
3.7.2	Contract Services	Includes costs associated with providing contract services (non C4I) used during the contingency operation not covered in any other CBS category.
3.7.3	General Support and Administrative Equipment	Includes costs incurred to maintain and operate equipment with multi-use administrative purposes.
3.7.4	LOGCAP	Obligations incurred to pay for contract costs related to the Logistics Civilian Augmentation Program.
3.8	IED Operation	Obligations incurred to operate or repair equipment to defeat or counter the use of improvised explosive devices.
3.9	Psychological Operations (Information Operations)	Planned operations to convey selected information and indicators to foreign audiences to influence their emotions, motives, objective reasoning, and ultimately the behavior of foreign governments, organizations, groups, and individuals.
4.0 Transportation		
4.1	Airlift	Includes transportation of personnel, equipment, and material by commercial or military air; retrograde costs should be reported in CBS 4.8.
4.2	Sealift	Includes transportation of personnel, equipment, and material by sea using commercial or active duty naval ships; retrograde costs should be reported in CBS 4.8.
4.3	Ready Reserve Force (RRF)/Fast Sealift Ships (FSS)	Includes transportation of personnel, equipment, and material by sea using RRF/FSS. Includes the cost to activate/deactivate and make vessels ready for use in contingency operations; retrograde costs should be reported in CBS 4.8.

4.0 Transportation (Continued)		
4.4	Port Handling/Inland Transportation	Includes port handling costs and transportation of personnel, equipment, and material by land. Also includes any contracted services to support port handling or inland transportation. Includes transportation between peacetime operating locations (home station) and ports and transportation between ports and the area of operation during deployment, sustainment, and redeployment; retrograde costs should be reported in CBS 4.8.
4.5	Other Transportation	Includes transportation not included as airlift, sealift, ready reserve forces, or port handling/inland transportation; retrograde costs should be reported in CBS 4.8.
4.6	Second Destination Transportation	Includes the cost of delivery of end item(s) to a location in support of a contingency operation. Also includes Defense Logistics Agency second destination costs; retrograde costs should be reported in CBS 4.8.
4.7	MRAP Vehicles Transportation	Obligations incurred for transportation for MRAP vehicles in support of contingency operations; retrograde costs should be reported in CBS 4.8.
4.8	Retrograde of Personnel & Equipment	Amounts obligated to retrograde personnel and equipment. Equipment retrograde refers to the movement of non-unit equipment and material from a forward location to a reset program or another directed area of operation.
5.0 Revolving Funds		
5.1	Depot Level Repairables	Includes the cost of depot level repairables obligations incurred in support of a contingency operation within a Working Capital Fund.
5.10	Def Reutilization & Marketing Service OPS	Includes the cost of reutilization and marketing service operations obligations incurred in support of a contingency operation within a Working Capital Fund.
5.11	Other	Includes the cost of other obligations incurred in support of a contingency operation within a Working Capital Fund.
5.2	Depot Maintenance	Includes the cost of depot maintenance obligations incurred in support of a contingency operation within a Working Capital Fund.

5.0 Revolving Funds (Continued)		
5.3	Non-Flying Hours Spares (War Reserve Stock)	Includes the cost of nonflying hours spares obligations incurred in support of a contingency operation within a Working Capital Fund.
5.4	War Reserve Stock Secondary Items	Includes the cost of War Reserve Stock Secondary Items obligations incurred in support of a contingency operation within a Working Capital Fund.
5.5	Prepositioning Equipment Replacement - War Reserve	Prepositioning Equipment Replacement - War Reserve
5.6	Prepositioning Munitions Replacement - War Reserve	Prepositioning Munitions Replacement - War Reserve
5.8	Theater Distribution	Includes the cost of theater distribution obligations incurred in support of a contingency operation within a Working Capital Fund.
5.9	Fuel Transportation and Fuel Combat Losses	Includes the cost of fuel transportation and fuel combat losses obligations incurred in support of a contingency operation within a Working Capital Fund.
6.1 Procurement		
6.1.1	Aircraft Procurement	The obligation of funds in the Components aircraft procurement accounts that include actions taken to restore units to a desired level of combat capability commensurate with the unit's future mission. It encompasses procurement activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by procuring replacement equipment. Included are Procurement funded major repairs/overhauls and recapitalization (Rebuild or Upgrade) that enhances existing equipment through the insertion of new technology or restores selected equipment to a zero-miles/zero-hours condition.
6.1.1.1	Aircraft Procurement Reset	Includes the obligation of funds in the Components aircraft procurement accounts, incurred in support of a contingency operation for reset. See CBS Code 3.5.1.2 and 6.1.7 for reset definition.

6.1 Procurement (Continued)		
6.1.1.2	Aircraft Procurement Non-Reset	Includes the obligation of funds in the Components aircraft procurement accounts, incurred in support of a contingency operation excluding reset. Included are purchases of specialized, theater-specific equipment or operationally required modifications to equipment used in theater or in direct support of combat operations.
6.1.2	Munition Procurement	The obligation of funds in the Components munitions procurement accounts that include actions taken to restore units to a desired level of combat capability commensurate with the unit's future mission. It encompasses procurement activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by procuring replacement equipment. Included are Procurement funded major repairs/overhauls and recapitalization (Rebuild or Upgrade) that enhances existing equipment through the insertion of new technology or restores selected equipment to a zero-miles/zero-hours condition.
6.1.2.1	Munition Procurement Reset	Includes the obligation of funds in the Components munitions procurement accounts, incurred in support of a contingency operation for reset. See CBS Code 3.5.1.2 and 6.1.7 for reset definition.
6.1.2.2	Munition Procurement Non-Reset	Includes the obligation of funds in the Components munitions procurement accounts, incurred in support of a contingency operation excluding reset. May include munitions procurement based on projected combat operations expenditures, in cases where existing munitions stocks are insufficient to sustain theater combat operations.
6.1.3	Vehicle Procurement	The obligation of funds in the Components vehicle procurement accounts that include actions taken to restore units to a desired level of combat capability commensurate with the unit's future mission.
6.1.3.1	Vehicle Procurement Reset	Includes the obligation of funds in the Components vehicle procurement accounts, incurred in support of a contingency operation within the procurement title for reset. See CBS Code 3.5.1.2 and 6.1.7 for reset definition.

6.1 Procurement (Continued)		
6.1.3.2	Vehicle Procurement Non-Reset	Includes the obligation of funds in the Components vehicle procurement accounts, incurred in support of a contingency operation excluding reset.
6.1.3.3	MRAP Vehicles Procurement	Includes the obligation of funds in the Components vehicle procurement accounts for MRAPs, incurred in support of a contingency operation.
6.1.4	Communication & Electronic Equip Procurement	The obligation of funds in the Components communication and electronic equipment procurement accounts that include actions taken to restore units to a desired level of combat capability commensurate with the unit's future mission. It encompasses procurement activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by procuring replacement equipment. Included are Procurement funded major repairs/overhauls and recapitalization (Rebuild or Upgrade) that enhances existing equipment through the insertion of new technology or restores selected equipment to a zero-miles/zero-hours condition.
6.1.4.1	Communication & Electronic Equip Reset	Includes the obligation of funds in the Components communication & electronic procurement accounts, incurred in support of a contingency operation within the procurement title for reset. See CBS Code 3.5.1.2 and 6.1.7 for reset definition.
6.1.4.2	Communication & Electronic Equip Non-Reset	Includes the obligation of funds in the Components communication & electronic procurement accounts, incurred in support of a contingency operation within the procurement title excluding reset.
6.1.5	Non-IED/Up-Armored Humvees Combat Support	The obligation of funds in the Components non-IED/up- armored humvees combat support procurement accounts that include actions taken to restore units to a desired level of combat capability commensurate with the unit's future mission. It encompasses procurement activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by procuring replacement equipment. Included are Procurement funded major repairs/overhauls and recapitalization (Rebuild or Upgrade) that enhances existing equipment through the insertion of new technology or restores selected equipment to a zero-miles/zero-hours condition.

6.1 Procurement (Continued)		
6.1.5.1	Non-IED/Up-Armored Humvees, Combat Reset	Includes the obligation of funds in the Components non- IED/up-armored humvees combat support procurement accounts, incurred in support of a contingency operation within the procurement title for reset. See CBS Code 3.5.1.2 and 6.1.7 for reset definition.
6.1.5.2	Non-IED/Up-Armored Humvees, Combat Non-Reset	Includes the obligation of funds in the Components non- IED/up-armored humvees combat support procurement accounts, incurred in support of a contingency operation within the procurement title excluding reset.
6.1.6	Up-Armored Humvees Procure and Modify	The obligation of funds in the Components up-armored humvee procurement accounts procurement accounts that include actions taken to restore units to a desired level of combat capability commensurate with the unit's future mission. It encompasses procurement activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat.
6.1.6.1	Up-Armored Humvee Procurement Reset	Includes the obligation of funds in the Components up- armored humvee procurement accounts, incurred in support of a contingency operation for reset. See CBS Code 3.5.1.2 and 6.1.7 for reset definition.
6.1.6.2	Up-Armored Humvee Procurement Non-Reset	Includes the obligation of funds in the Components up- armored humvee procurement accounts, incurred in support of a contingency operation excluding reset.

6.1 Procurement (Continued)		
6.1.7	Reset	Includes the obligation of funds in the Components procurement accounts, incurred in support of a contingency operation for reset. Definition: For Procurement activities, reset includes a series of actions taken to restore units that have participated in contingency operations to a desired level of combat capability commensurate with the units' future mission. It encompasses both maintenance and supply activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by repairing, rebuilding, or procuring replacement equipment. These maintenance and supply activities involve both recapitalization and Depot and Field Level repairs/overhauls centrally managed to specified standards. Included are Procurement and Operation and Maintenance funded major repairs/overhauls and recapitalization (Rebuild or Upgrade) that enhance or restore existing equipment inventories through the insertion of new technology or restoration of selected equipment to a zero-miles/zero-hours condition. Reset includes replacement of equipment lost during operations in theater.
6.1.8	Joint Counter IED	Obligations incurred to procure, modify, upgrade or replace equipment to defeat or counter the use of improvised explosive devices. Includes the Joint Improved – Threat Defeat Fund (JIDF).

6.2 Research and Development		
6.2.1	Basic Research	The obligation of funds in the Components Basic Research program, RDT&E title, that include actions taken to restore units to a desired level of combat capability commensurate with the units future mission. It encompasses procurement activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by procuring replacement equipment. Included are Procurement funded major repairs/overhauls and recapitalization (Rebuild or Upgrade) that enhances existing equipment through the insertion of new technology or restores selected equipment to a zero- miles/zero-hours condition.
6.2.1.1	Basic Research Reset	Includes the obligation of funds in the Components Basic Research program, within the RDT&E title, incurred in support of a contingency operation for reset. See CBS Code 3.5.1.2 and 6.1.7 for reset definition.
6.2.1.2	Basic Research Non-Reset	Includes the obligation of funds in the Components Basic Research program, within the RDT&E title, incurred in support of a contingency operation excluding reset.
6.2.2	Applied Research	The obligation of funds in the Components Applied Research program, RDT&E title, that include actions taken to restore units to a desired level of combat capability commensurate with the units future mission. It encompasses procurement activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by procuring replacement equipment. Included are Procurement funded major repairs/overhauls and recapitalization (Rebuild or Upgrade) that enhances existing equipment through the insertion of new technology or restores selected equipment to a zero-miles/zero-hours condition.
6.2.2.1	Applied Research Reset	Includes the obligation of funds in the Components Applied Research program, within the RDT&E title, incurred in support of a contingency operation for reset. See CBS Code 3.5.1.2 and 6.1.7 for reset definition.

6.2 Research and Development (Continued)		
6.2.2.2	Applied Research Non-Reset	Includes the obligation of funds in the Components Applied Research program, RDT&E title, incurred in support of a contingency operation excluding reset.
6.2.2.3	Applied Research MRAP Vehicles	Includes the obligation of funds in the Components Applied Research program, RDT&E title, incurred in support of MRAPs for a contingency operation.
6.2.3	Advanced Technology Development	The obligation of funds in the Components Advanced Technology programs, within the RDT&E title, that include actions taken to restore units to a desired level of combat capability commensurate with the units future mission. It encompasses procurement activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by procuring replacement equipment. Included are Procurement funded major repairs/overhauls and recapitalization (Rebuild or Upgrade) that enhances existing equipment through the insertion of new technology or restores selected equipment to a zero-miles/zero-hours condition.
6.2.3.1	Advanced Technology Reset	Includes the obligation of funds in the Components Advanced Technology Development program, within the RDT&E title, incurred in support of a contingency operation for reset. See CBS Code 3.5.1.2 and 6.1.7 for reset definition.
6.2.3.2	Advanced Technology Non-Reset	Includes the obligation of funds in the Components Advanced Technology programs, within the RDT&E title, incurred in support of a contingency operation excluding reset.
6.2.4	Advanced Component Development & Prototype	The obligation of funds in the Components Advanced Component Development and Prototype programs, within the RDT&E title, that include actions taken to restore units to a desired level of combat capability commensurate with the units future mission. It encompasses procurement activities that restore and enhance combat capability to unit and pre- positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by procuring replacement equipment. Included are Procurement funded major repairs/overhauls and recapitalization.

6.2 Research and Development (Continued)		
6.2.4.1	Advanced Component Development & Prototype Reset	Includes the obligation of funds in the Components advanced Component Development and Prototype program, within the RDT&E title, incurred in support of a contingency operation for reset. See CBS Code 3.5.1.2 and 6.1.7 for reset definition.
6.2.4.2	Advanced Component Development & Prototype Non- Reset	Includes the obligation of funds in the Components advanced Component Development and Prototype program, within the RDT&E title, incurred in support of a contingency operation excluding reset.
6.2.5	System Development & Demonstration	The obligation of funds in the Components System Development and Demonstration programs, within the RDT&E title, that include actions taken to restore units to a desired level of combat capability commensurate with the units future mission. It encompasses procurement activities that restore and enhance combat capability to unit and pre- positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by procuring replacement equipment. Included are Procurement funded major repairs/overhauls and recapitalization (Rebuild or Upgrade) that enhances existing equipment through the insertion of new technology or restores selected equipment to a zero-miles/zero-hours condition.
6.2.5.1	System Development and Demonstration Reset	Includes the obligation of funds in the Components System Development and Demonstration program, within the RDT&E title, incurred in support of a contingency operation for reset. See CBS Code 3.5.1.2 and 6.1.7 for reset definition.
6.2.5.2	System Development and Demo Non-Reset	Includes the obligation of funds in the Components System Development and Demonstration program, within the RDT&E title, incurred in support of a contingency operation excluding reset.

6.2 Research and Development (Continued)		
6.2.6	Management Support	The obligation of funds in the Components Management Support programs, within the RDT&E title, that include actions taken to restore units to a desired level of combat capability commensurate with the units future mission. It encompasses procurement activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by procuring replacement equipment. Included are Procurement funded major repairs/overhauls and recapitalization (Rebuild or Upgrade) that enhances existing equipment through the insertion of new technology or restores selected equipment to a zero-miles/zero-hours condition.
6.2.6.1	Management Support Reset	Includes the obligation of funds in the Components Management Support programs, within the RDT&E title, incurred in support of a contingency operation for reset. See CBS Code 3.5.1.2 and 6.1.7 for reset definition.
6.2.6.2	Management Support Non- Reset	Includes the obligation of funds in the Components Management Support programs, within the RDT&E title, incurred in support of a contingency operation excluding reset.
6.2.7	Operational System Development	The obligation of funds in the Components Operational System Development programs, within the RDT&E title, that include actions taken to restore units to a desired level of combat capability commensurate with the units future mission. It encompasses procurement activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by procuring replacement equipment. Included are Procurement funded major repairs/overhauls and recapitalization (Rebuild or Upgrade) that enhances existing equipment through the insertion of new technology or restores selected equipment to a zero-miles/zero-hours condition.
6.2.7.1	Operational System Development Reset	Includes the obligation of funds in the Components Operational System Development programs, within the RDT&E title, incurred in support of a contingency operation for reset. See CBS Code 3.5.1.2 and 6.1.7 for reset definition.

6.2 Research and Development (Continued)		
6.2.7.2	Operational System Development Non-Reset	Includes the obligation of funds in the Components Operational System Development programs, within the RDT&E title, incurred in support of a contingency operation excluding reset.
6.2.7.3	Operational System Development MRAP Vehicles	Includes the obligation of funds in the Components Operational System Development programs, within the RDT&E title, incurred in support of MRAPs for a contingency operation.
6.3 Military Construction		
6.3.1	Major Construction	Includes the obligation of funds in the Military Construction title incurred in support of a contingency operation.
6.3.2	Minor Construction	Includes the obligation of funds in the Components (Operation & Maintenance) program for minor construction incurred in support of a contingency operation.
6.3.3	Family Housing (Construction)	Includes the obligation of funds in the Components family housing (construction) program, within the Military Construction title, incurred in support of a contingency operation.
6.3.4	Family Housing (Operation & Maintenance)	Includes the obligation of funds in the Components family housing (Operation & Maintenance) program, within the Military Construction title, incurred in support of a contingency operation.
7.1 Coalition Support		
7.1.01	Pakistan	Coalition Support - Pakistan
7.1.02	Mongolia	Coalition Support - Mongolia
7.1.03	Poland	Coalition Support - Poland
7.1.04	Ukraine	Coalition Support - Ukraine
7.1.05	Uzbekistan	Coalition Support - Uzbekistan
7.1.06	Slovakia	Coalition Support - Slovakia
7.1.07	Azerbaijan	Coalition Support - Azerbaijan
7.1.08	Bosnia	Coalition Support - Bosnia
7.1.09	Macedonia	Coalition Support - Macedonia
7.1.10	Romania	Coalition Support - Romania
7.1.11	Thailand	Coalition Support - Thailand
7.1.12	Jordan (OEF)	Coalition Support - Jordan (OEF)
7.1.13	Jordan (OIF)	Coalition Support - Jordan (OIF)
7.1.14	Georgia (OIF)	Coalition Support - Georgia (OIF)
7.1.15	Estonia	Coalition Support - Estonia
7.1.16	El Salvador	Coalition Support - El Salvador

7.1 Coalition Support (Continued)		
7.1.17	Nicaragua	Coalition Support - Nicaragua
7.1.18	Hungary	Coalition Support - Hungary
7.1.19	Kyrgyz Republic	Coalition Support - Kyrgyz Republic
7.1.20	Tonga	Coalition Support - Tonga
7.1.21	Romania	Coalition Support - Romania
7.1.22	Czech Republic	Coalition Support - Czech Republic
7.1.23	Georgia (OEF)	Coalition Support - Georgia (OEF)
7.1.24	Moldova	Coalition Support - Moldova
7.1.26	Mongolia (OEF)	Coalition Support – Mongolia (OEF)
7.1.90	CRSP	Coalition Readiness Support Program
7.2 Lift and Sustain		
7.2.1	Transportation Support	Lift and Sustain - Transportation Support
7.2.2	Logistic Support	Lift and Sustain - Logistic Support
7.2.3	Other Support	Lift and Sustain - Other Support
7.2.4	Lift & Sustain	Global Lift & Sustain – Operation Unified Protection
7.3 Security Force Funds Applies to Afghanistan Security Forces Fund (2091) and Iraq Security Forces Fund (2092)		
7.3.01	Defense Forces	Train and Equip - Defense Forces
7.3.02	Defense Forces Sustainment	Train and Equip - Defense Forces Sustainment
7.3.03	Defense Forces Infrastructure	Train and Equip - Defense Forces Infrastructure
7.3.04	Defense Forces Equipment and Transportation	Train and Equip - Defense Forces Equipment and Transportation
7.3.05	Defense Forces Training and Operations	Train and Equip - Defense Forces Training and Operations
7.3.06	Interior Forces	Train and Equip - Interior Forces
7.3.07	Interior Forces Sustainment	Train and Equip - Interior Forces Sustainment
7.3.08	Interior Forces Infrastructure	Train and Equip - Interior Forces Infrastructure
7.3.09	Interior Forces Equipment	Train and Equip - Interior Forces Equipment
7.3.10	Interior Forces Training and Operations	Train and Equip - Interior Forces Training and Operations
7.3.11	Quick Response Fund	Train and Equip - Quick Response Fund
7.3.12	Quick Response Fund	Train and Equip - Quick Response Fund
7.3.13	Other Support	Train and Equip - Other Support
7.3.14	Detainee Operations Sustainment	Train and Equip - Detainee Operations Sustainment
7.3.15	Detainee Operations Infrastructure	Train and Equip - Detainee Operations Infrastructure

7.3 Security Force Funds (Continued) Applies to Afghanistan Security Forces Fund (2091) and Iraq Security Forces Fund (2092)		
7.3.16	Detainee Operations Equipment and Transportation	Train and Equip - Detainee Operations Equipment and Transportation
7.3.17	Detainee Operations Training and Operations	Train and Equip - Detainee Operations Training and Operations
7.3.18	Prosthetics Clinic	Train and Equip - Prosthetics Clinic
7.3.19	Prosthetics Clinic	Train and Equip - Prosthetics Clinic
7.3.20	Other	Train and Equip – OTHER (e.g., FMS Cases)
7.3.30	Pakistan Counterinsurgency Capability Fund (PCCF)	Defense Security Forces Funds provided by Department of State under §632.
7.3.31	PCCF Defense Security Forces infrastructure	Defense Security Forces Infrastructure
7.3.32	PCCF Defense Security Forces Equipment	Defense Security Forces Equipment
7.3.33	PCCF Defense Security Forces Training	Defense Security Forces Training
7.3.40	PCCF Frontier Corps	Frontier Corps
7.3.41	PCCF Frontier Corps Infrastructure	Frontier Corps Infrastructure
7.3.42	PCCF Frontier Corps Equipment	Frontier Corps Equipment
7.3.43	PCCF Frontier Corps Training	Frontier Corps Training
7.3.50	PCCF Humanitarian Assistance	Humanitarian Assistance
7.3.60	PCCF Other	Other
7.4 Commander’s Emergency Response Program (CERP)		
7.4.1	Afghanistan (CERP)	Commander's Emergency Response Program - Afghanistan
7.4.2	Iraq (CERP)	Commander's Emergency Response Program - Iraq
7.4.3	Philippines	Commander's Emergency Response Program - Philippines
7.4.4	Afghanistan Reintegration	Afghanistan Reintegration
7.5 Afghanistan Infrastructure Fund (Expired)		
7.5.1	Power	Afghanistan Infrastructure Fund - Power
7.5.2	Transportation	Afghanistan Infrastructure Fund – Transportation

7.5 Afghanistan Infrastructure Fund (Expired) (Continued)		
7.5.3	Water	Afghanistan Infrastructure Fund – Water
7.5.4	Other Related Activities	Afghanistan Infrastructure Fund – Other Related Activities
7.6 Syria Train & Equip Applies to C-ISIL Train and Equip Fund (2099)		
7.6.1	Trainee Equip/Support	Train and Equip funds used for supporting the vetted Syrian opposition by providing for equipping; training; base operations support, expeditionary facilities and infrastructure; leasing cost; construction and operation of firing ranges; force protection; stipends; transportation, and life support.
7.6.2	U.S. Trainer/Enabler	U.S. Trainer and Enabler funds used for Service expenses directly relating to U.S. forces involved with training the Syrian opposition.
7.7 Iraq Train & Equip Applies to Iraq Train and Equip Fund (2097) and C-ISIL Train and Equip Fund (2099)		
7.7.1	Defense Forces	Train and Equip - Defense Forces
7.8 CISIL Iraq Train & Equip C-ISIL Train and Equip Fund (2099)		
7.8.1	Other Activities	Counter-ISIS train and equip activities outside of Iraq and Syria, and programs to enhance the border security of nations adjacent to conflict areas resulting from ISIS actions.
8.0 Not in Use		
9.0 Humanitarian Relief		
9.1	Security	Includes the costs to provide urgent, temporary, and emergency security of people, facilities, and things in direct support of the operation.
9.11.1	Health and Comfort Packages	Health and Comfort Packages
9.11.2	Blankets	Blankets
9.11.3	Human Remains Pouches	Human Remains Pouches
9.11.4	Human Transfer Cases	Human Transfer Cases
9.11.5	Plastic Sheeting	Plastic Sheeting

9.0 Humanitarian Relief (Continued)		
9.12	Sanitation	Includes the costs to provide urgent, temporary, and emergency sanitation to prevent disease and further damage to people and property in support of the operation.
9.13	Humanitarian Daily Rations	Includes the costs to provide urgent and emergency food direct support of the operation. Includes Meals ready-to-eat.
9.14	Child Care	Includes the costs to provide urgent, temporary, and emergency child care in direct support of the operation.
9.15	Mortuary Services/Support	Includes the costs to provide mortuary services in direct support of the operation.
9.16	Fuel	Includes the obligation of funds to obtain and provide fuel in direct support of the operation.
9.17	Vehicle Rental	Includes the costs for the urgent, temporary, and emergency rental of vehicles in direct support of the operation.
9.18	Vehicle Purchase	Includes the costs of the purchase of vehicles in direct support of the operation.
9.19	Other Procurement	Includes obligation of funds in the Other Procurement accounts for urgent, temporary, and emergency humanitarian relief in direct support of the operation.
9.2	Water	Humanitarian Relief - Water
9.2	Contractor Support	Includes the costs of procuring contractor services used in direct support of the operation.
9.21	All Other Supplies & Materials	Includes the costs of procuring, leasing, or renting miscellaneous supplies or materials used during operation. Includes general support and administrative equipment not identified in another category.
9.22.1	Migrant Costs (CONUS)	Migrant Costs (CONUS)
9.22.2	Migrant Costs (OCONUS)	Migrant Costs (OCONUS)
9.3	Health Care	Humanitarian Relief - Health Care
9.4	Medical Supplies (Excluding Comfort Supplies)	Humanitarian Relief - Medical Supplies (Excluding Comfort Supplies)
9.5	Infrastructure Support	Humanitarian Relief - Infrastructure Support
9.5.1	Temporary/Urgent repairs	Temporary/Urgent repairs

9.0 Humanitarian Relief (Continued)		
9.5.2	Utility/engineering inspections	Utility/engineering inspections
9.5.3	Facility rental	Facility rental
9.5.4	In-Country Support	In-Country Support
9.6	Power/Lighting	Humanitarian Relief - Power/Lighting
9.7	Communication/C3I	Humanitarian Relief - Communication/C3I
9.8	General Transportation	Humanitarian Relief - General Transportation
9.9	Clean-up Costs	Humanitarian Relief - Clean-up Costs

VOLUME 12, CHAPTER 24: "BURDENSHARING AND OVERSEAS RELOCATION CONTRIBUTIONS BY FOREIGN ALLIES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by a * preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated October 2012 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
4.1.1. (240401.A.)	Pursuant to Treasury FAST Book, additional Treasury account established for United Kingdom burdensharing contributions.	Addition

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CHAPTER 24

BURDENSHARING AND OVERSEAS RELOCATION CONTRIBUTIONS BY FOREIGN ALLIES

1.0 INTRODUCTION (2401)

1.1 Purpose (240101)

This chapter prescribes the overall policy and assigns responsibilities for the acceptance, receipt, use, and reporting of burdensharing and relocation monetary contributions to the Department of Defense (DoD) under Title 10, United States Code (U.S.C.), sections 2350j and 2350k (***10 U.S.C. §§ 2350j and 2350k***).

2.0 RESPONSIBILITIES (2402)

2.1 Under Secretary of Defense for (Policy) (USD(P)) (240201)

The USD(P) has policy and management responsibility for burdensharing agreements or arrangements. In addition, the USD(P) will work with the Defense Finance and Accounting Service – Trust Funds Accounting and Reporting Division (TFAR) (DFAS-IN/JJAEAB) on burdensharing program requirements that impact DFAS responsibilities, as appropriate.

2.2 Under Secretary of Defense (Comptroller) (USD(C)) (240202)

2.2.1. The USD(C) serves as the single departmental point of contact with the Departments of State and Treasury for all matters involving the acceptance, receipt, administration and distribution of contributions of funds from foreign countries and organizations for burdensharing and relocation contributions.

2.2.2. The USD(C) is responsible for coordination and approval of military construction projects that are subject to Title 10 U.S.C., section 2350j. In addition, the USD(C) is responsible for reviewing and submitting to the Congress those reports required by Title 10 U.S.C., section 2350j and Title 10 U.S.C., section 2350k.

2.3 Director of Defense Finance and Accounting Service (DFAS) (240203)

The DFAS Director is responsible for recording and reporting the collection of receipts for burdensharing and relocation contributions and for the distribution of receipts, as prescribed by the USD(C), in support of burdensharing and overseas relocation programs.

2.4 Commanders of the Combatant Commands (CINCs) (240204)

The cognizant CINC is responsible for, but may delegate to subordinate commanders, the following responsibilities.

2.4.1. For burdensharing contributions for other than military construction projects, the cognizant CINC shall:

2.4.1.1. Notify the responsible DoD Component of anticipated contributions from foreign governments.

2.4.1.2. Identify a proposed distribution of funds to the approving authority.

2.4.1.3. Deposit funds received with the DFAS Field Activity located within the immediate overseas operating area or the Financial Services Office (FSO) if no DFAS Field Activity is located within the immediate overseas operating areas.

2.4.1.4. Prepare the necessary disbursing documentation for forwarding to the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area.

2.4.1.5. Submit reporting and control of funds information to:

DFAS Indianapolis Site
Trust Funds Accounting and Reporting Division (DFAS-IN/JJAEAB)
Room 315AA-1
8899 East 56th Street
Indianapolis, IN 46249-2801

Submit this information via the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area.

2.4.1.6. Submit information on the amount and purpose of each contribution to:

Office of the OUSD(C)
Office of the Deputy Comptroller (Program/Budget) ODC(P/B)
Operations Directorate, Room 3C710, 1100 Defense Pentagon
Washington, DC 20301-1100

2.4.2. For military construction projects funded with burdensharing contributions, the cognizant CINC shall:

2.4.2.1. Initiate the military construction project proposals utilizing Defense Department (DD) Form 1391 (Justification of Military Construction Projects).

2.4.2.2. Submit for approval the justification material to:

OUSD(C), ODC (P/B)
Military Personnel and Construction Directorate
Room 3C654, 1100 Defense Pentagon
Washington, DC 20301-1100

2.4.2.3. Deposit contributions with the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area.

2.4.2.4. Ensure that ODC(P/B) Military Personnel and Construction Directorate approval has been received prior to disbursement of funds (see subparagraph 2.4.2.2) via the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area.

2.4.2.5. Prepare necessary disbursing documentation for forwarding to the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area.

2.4.2.6. Submit information to the DFAS-IN/JJAEAB (see subparagraph 2.4.1.5) for reporting and control of funds purposes, via the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area.

2.4.3. For all overseas relocation contributions, the cognizant CINC shall:

2.4.3.1. Notify the DFAS Trust Fund Accounting and Reporting Division (DFAS-IN/JJAEAB) that a contribution is expected.

2.4.3.2. Submit information on the amount and purpose of the contribution to the OUSD(C), ODC (P/B), Operations Directorate (see subparagraph 2.5.1.6). Courtesy copies shall be provided to the Military Personnel and Construction Directorate when contributions are made for construction projects.

2.4.3.3. Deposit the funds with the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area.

2.4.3.4. Notify DFAS-IN/JJAEAB, via the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area, at least 1 business day in advance of disbursements so securities can be sold to finance the payment.

2.4.3.5. Prepare the necessary disbursing documentation, for forwarding to the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area.

2.4.3.6. Submit information to the DFAS-IN/JJAEAB, for reporting and control of funds purposes, via the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area.

2.5 Assistant Secretaries of the Military Departments (Financial Management and Comptroller) (FM&C) (240205)

2.5.1. The cognizant Assistant Secretary (FM&C) has responsibility to review and approve the distribution of funds received from foreign countries and regional organizations for the purposes outlined in this Regulation. These responsibilities may be delegated below the Assistant Secretary level.

2.5.2. The Assistant Secretary of the Army (FM&C) is responsible for Korea and Kuwait.

2.5.3. The Assistant Secretary of the Air Force (FM&C) is responsible for Japan, except for the Realignment of Forces from Okinawa to Guam, wherein the Assistant Secretary of the Navy (FM&C) is responsible.

2.5.4. Distribution of contributions received from other countries, not specified above, shall be the responsibility of the Assistant Secretary (FM&C) whose Service will use the greater portion of the contribution.

3.0 MONETARY CONTRIBUTIONS (2403)

3.1 Notifications (240301)

3.1.1. The DoD Components shall notify the DFAS-IN/JJAEAB of all potential monetary contributions prior to acceptance of such contributions. All notifications shall indicate the applicable statute (i.e., Title 10 U.S.C., section 2350j for burdensharing contributions or Title 10 U.S.C., section 2350k for overseas relocation). Copies of all notifications shall be sent to the DFAS-IN/JAFB (see subparagraph 2.4.1.5 for full address) via the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area.

3.1.2. Within 5 working days after notification of anticipated receipt of funds from a country without a designated account, the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate

overseas operating area, shall submit a request for a new Treasury account for that country to the address in subparagraph 2.4.1.5.

3.1.3. TFAR will submit the necessary documents to the Department of the Treasury to establish the new account and shall send a copy of the information to the DFAS-IN/JJAEAB and the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area.

3.2 Contributions (240302)

3.2.1. General

3.2.1.1. Monetary contributions shall be accepted for specific purposes as identified in section 5.0 of this chapter.

3.2.1.2. If none of the accounts identified in section 5.0 of this chapter apply, then contributions shall be credited to a DoD disbursing officer's suspense account using a DD Form 1131 (Cash Collection Voucher) for cash and check contributions. The DoD Component and/or DFAS Field Activity disbursing officer may request further guidance from the DFAS-IN/JAFB.

3.2.2. Contributions in Cash

3.2.2.1. The receiving DoD Component and/or DFAS Field Activity located within the immediate overseas operating area shall credit all cash contributions to one or more of the applicable DoD accounts as identified in section 5.0 of this chapter.

3.2.2.2. Documentation associated with cash contributions, including copies of the DD Form 1131 and the original of any correspondence from contributors, shall be forwarded by the receiving DFAS Field Activity located within the immediate overseas operating area (or DoD Component activity if no DFAS Field Activity is located within the immediate overseas operating area) within 24 hours of deposit to the DFAS-IN/JJAEAB.

3.2.3. Contributions by Check

3.2.3.1. Checks received by DoD officials shall be made payable as described in accordance with Volume 5, Chapter 10. The reference line on the check shall identify the applicable burdensharing agreement or arrangement, or a copy of the agreement shall be attached.

3.2.3.2. Checks received by DoD officials shall be forwarded to the nearest DFAS Field Activity located within the immediate overseas operating area, or other DoD disbursing office if no DFAS Field Activity is located within the immediate overseas operating area, for processing within 24 hours of receipt. Such checks shall be credited to one or more of the applicable DoD accounts identified in section 5.0 of this chapter.

3.2.3.3. Documentation associated with check contributions--including copies of checks, DD Forms 1131, deposit tickets and the original of any correspondence from contributors-

-shall be forwarded by the receiving DFAS Field Activity located within the immediate overseas operating area, or other DoD Component activity if no DFAS Field Activity is located within the immediate overseas operating area, within 24 hours of deposit to the DFAS-IN/JJAEAB.

3.2.4. Contributions by Wire Transfer

3.2.4.1. Contributions by wire transfer are preferred since they eliminate delays in receiving deposits and should provide the most efficient preliminary accounting information for receipt distribution purposes. Wire transfers shall be credited to one or more of the applicable DoD accounts identified in section 5.0 of this chapter.

3.2.4.2. Contributors may make contributions to the Department via electronic funds transfer from commercial banks to the Federal Reserve Bank of New York (as Fiscal Agent of the United States). The Federal Reserve Bank of New York shall credit the Department. Any exceptions shall be documented within the international agreements and coordinated with the USD(C), or designee.

3.2.4.3. Documentation associated with wire transfer contributions, including the original of any correspondence from contributors, shall be forwarded within 24 hours of the deposit to the DFAS-IN/JAFB.

3.2.5. Contributions in Foreign Currencies (Cash or Check)

When a DoD Component becomes aware of a planned, large contribution ($1 million or more) to be made in a foreign currency, the cognizant DFAS Field Activity or DoD Component official shall:

3.2.5.1. Request that the contributor give as much advance notification as possible regarding the amount of the contribution and the estimated date that the contribution will be made.

3.2.5.2. Advise the DFAS-IN/JJAEAB of any planned contributions and continue to keep that office advised of the status until the contribution is received.

3.2.5.3. Except as described in subparagraph 4.2.5.6, the contributor should transfer the foreign currency credit to the Federal Reserve Bank of New York via the contributor's central bank. If the Federal Reserve Bank does not maintain a relationship with a particular central bank, the DoD Component or DFAS Field Activity located within the immediate overseas operating area shall seek guidance from the DFAS-IN/JJAEAB for appropriate alternative arrangements, including the use of limited depositary accounts.

3.2.5.4. Cash and checks received by DoD officials in countries not served by DoD disbursing officers shall be delivered to the nearest U.S. Embassy within 24 hours of receipt for credit in one or more of the applicable DoD accounts identified in section 5.0 of this chapter. If none of the accounts identified in section 5.0 of this chapter applies, then all cash and checks shall be credited to an Embassy disbursing officer's suspense account. The Embassy disbursing officer or representative shall request further guidance from the DFAS-IN/JJAEAB. Documentation

associated with the contribution, including copies of deposit tickets and appropriate collection voucher, shall be forwarded within 24 hours to the DFAS-IN/JJAEAB.

3.2.5.5. Except as described in subparagraph 3.2.5.6, all contributions received in foreign currencies shall be converted to U.S. dollars at the prevailing rate of exchange at the time that the deposit is made.

3.2.5.6. Where international arrangements require the retention of the currency in limited depository accounts for local disbursement in that currency, the deposits shall be calculated and recorded (not converted) in terms of equivalent dollar value based on the prevailing rate of exchange. (See Volume 5, Chapter 13, for additional information.)

4.0 ACCOUNTING (2404)

4.1 Burdensharing (240401)

Burdensharing contributions shall be credited to one or more of the special fund accounts listed below which have been established in the U.S. Treasury for monetary contributions accepted by the Secretary of Defense or designee under Title 10 U.S.C., section 2350j.

4.1.1. Special Fund Receipt Accounts

97_5441.001	Burdensharing Contribution, Defense, Kuwait
97_5441.003	Burdensharing Contribution, Defense, Japan
97_5441.004	Burdensharing Contribution, Defense, South Korea
97_5441.005	Burdensharing Contribution, Defense, Qatar
97_5441.006	Burdensharing Contribution, Defense, United Kingdom

4.1.2. Special Fund Expenditure Account

97X5441	Expenditures (Only)

4.2 Overseas Relocation (240402)

Relocation contributions shall be credited to one or more of the following trust fund accounts which have been established in the U.S. Treasury for monetary contributions accepted by the Secretary of Defense or designee under Title 10 U.S.C., section 2350k.

4.2.1. Trust Fund Receipt Accounts

97_8337.001 Contributions from Kuwait, Host Nation Support for U.S. Relocation Activities

97_8337.003 Contributions from Japan, Host Nation Support for U.S. Relocation Activities

97_8337.004 Contributions from South Korea, Host Nation Support for U.S. Relocation Activities

97_8337.005 Contributions from Qatar, Host Nation Support for U.S. Relocation Activities

4.2.2. Trust Fund Expenditure Account

97X8337 Expenditures (Only)

4.2.3. The DFAS disbursing office or FSO shall transmit copies of deposit tickets for these investments to the DFAS-IN/JJAEAB. For tracking and computation of interest, contributions shall be tracked along with the earnings on each investment by country.

5.0 AVAILABILITY OF CONTRIBUTIONS (2405)

5.1 Burdensharing Contributions (240501)

5.1.1. Burdensharing contributions shall be available only for the payment of the following costs:

5.1.1.1. Compensation for the Department's local national employees,

5.1.1.2. Supplies and services required by the Department, and

5.1.1.3. DoD military construction projects.

5.1.1.3.1. USD(C) or designee written approval is required for the use of such contributions to carry out a military construction project that is consistent with the purposes for which the contributions were made and not otherwise authorized.

5.1.1.3.2. Such approval is also conditional upon a 21-day notice to the Congress as described in subparagraphs 6.1.4 and 6.1.5.

5.1.2. Burdensharing contributions normally shall be available only for the payment of costs in the country making the contribution. Local disbursement of burdensharing funds is authorized. In accordance with Title 10 U.S.C. 2350k, "out-of-country" expenditures shall be made only with the agreement of the contributing country and only for costs that are directly related to U.S. military activities in the contributing country.

5.1.3. If burdensharing contributions are to be used for personnel costs or supplies and services, prior approval of the cognizant Assistant Secretary (FM&C) or designee (such as the U.S. Forces Korea) is necessary before the expenditure of funds.

5.1.3.1. The organization receiving the funds shall submit the proposed distribution of the funds to the cognizant Assistant Secretary (FM&C) for approval.

5.1.3.2. The cognizant Assistant Secretary (FM&C) shall review the proposed distribution and, if approved, transmit the approved distribution to the DFAS-IN/JAFB, as well as to the submitting field component.

5.1.3.3. The field component shall prepare the necessary documentation to effect the disbursement of funds.

5.1.4. If the Department decides to use burdensharing contributions for a military construction project, the cognizant CINC shall forward a coordinated project proposal for approval to OUSD(C), ODC(P/B), Military Personnel and Construction (See subparagraph 2.4.2.2). Once the necessary coordination and approval process has been completed, the Military Personnel and Construction Directorate shall submit a report to the congressional defense oversight committees. The following information shall be included in the proposal:

5.1.4.1. An explanation of the need for the project,

5.1.4.2. The estimated cost of the project, and

5.1.4.3. A justification for carrying out the project.

5.1.5. The Department may not commence a military construction project until the end of a 21-day period that begins on the date that the OUSD(C) submits the required report to the appropriate congressional defense oversight committees.

5.2 Relocation Contributions (240502)

5.2.1. Relocation contributions are available only for costs incurred in connection with the relocation for which the contribution was made. Costs include:

5.2.1.1. Design and construction services;

5.2.1.2. Transportation, packing, unpacking, handling and storage;

5.2.1.3. Communications services;

5.2.1.4. Supply and administration;

5.2.1.5. Personnel costs (including TDY expenses and excluding salaries of permanently assigned military personnel); and,

5.2.1.6. Other expenses that are related directly to the relocation.

5.2.2. The organization receiving the relocation contribution shall submit information on the amount and the purpose of the contribution to the OUSD(C), ODC (P/B), Operations Directorate (see subparagraph 2.4.1.6). Courtesy copies shall be provided to the Military Personnel and Construction Directorate (see subparagraph 2.4.2.2) when contributions are made for construction projects.

5.2.3. The organization receiving the contribution is responsible for preparing the necessary documentation for the disbursing transaction. The DFAS-IN/JJAEAB, however, shall be notified at least 1 business day in advance of disbursement so securities can be sold to finance the payments. The date of each payment and the specific country's funds being utilized must be identified.

6.0 REPORTING REQUIREMENTS (2406)

6.1 Amount and Purpose for Expended Contributions (240601)

No later than 10 days after the end of each fiscal year, the DoD Components shall report, to the DFAS-IN/JAFB, the amount of and the purpose for expended contributions.

6.2 Report for Defense Congressional Oversight Committees (240602)

No later than 20 days after the end of each fiscal year, the DFAS-IN/JJAEAB shall prepare and forward to the OUSD(C), ODC (P/B), Operations Directorate, a report for submission to the applicable defense congressional oversight committees. Those committees are: the Committees on Armed Services of the House of Representatives and the Senate, and the Committees on Appropriations of the House of Representatives and the Senate. The report shall include the following information for each country and regional organization from which contributions were accepted:

6.2.1. The amount of the contribution accepted during the preceding fiscal year under Title 10 U.S.C., sections 2350j and 2350k, and the purposes for which the contributions were made, and

6.2.2. The amount of the contributions expended during the preceding fiscal year under Title 10 U.S.C., sections 2350j and 2350k, and the purposes for which the contributions were expended.

VOLUME 12, CHAPTER 25: "DISPOSITION OF NON-DOD PERSONAL PROPERTY"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated November 2019 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Administrative updates in accordance with the Department of Defense (DoD) Financial Management Regulation Revision Standard Operating Procedures.	Revision

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CHAPTER 25

DISPOSITION OF NON-DOD PERSONAL PROPERTY

1.0 GENERAL

1.1 Purpose

This chapter prescribes the policy for the disposition of lost, abandoned, or unclaimed non-Department of Defense (DoD) personal property and the personal property of deceased members of the Armed Forces. This policy applies when disposing of non-DoD personal property under the jurisdiction of a Military Department, or the Department of Homeland Security as prescribed in Title 10, United States Code, section 2575 (***10 U.S.C. § 2575***).

1.2 Authoritative Guidance

The financial management policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:

1.2.1. 10 U.S.C. § 2575, "Disposition of unclaimed property";

1.2.2. ***10 U.S.C. § 7712***, "Disposition of effects of deceased persons by summary court – martial";

1.2.3. ***10 U.S.C. § 8392***, "Disposition of effects"; and

1.2.4. ***10 U.S.C. § 9712***, "Disposition of effects of deceased persons by summary court – martial."

2.0 DISPOSITION OF UNCLAIMED PROPERTY

2.1 General Policy

2.1.1. The Secretary of any Military Department, and the Secretary of Homeland Security, under such regulations as they may respectively prescribe, may each by public or private sale or otherwise, dispose of all lost, abandoned, or unclaimed personal property that comes into the custody or control of the Secretary's department, other than property subject to 10 U.S.C. §§ 7712, 8392, or 9712. Property subject to paragraph 2.3 is exempted from the requirements. Requirements for the disposition of personal property of deceased members of the Army and Air Force are in section 3.0 Requirements for the disposition of personal property of deceased members of the Navy and Marine Corps are in section 4.0.

2.1.2. Property may not be disposed of until a diligent effort has been made to find the owner (or the heirs, next of kin, or legal representative of the owner). A diligent effort to find the owner (or the heirs, next of kin, or legal representative of the owner) must begin, to the maximum extent practicable, not later than 7 days after the date on which the property comes into the custody

or control of the Secretary having immediate jurisdiction. The period for which that effort is continued must not exceed 45 days.

2.1.3. Notice of the time and place of the intended sale or other disposition must be sent by certified or registered mail to the applicable owner (or heirs, next of kin, or legal representative of the owner) at their last known address. If the owner (or the heirs, next of kin, or legal representative of the owner) is determined but not found, the property may not be disposed of until the expiration of 45 days after the date the notice is sent to the owner (or the heirs, next of kin, or legal representative of the owner).

2.1.4. When a diligent effort to determine the owner (or heirs, next of kin, or legal representative of the owner) is unsuccessful, the property may be disposed of without delay. If the property has a fair market value of more than $300, it may not be disposed of until 45 days after the date it is received at the point of storage designated by the Secretary.

2.2 Distribution of Proceeds

The proceeds from the sale of lost, abandoned, or unclaimed personal property found on a military installation, must be credited to the operation and maintenance account that funds the operations of that installation and be used to reimburse the installation for any costs incurred during the collection, transportation, storage, protection, or selling of the property. Any proceeds which remain after the reimbursement of installation expenses must be utilized to support morale, welfare, and recreation activities under the jurisdiction of the armed forces that are conducted for the comfort, pleasure, contentment, or physical or mental improvement of members of the armed forces at such installation. The net proceeds from the sale of other property under paragraph 2.1 must be deposited into the U.S. Department of the Treasury (Treasury) as miscellaneous receipts.

2.3 Restrictions

No property covered by this section may be delivered to the Armed Forces Retirement Home by the Secretary of a Military Department, except papers of value, sabers, insignia, decorations, medals, watches, trinkets, manuscripts, and other articles valuable chiefly as keepsakes.

2.4 Claims for Proceeds

The owner (or heirs, next of kin, or legal representative of the owner) of personal property whose proceeds were credited to a military installation may file a claim with the Secretary of Defense for an amount equal to the proceeds less costs referred to in paragraph 2.2. Amounts to pay the claim must be drawn from the morale, welfare, and recreation account for the installation that received the proceeds. The owner (or heirs, next of kin, or legal representative of the owner) may file a claim with the Secretary of Defense for proceeds deposited at Treasury as well. Unless a claim is filed under this section within 5 years after the date of the disposal of the property to which the claim relates, the claim may not be considered by either the Secretary of Defense or a court. The responsibility of the Secretary of Defense to consider such claims has been delegated to the Under Secretary of Defense (Personnel and Readiness).

3.0 ARMY AND AIR FORCE DISPOSITION OF PERSONAL PROPERTY OF DECEASED MEMBERS

3.1 General Policy

Upon the death of a person subject to military law and under the jurisdiction of the Army or Air Force, or upon the death of a resident of the Armed Forces Retirement Home; the commanding officer must permit the legal representative or the surviving spouse of the deceased, if present, to take possession of the effects of the deceased that are then in camp, air base, or quarters. If there is no legal representative or surviving spouse present, the commanding officer must direct a summary court-martial to collect the effects of the deceased that are then in camp, air base, or quarters. The summary court-martial may collect debts due the decedent by local debtors and pay undisputed local creditors of the deceased (to the extent permitted by the monetary assets of the deceased in the court's possession). Receipts for payments made from the estate of the deceased must be filed with the court's final report to the Department of the Army or Air Force.

3.2 Distribution of Personal Property

As soon as practicable after the collection of the personal effects and monetary assets of the deceased, the summary court-martial must, at the expense of the United States, send the personal effects and monetary assets to one of the living persons, in the order of precedence shown on the following list, who is found by the court:

3.2.1. The surviving spouse or legal representative.

3.2.2. A child of the deceased.

3.2.3. A parent of the deceased.

3.2.4. A brother or sister of the deceased.

3.2.5. The closest next of kin of the deceased.

3.2.6. The beneficiary named in the will of the deceased.

3.3 Time Limits

If the summary court-martial cannot dispose of the effects as stated in paragraph 3.2 because there are no persons in any of the categories listed, or because the addresses of such persons are not known or are not available, the court may convert the effects of the deceased into cash by public or private sale. However, the sale may not occur until 30 days after the date of death of the deceased. Items listed in paragraph 2.3 may not be sold.

3.4 Final Disposition of Personal Effects

As soon as practicable after the effects have been converted into cash, the summary court-martial must relinquish custody of all cash and all receipts relating to cash transactions to the executive part of the Department of the Army or Air Force. Wills or other papers of value, an inventory of personal effects, and articles whose sale is not permissible also must be placed under the jurisdiction of the executive part of the Service of which the deceased was a member. All items received by the executive part of the Army or Air Force must be delivered to the Armed Forces Retirement Home.

4.0 NAVY AND MARINE CORPS DISPOSITION OF PERSONAL PROPERTY OF DECEASED MEMBERS

4.1 General Policy

The Secretary of the Navy must retain custody of money or other personal property of a deceased member of the Naval Service and make a diligent effort to determine and locate the heirs or next of kin of the deceased member. Property remaining unclaimed 2 years after the death of the member must be sold, and the proceeds, together with any other monetary assets of the member held in custody, must be deposited into the Treasury as miscellaneous receipts.

4.2 Recoupment

Within 5 years after the date the money and proceeds are deposited into the Treasury, any claim that is presented, and supported by competent proof, must be certified to Congress for consideration. After the 5-year period, claims may not be accepted, and the requestor must be notified that the time limit for submitting a claim has expired.

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 26: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 27: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 28: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 12, CHAPTER 29: "ADMINISTERING, USING, AND ACCOUNTING FOR SEIZED AND/OR VESTED FUNDS AND PROPERTY DURING CONTINGENCY OPERATIONS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated June 2020 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	This chapter has been certified as current.	Current

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CHAPTER 29

ADMINISTERING, USING, AND ACCOUNTING FOR SEIZED AND/OR VESTED FUNDS AND PROPERTY DURING CONTINGENCY OPERATIONS

ANNEX 1 SHIPMENT AND DISTRIBUTION OF FUNDS DURING CONTINGENCY OPERATIONS

A. Purpose and Applicability

This annex addresses the duties, responsibilities, and procedures to be followed by the host nations, Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), and the designated Executive Agent when requesting and shipping vested funds to host nations.

B. Responsibilities

The administrator of the host nation, along with OUSD(C) and the Executive Agent will coordinate, request, document and arrange for the shipment of vested funds to the host nation.

C. Definitions

1. Contingency operations include, but are not limited to, support for peacekeeping operations, major humanitarian assistance efforts, noncombatant evacuation operations, and international disaster relief efforts.

2. Host nation is a nation that receives the forces and/or supplies of allied nations, and/or coalition partners to be located on, to operate in or to transit through its territory.

3. Coalition Forces are defined as a temporary alliance of factions, nations, or countries, for a specific purpose, in times of international conflict or war.

4. Executive Agent is the head of a Department of Defense (DoD) Component to whom the Secretary of Defense or the Deputy Secretary of Defense has assigned specific responsibilities, functions, and authorities to provide defined levels of support for operational missions, or administrative or other designated activities that involve two or more of the DoD Components.

5. Interim government is defined as a temporary government formed by the host nations or allies until a permanent government can be installed by the local people.

6. Vested assets are those frozen by Presidential Executive Order and vested with the U.S. Department of Treasury (Treasury) for return to the host nation.

7. Spending plan is a plan describing the purposes and the amounts of proposed expenditures of vested and seized property, developed by the host nation or the interim government, and submitted through appropriate channels for approval.

D. Procedures

1. The administrator of the host nation will make a determination that vested funds are needed for a specific purpose or objective.

2. After the determination is made, the host nation's comptroller will notify the OUSD(C) to create the necessary funding documents. The host nation's comptroller will also provide OUSD(C) with the host nation approved spending plans, supporting the distribution of the funds. The host nation's comptroller will identify the amount of money required along with the quantity of each denomination.

3. OUSD(C) will notify Treasury that cash is needed. When possible, the host nation's comptroller will give the OUSD(C) and Treasury at least a 10-day advance notice of when the money is needed in country. The Treasury will notify the Federal Reserve Board. The Federal Reserve Board will work with the designated Federal Reserve Bank to procure the amount of money needed and denominations as requested.

4. The host nation's comptroller, in coordination with the Executive Agent, is responsible for coordinating the delivery date and location where the money is to be delivered to allow for a maximum force protection posture keeping in mind customs, requirements and coordination with the host nation. The designated Executive Agent will coordinate with the Surface Deployment and Distribution Command to arrange transportation, security and loading of aircraft at the designated debarkation point to meet the host nation's desired delivery date.

5. The designated Executive Agent will provide the flight number and arrival time in country to the designated receiving disbursing officer and to the host nation to ensure security and logistical assets are available to off-load the currency.

6. The Executive Agent's financial operation's designee will ensure security and logistical assets are available to off-load the currency.

7. The Federal Reserve Board will notify the contracted armored carrier service to escort the money to the designated military installation. When the shipment arrives at the designated military installation, the accountable individual will be a military officer assigned to accompany the flight to the appointed airport.

8. Once at the designated military installation, the money is verified, arranged on pallets and shrink-wrapped to prevent loss and ensure accountability during shipment. The money is then loaded onto available military aircraft and escorted by two designated couriers. The accountable individual has accountability for the money from the designated shipping point to designated receiving point.

9. Accountability will transfer from the accountable individual to the designated custodian for host nation funds or disbursing officer's representative, at the designated receiving point upon verification of funds.

ANNEX 2 DUTIES UPON ASSUMING POSSESSION OF FUNDS AND/OR PROPERTY

A. Purpose and Applicability

1. This annex addresses the duties, responsibilities, and general procedures to be followed by the Coalition Forces upon discovery, possession, seizure, or receipt of funds and/or property. Specific procedures to ensure accountability and transparency of vested and seized property must be developed to accommodate each unique contingency operation. Policy memorandums specific to each on-going contingency operation will be maintained on the DoD Financial Management Regulation website at ***DoD FMR Policy Memoranda***, Volume 12, Special Accounts, Funds and Programs.

2. The designated Executive Agent shall coordinate with the OUSD(C) to develop specific procedures upon the notification of pending contingency operations. Such procedures will apply to all parties involved in the area(s) of operations for the specific contingency operations as specified in the policy memorandum.

B. Responsibilities

1. Command Responsibility. It is the obligation of the Combatant Commander and subordinate commanders at all levels to ensure all local regime or private property, cash, or other valuables seized, received, or otherwise taken into possession are properly secured, safeguarded, controlled and accounted for.

2. Individual Responsibility. It is the responsibility and obligation of all Coalition Forces personnel to: (1) notify superiors in a timely manner of any property seized or received; (2) keep records of and account for such property; and (3) properly secure, safeguard, and control the property in their physical possession. If required, assist other assigned or responsible personnel in the conduct of their duties to secure and safeguard such property or assets.

3. Custodial Responsibility. This responsibility can be either formally assigned or it may be an inherent responsibility derived from command authority. Custodians shall take all necessary and prudent actions to properly secure, control, account for, and safeguard property that comes into their physical possession.

4. Accountable Individual. An accountable individual will be appointed by the commander of the Coalition Forces (Detachment, Company, Battalion or equivalent activity) that originally finds, seizes, secures, or otherwise takes possession of public or private property, cash, or valuables. The accountable individual may be a Coalition Forces commissioned or warrant officer or a properly qualified Coalition Forces civilian manager detailed or attached to the activity. The accountable individual will: maintain formal property, inventory, and accounting

records that show, on a continuing basis, the identification or description or the items held, the physical count of cash and face value of currency and securities held by denomination, record of all gains or losses and on-hand balances, the conditions and locations of all property assigned or in possession, and evidence of the chain of custody maintained from time of first receipt or possession (by hand receipt or other record).

C. Definitions

Seized funds are cash and property confiscated by coalition forces during military operations and governed by the laws and usages of war. Normally captured foreign currency shall be delivered promptly into the custody of the State Department's United States Disbursing Officer (USDO) supporting the particular country involved. Any DoD DO acquiring captured foreign currency shall ensure the funds are safeguarded and delivered to the USDO as soon as possible. Captured foreign currency shall not be collected into the DOs accountability as prescribed in Volume 5, Definitions.

D. Procedures

1. Secure the property. Use armed guards or other appropriate forms of control as necessary.

2. The ranking military member present when the property is secured automatically becomes the accountable individual with custodial responsibility.

3 Conduct and document a physical inventory of the property. Establish a custodial record, using and modifying DA Form 4137 (Evidence/Property Custody Document) (Figure 2-1) as appropriate.

4. Remove the property, using appropriate care and security, to a controlled area and deliver to an accountable officer.

5. The accountable individual will deliver the property in the form of cash, jewels, precious metals or other items of value to the nearest disbursing officer or disbursing officer's representative. Upon receipt, the disbursing officer or DO representative shall become the designated custodian official for the cash, jewels, and precious metals. All other property should be handled through established logistics channels. If the seized assets have been designated to be collected into a trust fund, the DO will take them into his accountability. The DO will safeguard and account for the assets as prescribed in Volume 5, Chapter 16.

6. This accountable individual shall establish the appropriate accounting records.

7. Officers with custodial responsibility shall take all prudent and necessary steps to accomplish their responsibilities in this area, including observing and controlling the actions of subordinates, as needed, to safeguard property in their custody.

E. Determination of Public or Private Property Status

1. The location where the property was discovered or obtained must be considered in determining whether property is public or private. It is important that the officers with custodial responsibility document the location and circumstances under which property was obtained. In general, property obtained or seized at palaces or government ministry offices or other government compounds will be assumed to be the local regime assets. Property discovered in private residences or commercial locations or in rural locations will be initially assumed to be private assets. If what appears to be stocks or concentrations of looted goods are discovered, this property will initially be considered public.

2. Any additional documentation found with or adjacent to property may be used in the process of making a final determination on the status of the property. This documentation could include such items as records, invoices, vouchers, inventory lists, letters, or other forms of property identification. The officer initially charged with custodial responsibility will be required to make the determination as to the relevance of any documentation found with or in the vicinity of property recovered or seized. Should the documentation be deemed relevant, the officer charged with custodial responsibility will secure and include that documentation along with the property seized.

3. When property is seized from banks or other financial institutions, the custodial officer will secure and include all available, relevant documentation that will assist in the final determination of the status of the property. Other sources of information can be used to assist in these cases, including but not limited to, intelligence information and records obtained at government ministries describing banking or financial institutions used by the regime as part of their government financial system. Final determinations of the status of any seized assets or property will be made in conjunction with U.S. and Coalition Forces legal authorities.

Figure 2-1. Evidence/Property Custody Document

EVIDENCE/PROPERTY CUSTODY DOCUMENT

For use of this form see AR 190-45 and AR 195-5; the proponent agency is US Army Criminal Investigation Command

MPR/CID SEQUENCE NUMBER

CRD REPORT/CID ROI NUMBER

RECEIVING ACTIVITY	LOCATION
NAME, GRADE AND TITLE OF PERSON FROM WHOM RECEIVED ☐ OWNER ☐ OTHER	ADDRESS *(Include Zip Code)*
LOCATION FROM WHERE OBTAINED	REASON OBTAINED / TIME/DATE OBTAINED

ITEM NO.	QUANTITY	DESCRIPTION OF ARTICLES *(Include model, serial number, condition and unusual marks or scratches)*

CHAIN OF CUSTODY

ITEM NO.	DATE	RELEASED BY	RECEIVED BY	PURPOSE OF CHANGE OF CUSTODY
		SIGNATURE / NAME, GRADE OR TITLE	SIGNATURE / NAME, GRADE OR TITLE	
		SIGNATURE / NAME, GRADE OR TITLE	SIGNATURE / NAME, GRADE OR TITLE	
		SIGNATURE / NAME, GRADE OR TITLE	SIGNATURE / NAME, GRADE OR TITLE	
		SIGNATURE / NAME, GRADE OR TITLE	SIGNATURE / NAME, GRADE OR TITLE	
		SIGNATURE / NAME, GRADE OR TITLE	SIGNATURE / NAME, GRADE OR TITLE	

DA FORM 4137, 1 JUL 76 Replaces DA FORM 4137, 1 Aug 74 and DA FORM 4137-R Privacy Act Statement 20 Sep 75 Which are Obsolete

USAPPC V1.00

LOCATION _____ DOCUMENT NUMBER _____

Figure 2-1 (Continued)

		CHAIN OF CUSTODY *(Continued)*		
ITEM NO.	DATE	RELEASED BY	RECEIVED BY	PURPOSE OF CHANGE OF CUSTODY
		SIGNATURE NAME, GRADE OR TITLE	SIGNATURE NAME, GRADE OR TITLE	
		SIGNATURE NAME, GRADE OR TITLE	SIGNATURE NAME, GRADE OR TITLE	
		SIGNATURE NAME, GRADE OR TITLE	SIGNATURE NAME, GRADE OR TITLE	
		SIGNATURE NAME, GRADE OR TITLE	SIGNATURE NAME, GRADE OR TITLE	
		SIGNATURE NAME, GRADE OR TITLE	SIGNATURE NAME, GRADE OR TITLE	
		SIGNATURE NAME, GRADE OR TITLE	SIGNATURE NAME, GRADE OR TITLE	
		SIGNATURE NAME, GRADE OR TITLE	SIGNATURE NAME, GRADE OR TITLE	
		SIGNATURE NAME, GRADE OR TITLE	SIGNATURE NAME, GRADE OR TITLE	

FINAL DISPOSAL ACTION

RELEASE TO OWNER OR OTHER *(Name/Unit)* _____

DESTROY _____

OTHER *(Specify)*

FINAL DISPOSAL AUTHORITY

ITEM(S) _____ ON THIS DOCUMENT, PERTAINING TO THE INVESTIGATION INVOLVING _____ *(Grade)*

_____ *(Name)* _____ *(Organization)* (IS) (ARE) NO LONGER REQUIRED AS EVIDENCE AND MAY BE DISPOSED OF AS INDICATED ABOVE. *If article(s) must be retained, do not sign, but explain in separate correspondence.)*

_____
(Typed/Printed Name, Grade, Title) *(Signature)* *(Date)*

WITNESS TO DESTRUCTION OF EVIDENCE

THE ARTICLE(S) LISTED AT ITEM NUMBER(S) _____ (WAS) (WERE) DESTROYED BY THE EVIDENCE CUSTODIAN, IN MY PRESENCE, ON THE DATE INDICATED ABOVE.

_____
(Typed/Printed Name, Organization) *(Signature)*

USAPPC V1.00

ANNEX 3 FINANCIAL RECORDS RETENTION AND DISPOSITION DURING CONTINGENCY OPERATIONS

A. Purpose and Applicability

This annex provides guidance on the submission of necessary documents and reports during contingency operations in order to provide pertinent information to the designated accounting site. It addresses the duties, responsibilities, and procedures to be followed by the disbursing officers and certifying officers when providing disbursement services during contingency operations.

B. Responsibilities

The disbursing officer or his designee shall ensure that all original disbursing officer records and associated papers are retained as government property as cited in Volume 5, Chapter 15. These records shall be readily accessible to the disbursing officer for 6-years period consistent with guidance in the National Archives and Records Administration, ***General Records Schedules*** or in accordance with the specific record schedules authorized for their DoD Components. Extension to this record retention period may be warranted on a case-by-case basis.

C. Procedures

1. All disbursing officers will keep a daily report of all transactions processed.

2. All disbursement documents shall be supported by either hard copy or readable machine source records to ensure that:

a. A legal obligation to pay exists (typically a contract);

b. The payee has fulfilled any prerequisites to payment (typically an invoice and receiving report);

c. The amount of the payment and identity of the payee are correct;

d. The payment is legal under the appropriation or fund involved (typically the correct fiscal year and appropriation); and

e. The documentation links together all records and supports an audit of certifying and disbursing officer transactions as required by law. In addition, a copy of the spending plan must be retained with the original disbursement vouchers.

3. If disbursements are made in cash, the voucher should be receipted by the vendors and/or receipts from the vendors should be attached to the vouchers.

4. The designated accounting site must issue specific accounting and document retention and disposition requirements for paid vouchers. These requirements must be satisfied within 30 days of the payment.

5. The original collection and disbursement vouchers shall be forwarded with the DD Form 2657 (Daily Statement of Accountability) to the designated accounting site as soon as possible after the close of the business day. Disbursing officers shall take extra precautions to ensure that all copies prepared for distribution are completely legible. Additional guidance on the assembly and transmittal of financial reports can be found in Volume 5, Chapter 15.

6. Original paid vouchers shall be safeguarded consistent with standard security regulations prescribed in Volume 5, Chapter 3.

7. Payments using vested and seized funds shall be made and documented consistent with Volume 5, Chapter 9.

8. All vested and seized funds shall be delivered, transported and safeguarded consistent with Volume 5, Chapter 3.

ANNEX 4 DEVELOPMENT OF FUNDING REQUIREMENTS FOR VESTED AND SEIZED PROPERTY

A. Purpose and Applicability

This annex addresses the duties, responsibilities, and procedures to be followed by the government or designated interim government when working to identify and develop requirements for spending plans in restoring and rebuilding the host country for its people. There may be multiple funding sources available for the purpose of stabilization, reconstruction and humanitarian assistance for the benefit of the local people.

B. Responsibilities

1. It is the responsibility of the appointed/designated officials and coalition commanders to explain the requirements for obtaining vested and seized property for projects that achieve the mission of the designated government.

2. Local designated governmental officials and coalition commanders are responsible for requesting funding from vested and seized assets to accomplish approved projects and requirements by submitting the appropriate funding request form to the designated review board.

3. The majority of funding requirements are expected to be included in the interim government budgets. However, unanticipated or emergency requests will be accepted by the designated review board for consideration. The local government offices shall prepare complete funding request forms to request funding for requirements not addressed in budget submissions.

C. Procedures

1. The funding request form will be reviewed in accordance with the interim government process for the allocation of funds. The designated committee, will conduct the initial review of all program funding requests and project submissions, categorize them, and make recommendations to the designated review board for the allocation of vested and seized funds. The designated review board is responsible for preparing and submitting allocation requests to the Administrator for approval. The designated review board requests will include proposed allocations of available resources. The specific roles, responsibilities, and membership of the interim government designate review board will be determined at the formation of the interim government. For approved projects using Seized and Vested Assets, the interim government is the final authority. After the interim government approval, the interim government comptroller will provide the appropriate funding form and related decision documents to the OUSD(C) and the designated Executive Agent budget office.

2. Once funding requests are approved by the Administrator, the requestor must submit a completed Standard Form 1034 (Public Voucher for Purchases and Services Other Than Personal), along with a spending plan to the interim government comptroller for the

disbursement of funds. A spending plan is a plan describing the purposes and amounts of proposed expenditures of vested and seized property, developed by the host nation or the interim government, and submitted through appropriate channels for approval.

ANNEX 5 ALLOCATION, DISBURSEMENT, AND FINANCIAL REPORTING OF VESTED AND SEIZED PROPERTY

A. Purpose and Applicability

This annex applies to all parties involved in the receiving, disbursing, accounting for, securing, and reporting of vested and seized property. Specific procedures to accommodate each contingency operation must be developed to ensure accountability and transparency of vested and seized property. Policy memorandums specific to each on-going contingency operation will be maintained on the Department of Defense Financial Management Regulation website at Volume 12, Special Accounts, Funds and Programs; Policy Memorandums.

B. Responsibilities

1. Coalition Government Responsibility. The coalition government (or interim government) is responsible for identifying program requirements, identifying appropriate funding sources for requirements, initiating reprogramming actions when needed, maintaining program accountability, fund certification, certifying receipt of goods, services, and payroll, and certifying disbursement of funds.

2. The Designated Executive Agent (Resource Management) Responsibility. The Executive Agent (Resource Management) is responsible for:

a. Providing commitment accounting support documentation;

b. Providing obligation transactions input to the designated accounting site for processing into the appropriate accounting system;

c. Monitoring fund execution; and

d. Certifying all required financial reports.

3. Disbursing Officer (DO) Responsibility. The DO is responsible for:

a. Processing DD Form 1131 (Cash Collection Voucher) for seized assets and SF 5515 (Debit Voucher) for vested assets to increase cash balances;

b. Disbursing cash to host nation authorized payees;

c. Processing disbursements in the appropriate disbursing system; and

d. Transferring SF 1034s (Public Voucher for Purchases and Services Other Than Personal) and SF 44s (Purchase Order-Invoice-Voucher) and support documents to the designated accounting site promptly.

4. The Designated Accounting Site. The designated accounting site shall maintain the accounting database and prepare, certify, and process SF 1081s (Voucher and Schedule of Withdrawal and Credits) based upon receipt of the Funding Authorization Documents (FADs); post disbursement and obligation transactions processed by the designated disbursing office to the appropriate accounting system; and maintain documentation for future review and audit. In addition, to record an increase in the DO's accountability under general ledger control, the designated accounting site will prepare an Optional Form 1017-G – Journal Voucher (OF 1017-G, Figure 5-1) upon receipt of the monthly SF 1219 (Statement of Accountability) from the DO.

C. Procedures

1. Program Control Procedures

a. Specific procedures shall be developed to accommodate the unique circumstance of each contingency operation.

b. Cash accountability will be maintained on the DO's DD 2657 (Daily Statement of Accountability) and monthly SF 1219.

c. The designated accounting site will determine the appropriate accounting system to be used as the book of original entry.

d. The Executive Agent shall monitor execution of funds.

e. All collections and disbursement transactions are reported on the disbursing officer's SF 1219 (Statement of Accountability).

2. Funds Management Procedures

a. Fiscal Coding and Management Structure. The Executive Agent, in coordination with the designated accounting site, will establish the fiscal coding and management structure, including monthly and annual reporting levels, budget activities, and project codes. The coding structure and budget activities are established per Treasury and the Office of Management and Budget guidance received and in coordination with the host nation.

b. Vested Assets. Vested assets are funds vested in Treasury by operations of domestic law. A special Treasury General Fund Account Symbol shall be used to record cash deposits and disbursements of vested funds. This unique account shall be used only for the purpose designated for the use of vested funds.

c. Seized Assets. Seized funds are cash and property confiscated by coalition forces during military operations and governed by the laws and usages of war. A special Treasury Deposit Fund Account Symbol shall be used to record seized assets after

validation by the designated Federal Reserve Bank. This unique account shall be used only for the purpose designated for the use of seized funds.

d. Detailed Accounting Codes. The host nation's comptroller shall request detailed accounting transaction codes through the Executive Agent's headquarters, from the designated accounting site, based on the fiscal coding and management structure established.

3. Disbursing Operations and Cash Accountability Procedures

a. The coalition government must provide certifying official appointment letters and signature cards, DD Form 577 (Appointment/Termination Record – Authorized Signature) to the DO for all host nation personnel that will certify SF 44s or SF 1034s for payments.

b. Prior to disbursing, the coalition government shall obtain validated, detailed documentation to support payment of payrolls, utilities, and other goods and services from the designated host nation officials. For accountability purposes, supporting documentation from automated local payment systems should be used if they are determined to be available and adequate. The coalition government shall obtain from host nation officials organizational listing(s) of individuals authorized to receive payment at the designated payment site(s), and the amount each individual is to be paid. The host nation will certify the payment vouchers and present to the DO for payment. The DO and the host nation shall follow customary local practices for validation of, and payment for, normal and/or recurring utilities and other goods and services. The host nation will ensure adequate controls are in place by utilizing supporting documentation from local officials to ensure goods and services were received.

c. The host nation shall prepare and submit a memorandum to the DO, including the date, time, location, number of payees, and amount of money to be disbursed at each site. The DO shall disburse funds based on the amount of the certified voucher. The designated disbursing or paying agent will provide supporting documentation for the additional funds. The DO will advance funding to the disbursing or paying agent via a DD Form 1081 (Statement of Agent's Accountability). After the paying agent has finished making payments, he/she will use the payroll plus any additional payments added to the payroll to balance with the DO.

d. The host nation's representative appointed as the certifying official will certify the payment(s), and will date and sign the payment voucher.

e. Payments made using seized and vested funds shall be certified in a manner consistent with Volume 5, Chapter 5.

f. Paying agents responsible for making disbursements of vested and seized funds shall be appointed consistent with Volume 5, Chapter 2.

4. Delivery of Funds Procedures

a. A host nation's fund custodian or paying agent will deliver the funds to the designated pay site(s). Designated cashiers or designated local representatives will sign a receipt acknowledging receiving the funds and make payments at the designated pay site(s). The cashiers will acknowledge receipt from the disbursing agent on a DD Form 1081. Designated host nation representatives will verify the amount and date, and then sign as the payee on the SF 1034 or SF 44. The host nation appointed task force will ensure, insofar as practicable, that designated coalition representatives properly secure funds at the designated pay site(s) and/or while transporting funds to remote sites.

b. The cashiers and/or designated host nation representatives shall disburse funds to designated individuals or service providers. All disbursements shall be documented with a certified voucher with supporting documentation to validate who received the funds and the purpose that the funds will be used.

(1) For Payrolls. Individuals must present proper/valid identification, and acknowledge receipt of payment by signing the payroll list or other appropriate form.

(2) For Payment of Utilities and Other Goods and Services. The host nation shall appoint paying agents in accordance with Volume 5, Chapter 2. The DO shall brief all cashiers and paying agents on their responsibilities and pecuniary liability for funds. A properly certified voucher with supporting documentation (receipt and invoice) must be presented when disbursing for other than payroll.

c. Paying agents will be advanced funds on a DD Form 1081, "Statement of Agent Accountability". The paying agent will disburse funds based on a properly certified SF 44 or SF 1034. Any funds not disbursed that are remaining after the mission is completed and all disbursements have made will be returned to the DO using a DD Form 1081 and DD Form 2665. The paying agent will use the certified disbursed vouchers to balance with the remaining funds and the advancing DD Form 1081. The host nation comptroller will conduct weekly reviews of any balances on hand at the designated local payment sites. The host nation comptroller shall also review supporting documentation to validate beginning balances, all disbursements and ending cash balances. The host nation comptroller shall verify cash on-hand matches the ending cash balance and that the funds are properly secured. Any funds returned from the designated local payment sites to the host nation comptroller will be collected into the DO's accountability using a DD Form 1131.

5. Paying Operations Procedures

a. Purchasing Officer Appointments. The host nation contracting activity must appoint purchasing officers. Purchasing officers are appointed to purchase goods and services, and are authorized to make such purchases via the SF 44.

b. Paying Agent Appointments. Paying agents must be appointed to pay for commercial services or supplies in support of purchasing officers.

(1) Requests for paying agents must be made in writing to the DO.

(2) Host nation commanders authorized to appoint paying agents shall do so in writing in accordance with Volume 5, Chapter 2. The DO must appoint cashiers from the local finance command. The DO shall brief them on the responsibilities and potential pecuniary liability for funds.

(3) Paying agent appointments may be for either a specific transaction or a specified period of time.

(4) Appointed paying agents may not serve concurrently as purchasing officers and may not be charged with the handling or custody of any other funds.

6. Disbursing Procedures

a. The host nation comptroller shall prepare a memorandum to the DO providing date, time, location, number of paying agents, names of the paying agents, and amount of money to be disbursed to each paying agent.

b. The DO or disbursing agent will advance the funds to the appointed paying agent(s) using DD Form 1081. The paying agent shall sign the DD Form 1081 as a receipt for the funds.

c. The paying agent will disburse funds in accordance with the purchasing officer's authorization. The purchasing officer and the paying agent will use the SF 44 to make purchases and payments. The purchasing officer will sign and certify the SF 44.

d. The SF 44 must be signed by the paying agent and the individual receiving the funds.

e. The paying agent must keep the original SF 44 with all signatures. Upon mission completion, the paying agent must return all supporting documentation (e.g., original receipts and SF 44s) and remaining cash to the DO in country or designated government financial activity in order to clear the DD Form 1081.

f. The host nation comptroller will authorize any replenishment of funds. The host nation comptroller certifying official must prepare another memorandum to the DO requesting additional funds. A new DD Form 1081 will be prepared by the DO.

g. Imprest fund cashiers will not be utilized. Purchasing agents appointed by the host nation comptroller-designated government procurement activity will be used to make small purchases, as needed. Disbursing agents will disburse payments based on certified vouchers provided by an appointed certifying officer.

7. Reconciliation Procedures

a. The host nation comptroller and designated accounting site shall conduct a joint reconciliation of commitments and obligations in accordance with Volume 3, Chapter 8. Additionally, the DO and designated accounting site will need to follow existing requirements associated with reporting and reconciliation of DO deposit fund accounts.

b. The DO and cashiers shall follow standard daily balancing procedures as identified in the Volume 5, Chapter 15. Additionally, quarterly cash verifications will be conducted in accordance with Volume 5, Chapter 3.

c. The host nation reports required in Annex 7 will require reconciliation of Program Review Board approved projects versus disbursements.

8. Audits and Program Reviews

The administration, use, and accounting of seized and vested assets will be subject to periodic audits by the Department of Defense's internal audit organizations, including the Office of Inspector General, as well as external organizations such as the Government Accountability Office and congressional oversight committees. All officials responsible for administering vested and seized assets shall cooperate fully with any review, audit, or investigation conducted by such organization.

Figure 5-1. Journal Voucher

Optional Form 1017-G (9-79)
Title 7, GAO Manual
501017-810

JOURNAL VOUCHER

J.V. No. 25
Date 5 May 20XX

REFERENCE	EXPLANATION	DEBIT	CREDIT
DEBIT VOUCHER # 475129	Transfer Vested Funds From FRB ON SF 5515. OF1017G will be used to increase the DO accountability under General Ledger control. The account to be cited is : XX X XXXX XXXXX (Treasury Account Symbol will be established) DSSN: 8551 DATE OF SF 5515: 5 May 2003		20,000.000.00
	Total		20,000.000.00

Prepared By Darrell Johnson
(Signature)

Deputy Disbursing Officer
(Title)

Approved By Hank Snow
(Signature)

Deputy Disbursing Officer
(Title)

ANNEX 6 MONTHLY INVENTORY REPORT OF SEIZED PROPERTY

A. Purpose and Applicability

This annex addresses the duties, responsibilities and procedures to be followed by the designated DO or designated government financial activity supporting the host nation's interim government in preparing monthly reporting of vested and seized property.

B. Responsibilities

The designated Executive Agent having custody of the seized assets shall prepare monthly reports describing all vested and seized property in the possession of host nation officials. These reports shall distinguish between vested and seized property.

The designated Executive Agent having custody of the seized assets shall submit the monthly reports under cover memorandum to the host nation and the OUSD(C), with copies furnished to the Principal Deputy Under Secretary of Defense (Comptroller), and the Director, the appointed Executive Agent's Resource Management Directorate no later than close of the fifth business day of the month following the month being reported.

C. Reporting Procedures

1. Follow the attached sample report format (Figure 6-1).

2. Instructions

a. Report Title - enter the name of the month and the year in the title of the report.

b. Line 1.A.1 – enter the beginning balance of the vested cash in possession of U.S. government officials. After the first monthly report, the beginning balance will be the ending balance of the previous month (e.g., the beginning balance for June will be the ending balance from May).

c. Line 1.A.2 – enter the amount of vested cash disbursed during the month being reported.

d. Line 1.A.3 – enter the amount of vested cash deposited to financial institutions and no longer in the possession of host nation officials.

e. Line 1.A.4 - enter the amount of collections.

f. Line 1.A.4.1 - this line will include the amount of cash collected back into the disbursing office.

g. Line 1.A.4.2 - enter the amount of vested cash collected during the month.

h. Line 1.A.5 - enter the total of Line 1.A.1 minus Line 1.A.2 minus Line 1.A.3 plus Line 1.A.4.1 plus Line 1.A.4.2 (Line 1.A.1 – Line 1.A.2 – Line 1.A.3 + Line 1.A.4.1 + Line 1.A.4.2). This is the amount of newly vested cash in the possession of host nation officials.

i. Table 1.B – Non-Cash Assets Vested and Divested – provide, in table format, a listing of vested non-cash property by category (e.g., jewelry, arms, equipment, artwork, etc.), a brief description and item count for such property in the possession of host nation officials. This table shall include a cumulative listing of all vested non-cash property in the possession of host nation officials.

(1) Column 1 – enter the category of the non-cash property.

(2) Column 2 – enter a brief description of the items within the category in Column 1.

(3) Column 3 – enter the beginning count of items in the possession of host nation officials. After the first monthly report, the beginning balance will be the ending balance of the previous month (e.g., the June beginning balance will be the May ending balance).

(4) Column 4 – enter the entity to which the host nation official divested the non-cash property.

(5) Column 5 – enter the count of items divested.

(6) Column 6 – enter the sum of Column 3 minus Column 5 (Column 3 – Column 5).

j. Line 2.A.1 – enter the beginning amount of seized cash (US dollars) in the possession of host nation officials. After the first monthly report, the beginning balance will be the ending balance of the previous month (e.g., the beginning balance for June will be the ending balance from May).

k. Line 2.A.2 – enter the amount of seized cash (U.S. dollars) verified as authentic currency during the reporting period and available for disbursement.

l. Line 2.A.3 – enter the amount of seized cash verified as counterfeit.

m. Line 2.A.4 – enter the sum of Line 2.A.1 minus Line 2.A.2 minus Line 2.A.3 (i.e., Line 2.A.1 – Line 2.A.2 – Line 2.A.3). This amount represents the amount of seized cash (U.S. dollars) in the possession of host nation officials that has not been verified as authentic currency and available for disbursement.

n. Line 2.A.5 – for the first monthly report enter 0.00 (zero). After the first monthly report, the beginning balance will be the ending balance of the previous month (e.g., the beginning balance for June will be the ending balance from May).

o. Line 2.A.6 – enter the amount of seized cash (U.S. dollars) verified as authentic currency during the month and available for disbursement.

p. Line 2.A.7 - enter the amount of seized cash (U.S. dollars) disbursed during the month being reported.

q. Line 2.A.8 – enter the amount of seized cash (U.S. dollars) deposited to financial institutions and no longer in the possession of host nation officials.

r. Line 2.A.9 – enter the amount of seized cash (U.S. dollars) collected during the month. This amount will include the amount of cash collected back into the disbursing office.

s. Line 2.A.10 – enter the sum of Line 2.A.5 minus Line 2.A.6 minus Line 2.A.7 plus Line 2.A.8 plus Line 2.A.9 (i.e., Line 2.A.5 – Line 2.A.6 – Line 2.A.7 + Line 2.A.8 + Line 2.A.9).

t. Table 2.B – Coin/Currency (Non-U.S. dollars) – enter, in table format, a listing of seized coin/currency (Non-U.S. dollars), by country, monetary unit (franc, pound, Canadian dollar, etc.) and amount, in the possession of host nation officials.

(1) Column 1 – enter the name of the country and monetary unit of seized coin/currency (Non-U.S. dollars) in the possession of host nation officials.

(2) Column 2 – enter the beginning count of items in the possession of host nation officials. After the first monthly report, the beginning balance will be the ending balance of the previous month (e.g., the June beginning balance will be the May ending balance).

(3) Column 3 – enter the entity to which the host nation official released the coin/currency (Non-U.S. dollars).

(4) Column 4 – enter the amount of the coin/currency (Non-U.S. dollars) released.

(5) Column 5 – enter the sum of Column 2 minus Column 4 (Column 2 – Column 4).

u. Table 2.C – Non-Cash Assets – enter, in table format, a listing of seized non-cash property by category (e.g., jewelry, arms, equipment, artwork, etc.), a brief description and item count in the possession of host nation officials.

(1) Column 1 – enter the category of the non-cash assets.

(2) Column 2 – enter a brief description of the items within the category in Column 1.

(3) Column 3 – enter the beginning count of items in the possession of host nation officials. After the first monthly report, the beginning balance will be the ending balance of the previous month (e.g., the June beginning balance will be the May ending balance).

(4) Column 4 – enter the entity to which the host nation official released the non-cash assets.

(5) Column 5 – enter the count of items released.

(6) Column 6 – enter the sum of Column 3 minus Column 5 (Column 3 – Column 5).

v. The disbursing officer certifies the accuracy of the data on the report by signing and dating the report.

w. Footnote the amount of non-U.S. currency in possession of the host nation, but not verified as of the end of the reporting period, and the verified amount of counterfeit U.S. currency for the reporting period.

Figure 6-1. Sample Monthly Inventory Report of Vested and Seized Assets for the Month Ending December 2007

1. VESTED ASSETS

A. CASH

1.	Beginning Balance	$1,700,000,000.00
2.	Less: Disbursements	500,000,000.00
3.	Less: Deposits to Financial Institutions	100,000,000.00
4.	Plus: Collections	100,000,000.00
	4.1 Cash collected back into DO $70,000,000.00	
	4.2 Newly Vested Cash in possession of Host nation Officials $30,000,000.00	
5.	Ending Balance	$1,200,000,000.00

B. NON-CASH PROPERTY VESTED AND DIVESTED (Table 1.B)

1. CATEGORY	**2. DESCRIPTION**	**3. BEGINNING COUNT**	**4. DIVESTED TO**	**5. COUNT DIVESTED**	**6. ENDING COUNT**
Jewelry	Gold rings	50			50
Arms	Pistols	5			5
Artwork	Oil Painting	2	Museum	2	0

2. SEIZED ASSETS

A. CASH (U.S. DOLLARS)

1.	Beginning Amount Seized (Unverified)	$650,000,000.00
2.	Amount Verified (Available for Disbursement)	50,000,000.00
3.	Amount Verified (Counterfeit)	10,000,000.00

Figure 6-1. Sample Monthly Inventory Report of Vested And Seized Assets for the Month Ending December 2007 (Continued)

4.	Ending Amount Seized (Unverified)	590,000,000.00
5.	Beginning Amount Verified (Available for Disbursement)	0.00
6.	Plus: Amount Verified This Period	50,000,000.00
7.	Less: Disbursements	25,000,000.00
8.	Less: Deposits to Financial Institutions	0.00
9.	Plus: Collections	0.00
10.	Ending Amount Verified (Available for Disbursement)	$25,000,000.00

B. COIN/CURRENCY (NON-U.S. DOLLARS) SEIZED AND RELEASED (Table 2.B)

1. COUNTRY AND UNIT	**2. BEGINNING AMOUNT**	**3. RELEASED TO**	**4. AMOUNT RELEASED**	**5. ENDING AMOUNT**
Italian lira	60			60
Canadian dollar	200			200
Any foreign currency	1,000	Any Central Bank	1,000	0

C. NON-CASH ASSETS SEIZED AND RELEASED (Table 2.C)

1. CATEGORY	**2. DESCRIPTION**	**3. BEGINNING COUNT**	**4. RELEASED TO**	**5. RELEASED COUNT**	**6. ENDING COUNT**
Jewelry	Gold bracelets	10			10
Equipment	Tanks	1	Coalition Forces	1	0
Equipment	100mm howitzer	4			4

Footnote: Include amount of non-U.S. currency in possession of the host nation, but not verified as of the end of the reporting period.
Footnote: Include verified amount of counterfeit U.S. currency.

Disbursing Officer Signature_____ **Date**_____

ANNEX 7 MONTHLY DISBURSEMENT REPORT

A. Purpose and Applicability

This annex addresses the duties, responsibilities, and procedures to be followed by the host nation's interim government in preparing monthly disbursement reports for vested and seized assets.

B. Responsibilities

The host nation interim government shall prepare monthly reports describing the purposes, amounts and recipients of all cash disbursements of vested and seized assets. This report will include cash disbursements only; non-cash assets, including coin/currency (non-U.S. dollars), either divested or released, are reported in the Monthly Inventory Report of Vested and Seized Assets (Annex 6, Figure 6-1). These reports shall distinguish between disbursements of vested and seized assets. The report must be reconciled with official accounting records.

The host nation interim government shall submit the monthly reports under cover memorandum to the OUSD(C), with copies furnished to the Director, Resource Management, of the designated Executive Agent, no later than close of the tenth business day of the month following the month being reported.

C. Reporting Procedures

1. Follow the report format at Figure 7-1.

2. Instructions

a. Table 1 – Vested Assets

(1) Column 1 – enter a brief description of the purpose for the cash disbursements. The descriptions should be the same as the descriptions shown on the spending plans (Annex 4).

(2) Column 2 – enter a brief description of the recipients of the cash disbursements. The detail information regarding the entity receiving the cash disbursements is required as part of the supporting documentation to the disbursement vouchers as provided for in the Procedures section for host nation interim government (Annex 5).

(3) Column 3 – enter the dollar amount of the cash disbursements. NOTE: the total of Column 3 will be reported on the Monthly Inventory Report of Vested and Seized Assets, Line 1.A.2 (Annex 6, Figure 6-1).

b. Table 2 – Seized Assets

(1) Column 1 – enter a brief description of the purpose for the cash disbursements. The descriptions should be the same as the descriptions as shown on the spending plans (Annex 4).

(2) Column 2 – enter a brief description of the recipients of the cash disbursements. The detail information regarding the individual recipients of the cash disbursements is required as part of the supporting documentation to the disbursement vouchers as provided for in the Procedures section for the host nation interim government (Annex 5).

(3) Column 3 – enter the dollar amount of the cash disbursements. NOTE: The total of Column 3 will be reported on the Monthly Inventory Report of Vested and Seized Assets, Line 2.A.7 (Annex 6, Figure 6-1).

c. The disbursing officer certifies the accuracy of the data on the report by signing and dating the report.

Figure 7-1. Sample Monthly Disbursement Report for the Month Ending December 2007

1. VESTED ASSETS (Table 1)

1. **PURPOSE**	**2.** **RECIPIENTS**	**3.** **AMOUNT**
Monthly Payroll	Oil Workers	$25,000,000.00
Security Alarms	Museum	$50,000,000.00
TOTAL		$75,000,000.00

2. SEIZED ASSETS (Table 2)

1. **PURPOSE**	**2.** **RECIPIENTS**	**3.** **AMOUNT**
Monthly Payroll	Oil Workers	$25,000,000.00
Security Alarms	Museum	$50,000,000.00
TOTAL		$75,000,000.00

Disbursing Officer, Host Nation Interim Government **DATE**

ANNEX 8 REPORTING OF VESTED AND SEIZED ASSETS ON THE DOD FINANCIAL STATEMENTS

A. Purpose and Applicability

This annex addresses the duties, responsibilities, and procedures to be followed by the designated Executive Agent and the Defense Finance and Accounting Service (DFAS) in preparing consolidated financial statements in support of the host nation interim government's vested and seized assets.

B. Responsibilities

The Executive Agent and DFAS are responsible for reporting activity of vested and seized assets on the DoD consolidated financial statements.

C. Procedures

1. Seized asset activity shall be reported on the Executive Agent's financial statements and the DoD consolidated financial statements. These activities relate to the receipt, management, and disposition of cash and negotiable instruments held by the DoD. Nonentity seized cash will be included as Fund Balance with Treasury on the face of the DoD consolidated Balance Sheet and the Executive Agent's Balance Sheets. The Nonentity Assets Note to the financial statements shall contain sufficient disclosure to provide the reader with an understanding of the source of the seized assets, applicable laws and regulations, and how the assets were used.

2. Vested asset activity shall be reported in the General Fund financial statements of the Executive Agent and on the DoD consolidated financial statements. Vested assets will be distinguishable from other entity assets only in the footnotes to the financial statements. The note to the financial statements shall contain sufficient disclosure to provide the reader with an understanding of the source of the vested assets, applicable laws and regulations, and how the assets were used.

3. Additional information regarding financial statement reporting can be found in Volume 6B and the DFAS Financial Reporting Guidance, "Annual and Quarterly Financial Statement Guidance," on the OUSD(C) website.

VOLUME 12, CHAPTER 30: "OPERATION AND USE OF GENERAL GIFT FUNDS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated March 2019 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
1.1	Added an Overview section	Addition
1.3	Updated authoritative guidance section to include only hyperlinks and title of reference	Revision
2.0.3, 5.5, & 5.8.1	Changed the term "ethics counselor" to "ethics official"	Revision
5.1	Added an Acceptance of Gifts section for Military Musical Units, Accounting for Missing Persons, Museum Programs, U.S. Service Academies, and Uniformed Services University of Health Sciences	Addition
5.1.5	Incorporated the Under Secretary of Defense for Personnel and Readiness policy memorandum, "Delegation of Gift Acceptance Authority for the Uniformed Services University of the Health Sciences," dated December 13, 2024.	Addition
7.2.3	Changed Community and Public Outreach Division to Community Relations Division	Revision

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CHAPTER 30

OPERATION AND USE OF GENERAL GIFT FUNDS

1.0 GENERAL

*1.1 Overview

The Secretary of Defense (SecDef) and Secretaries of the Military Departments have the authority to accept, hold, administer, and spend gifts made for the benefit or in connection with various institutions and individuals under their jurisdiction. These gifts include money, real property, personal property, or services for the establishment, operation, or maintenance of schools, hospitals, libraries, museums, cemeteries, and other institutions, as well as for the benefit of wounded or injured members of the armed forces (including members performing full-time National Guard duty), civilian employees, dependents, and survivors of members or employees who are killed.

1.2 Purpose

The purpose is to prescribe the overall policy and assign responsibilities for the acceptance, holding, administration, receipt, recording, reporting, use, investment, distribution, disbursement, and accountability of money, real property, personal property, or services to the DoD.

*1.3 Authoritative Guidance

1.3.1. Title 10, United States Code, section 974 ***(10 U.S.C. § 974)***, "Military Musical Units and Musicians: Performance Policies; Restriction on Performance in Competition with Local Civilian Musicians.

1.3.2. ***10 U.S.C. § 1501***, "System for Accounting for Missing Persons."

1.3.3. ***10 U.S.C. § 2601***, "General Gift Funds."

1.3.4. ***10 U.S.C. § 2113***, "Administration of University."

1.3.5. Code of Federal Regulations ***(CFR) § 2635.203***, "Definitions."

1.3.6. DoD Instruction ***(DoDI) 4165.14***, "Real Property Inventory and Reporting."

1.3.7. ***DoDI 4165.70***, "Real Property Management."

1.3.8. ***DoDI 4165.71***, "Real Property Acquisition."

1.3.9. ***DoDI 4165.72***, "Real Property Disposal."

1.3.10. ***DoDI 5000.64***, "Accountability and Management of DoD Equipment and Other Accountable Property."

1.3.11. DoD Directive ***(DoDD) 5500.07***, "Ethics and Standards of Conduct."

2.0 DEFINITIONS

2.0.1. Account. For purposes of this chapter, an account is a special account established by the U.S. Department of the Treasury for receipt of monetary gifts and proceeds from the sale of real or personal property gifts to the SecDef or the Military Departments.

2.0.2. Acceptance Authorities. Acceptance Authorities are the appropriate concerned Secretary and all designees who may accept gifts. The concerned Secretaries may approve additional delegations.

* 2.0.3. Ethics Officials. Ethics Officials represent the U.S. Government and U.S. Government personnel who are acting in their official capacities as set forth in DoDD 5500.07 - R.

2.0.4. Gifts. Gifts include devises or bequests of money, real property, personal property, or services.

2.0.5. Prohibited Sources. Prohibited Sources are defined as set forth in CFR § 2635.203.

2.0.6. Services. Services include activities that benefit the morale, welfare, or recreation of members of the armed forces and their dependents or are related or incidental to the conveyance of a gift of real or personal property. Performance of services includes non-monetary gifts of services through volunteer gratuitous agreements.

3.0 DESIGNATIONS

The SecDef and the Secretaries of the Military Departments may approve additional Acceptance Authority designations under their jurisdiction. The Office of the Secretary of Defense (OSD) designations are as follows:

3.1 USD(C)

All authority and responsibility granted to the SecDef associated with the acceptance and use of gifts has been delegated to the USD(C).

3.2 USD(C) Designations

The USD(C) prescribes additional designations of gift Acceptance Authority to OSD Components. On behalf of the SecDef, the USD for Acquisition and Sustainment (A&S), USD Personnel and Readiness (P&R), Administration and Organization Policy, DoD Defense Agencies, Joint Staff, Commanders of Combatant Commands, and Washington Headquarters Services (WHS) have the authority and responsibilities associated with acceptance and use of such gifts of real

property or personal property and may authorize the development of additional procedures for implementing policy in this chapter. The Director of the WHS also has the authority to accept such gifts of services for the benefit of individuals at facilities under his or her authority. All gifts over $500,000 must be accepted by the USD(C).

4.0 RESPONSIBILITIES

4.1 OSD Components

OSD Components and Acceptance Authority designees must ensure compliance with the policy in this chapter and must establish procedures to ensure personnel are familiar with the restrictions on accepting gifts and requirements for receiving, recording, reporting, and accounting for gifts.

4.2 Military Departments

The Secretaries of the Military Departments and Acceptance Authority designees must ensure compliance with policy in this chapter and establish procedures to ensure personnel are familiar with the restrictions on accepting gifts and requirements for receiving, recording, reporting, and accounting for gifts.

4.3 DFAS

DFAS is responsible for the accounting, investing, and reporting of all monetary gifts and proceeds from the sale of real property or personal property gifts accepted by the Acceptance Authorities and forwarded to DFAS as prescribed in section 6.0.

4.4 USD(P&R)

USD(P&R) must establish procedures for verifying the eligibility of individuals to receive benefits and may authorize the development of additional procedures for receiving gifts.

5.0 ACCEPTANCE

*5.1 Acceptance of Gifts

5.1.1. Military Musical Units. Monetary contributions, personal property, or services for the benefit of a military musical unit may be accepted by the SecDef and Secretaries of the Military Departments. Any monetary contributions must be credited to the corresponding appropriation or account, subject to the same purposes, conditions, and limitations as the funds in that account.

5.1.2. Accounting for Missing Persons. Gifts including personal property, money, or services for the purpose of facilitating accounting for missing persons may be accepted, held, administered, spent, and used. All monetary gifts and bequests accepted must be deposited in the DoD General Gift Fund.

5.1.3. Museum Programs. Gifts such as books, manuscripts, works of art, historical artifacts, drawings, plans, models, or condemned or obsolete combat materiel may be solicited from a bona fide collector for military museum programs. The military museum program may accept a gift of services from a nonprofit entity established to support the program. Nonprofit entity personnel who provide a gift of services may not be employed within the U.S.

5.1.4. U.S. Service Academies. Gifts of real property can be accepted for the U.S. Military Academy, the Naval Academy, the Air Force Academy, and the Coast Guard Academy. These gifts can be accepted even if the gift is subject to the condition that the property bears a specified name. The Secretary of the Military Department responsible for the respective Service Academy has the authority to accept such gifts.

5.1.5. Uniformed Services University of the Health Sciences (USUHS). Any gift, devise, or bequest of personal property made to the University, including those in the support of an academic chair, teaching, research, or demonstration project may be accepted, held, administered, invested, and spent. This authority is delegated to the USD(P&R) and may be further delegated by the USD(P&R) in writing to the Assistant Secretary of Defense for Health Affairs and/or to the President, USUHS, but may not be delegated below the President, USUHS.

5.2 Circumstances to Decline Acceptance

Acceptance Authorities must decline gifts under the following circumstances:

5.2.1. The use of the gift is connected with any program, project, or activity that would result in the violation of any prohibition or limitation otherwise applicable to such program, project, or activity;

5.2.2. The gift or conditions attached to the gift are inconsistent with applicable law or regulations;

5.2.3. The use of the gift would reflect unfavorably on the DoD's ability, or any personnel of the Department, to carry out any responsibility or duty in a fair and objective manner;

5.2.4. The use of the gift would compromise the integrity or appearance of integrity of any program of the DoD or any individual involved in such a program; and

5.2.5. Acceptance of the gift would not be in the best interests of the DoD, including but not limited to the following, where it creates or requires:

5.2.5.1. The appearance or expectation of favorable consideration because of the gift;

5.2.5.2. The appearance of an improper endorsement of the donor, its events, products, services, or enterprises;

5.2.5.3. A serious question of impropriety considering the donor's present or prospective business relationships with the DoD;

5.2.5.4. The expenditure or use of funds more than amounts appropriated by Congress;

5.2.5.5. Substantial expenditures or administrative efforts and maintenance that are disproportionate to any benefit;

5.2.5.6. Gift acceptance or the imposition of naming rights that would not reflect favorably upon the DoD; or

5.2.5.7. The real property subject to the gift naming condition has not been named by an act of Congress.

5.3 DoD Personnel

DoD personnel must not solicit, fundraise for, or otherwise request or encourage the offer of a gift. Acceptance Authorities must not accept gifts offered contrary to this policy. Notwithstanding this general prohibition, the SecDef may solicit from a bona fide collector, a gift for the use and benefit of a military museum program.

5.4 Related Expenses

Acceptance Authorities may pay all necessary expenses in connection with the conveyance or transfer of a gift.

*5.5 Offers from Prohibited Sources

Acceptance Authorities must use increased sensitivity and scrutiny when gifts are offered from prohibited sources. Acceptance of gifts from prohibited sources may cause embarrassment to the DoD or the appearance of influencing official decisions or actions of the Department. Acceptance Authorities must consult with their appropriate Ethics Official before accepting such a gift valued in excess of $10,000 to determine whether the donor is involved in any claims, procurement actions, litigation, or other particular matters involving the Department that must be considered prior to gift acceptance.

5.6 Acknowledgement of Future Gifts

Acceptance Authorities may acknowledge offers of future gifts and advise the donors that acceptance will occur after the actual presentation of the gifts only when they determine that such acceptance will likely occur.

5.7 Acceptance through Intermediaries

Acceptance Authorities must not accept gifts offered indirectly through an intermediary if they cannot accept such gifts if offered directly from the source.

5.8 Accepting Gifts to Benefit Certain Members, Dependents, and Civilian Employees

* 5.8.1. Acceptance Authorities must consult with their appropriate Ethics Official before accepting gifts valued more than $10,000 to ensure that:

5.8.1.1. The gift is not offered in a manner that specifically discriminates among DoD personnel based on type of official responsibility or of favoring those of higher rank or rate of pay; and

5.8.1.2. The donor does not have interests that may be affected substantially by the performance or nonperformance of the DoD employee's official duties.

5.8.2. Acceptance Authorities may not accept a gift of services from a foreign government or international organization. They may accept a gift of money, real property, or personal property from a foreign government or international organization only if the gift is not designated for a specific individual.

5.9 Acceptance of Property Gifts with Naming Rights

5.9.1. The authority to accept gifts with the condition of naming rights may be delegated by the Secretary concerned only to a civilian Presidential appointee in a position requiring Senate confirmation. This authority may not be further re-delegated.

5.9.2. The Secretary concerned must issue uniform regulations governing the circumstances under which gifts conditioned on naming rights may be accepted, appropriate naming conventions, and suitable display standards. The naming conventions and suitable display standards must be in accordance with Unified Facilities Criteria ***(UFC) 3-120-01*** and other implementing guidance issued under the purview of the USD(A&S).

5.9.3. The Secretary concerned or designee must decline conditional gifts offered unless the donor agrees in writing that the Military Department retains the right to remove or alter the name if a determination is made that:

5.9.3.1. The donor has committed an immoral act or engaged in unethical conduct;

5.9.3.2. The donor has engaged in activities that reflect unfavorably on the U.S.; or

5.9.3.3. A subsequent donor offers to significantly alter a facility, and such gift is worthy of receiving naming rights.

6.0 RECEIPT

6.1 Monetary Gifts

All monetary gifts must be forwarded to the DFAS office servicing the Acceptance Authority via mail or an electronic funds transfer (EFT). DoD officials must contact DFAS for EFT deposit information.

6.2 Gift Fund Accounts

Gifts of money and the proceeds of the sale of property gifts must be deposited in the following Treasury accounts:

6.2.1. The DoD General Gift Fund in the case of deposits made by the SecDef or SecDef Acceptance Authority designees.

6.2.2. The Department of the Army General Gift Fund, in the case of deposits made by the Secretary of the Army or Secretary of the Army Acceptance Authority designees.

6.2.3. The Department of the Navy General Gift Fund, in the case of deposits made by the Secretary of the Navy or Secretary of the Navy Acceptance Authority designees.

6.2.4. The Department of the Air Force General Gift Fund, in the case of deposits made by the Secretary of the Air Force or Secretary of the Air Force Acceptance Authority designees.

6.3 Accounting Transactions

Accounting entries for monetary, non-monetary, and service-type gifts are specified within the ***U.S. Standard General Library***.

7.0 RECORDS AND REPORTS

7.1 Records

7.1.1. Acceptance Authorities must keep accurate, auditable, and timely records of all gifts and provide this information for periodic audits. The receiving organization must obtain and retain the required documentation and information for all gifts received including the date non-monetary gifts were transferred to property records and the unique identifier or data element, if applicable (see property accountability requirements in section 9.0). For audit purposes, the supporting documentation for monetary and non-monetary gifts must be retained in accordance with the policy in ***Volume 1, Chapter 9***, "Financial Records Retention."

7.1.2. Acceptance Authorities must ensure that the following information for items sold is documented and retained:

7.1.2.1. A description of each item sold;

7.1.2.2. The name of the donor for each item sold;

7.1.2.3. The date each item was sold;

7.1.2.4. The name of the purchaser for each item sold;

7.1.2.5. The proceeds of the item sold;

7.1.2.6. Details of any relevant specific information regarding each item sold; and

7.1.2.7. If applicable, the unique identifier or data element used to track the same or similar non-monetary item such as a Real Property Unique Identifier from the DoD Real Property Unique Identifier Registry or accountable property data elements (see property accountability policy cited in section 9.0).

7.2 Reports

7.2.1. DFAS Standards and Compliance (Corporate Reporting) must develop and require a standardized report for Acceptance Authorities or designees to report the following information to DFAS on a quarterly basis:

7.2.1.1. A description of the gift;

7.2.1.2. The value of the gift (estimated value if non-monetary) and the valuation method used;

7.2.1.3. The name and address of the donor(s);

7.2.1.4. The date each gift was received;

7.2.1.5. The expected useful life of the gift (the length of time in which a depreciable asset is expected to be used);

7.2.1.6. Details of any conditions, restrictions, or other relevant specific information regarding each gift;

7.2.1.7. If applicable, a unique identifier or data element used to track the same or similar non-monetary items received or shipped from different sources;

7.2.1.8. Statement explaining the benefits of accepting the gift; and

7.2.1.9. The authority under which the gift was accepted.

7.2.2. Acceptance Authorities must report the information in the reports for all monetary gifts and real property gifts along with personal property gifts and services with a unit value of $5,000 or more to the DFAS office servicing each Secretary (Defense, Army, Navy, and Air Force)

not later than 10 days after the end of each quarter. Monetary, real property, and personal property gifts must be reported separately.

* 7.2.3. Acceptance Authorities must prepare a separate report entitled "Donations to Military Musical Units under 10 U.S.C. § 974(d)". The report must be submitted to Congress annually for all gifts accepted during the fiscal year by Military Musical Units. A copy of the report must be provided to the OUSD(C), Deputy Chief Financial Officer; and the Office of the Assistant Secretary of Defense for Public Affairs, Community Relations division.

7.2.4. The DFAS Standards and Compliance (Corporate Reporting) must prepare a report containing the following information and forward the information to the OUSD(C), Deputy Chief Financial Officer no later than 30 days after the end of each quarter:

7.2.4.1. Separate summary values for monetary and non-monetary gifts accepted during the quarter and the authority under which the gift was accepted; and

7.2.4.2. A description of all property valued at more than $1 million. In determining whether the $1 million threshold has been met, the following criteria must be used:

7.2.4.2.1. The cumulative value of similar items accepted during the quarter; and

7.2.4.2.2. The cumulative value of components which, if assembled, would comprise all or a substantial portion of an item or facility.

8.0 INVESTMENTS

DFAS must:

8.0.1. Invest general gift funds in Government securities until distribution is authorized and consistent with good cash management practices;

8.0.2. Follow standard operating procedures related to the respective Gift Fund Accounts for purchasing Government securities;

8.0.3. Follow standard operating procedures to initiate and complete the sale of Government securities;

8.0.4. Maintain a tracking system that identifies impending maturities and collections of securities for the specified account and ensure appropriate reinvestment action is taken upon maturity of a security; and

8.0.5. Conduct an annual review of the account operations and transactions, including the purchase and the sale of Government securities. The objective of the review will include compliance with the DoD and the Treasury policies and procedures, and adequacy of internal controls.

9.0 PROPERTY ACCOUNTABILITY

Acceptance Authorities must establish procedures for receiving, accounting, and disposing of real and personal property gifts. Property accountability procedures must be addressed or referenced in general gift acceptance procedures. Property accountability procedures must be consistent with policy prescribed in DoDI 4165.14, DoDI 4165.70, DoDI 4165.71, DoDI 4165.72, and DoDI 5000.64.

VOLUME 12, CHAPTER 31: "DOD BRANDING AND TRADEMARK LICENSING PROGRAM"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated November 2019 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
1.2	Added Title 15, U.S. Code Section 1051-1072 "The Principal Register" to the authoritative guidance source list.	Addition
2.0	Added full definitions from authoritative guidance for terms with summarized definitions. Clarified language for several terms and updated guidance references.	Addition
3.1	Updated authoritative guidance reference and added clarifying language.	Revision
4.1	Added clarifying language for the Treasury Account Symbol.	Addition

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CHAPTER 31

DOD BRANDING AND TRADEMARK LICENSING PROGRAM

1.0 GENERAL

1.1 Purpose

This chapter promulgates policy used to account for fees received by the Department of Defense (DoD) from the licensing of trademarks, service marks, certification marks and collective marks. It establishes guidance that is applicable to the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Geographic Combatant Commands, the Office of the Inspector General of DoD, the Defense Agencies, the DoD Working Capital Fund Activities, the DoD Field Activities, and all other organizational entities in DoD (hereinafter referred to as DoD Components).

*1.2 Authoritative Guidance

The financial management policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:

1.2.1. Title 10, United States Code, section 2260 (***10 U.S.C. § 2260***), "Licensing of intellectual property: retention of fees";

1.2.2. ***15 U.S.C. § 1127***, "Construction and definitions; intent of chapter";

1.2.3. ***15 U.S.C. § 1051-1072***, "The Principal Register";

1.2.4. DoD Directive ***(DoDD) 5122.05***, "Assistant to the Secretary of Defense for Public Affairs (ATSD(PA))";

1.2.5. ***DoDD 5535.09***, "DoD Branding and Trademark Licensing Program"; and

1.2.6. DoD Instruction ***(DoDI) 5535.12***, "DoD Branding and Trademark Licensing Program Implementation."

*2.0 DEFINITIONS

2.1 Branding

The term "branding" includes a program or process of creating awareness, public goodwill, and a positive image for the DoD and its Components through the marketing and promotion of its marks.

2.2 Certification Mark

The term "certification mark" means any word, name, symbol, or device, or any combination thereof –

2.2.1. Used by a person other than its owner, or

2.2.2. Which its owner has a bona fide intention to permit a person other than the owner to use in commerce (use of a mark in the ordinary course of trade) and files an application to register on the principal register established in 15 U.S.C. § 1051-1072, to certify regional or other origin, material, mode of manufacture, quality, accuracy, or other characteristics of such person's goods or services or that the work or labor on the goods or services was performed by members of a union or other organization.

2.3 Collective Mark

The term "collective mark" means a trademark or service mark –

2.3.1. Used by the members of a cooperative, an association, or other collective group or organization, or

2.3.2. Which such cooperative, association, or other collective group or organization has a bona fide need to use in commerce and applies to register on the principal register established in 15 U.S.C. § 1051-1072, and includes marks indicating membership in a union, an association, or other organization.

2.4 Licensee

As used in DoDD 5535.09, the term "licensee" must include any person, company, or organization whose use of a mark is controlled by a DoD Component with respect to the nature and quality of goods or services on or in connection with which the mark is used.

2.5 Licensing Agent

As used in DoD 5535.09, the term "licensing agent" must include any person, company, or organization that serves as an agent of a DoD Component for the purpose of assisting that DoD Component in securing licensees, collecting royalty fees, and/or other operational functions that deal with the DoD Component's trademark licensing program.

2.6 Service Mark

The term "service mark" means any word, name, symbol, or device, or any combination thereof –

2.6.1. Used by a person, or

2.6.2. Which a person has a bona fide intention to use in commerce and applies to register on the principal register established in 15 U.S.C. § 1051-1072, to identify and distinguish the services of one person, including a unique service, from the services of others and to indicate the source of the services, even if that source is unknown. Titles, character names, and other distinctive features of radio or television programs may be registered as service marks notwithstanding that they, or the programs, may advertise the goods of the sponsor.

2.7 Trademark

The term "trademark" includes any word, name, symbol, or device, or any combination thereof –

2.7.1. Used by a person, or

2.7.2. Which a person has a bona fide intention to use in commerce and applies to register on the principal register established in 15 U.S.C. § 1051-1072, to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.

3.0 RESPONSIBILITIES

*3.1 Assistant Secretary of Defense for Public Affairs

The ASD(PA), in accordance with DoDD 5535.09, is the proponent agency for the DoD Branding and Trademark Licensing Program (BTLP) and has overall responsibility for the operation of the program, providing training, defining program costs, and establishing procedures to ensure the proper use of program funds.

3.2 DoD Components

The DoD Components operating a trademark licensing program under the provisions of 10 U.S.C. § 2260 and DoDD 5535.09 are responsible for ensuring that:

3.2.1. A single individual or office is designated within the DoD Component to review and approve all requests for the use of funds deposited into the Component's designated U.S. Department of the Treasury (Treasury) Account. The designated individual or office must be responsible for ensuring that all funds are used only for authorized purposes. To ensure an independent review of the request, no individual or office may both request and approve the use of such funds. The appointment of this person or office must be done in writing in the form of an

appointment order or similar document. A copy of the appointment must be provided to the DoD Component's supporting representative at the Defense Finance and Accounting Service and to the Manager, DoD BTLP. A record of all requests for the use of funds and the action taken must be retained in accordance with Volume 1, Chapter 9.

3.2.2. There is a complete and accurate accounting for all trademark licensing fees received.

3.2.3. All trademark licensing fees received by DoD Components are promptly deposited and recorded in the United States Standard General Ledger account 426600, which provides direct budget authority on line 1800 of the Standard Form (SF) 132, Apportionment and Reapportionment Schedule, and SF 133, Report on Budget Execution and Budgetary Resources. DoD Components must obligate and disburse from the designated Treasury Account Symbol only for the purposes specifically authorized in 10 U.S.C § 2260. The use of suspense accounts is prohibited and any remaining balances must be transferred to the designated Treasury account. Guidance on processing collections can be found in Volume 5, Chapter 8.

3.2.4. Fees collected are only used for payment of costs incurred in securing trademark registrations and operating the licensing program; and for support of Morale, Welfare, and Recreation (MWR) activities when fees available for a fiscal year exceed the amount needed for payment of such costs.

4.0 ACCOUNTING AND REPORTING

*4.1 Accounting

4.1.1. Fees received in a fiscal year must remain available for obligation in such fiscal year and the following two fiscal years.

4.1.2. The excess of licensing fees collected over annual costs may be expended to support MWR activities. The law does not require that the excess be obligated in the fiscal year collected. The excess may be used in the two following fiscal years to offset those fiscal year costs of the licensing program or may be expended in support of the DoD Component's MWR activities.

4.1.3. Funds not obligated or made available to MWR activities before September 30 of the second fiscal year following the year collected must be reallocated (transferred) to Treasury Account Symbol R3210, "General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified."

4.1.4. Additional Treasury Account Symbols may be used to separately track unobligated funds carried forward from the fiscal year of collection through the following two fiscal years.

4.1.5. Each DoD Component must ensure that all royalty reports received from licensees and/or licensing agents are promptly reviewed, and any questions resolved. Copies of royalty reports must be retained in accordance with Volume 1, Chapter 9.

4.2 Reporting

Each DoD Component operating a trademark licensing program must provide the Manager, DoD BTLP, with the following financial reports. The Manager, BTLP, may issue guidance prescribing the required format of the reports and the specific information to be provided.

4.2.1. Quarterly Reports. The following quarterly reports must be forwarded to the Manager, DoD BTLP, within 30 days following the end of each calendar quarter.

4.2.1.1. Income and Expense Report. The Income and Expense Report must show the total fees received from trademark licensing during the preceding calendar quarter. It should also show the total costs paid for securing trademark registrations and the total costs paid for operating the trademark licensing program.

4.2.1.2. Other Quarterly Reports. The Manager, DoD BTLP may require other quarterly reports as the Manager deems necessary to assure compliance with DoDD 5535.09.

4.2.2. Annual Reports. The following annual reports must be forward to the Manager, DoD BTLP, within 45 days following the end of the fiscal year.

4.2.2.1. Trademark Account Fund Aging Report. The Trademark Account Fund Aging Report must show, in detail, the age of all funds currently in the DoD Component's Treasury Account for Trademark Licensing and the date on which those funds will expire.

4.2.2.2. MWR Funding Report. The MWR Funding Report must show all funds transferred during the preceding fiscal year to an MWR activity under the control of the Secretary concerned. If more than one MWR activity received funding, the report must identify each activity and the amount it received. If more than one trademark licensing program is operated by a DoD Component, separate reports must be issued for each program.

4.2.2.3. Other Annual Reports. The Manager, DoD BTLP may require other annual reports as the Manager deems necessary to ensure compliance with DoDD 5535.09.

VOLUME 12, CHAPTER 32: "COLLECTION AND RETENTION OF CONFERENCE FEES FROM NON-FEDERAL SOURCES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated May 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and format in accordance with standard operating procedures.	Revision
3.1.2	Added conference oversight responsibilities for the Performance Improvement Officer and the Director of Administration and Management.	Addition

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CHAPTER 32

COLLECTION AND RETENTION OF CONFERENCE FEES FROM NON-FEDERAL SOURCES

1.0 GENERAL

1.1 Purpose

This chapter establishes the policies to be followed by the Department of Defense (DoD) Components to account for conference fees that are collected by the DoD to cover DoD costs. The conference fees are used in accordance with statutory authority in Title 10, United States Code, § 2262 (***10 U.S.C. § 2262***), which provides authority for the Secretary of Defense to collect fees in advance, either directly or by using a contract, from individuals and commercial participants attending DoD-sponsored conferences. This guidance applies to DoD Components, for the purpose of this chapter, includes the Office of the Secretary of Defense (OSD), the Military Departments, the Chairman of the Joint Chiefs of Staff or the Joint Staff, the Unified and Specified Combatant Commands, the Office of the Inspector General of DoD, the Defense Agencies, the DoD Working Capital Fund Activities, the DoD Field Activities, and all other organizational entities in DoD.

1.2 Authoritative Guidance

A "conference" is defined in the ***Joint Travel Regulations*** as a meeting, retreat, seminar, symposium, or event that involves attendee travel. The term conference also applies to training activities in accordance with Title 5, Code of Federal Regulations, section 410.404 (***CFR § 410.404***). Conferences subject to this authority are also often referred to as conventions, expositions, workshops, or exhibitions that typically involve topical matters of interest to, and the participation of, multiple agencies and/or non-governmental participants. The ***DoD Conference Guidance 4.0*** identifies exemptions to the defined list of conferences.

2.0 POLICY

2.1 Other Federal Laws and Regulations

Although 10 U.S.C. § 2262 authorizes the retention of conference fees, all other applicable Federal laws and regulations must be followed regarding conferences and conference planning. These Federal authorities include the Joint Travel Regulations, the Federal Acquisition Regulation ***(FAR)***, the Defense Federal Acquisition Regulation Supplement ***(DFARS),*** and the Joint Ethics Regulation ***(JER)***. This authority does not increase or affect any other currently existing conference authority. Guidelines related to determining conference fees are available on the ***DoD Cost Guidance Portal*** that resides on the DoD Costs Assessment and Program Evaluation web page. Access to the web page requires a DoD Common Access Card (CAC).

2.2 Use of Contracts for Conference Planning, Organizing, or Management

DoD Components collecting fees by contract, to include contractors under no-cost contracts, are authorized to structure such contracts to permit contractors to offset from fees collected, the actual costs incurred by the contractor (to include its fee), in providing conference-related services. Fee collections in excess of such amounts must be credited to the appropriation from which other conference costs are payable. DoD Components must be responsible for all other provisions contained in this chapter, including the oversight regarding the setting of appropriate fee amounts, the reporting of fees collected, and costs paid by the contractor.

2.3 Reimbursement

Collection of conference fees into appropriations is subject to the general rules of appropriation reimbursement as well as specific rules stated in 10 U.S.C. § 2262. Fiscal limitations on expenditure of appropriated funds for conference expenses apply to the use of fees collected under 10 U.S.C. § 2262. In accordance with DoD Conference Guidance 4.0, revenue is all direct or indirect conference costs collected or reimbursed to the DoD by non-DoD entities. For the purpose of this guidance, revenue includes, but is not limited to registration fees collected, exhibitor fees collected, sponsor fees collected, and total conference costs. Total conference costs should be the net value of the conference expenses, less any fees or revenue received by the DoD through the conference.

2.4 Ethics and Fiscal Guidance

Ethics restrictions found in the ***Standards of Ethical Conduct for Employees of the Executive Branch*** are applicable to the execution of conferences. Also, follow guidance prescribed by the DoD Office of the General Counsel (see ***DoD Standards of Conduct Office***) regarding Conference Sponsorship and Conference Planning. In addition, DoD conference managers should consult with their own component General Counsel to ensure compliance with applicable laws and regulations.

3.0 RESPONSIBILITIES

3.1 Office of the Under Secretary of Defense (Comptroller)

3.1.1. Secretary and Deputy Secretary of Defense. The Secretary and Deputy Secretary of Defense are accountable for all of the Department's conference-related activities. Specifically, with overseeing the DoD's conference policies and controls, and maintaining visibility and accountability for the conduct of conferences hosted by the Department and attended by Department personnel through Component reporting as required by legislation. Agencies are obligated to ensure reporting requirements to Congress on conference costs and fees collected are met, in accordance with the Office of Management and Budget (OMB) ***Memorandum M-17-08*** and ***section 739 of Public Law 113-235,*** "Consolidated and Further Continuing Appropriations Act of 2015," and reported through the ***DoD Conference Tool*** in adherence with the standards of the DoD Conference Guidance 4.0. Access to the DoD Conference Tool requires a DoD CAC.

* 3.1.2. DoD Performance Improvement Officer & Director of Administration & Management (PIO DA&M). Collaboratively ensures conferences are effective and aligned with DoD strategic goals. The PIO focuses on using conference data to provide advice and guidance on how to optimize the impact of conferences, while the DA&M provides administrative and management support for various functions, including conference planning and execution. The ***PIO DA&M*** web page maintains the ***DoD Hosted Conference Annual Reports*** and the ***Conference Submissions***.

3.1.3. DoD Deputy Chief Management Officer. In accordance with the DoD Conference Guidance 4.0, and consistent with the guidance codified in the OMB Memorandum M-17-08, the DoD Deputy Chief Management Officer is responsible for DoD's conference oversight on behalf of the Secretary and Deputy Secretary of Defense, to include maintaining the DoD Conference Guidance 4.0 policy and controls, and executing the reporting requirements contained in section 320402 The Deputy Chief Management Officer is authorized to act on behalf of the Secretary and Deputy Secretary on all conference related matters.

3.2 Defense Finance and Accounting Service (DFAS)

The DFAS must:

3.2.1. Establish a process for collecting data needed to meet conference fees statutory reporting requirements.

3.2.2. Ensure conference fee collections and disbursements are processed and recorded accurately and timely manner, consistent with DoD policy.

3.2.3. Take corrective action when issues accounting for these funds arise.

3.3 DoD Components

The DoD Components sponsoring conferences under the provisions of 10 U.S.C. § 2262 must:

3.3.1. Adhere to established chapter Office of Under Secretary of Defense (Comptroller) OUSD(C), Program/Budget reporting requests.

3.3.2. Develop and implement internal operating procedures and guidance to ensure complete, accurate, timely, and proper accounting and reporting for all conference fees collected and relevant financial data.

3.3.3. Ensure that conference fees collected are only used to offset associated allowable conference expenses. Use of registration fees to pay unallowable costs is prohibited, illegal, and improper and reduces the amount of fees that would otherwise be available to pay allowable costs.

3.3.4. Collaborate with DFAS to establish a process for collecting data needed to meet statutory reporting requirements.

3.3.5. As needed, provide training to employees on using this authority.

3.3.6. Monitor conference fee collections and disbursements to assess operational or financial problems.

3.3.7. Ensure all conference fees collected directly by the Government are promptly deposited and recorded in the appropriate account. When fees are collected by contract as described in paragraph 2.2, promptly deposit and record amounts that are in excess of actual conference costs offset by the contractor. To avoid having to credit excess fee collections to Miscellaneous Receipts, fees (attendance, vendor, and other) should be structured so as not to exceed the anticipated costs of the conference. Guidance on processing collections can be found in ***Volume 5, Chapter 8*** "Collections."

3.3.8. Assist the OUSD(C) in any investigations into funding violations.

3.3.9. Determine the conference fee amounts that are in excess and promptly transfer to Receipt Account 3210, "General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified. Excess fees collected must not be used to finance expenditures of a succeeding conference or for any other purpose. The statute does not allow the retention of funds in excess of costs incurred; doing so would improperly augment agency funds otherwise available for funding conference expenses.

3.3.10. Ensure that conference fees collected for one conference are not used to fund other conferences. If more than one conference is funded by a DoD Component, the Component must maintain records sufficient to separately account for fee collections for each conference.

3.3.11. Maintain all records supporting conference fees collected under this authority in accordance with ***Volume 1, Chapter 9*** "Financial Records Retention."

4.0 ACCOUNTING AND REPORTING

4.1 Accounting

4.1.1. Accounting for collections into appropriations is covered in the DoD United States Standard General Ledger Transaction Library, on the Office of the Deputy Chief Financial Officer ***Standard Financial Information Structure*** web page.

4.1.2. Except when conference planning services at no cost to the government are used and the government entity does not directly collect fees, amounts collected in accordance with 10 U.S.C. § 2262 with respect to a conference must be credited to the appropriation or account from which the costs of the conference are paid and must be used to pay or reimburse those costs of the Department with respect to the conference. Record conference fees collected as an appropriation reimbursement.

4.1.3. The registration fees collected must remain with the year that funds for the conference are obligated. In the event registration fees are collected in one fiscal year but the

conference is conducted in the next, the fees collected must remain in the year the conference expenses were obligated and must be available for the same purpose and time period of that appropriation.

4.1.4. Components, agencies, and activities that collect conference fees into appropriations may not augment those appropriations. Accordingly, any fees collected that exceed actual conference costs must be deposited into the Treasury as Miscellaneous Receipts (i.e., Receipt Account 3210).

4.2 Reporting

4.2.1. In accordance with DoD's Conference Policies and Controls, all DoD-sponsored conferences are required to be reported through a central DoD Conference Tool. This data is used to generate the annual reports that are posted publicly and support the Department's ongoing oversight of conference activities. Conference fees are not reported as a separate entity; they are reported within conference expenses as a net of any fees or revenue received through the conference, not to include costs.

4.2.2. In accordance with OMB Memorandum M-17-08, "Promoting Efficient Spending to Support Agency Operations," agencies must report conference expenses on a dedicated space on their official website. Conference expenses are defined as all direct and indirect conference costs paid by the Government, whether paid directly by agencies or reimbursed by agencies to travelers or others associated with the conference, but do not include funds paid under Federal grants to grantees. Conference expenses include any associated authorized travel and per diem expenses, hire of rooms for official business, audiovisual use, light refreshments, registration fees, ground transportation, and other expenses as defined by the ***Federal Travel Regulations***.

4.2.2.1. By January 31 of each year, the agency must provide a description of all agency-sponsored conferences from the previous fiscal year where the net expenses for the agency associated with the conference were in excess of $100,000. This description must include:

4.2.2.1.1. Total conference expenses incurred by the agency for the conference.

4.2.2.1.2. The location of the conference.

4.2.2.1.3. The date of the conference.

4.2.2.1.4. A brief explanation of how the conference advanced the mission of the agency.

4.2.2.1.5. The total number of individuals whose travel expenses or other conference expenses were paid by the agency.

4.2.2.2. In addition, for any instances where the net expenses for an agency-sponsored conference exceeded $500,000, the website must include the agency-designated official's rationale and approval.
The website must also include information in the appropriate format (e.g., narrative) about the total net conference expenses for the fiscal year incurred by that agency, as well as a general report about conference activities throughout the year.

4.2.2.3. In reporting this data, agencies must exclude any information that is considered to be sensitive, that is prohibited from public disclosure by statute or regulation, or that may jeopardize national security or the health, safety, or security of conference attendees, organizers, or other individuals.

VOLUME 12, CHAPTER 33: "FINANCIAL INSTITUTIONS AND MILITARY BANKING FACILITIES ON DOD INSTALLATIONS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated August 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All, Figure 33-1	Replaced references to the Department of Defense (DoD) Instructions 1000.11 with Title 32 Code of Federal Regulations Part 230.	Revision
1.2	Added authoritative guidance.	Addition
2.0	Added responsibilities.	Revision
2.2	Replaced Under Secretary of Defense (USD) Acquisition, Technology and Logistics, with the USD Research and Engineering.	Revision
3.1	Substantially updated the general policy provisions for the financial institutions on DoD installations section.	Revision
3.2	Updated the general policy provisions for security, including the guarding and escorting of cash.	Revision
3.3	Updated Component locator information.	Revision
3.10.1	Added clarification that cash-back transactions at point-of-sale terminals and check cashing are not considered prohibited retail banking operations activities.	Addition
3.11	Added general policy provisions for banking liaison officers.	Addition
3.12	Update the general policy provisions for in-store banking.	Revision
3.13	Added general policy provisions for the domestic military banking facilities.	Addition

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
4.7.4	Updated dollar threshold for construction projects requiring notification to Congress from $750,000 to $1,0000,000	Revision
5.4	Added operations requirements.	Addition
6.1, 6.3	Revised credit union general and termination policies.	Revision
7.1.1	Revised overseas credit union policy to incorporate status of forces agreements, other intergovernmental agreements, and host-country law.	Revision

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CHAPTER 33

FINANCIAL INSTITUTIONS AND MILITARY BANKING FACILITIES ON DOD INSTALLATIONS

1.0 GENERAL

1.1 Purpose

This chapter prescribes policies for the establishment, operation, and termination of financial institutions (FI) and Military Banking Facilities (MBF) on Department of Defense (DoD) installations worldwide to enable the DoD mission and provide availability of financial services to DoD personnel. In addition to the DoD Components cited in Chapter 1, this chapter applies to the Uniformed Services University of the Health Sciences, all DoD nonappropriated fund instrumentalities (NAFIs) including the Military Exchange Services and morale, welfare, and recreation (MWR) activities, and all other organizations within DoD.

*1.2 Authoritative Guidance

Title 12 United States Code, section 265 (12 U.S.C. § 265) and section ***1789a*** authorize banks and credit unions to be depositaries of public money and to be employed as fiscal agents of the United States. ***10 U.S.C. § 2667*** authorizes military departments and Defense agencies to lease non-excess property. ***12 U.S.C. § 1770*** authorizes agencies' discretion regarding space for the operation of credit unions in Federal buildings or Federal land. ***Title 32 Code of Federal Regulations Part 230***, "Financial Institutions on DoD Installations" codifies policies and responsibilities for financial institutions that serve DoD personnel on DoD installations worldwide. ***DoD Directive (DoDD) 5118.03***, "Under Secretary of Defense (Comptroller)/Chief Financial Officer, Department of Defense (USD(C)/CFO" authorizes the USD(C) responsibility to establish policy pertaining to FIs and MBFs operating on DoD installations.

*2.0 RESPONSIBILITIES

2.1 The Under Secretary of Defense (Comptroller) (USD(C)) or designee must:

2.1.1. Develop policies governing the establishment, operation, and termination of FI and MBFs on DoD installations.

2.1.2. Coordinate with the USD Personnel and Readiness (P&R) on matters concerning FI and MBFs on DoD installations impacting the financial readiness, including consumer protection, of DoD personnel and families.

2.1.3. Take final action on requests to this chapter excluding requests for exception to subparagraph 3.1.1. Final action on requests for exceptions to subparagraph 3.1.1 is the responsibility of Assistant Secretaries of the Military Departments and may not be re-delegated, except as it pertains to temporary automatic teller machines (ATMs) not exceeding 30 days

identified in subparagraph 3.5.5, which may be re-delegated.

2.1.4. Approve duly processed issuance of Geographic Franchise designations for credit unions operating outside the continental United States (OCONUS) DoD installations.

*2.2 The Under Secretary of Defense (Acquisition and Sustainment) (A&S) or designee must:

2.2.1. Monitor policies and procedures governing logistical support furnished to FIs and MBFs on DoD installations, including the use of DoD real property and equipment.

2.2.2. Advise the USD(C) regarding FI and MBF matters involving logistical support, DoD real property, and equipment.

2.3 USD(P&R)

The USD(P&R) (or designee) must advise the USD(C) on matters concerning FIs and MBFs operating on DoD installations impacting the financial readiness and affecting the morale and welfare of DoD personnel and families, including consumer protection.

2.4 The Director, Defense Finance and Accounting Service (DFAS) (or designee) must:

2.4.1. Develop procedures governing FIs and MBFs on DoD installations for promulgation in this Regulation.

2.4.2. For domestic DoD installations, coordinate with the Secretaries of the Military Departments (or designees) on subordinate installation commanders' requests to establish or terminate on-base FI and MBFs. For overseas DoD installations, coordinate with the Secretary of the Military Department concerned (or designee) on subordinate installation commanders' requests to establish or discontinue the provision of financial services from the on-base FI under contract with DoD to operate MBFs or to establish or terminate other banks or credit unions located on DoD installations.

2.4.3. In coordination with affected DoD Components, authorize the banking services provided by overseas MBFs and specify the charges or fees, or the basis for these, to be levied on users.

2.4.4. Coordinate with the Fiscal Assistant Secretary of the U.S. Department of the Treasury (or designee) on the domestic and overseas MBFs designation as depositaries and financial agents of the U.S. Government.

2.4.5. Designate a technical representative to provide policy direction for the procuring and administrative contracting officer(s) responsible under the Federal Acquisition Regulation (FAR) for acquiring banking services required at overseas DoD installations through the operation of MBFs.

2.4.6. Serve as principal liaison with the FIs under contract operating MBFs on overseas

DoD installations. Monitor MBF managerial and operational policies, procedures, and operating results and take action as appropriate.

2.4.7. As necessary, assist in the formation of government-to-government agreements for the provision of financial services on overseas DoD installations, in accordance with ***DoDD 5530.3***, "International Agreements."

2.4.8. Provide procedural guidance to DoD Components, as required.

2.4.9. Liaise with FI trade associations, leagues, and councils to interpret DoD policies toward respective memberships and aid in resolving items of mutual concern regarding the provision of financial services on DoD installations.

2.4.10. Coordinate with the USD(P&R) (or designee), through the USD(C) (or designee), on all aspects of morale and welfare and with the USD(A&S) (or designee), through the USD(C) (or designee), on all aspects of logistic support, equipment, and real property for on-base FIs and MBFs.

2.4.11. Monitor industry trends, conduct studies, and engage as necessary.

2.4.12. Liaise, as appropriate, with FI regulatory agencies at federal and state levels.

2.4.13. Consider Combatant Command recommendations before processing requests for MBF operations, credit union geographic franchises, or related actions.

2.4.14. Provide USD(C) recommendation for adjudication of geographic franchise actions. Maintain a geographic franchise listing of all credit unions operating on DoD overseas installations.

2.5 Secretaries of the Military Departments (or designees) must:

2.5.1. Act on subordinate installation commanders' requests to establish or terminate FI operations on domestic DoD installations in accordance with this guidance. Act on subordinate installation commanders' requests to establish or discontinue providing financial services via MBF operations, or to establish or terminate other FI located on overseas DoD installations. The Secretary of the Military Department must coordinate all termination requests with the USD(C) (or designee), through the Director, DFAS (or designee), before approving or denying the request. The appropriate regulatory agency will be notified by the Secretary of the Military Department (or designee) if the termination request is approved.

2.5.2. Oversee FI use on respective DoD installations within the guidance contained herein.

2.5.3. No less than annually, review or cause review of operating days and hours, services provided, related charges, and fees of FIs operating on DoD installations to ensure that they align with operating agreements established.

2.5.4. Monitor practices and procedures of FIs operating on DoD installations to ensure DoD personnel welfare and interests are protected.

2.5.5. Engage, if necessary, in discussion with domestic on-base FIs to develop and expand financial services for DoD personnel.

2.5.6. Encourage the conversion of existing domestic MBFs on respective installations to independent or branch bank status where feasible.

2.5.7. Provide logistical support to overseas MBFs under terms and conditions identified in this Regulation and with the applicable terms of DoD contracts with the FIs operating overseas MBFs.

2.5.8. Refer policy decisions or proposed changes to this Regulation to the USD(C) (or designee) through the Director, DFAS (or designee).

2.5.9. Ensure use of on-base FIs and MBFs on DoD installations by DoD personnel for personal banking activity is on a voluntary basis and is not to be urged in preference to, or to the exclusion of, other FIs.

2.5.10. Encourage FIs on domestic DoD installations to provide an offering of competitive banking services comparable to local off-base FIs, including basic financial information offered without charge. Basic financial information is defined as information on budgeting, account balancing, and reconciliation, benefits of savings, prudent use of credit, how to start a savings program, how to shop and apply for credit, and the consequences of excessive credit.

2.5.11. Liaise with federal and state regulatory agencies and FI trade associations, leagues, and councils.

2.5.12. Make military locator services available to on-base FIs and MBFs in accordance with the Privacy Act guidelines in Figure 33-1.

2.5.13. Take final action on requests for exceptions to subparagraph 3.1.1, an authority that may not be re-delegated, except as it pertains to temporary ATMs not exceeding 30 days identified in subparagraph 3.5.5, which may be re-delegated.

2.6 Commanders of the Combatant Commands must:

2.6.1. Ensure the appropriate coordination on the following types of requests:

2.6.1.1. Establishment of FI or MBF operations in countries not presently served. Such requests must include a statement that the requirement has been coordinated with the U.S. Chief of Diplomatic Mission or U.S. Embassy and that the host-country permits the operation.

2.6.1.2. Elimination of any or all FI or MBF operations on DoD installations within a foreign country. Such requests must include a statement that the U.S. Chief of Diplomatic

Mission has been informed and that appropriate arrangements to coordinate local termination announcements and procedures have been made with the U.S. Embassy.

2.7 Commanders of Major Commands and Subordinate Installation Commanders must:

2.7.1. Monitor to ensure FI operations within their commands are aligned with Operating Agreements and that Operating Agreements and leases or other lease-like instruments are valid.

2.7.2. Coordinate requests to establish or construct FI or terminate logistical support to banks and credit unions within their commands. Personnel assigned to overseas security assistance positions do not monitor, coordinate, or assist with this role without the prior approval of the Defense Security Cooperation Agency.

2.7.3. Assign responsibility for subparagraphs 2.7.1 and 2.7.2, to comptroller or resource management personnel.

2.7.4. Allow DoD personnel to attend conferences and meetings with representatives of on-base FIs, when neither a conflict of duty nor of interest arises, in accordance with ***DoDI 1327.06*** and ***DoDI 1400.25, Volume 630***.

2.7.5. Seek financial services only from existing on-base FIs and MBFs, proposing alternatives where on-base FIs and MBFs fail to satisfy a valid requirement.

2.7.6. Ensure, to the maximum extent feasible, that on-base FIs and MBFs may choose to participate in pilot programs demonstrating new financial-related technologies or establishing new business lines (e.g., in-store banking) where the respective DoD Component has determined such services are needed.

2.7.7. Submit requests for the establishment of FIs and MBFs, substantiated by sufficient evidence and artifacts contained within this guidance, to the Secretary of the Military Department (or designee) concerned.

2.7.8. Submit requests for the termination of FIs and MBFs, substantiated by sufficient evidence and artifacts contained within this guidance, to the Secretary of the Military Department (or designee) concerned.

2.7.9. Issue the appropriate installation and/or facility access credential(s), visitor passes, and/or no-cost invitational travel orders to FI and MBF personnel consistent with local security requirements and in accordance with applicable DoD policy guidance for physical access control.

2.7.10. Unless otherwise noted, draft and conclude written agreements between FIs, MBFs, and other parties as identified within this guidance.

3.0 GENERAL POLICY PROVISIONS

*3.1 Financial Institutions on DoD Installations

3.1.1. No more than one bank and one credit union are permitted to operate on a DoD installation except where they already existed as of May 1, 2000, or the installation was affected by base realignment and closure (BRAC). The following subparagraphs pertain to installations affected by BRAC:

3.1.1.1. When host organizations at two or more installations are consolidated on a single installation, each FI that operated a facility located on real property within the new combined installation is authorized to continue serving its customer base on the installation.

3.1.1.2. The commander of the combined installation may extend the opportunity to compete the request for new banking services to all FIs located on such installation. This includes in-store banking within the premises of a commissary operated by the Defense Commissary Agency (DeCA), a Military Exchange, or any other on-base retail facility.

3.1.1.3. If installation real property is non-contiguous and different FIs operate on geographically separated cantonment areas, the commander may first extend the opportunity to compete for new banking services to the FIs operating on the geographically separated cantonment area. If the FIs operating on the geographically separated portion of the installation decline to provide the services, the commander may permit the FIs operating elsewhere on the installation the opportunity to compete to provide the requested service.

3.1.1.4. If an FI ceases operations on a portion of a contiguous, combined installation on which more than one FI operates, and the commander wants continued levels of FI support in that area of the installation, the commander must extend the opportunity to compete for continued levels of support to the existing FIs operating on other areas of that installation.

3.1.1.5. If a FI voluntarily terminates operations on a non-contiguous geographically separated portion of installation, it is the installation commander's prerogative to decide whether sufficient need for financial services support exists and, if so, to provide FIs operating on other installation cantonment areas the opportunity to compete to provide such support.

3.1.1.6. FIs directly supporting an agency or organization relocating to an installation where an existing FI is providing banking services generally are not able to commence or continue operations on the installation to which an agency or organization relocates. Service Secretaries have authority to grant exceptions to subparagraph 3.1.1 of this guidance, specifically for cases where the FI or FIs operating on the gaining installation cannot accommodate the banking services requirements of the relocated organization's customers because of geographic separation between the sites of the relocated organization and the existing installation financial services provider, or for other compelling reasons.

3.1.2. Upon the request of an installation commander and with the approval of the

Secretary of the Military Department concerned (or designee), duly chartered FI may be authorized to provide financial services on DoD installations to enhance the morale and welfare of DoD personnel and facilitate the administration of public and quasi-public funds. Arrangements for the provision of such services must be in accordance with this chapter.

3.1.3. FIs may be established on DoD installations only after approval by the Secretary of the Military Department concerned (or designee), the appropriate regulatory agency as required, and in accordance with 32 CFR § 230.

3.1.4. Except in limited situations overseas, only banks insured by the Federal Deposit Insurance Corporation and credit unions insured by the National Credit Union Share Insurance Fund, or by another insurance organization specifically qualified by the Secretary of the Treasury, may operate on DoD installations. These FIs may either be State or federally chartered; however, U.S. credit unions operated overseas must be federally insured.

3.1.5. MBFs may be established on DoD installations when a demonstrated and justified need cannot be met through other means, pending the availability of FIs willing to perform these functions. Normally, MBFs are only authorized at overseas locations. MBFs may be considered for use at domestic DoD installations only when the cognizant DoD Component cannot obtain financial services from a state or federally chartered FI authorized to operate in the installation state. MBFs may be designated during mobilization as an emergency measure. The Director, DFAS, may recommend the designation of MBFs to the Treasury.

3.1.6. The installation commander must approve the expansion of financial services (to include in-store banking) requiring the outgrant of additional space or logistical support. Any DoD activity considering expanding the availability of financial services must coordinate requests with the installation banking liaison officer prior to the commander's consideration.

3.1.7. Retail banking operations must not be performed by any DoD Component. Solicitations for such services must be issued, and proposals accepted, according to the policies identified in this chapter.

3.1.8. If an FI or MBF operates on a DoD installation, installation commanders must not seek financial services from any entity other than the on-base FI or MBF.

3.1.9. Military disbursing offices, NAFIs (including MWR activities and the Military Exchange Services), and other DoD Component activities requiring financial services must use on-base FIs and MBFs to the maximum extent feasible.

3.1.10. NAFIs (including MWR activities and the Military Exchange Services) that desire and are authorized to provide currency accommodation exchange services to individuals must acquire all foreign currency for this purpose from the servicing MBF at the MBF accommodation rate and sell it at a rate of exchange no more favorable than the customer rate available at the MBF.

*3.2 Security

3.2.1. The installation commander (or designee), officials of the on-base FIs, and installation security authorities must establish an understanding of each entity's responsibilities on all matters of asset protection.

3.2.2. Establish a written agreement outlining the security procedures that the FI follows and the role that installation security authorities play regarding alarms, movement of cash, and criminal activity response procedures to be followed (e.g., vandalism or robbery).

3.2.3. Cash and other assets in on-base FIs are the property of those FIs. Except for MBFs operated under contract, maintenance of alarms and the guarding and/or escorting of cash is the sole responsibility of the on-base FI. The installation commander may make a determination that providing for the guarding or escorting of cash is desirable or necessary.

3.2.4. The use of armored vehicles for transportation of cash is the sole responsibility of the on-base FI and MBF and use must be coordinated with the installation commander to permit access to DoD installations and facilities.

*3.3 Central Locator Services

Military locator services will be provided per the Privacy Act guidelines in Figure 33-1 and associated fees, if any, are to be paid by the FI in accordance with Volume 11A, Chapter 4. See the ***Locate Military Members*** website to obtain information on how to locate a military member, retiree, or facility.

3.4 Advertising and Personal Solicitation

3.4.1. An on-base FI or MBF may use the unofficial section of that installation's daily bulletin, provided space is available, to inform DoD personnel of financial services and announce voluntary information sessions on financial information topics within the scope of this guidance, and other matters of broad general interest. Media may not be used for competitive or comparative advertising of, for example, specific interest rates on savings or loans.

3.4.2. An on-base FI or MBF may use installation bulletin boards, newsletters, or web pages to post general information that complements the installation's financial education programs and promotes financial responsibility and thrift. Such information must be unbranded and not promote the services of a specific FI or type of institution. Message center services may distribute a reasonable number of announcements to use on bulletin boards so long as this does not impose an unreasonable workload.

3.4.3. An on-base FI or MBF may participate in the newcomer's briefings, as invited, and/or be permitted to include an insert in the installation's newcomers' package (or equivalent). Briefings and inserts must benefit newcomers by identifying the financial services that are available on the installation.

3.4.4. ***DoD Instruction 5120.20,*** "American Forces Network Program" prevents using the Armed Forces Radio and Television Service to promote a specific FI.

3.4.5. Installation activities, including Military Exchange Services, MWR, and concessionaire outlets, must not permit literature distribution from off-base FIs if there is an on-base FI. This does not prevent the Military Exchange Services from distributing literature on affinity credit card services that those Military Exchange Services may acquire centrally through competitive solicitation. Off-base FIs may use commercial advertising, mailings, or telecommunications to reach their customers.

3.4.6. Advertising in government-funded (official) installation papers is not permitted except for insert advertising in the Stars and Stripes overseas. Installation newspapers funded by advertisers are not official publications and, thus, may include advertising paid for by any FI or MBF.

3.4.7. An on-base FI and MBF must comply with the solicitation prohibitions contained in paragraph 6.4 and in ***DoDI 1344.07***, "Personal Commercial Solicitation on DoD Installations."

3.5 ATM Service

3.5.1. ATMs are electronic banking services and, as such, must only be provided by FIs and MBFs in accordance with the provisions of paragraph 3.1.

3.5.2. FIs installing ATMs on DoD installations must bear the cost of ATM installation, maintenance, and operation. The installation commander may enter into an agreement with the on-base FI wherein the installation may acquire and provide ATMs to on-base FI under certain circumstances, such as when it is advantageous to the government to have ATMs available for use, but the acquisition cost is prohibitive. No ATMs may be purchased by an installation unless approved by the Secretary of the Military Department concerned (or designee). In all such cases, installation costs and all logistic support must be borne by the FI. Logistical support and cost to complete site preparation, install, and remove MBF ATMs are borne by the local installation.

3.5.3. ATM approval authority is as follows:

3.5.3.1. The installation commander has approval authority when an on-base FI wishes to place an ATM on the installation. If approved, the ATM location must be reflected as an amendment to the operating agreement and lease or lease-like instruments.

3.5.3.2. Where there is no on-base FI, follow the solicitation procedures to obtain financial services set forth in paragraphs 4.2 and 6.2.

3.5.4. The availability of ATM service does not preclude the later establishment of an FI office should conditions change on an installation.

3.5.5. Installation commander, Military Exchange Services, MWR activities and other NAFIs, and all other organization proposals to install ATMs, including temporary ATM support

not exceeding 30 days, on domestic installations from other than on-base FIs must be considered only when (1) ATM service is unavailable or existing service is inadequate, and (2) the on-base FIs either decline to provide the service, fail to improve existing service, or does not formally respond to the request for such service within 30 days. ATM service from other than on-base FIs is an exception to the policy. The procedures to establish an on-base FIs set forth in paragraphs 4.2 and 6.2 must be followed when soliciting for such ATM services. Proposals received not assessing ATM fees to users are preferred.

3.5.6. ATM service from foreign banking institutions may be authorized on overseas installations with or without MBFs operated under contract where the installation or community commander determines that a bona fide need exists to support local national hires. On installations with MBFs operated under contract, the MBFs must be the primary source of the ATM service except when the DFAS Director, (or designee) determines that providing the service is either not cost effective or precluded by the pertinent status of forces agreements, other intergovernmental agreements, or host-country law. Where ATM service from foreign banking institutions is authorized, ATM connectivity must be limited to host-country networks and the ATMs must dispense only local currency (no U.S. dollars). The operating agreement covering ATM service must be negotiated by the installation or community commander and submitted for approval by the appropriate Combatant Commander (or designee) prior to its execution. A copy of the operating agreement is forwarded through DoD Component channels to the DFAS Director (or designee).

3.6 Domestic and International Treasury General Accounts

In cases where authorization is required for the on-base FI or MBF to act as a Treasury General Account (TGA) domestic depositary (or, on overseas installations, an International Treasury General Account (ITGA) depository), the FI must satisfy the risk management standards established by the Secretary of the Treasury. On-base FIs and MBFs must accept deposits for credit to the TGA (or ITGA) when so authorized.

3.7 Staffing

3.7.1. On-base FI must be staffed adequately (i.e., commensurate with industry standards for similar numbers of accountholders and financial services rendered). Staffing at overseas MBFs operated under DoD contract must be maintained within negotiated ceilings.

3.7.2. All staffing must comply fully with applicable equal employment opportunity laws and with the spirit of DoD equal employment opportunity policies as set forth in ***DoDD 1440.1***, "The DoD Civilian Equal Employment Opportunity (EEO) Program."

3.7.3. DoD personnel, excluding military retirees and their dependents, may not serve as directors of domestic or foreign FI operating offices on those DoD installations where they currently are assigned. This does not preclude a member of a Reserve Component, who has been serving as a director of a domestic or foreign FI operating a banking office on a DoD installation, from retaining his or her directorship if called to active duty.

3.7.4. DoD personnel may not be detailed to duty with an on-base FI located on a DoD installation. Off-duty personnel, however, may be employed by an on-base FI subject to approval by the installation commander (or designee). Such employment must not interfere with the performance of the individual's official duties and responsibilities.

3.8 Departure Clearance

The installation commander establishes the clearance policy for all DoD personnel leaving the installation. The on-base FIs and MBFs must be included as places requiring clearance. The purpose of a clearance is to report the change of address, reaffirm outstanding debts, and receive financial counseling, if desired or appropriate. Clearance may not be denied in order to collect debts or resolve disputes with FI or MBF management.

3.9 Operating Agreements

3.9.1. Except for MBFs operated under contract, before on-base FI operations begin, a written operating agreement (See Figure 33-2) and the appropriate real estate outgrant (i.e., a lease, permit or license issued as identified in paragraphs 4.5, 4.6, 4.7, 6.4, 6.5, and 6.6) must be negotiated directly between the installation commander and officials of the FI. Thereafter, the installation commander and the FI must jointly review the operating agreement at least once every 5 years. The operating agreement must identify the responsibilities and requirements of the FI and the installation commander relating to the FI's operations on-base. The command must send one copy of the agreement through appropriate channels to the Secretary of the Military Department concerned (or designee). The installation commander and the FI must maintain a copy of it. At a minimum, the agreement must include the following provisions:

3.9.1.1. Identification of services rendered and the conditions for service. Agreements, however, may not restrict either entity's right to renegotiate services and fees.

3.9.1.2. Agreement complying with this Regulation and 32 CFR § 230.

3.9.1.3. The FI will furnish copies of its financial reports and other local publications on an "as needed" basis in response to the installation commander's (or designee's) formal request.

3.9.1.4. The FI will indemnify and hold harmless the U.S. Government from (and against) any loss, expense, claim, or demand to which the U.S. Government may be subjected because of death, loss, destruction, or damage in conjunction with the use and occupancy of the premises caused in whole or in part by agents or employees of the on-base FI.

3.9.1.5. Neither DoD nor its representatives are responsible or liable for or for any loss (including criminal losses), expense, or claim for damages arising from operations.

3.9.1.6. The FI will provide no less than 180 days advance written notice to the installation commander before ceasing operations.

3.9.1.7. Specification of the security services to be provided for guarding cash shipments at times of unusual risk to the FI and to avoid excessive insurance costs charged to that FI.

3.9.1.8. Statement that the physical security for cash and negotiable items will be consistent with the requirements of the FI's insurer and agreement the on-base FI will provide a copy of these requirements to the installation commander on request.

3.9.1.9. The FI reimburses the installation for logistical support (such as government-provided custodial, janitorial, and other services) at rates set forth in the lease or agreement between the installation and the FI.

3.9.1.10. Statement that FI operations must be terminated, when required, under provisions specified in this Regulation.

3.9.2. Mutually agreed expansion of services must be documented as an amendment to the existing operating agreement between the installation commander and the on-base FI. The amendment to the operating agreement and any required lease (to include a change to an existing lease) must be in place prior to the initiation of new financial services, offices, or ATMs.

3.10 Installation Financial Services

* 3.10.1. DoD Components, NAFIs, including Military Exchange Services and MWR activities, or any other organizational entities within the DoD, are prohibited from conducting retail banking operations. However, cash-back transactions at point-of-sale terminals and check cashing, provided by authorized DoD activities are not considered financial services or retail banking operations within the context of this section.

3.10.2. Financial services provided on DoD installations must be as uniform as possible for all personnel. As separately negotiated, or based on a fee schedule, custodians of nonappropriated funds must compensate the on-base FIs and MBFs for services received. Compensating balances or fees may be used to pay for the services provided. Fees must not exceed the charge customary for the FI less an offsetting credit on balances maintained. FIs and MBFs must classify nonappropriated fund accounts as commercial accounts.

3.10.3. At a minimum, FIs must provide the same services to individuals and NAFIs as are available in the surrounding geographic area. MBFs must provide services in accordance with contracts informing operations.

3.10.4. On-base FIs and MBFs may conduct operations during normal duty hours provided they do not disrupt the performance of official duties. Operating hours must be set, in consultation with the bank or credit union liaison officer, to meet the needs of all concerned. ATMs may be used to expand financial services and operating hours.

3.10.5. DoD personnel may use their allotment of pay privileges to establish sound savings practices through on-base FIs and MBFs. The on-base FI or MBF must credit customer accounts

no later than the deposit date of the allotment check or electronic funds transfer.

3.10.6. On-base FIs and MBFs must conform to the ***Standards of Fairness*** principles before executing loan or credit agreements.

3.10.7. On-base FIs and MBFs must make basic financial education available without charge to individuals seeking these services. Financial education must be limited to basic personal and family finances comparable to education commonly provided by FIs such as budgeting, checkbook balancing and account reconciliation, benefits of savings, prudent use of credit, how to start a savings program, how to shop and apply for credit, and the consequences of excessive credit. Financial education services must not be advertised outside of the FI's or MBF's physical space unless otherwise authorized within this guidance. On-base FIs and MBFs are encouraged to help ensure DoD personnel are aware of the availability of financial education and counseling services provided by DoD through military and family support centers.

3.10.8. On-base FIs and MBFs must strive to provide the best service to all customers. On-base FIs and MBFs that discriminate in their services violate this chapter. In resolving complaints of discrimination, use the procedures specified in subparagraph 4.8.8.

3.10.9. All correspondence regarding on-base FIs, and questions concerning their operation that cannot be resolved locally, must be referred through command channels to the Secretary of the Military Department concerned (or designee) for consideration. All correspondence regarding MBFs, and questions concerning their operations that cannot be resolved locally, must be referred through command channels to the Director, DFAS (or designee).

*3.11 Banking Liaison Officer

Each installation commander having an on-base FI or MBF must appoint a Banking Liaison Officer (BLO). The BLO's name and duty telephone number must be displayed prominently at each FI and MBF location on the installation. The responsibilities of BLOs must be assigned to comptroller or resource management personnel. Employees, officials, or directors of a FI or MBF may not serve as BLOs. The BLO must:

3.11.1. Ensure all on-base FIs and MBFs have the latest version of this chapter.

3.11.2. Ensure that no DoD entities are providing financial services on the installation.

3.11.3. Maintain contact with FI and MBF managers to ensure local information regarding installation operations that may impact the provision of financial services is communicated to

resolve local installation items of mutual concern. In executing this authority, the BLO must not become involved in the internal operations of the FI or MBF.

3.11.4. For FI only, review the schedule of service charges and fees annually and ensure that the operating agreement is updated at least every 5 years. Renegotiate the financial services offered and related service charges and fees as necessary.

3.11.5. Assist in resolving general customer complaints about services provided by FIs and MBFs. Complaints specific to transactions between an FI or MBF and individuals are to be resolved through agreements concluded between the FI or MBF and the individual.

3.11.6. Assist in resolving complaints of discrimination with financial services provided by the FI or MBF. If a complaint cannot be resolved, a written request for investigation must be forwarded to the appropriate regulatory agency for FIs and to the Director, DFAS (or designee) for MBFs. Any such request must document the problem and command efforts taken toward its resolution. Informational copies of all related correspondence must be sent through channels to the Secretary of the Military Department concerned (or designee) for transmittal to the Director, DFAS (or designee).

3.11.7. Assist the installation commander in reporting to the appropriate regulatory agency any evidence suggesting malpractice by FI personnel and in reporting to the Director, DFAS (or designee) for MBF personnel.

*3.12 In-Store Banking

3.12.1. Under the direction and approval of the installation commander and the DeCA, Military Exchange Services, MWR activities, or any other on-base retail facility, an on-base FI or MBF may provide in-store banking or ATMs within premises operated by the DeCA, Military Exchange Services, MWR activities, or any other on-base retail facility.

3.12.2. The installation commander must determine whether a solicitation is required. A solicitation is required whenever there are two or more FIs operating on a DoD installation. If only one FI operates on the installation, no solicitation is required, and the installation BLO must work directly with the on-base FI to obtain the requested financial services. In situations where both an FI and MBF operate on the installation, the requirement must be coordinated through the Director, DFAS (or designee) prior to seeking financial services for a determination of whether MBF-provided services are preferred.

3.12.3. The DoD Component seeking in-store banking (e.g., in buildings operated by the DeCA, Military Exchange Services, MWR activities, or any other on-base retail activity) must conduct the solicitation aligned with applicable solicitation procedures contained within subparagraph 4.3.4.

3.12.4. The installation commander (or designee) must formally notify the selected FI, ensure the granting of appropriate lease or lease-like instruments, and ensure additional financial services are documented as an amendment to the existing operating agreement prior to beginning

activities to facilitate the provision of financial services. The amendment must be signed by the installation commander, the on-base FI, and the DoD Component that hosts the in-store FI operation.

*3.13 Domestic MBF

3.13.1. Domestic MBF Establishment

3.13.1.1. Requests to establish domestic MBFs must be made only when a need for required financial services cannot be met by other means and are predicated on FIs interested in competing to fill requirements. During mobilization, however, MBFs may be requested as an emergency measure.

* 3.13.1.2. Installation commanders must send requests for a domestic MBF with justification for its establishment through the Secretary of the Military Department concerned (or designee) to the Director, DFAS (or designee), for coordination with the Treasury. The Treasury may approve the designation of an MBF under provisions of 12 U.S.C. § 265 and 12 U.S.C § 1789a.

3.13.1.3. Domestic MBF operations may begin only after approval for domestic MBF status is granted by the Treasury.

3.13.2. Domestic MBF Conversion

3.13.2.1. Where domestic MBFs exist, installation commanders must, on a yearly basis and in accordance with paragraph 4.3, continue to seek FI interest in operating on-base.

3.13.2.2. Send proposals from the domestic MBF to convert to an independent or branch FI through command channels to the Secretary of the Military Department concerned (or designee) for approval. The Secretary of the Military Department (or designee) must forward the request to the Director, DFAS, for coordination with the Treasury.

3.13.2.3. Forward unsolicited proposals from FIs to establish independent or branch FIs where a domestic MBF exists through command channels to the Secretary of the Military Department concerned (or designee). Each proposal must be evaluated on its own merits.

3.13.2.4. The installation commander must inform the FI operating the domestic MBF that an unsolicited proposal for an independent or branch FI has been received and must offer the FI operating the domestic MBF the opportunity to submit its own proposal.

3.13.3. Domestic MBF Termination

The Director, DFAS (or designee), must coordinate the termination of a FI's authority to operate a domestic MBF with the Treasury.

4.0 BANKS OPERATING ON DOMESTIC DOD INSTALLATIONS

4.1 General Policy

U.S. banks may operate on DoD installations, in accordance with this chapter, when required by installation commanders to promote the morale and welfare of installation personnel and to help facilitate installation operations.

4.2 Establishment

4.2.1. Include the following information in the installation commander's request to the Secretary of the Military Department concerned (or designee) for the establishment of banks on DoD installations:

4.2.1.1. The approximate number of DoD personnel at the installation, and other persons who may be authorized to use the bank.

4.2.1.2. The name(s), address(es), and distance(s) between the installation and the FIs in the vicinity.

4.2.1.3. Available transportation between the installation and the FIs listed in subparagraph 4.2.1.2.

4.2.1.4. The number of DoD personnel in duty assignments that confine them to the installation or who cannot obtain transportation.

4.2.1.5. The name and location of all FIs used to make official deposits for credit to the TGA.

4.2.1.6. A list of organizational and nonappropriated fund accounts, the name and location of the FI used to make deposits, and the average daily activity and balance of each account.

4.2.1.7. A written description and photographs of the space proposed for bank use.

4.2.1.8. A statement listing requirements for safes and a vault, alarm systems, and surveillance equipment, when necessary.

4.2.1.9. Reasons for use of space controlled by the General Services Administration (GSA). All the GSA-assigned space, whether leased space or federal office building space, is reimbursable to the GSA at the standard level user charge. As such, space occupied by a bank to serve military needs is assigned and charged by the GSA.

4.2.1.10. Any other information pertinent to the establishment of an on-base bank.

4.2.2. The Secretary of the Military Departments (or designee) must:

4.2.2.1. Review each request for the establishment of an on-base bank, ensure solicitations are conducted in accordance with this chapter, and take action to bring solicitations into compliance with this chapter.

4.2.2.2. Conduct a solicitation for the establishment of an on-base bank when warranted.

4.2.2.3. Review the final results of solicitations to ensure compliance with this chapter and approve the selection of the bank.

4.2.2.4. Notify the selected bank either directly or through the installation commander. The selected bank must, in turn, obtain operating authority from their regulating agencies, if required.

4.2.2.5. Forward proposals to establish TGAs to DFAS at ***dfas.dscc.jjf.mbx.dod-financial-institutions-tga@mail.mil*** for review, processing, and subsequent forwarding to the Fiscal Assistant Secretary of the Treasury in accordance with Volume 11, Chapter 5.

4.3 Solicitations

The Secretary of the Military Department concerned (or designee), or the installation commander with advice from the cognizant Secretary of the Military Department (or designee), must conduct solicitations, to include pre-proposal conferences, for on-base banking. Subject to the criteria for selection outlined in subparagraph 4.3.4, the preferred sources of on-base financial services at domestic installations are federally insured, state-chartered or federally insured, federally chartered banks operating in the local area. Subparagraph 4.3.1 addresses distribution of the solicitation only and does not preclude any federally insured, state-chartered or federally insured, federally chartered bank from responding at any stage (from local distribution in subparagraph 4.3.1.1 to publication in ***SAM.gov*** and financial institution trade journals as outlined in subparagraph 4.3.1.3) of the solicitation process. Do not commit to any bank regarding its proposal until the appropriate regulatory agency makes a designation if a designation is required.

4.3.1. Solicitations to establish an on-base bank must be accomplished in the following order:

4.3.1.1. Send solicitation letters to local banks, publish a solicitation announcement in the local newspaper(s), and forward the same to FI associations.

4.3.1.2. If the Secretary of the Military Department concerned (or designee) or, where delegated, the installation commander, determines that the geographic scope of the solicitation needs to be expanded, forward a prospectus to FIs in a larger geographic area, as well as FI associations and regulatory authorities in the state where the installation is located.

4.3.1.3. If the Secretary of the Military Department concerned (or designee) or, where delegated, the installation commander, determines that the geographic scope of the solicitation needs to be expanded further, the solicitation will be published in Sam.gov.

4.3.2. For installation-level solicitations, the installation commander must review proposals to establish on-base banks, select the bank making the best offer, and forward a recommendation to the Secretary of the Military Department concerned (or designee) for final approval.

4.3.3. Banks must not be coerced when banking arrangements are under consideration or after on-base offices are established. If otherwise proper, this prohibition does not preclude:

4.3.3.1. Discussions with bank personnel prior to submitting a proposal for a new banking office.

4.3.3.2. Requesting banks extend their operations in support of an installation requirement.

4.3.3.3. Discussions with bank personnel to improve services or to create savings for the bank, DoD personnel, or the local installation.

4.3.3.4. Seeking proposals for additional banking service as directed by the Secretary of the Military Department concerned (or designee).

4.3.3.5. Negotiations preparatory to signing an operating agreement or lease or lease-like instrument.

4.3.4. When soliciting financial services, evaluate proposals on specific factors identified in the solicitation. These factors, at a minimum, must be predicated on the services required outlined in Figure 33-2, paragraph 3, the bank's schedule of service fees and charges, space requirements and terms, and the extent of logistical support required. Prior to issuance of the solicitation, the preparing office must identify (for internal use during the subsequent evaluation period) the factor weights to be applied in the solicitation. Proposals must be evaluated, and the ultimate selection made based on the factors and weights developed for the solicitation.

4.3.5. The Secretary of the Military Department concerned (or designee), or the installation commander with advice from the cognizant Secretary of the Military Department (or designee), must make the selection of the bank based on the provisions outlined in this section.

4.4 Terminations

4.4.1. The installation commander must approve requests for termination of an on-base bank, substantiated by sufficient evidence, and forward to the Secretary of the Military Department concerned (or designee). The installation commander must initiate the termination of on-base bank operations only under one of the following conditions:

4.4.1.1. The installation mission has changed or is scheduled to be changed, thereby eliminating, or substantially reducing the requirement for financial services.

4.4.1.2. Active military operations prevent the continuation of on-base financial services.

4.4.1.3. The bank's performance in providing services is not satisfactory according to standards ordinarily associated with the financial services industry or is inconsistent with the operating agreements or this chapter. The installation commander's written communication with local bank leadership must be undertaken to attempt to resolve matters prior to making this determination.

4.4.1.4. When merger, acquisition, change of control, or other action results in violation of the terms and conditions of the existing operating agreement, the Secretary of the Military Department (or designee) must terminate the operating agreement with the existing banking institution. When the merger, acquisition, change of control, or other action does not result in violation of the terms and conditions of the existing operating agreement, the Secretary of the Military Department (or designee) must novate the operating agreement identifying the change in control.

4.4.2. The installation commander must forward approved requests for termination of an on-base bank, substantiated by sufficient evidence, to the Secretary of the Military Department concerned (or designee). The Secretary of the Military Department (or designee) must review all termination actions to ensure compliance with this chapter and coordinate all termination actions with the USD(C), through the Director, DFAS, before the Secretary of the Military Department (or designee) provides notification to the appropriate regulatory agency if required. After this coordination process:

4.4.2.1. The Secretary of the Military Department (or designee) will notify the installation commander if the termination is in accordance with this chapter and if so, the installation commander must notify the on-base bank of the termination. The installation commander must establish a departure date and revoke the authority of the bank to operate on the installation via termination of the lease or lease-like instrument and operating agreement.

4.4.2.2. If the termination is not in accordance with this chapter, the request will be returned by the Secretary of the Military Department (or designee) to the installation commander for remediation or dismissal.

4.4.3. A bank that intends to voluntarily terminate its on-base operations must notify the installation commander in writing on official letterhead at least 180 days before the proposed closing date. Within the notification, the bank must identify reasons for termination. This notification and an acknowledgment from the installation commander must precede any public announcement of the planned closure. When appropriate, the installation commander may attempt to negotiate an agreement permitting the bank to continue operations until the installation has made other arrangements. Immediately upon notification of a termination, the installation commander must advise the DoD Component headquarters concerned. If the continuation of financial services

is justified, action to establish another on-base FI must be taken in accordance with paragraph 4.3, paragraph 6.2, or both, depending on if another FI is currently operating on-base. A copy of the voluntary termination notification must be forwarded through command channels to the Director, DFAS (or designee).

4.5 Use of Space, Logistical Support, and Military Real Property for Banks Operating on Domestic DoD Installations

4.5.1. Lease Terms

4.5.1.1. The consideration for a lease must be determined by an appraisal of fair market rental value in accordance with 10 U.S.C. § 2667. Periodic reappraisals must be based upon the fair market rental value exclusive of the bank improvements made. Coordinate with USD(A&S) or designee.

4.5.1.2. The lease term must not exceed 5 years except where the banking institution uses its own funds to improve existing government space as outlined in subparagraph 4.5.5. If space occupied is assigned by the GSA, charges to FIs for space and services must be at the GSA standard level user rate.

4.5.1.3. Leases must include the following provisions:

4.5.1.3.1. The government has the right to terminate the lease due to national emergencies; installation inactivation, change in installation operations eliminating or substantially reducing the need for financial services, closing, or other disposal action; or default by the lessee.

4.5.1.3.2. The lessee must provide written notice 180 days prior to voluntarily terminating the lease.

4.5.1.3.3. Upon a lease termination, the government has the option to cause the title of all structures and other improvements to be conveyed to the United States without reimbursement or require the lessee to remove the improvements and restore the land to its original condition.

4.5.2. Logistical Support

4.5.2.1. The bank must be housed in a building accessible to DoD personnel on the installation and in a location permitting reasonable security.

4.5.2.2. Banks must perform all maintenance, repair, improvements, alterations, and construction on the banking premises.

4.5.2.3. Banks must pay for all utilities (i.e., electricity, natural gas or fuel oil, water, and sewage), heating and air conditioning, intra-station telephone service, and custodial and janitorial services including garbage disposal and outdoor maintenance (such as grass cutting and

snow removal) at rates set forth in the lease, operating agreement or other written agreement between the installation and the bank.

4.5.3. Leases executed before the issuance of this chapter may not be altered solely because of the provisions of this chapter unless a lessee specifically requests a renegotiation under these provisions. No lease may be negotiated or renegotiated, nor may any rights be waived or surrendered without compensation to the government and coordination with USD(A&S) or designee.

4.5.4. When a bank participates in the construction of a shopping mall complex the lease must cover only land where the bank is physically located.

4.5.5. When a bank uses its own funds to improve existing government space, leases for a period not to exceed 25 years subject to periodic review every 5 years to assess changes in fair market value, may be negotiated for a period commensurate with the appraised value of the leasehold improvements divided by the annual lease fee.

4.6 Land Leases

4.6.1. A lease for the construction of a bank must be at the appraised fair market rental value. Charges must apply for the term of the lease not to exceed 25 years, subject to periodic review every 5 years to assess changes in fair market value.

4.6.2. If determined to be in the government's interest, an existing land lease may be extended prior to the expiration of its term. Passage of title to facilities must be deferred until all extensions have expired. Such extensions must be for periods not to exceed 5 years with lease payments set at the appraised land fair market rental as determined on the date of each such extension. Bank lessees must continue to maintain the premises and pay for utilities and services furnished.

4.6.3. When, under the terms of a lease, title to improvements passes to the government, arrangements normally are made as follows:

4.6.3.1. When the square footage exceeds that authorized in Unified Facilities Criteria and Unified Facilities Guide Specifications (MIL-STD-3007F), the bank must be given first choice to continue occupying the excess space under a lease providing for fair market rental for the land underlying that excess space.

4.6.3.2. The charge for continued occupancy of improved space by a bank must be at fair market rental value only for the associated land. The lessee must continue to maintain the premises and pay the cost of utilities and services furnished.

4.7 Construction

Banks may construct buildings subject to the following provisions:

4.7.1. The building must be solely for the use of the bank and may not provide for other commercial enterprises or government instrumentalities.

4.7.2. Construction projects must meet the criteria in MIL-STD-3007F.

4.7.3. Construction Projects Approval Authority:

4.7.3.1. Projects costing $25,000 or more must be approved by the Major Command with an information copy sent to the Secretary of the Military Department concerned (or designee). The Secretary of the Military Department (or designee) must have 30 days to provide comments to the Major Command before final approval can be granted.

4.7.3.2. Projects costing less than $25,000, including interior alterations and room or office additions to existing bank facilities, must be approved by installation commanders. Copies of approvals, including the identification of project cost, must be furnished to the Secretary of the Military Department concerned (or designee).

* 4.7.4. Notify the Congress of all construction projects, using other than appropriated funds and costing over $1,000,000, in accordance with ***DoDI 7700.18***, "Commissary Surcharge, Nonappropriated Fund (NAF), and Privately Financed Construction Reporting Procedures."

4.7.5. Proposals for the construction of structures on installations at a bank's expense must be reviewed and reported in accordance with Military Department regulations. The following information must be listed to support each proposal:

4.7.5.1. Number of DoD personnel at the installation plus others who may use the bank;

4.7.5.2. Square footage of the proposed building;

4.7.5.3. Land area to be leased to the bank;

4.7.5.4. Term of the lease;

4.7.5.5. Estimated cost of construction;

4.7.5.6. Estimated fair market value of the land to be leased;

4.7.5.7. A statement that the bank is responsible for utility connections and other utility and maintenance costs;

4.7.5.8. A statement that the building is used only for financial services;

4.7.5.9. A statement that bank officials understand the potential building loss in the event of installation closure or other delimiting condition; and

4.7.5.10. Justification for a waiver of space criteria if the building exceeds that specified in MIL-STD-3007F.

4.7.6. Banks must pay for interior alterations, maintenance, utilities, custodial, and other furnished services.

4.7.7. Banks must pay all construction costs.

5.0 FINANCIAL INSTITUTIONS AND MILITARY BANKING FACILITIES OPERATING ON OVERSEAS DOD INSTALLATIONS

5.1 General Provisions of Financial Services Overseas

The Department acquires financial services overseas for use by authorized persons and organizations from the following sources.

5.1.1. MBFs operated under contract and authorized by the pertinent status of forces agreement, other intergovernmental agreements, or host-country law.

5.1.2. Domestic and foreign banks located on overseas DoD installations. Each such institution must be:

5.1.2.1. Chartered to provide financial services in that country.

5.1.2.2. A party to a formal operating agreement with the installation commander to provide such services.

5.1.2.3. Identified, where applicable, in the status of forces agreements, other intergovernmental agreements, or host-country law.

5.2 Establishment

5.2.1. Overseas MBFs Operated Under Contract. Installation or community commanders requiring financial services must send a request through command channels to the Secretary of the Military Department concerned (or designee) for concurrence and subsequent transmittal to the Director, DFAS (or designee), for approval.

5.2.1.1. Requests to establish MBFs must include, but are not limited to, the following information:

5.2.1.1.1. The approximate number of DoD personnel at the installation and in the community and any other persons who may be authorized to use the MBF.

5.2.1.1.2. The distance between the installation and the nearest MBF and credit union office, the names; email and mailing addresses, and telephone numbers of the operators of those institutions; and the installations and communities where they are located.

5.2.1.1.3. The availability of official and public transportation between the installation or community and the nearest MBF and credit union office.

5.2.1.1.4. The name and location of the depository used to make official deposits for credit to the TGA.

5.2.1.1.5. A list of organizational and nonappropriated fund accounts, the name and location of the FIs where deposited, and the average daily activity and balance of each account.

5.2.1.1.6. A written description and photographs or drawings of the space proposed for MBF use. The extent and approximate cost of required alterations, including the construction of counters and teller cages.

5.2.1.1.7. A statement that recognizes the logistical support, including equipment, to be provided by the local command as detailed in paragraph 5.3. The statement includes the costs of such equipment and the way it is acquired.

5.2.1.1.8. In countries where no MBFs currently are operated under contract, a statement from the cognizant Combatant Command that the requirement has been coordinated with the U.S. Chief of Diplomatic Mission or U.S. Embassy and that the host-country permits the operation in accordance with subparagraph 2.6.1.1.

5.2.1.1.9. Any other pertinent information to justify the establishment of an MBF.

5.2.1.2. As a rule, MBFs may be established only when the installation or community population meets the following criteria:

5.2.1.2.1. Full-time MBF. Except in unusual circumstances, a total of at least 1,000 permanent military personnel and DoD civilian employees is necessary to qualify for a full-time MBF.

5.2.1.2.2. Part-time MBF. Except in unusual circumstances, a total of at least 250 permanent military personnel and DoD civilian employees is necessary to qualify for a part-time MBF.

5.2.1.3. If the population in a certain remote area is not sufficient to qualify under the criteria for full-time or part-time MBFs, the installation or community commander explores all other alternatives for acquiring limited financial services before requesting the establishment of an MBF as an exception to these provisions. Alternatives to limited financial services include the installation of ATMs and check cashing and accommodation exchange services by disbursing officers and their agents.

5.2.1.4. Establishment of an overseas MBF is predicated on and requires:

5.2.1.4.1. Designation of the MBF contractor as a depositary and financial agent of the U.S. Government by the Treasury.

5.2.1.4.2. The availability of FIs interested in bidding for the operation of the facility and the viability of such proposals.

5.2.1.4.3. The availability of appropriated funds to underwrite required financial services.

5.2.1.4.4. Establishment of a U.S. dollar currency custody account to support banking operations.

5.2.1.4.5. Agreement from host-nations that permit MBF operations.

5.2.2. Other Overseas Banking Offices. Where a need for financial services has been identified and either (1) the banking and currency control laws of certain host countries do not permit MBFs to operate on DoD installations or (2) MBFs, where permitted, have not been established or are not permitted to be established, then the following applies:

5.2.2.1. Installation or community commanders must send requests for financial services or unsolicited proposals from foreign banking institutions to their Major Commands with supporting data as required in paragraph 4.2.1.

5.2.2.2. Major Commands must forward installation or community commander requests to the Secretary of the Military Department concerned (or designee) for approval. The Secretary of the Military Department concerned (or designee) coordinates with the DFAS, Director (or designee) to seek the designation of the parent foreign banking institution as a depositary and financial agent of the U.S. Government by the Treasury.

5.2.2.3. Banks in this category cannot become operational until the foreign parent banking institution has been designated a depositary and financial agent of the U.S. Government. The institution also must indicate a willingness and ability to provide collateral backing for any official and nonappropriated fund U.S. dollar deposits. Any collateral pledged must be in a form acceptable to the Director, DFAS (or designee), and the Treasury.

5.3 Logistical Support

5.3.1. Overseas MBFs Operated Under Contract

* 5.3.1.1. For MBFs and ATMs that are operated under contract, installation or community commanders must provide logistical support and services to the maximum possible extent at no charge unless otherwise identified in this regulation. Such support normally includes:

5.3.1.1.1. Adequate office space, including steel bars; grillwork; security doors; a vault, safes, or both; security alarm systems and camera surveillance equipment (where deemed necessary) that meet documented requirements of the MBF contractor's insurance carrier;

construction of counters, teller cages, and customer and work areas; necessary modifications and alterations to existing buildings; and construction of new MBF premises, if necessary.

5.3.1.1.1.1. The size and arrangement of space must permit efficient operations. The space assigned may not exceed that prescribed in the MIL-STD-3007F.

5.3.1.1.1.2. All maintenance, repair, rehabilitation, alterations, or construction for MBFs must comply with guidelines established by the installation commander.

5.3.1.1.2. Office space in a building that is accessible to most users and permits maximum security. In addition, office space for MBF area and district administrations and storage space for retention of records, files, and supplies.

5.3.1.1.3. DoD housing on a rental basis to assigned MBF staff who are designated as key and essential MBF managerial personnel who are unable to find suitable, reasonably priced housing in the vicinity of the DoD installation, subject to the assignment procedures and other requirements of ***DoD 4165.63-M***, "DoD Housing Management."

5.3.1.1.4. Education, on a space-available, tuition-paying basis, provided by the DoD Education Activity to minor dependents of assigned staff.

5.3.1.1.5. Air conditioning, which is considered a normal utility for MBFs located at installations that qualify for air conditioning under applicable regulations. MBF space is classified as administrative space at military installations.

5.3.1.1.6. Utilities (i.e., electricity, natural gas or fuel oil, water, and sewage), heating, intra-station telephone service, and custodial and janitorial services to include garbage disposal and outdoor maintenance (such as grass cutting and snow removal) at the same frequencies as provide to other installation activities.

5.3.1.1.7. Defense Switched Network (DSN) voice and data communication to include, where available, internet access.

5.3.1.1.8. Military guards, civilian guards (for use within the installation only), military police, or other protective services to accompany shipments of money at the frequencies required by MBFs to maintain required operations. This level of protective service must also be provided at other times as required to include replenishment of ATM currency and receipts, alarm system failures, and to avoid undue risks or insurance costs on the part of the MBF.

5.3.1.1.9. U.S. Military Postal Service access in accordance with ***DODD 5101.11E***, "DoD Executive Agent for the Military Postal Service (MPS) and Official Mail Program (OMP)." Use of free intra-theater delivery system (IDS) is authorized for all routine mail sent and received between Army Post Offices (APOs) and Fleet Post Offices (FPOs) within a theater.

5.3.1.1.10. Office equipment and furniture on memorandum receipt if available from local stock. If office equipment or furniture is unavailable, statements of nonavailability must be issued.

5.3.1.1.11. Vehicle registration and fuel sales from government-owned facilities for bank-operated vehicles if not in conflict with host government agreements. Vehicle registration must be subject to normal fees.

5.3.1.1.12. Issuance by local commanders of invitational travel orders, at no expense to the U.S. Government when required for official onsite visits by U.S. based MBF officials.

5.3.1.2. Suggestions for changes to the logistical support provisions of the MBF contract may be forwarded for consideration through command channels to the Director, DFAS (or designee).

5.3.2. Other Overseas Banking Offices

5.3.2.1. Logistical support provided to such offices is negotiated with the parent foreign banking institution and incorporated into the written operating agreement.

5.3.2.2. Logistical support must not exceed that provided to contract MBFs, as specified in 5.3.1.

*5.4 Operations

5.4.1. General Conditions of MBF and MBF ATM Operations

5.4.1.1. Before initiating MBF and MBF ATM operations, a written agreement must be negotiated directly and signed by the installation or community commander and a senior official of the MBF contractor. Forward one copy of the agreement with U.S. MBF contractors through command channels to the Secretary of the Military Department concerned (or designee). The Secretary of the Military Department (or designee) must forward one copy of the agreement through command channels to the Director, DFAS. The installation or community commander and the MBF manager must always maintain a copy of the agreement.

5.4.1.2. MBF agreements must only state operating details not set forth in the contract. Though the contract limits the number of operating hours per week, local commanders and MBF managers must set days and hours of operation to best meet local needs. Operating times may include Saturdays and evening hours when necessary to complement other retail services for DoD personnel, provided the contractor can implement that service at no additional cost to the government. When added cost is involved, the commander must send a request including reasons for expanded or modified times of operation, through command channels, to the Secretary of the Military Department concerned (or designee) for action. If approved, the request, with recommendations, must be forwarded to the Director, DFAS (or designee) for coordination to effect requested changes.

5.4.2. Overseas MBFs and MBF ATMs Operated Under Contract

5.4.2.1. General. Overseas MBFs must operate under terms and conditions established at the time of contract negotiations and confirmed in respective contracts or contracting officer determinations.

5.4.2.2. Authorized Customers. DoD banking contracts specify the personnel authorized to receive service. Additionally, overseas major commanders may approve banking services for other individuals that qualify for individual logistic support under the regulations of the DoD Component concerned, if the use of financial services is not precluded by status of forces agreements, other intergovernmental agreements, or host-country law.

5.4.2.3. Services Rendered. DoD banking contracts specify the services to be rendered and related charges. Suggestions for expansion or modification of authorized services or changes to fees or charges may be forwarded through DoD Component channels to the Director, DFAS (or designee). Requests for any new service must include coordination with the appropriate Combatant Command and U.S. Chief of Diplomatic Mission or U.S. Embassy to make certain that the requests do not conflict with the status of forces agreements, other intergovernmental agreements, or host-country law.

5.4.2.4. Regulation to be Provided. The Director, DFAS (or designee) must advise each U.S. banking contractor operating an overseas MBF of this chapter and furnish a copy to the contractor.

5.4.2.5. Conditions of Operation.

5.4.2.5.1. Part-time and payday service MBFs must provide limited services that mirror, to the extent feasible, those provided by full-time MBFs. Since part-time MBFs operate out of nearby MBFs, installation or community commanders must provide and fund transportation and guards for their operations, including servicing of ATMs.

5.4.2.5.2. Any deficiency of financial services under DoD banking contracts must be reported to the manager of the MBF within seven calendar days of noting the deficiency. If the problem has not been corrected within 30 calendar days after being noted, the commander must report the problem through DoD Component channels to the Director, DFAS (or designee).

5.4.2.5.3. The MBF contractor and military disbursing officers must establish cash management practices that minimize the cash required to conduct business.

5.4.2.5.4. Installation commanders must assist MBF contractors in developing and updating contingency plans for banking services in the event of hostilities or other emergencies. Plans must be reviewed and updated yearly by installation commanders and MBF personnel.

5.4.2.5.5. MBF provision of foreign currency must be in accordance with Volume 5, Chapter 13.

5.4.3. Other Overseas Banks and ATMs

5.4.3.1. Authorized Customers. The list of authorized customers must be negotiated between the installation commander and the foreign bank and must be reflected in the operating agreement. The list of authorized customers included in the operating agreement must be consistent with the applicable status of forces agreement, other intergovernmental agreements, or host-country law.

5.4.3.2. Services Rendered. Services and charges must parallel, whenever practical, the services and charges of MBFs and ATMs operated under contract. Negotiate and include specific services in the agreement with the foreign bank. A copy of the agreement must be sent through the Secretary of the Military Department concerned (or designee) to the Director, DFAS (or designee).

5.4.3.3. Operating Agreements. Before agreements are executed, they will be coordinated with and approved by the cognizant Combatant Command (or designee). Copies of agreements must be forwarded through DoD Component channels to the Secretary of the Military Department concerned (or designee) to the Director, DFAS (or designee).

5.4.3.4. Conditions of Operation. A foreign bank must provide equipment (except that furnished by the installation or community), supplies, and trained personnel.

5.4.4. Relocations of and Modifications to MBFs or Other MBF Facilities

When an MBF is proposed to be moved from one location to another at the same installation or community, or for any relocation or modification to MBFs or other MBF facilities the commander must provide detailed information about and supporting the relocation to the Secretary of the Military Department concerned (or designee), through command channels. The Secretary of the Military Department concerned (or designee) must forward the information to the Director, DFAS (or designee) for approval and assistance prior to relocation or modification.

5.4.5. Information Requirements. Installation or community commanders must send the following information through DoD Component channels to the Director, DFAS (or designee) for any of the following when known, or no less than annually by 30 January each year:

5.4.5.1. Major changes in installation population affecting the use of the MBF or MBF ATMs.

5.4.5.2. Opinion that the space assigned is not adequate for the efficient operation of the MBF including a statement concerning corrective action.

5.4.5.3. Suggestions that might improve the MBF operation, increase efficiency, or decrease costs.

5.4.5.4. Pending developments, including training exercises, that may have a material impact on the MBF operation.

5.5 Termination

Requests to eliminate any or all MBFs in a foreign country must include documentation that the U.S. Chief of Diplomatic Mission has been informed and that arrangements for local termination announcements and procedures have been made with the U.S. Embassy.

5.5.1. Overseas MBFs Operated Under Contract. In cases where an installation or community no longer can justify overseas MBF operations, the commander must notify the Secretary of the Military Department concerned (or designee) through command channels.

5.5.1.1. The report must state whether a part-time MBF must be established and specify the days each week that the MBF would be needed.

5.5.1.2. The Secretary of the Military Department (or designee) must send this report with recommendations to the Director, DFAS (or designee).

5.5.2. Other Overseas Banking Offices. Termination actions, when required, must be taken in accordance with the applicable clauses in the operating agreement. Notice of intent to terminate, including the closing date, must be sent through DoD Component channels to the Director, DFAS (or designee), who notifies the Treasury so that the foreign banking institution's authority as a Depositary and Financial Agent of the U.S. Government at that location may be revoked.

6.0 CREDIT UNIONS OPERATING ON DOMESTIC DOD INSTALLATIONS

*6.1 General Policy

U.S. credit unions may operate on DoD installations, in accordance with this chapter, when required by installation commanders to promote the morale and welfare of installation personnel and to help facilitate installation operations.

6.2 Establishment

6.2.1. A demonstrated need for credit union services may be addressed by establishing a new full-service credit union or by opening a branch office or facility of an existing credit union under the common bond principle.

6.2.2. DoD personnel seeking to establish a new full-service credit union must submit a proposal to the installation commander for review. In addition to the information identified in subparagraph 4.2.1, the proposal must include a request for the establishment of a field of membership that includes all personnel at the installation. Upon installation commander

concurrence, forward the proposal through DoD Component channels to the Secretary of the Military Department (or designee).

6.2.3. The Secretary of the Military Department concerned (or designee) must:

6.2.3.1. Obtain a list of credit unions that could establish eligibility to serve the installation's military members and civilian employees from the National Credit Union Administration (NCUA) Regional Office that has geographic jurisdiction and the applicable state regulatory agency.

6.2.3.2. Prepare and send formal solicitation letters to eligible credit unions informing them of an opportunity to establish a branch office at the installation.

6.2.3.3. In coordination with the installation commander, establish the criteria for selection of a specific credit union in accordance with subparagraph 4.3.4. Proposals must be evaluated, and a selection made, based upon the factors and weights developed for the solicitation.

6.2.4. Upon approval by the Secretary of the Military Department (or designee), the NCUA or applicable state regulatory agency must be notified and asked to establish or amend the selected credit union's charter to include the new location.

6.2.5. No commitment may be made to a credit union regarding its proposal until the appropriate regulatory agency has approved the requested charter change.

*6.3 Terminations

6.3.1. The installation commander must approve requests for termination of an on-base credit union, substantiated by sufficient evidence, and forward to the Secretary of the Military Department concerned (or designee). The installation commander must initiate the termination of on-base credit union operations only under one of the following conditions:

6.3.1.1. The installation mission has changed or is scheduled to be changed, thereby eliminating, or substantially reducing the requirement for financial services.

6.3.1.2. Active military operations prevent the continuation of on-base financial services.

6.3.1.3. The credit union's performance in providing services is not satisfactory according to standards ordinarily associated with the financial services industry or is inconsistent with the operating agreements or this chapter. Installation commander written communication with local credit union leadership must be undertaken to attempt to resolve matters prior to making this determination.

6.3.1.4. When merger, acquisition, change of control, or other action results in violation of the terms and conditions of the existing operating agreement, the Secretary of the Military Department (or designee) must terminate the operating agreement with the existing credit

union. When the merger, acquisition, change of control, or other action does not result in violation of the terms and conditions of the existing operating agreement, the Secretary of the Military Department (or designee) must novate the operating agreement identifying the change in control.

6.3.2. The installation commander must forward approved requests for termination of an on-base credit union, substantiated by sufficient evidence, to the Secretary of the Military Department concerned (or designee). The Secretary of the Military Department (or designee) must review all termination actions to ensure compliance with this chapter and coordinate all termination actions with the USD(C), through the Director, DFAS, before the Secretary of the Military Department (or designee) provides notification to the appropriate regulatory agency if required. After this coordination process:

6.3.2.1. The Secretary of the Military Department (or designee) will notify the installation commander if the termination is in accordance with this chapter and if so, the installation commander must notify the on-base credit union of the termination. The installation commander must establish a departure date and revoke the authority of the credit union to operate on the installation via termination of the lease or lease-like instrument and operating agreement.

6.3.2.2. If the termination is not in accordance with this chapter, the request will be returned by the Secretary of the Military Department (or designee) to the installation commander for remediation or dismissal.

6.3.3. A credit union that intends to voluntarily terminate its on-base operations must notify the installation commander in writing on official letterhead at least 180 days before the proposed closing date. Within the notification, the credit union must identify reasons for termination. This notification and an acknowledgment from the installation commander must precede any public announcement of the planned closure. When appropriate, the installation commander may attempt to negotiate an agreement permitting the credit union to continue operations until the installation has made other arrangements. Immediately upon notification of a termination, the installation commander must advise the DoD Component headquarters concerned. If the continuation of financial services is justified, action to establish another on-base FI must be taken in accordance with paragraph 4.3, paragraph 6.2, or both, depending on if another FI is currently operating on-base. A copy of the voluntary termination notification must be forwarded through command channels to the Director, DFAS (or designee).

6.3.4. Termination of Lease. The lessee must provide written notice 180 days prior to a voluntary termination of the lease. Upon lease termination, the government has the option to cause the title of all structures and other improvements to be conveyed to the United States without reimbursement or require the lessee to remove the improvements and restore the land to its original condition.

6.4 Use of Space, Logistical Support, and Military Real Property for Domestic Credit Unions

6.4.1. Criteria for Use of Space in Government-owned Real Property or Federal Land

6.4.1.1. Criteria governing the assignment of space and construction of new space for credit unions are in the MIL-STD-3007F.

6.4.1.2. A credit union may be furnished space on a DoD installation at one or more locations for periods not to exceed five years except where the credit union uses its own funds to improve existing government space as outlined in subparagraphs 6.4.1.2.3 and 6.4.1.2.4. The cumulative total of space furnished must be subject to the limitations of the MIL-STD-3007F.

6.4.1.2.1. The furnishing of office space and/or land (including ATM placement) to on-base credit unions is governed by the Federal Credit Union Act (12 U.S.C § 1770). Notwithstanding any other provision of law, upon application by any credit union, the provision of no-cost federal office space or no-cost land lease is for a period not to exceed 5 years. This is limited to credit unions if at least 95 percent of the membership to be served by the allotment of space or the facility built on the leased land is composed of individuals who are, or who were at the time of admission into the credit union, military personnel or federal employees, or members of their families.

6.4.1.2.1.1. A written statement to the effect that the credit union meets the 95 percent criterion is required to justify and document the allotment of free government space and/or land. This statement must be prepared on the credit union's letterhead and signed by either the chairman of the board of directors or the president.

6.4.1.2.1.2. A certification must also be required whenever there is a merger, takeover, or significant change in a field of membership. This certification serves as justification and documentation for the continued allocation of free government space including space renovated with credit union funds and/or the free lease of land.

6.4.1.2.1.3. Update the statement every 5 years and on renewal of each no-cost permit or license. (See Figure 33-3 for a sample format of the statement.)

6.4.1.2.2. Credit unions that fail to meet the 95 percent criterion must be charged fair market rental for space provided. Except where more than one credit union exists on an installation prior to June 9, 2000, credit unions giving less than full service or not serving all assigned DoD personnel are not authorized no-cost office space.

6.4.1.2.3. When a credit union that meets the 95 percent criterion uses its own funds to expand, modify, or renovate government-owned space, it may be provided a no-cost permit or license for a period commensurate with the extent of the improvements not to exceed 25 years as determined by the DoD Component concerned. The permit or license must be effective until the agreed date of expiration or until the credit union ceases to satisfy the 95 percent criterion. In this latter case, the no-cost permit must be canceled in favor of a lease immediately negotiated at fair market value under the provisions of subparagraph 6.4.1.2.4. If the credit union desires,

this permit or license may extend through the period identified in the original permit or license not to exceed 25 years.

6.4.1.2.4. Similarly, a credit union not meeting the 95 percent criterion that uses its own funds to expand, modify, or renovate government-owned space, may be provided a lease at fair market value for a period not to exceed 25 years subject to periodic review every 5 years to assess changes in fair market value. The duration of this lease must be commensurate with the extent of the improvements as determined by the DoD Component concerned.

6.4.1.3. All space assigned by the GSA, whether leased or in a federal office building, is reimbursable to the GSA at the standard level user charge. Consequently, the GSA must charge the benefiting DoD Component for any space assigned for credit union operations. Such space is subject to the provisions of subparagraphs 6.4.1.1 and 6.4.1.2.

6.4.2. Logistical Support. When available, custodial and janitorial services including garbage disposal and outdoor maintenance (such as grass cutting and snow removal), heating and air conditioning, utilities (i.e., electricity, natural gas or fuel oil, water, and sewage), fixtures, and maintenance must be furnished without cost to credit unions occupying no-cost office space in government buildings. Apart from intra-station telephone service, credit unions must pay for all communication services to include telephone lines, long-distance data services and internet connections. Credit unions also must pay for space alterations. Should a credit union fail to meet the 95 percent membership criterion, any logistical support furnished must be on a reimbursable basis.

6.4.3. Leases executed before the issuance of this chapter, see subparagraph 4.5.3.

6.4.4. When a credit union participates in the construction of a shopping mall complex the lease must cover only land where the branch or facility physically is located.

6.4.5. Administrative Fees. The installation bears all administrative fees associated with the initiation, modification, or renewal of an outgrant, provided that the credit union satisfies the 95 percent membership criterion requirement for no-cost office space as outlined in subparagraph 6.4.1.2.1 and that the fees are associated with the no-cost space.

6.5 Land Leases

Credit unions entering a land lease to construct a building on a DoD installation must be provided a no-cost land lease, if they meet the 95 percent criterion established in subparagraph 6.4.1.2.1. Credit unions not meeting the 95 percent criterion must enter into a land lease in accordance with subparagraph and subparagraph 6.4.1.2.2 and paragraph 4.6.

6.6 Construction

Credit unions constructing a building on a DoD installation must do so in accordance with paragraph 4.7.

6.7 ATM Service

Credit unions offering ATM service must do so in accordance with paragraph 3.5.

7.0 OVERSEAS CREDIT UNIONS

7.1 General Policy

* 7.1.1. Credit union services to authorized persons and organizations, as permitted by Status of Forces agreements, other intergovernmental agreements, or host-country law, may be provided by domestic on-base credit unions operating under a geographic franchise.

7.1.2. The extension of credit union service overseas must be in accordance with this chapter as it relates to domestic credit unions and aligned with applicable status of forces agreements or other intergovernmental agreements, or host-country law.

7.1.3. Where permitted by the status of forces agreements or other intergovernmental agreements, or host-country law, only federal credit unions or federally insured state-chartered credit unions may operate on overseas DoD installations. The ultimate decision to provide services overseas rests with the credit union itself.

7.2 Establishment

7.2.1. Commanders must notify the Secretary of the Military Department concerned (or designee), through command channels, when overseas credit union services are needed. Such requests must include:

7.2.1.1. Full information about available space and logistical support.

7.2.1.2. The name and location of the nearest credit union facility or branch.

7.2.1.3. The distance between the installation and the nearest credit union facility or branch.

7.2.1.4. The availability of any official or public transportation.

7.2.1.5. The number of DoD personnel in duty assignments that confine them to the installation or who cannot obtain transportation (such as hospital patients).

7.2.1.6. In countries not presently served, a statement concurred by the cognizant Combatant Command that the requirement has been coordinated with the U.S. Chief of Diplomatic Mission or U.S. Embassy. The statement must include the host country permits credit union operations and indicate any conditions imposed by the host country with respect to those operations.

7.2.2. After approval of the request from the installation or community commander to

establish an overseas credit union facility, the Secretary of the Military Department concerned (or designee) must solicit proposals for the provision of full credit union services under the following provisions.

7.2.2.1. Where there is a DoD-designated geographic franchise with a specific field of membership, the Secretary of the Military Department (or designee) must direct the installation or community commander to contact the supporting credit union and request that a branch or facility be established. The basic decision concerning such extensions of service rests with the servicing credit union. The Director, DFAS (or designee) must maintain a listing of all geographic franchises assigned to credit unions serving DoD overseas installations.

7.2.2.2. Where there is no DoD designated geographic franchise, the Secretary of the Military Department (or designee) must:

7.2.2.2.1. Coordinate requests, through the Director, DFAS (or designee), to obtain a geographic franchise. A geographic franchise is the authorization granted to a credit union by the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) to provide financial services in a specific geographic region located outside the United States, its territories, and possessions.

7.2.2.2.2. Solicit proposals from credit unions currently operating on DoD installations.

7.2.2.2.3. Review proposals of interested credit unions.

7.2.2.2.4. Coordinate with field commands, as needed.

7.2.2.2.5. Recommend selection to the NCUA or applicable state regulatory agency with a copy to the DFAS and the OUSD(C), requesting that the appropriate field of membership adjustment be made. Such a recommendation must identify the primary installations on which the credit union would operate and, if applicable, the contiguous geographic boundaries for future facilities and branches.

7.2.3. Where there is an existing field of membership, the Secretary of the Military Department concerned (or designee) must take the following actions:

7.2.3.1. If a credit union on an installation terminates operation, afford any other credit union having a geographic franchise within that country an opportunity to assume the franchise being vacated. If all such institutions decline, offer the geographic franchise to the federally insured credit union community. If, as a result of a credit union's decision to decline service to an installation or a termination action, another credit union (a) offers to provide service, (b) meets host-country requirements (if any), and (c) is assigned the former geographic franchise or portion thereof, notify the NCUA or the applicable state regulatory agency and request appropriate field of membership adjustments.

7.2.3.2. When other credit union(s) having a geographic franchise within a country

decline the opportunity, or there is no other credit union having a franchise within that country, the provisions of paragraph 7.2, apply.

7.2.4. No commitment may be made to a credit union regarding its proposal until the appropriate regulatory agency has announced a selection.

7.3 Logistical Support Services

Installation or community commanders must provide credit unions logistical support services on a non-reimbursable basis unless otherwise identified. Such support normally must include:

7.3.1. Adequate office space, including steel bars; grillwork; security doors; vaults; safes; security alarm systems and camera surveillance equipment (where deemed necessary) that meet documented requirements of the credit union's insurance carrier; construction of counters, teller cages, and customer and work areas; necessary modifications and alterations to existing buildings. The size and arrangement of space should permit efficient operations. The credit union must pay for all improvements to the space given. The space assigned may not exceed that prescribed in the MIL-STD-3007F.

7.3.2. DoD housing on a rental-paying basis to key credit union personnel unable to find suitable, reasonably priced housing in the vicinity of the DoD installation, if available.

7.3.3. Education, on a space-available, tuition-paying basis, provided by the DoD Education Activity to minor dependents of assigned staff.

7.3.4. Utilities (i.e., electricity, natural gas or fuel oil, water, and sewage), heating, intra-station telephone service, and custodial and janitorial services.

7.3.5. DSN voice and data communication to include, where available, internet access.

7.3.6. U.S. Military Postal Service support under DoDD 5101.11E. The use of free IDS is authorized for all routine mail sent and received between APOs and FPOs within a theater.

7.3.7. Military guards, civilian guards (for use within the installation), military police, or other protective services to accompany shipments of money from the MBF to the credit union and from the credit union to the MBF where it is impractical or not authorized to have a local armored car service or civilian police authorities entering a military installation to provide cash escort service or when the cost of obtaining such service is prohibitive. Provide this level of protective service at other times as required including replenishment of ATM currency and receipts, alarm system failures, and avoiding undue risks or insurance costs.

7.4 Travel

Travel by credit union officials must be at no expense to the U.S. Government. Overseas commanders may issue invitational travel orders for official on-base visits by credit union officials

at no cost to the U.S. Government.

7.5 Operations

7.5.1. An overseas credit union must confine its field of membership to individuals or organizations eligible by law or regulation to receive services and benefits from the installation. Services must not be provided to individuals or organizations precluded such services by the applicable status of forces agreement, other intergovernmental agreements, or host-country law.

7.5.2. The Department assigns overseas credit unions a prescribed geographic franchise. Any credit union, however, may continue to serve its members stationed overseas by mail or telecommunications, including via the Internet.

7.5.3. A credit union proposing a new service to be offered by a branch office that is not authorized by the operating agreement must coordinate the establishment of the new service through the cognizant Component command to the Combatant Command. The new service must be offered only after the appropriate command's approval and coordination with the U.S. Chief of Diplomatic Mission or U.S. Embassy to ensure that the service does not conflict with the applicable status of forces agreement, other intergovernmental agreements, or host-country law. The new service must be reflected as an amendment to the operating agreement.

7.5.4. Credit unions that operate full-service branches must have U.S. currency and coin available for member transactions. In areas served by currency custody accounts, transactional U.S. currency and coins must be made available from the servicing MBF with no direct or analysis charge to the credit union, provided settlement is made via the local MBF account or equivalent arrangements are made with the MBF.

7.5.5. In countries served by MBFs operated under contract, credit unions must purchase foreign currency only from the servicing MBF.

7.5.5.1. The bulk rate purchase price must apply to currency used by the credit union to make payments to vendors or to make payroll payments.

7.5.5.2. Credit unions that desire and are authorized to provide accommodation exchange services to members must only acquire foreign currency from the servicing MBF at the MBF accommodation rate and resell such foreign currency at a rate of exchange no more favorable than the customer rate available at the MBF.

7.5.6. Credit unions operating under a geographic franchise on an overseas DoD installation must not publicize, display, or sell vehicles on the installation.

7.5.7. The NCUA or applicable state regulatory agency may review operations of overseas credit union offices either when it examines the main credit union or at other times of its choosing. For federally insured, state-chartered credit unions, the applicable state regulatory agency also may examine credit unions operations.

*Figure 33-1: Guidelines for Application of the Privacy Act to Financial Institution Operations

1. The following guidelines govern the application of 32 CFR § 230, "Financial Institutions on DoD Installations" to those FIs that operate under this Regulation:

A. FIs and their branches and facilities operating on DoD military installations do not fall within the purview of ***5 U.S.C. § 552*** et seq.

1. These FIs do not fit the definition of "agency" to which the Privacy Act applies: "...any executive department, Military Department, government corporation, government-controlled corporation, or other establishment in the executive branch of the government (including the Executive Office of the President), or an independent regulatory agency" (5 U.S.C. §§552(e) and 552a(a)(1)).

2. These FIs are not "government contractors" within the meaning of 5 U.S.C. § 552a(o), as they do not operate a system of records on behalf of an agency "...to accomplish an agency function." According to the Office of Management and Budget (OMB) ***Privacy Act Guidance***, the provision relating to government contractors applies only to systems of records "...actually taking the place of a federal system which, but for the contract, would have been performed by an agency and covered by the Privacy Act." Clearly, the subject institutions do not meet these criteria.

3. Since the Act does not apply to them, these FIs are not required to comply with 5 U.S.C. § 552a(e)(3) in obtaining and making use of personal information in their relationships with personnel authorized to use such institutions. Thus, these institutions are not required to inform individuals from whom information is requested of the authority for its solicitation, the principal purpose for which it is intended to be used, the routine uses that may be made of it, or the effects of not providing the information. There also is no requirement to post information of this nature within on-base banking and credit union offices.

B. The FIs concerned hold the same position and relationship to their account holders, members, and to the government as they did before the enactment of ***OMB Circular A-130***. Within their usual business relationships, they still are responsible for safeguarding the information provided by their account holders or members and for obtaining only such information as is reasonable and necessary to conduct business. This includes credit information and proper identification, which may include social security number, as a precondition for the cashing of checks.

C. FIs may incorporate the following conditions of disclosure of personal identification in all contracts, including loan agreements, account signature cards, certificates of deposit agreements, and any other agreements signed by their account holders or members:

Figure 33-1: Guidelines for Application of the Privacy Act to Financial Institution Operations (Continued)

> I hereby authorize the Department of Defense and its various Components to verify my social security number or other identifier and disclose my home address to authorized (name of FI) officials so that they may contact me in connection with my business with (name of FI). All information furnished will be used solely in connection with my financial relationship with (name of FI).

When the FI presents such signed authorizations, the receiving military command or installation must provide the appropriate information.

D. Even though an agreement described in subparagraph A.3., has not been obtained, DoD may provide these FIs with salary information and, when pertinent, the length or type of civilian or military appointment, consistent with 32 CFR § 230 and ***DoDD 5400.07***. Some examples of personal information pertaining to DoD personnel that normally can be released without creating an unwarranted invasion of personal privacy are name, rank, date of rank, salary, present and past duty assignments, future assignments that have been finalized, office phone number, source of commission, and promotion sequence number.

E. When DoD personnel with financial obligations are reassigned and fail to inform the FI of their whereabouts, they should be located by contacting the individual's last known commander or supervisor at the official position or duty station within that particular DoD Component. That commander or supervisor either must furnish the individual's new official duty location address to the FI or must forward, through official channels, any correspondence received pertaining thereto to the individual's new commander or supervisor for appropriate assistance and response. Forward correspondence to the individual concerned at his or her last official place of business or duty station as provided by postal regulations to the new location. Once an individual's affiliation with DoD is terminated through separation or retirement, however, the Department's ability to render locator assistance (i.e., disclose a home address) is severely curtailed unless the public interest dictates disclosure of the last known home address. The Department may, at its discretion, forward correspondence to the individual's last known home address. The Department may not act as an intermediary for private matters concerning former DoD personnel who are no longer affiliated with the Department.

2. Questions concerning this guidance should be forwarded through channels to the Deputy Chief Financial Officer, Office of the Under Secretary of Defense (Comptroller), The Pentagon, Washington, DC 20301-1100.

Figure 33-2: Sample Operating Agreement (OA) Between Installation Commanders and Financial Institutions (FI)

NOTE: The following operating agreement may be used as a template. Content of the actual operating agreement constructed for use between an installation commander and an FI may vary according to the circumstances of each installation but must align with this issuance.

Operating Agreement Between (*Name of Installation*), (*State or Country Installation Located*) and (*Name of Financial Institution*)

This agreement is made and entered into this day by and between the installation commander of (*name of installation*) in their official capacity as installation commander, hereinafter referred to as the "commander" and the (*name of FI*), having its principal office at (*location of home office*) hereinafter referred to as the "FI," together hereinafter referred to as "the parties." Whereas the commander and the FI enter into this OA upon the mutual consideration of the promises, covenants, and agreements hereinafter contained.

1. The parties understand and agree that this OA in no way modifies, changes, or alters the terms and conditions of Lease Number (*number of lease*) covering the use of real property described therein.

2. The FI agrees to operate a (*federally or state*) chartered office on-base in accordance with the policies and procedures set forth in DoD Financial Management Regulation Volume 12, Chapter 33. The hours of operations are between (*hour office opens*) and (*hour office closes*), and on the following days (*weekdays office open*), except on government holidays when the FI may be closed.

3. The parties have agreed the FI will provide the following services:

a. Services for Individuals

(1) Demand (checking) account services

(2) Cashing personal checks and government checks for accountholders

(3) Maintaining savings accounts and (any other interest-bearing accounts)

(4) Selling official checks, money orders, and traveler's checks

(5) Selling and redeeming United States savings bonds

(6) Providing direct deposit service

(7) Loan Services

Figure 33-2. Sample Operating Agreement Between Installation Commanders and FIs (Continued)

(8) Electronic banking (i.e., ATMs, internet banking).

b. Services for Disbursing Officers and their agents

(1) Furnishing cash (if the FI's terms for doing so are consistent with sound management practices)

(2) Accepting deposits for credit to the Treasury General Account (where the FI has entered into an agreement with the Treasury).

c. Services for NAFIs and Private Organizations

(1) Demand (checking) account services, including wire transfers

(2) Savings accounts and nonnegotiable certificates of deposit or other interest-bearing accounts offered by the banking institution

(3) Currency and coin for change.

4. Service charges proposed by the FI and accepted by the installation commander are as follows:

a. Service for Individuals

(1) No fees may be charged to individuals for the services listed in subparagraphs 3.a.(2), and 3.a.(5), except for subparagraph 3.a.(2), wherein checks drawn on other FIs may be treated in accordance with the FI's established policy. Any charge to cash a government check must not exceed that typically charged by FIs in the vicinity of the installation. Fees assessed to accountholders and non-accountholders for use of ATMs must be the customary service charges of the FI or those negotiated for base personnel per the attached schedule.

(2) Checking and savings accounts. Fees for individual checking and savings accounts must be the customary service charges of the FI or those negotiated for base personnel per the attached schedule.

(3) Sale of official checks, money orders, traveler's checks, and other types of financial paper. Charges for these services must be the customary charges of the FI operating the on-base office.

Figure 33-2. Sample Operating Agreement Between Installation Commanders and FIs (Continued)

b. Service for Disbursing Officers and their agents. No charge is made for the services listed in subparagraph 3.b.(2). Compensation to the FI must be per its separate agreement with the Treasury. Charges, if any, for the services stated in subparagraph 3.b.(1) must be as locally negotiated with the FI.

c. NAFIs and Private Organizations. State the charges or refer to a schedule of charges for funds and organizations that do not participate in a central banking program. For those activities participating in a central banking program, determine the compensation to the FI by account analysis.

5. It is agreed that the FI must:

a. Negotiate with the commander (or designee) for any proposed changes to the attached schedule of fees and services at least 30 days prior to proposed implementation.

b. Comply with Volume 12, Chapter 33, and any changes thereto.

c. Comply with Treasury requirements for the establishment and operation of a Treasury General Account where the FI agrees to act as a depository for government funds.

d. Absolve the *(Military Department)* and its representatives of responsibility or liability for the financial operation of the FI; and for any loss (including losses due to criminal activity), expenses, or claims for damages arising from FI operations.

e. Indemnify and hold harmless the United States from (and against) any loss, expense, claim, or demand, including attorney fees, court costs, and costs of litigation, to which the government may be subjected as a result of death, loss, destruction, or damage in connection with the use and occupancy of *(Military Department)* premises occasioned in whole or in part by officers, agents or employees of the FI operating an office of the FI.

f. Favorably respond, whenever feasible, to reasonable local command requests for lectures and printed materials to support consumer credit education programs, financial management program, and newcomer's briefings.

g. Prominently post in the lobby of the FI the name, duty telephone number of the (Bank or Credit Union) Liaison Officer.

h. Accept the government travel card in all on-base ATMs operated by the FI.

Figure 33-2. Sample Operating Agreement Between Installation Commanders and FIs (Continued)

i. Abide by the installation fire protection program, including immediate correction of fire hazards noted by the installation fire inspector during periodic fire prevention inspections.

j. Furnish copies of its financial reports and other local publications on an "as needed" basis in response to the installation commander's (or designee's) formal request.

6. The commander must provide the following space and support:

a. Space requirements for FI operations must be administered in accordance with the existing outgrant (i.e., lease, permit, or license). (*Show Number of Outgrant*).

b. Utilities (i.e., electricity, natural gas or fuel oil, water, and sewage), heating and air conditioning, intra-station telephone service, and custodial and janitorial services to include garbage disposal and outdoor maintenance (such as grass cutting and snow removal) in accordance with Volume 12, Chapter 33.

c. DoD housing and minor dependent education in overseas locations for FI personnel in accordance with Volume 12, Chapter 33.

d. Determination of the recurring/frequency requirement for installation access and issue the appropriate installation and/or facility access credential consistent with local security requirements using Government authoritative databases for vetting purposes, as prescribed in ***DoDM 5200.08, Vol. 3***: "Physical Security Program: Access to DoD Installations."

7. Termination of this OA must be consistent with the termination provision of the real property lease and the provisions within Volume 12, Chapter 33.

8. Any provision of this Agreement that is contrary to or violates any laws, rules, or regulations of the United States, its agencies, or the state of (*state in which the FI is located*) that apply on federal installations is void and have no force or effect; however, both parties to this Agreement agree to notify the other party promptly of any known or suspected continuing violation of such laws, rules, or regulations.

9. So long as this Agreement remains in effect, it must be reviewed jointly by the commander and the FI at least once every 5 years to ensure compatibility with current DoD issuances and to determine if any changes are required to the Agreement.

Figure 33-2. Sample Operating Agreement Between Installation Commanders and FIs (Continued)

IN WITNESS WHEREOF, the commander and the FI, by their duly authorized offices, have hereunto set their hands this day of *(month, day, year).*

_____	_____
FINANCIAL INSTITUTION OFFICIAL	INSTALLATION COMMANDER

Figure 33-3: Sample Certificate of Compliance for Credit Unions

I, (*name*), Chairman of the Board of Directors or President of the (*credit union*), located at (*place*), certify that this credit union complies with the requirements of the Federal Credit Union Act (12 U.S.C. § 1770), for the allotment of space in federal buildings without charge for rent or services. The provision of no-cost office space is limited to credit unions if at least 95 percent of the membership to be served by the allotment of space is composed of individuals who are, or who were at the time of admission into the credit union, military personnel or federal employees, or members of their families.

(*Date*) (*Name*_____
(Chairman of the Board of Directors or the President)

(Note: The Certificate of Compliance must be written on credit union letterhead)

VOLUME 12, CHAPTER 34: "DIRECT ACCEPTANCE OF GIFTS BY MEMBERS OF THE ARMED FORCES, DEPARTMENT OF DEFENSE EMPLOYEES AND THEIR FAMILIES AND SURVIVORS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated March 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
2.2	Added the new provision of the amended Title 10, United States Code, section 2601a statute.	Revision

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CHAPTER 34

DIRECT ACCEPTANCE OF GIFTS BY MEMBERS OF THE ARMED FORCES, DEPARTMENT OF DEFENSE EMPLOYEES AND THEIR FAMILIES AND SURVIVORS

1.0 GENERAL

1.1 Overview

Congress enacted Title 10, United States Code, section 2601a (***10 U.S.C. § 2601a***) which authorized the direct acceptance of gifts from outside sources by members of the armed forces and civilian employees of the Department of Defense (DoD), their family members and survivors, for injuries or illnesses incurred as a result of combat and other covered circumstances. Prior to enactment, employees and Service members were authorized to receive gifts from within the Department.

1.2 Purpose

This chapter establishes policy and assigns responsibilities to implement 10 U.S.C. § 2601a. The authority in 10 U.S.C. § 2601a is in addition to, and in no way limits, any other statutory or regulatory authority of covered members or employees, their family members, and their survivors to accept gifts from non-federal entities.

1.3 Authoritative Guidance

10 U.S.C. § 2601a provides authority to the Secretary of Defense to prescribe regulations allowing covered members of the armed forces, covered employees of the DoD, their family members, and their survivors to accept gifts from nonprofit organizations, private parties, and other sources outside the DoD under specified circumstances.

2.0 POLICY

2.1 Definitions

2.1.1. Covered Employee. A civilian DoD employee who, while an employee on or after September 11, 2001, incurred an illness or an injury under the criteria in this chapter.

2.1.2. Covered Member. A Service member who, while performing active duty, full-time National Guard duty, or inactive-duty training on or after September 11, 2001, incurred an injury or illness under the criteria in this chapter.

2.1.3. Designated Agency Ethics Official. A DoD employee appointed in writing by the head of the DoD agency to coordinate and manage the agency's ethics program.

2.1.4. Ethics Counselor. A DoD employee appointed in writing by the designated agency ethics official or designee to assist in implementing and administering the DoD component command's or organization's ethics program.

2.1.5. Family Members. Parents, siblings, spouse, biological and adopted children, and dependent relatives of covered members or employees.

2.1.6. Gift. Any gratuity, favor, discount, entertainment, hospitality, loan, forbearance, or other item having monetary value. It includes services, as well as gifts of transportation, local travel, lodgings, and meals. It does not include those items excluded from the definition of "gift" in ***Title 5, Code of Federal Regulations (CFR), section 2635.203(b)(1)-(9)***.

2.1.7. Secretary Concerned. The Secretary of a Military Department who has jurisdiction over the military reservation, installation, ship, aircraft, or facility where an event occurs that meets the criterion of this chapter. The Secretary of Defense or designee, if the event meeting the criterion of this chapter occurs at a location that is not a military reservation, installation, or facility, or where more than one Secretary has jurisdiction.

2.1.8. Survivors. Living family members of a covered member or employee who is killed.

* 2.2 Gift to Covered Employees

Pursuant to the authority in 10 U.S.C. § 2601(a), covered members of the armed forces in the DoD and covered employees of DoD, their family members, and their survivors may accept gifts directly from nonprofit organizations, private parties, and other sources outside the DoD when, while performing military duties or performing duties as a civilian employee on or after September 11, 2001, they incur an injury or illness: (1) as a direct result of armed conflict; while engaged in hazardous service; in the performance of duty under conditions simulating war; or through an instrumentality of war; (2) in an operation or area designated as a combat operation or combat zone by the Secretary of Defense; (3) that results in enrollment in a Warriors in Transition program, as defined in section 738(e) of the National Defense Authorization Act for Fiscal Year 2013 (***Public Law 112-239***; ***10 U.S.C. 1071*** note); or (4) under other circumstances determined by the Secretary concerned to warrant treatment similar to members covered by the first criterion of this section.

2.3 Impermissible Gifts

The authority in 10 U.S.C. § 2601a does not apply to gifts from foreign governments or international organizations or their representatives, nor does it apply to gifts that: (1) are accepted in return for being influenced in the performance of an official act; (2) are solicited or coerced; (3) are accepted in violation of any other statute or regulation, including ***18 U.S.C. § 201*** and ***18 U.S.C. § 209***, and ***5 CFR § 2635*** and ***5 CFR § 3601***; or (4) will reflect adversely on the DoD.

2.4 Criteria for Gift Acceptance

2.4.1. Nonprofit organizations, private parties, and other sources outside DoD. The following individuals may accept gifts from nonprofit organizations, private parties, and other sources outside DoD:

2.4.1.1. A member of the armed forces described in subparagraph 2.4.2.

2.4.1.2. A civilian employee of the DoD described in subparagraph 2.4.3.

2.4.1.3. The family members of such a member or employee.

2.4.1.4. Survivors of such a member or employee who is killed.

2.4.2. Covered members. Applies to a member of the armed forces who, while performing active duty, full-time National Guard duty, or inactive-duty training on or after September 11, 2001, incurred an injury or illness:

2.4.2.1. As described in section 10 U.S.C. 1413a(e)(2);

2.4.2.2. In an operation or area designated as a combat operation or a combat zone, respectively, by the Secretary of Defense in accordance with the regulations prescribed under subparagraph 2.4.1; or

2.4.2.3. That results in enrollment in a Warriors in Transition program, as defined in section 738(e) of the National Defense Authorization Act for Fiscal Year 2013 (Public Law 112-239; 10 U.S.C. 1071 note);

2.4.2.4. Under other circumstances determined by the Secretary concerned to warrant treatment analogous to members covered by subparagraph 2.4.1.1.

2.4.3. Covered Employees. Applies to a civilian employee of the DoD who, while an employee on or after September 11, 2001, incurred an injury or illness under a circumstance described in subparagraph 2.4.2.

2.4.4. Gifts From Certain Sources Prohibited. Members and employees may not accept a gift from a foreign government or international organization or their agents under this authority.

2.4.5. Application of Certain Regulations. These regulations apply to the acceptance of gifts received after the date of the enactment of the National Defense Authorization Act for Fiscal Year 2012 for injuries or illnesses incurred on or after September 11, 2001. The military services must apply uniformly to all elements of the DoD and require review and approval by an ethics counselor before acceptance of a gift to ensure that acceptance of the gift complies with the Joint Ethics Regulation.

3.0 RESPONSIBILITIES

3.1 Under Secretary of Defense for Personnel and Readiness

The Under Secretary of Defense for Personnel and Readiness (USD(P&R)) has the overall oversight responsibility on the implementation of this guidance. USD(P&R) monitors compliance with the provisions of this chapter pursuant to ***DoD Directive 5124.02.***

3.2 Secretary Concerned

The Secretary concerned determines whether an event occurring within his or her jurisdiction meets the criterion of "other circumstances" as described in paragraph 2.2.

3.3 Designated Agency Ethics Official

The relevant designated agency ethics official ensures that an ethics counselor reviews and, when appropriate, approves the acceptance of a gift in accordance with 10 U.S.C. § 2601a (a)(2)(B). That review and approval includes a determination that: (1) the gift is not offered in a manner that specifically discriminates among covered members or employees on the basis of type of official responsibility or favors those of higher rank or pay; (2) the donor does not have interests that may be affected substantially by the performance or nonperformance of the covered member's or employee's official duties; and (3) acceptance would not cause a reasonable person with knowledge of the relevant facts to question the integrity of DoD programs or operations.

DoD 7000.14 - R

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 13: "NONAPPROPRIATED FUNDS POLICY"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

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VOLUME 13, CHAPTER 1: "INTRODUCTION TO NONAPPROPRIATED FUND ACCOUNTING"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated February 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Reformatted chapter and updated hyperlinks in accordance with current administrative instructions.	Revision

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CHAPTER 1

INTRODUCTION TO NONAPPROPRIATED FUND ACCOUNTING

1.0 GENERAL

1.1 Overview

Nonappropriated Fund (NAF) accounting applies to all NAF Instrumentalities (NAFIs) and their supporting Accounting Offices (AOs). NAFs are separate from appropriated funds (APFs) of the U.S. Department of the Treasury (Treasury). NAFs are not commingled with APFs and are managed separately from APFs, even when used to support a common program.

1.2 Purpose

This chapter provides a list of definitions, reporting requirements, accounting standards, internal controls, and audit requirements for NAFIs.

1.3 Authoritative Guidance

The accounting policies, and related requirements prescribed, are in accordance with the applicable provisions of:

1.3.1. Department of Defense Instruction ***(DoDI) 1015.15***, "Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources;" and

1.3.2. Financial Accounting Standards Board (***FASB***) Accounting Standards Codification (***ASC***). Users can now access the FASB ASC without charge. This access now includes browsing by topic, searches, and print options.

2.0 DEFINITIONS

2.1 APFs

APFs are monies paid out of the Treasury pursuant to statutory authority granted by Congress to the DoD to incur obligations and make payments. The term "appropriation" means a provision of law (not necessarily in an appropriations act) authorizing the expenditure of funds for a given purpose. In most cases, appropriations are of two types, annual and multi-year. Congress approves the appropriation acts that specify the purposes for which the APFs are used. Specific accounting policies for APFs are described in Volume 4. For additional information on the use of and accounting for APFs for NAF activities, refer to DoDI 1015.15.

2.2 Balance Sheet

The Balance Sheet is a financial statement that shows an entity's financial position at a certain point in time (usually at the end of an accounting period). It represents the entity's assets, liabilities, and net worth (or fund equity).

2.3 Chart of Accounts

The chart of accounts is a list of ledger account names, descriptions, and numbers arranged in the order in which they customarily appear in the financial statements. The chart serves as a useful source for locating a given account within the ledger. The chart of accounts for NAFs is established to comply with FASB and DoDI 1015.15 reporting requirements, and is maintained on the ***DoD NAF Accounting website***. NAF accounting systems that are used by the Military Exchanges are exempt from using the NAF chart of accounts. A separate Defense Resale Activities chart of accounts, for use by the Military Exchanges, is also available on the DoD NAF Accounting website.

2.4 Comparability

Comparability is the similarity and consistency of information produced by an entity from period to period and by others operating in similar circumstances. The value and usefulness of information depends greatly on the degree to which it is comparable to information from prior periods and to similar information reported by others.

2.5 Consistency

Consistency is the uniformity of accounting procedures used by an accounting entity from period to period.

2.6 Cost-Benefit Analysis (CBA)

CBA is an analytic technique that compares the costs and benefits of investments, programs, or policy actions in order to determine which alternative or alternatives maximize net benefits (economic efficiency). CBA attempts to consider all costs and benefits. For further direction on economic analysis for decision-making, refer to ***DoDI 7041.03***, "Economic Analysis for Decision-making."

2.7 General Ledger

The general ledger is a collection of all transactions that occur for each NAFI. Separate accounts exist for individual assets, liabilities, net worth, income, and expenses. The general ledger is the core of the NAF accounting system and contains all accounting entries for the NAFI. The general ledger accounts are found in the NAF Standard General Ledger on the DoD NAF Accounting website. DoD Components jointly maintain a separate general ledger from the NAF Standard General Ledger for the Military Exchanges.

2.8 Internal Control

Internal control is a process, effected by the entity's management and personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance, and to ensure the integrity of financial and accounting information, promote accountability, and prevent fraud.

2.9 Interpretation

Interpretation is an opinion regarding a set of facts. A degree of subjectivity is involved on the part of the individual, based on experience and judgment.

2.10 Materiality

Materiality refers to the magnitude of an omission or misstatement of accounting data that misleads financial statement readers. Information is material when it is of such magnitude or significance that its omission or misstatement leads to a misinterpretation of the financial information. In addition to magnitude, the nature of the item is considered when making a materiality judgment. For reporting purposes that require the level of materiality to be quantified, materiality must be defined as a minimum of one percent of the total assets in the Balance Sheet for each NAFI. The one percent threshold does not preclude entities from making necessary adjustments to financial statements for transactions that may fall below the threshold. For those NAF activities required to report on a consolidated basis, the threshold of materiality must be a minimum of one percent of the assets in the consolidated Balance Sheet.

2.11 NAFs

NAFs are government monies that are not appropriated by Congress and are not held within the Treasury. These are separate funds that are not recorded in the books of the Treasury. NAFs are administered only through a NAFI.

2.12 NAFI

A NAFI is a fiscal entity of the U.S. Government that is supported in whole or in part by NAFs. A NAFI acts in its own name to provide or assist the Secretaries of the Military Departments to provide, for example, morale, welfare and recreation (MWR) programs for DoD personnel. See the definition of NAFI in DoDI 1015.15 for further clarification.

2.13 Recording

Recording is the accurate documentation of business transactions. Recording is an essential requirement of both manual and automated accounting systems.

2.14 Relevance

Relevance is the capacity of information to make a difference in decision-making. For instance, relevant information must be available in a timely manner to ensure its value in decision-making.

2.15 Reliability

In financial accounting theory, reliability describes information that is reasonably free from error and bias and accurately presents the facts.

2.16 Statement of Cash Flows

The Statement of Cash Flows is a financial statement for a given period that provides information about an entity's cash receipts and cash disbursements as they apply to operating, investing, and financing activities.

2.17 Statement of Income and Expense

The Statement of Income and Expense is a financial statement showing the elements (income and expense) used in arriving at the net income for the accounting period or over a certain period of time.

2.18 Subsidiary Ledgers

Subsidiary ledgers are a group of related accounts supporting the balance of a control account in the general ledger. In some cases, a simple file system, or the equivalent, may be adequate if it substantiates the general ledger account balance. Three typical subsidiary ledgers are accounts receivable, prepaid accounts, and accounts payable.

2.19 Summarizing

Summarizing is the process of bringing together financial information to develop financial statements or reports. Examples of the most commonly used financial statements are the Balance Sheet, Statement of Income and Expense, and Statement of Cash Flows.

2.20 Timeliness

Timeliness is prompt reporting of financial information to users for their maximum benefit. Financial data is recorded as soon as practical after the occurrence of a transaction.

2.21 Trial Balance

A trial balance is a listing of the accounts in the general ledger along with each account's balance in the appropriate debit or credit column. AOs will prepare an end-of-month trial balance of the general ledger accounts to ensure total debits equal total credits.

3.0 ANNUAL REPORTING REQUIREMENTS

3.1 Annual Reporting Period

The annual accounting reporting period for DoD NAFIs begins October 1 of each year and ends September 30 of the following year. The Military Exchanges use the National Retail Federation reporting period and fiscal year that begins in February and ends the following January per DoDI 1015.15. This divides the year into four quarters of 13 weeks grouped into two 4-week "months" and one 5-week "month."

3.2 Reports

Financial reports are prepared annually for each NAFI and must include notes to accompany the financial statements. The following NAFI financial reports are explained in Chapter 7:

3.2.1. Balance Sheet;

3.2.2. Reconciliation of Net Worth;

3.2.3. Statement of Income and Expense; and

3.2.4. Statement of Cash Flows.

3.3 Financial Statement Disclosures

Financial reports must include full and adequate disclosure of financial and accounting information in accordance with Chapter 7 specific reporting requirements (e.g., disclosure of fund equity adjustments and eliminating entry transactions between NAFIs); this includes Military Service Headquarters, Major Command or Region, and installation NAFIs. Following these requirements ensures that financial and accounting information is properly treated in preparation of reports.

4.0 ACCOUNTING STANDARDS

4.1 Generally Accepted Accounting Principles (GAAP)

The term GAAP encompasses the conventions, rules, and procedures necessary to define accepted accounting practice at a particular time. GAAP includes not only broad guidelines of general application, but also detailed practices and procedures. These conventions, rules, and procedures establish a standard by which to measure financial presentations.

4.1.1. Judgment. Although there are numerous sources of GAAP, some judgment is necessary to determine whether:

4.1.1.1. The accounting principles selected and applied have general acceptance;

4.1.1.2. The accounting principles are appropriate in the circumstances;

4.1.1.3. Financial statements, including related notes, are informative of matters that may affect their use, understanding, and interpretation;

4.1.1.4. Information presented in the financial statements is classified and summarized in a reasonable manner, i.e., it is neither too detailed nor too condensed; and

4.1.1.5. Financial statements reflect the underlying transactions and events in a manner that presents the financial position, results of operations, and cash flows stated within a range of acceptable limits, i.e., limits that are reasonable and attainable.

4.1.2. FASB Codification. The American Institute of Certified Public Accountants Council designated the Federal Accounting Standards Advisory Board as the body that promulgates GAAP for federal entities and the FASB as the organization that establishes standards for financial accounting and reporting in the private sector. Since NAFI business operations are similar to the private sector, financial statements are prepared and presented to comply with accounting standards promulgated by FASB. The FASB ASC is the single source of authoritative nongovernmental U.S. GAAP, and is available as an advanced application that allows users to access authoritative content, perform research, and submit feedback. Effective for interim and annual periods ending after September 15, 2009, the Codification supersedes all previous GAAP standards. All other accounting literature not included in the Codification is considered non-authoritative.

4.1.3. Other Considerations. An important aspect of GAAP, as applied to government entities, is the recognition of the variety of legal and contractual considerations typical of the government environment. These considerations underlie and are reflected in the fund structure, basis of accounting, and other principles that distinguish governmental accounting from private sector accounting. Some of the types of laws and regulations that may have a direct and material effect on the determination of amounts in a NAFI activity's financial statements include:

4.1.3.1. Requirements for reporting to DoD and others;

4.1.3.2. Restrictions on the use of APFs;

4.1.3.3. Restrictions on expenditures, including construction;

4.1.3.4. Restrictions on investments; and

4.1.3.5. Laws and regulations for NAF, Civil Service, and military personnel.

4.2 Accrual Accounting

NAFIs use the accrual basis of accounting. Under accrual accounting, transactions and other economic events are recorded when they occur. Income and expense are recognized and reported when earned or incurred. Accrual accounting emphasizes matching associated income

and expense in the period in which they occur and contributes to effective financial control over resources and cost of operations. Accrual accounting is essential in developing adequate income and cost information.

4.3 AO Responsibilities

AOs provide centralized professional accounting services to NAFIs. AO responsibilities include:

4.3.1. Maintain all books of original entry, the general ledger, and related subsidiary ledgers;

4.3.2. Maintain fixed asset records;

4.3.3. Prepare all disbursement vouchers and checks after assuring availability of funds and pay liabilities of all supported NAFIs;

4.3.4. Maintain payroll records if performing payroll functions;

4.3.5. Prepare required periodic financial reports with ratios and percentages as requested. AOs also report variances in relation to established standards or approved budget goals upon request;

4.3.6. Prepare other information when requested by NAFI management or higher authority. For example, AOs may supply financial analysis with an MWR activity's financial statements or provide variance from budget data or historical information for use in preparation of NAFI budgets;

4.3.7. Prepare and distribute financial reports to all supported NAFIs;

4.3.8. Prepare an annual operating budget for the AO. When more than one NAFI is supported by an AO, then a schedule is prepared that shows the estimated amounts to be assessed each supported NAFI. The estimated assessed costs may be calculated by applying a cost factor against prior actual expenses incurred. The estimated amounts may include costs related to Human Resources;

4.3.9. Reconcile the bank accounts of supported NAFIs. Review daily account balances shown on monthly bank statements to make sure that insurance and collateral are sufficient. Notify NAFI managers of missing or delayed deposit or check documentation;

4.3.10. Compute and bill service fees to recover operating costs;

4.3.11. Review documentation for completeness and accuracy;

4.3.12. Provide documentation to internal and external independent auditors, as required;

4.3.13. Prepare aged accounts receivable and, if required, accounts payable reports;

4.3.14. Maintain awareness of all changes that affect financial reporting; and

4.3.15. Review requests for making adjustments to fund equity or net worth, and forward request to appropriate approval authority designated by each Military Service. Non-receipt of accounting documents or failure to record documents received does not constitute a valid equity adjustment.

4.4 Accounting Changes

The term "accounting change" means a change in an accounting principle or an accounting estimate. When an accounting change is made, appropriate footnote disclosure is required to provide justification for the accounting change and its effect on the financial statements.

4.4.1. Change in Accounting Principle. A change in accounting principle results from an adoption of a generally accepted accounting principle different from the one previously used for reporting purposes to include the methods for applying the new principle. A characteristic of a change in accounting principle is that it concerns a choice from among two or more generally accepted accounting principles. In the preparation of financial statements, there is a presumption that an accounting principle, once adopted, is not changed in accounting for events and transactions of a similar type. Consistent use of accounting principles from one accounting period to another enhances the utility of financial statements to users by facilitating analysis and understanding of comparative accounting data. Generally, the past financial statements are restated to reflect a change in accounting principle. When accounting systems do not allow for restatement of comparative financials, the footnotes to the financials should state this fact and explain the impact of the change on the prior year statement.

4.4.2. Change in Accounting Estimate. A change in an estimate used in accounting is a necessary consequence of periodic presentations of financial statements. A change in accounting estimate results from new information or subsequent developments and accordingly from better insight or improved judgment. Preparing financial statements requires estimating the effects of future events. Examples of items for which estimates are necessary are uncollectible receivables, inventory obsolescence, service lives, and salvage values of fixed assets. Future events and their effects cannot be predicted with certainty. Estimating, therefore, requires the exercise of judgment. Accounting estimates may change as new events occur, as more experience is acquired, or as additional information is obtained. A change in accounting estimate is accounted for prospectively over current and future years, which will cause a change to the expense account in future years. Prior years are not restated.

4.5 Accounting Errors

Errors in financial statements result from mathematical mistakes, mistakes in the application of accounting principles, oversight, or misuse of facts that existed at the time the financial statements were prepared. A change from an accounting principle that is not generally

accepted to one that is generally accepted is a correction of an error. The past financial statements are restated to reflect the corrections.

5.0 INTERNAL CONTROLS

NAFIs must establish and operate internal control programs in accordance with a range of guidance. The Office of Management and Budget ***Circular A-123***, "Management's Responsibility for Enterprise Risk Management and Internal Control," and the statute it implements, the Federal Managers' Financial Integrity Act (***FMFIA***) of 1982, are at the center of the existing Federal requirements to improve internal controls. Circular A-123 provides guidance on using the range of tools at the disposal of agency managers to achieve desired program results and meet the requirements of the FMFIA of 1982**.** The Circular provides internal control standards and specific requirements for conducting management's assessment of the effectiveness of internal controls over financial reporting. For additional guidance, refer to ***DoDI 5010.40***, "Managers' Internal Control Program Procedures," and DoDI 1015.15. See Volume 1, Chapter 3, section 3.0 for additional guidance on appropriate internal controls, including verifying the authorization of recorded transactions.

6.0 AUDIT REQUIREMENTS

6.1 Audit Policy

Policy regarding the audit of NAFIs and related activities is prescribed in ***DoDI 7600.06***, "Audit of Nonappropriated Fund Instrumentalities and Related Activities." NAFIs will have access to the results of system or functional audits in the form of reports.

6.2 Audit Frequency

DoD policy is to provide adequate audit coverage of NAFIs to include annual financial statement audits. Each Military Service is required by DoDI 7600.06 to have independent certified public accountants conduct an annual financial audit of NAFIs with annual income or expenses exceeding $10 million. NAFIs in Program Group VI – Special Purpose Central Funds, and NAFIs supporting highly sensitive operations, must have audits at least annually regardless of the dollar threshold of revenues and expenses. If directives require or circumstances warrant, additional audits may be scheduled as instructed by DoD Component authority.

6.3 Audit Objectives

The primary objectives of annual NAFI financial audits are to determine whether the financial statements fairly represent the results of operations, and applicable laws and regulations are followed. Particular attention is placed on identifying potential fraud, waste, or abuse in operations.

VOLUME 13, CHAPTER 2: "NONAPPROPRIATED FUND STANDARD GENERAL LEDGER"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

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CHAPTER 2

NONAPPROPRIATED FUND STANDARD GENERAL LEDGER

1.0 GENERAL

1.1 Purpose

This chapter prescribes policy for the Nonappropriated Fund (NAF) Standard General Ledger (NAFSGL), maintained on the ***DoD NAF Accounting*** website. The NAFSGL is a modified version of the United States Standard General Ledger used for accounting and financial statement reporting to ensure financial statement information is consistent for all Nonappropriated Fund Instrumentalities (NAFIs). The NAFSGL provides for standardization and traceability from the financial statements through the general ledger balances to the source documentation for audit purposes. At a minimum, the Office of the Under Secretary of Defense (Personnel & Readiness) updates and publishes the NAFSGL prior to 1 October of each year. Policies in this chapter apply to all NAFIs and their supporting accounting offices, except the Military Exchanges, which include Army and Air Force Exchange Service, Navy Exchange Service Command, and Marine Corps Exchange.

1.2 Authoritative Guidance

The accounting policies, and related requirements prescribed, are in accordance with the applicable provisions of:

1.2.1. DoD Instruction ***(DoDI) 1015.15***, "Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources;" and,

1.2.2. Financial Accounting Standards Board (***FASB***) Accounting Standards Codification (***ASC***). Users can now access the FASB ASC without charge. This access now includes browsing by topic, searches, and print options.

2.0 REPORTING

2.1 Basic Structure

The general ledger accounts are self-balancing (the total debits equal the total credits) and provide for accounting of business events. The NAFSGL contains a Chart of Accounts and basic common account code elements, including the Installation, Nonappropriated Fund (NAF), Activity, Cost Center, Site, Appropriated Fund (APF)/NAF, and General Ledger Account Code (GLAC). Each Military Department uses the accounts required for its particular financial operations. The NAFIs and Military Departments may not have to use all accounts. See paragraph 3.2 for a description of each common account code element.

2.2 Financial Transactions

All resources acquired and used, and valid claims to and against those resources, are to be recorded as financial transactions. Asset and liability accounts cover the collection and payment of cash, the proper classification of assets (e.g., receivables, prepayments, inventory, and fixed assets), and the recognition and proper classification of liabilities (e.g., accounts payable, wages payable, loan liabilities, and pension liabilities). Revenue and expense accounts measure the realization of revenues from the sale of goods and services, and the recognition of costs through the use and consumption of assets.

3.0 NAFSGL FRAMEWORK

3.1 Reporting

The NAFSGL framework requires reporting by specified common account code elements used to organize data for financial reporting. The current NAF common account code elements include the Installation, NAF Fund, Activity, Cost Center, Site, APF/NAF, and GLAC.

3.2 NAF Common Account Code Elements

3.2.1. Installation. A five-character code used to indicate the Military Service and the location where the NAF program is physically or virtually located. The first digit is an alpha character that serves as a Military Service designator (A=Air Force, R=Army, M=Marine Corps, and N=Navy). The last four digits are a numeric string that designates the installation.

3.2.2. NAF Fund. A three-digit code that indicates the NAF Program Group and the type of NAF operation (e.g. Military Morale, Welfare and Recreation (MWR), DoD Lodging, Military Academy Athletic Fund). More information about NAF Program Groups and the definition of NAFIs is in DoDI 1015.15.

3.2.3. Activity. A three-digit code that indicates a specific program or an operational program of a NAFI designed to increase the well-being of authorized MWR users. An activity identifies operational organizations within the Service structure. Examples include bowling, camping, lodging, and golf.

3.2.4. Cost Center. A three-digit code providing a subset or subaccount used to give a more detailed view of a business activity by identifying the accounting subdivision of a NAFI. NAFIs consist of one or more subdivisions called cost centers. Transactions relating to one operational activity (e.g., military club) are recorded into one or more cost centers (e.g., bar, restaurant, or snack bar).

3.2.5. Site. A two-digit code for similar activities operated at separate physical locations that are associated with the same installation. For example, an installation might have two bowling centers or three clubs. The Service would provide a consecutive number for each similar location (e.g., Bowling Alley X = 01, Bowling Alley Y = 02). If the activity and cost center cannot be

traced to a specific site, use the code "00" to indicate the activity and cost center do not align with a site. If only one physical location exists, use the code "01" to identify the location.

3.2.6. APF/NAF. A one-digit code used to differentiate NAF revenues and expenses from APF revenues and expenses. APF is received from a source outside the NAFI, such as the use of Uniform Funding and Management or a reimbursement to the NAFI for NAF expended when APF is the proper source funding (0 = NAF Only and 1 - 9 = APF).

3.2.7. GLAC. An eight-digit code that is used to record transactions relating to a Service's NAF program assets, liabilities, equity, revenues (income), and expenses. The GLAC is the central repository for accounting data transferred from all sub-ledgers or modules, such as accounts payable, accounts receivable, cash management, fixed assets, purchasing and projects. The first four-digit string refers to the DoD Standard GLAC for DoD reporting. For example, account 1000 = Cash in Bank, account 1770 = Intangible Assets, and account 2000 = Accounts Payable. The last four-digit string refers to the DoD detailed account description for use by the DoD Components. For example, 0001 = Checking, 0002 = Local Checking Account, and 0003 = Local Bank Compensating Balance. A Chart of Accounts on the DoD NAF Accounting website provides a detailed definition of each account for reference.

4.0 NAFSGL ACCOUNTS

4.1 Categories

The NAFSGL uses an eight-digit account numbering system for the GLACs. Within the NAFIs, the NAFSGL supports financial statement reporting at the Program Group level and the consolidated Military Department level. All data must summarize to the four-digit DoD standard GLAC and be traceable to the NAFIs using subaccounts. The following paragraphs discuss the definition of each summary category and the accounts that make up that specific summary category. The general ledger accounts are grouped into the following major summary categories:

Account Numbers	Category
1000	Assets
2000	Liabilities
3000	Net Worth/Equity
4000	Operating Income
5000	Operating Expenses
6000	Non-Operating Income
7000	Non-Operating Expenses

4.2 Assets

Account for assets in the 1000 series of accounts. Current asset accounts consist of cash, investments, receivables, inventories, and other assets or resources that are reasonably expected to be converted to cash or be consumed during the normal operating cycle (12 months or less). Long-term asset accounts consist of NAFI-titled fixed assets, APF-titled fixed assets, and other long-term assets. Chapter 3 contains additional information on assets.

4.2.1. Cash/Investments. Cash and investments are liquid assets, which can be quickly used to carry out operations. Cash consists of coins, paper currency and readily negotiable instruments, cash in bank, foreign currencies, revolving cash funds, cash held in petty cash or change funds, imprest funds, savings, and restricted cash for current operations, and certificates of deposit with an original maturity of three months or less. Investments consists of interest-bearing deposits, certificates of deposit with an original maturity greater than three months but no more than 12 months, and marketable securities. Employee retirement cash and investments (employee 401K, employee retirement, and employee post-retirement medical) must be excluded from a consolidated presentation. The employee retirement cash and investments will distort available NAF.

4.2.2. Receivables. Receivables are amounts due from others when the right to receive funds occurs. This may result from amounts owed by employees, customers, and organizations for amounts earned on products sold and services rendered. Receivables consists of customer receivables, inter- and intra-NAFI receivables, APF receivables, merchant card receivables, claims receivables, employee receivables, accrued interest receivables, allowance for doubtful accounts, and other receivables.

4.2.3. Other Current Assets. Other current assets are prepaid expenses that are payments and expenditures made in contemplation of future benefits or performance. Other Current Assets consists of prepayments for supplies, contracts, insurance, franchise fees, deposits, and advance payments.

4.2.4. Inventory. Inventory consists of goods held for sale in the normal course of business, designated as resale inventory items, and warehouse materials not accounted for as prepaid supplies or fixed assets. Inventory consists of central warehouse inventory, work in progress inventory, and inventory in-transit.

4.2.5. Fixed Assets. Fixed assets are property, plant and equipment purchased, donated, or transferred to NAFIs that have an expected life of two or more years. Fixed Assets consists of buildings, land, land improvements, vehicles, aircrafts, boats, furniture, fixtures and equipment, information technology, livestock, assets in progress, fixed assets in-transit when ownership passes to the NAFI before receiving the asset, and accumulated depreciation. Donations of assets and services determined to be material are reported in the financial statements. Donated artifacts should not be included in the financial statements, unless the NAFI: 1) uses or intends to use the artifact in its primary operations outside of its educational function; or 2) sells or intends to sell the artifact and use the proceeds for something other than purchasing another artifact for educational purposes.

4.2.6. Other Long-Term Assets. Other long-term assets are assets not identified in other asset categories. Other long-term assets consist of long-term pension benefit assets, receivables, long-term prepaid expenses, certificates of deposit (more than 12 months), marketable securities, long-term contributions, long-term franchise fees, intangible assets, and long-term royalty and trademark fees. Report pension benefit asset information when the pension plan is overfunded and classified as a long-term asset. Refer to FASB ASC Topic 715, “Compensation–Retirement

Benefits," and Chapter 11 for reporting guidance. Cash and investments restricted for long-term purposes must be classified and reported on the balance sheet as other long-term assets.

4.3 Liabilities

Account for liabilities in the 2000 series of accounts. Current liability accounts are due on demand or will be due on demand within 1 year and consist of accounts payable, wages payable, interest payable, post-retirement benefit obligations (12 months or less), and other liabilities. Long-term liability accounts are due more than 12 months from the date of the Balance Sheet and consist of loan liabilities, capital lease liabilities, post-retirement benefit obligations (more than 12 months), and other long-term liabilities. Chapter 3 contains additional information on liabilities.

4.3.1. Accounts Payable. Accounts Payable consists of the amounts owed for goods and services.

4.3.2. Post-Retirement Benefit Obligation – Current. Report the current obligation when the pension plan is underfunded (plan assets are less than the plan benefit obligation). Report obligation information when the pension plan is underfunded and classified as a current liability as determined and provided by the pension provider. This includes any other post-retirement benefit plan, such as retiree health care. The benefit obligation is the accumulated post-retirement benefit obligation. Refer to FASB ASC Topic 715 and Chapter 11 for reporting guidance.

4.3.3. Other Current Liabilities. Other Current Liabilities consists of various payables, including loans, leases, interest, wages, taxes, and unearned income.

4.3.4. Long-Term Loans Payable. Long-Term Loans Payable consists of the amount of loans and notes that will be paid in more than 12 months.

4.3.5. Post-Retirement Benefit Obligation – Long-Term. Report the long-term obligation when the pension plan is underfunded (plan assets are less than the plan benefit obligation). Report obligation information when the pension plan is underfunded and classified as a long-term liability as determined and provided by the pension provider. This includes any other post-retirement benefit plan, such as retiree health care. The benefit obligation is the accumulated post-retirement benefit obligation. Refer to ASC Topic 715 and Chapter 11 for reporting guidance.

4.3.6. Other Long-Term Liabilities. Other Long-Term Liabilities consists of the amount of leases and claims that will be paid in more than 12 months.

4.4 Net Worth/Equity

Account for Net Worth/Equity in the 3000 series of accounts. Net Worth consists of retained earnings, transferred equity, workers' compensation reserves, equity reserves, undistributed profits and net income, unrealized gains and losses, and other equity transactions. The pension cost liability account records any adjustment made to the existing pension balances in the Balance Sheet. Post these adjustments as an offset to the equity account in the Balance Sheet as either an addition or reduction to Net Worth. Account for these temporary adjustments in the Net Worth

section of the Balance Sheet in the same manner as the unrealized gains and losses on investments pursuant to FASB ASC Topic 320, "Investments–Debt Securities." In addition, do not include these temporary adjustments in the net worth calculation. Refer to ASC Topic 715 for reporting guidance.

4.5 Operating and Non-Operating Income

Classify income as either operating (4000 series) or non-operating (6000 series).

4.5.1. Operating Income. Account for operating income in the 4000 series of accounts. Examples of operating income accounts include gross sales income, participation fees income, concessionaire income, rental income, amusements income, gaming income, reimbursement income, and other operating income. Chapter 5 contains additional information on income.

4.5.2. Non-Operating Income. Account for non-operating income in the 6000 series of accounts. Examples of non-operating income include interest income, rebates income, subsidy income, exchange dividend income, unusual and/or infrequent income, and other non-operating income.

4.6 Operating and Non-Operating Expenses

Classify expenses as either operating (5000 series) or non-operating (7000 series).

4.6.1. Operating Expenses. Account for operating expenses in the 5000 series of accounts. Examples of operating expenses include purchases, cost of goods sold, depreciation expense, wage expense, tax expense, retirement expense, supplies expense, communication expense, utilities expense, travel expense, claims expense, entertainment expense, bad debt expense, unemployment compensation/other employee benefit expense, and other operating expense. Chapter 5 contains additional information on expenses.

4.6.2. Non-Operating Expenses. Account for non-operating expenses in the 7000 series of accounts. Examples of non-operating expenses include interest expenses, unusual and/or infrequent expenses, costs incurred in acquiring historical artifacts, unusual and/or infrequent expenses, and other non-operating expenses.

VOLUME 13, CHAPTER 3: "ASSETS, LIABILITIES, AND NET WORTH"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated May 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Verified and updated references, hyperlinks and formatting to comply with current administrative instructions.	Revision
3.6.1, 3.6.1.1.1	Updated guidance to reflect new asset capitalization threshold of $7,500 per Office of the Deputy Assistant Secretary of Defense, Military Community and Family Policy, effective June 6, 2024.	Revision

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CHAPTER 3

ASSETS, LIABILITIES, AND NET WORTH

1.0 GENERAL

1.1 Purpose

This chapter prescribes the accounting policy and related requirements for Nonappropriated Fund (NAF) assets, liabilities, and net worth. NAF Instrumentality (NAFI) programs and facilities must be operated, maintained, and funded as an integral part of the DoD personnel and readiness program. Policies in this chapter apply to all NAFIs and their supporting accounting offices (AOs) to include the Military Exchanges, which include Army and Air Force Exchange Service, Navy Exchange Service Command, and Marine Corps Exchange.

1.2 Authoritative Guidance

The accounting policy and related requirements prescribed are in accordance with the applicable provisions of:

1.2.1. DoD Instruction ***(DoDI) 1015.15***, "Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources;"

1.2.2. ***Financial Accounting Standards Board*** Accounting Standards Codification (***ASC***). Users can now access the ASC without charge. This access now includes browsing by topic, searches, and print options;

1.2.3. ***DoDI 4105.67***, "Nonappropriated Fund (NAF) Procurement Policy and Procedure;" and

1.2.4. Title 5, Code of Federal Regulations (CFR), Part 1315 (***5 CFR Part 1315***).

2.0 CHART OF ACCOUNTS

The NAF Standard General Ledger (NAFSGL) chart of accounts, to include definitions and general ledger account codes (GLACs) for asset, liability, and net worth accounts, is maintained on the ***DoD NAF Accounting website***. NAF accounting systems that are used by the Military Exchanges are exempt from using this chart of accounts. A separate Defense Resale Activities chart of accounts, for use by the Military Exchanges, is also available on the DoD NAF Accounting website.

3.0 ACCOUNTING REQUIREMENTS FOR ASSETS

The NAFSGL contains eight categories in the assets group: Cash, Investments, Receivables, Inventories, Other Current Assets, NAFI-Titled Fixed Assets, Appropriated Fund (APF)-Titled Fixed Assets, and Other Long-Term Assets. Specific accounting requirements related to these categories are outlined in paragraphs 3.1 through 3.7.

3.1 Cash

NAF cash must be maintained in financial institutions that are U.S. federally insured or designated by the U.S. Department of Treasury. Cash consists of: coins; paper currency; readily negotiable instruments, such as money orders, checks, and bank drafts on hand or in transit for deposit; amounts on demand deposit with banks or other financial institutions; and foreign currencies, which, for accounting purposes, should be translated into U.S. dollars at the exchange rate on the financial statement date. Additionally, all sales of merchandise or services using credit cards must be recorded as cash at the time of sale.

3.1.1. Cash in Bank

3.1.1.1. Reconciliation of Bank Accounts. Designated accounting personnel must reconcile all bank statements or reports on a monthly basis. Any discrepancies found are reported immediately to NAFI management. To maintain separation of duties, the person performing the reconciliations cannot be any person associated with the collection or disbursement of funds.

3.1.1.2. Blank Check Stock. The AO must designate someone to maintain the records and control the blank check stock. For security reasons, this person cannot be one of the check writers. Checks are sequentially pre-numbered and stored in a locked container, which must be either a built-in vault or a safe that is burglary resistant and is fire resistant for a minimum period of two hours. For additional guidance on securing blank check stock, refer to Volume 5, Chapter 3.

3.1.1.3. Check Signing Equipment. There are three components to check signing equipment: a signature plate, a key to the machine, and the machine itself. The signatory maintains the signature plate, and a designated person, other than the signatory, maintains the key to the machine and a log to record machine usage. Whenever operating the machine, the authorized operator enters the beginning and ending readings, date, and their initials in the log. In addition to signature plates, there are other media acceptable for signing checks, e.g., digitized signatures. For comprehensive guidance on check signing, refer to Volume 5, Chapter 7.

3.1.1.4. Change of Signatory. When a change of signatory occurs, destroy the signature plates and notify the bank. A certificate of destruction is prepared, signed by two witnesses and the successor signatory, and maintained in the AO. Refer to Volume 5, Chapter 7 for additional information on the destruction of signature media.

3.1.2. Foreign Currency. For guidance on exchange rate fluctuations, refer to Volume 5, Chapter 13.

3.1.3. Change Funds

3.1.3.1. Accounting for Change Funds. Upon initial issuance of the change fund, the NAFI's cash account is reduced and the appropriate asset account (change funds issued) is increased. Increases to these funds must be requested in writing from the NAFI custodian (see DoDI 1015.15 for definition of NAFI custodian). The AO issues a check for the approved amount and increases the asset account accordingly.

3.1.3.2. Replenishment of Change Funds. The NAFI manager or designee must replenish the funds at the end of the day with cash received from operations as long as all the daily net receipts are deposited in total. Before replenishing the funds, the NAFI manager or designee must ensure all checks cashed from these funds are deposited daily. In no case will the NAFI manager or designee exchange dollars for foreign currency, except as provided in Volume 5, Chapter 13.

3.1.4. Petty Cash Funds. Disbursements from the petty cash fund are recorded to the applicable expense accounts in the month that the petty cash is disbursed by the petty cash custodian.

3.1.4.1. Establishing a Petty Cash Fund. Each NAFI must comply with the following guidelines when establishing a petty cash fund.

3.1.4.1.1. Each manager within a NAFI appoints, in writing, individuals to act as petty cash custodians.

3.1.4.1.2. The amount of a petty cash fund will not exceed one month's requirements.

3.1.4.1.3. Any one transaction will not exceed $500, and transactions will not be fragmented to circumvent this limitation. A higher limit may be approved by the Military Service proponent for NAF financial management for purchases made in foreign currency, if currency rates so warrant. This increase must be reviewed on an annual basis.

3.1.4.1.4. In foreign locations, NAFIs may have one petty cash fund in the local foreign currency as well as one in U.S. dollars. If NAFIs give cash bingo prizes in both dollars and foreign currency, two bingo petty cash funds must be established.

3.1.4.1.5. NAFIs must not use petty cash funds for cashing checks or paying salaries and wages.

3.1.4.2. Replenishment of Petty Cash Funds. The AO provides the fixed amount to the individual appointed as the petty cash custodian. Disbursements are made by the petty cash custodian and a petty cash voucher is completed to support each transaction. The petty cash custodian will submit a request with the petty cash vouchers and receipts (or equivalent) to the AO to replenish the petty cash fund as needed, but not later than the last day of each month. The AO will issue a check payable to the petty cash custodian, by name, to reimburse the fund.

3.2 Investments

For guidance on management of investments policy, refer to DoDI 1015.15.

3.3 Receivables

Receivables are amounts owed to the NAFIs for sales of merchandise, services, or dues. Receivables may result from amounts owed by APF's, Uniform Funding and Management (UFM) processes, employees, members, customers, and organizations for dues, fees, charges, rentals, credit sales (except sales of merchandise or services using credit cards, per paragraph 3.1), or travel advances. Receivable records are maintained to ensure transactions accurately identify each debt and its respective debtor. Receivable subsidiary records are reconciled on a monthly basis to the general ledger control accounts. Refer to the NAFSGL for a complete listing of receivable accounts and their definitions.

3.3.1. Accounting for Customer Accounts Receivable. A subsidiary ledger is maintained for each individual account. Dues are charged monthly where applicable. Monthly statements are sent to members or participants of the NAFIs that permit charge sales, charge dues, or deferred payments. Account balances are due and payable on the first day after the statement date. Current month dues are treated the same as current month charge sales and normally become payable the first day after the statement date. If the DoD Component authorizes delinquent fees, then they are established as a customer receivable and charged to the delinquent account each month.

3.3.2. Aged Customer Accounts Receivable Reports. An aged customer accounts receivable report is prepared for all NAFIs with internal credit systems. The aging report, at a minimum, will include the following: over 30 days (second billing statement), over 60 days (third billing statement), and over 90 days (fourth billing statement).

3.3.3. Allowance for Doubtful Accounts. ASC, Topic 326, Subtopic 20, Section 30 (ASC 326-20-30) and ASC 450-20-25-2 require the accrual of losses from uncollectible receivables if a loss is probable and the amount of the loss can be reasonably estimated. NAFIs must create and use an allowance for doubtful accounts for bad debts (credit losses) in the current accounting period. When using the allowance method for bad debts (credit losses), NAFIs must determine and record the amount of accounts receivable estimated to be uncollectible at the end of each reporting period. The estimated amount to record is based on a review of the average write-offs of accounts receivable, which is based on historical data. Supporting documentation for the calculation and associated adjustment must be maintained for audit purposes. Adjust the allowance for doubtful accounts to cover those accounts expected to become uncollectible during the next reporting period.

3.4 Inventories

Inventory is merchandise or supplies on hand, or in transit, at a particular point in time. Inventory held for sale or resale consists of goods to be sold in the normal course of business. Merchandise held on consignment is not included as part of inventory. A value is assigned, which represents the cost of acquisition. When the goods are sold, the value assigned is used to determine

profit for the accounting period, as shown on the income statement, and to report assets on the balance sheet at the end of the accounting period.

3.4.1. Accounting for Inventory

3.4.1.1. Inventory Subsidiary. Inventories must be valued and recorded at cost, as required by ASC 330-10-30. The DoD Components must prescribe the method for determining cost (e.g., first in first out, last in first out, moving average) as long as the method is consistently applied and disclosed in the notes to the financial statements. The Military Exchanges must use the retail inventory method to account for retail merchandise. The cost of merchandise will include freight, distribution, purchase charges, insurance, and handling charges if they can be associated to specific items. If they cannot be identified to specific items, then record directly against the appropriate expense account. In determining the cost of purchased property or goods, discounts must be deducted from the price billed, and the cost of purchased property must be recorded, net of discounts. The value of discounts not taken must be charged to operations. If cash discounts are not material to warrant changing individual prices, then the amount of the discount is credited to the purchases account and not to individual items. Discounts lost and excise taxes paid are not included in the cost of merchandise but are recorded in the applicable operating expense account.

3.4.1.2. Stock Record. The stock record is used to record resale merchandise and supplies in a warehouse or storeroom. It requires a complete description of the merchandise and all pertinent information regarding receipt and issue.

3.4.1.3. Spoilage, Breakage, Obsolete Material, Customer Complaint, or Reject Items. Immaterial losses of inventory resulting from spoilage, breakage, obsolescence, rejection, or constant customer complaint items are absorbed in cost of goods. Material losses are recorded in a Spoilage and Breakage expense account for the applicable operation.

3.4.1.4. Consigned Merchandise and Tickets. Merchandise held on consignment is maintained and accounted for by the consignor. Revenue is to be recognized only once the consignment tickets have been sold to a third party purchaser. At that time, any selling costs and any costs due to the consignor are expensed. NAFIs only maintain inventory of consigned merchandise for accountability purposes. These items are physically inventoried monthly or at the end of an event for tickets (whichever comes first). In accordance with ASC 606, this inventory is not recorded in the general ledger. Tickets purchased for resale are to be recorded as inventory in the general ledger.

3.4.2. Physical Counts of Inventory. Inventories are required to be physically counted. The following are policies related to physical inventories of merchandise.

3.4.2.1. The inventory list is printed in the same sequence in which the merchandise is stored or arranged for display or in stock record number sequence.

3.4.2.2. A cutoff date is established for sales, issues, returns, adjustments, and transfers so inventory quantities and related accounting entries can be recorded.

3.4.2.3. Merchandise received during the inventory count is not counted unless the payable or payment will be recorded in the general ledger as of the inventory cutoff date.

3.4.2.4. Merchandise sold during the physical count is included in the inventory count if the sale and receivable is recorded in the general ledger after the cutoff date. The merchandise is not included in the count if the related sale and receivable or cash received will be recorded in the general ledger before the inventory cutoff date.

3.4.2.5. Physical inventory is conducted separately for each department.

3.4.2.6. Inventories of merchandise held on consignment are separate from NAFI-owned merchandise. Inventory lists are prepared for each owner of the goods.

3.4.2.7. At the conclusion of the inventory count, any discrepancies are provided to the NAFI custodian for resolution. The general ledger (i.e., Inventory, Central Warehouse Inventory, Purchases, and/or Purchases Discounts and Allowances GLACs) is then adjusted to match the physical count that was observed by the observation team. See DoDI 1015.15 for information on reporting fiduciary responsibility and investigations.

3.4.3. Physical Inventory Observation. At least annually, the physical inventory counts are observed by at least one person who is independent of the NAFI conducting the physical count. The objective of the count is to verify the inventory to determine the accuracy of the accounting records. Since it is frequently impractical to observe all physical inventories at one time, the observations may be staggered throughout the year.

3.5 Other Current Assets

Other Current Assets are short-term prepaid expenses that are payments and expenditures made in contemplation of future benefits or performance. Other Current Assets also consists of prepayments for supplies, contracts, insurance, franchise fees, deposits, and advance payments that are not material enough for a separate line item disclosure. Prepaid expenses are accounted for in multiple accounts in the Other Current Assets category (refer to the NAFSGL for a complete list of accounts and definitions). Under the prepaid concept, payments made for expenses that apply to a specific period of time are amortized over that period. Any unexpired portion of that expense is shown as a prepaid asset. An advance or prepayment is never amortized for more than its expected usage. Monthly expenses are computed and prorated over each month of the period covered by the advance or prepayment. If the advance or prepayment is for supplies, it is expensed based on expected usage provided by the NAFI custodian. The unexpired prepaid expense subsidiary is reconciled to the related control account. The accounting principle of materiality (see Chapter 1) must be considered before employing the prepaid concept.

3.6 NAFI-Titled Fixed Assets and APF-Titled Fixed Assets

Fixed assets are captured under two categories in the NAFSGL: NAFI-Titled Fixed Assets and APF-Titled Fixed Assets. Each category has similar accounting treatment, and the same accounts are listed under each category (refer to NAFSGL for a listing of all fixed assets).

* 3.6.1. Accounting for Fixed Assets. Fixed assets purchased with NAFs, donated, or transferred to a NAFI with a useful life expectancy of two or more years and an acquisition cost of $7,500 or more must be capitalized. Services with more stringent asset capitalization threshold policies may follow their internal policy. This applies to single items purchased or transferred to a NAFI, or multiple items that are identical and purchased or transferred to the NAFI at the same time.

3.6.1.1. Acquisition Cost. Unless otherwise stated in the following subparagraphs, fixed assets are recorded at cost plus any expenditures necessary to place those assets into use as intended (e.g., installation, freight, testing, and legal fees to establish title). The NAFI can apply purchase discounts to reduce these costs; however, late payment interest penalties must not be capitalized. Interest expenses incurred as part of the acquisition cost of fixed assets will be capitalized.

* 3.6.1.1.1. Assets Purchased in Quantity. All Services are to set the minimum threshold for asset capitalization of assets purchased in quantity at a purchase cost equal to or greater than $7,500. Services with more stringent asset capitalization threshold policies may follow their internal policy. Additionally, the assets purchased in quantity should be identical items and have a life expectancy of two years or more. The whole room capitalization concept used by the lodging and entertainment industry (i.e., when hotel rooms are furnished, all items for all rooms are purchased at one time and are all capitalized together as one room), and composite purchase capitalization, are both permitted to be used when capitalizing assets purchased in quantity. All other criteria for fixed assets listed in subparagraph 3.6.1 must be met.

3.6.1.1.2. Trade-In Assets. When an asset is traded in at the time of purchase, the new asset is recorded at the amount of the monetary consideration paid, plus the trade-in allowance for the old asset. The acquisition cost and accumulated depreciation of the traded-in asset are removed from the accounting records. If the trade-in allowance is less than the book value of the old asset, then a loss will result. These losses are recorded in the "Other Non-Operating Expense" GLAC of the NAFI. If the trade-in allowance is more than the book value of the old asset, then the difference is subtracted from the acquisition cost of the new asset. No gain is recognized.

3.6.1.1.3. Assets-in-Progress. Assets-in-progress include all costs attributable to a construction project (i.e., building and improvements). This includes, but is not limited to, construction of new buildings, renovation of existing buildings, and fixed assets that are purchased as part of the project. The DoD Components must utilize construction-in-progress to accumulate the cost of real property construction projects. The AO records amounts based on the documentation supporting the contract completion. When progress payments to contractors are based on a percentage of completion clause, record the amount of payments due or paid. In addition to costs related to a construction project, fixed assets received but not billed must be recorded. The AO will transfer the accumulated cost of assets-in-progress to the appropriate fixed asset account and commence depreciation on the date of receipt shown on the asset receiving document in cases where no installation is required, the date installed (if required), or the date the asset is available for use. NAFI management establishes the facility depreciation periods according to guidance in Volume 4. Fully depreciated buildings are to be maintained on the NAFI accounting books until the asset is disposed of either through a sale or retirement.

3.6.1.1.4. Donated or Transferred Assets. Record donations of assets and services material to the financial statements. Assets donated or transferred without the expenditure of funds are recorded at the fair market value on the date the asset was donated or transferred. If the fair market value cannot be determined, then the amount recorded is the book value of the donated asset in the donor's accounting records. Donated artifacts should not be included in the financial statements unless the NAFI: 1) uses or intends to use the artifact in its primary operations outside of its educational function, or 2) the NAFI sells or intends to sell the artifact and use the proceeds for something other than purchasing another artifact for educational purposes.

3.6.1.1.5. Nonmonetary Exchanges. When assets are exchanged between NAFIs without monetary consideration, it is called a nonmonetary exchange. The assets received in such exchanges are recorded on the books of the gaining NAFI at the net book value of the losing NAFI. The offsetting entry is to the "Realized Gains and Losses for Sale of Fixed Asset Income" GLAC on both the gaining and the losing NAFI.

3.6.1.1.6. APF Property Obtained for Free. These assets are recorded separately from other fixed assets because title and control of these assets remain with APFs. For APF fixed assets expected to benefit more than one accounting period, any acquisition costs such as repairs, transportation, installation, and any subsequent outlays that extend the useful life of the asset are recorded and depreciated over the useful life of the asset. For APF fixed assets held one year or less, all costs are an expense for the period the asset is held.

3.6.1.1.7. Other Fixed Assets. Fixed assets acquired through Utilization Support and Accountability (USA) process, UFM process, or ***10 U.S.C. § 2492*** authority are NAFI assets, unless APF-titled. Proceeds from the disposition of these assets revert to the NAFI. Further information on USA, UFM practices, and 10 U.S.C. § 2492 authority is included in DoDI 1015.15.

3.6.1.1.8. Artifacts. Artifacts are historical treasures or heritage assets held primarily for educational purposes in a museum with measures taken to preserve the asset. Costs incurred in acquiring artifacts must be recorded as a non-operating expense and not recognized as part of the asset value, or depreciated.

3.6.1.2. Lease Disclosures. If either capital or operating leases are material, the information concerning the leases is disclosed in the NAFI financial statement footnotes. Refer to ASC Topic 842 for additional information on leases.

3.6.1.3. Subsequent Expenditures. Subsequent expenditures for fixed assets fall into three categories: repair and maintenance, improvements, and additions. The objective is to match the expenditures with the period benefited. Therefore, expenditures that benefit only the current period are expensed and expenditures that benefit future periods are capitalized.

3.6.1.3.1. Repair and Maintenance. Expenditures in this category are designed to prevent an asset from deteriorating (e.g., painting the interior of the enlisted club) or to return the asset to its original level of performance (e.g., a tune-up on a motor vehicle). These expenditures do not improve the performance of the asset or extend the life of the asset; therefore, these expenditures are expensed in the period incurred.

3.6.1.3.2. Improvements. Improvements are expenditures that extend the useful life of an asset (e.g., an engine overhaul on a motor vehicle) or improve original asset performance. Improvements are capitalized and depreciated.

3.6.1.3.3. Additions. Expenditures which increase the size of an asset (e.g., adding a new section to the club) are called additions. Additions are capitalized and depreciated.

3.6.1.4. APF-Titled Fixed Assets. A unique aspect of NAF accounting is that some assets, particularly buildings, are purchased using NAFs, and the NAFI has exclusive use, but the title rests with the U.S. Government. NAF procured property or facilities may be transferred to APF for maintenance when allowed by the Military Service regulations. Upon receipt of approved documentation from NAFI management, record these items in the NAF property records and general ledger as APF-Titled Fixed Assets (signifies government title) and commence depreciation. Assets acquired by Memorandum of Agreement where title and maintenance are transferred to an APF, are not depreciated in the NAF accounting records.

3.6.1.5. Fixed Assets in Transit. The NAFI may receive title to fixed assets and may make payment for fixed assets before the NAFI has physical possession of the property. Typically, this happens when property destined for a NAFI overseas is delivered to a stateside port for over-water transportation by government means. Payment is made based on the receipt at the port and is recorded to the appropriate fixed asset account. When asset reaches final transit location, begin depreciation on the date of receipt shown on the asset receiving document in cases where no installation is required, the date installed (if required), or the date the asset is available for use.

3.6.1.6. Disposition of Property. Disposal means that the NAFI activity manager/custodian has physical control of the item and disposes of it. Documents are prepared and approved by the NAFI activity manager/custodian for the disposition of fixed assets. When property is transferred to APFs, it is evidenced on the form required by APFs.

3.6.1.7. Physical Fixed Asset Inventory. A physical inventory of all fixed assets will be conducted at least annually and observed by at least one person who is independent of the NAFI conducting the physical count. The objective of the count is to verify the inventory to determine the accuracy of the accounting records. When it is impractical to perform this inventory all at one time, the NAFI may schedule and conduct the physical inventory by area.

3.6.1.8. Property Subsidiary Ledger. Property subsidiary ledgers serve as property control records. At a minimum, the property subsidiary ledger must list each piece of property, acquisition date, acquisition value, useful life, depreciation to date, and current book value. This subsidiary ledger can be either automated or manual, but if automation is available, it must be used. The NAFI prepares the documentation necessary to change any data on the subsidiary ledger records, even when no general ledger entries are required, e.g., fixed assets transferred from one location to another within the same NAFI.

3.6.1.9 Claims. When an insured asset is destroyed or damaged and the claim is settled, the affected accounts are adjusted. Usually claim settlements do not exceed the acquisition value less accumulated depreciation of the property destroyed (book value).

3.6.1.10. Depreciation. DoD Components must utilize the straight-line method of depreciation, and must prescribe the useful lives of assets and disclose them in the notes to the financial statements. Tangible fixed assets, except construction-in-progress, must be depreciated over their expected useful lives. Accounting for depreciation as an operating expense is an integral part of the accrual basis of accounting. Accordingly, all NAF activities recognize depreciation of their fixed assets. Refer to Volume 4 for the requirements for salvage value to be subtracted from the acquisition cost of fixed assets before computing depreciation.

3.6.1.10.1. Assign an expected useful life within the following parameters:

Asset	Useful Life in Years
Buildings	30 – 40
Building Improvements	5 – 20
Furniture, Fixtures, & Equipment	2 – 10
Vehicles	2 – 10
Aircraft Engine Overhaul	2 – 6
Aircraft Avionics, Interior, Painting	2 - 5
Aircraft	5 – 10
Boats	2 – 15
Computer Hardware	2 – 10
Computer Software	2 – 5
Land Improvements	15 – 25
Land Rights of Limited Duration	Over Specified Duration
Leasehold Improvements	Lesser of the Remainder of Lease Period or 20 Years
Sewers & Other Utilities (excluding items like fiber optic cable)	10 – 50
Steam and Electric Generation Equipment	20
Other Water Transportation Equipment (e.g., barges, tugs)	15 – 20
Livestock (e.g., Horses) & Breeding Livestock	2 – 10
Relocatable/Portable Buildings	2 – 10

3.6.1.10.2. For NAF capital assets whose titles are transferred to APFs, but are still used by the NAFI, continue to depreciate these fixed assets on the NAFIs book until the items are fully deprecated. Fully depreciated assets which are still in use by the entity are to be reported on the balance sheet until disposed of via sale or retirement.

3.6.1.10.3. Commence depreciation on the date of receipt shown on the asset receiving document in cases where no installation is required, the date installed (if required), or the date the asset is available for use, regardless of whether the asset is actually used. In the

case of constructed real property, depreciation will commence when the building is available for use, regardless of whether the building is fully occupied.

3.6.1.10.4. If an asset remains in use longer than its estimated useful life, it will be retained in the property accountability or management system, as well as in the accounting records, and the record will reflect both its recorded cost and accumulated depreciation until its disposition.

3.6.1.10.5. Depreciation of real property must not be accelerated at installations approved for realignment, closure, or re-stationing. Upon actual closure of the facility, the undepreciated value must be expensed in the applicable extraordinary expense account.

3.6.2. Information Technology Assets. In accordance with ASC 350-40-35-4, internal-use software will be amortized on a straight-line basis unless another systematic and rational basis is more representative of the software's use. Software acquired for research and development with no alternative future use will be amortized over the period of the project as opposed to the normal life-cycle amortization. Refer to Volume 4, Chapter 27 for detailed guidance.

3.7 Other Long-Term Assets

Other Long-Term Assets include those not identified in other asset lines of accounting that are held for longer than 1 year. Other Long-Term Assets consists of long-term pension benefit assets, long-term receivables, long-term prepaid expenses, long-term leases and capital leases, certificates of deposit (more than 12 months), marketable securities, long-term contributions, long-term franchise fees, intangible assets, and long-term royalty and trademark fees. Report pension benefit asset information when the pension plan is overfunded and classified as a long-term asset. Refer to ASC 715, "Compensation–Retirement Benefits," and Chapter 11 for reporting guidance. Cash and investments restricted for long-term purposes will be classified and reported on the balance sheet as other long-term assets.

4.0 ACCOUNTING REQUIREMENTS FOR LIABILITIES

The NAFSGL contains two categories in the liabilities group: Current Liabilities and Long-Term Liabilities. Current liabilities are due on demand or will be due on demand within 1 year; whereas, long-term liabilities are amounts due over a period of time longer than l year from the date of the balance sheet. Specific accounting requirements related to liabilities are outlined in paragraphs 4.1 through 4.3.

4.1 Recognition of Liabilities

Liabilities arise from the acquisition of goods or services. Accounts payable must be recognized upon receipt of services or when accepting title to goods. Under accrual accounting, accrued liabilities are recorded for goods or services which have been provided but for which invoices have not yet been received; and therefore, not yet included in accounts payable.

4.2 Contingent Liabilities

Contingencies are existing conditions, situations, or circumstances involving uncertainty as to possible gain or loss that will ultimately be resolved when one or more future events occur or fail to occur. Loss contingencies are accrued when the outcome is probable and the amount is reasonably estimable. Do not record gain contingencies. When a contingency is identified, the AO will footnote the year-end Military Service level consolidated financial statements explaining the contingency and the potential for gain or loss. See ASC 450-20-25 for more information on recording contingent liabilities.

4.3 Accountability for Liabilities

The NAFI manager or designee is responsible for approving the disbursement of NAFs. The AO is not authorized to make disbursements without the approval of the NAFI manager or designee or as authorized in this Regulation.

5.0 PAYMENT OF LIABILITIES

5.1 Documentation Required for Payment

DoDI 4105.67 provides policy and responsibility for procurements using NAFs. NAFIs must also comply with the Prompt Payment Act in accordance with 5 CFR 1315. The following documentation is required prior to payment of liabilities.

5.1.1. General. NAFIs will submit the following documents, properly prepared and authenticated, to the AO to support payment for procurements:

5.1.1.1. Procurement document, e.g., purchase order (PO), contract, blanket purchase agreement, or similar documents;

5.1.1.2. ***DoD (DD) Form 250***, Material Inspection and Receiving Report, or other signed document that provides evidence goods were accepted or services were received; and

5.1.1.3. Vendor invoice or claim for payment. The invoice or claim may be for a specific delivery or for deliveries made over a specified period.

5.1.2. Overseas Shipments. The AO must receive a vendor invoice and proof of shipment before payment can be made on overseas shipments. These payments may be made prior to receipt or acceptance of goods.

5.1.3. Partial Shipments. The NAFI will submit to the AO a DD 250 or locally produced receiving report showing receipt and acceptance of goods. The form must have “Partial Shipment” written on the top. The AO will establish an accounts payable open item. When the AO receives the invoice for the partial shipment, payment will be processed and the supporting documents will be annotated as partial shipment received.

5.2 Purchases From Other NAFIs

When a NAFI purchases goods or services from another NAFI, a ***DD 1149***, Requisition and Invoice/Shipping Document, or similar form will be submitted to the AO to support the transaction.

5.3 Purchases From the Government

NAFI purchases of goods or services from the Government (e.g., bills from APFs) are not usually supported by a procurement instrument. The NAFI will submit a DD 250 or other signed document to the AO to support the payment.

5.4 POs, Vendor Invoices, and Receiving Reports

5.4.1. POs. A PO is a document issued by the NAFI to a seller, indicating the type, quantity, and agreed price for goods or services to be provided. Sending a PO to a supplier constitutes a legal offer to buy goods or services. Acceptance of a PO by a seller forms a contract between the NAFI and the seller.

5.4.2. Vendor Invoices. A vendor invoice represents a claim against NAF. All invoices must be date stamped at time of receipt and meet Prompt Payment Act criteria in accordance with 5 CFR 1315.

5.4.3. Receiving Reports. A receiving report is a document prepared by the receiving activity to document the receipt of services or acceptance of goods.

5.5 Discounts

For NAFIs, a discount is the amount deducted from the total amount of the invoice when goods are supplied "Free on Board (FOB) destination." If the goods are supplied "FOB other" and a separate freight charge is shown, then the discount is taken on the cost of goods only. The FOB delivery terms are shown on the PO.

5.6 Prompt Payment Act

The Prompt Payment Act, 5 CFR 1315, requires Federal agencies (including NAF activities) to make payments in a timely manner. If a payment to a contractor is late, then an interest payment is due to the contractor. This interest payment is made without contractor request. A notice stating the amount of the interest penalty, the number of days late, and the rate used for calculation accompanies the interest payment.

6.0 ACCOUNTING REQUIREMENTS FOR NET WORTH

Net Worth or Equity consists of capital invested in NAFIs plus (minus) the net income (loss), resulting from operations since inception. Transactions into and out of equity are limited to net income, net losses, and entries associated with the establishment of the fund, as well as certain adjustments. Adjustments are rare and might include certain accounting principle changes, prior

period adjustments greater than one percent (1%) of the assets in the consolidated balance sheet (or less than 1% but deemed material), and distribution of capital. The NAFSGL contains one category in the net worth/equity group: Net Worth/Equity. Specific accounting requirements related to this category are outlined in paragraphs 6.1 and 6.2.

6.1 Accounting for Net Worth/Equity

6.1.1. When a new NAF organization with preexisting capital is authorized, the capital is recorded as equity. As an example, preexisting capital is a factor when a private association converts to a membership association. Equity is disestablished when a NAF organization is dissolved.

6.1.2. Equity may be distributed by declaring dividends to other NAF organizations. An example is dividends paid by installation restaurants. Special grants for new construction and facility improvements are another method of distributing equity. The declaration of dividends by the Military Exchanges and the distribution of grants must be recorded and reported as decreases in equity. The receipt of Military Exchange dividends and of grants that support recurring operations must be recorded as non-operating income. The receipt of grants for capital items must be recorded as equity transactions. Equity is transferred in the form of cash or other assets.

6.2 Other Equity Transactions

6.2.1. The Other Equity or Earnings general ledger account consists of transfers in and out of equity that will be limited to:

6.2.1.1. Net income;

6.2.1.2. Net losses;

6.2.1.3. Declaration of dividends by Military Exchanges;

6.2.1.4. Prior year material corrections;

6.2.1.5. Components of other comprehensive income (loss) prescribed by ASC 220-10-45-10A;

6.2.1.6. Entries associated with the establishment, disestablishment, or consolidation of NAFIs; and

6.2.1.7. Distribution and receipt of capital.

6.2.2. Refer to Chapter 1 for information on materiality.

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 4: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 13, CHAPTER 5: "INCOME AND EXPENSES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated April 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision

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CHAPTER 5

INCOME AND EXPENSES

1.0 GENERAL

1.1 Purpose

This chapter prescribes the standard policies surrounding DoD Nonappropriated Fund (NAF) income and expenses. NAF instrumentality (NAFI) programs and facilities must be operated, maintained, and funded as an integral part of the DoD personnel and readiness program. Policies in this chapter apply to all NAFIs and their supporting accounting offices (AOs). This includes the Military Exchanges (Army and Air Force Exchange Service, Navy Exchange Service Command, and Marine Corps Exchange), with the exception of policies related to the Nonappropriated Fund Standard General Ledger (NAFSGL), as Exchanges are not required to use the NAFSGL.

1.2 Authoritative Guidance

The accounting policy and related requirements prescribed are in accordance with the applicable provisions of:

1.2.1. ***Financial Accounting Standards Board*** Accounting Standards Codification (***ASC***). Users can now access the ASC without charge. This access now includes browsing by topic, searches, and print options;

1.2.2. DoD Instruction ***(DoDI) 1015.15***, "Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources;" and

1.2.3. Title 10, United States Code (U.S.C.), sections 2241, 2491, 2492, 7459, 8478, and 9459 (***10 U.S.C. § 2241***, ***10 U.S.C. § 2491***, ***10 U.S.C. § 2492***, ***10 U.S.C. § 7459***, ***10 U.S.C. § 8478***, and ***10 U.S.C. § 9459***).

2.0 CHART OF ACCOUNTS

The NAFSGL Chart of Accounts, to include definitions and general ledger account codes for income and expense accounts, is maintained on the ***DoD NAF Accounting*** website. A separate Defense Resale Activities chart of accounts, for use by the Military Exchanges, is also available on the DoD NAF Accounting website.

3.0 INCOME STANDARDS

3.1 Recognition

In accordance with ASC, Topic 605, Subtopic 10, Section 25, NAFIs must recognize revenue (classified as "income" in the NAFSGL) when it is realized or realizable. Earned income is recognized at the time of delivery of the goods or performance of the service. If cash or credit payments are received prior to time of delivery or performance, then income is unearned and a liability is posted. If cash or credit payment has not been received at time of delivery or performance, then an accounts receivable is posted for the amount due.

3.2 Recording

The AO must record income in the appropriate NAFI's financial records on a consistent basis in the appropriate cost center and in the operating cycle that the income is earned. Income is recorded in accordance with DoDI 1015.15.

4.0 EXPENSE STANDARDS

Expenses are decreases in economic benefits during an accounting period, in the form of outflows (or other asset depletion) or the incurrence of liabilities that result in a decrease in equity. In NAF accounting, expenses are the costs related to the sale of goods and services consequent to the operation of the NAFI.

4.1 Recognition

NAFIs must recognize costs as an expense in the period that the income with which they are associated is recognized (the matching principle). Under the perpetual inventory method, cost elements are included in inventory and expensed when the items are sold and income from the sale is recognized. Under the periodic inventory method, goods purchased for resale are recorded as purchases at the time of purchase and at the end of the period; cost of goods sold is calculated as beginning inventory plus purchases during the period, less ending inventory. If no connection with income can be established, then the asset's cost is allocated to the accounting period benefited in a systematic and rational manner. This form of expense recognition involves the expected length of benefit and the relationship and cost of each period (e.g., depreciation of fixed assets, amortization of intangibles, and allocation of rent and insurance). All other costs are recognized in the accounting period in which they are incurred.

4.2 Recording

Using the accrual method of accounting, AOs must record expenses on a consistent basis in the appropriate cost center and in the operating cycle in which the expense was incurred. Expenses deemed to be infrequent and/or unusual enough to merit distinction from transactions in the normal course of business should be identified in the footnotes of the financial statements (if not designated as such, and presented separately as part of income from continuing operations on the income statement). Refer to Volume 4 for further guidance on accrual accounting.

5.0 ACCOUNTING FOR APPROPRIATED FUND (APF) SUPPORT TO NAFIs

5.1 Legal Authority

Title 10 U.S.C. § 2241 is the basic statutory authority to provide APFs to support Morale, Welfare, and Recreation (MWR) functions. MWR (Utilization Support and Accountability (USA)) and Uniform Funding and Management (UFM) are two mechanisms for provision of APF support to NAFIs. The MWR (USA) and UFM practices involve use of NAFs for MWR expenses that, per funding policies in DoDI 1015.15, should be borne by APFs. MWR (USA) enables NAFIs to use NAFs to execute such expenses, subject to subsequent APF reimbursement under Memoranda of Agreement (MOAs). Unlike MWR (USA) practices (which involve reimbursement from APFs), under UFM practices, APFs may be transferred into NAF accounts prior to expenditure. Funds appropriated to DoD and available for MWR programs are treated as NAFs for all purposes under UFM MOAs and remain available until expended. Title 10 U.S.C. § 2491 provides statutory authority for UFM practices. Other statutory authorities available to NAFIs are 10 U.S.C. §§ 2492, 7459, 8478 and 9459.

5.2 MWR (USA) Recording

5.2.1. Income. The AO must record funds received from appropriated sources for expenses covered by the MWR (USA) income.

5.2.2. Expense. The AO must record authorized expenses (which is the amount subject to APF reimbursement), as they occur, in the applicable expense accounts to allow identification of MWR (USA) support in accordance with DoDI 1015.15.

5.3 UFM Recording

5.3.1. Income. When cash is received, the AO must record UFM funds received in the cash account with a contra entry to the Unearned Income (liability) account identified as UFM. As UFM expenses are recorded, the cash account must be reduced by the same amount in the same reporting cycle. On a monthly basis, to recognize UFM income for all eligible reimbursements incurred during that month, the AO must record UFM income and reduce the Unearned Income (liability) account identified as UFM.

5.3.2. Expense. The AO must record authorized expenses, as they occur, in the applicable expense accounts to allow identification of UFM support in accordance with DoDI 1015.15 and reduce the cash account as applicable in the same reporting cycle.

5.4 Other APF Support

Direct support is an APF category that occurs when APFs are obligated and expended (e.g., furnishing of utilities, fire/safety support, refuse removal, and snow removal) and the NAFI does not incur the expense subject to reimbursement. In this case, the NAFI does not administer APFs as if they were NAFs.

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 6: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 13, CHAPTER 7: "FINANCIAL REPORTING"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

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The previous version dated June 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting and hyperlinks to comply with current administrative instructions.	Revision
5.2.1	Added guidance on preparation and submission of Internal Revenue Service (IRS) Form NEC-1099, "Nonemployee Compensation" per IRS guidance.	Addition

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CHAPTER 7

FINANCIAL REPORTING

1.0 GENERAL

1.1 Purpose

This chapter prescribes the standard policies for financial reporting, which are the principal means of communicating accounting information to those activities relying on information for management of their operations.

1.2 Authoritative Guidance

The accounting policies, and related requirements prescribed, are in accordance with the applicable provisions of:

1.2.1. DoD Instruction ***(DoDI) 1015.15***, "Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources;" and

1.2.2. Financial Accounting Standards Board (***FASB***) Accounting Standards Codification (***ASC***). Users can now access the ASC without charge. This access now includes browsing by topic, searches, and print options.

2.0 RESPONSIBILITIES

2.1 General

The policies in this chapter apply to DoD Nonappropriated Fund Instrumentalities (NAFIs) and their supporting Accounting Offices (AOs). These policies apply to the Military Exchanges, except for policies related to the Nonappropriated Fund Standard General Ledger (NAFSGL).

2.2 DoD Components

The DoD Components are responsible for the fair presentation in the financial reports of financial position, results of operations, and the program and personnel information included. In addition, the DoD Components are responsible for compliance with Nonappropriated Fund (NAF) program laws and regulations.

2.3 AO

The supporting AO is responsible for compiling all the necessary information from accounting and payroll systems, as well as preparation of financial statements and reports. The integrity of those systems, and the accuracy of data produced, are also AO responsibilities. Refer to Chapter 1 for a list of definitions, reporting requirements, and accounting standards.

3.0 FINANCIAL REPORTING

3.1 Financial Statements

The principal financial statements used to convey information to users are the Balance Sheet, Statement of Income and Expense, Reconciliation of Net Worth, and Statement of Cash Flows.

3.1.1. Balance Sheet. The Balance Sheet (also known as Statement of Financial Position) presents a NAFI's financial position as of a specified date. It is sometimes described as a "snapshot" in a point in time that allows the user to see what a NAFI owns as well as what it owes to others. The major components of the Balance Sheet are assets, liabilities, and net worth (equity). Refer to Chapter 3 and FASB ASC Topic 210 for additional information on assets, liabilities, and net worth (equity).

3.1.2. Statement of Income and Expense. A Statement of Income and Expense (also referred to as a profit and loss statement or income statement) provides information about a NAFI's financial performance during a specified period of time, and a summary of a NAFI's profit or loss during the accounting period. The Statement of Income and Expense is used to track revenues and expenses. Refer to Chapter 5 and FASB ASC Topic 220 for additional information on income and expenses.

3.1.3. Reconciliation of Net Worth. The Reconciliation of Net Worth (also known as statement of retained earnings or statement of shareholder equity) provides information about changes to net worth during a specified period of time. It shows the establishment, disestablishment, or consolidation of NAFIs, receipt or distribution of capital, net income or net loss, and prior year material adjustments. Refer to Chapter 3 and FASB ASC Topic 505 for additional information on net worth (equity).

3.1.4. Statement of Cash Flows. A cash flow statement provides information about cash receipts and cash payments of a NAFI during the accounting period. The statement shows how changes in balance sheet and income accounts affect cash and cash equivalents and breaks the analysis down according to operating, investing, and financing activities. Refer to FASB ASC Topic 230 for additional information on preparing the Statement of Cash Flows.

3.2 Footnotes to Financial Statements

Footnotes are an integral part of the financial statements and used to provide additional disclosures to ensure the financial statements are informative and not misleading. When the actual dollar amounts on the financial statements do not provide sufficient information for decision makers, accountants supplement the financial statements with more detailed data in the form of footnotes. Footnotes help management compare the operating results of the current business period with the operating results of previous periods. Fund equity adjustments and significant business closures are examples of occurrences requiring footnotes.

3.3 Format for the Financial Statements

The format presented for the NAFSGL Financial Statement Mapping to the financial statements is maintained on the ***DoD NAF Accounting*** website. The working versions of all statements and notes will include line numbers as shown therein.

4.0 COMPARATIVE ANALYSIS OF FINANCIAL STATEMENTS

Comparative analysis is the study of relationships and trends to determine whether the financial position, results of operations, and the financial progress of the business are satisfactory or unsatisfactory. The objective of any method used to analyze a financial statement is to simplify or reduce the data under review to more understandable terms.

4.1 Analytical Methods and Techniques

Analytical methods and techniques used in analyzing financial statements include the following:

4.1.1. Comparative Balance Sheets, Statements of Income and Expense, Statements of Cash Flows, and Reconciliations of Net Worth (retained earnings) with the following information:

4.1.1.1. Absolute data (dollar amounts);

4.1.1.2. Comparisons expressed in ratios;

4.1.1.3. Increases and decreases in absolute data in terms of dollar amounts;

4.1.1.4. Increases and decreases in absolute data in terms of percentages; and

4.1.1.5. Percentages of total;

4.1.2. Statement of sources and uses of working capital;

4.1.3. Trend ratios of selected and/or related financial and operating data. A trend analysis is performed for each NAFI financial statement. The analysis of the Balance Sheet compares actual to actual, and the percentage of increase or decrease is calculated. The analysis of the Statement of Income and Expense for each activity compares actual to actual as well as actual to the budgeted amounts. The financial statement analysis is made by each activity for items such as sales, cost of goods sold, labor expenses, net income, and all other revenue and expense items with a material financial effect on the activity;

4.1.4. Common size percentages ((amount/base amount) and multiply by 100) from the Balance Sheet, the Statement of Income and Expense, and individual sections of these statements;

4.1.5. Ratios expressing the relationships of items selected from the Balance Sheet, the Statement of Income and Expense, or both statements; and

4.1.6. Statement of variation in net income or gross margin.

4.2 Ratios

The behavior of ratios over a series of accounting periods is indicative of trends and may signal the need for adjustments in the future. Use the ratios/formulas included in subparagraphs 4.2.1 - 4.2.12 to complete the trend analysis explained in subparagraph 4.1.3. The following ratios/formulas are a means of monitoring the efficiency of NAFIs.

4.2.1. Accounts Receivable Turnover. The accounts receivable turnover is the relationship between credit sales and accounts receivable and indicates the liquidity of an activity's receivables. Calculate accounts receivable turnover by dividing net credit sales by the average accounts receivable (Accounts Receivable Turnover = Net Credit Sales/Average Accounts Receivable). The average accounts receivable is the beginning accounts receivable plus the ending accounts receivable, divided by two. Use average accounts receivable monthly balances in the computation, as it gives recognition to seasonal fluctuations. When such data is not available, it is necessary to use the average of the balances at the beginning and end of the year. Prompt collection of receivables reduces the amount of loss from bad debts. Another method is to divide 365 days by the accounts receivable turnover figure to get the average number of days the receivables were on the books.

4.2.2. Acid-Test Ratio. The acid-test ratio, or quick ratio, measures the ability of NAFIs to use quick assets to liquidate current liabilities. The formula to compute the acid-test ratio is to divide quick assets by current liabilities (acid-test ratio = quick assets/current liabilities). Quick assets refer to assets that can be easily converted to cash, or that are already in cash form, including cash, receivables, and current marketable securities. Current marketable securities are those that can be sold within 12 months of the balance sheet date and not incur a penalty. Quick assets equal current assets minus inventory and prepaid expenses. The acid-test ratio should not be less than 1:1. A ratio of 1:1 shows that for every dollar of current debt there is $1 of quick assets available to meet current liabilities. Higher ratios indicate NAFIs have sufficient cash and cash equivalents to pay immediate obligations.

4.2.3. Current Ratio. The current ratio, or working capital ratio, measures the relationship between current assets and current liabilities. It measures the ability of current assets to pay short-term debts. The formula to compute the current ratio is to divide the total current assets by the total current liabilities (Current Ratio = Total Current Assets/Total Current Liabilities). A current ratio of 1.5:1 is considered standard. A smaller ratio indicates high debt. However, if the current ratio is too high, current assets are not being efficiently utilized and should be converted to other useful purposes. A ratio higher than one means that if all current assets can be converted to cash, they are more than sufficient to pay off current liabilities.

4.2.4. Inventory Turnover Ratio. The inventory turnover ratio expresses the relationship between cost of goods sold and the average inventory balance. The formula to compute the inventory turnover is cost of goods sold divided by the average inventory (Inventory Turnover = Cost of Goods Sold/Average Inventory). Average inventory equals beginning inventory plus ending inventory, divided by two. Excess inventory reduces available funds and may increase the cost of insurance, storage, and other related expenses. The inventory ratio for food and beverage operations generally

should not exceed 2.5:1 on a monthly basis or 30:1 on an annual basis. A ratio of 1:3 for other sales operations on a monthly basis, or a ratio of 4:1 on an annual basis, is generally considered acceptable and shows about a 3-month inventory supply. A low turnover rate may indicate overstocking, obsolescence, or deterioration. A high turnover rate may indicate inadequate inventory levels, which may lead to a loss in business. Appropriate inventory levels depend on quantity pricing of purchases, shelf life, and restocking lead-time.

4.2.5. Net Income Ratio. The net income ratio measures the rate of return on revenue. The formula to compute the net income ratio is net income divided by total revenue (Net Income Ratio = Net Income/Total Revenue). Calculate net income as total revenues minus total expenses. Refer to DoDI 1015.15 for additional information on net income.

4.2.6. Ratio of Net Sales to Assets. The ratio of net sales to assets measures the efficiency with which NAFIs are using their assets to generate sales. The formula to compute the ratio of net sales to assets is to divide net sales by total assets minus long-term investments (Ratio of Net Sales to Assets = Net Sales/(Total Assets - Long-Term Investments)). In computing the ratio, exclude any long-term investments from total assets, as they do not contribute to sales. If sales can be stated in a common unit, then units of products sold can be used in place of the dollar amount of sales. Assets used in determining the ratio may be the total at the end of the year, the average at the beginning and end of the year, or the average of monthly totals.

4.2.7. Return on Assets Ratio. The return on assets ratio measures a NAFI's ability to generate income with its existing assets. The formula to compute the return on assets ratio is to divide net income by the average total assets (Return on Assets Ratio = Net Income/Average Total Assets). Average total assets are beginning total assets, plus ending total assets, divided by two.

4.2.8. Return on Fund Equity. The return on fund equity measures a NAFI's ability to earn a higher rate of return than is paid for the funds used in operations. The formula to compute the return on fund equity is to divide net income by the average fund equity (Return on Fund Equity = Net Income/Average Fund Equity). Average fund equity is beginning equity, plus ending equity, divided by two.

4.2.9. Turnover of Working Capital. Working capital is a valuation metric calculated as current assets minus current liabilities. The formula to compute the working capital turnover is to divide net sales by average working capital (Turnover of Working Capital = Net Sales/Average Working Capital). Average working capital is ending current assets, minus ending current liabilities, plus beginning current assets, minus beginning current liabilities, divided by two. Current assets include accounts receivable and inventory while current liabilities include accounts payable. These various components are analyzed individually to account for changes from period to period. The turnover of working capital reflects the extent to which NAFIs operate on a small or large amount of working capital in relation to sales.

4.2.10. Fixed Asset Turnover. The fixed asset turnover is the ratio of net sales to the value of fixed assets, and indicates how well the entity uses its fixed assets to generate sales. The formula to compute the fixed asset turnover is to divide net sales by the total property, plant, and equipment, net of accumulated depreciation (Fixed Asset Turnover = Net Sales/Net Property, Plant, and Equipment).

4.2.11. Working Capital to Total Assets. The working capital to total assets ratio is a liquidity ratio that expresses the net current assets or working capital as a percentage of total assets, and measures a company's ability to cover its short-term financial obligations. The formula to compute the working capital to total assets ratio is to divide working capital by total assets (Working Capital to Total Assets = Working Capital/Total Assets).

4.2.12. Return on Total Assets. The return on total assets measures earnings before interest and taxes (EBIT) relative to total net assets, indicating how effectively assets are used to generate earnings before contractual obligations must be paid. The formula to compute the return on total assets is to divide EBIT by total net assets (Return on Total Assets = EBIT/Total Net Assets).

4.3 Comparative Statements

4.3.1. Comparison. Financial statements analyzed on a comparative basis can be much more informative and meaningful. Use comparative statements to complete the trend analysis explained in subparagraph 4.1.3. Sample comparisons include:

4.3.1.1. Comparison of the latest financial statements and relationships between various elements with one or more previous periods;

4.3.1.2. Comparison of the statements and financial relationships with data for other similar activities;

4.3.1.3. Comparison of the statements and financial relationships of two or more divisions or branches of the same activity; and

4.3.1.4. Comparison of information in the statements with preset plans or goals (normally in the form of budgets).

4.3.2. Horizontal Analysis. A comparison of the amounts for the same item in the financial statements of two or more periods is called horizontal analysis. The term is applied because the analysis includes data from year to year rather than as of one date or period of time. In computing the percent of change, the amount for the earlier year serves as the base. In general, the percentage of change is of greater interest than the actual amounts.

4.3.3. Vertical Analysis. The amount of each item in a statement can be expressed as a percentage of the total. Compare percentages resulting from vertical analysis across two or more periods to discover trends over time.

5.0 REPORTING TO THE INTERNAL REVENUE SERVICE (IRS)

5.1 General

Retain all records relating to payments to individuals and firms according to the ***IRS Topic Number 305***, "Recordkeeping." Continental United States (CONUS) offices consult their local IRS office for forms, publications, or assistance. Overseas offices contact the IRS to get the address and telephone number of the nearest IRS representative. IRS representatives, in CONUS and overseas, provide instructions concerning IRS procedures for return preparation, filing, and depositing employment tax payments. Use electronic reporting mechanisms when possible.

5.2 Contract Payments (Non-personal Services)

* 5.2.1. Nonemployee Compensation. Report to the IRS cumulative NAFI service contract payments made during the calendar year, along with the total amounts paid, which meet the IRS threshold for reporting income on ***IRS Form 1099-NEC***, "Nonemployee Compensation." Include the name, address, and Social Security number of the individual. For businesses, report the amount paid, the business name, business address, and business tax identification number. NAFI contracts with entertainers are considered service contracts. If a single payment to an individual is less than the IRS threshold, but total payments made during the calendar year to the same individual reach the IRS threshold, report the information to the individual or firm, and the IRS, using 1099-NEC. Payment data in various payment systems, for the same contractor, must be consolidated to determine if an entity meets the IRS threshold for reportable payments. The individual or firm receives a copy of the 1099-NEC by January 31 of the calendar year following the calendar year in which payment was made. This applies to individuals who, in addition to being NAFI employees, have contracts with NAFI for non-personal services. Prepare a separate 1099-NEC for each individual or firm to whom total payments meeting the IRS threshold are made. Use ***IRS Form 1096***, "Annual Summary and Transmittal of U.S. Information Returns," for submitting paper forms, or electronically transmit to the IRS the following year in accordance with IRS guidance.

5.2.2. Miscellaneous Income. Report to the IRS cumulative NAFI service contract payments made during the calendar year, along with the total amounts paid, which meet the IRS threshold for reporting income on ***IRS Form 1099-MISC***, "Miscellaneous Income." Include the name, address, and Social Security number of the individual. For businesses, report the amount paid, the business name, business address, and business tax identification number. If a single payment to an individual is less than the IRS threshold, but total payments made during the calendar year to the same individual reach the IRS threshold, report the information to the individual or firm, and the IRS, using 1099-MISC. Payment data in various payment systems, for the same individual or vendor, must be consolidated to determine if an entity meets the IRS threshold for reportable payments. The individual or firm receives a copy of the 1099-MISC by January 31 of the calendar year following the calendar year in which payment was made. Prepare a separate 1099-MISC for each individual or firm to whom total payments meeting the IRS threshold are made. Use IRS Form 1096, for submitting paper forms, or electronically transmit the 1099-MISC to the IRS the following year in accordance with IRS guidance.

5.3 Gambling and Bingo Winnings

IRS reporting requirements for gambling and bingo winnings are tied to individual games. Unlike contract payments, winnings are not accumulated from game to game; each game stands alone for IRS reporting requirements. Whenever cash, merchandise, or a combination thereof, meeting the IRS threshold for reportable gambling winnings, is awarded to a person for winning a single bingo game or other gambling activity, prepare an ***IRS Form W-2G***, "Certain Gambling Winnings." Individuals receive their copies of the IRS Form W-2G at either the time payment is made, or not later than January 31 of the following year. Use IRS Form 1096 to transmit W-2Gs to the IRS. Additionally, prepare ***IRS Form 1042-S***, "Foreign Person's U.S. Source Income Subject to Withholding," for reporting foreign nationals' gaming winnings and withholdings. Transmit the forms to the IRS the following year in accordance with IRS guidance.

6.0 INTERNATIONAL BALANCE OF PAYMENTS (IBOP) PROGRAM

IBOP is an accounting of a country's international transactions for a particular period of time. NAFIs are subject to the IBOP reporting guidance prescribed in ***DoDI 4105.67***, "Nonappropriated Fund (NAF) Procurement Policy and Procedure," and Volume 6A, Chapter 13.

VOLUME 13, CHAPTER 8: "NONAPPROPRIATED FUND PAYROLL"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated November 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting and hyperlinks to comply with current administrative instructions.	Revision

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CHAPTER 8

NONAPPROPRIATED FUND PAYROLL

1.0 GENERAL

1.1 Purpose

This chapter provides the standard Nonappropriated Fund (NAF) policy for DoD NAF payroll and applies to DoD NAF employees. NAF instrumentality (NAFI) programs and facilities must be operated, maintained, and funded as an integral part of the DoD personnel and readiness program. NAF employees are not paid from funds appropriated by Congress but from funds generated by NAFIs. NAF employees are Federal employees, but they are not covered by most laws administered by the Office of Personnel Management (OPM), unless specifically provided by statute. Policy in this chapter applies to all NAFIs, NAF Human Resources (HR), NAF payroll offices, and their supporting accounting offices (AOs).

1.2 Authoritative Guidance

The policy and related requirements prescribed are in accordance with the applicable provisions of:

1.2.1. DoD Instruction ***(DoDI) 1015.15***, "Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources;"

1.2.2. ***DoDI 1400.25***, "Civilian Personnel Management System;"

1.2.3. ***DoDI 5010.40***, "Managers' Internal Control Program Procedures;"

1.2.4. ***DoDI 7600.06***, "Audit of Nonappropriated Fund Instrumentalities and Related Activities;"

1.2.5. Internal Revenue Service ***(IRS) Publication 15*** (Circular E), "Employer's Tax Guide;" ***Publication 15-A***, "Employer's Supplemental Tax Guide;" and ***Publication 1244***, "Employee's Daily Record of Tips and Report to Employer;"

1.2.6. Office of Management and Budget ***(OMB) Circular A-123***, "Management's Responsibility for Enterprise Risk Management and Internal Control;"

1.2.7. ***OMB, Circular A-130, Appendix II***, "Implementation of the Government Paperwork Elimination Act;" and

1.2.8. Title 5, United States Code, section 5514 (***5 U.S.C. § 5514***), "Installment deduction for indebtedness to the United States."

2.0 PAYROLL OVERSIGHT

Defense Civilian Personnel Advisory Service (***DCPAS***), NAF Personnel Policy Division is responsible for developing, coordinating, and publishing DoD-wide civilian HR policy concerning NAF employees. DCPAS policy covers staffing, workforce relations, pay, classification, leave, and employee benefits. DCPAS is also responsible for implementing the DoD Employee Benefit Portability Act and the congressional mandate for a single, uniform health benefits program for NAF employees. DoD NAF HR policy is found in DoDI 1400.25, with volumes in the 1400 series.

2.1 Payroll Objectives

All NAF payroll systems that are being designed and implemented, or are in use, must operate in accordance with authoritative guidance in paragraph 1.2 and Volume 1. All payroll systems must provide, at a minimum, the following:

2.1.1. Complete, accurate, and prompt processing and accounting for pay, leave, and deductions;

2.1.2. Complete, accurate, and prompt generation and maintenance of payroll records and transactions;

2.1.3. Timely access to complete and accurate information to those customers internal and external to the NAFI who require the information;

2.1.4. Timely and proper interaction of payroll systems with the core financial systems; and

2.1.5. Adequate internal controls to ensure that payroll systems are operating as intended.

2.2 AO Responsibilities

AOs must ensure all payroll information (including accrued payroll and benefits) is passed to the accounting system (whether systemically or manually), update the appropriate NAF Standard General Ledger (NAFSGL) accounts, and meet reporting requirements specified in DoDI 1015.15 and Volume 13, Chapter 7. AOs are also responsible for the compilation of financial statements.

2.3 NAFI Responsibilities

It is the responsibility of each NAFI to be knowledgeable of the legal requirements governing its payroll operations. NAFIs will establish the administrative workweek, basic workweek, workday, meal periods, legal holidays, administrative leave, flexible and compressed work schedules, compensatory time off for religious observances, and volunteer activities in accordance with DoDI 1400.25, Volume 1406, “Nonappropriated Fund (NAF) Attendance and

Leave." Compensatory time off may be granted to NAF employees, at their request, instead of overtime pay for overtime work. See DoDI 1400.25, Volume 1405, "Nonappropriated Fund Pay, Awards, and Allowances." NAFIs must ensure that each position is assigned to its proper occupational category, title, code, grade, or pay band level, consistent with the duties and responsibilities of the position, and proper job-grading standards in DoDI 1400.25, Volume 1407, "Nonappropriated Fund Classification." The NAFI must work closely with the AO and payroll office to ensure the payroll objectives are met.

2.4 Payroll Office Responsibilities

The NAF payroll office has primary responsibility for all payroll processing and must work closely with the supporting NAF personnel office, NAFIs, and NAF employees to:

2.4.1. Maintain accurate records to satisfy employee needs and NAFI accounting requirements, and to comply with federal, state, and local statutory requirements;

2.4.2. Ensure safekeeping of pay information with adequate controls;

2.4.3. Promptly process all documents received affecting pay in accordance with established schedules;

2.4.4. Obtain information necessary to correct errors detected, including erroneous deductions, deductions not withheld, and over deductions by contacting the submitting office or employee;

2.4.5. Make timely disbursement of employees' pay and supplemental payments when required;

2.4.6. Provide documentation to the NAF personnel office to support retirement actions; and

2.4.7. Submit tax reports to federal, state, and local authorities.

3.0 BASIC AND PREMIUM PAY

Authorized pay systems for NAF employees are described in DoDI 1400.25, Volume 1405. Laws and policy governing the application of rates of basic pay and premium pay for NAF employees are contained or referenced in that DoD issuance.

4.0 TIPS AND SERVICE CHARGES

NAF employees may receive tips from customers which are not negotiated by the NAFI via cash, check, debit card or credit card (e.g., customer adds to a credit card sales ticket). Debit and credit card tips may be immediately paid to the employee or recorded as a liability in the accounting records to be paid to the employee during payroll processing. NAF employees must report tips received, regardless of payment method, to the NAFI by the 10th day after the month

that the tips are received if those tips total $20 or more in a month. Employees must report the tips on ***IRS Form 4070***, Employee's Report of Tips to Employer, or a similar form. NAFIs may, at their discretion, distribute service charges (amount added to a customer's ticket) to employees. Service charges distributed to employees are treated as wages and are not required to be included as tips on IRS Form 4070. For further information on tip reporting, refer to IRS Publication 15.

5.0 ALLOWANCES AND OTHER SPECIAL ENTITLEMENTS

DoDI 1400.25, Volume 1405 covers allowances and other special entitlements for NAF employees. The payment of allowances and differentials to NAF employees in overseas and foreign areas must comply with DoDI 1400.25, Volume 1412, "Nonappropriated Fund Overseas Allowances and Differentials, and Employment in Foreign Areas."

6.0 PAYROLL DEDUCTIONS

Payroll deductions or withholdings made from an employee's pay must be properly authorized by the employee (or made in accordance with applicable laws), adequately documented, and paid when due to the appropriate recipient in the amount authorized.

6.1 Taxes

Tax collections represent liabilities that are settled when funds are remitted to the designated authorities. Refer to IRS Publications 15 and 15-A for information on employer identification number, tax withholding, depositing, and reporting.

6.1.1. Employee Versus Independent Contractor. An employer must generally withhold Federal income taxes, and withhold and pay Social Security and Medicare taxes, for its employees. An employer does not generally have to withhold or pay taxes on payments to independent contractors. To determine whether an individual is an employee or an independent contractor under common law, the relationship of the worker and the business must be examined. IRS Publication 15-A provides the guidelines for determining whether an individual is an employee under the common law rules. These rules assist in identifying whether sufficient control is present to establish an employer-employee relationship.

6.1.2. Withholding State and Local Income Taxes. The payroll office will withhold taxes from the wages of civilian employees and remit them to tax jurisdictions wherever the Federal Government has entered into agreements for withholding taxes. State and local taxes must be withheld from the pay of enlisted personnel compensated from NAF for work performed during off-duty hours.

6.1.3. Foreign Taxes. NAFIs located in foreign countries will neither pay to, nor collect for, any foreign country or political subdivision, any tax unless the United States has consented to levy collection by treaty, convention, or Executive agreement.

6.1.4. Federal Insurance Contributions Act (FICA). The payroll office will withhold a set percentage of an employee's salary each pay period to pay the employee's share of FICA

contribution. FICA also requires that the NAFI contribute a set percentage of an employee's salary to the Social Security Trust Fund and the Medicare Trust Funds.

6.2 Other Deductions

Dependent upon Service Component policy, and pay system capability, if an eligible NAF employee elects to participate in other NAF benefits programs (to include retirement, group life, medical, dental, long-term care insurance, flexible spending accounts, and 401(k) savings plan benefits), deductions will be made, as applicable. Employee-elected deductions may also be made for U.S. Savings Bonds, contributions to the Combined Federal Campaign, union dues (as applicable), and allotments to financial institutions, such as credit unions, banks, or other savings institutions. In accordance with 5 U.S.C. § 5514, NAF employees are subject to installment deductions from pay to collect debts owed to Federal agencies.

6.3 Garnishment of Wages

NAF employees are subject to court-ordered garnishment of wages for alimony, child support, bankruptcy, commercial debts, and federal tax levies. Refer to DoDI 1400.25, Volume 1405 for further authorities governing NAF employee garnishments.

6.4 Administrative Offset for Erroneous Overpayments

In accordance with 5 U.S.C. § 5514, NAFI employees are subject to salary offset for collection of debts in the same manner as DoD civilian employees, including debts owed to NAFIs or appropriated fund (APF) activities. NAF payroll offices must ensure procedures are developed to comply with the requirements of 5 U.S.C. § 5514. NAF payroll offices must refer to Volume 8, Chapter 8 and Volume 16, Chapters 2 and 4 in developing indebtedness and debt collection procedures for NAFIs.

6.5 Order of Precedence for Deductions

If the gross salary of an employee is not sufficient to permit all deductions to be made, then deductions will be made in the order of precedence established by the OPM Personnel Policy Memorandum ***PPM-2008-01***, "Order Of Precedence When Gross Pay Is Not Sufficient To Permit All Deductions," dated July 30, 2008. NAFIs must consult policy, legal staff, and collective bargaining agreements to ensure the proper order of precedence is followed.

7.0 EMPLOYEE BENEFIT PORTABILITY PROGRAM

7.1 General

The Portability of Benefits for Nonappropriated Fund Employees Act of 1990 (Portability Act), Public Law ***(Pub. L.) 101-508***, section 7202 provides portability of pay and benefits for employees moving between NAF and APF positions. Under the Portability Act, employees who move with a break in service of no more than three days between NAF and APF positions may be eligible for pay, leave, reduction-in-force, and retirement benefit protection. The protection provided by the Portability Act, particularly protection in the area of retirement coverage elections,

was subsequently expanded by ***Pub. L. 104-106***, section 1043, enacted in 1996. In 2002, ***Pub. L. 107-107***, section 1131 further expanded the retirement election opportunity to make it easier for employees to continue retirement coverage after moving between NAF and APF positions. Under current retirement portability law, eligible employees who move with a break in service of no more than one year between NAF positions and retirement-covered civil service positions in any Federal agency may elect to continue retirement coverage in the losing employment system's retirement plan without the vesting requirement. Additionally, Pub. L. 107-107, section 1132 permits employees in both Civil Service Retirement System (CSRS) and Federal Employee Retirement System (FERS) to use prior NAF service to qualify for an immediate retirement. An employee who elects to remain covered in the losing employment system is excluded from coverage under the gaining DoD Agency for all subsequent periods of employment including periods of service as a reemployed annuitant. Refer to DoDI 1400.25, Volume 1408, "Insurance and Annuities for Nonappropriated Fund Employees," and the ***DoD Portability of Benefits Reference Guide*** for additional information.

7.2 Leave Transfer

In accordance with the Portability Act, accrued annual and sick leave hours will transfer within DoD to the gaining activity, without exchange of funds, if there is a break in service of no more than three days. Employees are not entitled to receive lump-sum payment for accumulated/accrued annual leave. Refer to DoDI 1400.25, Volume 1406 for additional guidance.

7.2.1. NAF to APF Transfer. When a NAF employee transfers to an APF position, the AO or NAF payroll office will make applicable entries to the appropriate NAFSGL accounts to eliminate the annual leave liability (consult local procedures for additional information). The value of the income resulting from the elimination of the liability will be recorded as specific non-operating income in the appropriate NAFSGL account.

7.2.2. APF to NAF Transfer. When an APF employee transfers to a NAF position, the AO or NAF payroll office will record the total dollar amount of accumulated/accrued annual leave to the appropriate NAFSGL accounts to recognize the annual leave liability (consult local procedures for additional information). The value of the expense resulting from the recognition of the liability will be recorded as specific non-operating expense in the appropriate NAFSGL account.

7.2.3. Annual Leave Lump-Sum Repayment. Employees who are covered under the provisions of the Portability Act and were paid lump-sum leave payments between January 1, 1987 and April 15, 1991, because of a transfer between APF and NAF positions, may repay those lump-sum payments and receive credit of the leave. Employees who separated from Federal service between January 1, 1987 and April 15, 1991, and who were subsequently rehired, may also have the opportunity to repay the lump-sum leave and receive credit.

7.3 Portability Retirement Records

NAF HR/payroll offices are responsible for providing and processing forms for employees who are retiring under either CSRS or FERS. OMB Circular A-130, Appendix II prescribes the

use of electronic processes and digital signatures whenever it is possible and in the best interest of the Government. The NAF HR/payroll offices must fulfill the following general responsibilities relating to CSRS or FERS (for further information on portability retirement, refer to Volume 8, Chapter 4, section 4.3.

7.3.1. NAF HR/payroll offices must prepare and maintain a Standard Form ***(SF) 2806*** (CSRS) or an ***SF 3100*** (FERS), Individual Retirement Record, for each employee subject to either CSRS or FERS. Each SF 2806/SF 3100 must be correct, complete, clear in every detail, and properly certified to ensure timely and accurate closeout procedures when an employee is separated or transferred to the paying jurisdiction of another agency.

7.3.2. NAF HR/payroll offices must maintain adequate control over retirement records and associated monetary balances.

7.3.3. NAF HR/payroll offices must promptly send claims and records. The OPM address is:

CSRS/FERS Retirement Records
Office of Personnel Management
Retirement Operations Center
P.O. Box 45
Boyers, PA 16017-0045

7.3.4. NAF HR/payroll offices must withhold retirement deductions from employees' salaries, make agency contributions, and send the deductions/contributions to OPM for deposit. Deductions begin on the day the employee acquires coverage under the retirement system and must be prorated for partial pay periods. FICA contributions must be withheld and reported in accordance with current guidance from the U.S. Department of Treasury. Employee retirement deductions, employer contributions, employee contributions to applicable 401(k) plans, and loan repayments will be made biweekly and submitted to the appropriate NAF employee benefit system. Thrift Savings Plan (TSP) deductions and the employer's matching contributions must be forwarded to the TSP.

8.0 LEAVE ACCRUAL

8.1 Annual Leave

The accrual of annual leave is material and must be recognized as a liability and expensed monthly in the individual NAFI's accounting records. The individual leave records or annual leave report, showing the accumulated leave balance for all employees, will be used as the subsidiary ledger to the appropriate NAFSGL account for each NAFI.

8.2 Sick Leave

The monthly accrual of sick leave is not a liability to the NAFI. Sick leave used monthly will be recognized as an expense in the individual NAFI's accounting records.

8.3 NAFI to NAFI Leave Transfer

When a NAF employee transfers from one NAFI to another, the accrued annual leave hours and dollar amount may be transferred to the gaining NAFI if both employers and employee agree. If the employee elects not to have the annual leave transferred to the gaining NAFI, then the losing NAFI will make a lump-sum leave payment to the employee. If the DoD Component head has implemented policy that permits NAF employees transferring between the NAF activities to receive partial payment of any unused annual leave to their credit at the time of separation, the employee may also elect to transfer part of the annual leave balance and take a lump-sum payment for the remaining portion. Accrued sick leave hours will transfer to the gaining NAFI with no exchange of funds. See DoDI 1400.25, Volume 1406 for additional guidance.

9.0 SEVERANCE AND SEPARATION BENEFITS

DoDI 1015.15 specifies that NAFIs must set aside and invest funds on a regular basis to ensure sufficient cash availability to defray payment of severance benefits for U.S. and Foreign National employees upon their separation from NAFI employment. NAFIs will ensure that the estimated liability for a business-based action is accrued when probable and a separation allowance is accrued on a monthly basis where applicable. DoDI 1400.25, Volume 1405 describes the eligibility criteria, exclusions, and conditions under which NAF employees may receive severance pay and the computation and payment requirements.

10.0 PAYROLL DISBURSEMENTS

All payroll disbursements must be paid to NAF employees by electronic fund transfer (EFT) unless the head of the agency or designee has granted a waiver. The head of the agency or designee may waive the EFT requirement upon receipt of written certification from the employee that states that he or she does not have an account with a financial institution or providing some other extenuating circumstance.

11.0 RECORDS RETENTION AND STORAGE

NAF payroll offices are required to keep records sufficient to support all transactions relevant to matters concerning NAF payroll. In accordance with IRS Publication 15, records of employment taxes must be maintained for a period of 4 years following the due date of such tax or from the date for which such tax has been paid, whichever date is later. Aggregate records documenting payroll disbursed in each pay period (base pay, additions to and deductions from pay, and leave balances) must be stored and transferred to the ***National Personnel Records Center*** for 56 years' retention, in accordance with the National Archives and Records Administration ***General Records Schedule 2.4***.

12.0 INTERNAL CONTROL STANDARDS

A key to effective payroll operations is the maintenance of internal controls over those operations. Internal control standards are outlined in the OMB Circular A-123; DoDI 1015.15, subparagraph 6.7.3; DoDI 5010.40; and DoDI 7600.06. All DoD NAF organizations must ensure that these standards are followed for payroll operations as well as for the methods and procedures adopted for processing and auditing payrolls.

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UNDER SECRETARY OF DEFENSE (COMPTROLLER)

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CHAPTER 10: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 13, CHAPTER 11: "ACCOUNTING FOR DEFINED BENEFIT PENSION AND OTHER POSTRETIREMENT PLANS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated September 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting and hyperlinks to comply with current administrative instructions.	Revision

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CHAPTER 11

ACCOUNTING FOR DEFINED BENEFIT PENSION AND OTHER POSTRETIREMENT PLANS

1.0 GENERAL

1.1 Purpose

This chapter provides requirements to account for defined benefit pension and other postretirement plans for single-employer plans. The policies in this chapter apply to DoD Nonappropriated Fund Instrumentalities (NAFIs), their supporting Accounting Offices, and Military Services Exchanges. This chapter does not pertain to Military Department plans that are considered multi-employer. This chapter provides basic pension accounting, funding principles, and a review of standards. Each NAFI and its Certified Public Accounting firm providing financial services support should fully review the exceptions and variables associated with pension accounting prior to implementation.

1.2 Authoritative Guidance

The annual reporting of Pension Plan assets and liabilities must be in conformance with Financial Accounting Standards Board Accounting Standards Codification ***(ASC) Topic 715***, "Compensation–Retirement Benefits." ASC Topic 715 addresses the concern that employers' accounting standards for defined benefit pension and postretirement plans fail to communicate the funded status of those plans in a complete and understandable way. The current published version of ASC Topic 715 is the superseding authority for information in this chapter.

2.0 DEFINITIONS

The standards contained within ASC Topic 715 improve reporting for defined benefit pension and postretirement plans by requiring an employer to recognize certain financial activity occurring in the plans in their financial statements. This activity includes the overfunded or underfunded status of defined benefit pension and postretirement plans in the balance sheet. The actuarial gains and losses, prior service costs (SC), transition obligations, and credits that arise during the period are recognized through the income statement. ASC Topic 715 provides additional information regarding the types of plans for the financial statement reader. Terms that NAFIs and Military Departments should be aware of are listed in paragraphs 2.1 through 2.7.

2.1 Funded Status

The funded status is the difference between the projected benefit obligation (PBO) (also known as the pension liability) and the plan assets (PA) at fair value.

2.2 Measurement Date

The measurement date is the employer's fiscal year-end statement of financial position. The PA and PBO are measured as of this date. There are two exceptions when the plan is not sponsored directly by the employer. See ASC Topic 715, section 715-30-35-62.

2.3 Net Periodic Pension Cost (NPPC)

The NPPC is the annual expense incurred by the employer because of the pension plan. The NPPC is composed of the SC, interest cost, actual return on assets, amortization of prior SC, transition obligations, and gains or losses.

2.4 Pension Provider

The pension provider is the organization that administers a Military Department's pension plan.

2.5 PA

The PA are the amounts a pension plan could reasonably expect to receive from a current sale of assets held for pension benefits.

2.6 PBO

The PBO is the actuarial present value, as of a specified date, of all employees' vested and non-vested pension benefits.

2.7 Statement of Financial Position

The statement of financial position is another term for the balance sheet. The term "balance sheet" is used in this volume.

3.0 BASIC PENSION ACCOUNTING PRINCIPLES

3.1 Disclosure

Pension accounting principles require the disclosure of the components of net pension costs and of the PBO. ASC Topic 715 prescribes the disclosure requirements that a NAFI must follow to reflect the cost of pension plans on income statements and balance sheets.

3.2 Measurement Date

ASC Topic 715 requires that PA and benefit obligations be measured as of the date of the fiscal year-end balance sheet. As of that date, each NAFI sets assumptions, gathers the participant data used to measure the obligations, and determines the fair value of assets in the pension trust. Each NAFI uses these amounts to calculate the cost of the plan in the future year and determines

if additional amounts must be recorded on the balance sheet. There are two exceptions when the plan is not sponsored directly by the employer. See section 715-30-35-62 of ASC Topic 715.

3.3 Basis for Calculation of NPPC

The basis for calculation is the benefit obligations, i.e., PBO, the accumulated benefit obligation (ABO), and SC. These values are used in the calculation of the NPPC, which is the annual accounting expense or income each NAFI must recognize in its income statement. The NPPC is comprised of the following components.

3.3.1. SC. The SC is the annual accrual of benefits. ASC Topic 715 requires a NAFI to disaggregate the SC component from the other components of net benefit cost on the income statement. When applicable, only the SC component of net benefit cost is eligible for capitalization.

3.3.2. Interest Cost. The interest cost is an increase in PBO associated with the passage of time during the year. This is generally the discount rate multiplied by the beginning of year PBO adjusted for expected benefit payments.

3.3.3. Expected Return on Assets. The expected return on assets is an increase in PA associated with the passage of time during the year. This is offset against the other cost items and is generally the expected long-term rate of return on assets multiplied by the beginning of year market related value of PA adjusted for expected benefit payments, contributions, and possibly for expected administrative expenses paid from the trust.

3.3.4. Amortization Amounts. Amortization amounts are the systematic recognition of certain changes in value.

3.3.4.1. Transition Obligation or Asset. Amortization of a transition obligation or asset allows phased recognition on the income statement of the difference between the plan's funded status (PBO less PA) and any remaining accrued or prepaid cost on the balance sheet.

3.3.4.2. Prior SC. Amortization of prior SC allows phased recognition on the income statement of changes in the PBO associated with a plan change. This amount is generally amortized over the average remaining service period of the plan participants.

3.3.4.3. Net Gain or Loss. Amortization of a gain or loss allows phased recognition of actuarial gains or losses. Actuarial gains and losses that have not yet been reflected on the income statement are accumulated each year and amortized over the average remaining service period of plan participants, only to the extent their total exceeds a threshold. The threshold may be up to 10 percent of the greater of the plan's PBO or market related value of PA.

4.0 BALANCE SHEET CLASSIFICATIONS

The Military Departments will calculate the funded status of a benefit plan. The funded status should be determined as of the year-end statement date (measurement date) and is defined

as the difference between the PBO and PA. Depending on the differences between the PBO and PA, several areas of the balance sheet could be affected. The following examples are provided.

4.1 PA greater than PBO

An overfunded plan exists when the PA is greater than the PBO. The difference would be classified as a non-current asset in the balance sheet.

4.2 PA less than PBO

An underfunded plan exists when the PA is less than the PBO. The difference would be classified as a liability (current or long-term) in the balance sheet. The classification of the liability as a current or long-term liability will be determined and provided by the pension provider.

4.3 Adjustments

Once the funded status of a benefit plan is determined, adjustments may need to be made to existing pension balances in the balance sheet. These adjustments will be posted as an offset to the equity account in the balance sheet and can be either an addition or reduction to the equity section. These temporary adjustments are treated in the equity section of the balance sheet in the same manner as the "unrealized gains/losses on investments," pursuant to ***ASC Topic 320***, "Investments–Debt Securities." In addition, these temporary adjustments are not calculated in the net worth determination. The final result of these entries will result in the funded status equaling either a non-current asset or a liability based on the difference of the PA and PBO. The provisions of ASC Topic 715 eliminate the accounting for any potential additional minimum liability.

5.0 INCOME STATEMENT CLASSIFICATIONS

5.1 Presenting NPPC

The NPPC is the annual expense incurred by the employer because of the pension plan. Under ASC Topic 715, the NPPC will continue to be recognized as a component of the income statement similar to the previous reporting process. Accounting rules can produce a negative expense, which appears as income on the financial statements. While the expense (debit) is recognized through the income statement, the second part of the entry (credit) results in adjustments to the balance sheet accounts, which have been expanded to include the adjustment to the equity account. The net of the SC, interest cost, and expected return on PA will continue to be an adjustment as a component of either the non-current asset or the liability, whichever component the NAFI is reflecting in the financial statements due to the new funded status. The amounts of the net gain or loss, net prior SC or credits, and net transition asset or obligation will be offset against the equity account.

5.2 Presenting SC

A NAFI must report the SC component in the same line item(s) as other compensation costs arising from services rendered by the pertinent employees during the period. The other

components of net benefit cost defined in ASC Topic 715 are required to be presented in the income statement separately from the SC component. If the separate line item(s) are used to present the other components of net benefit cost, the line item(s) must be appropriately described.

6.0 DISCLOSURES

The NAFI receives annual valuation reports from outside actuaries to prepare the financial statement disclosures. At a minimum, the NAFI will provide additional information about certain effects on net periodic benefit cost, and the amount and timing of any PA expected to be returned to the Military Departments and NAFIs. In addition, amounts recorded as adjustments to the equity section of the balance sheet will result in an adjustment to the income statement. See ASC Topic 715 for more information on disclosure requirements.

7.0 BASIC PENSION FUNDING (LIABILITY) PRINCIPLES

7.1 Calculation of Liabilities

A pension plan's liabilities can be calculated in different ways, but the same principles always apply. The actuary calculates the expected future pension payments for each participant in the plan using the entity's participant data and plan provisions. These future benefit payments consider the individual's compensation and service history, and when that individual might be expected to die, quit, become disabled, or retire. Each future payment is discounted from the date of payment to present day using the actuarial assumptions, known as the present value of future benefits (PVFB). It represents the present value of all benefits expected to be paid from the plan to current plan participants. Theoretically, the NAFI could set aside that amount of money in a plan today and it would cover payments from the plan, including those for service not yet rendered. Note, this amount considers future service the participant is expected to earn and future pay increases.

7.2 Cost Methods

Actuaries developed the following cost methods to be used to determine the amount of the liabilities (current and long-term) to be reported on the balance sheet. These cost methods divide the PVFB into actuarial liability (AL), normal cost (NC), and present value of future normal costs (PVFNC).

7.2.1. AL. AL is the portion of the PVFB that is attributed to past service. This is the current value of the compensation that was deferred in prior years. For pension accounting purposes, the AL is referred to as the PBO. Different cost methods calculate the AL differently, but it always reflects past service only. Sometimes the AL reflects expected future pay increases because many pension plans are designed so that the retirement benefit is based on the pay at retirement. To allow the plan sponsor to recognize the cost of the plan gradually over the participant's lifetime, the actuary considers the portion of the future benefit due to past service to already include expected future pay increases. The portion of the PVFB that only recognizes benefits accrued to date (i.e., without future pay increases) is called the present value of accumulated benefits (PVAB). This reflects current service and current salary. For pension

funding, the PVAB may also be called the current liability; however, the current liability is calculated using Internal Revenue Service mandated interest and mortality assumptions. For pension accounting purposes, the PVAB is referred to as the ABO.

7.2.2. NC. NC is the portion of the PVFB that is attributed to the current year of service. This is the current value of the compensation that is being deferred this year. Different cost methods calculate the NC differently, but generally it reflects the current year of service and may reflect expected future pay increases. For pension accounting purposes, the NC is referred to as the SC.

7.2.3. PVFNC. PVFNC is the portion of the PVFB that will be attributed to future years of service. It covers compensation that has not yet been earned. This number is not disclosed and is rarely used in any cost calculations. However, it is disclosed in valuation reports for plans that use the entry average normal (EAN) funding method.

7.3 Methods Used for PVFB

PVFB can be divided into the AL, NC, and PVFNC under many different actuarial cost methods. The three most common cost methods are the projected unit credit (PUC) cost method, unit credit (UC) cost method, and the EAN cost method.

7.3.1. PUC Cost Method. The PUC cost method considers expected future pay increases in the calculation of the liability and NC.

7.3.2. UC Cost Method. The UC cost method does not reflect expected future pay increases in the liability, and only reflects one year's expected growth in pay in the NC.

7.3.3. EAN Cost Method. The EAN cost method tends to generate a NC from year to year that is a level percentage of payroll for each individual on the system with a single date of retirement, not multiple dates of retirement.

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APPENDIX A: "ARCHIVED"

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DEPARTMENT OF DEFENSE

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VOLUME 14: "ADMINISTRATIVE CONTROL OF FUNDS AND ANTIDEFICIENCY ACT VIOLATIONS"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

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VOLUME 14, CHAPTER 1: "ADMINISTRATIVE CONTROL OF FUNDS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*****.**

The previous version dated June 2020 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
2.12	Clarified that a DoD Component is not required to submit an annual evaluation memorandum if the DoD Component does not have centrally managed accounts or is not reporting a potential ADA violation.	Revision

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CHAPTER 1

ADMINISTRATIVE CONTROL OF FUNDS

1.0 GENERAL

1.1 Overview

The Volume 14 prescribes the requirements for the administrative control of funds and the Antideficiency Act (ADA) for Department of Defense (DoD) Components. Chapter 1 defines the statutory restrictions and limitations governing the administrative control of funds. Failure to comply with these restrictions and limitations is a violation of the ADA. Chapter 2 explains the ADA and related statutes, causes of violations, and preventive action including training requirements. Chapter 3 prescribes the requirements for DoD Components when a potential ADA violation is discovered, conducting an ADA investigation, reporting ADA violations, and administering disciplinary action. The provisions of this volume take precedence over any conflicting guidance in other volumes or DoD regulations, manuals, instructions, or directives.

1.2 Purpose

This chapter establishes policy for the administrative control of funds and includes specific instruction for controlling available funds. The DoD Components are required to establish and maintain effective controls over appropriations and other funds in accordance with this chapter. All DoD organizations, appropriations, and funds are subject to the provisions contained herein.

1.3 Authoritative Guidance

Administrative division of apportionments and control of funds is prescribed by Title 31, United States Code, section 1514(a) ***(31 U.S.C. § 1514(a))***. The Office of Management and Budget ***(OMB) Circular No. A-11*** prescribes implementing requirements for the control of funds in Section 150 and Appendix H. Additional authorities:

1.3.1. ***31 U.S.C. §§ 1341***–1342, ***31 U.S.C. §§ 1349***-1351, and ***31 U.S.C. §§ 1511***-1519 (The Antideficiency Act).

1.3.2. ***31 U.S.C. § 1101***, ***31 U.S.C. §§ 1104***-1108, and ***31 U.S.C. § 3324*** (part of the Budget and Accounting Act, 1921, as amended).

1.3.3. ***31 U.S.C. §§ 1501***-1502

1.3.4. ***31 U.S.C. § 1112***, ***31 U.S.C. § 1531***, ***31 U.S.C. § 3511***–3512, and ***31 U.S.C. § 3524*** (part of the Budget and Accounting Procedures Act of 1950).

1.3.5. ***2 U.S.C. §§ 681***-688 (Congressional Budget and Impoundment Control Act of 1974).

2.0 POLICY

2.1 Defense-wide Appropriations

Unless otherwise specified, for purposes of this volume, the Office of the Under Secretary of Defense, Deputy Comptroller (Program/Budget) is considered a "DoD Component" for matters involving Defense-wide (Treasury Symbol "97") appropriations.

2.2 Administrative Control Systems

DoD Components must:

2.2.1. Design systems for the administrative control of funds so that formal administrative subdivisions of funds are placed at the highest practical organizational level consistent with effective and efficient management.

2.2.2. Restrict the use of limitations on available funds to those necessary to comply with statutory provisions, such as those imposed by the appropriate DoD Authorization or DoD Appropriations Act, or to address specific management requirements.

2.3 Reporting Requirements for Administrative Control Systems

DoD Components must establish a reporting system for the administrative control of funds process to provide data for reviewing the efficiency (e.g., obligation rate) with which funds are used. Reporting requirements must be established separately from a formal administrative subdivision of funds limitation when a need exists for accumulating data below the allocation level.

2.4 Delegations of Authority

All delegations or redelegations of authority or functions under this chapter must be made in writing. Delegation or redelegation of authority or function is prohibited if the delegation or redelegation limits the capabilities of the Secretaries of the Military Departments, the Directors of the Defense Agencies, or designated officials of the Office of the Secretary of Defense to exercise the control necessary to discharge properly their responsibilities in accordance with this volume.

2.5 Statutory Limitations and Duties of DoD Officials

DoD officials are prohibited from authorizing or creating any obligation or making any expenditure beyond the amount permitted under any statutory limitation that modifies or restricts the availability of funds. Special or recurring statutory limitations on DoD funds are frequently imposed by the DoD Authorization or Appropriations Acts, or may be imposed by other legislation. Specifically, DoD officials to whom funds are entrusted or apportionments or formal administrative subdivisions of funds are issued at any level must:

2.5.1. Limit any further subdivision of funds to the amount provided and currently available.

2.5.2. Limit the obligation and expenditure of funds provided to the amount currently available at the time of the obligation or expenditure, enforce those limitations, and ensure that all personnel involved in administrative control and use of available funds are knowledgeable of such limitations.

2.5.3. Limit the obligation and expenditure of funds provided to the purposes authorized by type of fund or account.

2.5.4. Ensure that the obligation and expenditure of funds provide for a bona fide need of the period of availability of the fund or account.

2.5.5. Preclude acceptance and use of voluntary services, gifts, and donations except in accordance with specified provisions of law.

2.5.6. Ensure that all personnel, including the actual fund users, contracting personnel, and other personnel involved in administrative control and use of available funds, are fully aware of, and comply with, the requirements of the ADA as described in Chapter 2 and other applicable guidance. Potential ADA violation investigation and reporting requirements are also contained in this volume.

2.5.7. Ensure that decisions on the obligation of funds comply with the provisions of the ADA by careful review and examination of the facts involved in advance of the decision.

2.5.8. Enforce compliance with all the provisions of the ADA and other specific laws that limit the obligation and expenditure of funds.

2.5.9. Maintain internal control systems to ensure that:

2.5.9.1. All available funds are identified, controlled, and recorded in the official accounting records from the time received until subdivided to others or obligated and expended.

2.5.9.2. All available funds are identified with authorized purposes by account, period of availability for new obligations, and for the period of availability for expenditure.

2.5.9.3. All special and recurring provisions and limitations on the obligation and expenditure of funds are identified and documented for all available funds and accounts.

2.5.9.4. All proposed obligations of funds are reviewed to ensure that sufficient funds are available to cover the obligation, the purpose of the obligation is consistent with the authorized purposes of the fund or account, and the obligation does not violate any special or recurring provisions and limitations on the incurrence of obligations.

2.5.10. Issue and maintain appropriate delegations of authority.

2.5.11. Ensure that amounts reported to the Department of the Treasury are accurate, that is, recorded accurately and posted to the correct appropriation account.

2.5.12. Ensure that internal controls are in place and operating as required by ***DoD Instruction 5010.40***, "Managers' Internal Control Program Procedures."

2.5.13. Ensure that appropriate training programs are in place to provide all personnel involved in administrative control and use of available funds with the knowledge of funds control and the skills and abilities to perform the duties specified in paragraph 2.5. See Chapter 2 for training requirements.

2.6 Apportionments, Allotments, Suballotments and Allocations

The administrative control of funds process restricts obligations and expenditures (disbursements) to the amount available at the apportionment, allotment, suballotment and allocation levels. Apportionments, allotments, suballotments, allocations and other formal administrative subdivision of funds designated by a DoD Component are subject to the provisions of the ADA; therefore, obligations and disbursements of funds that exceed these limitations are violations of the ADA.

2.6.1. Apportionments. An apportionment is a distribution made by OMB of amounts available for obligation in an appropriation or fund account into amounts available for specified time periods, program, activities, projects, objects, or any combination of these. The apportioned amount limits the obligations that may be incurred. An apportionment may be further subdivided by an agency into allotments, suballotments, and allocations.

2.6.1.1. When DoD appropriations or other funds are required to be apportioned under law by OMB to a DoD Component, a request for the apportionment or reapportionment must be prepared and submitted through the Under Secretary of Defense (Comptroller) (USD(C)) to the Director of OMB. A request for an apportionment must be in such form and at such time as the USD(C) may prescribe to conform to the requirements of the Director of OMB. See Volume 3, Chapter 2 for the preparation of apportionment or reapportionment schedules and Volume 3, Chapter 13, paragraph 130303 for the accounting of DoD apportionments and reapportionments.

2.6.1.2. Obligations during any apportionment period must not exceed the amount of the apportionment available for that period or of any administrative subdivisions of the apportionment. Apportionments may include estimates of anticipated budgetary resources; however, these approved anticipated resources may not be obligated until realized.

2.6.1.3. Apportionments that anticipate the need for a deficiency appropriation or a supplemental under 31 U.S.C. § 1515 will be specifically identified on the apportionment request. To qualify as a deficiency apportionment, the request must be required by:

2.6.1.3.1. Laws enacted subsequent to the transmittal of the annual budget for the year to Congress;

2.6.1.3.2. Emergencies involving human life, the protection of property, or the immediate welfare of individuals; or

2.6.1.3.3. Specific authorization by law.

2.6.2. Allotments. An allotment is a subdivision of an apportionment that is made by the head of an agency (e.g., Secretary of Defense), or designee (e.g., USD(C)), to incur obligations within a prescribed amount. Formal distribution, i.e., subdivision of an allotment must contain at least the same statutory and other limitations applicable to the original allotment (e.g. suballotments/allocations to operating agencies or installation-level accounting activities).

2.6.2.1. The USD(C) must make allotments of apportioned amounts, in writing, to the heads of DoD Components. The Secretary of a Military Department, or designee, must make further allotments of apportioned amounts, in writing, to the heads of operating agencies.

2.6.2.1.1. The original signed document or an authenticated copy bearing a signature or an electronic equivalent of a signature must be forwarded to the recipient of the allotment. This does not preclude the use of an automated system to communicate and record fund subdivisions as long as a confirmation copy bearing an authenticated signature or an electronic equivalent of a signature is available to the recipient via the automated system.

2.6.2.1.2. At a minimum, this document must contain the following basic information:

2.6.2.1.2.1. Amount available;

2.6.2.1.2.2. Funding source;

2.6.2.1.2.3. Time period of availability;

2.6.2.1.2.4. Position and title of the responsible official and other agency limitations; and

2.6.2.1.2.5. Justification for changes in allotments.

2.6.2.1.3. A suballotment is a subdivision of an allotment. It is a formal distribution that must contain at least the same statutory and other limitations and requirements applicable to the original allotment. Amounts allotted may be suballotted to major subordinate operating commands.

2.6.2.2. Allotments/suballotments must not exceed the amount available for use for each apportionment period.

2.6.2.3. The use of an electronically reproduced equivalent of an original signature is considered an acceptable implementation of the requirement for a document containing an authenticated signature. However, in accomplishing electronic transmission of fund authorizations through linked computer systems, internal controls for electronically transmitted allotments and suballotments must have the following minimum characteristics:

2.6.2.3.1. Fund control systems must provide validation of fund authorities by use of access codes and lockout techniques.

2.6.2.3.2. One set of access codes must be used to issue fund authorizations.

2.6.2.3.3. Other controlled access codes must be used to process a signature section of fund control documents for transmission to funded activities.

2.6.2.3.4. The authentication, signature element, and symbol must be included as part of electronically produced funding documents.

2.6.2.4. Anticipated transfers or other items of anticipated receipts may be allotted/suballotted/allocated only when realized.

2.6.2.5. Allocations are subdivisions of suballotments, or subdivisions of allotments that are not required to be suballotted (reference subparagraph 2.6.3).

2.6.2.6. DoD Components must not authorize or incur an obligation, or make a disbursement against anticipated transfer authorizations until the transferred resources are realized. Such actions must be delayed until the completed Standard Form (SF) 1151, "Nonexpenditure Transfer Authorization" is received and the resources realized. Nonexpenditure Transfers are processed using the Agency Transaction Module within the Central Accounting Reporting System (CARS). See the Treasury Financial Manual ***(TFM) Volume 1, Part 2, Chapter 2000*** for information and guidance on using the CARS.

2.6.2.7. DoD Components must not authorize or incur an obligation or make a disbursement against anticipated reimbursements. Such actions must be delayed until the applicable customer order is received from Federal Government activities and funds are collected from public activities. See Volume 11A for reimbursable policy.

2.6.3. Allocations. Allocations are subdivisions of suballotments or subdivisions of allotments that are not required to be suballotted.

2.6.3.1. The recipients of allotments or suballotments, or their designees, must make allocations in specific amounts to the heads of installations or organizational units of DoD Components, as required. The total of the amounts allocated must not exceed the amount of the allotment/suballotment available for each period.

2.6.3.2. A suballocation is a subdivision of an allocation. The recipients of allocations may make suballocations to the heads of other organizational units, including those of other DoD Components, as required. The total of the amounts suballocated must not exceed the amount of the allocation available for use for each period.

2.6.3.3. Allocations and suballocations must be made in writing and the recipient's copy must either be signed by the fund-issuing authority or be an authenticated copy bearing an authorized authenticated signature or an electronic equivalent of a signature. At a minimum, the document must contain the following basic information:

2.6.3.3.1. Name or title of the allocation/suballocation recipient.

2.6.3.3.2. Amount of the allocation/suballocation and the period of availability.

2.6.3.3.3. Legal restrictions or limitations on the obligation and disbursement of the allocated/suballocated funds.

2.6.3.3.4. The amount of anticipated reimbursements, specified to the organizational level responsible for receiving the reimbursable orders.

2.6.3.4. In emergency circumstances, it may not be possible to provide a formal allocation or suballocation document before incurring obligations. Under such emergency conditions, it may be necessary to use expedited means of communication pending formal confirmation.

2.6.3.4.1. A telephone or other electronic means may be used to make arrangements to indicate that funds will be provided. However, the official allocation or suballocation of funds does not occur until the substantiating documentation of the issuance of funds has been transmitted by the issuer and received by the recipient.

2.6.3.4.2. In such cases, both the issuer and recipient must document the funding transaction showing action taken, the date, amount involved, authorizing official, and method of communication. The issuer must immediately provide a copy of the documentation to the recipient and request acknowledgment of receipt. The recipient must provide confirmation of receipt and acceptance to the issuer. The issuer must sign the same documentation and return the document containing both signatures. The official funds issuance does not occur until this final double-signed (issuer and recipient) document has been received by the recipient of the funds.

2.6.3.4.3. The recipient is not authorized to issue funds to others or authorized to incur obligations with the funds received until after receipt of the double-signed document.

2.7 Other Fund Management

2.7.1. Centrally-Managed Account (CMA). The head of an operating agency that has specific written approval of the head of a DoD Component may establish CMAs. A CMA is a formal administrative subdivision of funds (allotment, suballotment, or allocation) that is managed at the highest practical level and allows officials at a lower echelon to incur obligations or charge expenditures to the CMA for authorized purposes without further determination or certification of fund availability for the individual transactions. Fund balances at the

allotment/suballotment/allocation level are subject to the provisions of ***31 U.S.C. § 1517(a)(1)***. Fund authorization documents forwarding budget authority to the CMA must include the following statement: "Authorizing or incurring obligations in excess of the cumulative allotment/suballotment/allocation amount, contained herein, is a reportable violation of 31 U.S.C. § 1517."

2.7.1.1. These accounts must be established only when it is impractical to administer decentralized allotments/suballotments/allocations under normal operating procedures. The head of an operating agency, usually general officer or Senior Executive Service level, is responsible for establishing adequate controls to ensure CMA managers are expeditiously informed of obligations and expenditures at the lower echelon levels to prevent the CMA from becoming over-obligated/expended. Before approval, a specific written determination must be made that adequate controls have been established to avoid over-obligating/expending the CMA.

2.7.1.1.1. The amount of the CMA must be within the amount and terms of the allotment/suballotment/allocation.

2.7.1.1.2. Requests for the establishment of a CMA must fully justify the need, delineate possible alternatives, and clearly demonstrate why the CMA method is the only practical administrative procedure.

2.7.1.1.3. The official who establishes or continues the use of a CMA must be held responsible, to the extent prescribed by law, directive, and regulation, for ensuring that obligations are not incurred, or expenditures made, beyond the amount available under each CMA.

2.7.1.1.4. The establishing or continuing official is responsible for the administration of each CMA and must prescribe an adequate system of financial and nonfinancial control. The system must:

2.7.1.1.4.1. Designate the name or position of specific individuals authorized to incur obligations or make expenditures against each CMA.

2.7.1.1.4.2. Establish suitable limitations on the numbers, quantities or volume for which obligations may be incurred or expenditures made.

2.7.1.1.4.3. Provide for accounting and reporting at least monthly.

2.7.1.1.4.4. Ensure timely notice to prevent the CMA from being over-obligated/expended by taking necessary management action. This may include (a) increasing the amount of the CMA; (b) terminating the CMA; (c) terminating new obligations or disbursements; and/or (d) taking other necessary management actions to prevent an over-obligation/expenditure.

2.7.1.1.5. Each CMA must be reviewed annually to determine whether its operation should be continued. This determination must be made by the head of the DoD Component concerned, or designee. The annual review must include an evaluation, by an

internal audit group, of the adequacy of control procedures established to prevent violations of 31 U.S.C. § 1341(a)(1), 31 U.S.C. § 1517(a), or both, and a recommendation to the head of the DoD Component concerned, or designee, whether continuation of the CMA is justified. DoD Components must provide certification as to the adequacy of controls of the CMA. This certification must be submitted with the annual evaluation required by paragraph 2.12.

2.7.1.2. Components are required to maintain documentation supporting their assessment and produce it on request. At a minimum, Components must maintain records on the following:

2.7.1.2.1. Appropriation and dollar value of the CMA.

2.7.1.2.2. Rationale for establishing a CMA and why it is preferable to other methods of managing the appropriation.

2.7.1.2.3. Individuals primarily responsible for managing the CMA and ensuring fund controls are properly implemented.

2.7.1.2.4. Organizations authorized to make obligations against the CMA.

2.7.1.2.5. Fund controls in place to establish limits on the amount and type of obligations that may be charged to the CMA.

2.7.1.2.6. Monthly execution monitoring and procedures.

2.7.1.2.7. Date and method of testing of internal controls.

2.7.2. Reimbursable Orders. A reimbursable order is an order for services, supplies, material, or equipment placed by a requiring DoD Component (or Federal Agency) and furnished by another DoD Component (or Federal Agency) without separate identification of the items, or separate citation of the funds of the requiring DoD Component; and with subsequent delivery to and reimbursement by the requiring DoD Component. The requiring DoD Component records the reimbursable order as an obligation when the procuring DoD Component accepts the reimbursable order in writing. See Volume 3, Chapter 8 for recording standards.

2.7.2.1. DoD organizations may be authorized by law to accept reimbursable orders for services provided or goods sold to other Federal Government-funded customers and authorized private parties.

2.7.2.2. Apportioned reimbursements must not be allotted/suballotted/allocated unless there is reasonable assurance that orders will be received. Even though apportioned and allotted/suballotted/allocated, these estimates must not be considered budgetary resources available for obligation unless the following two conditions are met:

2.7.2.2.1. Valid orders, including written agreements, have been received from and obligated by Federal Government-funded customers.

2.7.2.2.2. Advance payment has been collected, in the case of orders from the public.

2.7.2.3. Officials responsible for incurring obligations and making expenditures must be particularly cognizant of reimbursable authority received. Controls must be established and carefully followed to avoid obligating or expending in excess of the amount of appropriated funds available, plus the amount of reimbursements that ultimately will be earned and collected.

2.7.2.4. Under certain circumstances, and only with the prior written approval of OMB, immediate and automatic apportionment of the amounts of reimbursable orders received and accepted may be authorized.

2.7.2.5. Reimbursable orders received from state or local governments, recognized international bodies such as the United Nations and North Atlantic Treaty Organization, foreign governments, corporations, or individuals are subject to special controls.

2.7.2.5.1. These orders are to be recognized as reimbursable orders received only to the extent that cash has been received and deposited with the Treasury. The exception is Foreign Military Sales (FMS) orders. Contract authority may be recognized for FMS orders based upon a dependable undertaking when cash advances are not provided for the full amount of the order from a foreign government or international body. Bills are then presented for payment from the account established in the FMS Trust Fund for the applicable country.

2.7.2.5.2. FMS disbursement controls must be established to ensure that disbursements are not made until the cash is actually received from the foreign country and deposited in the Treasury FMS Trust Fund. Expenditure authorizations are used to ensure that funds are available in the account for the country involved before disbursements are made.

2.7.2.6. Reimbursable orders that are financed by appropriated or revolving funds of Federal agencies provide expenditure as well as obligational authority.

2.7.3. Revolving Funds. A revolving fund is an account authorized by specific provisions of law to finance a continuing cycle of business-type operations and to incur obligations and expenditures that generate receipts.

2.7.3.1. General. Obligations and expenditures of a revolving fund, whether subject to, or exempt from, apportionment, must be controlled under applicable provisions of this chapter.

2.7.3.2. Cash Balances. The disbursement of amounts in excess of the Department of the Treasury cash balance of a revolving fund is a potential ADA violation. Additionally, the disbursement of amounts in excess of the balance of sub-numbered cash accounts or other subdivisions of cash within a revolving fund is a potential ADA violation when such sub-numbered accounts or subdivisions have been specifically designated as being subject to the provisions of the ADA.

2.7.3.3. Apportionment. A revolving fund may be subject to apportionment or it may be exempt from apportionment, depending upon the type of fund.

2.7.3.3.1. Revolving Funds Subject to Apportionment. An apportionment limits the obligations that may be incurred to the apportioned amount. The incurring of obligations in excess of apportioned budgetary resources is a potential ADA violation without regard to whether a revolving fund has additional unapportioned budgetary resources or other assets equal to or greater than the amount of the deficiency.

2.7.3.3.1.2. Revolving Funds Exempt from Apportionment. A revolving fund that is exempt from apportionment may not incur obligations in excess of available budgetary resources. The incurring of obligations in excess of available budgetary resources is a potential ADA violation.

2.7.3.4. Budgetary Resources. The incurring of obligations in excess of budgetary resources is a potential ADA violation. The concept of "budgetary resources" is defined and explained in OMB Circular A-11, "Preparation, Submission, and Execution of the Budget." Budgetary resources available to revolving funds are composed of the same elements as budgetary resources available to appropriated funds. Further, while budgetary resources available for obligation for reimbursable work differ depending upon whether a reimbursable order is accepted from a Federal Government account or from the public, such budgetary resources are determined in the same manner for a revolving fund as they are for an appropriated fund.

2.7.3.4.1. Orders from other Federal Government Agencies. Funded orders from other Federal Government agencies, that represent valid obligations of the ordering account, provide a budgetary resource without regard to whether they are accompanied by an advance payment.

2.7.3.4.2. Orders from the Public. Orders from the public (except FMS orders) including local and state governments and international organizations (e.g., United Nations), provide a budgetary resource only to the extent that the order is accompanied by an advance payment of cash received and credited to the account.

2.7.3.5. Organizational Level for Revolving Fund Potential Violations. Systems for the administrative control of revolving funds should be placed at each organizational level at which budgetary resources may be received, held, transferred, obligated, or expended. The lowest organizational level for administrative control purposes generally should be the level, frequently a single site, at which an obligation may be incurred or expenditure approved. In the case of a revolving fund account that encompasses operations at multiple sites, responsibility for potential ADA violations generally should not be assigned to an organizational level lower than the level at which the administrative control system is adequate to prevent and detect a potential violation of the ADA.

2.8 Obligations and Expenditures

Available funds are used by the incurrence of obligations and expenditures. An amount must be recorded as an obligation or expenditure when incurred as supported by documentary evidence of the occurrence of the event. An oral order or agreement must be formalized in writing or conform to prescribed electronic standards in order to provide proper support and an audit trail for an obligation. Oral orders executed in this manner without a formal commitment of funds run a high risk of violating the ADA and should be avoided if possible. See Volume 3, Chapter 8 to determine the amount and accounting period in which commitments and obligations must be recorded.

2.8.1. Once incurred, all obligations and expenditures must be recorded, accurately and promptly, as of the date incurred even if recordation results in a negative amount in the accounting records for an appropriation or fund, or a formal administrative subdivision of an appropriation. (For this purpose, negative amount means that obligations or disbursements exceed the amount of funds that are appropriated or otherwise available.) A violation resulting from a negative amount is caused by the actions of the individual(s) who caused or created the obligation. The recording of the obligation in the accounting system merely records an obligation that already exists.

2.8.2. Adjustments in obligations may consist of recording changes to obligation amounts that existed in a prior period that may or may not have been identified and recorded during that period. If an adjustment causes total obligations for a prior period to exceed the amount that was available for obligation for that prior period after consideration of all known valid obligations and deobligations, violations of 31 U.S.C. § 1341(a)(1), 31 U.S.C. § 1517(a), or both, may have occurred.

2.8.3. A within-scope contract adjustment is properly chargeable to the funds that funded the original contract. Such adjustment must be charged to those funds even if sufficient funds are not available. If sufficient funds are not available, a potential violation may have occurred.

2.8.4. An increase-in-scope adjustment to a contract is properly chargeable to funds currently available at the time the change was made.

2.9 Reconciliations

DoD managers at all levels must ensure that accounting records for receipt and use of budgetary resources are reconciled. Obvious accounting errors must be corrected immediately and negative account balances must be researched and reconciled promptly with appropriate source documents.

2.9.1. Transactions or adjustments must be recorded in accounting records only when supported by appropriate source documents or electronic equivalents. Managers must not permit identified errors to go uncorrected for extended periods of time, inaccurate transactions to be recorded or failures to record transactions in a timely manner. Due diligence is necessary in order to avoid the appearance of a potential ADA violation that occurred because of careless record keeping.

2.9.2. An ADA investigation must be initiated by the applicable DoD Component and reported to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) as required by this volume if a manager suspects that a potential ADA violation may have occurred. However, investigations of potential ADA violations are not required merely to force correction of erroneous records.

2.10 Records

2.10.1. The Defense Finance and Accounting Service (DFAS), working with other DoD Components, must ensure that accounting records are maintained that provide full disclosure and support of the financial operations and resource utilization applicable at each successive organizational level. The accounting records must show the amounts of funds received at each organizational level, funds issued to others, current available balances, and funds committed, obligated, and expended.

2.10.2. These fund control records must constitute an integral part of the official accounting records maintained for each successive organization level for the DoD Component. Financial reports reflecting funds received, issued, available, and utilized must be prepared from the official accounting records.

2.10.3. DoD Components must maintain key records and documents on appropriations, allotments/suballotments, allocations/suballocations, and budgetary data for the funds for which they are responsible.

2.10.4. DoD Components must retain, for 6 years, 3 months, work papers and documentary evidence developed and/or obtained during an investigation of an actual or potential ADA violation.

2.11 Financial Management Systems

In addition to effective and efficient administrative funds control systems established by the DoD Components, the DFAS and/or DoD Component must be responsible for establishing accounting and finance systems. The accounting and finance systems must be established for reporting commitments and obligations by the DFAS and/or DoD Component. Such systems of accounting and internal controls must comply with the requirements of 31 U.S.C. § 3512(b) and (c).

2.11.1. Federal agencies must maintain systems of accounting and internal controls that ensure:

2.11.1.1. Complete disclosure;

2.11.1.2. Adequate financial information;

2.11.1.3. Effective internal control over and accountability for assets;

2.11.1.4. Obligations and costs comply with applicable laws;

2.11.1.5. Revenues and expenditures or expenses applicable to DoD operations are accounted for properly so that accounts and reliable financial and statistical reports are prepared and accountability of assets is maintained;

2.11.1.6. Suitable integration of DoD accounting with the central accounting and reporting responsibilities of the Secretary of the Treasury under ***31 U.S.C. § 3513***; and

2.11.1.7. All assets are safeguarded against waste, loss, unauthorized use, and misappropriation.

2.11.2. Specifically, financial management systems must be:

2.11.2.1. Designed to assist responsible officials in restricting authorization or incurrence of obligations to the proper amount and authorized purpose for which obligational authority is available.

2.11.2.2. Capable of providing timely disclosure of the authorization or creation of an obligation and the disbursement of funds in excess of amounts available in both expired and unexpired accounts.

* 2.12 Annual Evaluation

The OUSD(C) requires DoD Components to conduct an annual evaluation of its overall administrative funds control processes as well as the processing of ADA violations. The DoD Components are not required to submit an annual evaluation memorandum if the DoD Components do not have centrally managed accounts or are not reporting a potential ADA violation. The applicable Office of the Assistant Secretary of the Military Department for Financial Management and Comptroller or the Senior Financial Manager for other DoD Components will provide an annual evaluation memorandum addressed to the OUSD(C). The memorandum must address the following information in subparagraph 2.12.1 and be submitted by October 31:

2.12.1. Memorandum Certification Statements.

2.12.1.1. "For Fiscal Year 20xx, the internal controls over centrally managed accounts were in place and effective. Monthly accounting and reporting processes are adequate to reduce the risk of over obligations."

2.12.1.2. "Corrective actions are being implemented and/or sustained and adequate evidentiary documentation is available to support this certification."

2.12.1.3. A statement that provides the number of key fund control personnel identified and trained as prescribed in Chapter 2, paragraph 020401.

VOLUME 14, CHAPTER 2: "ANTIDEFICIENCY ACT VIOLATIONS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*****.**

The previous version dated June 2020 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	This chapter has been certified as current.	Current

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CHAPTER 2

ANTIDEFICIENCY ACT VIOLATIONS

1.0 GENERAL

1.1 Purpose

This chapter explains the Antideficiency Act (ADA) and related funding statutes that consist of certain provisions of law prescribed in sections (§) of Title 31, United States Code (U.S.C.). It also provides examples of circumstances in which ADA violations may occur and establishes requirements to prevent ADA violations. Additional requirements are contained in Volume 3, Chapter 11. Any military member or Department of Defense (DoD) employee who violates any provision or limitation imposed by any law may violate the ADA and be subject to discipline and/or criminal penalties.

1.2 Authoritative Guidance

1.2.1. The ADA, prescribed in ***31 U.S.C. §§ 1341***–1342, and ***31 U.S.C. § 1517***, prohibits obligations and expenditures in excess of an appropriation or before an appropriation is available. 31 U.S.C. § 1517 is the primary foundation for the administrative control of funds set forth in Chapter 1. See Figure 2-3 for additional references.

1.2.1.1. Amount Limitation. 31 U.S.C. § 1341 stipulates that any officer or employee of the United States Government or of the District of Columbia government may not:

1.2.1.1.1. Make an obligation, expenditure, or authorize an obligation or expenditure of funds that exceeds the amount available in an appropriation or fund.

1.2.1.1.2. Involve the Government in any contract or obligation for the payment of money before an appropriation is made available, unless the law authorizes such contract or obligation.

1.2.1.2. Voluntary Services Limitation. 31 U.S.C. § 1342 stipulates that an officer or employee of the United States Government or of the District of Columbia government may not accept voluntary services on behalf of the Government or employ personal services in excess of that authorized by law, except as it may be necessary in emergencies involving the safety of human life or the protection of property.

1.2.1.3. Administrative Control of Funds, Amount Limitation. 31 U.S.C. § 1517 stipulates that an officer or employee of the United States Government or of the District of Columbia government may not make an obligation or expenditure or authorize an obligation or expenditure that exceeds an apportionment or amount permitted by a regulation prescribed for the administrative control of an appropriation, including any other formal administrative subdivision of funds designated by a DoD Component. See Chapter 1 for DoD administrative control of funds policy.

1.2.2. *31 U.S.C. § 1301*, *31 U.S.C. § 1502(a)*, and *31 U.S.C. § 3302(b)* are additional funding statutes. Noncompliance with these statutes may result in an ADA violation.

1.2.2.1. Purpose Statute. 31 U.S.C. § 1301 stipulates that appropriations must be applied only to the objects for which the appropriations were made, except as otherwise provided by law.

1.2.2.2. Time Limitation. 31 U.S.C. § 1502(a) stipulates that the balance of a fixed-term appropriation is available only for payment of expenses properly incurred during the period of availability or to complete contracts properly made and obligated within that period. See Volume 3, Chapter 8 for obligation policy and Volume 3, Chapter 10 for expired and closed account policy.

1.2.2.3. Miscellaneous Receipts Statute. 31 U.S.C. § 3302(b) requires an official or agent of the Government to deposit money received for the Government from any source into the miscellaneous receipts account of the U.S. Treasury without deduction for any charge or claim if the retention of the money is not authorized or exceeds authorized levels.

1.2.3. If sufficient amounts were available in the proper account for the proper fiscal year at the time of the obligation, and the amount is properly recorded as an obligation, then the use of the wrong appropriation (purpose) or the wrong fiscal year funds (time limitation) generally will not result in an ADA violation. It may be possible to adjust the accounts to replace the erroneously obligated funds with the proper funds. Under these conditions, the error can and should be corrected.

1.2.3.1. The use of the wrong appropriation (purpose) can be corrected if the proper funds (appropriation, year, and amount) were available at the time of the erroneous obligation, available during the entire period from the time of obligation until the time of correction, and available at the time of correction. In other words, to correct the error, not only must amounts have been properly available at the time of the error and be available at the time of correction, but the correct amount must be properly recorded as an obligation in the proper account, consistent with paragraph 2.2, thereby requiring accounting adjustments going forward from the time of correction to account for the change in balance. Funds must be available at the lowest level of the administrative subdivision of funds, i.e., the lowest level of the appropriation, apportionment, allotment, suballotment, or allocation at which the ADA violation occurred.

1.2.3.2. The use of the wrong fiscal year funds (time limitation) can be corrected if the proper funds (appropriation, year, and amount) were available during the entire period from the time of obligation until the time of correction, at the time of the erroneous obligation, and at the time of correction. In other words, to correct the error, not only must amounts have been properly available at the time of the error and be available at the time of correction, but the correct amount must be properly recorded as an obligation in the proper account, consistent with paragraph 2.2, thereby requiring accounting adjustments going forward from the time of correction to account for the change in balance. Funds must be available at the lowest level of the administrative subdivision of funds, i.e., the lowest of the appropriation, apportionment, allotment, suballotment, or allocation level at which the ADA violation occurred.

1.2.3.3. See Volume 3, Chapter 8, paragraph 080304.A for Bona Fide Need recording requirements.

2.0 VIOLATIONS

2.1 General Violations

General ADA violations occur when:

2.1.1. Statutory limitation was exceeded for the amount authorized in an appropriation or fund, to include special and recurring statutory limitations or restrictions on the amounts for which an appropriation or fund may be used.

2.1.2. Statutory limitation on the purposes authorized in an appropriation or fund was violated and upon correction into the proper appropriation or fund, funds were not available at the time of the erroneous obligation or were not available when the obligation was recorded in the proper appropriation or fund.

2.1.3. Funding authority was issued in excess of the amount available in an appropriation or fund and the excess amount was obligated or expended. The issuance of funds by means of a formal administrative subdivision of funds (apportionment, allotment, suballotment, allocation or other formal administrative subdivision of fund), in an amount that exceeds the amount currently available, would result in an ADA violation if those excess funds distributed are obligated or expended. The issuance of a reimbursable order in excess of available funds may also result in an ADA violation.

2.1.4. Obligations or expenditures are authorized or incurred in excess of the amount of funds available at the formal administrative subdivision of funds level. Apportionments, allotments, suballotments, allocations and other formal administrative subdivision of funds designated by a DoD Component are subject to the provisions of the ADA; therefore, obligations and disbursements of funds that exceed these limitations are violations of the ADA. Incurring an obligation or disbursement in excess of a target versus a formal administrative subdivision of funds does not in itself create an ADA violation; however, if exceeding a target causes the governing formal administrative fund subdivision level or limitation to be breached, then a potential ADA violation arises. Errors that require correction by obtaining additional funds at a formal administrative subdivision of fund level cannot eliminate the fact that a violation likely has occurred and must be investigated. An exception applies when funds are required at the formal administrative subdivision level but funds were returned to higher headquarters as the result of the customary practice of sweeping up funds near the end of a fiscal year.

2.1.5. Obligations were made or authorized in advance of funds being available.

2.1.6. Obligations or expenditures of funds did not provide for a bona fide need of the fund or account (time violation) and upon correction into the proper fund or account, proper funds were not available at the time of the erroneous obligation or were not available when the obligation was recorded in the proper fund or account.

2.1.7. Obligations charged against a current account that would otherwise be properly chargeable (except as to amount) to an expired account, but sufficient funds did not exist in the applicable expired account to fund the obligation.

2.1.8. Obligations that otherwise would have been properly chargeable (both as to purpose and amount) to a canceled appropriation exceeds the limits specified in Volume 3, Chapter 10, subparagraph 100303.D.

2.1.9. Voluntary services were accepted, or personal services were employed, except as authorized by law.

2.1.10. Funds were retained without authority and were not deposited into the miscellaneous receipts of the U.S. Treasury but instead augmented an appropriation and, as a result, obligations or expenditures exceed the amount appropriated by Congress.

2.2 Recording Obligations/Expenditures

A violation may not be avoided by declining to record valid obligations or expenditures in the official accounting records. All obligations or expenditures must be recorded accurately and promptly, even if the recording results in a negative amount in the appropriation, fund, or at the formal administrative subdivision of funds level.

2.3 Recording Errors/Omissions

An ADA violation is not considered to have occurred when an over-obligation or over-expenditure results solely from recording a transaction in an erroneous account or recording an incorrect amount for a transaction. In each instance, the potential violation status is eliminated by correcting the erroneous transaction or by posting the omitted transaction. These actions must not include the deletion or adjustment of any valid transactions. If, after the proper recording of the transactions, an over-obligation or expenditure of the appropriation, fund or amount limited by a formal administrative subdivision of funds remains, then a potential ADA violation has occurred.

3.0 CAUSES OF VIOLATIONS

ADA violations occur for several reasons. The following is a list of the most frequent causes of DoD ADA violations:

3.0.1. Inadequate or obsolete internal controls and standard operating procedures;

3.0.2. Internal controls and standard operating procedures that are ignored;

3.0.3. Lack of appropriate training; and

3.0.4. Inadequate supervisory involvement or oversight.

4.0 PREVENTING VIOLATIONS

4.1 Requirements

Inadequate supervisory involvement and oversight combined with a lack of appropriate training are common throughout most DoD ADA violations. Therefore, supervisors of DoD personnel who have responsibility for control and use of DoD funds must ensure that their personnel receive proper oversight, support, and training to prevent violations. To assist in the prevention of ADA violations, DoD personnel must be knowledgeable of requirements in this chapter and Chapter 1. The following subparagraphs provide specific actions that must be taken to reduce or prevent violations.

4.1.1. Heads of DoD Components must:

4.1.1.1. Use the internal management control programs as required by ***DoD Instruction 5010.40***, "Managers' Internal Control Program Procedures," to periodically assess the reliability of internal controls to prevent ADA violations.

4.1.1.2. Develop a full spectrum of DoD formal education programs for all military officers, from staff officer courses to executive development courses, and incorporate relevant aspects of this volume to highlight the potential pitfalls and risks associated with the ADA. This volume must be used as source material to conduct seminars and workshops targeted to general and specific audiences including financial, program, and project managers; engineers; contracting, information system, and comptroller personnel; commanders; supervisors; and managers.

4.1.1.3. Develop formal education structures to educate personnel about the ADA. Formal courses can be used to alert personnel to common violations and high-risk business transactions and decisions that can result in a violation. Course materials will clearly state that taxpayer funds should not be spent when the requirement is no longer needed, i.e., the requirement is no longer a bona fide need at that time. The DoD financial management community sponsors professional development courses that include discussions on ADA violations. These courses include the Army Comptroller and Advanced Resource Management Programs at Syracuse (NY) University; the Naval Post Graduate School at Monterey, California; and the Defense Financial Management and Comptroller School at Maxwell Air Force Base, Alabama. In addition, the U.S. Army Judge Advocate General School at Charlottesville, Virginia, includes a fiscal law course in its curriculum; and both the Enhanced Defense Financial Management training course hosted by the American Society of Military Comptrollers and the Under Secretary of Defense (Comptroller) Defense Financial Management Certification Program include fiscal law in their accreditation programs.

4.1.2. DoD commanders, supervisors, and managers must:

4.1.2.1. Be aware of the ADA, related funding statutes, types of violations, and causes of violations as described in this chapter.

4.1.2.2. Provide appropriate ADA training to financial, program, and project managers; engineers; and contracting, information system, and comptroller personnel. Provide fiscal law training to educate DoD personnel with regard to their fiduciary and legal responsibilities to prevent wasteful spending of appropriated funds. The focus of this training must include the basics of fund control, the ADA statute, and related funding statutes; the types of violations that can occur; the most frequent types of violations that occur within the DoD and their causes; the necessary training, supervision, and oversight of personnel who perform financial management or programmatic functions; and methods for preventing violations. Require that all executive development and financial management course content be updated to ensure proper use and good stewardship of appropriated funds. The training must be maintained to ensure the information remains current. Videos, computer courses or handbooks may be used for such training.

4.1.2.3. Identify key fund control personnel, incorporate the provisions of this volume into key fund control personnel training programs, require that key fund control personnel receive appropriations law training at least every three years, maintain the documents that identify key fund control personnel, and maintain documents that confirm completion of the appropriations law training. Key fund control personnel are those responsible for the proper assignment of funding on a commitment or obligation document before the obligation is incurred. Examples are resource managers, fund holders, funds certifying officials, and authorizing officials. Key fund control personnel should inquire with their individual DoD Components as to the appropriate source of training that satisfies this requirement. Appropriations law training requirements for certification of fund availability are separate from training requirements for certification for payment. Personnel that certify vouchers for payment must adhere to additional requirements as prescribed in Volume 5, Chapter 5.

4.1.2.4. Ensure key fund control personnel coordinate with requiring officials, such as program managers, contracting officers, and engineers, to verify that requests comply with funding statutes applicable to the assignment of funding on a commitment or obligation document before the obligation is incurred. This coordination should include ensuring delivery of supplies and/or the period of performance for services aligns with the lifecycle of the associated funds such that the obligation meets the bona fide need rules laid out in Volume 3, Chapter 8, subparagraph 080304.A. Key fund personnel must review and verify on a continuous basis that the goods and/or services are still needed. Key fund control personnel must not spend taxpayer funds when goods and/or services are no longer needed.

4.1.2.5. Ensure that their employees receive the necessary training and experience in the control and use of funds at levels that correspond with their responsibilities. Furthermore, supervisors must perform oversight and validation checks to ensure that established internal controls and standard operating procedures are adequate and are being consistently followed by their subordinates. Inadequate supervisory involvement or oversight combined with lack of appropriate training is common in DoD ADA violations.

4.1.2.6. Ensure regular reviews of fund status type reports are performed. If the amount of commitments and obligations (undelivered orders and delivered orders unpaid or paid) exceed the total amount available in an appropriation or the total amount of funds available at the formal administrative subdivision level, a violation could occur if all or some of the commitments eventually become valid obligations.

4.1.2.7. Take proactive measures specifically tailored to address the causes and corrective actions required to prevent violations. See section 3.0 for causes of violations.

4.2 Common Violations

To prevent ADA violations, DoD personnel must be knowledgeable of the most common and frequent types of ADA violations to include the following:

4.2.1. Exceeding an Appropriation.

4.2.1.1. All DoD commanders, managers, and personnel whose duties include obligating and/or managing funds must be aware of this type of violation and causal factors. This violation often occurs when obligations from an obligation document are not timely or accurately recorded thus causing the official accounting records to reflect an inflated (and incorrect) availability of funds. Since personnel use those records to certify funds are available for other obligations, a violation can easily occur because the records do not reflect the correct amount of funds available for obligation. This violation also occurs when obligations are charged against a current account that would otherwise be properly chargeable (except as to the amount) to an expired account, but sufficient funds do not exist in the applicable expired account to fund the obligation.

4.2.1.2. This type of potential violation is commonly discovered when an unmatched disbursement is recorded in the accounting system when correcting inaccurately recorded obligations, or when a reprogramming action requests additional funds for an expired account. To help prevent this type of violation, DoD funds managers (for example, Comptrollers) must require that all organizations that incur obligations and record obligations maintain strict and absolute positive controls over-obligating documents (or their electronic equivalents) to ensure that none are lost or misplaced and all transactions are recorded accurately and in a timely manner. Such controls include batch totals of transactions and dollar amounts incurred, transmitted, received, processed, and recorded.

4.2.1.3. The establishment of a funds control system is also essential to ensure that all obligations are reconciled properly against available funds and authorized before they are incurred. This process must include reserving available funds for authorized obligations that are not immediately recorded as an obligation. The reservation must be made by means of a formal commitment or an informal reservation record that contains an estimated amount. The documented estimated reservation must closely approximate the obligation when incurred and recorded. Also, when recording estimated obligations, it is important to record the initial obligation based on the most current data available and adjust the estimated obligations as conditions change to avoid making an obligation or expenditure that exceeds the amount available in an appropriation or fund.

4.2.2. Exceeding Statutory Limitations on the Use of Operations and Maintenance Funds.

4.2.2.1. Military Construction. To prevent an ADA violation, engineering and contracting personnel must be advised of the provisions of ***10 U.S.C. §§ 2801***–2802, and ***10 U.S.C. § 2805***; and DoD rules and regulations that cover minor construction projects. Engineering personnel and those who authorized the construction are frequently identified responsible for violations involving construction projects exceeding statutory construction limitations and administrative construction limitations placed in engineering regulations. The following is a brief summary of some of the provisions of 10 U.S.C. §§ 2801, 2802, and 2805; and DoD rules and regulations on minor projects.

4.2.2.1.1. Congress establishes by statute, the amount of Operations and Maintenance (O&M) funds that may be used for a minor construction project. From time to time, that limit is increased by Congress. If the specified limit is exceeded, Military Construction funds must be used for the entire project including planning and design. A violation of ***31 U.S.C § 1341(a)(1)(A)*** may occur when the limitation is exceeded. The limitation applies to the use of O&M funds for a minor construction project even though there is sufficient obligational authority available in the O&M account at the time that the project is authorized and approved.

4.2.2.1.2. A military construction project includes all work necessary to produce a complete and usable facility, or a complete and usable improvement to an existing facility under provisions of 10 U.S.C. § 2801(b). Incremental construction, which is the planned acquisition of, or improvement to, a real property facility through a series of minor construction projects is prohibited. See Volume 3, Chapter 17 for military construction project requirements.

4.2.2.1.3. Engineering and contracting personnel must be familiar with the statutory limitation, under the provisions of ***10 U.S.C. § 2825***, on the maintenance and repair funds that may be used for a family housing unit. That limit may not be exceeded without prior notification to Congress. When that limit is exceeded for any reason during the completion of a family housing maintenance and repair project, and the conditions specified in the law for a waiver of the statutory limitations have not been met, a violation of 31 U.S.C. § 1341(a)(1)(A) may occur.

4.2.2.1.4. The misclassification of construction costs as alterations by engineering personnel may result in an ADA violation. A potential violation may occur if the amount of the misclassification, when added to construction costs (if any), exceeds a statutory limitation. For example, an engineering project that has a minor construction cost close to the statutory limit, but which also has related maintenance and repair costs, could cause a violation of the statutory limit if the maintenance and repair work later is proven to be construction. Likewise, a maintenance and repair project exceeding the statutory construction limit could be a potential ADA violation if the maintenance and repair later is determined to be construction.

4.2.2.2. Equipment.

4.2.2.2.1. Congress designates an amount above which acquisitions of equipment must be funded from a procurement fund (expense versus investment threshold rule). Using O&M funds to acquire equipment items that exceed the designated threshold amount for the mandatory use of procurement funds could be a potential ADA violation. For instance, O&M funds are used to purchase a computer system when Other Procurement funds are required. Expense versus investment criteria is in Volume 2A, Chapter 1, paragraph 010212 and Volume 2B, Chapter 18.

4.2.2.2.2. Similar problems also frequently occur when acquiring low dollar value equipment items that are estimated to cost less than the congressionally designated amount for procurement funds, but actually cost more than that amount when acquired.

4.2.2.2.3. An ADA violation does not occur automatically in the situations outlined in subparagraphs 4.2.2.2.1 and 4.2.2.2.2 because the obligation can be moved from the O&M account to the applicable procurement account. If proper funds were available in the proper procurement account at the time of the erroneous obligation of O&M funds and funds are available when the obligation is recorded in the procurement account, including all other known valid obligations and deobligations, then a potential ADA violation has not occurred. However, if proper procurement funds were not available at the time of the erroneous obligation or were not available when the obligation is recorded in the procurement account to cover the obligation in the procurement account, a potential ADA violation may have occurred.

4.2.2.2.4. DoD decision makers, such as program managers, information systems managers, and contracting personnel, must be knowledgeable of the expense versus investment rules to prevent this type of violation. Program managers and information systems, contracting, and comptroller personnel must be trained on this issue. Such training should help reduce the incorrect application of the expense versus investment rule and the resulting ADA violations.

4.2.3. Exceeding a Formal Administrative Subdivision of Funds. If a formal administrative subdivision of funds level is exceeded, then a potential violation must be reported. The receipt of additional funds before the end of a reporting period does not mitigate a limitation violation or eliminate the potential violation reporting requirement as specified in Chapter 3. Also, failure to record a valid obligation or expenditure as of the date incurred does not avoid the incurrence of, and the requirement to report, a potential ADA violation if, upon recordation,

available funds in the appropriation fund or other formal administrative fund subdivision level are exceeded. For example, the Military Departments historically have experienced problems with over-obligated Reserve Component (RC) personnel accounts. Funds in these accounts are used to pay RC personnel for such items as weekend drills, travel, special tours, or other training. RC unit commanders who control a formal administrative subdivision of funds level are subject to the ADA and must, in advance of the incurrence and recording of these obligations, budget and reserve against available funds the amounts estimated for weekend drills and other scheduled training.

4.2.4. Obligating Funds in Advance of Availability.

4.2.4.1. A common scenario is the use of current year funds to procure goods or services that properly are funded only with a subsequent year appropriation. An ADA violation occurs when an individual obligates funds before those funds are authorized and appropriated by Congress. For example, signing a facility or equipment operating lease using one-year authority funds and agreeing to pay, or obligating the funds, for a two-year lease during the first year would constitute an obligation in advance of the availability of the funds for the amount associated to the second year of the lease. Similarly, agreeing to pay or obligating the funds for a two-year equipment maintenance agreement using one-year authority funds would constitute an ADA violation related to the amount associated with the second year of the agreement.

4.2.4.2. To help prevent this type of violation, training programs must include specific focus on the importance of ensuring funds are authorized and available before obligating the Government to contracts for future fiscal years' expenses.

4.2.4.3. For guidance on determining whether a violation may be properly corrected, see subparagraph 1.2.3.

4.2.5. Providing Funds to Servicing Agencies Before or Past the Period of Availability.

4.2.5.1. A common scenario occurs when funds cited on an Economy or non-Economy Act order do not meet the bona fide need arising or existing in the fiscal year (or years) for which the appropriation is available for obligation. When an erroneous obligation is moved to the applicable fiscal year and proper funds were not available at the time of the erroneous obligation or were not available when the obligation was recorded in the proper fund or account, a potential ADA violation may have occurred.

4.2.5.2. To prevent this type of ADA violation, DoD personnel with the responsibility to control the use and type of funds used must be aware of the fiscal limitations of providing funds to servicing agencies before or past the period of availability. See specific policy for Economy Act orders in Volume 11A, Chapter 3, section 0304; and non-Economy Act orders in Volume 11A, Chapter 18, sections 1802 and 1803.

4.2.6. Retaining Funds Without Authority.

4.2.6.1. This violation often occurs when funds are retained without authority and are not deposited into the miscellaneous receipts of the U.S. Treasury but instead augments an appropriation and, as a result, obligations or expenditures exceed the amount appropriated by Congress.

4.2.6.2. This violation is often discovered when new personnel arrive and raise concerns over accepting and retaining unauthorized funds. Therefore, it is essential that DoD decision makers, such as DoD Commanders and Comptrollers, are knowledgeable of this type of violation and that financial managers be trained on this issue and understand the authority related to funds under their control to preclude augmenting an appropriation.

Figure 2-1. Potential Violations

A VIOLATION MAY OCCUR WHEN	DESCRIPTION OF POTENTIAL VIOLATION	TITLE 31, UNITED STATES CODE SECTION
Any military member or DoD employee:	1. Makes or authorizes an obligation or expenditure that exceeds: a. The available amount of any appropriation or fund.	1341(a)(1)(A)
	b. Any statutory restriction imposed on the use of an appropriation or fund, such as limits on the use of O&M funds for unspecified minor construction or for purchase of investment items.	1341(a)(1)(A)
	c. The available amount of any apportionment or reapportionment.	1517(a)(1)
	d. The available amount of any formal administrative subdivision.	1517(a)(2)
	e. Any limitation imposed by an authorized official of the DoD or a DoD Component that is intended to restrict obligations of apportioned appropriations or funds.	1517(a)(2)
	2. Involves the Government in any contract or other obligation for the payment of money for any purpose before appropriations are made for such purposes, unless the law authorizes such contract or obligation.	1341(a)(1)(B)
	3. Makes or authorizes an obligation or expenditure against an appropriation account that was closed pursuant to 31 U.S.C. §§ 1552 or 1555 or the period prescribed in an appropriations act for making expenditures as authorized by 31 U.S.C. § 1557.	1341(a)(1)(A)
	4. Accepts voluntary service or employs personal service in excess of that authorized by law except in cases of emergency involving the safety of human life or the protection of property.	1342

Figure 2-1. Potential Violations (continued)

A VIOLATION MAY OCCUR WHEN	DESCRIPTION OF POTENTIAL VIOLATION	TITLE 31, UNITED STATES CODE SECTION
Any military member or DoD employee:	5. Expends a working capital (revolving) fund established under 10 U.S.C. § 2208 in excess of amounts available in Fund Balance with Treasury whether apportioned or not. (Recurring provisions of annual DoD Appropriations Acts that establish cash balances (Fund Balance with Treasury) in working capital funds may be maintained only in such amounts as are necessary at any time for cash disbursements to be made from such funds. This provision allows working capital funds to incur liabilities in excess of available fund balances with Treasury.)	1341(a)(1)(A)
	6. Obligates a working capital (revolving) fund established under 10 U.S.C. § 2208 or a part of the fund, whether subject to or exempt from apportionment, in excess of the available amount.	1517(a)(1)
	7. Obligates a working capital (revolving) fund established under 10 U.S.C. § 2208 in excess of the available amount of budgetary resources.	1517(a)(2)
In Fund Distribution:	1. Total allotments, or operating budget authorities for O&M type funds exceed the amount available for each apportionment period.	1517(a)(1)
	2. Total suballotments, allocations, or operating budget authorities, and centrally managed accounts (CMAs) exceed the amount of the allotment or operating budget authority for each period.	1517(a)(2)
	3. Total allocations or operating budget authorities and CMAs exceed the amount of the available suballotment.	1517(a)(2)
	4. Total suballocations exceed the amount of the allocation.	1517(a)(2)

Figure 2-2. Violation Examples

A. GENERAL. Most of the examples described in items B – D are taken from actual violations that occurred within DoD. However, these violations are fact specific and in other circumstances a potential violation may or may not be incurred. These examples are supplied for information only and are not intended to imply that in all similar but not identical circumstances a violation would have been incurred.

B. TITLE 31, UNITED STATES CODE, SECTION 1341

1. 31 U.S.C. § 1341(a)(1)(A)

a. Obligated O&M funds for site preparation construction costs on a relocatable building project. The project was incorrectly scoped into multiple projects and the cumulative costs of the construction exceeded the minor construction threshold and should have been authorized by Congress and funded with military construction funds. This unauthorized obligation of O&M funds instead of military construction funds resulted in a violation.

b. Obligated O&M and Working Capital funds on a single military construction project. The project amount exceeded the minor construction statutory limitation and resulted in a violation. The Government Accountability Office takes the position that a violation of a funding restriction in an authorizing statute (such as 10 U.S.C. § 2805) results in a violation of the ADA (31 U.S.C. § 1341). The use of funds to finance the project is not consistent with the authorized purpose of the appropriation and resulted in an incurable violation of the "purpose statute" (31 U.S.C. § 1301).

Note: Although the circumstances described herein constitute a violation of 10 U.S.C. §§ 2802(a) and 2805(b), the Department of Justice (DOJ) Office of Legal Counsel (OLC) has concluded that "a violation of a statutory restriction on spending does not violate the ADA where the restriction is not 'in an appropriation.' " See also: DOJ OLC opinion, "Use of Appropriated Funds to Provide Light Refreshments to Non-Federal Participants at EPA Conferences," April 5, 2007 (online at: http://www.justice.gov/sites/default/files/olc/opinions/2007/04/31/epa-light-refreshments13.pdf); and DOJ OLC letter, "Re: Whether the Federal Aviation Administration's Finalizing and Implementing of Slot Auction Regulations Would Violate the Anti-Deficiency Act," October 7, 2008.

c. Obligated O&M funds rather than Procurement funds for recapitalization of a system and Procurement funds were not available when the obligation was recorded which resulted in a violation.

Figure 2-2. Violation Examples (continued)

d. Failure to promptly record valid obligations in a reserve personnel appropriation resulted in valid obligations that exceeded the available amount in the appropriation and resulted in a violation

2. 31 U.S.C. § 1341(a)(1)(B)

a. Obligated O&M funds in advance of the appropriation when a 14 month severable services contract was awarded that exceeded the 12 month limit set forth in section 10 U.S.C. § 2410a, and resulted in a violation.

b. Obligated O&M funds for two and four year severable equipment leases in advance of an appropriation which resulted in a violation.

c. Obligated O&M funds for equipment with phased deliveries into subsequent fiscal years in advance of an appropriation which resulted in a violation.

C. TITLE 31, UNITED STATES CODE, SECTION 1342

Apparently, at the urging of the Chairman, a member of a Federal Commission agreed to waive his statutory entitlement to $100 per day while involved in Commission business. The year after the Commission was disbanded, the former member changed his mind and filed a claim for a portion of the compensation he would have received had it not been for the waiver. Since the $100 per day was a statutory entitlement, the purported waiver was invalid and the former commissioner was entitled to be paid. By accepting the waiver and allowing the commissioner to conduct Commission business without pay, the provision against acceptance of voluntary services was violated and a violation of the ADA occurred.

D. TITLE 31, UNITED STATES CODE, SECTION 1517

1. Obligated O&M funds in excess of the Continuing Resolution Authority allocation which resulted in a violation.

2. Obligated O&M funds for information technology equipment in excess of the investment threshold. When correction was made, Procurement funds were not available at the suballotment level which resulted in a violation.

Figure 2-2. Violation Examples (continued)

3. A DoD activity used O&M funds, rather than Other Procurement funds to purchase a data processing local area network (LAN). Even though the hardware components and LAN operating system software were purchased separately, the components and the software together constituted a system with an aggregate cost in excess of the expense/investment threshold specified by the Congress for the required use of procurement appropriation funds. A violation occurred because the DoD activity did not have the required amount of Other Procurement funds at the time of the purchases.

4. A funds holder at a formal administrative subdivision of fund level erroneously distributed more funds than available at the subdivision level. The activities receiving the funds incurred obligations and expenditures in excess of amounts available to the fund holder but below the amount distributed. The funds holder incurred an ADA violation because the obligations and expenditures exceeded the total amount in the formal administrative subdivision of funds.

Figure 2-3. Reference Hyperlinks

Office of Management and Budget ***(OMB) Circular A-11***, "Preparation, Submission, and Execution of the Budget"

U.S. Government Accountability Office ***Principles of Federal Appropriations Law*** (Red Book)

United States Code (U.S.C.) title and section:

U.S.C. Section	Title
2 U.S.C. § 681	Disclaimer
2 U.S.C. § 682	Definitions
2 U.S.C. § 683	Rescission of Budget Authority
2 U.S.C. § 684	Proposed Deferrals of Budget Authority
2 U.S.C. § 685	Transmission of Messages; Publication
2 U.S.C. § 686	Reports by Comptroller General
2 U.S.C. § 687	Suits by Comptroller General
2 U.S.C. § 688	Procedure in House of Representatives and Senate
5 U.S.C. § 1304	Loyalty Investigations; Reports; Revolving Fund
10 U.S.C. § 2201	Apportionment of Funds; Authority for Exemption; Excepted Expenses
10 U.S.C. § 2204	Obligation of Appropriations
10 U.S.C. § 2208	Working-Capital Funds
10 U.S.C. § 2410a	Severable Service Contracts for Periods Crossing Fiscal Years
10 U.S.C. § 2805	Unspecified Minor Construction
10 U.S.C. § 2825	Improvements to Family Housing Units
18 U.S.C. § 4124	Purchase of Prison-Made Products by Federal Departments

Figure 2-3. Reference Hyperlinks (continued)

U.S.C. Section	Title
31 U.S.C. § 1104	Budget and Appropriations Authority of the President
31 U.S.C. § 1105	Budget Contents and Submission to Congress
31 U.S.C. § 1106	Supplemental Budget Estimates and Changes
31 U.S.C. § 1107	Deficiency and Supplemental Appropriations
31 U.S.C. § 1108	Preparation and Submission of Appropriations Requests to the President
31 U.S.C. § 1112	Fiscal, Budget, and Program Information
31 U.S.C. § 1301	Application
31 U.S.C. § 1321	Trust Funds
31 U.S.C. § 1341	Limitations on Expending and Obligating Amounts
31 U.S.C. § 1342	Limitation on Voluntary Services
31 U.S.C. § 1349	Adverse Personnel Actions
31 U.S.C. § 1350	Criminal Penalty
31 U.S.C. § 1351	Reports on Violations
31 U.S.C. § 1501	Documentary Evidence Requirement for Government Obligations
31 U.S.C. § 1502	Balances Available
31 U.S.C. § 1511	Definition and Application
31 U.S.C. § 1512	Apportionment and Reserves
31 U.S.C. § 1513	Officials Controlling Apportionments
31 U.S.C. § 1514	Administrative Division of Apportionments
31 U.S.C. § 1515	Authorized Apportionments Necessitating Deficiency or Supplemental Appropriations
31 U.S.C. § 1516	Exemptions

Figure 2-3. Reference Hyperlinks (continued)

U.S.C. Section	Title
31 U.S.C. § 1517	Prohibited Obligations and Expenditures
31 U.S.C. § 1518	Adverse Personnel Actions
31 U.S.C. § 1519	Criminal Penalty
31 U.S.C. § 1531	Transfer of Functions and Activities
31 U.S.C. § 1552	Procedure for Appropriation Accounts Available for Definite Periods
31 U.S.C. § 1553	Availability for Appropriation Accounts to Pay Obligations
31 U.S.C. § 1555	Closing of Appropriation Accounts Available for Indefinite Periods
31 U.S.C. § 1557	Authority for Exemptions in Appropriation Laws
31 U.S.C. § 3302	Custodians of Money
31 U.S.C. § 3324	Advances
31 U.S.C. § 3512	Executive Agency Accounting and Other Financial Management Reports and Plans
31 U.S.C. § 3524	Auditing Expenditures Approved without Vouchers
33 U.S.C. § 576	Revolving Fund; Establishment; Availability; Reimbursement; Transfer of Funds; Limitation
41 U.S.C. § 6301	Authorization Requirement

VOLUME 14, CHAPTER 3: "ANTIDEFICIENCY ACT VIOLATION PROCESS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font.***

The previous version dated April 2019 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
4.4, 4.5	Incorporated references to Chapter 2 for obligations charged to the wrong appropriation or wrong year and for obligations incurred in advance of an appropriation.	Revision
All	Administrative updates to include streamlining language for improved readability in accordance with Department of Defense Financial Management Regulation Revision Standard Operating Procedures.	Revision

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CHAPTER 3

ANTIDEFICIENCY ACT VIOLATION PROCESS

1.0 GENERAL

1.1 Overview

This chapter describes the Antideficiency Act (ADA) violation process from initial discovery to formal investigation and final report. If an activity suspects an ADA violation and validates those concerns with an internal review, the activity must conduct an in-depth investigation. The structured investigation process consists of two phases, a preliminary review and, if required, a formal investigation. Generally, the preliminary review must establish that a potential ADA violation occurred before a formal investigation begins. The preliminary review gathers facts and establishes by adequate evidence whether an uncorrectable deficiency has occurred. The formal investigation determines the event(s) that "more likely than not" caused the potential violation, the responsible individual(s), and action(s) taken to ensure that a similar violation does not reoccur. To ensure efficiency, it is important that those involved in the investigation of, and reporting on, ADA violations are adequately trained and qualified. Investigators are provided specific authority to collect and evaluate relevant information as well as obtain direct support from subject matter experts and personnel throughout the process.

1.2 Purpose

This chapter addresses potential and actual violations of statutes discussed in Chapters 1 and 2. The policy directs conducting initial reviews, structuring investigations, and other requirements to report an ADA violation properly. It also establishes training requirements for individuals assigned to investigate potential and actual ADA violations. Additionally, this chapter provides organizational corrective and disciplinary actions for civilian and military employees.

1.3 Authoritative Guidance

This chapter implements provisions of Title 31, United States Code (U.S.C.), especially sections 1511 – 1517 and 1519 (***31 U.S.C. §§ 1511 – 1517*** and ***31 U.S.C. § 1519***) on apportionment and allotment, and §§ 1341 and 1348 on limitations on obligations and expenditures, § on voluntary services and personal services, and §§ 1349 and 1518 on disciplinary actions. This chapter also implements reporting requirements as specified in ***31 U.S.C. §§ 1351*** and 1517(b), and the Office of Management and Budget ***(OMB) Circular No. A-11***, Exhibit 145A.

2.0 REPORTING SUSPECTED VIOLATIONS

2.1 Initial Discovery

A review is initiated if there is adequate information to suspect a potential ADA violation may have occurred. An event marks the date of discovery, such as the release of internal review findings suggesting an ADA violation may have occurred, or receipt of a status of funds report

showing irregularities. The activity may conduct an inquiry to confirm that the information is accurate, complete, and sufficient suggesting that an ADA violation occurred.

2.2 Initial Report

2.2.1. Fund holders must ensure their funds are properly executed in accordance with applicable laws and regulations. Consequently, fund holders must report all suspected violations of the ADA. The professionals administering the funds, other than the fund holders, must also alert proper officials to suspected violations.

2.2.2. Within two weeks of discovering a potential ADA violation, the activity holding the allegedly misused funds conducts an initial review and prepares an initial report. The review aids in preparing the initial report. It determines whether a suspected violation may have occurred – even when the suspected violation is curable. Where the activity identifies a potential cure, note the cure in the report. However, do not cure a potential ADA without concurrence from the authorities identified in 2.2.3.

2.2.3. The activity/command channels must submit initial reports to the applicable Office of the Assistant Secretary of the Military Department for Financial Management and Comptroller, Combatant Commands, or the Senior Financial Manager for other Department of Defense (DoD) Agencies and Field Activities (referred herein as DoD Component).

2.2.4. The initial report does not determine responsibility for causing the potential ADA; it merely notifies leadership that a suspected violation may have occurred. The initial report template is located at Figure 3-2. If the following information is available and pertinent to the potential ADA at issue, the report must contain the following:

2.2.4.1. Accounting classification of funds allegedly misspent;

2.2.4.2. Name and location of the activity where the alleged violation occurred;

2.2.4.3. Name and location of the activity issuing the fund authorization;

2.2.4.4. Amount of the alleged violation;

2.2.4.5. Nature of the alleged violation;

2.2.4.6. Date the alleged violation occurred, and date discovered;

2.2.4.7. Means of discovery; and

2.2.4.8. Description of the facts and circumstances of the case.

2.2.5. Initial reports addressing potential voluntary services ADA violations must include all items listed in subparagraph 2.2.4 (except subparagraphs 2.2.4.1 and 2.2.4.3).

2.3 Evaluation

The DoD Component must evaluate the initial report for validity and completeness. If this evaluation determines a suspected violation may have occurred, the DoD Component must assign a case number for tracking purposes and direct the initiation of a preliminary review. If the DoD Component determines that the suspected violation is curable, the impacted activity/command must provide all the necessary correcting information and documentation to the DoD Component, correct the error, and implement appropriate internal controls to prevent a recurrence of similar violations. There are no additional ADA violation requirements.

3.0 DOD COMPONENT INVESTIGATION ADMINISTRATION

3.1 Timeframes for Investigation

3.1.1. Complete the preliminary review within four months from the date it was directed by the DoD Component.

3.1.2. Complete the formal investigation within nine months from the date it was directed by the DoD Component.

3.1.3. The Office of the General Counsel (OGC) (Fiscal) completes the advance decision legal review within three months from the date the draft formal investigation report is submitted to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), Deputy Chief Financial Officer (DCFO) requesting an advanced decision.

3.1.4. The DoD Component must consider appropriate disciplinary action and document any disciplinary action taken. The DoD Component completes a final summary report within two months from the Office of the Secretary of Defense (OSD) OGC (Fiscal) receipt of an advance decision concurring with the formal investigation report. However, DoD Components may request additional time from the DCFO to complete disciplinary actions, if required.

3.1.5. The DCFO completes and submits the letters required by OMB Circular No. A-11, Exhibit 145A within one month after receiving the final investigation report from the DoD Component. Complete the total process for investigating and reporting potential ADA violations within 15 months from the start of the formal investigation. The preliminary review is not part of the 15 months timeline.

3.1.6. All appointing officials must stipulate a due date for the ADA violation investigation report in the investigating officer appointment memorandum. The due date must conform to the timeframes stipulated in paragraphs 3.1.1 through 3.1.5 regardless of the scope or amount of the potential violation.

3.2 Approving Exceptions to Timeframes

The DCFO may approve an exception to the timeframes on a case-by-case basis. Upon request, this responsibility may be delegated to the DoD Components. This responsibility may not

be redelegated. The DoD Components must provide sufficient justification for the extension. The DCFO notifies the DoD Components of any extension that is approved.

3.3 Special Interest Investigations

Special interest investigations include potential violations that are the subject of a news release; requested by the Secretary of Defense, Deputy Secretary of Defense, or the USD(C); or involve a high-level DoD official. When necessary, special interest investigations may deviate from the timeframes stipulated in paragraphs 3.1.1 through 3.1.5; however, the DoD Components must notify the DCFO when such deviations are necessary. If the DCFO agrees, the timeframes may be extended.

3.4 Involvement of the OUSD(C)

The OUSD(C) may supervise the progress of an investigation when the nature of the violation or the implication of individuals in the violation warrants such involvement. Such supervision may include requirements for oral and written progress reports and may require a team of investigating officers (IOs) and compressed timeframes.

3.5 Investigation Costs

When investigating outside the major activity/command to which the IO is assigned, identify, and accumulate incidental costs (e.g., temporary duty, local travel). In accordance with Volume 11A and Volume 11B, the activity/command under investigation must reimburse costs.

4.0 PRELIMINARY REVIEWS

4.1 Purpose

4.1.1. The preliminary review gathers facts adequately supporting the conclusion that an ADA reportable violation has occurred. It does not identify responsible officials or recommend corrective actions to prevent similar violations.

* 4.1.2. The DoD Component must assign the responsibility for conducting the preliminary review to the activity where funds were potentially misused.

4.2 Investigating Officer Appointment

4.2.1. The DoD Component official must appoint the IO. The appointing official is at the DoD Component level unless the Component delegates this authority to a senior Commander or director of the organization responsible for conducting the investigation. The official appoints a qualified IO assisted by an expert review team, if necessary. The official issues an appointment letter within two weeks after the DoD Component's evaluation of the initial report concluding that a potential reportable violation has occurred. An appointment orders template is located in Figure 3-3.

4.2.2. The appointing official certifies that the IO has been trained in fiscal law or appropriations law within the last three years and can conduct a complete, impartial, and unbiased review. Each DoD Component ensures that its ADA investigators are properly trained and that the training is current and documented.

4.2.3. Select the IO from an organization external to the activity/command being reviewed.

4.2.4. The IO does not need to be senior in grade to the persons potentially under investigation.

4.2.5. The IO must be competent and capable of gathering evidence, establishing facts, documenting findings and recommendations, and preparing investigation reports of violation.

4.2.6. The IO must manage time and meet the investigation timeframes established. The appointing official may prescribe additional training as required.

4.2.7. Appointing officials must ensure the investigation receives the appropriate level of activity/command emphasis and the IO has adequate time and resources to conduct a thorough investigation.

4.2.8. The appointment orders must certify that investigators are free of personal, external, and organizational impairments. Retain the document(s) in the ADA case file.

4.2.9. Submit the appointment orders to the DoD Component. The appointment orders are part of the case files for the investigation.

4.3 Conduct of the Investigation

4.3.1. Checklists. Figure 3-4 contains a template for the preparation of the preliminary review report.

4.3.2. The investigator gathers facts, establishes a narrative of events, and determines what should have happened before the preliminary review is concluded. The investigator may review funding documents, contracts, and other key documents, as well as interview key witnesses during the investigation.

4.3.3. The investigator must check for accounting errors such as duplications or other errors in recording the applicable obligation and/or expenditure; obligations and/or expenditures charged to invalid and/or improper fund accounts; and inaccurate fund status at the time the applicable transaction occurred. If the preliminary review determines that an accounting error occurred, the investigator must coordinate the appropriate accounting correction.

4.3.4. When an IO determines that a reportable violation can be cured, the fund holder must attempt to correct the accounts. Complete corrections with the concurrence of the DoD Component, and only after the DoD Component receives appropriate supporting documentation.

*4.4 Obligations Charged to the Wrong Appropriation or Wrong Year

For information on obligations charged to the wrong appropriation or wrong year, see Chapter 2, subparagraph 1.2.3.1.

*4.5 Obligations Incurred in Advance of an Appropriation

For information on obligations incurred in advance of an appropriation, see Chapter 2, subparagraph 1.2.3.2.

4.6 Review Results

The IO documents the findings of the preliminary report and accompanies the report with a legal review. Forward this report and legal review for approval to the applicable DoD Component and coordinate with the applicable DoD Component's General Counsel. If the DoD Component involved determines that there is no violation, then the preliminary report completes the required ADA violation investigation.

4.7 Preliminary Reviews Initiated by the OUSD(C)

When an audit report informs or the OUSD(C) otherwise learns of a potential violation, the OUSD(C) may direct the DoD Component to initiate a preliminary review of the circumstances surrounding the potential violation. The date the OUSD(C) directs the DoD Component is the discovery date for reporting purposes and the DoD Component must follow procedures in sections 2.0, and 3.0.

4.8 Oversight Entities

4.8.1. In some cases, the Government Accountability Office, DoD Office of Inspector General (DoD IG), a military department audit agency, or other organizations external to a DoD Component report that a potential violation may have occurred and recommends a preliminary review be conducted. The DoD Component must review the finding(s) and recommendation(s) provided in the report. The DoD Component may have to conduct an informed inquiry.

4.8.2. If the DoD Component agrees that a potential violation may have occurred and a preliminary review is warranted, then the starting date for the investigation is the discovery date for reporting purposes. The DoD Component must follow procedures in section 4.0 and must supply the preliminary review status as requested by the applicable external organization.

4.8.3. If the DoD Component disagrees that a potential violation has occurred and believes a preliminary review is not warranted, the DoD Component must provide applicable written comments to the report outlining the disagreement consistent with policy prescribed in ***DoD Instruction 7650.03*** "Follow-up on General Accountability Office, DoD IG, and Internal Audit Reports."

4.8.4. If the DoD Component and the oversight activity disagree as to whether a preliminary review is warranted, the DoD Component may request assistance from the DCFO.

4.9 Evaluation

The DCFO may routinely examine open or closed preliminary review cases.

5.0 ROLES OF THE DOD INSPECTOR GENERAL

5.0.1. The Inspector General Act of 1978 (P.L. 95-452), as amended, gives the DoD IG the authority to conduct investigations of violations of the ADA.

5.0.2. The DoD IG reserves the right to initiate investigations of potential ADA violations, depending upon the type, amount, or significance of the violation.

5.0.3. The DoD IG may elect to conduct investigations not requested by the OUSD(C) or another DoD official.

5.0.4. When the DoD IG conducts such investigations, the resultant report must constitute the official DoD report on the matter; no other DoD Component must conduct parallel or supplemental investigations unless directed to do so by the Secretary of Defense, Deputy Secretary of Defense, or OUSD(C).

6.0 FORMAL INVESTIGATIONS

6.1 Overview

6.1.1. Once a preliminary review concludes that a reportable and incurable violation of the ADA has occurred, a formal investigation must be opened. Report the violation to the DCFO within 2 weeks of the determination. The DCFO assigns the DoD Component a unique tracking number and due date.

6.1.2. The formal investigation determines the event that caused the potential violation, the responsible individual(s), and action(s) taken to ensure that a similar violation does not occur in the future. Additional evidence discovery, re-interviewing witness or interviewing new witness, re-examining documents, or discovery of new documents may be required.

6.1.3. During a formal investigation, the DCFO may request periodic status reports.

6.1.4. The DoD Component generally assigns the investigation to the activity that performed the preliminary review. The DoD Component may request another organization to conduct the investigation to eliminate potential conflicts of interest, or to leverage the expertise of another activity/command.

6.2 Investigating Officer Appointment

6.2.1. The DoD Component official must appoint IOs. The appointing official is at the DoD Component level unless the Component delegates this authority to a senior activity/commander or director of the organization assigned responsibility for conducting the investigation. A qualified IO may be assisted by a review team with expertise in the areas being investigated, if necessary. A template for appointment orders is located in Figure 3-3. The formal investigation may be conducted by the same IO who conducted the preliminary review.

6.2.2. The appointing official certifies that the IO/review team lead has been trained in fiscal law or appropriations law within the last three years and can conduct a complete, impartial, and unbiased review. Each DoD Component must ensure that its ADA investigators are properly trained and that the training is current and documented.

6.2.3. The IO must be selected from an organization external to the activity/command being reviewed.

6.2.4. The IO does not need to be senior in grade to the persons potentially under investigation.

6.2.5. IOs must be competent and capable of interviewing witnesses, gathering evidence, establishing facts, documenting findings and recommendations, and preparing violation reports. They must also manage time and meet established investigation completion timeframes. The appointing official may prescribe additional training as required.

6.2.6. Appointing officials must ensure that the investigation receives the appropriate level of activity/command emphasis and gives the IO adequate time and resources to conduct a thorough investigation.

6.2.7. The appointment orders certify that investigators and/or review team leads are free of personal, external, and organizational impairments. Retain the document(s) in the ADA case file.

6.3 Conduct of Investigation and Preparation of Formal Report of ADA Violation Investigation (ROI)

6.3.1. Checklists

6.3.1.1. Figure 3-1 contains a checklist for use in the conduct of the Formal Investigation.

6.3.1.2. Figure 3-5 contains a template for the preparation of the formal report.

6.3.2. Examination of Physical Evidence

During the investigation, the IO expands upon the findings established in the preliminary investigation or makes new findings. The IO may revise dollar amounts based on witness statements, or, as more information is obtained, facts and conclusions also may be revised. The formal investigation finds the root cause(s) for the violation and identifies the individual(s) making or authorizing the improper obligations or expenditures, and the corrective action(s) implemented to reduce the risk of similar violations in the future.

6.3.3. Identifying Circumstances and Assigning Responsibility

6.3.3.1. Fully investigate all relevant aspects of the case, including all individuals and records connected with the event. Interview key personnel involved in a violation. If an employee to be interviewed is a member of a bargaining unit, comply with appropriate statutory and collective bargaining agreement protections for such employee.

6.3.3.2. Examine and document key event facts leading to the potential violation in the report and address any conflicts. If a series of events at several levels led to the violation, then the report clearly must identify what happened at each level and how the events contributed to the violation.

6.3.3.3. Where the subject matter of the potential violation is beyond the expertise of the IO, a subject matter expert must evaluate the evidence along with statements from personnel interviewed and provide an opinion on whether the key facts are correct and the conclusions reasonable. For example, when a potential violation involves the question of whether a military construction project results in a complete and usable facility, a civil engineer must analyze the facts and provide an opinion.

6.3.3.4. The IO must find facts supporting all conclusions reached in the investigation. All fact findings leading to a conclusion of an ADA violation must be supported by a preponderance of the evidence. A preponderance of the evidence is created when the evidence collected makes the existence of a fact more likely than not. If the IO cannot establish a fact by the preponderance of the evidence, that fact may not be used to support a conclusion that an ADA violation occurred or that an individual is a responsible official.

6.3.3.5. Where the IO concludes that a reportable ADA violation occurred, the IO must find facts and conclude that the responsible official(s), the individual or individuals made or authorized the improper obligations or expenditures pursuant to 31 U.S.C., §§ 1341(a) and/or 1517(a). Determine facts supporting an individual's responsibility for the violation by a preponderance of the evidence. A conclusion that an individual is a responsible official does not, by itself, result in pecuniary liability of an accountable official under 10 U.S.C., § 2773a.

6.3.3.6. Any report that concludes an ADA violation occurred must identify one or more responsible officials. A conclusion that no individual was responsible for the violation is not acceptable.

6.3.3.7. The same individuals may be responsible for more than one violation under the auspices of a single investigation. In these cases, the report must specifically clarify how they contributed to each discrete violation.

6.3.3.8. The responsible official is usually the highest-ranking individual in the decision-making process with actual or constructive knowledge of the actions taken and awareness of the possible risks.

6.3.3.9. To establish responsibility, the IO must conclude, based on findings of fact, that the act or omission was the proximate cause of the violation. An act or omission is the proximate cause when it sets into motion a chain of events that directly leads to the violation, and the violation would not have happened but for the act or omission. A violation may have more than one proximate cause, and therefore more than one responsible official.

6.3.3.10. In some cases, the IO establishes that an individual had a duty to take an action that may have prevented the ADA violation, knew or should have known of that duty, and failed to take that action. In such cases, collateral evidence, such as Position Descriptions, may be used as evidence of the individual's scope of duties. If used, such evidence must be included in the ROI.

6.3.3.11. Activity/commanding officers, directors, budget officers, or fiscal officers may be named because of their overall responsibility or position, or the fact that they are designated as the holder of a subdivision of funds if they failed to properly exercise their responsibilities. Responsible officials may also include Information Technology specialists, program managers, facility engineers, and acquisition personnel.

6.3.3.12. The ROI must clearly identify the involvement of each individual and the acts or omissions that were the proximate cause(s) of the violation. The following questions must be considered:

6.3.3.12.1. Did the violation occur because an individual carelessly disregarded instruction?

6.3.3.12.2. Did the violation occur because an individual was inadequately trained or lacked knowledge to properly perform their job? If so, was the individual or a supervisor at fault?

6.3.3.12.3. Did the violation occur because of an error or mistake in judgment by an individual or a supervisor?

6.3.3.12.4. Did the violation occur because of lack of adequate procedures and controls? If so, who was at fault?

6.3.3.12.5. Did the violation occur because of other reasons? If so, who was at fault?

6.3.3.13. If at any time during an investigation the IO believes there may be a criminal issue(s) involved, then the investigation must be stopped immediately. The IO must

consult with legal counsel to determine if the issue must be referred to appropriate criminal investigators for resolution. The IO must notify the DoD Component of the outcome of this consultation.

6.3.3.13.1. If at any time the IO suspects that the ADA violation was knowing and willful, then the IO must submit all available information to the DoD Component, which considers the case, in conjunction with the applicable Office of the General Counsel, for submission through DoD channels to the Department of Justice pursuant to 31 U.S.C., §§ 1350 or 1519, as applicable.

6.3.3.13.2. The case closes to avoid duplication of effort or interference with a criminal investigation. If appropriate, a new formal investigation opens at the conclusion of the criminal investigation.

6.3.4. Rebuttal Statements

6.3.4.1. Individuals found potentially responsible for the violation are provided a draft ROI detailing the facts and circumstances leading to the determination of their responsibility and given two weeks to issue a rebuttal statement.

6.3.4.2. The IO grants the individuals named potentially responsible this opportunity even if they no longer work where the violation occurred or have retired or separated from the DoD.

6.3.4.3. The ROI documents the steps taken to notify the proposed responsible officials and provide them an opportunity to submit a rebuttal statement. Certified mail and/or email with tracking may be used to verify a good faith attempt was made to deliver the draft report to the proposed responsible official.

6.3.4.4. Where proposed responsible officials may have separated and left no valid forwarding address, make a reasonable attempt to contact them. The report must be annotated accordingly. Summarize attempts to contact the proposed responsible official in the report.

6.3.4.5. Include the declination statement as their response if the proposed responsible official declines to give a statement in writing.

6.3.4.6. Note if they refuse to receive the report or submit a statement of any kind in the report. Summarize attempts to solicit a response in the report.

6.3.4.7. Support any oral statements with a memorandum for record.

6.3.4.8. The proposed responsible officials must acknowledge that they read the draft ADA report and understand that the draft ROI names them as being responsible for the violation. They may introduce any additional information they believe to be pertinent to the violation case.

6.3.4.9. The IO must evaluate the rebuttal statements of the proposed responsible officials to determine if they clarify certain facts, provide mitigating information that might alter the draft's conclusions, or provide additional leads that require follow up. If rebuttal statements

result in material changes to the draft ROI, the responsible official must have an opportunity to review the report again.

6.3.4.10. The final ROI includes the rationale for naming the individual as a responsible official, a synopsis of the rebuttal statements, and the IO's assessment. The IO must ensure the report is clearly written and the rationale for assigning responsibility to an individual is fully justified.

6.3.4.11. Summarize the salient points of the rebuttals in the ROI. Verbatim statements must be submitted as an exhibit. The IO assesses the accuracy of the rebuttal statements, following up on new leads, addressing questions regarding the responsibility of other personnel not named, and any other issues introduced by the rebuttal statements.

6.3.5. Corrective Actions

6.3.5.1. The ROI must state what actions were taken to request the proper funding. A report stating funds are requested is not sufficient. The report must state the year, type of funds, and the amount used to make the correction. As an example, if Operation and Maintenance (O&M) funds were improperly used for a minor construction project costing more than the limitation for minor construction, funds must be obligated from the Military Construction appropriation and the O&M appropriation restored to the proper balance.

6.3.5.2. When the IO determines the causes and the individuals responsible for the violation, officials of the DoD Component or the activity holding the funds that were misused, must develop lessons learned and implement internal control enhancements necessary to reduce risks for future similar nature violations. Those specific actions must be included in the formal report.

6.3.5.3. Corrective actions must be concrete actions that have been implemented, or that are in the process of being implemented.

6.3.5.4. Corrective actions must address the act or omission by the responsible official(s) that led to the violation.

6.3.5.5. Investigations resulting in no reportable violation are nonetheless permitted to recommend corrective actions, as appropriate, to address any deficiencies or practices documented during the investigation.

6.4 Reinvestigation

If the DCFO requests a reinvestigation, then after the reinvestigation is completed or other requested action has been taken, the applicable DoD Component must submit the revised report to the DCFO according to applicable procedures in paragraph 6.3. The DoD Component must submit the revised ROI within two weeks following completion of the reinvestigation or other requested action.

6.5 Formal Investigation Results

6.5.1. The IO must ensure the ROI is clearly written and that each fact and conclusion is supported by a preponderance of the evidence.

6.5.2. The DoD Component must carefully review the ROI and all enclosures.

6.5.3. The complete report must include:

6.5.3.1. Legal review;

6.5.3.2. Witness statements;

6.5.3.3. Responsible official notification;

6.5.3.4. Responsible official rebuttal or declination statement/proof of delivery/statement from IO regarding inability to contact;

6.5.3.5. Evaluation of responsible official statements;

6.5.3.6. Ongoing/completed corrective actions;

6.5.3.7. For ADAs susceptible to accounting adjustments, fund certifications supporting conclusions that the ADA is/is not correctable; and

6.5.3.8. SME functional reviews decisions that drove fund determinations, especially with respect to Military Construction, information technology procurements, and covered Defense Business Systems.

6.5.4. An incomplete ROI must be returned to the activity/command for rework. A firm suspense must be given to the activity/command to resubmit a legally supportable report.

7.0 DOD COMPONENT ROI

7.1 Preparation of the ROI

7.1.1. The DoD Component ROI must follow the same general format as described in Figure 3-5. However, it is generally a stand-alone product without enclosures or attachments. Remove extraneous information not supporting conclusions from the report. The DoD Component must keep these records and provide them on request.

7.1.2. Remove or clarify confusing information. Verify key dates mentioned in the report. Numbers in tables, graphs, and text must be accurate, consistent, and easy to follow. Unnecessary tables and photographs may be removed.

7.1.3. Personally Identifiable Information must be redacted and superfluous argument(s) not supporting the findings must be removed. Witness names must be replaced with position titles where practicable, to avoid potential Personally Identifiable Information concerns.

7.1.4. The ROI must be concise and avoid unnecessary historical background or references to external documents. Highlight salient points and address gaps in the narrative, utilizing extant supporting documentation.

7.2 Legal Coordination

7.2.1. Prepare the DoD Component ROI in close coordination with counsel and verify all information in the IO's report and compare it to information in the exhibits. When in doubt, staff the changes with the activity/command to ensure there are no material misstatements of fact and to ensure any factual gaps in the record are closed.

7.2.2. When the violation is incurable, the type of ADA violation is ultimately 31 U.S.C. §1341 (exceeding an appropriation or in advance of an appropriation), 31 U.S.C. §1517 (exceeding apportionment or formal subdivision) or 31 U.S.C. § 1342 (accepting voluntary services for the United States, or employing personal services not authorized by law).

7.2.3. Remove proposed responsible officials if facts do not support responsibility and legal concurs. Identify additional responsible individuals and coordinate adding them to the report with the IO. Proposed responsible officials are generally the highest-ranking individual in the decision-making process with actual or constructive knowledge of the actions taken.

7.2.4. If the formal investigation was materially incomplete, or the facts do not support the conclusions, return the ROI to the activity/command for revision and/or reinvestigation. Give the activity/command a firm suspense to resubmit a legally supportable ROI.

7.2.5. Coordinate with the appropriate stakeholders and annotate the ROI accordingly if the ADA violation involves the funds or personnel of another DoD Component.

7.2.6. Prepare an ROI if the results of a formal investigation led to a determination by the DoD Component that there was no violation. The ROI must contain appropriate justification that supports a revised finding that no violation occurred.

8.0 REQUEST FOR ADVANCE DECISION

8.1 Advance Decision Package Submission

8.1.1. Submit the ROI, to include the individual(s) responsible for the potential violation, to the DCFO with a copy to the DoD Office of the Deputy General Counsel (Fiscal) (OGC (Fiscal)) requesting an Advance Decision for a determination of whether the case is or is not an ADA violation.

8.1.2. Advance Decision is the pre-decisional OGC (Fiscal) review of the DoD Component ROI and determination that evidence substantiates the ADA violation and the naming of responsible officials. The Advance Decision examines the role of the proposed responsible officials and determines whether they may be legally held accountable in accordance with 31 U.S.C. §§1341(a), 1517, and 1342.

8.1.2.1. If the OGC (Fiscal) determines that no violation is substantiated, then the DoD Component is notified that no further action is required, and the investigation is closed.

8.1.2.2. If the OGC (Fiscal) concurs that the proposed responsible officials are correctly identified and the violation is substantiated by a preponderance of the evidence, then the DoD Component is notified and informed discipline against one or more individuals named in the report may proceed.

8.2 OUSD(C) DCFO Review

The DCFO must review each ADA violation report for completeness, clarity, and compliance with reporting requirements. If the report is determined incomplete by DCFO or OGC (Fiscal), then the ROI must be returned to the applicable DoD Component. The DoD Component must provide additional documentation, modify the report, or accomplish other actions as requested within the period specified by the DCFO.

9.0 DISCIPLINARY ACTION

9.1 Disciplinary Actions

9.1.1. Following OGC (Fiscal) concurrence and receipt of an advance decision from the OUSD(C), the DoD Component sends a tasking memorandum from the DoD Component to the appropriate organization or individual for potential administration of adverse action, as deemed warranted, along with a copy of the report.

9.1.2. The individual imposing discipline must be independent and free of external influence.

9.1.3. The disciplinary officer(s) must follow the appropriate disciplinary procedures applicable to the military member or civilian employee who has been determined in the ADA investigative process to be a responsible individual. The disciplinary officer consults with the staff judge advocate or servicing legal office, as well as the civilian personnel office (in the case of a civilian employee).

9.1.4. The IO is prohibited from also being appointed as the disciplinary officer. The IO does not have a role in recommending or determining discipline.

9.2 Imposing Discipline

9.2.1. Administrative Penalties

9.2.1.1. Document disciplinary action taken in the individual's personnel file in accordance with established policies.

9.2.1.2. Administrative discipline for a civilian employee may include but is not limited to, written/oral counseling, written/oral admonishment or reprimand, reduction in grade, suspension from duty without pay, or removal from office.

9.2.1.3. Military personnel may be subject to appropriate administrative discipline or to action under the ***Uniform Code of Military Justice*** (Common Access Card required.)

9.2.1.4. In general, individuals no longer on active duty or employed by a DoD Component may not be disciplined. However, disciplinary actions may still be imposed against some retired individuals who have separated from military service if it is warranted by circumstances and determined to be legally appropriate by counsel. DoD has no authority to discipline retired or former civilian employees.

9.2.2. Criminal Penalties

9.2.2.1. An officer or employee found responsible for committing a violation knowingly and willfully may be subject to criminal penalties. The IO consults with legal counsel to determine if the investigation must be referred to the appropriate criminal investigation organization for action.

9.2.2.2. 31 U.S.C. § 1350, prescribes that an officer or employee of the United States Government who knowingly and willfully violates 31 U.S.C., §§ 1341 or 1342 must be fined not more than $5,000, imprisoned for not more than 2 years, or both. 31 U.S.C. § 1519 discusses the violation of 31 U.S.C., § 1517 and provides the same level of punishment. Criminal penalties for military personnel may include punishment under ***Article 15*** of the Uniform Code of Military Justice or trial by Courts-Martial.

* 9.2.2.3. Include in the ROI a statement from the DoD Components to the DCFO that criminal penalties may be required.

9.3 Documentation of Discipline Imposed

9.3.1. A suggested template for use by the disciplinary officer is located at Figure 3-6. In documenting discipline, the officer imposing discipline must acknowledge the following:

9.3.1.1. An ADA violation is a violation of federal statute;

9.3.1.2. ADA violations constitute misuse of DoD funds, even if the misuse was not knowing or willful and the misuse was not ultimately harmful to DoD, or the DoD Component;

9.3.1.3. DoD is required to report violations of the ADA to the President (via the Director, OMB), the U.S. Congress, and the Government Accountability Office;

9.3.1.4. An unwilful or unintentional violation alone does not justify a decision not to administer disciplinary action; and

9.3.1.5. Disciplinary actions must consider the severity of the violation.

9.3.2. Moreover, the officer imposing discipline must provide a written statement addressing why the disciplinary penalty imposed or not, is commensurate with the severity of the violation.

10.0 SUBMISSION OF THE FINAL REPORT

10.1 Submission to DCFO

Submit the original or an electronic copy of the final ROI, including a discussion of the disciplinary actions taken, to the DCFO and include a copy of all pertinent documents referenced in the body of the report.

10.2 ROI Due Date

The ROI is due to DCFO within 14 months from the date the formal investigation began.

11.0 NOTIFICATION TO EXTERNAL AUTHORITIES

11.1 Letter Preparation

Following receipt of an acceptable final ADA violation report from the applicable DoD Component, the DCFO prepares the required letters, in accordance with OMB Circular No. A-11, Exhibit 145A, that report an ADA violation to the President through the Director of the Office of Management and Budget, the President of the Senate, the Speaker of the House of Representatives, and the Comptroller General of the United States. The notification letters must be coordinated with the OGC (Fiscal), Office of the Assistant Secretary of Defense for Legislative Affairs, and Office of the Deputy Comptroller (Program/Budget).

11.2 Letter Content/Submission

These letters are submitted to the USD(C) for signature and forwarded to the external authorities identified in paragraph 11.1. The letters and the attached ROI, notify the external authorities of the violation, its cause(s) and circumstances, the names of the individual(s) responsible for the violation, and the disciplinary action taken.

Figure 3-1. Checklist for Formal Investigations

Initial Phase
- Open formal investigation
- Assign case control number for tracking
- Notify DCFO
- Direct activity to appoint an investigating officer
- Provide appointment memo to the DoD Component
- Name support team
- Conduct in-brief session
- Determine the scope of the investigation
- Consult legal counsel
- Review the results of the Preliminary Review
- Familiarize the team with a legal basis for potential violation
- Consult governing statutes, and regulations
- Meet with staff requesting or reporting investigation
- Compile a list of witnesses and questions
- Make travel arrangements

Phase II
- Examine for physical evidence
  - ✓ Assemble and analyze evidence
  - ✓ Trace and document transactions and funding documents
- Determine the roles and responsibilities of participants and decision-makers at each echelon
  - ✓ Develop a chronology of events
  - ✓ Consult subject matter experts and have them prepare written opinions, as required
  - ✓ Interview witnesses
  - ✓ Determine specific acts or decisions leading to violation
  - ✓ Assign responsibility for making/authorizing violation
- Make an initial assessment of whether anyone appears to have intentionally violated the ADA with knowing and willful intent. If so:
  - ✓ Halt investigation and notify appointing official
  - ✓ Consult with a legal advisor
- Prepare initial draft of findings

Phase III
- Notify proposed responsible officials
  - ✓ Allow two weeks for submission of rebuttal statements
  - ✓ Document delivery of report via email tracking or certified mail
  - ✓ Make a reasonable effort to locate former officials or employees
  - ✓ Provide draft report
- Analyze rebuttals to determine if they necessitate new interviews and follow up on new leads if required
  - ✓ Incorporate salient points from rebuttals in the revised report

Figure 3-1. Checklist for Formal Investigations (continued)

- ✓ Insert assessment on the impact of the rebuttal statements, if any, on conclusions
- ✓ Enclose verbatim rebuttals as an enclosure to report

Phase IV

- Engage activities involved to develop corrective actions to reduce the risk of similar violations recurring:
  - ✓ Document corrective actions that have already been put in place
  - ✓ Quantify enhanced controls being implemented
  - ✓ Obtain a listing of planned corrective actions and milestones
- Incorporate lessons learned and corrective actions in the report
- Finalize Formal Report
- Obtain legal review

Phase V

- Appointing official verifies the following information before endorsement and release:
  - ✓ Is a copy of the investigating officer's appointment memorandum included in the report?
  - ✓ Does the report include the case control number, title of the appropriation/fund involved, Treasury symbol, amount, date of occurrence, date discovered, a description of how the potential violation was identified, the name and title of the investigating officer, the dates, place, and scope of the investigation?
  - ✓ Is the evidence clearly documented in the report and is the evidence relevant to the case?
  - ✓ Does the evidence appear to be complete or are significant factors missing that should be considered? Do there appear to be relevant unanswered questions?
  - ✓ Are the findings clearly stated, logical, supported by the evidence, and relevant to the case?
  - ✓ Is each finding that is based upon testimony properly cross-referenced to the testimony?
  - ✓ Are the findings and conclusions fully substantiated by the evidence and testimony?
  - ✓ Were all conflicts in testimony addressed in the report?
  - ✓ Does the report include a clear description of the causes and circumstances surrounding the violation?
- Transmit report to DoD Component

Final Phase

- DoD Component reviews report
- DoD Component initiates the summary report
- Coordinate with counsel
- DCFO review of report
- Obtain an Advance Decision
- Complete Investigation – Insert discipline imposed into the report.
- Send notification letters to external authorities
- Complete closure

Figure 3-2. Template for Initial Reports

Activity/command Letterhead
Initial Memorandum

MEMORANDUM FOR (DoD Component)

SUBJECT: Alleged Antideficiency Act Violation (Location and Subject Matter)

1. Reference: DOD Financial Management Regulation, Volume 14, Chapter 3.

2. In accordance with the reference, the initial report of an alleged Antideficiency Act Violation (ADA) follows:

a. Accounting classification of funds allegedly misused:

b. Name and location of the activity where the alleged violation occurred:

c. Name and location of the activity issuing the fund authorization:

d. Amount of fund authorization or limitation that was allegedly exceeded:

e. Amount and nature of the alleged violation:

f. Date the alleged violation occurred:

g. Date of Discovery:

h. Means of Discovery:

i. Description:

Signature Block of
Activity/commanding Officer or
Head of Activity

Figure 3-3. Template for Appointment Orders

Investigating Officer Appointment

MEMORANDUM FOR (Investigating Officer's Name)

SUBJECT: Appointment as Investigating Officer, Case Number.

1. References:

a. Department of Defense (DoD) Financial Management Regulation Volume 14, Chapter 3.

b. Cite Initial Report.

2. You are hereby appointed as an investigating officer to conduct a preliminary review/formal investigation of a potential Antideficiency Act (ADA) Violation that allegedly occurred at (location or activity) in Fiscal Year xx.

3. I certify you have received qualifying fiscal law training within the previous three years and are qualified to perform this investigation. You are free of any known conflicts of interest and able to perform an independent review. You will be assisted by (names of legal advisor and support team subject matter experts).

4. A report detailing the results of your preliminary review/formal investigation will be submitted no later than (suspense date). Your report must include the facts surrounding the alleged violations and include a legal review, which supports the conclusion an ADA violation did or did not occur.

5. Provide any additional instructions to the investigating officer.

6. The point of contact for this report is xxx, who can be reached at (phone), or (email)

Signature Block of Appointing Official

Figure 3-4. Template for Preliminary Review

Preliminary Review

DEPARTMENT OF THE XXX
REPORT OF ANTIDEFICIENCY ACT VIOLATION
Name of Component/Agency and Case No.

1. Appropriations(s) Involved/Title, Symbol, and Apportionment Status. Example: Fiscal Year (FY) Operation and Maintenance, Defense-wide (9710100)

2. Where Violation Occurred.

3. Name and Location of Activity Issuing the Fund Authorization.

4. Amount of Violation.

5. Date Violation Occurred.

6. Type of Violation(s). Provide 31, U.S.C., section violated and a brief description of the violation and state whether the violation was an over-obligation of an appropriation, an apportionment, or an allotment. Example: 1341(a)(1)(A), exceeded the amount available in appropriation or fund.

7. Effect of Violation on the Next Higher Level of Funding. State whether the violation affected the next higher level of funding.

8. Date and Description of How Violation Was Discovered. Provide the date and who/how the violation was discovered.

9. Causes and Circumstances Surrounding the Violation. Provide a detailed description of the violation. Include the following:

a. A detailed summary of what caused the violation and the associated circumstances; what actions should have been, but were not, taken by specific individuals; what actions were taken that should not have been taken; and why the violation happened.

b. The scope of the investigation and the methods used to accomplish the investigation, for example, face-to-face interviews; research of legal, financial, and management issues; and written explanation of the facts of the potential violation. Discuss the evolution of the issues investigated, number of people interviewed, mitigating circumstances surrounding the violation, issues that could or could not be proven during the investigation and the supporting rationale, any issues that cannot be agreed upon by those individuals involved, and any other comments that are pertinent to the investigation.

Figure 3-4. Template for Preliminary Review (continued)

c. If the investigation has been undertaken because of an audit report, then identify that report by title, number, date, and issuing audit organization. If the investigation was conducted because of a memorandum or letter directing an investigation, then reference that document and attach a copy to the report.

10. Conclusion. Summarize your findings in a paragraph to support your conclusion that a violation has occurred or that a violation did not occur.

11. Additional Information. Provide details not covered above.

Figure 3-5. Template for Formal Report

DOD COMPONENT OR AGENCY
REPORT OF ANTIDEFICIENCY ACT VIOLATION INVESTIGATION
Name of Component/Agency and Case No.

1. Appropriation(s) Allegedly Exceeded.

   Treasury Symbol or Fund Account, and Apportionment Status. Example: Fiscal Year (FY) Operation and Maintenance, Defense-wide (97 20102010 0100)

2. Where Violation(s) Occurred.

3. Name and Location of Activity Issuing the Fund Authorization.

4. Amount of Violation.
   Provide total and breakdown, if applicable.

5. Date Violation(s) Occurred.

6. Type of Violation(s).
   Provide the section(s) of title 31, U.S.C. that was violated. For example, 31, U.S.C. §§§ ***1341(a)(1)(A)***, ***1342*** or ***1517(a)(2)***.

7. Effect of Violation(s) on the Next Higher Level of Funding.
   State whether the violation(s) influenced the next higher level of funding.

   a. Exceeding an administrative subdivision at the local level can lead to the next higher level exceeding its subdivision of funds and to the DoD Component's apportionment and appropriation being exceeded.

   b. For instance, if an installation exceeded an amount in operating budget authority or an allotment, did this cause the higher activity/command operating budget authority or allocation to also be exceeded? If the higher activity/command operating budget authority or allocation is exceeded, also state why the DoD/Component apportionment or appropriation was also exceeded.

8. Name and Position of Responsible Individual(s).

   a. If a violation(s) involves a centrally managed allotment, then the head of the operating agency at the time the violation was incurred must be named responsible.

   b. Include the position description of the proposed responsible official as a backup to the report.

Figure 3-5. Template for Formal Report (continued)

9. Signed Statement(s) of Responsible Individual(s).
State whether a statement(s) was received from the individual(s). If so, enclose the verbatim statement. The ADA report must summarize salient points of the proposed responsible official's statements and an evaluation of their relevance by the investigating officer. The introduction of new witnesses and new evidence in the rebuttal statements must be addressed. Each individual named responsible for the violation(s) must be given the opportunity to state any circumstances believed to be extenuating. If the proposed responsible official could not be located or refused to provide a statement, the report must detail measures taken to contact them and solicit a response. The individual(s) found responsible for the alleged violation must be:

    a. Allowed to consult with legal counsel.

    b. Advised that a violation(s) has been determined to have occurred, and that he or she is named a responsible individual for the violation(s) and must be allowed to review the report and examine evidence on which the determination was based.

    c. Allowed to submit a sworn or unsworn statement regarding the alleged violation(s) after reviewing the report and evidence.

    d. The report must include an evaluation of any facts or circumstances and the effects on the report when the statement of the responsible officer(s) or individual(s) differs from the report itself. If the statement has no effect on the report, state the reason(s) why. Material changes in findings as they relate to the role of the proposed responsible official must be staffed with the proposed responsible official a final time.

10. Date(s) and Description of How Violation(s) Was Discovered.

    Provide date(s) and who/how violation(s) was discovered.

11. Causes and Circumstances Surrounding the Violation(s).

    Provide a detailed description of the violation(s). Include the following:

    a. A brief, clear description of the causes and circumstances surrounding the violation(s); what caused the violation(s) and the associated circumstances; what actions should have been, but were not, taken by a specific individual(s); what actions were taken that should not have been taken, but were; and why the violation(s) happened. The description must state clearly, what the individual(s) responsible for the violation(s) did, or failed to do, that caused the violation(s). State whether the violation(s) was due to careless disregard of instructions; an error; a lack of adequate training, procedures, or controls; or due to other reasons. The report must not be so brief that it does not clearly convey the essential facts and circumstances of what happened.

Figure 3-5. Template for Formal Report (continued)

Clearly state in sufficient detail what happened. If the violation(s) involved an appropriation with a negative balance, then state whether the cause of the negative balance was systemic or a unique situation.

b. The scope of the investigation and the methods used to accomplish the investigation, for example, face-to-face interviews; research of legal, financial, and management issues; and written explanation of the facts of the potential violation. Discuss the evolution of the issues investigated, number of people interviewed, mitigating circumstances surrounding the violation(s), issues that could or could not be proven during the investigation and the supporting rationale, any issues that cannot be agreed upon by those individuals involved, and any other comments that are pertinent to the investigation.

c. Results of interviews of individuals involved in the violation(s) and a summary of how the area(s) procedures and processes operated that were involved in the investigation. Discuss the issues and the areas or functions that were reviewed, evaluated, and investigated; the names, ranks, and titles of the individuals that were interviewed; and a discussion on any related areas and matters that were not investigated and the rationale for omitting them from the investigation.

d. If the investigation has been undertaken because of an audit report, then identify that report by title, number, date, and issuing audit organization. If the investigation was conducted because of a memorandum or letter directing an investigation, then reference that document and attach a copy to the report. To ensure all essential items are discussed, use the results of the checklist Figure 3-1.

12. Evidence of Willful Intent to Violate.

State whether the ADA was knowingly and willfully violated. If the violation was willfully committed, was the case referred to appropriate criminal investigators? If criminal investigators or the Department of Justice declined to pursue the case, clearly state the outcome.

13. Disciplinary Action Taken.

This section is not used by the investigating officer and must have a statement that discipline will be implemented only after DCFO review.

The DoD Component will complete this section only after discipline is implemented and documented.

Figure 3-5. Template for Formal Report (continued)

14. Corrective Action Taken.

State what procedural actions were taken and completed to preclude violations from happening in the future. This must include a description of specific action(s) taken to correct the violation. State what funds were used to make necessary accounting corrections, such as appropriation, title, and fiscal year. Include any procedural changes or new safeguards established to prevent the recurrence of the same type of violation. Describe actions in detail so that the adequacy of the corrective action(s) may be evaluated. This includes improvement of overall and specific policies, procedures, and processes used by the functional areas involved in the violation; revised statutes or regulatory guidance that may have been involved; established or improved internal procedures; and assurance that a similar violation will not occur in the future. Reference documentation of corrective actions in an enclosure.

15. Administrative Control of Funds.

Name and position of the holder of the funds and an evaluation of whether their exercise of fund control responsibilities contributed to the violation.

16. Component or Agency Coordination.

State steps taken to coordinate the report with the other components or agencies involved (if applicable).

17. Additional Information.

If applicable.

Figure 3-6. Template for Discipline Confirmation

OFFICE SYMBOL

MEMORANDUM FOR DoD Component

SUBJECT: Disciplinary Action imposed on Mr./Ms._____, Antideficiency Act Violation Case XX-XX

1. An ADA violation occurred when Mr./Ms._____, while assigned to (activity or installation) issued/authorized _____. This resulted in an uncorrectable violation of the Antideficiency Act.

2. I understand that (a) an Antideficiency Act violation is a violation of Federal statute; (b) Antideficiency Act violations constitute a misuse of DoD funds even though the misuse may not have been knowing or willful, and despite whether the disciplinary officer considers the misuse harmful to DoD, the Military Department or Service, or to the Defense Agency; (c) the Department is required to report the violation to the President (via the Director, Office of Management and Budget), the U.S. Congress, and to the Government Accountability Office; (d) an unwilful or unintentional violation does not justify a decision to not administer disciplinary action; and (e) disciplinary action must be commensurate with the severity of the violation, and factors leading to the violation or its resolution may be considered.

3. As identified in the formal investigation, Mr./Ms._____ is an individual primarily responsible for this violation. Mr./Ms._____ caused an uncorrectable violation of the ADA when he/she (state specific actions). As the officer charged with imposing discipline in this case, I issued (state actions) to Mr./Ms._____. While I considered _____, I have determined that _____ is appropriate for the following reasons: _____. No further discipline against Mr./Ms. _____ will be taken.

4. My point of contact for this action is xxx who can be reached at (xxx) xxx-xxxx, email: xxx.

Signed
Disciplinary Officer

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 4: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 5: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 6: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 7: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 8: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 9: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

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DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 15: "SECURITY COOPERATION POLICY"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

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DEFINITIONS: "ARCHIVED" ..... N/A

VOLUME 15, CHAPTER 1: "GENERAL INFORMATION"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated September 2021is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
1.1.3	Removed reference to Building Partner Capacity (BPC) program administration within the Foreign Military Sales (FMS) Trust Fund and the Economy Act as the legal authority.	Deletion
2.2.2	Added clarification that excess or residual funds from the sale of defense articles not intended to be replaced, executed under the authority of Section 21 of the Arms Control Export Act, are to be credited to the Special Defense Acquisition Fund (SDAF). Funds collected from transfers pursuant to Title 10 or Title 22 BPC authorities should be deposited into Miscellaneous Receipts.	Addition
Table 1-1	Updated and renamed Miscellaneous Receipts to Prior SDAF Account Crosswalk pursuant to Defense Security Cooperation Agency (DSCA) Memorandum "Offsetting Collection Vouchers to the SDAF, DSCA Policy 21-49," dated September, 29, 2021.	Revision
Table 1-2	Added Miscellaneous Receipts to SDAF Account Crosswalk with Standard Financial Information Structure Attributes, pursuant to DSCA Memorandum "Offsetting Collection Vouchers to the SDAF, DSCA Policy 21-49," dated September, 29, 2021.	Addition
Table 1-4	Added table of "Accounting Classification Codes of the FMS Administrative Fund" consistent with Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) Memorandum, "Improved Sub-Allocation Holder Identifier Management Process," January 22, 2018.	Addition

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CHAPTER 1

GENERAL INFORMATION

1.0 GENERAL

1.1 Overview

1.1.1. Security Cooperation (SC). SC, which includes DoD-administered Security Assistance (SA) programs and international armaments cooperation, is undertaken to achieve specific ends in support of defense and national security strategy, rather than serving as an end unto itself. SC will be used to develop allied and partner defense and security capabilities and capacity for self-defense and multinational operations, provide the U.S. forces with peacetime and contingency access to host nations, build defense relationships that promote specific U.S. security interests, and take other actions in support of U.S. objectives. Abbreviations and acronyms commonly used in SC policies can be found in the Defense Security Cooperation Agency ***(DSCA) 5105.38-M***, "Security Assistance Management Manual" (SAMM), "***ESAMM Acronyms***," and in Appendix 7, "Case Reconciliation and Closure Guide" (***RCG***). Commonly used definitions can be found in the SAMM, "***ESAMM Glossary***," and in Appendix 7, RCG, "***RCG Definitions***." See ***DoD Directive 5132.03***, "DoD Policy and Responsibilities Relating to Security Cooperation," for more detailed information.

1.1.2. SA. SA refers to a group of programs authorized by Title 22, U.S. Code (U.S.C.), ***Foreign Relations and Intercourse***, or other legal authorities under which the United States provides defense articles, military training, and other defense-related services by grant, loan, credit, cash sales, or lease, in furtherance of national policies and objectives. DoD does not administer all SA programs. Those SA programs administered by DoD are a subset of SC. The SAMM provides guidance on the major programs DoD administers:

1.1.2.1. Foreign Military Sales (FMS),

1.1.2.2. Foreign Military Construction Services,

1.1.2.3. Foreign Military Financing,

1.1.2.4. Leases,

1.1.2.5. Military Assistance,

1.1.2.6. International Military Education and Training (IMET),

1.1.2.7. Drawdowns and Special Presidential Waiver Authority, and

1.1.2.8. Special Defense Acquisition Fund (SDAF).

* 1.1.3. Building Partner Capacity (BPC) Programs. BPC programs refer to SC and SA activities funded with U.S. Government (USG) appropriations. When executing BPC programs, DoD may enter into agreements for provision of defense articles and/or services to other USG departments and agencies for the purpose of:

1.1.3.1. Building the capacity of partner nation security forces and enhancing their capability to conduct counterterrorism operations, counter-weapons of mass destruction operations, counter-illicit drug trafficking operations, counter-transnational organized crime operations, maritime and border security operations, military intelligence operations, and operations or activities that contribute to an international coalition operation that is determined by the Secretary to be in the national interest of the United States per ***10 U.S.C. § 333***, Foreign security forces: authority to build capacity; or

1.1.3.2. Supporting U.S. Military and stability operations, multilateral peace operations, and other programs. See ***SAMM, Chapter 15***, "Building Partner Capacity Programs," for a detailed discussion of BPC programs.

1.2 Purpose

The purpose of this chapter is to provide DoD accounting policy for SC transactions to ensure compliance with all requirements for the administrative control of SC programs. In addition to established accounting policy, as defined elsewhere in existing law and regulation, SC transactions must follow DoD accounting policy in Volume 15, unless specifically exempt. Proposed changes must be submitted to the Defense Finance and Accounting Service (DFAS) Accounting and Finance Policy Directorate as soon as practical for consideration. However, DoD Components must first submit proposed changes through the DSCA Office of Business Operations. All proposed chapter updates must be submitted to the appropriate approving authority, and if approved, will be incorporated into the DoD Financial Management Regulation as soon as possible.

1.3 Authoritative Guidance

SA authorities include the ***Arms Export Control Act (AECA)*** (Public Law 90-629), codified as ***22 U.S.C., Chapter 39***, and the Foreign Assistance Act (***FAA***) (Public Law 87-195), as amended, codified as ***22 U.S.C., Chapter 32*** and ***10 U.S.C., Chapter 16***.

2.0 ACCOUNTS OF THE U.S. DEPARTMENT OF TREASURY (TREASURY)

The Foreign Affairs/Foreign Relations Committees of the Congress (rather than the Armed Services Committees) authorize SA funds. The Executive Branch, Office of the President, identified by Treasury Index (TI) 11, receives SA funds. Funds and accounts authorized by Acts originating in the Armed Services Committees of the Congress and appropriated to DoD are identified by: TI 97, "Defense Department;" TI 17, "Navy;" TI 21, "Army;" and TI 57, "Air Force."

2.1 Treasury Accounts Applicable to FMS Trust Fund Operations

Treasury account 11X8242, "Advances, FMS, Funds Appropriated to the President," is the FMS Trust Fund account used for centrally recording contract authority and collections. Under Section 3 of ***Executive Order No. 13637***, "Administration of Reformed Export Controls," dated March 2013, responsibility for the execution and administration (e.g., obligations and disbursements) of the FMS Trust Fund was delegated from the Executive Branch, Office of the President, identified by TI 11, to the Secretary of Defense, identified by TI 97. The complete fund cite 97 11X8242, though not required for execution of consolidated financial statements and reports, identifies funds under the control of DoD. Only 11X8242 is reported to the Bureau of Fiscal Service (Fiscal Service) and the Office of Management and Budget. Fiscal Service has established trust fund receipt and expenditure accounts to account for cash collections, budget authority (BA), and cash disbursements resulting from the FMS Program.

2.1.1. Cash Receipts. Cash collected from sales authorized under ***22 U.S.C. § 2761***, ***22 U.S.C. §2762***, ***22 U.S.C. §2769***, and ***22 U.S.C. §2796*** is deposited into Trust Fund Receipt Account 8242.001, "Deposits, Advances, Foreign Military Sales, Executive." The DFAS Security Cooperation Accounting (SCA) Directorate processes cash collections into this account, including cash transfers from appropriations provided by the USG to finance credit sales under ***22 U.S.C. § 2763*** and the proceeds from guaranteed commercial loans under ***22 U.S.C. § 2764***. Collections must reflect account 8242.001 on DoD reports issued to the Fiscal Service and be listed under "Proprietary Receipts From the Public" in the Fiscal Service system.

2.1.2. BA. The BA resulting from FMS or BPC orders is also recognized in account 97 11X8242. BA is recognized only to the extent it is estimated that orders will be executed within a fiscal year (FY). The portion of the order that cannot be executed is classified as an uncommitted acceptance.

2.1.3. Cash Expenditures. Cash disbursements are made from account 97 11X8242 to contractors when direct cite procedures are used. Intragovernmental payments are made to DoD Components when reimbursable procedures are used for services, items from inventory, and to reimburse for procurements financed by DoD appropriations or other fund accounts.

2.1.4. Miscellaneous Receipts. Amounts recovered from the operation of the FMS programs are deposited into Account 3041, "Recoveries Under the Foreign Military Sales Program, Army, Navy, Air Force, Defense." This account includes proceeds from the collection of unfunded civilian pay retirement and benefits, military pay Medicare-Eligible Retiree Health Care accruals, and lease rental payments.

2.2 SDAF

2.2.1. The SDAF, established under the authority of ***10 U.S.C. § 114***, is a DoD-controlled revolving fund used to acquire defense articles and services in anticipation of their sale to eligible foreign countries and international organizations. Pursuant to 10 U.S.C. § 114(c)(1), the SDAF

may not exceed $3.5 billion. In accordance with ***22 U.S.C. § 2795(c)***, the size of the fund includes funds acquired through FMS sales, also known as offsetting collections.

* 2.2.2. Offsetting collections identified in 22 U.S.C. § 2795(b), that were previously collected into the Miscellaneous Receipt account, are now collected and deposited into the SDAF account, 97 11X4116, "Special Defense Acquisition Fund, Funds Appropriated to the President," by DFAS. Offsetting collections consist of asset use charges; items not requiring replacement; and charges for the proportionate recoupment of nonrecurring research, development, and production costs, excluding charges for FMS leases authorized under 22 U.S.C. § 2796. Items not requiring replacement are from the sale of defense articles not intended to be replaced under FMS Letters of Offer and Acceptance (LOA) that are executed under the authority of section 21 of the AECA. This includes residual or excess funds from the sale of defense articles not intended to be replaced under FMS LOAs. These residual funds are to be transferred to the SDAF account because they cannot be used for their intended purpose of replacing the defense articles sold under the FMS LOA. Funds collected from the transfer of equipment from DoD stock pursuant to Title10 or Title 22 Building Partner Capacity (BPC) authorities are not legally authorized to be deposited into the SDAF. Proceeds from BPC transfers of equipment not intended, or unable to be replaced, should be deposited into Miscellaneous Receipts. Offsetting collections will reside in the parent 11X4116 account for future SDAF procurements; however, the offsetting collections will first be posted as outlined in Table 1-1.

2.2.3. Cash receipts for the anticipated collections, reimbursements, and other income related to the SDAF are collected into the Revolving Fund account "Special Defense Acquisition Fund, Funds Appropriated to the President," 11X4116. DFAS SCA processes cash collections into account 11X4116, including cash transfers of reimbursements made under the proceeds from the sale or transfer of SDAF procured articles and services.

2.2.4. BA from approved SDAF procurements is recognized in account 97 11 FY/FY 4116. BA exists only for orders that will be executed; i.e., funds obligated before September 30 of the FY when the funds period of availability expires. The portion of the approved SDAF procurements that cannot be obligated must be returned to the Treasury account 11X4116.

2.2.5. Cash disbursements are made from account 97 11 FY/FY 4116 to contractors when direct cite is used and for DSCA approved procurements financed by the SDAF. Expenditures must be consistent with the funding years in which the original funding on the Funding Authorizing Document was provided.

2.2.6. For more information on SDAF, see Chapter 3, Table 3-1, "Cost Elements;" and the ***SAMM, Chapter 11.9***, "Special Defense Acquisition Fund (SDAF)."

2.3 Treasury Accounts Applicable to Credit Sales, Guaranties, and IMET

2.3.1. Receipt and Utilization of Appropriations. The accounts described in subparagraphs 2.3.1.1-2.3.1.6 are used to capture the receipt of SA appropriations.

2.3.1.1. Account 11X4121, "Foreign Military Loan Liquidating Account, Funds Appropriated to the President (FMLLA)," is used to record the receipt and use of appropriated funds to finance credit sales under 22 U.S.C. § 2763 and credit sales guaranties for pre-FY 1992 loan obligations under 22 U.S.C. § 2764. FMLLA excess collections are returned to Miscellaneous Receipts account 11R2814, "Other Repayments of Investments and Recoveries."

2.3.1.2. Account 11 (FY) 1085, "Foreign Military Financing, Direct Loan Program Account, Funds Appropriated to the President," is used to record the appropriation that subsidizes the estimated long-term cost to the USG of post-FY 1991 foreign military direct loan obligations.

2.3.1.3. Account 11X4122, "Foreign Military Financing, Direct Loan Financing Account, Funds Appropriated to the President," is used to receive the payments for the subsidy cost from the program account, 11 (FY) 1085, and includes all other cash flows to and from the USG resulting from post-FY 1991 foreign military direct loans. This appropriation is for new loans with original disbursement dates on or after October 1, 1991.

2.3.1.4. Account 11X4174, "Military Debt Reduction Financing Account," is used to record the rescheduling of loans and to collect loan payments on those loans rescheduled from 11X4121. These loans have pre-FY 1992 original disbursement dates.

2.3.1.5. Account 11 (FY) 1082, "Foreign Military Financing Program, Funds Appropriated to the President," is used to record the receipt and use of appropriated funds to finance U.S. defense sales to selected foreign friends and allies, primarily through the FMS program. Based on annual appropriations bill language, the funds are considered obligated upon apportionment, are available for expenditure for 5 years, and must remain available for an additional 4 years from the date on which the availability of such funds would otherwise have expired. These funds, transferred to the FMS Trust Fund, are expenditure transfers. BA is transferred from this account to DoD Components to fund administrative expenses of FAA programs (e.g., IMET and End-Use Monitoring).

2.3.1.6. Account 11 (FY) 1081, "International Military Education and Training, Funds Appropriated to the President," is used to record the receipt and use of appropriated funds for the training of selected foreign military and related civilian personnel in the United States and, in some cases, in overseas U.S. Military facilities.

2.3.2. Cash Collections. The accounts described in subparagraphs 2.3.2.1-2.3.2.3 are used to capture collections made from foreign countries because of loans and loan guaranties.

2.3.2.1. Account 11X4121 is used to collect foreign country repayments for outstanding pre-FY 1992 loan obligations. This account is also used to collect loan repayments to DSCA for default payments made by DSCA to the Federal Financing Bank or commercial banks holding pre-FY 1992 loans guaranteed by DSCA.

2.3.2.2. Account 11X4122 is used for collections of foreign country repayments for post-FY 1991 direct loan obligations. This appropriation is used for loans with original disbursement dates on or after October 1, 1991.

2.3.2.3. Account 11X4174 is used to reschedule loans from 11X4121, and 11X4122 is used for countries seeking debt relief. This account is also used to collect the payments from outstanding loans that have been rescheduled.

2.3.3. Security Assistance and International Programs (SAIP) Deposit Account. Account 11X6147, "Security Assistance and International Programs, Deposit Account," was originally established in 1978 to support the North Atlantic Treaty Organization E-3A Program deposit account. Subsequently, additional activities have used this account for purposes, such as to record collections received from foreign governments to reimburse DoD for goods and services not acquired through the FMS program, or FMS customers to use the Air Force Parts and Repair Ordering System and Worldwide Warehouse Redistribution System to acquire nonstandard items, and to provide advance funding to support the acquisitions. Beginning in FY21, the SAIP Deposit Account is included in the SA Accounts financial statements.

2.4 Other Treasury Accounts

Other Treasury accounts used in SC include those for BPC cases, Humanitarian Assistance, and Mine Action Programs. For more information on these programs, see the ***SAMM, Chapter 11***, "Special Programs and Services;" ***SAMM, Chapter 12***, "Overseas Humanitarian, Disaster, and Civic Aid (OUDACA);" SAMM, Chapter 15, "Building Partner Capacity Programs;" and ***SAMM Table C15.T2***, "BPC Programs and Authorities." The Treasury accounts include, but are not limited to:

2.4.1. 11 (FY) 1032, "Peacekeeping Operations, Funds Appropriated to the President;"

2.4.2. 11X1032, "Peacekeeping Operations, Funds Appropriated to the President;"

2.4.3. 11X1041, "Global Security Contingency Fund, International Security Assistance, State;"

2.4.4. 11X2724.001, "Foreign Military Financing Program Account, Negative Subsidies;"

2.4.5. 11X2724.003, "Foreign Military Financing, Downward Reestimates of Subsidies;"

2.4.6. 11X3230, "Special and Trust Fund Proprietary Receipts Returned to the General Fund of the U.S. Treasury;"

2.4.7. 21 (FY) 2091, "Afghanistan Security Forces Fund, Army;"

2.4.8. 21 (FY) 2097, "Iraq Train and Equip Fund, Army;"

2.4.9. 21X2097, "Iraq Train and Equip Fund, Army;"

2.4.10. 21 (FY) 2099, "Counter - ISIS Train and Equip Fund, Army;"

2.4.11. 21X2099, "Counter - ISIS Train and Equip Fund, Army;"

2.4.12. 97 (FY) 0100, "Operation and Maintenance, Defense-Wide, Defense;"

2.4.13. 97X0100, "Operation and Maintenance, Defense-Wide, Defense;"

2.4.14. 97 (FY) 0819, "Overseas Humanitarian, Disaster, and Civic Aid Defense;" and

2.4.15. 97X0819, "Overseas Humanitarian, Disaster, and Civic Aid, Defense."

3.0 TYPES OF FINANCING

There are two types of financing associated with the FMS Trust Fund, reimbursable and direct cite. The detailed budgeting and accounting policy for each type is discussed throughout the remainder of Volume 15.

3.1 Reimbursable Financing

Sales under 22 U.S.C. §§ 2761 and 2762, for which the President has determined it is in the National interest to defer payment (bill for defense articles and services on or after delivery), must be accomplished using reimbursable financing. When deferred payment is authorized under 22 U.S.C. § 2761 for 120 days, and for all authorized deferred payments for 22 U.S.C. § 2762 sales, an appropriation is required to finance any outlays until the purchaser makes payment. The appropriation cited must have reimbursable authority.

3.2 Direct Cite Financing

New procurements initiated because of FMS orders under 22 U.S.C. §§ 2762 and 2769 (except as exempted in paragraph 3.1) must be accomplished, to the maximum extent feasible and appropriate, through direct citation of the FMS Trust Fund (97 11X8242 or 97 11X6147) on applicable contractual documents.

3.3 Accounting Classification Codes of the FMS Trust Fund

The agency code signifies the agency name executing FMS Trust Funds within the FMS accounting system. The accounting classification codes of the FMS Case Fund for cases executed within the FMS infrastructure are depicted in Table 1-2. The accounting classification codes of the FMS Administrative Fund for cases executed within the FMS infrastructure are depicted in Table 1-3.

*Table 1-1. Miscellaneous Receipts to Legacy SDAF Account Crosswalk

Organization	Section 51(b) Criteria	Miscellaneous Receipts Account	Prior SDAF Account
Navy	Asset Use Charges	17X3041.1201	97 11X4116.6809
Navy	Items not Requiring Replacement	17X3041.1202	97 11X4116.6808
Navy	Non Recurring Costs	17X3041.1205	97 11X4116.6807
Army	Non Recurring Costs	21X3041.0001	97 11X4116.6807
Army	Non Recurring Costs	21X3041.0002	97 11X4116.6807
Army	Items not Requiring Replacement	21X3041.0003	97 11X4116.6808
Army	Items not Requiring Replacement	21X3041.0004	97 11X4116.6808
Army	Asset Use Charges	21X3041.0006	97 11X4116.6809
Army	Non Recurring Costs	21X3041.0010	97 11X4116.6807
Air Force	Items not Requiring Replacement	57X3041.0010	97 11X4116.6808
Air Force	Non Recurring Costs	57X3041.0012	97 11X4116.6807
Air Force	Items not Requiring Replacement	57X3041.0020	97 11X4116.6808
Air Force	Non Recurring Costs	57X3041.0027	97 11X4116.6807
Air Force	Non Recurring Costs	57X3041.0029	97 11X4116.6807
Air Force	Asset Use Charges	57X3041.0040	97 11X4116.6809
Air Force	Asset Use Charges	57X3041.0048	97 11X4116.6809
Air Force	Items Not Requiring Replacement	57X3041.0080	97 11X4116.6808
DoD	Non Recurring Costs	97X 3041.0001	97 11X4116.6807
DoD	Items not Requiring Replacement	97X 3041.0003	97 11X4116.6808
DoD	Items not Requiring Replacement	97X 3041.0004	97 11X4116.6808
DoD	Asset Use Charges	97X 3041.0006	97 11X4116.6809
DoD	Asset Use Charges	97X 3041.0009	97 11X4116.6809

*Table 1-2. Miscellaneous Receipts to SDAF Account Crosswalk with Standard Financial Information Structure (SFIS) Attributes

Organization	Section 51(b) Criteria	Miscellaneous Receipts Account	New SDAF Account
Navy	Asset Use Charges	17X3041.1201	97 11X4116.6804.20.0 0000.00000000.SDAF COLLASSETUSE
Navy	Items not Requiring Replacement	17X3041.1202	97 11X4116.6804.20.0 0000.00000000.SDAF COLLINRRPLMT
Navy	Non Recurring Costs	17X3041.1205	97 11X4116.6804.20.0 0000.00000000.SDAF COLLNRCCOSTS
Army	Non Recurring Costs	21X3041.0001	97 11X4116.6801.20.0 0000.00000000.SDAF COLLNRCCOSTS
Army	Non Recurring Costs	21X3041.0002	97 11X4116.6801.20.0 0000.00000000.SDAF COLLNRCCOSTS
Army	Items not Requiring Replacement	21X3041.0003	97 11X4116.6801.20.0 0000.00000000.SDAF COLLINRRPLMT
Army	Items not Requiring Replacement	21X3041.0004	97 11X4116.6801.20.0 0000.00000000.SDAF COLLINRRPLMT
Army	Asset Use Charges	21X3041.0006	97 11X4116.6801.20.0 0000.00000000.SDAF COLLASSETUSE
Army	Non Recurring Costs	21X3041.0010	97 11X4116.6801.20.0 0000.00000000.SDAF COLLNRCCOSTS
Air Force	Items not Requiring Replacement	57X3041.0010	97 11X4116.6802.20.0 0000.00000000.SDAF COLLINRRPLMT
Air Force	Non Recurring Costs	57X3041.0012	97 11X4116.6802.20.0 0000.00000000.SDAF COLLNRCCOSTS
Air Force	Items not Requiring Replacement	57X3041.0020	97 11X4116.6802.20.0 0000.00000000.SDAF COLLINRRPLMT
Air Force	Non Recurring Costs	57X3041.0027	97 11X4116.6802.20.0 0000.00000000.SDAF COLLNRCCOSTS

*Table 1-2. Miscellaneous Receipts to SDAF Account Crosswalk with Standard Financial Information Structure SFIS Attributes (Continued)

Organization	Section 51(b) Criteria	Miscellaneous Receipts Account	New SDAF Account
Air Force	Non Recurring Costs	57X3041.0029	97 11X4116.6802.20.0 0000.00000000.SDAF COLLNRCCOSTS
Air Force	Asset Use Charges	57X3041.0040	97 11X4116.6802.20.0 0000.00000000.SDAF COLLASSETUSE
Air Force	Asset Use Charges	57X3041.0048	97 11X4116.6802.20.0 0000.00000000.SDAF COLLASSETUSE
Air Force	Items Not Requiring Replacement	57X3041.0080	97 11X4116.6802.20.0 0000.00000000.SDAF COLLINRRPLMT
DoD	Non Recurring Costs	97X 3041.0001	Not Applicable
DoD	Items not Requiring Replacement	97X 3041.0003	Not Applicable
DoD	Items not Requiring Replacement	97X 3041.0004	Not Applicable
DoD	Asset Use Charges	97X 3041.0006	Not Applicable
DoD	Asset Use Charges	97X 3041.0009	Not Applicable

Table 1-3. Accounting Classification Codes of the FMS Case Fund

Appropriation/Limit	Agency Code	Agency
97 11X8242.XXX1	B	Army
97 11X8242.XXXC	C	Defense Information Systems Agency
97 11X8242.XXX2	D	Air Force
97 11X8242.XXXF	F	Defense Contract Management Agency
97 11X8242.XXXH	H	Washington Headquarters Service
97 11X8242.XXXM	M	National Security Agency
97 11X8242.XXXI	I	Missile Defense Agency
97 11X8242.XXXN	I	Missile Defense Agency
97 11X8242.28XX	P	Navy and Marine Corps
97 11X8242.XXXX	P	Navy Standard Accounting and Reporting System
97 11X8242.XXX9	Q	DSCA
97 11X8242.XXXR	R	Defense Logistics Agency
97 11X8242.XXXT	T	State Department
97 11X8242.XXXU	U	National Geospatial-Intelligence Agency
97 11X8242.XXXV	V	Defense Contract Audit Agency
97 11X8242.XXXW	W	Defense Advanced Research Projects Agency
97 11X8242.XXXZ	Z	Defense Threat Reduction Agency

Note: "X" in the limit or subhead is variable data dependent on the agency.

*Table 1-4. Accounting Classification Codes of the FMS Administrative Fund

Appropriation/Limit	Agency Code	Agency
97 11X8242.6801	B	Army
97 11X8242.6843	C	Defense Information Systems Agency
97 11X8242.6802	D	Air Force
97 11X8242.6872	F	Defense Contract Management Agency
97 11X8242.6845	M	National Security Agency
97 11X8242.6825	I	Missile Defense Agency
97 11X8242.6804	P	Navy and Marine Corps
97 11X8242.6800	Q	Defense Security Cooperation Agency
97 11X8242.6851	R	Defense Logistics Agency
97 11X8242.6848	U	National Geospatial-Intelligence Agency
97 11X8242.6834	Z	Defense Threat Reduction Agency

VOLUME 15, CHAPTER 2: "FINANCE"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated October 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and internal references throughout.	Revision

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CHAPTER 2

FINANCE

1.0 GENERAL

1.1 Purpose

The purpose of this chapter is to provide guidance on Foreign Military Sales (FMS) Trust Fund budget authority (BA), to include FMS Trust Fund obligational authority (OA) for implemented cases, the FMS administrative surcharge budget, and contract administration services (CAS) surcharge budget.

1.2 Authoritative Guidance

The Arms Export Control Act (AECA), Public Law 90-629, as amended, codified as Title 22, United States Code (U.S.C.) Chapter 39 (***22 U.S.C. Chapter 39***), provides the authority and general rules for FMS and commercial sales of defense articles and services. Additional specific authorities are in the applicable sections.

2.0 RESPONSIBILITIES

2.1 Defense Security Cooperation Agency (DSCA)

2.1.1. DSCA prepares the annual budget request for the FMS Trust Fund obligational and outlay authority to support the FMS Trust Fund program. DSCA reviews, approves, and distributes funding for the FMS administrative surcharge, Security Cooperation Organizations, Building Partnership Capacity, Special Defense Acquisition Fund (SDAF), and the FMS CAS surcharge accounts.

2.1.2. DSCA is responsible for establishing the annual Safety Level amount to be maintained in the FMS Trust Fund Administrative Surcharge account. The Safety Level amount will represent 18 months of operational funding based on current budget levels. DSCA will establish the Safety Level before the close of the fiscal year (FY) and forward the information to the Defense Finance and Accounting Service (DFAS), Security Cooperation Accounting Directorate (SCA).

2.1.2.1. The 18-month Safety Level is calculated using the amount that may be obligated for expenses pursuant to AECA § 21(e)(1)(A) (***22 U.S.C. § 2761(e)(1)(A)***), noted in the "Foreign Military Financing Program" section of the annual Department of State, Foreign Operations, and Related Programs Appropriations Act for the upcoming FY. The monthly operating amount is calculated by dividing the amount by 12, and then multiplying that amount by 18. For detailed information on the calculation, refer to the DSCA Manual 5105.38-M, "Security Assistance Management Manual" ***(SAMM), C9.15***.

2.1.2.2. Any changes requiring adjustment of the Safety Level computation methodology will be forwarded to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) for review and approval. See Chapter 3, paragraph 4.8.6 for more information on the periodic review and analysis of surcharge accounts.

2.2 Implementing Agency (IA) and Performing Agency

2.2.1. Each implementing and performing agency that prepares data for Letters of Offer and Acceptance (LOAs) must ensure that:

2.2.1.1. ***Department of Defense (DD) Form 2060***, FMS Obligational Authority, (or automated equivalent) is created to initiate performance of the case and support Component budget estimates, and

2.2.1.2. Sufficient, anticipated appropriation or fund reimbursable authority is included in the DoD budget.

2.2.2. IAs are responsible for fulfilling FMS Trust Fund orders using these financing techniques:

2.2.2.1. Issuance and acceptance of reimbursable orders into a financing appropriation or Defense Working Capital Fund (DWCF) account,

2.2.2.2. Issuance of allotments of the FMS Trust Fund to performing DoD Components, or

2.2.2.3. Authorization to use the FMS Trust Fund (11X8242, "Advances, Foreign Military Sales, Funds Appropriated to the President") directly.

2.2.3. IAs must submit FMS administrative and CAS budget requests annually.

2.3 DFAS SCA

DFAS SCA must obtain cash advances from FMS Trust Fund purchasers to liquidate obligations resulting from the use of OA created by the FMS Trust Fund program.

3.0 BA

3.1 General

3.1.1. The DoD BA is the United States' legal financial authority, provided by law, that empowers government agencies to spend federal funds. BA allows DoD to enter into obligations that will result in immediate or future outlays from Federal Government accounts. For Security Cooperation, exercising BA begins with the implementation of the applicable LOA document. Prior to exercising the BA, the IA must prepare and process five forms (or automated equivalents) as applicable:

3.1.1.1. LOA(s),

3.1.1.2. LOA Modifications,

3.1.1.3. LOA Amendments,

3.1.1.4. DD 2060, and

3.1.1.5. DD 2061, FMS Planning Directive (Refer to Figure 2-4).

3.1.2. The implementation of the LOA will occur only after the purchaser has forwarded a signed copy to the IA, with any required initial deposit received by DFAS. Once implemented, IAs will ensure that OA is properly recorded in their accounting system of record. This authority must take place prior to a government agency or department spending money from the budget.

3.1.3. BA requests must be limited to:

3.1.3.1. The total case value for approved LOAs, Amendments, and processed Modifications; or

3.1.3.2. The amount expected to be obligated in the current FY.

3.1.4. At the end of each FY, DFAS reduces unused BA or OA. Following the year-end accounting closing entries, reversal entries restore BA values for the new FY.

3.1.5. BA for FMS case lines, with the exception of contingency and Small Case Management Lines, is distributed to IAs. BA for the below-the-line surcharges (FMS administrative surcharge and packing, crating, handling, and transportation (PCH&T)) are not distributed to IAs.

3.2 Source Documents

3.2.1. LOA. The LOA is the basic source document for an FMS case. The LOA does not in itself create BA in either the FMS Trust Fund or in a DoD appropriation or fund account;

however, it is required for establishing BA. See Figure 2-1 for a sample LOA; instructions for preparing LOAs are contained in ***SAMM, C5.4***.

3.2.2. Amendment to an LOA. An Amendment is designed to obtain FMS Trust Fund purchaser acceptance of a change in LOA scope when the original purpose of a case line or note changes. Amendments are used to alter the original LOA and provide the basis to change FMS Trust Fund BA, when applicable. See Volume 3, Chapter 8, paragraph 3.6 for additional information on determining scope of work changes to associated contracts. See Figure 2-2 for a sample Amendment; instructions for preparing an Amendment are in ***SAMM, C6.7***.

3.2.3. Modification to an LOA. A Modification is a notification document to alert FMS Trust Fund purchasers of within-scope cost increases, cost decreases, or other minor changes to the program. Modifications are used to alter the original LOA and provide the basis to change FMS Trust Fund BA, when applicable. See Volume 3, Chapter 8, paragraph 3.6 for additional information on determining scope of work changes to associated contracts. See Figure 2-3 for a sample Modification; instructions for preparing a Modification are in SAMM, C6.7.

3.2.4. FMS Planning Directive (DD 2061). The installation preparing the LOA data for the IA prepares and maintains a Planning Directive. See Figure 2-4 for a sample DD 2061; instructions for completing the DD 2061 are in Table 2-1. The DD 2061, or the automated equivalent, is a working paper that serves three major purposes:

3.2.4.1. It provides identification of the cost elements included in prices reflected on the LOA and helps assure the case is priced in accordance with DoD pricing policies in Chapter 7;

3.2.4.2. It provides a time-phased plan for execution of the case upon FMS purchaser acceptance and implementation; and

3.2.4.3. It identifies the appropriations or funds that will be used to finance the LOA.

3.2.5. OA Request. An OA Request is prepared based on the Planning Directive.

3.2.5.1. Part A is prepared at the FMS case-line level and is the basis for line-level control of OA. Part B identifies the appropriations or funds that have been or will be used to finance the lines reflected in Part A.

3.2.5.2. The OA Request may be prepared for an individual case or for multiple cases.

3.2.5.3. The OA Request is also used to convey the FMS CAS surcharge OA (see section 5.0).

3.2.5.4. See Figure 2-5 for a sample DD 2060; instructions for completing the form are in Table 2-2.

3.3 Recognition of OA by the FMS Trust Fund

3.3.1. Establishment of FMS Trust Fund OA. To establish OA, FMS Trust Fund purchasers must return all accepted LOAs, Amendments, and processed Modifications to the IA. IAs will create and submit an automated OA request through the Defense Integrated Financial System (DIFS). Upon successful processing in DIFS, the IA will receive an automated acknowledgement of receipt and approval of the OA request.

3.3.2. Trust Fund Direct Citation. The OA Request must be used to request commitment/OA for direct citation of the FMS Trust Fund. The OA Request is used as a control device, and commitments/obligations must be limited to the dollar value of the approved OA Request.

3.4 Recognition of FMS Reimbursable OA in DoD Appropriation or Fund Accounts

3.4.1. Trust Fund Orders for Reimbursable Orders

3.4.1.1. The LOA, Amendment, or Modification does not represent a reimbursable order to the performing DoD Components. The approved OA Request is the reimbursable order. The OA Request includes the reimbursable portion of the order that may be credited to appropriations by a DoD Component for each line within a case for a FY. The OA amount for each line within a case cannot be exceeded. Reporting violations of this administrative limitation will follow the guidance in Chapter 3 and Volume 14.

3.4.1.2. The applicable DoD appropriation or fund accounting system must maintain an audit trail between the applicable OA Request and the appropriation or fund accounting records. Performance within the financing appropriation or fund account will be controlled in accordance with the accounting system established for that particular appropriation or fund account. Appropriation or DWCF bills for earned reimbursements must be processed in accordance with Volumes 11A and 11B.

3.4.1.3. The FMS case management system is not intended to track the financial status, or obligation, while reimbursable performance is in process. The status of specific purchaser requisitions can be obtained through logistical system inquiries. Applicable logistics status reports are provided to case managers and FMS purchasers, and are not to be confused with financial status reports.

3.4.1.4. DoD Components that are not IAs, but support the FMS program in response to IA work requests, must carefully review applicable work requests to determine the financing source. If the financing source is an IA appropriation account, the request must be recorded and processed as an internal DoD order. If the recipient is a sub-allotment holder, the required allotment status report must be provided to the allotment holder and consolidated into the DoD Status-of-Allotment report to DFAS, as discussed in Chapter 3.

3.4.2. Apportionment for Reimbursable Orders

3.4.2.1. When authority to accept reimbursable orders is subject to apportionment, obligations on a reimbursable program may not exceed the apportioned amounts of anticipated reimbursement. Reimbursable OA may be recognized up to the apportioned amount to the extent the FMS Trust Fund purchaser has advanced necessary cash under subparagraph 3.3.1, or has orders charged to appropriated funds. Reimbursable orders in excess of apportionment are not available for obligation; an additional apportionment of anticipated reimbursable orders needs to be requested and received through the reapportionment process.

3.4.2.2. Apportionments and reapportionments for reimbursable programs must be requested by appropriation account and FY. An appropriation that is available for obligation for more than one year requires an apportionment for anticipated reimbursable orders in the first year of availability. That apportionment must be reduced to the value of orders actually received in the first year. In the subsequent years of availability, a reapportionment for anticipated reimbursable orders is required to accept the purchaser's orders that fund within-scope price increases. The reapportionment request for anticipated reimbursable orders in the final year of availability is especially critical because any unused amounts in the reapportionment are automatically available for acceptance of additional reimbursable orders necessary to fund within-scope price increases after the appropriation has lapsed.

3.4.2.3. Receipt of an apportionment, or reapportionment for anticipated reimbursable orders, does not constitute authority to incur obligations. The actual purchaser's orders must be received and recorded in appropriation accounting records before applicable BA may be used.

3.5 Contract Authority

3.5.1. Contract authority is the statutory authority to incur obligations with liquidation of obligations dependent on a future act, such as receipt of an appropriation. Implemented FMS documents, along with the OA Request, create contract authority. New contract authority reported in the ***Standard Form 133***, Report on Budget Execution, is the value of FMS cases accepted for performance during the current FY for which OA has been approved in accordance with the requirements of paragraph 3.3.

3.5.2. Funds appropriated by Congress for defense purposes cannot be used to liquidate obligations resulting from the use of FMS contract authority, unless specifically allowed in appropriation acts or supplemental funding bills. FMS purchaser cash deposits liquidate these obligations and unfunded contract authority. Below departmental level, contract authority loses its unfunded identity and is treated in the same way as other budgetary resources available for obligation. See ***22 U.S.C. § 2762*** for more information on procurement for cash sales.

3.5.3. Procurements for FMS purchasers are accomplished by citing the FMS Trust Fund in applicable documents. Accordingly, accounting for commitments, obligations, and accrued expenditures in the FMS Trust Fund is accomplished as a direct fund cite.

3.6 BA for FMS Administrative Expenses

The cumulative BA available in the current FY is composed of actual collections for FMS administrative expenses (including the FMS administrative charges and logistics support charges), less any prior allotments of such amounts and the amount to be reserved for future administrative expenses (i.e., the Safety Level). In no event should the annual allotment be higher than the limitation imposed in the annual Department of State, Foreign Operations, and Related Programs Appropriations Acts, unless otherwise approved through the process required by law.

3.7 BA for Cooperative Logistics Supply Support Arrangements (CLSSAs)

Proper recognition and phasing of BA resulting from LOAs written to implement CLSSAs create unique challenges (DoD Instruction ***(DoDI) 2000.20***, "Cooperative Logistics Supply Support Arrangements"). Under these arrangements, the purchaser provides for the purchase and sustainment of spare and repair parts in DoD inventory. Once these increments are established, the purchaser is provided supply support with the same responsiveness as is provided to DoD military units within the same Force Activity Designator. The applicable LOAs have three distinct financial subdivisions.

3.7.1. FMS Order (FMSO) I

3.7.1.1. FMSO I, Part A. FMSO I, Part A represents the on-hand inventory level required in the Continental United States (CONUS) to support FMS requisitions to replenish in-country stocks. Normally, the on-hand level represents five months of demand. The cash necessary to establish on-hand inventory accompanies the accepted LOA.

3.7.1.2. FMSO I, Part B. FMSO I, Part B results in recognition of the contract authority necessary to award contracts for pipeline resupply to support FMS purchaser demands.

3.7.1.2.1. The purchaser's requisition is filled from on-hand inventory acquired under FMSO I, Part A. The inventory is then replaced by a delivery of a due-in from a contractor. Purchaser payments under FMSO II (the foreign purchaser's anticipated yearly consumption under CLSSA) provide the cash necessary to pay the contractor and establish new contract authority to award a contract for additional items, thus maintaining quantities in the pipeline.

3.7.1.2.2. Because cash received from FMSO II is used to pay for due-ins, the purchaser is not required to deposit cash in support of FMSO I, Part B. However, billings against the FMSO I, Part B are required if FMSO II demands are below expected levels. FMSO I, Part B normally represents 12 months of demand or the procurement lead-time, whichever is greater.

3.7.1.3. BA. The FMSO I case exists for the duration of the CLSSA and is modified only if the quantity of the end items to be supported changes or FMSO consumption patterns differ from expectations. The reimbursable BA resulting from acceptance of the FMSO I is credited to financing appropriations current at the time the contracts are awarded to increase on-hand and on-order quantities.

3.7.2. FMSO II

FMSO II is the consumption case. FMSO II does not create BA for re-procurement until applicable requisitions are received (earned reimbursements) and purchaser cash is deposited in the financing appropriation account (collected). Upon shipment and collection, additional BA is recognized to maintain the pipeline created by FMSO I, Part B. FMSO II BA is credited to appropriations current at the time material is released from inventory in response to FMSO II requisitions.

4.0 PLANNING DIRECTIVES AND OA REQUESTS

4.1 General

Planning Directives and OA Requests are required for all new cases that have been submitted to FMS Trust Fund purchasers for acceptance and for all cases in the process of implementation. The Planning Directive and OA Request must initially be developed when the LOA data is prepared. The OA Request must be included with the LOA package. The IA must retain the Planning Directive as backup for the LOA package.

4.1.1. The Planning Directive reflects detailed pricing elements, planned financing appropriations (or direct citation), the amount of OA required for the current year, and an estimate of OA for the budget year. The initial Planning Directive may contain abbreviated financial analysis data. However, as execution begins, the Planning Directive must be expanded to encompass all required cost elements and data.

4.1.2. Activities furnishing articles or services to fulfill case requirements must provide the case manager the necessary data to accomplish his or her responsibilities. The case manager must ensure that all applicable charges for the proportionate recoupment of nonrecurring research, development, and production costs (see Chapter 7) are included in the LOA package and identified for reimbursement to the SDAF in the OA Request.

4.1.3. Planning Directives and OA Requests must be prepared for each case and must also be prepared:

4.1.3.1. In support of requests for Amendments and Modifications reflecting financial impact;

4.1.3.2. In support of price changes of less than 10 percent of the estimated cost of articles and services (utilizing the most recently approved document);

4.1.3.3. In support of variations of more than $100,000 between reimbursable accounts or between direct cite and reimbursable accounts discovered subsequent to case implementation;

4.1.3.4. In support of changes in current year OA requirements within the net case value as reflected on the most recently approved Planning Directive and OA Request; and

4.1.3.5. As necessary, to ensure adequate OA is available in the budget year before commencement of that year.

4.2 Preparation of Planning Directives and OA Requests

Guidance for completing a Planning Directive using DD 2061 is in Table 2-1. Guidance for completing an OA Request using DD 2060 is in Table 2-2. All Planning Directives and OA Requests are cumulative. Therefore, case managers must maintain an audit trail that will relate each to its predecessor.

4.2.1. To ensure control over the flow of documentation, the case manager must assign and maintain a system of control numbers. The control numbers are composed of the FMS Trust Fund purchaser country code, case designator, Julian date, and serial number (e.g., BN-BLX-08181 08).

4.2.2. All amounts on Planning Directives and OA Requests must be in U.S. currency.

4.2.3. Case managers must scrutinize financial performance on a continuing basis to ensure the availability of sufficient OA for both the current FY and case completion.

4.2.4. Each case manager preparing the year-end OA Request must identify the OA requirements through the end of the upcoming FY. If the sum of the budget-year, current-year, and prior-year requirements exceed the case value, then the case manager must initiate action for the processing of a case Amendment or Modification, as appropriate.

4.2.5. The various pricing elements and related appropriations and funds required to prepare Planning Directives and OA Requests are maintained in DIFS by DSCA.

5.0 OA REQUESTS FOR BUDGETED FMS CAS COSTS AND FUNDS REIMBURSED BY THE FMS CAS SURCHARGE ACCOUNT

5.1 FMS CAS Surcharge Budget

DoD Components will develop and submit an annual FMS CAS Budget request to the DSCA Comptroller by August 10 of each year. These estimates must support only FMS CAS-related efforts as outlined in the Federal Acquisition Regulation (***FAR Part 31***) and the ***Defense FAR Supplement, subpart 225.7303***. As such, these estimates cannot include FMS CAS-related efforts that are not charged in whole or in part under ***22 U.S.C. § 2761***. This includes individual reciprocal countries' agreements processed by the Under Secretary of Defense (USD) for Research and Engineering and USD for Acquisition and Sustainment; CAS waivers for North Atlantic Treaty Organization (NATO) and NATO Cooperative Projects; CAS waivers applicable to other special projects; and FMS CAS work excluded by specific Public Laws. For more information concerning items excluded from FMS CAS Budget estimates, see Chapters 7 and 8, and ***SAMM, C9.6***.

5.1.1. The FMS CAS Budget request must specify the amount of anticipated FMS CAS work that will be performed and needs to be reimbursed for that particular FY. An OA Request must accompany the budget request with anticipated FMS CAS costs, to include the projected unfunded civilian retirement (UCR) costs and associated salary and retirement costs for military personnel performing full-time FMS CAS. The DoD reimbursable rates are computed annually (see Volume 11A, Chapter 6) and approved and released by OUSD(C) (see ***DoD Reimbursable Rates***).

5.1.2. The OA Request must reflect the total amount of reimbursements that are expected to be performed for that FY and list all appropriations and reflect the estimated amount for each appropriation. The sum of the amounts reflected for each appropriation must equal the requested total and the FMS CAS Budget. The UCR costs are computed on the basic pay only, excluding overtime (see ***5 U.S.C. § 8331***).

5.1.3. The Defense Contract Management Agency (DCMA) CONUS FMS CAS Budget estimates must be based on a DCMA-established annual command rate as explained in Chapter 8, subparagraph 7.2.3.4. In addition to the budget estimates, DCMA must provide a copy of the Command Rate Report and the Quarterly Functional Workforce Analysis worksheet.

5.1.4. The DCMA Overseas FMS CAS-Budget estimates must be based on actual costs for employees.

5.1.4.1. Such estimates will include all other costs (e.g., equipment, vehicles, or computers) in addition to salaries that are associated with CAS-employees. Budget presentation of employees' cost must be based upon all effort.

5.1.4.2. Follow the Funded Environmental and Morale Leave (FEML) funding guidance issued by OUSD (Personnel and Readiness), ***DoDI 1327.06***, "Leave and Liberty Policy and Procedures." Employees who are provided Environmental and Morale Leave (EML) travel as assistance-in-kind (AIK) by the host government may not also travel on FMS CAS-funded FEML in the same year. Under no circumstances may the combination of FMS CAS-funded FEML and AIK-EML exceed one trip per year. The travel on AIK tickets must not be augmented with further tickets or travel that is FMS CAS-funded.

5.1.4.3. The estimates for the part-time employees will include only actual work performed (costs relating to salaries), UCR rate computed on salaries, and overseas temporary duty costs.

5.2 FMS CAS OA Requests

Before FMS CAS surcharge costs may be incurred, the DoD Component must establish a reimbursable order in the financing appropriation that will initially pay the actual cost of such services. The OA Request must list the appropriations and anticipated reimbursements to each appropriation.

5.2.1. The initial approved OA Request must represent the reimbursable order to perform FMS CAS work on FMS cases. If it is suspected that the OA Request is no longer valid, and the OA amount needs either to be increased or decreased, then an updated OA Request must be forwarded with a cover letter to the DSCA Comptroller explaining the need for the OA change.

5.2.2. At year-end, the annual OA Request must be updated to reflect the September 30 end-of-year obligated position. New obligations are not authorized after September 30 of the closing FY.

5.2.2.1. The "Final FMS OA" documents must show the actual cost incurred by each appropriation, including the UCR costs and Medicare-Eligible Retiree Healthcare accruals that are deposited in Miscellaneous Receipts Account 3041 (see 5 U.S.C. § 8331(3) and ***Office of Management and Budget Circular A-11***, section 20.5), the military pay accounts for military personnel costs associated with salary, the Defense Health Program account (97*0130) for military personnel and their dependents medical healthcare costs, and retirement for full-time FMS CAS employees. The U.S. Treasury accounting symbols are listed in the "Federal Account Symbols and Titles: ***The FAST Book***."

5.2.2.2. This "Final FMS OA" is the basis for withdrawing OA for all unobligated balances that were recorded under each appropriation for that FY. Prior to the close out of a particular FY and during the subsequent FYs, joint financial reviews will be conducted between the billing agency and DSCA. All adjustments or revisions will be submitted within 30 days following the completion of the review.

5.2.2.3. CONUS FMS OA documents should be forwarded to DSCA on or before December 14 of that year. Overseas "Final FMS OA" documents must be forwarded to DSCA when all costs have been reimbursed and all associated disbursements have been processed.

5.2.3. Revenues to fund FMS CAS expenses are prescribed in Chapter 3, subparagraph 4.5.1.4. The methods for reimbursing the DoD Components for performing FMS CAS are prescribed in Chapter 8, subparagraphs 7.2.1 and 7.2.2.

5.2.4. DoD Components that purchase equipment, vehicles, computers, and other items using the FMS CAS Surcharge Account must establish disposal guidance to ensure compliance with Volume 11A, Chapter 5, to ensure that all funds resulting from the sale or disposal of this equipment are returned to the FMS Trust Fund.

Figure 2-1. LOA

United States of America
Letter of Offer and Acceptance (LOA)
BN-P-BLX

Based on BANDEF ltr 2/265 of 10 April 2010

Pursuant to the Arms Export Control Act, the United States Government (USG) offers to sell to the Embassy of Bandaria Office of the Naval Attaché, 1234 Massachusetts Ave, NW, Washington, DC 29999, the defense articles or defense services (which may include defense design and construction services) collectively referred to as "items", set forth herein, subject to the provisions, terms, and conditions in this LOA.

This LOA provides for Technical Services for the Standard Missile Program.

Estimated Cost: $1,038,000 Initial Deposit: $273,750

Terms of Sale:
Cash Prior to Delivery

Dependable Undertaking

This offer expires on 22 July 2010. Unless a request for extension is made by the Purchaser and granted by the USG, the offer will terminate on the expiration date.

This LOA consists of page 1 through page 9.

The undersigned are authorized representatives of their Governments and hereby offer and accept, respectively, this LOA:

	30 May 2010		18 July 2010
IA Reviewed/Approved	Date	Purchaser Signature	Date
A.R. Smith Director			
Typed Name and Title		Typed Name and Title	
Navy International Programs Office			
Implementing Agency		Agency	
DSCA Reviewed/Approved	30 May 2010	**IMPLEMENTATION DATE:**	**18 July 2010**
DSCA	Date		

Information to be provided by the Purchaser:
Mark For Code ____, Freight Forwarder Code ____, Purchaser Procuring Agency Code ____,
Name and Address of the Purchaser's Paying Office:

Figure 2-1. LOA (Continued)

Items to be Supplied (costs and months for delivery are estimates):

(1) Item Nbr	(2) Description/Condition	(3) Qty. Unit of Issue	(4) Costs (a) Unit	(b) Total	(5) SC/MOS/ TA	(6) Ofr Rel Cde	(7) Del Trm Cde
001 12	M1B 020200M1SSLTA (N)(N)(R) MISSILE TECHNICAL (IV) ASSISTANCE CONTRACTOR PERSONNEL ONLY (Note(s) 1)	XX		$1,000,000	P(24) TA 4	A	4

Estimated Cost Summary:

(8)	Net Estimated Cost	$1,000,000
(9)	Packing, Crating, and Handling	$0
(10)	Administrative Charge	$38,000
(11)	Transportation	$0
(12)	Other (Specify, e.g., Supply Support Agreement)	$0
(13)	Total Estimated Cost	$1,038,000

To assist in fiscal planning, the USG provides the following anticipated costs of this LOA:

Estimated Payment Schedule

Payment Date	Quarterly	Cumulative
Initial Deposit	$273,750	$273,750
15 Dec 2010	$127,375	$401,125
15 Mar 2011	$127,375	$528,500
15 Jun 2011	$127,375	$655,875
15 Sep 2011	$127,375	$783,250
15 Dec 2011	$127,375	$910,625
15 Mar 2012	$127,375	$1,038,000

Explanation for acronyms and codes, and financial information, may be found in the "Letter of Offer and Acceptance Information."

BN-P-BLX

Figure 2-2. Amendment to LOA

United States of America
Amendment 1 to Letter of Offer and Acceptance
BN-P-BLX

Based on BANDEF ltr 2/343 of 12 Aug 2010

Mail To: Embassy of Bandaria Office of the Naval Attaché, 1234 Massachusetts Ave, NW Washington, DC 29999.

Pursuant to the Arms Export Control Act, the United States Government (USG) offers to amend the Letter of Offer and Acceptance (LOA) identified above for the purchase of defense articles, defense services, or both. Other provisions, terms, and conditions of the original LOA remain unchanged.

This Amendment provides for extending Basic LOA Item 001 period of availability. Purchaser request extends period of performance 12 months.

Basic LOA accepted: 18 July 2010.

Estimated Cost: $1,557,000 Due with Amendment Acceptance: $385,625

Terms of Sale:
Cash Prior to Delivery

Dependable Undertaking.

This offer expires on 5 December 2010. Unless a request for extension is made by the Purchaser and granted by the USG, this offer will terminate on the expiration date.

This Amendment consists of page 1 through page 3.

The undersigned are duly authorized representatives of their Governments and hereby respectively offer and accept this Amendment:

	05 Sep 2010		05 Sep 2010
IA Reviewed/Approved	Date	Purchaser Signature	Date
A.R. Smith Director			
Typed Name and Title		Typed Name and Title	
Navy International Programs Office			
Implementing Agency		Agency	
DSCA Reviewed/Approved	05 Sep 2010	**IMPLEMENTATION DATE:**	**05 Sep 2010**
DSCA	Date		

Figure 2-2. Amendment to LOA (Continued)

This Amendment consists of changes as follows:

(1) Item Nbr	(2) Description/Condition	(3) Qty, Unit of Issue	(4) Costs (a) Unit	(b) Total	(5) SC/MOS/ TA	(6) Ofr Rel Cde	(7) Del Trm Cde
Previous							
001 12	M1B 020200M1SSLTA N)(N)(R) MISSILE TECHNICAL (IV) ASSISTANCE CONTRACTOR PERSONNEL ONLY (Note(s) 1)	XX		$1,000,000	P(24) TA 4	A	4
Revised							
001 12	M1B 020200M1SSLTA (N)(N)(R) MISSILE TECHNICAL (IV) ASSISTANCE CONTRACTOR PERSONNEL ONLY (Note(s) 1)	XX		$1,500,000	P(36) TA 4	A	4

	Estimated Cost Summary:	Previous (B)	Revised
(8)	Net Estimated Cost	$1,000,000	$1,500,00
(9)	Packing, Crating, and Handling	$0	$0
(10)	Administrative Charge	$38,000	$57,000
(11)	Transportation	$0	$0
(12)	Other (Specify)	$0	$0
(13)	Total Estimated Cost	$1,038,000	$1,557,000

To assist in fiscal planning, the USG provides the following revised anticipated costs of this LOA:

Estimated Payment Schedule

Payment Date	Quarterly	Cumulative
Previous Payments Scheduled (22 July 2010)		$273,750
Current USG Financial Requirements		$659,375
Amount received from Purchaser $273,750		
Due with Amendment Acceptance	$385,625	$659,375
15 Mar 2011	$179,525	$838,900
15 Jun 2011	$179,525	$1,018,425
15 Sep 2011	$179,525	$1,197,950
15 Dec 2011	$179,525	$1,377,475
15 Mar 2012	$179,525	$1,557,000

BN-P-BLX (A1)

Figure 2-3. Modification to LOA

United States of America
Modification 1 to Letter of Offer and Acceptance
BN-P-BLX

Based on cost adjustments due to experience during program execution.

Mail To: Embassy of Bandaria Office of the Naval Attaché, 1234 Massachusetts Ave, NW Washington, DC 29999.

Pursuant to the Arms Export Control Act, the United States Government (USG) hereby notifies the Purchaser of Modification of the Letter of Offer and Acceptance (LOA) identified above. All other terms and conditions of the LOA remain unchanged.

This Modification provides for: Cost adjustments to Amendment Item Number 1 based on experience while executing the program.

Basic LOA accepted 18 July 2010.

Estimated Cost: $1,453,200

Terms of Sale:

Cash Prior to Delivery
Dependable Undertaking

This Modification consists of page 1 through page 3.

The undersigned are duly authorized representatives of their Governments and hereby respectively furnish and acknowledge receipt of this Modification:

	18 Jan 2011		18 Jan 2011
IA Reviewed/Approved	Date	Purchaser Signature	Date
A.R. Smith Director			
Typed Name and Title		Typed Name and Title	
Navy International Programs Office			
Implementing Agency		Agency	
DSCA Review/Approved	22 Jan 2011		
DSCA	Date		
		IMPLEMENTATION DATE:	**22 Jan 2011**

Figure 2-3. Modification to LOA (Continued)

This Modification provides notification of changes as follows:

(1) Item Nbr	(2) Description/Condition	(3) Qty, Unit of Issue	(4) Costs (a) Unit	(4) Costs (b) Total	(5) SC/MOS/ TA	(6) Ofr Rel Cde	(7) Del Trm Cde
Previous							
001	M1B 020200M1SSLTA (N)(N)(R)	XX		$1,500,000	P(36)	A	4
12	MISSILE TECHNICAL (IV) ASSISTANCE CONTRACTOR PERSONNEL ONLY				TA 4		
	(Note(s) 1)						
Revised							
001	M1B 020200M1SSLTA (N)(N)(R)	XX		$1,400,000	P(36)	A	4
	MISSILE TECHNICAL (IV) ASSISTANCE CONTRACTOR PERSONNEL ONLY				TA 4		
	(Note(s) 1)						

	Estimated Cost Summary:	Previous (A1)	Revised
(8)	Net Estimated Cost	$1,500,00	$1,400,00
(9)	Packing, Crating, and Handling	$0	$0
(10)	Administrative Charge	57,000	53,200
(11)	Transportation	$0	$0
(12)	Other (Specify)	$0	$0
(13)	Total Estimated Cost	1,557,000	1,453,200

To assist in fiscal planning, the USG provides the following revised anticipated costs of this LOA:

Estimated Payment Schedule

Payment Date	Quarterly	Cumulative
Previous Payments Scheduled (15 Dec 2010)		$659,375
Current USG Financial Requirements		$659,375
Amount received from Purchaser $659,375		
15 Mar 2011	$113,275	$772,650
15 Jun 2011	$113,425	$886,075
15 Sep 2011	$113,425	$999,500
15 Dec 2011	$113,425	$1,112,925
15 Mar 2012	$113,425	$1,226,350
15 Jun 2012	$113,425	$1,339,775
15 Sep 2012	$113,425	$1,453,200

BN-P-BLX (M1)

Figure 2-4. DD 2061, "FMS Planning Directive"

FMS PLANNING DIRECTIVE

(1) FMS Case No. _____
(2) FMS Case Submitted to the Foreign Government _____
(3) Date Offer Expires _____
(4) Date Case Accepted by Foreign Government_____
(5) Total Case Value _____
(6) Control Number _____
(7) Date Prepared _____
(8) DoD Component _____

(9). Case Item No	(10). Item Description	(11). Qty	(12). Pricing Elements	(13). Financing Approp.	(14). Estimated Cost	(15). Direct Cite/ Obligl Auth Rec'd to Date ( )	(16). Funding Required to Date ( )				(17). Current FY ( ) Funding Plan	(18). Remaining Program Value	(19). Budget Year ( ) Funding Plan
							Obligations Incurred	Unobligated Commitments	Items from Stock	Total			

DD FORM 2061
1 MAR 79

Figure 2-5. DD 2060, "FMS Obligational Authority"

FMS OBLIGATIONAL AUTHORITY

(1) Performing Component _____

(2) Period Covered _____

FMS Case Commitment/Obligation Authority

(3) FMS Planning Directive Control No.	(4) Total Case Value	(5) Amount To Be Held in Trust Fund	(6) Net Case Value	Prior Period Reimbursable Funding/Direct Cite Authority (7) Received	(8) Required	(9) Withdrawn	Authority Required This FY (10) Reimbursable	(11) Direct Cite	(12) Remaining Program Value
			0.00			0.00			0.00
			0.00			0.00			0.00
			0.00			0.00			0.00
(13) Balance br't fwd.									
(14) Case Tot.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(15) Admin. Expense									
(16) Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

PART B: Financing Accounts

(17) Appropriation Title	(18) Account Symbol								
						0.00			0.00
						0.00			0.00
						0.00			0.00
						0.00			0.00
(19) Balance Brought Forward									
(20) Obligational Authority			0.00	0.00	0.00	0.00	0.00	0.00	0.00

(21) We will accept (1) orders to be performed on a reimbursable basis in the amounts shown in column 10, (2) authority for a direct cite against 97-11x8242 for amounts designated (C) in column 11, and (3) allotments in amounts designated (A) in column 11.

_____
Name of Accepting/Requesting Official

(22) In approving this form, we hereby issue (1) reimbursable orders on a case-by-case basis as shown in column 10, (2) authority for performance on a direct cite basis for the total of the amounts designated (C) in column 11 but not to exceed the amounts specified by case, and (3) an allotment for the total of the amounts designate (A) in column 11 but not to exceed the amounts specified by case.

_____
Name of Offering/Approving Official

(23) Approval Control No. _____

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Reset

Table 2-1. DD 2061, "FMS Planning Directive," Completion Guidance

Line/ Column #	Description	Explanation
1	FMS Case Number BN-P-BLX	Continue from LOAs.
2	Date LOA Submitted to Foreign Government	Obtain from date of LOA.
3	Date Offer Expires	Obtain from offer expiration date of LOA.
4	Date Case Accepted by Foreign Government.	Obtain from acceptance date of LOA.
5	Total Case Value	Must agree with total of Column 14 and "Estimated Total Costs" of LOA.
6	Control Number	Consists of country code, case designator, Julian date (YYDDD), and a two-digit sequential number. Initial DD 2061 will use sequential number 01, with each succeeding submission using 02, 03, 04... The Julian date must agree with the data entered on line 7. Use the format BN-BLX-17212 01.
7	Date Prepared	Date formally prepared. Must agree with Julian date used in control number. Use the format Jul 31, 2017.
8	DoD Component/Case Manager	Enter the DoD Component, followed by the case manager's name, organization, and DSN phone number, e.g., Navy, J. Smith, Naval Air Systems Command, 222-7890.
9	Case Item Number	This entry must match the entries on the LOA.
10	Item Description	This entry must match the item description on the LOA. Use abbreviated titles. When information is classified, enter "Classified – Refer to LOA."
11	Quantity	This entry must match the entries on the LOA. Columns 9, 10, and 11 should show no further breakdown than is or will be reflected on the LOA.
12	Pricing Elements	This column will be used to provide breakdown of the cost of the article or service by pricing element using codes maintained in DIFS by DSCA.

Table 2-1. DD 2061, "FMS Planning Directive," Completion Guidance (Continued)

Line/ Column #	Description	Explanation
13	Financing Appropriation	For each Pricing Element, Column 12, enter the first impacted appropriation (the financing appropriation) for reimbursable actions, or enter "DC" for Direct Citation (for example, when the FMS Trust Fund will be directly cited on obligation documents). More than one appropriation may be entered for some pricing elements. Annual appropriations will reflect the applicable FY.
14	Estimated Cost	Enter the estimated cost (priced in accordance with Chapter 7) for each Column 13, Financing Appropriation. For each item number with multiple entries in Columns 13 and 14, enter "Item No. Costs" in Column 13 after the last entry and the sum (subtotal) of the estimated costs for that item in Column 14. This sum must equal the line item total cost to be reflected on the proposed LOA, Amendment, or Modification. For less than 10% increases, this amount will reflect the adjusted cost of the article or service. For each item number citing a single financing appropriation, the entry in Column 14 should be the cost of the item.
15	Direct Cite/OA received to date (most recent prior FY e.g., FY10 during FY11)	Leave blank if case was not implemented in a prior FY. Enter, by Financing Appropriation in Column 13, the amount of OA issued through the end of the prior FY. Column 15 should be adjusted for withdrawals of unused authority at the end of the previous year.

Table 2-1. DD 2061, "FMS Planning Directive," Completion Guidance (Continued)

Line/ Column #	Description	Explanation
16	Funding Required to Date (same FY entered in Column 15)	Leave blank if case was not implemented in a prior FY.
16a, 16b, and 16c	Obligations Incurred, Unobligated Commitments, and Items from Stock	Columns 16a, 16b, and 16c provide a horizontal breakdown of amounts entered in Column 16d, "Total."
16d	Total	Enter, by Financing Appropriation in Column 13, the OA committed through the end of the prior FY.

On successive DD 2061s in the same FY, Columns 15 and 16 are constant and reflect the status by financing appropriation as of September 30 of the prior FY. These entries, in total, must agree with the entries in Columns 7 and 8, respectively, of the annual consolidated DD 2060.

Line/ Column#	Description	Explanation
17	Current FY ( ) Funding Plan	Enter the current FY in the parentheses, e.g., (2011). For a new case in which OA will not be required until a subsequent FY, Column 17 should reflect that subsequent year as the current FY. Enter, by financing appropriation, the current FY OA requirements. On successive DD 2061s, these figures are cumulative.
18	Remaining Program Value	Enter, by financing appropriation, the result of Column 14 minus the "Total" of Column 16 minus Column 17. This entry must not be a negative amount.
19	Budget Year Funding Plan	Enter the FY following the year shown in Column 17. Enter, by financing appropriation, the budget year OA requirements. Amounts shown in Column 19 must not exceed the amounts shown in Column 18.

Table 2-1. DD 2061, "FMS Planning Directive," Completion Guidance (Continued)

SUBTOTALS: If the DD 2061 is prepared in support of a request for an increase of less than 10%, then enter subtotal and less than 10% increase lines.

Line/ Column #	Description	Explanation
10 and 14-19	Subtotal	Enter "Subtotal" in Column 10 and the vertical sums of Columns 14 through 19. Check sums horizontally. Columns 14 = 16 + 17 + 18.
10, 14, and 18	Less than 10% increase	Enter "Less than 10% increase" in Column 10. In Columns 14 and 18, enter the amount of the cumulative net increase in the total materiel/services value.
10 and 14-19	Net Case Value	Enter "Net Case Value" in Column 10 and the vertical sums of Columns 14 through 19. Column 14 should agree with the "Estimated Cost" of the LOA. Check sums horizontally. Columns 14 = 16 + 17 + 18.
10, 12-14, and 18	Packing, Crating & Handling (PC&H), (if applicable)	Enter "PC&H (__ %)," Pricing Element "OS," and Financing Appropriation "TF" (FMS Trust Fund). Columns 10, 14, and 18 should be completed with the proper rate and amount as computed in accordance with Chapter 7. PC&H charges were discontinued for DWCF items effective October 1, 1990.
10, 12-14, and 18	Admin (if applicable)	Enter "ADMIN (__ %)," Pricing Element "OS," and Financing Appropriation "TF." Columns 10, 14, and 18 should be completed with the proper rate and amount as computed in accordance with Chapter 7.
10, 12-14, and 18	Transportation (if applicable)	Enter "TRANS (__ %)," and/or Parc. Post (__ %)," as appropriate, Pricing Element "OS," and Financing Appropriation "TF." Columns 10, 14, and 18 should be completed with the proper rate(s) and amount(s) as computed in accordance with Chapter 7. Different rates may be used if partial delivery was made prior to April 13, 1978. The rate to be charged is the rate in effect at the time of delivery.

Table 2-1. DD 2061, "FMS Planning Directive," Completion Guidance (Continued)

Line/ Column #	Description	Explanation
10, 12-14, and 18	Stock issue asset use (SIAU) (if applicable) for cases implemented after Sep 30, 1979, and all DD 2060/2061 submissions subsequent to that date up to Nov 30, 1989.	Enter "SIAU (1%)," Pricing Element "AU," Financing Appropriation "TF." In Columns 14 and 18, enter the amount computed in accordance with Chapter 7. Discontinued November 30, 1989.
10 and 14-19	Total Case Value	Enter "Total Case Value" and the vertical sum of Columns 14 through 19 for "Net Case Value" and PCH&T, Admin, Storage, and SIAU. Check sums horizontally. Columns 14 = 16 + 17 + 18. Column 14 should match the "Total Estimated Cost" line of the LOA.
10	Summary	Enter "Summary:"
10, 14-19	Reimbursable Program	Enter, as applicable "Reimbursable Program" in Column 10. Sum Columns 14 through 19 for all entries with other than "DC" or "TF" in Column 13.
10, 14-19	Direct Cite Program	Enter, as applicable "Direct Cite Program" in Column 10. Sum Columns 14 through 19 for all entries with "DC" in Column 13.

If the DD 2061 is prepared in support of a less than 10% increase, then enter subtotal and less than 10% increase lines.

Line/ Column #	Description	Explanation
10, 14-19	Subtotal	Enter "Subtotal" in Column 10. Sum "Reimbursable Program" and "Direct Cite Program," Columns 14 through 19.
10, 14, and 18	Less than 10% increase	Enter "Less than 10% increase" in Column 10. In Columns 14 and 18, enter the negative amount of the cumulative net increase in the total materiel/services value.

Table 2-1. DD 2061, "FMS Planning Directive," Completion Guidance (Continued)

Line/ Column #	Description	Explanation
10, 14-19	Net Case Value	Enter "Net Case Value" in Column 10. Sum "Reimbursable Program" and "Direct Cite Program," or, if applicable, "Subtotal" and "Less than 10% increase," Columns 14 through 19.
10, 14, and 18	PC&H, PCH&T, Admin, Trans, or Storage	If applicable, enter "PC&H," "PCH&T," "Admin," "Trans," and "Storage" in Column 10. Sum Columns 14 and 18 for all entries with "TF" in Column 13.
10, 14-19	Total Case Value	Enter "Total Case Value" in Column 10. Sum "Net Case Value," "PC&H," "Trans," "PCH&T," "Admin," and "Storage" lines (as entered from previous guidance) for Columns 14 through 19. Check sums horizontally. Columns 14 = 16 + 17 + 18. Check to ensure that each column total matches the sum entered on the previous "Total Case Value" line.

Table 2-2. DD 2060, "FMS Obligational Authority," Completion Guidance

Line/ Column #	Description	Explanation
Blank	Type of Request	Enter the designation of the document that occasioned the submission of the DD 2061 and 2060, e.g., LOA, Modification, Amendment, less than 10% increase, or DD 2061 Revision.
1	Performing Component	Enter "Army," "Navy," or "Air Force."
2	Period Covered	Enter the FY for which OA is being requested, e.g., FY2010.

Part A

Line/ Column #	Description	Explanation
3	FMS Planning Directive Control No.	Obtain from line 6 of DD 2061.
4	Total Case Value	Obtain from "Total Case Value" line, Column 14, of "Summary" section of DD 2061. Also equals line 5 on DD 2061.
5	Amount to be Held in FMS Trust Fund	Obtain from "CAS for DCAA and DCMA PCH&T, Admin, and Storage" Column 14, in "Summary" section of DD 2061. Note: PCH&T does not apply to DWCF delivery reported on or after October 1, 1990. Storage charges do not apply to the FMSO I Part A on-hand of DWCF items.
6	Net Case Value	Computation: Column 4 – Column 5= Column 6 (DD 2060) This amount represents the total that will be provided to the performing DoD Component for an FMS case.
7	Prior Period Reimbursable Funding/Direct Cite Authority: Received	Obtain from "Net Case Value" line, Column 15, of the "Summary" section of DD 2061. The entry is constant for a FY and must agree with the entry on the annual consolidated DD 2060.
8	Prior Period Reimbursable Funding/Direct Cite Authority: Required	Obtain from "Net Case Value" line, Column 16 "Total," of the "Summary" section of the DD 2061. The entry is constant for a FY and must agree with the entry on the annual consolidated DD 2060.
9	Prior Period Reimbursable Funding/Direct Cite Authority: Withdrawn	Computation: Column 7 - Column 8 = Column 9 (DD 2060) Represents the amount of funds received in prior periods but not required for case performance. These amounts will be withdrawn from the performing DoD Components. The entry is constant for a FY and must agree with the entry on the annual consolidated DD 2060.

Table 2-2. DD 2060, "FMS Obligational Authority," Completion Guidance (Continued)

Line/ Column #	Description	Explanation
10 & 11	Authority Required this FY	Enter the FY from line 2.
10	Reimbursable	Obtain from "Reimbursable Program" line, Column 17, of the "Summary" section of the DD 2061. Represents the amount of reimbursable OA required for the current FY.
11	Direct Cite	Obtain from the "Direct Cite" line, Column 17, of the DD 2061. Amounts in this column followed by a "(C)" represent direct citation delegation authority required for the current FY. If blank, then the request is for an allotment of funds for direct cite, with the IA to be the accounting station.
12	Remaining Program Value	Computation: Column 6 - [Column 8 + Column 10 + Column 11] = Column 12 Should agree with "Net Case Value" line, Column 18, of the "Summary" section of the DD 2061. May be negative if type of request is for a less than 10% increase.
13	Balance Brought Forward	N/A
14	Case Total	N/A
15	Admin Expense	N/A
16	Total	Sum of entries by column.

Table 2-2. DD 2060, "FMS Obligational Authority," Completion Guidance (Continued)

Part B

Line/ Column #	Description	Explanation
17	Appropriation Title	Obtain from appropriate DoD Component directives. Enter abbreviated title. Where the case is impacted by an increase of less than 10%, insert an additional line "Less than 10% increase."
18	Account Symbol	Obtain from DD 2061, Column 13, "Financing Approp." Enter the first impacted financing) appropriation or fund for reimbursement action; or enter "DC" where the FMS Trust Fund is to be direct cited. Summarize into one line per account.
19	Balance Brought Forward	N/A
20	Obligational Authority	Enter totals (by column) for each applicable element. Totals should reflect same data as DD 2060 summary data reflected in Part A.
21	Signature Block Accepting/Requesting Official	To be completed by the appropriate DoD Component.
22	Signature Block Offering/Approving Official	To be completed by appropriate Approving Official.
23	Approval Control Number	To be completed by appropriate Approving Official.

NOTE: Line/Column # 6-12: Obtain totals (by appropriation) from applicable column on DD 2061. Enter individual data under each column where the case is impacted by an increase of less than 10%, an appropriate negative entry will be shown in Columns 6 and 12 as determined from Columns 14 and 18 of the DD 2061. Line/Column # 9 should be computed as Column 7 minus Column 8.

VOLUME 15, CHAPTER 3: "ACCOUNTING"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated September 2024 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
10.6	Added guidance on Building Partner Capacity funds return in accordance with DSCA Policy 22-33 "Building Partner Capacity (BPC) Funds Return Guidance," dated June 17, 2022.	Addition

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CHAPTER 3

ACCOUNTING

1.0 GENERAL

1.1 Purpose

This chapter establishes accounting requirements which:

1.1.1. Assure proper DoD control and accountability of cases implemented in the Foreign Military Sales (FMS) Trust Fund;

1.1.2. Provide accounting information that can be used for the preparation of Chief Financial Officer (CFO) financial statements, quarterly bills to FMS purchasers, and financial status reports to DoD case managers and Defense Security Cooperation Agency (DSCA) staff;

1.1.3. Integrate with physical delivery (logistics) reporting systems;

1.1.4. Serve as a basis for timely identification and reporting of financial management problems; and

1.1.5. Establish internal controls to assure compliance with the payment requirements of the Arms Export Control Act (AECA), Public Law 90-629, codified at Title 22, United States Code, Chapter 39 ***(22 U.S.C. Chapter 39)***.

1.2 Authoritative Guidance

1.2.1. AECA, Public Law 90-629, codified as 22 U.S.C. Chapter 39;

1.2.2. ***31 U.S.C. Chapter 15***; and

1.2.3. Statement of Federal Financial Accounting Standards (***SFFAS***) 1: Accounting for Selected Assets and Liabilities, issued by the Federal Accounting Standards Advisory Board.

2.0 GENERAL ACCOUNTING GUIDANCE

2.1 Accounting Characteristics

2.1.1. Each FMS case is an accounting unit similar to a commercial job order. A case identifier is composed of the Security Cooperation (SC) customer code or international organization code, implementing agency (IA) code, and a three-position case designator assigned by the IA. See the DSCA Manual 5105.38-M, "Security Assistance Management Manual" (***SAMM***), ***Table C4.T2***, for more information. Obligational authority (OA) necessary to implement a case is released by case identifier and line-item number. All requisitions for materiel or services have a case identifier and line-item number. Report accrued costs and cash

disbursements at this level of detail. Accumulate and report this accounting information to FMS purchasers and DoD case managers to allow proper monitoring of case execution.

2.1.2. DoD manages cash at the country-level to ensure sufficient funds are available to meet expenditure requirements and to determine arrearages of a country's dependable undertaking. See Volume 16, Chapter 6 for more information on arrearages. A cumulative summary cash account, including all sub-accounts of the FMS Trust Fund 11X8242, "Advances, Foreign Military Sales, Funds Appropriated to the President," is needed to allow reconciliation with the U.S. Department of the Treasury (Treasury) cash records. Cumulative summary accounts showing OA, commitments, obligations, accounts payable, accounts receivable, accrued expenditures, and expenses are required to complete budget execution reports on the FMS Trust Fund account.

2.1.3. DoD case management entails obtaining the necessary OA, releasing requisitions or procurement work orders, and reporting physical delivery of required items. The first two actions require efforts directed through the accounting system. Proper management controls require the use of the same source document for reporting to both the financial and logistical systems (including delivery reporting).

2.2 Responsibilities

2.2.1. DSCA. DSCA is responsible for providing oversight and monitoring usage of the FMS Trust Fund, including periodic reviews of funding levels and unused balances.

2.2.2. Defense Finance and Accounting Service (DFAS). DFAS performs the accounting, billing, disbursing, and collecting functions for the FMS Trust Fund, as well as provides financial management and accounting support for SC programs. DFAS ensures entries in the accounting systems have audit trails to the source documents and generates financial statements. DFAS is responsible for:

2.2.2.1. Monitoring for compliance, the centralized FMS case-line level accounts prescribed in this chapter, and the Bureau of the Fiscal Service (Fiscal Service), "U.S. Standard General Ledger (***USSGL***)." The DoD Standard Chart of Accounts are in the ***Standard Financial Information Structure***, DoD USSGL Transaction Library, and ***Volume 1, Chapter 4***, "Standard Financial Information Structure" and ***Volume 1, Chapter 7***, "Department of Defense Standard Chart of Accounts." Use information accumulated in the accounts when preparing billing statements to FMS purchasers and financial management reports to DoD case managers and DSCA staff;

2.2.2.2. Maintaining FMS Trust Fund budget execution records;

2.2.2.3. Identifying and notifying DSCA when an FMS Trust Fund arrearage occurs as required in ***Volume 16, Chapter 6***, "Debt Owed to the DoD by Foreign Entities";

2.2.2.4. Summarizing all case-line level accounts at the FMS Trust Fund level, reconciling the summary cash accounts to Treasury's records per Treasury guidance, and using the summary accounts as the basis for required reports on FMS Trust Fund operations;

2.2.2.5. Maintaining audit trails and supporting documentation for entries made to the accounting system; and

2.2.2.6. Preparing monthly, quarterly, and annual statements as required in ***Volume 6A***, "Reporting Policy" and ***Volume 6B***, "Form and Content of the DoD Audited Financial Statements."

2.2.3. IAs. IAs are responsible for:

2.2.3.1. Fulfilling FMS Trust Fund orders using these financing techniques:

2.2.3.1.1. Issuing and accepting reimbursable orders into a financing appropriation or Defense Working Capital Fund (DWCF) account,

2.2.3.1.2. Issuing allotments/OA of the FMS Trust Fund to the performing DoD Components, or

2.2.3.1.3. Authorizing direct citation of the FMS Trust Fund (11X8242);

2.2.3.2. Ensuring appropriation/fund budget execution records accurately reflect the status of the reimbursable FMS Trust Fund program;

2.2.3.3. Performing and/or ensuring the completion of the Dormant Account Review Quarterly (DAR-Q) of obligations and unfilled customer orders as described in ***Volume 3, Chapter 8***, "Standards for Recording and Reviewing Commitments and Obligations" section 16.0;

2.2.3.4. Maintaining audit trails between source documents and entries to the accounting system; and

2.2.3.5. In coordination with DFAS, maintaining within the IAs' respective accounting system of record the centralized FMS case-line level accounts prescribed in this chapter and in the USSGL.

2.2.4. Allotment Holders for Actual FMS Administrative Expenses. A DoD Component that receives a DSCA allotment of FMS Administrative Budget Authority (BA) is responsible for:

2.2.4.1. Maintaining obligations and expenditures within the limitations of the allotment,

2.2.4.2. Ensuring obligating documents and accrued expenditures meet the requirements contained in this volume,

2.2.4.3. Returning unobligated OA to DSCA at the end of each fiscal year (FY), and

2.2.4.4. Performing the DAR-Q of obligations and unfilled customer orders as described in Volume 3, Chapter 8, section 16.0.

3.0 MANAGEMENT CONTROLS

For management controls, Security Assistance activities will follow the guidance in ***DoD Instruction 5010.40***, "Managers' Internal Control Program Procedures."

4.0 FMS TRUST FUND ACCOUNTING REQUIREMENTS

4.1 FMS Trust Fund

The FMS Trust Fund is a single account that is authorized to be credited with receipts that may be obligated and expended in accordance with the AECA. FMS Trust Fund receipts must be apportioned prior to obligation and expenditure; however, an official, designated under ***31 U.S.C. § 1513***, and as per ***31 U.S.C. § 1516***, may exempt trust funds from apportionment.

4.2 FMS Standard General Ledger (GL)

All financial accounting data applicable to the FMS program must be recorded in accounts consistent with Volume 1, Chapter 7 and the USSGL accounts. The USSGL specifies the accounting entries for these accounts. Subsidiary ledgers are used, where necessary, to provide accounting control and management reports. The Deputy CFO, Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), must approve the use of any other GL Trust Fund accounts in writing. Objective evidence, e.g., invoices, vouchers, receipts, or statements, must support all entries in the accounting records and data reported on financial statements. Such evidence may be either hard-copy documents or computer data, but in either case, the evidence must be verifiable.

4.3 Accounting for Receivables

4.3.1. General

4.3.1.1. Cash in advance of performance is required from FMS purchasers unless a written determination is made pursuant to legal authority. See ***Chapter 4,*** "Cash Management," for more information on cash management. For FMS purchasers who are legally exempt from making cash advances, record accounts receivable for each FMS country program accounted for in the FMS Trust Fund in USSGL 131000, "Accounts Receivable." ***SFFAS 1***, "Accounting for Selected Assets and Liabilities," paragraph 41 provides that a receivable should be recognized when a federal entity establishes a claim to cash or other assets against other entities, either based on legal provisions, such as a payment due date, or goods or services provided. If the exact amount is unknown, a reasonable estimate should be made.

4.3.1.2. The offered and accepted FMS case is a binding requirement and calls for an advance of funds from the FMS purchaser; thus, a non-entity account receivable is established when the due date for payment is not met. Follow up and aging of delinquent accounts receivable will be in accordance with Volume 16, Chapter 6. Accounts receivable are aged according to ***Volume 4, Chapter 3***, "Receivables" Figure 3-1.

4.3.2. Application of Interest. Assess interest on FMS country-level arrearages in accordance with the provisions of the affected country's active cases and Volume 16, Chapter 6.

4.3.3. Reporting. DFAS submits the Fiscal Service, Debt Management Governmentwide Reports: "Treasury Report on Receivables (***TROR***)" quarterly. Instructions for the TROR are in Volume 4, Chapter 3.

4.4 Accounting for Inventory

The Military Departments or Defense Agencies control and report security assistance assets (equipment and related software, amounts invested in inventories, and work-in-process at contractors' plants) within their accountable property system of record and through the Security Assistance Accounts consolidated annual financial statements.

4.5 Accounting for the FMS Program

4.5.1. The AECA and provisions of the Letter of Offer and Acceptance (LOA) require that the FMS program operate at no cost to the U.S. Government. Therefore, recognize equity only for the balance retained in the attrition account; see subparagraph 4.5.3.

4.5.2. Accounting for FMS Surcharges

4.5.2.1. Record the collection of surcharges established in accordance with AECA §§ 21 and 43 as unearned revenue to ensure full recovery of costs incurred in operating the FMS program.

4.5.2.2. Record and recognize revenue and expenses at the time disbursements are made from the applicable FMS Surcharge account.

4.5.2.3. Revenues to fund these expenses are from the application of money received from accrued costs, estimated actual costs, or rates charged. Maintain ledgers for each of the categories of FMS Surcharges as a subsidiary to the unearned revenue control account, USSGL 231000, "Liability for Advances and Prepayments."

4.5.2.4. Apply the Contract Administration Services (CAS) Surcharge to new procurements; however, it may not be applicable under certain conditions detailed in AECA § 21. DSCA provides funding directly to performing activities to reimburse for FMS and BPC CAS costs.

4.5.3. Accounting for Attrition Surcharges. When FMS training LOAs include the use of training or operational equipment, an attrition surcharge rate may be applied pursuant to ***SAMM, Table C9.T4***. The Attrition Surcharge Account replaces equipment damaged or destroyed during student training as a result of student negligence. Record attrition surcharges in the attrition account; they are assets to the U.S. Government. At year-end, record the balance in the attrition account as equity in the FMS Trust Fund. Refer to ***Chapter 7***, "Pricing," subparagraph 23.3.3 for more information on the application of the attrition surcharge.

4.5.4. Accounting for Bad Debts. Policy concerning compromise, termination, or suspension of collection actions of a country-level bad debt is in Volume 16, Chapter 6, section 6.0. Resolution of all foreign indebtedness resulting from FMS transactions will be staffed with the Department of State (DoS) by DSCA via the Under Secretary of Defense for Policy. Within 30 calendar days of a determination by the DoS that a debt is uncollectible, DSCA will direct DFAS Security Cooperation Accounting (SCA) to record the amount owed, including accrued interest, in the GL. When a country is in arrears, and the debt is confirmed to be uncollectible:

4.5.4.1. All available funds for the affected country will be used to satisfy outstanding liabilities according to a priority recommended by the Director of DFAS SCA and approved by the DSCA Principal Director, Office of Business Operations (OBO);

4.5.4.2. DSCA will direct applicable case managers to request cancellation of all outstanding commitments and adjustment of all outstanding obligations, to include an amount for termination cost. The residual amount of debts shown will be transferred to the GL for the affected country, to coincide with the termination of the FMS cases, based on the determination that the country's account is uncollectible. This highlights losses due to uncollectible amounts in the accounts as required by SFFAS 1, paragraph 44; and

4.5.4.3. Aging of amounts recorded will continue. Accrue the accumulation of interest, in accordance with the AECA and other applicable authorities, monthly on the balance in the sub-account. The amount recorded in the account will include the amount of the arrearage, termination liability costs, and accrued interest.

4.5.5. Accounting for Transactions Occurring Prior to January 1, 1989. A reconciliation problem existed within the FMS Trust Fund for transactions that occurred prior to January 1, 1989, and some reconciliations occurred as a result of management decisions. Adjustments to transactions that occurred prior to January 1, 1989, will be reviewed by the FMS central accounting site control point staff and approved by the DSCA Comptroller, prior to posting in the Defense Integrated Financial System (DIFS). The control point staff at DFAS SCA and DSCA will maintain a complete audit trail of all adjustments received and processed. Documentation supporting these adjustments will be retained by the originating organization. Transactions will be approved by:

4.5.5.1. DFAS SCA and an appropriate representative of the applicable DoD Component involved;

4.5.5.2. The Director of the applicable DFAS center submitting transactions to DFAS SCA, if the amount of the transaction is in excess of $500,000; or

4.5.5.3. The Director, DFAS and the Director, DSCA, if the amount of the transaction exceeds $1,000,000.

4.6 Processing Accounting Transactions

In order to provide accounting services for the FMS Trust Fund, DFAS SCA uses DIFS and records maintained in the IA's source accounting systems. As a trust fund level management system, DIFS links IA records from bills, including supporting financial documents, issued to purchasing countries for articles and/or services. See ***SAMM C13.6*** for additional information. Transactions entered into DIFS are a combination of installation-level transactions received through the FMS Integrated Control System and vouchers recorded at DFAS SCA, resulting from billing, collection, and disbursement activities. Transactions recorded in DIFS are posted at the trust fund-, country-, and case-level. This enables DFAS SCA to prepare required accountability and fund status reports for the FMS Trust Fund. DFAS SCA relies on the accuracy and integrity of the records maintained in IA's source accounting systems. Source transactions must have all of the information required to enable DFAS SCA to prepare required accounting reports and perform financial management oversight.

4.7 DFAS SCA Analysis of FMS Case Accounting Data

4.7.1. DFAS SCA must continuously analyze case-level accounting data to identify developing financial problems and alert IA case managers, DSCA country finance directors, and other concerned DoD officials of the necessity for corrective action.

4.7.2. The types of analysis performed are as follows:

4.7.2.1. Adequacy of Cash Deposits and Timely Payments. Compare the net unreserved cash balance to the accounts payable case-level accounts. If the accounts payable balance is greater, request an IA review of the case payment schedules and coordinate with the IA to ensure sufficient country funds are available to aid in the timely payment to vendors; and

4.7.2.2. Timely Case Closure Actions. When the expenditures approach OA value, DFAS SCA should request an IA review of the case's financial and logistical status to determine if the case should be closed.

4.8 DFAS SCA Surcharge Transactions

4.8.1. FMS Administrative Surcharge and Logistics Support Charge (LSC) Account

4.8.1.1. Accrual of Earned Surcharge. As accrued expenditures are calculated, pursuant to FMS orders, the amount of FMS Administrative Surcharges applicable will be determined and credited to the FMS Administrative Surcharge account.

4.8.1.1.1. $30,000 or less. If the computed FMS Administrative Surcharge for the FMS case is $30,000 or less, the entire surcharge value must be included in the initial deposit (*SAMM Table C9.T17*). This includes the value of any small case management line for cases implemented August 1, 2006, through July 2, 2012 (SAMM paragraph *C9.4.7*).

4.8.1.1.2. Over $30,000. If the computed FMS Administrative Surcharge for the FMS case is greater than $30,000, 35 percent of the surcharge is collected upon case implementation (SAMM Table C9.T17). Apply the remaining accruals over the life of the case and finalize at case closure.

4.8.1.2. Actual FMS Administrative Surcharge. Transactions representing actual expenses will be entered based on accrued expenditures reported in the DoD Status-of-Allotment reports for FMS. See subparagraph 6.1.3.

4.8.1.3. LSC. LSC is applicable to articles delivered or services performed on or after April 1, 1987, and prior to October 1, 2007. These charges are accounted for in the FMS Administrative Surcharge account as described in subparagraphs 4.8.1.1 and 4.8.1.2. For more information on LSC, see SAMM Table C9.T4.

4.8.2. Transportation Surcharge Account

4.8.2.1. Accrual of Earned Surcharge. When items are reported by the DoD Components as physically delivered, applicable transportation surcharges are earned and credited to the Transportation Surcharge account.

4.8.2.2. Actual Transportation Expense. Transactions showing actual transportation cost, based on receipt of carrier bills, will be entered against the Transportation Surcharge account.

4.8.3. CAS Cost Clearing Account Accrual of Earned Surcharge. When payments are made to contractors (either progress payments or bills for incurred costs), the applicable CAS surcharges are earned and credited to the CAS Cost Clearing Account.

4.8.4. Attrition Surcharge Account. Assess the applicable attrition surcharge for applicable training cases (SAMM Table C9.T4). The IAs will identify the amounts earned as they distribute collections for tuition, credit the attrition portion, and report it to DFAS SCA by country, case, and line. Expenditures from this account represent orders to the DoD Components to fund the cost of replacing damaged or destroyed equipment associated with student training. DFAS SCA will maintain cumulative records of these deposits by country, case, and line-item. Fund withdrawal from the attrition account requires prior written approval from the DSCA Comptroller. The cost in full of replacing damaged or destroyed equipment is reimbursed from the attrition account.

4.8.5. Year-End Certification. Reporting entities now utilize the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) and the Fiscal Service Year-End Transaction Module to report unexpended appropriation and fund balances. The

Year-End Module, in addition to GTAS, is used to initiate year-end cancelation and adjustment transactions previously presented on the Fiscal Service Form 2108. See ***Volume 6A, Chapter 4***, "Appropriations and Fund Status Reports" and the Treasury Financial Manual, Volume 1, ***Part 2, Chapter 4700*** for more information.

5.0 IA ACCOUNTING REQUIREMENTS

5.1 Allotments for Direct Citation

5.1.1. Amounts in Column 11, "Direct Cite Authority Required This FY," of the DoD (DD) Form 2060, ***FMS Obligational Authority***, or automated equivalent (OA request), which are coded "(A)," represent allotments of case contract authority. Allotment holders must request expenditure authority (EA) from DFAS SCA prior to processing the disbursements against the contract authority. DFAS SCA provides incremental EA from the FMS Trust Fund based on the allottee's need to disburse funds. Additional instructions for the DoD Status-of-Allotment report are in section 6.0. Specific requirements include:

5.1.2. The DoD Component that holds an allotment of the FMS Trust Fund for direct citation on contracts must maintain detailed commitment, obligation, and expenditure records on an FMS case and line basis. That DoD Component must provide DFAS a monthly DoD Status-of-Allotment report reflecting the case and line-level data. Delivery transactions in an amount equal to the current month's net change in accrued expenditures or cash advances to contractors must support the status of expenditures. A manual DoD Status-of-Allotment format is in Figure 3-1; and

5.1.3. Submit Monthly DoD Status-of-Allotment information, and associated reports of reconciliation, to DFAS by the 20th calendar day following the close of each accounting month. Use this information, with detailed supporting documentation, as the basis for the DFAS FMS Trust Fund reconciliation with Treasury.

5.2 Allotments for Reimbursable Orders

For information on reimbursable orders, see ***Chapter 2***, "Finance" paragraph 3.4.

5.3 FY-End Reporting Requirements

5.3.1. The DoD Components are required to submit a printed and certified, final, FY consolidated OA request and DoD Status-of-Allotment information for direct cite funds to DFAS SCA. Establish submission dates in accordance with special instructions issued by DFAS. The forms submitted may be manual forms or automated equivalents.

5.3.2. The final OA request will have this certification: "I hereby certify that this report reflects FMS Obligational Authority as required by DoD 7000.14-R, Volume 15, Chapter 2, subparagraph 3.4.1."

5.3.3. The final DoD Status-of-Allotment report must have this signed certification: "I hereby certify that the amounts shown in this report are correct. All known transactions meeting the criteria of ***31 U.S.C. § 1501(a)*** have been obligated and are so reported."

6.0 ACTUAL ADMINISTRATIVE EXPENSE ACCOUNTING REQUIREMENTS

6.1 Reimbursement for FMS Administrative Expenses

6.1.1. Price FMS administrative expenses in accordance with Chapter 7, section 5.0, and charge directly to the allotment received for actual FMS administrative expenses. DoD Status-of-Allotment reports must be submitted in the DoD standard format in Figure 3-1. If the allotment is used as the basis for issuing reimbursable orders to appropriation accounts, a schedule showing the dollar value of orders released to each appropriation must be attached to the DoD Status-of-Allotment report. FMS administrative expenses may not be incurred in excess of the allotment, nor are the DoD Components authorized to incur obligations against appropriated fund operation accounts to finance FMS administrative budgets.

6.1.2. Upon review of the budget requests submitted in response to its administrative budget call, DSCA will approve a single budget amount for each DoD Component and will issue an allotment providing funding for the approved budget. The recipient will prepare a DoD Status-of-Allotment report showing actual uses for administrative expense. Base the information on the organization designated in the DSCA budget call. Allotments for administrative expenses must be fully funded to cover obligations.

6.1.3. Support DoD Status-of-Allotment reports for FMS administrative expenses with subsidiary allotment status reports of the executing organizations. Annotate subsidiary reports as "Subsidiary report-(name of the organization)."

6.2 Control of FMS Administrative and SC Organizations (SCO) Budget Allotment Authority

6.2.1. Report the FY identity of budget allotment authority, obligations, and disbursements for the current FY (CFY), and five preceding FYs, on the monthly DoD Status-of-Allotment reports for administrative expenses. Accounts will remain open for the liquidation and adjustment of valid obligations until the end of the canceled FY (five expired FYs and one canceling FY).

6.2.2. All fund holders are required to maintain FY identity of obligations, disbursements, and budget allotment authority for the CFY and the five preceding FYs.

6.2.3. Provided in Table 3-1 is an example of FY identity using a CFY of 2024.

Table 3-1 Example of Reporting FY identity of budget allotment authority, obligations, and disbursements for the CFY

FY	Description
FY 2019 = expired FY	At the end of FY 2024, and after completing the end-of-year reporting and closeout cycle, cancel all unliquidated obligations (ULOs). All amounts are withdrawn effective September 30, 2024. Following this action, FY 2019 cancels on October 1, 2024.
FY 2020 = expired FY	
FY 2021 = expired FY	
FY 2022 = expired FY	
FY 2023 = expired FY	
FY 2024 = CFY	Out-of-scope increase to prior FY obligations (FY 2019 and prior) will be charged against the CFY (FY 2024). The CFY becomes an expired FY on October 1, 2024.
FY 2025 = Next FY	October 1, 2024, FY 2025 begins.

6.3 Control of FMS Administrative and SCO Prior FY OA

6.3.1. DSCA will not authorize increases to a prior year OA to record upward adjustments for obligations that are the result of out-of-scope changes. Such changes constitute new obligations and are funded from the current year OA. Upward adjustments, which are the result of "within-scope" changes under the terms of the contract, are usually chargeable to the appropriate FY account against which the original obligation was charged. Charge all valid upward adjustments applicable to canceled years to the CFY.

6.3.2. All fund holders will establish procedures to review and validate all ULOs for the CFY, and the preceding five FYs, on a monthly basis. If obligations are no longer valid, fund holders will ensure these amounts are deobligated and the appropriate funds returned to DSCA for withdrawal; see paragraph 6.5. Valid disbursements may be made from these expired accounts, up to the amount of the ULO balances for that year's obligation. Additional funding to cover these valid upward adjustments (within-scope price adjustments) may be requested from DSCA. This request should provide the following: original obligation amount; additional required funding authority needed; source or reason for additional obligation, including any subsidiary calculations or source; applicable supporting documentation; and point of contact.

6.3.3. Deobligation of prior year funds, and the subsequent reobligation of these same funds in the current or one of the five preceding FYs, is not authorized. Expired funds may only be used for within-scope obligation adjustments until cancellation.

6.4 Control of Unliquidated Balances

6.4.1. FMS Administrative and SCO accounts remain available for liquidating valid obligations until the end of their fifth expired year; see the example in subparagraph 6.2.3. No new obligations can be started for the CFY after September 30 of that FY.

6.4.2. The monthly DoD Status-of-Allotment reports for administrative expenses, showing the DFAS departmental accounting position, will present the current allocation and account balances (obligations and disbursements) for the end of that reporting month.

6.4.3. See paragraph 6.5 for the procedure used when canceling funds at the end of the fifth year following their expiration and the process used when deobligations occur in the five preceding FYs.

6.4.4. All fund holders will establish procedures to review and validate all ULOs for the CFY and the five preceding FYs.

6.4.5. Reference Volume 15, Chapter 1, subparagraph 1.1.3 and ***ESAMM Appendix 8 – Table AP8.T2*** for additional information on BPC programs and authorities, periods of availability of associated funding, and fund cancellation dates.

6.5 Administration and Implementation of the Monthly and End-of-Year Closeout Guidance

6.5.1. All fund holders will review and use their respective monthly DoD Status-of-Allotment reports for administrative expenses, which present the DFAS departmental accounting position for that month. Use these reports to compare with the installation accounting records. If there are disbursement differences between the departmental and installation accounting records, use the departmental accounting records reconciled with Treasury cash to establish the withdrawal amount.

6.5.2. DSCA will issue the annual end-of-year closeout guidance to all holders of FMS Administrative and SCO funds.

6.5.3. When the fifth expired year is canceled, the budget allotment authority amount will be decreased on September 30 to equal the departmental accounting disbursement amount that has been reconciled with Treasury.

6.5.4. The fund holder will ensure that all obligations and disbursements are equal prior to year-end closeout for the canceling year account (the fifth year following funds expiration) and that no further disbursements are processed. The fund holders need to work closely with the DFAS departmental accounting offices at finalizing the amounts to be withdrawn for the canceling year (the fifth year following funds expiration).

6.5.5. All fund holders will notify DSCA in writing when BA can be decreased on the CFY and the five preceding FYs. Upon receipt of a written request from the fund holder, DSCA will issue an FMS Administrative and SCO Allocation document withdrawing the unobligated BA, citing the concurrence correspondence from the fund holder for the expired and canceling FYs. All records will be maintained with the FY BA documents.

6.6 DFAS Responsibilities for Expired and Canceled Accounts

6.6.1. DFAS SCA will adjust EA to agree with the DSCA allocation values for the expired

and canceling FYs. All unobligated balances will be considered expired and not available for incurring new obligations. FMS Administrative and SCO accounts remain available for liquidating valid obligations until the end of their fifth expired year.

6.6.2. At the end of each FY, DFAS SCA will update the canceling FY's obligated and disbursed balances for FMS and SCO Administrative Fund accounting records and maintain related supporting documentation.

6.6.3. DFAS SCA will maintain memorandum records of the canceled obligations. Once closed, an account is no longer available for obligation. If it becomes necessary to pay an obligation, which otherwise would have been properly charged to the appropriation before it was canceled, the obligation should be charged to and paid from the applicable CFY FMS or SCO account. Post these obligations against the CFY account when disbursed. Use memorandum records (or equivalent) to record the canceled "valid" obligations offline so that they may later be recognized as valid when disbursed and recorded against the applicable FMS or SCO Administrative CFY account. For more information, see ***Volume 3, Chapter 10***, "Accounting Requirements for Expired and Closed Accounts."

6.6.4. Once all BPC cases associated with the transportation account are closed, DFAS, in coordination with DSCA, will deposit all unliquidated balances into the Miscellaneous Receipts of the Treasury (11X3230). BPC Transportation accounts will close when all appropriations within the account have canceled.

7.0 BUDGET EXECUTION

7.1 Objectives

7.1.1. This section establishes the budget execution requirements that are applicable to the FMS program.

7.1.2. Specific objectives are to ensure that:

7.1.2.1. Mandatory budget execution reports that accurately reflect data recorded in accounting records are submitted to Treasury in a timely manner;

7.1.2.2. Unnecessary FMS OA is withdrawn officially from all organizations participating in the execution of FMS cases at the end of each FY; and

7.1.2.3. FMS case records maintained by IAs are in agreement with DFAS SCA at the case-line level throughout the life of each FMS case.

7.2 Responsibilities

7.2.1. DFAS must provide accounting data on FMS Trust Fund operations to the DoD Components.

7.2.2. DSCA must monitor the FMS program and submission of required FMS Trust Fund Budget Execution reports in accordance with requirements outlined in ***Volume 6A, Chapter 2***, "Financial Reports Roles and Responsibilities" section 2.0.

7.2.3. IAs and the supporting DoD Components must:

7.2.3.1. Conduct year-end reviews of the unobligated FMS reimbursable program to ensure unnecessary BA is identified and returned to the FMS Trust Fund;

7.2.3.2. Ensure that the FMS reimbursable program is properly reported in appropriation or DWCF budget execution reports;

7.2.3.3. Submit financial Budget Execution reports accurately and timely in accordance with section 8.0;

7.2.3.4. Reconcile IA FMS case records to DFAS SCA case-line level accounting transactions on a periodic basis;

7.2.3.5. Partner with DFAS to resolve any variances or out-of-balance conditions in support of monthly FMS financial reporting; and

7.2.3.6. Prepare ***Case Closure Certificates*** signifying IA completion of all actions necessary for DFAS SCA to close the case as soon as possible after the case supply/services are complete, but no longer than 24 months after such occurrence for cases applicable to countries participating in Accelerated Case Closure Procedures (ACCP). See the SAMM, Appendix 7, "Case Reconciliation and Closure Guide (***RCG***)," for the Case Closure Certificate format, ***SAMM Chapter 16***, and paragraph 10.2 for case closure information. For case closure procedures required for non-ACCP, including BPC program cases, refer to paragraph 10.2.

8.0 FMS TRUST FUND BUDGET EXECUTION REPORTS AND FINANCIAL STATEMENTS

8.1 Budget Execution Reports

DFAS submits the following budget execution reports on FMS Trust Fund operations:

8.1.1. Monthly ***Standard Form 133, Report on Budget Execution***, for 11X8242. For more information, see Volume 6A, Chapter 4, section 4.0;

8.1.2. GTAS. Fiscal Service discontinued use of the Fiscal Service Form 2108 and removed references to the form from current Fiscal Service guidance. Budget execution information previously provided on Fiscal Service Form 2108 is now available to Treasury through GTAS. For more information, see Volume 6A, Chapter 4; and

8.1.3. Appropriate sections of the annual CFO Financial Statements. For more information, see paragraph 8.2.

8.2 Financial Statements

For financial statement guidance concerning the reporting of FMS amounts, see ***Volume 6B, Chapter 2***, "General Instructions for the Financial Statements" and ***Volume 6B, Chapter 10***, "Notes to the Financial Statements." The Security Assistance reporting entity also provides GTAS submissions as a Significant Entity per ***Volume 6A, Chapter 3***, "Reporting of Outlays, Receipts, and Adjusted Trial Balances" subparagraph 3.4.2.

9.0 CASE EXECUTION

9.1 FY-End

9.1.1. At the end of each FY, IAs should review the reimbursable OA received to implement each FMS case. The total amount of reimbursable BA received is on the OA request. The review serves as the basis to withdraw any unnecessary unobligated balances. Make the withdrawal by submitting a year-end OA request. See Chapter 2, section 3.0 for instructions on the preparation of OA requests.

9.1.2. Non-Expiring Accounts. At the close of each FY, retain reimbursable FMS OA in a performing DoD account only to the extent that:

9.1.2.1. The amounts are required to cover certifiable obligations incurred by the performing account because of performance of the order;

9.1.2.2. The amounts have been committed within a formal commitment accounting system, for example, to cover normal administrative lead time on the next contract escalation clauses; or

9.1.2.3. The items have been delivered from inventory, or applicable DoD services have been performed (cash earned reimbursement). Withdraw any reimbursable FMS OA not required for these purposes from the performing accounts by September 30 each year. It is recognized that year-end reviews must be made prior to the last day of the FY. Therefore, the amount of OA retained may be somewhat greater than the goal. It is expected, however, that estimating procedures must be improved continually until unnecessary unobligated balances are eliminated.

9.1.3. Expiring and Expired Accounts. By the close of each FY, show reimbursable FMS OA in an expiring account only to the extent that the amounts are earned reimbursements or are required to cover certifiable obligations incurred against the performing account. Withdraw any reimbursable FMS OA not required to cover obligations in the expiring account by September 30 each year. During the FY, transfer amounts required in expired accounts from the Trust Fund, as necessary, to cover upward obligation adjustments needed for within-scope changes to contracts or similar transactions.

9.2 Reimbursement of Appropriations and Accounts

9.2.1. Reimburse DoD appropriations and fund accounts, or Miscellaneous Receipts Account 3041, "Recoveries Under the Foreign Military Sales Program, Army, Navy, Air Force, Defense," upon delivery of items from inventory or performance of DoD services within 30 calendar days of the occurrence (i.e., date of shipment or performance) for:

9.2.1.1. Items sold under AECA § 21, or

9.2.1.2. Procurement actions made under AECA § 22, if direct cite procedures for financing applicable contracts are not used.

9.2.2. The general rule applicable to the sale of DoD services is that the financing account current at the time of performance is credited with applicable BA and subsequent cash collections. The various cost elements that may be involved in the performance of an FMS order, and the appropriations that are to be reimbursed, are in Table 3-2.

9.2.2.1. When items are sold from inventory, the financing account current at the time items are dropped from inventory is credited with applicable BA and subsequent cash collections.

9.2.2.2. When items not to be replaced (free or excess assets) are sold from inventory, those receipts are credited to the Special Defense Acquisition Fund (SDAF). For more information on SDAF, see ***SAMM, section 11.9*** and Chapter 1, paragraph 2.2.2.

9.2.2.3. When appropriation or fund accounts are used to finance FMS procurements, the account current at the time the order is accepted is credited with BA and subsequent cash collections.

9.3 DD 2061, "Foreign Military Sales (FMS) Planning Directive," or the Automated Equivalent (Planning Directive)

Update the case Planning Directive as prescribed in Chapter 2, section 4.0. Update cost elements and financing accounts to ensure full recoupment of the costs prescribed in Chapter 7 and to ensure timely identification of cost increases. The Planning Directive serves as the basis for preparing all OA requests during the life of the case.

10.0 FMS CASE CLOSURE REQUIREMENTS

10.1 General

This section provides guidance on case reconciliation and closure for FMS and BPC cases. All proper charges and credits must be recorded against the applicable FMS or BPC case. Case closure does not stop the billing/reporting process, but results in a re-categorization of the case records from active status to inactive status to ensure accessibility for recording subsequent activity. For further guidance on the reconciliation and closure of FMS and BPC cases, to include

closure checklists, see SAMM Chapters 15.7, 15.7-Legacy and Chapter 16, ***SAMM A7.C4.3***, and the RCG.

10.2 Case Closure

10.2.1. When all ordered items have been physically delivered and all ordered services performed (i.e., supply/services complete), or there is no activity on a blanket order case for 180 calendar days (and the purchaser agrees no further activity will occur), and all other conditions of the LOA are fulfilled, an FMS or BPC case is a candidate for closure. At this time, the responsible IA must determine if there are any unresolved delivery issues, outstanding Supply Discrepancy Reports (SDRs), or litigation claims. Contracting officers must review any contracts that have not been financially closed to determine if significant financial adjustments of open contracts may occur. Cases can be closed under either ACCP or non-ACCP.

10.2.1.1. ACCP. ACCP must be used only for those countries that explicitly elect such procedures. However, all countries that have cases financed with Military Assistance Program Merger/Foreign Military Financing (non-repayable) are mandatory participants in ACCP, unless specifically excluded by DSCA. Once selected by a country, ACCP must apply to all cases of that country and must govern any case that was opened (or closed) prior to the date of ACCP implementation, unless a specific arrangement between DSCA and the FMS purchaser is made as part of the implementation criteria. Under ACCP, case closure should be initiated within 24 months after the case is supply/services complete, to allow a country to initiate an SDR and allow the IA to reconcile the case. The applicable DoD Component must request DSCA approval to delay closure beyond 24 months.

10.2.1.2. Non-ACCP. Under a non-ACCP case closure, all logistical and financial transactions must be processed before case closure can be initiated. BPC cases must utilize non-ACCP.

10.2.2. The case manager must ensure the actions outlined in subparagraphs 10.2.2.1-10.2.2.6 are taken.

10.2.2.1. The IA-delivered value must agree with the delivered value recorded in DIFS. If necessary to reconcile IA records, obtain historical transaction records from the DIFS database or equivalent online repositories.

10.2.2.1.1. ACCP. If the case is being closed under ACCP, the difference between progress payments and liquidating deliveries, and the difference between total deliveries and total disbursements in DIFS, must equal the estimated ULO value established by the IA. The IA records must be in balance with each of these values; if not, the IA must submit applicable input to bring the records into balance before issuing a Case Closure Certificate.

10.2.2.1.2. Non-ACCP. If the case is being closed under non-ACCP, progress payments must equal liquidating deliveries in DIFS. The IA records must be in balance with each of these values; if not, the IA must submit applicable input to bring the records into balance before issuing a Case Closure Certificate.

10.2.2.2. Rectify all problem disbursements in accordance with ***Volume 3, Chapter 11***, "Unmatched Disbursements, Negative Unliquidated Obligations, and In-Transit Disbursements." A prerequisite for satisfactorily resolving problem disbursements is to validate the accuracy of the disbursed values. Use the authorities in Volume 3, Chapter 11 to facilitate efficient reconciliation and closure actions. Additionally, section 11.0 addresses the applicable write-off authority for FMS problem disbursements.

10.2.2.3. Ensure the validity of all obligations in accordance with Volume 3, Chapter 8. Many of those provisions address FMS-specific actions in this regard.

10.2.2.4. Use the guidance in subparagraphs 10.2.2.4.1-10.2.2.4.2 for all cases without remaining ULOs.

10.2.2.4.1. ACCP. If the case belongs to an ACCP country, the applicable DoD Component must submit a final Case Closure Certificate (see the RCG) to DFAS SCA within 24 months after an FMS case is supply/services complete. If the IA determines that, due to reconciliation issues, a case under ACCP cannot be closed within 24 months of supply/services completion, then submit the case, along with identification of the problem or cause believed to prevent case closure, to DSCA for resolution.

10.2.2.4.2. Non-ACCP. A supply/services complete case for a Partner not participating in ACCP will not be submitted for closure until ULOs on accounting classification reference numbers (ACRNs) citing the case are resolved. No case under non-ACCP closure procedures can be interim closed; it must be marked final.

10.2.2.5. Use guidance in subparagraphs 10.2.2.5.1-10.2.2.5.2 for FMS cases with remaining ULOs. BPC cases do not follow under guidance in subparagraphs 10.2.2.5.1-10.2.2.5.2.

10.2.2.5.1. ACCP

10.2.2.5.1.1. The applicable IA must submit a Case Closure Certificate to DFAS SCA within 24 months after an FMS case is supply/services complete. Cases with a ULO of zero are final closed (there should be no more transactions of any kind on the case). Cases with a ULO greater than zero are interim closed (there could be additional disbursements on the case, but the purchaser has already paid the FMS Trust Fund enough to cover those disbursements). See paragraph 10.3 and the RCG.

10.2.2.5.1.2. The applicable IA must determine and report the value of any remaining ULO relevant to that case. These amounts should be equal to those recorded in the applicable DoD accounting system.

10.2.2.5.1.3. The applicable IA must request DSCA approval to delay interim closure if the estimated ULO is of significant value and is likely to be deobligated rather than disbursed. DSCA will then determine whether to approve the delay.

10.2.2.5.1.4. DFAS SCA must bill the applicable Partner using the DoD Component's remaining ULO via normal billing procedures. The ULO is part of the case closure value.

10.2.2.5.1.5. DFAS SCA must record the estimated ULO value in a summary account entitled Case Closure Suspense Account (CCSA). At the same time, DFAS SCA must record applicable charges and credits, by Partner and case, in subsidiary accounts, which total to the CCSA.

10.2.2.5.1.6. When final costs are known and reported by the IA (i.e., liquidating the ULO), DFAS SCA must record such amounts against the CCSA and subsidiary account by Partner and case.

10.2.2.5.1.7. Upon receipt and payment of final bills, and reconciliation of the case, the IA must submit a final Case Closure Certificate.

10.2.2.5.1.8. On a quarterly basis, DFAS SCA must submit a status report on the CCSA and subsidiary accounts to the DSCA OBO (Financial Reporting and Compliance) and ACCP-participating FMS purchaser Partners.

10.2.2.5.1.9. When a Partner's CCSA has a negative balance of $100,000 or more for a period of six consecutive months, DSCA may instruct DFAS SCA to bill the Partner for the entire balance owed. For example, if the Partner's suspense account has negative balances of $100,000 on December 31, $250,000 on March 31, and $175,000 on June 30, DFAS SCA will bill the Partner $175,000. Such billings will be made through the Partner's omnibus quarterly billing statement and will cite all the FMS case(s) involved. DSCA should review the Partner's CCSA periodically to determine if any refund is warranted.

10.2.2.5.2. Non-ACCP. DoD Components must submit Case Closure Certificates to DFAS SCA only after all applicable known costs have been recorded and no ULOs exist on ACRNs citing the case.

10.2.2.6. At case closure, DFAS SCA must use the submitted closure certificate/transaction in place of an LOA amendment or modification unless the case meets the criteria for an LOA amendment or modification specified in ***SAMM, section C6.7***.

10.3 Closure Certification

10.3.1. The Case Closure Certificate alerts DFAS SCA to initiate actions needed to close a case. The IA must send certificates electronically to DFAS SCA. If any reporting after the issuance of a Case Closure Certificate has caused variances between DIFS and the certified values, DFAS SCA must notify the IA of actions required to enable closure processing to continue. When the IA and DFAS SCA FMS case records are reconciled, DFAS SCA must reclassify the case to an inactive status and provide a final statement of account to the FMS Partner for the final value of the case. Once a final statement has been sent for an FMS case, the case must be reclassified by the IA from active to inactive status. The IA then closes applicable case records.

10.3.2. For additional information on post-closure activity for closed cases, refer to SAMM Chapters 15, 15-Legacy, and SAMM, section C16.3.12.

10.4 Billings After Case Closure

10.4.1. Any cases required to be reverted to implemented status must be approved by DSCA.

10.4.2. The following requirements apply to all ACCP cases.

10.4.2.1. The DoD Component will submit an interface transaction to DIFS, moving the case from final to interim closure status. After the status is changed, the IA will send an EA request to DFAS SCA. DFAS SCA will then move the cash from CCSA to the EA reserve account and record the disbursement against the country, case, and line.

10.4.2.2. When post-closure disbursements exceed $100,000 (in either direction) because of a verified pricing adjustment, the applicable IA must submit a request to DSCA, with an information copy to DFAS SCA, that the case be reopened. Upon receipt of DSCA approval to reopen the case, both the IA and DFAS records must be reclassified to implemented status. If the case is not reopened, then the disbursement must be processed against the CCSA.

10.4.2.3. When all post-closure disbursements/credits have been reported and final costs determined, the DoD Component must certify the case for final status by using the Case Closure Certificate (see the RCG) and by reporting the transaction in DIFS.

10.4.3. The following requirements apply to BPC cases referenced in SAMM Chapter 15 – Legacy and FMS cases closed under non-ACCP.

10.4.3.1. All cases must be reclassified to implemented status, except for those with a transaction adjustment of $200 or less. Such adjustments may be charged to the FMS Administrative Surcharge account. Otherwise, reestablish accounting records at the amounts recorded at the time the closure certification occurred. Reclassification to implemented status must occur in both the IA and DFAS SCA records.

10.4.3.2. All post-closure disbursements or credits must be recorded in an undistributed account until case records are reactivated.

10.4.3.3. When post-closure activity results in exceeding the case value, a modification to the case is required.

10.4.3.4. When cases are reactivated, the IA must request additional OA, commence reporting status of funds data, request EA, process disbursement/credit transactions, and report adjusted delivery information via the delivery transaction.

10.4.3.5. For FMS cases, once the disbursement/credit and billing processes are complete, DFAS SCA must bill the FMS Trust Fund purchaser. The IA must recertify the case for closure as specified in paragraph 10.3.

10.4.3.6. For FMS or BPC cases where funds have been canceled, irrespective of funding source, DSCA will provide guidance on how to proceed and how invoices will be paid.

10.5 Reopening FMS Cases

Normally, closed cases will not be reopened. If the FMS purchaser requests to reactivate a closed case, first determine if there is a case already implemented and available or if a new case should be developed. Opening a closed case (interim or final) is a last resort and requires DSCA approval. See SAMM, Chapter 16, for additional information on reopening cases.

*10.6 BPC Funds Return

10.6.1. IAs must distinguish BPC cases, which are those resourced with U.S. appropriated funds available for obligation and expenditure only for a statutorily-directed time period, and FMS cases, which may be resourced in whole or part with the national funds of foreign governments that may remain available for obligation and expenditure for an indefinite period. U.S. appropriated funds expire, making them unavailable for obligation, at the end of their statutorily-defined period of availability. Once expired, unobligated balances in appropriated fund accounts remain available to liquidate obligations properly incurred before expiration (to include when those obligations are adjusted upward due to in-scope contract changes or otherwise) until these funds are canceled. Cancellation typically occurs at the end of the fifth fiscal year following expiration. See subparagraph 6.4.5 and Volume 15, Chapter 1, subparagraph 1.1.3; see also, Volume 3, Chapter 10, paragraphs. 3.2 and 3.3.

10.6.2. For a BPC case, IAs must review, clearly identify any outstanding, unliquidated obligations on the BPC case, and adjust to the highest financial requirement by March 31 of the year of funds cancellation. To enable the return of funds to their parent account for DoD's potential use of the funds against other obligations before cancellation, IAs must close the case and liquidate all outstanding obligations by July 31 of the year of funds cancellation. In the event IAs are unable to close cases prior to July 31, IAs must promptly use the Alternate Funds Return process as outlined in subparagraph 10.6.2.1.

10.6.2.1. The BPC Alternate Funds Return process requires the IA to draw down OA for undelivered orders, unpaid obligations, and/or uncollected reimbursements in the IA's General Ledger system(s) and submit a DIFS Funds Return Memorandum to DFAS. See SAMM Chapters 15 and 15-Legacy for additional information on BPC case closure procedures.

11.0 WRITE-OFF AUTHORITY

An IA that determines unresolved reconciliation issues exist for a case may write off those imbalances using write-off authority guidelines. The IA is responsible for providing all vouchers it prepares, citing the FMS Administrative Surcharge account to DFAS SCA.

11.1 Problem Disbursements

For problem disbursements (unmatched disbursements, negative unliquidated obligations, and in-transit disbursements) up to $2,500 per transaction, refer to Volume 3, Chapter 11 for an explanation of the problem disbursements policies. The DSCA OBO and DFAS SCA are responsible for ensuring detailed procedures are issued to the FMS community. Problem disbursements greater than $2,500 should be brought to the attention of the DSCA Comptroller for resolution, provided those problem disbursements have not exceeded the Volume 3, Chapter 11 processing timelines. See ***SAMM C16.2.16.1*** for additional information.

11.2 Other FMS Financial Transactions

For all other types of FMS financial transactions, up to $200, charge the FMS Administrative Surcharge account for the amount required to affect prompt financial reconciliation as prescribed in the DSCA annual case review requirement in the SAMM, Chapter 16. For write-off adjustments performed while readying a case for closure, DFAS SCA will provide DSCA OBO (Financial Reporting and Compliance) with a quarterly summary of closure certificates received in which amounts have been charged in accordance with this paragraph. A comment must be included in the remarks/comments section of the Case Closure Certificate when these write-offs are used.

12.0 ANTIDEFICIENCY ACT (ADA) VIOLATIONS AND ADVERSE FINANCIAL CONDITION REPORTS

12.1 ADA Violations

12.1.1. For purposes of the ADA, appropriated funds are not limited to those funds specifically appropriated by Congress to federal agencies from the general funds of the Treasury. Funds available to agencies are considered appropriated if made available for collection and expenditure pursuant to specific statutory authority, regardless of their source. In applying the ADA, the FMS Trust Fund is considered to be, and will be, treated as appropriated funds. Therefore, the ADA applies to transactions involving the FMS Trust Fund.

12.1.2. Types of Potential Violations. Potential violations may occur in FMS Trust Fund transactions when:

12.1.2.1. Issuing OA or awarding an FMS contract without a signed LOA;

12.1.2.2. Obligating or expending FMS case funds for an unauthorized purpose, including purposes not provided for by law;

12.1.2.3. Violating apportionments or indemnity clauses; or

12.1.2.4. Incurring obligations on a BPC case where the financing appropriation's period of availability to incur new obligations has expired. Additional information on potential violations of the ADA is in ***Volume 14, Chapter 2***, "Antideficiency Act Violations."

12.1.3. Identifying and Reporting Potential Violations of the ADA. Detailed guidance for identifying, investigating, and reporting violations under the ADA is in ***Volume 14***, Administrative Control of Funds and Antideficiency Act Violations." Due to the complexities of provisions in the AECA, it is important to consult with appropriate legal counsel and comptroller officials on potential violations of the ADA for FMS.

12.2 Adverse Financial Conditions

12.2.1. Other reportable events occur when FMS case records are out of balance, but these conditions do not necessarily meet the criteria of violations discussed in paragraph 12.1. These conditions are adverse financial conditions and occur when financial reports show that: OA exceeds case or line-item level values, commitments or obligations exceed OA at case or line-item level, total disbursements exceed obligations at case or line-item level, or EA is not requested prior to disbursement. Adverse financial conditions are reported using the same format used for ADA violations.

12.2.2. Reporting Requirements for Adverse Financial Conditions

12.2.2.1. DFAS SCA has the responsibility for determining reportable conditions and notifying IAs of adverse conditions involving EA. DFAS SCA must provide a monthly analysis report to the DoD Components identifying if disbursements are greater than EA at the country case-level, or if EA was requested, remained unused, and was not returned at the end of the month. The DoD Components must review the listings within 15 calendar days of receipt and provide DFAS SCA an explanation of the discrepancy, the required corrective action, and when such action will be processed. This information will be shared with DSCA.

12.2.2.2. DoD Components and IAs have the responsibility to resolve adverse conditions involving obligations or expenditures of funds in excess of approved authority at any level lower than case-level.

12.2.3. Exceptions to Reporting Adverse Financial Conditions. Reports need not be submitted for within-scope cost increases in either of the following circumstances:

12.2.3.1. Obligation(s) in excess of the "Total Estimated Cost" shown on the LOA occur, and a modification is prepared by the DoD Component and submitted to the purchaser through appropriate channels within 60 calendar days of the date of the transaction that resulted in the unfavorable financial condition; or

12.2.3.2. Obligation(s) or expenditure(s) in excess of approved authority occur, the excess amount results from the posting of duplicate or erroneous obligation/expenditure transactions or the posting of obligations from inventory systems, and corrective action is taken within 60 calendar days of the transaction date. These conditions, however, could indicate weaknesses in internal controls, and administrative action may be required to improve systems design or to prevent recurrence.

Figure 3-1. Format for the DoD Status-of-Allotment Report

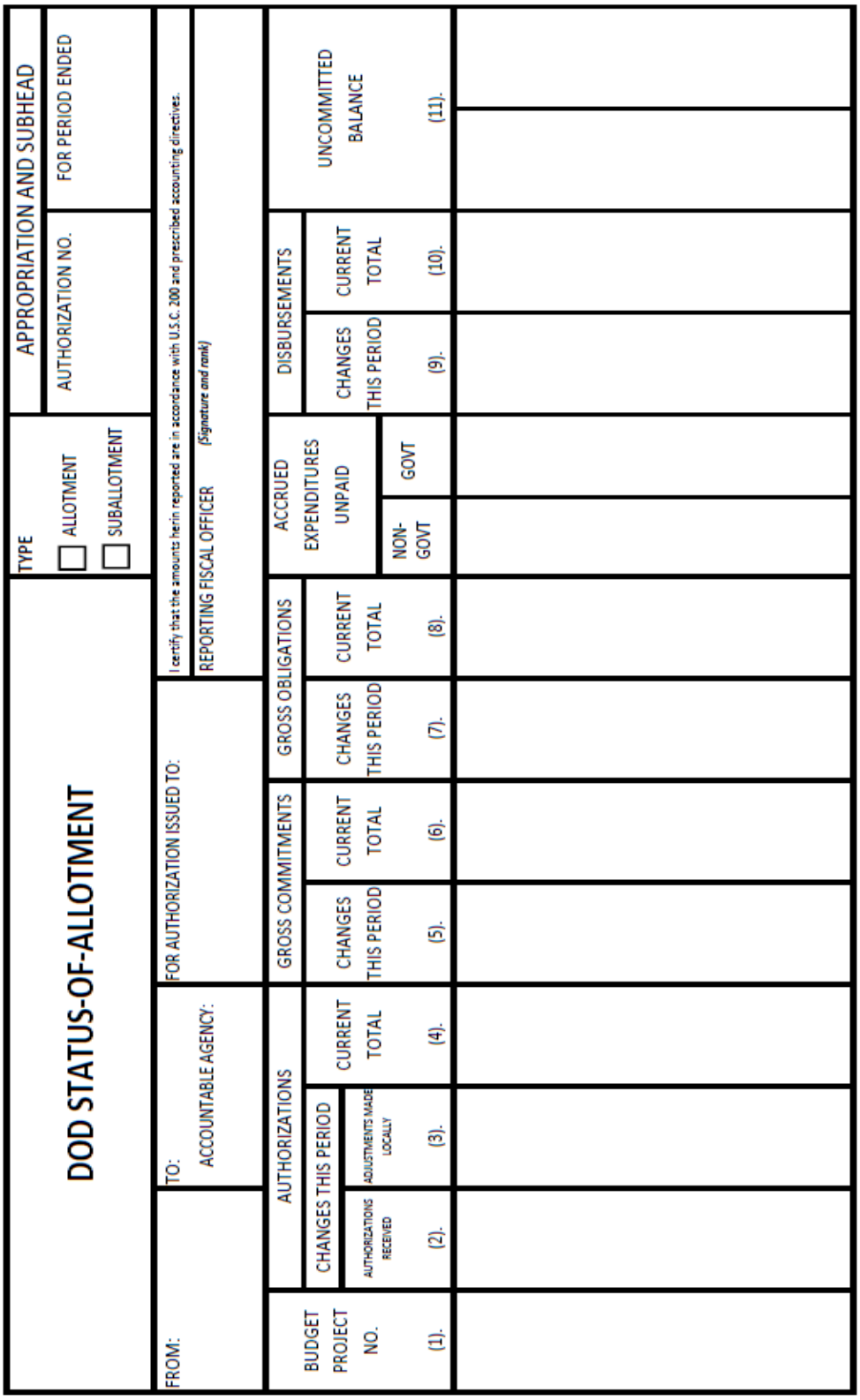

Table 3-2. Cost Elements

	Cost Element	Appropriation Reimbursed
A.	Services of Military Personnel	
A.1.	Composite standard military pay rate	Military Personnel (MILPERS)
A.2.	Leave and holiday factor when applicable (see Chapter 7, paragraph 20.2)	MILPERS
A.3.	Personnel support costs	Operation and Maintenance (O&M), 97*0130, "Defense Health Program, Defense"
A.4.	Retirement cost prior to October 1, 1984	Miscellaneous Receipts Account 3041
A.5.	Retirement cost after September 30, 1984	MILPERS
A.6.	Medicare-Eligible Retiree Health Care accrual	Miscellaneous Receipts Account 3041
B.	Services of Civilian Personnel including DWCF Personnel	
B.1.	Salary cost and wages	O&M, Research, Development, Test, Evaluation (RDT&E), and DWCF as applicable
B.2.	Leave and holiday factor when applicable	O&M, RDT&E, and DWCF as applicable (see Chapter 7, paragraph 20.1)
B.3.	DoD-funded civilian retirement costs	O&M, RDT&E, and DWCF as applicable
B.4.	Health and life insurance and other employee fringe benefits	O&M, RDT&E, and DWCF as applicable
B.5.	Civilian unfunded retirement costs and post-retirement health benefits not funded by DoD appropriations	Miscellaneous Receipts Account 3041
C.	Inventory Items	
C.1.	Non-excess procurement funded items which require replacement	Financing procurement appropriations, as applicable, current at the time items are dropped from inventory
C.2.	Non-excess procurement funded item that is not to be replaced within the obligation availability of current procurement appropriations	SDAF
C.3.	DWCF items, including the cost recovery elements for operating costs	DWCF
C.4.	Excess procurement funded principal items	Funds items in accordance with ***Title 10, U.S.C. § 114(c)(2)***, Miscellaneous Receipts Account 3041

Table 3-2. Cost Elements (Continued)

	Cost Element	Appropriation Reimbursed
D.	Nonrecurring cost recoupment charges (Collected as a result of FMS)	SDAF
E.	Transportation	Financing appropriation/fund current at the time transportation is supplied
F.	LSC	FMS Trust Fund Administrative Account
G.	DoD Royalty fee charges	Miscellaneous Receipts Account 3041
H.	Charges for the use of DoD assets (includes depreciation on purchased equipment)	Miscellaneous Receipts Account 3041 Depreciation which is included in DWCF shop rates must be retained by the DWCF
I.	Asset Use	SDAF
J.	FMS contract costs financed by DoD appropriation or fund accounts	Financing procurement appropriation or DWCF, as applicable
K.	Temporary Duty costs financed by appropriation or fund accounts	O&M and RDT&E appropriations current at the time travel is performed, or DWCF, as applicable
L.	Accessorial charge	
L.1.	Packing, crating, and handling (PC&H)	FMS Trust Fund PC&H Account
L.2.	Transportation	FMS Trust Fund Transportation Accounts
M.	FMS Administrative Surcharge	FMS Trust Fund Administrative Account
N.	FMS CAS Surcharge	FMS Trust Fund CAS Account
O.	CAS (This is a combination of cost elements A, B, and K)	MILPERS, O&M, DWCF, or Miscellaneous Receipts Account 3041, as applicable
P.	Interest charge resulting from late payment of billings (DD 645, "Foreign Military Sales Billing Statement") for accrued expenditures	Miscellaneous Receipts Account 3210, "General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified"
Q.	Mailing fee, storage, and publications	O&M or DWCF, as applicable
R.	Inventory losses	Applicable procurement or DWCF, as applicable
S.	Attrition	FMS Trust Fund Attrition Account

Note: DoD Components must maintain internal records of the dollar amounts applicable to each category of collections deposited into Miscellaneous Receipts Account 3041. One decimal sub-account must be used for each type of collection. For example, 3041.3 might be used to designate dollar amounts applicable to non-recurring cost recoupment.

VOLUME 15, CHAPTER 4: "CASH MANAGEMENT"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated December 2020 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
ALL	Updated hyperlinks and internal references throughout.	Revision

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CHAPTER 4

CASH MANAGEMENT

1.0 GENERAL

1.1 Purpose

The purpose of this chapter is to provide policies to ensure cash is available to liquidate Foreign Military Sales (FMS) Trust Fund obligations, as disbursements are due. Funds appropriated by the Congress for defense purposes cannot be used to liquidate obligations resulting from the use of FMS Trust Fund contract authority, except as authorized by law. The FMS purchaser, U.S. Government (USG) appropriation made available to finance FMS Trust Fund purchases, or a third-party payer, must meet the cash requirements (outlay authority) of each FMS Trust Fund purchaser.

1.2 Authoritative Guidance

The Arms Export Control Act (AECA), Public Law 90-629, as amended, codified as ***Title 22, United States Code, Chapter 39*** provides the authority and general rules for FMS and commercial sales of defense articles, services, and training. Implementation information on cash management procedures can be found at the Security Assistance Management Manual ***(SAMM), Chapter 9***, "Financial Policies and Procedures."

2.0 RESPONSIBILITIES

Executive Order 13637, "Administration of Reformed Export Controls," delegates authority and responsibility for the administration and functions for Security Assistance (SA), from the President, to the Secretary of Defense and the Secretary of State. The authority of the Secretary of Defense is further delegated in the DoD Directive ***(DoDD) 5105.65***, "Defense Security Cooperation Agency (DSCA)," to the Deputy Secretary of Defense, to the Under Secretary of Defense for Policy, and finally, to the DSCA Director.

2.1 DSCA

DSCA is responsible for:

2.1.1. Ensuring adequate cash availability in the FMS Trust Fund to meet DoD's financial requirements;

2.1.2. Identifying the specific issue and remedy should cash flow problems arise (e.g., collection of additional funds or other alternative financial arrangements, adjustments to ordered values, delivery timeframes, or ordered quantity);

2.1.3. Approving Standby Letters of Credit (SBLCs), Federal Reserve Bank of New York (FRBNY) accounts, and Commercial Bank Accounts (CBAs) as they may pertain to FMS financial requirements;

2.1.4. Calculating and approving, on a quarterly basis, the Termination Liability (TL) reserve amounts required to protect the USG against liability if a particular FMS-funded contract (or contract line item number (CLIN)) is terminated prior to completion;

2.1.5. Performing follow-up actions on SA Program arrearages;

2.1.6. Constructing standard payment schedules (to include any contract termination costs); and

2.1.7. Preparing special bills for those customers with approved special billing arrangements (SBAs).

2.2 Defense Finance and Accounting Service (DFAS)

DFAS is responsible for:

2.2.1. Posting purchaser cash deposits within 2 business days of notification when the Defense Integrated Financial System (DIFS) is available. When DIFS is unavailable due to scheduled maintenance, update upon availability;

2.2.2. Posting disbursements by the 20th day of the following month to FMS case accounting records;

2.2.3. Reconciling summary trust fund-level account balances in DIFS with the U.S. Department of the Treasury (Treasury) balance in the Account Summary from the Governmentwide Treasury Account Symbol Adjusted Trial Balance System;

2.2.4. Assuring that approved cash expenditure authority (EA) requests do not exceed the FMS purchaser's cash available balance in the FMS Trust Fund; and

2.2.5. Working with the accounting activities, contract payment offices, and certifying officers as appropriate to:

2.2.5.1. Ensure sufficient cash is available and approve EA requests above a country threshold prior to disbursing FMS funds, when requested;

2.2.5.2. Facilitate resolution, or resolve all rejects of EA to lessen Prompt Payment Act interest payments;

2.2.5.3. Resolve situations where EA was approved but returned without a disbursement; and

2.2.5.4. Ensure EA is obtained prior to processing a transfer, correction of charges against, or credits to the FMS Trust Fund using ***Standard Form (SF) 1080***, Voucher for Transfers Between Appropriations and/or Funds, or ***SF 1081***, Voucher and Schedule of Withdrawals and Credits.

2.3 Implementing Agencies (IAs)

IAs are responsible for:

2.3.1. Providing information needed to the DSCA (Operations Directorate, Case Writing Division) for payment schedule preparation at the line-level, in the Defense Security Assistance Management System (DSAMS). The IA will approve the schedule as part of the Letter of Offer and Acceptance (LOA) document coordination/signature process. Additional information on payment schedule preparation is in the SAMM, Chapter 9, paragraph ***C9.9.1***;

2.3.2. Developing progress payment schedules or historical cost curves systematically for DoD major weapon systems (used to determine payment schedule distributions for procured materiel requiring progress payments to contractors), and reviewing the schedules or curves when the acquisition strategy changes;

2.3.3. Reviewing all case payment schedules, at least annually, in preparation for a formal review with the FMS purchaser, or when the case value adjusts by ten percent or more;

2.3.4. Requesting and receiving EA approval prior to processing a disbursement citing the FMS Trust Fund;

2.3.5. Resolving problem disbursements using the authorities found in Volume 3, Chapter 11;

2.3.6. Validating obligations in accordance with the requirements found in Volume 3, Chapter 8, section 3.0; and

2.3.7. Performing case reviews including reviewing and reconciling general case and delivery-related data, expenditures/disbursements, and USG financial requirements.

2.3.7.1. If payment schedules are inadequate to meet USG financial requirements, the IA must promptly notify the responsible DSCA Country Financial Director, DFAS Security Cooperation Accounting (SCA), and the FMS purchaser of the additional requirements. The IA must also follow-up on this notification by issuing a revised payment schedule via an LOA modification.

2.3.7.2. During the annual review of the case, if payment schedules overstate USG financial requirements due to delays in contract award, delivery slippages, or other reasons, the IA must issue a revised payment schedule via an LOA modification or amendment. The IA is responsible for ensuring that the USG does not prematurely collect customer funds.

2.4 Payment Activities

Payment Activities are defined as the entities responsible for the payment of invoices either to commercial vendors or payees, or for executing intragovernmental payments or collections. Payment Activities are responsible for requesting and receiving EA approval prior to the certification to a disbursing officer of a voucher for a commercial payment, or an intragovernmental payment or payment refund, which cites the FMS Trust Fund.

3.0 CASH MANAGEMENT CHARACTERISTICS

3.1 Cash in Advance

The FMS purchaser must make cash deposits into the FMS Trust Fund, a DSCA-approved Federal Reserve Bank (FRB), or DSCA-approved CBA for defense articles and services sold under AECA, §§ ***21***, ***22***, and ***29*** in advance of delivery, performance, or payments to contractors, except as provided in subparagraphs 3.1.3 and 3.1.4. Foreign Military Financing (FMF) and other USG appropriations used to finance a sale executed in the FMS Trust Fund must also make advance cash collections.

3.1.1. AECA § 2761, Sales from Stocks. Payment must be made in advance, unless the President determines it to be in the national interest for payment to be made upon delivery of the article or performance of the service.

3.1.2. AECA § 2762, Procurement for Cash Sales. Without charge to any appropriation or contract authorization otherwise provided, the President may enter into contracts for the procurement of defense articles, defense services, or design and construction services in U.S. dollars, to any foreign country or international organization, if such country or international organization provides the USG with a dependable undertaking:

3.1.2.1. To pay the full amount of such contract that will assure the USG against any loss on the contract; and

3.1.2.2. To make funds available in such amounts, and at such times, as may be required to meet the payments required by the contract and any damages and costs that may accrue from the cancellation of such contract, in advance of the time such payments, damages, or costs are due.

3.1.3. AECA § 2761(d) Exception. The President may determine that delayed payment is in the national interest, and allow payment to be made without interest within 60 calendar days after delivery of defense articles from stock or rendering of in-house defense. In addition, the President may extend the 60 calendar day period to 120 calendar days if the President determines an emergency exists.

3.1.4. AECA § 2762(b) Exception

3.1.4.1. Payment within 120 calendar days after delivery of procured defense articles or rendering of procured defense services requires the following Presidential determinations:

3.1.4.1.1. It is in the national interest to issue letters of offer under this authority, and

3.1.4.1.2. The emergency requirements of the purchaser for the acquisition of such defense articles and services exceed the funds available to the purchaser to make payments on a dependable undertaking basis.

3.1.4.2. Both determinations in subparagraph 3.1.4.1, together with a special emergency request for authorization and appropriation of additional funds to finance such purchases under the AECA, are submitted to Congress for approval.

3.1.5. Initial Deposit. An initial deposit must accompany the accepted LOA to provide the cash advance required to cover the outlays and/or deliveries anticipated until receipt of the first quarterly payment. Several factors affect the initial deposit. On an exception basis, DSCA may approve emergency implementation of an FMS case. The initial deposit may be deferred to a later date agreed to by both the FMS purchaser and DSCA. Refer to the SAMM, Chapter 9, section C9.9 for initial deposit requirements.

3.1.6. Billing. DFAS SCA prepares FMS bills on a quarterly basis. The bills include information as of the end of December, March, June, and September. Payments are due on March 15, June 15, September 15, and December 15. DSCA must approve any deviations from this schedule. The bills must include the cash requirements for the calendar quarter following the payment due date. For example, a bill prepared with December data (due March 15) is to project cash requirements through June. Thus, the deposit for an LOA accepted in January would be the cash required through June, or 6 months of advance cash requirements. See Chapter 8 for a full discussion of the FMS billing process.

3.2 FMS Trust Fund

The FMS Trust Fund is managed as a single cash entity, regardless of the source of the deposits. All FMS Trust Fund deposits are accounted for at purchaser and FMS case level by source of financing. Examples of funds include FMF (FMS Credit and FMS Credit (non-repayable)) and the Military Assistance Program (MAP) Merger. Examples of other types of funds are a purchaser's national funds, which include third-party funds, and other DoD appropriated funds.

3.3 SA and Security Cooperation (SC) Funds

The USG may provide SA or SC funds annually to selected allied or friendly countries to finance the purchase of U.S. defense articles and services. It is, therefore, in the USG's interest to use and manage these limited funds as effectively as possible.

3.3.1. In determining the order of funds to be paid into the FMS Trust Fund, DSCA normally draws down MAP Merger funds up to the amount reserved for each case prior to using Building Partner Capacity (BPC) available FMF funds, followed by requesting the FMS purchaser to use other funds. Likewise, MAP Merger funds on deposit in the FMS Trust Fund will be expended prior to FMF funds, followed by the expenditure of the purchaser's national funds.

3.3.2. SA funds that become excess due to FMS case reduction or closure may be reapplied to other FMS cases with DSCA approval. However, FMS Credit Funds must not be refunded to the FMS purchaser unless those funds originated from loans, have been fully repaid by the FMS purchaser, and no delinquent accounts receivable exist.

3.3.3. SC funds are USG appropriations made available in furtherance of the BPC efforts. These funds are deposited into the FMS Trust Fund to enable the acquisition and delivery of articles and services for this purpose. Usually, BPC funds cannot be co-mingled with SA funds on any FMS case. Until such time that BPC funds are fully decoupled from the FMS Trust Fund, strict attention should be given to ensure that the original fiscal identity of these appropriated funds are not lost, leading to fiscally improper financial transactions.

3.4 SBLC

DSCA is authorized to approve an SBLC arrangement instead of the TL prepayment requirements described in subparagraph 5.1.2. An FMS purchaser, with prior approval from DSCA, may provide DSCA with a properly executed, separate SBLC to cover uncollected TL amounts for a billing quarter. In such an event, it will be necessary to deposit into the FMS Trust Fund only the amount of funds needed to cover anticipated expenditures and disbursements during the billing cycle. Refer to SAMM, Chapter 9, paragraph C9.9.1 and/or contact DSCA (Country Financial Management Division) for details on an SBLC.

3.5 FRB Accounts

3.5.1. DSCA is authorized to enter into a national funds investment account agreement with an FMS purchaser and the FRBNY for any country that finances all or a significant part of its FMS programs with national funds. The FRBNY accounts will normally not be considered for a country that finances FMS programs primarily with SA funds.

3.5.2. Upon account establishment, DSCA must compute the amount of funds to be transferred from the FMS Trust Fund to the purchaser's FRB investment account. After the establishment of the investment account, the purchaser remits all national funds payments to the FRBNY, usually identified to specific FMS cases. Payments made from FMF (FMS Credit (non-repayable) only) funds will be made directly to the FMS Trust Fund unless otherwise specified in U.S. law and/or DSCA policy.

3.5.3. DFAS SCA is authorized by the account agreement to make periodic drawdowns, as needed (usually monthly), from the FRBNY account into the FMS Trust Fund, to ensure sufficient funds are available to make payments during the succeeding 30 calendar days.

3.6 CBAs

In accordance with DoDD 5105.65, DSCA is authorized to enter into a national funds investment account agreement with an FMS purchaser who has a duly authorized CBA agreement with a commercial bank. This agreement allows the FMS purchaser to deposit FMS payments into a CBA and earn interest. DSCA manages the CBAs, which operate like the FRBNY accounts. However, funds originating from USG appropriations (e.g., FMF funds (repayable and non-repayable credits) or BPC cases) must not be deposited in this account, and TL amounts must not reside in the CBA. Any deviations must have DoD Office of the Deputy Chief Financial Officer written approval. The USG is not liable for any financial losses resulting from the deposits of the FMS purchaser's funds in the account. However, funds so deposited are considered public funds within the meaning of ***Title 31, Code of Federal Regulations, part 202***, Depositaries and Financial Agents of the Federal Government. For specific details regarding CBA agreements, refer to SAMM, Chapter 9, Section C9.11.3.

3.7 Disbursements

All cash disbursements for FMS Trust Fund purchases must be identified by FMS case identifier and line, and must not exceed the cash available in the purchaser's FMS Trust Fund account (to include MAP Merger and FMF funds). A specific case may be in a deficit cash position with the deficit being funded by the purchaser's cash advances on other cases. The cash deposited by country "X," however, must not be used to liquidate obligations incurred for country "Y" unless an FMS Trust Fund purchaser authorizes the use of its excess cash deposits to meet the cash requirements of another purchaser. A reportable adverse financial condition exists when a single purchaser's FMS Trust Fund cash summary account is in a deficit position (credit balance). See Chapter 3, section 12.0 for more information on adverse financial conditions.

4.0 PAYMENT SCHEDULES

Payment schedules are a consolidated formal presentation to the FMS purchaser of the estimates of cash advances needed to meet USG financial requirements. See section 5.0 for cash requirement calculations. The Department of Defense (DD) Form 645, FMS Billing Statement, reflects the amounts shown on the current case payment schedule or the quarterly forecast of USG financial requirements, whichever is greater. If financial requirements or anticipated disbursements exceed the current payment schedule, or SBAs have been negotiated, the billing

statement, not the payment schedule, contains the required payment amount. The IA must continually monitor USG financial requirements and confirm, at least annually, that payment schedules are accurate to ensure cash is available in an FMS purchaser's trust fund account when disbursements are needed. The DSCA Financial Policy and Analysis Division is responsible for issuing detailed guidance for payment schedule preparation. See SAMM, Chapter 9 for more information on payment schedule preparation and billing requirements.

4.1 Requirements

Payment schedule requirements will be included in each LOA in the format required in the SAMM, Chapter 9, section C9.9.

4.2 Timing

As a standard, new sales agreements can enter the billing system at DFAS SCA through the 10th calendar day of the last month of the quarter. Therefore, if a new agreement is anticipated to be accepted by the purchaser and received by DFAS SCA after the 10th calendar day of the last month of the quarter, the DoD Component should require an initial deposit for the first two quarters of the agreement.

4.3 Initial Deposit

If an LOA requires a deposit upon acceptance, the deposit must equal the FMS administrative surcharge required, plus all anticipated costs and contingencies (e.g., contract holdback and TL), until the first billing statement can be rendered and monies collected.

4.4 Payment Schedule Revision

It is essential to prepare payment schedule revisions in the manner consistent with the parameters of the FMS billing cycle. Since the payment schedule is the basis for billing the FMS purchaser, there must be an audit trail between the original payment schedule and any revision(s).

4.4.1. IA case managers are required to initiate payment schedule revisions when the LOA acceptance date is extended beyond the end of the billing quarter, to ensure that the purchaser has an LOA document that matches the payment schedule created in the billing system.

4.4.2. The payment dates shown on the revised payment schedule must be compatible with the FMS billing cycle. The payment schedule dates are in the ***SAMM, Chapter 9, Table C9.T16***.

4.4.3. Payment schedule revisions due to an amendment (change in scope) or a modification must be in accordance with subparagraphs 2.3.7.

5.0 CASH REQUIREMENT CALCULATIONS

5.1 Calculation of Initial Estimate of Cash Needed

Calculation of the cash advance needed to meet the USG financial requirements for a specific FMS case requires dividing the costs into broad cost categories. The first category is the portion of case value under the authority of AECA § 21, which includes sales from DoD inventories and the services of DoD personnel. The second category is the portion of case value under the authority of AECA § 22, which includes procurement of hardware or contractor services for the FMS purchaser. The third category is the portion of the case under the authority of AECA § 29, which involves rendering design and construction services from DoD resources.

5.1.1. Initial Estimates of Cash Needed to Meet USG Financial Requirements in Support of the AECA § 21 Effort, When Dependable Undertaking is Authorized. The cash advance needed to meet USG financial requirements for the portion of the case classified as an AECA § 21 sale must include the estimated earned reimbursements to be realized by DoD appropriation/fund accounts through the 3-month period after the payment due date of the billing statement issued by DFAS SCA.

5.1.1.1. Sales From Inventory. The drop from inventory creates the earned reimbursement, to include applicable administrative surcharges and accessorial charges. Therefore, the applicable FMS case manager will develop the estimated portion of cash needed to meet USG financial requirements based on anticipated requisition release dates.

5.1.1.2. Sales of DoD Services. Base the estimates of earned reimbursement for DoD services provided directly to the FMS purchaser, and for DoD services provided in support of an AECA § 22 contract, on the estimated portion of the services that will occur in the applicable billing period. Services also include applicable administrative surcharges and accessorial charges.

5.1.2. Initial Estimates of Cash Needed to Meet USG Financial Requirements in Support of the AECA § 22 and § 29 Effort, When Dependable Undertaking is Authorized

5.1.2.1. The cash advance needed to meet USG financial requirements for the portion of a case classified as an AECA § 22 or § 29 sale, must include estimated disbursements to contractors for contractor invoices and potential disbursements to contractors if the purchaser does not make additional cash deposits in a timely manner, or the purchaser unilaterally cancels the case. Potential disbursements to contractors include payment of contract holdbacks and termination costs that would result if the work were stopped when the cash available to pay contractor invoices is exhausted. The estimate of cash advance needed to meet USG financial requirements covers the period extending through the 3-month period after the payment due date of the FMS billing statement.

5.1.2.2. Base the cash advances needed to meet USG financial requirements in support of procurements for FMS purchasers on normal administrative and procurement lead-times for the type of commodity being procured. The use of progress payment schedules from contractors, when available, is preferred over relying on default cost curves when developing LOA

payment schedules. Tables 4-1and 4-2 show the total cash advance needed to meet USG financial requirements for contracts in terms of percentage of contract costs. The percentages are a function of procurement lead-times. Tables 4-1 and 4-2 also show the percentage of the contract value required as a reserve for potential termination costs and contract holdback in the absence of an SBLC.

5.1.2.2.1. Potential termination costs represent the liability the USG has to contractors in the event termination occurs. Such costs include all accrued direct and indirect costs, as well as profits and subcontracts not covered by progress payments to the contractor, plus any penalty contract termination charges that might be realized. Potential termination costs do not include price increases to other ongoing contracts resulting from reductions in procurement quantities.

5.1.2.2.2. In the absence of procurement history for a particular system, a similar system, or cost curves obtained from the prime contractor, Tables 4-1 and 4-2 may be used. The IAs must first exhaust all other avenues for obtaining forecasting or historical data from contractors and internal sources prior to using Tables 4-1 and 4-2 as the basis for calculating expenditure and TL prepayment requirements.

5.1.2.2.3. The percentages in Tables 4-1 and 4-2 are for procurement lead-times ranging from 6 months to 60 months. The tables may be used for the development of payment schedules included in the LOA. The percentage figures shown in Tables 4-1 and 4-2 include all applicable costs (e.g., progress payment amounts, contractor holdback, and potential TL). The amount of the cumulative monthly payment applicable to the TL/contractor holdback is shown in the second column (% TL) for each procurement lead-time.

5.1.2.2.4. The TL/contractor holdback amount is a percentage of the Cumulative Amount of Contract Cost. TL/contractor holdback amounts are cumulative throughout the life of the case, and the required percentages decline toward the end of the life of the case.

5.2 Administrative Surcharge Included in Initial Deposit

The initial deposit to accompany the LOA must include the FMS administrative surcharge expense and the cash advance needed to meet USG financial requirements (to include other applicable surcharges and accessorial charges) for the time between LOA acceptance and the first payment due date. The FMS administrative surcharge amount included in the deposit is determined by the total amount of the surcharge.

5.2.1. For cases where the calculated administrative surcharge is $30,000 or less, the entire administrative surcharge value is recouped as part of the initial deposit. For cases that have a Small Case Management Line (SCML), the entire value of the administrative surcharge and SCML is recouped as part of the initial deposit (refer to SAMM, Chapter 9, paragraph C9.4.7, for more information on SCML).

5.2.2. For cases where the calculated administrative surcharge is greater than $30,000, one-half of the administrative surcharge is recouped as part of the initial deposit. The remainder is proportionally recouped based on the dollar value of items or services delivered in each subsequent year.

5.3 Estimate of Cash Needed to Collect Nonrecurring Cost (NC) Recoupment Charges

NC Recoupment Charges are earned when the title is passed to the FMS purchaser and should be collected within 30 calendar days of being earned. The title is normally transferred at the point of origin, at the time DoD releases the item from DoD's inventory, or at the time the vendor ships the item. Refer to ***SAMM, Chapter 7, section C7.3*** for more information on title transfers.

5.4 Forecasting Procedures

Alternative forecasting procedures may be used for requisition cases (i.e., Cooperative Logistics Supply Support Arrangement and other repair parts cases). Most payment schedules for these cases tend to be overstated because of variations in both requisitioning and supply actions. To prevent substantial over-billing, each IA must review and update payment schedules in accordance with subparagraph 2.3.7.2.

6.0 QUARTERLY TL RESERVE REQUIREMENT

TL Reserve is the amount of prepayments placed in reserve on a quarterly basis. For FMS purchasers with an FRB account, the TL Reserve is maintained in their FRB account, provided sufficient funds are on deposit in the FRB to cover the TL reserved amount. Otherwise, the FMS purchaser's Trust Fund TL Reserve Account will be utilized. The TL Reserve is not an additional charge or cost. These funds are fenced for potential termination costs; however, they do not necessarily represent the entire cost to cancel the contract. These funds cannot be used for normal disbursement activities (e.g., to pay for articles/services, administrative surcharges, or accessorial charges).

7.0 CONTRACTOR REQUEST FOR PROGRESS PAYMENTS AND REIMBURSEMENT OF COSTS UNDER CONTRACTS INCLUDING FMS REQUIREMENTS

Current contracting procedures permit the procurement of both DoD and FMS purchaser(s) requirements in a single contract. Allocate the amount to be billed to DoD and to each FMS purchaser to implement FMS cash flow requirements. The part of the bill applicable to an FMS purchaser can be paid only to the extent that the FMS purchaser has sufficient cash available in its FMS Trust Fund account.

7.1 Contractor Allocations

Per the ***Defense Federal Acquisition Regulation Supplement, part 252.232-7002***, "Progress Payments for Foreign Military Sales Acquisitions," DoD contracts that include FMS requirements must require the contractor to:

7.1.1. Submit a separate progress payment request for each progress payment rate;

7.1.2. Submit a supporting schedule showing:

7.1.2.1. The amount of each request distributed to each country's requirements, and

7.1.2.2. The total price per contract line item applicable to each separate progress payment rate;

7.1.3. Identify in each progress payment request the contract requirements to which it applies (i.e., FMS or USG);

7.1.4. Calculate each request on the basis of the prices, costs (including costs to complete), subcontractor progress payments, and progress payment liquidations of the contract requirements to which it applies; and

7.1.5. Distribute costs among contract line items and countries in a manner acceptable to the Administrative Contracting Officer.

7.2 Allocation of Payments on Contracts

Allocate progress payments in accordance with Volume 10, Chapter 10, paragraph 4.2. In addition, DoD contracts that include FMS requirements must identify amounts by accounting classification reference numbers (ACRNs), CLINs, and sub-line item numbers (SLINs), if applicable. This will enable the paying office to match payments to the applicable obligations.

7.3 Contract Payment Offices

The contract payment offices must require that all bills submitted by contractors for payment include the proper ACRN/CLIN/SLIN. Contract payment offices must ensure they have all the documentation required to support payment (refer to Volume 10, Chapter 8, section 3.0), and that payments are applied to the proper ACRN/CLIN/SLIN.

8.0 DEPOSIT OF PURCHASER CASH INTO TREASURY ACCOUNTS

8.1 General

DD 645s, SBAs, and LOA financial instructions direct that foreign purchasers forward payments (initial deposits on basic LOAs, amounts due with LOA amendments, or official billing statement payments) by wire transfer or mailed check.

8.1.1. Wire transfers are the preferred method for the foreign purchaser to forward payments.

8.1.1.1. Send wire transfers to the Treasury Account at FRBNY, using the standard Federal Reserve Funds Transfer format. The Federal Reserve System (FRS) will accept wire transfers only from banks that are members of FRS. Foreign banks must go through a U.S. correspondent bank that is a member of FRS.

8.1.1.2. DFAS SCA retrieves wire transfers daily from the Treasury Financial Communications System and prepares collection vouchers from this data for crediting FMS purchasers.

8.1.2. Make checks payable to the U.S. Treasury and mail to Disbursing Operation (DFAS-IN/JFD), DSSN 3801 Center Collections - SCA, 8899 E. 56th Street, Indianapolis, IN 46249-6300, showing payment from (insert purchaser) for (insert case identifier). Any recipient of a check from an FMS purchaser is responsible for depositing the check into a Treasury account within one working day of receipt.

8.2 Misrouted Payments

When a recipient other than DFAS SCA is making a check deposit, the deposit must be processed as a courtesy deposit for DFAS SCA. The following procedures apply:

8.2.1. Prepare a deposit ticket utilizing the Over the Counter Channel (***OTCnet***) application. For information on OTCnet see Volume 5, Chapter 11, section 8.1;

8.2.2. Process the deposit through an FRB or supporting member bank; and

8.2.3. Send a copy of the deposit ticket notification to DFAS-IN/JAX, ATTN: Cash Accounting, 8899 East 56th Street, Indianapolis, IN 46249-6300. Attach the supporting documentation received with the misrouted payment. DFAS SCA must voucher the collection into the FMS Trust Fund on receipt of the supporting documentation.

9.0 EA

EA is an FMS country-level authority, which allows payments to be made against obligations previously recorded against a country's trust fund account. EA is formal segregation of trust fund cash in the FMS Trust Fund, making the cash no longer available for any other purpose.

9.1 EA Requirements

9.1.1. Most country trust fund disbursements require EA (including expenditure adjustments). All EA for administrative fund disbursements is accomplished by DFAS-IN/SCA.

9.1.2. Certifying officers engaged in FMS Trust Fund certification must verify EA was obtained. EA can be obtained by contacting DFAS SCA, or interactively from DIFS.

9.1.3. DFAS SCA can only approve and issue EA when sufficient cash is available in an FMS purchaser's trust fund account.

9.1.4. EA must be obtained during the same calendar month in which the ensuing disbursement will be made.

9.1.5. If the disbursement is not made in the same month as the EA request, the EA must be returned and reissued the subsequent month.

9.1.6. Failure to request EA prior to disbursement is subject to reporting and disciplinary requirements. Administrative control of funds and Antideficiency Act violations are outlined in Volume 14.

9.2 Cash Advances

A cash advance to an appropriation account must be obtained when a cash disbursement for an FMS contract would result in the applicable appropriation account being placed in a negative cash position. The amount requested must be equal to anticipated disbursing demands for a 30 calendar day period. Liquidation of outstanding advances (earning the advance through payment to contractors) must be reported to DFAS SCA monthly. The objective is to limit the amount and length of time that outstanding advances remain against the trust fund.

9.3 Cash Flow Problems

DFAS SCA notifies the DSCA Country Financial Director when sufficient, unencumbered cash is not available for DFAS SCA to provide cash advances or EA, and contractor billings cannot be paid by the due date. The DSCA Country Financial Director then takes appropriate action as outlined in subparagraph 2.1.2.

Table 4-1. Cumulative Monthly Payment Schedule and TL Percentages (As a percentage of contract cost) for basic cases entered before June 30, 2020

	Procurement Lead-Time							
	6 Months		9 Months		12 Months		15 Months	
Admin Lead-Time (Month)	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL
1	5.7	30	2.7	14	1.5	0	1	0
2	19.6	35	8.2	38	4.6	30	3	20
3	44.8	32	17.7	35	9.4	34	6	40
4	74.9	18	32.4	34	16.7	35	10.2	33
5	95.2	2	51.6	29	26.8	35	16	35
6	100	0	71.9	18	39.9	32	23.7	35
7			88.4	5	54.9	27	33.4	33
8			97.2	1	70.2	18	44.8	30
9			100	0	83.5	7	57.2	26
10					92.8	2	69.6	18
11					97.8	0	80.8	9
12					100	0	89.6	3
13							95.4	1
14							98.6	0
15							100	0

Table 4-1. Cumulative Monthly Payment Schedule and TL Percentages (As a percentage of contract cost) for basic cases entered before June 30, 2020 (Continued)

	Procurement Lead-Time							
	18 Months		21 Months		24 Months		27 Months	
Admin Lead-Time (Month)	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL
1	0.7	0	0.5	0	0.4	0	0.3	0
2	2.1	14	1.5	9	1.2	5	0.9	2
3	4.2	30	3.1	23	2.4	18	1.8	14
4	7.1	38	5.2	37	4.0	30	3.1	24
5	10.8	34	7.9	36	6.0	39	4.7	35
6	15.7	35	11.3	34	8.5	35	6.6	38
7	21.9	35	15.5	35	11.5	34	8.9	34
8	29.4	34	20.7	35	15.2	35	11.7	34
9	38.3	32	26.9	34	19.6	35	15.0	35
10	48.1	29	34.1	33	24.8	35	18.9	35
11	58.5	24	42.1	30	30.7	33	23.4	35
12	68.7	18	50.8	28	37.4	32	28.5	34
13	78.2	10	59.7	24	44.7	29	34.2	32
14	86.1	5	68.5	18	52.4	27	40.4	31
15	92.2	2	76.8	11	60.2	22	47.0	29
16	96.7	1	84.0	7	67.9	18	53.9	27
17	98.7	0	89.9	3	75.3	12	60.9	22
18	100.0	0	94.3	1	81.8	7	67.8	18
19			97.3	0	87.4	4	74.4	13
20			99.2	0	91.9	2	80.4	8
21			100.0	0	95.2	1	85.7	5
22					97.5	0	90.1	2
23					99.1	0	93.6	1
24					100.0	0	96.2	1
25							98.1	0
26							99.4	0
27							100.0	0

Table 4-1. Cumulative Monthly Payment Schedule and TL Percentages (As a percentage of contract cost) for basic cases entered before June 30, 2020 (Continued)

	Procurement Lead-Time							
	30 Months		33 Months		36 Months		39 Months	
Admin Lead-Time (Month)	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL
1	0.3	0	0.2	0	0.2	0	0.2	0
2	0.8	0	0.6	0	0.5	0	0.5	0
3	1.5	10	1.2	8	1.1	4	1.0	2
4	2.6	20	2.0	17	1.8	14	1.6	10
5	3.9	30	3.1	27	2.7	24	2.4	18
6	5.4	40	4.4	38	3.8	30	3.3	26
7	7.2	37	5.9	37	5.0	39	4.4	34
8	9.4	33	7.6	35	6.5	37	5.6	39
9	11.9	34	9.6	33	8.1	35	7.0	37
10	14.9	35	11.9	34	10.0	34	8.6	35
11	18.3	35	14.6	35	12.2	34	10.4	34
12	22.2	35	17.7	35	14.7	35	12.4	34
13	26.7	34	21.2	35	17.5	35	14.7	35
14	31.6	33	25.1	34	20.6	35	17.3	35
15	36.9	31	29.4	33	24.1	35	20.1	35
16	42.7	30	34.1	32	27.9	34	23.2	35
17	48.8	28	39.2	31	32.1	33	26.6	34
18	55.0	26	44.6	29	36.6	32	30.3	33
19	61.3	22	50.2	28	41.3	30	34.3	32
20	67.5	18	55.9	25	46.3	29	38.6	32
21	73.5	13	61.6	22	51.5	27	43.1	29
22	79.0	9	67.2	18	56.7	25	47.8	28
23	83.9	6	72.6	14	62.0	22	52.6	27
24	88.2	3	77.7	10	67.2	18	57.5	24
25	91.7	2	82.3	7	72.2	14	62.4	21
26	94.5	1	86.4	4	76.9	11	67.2	18
27	96.6	1	89.9	2	81.3	7	71.8	14
28	98.1	0	92.8	1	85.2	5	76.2	11
29	99.3	0	95.1	1	88.6	3	80.3	9
30	100.0	0	96.9	0	91.5	2	84.0	6
31			98.2	0	93.9	1	87.3	3
32			99.2	0	95.9	1	90.2	2
33			100.0	0	97.4	0	92.7	2

Table 4-1. Cumulative Monthly Payment Schedule and TL Percentages (As a percentage of contract cost) for basic cases entered before June 30, 2020 (Continued)

	Procurement Lead-Time							
	30 Months		33 Months		36 Months		39 Months	
Admin Lead-Time (Month)	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL
34					98.5	0	94.7	1
35					99.4	0	96.3	1
36					100.0	0	97.6	0
37							98.6	0
38							99.4	0
39							100.0	0

Table 4-1. Cumulative Monthly Payment Schedule and TL Percentages (As a percentage of contract cost) for basic cases entered before June 30, 2020 (Continued)

	Procurement Lead-Time							
	42 Months		45 Months		48 Months		51 Months	
Admin Lead-Time (Month)	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL
1	0.1	0	0.1	0	0.1	0	0.1	0
2	0.4	0	0.3	0	0.3	0	0.3	0
3	0.8	2	0.6	0	0.6	0	0.6	0
4	1.3	8	1.1	6	1.0	5	0.9	4
5	2.0	16	1.7	12	1.5	10	1.3	9
6	2.8	23	2.4	20	2.1	18	1.8	15
7	3.8	30	3.2	26	2.8	24	2.4	22
8	4.8	38	4.1	32	3.7	30	3.1	27
9	6.0	38	5.1	40	4.6	36	3.9	32
10	7.3	36	6.3	38	5.6	39	4.8	39
11	8.8	34	7.6	36	6.7	37	5.8	38
12	10.5	34	9.0	33	8.0	35	6.9	36
13	12.4	34	10.6	34	9.4	33	8.1	35
14	14.5	35	12.4	34	10.9	34	9.4	33
15	16.9	35	14.2	35	12.6	34	10.8	34
16	19.5	35	16.6	35	14.4	35	12.3	34
17	22.3	35	19.0	35	16.5	35	14.0	35
18	25.5	34	21.6	35	18.7	35	15.8	35
19	28.8	34	24.4	34	21.1	35	17.8	35
20	32.5	33	27.5	34	23.7	35	19.9	35
21	36.3	32	30.8	33	26.5	34	22.2	35
22	40.4	30	34.3	32	29.6	33	24.7	34
23	44.6	29	38.0	31	32.8	33	27.3	33
24	49.0	28	41.9	30	36.1	32	30.1	33
25	53.5	26	45.9	28	39.7	31	33.1	32
26	58.0	23	50.0	27	43.4	30	36.2	31
27	62.5	22	54.2	26	47.2	28	39.5	30
28	66.9	18	58.4	24	51.0	27	42.9	29
29	71.2	14	62.6	22	55.0	26	46.4	28
30	75.4	11	66.7	18	58.9	23	50.6	27
31	79.2	9	70.7	15	62.9	20	53.6	26
32	82.8	6	74.6	12	66.7	18	57.2	23
33	86.1	4	78.3	9	70.5	15	60.9	20

Table 4-1. Cumulative Monthly Payment Schedule and TL Percentages (As a percentage of contract cost) for basic cases entered before June 30, 2020 (Continued)

	Procurement Lead-Time							
	42 Months		45 Months		48 Months		51 Months	
Admin Lead-Time (Month)	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL
34	88.9	3	81.7	6	74.2	13	64.5	18
35	91.4	2	84.8	4	77.7	9	68.1	15
35	93.5	1	87.6	3	80.9	7	71.6	13
37	95.3	1	90.1	2	84.0	6	75.0	10
38	96.7	1	92.2	2	86.7	4	78.2	8
39	97.8	0	94.0	1	89.2	3	81.2	6
40	98.8	0	95.5	1	91.3	2	84.0	4
41	99.5	0	96.8	1	93.2	2	86.6	3
42	100.0	0	97.8	0	94.8	1	88.9	2
43			98.6	0	96.2	1	91.0	2
44			99.3	0	97.3	1	92.8	1
45			100.0	0	98.2	0	94.4	1
46					98.9	0	95.8	1
47					99.6	0	97.0	0
48					100.0	0	98.0	0
49							98.8	0
50							99.5	0
51							100.0	0

Table 4-1. Cumulative Monthly Payment Schedule and TL Percentages (As a percentage of contract cost) for basic cases entered before June 30, 2020 (Continued)

	Procurement Lead-Time					
	54 Months		57 Months		60 Months	
Admin Lead-Time (Month)	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL
1	0.1	0	0.1	0	0.1	0
2	0.2	0	0.2	0	0.2	0
3	0.5	0	0.4	0	0.4	0
4	0.8	2	0.7	1	0.6	0
5	1.2	8	1.1	6	1.0	3
6	1.7	14	1.5	12	1.4	10
7	2.3	18	2.0	17	1.8	15
8	2.9	24	2.6	22	2.3	20
9	3.6	30	3.2	27	2.9	25
10	4.4	35	3.9	33	3.6	30
11	5.3	40	4.7	38	4.3	35
12	6.3	38	5.6	39	5.1	40
13	7.3	36	6.6	37	5.9	38
14	8.5	34	7.6	35	6.9	36
15	8.7	33	8.7	33	7.9	35
16	11.2	34	9.9	33	9.0	33
17	12.7	34	10.2	34	10.1	33
18	14.3	35	12.6	34	11.4	34
19	16.1	35	14.2	35	12.8	35
20	18.1	35	15.9	35	14.3	35
21	20.2	35	17.7	35	15.9	35
22	22.4	35	19.7	35	17.6	35
23	24.8	35	21.8	35	19.4	35
24	27.4	34	24.0	34	21.4	35
25	30.1	33	26.4	34	23.5	35
26	33.0	32	28.9	33	25.7	34
27	36.0	32	31.6	33	28.1	33
28	39.1	31	34.4	32	30.6	33
29	42.4	30	37.3	32	33.2	32
30	45.7	29	40.3	31	35.9	31
31	49.1	28	43.4	29	38.7	31
32	52.6	27	46.6	28	41.6	30
33	56.1	26	49.9	27	44.6	29

Table 4-1. Cumulative Monthly Payment Schedule and TL Percentages (As a percentage of contract cost) for basic cases entered before June 30, 2020 (Continued)

	Procurement Lead-Time					
	54 Months		57 Months		60 Months	
Admin Lead-Time (Month)	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL
34	59.6	22	53.2	26	47.6	28
35	63.1	20	56.5	24	50.7	27
36	66.6	18	59.8	22	53.9	26
37	70.0	15	63.1	20	57.0	24
38	73.3	13	66.4	18	60.2	22
39	76.4	10	69.6	16	63.4	20
40	79.4	8	72.7	13	66.5	18
41	82.2	6	75.7	10	69.5	16
42	84.8	5	78.6	9	72.5	13
43	87.2	3	81.3	7	75.4	11
44	89.4	2	83.8	6	78.1	9
45	91.3	2	86.1	4	80.7	7
46	93.0	1	88.2	3	83.2	6
47	94.4	1	90.1	2	85.5	4
48	95.7	1	91.8	2	87.6	3
49	96.8	1	93.3	1	89.5	2
50	97.7	0	94.6	1	91.2	2
51	98.4	0	95.7	1	92.8	1
52	99.1	0	96.7	0	94.1	1
53	99.6	0	97.5	0	95.3	1
54	100.0	0	98.2	0	96.3	1
55			98.8	0	97.2	0
56			99.3	0	98.0	0
57			100.0	0	98.6	0
58					99.2	0
59					99.6	0
60					100.0	0

Table 4-2. Cumulative Monthly Payment Schedule and TL Percentages (As a percentage of contract cost) for basic cases entered on or after June 30, 2020

	Procurement Lead-Time							
	6 Months		9 Months		12 Months		15 Months	
Admin Lead-Time (Month)	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL
1	0.0	0	0.0	0	0.0	0	0.0	0
2	0.0	0	0.0	0	0.0	0	0.0	0
3	0.7	0	1.1	0	1.0	0	0.8	0
4	22.2	35	6.7	14	3.9	0	2.9	0
5	59.7	32	18.0	35	9.1	30	5.9	20
6	100.0	0	36.4	34	17.0	35	10.2	33
7			59.5	29	28.7	35	16.4	35
8			81.8	18	43.4	32	24.9	35
9			100.0	0	60.2	27	35.5	33
10					76.5	18	47.9	30
11					89.1	7	61.2	26
12					100.0	0	74.2	18
13							85.3	9
14							93.0	3
15							100.0	0

Table 4-2. Cumulative Monthly Payment Schedule and TL Percentages (As a percentage of contract cost) for basic cases entered on or after June 30, 2020 (Continued)

	Procurement Lead-Time							
	18 Months		21 Months		24 Months		27 Months	
Admin Lead-Time (Month)	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL
1	0.0	0	0.0	0	0.0	0	0.0	0
2	0.0	0	0.0	0	0.0	0	0.0	0
3	0.5	0	0.3	0	0.3	0	0.2	0
4	2.0	0	1.5	9	1.2	5	0.8	0
5	4.3	30	3.2	23	2.5	18	1.9	14
6	7.1	38	5.4	37	4.1	30	3.3	24
7	11.1	34	8.2	36	6.3	39	4.9	35
8	16.3	35	11.6	34	8.7	35	6.8	38
9	22.7	35	16.1	35	11.9	34	9.2	34
10	31.0	34	21.5	35	15.7	35	12.1	34
11	40.3	32	28.1	34	20.4	35	15.5	35
12	50.9	29	35.6	33	25.7	35	19.6	35
13	61.6	24	44.1	30	31.9	33	24.2	35
14	72.3	18	53.1	28	38.9	32	29.6	34
15	81.5	10	62.3	24	46.6	29	35.5	32
16	88.8	5	71.4	18	54.4	27	41.8	31
17	95.2	2	79.6	11	62.4	22	48.7	29
18	100.0	0	86.6	7	70.4	18	55.7	27
19			92.1	3	77.6	12	62.9	22
20			95.9	1	84.0	7	69.9	18
21			100.0	0	89.4	4	76.4	13
22					93.5	2	82.4	8
23					96.3	1	87.5	5
24					100.0	0	91.7	2
25							94.8	1
26							97.1	1
27							100.0	0

Table 4-2. Cumulative Monthly Payment Schedule and TL Percentages (As a percentage of contract cost) for basic cases entered on or after June 30, 2020 (Continued)

	Procurement Lead-Time							
	30 Months		33 Months		36 Months		39 Months	
Admin Lead-Time (Month)	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL
1	0.0	0	0.0	0	0.0	0	0.0	0
2	0.0	0	0.0	0	0.0	0	0.0	0
3	0.3	0	0.2	0	0.0	0	0.1	0
4	0.7	0	0.6	0	0.6	0	0.6	0
5	1.6	10	1.2	8	1.1	4	1.0	2
6	2.8	20	2.1	17	1.9	14	1.7	10
7	4.1	30	3.3	27	2.9	24	2.5	18
8	5.6	40	4.6	38	3.9	30	3.5	26
9	7.5	37	6.1	37	5.3	39	4.6	34
10	9.7	33	7.9	35	6.7	37	5.8	39
11	12.4	34	9.9	33	8.4	35	7.3	37
12	15.4	35	12.3	34	10.3	34	8.9	35
13	18.8	35	15.1	35	12.6	34	10.7	34
14	23.0	35	18.3	35	15.2	35	12.8	34
15	27.6	34	21.9	35	18.0	35	15.2	35
16	32.6	33	25.9	34	21.3	35	17.8	35
17	38.1	31	30.3	33	24.8	35	20.7	35
18	44.2	30	35.2	32	28.7	34	23.8	35
19	50.3	28	40.4	31	33.1	33	27.3	34
20	56.7	26	45.9	29	37.6	32	31.1	33
21	63.0	22	51.6	28	42.4	30	35.2	32
22	69.4	18	57.4	25	47.6	29	39.6	32
23	75.3	13	63.2	22	52.7	27	44.2	29
24	80.7	9	68.8	18	58.1	25	48.9	28
25	85.6	6	74.3	14	63.5	22	53.8	27
26	89.6	3	79.2	10	68.7	18	58.8	24
27	92.9	2	83.8	7	73.6	14	63.8	21
28	95.5	1	87.7	4	78.4	11	68.5	18
29	97.2	1	91.1	2	82.7	7	73.1	14
30	100.0	0	93.8	1	86.4	5	77.5	11
31			95.9	1	89.7	3	81.5	9
32			97.5	0	92.4	2	85.1	6
33			100.0	0	94.8	1	88.3	3

Table 4-2. Cumulative Monthly Payment Schedule and TL Percentages (As a percentage of contract cost) for basic cases entered on or after June 30, 2020 (Continued)

	Procurement Lead-Time							
	30 Months		33 Months		36 Months		39 Months	
Admin Lead-Time (Month)	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL
34					96.6	1	91.2	2
35					97.8	0	93.5	2
36					100.0	0	95.3	1
37							96.9	1
38							98.0	0
39							100.0	0

Table 4-2. Cumulative Monthly Payment Schedule and TL Percentages (As a percentage of contract cost) for basic cases entered on or after June 30, 2020 (Continued)

	Procurement Lead-Time							
	42 Months		45 Months		48 Months		51 Months	
Admin Lead-Time (Month)	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL
1	0.0	0	0.0	0	0.0	0	0.0	0
2	0.0	0	0.0	0	0.0	0	0.0	0
3	0.1	0	0.1	0	0.1	0	0.1	0
4	0.4	0	0.2	0	0.3	0	0.4	0
5	0.8	2	0.7	0	0.6	0	0.6	0
6	1.4	8	1.2	6	1.1	5	0.9	4
7	2.1	16	1.8	12	1.6	10	1.4	9
8	3.1	23	2.5	20	2.1	18	1.9	15
9	3.9	30	3.4	26	3.0	24	2.5	22
10	5.0	38	4.2	32	3.9	30	3.2	27
11	6.2	38	5.3	40	4.8	36	4.1	32
12	7.5	36	6.6	38	5.7	39	5.0	39
13	9.1	34	7.8	36	7.0	37	6.0	38
14	10.8	34	9.3	33	8.3	35	7.1	36
15	12.7	34	11.1	34	9.6	33	8.4	35
16	15.0	35	12.4	34	11.3	34	9.7	33
17	17.4	35	14.8	35	12.8	34	11.0	34
18	19.9	35	17.1	35	14.9	35	12.7	34
19	23.0	35	19.5	35	16.9	35	14.3	35
20	26.0	34	22.1	35	19.2	35	16.2	35
21	29.7	34	25.0	34	21.6	35	18.2	35
22	33.2	33	28.2	34	24.2	35	20.3	35
23	37.3	32	31.5	33	27.2	34	22.8	35
24	41.3	30	35.1	32	30.3	33	25.2	34
25	45.6	29	38.9	31	33.4	33	27.9	33
26	50.1	28	42.8	30	36.9	32	30.8	33
27	54.6	26	46.9	28	40.6	31	33.7	32
28	59.2	23	51.1	27	44.4	30	37.0	31
29	63.7	22	55.3	26	48.0	28	40.3	30
30	68.1	18	59.5	24	52.1	27	43.3	29
31	72.6	14	63.7	22	55.9	26	48.4	28
32	76.5	11	67.8	18	60.1	23	50.9	27
33	80.3	9	71.8	15	63.9	20	54.4	26

Table 4-2. Cumulative Monthly Payment Schedule and TL Percentages (As a percentage of contract cost) for basic cases entered on or after June 30, 2020 (Continued)

	Procurement Lead-Time							
	42 Months		45 Months		48 Months		51 Months	
Admin Lead-Time (Month)	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL
34	84.0	6	75.8	12	67.7	18	58.2	23
35	87.0	4	79.4	9	71.6	15	61.8	20
35	89.8	3	82.7	6	75.3	13	65.5	18
37	92.2	2	85.7	4	78.6	9	69.1	15
38	94.3	1	88.5	3	82.0	7	72.6	13
39	95.9	1	90.9	2	84.8	6	76.0	10
40	97.1	1	92.9	2	87.6	4	79.1	8
41	98.3	0	94.5	1	89.9	3	82.1	6
42	100.0	0	96.1	1	92.0	2	84.9	4
43			97.2	1	93.8	2	87.3	3
44			98.1	0	95.4	1	89.7	2
45			100.0	0	96.6	1	91.6	2
46					97.7	1	93.4	1
47					98.4	0	94.9	1
48					100.0	0	96.3	1
49							97.4	0
50							98.3	0
51							100.0	0

Table 4-2. Cumulative Monthly Payment Schedule and TL Percentages (As a percentage of contract cost) for basic cases entered on or after June 30, 2020 (Continued)

	Procurement Lead-Time					
	54 Months		57 Months		60 Months	
Admin Lead-Time (Month)	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL
1	0.0	0	0.0	0	0.0	0
2	0.0	0	0.0	0	0.0	0
3	0.0	0	0.1	0	0.1	0
4	0.3	0	0.2	0	0.3	0
5	0.5	0	0.4	0	0.3	0
6	0.8	2	0.8	1	0.7	0
7	1.3	8	1.1	6	1.1	3
8	1.9	14	1.6	12	1.4	10
9	2.4	18	2.2	17	1.9	15
10	3.0	24	2.7	22	2.4	20
11	3.7	30	3.3	27	3.1	25
12	4.6	35	4.0	33	3.7	30
13	5.6	40	4.9	38	4.5	35
14	6.4	38	5.9	39	5.2	40
15	8.4	36	6.8	37	6.2	38
16	6.8	34	7.8	35	7.1	36
17	10.1	33	9.7	33	8.2	35
18	11.5	34	8.4	33	9.1	33
19	13.0	34	11.4	34	10.4	33
20	14.6	35	12.9	34	11.7	34
21	16.5	35	14.6	35	13.1	35
22	18.6	35	16.2	35	14.6	35
23	20.6	35	18.1	35	16.3	35
24	22.9	35	20.2	35	17.9	35
25	25.4	35	22.2	35	19.8	35
26	27.9	34	24.5	34	21.9	35
27	30.8	33	26.9	34	23.9	35
28	33.7	32	29.5	33	26.2	34
29	36.6	32	32.2	33	28.7	33
30	39.9	31	35.1	32	31.2	33
31	43.2	30	38.0	32	33.8	32
32	46.5	29	41.0	31	36.5	31
33	50.0	28	44.1	29	39.4	31

Table 4-2. Cumulative Monthly Payment Schedule and TL Percentages (As a percentage of contract cost) for basic cases entered on or after June 30, 2020 (Continued)

	Procurement Lead-Time					
	54 Months		57 Months		60 Months	
Admin Lead-Time (Month)	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL
34	53.5	27	47.4	28	42.4	30
35	57.0	26	50.7	27	45.3	29
36	60.5	22	54.0	26	48.3	28
37	64.1	20	57.3	24	51.6	27
38	67.5	18	60.6	22	54.6	26
39	71.0	15	64.0	20	57.8	24
40	74.2	13	67.3	18	61.1	22
41	77.3	10	70.5	16	64.3	20
42	80.3	8	73.5	13	67.3	18
43	83.0	6	76.6	10	70.3	16
44	85.6	5	79.4	9	73.4	13
45	88.0	3	82.1	7	76.2	11
46	90.0	2	84.5	6	78.8	9
47	92.0	2	86.8	4	81.5	7
48	93.4	1	88.8	3	83.9	6
49	94.9	1	90.7	2	86.2	4
50	96.1	1	92.3	2	88.2	3
51	97.2	1	93.8	1	90.0	2
52	97.9	0	95.0	1	91.8	2
53	98.7	0	96.1	1	93.2	1
54	100.0	0	97.0	0	94.6	1
55			97.8	0	95.6	1
56			98.4	0	96.6	1
57			100.0	0	97.6	0
58					98.2	0
59					98.9	0
60					100.0	0

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 5: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 15, CHAPTER 6: "CASE FILES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated June 2021 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision

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CHAPTER 6

CASE FILES

1.0 GENERAL

1.1 Overview

1.1.1 National Archives and Records Administration (NARA). Within the Federal Government, NARA is responsible for promulgating procedures for the disposal of all U.S. Government (USG) records. The NARA Records Management Program provides guidance and assistance for the management and disposition of Federal records in the General Records Schedules (GRS).

1.1.2. DoD Records Management Program. The DoD Records Management Program outlines records management policy and responsibilities. Within DoD, there are 26 Records Management Programs, each with an appointed ***Federal Agency Records Officer***, Records Management Manual, Instruction or Regulation, and Records Disposition Schedules (RDS). DoD's RDS must comply with NARA guidelines and may include additional financial records used in DoD business operations that are not listed in the NARA GRS.

1.1.2.1. DoD requires documentation to be retained for longer than the NARA requirement if the documentation will be used to support an audit. See Volume 1, Chapter 9, subparagraph 2.1.3 and Figure 9-1 for more information.

1.1.2.2. The Defense Security Cooperation Agency (DSCA) may issue exceptions to retention periods if there is a determination that Security Cooperation cases (hereafter "case files") are needed for any other business purpose that may require access to the documentation (e.g., records associated with ongoing litigation proceedings and country suspensions). Consult your DoD-appointed Federal Agency Records Officer for additional guidance regarding Foreign Military Sales (FMS) records retention.

1.1.3. Case Files. Case files may be maintained in a decentralized manner by the various activities having responsibility for actions associated with the case. Each activity must maintain a comprehensive record of relevant correspondence, worksheets, and officially prepared forms that constitute a complete audit trail from the time of case initiation through case closeout or retirement.

1.1.4. Electronic Files. Reference to the Defense Security Assistance Management System (DSAMS) and other electronic files (including e-mail correspondence and compact disk read-only memory) is encouraged, provided such files are complete, secure, and readily retrievable. Electronic imaging is strongly encouraged to preserve documentation (e.g., historical documents and signature pages), when retention of the paper originals, or a copy of such documents, is materially expensive but necessary to protect USG interests.

1.1.5. Supporting Documentation. The case manager must maintain a directory of supporting documentation locations. All supporting documentation must be reviewed carefully prior to disposal or retirement. In addition, coordinate with your DoD-appointed Federal Agency Records Officer for appropriateness and any potential litigation holds. A closed case from an FMS purchaser perspective may remain open from a DoD accounting perspective.

1.2 Purpose

This chapter establishes guidance on maintaining documents for case files. The guidance is designed to facilitate uniformity of case file maintenance and ensure that all necessary documentation is readily available and retrievable by the appropriate activities. All policy applies regardless of storage media (i.e., electronic and/or hard copy).

1.3 Authoritative Guidance

Authorities for case file policy include:

1.3.1. ***Title 36 of the Code of Federal Regulations, subchapter B, parts 1220-1239***, "Records Management;"

1.3.2. The Federal Acquisition Regulation ***(FAR) 4.805***, "Storage, Handling, and Contract Files;"

1.3.3. NARA, ***GRS 1.1***, "Financial Management and Reporting Records," which maintains FMS minimum document retention requirements; and

1.3.4. ***DoD Instruction (DoDI) 5015.02***, "DoD Records Management Program."

2.0 CONCEPTS AND REQUIREMENTS

2.1 General

2.1.1. Maintain case files in official folders, uniformly titled, and filed by section as discussed in paragraph 3.1. When more than one file folder is required, the folders must be appropriately numbered (e.g., 1 of 2 or 2 of 2). The documents placed in each folder must be maintained in chronological sequence by section.

2.1.2. When a case is implemented, each implementing DoD Component must identify and direct which supporting activities are to maintain the required documentation on file. For example, a copy of the Letter of Offer and Acceptance (LOA) may be on file with several activities, while copies of contracts applicable to that case would have a more limited distribution.

2.1.3. Certain records associated with a case may be voluminous listings that are too large to be printed and placed in official folders. Instead of filing the listing in the folder, annotate on the General Information Cover Sheet, or within the file itself, where such electronic information is located. The purpose of filing such documents, or cross-referencing notes to such documents,

is to maintain the integrity of the case audit trail and to consider all applicable information during case execution and at case closure.

2.1.4. The uniform case folder, as outlined in section 3.0, lists those documents considered to be of primary relevance on a DoD-wide basis. DoD Components may also wish to include additional documents as part of the case file. The inclusion of such documents is encouraged, and it is recommended that they be filed in the form of numbered appendices following in sequence after the required sections.

2.1.5. The value of the uniform case folder is in maintaining a complete and accurate record for audit purposes and ensuring a standard and systematic approach to case file maintenance. With management support, it may also serve as a checklist of planned and completed actions, thereby facilitating the case execution and closure process. In addition, the existence of a comprehensive and well-maintained file facilitates supervisory reviews and brings greater efficiency to the transfer of ongoing case management responsibilities.

2.2 Responsibilities

Each DoD Component, Implementing Agency (IA), and the Defense Finance and Accounting Service (DFAS), in its role as an accounting service provider, is responsible for maintaining its respective portion of the case file as required in section 3.0.

3.0 UNIFORM CASE DOCUMENTATION

3.1 Documentation Requirements

The minimum required documentation for complete and effective case management includes the following sections:

3.1.1. General Information Cover Sheet: see Table 6-1;

3.1.2. Letter of Request (LOR) Documentation: see Table 6-2;

3.1.3. Planning Information: see Table 6-3;

3.1.4. Security Assistance (SA) Survey Documentation: see Table 6-4;

3.1.5. FMS Contractual Instruments Documentation: see Table 6-5;

3.1.6. Financing Arrangements Documentation: see Table 6-6;

3.1.7. Financial Control Documentation: see Table 6-7;

3.1.8. Implementation Directives Documentation: see Table 6-8;

3.1.9. DSAMS and DSCA 1200 System Update Documentation: see Table 6-9;

3.1.10. Case Execution Documentation: see Table 6-10;

3.1.11. Special Logistics Documentation: see Table 6-11;

3.1.12. Accessorial Charges Documentation: see Table 6-12;

3.1.13. Government Furnished Materiel (GFM) Documentation: see Table 6-13;

3.1.14. FMS Billing Documentation: see Table 6-14;

3.1.15. Supply Discrepancy Report (SDR) Billing Documentation: see Table 6-15;

3.1.16. Review Information: see Table 6-16;

3.1.17. Case Closure Documentation: see Table 6-17; and

3.1.18. Reopened Case Documentation: see Table 6-18.

3.2 Documentation Maintenance and Disposition

The documentation must be accumulated throughout the life of the case from inception through final case closure. IAs may retire, but not destroy, closed case file records to document storage areas upon final case closure by DFAS. DFAS may retire, but not destroy, closed case file records, including delivery listings, no earlier than one year from the date of the latest case-related correspondence with the purchaser or final case closure, whichever is later. DoD Components, IAs, and DFAS must maintain an accurate record of the location of all retired records to ensure they can be located as needed. For more detailed guidance on records retention policy, consult the appropriate DoD-appointed Federal Agency Records Officer using the link provided in subparagraph 1.1.2.

Table 6-1. General Information Cover Sheet

General Information Cover Sheet	
1. Case Identifier	
2. Cognizant Personnel Information **a)** Name **b)** Phone number **c)** E-mail address **d)** Dates of tenure, if responsibilities are transferred from one individual to another during the life of the case	**A.** Country/Case Manager at each level Major/Systems Command International Logistics Control Office DFAS Security Cooperation Accounting (SCA)
	B. Others as required Inventory/Item manager focal point Procurement office focal point
3. Key planning milestones; see Figure 6-1 for an example	

Table 6-2. LOR Documentation

LOR Documentation
1. LOR for price and availability data or LOA data
2. Correspondence and other information relative to primary inquiry

Table 6-3. Planning Information

Planning Information	
1. Price and availability/LOA data relative to the case	
2. LOA data used to prepare the LOA format	**A.** Tasking direction
	B. Internal memoranda/worksheets
	C. Financial analysis and termination liability reserve data
	D. Methodology for computing the payment schedule reflected in the LOA
	E. Pricing data (e.g., DSAMS Document Pricing Calculations Report - RP069)
3. Response(s) to foreign purchaser if initially presented in a format other than an LOA	
4. Correspondence related to exceptions or waivers (e.g., nonrecurring cost recovery)	

Table 6-4. SA Survey Documentation

SA Survey Documentation
1. Defense Requirements Survey Report
2. Site Survey Report

Table 6-5. FMS Contractual Instruments Documentation

FMS Contractual Instruments Documentation	
1. Congressional notification documentation	
2. LOA	
3. Amendment(s) to the LOA	
4. Modification(s) of the LOA	
5. Any memoranda of understanding or memoranda of agreement relating to the LOA, amendments, or modifications	
6. Correspondence relative to internal review(s)/coordination	**A.** Letter forwarding an advanced copy of (unsigned) LOA to purchaser pending the results of congressional review, if applicable
	B. Letter of transmittal of countersigned LOA, if applicable
7. Correspondence/letters of transmittal to purchaser and acceptance of the LOA	

Table 6-6. Financing Arrangements Documentation

Financing Arrangements Documentation
1. Financing agreements
2. North Atlantic Treaty Organization country-to-country agreements
3. Requests and approvals for special waivers from routine loan conditions
4. FAR/Defense Federal Acquisition Regulation Supplement exception requests and approvals
5. Supporting documentation for pricing waiver requests and approvals (see DSCA Manual 5105.38-M, "Security Assistance Management Manual" ***(SAMM), Chapter 9, C9.6***, "Pricing Waivers" for waiver types and descriptions)

Table 6-7. Financial Control Documentation

Financial Control Documentation
1. Request and Approval of ***DoD (DD) Form 2060***, FMS Obligational Authority (or automated system equivalent)
2. DD Form 2061, FMS Planning Directive (or automated system equivalent). See Chapter 2, Figure 2-4 for an example
3. Expenditure authorizations
4. Documentation concerning DoD Component internal allotments or delegations of obligational and expenditure authorizations
5. Final Case Closure Worksheet, as applicable

Table 6-8. Implementation Directives Documentation

Implementation Directives Documentation
1. FMS program/case directives
2. Program management plans
3. Implementing project directives
4. Implementation letters
5. Amendments or updates to #1-4

Table 6-9. DSAMS and DSCA 1200 System Update Documentation

DSAMS and DSCA 1200 System Update Documentation
Copies of worksheets or other evidence that the DSAMS and DSCA 1200 systems were updated at the appropriate times

Table 6-10. Case Execution Documentation

Case Execution Documentation
1. Documents substantiating annual financial and logistical reconciliation (see Chapter 7)
2. Documents substantiating payment schedule revisions (see Chapter 4) to include purchaser-requested schedules (and approvals)
3. Purchase requests
4. USG contracts with commercial vendor, to include statements of work, as applicable
5. Work requests and project orders
6. Reimbursable Orders. Include records management documentation as defined in Section 4 of ***DoDI 4000.19***, "Support Agreements," to substantiate general terms and conditions. Also retain accepted order documentation such as Military Interdepartmental Purchase Requests (MIPR) and/or Interagency Agreements, and applicable receipt and acceptance documentation
7. Assisted Acquisitions. Accepted MIPR and/or funding documentation. Copies of contract documentation and associated statements of work, as applicable
8. Internal billing documentation (e.g., ***Standard Form 1080***, Voucher for Transfers Between Appropriations and/or Funds; ***DD Form 250***, Material Inspection and Receiving Report (or automated system equivalent); temporary duty orders/vouchers)
9. Receipt document from FMS purchaser or purchaser's representative (a freight forwarder), with official purchaser signature
10. Invitational travel orders
11. DFAS SCA-prepared Command Pay Listing (if filed in the case file folder)

Table 6-11. Special Logistics Documentation

Special Logistics Documentation
1. Cooperative Logistics Supply Support Arrangements FMS Order I Equity Listing
2. Concurrent Spare Parts listing
3. Other (e.g., Air Force Security Assistance Management Integration System local management reports)

Table 6-12. Accessorial Charges Documentation

Accessorial Charges Documentation
Applicable documentation to substantiate the reporting of actual (instead of the estimated percentage) packing, crating, and handling (PC&H); transportation; port loading and unloading; and staging costs

Table 6-13. GFM Documentation

GFM Documentation
Note: The inclusion of GFM as part of a case requires special attention from a financial standpoint since the GFM becomes a part of the major item being procured. Unless this information is included as part of another section, this section should have the documentation listed in #1-3
1. Listing, by contract number, of contracts under which GFM may be requisitioned by contractors
2. Listing of GFM by requisition or document numbers
3. Worksheets/backup data showing that PC&H and transportation costs for other than Defense Working Capital Funds items has been added to the base price of GFM

Table 6-14. FMS Billing Documentation

FMS Billing Documentation
Note: The detailed nature and size of this documentation may render inclusion in the case folder impractical. In such instances, it is sufficient to maintain a local record or checklist showing that the documentation and lists have been reviewed, as necessary, to monitor progress, detect errors, and perform satisfactory financial oversight.
1. DD Form 645, FMS Billing Statement (or automated system version equivalent), and financial forecast attachments. Replies to purchaser requests for adjustments are filed in a subsequent section. Include any documents pertaining to special billing arrangements directly associated with the case.
2. Documentation relating to delivery transactions
3. DFAS SCA worksheets and correspondence maintained in the case file folder appendices
4. Correspondence related to authorized exceptions to normal billing procedures

Table 6-15. SDR Billing Documentation

SDR Billing Documentation
1. SDRs
2. Correspondence/documentation relative to such discrepancies
3. DFAS SCA reply to purchaser requests for listing of adjustments

Table 6-16. Review Information

Review Information	
The minutes and other correspondence resulting from:	**A.** FMS implementation review
	B. Country program/case review
	C. FMS financial management review

Table 6-17. Case Closure Documentation

Case Closure Documentation
1. The DoD Component's case closure certification to DFAS SCA. The final DD Forms 2060 and 2061s should be on file in the "Financial Control Documents" section
2. Any correspondence with DFAS SCA, or other organizations, relative to the case closure certification
3. The final DD Form 645 (DFAS SCA only)
4. The case closure checklist (see ***SAMM, Appendix 7 Chapter 4, A7.C4.3***)
5. The case closure notification sent to DFAS SCA via e-mail or fax, as well as the system generated C1I case closure transaction (see ***SAMM, Appendix 7 Chapter 4, A7.C4.7***)
6. A directory identifying the location of stored case records

Table 6-18. Reopened Case Documentation

Reopened Case Documentation
Note: This section is only operative if the case, once closed, must be reopened.
1. All correspondence and data about why the case had to be reopened, including the written authorization(s) approving the reopening
2. The re-finalized DD Forms 2060 and 2061s (filed in the "Financial Control Documentation" section)
3. The closure certification
4. The final DD Form 645

Figure 6-1. Key Planning Milestones Template

Event	Planned Date of Completion	Actual Date of Completion
LOR acknowledged		
Completed DD 2061 or automated DSAMS (RP069)		
LOA Data completed		
Congressional notifications completed as necessary		
LOA prepared		
LOA countersigned/mailed to purchaser		
LOA implemented		
LOA lines delivery complete (delivery transactions with estimated prices submitted)		
001		
002		
Additional lines as needed		
LOA lines financially complete (delivery transactions with actual prices submitted)		
001		
002		
Additional lines as needed		
Final DD 2060 forwarded to DFAS SCA		
Case closure notification forwarded to DFAS SCA		

Note: Other milestone plans as developed by the IAs may be used.

VOLUME 15, CHAPTER 7: "PRICING"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated March 2025 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Administrative updates in accordance with standard operating procedures. September 2025: Updates from the previous version dated March 2025 remain in blue font.	Revision
15.2.3.1, 15.2.3.2, 15.2.4	This revision incorporated and cancelled the Deputy Chief Financial Officer memorandum titled, "Pricing of Defense Articles Sold via Foreign Military Sales from Stock (FPM 24-01)," dated April 30, 2024.	Cancellation
24.2	Added Section 1202 of the National Defense Authorization Act for Fiscal Year 2025 amended ***10 U.S.C. § 352(e)***. With that update, the Naval Small Craft Instruction and Technical Training School is dedicated as a course listed in Paragraph 24.	Addition

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CHAPTER 7

PRICING

1.0 GENERAL

1.1 Purpose

The purpose of this chapter is to establish a pricing policy for articles, services, and training and to ensure the DoD Components engaged in Security Cooperation (SC) uniformly and consistently apply pricing methodologies that recoup current period costs and a reasonable contribution to nonrecurring Research, Development, Test, and Evaluation (RDT&E) and production costs. Nonrecurring RDT&E and production costs represent historical decisions to expend RDT&E funds to develop new equipment or to purchase assets or facilities. Foreign Military Sales (FMS) customers and Building Partner Capacity (BPC) partner nations benefit from the investment decision, although it is based entirely on DoD requirements when they purchase related equipment or when the use of the assets and facilities is necessary to provide ordered services or to deliver ordered material.

1.2 Authoritative Guidance

The Arms Export Control Act (AECA), Public Law 90-629, as amended, codified as Title 22, United States Code (U.S.C.) Chapter 39 (***22 U.S.C. Chapter 39***) and the Foreign Assistance Act (FAA), Public Law 87-195, as amended, codified as ***22 U.S.C. Chapter 32***, provide the authority and general rules for FMS pricing policy.

2.0 RESPONSIBILITIES

2.1 Price Establishment

The DoD Components that sell defense articles or services under the authority of the AECA and/or the FAA must:

2.1.1. Ensure defense articles and services provided to FMS purchasers are priced in accordance with the policies established in this chapter; and

2.1.2. Establish a single selling price for defense articles and services. A single selling price includes the additional charges for nonrecurring RDT&E and production costs, costs for recurring procurement support efforts, transportation costs when the use of DoD transportation is approved, and other applicable surcharges.

2.2 Price Information

The DoD Components must:

2.2.1. Ensure each price estimate provided to a FMS purchaser is a reasonable

approximation of the final price. However, the fact that an estimate is not consistent with the final cost accumulation does not negate the requirement to establish a final price (actual cost) in accordance with this chapter;

2.2.2. Provide detailed price and cost information upon request by the FMS purchaser. Proprietary cost and pricing data must not be disclosed unless there is prior authorization from the contractor concerned;

2.2.3. Present prices of defense articles and services to FMS purchasers and DoD Components in the format of FMS Letters of Offer and Acceptance (LOAs) or BPC pseudo-LOAs (unless otherwise specified, references to an LOA in this chapter apply to both types of documents). Surcharges prescribed in this chapter are subject to change without prior approval of the purchaser. The administrative surcharge applicable to each line on the LOA is to be specified in a note in each LOA document. The LOA must be used unless a waiver is obtained from the Director, Defense Security Cooperation Agency (DSCA), to use a suitable substitute instrument. Any substitute instrument must contain the same cost elements as those identified on the LOA; and

2.2.4. Directly cite the FMS Trust Fund (11X8242) purchaser(s) subaccount(s) on contractual documents for new procurements initiated as a result of accepted and implemented FMS LOAs. When funds are provided by another Implementing Agency (IA), when possible, coordinate to directly cite the FMS Trust Fund (11X8242) purchaser(s) subaccount(s) on contractual documents for new procurements.

2.3 Transportation

The DoD Components must ensure that the transportation of material, other than Defense Working Capital Fund (DWCF) material, sold to FMS purchasers is accomplished through the use of Collect Commercial Bills of Lading (CCBL) to the maximum extent possible. When transportation is accomplished through the use of Government Bills of Lading (GBLs), including DWCF material, the GBL must be annotated to show that Interstate Commerce Act, Section 10721 (***49 U.S.C. Section 10721***) is not applicable and that normal commercial rates must be billed to the United States Government (USG) for the shipment. Refer to the DSCA 5105.38-M, Security Assistance Management Manual ***(SAMM) C7.6*** and ***SAMM C15*** for guidance on the use of the Defense Transportation System (DTS) in support of FMS and BPC cases.

2.4 Case Management

2.4.1. The DoD Components must assign a case manager to each active FMS case. The case manager is responsible for the total financial and logistical aspects of the case including:

2.4.1.1. Prescribed pricing policies are followed;

2.4.1.2. Delivery reports have been submitted to the Defense Finance and Accounting Service (DFAS), Security Cooperation Accounting (SCA) Directorate; and

2.4.1.3. Reconciliation of the FMS case financially and logistically throughout the life of the FMS case has occurred, and not less than annually:

2.4.1.3.1. On the anniversary of each major case, and/or

2.4.1.3.2. In preparation for a review with the FMS purchaser.

2.4.2. The case manager's authority to direct other supporting activities must be commensurate with the responsibilities in subparagraphs 2.4.1.1-3. Refer to ***SAMM C2*** for additional discussion on case management responsibilities.

2.5 Buy Back

The DoD Component must ensure that the USG "buy back" of items from foreign governments initially sold under FMS programs is conducted in accordance with procurement rules involving the obligation of DoD appropriations. Monies due as a result of such procurement may be paid by the DoD Payment Activity into the FMS Trust Fund in accordance with the foreign government's instructions (e.g., applied to a case or a cash refund). The FMS purchaser's "buy back" holding account is used as an audit trail for the transaction. A direct exchange is permitted for a reparable item of the same type under certain circumstances (see subparagraphs 15.2.2.2-3).

3.0 ESTIMATING PRICES AND BILLED VALUES FOR AN LOA

FMS pricing policy for an LOA stipulates how costs are determined when the FMS purchaser is billed and establishes how to develop a price estimate. An essential difference between the billed price and the estimated price on an offer is the degree of firmness associated with each pricing method. ***22 U.S.C. § 2751*** states that sales are approved only when they are consistent with the foreign policy interest of the United States (U.S.) and the purpose and principles of the United Nations Charter.

3.1 Pricing Requirements

3.1.1. Defense Articles and Services from Stock. ***Title 22 U.S.C. § 2761(a)(1)*** The President may sell defense articles and defense services from the stocks of the Department of Defense and the Coast Guard to any eligible country or international organization if such country or international organization agrees to pay in U.S. dollars for:

3.1.1.1. Defense articles not intended to be replaced at the time of such agreement is entered into, not less than the actual value.

3.1.1.2. Defense articles intended to be replaced at the time of such agreement is entered into, the estimated cost of replacement of such article, including the contract or production costs less any depreciation in the value of such article; or production costs less any depreciation in the value of such article.

3.1.1.3. Defense services, for the full cost to the USG of furnishing such service, except in the case of training sold to a purchaser under the terms in paragraph 21.1. In this latter case, only those additional costs that are incurred in furnishing such assistance must be recovered.

3.1.2. Charges Applicable to the Sale of Defense Articles or Services. Title 22, U.S.C. § 2761(e)(1) states that the selling price must include appropriate charges for:

3.1.2.1. Administrative services, calculated on an average percentage basis to recover the full estimated costs (excluding a pro rata share of fixed base operations costs) of administration of sales made to all purchasers of such defense articles and services as specified in *22 U.S.C. § 2792*(b) and (c).

3.1.2.2. A proportionate amount of any nonrecurring costs (NC) of Research and Development (R&D) and production of major defense equipment (MDE), except for equipment wholly paid for either from U.S. military assistance funds under *22 U.S.C. § 2311(a)(3)*, or from U.S. credit funds made available on a non-repayable basis under *22 U.S.C. § 2763*; and

3.1.2.3. The recovery of ordinary inventory losses associated with the sale of defense articles that are being stored at the expense of the purchaser of such articles.

3.1.3. Price of New Procurement. *22 U.S.C. § 2762* requires eligible countries or international organizations to pay the full amount of the contract and any damages and costs that may accrue due to the cancellation of such contracts (termination liability) when the USG enters into a contract for a new procurement on their behalf. Payment to the USG by the foreign country or international organization must be in U.S. dollars.

3.1.4. Price of Design and Construction Services. *22 U.S.C. § 2769* requires that foreign countries or international organizations pay the full cost of design and construction services and any damages and costs that may accrue due to the cancellation of such contracts when the USG enters into a contract for design and construction services on their behalf.

3.2 LOA Values

3.2.1. On the LOA, the estimated price is to be a reasonable approximation of the amount that will ultimately be billed, including the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) inflation indices and other factors. Amounts to be placed on the LOA, except unit price, will be rounded to the next whole dollar. LOAs are written either as a defined order, blanket order, or as a Cooperative Logistics Supply Support Agreement (CLSSA). Pricing for each type of LOA requires special treatment. Moreover, an LOA may involve lines that are defined order or blanket order, while CLSSA cases have no other lines. An LOA must include only prices for defense articles and services sold to FMS purchasers and must not be adjusted for any reason other than authorized by this chapter (such as for inflation or for contingencies).

3.2.2. Defined Order LOAs. Defined Order LOAs are for specified defense articles or services and are usually written for the acquisition of systems. Orders are normally placed by the IA following LOA implementation.

3.2.2.1. Cost Estimates. IAs involved in procuring such systems should have available estimates of the expected costs as the basis for developing the FMS price. These estimates, however, must be validated for the configuration to be delivered. Additional charges detailed in other sections of this chapter must also be applied. When developing estimates for weapon systems in different configurations than those for which IA estimates are available, the IA should obtain contractor estimates for the different configurations.

3.2.2.2. Inflation. When a price estimate must be inflated for delivery of a weapon system several years in the future, OUSD(C)-published inflation indices must be used. If other price inflation or alternate OUSD(C)-published factors apply, those factors must be documented in case files and justified to OUSD(C) for approval before finalizing LOAs.

3.2.3. Blanket Order LOAs. Blanket Order LOAs are for categories of defense articles or services with no definitive listing of items or quantities to be provided.

3.2.3.1. Cost Estimates

3.2.3.1.1. For hardware support items, the price developed may be based on either a computer listing of specified parts or a percentage of the cost of the major system to be supported. In other instances, the price on the LOA may simply be a dollar value line to enable the purchaser to requisition those items up to the dollar ceiling in the Letter of Request. In the latter case, the amount written into the LOA can rely in part on the estimated activity in the country's program.

3.2.3.1.2. In developing a price for LOA purposes where a blanket order is involved, the source of supply might not be known. In this case, certain assumptions must be made. For example, in writing a blanket order case for spare parts for an aircraft, an agency may have to make assumptions about the source and value of items in order to estimate various pricing elements. This allows the analyst to apply the appropriate costs and charges. At the time of the billing for delivery of an item charged to the case, the appropriate surcharges must be applied by DFAS SCA in accordance with ***Chapter 8***, "Billing and Reimbursement." Agencies that have developed an ordering history for certain countries or weapon systems may be able to develop a ratio for items using procurement data and items from stock that enable a more precise application of surcharges for the estimate.

3.2.3.2. Inflation. When developing a price for items to be delivered beyond the period for which pricing data is available, it will be necessary to apply inflation factors as in defined order cases.

3.2.4. CLSSA. CLSSA LOAs are designed to provide responsive and continuous supply support at the depot level for U.S.-made military material possessed by foreign countries and international organizations. CLSSAs are normally the most effective means for providing common repair parts and secondary item support for equipment of U.S. origin that is in allied and friendly country's inventories. Pricing for CLSSA LOAs must be estimated per section 8.0.

3.3 Billing Values

On the DoD (DD) Form 645, FMS Billing Statement, or automated equivalent, the price, at the point in time when actual costs are known and reported to DFAS SCA, should be firm and exact (the exception being "E" (Estimated) price code transactions). The billed cost (except when a rounded dollar indicator code is utilized) is detailed in dollars and cents.

4.0 ACCESSORIAL COSTS

Accessorial costs represent certain expenses incidental to issues, sales, and transfers of material that may or may not be included in the standard price or contract cost of material. The various types of accessorial costs that may be applicable to FMS shipments include packing, crating, and handling (PC&H); transportation; port loading and unloading; and staging.

4.1 PC&H

4.1.1. PC&H includes the costs incurred at DoD facilities for labor, materials, or services in removing requisitioned articles from storage locations, preparing them for shipment from the storage or distribution points, and processing necessary material release confirmation documents.

4.1.2. PC&H costs will be based on the original acquisition value of material sold from DoD inventories to recover the cost, except for DWCF items delivered after October 1, 1990, since DWCF standard pricing already includes PC&H. PC&H will not be assessed on articles shipped directly from the manufacturer since no in-house DoD labor, materials, or services are involved. Actual costs should be used when known. If actual costs are not available or are not cost effective to obtain, a surcharge rate can be used. Prescribed PC&H rates are:

4.1.2.1. A PC&H rate of 3.5 percent is added to the original acquisition value of material with a unit price of $50,000 or less (***SAMM C9.T4***); and

4.1.2.2. An additional charge added at a rate equal to 1 percent of that portion of the original acquisition value of material with a unit price over $50,000 (SAMM C9.T4).

4.1.3. The PC&H charge for service/maintenance cases is applied to the acquisition cost of the item(s) sold or serviced, not the cost of the service. The rate(s) in subparagraphs 4.1.2.1 and 4.1.2.2 apply.

4.1.4. For items, PC&H is computed on the original acquisition value and not the reduced value. Actual costs should be used when known.

4.1.5. For pricing blanket order lines on LOAs, use 3.5 percent on the line value since the unit price is unknown.

4.2 Transportation

4.2.1. Transportation costs include DoD-supplied or DoD-financed transportation (land, air, inland and coastwise waterways) within and outside the U.S. (OCONUS), and overseas transportation by vessel or air. This includes parcel post via surface or air.

4.2.2. Non-DWCF. The transportation of FMS material must be on CCBLs to the maximum extent possible. When transportation is accomplished using a GBL, it must show that 49 U.S.C. § 10721 is not applicable and that normal commercial rates must be billed to the USG for the shipment. Shipping activities must clearly identify the material as DWCF or non-DWCF to ensure the appropriate fund cite is issued for inland Continental United States (CONUS) transportation.

4.2.3. DWCF. Effective October 1, 1990, DWCF standard pricing includes transportation costs within CONUS. If the first destination transportation is accomplished through GBLs, it must contain the DWCF fund cite, and show that 49 U.S.C. § 10721 is not applicable and that normal commercial rates must be billed to the USG for the shipment. Shipping activities must clearly identify the material as DWCF or non-DWCF to ensure the appropriate fund cite is issued for inland CONUS transportation.

4.2.4. Pricing Transportation. Price transportation on LOAs as follows.

4.2.4.1. Above-the-Line Transportation Services. When FMS purchasers use DTS, an estimated amount is placed above the line to pay for transportation services that are not appropriate to be funded with below-the-line estimates. Examples of these transportation services include premium transportation such as Special Assignment Airlift Mission flights, securing a vessel for a one time only shipment, staging cost for consolidating shipments, Radio-Frequency Identification tagging and tracking devices, special security (guards hired to escort the shipment), and other unique requirements.

4.2.4.2. Below-the-Line Transportation Services. When FMS purchasers use DTS, a Delivery Term Code (DTC) percentage is applied to the line to compute an estimated amount for these costs on the LOA. DTC percentages are based on the mode of transportation provided (e.g., port-to-port, depot-to-in-country destination) and the rate area where articles are being delivered. For more information on DTC percentages, see the ***SAMM C7***. Pursuant to ***DSCA Policy Memorandum 20-47,*** "Department of Defense Appropriated Building Partner Capacity (BPC) Accounting Interim Solution," dated September 29, 2020, effective fiscal year (FY) 2021, all new BPC cases funded with Title 10, U.S.C. authority must not include any indirect, or below-the-line, charges. All indirect charges are excluded from these cases and will be paid for through a separate program-wide support case or funded via a Funding Authorization Document coordinated through the applicable supporting entity.

4.2.4.3. Exception. The DoD Components must apply estimated actual totals contained in the ***SAMM, Transportation Cost Look-Up Tables, Appendix 2***, to estimate transportation costs for items normally shipped in DTS (e.g., sensitive/hazardous end items) when costs using standard transportation percentages are significantly different from actual charges.

4.2.4.4. Items. For items, transportation is computed on the original acquisition value and not the reduced value, except when accountability for excess items has been transferred to "Property Disposal." The provisions of the ***DoD Manual (DoDM) 4160.21***, "Defense Materiel Disposition: Reutilization, Transfer, and Sale of Property," Volume 3 must apply. The use of actual costs, when known, is highly encouraged.

4.3 Port Loading and Unloading Costs

Port loading and unloading costs include DoD-supplied or DoD-financed labor, materials, or services for loading, unloading, and handling at ports of embarkation or debarkation.

4.4 Staging

4.4.1. The actual costs of staging must be recovered as part of an above-the-line service charge. Such charges must not be duplicative of any other accessorial cost.

4.4.2. Costs for the staging of material in CONUS DoD (non-DWCF owned/operated) facilities are additional to DTS costs, and a 3 percent staging charge is applicable, if DSCA has authorized below-the-line recoupment of staging.

4.4.3. DWCF activities must bill actual costs incurred as an above-the-line service.

4.4.4. When non-excess material is supplied for DoD storage points located OCONUS, the applicable rates must be charged as a prepositioning cost.

5.0 FMS ADMINISTRATIVE SURCHARGE

An administrative surcharge must be added to all FMS cases (unless waived pursuant to legal authority, see section 13.0) to recover DoD expenses. SAMM C9.T4 gives further guidance on the current FMS administrative surcharges and how they are applied.

5.1 Prescribed Standard FMS Administrative Surcharge

5.1.1. FMS Administrative Surcharge. The applicable FMS administrative surcharge is dependent upon variables associated with the LOA. For cost increases within the scope of the LOA, modifications retain the FMS administrative surcharge rates associated with the lines modified. With respect to contracts issued in support of an LOA, a within-scope change is a unilateral change to the general scope of the contract, subject to the applicable changes clause. A within-scope change to the contract includes but is not limited to, cost growth, or an equitable price adjustment such as cost overruns, a Period of Performance (PoP) extension granting the contractor additional time to complete the deliverables specified in the existing Statement of Work, or a change in PoP due to excusable delays beyond the control of the contractor and without the fault or negligence of the contractor. A change in scope occurs when there is a material change to the product or service from the requirements of the original purpose of a case line or note changes. A material change to a supporting contract to an LOA can include changes that exceed the scope of the original contract by adding new work through an increase to the total estimated

cost of the contract as a result of increases or changes to the specification (form, fit, function/type of work), increases in quantity, increase in the number of hours worked/deliverable services, or an increase to the time of performance/extending the PoP. DSCA will determine within-scope and scope changes for USG-provided goods and services. DSCA will coordinate and consult with the cognizant contracting officer to determine within-scope and scope changes for contractor-provided goods and services. See ***SAMM C6.7*** for additional guidance on Amendments and Modifications. When an amendment adds a new line to an existing FMS case, or changes the scope of the LOA, the FMS administrative surcharge rate in effect at that time is applied. The following FMS administrative surcharge rates are applicable for LOA standard cases/lines and for the periods shown.

5.1.1.1. Effective June 1, 2018. A uniform 3.2 percent FMS administrative surcharge is effective for all new LOA lines accepted by the purchaser on or after June 1, 2018.

5.1.1.2. November 1, 2012 – May 31, 2018. A uniform 3.5 percent FMS administrative surcharge was used for all new LOA lines accepted by the purchaser during this period.

5.1.1.3. August 1, 2006 – October 31, 2012. A uniform 3.8 percent FMS administrative surcharge rate was used for all new LOA lines accepted by the purchaser during this period. Program Management Lines were no longer applicable to new cases accepted on or after this date. USG services, over or above those covered by the FMS administrative surcharge, were provided on well-defined line items. All cases accepted on or after August 1, 2006 through October 31, 2012, collected a minimum charge to ensure sufficient funds to prepare and implement each case by including small case management lines (SCML). The FMS administrative surcharge rate is not applied against the SCML. This application was suspended for cases accepted, implemented, or decreased on or after July 3, 2012. Refer to the ***SAMM C9.4.7*** for specific information concerning the application of the SCML.

5.1.1.4. June 1, 1999 - July 31, 2006. A uniform 2.5 percent FMS administrative surcharge rate was used for standard LOA lines implemented during this period. See 5.1.3 for nonstandard lines.

5.1.1.5. October 1, 1977 - May 31, 1999. A uniform 3 percent FMS administrative surcharge rate was used for standard LOA lines implemented during this period. See 5.1.3 for nonstandard lines.

5.1.1.6. March 10, 1977 - September 30, 1977. A uniform 2 percent FMS administrative surcharge rate was effective for LOAs signed by the IA during this period.

5.1.1.7. January 29, 1970 - March 9, 1977. A 2 percent FMS administrative surcharge rate was applied during this period, unless the supplying Military Department determined that the rate was either insufficient or in excess of actual administrative expenses, for any single FMS case. The use of actual FMS case administrative expenses was authorized.

5.1.2. Supply Support Arrangements. An FMS administrative surcharge of 5 percent must be added to the basic sales price of the initial on-hand portion of CLSSA. See paragraph 8.3 and SAMM C9.T4.

5.1.3. FMS Administrative Surcharges for Nonstandard Articles and Services. For case lines accepted prior to August 1, 2006, an FMS administrative surcharge rate of 5 percent must be added to the basic sales price of LOA lines for nonstandard articles and services. However, the standard rate in effect must be applied under the following circumstances:

5.1.3.1. A contractor is designated as the source of supply in lieu of a DoD Component performing additional work for the nonstandard articles and services, or

5.1.3.2. A case/program management line is included in the LOA that specifically recovers costs associated with the tasks performed in support of the sale of nonstandard articles or services.

5.2 DoD Component Administrative Expenses

5.2.1. Administrative services cost calculations (as identified in paragraph 3.1) of component Security Assistance (SA) direct and indirect costs must include a pro rata share of manpower and contractor-provided support costs for SA administrative functions. The DoD Component administrative support costs must not include costs prescribed in ***Volume 15***, "Security Cooperation Policy" as above-the-line costs, nor should the costs include DoD mission costs. See ***SAMM C9.4*** for case-related manpower functions and appropriate funding sources.

5.2.2. The personnel portion of actual administrative expenses must include a pro rata share of those personnel performing and supporting SA duties. This same measure applies to contractor-provided support for SA administrative functions. These functions may be indirect (e.g., support across multiple purchasers/cases) or direct (e.g., support to a specific case or program).

5.2.3. DoD organizations that provide general administrative support to SA programs must recoup the full cost (excluding a pro rata share of fixed base operations costs) to provide such support.

5.3 FMS Administrative Surcharge on Cases Closed at Reduced or No Value

5.3.1. For any case that is closed, the USG will retain funds to pay for estimated administrative costs associated with the case, even if no articles or services have been delivered ($0 delivered value). The minimum, nonrefundable amount will be the value when combining the SCML (if applicable) and the FMS administrative surcharge value; one-half of the FMS administrative surcharge estimated on the case; or the standard FMS administrative surcharge percentage of the expended value, whichever is greater. See ***SAMM C6.8***.

5.3.2. DSCA Office of Business Operations (OBO) may approve reductions to the minimum nonrefundable amount when it can be clearly shown that the actual values of

administrative costs on the case are less than the minimum nonrefundable amount, or if the case is canceled for the convenience of the USG.

5.3.3. Case Managers wishing to request that a case be closed at $0 articles and/or services value, must contact DSCA OBO for approval. The DSCA OBO reply is sent to the Case Manager and DFAS SCA.

5.3.4. Cases canceled for the convenience of the USG may not incur an administrative cancellation fee but require the amount of the FMS administrative surcharge assessed to be approved by DSCA OBO.

5.3.5. For cases with an ordered value greater than or equal to $25,000,000, and closing at $0 delivered articles and/or service value, the IA will submit a recommended, nonrefundable FMS administrative surcharge amount to DSCA OBO for approval.

5.4 Waived FMS Administrative Surcharge

5.4.1. General. Normally, the amount of the FMS administrative surcharge that has been waived or reduced for a particular FMS case, pursuant to statute, must be reimbursed to the FMS administrative surcharge account. For such reimbursements, the IA (which is the proponent of the case on which the charge has been waived) must obligate its current available appropriations for the full amount being waived when the case is implemented. DFAS SCA calculates the amount of the earned FMS administrative surcharge on cases with waived administrative surcharge and submits quarterly billings to the appropriate IA.

5.4.2. Funds Control. The LOA package for cases with waived FMS administrative surcharge must cite the authority, dollar amount waived, and obligating document number in a case note. The IA must include a copy of the certified document committing the funds as part of the LOA coordination package. See ***Volume 14***, "Administrative Control of Funds and Antideficiency Act Violations" for guidance on the administrative control of appropriations.

6.0 LOGISTICS SUPPORT CHARGE (LSC)

LSC was applicable to material and services identified on the Military Articles and Services List, excluding DWCF material. LSC was assessed at 3.1 percent of the articles and services reported delivered on or after April 1, 1987 and prior to October 1, 2007. The SAMM C9.T4 explains the elimination of the LSC and how to treat prior year LSC charges.

7.0 PROGRAM MANAGEMENT SERVICES

7.1 Level of Service

7.1.1. FMS Administrative Surcharge Funded Manpower. There is a certain level of routine support provided to an FMS customer in each case. Costs associated with this workload are captured via the assessed FMS administrative surcharge.

7.1.2. LOA Funded Manpower. An IA may determine there are additional services directly related to the defense articles or services being provided, that are over or above the routine level of support generally provided to an FMS customer. These costs may be included on an FMS case as an above-the-line cost at the request of the FMS purchaser, or by the USG, based on the analysis of what will be required to successfully implement and execute the requested program/case. An auditable methodology must be used to document all costs included on these lines.

7.1.3. DoD Component Operating Funds. In accordance with OUSD(C) Memo, "Budget Policy on use of DoD Component Operating Funds in Support of Foreign Security Forces," Military Departments have the responsibility to develop, maintain, and institutionalize the capabilities of Service members and DoD Expeditionary Civilian personnel to support DoD efforts to organize, train, equip, and advise foreign military forces and relevant supporting institutions. DoD Components are to budget in their operating accounts all costs for DoD military and civilian personnel in Afghanistan, Iraq, and other countries, as well as reach back support, encompassed by DoD Assistance Appropriations.

7.1.3.1. Costs include but are not limited to: military pay, special pay, transportation, pre-deployment training and training in theater, forward base operating costs, life support, communications, vehicle maintenance, program management, and contracts for linguists, logistics, security, and infrastructure needed to support such DoD personnel in-country.

7.1.3.2. Where the Military Department has discretion, as a matter of budget policy, the following activities will be budgeted and paid from DoD Assistance Appropriations and not budgeted or paid from DoD Component operating accounts:

7.1.3.2.1. In circumstances where DSCA provides services pursuant to the Economy Act to the organization designated by the Secretary of Defense or Deputy Secretary of Defense to have management responsibility for the DoD Assistance Appropriation (Managing Organization), amounts from such DoD Assistance Appropriation will be used to reimburse DSCA for its administrative expenses in providing the ordered services;

7.1.3.2.2. In circumstances where the Multi-National Aviation Special Project Office (MASPO) provides services pursuant to the Economy Act to the Managing Organization, amounts from such DoD Assistance Appropriation will be used to reimburse MASPO for the actual costs of the procurement, sustainment, and technical support services;

7.1.3.2.3. In circumstances where the U.S. Army Corps of Engineers (USACE) provides services to the Managing Organization, amounts from such DoD Assistance Appropriation will be used to reimburse USACE for its project design, contract preparation and award, and supervision and administration expenses in providing the ordered services;

7.1.3.2.4. In circumstances where an organization funded by a DWCF provides supplies or services pursuant to ***10 U.S.C. § 2208*** to the Managing Organization, amounts from such DoD Assistance Appropriation will be used to pay the working capital-funded organization for the costs of providing the ordered supplies or services;

7.1.3.2.5. In circumstances where the Managing Organization arranges for a member of an eligible foreign security force to receive education or training at a U.S. Service school, amounts from such DoD Assistance Appropriation will be used to reimburse the Service school at the lowest rate charged to other foreign countries; and

7.1.3.2.6. In circumstances where the Managing Organization arranges for a member of an eligible foreign security force to attend a U.S. Service Academy, amounts from such DoD Assistance Appropriation will be used to reimburse the U.S. Service Academy at the lowest rate charged to other foreign countries, unless reimbursement for the cost of attendance is waived pursuant to ***10 U.S.C. § 347(a)(6)(B)***.

7.2 Cost Allocation

DoD Components must ensure that each type of cost is allocated only once and only on one basis to an FMS case. Additional discussion on consistency in allocating costs incurred for the same purpose is contained in ***Volume 4***, "Accounting Policy." Care must be taken to ensure against "double charging" for the same costs. The FMS Case-Related Manpower Functions and Funding Source Manpower Matrix (***SAMM C9.T2***) describes in detail the manpower functions that may be funded on FMS cases and the funding source for those related costs.

8.0 CLSSA

8.1 CLSSA Management

8.1.1. ***DoD Instruction (DoDI) 2010.06***, "Materiel Interoperability and Standardization with Allies and Coalition Partners," and the ***SAMM C5.4.3.3*** prescribe the policies and criteria for establishing CLSSAs. CLSSAs provide for the execution of Foreign Military Sales Orders (FMSO) covering stock, consumption, and storage. Two FMS cases are required for supply support arrangements, an FMSO I case and an FMSO II case. Both cases must be executed in order for FMS requirements to be anticipated and to be satisfied on an equal footing with U.S. requirements.

8.1.2. FMSO I

8.1.2.1. The FMSO I case is subdivided into two parts: Part A represents the on-hand portion of the inventory (normally 5 months), and Part B represents an on-order dependable undertaking (normally a 12-month period). In unusual circumstances, it may be determined that the 5-month on-hand and 12-month on-order levels are inappropriate for the particular equipment being supported. In these circumstances, the on-hand and on-order requirements may be adjusted to more realistically reflect DoD on-hand and on-order levels for

the items being supported; a renegotiation of the CLSSA may be necessary. The office that developed the CLSSA must retain documentation in support of such determinations.

8.1.2.2. For new FMSO I cases accepted on or after September 20, 2005, the on-hand portion of the inventory list will be 30 percent of the total investment/equity list. For FMSO I cases accepted prior to September 20, 2005, the on-hand portion of the inventory list will remain at 5/17 of the total investment/equity list.

8.1.3. FMSO II. The FMSO II case represents the foreign purchaser's anticipated yearly consumption under CLSSA.

8.1.4. Cash Requirements

8.1.4.1. Cash paid on acceptance of the FMSO I should equal the Part A on-hand portion of the inventory and administrative surcharge. The cash required to liquidate obligations incurred with suppliers for the on-order portion is the cash paid by the purchaser in connection with the FMSO II case and, in turn, creates a new order received and recreates obligational authority (OA) back to the FMSO I.

8.1.4.2. If the amount of progress payments required by the IA varies by more than 10 percent of the Part A value, the DoD Component must:

8.1.4.2.1. Amend the case to bring the Part A value in line with the DoD Component progress payment requirement; or

8.1.4.2.2. Request additional progress payments to equal the Part A value.

8.1.4.3. Cash to cover requisitions is paid in advance of each quarter covered by the case. The cycle of obligation, acquisition, requisition, issuance, and payment can be summarized as follows:

8.1.4.3.1. The FMSO I, Parts A and B, grant the DoD Components OA up to the case amount;

8.1.4.3.2. The cash provided under the FMSO I, Part A, finances the on-hand inventory;

8.1.4.3.3. Requisitions made by the purchaser are filled from the on-hand inventory;

8.1.4.3.4. Replenishment of on-hand inventory is made from contracts awarded under OA granted by the FMSO I, Part B;

8.1.4.3.5. Payments to contractors are made from funds provided in accordance with the FMSO II terms; and

8.1.4.3.6. Liquidation of obligations by payment to contractors in effect recreates OA granted by the FMSO I, Part B, and the cycle commences again.

8.1.5. OA

8.1.5.1. The entire amount of the FMSO I case represents OA. Normally, no cash billings are required against the FMSO I, Part B, unless the CLSSA is either partly or wholly terminated. The FMSO II case provides OA only to the extent purchaser orders are received. Thus, proper working of the FMSO I and II should result in a constant 12 months of OA in the applicable appropriation or fund account, never more or less, after the on-hand inventory of the FMSO I, Part A, has been acquired.

8.1.5.2. The cash and OA derived from the FMSO I and FMSO II are to be transferred to the commodity command or supply agency that is expected to provide supply support to the foreign country. This command or supply agency must use such cash and OA to increase stock and on-order quantities in anticipation of requisitions from the country that entered into the CLSSA.

8.1.6. Both parts of the FMSO I provide OA equal to its value in the DoD Component activity giving the supply support to the purchaser.

8.2 General Pricing

Use the pricing requirements in subparagraph 15.2.2 to price CLSSA cases.

8.3 FMS Administrative Surcharge

8.3.1. FMSO I (Part A). A one-time nonrefundable, administrative surcharge of 5 percent must be charged on the on-hand portion (Part A) of the FMSO I case. For amendments that decrease the value of the on-hand portion (Part A), there must be no adjustment made to the administrative surcharge. However, for amendments that increase the value of the on-hand portion (Part A), the 5 percent nonrefundable administrative surcharge must be charged on the total value of the increase. The following is an example of the administrative fee computation:

Document	Revised On-Hand Material Value	Increase or (Decrease) to Previous On-Hand Material Value	5% Admin Fee Charge on Increase	Admin Fee Accrued Expenditures
Basic LOA	$3,000,000	$3,000,000	$150,000	$150,000
Amend 1	4,000,000	1,000,000	50,000	200,000
Amend 2	2,000,000	(2,000,000)	N/A (Decrease)	200,000
Amend 3	3,000,000	1,000,000	50,000	250,000
Amend 4	5,000,000	2,000,000	100,000	350,000
Amend 5	4,000,000	(1,000,000)	N/A (Decrease)	350,000

8.3.2. FMSO I (Part B). No administrative surcharge will be charged on the on-order portion (Part B) of the FMSO I case. The current administrative surcharge (3.2 percent) must be

charged on requisitions processed under FMSO II cases. If an FMSO I agreement is terminated, the current administrative surcharge must be charged for the inventory over and above the on-hand portion of the case. There must be no additional surcharge on the on-hand portion of the case since the purchaser has made advance payment of the administrative charges applicable to this portion of the case.

8.4 Storage Costs

There is no annual inventory maintenance and storage charge for DWCF items for CLSSAs, as the DWCF standard (stabilized) price recoups all costs. For non-DWCF items, storage fees must be charged, on the value of stored assets, based on the on-hand portion of the FMSO I. The annual storage fee is 1.5 percent. For cases not remaining open for a full year, a fee of 0.125 percent per month must be charged (SAMM C9.T4).

8.5 Normal Operating Inventory Loss

The standard prices paid by the foreign government for the stock level of DWCF items already include a surcharge for estimated normal operating losses in storage.

8.6 Unusual Inventory Loss

Stock losses due to enemy action, major disaster, or other casualty from a natural phenomenon must be assessed against the foreign government in an amount proportionate to the ratio that the value of its stock case bears to the total value of stocks in storage.

8.7 Obsolete Material

8.7.1. Obsolete or Excess to the U.S. If an item becomes obsolete or excess to the U.S. but not to the foreign government, the U.S. may request the foreign government to withdraw its undelivered quantity of the item. Additional quantities may be offered to the foreign government at fair value prices (see subparagraphs 15.3.1 through 15.3.3).

8.7.2. Obsolete or Excess to the Foreign Government. If items become obsolete or excess to the requirements of the foreign government but not to the U.S., the foreign government may request the U.S. to consider cancellation of its order and to apply its equity in the undelivered quantity to subsequent orders for other items. If cancellation is not agreed to, arrangements must be made for the U.S. to dispose of the material and credit the net proceeds to the foreign government. If the U.S. has a need for the material, credit the stock level for the return of the material to U.S. stocks in accordance with departmental procedures.

8.7.3. Obsolete or Excess to the U.S. and Foreign Government. If items become obsolete or excess to the requirements of both the U.S. and the foreign government, arrangements must be made for the U.S. to dispose of the material, and the proportional share of the net proceeds of sale must be credited to the foreign government.

8.8 Purchaser Equity

CLSSAs are written in terms of an absolute dollar amount of support to be provided under the arrangement. A listing of the specific items required to support the weapon system is not developed. Under this "dollar value" concept, the FMS purchaser's equity must remain valued at the cash deposited for the FMSO I. Upon termination, a review must be made of the foreign country's demand data for specific items. When demand data results in the procurement of stock above the DoD-approved retention levels, the foreign country must be informed that applicable stocks owned by that country must be drawn down or that a settlement agreeable to both parties must be reached.

9.0 STORAGE, REPAIR, OR MODIFICATION OF PURCHASER-OWNED MATERIAL

9.1 Storage

9.1.1. Costs applicable to the storage of purchaser-owned articles include the functions of receiving, care and preservation, set assembly and related activities, and overhead operations (such as re-warehousing, maintenance of operating equipment, physical inventories, and cleaning areas).

9.1.2. Storage charges are applicable to the non-DWCF, on-hand portion of FMSO I cases, cases on which DoD is ready to deliver applicable items, but the purchaser has requested to delay delivery, and cases on which DoD cannot deliver due to legal or policy restrictions.

9.1.3. Charges commence 15 days following the date of availability (there is no annual inventory maintenance and storage charge for DWCF items for CLSSAs, as the DWCF standard (stabilized) price recoups all costs).

9.1.4. A uniform DoD annual rate of 1.5 percent or 0.125 percent of the average monthly value of purchaser-owned material will be charged to applicable FMS cases to recover an activity's storage cost unless a separate charge is negotiated with the storage facility.

9.1.5. A separate line on the LOA(s) should capture the storage-related costs. If this line did not previously exist, it can be added via an LOA modification.

9.2 Repair or Modification

9.2.1. When a foreign government requests the repair and/or modification of items from non-DWCF activities, the actual or estimated cost of the work will be priced on a job order basis or through the contract procurement process. An illustration of price computation is in Exhibit 7-1.

9.2.2. Labor costs will be computed in accordance with section 20.0.

9.2.3. Materials and supplies obtained from the military supply system stocks will be priced in accordance with section 15.0.

9.2.4. Materials, supplies, or services obtained directly from contractors will be priced in accordance with section 16.0.

9.2.5. Transportation and related costs incurred in the movement of the materials and supplies used during repair and/or modification must be priced in accordance with paragraph 4.2. See subparagraph 4.2.2 for treatment of DWCF material.

9.2.6. Indirect labor, materials, and contractual services will be priced in accordance with the guidance in this chapter and allocated to job orders.

9.2.7. Appropriate incoming and outgoing transportation costs related to FMS equipment or material processed by repair or overhaul facilities will be paid by the FMS purchaser. If the repair facility ships the repaired item to the purchaser, then the transportation costs must be charged to the FMS case.

9.3 FMS Administrative Surcharge

The FMS administrative surcharge must be applied to all direct and indirect costs billed in connection with storage, repair, and/or modification.

9.4 Special Instructions Applicable to DWCF Activities

DWCF activities must charge approved DoD stabilized rates and prices for defense articles and services in support of FMS cases. Material funded by DWCF, including depot-level reparables, must be priced at the standard (stabilized) price in effect at the time the item is dropped from inventory or at the net/exchange price, if applicable, for a direct exchange transaction. The standard (stabilized) price or rate charged to FMS purchasers of DWCF activities for defense articles and services must be adjusted to include an amount for unfunded civilian retirement (UCR) and post-retirement health benefits costs in accordance with paragraph 20.5.

10.0 USE OR EXPANSION OF DOD FACILITIES AND EQUIPMENT

All costs of construction, or expansion of facilities, desired by and for the exclusive use of the foreign government must be financed and funded by the foreign government. Charges by the USG for labor, material, or services must be reimbursed in accordance with the provisions of sections 15.0 and 20.0. Any expansion of facilities or equipment required for DoD use, which may also be available for FMS, must be funded through the normal DoD budget process.

10.1 Reimbursement of Proportionate Share

In addition to the costs identified in paragraph 10.0, a proportionate share of operating costs must be reimbursed.

10.2 Work at DoD Test Facilities and Laboratories

Case and line managers must inform performing activities when work requested at DoD test facilities and laboratories involves FMS. Work is priced to ensure full reimbursement of direct, indirect, and overhead costs to the test facility or laboratory for the FMS effort.

10.3 Embedded Computer Software (ECS) Facilities

10.3.1. ECS support is normally supplied through a services case (or line) of a system sale. A requirement for a new facility, or augmentation of an existing facility, that is funded by the FMS purchaser is incidental to the service. Regardless of the costs charged to an FMS purchaser for the use or augmentation of a facility, DoD owns and operates the facility.

10.3.2. Software support may be supplied by a separate facility dedicated to FMS or from a facility supporting both DoD and FMS programs. The FMS purchaser pays a prorated share of the total software support costs.

11.0 COSTS ALLOCABLE FOR JOINTLY USED FACILITIES

When specific agreements or arrangements are made for the joint use of USG facilities (e.g., sharing of storage spaces or dedicated training facilities), a pro rata share of the operating cost financed by operating appropriations must be charged to the foreign purchaser.

11.1 Joint Use of Office or Storage Space

11.1.1. When jointly used storage or office space is involved, the pro rata share of operating costs must be determined based on space assigned to the foreign government compared to the total space available for assignment.

11.1.2. Operating costs must include, but are not necessarily limited to, the cost of maintenance and upkeep of the facilities, including access roads, security, communications, utilities, and rent if the USG must make rental payments under lease agreements.

11.2 Joint Use of Satellites

When jointly used satellites are involved, the launch cost must be allocated to each participant based on pre-launch negotiations that consider the expected benefits accruing to each participant. Recurring operating costs must be prorated based on the time each participant actually uses the satellite.

12.0 PERIODIC REVIEW AND RATES/SURCHARGE REVISION

12.1 Periodic Review

Rates that may be developed to recoup accessorial costs and surcharges (see sections 4.0, 5.0, and subparagraph 16.3.1) are subject to periodic review. OUSD(C) should notify the

applicable DoD Components when such reviews are being conducted and request the DoD Components' participation.

12.2 Rate Revision

No charges, or surcharges based on a percentage rate, may be made to recover any element of cost unless the charge or percentage charge is expressly prescribed in Volume 15, or the charge based on the percentage rate is proposed in writing to and is approved by OUSD(C). Whenever a DoD Component believes a prescribed rate should be revised, it should submit its request with supporting data to OUSD(C), through the DoD Component Senior Financial Manager and DSCA OBO. DSCA OBO will conduct its assessment of the request and provide either its endorsement of or objection to OUSD(C). Sufficient data must accompany the request to enable evaluation of the merits of the proposed revision.

13.0 COST RECOUPMENT WAIVERS AND EXCLUSIONS

A cost recoupment waiver is the exercise of legal authority to partially or totally waive the recoupment of incurred costs. A cost recoupment waiver is not an exception to the pricing policy.

13.1 Waiver of NC Recoupment Charges

13.1.1. Title 22, U.S.C. § 2761(e)(2)(A) authorizes the President to reduce or waive the NC recoupment charge or charges, which would otherwise be considered appropriate under 22 U.S.C. § 2761(e)(1)(B) for particular sales that would, if made, significantly advance USG interest in North Atlantic Treaty Organization (NATO) standardization; standardization with the Armed Forces of Japan, Australia, the Republic of Korea, Israel, or New Zealand, in furtherance of the mutual defense treaties between the U.S. and those countries; or foreign procurement in the U.S. under coproduction agreements.

13.1.2. Title 22, U.S.C. § 2761(e)(2)(B) authorizes the President to waive NC recoupment charges for a particular sale if it is determined that:

13.1.2.1. Imposition of the charge or charges likely would result in the loss of the sale; or

13.1.2.2. The waiver of the charge or charges for MDE would result in savings to the U.S. that substantially offset the revenue due to this waiver.

13.1.3. Title 22, U.S.C. § 2761(e)(2)(C) gives the President the authority to waive, for particular sales of MDE, any increase in a charge or charges previously considered appropriate under 22 U.S.C. § 2761(e)(1)(B). This authority is given if the increase results from a correction of an estimate (reasonable when made) of the production quantity base that was used for calculating the charge or charges for purposes of such paragraph.

13.1.4. The authority to waive NC recoupment charges has been delegated to the Director, DSCA. All waiver requests must be coordinated with OUSD for Research and Engineering (R&E), OUSD for Acquisition and Sustainment (A&S), and OUSD(C).

13.2 Special Waiver Authority for NATO Airborne Warning and Control System (AWACS)

Notwithstanding subparagraph 5.4.1, ***10 U.S.C. § 2350e*** authorizes the Secretary of Defense in carrying out the NATO AWACS program to:

13.2.1. Waive reimbursement for the costs of the following functions performed by personnel other than personnel employed in the U.S. Air Force AWACS program office:

13.2.1.1. Auditing;

13.2.1.2. Quality assurance;

13.2.1.3. Codification;

13.2.1.4. Inspection;

13.2.1.5. Contract administration;

13.2.1.6. Acceptance testing;

13.2.1.7. Certification services; and

13.2.1.8. Planning, programming, and management services.

13.2.2. Waive any surcharge for administrative services otherwise chargeable; and

13.2.3. Assume contingent liability for:

13.2.3.1. Any program losses resulting from the gross negligence of any contracting officer of the U.S.;

13.2.3.2. Identifiable taxes, customs duties, and other charges levied within the U.S. on the program; and

13.2.3.3. The U.S. share of unfunded termination liability.

13.3 Waiver of Contract Administration Services (CAS) and Cataloging Services

13.3.1. Title 22, U.S.C. § 2761(h) authorizes the President to provide (without charge) quality assurance, inspection, CAS, contract audit defense services, cataloging data, and cataloging services. Title 22, U.S.C. § 2761(h) applies to:

13.3.1.1. Any contract or subcontract for defense articles, defense services, or design and construction services entered into after October 29, 1979, under FMS or direct commercial sales on behalf of a foreign government that is a member of NATO or the Governments of Australia, New Zealand, Japan, the Republic of Korea, or Israel. The authority applies only if the foreign government provides these services in accordance with an agreement on a reciprocal basis, without charge, to the USG;

13.3.1.2. Any contract or subcontract for defense articles, defense services, or design and construction services pursuant to the NATO Security Investment Program. The authority applies only in accordance with a reciprocal agreement under which the foreign governments participating in the NATO Security Investment Program provide such services, without charge, in connection with similar contracts or subcontracts; and

13.3.1.3. Cataloging data and cataloging services provided to NATO, to any member government of NATO, or to the Governments of the Republic of Korea, Australia, New Zealand, Japan, or Israel, if that organization, member government, or the Governments of the Republic of Korea, Australia, New Zealand, Japan, or Israel provide such data and services without charge to the U.S. in accordance with a reciprocal agreement.

13.3.2. The authority to negotiate and conclude these reciprocal agreements has been delegated to OUSD(A&S). Upon approval of the agreement, OUSD(A&S) will provide a copy of that agreement to DSCA.

13.3.3. When a waiver is approved, the cost of CAS in support of the applicable effort must be funded by a DoD appropriation. Billings for such actual costs must not be submitted against the FMS Trust Fund. The waiver under each agreement applies only to new FMS LOAs with implementation dates (as recorded in the Defense Security Assistance Management System) on or after the effective date of the reciprocal agreement.

13.3.4. Countries with CAS waivers are listed in the ***SAMM C9.T5***, ***SAMM C9.T6***, and ***SAMM C9.T7***. DSCA is responsible for updating and maintaining the CAS waiver tables.

13.4 Special Waiver Authority for NATO Cooperative Projects

13.4.1. ***Title 22 U.S.C. § 2767(e)(1)*** stipulates that the President may reduce or waive the charge or charges in connection with cooperative projects or agreements entered into under the authority of that section. The charges that may be reduced or waived are those that are otherwise considered appropriate under 22 U.S.C. § 2761(e) (see subparagraph 13.1.2) for sales of defense articles and services from stocks or new procurements when the other participants agree to waive or reduce such charges.

13.4.2. Waiver authority of the President under 22 U.S.C. § 2767 has been delegated to the Director, DSCA.

13.4.3. Administrative surcharges must not be increased on other sales made under the U.S.C. in order to compensate for any cost waivers that are granted pursuant to

22 U.S.C. § 2767(d). Funds received pursuant to such other sales must not be available to reimburse the costs incurred by the USG for which waiver or reduction is approved by the President under 22 U.S.C. § 2767.

13.5 Exclusion of the Cost of Military Pay and Entitlements for Defense Services Funded by the Military Assistance Program (MAP) or Non-Repayable Foreign Military Financing (FMF).

13.5.1. Title 22, U.S.C. § 2311(a)(3) permits the exclusion of salaries of members of the Armed Forces (other than Coast Guard) if the sales case for defense articles, services (including training), or for design and construction services is totally financed by MAP Merger or by non-repayable FMF.

13.5.2. For cases with LOAs exclusively citing MAP Merger funds and/or non-repayable FMF or BPC and Foreign Security Forces (FSF) cases, which are funded with DoD or Department of State (DoS) appropriated funds, services provided under 22 U.S.C. §2761, 22 U.S.C. §2762, 22 U.S.C. §2769, or ***22 U.S.C. § 2770*** must be priced to exclude military pay and entitlements (including retired pay accrual). Examples of DoD and DoS appropriated funds are: Pakistan Counterinsurgency Fund, Pakistan Counterinsurgency Capability Fund, Coalition Readiness Support Program, FSF: authority to build capacity under ***10 U.S.C. § 333***, Counter-Islamic State in Iraq and Syria, Counter-Islamic State of Iraq and the Levant Train and Equip Fund, Afghanistan Security Forces Fund, and Iraq Train and Equip Fund.

13.5.2.1. The exclusion of military pay and entitlements in pricing applies when services are performed regardless of the date of the LOA. For MAP Merger, this pricing applies to services provided after September 30, 1985; for non-repayable FMF, this pricing applies to services provided after September 30, 1989.

13.5.2.2. Any subsequent amendment or modification that reduces MAP Merger or non-repayable FMF funding below 100 percent requires re-pricing to add military pay and entitlements to the entire case.

13.5.3. A separate price for DWCF goods and services must not be established to exclude military pay and entitlements when the case is fully funded by MAP Merger, is a non-repayable FMF, or is a BPC case.

13.6 Exchange of Unit Training and Related Support

13.6.1. Title 22, U.S.C. § 2770a authorizes the reciprocal unit exchange of training and related support between the U.S. and a friendly foreign country or an international organization. This authority applies only to established military units, not to ad hoc units or individual members of units. DoD Directive ***(DoDD) 5530.03***, "International Agreements," provides that unit exchanges must only be arranged as part of an international agreement.

13.6.2. As outlined in ***SAMM C10***, each country should pay its students Travel and Living Allowance. In addition, exchanges can be made on either an individual-to-individual or unit-to-unit basis.

13.6.3. Reciprocal unit exchanges or related support arrangements must use the following pricing guidelines.

13.6.3.1. The Military Department official with the delegated authority to negotiate agreements must perform a price analysis based on prior experience and/or current supporting data. The price determined for the unit exchange of training or related support must be fair and reasonable. If a pricing determination cannot be made, the training may not be performed and the related support may not be exchanged.

13.6.3.2. Reciprocal unit exchanges of any training or related support by the U.S. are subject to the applicable pricing provisions contained throughout this chapter. The estimated cost of the reciprocal unit exchange to be provided, and the value of the unit to be received, must be computed and documented by the Military Department's designated resource management function. The documented estimated cost is the basis for reporting costs incurred and for reimbursement purposes in the event, exchanges are not reciprocated.

13.6.4. Compensation for the acquisition or transfer of a unit exchange of training and related support must be accomplished through either of the following methods.

13.6.4.1. Reciprocal Exchange. Training or related support that is to be exchanged requires a written determination by the approving U.S. organization that the reciprocal unit exchange of training or related support has a substantially comparable value. Comparable value received is the sum of those monetary and nonmonetary values that comprise the total exchange value. Methodologies depicting comparable value, both monetary and nonmonetary, must be retained and available for audit purposes.

13.6.4.2. Reimbursable. Payments for training and related support are to be in the currency of the supplying nation and must be provided in the event reciprocity is not achieved within 12 months from the date the training began.

13.6.5. The servicing accounting and finance office must take the following actions when reciprocal training or related support is not provided or not received.

13.6.5.1. Actions to be Taken When the U.S. Does Not Provide Reciprocal Training or Related Support. When the U.S. does not provide reciprocal training and related support within 12 months after such training or support begins, the exchange transaction must be converted to a reimbursable transaction and an obligation must be recorded. The obligation must be recorded against the appropriation current at the time the determination is made that reciprocal training will not be provided or 12 months from the date the training began, whichever occurs first. The resulting accounts payable is to be paid 30 days from the date established. The accompanying documentation must fully explain the reasons for not providing reciprocal training or related support during the preceding 12 months.

13.6.5.2. Actions to be Taken When the U.S. Does Not Receive Reciprocal Training or Related Support. When the U.S. does not receive reciprocal training or related support within 12 months after such training or support begins for a foreign country, the exchange

transaction must be converted to an accounts receivable. The accounts receivable must be established against miscellaneous receipt account 3210, "General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified." See ***Volume 16, Chapter 6***, "Debt Owed to the Department of Defense (DoD) by Foreign Entities" for procedures for billing foreign countries.

13.7 Special Authorities

In accordance with the administration of the European Air Defense Agreements, the Secretary of Defense is authorized under the International Security and Development Cooperation Act of 1985, Section 132 (see 22 U.S.C. § 2767(e)) to:

13.7.1. Waive any surcharge for administrative services otherwise chargeable under 22 U.S.C. § 2761(e)(1)(A), and

13.7.2. Waive any charge not otherwise waived for services associated with contract administration for the sale (under the AECA) of Patriot Air Defense Missile Fire units to the Federal Republic of Germany contemplated in the agreements.

13.8 Fair Pricing

Under 22 U.S.C. §§ 2761 and 2792, the recoupment of NC is not required for FMS cases wholly funded with MAP Merger or non-repayable FMF, BPC, or FSF cases that are funded with DoD or DoS appropriated funds. Effective with delivery reports after December 1, 1989, DFAS no longer applies asset use charges to FMS transactions. When such asset use expenses are included in, or are a part of, the standard prices/stabilized rates charged for defense articles and services, a separate price must not be established for sales from or services furnished by, DoD Components in connection with FMS cases. In addition, military salaries and the unfunded costs of civilian retirement and other benefits are not included in the FMS administrative account.

14.0 EXCEPTION TO PRICING POLICIES

An exception to prescribed pricing policies refers to approval of an alternative method of identifying applicable cost(s). Requests for exceptions to the policies prescribed herein, or waivers of DoD costs for which DSCA is not delegated as the waiver authority, must be submitted to OUSD(C), through the DoD Component Senior Financial Manager, and DSCA OBO (Note: A cost recoupment waiver is not an exception to pricing policy). DSCA OBO will conduct its assessment of the request and provide either endorsement or objections to OUSD(C). Sufficient data must accompany the request to enable OUSD(C) to evaluate the merits of the proposed deviation.

15.0 CASH SALES OF DEFENSE ARTICLES ISSUED FROM STOCK

15.1 General

Title 22, U.S.C. § 2761 authorizes the sale of defense articles from stock to eligible foreign governments and international organizations. These sales include all sales of items from DoD

inventories, whether delivered from storage or from procurements that were initiated to maintain adequate DoD inventory levels. Procurements specifically for FMS requirements (excluding CLSSAs) may not be considered a sale from stock. Procurements initiated to replace stocks sold from DoD inventories are not FMS new procurements.

15.2 Sale of Defense Articles

15.2.1. Sale Price of Non-Excess Defense Articles. Non-excess defense articles are assets within the approved force acquisition objective and approved force retention stock of all DoD Components. Also included in the non-excess category are articles procured in anticipation of military assistance or sales requirements as a result of CLSSAs, or pursuant to a military assistance or sales order. The selling price must be determined when the item is dropped from inventory or the LOA is prepared if a firm price is determined in accordance with the provisions of paragraph 15.4.

15.2.2. Sale of DWCF Articles

15.2.2.1. The selling price of DWCF articles to FMS purchasers must be determined at the time the article is dropped from inventory. The standard price charged to FMS purchasers for DWCF articles must be adjusted to include an amount for unfunded civilian retirement and post-retirement health benefits costs (see paragraph 20.5). See ***Volume 2B, Chapter 9***, "Defense Working Capital Fund Budget Justification Analysis," ***Volume 11A, Chapter 1***, "General Reimbursement," and ***Volume 11B, Chapter 11,*** "Reimbursements and Revenue Recognition – Defense Working Capital Funds" for additional information.

15.2.2.2. If a purchaser returns a reparable DWCF item for repair or replacement, the overhaul service must be priced in accordance with paragraph 9.2. The price of the replacement/exchange item would be the exchange price or net price (standard price less credit) basis adjusted for the unfunded retirement and benefits.

15.2.2.3. As an invested participant, a CLSSA purchaser may return a fully serviceable, reparable item to the appropriate DWCF activity for credit, when the item is within the activity's approved acquisition objective. The credit will only be issued after the item is received and inspected at the activity. Funds credited may be paid by the DoD disbursing office into the FMS Trust Fund in accordance with the instruction of the foreign purchaser or DSCA.

15.2.2.4. Prior to October 1, 2001, petroleum, oil, and lubricants (POL) were priced at standard (stabilized) prices. Effective October 1, 2001, the selling price of POL is the replacement cost of the POL, during the period of the sale, plus associated overhead. See Volume 11A, Chapter 1 and Volume 11B, Chapter 11 for additional information on overhead.

15.2.3. Sale of Non-DWCF Articles. The pricing and treatment of reimbursements of non-DWCF articles sold are dependent upon whether the item(s) being sold require replacement. An illustration of the price computation is in Exhibit 7-2.

* 15.2.3.1. Item Not to be Replaced. If, at the time an agreement for sale of defense article under Section 21 was entered into, the Implementing Agency (IA) does not intend to replace the defense article being sold, then the price charged to the purchaser will be the actual value of the defense article being sold, which is DoD's acquisition cost of the item being sold, less any depreciation.

15.2.3.1.1. The price of the item must be the most recent actual procurement cost of the series and model being sold, plus the cost of any modifications or improvements incorporated after production and the applicable NC recoupment charge.

15.2.3.1.2. Reductions to the sale price may be made when there is an actual difference in utility or desirability among units of issue of an item due to age or condition.

15.2.3.1.3. The cost of the last major overhaul or outfitting accomplished before the sale date is added to the calculated price and is not reduced for age or condition. The overhaul costs will be prorated over the interval between the last actual overhaul and the next scheduled overhaul (see Exhibit 7-3).

15.2.3.1.3.1. If a future overhaul is not scheduled, the cost of the previous overhaul will be prorated over the normal average interval between overhauls.

15.2.3.1.3.2. If an overhaul schedule is not available, the most appropriate time span for that series and model should be used.

15.2.3.1.3.3. In the case where actual costs are not available for the last overhaul, a reasonable estimate from the facility normally performing overhauls for the type of item to be sold may be used.

15.2.3.1.3.4. In the case where a maintenance schedule has not been established, a period of at least five years should be used.

15.2.3.1.3.5. A request for waiver of the overhaul cost may be submitted to OUSD(C) in accordance with section 13.0.

15.2.3.1.4. In the case of a naval vessel that is 20 or more years old, and 3,000 tons or less, 22 U.S.C. § 2761(a)(2) provides that the actual value is not less than the greater of the scrap value or the fair value (including conversion costs) as determined by the Secretary of Defense. See Exhibit 7-4 for an example of the price computation for a ship that is greater than 3,000 tons.

15.2.3.1.5. The proceeds from sales of defense articles sold without intent to replace that are paid with national funds of the FMS purchaser must be deposited into the Special Defense Acquisition Fund. (See ***Security Assistance Management Manual, Appendix 8*** and ***SAMM C11.9*** for additional information on proceeds from assets sold.) The proceeds from sales of defense articles sold without intent to replace that consist of U.S. grant assistance, including

funds for Building Partner Capacity programs and activities, must be deposited into the U.S. Treasury as miscellaneous receipts, per 31 U.S.C. § 3302(b).

* 15.2.3.2. Item to be Replaced. If, at the time an agreement for sale of a defense article under Section 21 is entered into, the IA intends to replace the defense article being sold with any defense article to address a loss of capability or readiness from such sale, then the amount charged to the purchaser for the cost of replacement article must be one of the below:

15.2.3.2.1. The estimated amount to replace the article sold with the identical type, model, and series of defense article, less any depreciation of the article sold;

15.2.3.2.2. When replacement with an article described in subparagraph 15.2.3.2.1 will not meet IA requirements, the estimated amount necessary to replace the article sold with a newer model, modified version, or variant that serves as a functional equivalent to the defense article that is being sold, less any depreciation of the article sold.

15.2.3.2.3. When no replacement article described in either subparagraph *15.2.3.2.1 or 15.2.3.2.2* is obtainable, the amount equal to the last acquisition cost of the article sold, less any depreciation of such article.

15.2.3.2.4. The proceeds of defense articles sold with intent to replace must be deposited into the current procurement account necessary to facilitate the IA' s replacement of the article (see DoD FMR ***Volume 15, Chapter 3***, "Accounting" subparagraph 9.2).

15.2.3.2.5. Like Items. For the purposes of this guidance, a newer model, modified version, or variant of a defense article sold is that article's "functional equivalent" ifit allows the IA to meet the same operational objectives as the article sold under similar constraints or limitations (e.g., AIM-9M replaced with AIM-9X). When the desired replacement article is designed to accomplish a particular operational objective in an advanced or fundamentally different way (e.g., a guided missile vs. an unguided missile), or to accomplish distinct operational objectives beyond those made possible by the article sold (e.g., aircraft capable of vertical take-off and landing vs. horizontal only), the desired article will not be considered a functional equivalent. In cases where IAs intend to acquire such an article as a replacement for an article sold under Section 21, the amount charged to the purchaser must still comply with the pricing parameters detailed in subparagraphs 15.2.3.2.1 through 15.2.3.2.3.

15.2.3.2.5.1. Some improvements to an IA's stock may result from FMS priced in accordance with this guidance. However, FMS under Section 21 must not be used as a tool to upgrade an IA's stock at the expense of an FMS purchaser and in a manner that takes undue advantage of such purchaser. When replacement sales under Section 21 may result in a price to the purchaser that is substantially higher than the actual value of the article sold, IAs and leaders administering FMS will ensure that the purchaser is fully aware of this cost-value differential and clearly desires to proceed with a transaction despite such differential prior to entering into any binding FMS agreement (e.g., a Letter of Offer and Acceptance). In such cases, FMS purchasers should understand that the price reflects the requirement for the U.S. Government to minimize readiness impacts to the DoD when executing the FMS program, and that the purchaser may realize

greater value by choosing to forego an FMS purchase from DoD stock and seeking to obtain the desired articles through other means.

15.2.3.2.5.2. When it is imperative that stock be replaced through accelerated procurements, and normal pricing policies will not adequately recoup replacement costs, an exception to DoD pricing policies must be requested from the OUSD(C). Section 14.0 specifies guidance on exception requests. Normally, the exception would be to add a replacement factor or delay final pricing until the contract for replacement items is financially complete.

15.2.3.2.6. Dissimilar or Modified Items. Congress authorizes the replacement of material using proceeds from sales of dissimilar or modified items. The replacement item must be a later series, a modified version of the same basic model (e.g., sale of a C-130A aircraft and the purchase of a C-130E aircraft), or an acceptable substitute item (e.g., sale of an M-48 tank and the purchase of an M-60 tank). The purchase of upgrading or a modification kit is not considered a replacement even though the upgrade or modification would result in an end item similar to the items that are being acquired. In this situation, an item of material sold will require replacement to compensate DoD inventories for the resultant loss of capability or readiness. The replacement must be shown under the direct budget program and reprogramming action taken prior to replacement. The obligations to replace the assets will be recognized and accounted for as direct obligations, rather than as reimbursements to annual procurement appropriations.

* 15.2.4. Sale of Munitions. Munitions that are serviceable retain their full value and should not be depreciated in accordance with standard depreciation timetables. For the purposes of this guidance, "munitions" has the meaning established in 10 U.S.C. I0l(e)(4). Notwithstanding this definition, provisions in DSCA SAMM that restrict sales of specific categories of munitions under the FMS program (e.g., section C4.5) remain applicable.

15.3 Excess Defense Articles

15.3.1. Excess defense articles are assets in excess of the Approved Force Acquisition Objective and Approved Force Retention Stock of all the DoD Components (see paragraph 15.2 for additional discussion). Excess defense articles must be sold in an "as is" condition. The cost of repairing, rehabilitating, or modifying such articles must be computed in accordance with paragraph 9.2.

15.3.2. Excess articles may be sold at reduced prices to recognize depreciation for the age and condition of the article. PC&H and Transportation (PCH&T) is computed on the original acquisition value and not on the reduced price. The level of effort for the PCH&T is not less for an article that is considered excess; therefore, the expenses for the PCH&T do not decrease and must be recovered in total from purchasers. This policy applies to procurement appropriations and DWCF. An illustration of the price computation for Non-DWCF is in Exhibit 7-5.

15.3.3. The selling price of excess articles, exclusive of repair or modification costs, must be the highest of:

15.3.3.1. Its market value for which the applicable NC recoupment charge must be assumed to be included (market value is the price at which bona fide sales have been consummated for products of like kind, quality, and quantity);

15.3.3.2. Its scrap value plus NC recoupment charge and the last major overhaul costs incurred (scrap value is the amount that would be expected to be obtained from selling the asset at the end of its useful life); or

15.3.3.3. Its fair value, plus NC recoupment charge and prorated major overhaul costs (fair value is the price for which an item can be bought or sold in an arm's length transaction between unrelated parties).

15.3.4. The fair value is computed using the fair value rates associated with the Federal Condition Code of the asset multiplied by the established inventory price. See Table 7-2. If the IA proposes the price of the material to be less than the 5 percent minimum threshold indicated in Table 7-2 or proposes to waive the overhaul costs, a detailed justification must be sent to the DSCA OBO in accordance with section 13.0. If DSCA endorses the IA proposal, it will forward that package to OUSD(C) for final approval.

15.3.5. The overhaul costs will be prorated over the interval between the most recent prior overhaul and the next scheduled overhaul. If a future overhaul is not scheduled, the cost of the last overhaul will be prorated over the normal average interval between overhauls. In the case where actual costs are not available for the last overhaul, a reasonable estimate from the facility normally performing overhauls for the type of item to be sold may be used. In the case where a maintenance schedule has not been established, a period of at least five years should be used. An example of computing these costs is illustrated in Exhibit 7-3.

15.3.6. When accountability for excess items has been transferred to "Property Disposal," the provisions of the DoDM 4160.21, Volume 3 must apply. This manual provides specific guidance for the disposition of amounts realized from the sale of such equipment. Defense Logistics Agency Disposition Services will calculate PC&H based on the original acquisition value of assets sold or transferred.

15.3.7. A request for an exception to the established pricing policy of excess material for FMS will be submitted in accordance with section 14.0 and must address the following:

15.3.7.1. Whether the item has been screened for potential sale to purchasers and whether there is any existing purchaser interest at the price determined in accordance with the established pricing policy;

15.3.7.2. Whether the alternative proposed price is equal to or greater than the scrap value plus the established recoupment charge for DoD NC;

15.3.7.3. Whether demilitarization costs will be incurred by DoD if the item is sold and, if so, the estimated amount of such demilitarization costs;

15.3.7.4. What the price to repair the item would be and its percentage of the original acquisition cost of the item; and

15.3.7.5. Whether the proposed sale has any other economic or political benefit to DoD and/or the USG.

15.4 Quotation of Firm Prices

15.4.1. The DoD Components are authorized to quote firm prices for items to be sold from stock and for in-house services to be furnished, pursuant to 22 U.S.C. § 2761. Such prices are not subject to further adjustment, provided the purchaser accepts the LOA before the expiration date. A firm price may be quoted only for:

15.4.1.1. An actual or estimated replacement price for a procurement-funded end item, including ammunition, or major items to be sold from inventory as authorized in subparagraph 15.2.3.2, when the price is based on budgetary data or contractor quotation;

15.4.1.2. A price for procurement-funded or major item developed under provisions of subparagraph 15.2.3.1 and paragraph 15.3; and

15.4.1.3. Training tuition rates (only for current year). Refer to section 21.0 for additional information on rates for training of international students.

15.4.2. The reason for quoting firm prices is to minimize difficulties that might arise should prices undergo several revisions due to budgetary decisions made subsequent to the country's acceptance of LOAs. Firm prices may be quoted only after careful and coordinated development of such pricing data. LOAs (other than for training) that specify firm pricing must be coordinated, at a minimum, with the OUSD(C), the Offices of the Assistant Secretaries of the Military Departments (Financial Management and Comptroller), and DSCA.

15.4.3. All LOAs authorized to be on a firm price basis must include a note that specifies that the pricing data presented is firm (except for changes authorized in paragraph 22.5) and will not be changed, provided the country accepts the LOA before its offer expiration date.

15.5 Charges for NC

15.5.1. Non-USG purchasers must pay a fair price, determined in accordance with ***DoDD 2140.02***, "Recoupment of Nonrecurring Costs (NCs) on Sales of U.S. Items," for the value of DoD nonrecurring investment in the development and production of MDE, as required by law, unless an NC recoupment charge waiver has been approved by the Director, DSCA. For FMS, an NC recoupment charge is applicable to all MDEs. MDE is any item of Significant Military Equipment (SME) listed on the U.S. Munitions List having a DoD nonrecurring RDT&E cost accumulation of $50 million or a total DoD production cost of more than $200 million. A listing

of MDE with associated NC charges can be found in the ***SAMM Appendix 1***. The NC recoupment charge is not applicable to BPC cases.

15.5.2. Cost Pool Methodology

15.5.2.1. A cost pool methodology is used to determine the pro rata share of NC to be recouped. The NC recoupment charge computation (nonrecurring RDT&E and nonrecurring production cost pools divided by estimated benefiting units) is submitted to the Director, DSCA for approval. The NC recoupment computation must be supported with an MDE calculation worksheet, illustrated in Exhibits 7-6, 7-7, and 7-8. The Director, DSCA will review each DoD Component's calculations and publish the approved charge in the SAMM Appendix 1.

15.5.2.2. Each DoD Component must establish a system to accumulate cost pools, recognize when a cost pool meets recoupment thresholds, and calculate an NC recoupment charge for items releasable to foreign countries and international organizations when FMS sales are anticipated. The NC recoupment charge must be based upon information recorded in DoD accounting records or DoD budget justification documents. If adequate documentation is unavailable, the DoD Component will calculate the pro rata NC at 5 percent of the last known DoD acquisition cost.

15.5.3. Nonrecurring RDT&E Cost Pool

15.5.3.1. The nonrecurring RDT&E cost pool includes costs funded by RDT&E appropriations to develop or improve the product or technology under consideration. The costs to be included in the nonrecurring RDT&E investment cost pool must be determined on the budget and accounting classifications established for RDT&E appropriations in ***Volume 2B***, "Budget Formulation and Presentation." ***Volume 2B, Chapter 5***, "Research, Development, Test, and Evaluation Appropriations" paragraph 10.5 establishes the following RDT&E categories:

15.5.3.1.1. Budget Activity 1, Basic Research;

15.5.3.1.2. Budget Activity 2, Applied Research;

15.5.3.1.3. Budget Activity 3, Advanced Technology Development (ATD). ATD is sometimes further broken down into budget activities 3A (strictly research efforts that involve the production of breadboards or brass boards to model all or part of a design) and 3B (applied to projects to produce a prototype, which although not suitable for fielding, is closer to representation of an end item for military application);

15.5.3.1.4. Budget Activity 4, Advanced Component Development and Prototypes;

15.5.3.1.5. Budget Activity 5, System Development and Demonstration;

15.5.3.1.6. Budget Activity 6, RDT&E Management Support; and

15.5.3.1.7. Budget Activity 7, Operational System Development.

15.5.3.2. Costs in budget activities 3B, 4, 5, 6, and 7 are subject to recoupment and must be included in the nonrecurring RDT&E cost pools upon which the pro rata charge is calculated. The costs incurred for nonrecurring RDT&E in budget activities 1, 2, and 3A may not be included in the nonrecurring RDT&E cost pool.

15.5.3.3. All applicable NC efforts, including in-house or multiple contractors, must be included in the nonrecurring RDT&E cost pool; the source of the NC effort to develop a product is not relevant to the calculation of the NC recoupment charge. The costs of improvement programs that are designed to continuously improve the safety, reliability, availability, and maintainability of an end item, or major component, over the projected life of the item will be shared equitably by all users of the item.

15.5.3.3.1. Normally, each user will pay a share of the total annual cost through a Component Improvement Program (CIP) or comparable program. All users are expected to participate in such a program.

15.5.3.3.2. The cost-sharing calculation will be established at the time the nonrecurring RDT&E cost pool is established and the NC recoupment charge is approved. First, the total life of the item will be projected, and then the point in time when half of all projected deliveries to non-DoD purchasers will occur will be estimated. Using actual cost data and data from historical files for similar CIP or comparable programs, the total U.S. investment costs over the life of the program will be estimated. The amount of U.S. investment projected to be incurred up to the previously determined point of half of the deliveries to non-DoD purchasers will be included in the weapon system nonrecurring RDT&E cost pool.

15.5.3.3.3. The annual cost of operating the CIP or comparable program will be shared in proportion to the number of items in the possession of each user. This will ensure that the remaining costs of operating the CIP, or comparable program, will be shared equally by all users of the item.

15.5.4. Nonrecurring Production Cost Pool. The costs to be included in the nonrecurring production cost pool are those financed by, or to be financed in the future by, procurement or operations and maintenance appropriations that benefit current and future production runs. DoDD 2140.02 stipulates that the pool must capture such costs as preproduction, special tooling, special testing equipment, production engineering, product improvement, destructive testing and product model production, and testing and evaluation. Other costs may be included if they benefit both current and future production runs. Descriptions of the major categories of costs to be accumulated in this NC pool are as follows.

15.5.4.1. Production Cost. Preproduction cost refers to the cost of such activities as tooling manufacture and tryout (i.e., jigs, dies, and fixtures) and the implementation of layout plans. A lump sum payment for license costs is part of the preproduction cost. See subparagraph 15.5.4.8 for more information on license costs.

15.5.4.2. Special Tooling Cost. Special tooling cost refers to the costs of all jigs, dies, fixtures, molds, patterns, taps, gauges, other equipment and manufacturing aids, and replacement thereof, that are of such a specialized nature that substantial modifications or alteration of their use is limited to the development of production of particular supplies or parts, or the performance of particular services. The term includes all components of such items, but does not include:

15.5.4.2.1. Material;

15.5.4.2.2. Special testing equipment; or

15.5.4.2.3. Building and non-serviceable structures (except foundations and similar improvements necessary for the installation of special tooling), general or special machine tools, or similar capital items.

15.5.4.3. Special Test Equipment Cost. Special test equipment cost refers to the cost funded by procurement appropriations for either single or multipurpose integrated test units engineered, designed, fabricated, or modified to accomplish special-purpose testing in the performance of the contract. Such testing units comprise electrical, electronic, hydraulic, pneumatic, mechanical, or other items or assemblies of equipment that are mechanically, electrically, or electronically interconnected so as to become a new functional entity, causing the individual item or items to become interdependent and essential in the performance of special test equipment procured with RDT&E appropriations.

15.5.4.4. Developmental Production Engineering Cost. Developmental production engineering cost includes the cost of product design improvement intended to enhance the producibility of an item; examination of available manufacturing processes to determine the need for new techniques (and their development, if necessary); the optimum marshalling of resources for efficient manufacturing (such as optimum lot size, scheduling, production control, production line design and balancing, and plant layout); and tool design and detailed manufacturing planning. Although a continuing activity, most of this effort is rightfully considered a nonrecurring production cost.

15.5.4.5. Product Improvement Cost. Product improvement programs may be accomplished by contractors as an engineering change proposal, modification work order, or an in-house project. Categories listed in subparagraphs 15.5.4.5.1 – 15.5.4.5.5 are to be included in the end item nonrecurring production cost pool, even though a participating product improvement program has been established that prorates the annual cost of the program based upon worldwide asset position (both U.S. and foreign-owned end items). The DoD cost of the category listed in subparagraph 15.5.4.5.6 must be recovered as part of the selling price of a new model item if the item is MDE. Product improvement is subdivided into six distinct types of effort:

15.5.4.5.1. Safety;

15.5.4.5.2. Cost reduction;

15.5.4.5.3. Reliability, availability, and maintainability;

15.5.4.5.4. Deficiency corrections;

15.5.4.5.5. Compatibility standardization, and simplification; and

15.5.4.5.6. New or improved operational capability.

15.5.4.6. Destructive Testing Cost. Destructive testing is a technique for performing tests on a component, assembly, or end item. It involves the testing of an article beyond its design limits (and ultimately its destruction), or the actual consumption of the article to determine if it is performing to design specifications.

15.5.4.7. Pilot Model Testing Cost. Pilot model testing includes the following efforts:

15.5.4.7.1. Qualification testing is a very severe testing to determine if a product will do what it is designed to do. It usually involves the testing of a product to the limits of its performance. It is often destructive and the test articles are not intended to be used operationally in the future; and

15.5.4.7.2. First article testing performed to evaluate a new manufacturer's ability to produce a specified design (could be the new manufacturer's design or that of another manufacturer). It is normally more stringent and costly than routine acceptance testing, but less stringent and costly (and less destructive) than qualification testing.

15.5.4.8. License Cost. License cost refers to the cost of the license DoD obtains to allow competitive awards for the production of an item when its design is owned by a contractor. In effect, DoD buys the rights to allow other contractors to produce an item for DoD purposes through the payment of royalties or a lump sum fee. These royalties are customarily on a per item basis and should be charged as recurring production costs. The lump sum fee is a nonrecurring production cost.

15.5.5. Components for USG Use Only. In computing NC pools for items to be sold under FMS, NC of major components that are restricted to USG use must not be included. For example, the costs of nuclear devices and features, countermeasure devices and features, security devices (black boxes), carrier-peculiar adaptations, and special fuel tank devices must be excluded. Estimates may be used if accounting records do not identify associated costs.

15.5.6. Benefiting Units

15.5.6.1. Benefiting units is the number of items that must be included in all known or projected DoD production quantities and must be determined as follows.

15.5.6.1.1. The production quantities of end items required by DoD must be obtained from either Selected Acquisition Reports or the Future Years Defense Program Procurement Annex.

15.5.6.1.2. The production quantities of end items to be procured for foreign countries or international organizations under SA programs must be obtained from DoD Component SA plans.

15.5.6.1.3. If end item data is not available from any of these sources, then the developing command must estimate the total number of end items to be produced.

15.5.6.1.4. The production quantities of systems components that meet the investment threshold must be derived from the number of end items to be produced. For example, if 100 aircraft must be produced (assume one engine for each aircraft) and spare part support requires 150 engines, the production quantity of engines is 250.

15.5.6.2. In the event of a disagreement on the production quantity and sales projections, the Director, DSCA must make the final determination in coordination with OUSD(C) and OUSD(A&S/R&E) of the production estimates to be used for determining the NC recoupment charge.

15.5.7. NC Charge Revisions. A revision may be submitted at any time by a DoD Component. It is mandatory that a modification to the NC recoupment charge be submitted when a significant change occurs.

15.5.7.1. Price Reduction. When the price is reduced because of age, condition, or supply status (excess), the same percentage reduction must be made to the pro rata share of NC.

15.5.7.2. Biennial Review. DoDD 2140.02 requires a biennial review of approved MDE charges to determine if there has been a significant change in factors or assumptions used to compute the currently approved recoupment for a model. A significant change occurs when:

15.5.7.2.1. A new calculation shows a change of 30 percent of the current system NC charge for an MDE item;

15.5.7.2.2. The NC unit charge increases or decreases by $50,000 or more; or

15.5.7.2.3. The potential for a $5 million change in recoupment exists.

15.5.7.3. Model Change. When a model change occurs, the NC recoupment charge must be recalculated. That portion of the NC that benefits only one model must be allocated only to that model. That portion of the NC that benefits old and new models must be prorated between cost pools related to the old and new model items. The commonality between old and new models may be determined either on the basis of the ratio of old model parts in the new item or on some other common acceptable basis for allocation of costs between the models (e.g., engineering

analysis or technology analysis, as appropriate). Sample calculations are illustrated in Exhibits 7-6 through 7-8.

15.5.8. NC Charge Recoupment. The approved pro rata charge must be recouped unless a waiver is authorized. When NC recoupment is applicable, the price on an LOA must include the specific recoupment charge. In instances where the initial rate has not yet been approved, DoD Components must provide an estimated rate based on the most accurate information available to the DoD Component. The LOA must be modified to specify the subsequently approved rate and only that approved rate is to be billed. When a recoupment charge is revised, the previous value is retained in the SAMM Appendix 1. Subsequent revisions to the pro rata charge must be applied to new LOAs and must not be applied retroactively. An exception to this rule of application is not authorized.

15.5.9. Reporting NC Recoupment Collections. NC Recoupment Collections must be reported.

15.5.9.1. Funds collected for NC recoupment charges must be disposed of in accordance with Chapter 3, paragraph 9.2.

15.5.9.2. DoD Components must provide a quarterly report on the status of NC recoupment collections. The report must be forwarded to the Director, DSCA OBO within 45 days following the close of each fiscal quarter.

15.5.9.3. DoD components must maintain records of anticipated and actual NC recoupment collections.

15.5.10. Waivers

15.5.10.1. The Director, DSCA has been delegated the authority to waive NC recoupment charges on FMS sales in accordance with paragraph 13.1. DSCA must issue, in writing, any approvals granted for waivers of the NC recoupment charge that otherwise would be collected under FMS. DSCA must forward a notification of each approved waiver to the applicable DoD Component.

15.5.10.2. The decision on any waiver requires the concurrence of OUSD(C) and OUSD(A&S/R&E). If an issue concerning the waiver request cannot be resolved, the Director, DSCA must submit an official waiver request to the Deputy Secretary of Defense for final determination. That request to the Deputy Secretary of Defense must be coordinated with OUSD(C) and OUSD(A&S/R&E).

15.5.10.3. Articles delivered after November 30, 1989, under FMS cases fully financed with MAP Merger funds and/or non-repayable FMF funds, must be priced to exclude the NC recoupment charge, in accordance with 22 U.S.C. § 2761(e)(1)(B).

15.5.11. "Special" RDT&E and Nonrecurring Production Costs

15.5.11.1. DoDD 2140.02 requires the purchaser to pay for "special" RDT&E and nonrecurring production costs that are incurred for the benefit of a particular FMS purchaser. Documentation must be maintained to show that the FMS purchaser requested the feature for its own benefit. For purposes of this paragraph, a "special" feature or unique requirement includes, but is not limited to, features that DoD initially may not have adopted or purchased due to the non-availability of funds, lack of authorization from the Congress, or lack of an approved DoD requirement, but subsequently adopts or purchases when otherwise authorized.

15.5.11.2. DoDD 2140.02 stipulates that the USG must not be charged a recoupment charge for "special" RDT&E and nonrecurring production costs even if the USG also adopts those features for its own use, or provides equipment with such features under a U.S. grant, aid, or similar program. This provision applies without regard to whether the adoption of such features by DoD occurs before, during, or after the full development of the feature.

15.5.11.3. DoDD 2140.02 permits the recoupment of "special" RDT&E and nonrecurring production costs incurred by FMS purchasers or participants of a coproduction, co-development, and cooperative development, or cooperative production program.

15.5.11.3.1. Recoupment is allowable only if such "special" costs exceed $50 million for each FMS purchaser, or if the "special" costs of participants of a cooperative agreement exceed $50 million in aggregate.

15.5.11.3.2. The "special" recoupment charge is determined by the DoD Component as a result of the distribution of the total costs divided by the total production, which is the same methodology used for determining the DoD NC recoupment charge.

15.5.11.3.3. The reimbursements may be collected by the Department from other purchasers or participants on behalf of the purchaser or cooperative participant incurring the "special" costs. Unless otherwise authorized by the USD, Policy, reimbursements must not be collected after 10 years have passed since the date the original FMS customer accepted the FMS LOA that included the special NC charges. IAs should coordinate with DSCA to obtain approval.

15.5.12. Defense Contract Audit Agency (DCAA). The Director, DCAA must ensure that any evaluation of a contractor accounting system includes an analysis of the internal controls established to ensure compliance with the requirement to pay NC recoupment charges for sales made prior to October 7, 1992. If DCAA audit work (e.g., on a bid proposal or claim for incurred costs) discloses contractor noncompliance with the requirement to pay an NC recoupment charge, an audit report must be issued promptly to the cognizant DoD contracting officer, with a copy of the report submitted to OUSD(C), DFAS SCA, and DSCA OBO.

15.6 Returns

In accordance with 22 U.S.C. § 2761(m), returns may be accepted if the defense article was previously supplied under the U.S.C., is not SME, and is in full functioning condition without need of repair or rehabilitation. DoD must have a funded requirement, including FMS requirements, for the defense article. The purchaser must not be reimbursed directly; the purchaser's FMS Trust Fund account must be credited to reflect the transaction, using DoD appropriations or other purchaser funds, dependent on the buyer.

16.0 CASH SALES OF DEFENSE ARTICLES AND SERVICES FROM NEW PROCUREMENT FOR DIRECT DELIVERY AND NEW PRODUCTION

Defense articles procured for cash sales to an eligible foreign government or international agency for direct delivery, pursuant to 22 U.S.C. § 2762, must be priced to recover the full contract cost to DoD, including DoD recurring contract support costs and applicable DoD surcharges. Costs may be revised for increases in labor and materials, or for other changes in production and procurement costs. The purchaser is obligated to pay any damages or costs that may accrue from the purchaser's cancellation of the contract (termination liability). Applicable surcharges must be added to the contract cost and included in billings for incurred costs. An illustration of the price computation is in Exhibit 7-9.

16.1 Cost Principles

16.1.1. DoD articles must be priced based on the same cost principles used in pricing DoD contracts covering items for DoD use. Recognition must be given to other reasonable, allowable, and allocable contractor costs and risks as permitted in the ***Federal Acquisition Regulation*** and ***Defense Federal Acquisition Regulation Supplement***, unless the purchase is wholly funded through non-repayable FMF funds.

16.1.2. When insufficient funds are available in the FMS Trust Fund account of a foreign government to meet current cash requirements, DSCA must initiate, through the responsible DoD Component contracting officer, appropriate contractual actions that will balance current cash requirements with available funds, unless the provisions of 22 U.S.C. § 2762(b) are involved. This condition should not occur without notification to the FMS purchaser. See Volume 16, Chapter 6 for information on debt owed to the DoD by foreign entities.

16.1.3. The $250,000 expense/investment threshold stated in ***10 U.S.C. 2245a*** does not apply to investment items funded by expense appropriations in support of BPC programs.

16.2 Nonrecurring RDT&E and Nonrecurring Production Costs

The price must include recovery of nonrecurring RDT&E costs and nonrecurring production costs as specified in DoDD 2140.02. Paragraph 15.5 contains further discussion of these costs.

16.3 CAS Costs Incurred in Support of New Procurements for FMS

16.3.1. CAS Surcharge. DFAS SCA recovers the cost of CAS by applying a percentage surcharge to the delivery transactions reflecting disbursements to contractors for FMS procurements on which applicable CAS have not been waived. The surcharge amounts collected are deposited to an account maintained by DFAS SCA and used to reimburse the DoD Components for CAS performed. The following surcharges in Table 7-1 are prescribed for DFAS SCA application to disbursement with reimbursable codes, specific delivery source codes, and price code "N":

Table 7-1: CAS Surcharges

FMS CAS Component	For LOAs Implemented Before October 1, 2002	For LOAs Implemented October 1, 2002 - November 30, 2014	For LOAs Implemented December 1, 2014 – January 31, 2020	For LOAs Implemented On or After February 1, 2020
Contract Administration/Management	0.50%	0.65%	0.50%	0.45%
Quality Assurance and Inspection	0.50%	0.65%	0.50%	0.45%
Contract Audit	0.50%	0.20%	0.20%	0.10%
Subtotal, CONUS FMS CAS	**1.50%**	**1.50%**	**1.20%**	**1.00%**
OCONUS	Previously included above	0.20%	0.20%	0.20%
Total, CONUS + OCONUS FMS CAS	**1.50%**	**1.70%**	**1.40%**	**1.20%**

16.3.2. CAS Waivers. CAS is subject to waiver in whole or in part under 22 U.S.C. § 2761(h). See paragraph 13.3 for more information on CAS waivers. A listing of waived programs is included in the ***SAMM C9***. CAS waivers apply only to those cost elements approved for the entire LOA, not only to a specific line/sub-line. CAS waivers are case-based and apply to new cases implemented on or after the approved waiver date. They are not retroactive nor applied to amendments on cases implemented prior to the waiver. The waived CAS element must be charged to DoD appropriations. DFAS and DSCA must reject billings to the FMS Trust Fund CAS Surcharge Account for charges that were waived.

16.4 CAS Costs Incurred in Support of Foreign Country Commercial Contracts

DoD support of commercial contracts awarded by foreign countries and international organizations represents an FMS sale of services. The Defense Contract Management Agency is responsible for performing this function. The hours expended in support of these commercial contracts must be accumulated and billed at an FMS contract administrative hourly labor rate

published each FY by OUSD(C). For the current rate, see "Financial Management, Reports, ***Department of Defense Reimbursable Rates***," Contract Administration (Tab E).

16.5 Costs for Government-Furnished Material (GFM)

16.5.1. Supplied From Inventory. All GFM supplied from inventory must be billed to the FMS case as "work in process" when the GFM is shipped from a depot to a contractor (Chapter 8). The billing price must be the same as a direct sale to an FMS purchaser, plus applicable accessorial costs.

16.5.2. Supplied From a Contractor. All GFM supplied from another contractor must be billed to the FMS case as "work-in-process" when payments are made to the contractor supplying the GFM. GFM should be shipped via a CCBL or prepaid by the supplying contractor. Contracts with contractors supplying GFM should directly cite the FMS Trust Fund as the financing source to the maximum extent possible.

16.5.3. Precious Metal. When precious metals recovered under the precious metals recovery program are provided as GFM to a contractor, the material must be valued at the market price on the date it is supplied to the contractor. Market price must be determined from any authoritative publication, such as *The Wall Street Journal.*

16.6 Other DoD-Funded Services in Support of FMS Procurements

16.6.1. The cost of DoD-provided or DoD-funded engineering services that are required to solve problems encountered during a production run must be allocated to FMS purchasers based on the number of items that are in the production run.

16.6.2. If components are procured for an FMS purchaser and assembled by DoD personnel, assembly labor costs must be assessed in accordance with section 20.0.

16.6.3. If a contractor is designated as the source of supply for nonstandard items to be procured for FMS purchasers, the contract price for the applicable items will normally include the additional cost(s) incurred to research and procure the nonstandard items. Any reasonable method of allocating these additional costs is acceptable. The test of the reasonableness of the contractor's costing allocation would be acceptance of the method by DCAA.

16.7 Customization Costs

The cost of deviations from USG configuration and special technical data desired by a foreign government must be included as a charge to that foreign government.

16.8 Items to be Replaced by Later Production (Diversions)

When new production and procurement items are diverted from Military Department delivery schedules, and will be replaced by later production, these items must be priced at the current production cost or the replacement production cost, whichever is higher.

16.9 Production by a Foreign Government

When a portion of the production quantity is to be produced by the purchasing foreign government, costs must be computed separately in accordance with cost methods established by the foreign government and accepted by the USG.

16.10 Recoupment of Interest Penalties Due to Prompt Payment Act

16.10.1. The FMS Trust Fund must pay or reimburse any prompt payment interest penalty payments that are incurred (***Title 5, Code of Federal Regulation, Part 1315***, "Prompt Payment"). Vouchers for interest penalties incurred on FMS procurements must cite the same line of accounting supplied by DFAS SCA prior to the beginning of each FY. If, at the time of occurrence, the appropriate fund cite is unknown, contact DFAS SCA. DFAS SCA has assigned a unique accountable station number for each Service or Component for the purposes of accounting for prompt payment interest penalty reporting.

16.10.2. Within 30 days after the end of each quarter, each assigned DFAS SCA accountable station must submit the FMS Prompt Payment Act Report to DSCA. This report contains three sections reflecting the interest penalties paid by the number of transactions, the dollar amount, and a reason code.

16.10.3. Each assigned DFAS SCA accountable station must submit an FY end-of-year report annually. Since the fourth quarter report is an aggregate of the entire FY, the quarterly report also serves as the annual requirement. This report is due to DSCA 45 days after the end of the FY.

16.11 Price Codes

The DoD Components will make every effort to obtain the final price for contract-supplied items within 180 days of reported delivery. However, the use of estimated price codes is approved for reporting the deliveries of major end items if an actual price code is not available within 30 days after the date of shipment. Moreover, the use of estimated price codes is mandatory for reporting the deliveries of major end items if an actual price code is not available within 90 days after the date of shipment.

17.0 LEASING OF DEFENSE ARTICLES

Defense articles are leased to a foreign country or international organization under the authority of ***22 U.S.C. § 2796***. Inspection, restoration, maintenance, accessorial costs, or other support costs incurred in connection with the lease must be priced in accordance with this chapter and included on a separate LOA. Lease charges must apply except for cooperative R&D projects, military exercises, communications, and/or electronics interface projects. Reimbursement of the lease charge for any defense article that has passed 75 percent of its normal service life may be waived if it is determined that doing so is important to the national security interest of the U.S. This waiver authority has been delegated to the Director, DSCA or in the absence of the Director, the Deputy Director.

17.1 Pricing of Leased Defense Articles

17.1.1. The amount to be charged for the lease of defense articles is the depreciation incurred during the period of the lease.

17.1.2. The depreciation charge is dependent upon the following (see Exhibit 7-10):

17.1.2.1. Date the item is to be leased,

17.1.2.2. Date the item was first fielded or actual acquisition date,

17.1.2.3. The total estimated service life of the item,

17.1.2.4. Duration of the lease,

17.1.2.5. The original acquisition cost of the item,

17.1.2.6. A pro rata share of nonrecurring RDT&E and production costs, and

17.1.2.7. Capital improvements made to the item.

17.2 Replacement Costs

Replacement costs must be estimated when the item is placed on lease and reflected in the lease agreement. In the event a leased defense article is damaged beyond repair, or is not returned, the replacement cost must be collected from the leasing foreign country or international organization. The FMS administrative surcharge does not apply to lease rental payments. The replacement cost must be calculated in accordance with subparagraphs 15.2.2 and 15.2.3. Refer to ***SAMM C11*** for procedures on leasing arrangements.

18.0 TECHNOLOGY TRANSFER

18.1 Technical Data Package (TDP)

A TDP encompasses production designs, drawings, specifications, models, manufacturing techniques and details, and similar information necessary to enable a foreign government to manufacture, or have manufactured, items of military equipment and repair parts, excluding information associated with the RDT&E stage. It also does not include technical assistance or knowledge by USG personnel; however, such assistance may be provided at additional cost. Refer to ***SAMM C3*** for additional information on TDP.

18.2 Pricing of TDPs

DSCA may authorize release of a TDP to a foreign government for in-country manufacture of military equipment and repair parts. Costs incurred in the preparation, reproduction, and handling of the TDP must be priced in accordance with section 19.0. When the pricing of the TDP is subject to an international agreement of which DoD is a party or is otherwise bound, the sale will be determined consistent with the terms of the agreement.

19.0 PUBLICATIONS

Generally, the cost for a DoD standard publication is the incremental cost to produce another copy. Effective October 1, 2004, acquisition and development costs are excluded in determining the costs of a DoD standard publication.

19.1 Terms

19.1.1. Publications. The term publications include technical orders, technical manuals, supply catalogs, training publications, courseware, computer-based tutorials, administrative publications, engineering drawings, and associated documents, Integrated Logistics Support publications and associated documents, equipment component lists, special file extracts, decals, forms, and audio-visual products.

19.1.2. Medium of Publications. The medium of publication refers to the format of the publication; it may be in bound or loose-leaf format, imprinted form, Automated Data Processing listing, operator's card, microfilm, slide, motion picture film, computer disc, or internet accessible.

19.1.3. FMS Purchaser-Unique Publication. Unique publications are DoD standard publications sanitized for the elimination of non-releasable information or publications developed for a country's unique specification. Engineering drawings and associated documents will be reviewed to determine if a technology charge is appropriate. Refer to subparagraph 15.2.2 when pricing DWCF publications.

19.2 Publication/Software Pricing Factors

19.2.1. Publications or software developed solely for the use of an FMS purchaser(s), such as a country-unique technical order/software, instructions, or other publications and programs, must be priced to recover the total costs (including both in-house and contractual efforts) of development and delivery of the end product. These costs must include but are not limited to, the amounts paid for technical or administrative writing, editing, illustrating, animation, copy preparation, documentation, royalty fees for intellectual property, and distribution services. The costs of additional copies or masters must be limited to the actual costs of reproduction to include media (e.g., disk, tape, compact disk, and hardcopy) and distribution/delivery. The development of FMS prices for current, standard publications, or software programs/products of the DoD includes copy production cost (CPC) and SC.

19.2.2. CPC. CPC is the costs incurred in the printing or reproduction of copies from the reproducible master.

19.2.3. SC. SC are the costs incurred in the elimination of non-releasable information from a DoD publication/software program prior to release to a foreign government. SC includes the costs of classified handling, development, and maintenance of country-peculiar publications or programs, including costs associated with updating manuals/programs for nonstandard items (such as items out of inventory or out of production).

19.3 Development of a Per Copy Selling Price

19.3.1. Calculation. The total cost of a publication or software program is the sum of the incremental costs identified in paragraph 19.2. The total cost must be reduced to a per copy expression by dividing the total incremental cost by the quantity produced.

19.3.2. Use of Actual Cost. Recorded actual costs will be used when available. When actual costs for individual publications or programs cannot be readily determined, a factored expression of historical costs will be developed from the most current cost records available. Uniform pricing tables can be developed from the cost per "unit" ("unit" being either a page, a roll of microfilm/microfiche page, or a running foot of tape or motion picture film). Paragraph 19.2 includes guidance for developing publication pricing tables.

19.4 Other Applicable Costs

19.4.1. Recoupment of NC does not normally apply to the sale of publications or software. However, if the item is MDE, then NC recoupment charges would apply. Applicable NC recoupment charges are a part of the cost included in the pricing formula set forth in paragraph 19.3.

19.4.2. The standard administrative and accessorial charges prescribed in this chapter must be recouped as a percentage of publication/software prices. These charges are not included in the per copy selling price.

19.4.3. The FMS price for a joint Military Service publication or software program must be established by the Military Department responsible for its acquisition and management. That Military Department must notify the other participating DoD Components of the established FMS price.

20.0 PRICING OF PERSONNEL SERVICES

The pricing of DoD personnel services in support of the FMS program, including personnel costs recouped indirectly through the FMS administrative surcharge and those recouped as direct charges, such as special management services, Mobile Training Teams, Mobile Education Teams, Technical Assistance Teams, or Technical Assistance Field Teams, must be calculated in accordance with this section. See section 21.0 for the pricing of personnel assigned to DoD training installations and for those costs that may be waived or excluded from charges in certain cases discussed throughout this chapter. When determining the pricing for personnel services, every attempt should be made to use actual costs. If actual cost data is not available, estimated pricing is acceptable. The costs must be substantiated by a reliable audit trail.

20.1 Civilian Personnel

20.1.1. Services performed by DoD civilian personnel must be priced at rates in effect at the time the services are performed. Salary tables are available at the Office of Personnel

Management ***(OPM)*** website. Base salary rates must be accelerated as discussed in this paragraph. An illustration of civilian personnel pricing computation is shown in Exhibit 7-11.

20.1.2. Accelerated Rates and Factors

20.1.2.1. Fringe Benefits Rate is used to recover the USG's contribution of civilian employee benefits such as retirement, insurance and health plans, and cash awards, and is published annually at OUSD(C) DoD Reimbursable Rates, "Civilian Personnel Fringe Benefit (Tab D)".

20.1.2.2. Leave and Holiday (L&H) Factor is used to compensate for wages paid during leave or holiday period, and is currently set at 18 percent. L&H is not applied to civilian personnel assigned full time to a given requirement.

20.1.2.3. Unfunded Civilian Retirement (UCR) Factor is applied to recover retirement, post-retirement health benefits, and post-retirement life insurance costs incurred by USG, and is published annually at OUSD(C) DoD Reimbursable Rates. UCR does not apply to BPC Case- or FMS Admin-funded personnel.

20.1.3. The cost of civilian personnel assigned full time to FMS Case-funded requirements should reflect the annual salary for the applicable pay grades plus the Fringe Benefit Rate plus the UCR Factor. Otherwise, an hourly rate of 1/2087 of the annual rate plus the L&H Factor will be used, and the Fringe Benefits Rate and UCR Factor are then applied to the calculated hourly rate.

20.1.4. The cost of civilian personnel assigned full time to BPC Case-funded requirements, or funded 100 percent from the FMS Administrative Surcharge Budget, should reflect the annual salary for the applicable pay grades plus the Fringe Benefit Rate. Otherwise, an hourly rate of 1/2087 of the annual rate plus the L&H Factor will be used, and the Fringe Benefits Rate is then applied to the calculated hourly rate.

20.1.5. See paragraph 13.8 for the impact of "Fair Pricing" legislation on civilian personnel services in calculating charges for administrative services under 22 U.S.C. § 2796(e)(1)(A).

20.2 Military Personnel (MP)

20.2.1. MP services must be priced using the composite standard pay and reimbursable rates current at the time services are performed. MP service costs are not included in cases solely citing MAP Merger, FMF, or BPC funding.

20.2.1.1. DoD Reimbursable Rates, "Military Personnel Composite Standard Pay and Reimbursement Rates (Tab K)," are published, and periodically revised, by the OUSD(C). FMS costs are calculated using the "Rate Billable to FMS Entities." Monthly, daily, or hourly rates can be determined from these tables by using factors listed in the notes at the bottom of each page.

20.2.1.2. Historical rates are available by applicable FY, as noted in the DoD Reimbursable Rates. Prior to November 30, 1989, an Asset Use acceleration factor would have applied to the total costs of temporary duty (TDY) and military composite pay costs if the service was performed at a military installation.

20.2.2. Since FY 1985, the annual composite standard military rates include the cost of retirement. These composite rates, however, must also recover the cost of other benefits. L&H costs are added when reimbursements are based on time actually worked, such as when the foreign country does not otherwise pay for the personnel costs incurred by DoD during L&H periods. The additive amounts for retirement, L&H, and other benefits are expressed as percentages of the composite standard pay rate. Pricing computations are illustrated in Exhibit 7-12.

20.2.3. Permanent change of station (PCS) costs are included in the composite standard pay rates and are subject to reimbursement factors. For cases prior to FY 2005, if MP were required to make a PCS move to support an FMS case, the PCS rate must be deleted from the composite rate and the actual PCS cost charged to the case is not subject to any additional reimbursement factor. Effective FY 2005, MP services for FMS must be priced using the composite rates that already include the PCS expense and must no longer use the actual PCS expense for PCS moves to support an FMS case.

20.3 Foreign National Personnel

Foreign national personnel services must be priced at actual costs or at standard pay rates. Standard pay rates must not be used when known to be less than actual costs. Both the actual cost and the standard pay rate must include an estimated amount to cover such benefits as sick leave, maternity leave, death, accident, unemployment, and retirement (separation) when such benefits are paid to these employees or are specifically required by the laws of the foreign government.

20.4 Travel and Living Allowances

20.4.1. The calculation of personnel costs must include travel time, for both TDY travel and PCS, when the travel directly results from the performance of an FMS or BPC case (PCS does not apply to BPC).

20.4.2. Travel, per diem, living allowance payments, and other entitlements to DoD personnel working on FMS cases must be identical to the payments and entitlements of DoD personnel working on direct DoD mission assignments at similar locations. Refer to ***Volume 9***, "Travel Policy" for additional information.

20.4.3. Waivers from the normal travel procedures must be granted to SA travelers on the same basis, and in the same manner, as provided for DoD personnel traveling on regular defense business.

20.4.4. An FMS case must be priced to include the amount paid to employees or centrally funded through authorized DoD entitlement programs.

20.5 Special Instructions Applicable to DWCF

20.5.1. Rates. DWCF facilities must charge approved DoD stabilized rates and prices for services in support of FMS cases, except where special rates have been approved by OUSD(C) or where actual cost reimbursement is appropriate. The stabilized rate to be charged is the rate in effect when the order is received and accepted (as opposed to when work is performed by DWCF supply management). See Volume 2B, Chapter 9 and ***Volume 11B***, "Reimbursable Operations Policy" for additional information on DWCFs.

20.5.2. UCR and Post-Retirement Health Benefits. The price or rate charged to FMS purchasers of DWCF activities for defense articles and services must be adjusted to include an amount for UCR and post-retirement health benefits costs. UCR would not be applied to any personnel funded by the FMS administrative account (see paragraph 13.8). To determine the price or rate adjustment, the civilian salary costs (not including benefits or overtime costs) included in the price or rate, must be multiplied by the UCR and post-retirement health benefits costs rate. Amounts collected for UCR and post-retirement health benefits costs must not be retained by DWCF activities; rather, such amounts must be deposited into the Miscellaneous Receipts Account 3041. The DoD Reimbursable Rates can be found at the OUSD(C) DoD Reimbursable Rates website.

21.0 TRAINING OF INTERNATIONAL STUDENTS

21.1 General

Any special requirement for the exclusive use of an international student or international program must be reimbursed in full. Less than the full cost of training may be charged under training price exceptions, 22 U.S.C. § 2761.

21.2 International Student Training Price Exceptions

21.2.1. Title 22, U.S.C. § 2761(a)(1)(C) allows for countries concurrently (same FY) in receipt of International Military Education and Training (IMET) or designated as a high-income foreign country to be charged only those additional costs that are incurred by the USG in furnishing the training.

21.2.2. Title 22, U.S.C. § 2761(g) authorizes the President to enter into NATO Standardization Agreements (STANAG). The President also is authorized to enter into similar agreements with countries that are major non-NATO allies for the cooperative furnishing of training on a bilateral or multilateral basis, if the financial principles of such agreements are based on reciprocity.

21.2.2.1. Such agreements must include reimbursement for all direct costs but may exclude reimbursement for indirect costs, administrative surcharges, and costs of billeting of trainees (except to the extent that members of the U.S. Armed Forces, occupying comparable accommodations, are charged for such accommodations by the U.S.).

21.2.2.2. Each such agreement must be transmitted promptly to the Speaker of the House of Representatives and the Committees on Appropriations, Armed Services, and Foreign Relations of the Senate. See ***SAMM C10.T13*** and ***SAMM C10.T14*** for more information on Reciprocal Agreements.

22.0 STANDARD GUIDELINES FOR TUITION-BASED TRAINING

Training provided to international students must be based on the costs of providing the training. Several factors affect the tuition rate for which an international student is eligible. The source of financing is one determinant (e.g., whether a country uses its national funds to purchase training or whether U.S. appropriated funds are used to purchase the training). Other factors include whether a country is a high-income country, whether it has signed a reciprocal training agreement with the U.S., and/or whether the country is concurrently in receipt of IMET funding. A general tuition rate pricing structure for pricing training is in Exhibit 7-13.

22.1 Types of Training

22.1.1. Standard Formal Training. Formal training provided to international students may consist of flying training courses, technical training courses, language training, and other training not specifically addressed in subparagraph 22.1.2. Tuition rates are generally shown as a cost per student or cost per student week. Refer to section 23.0 for pricing of tuition-based training.

22.1.2. Nonstandard Formal Training. Nonstandard formal training courses follow the same pricing concepts as formal training with the following noted exceptions:

22.1.2.1. Observer Training. Observer training where International students, who audit a course, must be charged the same price as enrolled students; and

22.1.2.2. Distance Learning. Distance learning or other technology-based training as follows:

22.1.2.2.1. A material-only training course that is provided solely by computer media (e.g., computer disc), satellite video teleconference (VTC), or closed circuit VTC, is non-resident, and is being developed solely for the training of international students (one country or a group of cooperating countries), must be priced to fully recoup all costs to the USG including the costs (in-house and contractual) to develop and produce the training, and the costs of the materials (such as a computer disc) (see paragraph 19.2 for publication/software pricing);

22.1.2.2.2. A material and proctor/online service, non-resident training course developed solely for the training of international students (one or more countries) that is provided by computer media (e.g., computer disc), plus online services (proctor), to include testing, must be priced to recoup all costs (in-house and contractual) to develop and produce the training; the costs of the materials (such as a computer disc); and the actual, or estimated, costs of the services (see paragraph 23.1 for training cost categories and paragraph 19.2 for publication/software pricing); and

22.1.2.2.3. Resident courses developed solely for the training of international students that is on computer media (e.g., computer disc), plus on-line services (proctor), must be priced to recoup all costs (in-house and contractual) to develop and produce the training; the costs of materials (such as computer disc); the actual, or estimated, costs of the services; and the costs for resident training (see paragraph 23.1 for training cost categories and paragraph 19.2 for publication/software pricing).

22.1.2.3. Dedicated Training Courses. For purposes of this section, a dedicated training course is a training course developed or provided solely for the training of international students (one or more countries). Pricing of dedicated training courses must be in accordance with section 24.0.

22.1.2.4. Contractor-Provided Courses. Contractor-provided courses must include the applicable contract costs. If taught at a government-owned/government-operated facility, the pricing of indirect costs must be in accordance with section 23.0.

22.1.2.5. Inter-American Air Forces Academy and Western Hemisphere Institute for Security Cooperation Courses. Training costs associated with courses offered at the Inter-American Air Forces Academy and Western Hemisphere Institutes for Security Cooperation Courses must exclude the fixed costs of operating and maintaining the schools (e.g., costs that do not vary with student load).

22.1.2.6. Specialized/Dedicated Training Programs. Refer to section 24.0 for specialized/dedicated training program guidance.

22.1.2.7. Training Teams. Refer to section 25.0 for pricing guidance for the training team.

22.2 Courseware Development

22.2.1. Recoupment of Nonrecurring Development Costs

International student participation in any of the aforementioned types of courses that have been developed for use by U.S. DoD personnel must not include the recoupment of nonrecurring development costs. Since these courses/courseware are not items of SME or MDE, the nonrecurring development costs of the original U.S. courses/courseware must not be included in the price. The costs of providing unique training material based on U.S. developed course/courseware (e.g., sanitizing, customizing, and country standardization) must be recouped.

22.2.2. Pricing of Non-Inventory Courseware

22.2.2.1. When an international partner has requested that specific courseware be developed to meet its training requirements, either for training in the U.S. or for its own in-country training purposes, and the U.S. does not currently offer or have such courseware developed, the full costs of developing that courseware must be charged to the international partner. Assumptions used in pricing include: courseware does not currently exist, country-specific requirements being

addressed/developed, work hours required to prepare/develop the courseware, courseware may require materials, and courseware may be used in the future for another country if deemed appropriate.

22.2.2.2. The cost must include but is not limited to, the personnel or contractor costs incurred in the development of the courseware material, and/or supply costs incurred for the cost of publishing the courseware, and any shipping costs that may be incurred if delivering the courseware in-country. The guidance for applying costs to publications, if applicable, may be found in section 19.0.

22.2.2.3. When determining the pricing for personnel services, every attempt should be made to use actual costs. If actual cost data is not available, estimated pricing is acceptable. The costs must be substantiated by a reliable audit trail. Pricing of civilian/MP will be in accordance with section 20.0.

22.3 Liability for Damages

22.3.1. Training cases that involve the use of U.S. equipment (e.g., aircraft, trucks, or simulators), but do not include charges for attrition, must include the statement regarding liability for damages, "The Purchaser is liable for any and all damages to U.S. Government equipment caused by negligence on the part of the student." For students attending training under the IMET program, the student's Invitational Travel Order (ITO) must include the liability statement. The cost of replacing equipment that is destroyed as a result of student negligence must be reimbursed in full. See section 15.0 for instructions on pricing replacement equipment. Refer to Chapter 3 for guidance on attrition charges.

22.3.2. Claims arising out of combined exercise activities with USG under an LOA with NATO countries must be dealt with under the Agreement between the Parties to the North Atlantic Treaty, regarding the Status of their Forces, Article VIII. This also applies to the Agreement among the States Parties to the North Atlantic Treaty and the other States participating in the Partnership for Peace regarding the Status of their Forces.

22.4 Training Obligation

22.4.1. General. In general, a training course is an entire effort. This is particularly evident with USG contracted training. However, USG-provided training funded by DoD or DoS appropriations must end by the funds expiration date, as this training is severable and must not cross an FY, unless crossing an FY is authorized for a specific authority or program (i.e., FSF: authority to build capacity under 10 U.S.C. § 333, IMET, Combating Terrorism Fellowship Program and the Regional Centers).

22.4.2. Obligations. Funds for training are obligated on the date the student enters the course. In some cases, due to the long-range nature of planning required to support students' participation in a training course, funds can be obligated prior to the start date of the course, so long as the obligation meets a bona fide need of the current FY and are obligated during the appropriated period of availability.

22.5 Annual Publication of Tuition Rates

Tuition rates must be computed annually by the Military Departments and published in the Training Military Articles and Services List (***SAMM C10.4.3***). Every effort should be made to publish these rates by October 1st of each year. Tuition rates must be those in effect for the year in which the student enters the course or phase of a course. Approved rates must remain constant for the year.

22.6 Adjustments to Tuition Rates and Training Obligations

22.6.1. Current Year. Adjustments must be made only to correct significant errors in computation, change in syllabus, or major unanticipated increases or decreases in the cost of such items as POL and salaries. The foreign country must be billed for the actual time the student is in training when it varies from the scheduled length of the course. Any adjustments must be made as soon as possible, but not later than 90 days after completion of the course.

22.6.2. Future Year. Tuition rate estimates for future years must be adjusted for inflation. OUSD(C) published rates will be used. See ***OUSD(C) DoD Budget Request***, "National Defense Budget Estimates (Green Book)," for treatment of inflation.

22.7 Training Cancellations

22.7.1. Dedicated Courses/Contract Provided Training. Once a contract is awarded or a quota is confirmed, a 100 percent charge (cancellation charge) will apply to any country that fails to send a student to the identified training, unless another international student is identified and the quota is filled. Dedicated/contract training will only apply to certain courses. This training will include courses that rely on contract support and courses that are designated for international students only. A list of these courses will be identified by the IAs.

22.7.2. All Other Confirmed Training. A 50 percent cancellation charge will apply for all confirmed training canceled or rescheduled with less than 60 days notification unless training is reallocated and filled by another international student. The cancellation policy will be applied to all confirmed training within the 60-day window. Additionally, the cancellation charge will be applied to all training that falls within and outside the 60-day window if the training is part of a sequential pipeline that a student would attend as part of a complete curriculum.

22.7.3. Other Cancellation Charges. The IA will determine all other cancellation charges. To the extent that there are costs that would not exist but for the international student, such costs must be considered by the IA in determining the appropriate cancellation charge (e.g., cost of the International Military Student Office (IMSO)). Request for waivers to these cancellation charges should be addressed to the IA. The funding status of a training line has no bearing on whether the cancellation charge applies. The cancellation charge will not be applied when the cancellation is due to:

22.7.3.1. USG decisions, such as deletion or rescheduling of classes;

22.7.3.2. Unavoidable circumstances within a country, such as national disaster; or

22.7.3.3. The quota being used by another country.

22.8 Student Costs

22.8.1. Certain costs associated with the support of international students and/or their dependents are considered to be a responsibility of the foreign government and are not included in the tuition rate for a training course(s). The student's ITO will contain details about the level of support provided in accordance with the FMS LOA; see ***SAMM C10.11*** for more information. Compute and bill these costs as follows.

22.8.2. Meals. Meal rates are set annually by OUSD(C) and published on the OUSD(C), DoD Reimbursable Rates, "Food Service Charges at Appropriated Fund Dining Facilities (Tab G)."

22.8.3. Medical. Medical care (including outpatient) for students and dependents must be charged in accordance with the procedures identified in ***SAMM C10.9***. If included on the LOA, these costs must be shown as a separate line and billed to the foreign country.

22.8.4. Travel. Student travel, living allowances, and related costs must be paid to the commercial carrier, or other service provider, by the foreign country or student. For any U.S. services supplied (e.g., Air Mobility Command transportation), the non-government rate must be applied and billed to the foreign country or student, as appropriate. The government rate applies for IMET or non-repayable FMF.

22.8.5. Lodging

22.8.5.1. Family Housing. International students may occupy DoD student family housing only after a determination has been made that U.S. student requirements are satisfied and must be satisfied for the projected duration of the international student's occupancy. Under these circumstances, the amount to be charged must be, at a minimum, the cost incurred by DoD for the operation and maintenance of family housing units. When international students occupy family housing that is not in excess of U.S. Military Service needs, the amount to be charged must be equal to the cost of housing U.S. military service personnel on the economy.

22.8.5.2. Government Quarters. When international students occupy government quarters, they must be required to pay, at a minimum, the local custodial and non-appropriated fund fees.

22.8.5.3. NATO STANAG/Reciprocal Pricing Agreement Countries. Lodging costs may be excluded from reimbursement for the billeting of trainees except to the extent that members of the Armed Forces occupying comparable accommodations are charged for such accommodations by the U.S.

22.9 Field Studies Program (FSP)

22.9.1. In accordance with ***DoDI 5410.17***, "United States Field Studies Program (FSP) for International Military and Civilian Students and Military-Sponsored Visitors," tuition rates must include the costs associated with the implementation of FSP.

22.9.2. Included Costs. Costs that may be included in the computation of the FSP include the following:

22.9.2.1. Transportation – car, bus, rail, air (if applicable to the Washington D.C. trip), and baggage (non-excess);

22.9.2.2. Meals – costs should be limited to those rates as specified in the Joint Travel Regulations, (***JTR***);

22.9.2.3. Lodging – if applicable, the costs of lodging will be based on double occupancy for those International Military Students (IMS) in the rank/equivalent grade of O-6 and below. Single-room accommodations are allowed for escorts and those IMS in the rank/equivalent grade of O-7 or higher;

22.9.2.4. Admission (except as noted in subparagraph 22.9.3.4);

22.9.2.5. Tours and associated fees (e.g., brochures, pamphlets, maps);

22.9.2.6. Appropriate gratuities, where applicable;

22.9.2.7. Service charges (e.g., tolls and parking fees);

22.9.2.8. Costs associated with authorized guests at FSP functions such as luncheons, dinners, and receptions planned to facilitate IMS and U.S. personnel meetings and engaging in conversation. The ratio of IMS to guests will not be less than 20 percent in gatherings of fewer than 30 persons. When 30 or more persons are present, the ratio of IMS to guests will not be less than 50 percent;

22.9.2.9. Mementos (e.g., coins and plaques) for sponsors, guest speakers, and other individuals/institutions that support the FSP at a cost not to exceed $25 (rate to be adjusted annually by OUSD(C) in each year's Program and Budget Review Inflation Guidance); and

22.9.2.10. Distinctive medallions, plaques, or ornaments, one per IMS, which serve to commemorate the IMS's experience for participating in a particular FSP activity.

22.9.3. Excluded Costs. Funds may not be obligated or expended to pay for the following:

22.9.3.1. Alcoholic beverages;

22.9.3.2. Excess baggage;

22.9.3.3. Support for purely academic objectives (i.e., costs for trips that are an integral part of the training curriculum must be included in the course tuition rate);

22.9.3.4. Entertainment expenses for activities that are substantially of a recreational character, including but not limited to entrance fees at sporting events, theatrical and musical productions, and amusement/theme parks;

22.9.3.5. Personal costs of the IMS for laundry, cleaning, telephone service, room service, and all other costs not directly associated with the programmed tour; and

22.9.3.6. Dependents authorized to accompany an IMS in the U.S. participating in selected FSP activities; such participation is subject to space availability and at no cost to the FSP. Costs related to such participation must be paid by the IMS in advance of the event.

22.9.4. IMSO Costs

22.9.4.1. Local area travel costs are reimbursable in accordance with the JTR.

22.9.4.2. Washington, D.C. trip costs will include all appropriate costs for the IMS as well as the escort officer(s) (e.g., transportation, meals, lodging, and admissions). For more information on visits to Washington, D.C., see ***SAMM C10.18.5***.

22.10 Retainable Instructional Materials (RIM)

Much of the RIM issued to an IMS is provided via compact disk; however, if there is a need to ship RIM, include the cost of the shipment in the tuition cost. RIM must be packed and labeled at the training installation and shipped to the Security Cooperation Office of the country for delivery to the IMS. A copy of the student's ITO must be placed inside the package. The training installation must ensure that no personal baggage or other unauthorized matter is shipped with RIM. See ***SAMM C10.20.6*** for additional information.

23.0 PRICING OF TUITION-BASED TRAINING

23.1 Cost Categories

23.1.1. The pricing of training tuition rates falls under one of two costing schemes – full cost or incremental cost. Within each cost scheme, costs are segregated into three categories: direct costs, indirect costs, and other billable costs.

23.1.2. Direct Cost. A direct cost is any cost that is identified specifically with the training of a student. Direct costs also include directly associated costs that would not have been incurred had the other direct costs not been incurred (e.g., costs that are allocated on a specific measurable basis - cost per student week, cost per flying hour/sortie, costs per steaming hour, costs per range hour).

23.1.3. Indirect Cost. Indirect costs are costs of resources that are jointly or commonly used by all activities at an installation, but are not specifically identifiable with any of the users. These costs are not directly related to training but instead are associated with a variety of activities and services.

23.1.4. Other Billable Cost. Other billable costs are those required by legislation or policy that are additive to the cost of training an international student (e.g., FMS administrative surcharge, FSP, attrition, and RIM.

23.2 Pricing of Personnel

23.2.1. Military Pay

23.2.1.1. Full Costs. Price military pay using the FMS composite standard rates, which include the per capita normal cost of Medical Eligible Retiree Health Care (MERHC) and the acceleration factor for the Defense Health Program (DHP) published at OUSD(C) DoD Reimbursable Rates website, under "Military Personnel Composite Standard Pay and Reimbursement Rates," (Tab K). In addition, see paragraph 20.2 and Exhibit 7-12 for pricing applicability.

23.2.1.2. Additional Cost. Base pay and allowances of U.S. active duty personnel, including MERHC and DHP costs, are considered sunk costs and are normally not considered an additional cost, except as noted in paragraph 23.4. Additional costs related to military deployment as part of a training team could include such costs as hazardous duty pay, family separation pay, travel, and per diem. Exceptions are:

23.2.1.2.1. Military positions coded as reimbursable billets applicable to FMS must be considered additional costs. Budget materials must clearly reflect the reimbursable nature of the billet;

23.2.1.2.2. MP assigned to DWCF activities must be considered additional costs; and

23.2.1.2.3. Pay and allowances of National Guard/Reserve members called to active duty in support of FMS must be considered additional costs.

23.2.2. Civilian Pay

23.2.2.1. Full Cost. Price civilian pay in one of two ways:

23.2.2.1.1. Using actual costs plus inflation and applicable acceleration factors (recommended for tuition pricing); or

23.2.2.1.2. In accordance with paragraph 20.1 and Exhibit 7-11.

23.2.2.2. Additional Cost. Base pay and allowances of U.S. civilians are not necessarily considered sunk costs and may/may not be considered an additional cost. Additional costs related to civilians deploying as part of a training team could include such costs as hazardous duty pay, travel, and per diem. See Exhibit 7-13 for tuition training pricing applicability. Additional costs would include:

23.2.2.2.1. Civilian positions coded as reimbursable billets applicable to FMS. Budget materials must clearly reflect the reimbursable nature of the billet; and

23.2.2.2.2. Civilian personnel assigned to DWCF activities.

23.3 Pricing of Full Cost of Training (Tuition Rates A and B)

23.3.1. Full cost includes all direct costs and a proportional share of indirect costs to the USG for providing the training, regardless of funding sources. When developing the full cost of training, take into account the cost of training both U.S. and international students. For international students, the full cost will also include the other billable costs. Rates priced using full cost principles include Rates A and B in Table 7-3. Training price exceptions are found in subparagraph 21.2.

23.3.2. Direct Costs

Certain costs can be directly identified in training courses. Once identified, the direct cost is divided by the total number of students that can be enrolled in a course to determine the cost per student. Add together all direct costs per student to be included in the tuition rate.

23.3.2.1. Instructors and School Support Staff

23.3.2.1.1. Instructors

23.3.2.1.1.1. Average Instructor Costs. The cost of instructor salaries, allowances, and other entitlements is computed by dividing the annual instructor cost by 52 weeks and multiplying the result by the number of weeks in the applicable course (see section 20.0). Divide this cost by the maximum class size to develop the instructor cost per student.

23.3.2.1.1.2. Instructor Contact Hours. Instructor costs may be allocated on an instructor contact-hours basis (e.g., total platform work hours allocated as instructor contact hours per student); this is one method to allow for equitable distribution.

23.3.2.1.1.3. Total Training Man Weeks (TTMW). Instructor costs are calculated by multiplying the number of weeks for given courses times the total number of students enrolled to derive the total "Training Man Weeks" for a given course. The "Training Man-Weeks" for all courses at a training activity are summed together to calculate the TTMW for a training activity. The total salaries for a training activity are then divided by the TTMW to develop a weekly rate. The weekly rate is then multiplied by the number of weeks for a given course to calculate the instructor cost per course.

23.3.2.1.2. School Support Staff

23.3.2.1.2.1. Average School Support Staff Costs. Compute the cost of salaries, allowances, and other entitlements of administrative and other personnel supporting training by dividing the total annual cost by the total course weeks of training and multiplying the result by the number of weeks in the applicable course. Divide this cost by the maximum number of students in the class to develop the school support staff cost per student.

23.3.2.1.2.2. Total Training Man Weeks (TTMW). School support staff costs are calculated by multiplying the number of weeks for given courses times the total number of students enrolled to derive the total "Training Man Weeks" for a given course. The "Training Man Weeks" for all courses at a training activity are summed together to calculate the TTMW for a training activity. The total salaries for a training activity are then divided by the TTMW to develop a weekly rate. The weekly rate is then multiplied by the number of weeks for a given course to calculate the school support staff cost per course.

23.3.2.1.3. IMSO and Staff. Allocate the cost of the IMSO and staff to courses based on actual or programmed international student weeks.

23.3.2.2. TDY and Per Diem. The cost of TDY must be allocated to courses based on a causal or beneficial relationship. Accordingly, TDY must be segregated into two categories: direct TDY that is caused by or benefits a specific course or courses and indirect TDY that benefits the training operation as a whole. TDY that is directly related to (or benefits) one or more courses must be directly allocated to those courses. To preclude "double charging" TDY to a course, care must be taken to ensure that all directly allocable travel is eliminated from the TDY included in the indirect cost pool.

23.3.2.3. Equipment Overhaul and Maintenance

23.3.2.3.1. Depot Level Maintenance. The depot-level maintenance cost of aircraft, engines, motorized vehicles, and equipment must be charged to the applicable course at the budgeted average hourly item repair cost that includes civilian pay, contractual effort, and supplies. These costs must be adjusted to include military pay and centrally procured equipment and parts. Multiply this average hourly cost by the hours programmed for use in the specific course.

23.3.2.3.2. Base Level Maintenance. Base-level aircraft and equipment maintenance costs (including munitions maintenance) must be allocated to courses on the basis of total maintenance costs divided by the total training hours supported, if not identifiable and chargeable on a job order basis. Costs must include military and civilian pay, supplies and equipment (including replenishment spares), and contractual support. If there are a significant number of transit or non-training aircraft at the base, aircraft operating costs must be initially distributed between training and non-training on the basis of percentage of number of takeoffs, number of sorties per year, or maintenance direct labor hours, whichever results in the best allocation of costs in relation to the benefits received. For this purpose, aircraft used by personnel supporting training for proficiency flying must be classified as training aircraft.

23.3.2.3.3. Range Maintenance. Range maintenance and operating costs must be computed and allocated to courses based on the percentage of sorties or rounds fired in the course compared to the total sorties or rounds fired or any other basis that results in an equitable allocation of these costs.

23.3.2.4. Simulators. Simulator costs must include pay of the operators, supplies, and equipment maintenance. Simulator costs must be allocated to the course in the same ratio as hours used to the total hours available.

23.3.2.5. Supplies, Material, Training Aids, and Ammunition

23.3.2.5.1. The cost of POL for aircraft (rotary/fixed wing), motorized equipment, ships, landing craft, and other equipment must be computed by multiplying the equipment hourly cost of POL times the number of operating hours for the course.

23.3.2.5.2. The costs for training materials, equipment, supplies, aids, munitions, flight clothing, and personal equipment must be charged to the applicable course. Training material and aids prepared above base level that are readily identifiable to a course, must be included as a direct cost of the course. If not readily identifiable to a specific course, these costs must be distributed to courses in the same manner as indirect TDY costs. Care must be taken to ensure against "double charging" a course.

23.3.2.6. Directly Associated Costs

23.3.2.6.1. Other directly associated costs allocable to training operations must be distributed to courses based on total training hour support or any other logical method of measurement (e.g., square footage of buildings, flying hours/sorties, or any other usage factor). Costs in this category include costs generated as a result of the incurrence of another cost and would not have been incurred had the other cost not been incurred (e.g., flight line operations costs in direct support of flying training and port operations in direct support of shipboard training, without which there would be no flying training operations or shipboard training operations).

23.3.2.6.2. The cost for training U.S. instructor pilots, including proficiency and continuation training, must be limited to special aircraft not in the active U.S. aircraft inventory. These costs must be divided by the normal tour of duty for an instructor pilot to arrive at an annual cost that must be distributed to courses in the same manner as instructor salaries and allowances.

23.3.3. Indirect Costs

23.3.3.1. Indirect Base Operating Support Costs

23.3.3.1.1. Allocation. Indirect base operating costs must be initially allocated to major claimants (e.g., training activities and tenants) at the installation level using engineering estimates or some other basis to ensure that allocations are commensurate with the benefits received. The amount allocated to training must then be distributed to areas of training

that are significantly different (e.g., flying operations, classroom training, and equipment maintenance). The amount allocated to each area of training must then be distributed to the tuition rate by dividing the amount allocated by the annual estimated student weeks of training.

23.3.3.1.2. Exclusions. No costs to support or operate quarters, a family housing complex, and food service activities that are applicable to instructors and training support personnel may be allocated to tuition rates if these costs are recouped in base personnel salaries.

23.3.3.2. Maintenance and Repair of Facilities. Maintenance and repair of facilities must be considered part of the normal base operating support costs, unless these costs can be directly identified to a specific user (e.g., dedicated facility, specific to a course or courses). When non-dedicated facilities are used for training, the costs are included as indirect costs in the tuition rates. These costs may be combined with other indirect costs and allocated at the installation level or allocated based on a separate cost pool. IAs may not unilaterally dedicate facilities for international student use and then recoup the full cost of the maintenance and repair of the facilities through tuition rates. Such maintenance and repair costs will be combined with other indirect costs and allocated at the installation level. See sections 10.0 and 11.0 for more information on facility usage.

23.3.3.3. Indirect TDY. TDY that is caused by or benefits the training operation as a whole must be allocated to courses by dividing these total indirect TDY costs by the total number of students to determine the course cost per student.

23.3.3.4. Training Material and Aids. Training material and aids not readily identifiable to a specific course must be distributed to courses in the same manner as indirect TDY costs.

23.3.3.5. Exclusions. Exclude the following from indirect allocations:

23.3.3.5.1. Costs associated with combat development, training development (less course development), non-resident instruction, or other activity that offers no support to the training mission, and a pro rata share of school overhead costs to support these elements;

23.3.3.5.2. Costs associated with units attached to the training installation with duty stations at another location that are not involved in the training of international students; and

23.3.3.5.3. Costs related to underutilized capacity and mobilization requirements, when specifically identified and documented.

23.3.4. Other Billable Costs

23.3.4.1. Attrition Rate/Liability Statement. For FY 1996 through FY 2016, Tuition Rate A will include the attrition factor (SAMM C9.T4) whenever the training or education course includes the use of training equipment or operational equipment used as training aids.

For all FYs, Tuition Rate B will include the liability statement in subparagraph 22.3.1. Title 22, U.S.C. § 2761(a)(1)(C) states the full cost of the service must be paid by the purchaser.

23.3.4.2. FSP. Tuition rates must include the costs of the FSP if a program exists at the training location. Do not include if there is no FSP at the training location. See paragraph 22.9 and SAMM Chapter 10 for more information on FSP.

23.3.4.3. RIM. Tuition rates must include the costs of RIM, if applicable. See paragraph 22.10 for more information on RIM.

23.3.4.4. FMS Administrative Surcharge. The current FMS administrative surcharge must be applied to Tuition Rate A. Exceptions are contained in the SAMM Table C10.T13 and ***SAMM Table C10.T14***.

23.4 Pricing of Additional Cost Training (Rates C, D, and E)

23.4.1. Additional costs represent the increase incurred in the full cost of training due to the addition of international students. Title 22, U.S.C. § 2761(a)(1)(C) provides the authority to apply additional cost pricing to training sold to a purchaser concurrently in receipt of IMET or a purchaser designated as a high-income country. ***Title 22 U.S.C. § 2347(b)***, provides the authority for FMF recipients (Rate D) to be charged at a rate comparable to IMET (Rate E). Title 22, U.S.C. § 2770(a)(3) provides the authority to exclude military salaries from additional cost pricing when the training is funded with U.S. appropriated funds; see Exhibit 7-14.

23.4.2. Direct Costs

23.4.2.1. Instructors and School Support Staff

23.4.1.2.1. Courses must be reviewed to determine if the additional cost should be developed for a specific course (e.g., pilot training) or a group of courses. For classroom or technical courses that are similar or that utilize instructors who teach more than one course, such courses may be grouped for computation purposes.

23.4.1.2.2. For courses that contain both U.S. and international students, determine instructor and staff requirements for the programmed (maximum) U.S. student load. Estimate the total number of students, both U.S. and international, and the number of instructors and staff required. Where total estimated student requirements exceed maximum programmed student requirements, the difference in instructor and staff between the two projections represents the additional costs. This value, divided by the total number of students, represents the additional cost per student for the course(s).

23.4.1.2.3. When there is a one-for-one or one-for-two relationship of instructor to student, the instructor in all cases must be considered an additional cost. If the entire class is composed of international students, the instructor and staff must always be considered additional.

23.4.1.2.4. It is anticipated that the additional cost charged for instructors must be minimal for courses or groupings of courses when the ratio is high of either students to instructors or U.S. students to international students.

23.4.2.2. TDY and Per Diem. The costs for all student travel and per diem associated with the training must be considered an additional cost. Refer to subparagraph 23.3.1.2 for additional TDY and per diem information.

23.4.2.3. Equipment Overhaul and Maintenance. The cost for overhaul and maintenance of major items of equipment, when computed on an hourly use basis, must be an additional cost to a course based on estimated utilization hours. Refer to subparagraph 23.3.1.3 for additional information.

23.4.2.4. Simulators. The cost for simulator hours must be an additional cost. Refer to subparagraph 23.3.1.4 for additional information.

23.4.2.5. Supplies, Material, Training Aids, and Ammunition. The associated additional cost must be the replacement price of items that are not returned or reusable (including POL) used in conducting the training.

23.4.2.6. Directly Associated Costs

23.4.2.6.1. Instructor Training. The training of U.S. instructors or other personnel for special courses normally not conducted for U.S. personnel must be considered an additional cost. When the required training is conducted at a U.S. training facility, the benefiting country must be charged the course cost established in accordance with instructions for computing training costs in paragraph 23.3.

23.4.2.6.2. Facilities and Equipment. The costs for any facilities or equipment acquired primarily for the support of international students, and the support costs thereof, must be considered incremental.

23.4.3. Indirect Costs

Standard weekly rates for base operating support must be charged to additional cost training rates, as developed by the IAs, and adjusted annually. Include only those additional base operating support costs that are incurred because of international student attendance. See subparagraph 23.3.3 for additional information on indirect costs.

23.4.4. Other Billable Costs

23.4.4.1. Attrition Rate/Liability Statement. For FMS training sold using additional cost pricing (Tuition Rates C-D in Table 7-3), include the liability statement in subparagraph 22.3.1.

23.4.4.2. FSP. The full cost to the USG of FSP must be considered an additional cost. See paragraph 22.9 for more information on FSP.

23.4.4.3. RIM Shipment. If RIM is applicable for a course, then the costs must be considered an additional cost. See paragraph 22.10 for more information on RIM.

23.4.4.4. FMS Administrative Surcharge. The current FMS administrative surcharge must be charged on FMS training cases/lines receiving incremental pricing (Tuition Rates C-D in Table 7-3). Tuition Rate E (IMET) is exempt from paying the FMS administrative surcharge.

23.4.5. Exclusions

The unfunded civilian retirement charge that is deposited to the Miscellaneous Receipts Account of the U.S. Treasury must be considered a fixed cost and not included in incremental priced training rates (Tuition Rates C-E in Table 7-3).

24.0 PRICING OF SPECIALIZED/DEDICATED TRAINING PROGRAMS

When pricing specialized dedicated training programs, full cost-pricing principles (refer to paragraph 23.3) must be applied. Appropriate legislative authority and terms of the formal agreement must be taken into consideration. The information in paragraphs 24.1, 24.2, and 24.3 is provided for current specialized/dedicated training programs. General guidelines for other types of training events are found in the SAMM Chapter 10.

24.1 Army Specialized/Dedicated Training Programs

24.1.1. The RSAF Peace Prairie CH-47 Chinook Helicopter Training Program. The Peace Prairie Program is conducted under the authority of 22 U.S.C. § 2761(a)(1)(C). As a high-income country, Singapore is eligible to receive training priced using the additional cost concept. Absent a formal agreement, costing procedures should follow the guidelines in paragraph 23.4. Costs associated with the salaries of activated troops of the Reserve Component/National Guard would be considered an additional cost.

24.1.2. The RSAF Peace Vanguard AH-64 Apache Helicopter Training Program. The Peace Vanguard Program is conducted under the authority of 22 U.S.C. § 2761(a)(1)(C). As a high-income country, Singapore is eligible to receive training priced using the additional cost concept. Absent a formal agreement, costing procedures should follow the guidelines in paragraph 23.4. Costs associated with the salaries of activated troops of the Reserve Component/National Guard would be considered an additional cost.

*24.2 Navy Specialized/Dedicated Training Programs

The Naval Small Craft Instruction and Technical Training School (NAVSCIATTS) provides specialized instruction and technical training through formal courses of instruction or mobile training teams to friendly foreign military and other security forces related to naval small

craft instruction and training and to increase professionalism, readiness, and respect for human rights. Section 1202 of the National Defense Authorization Act for FY 2025 amended ***10 U.S.C. § 352(e)*** to authorize the use of various appropriations to the Department of the Navy for NAVSCIATTS operation and maintenance and School requirements for equipment, military construction, food, and food services. To avoid ADA violations, the Navy must reference 10 U.S.C. § 352(e), for which appropriations the Navy must use for each area listed in the paragraph.

24.3 Air Force Specialized/Dedicated Training Programs

24.3.1. Euro-NATO Joint Jet Pilot Training (ENJJPT) Program

24.3.1.1. The ENJJPT multinational cooperative training program at Sheppard Air Force Base, Texas is an activity authorized by 22 U.S.C. § 2761(g). The LOAs clearly indicate that the AECA is the authority of the program but remain silent as to which exact section authorizes the activity. Associated program documents (Memorandum of Understanding and Plan of Operations) clearly state that the activity is undertaken "in furtherance of NATO rationalization and standardization" and "in the cooperative spirit of the NATO alliance," while also citing the NATO Status of Forces Agreement.

24.3.1.2. While a NATO or Major Non-NATO Ally may also be in receipt of IMET funds, once a cooperative training agreement of the type envisioned by 22 U.S.C. § 2761(g) is signed, it becomes the section of the U.S.C. that determines the terms under which the training activities are conducted if the financial principles are based on reciprocity. These reciprocal agreements include reimbursement for all direct costs and may exclude reimbursements for indirect costs, the FMS Administrative Surcharge, and the cost of trainee billeting (unless U.S. forces are charged to occupy like accommodations). The application of the FMS Administrative Surcharge and Contract Administration Surcharge to the ENJJPT Program is waived.

24.3.2. Dutch F-16 Training Program

24.3.2.1. The Dutch F-16 training program is conducted under the authority found in 22 U.S.C. § 2761(g). Based on that authority, the program must recoup reimbursement for all direct costs but may exclude reimbursement for indirect costs, the FMS administrative surcharge, and the cost of trainee billeting (unless U.S. forces are charged to occupy like accommodations).

24.3.2.2. The U.S.C. allows for some flexibility when it comes to the billing of indirect costs under 22 U.S.C. § 2761(g) so those preparing the costs can properly account for sharing of the total cost of the program. Unique program agreements may provide specific reimbursement details to which the parties have agreed. The FMS administrative surcharge has not been excluded for this program. Costs associated with the salaries of activated troops of the Reserve Component/National Guard would be a cost to the program.

24.3.3. The German Air Force (GAF) Tornado Program. The GAF Tornado Program is a dedicated training program, authorized by 22 U.S.C. § 2761(g). Based on that authority, the program must recoup reimbursement for all direct costs but may exclude reimbursement for indirect costs, the FMS Administrative Surcharge, and the cost of trainee billeting (unless U.S.

forces are charged to occupy like accommodations). Again, the U.S.C. allows for some flexibility when it comes to the billing of indirect costs under 22 U.S.C. § 2761(g), so those preparing the costs can properly account for the sharing of the total cost of the program. Unique program agreements may provide specific reimbursement details to which the parties have agreed. The FMS Administrative Surcharge has not been excluded for this program.

24.3.4. The Republic of Singapore Air Force (RSAF) PEACE CARVIN V (PC V) F-15 Training Program. The RSAF PC V program is authorized by 22 U.S.C. § 2761(a)(1)(C). Singapore is identified as a high-income country under the FAA § 546(b) and is eligible to receive training priced using the additional cost concept. Absent a formal agreement, costing procedures should follow the guidelines in paragraph 23.4.

24.3.5. The RSAF PEACE CARVIN II (PC II) F-16 Training Program. The RSAF PC II program is authorized by 22 U.S.C. § 2761(a)(1)(C). As a high-income country, Singapore is eligible to receive training priced using the additional cost concept. Absent a formal agreement, costing procedures should follow the guidelines in paragraph 23.4.

24.3.6. Taiwan Air Force PEACE FENG HUANG F-16 Training Program. Taiwan's PEACE FENG HUANG program is conducted under the authority of 22 U.S.C. § 2761(a)(1)(C). Taiwan is not under special pricing authority and therefore pays the full cost of training. Refer to paragraph 23.3.

24.4 Personnel

24.4.1. Specialized/dedicated training programs may be supported by U.S. personnel, international personnel, or a combination of the two. When establishing a specialized/dedicated training program, an assessment must be performed to determine whether additional U.S. personnel are required to support the training. Care should be taken to ensure these individuals are properly coded as reimbursable billets and whether they are considered a direct cost or an indirect cost. Other personnel billets may provide support to the training.

24.4.2. MP. Pricing for U.S. MP must be in accordance with subparagraph 23.2.1. Where international military members are filling training instructor billets, apply the comparable U.S. rate if computing costs to charge or compensate.

24.4.3. Civilian Personnel. Pricing for U.S. civilian personnel must be in accordance with subparagraph 23.2.2. Apply the unfunded civilian retirement factor where applicable.

24.5 Inflation Factors

Estimates for future years must be adjusted for inflation. OUSD(C) published rates will be used. See subparagraph 3.2.1.2.

24.6 Start-up Costs

The FMS purchaser is responsible for all costs, including expenses incurred by IA activities assisting in the establishment of the training. Costs to consider in the start-up of a specialized/dedicated training program may include, but are not limited to, the following: environmental analysis/assessment/impact; construction of, alteration of, or expansion of existing facilities (refer to section 10.0); a pro rata share of the costs for joint use of USG facilities (refer to section 11.0); acquisition of equipment required to execute the program; commercially-leased space (i.e., off-base offices, on-base modular buildings); and one-time site activation costs, if applicable.

24.7 Direct Costs

Refer to subparagraph 23.3.2 (full cost) or subparagraph 23.4.2 (additional cost) for the types of costs appropriate to charge as direct costs.

24.8 Indirect Costs

Refer to subparagraph 23.3.3 (full cost) or subparagraph 23.4.3 (additional cost) for the types of costs appropriate to charge as indirect costs.

24.9 Other Billable Costs

24.9.1. Attrition Surcharge/Liability Statement. If specific program agreements do not address the application of the attrition surcharge, the liability statement in subparagraph 22.3.1 must be included on the LOA.

24.9.2. FSP. Specialized training programs may include the costs of the FSP if the purchaser(s) desires to participate in such. Refer to paragraph 22.9.

24.9.3. RIM. If there is a need to ship RIM, include the cost of the shipment in the pricing of the specialized training program. Refer to paragraph 22.10.

24.9.4. FMS Administrative Surcharge. The current FMS administrative surcharge must be applied to the specialized training program, where applicable. Refer to subparagraphs 23.3.4.4 and 23.4.4.4.

25.0 PRICING OF TRAINING TEAMS

When training is conducted by a Security Cooperation Team/SA Team (e.g., Management Service Team, TAFT, Extended Training Service Specialist, or MTT) away from the normal training institution, the services of the team must be treated as a service and priced in accordance with paragraph 23.2. Training aids must be included in the pricing. All pay and allowances, travel, and per diem paid to members of the team established to conduct in-country training must be considered costs of the training team except as noted in paragraphs 25.1-25.4.

25.1 Teams Fully Financed by FSF Funding

25.1.1. Military Pay and Allowances. Exclude the cost of military pay and allowances.

25.1.2. Civilian Pay and Allowances. Exclude the cost of civilian pay and allowances.

25.1.3. Attrition/Liability Statement. Include the liability statement, "The Purchaser is liable for any and all damages to U.S. Government equipment caused by negligence on the part of the student."

25.2 Teams Fully Financed by MAP Merger, FMF, IMET, or BPC Funding

25.2.1. Military Pay and Allowances. Exclude military pay and allowances from the costs established for teams conducting in-country training fully financed by MAP Merger or FMF, financed under the IMET program, or DoD-funded BPC teams. Should a MAP/MAP Merger case be less than 100 percent financed by such funds, it must be re-priced to include the full cost of MP.

25.2.2. Civilian Pay and Allowances. Exclude civilian unfunded retirement from the costs established for teams conducting in-country training fully financed by MAP Merger or FMF, financed under the IMET program, or DoD-funded BPC teams. Refer to paragraph 23.2 for an explanation and pricing.

25.3 Teams Financed by an IMET-Recipient Country/High-Income Country

For teams conducting in-country training financed by a high-income country or an IMET-recipient country using its own national funds, determine whether personnel costs are considered an additional cost to the USG. Refer to paragraph 23.2 for an explanation and pricing.

25.4 Teams Using National Guard/Reserve Personnel

If National Guard or Reserve personnel are activated solely to conduct FMS training, those costs must be considered additional costs to the USG and must be properly charged to the country or countries receiving the training. Refer to paragraph 23.2 for an explanation and pricing.

Table 7-2. Federal Condition Code

	Supply Condition Code						
				A	B	C	D
				SERVICEABLE			
				Issuable without qualification	Issuable without qualification	Priority Issue	Test/ Modification
DISPOSAL CONDITION CODES	1	UNUSED	GOOD	50%	30%	30%	30%
	2	UNUSED	FAIR	30%	20%	20%	20%
	3	UNUSED	POOR	10%	10%	10%	10%
	4	USED	GOOD	40%	30%	30%	30%
	5	USED	FAIR	30%	20%	20%	20%
	6	USED	POOR	10%	10%	10%	
	7	REPAIRS REQUIRED	GOOD				20%
	8	REPAIRS REQUIRED	FAIR				5%
	9	REPAIRS REQUIRED	POOR				5%
	X	SALVAGE					
	S	SCRAP					

Table 7-2. Federal Condition Code (Continued)

	Supply Condition Code							
				E	F	G	H	S
				UNSERVICEABLE				
				Limited Restoration	Reparable	Incomplete	Condemned	Scrap
DISPOSAL CONDITION CODES	1	UNUSED	GOOD					
	2	UNUSED	FAIR					
	3	UNUSED	POOR					
	4	USED	GOOD					
	5	USED	FAIR					
	6	USED	POOR					
	7	REPAIRS REQUIRED	GOOD	20%	20%	20%	10%	
	8	REPAIRS REQUIRED	FAIR		10%		5%	
	9	REPAIRS REQUIRED	POOR		5%		5%	
	X	SALVAGE			5%	5%	5%	
	S	SCRAP						

Table 7-3. Tuition Rate Pricing Structure

Cost Elements	National Funds		
	FULL COST RATE A	FULL COST RATE B	ADDITIONAL COST RATE C
	Full FMS	Reciprocal	FMS[1]
Direct Costs			
Military Pay	Full	Full	Additional
MERHC	Apply	Apply	N/A
DHP	Apply	Apply	N/A
Civilian Pay	Full	Full	Additional
Civilian Fringe Benefits	Apply	Apply	Apply[2]
UCR	Apply	Apply	N/A
Non-Personnel/Material	Full	Full	Additional
Indirect Costs			
Military Pay	Full	N/A[3]	Additional
MERHC	Apply	N/A[3]	N/A
DHP	Apply	N/A[3]	N/A
Civilian Pay	Full	N/A[3]	Additional
Civilian Fringe Benefits	Apply	N/A[3]	Apply[2]
UCR	Apply	N/A[3]	N/A
Non-Personnel/Material	Full	N/A[3]	Additional
Other Billable Costs			
Attrition Surcharge	Apply	N/A	N/A
Liability Statement	N/A	Apply	Apply
FSP	Full	Full	Full
RIM	If applicable	If applicable	If applicable
FMS Admin	Apply	N/A[3]	Apply

[1] **RATE C** – FMS: Countries concurrently in receipt of IMET that elect to purchase training using national funds receive this rate. Countries designated as high-income countries also receive this rate.

[2] Apply: Charge the entire factor against the additional cost. There is no reduction to the factor because additional cost pricing is used.

[3] Refer to 22 U.S.C. § 2761(g). The President is authorized to enter into NATO STANAG and similar agreements with Major Non-NATO Allies if the pricing principles of such agreements are based on reciprocity. Such agreements may exclude reimbursement of indirect costs and the FMS Administrative Surcharge.

Table 7-3. Tuition Rate Pricing Structure (Continued)

Cost Elements	U.S. Appropriated Funds	
	ADDITIONAL COST	
	FMS	IMET
	RATE D [4]FMF[1]	RATE E IMET
Direct Costs		
Military Pay	N/A	N/A
MERHC	N/A	N/A
DHP	N/A	N/A
Civilian Pay	Additional	Additional
Civilian Fringe Benefits	Apply[2]	Apply[2]
UCR	N/A	N/A
Non-Personnel/Material	Additional	Additional
Indirect Costs		
Military Pay	N/A	N/A
MERHC	N/A	N/A
DHP	N/A	N/A
Civilian Pay	Additional	Additional
Civilian Fringe Benefits	Apply[2]	Apply[2]
Civilian Unfunded Retirement	N/A	N/A
Non-Personnel/Material	Additional	Additional
Additive Costs		
Attrition	N/A	N/A
Liability Statement	Apply	N/A
FSP	Full	Full
RIM	If applicable	If applicable
FMS Admin	Apply	N/A

[2]Apply: Charge the entire factor against the additional cost. There is no reduction to the factor because additional cost pricing is used.

[4]**RATE D** – FMF: This rate applies to courses provided to countries that use U.S. appropriated dollars as their source of funding (except IMET). If the training case is not wholly funded with U.S. appropriated funds (e.g., 100 percent MAP Merger, 100 percent non-repayable FMF), then re-price training to include military salaries and benefits. This rate also applies to general BPC appropriations and authorities (i.e., FSF: authority to build capacity under 10 U.S.C. § 333).

Exhibit 7-1. Price Computation Example: Overhaul of Purchaser-Owned Material[1]

Assumptions:	
Civilian Direct Labor Hours	500
Direct labor hourly rate (employee salary and pro rata overhead)	$36.72
UCR Rate FY 2018	6.8%
Army Military Labor Hours (E-7)	100
Foreign Purchaser paid for inbound and outbound transportation	
Computation:	
Direct material consumed or incorporated (does not include purchaser-owned material)	$ 1,000.00
Direct civilian labor cost recouped (including unpacking and PC&H) (500 × $36.72)	$18,360.00
Unfunded Civilian Rate costs ($18,360 × 6.8%)	$ 1,248.48
Military Composite Standard Pay Reimbursement (104,429 × .00056) × 100	$ 5,848.02
Transportation[1]	+ -----
FMS Selling Price[2]	$26,456.50

[1] This figure is general in nature and does not show all costs that may be included. For example, direct material consumed or incorporated should include transportation, replacement prices, and charges as appropriate (see subparagraph 4.2.2 for treatment of DWCF material). This example assumes that inbound and outbound transportation is paid by the FMS purchaser. See subparagraph 9.2.7 for information on incoming and outgoing transportation costs. If the purchaser does not pay via the freight forwarder, the cost is included in the FMS selling price.

[2] The administrative surcharge is an additive to the FMS selling price.

Exhibit 7-2. Price Computation Example: Non-Excess Procurement Funded Item from Stock

Assumptions:	
Market Value	None Available
Most Recent Acquisition Price	$50,000.00
New Contract Price	$100,000.00
Modification Costs	$5,000.00
NC Recoupment Charge, SAMM, Appendix 1	$2,000.00
Prorated overhaul costs before sale date (see Exhibit 7-3)	$5,203.20
Service Life	10 Years
Age at transfer	6 Years
Remaining Service Life	4 Years

Calculation

Not to Be Replaced	
Adjusted Price: ($50,000+$5,000) × (4/10)[1]31/422,000.00	
Adjusted NC recoupment: $2,000 × (4/10)[2,3]	800.00
Prorated overhaul costs before sale date (see Exhibit 7-3)[4]	+ 5,203.20
FMS Selling Price[5,6,7]	$28,003.20

To Be Replaced	
Adjusted Price: $100,000 × (4/10)[8]	$40,000.00
Adjusted NC recoupment: $2,000 × (4/10)[2,3]	+ 800.00
FMS Selling Price[5,6,7]	$40,800.00

[1] (Most Recent Acquisition Price + Modification Costs) × Remaining Service Life

[2] NC Recoupment Charge × Remaining Service Life

[3] Credit to Special Defense Acquisition Fund (SDAF) Account 4116.

[4] Credit previously incurred overhaul costs to the financing account.

[5] Any administrative, PC&H, and transportation surcharges are additive to the selling price.

[6] FMS selling price cannot be less than the Market Value if one exists.

[7] If this is a sale of a ship, the FMS selling price cannot be lower than the scrap value or fair value plus the cost of the last major overhaul or outfitting accomplished before the sale.

[8] New Contract Price × Remaining Service Life

Exhibit 7-3. Price Computation Example: Overhaul Costs Previously Incurred for a Procurement Funded Item Sold to FMS Purchasers

Assume the following:

1. Item is to be sold in May 2018. The last overhaul for that aircraft was accomplished in June 2016 at a cost of $8,672.

2. The normal interval between overhauls for the item is 60 months.

The price is computed using the following steps:

A. Determine the actual interval since the last overhaul in terms of months.

June 2016 to May 2018 equals 24 months.

B. Determine the percentage of overhaul costs applicable to the DoD by comparing the actual interval since the last overhaul with the normal interval between overhauls.

Actual Interval = 24 months = 40%
Normal Interval = 60 months

3. Determine the amount of the costs to be charged to the purchaser by subtracting the resulting percentages in step 2 from 100 percent and applying the result to the overhaul costs. If actual overhaul costs are not known, a reasonable estimate should be obtained from the facility normally performing overhauls for the type of item that is to be sold.

100% - 40% = 60% × $8,672 = $5,203.20

Exhibit 7-4. Price Computation Example: Sale of Ship (Greater than 3,000 Tons or More Than 20 Years Old) Not to be Replaced

Assumptions:	
Acquisition Value	$22,500,000.00
Condition Code (A-3, see Table 7-2)	10%
Nonrecurring Charge	$500,000.00
Prorated overhaul costs before sale date (see Exhibit 7-3 for how to compute)	$1,500,000.00
Scrap Value	$1,000,000.00
Fair Value (Acquisition Value × Federal Condition Code Rate) ($22,500,000 × 10%)	$2,250,000.00

Computation:	
Greater of Scrap or Fair Value[1]	$2,250,000.00
Adjusted NC Recoupment (10% × $500,000)[1]	$50,000.00
Prorated overhaul costs[2]	+$1,500,000.00
FMS Selling Price[3]	$3,800,000.00

[1] Credit to SDAF Account 4116.

[2] Credit previously incurred overhaul costs to the financing account.

[3] The administrative surcharge is additive to the selling price.

Exhibit 7-5. Price Computation Example: Excess Procurement (Non-DWCF) Funded Item from Stock/Inventory

Assumptions:	
Acquisition Value[1]	$50,000.00
Federal Condition Code (B-1, see Table 7-2)	30%
NC Recoupment Charge	$2,000.00
Prorated overhaul costs before sale date (see Exhibit 7-3)	$5,203.20
Market Value	$10,000.00
Scrap Value	$5,000.00
Fair Value (Acquisition Value * Federal Condition Code Rate) ($50,000 × 30%)	$15,000.00

Computation:	
Greater of Market, Scrap, or Fair Value	$15,000.00
Adjusted NC Recoupment (30% × $2,000)[2]	$600.00
Prorated overhaul costs before sale date (see Exhibit 7-3)[3]	+ $5,203.20
FMS Selling Price[4,]	$20,803.20

[1] If the method used to determine an estimated actual PCH&T cost is based on the cost or price of the excess item, acquisition cost must be used.

[2] Credit to SDAF Account 4116.

[3] Credit previously incurred overhaul costs to the financing account.

[4] The FMS selling price must be increased if the market value or the scrap value plus the NC recoupment charge and the prorated value of the last major overhaul costs incurred are higher than the fair value FMS selling price. The market value is the price at which bona fide sales have been consummated for products of like-kind, quality, and quantity. The scrap value is the amount that would be expected to be obtained from selling the asset at the end of its useful life. The fair value price is determined by the Federal Condition Code.

[5] Any administrative, PC&H, and transportation surcharges are additive to the selling price.

Exhibit 7-6. Recoupment of NC on MDE Example: Base Level

RECOUPMENT OF NONRECURRING COST ON SALES OF MAJOR DEFENSE EQUIPMENT	DATE PREPARED:	DOD COMPONENT:
	As of Date:	Prepared By:

SECTION A

(a)	(b)			(c)						(d)			(e)
Weapon System or Component	**Nonrecurring Cost (in Whole Dollars)**			**Production Quantity (Qty Each)**						**Recommended Pro Rata Unit Charge**			
	RDT&E	Production	Total	Army	Marine/ Navy	Air Force	FMS	DCS	Total	RDT&E	Production	Total	**Previous Unit Charge**
ABC Block 0	$51,000,000	$75,000	$51,075,000	25	200	0	92	0	317	$160,883	$237	$161,120	N/A

SECTION B

PRODUCTION QUANTITIES

	Actual	Projected	Total
USG	25	200	225
MAP	0	0	0
Direct Sales	0	0	0
FMS	5	87	92
Total	30	287	317

Exhibit 7-6. Recoupment of NC on MDE Example: Base Level (Continued)

SECTION C		
QUANTITY PROJECTION BREAKOUT		
MAP		
Country / Int'l Organization	**Projected Quantity**	**Explaination for Projections**
Total MAP	0	
Direct Sales		
Country / Int'l Organization	**Projected Quantity**	**Explanation for Projections**
Total Direct Sales	0	
FMS		
Country / Int'l Organization	**Projected Quantity**	**Explanation for Projections**
Country A	15	
Country B	5	
Country C	6	
Country D	12	
Country E	25	
Country F	14	
Country G	10	
Total FMS	87	
TOTAL	87	

Exhibit 7-7. Recoupment of NC on MDE Example: Two-Level

RECOUPMENT OF NONRECURRING COST ON SALES OF MAJOR DEFENSE EQUIPMENT B/B Model MASL _____										DATE PREPARED:		DOD COMPONENT:	
										As of Date:		Prepared By:	
SECTION A													
(a)	**(b)**			**(c)**						**(d)**			**(e)**
Weapon System or Component	**Nonrecurring Cost (in Whole Dollars)**			**Production Quantity (Qty Each)**						**Recommended Pro Rata Unit Charge**			**Previous Unit Charge**
	RDT&E	Production	Total	Army	Marine/ Navy	Air Force	FMS	DCS	Total	RDT&E	Production	Total	
B/B Model										[1]			
Common Cost Pool (with A/B Model)	$2,956,674	$0	$2,956,674						67,158	$44.03	$0.00	$44.03	
Unique	$76,294	$0	$76,294	0	0	600	250	0	850	$89.76	$0.00	$89.76	
												$133.79	NC New Item
Backup Data													
A/B Model Commonality	$4,223,820	$0	$4,223,820 70%	0	64,627	0	1,681	0	66,308	$63.70	$0.00	$63.70	

SECTION B			
PRODUCTION QUANTITIES			
	Actual	Projected	Total
USG	400	200	600
MAP	0	0	0
Direct Sales	0	0	0
FMS	0	250	250
Total	400	450	850

NOTES:

[1] A/B Model Common (66,308) + B/B Model Unique (850) = 67,158

Exhibit 7-7. Recoupment of NC on MDE Example: Two-Level (Continued)

SECTION C		
QUANTITY PROJECTION BREAKOUT B/B Model MASL _____		
MAP		
Country / Int'l Organization	**Projected Quantity**	**Explanation for Projections**
Total MAP	0	
Direct Sales		
Country / Int'l Organization	**Projected Quantity**	**Explanation for Projections**
Total Direct Sales	0	
FMS		
Country / Int'l Organization	**Projected Quantity**	**Explanation for Projections**
Country B	75	
Country E	20	
Country H	75	
Country J	80	
Total FMS	250	
TOTAL	250	

Exhibit 7-8. Recoupment of NC on MDE Example: Multi-Level

RECOUPMENT OF NONRECURRING COST ON SALES OF MAJOR DEFENSE EQUIPMENT ABC Blk II NC Charge - Summary Calculation MASL _____							DATE PREPARED:		DOD COMPONENT:	
							As of Date:		Prepared By:	
SECTION A										
(a)	**(b)**			**(c)**			**(d)**			**(e)**
Weapon System or Component	**Nonrecurring Cost (in Whole Dollars)**			**Benefitting Units (Qty Each)**			**Recommended Pro Rata Unit Charge**			**Previous Unit Charge**
	RDT&E	Production	Total	New	Remanufactured	Total	RDT&E	Production	Total	
ABC Block II										
Common Cost Pool (with ABC Blk I)	$324,126,237	$116,970,421	$441,096,658	821	463	1,284	$252,434.76	$91,098.46	$343,533.22	
Common Cost Pool (with ABC Block 0)	$235,896,300	$48,990,000	$284,886,300	463	927	1,390	$169,709.57	$35,244.60	$204,954.17	
Unique	$1,516,253,000	$287,960,000	$1,804,213,000	221	751	972	$1,559,931.07	$296,255.14	$1,856,186.21	
									$2,404,673.60	NC New Item
Backup Data ABC Block I Commonality	$589,320,430	$212,673,493	$801,993,923 55%							
Backup Data ABC Block 0 Commonality	$786,321,000	$163,300,000	$949,621,000 30%							

SECTION B					
PRODUCTION QUANTITIES					
Remarks:		Actual	Projected	Total	
	USG	200	752	952	
	MAP	0		0	
	Direct Sales	0		0	
	FMS	0	332	332	
	Total	200	1,084	1,284	

Exhibit 7-8. Recoupment of NC on MDE Example: Multi-Level (Continued)

SECTION C		
QUANTITY PROJECTION BREAKOUT ABC Blk II NC Charge - Summary Calculation MASL _____		
MAP		
Country / Int'l Organization	**Projected Quantity**	**Explanation for Projections**
Total MAP	0	
Direct Sales		
Country / Int'l Organization	**Projected Quantity**	**Explanation for Projections**
Total Direct Sales	0	
FMS		
Country / Int'l Organization	**Projected Quantity**	**Explanation for Projections**
Country A	25	
Country C	12	
Country F	100	
Country H	60	
Country I	25	
Country J	4	
Country K	72	
Country L	34	
Total FMS	332	
TOTAL	332	

Exhibit 7-9. Price Computation Example: New Procurement

Contract Price (20 items)		$1,000,000.00
NC ($2,500 each × 20 items)		50,000.00
CAS ($1,000,000 × 0.015)		15,000.00
GFM		25,000.00
PC&H GFM (3.5%)[1]		875.00
Transportation of GFM from Depot to Contractor Plant[1]	+	938.00
FMS Selling Price (20 items)[2]		$1,091,813.00
FMS Unit Selling Price[2] ($1,091,813/20)		$54,590.65

[1] PC&H and CONUS transportation are applicable, if the GFM is purchased from procurement citing the case funds. Actual costs should be used whenever known. However, in the absence of actual costs, a percentage-based computation must be used. For the purpose of this example, the GFM ($25,000) is considered to be all procurement-funded items with unit costs of less than $10,000. PC&H and Inland CONUS Transportation are not applicable, if the GFM is shipped from inventory by the DoD Working Capital Funds, as the cost is included in the standard (stabilized) price of the item.

[2] Transportation of end item, if applicable, and administrative surcharges are additive to the selling price

Exhibit 7-10. Calculation of Charges for Leased Defense Articles with Illustrative Entries

STEP 1: Determine Service Life.	
a. Date to be leased	June 2018
b. Date item first fielded or actual acquisition date of specific item (if known)	June 2008
c. The total estimated service life of the item	240 months
d. Item age in months as of the lease date	120
e. Number of months to be leased	12
f. Estimated months of service life remaining at conclusion of lease	+ 108
g. Total months of service life (d. + e. + f.)[1]	240
STEP 2: Determine cost of defense articles leased to be depreciated.	
a. Original acquisition cost	$1,000,000
b. Pro rata share nonrecurring R&D and production costs[2]	20,000
c. Capital improvements	
1) Major overhauls in past 24 months (see subparagraph 071505.I)	500,000
2) Modifications net of retirements[3]	+ 300,000
Total Cost	$1,820,000
Less residual value amount subject to depreciation (see ***Volume 4, Chapter 26***, "Accounting for Leases)	
STEP 3: Calculate monthly charge.	
Divide results of Step 2 by results of Step 1.	$1,820,000/240 = $7,583.33

[1] In the event the service life is zero, the life would be extended to include the lease period.

[2] The pro rata share of nonrecurring R&D and production costs is additive when determining the full cost of the equipment to be depreciated. This cost is not authorized to be waived under subparagraph 15.5.10.

[3] Retirements represent serviceable components and weapons that are replaced by a modified version and that are returned to inventory upon removal. Normally, retired items are valued at standard (stabilized) inventory price, if repair is not necessary. If repair is required before the item may be reissued, the retirement item is valued at standard inventory price less estimated repair cost.

Exhibit 7-11. Civilian Personnel Services Price Computation Example

Assumptions:

A. General Schedule (GS)-12 within Atlanta, Georgia locality pay area. When the GS step is not known, use step 5 pay rates. $38.23 per hour is used for this computation example.

B. 100 hours of service performed

C. Unfunded Civilian Retirement (UCR) Factor. 6.8% is used for this computation example.

D. Civilian Personnel Fringe Benefits Factor. 35.2% is used for this computation example.

E. L&H Acceleration Factor = 18%

	FMS Case		BPC Case and FMS Admin	
	Less than Full Time	Full Time	Less than Full Time	Full Time
[A × B]	$3,823.00	$ 3,823.00	$ 3,823.00	$ 3,823.00
[(1) × E]	$ 688.14	----	$ 688.14	----
[(1) + (2)]	$4,511.14	$ 3,823.00	$ 4,511.14	$ 3,823.00
[(3) × C]	$ 306.76	$ 259.96	----	----
[(3) × D]	$1,587.92	$ 1,345.70	$ 1,587.92	$ 1,345.70
[(3) + (4) + (5)]	$6,405.82	$ 5,428.66	$ 6,099.06	$ 5,168.70

[1] Pay rates in effect at the time services are performed. Hourly and annual locality salary tables are available at the OPM website. Tables through 2008 are available in the Appendix C Archive of this Volume.

[2] The L&H acceleration factor is applied as a percentage of direct labor cost when the individual is not assigned full time to support Case-funded or FMS Admin-funded requirements. See ***Volume 11A, Chapter 6***, "Annual Reimbursable Rates."

[3] The UCR acceleration factor is applied as a percentage of total civilian labor costs for FMS Case-funded individuals. Credit unfunded civilian retirement to the Miscellaneous Receipts Account 3041. Current rates are available at the OUSD(C) DoD Reimbursable Rates website, select the applicable FY, Civilian Personnel Fringe Benefit (Tab D). Historical rates are available in the Appendix C Archive.

[4] The fringe benefits factor is applied as a percentage of the total civilian labor costs and includes the employer's share of retirement, health benefits, life insurance, and other benefits. Rates vary by DoD Component and fiscal year, and are available at the OUSD(C) DoD Reimbursable Rates website, Civilian Personnel Fringe Benefit (Tab D), for FY 1997 and forward. Historical rates are available in the Appendix C Archive.

[5] For employees funded by FMS Case and BPC Case, the FMS Administrative Surcharge is added separately.

Exhibit 7-12. MP Services Price Computation Example

Assumptions:

A. Scenario 1: Navy O-4 and E-7 Full time FMS effort in FY2022
B. Scenario 2: Navy O-4 and E-7 Part-time FMS effort; each performing 480 hours service in FY 2022. TDY cost is $5,600.
C. Scenario 3: Navy O-4 and E-7 Part-time FMS effort; each performing 60 days service in FY 2022. Total TDY cost is $5,600.
D. Navy O-4 FMS Rate = $223,770[1]
E. Navy E-7 FMS Rate = $144,411[1]
F. Navy O-4 Hourly FMS Rate ($223,770 × 0.00057 = $126.52 × 480 = $60,729.91)[2]
G. Navy E-7 Hourly FMS Rate ($144,411 × 0.00057 = $81.65 × 480 = $39,192.33)[2]
H. Navy O-4 Daily FMS Rate ($223,770 × 0.00452 = $1,012.17 × 60 = $60,729.91)[3]
I. Navy E-7 Daily FMS Rate ($144,411 × 0.00452 = $653.21 × 60 = $39,192.33)[3]

FMS CASE – FULL TIME FMS EMPLOYEE

Computation Scenario 1:

	O-4	E-7	Total
FMS Composite Pay Cost[1]	$223,770	$144,411	
FMS Selling Price[3]			$368,181

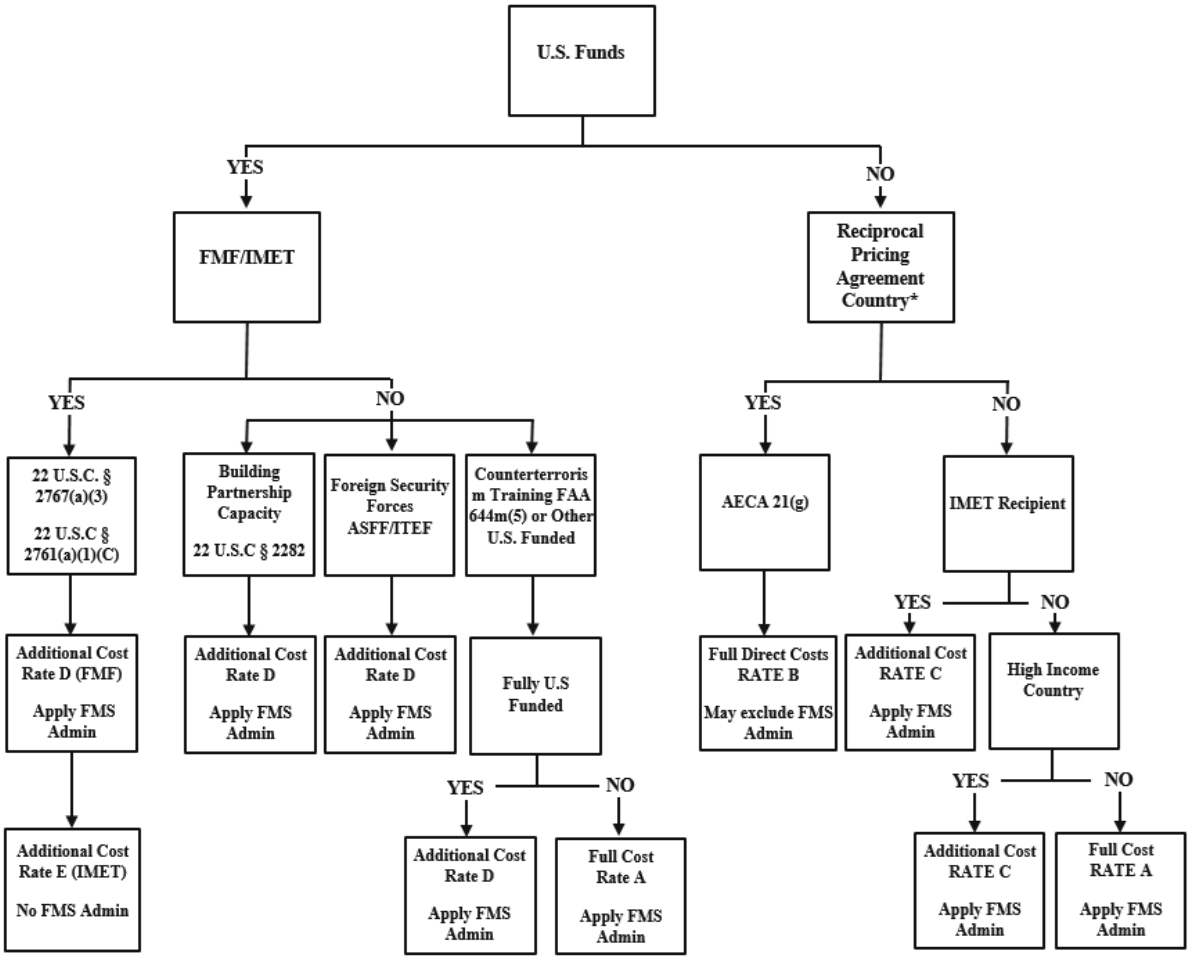
FMS CASE – LESS THAN FULL TIME FMS EMPLOYEE

Computation Scenario 2:

	O-4	E-7	Total
FMS Rate x Hourly/Daily Factor × hours of service performed[2/3]	$60,729.91	$39,192.33	$99,922.24
TDY Cost			$5,600
FMS Selling Price[3]			$105,522.24

[1] Refer to OUSD(C) DoD Reimbursable Rates_website, MP Composite Standard Pay and Reimbursement Rates (Tab K) to obtain the current "Rate Billable to FMS Entities." The FMS Rate includes an acceleration factor to cover medical health care costs of active duty personnel and their dependents and a per capita normal cost for Medicare-Eligible Retiree Health Care accruals.
[2] To compute the hourly rate, multiply the FMS Composite Rate by 0.00057. This computation includes an 18% L&H factor. See Volume 11A, Chapter 6 and the OUSD(C) DoD Reimbursable Rates website for current factors.
[3] To compute a Daily Rate, apply a factor of .00452 (1.18/260.875). This computation includes an 18% L&H factor. See Volume 11A, Chapter 6 and the OUSD(C) DoD Reimbursable Rates website for current factors.
[4] The FMS administrative surcharge is additive to the FMS selling price.

Exhibit 7-13. Tuition Training Pricing Guide

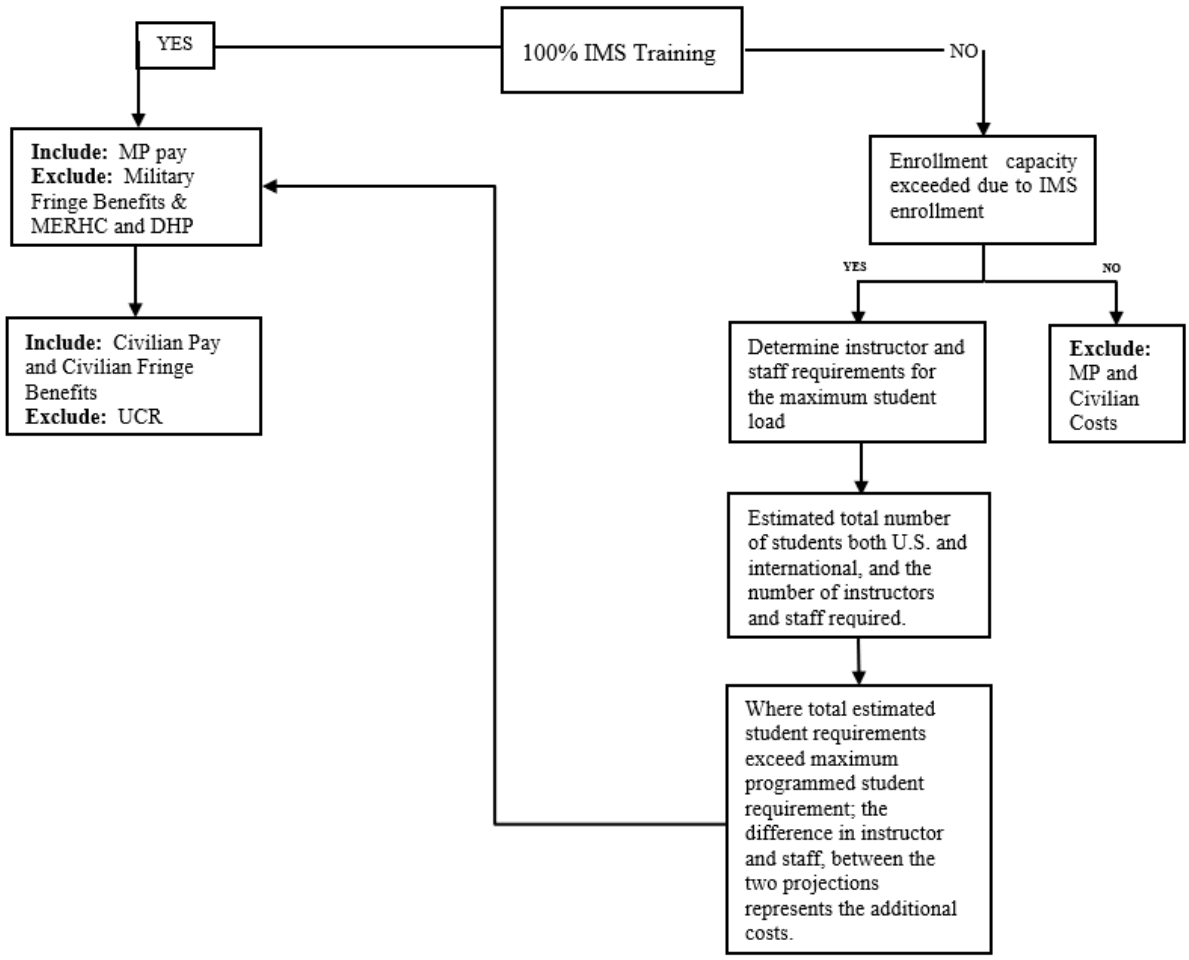


Notes:

Not all NATO countries are a signatory to ***STANAG 6025***, "Financial Principles and Procedures for the Provision of Support and the Establishment of Multinational Arrangements"

Refer to SAMM C10.T13 and C10.T14.

Exhibit 7-14. Incremental Tuition Based Pricing (Rate C)



VOLUME 15, CHAPTER 8: "BILLING AND REIMBURSEMENT"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated October 2021 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
3.5	Deleted paragraph containing content that Defense Finance and Accounting Service (DFAS) Security Cooperation Accounting Directorate provide a Compact Disk Read-Only Memory, otherwise referred to as CD-ROM, for Foreign Military Sales (FMS) purchasers to support the FMS Delivery Listing as obsolete.	Deletion
7.2.3.4.3.3	Deleted subparagraph requiring the Defense Contract Management Agency to submit a certified Contract Administrative Services monthly earnings computation analysis to the DFAS for billing preparation as obsolete.	Deletion
Table 8-1 and Table 8-2	Revised to update rates established in accordance with Defense Security Cooperation Agency (DSCA) Policy Memorandum 18-37, "Decrease to Delivery Term Codes Percentage Rates for "Below-the-Line" Transportation on Foreign Military Sales and Building Partnership Capacity Cases," dated July 30, 2018 (18-37).	Revision
Table 8-3	Added "Surcharge Matrix" as outlined in Table 8-18 of DSCA Memorandum 18-37.	Addition
Table 8-4	Renamed Table 1-3 of prior version to Table 1-4.	Revision

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CHAPTER 8

BILLING AND REIMBURSEMENT

1.0 GENERAL

1.1 Purpose

This chapter establishes the standard policies for use when:

1.1.1. The Defense Finance and Accounting Service (DFAS), Security Cooperation Accounting (SCA) Directorate bills foreign governments and international organizations (hereafter referred to as Foreign Military Sales (FMS) purchasers) for costs related to defense articles and services sold pursuant to the Arms Export Control Act (***AECA***) (note: AECA starts on page 427 of Legislation on Foreign Relations, Volume 1-A):

1.1.2. The DoD Components report FMS deliveries of materiel and services, contractor progress payments, and other related costs to DFAS SCA to obtain reimbursement or to report performance under an allotment of FMS Trust Fund budget authority; and

1.1.3. The DoD Components request reimbursement from the other DoD Components for costs associated with inter-service support of FMS cases.

1.2 Authoritative Guidance

The AECA (Public Law 90-629), codified as Title 22, United States Code, Chapter 39 (***22 U.S.C. Chapter 39***), and the ***Foreign Assistance Act*** (Public Law 87-195), as amended, codified as ***22 U.S.C. Chapter 32*** provide the authority for FMS sales of defense articles, services, and training.

2.0 RESPONSIBILITIES

2.1 Defense Security Cooperation Agency (DSCA)

DSCA approves the establishment and revision of the Implementing Agency (IA), Delivery Source Code (DSC), Monitor, and Type of Assistance codes. DSCA forwards the recommended new or revised codes to DFAS Accounting and Finance Policy for approval and inclusion in Volume 15. DSCA and DFAS must use the Standard Financial Information Structure as prescribed in Volume 1, Chapter 4.

2.2 DFAS SCA

DFAS SCA must issue quarterly billing statements to FMS purchasers based on payment schedules attached to the Letter of Offer and Acceptance (LOA) by the applicable IA. Exceptions to this policy may be made when an IA submits a Quarterly Forecast of Financial Requirements for Requisition Cases, and the committed values for requisition cases indicate the performance on

a particular requisition case is behind or ahead of schedule. In such cases, DFAS SCA must bill based on the quarterly forecast or the committed value of requisitions. See Chapter 4, paragraph 5.4 for more information.

2.3 IAs

2.3.1. An IA is the DoD Component assigned responsibility by DSCA to prepare an LOA and implement the case. The IA is responsible for overall management of the actions that will result in delivery of the materiel or service set forth in an implemented LOA.

2.3.2. IAs must report accrued expenditures (work in process (WIP)) and physical deliveries in the applicable IA financial or logistical system within 30 days of the occurrence (e.g., date of shipment or performance). This information is provided to DFAS SCA through the billing and reporting policies prescribed in this chapter.

2.4 Supporting DoD Components

The supporting DoD Components must request reimbursement from other DoD Components through the billing and reporting policies prescribed in this chapter.

2.4.1. Requesting Activities. When placing an order to satisfy an FMS demand, requesting activities are responsible for notifying the performing activities. The notification must include the country, case designator, and line item.

2.4.2. Performing Activities. Upon notification that a customer order is for an FMS purchaser, performing activities must notify the requesting activity whether the order has been accepted on a reimbursable or direct cite basis and identify the total cost to process the order. This total billing must include both funded and unfunded costs. The performing activity must deposit amounts collected to the appropriate accounts, including the Miscellaneous Receipt Account.

3.0 FMS BILLING STATEMENT

3.1 General

3.1.1. DoD (DD) Form 645, FMS Billing Statement (or automated equivalent), and special billing arrangement statements issued by DSCA represent an official claim for payment by the U.S. Government. The DD645 is prepared on a quarterly basis as of December, March, June, and September. As an example, the December bill reflects physical deliveries, performance of services, and WIP from October 1 through December 31, and cash collections recorded for the FMS case through the preparation date of the billing statement. It also has a forecast of estimated advance cash requirements through the month of June. A December bill is mailed on or around January 15, with payment due March 15. The March, June, and September statements follow the same basic timeframes.

3.1.2. The FMS billing statement furnishes an accounting to the FMS purchaser for all costs incurred under each FMS Trust Fund case. Detail on the face of the billing statement must display the cost elements similar to the line item detail on the LOA. Physical performance of

services and delivery of materiel are shown against the line item detail of the LOA. FMS administrative surcharge, accessorial costs, and WIP are separately listed.

3.2 Billings for Cases With Payment Upon Delivery

For cases authorized under the AECA, sections 21(d) or 22(b), the IAs must ensure that each case has a delivery schedule, and ensure its accuracy. DFAS SCA is responsible for billing the FMS purchaser the appropriate charges. Interest must be charged in accordance with the policy found in Volume 16, Chapter 6, section 4.0.

3.3 Final Statement

DFAS SCA must give the FMS purchaser a case final statement at the end of the calendar quarter in which the case is closed and re-categorized from an active status to inactive status. DFAS SCA must annotate the final statement to notify the FMS purchaser of this reclassification.

3.4 FMS Delivery Listing

An FMS Delivery Listing is prepared in support of entries to Current Period Delivery Costs, on the DD645, using the IA FMS Integrated Control System (FICS). The FMS Delivery Listing is an itemized listing of all items physically delivered and services performed during the reporting period. It is cross-referenced to specific document numbers and allows FMS purchasers to validate receipt of the materiel or services. The FMS Delivery Listing also includes DFAS SCA's computation of charges applied by the organization fulfilling the order in accordance with Chapters 3 and 7.

4.0 FMS PURCHASER REQUESTS FOR BILLING AND SUPPLY ADJUSTMENTS

4.1 General

4.1.1. If, after review of the DD645 and/or the supporting FMS Delivery Lists, the FMS purchaser identifies that an adjustment is needed, the FMS purchaser must submit a formal request for adjustment. Billing and supply adjustment requests for materiel or service performance and accessorial charges should be submitted to the IA. Adjustment requests dealing only with FMS administrative surcharges should be submitted to DFAS SCA.

4.1.2. FMS purchasers must submit all requests for billing and supply adjustments on a ***Standard Form (SF) 364***, Report of Discrepancy (ROD), also referred to as a Supply Discrepancy Report, clearly indicating the specific adjustment or billing action requested. The DoD Components must process eligible RODs in accordance with the ***Defense Logistics Manual 4000.25***, "Defense Logistics Management Standards (DLMS)." The form, instructions for completion, and definitions are prescribed in ***DLMS Manual Volume 2, Chapter 17***. After RODs applicable to materiel and services are resolved, the DoD Components must report the action being taken to DFAS SCA using appropriate Adjustment Reply Codes in the delivery transaction (for additional information concerning delivery transactions, see section 5.0).

4.2 Adjustment Reply Codes

Adjustment Reply Codes cover most replies to FMS purchaser requests for billing or adjustments. When a situation arises not covered by these codes, a reply by letter is appropriate. Submit requests for codes to cover additional transactions to: DFAS SCA at DFAS-JAX/IN, 8899 E. 56th St., Indianapolis, IN 46249.

4.3 Reply Listing

DFAS SCA provides a consolidated listing of the actions taken in response to RODs. This listing must be mailed with the DD645 to the FMS purchaser involved. All responses to RODs must be listed separately for each country and case and have the same data elements as shown on the FMS Delivery Listing. The Reply Listing is prepared in the same basic sequence as the billing statement and FMS Delivery Listing.

5.0 IA PERFORMANCE REPORTS OR REQUESTS FOR REIMBURSEMENT

5.1 Reporting Deliveries

5.1.1. IAs must report the cost of DoD services, inventory items, and new procurement to DFAS SCA, using delivery reports, or the automated equivalents, through the FICS delivery transaction unless the provisions of paragraph 5.3 are applicable. It is the IA's responsibility to ensure that receipt documentation demonstrating proof of shipment, with the appropriate FMS purchaser's (or the FMS purchaser's representative, e.g., a freight forwarder) signature, is retained permanently for the record.

5.1.2. DFAS SCA must pay earned reimbursements included in such reports within 20 working days from the date of receipt. If a cash flow problem precludes payment, DFAS SCA must issue immediate notification to the Director, DSCA. DSCA will then notify the appropriate country if FMS funding is short, and the Office of the Undersecretary of Defense Comptroller (OUSD(C)) if appropriated funding is short. The Director, DSCA, must notify IAs to suspend further deliveries of DoD stock or performance of DoD services unless a determination has been made that it is in the national interest for billings to be dated and issued upon delivery or performance, with payment due in 60 days.

5.2 Interfund Transactions

Defense Working Capital Fund (DWCF) items are normally billed under interfund policies and use the Detailed Billing Codes prescribed in DLMS Manual, Volume 4, "Military Standard Billing System – Finance" (***MILSBILLS***). To minimize the impact on normal MILSBILLS billing (and still provide IAs or DFAS SCA with the data necessary to assure proper FMS billing), a modified MILSBILLS detailed billing transaction may be used to report FMS shipments. This modified MILSBILLS detailed billing transaction is in place of the FICS delivery transaction. The required modification is to substitute information that normally appears in the unit price field of the MILSBILLS detailed billing transaction. The information required on the modified billings

transactions applicable to the FMS program includes the item number, Transportation Bill Code, DSC, and when applicable, the DWCF Code.

5.3 DFAS SCA Computations

Based on data in delivery transactions, DFAS SCA computes and bills FMS purchasers for the following:

5.3.1. Contract Administration Service (CAS) Charge. CAS percentages prescribed in Chapter 7, subparagraph 16.3.1 are applied as a percentage of reported payments to contractors, except for cases when CAS has been waived as authorized in Chapter 7, subparagraph 16.3.2 or determined to be not applicable and approved by DSCA. DFAS SCA performance and performance reporting feedback reports identify the amount of CAS computed based on delivery or WIP transactions (see section 9.0).

5.3.2. Packing, Crating, and Handling (PC&H) Charge. The PC&H surcharge applies to shipments of DoD non-Working Capital Fund materiel. For Excess Defense Articles, the IA is responsible for calculating the PC&H based on the acquisition price of the materiel (see Chapter 7, paragraph 4.1 or subparagraph 15.3.1).

5.3.3. Transportation Charges. When actual cost is unknown, an estimated transportation charge should be included on the LOA as a "below-the-line" (indirect/accessorial) charge. Once bills are received, estimated costs are collected into the FMS Transportation Account to pay actual transportation costs. See "Security Assistance Management Manual" ***(SAMM), Chapter 9, Table C9.T4a***, "Table of Delivery Term Codes and Percentage," and the ***SAMM Appendix 2, "Transportation Cost Look-Up Tables"*** for the applicable rates. When shipments require containerization, storage in-transit, escorts, or have any other special transportation accessorial requirements; these special transportation accessorials are not included in the standard transportation percentages, nor in the cost provided in the transportation cost look-up table. These charges are to be placed "above-the-line" and adjusted as needed to capture actual cost. See ***SAMM Chapter 7*** for more information on transportation costs, and Volume 11A, Chapter 1, subparagraph 2.4.10 for more information on accessorial expenses.

5.3.4. FMS Administrative Surcharge. The FMS administrative surcharge is assessed on performance reporting, except for the amount collected upon case implementation as prescribed in Chapters 3 and 4. Use the requirements in effect at the time the applicable LOA, basic documents, or amendments are accepted by the FMS purchaser, or are added via LOA modification. See Chapter 7, paragraph 5.1 for the prescribed standard FMS administrative surcharge. The FMS administrative surcharge does not apply to WIP.

5.3.5. FMS Logistics Support Charge (LSC). The LSC was applied against items delivered after March 31, 1987, with delivery reported prior to October 1, 2007, on case lines that included specific Military Articles and Service Listings for spares, equipment modifications, maintenance, secondary support equipment, and supplies.

6.0 TRANSPORTATION COST LOOK-UP TABLE

The purpose of the Transportation Cost Look-Up table is to provide DoD Components with estimated transportation costs for items normally shipped in the Defense Transportation System (DTS) (e.g., sensitive/hazardous end items) when costs using standard transportation percentages are significantly different from actual charges. This table is located in the SAMM, Appendix 2 and is used to compute an estimate of the actual transportation costs for the items listed.

7.0 BILLING FOR SPECIFIC COSTS

Compute billings for specific costs associated with support to FMS as indicated in paragraphs 7.1 through 7.4.

7.1 Actual Administrative Costs

Actual administrative costs are funded by an allotment that is provided based on an approved FMS administrative budget. Documentation that shows the propriety of the obligation must support the obligations and outlays against the allotment. The allotment holder must retain these basic source documents for audit and report the use of allotment through the required Status-of-Allotment reports.

7.2 Actual FMS CAS Costs

7.2.1. The DoD Components performing contract administration or audit services must submit a monthly certified ***SF 1080***, Voucher for Transfers Between Appropriations and/or Funds, billing to their servicing DFAS accounting office for reimbursement of contract administration (quality assurance and contract management) and audit services being performed on FMS cases. Billings must reflect the actual or proportionate share of FMS CAS.

7.2.2. The organization performing these services must validate all bills before submitting the SF 1080 and attesting to the validity of the required computation process. The approved DoD reimbursable rate and approved OUSD(C) unfunded civilian retirement rate are available at ***DoD Reimbursable Rates***, "Civilian Personnel Fringe Benefit (TAB D)," by applicable fiscal year (FY). If an adjustment or correction is needed, it must be corrected within 30 days from the date of discovery.

7.2.3. DoD Components authorized to bill for CAS are listed in subparagraphs 7.2.3.1 through 7.2.3.7.

7.2.3.1. Department of the Army Ammunition Plants. Allocate contract management and quality assurance efforts based on the ratio of the FMS disbursements to total net disbursements (the term "disbursements" is defined in the Glossary). Compute the unfunded civilian retirement rate and show it on the monthly billings.

7.2.3.2. Department of the Navy. The Naval Sea Systems Command will submit monthly bills for the Navy Supervisors of Shipbuilding, Conversion, and Repair Activities, and allocate contract management and quality assurance efforts based on actual hours expended. Compute the unfunded civilian retirement rate and show on the monthly billings.

7.2.3.3. Department of the Air Force. The Air Force Security Assistance Training and Air Force Installation Contracting Agency will submit monthly bills and allocate contract management and quality assurance efforts based on actual hours expended. Compute the unfunded civilian retirement rate and show on the monthly billings.

7.2.3.4. Defense Contract Management Agency (DCMA) Continental United States (CONUS) FMS CAS

7.2.3.4.1. DCMA establishes an annual command rate by August 1 of each year for the following FY. The rate must be determined based on the ratio of FMS net contract disbursements to total DoD net contract disbursements. The ratio will reflect actual net FMS (Trust Fund appropriation, 11X8242) disbursement data for the prior 12 months (using January of the prior FY to December of the current FY, e.g., January 2010 to December 2010). The annual command rate must apply to the next FY budgetary estimates and billing period. For example, the January 2010 to December 2010 data will be used for the budgetary estimate and billing period for FY 2012 and the rate due by August 1, 2011. The annual command rates methodology is further defined by the following factors.

7.2.3.4.1.1. Numerator. Twelve months of monthly Defense Integrated Financial System FMS (11X8242) net contract disbursement amounts reported for the Mechanization of Contract Administration Services disbursing stations will be used as the numerator for calculating the annual command rate for DCMA. These amounts will exclude FMS (11X8242) disbursements and apply to contract administration reciprocal agreements, all other types of FMS CAS waivers reflected in the ***SAMM subsection 9.6.2***, and other FMS disbursements that are not FMS contract costs, e.g., in-house services performed by civil servants and financed by the FMS Administrative Surcharge account.

7.2.3.4.1.2. Denominator. Twelve months of total DoD net contract disbursements as reported on the SF 1219, Statement of Accountability, Part A, Line 4.1 will be used as the denominator for calculating the annual command rate for DCMA.

7.2.3.4.2. Quarterly, DCMA will update the Functional Work Force (FWF) to include full-time equivalents that perform CONUS FMS CAS efforts (quality assurance or contract management) in the work sections. Use the updated FWF number derived in the third month of that quarter for the FWF number in the next quarter's billings (SF 1080). In the computation process, round all hours and FWF amounts to whole numbers. Round all dollars and percentages to the second decimal point.

7.2.3.4.3. Monthly, DCMA will prepare the DCMA CONUS FMS CAS monthly earnings computation sheet and certification memorandum.

7.2.3.4.3.1. CONUS FMS CAS earnings and unfunded civilian retirement for the month are computed using the DCMA annual command rate and the data sources listed in this chapter. The unfunded civilian retirement factor is listed with the Annual DoD Reimbursement Rates issued by OUSD(C). The approved FY reimbursable rates are available at the OUSD(C) reimbursable rate website.

7.2.3.4.3.2. Overtime is listed as a separate charge on the DCMA CONUS FMS CAS monthly earnings computation sheet or, if the overtime factor was not included, in the Annual DoD Reimbursable Rate in accordance with Volume 11A, Chapter 6. The unfunded civilian retirement factor is not computed on overtime hours since unfunded civilian retirement applies to salaries (basic pay) only (see ***5 U.S.C. § 8331(3)*** for an explanation of what is not included in basic pay).

7.2.3.5. DCMA International

7.2.3.5.1. DCMA International FMS CAS must be reimbursed on actual costs incurred based on net disbursements processed by DFAS. The unfunded civilian retirement rate will be computed on salaries (basic pay) only. Military pay will also be computed and reimbursed.

7.2.3.5.2. Since the FMS CAS Surcharge Account pays for all costs associated with FMS full-time employees, including equipment, vehicles, and housing, these reimbursements (monthly billings) must be based on total actual costs. Employees working part-time FMS CAS are reimbursed using the DoD FMS CAS hourly rate and the unfunded civilian retirement rate listed at DoD Reimbursable Rates, noted in subparagraph 7.2.2. No additional support costs are reimbursed for part-time employees except for overseas Temporary Duty costs.

7.2.3.5.3. Billings must exclude all costs associated with countries that have FMS CAS waivers and/or reciprocal agreements.

7.2.3.6. Defense Contract Audit Agency (DCAA), All Offices Except DCAA Headquarters Offices. Allocate the FMS contract audit based on actual hours expended on FMS requirements. Compute the unfunded civilian retirement rate and show the results on the monthly billings.

7.2.3.7. Any Other Activity Performing Contract Management Services as Approved by OUSD(C). When OUSD(C) grants this exception, the exception will identify the cost recoupment method.

7.2.4. The SF 1080 bills for actual costs must be supported with a schedule containing the following data:

7.2.4.1. Organization;

7.2.4.2. Type of CAS effort incurred:

7.2.4.2.1. Contract audit,

7.2.4.2.2. Quality assurance and inspection, or

7.2.4.2.3. Other CAS efforts;

7.2.4.3. Cost recoupment basis;

7.2.4.4. Annual hourly rates prescribed by OUSD(C) for CAS, plus unfunded civilian retirement costs (including costs for post-retirement health benefits). See the OUSD(C) reimbursable rate website for approved unfunded civilian retirement rate and hourly rates; and

7.2.4.5. The authority or directive requesting work to be performed and justification for why the normal FMS CAS procedures and billing arrangements for the current authorized DoD Components performing CAS cannot be used.

7.2.5. Billings for non-FMS CAS must be charged in accordance with Volume 11A, Chapter 6, Appendix D, Contract Administration Services.

7.3 Actual Transportation Cost

Bill actual transportation costs of delivering defense articles on SF 1080s or Government bills of lading (GBLs); pay from the transportation surcharge account. Transportation costs to FMS purchaser freight forwarders from DWCFs are included in the cost of the article reported to DFAS SCA. Bill inventory shipments from the DWCF beyond the freight forwarders as a "below-the-line" charge in accordance with Table 8-1 and Chapter 3, Table 3-1, Cost Elements. Bill all other shipments according to Table 8-2 and Chapter 3, Table 3-1. Reimburse costs for transportation billed as a "below-the-line" cost to transportation activities based on the SF 1080 bills. The bills must be supported by a valid case identifier comprised of Country Code, IA Code, case designator, date of shipment, and certification that the billed amount was not included in the article's cost.

7.3.1. Carrier Costs

7.3.1.1. Commercial and Industrially Funded or DWCF Organizations. Support billings for other-than-inland CONUS DWCF materiel by electronic media, listing, or computer tapes detailing the transaction control numbers and case designators or articles transported for FMS purchasers. "Carrier" means commercial carriers and/or the industrially- funded or DWCF part of Air Mobility Command (AMC) and Military Sealift Command (MSC). The following exceptions apply:

7.3.1.1.1. Include the cost of transporting Government furnished materiel (GFM) to a contractor's plant in the price of the GFM, reported in the delivery transactions, and not in the SF 1080 billings.

7.3.1.1.2. Include the cost of transportation for repair and return cases in the cost of the repair service, reported via the delivery transaction, and not in the SF 1080 billings.

7.3.1.1.3. Report "above-the-line" discrete transportation costs, such as high flight or special airlift, as a case charge via the delivery transaction, and not in the SF 1080 billings.

7.3.1.1.4. Do not include in the SF 1080 billings the inland CONUS transportation cost for DWCF materiel from point of origin to point of FMS purchaser pickup (freight forwarder, FMS purchaser, or FMS purchaser-designated CONUS delivery point); it is borne by the DWCF.

7.3.1.2. DWCF and GBLs. Do not cite the FMS Trust Fund on GBLs for transportation of DWCF materiel. The cost of such transportation is included in the standard price of DWCF materiel. GBL processing activities must not accept GBLs citing the FMS Trust Fund for transporting DWCF materiel.

7.3.1.3. U.S. Postal Service. Directly reimburse all postal service costs collected by DFAS SCA as surcharge costs on FMS purchaser billings to the applicable IA's designated administrative headquarters organization.

7.3.1.4. Defense Courier Service. Base the SF 1080 billings to recoup the cost of support provided by the Defense Courier Service on a prorated share of FMS shipments to total shipments. Apply the resulting percentage to payments to the Defense Courier Service to determine FMS billings.

7.3.1.5. Air/Army Postal Office (APO), Fleet Postal Office (FPO). Base the SF 1080 billings to recoup the cost of support provided by APOs and FPOs on a prorated share of FMS shipments to total shipments. Apply the resulting percentage to payments to the armed services operating these offices.

7.3.1.6. Commercial Package Carriers. All costs collected by the DFAS SCA as surcharges on FMS purchaser billings for commercial package carriers are directly reimbursed back to the reporting DoD Components and not reimbursed from the FMS Transportation Account as a direct cite disbursement.

7.3.2. Recoupment of the Cost of DoD Organizations Which Support Carrier Movement

7.3.2.1. AMC Headquarters. Allocate non-industrially funded/DWCF headquarters cost based on the ratio of FMS billings to the total dollar value of industrial fund/DWCF billings. The billing for headquarters cost must include a proportionate share of all costs funded by the Operations & Maintenance (O&M) appropriation, Military Pay appropriation, and those unfunded costs identified in subparagraph 7.2.4.

7.3.2.2. MSC Headquarters. Allocate non-industrially funded headquarters cost based on the ratio of FMS billings to the total dollar value of industrial fund/DWCF billings. The

billing for headquarters cost must include a proportionate share of all costs funded by the O&M appropriation, Military Pay appropriation, and those unfunded costs identified in subparagraph 7.2.4.

7.3.2.3. Organizations Responsible for Routing of Materiel, Preparation of GBLs, and Carrier Selection. Organizations responsible for the routing of materiel, preparation of GBLs, and carrier selection include the Surface Deployment and Distribution Command and subsidiary organizations, the Navy Materiel Transportation Office (NAVMTO), and installation transportation offices. Base billings on level of effort estimates of FMS tonnage as a percentage of total tonnage moved. For this calculation, costs of FMS tonnage must include movement of materiel processed through both DTS and commercial bills paid directly by foreign countries. Apply the resulting percentage of tonnage moved to the total actual obligations incurred by routing organizations to determine the base charge. The billing must include the base charge, military labor, and unfunded costs determined in accordance with subparagraph 7.2.4.

7.3.2.4. Organizations Responsible for Accounting, Audit, and Payment of Transportation Bills. Organizations responsible for accounting, audit, and payment of transportation bills are DFAS - Indianapolis Center, for Army, Air Force, and Defense Agency shipments; NAVMTO, Norfolk, Virginia, for Navy shipments; and the Marine Corps Logistics Base, Albany, Georgia, for Marine Corps shipments. Base billings on the use of level of effort estimates, on the number of FMS GBLs processed as a percentage of the total number of GBLs processed. Then apply the percentage to obligations incurred by cost centers responsible for processing GBLs, and those unfunded costs identified in subparagraph 7.2.4.

7.3.2.5. Organizations Providing Physical Security. Shipments that involve sensitive conventional arms, ammunition, and explosives in-transit are to be processed in accordance with ***DoD Manual 5100.76***, "Physical Security of Sensitive Conventional Arms, Ammunition, and Explosives (AA&E)." DoD civilian and military personnel involved in providing personnel services in connection with these types of shipments are to be priced in accordance with the provisions of Chapter 7, paragraphs 20.1 and 20.2.

7.3.3. Billings for Organic Transportation and Troop Labor

7.3.3.1. Troop Labor. Activities utilizing troop labor for the loading or unloading of vessels, trains, vans, or other conveyances are responsible for billing applicable costs. FMS cost may be based on a prorated share of the total cargo manifest, or a similar document.

7.3.3.2. Use of Organic Vehicles. Base billings for the use of organic vehicles on motor pool records that disclose DoD vehicles were used to move FMS materiel. Determine the number of miles and bill at the rate of $4.00 per mile. This rate includes the labor cost of drivers assigned by the motor pool. Consolidate motor pool billings by major commands.

7.4 Actual PC&H

SF 1080 billings for actual PC&H costs are normally not submitted. Instead, earned reimbursements are transferred to the shipping depot when DFAS SCA applies the applicable

surcharge. DWCF items are not reimbursed for PC&H because that charge is included in the standard price.

8.0 SUPPORTING DOD COMPONENT PERFORMANCE REPORTS/REQUESTS FOR REIMBURSEMENTS

8.1 General

DoD Components must support FMS cases at the request of the applicable IA. Such requests must be in the form of requisitions or formal orders that place a dollar value on the support to be provided, the appropriation/fund that will pay the resulting billings, the appropriation/fund that will bill and record earned reimbursements, and the address (symbol) of the IA or equivalent. Pursuant to a formal order, billings by the supporting DoD Component to the IA must be submitted on an SF 1080 supported by delivery transactions to the paying office identified in the order. The disbursing officer must include the delivery transactions in a consolidated submission to DFAS SCA and reimburse any amounts due for inventory items or services when reimbursement is received from DFAS SCA. Only make payments to contractors subject to expenditure authority (EA) issued by DFAS SCA. A non-reimbursable delivery transaction applicable to such costs should be included in the submission.

8.2 Processing Requisitions

8.2.1. If requisitions are received from the IA with a fund and signal code signifying direct citation of the FMS Trust Fund (not an allotment of direct cite authority), the delivery transaction must be submitted to the requisitioning activity. Process requisitions containing such fund and signal codes on a prompt delivery basis (within 30 days). Obligations must be recorded after the funding authorization has been received and upon release of the requisition to the supply source. Record disbursements against the applicable case once the interfund bill transactions have been validated and accepted in the IA database. The IA reports the initial obligation transaction, obligation adjustment transaction, and related disbursement transaction to DFAS SCA. EA must be approved for all requisitions submitted to non-DoD supplying activities.

8.2.2. Within the DoD, the interfund billing activity must get necessary self-reimbursement authority for interfund requisitions. If stocked items are not available for prompt delivery and new procurement is necessary, follow Military Interdepartmental Purchase Request procedures, direct cite procurement procedures, or commercial buying services procedures. If the requisition is submitted to a non-DoD organization, the summary billing transaction and the supporting unmodified MILSBILLS detailed billed transactions must be submitted to the IA. The IA must convert MILSBILLS detailed delivery transactions to FMS detail delivery transactions and forward the billing information to DFAS SCA within five working days. DFAS SCA must use the FMS detail delivery transactions to prepare delivery reports to the FMS purchasers and provide a copy of the report, or automated system equivalent, to the implementing DoD Components for use in posting to supply performance files.

9.0 PERFORMANCE AND DELIVERY REPORTING

9.1 Reports

9.1.1. FMS Command Pay List. DFAS provides reporting activities with a monthly FMS Command Pay List that identifies the total amount of WIP or deliveries charged to FMS cases in the current reporting period, excluding accounts payable (see subparagraph 9.1.4). The amount includes the delivery transactions submitted by the reporting activity, less accounts payable and rejected items (see subparagraph 9.1.3), and additional charges mechanically computed by DFAS. The last line of the Command Pay List, "Total Reimbursable to This Payee," should equal the amount received by the payee. DFAS computed charges may or may not be reimbursable to the reporting activity. The following are DFAS computed charges:

9.1.1.1. FMS Administrative Surcharge are non-reimbursable costs;

9.1.1.2. PC&H are reimbursable charges not applicable to DWCF items;

9.1.1.3. "Below-the-line" Transportation Charges;

9.1.1.3.1. Reimbursable and non-reimbursable costs (reimbursable costs are not applicable to DWCF items if the ship date is October 1, 1991 or later). The Inland CONUS rate of 2.75 percent is not applicable to stock fund items effective October 1, 1990,

9.1.1.3.2. Transportation Bill Codes (TBCs) are used to bill FMS purchasers for "below-the-line" transportation costs if the actual method of transportation is different from that identified by the Delivery Term Code. Report the return of repaired materiel using TBC "L." TBCs are in Table 8-3; and

9.1.1.4. CAS charges are non-reimbursable.

9.1.2. FMS Detail Delivery Feedback List. The FMS Detail Delivery Feedback List is attached to the Command Pay List and identifies the delivery transactions submitted by reporting activities and processed by DFAS for reimbursement or reporting to the FMS purchaser. It also identifies add-on amounts mechanically computed by DFAS for each processed delivery transaction. This listing does not provide summary totals of deliveries reported. It is used to compare deliveries reported with deliveries processed when reconciling amounts reimbursed to the reporting activity. When reconciling reimbursements received from DFAS to reporting activity records, the following columns of the FMS Detailed Delivery Feedback list should be used:

9.1.2.1. The Voucher Amount Paid (VOU AMT PD) column, which identifies the amount of reimbursement to the reporting activity;

9.1.2.2. The Extended Value (EXT VAL) column, which identifies the total amount reported to DFAS;

9.1.2.3. The Stock Fund Add-On (STK FUND ADD-ON) column, which identifies the amount of LSC or stock fund add-on charges computed by DFAS. After accounting date March 1987, this field identifies the LSC;

9.1.2.4. The Contract Administration Surcharge Add-On (CAS ADD-ON) column, which identifies CAS computed by DFAS. The CAS applied to procurement DSCs (non-reimbursable to the reporting activity). Items procured and associated costs charged may include DWCF listed items, GFM, and nonrecurring charges;

9.1.2.5. The Date of Transaction (DT TRAN) column, which identifies the date of transaction; and

9.1.2.6. The Accessorial Administrative Costs (ACSRL ADM COST) column, which identifies administrative charges applied against the FMS case. These charges are applied against total deliveries reported for each case during the month and not identified to the individual deliveries.

9.1.3. FMS IA Performance Report Transaction Register (PRTR). The FMS IA PRTR has five parts. These parts are detailed in the following subparagraphs.

9.1.3.1. The IA-Initiated Performance Reports Rejected Not Processed section includes all delivery transactions that could not be processed by DFAS. The reasons for not processing are listed immediately under each transaction. A corrected transaction should be resubmitted to DFAS. This part must be used in reconciling reported deliveries, to deliveries processed by DFAS. Rejected transactions should be corrected and resubmitted within 30 days.

9.1.3.2. The IA-Initiated Performance Reports Processed with Management Alerts section includes all delivery transactions processed with the possible problem areas identified by DFAS processing. Review these transactions to determine if each transaction was properly prepared. If the transaction was properly prepared, no further action is required.

9.1.3.3. The DFAS-Initiated Performance Reports Processed section includes those transactions computed and applied by DFAS for the IA. DFAS reports these transactions for posting to the IA's records.

9.1.3.4. The DFAS-Initiated Corrections to Initial IA Performance Reports section provides information on delivery transactions subsequently modified by DFAS. Data appears with the IA delivery transaction first, followed by the corrective action taken by DFAS.

9.1.3.5. The DFAS Deletions from the IA-Initiated Performance Reports section provides the delivery transactions that have been subsequently deleted by DFAS.

9.1.4. FMS Accounts Payable List

9.1.4.1. The FMS Accounts Payable List indicates reimbursable delivery transactions for which payment is not being made. Reasons for non-payment include:

9.1.4.1.1. The country's funds are frozen (not available to disburse),

9.1.4.1.2. The country does not have enough cash available, or

9.1.4.1.3. The case provides for payment 60 days after delivery.

9.1.4.2. The list has a total of all transactions that are reimbursable and have not been paid to the reporting activity.

9.1.5. FMS Voucher Backup for Payment of Accounts Payable. The FMS Voucher Backup for Payment of Accounts Payable listing represents the amount paid to the reporting activity per the Command Pay List (see subparagraph 9.1.1) by country, IA, and reporting activity.

9.1.6. FMS Accounts Payable. Detailed payable records are only maintained in installation-level systems and, therefore, can only be aged at the installation level. Monitoring payables and assuring specific vendors are paid promptly is a function of the installation-level accounting activity. IAs should validate general ledger account balances to payables reported to the Defense Integrated Financial System on a monthly basis.

9.2 Reject Codes

The FMS IA PRTR contains Reject Codes for the delivery transactions that did not process to the FMS Command Pay List. Research reports with Reject Codes and process delivery transactions within 30 days. DFAS will maintain a control file of outstanding rejected transactions and will update the file once corrected transactions are resubmitted and reprocessed. DFAS will send copies of the control file to the respective IAs.

9.3 Reconciling Reports

Reconcile reimbursable delivery transactions to the amounts reimbursed. Verify that the voucher backup equals the amount on the check and the FMS Command Pay List. If amounts are not equal, contact DFAS to reconcile differences.

*Table 8-1. Transportation Charges Based on TBC for Inventory Items Shipped by DWCF

TBC	Generic Code	Percentage of Item Priced by Generic Code	Total Percentage
A	L1D	0.0 [1,2]	0.0
B	L1E	0.0 [1,2]	0.0
C	L1A	0.0 [2]	7.25,9.0/7.5,9.5
C	L2B	2.5	7.25,9.0/7.5,9.5
C	L1B /L1C [3]	3.75, 5.5 [4]/4.0,6.0 [5]	7.25,9.0/7.5,9.5
C	L2C	1.0	7.25,9.0/7.5,9.5
D	N/A	0.0	0.0
E	L1A	0.0 [2]	0.0
F	L1A	0.0 [2]	6.25,8.0/6.5,8.5
F	L2B	2.5	6.25,8.0/6.5,8.5
F	L1B/L1C [3]	3.75,5.5 [4]/4.0,6.0 [5]	6.25,8.0/6.5,8.5
G	L1A	0.0 [2]	10.25,12.0/10.5,12.5
G	L2B	2.5	10.25,12.0/10.5,12.5
G	L1B/L1C [3]	3.75,5.5 [4]/4.0,6.0 [5]	10.25,12.0/10.5,12.5
G	L2C	1.0	10.25,12.0/10.5,12.5
G	L1F	3.0	10.25,12.0/10.5,12.5
H	L1A	0.0 [2]	2.5
H	L2B	2.5	2.5
J	L2B	2.5	7.5/9.5
J	L1C	4.0/6.0 [5]	7.5/9.5
J	L2C	1.0	7.5/9.5
K	L1C	N/A	Actual amount billed by AMC
L	As applicable	N/A	Actual amount computed by shipper
M	L4O	3.0 [1]	3.0
N	L1A	0.0 [2]	3.0
N	L4O	3.0 [1]	3.0
P	L1A	0.0 [2]	5.75
P	L4O	3.0 [1]	5.75
P	L1A	2.75 [2]	5.75
Q	L1A	0.0 [2]	12.0,13.75/12.25,14.25
Q	L4O	3.0 [1]	12.0,13.75/12.25,14.25
Q	L1A	2.75 [2]	12.0,13.75/12.25,14.25
Q	L2B	2.5	12.0,13.75/12.25,14.25
Q	L1B/L1C [3]	3.75,5.5 [4]/4.0,6.0 [5]	12.0,13.75/12.25,14.25

*Table 8-1. Transportation Charges Based on TBC for Inventory Items Shipped by DWCF (Continued)

TBC	Generic Code	Percentage of Item Priced by Generic Code	Total Percentage
R	L1A	0.0 [2]	16.0,17.75/16.25,18.25
R	L4O	3.0 [1]	16.0,17.75/16.25,18.25
R	L1A	2.75 [2]	16.0,17.75/16.25,18.25
R	L2B	2.5	16.0,17.75/16.25,18.25
R	L1B/L1C	3.75,5.5 [4]/4.0,6.0 [5]	16.0,17.75/16.25,18.25
R	L2C	1.0	16.0,17.75/16.25,18.25
R	L1F	3.0	16.0,17.75/16.25,18.25
S	L1A	0.0 [2]	8.25
S	L4O	3.0 [1]	8.25
S	L1A	2.75 [2]	8.25
S	L2B	2.5	8.25
U	L1D	0.0 [1,2]	2.5
U	L2B	2.5	2.5
V	L1D	0.0 [1,2]	7.25,9.0/7.5,9.5
V	L2B	2.5	7.25,9.0/7.5,9.5
V	L1B/L1C [3]	3.75,5.5 [4]/4.0,6.0 [5]	7.25,9.0/7.5,9.5
V	L2C	1.0	7.25,9.0/7.5,9.5
W	L1O	N/A	Transportation Cost Look-Up Table
X	L1D	0.0 [1,2]	6.25,8.0/6.5,8.5
X	L2B	2.5	6.25,8.0/6.5,8.5
X	L1B/L1C [3]	3.75,5.5 [4]/4.0,6.0 [5]	6.25,8.0/6.5,8.5
Y	L1D	0.0 [1,2]	10.25,12.0/10.5,12.5
Y	L2B	2.5	10.25,12.0/10.5,12.5
Y	L1B/L1C [3]	3.75,5.5 [4]/4.0,6.0 [5]	10.25,12.0/10.5,12.5
Y	L2C	1.0	10.25,12.0/10.5,12.5
Y	L1F	3.0	10.25,12.0/10.5,12.5

1. The costs of L1D, L1E, and L4O are included in the DWCF item price when being directly shipped to the customer. If the item is shipped to a staging location, the rate listed must be charged.

2. L1A does not apply to DWCF shipments with shipping dates after September 30, 1990. Computation for L1D and L1E for DWCF items was discontinued on items with shipping dates after September 30, 1991. L1A is computed once on DWCF items shipped to a CONUS staging or aggregation area and then on to the CONUS water or aerial port. The first CONUS movement is included in the DWCF item price. The second movement TBCs (P, Q, R, or S) are charged at the normal rate.

*Table 8-1. Transportation Charges Based on TBC for Inventory Items Shipped by DWCF (Continued)

3. Wherever "L1B/L1C" appears, if the Port of Embarkation (POE) code is "A," L1C is computed; otherwise, L1B is computed.

4. L1B is computed at 3.75 percent for rate area one or 5.5 percent for rate area two. See Chapter 7, subparagraph 4.2.3.2 "Below-the-Line Transportation Services" for more information.

5. L1C is computed at 4.0 percent for rate area one or 6.0 percent for rate area two. See Chapter 7, subparagraph 4.2.3.2 "Below-the-Line Transportation Services" for more information.

6. L1A is computed once on DWCF items shipped to a CONUS staging or aggregation area and then on to the CONUS water or aerial port. The first CONUS movement is included in the DWCF item price.

*Table 8-2. Transportation Charges Based on TBC for Inventory Items Not Shipped by DWCF

TBC	Generic Code	Percentage of Item Priced by Generic Code	Total Percentage
A	L1D	3.75 [1]	3.75
B	L1E	3.75 [1]	3.75
C	L1A	2.75	10.0,11.75/10.25,12.25
C	L2B	2.5	10.0,11.75/10.25,12.25
C	L1B/L1C [2]	3.75,5.5 [3]/4.0,6.0 [4]	10.0,11.75/10.25,12.25
C	L2C	1.0	10.0,11.75/10.25,12.25
D	N/A	0.0	0.0
E	L1A	2.75	2.75
F	L1A	2.75	9.0,10.75/9.25,11.25
F	L2B	2.5	9.0,10.75/9.25,11.25
F	L1B/L1C [2]	3.75,5.5 [3]/4.0,6.0 [4]	9.0,10.75/9.25,11.25
G	L1A	2.75	13.0,14.75/13.25,15.25
G	L2B	2.5	13.0,14.75/13.25,15.25
G	L1B/L1C [2]	3.75,5.5 [3]/4.0,6.0 [4]	13.0,14.75/13.25,15.25
G	L2C	1.0	13.0,14.75/13.25,15.25
G	L1F	3.0	13.0,14.75/13.25,15.25
H	L1A	2.75	5.25
H	L2B	2.5	5.25
J	L2B	2.5	7.5/9.5
J	L1C	4.0/6.0 [2]	7.5/9.5
J	L2C	1.0	7.5/9.5
K	L1C	N/A	Actual amount billed by AMC
L	As applicable	N/A	Actual amount computed by shipper
M	L4O	3.0 [1]	3.0
N	L1A	2.75	5.75
N	L4O	3.0 [1]	5.75
P	L1A	2.75 [5]	8.50
P	L4O	3.0 [1]	8.50
P	L1A	2.75 [5]	8.50
Q	L1A	2.75 [5]	14.75,16.5/15.0,17.0
Q	L4O	3.0 [1]	14.75,16.5/15.0,17.0
Q	L1A	2.75 [5]	14.75,16.5/15.0,17.0
Q	L2B	2.5	14.75,16.5/15.0,17.0
Q	L1B/L1C [2]	3.75,5.5 [3]/4.0,6.0 [4]	14.75,16.5/15.0,17.0

*Table 8-2. Transportation Charges Based on TBC for Inventory Items Not Shipped by DWCF (Continued)

TBC	Generic Code	Percentage of Item Priced by Generic Code	Total Percentage
R	L1A	2.75 [5]	18.75,20.5/19.0,21.0
R	L4O	3.0 [1]	18.75,20.5/19.0,21.0
R	L1A	2.75 [5]	18.75,20.5/19.0,21.0
R	L2B	2.5	18.75,20.5/19.0,21.0
R	L1B/L1C [2]	3.75,5.5 [3]/4.0,6.0 [4]	18.75,20.5/19.0,21.0
R	L2C	1.0	18.75,20.5/19.0,21.0
R	L1F	3.0	18.75,20.5/19.0,21.0
S	L1A	2.75 [5]	11.0
S	L4O	3.0 [1]	11.0
S	L1A	2.75 [5]	11.0
S	L2B	2.5	11.0
U	L1D	3.75 [1]	6.25
U	L2B	2.5	6.25
V	L1D	3.75 [1]	11.0,12.75/11.25,13.25
V	L2B	2.5	11.0,12.75/11.25,13.25
V	L1B/L1C [2]	3.75,5.5 [3]/4.0,6.0 [4]	11.0,12.75/11.25,13.25
V	L2C	1.0	11.0,12.75/11.25,13.25
W	L1O	N/A	Transportation Cost Look-Up Table
X	L1D	3.75 [1]	10.0,11.75/10.25,12.25
X	L2B	2.5	10.0,11.75/10.25,12.25
X	L1B/L1C [2]	3.75,5.5 [3]/4.0,6.0 [4]	10.0,11.75/10.25,12.25
Y	L1D	3.75 [1]	14.0,15.75/14.25,16.25
Y	L2B	2.5	14.0,15.75/14.25,16.25
Y	L1B/L1C [2]	3.75,5.5 [3]/4.0,6.0 [4]	14.0,15.75/14.25,16.25
Y	L2C	1.0	14.0,15.75/14.25,16.25
Y	L1F	3.0	14.0,15.75/14.25,16.25
Z	L1A	2.75	(Charge may not exceed $25.00)

1. Amounts collected for L1D, L1E, and L4O must be reimbursed to the shipping depot shown in the delivery transaction. SF 1080 billings for actual costs are not required.

2. Wherever "L1B/L1C" appears, if the POE Code is "A," L1C is computed; otherwise, L1B is computed.

3. L1B is computed at 3.75 percent for rate area one or 5.5 percent for rate area two. See Chapter 7, subparagraph 4.2.3.2 "Below-the-Line Transportation Services" for more information.

*Table 8-2. Transportation Charges Based on TBC for Inventory Items Not Shipped by DWCF (Continued)

4. L1C is computed at 4.0 percent for rate area one or 6.0 percent for rate area two. See Chapter 7, subparagraph 4.2.3.2 "Below-the-Line Transportation Services" for more information.

5. L1A is computed twice on non-DWCF items shipped to a CONUS staging or aggregation area and then on to the CONUS water or aerial port for TBCs P, Q, R, and S.

*Table 8-3. Surcharge Matrix

DSC	Contract Administration[1]	PC&H[2]	Admin[3]	Transportation[4,5] Parcel Post[6]
AA	N	N	Y	A
AB	N	N	Y	A
AC	N	N	Y	A
AD	N	N	Y	A
AE	N	Y	Y	B
AG	N	Y	Y	B
AH	N	N	Y	A
AJ	N	N	Y	A
AK	N	N	Y	B
AL	N	N	Y	B
BA	N	N	Y	N
BB	Y	N	Y	N
BC	N	N[7]	Y	N[7]
BD	N	N	Y	N
BE	N	N	Y	N
BF	N	N	N	N
BG	N	N	Y	N
BH	N	N	Y	N
BK	N	N	Y	N
BT	N	N	Y	N
CA	N	N	N	N
CB	N	N	Y	N
CC	N	N	Y	N
CD	N	N	N	N
DA	N	N	Y	N
DB	N	N	Y	A
DC	N	N	Y	B
DD	N	N	Y	N
DE	Y	N	Y	N
DF	N	N	Y	N
DG	N	N	Y	N
DJ	N	N	Y	N
DK	Y	N	Y	N
DL	N	N	Y	N
DX	N	N	Y	N
EE	N	N	Y	N
EF	N	Y[8]	Y	B[9]
EG	N	N	Y	B[9]
EH	N	N	Y	N
EJ	N	Y	Y	Y
EK	N	N	Y	N
EL	N	N	N	N

*Table 8-3. Surcharge Matrix (continued)

DSC	Contract Administration[1]	PC&H[2]	Admin[3]	Transportation[4,5] Parcel Post[6]
EM	N	N	N	N
EN	N	N	Y	N
SA	N	N	Y	A
SB	N	Y	Y	B
SD	N	Y	Y	B
SE	N	N	Y	B

1. DFAS SCA will compute CAS if Price Code is "N" and Reimbursement Code is other than "N" unless statutory waiver of contract administration has been made.

2. PC&H does not apply to DWCF items with ship dates after September 30, 1990.

3. Administrative costs will be computed unless administrative costs have been waived pursuant to statute.

4. The Inland CONUS transportation charge of 2.75 percent does not apply to DWCF shipments with shipping dates after September 30, 1990. Computation for generic codes L1D and L1E for DWCF items was discontinued on items with shipping dates after September 30, 1991.

5. In this column, A refers to items furnished from DWCF. B refers to inventory items that are not shipped from DWCF. Transportation for inventory items furnished from DWCF to freight forwarders or Canada (except Newfoundland and Labrador) is included in the price. Shipments beyond that point are computed according to Table 8-1. Costs for items that are not furnished from DWCFs are also computed according to Table 8-2.

6. Transportation costs are computed using the TBC of the transaction. However, if this position is blank, transportation costs are computed using the DTC. If a DTC is not on the DTC Table, reject the transaction.

7. Included in actual or estimated actual repair cost.

8. Computed standard PC&H except if RIC begins with "G." RIC that begins with "G" will not have PC&H computed.

9. For DSC "EF" and "EG" when transportation is by the General Services Administration (GSA) (RIC begins with "G") and the TBC is not blank, or where the TBC is blank and the DTC is other than "4," the CONUS transportation add-on (generic codes L1A, L1D, and L1E) is not computed. GSA includes CONUS transportation in the price of the item.

*Table 8-4. TBC

TBC	Description
A	Materiel moved by parcel post to an inland CONUS/Canada (except Newfoundland and Labrador) destination or freight forwarder, or to an overseas destination through the APO or international mail. The FMS purchaser makes all subsequent arrangements.
B	Materiel moved by commercial package carrier to an inland CONUS/Canada (except Newfoundland and Labrador) destination or freight forwarder, when all subsequent arrangements are made by the FMS purchaser. However, see TBC "Z."
C	Materiel moved by GBL, AMC channel airlift, Air Force organizational airlift, MSC sealift, and combinations thereof, to an overseas port of debarkation (POD) in rate area one or two, including overseas carrier discharge. The FMS purchaser makes all subsequent arrangements.
D	Any form of materiel for which the FMS purchaser is totally responsible, such as materiel moved by a collect commercial bill of lading to an inland CONUS destination, free alongside ship (FAS), an overseas carrier at a CONUS POE, freight forwarder, a CONUS POE, or an inland overseas destination. Also used if transportation costs are not applicable.
E	Materiel moved by GBL, AMC channel airlift, Air Force organizational airlift, MSC sealift, and combinations thereof, to an inland CONUS destination, FAS an overseas carrier at a CONUS POE, a freight forwarder, or a CONUS POE when all subsequent arrangements are made by the FMS purchaser.
F	Materiel moved by GBL, AMC channel airlift, Air Force organizational airlift, MSC sealift, and combinations thereof, to an overseas POD in rate area one or two, when overseas carrier discharge and all subsequent arrangements are made by the FMS purchaser.
G	Materiel moved by GBL, AMC channel airlift, Air Force organizational airlift, MSC sealift, Defense Courier Service, Military Ordinary Mail, Weapons System Pouch Service, and combinations thereof, to the ultimate FMS consignee at an overseas inland destination in rate area one or two.
H	Materiel moved by GBL, AMC channel airlift, Air Force organizational airlift, MSC sealift, and combinations thereof, to a CONUS POE when all arrangements subsequent to loading the vessel are made by the FMS purchaser.
J	Materiel moved by AMC channel airlift to an overseas aerial POD (APOD) in rate area one or two when the use of inland CONUS transportation is not required in effecting delivery to the CONUS POE. The FMS purchaser makes all arrangements subsequent to carrier discharge.
K	Materiel moved by AMC Special Assignment Airlift Mission (SAAM) within CONUS to an overseas APOD or inland FMS consignee base within an overseas area or between overseas areas. The FMS purchaser makes any arrangements subsequent to carrier discharge.
L	Substitute for any other standard codes whenever actual transportation costs will be reported in accordance with Chapter 7.
M	Materiel moved by FMS country-owned aircraft from a U.S./DoD staging area.

*Table 8-4. TBC (Continued)

TBC	Description
N	Materiel moved by GBL "or other CONUS inland mode" to a CONUS staging or aggregation area, staging or aggregation of the materiel, and onward movement of the materiel to a freight forwarder by a collect commercial bill of lading or country-owned or provided aircraft, or by AMC or by commercial SAAM.
P	Materiel moved by GBL "or other CONUS inland mode" to a CONUS staging or aggregation area, staging or aggregation of the materiel, and onward movement of materiel by GBL or other prepaid (reimbursable) CONUS transportation to an aerial or water POE, FAS an overseas carrier at a CONUS POE, or arrangements are made by the FMS purchaser.
Q	Materiel moved by GBL "or other CONUS inland mode" to a CONUS staging or aggregation area, staging or aggregation of the materiel; out movement of the materiel from the staging area by GBL, or other prepaid (reimbursable) CONUS transportation to an aerial or water POE; port handling of the materiel, and onward movement by GBL, AMC channel airlift, Air Force organizational aircraft, MSC sealift, and combinations thereof, to an overseas POD in rate area one or two, when overseas carrier discharge and all subsequent arrangements are made by the FMS purchaser.
R	Materiel moved by GBL "or other CONUS inland mode" to a CONUS staging or aggregation area, staging or aggregation of the materiel; and out movement of the materiel from the staging area by GBL, or other prepaid (reimbursable) CONUS transportation to an aerial or water POE; port handling of the materiel, and onward movement by GBL, AMC channel airlift, Air Force organizational aircraft, MSC sealift, and combinations thereof, to an overseas POD in rate area one or two; overseas port handling of the materiel; and onward overseas inland movement to the ultimate FMS consignee at an overseas, inland destination rate area one or two.
S	Materiel moved by GBL "or other CONUS inland mode" to a CONUS staging or aggregation area, staging or aggregation of the materiel, out movement of the materiel from the staging area by GBL, or other prepaid (reimbursable) CONUS transportation to an aerial or water POE; and loading of the materiel aboard a country-owned or provided aircraft or vessel, when all arrangements subsequent to loading the aircraft or vessel are made by the FMS purchaser.
U	Materiel moved by parcel post or commercial package carrier to CONUS POD when all arrangements subsequent to loading the vessel are made by the FMS purchaser (Mode of shipment determines whether parcel post or commercial package carrier is used.)
V	Materiel moved by parcel post or commercial package carrier to an overseas POD in rate areas one or two, including overseas carrier discharge, when arrangements subsequent to loading the vessel are made by the FMS purchaser (The mode of shipment determines whether parcel post or a commercial package carrier is used.)
W	Materiel movement charged according to rates listed in the transportation cost look-up table (see section 6.0).
X	Materiel moved by parcel post or commercial package carrier to an overseas POD in rate areas one or two, when the FMS purchaser makes overseas carrier discharge and subsequent arrangements (The mode of shipment determines whether parcel post or commercial package carrier is used.)

*Table 8-4. TBC (Continued)

TBC	Description
Y	Materiel moved by parcel post or commercial package carrier to the ultimate FMS consignee at an overseas inland destination in rate areas one or two (The mode of shipment determines whether parcel post or commercial package carrier is used.)
Z	Materiel moved within the CONUS by commercial carrier with a published maximum rate of $25.00 (for example, as published by United Parcel Service).

Note: Rate Area 1 includes Europe, Central America, Mediterranean Ports, Alaska, and Hawaii. Rate Area 2 includes Newfoundland, Labrador, Thule, Iceland, South America (East & West Coasts), Far East, African Ports (other than Mediterranean) and Near East.

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME ABBREVIATIONS & ACRONYMS: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

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UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 16: "DEPARTMENT OF DEFENSE DEBT MANAGEMENT"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

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CHAPTER 1

GENERAL PROVISIONS FOR DOD DEBT MANAGEMENT

1.0 GENERAL

1.1 Overview

1.1.1. Policy and requirements in this volume apply to administrative actions associated with the collection and disposition of debts that are owed to the DoD by any person, organization, or entity except another Federal agency. Policy and requirements regarding debts owed to the DoD by Federal agencies are contained in Volume 4, Chapter 3.

1.1.2. Policy and requirements in this volume are not applicable to debts owed by DoD or debts arising from antitrust, fraud, tax, or interagency claims.

1.1.3. Policy and requirements for loss of funds cases are contained in Volume 5, Chapter 6. Debts that are the result of improper payments may require loss of funds investigations in accordance with Volume 5, Chapter 6. Debts resulting from improper payments have additional reporting requirements under the ***Improper Payments Information Act of 2002***, the Improper Payments ***Elimination and Recovery Act of 2010***, and the Improper Payments Elimination and ***Recovery Improvement Act of 2012***. Refer to Volume 4, Chapter 14 and Volume 10, Chapter 22 for additional guidance regarding the improper payments program.

1.1.4. Policy and requirements for recording and reporting accounts receivable are contained in Volume 4, Chapter 3.

1.1.5. Where specific statutory authority applies to the collection of a particular category of debt, the provisions of the applicable statute will determine the appropriate debt collection procedures.

1.1.6. Policy and requirements for handling personally identifiable information are contained in the ***DoD Directive 5400.11, "DoD Privacy Program***."

1.1.7. The ***DoD Delinquent Debt Management Guidance*** (DDMG), signed August 31, 2012, defines the end state of debt management through the incorporation of Services' and Agencies' Enterprise Resource Planning (ERP) systems. Components that have implemented the DDMG are permitted to follow those requirements in place of specific steps defined throughout Volume 16.

1.1.8. Payments of amounts owed to DoD by organizations, businesses, and individuals must be made in accordance with the terms specified in contracts, agreements, or demand letters.

1.1.9. Nothing in Volume 16 exempts accountable officials from pecuniary liability arising from erroneous payments or loss of funds as discussed in Volume 5, Chapter 6.

1.1.10. Policy and requirements for remitting debt payments via cash and check are contained in the Treasury Financial Manual Volume I, Part 5, Chapter 2000 (TFM Vol. 1, pt. 5, ch. 2000).

1.1.11. Policy and requirements for remitting debt payments electronically are contained in TFM Vol. 1, pt. 5, ch. 7500. Policy and requirements for remitting debt payments via credit card are contained in TFM Vol. 1, pt. 5, ch. 7000.

1.1.12. Nothing in Volume 16 will be interpreted in a manner that would impair DoD's ability to collect debts under the common law utilizing any available statutory authority.

1.1.13. Nothing in Volume 16 or the Federal Claims Collection Standards (FCCS) (Title 31, Code of Federal Regulations (CFR), parts 900-904) requires the omission or duplication of administrative proceedings associated with debt collection that may be required by other laws or regulations. DoD's failure to comply with this volume or the FCCS does not create any right or benefit, substantive or procedural, enforceable by law or in equity by a party against the United States, its agencies, its officers, or any other person. Refer to 31 CFR 900.7-900.8.

1.2 Purpose

This chapter provides an overview of the policies and requirements for collection and management of debt owed to the DoD by any person, organization, or entity except another Federal agency.

1.3 Authoritative Guidance

1.3.1. DoD is required to aggressively collect debts in accordance with the following statutes, as well as other statutes and regulations expressly identified in this volume:

1.3.1.1. Debt Collection Improvement Act of 1996 (Public Law 104-134, Chapter 10, section 31001);

1.3.1.2. Debt Collection Act of 1982 (Public Law 97-365);

1.3.1.3. Federal Claims Collection Act of 1966 (codified at Title 31, United States Code, section 3701 (31 U.S.C. § 3701) et seq; 5 U.S.C. § 5514; and 37 U.S.C. § 1007);

1.3.1.4. Contract Disputes Act of 1978 (41 U.S.C. § 7101 et seq.);

1.3.1.5. Internal Revenue Code provisions regarding the authority to make credits or refunds (26 U.S.C. § 6402);

1.3.1.6. FCCS (31 CFR 900-904);

1.3.1.7. Regulations for collection by offset from indebted Government employees (5 CFR 550, subpart K); and

1.3.1.8. Regulations for the collection of past-due support by administrative offset (*31 CFR 285.1*).

1.3.2. Policy and requirements in this volume are intended to be consistent with the *Federal Acquisition Regulation* and the Defense Federal Acquisition Regulation Supplement (*DFARS*).

2.0 RESPONSIBILITIES

2.1 Accounts Receivable Office (ARO)

The ARO is the office responsible for recording and reporting receivables and may also be the office responsible for debt collection.

2.2 Contracting Officer

The contracting officer has primary responsibility for determining the amount of the debt and ensuring collection for most types of contract debt. The contracting officer, or another authorized official, will request that a payment office collect a debt and will provide a copy of the contract, with the accompanying documents necessary to facilitate collection, to the payment office. If the contracting officer or designated official receives the contractor's payment, then he or she must immediately forward the payment to the disbursing office, with proper documentation, to allow posting into the accounting system. The contracting officer or designated official should request a confirmation of receipt of the payment from the disbursing office. Refer to Chapter 5 for additional responsibilities related to contract debt.

2.3 Debt Collection Office (DCO)

2.3.1. DCO refers to the office or individuals at the DoD Component level that are primarily responsible for debt establishment and collection for the Component. DCOs that manage the debt collection for the Component are typically located in the following areas: AROs, military and civilian payroll offices (located both within and outside of the Defense Finance and Accounting Service (DFAS)), Debt Management Offices (DMOs), the Debt and Claims Management Office (DCMO), contracting offices, disbursing offices, or the Foreign Debt Management Office. DCO also refers to any other organizational element within a DoD Component that performs debt management/collection activities.

2.3.2. After establishing a debt, the DCO is responsible for initial debt collection and due process procedures, including the issuance of debt notification letters that comply with all the requirements for debt collection under the FCCS. If the DCO and ARO are separate offices, the DCO is responsible for working with the ARO to ensure that appropriate accounting actions are completed. DCOs must ensure that all debts are valid and legally enforceable. DCOs must work with the AROs to reverse accounting entries for debts subsequently determined not to be valid or legally enforceable pursuant to Volume 4, Chapter 3.

2.4 DFAS DCMO

The DFAS DCMO offers debt management and collection assistance for delinquent debts owed to DoD by individual debtors who are no longer paid by DoD (i.e., out-of-service employees and Service members). If a Component's DCO cannot collect a debt through offset because the debtor is no longer being paid by DoD, and the debtor has not agreed to pay the debt, then the DCO should obtain debt collection services from the DCMO. The DCMO also makes determinations on hearing requests and applications requesting waiver of individual indebtedness. Refer to Chapters 3 and 4 for additional guidance on referring individual debts to DCMO for collection services, as well as debt hearing and waiver procedures.

2.5 DFAS DMO

The DMO is responsible for processing collection actions on referred delinquent vendor/contractor debt. The DMO will document debt collection activities, including any basis for a debt compromise, suspension, or termination of collection action, and retain the documentation in individual debtor files. Refer to Chapter 5 for additional guidance on when to refer debts to DMO and DMO responsibilities.

2.6 DoD Component

DoD Components are responsible for establishing debt management programs as described in section 3.0 and ensuring DCOs and AROs collect and manage debt owed to that Component.

3.0 DEBT MANAGEMENT PROGRAM

3.1 General

Each DoD Component must establish and maintain a debt management program to identify, recover, and collect debts owed by individuals to the United States. DoD Components must clearly designate the DCOs responsible for the recovery and collection of debts within the DoD Component. The recovery of debts must be undertaken promptly, using a strategy that is determined to result in the maximum recovery of debt. DoD Components must ensure debtors are afforded due process, in the form of proper debt notification and the right to review, in accordance with Volume 16 and applicable regulations and guidance issued by the U.S. Department of the Treasury. DoD Components must establish guidance that clearly assigns responsibilities for processing, monitoring, reporting, and closing out delinquent debts.

3.2 Debt Prevention and Monitoring

3.2.1. DoD Components must institute procedures and assign responsibility to designated personnel (including contractors and vendors), as necessary, to ensure that appropriate personnel and organizations (e.g., personnel, entitlement, payroll, finance and accounting, disbursing, and legal offices) are promptly notified and kept apprised of activities that could give rise to indebtedness by any member, employee, or other personnel. Such indebtedness could be the result

of employment or other financial or contractual relationship between DoD and the debtor. DoD Components must maintain continuous communication and follow up to prevent indebtedness from remaining unresolved for an extended period.

3.2.2. DoD officials must establish procedures to identify the causes of indebtedness, delinquencies, and defaults, and must take corrective action to mitigate those causes and thereby reduce the number of debts subject to collection.

3.3 DoD Debtor Information Exchange and Debt Collection Partnership Programs

DCOs must share information concerning debtors. DCOs must cooperate with each other and with other Federal agencies, including any private debt collection agencies and credit bureaus working on behalf of such agencies. DCOs must take all actions necessary to facilitate the collection of delinquent debts owed by current and former DoD civilian employees and military members, as well as other debtors.

3.4 Debt Management Requirements

DoD officials, including contracting officers, contractor/vendor pay offices, disbursing officers, and AROs, must cooperate with each other to ensure that debts are collected, properly recorded in the accounting systems, and accurately reported in the agency's financial statements.

3.5 Documenting Collection Activity

The DCO must document all debt collection activities, including how the debt was established, due process procedures, installment payment plan agreements, collection activity and/or the basis for debt compromise, suspension, or termination of collection action. The DCO must also document bankruptcy activity if applicable. Documentation should be retained in individual debtor files and provided to the office responsible for recording and reporting of the related accounts receivable.

3.6 Automating Debt Collection and Reporting Systems

DoD Components must use automated debt collection and reporting systems to the extent that it is feasible and cost effective for recording, processing, and controlling debts. The Deputy Chief Financial Officer created the DDMG, signed August 31, 2012, which defines the end state of debt management through the incorporation of Services' and Agencies' ERP systems. These systems must be utilized to the fullest extent possible in compliance with the DDMG.

4.0 INTERNAL CONTROLS

4.1 General

DoD Components involved in the collection and management of debts owed to the DoD must adhere to the basic standards for internal controls prescribed in ***DoD Instruction 5010.40***, "Managers' Internal Control Program Procedures." DoD Components will establish and maintain

internal controls to ensure that debts owed to DoD are recorded, reported, managed, and aggressively collected.

4.2 Recording and Reporting Accounts Receivables

Major categories of receivables must be maintained to facilitate clear and full disclosure (e.g., disclose the debtor, the amount, the age, and the type of debt). Subsidiary records must be reconciled to the control accounts on at least a monthly basis. The DoD Components must document the date of a debt so that timely and appropriate collection and follow-up action can be accomplished. Refer to Volume 4, Chapter 3 for guidance on recording and reporting accounts receivables.

VOLUME 16, CHAPTER 2: "GENERAL INSTRUCTIONS FOR COLLECTION OF DEBT OWED TO THE DOD"

SUMMARY OF MAJOR CHANGES

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CHAPTER 2

GENERAL INSTRUCTIONS FOR COLLECTION OF DEBT OWED TO THE DOD

1.0 GENERAL

1.1 Overview

The policy and requirements in this chapter apply to administrative actions associated with the collection of debts owed to and collected by the DoD. Additional guidance related to collecting debt from individuals, vendors/contractors, and foreign entities is included in Chapters 3, 5, and 6, respectively. The instructions in this chapter do not apply to the collection of child support or alimony or to commercial, non-DoD debts owed by civilian employees and Service members through garnishment or involuntary allotment. Refer to Volume 7A, Chapters 41 and 43; Volume 7B, Chapters 27 and 28; and Volume 8, Chapter 8 for guidance pertaining to garnishments, involuntary allotments, and tax levies. In addition, this chapter does not apply to antitrust, fraud, tax, or interagency collection issues.

1.2 Purpose

The purpose of this chapter is to provide policy and requirements Debt Collection Offices (DCOs) must follow in the collection of public debts owed to the DoD. These debts include amounts outstanding from civilian employees, Service members, retired personnel, and other individuals.

1.3 Authoritative Guidance

Pursuant to U.S. Department of Treasury (Treasury) requirements, DoD is required to aggressively collect debts in accordance with the following statutes and regulations:

1.3.1. Debt Collection Improvement Act of 1996 (***Public Law (P.L.) 104-134***, Chapter 10, section 31001);

1.3.2. Debt Collection Act of 1982 (***P.L. 97-365***);

1.3.3. Federal Claims Collection Act of 1966 (codified at Title 31, United States Code, section 3701 (***31 U.S.C. § 3701***) et seq; ***5 U.S.C. § 5514***; and ***37 U.S.C. § 1007***);

1.3.4. Contract Disputes Act of 1978 (***41 U.S.C. § 7101 et seq.***);

1.3.5. Internal Revenue Code provisions regarding the authority to make credits or refunds (***26 U.S.C. § 6402***);

1.3.6. Federal Claims Collection Standards (FCCS) (Title 31, Code of Federal Regulations (CFR), parts 900-904 (***31 CFR 900-904***));

1.3.7. Regulations for collection by offset from indebted government employees (***5 CFR, Part 550***, subpart K);

1.3.8. Regulations for the collection of past-due support by administrative offset (***31 CFR 285.1***); and

1.3.9. Additional statutes and regulations listed by Treasury's Bureau of the Fiscal Service (***Fiscal Service***).

2.0 GENERAL GUIDANCE

2.1 Prompt Collection of Debt

DCOs must promptly and aggressively initiate collection action on all established debts owed to the DoD and must complete follow-up actions to ensure successful repayment to the DoD. DCOs may utilize Treasury-designated debt collection centers to pursue collection. For additional information, refer to ***Fiscal Service's Centralized Receivables Service***.

2.2 Statute of Limitations for Collecting Debts

2.2.1. Time Limits for Debt Collection Litigation

2.2.1.1. The DoD may refer a debt to the Department of Justice (DOJ) for litigation against a debtor in order to enforce collection or obtain a judgment in favor of the DoD. Federal law limits the period of time within which an agency may file a lawsuit to collect a debt. In accordance with ***28 U.S.C. § 2415***, the statute of limitations for filing a lawsuit to pursue debt collection is generally the later of 6 years from the date the right of action accrues (date of delinquency), or 1 year after a final decision has been rendered in an administrative proceeding, such as an action before the Armed Services Board of Contract Appeals. For additional guidance on referring debts to DOJ for litigation, refer to section 13.0.

2.2.1.2. Determining the statute of limitations for debt collection litigation is subject to numerous considerations and exceptions depending on the facts of each case. DCOs should consult their legal counsel for guidance. For example, the deadline for initiating litigation to collect an erroneous payment to a Federal employee is 6 years after the right of action accrues (unless otherwise provided by statute); however, a partial payment or a written debt affirmation restarts the 6-year period. Refer to 28 U.S.C. § 2415(d).

2.2.1.3. The time limits for initiating litigation to pursue debt collection do not apply to collection by other means, such as collection by salary offset or administrative offset.

2.2.2. Time Limit for Collection by Administrative Offset. Section 14219 of ***P.L. 110-246*** amended ***31 U.S.C. § 3716(e)*** to eliminate the 10-year statute of limitations on collection by administrative offset. In 2016, Section 671 of ***P.L. 114-328*** amended 37 U.S.C. § 1007 and provided a new statute of limitation for the collection of certain debts incurred on or after

December 23, 2016, by a member of the uniformed services. As a result, time limits on the collection of debts differ for civilians and members of the uniformed services as follows.

2.2.2.1. Civilians. There is no statute of limitation on debt collection from current or former civilian employees. All debts, including those previously ineligible for collection prior to the removal of the time limit, may be collected by administrative offset without any time limitation. Debts more than 10 years delinquent as of December 31, 2009, which were previously ineligible for collection, may now be collected by administrative offset, provided additional notice and due process requirements are met. If a debt has been closed out, the debt cannot be reopened for administrative offset. Refer to Volume 4, Chapter 3 for additional guidance on debt closeout.

2.2.2.2. Members of the Uniformed Services. The statute of limitation on debt collection from members of the uniformed services depends on several factors.

2.2.2.2.1. Debts Incurred On or After December 23, 2016. If a member incurs a debt to the United States on or after December 23, 2016, the indebtedness may only be recovered if collection commences before the end of the 10-year period beginning on the date the member incurred the debt. Generally, the date a debt is "incurred" by a member is the date the overpayment is received by the member. The date debt collection commences is typically when the member receives written notification of the debt. The 10-year limitation applies only to debts that meet all of the following requirements:

2.2.2.2.1.1. The debt must have been incurred through no fault of the member;

2.2.2.2.1.2. The debt must be the result of the overpayment of pay or allowances, or be incurred upon the settlement of the member's accounts; and

2.2.2.2.1.3. The debt must belong to a current, retired, or former member.

2.2.2.2.2. Debts Incurred Before December 23, 2016. Indebtedness incurred by a member prior to December 23, 2016, should be recovered, even when recovery efforts commence after the end of the 10-year period following the date on which the debt was incurred by the member.

2.3 Method of Payment

Debts may be paid in the form of cash, check, money order, wire transfer, or electronic funds transfer (EFT). When a contractual basis exists, demand may be made for the return of specific property or the performance of specific services. Debts may otherwise be resolved by law, regulation, contract, or agreement. Refer to Volume 4, Chapter 3 for guidance on disposition of funds collected.

2.4 Return of Property to Settle Indebtedness

Nothing in this volume is intended to preclude the DoD from demanding the return of specific Government-furnished property or the payment of the value of the property.

3.0 RECOVERY TOOLS FOR DEBTS

3.1 Common Debt Collection Methods Used by the DoD

The following are the most common recovery tools or methods of collection used to collect debts owed to the DoD.

3.1.1. Voluntary Repayment or Voluntary Offset. Whenever possible, the DoD should collect a debt in a single lump-sum payment from the debtor. A debtor may also request to make payment by installment agreement or may permit the withholding (offset) of funds payable to the debtor by the United States. Voluntary repayment via direct remittance or offset is the preferred method for collecting debts. Refer to section 7.0 for guidance on voluntary repayment.

3.1.2. Involuntary Salary Offset. The DoD maintains the authority to collect involuntarily from an individual debtor's current salary or pay as authorized by statute. Refer to section 9.0 for guidance on involuntary salary offset from DoD civilian employees and Service members.

3.1.3. Administrative Offset. The DoD maintains the authority to refer a debt for involuntary collection by administrative offset from any available funds payable to the debtor by the United States, as authorized by statute. Administrative offsets may be taken against tax refunds, retirement payments, contract payments, travel reimbursements, and/or other Federal payments owed to the debtor. Refer to section 9.0 for additional guidance on administrative offset and section 11.0 for guidance on the Treasury Offset Program (TOP) for the administrative offset of any available funds payable to the debtor by the United States.

3.2 Other Collection and Recovery Tools

Collection from other sources, including liquidation of collateral or security, is not a prerequisite to requiring payment by a surety or insurance concern unless expressly required by law. The following are other collection and recovery tools to consider when attempting to collect debt owed to the DoD:

3.2.1. Suspension or revocation of eligibility for loans and loan guarantees, licenses, permits, or privileges (except for disaster loans and where exempted by the Under Secretary of Defense (Comptroller) or the Comptroller's designee, the Deputy Chief Financial Officer, DoD);

3.2.2. Liquidation of security or collateral by the DoD Component through a power of sale or non-judicial foreclosure if debtors fail to pay debts within a reasonable time after issuance of a demand letter, if such action is in the best interest of the Government. The DoD Component must give consideration to security or collateral disposition costs as compared to amounts that might be received from such a sale. After the DoD Component liquidates the security or collateral to satisfy

a debt, the DoD Component must give the debtor a written notice of sale and an account of surplus proceeds, in accordance with applicable laws or regulations. The servicing general counsel should be contacted if there is a bankruptcy filed, which is possible if there is a liquidation of security or collateral (refer to section 15.0 for guidance on debtors involved in bankruptcy proceedings);

3.3.3. Collection in installments;

3.3.4. Administrative wage garnishment;

3.3.5. Compromise of debt;

3.3.6. Credit bureau reporting;

3.3.7. Contracting with collection agencies;

3.3.8. Submission of the debt to DOJ for litigation in order to enforce collection or obtain a judgment in favor of the DoD;

3.3.9. Acceleration of collection of the debt, which is when the DCO considers the total amount of the debt delinquent and demands the debtor pay the entire debt (both the delinquent and non-delinquent portions of the debt). Acceleration is particularly appropriate when a debtor has failed to repay the debt in accordance with an installment plan, or when the debtor will be separating from military or civilian service prior to the end of the installment payment period; and

3.3.10. Rescheduling the debt in order to revise the repayment period.

4.0 DUE PROCESS

4.1 General

4.1.1. In the context of Federal debt collection, the constitutional right of "due process" requires an agency to provide debtors with written notice of the debt and an opportunity to dispute the debt. Due process is required prior to an involuntary salary offset (5 U.S.C. § 5514) or administrative offset (31 U.S.C. § 3716). Except under certain limited circumstances, debtors must receive due process prior to the initiation of debt collection. Written debt notifications must adhere to the requirements at section 5.0. The requirements for disputing a debt are set out in Chapter 4.

4.1.2. The requirements of due process do not preclude a debtor from repaying the debt prior to or during due process, and such payment is not considered a waiver of any due process right. A debtor may elect to repay the debt at any time after receiving the initial notification of indebtedness, the reconsideration or review results from the DCO, a determination by a hearing official, or a decision on a request for waiver or remission of the overpayment. Repayment may also be accepted from the debtor while any of these actions are pending. If payment has been received, and the debt is later determined to be invalid, depending on the circumstances, a full or partial refund (including interest and fees) may be necessary.

4.2 Requirements for Routine Pay Adjustments

4.2.1. In accordance with 5 U.S.C. § 5514, DCOs are not required to provide due process procedures prior to collecting overpayments of pay and allowances from Federal employees and Service members through routine intra-agency pay adjustments that have occurred within the four pay periods preceding the adjustment, or for any adjustments that amount to $50 or less. The debtor must be provided with a written notice of the nature and the amount of the adjustment, as well as a point of contact for questions regarding the adjustment, by the payday for the pay period in which the adjustment is processed, or as soon thereafter as practical. Notice of the routine adjustment is typically provided on the debtor's leave and earnings statement.

4.2.2. Routine pay adjustments may be used to correct clerical errors, administrative errors, or delays in processing pay documents. Routine pay adjustments include, but are not limited to, correcting overpayments due to corrected or late time and attendance data or late or incorrect personnel actions. The actual overpayment must have occurred after April 26, 1996. Adjustments for health benefits and life insurance premiums made within four pay periods are covered by ***5 CFR 550.1104(c)***.

4.2.3. The amount deducted for the routine adjustment may not exceed 15 percent of disposable pay, unless the debtor has consented in writing to a higher amount. When the debtor is a Service member, the servicing military pay office will generate a "no pay due" management notice when a debt creates a "no pay due" situation.

4.2.4. If a DoD debtor's payroll account is moved from one payroll office to another payroll office within the DoD, then the new payroll office has the authority to collect an overpayment made by the former payroll office using routine adjustment procedures.

4.3 Authority to Initiate Collection Before Due Process is Granted

Under ***31 CFR 901.3(b)(4)(iii)(C)***, in certain limited circumstances, a DCO may use accelerated procedures to collect a debt by salary or administrative offset prior to, or while providing, notice and an opportunity for review to the debtor. The DCO may initiate collection before due process is given if failure to take the offset would substantially prejudice the DoD's ability to collect a debt, or if there is insufficient time before payment to the debtor to allow for prior notice and an opportunity for review. When prior notice and an opportunity for review is not provided prior to collection, then such notice and opportunity for review must be given to the debtor as soon as practicable. Any amount recovered by offset, which is found not to be owed by the debtor, must be promptly refunded.

5.0 DEBT NOTIFICATION LETTER

5.1 General Requirements for Debt Notification Letter

The FCCS requires the issuance of one debt notification letter to the debtor. Debt notification letters must include the due process notification requirements listed in the Fiscal Service's, "***Managing Federal Receivables***," Appendix 8. The requirements for the notice of indebtedness can be found in 5 U.S.C. § 5514, 5 CFR 550.1104(b) and (d), ***31 CFR 901.2***, and ***31 CFR 285.7(d)(4)***.

5.2 When to Issue a Debt Notification Letter

5.2.1. DCOs must issue the initial debt notification letter to the debtor within 5 working days following final confirmation of the existence and validity of the debt, the basis of indebtedness, and the amount of the debt. Only one due process debt notification is required to be issued to the debtor. DCOs may issue additional demand for payment letters at 30-day intervals after the date of the initial debt notification letter when deemed appropriate by the DCO.

5.2.2. DCOs must exercise care to ensure the debt notification letter is dated the same day the letter is mailed, via the U.S. Postal Service (USPS), to the debtor's last known address or hand-delivered to the debtor. The DCO is required to retain a copy of the debt notification letter as part of the debtor's file. Salary and/or administrative offset may only begin after due process has been provided to the debtor. A DCO is not prohibited from issuing a written demand for payment to the debtor prior to issuing the more formal due process debt notification letter. A demand for payment is typically an abbreviated written request for voluntary repayment of the debt and is not considered sufficient notice of due process. A demand for voluntary repayment may be issued electronically to the debtor, while the formal debt notification must be delivered by the USPS.

5.3 Debt Notification Letters Issued by Disbursing Officers

Disbursing officers are responsible for issuing a debt notification letter under specific circumstances in accordance with Volume 5, Chapters 6 and 8.

5.4 Debt Notification Letters Issued by a Contracting Officer or Other Designated Official

The contracting officer, or other designated official, will issue a debt notification letter in accordance with the guidance in Chapter 5.

5.5 Content of Debt Notification Letters

A sample debt notification letter used by the Defense Finance and Accounting Service (DFAS) Civilian Pay DCO is available at Exhibit 2-1, and a sample debt notification letter used by the Military Pay DCO is available at Exhibit 2-2. DCOs outside of DFAS may modify the sample debt notification letter as they deem necessary; however, all debt notification letters should contain the following information.

5.5.1. Statement of Facts Regarding the Debt. The debt notification must include an explanation of the amount and reason for the indebtedness, the authority for establishing the debt, and the basis on which the determination of indebtedness was made.

5.5.2. Request for Lump-Sum Payment. A request for a lump-sum payment is a request that the debt be repaid in a lump sum by check, money order, or electronic funds transfer.

5.5.3. Payment Due Date. Payment due date is the date by which payment must be made to avoid incurring interest, penalties, administrative (IPA) fees, and enforced collection. The due date must not be more than 30 days from the date of the initial debt notification letter, unless otherwise mandated by statute, contract provision, or another notice of indebtedness. A due date more than 30 days from the date of the debt notification letter may also be allowed based on unusual circumstances as determined by the agency (for example, medical-related debts where insurance is billed first).

5.5.4. Right to Request a Review or Hearing. The debt notification must include a statement indicating that if the debtor wishes to dispute the existence or amount of the debt (or contest the repayment schedule for collection by salary offset), then the debtor may do so by submitting a written request for review or hearing petition. See Chapter 4 to determine whether debtor is eligible for a hearing or review. The notification must advise the debtor of the method and period of time for filing the request for review or hearing petition, typically 30 days from the date of the debt notification letter. It must also state that the timely filing of a request for review or hearing petition will stay the beginning of collection proceedings, and that interest and penalty charges will not be collected until and unless a determination is issued in favor of a collection. Detailed review or hearing petition instructions may be provided to the debtor online through the Internet. This process does not apply to contractor debts. For information regarding the contractor debt dispute process, refer to Chapter 5.

5.5.5. Right to a Written Decision. The debt notification must advise the debtor that if a review or hearing is granted, the debtor has the right to receive a written decision from the reviewer or hearing official within 60 days after the filing of the request for review or hearing petition. In the case of a hearing, the hearing official may grant a request for a delay in the proceedings.

5.5.6. Right to Inspect Records. The debt notification must advise the debtor that he or she has the right to inspect and copy the DoD records relating to the debt.

5.5.7. Voluntary Repayment Agreement Information. The debt notification must advise the debtor of the opportunity to establish a schedule for the voluntary repayment of the debt by entering into an installment payment plan if the debtor claims, and can support, an inability to repay the debt in a single lump sum.

5.5.8. Right to Request a Waiver or Remission. If applicable for individual debtors, include a statement regarding the right to request a waiver or remission of the indebtedness in accordance with applicable statutory authority for waiving or remitting a debt. Detailed waiver application instructions may be provided to the debtor online.

5.5.9. Collection Action on Delinquent Debts. Include a statement indicating that if the DCO is unable to collect a debt, other collection methods may be used, such as referring the debt to a private collection agency (PCA), reporting the debt to a credit bureau, garnishing non-Federal employment wages, or referring the debt to DOJ for litigation. Inform the debtor that any debts delinquent for more than 120 days are required to be transferred to Treasury for collection, and in some cases, the debt may be transferred sooner. Components that follow the procedures contained in the Enterprise Delinquent Debt Management Guidance (DDMG) should refer delinquent debts older than 90 days to the Fiscal Services Debt Management Services (DMS) for further collection action where appropriate.

5.5.10. Collection From Final Pay of Employee. Include a statement indicating that any portion of a debt remaining at the time of separation may be collected from the debtor's final pay and allowances.

5.5.11. IPA. The debt notification must contain a statement explaining the requirements under ***31 CFR 901.9*** to assess IPA, including:

5.5.11.1. An explanation that if the debt is not paid by the due date, then interest will be charged from the date of delinquency, or from the date specified in the repayment agreement, if applicable (refer to the Definitions chapter for a definition of date of delinquency). Include a statement indicating that the interest rate will be calculated pursuant to 31 CFR 901.9;

5.5.11.2. An explanation that if the debt is not paid in full by the due date stated in the debt notification letter, then the DCO will assess administrative costs for the processing and handling of the delinquent debt; and

5.5.11.3. An explanation that if the debt is delinquent for more than 90 days, then the DCO will assess a penalty, not to exceed 6 percent per annum, on the unpaid portion of the debt accruing from the date of delinquency.

5.5.12. Point of Contact. Include a statement identifying the name, mailing address, email address, fax number, and telephone number of a point of contact the debtor may contact regarding the debt.

5.5.13. Payment Address. Provide the address where payment should be mailed or delivered (including instructions for Pay.Gov or EFT, where applicable), and include notice that the check, money order, or wire transfer must be made payable to Treasury.

5.5.14. Penalty for False or Frivolous Statements. The debt notification letter must indicate the consequences of knowingly providing false or frivolous statements, representations, or evidence, which include:

5.5.14.1 Disciplinary procedures for Federal employees under ***5 U.S.C. Chapter 75***, ***5 CFR 752***, or any other applicable statutes or regulations;

5.5.14.2. Penalties under the False Claims Act (*31 U.S.C. §§ 3729-3733*) or any other applicable statutory authority; or

5.5.14.3. Criminal penalties under *18 U.S.C. §§ 286-287*, and *18 U.S.C. §§ 1001-1002*, or any other applicable statutory authority.

5.5.15. Bankruptcy. Include a statement indicating the debtor is responsible for notifying the DCO if the debtor files or has filed for bankruptcy.

5.5.16. Right to a Refund. Include a statement that amounts paid or deducted for the debt, which are later waived or found not to be owed to the Government, will be refunded promptly to the debtor, unless prohibited by law.

5.5.17. Tax Filing. Provide notice that for joint income tax filers, the spouse should file Internal Revenue Service *(IRS) Form 8379*, Injured Spouse Allocation, with the IRS to claim his or her share of the tax refund.

5.5.18. Salary Offset Procedures. Where applicable, state the DCO's intention to collect the debt of a Federal employee by means of payroll deductions (salary offset) if payment is not received within 30 days. Identify the amount, frequency, proposed beginning date, and the duration of deductions by salary offset.

5.6 Duplication of Debt Notification

When a debtor has previously been provided with due process with respect to a debt, there is no need to duplicate due process requirements before initiating administrative offset with regard to the same debt, except as provided in subparagraph 2.2.2. DCOs will implement salary or administrative offset procedures as funds or monies become due and payable to a debtor.

6.0 RESPONDING TO DEBTOR INQUIRIES

The DCO should respond promptly to any questions raised by the debtor, normally not later than 30 days from the date of receipt of the debtor's correspondence. The DCO must provide copies of relevant documents requested by the debtor.

7.0 VOLUNTARY REPAYMENT OF INDEBTEDNESS

7.1 Lump-Sum Repayment

Lump-sum repayment in full is the preferred method of collection. DCOs must encourage debtors to repay their debts through lump-sum payments by EFT (for military personnel and contractors), personal check, money order, or Pay.Gov. Lump-sum collections by offset from current pay or salary cannot exceed the percentages specified in subparagraph 9.2.3 or any other applicable regulation, unless voluntarily agreed to by the debtor.

7.2 Voluntary Repayment by Installment

7.2.1. General. If the Component determines that the debtor is financially unable to pay a debt in a lump sum, then the DoD may accept voluntary repayment from the debtor in regular installments, rather than proceeding with collection by an involuntary salary or administrative offset. Installment agreements must be in writing as specified in paragraph 8.2. DCOs must include a copy of a voluntary repayment agreement in the debt notification issued to the debtor. Refer to Exhibit 2-1 and Exhibit 2-2 for a sample voluntary repayment agreement.

7.2.2. Amount of Installment Payment for Individual Debt. The size and frequency of installment payments should bear a reasonable relation to the size of the debt and the debtor's ability to pay. Installment payments should be at least $50 per month unless a debtor can prove financial hardship. The installment payments should be sufficient in size and frequency to liquidate the debt in 3 years or less; however, a greater amount of time may be appropriate based on the size of the debt and the debtor's ability to repay. An installment payment plan is typically only appropriate if the total debt amount is at least 5 percent of the individual's annual disposable pay. Unless voluntarily agreed to by the debtor, the amount of the installment payments from an individual's current pay or salary must not exceed the offset percentages established in subparagraph 9.2.3.

7.2.3. Review of Proposed Installment Agreements. DCOs must forward requests for installment payment plans from contractors/vendors to the Debt Management Office (DMO) for review and approval. DCOs will review proposed installment agreements submitted by Service members and DoD civilian employees. The Debt and Claims Management Office (DCMO) will review proposed installment agreements submitted by individuals who are no longer employed by the DoD. The DCO/DMO/DCMO must review the proposed installment agreement submitted by the debtor using the criteria set out in paragraph 8.1 and must notify the debtor as to whether the proposed agreement is acceptable.

7.2.4. Installment by Payroll (Salary Offset) or Cash Repayment. Individuals may make installment payments through payroll deductions or by submitting cash repayments on a monthly basis or each pay period. Cash repayment includes payments by EFT, personal check, money order, or another negotiable instrument. Any amount remaining unpaid at the time of separation or retirement will be collected from final lump-sum payments of any nature, such as final salary, lump-sum leave, and/or bonuses.

7.2.5. Applying Receivables. When a receivable is collected by installment payment, apply amounts received first to contingency fees, second to outstanding penalties, third to administrative costs, fourth to interest, and last to principal. Contingency fees are defined as administrative costs resulting from fees paid by one Federal agency to other Federal agencies or private collection contractors for collection services rendered when the fees are paid from the amounts collected from the debtor.

8.0 CONSIDERING AND PROCESSING INSTALLMENT AGREEMENTS

8.1 Proposed Installment Agreement Review Criteria

8.1.1. An installment repayment schedule should adequately protect the interests of both the DoD and the debtor. The DCO must ensure the debt is recoverable within the shortest practical period of time, taking into consideration the financial impact on the debtor.

8.1.2. A debtor may negotiate the terms of an installment repayment schedule if the schedule proposed by the agency would subject the employee to an extreme financial hardship. An extreme financial hardship means the proposed repayment schedule would prevent the debtor from meeting the costs necessary for essential subsistence expenses of the debtor, the debtor's spouse, and dependents. Essential subsistence expenses include costs incurred for food, housing, necessary public utilities, clothing, transportation, and medical care. Upon the agency's request, the debtor must submit financial statements in support of a proposed installment payment plan. The agency may enter into installment agreements only when there is sufficient evidence the debtor will be able to abide by the terms of the agreement, including the repayment schedule. The DCO should base its decision to accept or deny a proposed installment agreement on a review of the following factors:

8.1.2.1. Age and health of the debtor;

8.1.2.2. Present and potential income;

8.1.2.3. Inheritance prospects;

8.1.2.4. Possibility of hidden assets or fraudulent transfers;

8.1.2.5. Assets/income available through enforced collection;

8.1.2.6. Reasonable and necessary living expenses for the debtor and the debtor's dependents;

8.1.2.7. Income from all sources and expenses for the individual, spouse, and dependents;

8.1.2.8. The extent that assets of the individual, spouse, and their dependents are available to meet the offset and essential subsistence expenses;

8.1.2.9. Whether subsistence expenses have been reduced to minimum essential amounts;

8.1.2.10. The extent to which an individual or spouse can borrow money to meet the offset and minimum subsistence expenses; and

8.1.2.11. The extent to which the individual, spouse, and dependents have other exceptional expenses that should be taken into account and whether these types of expenses have been minimized.

8.2 Installment Payment Agreement Terms and Processing

The DCO must obtain signed, legally enforceable, written installment agreements (such as a Voluntary Repayment Agreement or Promissory Note) from the debtor. Such agreements must specify the terms agreed upon by the parties, including terms governing the assessment of IPA charges. The agreement must contain a provision for accelerating the debt, which requires that the remaining debt balance be due and payable immediately upon the debtor's default on the agreement. The agreement must state that the DCO will require the debtor to submit financial statements annually, as necessary, whenever the repayment period exceeds 3 years.

8.2.1. Receipt of an Acceptable Agreement. After receiving a signed agreement, the DCO will begin collecting the debt pursuant to the agreement. If requested by the debtor, and agreed to by the agency, the remittance may be deferred for up to two pay periods with the agreement adjusted to reflect that deferral.

8.2.2. Receipt of an Unacceptable Agreement

8.2.2.1. Individual Debtors. If the DCO determines a proposed repayment agreement submitted by an individual debtor is unacceptable, then the DCO must notify the individual debtor in writing. The debtor will then have 30 days from the date of the written notice to request a special review by the DCO or file a petition for a hearing (or review for military members) to contest the repayment schedule under Chapter 4, sections 3.0 or 6.0.

8.2.2.2. Contractor/Vendor Debtors. The DMO must obtain consent from the creditor DoD Component's senior financial manager or designee before denying a contractor's request for an installment agreement. Refer to Chapter 5 for additional contract debt guidance.

8.3 Installment Payment Delinquency

If a debtor does not make an installment payment by the due date, the entire balance of the debt becomes delinquent from the due date of the missed payment. A debt being repaid under an installment plan is not delinquent if payments under the installment agreement are current. Interest will be assessed on a debt being paid by installment until the debt is paid in full. Penalties may be assessed on any portion of the debt that is outstanding for more than 90 days.

8.4 Review of Installment Agreements

As required, DCOs must review the debtor's annual financial statements and determine whether to collect the balance due in a lump sum or continue the installment agreement at the same or increased amounts. A debtor's request to decrease installment payments based on materially changed circumstances may be considered at any time. The request must include financial data

confirming the debtor's inability to pay the full amount of the agreed upon installment plan. DCOs should not reduce installment payment amounts if there is a determination that the debtor could have controlled the financial condition that impacted the debtor's ability to meet existing installment payment requirements.

9.0 INVOLUNTARY COLLECTION OF DEBT BY SALARY AND ADMINISTRATIVE OFFSET

9.1 General

When a debtor does not pay a debt voluntarily, agencies have the right to offset monies otherwise owed to a debtor in order to extinguish a debt. Where specific statutory authority exists for the collection of a particular debt by offset, the provisions of the statute and its implementing regulations must be used in determining the applicable collection procedures (for example, specific statutory authority exists under ***5 U.S.C. § 5705***, ***5 U.S.C. § 5512***, ***10 U.S.C. § 2775***, and 37 U.S.C. § 1007). However, when a more specific statute does not exist, DCOs must use the general collection authority under 5 U.S.C. § 5514 for salary offset from the current pay of individuals employed by the DoD, or 31 U.S.C. § 3716 (covered in paragraph 9.3) for administrative offset of other payments from the Government that are due a debtor. Refer to Chapter 3 for more specific instructions on involuntary collection of debt for Service members and civilians.

9.2 Salary Offset Under 5 U.S.C. § 5514

DCOs may initiate salary offset to collect indebtedness by installment deductions under 5 U.S.C. § 5514 for debtors who are receiving pay from the DoD. This statute authorizes the involuntary collection of indebtedness of Service members, DoD civilian employees, and Nonappropriated Fund Instrumentality (NAFI) employees from their current pay or salary accounts. Use 5 U.S.C. § 5514 as the authority for salary offset when offset is not authorized or required by other more specific statutes. If the debtor is not currently employed by the DoD and owes a debt to the DoD, the DCO must forward the debt to the DCMO for collection using administrative offset under paragraph 9.3. If the debtor is a separated Service member, and the debt is not subject to salary offset, the DCO must forward the debt to the DCMO for collection using administrative offset under paragraph 9.3.

9.2.1. Due Process

9.2.1.1. When a debtor has either failed to pay the debt in one lump sum, has not agreed to a voluntary one-time payroll deduction, or has not entered into an installment agreement, the DCO must recover the debt by an involuntary salary offset. Before initiating involuntary salary offset, the DCO must ensure the debtor has been given due process pursuant to section 4.0, and the debtor has not exercised the rights listed in the debt notification letter or, having exercised one or more of those rights, was determined to be indebted.

9.2.1.2. The DCO must ensure involuntary salary offset is initiated in the pay period designated in the debt notification letter, unless the period for salary offset was delayed by the debtor's request for a hearing (or request for a review by a military member). When practical,

the DCO will notify the debtor of an offset on the Leave and Earnings Statement. The DCO may initiate collection of a debt from final pay and lump-sum leave payments before granting due process if failure to do so would substantially prejudice the DCO's ability to collect a debt. In such cases, the DCO must afford the debtor due process as soon as practicable. There is no statute of limitations for collecting a debt by salary or administrative offset for civilians, provided notice and due process requirements are met. Refer to subparagraph 2.2.2.2 for information on the statute of limitations for initiating collection of debts owed by members of the uniformed service.

9.2.2. Excluded Debts. The following debts are not authorized for collection by salary offset:

9.2.2.1. Collection of debts to private creditors, except as authorized by ***P.L. 103-94***, Hatch Act Reform Amendments of 1993;

9.2.2.2. Contributions to charities;

9.2.2.3. Payment of commercial life insurance premiums, international agreements, or arrangements with foreign governments;

9.2.2.4. Payment of dues to civic, fraternal, or other organizations; or

9.2.2.5. Collection of state and local/city tax indebtedness.

9.2.3. Disposable Pay. Disposable pay is the current pay that remains after any legally required deductions from earnings are withheld. Refer to ***5 CFR 550.1103*** for a definition of disposable pay. All involuntary salary offset under 5 U.S.C. § 5514 is limited to a maximum of 15 percent of the debtor's disposable pay unless the debtor gives written consent to deductions at a greater percentage. Involuntary salary offset will normally be established at this maximum rate. If salary offset mistakenly exceeds 15 percent of disposable pay when the debtor has not consented to deductions at a greater percentage, the DCO will refund the difference upon the debtor's request. DCOs will compute the amount of disposable pay available for salary offset by making the following deductions:

9.2.3.1. Amounts withheld for Federal, state, or local income tax purposes, if the withholding of the amounts is authorized or required by law, and if the amounts withheld are not greater than would be the case if the individual claimed all dependents as defined in the Federal, state, and local tax codes. For computing disposable pay, no additional Federal tax amounts will be deducted unless the individual presents evidence of a tax obligation supporting the additional deduction;

9.2.3.2. Amounts withheld for Social Security and Medicare taxes;

9.2.3.3. Amounts deducted as health insurance premiums;

9.2.3.4. Amounts deducted as normal retirement contributions (Civil Service Retirement System, Federal Employee Retirement System (FERS), FERS-Revised Annuity Employees, FERS-Further Revised Annuity Employees, and Nonappropriated Fund Retirement), including Thrift Savings Plan (TSP), Roth TSP, and Armed Forces Retirement Home contributions. Amounts voluntarily contributed toward additional retirement benefits are not normal retirement contributions;

9.2.3.5. Amounts deducted as normal life insurance premiums from salary, including amounts deducted for basic Federal Employee Government Life Insurance (FEGLI). However, all optional FEGLI premiums are not considered normal life insurance premiums. Also included is Servicemembers' Group Life Insurance (SGLI), including Family SGLI and Traumatic SGLI;

9.2.3.6. IRS Federal tax levies; and

9.2.3.7. Fines or forfeitures for court martial.

9.2.4. Amounts Not Deductible When Computing Disposable Pay. Do not deduct the following amounts when computing disposable pay for the purpose of salary offset:

9.2.4.1. Deductions for any existing debts being collected for a DoD Component or other Federal agency, including late payment charges;

9.2.4.2. Amounts to satisfy court-ordered garnishments;

9.2.4.3. Amounts to satisfy a court judgment;

9.2.4.4. Court-ordered bankruptcy payments under Chapter 13 of the Revised Bankruptcy Act;

9.2.4.5. Voluntary allotments for child support;

9.2.4.6. Union dues deductions;

9.2.4.7. Charity deductions;

9.2.4.8. Savings allotments;

9.2.4.9. TSP loans;

9.2.4.10. Military Service Deposits; or

9.2.4.11. Other amounts not required by law to be withheld from pay.

9.2.5. Debtor Disagrees With Amount to be Withheld. If the debtor contends that the rate of salary offset proposed, or already established by the DCO, would produce an extreme financial hardship, then in accordance with 5 U.S.C. § 5514, the debtor may:

9.2.5.1. Petition for a hearing with a hearing official to contest the amount of the salary offset (civilian debtors) within the timeframe noted on the debt notification. Military members whose debts are collected under 37 U.S.C. § 1007 may request a review of the repayment schedule by the DCO within the noted timeframe. Refer to Chapter 4 for guidance on hearing or review requests; or

9.2.5.2. Request a special review by the DCO. An individual debtor may request a special review by the DCO of a proposed or established salary offset amount. The request for special review of the established rate of salary offset should be based on the debtor's materially changed circumstances, such as catastrophic illness, divorce, death, or disability.

9.2.5.2.1. Debtor Request. The debtor must submit a written request for special review. The debtor must provide an alternative offset schedule with supporting documents showing why the current or proposed salary offset amount would produce an extreme financial hardship. The supporting documents should include the following information for the debtor, his or her spouse, and dependents: income from all sources, assets, liabilities, number of dependents, expenses for food, housing, clothing and transportation, medical expenses, and other exceptional expenses (if any).

9.2.5.2.2. DCO Response to Debtor. The DCO must evaluate the information submitted by the debtor and issue a written determination concerning the debtor's request for a revised salary offset amount. The DCO should inform the debtor of the acceptance or denial of a revised salary offset amount within 15 days from the date of receipt of the debtor's request for special review. If the DCO approves the debtor's request to reduce the salary offset amount, the reduction will begin immediately upon the issuance of the written determination.

9.2.6. Multiple Debts and Priority of Deductions. When a debtor owes more than one debt, deductions for the current debt and any previously established debts will continue until the debts are paid in full. If prioritizing deductions is necessary, then collect debts owed by debtors to more than one DoD Component, or another Federal agency, in the following priority sequence:

9.2.6.1. Debt to the debtor's employing agency or department,

9.2.6.2. Debt to other DoD Components, then

9.2.6.3. Debt to other Federal Agencies.

9.3 Collection by Administrative Offset Under 31 U.S.C. § 3716

9.3.1. General

9.3.1.1. Administrative offset under 31 U.S.C. § 3716 allows the Government to withhold or intercept funds from monies payable by the United States to a person, organization, or entity in order to satisfy a debt owed to the Government. Administrative offsets may occur against tax refund payments, salary payments, military and civilian retirement pay, contractor payments, grant payments, benefit payments, travel reimbursement, and other Federal payments.

9.3.1.2. Two administrative offset methods are used by agencies to offset a debtor's payments from the Government. Centralized offset uses TOP operated by the Treasury in order to intercept Federal payments due a debtor. Refer to section 11.0 for procedures on referring debts to Treasury. An agency may use non-centralized offset in cases where offset through TOP is not available or appropriate. Non-centralized offset is an ad hoc method of offset performed on a case-by-case basis that the agency executes internally or in cooperation with another agency certifying payments to the debtor.

9.3.2. Exclusions. Administrative offset under 31 U.S.C. § 3716 does not apply to:

9.3.2.1. Offset against Federal salaries if the FCCS are inconsistent with regulations implementing salary offsets under 37 U.S.C. § 1007 or 5 U.S.C. § 5514;

9.3.2.2. Offset under ***31 U.S.C. § 3728*** against a judgment obtained by a debtor against the United States;

9.3.2.3. Offset or recoupment under common law, state law, or Federal statutes specifically prohibiting offset or recoupment of particular types of debts; or

9.3.2.4. Offset in the course of judicial proceedings, including bankruptcy.

9.3.3. Collection Under Common Law. Debts not subject to administrative offset under 31 U.S.C. § 3716 may still be collected by offset under the common law or another applicable statute.

9.3.4. Collecting Debts Owed by Individuals

9.3.4.1. If a DCO cannot collect a debt because no recovery is available from salary offset under 5 U.S.C. § 5514 (or another statute authorizing offset from pay), and the debtor has failed to pay the debt in lump sum or by an installment repayment agreement, then the DCO should refer the debt to the DCMO for administrative offset under 31 U.S.C. § 3716. The DCMO offers debt management and collection assistance to DoD Components for delinquent debts owed to the DoD. Refer to Chapter 3, section 5.0 for guidance on referring debts to the DCMO.

9.3.4.2. Upon receiving a debt, the DCMO will pursue all collection action on the debt available under 31 U.S.C. § 3716. The DCMO will service the debt by using various

collection procedures including issuing demand for payment letters, referring the debt to credit reporting agencies, or referring the debt to the Treasury Cross-Servicing Program. When appropriate, the DCMO will refer uncollectible debts to TOP for centralized offset of any Federal payments due the debtor. Refer to section 11.0 on the referral of debts to TOP and/or the Treasury Cross-Servicing Program. Refer to Chapter 3, paragraph 2.8 for additional guidance on the collection of indebtedness from final salary and lump-sum payments under 31 U.S.C. § 3716.

9.3.4.2.1. Due Process Requirements Prior to Administrative Offset Under 31 U.S.C. § 3716. Before the DCO initiates administrative offset under 31 U.S.C. § 3716, a debtor must receive due process (notice of the debt and an opportunity for review). The DCO must complete all due process requirements under sections 4.0 and 5.0 prior to sending the debt to DCMO for collection by administrative offset. If the debtor has requested a hearing or review, the DCO must follow the guidance contained in Chapter 4, paragraphs 3.3 and 6.4 prior to transferring the debt to DCMO for collection.

9.3.4.2.2. Guidance for Requesting Administrative Offset Within the DoD

9.3.4.2.2.1. Requests by a DCO from one DoD Component for administrative offset against a Service member or civilian employee of another DoD Component are initiated by sending a DoD (DD) ***Form 139***, Pay Adjustment Authorization; ***DD 2481***, Request for Recovery of Debt Due the United States by Salary Offset; other prescribed authorized form; or an automated transaction to the debtor's payroll processing activity.

9.3.4.2.2.2. The request must include a certification from the DCO that the debtor owes the debt and that the requesting DCO has fully complied with regulatory requirements (including all due process requirements) concerning administrative offset.

9.3.4.2.2.3. The request must include a mailing address, email address, and phone number for the point of contact at the DCO who will respond to questions or disputes from the debtor.

9.3.4.2.2.4. When a debtor consents to administrative offset in writing or signs a statement acknowledging receipt of due process procedures, the requesting DCO must include the debtor's consent with the request for offset, along with the certification and all supporting documentation. Administrative offset cannot be accomplished until the DCO has provided all of the supporting documentation for the debt. For those debts transferred to DCMO, the DCMO must advise the debtor of the offset request received from the DCO and issue a demand for payment.

9.3.5. Collecting Debts Owed by Vendors/Contractors. DCOs will recover debts internally within the DoD, to the extent practical, by voluntary repayment of the debt by the vendor/contractor, or administrative offset(s) of other payments owed to the vendor/contractor. Refer to Chapter 5, section 3.0 for additional guidance on administrative offset for vendors/contractors.

9.4 Additional Statutory Authority for Offset

9.4.1. Salary and Administrative Offset for Travel Advances Under 5 U.S.C. § 5705

9.4.1.1. While 5 U.S.C. § 5514 and 31 U.S.C. § 3716 provide generalized authority to collect a debt by salary or administrative offset, 5 U.S.C. § 5705 specifically authorizes salary and administrative offset for travel advances authorized under ***5 U.S.C. § 5701*** et seq. Under 5 U.S.C. § 5705, a Federal employee who is entitled to per diem or mileage allowances may receive a travel advance. Any amount of a travel advance that is not used for allowable expenses is required to be collected back from the employee. DCOs should inform debtors of the requirement for immediate repayment of unearned advances of per diem and mileage allowances at the time advances are made.

9.4.1.2. When making collections of unused advanced per diem or mileage allowances, DCOs must give DoD debtors the opportunity to pay the amount due in a lump sum. If the debtor does not make a lump-sum payment, then salary or administrative offset must be made immediately against accrued pay, retired pay, travel reimbursement, or any other amount due the debtor from the United States. Hearings are not required prior to salary offset under 5 U.S.C. § 5705; however, DCOs must provide the debtor with a notice of the debt and must reconsider/review debts informally upon the debtor's request. If there is no amount available for salary offset, and the debt must be collected by administrative offset, then the DCO must follow the requirements for debt collection by administrative offset under 31 U.S.C. § 3716.

9.4.2. Offset From a Service Member's Pay for Damage to Military Housing Under 10 U.S.C. § 2775. Under 10 U.S.C. § 2775, express authority is provided for the collection of a debt from a Service member's pay for the cost of repair, replacement, or cleaning of military housing necessitated by abuse or neglect by Service members. Debtors are not entitled to a hearing for debts being collected by administrative offset under this statute. However, DCOs must provide the debtor with a notice of the debt and must reconsider/review these debts upon the debtor's request. If there is no amount available for salary offset, and the debt must be collected by administrative offset, then the DCO must follow the requirements for debt collection by administrative offset under 31 U.S.C. § 3716.

9.4.3. Offset from a Member's Pay for Administratively Determined Debts Under 37 U.S.C. § 1007. Under 37 U.S.C. § 1007, express authority is provided for offset from a Service member's pay for the collection of debts that are administratively determined to be owed to a DoD Component by the Service member.

9.4.4. Administrative Offset to Recover Public Funds Under 5 U.S.C. § 5512. Under 5 U.S.C. § 5512, administrative offset is authorized to offset the pay of an accountable official in arrears to the DoD for all sums for which he or she is liable. This authority only pertains to the collection of a debt when the debt is the result of an individual being held liable for a loss of funds. DCOs will withhold the pay of individuals in arrears to the DoD until the debtor has paid all sums for which the debtor is liable. Refer to Volume 5, Chapter 6 for additional guidance on loss of funds.

9.5 Cooperation With Other Government Agencies

9.5.1. General. The FCCS requires that the DoD cooperate with other government agencies to collect debts referred for administrative offset except under either of the following conditions:

9.5.1.1. When the DCO determines that the offset would not be in the best interest of the United States with respect to the program against which the offset is requested, as determined by the head of the agency holding funds or monies for offset; or

9.5.1.2. When the DCO determines that the offset would be contrary to another applicable law.

9.5.2. Requests for Administrative Offset Received From Non-DoD Federal Agencies

9.5.2.1. If a non-DoD Federal agency determines a debtor works for a DoD agency, then the non-DoD agency may submit a request directly to the DoD for administrative offset from the debtor's pay. The non-DoD Federal agency is responsible for determining the validity and amount of the debt. The DoD is not authorized to determine the merits of the debt for which administrative offset is requested. Refer to Volume 8, Chapter 8 for additional guidance regarding these debts.

9.5.2.2. Requests from non-DoD Federal agencies for administrative offset of DoD salaries or contractor invoices are typically sent through the Treasury Cross-Servicing Program. Requests may also be submitted through the Federal Payment Levy Program.

9.5.2.3. All requests from non-DoD Federal agencies for administrative offset of individual salaries that are received by DoD Components must be forwarded to DFAS-Cleveland (DFAS-CL), 1240 East 9th Street, Cleveland, OH 44199 or via email to ccl salary offset@mail.mil. Requests from non-DoD Federal agencies for administrative offset of contractor invoices that are received by DoD Components must be forwarded to Treasury.

9.5.3. Requesting Administrative Offset From Civil Service Retirement Disability Fund (CSRDF) or FERS Funds. Chapter 3 outlines procedures for requesting administrative offset from CSRDF or FERS for debts owed by retired DoD civilian employees. To prevent duplicate administrative offset requests, DCOs must not refer the same requests for administrative offset to both the Office of Personnel Management (OPM) and to TOP. These debts are subject to all other collection procedures.

10.0 REPORTING DEBT TO CREDIT BUREAUS

10.1 Authority to Report Debts

Federal agencies must report all delinquent debts to credit bureaus (also referred to as "credit reporting agencies") as part of the agency's debt collection effort pursuant to ***31 U.S.C § 3711(e)***. The DCMO (or other DCO as appropriate) must implement procedures for

reporting delinquent debts to credit bureaus and other automated databases in accordance with the "***Guide to Federal Credit Bureau Reporting***," issued by Treasury in 2001. If the DCMO is required to report a non-delinquent debt to a credit bureau, reporting procedures must comply with the "Bankruptcy Code" and the Privacy Act of 1974 (***5 U.S.C. § 552(a)***), as amended. Provisions of the Privacy Act do not apply to credit bureaus. Effective March 1, 2007, in accordance with ***10 U.S.C. § 2780(b)***, debts incurred by Service members will not be reported to credit bureaus during the time a decision regarding waiver or remission/cancellation of the debt is pending, unless the Secretary concerned determines that disclosure pending such a decision is in the best interest of the United States.

10.2 Notification to Debtor of Intent to Report to a Credit Bureau

The DCMO or DMO must ensure the debtor has been given notice before reporting a delinquent debt to credit bureaus. Duplication of previously provided due process notifications is not required prior to reporting the debt to the credit bureau as long as the following information has been provided to the debtor:

10.2.1. A statement that the agency intends to report the debt to a credit bureau;

10.2.2. A statement that the information to be reported will include the debtor's name, address, taxpayer identification number (TIN), and information about the debt;

10.2.3. Actions that may be taken by the debtor to prevent credit reporting (i.e., repayment of the debt in full or repayment by installment agreement); and

10.2.4. A complete explanation of the debt, along with information about the debtor's right to dispute the debt, to review records about the debt and to seek a review or hearing, if applicable, of the agency's determination that the debt is due.

10.3 Requirements for Reporting Debts to Credit Bureaus

Prior to reporting a delinquent debt to a credit bureau, the DCMO must:

10.3.1. Comply with the provisions of the Privacy Act of 1974;

10.3.2. Ensure the DCO has made a determination that the debt is valid and overdue;

10.3.3. Ensure the DCO has complied with the requirements in section 4.0 and has issued a debt notification letter to the debtor that complies with the requirements of section 5.0;

10.3.4. Determine that the debtor has not:

10.3.4.1. Repaid or agreed to repay the debt under a written repayment plan the debtor has signed, and the DoD Component or DCO has agreed to; or

10.3.4.2. Filed a hearing petition for review of the debt under Chapter 4;

10.3.5. Ensure there are procedures to:

10.3.5.1. Disclose promptly, to each credit bureau to which the original disclosure was made, a substantial change in the condition or amount of the debt;

10.3.5.2. Verify or promptly correct, information about the debt on request of a credit bureau; and

10.3.5.3. Obtain satisfactory assurances from each credit bureau that the credit bureau is complying with all laws of the Unites States related to providing consumer credit information; and

10.3.6. Ensure information disclosed to credit bureaus is limited to:

10.3.6.1. Information necessary to establish the identity of the debtor, including name, address, and TIN;

10.3.6.2. The amount, status, and history of the debt; and

10.3.6.3. The DoD Component or program under which the debt arose.

10.4 Maintenance of Debt Records

DCOs must retain records for debts reported to credit bureaus in accordance with guidelines of the ***National Archives and Records Administration General Records Schedule***. Bankruptcy information can be reported for 10 years. The credit bureau will only maintain accurate, negative information on a credit report if it is less than 7 years old.

11.0 REFERRAL TO THE TREASURY

11.1 General

11.1.1. Treasury has broad collection responsibilities for delinquent debts. Unless otherwise authorized by law, pursuant to Treasury Financial Manual (TFM), Volume 1, Part 3, ***Chapter 5000***, Federal agencies are required to refer eligible and legally enforceable debts more than 180 days delinquent to the Treasury Cross-Servicing Program for debt servicing. Agencies are also required to refer any debts more than 120 days delinquent to TOP for recovery by centralized administrative offset. Refer to 31 U.S.C. § 3711(g) and 31 U.S.C. § 3716 for information on referring debts to TOP.

11.1.2. Components that have implemented the processes contained in the DDMG should refer delinquent debt older than 90 days and greater than $25 to the DMS for further collection action where applicable. At the DoD Component's discretion, debts may be referred sooner to protect the DoD's interests.

11.1.3. If a debt is first referred to the Cross-Servicing Program, Treasury will submit any remaining amount not collected by cross-servicing to TOP on behalf of the agency. Therefore, in order to comply with the 120-day deadline for submitting debts to TOP, creditor agencies must submit debts more than 120 days delinquent to cross-servicing, rather than waiting until the debt is 180 days delinquent. Once a debt is referred to Treasury, the DoD must cease collection activity related to that debt. Agencies referring debts to Treasury must authorize Treasury to utilize all available collection tools.

11.1.4. In most instances, DCOs refer uncollectible debts to the DFAS DCMO for debt servicing first, and the DCMO refers the debts to Treasury for cross-servicing and to TOP. Only those DCOs with specific authority may refer delinquent debts directly to Treasury. Prior to making a referral directly to Treasury, DCOs must consider the DFAS DCMO debt program and procedures in Chapter 3 to determine whether referring the debt to DFAS first would offer more cost-effective service, debt management control, and reporting.

11.1.5. DoD Components that do not refer debts to one of the DCOs authorized to make referrals to Treasury must negotiate an agreement with Treasury for debt referrals.

11.2 Cross-Servicing

11.2.1. General. The Debt Collection Improvement Act and the TFM 3-5000 requires agencies to refer all eligible debts that are delinquent more than 180 days to Treasury for cross-servicing under the Treasury Cross-Servicing Program. If an agency does not separately refer debts to TOP, then it must refer eligible debts that are delinquent more than 120 days to cross-servicing in order to meet the requirement for TOP referral. Components that have implemented the processes contained in the DDMG should refer delinquent debt older than 90 days to the DMS for further collection action where applicable. Treasury uses a variety of collection tools to collect the debt under cross-servicing including: issuing demand for payment letters, phone calls, credit bureau reporting, referral to TOP, referral to PCAs, and/or referral of debts to DOJ for litigation. Additional information on the Cross-Servicing Program can be found at the Fiscal Service, DMS, ***Fiscal Service Cross-Servicing*** web page.

11.2.2. Due Process. The DCO must complete all due process procedures prior to referring a debt to Treasury for cross-servicing. At least 60 days before a debt is referred to Treasury, the DCO must issue the debtor a debt notification that meets the requirements of paragraph 5.5.

11.2.3. Debts Not Eligible or Required to be Referred to Treasury for Cross-Servicing

11.2.3.1. Pursuant to Treasury's "Managing Federal Receivables," a debt is not eligible for referral to Treasury for cross-servicing if the debt:

11.2.3.1.1. Is not past due or legally enforceable;

11.2.3.1.2. Is owed by a debtor who has died;

11.2.3.1.3. Is owed by a debtor who has filed for bankruptcy protection or the debt has been discharged in a bankruptcy proceeding;

11.2.3.1.4. Is owed by a Federal agency;

11.2.3.1.5. Is the subject of an administrative appeal, until the appeal is concluded and the amount of the debt is fixed; or

11.2.3.1.6. Is less than $25 (including IPA costs);

11.2.3.2. A debt may be referred for cross-servicing, but is not required to be referred, if the debt:

11.2.3.2.1. Is in litigation, meaning the debt has either been referred to DOJ for litigation or is the subject of proceedings pending in a court of competent jurisdiction, including bankruptcy and post-judgment matters;

11.2.3.2.2. Is in foreclosure, which means the debt is secured by collateral that is being foreclosed, either through a court proceeding or non-judicially;

11.2.3.2.3. Will be disposed of under an approved asset sale program within 1 year after becoming eligible for sale, or later than 1 year if consistent with an asset sales program;

11.2.3.2.4. Has been referred to a private collection contractor for a period acceptable to Treasury;

11.2.3.2.5. Is at a Treasury-designated debt collection center for a period acceptable to Treasury;

11.2.3.2.6. Will be collected under internal offset procedures within 3 years after the debt first became delinquent;

11.2.3.2.7. Is exempt from this requirement based on a determination by Treasury that exemption for a certain class of debt is in the best interest of the United States (the DoD may request that Treasury exempt specific classes of debts);

11.2.3.2.8. Is owed by foreign governments or a NAFI;

11.2.3.2.9. Is less than $100 and belongs to a debtor without a known TIN; or

11.2.3.2.10. Is otherwise exempt from the statutory referral requirement by law or official action of Treasury.

11.2.4. Accountability for the Debt. While the debt is in the Cross-Servicing Program, Treasury maintains the debt balance information, collects the funds paid by the debtor, and returns the funds to the creditor agency for proper deposit and accounting. The creditor agency must maintain its original debtor records and remains responsible for all financial reporting associated with the debt, to include IPA fees. IPA will continue to accrue on debts referred to Treasury's Cross-Servicing Program. The creditor agency is responsible for the accuracy of the debt information submitted to Treasury and must provide updates and corrections of debtor information on a regular basis.

11.2.5. Cross-Servicing Fees. Treasury charges fees to cover its costs for cross-servicing. The fee is a percentage of all collections received from the debtor after the debt is referred to cross-servicing. Pursuant to the TFM 3-5000, Treasury fees are added to the outstanding debt balance.

11.3 TOP

11.3.1. General

11.3.1.1. TOP provides for the centralized administrative offset of Federal tax and non-tax payments payable to a debtor in order to collect a delinquent debt owed to the Government. Creditor agencies submit information about delinquent debts to Treasury, which maintains the information in a centralized database. Before Treasury disburses a payment, Treasury compares the payee information with the debtor information in the database. If a match occurs, the payment will be offset, in whole or part, to satisfy the debt.

11.3.1.2. Treasury determines how to apply collected funds to multiple debts. Treasury notifies the debtor, the creditor agency, and the paying agency when an offset occurs. Debtors must contact the creditor agency to resolve any issues related to the offset. At least 60 days before the debt is referred to Treasury, the DCO must have issued the debtor a debt notification, meeting the requirements of paragraph 5.5.

11.3.2. Debts Eligible for Referral to TOP. A debt that is delinquent and legally enforceable is eligible for referral to TOP. A debt is considered legally enforceable for TOP purposes if there has been a final agency determination that the debt is due, and there are no legal bars to collection through the offset of Federal payments.

11.3.3. Debts Not Eligible for Referral to TOP. An agency should not refer directly to TOP those debts that have been referred to Fiscal Service or another Treasury-designated debt collection center for cross-servicing, or to DOJ for litigation. Additionally, a debt is not eligible for referral to TOP if the debt:

11.3.3.1. Is owed by a debtor who has filed for bankruptcy protection or the debt has been discharged in a bankruptcy proceeding;

11.3.3.2. Is owed by a Federal agency;

11.3.3.3. Is the subject of an administrative appeal, until the appeal is concluded, and the amount of the debt is fixed;

11.3.3.4. Is less than $25 (including IPA charges); or

11.3.3.5. Is owed by a foreign entity.

11.3.4. TOP Fees. Treasury is authorized to charge fees to cover the costs of debt collection and administrative offset programs. Pursuant to TFM 3-5000, Treasury fees are added to the outstanding debt balance. The fee is set annually, and Treasury deducts the fees from the amount offset before the residual amount is transmitted to the referring DCO.

11.3.5. Payments Eligible for Offset Under TOP

11.3.5.1. All Federal payments may be offset under TOP except as prohibited by law or exempted by action of the Treasury. This includes payments disbursed by Treasury, the DoD, U.S. Postal Service, and other Government disbursing agencies.

11.3.5.2. The following types of Federal payments are eligible for offset under TOP:

11.3.5.2.1. IRS tax refunds;

11.3.5.2.2. Retirement payments issued by OPM;

11.3.5.2.3. Vendor payments;

11.3.5.2.4. Federal salary payments;

11.3.5.2.5. Travel advances and reimbursements;

11.3.5.2.6. Certain Federal benefit payments, such as Social Security retirement and disability payments;

11.3.5.2.7. Grant payments; and

11.3.5.2.8. Active military and military retirement payments.

11.3.5.3. Federal law prohibits or limits the amount of offset for certain types of payments. For a complete list of payments that are exempt from offset under TOP, refer to ***TOP Payment Exemption Chart***.

12.0 REFERRAL TO PCA

12.1 Authority to Use PCA

The DCMO is the designated DoD entity that may refer debts to PCAs.

12.2 Contracts for PCA Services

In order to minimize collection costs and avoid duplication of efforts, the agency should refer debts to Treasury for cross-servicing in order to obtain the services of a PCA. However, under 31 U.S.C. § 3711 and the FCCS, an agency has the option of referring a debt directly to a PCA, and not through Treasury, pursuant to a contract between the agency and the PCA. To avoid double submission to the PCA when a debt is also transferred to Treasury, Treasury must be made aware of the direct referral to the PCA. Agency contracts with PCAs to locate delinquent debtors and recover delinquent debts must define the services and must conform to the following terms.

12.2.1. The DCO will retain the final authority to resolve disputes, compromise debts, suspend or terminate collection activity, refer debts to credit bureaus, and refer debts to DOJ for litigation. If the debt was referred to the PCA as part of Treasury's Cross-Servicing Program, then Treasury will retain authority to compromise debts.

12.2.2. The PCA will not offer the debtor, as an incentive for repayment, the opportunity to pay the debt minus the PCA's fee, unless the PCA is granted authorization by the DoD in advance.

12.2.3. The PCA is subject to the Privacy Act of 1974 to the extent specified in 5 U.S.C. § 552a, and to any applicable Federal or state law pertaining to debt collection practices, including, but not limited to, the Fair Debt Collection Practices Act (***15 U.S.C. § 1692***) and the FCCS (as applicable to the agency).

12.2.4. The PCA is required to account for all amounts collected.

12.2.5. The PCA will comply with other requirements, as appropriate, with regard to locating and contacting debtors, accepting installment payments, processing late payment charges, and returning uncollectible debts to the referring DCO.

12.2.6. Debts referred to PCAs are not subject to the requirement to transfer debts to Treasury.

12.3 Funding PCA Contracts

Contracts with PCAs may be funded in accordance with fixed fee or contingent fee contracts.

12.3.1. Fixed Fee. Payment to the PCA is a set fee determined without regard to the amount collected under the contract, but only to the extent that funds are made available in advance in appropriations.

12.3.2. Contingent Fee. Payment to the PCA is based on a provision in the contract permitting the PCA to deduct a fee, consistent with prevailing commercial practice, based on a percentage of the amount collected under the contract.

13.0 REFERRALS TO THE DOJ FOR LITIGATION

13.1 General

13.1.1. Unless an agency has specific statutory authority to litigate its own debts, an agency must refer debts to DOJ for litigation. Debts based on conduct in violation of antitrust laws or involving fraud, or the presentation of a false claim or misrepresentation on the part of the debtor, or any party having an interest in the claim, must be referred to DOJ for action. Before referring a debt to DOJ for litigation, the DCO should consult with its Office of General Counsel for guidance. Also, prior to referring a debt to DOJ for litigation, a DCO must take aggressive collection action in accordance with this chapter for legally enforceable debts and must ensure the debt cannot be compromised, suspended, or terminated.

13.1.2. If a DCO intends to refer a debt to the DOJ for litigation, debts with a principal amount over $1,000,000, exclusive of IPA charges, should be referred to the responsible DOJ litigation division in Washington, D.C. Debts with a principal amount of $1,000,000 or less, exclusive of IPA charges, should be referred to the DOJ's Nationwide Central Intake Facility as required by the Claims Collection Litigation Report (CCLR) instructions and ***31 CFR 902.1***. DCOs must make every effort to refer delinquent debts to DOJ for litigation within the 6-year statute of limitations for initiating lawsuits against debtors, and within 1 year after a final decision has been rendered in an administrative proceeding. Refer to paragraph 2.2 for additional guidance on the time limit for litigation of a debt.

13.1.3. The Defense Security Cooperation Agency (DSCA) will determine whether or not to forward a Foreign Military Sales (FMS) arrearage to DOJ for litigation. For guidance on referring FMS arrearage, refer to Chapter 6.

13.2 Minimum Amount for Referral

Generally, only non-fraud debts with a principal balance equal to or greater than $2,500 are eligible for referral to DOJ. DCOs may refer debts under $2,500, exclusive of IPA charges, to DOJ for acceptance under the following circumstances:

13.2.1. To ensure compliance with policies or programs;

13.2.2. To secure a judgment against the debtor that will be filed as a lien against the debtor's property pursuant to ***28 U.S.C. § 3201***, and returned to the referring office for enforcement; or

13.2.3. To obtain payment when a debtor can pay the debt, and the Government effectively can enforce payment with due regard for the exemptions available to the debtor under Federal and state law and the judicial remedies available to the Government.

13.3 Notification to Debtor

Before referring a delinquent debt to DOJ for litigation, DCOs must ensure a debt notification letter as described in paragraph 5.5 was issued to the debtor and the letter indicated that if the debt could not be collected using administrative procedures, litigation could result. DCOs must ensure a copy of the debt notification letter containing this notice is provided to DOJ when referring a debt for litigation.

13.4 Contact With Debtor After Referral

Once a debt has been referred to DOJ for litigation, DCO personnel are required to refrain from contact with the debtor regarding the debt. DCOs must refer debtors with inquiries to the appropriate DOJ office. A DCO must notify DOJ immediately of any payments received on a debt referred to DOJ in accordance with DOJ guidance.

13.5 Documentation of Debt for the DOJ

13.5.1. The DCO, or other applicable office, must submit debts to DOJ for litigation by using a CCLR and must include a signed Certificate of Indebtedness. The DCO must complete all sections of the CCLR appropriate to the indebtedness as required by the CCLR instructions, and furnish other information or documentation to DOJ as required. The CCLR must clearly indicate what actions are being requested of DOJ (i.e., enforced collection or judgment lien).

13.5.2. A blank CCLR and instructions for completion of the report are with the ***DOJ Debt Management Collection Staff***. The DCO must forward the CCLR to Director, Commercial Litigation Branch, P.O. Box 875, Ben Franklin Station, Washington, D.C. 20044.

13.5.3. The CCLR must include a completed checklist or brief summary of actions taken by the DCO to collect or resolve the debt and an explanation for the omission of any administrative collection action required by the FCCS or this chapter. If the debtor's address is unknown, the DCO must include any information required by DOJ, including a list of the debtor's prior known addresses and an explanation of actions taken to locate the debtor. The debt referral must include the debtor's latest credit history data, such as a commercial credit report, balance sheet, or financial statement, and must provide a recommendation that will indicate whether there is reasonable prospect of enforcing debt collection.

13.5.4. The DCO may omit credit data from the CCLR if a debtor is bankrupt, in receivership, or if the debtor's liabilities are fully covered by insurance. If applicable, DCOs must include the identity and address of the insurer and the type and amount of insurance. Credit data also may be omitted if credit history is not available, such as for a state or local Government unit.

13.6 Preservation of Evidence

The DCO must preserve all debt files and records that may be needed by DOJ to prove its case in court. DCOs should include certified copies of the documents that form the basis for the debt in the debt referral package submitted to DOJ and must provide originals of the documents if requested by DOJ.

13.7 Discontinuation of DCO Actions

DOJ has exclusive jurisdiction over the debts referred to DOJ. DCOs will cease collection actions on debts referred to DOJ for litigation.

14.0 DEBT COMPROMISE, SUSPENSION, AND TERMINATION

14.1 General

14.1.1. Under 31 U.S.C. § 3711 and the FCCS, an agency maintains the authority to compromise, suspend, or terminate collection action. The DCO, DCMO, DMO, fund holder, or other entity involved in debt collection and management may prepare a request for compromise, suspension, or termination of collection action and submit it to the appropriate authority for approval. The approving authority may be DFAS, the DoD Component, DOJ, and/or Treasury depending on the amount of the debt. The referring office submitting the request must maintain supporting documentation pertaining to the request. A referring office may take no further action on debts referred for approval.

14.1.2. When a foreign entity owes the debt that is being considered for compromise, suspension, or termination, the following coordination policies apply.

14.1.2.1. The Accounts Receivable Office or the Foreign DMO must coordinate proposals to compromise, suspend, or terminate collection actions on all non-FMS foreign accounts receivable, regardless of the amount, with the applicable DoD Component fund holder.

14.1.2.2. DFAS Security Cooperation Accounting, in cooperation with the DoD Component, must coordinate proposals to compromise, suspend, or terminate collection actions on FMS arrearages with the DSCA.

14.2 Determining Debt Amount for Compromise, Suspension, and Termination

The DCO, fund holder, or other entity involved in collection and management of the debt must determine the amount of the debt in order to submit it to the appropriate approval authority for compromise, suspension, or termination. Debts must not be subdivided in order to avoid approval requirements. The requesting entity must consider a debtor's liability arising from a particular transaction as a single debt when determining the amount for purposes of compromise, suspension, or termination approval. The dollar amount of the debt must be computed on a contract or transaction basis (for FMS debts, the Letter of Offer and Acceptance represents a transaction).

The amount of the debt used as the basis includes only the principal amount of the debt then due and does not include IPA fees.

14.3 Submission to the DOJ Using the CCLR

If compromise, suspension, or termination of collection action is appropriate, and the amount of the indebtedness is within DOJ's approval threshold level (as set forth in paragraphs 14.4-14.6), then DFAS or the DoD Component must refer such debts to DOJ using a CCLR. Include in the referral appropriate financial information and a recommendation for the acceptance of a compromise, suspension, or termination by DOJ. Refer to paragraph 13.5 for guidance on preparation and submission of the CCLR.

14.4 Compromise

14.4.1. General. Compromise is the acceptance of less than the full amount of the debt in satisfaction of the entire amount of the debt. The debtor is released from liability on the full amount of the debt if the compromise amount is paid in full. The debtor (or debtor's representative) should submit offers of compromise to the agency in writing and should include all additional information requested by the approval authority.

14.4.2. Approval Authorities. The approval authority for an offer of debtor compromise is based on the principal amount of the debt less any IPA costs and partial payments or collection.

14.4.2.1. Less Than or Equal to $100,000 – Debt With DFAS. DFAS has authority to approve compromises for debts arising out of the activities of, or referred to, DFAS when the principal amount does not exceed $100,000. DFAS will coordinate a compromise approval with the fund holder.

14.4.2.2. Less Than or Equal to $100,000 – Debt With DoD Component. DoD Components have authority to approve compromises for debts not referred to DFAS when the principal amount does not exceed $100,000.

14.4.2.3. Over $100,000 – Debt is Not With Treasury. DOJ has authority to compromise debts when the principal amount exceeds $100,000, and the debt has not been referred to the Treasury Cross-Servicing Program. DOJ also maintains authority to compromise all debts greater than $500,000. Only DOJ can consider noncash compromise offers for debts exceeding $100,000. The DoD does not require DOJ approval to reject a compromise offer.

14.4.2.4. Less Than or Equal to $500,000 – Debt With Treasury. Treasury has authority to approve compromises for debts, which have been referred for cross-servicing, when the principal amount of the debt is less than or equal to $500,000. DOJ maintains authority to compromise all debts greater than $500,000.

14.4.2.5. Debts in Litigation. DFAS and DoD Components cannot approve a compromise on a debt referred to DOJ for litigation unless the debt is returned to the DoD for disposition.

14.4.3. DOJ Review of Compromise Offers Less Than or Equal to $100,000. If DFAS or the DoD Component is uncertain whether to accept a firm, written substantive compromise offer on a debt within its delegated compromise authority of $100,000 or less, they may refer the offer to DOJ using a CCLR and copies of supporting data. DOJ may act upon the offer or return it with instructions or advice.

14.4.4. Reasons for Compromise. When assessing the merits of a compromise proposal from a debtor, DCOs must obtain a current financial statement from the debtor, executed under penalty of perjury pursuant to ***31 CFR 902.2(g)***, and a credit report or other financial information to aid in evaluating the debtor's assets, liabilities, income, and expenses. Possible grounds for compromise include the following:

14.4.4.1. Compromise Because of Litigation Risks. Compromise may be appropriate if there is significant doubt concerning the Government's ability to prove its case in court. The amount accepted in a compromise agreement should reflect such factors as the complexity of the legal issues, the probability of a bona fide dispute as to the facts, the availability of witnesses and supporting evidence, and the probability of successful prosecution. In determining the litigation risks involved, DFAS or the DoD Component must consult with agency counsel to consider the probable amount of court costs and attorney fees that may be imposed against the Government if litigation is unsuccessful.

14.4.4.2. Compromise Because of Debtor Inability to Pay Full Amount. Compromise of a debt may be appropriate if the debtor is unable to pay the full amount due in a reasonable time, or if the DCO cannot collect the full amount in a reasonable time using enforced collection. The compromise amount should bear a reasonable relation to the amount that can be recovered by enforced collection procedures, while considering any exemptions that may be available to the debtor and the time the collection will take. DFAS or DoD Components must consider, as a minimum, the following factors in determining a debtor's ability to pay the full amount of the debt:

14.4.4.2.1. Current financial statement from the debtor, executed under penalty of perjury pursuant to 31 CFR 902.2;

14.4.4.2.2. Credit reports and other financial information;

14.4.4.2.3. Debtor's age and health;

14.4.4.2.4. Debtor's present and potential income;

14.4.4.2.5. Debtor's inheritance prospects;

14.4.4.2.6. The possibility that assets have been concealed or improperly transferred by the debtor; and

14.4.4.2.7. The availability of assets or income that may be realized by enforced collection proceedings.

14.4.4.3. Compromise Where Collection Costs Exceed Amounts Recoverable or Collection is Not Anticipated. Compromise may be appropriate if the cost of collection does not justify the costs of pursuing enforced collection of the full amount. Collection costs may be a substantial factor in the compromise of smaller debts. An amount accepted in compromise may reflect a discount for the administrative and litigation costs of collection, along with consideration for the time involved to perform collection. In determining whether the cost of collection justifies enforced collection of the full amount, DFAS or the DoD Component must consider whether continued collection of the debt, regardless of cost, is necessary to further an enforcing principle, such as the willingness to aggressively pursue defaulting or uncooperative debtors.

14.4.5. Compromise With Joint and Several Liability. When two or more debtors are jointly and severally liable, collection against all debtors should be pursued, as appropriate. DFAS or the DoD Component may not allocate the payment of a debt between debtors and must proceed to liquidate the debt as quickly as possible. A compromise agreement with one debtor will not release the indebtedness of remaining debtors. A DCO must not consider compromise with one debtor as a precedent or as binding when determining the amount that would be required from other jointly or severally liable debtors.

14.4.6. Compromises Payable in Installments. Installment payment of compromised debts generally should not be accepted due to the administrative expense and time required for the full collection of the debt. If installment payment of a compromise is necessary, DFAS or the DoD Component must obtain a legally enforceable written agreement that stipulates immediate payment of the original debt, minus sums already paid, in the event of default. Whenever possible, the DCO should obtain a security for installment repayment agreements.

14.4.7. Enforcement. Statutory penalties, forfeitures, or debts established as an aid to enforcement and to compel compliance may be compromised as long as it does not harm present or future standards for enforcement, deterrence, or compliance.

14.4.8. Tax Consequences to the U.S. Government. In negotiating a compromise, DFAS or the DoD Component must consider the tax consequences to the Government and any inappropriate tax consequences for the debtor. The agency may consider requiring a waiver of tax loss carry-forward and tax loss carry-back rights of the debtor in the compromise agreement, as stated under ***31 CFR 902.6***. See ***31 CFR 903.5*** for reporting the discharge of an indebtedness to the IRS.

14.4.9. Mutual Releases of the Debtor and the Government. In appropriate circumstances, DFAS or the DoD Component may implement an accepted compromise in the form of a mutual release. In a mutual release, the debtor is released from further non-tax liability on the compromised debt in consideration of payment in full of the compromised amount. The Government and its officials, past and present, are released and discharged from any and all claims the debtor may have against them arising from the same transaction. In the event a mutual release is not executed when a debt is compromised, unless prohibited by law, the debtor is still deemed to have waived any and all claims and causes of action against the Government and its officials related to the transaction giving rise to the compromised debt. Sample mutual release language is as follows:

Consideration and Release of Claims Against the Department of Defense (DoD), the Creditor Agency, and the United States and Debtor. In consideration of DoD's obligations under the agreement to compromise the debt, the Debtor hereby releases DoD, the Creditor Agency, and the United States from any and all claims arising prior to the execution of this agreement and arising out of, or related to, the receivables. This shall in no way be deemed an admission of liability by the DoD, the Creditor Agency, or the United States or an admission of the existence of any claims against the DoD, the Creditor Agency, or the United States. The debtor is hereby released from further non-tax liability on the compromised debt in consideration of payment in full of the compromised amount. This release shall survive any termination of the agreement.

14.5 Suspension of Collection Action

14.5.1. General

Pursuant to ***31 CFR 903***, suspension of collection action is a determination by the agency to temporarily cease collection action.

14.5.2. Approval Authority

14.5.2.1. Less Than or Equal to $100,000 – Debt With DFAS. DFAS has authority to suspend collection on debts arising out of the activities of, or referred to, DFAS when the principal amount does not exceed $100,000. DFAS will coordinate suspension approval with the fund holder.

14.5.2.2. Less Than or Equal to $100,000 – Debt With DoD Component. DoD Components have authority to suspend collection action on debts that have not been referred to DFAS when the principal amount does not exceed $100,000.

14.5.2.3. Over $100,000 – Debt is Not With Treasury. DOJ has authority to suspend collection action on debts when the principal amount exceeds $100,000, and the debt is not being serviced by the Treasury Cross-Servicing Program. DOJ also has authority to suspend collection action on all debts greater than $500,000.

14.5.2.4. Less Than or Equal to $500,000 – Debt With Treasury. Treasury has authority to suspend collection action on debts, which have been referred for cross-servicing, when the principal amount of the debt is less than or equal to $500,000. DOJ maintains authority to suspend all debts greater than $500,000.

14.5.3. When Suspension Should Be Considered. The DCO may suspend collection action, subject to the dollar limits stated in subparagraph 14.5.2, under the following conditions.

14.5.3.1. Location of Debtor Unknown. The debtor cannot be located.

14.5.3.2. Financial Condition. The debtor's financial condition is not currently conducive to repayment, but it is expected to improve. Based on the current financial condition of the debtor, collection activity may be suspended when the debtor's future prospects justify retention of the debt for periodic review and collection activity, and:

14.5.3.2.1. Enforced collection will not be barred by the applicable statute of limitations;

14.5.3.2.2. Future collection can be made using administrative offset; or

14.5.3.2.3. The debtor agrees to pay interest on the suspended debt amount, and the suspension is likely to enhance the debtor's ability to pay the full debt principal amount at a later date with interest.

14.5.3.3. Waiver, Remission, or Review. In most circumstances, the application for waiver or remission does not delay the collection of a debt. Generally, debt collection is delayed while a review is pending. In some circumstances, the formal suspension of a debt under 31 CFR 903 may be appropriate when a debtor requests a waiver, remission, or review of the debt (to include the timely filing of a hearing petition). The DCO may also suspend contract debts if a contractor's request for deferment is approved. Refer to Chapter 5 for guidance on contract debt deferments. Suspension of collection activity is not appropriate if the request for waiver, remission, or review/hearing is frivolous or made primarily to delay collection. Collection activity may be suspended during the time required for consideration of the debtor's good faith request for waiver, remission, or review/hearing of the debt if any of the following factors apply:

14.5.3.3.1. The statute under which the request is sought prohibits collection activity during that time;

14.5.3.3.2. The amount collected during that time cannot be refunded under the applicable statute;

14.5.3.3.3. There is reasonable possibility the debtor will prevail;

14.5.3.3.4. There is reasonable assurance the debt could be collected if the debtor does not prevail; or

14.5.3.3.5. Collection of debt would cause undue hardship.

14.5.3.4. Deceased Active Duty Service Members. Under 31 U.S.C. § 3711(f)(1), the Secretary of Defense may suspend the collection of a claim against the estate of a Service member who died while on active duty with the Army, Navy, Air Force, Marine Corps, or Coast Guard during a period when the Coast Guard is operating as a service in the Navy.

14.5.3.5. Bankruptcy. When a bankruptcy petition has been filed with respect to a debtor, collection activity on a debt must be suspended pursuant to ***11 U.S.C. § 362***, ***11 U.S.C. § 1201***, or ***11 U.S.C. § 1301***, unless it can be clearly established that the automatic stay

has been lifted or no longer is in effect. With the coordination and assistance of the supporting legal office, DCOs must take action to prevent disbursement of funds to the debtor until relief from the automatic stay is obtained.

14.5.3.6. Debts in Litigation. The DCO must suspend collection if the debt is being referred to DOJ for litigation.

14.5.4. Suspending Collection of Debts of Wounded or Injured Service Members. In accordance with 37 U.S.C. § 1007(c)(4), if a Service member, through no fault of his or her own, incurs a wound, injury, or illness while in the line of duty in a combat operation or combat zone designated by the President or the Secretary of Defense and is overpaid pay or allowances while recovering from the wound, injury, or illness, then the DCO may not collect the overpayment from the Service member's pay until the criteria listed in Chapter 3, subparagraph 3.5.3 are met.

14.5.5. Delay of Collection Action for Service Members. In accordance with 37 U.S.C. § 1007(c)(3)(B), Service members subject to deductions from pay under that section may request a delay in the start of the repayment requirement to recover the indebtedness. Before beginning salary offset, the DCO will consider the reasons provided by the Service member for the requested delay, including the financial ability of the Service member to repay the indebtedness and the hardship that immediate collection would impose on the Service member and his or her dependents.

14.6 Termination of Collection Action

14.6.1. General

14.6.1.1. Termination of collection action is a determination to cease active collection because such action is not economically worthwhile or is otherwise inappropriate. Before terminating collection, the agency should have pursued all appropriate means of collection and determined the debt is uncollectible.

14.6.1.2. Termination ceases active collection, but an agency may still pursue passive collection action (for example, when the debt remains secured by a judgment lien or lien interest, or is being collected through TOP). Termination results in the removal of the debt from the active collection files. Termination does not preclude the agency from retaining a record of the account for the reasons under subparagraph 14.6.4. Refer to subparagraph 14.6.3.8 for termination of debts discharged in bankruptcy proceedings. Refer to Volume 4, Chapter 3 for guidance on writing off debts upon termination of active collection.

14.6.2. Approval Authorities

14.6.2.1. Less Than or Equal to $100,000 – Debt With DFAS. DFAS has authority to terminate collection action on debts arising out of the activities of, or referred to, DFAS when the principal amount does not exceed $100,000. DFAS will coordinate with the fund holder.

14.6.2.2. Less Than or Equal to $100,000 – Debt With DoD Component. DoD Components have authority to terminate collection action on debts that have not been referred to DFAS when the principal amount does not exceed $100,000.

14.6.2.3. Over $100,000 – Debt is Not With Treasury. DOJ has authority to terminate collection action on debts when the principal amount exceeds $100,000, and the debt is not being serviced by the Treasury Cross-Servicing Program and also has approval to terminate collection action on all debts with a principal amount greater than $500,000.

14.6.2.4. Less Than or Equal to $500,000 – Debt With Treasury. Treasury has authority to terminate collection action on debts, which have been referred for cross-servicing, when the principal amount of the debt is less than or equal to $500,000. DOJ maintains authority to terminate all debts greater than $500,000.

14.6.3. Reasons to Terminate Collection Action. Active collection of a debt may be terminated after all appropriate means of collection have been pursued, and a determination is made, based upon the results of collection activity, that the debt cannot be collected. The DCO may terminate collection activity under the following conditions:

14.6.3.1. No substantial amount can be collected using all tools available;

14.6.3.2. The debtor cannot be located;

14.6.3.3. Costs of collection are anticipated to exceed amounts recoverable;

14.6.3.4. The debt is subsequently found to be plainly erroneous or legally without merit;

14.6.3.5. Enforced collection is barred by any applicable statute of limitations;

14.6.3.6. Documentation indicates further collection action would be futile;

14.6.3.7. Subsequent to the establishment, the debt cannot be substantiated;

14.6.3.8. The debt has been discharged in bankruptcy. Additional guidance on termination of debts discharged in bankruptcy is found at section 15.0; or

14.6.3.9. The Active Duty Service member is deceased. Under 31 U.S.C. § 3711(f)(1), the Secretary of Defense may terminate collection of a claim against the estate of a Service member who died while on active duty with the Army, Navy, Air Force, Marine Corps, or Coast Guard during a period when the Coast Guard is operating as a service in the Navy.

14.6.4. Record of Terminated Accounts. Although a debt may be terminated for collection activity, DFAS or the DoD Component must retain a record of the debt for the purposes of:

14.6.4.1. Selling the debt, if Treasury determines the sale is in the best interest of the United States;

14.6.4.2. Pursuing collection activity at a later date in case there is a change in the debtor's status or a new collection tool becomes available;

14.6.4.3. Offsetting against future income or assets not available at the time of termination of collection activity; or

14.6.4.4. Screening future applicants for prior indebtedness.

14.6.5. Exception to Termination. When a significant enforcement policy is involved, or recovery of a judgment is a prerequisite to the imposition of administrative sanctions, debts may be referred to DOJ for litigation, even though termination of collection action otherwise might be appropriate.

14.6.6. Write-off and Close-out of Debt. Write-off is mandatory for public delinquent debt that has not been collected within 2 years of delinquency, unless documented and justified to the Office of Management and Budget in consultation with the Treasury. Write-off procedures are also necessary for debts that are below the break-even threshold. Refer to Volume 4, Chapter 3 for guidance on write-off and close-out of receivables.

14.7 Debts Involving Violation of Antitrust Laws or Fraud

The policy and requirements in this chapter relating to compromise, suspension, and termination of collection activity do not apply to any debt based in whole or in part on conduct in violation of the antitrust laws. The policy and requirements also do not apply to any debt involving fraud, the presentation of a false claim, or misrepresentation on the part of the debtor or any party having an interest in the debt. Only the DOJ has the authority to compromise, suspend, or terminate collection activity on such debts. Upon identification of a debt meeting these criteria, DCOs must promptly refer the debt to DOJ for action. DOJ may return the debt to the DCO for further handling.

15.0 DEBTORS INVOLVED IN BANKRUPTCY PROCEEDINGS

If the DCO learns that a bankruptcy petition has been filed by a debtor, the DCO must take immediate action to ensure the prompt termination of debt collection or processing of bankruptcy orders.

15.1 Active Duty and Reserve Members

If an active duty or reserve member who owes a debt to the DoD files for bankruptcy, the DCO must refer to the instructions in Volume 7A, Chapter 50.

15.2 Military Retirees

If a military retiree who owes a debt to the DoD files for bankruptcy, the DCO must refer to the instructions in Volume 7B, Chapter 17.

15.3 Federal Civilian Employees

If a Federal civilian employee who owes a debt to the DoD files for bankruptcy, the DCO must refer to Volume 8, Chapter 8.

15.4 Commercial Entities

If a DoD vendor or contractor files for bankruptcy, the DCO must refer to Chapter 5, section 8.0.

16.0 BREAK-EVEN ANALYSIS

16.1 Extent of Collection Efforts for Domestic Debts

16.1.1. General. Except for debts of foreign countries, debt accounting and collection procedures must be designed to provide information to assist in determining realistic points of diminishing returns beyond which collection efforts are not justified, and the minimum amount of a debt when no collection action at all should be undertaken. The procedures must capture the total cost of the debt collection process (both direct and indirect costs) by dollar range of debt and the total number of cases processed. Until the DCO accumulates actual cost data, it may develop cost analysis techniques for use in determining the unit cost of processing first debt notices and all other follow-up actions. When estimating costs, update the estimates periodically or when circumstances and conditions change significantly. Standardize, document, and retain the methodology utilized to estimate costs.

16.1.2. Comparison Requirements. As needed, the DCMO and DMO will make at least an annual comparison of costs incurred against amounts collected in its debt collection process to assist in the establishment of reasonable points at which the cost of further collection efforts are likely to exceed recovery. This cost comparison, however, represents but one appraisal element to consider in the analysis of when and where to terminate collection efforts. Other reviews concerning the type of debt, size, and age statistical analysis will also be performed before a final point of termination of collection action is determined. The DCO should consider the following definitions when making cost comparisons, reviews, and analysis.

16.1.2.1. The Debt Collection Process. The debt collection process includes:

16.1.2.1.1. The preparation of the first debt notice;

16.1.2.1.2. All follow-up actions, such as answering rebuttals, processing requests for waiver or remission, holding hearings, negotiating compromises, handling installment contracts and suspenses, processing collections, and making referrals to credit reporting and collection agencies; and

16.1.2.1.3. The completion of the case, including maintaining the case file information until the appropriate statute of limitations expires.

16.1.2.2. Direct Cost. Direct cost includes any cost identified specifically with handling cases or accounts during the debt collection process. These costs normally consist of personnel costs, computer equipment costs, supplies, postage, and contract services.

16.1.2.3. Indirect Cost. Indirect cost includes any cost identified with the debt collection process, but which benefits that process and at least one other activity. Accumulate these costs only when they are expected to exceed 20 percent of the direct costs.

16.1.2.4. Cases Processed. The term cases processed refers to the number of cases completed or closed during the year, either by collection or write-off. Collection includes compromises and offsets from other Federal government payments.

16.2 Break-Even Analysis Format

A break-even analysis is one method of determining realistic points at which further collection efforts are not justified. Refer to Figure 2-1 for a break-even analysis format and instructions.

Exhibit 2-1. Civilian Sample Debt Notification for Overpayment of Pay and/or Allowances

(1)
(2)

Dear (3):

This is to inform you that you were overpaid for pay periods ending (4), through (4). The gross amount of your overpayment (including pay, taxes, benefits and other deductions) is $ (5). The Defense Finance and Accounting Service (DFAS) has adjusted your debt for any previous payments made and offsets taken and has determined that the net amount of the debt currently owed by you is $ (6). The overpayment is a result of (7). The payment was incorrect because (8). Your account was audited and the attached debt worksheet contains information detailing the overpayment.

Payment of Your Debt. Please pay the debt in full by (9), which is (10) days from the date of this letter. Your check or money order should be made payable to Treasury in the amount of $ (6). Please send your payment to DFAS-CL, ATTN: J3DCBB/555, 1240 E. 9th St., Cleveland, OH 44199-2056. If you are unable to pay the debt in one lump sum, you may agree in writing to pay the debt in regular installments by completing the enclosed Voluntary Repayment Agreement and mailing or faxing it to the address listed on the Agreement.

If You are Unable to Pay Your Debt. If you do not repay the debt in full, or do not submit a Voluntary Repayment Agreement (enclosed) within (10) days from the date of this letter, DFAS must collect the debt using other collection procedures. Beginning on (11), DFAS will initiate collection of the debt involuntarily from your pay by using salary offset procedures (payroll 0deductions). A maximum of 15 percent of your net disposable pay will be deducted each pay period until your debt is paid in full. The salary offset amount may fluctuate each pay period depending on your available net disposable pay. DFAS estimates that based on your current payroll information, your available disposable pay is $ (12), and 15 percent of your disposable pay is (13). Repayment of the principal amount of your debt would be completed in approximately (14) pay periods. If you retire or resign before your debt is paid in full, the entire amount of your final pay (salary and lump-sum payments) may be applied to pay off your debt. If you file for bankruptcy, you must notify DFAS as soon as possible.

Opportunities Available to You. If appropriate, you may contact your timekeeper to make time and attendance corrections, or your personnel office to make pay or allowance changes. You may inspect and/or receive copies of DFAS records related to your debt by contacting DFAS at the address listed above. If appropriate, you may request a hearing (see the enclosed instructions on "Requesting a Hearing"). You can find additional information on hearings and/or waivers at ***www.dfas.mil/civilianemployees/debt***. If you do not wish to dispute the validity or amount of the debt, you are entitled to request a waiver of your debt (see the enclosed instructions on "Requesting a Waiver"). DFAS will promptly refund to you any amounts you have paid or that were deducted for your debt which are later waived or found not owed to the United States.

Questions about Your Debt. Please see the enclosed "Collection of Your Debt" for additional information regarding debt collection. The Department of Defense Financial Management Regulation (DoD FMR) contains general information concerning debt collection authority at Volume 16, Chapters 1-4 and is available at ***http://comptroller.defense.gov/fmr.aspx***.

You may contact your Personnel Office or Customer Service Representative (CSR) if you have questions regarding your debt. If you have further questions about your debt, your CSR may initiate a Remedy inquiry to request information from DFAS, or you may contact the DFAS Civilian Payroll Office at 1-800-538-9043. You may also write to the DFAS Civilian Payroll Office at the addressed listed on this letter.

Sincerely,

SIGNATURE

(15)

Supervisor, Debt Processing Branch

(16)

Enclosures:
As stated

Exhibit 2-1. Civilian Sample Debt Notification for Overpayment of Pay and/or Allowances (Continued)

Please remit with payment:

Name _____ SSN _____ DB _____
PayBlk _____ Code _____ Debt Dates _____
Debt Type _____ Creation Date _____ Sequence Number _____
Line of Accounting _____
Payment Amount Enclosed $ _____

Explanation of Blank Spaces on Sample Debt Notification

(1) The title or office symbol/code of the civilian payroll office issuing the debt notification

(2) The full name and mailing address of the debtor

(3) Last name of debtor with proper title (Mr. or Ms.)

(4) The pay period(s) that the overpayment occurred

(5) The gross dollar amount of the overpayment

(6) The net dollar amount of the overpayment

(7) Reason for Indebtedness - A brief explanation of how the overpayment occurred (e.g., time and attendance or a personnel change)

(8) Explanation citing applicable law or DoD FMR provision, if applicable

(9) The date by which the debtor must pay the debt in full or submit a request for a voluntary repayment agreement, usually 30 days from the date the letter is issued

(10) The total number of days the debtor has to pay the debt in full or submit a voluntary repayment agreement, usually this number is "30"

(11) The date the involuntary deduction from pay begins

(12) The estimated amount of disposable pay

(13) Fifteen percent of the disposable pay amount shown in item (12)

(14) Divide amount shown in (6) by the amount determined in (13) and round to the next highest number. This will be the approximate number of pay periods needed to collect the overpayment in full

(15) Identify by name, the signatory for the letter

(16) The Debt Notification must include all enclosures (Enclosure 1, "Collection of Your Debt") (Enclosure 2, "Requesting a Hearing") (Enclosure 3, "Requesting a Waiver") (Enclosure 4, "Sample Voluntary Repayment Agreement" for Civilian Payroll Indebtedness)

Exhibit 2-1. Civilian Sample Debt Notification for Overpayment of Pay and/or Allowances (Continued)

COLLECTION OF YOUR DEBT

Please be aware of the following additional information concerning the collection of your debt:

Interest and Additional Charges. If you are unable to pay the debt in full by 30 days from the date of this notification, any unpaid portion of the debt will be considered delinquent. DFAS is authorized by law to add interest, penalties, and administrative costs to your debt if it is not paid within 30 days from the date of this letter. The rate of interest charged is at the U.S. Treasury Tax and Loan Rate and may commence on the date your debt becomes delinquent and may continue until the debt is paid in full. Additional penalties may be imposed at the rate of up to 6 percent a year, as well as administrative charges, on any unpaid portion of your debt that is delinquent for more than 90 days, commencing on the date your debt becomes delinquent and continuing until the debt is paid in full.

Collection Action on Delinquent Debts. If DFAS is unable to collect your debt by salary offset, DFAS may enforce repayment of your debt by using other available collection remedies such as referring your debt to a private collection agency, reporting your debt to a credit bureau, garnishing your non-Federal employment wages, or referring your debt to the U.S. Department of Justice for litigation. Debts delinquent for more than 120 days are transferred to the U.S. Department of Treasury (Treasury) for collection, and may be transferred sooner than 120 days. Treasury may offset your Federal income tax refunds or other Federal benefit payments, such as Social Security and Federal employee retirement benefits, in order to collect your debt. You may also be prohibited from being approved for a Federal loan if you do not resolve your outstanding delinquent debt.

Collection of Federal Employee Health Benefit (FEHB) Premiums. Your debt may be the result of an advance in salary you received when you were on leave without pay status (LWOP) or when your pay was insufficient to cover your share of your FEHB premiums. When you return to employment, or upon your pay becoming sufficient to cover the premiums, you are required to reimburse your employer for the premiums paid on your behalf. If you pay your debt with after-tax dollars using a personal check, the payment will not be subject to pre-tax treatment that would reduce your taxable income. In order to ensure the repayment will be treated on a pre-tax basis, you must select payroll deduction as your repayment method. Pursuant to the U.S. Office of Personnel Management (OPM) regulations under 5 CFR 890.502, the "catch-up" option for repaying your FEHB premiums may not be paid pursuant to a Voluntary Repayment Agreement. Premiums must be collected back each pay period at the rate your employer paid the premium for you.

Penalties for False or Frivolous Statements. Please be advised that if you make or provide any knowingly false or frivolous statement, representations or evidence with respect to your debt, you may be liable for penalties under the False Claims Act (31 U.S.C. §§ 3729-3733) or other applicable statutes, and/or criminal penalties under 18 U.S.C. §§ 286, 287, 1001, and 1002, and other applicable statutes. A Federal employee may also be subject to disciplinary procedures under 5 U.S.C. Chapter 75 or any other applicable statutes or regulations.

Tax Considerations. Per Internal Revenue Service (IRS) Publication 15, income tax withheld by DFAS in a prior calendar year cannot be adjusted. Therefore, if your overpayment occurred in a prior calendar year, you must pay back the gross amount of your debt, including any taxes previously withheld and paid on your behalf to the IRS. You may be entitled to a deduction (or credit in some cases) for the repaid wages on your income tax return for the year of repayment of your debt. If your overpayment and repayment both occur in the same calendar year, DFAS will be able to adjust your tax withholding and you will be responsible for repaying only the net overpaid amount. Upon repayment in the same calendar year, your W-2 will be adjusted to reflect your income and the associated taxes. Finally, please be aware that should your debt repayment ever become delinquent and collected by the offset of your tax refund, your spouse may file Form 8379, Injured Spouse Allocation, with the IRS to claim his or her share of the tax refund.

Bankruptcy. If you file for bankruptcy, you must notify DFAS as soon as possible.

Exhibit 2-1. Civilian Sample Debt Notification for Overpayment of Pay and/or Allowances (Continued)

REQUESTING A HEARING

You may request a hearing to contest the validity of your debt or the amount of your debt. If your debt will be collected by involuntary salary offset (other than pursuant to a Voluntary Repayment Agreement), you may also request a hearing to contest the terms of the involuntary salary offset schedule.

Is a hearing always the first step? No. Your Personnel Office or your Customer Service Representative may answer general questions about your debt. If you request a hearing, DFAS will first perform an informal reexamination ("reconsideration") of your pay records to validate the amount of debt you owe. DFAS will perform the reconsideration and issue written results to you. Reconsideration is an informal review performed to satisfy any doubts you may have regarding the amount or validity of your debt. A reconsideration is not a formal hearing. After considering the results of the reconsideration, you may decide not to proceed with the formal hearing process. To continue with a formal hearing, you must notify DFAS of your intent in a timely manner as noted below.

What happens during the hearing process? If you file a petition for a hearing in a timely manner, a hearing official will make a written determination regarding the validity or the amount of your debt, or will make a ruling on the proposed involuntary repayment schedule. The hearing official will consider any written statements and/or documentary evidence you submit, as well as internal agency debt files. You are entitled to a "Paper Hearing" wherein the hearing official makes a determination based on a review of the documents only, without the parties present. Rarely is an oral hearing granted and only if DFAS determines that the matter cannot be resolved by a review of the documents alone. You will receive a written decision within 60 days after filing your petition, unless the hearing official grants a delay. Collection of your debt, and any interest and penalty charges, will be suspended until the hearing official issues a written decision.

Is there a time limit for requesting a hearing? You must file a petition for a hearing within 30 days from the date of the attached debt notification letter (extended to 45 days if outside the Continental United States). If you requested records related to your debt, you must file a petition for a hearing within 45 days after the date the records are distributed. If DFAS performs a reconsideration of your debt (as explained above) and you wish to proceed with a formal hearing, you must notify DFAS within the time limit stated in the written reconsideration results you received.

What must be included in a hearing petition? Your written hearing petition must contain the following:

· Your name, daytime phone number, email address, mailing address and social security number.
· The reason for your hearing request, presented as follows:

1) To Contest the Validity of Your Debt or the Amount of Your Debt: Provide a statement concerning why you believe the debt (or the amount of the debt) is erroneous. To support your argument, include a written summary of the facts of your case for the hearing official. Include the date and manner in which you became aware of any overpayment. Include all documentary evidence you want the hearing official to review (such as Leave and Earning Statements (LES)). Include the written testimony of any witness you wish the hearing official to consider.

2) To Contest the Proposed Schedule for Collection of Your Debt by Involuntary Salary Offset: Provide an alternate payment schedule and a statement explaining your financial status. Provide copies of records to be considered by the hearing official.

· Sign and date your hearing petition and include your Social Security number. Identify your submission as "HEARING PETITION"

Where do I file a hearing petition? Fax your signed hearing petition and documentary evidence to 1-866-401-5849. If your hearing petition is missing information, you will receive a request to submit additional information. Failure to submit the additional information within 30 business days of notification will result in your hearing petition being dismissed. Alternatively, you may mail your hearing request and documentary evidence to DFAS Civilian Pay-IN, Dept. 6200, 8899 East 56th St., Indianapolis, IN 46249-1900.

Where do I find additional information? See DoD FMR Volume 16, Chapter 4.

Exhibit 2-1. Civilian Sample Debt Notification for Overpayment of Pay and/or Allowances (Continued)

REQUESTING A WAIVER

What is a waiver? Under ***5 U.S.C. § 5584***, the United States may waive its right to collect the debt you owe if collection would be against equity and good conscience and not in the best interest of the United States. The debt must be the result of an erroneous payment of pay or allowances (including travel, transportation, or relocation expenses and allowances). A debt may be waived in whole or in part. Collection of your debt generally will not be suspended during the waiver review process.

May I apply for a waiver and simultaneously request a hearing? No. By submitting an application for a waiver, you acknowledge that you do not intend to dispute the validity or amount of the debt. Waiver is not the proper forum to contest the validity or amount of your debt. If your waiver application includes arguments concerning the validity or amount of your debt, your application may be denied. In order to contest the validity or amount of your debt, you must file a petition for a hearing.

Is there a time limit for filing a waiver application? You must file a waiver application within 3 years after the erroneous payment was discovered.

What must be included in a waiver application and where should the application be submitted?

DD Form 2789:
You must complete and sign DD Form 2789, "Waiver/Remission of Indebtedness Application," available at: www.dfas.mil. Send the application and all supporting documents to the address in your debt letter. If your waiver application is missing information, you will receive a request to submit additional information. Failure to submit the additional information within 30 business days of notification will result in your request for waiver being closed with no action.

Supporting Documents:
You must include supporting documents with your waiver application. Supporting documents include, but are not limited to:
· Copies of all supporting documentation referred to in DD Form 2789.
· Copies of Leave and Earnings Statements (LESs) covering 3 pay periods prior to the overpayment(s) through 3 pay periods after the overpayment ended. If you do not have access to your LESs, you must include a statement explaining why the LESs are not available.
· Copies of Standard Forms (SF) 50s, "Notification of Personnel Action," for the debt period (including corrections). If unavailable, include a statement from the personnel office indicating why they are not available.
· Any statement from you or any other persons in support of your application. Statements must be attested to be true and correct to the best of the individual's knowledge and belief.
· Additional required documents by type of debt:

Personnel Debts: any job offer letter/email (if applicable).
FEHB Debts: SF-2809/SF-2810 (copy of your original enrollment form and any amendments).
FEGLI Debts: SF-2817 (copy of your original enrollment form and any amendments).
Awards and Bonus Debts: Signed agreements or contracts for bonuses and/or Voluntary Separation Incentive Program payments.
Foreign Entitlement Debts: SF-1190 (signed by an official) and Military Orders (if applicable).
Time and Attendance Debts: Time and Attendance cards for debt period.

Where Do I Find Additional Information? See DoD FMR Volume 16, Chapter 4.

Exhibit 2-1. Civilian Sample Debt Notification for Overpayment of Pay and/or Allowances (Continued)

Sample Voluntary Repayment Agreement for Civilian Payroll Indebtedness

Debt Information:

Employee's Name _____ SSN: _____ Pay Blk: _____

Debt Reason: _____
Sequence Number: _____
Amount Owed: _____
Estimated Disposable Net Amount: _____
Estimated Deduction Amount 15% of net disposable per pay period: _____

Code: _____ Debt Dates: _____ through _____ Creation Date: _____
LOA: _____

Acknowledgement. I acknowledge that I owe the total amount indicated above due to a salary overpayment and that I am obligated to repay the debt to the United States. I understand that in the event I take no further action, 15 percent of my disposable pay will be deducted automatically beginning with the pay period stated above.

Interest. I also understand that if I decide to repay the amount owed by any method other than in a single lump-sum payment, interest at the Treasury Tax and Loan rate may be charged on the unpaid balance every month until the debt is paid in full.

Payment Obligation. I agree to repay the debt in the manner I have indicated below. Please choose one of the following repayment plans (check one):

___ Payment in Full by Check. I will repay my debt in a lump sum by check. My payment in the amount of $_____ is enclosed. Make check payable to Treasury and mail to DFAS-CL, ATTN: J3DCBB/555, 1240 E. 9th St., CLEVELAND, OH 44199-2059 and fax this form to (317) 275-0354 (DSN 366-0354) or (866) 401-5849.

___ Payment by Salary Offset. I will repay my debt by having the payment offset from my salary. DFAS will accept the total payment amount as full and final payment of the debt, payable as follows (check one):

___ Single Payment. I wish to pay the total amount of the debt by salary offset in one payment. Please deduct the total amount of the debt from my salary on pay period ending _____.

___ Multiple Payments at 15% of Disposable Pay. I do not want to pay the debt all at once. I authorize DFAS to deduct the amount listed above (estimated to be 15% of my disposable pay per pay period) until the debt is paid in full.

___ Multiple Payments at More than 15% of Disposable Pay. I do not want to pay the debt all at once. I authorize DFAS to deduct $_____ each pay period, which is more than 15% of my disposable pay, until the debt is paid in full.

___ Multiple Payments at Less than 15% of Disposable Pay. Payment at the rate of 15% of my disposable pay would result in an extreme financial hardship for me. I authorize DFAS to deduct $_____ each pay period. This repayment amount has been approved by my employing agency (**Signature of agency approving official/supervisor is required below). In determining your proposed repayment amount, please be advised your debt should be repaid within 3 years, divide the amount due by 78 to determine the lowest bi-weekly payment; minimum payment amount is $25 per pay period. You may be required to submit financial statements annually whenever your repayment period exceeds 3 years.

Exhibit 2-1. Civilian Sample Debt Notification for Overpayment of Pay and/or Allowances (Continued)

In the Event of Default. In the event I default on my obligation under this agreement, DFAS is entitled to terminate this agreement without notice. Upon termination, DFAS will retain all amounts paid. Any unpaid balance of the debt will be automatically reinstated and shall become immediately due and payable pursuant to law. DFAS is entitled to take any lawful action it deems appropriate to collect the debt without duplicating notices and opportunities for review previously provided to me, whether before or after the date of this agreement.

I have read and fully understand and agree to the terms of this agreement.

Signature of Employee: _____ Date: _____

Daytime Telephone Number: _____

**Approving Official/Supervisor/Budget Representative (for Department of Defense Education Activity Employees) Signature (when required):

_____
Signature

_____ Date: _____
Printed Name

Submitting Your Signed Agreement. Please sign and return this repayment agreement to your payroll office. Alternatively, you may submit your signed agreement by FAX to (317) 275-0354 (DSN 366-0354) or (866) 401-5849, or by mail to DFAS-IN Dept. 6200 Civilian Pay, 8899 East 56th Street, Indianapolis, IN 46249-1900.

Rejection of an Unacceptable Agreement by DFAS. DFAS maintains the discretion to reject an unacceptable proposed repayment agreement and proceed with collection by salary offset. DFAS will notify the employee in writing in the event the repayment plan submitted by the employee is unacceptable.

THIS REPORT CONTAINS INFORMATION SUBJECT TO THE PRIVACY ACT OF 1974 AS AMENDED.

Exhibit 2-2. Military Sample Debt Notification for Overpayment of Pay and/or Allowances

DEFENSE FINANCE AND ACCOUNTING SERVICE
[Supporting Finance/Military Pay Office]

Payment Coupon

Payment in Full Other than Payroll Collection. I am paying my debt in a lump sum by money order or cashier's check. My payment in the amount of $_____ is enclosed. Please submit the payment coupon with money order or check to the DISBURSING OFFICER, [Supporting Finance/Military Pay Office]
Debt Information:

Member's Name: _____

SSN: XXX-XX-_____

Amount Owed: $_____.__

Estimated Disposable Net Amount $_____

Estimated Deduction Amount 15% of net disposable per pay period $_____

Type of debt/Format Identifier code (for example, DQ or DV) _____

Sequence # (from Master Military Pay Account)_____

Line of Accounting _____

Exhibit 2-2. Military Sample Debt Notification for Overpayment of Pay and/or Allowances (Continued)

Appropriate [Supporting Finance/Military Pay Office] Letterhead

DATE

SUSPENSE: DATE

[Supporting Finance/Military Pay Office]

Officer Letter

MEMORANDUM FOR: RANK, LAST NAME, FIRST NAME

SUBJECT: Notice of Indebtedness to an Officer

MEMORANDUM FOR [Supporting Finance/Military Pay Office]

SUBJECT: Notice of Charge to an Officer RANK, Last Name (0000)

Payment Obligation. I agree to repay the debt in the manner I have indicated below. Please choose one of the following repayment plans (check one):

____I acknowledge the validity of this debt and agree to the collection of the amount due from my pay.

____I acknowledge the validity of this debt and request installment payments of the amount over a period of _____months. I have attached a statement detailing the reasons why this debt should be prorated and not collected in one lump sum.

____ I acknowledge the validity of this debt and would like to pay the debt with a cashier's check or a money order. Please ensure the cashier's check or money order is made out to the Disbursing Officer, [Supporting Finance/Military Pay Office] ***Please include this line of accounting on the check:***_____

____I will come to the [Supporting Finance/Military Pay Office] to discuss this matter on _____ (Date must be prior to the suspense date on basic letter).

_____ _____
Service Member's Signature Date

1. Finance has identified an outstanding debt to the U.S. Government for overpayment of (name of debt) in the amount of $XXX.XX from YEARMMDD-YEARMMDD.

2. You have until the close of business of the suspense date indicated above to dispute this debt by submitting a written request for review, along with supporting documentation, to the [Supporting Finance/Military Pay Office], Collections Desk. Upon timely receipt of your request, the debt will be reviewed and a written response will be issued to you within 60 days. If your request for review and supporting documentation is not supplied by the suspense date, immediate collection action will be initiated using the 2/3 rule as set out in the Department of Defense Financial Management Regulation (DoD FMR), Volume 16, Chapter 3. If you retire or resign before your debt is paid in full, the entire amount of your final pay (salary and lump-sum payments) may be applied to pay off your debt. An administrative fee will only be assessed if no response is received by the suspense date or the debt is paid via installments.

3. Under DoD FMR Volume 7A, Chapter 40, paragraph 5.3 and Chapter 52, paragraph 1.1, if the finance office is unable to collect your debts due to voluntary deductions for Thrift Savings Plan contributions and/or discretionary allotments, your allotment(s) will be stopped after the suspense date indicated on this Notification of Indebtedness, and the debt collection will commence as indicated in paragraph 2.

4. You may be eligible to apply for waiver or remission/cancellation of your debt. See attached "Collection of Your Debt" for more information. DFAS will promptly refund to you any amounts you have paid or that were deducted for your debt which are later waived, remitted, or determined not to be owed to the United States.

5. You may request an installment payment plan. A request for payment by installment is subject to the [Supporting Finance/Military Pay Office] final approval which will take into account the amount of the debt and your financial ability to pay the debt. A x% annual interest rate will be charged on any unpaid portion of the debt and an administrative fee may be assessed.

> NOTE: For any installment payment period greater than 12 months, an additional memo from your Commander is required stating a longer repayment period is needed based on your financial hardship. This memo will be forwarded to the appropriate authority for approval, with the recommendation of the [Supporting Finance/Military Pay Office]. The recommendations MUST be based on a financial hardship and allow for collection of the debt prior to the Service member's date of separation. Any installment period that exceeds 24 months will be reviewed every 12 months, and will require the member to show continued financial hardship, or the debt will be resumed based on the above mentioned 2/3 rule in paragraph 2.

6. Request correspondence to be returned to the [Supporting Finance/Military Pay Office Address]

[Signature of Supporting Finance/Military Pay Office]

Exhibit 2-2. Military Sample Debt Notification for Overpayment of Pay and/or Allowances (Continued)

Appropriate [Supporting Finance/Military Pay Office] Letterhead

DATE

SUSPENSE: DATE

[Supporting Finance/Military Pay Office]

Enlisted Letter

MEMORANDUM FOR COMMANDER, XXX

SUBJECT: Notice of Indebtedness

1. Select one of the following items by initialing on the line preceding your choice and sign and date where appropriate. Return this memorandum back to the [Supporting Finance/Military Pay Office] for processing by suspense date.

_____ a. I acknowledge the validity of this debt and request lump-sum collection from my next regular pay.

_____ b. I acknowledge the validity of this debt and request prorating of debt for _____ months. Request for installment payments less than 12 months will be subject to approval by this office. A x% annual interest rate will be charged on any unpaid portion, and an administrative fee may be assessed to the total debt.

NOTE: For any proration greater than 12 months, an additional memo from either the Unit Commander or [Applicable Senior Enlisted Advisor] is required indicating their justification of their recommendation. This memo will then be forwarded to DFAS-Indianapolis for approval with the recommendation of the Defense Military Pay Office. The recommendation MUST be based on a financial hardship and allow for debt collection prior to the member's date of separation. Any installment agreement that exceeds 24 months will be reviewed every 12 months, and will require the member to show continued financial hardship or the debt will be resumed based on the above mentioned 2/3 rule in paragraph 2. If you retire or resign before your debt is paid in full, the entire amount of your final pay (salary and lump-sum payments) may be applied to pay off your debt.

_____ c. I acknowledge the validity of this debt and would like to pay the debt with a cashier's check or a money order. Please ensure the cashier's check or money order is made out to the DISBURSING OFFICER, [Supporting Finance/Military Pay Office]. ***Please include this line of accounting on the check:***_____

_____ d. I disagree with the debt. I will contact the [Supporting Finance/Military Pay Office] PRIOR to the suspense date to dispute this debt. I request remission or cancellation.

_____ _____
Service Member's Signature Date

_____ _____
Commander's Signature Date

2. The point of contact is XXX, Collections Desk @ XXX-XXX-XXXX.

3. Finance has identified outstanding debt to the U.S. Government pertaining to [Rank] Last name, First name (last 4 of SSN)], in the amount of $XXX.XX for overpayment of (name of debt) from YEARMMDD to YEARMMDD.

4. The Service member has until the close of business of the suspense date indicated above to dispute this debt and provide supporting documentation to the [Supporting Finance/Military Pay Office], Collections Desk. If supporting documentation is not supplied by the suspense date, immediate collection action will be initiated using the 2/3 rule of the Department of Defense Financial Management Regulation, Volume 16, Chapter 3. An administrative fee will ONLY be assessed on the debt if no response is received by the suspense date or the debt is repaid via installments. You are advised that you are afforded the opportunity to request payment via installments or Waiver or remission/cancellation of indebtedness for erroneous payment of pay and allowances.

[Signature of Supporting Finance/Military Pay Office]

Exhibit 2-2. Military Sample Debt Notification for Overpayment of Pay and/or Allowances (Continued)

COLLECTION OF YOUR DEBT

Please be aware of the following additional information that may concern the collection of your debt:

Interest and Additional Charges. If you are unable to pay the debt in full within 30 days from the date of this letter, any unpaid portion of the debt will be considered delinquent. DFAS is authorized by law to add interest, penalties, and administrative costs to your debt if it is not paid within 30 days from the date of this letter. The rate of interest charged is at the Treasury Tax and Loan Rate and may commence on the date your debt becomes delinquent and may continue until the debt is paid in full. Additional penalties may be imposed at the rate of up to 6 percent a year, as well as administrative charges, on any unpaid portion of your debt that is delinquent for more than 90 days, commencing on the date your debt becomes delinquent and continuing until the debt is paid in full.

Collection Action on Delinquent Debts. If DFAS is unable to collect your debt, DFAS may enforce repayment of your debt by using other available collection remedies such as referring your debt to a private collection agency, reporting your debt to a credit bureau, garnishing your non-Federal employment wages, or referring your debt to the U.S. Department of Justice for litigation. Debts delinquent for more than 120 days are transferred to the U.S. Department of Treasury for collection. Treasury may offset your Federal income tax refunds or other Federal benefit payments, such as Social Security and Federal employee retirement benefits, in order to collect your debt. You may also be prohibited from being approved for a Federal loan if you do not resolve your outstanding delinquent debt.

Tax Considerations. Pursuant to Internal Revenue Service (IRS) Publication 15, income tax withheld by DFAS in a prior calendar year cannot be adjusted. Therefore, if your overpayment occurred in a prior calendar year, you must pay back the gross amount of your debt, including any taxes previously withheld and paid on your behalf to the IRS. You may be entitled to a deduction (or credit in some cases) for the repaid wages on your income tax return for the year of repayment of your debt. Each January, DFAS will issue a tax certificate for amounts repaid toward a prior year debt that can be used for tax filing. If your overpayment and repayment both occur in the same calendar year, DFAS will be able to adjust your tax withholding and you will be responsible for repaying only the net overpaid amount. Upon repayment in the same calendar year, your W-2 will be adjusted to reflect your income and the associated taxes. Finally, please be aware that should your debt repayment ever become delinquent and collected by the offset of your tax refund, your spouse may file IRS Form 8379, Injured Spouse Allocation, with the IRS to claim his or her share of the tax refund

Penalties for False or Frivolous Statements. Please be advised that if you make or provide any knowingly false or frivolous statement, representations or evidence with respect to your debt, you may be liable for penalties under the False Claims Act (31 U.S.C. §§ 3729-3733) or other applicable statutes, and/or criminal penalties under 18 U.S.C. §§ 286, 287, 1001, and 1002, and other applicable statutes. A Federal employee may also be subject to disciplinary procedures under 5 U.S.C. Chapter 75 or any other applicable statutes or regulations.

Bankruptcy. If you file for bankruptcy, you must notify DFAS as soon as possible.

Opportunities Available to You

Requesting a Review. A debtor who questions the validity or amount of a debt may request a review and validation of the debt by the DCO. A debtor may also contest the involuntary repayment schedule. The debtor must submit a written request for a review that identifies and explains, with reasonable specificity, the facts and evidence the debtor believes supports his or her position. The request for review must be received not later than 30 days from the mailing date of the debt notification, or by the date indicated in the debt notification. There is no standardized format for a request for review; however, the request should contain debtor identifying information, the reason for requesting a review, supporting documentary evidence, and a dated signature. A debtor waives his or her right to a review if the debtor fails to submit a request in a timely manner. The DCO may accept a late request if the debtor can show that the delay was due to circumstances beyond the debtor's control.

Requesting Records. A debtor may make a written request to the DCO for records related to the debt. A request for records must be made prior to the deadline for submitting a request for review. Within 45 days after the date the records are distributed to the debtor, the debtor must submit a written request for review to the DCO or the debtor will waive his or her right to review.

Review Procedures. The request for review must be submitted to the DCO from which the debtor received his or her debt notification and must be mailed or faxed to the address in the notification. Upon receipt of the request for review, the DCO will consider the information, and any documentary evidence contained in the debtor's request and will perform a review and validation of the debt. The DCO must issue the written review results to the debtor.

Written Review Results. Written results should be provided within 60 calendar days.

Waiver or Remission. If appropriate, you may request a waiver of your debt. Under 10 U.S.C. § 2774, the United States may waive its right to collect the debt you owe if collection would be against equity and good conscience and not in the best interest of the United States. The debt must be the result of an erroneous payment of pay or allowances (including travel, transportation, or relocation expenses and allowances). A debt may be waived in whole or in part. Collection of your debt generally will not be suspended during the waiver review process. DFAS will promptly refund to you any amounts you have paid or that were deducted for your debt which are later waived, remitted, or determined not to be owed to the United States. See DoD FMR Volume 16, Chapter 4. Please contact your Supporting Finance/Military Pay Office for further information on waiver or remission of your debt.

Figure 2-1. Break-Even Analysis

BREAK-EVEN ANALYSIS

(1) Dollar Range	(2) Number of Cases Processed	(3) Original Dollar Amount	(4) Historical Cost to Collect	(5) Total Dollars Collected	(6) Dollar Difference
0-25					
26-50					
51-75					
76-100					
101-125					
126-575					
576-600					
SUBTOTAL					
OVER 600					
GRAND TOTAL					

Column (1) - Dollar range should be meaningful to the debt collection process. Subtotal can be placed anywhere within dollar range to relate to a particular debt collection need.
Column (2) - Total number of cases processed within this particular dollar range.
Column (3) - Original dollar amount of debts for this particular range.
Column (4) - Historical cost for this particular range or subtotal times number of cases in column (2).
Column (5) - Accumulate collections per range or subtotal.
Column (6) - Column (5) minus column (4). Break-even point is where the collections (5) are equal to the cost to collect (4).

Grand total of collections (column (5)) divided by grand total of original dollar amount (column (3)) = percent collection range for period.

VOLUME 16, CHAPTER 3: "COLLECTION OF DEBTS OWED BY INDIVIDUALS TO THE DOD"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated June 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Table 3-6	Stigmatizing language was modified in accordance with the Deputy Secretary of Defense memo, "Review of Policies to Eliminate Stigmatizing Language Related to Mental Health," dated November 7, 2022.	Revision
5.3	Added language clarifying that Advanced Education Assistance Debts transferred to Debt and Claims Management will be collected pursuant to applicable statutes rather than the education agreement.	Addition
All	Updated hyperlinks and ensured compliance with administrative instructions.	Revision

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CHAPTER 3

COLLECTION OF DEBTS OWED BY INDIVIDUALS TO THE DOD

1.0 GENERAL

1.1 Overview

1.1.1. This chapter pertains to the collection of debts owed to the DoD from current and retired DoD civilian employees, current members of the Military Services (active and reserve), military retirees, Survivor Benefit Plan (SBP) annuitants, and individuals who are no longer employed by DoD.

1.1.2. This chapter does not apply to collection of debts owed by contractors, vendors, assignees, state and local governments, or foreign entities. Refer to Chapters 5 and 6. This chapter does not apply to the collection of child support, alimony, or commercial debts from the pay or salaries of DoD civilian employees or military members through garnishment or involuntary allotment. This chapter does not apply to antitrust, fraud, tax, and interagency claims. Refer to Volume 7A, Chapters 41 and 43; Volume 7B, Chapter 27; and Volume 8, Chapter 8 for guidance pertaining to garnishments and involuntary allotments.

1.1.3. This chapter does not prescribe policy and requirements for determining whether a debt exists. Such determinations are the responsibility of the particular entitlement office or other organizations (e.g., military pay office, human resources office, or transportation office).

1.1.4. For purposes of this chapter, the civilian payroll office (PRO), military pay office, and military retiree pay office are examples of debt collection offices (DCOs).

1.2 Purpose

This chapter prescribes policy and requirements for the collection of debt owed to the DoD by individuals.

1.3 Authoritative Guidance

DoD is required to aggressively collect debts in accordance with the following statutes, as well as other statutes and regulations expressly identified in this volume:

1.3.1. Debt Collection Improvement Act of 1996 (***Public Law 104-134***, Chapter 10, section 31001);

1.3.2. Debt Collection Act of 1982 (***Public Law 97-365***);

1.3.3. Federal Claims Collection Act of 1966 (codified at Title 31, United States Code, section 3701 (***31 U.S.C. § 3701***); ***5 U.S.C. § 5514***; and ***37 U.S.C. § 1007***);

1.3.4. Contract Disputes Act of 1978 (*41 U.S.C. § 7101 et seq.*);

1.3.5. Internal Revenue Code provisions regarding the authority to make credits or refunds (*26 U.S.C. § 6402*);

1.3.6. *Federal Claims Collection Standards (FCCS) parts 900-904*;

1.3.7. Regulations for collection by offset from indebted government employees (Title 5, *Code of Federal Regulations (CFR), section 550, subpart K*); and

1.3.8. Regulations for the collection of past-due support by administrative offset (*31 CFR 285.1*).

2.0 COLLECTION OF DEBT FROM CURRENT, SEPARATING, TRANSFERRING, AND RETIRED DOD CIVILIAN EMPLOYEES

2.1 General

This section prescribes policy and requirements for the collection of debt owed to DoD by current, separating, transferring, and retired DoD civilian employees due to the overpayment of civilian pay and/or allowances.

2.2 Reasons for Overpayment of Civilian Pay and Allowances

Overpayments to employees may be the result of various payroll errors or adjustments. Examples include errors in computing federal withholding tax, Civil Service Retirement System (CSRS) or Federal Employees Retirement System (FERS) deductions, Social Security and/or Medicare deductions, improper rates of pay, errors in reporting time worked, or erroneously accrued and paid annual leave. These errors may be the result of action taken both inside and outside the PRO. The head of each PRO maintains the overall responsibility for ensuring that an overpayment is recovered expeditiously or that another appropriate disposition of a debt is carried out, such as waiver of the indebtedness. The head of each PRO is responsible for ensuring that employees are afforded all legal rights relative to the collection of indebtedness. Responsibilities may be delegated, in writing, to another appropriate official within the financial community.

2.3 Procedures for Debt Establishment

Generally, a debt is "established," or comes into existence, when the government agency to which it is owed determines that there is a debt and identifies the exact amount of the debt. This initial determination by the agency triggers the debt collection process. To establish a debt and prepare for collection, the PRO must:

2.3.1. Compute the amount of the overpayment and assemble agency records establishing the debt;

2.3.2. Notify the human resources office immediately if corrective personnel action is required. Continued payment of erroneous pay and allowances is not authorized and must cease immediately;

2.3.3. Provide the employee with due process before collecting an overpayment of pay and allowances, except under certain limited circumstances as set forth in Chapter 2; and

2.3.4. Correct the employee's records when appropriate.

2.4 Overview of Debt Collection from Current DoD Employees

2.4.1. General

2.4.1.1. After determining the amount owed to the United States by a current DoD employee and establishing a debt, the PRO must determine if collection may be made using a routine pay adjustment under paragraph 2.5. If the PRO cannot use a routine adjustment to collect a debt, then the PRO must contact the debtor by issuing a written debt notification that satisfies due process requirements. Refer to Chapter 2, sections 4.0 and 5.0 for guidance on debt notifications.

2.4.1.2. Upon notification, the debtor may voluntarily repay the debt in full, in one lump sum, or by installment payment arrangement (voluntary repayment agreement) with the DCO. Refer to Chapter 2, section 7.0 for information regarding voluntary repayment by a debtor.

2.4.1.3. Alternatively, a debtor may choose to request a review of the debt by filing a petition for hearing. The DCO should stay debt collection efforts pending the outcome of the hearing. When appropriate, the debtor may also request a waiver of the debt; however, debt collection is generally not suspended during the waiver review process (refer to Chapter 4 for additional information).

2.4.1.4. Finally, if the civilian employee does not respond to the debt notification by voluntarily repaying the debt or submitting a request for a review or waiver, then the DCO must initiate collection by salary offset under 5 U.S.C. § 5514, or under other specific statutory authority set out in Chapter 2, section 9.0.

2.4.2. Case Examples. The following examples illustrate typical debt collection scenarios for civilian overpayments.

2.4.2.1. Routine Adjustment Example. A civilian employee was overpaid as a result of a time and attendance clerical error. The PRO established the debt owed by the employee and determined the overpayment occurred within the last four pay periods. The PRO provided the debtor with written notice that a routine adjustment was being made to the employee’s pay. The notice appeared on the employee’s Leave and Earnings Statement (LES). The DCO recouped the overpayment from the employee’s pay.

2.4.2.2. Salary Offset/Voluntary Repayment Example. A civilian employee was overpaid for overtime 2 years ago. The PRO established the debt owed by the employee. Because more than four pay periods had elapsed since the overpayment, the PRO could not recover the debt by a routine pay adjustment. The PRO issued a debt notification letter to the employee. The employee received the notification, agreed that the debt was owed, and because the employee could not repay the debt in one lump sum, the employee negotiated a voluntary repayment agreement with the DCO.

2.4.2.3. Involuntary Salary Offset/Hearing Petition Example

2.4.2.3.1. A civilian employee was overpaid for overtime 2 years ago. The PRO established the debt owed by the employee. Because the overpayment did not occur within the last four pay periods, the PRO cannot recover the debt by a routine pay adjustment. The PRO issued a debt notification letter to the employee. The employee received the notification and filed a hearing petition in order to contest the validity or amount of the debt.

2.4.2.3.2. As the first step in the hearing process, the PRO performed a reconsideration of the debt and issued written results to the employee indicating that the debt had been validated after reconsideration. The PRO further instructed the employee that if he or she disagreed with the reconsideration results, the employee could request to continue with a formal hearing. The employee requested the matter be set for hearing with a hearing official. The hearing official conducted a paper hearing and issued a written determination validating the debt. The employee did not voluntarily repay after receiving the hearing official's determination, and the PRO proceeded with salary offset at the rate of 15 percent of disposable pay. Refer to Chapter 2, subparagraph 9.2.3 for guidance on determining disposable pay.

2.5 Procedures for Routine Pay Adjustments

2.5.1. In accordance with 5 U.S.C. § 5514, DCOs are not required to provide due process procedures prior to collecting overpayments of pay and allowances using routine intra-agency pay adjustments. To collect by routine adjustment, the overpayment must have occurred within the four pay periods preceding the adjustment or amount to $50 or less. Routine adjustments may be necessary due to overpayments attributable to clerical errors, administrative errors, delays in processing pay documents, corrected or late time and attendance data, underdeduction of premiums, or incorrect personnel actions.

2.5.2. The DCO must provide the debtor with written notice of the nature and amount of the adjustment, as well as a point of contact for questions regarding the adjustment. The information should be provided by the payday for the pay period in which the adjustment is processed, or as soon thereafter as practical. An appropriate notice on the LES meets the requirements for notification. See ***5 CFR 550.1104(c)***.

2.5.3. The actual overpayment must have occurred after April 26, 1996.

2.5.4. The amount deducted may not exceed 15 percent of disposable pay unless the debtor has consented in writing to a higher amount. Refer to Chapter 2, subparagraph 9.2.3 for guidance on computing disposable pay.

2.5.5. If a DoD debtor's payroll account is moved from one PRO to another PRO within DoD, then the new PRO has the authority to collect an overpayment made by the former PRO using routine adjustment procedures.

2.5.6. For routine adjustments involving health or life insurance premiums, refer to paragraph 2.7.

2.6 Processing Debt Repayments

2.6.1. Voluntary Repayment

2.6.1.1. Cash Repayment. The term "cash repayment" encompasses payments by personal check, money order, or another negotiable instrument. The DCO must record the collection on a ***DoD (DD) Form 1131***, Cash Collection Voucher. The accounting data must include the appropriation or fund that funded the overpayment.

2.6.1.2. Payroll Deductions (Salary Offset)

2.6.1.2.1. One-Time/Lump-Sum Deduction (Salary Offset). If an employee voluntarily requests to have the indebtedness deducted from pay, then the DCO must arrange for the employee to complete and sign a voluntary repayment agreement as shown in Chapter 2, Exhibit 2-1 indicating payment by lump-sum deduction. The DCO must retain the original signed agreement. If requested by the employee and agreed to by the DCO, then the DCO can defer remittance for up to two pay periods and change the agreement to reflect that adjustment. An employee may also combine a one-time deduction with a cash payment as a means of liquidating the indebtedness. If a one-time deduction does not fully liquidate the indebtedness, then the DCO must adjust the agreement accordingly.

2.6.1.2.2. Installment Deductions (Salary Offset). If an employee is unable to repay the debt in one lump-sum repayment, then installment payments may be acceptable. The employee should complete a voluntary repayment agreement indicating repayment by salary offset using installment payments. The DCO must retain the original signed agreement. Refer to Chapter 2 for additional guidance pertaining to requesting and approving installment payment plans.

2.6.2. Involuntary Repayment by Salary Offset

2.6.2.1. When a debtor has either failed to pay the debt in one lump sum, has not agreed to a voluntary, one-time payroll deduction, or has not entered into an installment agreement, the DCO must recover the debt by involuntary salary offset.

2.6.2.2. Before initiating involuntary salary offset, the DCO must ensure the debtor was given due process pursuant to Chapter 2, section 4.0, and that the debtor has not exercised the

rights listed in the debt notification letter or, having exercised one or more of those rights, was determined to be indebted. The DCO may initiate collection of a debt from final pay and lump-sum leave payments before granting due process if failure to do so would substantially prejudice DCO's ability to collect the debt. In such cases, the DCO must afford the debtor due process as soon as practicable. For additional guidance on salary offset, refer to Chapter 2, paragraph 9.2.

2.7 Collection of Indebtedness Due to Underdeduction of Health or Life Insurance Premiums

2.7.1. An employee's debt may be the result of an election or a change in coverage in the Federal Employees Health Benefit (FEHB) or Federal Employees' Group Life Insurance (FEGLI) programs that results in the underdeduction of premiums. Collection of the debt caused by the underdeduction of premiums may be made without affording the employee full due process under 5 U.S.C. § 5514, if the amount to be collected accumulated over four pay periods or less, or the amount is $50 or less. Refer to 5 CFR 550.1104(c) for additional information.

2.7.2. In such cases, the PRO must notify the employee, either in advance or concurrently with the actual collection. The notice must indicate: (1) because of the employee's election, future salary will be reduced to cover the period between the effective date of the election/change in coverage and the first regular withholding; and (2) a point of contact for contesting the retroactive collection. An appropriate notice on the LES that includes this information meets the requirement for notification.

2.7.3. If processing delays cause the debt to accumulate over more than four pay periods, then the DCO must use the due process procedures required under 5 U.S.C. § 5514, as outlined in Chapter 2.

2.7.4. For guidance on collecting debts arising from the nonpayment of premiums when an employee is in a non-pay status, or when salary is insufficient, refer to Volume 8, Chapter 11 and the Office of Personnel Management (OPM) ***FEHB Handbook*** or ***FEGLI Handbook***.

2.7.5. The DCO may request OPM recover past-due health insurance premiums from separated employees by requesting OPM withhold the amount due from any payment owed to the former employee from a refund or retirement annuity. The agency must submit an ***OPM Form 1522***, Request for Offset for Health Benefits Premiums From Monies Payable Under the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS) (In Lieu of ***Standard Form (SF) 2805***, Request for Recovery of Debt Due the United States), to request the offset from amounts that may be paid to the separated employee from the retirement system. See ***FERS Handbook, Chapter 4***.

2.7.6. An employee's health insurance plan carrier may garnish an employee's wages to collect debts owed to the carrier following the provisions of ***5 CFR, Part 582***.

2.8 Collection of Indebtedness from Final Salary and Lump-Sum Payments

2.8.1. Collection of a Previously Established Debt

2.8.1.1. Under 5 U.S.C. § 5514, when an employee separates by resignation, retirement, death, or termination of appointment, the employee's final pay (including lump-sum leave payments) will be applied to the extent necessary to liquidate a previously established debt. The 15 percent disposable pay limitation does not apply to the offset. To recover the debt, other payments due from any source (such as amounts claimed for travel and transportation) should be applied to the debt.

2.8.1.2. Due process is not necessary if debt collection is already in process at the time of the employee's separation, and the employee has previously been afforded notification of the debt and an opportunity for review. For deceased employees, any unpaid compensation due must be applied to liquidate any indebtedness with no limit on the maximum rate of collection. If a debt balance remains after offsetting and collecting the debt from the deceased employee's final pay, the DCO should forward the debt case to the Debt and Claims Management Office (DCMO) for collection against the estate of the deceased employee. The DCO should not pursue collection of the employee's debt from any of the employee's beneficiaries named under ***5 U.S.C. § 5582***.

2.8.2. Collection of a Newly Established Debt. When an employee separates by resignation, retirement, death, or termination of appointment and, upon the separation, a debt is newly established (i.e., the debt was not previously established and is not already being collected from salary under the authority of 5 U.S.C. § 5514), the DCO must collect the debt using administrative offset under ***31 U.S.C. § 3716***. The DCO must apply all money payable to the employee to collect the debt with no limit on the maximum rate of collection. As soon as practicable, the DCO must give the debtor notification of the debt and an opportunity for review under Chapter 2. More information may be found in ***31 CFR 901.3(b)(4)(iii)(C)***.

2.8.3. Collection of a Debt from Severance Pay. Collection of a debt from an employee's severance pay issued under ***5 U.S.C. § 5595*** is permissible under 31 U.S.C. § 3716. If an employee has not previously received notification of the debt and an opportunity for review (due process) under Chapter 2, the DCO must grant notice of the debt to the debtor as soon as practicable. Refer to 31 CFR 901.3(b)(4)(iii)(C) for additional guidance. There is no limit on the maximum rate of collection, and all money due and payable to the employee is subject to offset. Severance pay represents wages credited to the employee's account; therefore, deductions taken from severance pay should be computed before the offset. The employee's net pay amount is available for administrative offset under 31 U.S.C. § 3716. In addition, under ***5 CFR 581.103***, severance pay is subject to court-ordered garnishments for alimony, child support, and commercial debts.

2.9 Collection of Indebtedness from Transferring DoD Employees

2.9.1. General

2.9.1.1. This section applies to DoD employees who transfer within DoD, resulting in a change of PRO, and to employees who transfer to a non-DoD federal agency. The instructions

contained in this paragraph apply regardless of the point in the debt collection cycle when the employee's separation occurs. For example, the employee may separate while installment payments are being made, a waiver request is being considered, a petition for a hearing is pending, or the written notification of indebtedness is being prepared.

2.9.1.2. In general, all actions will continue upon the employee's separation. While hearings regarding the amount of involuntary offset should be terminated upon an employee's separation, other hearings concerning the validity or amount of a debt must continue, and a written determination should be issued. If, due to subsequent events, the indebtedness is nullified, the DCO must refund amounts withheld from both current and final pay. Refunds must be made without requiring a claim from a former employee.

2.9.2. Transfer Within DoD that Results in a Change of PRO

2.9.2.1. In accordance with 5 CFR, Part 550, Subpart K, the losing PRO must ensure the gaining PRO is aware of the following information, which is typically provided systemically:

2.9.2.1.1. The identity of the indebted employee;

2.9.2.1.2. The amount of the debt, including assessments of interest, penalties, and administrative charges (IPA), when appropriate;

2.9.2.1.3. The accounting classification for credit;

2.9.2.1.4. The nature of the debt and the original due date (generally 30 days from the initial notification of indebtedness);

2.9.2.1.5. Copies of all correspondence sent to or received from the employee, including waiver requests, hearing petitions, decisions on waiver requests, and determinations of hearing officials;

2.9.2.1.6. The original copy of any voluntary repayment agreements. If none exists, a statement of the biweekly percentage of involuntary offsets must be included;

2.9.2.1.7. The date the right to collect the debt first occurred. Generally, this is the date the overpayment occurred. If offset has already begun, the date of the last offset will be given;

2.9.2.1.8. A statement regarding the status of any unfinished actions which may be pending. When such action is completed, the gaining PRO must be immediately advised;

2.9.2.1.9. A request that the offset be accomplished or continued; and

2.9.2.1.10. A copy of ***DD 2481***, Request for Recovery of Debt Due the United States by Salary Offset, properly completed and certified.

2.9.2.2. The losing PRO must complete any pending actions involving due process or waiver and notify the gaining PRO of the outcome. Upon receipt of the required information, the gaining PRO must assume full responsibility for collection of the debt, pending receipt of previously unfinished actions. Any agreements reached regarding installment repayments or the decision not to accrue or assess IPA are binding on the gaining PRO. If the debt is subject to interest, the gaining PRO must make the necessary computations. Installment deductions already begun must continue without interruption.

2.9.3. Transfer to Another Federal Agency. When an employee transfers to another federal agency outside of DoD, the PRO/DCO should forward the debt case to the DCMO pursuant to the instructions in section 5.0.

2.10 Collection of Indebtedness from Retirement Funds of Former Civilian Employees

2.10.1. Action by the PRO

2.10.1.1. General. Upon retirement, if an employee is still indebted to DoD, and the amount withheld from final salary and lump-sum payments (paragraph 2.8) is inadequate to satisfy the indebtedness, then the DCO may take the following actions.

2.10.1.1.1. Refer the debt to DCMO. In most cases, after providing the employee with the due process rights found in Chapter 2, the PRO will submit the debt directly to the DCMO for collection action that may result in the offset of retirement funds via referral to the U.S. Department of the Treasury (Treasury) Offset Program.

2.10.1.1.2. Refer the debt to OPM. The PRO may request that OPM offset the indebtedness against monies due and payable to the separated employee from the CSRS or FERS basic benefits. Such a request is in the form of a debt claim submitted to OPM by the DCO. A debt claim is the agency's request for recovery of the debt by OPM. This practice does not apply to Nonappropriated Fund Instrumentality employees. For additional information on collection of indebtedness from retirement funds, refer to ***5 CFR, Part 831, Subpart R*** (for CSRS retirees) and ***5 CFR, Part 845, Subpart A*** (for FERS retirees).

2.10.1.1.2.1. Submission of Complete or Incomplete Debt Claims to OPM. If the DCO chooses to submit a claim directly to OPM, it must do so in accordance with ***5 CFR 831.1805(b)(5)***, ***5 CFR 845.405(b)(5)***, and the CSRS and FERS Handbook, Chapter 4.

2.10.1.1.2.2. Notice to the Employee. Prior to sending a debt claim request to OPM, the DCO must notify the employee in writing that a debt claim is being sent to OPM to offset the employee's CSRS or FERS basic benefits. The letter must state the amount of the debt at separation, the amount recouped from final pay and other sources, and the balance due. The letter must inform the employee that if he or she makes full payment of the balance due, the debt will not transfer to OPM. This notice is in addition to any previous due process notification the employee should have received. Refer to Exhibit 3-1 for a sample notification.

2.10.1.1.2.3. Due Process. The DCO must provide due process to the debtor prior to submitting the debt to OPM for collection unless the DCO submits an incomplete debt claim.

2.10.1.2. Scope. The instructions contained in subparagraph 2.10.1 apply to all debts that the DCO is collecting on behalf of DoD, with the exception of debts resulting from an individual's failure to pay health benefit premiums. Refer to paragraph 2.7 for guidance regarding the collection of debts for health benefit premiums.

2.11 Collection of Indebtedness from Former DoD Civilian Employees

PROs and DCOs must refer debts of former personnel, who are no longer DoD civilian employees (out-of-service debtors), to the DCMO. See section 6.0 for Components using Treasury's Centralized Receivables Services (CRS), as authorized by an appropriate authority within DoD.

2.12 Collection of Debts Other than Overpayment of Pay and Allowances

2.12.1. General. Pursuant to ***5 CFR 550.1109***, DoD Component organizations external to the PRO (such as employing agencies) may request the PRO recover debts from current employees of the component by means of salary offset. Such debts originate outside of the PRO and are not due to an overpayment of pay or allowances. In general, the PRO will not review the merit of a debt originating outside the PRO.

2.12.2. Requests for Involuntary Salary Offset under 5 U.S.C. § 5514. Requests from DoD Components for involuntary salary offsets under 5 U.S.C. § 5514 for the following types of overpayments should be forwarded to the PRO on a DD 2481. The form requires certification by an appropriate official that the employee has been provided due process pursuant to Chapter 2. Salary offset is limited to 15 percent of disposable pay for the following debts:

2.12.2.1. Overpayment of travel allowances;

2.12.2.2. Report of Survey (also known as Government Property Lost or Damaged) debts (provided that procedures, as prescribed in the cognizant DoD Component regulations, are completed before invoking involuntary salary offset under 5 U.S.C. § 5514);

2.12.2.3. Unofficial telephone use;

2.12.2.4. DoD Component hospital uncollected billings;

2.12.2.5. Commissary store debts (such as for dishonored personal checks); and

2.12.2.6. Fees received for court service, such as fees received from the court for service as a juror or witness. Refer to Volume 8, Chapter 5 for additional guidance on these fees. Fees are returned to the appropriation or fund from which the employee is paid under ***5 U.S.C. § 5515***.

2.12.3. Requests for Salary Offset Under Other Statutory Authority

2.12.3.1. Collections of Unused Travel Advances (Unearned Advance Per Diem and Mileage Allowance) and Unearned Temporary Quarters Subsistence Expense. In addition to 5 U.S.C. § 5514, additional statutes authorize salary offset. The PRO should follow any specific requirements under these statutes for offset. When a statute does not provide other procedures, prior to any involuntary offset, debtors should be provided with notice of the debt and an opportunity for review. See 64 Comptroller General (Comp. Gen.) 142 (1984).

2.12.3.1.1. Under ***5 U.S.C. § 5705***, a federal employee who is entitled to per diem or mileage allowances may receive a travel advance. Any amount of the travel advance that is not used for allowable expenses must be collected. The travel pay office or the employing activity must give the employee an immediate opportunity to repay any amount due in a lump sum.

2.12.3.1.2. If the employee does not make immediate payment, offset may be made against all accrued pay, retirement credit for individuals who have left federal employment prior to being eligible for retirement, or any other amounts due the employee. The offset may be made without limitation, as long as it does not cause extreme financial hardship. Refer to Chapter 2, paragraph 8.1 for guidance on determining financial hardship. The travel functional area must notify the PRO of the request for offset in writing and must provide a copy of the employee's signed repayment agreement, when applicable. The PRO must collect the debt in one lump sum, or in installments, in accordance with the employee's signed voluntary repayment agreement or written instructions provided by the travel pay office or the employing activity.

2.12.3.2. Excess Costs Due to Shipment of Personal Property. A debt for excess cost is created when an employee's shipment of personal property exceeds the authorized weight allowance. A DD 2481 must be issued to the employee's PRO to request collection under ***5 U.S.C. § 5724(a)(2)***. The collection of the excess costs from an employee's pay is considered a voluntary salary offset since the employee agreed to repay the excess costs when he or she signed ***DD 1299***, Application for Shipment and/or Storage of Personal Property, before the actual shipment of the property.

2.12.3.2.1. The employee may submit a written request for reconsideration of any amount due to his or her employing activity's transportation management representative within 30 days of the debt notification.

2.12.3.2.2. After the agency performs the reconsideration and has notified the employee of the result, the transportation management representative must notify the PRO in order to begin the collection by offset of any balance due.

2.12.3.3. Collection of Employee Training Expenses

2.12.3.3.1. When an employee fails to fulfill a training agreement, and he or she does not voluntarily repay the employing activity, collection of training expenses from the employee's pay account is authorized under ***5 U.S.C. § 4108***. In accordance with ***5 CFR 410.309***,

the employing activity must give the employee the opportunity to request a reconsideration of the amount to be recovered or to request a waiver of the activity's right to recover.

2.12.3.3.2. In order for the PRO to initiate collection by salary offset, the DoD Component training office must supply the PRO with a copy of the ***SF 182***, Authorization, Agreement and Certification of Training, showing the employee's signed consent to the terms of the training agreement, along with a copy of the notification of indebtedness issued to the employee by the training office. The PRO must forward a copy of the SF 182 to the employee with written notification advising the employee of the payroll deduction amount.

2.12.3.4. Negotiation of Duplicate Treasury Payments

2.12.3.4.1. The negotiation of an original Treasury check that was replaced by a recertified check is an illegal and improper payment for purposes of pecuniary liability. The disbursing officer who issues a duplicate payment is responsible for collection of the duplicate payment from the payee.

2.12.3.4.2. The disbursing officer must give the payee an opportunity to dispute the debt or to consent to salary offset. If the employee agrees to repayment, the disbursing officer must forward to the PRO a signed statement from the employee agreeing to voluntary collection from pay and evidence that negotiation of both instruments has occurred. The PRO must inform the employee that it will deduct the amount of the indebtedness in full from the next salary payment. If, for any reason, the disbursing officer cannot produce a written consent from the employee, then the PRO must treat the case as an overpayment and provide the employee a written debt notification and opportunity for review as required by Chapter 2. After the completion of due process requirements, if the employee does not authorize voluntary deductions, involuntary salary offset must be made under 5 U.S.C. § 5514.

2.12.3.5. Collection of Dishonored Personal Checks. Collect for dishonored personal checks in accordance with Volume 5, Chapter 4.

3.0 COLLECTION OF DEBT FROM ACTIVE AND RESERVE MEMBERS

3.1 General

This section pertains to the collection of debt owed to DoD by active and reserve military members, hereafter referred to as members. Debt collection authority for members exists both under the common law and various statutes. Much of this section discusses the authority for collection under 37 U.S.C. § 1007 and 5 U.S.C. § 5514; however, there are other debt collection authorities listed in Tables 3-1 through 3-6.

3.2 Due Process Requirements

The head of the military pay office (typically the DCO) must ensure that it affords members all legal rights relative to collection of a debt due to overpayments of pay and allowances. Unless otherwise directed by statute, military members are entitled to due process, consisting of a notice

and an opportunity for review, prior to the initiation of debt collection. Refer to Chapter 2 for due process requirements. Refer to Chapter 4, section 6.0 for information on review opportunities for military members.

3.3 Collection From Member's Pay

3.3.1. General. General statutory authority for collection by salary offset from a member's pay exists under both 37 U.S.C. § 1007(c) and 5 U.S.C. § 5514. Generally, debts established by DoD agencies are collected under the authority at 37 U.S.C. § 1007 and debts that a non-DoD agency has administratively determined to be owed the United States are collected under 5 U.S.C. § 5514. Routine adjustments are authorized under 5 U.S.C. § 5514. Other statutory authority may authorize collection of specific classes of debts. See Comp. Gen. B-230865 (1990) and U.S. Tafoya, 803 F2d 140 (1986).

3.3.2. Voluntary Repayment Encouraged. Members indebted to the United States should be encouraged to discharge their indebtedness through lump-sum cash payments. When the amount of the debt relative to the member's ability to repay indicates that a lump-sum payment would create a financial hardship for the member, installment payments may be accepted. Members are encouraged to voluntarily accept liability for their indebtedness and to agree to a repayment schedule that adequately protects the interest of both the United States and the member. The member may authorize or request collection in greater amounts than could be collected involuntarily.

3.3.3. Collection without a Member's Consent

3.3.3.1. Current Pay

3.3.3.1.1. Current pay is available for repayment of a debt by involuntary offset (without the member's consent) only if such recovery is expressly authorized by statute. Refer to Tables 3-1 through 3-5 for guidance and statutory authority on involuntary collection from the member's pay.

3.3.3.1.2. Tables 3-1 through 3-5 authorize collection to be made involuntarily when statutory authority exists for such collection. The tables also reflect the limited circumstances under which collection may be made from the member's current pay only with a member's consent.

3.3.3.2. Final Pay. When a member receives final pay on separation, indebtedness to the United States may be collected under the common law rule of offset, subject to the limitations in subparagraphs 3.3.3.2.1 through 3.3.3.2.3 and Table 3-6. Even debts that are subject to collection from current pay only with the member's consent may be collected from final pay and allowances without the member's consent. Amounts owed to a Service relief society (i.e., Army Emergency Relief, the Navy-Marine Corps Relief Society, the Air Force Aid Society, or the Coast Guard Mutual Assistance) may also be collected from final pay without the member's consent as provided under 37 U.S.C. 1007(c) and (h). Except as specified in Table 3-6, amounts are generally collectible as follows:

3.3.3.2.1. Officers of any Service. There is no limitation on the amount that may be deducted from an officer of any Service from his or her final separation pay;

3.3.3.2.2. Army and Air Force Enlisted Members. An amount due from an enlisted member of the Army or Air Force may be deducted from their final separation pay. Pursuant to 37 U.S.C. 1007(d), the appropriate rate of collection in subparagraph 3.5.2 applies to collection from the member's final separation payment; and

3.3.3.2.3. Navy and Marine Corps Enlisted Members. There is no limitation on the amount that may be deducted from an enlisted member of the Navy or Marine Corps from his or her final separation pay.

3.3.3.3. Collection of Remaining Debt Amounts. When the entire debt cannot be offset from final separation pay, refer to section 5.0 for guidance on collecting additional amounts due after separation.

3.4 Computation of Gross and Disposable Pay

3.4.1. Gross Pay. Compute gross pay by adding together basic pay, all special and incentive pays, and all reenlistment bonuses. Gross pay does not include allowances or reductions in pay, such as forfeitures.

3.4.2. Disposable Pay. Disposable pay, when used to calculate maximum allowable deduction, is computed by deducting the following from gross pay of active duty members: Federal Insurance Contributions Act (FICA); Armed Forces Retirement Home; Federal Income Tax Withholdings (FITW); Servicemembers' Group Life Insurance (SGLI) (including Family SGLI (FSGLI) and Traumatic SGLI (TSGLI)); and State Income Tax Withholdings (SITW). For reservists, the deductions to calculate disposable pay are: FICA; FITW; SITW; and SGLI (including FSGLI and TSGLI).

3.5 Collections by Salary Offset Under 37 U.S.C. § 1007(c)

Section 1007(c) of Title 37 authorizes the deduction of an amount, from a member's current pay, that the Secretary of the Military Department concerned administratively determines to be owed to the United States, or any of its instrumentalities, due to the overpayment of pay and allowances. Debts collected under 37 U.S.C. § 1007 are subject to due process requirements. Limitations on amounts subject to collection under 37 U.S.C. § 1007 are set out in subparagraph 3.5.2. Two-thirds of the member's disposable pay is the maximum amount that may be deducted from his or her monthly pay, except as provided in subparagraph 3.5.2 or 3.3.3 for final separation. Collection at the rate of two-thirds is not the default rate of collection and is applied only in those limited situations where the overpayment is the fault of the member. See subparagraph 3.5.2.1. Where a member of one Military Service owes a debt to another Military Service and the creditor Service makes an administrative determination of indebtedness, the creditor Service may forward that determination, along with a certification of having complied with the appropriate instructions set forth in this section, to the military pay office servicing the member for collection action. Refer

to Chapter 2, subparagraph 14.5.5 for guidance on delaying the start of the repayment requirement to recover the indebtedness.

3.5.1. Due Process Requirements Under 37 U.S.C. § 1007

DCOs must use the procedures set out in Chapter 2 for debts that require due process be provided to the member. The field office must initiate due process after its receipt of a management notice from the pay system, and any subsequent debt collection must be based on an appropriate repayment schedule.

3.5.2. Amount of Pay Subject to Collection

3.5.2.1. Collection When Member is at Fault. When the military pay office determines that an overpayment of pay or allowances is the fault of the member, the military pay office may recover the debt in monthly installments of up to two-thirds of the member's disposable monthly pay. The member may consent to deduction of the debt at a greater percentage. Note: Collection at the rate of two-thirds is not the default rate of collection and is applied only in those limited situations where the overpayment is the fault of the member. Therefore, in most cases, collection at the rate set out in subparagraph 3.5.2.2 will be applicable.

3.5.2.2. Collection When Member is Not at Fault. When the military pay office determines that an overpayment of pay or allowances is not the fault of the member, it is authorized to recover the debt in monthly installments.

3.5.2.2.1. Overpayments Made On or Prior to October 28, 2009. If overpayment was made to a member on or before October 28, 2009, the military pay office will recover the overpayment in monthly installments not to exceed 20 percent of the member's disposable pay for each month. The military pay office may deduct a greater percentage with the member's consent.

3.5.2.2.2. Overpayments Made After October 28, 2009. If overpayment was made to a member on or after October 29, 2009, the military pay office will recover the overpayment in monthly installments not to exceed 15 percent of the member's disposable pay for each month. The military pay office may deduct a greater percentage with the member's consent.

3.5.2.2.3. Requests for Delayed Collection. For overpayments described in this subparagraph that are made on or after October 29, 2009, the military pay office is required to provide a reasonable opportunity for the member to request a delay in the imposition of the repayment requirement to recover the overpayment. Before beginning collection efforts, the military pay office must consider the reasons provided by the member for the requested delay, including the financial ability of the member to repay the indebtedness, and the hardship that immediate collection would impose on the member and the member's dependents.

3.5.3. Collection of Combat Zone/Combat Operation Wounded Member Debts

3.5.3.1. If a member, through no fault of the member, incurs a wound, injury, or illness while in the line of duty in a combat operation or combat zone designated by the President or the Secretary of Defense, then any overpayment of pay or allowances made to the member while the member recovers from the wound, injury, or illness may not be deducted from the member's pay until:

3.5.3.1.1. The member is notified of the overpayment; and

3.5.3.1.2. The later of the following occurs:

3.5.3.1.2.1. The end of the 180-day period beginning on the date of the completion of the tour of duty of the member in the combat operation or combat zone, or

3.5.3.1.2.2. The end of the 90-day period beginning on the date of the reassignment of the member from a military treatment facility or another medical unit outside of the theater of operations.

3.5.3.2. After receiving notification of the overpayment, a member may request initiation of collection action at an earlier date. The military pay office must determine the appropriate rate of collection pursuant to subparagraph 3.5.2.2 and must follow due process requirements set out in Chapter 2.

3.6 Collection by Salary Offset Under 5 U.S.C. § 5514

3.6.1. Debt Determination. A federal agency, other than the DoD, may determine that a member is indebted to the United States and that collection action against the member's monthly pay under the authority of 5 U.S.C. § 5514 is warranted. The collection of a debt owed to departments and agencies other than DoD (including its instrumentalities or other uniformed services) resulting from a court judgment is included under this collection authority. The non-DoD agency must forward the request for offset through Treasury's Cross-Servicing Program.

3.6.2. Amount of Collections. The military pay office may make collections not exceeding 15 percent of disposable pay for any pay period, unless the member authorizes a greater percentage in writing. Unsatisfied debts at discharge or retirement will be deducted from subsequent payments due the member. For additional guidance on salary offset, refer to Chapter 2, paragraph 9.2.

3.6.3. Due Process. The creditor agency to which the debt is owed must provide due process to the member and must certify due process was completed if the debt is submitted to the Defense Finance and Accounting Service (DFAS) for collection. For due process procedures, refer to Chapter 2.

3.6.4. Routine Administrative Adjustment

3.6.4.1. In accordance with 5 U.S.C. § 5514, DCOs are not required to provide due process procedures prior to collecting overpayments of pay and allowances using routine intra-agency pay adjustments. To collect by routine adjustment, the overpayment must have either occurred within the four pay periods preceding the adjustment, or amount to $50 or less. Routine adjustments may be necessary due to an overpayment attributable to clerical errors, administrative errors, delays in processing pay documents, or underdeduction of premiums, for example. The DCO must provide the debtor with written notice of the nature and amount of the adjustment, as well as a point of contact for questions regarding the adjustment. This information should be provided by the payday for the pay period in which the adjustment is processed, or as soon thereafter as practical. An appropriate notice on the LES meets the requirements for notification.

3.6.4.2. The actual overpayment must have occurred after April 26, 1996.

3.6.4.3. The amount deducted may not exceed 15 percent of disposable pay, unless the debtor has consented in writing to a higher amount. The servicing military pay office must generate a "no pay due" management notice when a debt creates a "no pay due" situation.

3.6.5. IPA Costs. Interest will be charged beginning from the date of delinquency. IPA will be assessed and calculated pursuant to Chapter 7, ***31 U.S.C. § 3717***, and ***31 CFR 901.9***.

3.7 Indebtedness Incurred in National Guard or Reserve

When a member re-enters active Military Service, the military pay office must collect from active pay and allowances any indebtedness the member incurred while in a National Guard or Reserve status.

3.8 Member Dies after Receiving Advance Salary Payment

Advance payday payments made in accordance with Volume 7A, Chapter 32 are not considered "indebtedness" if the member dies before the date through which the pay was computed and paid.

3.9 Centralized Processing of Involuntary Withholding of Member's Pay for Debts Owed to the Services' Exchange Commands

3.9.1. Purpose and Authority. This section provides the procedures for collecting in-service debts owed to the Army and Air Force Exchange Service, the Navy Exchange Command, and the Marine Corps Exchange Command (referred to collectively as "The Exchange Commands"). This section applies when active duty, reserve, and retired military members are delinquent in the repayment of a dishonored check or their credit plan. Under 37 U.S.C. § 1007(c), an amount that a member of the uniformed services is administratively determined to owe the United States may be deducted from the member's pay in monthly installments.

3.9.2. Procedures. When a member is indebted to a service exchange, the service exchange may forward the determination to DFAS. DFAS will honor the request based on written certification from the Exchange Command that it complied with due process requirements found in Chapter 2. If the member has not paid the debt within 60 days from the date of the debt notification letter, then the Exchange Command may submit a ***DD 139***, Pay Adjustment Authorization, to DFAS. DFAS will collect the amount owed to the Exchange Command in accordance with the priority of pay deductions and collections in Volume 7A, Chapter 52.

3.9.3. Applicability and Scope

3.9.3.1. These procedures apply to the pay of Army, Navy, Air Force, and Marine Corps members serviced by the Defense Joint Military Pay System or the Marine Corps Total Force System.

3.9.3.2. DFAS will collect the amounts requested, as long as the total monthly amount collected, including any other debt amount being collected under 5 U.S.C. § 5514, does not exceed two-thirds of the member's disposable pay. The military pay office must reduce monthly collection amounts if the pay due a member is insufficient to cover authorized deductions or collections. Debt collection is subject to the rules presented in Table 3-5, as well as the priority of pay deductions and collections in Volume 7A, Chapter 52.

3.9.4. General Procedures

3.9.4.1. Exchange Commands must certify that they provided the member due process in accordance with Chapter 2. Exchange Commands must maintain due process documentation (debt notification letters and supporting documentation) on individual delinquent debt accounts.

3.9.4.2. Collection of any portion of the debt remaining uncollected at the time of a member's separation is subject to subparagraph 3.5.2.

3.9.4.3. When a member enrolls in a credit plan, the Exchange Command must advise the member of the maximum deduction for delinquent accounts under subparagraph 3.5.2. DFAS, or the field finance office, is responsible for ensuring that collections do not exceed two-thirds of the member's monthly disposable pay.

3.9.4.4. If a repayment amount exceeds the maximum deduction limitation, DFAS or the servicing military pay office must adjust by inputting a transaction to change the deduction.

3.9.4.5. The military pay office is responsible for answering inquiries from the member on how exchange debt transactions are reflected on the LES.

3.9.5. Exchange Command Responsibilities

3.9.5.1. Exchange Commands must respond to all inquiries from a member concerning his or her debts and deduction amounts.

3.9.5.2. Exchange Commands may not deduct any amount from a member's pay account to cover a dishonored check written by a dependent without consent of the member.

3.9.5.3. Exchange Commands must use a listing of basic pay rates, plus income data received from the member, to determine the amount that is equal to or less than two-thirds of the member's pay.

3.9.5.4. If a member separates from active duty, or if retired pay is suspended, and the debt was not fully collected, then the Exchange Command is responsible for collecting any remaining debt. The military pay office must advise the Exchange Command that the member has separated or that the retiree's pay has been suspended.

3.9.5.5. Exchange Commands are responsible for overpaid debts. When a member has overpaid a debt, the Exchange Commands must issue a refund immediately to the member for the overpayment.

3.9.5.6. Exchange Commands must honor a repayment agreement under which a member voluntarily agrees to repay the debt. If the member voluntarily repays the debt (off-line), then the Exchange Command must cancel the offset request and notify DFAS immediately.

3.9.5.7. For audit purposes, Exchange Commands must maintain and ensure the availability of all documentation pertaining to these debts.

3.9.6. System Overview

3.9.6.1. Once a collection action is deemed necessary, the Exchange Command must transmit a monthly update transaction requesting a pay deduction. The input should be applied to the pay account in the appropriate sequence (refer to Volume 7A, Chapter 52, Table 52-1).

3.9.6.2. DFAS provides new basic pay rates, or other pay data, to the Exchange Command as it becomes available.

3.9.6.3. During a processing month, Exchange Commands submit the electronic pay-adjustment transaction with name, social security number, total debt, and the deduction amount for the month. Exchange Commands electronically submit the information in time to adjust in the payment processing update.

3.9.6.4. The Exchange Command input identifies the balance due and the monthly collection amounts. If the debt is collected off-line after submitting the input, then the Exchange Command is responsible for the refund.

3.9.6.5. If the deduction amount input by the Exchange Command is greater than two-thirds of the member's disposable pay (subparagraph 3.4.2), then DFAS or the military pay office either changes the deduction amount or returns the debt to the Exchange Command for

adjustment in amount. After the deduction is processed, DFAS must notify the Exchange Command of any adjustments.

3.9.6.6. The Exchange Command manages the entire debt amount internally. Exchange Commands are responsible for notifying the member of the debt balance and encouraging the member to submit payments voluntarily. DFAS provides management notices (listing) to the servicing military pay office if applicable, which identifies the member's pay account to which the deduction is charged.

3.9.6.7. Rejects are downloaded to the Exchange Commands after each update. Exchange Commands are required to work rejects on a daily basis.

3.9.6.8. At the end of each processing month, in order to identify the affected members, DFAS sites wire-transfer the amounts deducted via electronic funds transfer to a central processing location for each Exchange Command.

4.0 COLLECTION OF DEBT FROM MILITARY RETIREES AND SBP ANNUITANTS

4.1 General

This section pertains to the collection of debt owed to DoD by military retirees, Retired Serviceman's Family Protection Plan (RSFPP) annuitants, or SBP annuitants due to the overpayment of annuity payments. A debt may be the result of an overpayment to the military retiree, or an amount owed to the Government but unpaid by a military retiree. A debt may be for an overpayment of military retired pay, Concurrent Retirement and Disability Pay, Combat Related Special Compensation (CRSC), an overpayment of active duty pay and allowances, or other indebtedness arising from service on active duty.

4.2 Due Process Requirements

The head of the military retiree pay office, DFAS – Retired and Annuitant Pay, must ensure that it affords military retirees all legal rights relative to the indebtedness arising from overpayments of pay and allowances, including due process under Chapter 2. This includes providing the military retiree the opportunity to request a delay in collection of the debt under 37 U.S.C. § 1007(c)(3)(B).

4.3 Routine Pay Adjustments Under 5 U.S.C. § 5514

4.3.1. In accordance with 5 U.S.C. § 5514, DCOs are not required to provide due process procedures prior to collecting overpayments of pay and allowances using routine intra-agency pay adjustments. To collect by routine adjustment, the overpayment must have occurred within the four pay periods preceding the adjustment or amount to $50 or less. Routine adjustments may be necessary due to an overpayment attributable to clerical errors, administrative errors, or delays in processing pay documents. Routine adjustments include retroactive U.S. Department of Veterans Affairs (VA) increases that may result in retirement benefit debts.

4.3.2. The DCO must provide the debtor with written notice of the nature and amount of the adjustment, as well as a point of contact for questions regarding the adjustment. The information should be provided by the payday for the pay period in which the adjustment is processed, or as soon thereafter as practical. An appropriate remark added to the Retiree Account Statement (RAS) meets the requirements for notification.

4.3.3. The actual overpayment must have occurred after April 26, 1996.

4.3.4. The amount deducted may not exceed 15 percent of disposable pay, unless the debtor has consented in writing to a higher amount. The servicing pay office must generate a "no pay due" management notice when a debt creates a "no pay due" situation.

4.4 Debt Collection

4.4.1. General. When the indebtedness cannot be corrected using a routine pay adjustment, then the amount to be collected each month should be no less than $50 (unless otherwise specified by statute), or an amount reasonable in relationship to the size of the debt and the military retiree's ability to pay. Refer to Chapter 2, paragraph 8.1 for guidance on determining the financial status of the military retiree. Military retirees indebted to the United States should be encouraged to discharge their indebtedness through lump-sum repayment.

4.4.2. Authority for Involuntary Collection. A military retiree's pay is available for repayment of indebtedness by involuntary offset without the military retiree's consent, provided the military retiree is afforded due process under Chapter 2, as follows:

4.4.2.1. Debts to the DoD, or any of its instrumentalities or other uniformed services, will be deducted from pay under 37 U.S.C. § 1007(c);

4.4.2.2. Debts determined to be owed to another federal agency will be collected by salary offset under the authority of 5 U.S.C. § 5514;

4.4.2.3. Debts determined to be owed to another federal agency will be collected by administrative offset under the authority of 31 U.S.C. § 3716; and

4.4.2.4. Routine adjustments are authorized under 5 U.S.C. § 5514.

4.4.3. Limitation on Amount of Deductions. Debt collection amounts are subject to the limitations set out in the authorizing debt collection statute. The maximum monthly amount that may be collected under 37 U.S.C. § 1007(c) is subject to the limitations under subparagraph 3.5.2.

4.4.4. "No Pay Due" Notice. As a precaution to prevent avoidable hardship to the military retiree, generate a "no pay due" RAS for the military retiree when collection of a debt results in "no pay due."

4.5 Debt Transfer on Retirement

Debts incurred while the military retiree was on active duty must be transferred on retirement to the military retiree pay office. Resume collection from retirement or retainer pay. It is not necessary to repeat the due process procedures prior to resuming collection.

4.6 Debt Owed to Another Military Service

When a military retiree of one Military Service (e.g., Army) owes a debt to another Military Service (e.g., Air Force), and a DCO of the creditor Service makes an administrative determination of indebtedness, the DCO may forward that determination, along with certification of compliance with due process requirements, to the DFAS Retired and Annuitant Pay for collection action.

4.7 Priority of Deductions and Collections

When the pay due a military retiree is not enough to cover all authorized deductions and collections, the DFAS Retired and Annuitant Pay office must use the following priority sequence for making deductions and collections from pay:

4.7.1. Reduction of pay entitlement, which takes precedence over all other items for deduction or collection. These reductions include:

4.7.1.1. Readjustment pay,

4.7.1.2. Separation pay,

4.7.1.3. Severance pay,

4.7.1.4. Variable Separation Incentive,

4.7.1.5. Special Separation Benefit,

4.7.1.6. Reserve Special Separation Pay,

4.7.1.7. Forfeiture of pay, and

4.7.1.8. VA compensation;

4.7.2. Reimbursement to the United States, to include:

4.7.2.1. FITW,

4.7.2.2. TRICARE – Dental Plan,

4.7.2.3. RSFPP premiums,

4.7.2.4. SBP and Supplemental SBP (SSBP) premiums, and

4.7.2.5. Reserve Component (RC) SBP (RCSBP) premiums;

4.7.3. Involuntary repayment of indebtedness to the United States, which includes:

4.7.3.1. Routine adjustments and automatic collections;

4.7.3.2. Other overpayments of retired pay and CRSC;

4.7.3.3. Delinquent RSFPP, SBP, SSBP, or RCSBP costs;

4.7.3.4. Debts arising from active duty;

4.7.3.5. Debts to DoD appropriated fund activities;

4.7.3.6. Hospital rations issued to a member;

4.7.3.7. Excess cost of shipment of household goods;

4.7.3.8. Unpaid hospital bills for medical services furnished a dependent;

4.7.3.9. Court-martial fines; and

4.7.3.10. Debts from other departments or agencies outside DoD, including court judgments;

4.7.4. Garnishment for alimony and child support payments and Uniformed Services Former Spouses' Protection Act payments;

4.7.5. Court-ordered bankruptcy payments under Chapter 13 of the revised Bankruptcy Code;

4.7.6. Indebtedness to a nonappropriated fund activity; and then

4.7.7. SITW.

4.8 Collection of Debt from SBP Annuitants

4.8.1. General. Generally, SBP annuity overpayments are the result of one of the following: (1) the failure to reduce an annuity by the amount of disability indemnity compensation awarded by the VA, (2) the non-termination of an annuity due to ineligibility, (3) an erroneous computation, (4) insufficient or untimely information, (5) unpaid SBP premiums, or (6) a determination by the Secretary of the Military Department concerned (or designee) that a participating member is alive after the Secretary concerned previously determined that the member was presumed dead

4.8.2. Liability. An SBP annuitant is liable for any debt resulting from the overpayment of an annuity. A military retiree is liable for a debt resulting from erroneous annuity payments that were made based on the presumption of the member's death. If the member dies before such payments are fully recovered, an annuitant who was the recipient of the annuity payments made under the presumption of death is liable for the indebtedness.

4.8.3. Collection of Debt. Upon discovery of an overpayment, the DCO must provide the annuitant with due process as required under Chapter 2. The DCO must advise the annuitant of the debt and the method by which the overpayment is being, or may be, liquidated. The debt may be liquidated by:

4.8.3.1. The annuitant making direct remittance payments to DFAS Retired and Annuitant Pay;

4.8.3.2. The annuitant authorizing the VA to reduce Dependency and Indemnity Compensation and remit the amount collected to DFAS Retired and Annuitant Pay; or

4.8.3.3. The DFAS Retired and Annuitant Pay reducing the SBP annuity payments through administrative offset as authorized by law.

5.0 COLLECTION OF DEBT FROM FORMER EMPLOYEES, FORMER MEMBERS AND OTHER NON-DOD RELATED DEBTORS

5.1 General

5.1.1. This section pertains to the collection of debts owed by individuals who are no longer employed by DoD or no longer on active duty. This section also covers individuals who were neither DoD employees nor active-duty members, but who are indebted to DoD. This category of debt is referred to as "out-of-service." If a Component's DCO cannot collect a debt through salary offset because the debtor is not being paid by DoD, and the debtor has not agreed to pay the debt in a lump sum, then the DCO should obtain debt collection services from the DCMO. The DCMO operates and maintains the Defense Debt Management System (DDMS) to provide centralized, cost-effective, automated debt servicing and collection assistance to DCOs on delinquent debts owed to DoD by individuals who are no longer paid by DoD. See section 6.0 for Components using Treasury's CRS.

5.1.2. The DCMO may also provide collection assistance for other debts as specifically agreed to in each Service's mission work agreement.

5.1.3. The DCMO must comply with the 31 U.S.C. § 3701- ***31 U.S.C. § 3720E*** and all applicable laws and regulations, including the FCCS. However, pursuant to paragraph 5.4, the DCO, not the DCMO, is responsible for all due process requirements under the FCCS.

5.2 Reasons for Individual Out-of-Service Debts

An out-of-service debt occurs when a debtor separates from DoD and no longer receives a salary or other payments from DoD that can be offset to collect a previously established debt. Individual out-of-service debts may also arise from overpayments, erroneous payments to other individuals, or indebtedness by the public for use of DoD's facilities or services, such as healthcare services provided to non-beneficiaries of the Military Health System at DoD military treatment facilities.

*5.3 Advanced Education Assistance Debts Under ***10 U.S.C. 2005***

5.3.1. Advanced education assistance, including Reserve Officers' Training Corps scholarships and payments, require the recipient of such assistance to enter into a written agreement with the Secretary concerned. Under 10 U.S.C. 2005, the terms of the agreement must state that if the recipient does not complete the period of active duty, or other such terms as specified in the agreement, the recipient will be subject to the repayment provisions of ***37 U.S.C. 303***a(e) or ***37 U.S.C. 373***, under which the obligation to repay the United States is, for all purposes, a debt owed to the United States.

5.3.2. If a Service is unable to collect the repayment debt under the terms of the written agreement and the debt becomes delinquent, the delinquent debt may be transferred to the DCMO for further collection action. DCMO will collect the delinquent debt owed to the United States pursuant to to 31 U.S.C. § 3701 - 31 U.S.C. § 3720E, regardless of the terms of the original agreement. DCMO will assess interest, penalties, and administrative costs as stated in the DFAS debt notification issued to the recipient, irrespective of the terms set forth in the original agreement.

5.4 Obtaining Service from the DCMO

Other DoD Components not supported by DFAS may obtain debt collection services from the DCMO. The DoD Component and the DCMO must document the services to be provided using a ***Fiscal Service Form 7600A***, United States Government Interagency Agreement (IAA) - Agreement Between Federal Agencies General Terms & Conditions (GT&C) Section Support Agreement.

5.5 DCO Responsibilities

The DCO must:

5.5.1. Initiate debt collection and ensure due process requirements (notification and opportunity for review) are met. The DCO must issue the initial bill, invoice, and/or debt notification letter to the debtor and take appropriate follow-up action. The DCO may use bills and invoices as an initial attempt at debt collection. However, generally bills and invoices do not meet the requirements of due process. The DCO must issue a debt notification letter setting out the debtor's due process rights prior to submitting the debt to the DCMO for collection services. Although only one due process notification is required, a DCO may issue additional written

demands for payment to the debtor as deemed appropriate. Refer to Chapter 2 for guidance on issuing the debt notification letter;

5.5.2. Complete any previously initiated actions such as reclamation, appeal, litigation, or foreclosure before referring delinquent, individual, out-of-service debts to the DCMO;

5.5.3. Research and verify the military or civilian status of debtors to ensure that only individual out-of-service debts are referred to the DCMO, or ensure other debts transferred are in accordance with established procedures;

5.5.4. Refer delinquent, individual, out-of-service debts that are $225 or greater to the DCMO no later than 60 days after the payment due date when the DCO has not been able to collect a debt or establish a repayment schedule with the debtor. If an individual has multiple debts all under $225, then the DCO may consolidate the debts and refer them to the DCMO as one debt package. Components that have implemented the processes and procedures defined in the Delinquent Debt Management Guidance (DDMG) should refer eligible and legally enforceable, delinquent, individual out-of-service debt over $25 to Treasury's Bureau of the Fiscal Service (Fiscal Service) Debt Management Services for further collection action where applicable. Refer to Volume 4, Chapter 3 for guidance on clearing individual out-of-service debts that are below the referral threshold;

5.5.5. For manually submitted debts, use a transmittal letter to refer eligible debts to the DCMO and to ensure that the debts are received by the DCMO (refer to paragraph 5.7 for systemic referral of debts to the DCMO). Prepare the transmittal letter in duplicate and send it to ***askDFAS***, along with all substantiating documentation, or to the DCMO, DFAS-IN, Department 3300 (ATTN: Case Management), 8899 East 56th Street, Indianapolis, IN 46249-3300, or via email to dfas.indianapolis-in.jaa.mbx.oosdebt-debtmgmt-baselevel@mail.mil. Send new debts with transmittal letters as often as required, but at least weekly. Identify on the transmittal letter all attached debt case files by name, social security number, and amount. Include the name, email address, and telephone number for the DCO point of contact and the name and location of the office accountable for the debt. Attach a copy of all documentation and background material in the debt case files. The required documentation includes:

5.5.5.1. A copy of the original bill, invoice, and/or debt notification letter. In order for the DCMO to accept the debt, the debt notification letter must comply with the requirements under Chapter 2;

5.5.5.2. The original debt principal amount with complete accounting classification and fiscal year to credit with any collections. Include a copy of the original disbursement voucher when the debt is the result of a previous payment;

5.5.5.3. The date the debt became known;

5.5.5.4. The date the debt was due;

5.5.5.5. The date the debt became delinquent (usually 30 days from the date of the debt notification letter);

5.5.5.6. The amount of accrued IPA;

5.5.5.7. Copies of any follow-up correspondence between the debtor and the DCO;

5.5.5.8. Amounts and dates of any prior collections and the accounting classification credited. Include a copy of the collection voucher when the collection was not processed through salary offset;

5.5.5.9. The debtor's branch of service or agency where formerly employed;

5.5.5.10. The debtor's, sponsor's, or beneficiary's social security number;

5.5.5.11. Military status and date of separation for members or employees whose period of service or employment ended with indebtedness;

5.5.5.12. Copy of DD 139 for military pay debts;

5.5.5.13. Copy of DD 2481 for civilian employee debts; and

5.5.5.14. Any other relevant documentation or information regarding the debt;

5.5.6. Include in each transmittal package a certifying statement that the amounts of the debts being referred are correct and that the debts are delinquent, valid, legally enforceable, and confirm that the DCO provided the debtor with all due process requirements. DCOs referring debts electronically must also submit a debt certification statement. Exhibit 3-2 is a sample debt certification statement;

5.5.7. Correct any errors in debt packages returned by the DCMO for correction/additional action and send the debt package back to the DCMO;

5.5.8. Coordinate with the DCO's supporting accounting office to ensure that it removes accountability for the referred debts from its records in accordance with the guidance in Volume 4, Chapter 3 upon receipt of the duplicate copy of the transmittal letter;

5.5.9. Maintain names, official addresses, and contact information for all witnesses to the events leading to the debt and copies of and location of physical evidence (documentation and other evidence) relating to the debt for payroll debts involving fraud, misrepresentation, or credibility, and for all non-payroll debts. Retain all investigative reports. This information is necessary in the event that the debt must be referred to Department of Justice (DOJ) for litigation; and

5.5.10. Mail any payments received from a debtor after the debt was referred to the DCMO to DFAS-IN, Department 3300 (ATTN: Case Management), 8899 East 56th Street, Indianapolis,

IN 46249-3300. Include the debtor's name and social security number so the DCMO can credit the proper account.

5.6 DCMO Responsibilities

The DCMO must:

5.6.1. Assist DCOs in the centralized management of debts, including automated, centralized processing, referral to private collection agencies or to the Treasury, reporting, and accounting of debts;

5.6.2. Return uncollectible debts, debts requiring additional DCO collection action, and debts with incomplete documentation to the DCO with an explanation of the reason for the return;

5.6.3. Determine the effective date for entering the debts into DDMS, annotate the effective date on the duplicate copy of the transmittal letter, and return the duplicate copy of the transmittal letter to the DCO;

5.6.4. Pursue collection action once debts are entered in DDMS. Exhibit 3-3 illustrates a general overview of the individual, out-of-service, delinquent debt collection steps. The DCMO debt services provided to the DCO include the following: issuing written demands for payment to the debtor; collecting debts via lump sum or agreed-upon installment payments; referring delinquent debts to private collection agencies for collection; reporting debts to credit bureaus; referring uncollectible, delinquent debts to Treasury for offset (see Chapter 2); and referring uncollectible debts to the DOJ for litigation. The DCMO may also process debts for compromise, suspension of collection, or termination of collection. In the case of deceased debtors, the DCMO must use ***DD 2840***, Request for Information Regarding Deceased Debtor, to seek information from state probate courts concerning the establishment of an estate in order to pursue collection;

5.6.5. Provide the data recorded in DDMS monthly to DFAS departmental accounting offices;

5.6.6. Retain all pertinent debt documentation. Upon request, provide feedback regarding the status of debt collection to the applicable DoD Component; and

5.6.7. Provide PROs pertinent data regarding collections from former civilian employees so that the PRO may affect necessary changes (i.e., ***SF 2812***, Report of Withholdings and Contributions for Health Benefits, Life Insurance and Retirement; ***SF 2806***/***SF 3100***, Individual Retirement Record; Internal Revenue Service ***(IRS) Form W-2***, Wage and Tax Statement; and ***IRS Form 941***, Employer's QUARTERLY Federal Tax Return).

5.7 DFAS Departmental Accounting Offices

DFAS departmental accounting offices must use DDMS to establish and maintain accountability at the departmental level for all debts referred to the DCMO. DFAS departmental accounting offices must report the transfer-out and transfer-in of these debts on Part I, Section A,

Line 5.A, "Reclassified/Adjusted Amounts" on the Treasury Report on Receivables (TROR), and provide the required footnote. Components that have implemented processes defined in the DDMG must maintain accountability of debt in their systems and submit data for the TROR directly to Treasury. Volume 4, Chapter 3 contains more specific reporting requirements.

5.8 Collection Assistance for System-Generated Individual Out-of-Service Debts

5.8.1. Uncollected debts over $225 maintained on the Master Military Pay Account of Active Component and RC service members that are due upon separation or retirement, debts for offset from retired pay or annuitant pay, and some other out-of-service debts are systemically referred to the DCMO. Debts being referred must be correct, valid, legally enforceable, and the DCO must have provided the debtor with all due process requirements unless there is an agreement that the DCMO will provide due process instead. Once these system-generated debts are entered in DDMS, the debts are serviced in the same manner as debts referred to the DCMO by the DCOs under paragraph 5.5. Defense Retiree and Annuitant Pay System (DRAS) debts are created when payments are made after the entitlement to retired pay has ended. DRAS debts are transferred to the DCMO each month by an interface between DRAS and DDMS.

5.8.2. Components that have implemented the processes and procedures defined in the DDMG should refer eligible and legally enforceable, delinquent, individual, out-of-service debt over $25 directly to Treasury for further collection action where applicable (see Chapter 2 for guidance on referring delinquent debts to Treasury).

6.0 COLLECTION OF DEBT USING TREASURY CRS

CRS is a Treasury, Fiscal Service program managed by its Debt Management Services area. Under its authority at ***31 U.S.C. 3711(g)***, CRS provides servicing for federal, nontax, administrative debt from the point at which a creditor agency establishes a debt until the debt is paid, otherwise resolved, or referred to the Treasury's Cross-Servicing program for further action. A creditor agency using CRS services must execute an annual written agreement with Fiscal Service and certify that referred debts are valid and legally enforceable. DoD Components that are authorized to enter into a CRS agreement with Treasury use the service to collect debts owed to DoD. Collection is governed by the terms of the CRS agreement. See ***I Treasury Financial Manual Part 3 – Chapter 3000*** for further guidance.

7.0 REFUNDING PREVIOUSLY COLLECTED DEBTS AND LATE PAYMENT CHARGES

7.1 Scope

This section does not pertain to refunds authorized under the Contract Disputes Act. Refer to Chapter 5 for specific guidance on contract debt.

7.2 General

Refunds of collected debts may be required for a variety of reasons, but generally are based on a determination that the debt is invalid or should have been forgiven under applicable law or regulation. Payments received from debtors for principal and IPA must be refunded to the debtor when a debt is found not to be due to the Government. For example, refunds may be appropriate in instances where waiver or remission is granted, when a post-collection clarification changes the debt amount, or as a result of an administrative or judicial order. A refund may also be appropriate if collection from an employee's pay exceeds the allowable percentage of disposable pay due to an error in computation. If an offset mistakenly exceeds 15 percent of disposable pay when the debtor has not consented to deductions at a greater percentage, then the DCO must refund the difference to the debtor upon the debtor's request.

7.3 Payment Voucher for Refunds

When making a refund payment, the DoD Component or DCO must prepare a ***SF 1034***, Public Voucher for Purchases and Services Other Than Personal, or other approved voucher, and submit it for payment to the disbursing office. Documentation from the debtor or other source(s) that establishes the claim for a refund must accompany the voucher. The DoD Component or DCO must retain a copy of the voucher and supporting documentation in the debtor's case file.

7.4 Refunds Available for Administrative Offset

Refunds of amounts previously collected may be applied to other, unrelated outstanding debts the debtor may owe to the Government, as long as due process has been provided.

7.5 Determination of Refund Amount

The amount refunded to the debtor may include money that was originally collected for principal and IPA, or if the debt was collected by Treasury and/or a private collection agency, any additional fees imposed by those entities must be considered for inclusion in the refund. Treasury and private collection agencies retain any fees assessed for the collection of the debt. However, the amount refunded to the debtor must be the total amount collected, including any fees assessed by the Treasury and/or private collection agencies. The debtor should receive a full refund even though fees imposed by Treasury or private collection agencies may not be returned to the referring DCO. Interest is not paid on refunds unless the refund is the result of a personnel action and interest is ordered to be paid under the Back Pay Due to Unjustified Personnel Action at ***5 U.S.C. § 5596***.

7.6 Funding the Payment of Collected Debt Refunds

Refer to Volume 4, Chapter 3 for guidance on which appropriation(s) to charge when refunding amounts collected for principal debt and IPA.

Exhibit 3-1. Sample Notification Prior to Referral of Debt to OPM

(1)

(2)

Dear (3):

Our records indicate that you are separating from Federal service. On (4), you were notified that you were overpaid for pay periods ending (5)-(6) in the gross amount of (7). The remaining balance of your debt is (8), after all prior payments and offsets, and after collection from your final pay.

Payment of the Balance Due on Your Debt. Please pay the balance due of your debt in full by (9), which is 30 days from the date of this letter. Your check or money order should be made payable to [Insert recipient, e.g., DFAS-CL DSSN 8522] in the amount of (8). Please send your payment to [Insert mailing address].

If you do not pay the balance due on your debt within 30 days, your debt will be forwarded to the Office of Personnel Management (OPM) for recovery by offset from Civil Service Retirement System (CSRS) or Federal Employees Retirement System (FERS) basic retirement or disability benefits paid to you. DFAS will not forward your debt to OPM if you pay the remaining balance due within 30 days from the date of this letter. The DFAS Debt and Claims Management Office will continue to pursue the collection of your debt after you leave Federal service.

If you have further questions regarding this debt contact the [Insert name and contact information, e.g., Indebtedness Processing Team at (800) 538-9043].

Sincerely,
(10)

(11)

Exhibit 3-1. Sample Notification Prior to Referral of Debt to OPM (Continued)

Explanation of Blank Spaces on Sample Debtor Notification

(1) Date

(2) Address of the Debt Collection Office

(3) Last name of debtor with proper title (Mr. or Ms.)

(4) Date of the due process notification originally sent to the debtor

(5) First pay period of overpayment

(6) Last pay period of overpayment

(7) Gross amount of the debt of which debtor had been previously notified

(8) The net amount of debt remaining at the time of this notification

(9) The date by which the debtor must pay the debt in full or else it will be forwarded to the Office of Personnel Management, usually 30 days from the date the letter is issued

(10) Supervisory signature

(11) Identify by name, the signatory for the letter

Exhibit 3-2. Sample Debt Certification Statement

DEBT CERTIFICATION STATEMENT

Pursuant to Title 28, United States Code, Section 1746 ***(28 U.S.C. § 1746)***, I certify under the penalty of perjury that to the best of my knowledge and belief that the debts submitted herewith are delinquent, valid, and legally enforceable in the amounts stated. The debts are not subject to any circumstances that legally preclude or bar collection, including collection by offset. The debtor has been afforded all due process rights, including notification and an opportunity for review under 31 U.S.C. § 3716. Records available do not show that any debtor owing a debt has filed for bankruptcy protection.

_____ _____

Date Signature of Debt Certifying Official

Print Name:_____

Title:_____

Office Symbol:_____

PREPARATION AND SUBMISSION INSTRUCTIONS

REQUIRED SIGNATORY: The submitting office's director, deputy director, or designee.

MANUAL DEBT SUBMISSION: Prepare and send a copy of the Certification Statement along with each manual submission of debts.

ELECTRONIC DEBT SUBMISSION: Prepare and mail a copy of the Certification Statement to cover the electronic submission of debts to: DCMO, DFAS-IN, Department 3300 (ATTN: Debt Establishment), 8899 E. 56th Street, Indianapolis, IN 46249-3300. Prepare and mail a new Certification Statement whenever the signatory changes. For those periodic electronic debt submissions when it is not necessary to reissue and mail a paper copy Certification Statement (i.e., no change in signatory), e-mail the Certification Statement to cover the electronically transmitted debts. Contact the DCMO to obtain the current e-mail address for submission of e-mailed certifications.

Exhibit 3-3. DDMS Debt Processing Steps

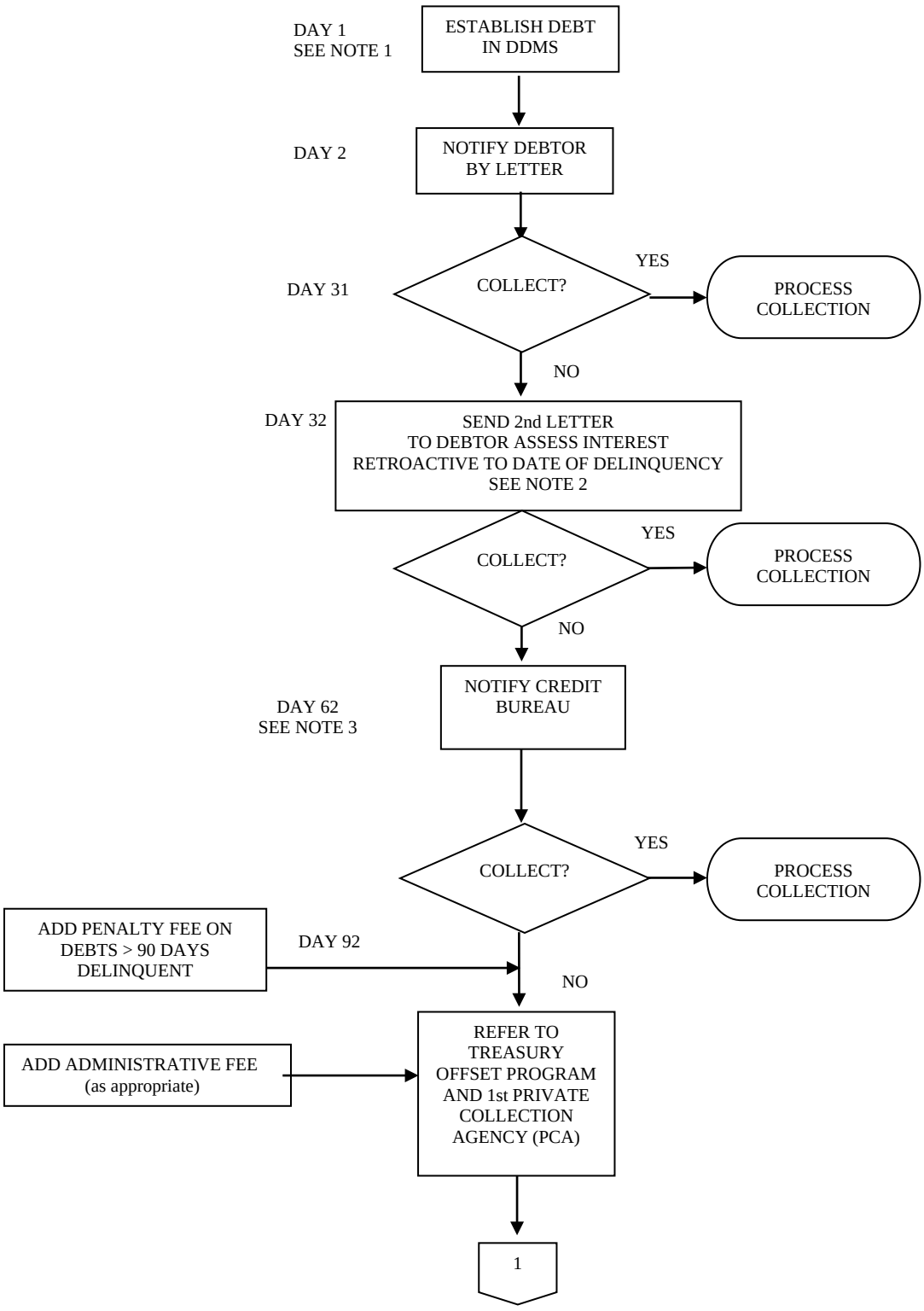

Exhibit 3-3. DDMS Debt Processing Steps (Continued)

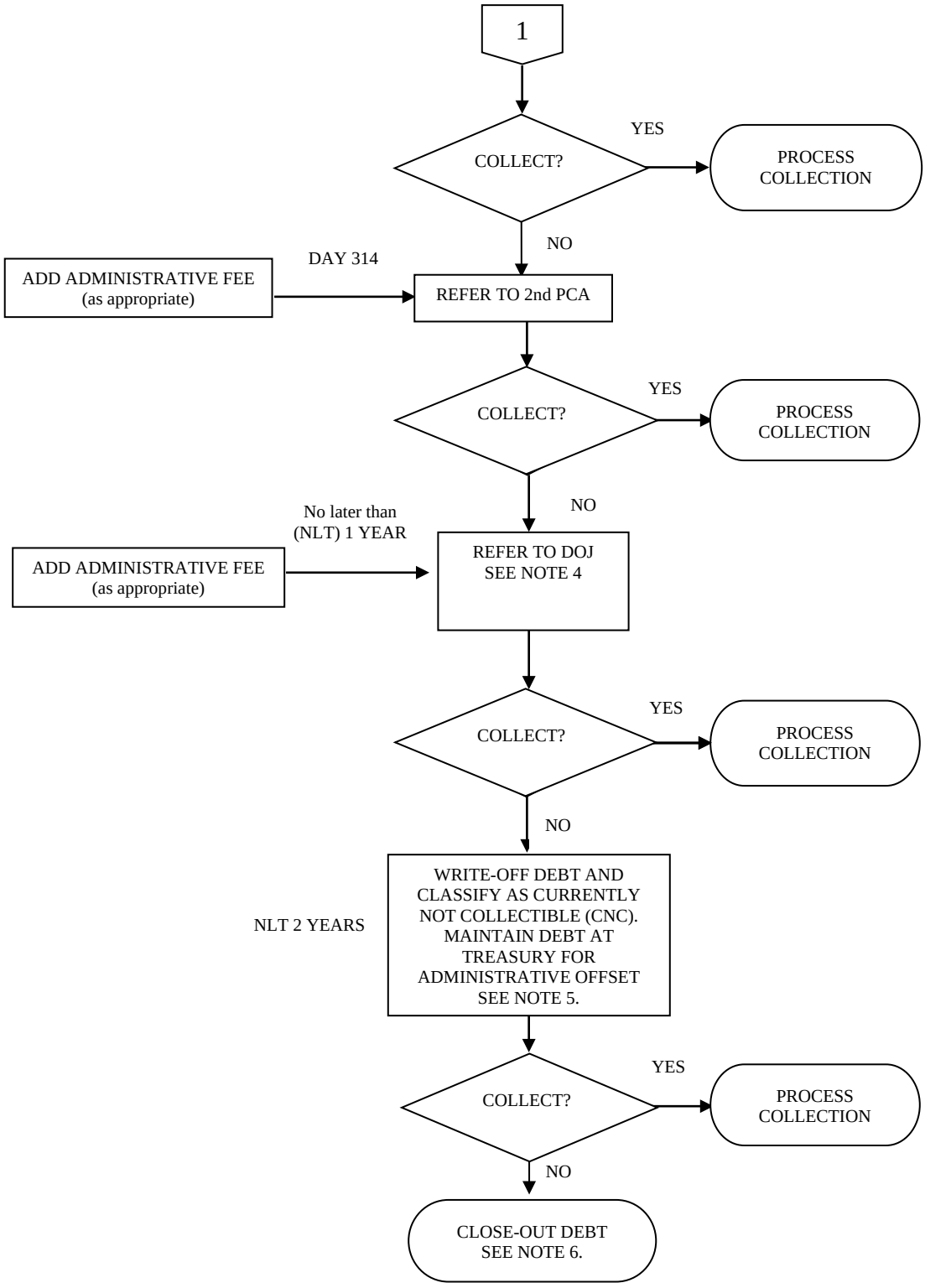

Exhibit 3-3. DDMS Debt Processing Steps (Continued)

NOTES:
1. The number of days depicted in this chart reflects the approximate number of days that a debt has been recorded in DDMS.
2. Interest is accrued and assessed monthly throughout the life of a delinquent debt.
3. Debts are reported to credit bureaus no earlier than 60 days from the date the debtor is notified of the intention to report the debt to a credit bureau. The DCMO includes this notice in the initial letter to the debtor (Day 2).
4. Refer to Chapter 2 for thresholds to refer debts to DOJ.
5. Refer to Volume 4, Chapter 3 for guidance on write-off and classification of debt as CNC.
6. Refer to Volume 4, Chapter 3 for guidance on the close-out of debts.

Table 3-1. Military Member Indebtedness Due to Erroneous Payments, Government Accountability Office (GAO) Disallowances, and Notices of Exception

RULE	If an	of	is indebted to the United States for	and	then collect from current pay	at a monthly rate not to exceed that shown in this table or in the rule cited
1	officer or enlisted member	any Military Service	payment disallowed by GAO or by the DoD Office of the General Counsel in accounts of a disbursing or certifying officer	the Secretary of the Military Service concerned or the Secretary's designee has determined the indebtedness is valid	involuntarily (note 1)	disposable pay (see subparagraph 3.4.2 and Table 3-6, rule 2).
2	officer or enlisted member	any Military Service	debt cited in GAO notice of exception or informal inquiries (note 2)	the Secretary of the Military Service concerned or the Secretary's designee has determined the indebtedness is valid	involuntarily (note 1)	Table 3-6, rule 2.
3	officer or enlisted member	any Military Service	erroneous payment (including allotments the member knew or reasonably should have known were erroneous) made to or on behalf of the member of any uniformed service (note 3)	the Secretary of the Military Service concerned or the Secretary's designee has determined the indebtedness is valid	involuntarily (note 1)	Table 3-6, rule 2.
4	officer or enlisted member recovering from a wound, injury, or illness incurred through no fault of the member in the line of duty in a combat operation or zone	any Military Service	an overpayment of pay or allowances through no fault of the member incurred on or before October 28, 2009	the Secretary of the Military Service concerned or the Secretary's designee has determined the indebtedness is valid	after a 90-day delay following reassignment of the member from a military treatment facility or other medical unit outside of the theater of operations or member's consent (see subparagraph 3.5.3)	Table 3-6, rule 5.

Table 3-1. Military Member Indebtedness Due to Erroneous Payments, Government Accountability Office (GAO) Disallowances, and Notices of Exception (Continued)

RULE	If an	of	Is indebted to the United States for	and	Then collect from current pay	at a monthly rate not to exceed that shown in this table or in the rule cited
5	officer or enlisted member recovering from a wound, injury, or illness incurred through no fault of the member in the line of duty in a combat operation or zone	any Military Service	an overpayment of pay or allowances through no fault of the member incurred on or after October 29, 2009	the Secretary of the Military Service concerned or the Secretary's designee has determined the indebtedness is valid	after a 180-day delay beginning on the date of the completion of the tour of duty of the member in the combat operation or combat zone or member's consent (see subparagraph 3.5.3)	Table 3-6, rule 6.
6	officer	any Military Service	erroneous payment of allotment caused by failure to report, as required, the death of the allotter or any other fact making the allotment not payable	appropriate investigation is made, and the overpaid amount is not recovered from the allottee	with officer's consent, or with approval of the Secretary concerned	applicable amount of allotment.

NOTES:
1. This does not change rules on collections of indebtedness of accountable, certifying, or disbursing officers.
2. If a Notice of Exception covers erroneous payment by a uniformed service, then rule 3 will be applied. A Notice of Exception is issued by the GAO and pertains to a disbursing officer account(s).
3. When a member's pay is not promptly reduced to allow for Uniform Code of Military Justice forfeitures, the resulting indebtedness is considered an erroneous payment within this rule.

Table 3-2. Military Member Indebtedness Due to Loss of Public Funds

RULE	If an	of	is indebted to the United States for	and	then withhold from current pay	at a monthly rate not to exceed that shown in this table or in the rule cited
1	account-able official (note 1)	any Military Service	arrears in accounts because of failure to account for funds entrusted to the member	debt is admitted by officer (note 2)	involuntarily	disposable pay (see subparagraph 3.4.2 and Table 3-6, rule 2).
2	account-able official (note 1)	any Military Service	arrears in accounts because of failure to account for funds entrusted to the member	debt is shown by the judgment of a court	involuntarily	disposable pay (see subparagraph 3.4.2 and Table 3-6, rule 2).
3	account-able official (note 1)	any Military Service	arrears in accounts because of failure to account for funds entrusted to the member	debt is shown by special order issued by the Secretary of the Military Service concerned	involuntarily	rate directed by special order of Secretary of the Military Service concerned (all pay excluding allowances, or lesser amount).
4	account-able official (note 1)	any Military Service	arrears in accounts because of failure to account for funds entrusted to the member	relief of an officer, pursuant to ***31 U.S.C. 3527***, was denied.	involuntarily	rate directed by special order of Secretary of the Military Service concerned (all pay excluding allowances, or lesser amount).
5	account-able enlisted member (note 3)	any Military Service	arrears in accounts because of failure to account for funds entrusted to the member	relief of an officer, pursuant to 31 U.S.C. 3527, was denied.	involuntarily	disposable pay (see subparagraph 3.4.2 and Table 3-6, rule 2).
6	officer or enlisted member	any Military Service	public funds obtained or converted to own use through fraud, larceny, embezzlement, or other unlawful means	the mis-appropriation of funds is admitted by the member	involuntarily, or as prescribed by regulations of the Military Service concerned	Table 3-6, rule 2 (note 4).

NOTES:

1. Applies to officers who hold in trust sums or balances of public money for which they are required to account, such as disbursing officers and deputies or agents to disbursing officers.
2. A mere acknowledgment or report of a shortage in accordance with Military Service regulations is not an admission for the purpose of this rule. The phrase "debt is admitted" means either a written statement made by the accountable officer admitting indebtedness, acknowledged or witnessed before a person authorized to administer oaths, or another person designated by higher authority, or if the accountable officer refuses to sign a statement, then a certification by a commissioned officer that the accountable officer clearly and unequivocally admitted the indebtedness is sufficient to authorize the withholding from officer's current pay.
3. If exact amount of debt is not known at the time the loss is discovered, then establish the debt at the amount then known and adjust when investigation is completed.
4. Applies to enlisted members who are entrusted with public funds. It includes military postal clerks and members who, though not bonded, are entrusted with public funds for small purchases.

Table 3-3. Military Indebtedness Due to Loss or Damage to Public Property or Supplies

RULE	If	of	is indebted to the United States for	and	and	then collect from current pay	at a monthly rate not to exceed that shown in this table or in the rule cited
1	an account-able officer	the Army or Air Force	loss or damage to military supplies, upon final settlement of accounts of officer charged with issue of the supplies	the officer fails to show satisfactorily that the loss or damage of property was not due to any fault on the officer's part	the officer is found pecuniarily liable by a report of survey or by a board of officers, and findings are approved by the Secretary concerned	involuntarily	disposable pay (see subparagraph 3.4.2 and Table 3-6, rule 2).
2	an account-able officer	the Navy or Marine Corps	loss or damage to public property entrusted to the officer, such as stores, supplies and receipts from sale of public property	the Commander, Naval Supply Systems Command or the Commandant of the Marine Corps (Installation and Logistics) renders determination	the Director, DFAS-Cleveland Site issues instructions to the member's commanding officer on action to take to liquidate debt	involuntarily	disposable pay (see subparagraph 3.4.2) or lesser amount approved by the Assistant Secretary of the Navy (Financial Management and Comptroller) or the Commandant of the Marine Corps.
3	an officer or enlisted member	any uni-formed service	damage or cost of repairs to arms or equipment	the member had the care of, or was using the property when damaged	negligence or abuse in care or use of property is established by a board of officers or on a report of survey, and findings are approved by Secretary concerned	involuntarily	disposable pay (see subparagraph 3.4.2 and Table 3-6, rule 2).
4	a non-accountable officer or enlisted member	any uni-formed service	loss of or damage to Government property	liability is established under regulations of the Military Service concerned	case is not within the scope of rule 3	involuntarily	Table 3-6, rule 2.
5	an officer or enlisted member	any Military Service	damage to or failure to satisfactorily clean assigned housing or damage to or loss of equipment or furnishings of such housing	the damage, loss or requirement for cleaning was caused by the abuse or negligence of the member, the member's dependent(s) or a guest of either the member or the member's dependent(s)	the negligence or abuse is established by administrative determination under regulations of the Military Service concerned	involuntarily	Table 3-6, rule 2.

Table 3-4. Military Member Indebtedness to the United States

RULE	If	of any Military Service is indebted to the United States for	then collect from current pay	At a monthly rate not to exceed that shown in this table or in the rule cited
1	an enlisted member	enlistment or reenlistment bonus for period unserved	involuntarily	Table 3-6, rule 2.
2	an officer or enlisted member	unpaid hospital bills for medical services furnished a dependent	involuntarily or pursuant to Military Service regulations	amount owed or received.
3	an officer or enlisted member	excess cost of shipment of household goods	involuntarily or pursuant to Military Service regulations	amount owed or received.
4	a medical officer	compensation or stipend payments received from state, county, municipal, or privately owned hospitals for medical service	involuntarily or pursuant to Military Service regulations	amount owed or received.
5	an officer or enlisted member	jury duty fees (as distinguished from expenses) from any court, except while on authorized leave, and receiving active duty pay and allowances	involuntarily	amount owed or received.
6	an officer or enlisted member	amount due the DoD, its instrumentalities, or other uniformed services by reason of court judgment	involuntarily	Table 3-6, rule 2.
7	an officer or enlisted member	a debt determined valid from a federal agency outside DoD or other uniformed service including debts resulting from court judgments	involuntarily	Table 3-6, rule 3.
8	an officer or enlisted member	a travel advance in excess of entitlements (see note)	involuntarily or pursuant to Military Service regulations	Table 3-6, rule 2.

NOTE:
If the member has not filed a claim on a timely basis as defined by Military Service regulations, then the entire amount of the advance is considered to be in excess of entitlements.

Table 3-5. Military Member Indebtedness to Individuals, Government Instrumentalities, and Agents

RULE	If	of	is indebted to	for	and	then collect from current pay	at a monthly rate not to exceed that shown in this table or in the rule cited
1	an officer or enlisted member	any Military Service	any person	willfully damaging or wrongfully taking property of that person	the commander has convened a board to investigate complaint, and board has assessed damages, and commander has approved an amount of assessment	involuntarily	amount approved by commander not to exceed disposable pay (see subparagraph 3.4.2).
2	an officer or enlisted member		member's spouse, former spouse, or child	court-ordered child support or alimony	the commander has convened a board to investigate complaint, and board has assessed damages, and commander has approved an amount of assessment	involuntarily	see Volume 7A, Chapter 41.
3	an officer or enlisted member	the Army or Air Force	a commissary	an uncollectible check which member or member's authorized agent has issued or endorsed to the commissary (notes 1 and 2)	the commander has convened a board to investigate complaint, and board has assessed damages, and commander has approved an amount of assessment	involuntarily	disposable pay (see subparagraph 3.4.2 and Table 3-6, rule 2).
4	an officer or enlisted member	the Navy or Marine Corps	a commissary	an uncollectible check which member or member's authorized agent has issued or endorsed to the commissary (notes 1 and 2)	the commander has convened a board to investigate complaint, and board has assessed damages, and commander has approved an amount of assessment	involuntarily or pursuant to Military Service regulations	Table 3-6, rule 2.
5	an officer or enlisted member	any Military Service	other appropriated fund activity or office	an uncollectible check endorsed or issued by member or member's agent (note 1)	the commander has convened a board to investigate complaint, and board has assessed damages, and commander has approved an amount of assessment	involuntarily or pursuant to Military Service regulations	Table 3-6, rule 2.

Table 3-5. Military Member Indebtedness to Individuals, Government Instrumentalities, and Agents (Continued)

RULE	If	of	is indebted to	for	and	then collect from current pay	at a monthly rate not to exceed that shown in this table or in the rule cited
6	an officer or enlisted member	any Military Service	a nonappropriated fund activity	any indebtedness by member or member's agent (note 1)	the custodian of the nonappropriated fund instrumentality has tried all means for direct collection from member, and a request has been sent to member's commander for assistance in obtaining direct payment	involuntarily or pursuant to Military Service regulations	Table 3-6, rule 2.
7	an officer or enlisted member	any Military Service	a nonappropriated fund activity	any indebtedness by member or member's agent (note 1)	the custodian of the nonappropriated fund instrumentality has tried all means for direct collection from member, and a request has been sent to member's commander for assistance in obtaining direct payment	involuntarily or pursuant to Military Service regulations	Table 3-6, rule 2.
8	an officer or enlisted member	any Military Service	the IRS or the Treasury	delinquent income taxes or court-ordered child support (note 3)	IRS Notice of Levy is served or court ordered garnishment is issued	involuntarily or pursuant to Military Service regulations	see Volume 7A, Chapter 41

1. Generally, an agent is one who has been given a power of attorney by the member.
2. Effective February 1, 1999, collection of dishonored checks written by the member or the person who presented the check based upon their status and relationship to the member as well as costs associated with that check may be collected.
3. Upon certification from Department of Health and Human Services to the Treasury, IRS Notice of Levy may be issued for delinquent child support (Refer to Volume 7A, Chapter 41, section 3.0).

*Table 3-6. Military Member Rates of Collection

RULE	If	Is indebted for	then the DCO may authorize or approve liquidation by monthly installments that	and if debt remains at time of separation, collect from final pay	And if total debt is not liquidated from final pay, establish collection from
1	an officer or enlisted member of any Military Service	court-ordered child support or alimony and garnishment or attachment of pay is directed by court order	do not exceed limitations set forth in Volume 7A, Chapter 41	as directed by court order	retired pay, retainer pay, or pay in new enlistment and limited by Volume 7A, Chapter 41.
2	an officer or enlisted member of any Military Service	an administratively determined indebtedness to the United States or its instrumentalities	do not exceed maximum limitation specified in paragraph 3.5 unless the member consents to collection of a greater amount. Commander may authorize collection of a lesser amount when justified or as provided for in the regulations of the Military Service concerned (note 1)	unpaid pay and allowances, separation payments under Volume 7A, Chapter 35; Reservists' Involuntary Separation Payment; amounts deducted for U.S. savings bonds including undelivered bonds; separation travel allowance for officers; reimbursement for transportation of household goods, dislocation and trailer allowance (for enlisted members, do not collect from separation travel allowance, or donation on discharge). If member is retiring, then see section 4.0 (notes 1, 2, 3, and 4)	retired pay (see section 4.0) or pay in new enlistment.
3	an officer or enlisted member of any Military Service	an administratively determined indebtedness to the United States excluding the DoD and its instrumentalities or other uniformed services	do not exceed 15 percent of disposable pay for that month (see subparagraph 3.6.2)	unpaid pay and allowances, separation payments under Volume 7A, Chapter 35; Reservists' Involuntary Separation Payment; amounts deducted for U.S. savings bonds including undelivered bonds; separation travel allowance for officers; reimbursement for transportation of household goods, dislocation and trailer allowance (for enlisted members, do not collect from separation travel allowance, or donation on discharge). If member is retiring, then see section 4.0 (notes 1, 2, 3, and 4)	retired pay (see section 4.0) or pay in new enlistment.

Table 3-6. Military Member Rates of Collection (Continued)

RULE	If	is indebted for	then the DCO may authorize or approve liquidation by monthly installments that	and if debt remains at time of separation, then collect from final pay	and if total debt is not liquidated from final pay, then establish collection from
4	an officer or enlisted member of any Military Service	any indebtedness incurred on or after December 4, 1987, to a Service relief society (Army Emergency Relief, Air Force Aid Society, Navy-Marine Relief Society, or Coast Guard Mutual Assistance)	do not exceed 15 percent of disposable pay for that month (see subparagraph 3.6.2)	involuntarily or pursuant to Military Service regulations (note 5)	retired pay (see section 4.0) or pay in new enlistment.
5	an officer or enlisted member of any Military Service	an overpayment of pay or allowances through no fault of the member (for overpayments made on or after October 17, 2006 through October 28, 2009)	do not exceed 20 percent of disposable pay for that month	involuntarily or pursuant to Military Service regulations (note 5)	retired pay (see section 4.0) or pay in a subsequent period of military service.
6	an officer or enlisted member of any Military Service	an overpayment of pay or allowances through no fault of the member (for overpayments made on or after October 29, 2009)	do not exceed 15 percent of disposable pay for that month	involuntarily or pursuant to Military Service regulations (note 5)	retired pay (see section 4.0) or pay in a subsequent period of military service.

NOTES:

1. For Army and Air Force enlisted members that do not exceed the maximum limitation specified in paragraph 3.5. This limitation does not apply to enlisted members whose accounts are being settled on discharge for fraud, desertion, or because of mental incapacity.
2. For enlisted members, travel allowances remaining due after the completion of separation travel may be collected.
3. For members transferring to the Retired Reserve and receiving Reservists' Special Separation Pay (RSSP), the entire amount of the RSSP payment(s) is available for offset.
4. If indebtedness is a result of an unfulfilled bonus agreement, and separation is under the Special Separation Benefit (SSB) or Voluntary Separation Incentive (VSI) program, then refer to Volume 7A, Chapter 35 for VSI or Volume 7B, Chapter 4 for SSB.
5. Do not exceed maximum limitation specified in subparagraph 3.5.2.
6. In unusual circumstances, the initiation of collection action of travel advances pursuant to a consent agreement may be delayed if the delay is approved by the Director, DFAS (or designee). However, the repayment period will, in all cases, be scheduled to repay the advance before the member's expected date of separation.

Table 3-7. Military Retiree Indebtedness to Government Agencies

RULE	If a (an)	of	is indebted for	then collect from retired pay	at a maximum monthly rate of
1	retired member	any Military Service	overpayment of retired pay	involuntarily	see note 1.
2	retired member	any Military Service	overpayment of active duty pay and allowances carried forward from active duty	involuntarily	rate established while on active duty (note 1).
3	retired member	any Military Service	unpaid hospital bills for medical services furnished a dependent	involuntarily or pursuant to Military Service regulations	see note 1.
4	retired member	any Military Service	excess cost of shipment of household goods	involuntarily or pursuant to Military Service regulations	see notes 1 and 2.
5	retired member	the Army or Air Force	uncollectible check to a commissary issued or endorsed by member or member's agent	involuntarily	all pay (excluding FITW). See note 3.
6	retired member	the Navy or Marine Corps	uncollectible check to a commissary issued or endorsed by member or member's agent	involuntarily or pursuant to Military Service regulations	see notes 1 and 3.
7	retired member	any Military Service	any indebtedness to a nonappropriated fund activity	involuntarily or pursuant to Military Service regulations	see note 1.
8	retired member	any Military Service	hospital rations furnished to a member	involuntarily or pursuant to Military Service regulations	see note 1.
9	retired member	any Military Service	TRICARE payment on behalf of member's dependents	with member's consent	amount applicable.
10	retired member	any Military Service	delinquent federal income tax	involuntarily	amount applicable.
11	retired member	the Army or Air Force	loss, damage, or destruction of arms or equipment in member's care or use	involuntarily or pursuant to Military Service regulations	see note 1.
12	retired member	the Navy or Marine Corps	loss, damage, or destruction of arms or equipment in member's care or use	with member's consent	see note 1.
13	accountable officer	any Military Service	loss or damage to military supplies, upon final settlement of accounts of officer charged with issue of the supplies	involuntarily or pursuant to Military Service regulations	see note 1.

Table 3-7. Military Retiree Indebtedness to Government Agencies (Continued)

RULE	If a (an)	of	is indebted for	then collect from retired pay	at a maximum monthly rate of
14	retired member	any Military Service	damage to assigned family housing, or damage to or loss of equipment or furnishings caused by the abuse or negligence of the member or the member's dependent(s) or guests of member or the member's dependent(s) while on active duty and established by a Report of Survey	involuntarily	see notes 1 and 4.
15	retired member	any Military Service	a debt determined valid from another federal agency	involuntarily	not to exceed 15 percent of disposable pay.
16	retired member	any Military Service	RSFPP and SBP payments to a surviving annuitant when retiree presumed dead is later found to be alive	involuntarily	all pay or amount applicable.
17	retired member	any Military Service	advanced and unused travel expense	involuntarily	see notes 1 and 4.
18	retired member	any Military Service	dual compensation restrictions	involuntarily	see note 1.
19	retired member	any Military Service	negotiating both original and substitute checks	involuntarily	
20	retired member	any Military Service	retired pay paid concurrently with active duty pay while serving as a Reservist. (a) prior fiscal year(s) or prior month(s)	involuntarily	see note 1.
21	retired member	any Military Service	(b) current	involuntarily	1/12 of total for fiscal year
22	retired member	any Military Service	readjustment pay (a) paid prior to September 15, 1981 (see Volume 7B, Chapter 4, Table 4-1) (b) paid after September 14, 1981	involuntarily	all.
23	retired member	any Military Service	non-disability severance pay (a) paid prior to September 15, 1981 (see Volume 7B, Chapter 4, Table 4-2) (b) paid after September 14, 1981	involuntarily	see note 4.

Table 3-7. Military Retiree Indebtedness to Government Agencies (Continued)

RULE	If a (an)	of	is indebted for	then collect from retired pay	at a maximum monthly rate of
24	retired member	any Military Services	separation pay	involuntarily	see note 2.
25	retired member	any Military Service	an uncollectible check endorsed or issued by the member or a defaulted loan made to the member at a military banking facility overseas	involuntarily	see notes 1 and 4.
26	retired member		an uncollectible check endorsed by the member to a disbursing officer	involuntarily	see note 1.

NOTES:
1. Deductions will not exceed limitation set forth in paragraph 4.4.
2. Submit these types of indebtedness to the DCMO.
3. Effective February 1, 1999, collection of dishonored checks written by the member or the person who presented the check based upon their status and relationship to the member as well as costs associated with that check may be collected involuntarily.
4. Monthly rate based on service for which readjustment, severance, or separation pay was received as a proportion of the total deducted equals the lump-sum payment received. Refer to Volume 7B, Chapter 4 for additional guidance.

VOLUME 16, CHAPTER 4: "HEARINGS, INFORMAL DISPUTES, WAIVERS, AND REMISSIONS/CANCELLATIONS OF DEBT OWED BY INDIVIDUALS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated May 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and ensured compliance with administrative instructions.	Revision
9.1	Added language clarifying that remissions/cancellations are only for debts resulting from overpayments of Active Duty pay.	Addition

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CHAPTER 4

HEARINGS, INFORMAL DISPUTES, WAIVERS, AND REMISSIONS/CANCELLATIONS OF DEBT OWED BY INDIVIDUALS

1.0 GENERAL

1.1 Purpose

This chapter provides policy and requirements pertaining to the submission and processing of petitions for hearings or requests for review in order to dispute debt owed by individuals, as well as waiver and remission/cancellation applications. This chapter does not apply to collection of debts owed by contractors, vendors, assignees, state and local governments, or foreign entities. For guidance on disputed contractor debts, refer to Chapter 5. This chapter does not apply to the collection of child support, alimony, or commercial debts from the pay or salaries of DoD civilian employees or military members through garnishment or involuntary allotment. This chapter also does not apply to antitrust, fraud, tax, and interagency claims. See Volume 7A, Chapters 41 and 43; Volume 7B, Chapter 27; and Volume 8, Chapter 8 for guidance pertaining to other collections, including garnishments, child support, and collections from non-DoD, Federal entities.

1.2 Authoritative Guidance

DoD is required to aggressively collect debts in accordance with the following statutes, as well as other statutes and regulations expressly identified in this volume:

1.2.1. Debt Collection Improvement Act of 1996 (***Public Law 104-134***, Chapter 10, section 31001);

1.2.2. Debt Collection Act of 1982 (***Public Law 97-365***);

1.2.3. Federal Claims Collection Act of 1966 (codified at Title 31, United States Code, section 3701 (***31 U.S.C. § 3701***) et seq; ***5 U.S.C. § 5514***; and ***37 U.S.C. § 1007***);

1.2.4. Contract Disputes Act of 1978 (***41 U.S.C. § 7101 et seq.***);

1.2.5. Internal Revenue Code provisions regarding the authority to make credits or refunds (***26 U.S.C. § 6402***);

1.2.6. Federal Claims Collection Standards (***Title 31, Code of Federal Regulations (CFR), parts 900-904***);

1.2.7. Regulations for collection by offset from indebted government employees (***5 CFR 550, subpart K***); and

1.2.8. Regulations for the collection of past-due support by administrative offset (***31 CFR 285.1***).

2.0 NON-WAIVER OF RIGHTS BY PAYMENT

A debtor's involuntary payment of all or any portion of a debt must not be construed as a waiver of any rights that the debtor may have under 5 U.S.C. § 5514 or any other provision of a contract or law unless there are statutory or contractual provisions to the contrary. ***5 CFR 550.1104(o)*** provides additional information.

3.0 HEARINGS UNDER 5 U.S.C. § 5514 AND 31 U.S.C. § 3716 FOR DEBTORS OTHER THAN ACTIVE DUTY, RESERVE, OR RETIRED SERVICE MEMBERS

3.1 General

3.1.1. Debtors Under This Section. For the purposes of section 3.0, a debtor is an individual, other than an active duty, reserve, or retired Service member (unless otherwise indicated), who owes a debt to DoD, subject to involuntary offset under 5 U.S.C. § 5514 and ***31 U.S.C. § 3716***.

3.1.2. Requirement for Hearings. Hearings conducted by a hearing official are required prior to salary offset under 5 U.S.C. § 5514. Prior to administrative offset under 31 U.S.C. § 3716, a review by an agency official is legally sufficient, unless a hearing before a hearing official is granted under subparagraph 3.3.3.2.1, pursuant to ***31 CFR 901.3(e)***. Defense Finance and Accounting Service (DFAS), in its sole discretion, may perform hearings in other circumstances, as it deems necessary.

3.1.3. Active Duty, Reserve, and Retired Service Members. Due process review procedures for the debts of active duty, reserve, or retired Service members are set out at section 6.0. However, see subparagraph 3.1.5 for Financial Liability Investigation of Property Loss (FLIPL) hearing procedures for FLIPL debts involving active duty Service members.

3.1.4. Due Process Requirement. Granting a debtor the opportunity for a hearing is a due process requirement of 5 U.S.C. § 5514 and 31 U.S.C. § 3716. Debtors must be afforded the opportunity to dispute a debt prior to the initiation of involuntary offset to collect indebtedness due the U.S. Government, except in those instances listed in subparagraph 3.1.8. See 5 CFR 550.1104, ***31 CFR 285.5***, and 31 CFR 901.3. A debtor who repays a debt in part or in full, either before or after the filing of a timely hearing petition, does not waive their right to a hearing. Debtors may petition for a hearing to contest the validity or amount of the debt, or the involuntary repayment schedule. Generally, all issues requiring a hearing will be consolidated and decided in one hearing.

3.1.5. Scope of FLIPL Hearings. The DFAS Debt and Claims Management Office (DCMO) performs hearings involving FLIPL debts for both civilians and active Service members. For hearings involving FLIPL debts, the scope of a debtor's hearing before DCMO is limited to a review of the amount of the debt and/or the rate of collection for purposes of salary offset requirements under 5 U.S.C. § 5514 and ***Army Regulation 735-5***. The hearing official's determination regarding the amount of the debt is based on the finding in the approving authority's FLIPL report. The hearing official will not issue a decision that results in the substitution of the hearing official's judgment regarding the interpretation of policies and regulations as applied by

the approving authority. The hearing official will make a determination verifying the amount of the debt submitted for collection matches that of the investigation and the approving authority's final determination.

3.1.6. Hearing Petition. To request a hearing, the debtor must submit, in a timely manner, a hearing petition that meets the requirements of subparagraph 3.2.2. The timely filing of a hearing petition will stay the beginning of collection procedures until the results of the hearing have been rendered, unless collection is deemed necessary to protect the Government's interests.

3.1.7. Reconsideration Performed Prior to Hearing. Upon receipt of the hearing petition, the Debt Collection Office (DCO) must perform a reconsideration of the debtor's records to validate the debt. Reconsideration is an informal examination of internal debt records by the DCO to validate the debt without appointment of a hearing official and is the first step in the hearing process. It is not the formal hearing (see subparagraph 3.2.3.2). The DCO must issue the written reconsideration results to the debtor. Once the debtor receives the results, he or she must notify the DCO of his or her intent to continue with a formal hearing within 30 days from the date of the reconsideration, or by the date indicated in the reconsideration letter. If the debtor proceeds with a formal hearing, a hearing will be held by a hearing official who will make a written determination regarding the validity or amount of the debt, or on the proposed involuntary repayment schedule.

3.1.8. Exception to Requirement for Formal Notice, Hearing, Reconsideration Results, and Final Decision. Pursuant to 5 CFR 550.1104(c), a debtor is not entitled to a formal notice, hearing, written response, or a final decision under certain circumstances.

3.1.8.1. Underdeduction for Life or Health Insurance Premiums. A DoD civilian employee is not entitled to a formal notice, hearing, reconsideration results, or a final decision prior to offset of a debt related to the underdeduction of health or life insurance premiums if the amount to be recovered accumulated over 4 pay periods or less. Chapter 3 contains guidance for the collection of such premiums.

3.1.8.2. Routine Pay Adjustments. A DoD civilian employee is not entitled to a formal notice, hearing, reconsideration results, or a final decision prior to a routine intra-agency pay adjustment under 5 U.S.C. 5514 in order to collect overpayments of pay and allowances identified as having occurred within the 4 pay periods preceding the adjustment, or for any adjustments that amount to $50 or less. Refer to Chapter 2 for notification requirements for routine pay adjustments. While the notification must provide the debtor with a point of contact for contesting the adjustment, in these circumstances, a post-deprivation due process hearing is not required.

3.2 Hearing Petitions

3.2.1. Filing a Hearing Petition

3.2.1.1. The debtor must file a written petition to request a hearing in order to contest the validity or amount of the debt or to contest the involuntary repayment schedule. See 5 CFR 550.1104(e) and ***31 CFR 901.2(b)(1)***. The debtor must file the petition in accordance with the instructions provided by the DCO in the debt notification letter. The debtor must file the

hearing petition no later than 30 calendar days from the mailing date of the debt notification, or by the date indicated in the debt notification.

3.2.1.2. A debtor who wishes to contest an involuntary repayment schedule must file a hearing petition no later than 30 calendar days from the mailing date of a notice rejecting an unacceptable voluntary repayment agreement, or by the date indicated in the notice.

3.2.1.3. If the debtor first makes a written request for records related to the debt, then the debtor must file a hearing petition within 45 days after the date the records are distributed (by mail, electronically, or in person) to the debtor.

3.2.2. Content of Hearing Petition. A hearing petition must identify and explain, with reasonable specificity, the facts and evidence the debtor believes supports his or her position. There is no standardized format for a hearing petition; however, the petition must be in writing and contain the following information:

3.2.2.1. Identifying Information. The petition must include information such as a name, telephone number, email address, mailing address, and social security number of the debtor.

3.2.2.2. Reason for Filing the Petition/Basis of the Dispute. A hearing petition should include a written summary of the facts and the date and manner in which the debtor became aware of the overpayment. The debtor must indicate the basis for disputing the debt. If contesting an involuntary repayment schedule, then the petition should include a statement explaining the debtor's financial status.

3.2.2.3. Documentary Evidence. A hearing petition should include all documentary evidence the debtor wants the hearing official to review, including Leave and Earnings Statements (LES) and written testimony from any witnesses. If the debtor is contesting an involuntary repayment schedule, then the debtor should submit an alternate schedule and statement and/or records explaining his or her financial status.

3.2.2.4. Signature and Date. A hearing petition must be signed and dated by the debtor.

3.2.3. Action by the DCO on Hearing Petitions

3.2.3.1. Determine Whether Hearing Petition is Sufficient and Timely. The DCO should review the hearing petition to ensure it contains all required information and that it was submitted in a timely manner. For insufficient or untimely hearing petitions, the DCO should take the following actions:

3.2.3.1.1. Insufficient Hearing Petition. The DCO is responsible for reviewing the hearing petition for sufficiency based on the requirements of subparagraph 3.2.2. The DCO maintains the authority to retain and identify as insufficient any hearing petitions that do not contain the required information. For a petition deemed insufficient by the DCO, the DCO must notify the debtor in writing that his or her hearing petition was insufficient, and request that

the debtor submit additional information within 30 days from the date of the written notice of insufficiency. The DCO must advise the debtor that if he or she fails to submit additional information within 30 days of the written notice of insufficiency, the hearing request will be denied.

3.2.3.1.2. Untimely Hearing Petition. A debtor waives his or her right to a hearing if the debtor fails to file a hearing petition within 30 days from the mailing date of the debt notification or by the date indicated in the debt notification or notice rejecting an unacceptable voluntary repayment agreement. An untimely petition will result in denial of the hearing request. The DCO must notify the debtor in writing of the denial. If the debtor files a hearing petition after the time expires, the DCO may accept a late petition if the debtor can show that the delay was due to circumstances beyond the debtor's control. A DCO should consult with its Office of General Counsel (OGC) regarding the acceptance of late petitions.

3.2.3.2. Perform Reconsideration. Reconsideration is the first step in the hearing process. The DCO must perform the reconsideration once the debtor submits a timely and sufficient hearing petition. Reconsideration is the informal reexamination of the debtor's records by the DCO to validate the amount of the debt and to satisfy any doubt the debtor may have regarding the amount or validity of the debt. The DCO must determine if the debt is valid and issue the written results of the reconsideration to the debtor. See Exhibit 4-1 for a sample reconsideration letter.

3.2.3.2.1. Time Limit for Performing Reconsideration. The DCO should issue written results of the reconsideration to the debtor within 15 days of receipt of the hearing petition. If the DCO needs additional time to investigate the debt, the DCO should advise the debtor of the delay in writing, and include an estimate of when the debtor can expect a final determination.

3.2.3.2.2. When Reconsideration Invalidates the Debt. If the DCO determines all or part of the debt is invalid, then the reconsideration letter must inform the debtor of the finding, and the DCO must take action to adjust or dismiss the debt.

3.2.3.2.3. When Reconsideration Validates the Debt

3.2.3.2.3.1. If the reconsideration validates all or part of the debt, then the reconsideration letter must inform the debtor of the finding. The DCO must inform the debtor that he or she has 30 days from the date of the reconsideration letter to inform the DCO of his or her intent to continue with a formal hearing before a hearing official.

3.2.3.2.3.2. If the debtor requests the matter be forwarded to a hearing official, the DCO must forward the debt information to the DCMO for assignment to a hearing official and must stay collection of the debt. If the debtor does not respond to the reconsideration letter within 30 days, the DCO must remove the debt from disputed status and pursue the appropriate debt collection action. The DCO will initiate the debt collection by using salary offset procedures as outlined in the original debt notification if the debtor does not respond and takes no additional action to repay the debt.

3.2.3.3. Referral to DCMO for Hearing. After performing a reconsideration of the debt, and at the debtor's request to proceed with a hearing, the DCO must refer hearing petitions determined to be timely and sufficient to the DCMO. The DCMO is the office responsible for processing requests for hearings from individuals who are indebted to the DoD and entitled to a hearing before a hearing official. The DCO must forward the hearing petition, and all supporting documentation from the debtor, to the DCMO, DFAS/JFEA-IN, 8899 East 56th Street, Department 3300 (ATTN: Hearings), Indianapolis, IN 46249-3300.

3.3 The Hearing Process

3.3.1. General. All hearings are conducted in accordance with 31 CFR 901.3(e) and 5 CFR 550.1104.

3.3.2. Hearing Officials. Generally, DCMO hearing officials will process all requests for hearings. In the event the appointment of another hearing official is necessary, contact the DCMO for guidance.

3.3.3. Types of Hearing. The DCMO hearing official will determine which of the following two types of hearings is most appropriate:

3.3.3.1. Paper Hearing. Generally, debtors who present a timely and sufficient petition for a hearing are entitled to a "paper hearing." The hearing official will make a determination based on a review of the available written record, without the parties present. A paper hearing is generally adequate for making determinations concerning the validity or amount of the debt or the terms of the involuntary repayment schedule.

3.3.3.2. Oral Hearing

3.3.3.2.1. If the hearing official, with the advice and guidance of the DFAS OGC, determines that the matter cannot be resolved by a review of the documents alone, then an oral hearing may be granted. For example, if the validity of the debt turns on an issue of credibility or veracity, then an oral hearing may be necessary. Since payroll overpayments seldom present issues of credibility or veracity, the need for oral hearings will be extremely rare.

3.3.3.2.2. An oral hearing is not an adversarial adjudication or a trial-type evidentiary hearing. An oral hearing may include an informal conference with the hearing official where the debtor and agency representative (the DCO) are both given the opportunity to present documents, witnesses, and arguments. Alternatively, oral hearings may take the form of an informal meeting where the debtor and DCO are questioned by the hearing official. The hearing may also consist of formal written submissions by the parties with an opportunity for oral presentation to the hearing official.

3.3.3.3. Checklist for Hearings. See Exhibit 4-2 for information required by the hearing official for a paper or oral hearing.

3.3.4. Hearing Official Final Decision

3.3.4.1. Time Limit. Pursuant to 5 CFR 550.1104, within 60 calendar days after the filing of the hearing petition, the hearing official must issue a written decision on the merits of the dispute. The hearing official may notify the parties of any delay in the issuance of the decision. The final decision must detail the hearing official's findings and conclusions. Generally, the final decision should advise the debtor that the basis for the debt and amount were reviewed, indicate whether the debtor's contentions were accepted in whole or in part, specify the debt amount now owed, and, if applicable, reaffirm the DCO's intent to collect the debt by administrative offset. The hearing official must issue a copy of the final decision to both the debtor and the DCO.

3.3.4.2. Final Decision in Favor of the DCO. If the final decision upholds the validity and amount of the debt (in full or in part) or the involuntary repayment schedule, then the DCO must recommence collection action after sending the debtor a letter that includes the following (refer to Exhibit 4-3 for a sample of the Post-Hearing Notification):

3.3.4.2.1. A brief statement of the hearing official's final decision;

3.3.4.2.2. A request that the debtor repay the debt in full within 15 calendar days following the date of the letter, a request for authorization for a voluntary one-time offset or lump-sum payment to repay the debt, or agreement to pay the debt in regular installments pursuant to a voluntary repayment agreement;

3.3.4.2.3. A statement that a salary offset will begin with the pay period in which the deadline expires unless the debtor informs the DCO of his or her decision regarding the options in subparagraph 3.3.4.2.2. The letter must be specific as to the pay period in which the offset will occur;

3.3.4.2.4. The amount of the offset and its estimated duration that will be equal to the amount of the debt, or 15 percent of the debtor's disposable pay, whichever is less;

3.3.4.2.5. A statement regarding the assessment of interest, administrative expenses, and penalties; and

3.3.4.2.6. A reminder of the debtor's right to request waiver or remission/cancellation of the debt.

3.3.4.3. Final Decision in Favor of the Debtor. If the hearing official's final decision finds in favor of the debtor and determines a portion or all of the debt is invalid, then the DCO must inform the debtor as to what portion of the debt is no longer considered valid. Any amount previously collected on the invalid debt must be refunded to the debtor. If the hearing official reduces the amount of the debt, then the DCO must issue a letter to inform the debtor, and begin collection action for the new amount.

3.3.4.4. Appeal of Final Determination. There are no provisions for review or appeal of debt determination decisions rendered with regard to salary or administrative offset. However,

debtors may exercise any other waiver, remission/cancellation, or review right that may be provided by other statute or regulation with regard to the debt. For example, a federal civilian employee may file an appeal with the Office of Personnel Management concerning a claim involving the employee's compensation and leave. See ***5 CFR 178***. The Defense Office of Hearings and Appeals (DOHA) considers appeals of claims for uniformed services pay and allowances. Refer to ***31 U.S.C. § 3702***; ***32 CFR 282.5(b)(2)***; and ***32 CFR 282, Appendix E*** for additional information on appeals.

4.0 HEARINGS FOR ADMINISTRATIVE WAGE GARNISHMENT (AWG)

The U.S. Department of the Treasury (Treasury) may request that DCMO hearing officials conduct hearings requested by individuals who owe debts to DoD when the Treasury is attempting to collect from the debtor using AWG procedures pursuant to ***31 U.S.C. § 3720D*** and ***31 CFR 285.11***. DFAS adopts by reference, and conducts AWG hearings consistent with, 31 CFR 285.11.

5.0 HEARINGS FOR GOVERNMENT TRAVEL CHARGE CARD DEBTS

Any inquiries or disputes regarding the debt and the 90-day demand notice, which are received by the travel charge card contractor prior to forwarding the debt to DFAS for collection, will be handled and resolved by the travel charge card contractor. If the debtor wants to negotiate an installment agreement prior to the referral of the debt for salary offset, then any such agreement must be made with the travel charge card contractor. If the debtor is not satisfied with the travel charge card contractor's disposition of the dispute, then he or she may submit a petition for a debt hearing to the DCMO.

6.0 REVIEWS FOR ACTIVE DUTY, RESERVE, AND RETIRED SERVICE MEMBERS

6.1 Due Process

Under 37 U.S.C. § 1007 and 5 U.S.C. § 5514, active duty, reserve, and retired Service members are entitled to due process, consisting of a notice and an opportunity for review, prior to the initiation of debt collection unless otherwise required by statute. See Chapter 2 for due process requirements for routine pay adjustments and Chapter 3 for debts transferred from other agencies.

6.2 Requesting a Review

A Service member who questions the validity or amount of a debt may request a review and validation of the debt by the DCO. A Service member may also contest the involuntary repayment schedule.

6.2.1. Content of the Review Request. The Service member must submit a written request for a review that identifies and explains, with reasonable specificity, the facts and evidence the Service member believes supports his or her position. There is no standardized format for a request for review; however, the request should contain Service member identifying information, the reason for requesting a review, supporting documentary evidence, and a dated signature.

6.2.2. Time Limit For Requesting a Review. The request for review must be received not later than 30 days from the mailing date of the debt notification, or by the date indicated in the debt notification. A Service member waives his or her right to a review if the Service member fails to submit a request in a timely manner. The DCO may accept a late request if the Service member can show that the delay was due to circumstances beyond the Service member's control.

6.3 Requesting Records

A Service member may make a written request to the DCO for records related to the debt. A request for records must be made prior to the deadline for submitting a request for review. Within 45 days after the date the records are distributed to the Service member, the Service member must submit a written request for review to the DCO or the Service member will waive his or her right to review.

6.4 Review Procedures

Service members who wish to request a review, must email or fax their request to the DCO, at the number or address provided in the debt notification. Upon timely receipt of the review request, the DCO must stay collection of the debt, unless collection is deemed necessary to protect the Government's interests. The DCO will validate the debt and amount, as well as consider all documentation contained in the Service member's request. Once complete, the DCO must issue the written review results to the Service member.

6.5 Written Review Results

Written results should be provided within 60 calendar days and contain the following information:

6.5.1. A brief statement of the DCO's determination regarding the validity or amount of the debt or the involuntary repayment schedule. If the DCO determines a portion or all of the debt is invalid, or the involuntary repayment schedule should be revised, the DCO will adjust the debt amount or repayment schedule accordingly and inform the Service member in the review results;

6.5.2. A request that the Service member pay the debt in full within 15 calendar days following the date of the letter, authorize a voluntary one-time offset to repay the debt, or agree to pay the debt in regular installments pursuant to a voluntary repayment agreement;

6.5.3. A statement that the offset will begin with the pay period in which the deadline expires, unless the Service member informs the DCO of his or her decision regarding the above options;

6.5.4. The amount of the offset; and

6.5.5. A reminder of the Service member's right to request a waiver or remission/cancellation of the debt.

6.6 Appeal of Final Determination

The DCO's determination on review is final. There are no provisions for review or appeal of the DCO's decision on salary or administrative offset. However, Service members may exercise any other waiver, remission/cancellation, or review right provided by other statute or regulation with regard to the debt. For example, DOHA considers appeals of claims for uniformed services pay and allowances. Refer to 32 CFR 282.5(b)(2) and 32 CFR 282, Appendix E for additional information on appeal rights.

7.0 INFORMAL DEBT DISPUTES

7.1 General

At the debtor's request, the DCO may perform an informal courtesy review of a debt. This informal review is typically not intended to satisfy due process requirements and is in addition to such procedures. The informal courtesy review of a debt by the DCO typically occurs when the debtor submits a written "debt protest" or "debt dispute" to the DCO after the time period for filing a hearing petition has expired. The purpose of the courtesy review is to allow the DCO to validate the debt and respond to the debtor's questions. Chapter 5 contains guidance on contractor debt disputes.

7.2 Processing Informal Debt Disputes

7.2.1. A written request from the debtor is required before a debt is placed in a disputed or protest status.

7.2.2. For debts placed in dispute, the DCO should make every attempt to complete the courtesy review and issue a written response to the debtor within 30 days of receipt of the written protest.

7.2.3. If any portion of the debt cannot be validated and supported by the DCO, then the invalid portion of the debt should be reversed in the accounting system and closed in the appropriate entitlement systems. The DCO should notify the debtor in writing that the debt has been invalidated or partially invalidated.

7.2.4. If the debt is found to be valid, then the DCO must provide a response with applicable supporting documentation to the debtor and proceed with appropriate collection activity.

8.0 WAIVER OF INDEBTEDNESS

8.1 Authority

8.1.1. General

8.1.1.1. Title ***5 U.S.C. § 5584***, ***10 U.S.C. § 2774***, and ***32 U.S.C. § 716*** provide the head of an executive agency with the authority to waive an indebtedness that is the result of an erroneous payment of pay or allowances, or an erroneous payment of travel, transportation, or relocation expenses and allowances. Title ***10 U.S.C. § 1453*** provides authority to waive indebtedness that is the result of an erroneous payment of Survivor Benefit Plan (SBP) annuity.

8.1.1.2. The Under Secretary of Defense (Comptroller) delegated waiver authority to the DFAS Director by memorandum, dated January 29, 1992, and upheld that delegation in ***DoD Directive (DoDD) 5118.05***, "Defense Finance and Accounting Service (DFAS)." The DFAS Director re-delegated this authority to the DFAS-Indianapolis (IN) Director. The waiver authority is subject to the dollar value limits identified in paragraph 8.2. The exercise of this authority must be coordinated with the affected DoD Component, where appropriate. The DCMO exercises waiver authority for DoD employees (military and civilian), with the exception of waiver authority specifically delegated to the Director, Department of Defense Education Activity (DoDEA); the Director, National Security Agency (NSA); and the heads of non-DoD Components.

8.1.2. Policies and Procedures. Policies and procedures for considering applications for waivers of indebtedness resulting from erroneous payments to or on behalf of Service members and civilian DoD employees are set forth in ***DoDD 1340.22***, "Waiver of Debts Resulting from Erroneous Payments of Pay and Allowances," which is codified at ***32 CFR 283***. Detailed waiver procedures for debts resulting from erroneous pay and allowances are set forth in ***DoD Instruction (DoDI) 1340.23***, "Waiver Procedures for Debts Resulting from Erroneous Pay and Allowances," which is codified at ***32 CFR 284***.

8.2 Designated Waiver Authority Based on Aggregate Amount of Debt

The responsibility of the DCMO, or other designated waiver authority, to grant or deny a waiver is contingent upon the aggregate amount of the debt. The aggregate amount of a debt is the total amount of the debt before deductions for repayments or withholding for taxes.

8.2.1. Authority to Waive Collection for Debts Less Than or Equal to $1,500 (Civilian) or $10,000 (Military). Under 5 U.S.C. § 5584, the DCMO, or other designated waiver authority, is authorized to grant a waiver of debt aggregating to not more than $1,500 for civilian employees. Under 10 U.S.C. § 2774 and 32 U.S.C. § 716, the DCMO, or designated waiver authority, is authorized to grant a waiver of debt aggregating to not more than $10,000 for military members or National Guard members. There is no threshold for DCMO or other designated waiver authority to deny the waiver of debt for either civilian employees or military members.

8.2.2. Authority to Waive Collection for Debts Greater Than $1,500 (Civilian) or $10,000 (Military). If the aggregate amount of a debt is greater than $1,500 for civilian employees or greater

than $10,000 for military or National Guard members, then the authority to grant the waiver application resides with the Director, DOHA, or his or her designee under the DoD OGC. All requests should be submitted to the DCMO, and the DCMO will forward relevant requests to DOHA for consideration.

8.3 Submission of Request for Waiver

8.3.1. Application. All requests for waiver of indebtedness for DoD civilians (current and separated or former employees) and military members (active, reserve, retired, and National Guard) must be submitted on the DoD ***(DD) Form 2789***, Waiver/Remission of Indebtedness Application. Instructions on submitting a waiver application should be included with the debt notification letter issued by the DCO, or the letter may direct the debtor to an online resource for the information. Refer to Chapter 2, Figures 2-1 and 2-2 for sample debt notifications that include waiver instructions. The debtor must complete and sign the DD 2789 and submit the application to the appropriate organization as indicated on the DD 2789, depending on whether the debtor is a current or former employee or military member. The debtor's application must include all supporting documentation, which includes, but is not limited to:

8.3.1.1. Copies of all supporting documentation referred to on the DD 2789;

8.3.1.2. Copies of the three LESs issued immediately preceding the overpayment through the three LESs issued after the overpayment ended. If LESs are not available, then the individual or DCO must include a statement explaining why LESs are not available;

8.3.1.3. For civilians, copies of Standard Form (SF) 50s, Notification of Personnel Action, for the debt period (including corrections). If unavailable, then the individual must include a statement from the personnel office indicating why the notifications are not available; and

8.3.1.4. Any statement from the individual or another person in support of the waiver application. Signed statements must be attested to be true and correct to the best of the individual's knowledge and belief.

8.3.2. DCO Responsibility. The DCO should supplement the debtor's waiver application with additional information in the form of a written report containing a chronological summary of the facts and relevant records. The DCO must forward to the DCMO a debt computation that shows, by pay period, the amount the debtor was paid (as reflected on the LESs), the amount the debtor should have been paid, and the total amount of the overpayment. The debt computation should include three pay periods prior to, and three pay periods following, the period of indebtedness pursuant to DOHA's submission requirements. The amount of the debt should match the amount in the pay system, as well as the amount in the debt notification sent to the debtor.

8.3.3. DoDEA and NSA Employees. DoDEA and NSA civilian employees must forward applications for waiver to the DoDEA and NSA designated waiver approval authorities.

8.3.4. Time Limit for Filing Application

8.3.4.1. Civilian Employees. DoD civilian employees must submit a waiver application within 3 years from the date the erroneous payment was discovered. For the purposes of starting the 3-year period, the date of discovery is the date that an appropriate official first determines that an erroneous payment has been made. The timeframe for submitting a request for waiver cannot be extended or waived.

8.3.4.2. Military Members. Military members (active, reserve, retired, and National Guard) must submit a waiver application within 5 years from the date the erroneous payment was discovered. For the purposes of starting the 5-year period, the date of discovery is the date that an appropriate official first determines that an erroneous payment has been made. The timeframe for submitting a request for waiver cannot be extended or waived.

8.3.5. Contesting the Debt. By submitting an application for the waiver of a debt, an individual is acknowledging that he or she does not intend to dispute the validity or amount of the debt. Waiver is not the proper forum to contest the validity or amount of the debt. To contest the validity or amount of the debt, an individual must petition for a hearing under section 3.0. A waiver application that includes arguments concerning the validity or the amount of the debt may be returned without action or denied.

8.3.6. Application Filed by a Representative. A waiver application submitted by the debtor's agent or attorney must include a duly executed power of attorney or other documentary evidence of the agent's or attorney's right to act for the debtor.

8.3.7. Application Filed by a Guardian for Minor/Incompetent Debtors. If a guardian or committee has been appointed for a debtor who is a minor or an incompetent person, then the waiver application filed on behalf of the debtor must include a certificate of the court showing the appointment and qualification of the guardian or committee. If a guardian or committee has not been appointed for the debtor, then the waiver application submitted on behalf of the debtor must:

8.3.7.1. State the applicant's relationship to the minor or incompetent person;

8.3.7.2. Provide the name and address of the person having care and custody of the minor or incompetent person; and

8.3.7.3. Include an affirmation that any money received will be applied to the use and benefit of the minor or incompetent person and that the appointment of a guardian or committee is not contemplated.

8.4 Suspension of Debt Collection Pending Waiver Determination

Collection of a debt should not routinely be suspended pending waiver determination (refer to ***31 CFR 903.2(c)(2)***). The DCO will determine, in each case, whether suspension of collection under 31 CFR 903.2, or a delay in implementing collection action, would be appropriate based on the following criteria:

8.4.1. Waiver will likely be granted,

8.4.2. Erroneous payment can be recovered if waiver is not granted, or

8.4.3. Collection of the debt would cause undue financial hardship.

8.5 Standards for Reviewing Requests for Waiver

Standards for determining the appropriateness of waiving debt collection are located in DoDI 1340.23. The appropriateness of a waiver depends on the facts of each particular case. Generally, a person who receives an erroneous payment from the U.S. Government acquires no right to the money. The recipient of the payment is bound in equity and good conscience to make restitution. If the payment was made by mistake, no matter how careless the act of the U.S. Government may have been, the recipient of the payment must make restitution. A waiver is not a matter of right and is available only to provide relief as a matter of equity when warranted by the circumstances of the individual case. Economic or financial considerations play no role in the determination of a waiver request.

8.5.1. Indication of Fraud, Misrepresentation, Fault, or Lack of Good Faith. A waiver may only be granted when the collection would be against equity and good conscience and not in the best interests of the United States. There must be no indication the erroneous payment was solely or partially the result of the fraud, misrepresentation, fault, or lack of good faith of the applicant.

8.5.2. Considering Debtor Awareness of Erroneous Payment

8.5.2.1. Generally, a waiver is precluded when the individual, or another person who has an interest in obtaining a waiver, receives a significant, unexplained increase in pay or allowances, or otherwise knows, or reasonably should know, that an erroneous payment has occurred and fails to make inquiries or bring the matter to the attention of appropriate officials. A waiver may be inappropriate even though the recipient of the payment makes inquiries or brings the matter to the attention of appropriate officials and is mistakenly advised that the payment is proper. The fact that an erroneous payment is the result of an administrative error by the U.S. Government is not a sufficient basis in and of itself for granting a waiver.

8.5.2.2. An individual does not acquire title to the amounts paid erroneously and should hold the excess amounts for eventual repayment to the U.S. Government. DOHA has held that a waiver will not be granted if it appears the debtor had records (such as LESs) which, if reviewed, would have indicated an overpayment, and the debtor failed to review such documents for accuracy or otherwise failed to take corrective action. Such failure on the part of the debtor renders the debtor partially at fault and ineligible for a waiver of the debt.

8.6 Action of the DCMO or Designated Waiver Authority

8.6.1. All applications are first submitted to DCMO. If necessary, DCMO will forward waiver applications, appeals, or doubtful cases to DOHA. After reviewing each application for waiver, the DCMO must take the following action.

8.6.1.1. If the aggregate amount of the debt is not more than $1,500 for civilian employees or $10,000 for military or National Guard members, the DCMO may grant or deny part or all of a waiver application.

8.6.1.2. If the aggregate amount of the debt is more than $1,500 for civilian employees or $10,000 for military or National Guard members, the DCMO must do the following:

8.6.1.2.1. Deny the waiver application in its entirety; or

8.6.1.2.2. Refer the waiver application to DOHA for its consideration, along with a recommendation that part or all of the debt be waived.

8.6.1.3. Refer the appeal of an initial determination on a waiver application to DOHA.

8.6.1.4. Refer any doubtful case to DOHA for consideration.

8.6.2. After the DCMO (or designated waiver authority) makes a determination on the waiver application, or forwards the waiver to DOHA, the DCMO must notify the debtor and the applicable DCO in writing of its action. If the DCMO denied the request for waiver, then the notification to the debtor must state the basis for that decision. The notification must include guidance regarding the debtor's right to submit an appeal. A debtor may appeal the denial of all or part of his or her waiver application to DOHA.

8.7 Final Action of the DCO After Waiver Determination

8.7.1. Upon receipt of notification that the request for waiver was denied, the DCO must immediately initiate collection action if collection action was suspended.

8.7.2. If the request for waiver is approved, then the DCO must refund to the debtor any amount collected prior to the waiver being approved. The waiver application is considered an application for refund for any amount of the debt that was collected prior to the waiver approval. No refund will be paid when the debtor cannot reasonably be located within 2 years after the effective date of the waiver. The refund must be paid from a current applicable appropriation.

8.8 Appeal of Waiver Denial

In accordance with DoDI 1340.23, a debtor may appeal the denial of a waiver application. The appeal must be submitted to the DCMO, or the designated waiver authority that made the determination on the waiver application. The debtor must submit a request for appeal within 30

calendar days of receipt of the written denial of the waiver application. The DCMO may extend this period for up to an additional 30 calendar days if the debtor can show good cause. No appeal will be accepted after this time has expired. The DCMO must review the appeal and forward it to DOHA. The debtor must submit their appeal to the DCMO and not directly to DOHA. DOHA will review the debtor's appeal, and affirm, modify, or reverse the initial determination made by the DCMO.

8.9 Waiver of SBP Overpayments

8.9.1. Authority. Recovery of debts resulting from erroneous payments made under the SBP may be waived pursuant to 10 U.S.C. § 1453. The Under Secretary of Defense (Comptroller) delegated waiver authority to the DFAS Director by memorandum dated February 1, 1991. See DoDD 5118.05 for additional information. The DFAS DCMO exercises waiver authority on behalf of the Director.

8.9.2. Debts Not Eligible for Waiver. Debts that are the result of unpaid SBP premium payments are not eligible for waiver under this provision.

8.9.3. Submission of Request for Waiver

8.9.3.1. Application. To request a waiver of indebtedness resulting from an SBP annuity overpayment, an indebted SBP annuitant, or his or her authorized representative (see subparagraph 8.3.6), must submit a DD 2789. The debtor must complete and sign the DD 2789 and submit the application to the address listed on the debt notification. The application must include the following supporting documentation:

8.9.3.1.1. Copies of all supporting documentation referred to on the DD 2789;

8.9.3.1.2. Any statement from the debtor or another person in support of the waiver application. Signed statements must be attested to be true and correct to the best of the individual's knowledge and belief; and

8.9.3.1.3. Other information as requested by the DCMO.

8.9.3.2. DCO's Responsibility. The DCO for SBP annuity payments is DFAS-Cleveland Annuitant Pay. A debtor's waiver application must be supplemented with additional information from the DCO in the form of a written report containing a chronological summary of facts and all relevant records. The DCO must forward the written report to the DCMO and must include a debt computation that shows, by pay period, the amount the debtor was paid, the amount the debtor should have been paid, and the total amount of the overpayment.

8.9.3.3. Action by the DCMO

8.9.3.3.1. The DCMO must take the following action on a waiver application:

8.9.3.3.1.1. Deny the waiver application in its entirety,

8.9.3.3.1.2. Grant the waiver application in its entirety, or

8.9.3.3.1.3. Partially grant the waiver application and deny the remainder.

8.9.3.3.2. After the DCMO makes a determination on the waiver application, the DCMO must notify both the debtor and the applicable DCO of its action in writing. If the DCMO denied the request for waiver, then the notification to the debtor must state the basis for that decision. The notification must include guidance regarding the debtor's right to submit an appeal of the determination. A debtor may appeal the denial of all or part of his or her waiver application to DFAS-IN. Refer to subparagraph 8.9.7 for additional guidance on appeals.

8.9.3.4. Time Limit for Filing Application. Debtors must submit a waiver application within 3 years from the date the erroneous payment was discovered. For the purposes of starting the 3-year period, the date of discovery is the date that an appropriate official first determined that an erroneous payment was made, which is typically marked by the date the debt notification was issued to the debtor. The timeframe for submitting a request for waiver cannot be extended or waived.

8.9.3.5. Contesting the Debt. By submitting an application for the waiver of a debt, an individual is acknowledging that he or she does not intend to dispute the validity or amount of the debt. A waiver is not the proper forum to contest the validity or amount of the debt. To contest the validity or amount of the debt, an individual must petition for a hearing under section 3.0. A waiver application that includes arguments concerning the validity or amount of the debt may be denied as ineligible for consideration.

8.9.3.6. Application Filed by Representative. If an annuitant has a representative payee who is authorized to receive payments on the annuitant's behalf pursuant to Volume 7B, Chapter 46, paragraph 2.2, the representative may submit a waiver application if the representative also maintains the legal authority to act on behalf of the annuitant. The representative must submit additional documentation as required by the DCMO, for example, a power of attorney or other documentary evidence of the agent's or attorney's right to act for the debtor.

8.9.4. Suspension of Collection Pending Waiver Determination. Collection of a debt should not routinely be suspended pending the outcome of a waiver determination (refer to ***31 CFR 903.2(c)(2)***). The DCO will determine, on a case-by-case basis, whether a formal suspension of collection under 31 CFR 903.2 is necessary or, alternatively, whether an informal delay in implementing collection action would be appropriate, based on the following criteria:

8.9.4.1. Whether the waiver will likely be granted,

8.9.4.2. Whether the erroneous payment can be recovered if waiver is not granted, or

8.9.4.3. Whether collection of the debt would cause undue financial hardship.

8.9.5. Standards for Reviewing Requests for Waiver. Waiver of the recovery of an SBP annuity overpayment may be appropriate when the debtor is not at fault, and recovery of the overpayment would be contrary to the purposes of SBP, or against equity and good conscience. The appropriateness of granting a waiver will depend on the facts of each particular case. Pursuant to ***Comptroller General (Comp. Gen.), B-133142 (1978), B-178696 (1978)***, the standards for reviewing a request for waiver of SBP annuity overpayment are the same as those used for considering waiver requests under 10 U.S.C. § 2774 and 5 U.S.C. § 5584. DFAS DCMO uses the standards set out in DoDI 1340.23 for considering waiver applications for debts resulting from SBP annuity overpayments. Refer to paragraph 8.5 for a discussion of the standards used in waiver application determinations.

8.9.6. Refund of Amounts Collected. Any amount collected before DFAS-IN receives the debtor's waiver application will not be refunded. A refund is not authorized by law. If a waiver is granted, amounts collected after DFAS-IN received the completed waiver application from the annuitant may be refunded to the annuitant. Refer to ***Comp. Gen. B-184532 (1975)*** for information on when refund is appropriate.

8.9.7. Appeal of the DCMO Determination

8.9.7.1. Who May Appeal. A waiver applicant may appeal the DCMO's denial of all or part of the applicant's request to waive SBP annuity overpayments under 10 U.S.C. § 1453. An applicant may also appeal the denial of a waiver application that was not received by DFAS within the time limit required.

8.9.7.2. Determining Official. The determining official on all appeals is a DFAS official assigned to review the DCMO's initial waiver determination. Pursuant to subparagraph 8.2.1 and 10 U.S.C. § 1453, DFAS has been delegated full authority to consider all waivers, including any appeals or requests for reconsideration.

8.9.7.3. When and Where to Submit an Appeal

8.9.7.3.1. The DCMO must receive an applicant's appeal within 30 days of the date of the DCMO's final written determination of the waiver application, or by the date indicated in the written determination. The DCMO may extend this period for up to an additional 30 days for good cause shown. No appeal may be accepted after this time has expired.

8.9.7.3.2. The applicant's appeal must be sent to the address indicated in DCMO's written determination of the waiver application.

8.9.7.4. Content of an Appeal. No specific format for an appeal is required; however, the appeal must be written and signed by the applicant, the applicant's authorized agent, or the applicant's attorney. The following information must be included with the appeal request:

8.9.7.4.1. Applicant's mailing address;

8.9.7.4.2. Applicant's telephone number;

8.9.7.4.3. Applicant's social security number;

8.9.7.4.4. A written statement that identifies, with specificity:

8.9.7.4.4.1. Errors or omissions of material and relevant facts;

8.9.7.4.4.2. Legal or equitable considerations that were overlooked or misapplied;

8.9.7.4.4.3. Conclusions that were arbitrary, capricious, or an abuse of discretion; and

8.9.7.4.4.4. The reasons why the findings or conclusions of the DCMO should be reversed or modified; and

8.9.7.4.5. Copies of supporting documentation, including any statements by the applicant or other persons in support of the appeal. Signed statements must be attested to be true and correct to the best of the individual's knowledge and belief.

8.9.7.5. DCMO Action on Appeal. The DCMO must select an individual within the DCMO, who had no involvement in the initial waiver application, to serve as the determining official on an appeal. The DCMO must provide the determining official a written statement in support of the original determination on the initial waiver application.

8.9.7.6. Determining Official's Review

8.9.7.6.1. The determining official must review an applicant's appeal request and must affirm, modify, or reverse the initial determination on the waiver application made by the DCMO. The determining official must issue a final written determination to both the applicant and DFAS Annuitant Pay. The written determination must explain the determining official's decision and must include any appropriate action to resolve the debt.

8.9.7.6.2. After review of an appeal concerning whether the receipt of the waiver application was timely, the determining official must notify the applicant of his or her decision in writing. If the determining official determines that the waiver application was timely, he or she must provide the waiver application to the DCMO for consideration.

8.9.7.7. Finality of Determining Official's Decision. Decisions by the determining official are final if DFAS does not receive a request for reconsideration within 30 days of the date of the determining official's final written determination of the appeal.

8.9.7.8. Request for Reconsideration

8.9.7.8.1. Time Limit for Requesting Reconsideration. An applicant may request the determining official reconsider his or her final written determination of the appeal. A request for reconsideration must be received within 30 days from the date of the determining official's final written determination of the appeal. This period may be extended for up to an additional 30 days for good cause shown. The determining official must review any rebuttal submitted by the applicant in support of the request for reconsideration and issue a written determination.

8.9.7.8.2. Review of a Request for Reconsideration. No earlier than 31 days after the date of the determining official's written determination of the appeal, or the day after the end of the period for submitting a request expires, the determining official must:

8.9.7.8.2.1. Consider the request for reconsideration;

8.9.7.8.2.2. Affirm, modify, or reverse the appeal decision;

8.9.7.8.2.3. Prepare a written response explaining the reason for the finding; and

8.9.7.8.2.4. Send the response to the applicant and the DCMO, and notify them of the appropriate action on the debt.

8.9.7.8.3. Finality of a Reconsideration Decision. The reconsideration response is a final action.

8.10 Other Waiver Authority

Other waiver authority may apply to payments that were not erroneously paid. Such waiver authority is generally exercised by the agency component. A debt resulting from a non-erroneous payment may be eligible for a waiver under the following statutory authorities:

8.10.1. Voluntary Separation Incentive Payment and Reemployment (***5 U.S.C. § 3524(c)***),

8.10.2. Employee Agreements, Service after Training (***5 U.S.C. § 4108(c)***),

8.10.3. Student Loan Repayments (***5 U.S.C. § 5379(c)(3)***),

8.10.4. Recruitment and Relocation Bonuses (***5 U.S.C. § 5753(e)***),

8.10.5. Quarters Allowances (***5 U.S.C. § 5922(b)***),

8.10.6. Physicians Comparability Allowances (***5 U.S.C. § 5948(e)***), or

8.10.7. Payments to Dependents of Missing Civilians (***5 U.S.C. § 5566(g)***).

9.0 REMISSION OR CANCELLATION OF INDEBTEDNESS

*9.1 Remission or Cancellation of Indebtedness Due From Military Members

Title ***10 U.S.C. § 7837***, ***10 U.S.C. § 8271***, and ***10 U.S.C. § 9837*** provide authority for the remission or cancellation of indebtedness due from a military member. Remission or cancellation is limited to debts resulting from overpayments of active duty pay. Remission or cancellation is not available for debts resulting from overpayments of military retired pay. This authority may be exercised with respect to any debt incurred on or after October 7, 2001. Title ***32 U.S.C. § 710(c)*** provides for remission or cancellation for National Guard members. Remission or cancellation, under these statutes, is not available to DoD civilian employees.

9.2 Submission of Request for Remission or Cancellation

Requests for remission or cancellation from members of the Army, Air Force, Navy, Marine Corps, National Guard, or Space Force must be submitted on forms designated by the respective Services and forwarded to the Service for processing. DFAS does not process remission or cancellation requests for any Service.

9.3 Restriction for Reserve Component Personnel

Remission or cancellation of indebtedness is not applicable for Reserve Component personnel performing inactive duty training or active duty for training, except that:

9.3.1. An enlisted member of the Army National Guard, who is charged with liability for government property that is lost, damaged, or destroyed on or after October 1, 1980, may have such liability remitted or cancelled under regulations prescribed by the Secretary of the Military Service concerned (or designee); or

9.3.2. Any member of the Air National Guard (officer or enlisted member), who is charged with liability for government property that is lost, damaged, or destroyed on or after October 1, 1980, may have such liability remitted or cancelled under regulations prescribed by the Secretary of the Military Service concerned (or designee).

9.4 Indebtedness Which May Be Remitted or Cancelled

9.4.1. Debts to the United States. Generally, any indebtedness may be considered for remission or cancellation. Denial of a waiver under 10 U.S.C. 2774 does not preclude a member from applying for the remission or cancellation of the debt. Debts arising from an erroneous payment of basic pay due to non-collection of court-martial forfeitures may not be remitted or cancelled.

9.4.2. Debts Within Jurisdiction of Military Service Concerned. The debt must be a debt over which the Military Department concerned has jurisdiction. For example, the Secretary of one Military Department may not remit a member's indebtedness because of liability for damage to property of another Military Department.

10.0 ADDITIONAL OPTIONS FOR DEBT RELIEF

10.1 Claim for Refund

A military member may file a written claim, using a ***DD Form 827***, Application for Arrears in Pay, for any amounts considered erroneously collected from his or her pay account. The form must be submitted to the individual's pay office, or if separated for more than a year, to DFAS-IN/JFEC, Department 3300 (ATTN: Claims), 8899 East 56th Street, Indianapolis, IN 46249-3300 or via submission of a ticket. If the claim for refund is denied in whole or in part, then an appeal may be submitted to DOHA under the procedures set forth in 32 CFR 282, Appendix E.

10.2 Correction of Military Records

The Secretary of a Military Department, under procedures established by that Secretary and approved by the Secretary of Defense, and acting through boards of civilians of the executive part of that Military Department, may correct any military record of that department when the Secretary concerned considers it necessary to correct an error or remove an injustice. If an individual is owed money pursuant to the correction of record, any earnings received from civilian employment, self-employment, or any income protection plan for such employment during the period for which active duty pay and allowances are payable must be deducted from the settlement. To the extent authorized by law and regulation, a settlement must be reduced by the amount of any existing indebtedness the individual owes to the Government arising from military service. Refer to Volume 7B, Chapter 10 for additional guidance on correction of records.

Exhibit 4-1. Sample Format - Reconsideration Results Letter

(1)

(Date)

(2)

Dear (3)

On (4), you were notified that you were overpaid for pay periods ending (5) through (5). The net amount of the debt currently owed by you is $ (6).

Reconsideration Results. You submitted a timely request for review of your debt on (7). In response, DFAS has performed an informal reexamination ("Reconsideration") of your pay records in order to validate the amount of debt you owe and to satisfy any doubts you may have regarding the amount or validity of your debt. Reconsideration of your debt is the initial step in the hearing process. After reviewing the results of the Reconsideration, you may decide not to proceed with the formal hearing process. However, if you wish to continue with a formal hearing, you must notify DFAS of your intent by (8), which is 30 days from the date of this letter.

DFAS has determined your debt is valid for the following reasons:

(9)

Payment of Your Debt. If you do not wish to continue with a formal hearing, please pay the debt in full by (8). Your check or money order should be made payable to DFAS-CL DSSN 8522 in the amount of $ (6) Please send your payment to DFAS-CL/FTB P.O. Box 9955, Cleveland, OH 44199-2056. If you are unable to pay the debt in one lump-sum, you may agree in writing to pay the debt in regular installments by completing the enclosed Voluntary Repayment Agreement and mailing or faxing it to the address listed on the Agreement.

Continuing with a Formal Hearing. If you wish to continue with a formal hearing in order to dispute the validity or amount of your debt, you must notify DFAS of your intent in writing by (8), by faxing or mailing your request to continue to (10) .

If You Take No Additional Action. If you do not notify DFAS of your intent to continue with a formal hearing, pay your debt in full, or submit a Voluntary Repayment Agreement within 30 days of the date of this letter, DFAS is required by statute to collect your debt using other collection procedures. Beginning on (8), DFAS will initiate collection of the debt involuntarily from your pay by using salary offset procedures (payroll deductions) as outlined in the debt notification you received on (4).

If you require further assistance, please contact our toll-free number at 1-800-538-9043.

(11)

Enclosures:
1. Hearing Petition received on (4)
2. Payroll Audit
3. Copy of Voluntary Repayment Agreement

Exhibit 4-1. Sample Format – Reconsideration Results Letter (Continued)

NOTES: Explanation of Blank Spaces on Sample Reconsideration Results Letter

(1) The title or office symbol/code of the civilian payroll office issuing the debt notification.

(2) The full name and mailing address of the employee.

(3) Last name of employee with proper title (Mr. or Ms.).

(4) Date the debt notification letter was issued by DFAS.

(5) The pay period(s) that the overpayment occurred.

(6) The net dollar amount of the overpayment.

(7) Date of employee's hearing petition.

(8) Date 30 days from the date of the reconsideration results letter.

(9) Explanation of the overpayment and any responses to questions raised in the employee's hearing petition.

(10) Fax and mailing address of the Payroll Office.

(11) Identify by name, the signatory for the letter.

Exhibit 4-2. Checklist for Hearing on Overpayment of Pay and/or Allowances

I. Items Required From the Debtor:

The petition for the hearing will include:

A. Name

B. SSN

C. Date

D. Reason(s) for requesting the hearing, e.g.,
1. Contesting the validity of the debt
2. Contesting the amount of the debt
3. Contesting the terms of the offset

E. Reason(s) for contesting the debt
1. When contesting validity or amount of the debt, the debtor must
(a) Provide a statement why he or she believes the payroll office's determination of the validity and/or the amount of the debt is erroneous. Also provide a complete description of the facts, evidence, and a summary of testimony of any witnesses which support the debtor's belief.
(b) Copies of any pertinent records that the debtor wishes to have considered at the hearing if they differ from those records previously provided by the payroll office.
2. When contesting the terms of the repayment schedule proposed by the payroll office, the debtor must
(a) Propose an alternate schedule, i.e., how much can be repaid each pay period.
(b) Enclose an affidavit of financial status.
(c) Provide copies of any records he/she wishes to be considered at the hearing if they differ from the records previously provided by the payroll office.

F. Debtor's signature

II. Items Required From the Payroll Office:

A. Full name and SSN of the debtor.

B. Exact date the error was discovered.

C. Exact date and manner (debt notification) in which the debtor was advised of the debt.

D. Aggregate (total) amount of the debt.

E. Computation of the amount of the debt including/excluding interest-to-date, and administrative fees, if applicable.

F. Detailed circumstances that led up to, and under which, the erroneous payment(s) was made.

G. Statement(s) corroborating and/or refuting the statement(s) made by the debtor.

H. Copies of Leave and Earnings Statements for 3 pay periods prior to the error and the first 3 pay periods beginning with the first overpayment.

I. Copies of all other documents pertaining to the case.

J. Annual leave cases require special documentation. They should include the following documents:
1. Copy of the erroneous SF 50 data (for Civilian Employees).
2. Copy of the corrected SF 50 data (for Civilian Employees).
3. The balance brought forward (and the date) from the last year in which the correct leave accrual was used.
4. Debtor's leave record.
5. The hourly rate of pay and changes.
6. A copy of the SF 2806/3100, Individual Retirement Record.

Exhibit 4-3. Sample Post-Hearing Notification

FROM: (1)

TO: (2)

SUBJECT: Indebtedness to the United States as a Result of an Overpayment of Pay and/or Allowances

Reference: (a) (The initial notification of indebtedness)
(b) (The employee's petition for a hearing)
(c) (The hearing official's determination)

Reference (a) advised of your indebtedness to the United States in the amount of $(3) as a result of an overpayment of pay and/or allowances. By reference (b), you submitted a petition for a hearing to dispute the (4) of the debt. Reference (c) is the hearing official's determination affirming your indebtedness in the amount of $(5).

In order to liquidate the debt in full, please submit a personal check or money order payable to (6), and mail the payment to the civilian payroll office at (7) no later than 15 days from the date of this letter. Alternatively, you may request your debt be paid by a deduction from your current pay. Please contact the civilian payroll office in order to arrange for a one-time voluntary payroll deduction. It may also be possible for you to establish a written agreement for repayment of the debt by periodic installment deductions from your pay, please contact the civilian payroll office to request this option.

As stated in Reference (a), delinquent debts are subject to the assessment of interest, penalties, and administrative expenses. To date, these assessments have not yet been made on your debt. The assessments may not be imposed if you repay the debt in full or are able to reach an agreement with the civilian payroll office to pay your debt by installment.

If you do not repay the debt in full, consent to a one-time payroll deduction, or establish an agreement for payment by installment, DFAS will initiate collection of your debt involuntarily from your pay using salary offset beginning on (8). You must contact the civilian payroll office by (8) in order to avoid salary offset. Deduction by salary offset would begin with the pay period ending on (9). Please refer to Reference (a) for the estimated amount and duration of the payroll deduction. If the amount of the deduction from your pay would cause you to experience extreme financial hardship, then you must contact the civilian payroll office to determine if an alternative repayment schedule may be implemented. Your point of contact in this matter is (10).

Please consult Reference (a) for information concerning your right to request a waiver of the collection of your debt. An application for a waiver must be received within three (3) years after the erroneous payment was discovered. Collection of your debt generally will not be suspended during the waiver review process. In the event that your request is granted, all amounts deducted will be refunded.

(Signature Element)

EXPLANATION OF BLANK SPACES ON SAMPLE POST-HEARING NOTIFICATION

(1) The title or office symbol/code of the civilian payroll office.
(2) The full name of the employee.
(3) The amount of the debt in the initial debt notification.
(4) Either "existence," "amount," or "the terms of the proposed repayment schedule," as appropriate.
(5) The amount of the debt as determined by the hearing official. If the hearing official affirmed the civilian payroll office's contention, the amount will be the same as blank (3).
(6) The office to which the check or money order is to be made payable.
(7) Identify the mailing address of the civilian payroll office.
(8) The date the involuntary deduction from pay begins.
(9) The payday for the pay period indicated in blank (8).
(10) Include the name, phone number, and office symbol/code of the point of contact in the civilian payroll office who can answer questions regarding this debt.

VOLUME 16, CHAPTER 5: "COLLECTION OF DEBTS OWED BY CONTRACTORS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated July 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with administrative instructions.	Revision
5.2.1	Clarified the language surrounding when to transfer a delinquent debt to the Debt Management Office based on the clarified definition of delinquent debt in Chapter 7.	Revision

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CHAPTER 5

COLLECTION OF DEBTS OWED BY CONTRACTORS

1.0 GENERAL

1.1 Overview

1.1.1. This chapter provides policy on the collection of contract debts established by the contracting officer as well as the establishment and collection of payment office debts.

1.1.2. Policy in this chapter is not applicable to debts owed by the DoD. Policy in this chapter also does not apply to the settlement of commercial transportation payment overcharges since the Director of the General Services Administration has the authority to audit and settle all transportation accounts (Title 31, United States Code, section 3726 (***31 U.S.C. § 3726***)) as further discussed in Volume 10, Chapter 13. Refer to Volume 5, Chapter 12 for policies for handling indebtedness associated with fraud.

1.1.3. This chapter does not contain policy for contracting officers regarding their responsibility to make debt determinations pursuant to Federal Acquisition Regulation ***(FAR) subpart 32.6***.

1.1.4. The term Debt Collection Office (DCO), as used in this chapter, refers to vendor pay offices, contracting offices, and any other office that processes contractor debts. The DCO does not refer to the Defense Finance and Accounting Service (DFAS) Debt Management Office (DMO).

1.1.5. This chapter does not contain policy on the disposition of amounts collected during Payment Recapture Audits (PRA). For information on PRA, refer to Volume 10, Chapter 22.

1.1.6. This chapter does not contain policy on the disposition, recording, and reporting of accounts receivable. Refer to Volume 4, Chapter 3 for receivables policy.

1.2 Purpose

This chapter contains debt collection policy for debts that are owed to the DoD by contractors, which also refers to vendors, assignees, universities, non-profits, and other business entities.

1.3 Authoritative Guidance

Policies in this chapter are consistent with the policies established in the FAR 32.6 and the ***Defense Federal Acquisition Regulation Supplement (DFARS), subpart 232.6***. Additionally, pursuant to U.S. Department of Treasury (Treasury) requirements, DoD is required to aggressively collect debts in accordance with the following statutes and regulations:

1.3.1. Debt Collection Improvement Act of 1996 (***Public Law 104-134***, Chapter 10, section 31001);

1.3.2. Debt Collection Act of 1982 (***Public Law 97-365***);

1.3.3. Federal Claims Collection Act of 1966 (codified at ***31 U.S.C. § 3701*** et seq; ***5 U.S.C. § 5514***; and ***37 U.S.C. § 1007***);

1.3.4. Contract Disputes Act (CDA) of 1978 (***41 U.S.C. § 7101 et seq.***);

1.3.5. Internal Revenue Code provisions regarding the authority to make credits or refunds (***26 U.S.C. § 6402***);

1.3.6. Federal Claims Collection Standards (Title 31, Code of Federal Regulations ***(CFR), parts 900-904***);

1.3.7. Regulations for collection by offset from indebted government employees (***5 CFR, part 550, subpart K***);

1.3.8. Regulations for the collection of past-due support by administrative offset (***31 CFR 285.1***); and

1.3.9. Additional statutes and regulations listed by Treasury's Bureau of the Fiscal Service (***Fiscal Service***).

2.0 COLLECTION ACTIONS

2.1 Contract Debts

Contract debts result from amounts that have been paid to the contractor, to which the contractor is not entitled under the terms and conditions of the contract, or amounts otherwise due from the contractor. Contractor debts include, but are not limited to:

2.1.1. Damages or excess costs related to defaults in performance;

2.1.2. Breach of contract obligations concerning progress payments, performance-based payments, advance payments, commercial item financing, or Government-furnished property;

2.1.3. Government expenses of correcting defects;

2.1.4. Duplicate or erroneous payments;

2.1.5. Billing and price reductions resulting from contract terms for price adjustment or a determination of prices under incentive type contracts;

2.1.6. Overpayments disclosed by quarterly statements required under price redetermination or incentive contracts;

2.1.7. Reimbursement of amounts due under ***FAR 33.102(b)(3)*** and ***FAR 33.104(h)(8)***;

2.1.8. Price or cost reductions for defective cost or pricing data;

2.1.9. Financing payments determined to be in excess of the contract limitations in ***FAR 52.232-16(a)(7)***, ***FAR 52.232-32(d)(2)***, or any contract clause for commercial item financing;

2.1.10. Increases to financing payment liquidation rates;

2.1.11. Price adjustments resulting from Cost Accounting Standards noncompliance or changes in cost accounting practice;

2.1.12. Re-inspection costs for nonconforming supplies or services;

2.1.13. Delinquency in contractor payments due under agreements or arrangements for deferral or postponement of collections; and

2.1.14. Overpayments related to errors in quantity, billing, or deficiencies in quality.

2.2 Initiating Debt Collection

Once it is determined that a contractor might be indebted to the DoD, the contracting officer, or the payment office, must issue a demand for payment to the contractor, providing opportunity to inspect relevant records, and the opportunity to request a review of the debt as set forth in Chapter 2.

2.2.1. Demand Letters. Demand letters must comply with requirements set forth in Chapter 2. Additionally, notice of indebtedness to a contractor must include a statement that, in accordance with ***Office of Management and Budget Circular A-123, Appendix C, Part III***, high-dollar overpayments may be reported on the Federal Government's improper payment website. Refer to Volume 4, Chapter 14 for the definition of a high-dollar overpayment.

2.2.2. Debt Collection Initiated by Contracting Officers or Designees

2.2.2.1. The contracting officer has primary responsibility for determining the amount of the debt and ensuring collection for most types of contract debts, except for those debts resulting from errors made by the payment office.

2.2.2.2. When a contracting officer or other authorized official requests that a payment office collect a debt and provides a copy of the contract to the payment office, including the payment dates and amounts due from the contractor, the payment office will collect the debt.

2.2.2.3. If the contracting officer or other designated official receives the contractor's payment, then the contracting officer or other designated official must immediately forward the payment to the disbursing office with a request for confirmation of receipt of the payment.

2.2.2.4. The appropriate DoD Component contracting officer, or other designated official, must determine the debt amount and demand repayment for debts pursuant to FAR 32.6 and DFARS 232.6.

2.2.2.5. The contracting officer must send a copy of each demand for payment, as well as documentation that identifies the line of accounting for distribution of the principle amount of the debt to the payment office cited in the contract so the Account Receivable Office (ARO) may apply the funds correctly.

2.2.2.6. The contracting officer must follow up periodically with the DCO, ARO, or supporting accounting office to ensure that contract debts have been collected and credited to the proper appropriations.

2.2.3. Debt Collection Initiated by the Payment Office

2.2.3.1. Payment offices are designated to make payments under a contract and to receive payments for amounts due to DoD. Payment offices are responsible for determining the amount of contract debts that are the result of overpayments or erroneous payments and initiating collection action on those debts (referring debts).

2.2.3.2. The payment office is also responsible for the collection of contractor debts when the amounts due and dates for payment are in the contract, and a copy of the contract has been furnished to the payment office with notice to collect as amounts become due.

2.2.3.3. When a contract modification (downward adjustment) is issued after the date of a disbursement and causes a contract to be in an overpayment status, the result of that modification is not an erroneous payment with respect to this chapter. The payment office must contact the procuring contracting officer or the administrative contracting officer (the individual who issued the modification causing the overpayment) to ensure that a demand letter is sent to the contractor for collection of funds.

2.3 Supporting Documentation

When referring a debt to the DCO or DMO for further collection, the following documentation is required, unless already provided to DFAS:

2.3.1. Dates and amounts of collections/offsets;

2.3.2. Legible copies of the negotiated checks obtained from Treasury for duplicate payments and dual negotiated successor checks;

2.3.3. All demand letters, correspondence, and written documentation of communication between the contracting officer and the debtor or the DCO and the debtor;

2.3.4. Any documents needed to support a recommendation for compromise, discontinuance, or termination;

2.3.5. Tax identification number (TIN);

2.3.6. Telephone number, address, and the name of a point of contact that is knowledgeable of the following:

2.3.6.1. Debtor,

2.3.6.2. Contracting office making the referral,

2.3.6.3. Disbursing office making the referral, and

2.3.6.4. Supporting accounting office;

2.3.7. A copy of the audit or reconciliation report, with sufficient supporting documentation to explain the conclusions in the case of a determination of debt(s) resulting from an audit or contract reconciliation;

2.3.8. The accounting classification/appropriation to which the principal portion of the debtor's payments should be deposited;

2.3.9. Copies of documentation that supports debts arising from the sale of goods and services to commercial entities on a reimbursable basis; and

2.3.10. The debtor's Commercial and Government Entity code.

3.0 ADMINISTRATIVE OFFSET

3.1 General

3.1.1. To the extent practicable, debts should be collected, either by voluntary repayment in a lump sum or by administrative offset(s) of payment(s) owed to the contractor by the DoD, unless an installment agreement has been entered into or a deferment of collection has been approved (FAR 32.607). If 30 days have elapsed since the due date in the demand for payment, and no payment has been received, then the DCO must offset a contractor's indebtedness against other monies that are owed the contractor.

3.1.2. FAR 32.606 allows for offsetting contractor payments to liquidate debts owed by the contractor. If additional payments are scheduled under the same contract, then the DCO should administratively offset against those payments first. The DCO must coordinate with the payment office to apply administrative offsets against amounts due the contractor under other contracts if

offsets against the contract that gave rise to the debt cannot be accomplished. The disbursement voucher must be approved and the accounting classification charged for the total amount of the entitlement with no regard for the deduction being applied. DCOs must prominently annotate the face of the voucher, or the electronic equivalent, with the amount withheld and the accounting classification credited to ensure that only the net amount is paid to the contractor. The voucher must adequately inform the payee of the reason(s) for the deduction.

3.1.3. Administrative offsets normally will not be taken when there is a valid assignment of claims, under the Assignment of Claims Act of 1940 (***31 U.S.C. § 3727*** and ***41 U.S.C. § 6305***), associated with the contractor. DCO personnel should seek guidance from their legal office, as appropriate, in determining whether an administrative offset may be taken when an assignment of claims exists.

3.1.4. Pursuant to ***31 U.S.C. § 3716***, and in accordance with ***31 CFR 901.3(b)(2)***, a DCO must process an administrative offset to collect a debt when the name and TIN of a payee matches the name and TIN of a debtor, and all other requirements for administrative offset have been met.

3.2 Credit Invoice

3.2.1. A contractor may request to liquidate a debt against existing unpaid bills due to the contractor. As an exception, DCOs may accept a credit invoice under special circumstances, and only when there is a current payable invoice to which the credit can be applied. The contractor should furnish the DCO, upon request, an invoice number, date, and the amount of the debt to be offset against the invoice, according to the credit invoice.

3.2.2. A contractor may state on an invoice, or on a progress payment request, that the amount of the credit invoice can be deducted from the amount due from the DoD.

3.2.3. If a contractor does not state that the amount of the credit invoice can be deducted from other amounts due, a determination must be made on the most effective manner in which the debt can be collected. In making this determination, DCOs must give consideration both to the relative costs that would be incurred by DoD under various options, and to the method that is expected to result in liquidation of the debt at the earliest date. The latter factor is dependent upon the expected volume and frequency of incoming invoices that are susceptible to administrative offset, and whether this option is more effective and efficient than a credit invoice.

3.2.4. DCOs must acknowledge receipt of the credit invoice and inform the contractor of its disposition. If direct remittance is required, then the acknowledgement must contain a statement, such as, “This is to acknowledge receipt of your credit invoice 14245, dated December 14, 2018. We cannot accept this document as liquidation of your indebtedness, and must ask that you remit a check to the following address: (insert applicable address).” The contractor may identify an invoice to offset instead. If the offset is taken, then the DCO’s letter must contain a statement such as, “This is to acknowledge receipt of your credit invoice 67890, dated June 12, 2018.” Receipt of a credit invoice by the due date (where the demand letter states the due date) does not preclude charging interest and administrative charges.

4.0 INSTALLMENT PAYMENT PLANS

4.1 General

Whenever possible, payment to liquidate a debt, including a deferred payment, must be made in one lump sum. However, when a contractor can establish sufficient justification, the DCO may approve a series of installment payments to liquidate the debt within a reasonable period of time. In accordance with ***31 CFR 901.8***, installment payments should be sufficient in size and frequency to liquidate the debt within 3 years. If the contractor requests a repayment term of more than 3 years, then the DCO must refer the request to the DMO for a determination. See Chapter 2 for additional guidance on installment payment plans.

4.2 Installment Payment Approval Authority

The DMO is the approval authority for a contractor's request for an installment agreement; however, the DMO may not deny a contractor's request for an installment agreement without first obtaining consent from the creditor DoD Component's senior financial manager (FM) or designee. In the latter case, the DMO will send the request to the office of the creditor DoD Component's senior FM or designee within 3 working days from the date the request was received.

4.3 Installment Payment Notification

The DMO will make installment agreements available to the office that referred the debt and to the office of the creditor DoD Component's senior FM or designee.

5.0 REFERRAL OF DELINQUENT DEBTS TO DMO

5.1 Dollar Thresholds for Referral

5.1.1. Dollar thresholds for referring delinquent debts to the DMO are as follows:

5.1.1.1. Debts that amount to $25 or more and belong to a contractor with a known TIN; or

5.1.1.2. Debts that amount to $100 or more and belong to a contractor without a known TIN.

5.1.2. Components that have implemented the processes contained in the Delinquent Debt Management Guidance (***DDMG***) should refer delinquent debt over $25 to Fiscal Service, Debt Management Services for further collection action where applicable.

5.1.3. If a contractor has more than one debt, each under the threshold, then the ARO will combine these debts to determine whether the sum of the debts is equal to or greater than the threshold. If so, then the ARO will refer the debts to the DMO in accordance with paragraph 5.2. Refer to Volume 4, Chapter 3 for information on write-off of delinquent debt that is below the referral threshold and cannot be collected.

5.2 Delinquent Debts and Multiple Debts Greater Than the Threshold

* 5.2.1. General. DCOs must refer valid and legally enforceable debts that are equal to or greater than the thresholds in paragraph 5.1, individually or in aggregate, to the DMO no later than 90 days from the date on the debt notification. Debts must be validated by the DCO prior to referral to the DMO. The DMO must annotate acceptance of the debt in the appropriate system, thereby making the information available to the DCO and the supporting accounting office responsible for maintaining the official accounting records. In accordance with Chapter 7, administrative charges may be assessed for the expenses of referring the debt. Delinquent debts incurred under ***FAR 51.102*** may be referred back to the authorizing agency if not satisfied by the contractor.

5.2.2. Supporting Documentation. When referring a debt to the DMO, DCOs must submit the documentation as listed in paragraph 2.3.

5.2.3. Funds Accountability. After referral, the DMO will have full responsibility for collecting the delinquent debt. Accounting and reporting of the debt does not transfer to the DMO, but remains with the servicing accounting office using status information provided by the DMO. The DMO only maintains a memorandum accounts receivable record. Any office other than the DMO that receives a payment after referral of the debt must notify the DMO of the receipt and disposition of the payment within 3 business days. The ARO must notify the FM representative of the cognizant DoD Component when the debt should be closed. In the case of dual negotiated checks, the DMO will also notify the accountable payment office.

5.3 Referral of Debts to Treasury

5.3.1. The DMO will refer valid and legally enforceable debts, which have been delinquent over 120 days, to the Treasury for debt collection and cross-servicing. While a debt is at Treasury, the DMO maintains overall responsibility for tracking and monitoring that debt and must recall any uncollected debts with sufficient time to refer to the Department of Justice for potential recovery via litigation or to write off and close out the debt. See Chapter 2, section 11.0 for additional information regarding referral of delinquent debts to Treasury.

5.3.2. Components that have implemented the processes contained in the DDMG should refer delinquent debt over $25 directly to Fiscal Service, Debt Management Services for further collection action where applicable.

6.0 DISPUTES AND DEFERMENTS UNDER THE CDA

6.1 Disputes

Under the CDA of 1978 (***41 U.S.C., Chapter 71***), a contractor may appeal a decision of indebtedness to the Armed Services Board of Contract Appeals (ASBCA) or through the U.S. Courts. Actions filed by contractors under the Disputes Clause will not suspend or delay the collection unless the contractor has been granted a deferment as set forth in paragraph 6.3 or has entered into an Installment Payment Plan as set forth in section 4.0. Further interest, penalties, and fees will continue to accrue on uncollected debts that have been formally disputed.

6.2 Crediting Collections in Dispute

6.2.1. When an amount, including interest and administrative fees, is collected from a contractor, and the contractor formally disputes the debt, the collected amount will not be accounted for as settlement of the debt. The disputed amounts will remain available pending disposition of the contractor's dispute, and interest, penalties, and fees will no longer accrue since the debt has been collected. When making a collection in a disputed situation, the collection must be documented as a disputed contract collection. For example, debts collected by DFAS will be coded as disputed in the Contract Debt System.

6.2.2. The payment office typically handles collection of a debt. In the event another office, including the ARO, supporting accounting offices, the DMO, contracting officers, contract administration officers, or legal offices, receives a payment against an existing debt, the receiving office should forward the payment to the relevant DCO immediately. Accounting for disputed collections is covered in Volume 4, Chapter 3.

6.2.3. The DCO and the responsible payment office must notify the contracting officer, the contract administration officer if applicable, the Service or agency contract finance officer, and/or another authority of any matters affecting the disputed collections. Conversely, these officers or offices must also inform the responsible payment office and the DCO of any actions taken that affect the disputed collection.

6.3 Deferments

6.3.1. Under the CDA of 1978, a contractor may appeal a decision of indebtedness to the ASBCA or through the U.S. court system. In accordance with FAR 32.607, the contractor may request, in writing, deferment of debt repayment until the appeal is decided.

6.3.2. In accordance with FAR 32.607, the contractor must submit the request for deferment to the contracting office.

6.3.3. The contracting office will promptly forward the request to the appropriate DoD Component’s senior FM or designee. The DoD Component’s senior FM or designee will approve or deny the request and notify the contracting office and the DMO of the decision.

6.3.4. Collection of the debt should continue until the date the deferment is granted. Volume 4, Chapter 3 contains the policy for accounting for collections under the CDA.

7.0 WRITE-OFF AND CLOSE-OUT OF ACCOUNTS RECEIVABLE

7.1 Write-off and Close-out of Indebtedness

Refer to Volume 4, Chapter 3 for policy on write-off and close-out of delinquent debt.

7.2 Tax Reporting

The DFAS Tax Office will obtain information on all closed-out, uncollected, public contractor debt. In accordance with ***26 U.S.C. § 6050P***, the Tax Office will issue debtors an ***Internal Revenue Service Form 1099-C***, Cancellation of Debt, if the closed, uncollected debt is greater than or equal to $600 for the calendar year. Tax Office required data elements are contained in Volume 4, Chapter 3.

8.0 BANKRUPTCY

8.1 General

Within DoD, DFAS Office of General Counsel (OGC) will file contractor bankruptcy proof of claims. DFAS-OGC is not responsible for litigating contractor bankruptcies. The litigation function remains the responsibility of the DoD Component. Bankruptcy litigation is accomplished by the Department of Justice through the office of the responsible U.S. Attorney. Pursuant to ***FAR subpart 42.9***, prescribed actions, as detailed in paragraphs 8.1 through 8.6, will be taken when the procuring contracting office or contract administrative office receives notice of bankruptcy from the contractor or another source.

8.1.1. Bankruptcy cases are time sensitive. When the DoD receives a notice of bankruptcy, immediate action is required. Government monetary claims and other rights may be adversely and irrevocably affected if not timely asserted.

8.1.2. When either the procuring contracting office or the contract administrative office learns that bankruptcy proceedings have been initiated, the receiving office will immediately notify DFAS-OGC by writing to Defense Finance and Accounting Service – Office of the General Counsel, ATTN: ACL - Bankruptcy, 8899 East 56th Street, Indianapolis, IN 46249 or by email to dfas.indianapolis-in.hgb.mbx.ogc-bankruptcies@mail.mil.

8.1.3. Notification must occur regardless of whether any contracts have fully been performed, closed, or terminated. The DoD Component must also notify any office within the cognizant department or agency designated to receive this information. This notification must be made within 3 business days of receipt of the notice of bankruptcy, regardless of whether it appears the notice has been received late. Bankruptcy notices must also be sent to the following addresses:

8.1.3.1. Defense Logistics Agency
Office of General Counsel, ATTN: DG
8725 John J. Kingman Road, STOP 2533
Fort Belvoir, VA 22060-6221;

8.1.3.2. Assistant General Counsel (Litigation), Department of the Navy
Office of the General Counsel
720 Kennon Street SE Room 233
Washington Navy Yard, DC 20374-5013;

8.1.3.3. Air Force Legal Operations Agency
1500 West Perimeter Road, Suite 1780
Joint Base Andrews, MD 20762;

8.1.3.4. U.S. Army Litigation Center
9275 Gunston Road, Suite 3000
Fort Belvoir, VA 22060-5546; or

8.1.3.5. Defense Contract Management Agency
Office of General Counsel (DCMA-GC)
3901 A Avenue
Building 10500
Ft. Lee, VA 23801-1809.

8.1.4. At a minimum, the notification must include:

8.1.4.1. The name of the contractor,

8.1.4.2. The court in which the bankruptcy petition has been filed,

8.1.4.3. The date of the filing of the bankruptcy petition,

8.1.4.4. The bankruptcy court docket number (if available), and

8.1.4.5. Whether the contractor is indebted to the DoD.

8.2 Bankruptcy 15-Day Report

The contracting office may receive a notice of bankruptcy from the debtor or DFAS-OGC. When the contracting office receives notification of a bankruptcy, that office will follow instructions in paragraph 8.1, and then follow with a Bankruptcy Report sent to the same parties no later than 15 days after receipt of the notice of bankruptcy. If some of this information is not available, then the report will be sent reflecting all available information. To the extent possible, the report will include the following information:

8.2.1. The name of the contractor;

8.2.2. A list of the contracts involved;

8.2.3. The amount of any potential claim against the contractor. Often, the amount of a potential claim must be an estimate. The contracting officer must attempt to calculate the amount of the debt accurately with the understanding that filing of the proof of claim is time sensitive, and must attach a short explanation of how the debt arose. Documentation evidencing the existence of the debt will be attached whenever possible;

8.2.4. Any property, and its location, in the possession of the contractor in which DoD claims an interest, e.g., government property made available to the contractor, such as government-furnished equipment or government-furnished property;

8.2.5. Any claims the debtor may have asserted or presented to DoD;

8.2.6. The bankruptcy court docket number of the proceeding, and the court in which the bankruptcy is pending; and

8.2.7. Available information concerning the deadline for submitting documents to the Bankruptcy Court, asserting the government's claims against the debtor.

8.3 Proof of Claim

Upon receipt of a notice from a contracting officer, DFAS-OGC will prepare a consolidated proof of claim on behalf of DoD. DFAS-OGC will file the proof of claim with the appropriate court unless the responsible U.S. Attorney directs otherwise. DFAS-OGC will send a copy of the proof of claim to each DoD Component that submitted a claim. DoD or agency copies of the proof of claim must be sent to the responsible offices designated in subparagraph 8.1.3. The proof of claim will identify DFAS-OGC as the office designated to receive further notices and any funds received pursuant to the proceedings.

8.4 Actions Against Contractor

The filing of a bankruptcy petition has a major impact on business relationships with the contractor who has filed for bankruptcy protection. Many otherwise appropriate actions cannot be taken against a bankrupt contractor, and actions that may be legally taken against a contractor may have adverse consequences for DoD. The activity's legal office should be informed before any action is taken with regard to a contractor who has filed for bankruptcy.

8.5 Bankruptcy Notification From Contractor

In accordance with the contract clause provisions contained in ***FAR 52.242-13***, should the contractor enter into proceedings relating to bankruptcy, whether voluntary or involuntary, the contractor agrees to furnish by certified mail, or electronic commerce method authorized by the contract, written notification of the bankruptcy to the contracting officer responsible for administering the contract. This notification will be furnished within 5 days of the initiation of the proceedings relating to bankruptcy filing and will include the following:

8.5.1. The date on which the bankruptcy petition was filed,

8.5.2. The identity of the court in which the bankruptcy petition was filed, and

8.5.3. A listing of government contract numbers and contracting offices for all government contracts against which final payment has not been made.

8.6 Notification to DFAS-OGC

FAR 52.242-13 states that the contractor's obligation to notify their contracting officer of a bankruptcy remains in effect until final payment under the contract(s) is made. In addition, the contracting officer must provide a copy of the notification from the contractor, by mail, to DFAS-OGC, 8899 East 56th Street, Indianapolis, IN 46249 and by email to dfas.indianapolis-in.hgb.mbx.ogc-bankruptcies@mail.mil.

VOLUME 16, CHAPTER 6: "DEBT OWED TO THE DOD BY FOREIGN ENTITIES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated March 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to ensure compliance with administrative instructions.	Revision
1.1.4	Deleted statement regarding applicability of Acquisition and Cross-Servicing Agreements as it has no relevance to foreign debt.	Deletion
2.2.1, 2.2.8, 2.2.9, and 3.1.3.1	Clarified Accounts Receivable Office responsibilities in collection efforts for non-Foreign Military Sales debts.	Addition

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CHAPTER 6

DEBT OWED TO THE DOD BY FOREIGN ENTITIES

1.0 GENERAL

1.1 Overview

1.1.1. The DoD policy is to conduct timely and aggressive debt collection action, with follow-up efforts as necessary, to ensure that debt owed to the DoD by a foreign entity is collected and held to the absolute minimum. Further, all collection activities related to foreign-entity indebtedness, including all Acquisition and Cross-Servicing Agreement (ACSA) debt, will be done in compliance with the provisions of the applicable agreement or treaty with the foreign entity.

1.1.2. For purposes of this chapter, a foreign entity does not include foreign individuals or foreign vendors and will only refer to the following definitions:

1.1.2.1. Any government of a foreign country, and any subdivision, agency, or instrumentality thereof, including all foreign "official" institutions, even those located in the U.S.;

1.1.2.2. Any private relief, philanthropic, or other organization of a multinational or regional character with headquarters abroad; and

1.1.2.3. Any official multinational organization, defined as any international or regional organization (or affiliated agency thereof), created by treaty or convention between sovereign states.

1.1.3. Foreign-entity indebtedness means financial obligations owed to the U.S. Government by a foreign entity, as defined for purposes of this chapter. Foreign-entity indebtedness includes Foreign Military Sales (FMS) arrearages, accounts receivable for goods and/or services provided (where specified, includes goods and/or services provided through the ACSA program), and erroneous payments made to foreign entities. Foreign-entity indebtedness does not include principal payments or interest on short-term and long-term loans and credits.

1.2 Purpose

This chapter establishes policy for the DoD Components for identifying, billing, collecting, and managing foreign-entity indebtedness, including FMS and non-FMS. This chapter does not establish policy for billing and collecting for non-FMS fuel debts, foreign fuel exchange agreement debts, foreign direct bills, or FMS fuel debts. Unpaid debts related to fuel agreements, to include Replacement-in-Kind/Equal Value Exchange settlements, foreign direct bills, and FMS, should be billed and elevated through the Defense Logistics Agency – Finance Energy (subparagraph 3.1.3.2 and paragraph 3.2 are not applicable).

1.3 Authoritative Guidance

DoD must pursue and report all foreign indebtedness in accordance with the following:

1.3.1. The Arms Export Control Act (AECA), Public Law 90-629, as amended, codified in Title 22, United States Code, Chapter 39 (***22 U.S.C. Chapter 39***) for FMS arrearages;

1.3.2. Title ***31 U.S.C. § 3719***; and

1.3.3. Title ***10 U.S.C. Chapter 138***, Subchapter I, §§ 2341-2350.

2.0 RESPONSIBILITIES

2.1 DoD Component Responsibilities

DoD Components are responsible for:

2.1.1. Providing timely documentation to the Accounts Receivable Office (ARO) to establish the foreign-entity accounts receivable in the accounting records. Documentation must include applicable line(s) of accounting;

2.1.2. Providing collection information to the ARO if a collection for a foreign-entity debt is received by the DoD Component fund holder;

2.1.3. Assisting in notifying the appropriate foreign entity of the delinquent debt and working with the foreign entity to resolve disputed amounts;

2.1.4. Working with appropriate DoD and/or U.S. Government activities (e.g., the Defense Security Cooperation Agency (DSCA), the Military Departments, the Joint Chiefs of Staff, the Combatant Commands, the Department of State, and each country's U.S. Embassy's Office of Defense Cooperation) to collect the delinquent, foreign-entity debt;

2.1.5. Assisting the ARO to obtain necessary documentation, and point of contact information, to collect delinquent, foreign-entity debt;

2.1.6. Ensuring that foreign-entity debts (FMS arrearages and non-FMS debts) are reviewed during the Dormant Account Review - Quarterly of Undelivered Orders; Delivered Orders, Unpaid; Undelivered Orders, Paid; and Unfilled Customer Orders, in accordance with Volume 3, Chapter 8;

2.1.7. Recommending, coordinating, and/or approving recommendations to aggressively pursue delinquent, foreign debt, pursuant to the law and applicable agreement with foreign entities; and

2.1.8. Completing other actions pertaining to FMS arrearages and non-FMS, foreign-entity debts, as specified throughout this chapter.

2.2 ARO Responsibilities

The ARO is responsible for:

* 2.2.1. Preparing and sending the initial bill to the foreign entity and performing follow-up actions on non-FMS debts, to include sending a written follow-up letter when a debt is 90-days delinquent, and then annually, to include after the appropriation cancels. Refer to Exhibit 6-1 for a sample demand letter, subparagraph 3.1.3.1 for additional follow-up requirements, and subparagraph 3.1.2.2 for demand letter requirements;

2.2.2. Ensuring that collection of foreign-entity debt is completed in compliance with the law and applicable agreements with foreign entities;

2.2.3. Ensuring that the foreign-entity debt is valid. See Volume 4, Chapter 3 for accounting procedures when it is determined that a debt is not valid;

2.2.4. Processing all accounting transactions related to foreign-entity accounts receivable. This includes, but is not limited to:

2.2.4.1. Establishing and maintaining the accounts receivable in the applicable accounting system;

2.2.4.2. Crediting collections to the applicable line of accounting;

2.2.4.3. Aging delinquent, foreign-entity accounts receivable (refer to subparagraph 3.1.1); and

2.2.4.4. Preparing and submitting accounts receivable reports to the appropriate offices (e.g., Defense Finance and Accounting Service (DFAS) Departmental Accounting, DSCA, Department of State, U.S. Department of Treasury (Treasury), or Department of Commerce (Commerce)). See section 8.0;

2.2.5. Working with the DoD Component fund holder to resolve disputed, foreign-entity debt;

2.2.6. Coordinating with the DoD Component fund holder on other actions, as needed, to resolve foreign-entity debt;

2.2.7. Retaining required supporting documentation related to accounts receivable in accordance with Volume 4, Chapter 3;

* 2.2.8. Reporting delinquent, non-FMS, ACSA-related debts that are still outstanding near the time of appropriation cancelation to the DFAS Program Manager (PM); and

* 2.2.9. Using the DFAS Contractor Debt System to record delinquent debts from canceling years during year-end closeout and communicating status of these debts to the Services.

2.3 DFAS PM Responsibilities

The DFAS PM is responsible for general oversight of the ACSA debt collection process, as well as providing strategic support to the ARO in elevating delinquent debts to the respective ACSA Combatant Command, Joint Staff, and other key stakeholders (e.g., Office of the Under Secretary of Defense (Comptroller)) when appropriate.

2.4 DSCA Responsibilities

DSCA is the principal DoD Component responsible for:

2.4.1. Completing actions concerning FMS arrearages and indebtedness, to include making a determination if charging interest or referral to the Department of Justice (DOJ) is required. For purchasers who have delinquent payments due, or who have accrued costs that exceed available cash, DSCA will evaluate the purchaser's entire program to determine whether or not a letter to the purchaser requesting payment is justified. If so, then DSCA will issue a written notification to the purchaser within 30 days of the end of the preceding quarter. If no response is received, then additional written follow-ups will be made at succeeding 30-day intervals;

2.4.2. Approving FMS feeder arrearage reports prepared by DFAS, Departmental Accounting, in accordance with this chapter;

2.4.3. Working with the purchaser, the responsible DoD Component, and DFAS Security Cooperation Accounting (SCA) to identify the specific issue and remedy (e.g., adjustments to ordered values, delivery timeframes, ordered quantity, collection of additional funds, or other alternative financial arrangements) when insufficient funds are available for DoD to meet the collective cash requirements for an FMS purchaser;

2.4.4. Administering and managing FMS long-term loan and credit programs authorized under the AECA, or other authorities, and identifying delinquent amounts associated with these programs; and

2.4.5. Completing other actions as necessary, to include required reporting to the Department of State and others.

2.5 DFAS SCA Responsibilities

DFAS SCA is responsible for:

2.5.1. Utilizing updated FMS payment schedules, and other financial performance criteria, to bill foreign governments and international organizations on the quarterly DoD (DD) Form 645, FMS Billing Statement, and/or special billing statements approved by DSCA;

2.5.2. Coordinating with DSCA to identify, report, and collect FMS arrearages and other delinquent amounts; and

2.5.3. Providing quarterly reports to DSCA to identify those FMS purchasers who are delinquent in payment from the previous quarter, as well as daily reports to identify purchasers' average disbursement rates and estimated number of months of cash on hand.

2.6 DFAS Departmental Accounting Responsibilities

DFAS Departmental Accounting is responsible for preparing FMS feeder arrearage reports in accordance with this chapter and the Treasury Financial Manual (TFM) and submitting the reports to Treasury after coordination and approval by DSCA.

3.0 BILLING AND FOLLOW-UP ACTIONS

3.1 Non-FMS, Foreign-Entity Debt

3.1.1. Due Date. All non-FMS, foreign-entity debt will be due 30 days from the date of the bill/demand letter, unless otherwise stated in the bill, contract, or agreement between the DoD Component and the foreign entity. The bill/demand letter will include a 60-day grace period. Therefore, the debt becomes delinquent 91 days from the date of the bill/demand letter.

3.1.2. Initial Billing/Notification

3.1.2.1. The ARO will prepare and send initial billings and notifications for goods and/or services for all non-FMS, foreign-entity debt. AROs will include the information listed in subparagraph 3.1.2.2 in the initial debt notification accompanying the bill.

3.1.2.2. The ARO will prepare and send the initial demand for non-FMS, foreign-entity debts. See Exhibit 6-1 for a sample demand letter. The demand letter will include, at a minimum, the following information:

3.1.2.2.1. The basis for and amount of the indebtedness;

3.1.2.2.2. The date by which payment must be made in full;

3.1.2.2.3. The address where payment should be sent or information regarding submission of electronic payment;

3.1.2.2.4. The name, address, and telephone number of a point of contact in the ARO who can discuss alternative methods of payment; and

3.1.2.2.5. Any available documentation that substantiates the debt.

3.1.3. Follow-up Actions

* 3.1.3.1. ARO. The ARO will perform follow-up actions on all non-FMS, foreign-entity debts. If the foreign entity does not provide payment by the due date, or other date specified in the agreement between the DoD Component and the foreign entity, then the ARO will immediately send a written, follow-up demand letter. Include the information listed in subparagraph 3.1.2.2 if not included in the initial billing/demand letter. At a minimum, the ARO will send a follow-up letter when the debt is 90-days delinquent, and then annually, to include after the appropriation cancels. As the debt approaches the canceling year, the ARO will also refer the debt to the DFAS PM for additional assistance in collection efforts. The ARO will not refer delinquent, foreign-entity debts to Treasury for cross-servicing, or for participation in the Treasury Offset Program (TOP), because these debts are exempt from referral.

3.1.3.2. DFAS PM. ARO personnel will elevate unpaid debt cases to the DFAS PM as described in subparagraph 2.2.8 and 3.1.3.1. The DFAS PM will then assist AROs in attempting to resolve these cases with the respective Combatant Commands and Joint Staff.

3.2 FMS Accounts Receivable

3.2.1. Legal Requirements

3.2.1.1. For sales from stock, AECA, Section 21(b), codified as ***22 U.S.C. § 2761***, requires DoD to collect payments from foreign purchasers in advance or, if the President determines it to be in the national interest, upon the delivery of a defense article or the rendering of a defense service. After a determination by the President that it is in the national interest to bill upon the delivery of a defense article or the rendering of a defense service, interest will be charged in accordance with AECA, Section 21(d), 22 U.S.C. § 2761(d), on any net amount due and payable that is not paid within 60 days after the date of such billing.

3.2.1.2. The President delegated the authority to determine if billing upon delivery is in the national interest in ***Executive Order 13637***, and the Secretary of Defense further delegated the authority to the Director, DSCA, in ***DoD Directive 5105.65***. The President may extend the period to 120 days if he determines that emergency requirements of the purchaser will exceed the ready availability of purchaser funds to the U.S. Government within the 60 days. In this case, the President submits a determination with a special emergency request for authorization and appropriation of additional funds to finance such purchases under the AECA.

3.2.1.3. For sales from procurements (items sent directly from the source, and not from DoD inventories), when the country is authorized a dependable undertaking, AECA, Section 22(a), ***22 U.S.C. § 2762(a)***, requires DoD to collect payments from foreign purchasers in time to meet contractual payments, including any damages and costs that may accrue from the cancellation of such contracts. The AECA, Section 22(a), requires interest to be charged on any net amount by which a foreign purchaser is in arrears, taking into consideration all of its outstanding unliquidated dependable undertakings.

3.2.2. Due Date. Refer to Volume 15, Chapter 8 for policy regarding FMS billing due dates.

3.2.3. Initial Billing. DFAS SCA is responsible for issuing FMS billing documents. Billings for financial requirements will be initiated by using the DD 645, or the special billing statement approved by DSCA. These billings must, at a minimum, identify the financial requirements, amount paid, and amount due. Specific policy on FMS billings is in Volume 15, Chapter 8.

3.2.4. FMS Arrearages

3.2.4.1. When the amount due per the DoD billing statement is not paid by the due date, that amount is considered delinquent, but that does not necessarily constitute an arrearage.

3.2.4.2. For FMS cases authorized to include a term of sale of "Payment on Delivery," and for FMS purchasers authorized “dependable undertaking” terms of sale, an arrearage occurs when the FMS purchaser’s total cash resources on deposit with the U.S. Government are insufficient to cover all its outstanding, billed amounts, unliquidated dependable undertakings, considered collectively. Reference Volume 15, Chapter 4, subparagraph 3.1.2 for information on dependable undertaking.

3.5.2. Follow-up Actions

3.5.2.1. FMS purchasers are required to pay in advance of performance unless the President determines it to be in the national interest to collect upon delivery of the defense article or the rendering of the defense service. Refer to 22 U.S.C. § 2761. Therefore, in the FMS program, an arrearage is an unusual event.

3.5.2.2. If required, written notification to the purchaser will normally be sent within 30 days of the end of the preceding quarter. If no response is received, then additional written follow-up must be made at succeeding 30-day intervals. Delinquent FMS arrearages must not be referred to Treasury for cross-servicing or participation in TOP.

4.0 INTEREST, ADMINISTRATIVE CHARGES, AND PENALTIES FOR FMS ARREARAGES

4.1 General

In accordance with 22 U.S.C. § 2761(d) and 22 U.S.C. § 2762(a), interest will be charged on FMS arrearages. The final determination regarding assessment of interest on FMS arrearages will reside with DSCA. “The rate of interest charged shall be a rate not less than a rate determined by the Secretary of the Treasury, taking into consideration the current average market yield on outstanding short-term obligations of the United States as of the last day of the month preceding the net arrearage and shall be computed from the date of net arrearage.” For the interest rate due on FMS delinquent payments, see ***TreasuryDirect***. Once there, select the applicable month and “Table 5 - Department of Defense Arms Export Control Act.” For the proper disposition of interest

funds collected, refer to Volume 4, Chapter 3. Non-FMS, foreign debts owed by any sovereign state are exempt from interest, administrative charges, and penalties.

4.2 Term of Sale – Payment on Delivery

Interest assessed on arrearages resulting from FMS cases with a term of sale of "Payment on Delivery" must be computed from the date of the billing. Figure 6-1 provides an illustration of the applicability of interest in these cases.

4.3 Insufficient Case Resources

Interest assessed on arrearages resulting from a purchaser's total cash resources on deposit being insufficient to cover its outstanding, unliquidated dependable undertakings is computed from the date on which the net arrearage occurs. Net arrearage occurs on the date that DFAS SCA determines that the accrued costs exceed available cash.

5.0 REFERRAL OF FMS INDEBTEDNESS

5.1 Authority to Refer FMS Indebtedness

DSCA will determine if an FMS arrearage will be forwarded to DOJ for litigation.

5.2 Preservation of Evidence

The ARO, DFAS PM, DoD Component, and DSCA must retain all files and records that may be needed by DOJ to prove the case in court. Reference Volume 1, Chapter 9 for additional information on record retention.

6.0 COMPROMISE, SUSPENSION, OR TERMINATION OF COLLECTION ACTIONS FOR FMS ARREARAGES

DFAS SCA, in cooperation with the DoD Component, must coordinate proposals to compromise, suspend, or terminate collection actions on FMS arrearages with DSCA. Refer to Chapter 2, section 14.0 for policy on compromise, suspension, or termination of collection actions.

7.0 WRITE OFF AND CLOSE OUT OF FMS ARREARAGES

DSCA is responsible for initiating and coordinating all actions necessary to write off and close out FMS arrearages. Refer to Volume 4, Chapter 3, paragraph 4.7 for write-off and closeout requirements.

8.0 REPORTING FOREIGN INDEBTEDNESS

8.1 Reporting

Foreign indebtedness must be uniformly and accurately reported through appropriate reporting channels to Treasury and Commerce.

8.2 Required Reports

8.2.1. Grants, Loans, Credits, and Contingent Liabilities Involving Foreigners. The ***TFM, Volume I, Part 2, Chapter 4500*** requires the electronic submission of several reports pertaining to foreign obligors to Treasury by the 45th day following the end of the reporting quarter, if applicable. These reports are prepared and submitted by DFAS Security Assistance Accounting (SAA) Departmental. The data for these reports is extracted from the DSCA FMS Credit System. The TFM, Volume I, Part 2, Chapter 4500 provides detailed guidance, formats for the reports, and instructions for completing and submitting the reports.

8.2.2. Data Editing. DFAS SAA Departmental must complete the quarterly data editing and approval process using Treasury's Foreign Credit Reporting System (FCRS) within 2 weeks after receiving notification that the reporting period data is available for editing. The "FCRS Web Site Overview and Data Editing Guide for Agency Users," which is available only to authorized users on the FCRS web site, contains instructions for the quarterly data editing and approval process. The required reports are:

8.2.2.1. Direct Long-Term Credits History,

8.2.2.2. Guarantees and Insurance of Long-Term Credits History,

8.2.2.3. Direct Long-Term Credits Status,

8.2.2.4. Guarantees and Insurance of Long-Term Credits Status,

8.2.2.5. Direct Long-Term Credits Scheduled Payments, and

8.2.2.6. Guarantees and Insurance of Long-Term Credits Scheduled Payments.

8.2.3. Treasury Report on Receivables (TROR). DFAS and DoD Component accounting offices must ensure that the TROR includes foreign indebtedness as required by Volume 4, Chapter 3, section 6.0.

8.3 Preliminary Case Analysis Report of FMS Arrearages

The National Advisory Council (NAC) monitors major foreign arrearages. For this purpose, a major foreign arrearage is any country program arrearage that involves the sum of $250,000 or more. Periodically, DSCA will request a Preliminary Case Analysis Report (PCAR) from DFAS to satisfy NAC requirements. The PCAR will be submitted directly to DSCA by

DFAS in email message form. The report will reflect any foreign arrearages so that a determination can be made on whether interest should be charged.

8.4 Collecting and Reporting Foreign Debts Under Long-Term Loans and Debts

DSCA is responsible for administering FMS long-term loans and credit programs authorized by ***22 U.S.C. § 2763*** and determining foreign arrearages against these programs.

Exhibit 6-1. Sample ARO Demand Letter

EMA CPCO
14 RUE SAINT DOMINIQ UE
75007 PARIS
FRANCE

The attached bill for articles/services provided to your government under the following Acquisition Cross-Servicing Agreement {ACSA) order is forwarded to your office for payment.

ACSA Invoice	Bill Month	Amount

Payment in U.S. Dollars is due within 30 days from the date of this letter, and may be made by:

CHECK Make payable to: United States Treasury
Mail to:
DFAS-IN Central Disbursing Directorate
Collections Branch· ALC 5570
8899 E 56th St.
Indianapolis, IN 46249 USA;

FEDWIRE Transfers in U.S. Dollars
Bank Name/Account Name: TREAS
NYC. NEW YORK. NY US Address:
33 Liberty St, New York, NY 10045
Fed Routing #: XXXXXXXX
Account Name: TREAS NYC, NEW YORK. NY US
Account #: XXXXXXXXXXXX (12-digit Credit Gateway account #)
Collections Information Repository ID); or

SWIFT Transfers in U.S. Dollars
Bank Name/Account Name; TREAS
NYC, NEW YORK. NY US Address:
33 Liberty St., New York, NY 10045
Fed Routing #: XXXXXXXXXX
Account Name. TREAS NYC, NEW YORK, NY US
Account#: XXXXXXXXXXXX (12-digit Credit Gateway account #/Collections Information Repository ID).

Payment Details:

Wire transfer fees and other shortages are the responsibility of the remitter.

Thank you for your attention to this matter. When paying, please reference DFAS Rome, the customer and bill number(s) with your remittance. For billing or collection questions, please contact <Name> at <phone number> or <email>.

<Name>
Director, Accounts Receivable Directorate

Figure 6-1. Illustration of the Applicability of Interest
(Pertains To 22 U.S.C. § 2761 Only)

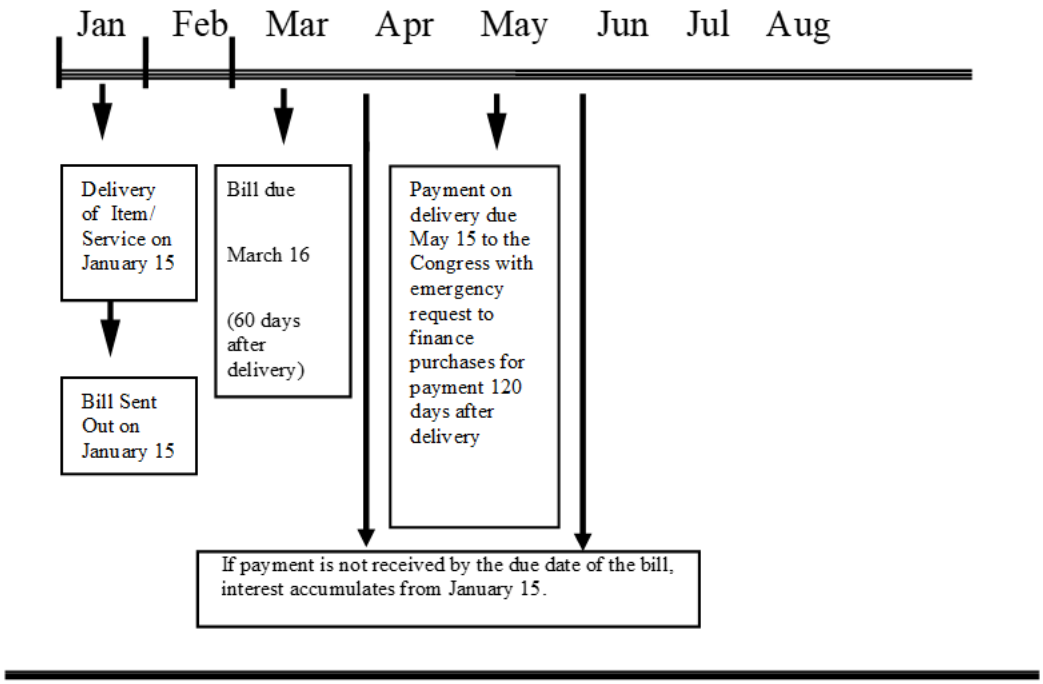

Figure 6-2. Report of Current Status of Accounts Receivable (Original Maturity of Less than 90 Days) from Foreign Obligors

REPORTING AGENCY		CURRENT STATUS OF ACCOUNTS RECEIVABLE (ORIGINAL MATURITY OF LESS THAN 90 DAYS) FROM FOREIGN OBLIGORS			DATE OF SUBMISSION		
CURRENT STATUS AS OF					PAGE 1 OF		
COUNTRY PROGRAM (1)	Cur Ind (2)	TOTAL AMOUNT OUTSTANDING	AMOUNT DUE AND UNPAID 90 DAYS OR MORE		CODES		
		(3)	(4)	(5)	(6)	(7)	(8)
		OFFICIAL	PRIVATE	OFFICIAL	PRIVATE	CTRY	PROG

VOLUME 16, CHAPTER 7: "INTEREST, PENALTIES, AND ADMINISTRATIVE (IPA) CHARGES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated March 2023 is archived.

PARAGRAPH	EXPLANAION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and ensured compliance with administrative instructions.	Revision
3.1.1, 3.2.8, and 3.3.1	Clarified that fees and date of delinquency are calculated using the original date of the debt notification.	Addition
4.0	Per OGC, updated the language regarding waiver of interest, penalties, and administrative charges to more accurately reflect the language in current authoritative sources.	Revision

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CHAPTER 7

INTEREST, PENALTIES, AND ADMINISTRATIVE (IPA) CHARGES

1.0 GENERAL

1.1 Overview

1.1.1. This chapter pertains to the collection of debts owed to the DoD from all other debtors not covered by Chapter 6. Debtors subject to IPA under this chapter include, but are not limited to, current and retired DoD civilian employees, current members of the military services (active and reserve), military retirees, individuals who are no longer employed by DoD, contractors, vendors, assignees, and business entities. Contractor-specific guidance can also be found in the Federal Acquisition Regulation ***(FAR), subpart 32.6***.

1.1.2. This chapter does not pertain to the collection of debts owed to DoD by Foreign Entities, which is covered in Chapter 6.

1.1.3. The intent of IPA charges is to stimulate prompt debt payment, to compensate the government for loss of use of funds when debt is not paid timely, and to recover the cost of processing and handling delinquent debts, including referral to credit bureaus or collection agencies.

1.2 Purpose

This chapter establishes policy and requirements for the DoD Components for the accounting and reporting of IPA charges on delinquent debts and debts repaid via installment agreement or salary offset.

1.3 Authoritative Guidance

Requirements contained in this chapter are primarily based on:

1.3.1. ***Title 31, United States Code (U.S.C.), section 3717***;

1.3.2. The FAR, subpart 32.6;

1.3.3. ***Title 31, Code of Federal Regulations (CFR), Parts 900-904*** (Federal Claims Collection Standards); and

1.3.4. Published U.S. Department of the Treasury (Treasury) guidance, concerning the collection of interest, contained in ***"Managing Federal Receivables," Chapter 6***.

2.0 INTERNAL CONTROLS

All organizations involved in the collection and management of IPA charges must adhere to the basic standards for internal controls in ***DoD Instruction 5010.40***, "Managers' Internal

Control Program Procedures," to ensure IPA charges owed to the DoD are managed and collected in accordance with this chapter and other applicable regulatory and statutory requirements.

3.0 APPLICATION OF CHARGES

Title 31, CFR, section 901.9 contains guidance on assessing IPA charges. Unless prohibited by law, IPA charges will be applied accordingly. Refer to Volume 4, Chapter 3 for requirements on the disposition of IPA charges.

3.1 General

* 3.1.1. All debts owed to the Government and not paid in full by the due date specified in the debt notification letter will accrue IPA charges back to the original date of the debt notification, and in accordance with 31 U.S.C. § 3717. These charges will continue to accrue until the debt is paid in full or otherwise resolved through suspension, compromise, termination, or the IPA charges are waived. Debts owed by any federal agency, or nonappropriated fund instrumentality, are exempt from IPA charges.

3.1.2. Payments of amounts owed to the Federal Government by organizations, businesses, and individuals are expected to be made in accordance with terms specified in contracts, agreements, or notifications of indebtedness. For those debts owed to the Federal Government that are not covered by provisions contained in contracts or agreements, the notification of indebtedness will inform the debtor of the basis for the indebtedness, the date the debt payment is to be made (due date), and the requirement for IPA charges, unless otherwise prohibited by law.

3.2 Interest Charges

3.2.1. Interest charges will be accrued and assessed on all debt not paid in full by the date due, regardless of if the debt is to be paid in a lump sum or installments. Debt that is paid through an agreed-upon installment plan, or through salary offset, is not considered delinquent as long as the payments are made on time; however, interest will continue to be assessed on the outstanding balance owed and collected until the debt is paid in full.

3.2.2. Pursuant to 31 U.S.C. 3717, interest rates must be established for each loan receivable and overdue debt from the public. The factors that affect the variability of interest rates (e.g., legislation, type of contract, an occurrence of an event, passage of time, debtor's income level, or federal funds rate) must be identified. In the absence of specific authority embodied in statute, regulation required by statute, contract, or other public notice, the interest rate, at a minimum, will be the same rate as the Current Value of Funds Rate (CVFR) established by the Secretary of the Treasury. Interest may not be compounded or assessed on administrative costs or penalties.

3.2.3. The CVFR is used to calculate interest on overdue Federal Government receivables. The interest rate is subject to revision only if the published rate changes by 2 percentage points (e.g., from 6.0 percent to 4.0 percent) at the close of the prior calendar quarter. The Treasury publishes changes to the CVFR in the Treasury Financial Manual Bulletins. Additional information can be found at the Bureau of the Fiscal Service ***CVFR*** web page.

3.2.4. The interest rate used to determine charges on a delinquent debt will remain fixed for the life of the debt. However, if a debtor defaults on a repayment agreement and seeks to enter into a new agreement, the agency may require payment of interest at a new rate that reflects the CVFR at the time the new agreement is executed.

3.2.5. Unless other provisions exist in a contract or prior agreement, interest charges will not be assessed until the debtor has been notified in writing that interest and penalty charges will accrue. Payment terms specified in the invoice, demand letter, or notice of indebtedness must be consistent with payment terms in the related contract or formal agreement.

3.2.6. Interest will not be charged if payment is made by the date specified in the debt notification letter (typically 30 days from the date on the notification).

3.2.7. Interest will continue to accrue after "date of death" when a claim is to be filed against the estate.

* 3.2.8. Interest charges will be computed using the following formula:

$$I = D*N*F$$

Where:
I = Interest charge,
D = Amount of outstanding debt (See 3.2.2 for rules regarding compounding) ,
N = Number of days delinquent (counted from the date of the debt notification), and
F = Interest rate per day.

3.2.9. For additional information on interest charges pertaining to debts owed by contractors/vendors, refer to Chapter 5.

3.3 Penalty Charges

* 3.3.1. DoD Components must accrue and assess a penalty charge, not to exceed 6 percent per annum, on any portion of the debt that is delinquent more than 90 days (from the date of the debt notification), to include interest and administrative charges. A debt becomes delinquent if not paid by the established due date; therefore, penalty charges must be applied to those accounts reported in the aging category 91-180 days delinquent and beyond. This does not include payments that are current and made based on an agreed-upon installment plan or through salary offset. The Components may determine what percentage, up to the maximum 6 percent, will be applied to

delinquent accounts. The Component's rationale for charging a lesser amount must be documented and become part of the official debt file.

3.3.2. Penalty charges will continue to accrue after "date of death" when a claim is to be filed against the estate.

3.4 Administrative Charges

3.4.1. In addition to interest and penalty charges, administrative charges will be assessed to cover the added costs incurred in handling a delinquent debt beyond the date on which payment was due. Unlike the interest charge, which begins to accrue on the date the debt notice is issued, the administrative charge is applied only if payment is not made by the due date specified in the notice. Administrative charges are not applied to installment payments that are current and made based on an agreed-upon installment plan or salary offset.

3.4.2. The Components must calculate administrative charges based upon actual costs incurred to cover the cost of processing and handling delinquent debt. If actual cost is not available, then Components may base the administrative charges upon other historical costs or cost analyses, as long as the method used supports determination of the charge and is documented in the official debt file. An administrative charge will be applied to all delinquent debts with due regard given to the length of time the debts are delinquent.

3.5 Installment Payments and Application of Fees

When a debt is collected by installment payments, the amounts received must be applied first to contingency fees, second to outstanding penalties, third to administrative costs, fourth to interest, and last to principal. Contingency fees are paid by a federal agency to other federal agencies or private collection contractors for collection services rendered. These fees are paid from the amounts collected from the debtor.

*4.0 WAIVER OF ACCRUAL OF IPA CHARGES

4.1 Authority

Under 31 U.S.C. 3717(h), IPA charges may be waived, in whole or in part, by the DCO, either by using the criteria set forth in the standards for the compromise under 31 C.F.R. 902.2, or when the collection of IPA charges is against equity and good conscience (such as when charging IPA would cause undue financial hardship to the debtor) or is not in the best interest of the United States. See also 31 CFR 901.9(g). A DCO may waive IPA on its own or at the request of a debtor. A DCO may also waive IPA only in part. For example, circumstances may justify a waiver of penalties, which are meant to penalize untimely payment, but not a waiver of interest and administrative costs, both of which are meant to compensate the Government. A decision to waive IPA charges must be made in accordance with the guidelines in paragraph 4.2.

4.2 Guidelines for Waiver of IPA Charges

The following guidelines for waiver of IPA charges must be followed.

4.2.1. The accrual and assessment of IPA charges may be waived only after the DCO makes a determination that waiver is appropriate, including at the time the debt is terminated or compromised.

4.2.2. Decisions to waive the accrual and assessment of IPA charges must be made on a case-by-case basis. Blanket waivers (i.e., waiving IPA on an entire class of debts) are not appropriate. Decisions on IPA waivers must be documented, include an explanation as to the reasons for the waiver, and retained as a part of the official debt file.

4.2.3. The same organizational level, or the same designee, authorized to approve compromises, write off indebtedness, or approve requests for waiver or remission of indebtedness, depending on the disposition of the basic debt, is authorized to approve waiver of the accrual of IPA charges.

4.2.4. Accrued IPA charges will be collected, reported, compromised, or written off in the same manner as the basic debt.

4.2.5. A decision regarding waiver is within the sole discretion of the agency and is not reviewable.

5.0 WRITE-OFF OF ACCRUED IPA CHARGES

When a debt is written off, the accrued IPA charges must also be written off. Write-off must be done in accordance with ***Office of Management and Budget Circular A-129***. Volume 4, Chapter 3 contains additional requirements on debt write-off.

VOLUME 16: "DEFINITIONS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

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The previous version dated November 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and ensured compliance with administrative instructions.	Revision
Delinquent Debt	Added clarification that date of delinquency is the date of the original debt notification.	Addition

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DEFINITIONS

1.0 General

The following list defines significant terms related to debt management and debt collection.

2.0 List of Definitions

Accounts Receivable Office (ARO)

The ARO is the office responsible for recording and reporting receivables and may also be the office responsible for debt collection.

Administrative Wage Garnishment (AWG)

AWG is a process whereby a non-federal employer is ordered by the U.S. Department of Treasury (Treasury) to withhold amounts from an employee's wages in order to collect a federal non-tax debt owed to a federal agency, such as DoD.

Cross-Servicing Program

The Cross-Servicing Program is the Treasury's consolidated debt collection program in which the Treasury uses a variety of tools to collect a debt, such as demand letters, telephone calls, the Treasury Offset Program (TOP), AWG, and credit bureau reporting.

Debt

A. As defined in ***Title 31, United States Code, section 3701***, debt is an amount of funds or property that an appropriate official of the Federal Government has determined to be due the U.S. Government from a person, organization, or entity other than another federal agency that the Government is entitled to receive immediately. Debts include, but are not limited to: insured or guaranteed loans and amounts due from fees, leases, rents, royalties, services, sales of real or personal property, overpayments, financial obligations from foreign military sales purchasers, penalties, damages, interest, fines, and forfeitures.

B. Debt in this context does not include tax debts, amounts due a nonappropriated fund instrumentality (unless specifically included in the DoD Financial Management Regulation), delays in processing employee-elected coverage, or a change in coverage under federal benefits programs if processing delays did not exceed 2 monthly or 4 biweekly pay periods. The term does not include debts owed by DoD or debts arising from antitrust, fraud, or interagency claims.

Debt and Claims Management Office (DCMO)

The DCMO offers debt management and collection assistance for delinquent debts owed to the DoD by individual debtors who are former DoD employees that are no longer paid by the DoD.

Debt Collection Office (DCO)

DCO refers to the office or individuals at the DoD Component level that are primarily responsible for debt establishment and collection for the Component. DCOs that manage the debt collection for the Component are typically located in the following areas: AROs, military and civilian payroll offices (located both within and outside of the Defense Finance and Accounting Service (DFAS)), Debt Management Office (DMO), DCMO, contracting offices, disbursing offices, or the Foreign DMO.

Debt Compromise

Debt compromise is an agreement between the DoD and the debtor to accept less than the full amount of an outstanding debt in full satisfaction of the entire amount of the debt. A debt compromise is final and conclusive unless obtained by fraud, misrepresentation, presentation of a false claim, or mutual misstatement of fact.

Debt Management Office

The DMO is the DFAS office that services referred vendor/contractor debts.

Debt Referring Office

The Debt Referring Office is the office responsible for referring contractor, assignee, and business entity debt to the DMO or the office responsible for referring individual out-of-service debt to the DCMO. The Debt Referring Office could include, but is not limited to: AROs, DCOs, accounting offices, military pay offices, vendor pay offices, contracting offices, and disbursing offices.

*Delinquent Debt

A delinquent debt is a debt that has not been paid by the due date specified in the written demand for payment (i.e., invoice, debt notification letter, or applicable agreement or instrument (including a post-delinquency payment agreement)). For the purposes of accruing and assessing fees for interest, penalties, and administrative costs, the date of delinquency is the date of the initial debt notification.

Erroneous Payment

An erroneous payment is a payment that was not legal and proper when made or is not in compliance with applicable laws or regulations (***Title 32, Code of Federal Regulations, section 284.3***). Refer to Volume 5, Chapters 5 and 6 for information on pecuniary liability. For purposes of DoD debt collection, examples of erroneous payments include:

A. An improper overpayment to a payee;

B. Two or more payments to a payee for the same entitlement (i.e., duplicate payment)

C. A payment to the wrong payee;

D. A Treasury check issue overdraft (in some cases);

E. A shortage caused by negotiation of both an original and a substitute Treasury check;

F. Payment based on fraudulent, forged, or altered documents; and

G. A payment made in violation of law or regulation.

Legally Enforceable Debt

A debt is legally enforceable if the DCO has made a final determination that the debt is valid and there are no legal bars to collection action. If the debt is the subject of a pending administrative review process required by statute or regulation, and collection action during the review process is prohibited, then the debt is not considered legally enforceable for purposes of mandatory referral to the Treasury.

Long-Term Loans and Credits

Long-term loans and credits include any indebtedness to the DoD in which the original payment terms provide for payment within a period of time exceeding one year after delivery or performance.

Offset

An offset is the withholding of the entire amount or a portion of a payment to a payee and applying the amount withheld to liquidate the payee's debt. There are several methods used to perform an offset.

A. Administrative offset is the withholding of any funds payable by the United States to, or held by the United States for, a person to satisfy a debt.

B. Salary offset is limited to the withholding from pay and allowances. Salary offset is accomplished by installment deduction(s) at officially established pay intervals from the current pay of the individual.

C. Centralized offset is done by the Treasury and is administered through TOP. Centralized offset occurs when Treasury withholds part or all of a debtor's federal payments to satisfy the debtor's delinquent debt owed to the Government.

D. Non-centralized offset is also the withholding of a debtor's federal payments, but it is done internally by federal agencies on a case-by-case basis.

Short-Term Loans and Credits

Short-term loans and credits are any debts in which the original payment terms provide for payment between 90 days up to, and including, one year after delivery or performance. Foreign Military Sales transactions, which provide for payment 120 days after delivery or performance, will be classified as short-term credit sales.

Suspension of Collection Action

Suspension of a collection action is a determination to cease collection action temporarily with the intent to initiate collection action at a later date.

Termination of Collection Action

Termination of collection action is a determination to cease active debt collection. Passive debt collection efforts, such as Treasury cross-servicing, may resume following termination of collection activity.

Treasury Offset Program (TOP)

TOP is a program that allows agencies to submit delinquent, valid, and legally enforceable debts to the Bureau of the Fiscal Service for collection via offset of all eligible payments the debtor may receive from the Government.

"GLOSSARY"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated September 2021 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Administrative updates in accordance with Department of Defense Financial Management Regulation (FMR) Revision Standard Operating Procedures.	Revision

GLOSSARY

A. Overview

The following list defines general terms of significance or importance in financial management policies for the Federal Government or the Department of Defense (DoD) that are discussed in various chapters of this Regulation. This glossary is provided for general information. It is not an exhaustive list of all financial management terms, and it does not define terms when standard dictionary definitions apply. Authoritative guidance with more detailed explanations or nuances may be found in specific chapters.

B. List of Definitions

Accessorial Charges

Costs incurred for packing, crating, and handling related to sales or shipments of property.

Accountable Official (Departmental)

An individual—such as a receiving official, contracting officer, purchase card official or military, civilian, and travel pay officials—responsible for providing a certifying officer with information, data, or services that the certifying officer relies upon in the certification of vouchers for payment.

Accounting Entity

In DoD the accounting entity is the DoD Component; that is, the Department of the Army, the Department of the Navy, the Department of the Air Force, and the Office of the Secretary of Defense (OSD) and/or the Defense Agencies, regardless of appropriation or fund.

Accounting Objectives

Goals toward which accounting efforts are directed. The goals are derived directly from higher authority, audit requirements, legal, and regulatory requirements and the needs of intended users.

Accounting System Design Documentation

Documentation supporting the design of an accounting system that assures all relevant accounting principles, standards, and related requirements have been addressed. It consists of three distinct documentation packages: (1) the functional accounting system concept design, (2) the functional detailed design, and (3) various automated data processing documentation packages that track functional user requirements to specific computer programs. See Volume 1, Chapter 3 for specific documentation requirements.

Accounts Payable

Amounts owed to other entities for goods and services received (i.e., actual or constructive receipt), progress in contract performance, and rents due to other entities.

Accounts Receivable from the Public

All accounts receivable arising from the sale of goods and services and from operations involving other than Federal Government organizations. Examples are debts owed by military personnel, civilian employees, and contractors.

Accrued Variance (Foreign Currency Fluctuations)

The difference between un-liquidated obligations at the budget rate (approved execution rate) and the foreign exchange rate current at the time of payment.

Acquisition Cost

The amount, net of both trade and cash discounts, paid for property plus transportation costs and other ancillary costs to bring the item(s) to its current condition and location.

Adjustments to Expired or Closed/Canceled Accounts (Upward or Downward)

Increases or decreases to obligations or expenditures. Adjustments involve recording obligations or expenditures that were made or incurred, but not recorded, during the period prior to expiration or cancellation of the account.

Administrative Subdivision of Funds

Any sub-division or legal restriction of an appropriation or fund that makes funds available in a specified amount for incurring obligations. Frequently used subdivisions include apportionments, allocations, sub-allocations, allotments, and sub-allotments.

Advances

Advances are cash outlays made by a federal entity to its employees, contractors, grantees, or others to cover a part or all of the recipients' anticipated expenses or as advance payments for the cost of goods and services the entity acquires. The outlay is made before an authorized DoD receiving official has certified performance. Common examples include travel advances disbursed to employees prior to business trips, and cash or other assets disbursed under a contract, grant, or cooperative agreement before services or goods are provided by the contractor or grantee.

Agency Financial Management System

The total of agency financial systems, both manual and automated, for planning, budget formulation and execution, program and administrative accounting; as well as all other systems for recording and classifying financial data and reporting financial management information, including purchasing, property, and inventory.

A. Financial Management Information. All information that is expressed in dollar terms on federal spending, collections, assets, liabilities, equity, and related budgetary and accounting transactions and balances.

B. Accounting System. The structure of methods and procedures used to record, classify, accumulate, analyze, summarize, and report information on the financial condition and operating position. It is comprised of the various functional operations involved in authorizing, recording, classifying, analyzing, and reporting financial information related to financing sources, gains, expenses, losses, transfers, assets, liabilities, equity, and internal controls. It encompasses the procedures and processes from the point a transaction is authorized through processing the data, either manually or automatically, to issuance of financial and management information statements and reports.

1. Primary Accounting Systems. The aggregation of like financial management information aligned by the major operational areas and summarized to support financial and management information needs. There are five Primary accounting systems made up of the single, standard integrated Departmental accounting systems, which controls all financial management information. The Primary accounting systems are General Fund, Working Capital Fund, Trust Fund, Civilian Pay, and Military Pay.

2. Administrative Accounting Systems.

a. Accounting Support Systems. The manual or automated programs, procedures and processes that authorize, record, classify, analyze, and report on financial management information for one of the Primary accounting systems. Accounting Support systems provide general ledger control and financial information on operations for consolidation to the Primary accounting systems.

b. Subsidiary Accounting Systems. The manual or automated programs, procedures, and processes for one of the various functional operations involved with revenues, expenses, assets, liabilities, and equity. The Subsidiary accounting systems form the foundation and audit trail for the Primary accounting systems and the Accounting Support systems.

3. Accounting System Modules. Modules are distinguished by the fact that their functions and systems of internal controls are embodied in the accounting system. As such, modules are fully integrated subsystems of an accounting system, and they are inventoried and evaluated in conjunction with the accounting system.

4. Feeder Systems. The manual or automated programs, procedures and processes which develop data required to initiate an accounting or financial transaction but do not perform an accounting operation (e.g., personnel, property, or logistics systems).

Allocations

A further subdivision of allotments. Within DoD, the term has been used to refer to departmental-level accounting entity distributions of apportionments, or funds that do not require apportionment, to an operating Agency or other intermediate level accounting entity.

Allotments

Subdivisions of apportionments that are made by the heads of agencies, or their designee, to incur obligations within a prescribed amount. Subdivision and distribution of an allotment (e.g., sub-allotments and allocations to operating agencies or installation-level accounting activities) must contain at least the same legal and other limitations applicable to the original allotment. Such subdivisions and distributions may establish additional legal and other limitations applicable to execution of budgetary resources.

Annual (1-Year) Authority

Budget authority that is available for obligation only during a specified fiscal year and expires at the end of that time.

Anticipated Reimbursements

The dollar value of orders expected to be received during the forthcoming fiscal year. Anticipated reimbursements do not create obligational authority until an actual order is received and accepted.

Antideficiency Act

Legislation enacted by Congress to prevent the incurring of obligations or the making of expenditures (outlays) in excess of amounts available in appropriations or funds; to fix responsibility within an agency for the creation of any obligation or the making of any expenditure in excess of apportionment or reapportionment or in excess of other subdivisions established pursuant to Title 31, United States Code, sections 1341, 1342 *(31 U.S.C. §§ 1341-1342)*, and 1517 *(31 U.S.C. § 1517)*; and to assist in bringing about the most effective and economical use of appropriations and funds.

Apportionment

A distribution made by the Office of Management and Budget (OMB) of amounts available for obligation and expenditures in an appropriation or fund account into amounts available for specified time periods (usually fiscal quarters), programs, activities, projects, objects, or any combination of these. The apportioned amount limits the obligations that may be incurred. An apportionment may be further subdivided by an agency into allotments, sub-allotments, and allocations.

Appropriation Limitations

Statutory and other special restrictions, which impose a restriction on the availability of funds or the authority to obligate or expend appropriations for certain objects or purposes, such as, family housing.

Appropriation Warrant

An official U.S. Treasury document that provides the dollar amounts established in the general and detailed appropriation accounts of the U.S. Treasury pursuant to Appropriation Acts authorized by law. It serves as a convenient source document for entries into accounts that establish the amount of money authorized to be withdrawn from the U.S. Treasury.

Appropriation

A provision of law (not necessarily in an appropriations act) authorizing the expenditure of funds for a specified purpose. Usually, but not always, an appropriation provides budget authority, which is authority provided by law to incur financial obligations that will result in outlays. For purposes of the Antideficiency Act, the term "appropriations" may have a broader meaning. As defined by the Act, it means all new budget authority and balances of budget authority as described in OMB Circular No. A-11, ***OMB A-11, Section 20.4***.

Asset Use Charge

A charge for the use of DoD assets (facilities and/or equipment) to recoup depreciation and interest on investment.

Authorizing Official (or Officer)

An individual who approves a transaction, and verifies and validates the funds cited on a commitment or obligation document are accurate and available.

Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA)

Legislation that shaped the budget process, first by setting fixed targets for annual deficits and then by replacing those with a Pay-As-You-Go requirement for new tax or mandatory spending legislation and with caps on annual discretionary funding. Most of these requirements expired in 2002. The Statutory Pay-As-You-Go Act of 2010, which did not amend the BBEDCA, reinstated a statutory pay-as-you-go rule for revenues and mandatory spending legislation. The Budget Control Act of 2011, which amended the BBEDCA, reinstated discretionary caps on budget authority.

Bench Stock (Also Shop Stock)

Inventory held by a cost center for use as indirect material and used in support of numerous small projects or activities carried out by the cost center. Inventory includes items such as screws, washers, and lubricants.

Book Value

The recorded cost of a general Property, Plant, and Equipment (PP&E) asset less accumulated depreciation.

Borrowing Authority

Statutory authority to incur obligations and to make payments for specified purposes out of borrowed money. Within DoD, borrowing authority is used for mortgage assumptions under the Homeowners Assistance Program and for loans from the Federal Financing Bank.

Budget Authority

Authority provided by law to incur financial obligations that will result in outlays. Specific forms of authority include appropriations, borrowing authority, contract authority, and spending authority from offsetting collections.

Budget Control Act (BCA) of 2011

Legislation that, among other things, amended the Balanced Budget and Emergency Deficit Control Act of 1985 to reinstate discretionary spending limits on budget authority through 2021 and restored the process for enforcing those spending limits; increased the statutory debt ceiling; and established a Joint Select Committee on Deficit Reduction that was instructed to develop a bill to reduce the Federal deficit by at least $1.5 trillion over a 10-year period. It also provided a process to implement alternative spending reductions in the event that legislation achieving more than $1.2 trillion of deficit reduction was not enacted by January 15, 2012.

Budget Rate

A foreign currency exchange rate provided to DoD Components for use in preparing budget submissions during budget formulation and for recording obligations during budget execution. Budget rates are provided by the DoD Comptroller and may be modified by the Congress. During execution, foreign currency obligations are recorded using the budget rate (rates approved for execution). Also, see "Foreign Currency Fluctuations."

Budgetary Resources

For purposes of budget execution, budgetary resources include new budget authority, available unobligated balances at the beginning of the year, reimbursements, and other income (also known as offsetting collections credited to an appropriation or fund account), recoveries of prior year obligations from unexpired accounts, and restorations. In the case of reimbursable work, budgetary resources available for obligation are comprised of earned reimbursements and unfilled customer orders (limited by the amounts collected in advance for orders from the public). In the case of loan programs, budgetary resources available for obligation from loan repayments and interest on loans are comprised of actual collections when authorized to be used.

Business Concern

Any person or organization engaged in a profession, trade, or business, and nonprofit entities (including State and local governments, but excluding Federal entities) operating as contractors.

Cash-Flow Process

Each process of collecting or disbursing moneys for Agency programs or operations, and for balances held outside of the U.S. Treasury.

Cash-Flow Report

A document summarizing each unique cash-flow process and corresponding opportunities for new cash management improvements.

Cash Held at Personal Risk

Cash held by authorized disbursing officers, their cashiers, and their agent officers, including alternates, for making miscellaneous cash payments, meeting cash payrolls, or making change; funds established for making small purchases; imprest funds; cash held pending delivery to other disbursing officers; and for other purposes specifically authorized by law.

Cash Management

Practices and techniques designed to accelerate and control collections, ensure prompt deposit of receipts, improve control over disbursement methods, and minimize idle cash balances.

Cash Management Review

An ongoing study of an Agency's cash flows and corresponding cash management processes or mechanisms conducted to identify implementable improvement opportunities in an Agency's cash management practices.

Centrally Managed Account

Authority issued by the holder of an account (allotment/allocation) for incurring obligations for a specific purpose and in a specific amount. It is administered by publishing a centrally managed account number that permits authorized officials to charge the account for authorized purposes without further determination or certification of fund availability for individual transactions.

Certifying Officer

An individual designated to attest to the correctness of statements, facts, accounts, and amounts appearing on a voucher, or other documents. A certifying officer is pecuniary liable for payments in accordance with ***31 U.S.C. § 3528***.

Clearing Accounts

Accounts established solely to temporarily hold general, special, or trust fund collections or disbursements pending clearance to the applicable receipt or expenditure budgetary account. Except for clearance to the applicable receipt or expenditure budgetary account, clearing accounts are not available for obligation or expenditure.

Closed/Canceled Accounts

An appropriation that has been closed in accordance with ***31 U.S.C. §§ 1551-1557***. This term also includes an appropriation that otherwise would have been closed by 31 U.S.C. §§ 1551-1557, but has not been closed by the Department of the Treasury because the appropriation has a negative balance. When balances are canceled, the amounts are not available for obligation or expenditure for any purpose, unless exempt by a provision of an appropriation law.

Collections

Amounts received during the fiscal year. Collections are classified into two major categories: budget receipts and offsetting collections. Budget receipts are amounts received by the Federal Government from the public, e.g. tax revenues, premiums of compulsory social insurance programs, court fines, and license fees. Offsetting collections are classified into two major categories: offsetting receipts and collections credited to appropriation or fund accounts.

Commitment

An administrative reservation of funds based on firm procurement requests, unaccepted customer orders, Directives, and equivalent instruments.

Component Liaison Office

Military Department and Agency formed liaison offices to communicate with the Defense Finance and Accounting Service to ensure adequate dissemination of information and help coordinate DoD finance and accounting policy and other issues.

Conceptual Design of Accounting System

Documentation of the process that leads to a decision to develop a new accounting system or system segment, or to initiate a major upgrade effort. Documentation reveals the deficiencies in the current system, the accounting entities involved, the parameters of the accounting system, the accounting structure, security considerations, the alternatives considered, and the economic analysis developed to support a decision.

Consolidated Working Fund Accounts

Accounts established to hold funds transferred from other Agencies, DoD Components, or accounts until transferred to an appropriate account authorized by provisions of law. Applicable funds are not available for obligation or expenditure.

Construction in Progress (CIP)

A temporary classification of assets under construction equal to the amount of direct labor, direct material, and overhead incurred in the construction of General Property, Plant, and Equipment (PP&E) for which the acquiring DoD agency will be accountable for financial reporting purposes. General property includes real property such as land and buildings. Upon completion, these costs will be transferred to the proper capital asset account as the acquisition cost of the item. CIP is not to be used for information technology software. The Internal Use Software in Development account is used for information technology software.

Contingency

An existing condition, situation, or set of circumstances that involves an uncertainty as to possible gain or loss. The uncertainty will be resolved when one or more future events occur or fail to occur. Resolution of the uncertainty may confirm a gain (i.e., acquisition of an asset or reduction of a liability) or a loss (i.e., loss or impairment of an asset or the incurrence of a liability).

Contingent Liability

The term has two meanings. As a budgetary term, it represents variables that cannot be recorded as valid obligations. Such variables include (1) outstanding fixed price contracts containing escalation, price redetermination, or incentive clauses, or (2) contracts authorizing variations on quantities to be delivered, or (3) contracts where allowable interest may become payable by the Federal Government on contractor claims supported by written appeals pursuant to the "DISPUTES" clause contained in the contract. As a proprietary accounting term, it represents a contingency posing the possibility of a loss when one or more events occur or fail to occur. Examples of loss contingencies include the collectability of accounts receivable, pending or threatened litigation, and possible claims and assessments. DoD recognizes contingent liabilities when a future loss related to past events or exchange transactions is probable and the loss amount can be reasonable estimated.

Continuing Resolution

The Congressional resolution, in the absence of an appropriation act, providing authority for Agencies to continue current operations. Such continuing resolutions are subject to the Office of Budget and Management apportionment in the same manner as appropriations.

Contract

As defined by the Federal Acquisition Regulation ***(FAR) 2.101***, "Definitions," a contract is a mutually binding legal relationship obligating the seller to furnish the supplies or services (including construction) and the buyer to pay for them.

Contract Authority

Statutory authority to incur obligations but with liquidation of obligations dependent upon future actions of the Congress or by the receipt of customer orders or other available resources. Within the Department, Contract Authority is apportioned budget authority that can be legally obligated. Contract Authority, however, is not funded and is apportioned and allocated without a supporting Treasury cash balance. Consequently, before an obligation incurred against Contract Authority can be liquidated, sufficient budgetary resources should be available for the outlay. For the Defense Working Capital Funds, obligations against Contract Authority are based on earned customer orders and cash balances in the fund corpus.

Contract Financing Payment

A Federal Government cash disbursement to a contractor under the contract prior to acceptance of goods or services by the Federal Government.

Contract Liquidating Authority

An appropriation, or re-appropriation, enacted to pay the obligations incurred under the contract authority.

Contractor-Acquired Property

General PP&E assets acquired by a contractor on behalf of a DoD Component for use in the performance of a contract. It does not include federal government furnished material or equipment. Also, see Government Furnished Equipment.

Cost

A monetary measure of the amount of resources applied to a cost objective. Within DoD, "costs" are identified following generally accepted accounting principles and standards. The fact that collections for some cost elements are deposited into Miscellaneous Receipts of the Treasury does not make those costs "extraneous." It simply means the Congress has not authorized such amounts to be retained by appropriation accounts. After costs have been identified, following Federal Accounting Standard Advisory Board standards, including the Statement of Federal Financial Accounting Standard 4 on cost accounting rules, a DoD Component may proceed to eliminate cost elements, or process waivers, in accordance with legal authorities.

Cost Center

An element of a cost accumulation structure—representing the lowest level organization or activity used to identify obligations or expend resources—to logically group costs of goods and services for management to assess efficiency, usage, examine trends, and make decisions. Cost centers enable organizations to apply process costing, one of two primary approaches to cost accumulation, the other approach being has job order costing. SFFAS 4 requires organizations to accumulate costs for the identified types of outputs produced for various programs or projects.

Cost Clearing Account

An account used when standard rates are employed. The actual expenses are debited to the cost clearing account and the amounts billed to customers are credited to the account. At the end of the fiscal year, the account is closed with analysis performed to determine if rates require adjustment.

Cost Finding

Techniques that produce cost data by analytical or sampling methods for certain kinds of costs, such as indirect costs, items with costs below set thresholds within programs, or for some programs in their entirety. These techniques support the overall managerial cost accounting process and can represent nonrecurring analysis of specific costs.

Cost Objective

An activity, operation, or item whose cost is to be measured for which management decides to identify, measure, and accumulate costs. The cost objective must be discrete enough and described in writing to such a level of detail to form a basis to establish cost centers and output products.

Current Accounts Receivable

All receivables that will be due within the 12 months following the reporting period.

Current Value of Funds Rate (CVFR)

The average investment rate for the U.S. Treasury Tax and Loan accounts expressed as an annual rate and published by the U.S. Treasury in the "Federal Register" each year. Uses of the CVFR include determining the effectiveness of taking cash discounts and calculating interest on overdue federal government accounts receivables.

Customer Order

An order received and accepted by the performing activity from a customer. It is written evidence that certain goods and services will be provided to the tenderer of the order for payment of a dollar amount. The order must contain an original signature or equivalent of both the ordering activity and the receiving activity and must specify a dollar amount. The specified dollar amount cannot be exceeded.

Cutoff Time

A time prescribed by a financial institution beyond which transactions presented or actions requested will be deferred to the next banking day's business.

Day

A calendar day, unless otherwise noted. If the day on which an action is required falls on a nonworking day, then day means the next working day.

Default

Failure to meet any obligation or term of a credit, grant, or other agreement.

Defense Working Capital Fund (DWCF)

A revolving fund using a business-like buyer and seller approach with a goal of breaking even over the long term. Stabilized rates or prices are generally established each fiscal year. DWCF stabilized rates or prices are adjusted for sales to customers to include an amount for unfunded civilian retirement and post-retirement health benefits costs. The DWCF was established on December 11, 1996, upon the reorganization of the former Defense Business Operations Fund.

Deferrals

Budgetary resources that have been deferred as reserves to provide for contingencies to achieve savings made possible by or through changes in requirements or greater efficiency of operations or as specifically provided by law.

Definite Authority

Authority that is stated as a specific sum at the time it is granted. This includes authority stated as not to exceed a specified amount. Most DoD appropriations are for definite amounts of authority.

Delivered Orders

The term used for the credits entered into the budgetary accounts to recognize liabilities incurred for (1) services performed by employees, contractors, other Government accounting entities, vendors, carriers, grantees, lessors (2) goods and other tangible property received; and (3) items such as annuities or insurance claims for which no current service is required. Accrued expenditures are categorized as either paid or unpaid.

Delivered Orders-Paid

The budgetary account that represents the dollar value of goods and services received for which payment has been made.

Delivered Orders-Unpaid

The budgetary account matching the proprietary account, "accounts payable." It represents the dollar value of goods and services received for which payment has not been made. (Also, see "Accounts Payable.")

Demand Cash Withdrawal

Commercial checks made payable to cash for withdrawal by the cashier.

Deposit (noun)

Money presented for credit to the U.S. Treasury. Such transfers may be made by Agencies or directly by the remitter. All such transfers are effected through a Federal Reserve Bank or other financial institution.

Deposit (verb)

The act of presenting moneys for credit to the U.S. Treasury by an Agency official.

Deposit Funds

Receipts held temporarily and later refunded or paid into some other Treasury fund or other entity, or held by DoD as banker or agent for others and paid out at the direction of the owner.

Deposit Fund Accounts

Expenditure accounts established to account for deposit fund receipts. Such funds are not available for paying salaries, grants, or other expenses of the Federal Government. Expenditures are often offset by receipts within this type of fund.

Depreciation

The systematic and rational allocation of the acquisition cost of an asset, less its estimated salvage or residual value, over its estimated useful life.

Direct Cite

A financing action by a DoD organization (customer) to procure products and services from another entity. When direct cite is used, the procuring entity sends the procurement source documents to the customer for the customer to perform all accounting functions. In the case of the Foreign Military Sales program, it specifically refers to documents that result in a disbursement to other than a DoD organization (a contractor, other Federal Agency, or employee).

Direct Delivery

Items shipped directly from a contractor to a customer, whether from a consolidated military services procurement or a contract solely for that customer.

Direct Loan

An obligation created when the Federal Government disburses the funds and contracts with the debtor for repayment, with or without interest, or when the Government acquires a guaranteed private loan in satisfaction of default or other claim.

Direct Program

The budget authority in an appropriation act. (See "Budget Authority.")

Disbursements

Amounts paid by Federal Agencies, by cash or cash equivalent, during the fiscal year to liquidate government obligations. “Disbursement” is often used interchangeably with the term “outlay.” In budgetary usage, gross disbursements represent the amount of checks issued and cash or other payments made, less refunds received. Net disbursements represent gross disbursements less income collected and credited to the appropriation or fund account, such as amounts received for goods and services provided. For purposes of matching a disbursement to its proper obligation, the term disbursement refers to the amount charged to a separate line of accounting.

Disbursing Officer

An officer or employee of a Federal Department, Agency or Corporation designated to disburse moneys and render accounts according to laws and regulations governing the disbursement of public moneys.

Discount (Cash)

A reduction in the amount due on an accounts payable offered by the vendor if paid within a stated period.

Discount (Trade)

A reduction in price, usually varying in percentage with volume of transactions, made by vendors to those engaged in certain businesses and allowable irrespective of the time when the account is paid.

DoD Component

For purposes of this Regulation, unless otherwise noted "DoD Component" includes the following: OSD; the Chairman, Joint Chiefs of Staff and the Joint Staff; the DoD Inspector General; the Military Departments including the Coast Guard when assigned to the Department of the Navy; the Defense Agencies; DoD Field Activities; the Combatant Commands; Washington Headquarters Services, the Uniformed Services University of the Health Sciences, and all non-appropriated fund instrumentalities.

DoD Education Benefits Trust Fund

A fund established for education assistance purposes for active and reserve force personnel. It derives its resources through transfers from military personnel accounts and from interest earned from investments in Federal Government securities.

Earned Reimbursement

The amount recognized when a performing organization renders actual or constructive performance on a reimbursable order.

Economy Act Order

An order for goods or services placed by a Federal Agency or Department to another government agency under provisions of ***31 U.S.C. §§ 1535-1536.*** (See Volume 11A, Chapter 3.)

Electronic Data Interchange (EDI)

The exchange of standardized information between business partners typically communicated electronically between computers. It is DoD policy that DoD Component EDI applications must conform to the American National Standards Institute, Accredited Standards Committee X12 standard.

Electronic Funds Transfer (EFT)

The act of debiting or crediting accounts in financial institutions by wire rather than source documents, such as, paper checks. Processing typically occurs through the Federal Reserve Bank clearing houses.

Entitlements

Legally established benefits available to any person or unit of Federal Government meeting eligibility requirements established by law.

Executory Costs

Those costs associated with ownership of an asset such as insurance, taxes, and normal maintenance. In the case of a capital lease, the portion of the lease payment that represents executory costs is not capitalized, but is expensed.

Expenditure

An actual disbursement of funds in return for goods or services. Frequently used interchangeably with the term "outlay."

Expense

The outflow or other depletion of assets or incurrence of liabilities (or a combination of both) during some period as a result of providing goods, rendering services, or carrying out other activities related to an entity's programs and missions, the benefits from which do not extend beyond the present operating period. In financial accounting and reporting, the costs that apply to an entity's operations for the current accounting period are recognized as expenses of that period.

Expired Account or Appropriation

Appropriation or fund account in which the balance is no longer available for incurring new obligations, but is still available to cover upward adjustments to prior year obligations and recording, adjusting, and liquidating valid obligations. The account remains available for such purposes during the five-year expiration period unless the expiration period has been lengthened by legislation.

Facilities

Industrial property (other than material, special tooling, special test equipment, and military property) for production, maintenance, research, development, or test including real property (other than land) and rights therein, buildings, structures, improvements, and plant equipment (including capital leases).

Fast Pay

Disbursement to a contractor (within 15 days after receipt of the invoice) based on the contractor's certification that delivery has been made at the time an invoice is presented for payment.

Federal Agency

Same meaning as the term "Agency" in *5 U.S.C. § 551(1),* and includes any entity that is operated exclusively as an instrumentality of such an Agency for administering one or more programs of that Agency. Both DoD appropriated and non-appropriated fund activities are included under this definition, but non-appropriated fund activities are public/non-federal entities for purposes of processing receivables. See Volume 4, Chapter 3.

Financial Institution

Bank, Savings Association, or Credit Union eligible under *31 C.F.R. 202* to serve as a Federal Government depositary.

Financial Management System

A financial operation that includes the financial system and the financial portion of mixed systems necessary to support financial management; automated and manual processes, procedures, and controls; data; hardware; software; and support personnel dedicated to the operation and maintenance of system functions.

Financing Interest

Interest charged as a cost of extending credit as distinguished from interest charged because of delinquency.

Financing Payment

Disbursement of funds after performance has occurred but before physical delivery. The most common type of financing payment is the progress payment made to DoD contractors to reimburse incurred cost before ordered items or material are delivered. See “Contract Financing Payment.”

Fixed Accounts

Appropriation or fund accounts with balances that are available for a definite period of time. The fixed accounts are comprised of annual and multiyear accounts. The universe of appropriation or fund accounts is made up of fixed accounts and no-year accounts.

Foreign Currency Fluctuations

The difference between budget rates approved for execution and actual foreign currency exchange rates in effect at time of payment that cause changes in obligations or contractual liabilities. Obligations are recorded using the budget rate, and payments are made using the current foreign currency exchange rate.

Foreign Currency Unliquidated or Liquidated Obligations

Foreign currency un-liquidated obligations are derived by taking obligations at the budget rate less the disbursements at the budget rate. Foreign currency liquidated obligations is the actual disbursement at the budget rate.

Fund Groups

The range of numeric or alpha and/or numeric account symbols assigned by the Treasury to identify groups of accounts, such as, 0000 to 3799 = General Funds.

Fund Holder

An individual holding an administrative subdivision of funds or an operating target, who is responsible for incurring obligations against the administrative subdivision or target and for managing the use of such funds.

Funded Carryover

The incomplete portion of a job order for goods or services to be provided by a working capital fund activity. Usually, funded carryover is measured at the end of a fiscal period, that is, a fiscal year.

Funds Certifying Official

An individual responsible for the proper assignment of funding on a commitment or obligation document before the obligation has incurred.

General Fund Accounts

These consist of (1) receipt accounts used to account for collections not dedicated to specific purposes and (2) expenditure accounts used to record financial transactions arising under congressional appropriations or other authorizations to spend general revenues.

General Fund Receipt Accounts

Accounts established for receipts of the Federal Government that are not earmarked by law for specific purpose and that are not available for obligation and expenditure.

Government Furnished Equipment

Property provided to a contractor by DoD. It is used in producing an end product. It is not consumed, but is returned in the same form at the end of the contract.

Government Furnished Material

Property provided to a contractor by DoD. It may be incorporated into an end item (a change in form) or may be consumed in the performance of a contract.

Grants

Assistance awards for which no substantial involvement is anticipated between DoD and the recipient during performance of the contemplated activity.

Guaranteed Loan

A contingent liability created when the Federal Government ensures the private lender who disbursed the funds that the lender will be repaid to the extent of the amount or percentage guaranteed in the event of default by the debtor; a DoD Component pledge to pay part or all of the loan principal and interest to a lender, or holder, of a security in the event of default by a third-party borrower.

Holdback

The amount withheld from payments to contractors to assure compliance with contract terms. Usually the amount to be withheld is expressed as a percentage in the contract provisions.

Imputed Cost

Imputed cost is a reporting entity's share of an expense not incurred directly, but borne by another reporting entity and not reimbursed.

Indefinite Appropriations

Appropriations of a current or permanent nature in which a definite amount is not stated but is to be determined on the basis of stipulated subsequent events.

Indefinite Authority

Authority for which a specific sum is not stated, but is determined by other factors such as the receipts from a certain source or obligations incurred.

Interagency Allocations

According to OMB Circular A-11, section 20.4(l), "Allocation means a delegation, authorized in law, by one agency of its authority to obligate budget authority and outlay funds to another agency. When an agency makes such a delegation, the Treasury Department establishes a subsidiary account called a "transfer appropriation account," and the receiving agency may obligate up to the amount included in the account. The budget does not show the transfer appropriation account separately. The budget schedules for the parent account include the obligations by the other agency against the subsidiary account. Allocations are appropriate where the receiving agency is acting as the agent for the allocating agency."

Internal Control Documentation

Written policies, organization charts, procedural write-ups, Manuals, memoranda, flow charts, decision tables, completed questionnaires, software, and related written materials used to describe the internal control methods and measures, to communicate responsibilities and authorities for operating such methods and measures, and to serve as a reference for persons reviewing the internal controls.

Internal Controls

The manner in which financial, manpower, and property resources are to be controlled and safeguarded by the regular authorization, approval, documentation, recording, reconciling, reporting, and related accounting processes.

Internal Control Standards

The standards issued by the Comptroller General for use in establishing and maintaining systems of internal control. Those standards are applicable to all operations and administrative functions, but are not intended to limit or interfere with duly granted authority for the development of legislation, rulemaking, or other discretionary policymaking.

Internal Control Techniques

The application of prescribed processes and documents to accomplish an internal control objective efficiently and effectively and to help safeguard an activity from waste, loss, unauthorized use, or misappropriation.

In-transit Transactions

Disbursements or collections that have been reported by a disbursing office, through a paying center, to the Department of the Treasury and charged against the Department's fund balances but have not yet been received by the accounting system.

Inventory Price

For non-stock fund items the inventory price is the acquisition cost. For stock fund items, the inventory price is acquisition cost plus prescribed surcharges. (See "Acquisition Cost.")

Investment

As a budget term, investment refers to equipment financed with procurement appropriation accounts. As an accounting term, investments represent the value of securities and other assets held for the production of revenues in the form of interest, dividends, rentals or lease payments, net of premiums or discounts.

Invoice

As defined by ***FAR 2.101, Definitions,*** an invoice is a contractor's bill or written request for payment under the contract for supplies delivered or services performed.

Invoice Payment

A Federal Government disbursement of monies to a contractor under a contract or other authorization for supplies or services accepted by the Government.

Journal Voucher

Adjustments recorded in the system transaction registers and the General Ledger identifying summary-level adjustments.

Letter Contract

An offer and acceptance that is specific and definitive enough to show the purpose and scope of the final contract to be executed. When accepted in writing by the contractor, documentary evidence exists to support the recording of an obligation.

Loan Guarantees

Agreements by which a DoD Component pledges to pay part or all of the loan principal and interest to lenders or holders of securities in the event of default by third-party borrowers.

Management Fund Accounts

Working fund accounts authorized by law to facilitate accounting for collections from two or more appropriations or funds to finance an activity not involving a continuing cycle of business-type operations and that are available for obligation and expenditure. Those are combined receipt and expenditure accounts established by law, with receipts derived from such operations usually available in their entirety for use by the fund without further action by the Congress.

Military Interdepartmental Purchase Request (MIPR)

An order issued by one military service to another to procure services, supplies, or equipment for the requiring service. The MIPR (DD Form 448) may be accepted on a direct citation or reimbursable basis. It is an Economy Act *(31 U.S.C. §§ 1535-1536)* order subject to downward adjustment when the obligated appropriation is no longer valid for obligation.

Military Retired Pay (Includes Fleet Reserve/Fleet Marine Corps Reserve Retainer Pay)

(A reduced pay entitlement for reduced services.) The gross entitlement for a retired service member based on terms and conditions of law, pay grade, years of service, percentage of disability, if applicable, and date of retirement (transfer to the retired reserve).

Military Retirement Trust Fund

A trust fund established to finance the retirement cost of active and reserve military personnel. An accrual amount is transferred monthly from the military personnel accounts to the Fund based on a fixed percentage of basic pay for full-time and part-time personnel. The accrual amounts are determined by the DoD Board of Actuaries who are appointed by the President for 15-year terms. In addition, amounts are deposited into the Fund to liquidate the unfunded liability of retired pay earned prior to establishment of the Fund. Interest on investments of the Fund assets in Federal Government securities are also transferred into the Fund.

Minimum Lease Payments

The payments that the lessee is obligated to make or may be required to make in connection with leased property. Minimum lease payments exclude contingent rentals and any guarantee by the lessee of the lessor's debt and the lessee's obligation to pay (apart from rental payments) executory costs such as insurance, maintenance, and taxes in connection with the leased property.

Multiple-Year Authority

Budget authority that is available for original obligation for a specified period in excess of 1 fiscal year.

Negative In-transit Disbursements

The opposite of in-transit disbursement. The accounting office has processed disbursements for recordation against the applicable corresponding obligation but the disbursing office has not reported the disbursements, through a paying center, to the Department of the Treasury and charged against DoD's fund balances. (See "In-transit Disbursements.")

Negative Unobligated Balance

An appropriation or fund in which the amount of obligations exceeds the amount of obligational authority. In closed appropriations, the available obligational authority is equal to the unobligated balance.

Negative Unliquidated Obligation

A disbursement transaction that has been matched to the cited detail obligation, but the total disbursement(s) exceeds the amount of that obligation.

Noncurrent Accounts Receivable

A receivable that will not be due within 12 months following the reporting period.

Non-expenditure Transfers

A redistribution of either unobligated balances of budget authority provided in a previous year, or budget authority provided in the current year between appropriations or funds for the benefit of the gaining appropriation or fund. Transfers of obligated balances and sometimes re-appropriations also require non-expenditure transfers.

No-Year Authority

Budget authority that remains available for obligation for an indefinite period of time.

Obligation

Amount representing orders placed, contracts awarded, services received, and similar transactions during an accounting period that will require payment during the same, or a future, period. Includes payments for which obligations previously have not been recorded and adjustments for differences between obligations previously recorded and actual payments to liquidate those obligations. The amount of obligations incurred is segregated into undelivered orders and accrued expenditures - paid or unpaid. For purposes of matching a disbursement to its proper obligation, the term obligation refers to each separate obligation amount identified by a separate line of accounting.

Obligational Authority

The sum of (1) budget authority provided for a given fiscal year, (2) balances of amounts brought forward from prior years that remain available for obligation, and (3) amounts authorized to be credited to a specific fund or account during that year, including transfers between funds or accounts. See "Budget Authority."

Offsetting Collections

Collections from Federal Government accounts or from transactions with the public. The two major categories of offsetting collections are offsetting receipts (amounts deposited to receipt accounts) and offsetting collections credited to appropriation or fund accounts.

Offsetting Receipts

Collections that are deposited into proprietary Miscellaneous Receipt Accounts of the Department of the Treasury. Applicable deposits offset the collecting Agency's budget authority and outlays.

Operating Agency

A major organizational unit within a Military Department or Defense Agency that is responsible for (1) the active planning, direction, and control of a program or segment, thereof, and (2) the control of the funds allocated to it.

Outlays

The amount of checks issued or other payments made (including advances to others), net of refunds and reimbursements. Outlays are net of amounts that are adjustments to obligational authority. The terms "expenditure" and "net disbursement" are frequently used interchangeably with the term "outlay." Gross outlays are disbursements and net outlays are disbursements (net of refunds) minus reimbursements collected.

Overaged Disbursement

A disbursement that is not matched to a corresponding obligation within specified timeframes.

Overhead Rate

The rate determined by performing organizations to allocate operating costs not directly identifiable to the work order. The rate may include supervisory, general, and administrative expenses as well as miscellaneous material and supplies.

Participation Loan

A loan that consists of both direct and guaranteed portions.

Pass-throughs (Current Year)

Revolving fund revenues received during the current fiscal year which: (1) are in addition to amounts provided for in the customer stabilized rate structure and (2) represent reimbursement for current year costs or amounts in excess of amounts budgeted, or otherwise provided for, in the President's budget on which approved customer stabilized rates for the [current] year were based.

Pass-throughs (Prior Year)

Revolving fund revenues, which provide for the recoupment of amounts associated with prior year efforts or sales. These amounts represent the recoupment of amounts beyond those contained in the DoD stabilized rate structure for the applicable prior fiscal year for which the efforts were performed. These amounts are generally intended to offset prior year losses and/or amounts in excess of amounts previously budgeted.

Pay Account

The part of each individual civilian and Military Service member's master pay record that contains all transaction information on payments and deductions with an audit trail to the authorizing documents. The pay account includes information such as pay grade, record of payments, all earnings separately identified by type (basic pay, bonuses, danger pay); allowances; allotments; year-to-date gross earnings; taxable earnings, taxes withheld, and leave data (amount earned, taken, lost, forfeited, advanced, or used).

Pay and Allowances

Payment to active duty, Reserve, National Guard, and retired members and their surviving annuitants, other than travel and transportation reimbursements, and to all civilian employees and direct hire employees in foreign locations, other than travel and transportation expenses.

Paying Office

A disbursing office. In the case of contracts, the place named in the contract for forwarding invoices for payment.

Period of Availability

The period of time in which budget authority is available for original obligation.

Planning, Programing, Budgeting, and Execution (PPBE)

A cyclic process containing four distinct, but interrelated phases: planning, programing, budgeting, and execution. In addition to establishing the framework and process for decision making on future programs, the process permits prior decisions to be examined and analyzed from the viewpoint of the current environment (threat, political, economic, technological, and resources) and for the time period being addressed. The ultimate objective of PPBE is to provide operational commanders the best mix of forces, equipment, and support attainable within fiscal constraints.

Political Subdivision of Local Government

A local unit of government, including specifically a county, municipality, city, town, township, school district, or other special district created by State law, or combination of these units.

Port Loading and Unloading Costs

A subset of accessorial costs. The costs incurred for loading, unloading, and handling at the ports of embarkation and debarkation.

Prepositioning Costs

The accessorial costs incurred to store items at locations outside the United States in anticipation of support to other authorized customers.

Predetermined Rate

The rate established by appropriate authority for use in computing recoverable amounts.

Prevalidation

A procedure that requires a proposed payment be identified/matched to its applicable proper supporting obligation that has been recorded in the official accounting system and that the line(s) of accounting cited on the payment match the data recorded in the accounting system.

Private Parties

Consists of non-U.S. Government activities; foreign governments, firms, and organizations; and international organizations, other than Foreign Military Sales (FMS) customers and FMS/International Military Education and Training Program (IMET) recipients.

Project Order

An order for goods or services issued under the authority in *41 U.S.C. § 6307* to a separately managed and financed Federal Government owned and operated establishment. See Volume 11A, Chapter 2.

Property Book

A documentary record of every item on a "Table of Organization and Equipment List," or other type of allowance list, showing that a unit is prepared to accomplish its assigned mission. The property book lists both capitalized and expensed assets, shows quantities on hand, items due in, open requisitions, unit prices, hand receipts.

Realized Variance (Foreign Currency Fluctuations)

The difference between actual obligations at the budget rate (approved execution rate) and the foreign exchange rate in effect at the time of payment (liquidation of the obligation). The variance is equal to the amount disbursed from the applicable centrally managed allotments.

Real Property

Fixed assets that are comprised of land and the rights to land; buildings to include capitalized additions, alterations, improvements, and rehabilitations; and other structures and facilities. Real property does not include personal property (weapons systems and other military equipment).

Reapportionment

An Office of Management and Budget approved change to the previously approved apportionment for the current year. See “Apportionment.”

Reappropriation

Statutory authority to restore or extend the obligational availability, whether for the same or different purpose, of all or part of the unobligated balance of budget authority that has expired or otherwise would expire in an annual or multiple-year appropriation. Reappropriation transactions require non-expenditure transfer of the funds involved from the expired or otherwise expiring account to the designated current account when the unobligated balance has not been withdrawn to the surplus fund of the U.S. Treasury. If the unobligated balance has been withdrawn, then the transaction requires a warrant. Reappropriations that provide funds to a fiscal year for which they were not previously available constitute new budget authority in the receiving account.

Refunds

Recoveries of overpayments that result from errors in paying invoices or from items returned to vendors. Also see "Refunds and/or Transfers (Current Year)" and "Refunds and/or Transfers (Prior Year)."

Refunds and/or Transfers (Current Year)

Industrial fund amounts transferred on a non-expenditure basis which represent the transfer of revenue collected through stabilized rates which: (1) is in excess of current year costs or (2) otherwise exceeds the purpose for which initially intended in the current year. These transfers are generally made to appropriated funds and provided for in a general provision contained in the applicable annual appropriation act.

Refunds and/or Transfers (Prior Year)

Industrial fund amounts transferred on a non-expenditure basis, which represent the transfer of amounts associated with prior year efforts or sales. These amounts usually represent the transfer of revenue collected through stabilized rates which: (1) were in excess of [then] current year costs or (2) otherwise exceeded the purpose for which initially intended. These transfers are generally made to appropriated funds and provided for in a general provision contained in the applicable annual appropriation act.

Reimbursable Order

An order for services, supplies, material, or equipment placed by a requiring (or ordering) DoD Component (or Federal Agency) and furnished by another DoD Component (or Federal Agency) without separate identification of the items, or separate citation of the funds of the requiring DoD Component; and with subsequent delivery to and reimbursement by the requiring DoD Component. The requiring DoD Component records the reimbursable order as an obligation when the servicing (or performing) DoD Component accepts the reimbursable order in writing.

Reimbursements

Amounts earned and collected for property sold or services furnished either to the public or to another Federal accounting entity. To be an appropriation reimbursement, the collection must be authorized by law for credit to the specific appropriation or fund account.

Replacement Cost

Obligations to be incurred at a future time to procure equipment or material in place of items, which have been sold or transferred. There are two methods used to determine replacement cost: (1) Applying the OSD prescribed inflation factor to the most recent contract price of the item to be replaced. The inflation factor is applied to each fiscal year between the year the item sold or transferred was acquired and the fiscal year in which the replacement item will be delivered. (2) Obtaining a current contractor quote for the replacement item. Normally the second method is the most accurate method.

Reprogramming

Realignment of budget authority from the purpose for which appropriated to finance another (usually emergent, unfunded) requirement. A necessary, desirable, and timely device during execution of Defense programs for achieving flexibility in the use of DoD funds provided in appropriation acts.

Reschedule

(Restructure, refinance, forbear, re-amortize, or defer) to establish new terms or conditions in order to facilitate the repayment of debt. For example, stretching out or extending into the future such payments.

Rescission

Legislation that cancels budget authority previously provided by Congress before the time when the authority would otherwise lapse, that is, cease to be available for obligation.

Reserves

Portions of budgetary resources set aside by OMB to (1) provide for contingencies, or (2) effect savings made possible by or through changes in requirements or greater efficiency of operations.

Residual Value

Residual value is the estimated value remaining at the end of a capital asset's useful life to DoD or the amount that can be expected to be recovered from the asset's disposal when it is removed from service.

Resource Manager

An individual who ensures proper assignment of funds, validates the funds cited on a commitment or obligation document are accurate and available, and maintains funds control to include funding and spending limits.

Restoration

An unobligated amount previously withdrawn by administrative action to the merged surplus balances that is again made available to fund within scope increases to original obligations or to fund other Congressionally approved programs pursuant to law.

Revolving Fund Accounts

Accounts authorized by specific provisions of law to finance a continuing cycle of business-type operations, and which are authorized to incur obligations and expenditures that generate receipts.

Sequestration

Sequestration means the permanent cancellation of budgetary resources. The Statutory Pay-As-You-Go Act of 2010 requires such cancellations if revenue or direct spending legislation is enacted that, in total, increases projected deficits or reduces projected surpluses relative to the baseline. Under the law, selected mandatory programs would be subject to across-the-board cancellations. BBEDCA, as amended, requires such cancellations if discretionary appropriations exceed the statutory limits on discretionary spending.

Special Fund Accounts

Separate receipt and expenditure accounts established to account for receipts of the Government that are earmarked by law for a specific purpose but are not generated by a cycle of operations for which there is continuing authority to reuse such receipts.

Special Fund - Expenditure Accounts

Accounts established to record amounts appropriated, or otherwise made available by transfers from a special fund receipt account to be obligated and expended for special programs in accordance with specific provisions of law.

Special Funds - Receipt Accounts

Accounts credited with receipts from specific sources that are earmarked by law for a specific purpose, but which are not generated from a continuing cycle of operations.

Specialized or Technical Services

Statistical and other studies and compilations, developmental projects, technical tests and evaluations, technical information, training activities, surveys, reports, documents, and any other similar service functions that any Federal Agency is especially equipped and authorized by law to perform.

Standard Financial Information Structure (SFIS)

The SFIS is a comprehensive data structure that supports requirements for budgeting, financial accounting, cost/performance, interoperability, and external reporting needs across the DoD enterprise. It is a common business language that enables budgeting, performance-based management, and the generation of financial statements. SFIS standardizes financial reporting across DoD and allows revenues and expenses to be reported by programs that align with major goals, rather than basing reporting primarily on appropriation categories.

Standard Line of Accounting (SLOA)

The SLOA, a series of alpha and numeric characters appearing on accounting source documents, is a subset of the Standard Financial Information Structure (SFIS) data standard elements. Also referred to as the accounting classification code, the SLOA is comprised of the minimum SFIS data elements that must be exchanged for business events that have an accounting impact at any point from the initial commitment to the final posting in the appropriate general ledger. This includes commitments, obligations, expenditures, and disbursements. The characters provide the information necessary to enter transactions into DoD accounting systems.

Suballotments

Subdivisions of allotments. (See "Allotments" and "Apportionment.")

Suspense Account

A clearing account established by the U.S. Treasury's Financial Management Service to temporarily hold unidentifiable general, revolving, special, or trust fund collections that belong to the Federal Government. The funds remain in the suspense accounts until they can be reclassified to the proper receipt or expenditure accounts. Collections should be reclassified from suspense accounts within 60 days.

Tangible Assets

Depreciable property, plant, equipment, and software developed, manufactured, transferred, or acquired for a determinable cost meeting or exceeding the established capitalization threshold; are used over a period (useful life) estimated to be 2 years or greater; and generally become economically worthless (except for residual value) at the end of their estimated useful lives.

Transfer

Movement or shifting of budgetary resources from one budget account to another. Agencies may transfer budget authority only as specifically authorized by law. For budgetary accounting purposes, the nature of the transfer determines whether the transaction is recorded as an expenditure transfer, which means a transfer that involves an outlay, or as a nonexpenditure transfer, which means a transfer that does not involve an outlay.

Transportation Costs

The costs incurred for shipment of material.

Treasury Financial Communications System

The computer-to-computer link between the U.S. Treasury and the Federal Reserve Bank of New York.

Trust Fund

A type of account, designated by law as a "trust fund," regardless of any other meaning of the term "trust fund." A trust fund account is usually either a receipt, an expenditure, or a revolving fund account (trust revolving fund account). Trust revolving fund accounts have no receipt account and the collections are credited directly to the expenditure account.

Trust Fund Expenditure Accounts

Accounts that are established to record amounts appropriated, or otherwise made available by transfer from a trust fund receipt account to be obligated and expended in carrying out the specific purposes, or programs, in accordance with the terms of the trust agreement or statute.

Trust Fund Receipt Accounts

Receipt accounts that are credited with collections (governmental receipts or offsetting receipts) generated by the terms of a trust agreement or statute.

Trust Revolving Fund

The name given to a fund entity when a trust fund corpus is established to perform a continuing cycle of business-type operations in accordance with the trust agreement or statute, in which case a combined receipt and expenditure account is used.

Undelivered Orders

The value of goods and services ordered and obligated that have not been received. This amount includes any orders for which advance payment has been made but for which delivery or performance has not yet occurred.

Undistributed Transactions

Undistributed disbursements or collections represent transactions that have occurred and been reported to the Department of the Treasury but have not yet been recorded in the general ledger of the accounting system.

Unearned Revenue

Revenue from DoD customers collected in advance of earnings and prior to delivery of goods or services.

Unexpended Balance

The sum of the unobligated balance and the un-liquidated obligation balance of an appropriation.

Unexpired Accounts

Appropriation or fund accounts in which the balances are available for new obligations. Audit requirements, limitations on obligations, and reporting requirements applicable to unexpired accounts must continue to apply after the end of the period of availability for obligation or expenditure of that account.

Unfilled Customer Orders

The amount of orders accepted from ordering accounting entities within the U.S. Government for goods and services to be furnished on a reimbursable basis; or, in the case of transactions with the public, amounts collected in advance, for which the accounting entity has not yet performed as requested.

Unfunded Cost

Costs not financed by the performing activity's current appropriations or fund accounts. Applicable types of cost include interest on investment and accrued annual leave.

Unified Combatant Command

A unified combatant command is a military command which has broad, continuing missions and which is composed of forces from two or more Military Departments. Unified combatant commands are established by the President, through the Secretary of Defense, with the advice and assistance of the Chairman, Joint Chiefs of Staff.

Unliquidated Obligation Balance

The amount of obligations that have not been liquidated by payments (disbursements).

Unmatched Transactions

A disbursement and/or collection transaction that has been received and accepted by an accounting office, but has not been matched to the correct detail obligation. This includes transactions that have been rejected back to the paying office or central disbursement clearing organization by an accounting office.

A. Unposted Unmatched: Transaction (disbursement or collection) that has been reported to the Treasury Central Accounting Reporting System (CARS) and has been received and processed by an accounting system, but was unable to post to Fund Balance with Treasury (FBWT) 101000 and point account in the accounting system general ledger because it failed to match a detailed document obligation or work order.

B. Posted Unmatched: Transaction (disbursement or collection) that has been reported to the Treasury CARS, has been received and processed by an accounting system, and posted to FBWT 101000 and point account in the accounting system general ledger, but failed to match a detailed document obligation or work order.

Unobligated Balance

The cumulative amount of budget authority in an unexpired account that is not obligated and that remains available for obligation under law.

Unrecorded Obligations

Obligations that were incurred legitimately during the period of fund availability, but were not recorded in the Component's records prior to expiration or cancellation of the appropriation or fund. For purposes of this guidance, "unrecorded" obligations are included in obligation adjustments. Current accounts may be used to pay previously unrecorded obligations chargeable to a closed account.

User

An individual, organization, or accounting entity that receives services. A user may be internal or external to the DoD Component.

Warehousing

Costs normally incurred for labor, materiel, or services in packing item(s) that are removed from DoD storage, preparing item(s) for shipment, and processing related materiel release documents.

Withdrawal

The transfer of the unobligated balance from an expired annual or multiple-year appropriation to the surplus account of the U.S. Treasury's general fund, or, if appropriate, to the special fund or trust fund from which derived.

Write off

As a budgetary term, write-off means the withdrawal from availability for obligation of an unobligated balance from a no-year appropriation. It excludes amounts withdrawn from expired accounts and amounts rescinded by the Congress. As an accounting term, write-off refers to the removal of a delinquent accounts receivable that is considered not collectible or not cost effective to pursue further collection efforts. A write-off is not a correction to the accounting records resulting from an accounting error.

Work in Process

Costs of the materials, labor, and indirect costs used in producing an end item (customized equipment or personal property), whether fabricated by a DoD working capital fund or by a non-DoD organization under contract.

Year-end Adjustments for Reimbursements

Accounting entries made to eliminate anticipated reimbursements for orders not accepted, eliminate those unobligated accepted orders that are no longer valid obligations of the ordering activity, and transfer valid unobligated reimbursable balances from expiring and non-expiring accounts to the most current ensuing fiscal year accounts. The exception is for unobligated balances resulting from earned reimbursements (that is, sales from inventory or performance of in-house services), which must be retained in non-expiring accounts until account expiration.